

Evonik Group

in € million	Q3 2016	Q3 2017	yoy Δ%	Q2 2017	Q3 2017	qoq Δ%	Q3 2017
							Consensus*
External sales	3,164	3,556	12%	3,614	3,556	-2%	3,506
Volume (%)			4%				2%
Price (%)			3%				2%
Exchange Rates (%)			-3%				-2%
Other effects (%)			8%				8%
Adjusted EBITDA	578	639	11%	635	639	1%	612
Adjusted EBITDA Margin (%)	18.3%	18.0%	-0.3 pp	17.6%	18.0%	0.4 pp	17.5%
Adjusted EBIT	396	422	7%	429	422	-2%	403
Adjustments	-15	-30		-54	-30		
EBIT	381	392	3%	375	392	5%	
Adjusted net income	247	275	11%	289	275	-5%	254
Adjusted earnings per share in €	0.53	0.59	11%	0.62	0.59	-5%	0.55
Capital expenditures	217	236	9%	224	236	5%	
Net financial position (as of Sept. 30)	837	-3,156		-3,087	-3,156		
Cash flow from operating activities, cont. ops.	509	727		29	727		
Free cash flow, cont. ops.	289	485		-192	485		

* Vara Consensus 17 October 2017

Evonik makes further progress in the third quarter – Optimization of global admin and selling structures announced

- Adj. EBITDA of €639 m – another sequential earnings increase with ongoing healthy trends in all segments
- Excellent and broad-based free cash flow generation of €485 m, 68% above already good Q3 2016 (€289 m)
- Outlook specified to “upper half of adj. EBITDA range of €2.2 - 2.4 bn” (2016: €2,165 m)
- Optimization of cost structures will contribute to target EBITDA margin of 18 to 20 percent
 - Reduction of global administrative and selling expenses by €200 m until 2021
 - First measures worth €50 m to be reflected already in 2018

Group business development Q3 2017

- Sales growth of 12% to €3,556 m (Q3 2016: €3,164 m)
 - Positive volume development (+4%) in all three chemical segments, particularly strong in Resource Efficiency (+6%), better than expected in Nutrition & Care (+2%)
 - Positive price trend continuing (+3% on Group level)
 - FX -3%; Other effects +8% mainly attributable to acquisitions of APD and Huber Silica (closed on Sept 1st)
- Adj. EBITDA of €639 m; +11% yoy (Q3 2016: €578 m)
 - Strong growth in Resource Efficiency (+19%) and Performance Materials (+67%) continuing
 - Further synergies of ~€6 m (9M: €11 m) from APD integration implemented
- Adj. EBITDA margin on group level at 18.0% (Q3 2016: 18.3%)
- Adj. EPS came in 11% higher at €0.59 (Q3 2016: €0.53), following the positive earnings development
 - Adj. financial result at -€55 m (Q2 2017: -€50 m); adj. tax rate at 30.3% in Q3 (9M: 31.0%), in-line with FY guidance of ~31%

Highlights from balance sheet & cash flow statement

Cash Flow Statement

- Operating cash flow at €727 m in Q3 2017 (Q3 2016: €509 m)
 - Broad-based increase due to higher earnings base, inflows from strict NWC management and lower cash taxes
- Slightly higher capex yoy (€236 m vs €217 m)
- Strong free cash flow at €485 m in Q3 2017, 68% above Q3 2016 (€289 m); 9M free cash flow at €350 m
- Cash flow from investing activities (-€785 m) includes cash outflow for Huber Silica business (-€536 m)

Balance Sheet

- Net financial debt only marginally higher at -€3.2 bn (June 30, 2017: -€3.1 bn), strong OCF compensating purchase price payment for Huber Silica; leverage (Net Debt / Adj. EBITDA) at 2.8x (June 30, 2017: 3.0x)
- Slight decrease in pension provisions (end of Q3: €3,593 m vs end of Q2: €3,680 m) due to better performance of plan assets; no change in pension discount rate (2.0% in Germany)

Outlook FY 2017 specified

- Basis for our forecast:
 - Including Air Products specialty additives business and Huber Silica business
 - Global growth of 2.9 percent (previously: 2.6 percent)
 - Euro/US dollar exchange rate: US\$1.13 (previously US\$1.10)
 - Internal raw material cost index perceptibly higher than in prior year
- Under these conditions, we are **specifying our outlook for the full year**
- We are confident that our business will grow in 2017 and expect to report:
 - **Significantly higher sales** (previously: “higher”; 2016: €12,732 m)
 - **Adj. EBITDA in upper half of €2.2 and 2.4 bn range** (previously “between €2.2 and €2.4 bn”; 2016: €2,165 m)

Additional indications for FY 2017 (changes in EUR/USD rate and adj. net financial result)

- **Air Products specialty additives business:** Adj. EBITDA of around €250 m including first synergies of €10-20 m; Sales and adj. EBITDA will be allocated roughly equally between N&C and RE
 - **Huber:** Adj. EBITDA of around €15-20 m (for four month after closing on Sept 1st)
 - **ROCE:** Above cost of capital (10.0% before taxes), but perceptibly lower than in 2016 (14.0%) as a consequence of the substantial acquisition-driven rise in capital employed
 - **Capex:** ~€1.0 bn (2016: €960 m)
 - **Free cash flow:** Clearly positive, but considerably below the strong prior year (2016: €785 m)
 - **EUR/USD:** Around 1.13 EUR/USD (previously: 1.10 EUR/USD)
 - **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€7 m adj. EBITDA (FY basis)
 - **Adj. EBITDA Services:** Slightly below 2016 (2016: €151 m)
 - **Adj. EBITDA Corporate / Others:** Slightly more negative than in 2016 (2016: -€340 m)
 - **Adj. D&A:** ~€840 m (increase due to finalized PPA, mainly related to intangible assets) (2016: €717 m)
 - **Adj. net financial result:** ~-€180 m (previously; ~-€190 m; 2016: -€139 m); absence of pronounced positive year-end effects vs. 2016
 - **Adj. tax rate:** ~31% (2016: 30.4%), due to higher share of profits in USA
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- **Pro-forma 2016 Adjusted Income Statement** incl. APD PM included in “Evonik Financials Q3 2017”

Nutrition & Care (N&C)

in € million	Q3 2016	Q3 2017	yoy Δ%	Q2 2017	Q3 2017	qoq Δ%	Q3 2017
							Consensus*
External sales	1,066	1,101	3%	1,151	1,101	-4%	1,103
Volume (%)			2%				
Price (%)			-6%				
Exchange Rates (%)			-3%				
Other effects (%)			10%				
Adjusted EBITDA	239	184	-23%	196	184	-6%	182
Adjusted EBITDA Margin (%)	22.4%	16.7%	-5.7 pp	17.0%	16.7%	-0.3 pp	16.6%
Adjusted EBIT	182	113	-38%	133	113	-15%	120
Adjustments	0	-6		-19	-6		
EBIT	182	107	-41%	114	107	-6%	
Capital expenditures	59	91	54%	85	91	7%	

* Vara Consensus 17 October 2017

Development Q3: Healthy demand and improved market sentiment in Methionine

- **Sales** increased by 3% yoy to €1,101 m (Q3 2016: €1,066 m)
 - Volume growth of 2% yoy; better than initially expected after July price increase for methionine
 - Prices as expected below previous year (-6%), but yoy decline less pronounced than in previous quarters (Q1: -18%; Q2: -11%)
 - Other effects of 10% mainly representing portfolio effect from APD specialty additives business
- **Adj. EBITDA** of €184 m (Q3 2016: €239 m)
 - Comfort & Insulation with positive performance based on volume growth and margin stability
 - As expected, contract patterns leading to sequentially lower contributions from Health Care
 - Market sentiment for Methionine improved over the last months
 - Price increase successfully implemented, price stabilization reached towards end of Q3
 - Average price in Q3 still below Q2 due to contract duration and FX (weaker USD)
 - Q4 with accelerating impact from rising Methionine prices, potentially mitigated by lower volumes (contract business), FX and planned maintenance shutdowns. Market trends healthy also for the start into 2018.
- **Personal Care:** Good development in Q3 with strong performance in Specialty products and Active ingredients. Earnings also benefitted from acquired Dr. Straetmans business.
- **Health Care:** Strong year across all product lines, Q3 contract patterns leading to sequentially lower contributions from Health Care.
- **Comfort & Insulation:** with continued solid performance and favorable volume development in legacy Evonik as well as newly acquired Air Products businesses.
- **Baby Care:** Sequentially stable on low levels due to persisting unfavorable global supply/demand situation.
- **Animal Nutrition:** Improved market sentiment in Methionine. Price increase successfully implemented, price stabilization reached towards end of Q3. Negative volume impact less pronounced than initially expected. Bio-amino acids remain in challenging conditions.

Resource Efficiency (RE)

in € million	Q3 2016	Q3 2017	yoy Δ%	Q2 2017	Q3 2017	qoq Δ%	Q3 2017
				Consensus*			
External sales	1,117	1,359	22%	1,368	1,359	-1%	1,294
Volume (%)			6%				
Price (%)			3%				
Exchange Rates (%)			-2%				
Other effects (%)			15%				
Adjusted EBITDA	262	312	19%	318	312	-2%	300
Adjusted EBITDA Margin (%)	23.5%	23.0%	-0.5 pp	23.2%	23.0%	-0.2 pp	23.2%
Adjusted EBIT	205	244	19%	249	244	-2%	233
Adjustments	-2	-18		-14	-18		
EBIT	203	226	11%	235	226	-4%	
Capital expenditures	68	79	16%	68	79	16%	

* Vara Consensus 17 October 2017

Development Q3: Sustained strong performance and margin level

- **Sales** up by 22% to €1,359 m (Q3 2016: €1,117 m)
 - Continued strong volume growth (+6%) and positive price development (+3%) across most of the businesses
 - Other effects of +15% mainly representing portfolio effect from APD specialty additives business and one month contribution of Huber Silica business (closed on Sept 1st)
- **Adj. EBITDA** rose by 19% to €312 m (Q3 2016: €262 m)
 - Excellent margin level (23%) confirmed despite shutdowns in Q3
 - Strong demand and high utilization rates across most businesses like High Performance Polymers or Crosslinkers
 - Continued strength in Silica and first earnings contribution from acquired Huber Silica business
 - Q4 expected operationally strong and with typical year-end seasonality
- **Coating Additives:** Continued good development and high demand driven by waterborne coatings; selected end-markets like marine still a bit weaker.
- **Crosslinkers:** Strong demand in Composite and polyurethane dispersions (PUD). Overall high capacity utilization and good operating efficiency support pleasant performance despite recently rising acetone cost.
- **High Performance Polymers:** High demand for PA 12, especially for automotive and membrane fibres. Capacities running at high utilization rates.
- **Silica:** Continued good performance on high level with another strong quarter for Rubber Silica and overall high capacities utilization. First earnings contribution from Huber Silica in September.

Performance Materials (PM)

in € million	Q3 2016	Q3 2017	yoy Δ%	Q2 2017	Q3 2017	qoq Δ%	Q3 2017
							Consensus*
External sales	797	919	15%	916	919	0%	912
Volume (%)			2%				
Price (%)			15%				
Exchange Rates (%)			-2%				
Other effects (%)			0%				
Adjusted EBITDA	104	174	67%	169	174	3%	169
Adjusted EBITDA Margin (%)	13.0%	18.9%	5.9 pp	18.4%	18.9%	0.5 pp	18.5%
Adjusted EBIT	70	135	93%	133	135	2%	132
Adjustments	-1	-2		-1	-2		
EBIT	69	133	93%	132	133	1%	
Capital expenditures	42	35	-17%	39	35	-10%	

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Development Q3: Tightness in MMA and strong demand for intermediates drives Q3 performance

- **Sales** increased by 15% to €919 m (Q3 2016: €797 m)
 - Positive volume (+2%) and significantly positive price effect (+15%) driven by ongoing high demand and tight supply in key businesses
- **Adj. EBITDA** came in 67% above prior year at €174 m (Q3 2016: €104 m)
 - Ongoing strong Methacrylates performance driven by current tightness with margins at high levels in all regions
 - Another quarter with strong underlying demand for most C4 products. Butadiene-naphtha spread normalized as expected into more sustainable corridor. MTBE, 1-Buten and INA and DINP (plasticizers) with healthy margins
 - Strong operational performance expected to continue into Q4 with typical year-end seasonality, thus EBITDA notably above prior year, but sequentially clearly lower
- **MMA/PMMA:** Already restricted supply further tightened by competitors' outages in Q3 and limited acetone availability (US) after Hurricane Harvey. Ongoing healthy demand from automotive coatings and construction continues. Molding Compounds (PMMA) with higher specialty volumes and prices. Margin normalization expected for 2018, driven by increased product availability, as new capacities entered into the market.
- **Performance Intermediates:** Sequentially lower Butadiene naphtha spread in Q3. MTBE with strong demand and seasonal reduction into Q4 due to softer demand in winter months. 1-Butene in Q3 again very healthy. INA and DINP market demand was solid in Asia and Europe.

Services

in € million	Q3 2016	Q3 2017	yoy Δ%	Q2 2017	Q3 2017	qoq Δ%	Q3 2017
							Consensus*
External sales	173	172	-1%	174	172	-1%	178
Adjusted EBITDA	50	46	-8%	35	46	31%	40
Adjusted EBITDA Margin (%)	28.9%	26.7%	-2.2 pp	20.1%	26.7%	6.6 pp	22.6%
Adjusted EBIT	21	15		3	15		10
Adjustments	-8	-3		-5	-3		
EBIT	13	12		-2	12		
Capital expenditures	41	27		28	27		

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- Adj. EBITDA after 9M at €122 m, in-line with full year guidance (“slightly below 2016”, 2016: €151 m)

Corporate / Others

in € million	Q3 2016	Q3 2017	yoy Δ%	Q2 2017	Q3 2017	qoq Δ%	Q3 2017
							Consensus*
External sales	11	5		5	5		5
Adjusted EBITDA	-77	-77	0%	-83	-77	7%	-85
Adjusted EBIT	-82	-84	-2%	-89	-84	6%	-92
Adjustments	-5	-2		-15	-2		
EBIT	-87	-86		-104	-86		
Capital expenditures	7	4		4	4		

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