

Evonik

Power to create.

Q3 2016
Earnings Conference Call

4 November 2016

Ute Wolf, Chief Financial Officer

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- 1. Highlights Q3 2016**
2. Financial performance Q3 2016
3. Outlook FY 2016

Highlights Q3 2016

Outlook in upper half of range reiterated

Third strong quarter in a row

Volume growth

+ 3%

Another quarter of solid volume growth supported by Specialty & Coating Additives business

Adj. EBITDA

€578 m

Resource Efficiency with strong earnings growth
Performance Materials with continued positive trend

Free cash flow

€280 m

Strong cash generation – supported by active NWC management

Outlook

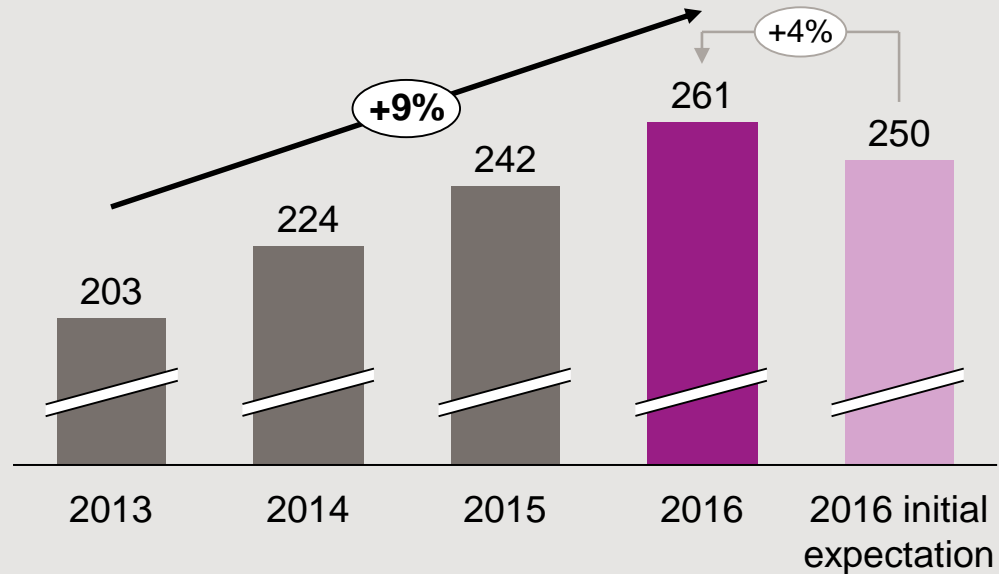
Reiterated

Adj. EBITDA in upper half of €2.0 - 2.2 bn range

Preparations for APD Performance Materials closing well on track

EBITDA development

APD Performance Materials business (in \$ m)¹



Comments

- Sustainable growth trend of the business with 9% CAGR since 2013
- EBITDA of \$261 m in FY 2016¹ above initial expectation given at deal announcement in May
- Transaction already approved by anti trust authorities in USA, Germany and most European countries
- Financing completed at very attractive average interest rate of ~0.35% p.a
- Realization of €10-20 m synergies expected already for FY 2017

Closing expected for year-end and EPS accretive already in 2017

1. Air Products' fiscal year ends Sep 30

Consistent execution of differentiated segment strategy

Growth



Nutrition & Care



Resource Efficiency



Investments

- Good utilization rates in new facilities (e.g. Crosslinkers China, Oleochemicals China)
- Groundbreaking 2nd Methionine plant Singapore

Innovation

- Algae-based omega-3 fatty acids for animal nutrition
- Start of Competence Center “Friction & Motion”

M&A

- Acquisition of APD PM: Creating a global leader in Specialty & Coating Additives
- Successful bolt-on acquisitions: Norel (Sustainable Nutrition), Transferra (Healthcare Solutions)

Three levers delivering profitable growth

Efficiency



Performance Materials



- Restructuring of Acrylic Sheet business:
 - New business model
 - Streamlining of overhead functions
 - Global production optimization
- Exit of unprofitable businesses (e.g. shutdown of extraction production at Münchsmünster site)
- Ongoing cost optimization measures
- Positive effects of NWC optimization

Efficiency improvements and high cash contribution

Evonik's sustainability performance publicly recognized

Our sustainability approach

- Sustainability is a core element in our corporate claim “Power to create”
- Evonik positions sustainability close to its operating businesses
- We focus our sustainability activities on 6 areas



2016: Included in DJSI World and Europe

- Evonik well positioned in various ratings & rankings, e.g.
 - Investor CDP (A-; MDAX index/country leader)
 - Oekom Research (prime standard B-)
 - Sustainalytics (one of industry leaders)
 - Together for Sustainability/EcoVadis (“Gold Standard”)



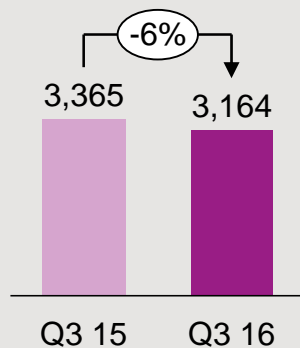
Sep 2016: Evonik included in the DJSI Index World and Europe for the first time; positioned as No 4 in chemical industry assessment worldwide

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Financial highlights Q3 2016

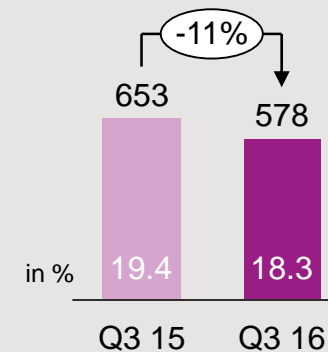
Sales (in € m)



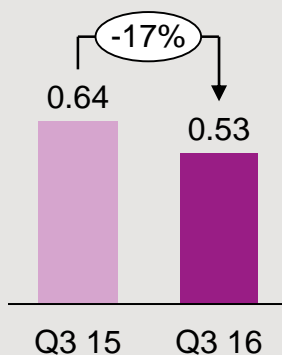
Q3 16 vs. Q3 15

Volume	+3%	↗	Price	-10%	↘
FX	+1%	↗	Other	0%	→

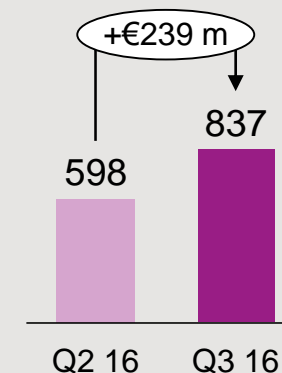
Adj. EBITDA (in € m) / margin (in %)



Adj. EPS (in €)

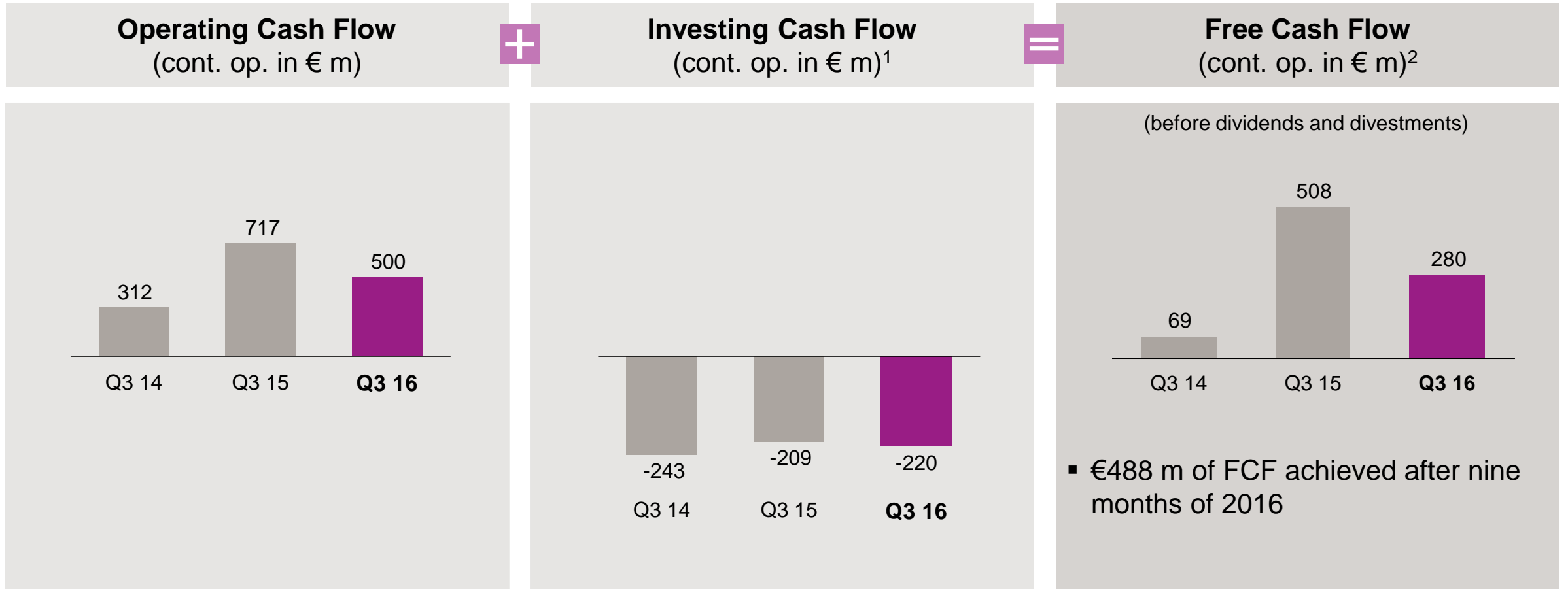


Net financial position (in € m)



Cash flow development

Strong operating cash flow and active NWC management supporting free cash flow

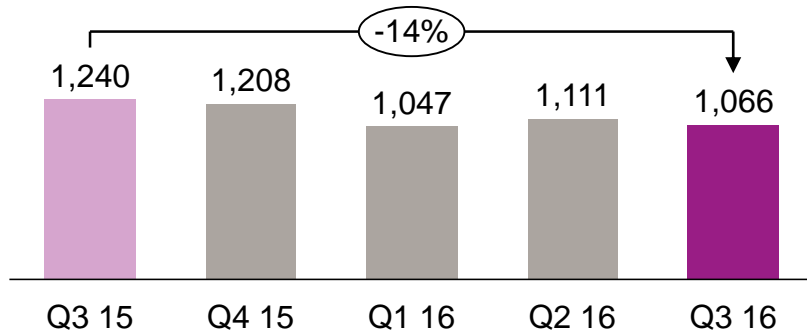


1. Cash outflow for investments in intangible assets and PP&E | 2. Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.) | 3. FCF/Adj. EBITDA

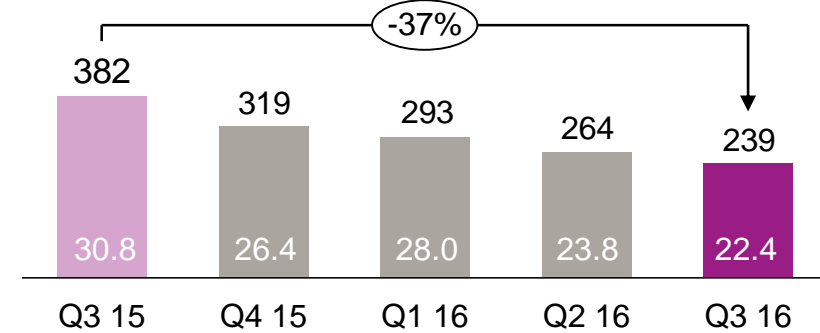
Nutrition & Care

Very good development in Care and Specialty Additive businesses

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



	Volume	Price	FX	Other
Q3 16 vs. Q3 15	0% →	-16% ↓	+2% ↗	0% →

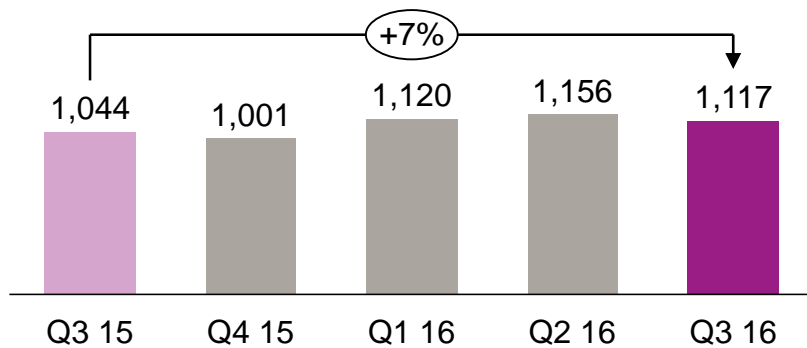


- Ongoing strong demand in Care (e.g. Health Care) and Specialty Additive Businesses (e.g. Comfort & Insulation)
- Weaker volumes and prices (yoy) in Baby Care in challenging market environment; efficiency measures underway including announced capacity adjustment
- Methionine market sequentially slightly softer; more relaxed supply situation and temporary weaker demand in some emerging regions

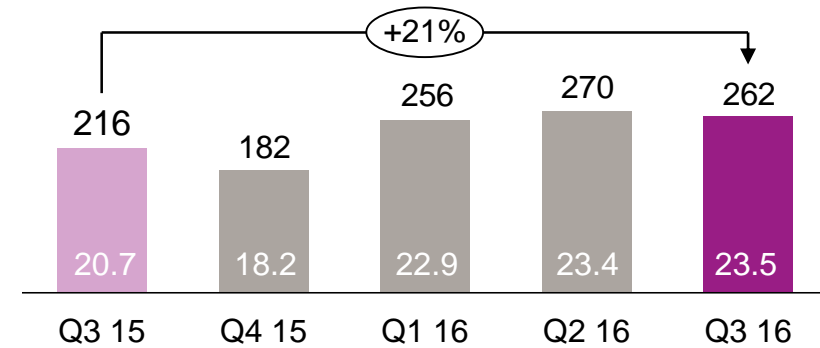
Resource Efficiency

Further excellent growth on high margin levels

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



	Volume	Price	FX	Other
Q3 16 vs. Q3 15	+6% ↗	-3% ↘	+2% ↗	+2% ↗

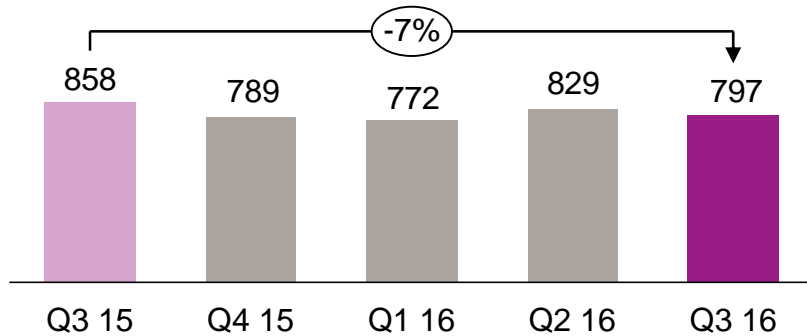


- Strong volume growth across majority of businesses, partly supported by lower prior year comparables
- Ongoing strong demand in coatings and construction industries
- High margin level of Q2 2016 maintained
- Positive market environment expected to continue; usual seasonality and fading raw material tailwind expected in Q4

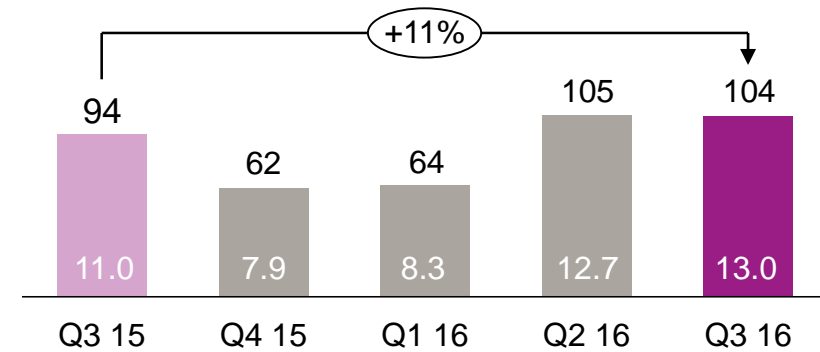
Performance Materials

Further positive development since Q2, increased profitability

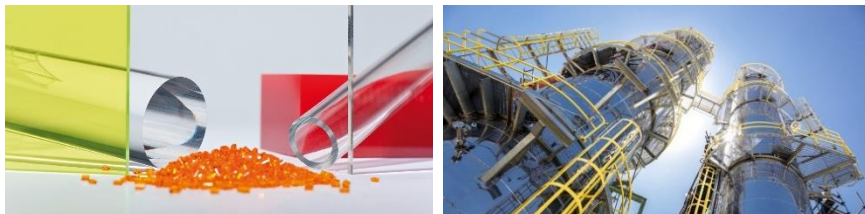
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



	Volume	Price	FX	Other
Q3 16 vs. Q3 15	+4% ↗	-11% ↘	0% →	0% →



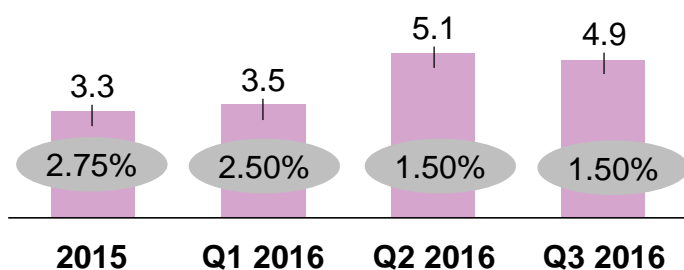
- Positive development mainly in MMA & PMMA molding compounds supported by seasonally high demand and favorable supply
- Earnings level maintained vs. Q2, supported by ongoing efficiency measures
- C4 chain with good underlying demand across most products, price spreads with improving trend. Scheduled maintenance limiting further upside
- Usual seasonality expected for Q4

Spotlight pension accounting

Summary of financial impact

Balance Sheet

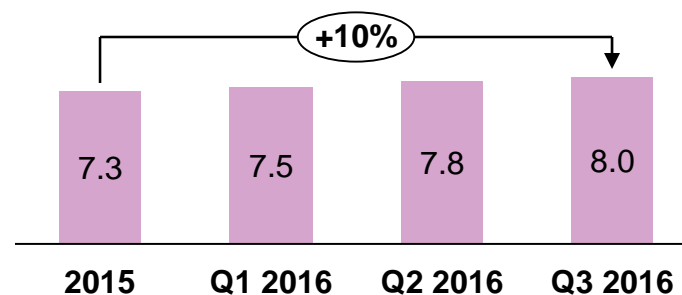
Pension provisions (in € bn)



- Lower discount rate of 1.50% already reflected with Q2 reporting
- Level confirmed with Q3 reporting
- Pension provisions partly balanced by deferred tax assets (€1.4 bn)

Lower discount rate already absorbed

Pension plan assets (in € bn)



- CTA cash funding with last payment in 2015 completed
- Excellent performance of pension plan assets partly balancing increase in pension provisions

Funding level of >60% preserved

P&L

Service costs

- Part of pension-related personnel expenses for active employees (included in EBITDA)
- Recalculated only once a year for the new fiscal period with discount rate at year-end
- Service costs 2017 will be calculated with notably lower discount rate (vs. 2016)
- Sensitivity:
Change of 25 bp in discount rate triggers an impact of ~€20 m on service costs

Change in service costs without any cash impact

Note: interest rate Germany

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Outlook for 2016 reiterated

Adj. EBITDA in upper half of €2.0 - 2.2 bn range

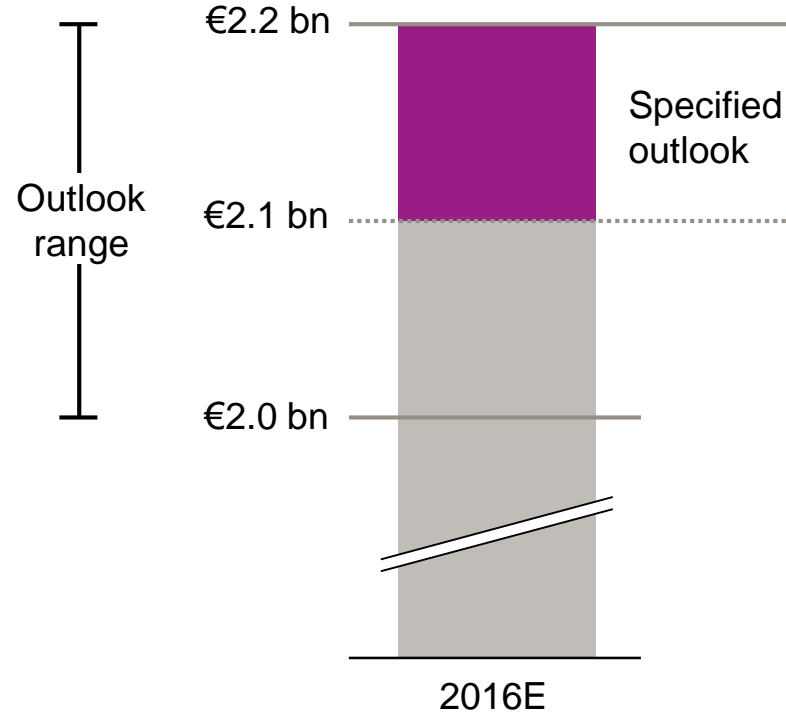
Outlook 2016

Slightly lower sales
(2015: €13,507 m)

Adj. EBITDA in the upper half of the given range of €2.0 and 2.2 bn
(2015: €2,465 m)

Outlook reiterated

Adj. EBITDA



Good volume and earnings growth in large parts of Nutrition & Care and Resource Efficiency

EBITDA margins in growth segments Nutrition & Care and Resource Efficiency >20%

Efficiency measures paying off in **Performance Materials**

Operating cash flow generation and **disciplined CAPEX** resulting in strong free cash flow

Strong business fundamentals to be further strengthened by integration of Air Products Specialty & Coating Additives business



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Additional indications for 2016

- EUR/USD sensitivity¹ +/-1 USD cent = -/+ ~€5 m adj. EBITDA (FY basis)
- Adj. EBITDA Services² **Slightly below 2015** (2015: €159 m)
- Adj. EBITDA Corporate / Others² **Around the level of 2015** (2015: - €334 m)
- Adj. D&A **Around the level of 2015** (2015: €713 m)
- Adj. net financial result³ **Around the level of 2015** (previously: “Slight improvement”; 2015: - €179 m)
- Adj. tax rate **~30%** (2015: 29.3%)
- Capex **Around the level of 2015** (2015: €877 m)
- Free cash flow **Positive** (2015: €1,052 m)

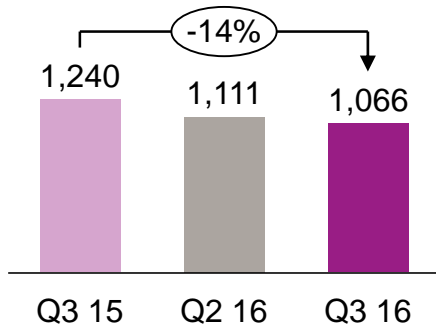


1. Including transaction effects (after hedging) and translation effects; before secondary / market effects and APG acquisition | 2. 2015 figures restated for restructuring between Services and Corporate / Others segments (€4 m adj. EBITDA re-allocated; neutral on Group level) | 3. Guidance for “Adj. net financial result” (incl. “Adj. interest income/expense” and “Other financial income/expense”)

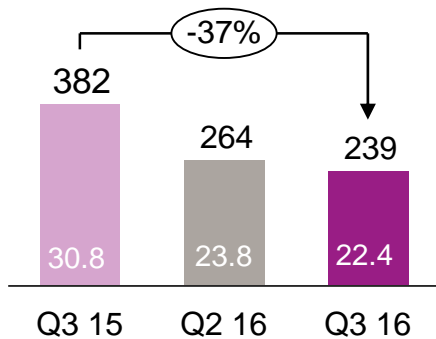
Nutrition & Care

Q3 2016 Business Line comments

Sales (in € m)



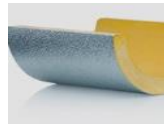
Adj. EBITDA (in € m) / margin (in %)



Personal Care: continued good business development with favorable product mix and high demand in US and Europe. Increasing contribution from new oleochemicals plant in China.



Health Care: continued good performance from all activities. Favorable product mix and strong demand leading to high plant utilization resulting and in good fix cost absorption.



Comfort & Insulation: strong demand in PU foam stabilizer business esp. in Europe and the US across most end markets.



Baby Care: overall market situation still challenging. Persisting pressure on volumes and prices due to unfavorable S/D situation. Efficiency improvement measures underway including announced capacity adjustment of 40 kt in US reducing fixed costs basis.

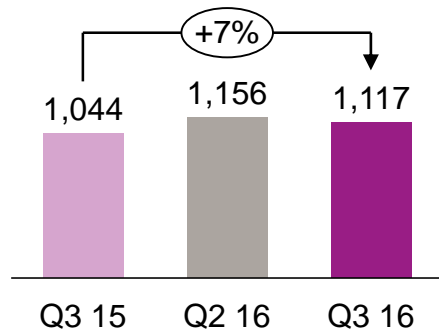


Animal Nutrition: After re-stocking and price stabilization in Q2, markets turned slightly softer again. More relaxed supply situation and temporary weaker demand in some emerging regions. Further improving situation in lysine vs. H1.

Resource Efficiency

Q3 2016 Business Line comments

Sales (in € m)



Coating Additives: strong demand and better product mix towards high end products driven by increased performance requirements from coating and construction customers.



Crosslinkers: continuing strong demand in almost all regions and applications (flooring, construction, marine paints and coatings). Low raw material prices still beneficial but fading. Q4 to be impacted by planned maintenance shutdown.

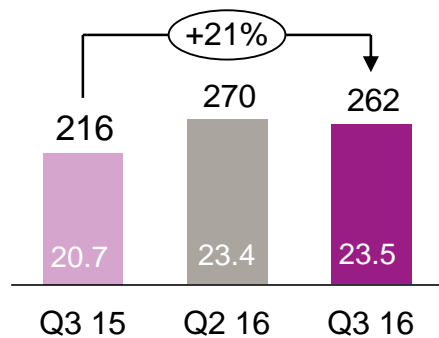


Silica: positive development in rubber silica and special oxides. High Specialty Silica demand in Asia and Europe, high demand from coatings industry.



High Performance Polymers: high demand for PA12 compounds and powders, gas filtering membranes and ROHACELL foams.

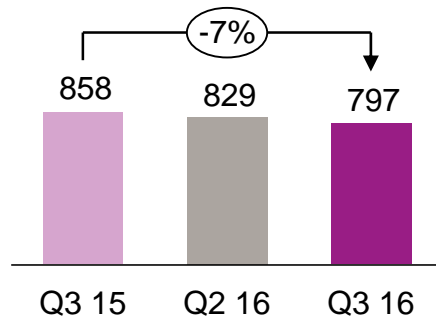
Adj. EBITDA (in € m) / margin (in %)



Performance Materials

Q3 2016 Business Line comments

Sales (in € m)



MMA: Continued good business development esp. in US and Asia. Healthy demand from coatings and construction markets with favorable product mix. Favorable supply situation especially in Asia.

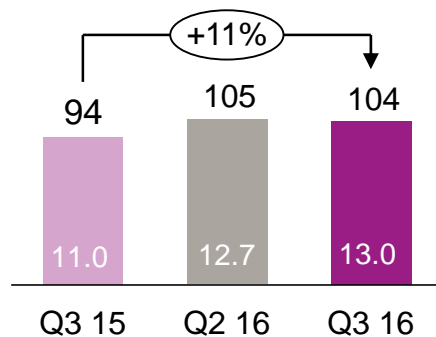


PMMA: Molding compounds with good demand, especially for specialty grades, due to strong automotive demand. Semi-finished products with positive development particularly in Europe. Raw material tailwind fading. Consistent cost management in execution.



Performance Intermediates: Positive market development from Q2 continuing. Good butadiene demand (Europe & Asia) and tight supply driving spreads upwards. MTBE with improving trend throughout the quarter. Good demand also in plasticizers. Feedstock quality staying on favorable levels. Scheduled maintenance in September limiting further upside.

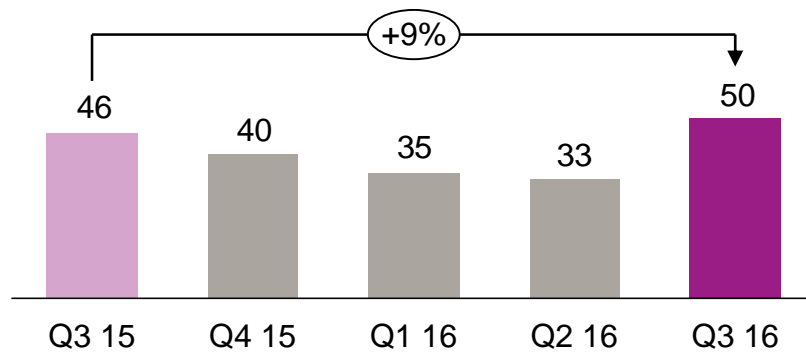
Adj. EBITDA (in € m) / margin (in %)



Services and Corporate / Others

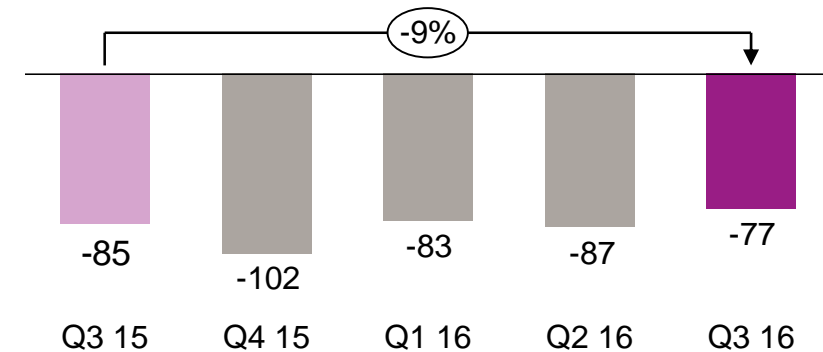
Q3 2016 segment comments

Services: adj. EBITDA (in € m)



- Strong quarter due to maintenance services during turnaround season

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

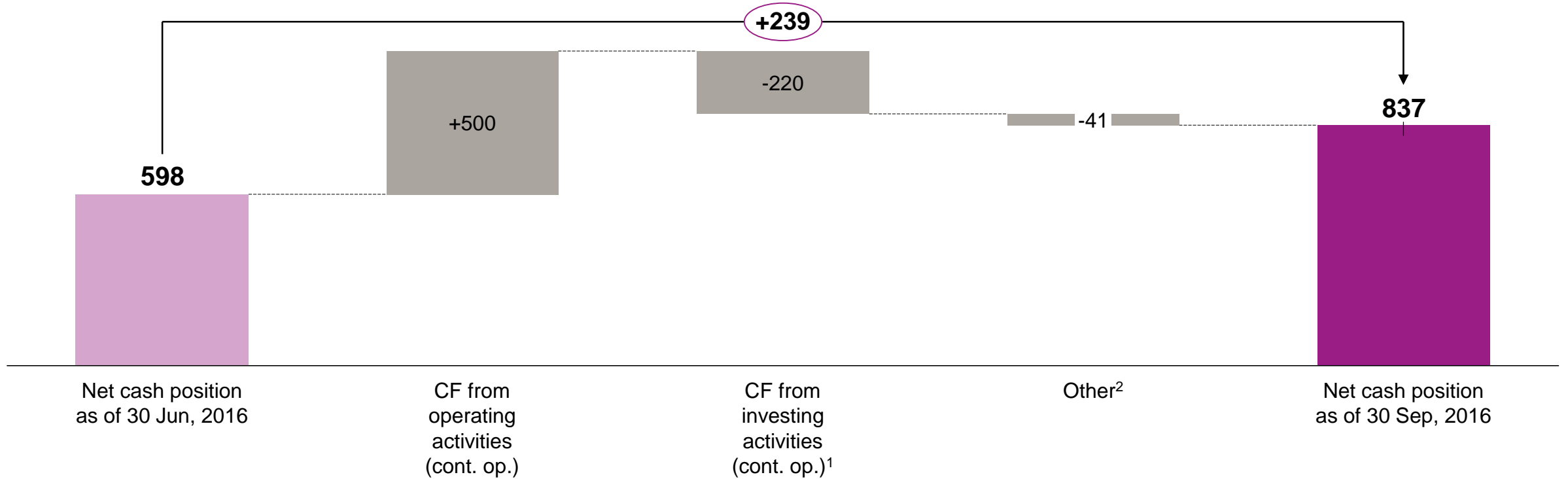


- Broadly stable adj. EBITDA (yoy and qoq)

2015 figures restated for restructuring between Services and Corporate / Others segments

Net financial position

(in € m)

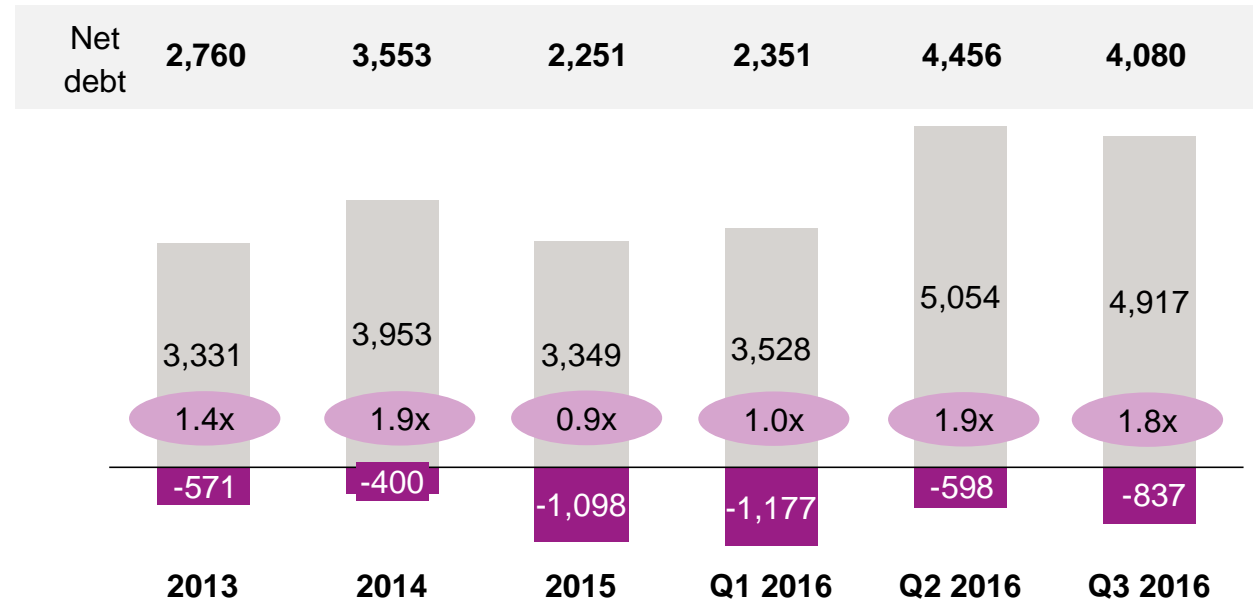


1. Cash outflow for investments in intangible assets and PP&E | 2. Including cash outflows for investments in shareholdings

Net debt development

(in € m)

■ Net financial debt ■ Pension provisions ● Total leverage¹



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.4 bn
- Slight reduction of pension provisions in Q3 (vs. Q2) due to strong performance of plan assets
- Reduction of net debt thanks to positive free cash flow

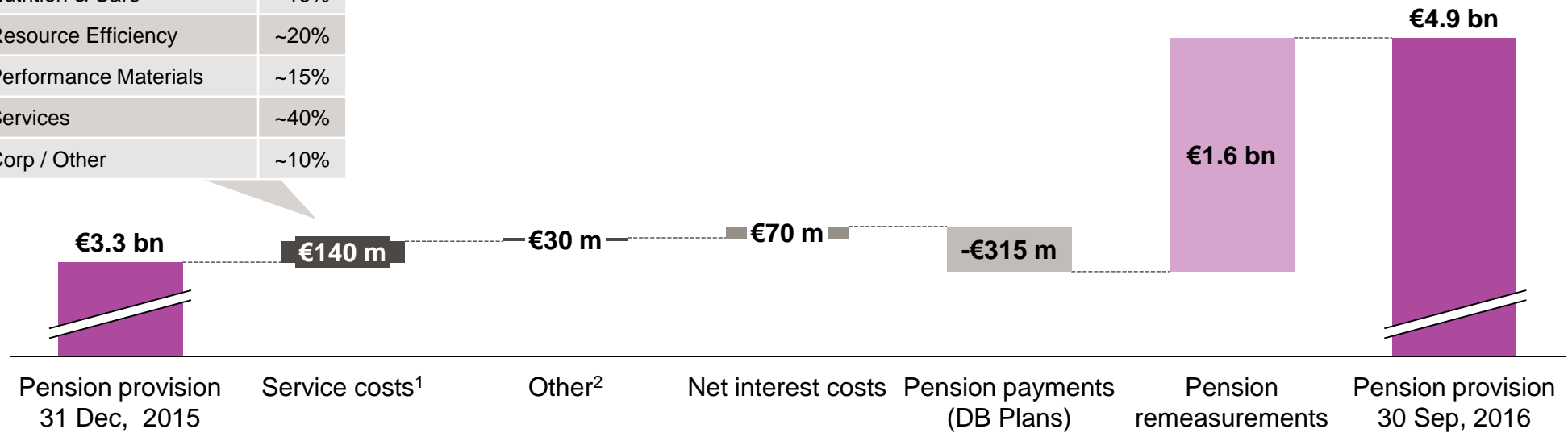
3.84	2.65	2.91	-	-	-	Evonik Group global discount rate ²
3.75	2.50	2.75	2.50	1.50	1.50	Evonik discount rate for Germany

1. Total leverage defined as (net financial debt + pension provisions) / adj. EBITDA LTM | 2. Calculated annually

Pension accounting

Reconciliation of pension provision (as of Sep 2016 YTD)

Nutrition & Care	~15%
Resource Efficiency	~20%
Performance Materials	~15%
Services	~40%
Corp / Other	~10%



In financial statement:

EBITDA: personnel expenses	Financial Result	Operating cash flow ³	Balance sheet (Equity)
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Indication for 2017:

Discount rate +/- 25 bp change: impact of +/- ~€20 m in EBITDA	No notable change	broadly unchanged	depending on future discount rate
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¹ Service costs = present (discounted) value of the future/projected pension benefits earned by active employees

² Employee contributions

³ Line item "Change in provisions for pensions" in operating cash flow statement: -€125 m

Reconciliation: Pension payments (€315 m) - Service costs (€140 m) - Other (€30 m) - Investing cash flow /Transfer to pension trust fund/Tax effects (€14 m) = €131 m

Adjusted income statement

in € m	Q3 2015	Q3 2016	Δ in %
Sales	3,365	3,164	-6
Adj. EBITDA	653	578	-11
Depreciation & amortization	-180	-182	
Adj. EBIT	473	396	-16
Adj. net financial result	-58	-50	
D&A on intangible assets	10	11	
Adj. income before income taxes	425	357	-16
Adj. income tax	-126	-106	
Adj. income after taxes	299	251	-16
Adj. non-controlling interests	-3	-4	
Adj. net income	296	247	-17
Adj. earnings per share	0.64	0.53	
Adjustments	-91	-15	

Adj. income tax & tax rate:

- Adj. tax rate of 31% due to tax expenses related to former periods
- FY expectation of 30% unchanged

EBITDA adjustments:

- Restructuring: -€1 m
- Impairments: -€1 m
- M&A: -€6 m (mainly APD PM)
- Others: -€7 m
- 2015: adjustments contained restructuring costs and impairment losses of equity participation

Adjustments in financial result:

(not shown on slide)

- -€5 m bridge financing costs for APD PM acquisition

Cash flow statement

in € m	Q3 2015	Q3 2016
Income before financial result and income taxes	382	381
Depreciation and amortization	188	178
Δ Net working capital	10	86
Change in other provisions	147	90
Change in miscellaneous assets/liabilities	47	-15
Outflows from income taxes	-8	-141
Others	-49	-79
Cash flow from operating activities	717	500
Cash flow from investing activities, thereof:	-145	-260
Cash outflows for investment in intangible assets, pp&e and shareholdings	-211	-268
Cash inflows/outflows relating to securities, deposits and loans	72	-8
Cash inflows/outflows from divestment of shareholdings	-3	1
Cash flow from financing activities	5	1,942

CF from operating activities

- Strong decrease of NWC due to stringent optimization foremost in accounts payables
- Higher cash outflows for taxes, as pre-payments are calculated on the basis of last year's strong earnings; prior year benefited notably from tax refund

CF from financing activities

- Includes issuance of three bonds to finance APD PM acquisition

Continuing operations

Segment overview by quarter

Sales (in € m)	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	Q1/16	Q2/16	Q3/16
Nutrition & Care	1,229	1,248	1,240	1,208	4,924	1,047	1,111	1,066
Resource Efficiency	1,124	1,110	1,044	1,001	4,279	1,120	1,156	1,117
Performance Materials	851	938	858	789	3,435	772	829	797
Services	207	211	207	203	828	166	163	173
Corporate / Others	14	12	16	-3	41	1	-1	11
Evonik Group	3,425	3,519	3,365	3,198	13,507	3,106	3,258	3,164

Adj. EBITDA (in € m)	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	Q1/16	Q2/16	Q3/16
Nutrition & Care	353	381	382	319	1,435	293	264	239
Resource Efficiency	244	254	216	182	896	256	270	262
Performance Materials	72	82	94	62	309	64	105	104
Services	46	28	46	40	159	35	33	50
Corporate / Others	-65	-84	-85	-102	-334	-83	-87	-77
Evonik Group	650	661	653	501	2,465	565	585	578

Upcoming IR events

Conferences & Roadshows

9 November	Roadshow Frankfurt
10 November	Roadshow London
15 November	UBS European Conference London
29 November	HSBC Investors Conference Zurich
30 November	UBS German Senior Investor Day Munich
5 December	Berenberg European Conference London
6 December	BoA European Chemicals Conference London

Next reporting dates

2 March 2017	Q4 / FY 2016 reporting
5 May 2017	Q1 2017 reporting
23 May 2017	Annual General Meeting 2017
3 August 2017	Q2 2017 reporting
3 November 2017	Q3 2017 reporting

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