Evonik. Power to create.

Morgan Stanley Investor Visit

Dr. Ulrich Küsthardt, Chief Innovation Officer
Dr. Hans Henning Wenk, Head of R&D Biobased Materials
Tim Lange, Head of Investor Relations

29 June, 2016
<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Speaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.00 – 9.15</td>
<td>Arrival and registration</td>
<td></td>
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<tr>
<td>9.15 – 9.45</td>
<td>R&amp;D @ Evonik: How we strengthen our innovative power</td>
<td>Dr. Ulrich Küsthardt&lt;br&gt;Chief Innovation Officer</td>
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<td>Q&amp;A session</td>
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<td>9.45 – 10.10</td>
<td>Biosurfactants: How nature inspires us to make cleaning and care more sustainable</td>
<td>Dr. Hans Henning Wenk&lt;br&gt;Head of R&amp;D Biobased Materials</td>
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<td>Q&amp;A session</td>
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<td>10.10 – 10.45</td>
<td>Acquisition of APD PM: Creating a global leader in Specialty &amp; Coating Additives</td>
<td>Tim Lange&lt;br&gt;Head of Investor Relations</td>
</tr>
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<td></td>
<td>Q&amp;A session</td>
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</tbody>
</table>
How we strengthen our innovative power

Dr. Ulrich Küsthardt, Chief Innovation Officer
21. Juni 2016, Essen
Innovation KPIs:
What do we invest, what are the returns (KPIs)

Innovation excellence:
How do we achieve it (processes, best practices)

Innovation reputation:
How are we perceived (opinion survey)
Innovation KPIs at a glance

57% patent-driven sales

3.2% R&D rate

€500 m increase in value of innovation pipeline

€434 m R&D expenditure

2,700 employees

10% sales from new products and applications

1) Younger than 5 years
Innovation KPIs: Our goals

- **R&D rate**: Continue to exceed 3 percent mark in the medium term
- **R&D expenditure**: €4 billion in the next ten years (from 2015)
- **Innovation pipeline**: Continuous increase in value
- **Evonik growth fields**: €1 billion additional turnover by 2025
- **Products/applications younger than five years**: 16 percent share of overall sales (medium term)
Innovation excellence: Our roadmap

Innovation excellence
- Strategy
- Organization and culture
- Processes

Examples of activities
- Definition of innovation goals
- Definition of Evonik growth fields
- Definition of strategic target portfolio
- Strategic research (Creavis)
- Project houses
- Innovation and Entrepreneurship Award
- Culture initiatives for error and learning culture
- Corporate Foresight
- Ideation Jams
- I2P Process
- Active portfolio management
- IP management

Source: A.T. Kearney
Innovation excellence:
Evonik growth field example

Megatrends
- Health & Nutrition
- Resource Efficiency
- Globalization

Evonik Growth Fields
- Sustainable Nutrition
- Advanced Food Ingredients
- Healthcare Solutions
- Cosmetic Solutions
- Membranes
- Smart Materials

Evonik Technology Competence Fields
- Polymer Design
- Inorganic Particle Design
- Interfacial Technologies
- Coating & Bonding Technologies
- Catalytic Processes
- Biotechnology

Additional contribution to sales of more than €1 billion by 2025
| **Sustainable Nutrition** | **Main trends and drivers:**  
| | • Resource consumption/ emissions  
| | • Food chain safety and quality  
| | • Animal wellbeing |

| **Healthcare Solutions** | **Main trends and drivers:**  
| | • Drug delivery for biopharmaceuticals  
| | • Personalized therapies and improved patient compliance  
| | • Drug eluting medical devices |

| **Advanced Food Ingredients** | **Main trends and drivers:**  
| | • Delivery systems for food ingredients  
| | • Modern life style |

| **Cosmetic Solutions** | **Main trends and drivers:**  
| | • Smart delivery systems  
| | • Natural extracts  
| | • Sustainability |

| **Membranes** | **Main trends and drivers:**  
| | • Energy-efficient gas and liquid separation  
| | • Compact and cost efficient membrane systems |

| **Smart Materials** | **Main trends and drivers:**  
| | • Functional materials for the digital world (special polymers, system solutions)  
| | • Thermal insulation systems  
| | • Resource efficient solutions |
Innovation excellence: Project house example

The setting
- Wide-ranging expertise (internal/external)
- One location, one innovation topic
- 50:50 financing between segments and Creavis
- 3-year period

The aims
- Close collaboration with partners along the value chain
- Promote the internationalization of research and development
- Develop new competencies
Medical devices – increasing therapeutic needs of aging population

Therapeutic needs:
- Product lifetime corresponds to required function
- Physiological properties
- Patient-specific solutions
- Avoiding further surgery

Today: reparative medicine:
- Treatment of symptoms
- Permanent medical devices

Vision: regenerative medicine:
- Replace, produce, or regenerate cells, tissues, and organs
- Restore normal bodily functions
**Application: coronary heart disease**

<table>
<thead>
<tr>
<th>Need</th>
<th>Problem</th>
<th>Goals</th>
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</table>
| • Over two million stents are used throughout the world each year for the treatment of coronary heart disease - most of these are made of metal | • Five percent of patients experience a thrombosis or restenosis within 5 years of receiving a metal stent  
• Treating the patient again with another stent is not an option because the old metal stent is still in place  
• Roughly 4 percent of biodegradable stents rupture when inserted | • Improved material flow properties without sacrificing mechanical stability  
• System solution using different biodegradable polymers and specific additives |
Evolution of stent technology

Normal metal stent

Risk of complications:
Renewed vascular occlusion

Metal stent that releases an active agent

A coating based on RESOMER® that releases an active agent aimed at reducing the risk of restenosis

Biodegradable stent

Stent made of RESOMER® that breaks down after 6 to 12 months

Risk of complications:
Available materials are very brittle and can lead to the development of thrombosis

Need:
Materials for improved biodegradable stents
Innovation excellence:
Patent quality example

Evonik Peer group Arkema, BASF, Clariant, DSM, DuPont, Lanxess, Solvay

Source: PatentSight, April 15, 2016
Key strategic objectives

Focus the innovation portfolio
- Fewer but therefore larger projects
- Larger share of mid-to long-term projects
- Collaborations along the value chain

Strengthen the innovation culture
- Ideation Jams
- Entrepreneurship competition
- Culture initiatives for the learning culture
- Open Innovation

Measure success
- Increase the innovation pipeline by €0.5 billion

Vision
- Evonik is one of the most innovative companies in the world
How nature inspires us to make cleaning and care more sustainable

Dr. Hans Henning Wenk
• Oils and fats do not mix with water
• Surfactants enable water and oil to mix:
  • “hydrophilic” head – mixes with water
  • “hydrophobic” tail – mixes with oil
• Surfactants enable grease stains to be removed using water
Surfactants in personal care and cleaning products

The most important ingredient, for example, in

- shower gels
- liquid soaps
- shampoos
- dishwashing detergents
- laundry detergents
- household cleaners

A world without surfactants:
The next generation of surfactants – Example: mildness

The most familiar surfactant:

- Not very mild to skin (pH)
- Low performance
- Sensitive to water hardness

Performance and mildness are still a compromise
The next generation of surfactants – Example: foam

- Foam is a signal for cleansing and care for the consumer
- Completely bio-based surfactants so far have insufficient foam properties
- Achieving stable foam with hard water has proved especially difficult

| Volume and texture | Foam stability | Foam structure |
The next generation of surfactants – Raw materials

Future challenges
- Increase flexibility of the raw material base
- 100% Renewable Carbon Index (RCI)
Many microorganisms produce surfactants
Natural purpose e.g. solubilization of oils as nutrients
Principle already used to clean oil-contaminated beaches
Surfactants from renewable raw materials

The carbon cycle

1. Sugars
2. Fermentation
3. Biosurfactant
4. Consumer product
5. Biodegradation

CO₂
Industrial production of biosurfactants

1. Starch from plants is processed into simple sugars

2. Special microorganisms are grown in a fermenter and fed with sugar

3. Microorganisms convert sugar into biosurfactants

4. Separation of cells and by-products with a special purification process

5. Storage, filling and transport
Challenges for industrial manufacture

1. Sugars, nutrients
   - Sugars
   - By-product
   - Biosurfactant

2. Foam control

3. Product processing
   - By-product
   - Biosurfactant
A classic chicken and egg problem calls for the courage to innovate

- Development of a robust biosurfactant producer
- Development of a scalable process
- Manufacture of large sample quantities
- Formulation development and product testing
- Initial scale-up on a larger scale

No material for tests
No process development
High manufacturing costs
No investments in “economy of scale”

> 5 years
> 20 experts
Production of first products on an industrial scale*

* further products in development
A strong innovation network

- Biotechnology
  - Marl
- Bioprocess development
  - Künsebeck
- Surfactant technology, application technology
  - Essen
- Process technology, application technology
  - Hanau
- Industrial bioprocesses
  - Slovenská Ľupča
- Biotechnology
  - Shanghai
Biosurfactants – Sustainable growth through innovation

- Differentiated performance + environmental and skin compatibility
- Successful development based on core competences in surfactant technology and industrial bioprocesses
- Focus on attractive markets in personal and home care
- The first product has already been introduced successfully
- Expansion of leading position through continued projects
Creating a global leader in Specialty & Coating Additives

Acquisition of Air Products Performance Materials

Tim Lange
APD Performance Materials provides an excellent fit with Evonik

| Leadership position | • Creating a global leader in Specialty & Coating Additives  
|                     | • Leading market positions in performance-critical additives |
| Specialty product portfolio | • Strengthening of growth segments Nutrition & Care and Resource Efficiency  
|                      | • Excellent fit of all acquired businesses with Evonik’s growth segments |
| Customer and innovation focus | • Combining complementary chemistry, manufacturing processes and formulation know-how  
|                      | • Customer- and solution-oriented businesses with complementary innovation pipeline |
| Truly global footprint | • Expanding global footprint  
|                      | • Strengthening presence in North America and Asia |
| Enhanced financial performance | • High margin and resilient business with low capital intensity and strong cash generation  
|                      | • High synergy potential due to exceptional business and regional complementarity |

1 APD Performance Materials is the Specialty & Coating Additives business of Air Products’ Materials Technologies Segment
### Transaction overview

**Structure**
- 100% acquisition of the Specialty & Coating Additives business of Air Products for cash
- Cash and debt free
- Acquisition is structured as a mix of assets and shares

**Financial impact**
- Sustainable synergy level of ~$80 m p.a.
- Asset step-up and accordingly higher D&A leading to ~$520 m NPV of tax benefits
- EPS accretive in the first full year

**Transaction value**
- Acquisition price of $3.8 bn representing 9.9x Enterprise Value / 2016E\(^1\) EBITDA multiple including tax benefits and sustainable synergies
- Excluding tax benefits and sustainable synergies: 15.2x EV / 2016\(^1\) EBITDA multiple

**Financing**
- Financing secured with half cash and half committed credit facility
- Rating upgrade from Moody’s and rating confirmation from Standard and Poor’s

**Timing**
- Approved by Air Products’ Board of Directors and Evonik’s Supervisory Board
- Aiming for closing by the end of 2016, subject to regulatory approvals

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\(^1\) 2016E FY EBITDA of $250 m
APD Performance Materials
A leader in Specialty & Coating Additives

- Global leadership positions in all three divisions
- Performance-critical, highly specialised solutions
- Represent only small portion of total end product costs
- Strong innovation power for unique technologies
- In-depth knowledge of customer-specific requirements
- Diverse customer base and end-market exposure
- Best-in-class production and supply network
- Strong presence in North America and Asia
- Global customer service and R&D network
- High and resilient margin profile
- Low capital intensity and high cash generation

Note: APD Performance Materials’ fiscal year 2015 is September year-end

1 Sales from products introduced within the last 5 years historically in 15-20% range
2 Includes Pasadena (Texas, USA) site currently under construction
Combining complementary companies in the specialty additives market

<table>
<thead>
<tr>
<th>Evonik</th>
<th>Target industries</th>
<th>APD Performance Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>• PU foam stabilizers</td>
<td>High value additives for PU foam</td>
<td>• PU foam catalysts</td>
</tr>
</tbody>
</table>
| • Isophorone-based crosslinkers  
• Coating additives and adhesives resins | Additives/Ingredients for Coatings & Adhesives | • Amine-based crosslinkers  
• Epoxy curing agents  
• Specialty wetting agents |
| • Specialty surfactants for care and industrial applications | Specialty surfactants for Industrial & Institutional Cleaning | • Amine-based specialty surfactants |

~€2.5 bn  
2015 Sales in Specialty and Coating Additives  
~€1 bn¹

Creation of a global leader in Specialty and Coating Additives with ~€3.5 bn in sales

¹ APD Performance Materials’ sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015
Global leading portfolio of PU foam additives

Benefits of combination to customers

- Full range of differentiating additives for polyurethane (PU) foams
- Preferred solution partner for customers
  - Closer proximity and strengthened presence in all regions
- Multiple key technology platforms from a single source
- Extensive applications know-how
  - Increased innovation capabilities for future generation of superior PU foams
APD Performance Materials offers unique products and access to new markets

**Coatings end-markets**

- Decorative Coatings
- Inks
- Industrial Coatings
- Automotive Coatings

**Key value drivers**

- Global leader for formulations enabling environmentally-friendly / waterborne coatings
- Access to complementary APD Performance Materials’ wetting agent technology with
  - Market-leading position
  - New end markets (automotive)
  - Additional customers to create cross-selling opportunities
- Expanded toolkit and solutions expertise
- Truly global set-up
  - Leveraging APD Performance Materials’ position in North American coatings market

The unique APD Performance Materials product line complements Evonik’s existing coating additives portfolio

Evonik APD Performance Materials

Target Market: Additives/Ingredients for Coatings & Adhesives | Coating Additives
Strong fit in Evonik’s Growth Segments

Nutrition & Care
- Animal Nutrition
- Baby Care
- Health Care
- Personal Care
- Comfort & Insulation
- Household Care
- Interface & Performance

Resource Efficiency
- Silica
- Silanes
- Catalysts
- Active Oxygens
- High Performance Polymers
- Coating Additives
- Crosslinkers
- Coating & Adhesive Resins
- Oil Additives

Performance Materials
- Acrylic Polymers
- Acrylic Monomers
- Functional Solutions
- Agrochemicals & Polymer Additives
- CyPlus Technologies

Evonik business lines
- APD PM
- Polyurethane Additives
- Specialty Additives
- Curing Agents
Synergy potential and tax benefits leading to an attractive price

<table>
<thead>
<tr>
<th>Enterprise Value (in $ m)</th>
<th>EV / EBITDA 2016E</th>
<th>Adjusted EBITDA² (in $ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>~3,800</td>
<td>9.9x</td>
<td>~330</td>
</tr>
<tr>
<td>~520</td>
<td>incl. synergies</td>
<td>~80</td>
</tr>
<tr>
<td>~3,280</td>
<td>EV / EBITDA 2016E</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td>15.2x</td>
<td></td>
</tr>
<tr>
<td></td>
<td>excl. synergies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and tax benefits</td>
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</tbody>
</table>

1 By purchasing assets, tax benefits from higher D&A after asset step-up will reduce future cash tax burden

2 Adjusted EBITDA before restructuring charges and corporate allocations

EPS accretive from year one
Excellent strategic and operational fit leading to significant synergies

- Excellent strategic fit
- Complementary product portfolio
- Strong supply chains and manufacturing base

<table>
<thead>
<tr>
<th>Synergies</th>
<th>Overhead efficiencies</th>
<th>Production optimization</th>
<th>Procurement savings</th>
<th>Total annual synergies of ~$80 m¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected sustainable level</td>
<td>~$60 m</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue synergies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leveraging each other’s customer base</td>
<td></td>
<td></td>
<td></td>
<td>~$20 m</td>
</tr>
<tr>
<td>Broader product and application portfolio</td>
<td></td>
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</tbody>
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¹ Based on current assumptions and market conditions; ramp-up period of 3-4 years with cumulative implementation costs of ~$80 m
Key takeaways

- Creating a global leader in Specialty and Coating Additives
- Strengthening of growth businesses Nutrition & Care and Resource Efficiency
- Excellent fit with Evonik’s existing businesses
- Substantial synergy potential and tax benefits
- Fully aligned with M&A strategy
- Enhanced rating profile after announcement
Diese Markierung nach erfolgreicher Anwendung dieser Master löschen.
Financing secured with half cash and half committed credit facility consisting of bridge and term loans provided by bank consortium.

Final financing structure to consist of mix of cash, term loans and bonds.

Moody’s rating upgraded from Baa2 (positive outlook) to Baa1 (stable outlook). Standard and Poor’s rating confirmed at BBB+, outlook stable.
Exemplary purchase price allocation in asset deals

- **Asset book value**
- **Allocated purchase price to the assets**

**Excess purchase price**

- **Asset Value Step-Up**
  - Depreciation & Amortization over remaining useful life of the respective asset

- **Goodwill**
  - Amortized up to 15 years in tax accounts

**D&A reduces taxable income**

1 In countries where applicable
Financial overview
APD Performance Materials

Sales (in $ m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,017</td>
<td>1,123</td>
<td>1,078</td>
</tr>
</tbody>
</table>

Adj. Operating Income (in $ m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>176</td>
<td>197</td>
<td>214</td>
</tr>
</tbody>
</table>

Adj. EBITDA¹ (in $ m) / margin¹

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>203</td>
<td>224</td>
<td>242</td>
</tr>
<tr>
<td>Margin</td>
<td>19.9%</td>
<td>20.0%</td>
<td>22.4%</td>
</tr>
</tbody>
</table>

End market split

- Construction
- Automotive, Transportation & Machinery
- Coatings, Paint & Printing
- Home, Lifestyle, Personal Care
- Other

Note: APD Performance Materials' 2015 financials are September year-end
¹ Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income
Resilient and attractive margin profile with strong cash generation

**Adjusted EBITDA**

- **2013**
  - $203 million
  - 20% margin

- **2014**
  - $224 million
  - 20% margin

- **2015**
  - $242 million
  - 22% margin

CAGR: 9.2%

**Low capital intensity**

- **D&A as % of sales**
  - 2013: 2.7%
  - 2014: 2.4%
  - 2015: 2.6%

- **D&A in $ m**
  - 2013: $27 million
  - 2014: $27 million
  - 2015: $28 million

- Growing demand of specialty
- Earnings driven by innovation and unique technologies
- High and stable margins

Note: APD Performance Materials’ 2015 financials are September year-end

1 Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income
2 Depreciation & amortization
Target Market: High value additives for PU foam

Additives with small quantity, but decisive impact in PU foam formulation

Quantities being required to produce 1 m³ of flexible foam with a density of 24 kg/m³

- Polyol: 16.4 kg
- Isocyanate (TDI): 8.3 kg
- Water: 0.66 kg
- Surfactants/Stabilizers: 0.16 kg
- Catalysts: 0.066 kg

PU foam additives
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