

Evonik

Power to create.

Q4 / FY 2017
Earnings Conference Call

6 March 2018

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Ute Wolf, Chief Financial Officer

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2. Financial performance Q4 / FY 2017
3. Outlook FY 2018

Our agenda for 2018 – Driving the change

Steady progress on strategy execution, next major steps initiated



Strategy execution

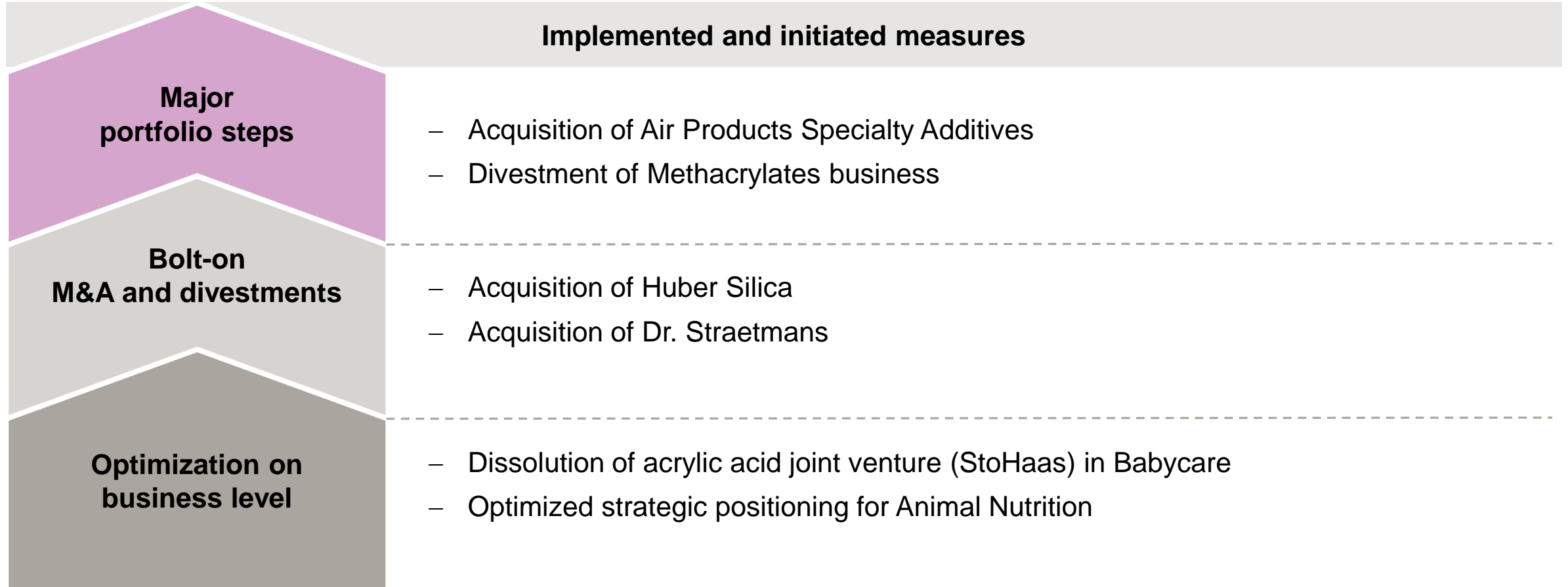
- 1
 - Divestment of Methacrylates business
 - Optimized strategic positioning for Animal Nutrition
 - Further implementation of €200 m cost savings
 - Driving an open and performance-oriented culture

Earnings growth

- 2
 - Commitment to organic growth in 2018
 - Healthy underlying trends in all businesses

Executing portfolio management on all levels

Building a more balanced and more specialty portfolio



Portfolio Management – Methacrylates

Divestment of Methacrylates business

Business Facts

~€1.5_{bn}
sales in 2017

#2_{globally}
in MMA and PMMA

18_{sites}

Access to
C2, C3 & C4
-based technologies

~3,700
employees¹

>3%
global market growth

1. in operational and service functions

- Methacrylates in good shape and well positioned
- C2 technology “LiMA” opens new opportunities for the business
- Business perspectives cannot be realized with current portfolio role
- Driving process to find a new owner

**Divestment
process for
Methacrylates
initiated**

Portfolio Management – Animal Nutrition

Advance leadership position by growth initiatives and efficiency gains

Strategic review process conducted in Animal Nutrition

Broaden portfolio



...beyond amino acids:

- Probiotics
- CreAMINO®
- Omega-3 fatty acids
- Diagnostics

**Double-digit
annual growth rates**

Manage production setup



- Asset-light approach by contract manufacturing for bio-amino acids
- Synergy realization for lysine and omega-3 production in Blair, Nebraska

Optimize cost base



- Process innovations to improve Methionine production cost base
- Streamlining supply chain
- Evolution of sales & marketing: strict cost-to-serve approach

€50 m efficiency improvements

- First savings already in 2018; full savings by 2020
- Reduction of ~150 FTE across all functions

Achieving cost excellence

Leaner processes, higher cost discipline and increased performance orientation

Cost savings of €200 m (p.a.)

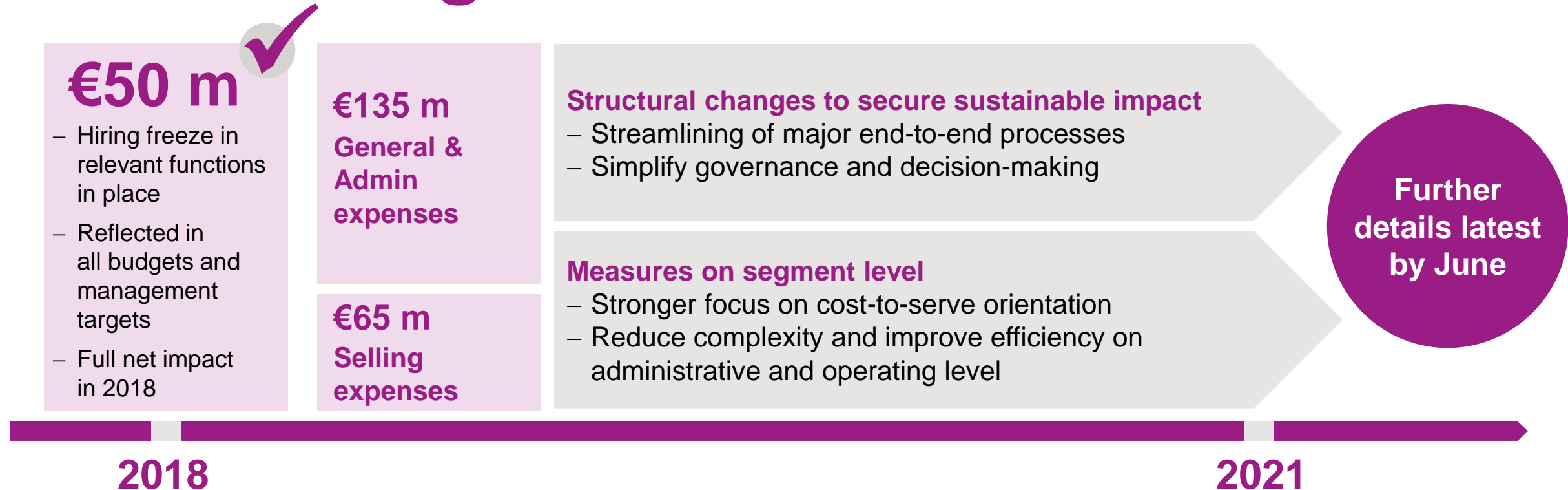


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Highlights FY 2017

Guidance achieved – adj. EBITDA in upper half of range

Volume growth

+5 %

in growth segments

Good volume development in growth segments Resource Efficiency (6%) and Nutrition & Care (3%)

Adj. EBITDA

€2,360 m

Broad-based earnings growth: 17 out of 22 business lines with higher earnings yoy

Free cash flow

€511 m

Improving cash generation in second half of 2017

Dividend proposal

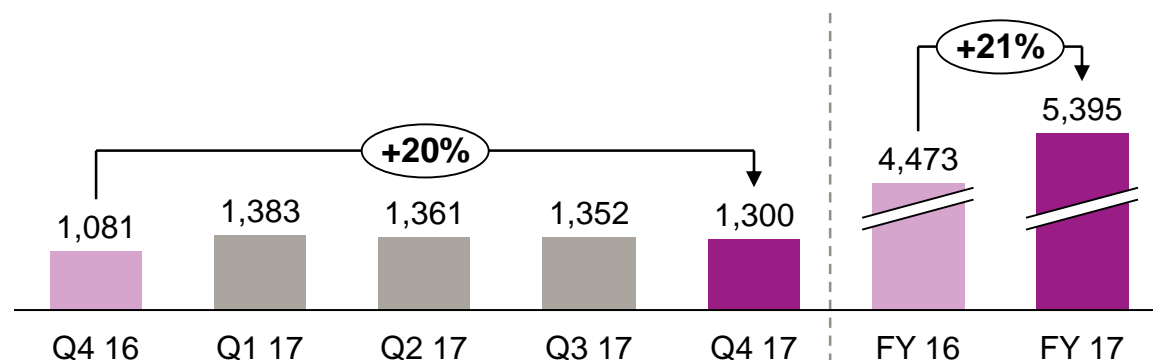
1.15 €

Reliable dividend policy resulting in attractive distribution to shareholders

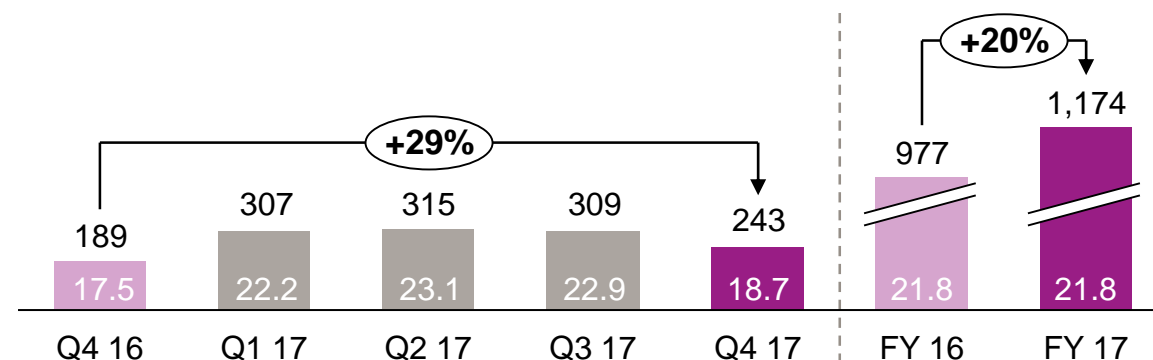
Resource Efficiency

Sustained EBITDA growth on highly attractive margin level

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q4 17 vs. Q4 16	Volume	Price	FX	Other
	+6%	+2%	-4%	+16% ¹
	↗	↗	↘	↗



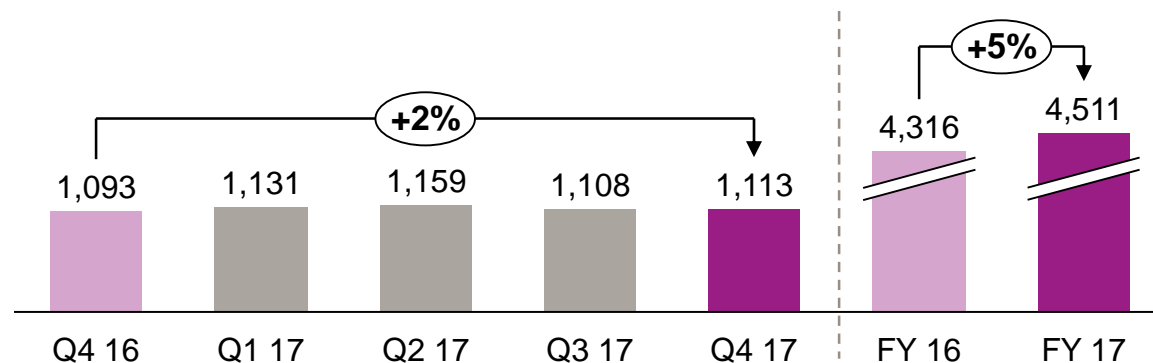
- Strong volume growth and higher prices compensated FX and raw material headwind
- Healthy demand and high utilization rates across most businesses like Silica and PA12 – expected to continue into 2018
- Q4 impacted by usual seasonality, several planned maintenance shutdowns and minor year-end effects
- Healthy organic growth expected for the start of 2018, additionally supported by Huber Silica contribution

1. Mix of portfolio effects and others

Nutrition & Care

Health Care with strong performance, improved market sentiment in Methionine

Sales (in € m)

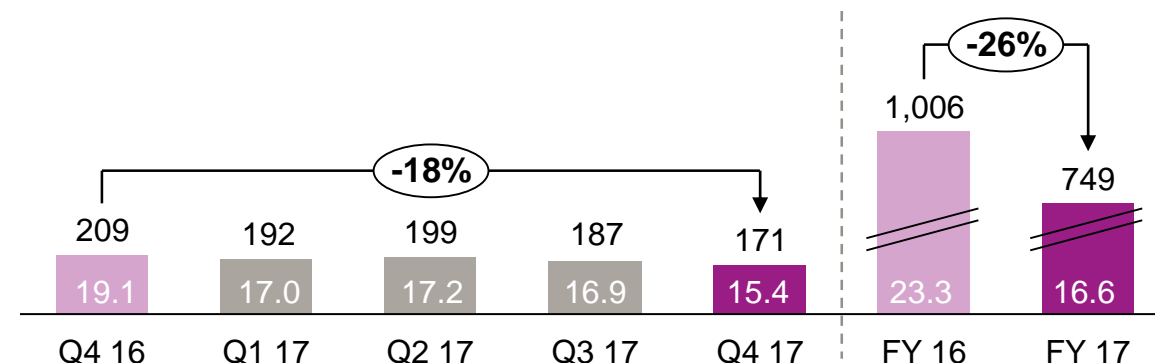


Q4 17 vs. Q4 16	Volume	Price	FX	Other
	-3% ↘	+/-0% →	-5% ↘	+10% ¹ ↗



1. Mix of portfolio effects and others

Adj. EBITDA (in € m) / margin (in %)

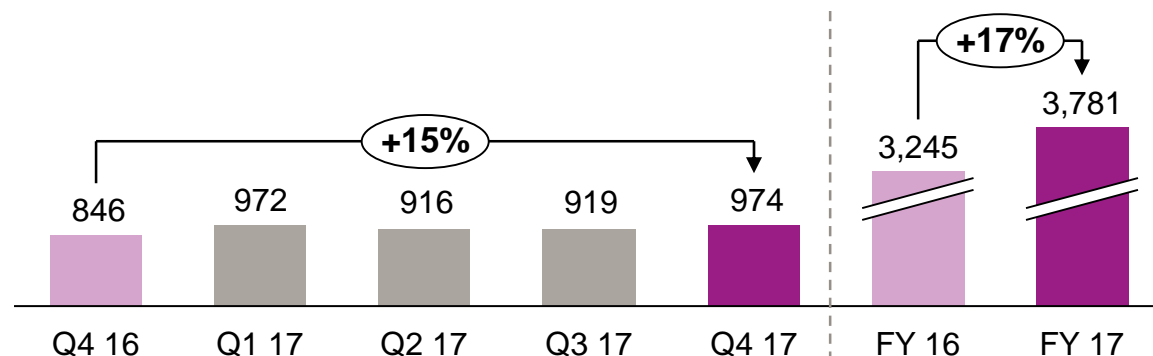


- Good development in most businesses (e.g. PC/CI), Health Care finishing successful FY 2017 with strong performance in Q4
- In addition to year-end seasonality, more pronounced turnarounds and one-time effects of in total €10 m impacting Q4 earnings
- Stabilization in Methionine: step-wise price increase throughout the quarter leading to sequentially higher prices vs. Q3. As expected, Q4 with lower volumes vs. stronger Q3 level
- Good segment performance also in Q1 2018, stable market sentiment and prices in Methionine expected for FY 2018

Performance Materials

Favorable S/D balance for MMA to persist, C4 with solid performance

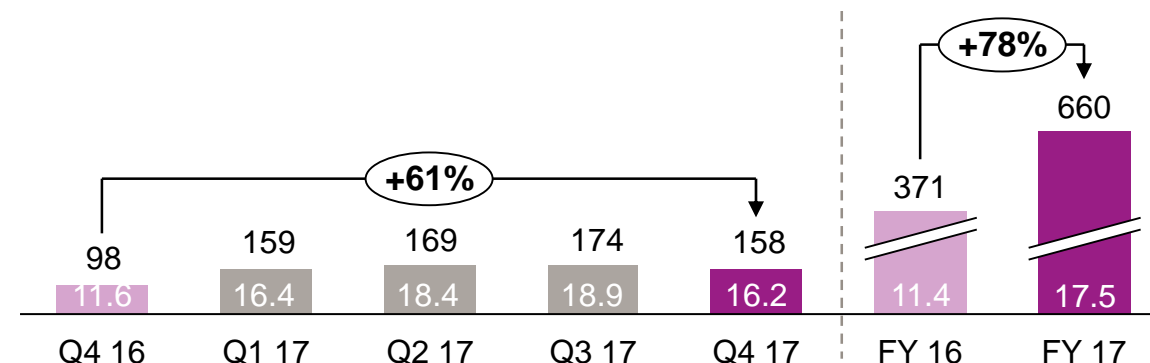
Sales (in € m)



Q4 17 vs. Q4 16	Volume	Price	FX	Other
	+1%	+17%	-3%	+/-0%
	↗	↗	↘	→



Adj. EBITDA (in € m) / margin (in %)



- Double-digit price increases in Methacrylates in Q4. MMA and PMMA both in tight supply driven by ongoing good demand from e.g. automotive and optical industries (transparent lighting applications)
- C4 business: MTBE and plasticizers (INA and DINP) with good volumes, slightly lower Butadiene-naphtha spread mainly driven by destocking in the rubber industry
- Strong segment performance in Q1 2018, attractive MMA margins to continue, prices in C4 chain with sequential uptick

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Outlook 2018

Committed to higher sales and earnings growth

Outlook FY 2018

Slightly higher sales

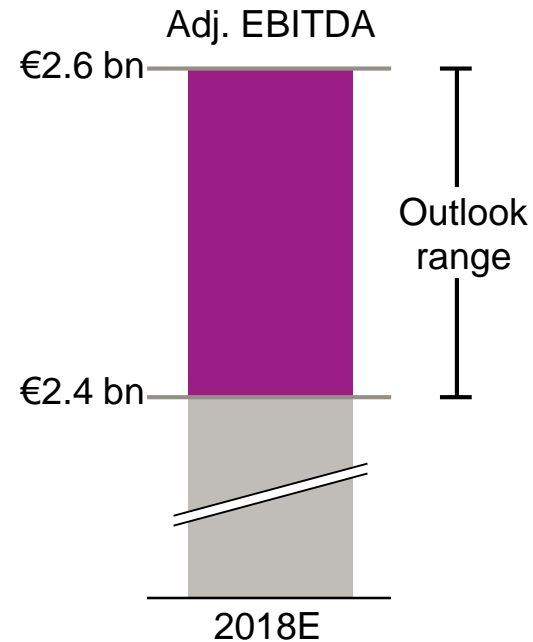
(2017: €14.4 bn)

Adj. EBITDA between
€2.4 and 2.6 bn

(2017: €2,360 bn)

Structural improvement
in earnings quality

Further reduced dependence
on individual products



Outlook 2018

Underlying assumptions for FY 2018 outlook

Earnings drivers

- **Resource Efficiency** will continue the very successful business performance of previous years. Further strong volume growth should bring another perceptible rise in earnings. In addition, earnings growth will be boosted by additional earnings from Huber silica business
- **Nutrition & Care** earnings expected slightly higher than in previous year. Earnings will continue to develop positively in majority of businesses. Sustained volume growth and stable prices (yoy annual average) for amino acids.
- Further **synergies** from APD and Huber Silica
- Contribution from **efficiency enhancement program**

Factors to watch

- Slight headwind from weaker **US-Dollar** (2018E: 1.20 EUR/USD)
- Earnings impact of slightly higher **raw material** prices should balance out across portfolio as a whole, partly through ability to recoup most of rises through selling prices.
- Good start in 2018 for **Performance Materials** expected. In the remainder of the year, segment is unlikely to achieve good level of 2017. Overall, earnings will not achieve the prior-year level.

Agenda for 2018

Delivering on strategy execution and earnings growth



1 Strategy execution

2 Earnings growth



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Additional indications for 2018

▪ Synergies from acquisitions (APD Specialty Chemicals & Huber Silica)	Additional synergies of ~€25 m (Synergies 2018e: ~€40 m; 2017: ~€15 m)
▪ Huber	Additional adj. EBITDA of ~€30 m for further eight months of consolidation (closing Sept 1 st 2017)
▪ ROCE	Above cost of capital (10.0% before taxes) and around the level of last year (2017: 11.2%)
▪ Capex	~€1 bn (2017: €1,078 m)
▪ Free cash flow	Slightly above the level of 2017 (2017: €511 m)
▪ EUR/USD	1.20 EUR/USD (2017: 1.13 EUR/USD)
▪ EUR/USD sensitivity ¹	+/-1 USD cent = -/+ ~€8 m adj. EBITDA (FY basis)
▪ Adj. EBITDA Services	Slightly higher than in 2017 (2017: €123 m)
▪ Adj. EBITDA Corporate / Others	Slightly less negative than in 2017 (2017: -€346 m)
▪ Adj. D&A	~€890 m (2017: €870 m); increase mainly due to new investments going on stream
▪ Adj. net financial result ²	~-€190 m (2017: -€175 m); increase mainly due to hybrid bond issuance in July 2017
▪ Adj. tax rate	~29% (2017: 29% including positive one-time effects from US tax reform in Q4, 31% without this one-time effect)

1. Including transaction effects (after hedging) and translation effects; before secondary / market effects | 2. Guidance for "Adj. net financial result" subject to interest rate fluctuations which influence discounting effects on provisions

Segment outlook FY 2018

Nutrition & Care

- We assume that earnings will continue to develop positively in the majority of businesses in the Nutrition & Care segment.
- As well as organic growth, we expect to leverage additional positive earnings effects from synergies resulting from the integration of the Air Products business.
- The annual average prices for essential amino acids for animal nutrition are expected to be stable compared with the prior year. At the same time, we assume sustained volume growth in this area.
- Overall, in the Nutrition & Care segment earnings are expected to be slightly higher than in the previous year.

Resource Efficiency

- We also anticipate that the Resource Efficiency segment will continue the very successful business performance of previous years.
- Further strong volume growth should bring another perceptible rise in earnings.
- In addition, earnings growth will be boosted by additional earnings from the Huber silica business and synergies from the integration of the Air Products and Huber businesses.

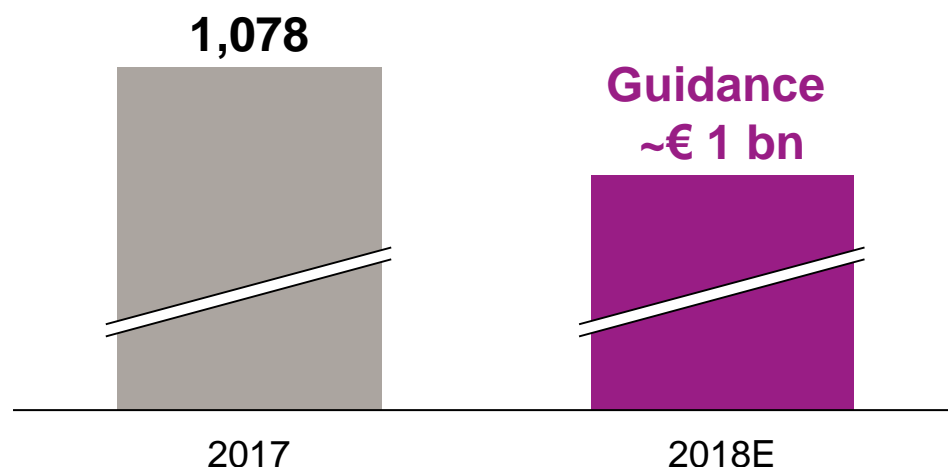
Performance Materials

- Performance Materials segment should get off to a good start in 2018.
- In addition to the measures already in place to raise efficiency, the continuation of the favorable supply/demand situation, especially for methacrylates, is proving beneficial.
- In the remainder of the year, it is unlikely to achieve the good level of 2017.
- Overall, earnings in the Performance Materials segment will not achieve the prior-year level.

Capex 2018

~€1 bn despite additional €150 m for Me6 plant

Capex development



- Additional ~€150 m capex for Me6 plant in Singapore compared to prior year (total Me6 spending in 2018: ~€300 m)
- Overall lower capex in 2018 due to high capex discipline in form of reduced maintenance capex or postponement of projects

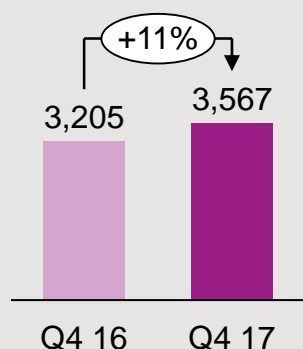
Top growth projects 2018

- **Methionine 6 (Me6)**
 - More than half a billion €, 2016-2019 Singapore
- **Extension precipitated silica**
 - ~€100 m; 2016-2018 Charleston, South Carolina
- **Extension of fumed silica**
 - Upper double-digit million €, 2017-2019 Antwerp
- **Veramaris (Green Ocean)**
 - ~€100 m (Evonik share), 2017-2019 Blair, Nebraska

Financial highlights Q4 2017

Positive volume and price trend continuing

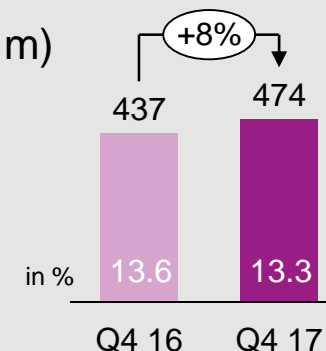
Sales
(in € m)



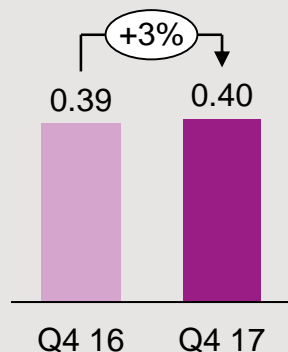
Q4 16 vs. Q4 17

Volume		Price	
+1%	↗	+5%	↗
FX		Other ¹	
-4%	↘	+9%	↗

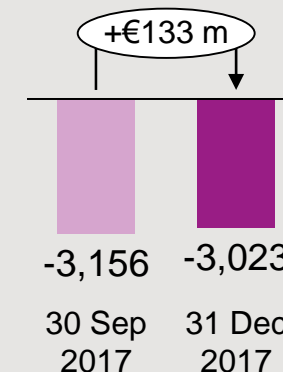
Adj. EBITDA (in € m)
/ margin (in %)



Adj. EPS
(in €)



Net financial
position
(in € m)

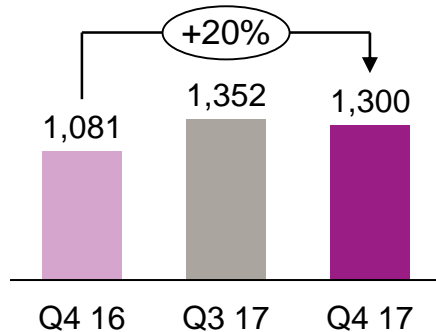


1. Portfolio effects and others

Resource Efficiency

Q4 2017 Business Line comments

Sales (in € m)



Coating Additives: Good performance driven by higher volumes and ongoing strong demand from additives for waterborne coatings and inks.



Crosslinkers: Market demand continues to be good, but overall performance partly offset by increased acetone prices.

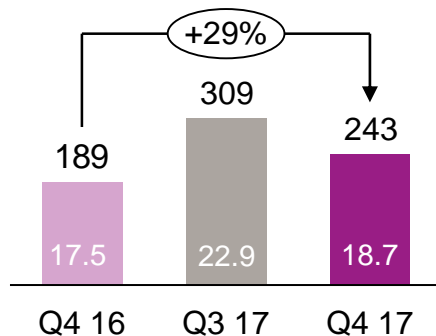


High Performance Polymers: Excellent performance due to higher volumes with robust margins and strong demand for PA 12, mainly from automotive and medical segment. Capacities running at high utilization rates.



Silica: All Silica businesses with continued strong performance; next consecutive strong quarter for Rubber Silica driven by high demand especially in North & Latin America and overall high capacity utilization. First full quarter of earnings contribution from Huber Silica.

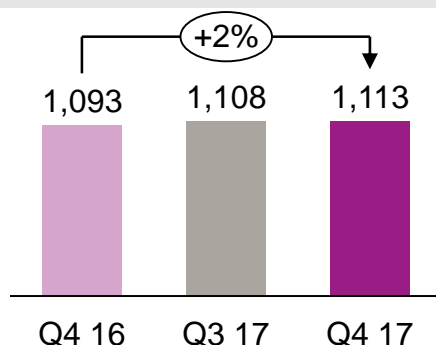
Adj. EBITDA (in € m) / margin (in %)



Nutrition & Care

Q4 2017 Business Line comments

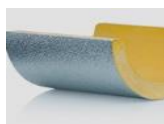
Sales (in € m)



Personal Care: Good development in Q4 with strong performance in Specialty products and Active ingredients. Earnings from acquired Dr. Straetmans business above expectations.



Health Care: Strong finish of the year across all product lines in Q4.



Comfort & Insulation: Continued solid performance and favorable volume development, especially in Asia (despite MDI/TDI shortage at some customers)

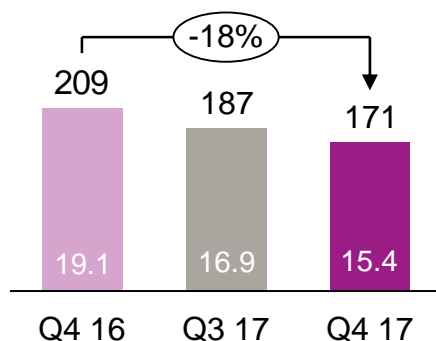


Baby Care: Low profitability levels persist due to ongoing unfavorable global supply/demand situation. Termination of Acrylic Acid JV will improve cost position going forward.



Animal Nutrition: Improved market sentiment in Methionine: step-wise price increase throughout the quarter leading to sequentially higher prices vs. Q3. As expected, Q4 with lower volumes vs. stronger Q3 level

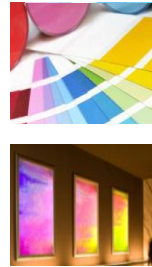
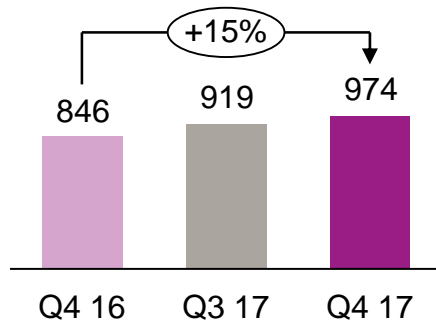
Adj. EBITDA (in € m) / margin (in %)



Performance Materials

Q4 2017 Business Line comments

Sales (in € m)



MMA/ PMMA:

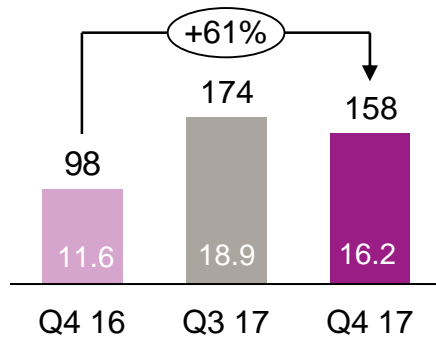
Ongoing healthy demand from automotive coatings and construction continues. Supply remained tight also in Q4. New capacities in China and Middle-East have not changed favorable S/D balance so far. Molding Compounds (PMMA) with higher specialty volumes and prices. MMA margin in Q1 persists on very attractive level, supply expected to remain tight as a result of several announced maintenance shut downs. Leaner cost base and full business strength to become visible and contribute to attractive margins.



Performance Intermediates:

MTBE with strong demand against normal year end pattern. Plasticizers (DINP) were solid with good volumes and margins in Europe. 1-Butene with slightly lower margins after very healthy Q3. Butadiene naphtha spread weaker in Q4.

Adj. EBITDA (in € m) / margin (in %)



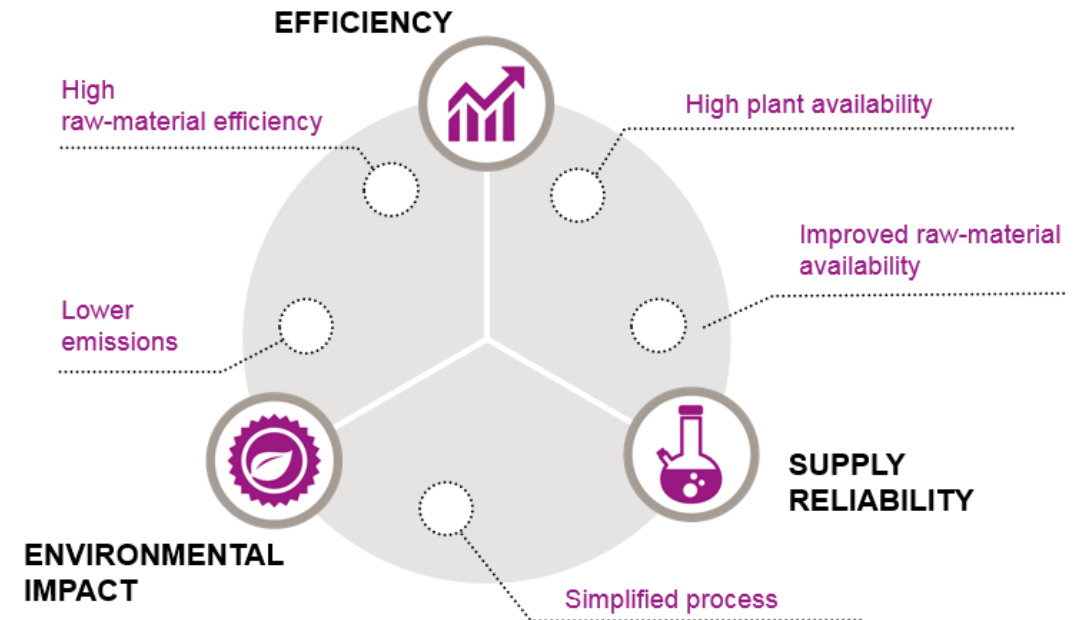
Portfolio Management – Methacrylates

Evonik's new C2 technology "LiMA" – best-in-class MMA production process

"LiMA" – Leading in Methacrylates

- **Intelligent process ...**
minimizes energy and steam requirements
- **Efficient new catalyst ...**
accesses shale gas as raw-material source for MMA production
- **Product quality ...**
produced MMA can be used even for most demanding optical applications
- **Best-in-class ...**
in efficiency, environmental impact and raw material availability

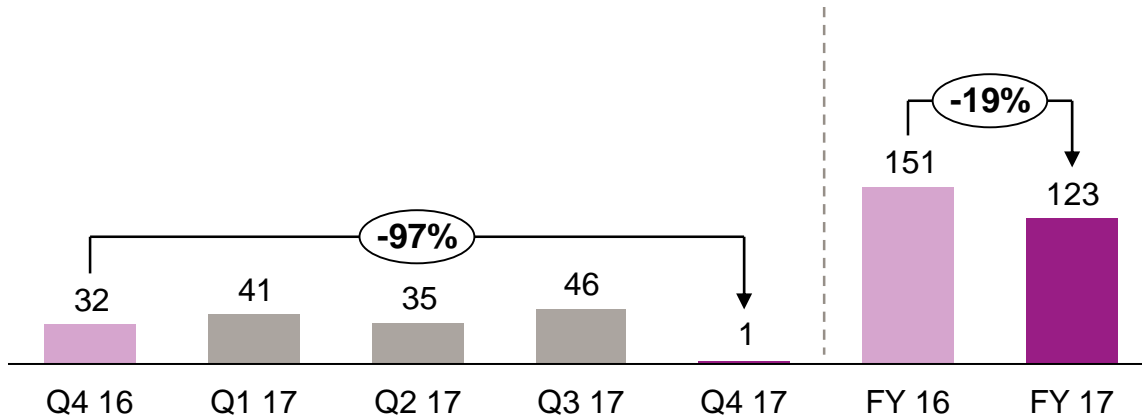
**COST LEADING TECHNOLOGY
READY TO INVEST**



Services and Corporate / Others

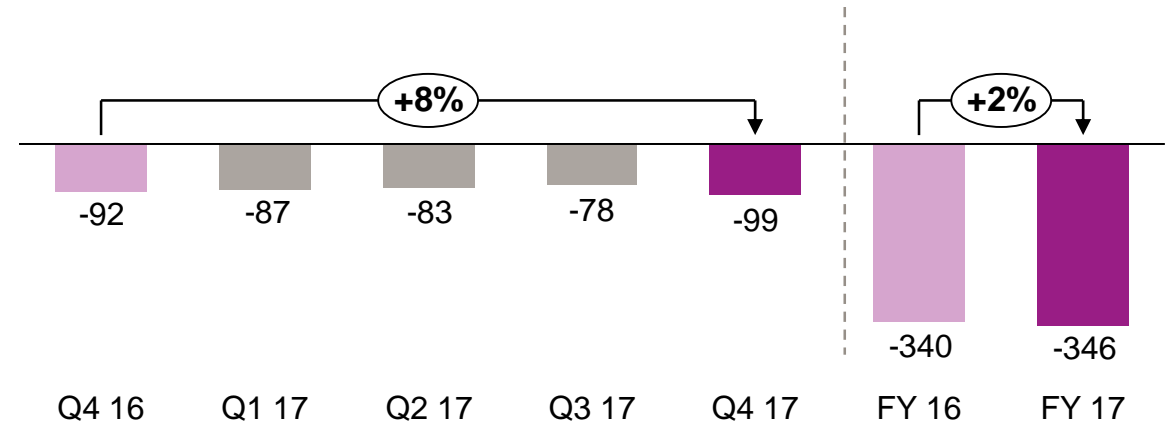
Q4 2017 segment comments

Services: adj. EBITDA (in € m)



- Q4 earnings negatively impacted by reimbursement scheme from Services to operating segments (~-€10 m) and environmental provisioning for Energy & Utilities
- FY earnings with negative impact from insurance deductible after force majeure in Antwerp (-€15 m)

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

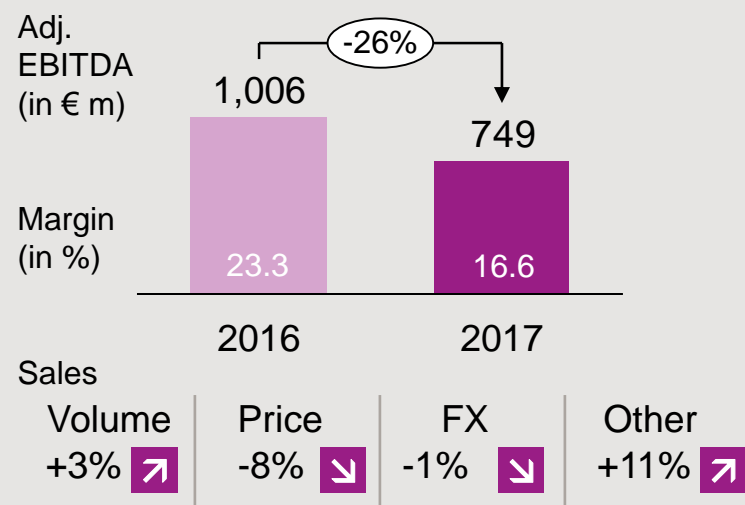


- Q4 and FY broadly in-line with prior year

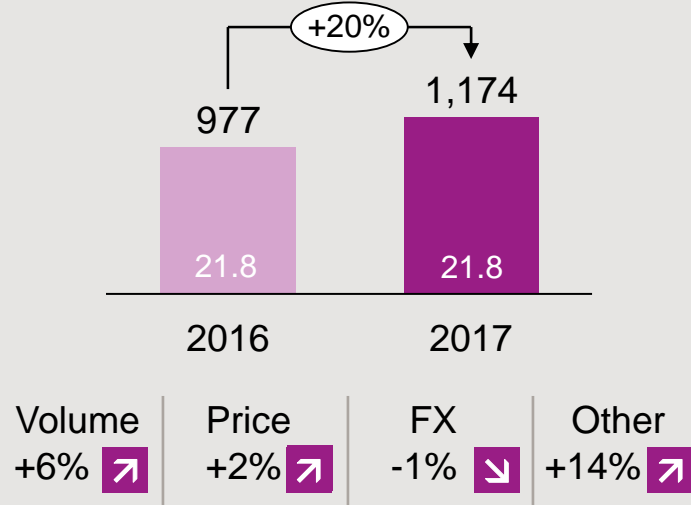
Segment performance FY 2017

Resource Efficiency and Performance Materials with strong earnings growth

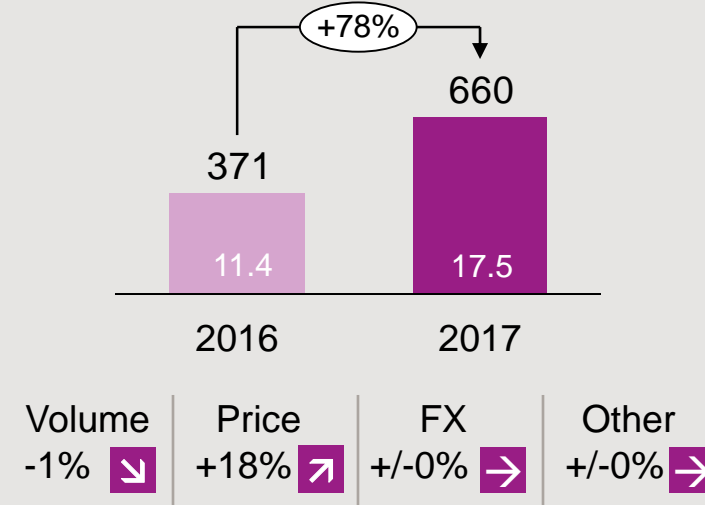
Nutrition & Care



Resource Efficiency



Performance Materials



Free cash flow Q4 / FY 2017

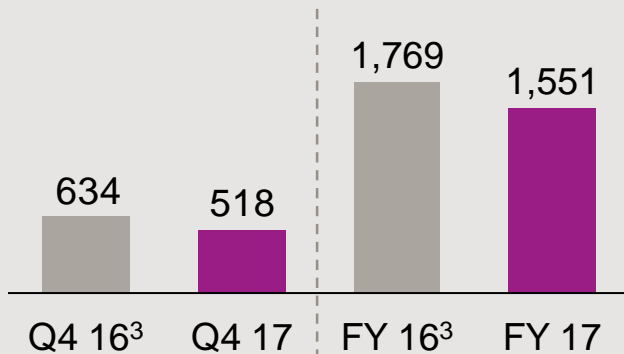
Operating cash flow (cont. op. in € m)



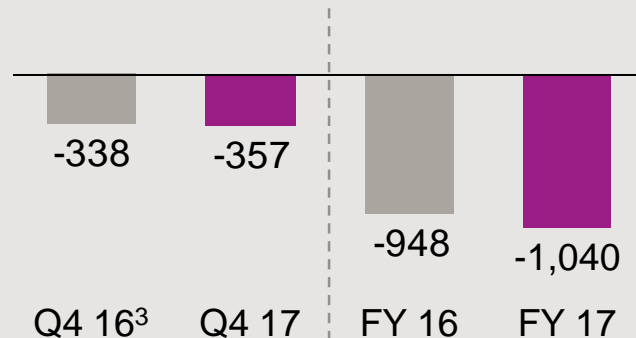
Investing cash flow (cont. op. in € m)¹



Free cash flow (cont. op. in € m)²

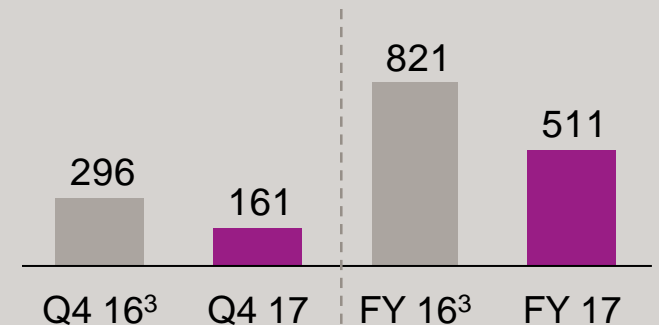


- Active NWC management continued in 2017, ratios further improved
- Last year's pronounced step in NWC improvement however not reoccurring as cash-inflow in Q4 2017



- Higher investing cash flow in Q4 2017 due to projects progressing faster than expected

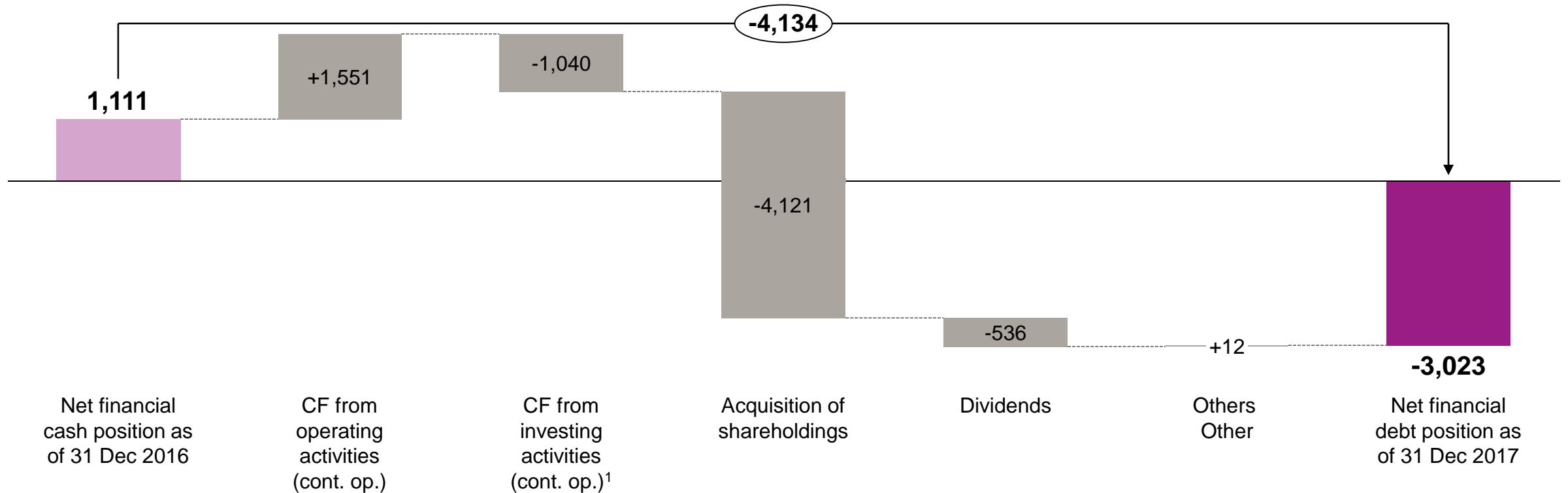
(before dividends and divestments)



1. Cash outflow for investments in intangible assets and PP&E | 2. Operating cash flow (cont. op.) ./ Investing cash flow (cont. op.) | 3. 2016 cash flow figures restated

Net financial position development FY 2017

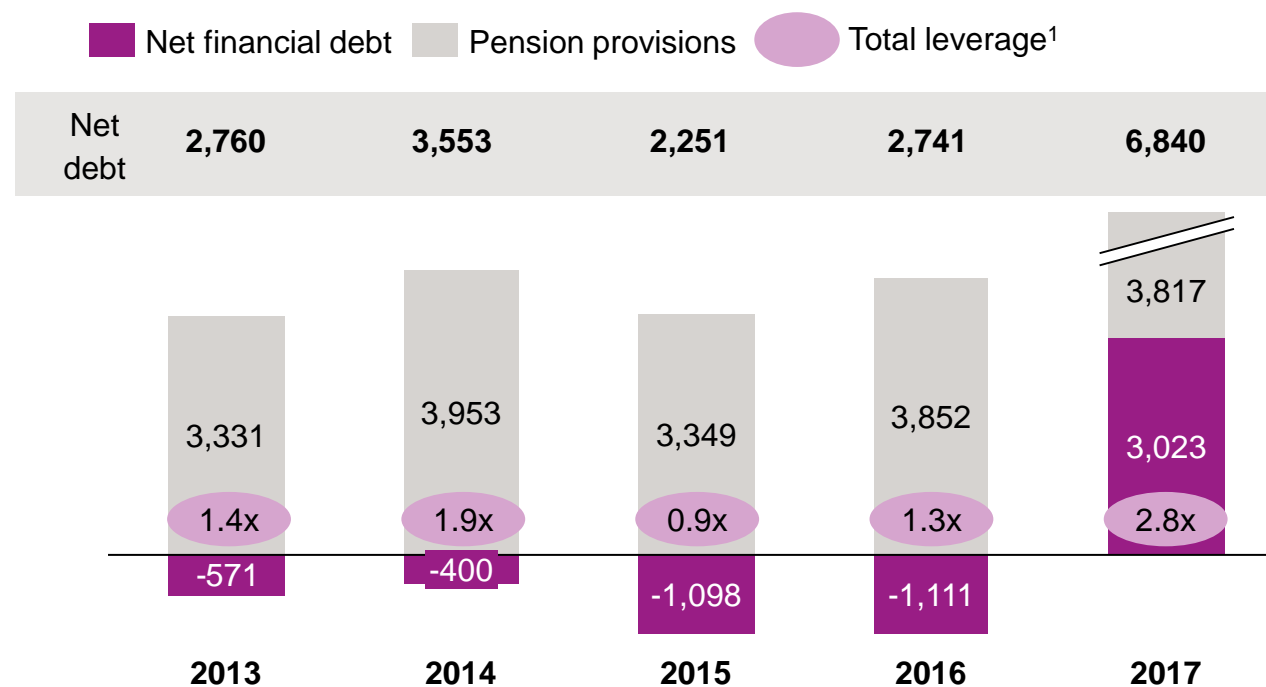
(in € m)



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

Net debt development

(in € m)



- Increase of net financial debt in 2017 mainly driven by acquisition-related purchase price payments (APD, Huber Silica and Dr. Straetmans)
- Leverage supported by €0.5 bn hybrid issuance (of which only 50% is treated as debt in-line with rating agencies' treatment)
- Long-term capital market financing secured under favorable conditions: average coupon of only 0.74% p.a. on €3.15 bn senior bonds and 2.125% p.a. on €0.5 bn hybrid bond
- More than half of total net debt consists of long-dated pension obligations; average life of DBO exceeds 15 years

3.84	2.65	2.91	2.16	2.12	Evonik Group global discount rate (in %) ²
3.75	2.50	2.75	2.00	2.00	Evonik discount rate for Germany (in %)

1. Total leverage defined as (net financial debt - 50% hybrid bond + pension provisions) / adj. EBITDA LTM | 2. Calculated annually

Adjusted income statement Q4 2017

in € m	Q4 2016	Q4 2017	Δ in %
Sales	3,205	3,567	+11
Adj. EBITDA	437	474	+8
Depreciation & amortization	-179	-241	
Adj. EBIT	258	233	-10
Adj. net financial result	-3	-36	
D&A on intangible assets	16	31	
Adj. income before income taxes	271	228	-16
Adj. income tax	-86	-40	
Adj. income after taxes	185	188	+2
Adj. non-controlling interests	-3	-2	
Adj. net income	182	186	+2
Adj. earnings per share	0.39	0.40	+3
Adjustments	-76	-63	

APD: Air Products specialty additives

Depreciation & amortization:

- Increase mainly due to additional D&A from APD, Huber Silica and Dr. Straetmans

Adj. net financial result

- Q4 16 benefitted from ~€25 m interest income from withholding tax refunds; higher interest for hybrid bond issued in July 17

Adj. tax rate:

- Q4: Adj. tax rate of only 17% due to one-time benefit from US tax reform (€33 m); positive effect from revaluation of deferred taxes compensated a slightly negative effect from repatriation tax

Adjustments:

- Impairments -€84 m: mainly impairments in Resource Efficiency and Nutrition & Care
- M&A €56 m: positive non-cash effects from revaluation of assets in context of dissolution of acrylic acid joint venture in Baby Care

Adjusted income statement FY 2017

in € m	FY 2016	FY 2017	Δ in %
Sales	12,732	14,419	+13
Adj. EBITDA	2,165	2,360	+9
Depreciation & amortization	-717	-870	
Adj. EBIT	1,448	1,490	+3
Adj. net financial result	-139	-175	
D&A on intangible assets	47	128	
Adj. income before income taxes	1,356	1,443	+6
Adj. income tax	-412	-416	
Adj. income after taxes	944	1,027	+9
Adj. non-controlling interests	-14	-17	
Adj. net income	930	1,010	+9
Adj. earnings per share	1.99	2.17	
Adjustments	-150	-261	

Depreciation & amortization:

- Increase mainly due to additional D&A from APD, Huber Silica and Dr. Straetmans

Adj. net financial result:

- Increase mainly due to hybrid bond issuance in July 2017 and interest income from withholding tax refunds in prior year

D&A on intangible assets:

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

Adjustments

- Impairments -€82 m: mainly impairments in Resource Efficiency and Nutrition & Care
- M&A -€89 m: mainly project costs and purchase price allocation of APD, Huber and Dr. Straetmans (-€164 m), positive non-cash effect from revaluation of assets in the context of the dissolution of the acrylic acid joint venture in Baby Care (+€75 m)

Cash flow statement Q4 2017

in € m	Q4 2016	Q4 2017
Income before financial result and income taxes	182	170
Depreciation and amortization	210	297
Δ Net working capital	274	142
Change in provisions for pensions and other post-employment benefits	-48	-47
Change in other provisions	36	83
Change in miscellaneous assets/liabilities	43	-23
Outflows from income taxes	-102	-22
Others	39	-82
Cash flow from operating activities	634	518
Cash inflows/outflows for investment in/divestments of intangible assets, pp&e	-338	-357
Cash inflows/outflows from investments/divestments of shareholdings	-14	-14
Cash inflows/outflows relating to securities, deposits and loans	-17	7
Others	-10	2
Cash flow from investing activities	-379	-362
Cash flow from financing activities	28	23

CF from operating activities

- Higher depreciations due to acquisitions
- Active NWC management continued in 2017, ratios further improved. Last year's pronounced step in NWC improvement however not reoccurring as cash-inflow in Q4 2017

CF from investing activities

- Capex slightly higher due to cash-outs for major growth projects (Me6 and Silica in US and Antwerp)

Cash flow statement FY 2017

in € m	FY 2016	FY 2017
Income before financial result and income taxes	1,298	1,229
Depreciation and amortization	747	923
Δ Net working capital	381	34
Change in provisions for pensions and other post-employment benefits	-173	-202
Change in other provisions	-124	-2
Change in miscellaneous assets/liabilities	124	19
Outflows from income taxes	-492	-313
Others	-8	-137
Cash flow from operating activities	1,769	1,551
Cash inflows/outflows for investment in/divestments of intangible assets, pp&e	-948	-1,040
Cash inflows/outflows from investments/divestments of shareholdings	-148	-4,147
Cash inflows/outflows relating to securities, deposits and loans	218	17
Others	-5	-11
Cash flow from investing activities	-883	-5,181
Cash flow from financing activities	1,373	23

CF from operating activities

- Active NWC management continued in 2017, ratios further improved. Last year's pronounced step in NWC improvement however not reoccurring as cash-inflow in 2017

CF from investing activities

- Cash outflows from investments including payments for APD and Huber Silica

CF from financing activities

- Financing of Huber Silica acquisition in 2017 (hybrid bond issuance); 2016: financing of APD purchase price

Segment overview by quarter

Sales (in € m)	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17	Q2/17	Q3/17	Q4/17	FY 2017
Nutrition & Care	1,111	1,066	1,093	4,316	1,131	1,159	1,108	1,113	4,511
Resource Efficiency	1,156	1,117	1,081	4,473	1,383	1,361	1,352	1,300	5,395
Performance Materials	829	797	846	3,245	972	916	919	974	3,781
Services	163	173	180	683	193	174	172	178	716
Corporate / Others	-1	11	5	15	3	5	5	3	16
Evonik Group	3,258	3,164	3,205	12,732	3,683	3,614	3,556	3,567	14,419

Adj. EBITDA (in € m)	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17	Q2/17	Q3/17	Q4/17	FY 2017
Nutrition & Care	264	239	209	1,006	192	199	187	171	749
Resource Efficiency	270	262	189	977	307	315	309	243	1,174
Performance Materials	105	104	98	371	159	169	174	158	660
Services	33	50	32	151	41	35	46	1	123
Corporate / Others	-87	-77	-92	-340	-87	-83	-78	-99	-346
Evonik Group	585	578	437	2,165	612	635	639	474	2,360

Invitation

Sell-Side Dinner

with CEO Christian Kullmann and
Deputy CEO Harald Schwager

10 April 2018, at 05.00 p.m. GMT
“Sofitel London St. James”

Save the date

Capital Markets Day

13/14 September 2018

*Details and
invitation
to follow
shortly*

Upcoming IR events

Conferences & Roadshows

8 March	Roadshow, London
12 March	Roadshow, Frankfurt
15 March	Goldman Sachs Chemicals Conference, London
21 March	Deutsche Bank Conference, Stockholm
22 March	Main First Corporate Conference, Copenhagen

Upcoming Events & Reporting Dates

10 April	Sell-side Dinner
8 May	Q1 2018 reporting
23 May	AGM
2 August	Q2 2018 reporting
13/14 September	Capital Markets Day
6 November	Q3 2018 reporting

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