We are pleased to present the fourth Squire Sanders Global M&A Briefing, produced in association with Mergermarket.

Contents include:

2013 has seen some notable transactions in the chemicals and materials sector – in the biggest of the year to date (YTD), the state-owned Oman Oil Company (OOC) purchased a US$2.4bn stake in Germany-based Oxea **(see page 2)**

In 2012-2013 YTD, Asia-Pacific has overtaken North America as the largest target market for chemicals and materials M&A in terms of volume, with a 28.8% share compared to North America's 23.7% **(see page 2)**

When comparing the first three quarters of 2013 with those in 2012, private equity buyouts are down 26% in volume to 32 deals, and down 41% in value to US$5.2bn **(see page 3)**

Specialty chemicals have been generating a substantial amount of high value M&A activity, with three of the five biggest deals of 2013 YTD coming from this sub-sector **(see page 4)**

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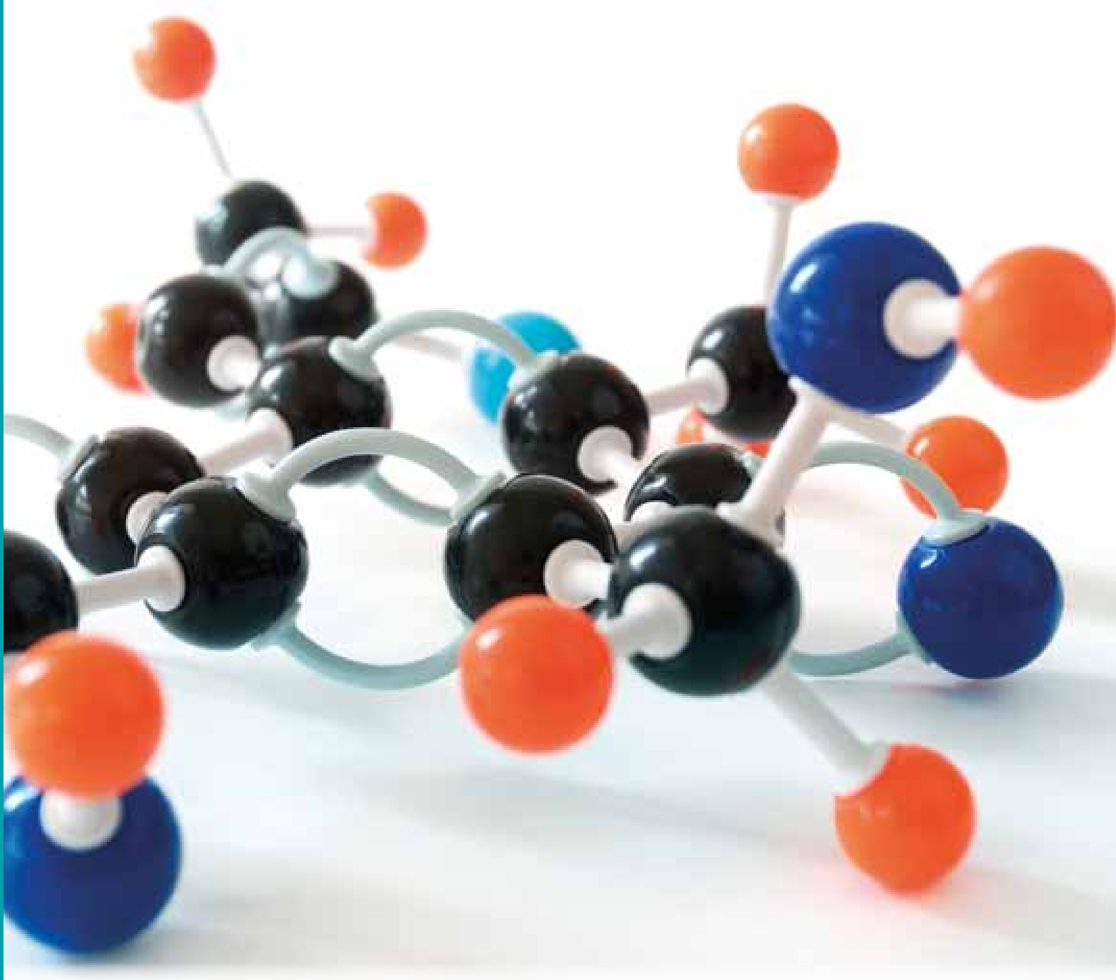


Chemicals and Materials M&A

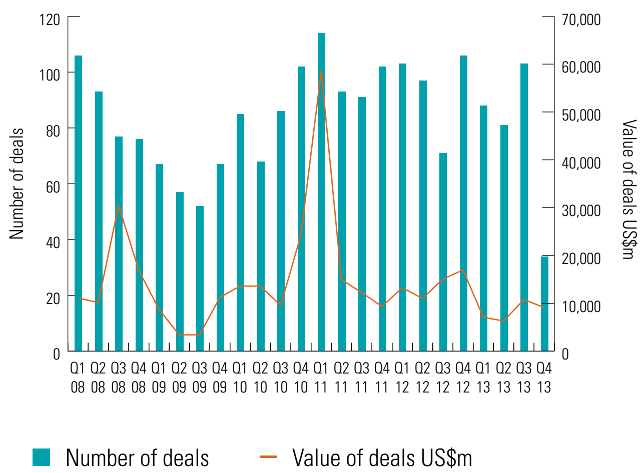
Squire Sanders Global M&A Briefing

Over the past few years, the chemicals and materials sector has generated increased attention thanks to its solid levels of activity in the face of global slowdown, pointing to continued opportunities for consolidation in several key markets.

In Q3 2013, there was a 45% increase in volume to 103 deals, despite a 28% drop in value to US$10.8bn. Although languid value with high volume typically points to a lack of large-cap deals, this is not the case in the chemicals sector. The number of large cap deals is at peak levels not witnessed over the past five years. In 2008, there were 14 deals valued above US$500m. In 2012, there were 28. This year has already seen 19 deals over US$500m.

The fact that large-cap activity generally has remained healthy, although value overall has dipped, points to an absence of megamerger transactions, such as Cargill's 2011 US$14.8bn spinoff of a 40% stake in its fertiliser producing arm, the Mosaic Group. The deal came as rising global food demand caused the price of fertilizers to increase dramatically.

Chemicals and Materials M&A Trends



Although the lack of large-cap transactions is not ipso facto positive, it is encouraging that activity is taking place in a more sustainable, holistic way, with companies of varying sizes being purchased.

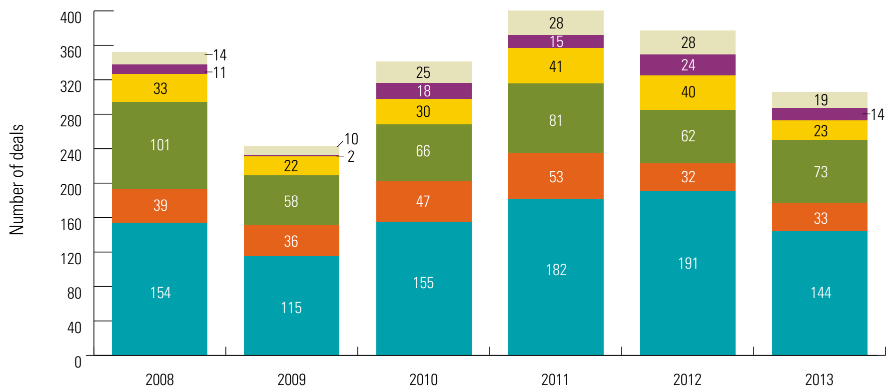
Chemicals and Materials M&A

This deviates from the typical narrative of 2013 thus far. Across several sectors, including pharmaceuticals and telecommunications, several outlying, blockbuster transactions have buoyed overall deal activity at the same time as mid-market activity has stagnated.

That said, 2013 has seen some notable transactions. In the biggest transaction of the year to date (YTD), the state-owned Oman Oil Company (OOC) purchased a US$2.4bn stake in Germany-based Oxea. The deal gives Oman Oil a foothold in the Oxo derivatives and intermediaries space while providing Oxea access to additional geographies, particularly those in Asia.

Consolidation is a global theme throughout the chemicals and materials sector because it remains relatively fragmented, with many markets having multiple players with similar offerings. In addition, supply chains remain unconsolidated. The next few years will likely see buyers looking to increase their market share and generate cost savings through consolidation plays, both vertical and adjacent.

Chemicals and Materials M&A Deal Size Splits, Yearly



Key for above graph:

- Not disclosed
- <US$15m
- US$15m-US$100m
- US$101m-US$250m
- US$251m-US$500m
- >US$500m

Regional Perspectives

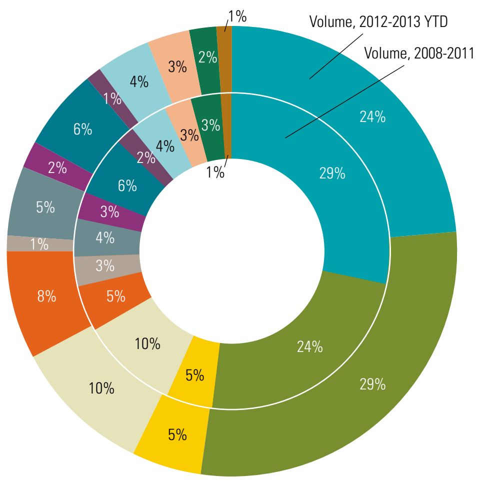
The US is historically the biggest target market for chemicals and materials M&A, and led from 2008 through 2011 in both volume and value. But the period from 2012 to 2013 YTD has seen a shift: Asia-Pacific has overtaken North America as the largest target market in terms of volume, with a 28.8% share compared to North America's 23.7%. "Asia-Pacific is becoming an increasingly key market for buyers, especially for buyers from developed markets. There is a drive to do deals that, even if they do not have an Asia-based target, have targets with a substantial Asian foothold," notes Darren Warburton, partner at Squire Sanders.

"A number of chemicals firms are looking to downsize in Europe, resulting in more of a buyer's market than there is elsewhere in the world."

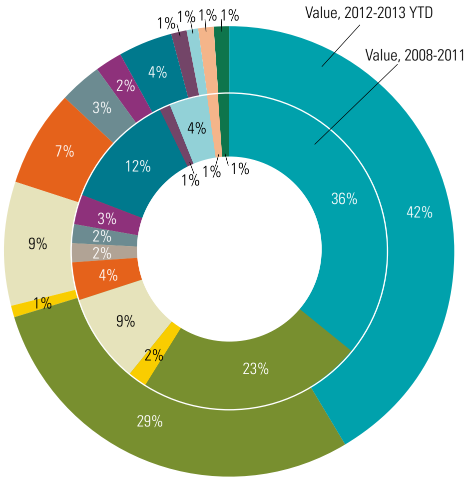
China is largely responsible for this substantial uptick in activity. Already in 2013, China has witnessed 47 transactions, compared to the full year of 2008's 37 deals. Mao Tong, partner at Squire Sanders, explains: "China is experiencing consolidation throughout the market. In particular, Chinese buyers are keen to buy smaller companies that are specialised in a specific area of cutting-edge technology. On the other side of the coin, larger transactions are often being driven by large listed or state-owned companies looking to grow their market share."

In an example of the latter trend, the listed and China-based Inner Mongolia Yuan Xing Energy

Chemicals and Materials M&A Deal Volume, Split by Target Region



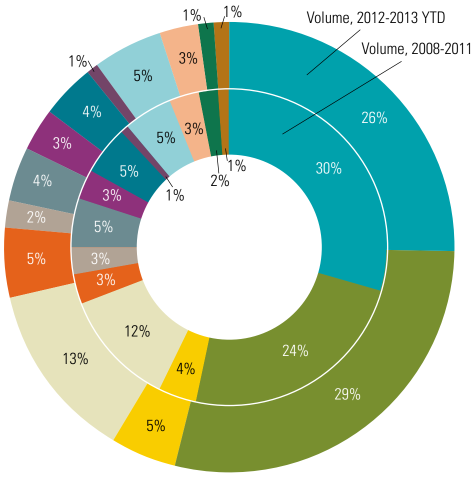
Chemicals and Materials M&A Deal Value, Split by Target Region



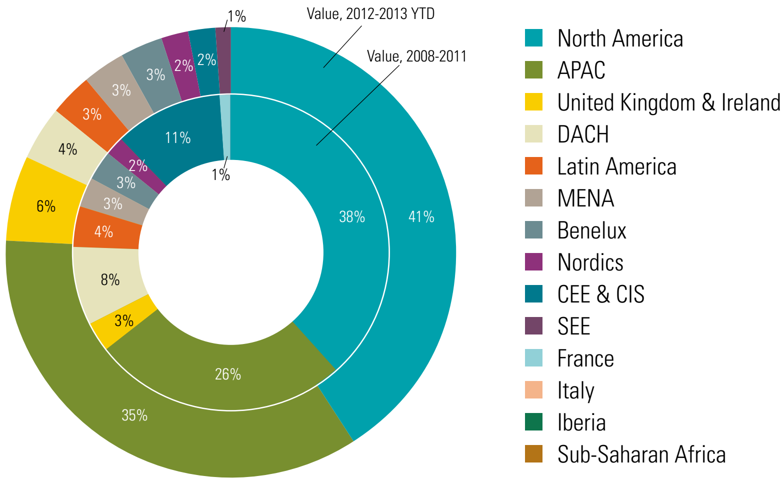
- North America
- APAC
- United Kingdom & Ireland
- DACH
- Latin America
- MENA
- Benelux
- Nordics
- CEE & CIS
- SEE
- France
- Italy
- Iberia
- Sub-Saharan Africa

Chemicals and Materials M&A

Chemicals and Materials M&A Deal Volume, Split by Bidder Region



Chemicals and Materials M&A Deal Value, Split by Bidder Region



Company purchased Henan Zhongyuan Chemical, which specialises in acetic acid and chloroactic acid, for US$629m. The deal will add new chemical types to Mongolia Yuan Xing Energy Company's portfolio.

While prices may still be at a premium in Asia-Pacific, there are relative bargains to be had in Europe. Carolyn Buller, partner at Squire Sanders, notes: "A number chemicals firms are looking to downsize in Europe, resulting in more of a buyer's market than there is elsewhere in the world."

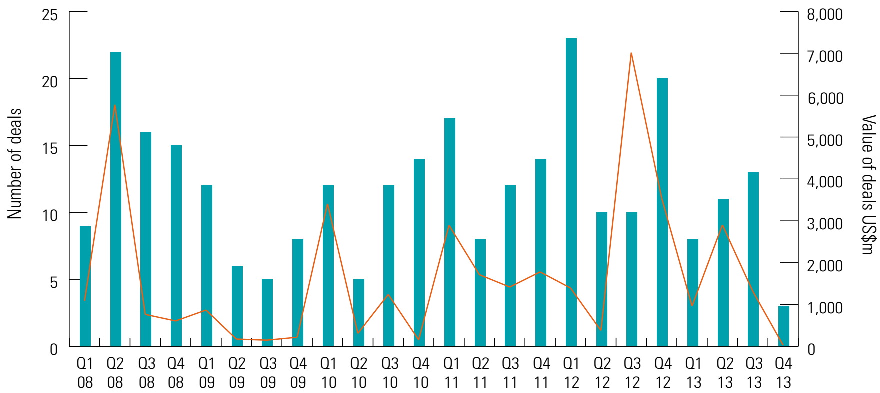
When examining the most active acquirers, a similar pattern emerges: Asia-Pacific has grown its market share from 24% in 2008-2011 to 28.7% in 2012-2013 YTD. Meanwhile, North America's has dwindled from 30.2% to 26.4% over the same period. However, North American M&A has grown its share in value, both in terms of bidder and target activity.

Private Equity Activity

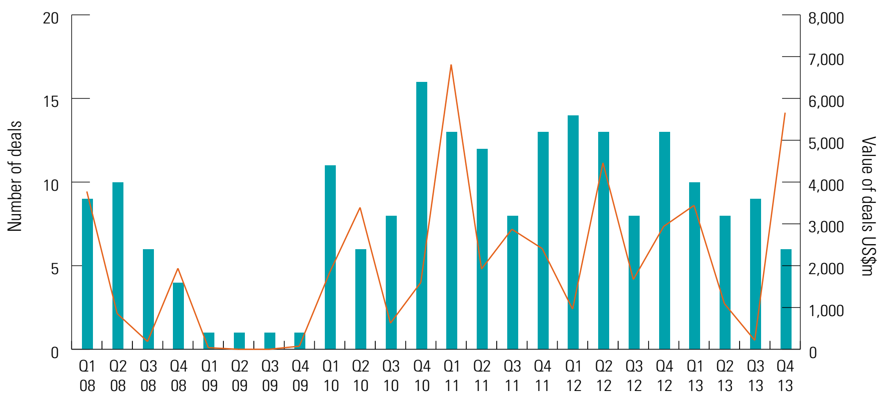
By and large, the dominant narrative in the chemicals and matertials sector is one of strategic plays, with private equity taking a back seat.

As a result, buyout activity has remained muted over the past year. When comparing the first three quarters of 2013 with those in 2012, buyouts are down 26% in volume to 32 deals, and down 41% in value to US$5.2bn.

Chemicals Buyout Trends



Chemicals Exit Trends



Key for above two graphs:

Number of deals — Value of deals US$m

Chemicals and Materials M&A

Top Deals, 2012 to 2013 YTD

Announced Date	Target Company	Target Sector	Target Country	Bidder Company	Bidder Country	Seller Company	Seller Country	Deal Value (US$m)
10/10/2013	Oxea Gmbh	Fine chemicals (other), Specialty (other)	Germany	Oman Oil Company S.A.O.C	Oman	Advent International Corporation	US	2432
24/09/2013	Uralkali JSC (12.5% stake)	Agrochemicals	Russia	Chengdong Investment Corporation	China			2000
16/06/2013	CeramTec GmbH	Specialty (other)	Germany	Cinven Limited	United Kingdom	Rockwood Holdings, Inc.	US	1985
10/10/2013	MacDermid Inc	Specialties (intermediates), Specialty (other)	US	Platform Acquisition Holdings Limited	United Kingdom	Court Square Capital Partners; Weston Presidio Capital; MacDermid Group, Inc	US	1800
24/04/2013	Buckeye Technologies Inc	Pulp and paper, Specialties (intermediates), Specialty (other)	US	Georgia-Pacific LLC	US			1465
07/10/2013	Chemlogics Group, LLC	Cosmetic/care chemicals	US	Solvay SA	Belgium	One Equity Partners LLC	US	1345
28/10/2013	CF Industries (phosphate business)	Agrochemicals, Commodity chemicals (non-petrochemical)	US	The Mosaic Company	US	CF Industries Holdings, Inc	US	1200
18/03/2013	Shandong Runyin Biochemical Co Ltd	Agrochemicals	China	Jiangsu Dongyuan Electrical Group Co Ltd	China	Ruixing Group; Suzhou Suxin Yihe Asset Management Co Ltd; Future Value Capital; Shenzhen Huading Investment Fund Co Ltd	China	1149
17/09/2013	Rockwood Holdings, Inc (Titanium Dioxide Pigments and Other Non-Strategic Businesses)	Agrochemicals, Commodity chemicals (non-etrochemical), Construction chemicals, Fine chemicals (other), Specialties (intermediates), Specialty (other)	US	Huntsman Corporation	US	Rockwood Holdings, Inc	US	1100
05/02/2013	NuCo2 Inc	Commodity chemicals (non-petrochemical), Food additives/ ingredients, Industrial gases, Soft beverages	US	Praxair, Inc	US	Aurora Capital Group	US	1100

That said, one of the biggest deals of 2013 thus far was a buyout. In Q2, lithium producer Rockwood Holdings sold CeramTec, a Germany-based ceramics business, to Cinven for US$2bn. The deal will help CeramTec grow internationally, while enabling Rockwood Holdings to pay down debt.

Exit activity tells a more positive story. After a somewhat languid start to 2013, there have been several high-profile exits in recent months. For instance, in the biggest chemicals and materials deal of 2013, Advent International sold Oxea to Oman Oil Company for US$2.4bn. The deal represents a substantial return for Advent, who purchased Oxea in 2006 for US$634m.

In another instance of a high-profile exit, Praxair, a US-based industrial gas producer, purchased NuCO2, which provides carbonation for beverages, from Aurora Capital for US$1.1bn. The deal follows several years of postponed listing plans, and sees Aurora Capital exit after five years of ownership. NuCO2 stands to increase its geographical distribution, thanks to Praxair's logistics network.

"By and large, the dominant narrative in the chemicals and matertials sector is one of strategic plays, with private equity taking a back seat."

Sub-sector: Specialty Chemicals

Specialty chemicals have been generating a substantial amount of high value M&A activity, with three of the five biggest deals of 2013 thus far coming from the sub-sector. The space continues to be very fragmented, with a number of small, yet healthy players. Indeed, as in chemicals and materials overall, it seems that the number of attractive targets is limited, thus encouraging many buyers to pay a high premium for the right assets.

Specialty chemicals also continue to be in demand for their range of applicability. Popular applications include food and automotive production. A number of the deals seen this year have involved chemicals with applications across the technology space.

In particular, this year has seen several high-value specialties deals within the US. This includes paper company Georgia-Pacific's US$1.5bn acquisition of Buckeye Technologies, which produces cellulose-based specialty products with diverse applications, from LCD screens to sausage casings. The transaction will complement Georgia-Pacific's current portfolio of cellulose-based products, and help to increase its market share.

Chemicals and Materials M&A

Outlook

The current climate looks good for an uptick in chemicals and materials M&A activity. The shale gas boom has spelled increased profit margins for a number of petrochemical companies and these cost savings are likely to result in increased capital to deploy for growth.

Carolyn Buller, partner at Squire Sanders, elaborates: "A number of petrochemical companies are currently re-opening or building new refineries to handle shale resources. We are particularly seeing this on the southern coast of the US. This movement is likely to increase the number of buyers in the US in the near term."

> "Chemicals companies will likely continue to consolidate vertically, as companies farther down the supply chain, have continued to struggle."

Consolidation will also likely remain a major theme over the coming months. Following the global economic downturn, rivals have been increasingly cannibalising one another in order to better compete. Additionally, "chemicals companies will likely continue to consolidate vertically, as companies farther down the supply chain, particularly construction companies, have continued to struggle," says Warburton. Several geographies are also likely to contribute more activity in the near term. Although activity in the CEE, CIS and South Eastern Europe has been muted in 2013 to date, sectors in these countries remain unconsolidated and there is therefore room for a substantial amount of growth in dealmaking.

Taking a more granular look, specialty chemicals looks set to continue a steady stream of transactions. Mao Tong, partner at Squire Sanders elaborates: "While there are numerous drivers of the uptick in specialty chemicals, some of the biggest are those used in automotive production. This is particularly true in emerging markets such as China, where the number of passenger cars is set to grow apace."

> "The current climate looks good for an uptick in chemicals and materials M&A activity."

Overall, the chemicals and materials space hinges on the success of other sectors that use chemicals in production and is therefore especially susceptible to the broader economic climate. The sector should therefore be buoyed by the improving economic picture. For instance, the eurozone is expected to return to growth in 2014, with the European Commission forecasting a 1.1% increase in gross domestic product after several years of contraction. Across Europe and North America, interest rates will likely remain at all-time lows for the near term, helping to ensure that financing is relatively cheap for companies with access to capital markets. While the climate does remain somewhat uncertain, there is certainly room for optimism across the chemicals and materials space.

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