

Evonik

Power to create.

Q1 2017
Earnings Conference Call

5 May 2017

Ute Wolf, Chief Financial Officer

Table of contents

1. Highlights Q1 2017
2. Financial performance Q1 2017
3. Outlook FY 2017

Highlights Q1 2017

Good start into the year

Volume growth

+8 %

Strong volume growth across all three chemical segments, with the two growth segments standing out

Prices almost stable on group level

Adj. EBITDA

€612 m

Strong earnings growth in Resource Efficiency (+22%) driven by both underlying business and Air Products specialty additives contribution

Strong momentum in Performance Materials (+148%)

Free cash flow

€57 m

Positive free cash flow, slightly below strong prior-year level

Outlook confirmed

€2.2-2.4 bn

Fully on track to reach guidance

Consistent strategy execution

Breakthrough innovation and targeted M&A

Breakthrough innovation

- **JV for omega-3 fatty acids from natural marine algae**
- Breakthrough to reduce impact on ocean resources
- JV to invest US\$ 200 m into commercial-scale production facility in the United States



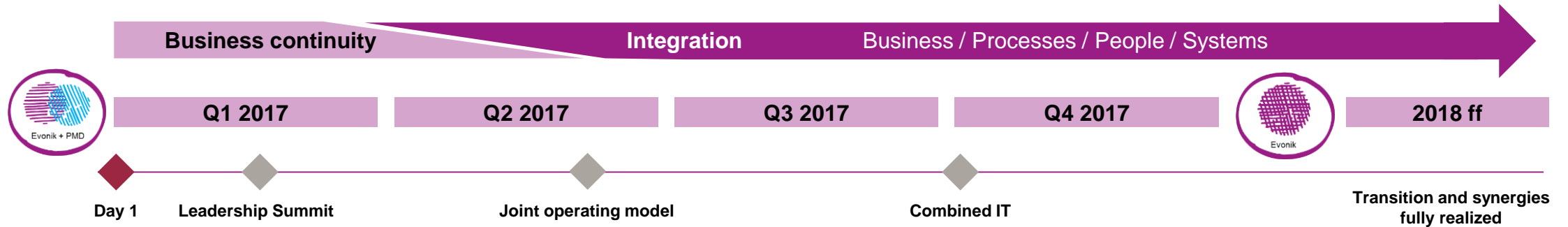
Targeted M&A

- **Acquisition of Dr. Straetmans:**
Specialist in alternative cosmetic preservation systems
- Expanding position as one of the leading partners to the cosmetics industry
- Allowing offering of complete formulation solutions



Swift and smooth integration process of Air Products specialty additives

Integration activities focus on joint operating model and systematic transition



Status

- Joint leadership summit to accelerate successful integration
- Combined market presence and joint business strategy
- Integration activities follow “best-of-both worlds” approach

Outlook

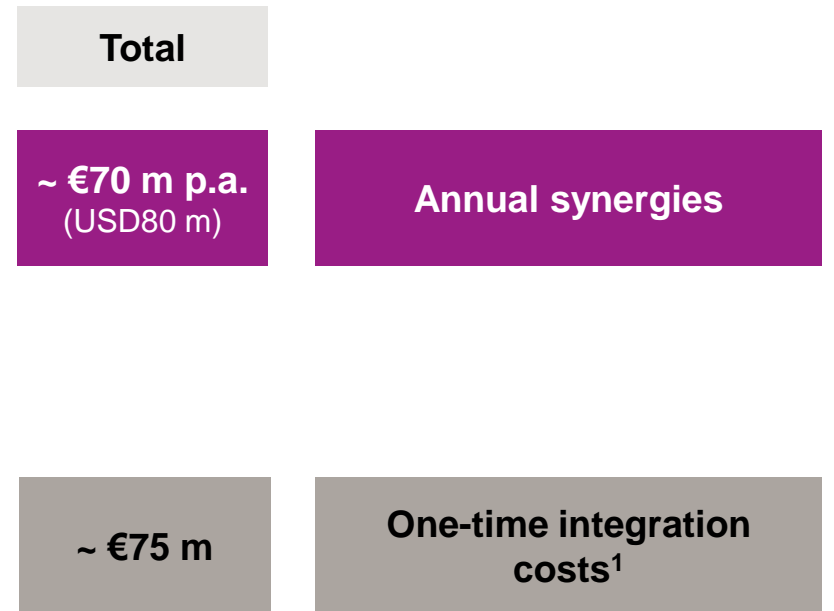
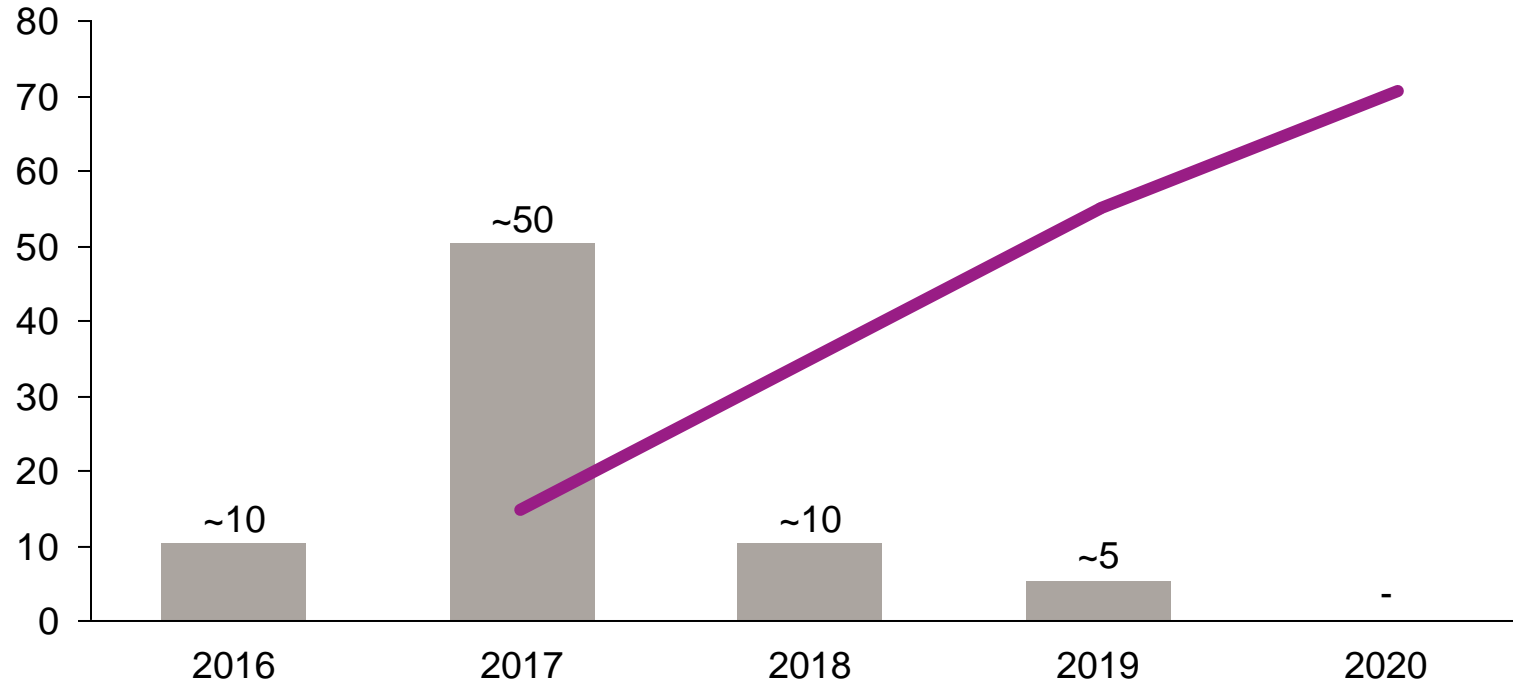
- Execution of synergies and quick wins
- Combined IT technology landscape established in Q3
- Uniform processes and single organization structure in the course of Q4

+ 6% sales growth of Air Products specialty additives in Q1 (yoy) – good start following well-prepared integration

Synergy ramp-up on track for combined businesses

Implementation schedule of Air Products specialty additives acquisition

(in € m) — Annual synergies — One-time costs



1. Excluding transaction-related costs

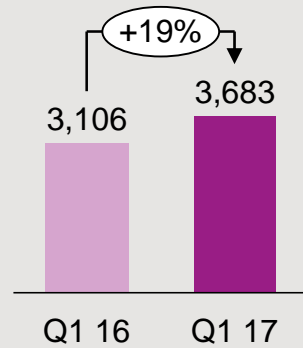
Table of contents

1. Highlights Q1 2017
- 2. Financial performance Q1 2017**
3. Outlook FY 2017

Financial highlights Q1 2017

Strong volume growth and sequentially further improving price trend

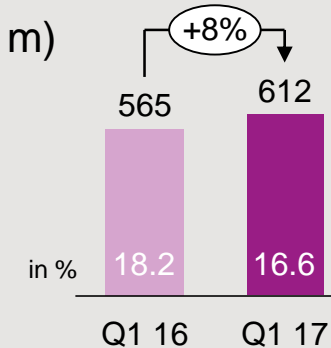
Sales
(in € m)



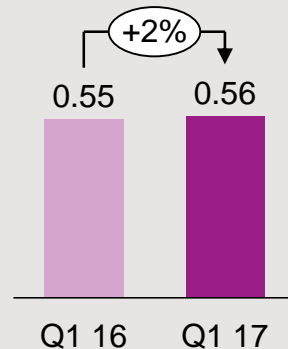
Q1 16 vs. Q1 17

Volume		Price	
+8%	↗	-1%	↘
FX		Other ¹	
+2%	↗	+10%	↗

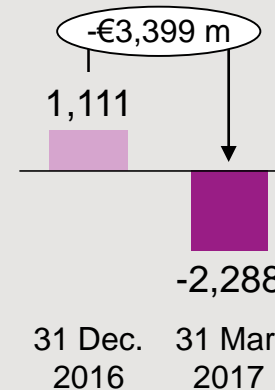
Adj. EBITDA (in € m)
/ margin (in %)



Adj. EPS
(in €)



Net financial
position
(in € m)



1. Mix of portfolio effects (Air Products specialty additives, 8%) and others

Free Cash Flow Q1 2017

Positive free cash flow below strong prior-year level

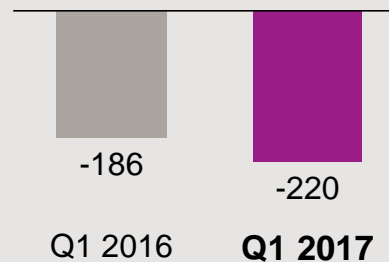
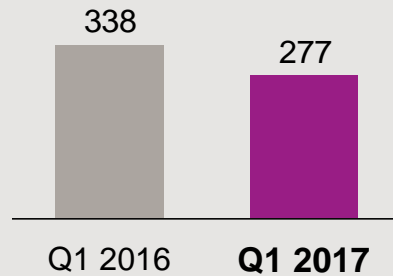
Operating Cash Flow (cont. op. in € m)



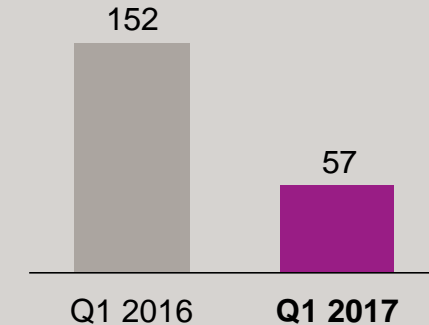
Investing Cash Flow (cont. op. in € m)¹



Free Cash Flow (cont. op. in € m)²



(before dividends and divestments)



- Positive FCF
- Below strong prior year due to higher tax payments, Air Products specialty additives integration costs and higher capex

1. Cash outflow for investments in intangible assets and PP&E | 2. Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.)

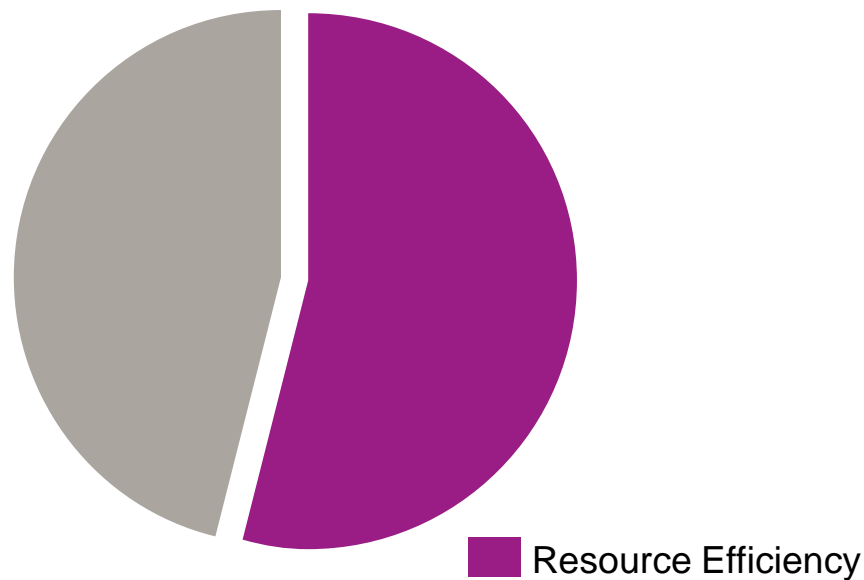
Resource Efficiency

Evonik's major earnings contributor

More than half of Group earnings in RE ...

... as high-value specialty chemicals business

Q1 2017 adj. EBITDA share



Resilient:

- Diversified end markets and businesses

Strong growth:

- Consistent volume and earnings growth

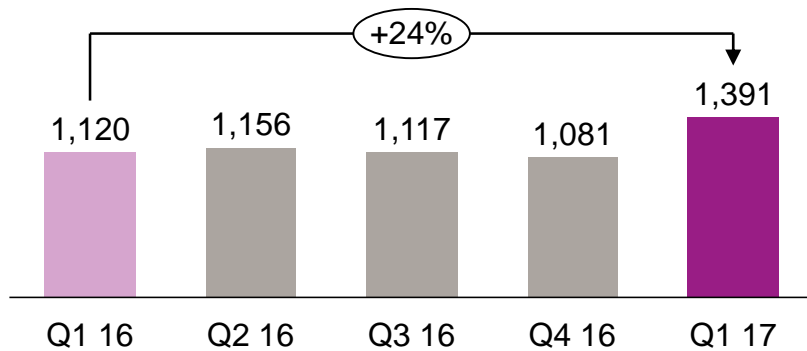
Attractive margin:

- Well above 20% with hardly any volatility

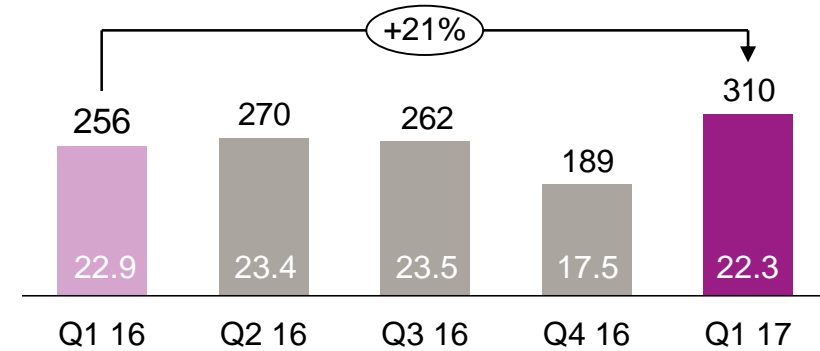
Resource Efficiency

Strong volume growth and consistently high margins

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q1 17 vs. Q1 16	Volume	Price	FX	Other
	+9% ↗	-1% ↘	+2% ↗	+14% ¹ ↗



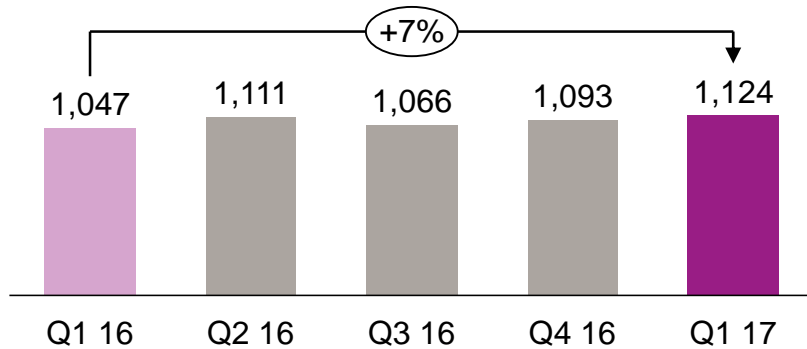
- Strong volumes across virtually all businesses; prices impacted by product mix effects
- Earnings growth in underlying business (ex APD), driven by High Performance Polymers, Silica and Coating businesses; more than compensating Crosslinkers
- Additional contribution from APD businesses with good start after well-prepared integration
- Good business momentum expected to continue into Q2; negative raw material impact slightly more pronounced than in Q1

1. Mix of portfolio effects (Air Products specialty additives, 12%) and others | APD: Air Products specialty additives

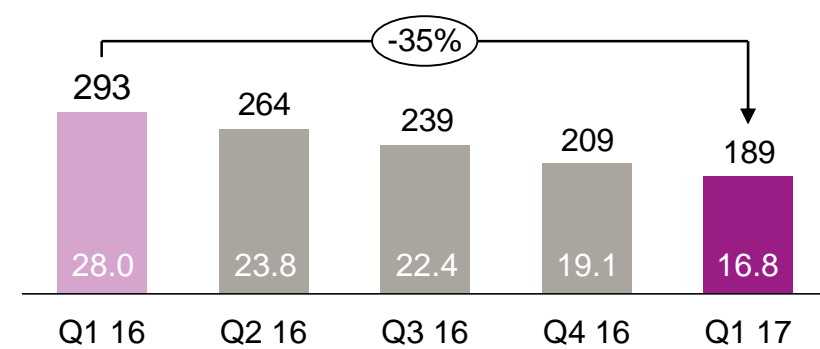
Nutrition & Care

Strong volume growth, earnings impacted by lower price level

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



	Volume	Price	FX	Other
Q1 17 vs. Q1 16	+10% ↗	-18% ↘	+4% ↗	+11% ¹ ↗



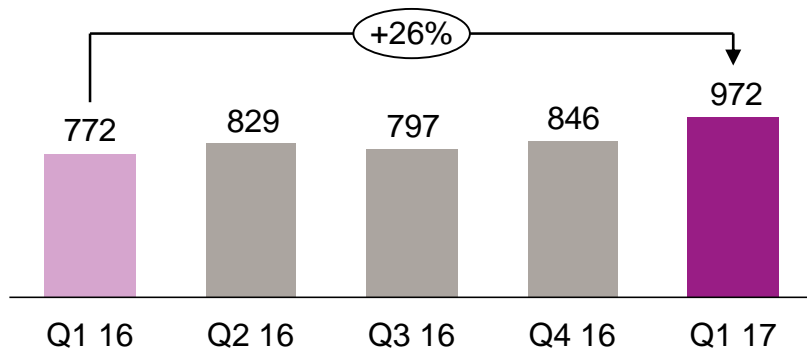
- Health Care starting strong into 2017, considerable volume and earnings growth
- Comfort & Insulation with continued solid performance; further strengthened by Air Products specialty additives acquisition
- Methionine with strong volume pickup after Chinese New Year; sequentially lower prices broadly in line with FY assumption
- Going into Q2, at least stable earnings expected for N&C

1. Mix of portfolio effects (Air Products specialty additives, 11%) and others

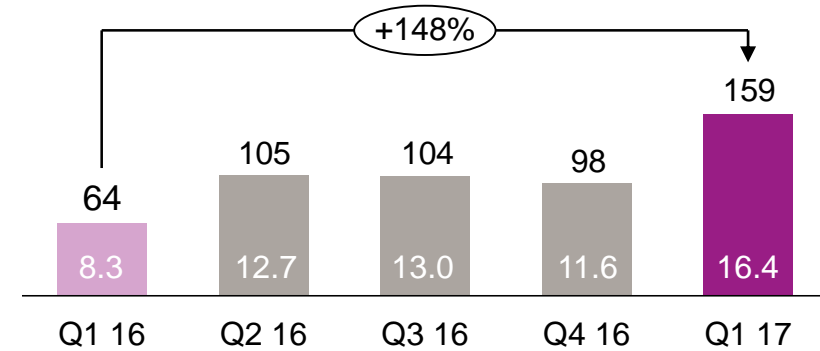
Performance Materials

Strong start into 2017 driven by MMA and C4 businesses

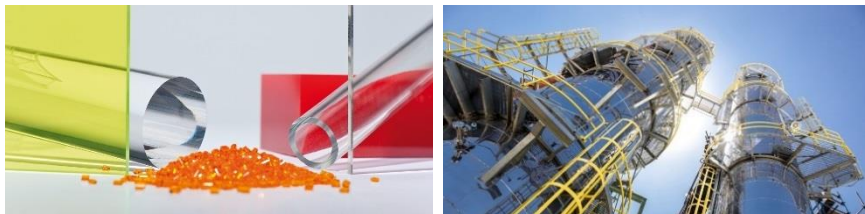
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q1 17 vs. Q1 16	Volume	Price	FX	Other
	+4%	+20%	+2%	+/-0%
	↗	↗	↗	→



- MMA/PMMA business with excellent performance as good demand from Auto, Coatings and Construction continues. Persistent tight supply supported by plant outages (US & Europe)
- C4 chain benefits from healthy demand, especially Butadiene with tight supply in Europe
- Another strong quarter expected for Q2, tight markets expected to normalize in the course of H2

Table of contents

1. Highlights Q1 2017
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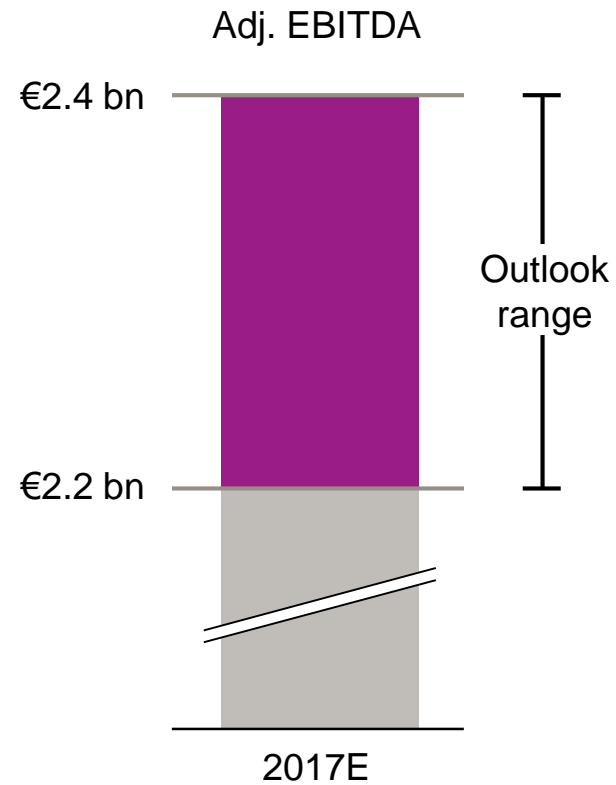
Targeting earnings growth for FY 2017

Outlook for 2017 confirmed

Outlook 2017

Higher sales
(2016: €12.7 bn)

Adj. EBITDA between
€2.2 bn and €2.4 bn
(2016: €2.165 bn)



Q1 2017 summary

On track for a successful 2017 and beyond

Strong specialty portfolio

- Healthy and broad-based business momentum across specialty businesses
- Strong volumes in growth segments Nutrition & Care and Resource Efficiency

Acquisitions on track

- Air Products specialty additives integration on track; earnings contribution in line with FY assumption
- Huber Silica: Merger clearance well on track, approval already granted in US and Brazil

Set for profitable growth

- Sustained positive market environment for majority of businesses
- More balanced earnings profile



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Additional indications for 2017 – excluding Huber Silica

- Air Products specialty additives business Adj. EBITDA of **around €250 m** including first **synergies of €10-20 m**; Sales and adj. EBITDA will be allocated roughly equally between N&C and RE
- ROCE **Above cost of capital** (10.0% before taxes), but perceptibly lower than in 2016 (14.0%) as a consequence of the substantial acquisition-driven rise in capital employed
- Capex **~€1.0 bn** (2016: €960 m)
- Free cash flow **“Clearly positive, but considerably below the strong prior year“** (2016: €810 m)
- EUR/USD **On previous year’s level** (1.10 EUR/USD)
- EUR/USD sensitivity¹ +/-1 USD cent = **-/+ ~€7 m** adj. EBITDA (FY basis)
- Pensions Change in year-end discount rate leading to **~€50 m increase** in pension service costs
- Adj. EBITDA Services **Slightly below 2016** (2016: €151 m)
- Adj. EBITDA Corporate / Others **Slightly more negative than in 2016** (2016: -€340 m)
- Adj. D&A **~€840 m** (previously: €800 m; increase due to finalized PPA, mainly related to Intangible Assets) (2016: €717 m)
- Adj. net financial result² **~-€190 m** (2016: -€139 m); absence of pronounced positive year-end effects vs. 2016
- Adj. tax rate **~31%** (2016: 30.4%), due to higher share of profits in USA

1. Including transaction effects (after hedging) and translation effects; before secondary / market effects and after APD acquisition | 2. Guidance for “Adj. net financial result” (incl. “Adj. interest income/expense” and “Other financial income/expense”); subject to interest rate fluctuations which influence discounting effects on provisions

Segment outlook FY 2017

(Huber Silica business not included in outlook)

Nutrition & Care

EBITDA lower than in previous year

- Positive earnings contribution from allocated Air Products activities
- Stable or slightly positive earnings trend in majority of businesses
- Methionine: lower average annual selling price versus previous year; price declines expected to level out going into 2017

Indication for Q2

- Q2 earnings sequentially at least stable

Resource Efficiency

Considerably higher EBITDA

- Positive earnings contribution from allocated Air Products activities
- Good business performance expected in most of the other businesses

Indication for Q2

- Good business momentum expected to continue into Q2, negative raw material impact slightly more pronounced vs. Q1

Performance Materials

Considerably higher EBITDA

- Improvement in supply/demand situation for key products
- Steps taken to raise efficiency
- Normalization of favorable supply/demand situation assumed during the year

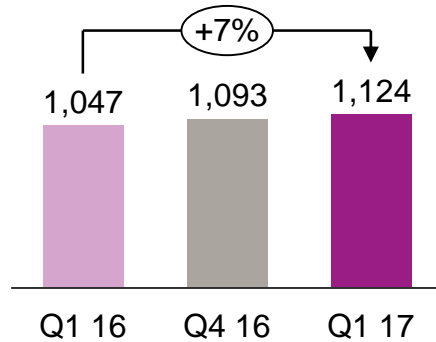
Indication for Q2

- Another strong quarter expected for Q2

Nutrition & Care

Q1 2017 Business Line comments

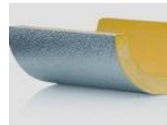
Sales (in € m)



Personal Care: Solid start into the year; EMEA ahead of other regions.



Health Care: Strong start into the year; all product lines contributed with strong performance and good plant utilization.



Comfort & Insulation: Good start into the year, favorable product and regional mix; slight headwind from higher raw materials.

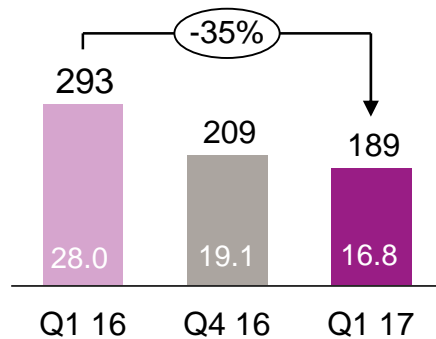


Baby Care: Persisting pressure on volumes and prices due to unfavorable global Supply/Demand situation.



Animal Nutrition: Methionine with strong volume pickup after Chinese New Year; sequentially lower prices broadly in line with FY assumption.

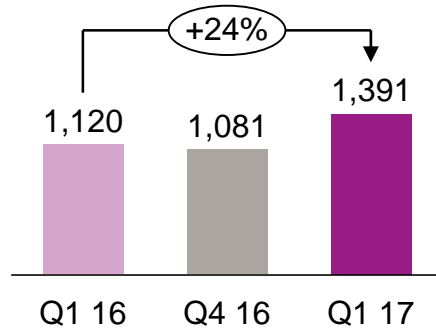
Adj. EBITDA (in € m) / margin (in %)



Resource Efficiency

Q1 2017 Business Line comments

Sales (in € m)



Coating Additives: Strong start into 2017 throughout all regions. Good growth momentum for waterborne systems and noticeable contribution of Air Products coating additives.



Crosslinkers: As expected weaker demand for wind energy in China, ramp-up of new competitor in Asia and higher acetone prices.

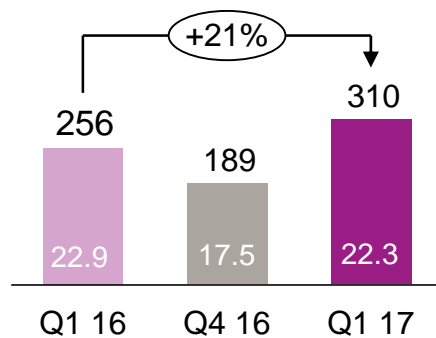


High Performance Polymers: Excellent start into the year with strong demand for key products and customer pre-buying ahead of increasing prices (butadiene effect). Higher raw materials prices from Q2 onwards, passed on to customers with time lag.



Silica: Good start into 2017, driven by high demand from the tire industry and ongoing positive development in Specialty Silica. Special Oxides with strong growth rates in all major product groups.

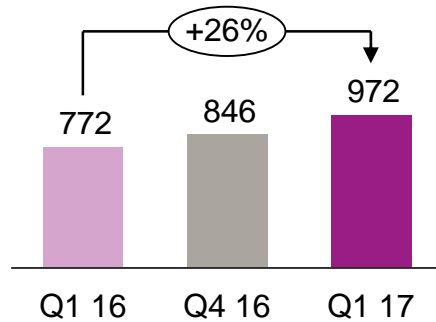
Adj. EBITDA (in € m) / margin (in %)



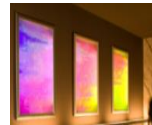
Performance Materials

Q1 2017 Business Line comments

Sales (in € m)

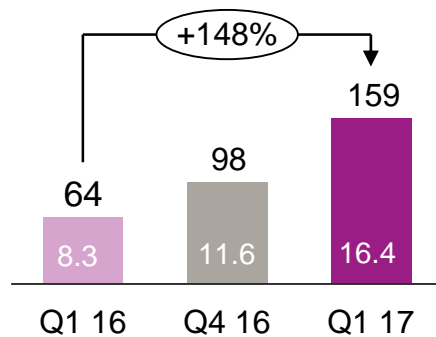


MMA: Excellent performance as good demand from Auto, Coatings and Construction continues. Persistent tight supply supported by plant outages (US & Europe). Evonik with several turnarounds (China, US and Germany) scheduled for Q2.



PMMA: Demand for molding compounds from Automotive sector remains strong. Medical business with improving trend. Overall better product mix with higher share of specialty products.

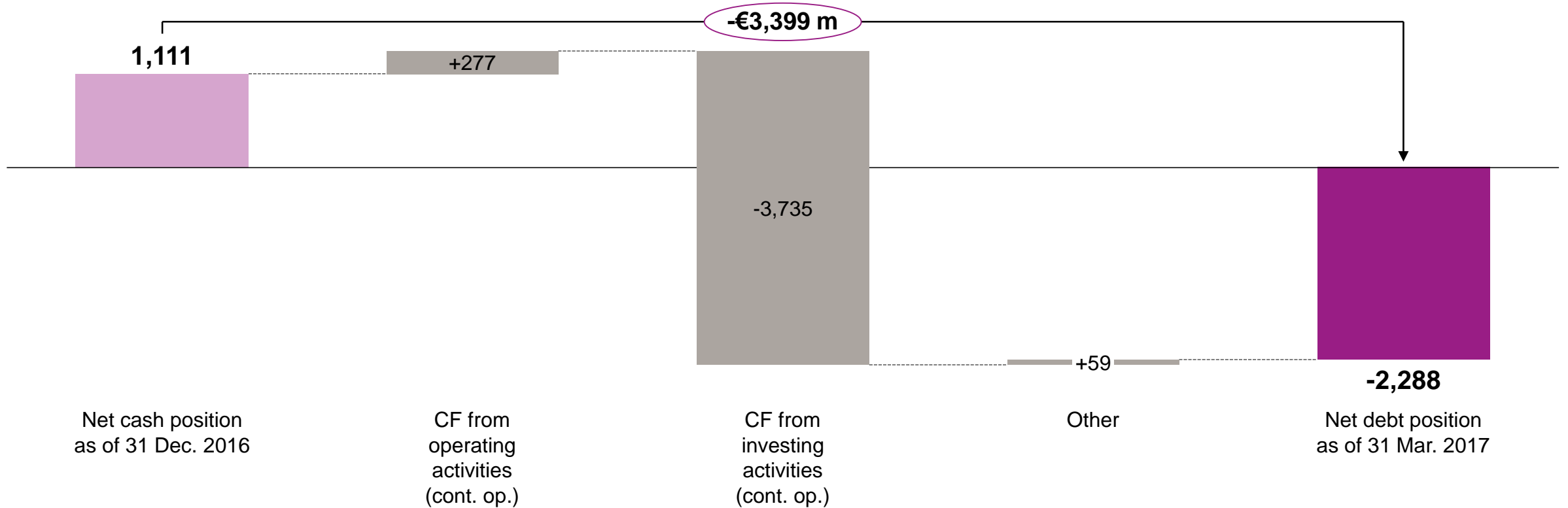
Adj. EBITDA (in € m) / margin (in %)



Performance Intermediates: Strong and robust regional demand for Butadiene in Europe, combined with tight supply due to maintenance. Good demand for MTBE. INA and 1-Butene with continued good demand in Asia from downstream applications and sequentially improved spreads. Tight raw material availability.

Net financial position development Q1 2017

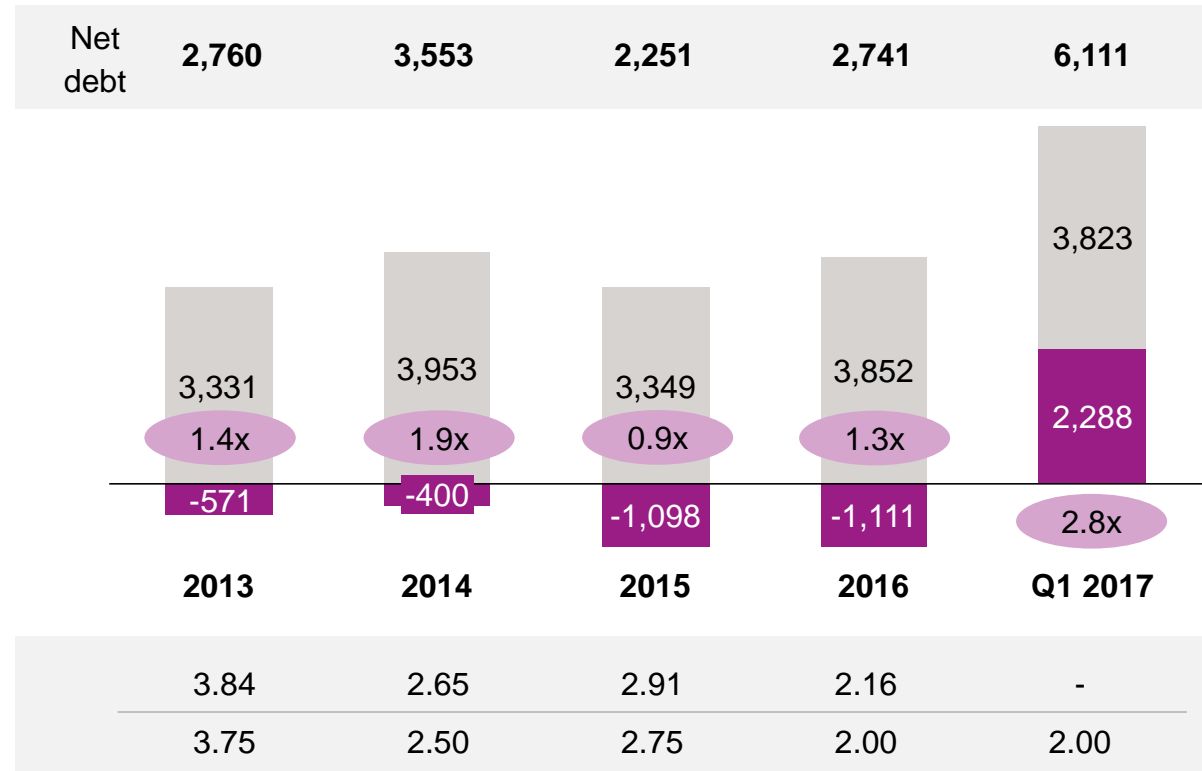
(in € m)



Net debt development

(in € m)

■ Net financial debt ■ Pension provisions ● Total leverage¹



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.0 bn
- Increase of net debt by ~€3.4 bn to ~€6.1 bn due to payment of Air Products specialty additives purchase price of ~€3.5 bn in January
- No change in pension discount rate (vs. year-end 2016)

Evonik Group global discount rate (in %)²

Evonik discount rate for Germany (in %)

1. Total leverage defined as (net financial debt + pension provisions) / adj. EBITDA LTM | 2. Calculated annually

Adjusted income statement Q1 2017

in € m	Q1 2016	Q1 2017	Δ in %
Sales	3,106	3,683	+19
Adj. EBITDA	565	612	+8
Depreciation & amortization	-176	-207	
Adj. EBIT	389	405	+4
Adj. net financial result	-32	-53	
D&A on intangible assets	10	30	
Adj. income before income taxes	367	382	+4
Adj. income tax	-109	-118	
Adj. income after taxes	258	264	+2
Adj. non-controlling interests	-4	-4	
Adj. net income	254	260	+2
Adj. earnings per share	0.55	0.56	
Adjustments	-13	-113	

Depreciation & amortization:

- Increase in D&A mainly as result of Air Products specialty additives purchase price allocation (€22 m)

Adj. net financial result:

- In line with indication for FY 2017 (-€190 m); previous year included interest gains from tax refunds, otherwise broadly flat yoy

Line item “D&A on intangible assets” (€30 m in Q1 2017):

- Representing reversal of amortization on intangible assets (mainly related to PPA for APD) for calculation of adjusted net income

Adj. tax rate:

- Q1: 30.9% in line with indication of ~31% for FY 2017

Adjustments of -€113 m, thereof:

- M&A -€90 m, mainly in connection with the acquisition of Air Products specialty additives (includes -€64 m inventory step-up)

Cash flow statement Q1 2017

in € m	Q1 2016	Q1 2017
Income before financial result and income taxes	376	292
Depreciation and amortization	176	206
Δ Net working capital	-184	-139
Change in other provisions	50	94
Change in miscellaneous assets/liabilities	26	24
Outflows from income taxes	-72	-118
Others	-34	-82
Cash flow from operating activities	338	277
Cash inflows/outflows for investment in intangible assets, pp&e	-186	-220
Cash inflows/outflows from investments/divestments of shareholdings	-58	-3,535
Cash inflows/outflows relating to securities, deposits and loans	8	20
Cash flow from investing activities	-236	-3,735
Cash flow from financing activities	3	107

Continuing operations

CF from operating activities

- Below previous year due to higher cash outflows for income taxes, APD integration costs and slightly higher interest payments (Q1 2016 positively impacted by interest gains from tax refunds)

CF from investing activities

- Cash outflow for Air Products specialty additives business
- Higher capex mainly due to construction of next methionine plant in Singapore

CF from financing activities

- Inflow from foreign currency hedging transactions in connection with APD purchase price

Segment overview by quarter

Sales (in € m)	FY 2015	Q1/16	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17
Nutrition & Care	4,924	1,047	1,111	1,066	1,093	4,316	1,124
Resource Efficiency	4,279	1,120	1,156	1,117	1,081	4,473	1,391
Perf. Materials	3,435	772	829	797	846	3,245	972
Services	828	166	163	173	180	683	193
Corporate / Others	41	1	-1	11	5	15	3
Evonik Group	13,507	3,106	3,258	3,164	3,205	12,732	3,683

Adj. EBITDA (in € m)	FY 2015	Q1/16	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17
Nutrition & Care	1,435	293	264	239	209	1,006	189
Resource Efficiency	896	256	270	262	189	977	310
Perf. Materials	309	64	105	104	98	371	159
Services	159	35	33	50	32	151	41
Corporate / Others	-334	-83	-87	-77	-92	-340	-87
Evonik Group	2,465	565	585	578	437	2,165	612

Save the date

Strategy update with CEO Christian Kullmann and CFO Ute Wolf

for institutional investors and financial analysts

Thursday, 1 June 2017, around 6 pm – London

Invitation
to follow
shortly

Upcoming IR events

Conferences & Roadshows

8 May	Roadshow, London
9 May	Roadshow, Frankfurt
10 May	Roadshow, Edinburgh
11 May	Roadshow, Dublin
11 May	HSBC Austria Day, Vienna
16 May	Citi's Inaugural Chemical Conference, London
18 May	Roadshow, Paris

Upcoming Events & Reporting Dates

23 May 2017	Annual General Meeting 2017
1 June 2017	Strategy update with CEO Christian Kullmann and CFO Ute Wolf, London
3 August 2017	Q2 2017 reporting
3 November 2017	Q3 2017 reporting
6 March 2018	FY 2017 reporting

Evonik Investor Relations team



Tim Lange
Head of Investor Relations

+49 201 177 3150
tim.lange@evonik.com



Janine Kanotowsky
Team Assistant

+49 201 177 3146
janine.kanotowsky@evonik.com



Daniel Györy
Investor Relations Manager

+49 201 177 3147
daniel.gyoery@evonik.com



Kai Kirchhoff
Investor Relations Manager

+49 201 177 3145
kai.kirchhoff@evonik.com



Joachim Kunz
Investor Relations Manager

+49 201 177 3148
joachim.kunz@evonik.com

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