



British Salt Acquisition

- 20th December 2010

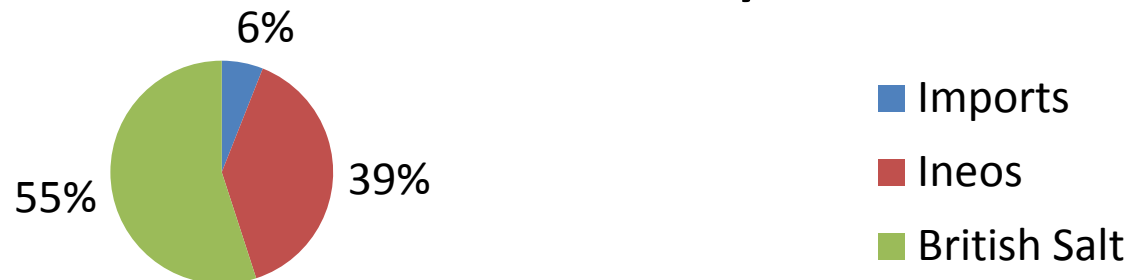
- ❖ All soda ash manufacturers have ownership of their key raw material – trona or salt deposits
- ❖ This was the case for Brunner Mond (BM) until 1991 when it was divested from ICI – the salt deposits are now owned by Ineos
- ❖ This highly unusual position has been made tenable by the existence of a 25 year contract made as part of the divestment
- ❖ It has been recognized for some time that BM needs to restore the umbilical to its key raw material

- ❖ The existing contract with Ineos is set to expire in 2016
- ❖ Due to the consolidated nature of salt (Brine) industry, BM is at a disadvantage to negotiate a similar long term contract with Ineos
- ❖ In case of contract renewal with Ineos, it is expected that BM's sourcing cost for brine would increase substantially
- ❖ British Salt is the only other producer of Brine in UK

- ❖ British Salt, established in the 1920s is located in Middlewich, UK
- ❖ Products from BS stable are:
 - ❖ Brine
 - ❖ Un-dried vacuum salt
 - ❖ Pure dried vacuum salt
 - ❖ Compact vacuum salt
- ❖ BS currently produces 390 ktes of vacuum salt per year and is the leader in UK evaporated salt market

- ❖ Salt reserves of BS can serve UK requirement for up to ~50 years
- ❖ BS has developed long standing relationships with leading companies in food, Industrial and Chemicals sectors in UK
- ❖ It's customer relationship with key customers extends up to 30 years
- ❖ In the recent years, BS has successfully developed gas storage opportunities from brine cavities

UK evaporated salt market share 2009 by volume



Strategic benefits from acquisition



- ❖ Provides secure, cost-effective brine supply
- ❖ Maintains and enhances BM's low cost position within Europe
- ❖ Generates substantial and consistent cash flows from the highly profitable and non cyclical vacuum salt business
- ❖ Generates additional cash flows from operational synergies between British salt and BM
- ❖ Unique opportunity to generate large cash flows from gas storage business

Acquisition details



- ❖ British Salt has been valued at £93 m (approx. 6x EBITDA)
- ❖ BM to have 100% equity ownership of BS
- ❖ The deal is entirely debt financed on a non recourse basis to Tata Chemicals

Impact on BM UK

- ❖ Maintenance of sourcing costs at current levels which would not have been possible without this deal
- ❖ Increased EBITDA of £15m per year from vacuum salt business
- ❖ Synergies between BM and British Salt to result in EBITDA improvement of £2m per year
- ❖ Increased cash of £45m from lease of cavities for gas storage after 5 years
- ❖ BS's defined benefit pension in small surplus on FRS17 basis and closed to future accrual

Impact on TCL

- ❖ Post acquisition, TCL comfortably placed in view of existing debt covenants on a consolidated basis