

Creating a global leader in Specialty & Coating Additives

Acquisition of Air Products Performance Materials

6 May 2016



EVONIK
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Excellent strategic fit



Strong financials



High synergy potential

1	Strategic rationale and transaction overview
2	Introduction of APD Performance Materials and the combined business
3	Synergies and financial impact
4	Summary
5	Appendix

APD Performance Materials¹ provides an excellent fit with Evonik



Leadership position

- Creating a global leader in Specialty & Coating Additives
- Leading market positions in performance-critical additives

Specialty product portfolio

- Strengthening of growth segments Nutrition & Care and Resource Efficiency
- Excellent fit of all acquired businesses with Evonik's growth segments

Customer and innovation focus

- Combining complementary chemistry, manufacturing processes and formulation know-how
- Customer- and solution-oriented businesses with complementary innovation pipeline

Truly global footprint

- Expanding global footprint
- Strengthening presence in North America and Asia

Enhanced financial performance

- High margin and resilient business with low capital intensity and strong cash generation
- High synergy potential due to exceptional business and regional complementarity

¹ APD Performance Materials is the Specialty & Coating Additives business of Air Products' Materials Technologies Segment

Transaction overview

Structure		<ul style="list-style-type: none"> • 100% acquisition of the Specialty & Coating Additives business of Air Products for cash • Cash and debt free • Acquisition is structured as a mix of assets and shares
Financial impact		<ul style="list-style-type: none"> • Sustainable synergy level of ~\$80 m p.a. • Asset step-up and accordingly higher D&A leading to ~\$520 m NPV of tax benefits • EPS accretive in the first full year
Transaction value		<ul style="list-style-type: none"> • Acquisition price of \$3.8 bn representing 9.9x Enterprise Value / 2016E¹ EBITDA multiple including tax benefits and sustainable synergies • Excluding tax benefits and sustainable synergies: 15.2x EV / 2016¹ EBITDA multiple
Financing		<ul style="list-style-type: none"> • Financing secured with half cash and half committed credit facility • No change in financing strategy: Maintaining a solid investment grade rating
Timing		<ul style="list-style-type: none"> • Approved by Air Products' Board of Directors and Evonik's Supervisory Board • Aiming for closing by the end of 2016, subject to regulatory approvals

¹ 2016E FY EBITDA of \$250 m

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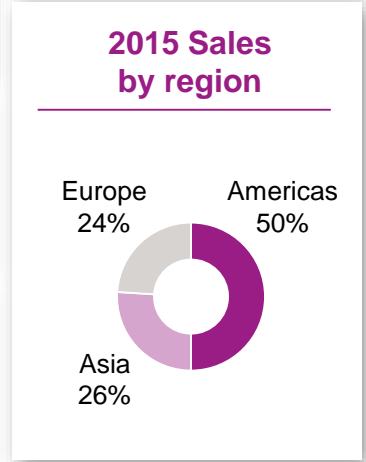
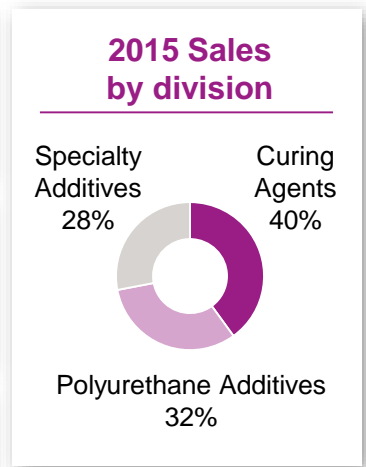
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APD Performance Materials

A leader in Specialty & Coating Additives



<p>\$1,078 m 2015 Sales</p>	<p>Global leader</p>	<ul style="list-style-type: none"> • Global leadership positions in all three divisions
<p>\$242 m / 22.4% 2015 EBITDA / EBITDA margin</p>	<p>Mission-critical products</p>	<ul style="list-style-type: none"> • Performance-critical, highly specialised solutions • Represent only small portion of total end product costs
<p>15-20%¹ of sales from new products</p>	<p>Innovation & customer focus</p>	<ul style="list-style-type: none"> • Strong innovation power for unique technologies • In-depth knowledge of customer-specific requirements • Diverse customer base and end-market exposure
<p>11 Plants² 8 R&D centers</p>	<p>Global infrastructure</p>	<ul style="list-style-type: none"> • Best-in-class production and supply network • Strong presence in North America and Asia • Global customer service and R&D network
<p>1,100 Employees ~240 in R&D and applied technology</p>	<p>Best in class financial performance</p>	<ul style="list-style-type: none"> • High and resilient margin profile • Low capital intensity and high cash generation



Note: APD Performance Materials' fiscal year 2015 is September year-end

¹ Sales from products introduced within the last 5 years historically in 15-20% range

² Includes Pasadena (Texas, USA) site currently under construction

APD Performance Materials focuses on differentiated products in high value markets

APD PM
Additives
portfolio

Specialty
Chemicals

Commodity
Chemicals

Strong positioning of APD Performance Materials in high value additives market

- Targeting growing specialty additive markets with resilient growth profile and unique portfolio of chemistries
- Sector with high degree of differentiation through technology and application know-how
- Highly specialised and performance-critical products
- Breadth of portfolio combined with formulation expertise and strong innovation pipeline
- Loyal customer base driven by intensive interaction and customer-focused innovation and product offering

Focus on performance critical products, which are essential for customers but comprise only a very small portion of total application costs

APD Performance Materials

A leader in high-growth markets



Polyurethane Additives

2015 Sales: \$350 m

Global leadership positions in:

- Amine Catalysts
- Low/Non-emissive Amine Catalysts
- Polyurethane Metal Catalysts

Applications

- Additives for PU foams used in bedding, furniture, automotive, construction and insulation

Value drivers

- Enhances cell structure, strength, uniformity and visual appearance
- Reduces impact on environment

Target Market size

~\$1.4 bn

GDP++



Specialty Additives

2015 Sales: \$297 m

Global leadership positions in:

- Specialty Wetting Agents

- Specialty wetting agents for coatings and industrial applications
- Functional additives for industrial & institutional cleaning and mining

- Enhances product performance: enables environmentally friendly systems in coatings and inks
- Broadens functionality of end products

~\$5.5 bn

GDP+



Curing Agents

2015 Sales: \$431 m

Global leadership positions in:

- Epoxy Curing Agents

- Curing agents for flooring, adhesives, marine and protective coatings
- Epoxy curatives for filament wound composites, e.g. pipes, tanks

- Improves mechanical strength, adhesion, gloss and chemical resistance

~\$3.1 bn

GDP+

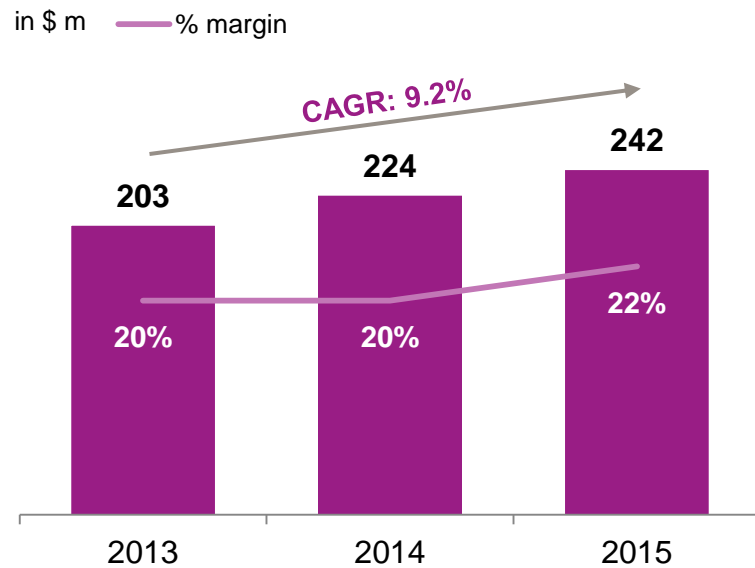
Growth driven by environmental and regulatory requirements as well as enhanced functionality and performance of end products

Note: APD Performance Materials 2015 financials are September year-end

Resilient and attractive margin profile with strong cash generation

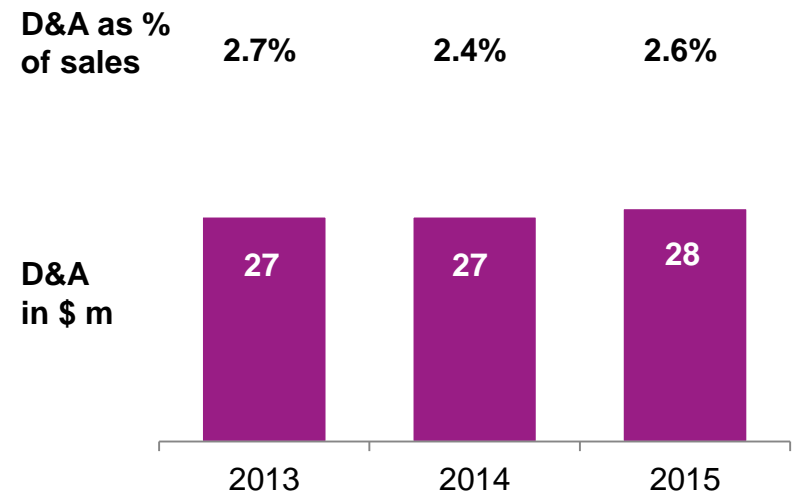


Adjusted EBITDA¹



- Growing demand of specialty
- Earnings driven by innovation and unique technologies
- High and stable margins

Low capital intensity



- High quality asset base with low capital intensity
- Consistently high cash generation




Note: APD Performance Materials' 2015 financials are September year-end

¹ Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income

² Depreciation & amortization

Combining complementary companies in the specialty additives market

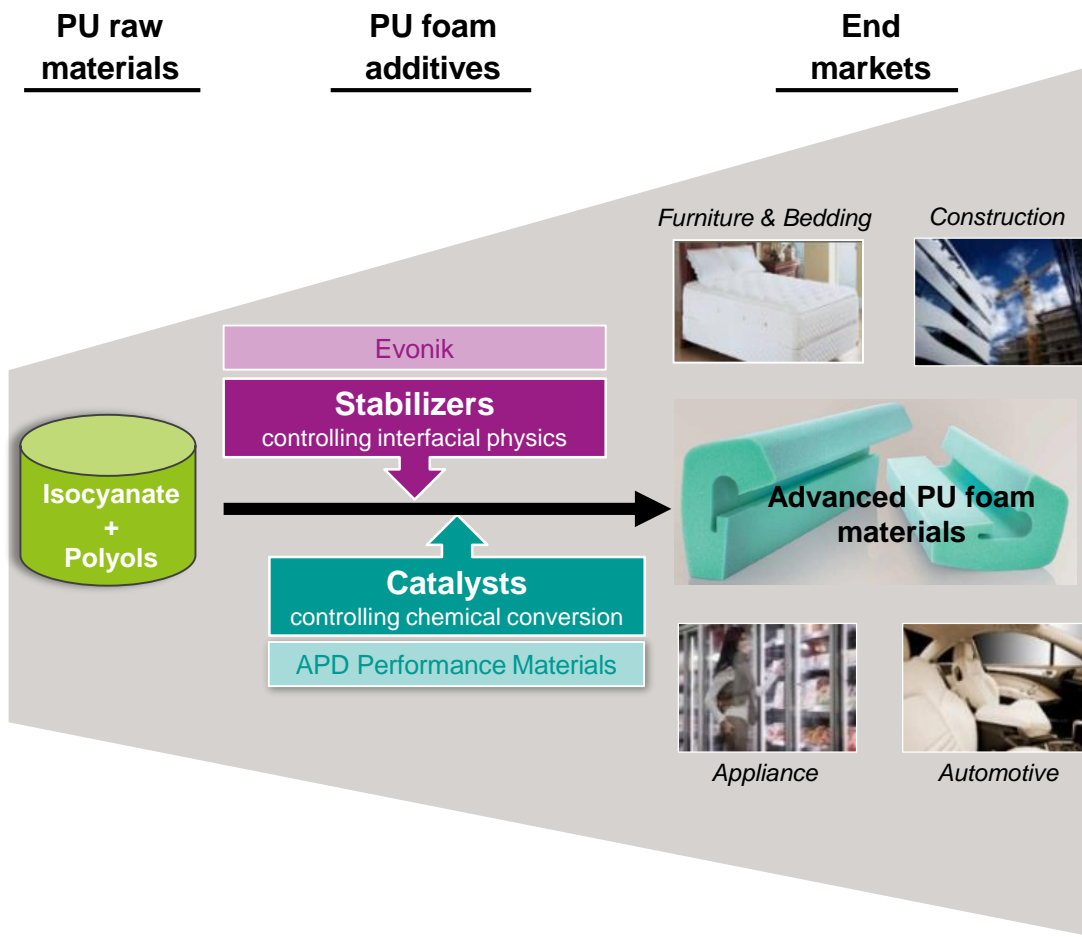


Evonik	Target industries	APD Performance Materials
<ul style="list-style-type: none"> • PU foam stabilizers 	 <p data-bbox="935 461 1199 522">High value additives for PU foam</p>	<ul style="list-style-type: none"> • PU foam catalysts
<ul style="list-style-type: none"> • Isophorone-based crosslinkers • Coating additives and adhesives resins 	 <p data-bbox="904 654 1232 715">Additives/Ingredients for Coatings & Adhesives</p>	<ul style="list-style-type: none"> • Amine-based crosslinkers • Epoxy curing agents • Specialty wetting agents
<ul style="list-style-type: none"> • Specialty surfactants for care and industrial applications 	 <p data-bbox="935 836 1205 929">Specialty surfactants for Industrial & Institutional Cleaning</p>	<ul style="list-style-type: none"> • Amine-based specialty surfactants
~€2.5 bn	2015 Sales in Specialty and Coating Additives	~€1 bn ¹

Creation of a global leader in Specialty and Coating Additives with ~€3.5 bn in sales

¹ APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015







Global leading portfolio of PU foam additives



Benefits of combination to customers

- Full range of differentiating additives for polyurethane (PU) foams
- Preferred solution partner for customers
 - Closer proximity and strengthened presence in all regions
- Multiple key technology platforms from a single source
- Extensive applications know-how
 - Increased innovation capabilities for future generation of superior PU foams

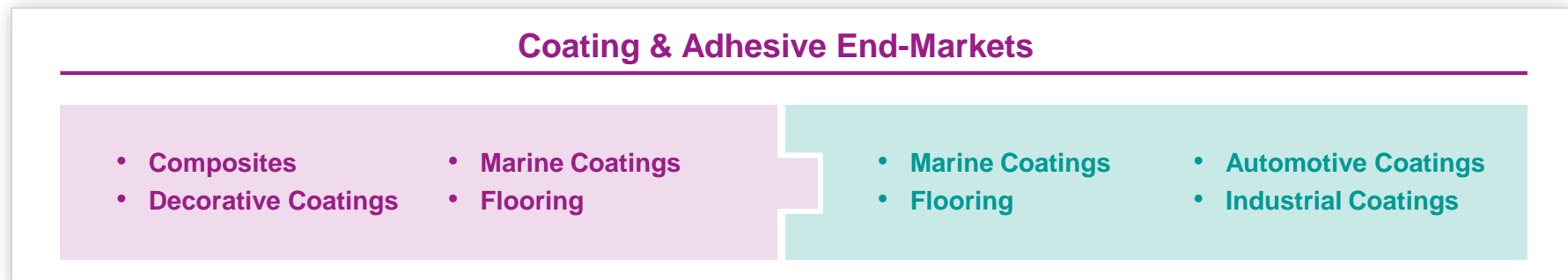
Enhanced innovation platform to better fulfil customer needs

Portfolio fit		Innovation	Product need	Market trends
	Evonik APD PM Combined			
PU foam stabilisers		Novel combination of catalysis & interfacial chemistry	Finer foam cells	Super insulation 
PU foam catalysts		New additive packages to prevent VOC ¹ formation	Emission-free foams	Highest consumer safety 
Release agents and other		Better breathability via additives allow for more cell opening	Improved heat management	High comfort mattress 

The combination enables Evonik to better fulfill customer needs through enhanced innovation

¹ VOC: Volatile organic compound

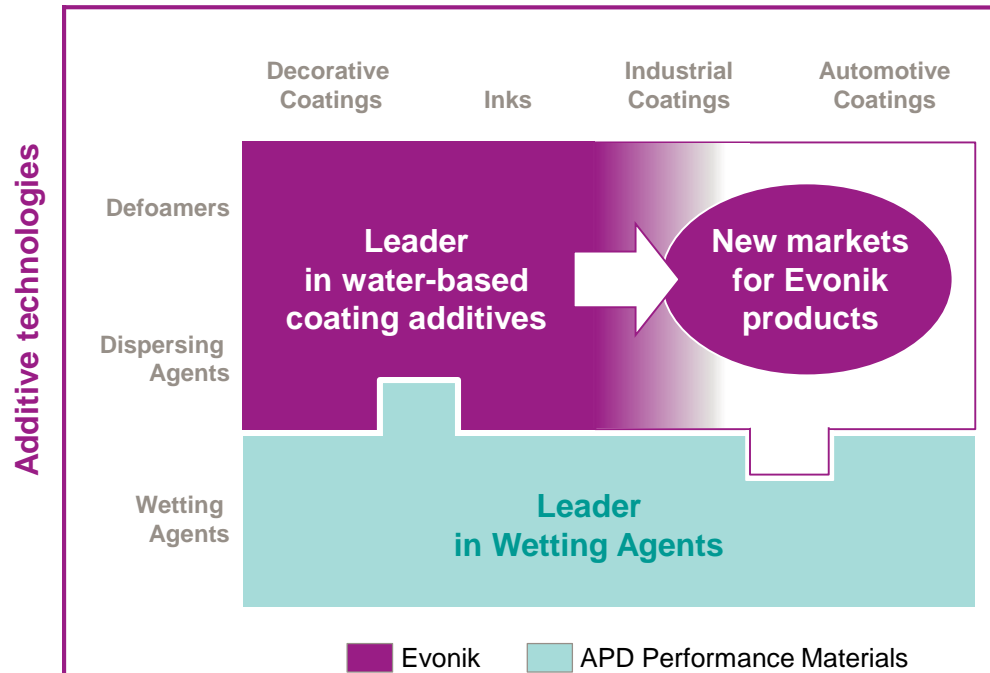
Creating a globally leading solution provider for the Coating & Adhesive Industry



Comprehensive and differentiated product portfolio to address customers' needs

APD Performance Materials offers unique products and access to new markets

Coatings end-markets

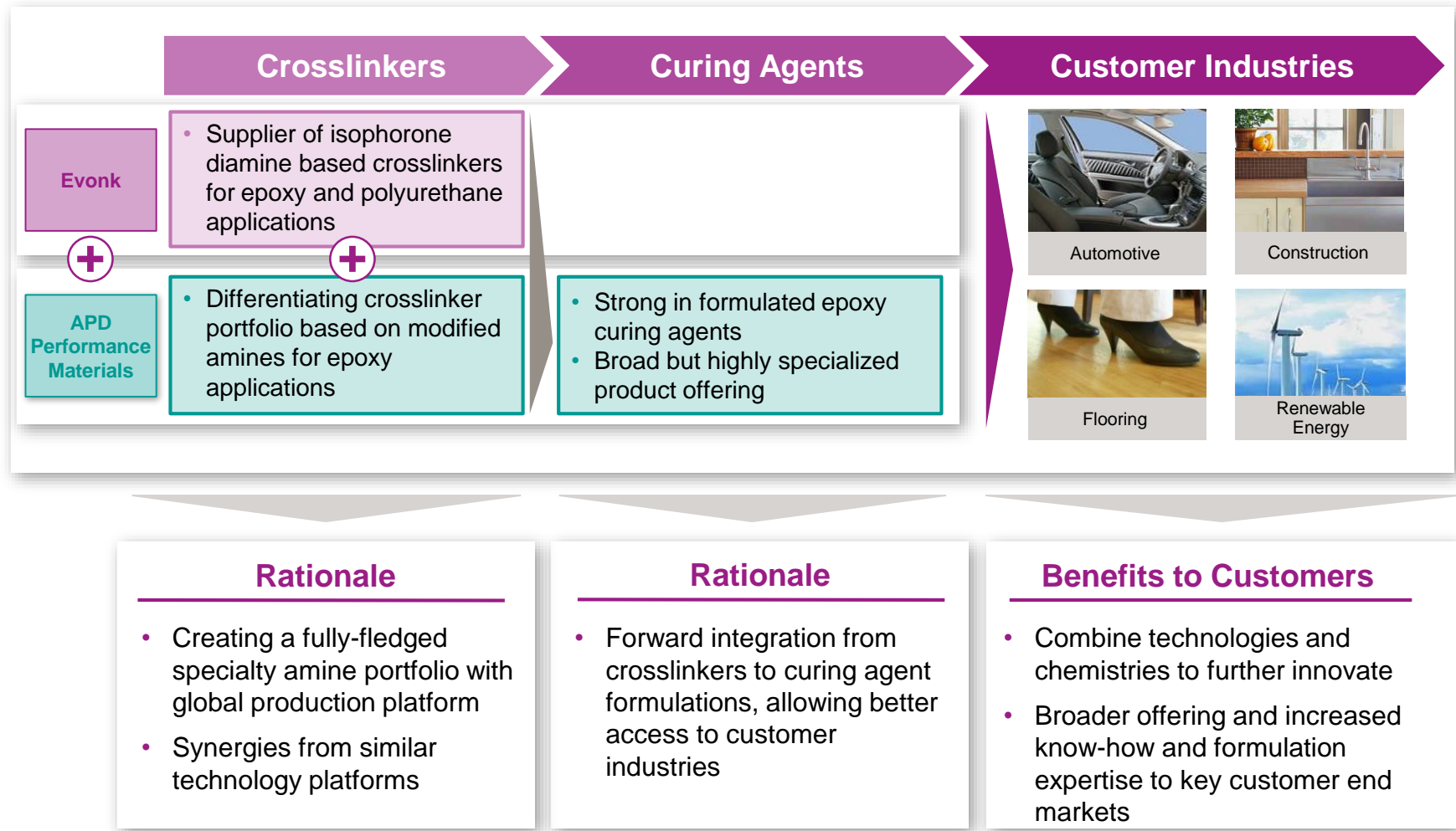


Key value drivers

- Global leader for formulations enabling environmentally-friendly / waterborne coatings
- Access to complementary APD Performance Materials' wetting agent technology with
 - Market-leading position
 - New end markets (automotive)
 - Additional customers to create cross-selling opportunities
- Expanded toolkit and solutions expertise
- Truly global set-up
 - Leveraging APD Performance Materials' position in North American coatings market

The unique APD Performance Materials product line complements Evonik's existing coating additives portfolio

Expansion along the curing agents value chain for Coatings & Adhesives

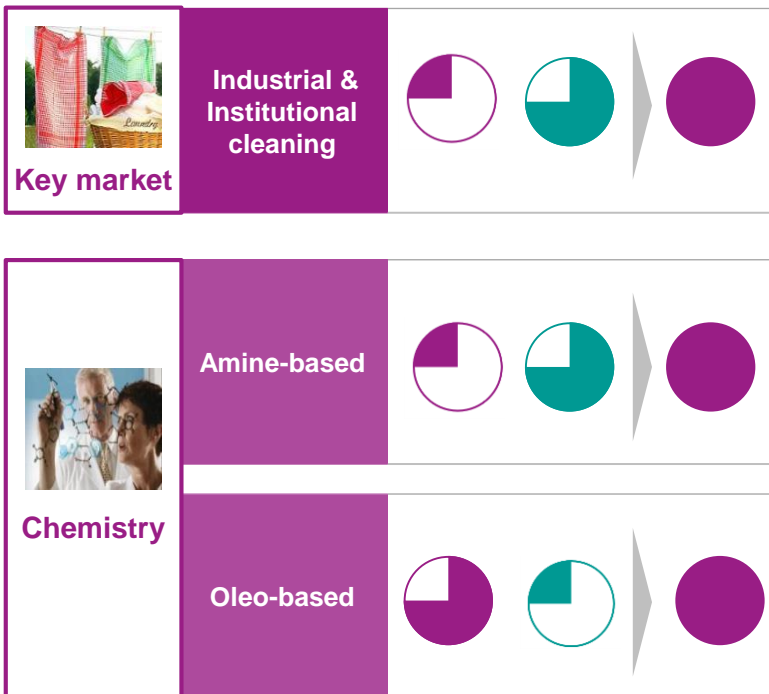


Creating a leader in Industrial & Institutional cleaning additives



Application and Technology fit

Evonik APD PM Combo

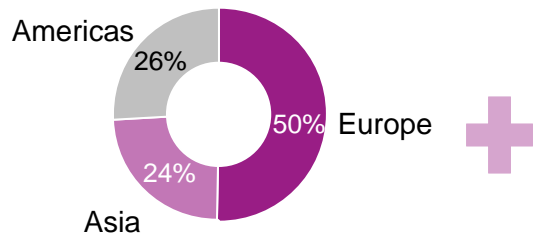


Key value drivers

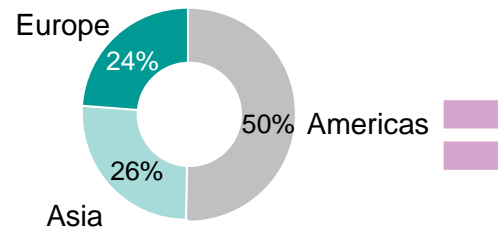
- ✓ Wider product offering in focused additives portfolio
- ✓ Complementary technologies to better serve customers
- ✓ Combining amine- and oleo-based know-how and innovation capabilities to offer wider range of products
- ✓ Geographically advantaged in-region manufacturing and supply network
- ✓ Significant cross-selling opportunities
- ✓ Local technical support

Complementary regional setup leading to balanced geographic footprint

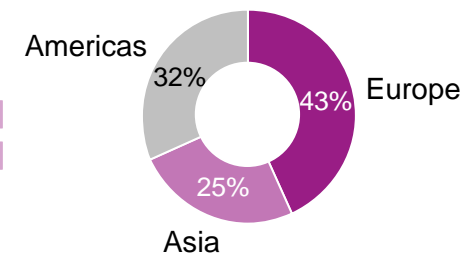
2015 Evonik Additives¹ Sales



2015 APD Perf. Materials² Sales



Pro-Forma 2015 Additives Sales



Balancing global footprint with increased presence in North America

Strong presence in every region matching the global set-up of customers

Close customer relationships driving global growth via cross-selling opportunities

Close geographic proximity of manufacturing sites for seamless integration



¹ Relates to affected Evonik Specialty & Coating Additives business lines

² APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015

Creating a global leader in Specialty & Coating Additives



Impacted Evonik businesses

 Nutrition & Care	Comfort & Insulation Personal Care Household Care Interface & Performance
 Resource Efficiency	Crosslinkers Coating Additives Coating & Adhesive Resins

Creating a global leader in Specialty & Coating Additives

~€3.5 bn
of sales

>20%
Adj. EBITDA margin

APD Performance Materials

	Polyurethane Additives
	Specialty Additives
	Curing Agents

Integration of APD Performance Materials businesses into existing Evonik business lines
Post merger integration team in place to guarantee seamless integration

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Superior financial metrics expected to enhance Evonik's financial profile



▶ Accelerating growth in Specialty & Coating Additives business

▶ Improving quality of earnings through better resilience, higher margins and synergies

▶ Enhancing capital efficiency from low capital intensity and strong cash conversion

Excellent strategic and operational fit leading to significant synergies



✓ Excellent strategic fit

✓ Complementary product portfolio

✓ Strong supply chains and manufacturing base

Cost synergies

Revenue synergies

Synergies	Overhead efficiencies	Production optimization	Procurement savings	Leveraging each other's customer base	Broader product and application portfolio
Expected sustainable level	~\$60 m			~\$20 m	

Total annual synergies of ~\$80 m¹

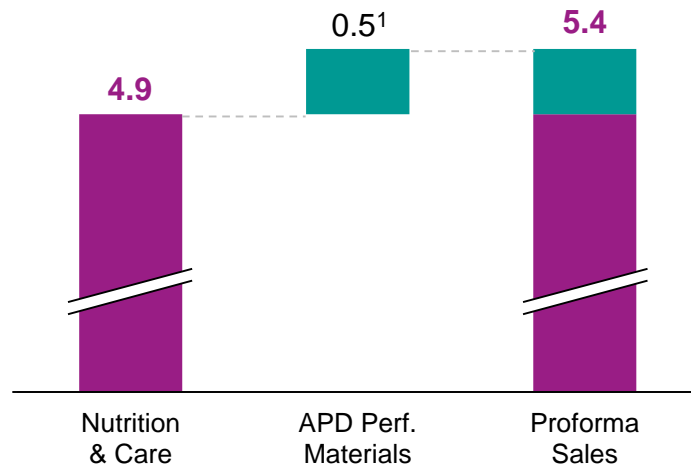
¹ Based on current assumptions and market conditions; ramp-up period of 3-4 years with cumulative implementation costs of ~\$80 m

Strengthening of growth segments Nutrition & Care and Resource Efficiency



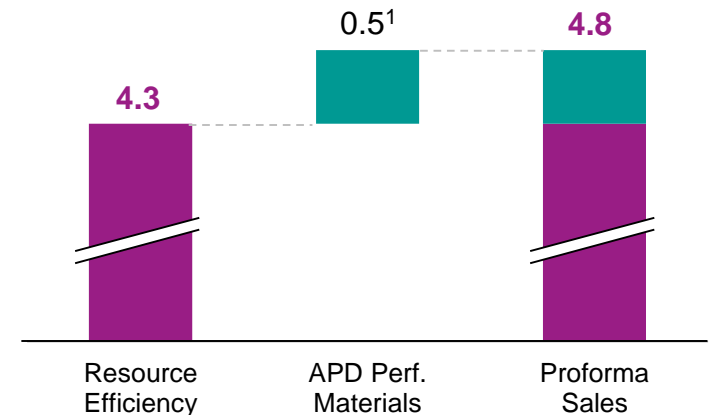
Nutrition & Care

Sales 2015
(€ bn)



Resource Efficiency

Sales 2015
(€ bn)



Significantly increased sales of growth segments

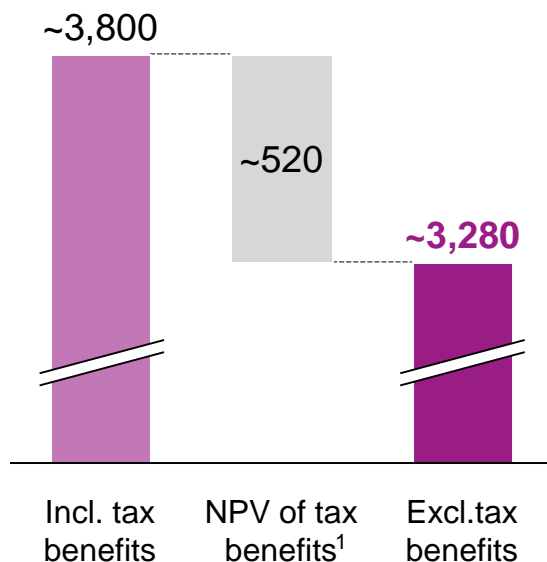
Note: APD Performance Materials' 2015 financials are September year-end

¹ APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015

Synergy potential and tax benefits leading to an attractive price



Enterprise Value (in \$ m)



¹ By purchasing assets, tax benefits from higher D&A after asset step-up will reduce future cash tax burden

EV / EBITDA 2016E

9.9x

incl. synergies and tax benefits

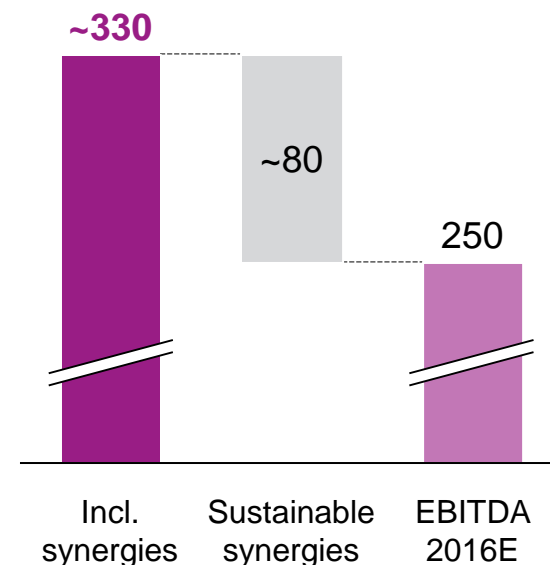
EV / EBITDA 2016E

15.2x

excl. synergies and tax benefits

EPS accretive
from year one

Adjusted EBITDA² (in \$ m)



² Adjusted EBITDA before restructuring charges and corporate allocations

Financing secured



▶ Financing secured with half cash and half committed credit facility consisting of bridge and term loans provided by bank consortium

▶ Final financing structure to consist of mix of cash, term loans and bonds

▶ No change in financing strategy: Maintaining a solid investment grade rating

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- ✓ **Creating a global leader in Specialty and Coating Additives**
- ✓ **Strengthening of growth businesses Nutrition & Care and Resource Efficiency**
- ✓ **Excellent fit with Evonik's existing businesses**
- ✓ **Substantial synergy potential and tax benefits**
- ✓ **Fully aligned with M&A strategy**
- ✓ **Maintaining a solid investment grade rating**



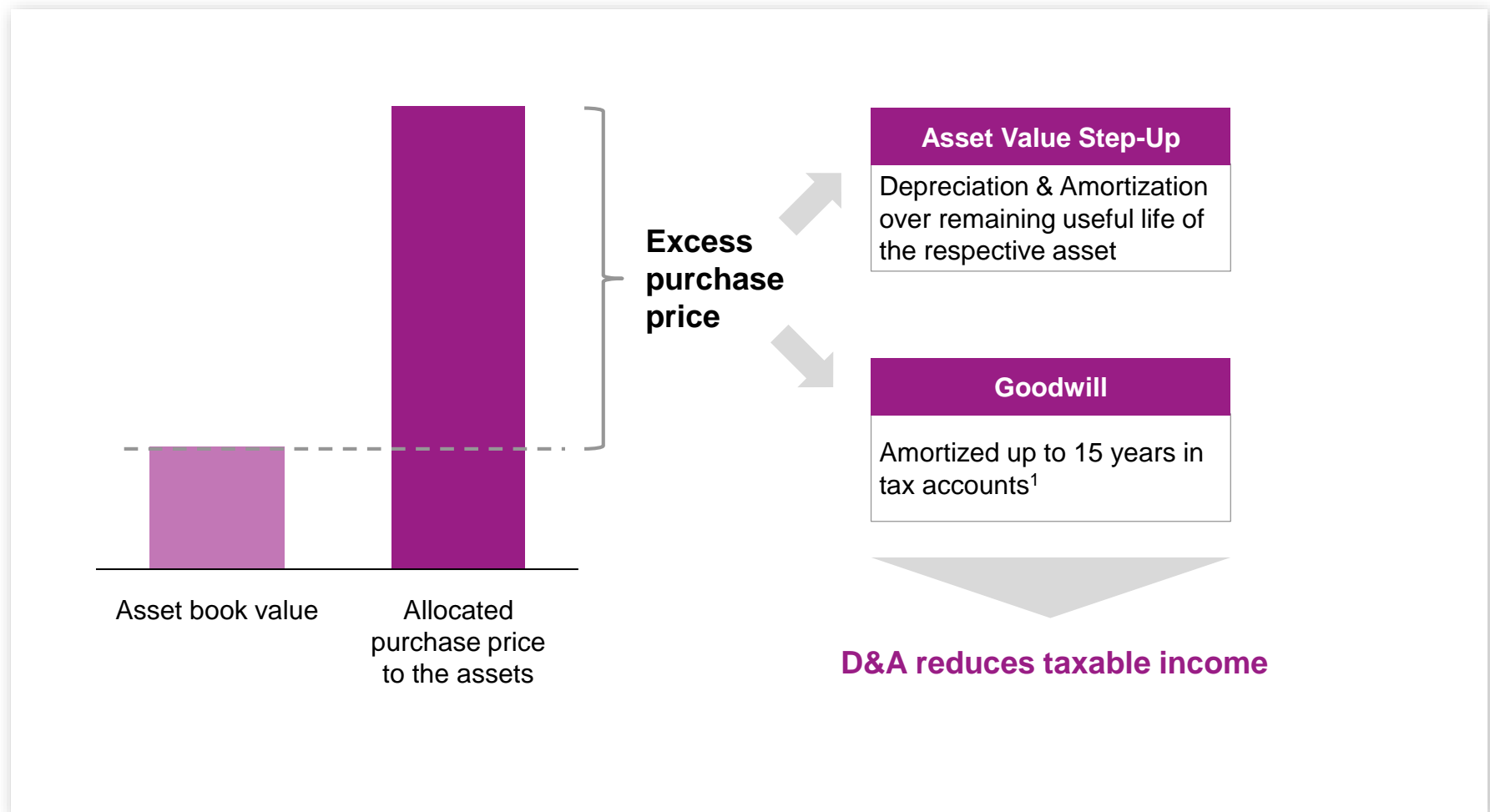
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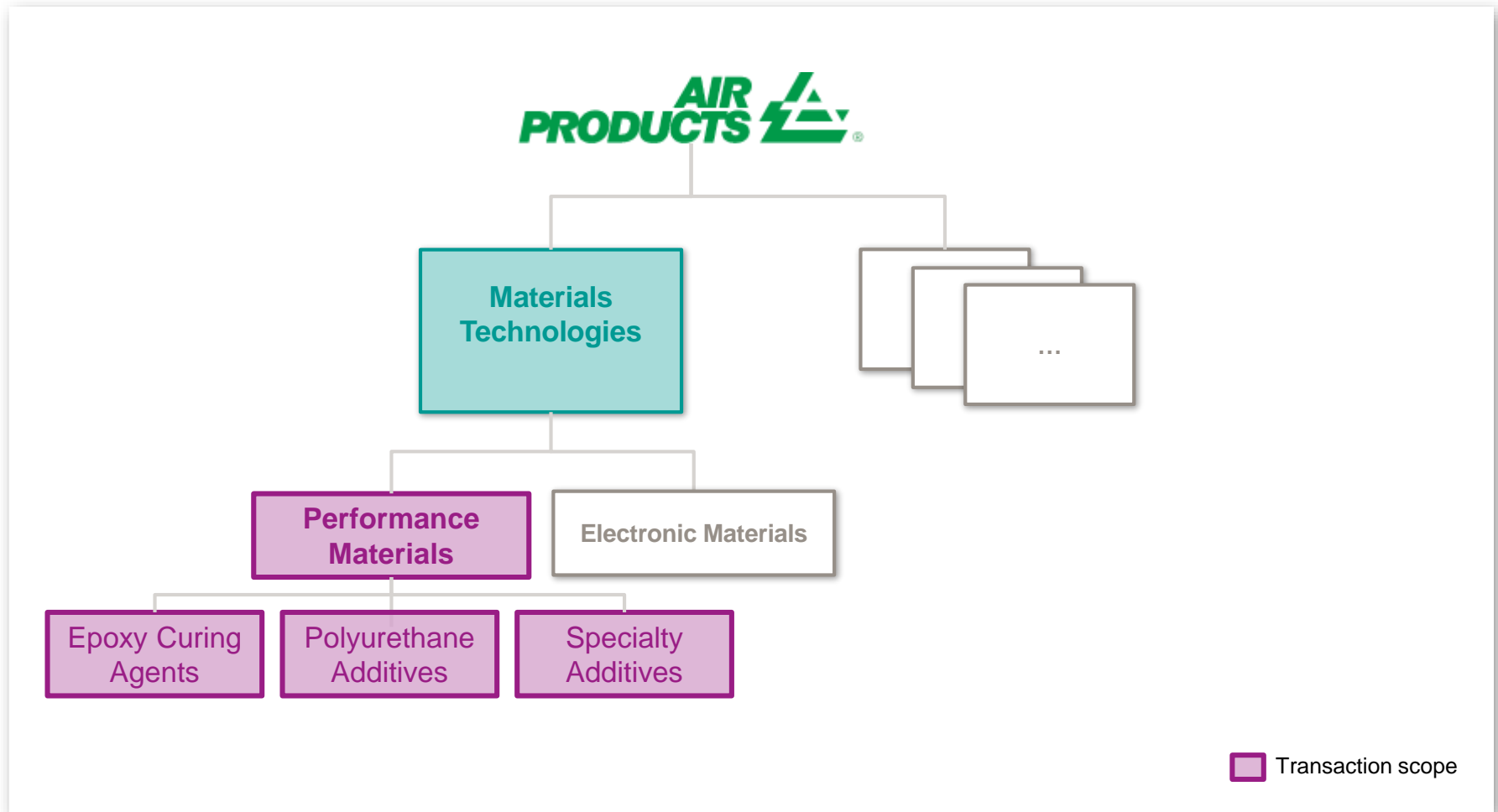
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Exemplary purchase price allocation in asset deals



¹ In countries where applicable

Scope of acquisition

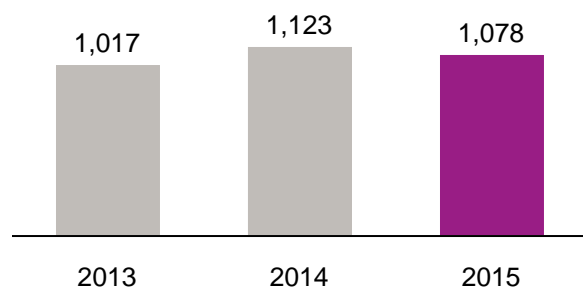


Financial overview

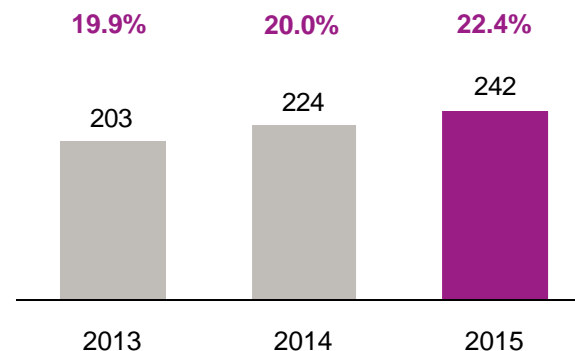
APD Performance Materials



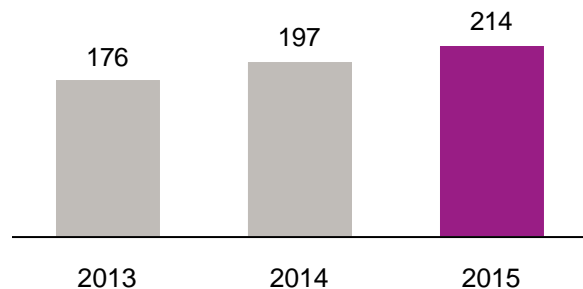
Sales (in \$ m)



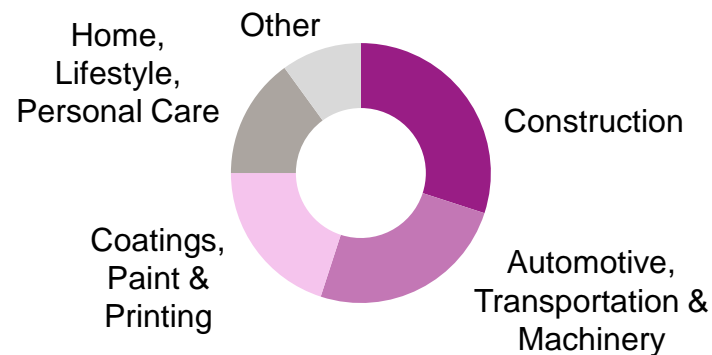
Adj. EBITDA¹ (in \$ m) / **margin¹**



Adj. Operating Income (in \$ m)



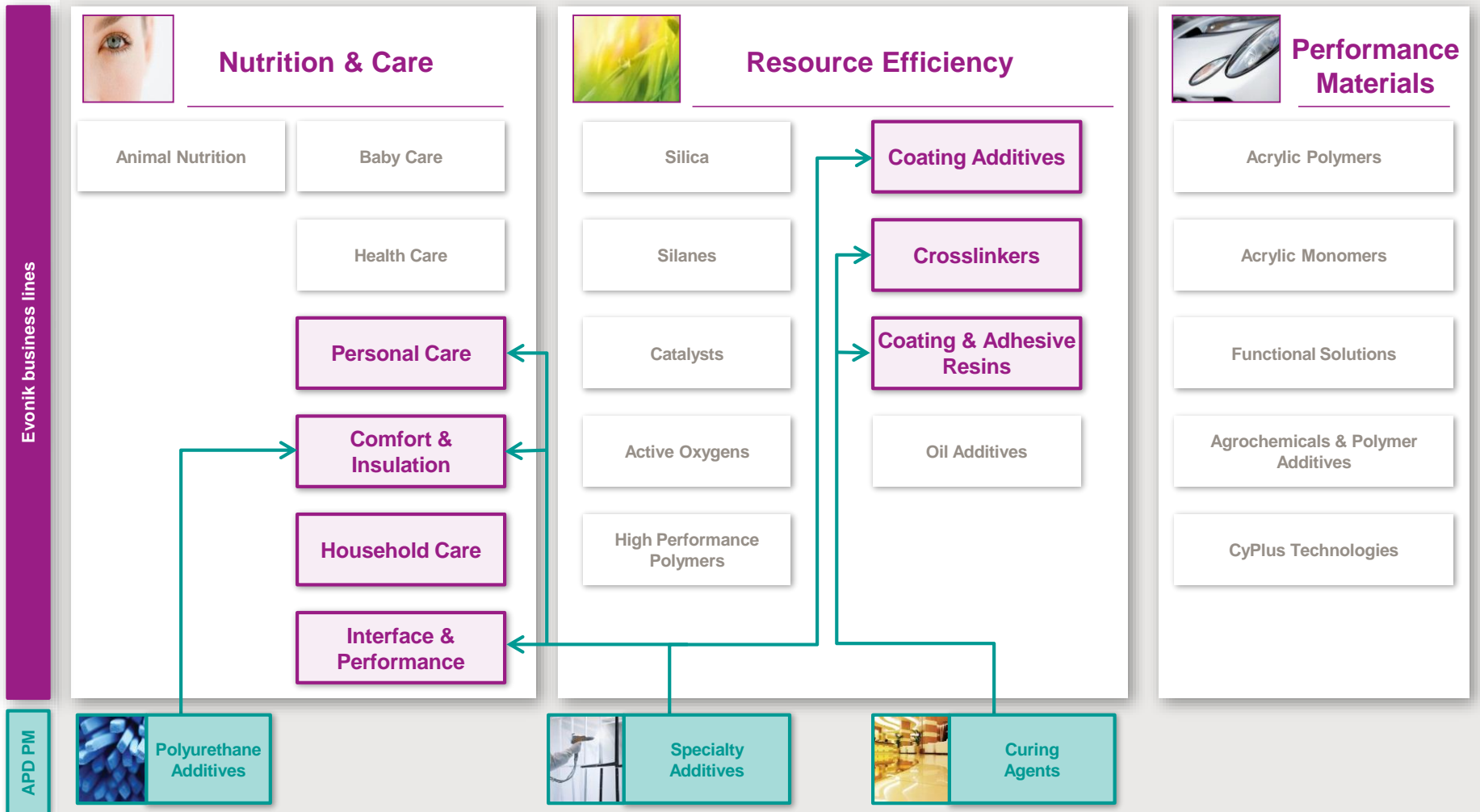
End market split



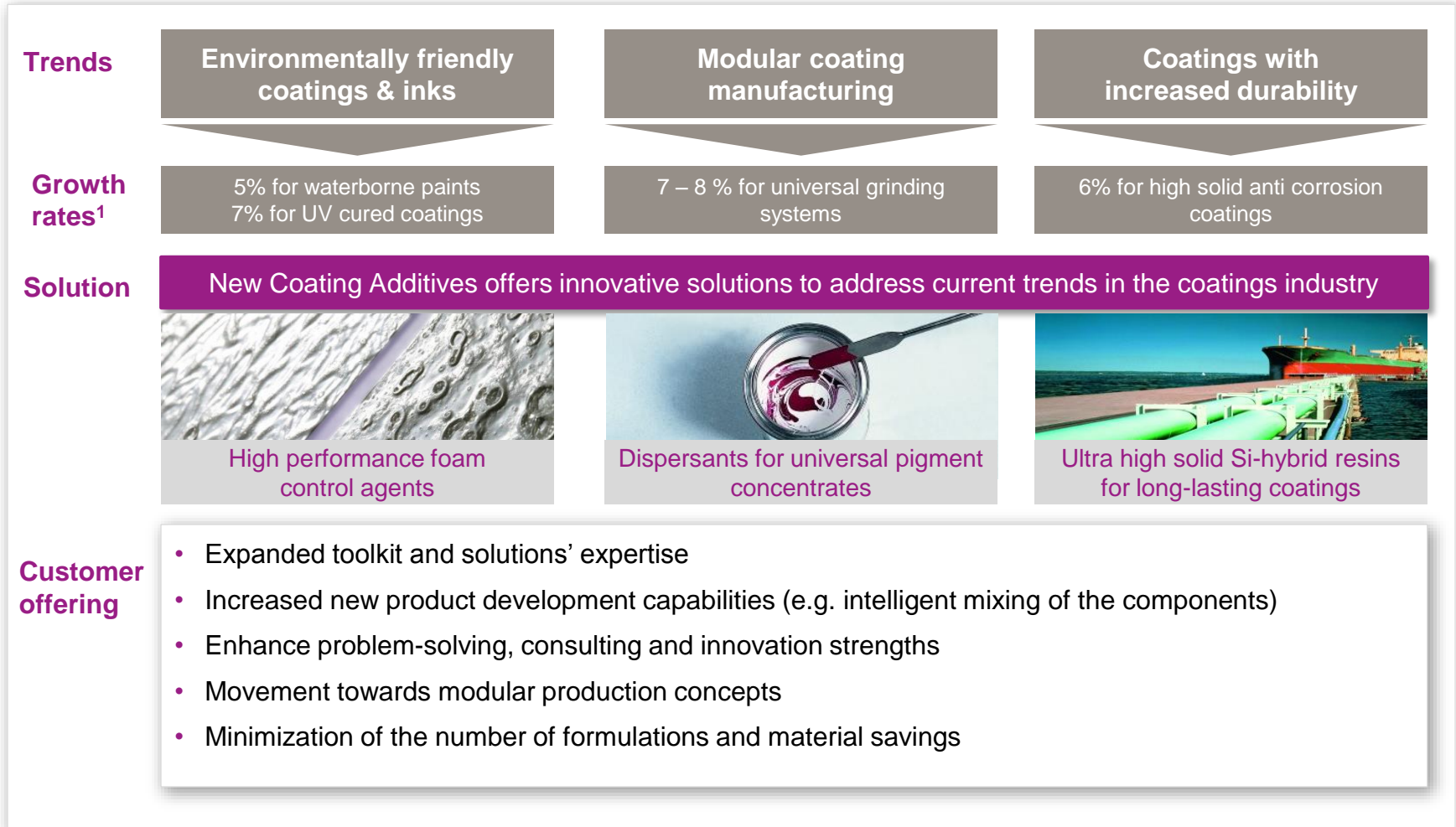
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¹ Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income

Strong fit in Evonik's Growth Segments



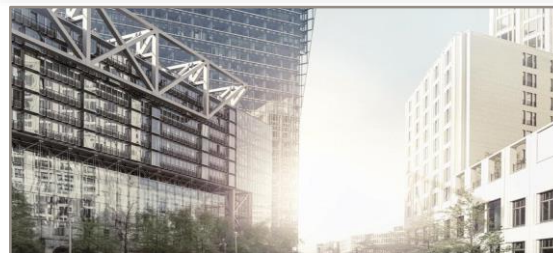
Enhanced innovation capabilities to better fulfil customer needs



¹ Source: Company estimates

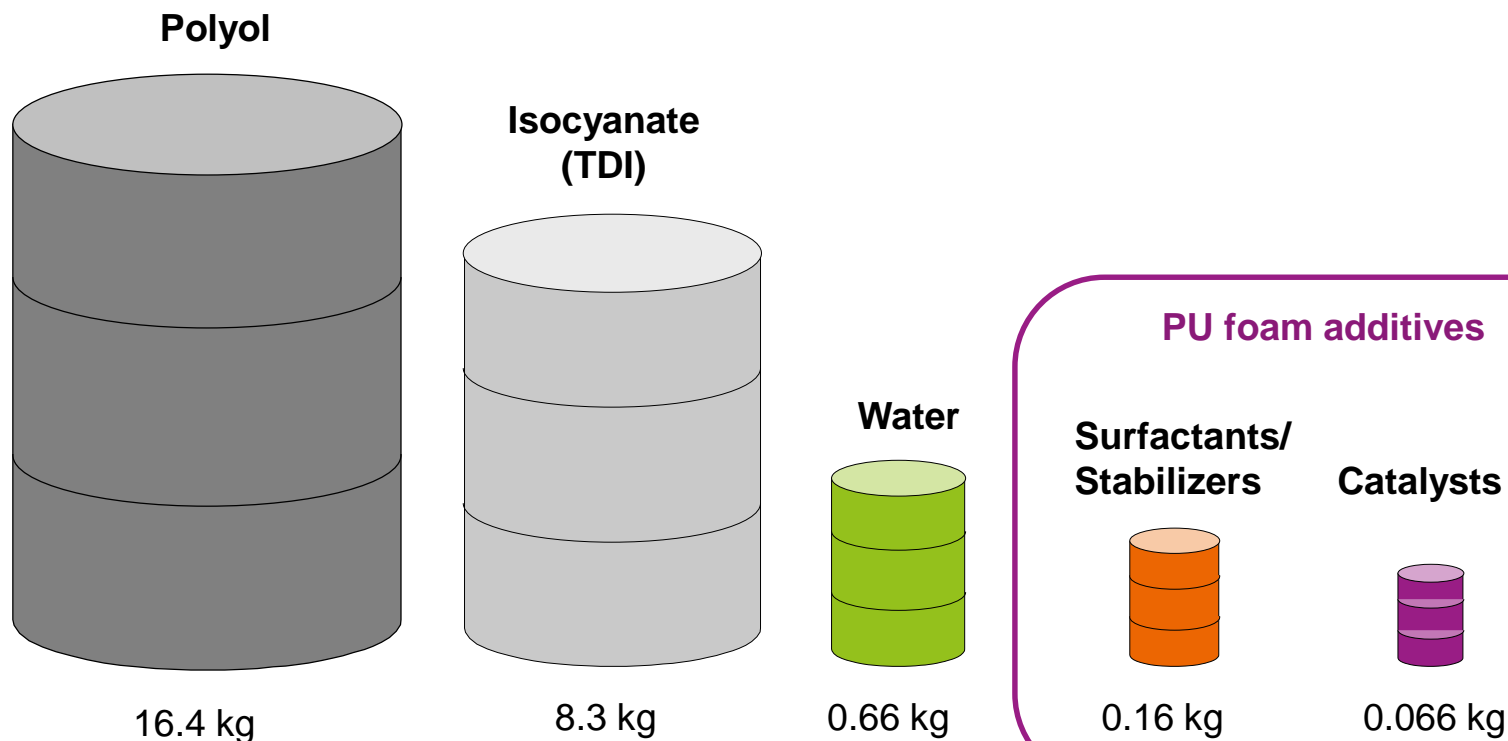
Industry trends drive growth in major applications

Market trend	End Market	Key application functionalities
Cold Chain Development	Appliance	Lower energy consumption due to excellent cell nucleation, emulsification and surface appearance
Automotive Lightweight	Automotive	Comfort, protection, durability, energy conservation, reduce fogging and meet VOC requirements
Building Insulation	Construction	Energy efficiency management through maximum insulation efficiency, dimensional stability, uniform density, and fine cell structure
Improvement of living standards	Furniture & Bedding	Extremely broad processing latitude, phthalate free products, good cell regulation properties



Additives with small quantity, but decisive impact in PU foam formulation

Quantities being required to produce 1 m³ of flexible foam with a density of 24 kg/m³





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