

Evonik Strategy Update

**Building a best-in-class
specialty chemicals
company**

London, June 1, 2017

Christian Kullmann, CEO
Ute Wolf, CFO



Evonik management team with clear responsibilities

Executive Board

Group Strategy



Christian Kullmann

Chairman of the Executive Board

Chemistry & Innovation



Dr. Harald Schwager¹

Deputy Chairman of the Executive Board

Financials



Ute Wolf

Chief Financial Officer

HR



Thomas Wessel

Chief Human Resources Officer

Segment Management



Nutrition & Care
Dr. Reiner Beste



Resource Efficiency
Dr. Claus Rettig



Performance Materials
Johann-Caspar Gammelin



Services
Gregor Hetzke

1. Joining Evonik on September 1, 2017

Strong basis for our ambitious vision

Market leadership



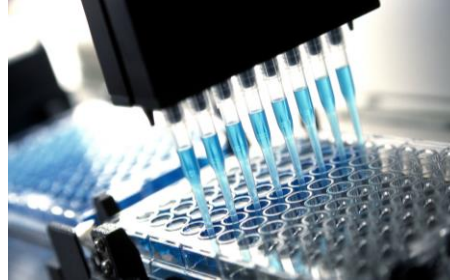
Leading market positions in
80%
of our businesses¹

Customer proximity



Almost 90%
of direct sales
via
marketing & sales force
of **~2,000**
employees

Technology leadership



Leading and
proprietary technology
platforms in
25 countries
on
5 continents

Unique brand recognition



tego
An Evonik product.

ROHACELL
An Evonik product.

PLEXIGLAS

(selected product brands)

Qualified employees



Highly qualified workforce
as key factor for a
successful and
sustainable business
development

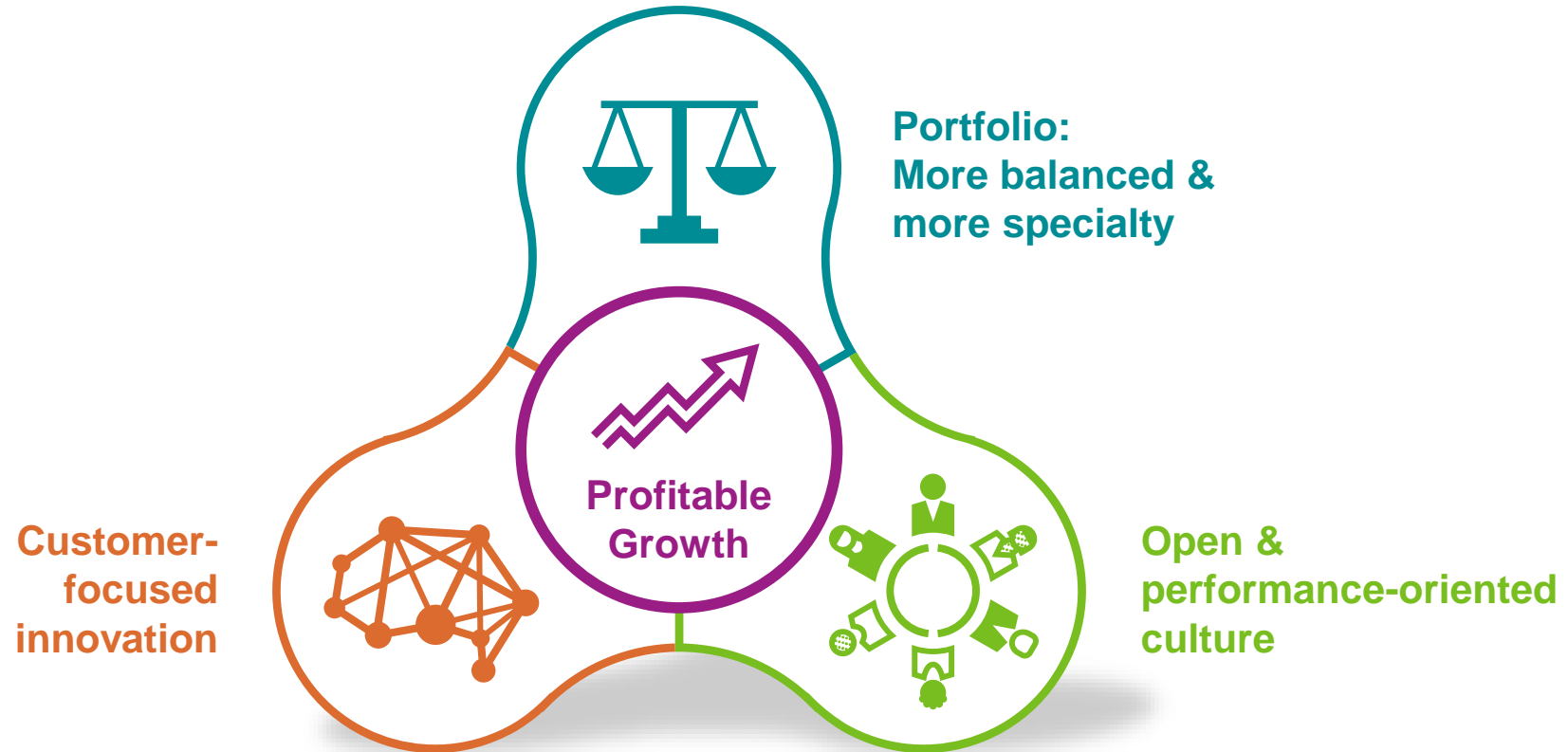
1. Sales with top 1-3 market position by sales, production volume or capacity (depending on available data)

Significant progress achieved over last 3 years



Building a best-in-class specialty chemicals company

Targeting excellence in three strategic focus areas



Putting Methionine into perspective

Important product for Evonik, but not the core of our investment case

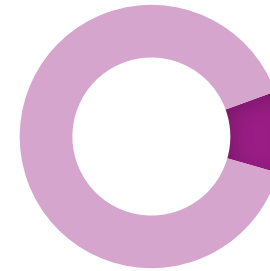
Leading position in Methionine with ...

- Global market and technology leader
- Well-invested global asset setup
- Customer proximity through direct sales presence in more than 120 countries
- Differentiation in new markets and animal species

... lowered dependency

Evonik
Sales 2017

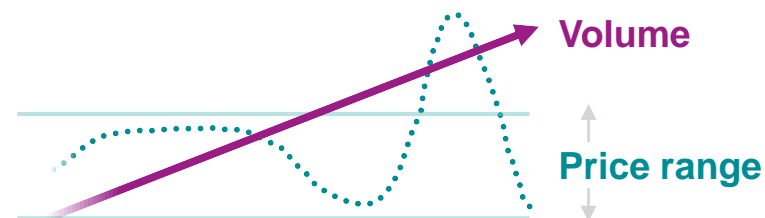
Rest of
Evonik
portfolio



Methionine:
~10% of sales;
earnings share not very different

... and attractive perspective

Historic development over last decade



- Steady & resilient volume growth of 6% over last decade – set to continue
- Certain price fluctuation will remain – but 2015 was clear outlier in volatility (prices historically fluctuated in corridor of +/-10%)

Portfolio strategy: „More balanced – more specialty“

Focus on businesses with specialty chemicals characteristics

Low cyclicalty;
low raw material dependency

**Above-
average
growth and
margins**

Customer-specific products
and services

High customer proximity

Mission-critical solutions
enabling value-based pricing

Building on our strengths

Developing our growth segments and businesses

NUTRITION & CARE

€4.3 bn

Mature
businesses



Growth
businesses

RESOURCE EFFICIENCY

€4.5 bn

Mature
businesses



Growth
businesses

PERFORMANCE MATERIALS

€3.2 bn

Mature
businesses



- ✓ Meeting specialty chemicals characteristics
- ✓ Focus of capital allocation

Strategic growth focus

Four growth engines as drivers for profitable & balanced growth

NUTRITION & CARE

RESOURCE EFFICIENCY



Health & Care



Smart Materials



Specialty Additives








Animal Nutrition

Four
growth
engines

Four growth engines

Growth drivers and product examples

| | Growth trends and drivers | Product examples | Market growth |
|--|---|--|---|
|  <p>Specialty Additives “Small volume, big impact”</p> | <ul style="list-style-type: none"> More sophisticated requirements on additive effects Need for increased product performance and efficiency | <p>Coating Additives PU-Additives Oil Additives</p> |  <p>5-6%</p> |
|  <p>Health & Care Preferred partner in Pharma and Cosmetics</p> | <ul style="list-style-type: none"> Increasing health-awareness and lifestyle Bio based products and environmentally-safe cosmetics | <p>Pharma polymers Oleochemicals Advanced biotechnology</p> |  <p>5-6%</p> |
|  <p>Smart Materials Tailored functionalities for sustainable solutions</p> | <ul style="list-style-type: none"> Trend towards resource efficiency in high demanding applications Engineered materials and systems to fulfill high performance requirements | <p>Rubber Silica & Silanes High Performance Polymers Membranes</p> |  <p>4-7%</p> |
|  <p>Animal Nutrition Comprehensive portfolio for more sustainable food chain</p> | <ul style="list-style-type: none"> Sustainable nutrition Improving food quality and safety | <p>Amino acids Probiotics</p> |  <p>5-7%</p> |

Thorough review process of key drivers for value creation

Capital allocation

- Targeted investments for sustainable growth
- Value-adding acquisitions in defined growth areas
- Strategic portfolio review; review of qualification as best owner



Cost competitiveness

- Factor cost (over-) compensation as efficiency target for all businesses
- Focus on value-creating processes for our customers
- Best-in-class service & support functions drive competitiveness of operating segments
- Culture of clear cost responsibility and accountability

Targeted and disciplined M&A approach



Air Products
Performance Materials



Huber Silica



Dr. Straetmans

Purchase price

~ €3.5 bn

~ €600 m

~ €100 m

EBITDA margin

>20%

>20%

~20%

Market growth

~4-5%

~4-6%

~10%

Business

Highly attractive strategic fit, seamless integration into existing businesses

Disciplined expansion in high-growth & -margin businesses with excellent strategic fit

Leading Innovation

Ambitious targets, clear strategy and inspiring culture



Innovation Targets

- Increase of innovation pipeline value
- 16% contribution of innovation to sales/profit by new products and new/improved processes



Innovation Strategy

- Balanced innovation portfolio management
- Fostering disruptive innovations: Growth Fields
- Open innovation approach by partnering and venture capital investments
- Truly global



Innovation Culture

- Guiding principles of innovation (trust, openness, transparency)
- Focus on customer needs
- Fostering entrepreneurship and deal with setbacks

Leading Innovation

Innovation: Our goals

R&D rate

3 % on Group level;
4-6 % in growth engines



Evonik growth fields

€1 billion additional turnover
by 2025

Products/applications younger than five years

16 percent share of overall sales
(medium term)

Corporate culture drives performance

Business focus

- We take **action** and initiate **change**
- We reward **measured risk** taking
- We promise and deliver – with **conviction, clarity** and **consistency**
- We **excel** our customers' **expectations**
- We **compete to win**



**Corporate
Culture**

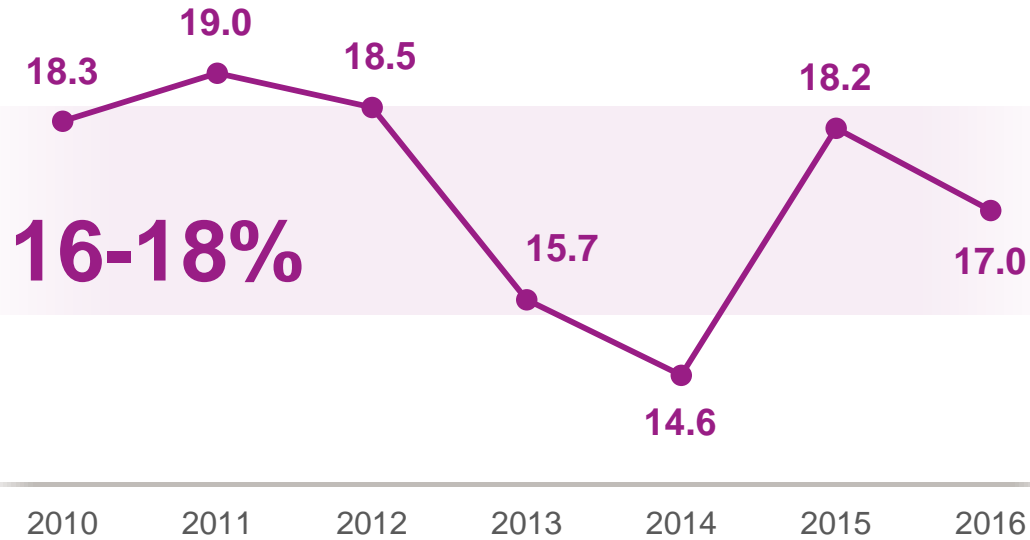
Best-in-class team

- We build on **openness, trust** and **respect**
- We assign **responsibility** and demand **accountability**
- We **reward performance**
- We continuously work on developing an **international mindset** as part of our **diversity strategy**
- We grow our **own leaders**

Strategic agenda reflected in ambitious financial targets

Structurally lifting EBITDA margin and driving balanced growth

Historic margin range (in %)



Targets going forward (over the cycle)

Structurally lift EBITDA margin into sustainably higher range of **18-20%**

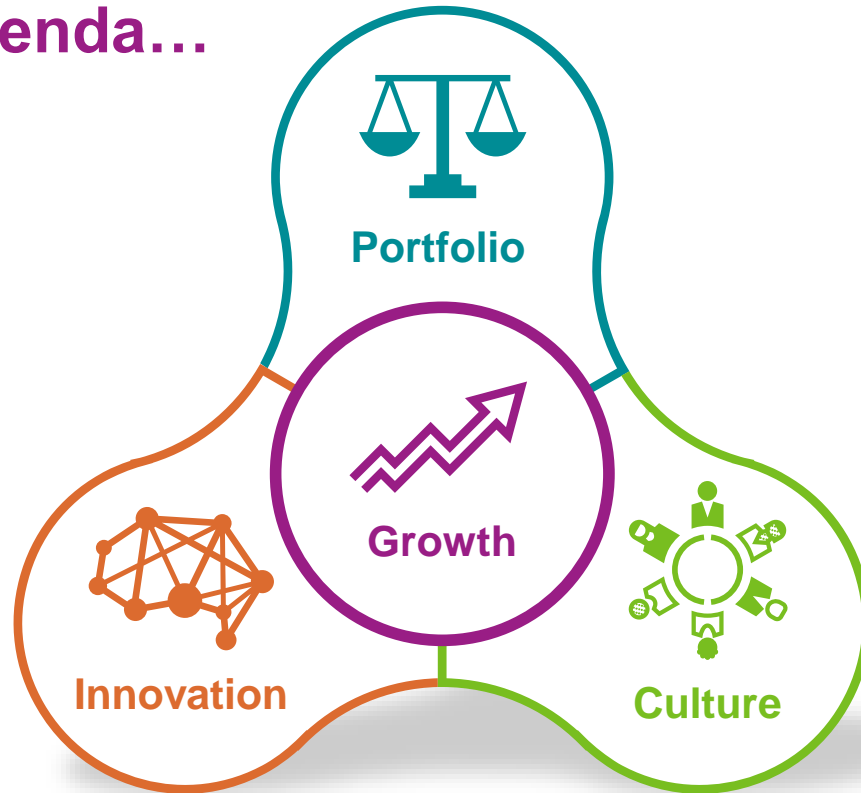
Above-average volume growth **GDP+**

- ROCE above cost of capital
- Sustainable FCF generation
- Reliable and sustainably growing dividend
- Solid investment grade rating

Summary

Building a best-in-class specialty chemicals company

Executing our strategic agenda...



... for structural uplift in profitability & growth

18-20%
EBITDA margin

GDP+
volume growth



EVONIK

POWER TO CREATE