

MERGERS AND ACQUISITIONS ACROSS THE PERSONAL CARE VALUE CHAIN

A presentation to



April 19, 2007



AGENDA

Overview of Kline & Company

M&A in Personal Care

Questions and Answers



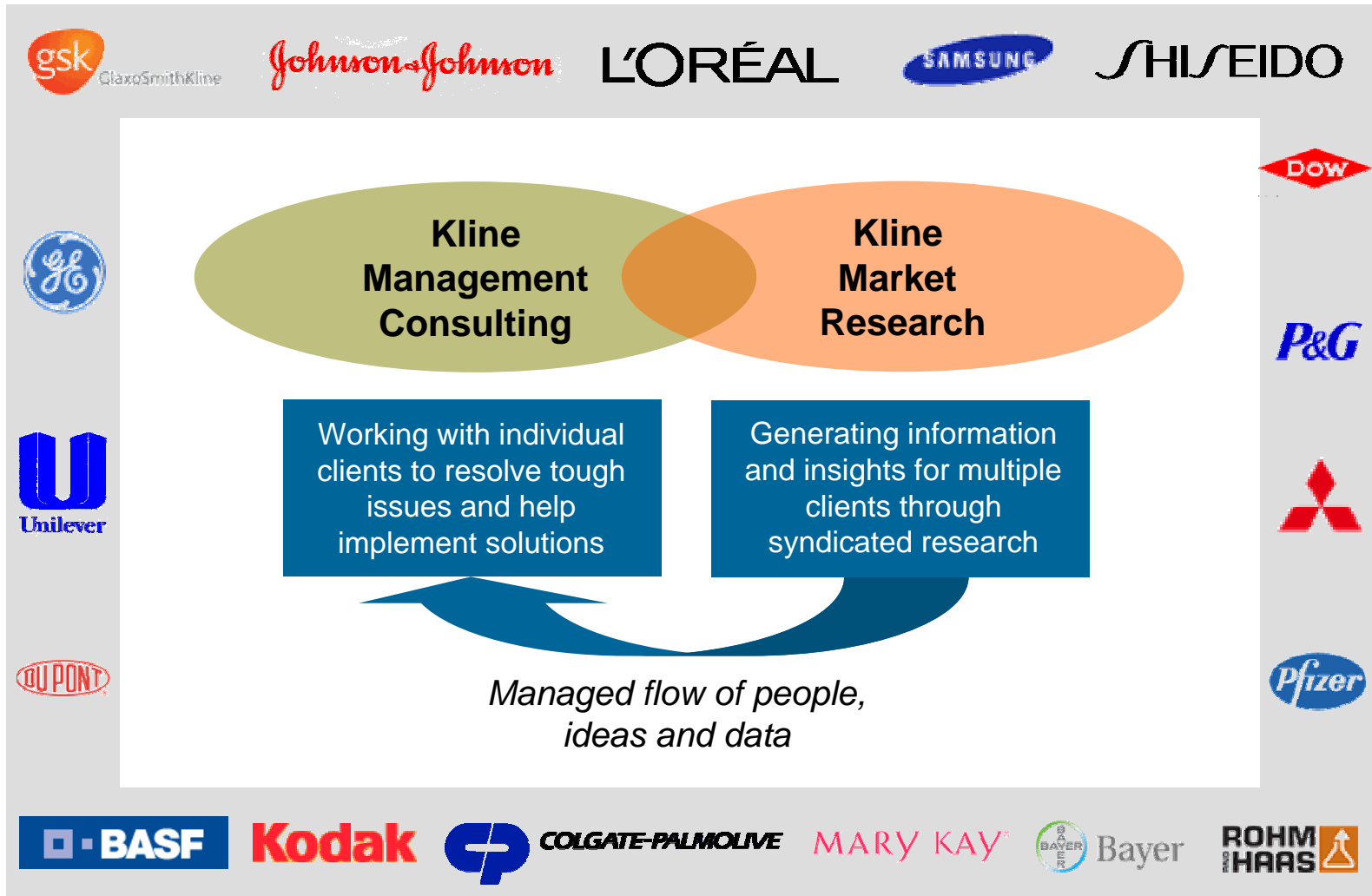
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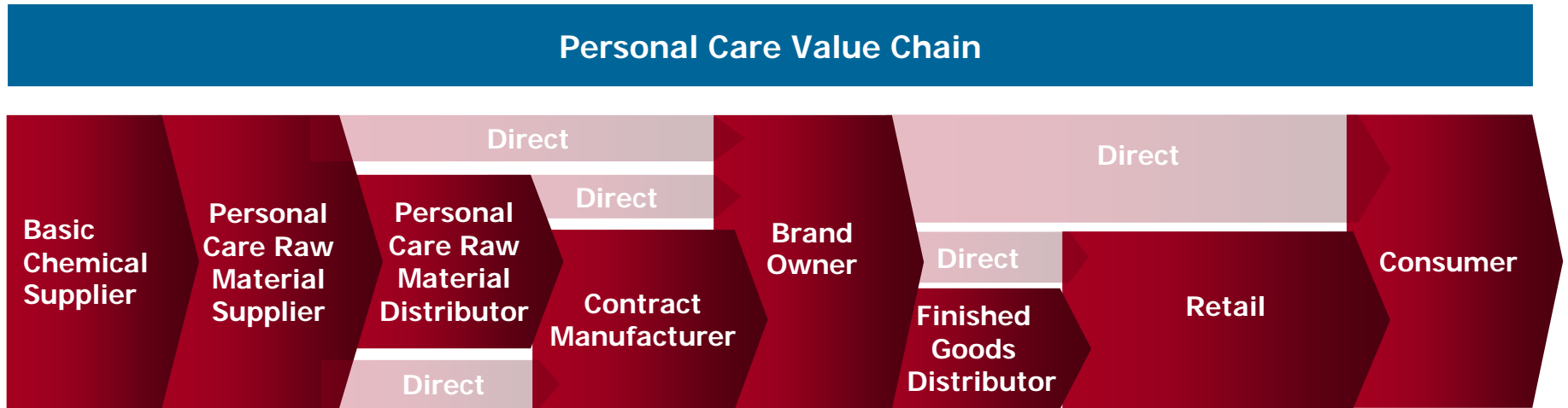
Questions and Answers

Kline & Company is a leading global management consulting and market research firm



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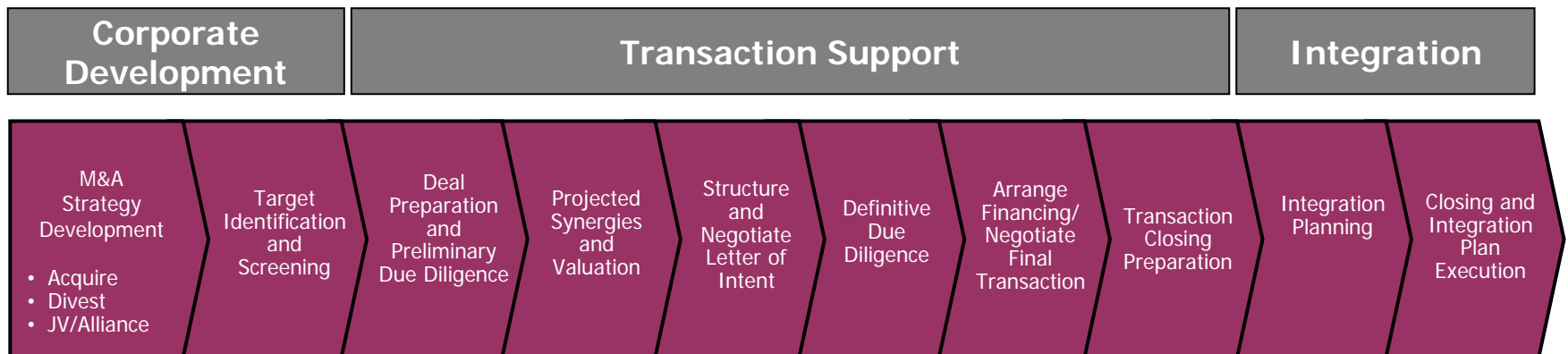
The only consulting firm covering the whole personal care value chain



- Global series of syndicated reports covering the personal care value chain
- Leveraging in-depth value chain knowledge for client-specific assignments
- Coverage ranging from raw materials to finished products to retail channels

Well positioned to support clients throughout the M&A process

- Provides cohesive, seamless support to clients globally
- Collaborates with deal teams of both strategic and financial buyers
- Blends industry savvy with world class M&A services
- Delivers critical insights to unlock hidden value



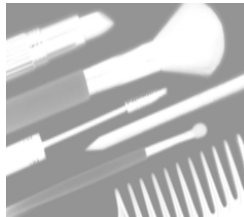


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PERSONAL CARE MARKETERS

M&A has continues to change the face of the industry

Global Personal Care Market, 2004 to 2006

2004	2006
1. L'Oréal	1. Procter & Gamble
2. Procter & Gamble	2. L'Oréal
3. Unilever	3. Unilever
4. Colgate-Palmolive	4. Colgate-Palmolive
5. Estee Lauder	5. Avon
6. Avon	6. Estee Lauder
7. Shiseido	7. Johnson & Johnson
8. Beiersdorf	8. Kao
9. Johnson & Johnson	9. Beiersdorf
10. Kao	10. Shiseido
44.6%	47.1%

Combined market share

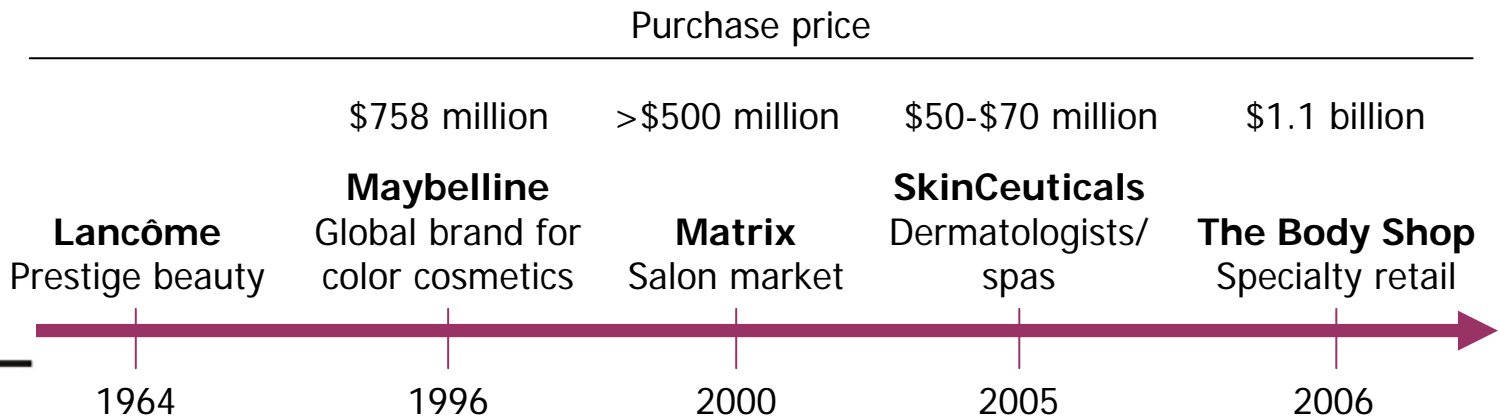
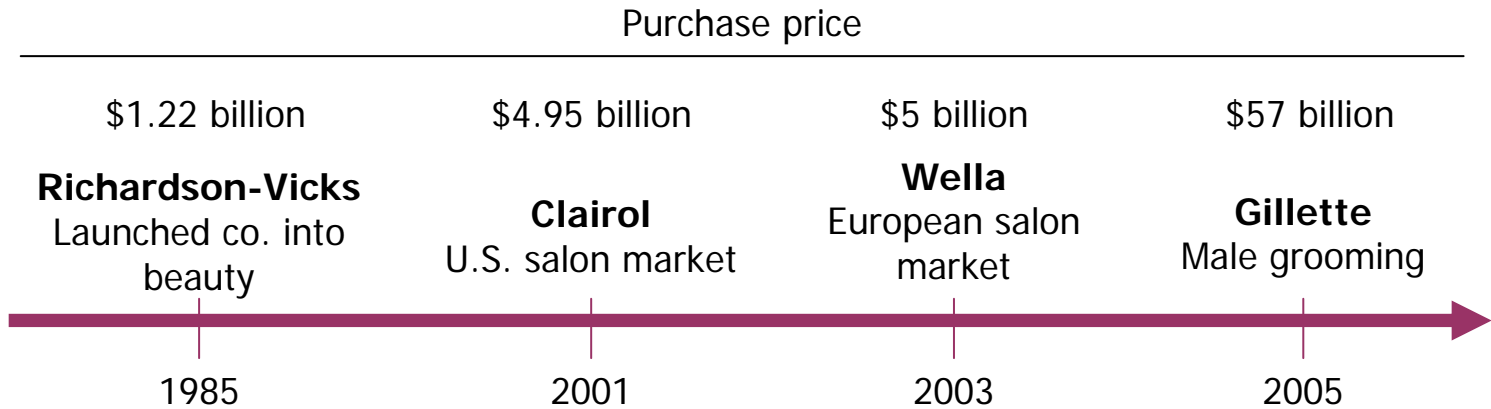
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M&A continues to change the face of the industry

U.S. Personal Care Market, 1975 to 2005

1975	1985	1995	2005
1. Avon	1. Procter & Gamble	1. Procter & Gamble	1. Procter & Gamble
2. Procter & Gamble	2. Avon	2. Unilever	2. L'Oréal
3. Revlon	3. Revlon	3. Cosmair (L'Oréal)	3. Estee Lauder
4. Bristol-Myers	4. Estee Lauder	4. Estee Lauder	4. Unilever
5. Gillette	5. Cosmair (L'Oréal)	5. Revlon	5. Limited Brands
6. Colgate-Palmolive	6. Bristol-Myers	6. Avon	6. Johnson & Johnson
7. Lever Brothers	7. Lever Brothers	7. Bristol-Myers Squibb	7. Colgate-Palmolive
8. Johnson & Johnson	8. Beecham	8. Colgate-Palmolive	8. Avon
9. American Cynamid	9. Colgate-Palmolive	9. Mary Kay	9. Mary Kay
10. Warner-Lambert	10. Chesebrough-Ponds	10. Gillette	10. Revlon

Top two global marketers achieved their positions through large, strategic acquisitions



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Not all companies have grown through M&A

High level of M&A activity

ESTÉE LAUDER

Johnson & Johnson

L'ORÉAL

Procter & Gamble

Low level of M&A activity

AVON

BDF ●●●●

Beiersdorf

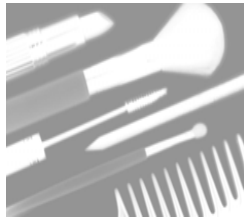
CLARINS
PARIS

MARY KAY®

 COLGATE-PALMOLIVE COMPANY

Key drivers of M&A activity

Driver	Example
Enter new product categories	Procter & Gamble/Gillette: male grooming L'Oreal/SkinCeuticals : dermatologists/spas
Enter new distribution channels	L'Oreal: Body Shop
Acquire and exploit new technologies	Procter & Gamble: SpinBrush
Expand geographically	Procter & Gamble: Wella Kao: Jergens and John Freida Henkel: Dial and Advanced Research Labs L'Oreal: Mininurse and Yue Sae



RAW MATERIAL SUPPLIERS

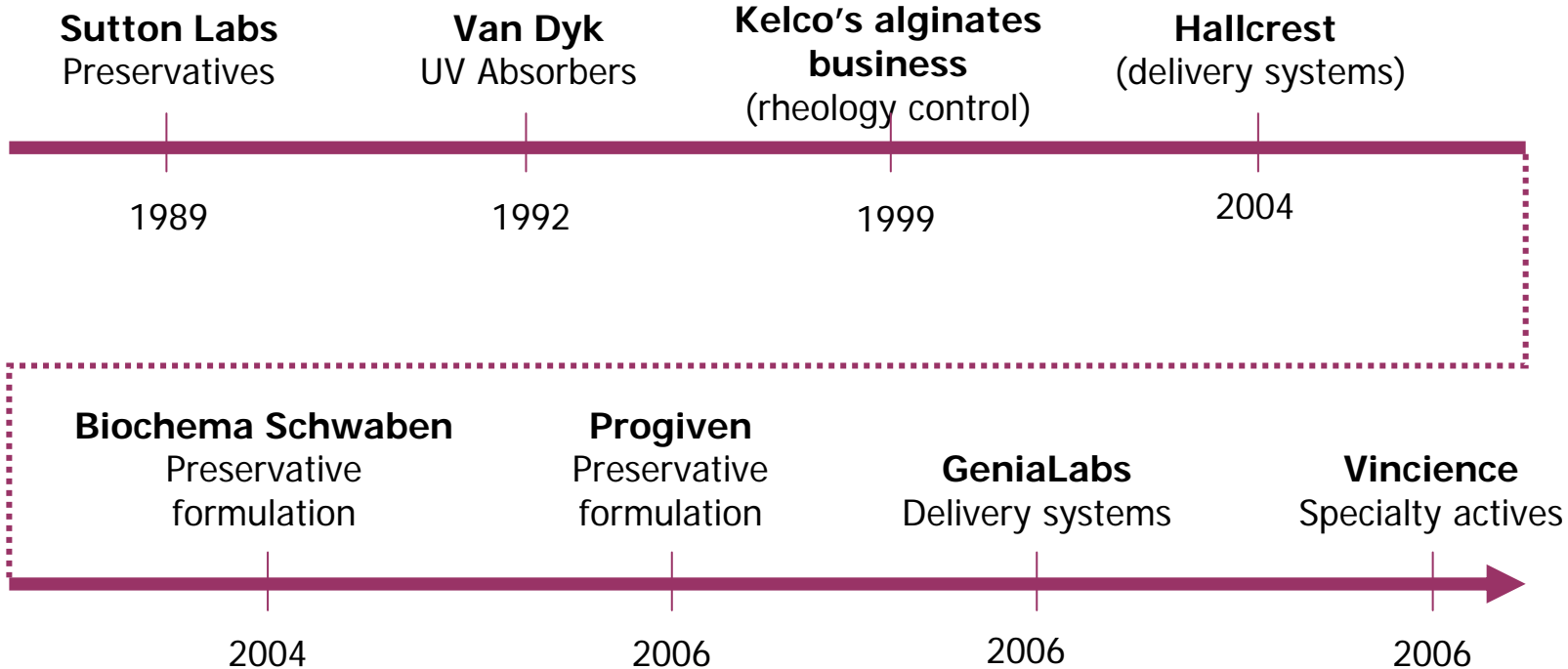
M&A among raw material suppliers has been less frenetic than for marketers

- Market remains very fragmented
- Less than ten, key personal-care driven acquisitions have occurred over the last four years
- Concurrently, the competitor base has expanded with many firms entering the market attracted by:
 - Low barriers to entry
 - Non-cyclicity
 - Potentially higher margins

Key acquisitions since 2003

Date	Company (acquisition)
2003	Noveon (selected product lines from Dow Chemical)
2004	Engelhard (Collaborative Group) Noveon (Scher Chemical) ISP (Hallcrest, Biochema Schwaben)
2005	Engelhard (Coletica)
2006	Cognis (Cosmetic Rheologies) Croda (Uniqema)

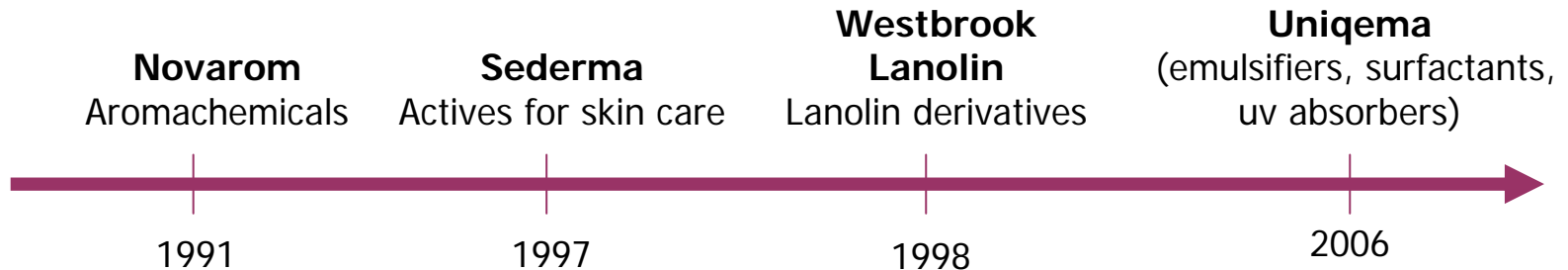
ISP is the most acquisitive raw material supplier



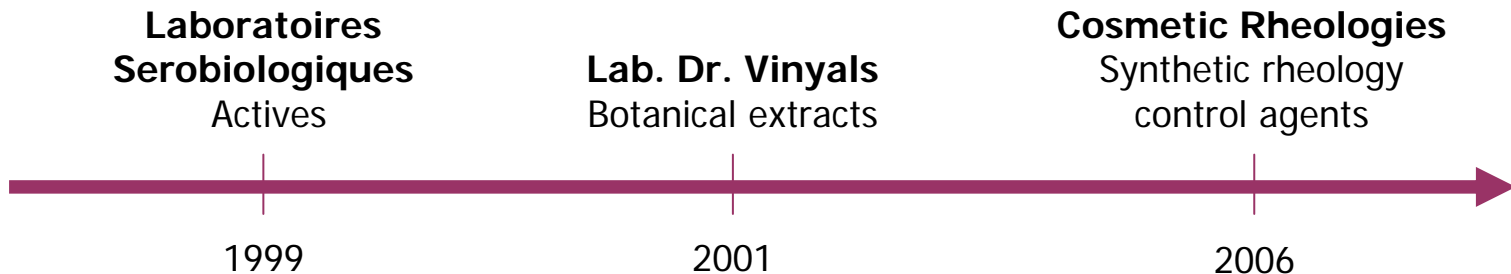
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Other companies have grown through M&A, but less actively than ISP

CRODA



cognis



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Some companies have focused more on organic growth



degussa.



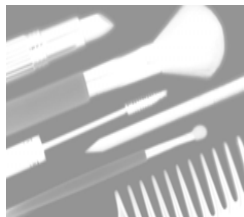
A few have expanded their existing positions by default

Company/acquisition	Personal care raw materials business obtained
<p>2006</p> 	<p>Decorative pigments, actives and delivery systems</p>
<p>2001</p> 	<p>Amerchol personal care raw materials business</p>
<p>2001/2004</p> 	<p>Cellulosic rheology control agents/natural gum rheology control agents</p>

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Key drivers of M&A activity

Driver	Example
Acquire new raw material product categories, technologies, or applications focus	ISP (Sutton Labs, Van Dyk, Kelco's alginates business, Hallcrest, Biochema Schwaben, Vincience)
	Cognis (Lab. Serobiologiques, Dr. Vinyals, Cosmetic Rheologies)
	Noveon (Chemron, selected businesses from Dow, Scher Chemical, Specialty Natural Products)
Expand geographically	Kemira/Tri-K



THE EMERGENCE OF PRIVATE EQUITY

Private equity's involvement in the industry is increasing

- Rationale for acquisitions is very different from conventional industry players
 - Wish to purchase a company and then receive a return on investment generally after three to five years by:
 - An IPO
 - Sales or merger of the company
 - A recapitalization
- They have deeper pockets and have access to low capital from places such as Japan
- Compared with conventional players, private equity has greater flexibility to make a series of acquisitions and, using a roll-up strategy, build a business platform from these firms

Recent examples of private equity involvement: Raw Materials

Private equity group	Company acquired/date	Details	Comments
Permira, GS Capital Partners (the private equity arm of Goldman Sachs) and Schroder Ventures Life Sciences	Cognis from Henkel in late 2001	Transaction, including working capital, was €3 billion Cognis had sales of €3.2 billion in 2000	Cognis is still held by private equity
AEA Investors Inc., including an affiliate of DLJ Merchant Banking Partners and DB Capital Partners, Inc.	BFGoodrich Performance Materials Business Segment (Noveon)/ Feb 2001	Transaction was \$1.4 billion	Noveon was sold to Lubrizol in June 2004 for \$1.84 billion

Recent examples of private equity involvement: Personal Care Marketers

Private equity group	Company or brand acquired/date
AEA Investors	Burt's Bees (80% share) in 2003
Innovative Brands (Najafi Companies)	Pert Plus shampoos (selected global market access) (Sept 2006)
	Sure APDEOs (Sept 2006)
North Castle Partners	Avalon – manufacturer of natural personal care products (2002); divested in 2007 to Hain Celestial Group
	DDF – cosmeceutical skin care products (2002); divested to Procter & Gamble in 2007
Stila Corp (Sun Capital Partners)	Stila brand in April 2006

The Shansby Group continues to build up a varied portfolio of personal care companies



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Going forward...

- L'Oreal and Procter & Gamble will continue to increase market share through acquisition
- Private equity will increase presence in raw materials sector and amongst brand owners
- Brand owners vulnerable to acquisition include Clarins, Colgate-Palmolive, among others and Unilever will continue to divest non-core brands
- Small-sized, privately held raw material firms in Europe may be more willing to sell businesses driven by the burden of REACH compliance costs



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If you require additional information about the contents of this document or the services that Kline provides, please contact:

Gillian Morris

Director, Chemicals and Materials

Phone: +1-630-761-9587

E-mail: Gillian_Morris@klinegroup.com

THE KLINE QUALITY COMMITMENT

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Offices

USA –NY/NJ

Kline & Company, Inc.

Overlook at Great Notch
150 Clove Road, Suite 410
Little Falls, NJ 07424-0410
Phone: +1-973-435-6262
Fax: +1-973-435-6291
consult@klinegroup.com

EUROPE

Kline Europe, S.A.

1 Avenue Gribaumont
B-1150 Brussels,
Belgium
Phone: +32-2 770-4740
Fax: +32-2 770-9440
consult@kline-europe.com

CHINA

Kline Asia

Shui On Plaza, Suite 1111-1112
333 Huai Hai Road (Middle)
Shanghai, PC 200021, China
Phone: +86-21 5382-6677
Fax: +86-21 5383-3889
consult@kline-asia.com

INDIA

Kline India

20/4 Ground Floor, Palm Court
Sukhrali Chowk, Gurgaon-
Mehrauli Road, Gurgaon,
122001 Haryana, India
Phone: +91-124 4546-100
consult@kline-india.com

USA – PA/DE

Kline & Company, Inc.

Jenkintown Commons
93 Old York Road, Suite 300
Jenkintown, PA 19046
Phone: +1-215-887-4257
Fax: +1-208-493-1171
consult@klinegroup.com

JAPAN

Kline Japan Ltd.

Sankei Building 27F
1-7-2 Ote-machi, Chiyoda-ku
Tokyo 100-0004, Japan
Phone: +81-3 3242-6277
Fax: +81-3 3242-6278
consult@klinejapan.com

BRAZIL

Factor de Solução

Av. São Gabriel, 333 - CJ. 112
Itaim Bibi - São Paulo - SP
01435-011 Brazil
Phone: +55-11 30797843
Fax: +55-11 30796197
srebelo@factordesolucao.com.br

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**Central & Eastern European
Alliance Partners**

Alpha Management Consultants,
Czech Republic
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