



### Pharma Merger

Will Daiichi-Sankyo buy Ranbaxi? Pfizer with Competing Bid?

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### Catalysis

90% of today's chemical processes are based on catalytic chemical reactions

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### Newsflow

Boehringer Ingelheim said it has agreed to take over U.S. company Actimis Pharmaceuticals Inc. for up to \$515 million, to bolster its research into respiratory diseases, one of the drug maker's main areas of business. The purchase will be carried out in gradual steps and Boehringer will pay the full price and buy all of Actimis shares if its experimental asthma treatment AP768 progresses from the first phases of testing on humans to the third and final phase, the companies said in a joint statement. Actimis will in the meantime, receive milestone payments for reaching certain research goals, Boehringer's spokeswoman Judith von Gordon said, declining to provide further financial details.

"The main reason (for the deal) was to secure the rights" to AP768, von Gordon said, adding that the contract allows Boehringer to share the risk in trying to bring the drug to market with Actimis' current owners. The deal marks the first takeover of a biotechnology firm for Boehringer, which has remained family-owned since it was founded in 1885. Actimis was created from a former respiratory diseases research programme of Bayer's healthcare division in 2004. It was founded by Kevin Bacon, a former Bayer research executive, and financed by a group of buyout firms led by Sanderling Ventures of California and Mitsui & Co. Venture Partners of New York. Boehringer is seeking to boost research into respiratory diseases, one of its seven main areas of drug development, trying to build on the success of its best-selling drug Spiriva, an inhalant that generated €1.79 billion in sales last year.

DSM said it will start the sale process of three non-core businesses in September as it announced the restructuring of its activities in Geleen, the Netherlands. The reorganization will see the site services and manufacturing services grouped into a new company, which will become fully operational in January. No job cuts are anticipated, DSM said. The reorganization is part of DSM's plans to sell its fertiliser, melamine and elastomers business groups as it shifts towards becoming a life and materials sciences company as part of its Vision 2010 strategy.

**Connect One, Connect All** – Back in August 1999, when much of the world was worried about the impending fictitious Y2K virus, 22 chemical companies were busy thinking past the year 2000. Frustrated with the extra costs and errors caused by inefficient supply chains, the companies created Elemica.

The company was one of the first networks to offer total solutions focused on improving supply chain inefficiencies with a one-stop experience. Its global neutral information network built to facilitate the order processing and supply chain management of contract and repeat chemical transactions. Brandt Schuster spoke to Elemica CEO Mike McGuigan about how the company managed to prosper when the competition failed, and his plans for future growth.

*CHEManager Europe: The B2B online market went through a dramatic consolidation period in the years following the creation of Elemica. Many B2B portals came on the scene, but Elemica is one of the only ones that survived.*

**M. McGuigan:** I think somebody counted at that time 200 different companies in the chemical industry that were trying to do something similar, and pretty much all of those have failed.

#### Why?

**M. McGuigan:** Many of the companies that were founded didn't really have solutions or a working business. They also didn't have basic products, and there was no real differentiation.

#### What did Elemica do differently?

**M. McGuigan:** The solutions that we have deliver real value. The solutions we developed actually translated into real savings for

our clients. And when those solutions are implemented at scale, it ensures our success. It's just like with any other business: If your clients are successful, then so are you. In other words: We understand the business context of what we are moving around. We can link up different parts



of a transaction – for example, the order and the invoice, or the logistics booking and the logistics documents – and help our clients then deliver a more reliable transaction. Through content validation and the early identification of problems, we can help

#### Does Elemica face competition?

**M. McGuigan:** There are certainly other companies that do electronic business integration, both within the chemical industry and within other industries. However, we consider ourselves unique, particularly with our "connect one, connect all" factor. Once you connect into Elemica, you can work with any other company in the network. Other companies then can move the information around electronically, but they don't know what they are moving from a business standpoint, which means they can't eliminate errors the way we are able to.

#### Does this understanding come from the background?

Mike McGuigan  
CEO of Elemica

*of having been founded by chemical companies?*

**M. McGuigan:** It comes from a number of things. We're not about technology – we're about delivering efficiency in the supply chain. All of the elements needed to do so were put into Elemica. We also have the process knowledge, understand supply chain operations, and what we do is designed to drive improvement within supply chains. The company was founded with the intention of driving reliability in the supply chain and not with the notion, "Hey, we've got some IT technology; let's implement it somewhere."

*Your core customer basis is the chemical industry. Are you active in other industries as well?*

**M. McGuigan:** Last year, about \$50 billion of business went through Elemica in one form or another. The chemical industry buys and sells with every other industry; we can say that every

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## Company Investigations

### How Staff Has to Cooperate

**Bribery, Cartels, Fraud or Tax Evasion** – Whatever the occasion, there will be more and more company raids and internal investigations in corporate Germany. What obligations do company staff have in the course of such investigations?

When a government authority conducts investigations against the company, the company's employees have to comply with what is asked by the authorities, or by the company. Such obligation results from the inherent duties of an employment. A different and more interesting question is, whether and to what extent employees are obliged to cooperate within the course of internal investigations. Unlike other countries, such internal investigations have not been common in Germany so far, which accounts for a lack of court precedents.

In general, employees have to cooperate in the course of internal investigations, regardless whether they are conducted by the company's own internal audit department or by external auditors hired by the company. Naturally, the questions must be limited to the scope of the investigation, which is to throw light on the suspicions and charges.

#### Interviews With Employees

In addition to analyzing paper documents and electronic files, it is useful to conduct interviews with at least parts of the company's employees. Interviewing the "bland" employees without personal involvement in the charges does not give rise essential legal problems: Such employees have to fully cooperate and answer questions regarding their jobs and their perception at the work place (not in the private sphere).

A little more complicated are interviews with the suspects. Generally speaking, suspicious



Dr. Mark Zimmer  
German attorney and Certified Expert in Labor Law

employees are also obliged vis-à-vis the company to answer any questions regarding their job conduct. However, it is yet unclear, whether the suspicious employee has to disclose information, by which he could

incriminate himself. Unlike the Anglo-American legal system, the results of such a self-incriminating interview could be utilized by government authorities in a potential criminal litigation against this employee later, although he would be entitled to remain silent regarding these topics in court proceedings. In other words, by interviewing the external auditors of the internal investigation a prosecutor could obtain self-incriminating evidence about an employee by hearing the external auditor of an internal investigation as a witness, although this information would never

have been obtained if the prosecutor had asked the suspect directly. Legal scholars and courts will still have to find a solution to this open problem. As a cautious assumption, however, it should be fair to assume that

suspicious employees are not obliged to disclose self-incriminating evidence within internal investigations.

#### Amnesty Program

In conducting internal investigations, some companies tend to offer an amnesty program to employees. It works as follows: The employee signing up for the program has to fully cooperate and particularly report any own wrongdoings and those of other colleagues. In return, the company waives the right to dismiss the employee for these charges or to claim any damages. Such amnesty programs have proven to be effective in bringing more employees to disclose useful information. Also, it will avoid litigation with the respective employees, which can help to create a more peaceful and thereby productive atmosphere.

A similar situation is sometimes encountered in cartel proceedings. Both German and

European law provides for a leniency application, whereby the first company to notify the authorities about a cartel can get away without a penalty, if they fully cooperate with the authorities. In such a situation, it is paramount to rely on those employees who have been closely involved in the cartel. For this reason they might face employment sanctions themselves. A company applying for leniency, however, is well-advised to amicably agree with the employee to give full disclosure of the facts relevant for the cartel. Such an agreement will usually be a cancellation agreement with an extended termination date.

#### Data Protection Issues

In the course of an internal investigation, the auditors will usually screen all paper documents and electronic files that might be relevant. In this

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# Making Business Better

## Elemica Helps Companies Improve Supply Chains

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industry is connected in some form to Elemica. So while our origin is the chemical industry, pretty much every industry is represented on our network – agricultural, automotive, retail, coatings, general manufacturing, MRO, logistics and so on.

**Are there also plans to go into other industries altogether?**

**M. McGuigan:** Yes. The unique value we can deliver in the chemical industry applies in any manufacturing supply chain. We do have clients outside of chemicals, such as in logistics, automotive, paper and pulp, petroleum and the agricultural industry.

**What kind of growth has Elemica seen over the last eight years?**

**M. McGuigan:** We have grown organically from scratch to the \$50 billion of business we saw last year. We have also acquired companies and businesses in the past as well, for both customer expansion reasons and for functionality. For

example, we acquired a company in the logistics market a few years ago. We incorporated their functionality into what we do, both for logistics and beyond.

**What do the next eight years hold for Elemica? What are your plans for further growth?**

**M. McGuigan:** We see enormous opportunities for continuous growth. When a new company joins our network, the value goes up for everyone involved because of the ability to transact electronically and integrate with everybody else on the network. We are continually adding buyers, sellers and logistics partners to our network, which means we are growing fast in terms of companies on our network. Another example is in the financial area. With 95% of invoices still being done by paper, it's obvious that there is plenty of room to grow. Our plan for the coming years is to continue to work with our clients to enable them to convert from paper to fully integrated electronic invoices.

**Let's talk numbers. Right now you've got \$50 billion of business going through the company. Where do you see that figure going over the next 4-5 years?**

**M. McGuigan:** Globally, chemicals is a \$2.5 trillion industry. Given this, we are expecting dramatic growth over the next three years, in terms of both the proportion of business going electronically through our network and in terms of what kinds of services customers use. Today, only part of a transaction may be electronic, such as perhaps the invoice. From there, other parts of the transaction can be added, such as the order; the road haulage booking; status information; order amendments, etc. Adding all of those different parts is a big area of growth for us. The penetration will probably go up three to five times over the next couple of years.

**Going back to the 95% still doing manual invoicing. Why are so many companies so hesitant to do things electronically?**

**M. McGuigan:** Up to now, to do things electronically has

required very detailed implementation one by one with each partner. That means a selling company and a buying company needed to work out together in detail how they were going to do business electronically, which was slow and expensive.

The difference with Elemica is again, connect once, connect to all. When clients are connected to Elemica, they can electronically invoice every other company on the network. Before our services came along, the process was slow and expensive; it only made economic sense to work with a few large partners capable of doing things electronically. Now it makes sense to do this with every partner.

**What are some common mistakes that companies make with their supply chains?**

**M. McGuigan:** Many companies try to do too many things by themselves, without having the necessary expertise. Specifically, there are companies who try to create an integrated supply chain on their own. It works for a while, if they are working with

two or three companies, or up to 10 for a large company, but then it gets simply too complicated. Elemica allows companies to integrate all across the supply chain. Going it alone is definitely not the right way to go about it anymore.

**BASF, started using electronic billing in December, and the plan was to go electronic with several thousand customers**

**this year. Are there any visible results yet?**

**M. McGuigan:** BASF have told us they found moving from paper to Elemica electronic invoicing is easy. We manage the programme for them. Each of BASF's customers is asked how they want to receive and to archive their electronic invoices. They have a range of options and can pick the one most suit-

able for their company. Elemica then supports BASF's customers' conversion from paper to electronic. BASF currently have hundreds of customers receiving electronic invoices via Elemica and have plenty more projects in the pipeline.

**What are the benefits of having a fully integrated and automated supply chain?**

**M. McGuigan:** It boosts the reliability of supply chain operations: eliminating errors, making a company much more reliable to do business with. It reduces internal costs, improves customer performance and reliability. It also makes people more productive: There is then no need to discuss why the invoice was wrong or the delivery late. That means the employees have more time discussing doing better business with the customer.

To sum up: When reliability improves, costs go down, working capital goes down and people become more productive: And then you have a better business.

► www.elemica.com

### FACTS AND NUMBERS

# 95

Percent of all companies still do paper invoicing

# 15

Percent of orders done manually contain errors

# 15

Billion Dollars is spent each year by American companies who manually key data from forms.

### Stada Continues to See Growth

Stada Arzneimittel continues to target higher sales and earnings in 2008 than last year, when results were already at a record, as it expects an expansion abroad to offset a slump in generic-drug sales in its German home market. The German generics supplier also confirmed its plan to grow through acquisitions, saying deals worth several hundred million euros could be shouldered without a capital increase.

"We are number seven worldwide and we indeed see

opportunities for us to climb up one rank or more," Chief Executive Hartmut Retzlaff told shareholders at the company's annual general meeting. Stada has scope for acquisitions because its ratio of equity capital over total assets stood at 37.1% at the end of March, more than the roughly 30% it is targeting over the long run, he added. Still Stada, is asking shareholders in a vote at Tuesday's annual meeting to give management approval to issue up to €1 billion in convertible bonds

and related options to possibly fund larger takeovers. Stada last month said first-quarter net income rose 16% to a less-than-expected €31.3 million as an expansion in emerging markets was tempered by a decline in generic drug sales in Germany. It said at the time that it sees sales in its home market picking up again.

► www.stada.de

### Sustainability Covenant Signed

Basell Australia, a company of Lyondellbasell Industries, has become the first plastics manufacturer in Australia to sign a Sustainability Covenant with the Environmental Protection Authority (EPA Victoria) and the Plastics and Chemical

Industries Association (Pacia). The covenant calls for the parties to collectively explore how sustainable business growth principles can be incorporated into the company's business processes and management systems in Australia. It will also

support product innovation for greater resource efficiency by developing life cycle approaches in the Australian polypropylene market.

► www.lyondellbasell.com

### HC EVA Copolymer Dedicated to Photovoltaic Usages

The French Arkema now markets Evatane 33-45PV, an HC EVA (High Content Ethylene – Vinyl Acetate copolymer) specially developed for photovoltaic solar panels. This new grade is designed for the encapsulation

of the materials (crystalline silicon or thin films) that make up the photovoltaic cells. Evatane 33-45PV is characterized by good light transmission which makes for a superior yield from the solar panel. Thanks to its

specially developed formulation, it offers excellent crosslinking ability and processability.

► www.arkema

### Lanxess Reiterates FY Target of 2007

Lanxess confirmed its aim to post EBITDA before exceptional items of more than €700 million in the current year and said the first quarter's strong business development carried over into the second quarter. The target, reiterated by CEO Axel Heitmann, compares with €719

million reported in 2007, a figure that included businesses that Lanxess is divesting.

"Lanxess is also sticking to its 2008 target of an adjusted EBITDA margin in line with what it describes as the industry average, and of having no business unit with an EBITDA

margin below 5%," Heitmann said. The adjusted EBITDA margin reportedly widened to 14.3% in the first quarter, up from 12.8% a year earlier.

► www.lanxess.com

### Lanxess to Coordinate Leather Chemicals in Asia

Effective from July 1, the leather business unit of Lanxess will transfer its regional marketing headquarters in Asia from Hong Kong to Singapore. By pooling sales and logistics activities for the Asian market at the Sin-

gapore site, the company will optimize processes and transport. Frank Paus, head of global marketing in the Leather business unit, said, "Singapore is already the largest and most efficient distribution hub for

leather chemicals in Asia, and in future it will be our most important sales location worldwide."

► www.lanxess.com

### ING's €800 Million Property Fund

ING Real Estate, part of ING Group, said it has launched an €800 million European healthcare property fund targeting institutional investors. It added in a statement that the fund

targets a balanced portfolio of European healthcare assets, with an internal rate of return of 8% to 9%. The healthcare property fund will invest mainly in Germany, France and the

Netherlands, while the fund may also invest in Italy, Spain, Austria, Belgium and Sweden, depending on opportunities.

► www.ing.com



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