

Evonik

Power to create.

Q1 2018
Earnings Conference Call

8 May 2018

Ute Wolf, Chief Financial Officer

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1. Financial performance Q1 2018

2. Outlook FY 2018

Our agenda for 2018 – Driving the change

Steady progress on strategy execution



1 Strategy execution

- Divestment of Methacrylates business
- Strengthening “Smart Materials” via PA12 investment
- €200 m cost savings in SG&A
- Optimized strategic positioning for Animal Nutrition
- Driving an open and performance-oriented culture

2 Earnings growth

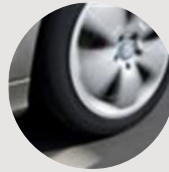
- Adj. EBITDA with €679 m well above prior year
- Earnings growth in all operative segments for the first time since Q3 2015

Well positioned in four strategic growth engines

Growth engines address current market needs and secure future growth

Smart Materials

“Optimized performance with engineered materials”



- High-performance materials like PA12 enable **additive manufacturing (3D printing)** series production
- Increasing demand for innovative products e.g. **green tires** for large SUV as well as high-mileage all-season tires

Animal Nutrition

“Sustainable nutrition – today and tomorrow”



- High demand for **sustainable sources** for fatty acids **in aquaculture**
- Innovative solutions for **antibiotic-free animal nutrition**

Specialty Additives

“Small volume, big impact”



- Substitution of solvent based coatings via **waterborne low VOC coating** formulations
- PU-additives as solution for **energy efficient private housebuilding and construction**

Health & Care

“Powerful ingredients for a better life”



- Market shift to high-growth **non-traditional preservatives** in cosmetic formulations
- **Biomaterials for orthopedic devices** and **targeted drug delivery** solutions (e.g. cancer therapy, addiction prevention)

Highlights Q1 2018

Good start into the year, strong earnings and margin growth, higher FCF

Volume growth

+1%

Good volumes in Nutrition & Care (+4%), Performance Materials stable at high utilization, lower volumes in Resource Efficiency due to plant shutdowns (-2%)

Adj. EBITDA and margin

€679 m (+14%¹)

18.5% (+2.1pp¹)

Strong earnings and margin improvement despite headwinds from FX and raw materials

Free cash flow

€84 m

FCF above prior year (Q1 17: €57 m); capex discipline supports FCF

Outlook confirmed

€2.4-2.6 bn

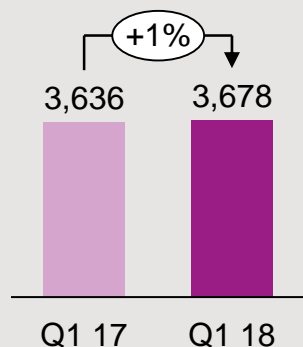
Good start into the year, fully confirming FY outlook, despite more adverse FX assumption for 2018

1. Compared to Q1 17 | 2017 financials restated for IFRS 15

Financial highlights Q1 2018

Good quarterly performance reflected in all KPI's

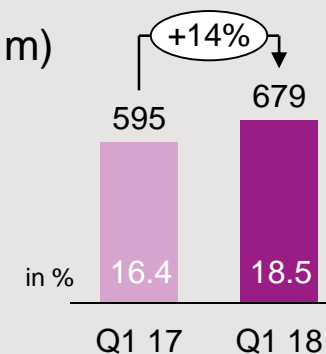
Sales
(in € m)



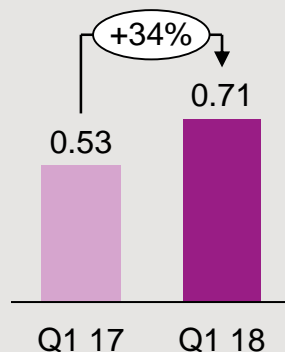
Q1 18 vs. Q1 17

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

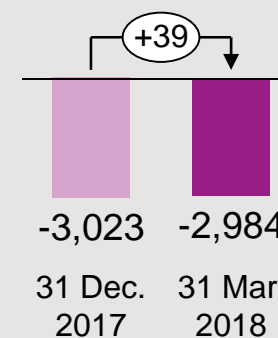
Adj. EBITDA (in € m)
/ margin (in %)



Adj. EPS
(in €)



Net financial
position
(in € m)



1. Portfolio effects and others | 2017 financials restated for IFRS 15

Earnings development Q1 2018

Earnings and margin expansion in all segments despite material headwinds



- Significant **FX headwind** in all segments
- Higher **raw material prices**



- **Healthy underlying trends** in most **businesses**
- **Synergy realization** from Air Products and Huber
- First effects from **cost savings** support earnings

Resource Efficiency (yoy)¹

Adj. EBITDA	+9%
Margin	+140 bps

Nutrition & Care (yoy)¹

Adj. EBITDA	+12%
Margin	+200 bps

Performance Materials (yoy)¹

Adj. EBITDA	+14%
Margin	+160 bps

1. Adj. EBITDA and adj. EBITDA margin Q1 18 vs. Q1 17 | 2017 financials restated for IFRS 15

Free Cash Flow Q1 2018

Free cash flow above prior-year level

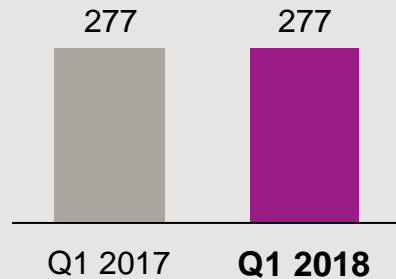
Operating Cash Flow (cont. op. in € m)



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

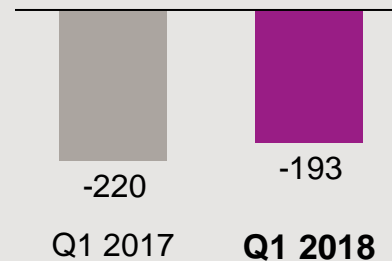


Free Cash Flow (cont. op. in € m)²

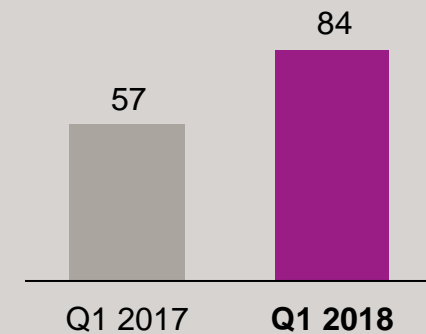


- Stable operating cash flow achieved despite:
 - higher cash-out for NWC (€164 m yoy)
 - partial cash-out for bonuses (€40 m) already in Q1 – usually fully paid in Q2

- Lower capex spending despite investment in new Methionine plant



(before dividends and divestments)

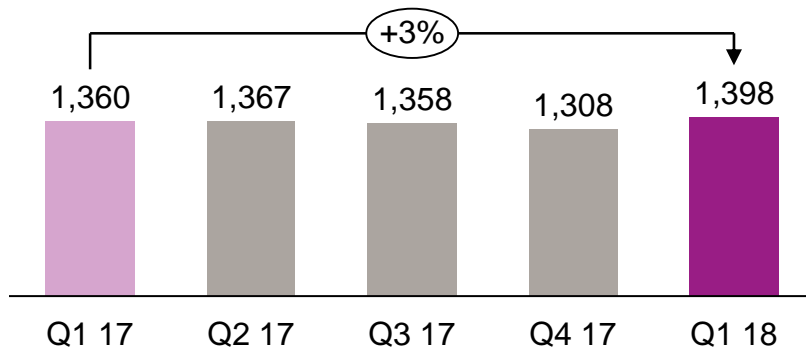


1. Cash outflow for investments in intangible assets and PP&E | 2. Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.) | 2017 financials restated for IFRS 15

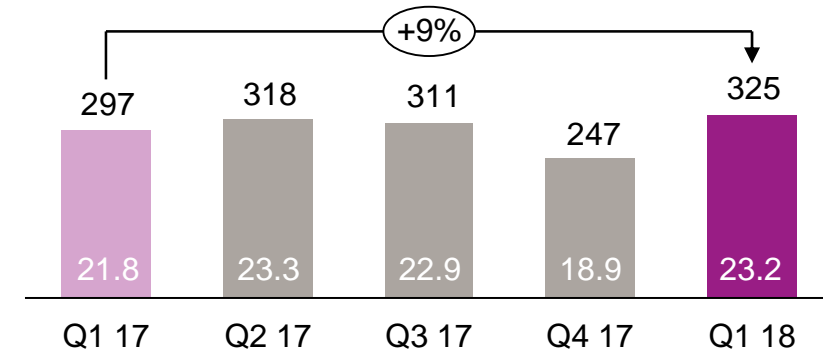
Resource Efficiency

Business strength proven by sustained high margin level

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q1 18 vs. Q1 17	Volume	Price	FX	Other
	-2%	+4%	-4%	+5% ¹
	↘	↗	↘	↗



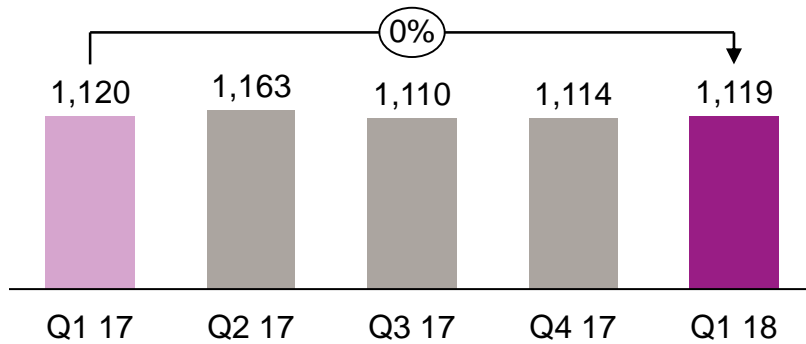
- Successful management of raw material prices and Huber contribution more than offset lower volumes and FX
- Negative volumes explained by shutdowns in Active Oxygens and Coating & Adhesive Resins businesses
- Ongoing strong demand and high utilization for Silica and High Performance Polymers (PA12)
- Strong performance of Coating Additives, driven by high demand for low VOC coatings
- For Q2, sequential earnings growth on segment level expected

1. Mix of portfolio effects and others | 2017 financials restated for IFRS 15

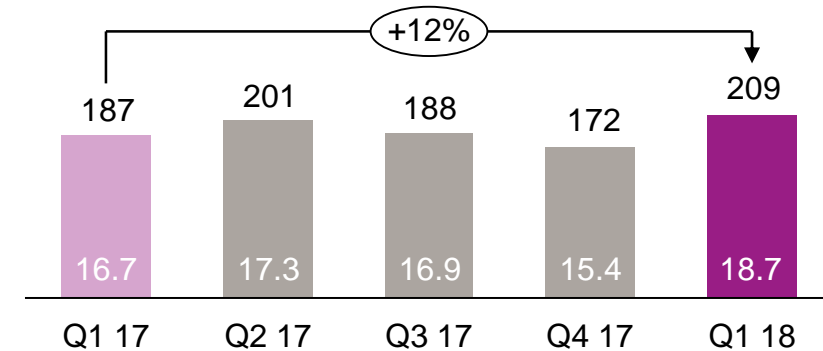
Nutrition & Care

Healthy organic growth leading to higher earnings and margin expansion

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q1 18 vs. Q1 17	Volume	Price	FX	Other
	+4%	+3%	-8%	+1%
	↗	↗	↘	↗



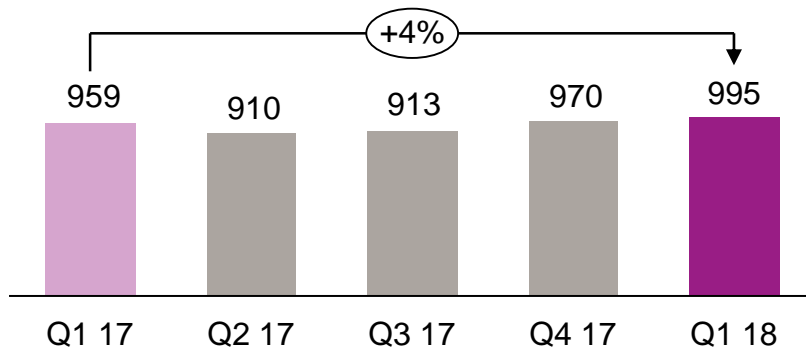
- Overall, good operational development in underlying businesses
- Higher volumes and prices counterbalancing tangible FX effect
- Personal Care driven by specialties and strong Dr. Straetmans business
- Health Care with continued good performance, especially in Pharma Polymers
- Methionine with yoy higher volumes, pickup especially after Chinese New Year; price stable in local currency
- Sequentially stable earnings expected on segment level for Q2

2017 financials restated for IFRS 15

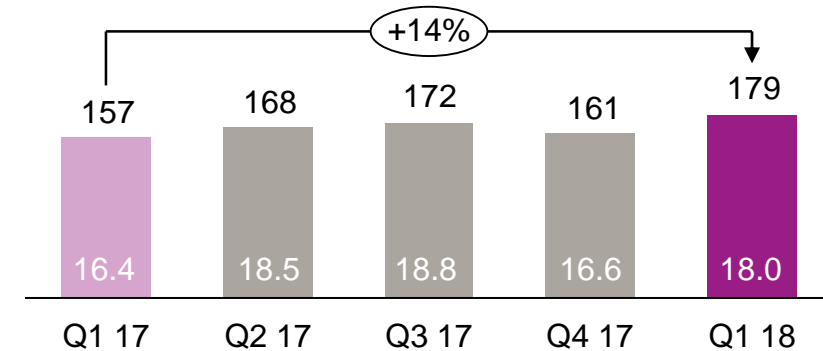
Performance Materials

Another strong quarter driven by Methacrylates

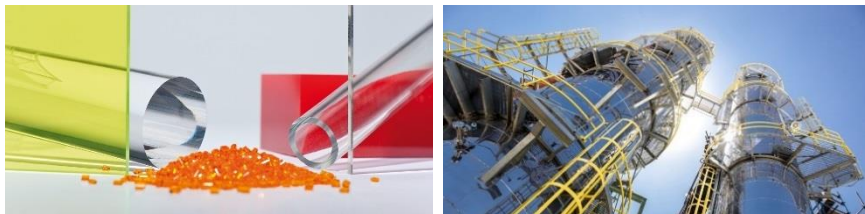
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



	Volume	Price	FX	Other
Q1 18 vs. Q1 17	+/-0% →	+8% ↗	-4% ↘	+/-0% →



- Negative FX effect (mainly in MMA/PMMA business) more than offset by higher prices
- MMA/PMMA margins in Q1 continue on attractive levels, in some regions and products even with a sequential uptick. Volumes on already good previous year level.
- C4 business with a softer start into the year. MTBE and Butadiene with good volumes, but lower margins
- Another strong quarter for the segment expected for Q2: C4 business with sequential improvement, tight markets in MMA to persist

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Outlook 2018

Committed to higher sales and earnings growth

Outlook FY 2018		
Sales	Slightly higher sales	2017: €14.4 bn
Adj. EBITDA	€2.4 – 2.6 bn	2017: €2,357 m
FX assumption	1.26 EUR/USD (from 1.20 at Q4 17 reporting)	



▶ **Outlook fully confirmed**, despite **more negative FX assumption**

▶ **Adj. EBITDA for Q2** expected on **good Q1 level**



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Save the date

Capital Markets Day

Essen

13/14 September 2018

**Details and
invitation
to follow
shortly**

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 1st 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 **Changed to 1.26 EUR/USD** (previously: 1.20; 2017: 1.13 EUR/USD)
- EUR/USD sensitivity¹ +/-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 **Changed to €840 m** (previously: ~€890 m; 2017: €870 m)
- Adj. net financial result² **~-€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.

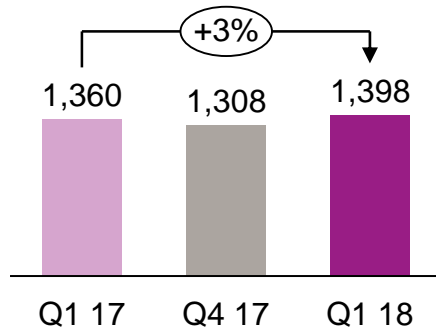
Performance Materials

- 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.

Resource Efficiency

Q1 2018 Business Line comments

Sales (in € m)



Coating Additives: Strong start into 2018, earnings driven by good volume development especially of low VOC coatings.



Crosslinkers: Positive volume development driven by high demand for IPDI products and IPD chain business, especially in Europe.

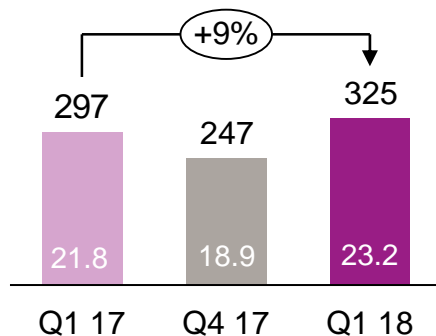


High Performance Polymers: Continued high market demand for PA12 compounds and powders. Capacities running at high utilization rates.



Silica: Business benefitted from good demand from tire industry especially in EMEA and North America. In addition, positive earnings contribution from Huber Silica.

Adj. EBITDA (in € m) / margin (in %)

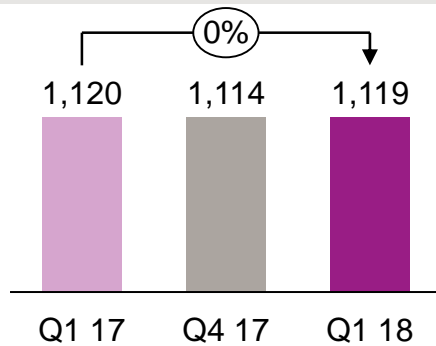


2017 financials restated for IFRS 15

Nutrition & Care

Q1 2018 Business Line comments

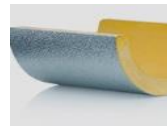
Sales (in € m)



Personal Care: Good development in Q1 with strong performance in Specialty Products and Active Ingredients. Strong earnings contribution from acquired Dr. Straetmans business.



Health Care: Overall positive start into the year; continued good plant utilization, strong contribution from in Pharma Polymers



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

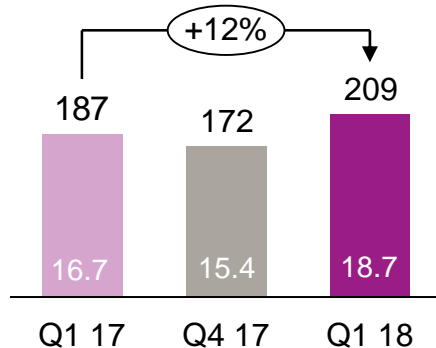


Baby Care: Unfavorable global supply/demand situation persisting, improved cost position due to termination of Acrylic Acid JV.



Animal Nutrition: Methionine with strong volume pickup after Chinese New Year; price in-line with FY assumption.

Adj. EBITDA (in € m) / margin (in %)

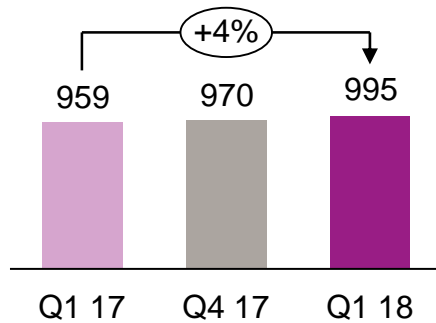


2017 financials restated for IFRS 15

Performance Materials

Q1 2018 Business Line comments

Sales (in € m)

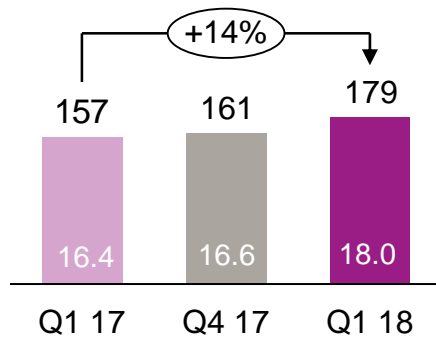


MMA: No changes in market environment – persistent tight supply meets good demand from Auto, Coatings and Construction as well as from downstream molding compounds (PMMA). Margin in Q2 expected to remain on healthy level.



PMMA: New applications in automotive sector leading to above industry growth rates. Underlying business in construction, automotive and medical business with ongoing healthy demand. Overall good product mix with high share of specialty products.

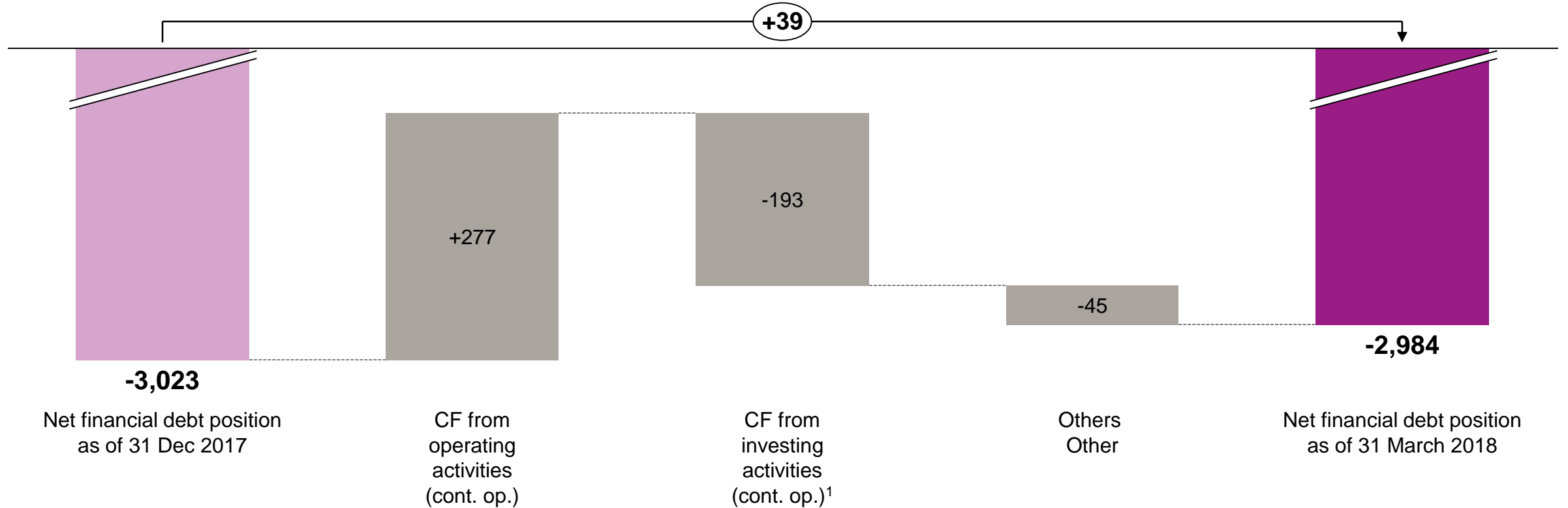
Adj. EBITDA (in € m) / margin (in %)



Performance Intermediates: European MTBE market facing continuous higher demand as switch to summer fuel specification took place. Volumes slightly softer in DINP and INA. Butadiene margin with a slight sequential increase but notably below very strong prior year.

Net financial position development Q1 2018

(in € m)

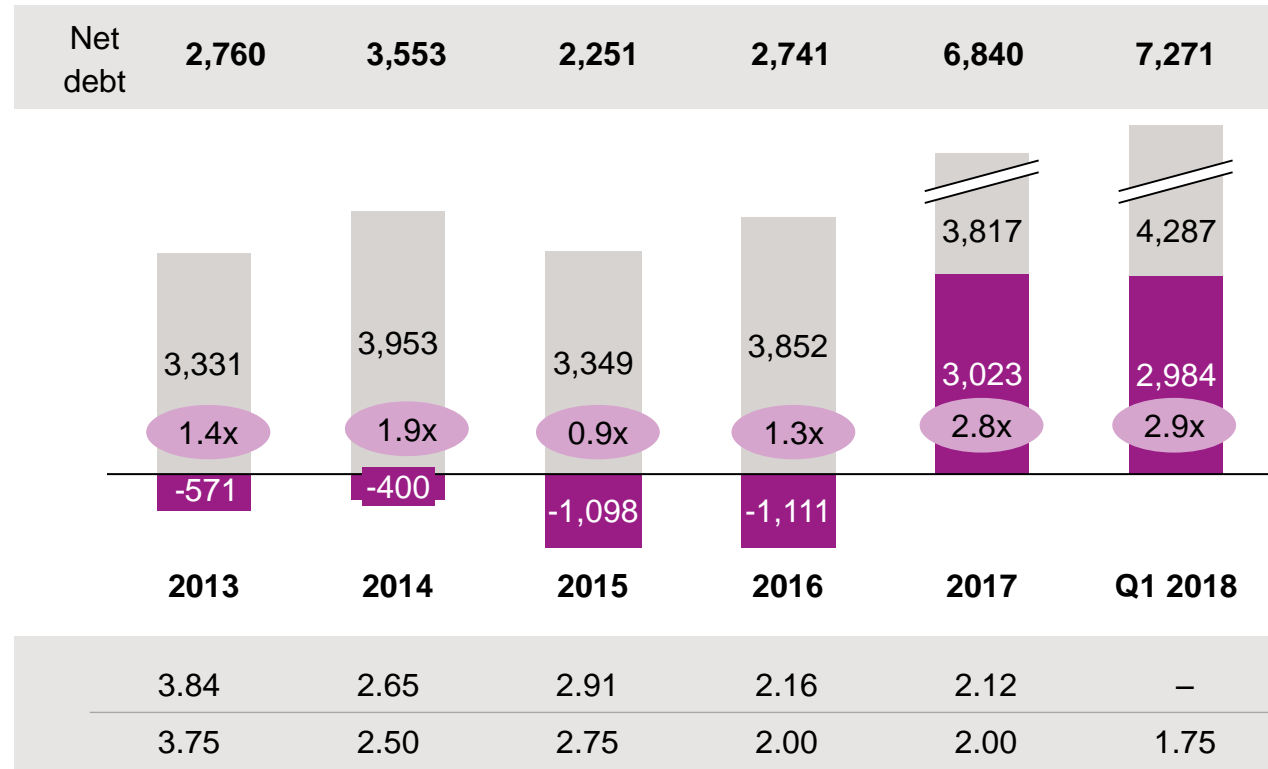


1. Cash outflow for investments in intangible assets and PP&E

Net debt development

(in € m)

■ Net financial debt ■ Pension provisions ● Total leverage¹



- Net financial debt slightly reduced vs. FY 2017
- Increase of net financial debt in 2017 mainly driven by acquisition-related purchase price payments (in particular APD and Huber Silica)
- Reference-date related change in discount rate for Germany (from 2.00% to 1.75 % as per March 31, 2018) resulting in an increase in pension provisions of approximately €450 m
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.2 bn
- More than half of total net debt consists of long-dated pension obligations; average life of DBO exceeds 15 years

Evonik Group global discount rate (in %)²

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 Q1 2018

in € m	Q1 2017	Q1 2018	Δ in %
Sales	3,636	3,678	+1
Adj. EBITDA	595	679	+14
Depreciation & amortization	-207	-199	
Adj. EBIT	388	480	+24
Adj. net financial result	-53	-50	
D&A on intangible assets	30	33	
Adj. income before income taxes	365	463	+27
Adj. income tax	-113	-127	
Adj. income after taxes	252	336	+33
Adj. non-controlling interests	4	3	
Adj. net income	248	333	+34
Adj. earnings per share	0.53	0.71	+34
Adjustments	-113	-25	

Adj. net financial result:

- Unchanged on previous year level, Q1 17 with minor hedging fees for Huber Silica acquisition

Adj. income tax:

- Q1 18 adj. tax rate of 27 % below FY 18 guidance of ~29%, mainly due to benefits from tax incomes related to prior periods

Adjustments:

- Adjustments of -€25 m, thereof -€19 m mainly in connection with the closure of the amino acid production in Hungary (bio amino acids)

2017 financials restated for IFRS 15

Cash flow statement Q1 2018

in € m	Q1 2017	Q1 2018
Income before financial result and income taxes	275	455
Depreciation and amortization	206	201
Δ Net working capital	-123	-287
Change in other provisions	109	28
Change in miscellaneous assets/liabilities	10	34
Outflows from income taxes	-118	-67
Others	-82	-87
Cash flow from operating activities	277	277
Cash inflows/outflows for investment in intangible assets, pp&e	-220	-193
Cash inflows/outflows from investments/divestments of shareholdings	-3,535	-14
Cash inflows/outflows relating to securities, deposits and loans	20	-8
Cash flow from investing activities	-3,735	-215
Cash flow from financing activities	107	68

CF from operating activities

- On prior year level despite
 - higher cash-outflow in NWC (€164 m yoy, partly due to inventory build-up as preparations for shutdowns in Q2 18)
 - partial cash-out for bonuses (€40 m) already in Q1 18 – usually fully paid in Q2 18

CF from investing activities

- Q1 17 with cash outflow for Air Products acquisition

CF from financing activities

- Below prior year, Q1 17 included cash inflow from foreign currency hedging transactions in connection with Air Products purchase price

Segment overview by quarter

Sales (in € m)	Q4/16	FY 2016	Q1/17	Q2/17	Q3/17	Q4/17	FY 2017	Q1/18
Nutrition & Care	1,093	4,316	1,120	1,163	1,110	1,114	4,507	1,119
Resource Efficiency	1,081	4,473	1,360	1,367	1,358	1,308	5,393	1,398
Performance Materials	846	3,245	959	910	913	970	3,751	995
Services	180	683	193	174	172	178	717	163
Corporate / Others	5	15	4	4	3	3	15	3
Evonik Group	3,205	12,732	3,636	3,618	3,556	3,573	14,383	3,678

Adj. EBITDA (in € m)	Q4/16	FY 2016	Q1/17	Q2/17	Q3/17	Q4/17	FY 2017	Q1/18
Nutrition & Care	209	1,006	187	201	188	172	747	209
Resource Efficiency	189	977	297	318	311	247	1,173	325
Performance Materials	98	371	157	168	172	161	658	179
Services	32	151	43	38	49	3	133	49
Corporate / Others	-92	-340	-89	-85	-80	-100	-354	-83
Evonik Group	437	2,165	595	640	640	483	2,357	679

2017 financials restated for IFRS 15

Upcoming IR events

Conferences & Roadshows

9 May	Roadshow, Frankfurt
16 May	Roadshow, London
16-17 May	Roadshow, Milan/Lugano
28 May	Roadshow, Paris
5 June	mBank Conference, Warsaw
6-7 June	Deutsche Bank Conference, Berlin
13 June	Exane European CEO Conference, Paris
21 June	Citi Chemicals Conference, London
22 June	Roadshow, Zurich

Upcoming Events & Reporting Dates

23 May	AGM
2 August	Q2 2018 reporting
13/14 September	Capital Markets Day
6 November	Q3 2018 reporting

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