

Evonik. Power to create.

Q2 2016 Earnings Conference Call

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Ute Wolf, Chief Financial Officer

5 August, 2016



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INDUSTRIES

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1	Highlights Q2 2016
2	Financial performance Q2 2016
3	Outlook FY 2016

Highlights Q2 2016

Strong sequential earnings improvement –
outlook specified



Volume growth

+4% (yoy)

Good volume growth across all three
chemical segments

Adj. EBITDA

€585 m (vs. €565 m in Q1)

Resource Efficiency and Performance
Materials with strong sequential increase
Expected normalization in Nutrition & Care

Free cash flow

€47 m (vs. - €13 m Q2 2015)

Positive free cash flow in a normally cash-
negative quarter - even above prior year

Outlook

Confirmed and specified

Adj. EBITDA in upper half of €2.0 - 2.2 bn
range expected

APD Performance Materials integration status

On track and closing expected for year-end



Recent milestones

- Welcome visit of Evonik top management at APD PM locations in May
- Integration project started, all workstreams progressing well
- Business integration meeting at APD PM headquarter on July 5th & 6th
- Syndication of €1.9 bn credit facility completed
- Closing date expected for year-end 2016



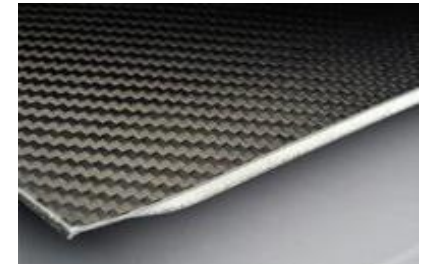
New production capacities successfully brought on stream in Brazil and China

New silica plant in Brazil



- First plant for **highly dispersible (HD) silica** in South America went on stream in July
- Tapping **Latin American growth markets** by new production facility currently mainly served by imports
- **Attractive specialty segments** in South America's food, feed, and agricultural industries
- **Tire labelling in Brazil** from 2016 onwards as additional growth driver

New ROHACELL® plant in China



- **Third ROHACELL® plant** went on stream in Shanghai, complementing global production footprint in Germany and the US
- Fast growing Chinese market now served with local production
- ROHACELL® is a **lightweight structural foam**, e.g. used as core for sandwich structures in the aviation, automotive, electronics and sports equipment industries

Innovation excellence: Evonik growth fields

Leveraging our core competencies into highly attractive markets



Megatrends

Health & Nutrition

Resource Efficiency

Globalization

Evonik Growth Fields

Sustainable Nutrition



Advanced Food Ingredients



Healthcare Solutions



Cosmetic Solutions



Membranes



Smart Materials



Evonik Technology Competence Fields

Polymer Design

Inorganic
Particle Design

Interfacial
Technologies

Coating &
Bonding

Catalytic
Processes

Biotechnology

Additional contribution to sales of more than €1 bn by 2025

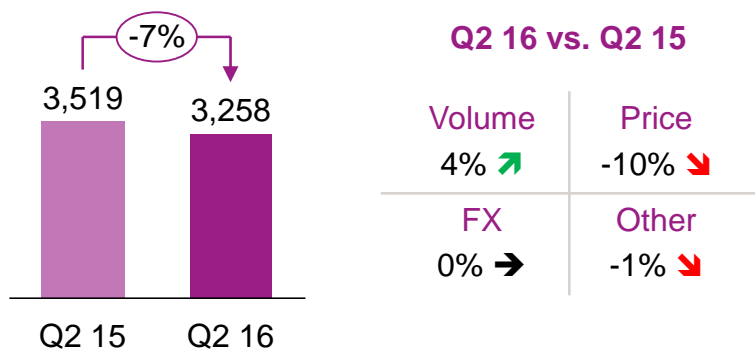
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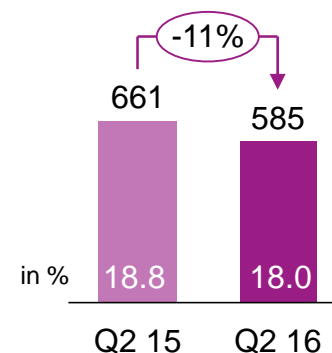
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Financial highlights Q2 2016

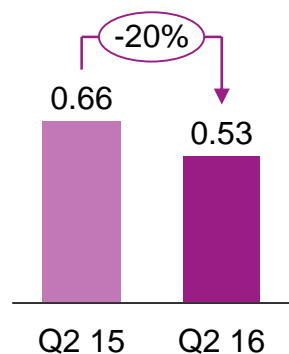
Sales (in € m)



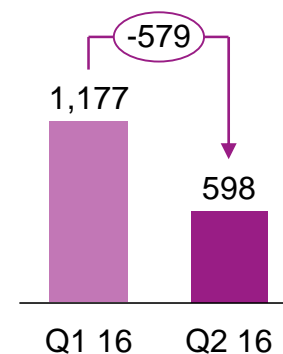
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



Net financial position (in € m)

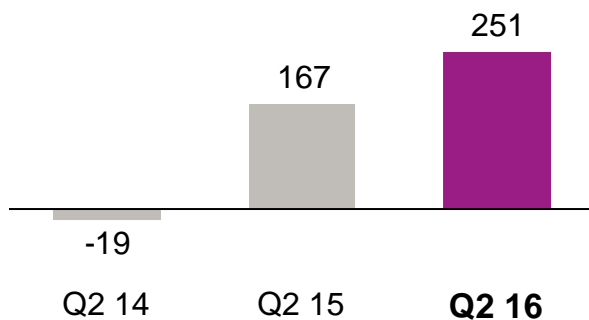


Cash flow development

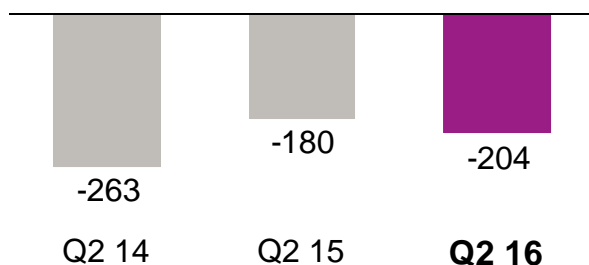
Active NWC management resulting in positive FCF



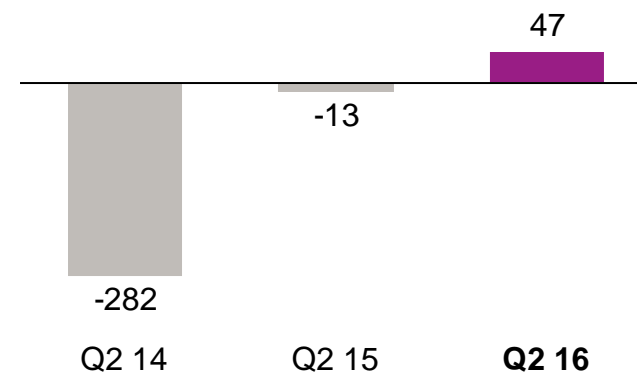
Operating Cash Flow (cont. op. in € m)



Investing Cash Flow (cont. op. in € m)¹



Free Cash Flow (cont. op. in € m)² (before dividends and divestments)



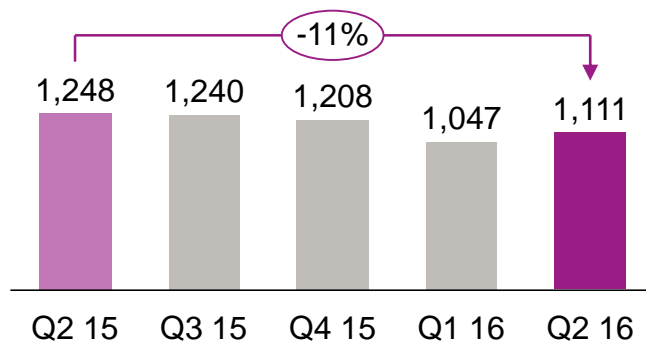
¹ Cash outflow for investments in intangible assets and PP&E

² Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.)

Nutrition & Care

Expected normalization in Animal Nutrition

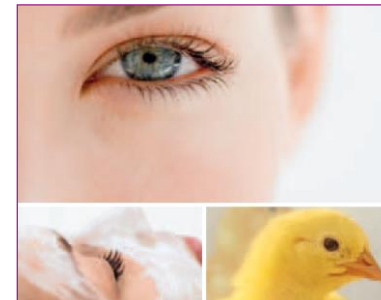
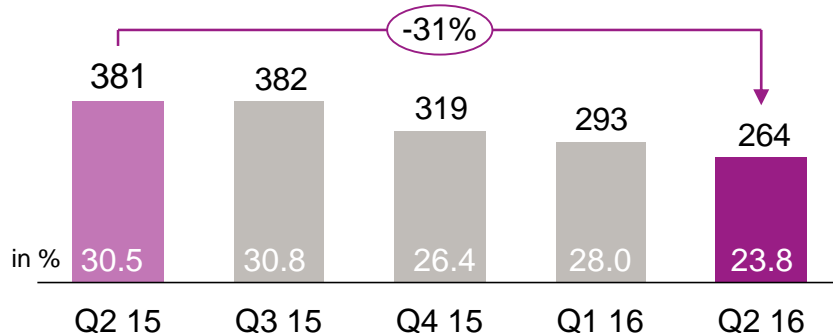
Sales (in € m)



Q2 16 vs. Q2 15	Volume	Price	FX	Other
	+5% 	-15% 	-1% 	0% 

- Strong volume development after softer start into the year, mainly driven by Animal Nutrition
- Lower prices mostly in Baby Care (due to propylene formula prices and competitive environment) and Animal Nutrition
- Methionine prices with stabilization trend in Q2, expected to continue in H2

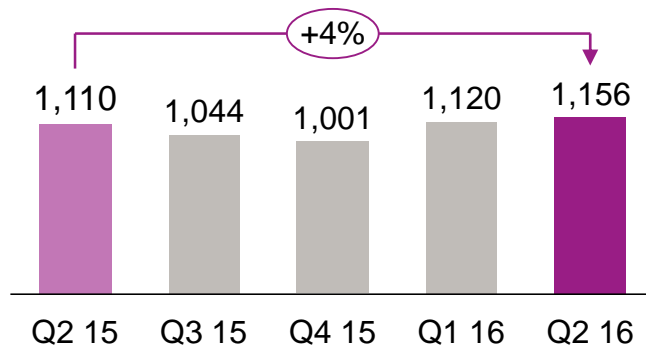
Adj. EBITDA (in € m) / margin (in %)



Resource Efficiency

Sustainable volume and earnings growth

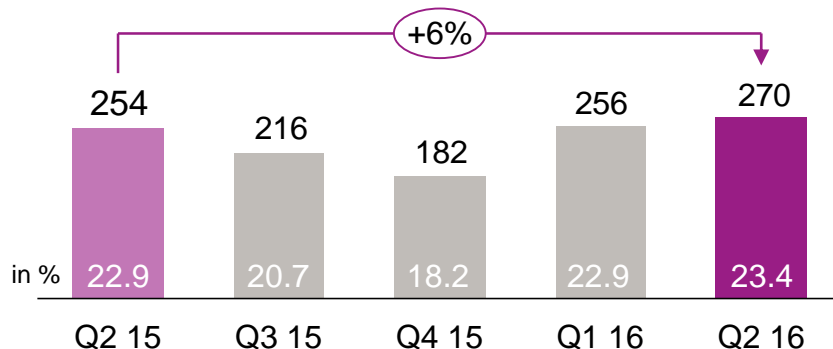
Sales (in € m)



Q2 16 vs. Q2 15	Volume	Price	FX	Other
	+4% 	-2% 	0% 	+2% 

- Good volume growth across majority of businesses
- Margin even further expanded
- Positive market environment expected to continue into H2, raw material tailwind fading

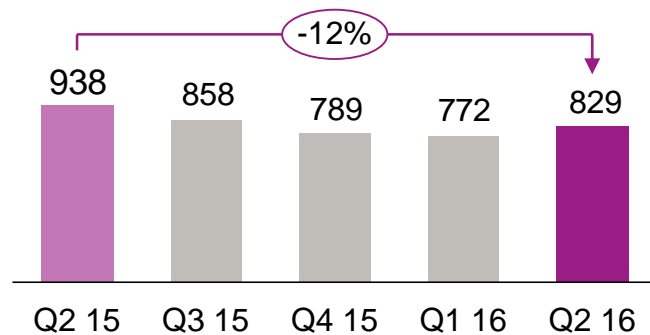
Adj. EBITDA (in € m) / margin (in %)



Performance Materials

Good margin development

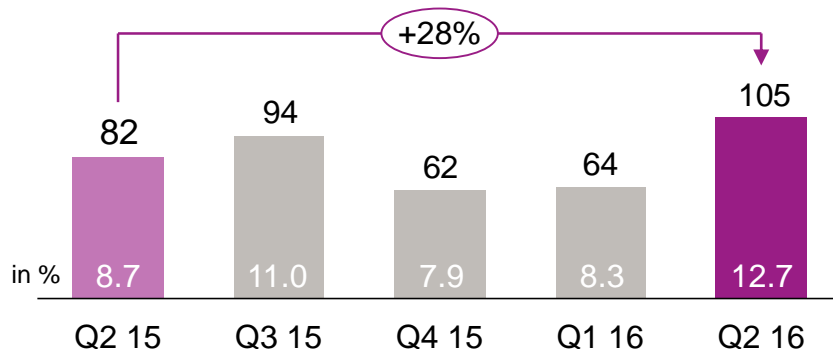
Sales (in € m)



Q2 16 vs. Q2 15	Volume	Price	FX	Other
	+4% 	-16% 	0% 	0% 

- Positive volume development supported by C4 expansion, prices in line with lower raw material costs
- Positive earnings development both in Methacrylates and primarily C4, supported by higher volumes, better spreads/yields and inventory revaluations
- H2: scheduled maintenance and expected narrowing of spreads

Adj. EBITDA (in € m) / margin (in %)

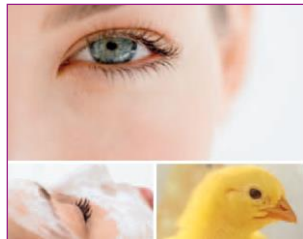


Highlights Q2 2016: Strong performance in Specialty & Coating Additives businesses



Evonik's Specialty & Coating Additives Businesses Lines to be strengthened by **APD PM acquisition**

Nutrition & Care



Personal Care

Household Care

Comfort & Insulation

Interface & Performance

Resource Efficiency



Crosslinkers

Coating & Adhesive Resins

Coating Additives

Strong volume growth of 7% and adj. EBITDA growth of >10 %¹

¹ Q2 16 combined financial data of the seven Business Lines
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Outlook for 2016 specified

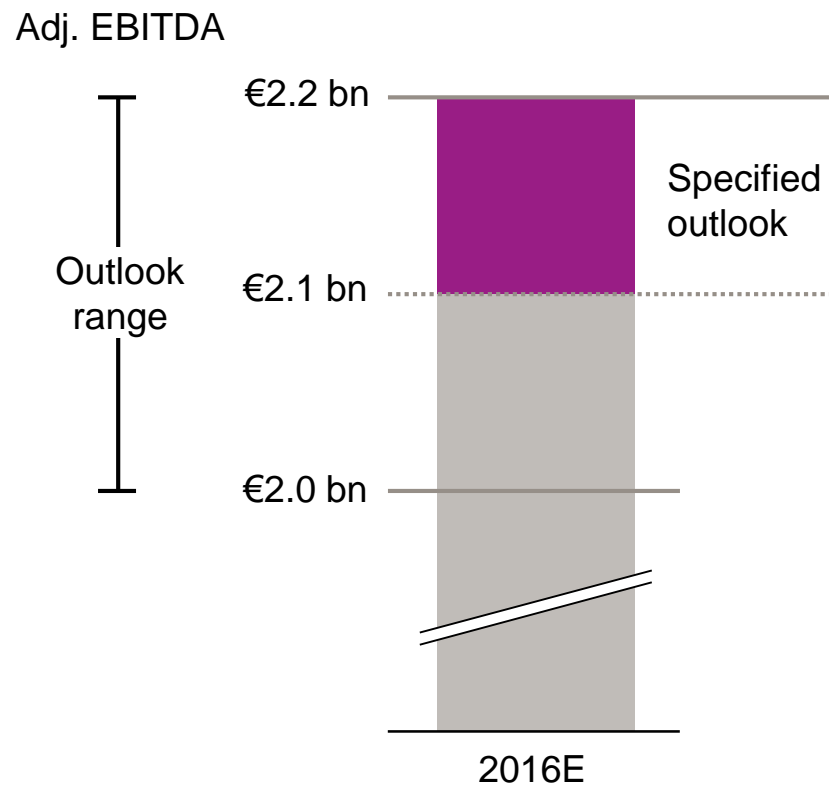
Adj. EBITDA in upper half of €2.0 - 2.2 bn range

Outlook 2016

Slightly lower sales
(2015: €13,507 m)

**Adj. EBITDA in the
upper half of the
given range of €2.0
and 2.2 bn**
(2015: €2,465 m)

Outlook specification





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- ¹ Including transaction effects (after hedging) and translation effects; before secondary / market effects and APG acquisition
² 2015 figures restated for restructuring between Services and Corporate / Others segments (€4 m adj. EBITDA re-allocated; neutral on Group level)
³ Guidance for “Adj. net financial result” (incl. “Adj. interest income/expense” and “Other financial income/expense”)
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Segment outlook for 2016

Nutrition & Care



- Stable or slightly positive business performance in majority of businesses (vs. prior year)
- Animal Nutrition: expected gradual normalization of tight supply / demand situation experienced in 2015; market demand to remain robust
- Baby Care: very competitive market environment to persist

Resource Efficiency



- Further improvement of prior years' successful business performance, despite weaker global economic growth

Performance Materials

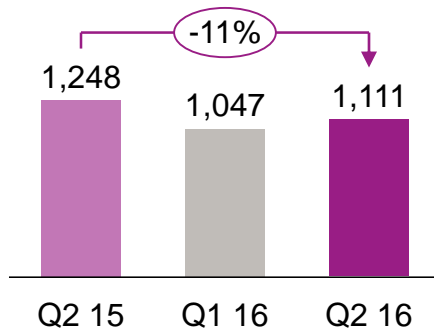


- Further declining oil price (vs. 2015 average) leading to overall lower selling prices, esp. in Performance Intermediates
- Lower prices to be almost fully offset in earnings

Nutrition & Care

Q2 2016 Business Line comments

Sales (in € m)



Personal Care with continued good business development especially in the US and Asia and favorable product mix.



Comfort & Insulation: strong performance of PU foam stabilizer business in EU and US core markets.

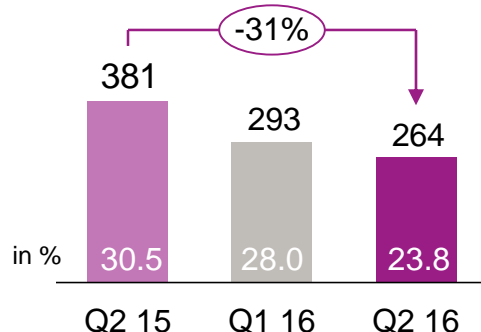


Baby Care: volumes and prices significantly impacted by overcapacities in the market; additional effect on selling prices from pass-on of lower propylene quotations via formula pricing.



Animal Nutrition: Methionine prices normalized further in Q2, stabilization trend for H2 visible. Strong volume growth in Q2 after softer start into the year. Slightly improving situation in lysine vs. Q1.

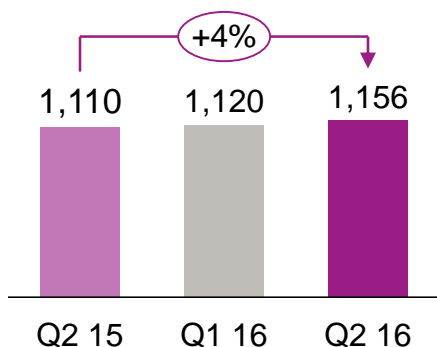
Adj. EBITDA (in € m) / margin



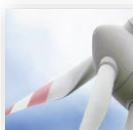
Resource Efficiency

Q2 2016 Business Line comments

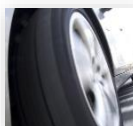
Sales (in € m)



Coating Additives: pronounced seasonal pick-up with strong sales development across all regions.



Crosslinkers: continuing strong demand in almost all regions and applications (flooring, construction, marine paints, coatings, composites).

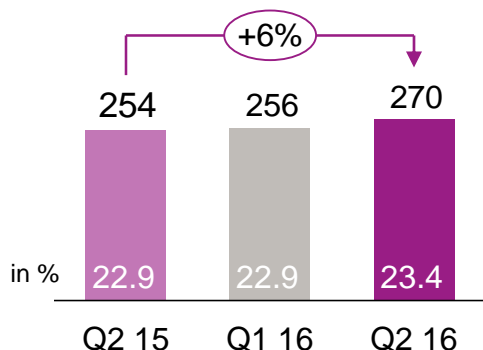


Silica: continued good demand from the tire industry (rubber silica) and ongoing positive development of other key market segments (e.g. Coatings and Consumer, Health & Nutrition).



High Performance Polymers: High demand for PA12 compounds and powders as well as gas filtering membranes.

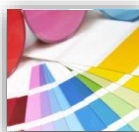
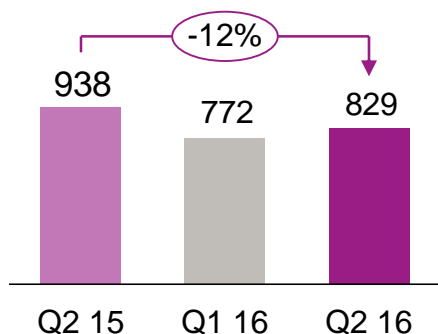
Adj. EBITDA (in € m) / margin



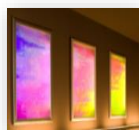
Performance Materials

Q2 2016 Business Line comments

Sales (in € m)



MMA with good demand from coating and construction in combination with a temporarily constrained supply side caused by some competitor outages.



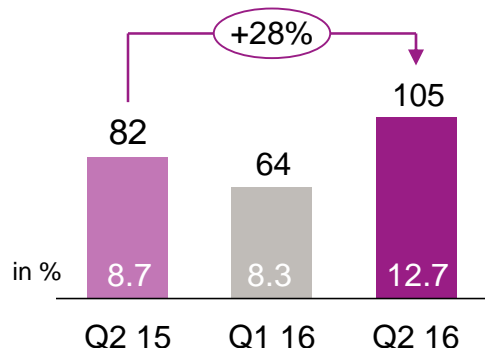
PMMA continued on higher level supported by strong automotive demand from Europe, U.S. and favorable raw material costs (MMA).



Performance Intermediates, situation in C4 chain is clearly improving after a tough start into the year.

- increased volumes from the C4 expansion in Marl and Antwerp (butadiene, MTBE, INA)
- notable improvement in feedstock quality
- higher oil price and healthier price spreads C4 over naphtha
- positive effects from inventory revaluation

Adj. EBITDA (in € m) / margin

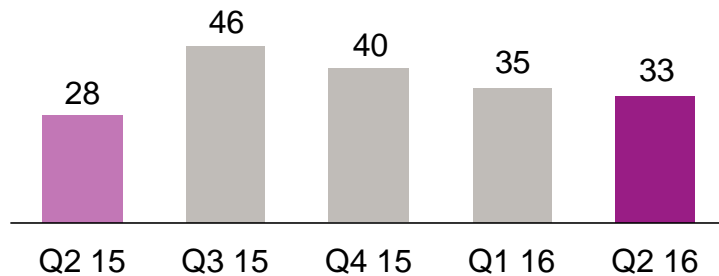


Services and Corporate / Others

Q2 2016 segment comments

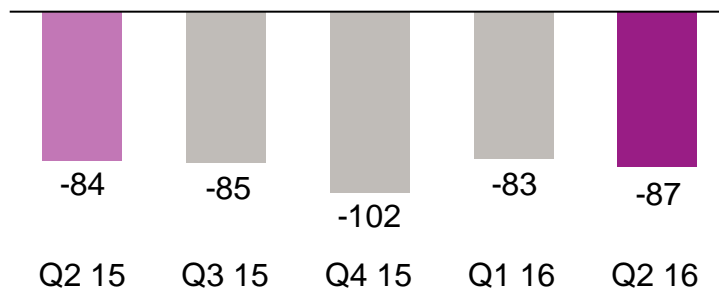


Services: adj. EBITDA (in € m)



- Broadly stable adj. EBITDA (yoy and qoq)

Corporate / Others: adj. EBITDA (in € m)



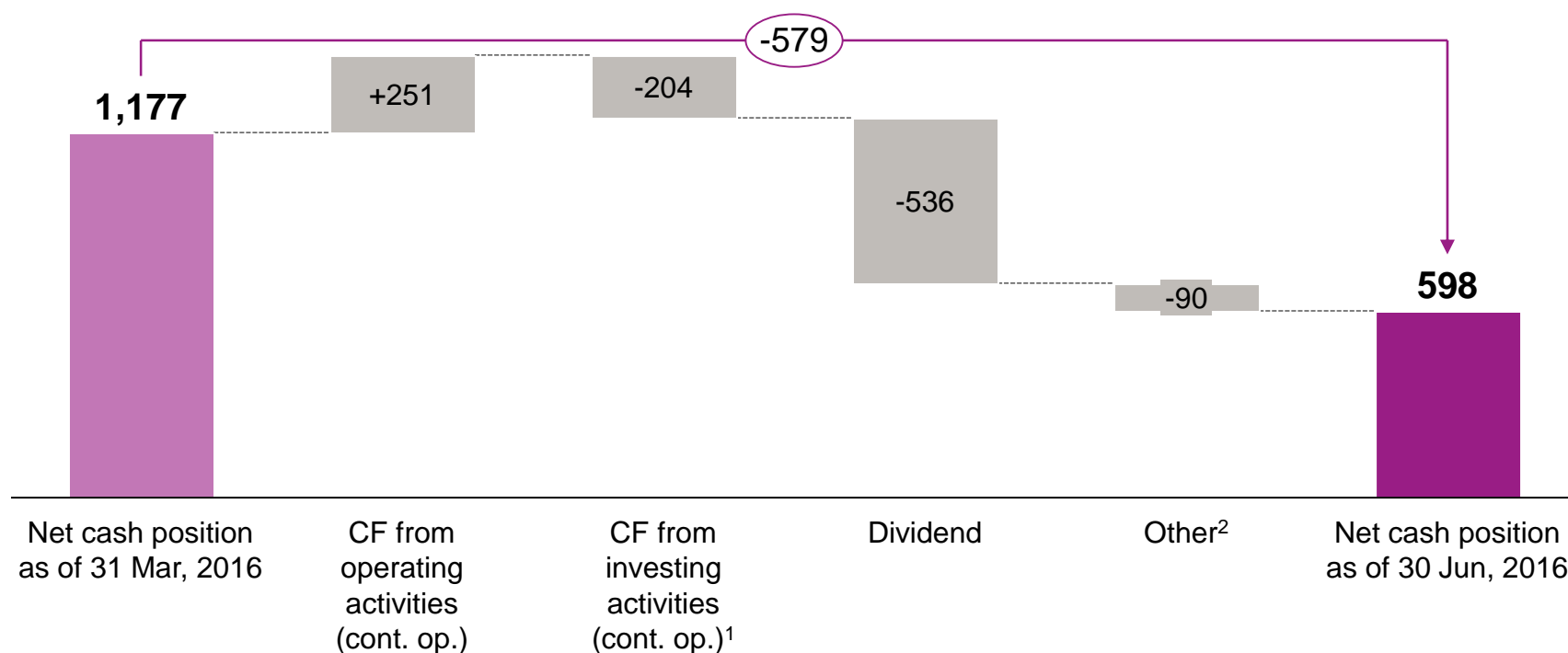
- Broadly stable adj. EBITDA (yoy and qoq)

2015 figures restated for restructuring between Services and Corporate / Others segments

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Net financial position

Development of net financial position (in € m)

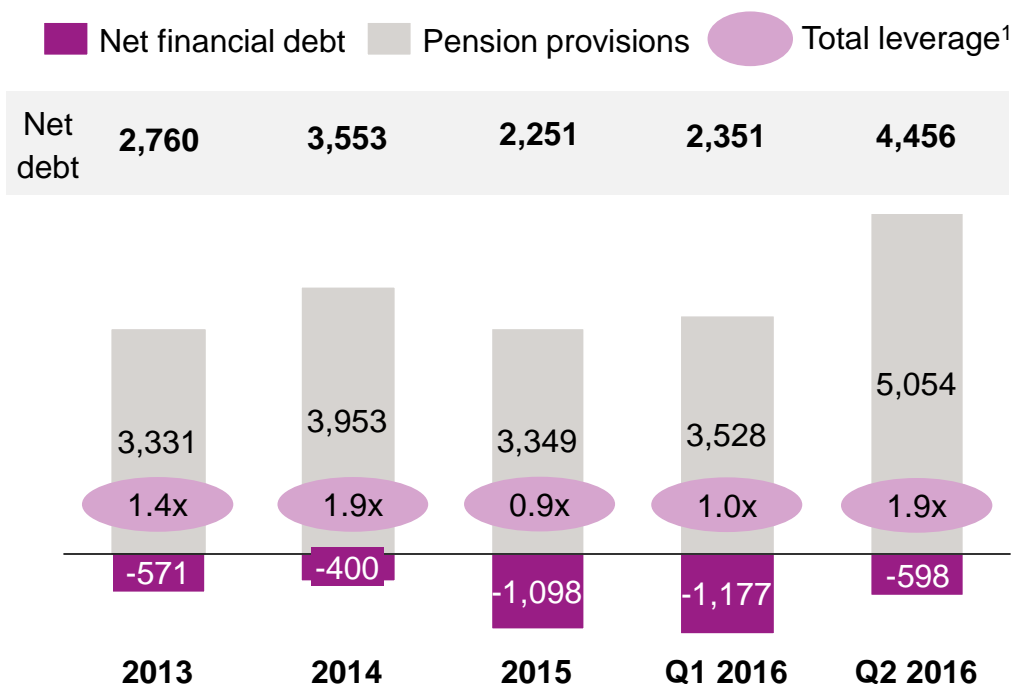


¹ Cash outflow for investments in intangible assets and PP&E

² Including cash outflows for investments in shareholdings

Net debt development

Net debt development (in € m)



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Discount rate lowered by 100 bp in Q2 2016, leading to ~€1.5 bn increase in pension provisions vs. Q1 2016
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.4 bn

3.84

2.65

2.91

-

-

Evonik Group global discount rate²

3.75

2.50

2.75

2.50

1.50

Evonik discount rate for Germany

¹ Total leverage defined as (net financial debt + pension provisions) / adj. EBITDA LTM

² Calculated annually

Adj. income statement Q2 2016

in € million	Q2 2015	Q2 2016	Δ in %
Sales	3,519	3,258	-7
Adj. EBITDA	661	585	-11
Depreciation & amortization	-175	-179	
Adj. EBIT	486	406	-26
Adj. net financial result	-49	-55	
D&A on intangible assets	10	10	
Adj. income before income taxes	447	361	-19
Adj. income tax	-139	-112	
Adj. income after taxes	308	249	-19
Adj. non-controlling interests	-1	-3	
Adj. net income	307	246	-20
Adj. earnings per share	0.66	0.53	
Adjustments	122	-47	

Adj. income tax & tax rate:

- Adj. tax rate of 32% due to tax expenses related to former periods
- FY expectation of 30%

EBITDA adjustments:

- Restructuring: -€18 m
- Impairments: -€17 m
- M&A: -€11 m
- 2015: adjustments contained income from sale of remaining stake in former Real Estate business (Vivawest)

Adjustments of financial result: (not shown on slide)

- -€37 m APD PM purchase price hedging costs; positive market value of FX hedge as counter-position (booked in OCI)

Cash flow statement Q2 2016

in € million (continuing operations)	Q2 2015	Q2 2016
Income before financial result and income taxes	608	359
Depreciation and amortization	177	183
Δ Net working capital	-72	205
Change in other provisions	-179	-300
Change in miscellaneous assets/liabilities	-41	24
Outflows for income taxes	-142	-177
Others	-184	-43
Cash flow from operating activities	167	251
Cash flow from investing activities, thereof:	470	-8
Cash outflows for investments in intangible assets and PP&E	-180	-204
Cash outflows for investments in shareholdings	-37	-29
Cash inflows from divestments of shareholdings	420	0
Cash inflows/outflows relating to securities, deposits and loans	272	238
Cash flow from financing activities	-469	-554

CF from operating activities

- Notable improvement in NWC, due to active management and lower raw material costs
- Change in other provisions: cash outflow for variable remuneration

CF from investing activities

- Q2 2015 contains inflow for sale of stake in Real Estate activities (divestment of shareholdings)

CF from financing activities

- Q2 with usual cash out for dividend payment (€536 m)

Segment overview by quarter

Sales (in € m)	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	Q1/16	Q2/16
Nutrition & Care	1,229	1,248	1,240	1,208	4,924	1,047	1,111
Resource Efficiency	1,124	1,110	1,044	1,001	4,279	1,120	1,156
Performance Materials	851	938	858	789	3,435	772	829
Services	207	211	207	203	828	166	163
Corporate / Others	14	12	16	-3	41	1	-1
Evonik Group	3,425	3,519	3,365	3,198	13,507	3,106	3,258

Adj. EBITDA (in € m)	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	Q1/16	Q2/16
Nutrition & Care	353	381	382	319	1,435	293	264
Resource Efficiency	244	254	216	182	896	256	270
Performance Materials	72	82	94	62	309	64	105
Services	46	28	46	40	159	35	33
Corporate / Others	-65	-84	-85	-102	-334	-83	-87
Evonik Group	650	661	653	501	2,465	565	585

Specialty Chemicals segments



Nutrition & Care



Sales
€4,924 m



Adj. EBITDA / Margin
€1,435 m / 29.1%

Animal Nutrition

Baby Care

Health Care

Personal Care

Household Care

Comfort & Insulation

Interface & Performance



Resource Efficiency



Sales
€4,279 m



Adj. EBITDA / Margin
€896 m / 20.9%

Silica

Crosslinkers

Oil Additives

Coating & Adhesive Resins

High Performance Polymers

Active Oxygens

Silanes

Coating Additives

Catalysts



Performance Materials



Sales
€3,435 m



Adj. EBITDA / Margin
€309 m / 9.0%

Performance Intermediates

Methacrylates

Acrylic Products

Functional Solutions

Agrochemicals & Polymer Additives

CyPlus Technologies

Upcoming IR events

Conferences & Roadshows

- 9 August: Roadshow Frankfurt
- 15/16 August: Roadshow London
- 19 August: Roadshow New York
- 31 August: Commerzbank Sector Conference, Frankfurt
- 6 Sept.: Morgan Stanley Corp. Days, Dublin
- 7 September: Roadshow, Edinburgh
- 14 September 2016: Berenberg Food Ingredients & Chemicals Conference, London
- 19 September: Berenberg & Goldman Sachs German Corporate Conference, Munich
- 22 September: Baader Investment Conference, Munich

Next reporting dates

- 4 November, 2016: Q3 2016 reporting
- 2 March, 2017: Q4 2016 reporting

Please find an updated schedule on our IR website

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