

Evonik. Power to create.

Q2 2015 Earnings Conference Call

Klaus Engel, Chief Executive Officer
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4 August, 2015



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1	Highlights Q2 2015
2	Financial performance Q2 2015
3	Outlook FY 2015

Highlights Q2 2015

Another strong quarter; outlook raised



Accelerating operational performance

Adj. EBITDA of €661 m outperformed strong Q1 level with all three chemical segments delivering sequentially higher earnings

Outlook raised: sales of around €13.5 bn and adj. EBITDA of around €2.4 bn expected for FY 2015

Consistent execution of strategy

New production site for precipitated silica in the US focusing on green-tire applications (completion 2017)



Expanding innovation capabilities



Completion of Vivawest divestment: remaining 10.3% stake sold to RAG AG for around €400 m



Research & Development

Expanding innovation capabilities



Opening of **new Business & Innovation Center** in Richmond (Virginia, USA) for Nutrition & Care segment



Selective extension of **corporate venture capital activities** by two investments in the fields of 3-D printing and nanocellulose generated with biotechnology methods



Creavis **Project House “Composites”** awarded for innovation project in the field of composites for lightweight structures



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Financial highlights Q2 2015

All three chemical segments with higher earnings qoq



Sales increased by 8% to €3,519 m thanks to continued solid volume growth on high levels and pricing turning positive

Adj. EBITDA of €661m clearly above prior year (+40%) and even above strong Q1 level; all three chemical segments delivering sequentially higher earnings

Adj. EPS of €0.66 (+70%) supported by improved adj. net financial result

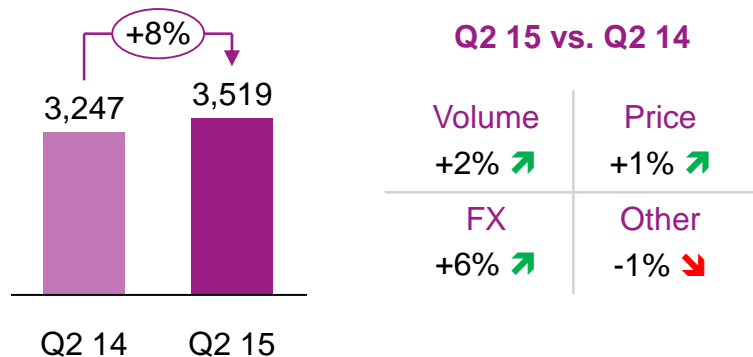
Strong **operating cash flow** generation of €167 m (prior year: -€19 m); significant decline in pension provisions by -€1.4 bn (vs. Q1 2015)

Financial highlights Q2 2015

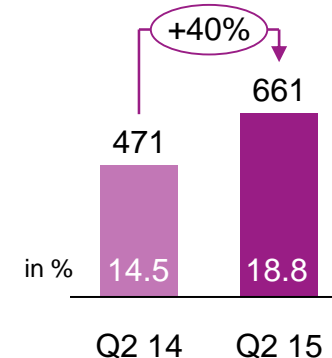
Net cash position almost stable
after dividend payment



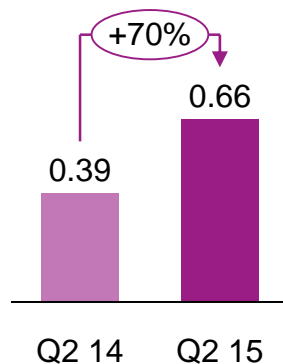
Sales (in € m)



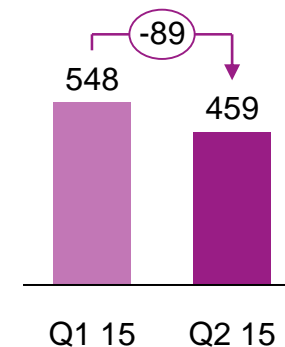
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



Net financial position (in € m)



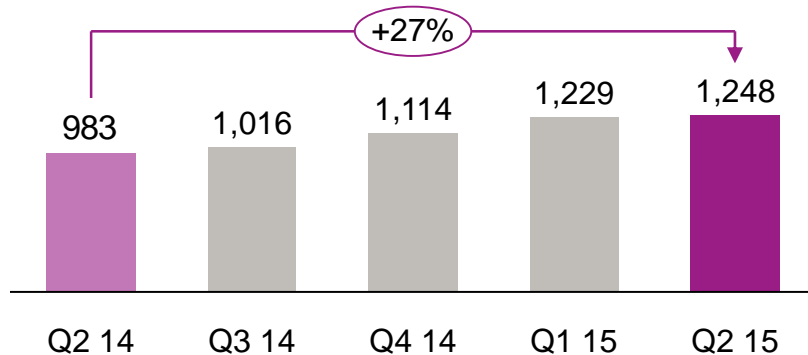
Nutrition & Care

Strength in Animal Nutrition continuing

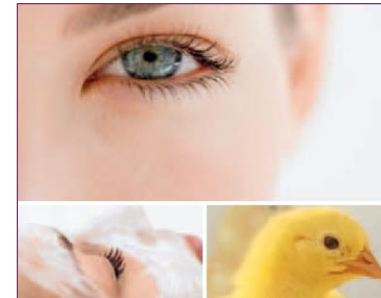
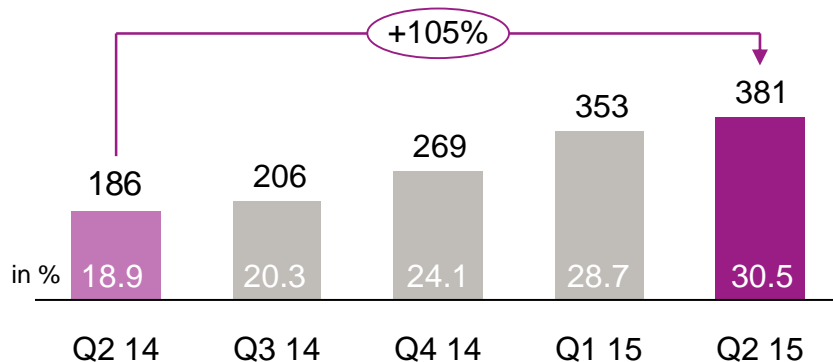
Sales (in € m)

Q2 15 vs. Q2 14

Volume	Price
0% →	+18% ↗
FX	Other
+10% ↗	-1% ↘



Adj. EBITDA (in € m) / margin (in %)







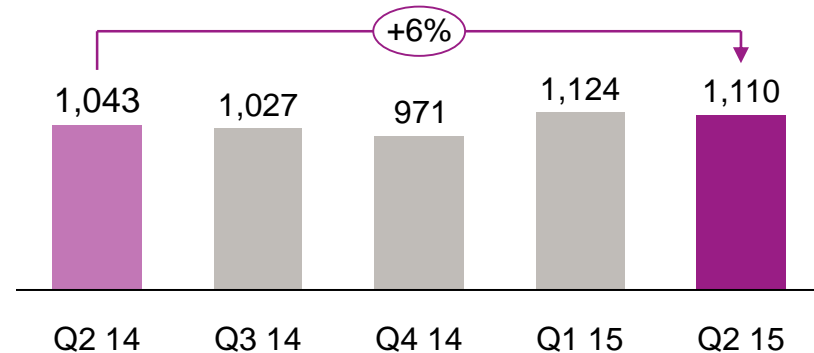
Resource Efficiency

Strong volume growth and high margin

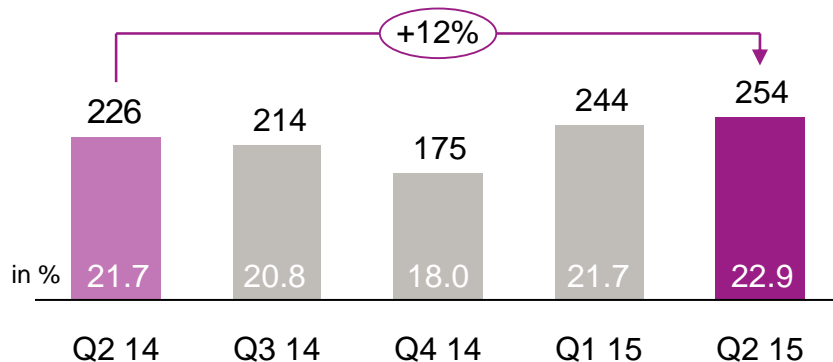
Sales (in € m)

Q2 15 vs. Q2 14

Volume +4% 	Price 0% 
FX +5% 	Other -2% 



Adj. EBITDA (in € m) / margin (in %)







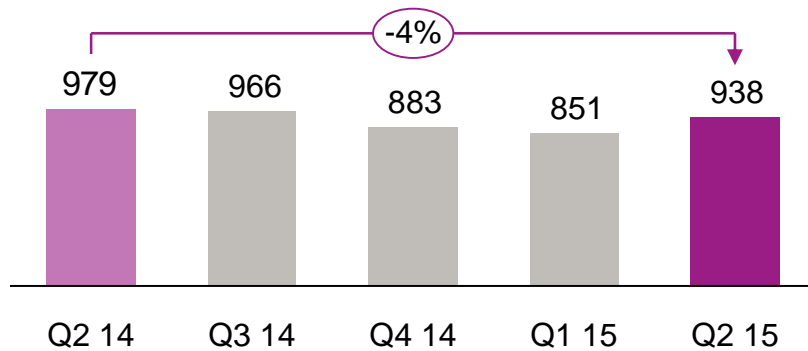
Performance Materials

Slowly recovering from low levels

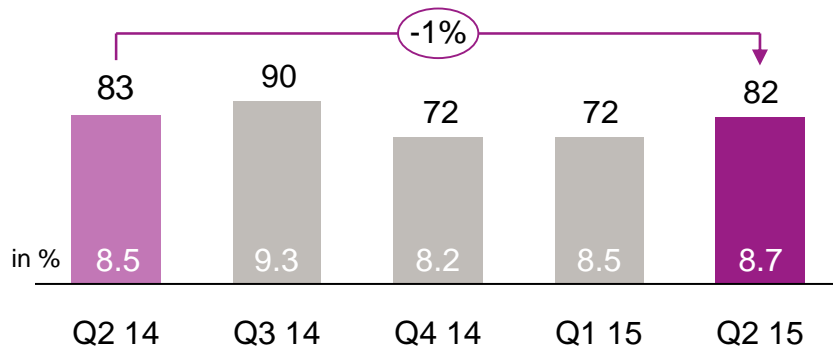
Sales (in € m)

Q2 15 vs. Q2 14

Volume	Price
+4% 	-13% 
FX	Other
+5% 	0% 



Adj. EBITDA (in € m) / margin (in %)

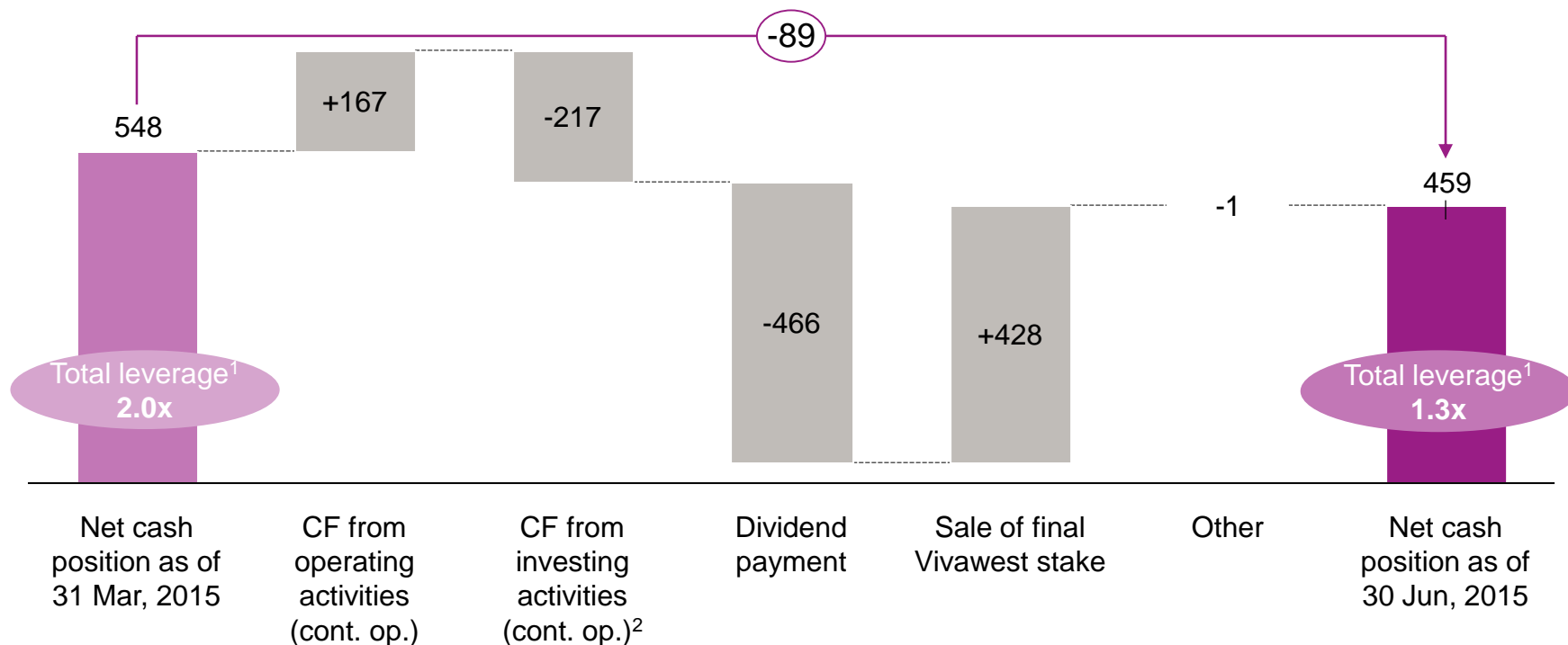


Net financial position

Total leverage declined due to lower pension deficit



Development of net financial position (in € m)



¹ Total leverage defined as (net financial debt + unfunded pensions obligations) / adj. EBITDA LTM

² Cash outflow for investment in intangible assets, PP&E and shareholdings, not including cash in- and outflows related to divestments and securities

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Financial Year 2015

Outlook raised
on the back of strong earnings momentum



Outlook FY 2015:

Sales: ~ **€13.5 bn**

Adj. EBITDA: **around €2.4 bn**

FY 2014:

Sales: €12.9 bn; Adj. EBITDA: €1,882 m

Growth investments

Efficiency measures

Operational performance

Outlook as of Q1 2015:

Slightly higher sales

Adj. EBITDA: at least €2.2 bn

Positive FX impact on sales and adj. EBITDA included in outlook (assumption: US\$1.13)

Effects from lower raw material prices should largely balance out on Group level

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Additional indications for 2015

- EUR/USD sensitivity¹ +/-1 USD cent = -/+ ~€5 m adj. EBITDA (FY basis)
- Adj. EBITDA Services **Slightly below 2014** (*previously: “stable”; 2014: €151 m*)
- Adj. EBITDA Corporate/Other **More negative than -€300 m** (*previously: “slightly more negative than in 2014”; 2014: -€277 m*)
- Adj. D&A ~ **-€700 m** (*unchanged; 2014: -€626 m*)
- Adj. net financial result² **Slight improvement** (*unchanged; 2014: -€209 m*)
- Adj. tax rate ~**29%** (*unchanged; 2014: 28.3%*)
- Capex **Up to €1.1 bn** in 2015 (*unchanged; 2014: €1.1 bn*)
- Net financial position **Net cash position of more than €500 m** (*previously: “net cash position end of 2015”; 2014: €400 m net cash*)

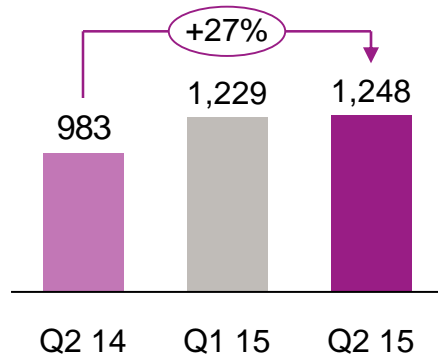
¹ Including transaction effects (after hedging) and translation effects; before secondary / market effects

² Guidance for “Adj. net financial result” (new definition incl. “Adj. interest income/expense” and “Other financial income/expense”)

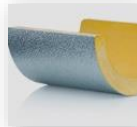
Nutrition & Care

Q2 2015 Business Line comments

Sales (in € m)



Personal Care with growth in North America; overall favorable product mix with higher share of specialties

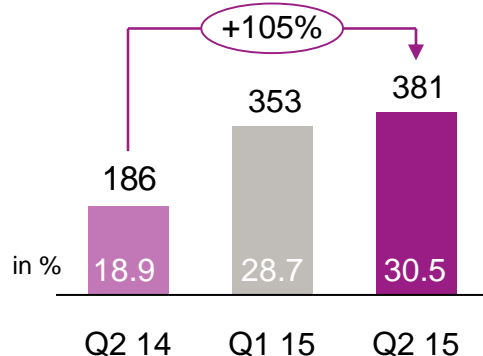


Comfort & Insulation with continued strong demand in core markets



Baby Care with solid performance in a market still absorbing new production capacities coming on-stream

Adj. EBITDA (in € m) / margin



Health Care: Strong performance in drug delivery systems; encouraging trend in API business due to increasing number of new customer projects

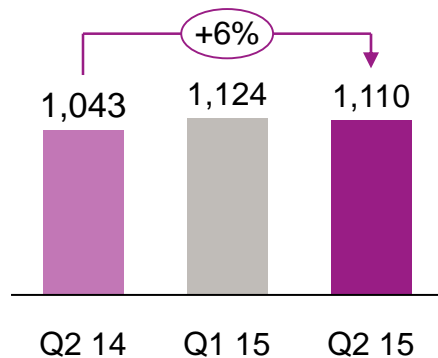


Animal Nutrition benefitting from strong market esp. in Methionine; successful ramp-up of new Singapore plant at opportune time to supply growing demand

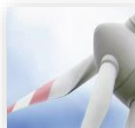
Resource Efficiency

Q2 2015 Business Line comments

Sales (in € m)



Silica with high plant utilization also for new capacities; strong demand for specialty applications



Crosslinkers: strong volumes across the whole chain and key industries (e.g. light weight applications and wind energy business); new production site in Shanghai further ramping up

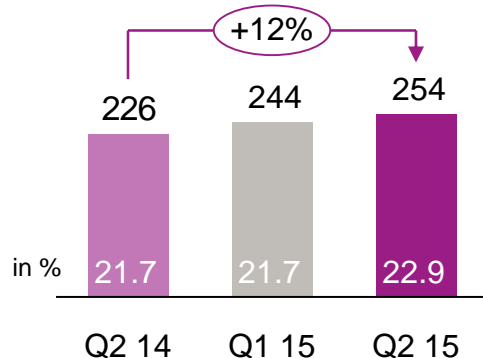


High Performance Polymers with improving demand and margins; PA12 powder business with strong performance (e.g. 3D printing)



Active Oxygens with higher demand and prices in classic H₂O₂ markets (pulp & paper, electronic) across all regions

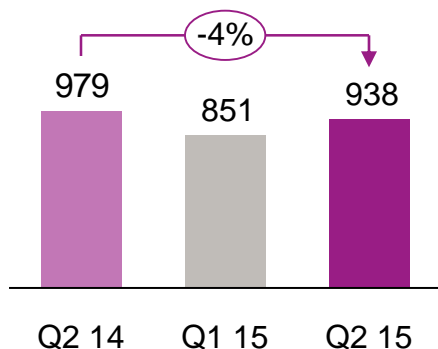
Adj. EBITDA (in € m) / margin



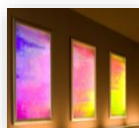
Performance Materials

Q2 2015 Business Line comments

Sales (in € m)

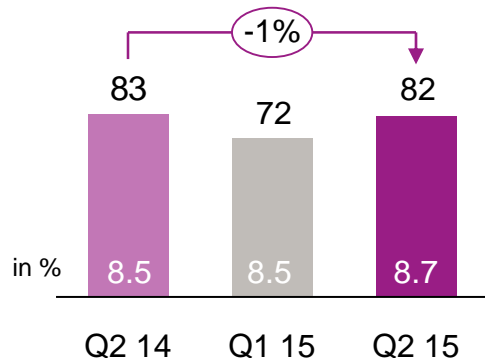


MMA: solid performance continuing; more balanced supply/demand picture in Europe (vs. Q1); raw material price environment continues to be favorable



PMMA: positive sentiment carried over from Q1; good demand in Europe and the US for specialties from automotive customers; positive product mix development towards more specialized products

Adj. EBITDA (in € m) / margin



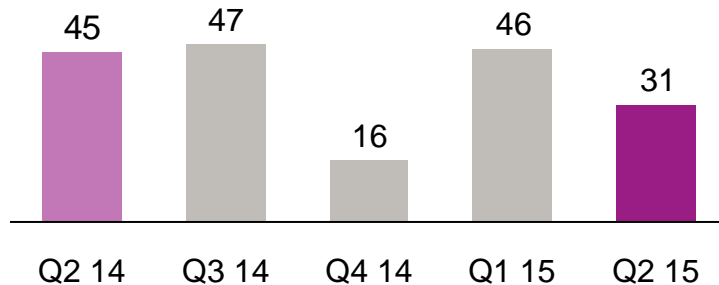
Performance Intermediates still influenced by low oil price environment; butadiene price spreads over naphtha on average even tighter than in Q1; but improvement visible towards the end of the quarter due to lower availability in China and US (cracker shut downs); good demand for MTBE; plasticizers markets with low dynamics

Services and Corporate / Others

Q2 2015 segment comments

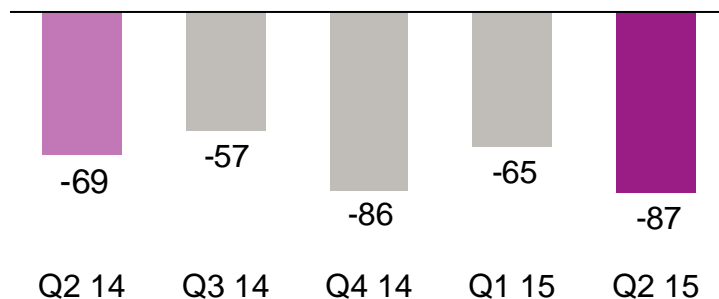


Services: adj. EBITDA (in € m)



- Increase in provisions for expected higher variable remuneration
- qoq: less working days in Q2 than in Q1

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



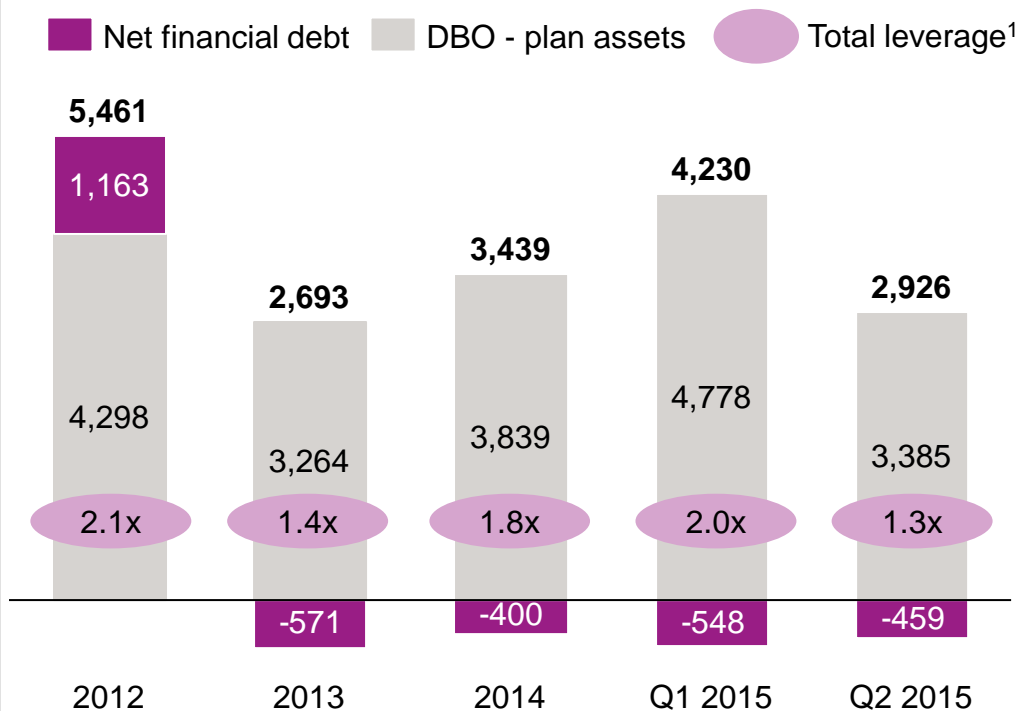
- Increase in provisions for expected higher variable remuneration
- Miscellaneous smaller effects (e.g. FX effects and increase in environmental provisions)

Net debt development

Decrease in pension obligations in Q2 due to higher discount rate



Net debt development (in € m)



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Decrease of unfunded pension obligations in Q2 by about €1.4 bn due to higher discount rate (from 1.75% to 2.75%)
- Total leverage remains comfortably below targeted ceiling of 2.5x

	2012	2013	2014	Q1 2015	Q2 2015	
	3.78	3.84	2.65			Evonik Group global discount rate ²
	3.75	3.75	2.50	1.75	2.75	Evonik discount rate for Germany

¹ Total leverage defined as (net financial debt + unfunded pensions obligations) / adj. EBITDA LTM

² Calculated annually

Adj. income statement Q2 2015

in € million	Q2 2014	Q2 2015	Δ in %
Sales	3,247	3,519	+8
Adj. EBITDA	471	661	+40
Depreciation & amortization	-150	-175	
Adj. EBIT	321	486	+51
Adj. net financial result	-63	-49	
D&A on intangible assets	17	10	
Adj. income before income taxes	275	447	+63
Adj. income tax	-92	-139	
Adj. income after taxes	183	308	+68
Adj. non-controlling interests	-2	-1	
Adj. net income	181	307	+70
Adj. earnings per share	0.39	0.66	
Adjustments	-72	122	

D&A

- Increase due to new production facilities coming on stream

Adj. net financial result

- Improvement due to favorable bond refinancing

Adj. tax rate

- Q2 adj. tax rate of 31.1%
- H1 (29.3%) in line with full year indication of 29%

Adjustments

- Mainly income of €143 m from sale of remaining 10.3% stake in Vivawest (Real Estate)

Cash flow statement Q2 2015

in € million (continuing operations)	Q2 2014	Q2 2015
Income before financial result and income taxes	249	608
Depreciation and amortization	173	177
Δ Net working capital	-51	-72
Change in other provisions	-222	-179
Change in miscellaneous assets/liabilities	-42	-41
Outflows from income taxes	-93	-142
Others	-33	-184 ¹
Cash flow from operating activities	-19	167
Cash flow from investing activities, thereof:	-302	470
Cash outflows for investment in intangible assets, pp&e and shareholdings	-266	-217
Cash inflows/outflows relating to securities, deposits and loans	2	272
Cash inflows/outflows from divestment of shareholdings	-38	420
Cash flow from financing activities	-433	-469

CF from operating activities

- Slight build-up in NWC result of higher volumes and sales

CF from investing activities

- Capex below prior year level as large projects were finished in 2014
- Cash inflows from divestments: €428 m from sale of remaining Vivawest stake

CF from financing activities

- Includes dividend payment of €466 m in both years

¹ Gains from sale of Vivawest (€143 m) reclassified to cashflow from divestments of shareholdings

Segment overview by quarter

Sales (in € m)	Q2/14	Q3/14	Q4/14	FY 2014	Q1/15	Q2/15
Nutrition & Care	983	1,016	1,114	4,075	1,229	1,248
Resource Efficiency	1,043	1,027	971	4,040	1,124	1,110
Performance Materials	979	966	883	3,827	851	938
Services	223	217	235	906	207	211
Corporate / Others	19	17	23	69	14	12
Evonik Group	3,247	3,243	3,226	12,917	3,425	3,519

Adj. EBITDA (in € m)	Q2/14	Q3/14	Q4/14	FY 2014	Q1/15	Q2/15
Nutrition & Care	186	206	269	847	353	381
Resource Efficiency	226	214	175	836	244	254
Performance Materials	83	90	72	325	72	82
Services	45	47	16	151	46	31
Corporate / Others	-69	-57	-86	-277	-65	-87
Evonik Group	471	500	446	1,882	650	661

Specialty Chemicals segments

Segments	Nutrition & Care 		Resource Efficiency 		Performance Materials 	
	KPI's		KPI's		KPI's	
	Sales: €4,075 m Adj. EBITDA: €847 m Adj. EBITDA margin: 20.8%		Sales: €4,040 m Adj. EBITDA: €836 m Adj. EBITDA margin: 20.7%		Sales: €3,827 m Adj. EBITDA: €325 m Adj. EBITDA margin: 8.5%	
Business Lines	Animal Nutrition (~35%)	Health Care (~10%)	Silica (~25%)	Coating & Adhesive Resins (~10%)	Performance Intermediates (~45%)	Agrochemicals (~5%)
	Baby Care (~25%)	Comfort & Insulation (~5%)	Oil Additives (~15%)	Silanes (~10%)	Acrylic Monomers (~20%)	Functional Solutions (~5%)
	Personal Care (~10%)	Interface & Performance (~5%)	Crosslinkers (~10%)	Coating Additives (~5%)	Acrylic Polymers (~20%)	CyPlus Technologies (~5%)
	Household Care (~10%)		Active Oxygens (~10%)	Catalysts (~5%)		
			High Performance Polymers (~10%)			

Upcoming IR events

Roadshows

- 5 August, 2015: Frankfurt / Main
- 6 & 7 August, 2015: London
- 10 August, 2015: Zurich
- 10 September, 2015: Milan

Conference participations

- 8 September, 2015: Commerzbank Sector Conference Week, Frankfurt / Main
- 17 & 18 September, 2015: UBS Best of Germany Conference, New York
- 24 September, 2015: Baader Investment Conference, Munich

Next reporting dates

- 4 August 2015: Q2 2015 reporting
- 4 November, 2015: Q3 2015 reporting
- 3 March, 2016: Q4 2015 reporting



**Please find an updated schedule
on our IR website
("Events & Presentations")**

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