

# Evonik. Power to create.

## Company presentation

June 2016



**EVONIK**  
INDUSTRIES

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# Leading in Specialty Chemicals

## Market leader

Leading market positions in **80%** of our businesses<sup>1</sup>



## Customer proximity

Strong customer intimacy and tailor-made solutions with **almost 90%** of direct sales



## Value proposition

Most products with **small volumes** but **big impact** in customers' end products



## Innovation power

**~500 R&D projects** driving future sales potential



## Growth profile

Average **volume growth** from 2010 until 2015 **of more than 4%** in our growth segments<sup>2</sup>



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

<sup>2</sup> Nutrition & Care and Resource Efficiency

# Three segments with differentiated management



**Sales**  
€13,507 m

**Adj. EBITDA**  
€2,465 m

**Margin**  
18.2%

**ROCE**  
16.6%



**Growth**



**Efficiency**



**Nutrition &  
Care**



**Sales**  
€4,924 m



**Adj. EBITDA / Margin**  
€1,435 m / 29.1%



**Resource  
Efficiency**



**Sales**  
€4,279 m



**Adj. EBITDA / Margin**  
€896 m / 20.9%



**Performance  
Materials**



**Sales**  
€3,435 m



**Adj. EBITDA / Margin**  
€309 m / 9.0%

# Growth strategy based on three strong pillars

## Investments



Expansion of global production footprint

Strengthen leading market positions worldwide

**7** world-scale production plants erected and currently in ramp-up<sup>1</sup>

## Innovation



Market- and customer-oriented R&D approach

Product and process innovation

**~ 2,700**  
R&D employees drive our innovation efforts across the group

## M&A



Sharpening of specialty chemicals portfolio

Additional route for growth and value creation

**~ €200 m**  
spent on four bolt-on acquisitions in the last two years<sup>2</sup>

<sup>1</sup> Construction between 2012 and 2015

<sup>2</sup> Since February 2014

# Strong business fundamentals

## Performance Materials



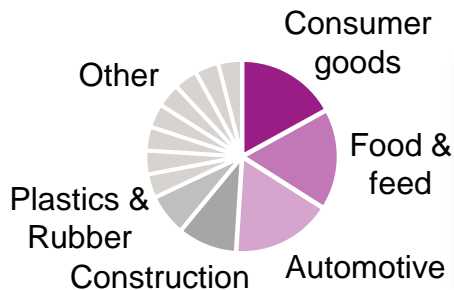
Nutrition & Care and  
Resource Efficiency

**Almost 90% of  
earnings  
generated in  
growth  
segments with  
little cyclical<sup>1</sup>**

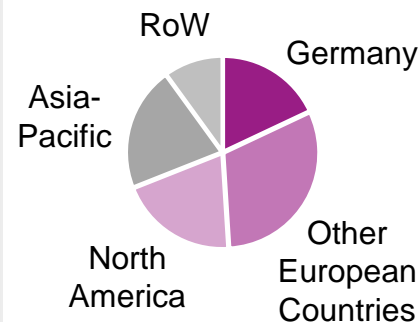
# 17%

average EBITDA margin  
since 2010

**Profitability  
significantly  
above average  
in European  
Chemicals**



**Largest  
exposure to  
defensive end  
markets; no  
dependency  
on any single  
industry<sup>2</sup>**



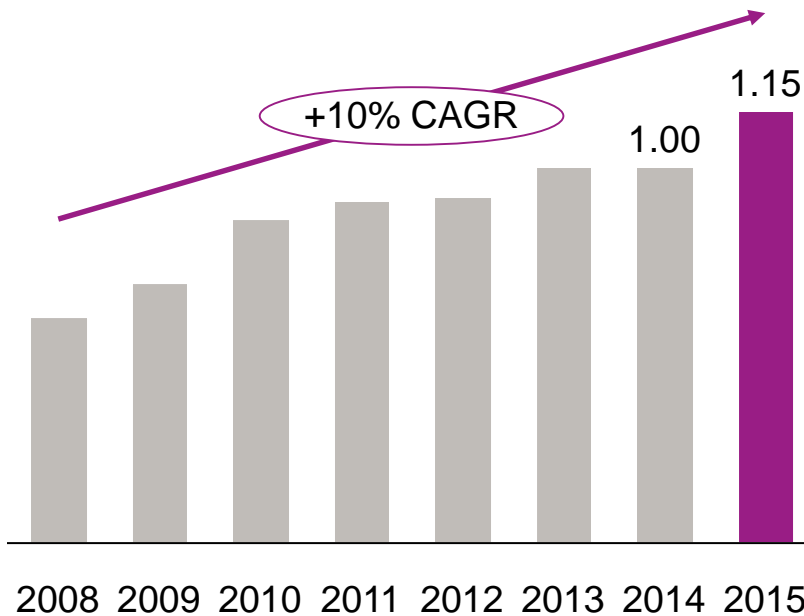
**Strong  
European  
heritage and  
selected  
exposure to  
emerging  
markets<sup>2</sup>**

<sup>1</sup> Based on specialty chemicals segments' 2015 adj. EBITDA

<sup>2</sup> Consolidated Group sales 2015

## Reliable and attractive dividend policy

Dividend (in €)

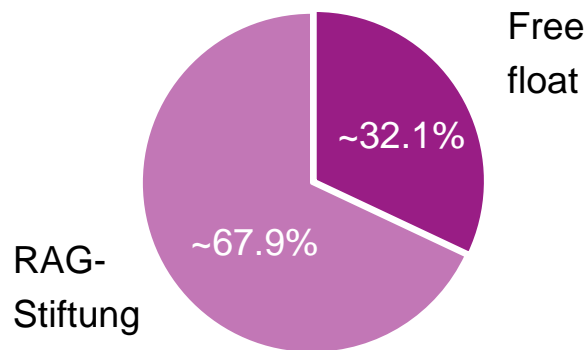


- Sustainable dividend growth over the last years: 10% CAGR between 2008 and 2015
- Substantial dividend increase of 15% for fiscal 2015 on the back of strong operating performance
- **Attractive dividend yield ~ 4%**
- Reliable dividend policy targeting:
  - **dividend continuity**
  - a **payout ratio of ~40%** of adjusted net income

# Free float & trading liquidity

## Top ranking in MDAX

### Ownership structure



#### RAG-Stiftung

- Obligation to finance the perpetual liabilities arising from the cessation of hard-coal mining in Germany
- Intention to retain a strategic shareholding of **at least 25.1% in the long term**

### Free float development

- CVC with exit in several steps throughout 2015 and 2016 (initial stake: ~25%)

**Free float increased to 32.1%**



**#12**

by **market cap**  
in MDAX<sup>1</sup>



**#8**

by **trading volume**  
in MDAX<sup>1</sup>

**Average daily trading**  
volume increased to  
**>€20 m<sup>1</sup>**

<sup>1</sup> Average in H2 2015



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# APD Performance Materials<sup>1</sup> provides an excellent fit with Evonik



## Leadership position

- Creating a global leader in Specialty & Coating Additives
- Leading market positions in performance-critical additives

## Specialty product portfolio

- Strengthening of growth segments Nutrition & Care and Resource Efficiency
- Excellent fit of all acquired businesses with Evonik's growth segments

## Customer and innovation focus

- Combining complementary chemistry, manufacturing processes and formulation know-how
- Customer- and solution-oriented businesses with complementary innovation pipeline

## Truly global footprint

- Expanding global footprint
- Strengthening presence in North America and Asia

## Enhanced financial performance

- High margin and resilient business with low capital intensity and strong cash generation
- High synergy potential due to exceptional business and regional complementarity

<sup>1</sup> APD Performance Materials is the Specialty & Coating Additives business of Air Products' Materials Technologies Segment

# Transaction overview

|                          |   |
|--------------------------|---|
| <b>Structure</b>         | <ul style="list-style-type: none"><li>• 100% acquisition of the Specialty &amp; Coating Additives business of Air Products for cash</li><li>• Cash and debt free</li><li>• Acquisition is structured as a mix of assets and shares</li></ul>  |
| <b>Financial impact</b>  | <ul style="list-style-type: none"><li>• Sustainable synergy level of ~\$80 m p.a.</li><li>• Asset step-up and accordingly higher D&amp;A leading to ~\$520 m NPV of tax benefits</li><li>• EPS accretive in the first full year</li></ul>   |
| <b>Transaction value</b> | <ul style="list-style-type: none"><li>• Acquisition price of \$3.8 bn representing 9.9x Enterprise Value / 2016E<sup>1</sup> EBITDA multiple including tax benefits and sustainable synergies</li><li>• Excluding tax benefits and sustainable synergies: 15.2x EV / 2016<sup>1</sup> EBITDA multiple</li></ul> |
| <b>Financing</b>         | <ul style="list-style-type: none"><li>• Financing secured with half cash and half committed credit facility</li><li>• Rating upgrade from Moody's and rating confirmation from Standard and Poor's</li></ul>  |
| <b>Timing</b>            | <ul style="list-style-type: none"><li>• Approved by Air Products' Board of Directors and Evonik's Supervisory Board</li><li>• Aiming for closing by the end of 2016, subject to regulatory approvals</li></ul>  |

<sup>1</sup> 2016E FY EBITDA of \$250 m

# APD Performance Materials

## A leader in Specialty & Coating Additives



|  |  |  |                               |
|--|--|--|-------------------------------|
| <b>\$1,078 m</b><br>2015 Sales                               | <b>Global leader</b>                       | <ul style="list-style-type: none"> <li>Global leadership positions in all three divisions</li> </ul>   | <b>2015 Sales by division</b> |
| <b>\$242 m / 22.4%</b><br>2015 EBITDA / EBITDA margin        | <b>Mission-critical products</b>           | <ul style="list-style-type: none"> <li>Performance-critical, highly specialised solutions</li> <li>Represent only small portion of total end product costs</li> </ul>  |                               |
| <b>15-20%<sup>1</sup></b><br>of sales from new products      | <b>Innovation &amp; customer focus</b>     | <ul style="list-style-type: none"> <li>Strong innovation power for unique technologies</li> <li>In-depth knowledge of customer-specific requirements</li> <li>Diverse customer base and end-market exposure</li> </ul> | <b>2015 Sales by region</b>   |
| <b>11 Plants<sup>2</sup></b><br><b>8 R&amp;D centers</b>     | <b>Global infrastructure</b>               | <ul style="list-style-type: none"> <li>Best-in-class production and supply network</li> <li>Strong presence in North America and Asia</li> <li>Global customer service and R&amp;D network</li> </ul>                  |                               |
| <b>1,100 Employees</b><br>~240 in R&D and applied technology | <b>Best in class financial performance</b> | <ul style="list-style-type: none"> <li>High and resilient margin profile</li> <li>Low capital intensity and high cash generation</li> </ul>  |                               |

Note: APD Performance Materials' fiscal year 2015 is September year-end

<sup>1</sup> Sales from products introduced within the last 5 years historically in 15-20% range

<sup>2</sup> Includes Pasadena (Texas, USA) site currently under construction

# APD Performance Materials focuses on differentiated products in high value markets



**APD PM  
Additives  
portfolio**

**Specialty  
Chemicals**

**Commodity  
Chemicals**

## Strong positioning of APD Performance Materials in high value additives market

- Targeting growing specialty additive markets with resilient growth profile and unique portfolio of chemistries
- Sector with high degree of differentiation through technology and application know-how
- Highly specialised and performance-critical products
- Breadth of portfolio combined with formulation expertise and strong innovation pipeline
- Loyal customer base driven by intensive interaction and customer-focused innovation and product offering

**Focus on performance critical products, which are essential for customers but comprise only a very small portion of total application costs**

# APD Performance Materials

## A leader in high-growth markets



|                      |  <b>Polyurethane Additives</b>  |  <b>Specialty Additives</b>   |  <b>Curing Agents</b>  |
|----------------------|--|--|---|
|                      | <b>2015 Sales: \$350 m</b>   | <b>2015 Sales: \$297 m</b>   | <b>2015 Sales: \$431 m</b>  |
|                      | <b>Global leadership positions in:</b>   | <b>Global leadership positions in:</b>   | <b>Global leadership positions in:</b>  |
|                      | <ul style="list-style-type: none"> <li>Amine Catalysts</li> <li>Low/Non-emissive Amine Catalysts</li> <li>Polyurethane Metal Catalysts</li> </ul>            | <ul style="list-style-type: none"> <li>Specialty Wetting Agents</li> </ul>   | <ul style="list-style-type: none"> <li>Epoxy Curing Agents</li> </ul>   |
| Applications         | <ul style="list-style-type: none"> <li>Additives for PU foams used in bedding, furniture, automotive, construction and insulation</li> </ul>                 | <ul style="list-style-type: none"> <li>Specialty wetting agents for coatings and industrial applications</li> <li>Functional additives for industrial &amp; institutional cleaning and mining</li> </ul> | <ul style="list-style-type: none"> <li>Curing agents for flooring, adhesives, marine and protective coatings</li> <li>Epoxy curatives for filament wound composites, e.g. pipes, tanks</li> </ul> |
| Value drivers        | <ul style="list-style-type: none"> <li>Enhances cell structure, strength, uniformity and visual appearance</li> <li>Reduces impact on environment</li> </ul> | <ul style="list-style-type: none"> <li>Enhances product performance: enables environmentally friendly systems in coatings and inks</li> <li>Broadens functionality of end products</li> </ul>            | <ul style="list-style-type: none"> <li>Improves mechanical strength, adhesion, gloss and chemical resistance</li> </ul>   |
| Target Market size   | ~\$1.4 bn  | ~\$5.5 bn  | ~\$3.1 bn   |
| Target Market growth | <b>GDP++</b>   | <b>GDP+</b>  | <b>GDP+</b>   |
|                      | <b>Growth driven by environmental and regulatory requirements as well as enhanced functionality and performance of end products</b>                          |  |   |

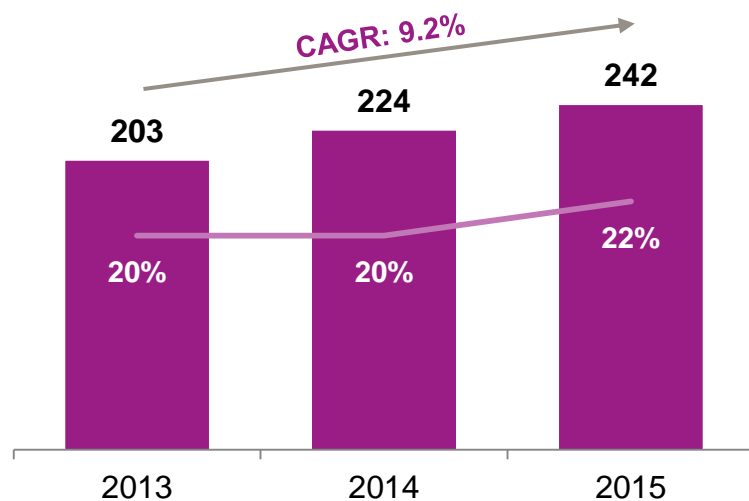
Note: APD Performance Materials 2015 financials are September year-end

# Resilient and attractive margin profile with strong cash generation



## Adjusted EBITDA<sup>1</sup>

in \$ m — % margin



- Growing demand of specialty
- Earnings driven by innovation and unique technologies
- High and stable margins

## Low capital intensity

D&A as % of sales

2.7%

2.4%

2.6%

D&A in \$ m

27

27

28

2013

2014

2015

- High quality asset base with low capital intensity
- Consistently high cash generation




Note: APD Performance Materials' 2015 financials are September year-end

<sup>1</sup> Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income

<sup>2</sup> Depreciation & amortization

# Combining complementary companies in the specialty additives market



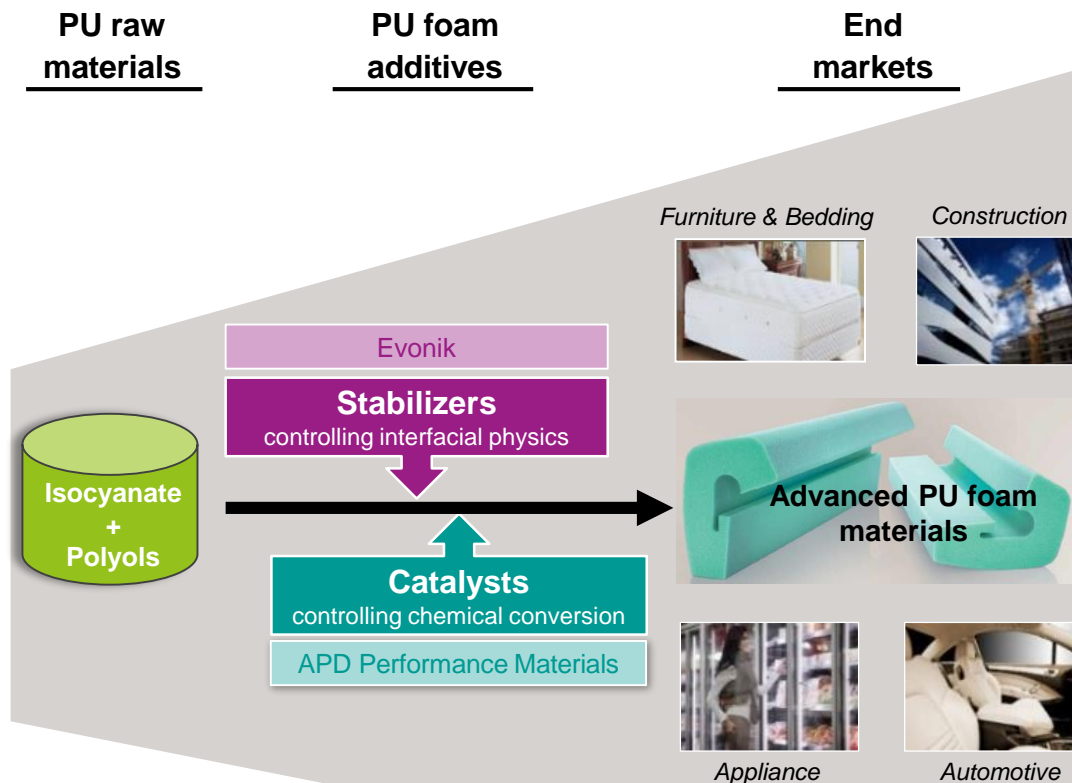
| Evonik  | Target industries  | APD Performance Materials   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• PU foam stabilizers</li> </ul>   |  <p>High value additives for PU foam</p>                                  | <ul style="list-style-type: none"> <li>• PU foam catalysts</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Isophorone-based crosslinkers</li> <li>• Coating additives and adhesives resins</li> </ul> |  <p>Additives/Ingredients for Coatings &amp; Adhesives</p>                | <ul style="list-style-type: none"> <li>• Amine-based crosslinkers</li> <li>• Epoxy curing agents</li> <li>• Specialty wetting agents</li> </ul> |
| <ul style="list-style-type: none"> <li>• Specialty surfactants for care and industrial applications</li> </ul>                      |  <p>Specialty surfactants for Industrial &amp; Institutional Cleaning</p> | <ul style="list-style-type: none"> <li>• Amine-based specialty surfactants</li> </ul>   |
| ~€2.5 bn  | 2015 Sales in Specialty and Coating Additives  | ~€1 bn <sup>1</sup>   |

**Creation of a global leader in Specialty and Coating Additives  
with ~€3.5 bn in sales**

<sup>1</sup> APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015



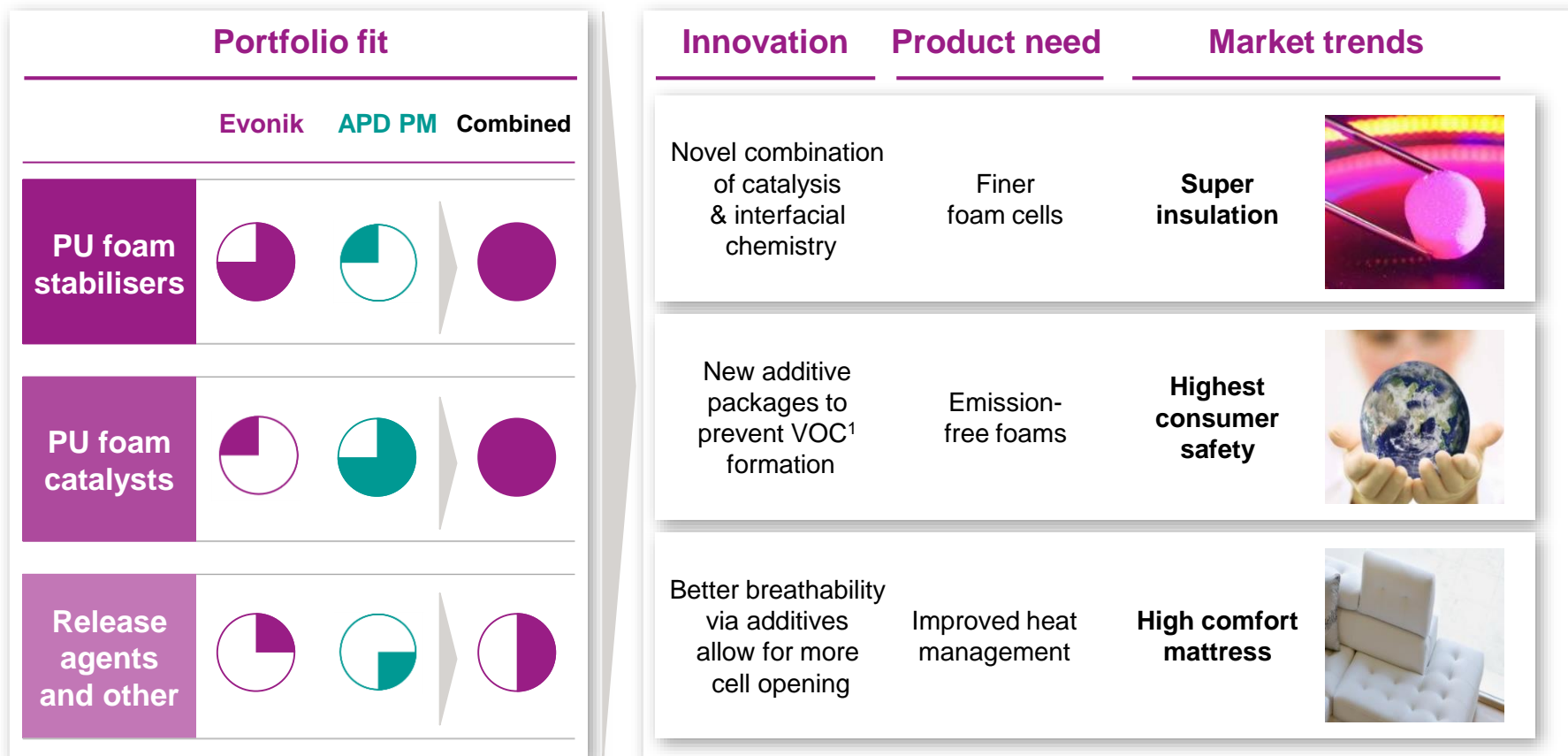
# Global leading portfolio of PU foam additives



## Benefits of combination to customers

- Full range of differentiating additives for polyurethane (PU) foams
- Preferred solution partner for customers
  - Closer proximity and strengthened presence in all regions
- Multiple key technology platforms from a single source
- Extensive applications know-how
  - Increased innovation capabilities for future generation of superior PU foams

# Enhanced innovation platform to better fulfil customer needs



**The combination enables Evonik to better fulfill customer needs through enhanced innovation**

<sup>1</sup> VOC: Volatile organic compound

# Creating a globally leading solution provider for the Coating & Adhesive Industry



## Coating & Adhesive End-Markets

- | End-Market        | Evonik Products   | APD Performance Materials Products   |
|-------------------|---|--|
| <b>Composites</b> | <ul style="list-style-type: none"><li>• Composites</li><li>• Marine Coatings</li><li>• Decorative Coatings</li><li>• Flooring</li></ul> | <ul style="list-style-type: none"><li>• Marine Coatings</li><li>• Automotive Coatings</li><li>• Flooring</li><li>• Industrial Coatings</li></ul> |

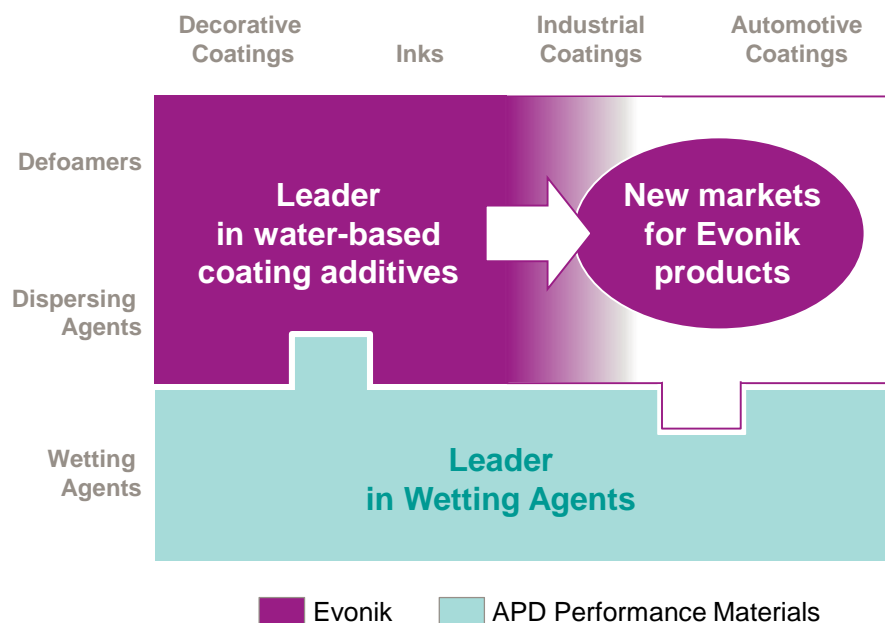
**Comprehensive and differentiated product portfolio to address customers' needs**

# APD Performance Materials offers unique products and access to new markets



## Coatings end-markets

Additive technologies

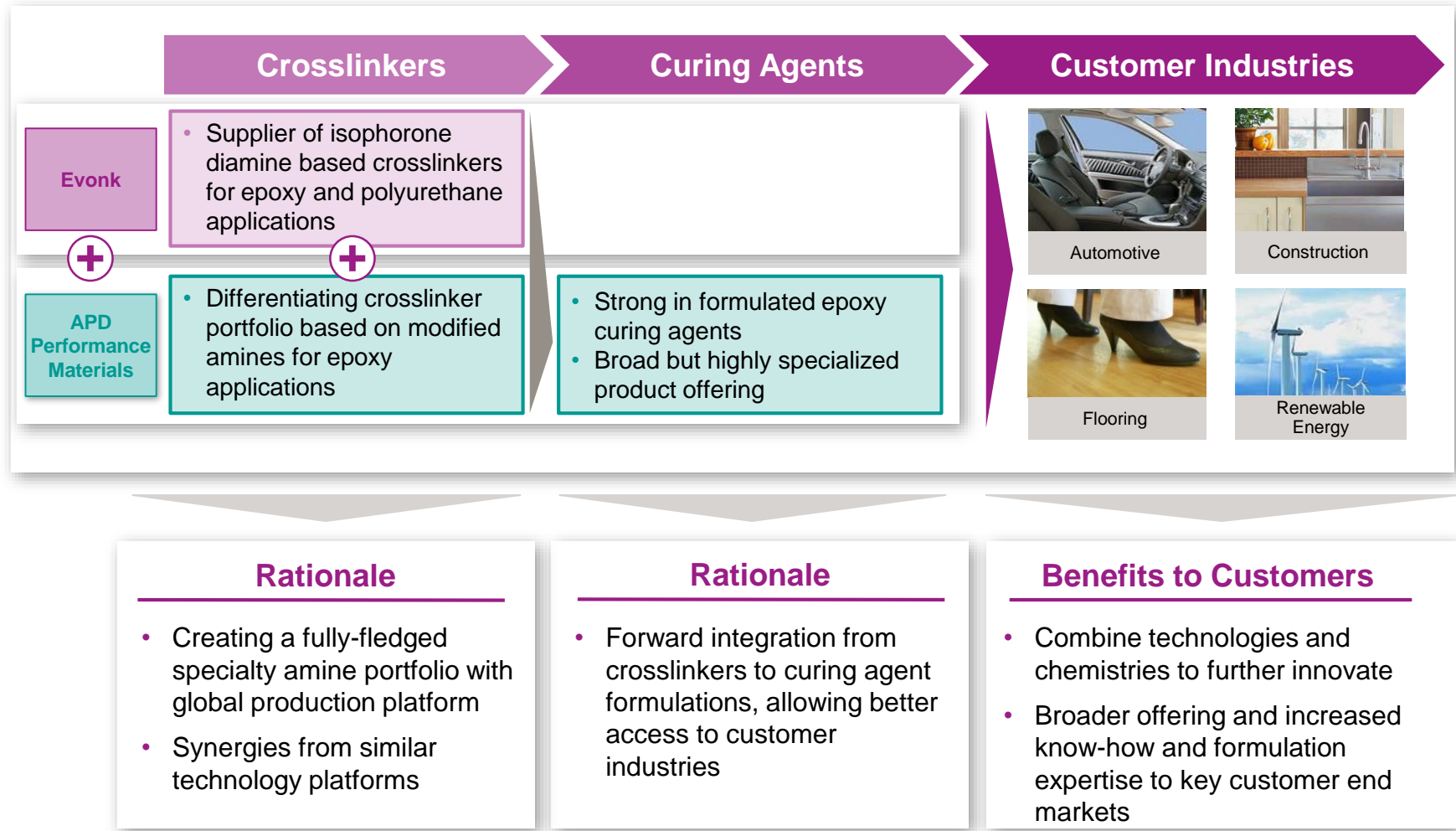


## Key value drivers

- Global leader for formulations enabling environmentally-friendly / waterborne coatings
- Access to complementary APD Performance Materials' wetting agent technology with
  - Market-leading position
  - New end markets (automotive)
  - Additional customers to create cross-selling opportunities
- Expanded toolkit and solutions expertise
- Truly global set-up
  - Leveraging APD Performance Materials' position in North American coatings market

**The unique APD Performance Materials product line complements Evonik's existing coating additives portfolio**

# Expansion along the curing agents value chain for Coatings & Adhesives



# Creating a leader in Industrial & Institutional cleaning additives



## Application and Technology fit

Evonik    APD PM    Combo



Key market

Industrial & Institutional cleaning



Chemistry

Amine-based



Oleo-based



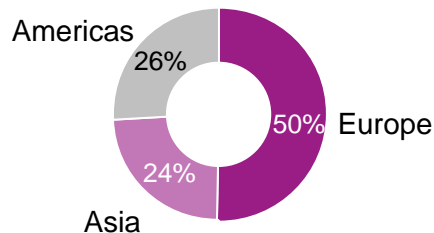
## Key value drivers

- ✓ Wider product offering in focused additives portfolio
- ✓ Complementary technologies to better serve customers
- ✓ Combining amine- and oleo-based know-how and innovation capabilities to offer wider range of products
- ✓ Geographically advantaged in-region manufacturing and supply network
- ✓ Significant cross-selling opportunities
- ✓ Local technical support

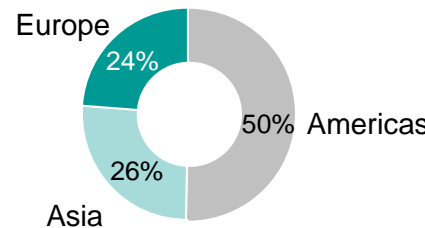
# Complementary regional setup leading to balanced geographic footprint



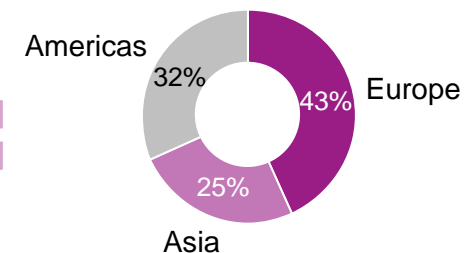
2015 Evonik Additives<sup>1</sup> Sales



2015 APD Perf. Materials<sup>2</sup> Sales



Pro-Forma 2015 Additives Sales



Balancing global footprint with increased presence in North America

Strong presence in every region matching the global set-up of customers

Close customer relationships driving global growth via cross-selling opportunities



Close geographic proximity of manufacturing sites for seamless integration

<sup>1</sup> Relates to affected Evonik Specialty & Coating Additives business lines

<sup>2</sup> APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015 June 2016 | Evonik company presentation | Acquisition of Air Products Performance Materials

# Creating a global leader in Specialty & Coating Additives

## Impacted Evonik businesses



|   |                           |
|---|---------------------------|
|  | Comfort & Insulation      |
|   | Personal Care             |
|   | Household Care            |
|   | Interface & Performance   |
|  | Crosslinkers              |
|   | Coating Additives         |
|   | Coating & Adhesive Resins |

## Creating a global leader in Specialty & Coating Additives

**~€3.5 bn**  
of sales

**>20%**  
Adj. EBITDA margin

## APD Performance Materials

|  |                        |
|--|------------------------|
|   | Polyurethane Additives |
|   | Specialty Additives    |
|  | Curing Agents          |

**Integration of APD Performance Materials businesses into existing Evonik business lines**  
**Post merger integration team in place to guarantee seamless integration**



## Superior financial metrics expected to enhance Evonik's financial profile



▶ Accelerating growth in Specialty & Coating Additives business

▶ Improving quality of earnings through better resilience, higher margins and synergies

▶ Enhancing capital efficiency from low capital intensity and strong cash conversion

# Excellent strategic and operational fit leading to significant synergies



**Excellent strategic fit**



**Complementary product portfolio**



**Strong supply chains and manufacturing base**

## Cost synergies

## Revenue synergies

**Synergies**

**Overhead efficiencies**

**Production optimization**

**Procurement savings**

**Leveraging each other's customer base**

**Broader product and application portfolio**

**Expected sustainable level**

~\$60 m

~\$20 m

**Total annual synergies of ~\$80 m<sup>1</sup>**

<sup>1</sup> Based on current assumptions and market conditions; ramp-up period of 3-4 years with cumulative implementation costs of ~\$80 m

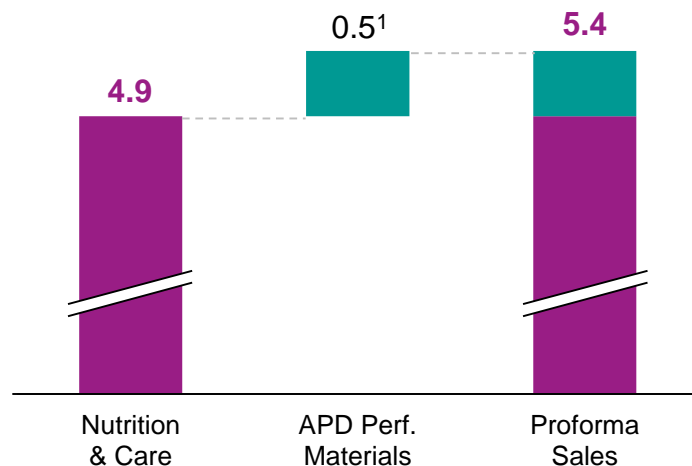
# Strengthening of growth segments

## Nutrition & Care and Resource Efficiency



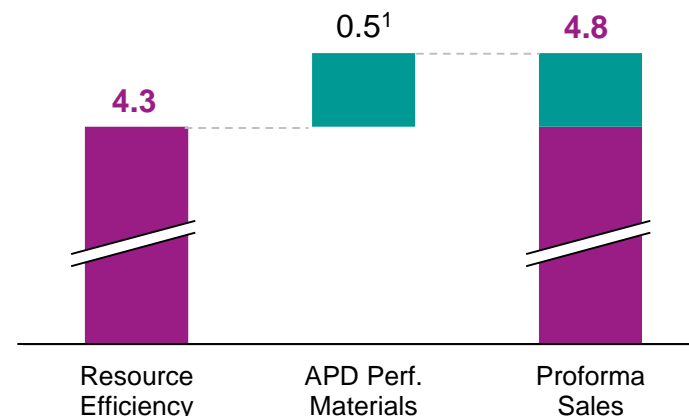
### Nutrition & Care

Sales 2015  
(€ bn)



### Resource Efficiency

Sales 2015  
(€ bn)



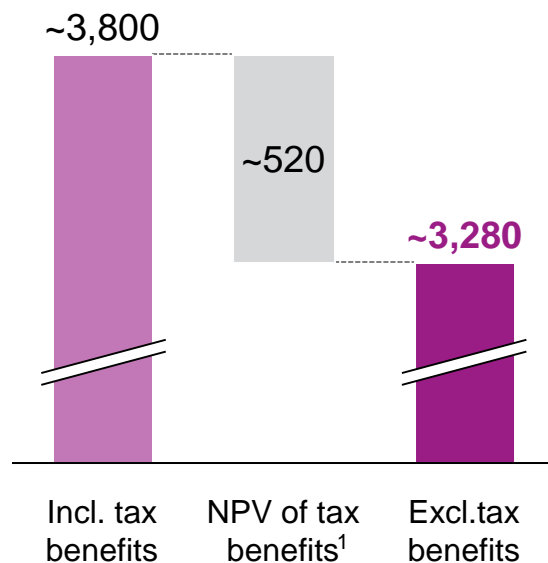
**Significantly increased sales of growth segments**

Note: APD Performance Materials' 2015 financials are September year-end

<sup>1</sup> APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015

# Synergy potential and tax benefits leading to an attractive price

## Enterprise Value (in \$ m)



<sup>1</sup> By purchasing assets, tax benefits from higher D&A after asset step-up will reduce future cash tax burden

## EV / EBITDA 2016E

**9.9x**

incl. synergies and tax benefits

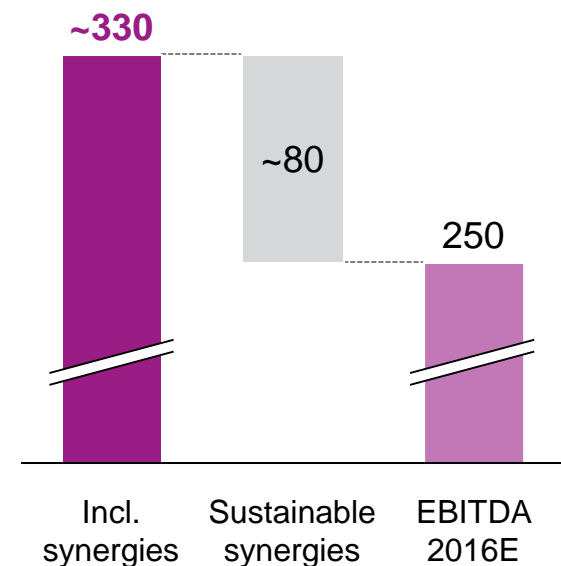
## EV / EBITDA 2016E

**15.2x**

excl. synergies and tax benefits

**EPS accretive**  
from year one

## Adjusted EBITDA<sup>2</sup> (in \$ m)



<sup>2</sup> Adjusted EBITDA before restructuring charges and corporate allocations

# Financing secured



Financing secured with half cash and half committed credit facility consisting of bridge and term loans provided by bank consortium

Final financing structure to consist of mix of cash, term loans and bonds

Moody's rating upgraded from Baa2 (positive outlook) to Baa1 (stable outlook)  
Standard and Poor's rating confirmed at BBB+, outlook stable

- ✓ **Creating a global leader in Specialty and Coating Additives**
- ✓ **Strengthening of growth businesses Nutrition & Care and Resource Efficiency**
- ✓ **Excellent fit with Evonik's existing businesses**
- ✓ **Substantial synergy potential and tax benefits**
- ✓ **Fully aligned with M&A strategy**
- ✓ **Enhanced rating profile after announcement**

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## Adj. EBITDA

**€565 m** (-13%)

Good earnings growth in  
Resource Efficiency  
Normalization in Nutrition & Care

## Adj. EBITDA margin

**18.2%** (-0.8 pp)

High level of profitability maintained

## Free cash flow

**€161 m** (-€18 m)

Free cash flow almost on prior year level  
due to solid operating cash flow and  
lower capex

## Outlook

**Confirmed**

Slightly lower sales  
Adj. EBITDA between €2.0 and 2.2 bn



# Highlights Q1 2016

Strong business fundamentals also in 2016



## **Solid volume growth**

Solid volume growth in Resource Efficiency and Performance Materials

## **EBITDA margins in growth segments >20%**

Nutrition & Care and Resource Efficiency delivering adj. EBITDA margins well above 20% in Q1

## **Disciplined use of funds**

Focus on selective, smaller investments projects leading to further reduction in capex in Q1 (-15% yoy)

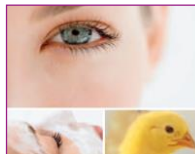
## **Positive free cash flow**

Free cash flow almost on prior year level due to solid operating cash flow and lower capex

# Highlights Q1 2016

## Growth segments move on as expected

### Nutrition & Care



|               |                    |
|---------------|--------------------|
| Adj. EBITDA   | Adj. EBITDA margin |
| <b>€293 m</b> | <b>28.0%</b>       |

- Expected gradual normalization of market situation in methionine
- Good start into the year for Personal Care, Health Care and Comfort & Insulation

### Resource Efficiency



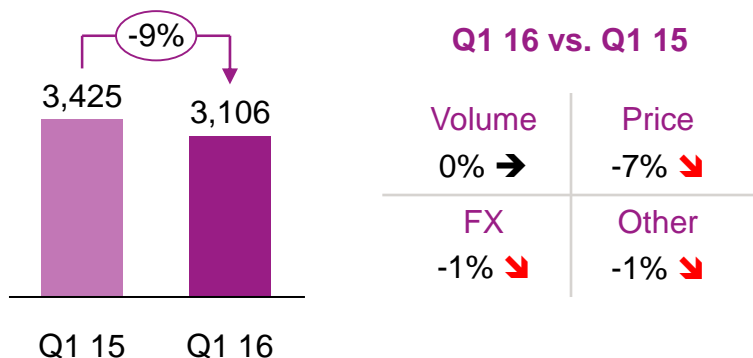
|               |                    |
|---------------|--------------------|
| Adj. EBITDA   | Adj. EBITDA margin |
| <b>€256 m</b> | <b>22.9%</b>       |

- Good start into 2016 with 5% earnings growth yoy, partly supported by positive effect from lower raw material costs
- Strong performance in Silica, Crosslinkers and Oil Additives

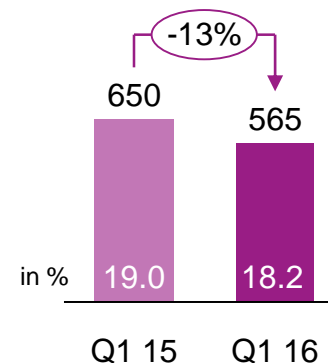
Sustainable and industry-leading EBITDA margin levels (%) of **20+**

# Financial highlights Q1 2016

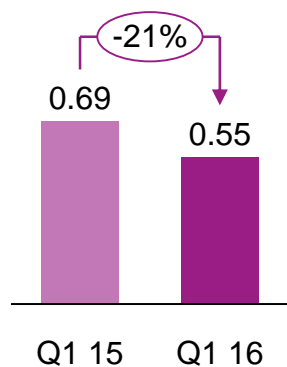
## Sales (in € m)



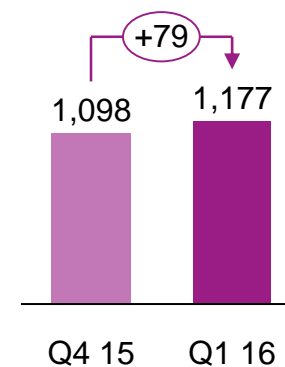
## Adj. EBITDA (in € m) / margin



## Adj. EPS (in €)



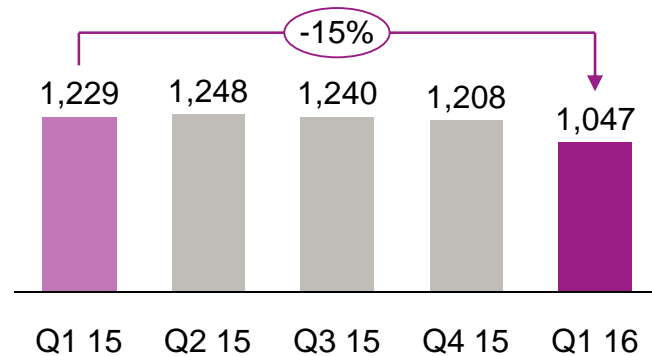
## Net financial position (in € m)



# Nutrition & Care

## Expected normalization in Animal Nutrition

### Sales (in € m)



**Q1 16 vs.  
Q1 15**

**Volume**  
-5% ↘

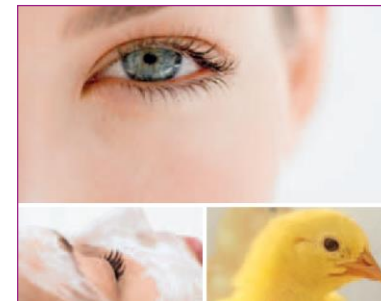
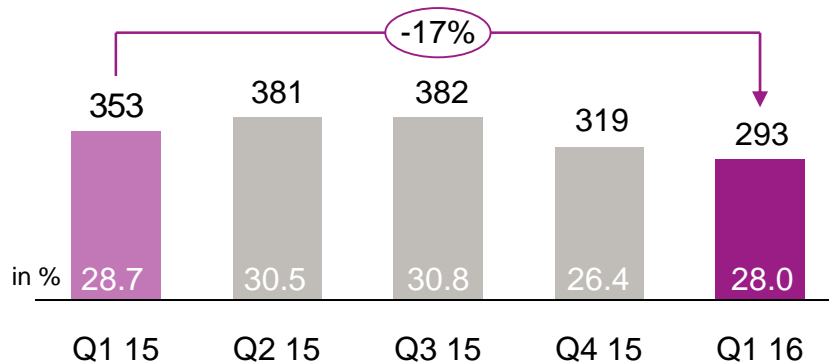
**Price**  
-8% ↘

**FX**  
-2% ↘

**Other**  
0% →

- Declining volumes in methionine due to very strong comparables and temporarily slower market growth
- Also lower volumes in Baby Care in competitive market environment
- Lower prices esp. in Baby Care due to lower propylene prices (formula prices) and competitive situation; gradual normalization in Methionine expected to continue into Q2

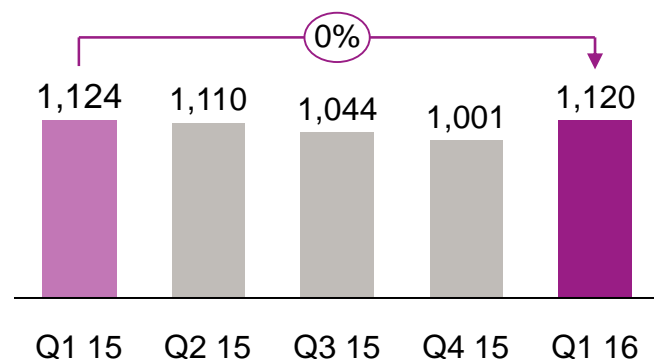
### Adj. EBITDA (in € m) / margin (in %)



# Resource Efficiency

## Volume and earnings growth

### Sales (in € m)



Q1 16 vs.  
Q1 15

Volume  
+2% ↗

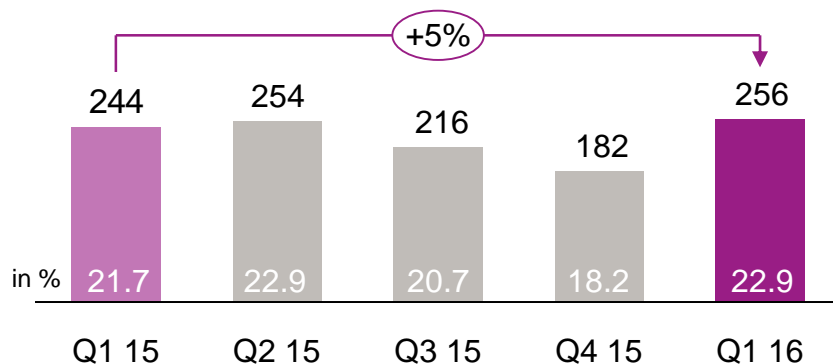
Price  
-3% ↘

FX  
0% →

Other  
+1% ↗

- Good volume growth
- Prices slightly declining as a result of the sustained low raw material prices

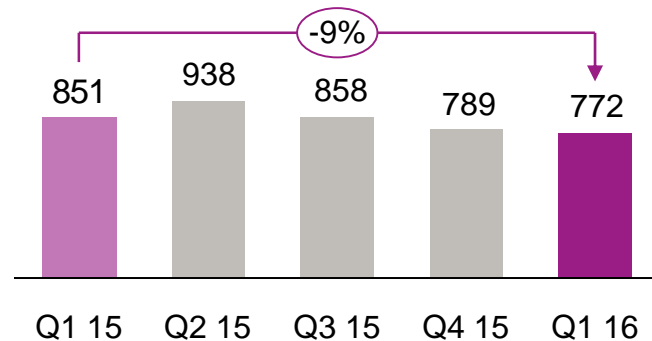
### Adj. EBITDA (in € m) / margin (in %)



# Performance Materials

## Lower prices driving earnings down


### Sales (in € m)




**Q1 16 vs.  
Q1 15**

**Volume**  
+5% 

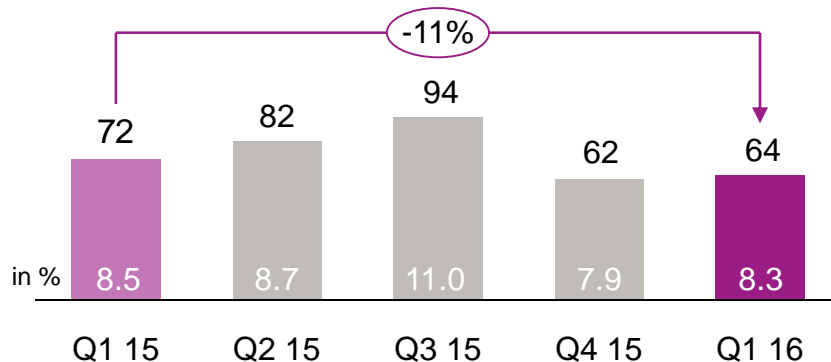
**Price**  
-14% 

**FX**  
0% 

**Other**  
0% 

- Increasing volumes mainly from C4 expansion in Marl and Antwerp
- Prices in C4 chain driven down further by lower raw material prices
- MMA with tough comparables, market environment more challenging vs. prior-year

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



## Outlook for 2016 confirmed

Adj. EBITDA between €2.0 and 2.2 bn expected



**Slightly lower sales**

(2015: €13,507 m)

**Adj. EBITDA between €2.0 and 2.2 bn**

(2015: €2,465 m)

**Our future success  
continues to be built  
on strong business  
fundamentals**

- Continued **volume growth**
- **EBITDA margins** in Nutrition & Care and Resource Efficiency >20%
- Selective, smaller **investments** to drive future growth
- **Discipline** in use of funds (capex, M&A)
- **Strong balance sheet** enabling strategic flexibility and ensuring financial stability in volatile markets
- **Positive free cash flow** generation
- Consistent execution of **efficiency programs**

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

June 2016 | Evonik company presentation | Financials Q1 2016 Page



# Segment outlook for 2016

## Nutrition & Care



- Stable or slightly positive business performance in majority of businesses (vs. prior year)
- Animal Nutrition: expected gradual normalization of tight supply / demand situation experienced in 2015; market demand to remain robust
- Baby Care: very competitive market environment to persist

## Resource Efficiency



- Continuation of prior years' successful business performance, despite weaker global economic growth

## Performance Materials



- Further declining oil price (vs. 2015 average) continues to pressure prices and margins of C4 products
- Ample supply and weaker demand weigh on Acrylic Monomers



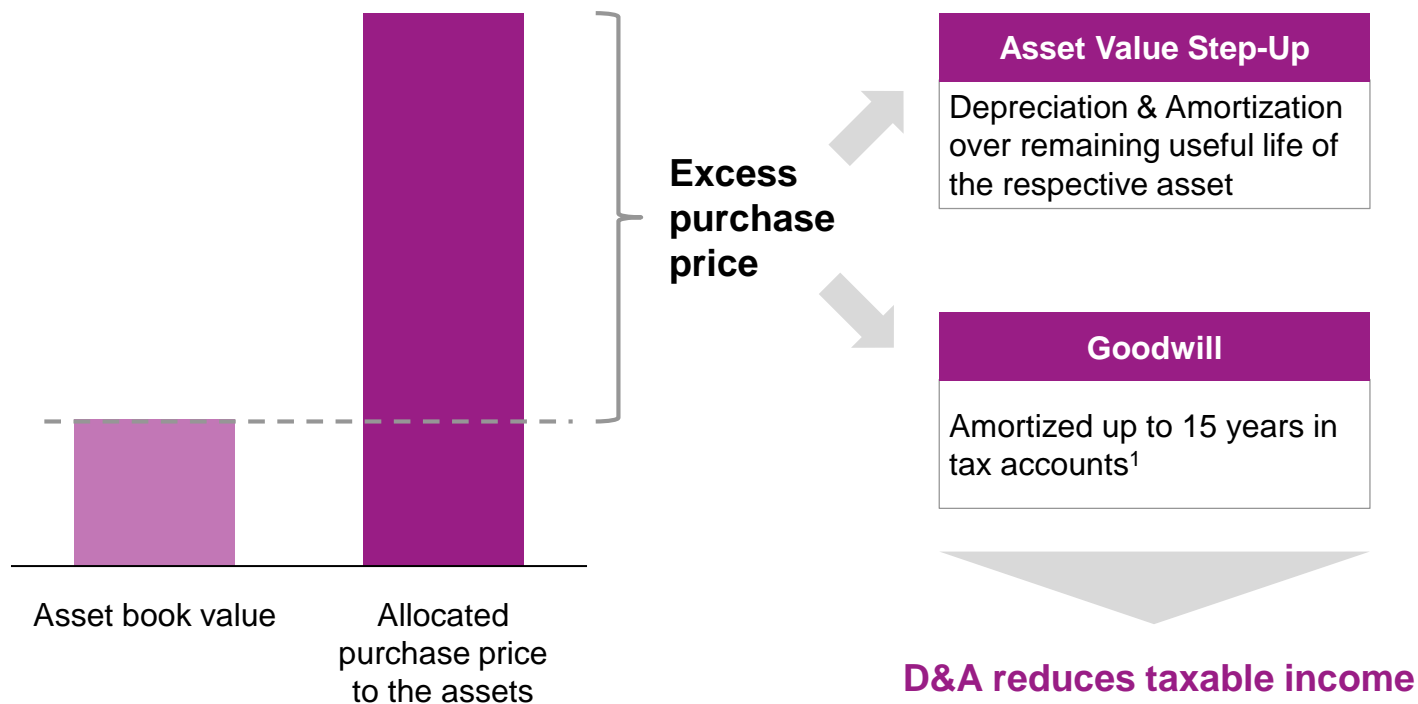
**EVONIK**  
INDUSTRIES

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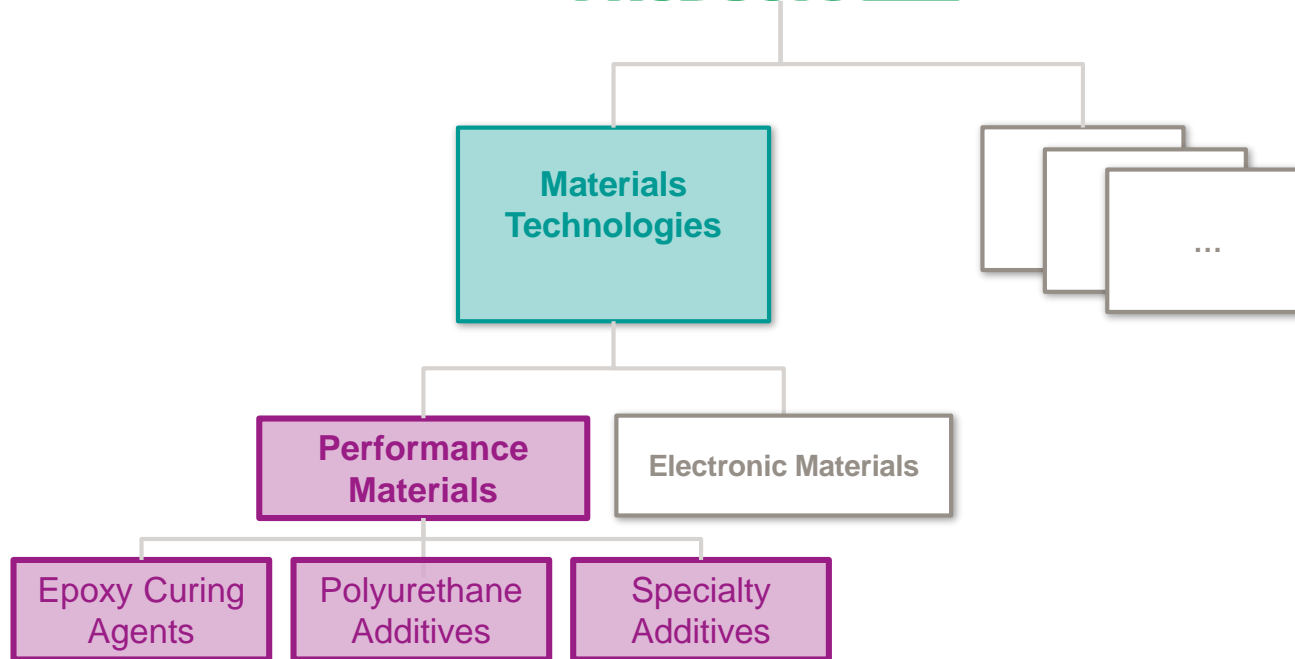
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# Exemplary purchase price allocation in asset deals



<sup>1</sup> In countries where applicable

# Scope of acquisition

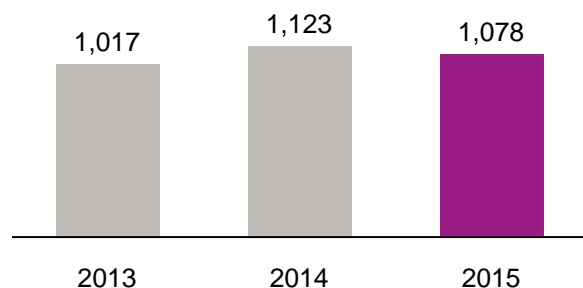


# Financial overview

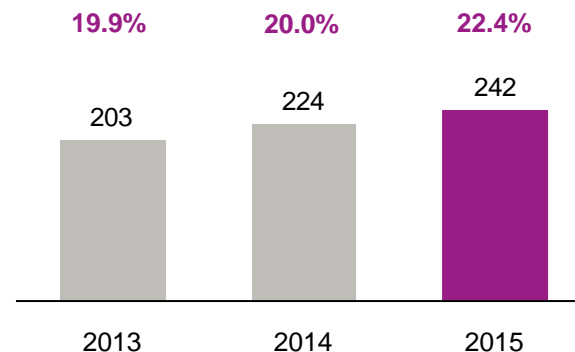
## APD Performance Materials



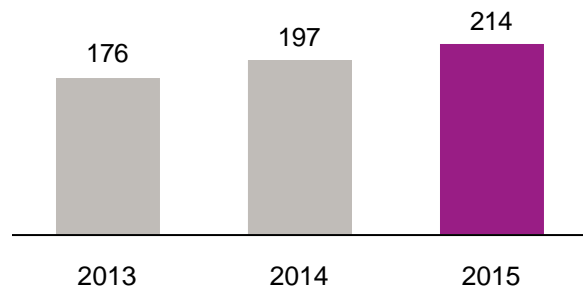
**Sales** (in \$ m)



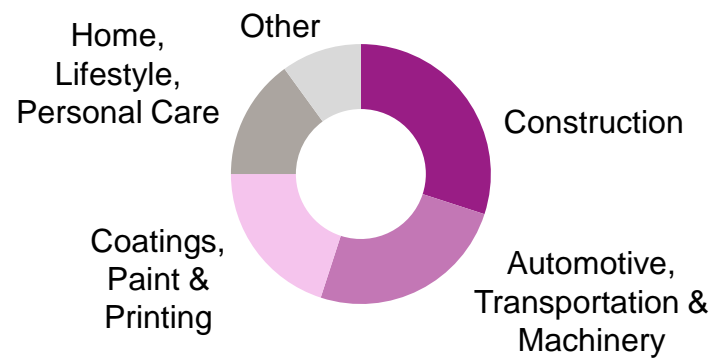
**Adj. EBITDA<sup>1</sup>** (in \$ m) / **margin<sup>1</sup>**



**Adj. Operating Income** (in \$ m)



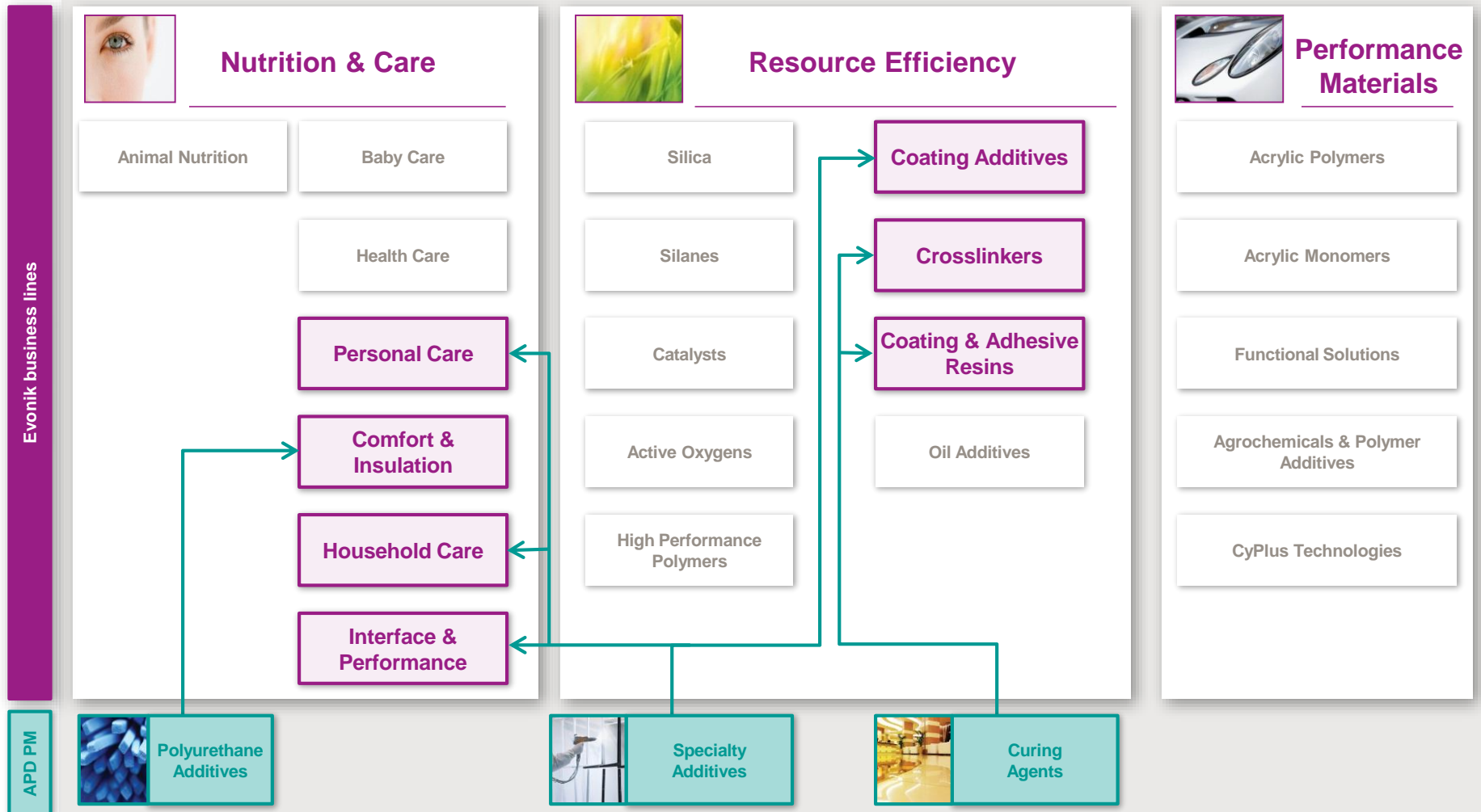
**End market split**



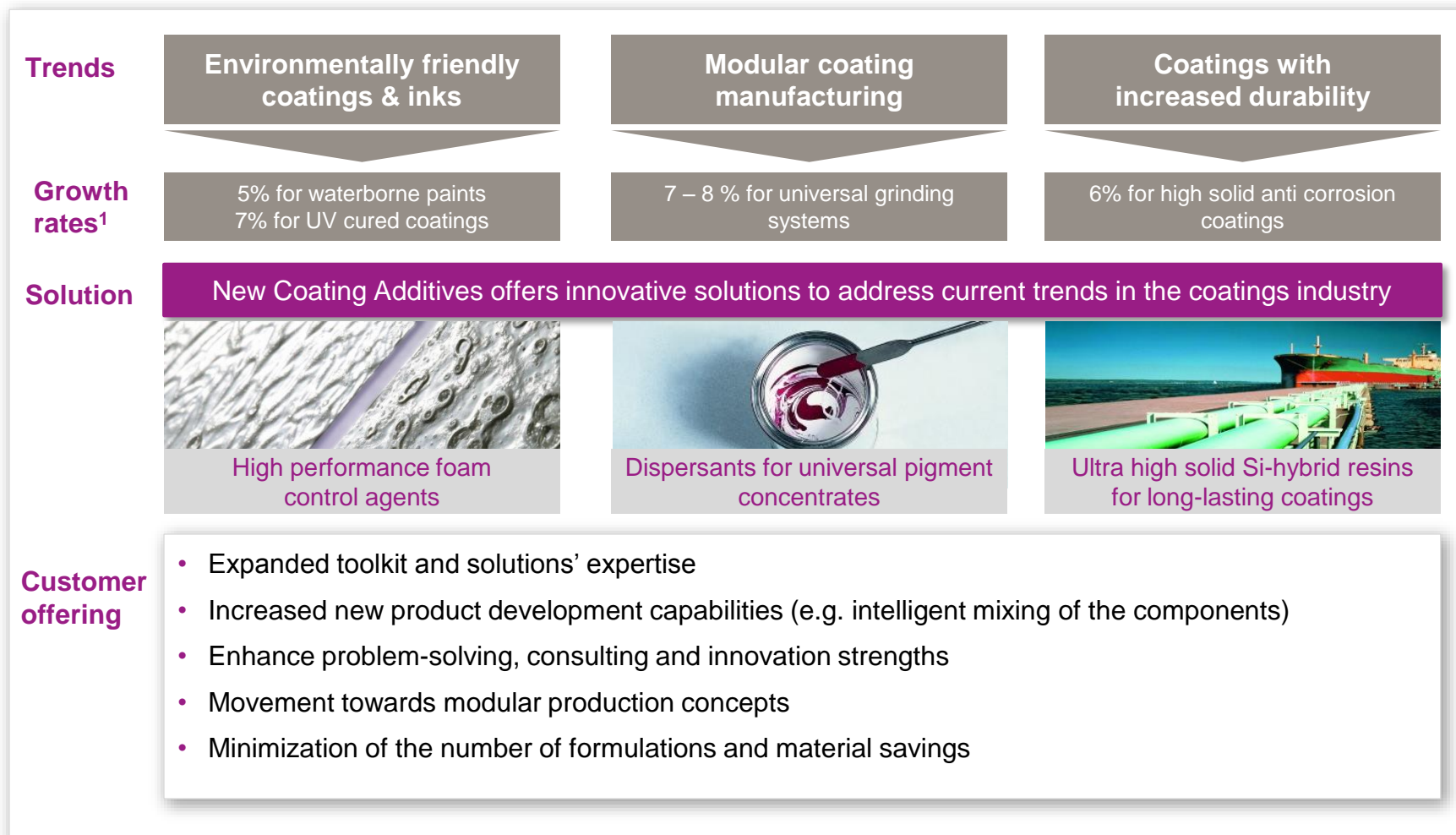
Note: APD Performance Materials' 2015 financials are September year-end

<sup>1</sup> Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income

# Strong fit in Evonik's Growth Segments



# Enhanced innovation capabilities to better fulfil customer needs



<sup>1</sup> Source: Company estimates



# Joint development projects as key element of innovation partnership approach



## Phase 1: Initiation

- Regular dialogue with customers; discussion of future projects
- Excl. development agreements
- Kick-off development project

## Phase 2: Development

- Discussion of performance and other specifications
- Development of new structures and products based on specifications

## Phase 3: Application testing

- Lab and field performance tests
- Detailed feedback and discussion of test results
- Tests at end customers

## Phase 4: Business

- Final approval
- Final negotiations
- Start of production
- Delivery to the customer

### Activities

**Iterative, multi step process**

### Customer functions

Purchasing;  
Management

R&D; technical service

Purchasing;  
Management

### Evonik functions

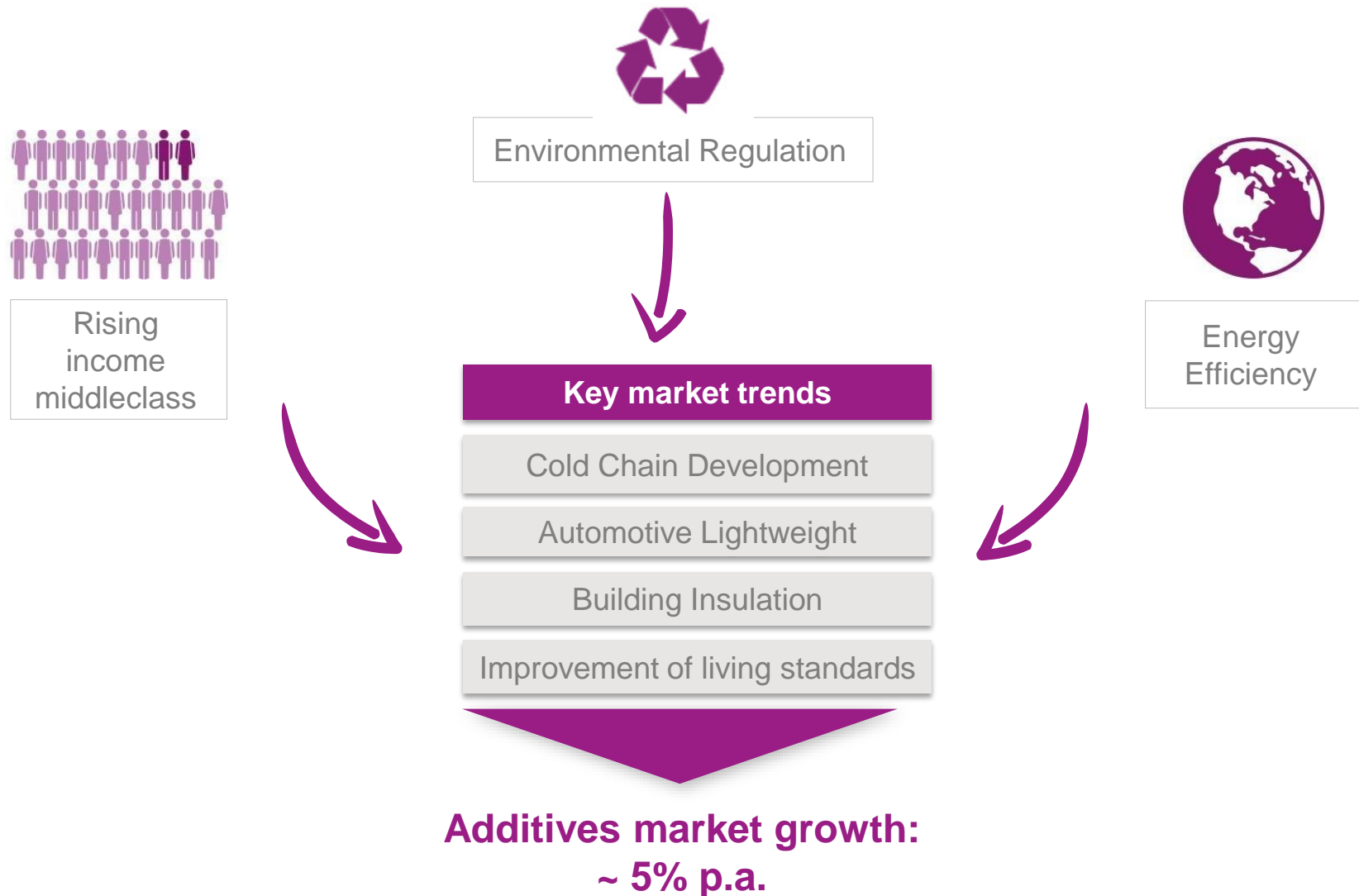
Key Account Mgmt.;  
BL Management

R&D; technical service

Key Account Mgmt.;  
BL Management



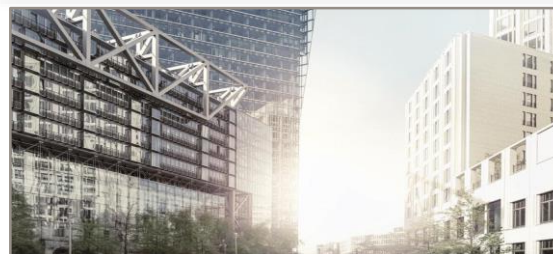
# Growth drivers of our markets and applications



# Industry trends drive growth in major applications

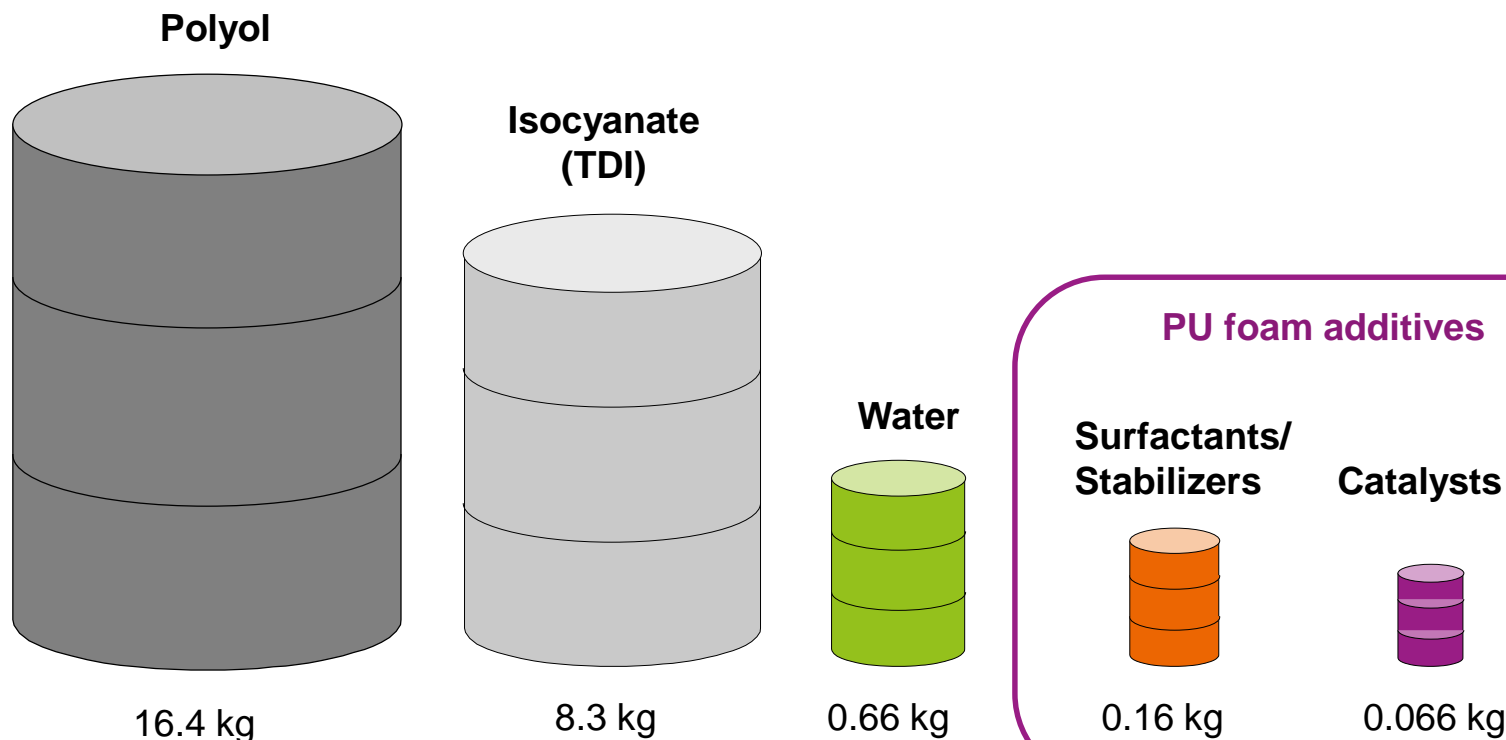


| Market trend                           | End Market          | Key application functionalities   |
|--|---------------------|---|
| <b>Cold Chain Development</b>          | Appliance           | Lower energy consumption due to excellent cell nucleation, emulsification and surface appearance                                    |
| <b>Automotive Lightweight</b>          | Automotive          | Comfort, protection, durability, energy conservation, reduce fogging and meet VOC requirements                                      |
| <b>Building Insulation</b>             | Construction        | Energy efficiency management through maximum insulation efficiency, dimensional stability, uniform density, and fine cell structure |
| <b>Improvement of living standards</b> | Furniture & Bedding | Extremely broad processing latitude, phthalate free products, good cell regulation properties                                       |



# Additives with small quantity, but decisive impact in PU foam formulation

Quantities being required to produce 1 m<sup>3</sup> of flexible foam with a density of 24 kg/m<sup>3</sup>



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# Evonik Group

## 22 Business Lines grouped in 3 segments



### Nutrition & Care



**Sales**  
€4,924 m



**Adj. EBITDA / Margin**  
€1,435 m / 29.1%

Animal Nutrition

Baby Care

Health Care

Personal Care

Household Care

Comfort & Insulation

Interface & Performance



### Resource Efficiency



**Sales**  
€4,279 m



**Adj. EBITDA / Margin**  
€896 m / 20.9%

Silica

Crosslinkers

Oil Additives

Coating & Adhesive Resins

High Performance Polymers

Active Oxygens

Silanes

Coating Additives

Catalysts



### Performance Materials



**Sales**  
€3,435 m



**Adj. EBITDA / Margin**  
€309 m / 9.0%

Performance Intermediates

Acrylic Polymers

Acrylic Monomers

Functional Solutions

Agrochemicals & Polymer Additives

CyPlus Technologies

2015 financials; Business Lines ranked by turnover

### Key characteristics

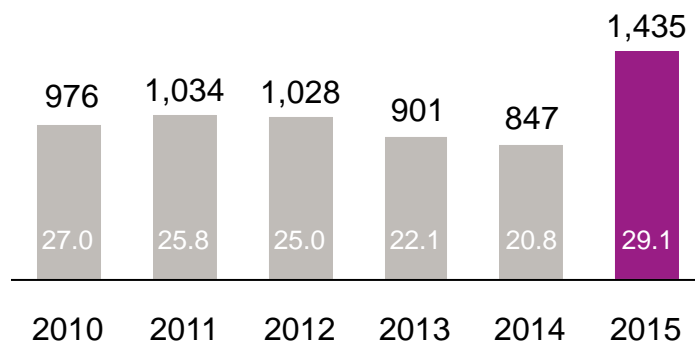
- High degree of **customer intimacy and market know-how**
- Enabling our customers to deliver **differentiating solutions** in their markets
- **Excellent technology platforms**
- **Sustainability** as major growth driver

### Key products

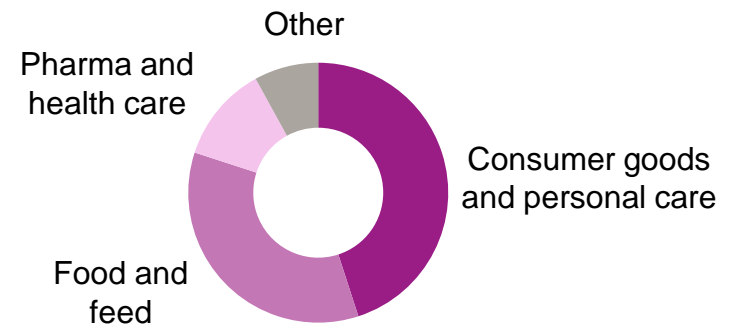
- Amino acids for professional animal nutrition
- Active ingredients for cosmetic products
- Superabsorbents for baby diapers
- Drug delivery systems for controlled drug release



### Adj. EBITDA (€ m) and margin (%)



### End market split



# Nutrition & Care

## Business Line overview (1/2)

Key products  
Main Applications  
Market position<sup>1</sup>  
Main competitors

### Animal Nutrition



- Methionine
- Lysine, Threonine, Tryptophan

- Feed additives and services for animal nutrition

- # 1 in Feed Amino Acids

- Chem China/Adisseo
- Novus
- Ajinomoto
- Cheil Jedang

### Baby Care



- Superabsorbents

- Baby Care
- Female Care
- Adult Care

- # 2-3 in superabsorbents

- BASF
- Nippon Shokubai

### Personal Care



- Actives
- Emulsifiers
- Conditioners

- Personal Care

- # 4 in cosmetic ingredients

- Ashland
- BASF
- Croda

### Household Care



- Fabric conditioners
- Specialty surfactants

- Laundry care
- Home care
- Car care

- # 1 in fabric softeners

- AkzoNobel
- BASF
- Solvay
- Stepan

<sup>1</sup> Company estimates for relevant markets based on multiple research reports



# Nutrition & Care

## Business Line overview (2/2)

Key products  
Main Applications  
Market position<sup>1</sup>  
Main competitors

### Health Care



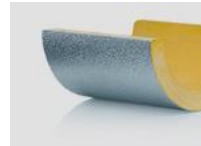
- Active pharma ingredients
- Pharma grade amino acids
- Pharmaceutical coatings

- Drug delivery systems for oral and parenteral dosage
- Tailor-made pharmaceutical syntheses
- Pharma Amino Acids

- # 1 Functional Polymers for Controlled Release
- # 2 Exclusive Synthesis
- # 3 Pharma Amino Acids

- BASF
- DSM
- Lonza
- Ajinomoto

### Comfort & Insulation



- Foam stabilizers
- Catalysts
- Release agents

- Furniture / appliances
- Construction
- Automotive

- # 1 in polyurethane foam additives

- Maysta
- Momentive

### Interface & Performance



- Release coatings
- Super spreading additives

- Packaging / tapes
- Agrochemicals
- Plastic additives

- # 1-2 in release coatings

- Clariant
- Dow Corning
- Momentive
- Wacker

<sup>1</sup> Company estimates for relevant markets based on multiple research reports

# Resource Efficiency

Innovative products for resource-efficient solutions



## Key characteristics

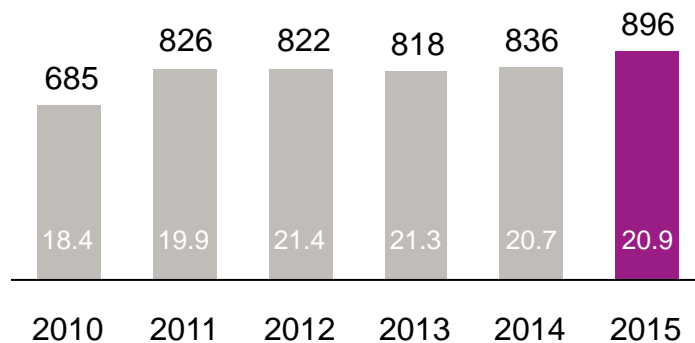
- Focus on **performance-impacting** and value-driving components
- **Minor share of cost** in most end products
- Strong focus on **technical service**
- **Low risk of substitution**
- High pricing power (**value-based pricing**)

## Key products

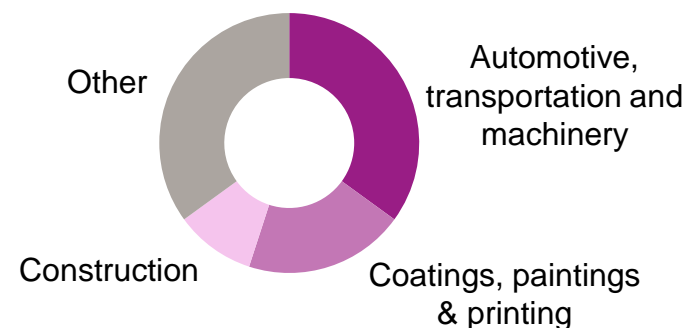
- Precipitated and fumed silica as flow property enhancers
- Crosslinkers for composite materials and coatings
- Viscosity modifiers for oils and hydraulic fluids



## Adj. EBITDA (€ m) and margin (%)



## End market split



# Resource Efficiency

## Business Line overview (1/3)

Key products  
Main Applications  
Market position<sup>1</sup>  
Main competitors

### Silica



- Precipitated silica
- Fumed silica
- Special oxides

- Silicone rubber
- Tires, green tires & rubber
- Paints & coatings
- Adhesives & sealants

- # 1 in silicas (precipitated, fumed, special oxides, matting agents and specialty fillers)

- Cabot
- JM Huber
- Solvay
- Wacker

### Oil Additives



- Lubricant additives (viscosity modifiers)
- Fuel additives

- Auto & industrials
- Hydraulic systems
- Refinery processing
- Biofuels

- # 1 in viscosity modifiers for lubricants

- Infineum
- Lubrizol
- NewMarket (Afton)
- Oronite

### Crosslinkers



- Crosslinkers for composites, elastomers and non-solvent coatings

- Composites
- Coatings & paints
- Flooring
- Automotive interior

- # 1 in isophorone chemicals

- Arkema
- BASF
- Covestro

<sup>1</sup> Company estimates for relevant markets based on multiple research reports

# Resource Efficiency

## Business Line overview (2/3)

Key products  
Main Applications  
Market position<sup>1</sup>  
Main competitors

### Active Oxygens



- Hydrogen peroxide

- Oxidising agent in chemical reactions
- Pulp & paper bleaching

- # 2 in hydrogen peroxide

- Arkema
- Solvay

### High Performance Polymers



- High perf. polyamide (PA12)
- Polyetheretherketone (PEEK)
- Membranes and Polyimide fibres

- Automotive components
- Medical
- Oil & gas pipes

- # 1 in PA12

- Arkema
- EMS
- Solvay
- Victrex

### Coating & Adhesive Resins



- Functional resins
- Adhesive hot melts
- Heat sealants
- Polybutadiene

- Hot melt
- Pre coated metal
- Protective coatings
- Road marking

- # 1 in polyester resins

- Dow
- DSM
- Mitsubishi Chemical

<sup>1</sup> Company estimates for relevant markets based on multiple research reports

# Resource Efficiency

## Business Line overview (3/3)

Key products

Main Applications

Market position<sup>1</sup>

Main competitors

### Silanes



- Chlorosilanes
- Organofunctional silanes
- Rubber silanes

- Fumed silica
- Optical fibres
- Adhesive & sealants
- Building protection

- # 1 in chlorosilanes
- # 1 in organofunctional and rubber silanes

- Dow Corning
- Momentive
- Shin Etsu
- Tokuyama

### Coating Additives



- Additives for eco-friendly and highly solid industrial coatings

- Eco-friendly coatings (low VOC, water based)
- High solid industrial coatings

- # 2 in high performance additives for coatings and inks
- # 1-2 in silicone resins for special applications

- Altana
- BASF
- Dow Corning

### Catalysts



- Activated base metal catalysts
- Precious metal catalysts
- Catalysts for industrial & petrochemicals

- Catalysts for chemical processes
- Enabler for process efficiency / innovation

- #1 in precious metal powder catalysts
- #3 in activated base metal catalysts

- BASF
- Clariant
- Johnson Matthey
- WR Grace

<sup>1</sup> Company estimates for relevant markets based on multiple research reports

# Performance Materials

Integrated production platforms for efficient production of rubber and plastic intermediates



## Key characteristics

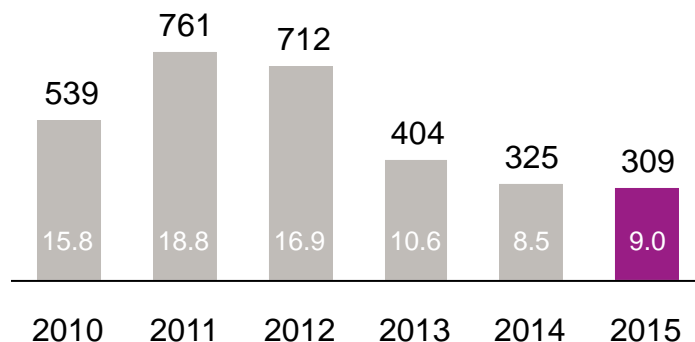
- Strong **integrated production platforms**
- **Leading cost positions**
- Favorable **raw material access**
- Focus on **continuous efficiency improvements**
- High degree of **supply reliability**

## Key products

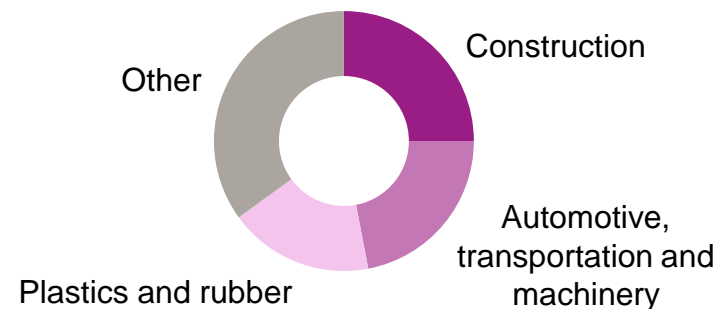
- Acrylic sheets, molding compounds (PMMA) and its precursors (MMA), e.g. for LED and touch screens
- Butadiene for synthetic rubber
- MTBE as fuel additive



## Adj. EBITDA (€ m) and margin (%)



## End market split



# Performance Materials

## Business Line overview (1/2)

Key products  
Main Applications  
Market position<sup>1</sup>  
Main competitors

### Performance Intermediates



- Butadiene
  - MTBE
  - Butene-1
  - Plasticizers (INA&DINP)
- 
- Plastics
  - Styrene-Butadiene-Rubber
  - High performance polymers
- 
- # 1 in butene-1
- 
- BASF
  - Sabic
  - LyondellBasell

### Acrylic Monomers



- Methylmethacrylate (MMA) & application monomers
  - Methacrylic acid
- 
- Coatings
  - PMMA
  - Monomers for specialty applications
- 
- # 2 in MMA
- 
- LG MMA
  - Mitsubishi Chemicals
  - Sumitomo

### Acrylic Polymers



- Molding compounds
  - Acrylic sheets (Plexiglas / Acrylite)
  - PMMA systems
- 
- LED/touch screens
  - Construction
  - Light-weight systems
  - Automotive components
- 
- # 1-2 in PMMA
- 
- Arkema
  - Mitsubishi Chemicals
  - Sumitomo

<sup>1</sup> Company estimates for relevant markets based on multiple research reports

# Performance Materials

## Business Line overview (2/2)

Key products  
Main Applications  
Market position<sup>1</sup>  
Main competitors

### Agrochemicals



- Triacetoneamine
- Crosslinkers
- Precursors of glyphosates

- Polymer additives
- Optical brighteners
- Photovoltaic
- Agro chemicals

- n.a.

- Lanxess
- Weylchem

### Functional Solutions



- Alkoxides  
(e.g. sodium methyllate)

- Catalysts for biodiesel production

- # 1 in alkoxides

- BASF
- DuPont

### CyPlus Technologies



- Sodium cyanide
- Potassium cyanide

- Precious metals mining
- Fine chemicals

- n.a.

- AGR
- DuPont
- Orica

<sup>1</sup> Company estimates for relevant markets based on multiple research reports



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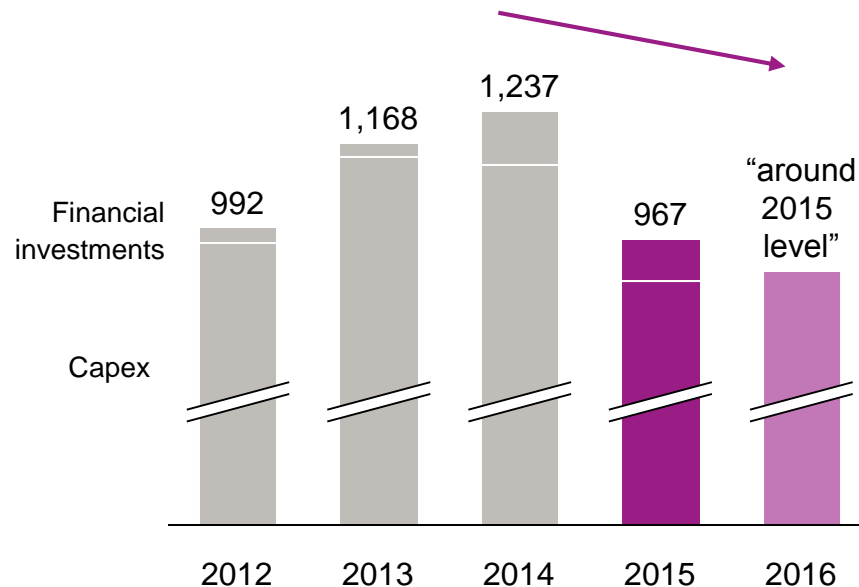


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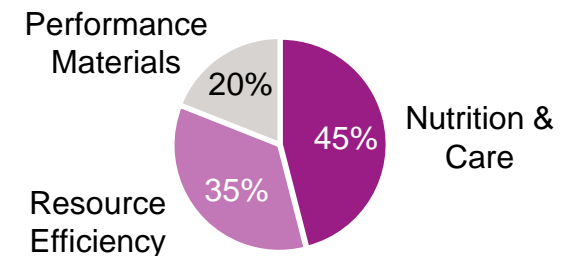
# Investments

## Capex brought down to sustainable level

### Capex spending (in € m)



- Declining capex since 2013
- Notable decline in 2015 after completion of major projects  
→ **sustainable capex level of €800 - 900 m already reached**
- Selective, smaller growth investments going forward with a clear focus on the two growth segments<sup>1</sup>:



<sup>1</sup> Sustainable level 2016 ff.

# Investments

Selective, smaller projects announced for 2017/18



**Major projects successfully completed in 2015....**

## **C4 expansion**

Germany, Belgium

Rationale: feedstock diversification



## **Oil Additives exp.**

Singapore

Rationale: enable growth in Asia



## **Personal Care plant**

Brazil

Rationale: establish local production



**... and selective, smaller projects with start-up planned for 2017/18**

## **Polyimide membrane exp.**

Austria

Start-up: 2017  
Volume: <50 m



## **PA12 powder exp.**

Germany

Start-up: 2017  
Volume: <50 m



## **Copolyester plant**

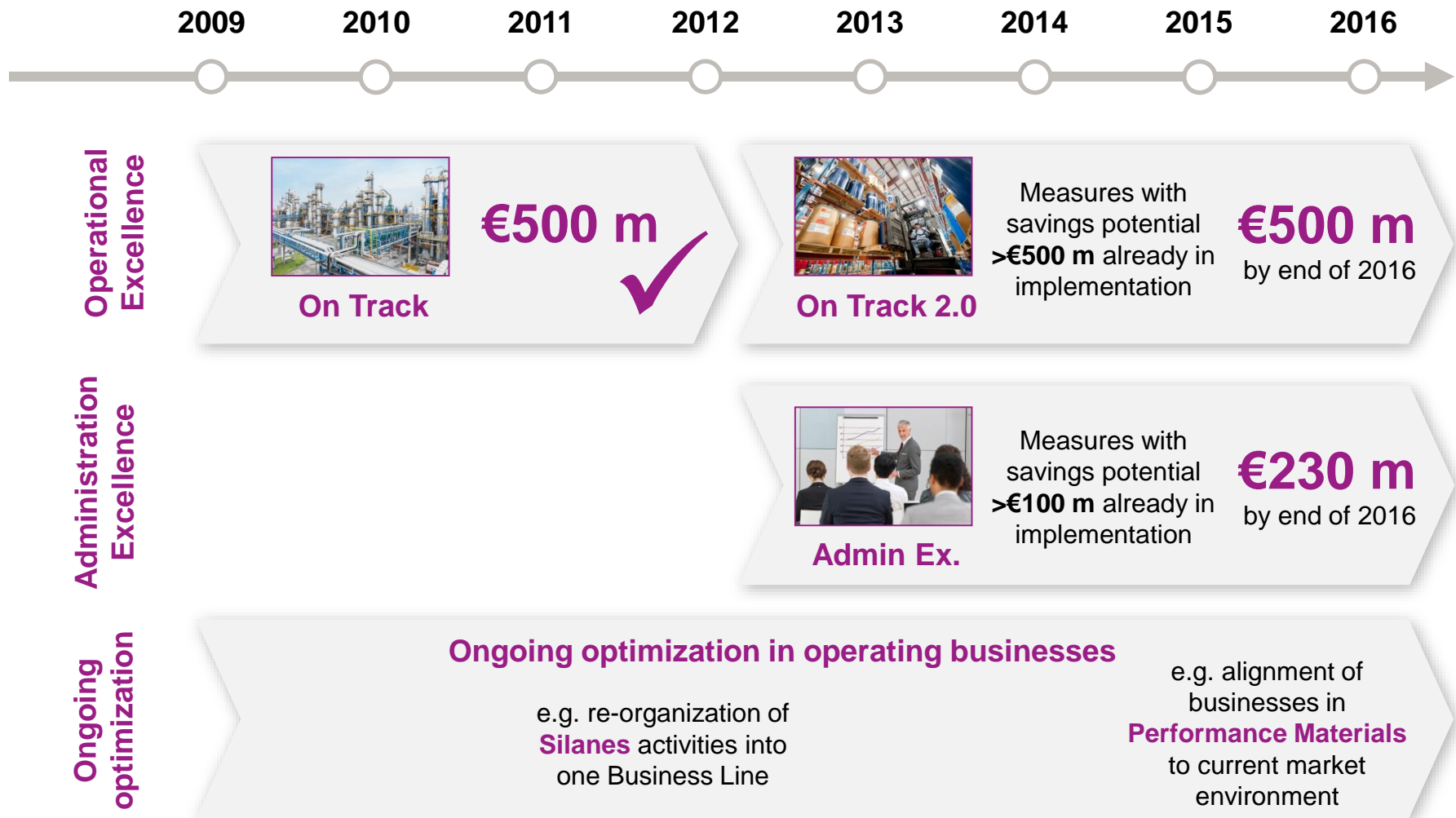
Germany

Start-up: 2018  
Volume: <50 m

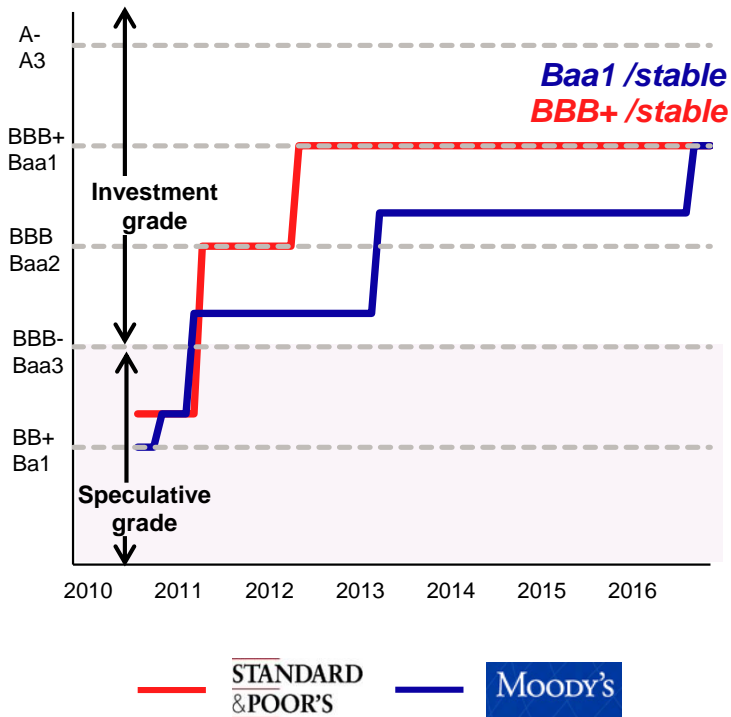


# Efficiency

Cost improvement integral part of Evonik's DNA



# Financial policy and rating development



**BBB+ (stable)**

- Rating affirmed at BBB+
- Outlook remains stable
- Evonik's business risk profile will be enhanced
- Resilient combined performance expected



**Baa1 (stable)**

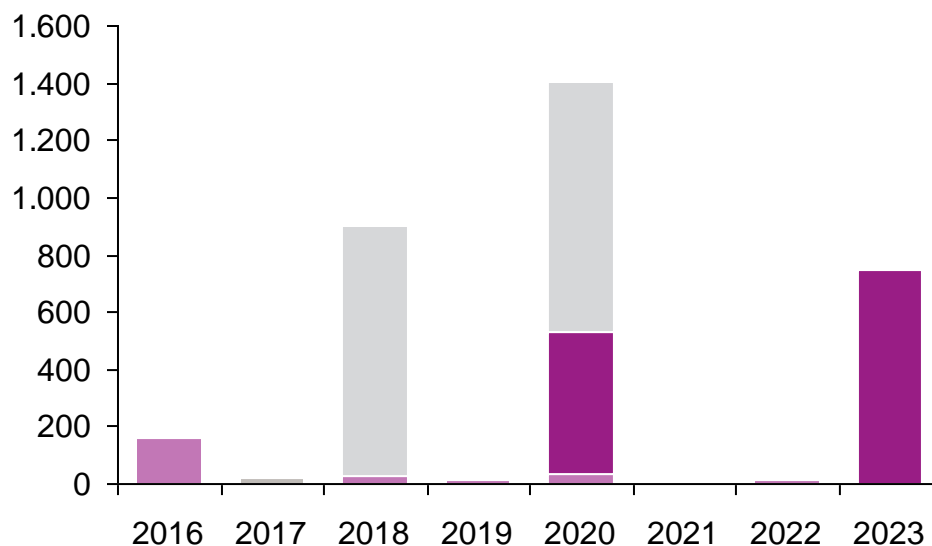
- Rating upgraded to Baa1 from Baa2
- Outlook revised to stable
- Specialty chemicals franchise will be improved
- Further strengthening by adding scale and diversity

**Maintaining a solid investment grade rating is a central element of our financial strategy**

# Maturity profile as of 31 March 2016

## Maturity profile (in € m)

Undrawn credit facilities
  Bonds
  Other debt instruments

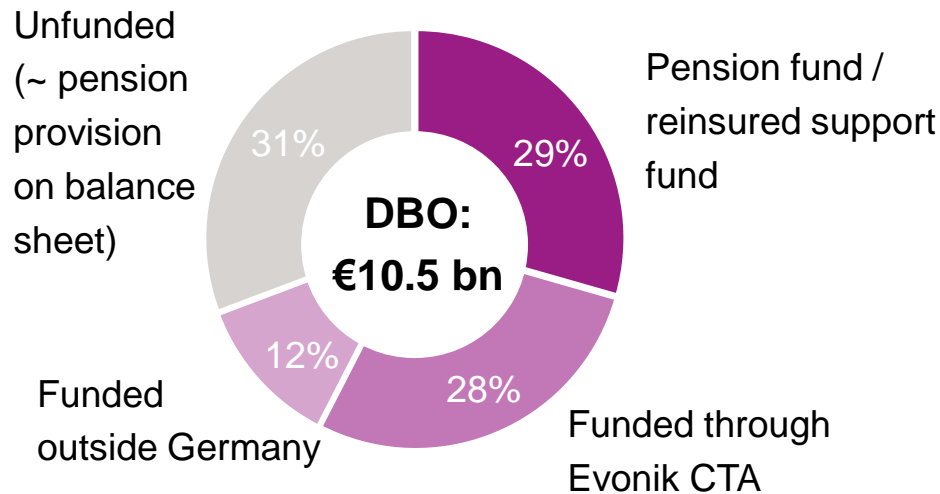


- Maturity of syndicated revolving credit facility (RCF) extended by one year to 2018/20 (€875 m each); fully undrawn
- Issuance of new €750 m 1% bond in January 2015 (8yrs to 2023); achieved lowest ever 8-year spread and coupon for a BBB (+/-/flat) rated corporate issuer

# Pensions

## Funding overview

### Pension funding overview as of Dec 31, 2015



**Funding level increased to >65%**

- Pensions very long-term, patient debt (>16 years) with no funding obligations in Germany
- DBO level of €10.5 bn stable in 2015 vs. prior year
- Cash contribution plan of in total €1.6 bn (2010-2015) completed with final cash injection of €200 in Q4 15
- Funding ratio increased to >65%

# Pensions

## Breakdown of P&L and cash flow effects

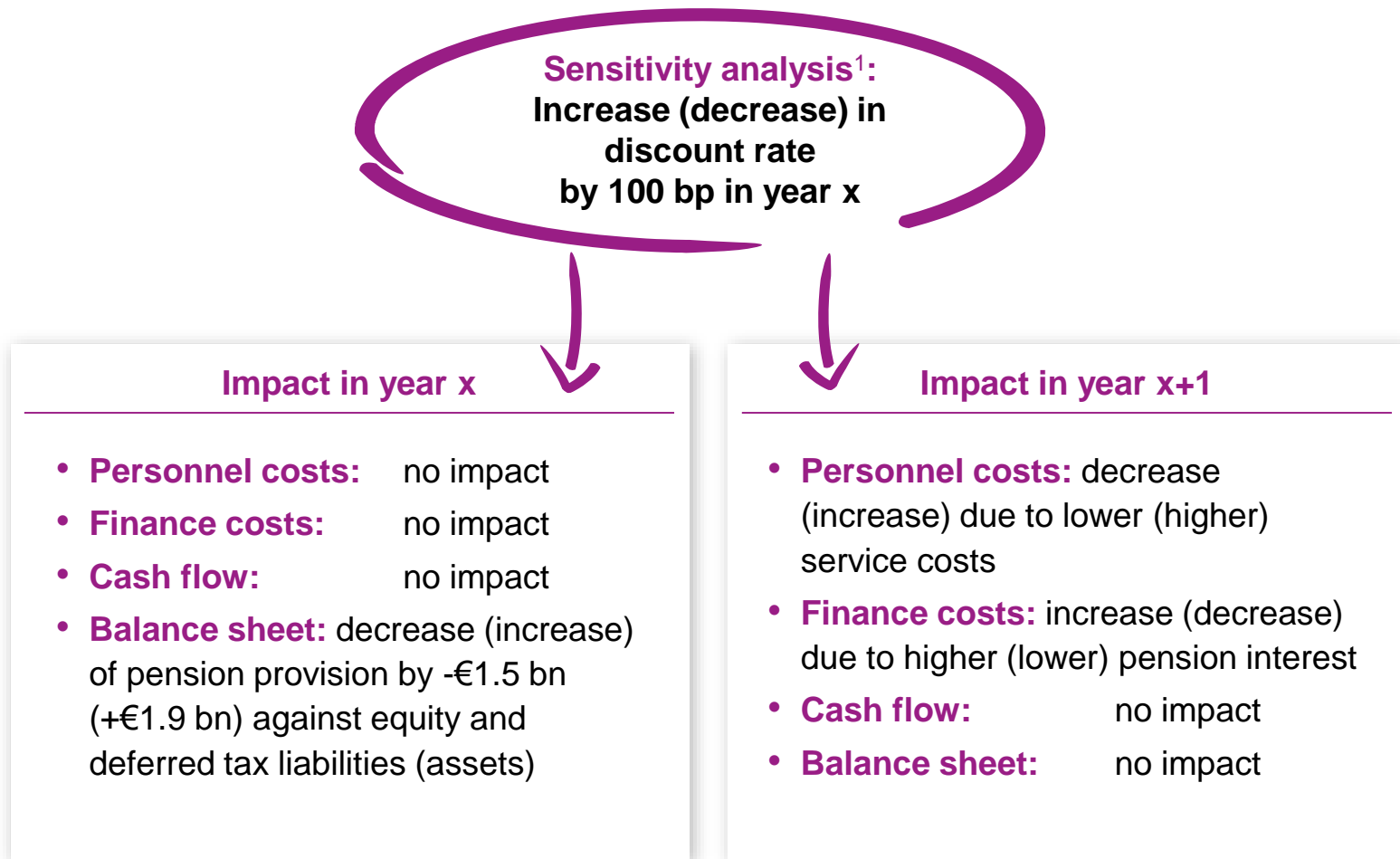
### P&L

| in € m                     | P&L item / KPI       | 2014 | 2015 | Annual report |
|----------------------------|----------------------|------|------|---------------|
| Current service costs      | Adj. EBITDA          | -172 | -191 | p. 182        |
| Interest costs             | Net interest expense | -341 | -281 | p. 182        |
| Exp. return on plan assets | Net interest expense | +221 | +185 | p. 183/184    |
| Other                      | Adj. EBITDA          | -38  | -40  | p. 184        |
| Total pension expense      |                      | -330 | -327 |               |

### Cash flow

| in € m                                    |                              | 2014 | 2015 | Annual report |
|---|------------------------------|------|------|---------------|
| Benefits paid                             | } From defined benefit plans | -404 | -433 | p. 182        |
| Benefits paid from plan assets            |                              | +163 | +185 | p. 183        |
| Contribution to plan assets (excl. CTA)   |                              | -135 | -145 | p. 183        |
| Payments under defined contribution plans |                              | -144 | -156 | p. 184        |
| Total cash out for pensions (excl. CTA)   |                              | -520 | -549 |               |

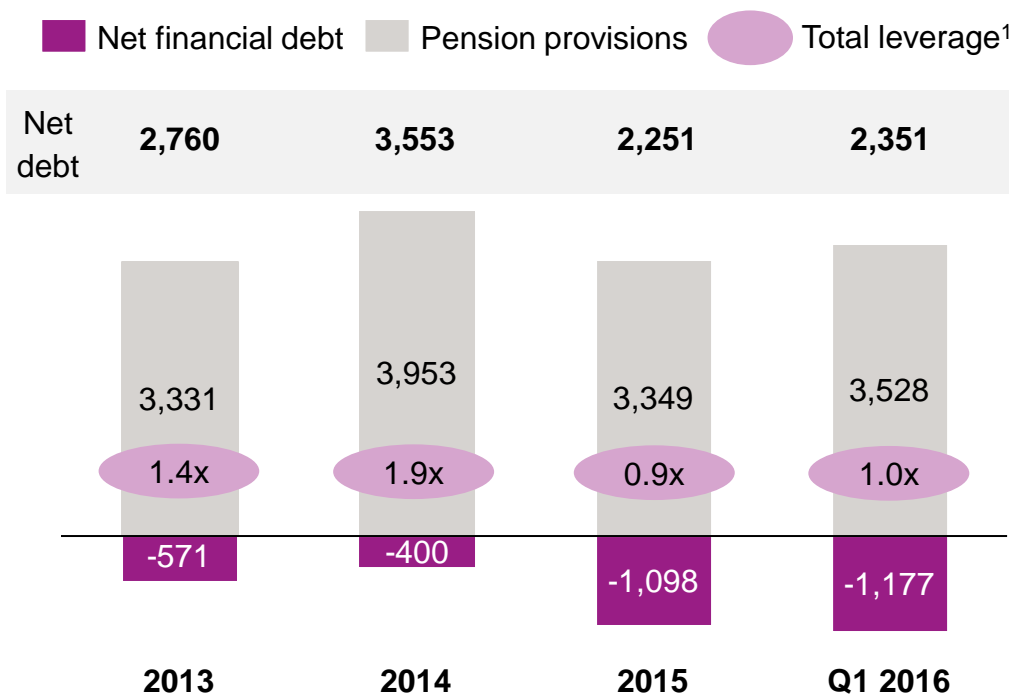




<sup>1</sup> Excluding any effects from potential actuarial changes and changes in the valuation of plan assets

# Net debt development

## Net debt development (in € m)



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Discount rate slightly lowered in Q1 2016, leading to around €200 m increase in pension provisions

|      |      |      |      |  |
|------|------|------|------|--|
| 3.84 | 2.65 | 2.91 | -    | Evonik Group global discount rate <sup>2</sup> |
| 3.75 | 2.50 | 2.75 | 2.50 | Evonik discount rate for Germany               |

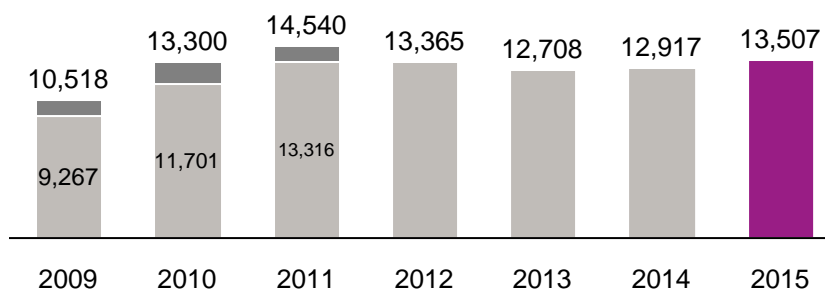
<sup>1</sup> Total leverage defined as (net financial debt + pension provisions) / adj. EBITDA LTM

<sup>2</sup> Calculated annually

# Financial track record

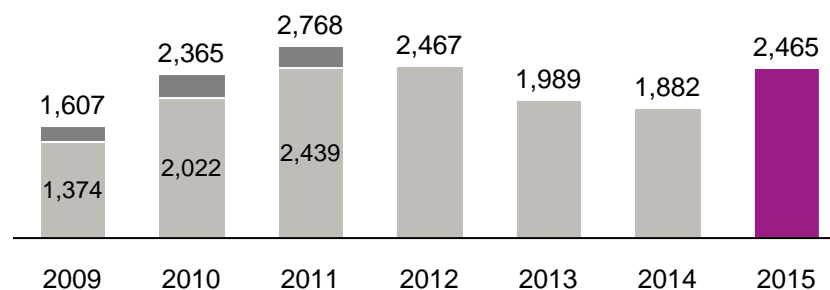
## Sales (in € m)

Carbon Black/Real Estate

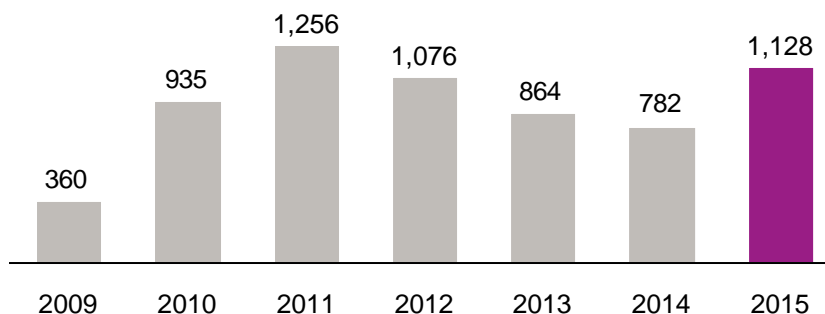


## Adj. EBITDA (in € m) / margin<sup>1</sup>

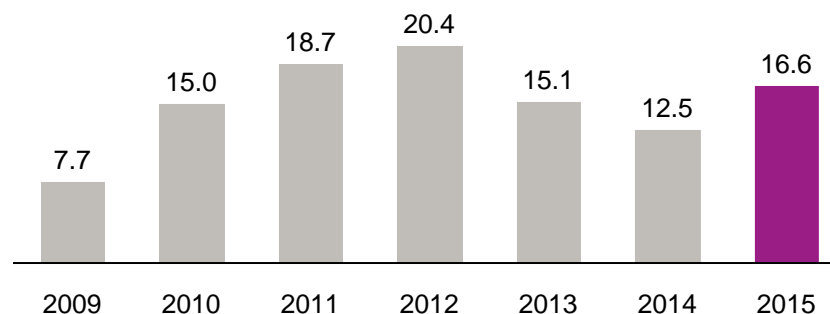
16.1% 18.3% 19.0% 18.5% 15.7% 14.6% 18.2%



## Adj. net income (in € m)



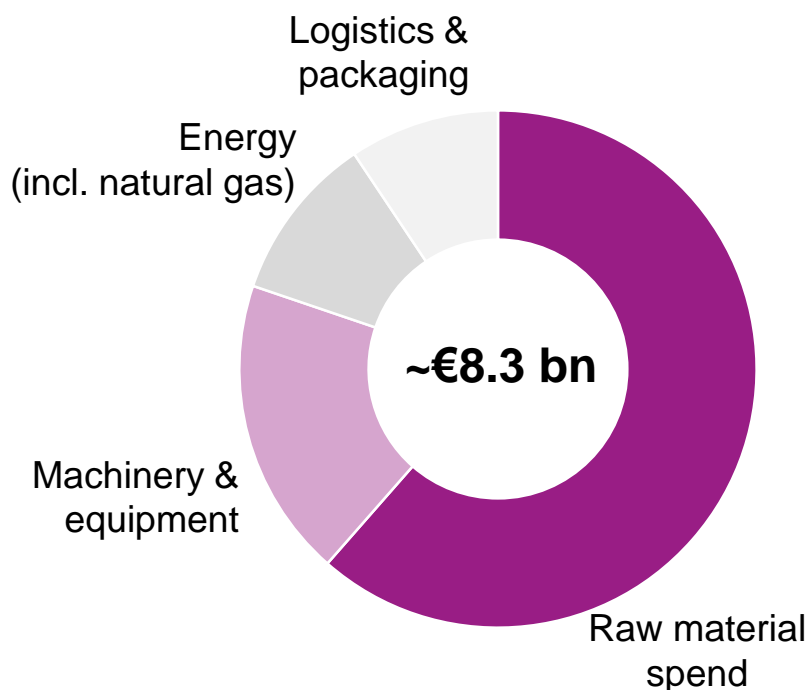
## ROCE (in %)



<sup>1</sup> Excluding Carbon Black

# Raw material split

## Total procurement volume 2015 (in € m)

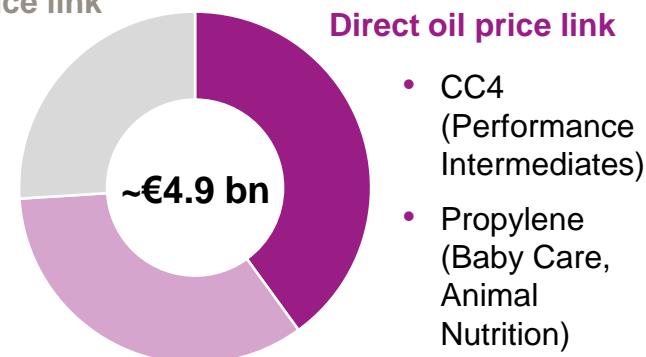


## Oil price link of raw material spend<sup>1</sup> (examples)

- Sodium silicate (Silica)
- Sugar (Animal Nutrition)
- Fatty acids (Personal Care)

### No oil price link

### Direct oil price link



### Indirect oil price link

- Acrylic acid (Baby Care)
- Acetone (Coatings & Additives, Acrylic Monomers)
- Methanol (Acrylic Monomers, Performance Intermediates)

<sup>1</sup> Raw material spend 59% of total procurement volume in 2015  
June 2016 | Evonik company presentation | Appendix

# Management compensation

## Fixed salary ~1/3

- To be paid in cash for each financial year on a monthly basis

## Bonus ~1/3

- To be paid out in cash annually
- Pay-out calculated on the basis of the achievement of certain, primarily value creation focused KPIs (e.g. ROCE, adj. net income, adj. EBITDA) and accident performance
- Factor of between 0.8 and 1.2 to take into account the achievement of further individual targets
- Bonus capped at 200% of initial target

## Long-term incentive plan ~1/3

- Granted LTI target amount is calculated in virtual shares (4-year lock-up)
- Value of LTI to mirror the development of Evonik's share price (incl. dividends)
- Amount payable is determined by two performance elements:
- Absolute performance: Real price of the Evonik share
- Relative performance against external index benchmark (MSCI Chemicals)
- Bonus capped at 300% of initial amount
- To be paid out in cash after lock-up period

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