

Acquisition of Huber Silica

Excellent complementary fit
for Evonik's high-growth and resilient
silica business

9 December 2016



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Excellent complementary fit at all levels

Acquisition

- Acquisition of Huber Silica business, a strongly growing, profitable and resilient producer of precipitated silica
- Technology- and solution-driven business with deep understanding of customers' needs

Business

- Excellent fit due to highly complementary product portfolios
- Combination of two world-class Silica technology and innovation platforms
- Optimized production setup enables dedicated regional plants for specific silica types
- Backward integration into sodium silicate allows enhanced production setup

Valuation

- EBITDA margin >20%
- Purchase price (EV): \$630 m
- EV/ EBITDA multiple incl. synergies and tax effects: ~7 x

Stringent strategy execution

Building a best-in-class Specialty Chemicals portfolio

Strategy ...

- Strengthening **growth segments** Nutrition & Care and Resource Efficiency
- Targeting markets with **high margins and attractive growth rates**

Growth: GDP+
Margins: >20%

... in execution

- Acquisition of Air Products Performance Materials
- Creating a global leader in Specialty & Coating Additives

Market growth: 4-5%
Margin: >20%

- Acquisition of Huber Silica
- Excellent complementary fit for high-growth and resilient Silica business

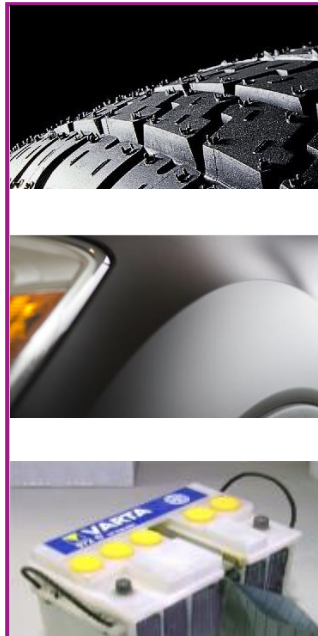
Market growth: 4-6%
Margin: >20%

Further balancing of Evonik's portfolio and earnings profile

Acquisition of Huber Silica

Access to new highly attractive silica applications for Evonik

Evonik's focus areas in Silica



Tire

Coatings

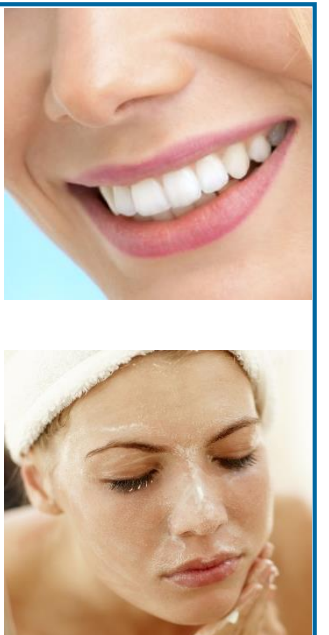
Industrial Specialties

Complementary applications



Attractive growth rates: 4-6%

Huber's focus areas in Silica



Dental

Life Science Specialties

Combined sales¹: > €1.3 bn | Adj. EBITDA margin: >20%

1. Sales of Evonik Business Line Silica and Huber Silica

Huber Silica

A profitable and resilient player in Silica

J.M. Huber Corporation

- Huber Silica is part of US-based company J.M. Huber Corporation
- Family-owned, founded in 1883
- Headquarter in Edison, New Jersey

Huber Silica business

- Technology- and solution-driven business with long-term customer relationships
- Headcounts: 697 globally
- 6 plants with global footprint in all key regions (U.S., Europe, India, China)
- 4 R&D centers in all key regions



Sales 2016E:

close to
\$300 m

EBITDA 2016E:

\$60 m

EBIT 2016E:

\$44 m

EBITDA margin: >20%

Silica: Simple by nature – complex by design

Particle and surface properties decisive for specific end product characteristics

Simple feedstock



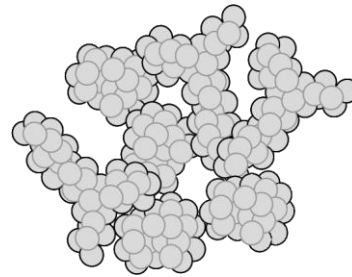
- Key raw material for precipitated silica: sodium silicate based on sand

Advanced production technology






- Highly sophisticated production process determines final particle structure

Particle design as core competence



- 10x lower density and up to 100x higher surface after precipitation
- Particle structure crucial factor for characteristics of final application
- >100 types of different particle designs tailor-made for individual customers and specific applications


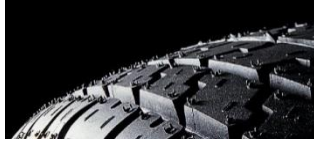




Excellent fit due to complementary applications and portfolio strengths

	Evonik	Precipitated silica	Huber Silica
Key applications		Dental 	  
	  	Tire 	
	  	Industrial Specialties, Coatings, Pharma & Care, Food & Feed   	 

- **Established industries** with high quality standards and global key accounts
- “Green tires” with stronger growth, Dental with higher resilience
- Combining Evonik’s and Huber’s **Specialty Silica** portfolio creates growth opportunities and critical mass in >20 attractive customer industries

Diversified exposure with attractive growth rates

Resource Efficiency and Convenience as major growth drivers

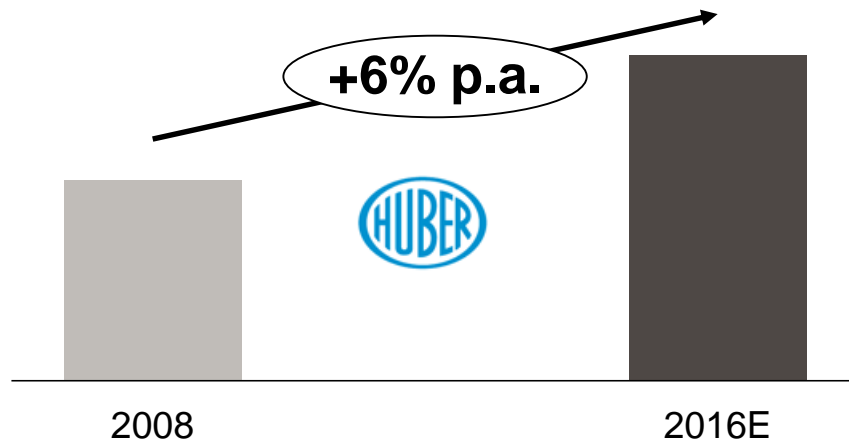
Dental		4% p.a.	<ul style="list-style-type: none"> ▪ Abrasive silica for cleaning and whitening ▪ Thickening agent for toothpaste
Tire		5-7% p.a.	<ul style="list-style-type: none"> ▪ Reduced rolling resistance of “Green Tires” ▪ Increased tensile strength and hardness of e.g. belts
Industrial		3-5% p.a.	<ul style="list-style-type: none"> ▪ Tear resistance in silicones and rubbers ▪ Flow control of bonding pastes in windmill production
Coatings		5% p.a.	<ul style="list-style-type: none"> ▪ Matting agent of choice for waterborne coatings ▪ Rheology control additive in automotive coatings
Pharma & Care		5% p.a.	<ul style="list-style-type: none"> ▪ Tableting aid and carrier for drugs ▪ Replacement of plastic scrub particles for peelings
Food & Feed		4% p.a.	<ul style="list-style-type: none"> ▪ Anti-settling in liquid agrochemicals ▪ Carrier for liquid ingredients (e.g. vitamins) ▪ Anti-caking during food processing

Source: Notch Consulting, Inc.; Evonik estimates

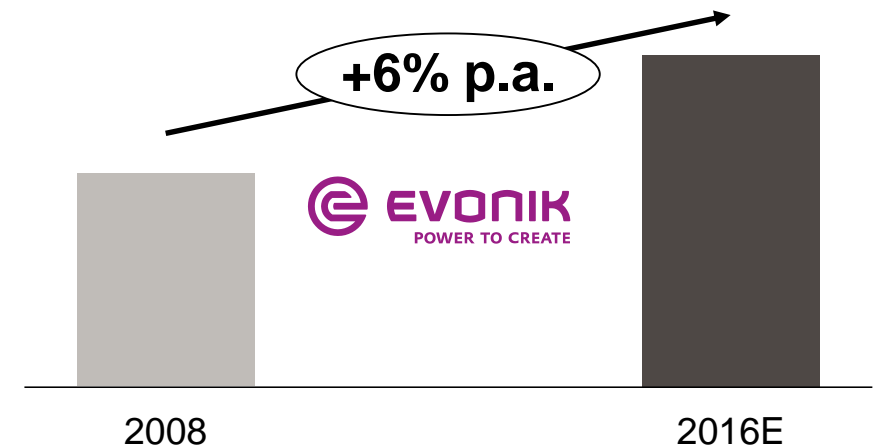
High-growth and stable-margin business

Silica – a resilient business with margins > 20%

Adj. EBITDA growth



Adj. EBITDA growth



Both Silica businesses with impressive growth track

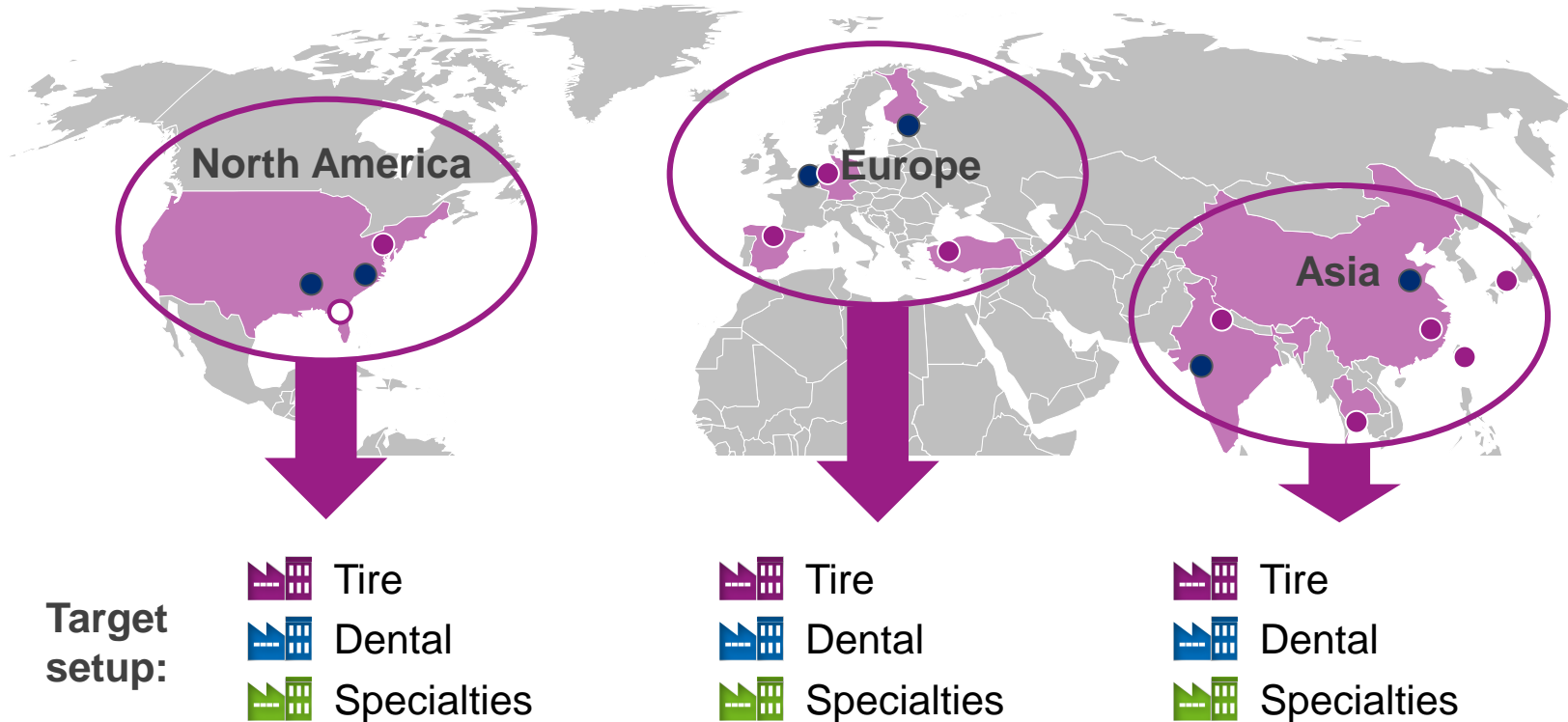
High complementarity of regional exposures

	Evonik	Regional sales split	Huber Silica
Key regions		Americas 	
		Asia 	
		Europe 	

- Strong production and R&D footprint of Huber in US
- Evonik with first HD silica plant in Brazil
- Additional Huber plants in China and India allow extended regional setup close to customers
- Diversified plant setup in Europe for optimized utilization of capacities

Optimizing the regional production setup

Dedicated plants for specific silica types in each major region



Asset optimization:

Situation today:

- Plants producing different silica types for several applications

New setup after integration:

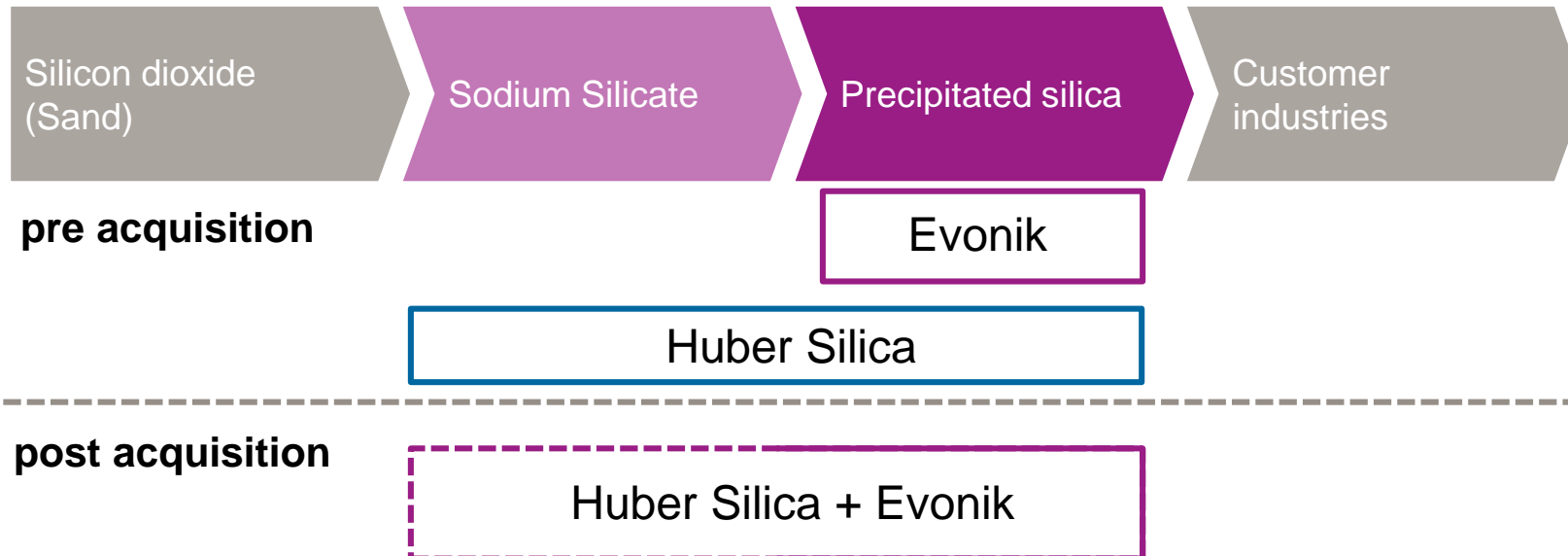
- Asset optimization towards one dedicated application per plant fuels higher efficiency
- R&D centers in each major region facilitating targeted R&D for Specialties
- Combined and optimized capacities enable capex saving potential for Evonik in the future

Combination of production setups: Enabling a dedicated regional plant setup for specific applications

● Production site Huber ● Production site Evonik ○ Plant under construction in USA

Evonik will improve its position in precipitated silica through partial backward integration

Partial backward integration into sodium silicate (water glass)



- Currently Evonik buys required sodium silicate externally
- Acquisition will improve production setup through backward integration
- Increased supply security and cost position

Huber Silica technology & innovation capacities

State of the art processes, new products and GMP certified production network

Excellent setup
for strong
customer focus

- Customer- & solution-driven business
- Strong innovation focus and technical service
- Attractive brand portfolio



R&D and
production
excellence

Process innovation

- Optimized finishing process with highest efficiency for abrasive silica

Product innovation

- Spherilex™ – a new family of spherical silica with increased properties for coatings and industrial purposes



Fully GMP certified production facilities

- All sites compliant for high-standard food- & dental-grade production

Combination of two world class Silica platforms with strong innovation pipelines

Significant synergies driven by excellent strategic and operational fit



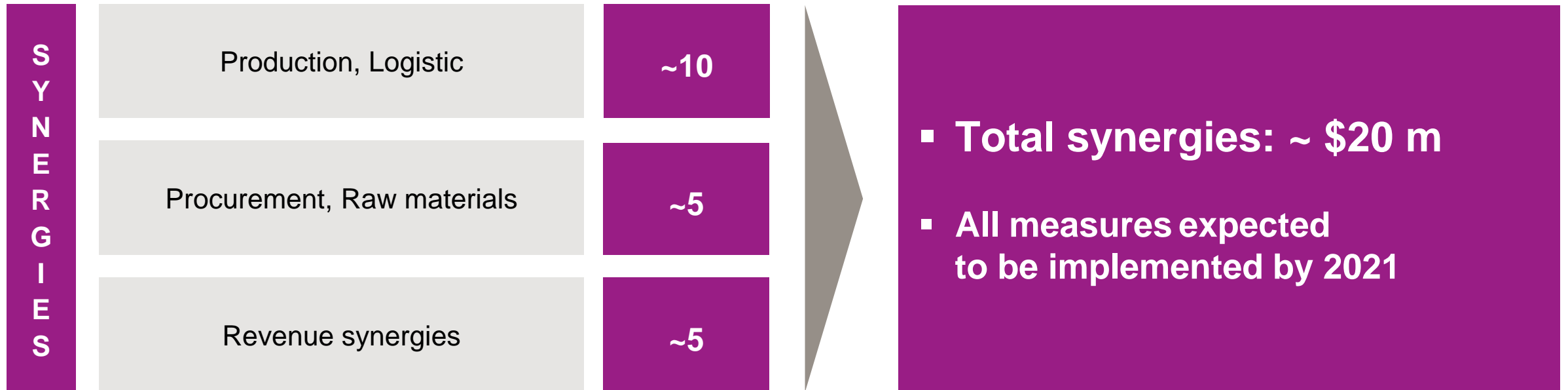
Excellent strategic fit



Complementary product portfolio

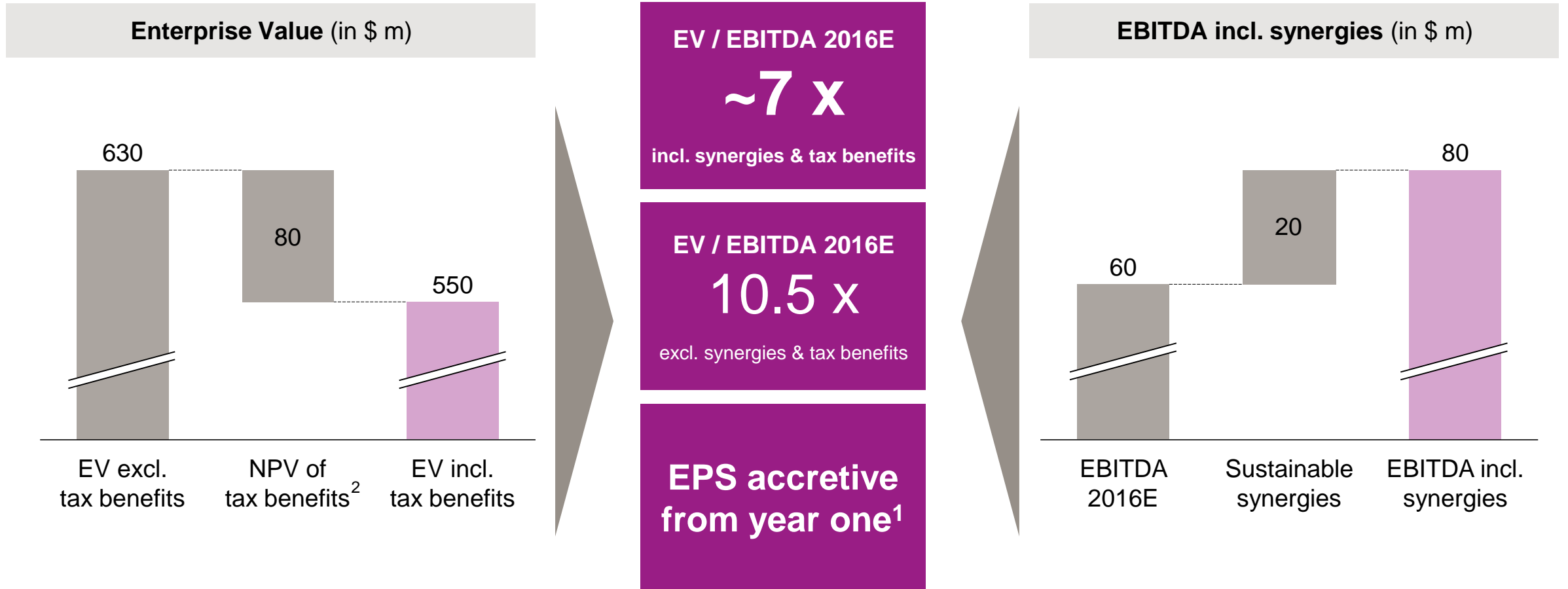


Strong supply chains and manufacturing base



Integration costs of ~ €30 m expected

Attractive valuation



1. First full year after closing | 2. By purchasing assets, tax benefits from higher D&A after asset step-up will reduce future cash tax burden

Transaction summary

Structure

- 100% acquisition of Silica business of J.M. Huber Corporation
- Structured as a mix of assets and shares
- On a cash and debt free basis

Financing

- Financing secured via cash and committed credit facilities
- Final funding structure via debt capital markets in line with financial policy

Timing

- Approved by Huber Board and Evonik's Supervisory Board
- Aiming for closing in 2nd half of 2017, subject to approval by responsible authorities

Key takeaways

- ✓ Strengthening of Evonik's growth segment Resource Efficiency
- ✓ Excellent complementary fit with Evonik's existing silica business
- ✓ High-growth and resilient business with attractive margins
- ✓ Optimizing global presence and combined production setup
- ✓ Attractive valuation
- ✓ Further balancing of Evonik's portfolio and earnings profile



EVONIK

POWER TO CREATE

Silica: Tailored product properties for environmentally friendly and energy efficient solutions

We help you save energy



High silica content leads to low rolling resistance and excellent traction in tires

We empower wind energy



Silica improve properties of adhesives, giving greater stability to large rotor blades

We make health affordable



Silica make modern tablet and capsule manufacturing processes more efficient

We make resources available for future generations

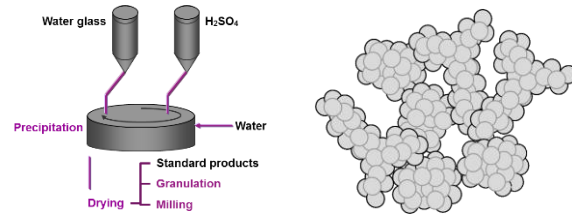


Silica improve free flow in solid and anti-settling in liquid agrochemical formulations

Fumed and precipitated silica are produced via different processes

Precipitated silica

- Precipitation of silica with sodium silicate (water glass) and sulphuric acid; drying



ULTRASIL®

SIPERNAT®

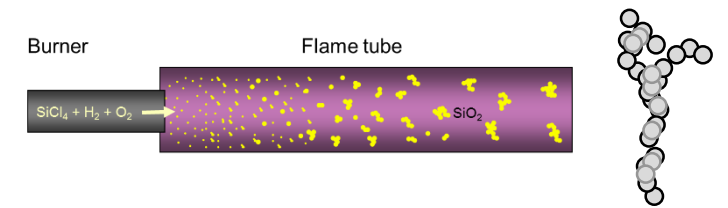
ACEMATT®

- Main applications: Rubber/Tire, Dental, Coatings, Industrial, Food & Feed



Fumed silica

- Burning of silane gas with hydrogen and oxygen



AEROSIL®

- Main applications: Coatings, Industrial, Electronics, Insulation



Silica as key component for improved oral hygiene and teeth retention



Dental usage of silica

Silica as...

- Abrasive → dirt and plaque abrasion without enamel damage
- Thickener → rheology modification for pleasant feeling of toothpaste
- Whitener → particles with additional fine polishing effect without cleaning degradation

... key component with uniquely modified particles to achieve:

Growing Market

- CAGR ~4% in average, with higher rates in Asia (6-8%)

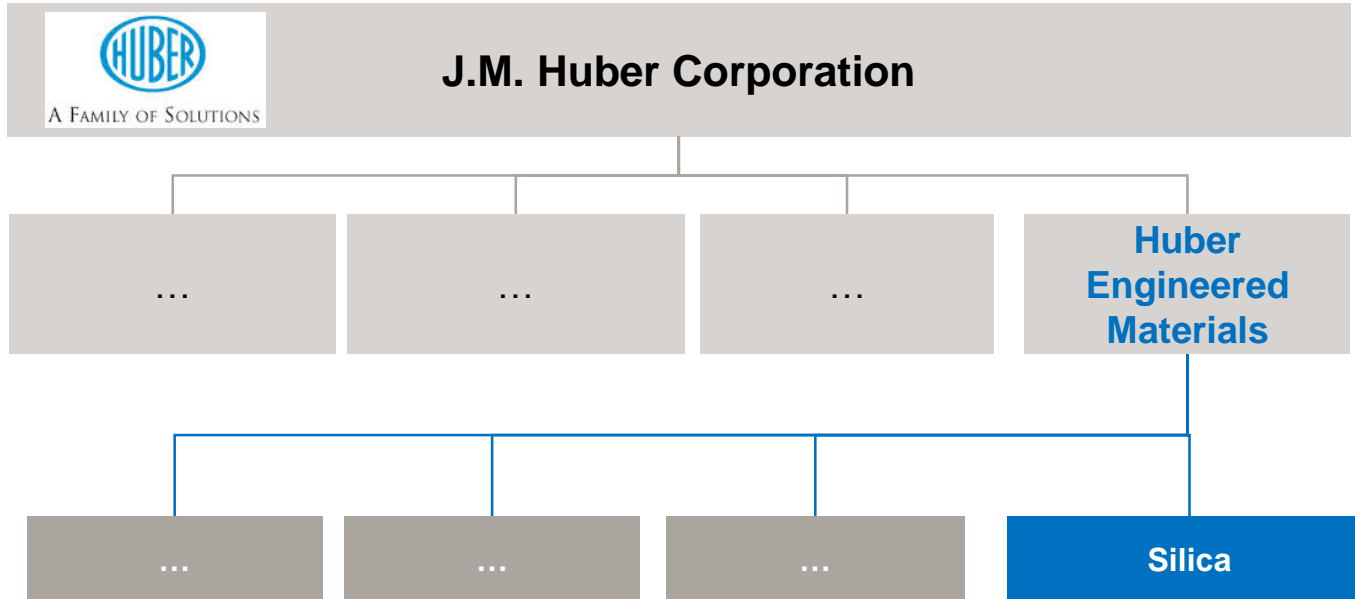
Drivers

- Longer teeth retention and trend towards aesthetic white teeth
- Use of more teeth-friendly silica instead of clays and chalk as abrasive in developed countries
- Growing population and wealth and improved health awareness in developing countries


Combined global production network (precipitated silica)




Organization J.M. Huber Corporation

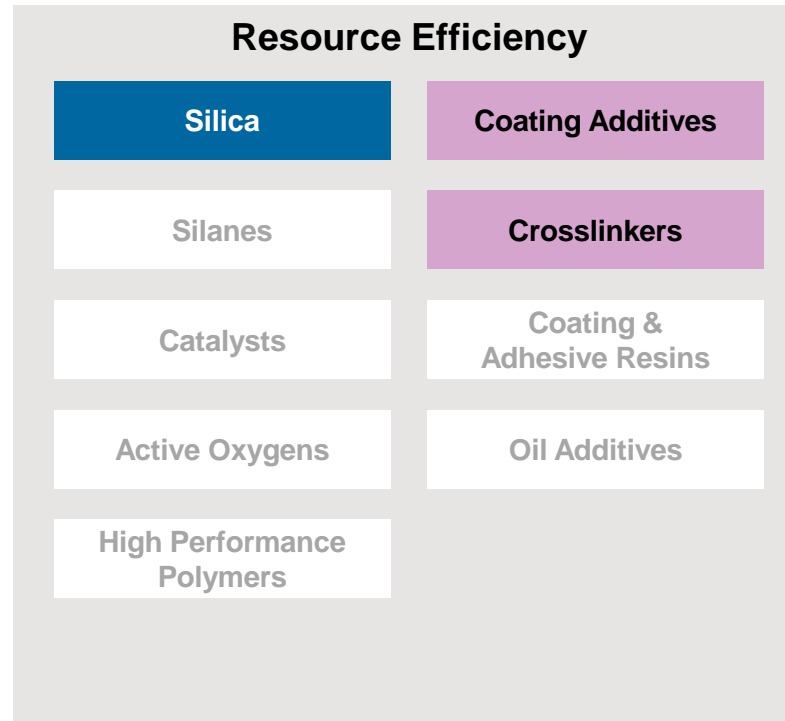
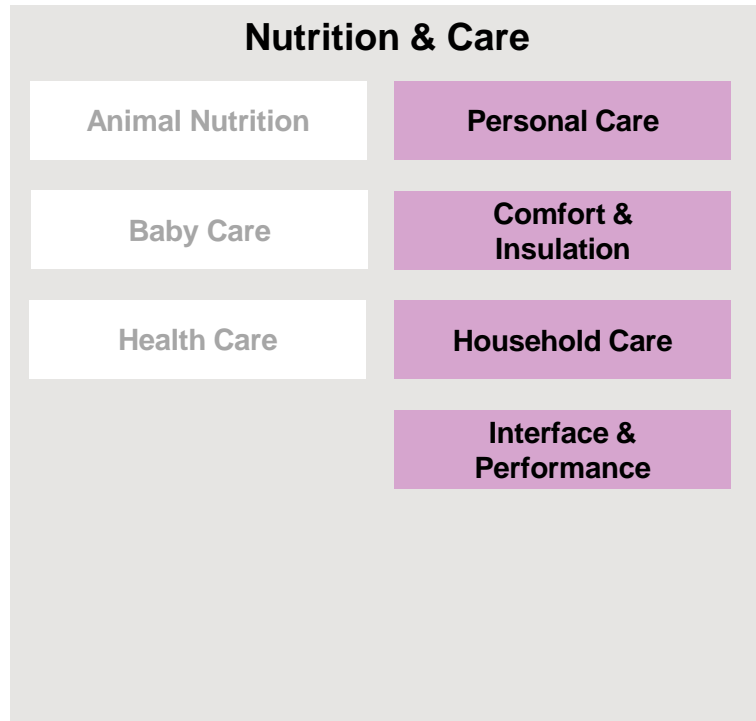


Decentralized integration of recent acquisitions

 Business lines strengthened by APD PM acquisition

 Business lines strengthened by Huber Silica acquisition

Evonik business lines



- APD PM and Huber Silica will be integrated decentralized in the respective business lines
- Business lines are responsible for large parts of integration and synergy realization
- No overlap on BL level between the two acquisitions

Integration into different business lines ensures seamless process

Tax effects: Exemplary purchase price allocation in asset deals

