Q2 2009: Inside this Issue

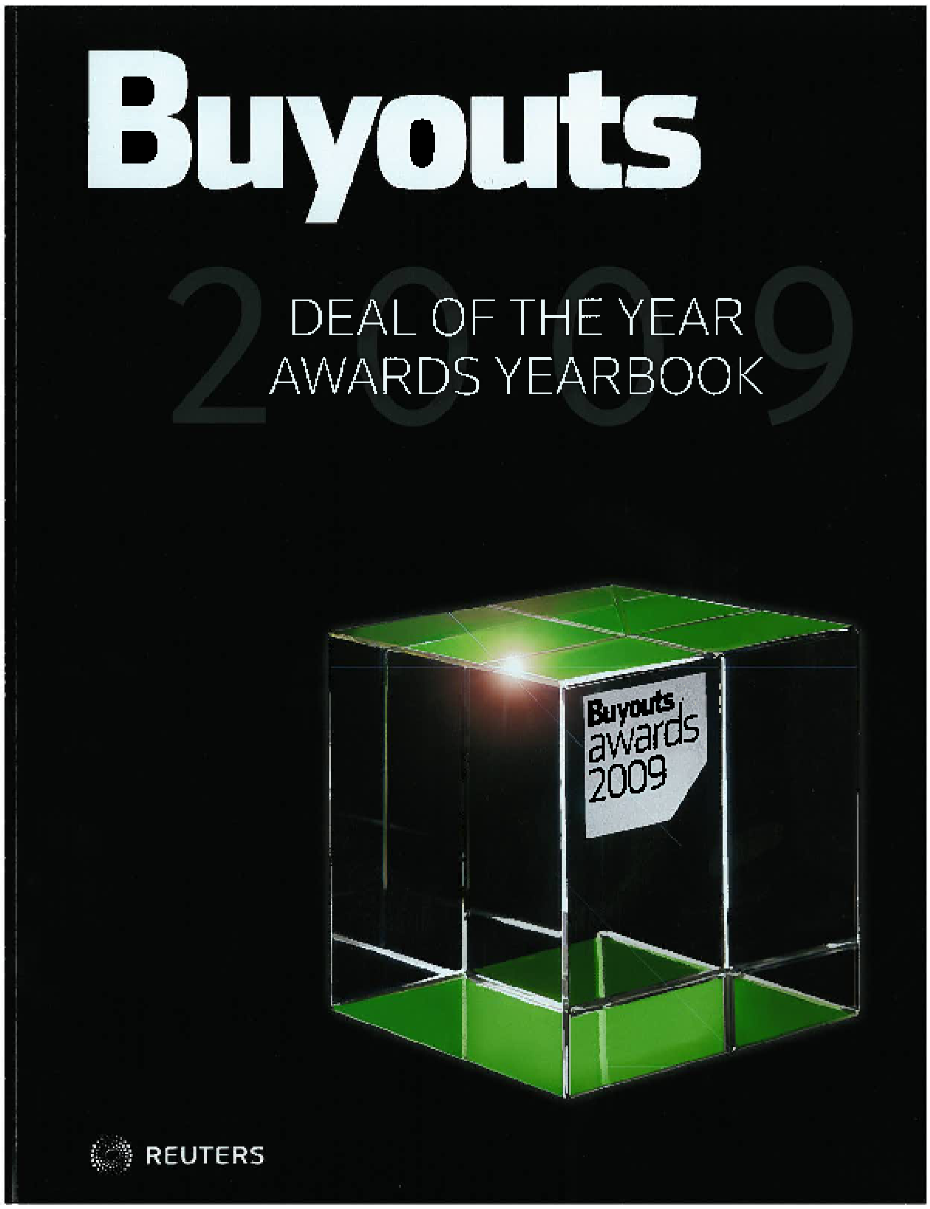
Key topics covered in this issue include:

Mid-Market Investment Bank of the Year — Lincoln International LLC

Lincoln International, was named “Middle Market Investment Bank of the Year” by Buyouts magazine, accepting the award on March 26th at the Buyouts East Conference held at the Grand Hyatt hotel in New York City.

In this ninth annual Buyouts awards program, all of the nominated firms for Middle Market Investment Bank of the Year were judged on transaction volume, innovation, flexibility, timeliness, deal prices, the ability to overcome obstacles, and overall reputation in the marketplace.

In its March 30th yearbook issue, which announces the award winners, Buyouts highlights Lincoln’s exceptional growth in 2008, “while others shrunk,” referring to the firm’s opening offices in London, Madrid and Tokyo as well as the addition of 17 investment bankers in the United States, 16 in Europe and four in Asia. The article goes on to say that “Despite the expansion activity, Lincoln International has never lost sight of its primary goal: closing deals,” indicating that the firm closed a total of 59 transactions in 2008, the second highest in the firm’s history – almost half of which were completed with private equity firms.



“We are honored to be named the Middle Market Investment Bank of the Year by Buyouts. This is widely recognized as a high distinction for M&A advisors by the private equity community in the U.S.,” said Jim Lawson, Co-Chairman and Managing Director of Lincoln International. “Our bankers have worked hard on behalf of our private equity clients in good times and in challenging ones, and it is very satisfying to be rewarded for those efforts.”

Lincoln Advises Wieland Dental + Technik GmbH and ARQUES Industries AG

Lincoln International advised Wieland Dental + Technik GmbH on the divestiture of Wieland Dental Implants to CAD Implants SIA.

The German-based Wieland Dental + Technik GmbH together with Management sold its subsidiary Wieland Dental Implants GmbH, Wiernsheim, Germany to CAD Implants SIA, Riga, Latvia.

Wieland Dental Implants GmbH is a manufacturer of an innovative implant system and respective equipment for the dental industry. Its products are sold to dentists and dental laboratories throughout Germany. Most other EU countries are covered by distributors. In 2005, Wieland Dental + Technik GmbH, Hoelper & Hoelper GmbH and managing partner Rolf Scherberger jointly founded the start-up company.

Wieland Dental + Technik GmbH is a leading mid cap company that offers products and services in the area of dental, recycling and precious metals industry.

Lincoln International AG advised Wieland Dental + Technik GmbH as exclusive financial advisor in connection with this sell-side engagement.

Lincoln International Advised ARQUES Industries AG on the Divestiture of Rohner AG

Lincoln International AG advised ARQUES Industries AG as exclusive financial advisor in connection with the divestiture of its shares in Rohner AG.

ARQUES Industries AG, Stranberg, Germany sold its shares in the subsidiary Rohner AG, Pratteln, Switzerland in a package deal to the Luxembourg based Private Equity company BluO.

Rohner AG is a Switzerland based premier Custom Manufacturer (CMO) of Active Pharmaceutical Ingredients (APIs) and specialty chemical intermediates on a custom synthesis and toll manufacturing basis for leading pharmaceutical and specialty chemical companies. The Company has been part of the ARQUES investment portfolio since March 2006. The previous owner of Rohner had already announced the shutdown of production. Under the management of ARQUES Industries AG, Rohner was already operating profitably after less than 18 months and is now on a sustainable growth course.

Q1 2009 Market Commentary — Specialty Chemicals

The charts on the following page provide a statistical summary of deal and market activity in specialty chemicals during the quarter and last twelve months ended March 31, 2009, as collected by Capital IQ. There were several notable transactions announced in the first quarter, as follows:

On March 9, 2009 Dow Chemical and Rohm & Haas reached an agreement to close the acquisition on substantially altered financials terms by April 1, 2009. On April 2, 2009 Dow completed the acquisition of Rohm & Haas. The transaction was valued at approximately $18.8 billion total enterprise value, or 13.4x December 31, 2008 EBITDA of $1.4 billion.

On February 13, 2009 21 Centrale Partners, a French private equity firm, announced an agreement to acquire Prezioso Technilor, a France-based developer of anti-corrosion, insulation and a range of specialist coatings, for €80 million ($103.0 million) in cash.

On January 5, 2009 Frutarom (UK) Ltd. announced its acquisition of UK based Oxford Chemicals, Ltd. a manufacturer and supplier of high impact aroma chemicals. The transaction closed on February 2, 2009 for approximately £8.3 million ($12.4 million).

Specialty chemicals announced deal volumes were down as a whole in Q1 2009 as compared with Q1 2008. Q1 2009 included 34 announced transactions compared to 54 in in Q1 2008, a decline of 37%.

Overall deal volume was marginally down in Q1 2009 compared to Q4 2008. By region, Q1 2009 deal volumes were up from Q4 2008 in the United States and Canada, increasing from 5 transaction in Q4 2008 to 10 transactions in Q1 2009. In Europe transaction volume increased to 19 transactions in Q1 2009 up from 16 in Q4 2008, and in Asia and the rest of the world total specialty chemicals deal volume declined from a total of 16 transactions in Q4 2008 to 5 transactions in Q1 2009.

Lincoln's chemical industry indices have declined significantly since April 1, 2008. These indices have however limited their decline since Q3 2008 and stabilized since the beginning of January 2009. For the trailing four quarters, the LI Diversified Chemicals Index underperformed and the LI Specialty Chemicals Index has outperformed the S&P 500 Index.

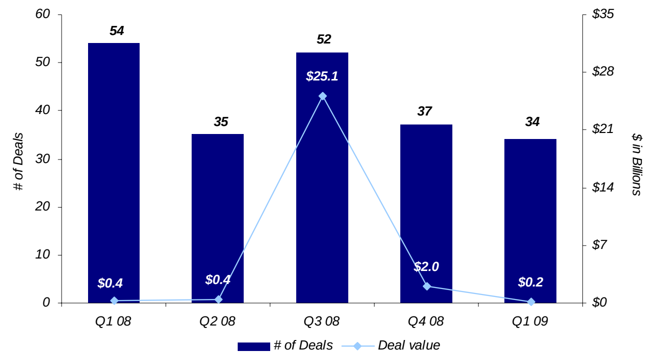
EV / EBITDA multiples for public chemicals companies have slowed their decline for both large and mid cap companies for Q4 2008 to Q1 2009 as compared to the sharp decline from Q3 to Q4 2008. Multiples for large cap companies dropped from an average of 5.7x at the end of Q4 2008 to 5.5x at the end of Q1 2009, while mid cap multiples showed increased softness as multiples traded down to 4.9x in Q1 2009 from 5.2x in Q4 2008.

Despite challenging market conditions, Lincoln Interntional continues to close transactions in 2009. Lincoln's recent successes are evidence that despite the challenging market, deals are still getting done.

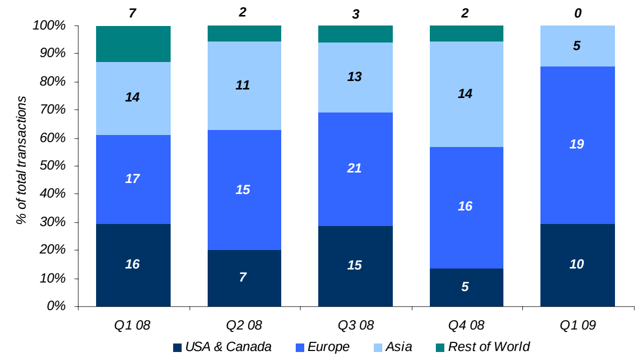
Source: Capital IQ, Mergermarket
Exchange rate used: €1 = $1.287
£1 = $1.493

Q1 2009 Key Market Statistics — Specialty Chemicals

M&A Transaction Activity vs. Deal Value
(Announced transactions and transaction values)



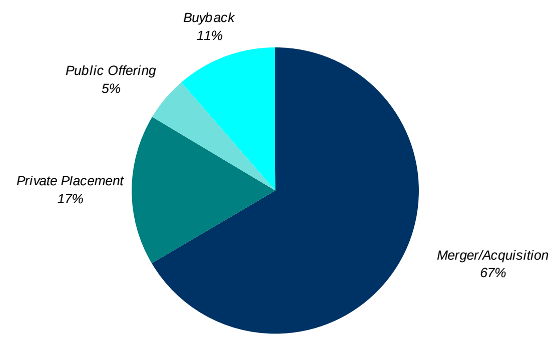
M&A Transactions by Region
(Announced transactions)



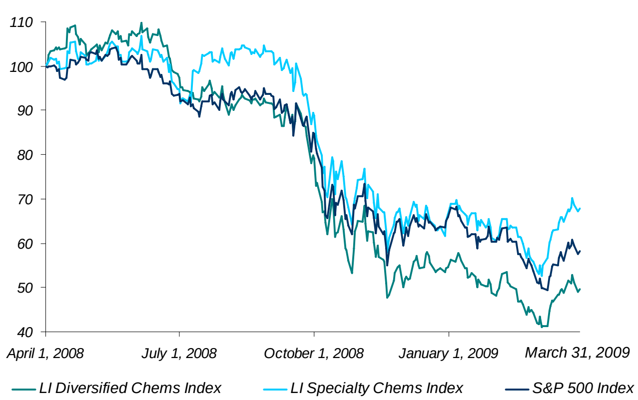
Most Active Buyers / Investors (Last Twelve Months)
(Based on announced transactions and transaction values)

Top 10 Buyers by No. of Deals		Top 10 Buyers by Deal Size	
Company Name	No. of Deals	Company Name	Deal Size ($mm)
Akzo Nobel NV	5	Dow Chemical Co.	$ 18,792
3M Co.	3	BASF SE	5,655
BASF SE	3	Skion GmbH	1,148
Behr Bircher Cellpack BBC	3	Snow Phipps Group, LLC	300
Altana AG	2	CBPE Capital	232
Chemetall Corp	2	JC Hempel's Skibsfarve-Fabrik A/S	148
HB Fuller Co.	2	3M Co.	134
Heidelberger Druckmaschinen AG	2	Endless LLP	131
Imdex Ltd.	2	21 Centrale Partners	103
Jiangxi Black Cat Carbon Black Co. Ltd	2	Ashland Inc.	92
Total Top 10	26	Total Top 10	$ 26,736

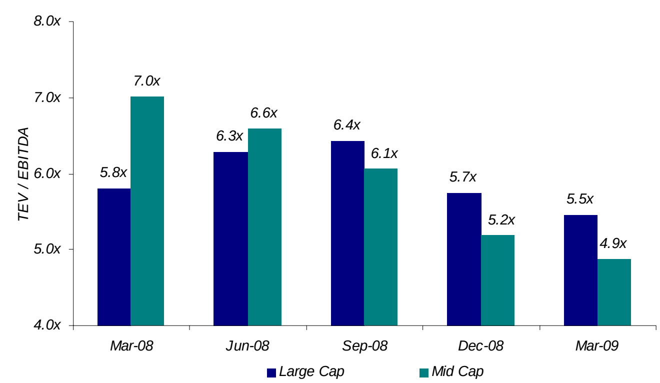
All Transactions by Type (Last Twelve Months)



Public Market Performance



Enterprise Value / EBITDA (Last Twelve Months)



(1) LI Diversified Chems Index: AKZA, ASH, BAS, CBT, CE, CLX, DD, DOW, EMN, FMC, HUN, MON, OLN, POL, PPG, RHA
(2) LI Specialty Chems Index: Includes all companies in the Large Cap and Mid Cap groups
(3) Large Cap group includes: ALB, APD, ARG, CEM, CYT, ECL, FUL, GRA, IFF, LZ, NLC, PPG, ROC, ROH, RPM, SIAL, VAL
(4) Mid Cap group includes: ARJ, CBM, FOE, NEU, OMG, SHLM, SXT

SOURCE for all data on this page: Capital IQ, Inc. (division of Standard & Poor's), Lincoln International and public filings

The Three-Way Takeover Battle in Fertilizer

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On January 15th, 2009, CF Industries ("CF") unveiled an unsolicited all-stock bid for Terra Industries ("Terra") that valued its rival fertilizer maker at $2.1 billion, resulting in a 2008 EBITDA multiple of 2.4x and an estimated 2009 EBITDA multiple of 3.5x. The announced bid was an all-stock offer of 0.4235 shares of CF Industries for each share of Terra or $20 per share. The deal structure required no debt financing which eliminated the dependency on lending markets for anything more than the refinancing of some CF bonds. Analysts viewed the deal as a positive for both companies; however, the unsolicited nature of the bid made analysts believe that CF would either raise the price for Terra or would engage in a proxy contest in order to effect a transaction. Terra rejected CF's offer as too low.

On February 23rd, 2009, CF officially launched a tender offer for Terra along with a plan to replace representatives on Terra's board. The next negotiation hurdle was the price. CF's shares were pushed so high that the bid was worth $23.60 a share, an 18% premium to its earlier offer.

On February 25th, 2009, Agrium announced a $72 per share cash-and-stock offer for CF, urging CF to drop the Terra offer. The deal valued CF at $3.6 billion, resulting in a 2008 EBITDA multiple of 2.9x and an estimated 2009 EBITDA multiple of 4.7x. Agrium expected to achieve significant operating synergies well in excess of those contemplated in CF's proposal to acquire Terra. A combined Agrium-CF would become the world's fourth-largest fertilizer producer, with annual sales of approximately $14 billion.

On March 9th, 2009, CF rejected the cash and stock offer from Agrium and raised its bid for Terra to $27.50 in stock for each Terra share based on an exchange ratio dependent upon CF's stock price of 0.4129 to 0.4539 per share. This revised offer valued Terra at an approximate enterprise value of $2.7 billion. CF also increased forecasted synergies from $105 million to $135 million, compared with "over $100 million" when the offer was made. In addition, CF nominated three alternative directors to the Terra board in an effort to promote its bid.

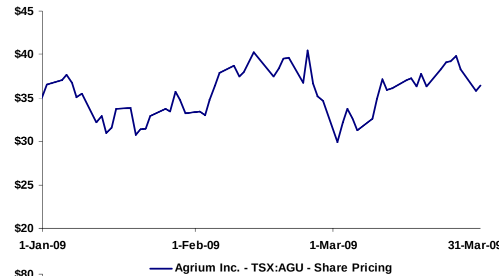
On March 11th, 2009, Terra rejected CF's $2.7 billion offer further, complicating the three-way takeover struggle.

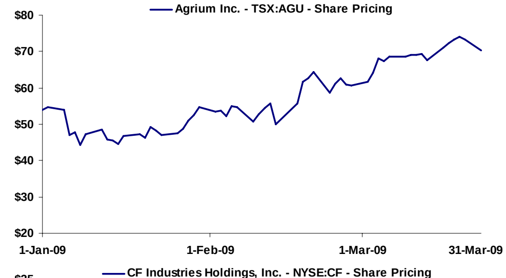
On March 16th, 2009, Agrium commenced an exchange offer for all of the outstanding shares of CF. Under the terms, CF stockholders would receive $31.70 in cash and 1.0 common shares of Agrium for each CF share. Alternatively, CF stockholders would have the option to receive either 1.7866 common shares if Agrium or $72 in cash, subject to prorating. In aggregate, not more than 44% of the shares tendered will be exchanged for cash and not more than 56% of the shares tendered were to be exchanged for Agrium common shares. The offer and withdrawal rights are set to expire on May 19th, 2009.

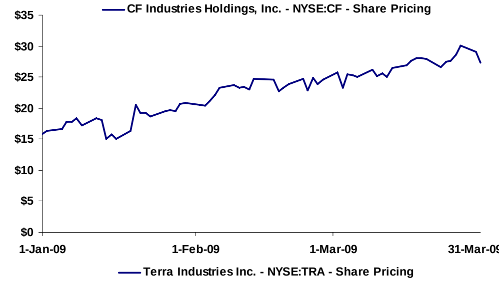
On March 23rd, 2009, CF sweetened its all-stock bid for Terra to $3.07 billion while again recommending its shareholders reject an unsolicited offer from Agrium. The revised bid of $30.50 per share represented an additional 11% premium over the previous offer.

On March 27th, 2009, Agrium increased the cash portion of its CF offer to $35 from $31.70 per share keeping the stock portion the same. The latest offer valued CF at $74.90 a share, 5.5% higher than Agrium's initial bid for $72 per share, or $3.6 billion in total.

On April 6th, 2009, Agrium filed its proxy statement with the Securities and Exchange Commission and said it will send a letter to CF shareholders, urging them to withhold votes for CF's three board nominees.







Agrium Inc. produces and markets agricultural nutrients, industrial products, and specialty products worldwide. The company is involved in the retail supply of agricultural products and services in North and South America.

CF Industries Holdings, Inc. manufactures and distributes nitrogen and phosphate fertilizer products in North America. The company operates in two segments Nitrogen and Phospahate which are primarliy used in agricultural fertilizer applications.

Terra Industries Inc. engages in the production and marketing of nitrogen and methanol products for agricultural and industrial markets in North America and the United Kingdom. The company offers fertilizers, as well as nitric acid, carbon dioxide, and dinitrogen tetroxide.

M&A Deal Watch: Dow Chemical closes the Rohm & Haas deal

In conclusion of the widely publicized Dow Chemical and Rohm & Haas transaction, on April 2nd, 2009 Dow completed the acquisition of Rohm & Haas. To finance the $18.8 billion deal, Dow received funds from Berkshire Hathaway and Kuwait Investment Authority in addition to the $7 billion in preferred stock offering and $9.23 billion of short-term borrowing. Dow also agreed to sell the Morton Salt unit of Rohm & Haas for $1.68 billion to Germany's K&S AG, which will reduce the borrowings on the loan to $7.5 billion. Dow had struggled to get financing for the acquisition of Rohm & Haas after the collapse of the joint venture with Kuwait state-owned company. Dow had planned to use the $9 billion proceeds to help pay for the Rohm & Haas acquisition. A day earlier on April 1st, 2009, Standard & Poor's cut the company's overall debt rating to 'BBB-' from 'BBB' due to its high leverage in a very challenging economic environment.

Spotlight Interview: Chris Cerimele on the State of Chemicals M&A Activity

Q: What is the overall outlook for M&A (deal volume, values, and multiples)?

A: The overall outlook for M&A, (deal volumes, values, and multiples) is that deal volume will continue to be depressed in 2009. For the twelve months ended January, FactSet Mergerstat reported that deal volume was down 30% year-over-year. I do not see a significant change until the economy stabilizes and the credit market comes back. Deal values will also continue to be down because there are fewer big deals getting done right now – companies are less willing to make a big bet on a large acquisition when the economy is struggling and many firms are fighting to keep their own financial performance stable.

Multiples are difficult to measure in this market because there are fewer transactions. Seller expectations are still, on the whole, higher than buyer expectations except with deals that are highly strategic fits or where the seller is motivated to sell due to financial difficulty or some other factor. This is contributing to the decline in deal volume. Much of the multiples data we have right now are for distressed transactions and if that activity continues then we would expect to see a continuing downward trend in multiples for the market as a whole.

Q: Who has the ability (and nerve) to invest in this environment?

A: There are still many companies, both large and small, who have cash or access to capital. The ones with the nerve to invest are the bargain hunters and those companies who are presented with an opportunity that is a very strategic or a complementary fit to their existing business.

Q: What types of deals can get done in this environment

A: There are two primary types. First are distressed deals, where the seller is motivated by the need to do a transaction in order to avert bankruptcy or where they are in or near default on their debt. An example is Chemtura, which has said they are exploring asset sales to help payoff a large principal payment on debt that is coming due in July. The second type are highly strategic deals, where the buyer is already in the same business as the seller and can use the transaction to help achieve growth or realize significant synergies. Examples are Agrium and CF Industries or CF Industries and Terra Industries.

Q: Will strategic players become more aggressive?

A: We have seen strategic players become less aggressive since the beginning of November when the chemical industry took a hard turn for the worse. The past few months since then have sapped the willingness of many strategic players to do deals because they have had to focus on their own operations and balance sheets. I think there will need to be a clear sign of a bottom in the industry's performance before strategic players as a whole will become more aggressive. In the mean time, there will be pockets of activity for the right kinds of deals.

Q: Is there still potential for Asian and Middle East investors?

A: Until recently, Japanese investors were still very active in the market even while everyone else was pulling back. In the past few months, economic events have hit Japan fairly hard and our Japanese clients have become more conservative in their M&A activity.

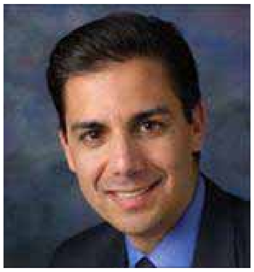
We are still having discussions with Indian pharma chemical companies and they remain cautiously interested in opportunities in the US and Europe. However, given the drop in oil prices we have not seen as much activity by Middle East investors. Kuwait's withdrawal from the joint venture with Dow Chemical is an example.

Q: How active are financial buyers?

A: Financial buyers continue to struggle with the depressed lending markets that they rely so heavily on to fund their leveraged acquisitions. They are still out looking for deals and most are more willing to be flexible with transaction structures in order to help overcome credit shortfalls.

Q: What is the credit/bond market outlook? What is borrowing like in this environment?

Chris Cerimele is Co-Head of Lincoln International's Global Chemicals Group and is based in Chicago



A: Borrowing remains a challenge compared to prior years but we are finding that the lending market is often open for the right deal. We do not think the credit market outlook will get much worse because it has been stable for some time and there is increasing pressure on banks to lend money. The easiest way to finance a deal in this environment is to work with an existing bank that has a longstanding relationship with the buyer, or to have a strong borrowing base of assets that can provide security for a credit facility.

When borrowing is available, banks are more stringent than they were in the past. Leverage multiples have come down by around 1 to 2 multiples of EBITDA since the market peak, pricing is more expensive and covenants are more restrictive.

Q: Will the downturn accelerate restructuring as sellers and buyers overhaul portfolios?

A: Absolutely. We have already seen a wave of restructuring announcements across the chemical industry beginning in early December. Many chemical companies are struggling to meet debt obligations. This has already begun to drive divestiture activity (Chemtura) and bankruptcies (Merisant) and I predict that such activity will increase in the next few months unless chemical industry demand picks up soon.

Q: What are the most active sectors?

A: There is still a lot of activity in pharmaceuticals and agrochemicals. We also expect to see more consolidation in petrochemicals since that market has been under such duress for the past 3 to 4 months.

Lincoln International's Global Footprint

More than 70 professionals in the U.S.

More than 55 professionals plus a 19-person advisory board in Europe

Office in Japan and strategic partnerships in China and India

Indicates Lincoln International office

Indicates strategic partnership and/or Lincoln International personnel

Announcement

Lincoln International was announced as a winner on Monday, March 16 at the 3rd Annual Turnaround Awards Gala at the Colony Hotel in Palm Beach, FL. Lincoln International was awarded the "Distressed M&A Deal of the Year under $100 million" award for its outstanding work in advising Reunion Industries, Inc. on its sale of CP Industries to Everest Kanto Cylinder in April 2008.

Lincoln International was chosen among 107 other finalists. The Turnaround Awards Gala honored excellence in deal-making in the distressed investing, restructuring and turnaround marketplace. An independent body of experts that span the turnaround industry judged and determined the ultimate recipients of the award.

THE M&A ADVISOR TURNAROUND AWARDS
2009 WINNER

About Lincoln International

Lincoln International specializes in merger and acquisition services, debt advisory services, UK pension advisory services and providing fairness opinions and valuations for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, London, Los Angeles, Madrid, New York, Paris, Tokyo and Vienna, and strategic partnerships with China Everbright in China and ICICI Securities, Inc. in India, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com

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