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Evonik Industries AG

Evonik—Perspective change

Statement

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– The spoken version is authoritative –

Evonik—Welcome

Good morning ladies and gentlemen,

Along with my colleagues on the Executive Board, I would like to welcome you all most warmly to Evonik's third Annual Shareholders' Meeting as a listed company. I am delighted to report to you—our owners—how we successfully drove forward Evonik both strategically and operationally in 2015. We have also made a promising and dynamic start to the new year, both in implementing our growth strategy and in our operating business. The acquisition of the Specialty & Coating Additives business of the US company Air Products, which we announced at the start of this month, and the solid start to the year shown by our first quarter results make it clear that our strategy is paying off:

- we are continuing to extend our leading technology and market positions through close collaboration with our customers
- we are concentrating on attractive growth businesses and emerging markets, where Evonik can differentiate itself through its strengths
- we are continuously improving our cost position, and
- we are gaining access to new growth areas through innovations and selective acquisitions.

Last year we successfully reorganized our management and portfolio structure in record time, creating the organizational basis for the implementation of our strategy. The Executive Board now concentrates on Evonik's strategic development within a management holding structure. The three chemical segments—Nutrition & Care, Resource Efficiency, and Performance Materials—are run by newly established operational management companies. They have far greater entrepreneurial independence, so they can act faster and operate even closer to their markets and customers. That will also greatly facilitate integration of our most recent acquisition.

I will outline the core elements of our strategy in more detail later in my presentation. First, however, I would like to place the strategically important acquisition of Air Products' Specialty & Coating Additives business into context. Then I will look at our performance in 2015.

Creating a leading global supplier of specialty additives

By divesting our real estate and energy business, we decided at an early stage to realign Evonik as a focused specialty chemicals company. At the same time, our financial profile and stronger balance sheet created headroom for major external growth steps. In view of this, about two years ago I promised you that Evonik would play an active role in the consolidation of our sector.

Now we have delivered on that promise. Your patience and ours have paid off: Following careful examination of a number of transaction options, the acquisition of the Specialty & Coating Additives business of Air Products, which we announced nearly two weeks ago, will

make us a leading global supplier in this highly attractive market segment. In this way, we are strengthening our clear growth segments, Nutrition & Care and Resource Efficiency. The acquisition highlights our growth ambitions and strengthens our innovative capability. It also gives us a more balanced regional presence on the world's markets because the new businesses are especially successful in North America and Asia. The acquisition adds precisely the right markets, products and innovations to our portfolio, and drives forward our growth and profitability. The purchase price of US\$3.8 billion or around €3.5 billion is very attractive. Alongside the highly attractive financial profile of the business we are acquiring, this is due to positive tax effects of around US\$500 million and synergies of around US\$80 million a year. Our aim is to close the transaction this year, following approval by the antitrust authorities. The acquisition would then be clearly EPS accretive from next year.

Strategically, the acquisition is a significant milestone in our future global development. Together, our product portfolio and the products we are acquiring from Air Products and their strong market positions are highly complementary. Specialty and coating additives add critical and highly valuable properties to customers' products. The two businesses serve three particularly attractive, rapidly growing core markets: coating and adhesive additives, high-quality polyurethane foam additives, and specialty surfactants for industrial and institutional cleaning. They target the same end customers, but with different and complementary products. For instance, Evonik is a leader in polyurethane foam stabilizers, while the Specialty & Coating Additives business of Air Products is well positioned in catalysts for polyurethane foam. Both products are essential for the properties of the end products, which are used for thermal insulation and in the furniture and automotive industries. Demand for these products is rising strongly and the market for these additives will grow far more quickly than overall demand for chemical products.

Like us, Air Products' Specialty & Coating Additives business follows a solution-oriented business model driven by intensive interaction with customers in research and development, and outstanding technical service. The acquisition will allow us to significantly strengthen our innovation leadership.

Half of the outlay for the acquisition will be financed with our own funds, the other half with additional debt. Last week, the rating agencies Standard & Poor's and Moody's confirmed that Evonik will have a strong balance sheet even after the acquisition. Following the announcement of the acquisition, Moody's raised our credit rating from Baa2 to Baa1 with a stable outlook, confirming that this is the right step strategically and further diversifies the earnings risk profile of our portfolio as a whole.

2015—An excellent year in a challenging environment

And now, ladies and gentlemen, let us look back at 2015, which was an excellent year for us in many respects. The systematic alignment of our business portfolio to customer-oriented specialty chemicals, further selective expansion of our global production network, and investment in research and development have paid off for the company and for you as shareholders. When we met up here a year ago, the positive trend in adjusted EBITDA had already started. That trend continued through 2015, enabling us to raise our earnings guidance twice in succession. We clearly achieved our forecast thanks to a strong final quarter.

Nevertheless, we were also confronted with challenges, which are continuing and may even increase this year. Despite weaker global growth conditions, we increased volumes thanks to our timely focus on the right trends and products, which meant we were able to optimally serve our customers' needs. Although the overall environment was marked by deflationary trends, Group-wide we were able to hold the prices of our products stable. In light of the considerable reduction in raw material costs, this price stability was by no means a foregone conclusion. In fact, our growth segments, Nutrition & Care and Resource Efficiency, were able to raise selling prices overall because our tailor-made products generate clear added value for our customers. In the Performance Materials segment prices declined as a result of raw material prices. In all, the Evonik Group increased sales 5 percent to €13.5 billion in 2015.

Against the trend in the chemical industry, our most important earnings indicator, adjusted EBITDA, increased by a strong 31 percent to €2.47 billion. Our margin of 18.2 percent is excellent in the context of the European chemical industry. Adjusted net income improved 44 percent to €1.13 billion. Adjusted earnings per share also rose 44 percent to €2.42.

In addition, we were able to raise the return on capital employed (ROCE) considerably to 16.6 percent, up from 12.5 percent in the previous year. We therefore earned a very high premium on the cost of capital.

Having reported a negative free cash flow for two years due to high capital expenditures to expand capacity, we reported a clearly positive free cash flow of just over €1 billion. We achieved this target a year earlier than planned, showing how important capital discipline is to us.

Our success and progress in 2015 would not have been possible without the enormous commitment of our employees around the world. I am sure that you, our shareholders, join me in thanking them all most sincerely for that. In addition, I would especially like to thank the employee representatives and the Supervisory Board with its Chairman Dr. Werner Müller for their trustful and constructive collaboration during the past fiscal year.

Clear dividend increase —A reliable partner for our shareholders

In view of our excellent performance, the Executive Board and Supervisory Board propose that the dividend should be increased considerably, by 15 percent, to €1.15 per share. Assuming that you agree to this, we would be continuing our policy of giving our shareholders an attractive share in the success of the company. We are and will remain a reliable partner for our shareholders, not least because we have a clear and attractive dividend policy aligned to continuity and reliability. We aim to hold the dividend at least constant year-on-year, even in the face of short-term fluctuations in earnings. Over the past eight years, we have raised our dividend by an average of 10 percent a year. That is also part of our goal of creating sustained value with an attractive dividend yield.

Challenging conditions in 2016

Economic conditions remain challenging for the European chemical industry. At the start of this year, we all felt the enormous volatility we are exposed to on the international capital markets. That volatility is an indication of the economic uncertainty we are feeling around the world. Geopolitical tension is also increasing rather than declining. Raw material prices, especially the oil price, remain volatile and the average for this year will probably be lower than last year. The ongoing economic upturn in the developed economies will probably be held back by slower growth in the emerging markets. Overall, we therefore expect global growth momentum to be slightly lower than last year.

Looking at our operating business, the Performance Materials segment will be most affected by the external factors I have just outlined. In particular, the year-on-year decline in the oil price will result in a further reduction in selling prices, putting downward pressure on its operating performance. The Resource Efficiency segment should continue the successful track record of recent years. We anticipate a similarly positive development for the majority of the businesses in the Nutrition & Care segment. In the feed additives market, we assume that prices will normalize from last year's exceptionally high level. In addition, the baby care business will be affected by persistently high competitive pressure.

Given this situation, in 2016 Evonik expects to report slightly lower sales than last year, with adjusted EBITDA coming in at between €2.0 billion and €2.2 billion. Allow me to put this target into context: Following an extremely successful performance in 2015 with adjusted EBITDA of €2.47 billion, we are now aiming for a sustained level of over €2 billion. That is above the level reported in 2013 and 2014 and therefore underscores our successful growth course.

Q1 2016—A good start to the new year

We are making good progress towards achieving this target. At the beginning of this month, we reported on Evonik's performance at the start of 2016. Our business developed in line with expectations in the first quarter of this year: Sales slipped to €3.1 billion, down from €3.4 billion in the prior-year period. This was caused by the drop in raw material prices, which I have already mentioned, especially the price of oil, and the normalization of selling prices for feed additives. As a result, adjusted EBITDA was €565 million, compared with €650 million in the very strong prior-year period. The adjusted EBITDA margin remained high by sector standards at 18.2 percent.

Evonik shares—Pleasing price performance in 2015

Our strong operating performance and the rising earnings contributions from our growth-driven investments and efficiency enhancement programs were the main reasons for the pleasing share price performance in 2015. Shares in Evonik started the year at around €27 and ended it at over €30, having risen temporarily to an all-time high of over €37 in August. At year end, Evonik's shares were therefore nearly 13 percent higher than at the end of the previous year. Excluding the discount of €1 for the dividend payment in May, the increase was almost 17 percent. Shares in Evonik therefore performed far better than direct competitors in the chemical sector: The Dow Jones STOXX Chemicals only gained 5 percent in 2015. The broader MDAX index rose by around 23 percent in the same period.

The high volatility of the financial markets at the start of this year and the more subdued earnings outlook for this fiscal year initially contributed to a downtrend in the price of our shares at the start of 2016. However, the share price has developed very positively in recent weeks as our first quarter performance exceeded capital market expectations and, above all, the acquisition announcement.

Our shares have become more attractive over the past year because the free float has increased to 32 percent. This is because CVC Capital Partners, previously our second-largest shareholder, sold blocks of shares totaling around 14 percent of our capital stock via the stock market during the year. Since then, its stake in Evonik has been around 4.1 percent. This is included in the calculation of the free float. RAG-Stiftung is still our largest individual investor and anchor shareholder with an unchanged stake of around 68 percent. The liquidity and average daily trading volume of our shares have increased considerably as a result of the higher free float.

Evonik—Perspective change

In our diverse and globalized world, it is becoming more and more important to gain a better understanding of the requirements of our customers and end-consumers. Changing our perspective to view the world through the eyes of our customers allows us to see things differently and thus develop unusual solutions. We have therefore featured this “perspective change” prominently in this year’s annual report.

Allow me to give you two brief examples of changing perspective and the new approaches it brings. Experts in our Nutrition & Care segment adopt the perspective of customers in the pharmaceutical sector and work on creative new solutions for efficient delivery of pharmaceutical active ingredients. A major challenge, especially with complex active ingredients, is ensuring targeted and preferably continuous availability in the body. Pharmaceutical polymers are our solution to this. They release active ingredients taken orally at the right time and place. Biological polymers that are resorbable in the body are another solution. They allow the production of delayed release medicines, which can be injected directly under the skin or into the relevant tissue. Custom-tailored microparticles then release the active ingredients continuously as required.

The Resource Efficiency segment pools our competence in—among other things—solutions for the automotive industry to help meet the steadily rising demand for more economical mobility with lower emissions. Specialists at our in-house Composites Project House have developed systems and processes for composites. These aim to reduce the weight of vehicles and allow faster, simpler and more economical production. Now we are taking the next step and setting up a Competence Center that will bundle a number of our key competencies to develop new technologies for the drive train in automobiles: Combining plastic components and new coatings for gears with specially optimized lubricant additives can help improve engine performance on the road by reducing friction losses.

Both of these examples show very clearly how taking the perspective of our customers and the challenges they face helps us come up with creative new solutions every day.

Consistent realization of our growth strategy

In the years since our stock market listing in 2013, we have focused on our core specialty chemicals business and invested in new growth. In parallel with this, we have realigned the structure of the Group and given our operating businesses greater entrepreneurial independence. We will be continuing this successful and differentiated growth strategy in the future. That involves concentrating on the following elements:

- investments to extend our leading market positions and innovations to strengthen our leading technological edge
- optimizing our distribution approach to align all distribution functions even more clearly to local markets and our customers
- continuously improving our costs, processes and technology positions, and

- strengthening Evonik's competitiveness through further selective acquisitions.

A few words about the first of these focal areas: In 2015 we again invested in new production capacity. Our investments are focused strictly on the megatrends in our international markets. We implement them with discipline. Following high investment in 2013 and 2014, we have now scaled back capital expenditures to a more normal long-term average of €877 million. Nevertheless, capital expenditures are still well above depreciation and amortization. The regional focus of our investment was Germany, which accounted for 49 percent. In 2015 we therefore invested more than €400 million in our German sites—that is a clear commitment to the importance of these facilities and their employees for Evonik. Our second largest focus was North America, which accounted for 24 percent of our capital expenditures, ahead of the Asia-Pacific region and the other European countries, which each received 10 percent.

Now, ladies and gentlemen, I would like to talk briefly about some of our investment projects. In the Nutrition & Care segment we demonstrated our competence as a leading and innovative feed additives specialist by starting up two production facilities for methionine for special applications. In Antwerp (Belgium), we produce methionine specifically for shrimp and other crustaceans. At our site in Blair (USA) we started production of a formulation developed for dairy cattle in October.

In addition, we have embarked on basic engineering for a further methionine facility in Singapore. This new, sixth facility is scheduled to come into service in 2019. Our investment decision is based on the constantly rising demand for sustainable animal feed.

Demand for quality personal care products and cosmetics is also rising steadily. In 2015 we therefore further expanded our global production network for oleochemical specialty surfactants.

Alongside this, we are extending our technological leadership and capacity for specialty silicones at our sites in Essen (Germany) and Shanghai (China). This business is an excellent complement to the proposed acquisition of Air Products' Specialty & Coating Additives business. The market for specialty silicones has grown considerably in recent years. Our specialty silicones cover an enormously broad spectrum of possible applications in a variety of industries. As additives for plastics, for example, they play a part in comfortable upholstered furniture, car seats and ergonomic mattresses. Our integrated silicone technology platform is the backbone of significant business activities in our Nutrition & Care and Resource Efficiency growth segments.

Further, at our site in Schörfling (Austria) work has started on doubling capacity for our SEPURAN® brand of hollow fiber membrane modules. These membranes can be used for particularly efficient separation of gases such as methane, nitrogen and hydrogen.

In the Performance Materials segment, we invested in the selective expansion of capacity for the plasticizer alcohol isononanol, and for butadiene and MTBE at our sites in Antwerp (Belgium) and Marl (Germany). This has also improved our resource flexibility. Thanks to a unique new process, special product streams from refineries can be utilized for C₄ chemistry for the first time.

Innovation—A strategic success factor for Evonik

Innovations are another central element in our growth strategy—alongside internal and external growth. In view of the importance of R&D, we have raised R&D expenses by an average of 6 percent a year since 2010. In 2015, we increased spending on R&D by a further 5 percent to €434 million. Our innovation pipeline is well stocked. It comprises a balanced portfolio of more than 500 short-, mid- and long-term projects. These are managed using a multi-step innovation process developed by Evonik. We have identified ingredients for the cosmetics industry, membranes, specialty materials for medical technology, feed and food additives, and composites as promising areas of innovation. In addition, we aim to steadily extend our expertise in catalysis and biotechnology. Our aim is to be one of the world's most innovative companies. We therefore intend to invest more than €4 billion in R&D in the next ten years.

Our innovative strength comes from our global research and development network, which comprises 35 locations with around 2,700 employees. Around 90 percent of our research is undertaken by our segments, working as closely as possible with our customers. In addition, in close collaboration with our segments, our strategic innovation unit Creavis is involved in research into new high-tech areas outside the Group's present portfolio. For example, we have developed biosurfactants that are produced entirely from renewable raw materials using a biological process. These surfactants have outstanding properties in cosmetics, detergents and cleaning agents. In addition, they have excellent environmental compatibility and are completely biodegradable. As well as meeting the needs of a fast-growing market, they play a part in our sustainable approach to the environment. Our corporate venture capital activities are a strategic complement to our own R&D. We invest specifically in specialized technology funds and start-up companies of strategic relevance to Evonik. This gives us an insight into new technologies and business activities aligned to our growth strategy at a very early stage of development. Consequently, we recently extended our venture capital portfolio, bringing the total number of investments since 2012 to fourteen.

Evonik—A responsible company

At Evonik we accept responsibility—for our business, our employees, the environment and society.

The safety of our employees and local residents has top priority for us. Our high standards are defined in a uniform Group-wide safety culture and globally binding principles of action. Last year, more than 90 percent of our production employees worldwide received corresponding training.

Our innovative products and solutions make a contribution to sustainable development and we are extending our work in this field. Our aim is to make people's lives healthier and more comfortable through our innovations and to help our customers reduce their ecological footprint.

That commitment is also recognized outside the company. For example, at the start of this year Evonik was included in the renowned Sustainability Yearbook published by RobecoSAM as a Sustainability Leader with the distinction "Silver Class". We gained a place right away among the top ten of the approximately 70 chemical companies rated worldwide. Evonik is also listed in well-known stock market indices for responsible investment and has a good position in leading sustainability ratings and rankings.

We want to anchor diversity even more firmly in our corporate culture in the future because we are convinced that it is a source of enrichment. We understand diversity as covering the full spectrum, in other words, an employee structure that is balanced in terms of gender and comprises a wide range of nationalities, experience, expertise, and ages.

To enable our employees to share in the increase in Evonik's value, we launched a further tranche of our employee share program in Germany, the USA and Belgium this spring. More than one in three eligible employees took up this offer. In Germany, the participation rate rose to a new record of nearly 43 percent. Worldwide, more than 10,000 employees acquired shares in Evonik.

To purchase the shares required for our employee share program, we utilized the authorization granted by the Annual Shareholders' Meeting in 2013. Between March 8 and April 12, 2016, a total of 574,115 shares with a pro rata share of the capital stock of €1.00 per share were purchased at an average price of €25.90 per share. That was 0.1 percent of our capital stock of €466 million. All the shares have now been transferred to the eligible employees and the surplus has been sold on the market. Evonik no longer has any treasury shares.

Evonik—Concluding remarks

The global environment was and remains challenging for chemical companies based in Europe. Last year was therefore another especially challenging time for the entire Evonik team. Our two growth segments, Nutrition & Care and Resource Efficiency, delivered consistently high earnings contributions. With an adjusted EBITDA margin of over 18 percent, the Evonik Group therefore still clearly ranks among the leading European specialty chemical companies.

Given our innovation pipeline, our strong market and technology positions, and our focus on high-growth businesses, Evonik is also well-positioned for the coming years. We therefore have the right preconditions, the strength and the agility to actively shape our future and utilize attractive and sustainable opportunities for growth. Compelling evidence of this is the recently announced acquisition of Air Products' Specialty & Coating Additives business.

That is why we are looking forward with confidence and optimism.

I would be delighted if you, our shareholders, would continue to accompany us on the road ahead. Thank you for your attention and for your interest in Evonik.

Thank you.