

Evonik

Power to create.

Q3 2017
Earnings Conference Call

3 November 2017

Christian Kullmann, Chief Executive Officer

Ute Wolf, Chief Financial Officer

Table of contents

1. Highlights Q3 2017
2. Financial performance Q3 2017
3. Outlook FY 2017

Q3 with another sequential earnings increase – Strong FCF

Healthy trends in all segments, outlook specified

Volume growth

+4 %

Broad-based volume growth; again **particularly strong** in Resource Efficiency (+6%)

Adj. EBITDA

€639 m

Another **sequential earnings increase** (Q1: €612 m; Q2: €635 m); healthy trends in all segments

Free Cash Flow

€485 m

Excellent cash generation in Q3; ~70% above already strong prior year (€289 m)

Outlook

Specified to

upper half

of adj. EBITDA range of **€2.2 - 2.4 bn**

Sales outlook raised to “significantly higher” (from “higher”)

Building a best-in-class specialty chemicals company

First steps taken in execution of strategic agenda



Building a best-in-class specialty chemicals company

Consistently executing levers for structural uplift in profitability and growth

	Strategic lever	Impact	by (year)
Synergy realization	<ul style="list-style-type: none">Realization of synergies from Air Products and J.M. Huber acquisitions	€85 m EBITDA ¹	2020/2021
Cost excellence	<ul style="list-style-type: none">Leaner processes, higher cost discipline, competitive cost structures	€200 m EBITDA	2021 (full impact)
Innovation	<ul style="list-style-type: none">Leverage additional growth from six innovation growth fields with above-average profitability	€1 bn additional SALES	2025
Portfolio Management	<ul style="list-style-type: none">Portfolio strategy: more balanced and more specialty		

18-20%
EBITDA margin

GDP+
volume growth

1. Total synergies of ~\$100 m; currency translation based on current EUR/USD rate of 1.18

Achieving cost excellence

Leaner processes, higher cost discipline, competitive cost structures

Cost savings of **€200 m**

- **Focus:** Administrative & selling expenses
- **Scope:** Management holding, segments & regions
- **Leaner** organization and processes
- **Competitive** cost structures
- **Higher cost discipline**
- **Less regulation** – focus on value generation
- All measures **implemented by end of 2020, full effect in 2021**

Immediate effect
in 2018 of

€50 m

- Immediate implementation & realization
- Fully earnings-accretive already in 2018
- Limited implementation costs and time
- Strengthening free cash flow in 2018

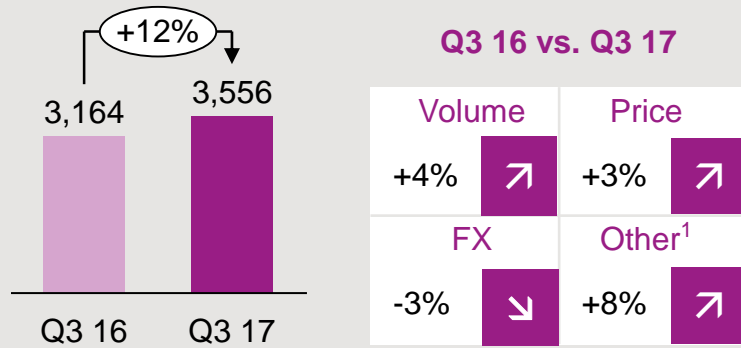
Table of contents

1. Highlights Q3 2017
- 2. Financial performance Q3 2017**
3. Outlook FY 2017

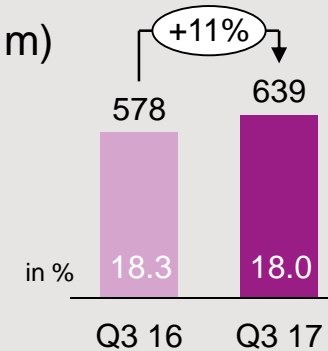
Financial highlights Q3 2017

Positive volume and price trend, only modest NFD increase despite Huber

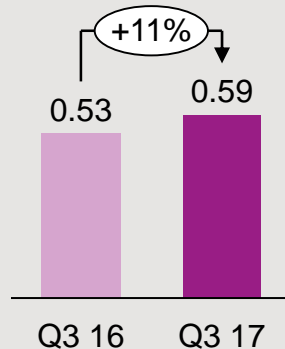
Sales
(in € m)



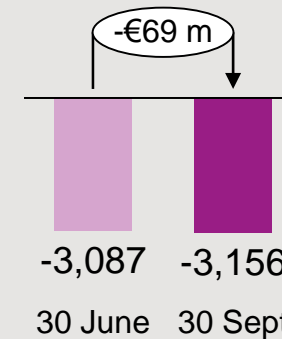
Adj. EBITDA (in € m)
/ margin (in %)



Adj. EPS
(in €)



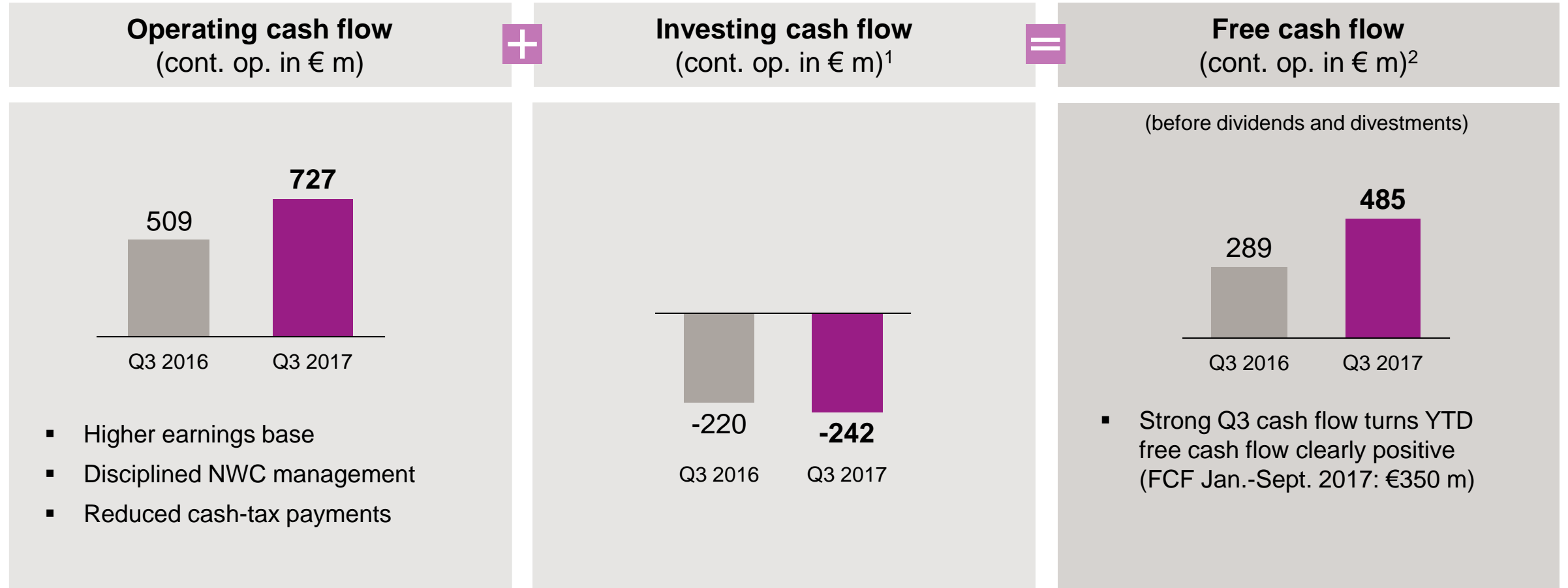
Net financial
position
(in € m)



1. Portfolio effects

Free cash flow Q3 2017

Excellent and broad-based free cash flow generation

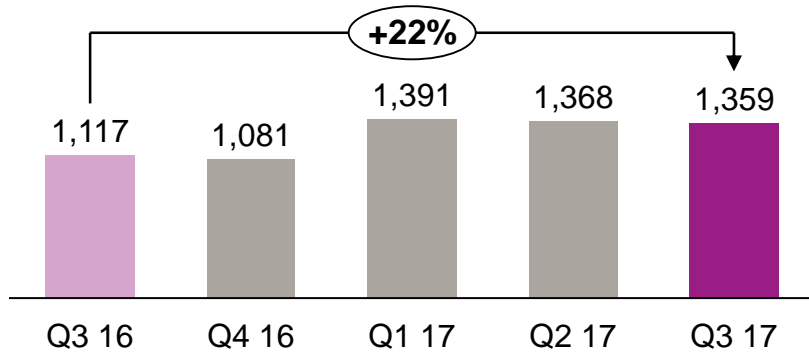


1. Cash outflow for investments in intangible assets and PP&E | 2. Operating cash flow (cont. op.) ./ Investing cash flow (cont. op.)

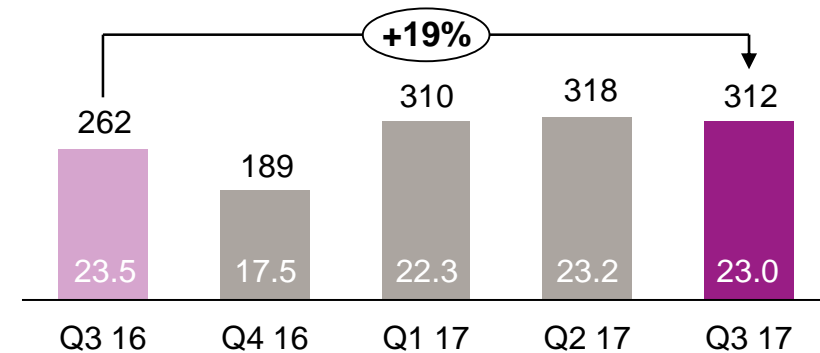
Resource Efficiency

Sustained strong performance and margin level

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q3 17 vs. Q3 16	Volume	Price	FX	Other
	+6% ↗	+3% ↗	-2% ↘	+15% ¹ ↗



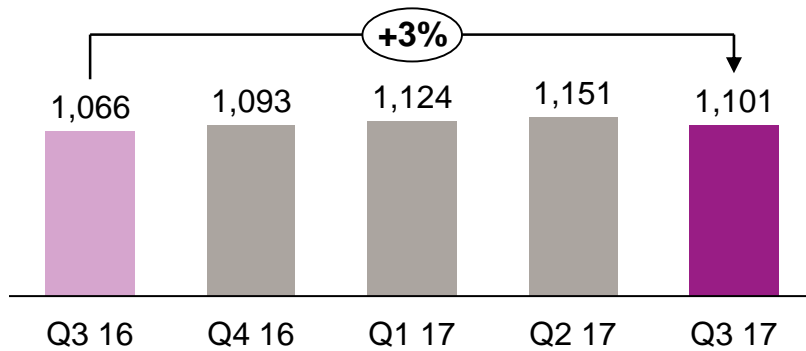
- Another strong operational performance with high and broad based volumes and accelerating prices
- Excellent margin level confirmed despite shutdowns in Q3
- Strong demand and high utilization rates across most businesses like High Performance Polymers or Crosslinkers
- Continued strength in Silica and first earnings contribution from acquired Huber Silica business
- Q4 operationally strong with typical year-end seasonality

1. Mix of portfolio effects and others

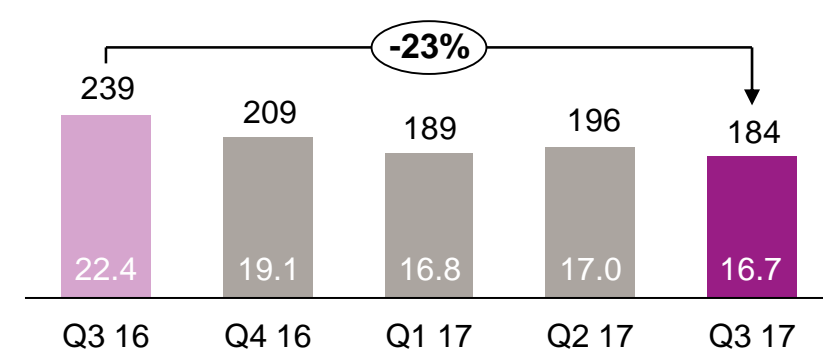
Nutrition & Care

Healthy demand and improved market sentiment in Methionine

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q3 17 vs. Q3 16	Volume	Price	FX	Other
	+2% ↗	-6% ↘	-3% ↘	+10% ¹ ↗



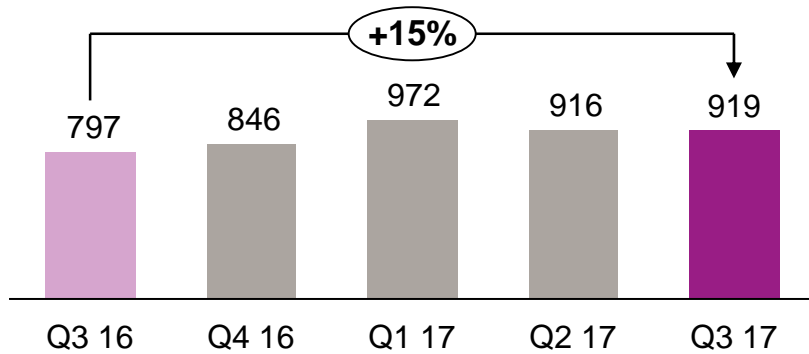
- Improved market sentiment in Methionine. Price increase successfully implemented, price stabilization reached towards end of Q3. Volume impact less pronounced than initially expected.
- Comfort & Insulation with positive performance based on volume growth and margin stability
- As expected, contract patterns leading to sequentially lower contributions from Health Care.
- Q4 with accelerating impact from rising Methionine prices, potentially mitigated by lower volumes (contract business), FX and planned maintenance shutdowns

1. Mix of portfolio effects and others

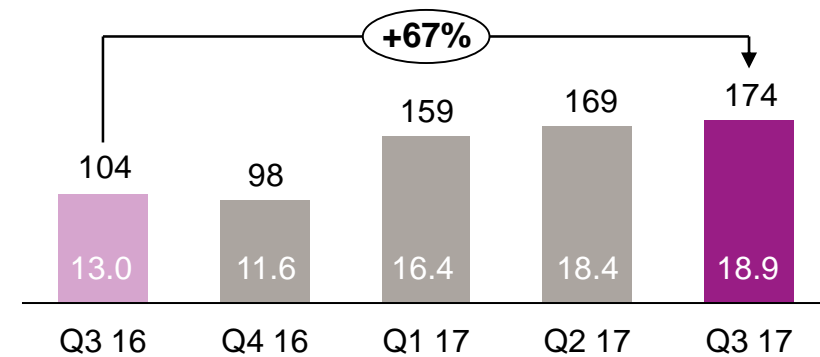
Performance Materials

Tightness in MMA and strong demand for intermediates drives Q3 performance

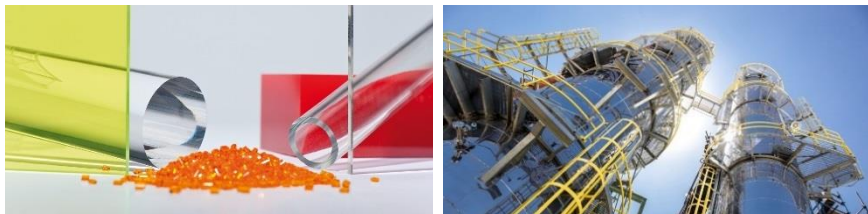
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



	Volume	Price	FX	Other
Q3 17 vs. Q3 16	+2% ↗	+15% ↗	-2% ↘	0% →



- 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

Table of contents

1. Highlights Q3 2017
2. Financial performance Q3 2017
- 3. Outlook FY 2017**

Outlook for 2017 specified

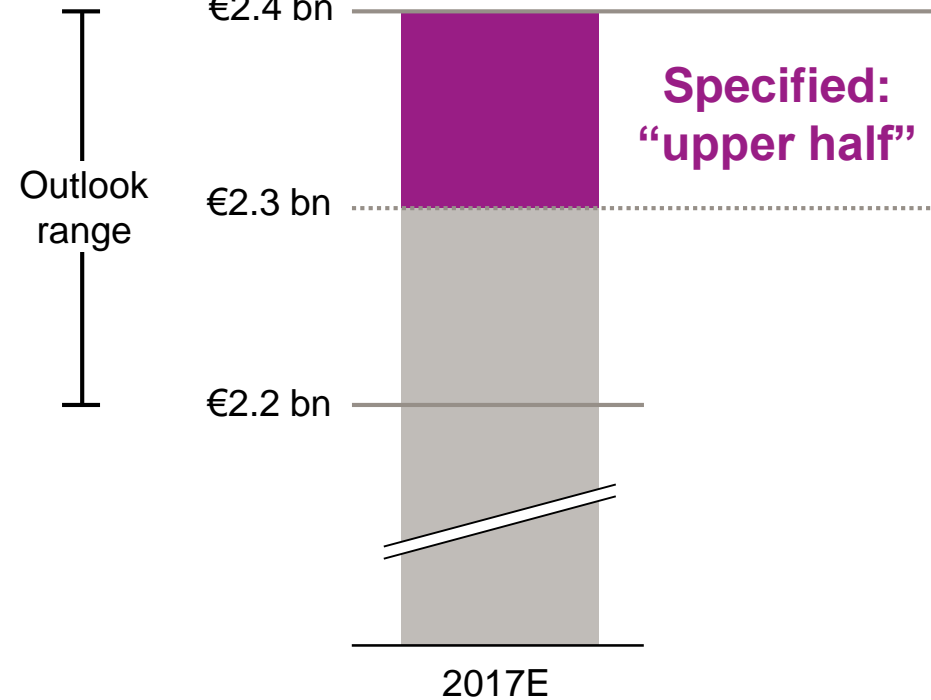
Upper half of guidance range expected

Outlook

Significantly higher sales
(previously: higher sales;
2016: €12.7 bn)

Adj. EBITDA in upper half of
€2.2 and 2.4 bn range
(2016: €2,165 bn)

Adj. EBITDA





EVONIK

POWER TO CREATE

Additional indications for 2017

- 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 sensitivity¹ +/-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** (2016: €717 m; increase due to finalized PPA, mainly related to Intangible Assets)
- Adj. net financial result² ~ **-€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

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

Current status Air Products specialty additives integration: Already double digit million savings achieved as predicted



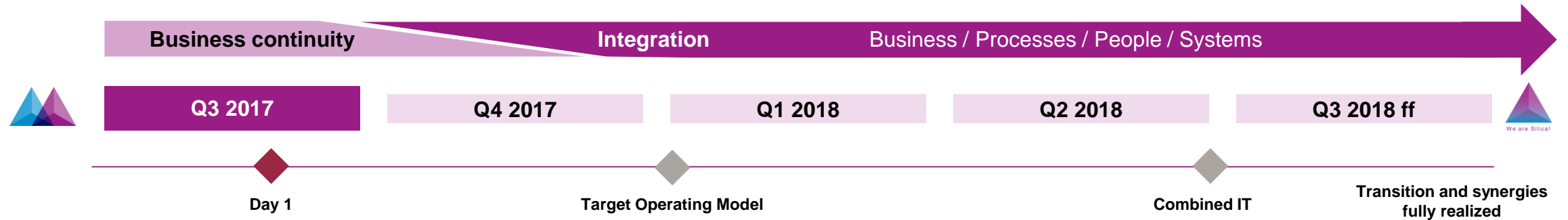
Status update

- First synergies realized via **streamlining of functions** and in **procurement**
- Continuous execution of “**best-of-both-worlds**” approach:
 - Enhancing and facilitation of **cross BL co-operation** (e.g. distributor management)
 - Jointly leveraging on individual commercial best practices (e.g. pricing, sales & operations planning)
- Successful GoLive of **combined IT technology landscape** achieved beginning of Q4 2017

€11 m synergies already realized (1-9 2017)

Current status Huber Silica integration:

After successful Day 1 focus on systematic transition



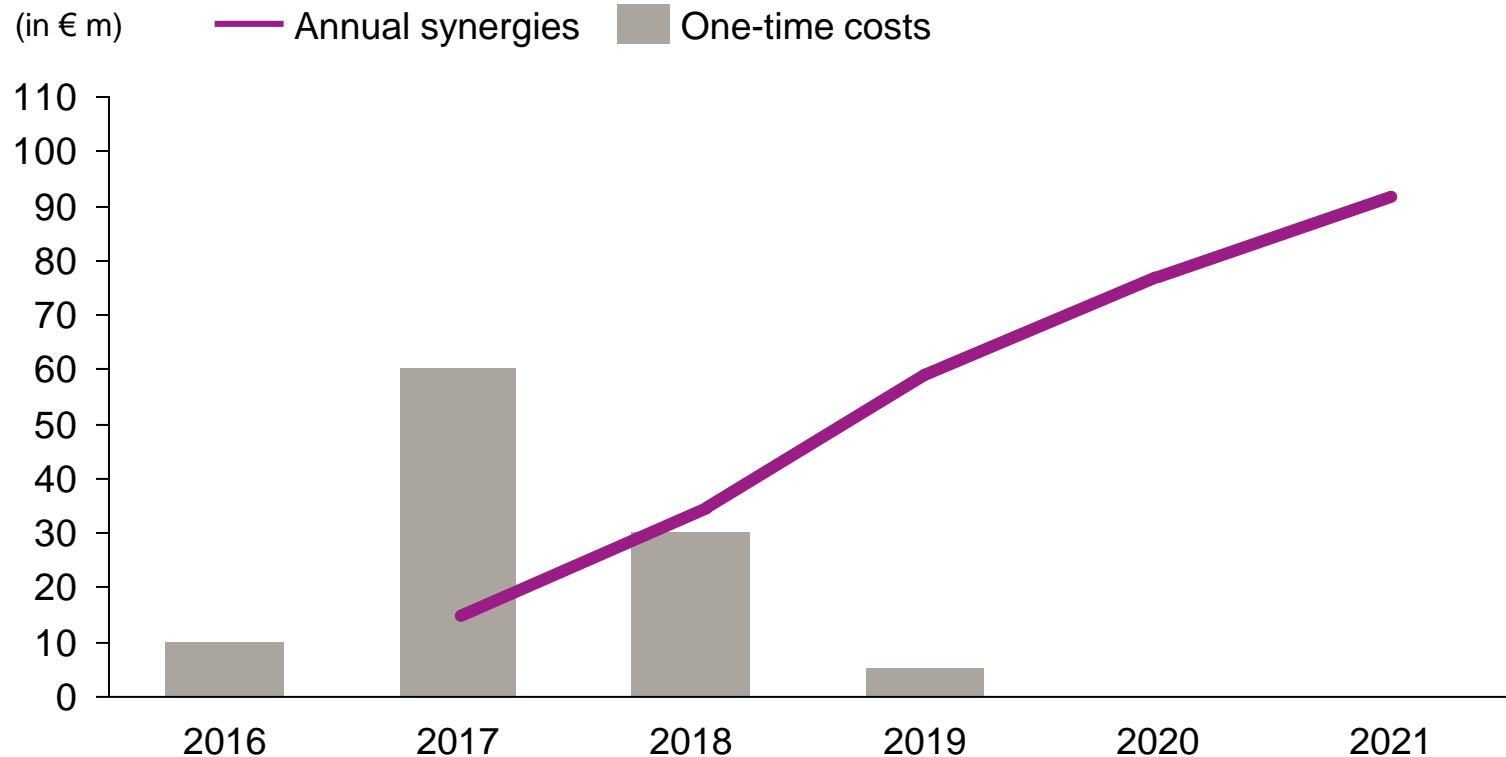
Status update

- Acquisition of Huber Silica business **successfully closed on Sept 1st**, Day 1 organization established
- **Carve-out and transfer of Evonik dental business and Huber defoamer** business in Europe to W.R. Grace on Sept 5th
- **Initiatives** for organizational and processes integration as well as **value generation initiated**
- Focus on **Business Continuity** and minimum disruption
- **Joint conferences** to accelerate the successful integration

Implementation schedule for acquisition synergies

Ramp-up on track for Air Products specialty additives and Huber silica acquisitions

Implementation schedule



Total

Annual synergies

~ €85 m p.a. (USD100 m)
 APD: ~ €68 m p.a. (USD80 m)
 Huber: ~ €17 m p.a. (USD20 m)

One-time integration costs¹

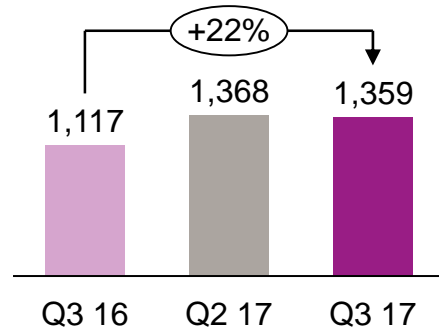
~ €105 m p.a.
 APD: ~ €75 m p.a.
 Huber: ~ €30 m p.a.

1. Excluding transaction-related costs | Currency translation based on current EUR/USD rate of 1.18

Resource Efficiency

Q3 2017 Business Line comments

Sales (in € m)



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.

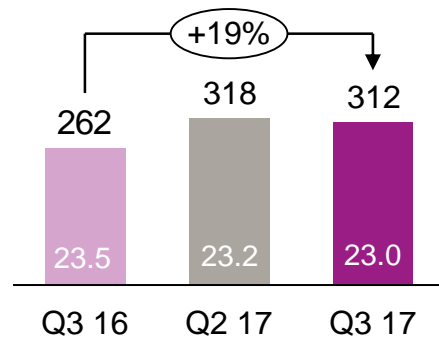


High Performance Polymers: High demand for PA 12, especially for automotive and membrane fibres. Capacities running at high utilization rates.



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.

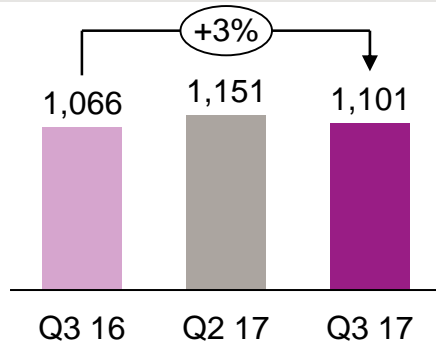
Adj. EBITDA (in € m) / margin (in %)



Nutrition & Care

Q3 2017 Business Line comments

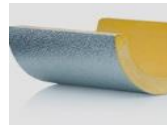
Sales (in € m)



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.

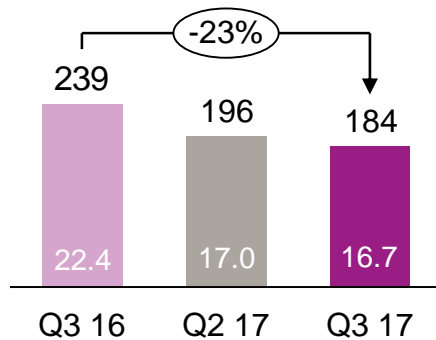


Baby Care: Sequentially stable on low levels due to persisting unfavorable global supply/demand situation.



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.

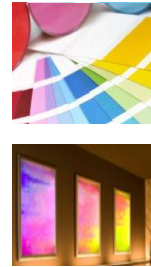
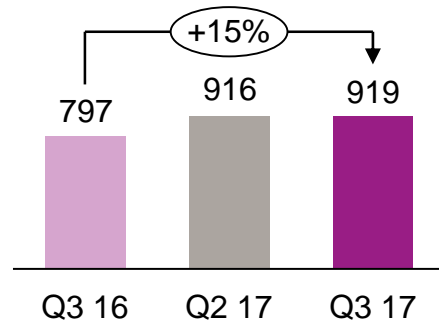
Adj. EBITDA (in € m) / margin (in %)



Performance Materials

Q3 2017 Business Line comments

Sales (in € m)



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.

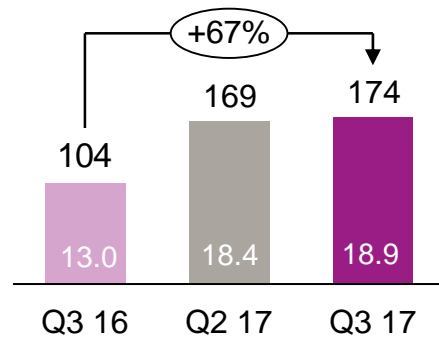


Performance Intermediates:

Sequentially lower Butadiene naphtha spread in Q3. MTBE with strong demand and seasonal reduction into Q4 due to softer demand in winter months.

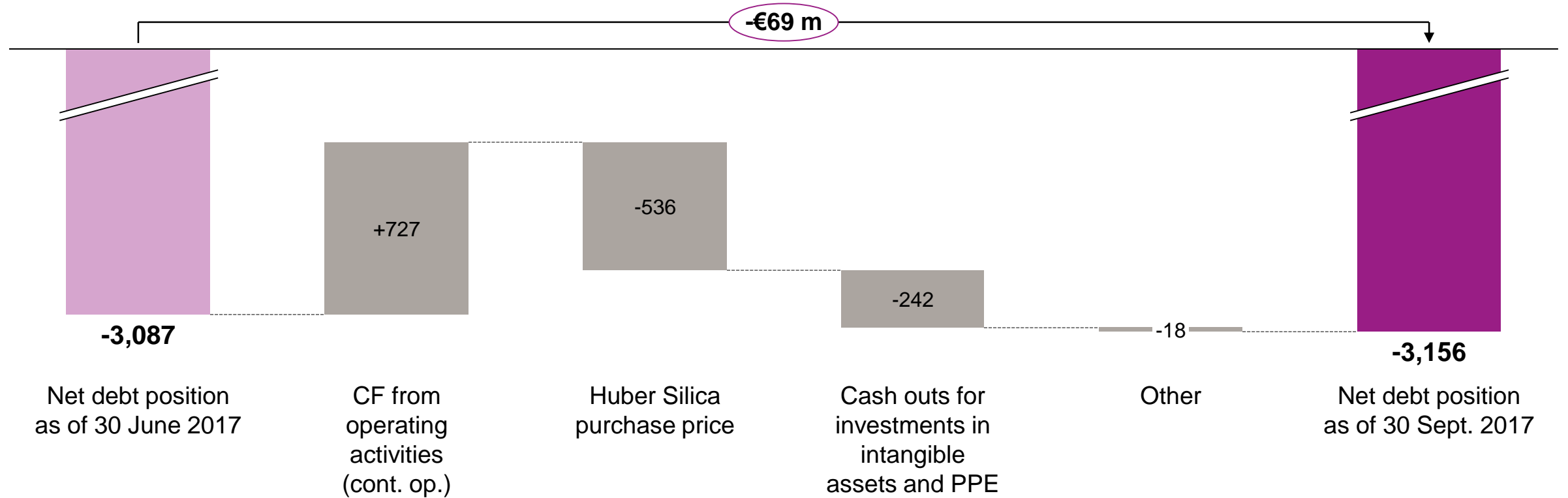
1-Butene in Q3 again very healthy. INA and DINP market demand was solid in Asia and Europe.

Adj. EBITDA (in € m) / margin (in %)



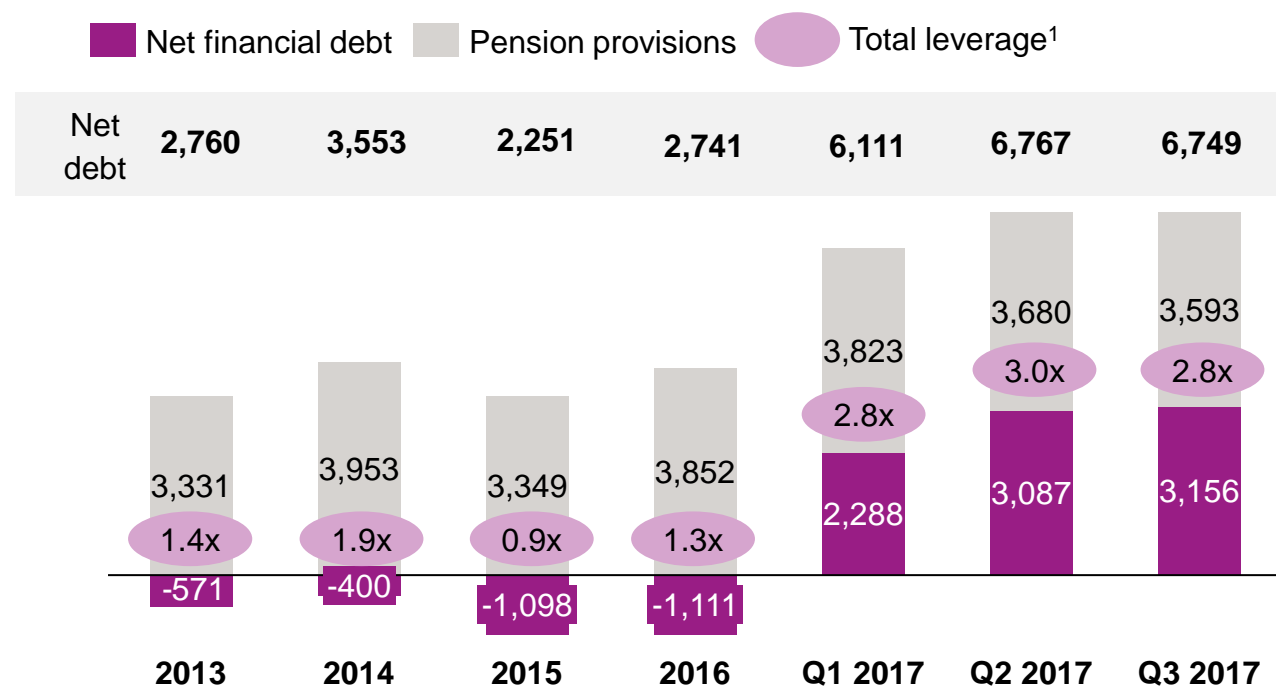
Net financial position development Q3 2017

(in € m)



Net debt development

(in € m)



- Increase of net debt during 2017 mainly driven by acquisition-related purchase price payments (Air Products, Dr. Straetmans, Huber Silica)
- Total leverage improved in Q3 despite Huber purchase price payment due to strong free cash flow and €0.5bn hybrid issuance (of which only 50% are treated as debt for total leverage calculation)
- Long-term capital market financing secured under favorable conditions: average coupon of only 0.74% p.a. on €3.15bn senior bonds and 2.125% on €0.5bn hybrid bond
- More than half of total net debt consists of long-dated pension obligations; average life of DBO exceeds 15 years

3.84	2.65	2.91	2.16	-	-	-	Evonik Group global discount rate (in %) ²
3.75	2.50	2.75	2.00	2.00	2.00	2.00	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 Q3 2017

in € m	Q3 2016	Q3 2017	Δ in %
Sales	3,164	3,556	+12
Adj. EBITDA	578	639	+11
Depreciation & amortization	-182	-217	
Adj. EBIT	396	422	+7
Adj. net financial result	-50	-55	
D&A on intangible assets	11	35	
Adj. income before income taxes	357	402	+13
Adj. income tax	-106	-122	
Adj. income after taxes	251	280	+12
Adj. non-controlling interests	-4	-5	
Adj. net income	247	275	+11
Adj. earnings per share	0.53	0.59	+11
Adjustments	-15	-30	

Depreciation & amortization:

- Increase in D&A mainly as result of Air Products specialty additives and Huber Silica purchase price allocation

Line item “D&A on intangible assets”

- Representing reversal of amortization on intangible assets (mainly related to PPA for APD and Huber Silica) for calculation of adjusted net income

Adj. net financial result

- Includes hybrid bond financing costs

Adj. tax rate:

- Q3: 30.3% in line with indication of ~31% for FY 2017

Adjustments of -€30 m, thereof:

- M&A -€19 m: mainly inventory step-up (-€18 m) from recent acquisitions
- Restructuring -€6 m
- Other -€5 m

APD: Air Products specialty additives

Cash flow statement Q3 2017

in € m	Q3 2016	Q3 2017
Income before financial result and income taxes	381	392
Depreciation and amortization	178	213
Δ Net working capital	86	128
Change in other provisions	90	90
Change in miscellaneous assets/liabilities	-6	64
Outflows from income taxes	-141	-78
Others	-79	-82
Cash flow from operating activities	509	727
Cash inflows/outflows for investment in/divestments of intangible assets, pp&e	-220	-242
Cash inflows/outflows from investments/divestments of shareholdings	-48	-541
Cash inflows/outflows relating to securities, deposits and loans	-8	-10
Others	16	8
Cash flow from investing activities	-260	-785
Cash flow from financing activities	1,933	370

CF from operating activities

- Strong operating cash flow in Q3 driven by higher earnings base, inflow from strict NWC management after peak in Q2, lower cash tax payments vs. previous year

CF from investing activities

- Contains cash outflow for investments of shareholdings: Acquisition Huber Silica
- Capex slightly above previous year due to higher cash outs for new Methionine plant

CF from financing activities

- Includes issuance of bonds to finance APD in 2016 and Huber Silica in 2017

Segment overview by quarter

Sales (in € m)	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17	Q2/17	Q3/17
Nutrition & Care	1,111	1,066	1,093	4,316	1,124	1,151	1,101
Resource Efficiency	1,156	1,117	1,081	4,473	1,391	1,368	1,359
Perf. Materials	829	797	846	3,245	972	916	919
Services	163	173	180	683	193	174	172
Corporate / Others	-1	11	5	15	3	5	5
Evonik Group	3,258	3,164	3,205	12,732	3,683	3,614	3,556

Adj. EBITDA (in € m)	Q2/16	Q3/16	Q4/16	FY 2016	Q1/17	Q2/17	Q3/17
Nutrition & Care	264	239	209	1,006	189	196	184
Resource Efficiency	270	262	189	977	310	318	312
Perf. Materials	105	104	98	371	159	169	174
Services	33	50	32	151	41	35	46
Corporate / Others	-87	-77	-92	-340	-87	-83	-77
Evonik Group	585	578	437	2,165	612	635	639

Upcoming IR events

Conferences & Roadshows

6 November	Roadshow, Frankfurt
7 November	Roadshow, London
14 November	UBS European Conference, London
22 November	Exane Consumer Ingredients Conference, London
23 November	KeplerCheuvreux One-Stop-Shop, Dublin
5 December	Berenberg European Conference, Pennyhill (UK)
6 December	BoAML European Chemicals Conference, London
14 December	Citi Benelux Symposium 2017, Amsterdam

Upcoming Events & Reporting Dates

6 March 2018	FY 2017 reporting
8 May 2018	Q1 2018 reporting
23 May 2018	AGM

Evonik Investor Relations team



Tim Lange

Head of Investor Relations

+49 201 177 3150

tim.lange@evonik.com



Janine Kanotowsky

Team Assistant

+49 201 177 3146

janine.kanotowsky@evonik.com



Eva Frerker

Investor Relations Manager

+49 201 177 3142

eva.frerker@evonik.com



Daniel Györy

Investor Relations Manager

+49 201 177 3147

Daniel.gyoery@evonik.com



Kai Kirchhoff

Investor Relations Manager

+49 201 177 3145

kai.kirchhoff@evonik.com



Joachim Kunz

Investor Relations Manager

+49 201 177 3148

joachim.kunz@evonik.com



Fabian Schwane

Investor Relations Manager

+49 201 177 3149

fabian.schwane@evonik.com

Disclaimer

In so far as forecasts or expectations are expressed in this presentation or where our statements concern the future, these forecasts, expectations or statements may involve known or unknown risks and uncertainties. Actual results or developments may vary, depending on changes in the operating environment. Neither Evonik Industries AG nor its group companies assume an obligation to update the forecasts, expectations or statements contained in this release.



EVONIK

POWER TO CREATE