

# Evonik. Power to create.

## Company presentation

September 2016



**EVONIK**  
INDUSTRIES

# Table of contents



1	<b>Evonik at a glance</b>
2	Acquisition of Air Products Performance Materials
3	Financials Q2 2016
4	Appendix

# 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%



## 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

**~ €250 m**  
spent on seven 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

# Innovation – Leveraging our core competencies into highly attractive markets



## Megatrends

Health & Nutrition

Resource Efficiency

Globalization

## Evonik Growth Fields

### Sustainable Nutrition



### Advanced Food Ingredients



### Healthcare Solutions



### Cosmetic Solutions



### Membranes



### Smart Materials



## Evonik Technology Competence Fields

Polymer Design

Inorganic  
Particle Design

Interfacial  
Technologies

Coating &  
Bonding

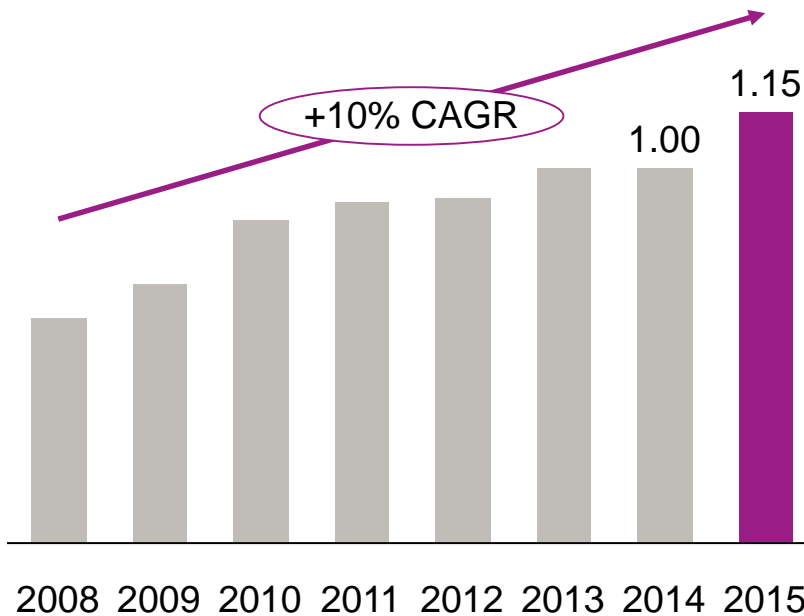
Catalytic  
Processes

Biotechnology

Additional contribution to sales of more than €1 bn by 2025

# Reliable and attractive dividend policy

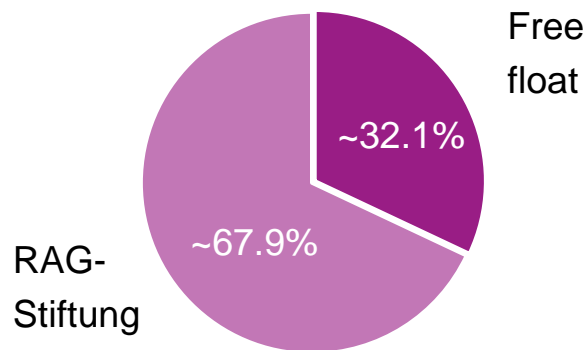
Dividend (in €)



- 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

## 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>



**#6**

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

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

<sup>1</sup> Average in H1 2016



# Table of contents



1	Evonik at a glance
<b>2</b>	<b>Acquisition of Air Products Performance Materials</b>
3	Financials Q2 2016
4	Appendix

# 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> 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> 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> 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>11 Plants<sup>2</sup></b> <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>2015 Sales by region</b>
<b>1,100 Employees</b> ~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

## 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>		

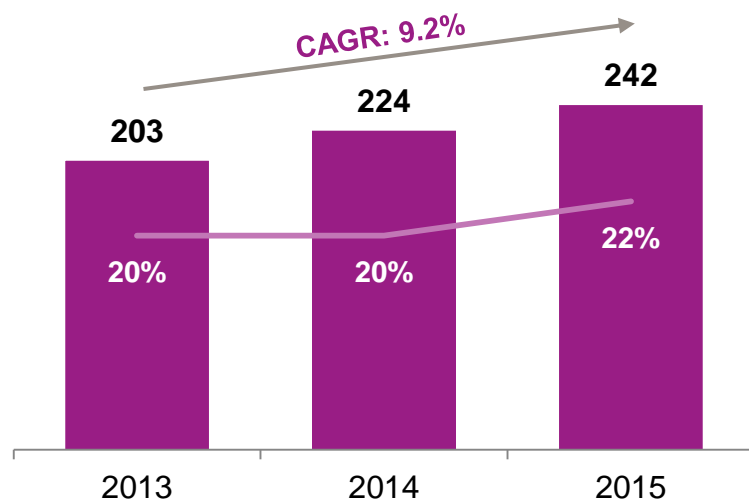
Note: APD Performance Materials 2015 financials are September year-end

# Resilient and attractive margin profile with strong cash generation



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

in \$ m — % margin

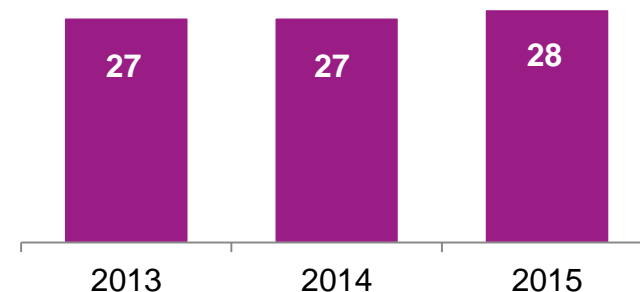


- Growing demand of specialty
- Earnings driven by innovation and unique technologies
- High and stable margins

## Low capital intensity

D&A as % of sales 2.7% 2.4% 2.6%

D&A in \$ m






- 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

# Combining complementary companies in the specialty additives market

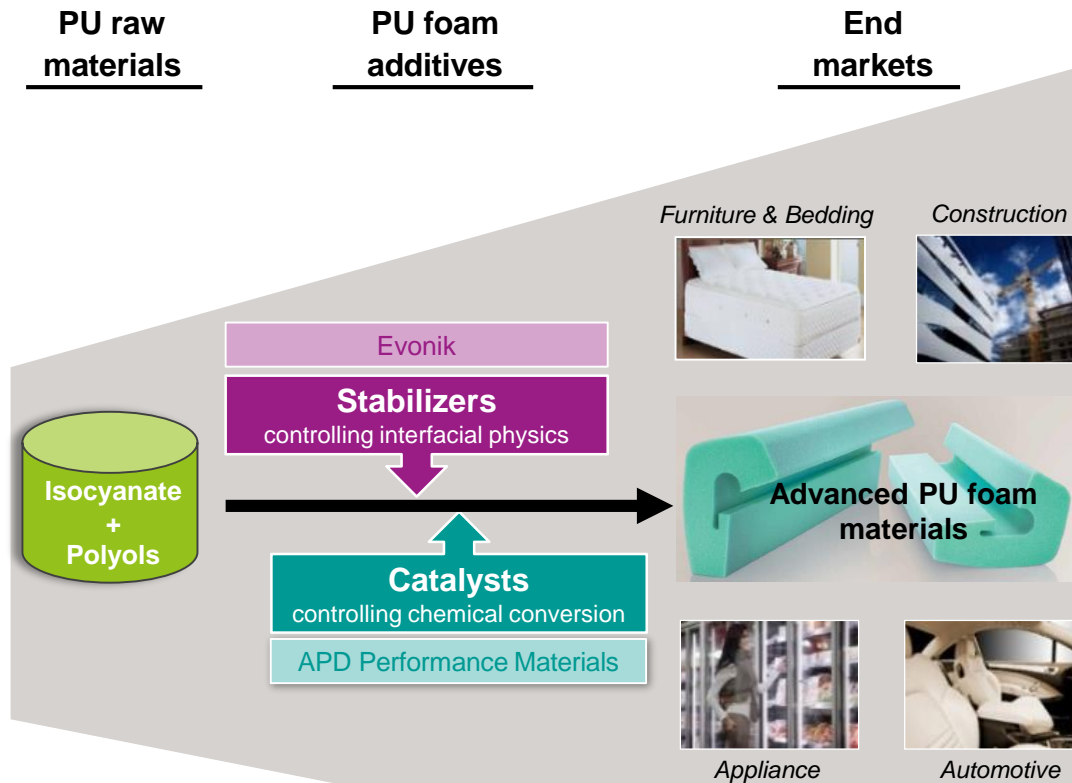


Evonik	Target industries	APD Performance Materials
<ul style="list-style-type: none"> <li>• PU foam stabilizers</li> </ul>	 <p>High value additives for PU foam</p>	<ul style="list-style-type: none"> <li>• PU foam catalysts</li> </ul>
<ul style="list-style-type: none"> <li>• Isophorone-based crosslinkers</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	<b>2015 Sales in Specialty and Coating Additives</b>	~€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

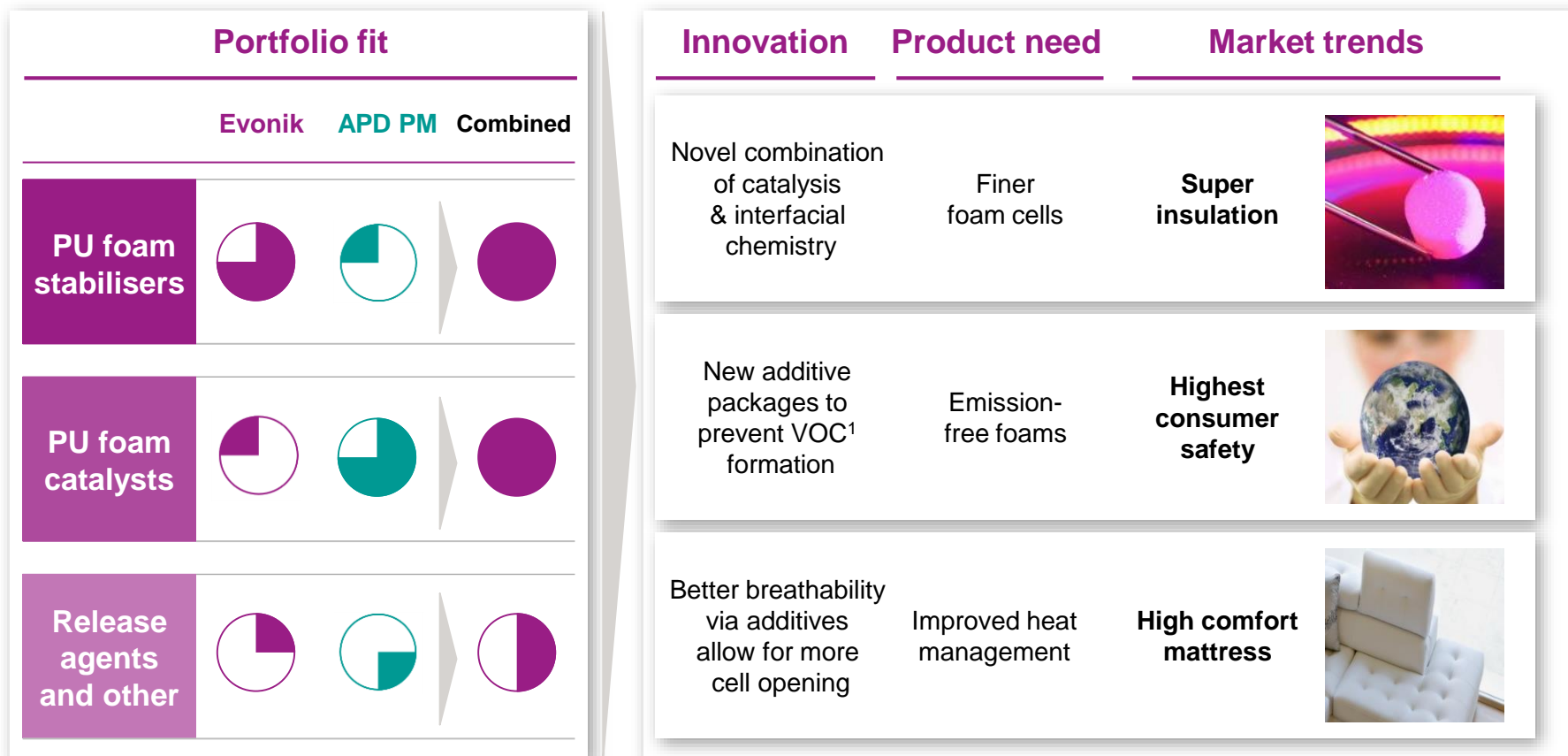


## Benefits of combination to customers

- 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**

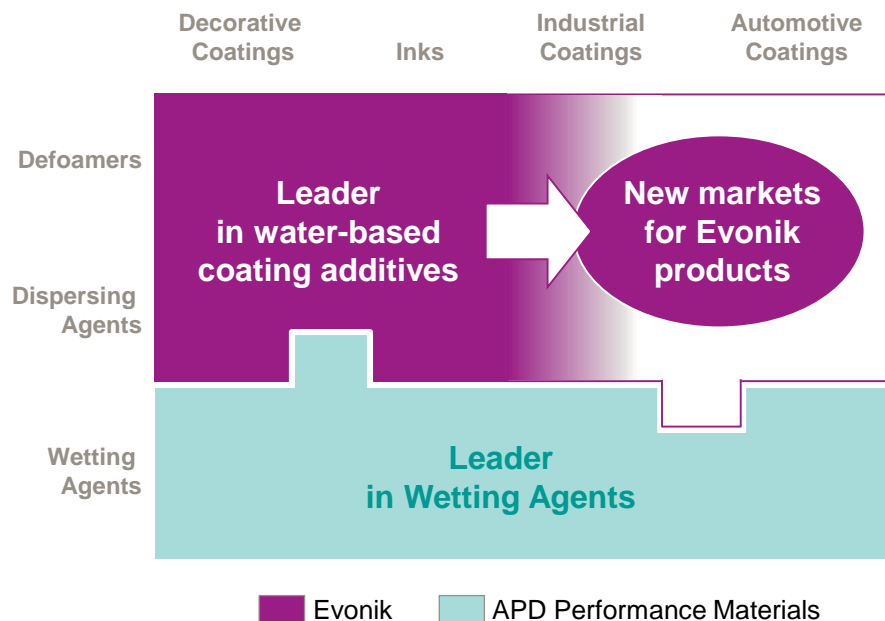
<sup>1</sup> VOC: Volatile organic compound

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



## Coatings end-markets

Additive technologies

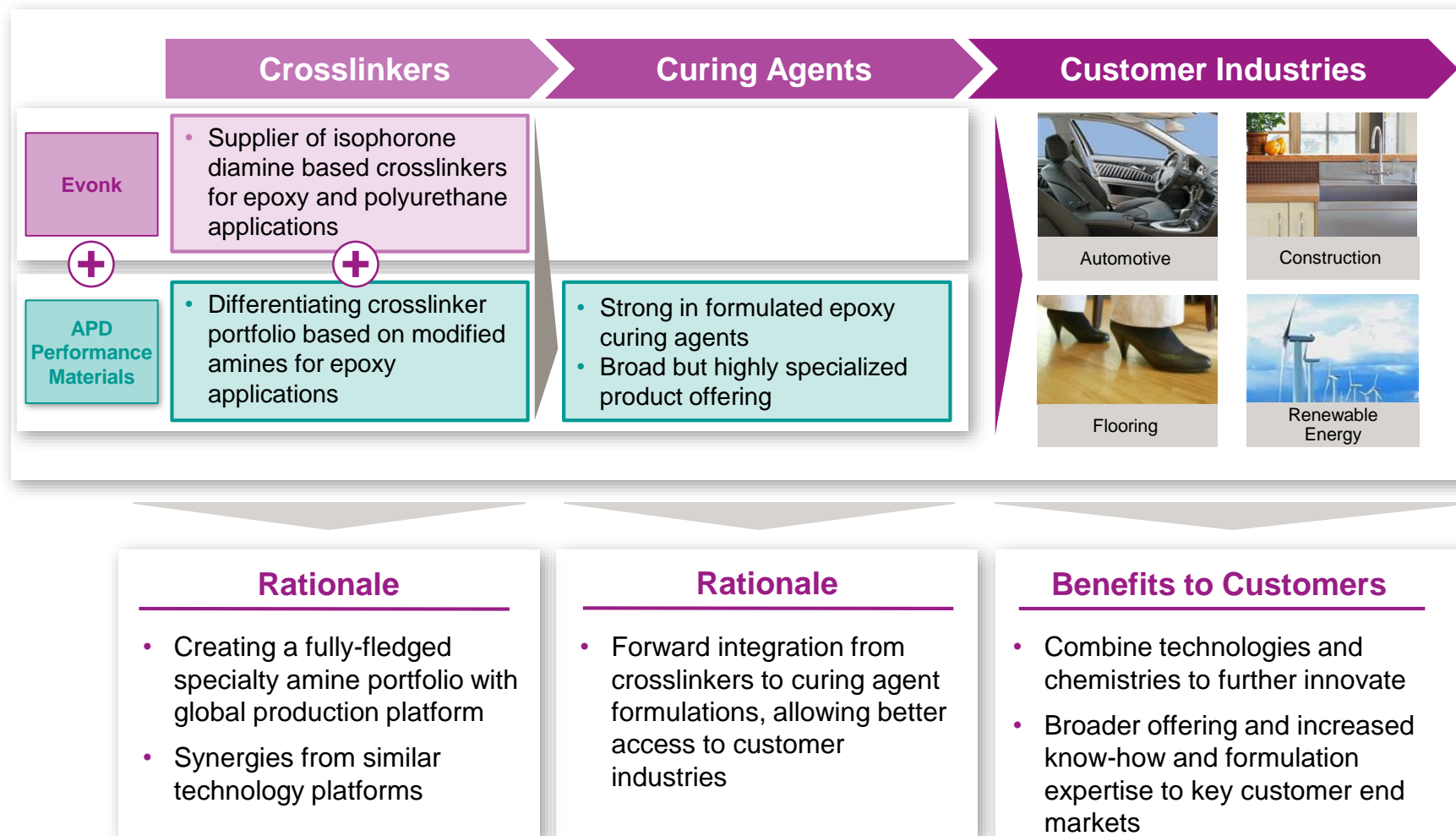


## Key value drivers

- 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



Industrial & Institutional cleaning



Amine-based



Oleo-based



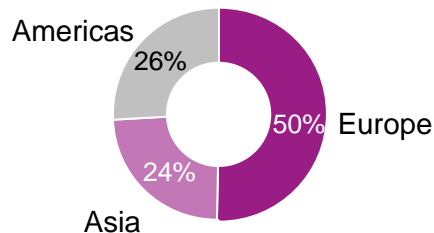
## Key value drivers

- ✓ 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

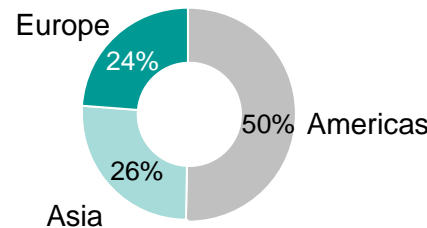
# Complementary regional setup leading to balanced geographic footprint



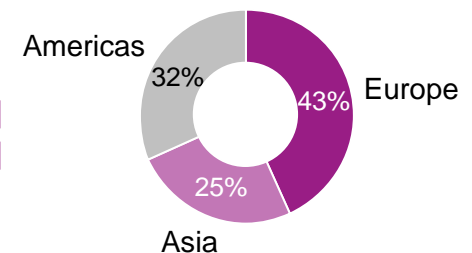
2015 Evonik Additives<sup>1</sup> Sales



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 September 2016 | Evonik company presentation | Acquisition of Air Products Performance Materials

# Creating a global leader in Specialty & Coating Additives

## Impacted Evonik businesses

 Nutrition & Care	Comfort & Insulation
	Personal Care
	Household Care
	Interface & Performance
 Resource Efficiency	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**

# 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

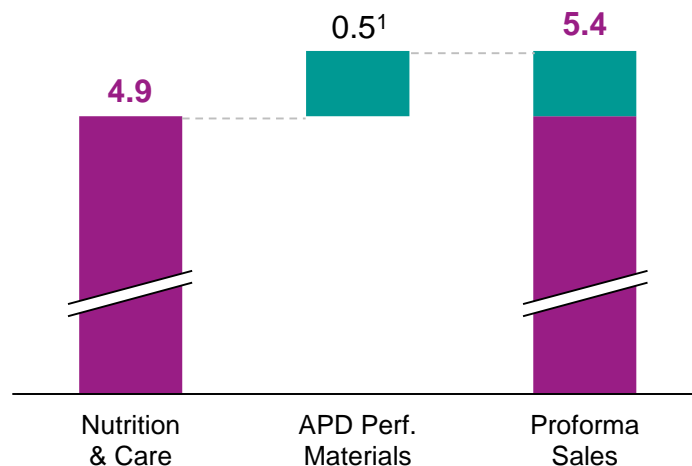
# Strengthening of growth segments

## Nutrition & Care and Resource Efficiency



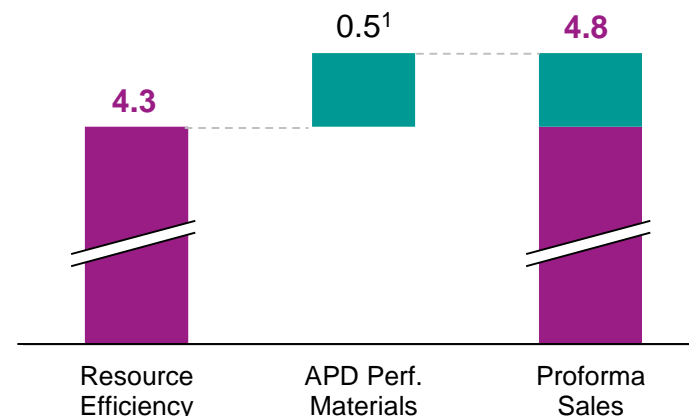
### Nutrition & Care

**Sales 2015**  
(€ bn)



### Resource Efficiency

**Sales 2015**  
(€ bn)



**Significantly increased sales of growth segments**

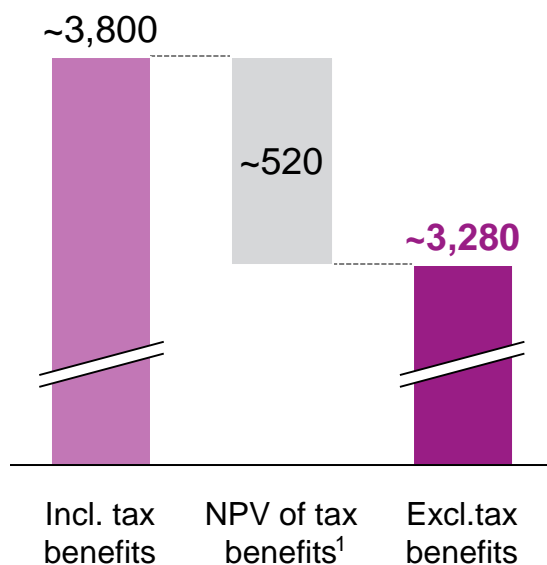
Note: APD Performance Materials' 2015 financials are September year-end

<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

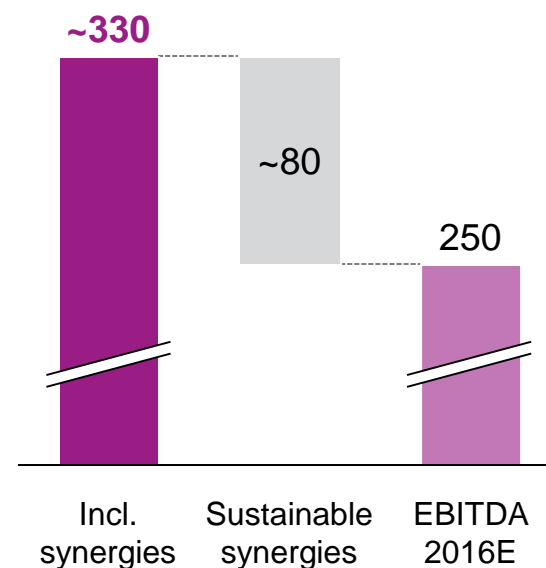
## EV / EBITDA 2016E

**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



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

Syndication of €1.9 bn credit facility completed within core banking group

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**

# Table of contents



1	Evonik at a glance
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4	Appendix

## Highlights Q2 2016

Strong sequential earnings improvement –  
outlook specified



### Volume growth

**+4%** (yoy)

Good volume growth across all three  
chemical segments

### Adj. EBITDA

**€585 m** (vs. €565 m in Q1)

Resource Efficiency and Performance  
Materials with strong sequential increase  
Expected normalization in Nutrition & Care

### Free cash flow

**€47 m** (vs. - €13 m Q2 2015)

Positive free cash flow in a normally cash-  
negative quarter - even above prior year

### Outlook

**Confirmed and specified**

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

# APD Performance Materials integration status

## On track and closing expected for year-end



### Recent milestones

- Welcome visit of Evonik top management at APD PM locations in May
- Integration project started, all workstreams progressing well
- Business integration meeting at APD PM headquarter on July 5<sup>th</sup> & 6<sup>th</sup>
- Syndication of €1.9 bn credit facility completed
- Closing date expected for year-end 2016



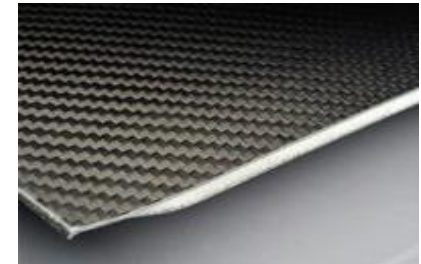
# New production capacities successfully brought on stream in Brazil and China

## New silica plant in Brazil



- First plant for **highly dispersible (HD) silica** in South America went on stream in July
- Tapping **Latin American growth markets** by new production facility currently mainly served by imports
- **Attractive specialty segments** in South America's food, feed, and agricultural industries
- **Tire labelling in Brazil** from 2016 onwards as additional growth driver

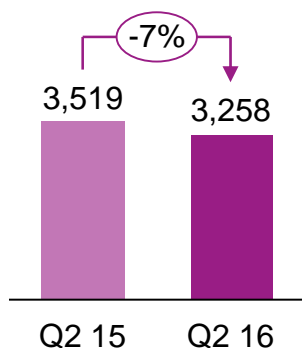
## New ROHACELL® plant in China



- **Third ROHACELL® plant** went on stream in Shanghai, complementing global production footprint in Germany and the US
- Fast growing Chinese market now served with local production
- ROHACELL® is a **lightweight structural foam**, e.g. used as core for sandwich structures in the aviation, automotive, electronics and sports equipment industries

# Financial highlights Q2 2016

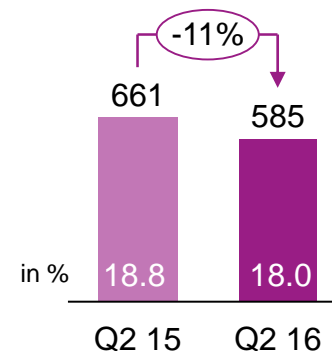
## Sales (in € m)



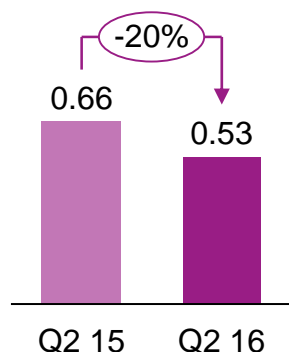
### Q2 16 vs. Q2 15

Volume	Price
4% ↗	-10% ↘
FX	Other
0% →	-1% ↘

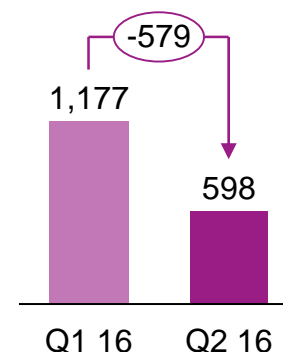
## Adj. EBITDA (in € m) / margin



## Adj. EPS (in €)



## Net financial position (in € m)

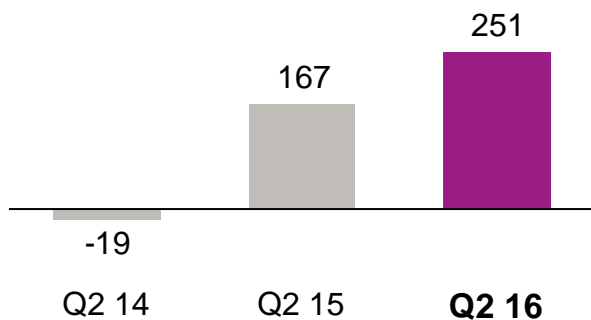




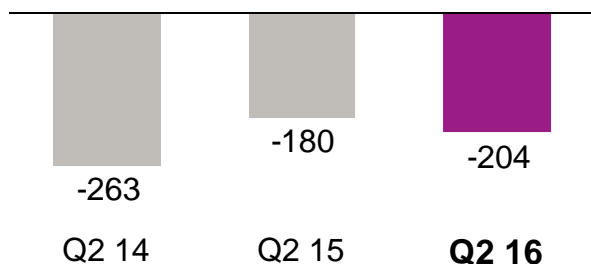
# Cash flow development

Active NWC management resulting in positive FCF

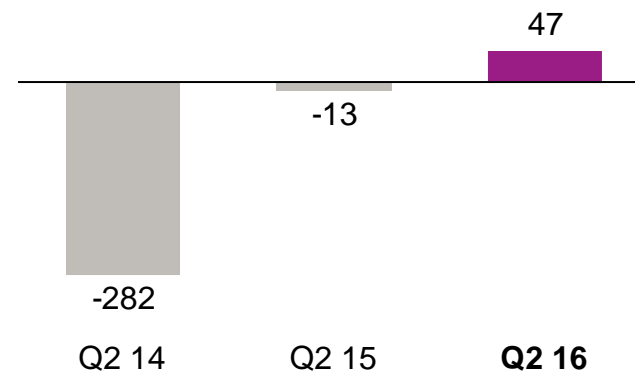
## Operating Cash Flow (cont. op. in € m)



## Investing Cash Flow (cont. op. in € m)<sup>1</sup>



## Free Cash Flow (cont. op. in € m)<sup>2</sup> (before dividends and divestments)



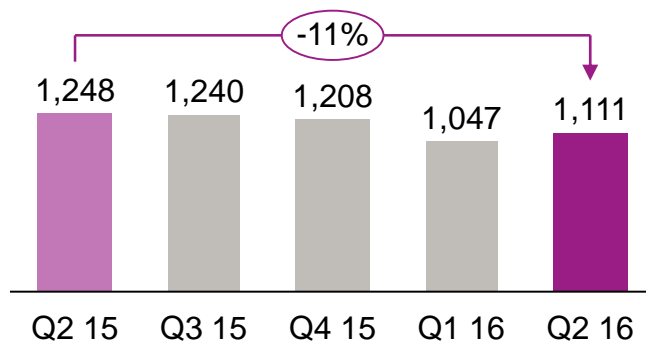
<sup>1</sup> Cash outflow for investments in intangible assets and PP&E

<sup>2</sup> Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.)

# Nutrition & Care

## Expected normalization in Animal Nutrition

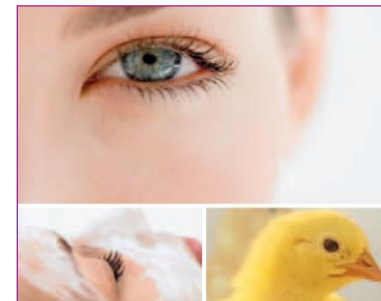
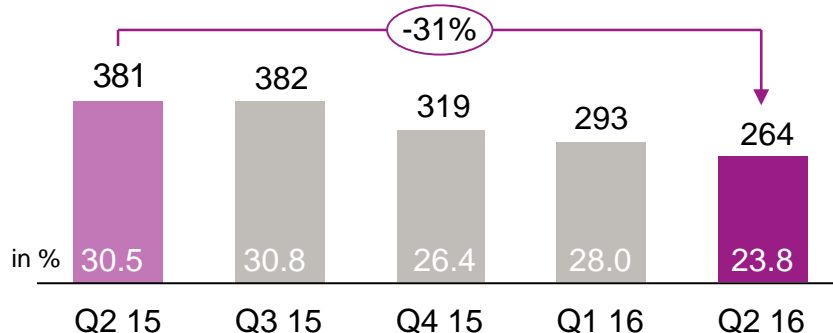
### Sales (in € m)



Q2 16 vs. Q2 15	Volume	Price	FX	Other
	+5% 	-15% 	-1% 	0% 

- Strong volume development after softer start into the year, mainly driven by Animal Nutrition
- Lower prices mostly in Baby Care (due to propylene formula prices and competitive environment) and Animal Nutrition
- Methionine prices with stabilization trend in Q2, expected to continue in H2

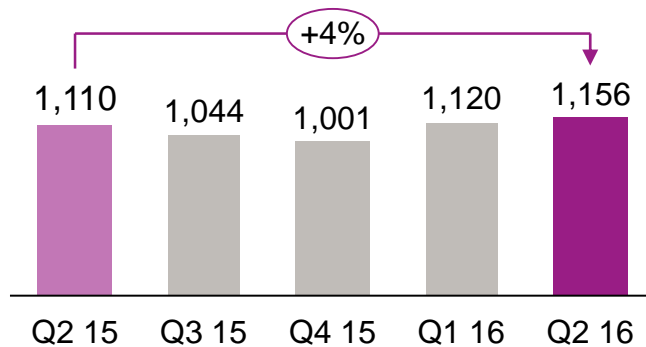
### Adj. EBITDA (in € m) / margin (in %)



# Resource Efficiency

## Sustainable volume and earnings growth

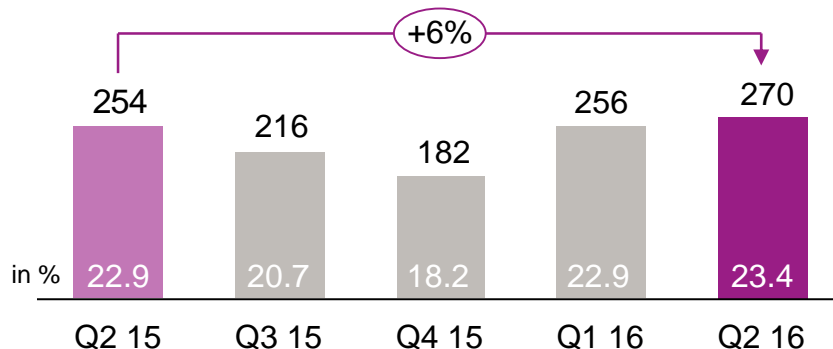
### Sales (in € m)



Q2 16 vs. Q2 15	Volume	Price	FX	Other
	+4% 	-2% 	0% 	+2% 

- Good volume growth across majority of businesses
- Margin even further expanded
- Positive market environment expected to continue into H2, raw material tailwind fading

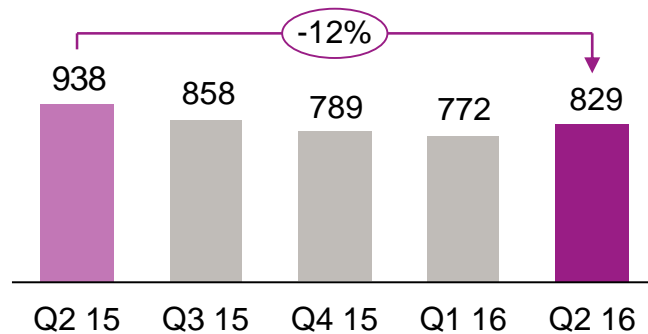
### Adj. EBITDA (in € m) / margin (in %)



# Performance Materials

## Good margin development

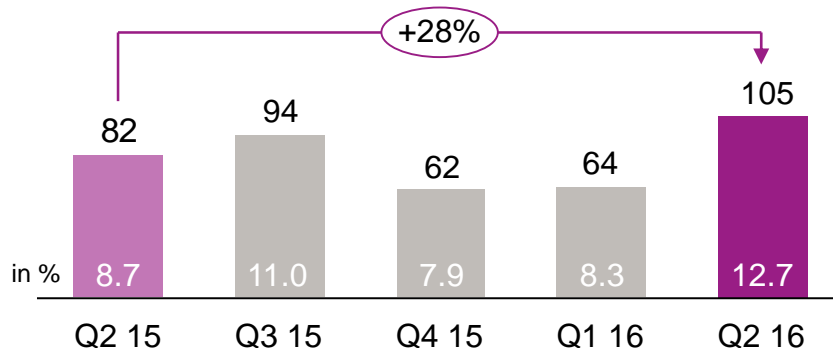
### Sales (in € m)



Q2 16 vs. Q2 15	Volume	Price	FX	Other
	+4% 	-16% 	0% 	0% 

- Positive volume development supported by C4 expansion, prices in line with lower raw material costs
- Positive earnings development both in Methacrylates and primarily C4, supported by higher volumes, better spreads/yields and inventory revaluations
- H2: scheduled maintenance and expected narrowing of spreads

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

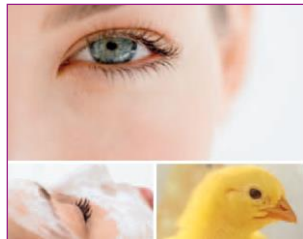


# Highlights Q2 2016: Strong performance in Specialty & Coating Additives businesses



Evonik's Specialty & Coating Additives Businesses Lines to be strengthened by **APD PM acquisition**

## Nutrition & Care



Personal Care

Household Care

Comfort & Insulation

Interface & Performance

## Resource Efficiency



Crosslinkers

Coating & Adhesive Resins

Coating Additives

**Strong volume growth of 7% and adj. EBITDA growth of >10 %<sup>1</sup>**

<sup>1</sup> Q2 16 combined financial data of the seven Business Lines

# Outlook for 2016 specified

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

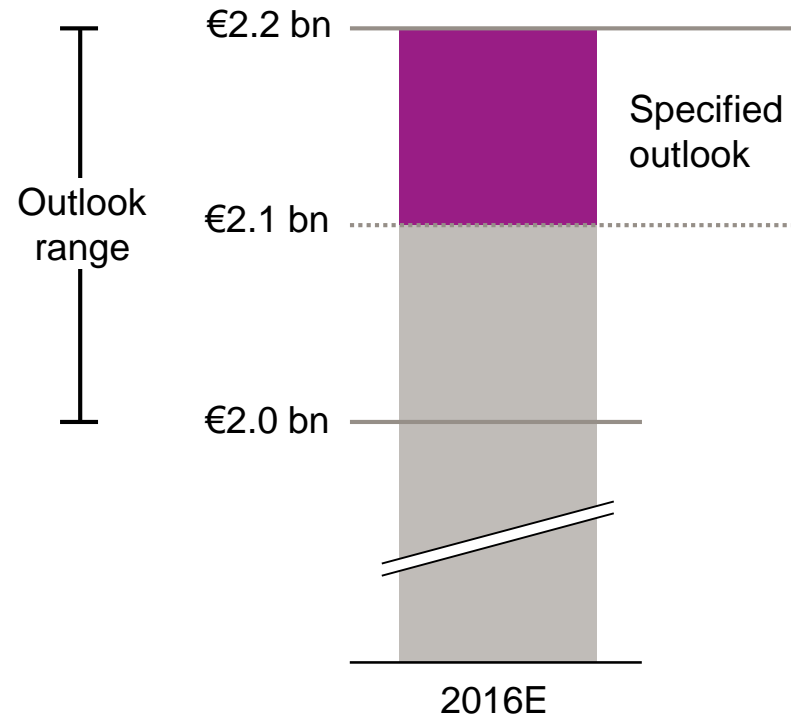
## Outlook 2016

**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 specification

Adj. EBITDA



<sup>1</sup> Including transaction effects (after hedging) and translation effects; before secondary / market effects and APD PM acquisition  
<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”)

September 2016 | Evonik company presentation | Financials Q2 2016 Page 3



**EVONIK**  
INDUSTRIES



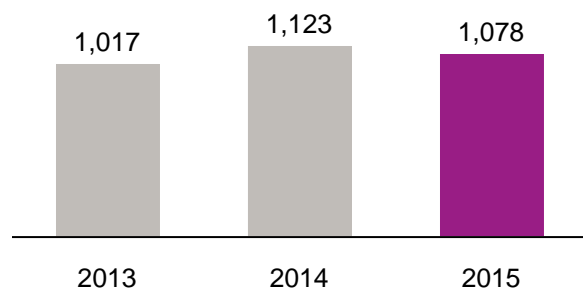
# Table of contents



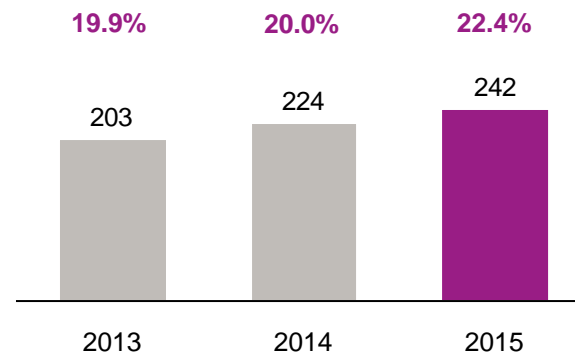
<b>A</b>	<b>Appendix to Acquisition of APD Performance Materials</b>
B	Segment overview
C	Financials
D	Investor Relations contact

# Financial overview of APD Performance Materials

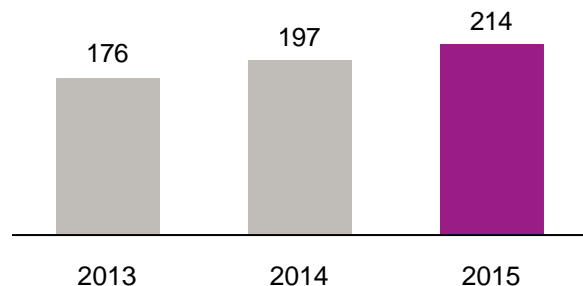
## Sales (in \$ m)



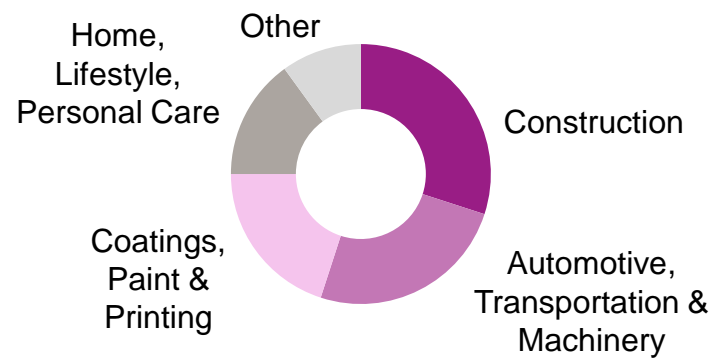
## Adj. EBITDA<sup>1</sup> (in \$ m) / margin<sup>1</sup>



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



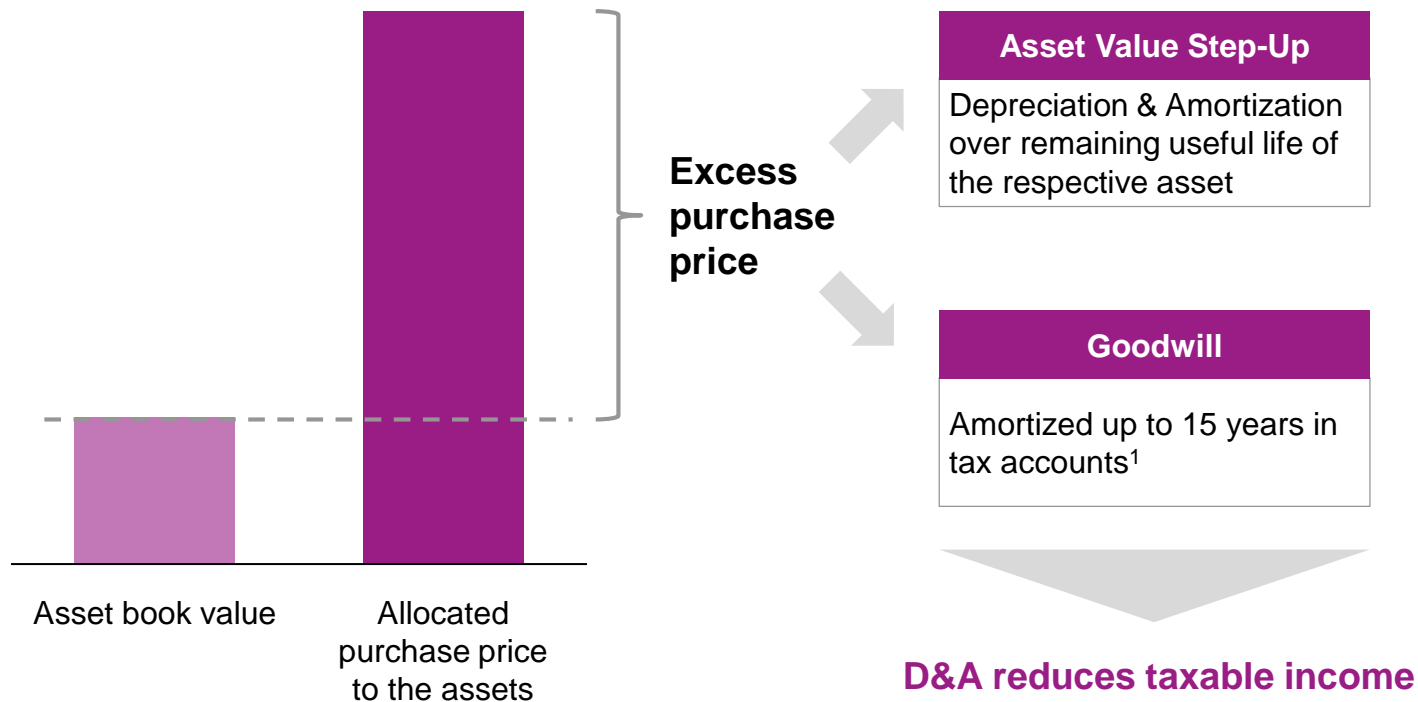
## End market split



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

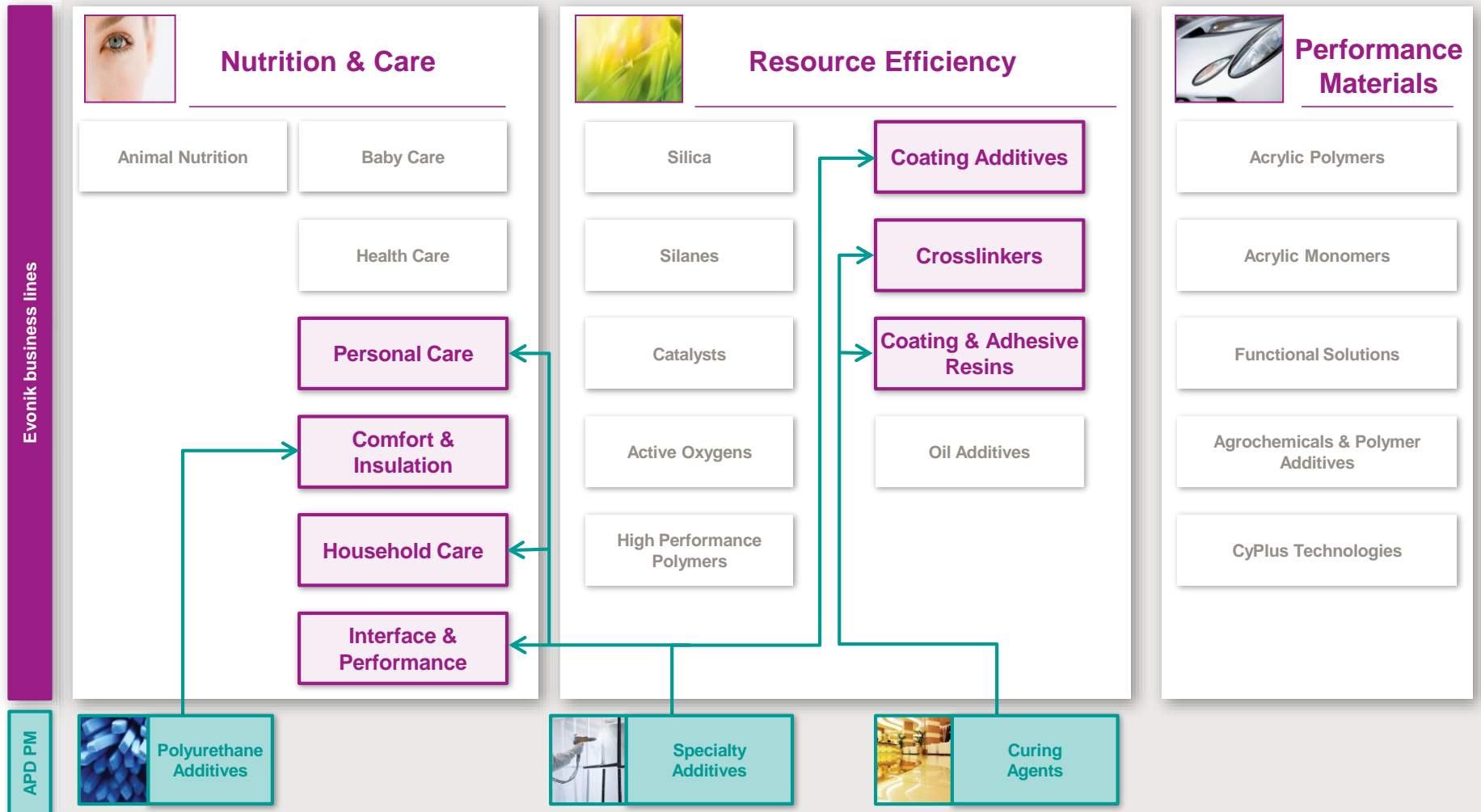
<sup>1</sup> Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income

# Exemplary purchase price allocation in asset deals

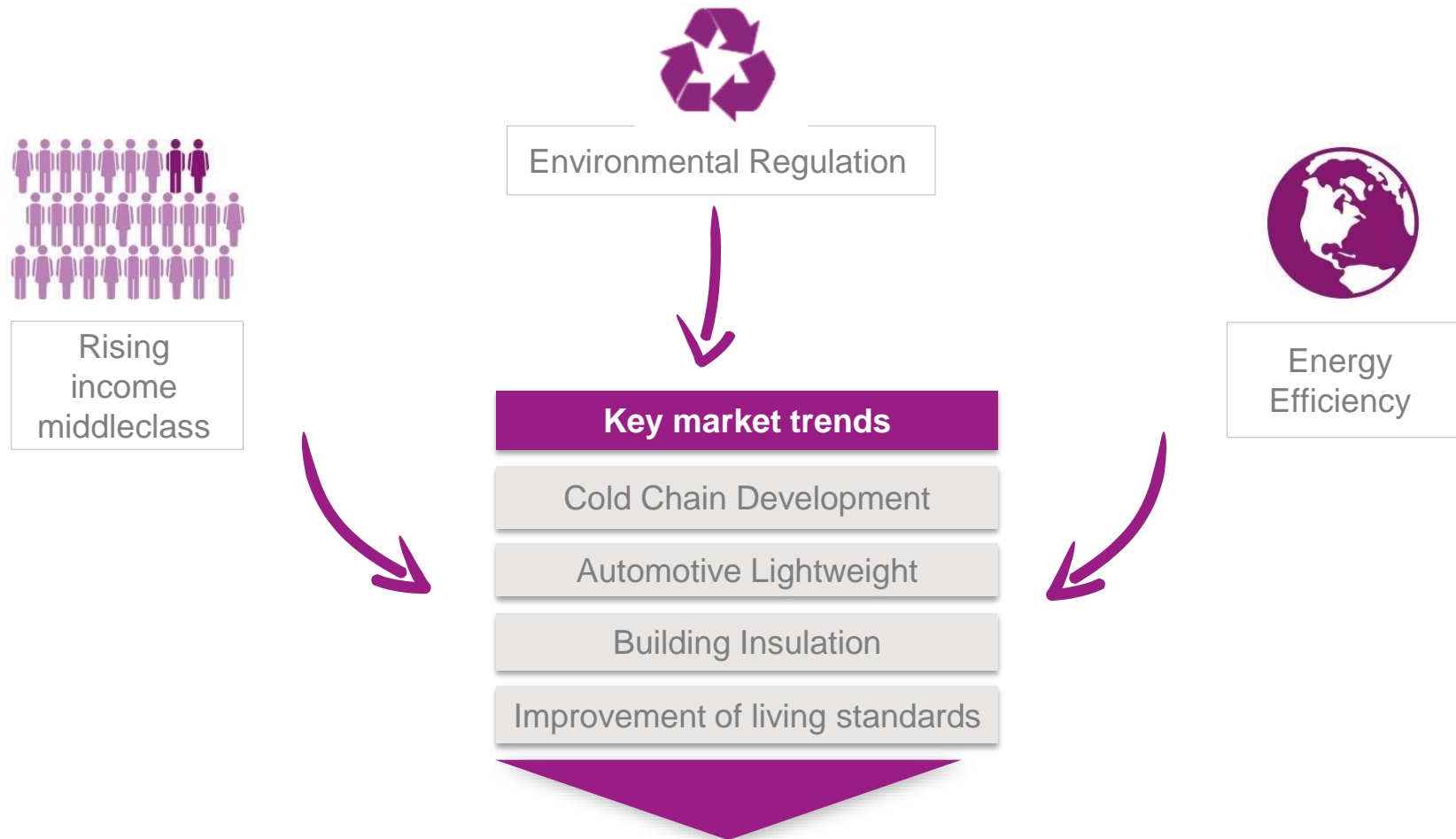


<sup>1</sup> In countries where applicable

# Strong fit in Evonik's Growth Segments



# Growth drivers of our markets and applications



**Additives market growth:  
~ 5% p.a.**

# Industry trends drive growth in major applications

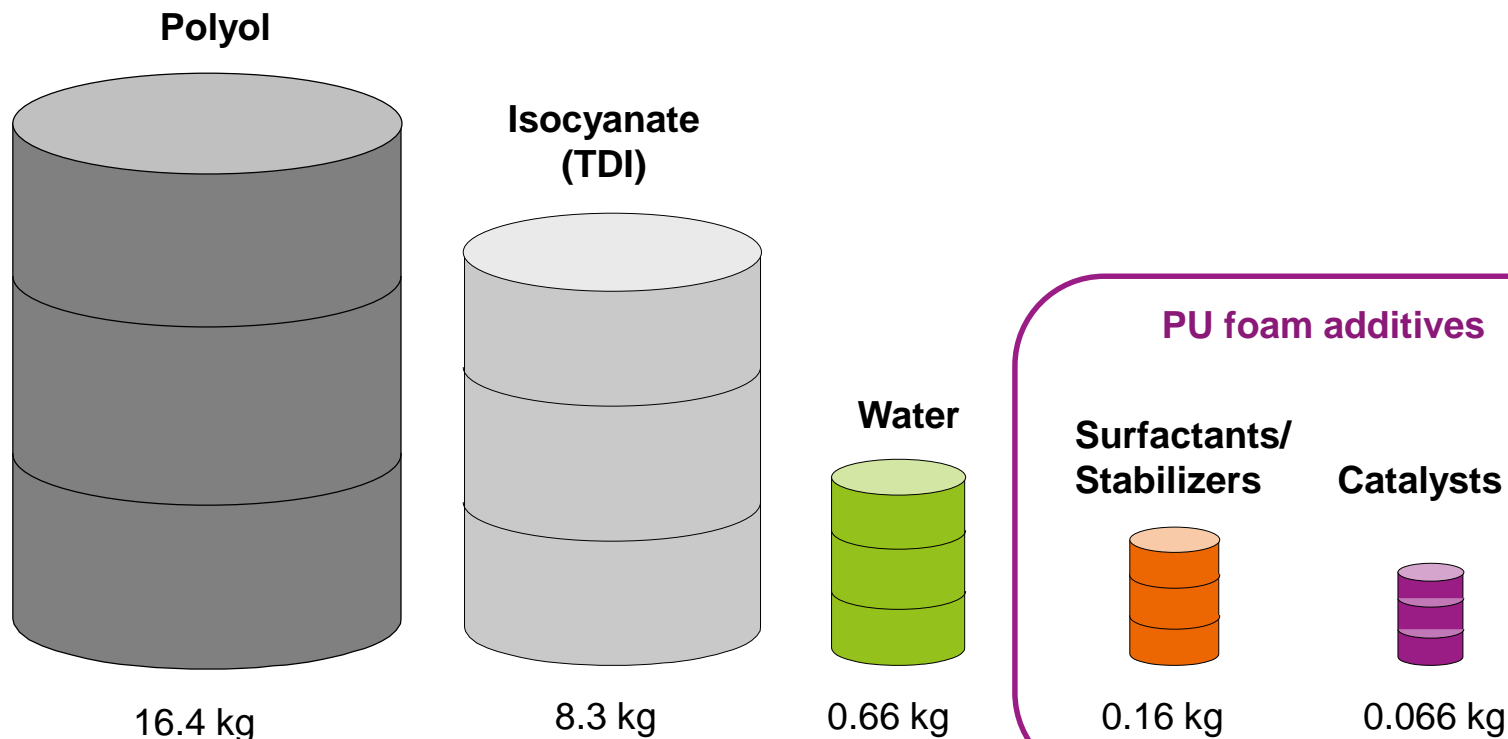


Market trend	End Market	Key application functionalities
<b>Cold Chain Development</b>	Appliance	Lower energy consumption due to excellent cell nucleation, emulsification and surface appearance
<b>Automotive Lightweight</b>	Automotive	Comfort, protection, durability, energy conservation, reduce fogging 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>



# Table of contents



A	Appendix to Acquisition of APD Performance Materials
<b>B</b>	<b>Segment overview</b>
C	Financials
D	Investor Relations contact



# 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

Methacrylates

Acrylic Products

Functional Solutions

Agrochemicals & Polymer Additives

CyPlus Technologies

2015 financials; Business Lines ranked by turnover

### Key characteristics

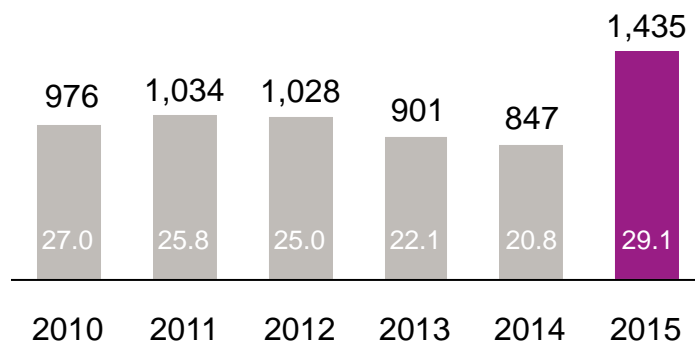
- High degree of **customer intimacy and market know-how**
- Enabling our customers to deliver **differentiating solutions** in their markets
- **Excellent technology platforms**
- **Sustainability** as major growth driver

### Key products

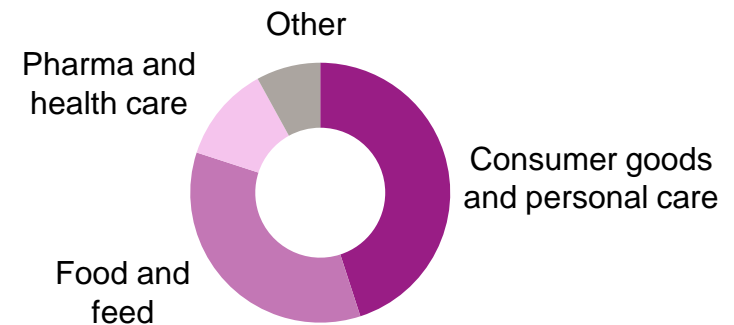
- Amino acids for professional animal nutrition
- Active ingredients for cosmetic products
- Superabsorbents for baby diapers
- Drug delivery systems for controlled drug release



### 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



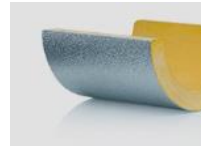
- Active pharma ingredients
- Pharma grade amino acids
- Pharmaceutical coatings

- 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

# Acquisition of Norel's probiotics – Innovative solutions for antibiotic-free animal nutrition



## Growth field: Sustainable Nutrition



## Step change in animal nutrition:

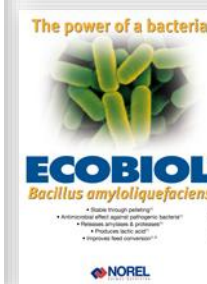
- Food quality and safety becoming more and more important
- Antibiotics being met with growing criticism
- Probiotics to play a pivotal role in resolving food quality and safety

## Acquisition as integral part of Evonik's strategy beyond amino acids

- Leveraging our **biotechnology** competence in probiotics
- **Ecobiol**® and **Fecinor**® already approved and established as brand names
- Important step to get **access** to the regulated and attractive European probiotics market
- Evonik's approach is to combine **amino acids and probiotics**



Combination of animal nutrition and gut health products offers a unique package to our customers



# Multiple levers to prevail in the market

## Innovation leadership

- **Smart FAVOR®**  
Superabsorbents, capable of adapting to the in use conditions of the diaper to allow more flexible use of hygiene articles
- **New FAVOR® for Ultrathin Diapers**  
New superabsorbent generations with ideal property profile (see below) will boost performance of ultrathin diapers



## Rapid scale-up excellence

- Significant improvement of scale-up abilities
- New pilot plant enables shortcut between product development and sample production for increases effectiveness and customer proximity
- Strengthening of prototyping capabilities at Krefeld site to ensure market leadership position



**Superabsorbents as long-term attractive market for players with sufficient stamina to excel in production processes, upscale abilities and innovative new solution development**



# Acquisition of Transferra Nanosciences – Active technology in the drug delivery industry

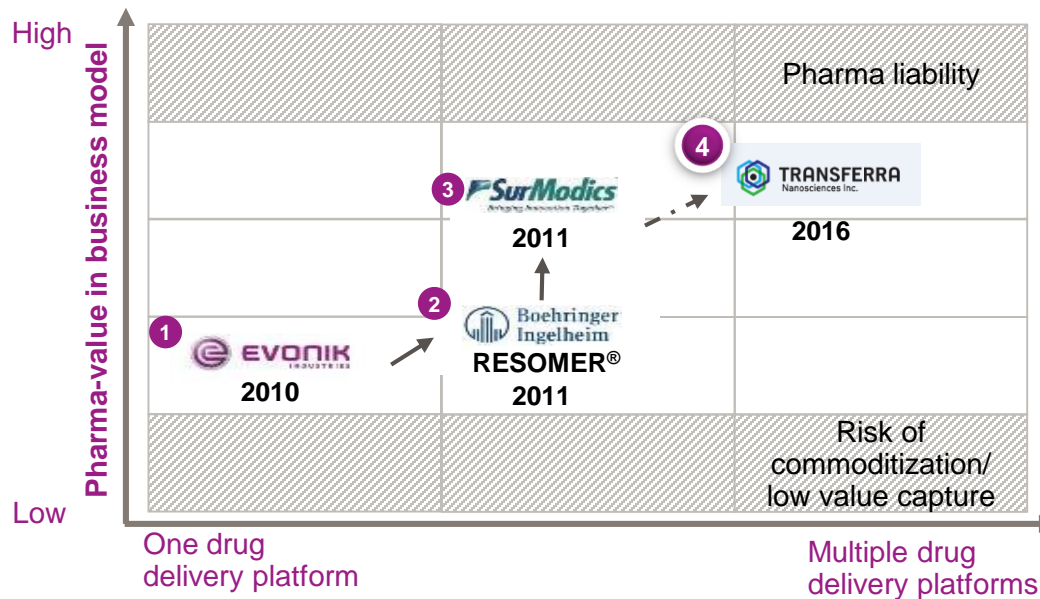


## Growth field: Healthcare Solutions



- Excellent strategic fit for drug delivery business
- Powerhouse for complex injectable dosage forms
- Doubling Evonik's access to relevant markets
- Global market<sup>1</sup> size: USD1.2 bn, CAGR ~8%

## Strategic roadmap towards pharma-value driven business



- 1 2010 Evonik only covered one drug delivery platform
- 2 Acquisition of RESOMER® – bioresorbable polymers
- 3 Acquisition of SurModics – services and advanced drug delivery
- 4 **Transferra Nanosciences** – new injectable liposome technology
  - Delivering active ingredients to the virus-infected cell membrane (targeted drug delivery)

<sup>1</sup> Market for development & manufacturing services of complex parenteral formulations

# Resource Efficiency

Innovative products for resource-efficient solutions



## Key characteristics

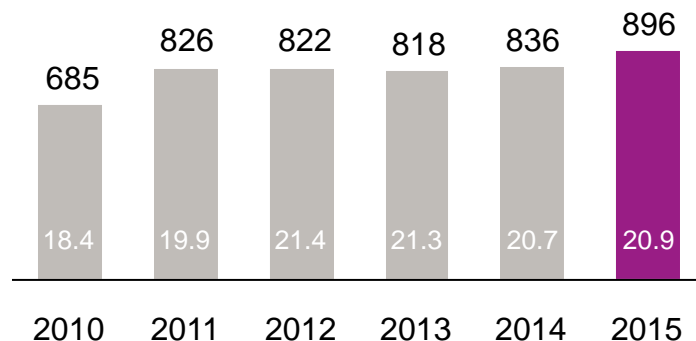
- Focus on **performance-impacting** and value-driving components
- **Minor share of cost** in most end products
- Strong focus on **technical service**
- **Low risk of substitution**
- High pricing power (**value-based pricing**)

## Key products

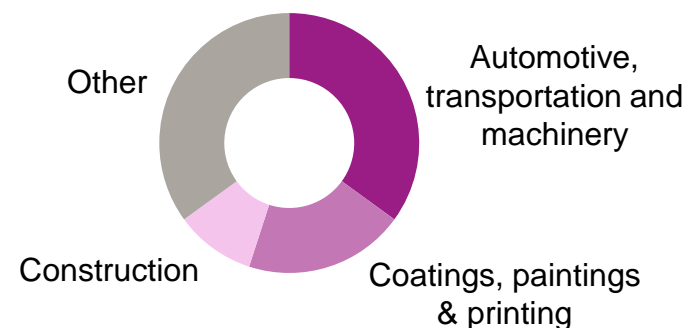
- Precipitated and fumed silica as flow property enhancers
- Crosslinkers for composite materials and coatings
- Viscosity modifiers for oils and hydraulic fluids



## 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

### Silanes



- Chlorosilanes
- Organofunctional silanes
- Rubber silanes

Main  
Applications

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

Market  
position<sup>1</sup>

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

Main  
competitors

- 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

# Hydrophobic precipitated silica expansion

## Evonik strengthening #1 position in silica

- Plant extension in Wesseling to **double capacity** for production of hydrophobic precipitated silica



- Example for growth in higher margin specialty

### Hydrophobic:

Surface modification to alter functionality of silica (reduced attraction towards water)

### Advantages:

Hydrophobic silica offer additional properties, e.g. increased demulsifying effectiveness, which enables new applications.

## Industry and application examples

### Target markets:

Technical Powders, Defoamers, Feed, Agriculture, Home Care

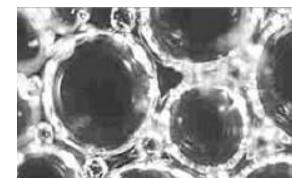
### Application examples:

Carrier for liquid defoamer and viscosity control of defoamer oils

- Flowability in superabsorbers for e.g. diapers
- Ensure anti-caking of fire extinguishing powders
- Increased yield in bio ethanol production by allowing better separation of components



Improved flowability by hydrophobic Silica



Enhanced defoaming properties

# Performance Materials

Integrated production platforms for efficient production of rubber and plastic intermediates



## Key characteristics

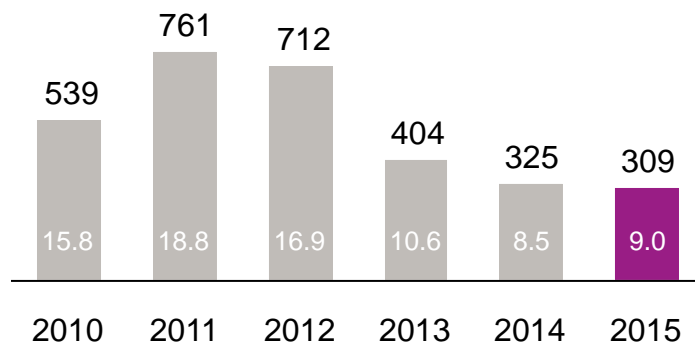
- Strong **integrated production platforms**
- **Leading cost positions**
- Favorable **raw material access**
- Focus on **continuous efficiency improvements**
- High degree of **supply reliability**

## Key products

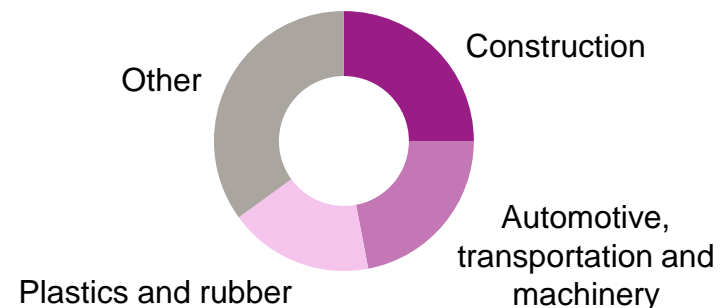
- Acrylic sheets, molding compounds (PMMA) and its precursors (MMA), e.g. for LED and touch screens
- Butadiene for synthetic rubber
- MTBE as fuel additive



## 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

### Methacrylates



- Methylmethacrylate (MMA) & application monomers
  - Molding compounds (PMMA granulate)
- 
- Coatings
  - PMMA extrusion
  - Light-weight systems
  - Automotive components
- 
- # 2 in MMA
  - # 1-2 in PMMA molding compounds
- 
- LG MMA
  - Mitsubishi Chemicals
  - Sumitomo

### Acrylic Products



- Acrylic sheets and semi-finished Products (Plexiglas / Acrylite)
  - PMMA systems
- 
- Construction
  - Light-weight systems
  - Automotive components
  - Light-guiding systems
- 
- # 1-2 in PMMA sheets
- 
- 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

# Table of contents



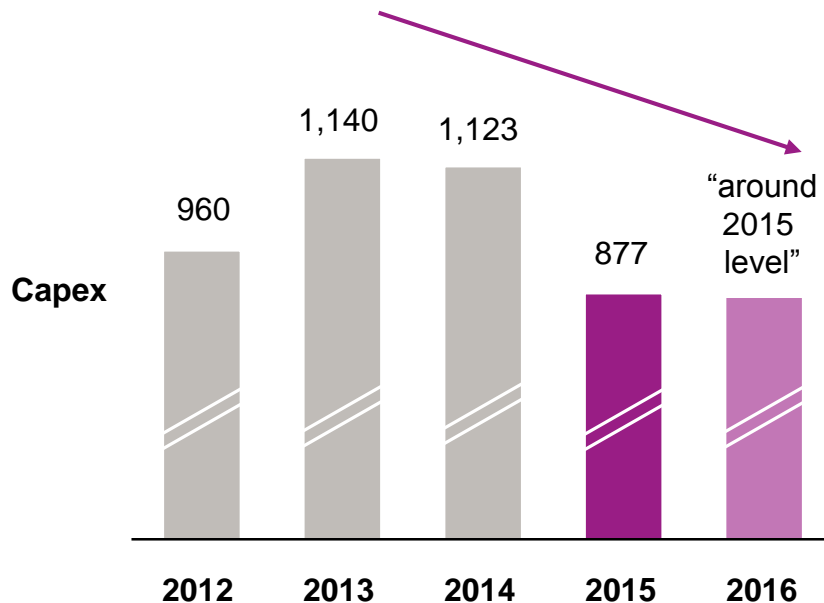
A	Appendix to Acquisition of APD Performance Materials
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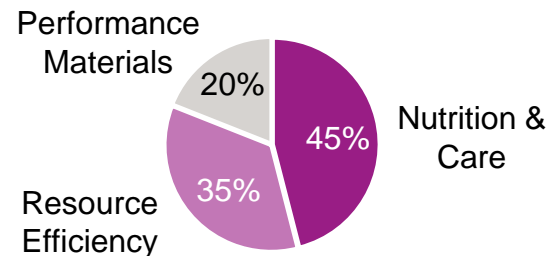
# Investments

## 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**

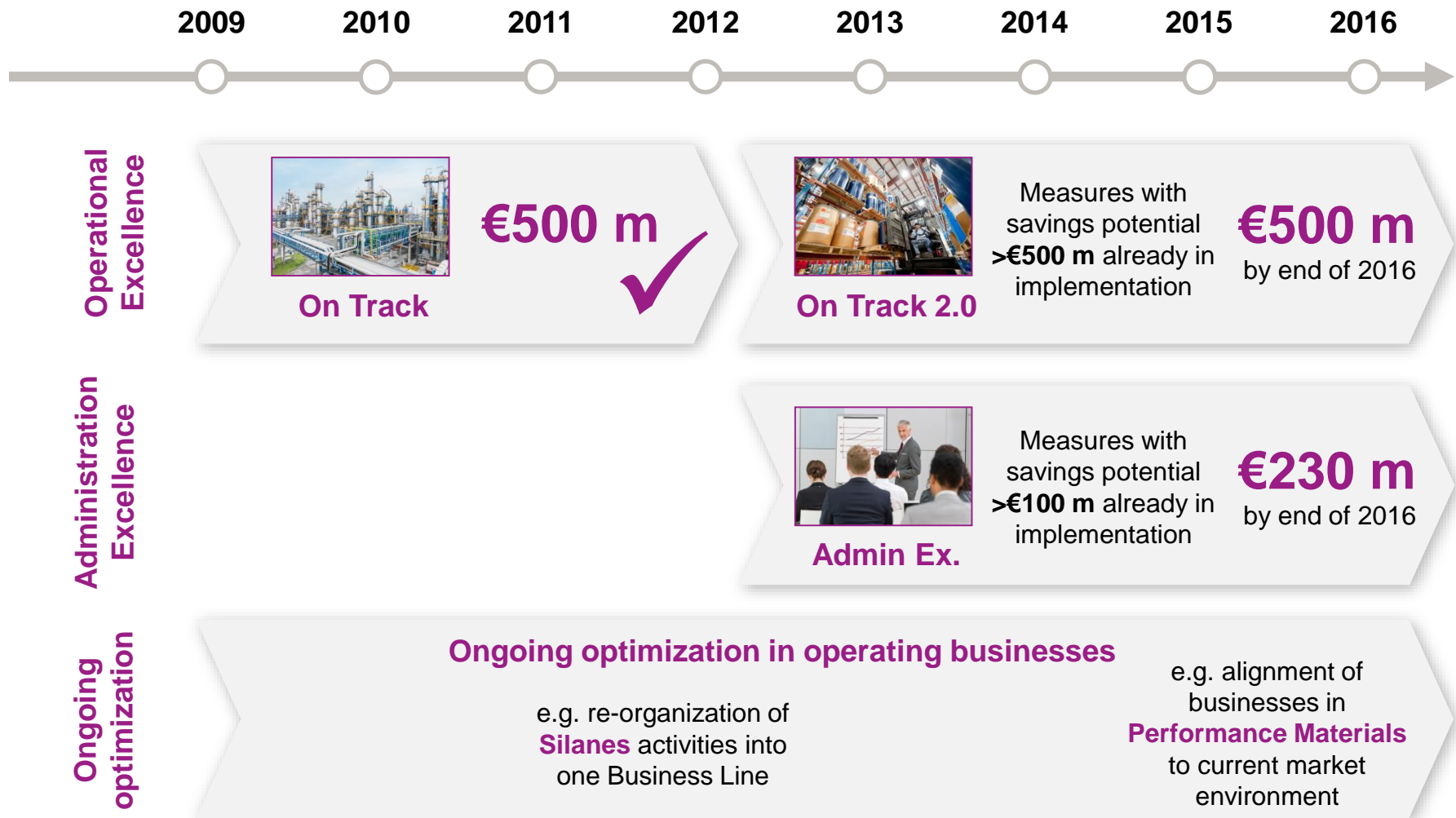
Germany

Start-up: 2018  
Volume: <50 m



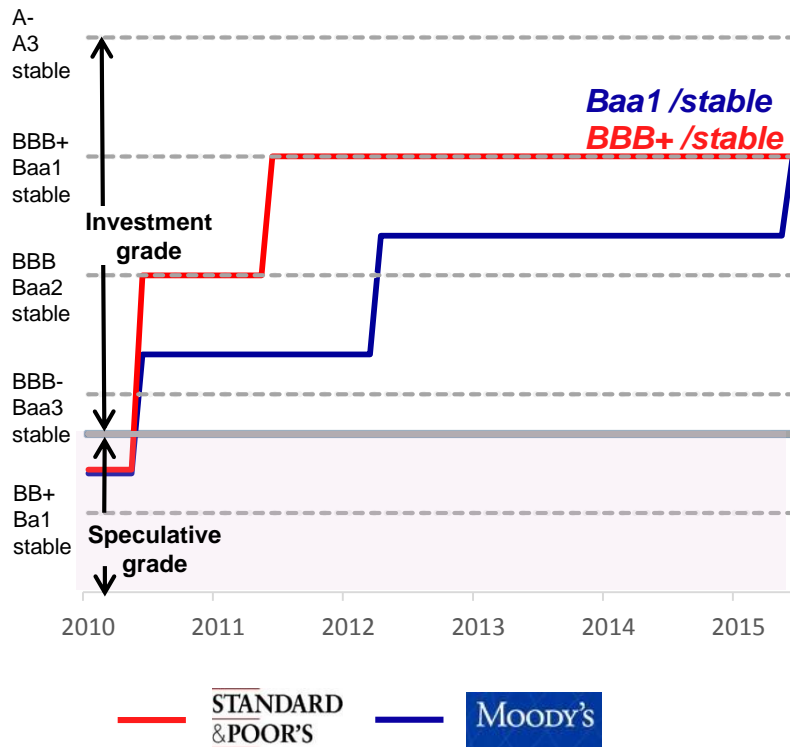
# Efficiency

Cost improvement integral part of Evonik's DNA



# Financial policy

## Maintaining a solid investment grade rating



**BBB+ (stable)**

Rating affirmed at BBB+ stable on May 6, 2016 shortly after APD Performance Materials acquisition (PM acquisition) announcement

- Will enhance Evonik's business risk profile
- Resilient combined performance expected



**Baa1 (stable)**

Rating upgraded to Baa1 stable from Baa2 positive on May 10, 2016 also after PM acquisition

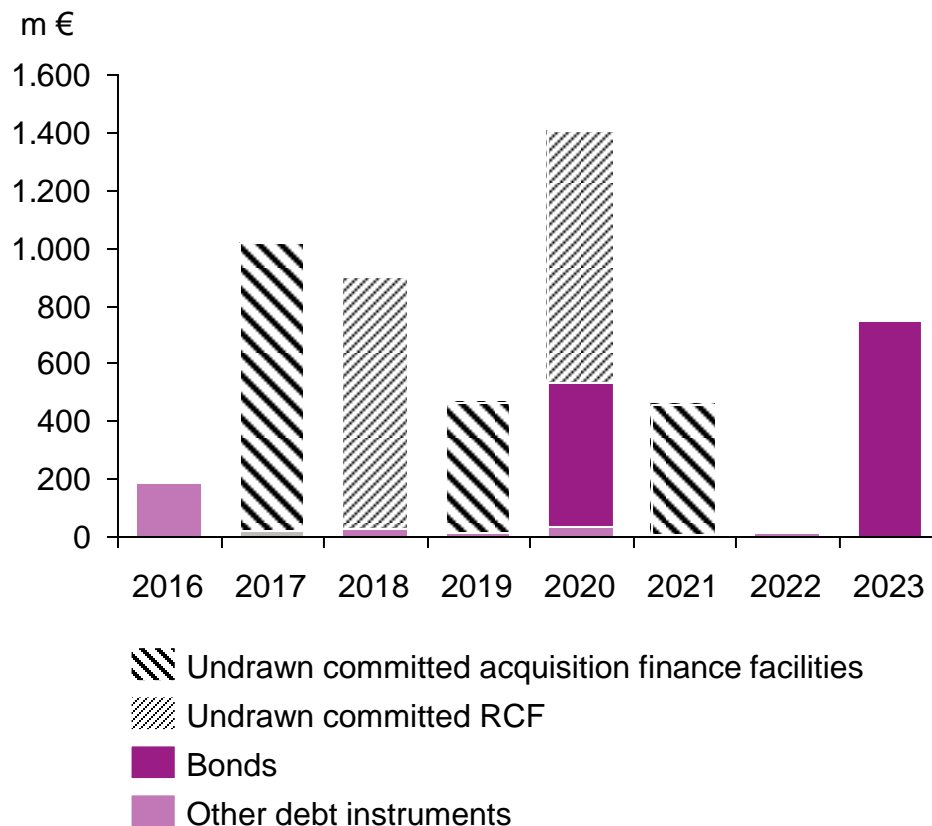
- Specialty chemicals franchise will be improved
- Further strengthening by adding scale and diversity

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

# Debt structure

## Balanced maturity profile

**Maturity profile as of 30 June 2016 (in € m)**

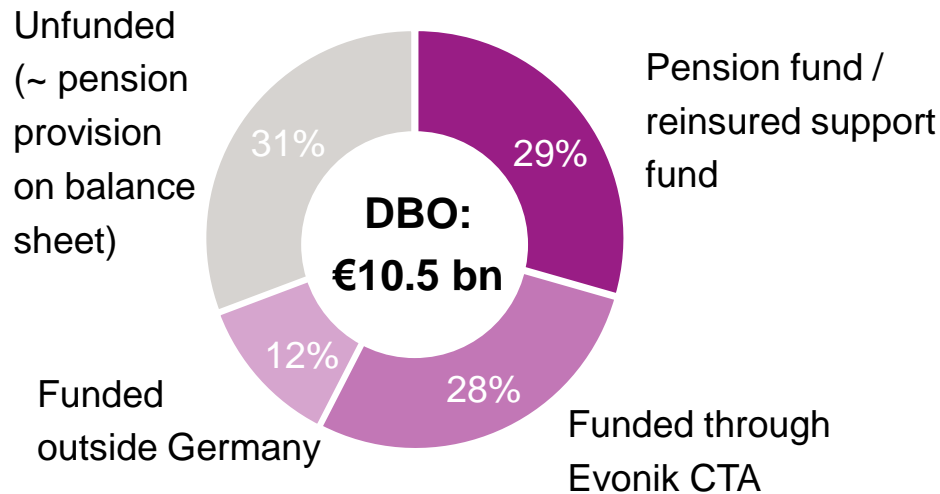


- Financing of APD Performance  
Materials acquisition is secured with half cash and half committed syndicated credit facility consisting of 1Y bridge (€1 bn) plus 3Y and 5Y term loans (€450 m each); currently fully undrawn
- Maturity of syndicated revolving credit facility (RCF) in 2018/20 (€875 m each); fully undrawn

# 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
- CTA 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

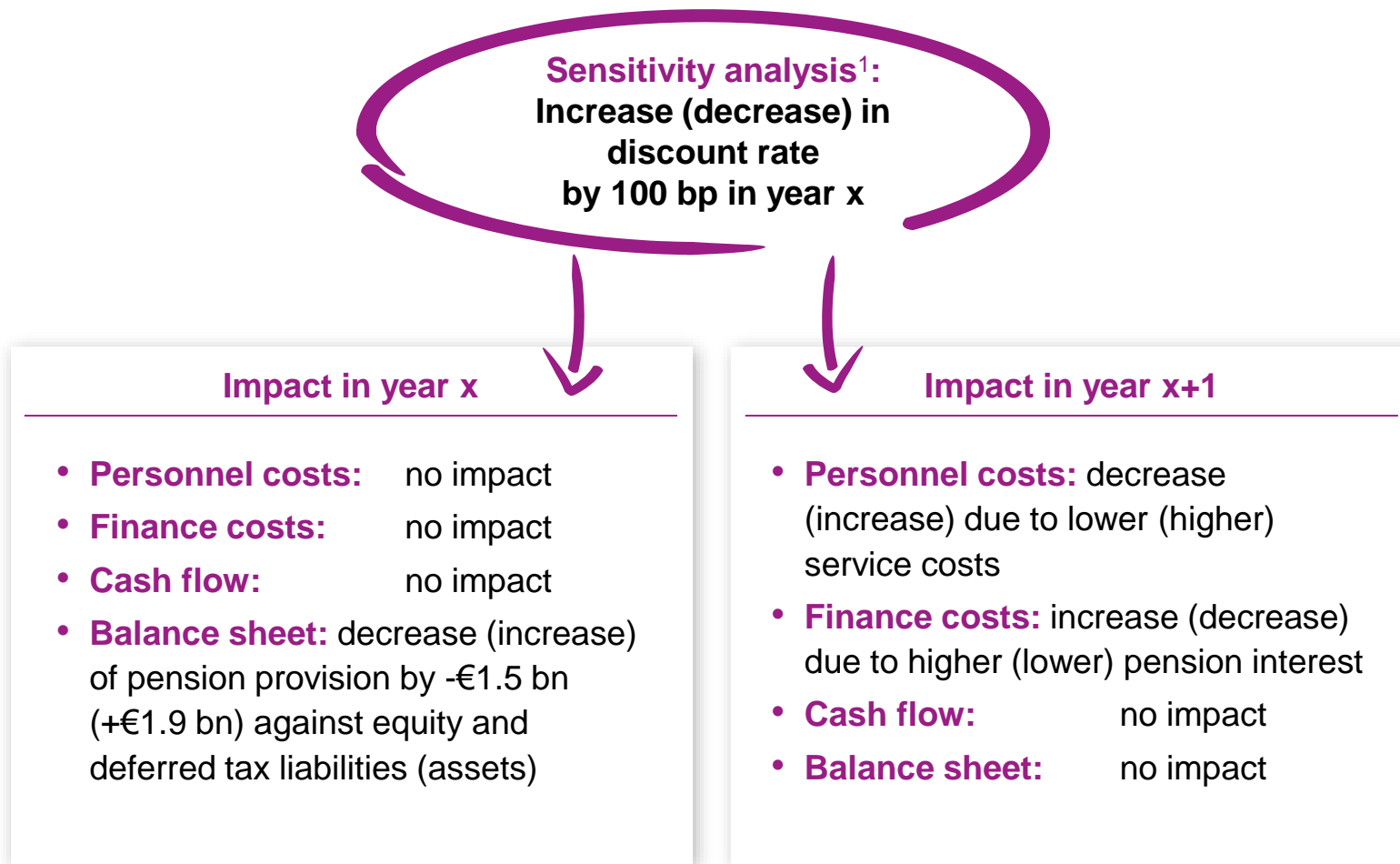
## Breakdown of P&L and cash flow effects

### 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	

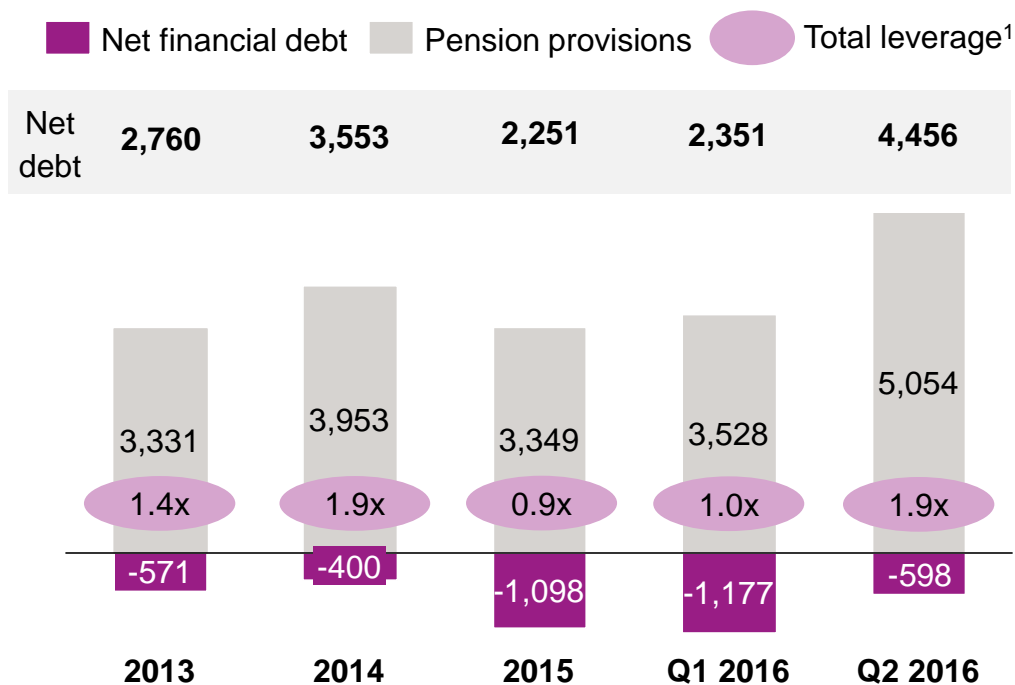


<sup>1</sup> Excluding any effects from potential actuarial changes and changes in the valuation of plan assets



# 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 lowered by 100 bp in Q2 2016, leading to ~€1.5 bn increase in pension provisions vs. Q1 2016
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.4 bn

3.84

2.65

2.91

-

-

Evonik Group global discount rate<sup>2</sup>

3.75

2.50

2.75

2.50

1.50

Evonik discount rate for Germany

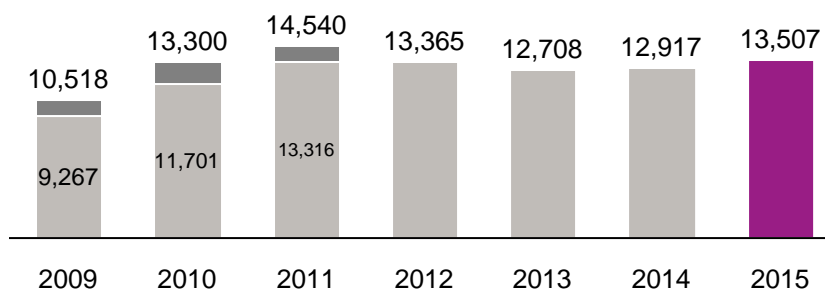
<sup>1</sup> Total leverage defined as (net financial debt + pension provisions) / adj. EBITDA LTM

<sup>2</sup> Calculated annually

# Financial track record

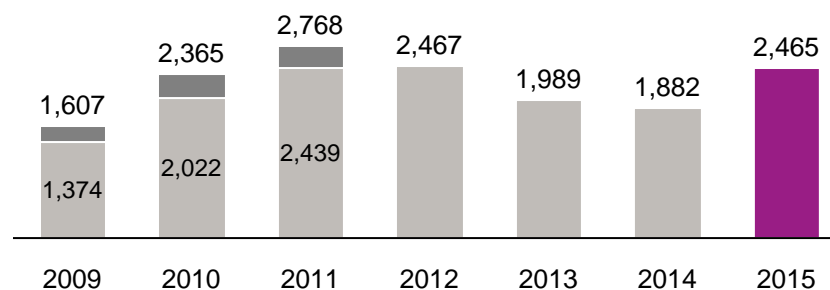
## Sales (in € m)

■ Carbon Black/Real Estate

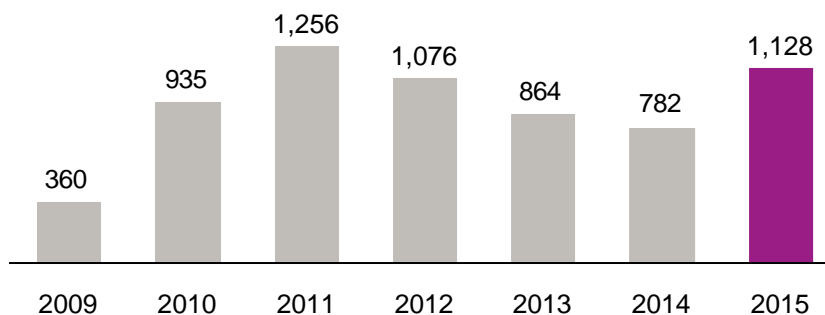


## Adj. EBITDA (in € m) / margin<sup>1</sup>

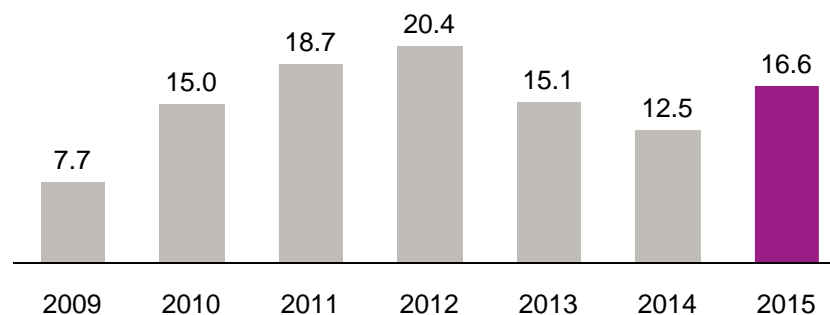
16.1% 18.3% 19.0% 18.5% 15.7% 14.6% 18.2%



## Adj. net income (in € m)



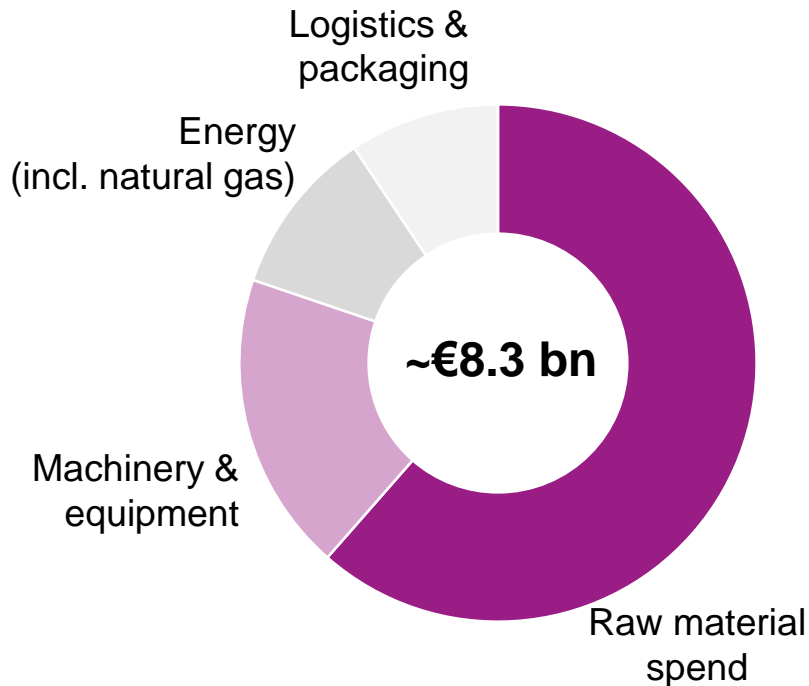
## ROCE (in %)



<sup>1</sup> Excluding Carbon Black

# Raw material split

## Total procurement volume 2015 (in € m)

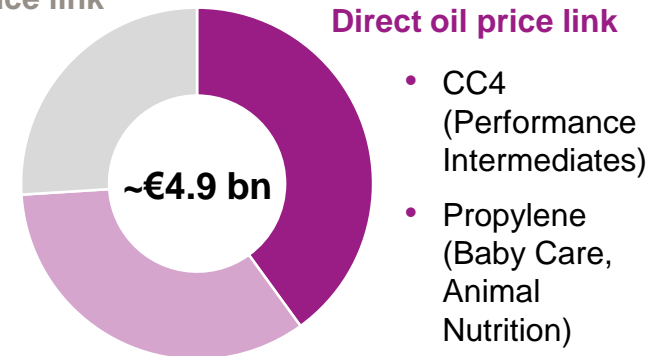


## Oil price link of raw material spend<sup>1</sup> (examples)

- 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  
September 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

# Table of contents



A	Appendix to Acquisition of APD Performance Materials
B	Segment overview
C	Financials
<b>D</b>	<b>Investor Relations contact</b>

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