

# Evonik

## Power to create.

Q2 2017  
Earnings Conference Call

3 August 2017

**Christian Kullmann**, Chief Executive Officer

**Ute Wolf**, Chief Financial Officer

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1. Highlights Q2 2017
2. Financial performance Q2 2017
3. Outlook FY 2017

# Strong quarter with sequential earnings increase

## Good volume development in growth segments

### Volume growth

**4 %** in growth segments

Strong volume growth in Nutrition & Care (5%) and Resource Efficiency (4%)

**0 %** on **Group level** affected by Performance Materials **force majeure**<sup>1</sup> in Antwerp (without this effect **~3% volume growth** on group level)

### Adj. EBITDA

**€635 m**

Sequentially higher in all three chemical segments

**Strong yoy growth** in Resource Efficiency and Performance Materials

-€20 m **negative impact** from force majeure<sup>1</sup> due to insurance deductible

### Adj. EPS

**€0.62**

17% yoy increase driven by **operational strength** and a tax refund related to divestment of former real estate business

### Outlook confirmed

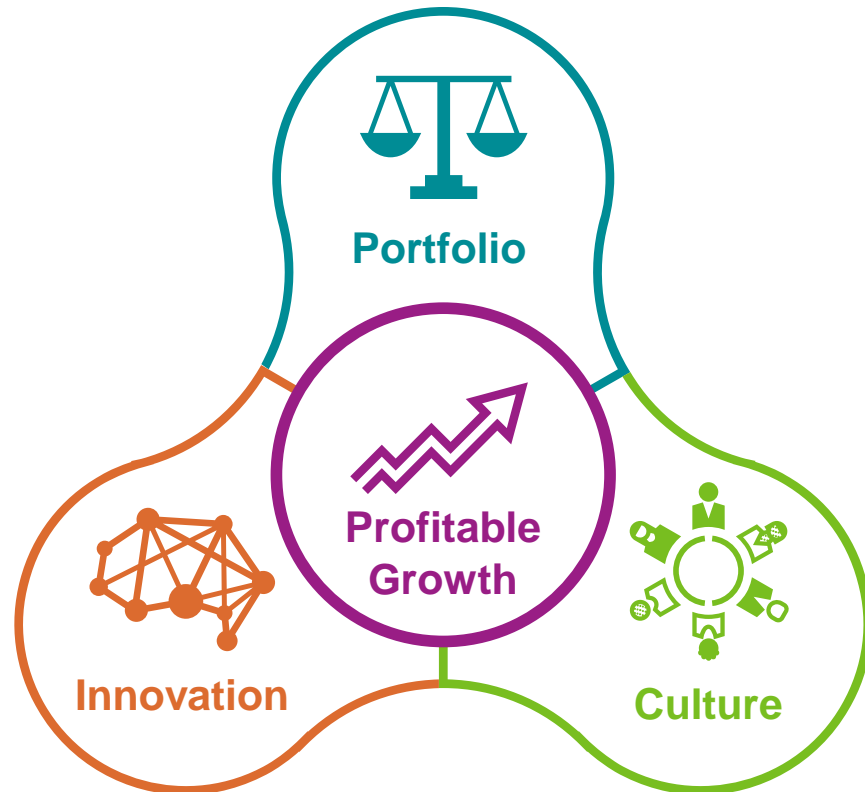
**€2.2-2.4 bn**

Fully **on track** to reach FY guidance

1. After incident at C4-plant in Antwerp production was affected from early May to mid of June

# Executing our strategy within three strategic focus areas

## Building a best-in-class specialty chemicals company



### Portfolio: More balanced & more specialty

- Growth engine **“Smart Materials”**: Expansion and optimization of fumed Silica capacities in Antwerp – highly specialized chemistry with GDP+ growth in various end-markets
- Licensing of HPPO technology to MOL group – attractive risk/reward profile and reliable earnings stream for H<sub>2</sub>O<sub>2</sub> business

### Customer-focused innovation

- New encapsulation technology for Advanced Food Ingredients in growth engine **“Health & Care”** developed
- Evonik Venture Forum: Collaboration with 13 selected start-ups in the Coatings area to enhance growth in **“Specialty Additives”**

### Open & performance-oriented culture

- Worldwide Executive Conference in September
- Joint summit to define and further develop Evonik culture

# Growth engine “Animal Nutrition”

## Strengthening position as innovative partner & reliable supplier

Several initiatives in Animal Nutrition underway to capitalize on market trend “Sustainable Nutrition”

### Strengthen leading position in methionine

- Reinforce role as **most reliable supplier** in the market
- Further work on cost competitiveness to **strengthen leading cost position**
- **Technology leadership and flexibility** with global production network

### Further optimization of bio-amino acids

- **Lysine:** Regional cost leader in US through operational excellence
- **Synergy potential at Blair, Nebraska site** via combined use for lysine and Omega-3 JV (“Veramaris”)
- Further **ramp-up of plant in Brazil** and transfer of best practices from US
- **Further measures under evaluation**

### Innovations for sustainable healthy nutrition

- Enable antibiotic-free livestock production through **probiotics**
- Improving feed conversion rate and meat quality with **CreAMINO®**
- Introduction of novel nutritional solutions (e.g. **Omega-3 Fatty Acids / AQUAVI Met-Met**)

Actively addressing current market conditions to secure leadership position

# Update on Air Products specialty additives: Execution of business and functional integration activities



## Update

- Further execution of **“best-of-both-worlds”** approach:
  - Enhancing and facilitation of **cross BL co-operation** (e.g. distributor management)
  - Jointly leveraging on individual commercial best practices (e.g. pricing, sales & operations planning)
- High awareness for **process efficiency** with strong focus on **cost and capex management**
- In total, **over 500 ideas** being tracked as value capturing measures

**~€5 m** synergies already implemented in Q2

# Huber Silica closing ahead

## Strengthening of growth engine “Smart Materials”

### Huber Silica to be closed within H2

- Excellent complementary fit for Evonik’s high-growth and resilient silica business
- Clearance granted by all authorities with only minor conditions
- Closing as expected within second half of the year



### Financing via hybrid bond

- Issuance of €500 m hybrid bond to finance Huber Silica acquisition
- Very attractive coupon of 2.125%
- Hybrid bond with 50% equity credit supports solid investment grade rating



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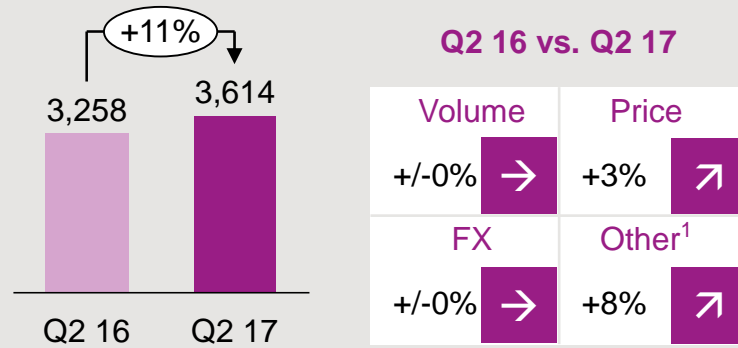
1. Highlights Q2 2017
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3. Outlook FY 2017



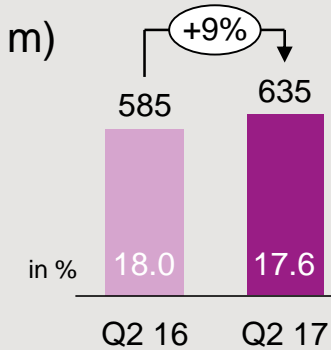
# Financial highlights Q2 2017

## Further improving price trend

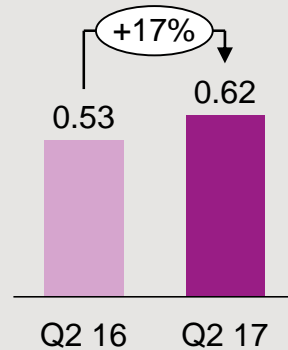
### Sales (in € m)



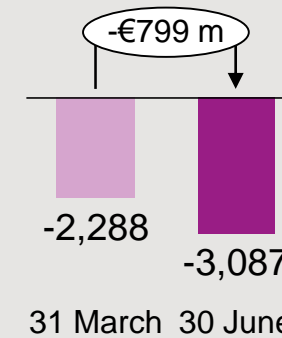
### Adj. EBITDA (in € m) / margin (in %)



### Adj. EPS (in €)



### Net financial position (in € m)

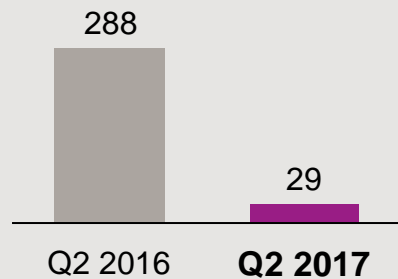


1. Mix of portfolio effects (mainly Air Products specialty additives, 8%) and others

# Free cash flow Q2 2017

## Significantly positive FCF expected for H2

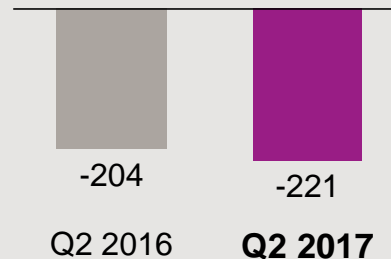
### Operating cash flow (cont. op. in € m)



- Cash-out for NWC mainly due to higher volumes, rising raw material costs and preparation for maintenance shutdowns in Q3
- Exceptionally strong NWC cash inflow in Q2 2016

+

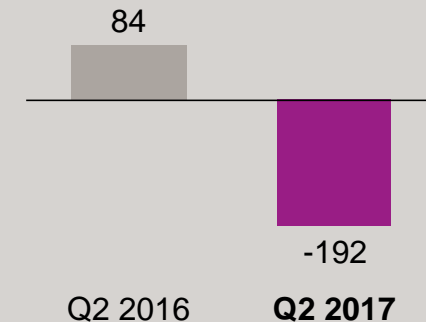
### Investing cash flow (cont. op. in € m)<sup>1</sup>



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### Free cash flow (cont. op. in € m)<sup>2</sup>

(before dividends and divestments)



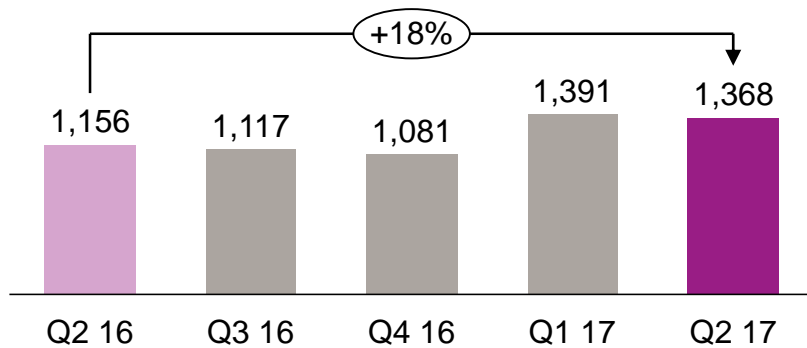
- Q2 usually FCF-negative quarter due to payments of variable remuneration
- Cash inflow from NWC and only minor cash tax payments expected for H2

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

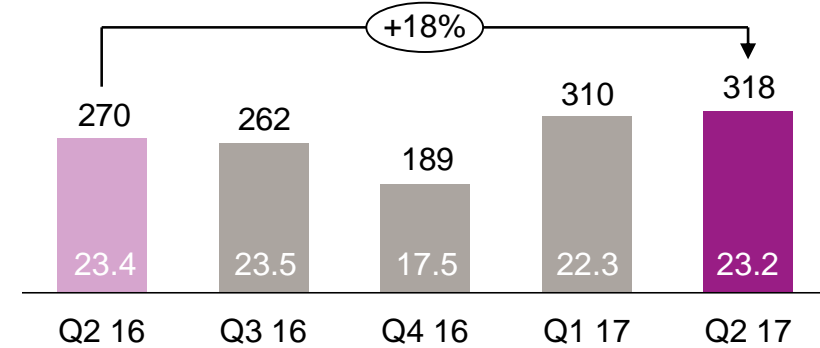
# Resource Efficiency

## Further strong volume growth on high margin level

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



	Volume	Price	FX	Other
Q2 17 vs. Q2 16	+4% ↗	+2% ↗	+/-0% →	+12% <sup>1</sup> ↗



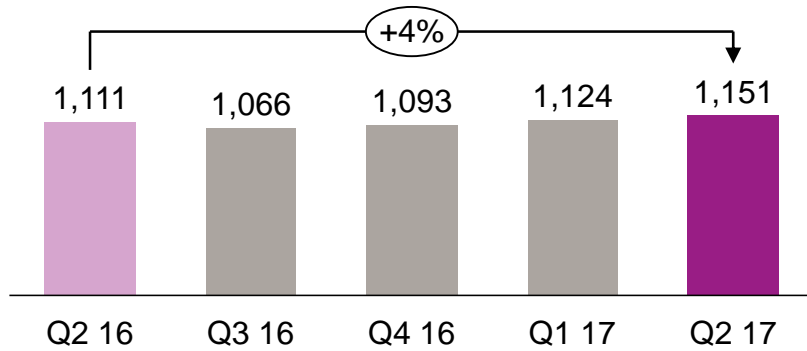
- Q2 2017 continued with strong volume growth and positive price development across most businesses
- EBITDA margin on previous year level (and even sequentially expanded) despite yoy notably higher raw materials
- Earnings growth mainly driven by High Performance Polymers, Silica and Oil Additives
- Positive market environment expected to continue into H2. Larger revision shutdowns planned for Q3.

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

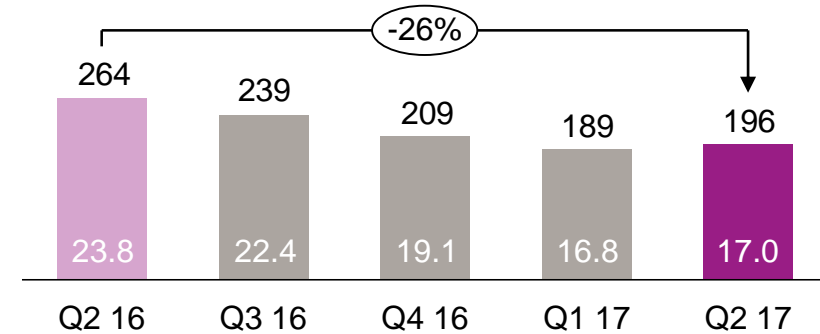
# Nutrition & Care

Volume growth strong, earnings sequentially up despite negative price effect

**Sales (in € m)**



**Adj. EBITDA (in € m) / margin (in %)**



Q2 17 vs. Q2 16	Volume	Price	FX	Other
	+5% ↗	-11% ↘	+/-0% →	+10% <sup>1</sup> ↗

- Health Care continued its strong performance with considerable volume and earnings growth especially in Exclusive Synthesis and Pharma & Food Ingredients
- Comfort & Insulation with continued solid performance in legacy Evonik as well as newly acquired Air Products businesses
- Good demand in Animal Nutrition, improved market sentiment towards the end of the quarter. Lower volumes expected for Q3.

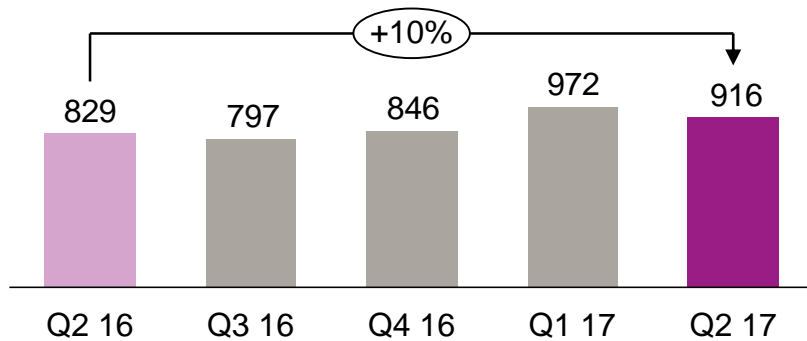


1. Mix of portfolio effects (mainly Air Products specialty additives, 9%) and others

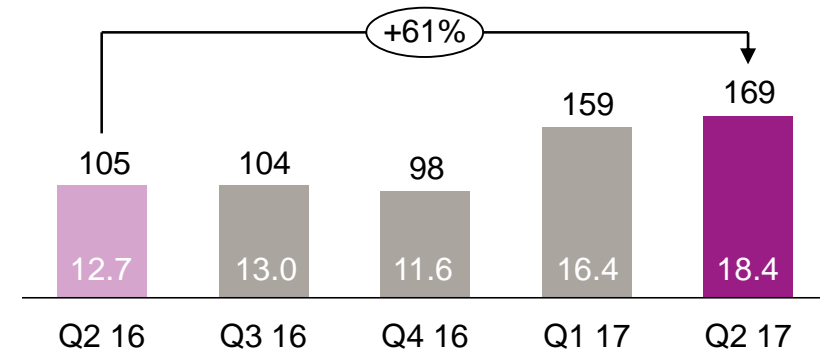
# Performance Materials

## Strong demand coupled with tight supply for MMA/PMMA and C4 chain continues

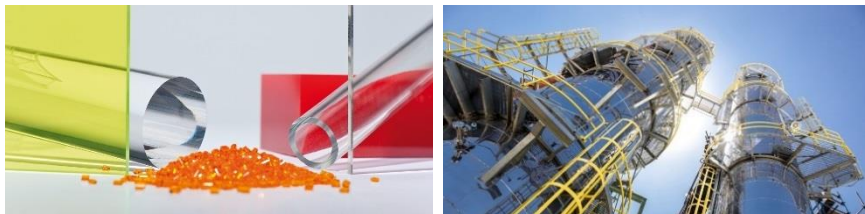
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 17 vs. Q2 16	Volume	Price	FX	Other
	-10% ↘	+20% ↗	+/-0% →	+/-0% →



- Negative volumes fully explained by force majeure in Antwerp and maintenance shutdowns in MMA
- Ongoing strong performance in MMA/PMMA; positive market environment to last longer than initially expected
- C4 business benefitted from strong underlying demand for most products and high butadiene spreads; -€5 m force majeure impact
- Another strong quarter expected for Q3. Tight MMA/PMMA market and announced price increases with potential to counterbalance lower butadiene spread. Normalization towards year-end expected.

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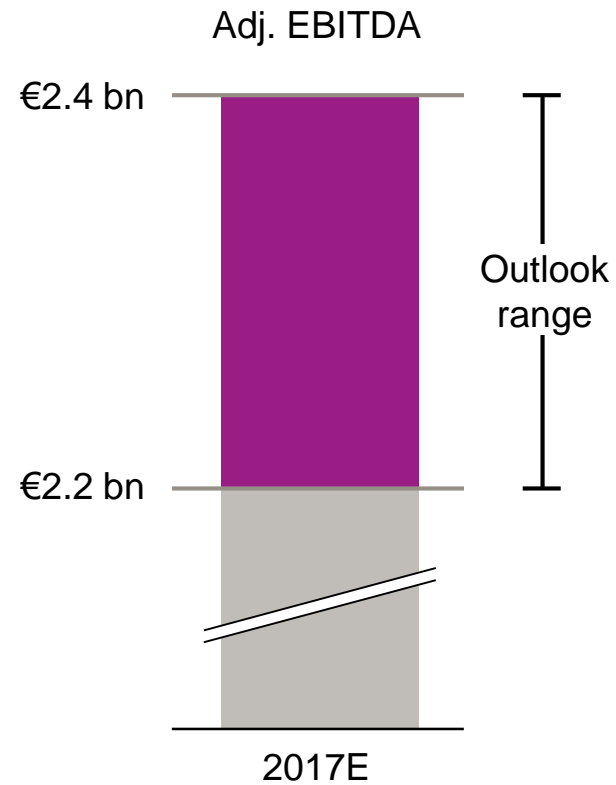
# Targeting earnings growth for FY 2017

## 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)





**EVONIK**

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# Additional indications for 2017 – excluding Huber Silica

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- 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: €785 m)
- EUR/USD      **On previous year's level** (1.10 EUR/USD)
- EUR/USD sensitivity<sup>1</sup>      +/-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** (2016: €717 m; increase due to finalized PPA, mainly related to Intangible Assets)
- Adj. net financial result<sup>2</sup>      **~-€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 in the course of 2017

## Resource Efficiency

### Considerably higher EBITDA

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

## Performance Materials

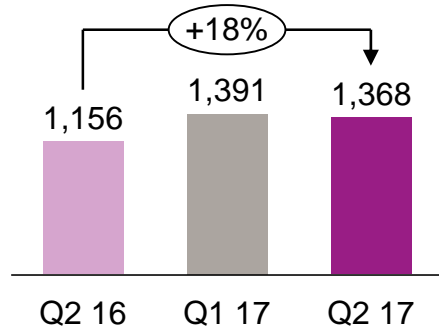
### Considerably higher EBITDA

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

# Resource Efficiency

## Q2 2017 Business Line comments

### Sales (in € m)



**Coating Additives:** Good performance in all regions, higher fixed costs due to planned outages.



**Crosslinkers:** Sequentially stable development; ramp-up of new competitor in Asia and higher acetone prices broadly digested.

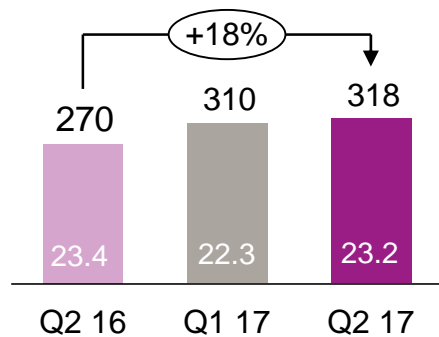


**High Performance Polymers:** Ongoing strong demand for PA 12, especially for automotive and membrane fibres. Increased raw materials costs mostly compensated.



**Silica:** Good performance on high level, another strong quarter for Rubber Silica and positive sales development in Asia and Americas.

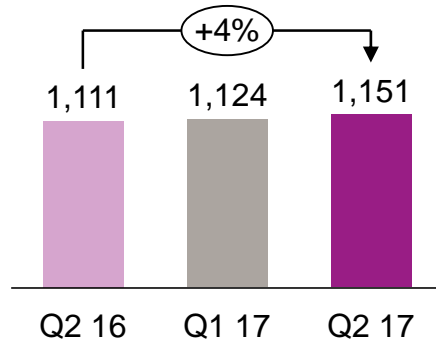
### Adj. EBITDA (in € m) / margin (in %)



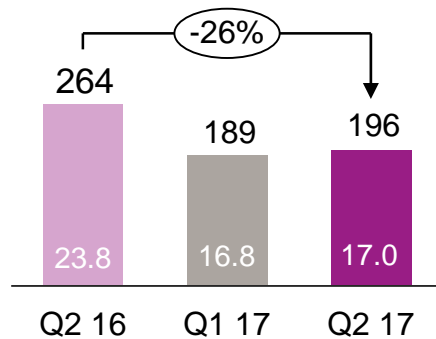
# Nutrition & Care

## Q2 2017 Business Line comments

### Sales (in € m)



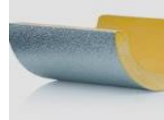
### Adj. EBITDA (in € m) / margin (in %)



**Personal Care:** Good Q2 with strong performance in Specialties and Actives partly offset by increased raw material cost for base products.



**Health Care:** Strong Q2 with considerable volume and earnings growth especially in Exclusive Synthesis and Pharma & Food Ingredients. Slightly lower Q3 expected due to contract patterns.



**Comfort & Insulation:** with continued solid performance in legacy Evonik as well as newly acquired Air Products businesses.



**Baby Care:** Sequentially stable on lower level due to currently unfavorable global supply/demand situation.

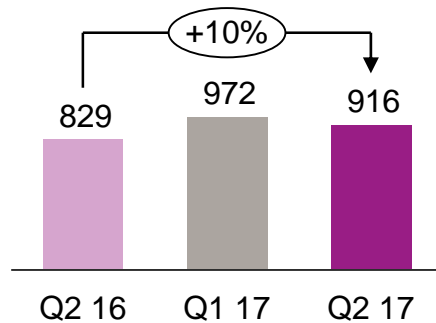


**Animal Nutrition:** Good demand and improved market sentiment towards the end of the quarter. Lower volumes expected for Q3.

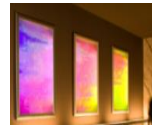
# Performance Materials

## Q2 2017 Business Line comments

### Sales (in € m)



**MMA:** Good demand from automotive coatings and construction continues. Persistent tight supply supported by plant outages (US & Europe), normalization towards year-end expected.

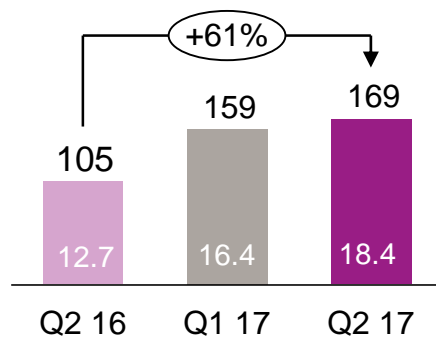


**PMMA:** Demand for molding compounds from automotive and construction sector continues at good level. Medical business with improving trend. Normalization in supply/demand expected towards year-end.



**Performance Intermediates:** Most relevant spreads in C4 chain at highest levels in Q2. Robust demand for Butadiene in Europe. INA (plasticizer) demand from European customers is seen as strong and continued on good levels, overall favorable supply/demand conditions. MTBE also with strong trading, driven by seasonally high demand (driving season) and sequentially improving spreads (favorable supply/demand). EBITDA in Q2 impacted by -€5 m insurance deductible after force majeure in Antwerp.

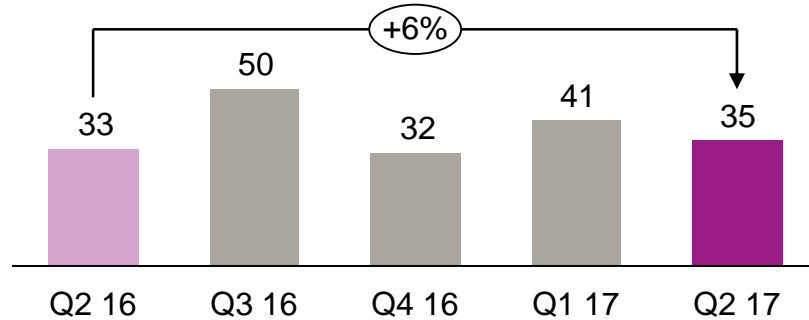
### Adj. EBITDA (in € m) / margin (in %)



# Services and Corporate / Others

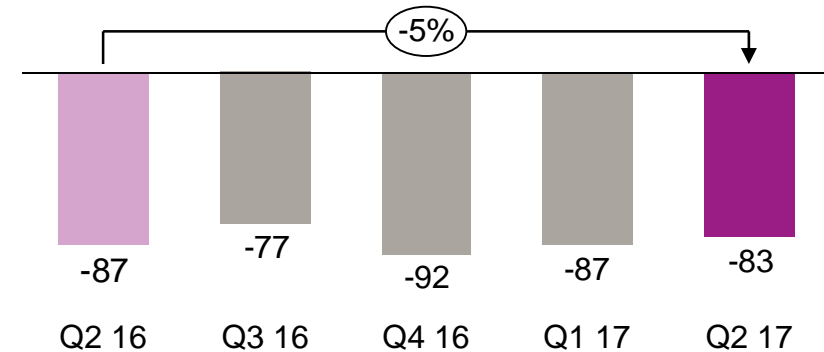
## Q2 2017 segment comments

### Services: adj. EBITDA (in € m)



- Higher sales and earnings from business with external customers at our sites
- Positive effect from reversal of personnel-related accruals
- Negative impact from insurance deductible after force majeure in Antwerp (-€15 m)

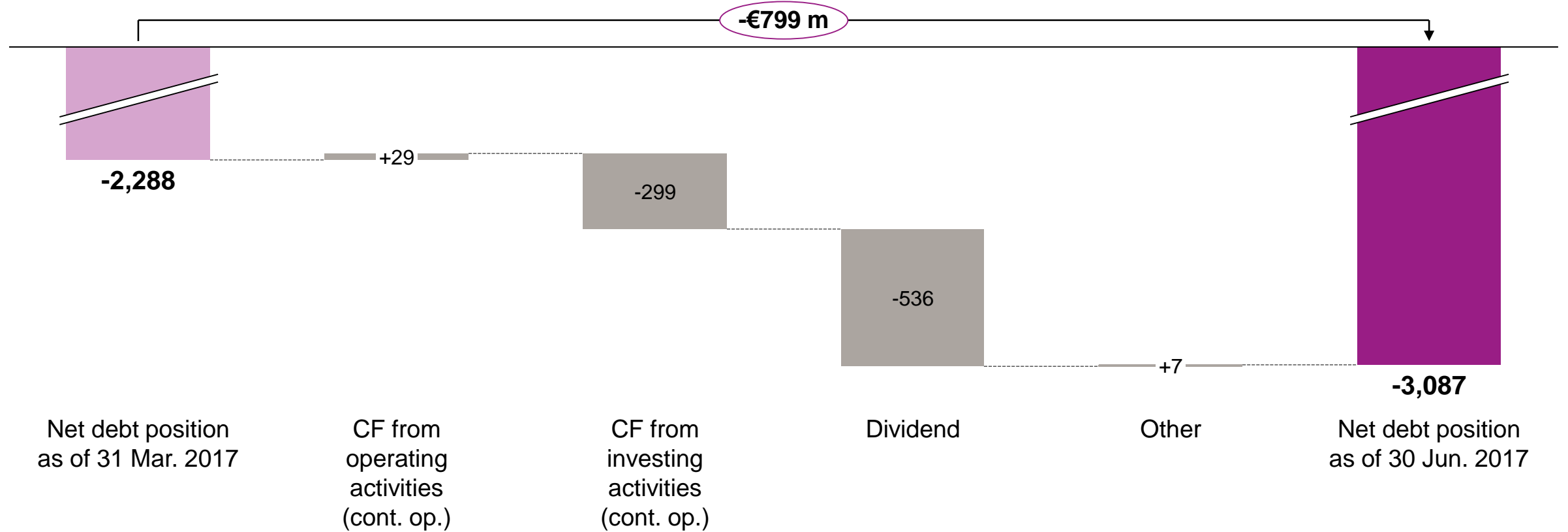
### Corporate / Others: adj. EBITDA (in € m)



- Broadly stable adj. EBITDA (yoy and qoq)

# Net financial position development Q2 2017

(in € m)







# Adjusted income statement Q2 2017

in € m	Q2 2016	Q2 2017	Δ in %
<b>Sales</b>	<b>3,258</b>	<b>3,614</b>	<b>+11</b>
<b>Adj. EBITDA</b>	<b>585</b>	<b>635</b>	<b>+9</b>
Depreciation & amortization	-179	-206	
<b>Adj. EBIT</b>	<b>406</b>	<b>429</b>	<b>+6</b>
Adj. net financial result	-55	-32	
D&A on intangible assets	10	34	
<b>Adj. income before income taxes</b>	<b>361</b>	<b>431</b>	<b>+19</b>
Adj. income tax	-112	-137	
<b>Adj. income after taxes</b>	<b>249</b>	<b>294</b>	<b>+18</b>
Adj. non-controlling interests	-3	-5	
<b>Adj. net income</b>	<b>246</b>	<b>289</b>	<b>+17</b>
<b>Adj. earnings per share</b>	<b>0.53</b>	<b>0,62</b>	
Adjustments	-47	-54	

## Depreciation & amortization:

- Increase in D&A mainly as result of Air Products specialty additives purchase price allocation

## Adj. net financial result:

- Supported by interest income related to a tax refund in connection with the divestment of former real estate business

## Line item “D&A on intangible assets”

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

## Adj. tax rate:

- Q2: 31.8% in line with indication of ~31% for FY 2017

## Adjustments of -€54 m, thereof:

- M&A -€36 m: mainly inventory step-up (-€19 m) and integration costs APD specialty additives acquisition (-€8 m)
- Restructuring -€5 m
- Other -€14 m

APD: Air Products specialty additives

# Cash flow statement Q2 2017

in € m	Q2 2016	Q2 2017
Income before financial result and income taxes	359	375
Depreciation and amortization	183	207
Δ Net working capital	205	-97
Change in other provisions	-300	-269
Change in miscellaneous assets/liabilities	61	-46
Outflows from income taxes	-177	-95
Others	-43	-46
<b>Cash flow from operating activities</b>	<b>288</b>	<b>29</b>
Cash inflows/outflows for investment in/divestments of intangible assets, pp&e	-203	-217
Cash inflows/outflows from investments/divestments of shareholdings	-29	-59
Cash inflows/outflows relating to securities, deposits and loans	238	0
Cash outflows to fund the contractual trust arrangement	-14	-23
<b>Cash flow from investing activities</b>	<b>-8</b>	<b>-299</b>
<b>Cash flow from financing activities</b>	<b>-591</b>	<b>-477</b>

## CF from operating activities

- Operating cash flow in Q2 muted by cash outflow for NWC, mirroring higher volumes, rising raw material costs and preparation for maintenance shutdowns in Q3
- Cash inflow from NWC for H2 2017 expected.

## CF from investing activities

- Contains cash outflow for investments of shareholdings: Acquisition of Dr. Straetmans (Personal Care)

## CF from financing activities

- Cash outflows mainly due to dividend payment of -€536 m

## Segment overview by quarter

Sales (in € m)	Q1/16	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17	Q2/17
Nutrition & Care	1,047	1,111	1,066	1,093	<b>4,316</b>	1,124	1,151
Resource Efficiency	1,120	1,156	1,117	1,081	<b>4,473</b>	1,391	1,368
Perf. Materials	772	829	797	846	<b>3,245</b>	972	916
Services	166	163	173	180	<b>683</b>	193	174
Corporate / Others	1	-1	11	5	<b>15</b>	3	4
<b>Evonik Group</b>	<b>3,106</b>	<b>3,258</b>	<b>3,164</b>	<b>3,205</b>	<b>12,732</b>	<b>3,683</b>	<b>3,614</b>

Adj. EBITDA (in € m)	Q1/16	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17	Q2/17
Nutrition & Care	293	264	239	209	<b>1,006</b>	189	196
Resource Efficiency	256	270	262	189	<b>977</b>	310	318
Perf. Materials	64	105	104	98	<b>371</b>	159	169
Services	35	33	50	32	<b>151</b>	41	35
Corporate / Others	-83	-87	-77	-92	<b>-340</b>	-87	-83
<b>Evonik Group</b>	<b>565</b>	<b>585</b>	<b>578</b>	<b>437</b>	<b>2,165</b>	<b>612</b>	<b>635</b>

# Upcoming IR events

## Conferences & Roadshows

<b>7-8 August</b>	Roadshow London
<b>11 August</b>	Roadshow Frankfurt
<b>22 August</b>	Roadshow Zurich
<b>28-31 August</b>	Roadshow USA & Canada
<b>14 September</b>	Berenberg Food Ingredients & Chemicals Conference, London
<b>19 September</b>	Berenberg/Goldman Sachs German Corporate Conference, Munich
<b>20 September</b>	Baader Investment Conference, Munich
<b>28 September</b>	JP Morgan Milan Investor Forum

## Upcoming Events & Reporting Dates

<b>3 November 2017</b>	Q3 2017 reporting
<b>6 March 2018</b>	FY 2017 reporting

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