

**Evonik**  
**Power to create.**

## Company Presentation

February 2017

**CREATE THE EXCEPTIONAL.**



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- 1. Strategic update and current trading**
2. Evonik at a glance
3. Acquisition of Huber Silica
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# Consistent execution of differentiated segment strategy

## Growth



### Nutrition & Care



### Resource Efficiency



#### Investments

- Good utilization rates in new facilities (e.g. Crosslinkers & Oleo-chemicals in China)
- Groundbreaking 2<sup>nd</sup> Methionine plant in Singapore
- Selective expansions ongoing: PA12 powder for 3D printing in Germany and Polyimide fibers for gas filtration in Austria

#### Innovation

- Algae-based omega-3 fatty acids for animal nutrition
- REWOFORM® biosurfactants - natural detergents produced from microorganisms

#### M&A

- Acquisition of APD PM: Creating a global leader in Specialty & Coating Additives
- Acquisition of Huber Silica: Combination of two world-class Silica technology and innovation platforms

Three levers delivering profitable growth

## Efficiency



### Performance Materials



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

Efficiency improvements and high cash contribution

# Stringent strategy execution

## Building a best-in-class Specialty Chemicals portfolio

### Strategy ...

- Strengthening **growth segments** Nutrition & Care and Resource Efficiency
- Targeting markets with **high margins and attractive growth rates**

Growth: GDP+  
Margins: >20%

### ... in execution

- Acquisition of Air Products Performance Materials
- Creating a global leader in Specialty & Coating Additives

Market growth: 4-5%  
Margin: >20%

- Acquisition of Huber Silica
- Excellent complementary fit for high-growth and resilient Silica business

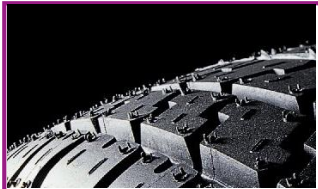
Market growth: 4-6%  
Margin: >20%

Further balancing of Evonik's portfolio and earnings profile

# Acquisition of Huber Silica

Access to new highly attractive silica applications for Evonik

## Evonik's focus areas in Silica



Tire



Coatings



Industrial  
Specialties

Complementary  
applications



Attractive  
growth rates:  
4-6%

## Huber's focus areas in Silica

Dental



Life Science  
Specialties



Combined sales<sup>1</sup>: > €1.3 bn | Adj. EBITDA margin: >20%

1. Sales of Evonik Business Line Silica and Huber Silica

# Air Products Performance Materials acquisition successfully closed

## Well prepared for a smooth business transition

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### Strong finish of a successful fiscal year 2016

- EBITDA 2016: \$261 m, representing an 8% yoy growth
- Operational performance exceeding initial expectation (\$250 m)

### Smooth integration process

- Global onboarding process immediately started on January 3
- Friendly open and cooperative atmosphere secured a successful Day 1
- Upfront preparation of integration process, initiation went smoothly

### Attractive earnings contribution

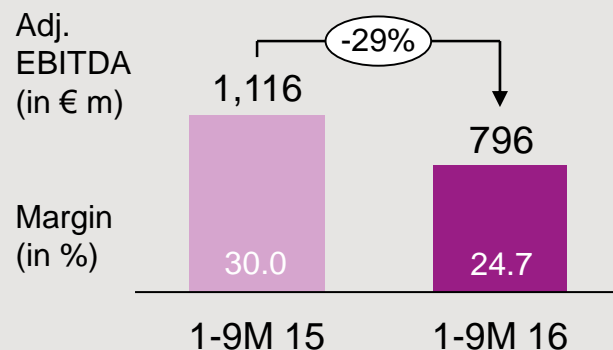
- \$80 m synergies confirmed
- \$10 - 20 m synergies expected in 2017
- Positive EPS contribution in FY 2017



# Financial highlights 1-9M 2016

## Resource Efficiency and Performance Materials with strong earnings growth

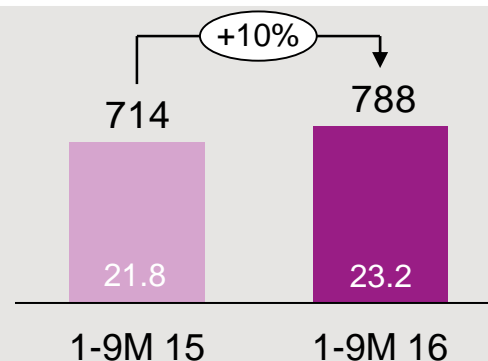
### Nutrition & Care



Volume	Price	FX	Other
0% →	-13% ↘	0% →	0% →



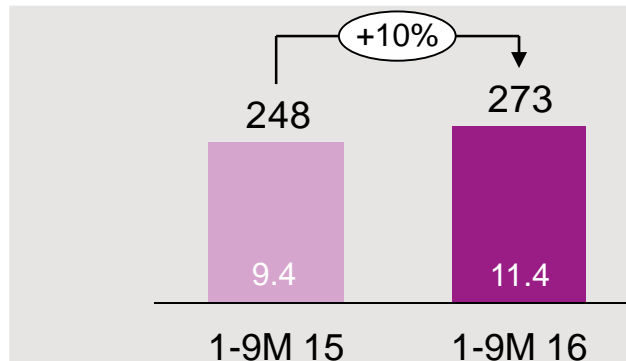
### Resource Efficiency



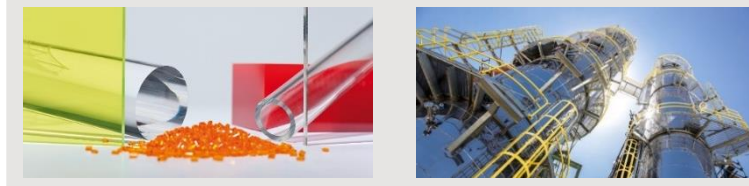
Volume	Price	FX	Other
+4% ↗	-3% ↘	+1% ↗	+1% ↗



### Performance Materials

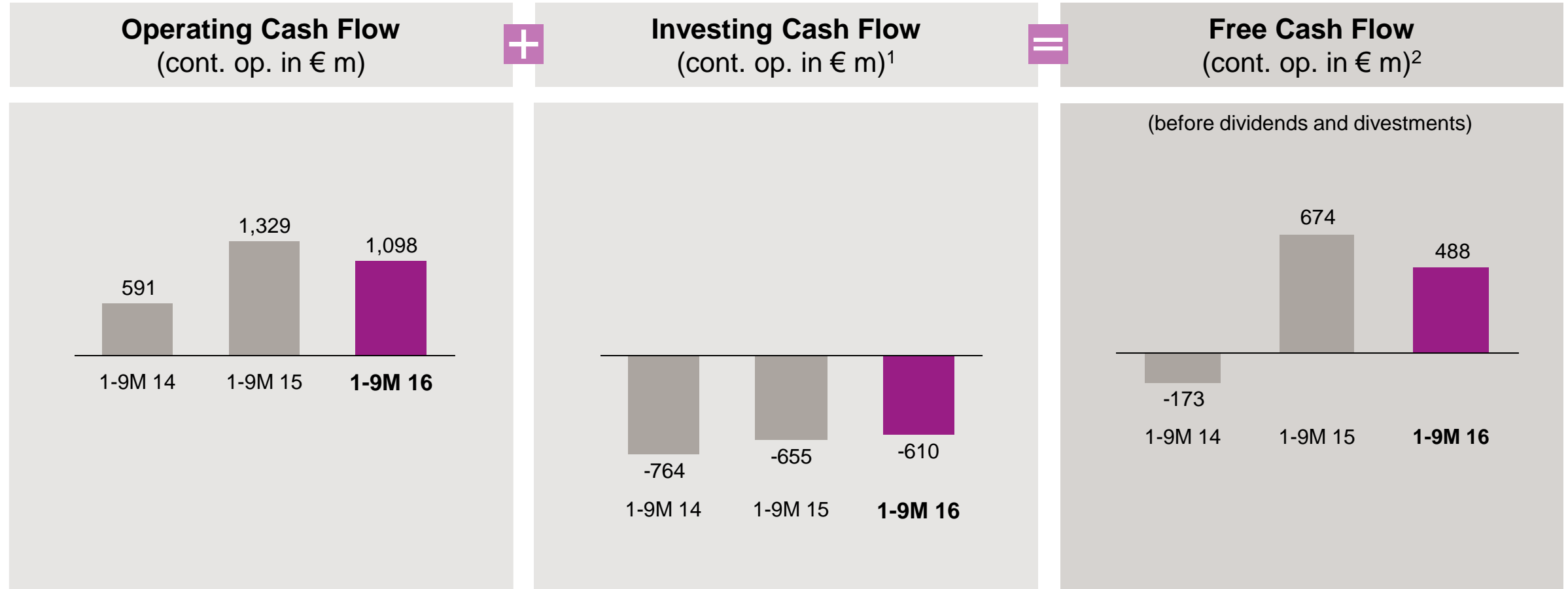


Volume	Price	FX	Other
+4% ↗	-14% ↘	0% →	0% →



# Cash flow development 1-9M 2016

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



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



# Outlook for 2016 reiterated

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

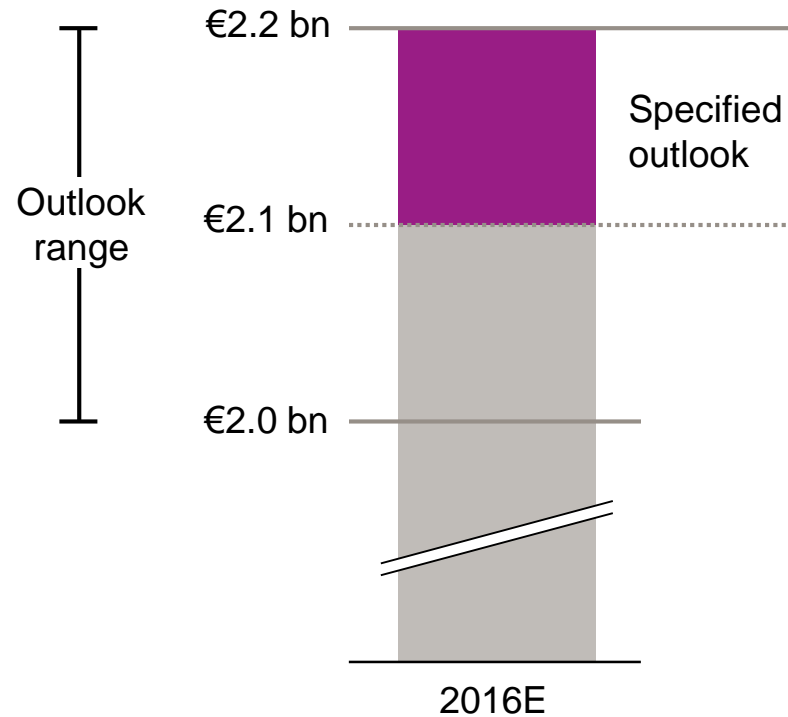
## Outlook 2016

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

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

## Outlook reiterated

Adj. EBITDA



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

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

**Efficiency measures** paying off in **Performance Materials**

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

**Strong business fundamentals to be further strengthened by:**

- **Integration of Air Products Specialty & Coating Additives business**
- **Pro rata contribution of Huber Silica business**

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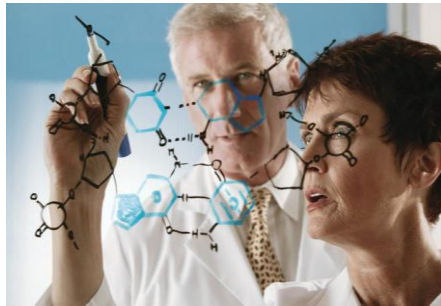
# Leading in Specialty Chemicals

## 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 volume**  
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  
**more than 4%**  
in our growth segments<sup>2</sup>

1. Sales with top 1-3 market position by sales, production volume or capacity (depending on available data) | 2. Nutrition & Care and Resource Efficiency

# Consistent execution of differentiated segment strategy



## Sales

€13,507 m

## Adj. EBITDA

€2,465 m

## Margin

18.2%

## ROCE

16.6%



## Growth

### 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%



## Efficiency

### 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

Acquisition of  
**Specialty & Coating Additives**  
business of Air Products  
Acquisition of **Huber Silica**

1. Construction between 2012 and 2015

# Evonik's sustainability performance publicly recognized

## Our sustainability approach

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



## 2016: Included in DJSI World and Europe

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

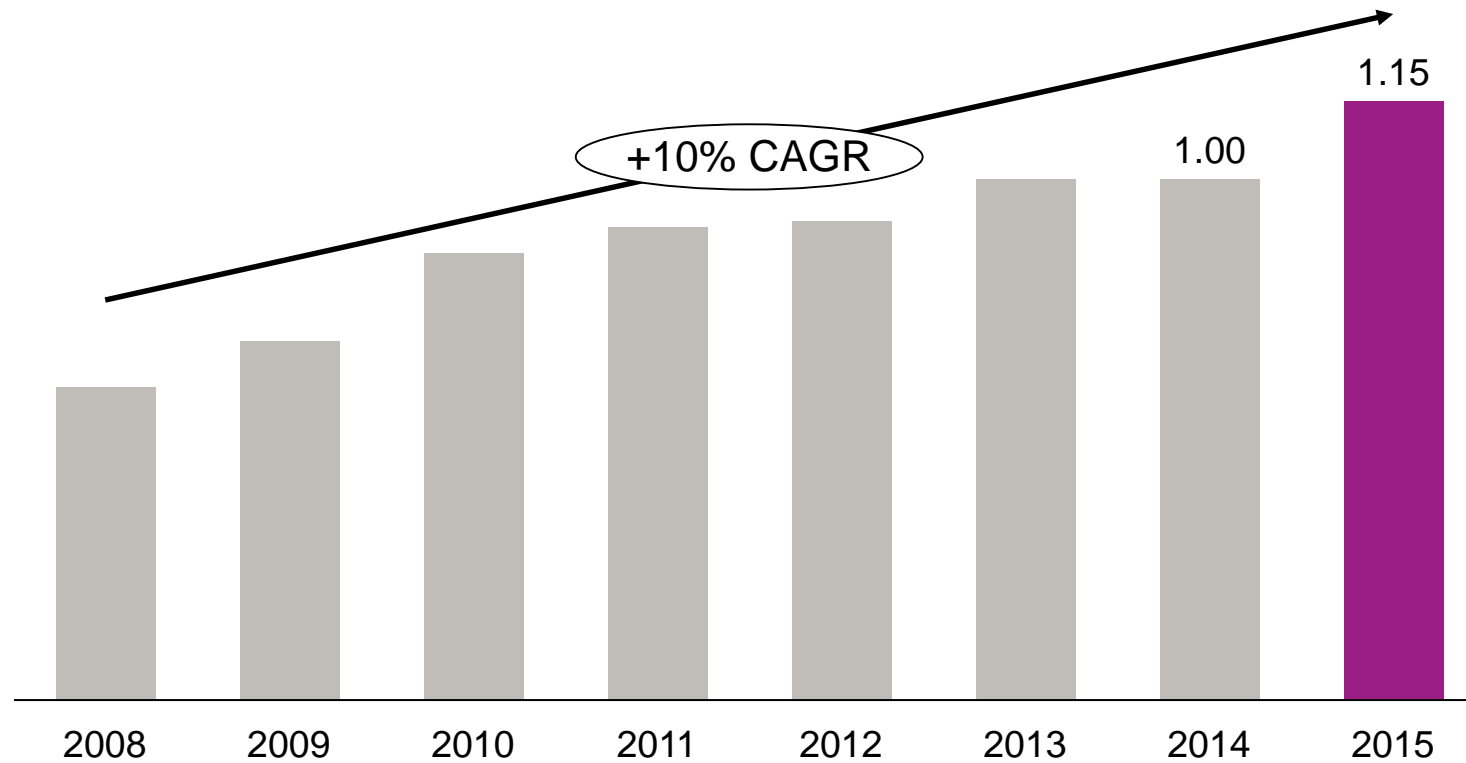


**Sep 2016: Evonik included in the DJSI Index World and Europe for the first time; positioned as No 4 in chemical industry assessment worldwide**



# Reliable and attractive dividend policy

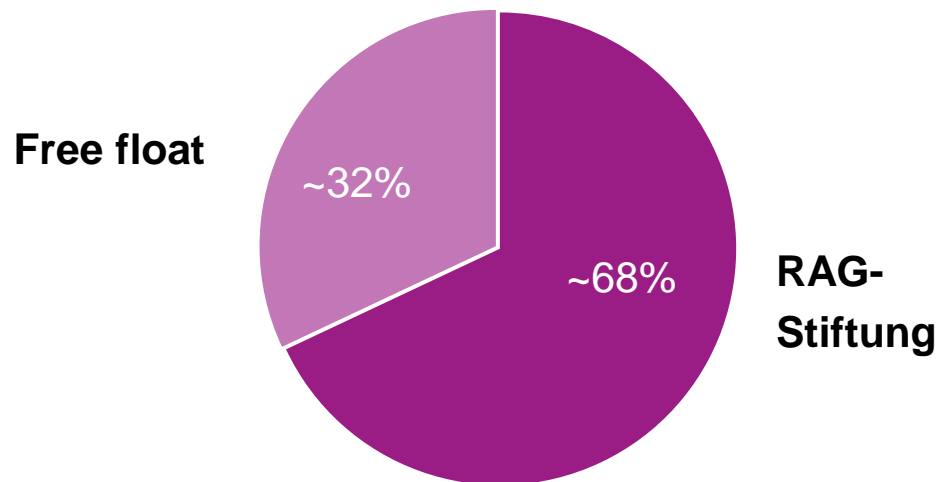
Dividend (in €)



- 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

# “RAG-Stiftung” as long-term shareholder with focus on attractive returns

## Ownership structure



## RAG-Stiftung

- A foundation with the obligation to finance the perpetual liabilities arising from the cessation of hard-coal mining in Germany
- From 2019 onwards, annual cash out of ~ €220 m expected
- Evonik as integral and stable portfolio element with **attractive and reliable dividend policy**
- RAG-Stiftung capable to cover annual cash out requirements with Evonik dividend (~ €365 m dividend received in 2016)
- RAG-Stiftung with **no intention to reduce** its stake in Evonik
- Long-term perspective: intention to retain a strategic shareholding of **at least 25.1%**

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# Excellent complementary fit at all levels

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## Acquisition

- Acquisition of Huber Silica business, a strongly growing, profitable and resilient producer of precipitated silica
- Technology- and solution-driven business with deep understanding of customers' needs

## Business

- Excellent fit due to highly complementary product portfolios
- Combination of two world-class Silica technology and innovation platforms
- Optimized production setup enables dedicated regional plants for specific silica types
- Backward integration into sodium silicate allows enhanced production setup

## Valuation

- EBITDA margin >20%
- Purchase price (EV): \$630 m
- EV/ EBITDA multiple incl. synergies and tax effects: ~7 x

# Huber Silica

## A profitable and resilient player in Silica

### J.M. Huber Corporation

- Huber Silica is part of US-based company J.M. Huber Corporation
- Family-owned, founded in 1883
- Headquarter in Edison, New Jersey

### Huber Silica business

- Technology- and solution-driven business with long-term customer relationships
- Headcounts: 697 globally
- 6 plants with global footprint in all key regions (U.S., Europe, India, China)
- 4 R&D centers in all key regions



**Sales 2016E:**

close to  
\$300 m

**EBITDA 2016E:**

\$60 m

**EBIT 2016E:**

\$44 m

**EBITDA margin: >20%**

# Silica: Simple by nature – complex by design

Particle and surface properties decisive for specific end product characteristics

## Simple feedstock



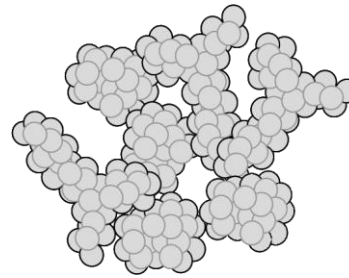
- Key raw material for precipitated silica: sodium silicate based on sand

## Advanced production technology



- Highly sophisticated production process determines final particle structure

## Particle design as core competence



- 10x lower density and up to 100x higher surface after precipitation
- Particle structure crucial factor for characteristics of final application
- >100 types of different particle designs tailor-made for individual customers and specific applications

# Excellent fit due to complementary applications and portfolio strengths







Key applications	Evonik	Precipitated silica	Huber Silica
		Dental 	  
	  	Tire 	
	  	Industrial Specialties, Coatings, Pharma & Care, Food & Feed 	 

- Established industries with high quality standards and global key accounts
- “Green tires” with stronger growth, Dental with higher resilience
- Combining Evonik’s and Huber’s Specialty Silica portfolio creates growth opportunities and critical mass in >20 attractive customer industries



# Diversified exposure with attractive growth rates

## Resource Efficiency and Convenience as major growth drivers

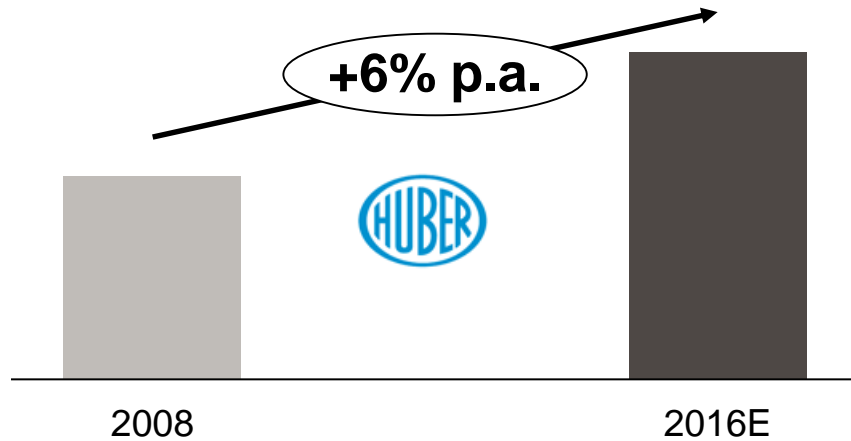
<b>Dental</b>		<b>4% p.a.</b>	<ul style="list-style-type: none"> <li>▪ Abrasive silica for cleaning and whitening</li> <li>▪ Thickening agent for toothpaste</li> </ul>
<b>Tire</b>		<b>5-7% p.a.</b>	<ul style="list-style-type: none"> <li>▪ Reduced rolling resistance of “Green Tires”</li> <li>▪ Increased tensile strength and hardness of e.g. belts</li> </ul>
<b>Industrial</b>		<b>3-5% p.a.</b>	<ul style="list-style-type: none"> <li>▪ Tear resistance in silicones and rubbers</li> <li>▪ Flow control of bonding pastes in windmill production</li> </ul>
<b>Coatings</b>		<b>5% p.a.</b>	<ul style="list-style-type: none"> <li>▪ Matting agent of choice for waterborne coatings</li> <li>▪ Rheology control additive in automotive coatings</li> </ul>
<b>Pharma &amp; Care</b>		<b>5% p.a.</b>	<ul style="list-style-type: none"> <li>▪ Tableting aid and carrier for drugs</li> <li>▪ Replacement of plastic scrub particles for peelings</li> </ul>
<b>Food &amp; Feed</b>		<b>4% p.a.</b>	<ul style="list-style-type: none"> <li>▪ Anti-settling in liquid agrochemicals</li> <li>▪ Carrier for liquid ingredients (e.g. vitamins)</li> <li>▪ Anti-caking during food processing</li> </ul>

Source: Notch Consulting, Inc.; Evonik estimates

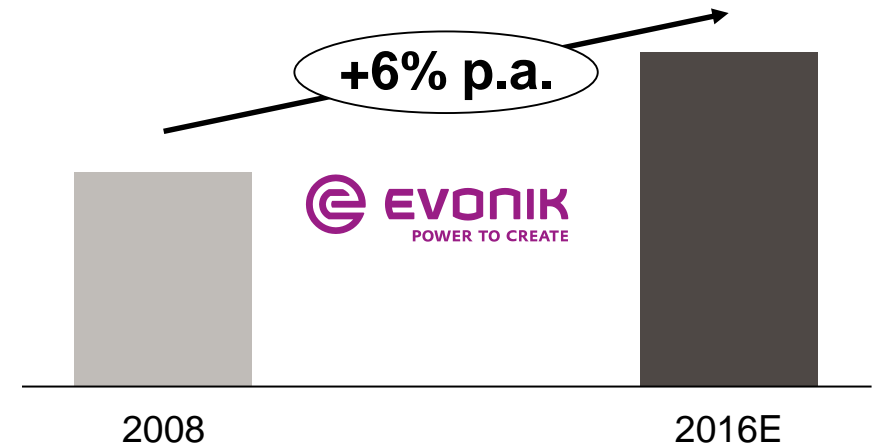
# High-growth and stable-margin business

Silica – a resilient business with margins > 20%

Adj. EBITDA growth



Adj. EBITDA growth



Both Silica businesses with impressive growth track

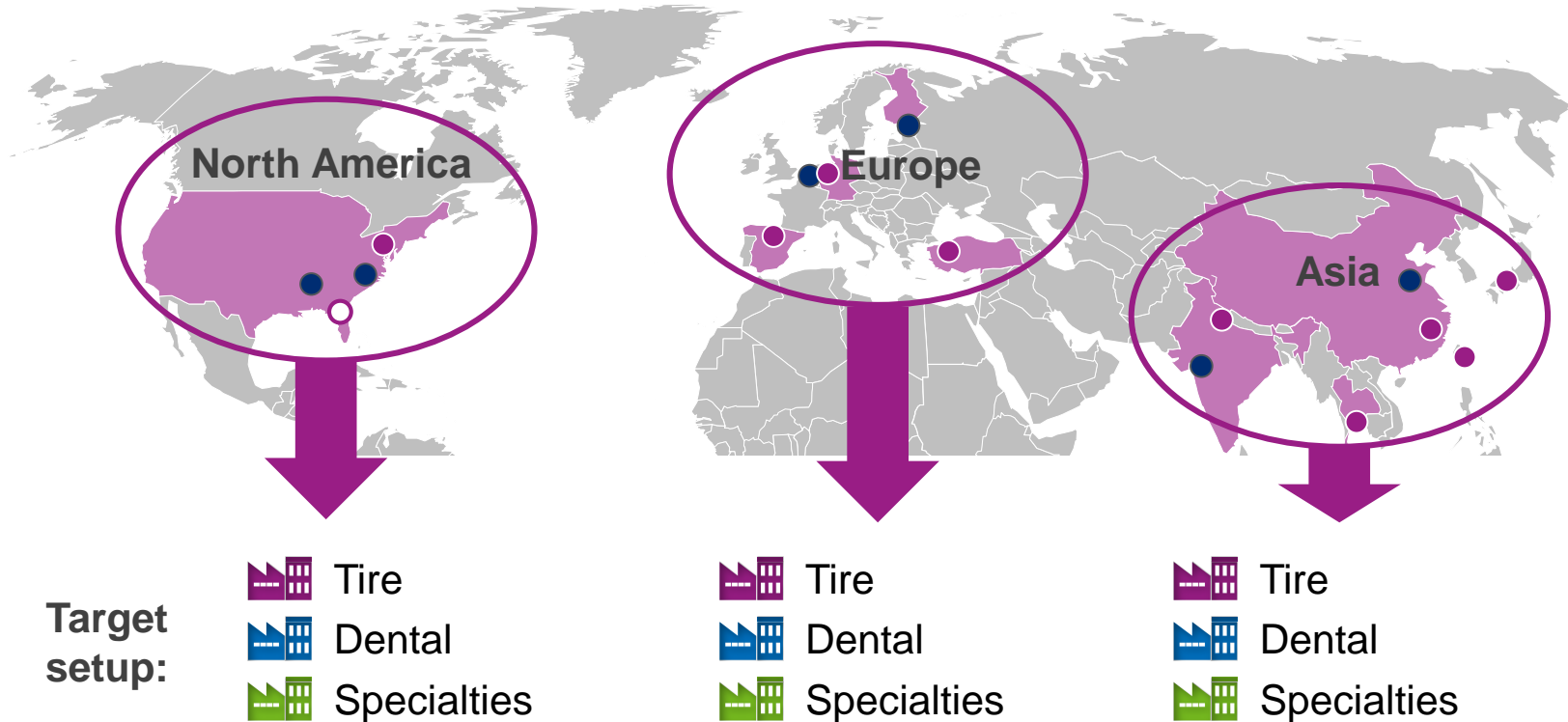
# High complementarity of regional exposures

Key regions	Evonik	Regional sales split	Huber Silica
	 	Americas  	  
	 	Asia  	 
	  	Europe 	

- Strong production and R&D footprint of Huber in US
- Evonik with first HD silica plant in Brazil
- Additional Huber plants in China and India allow extended regional setup close to customers
- Diversified plant setup in Europe for optimized utilization of capacities

# Optimizing the regional production setup

## Dedicated plants for specific silica types in each major region



### Asset optimization:

Situation today:

- Plants producing different silica types for several applications

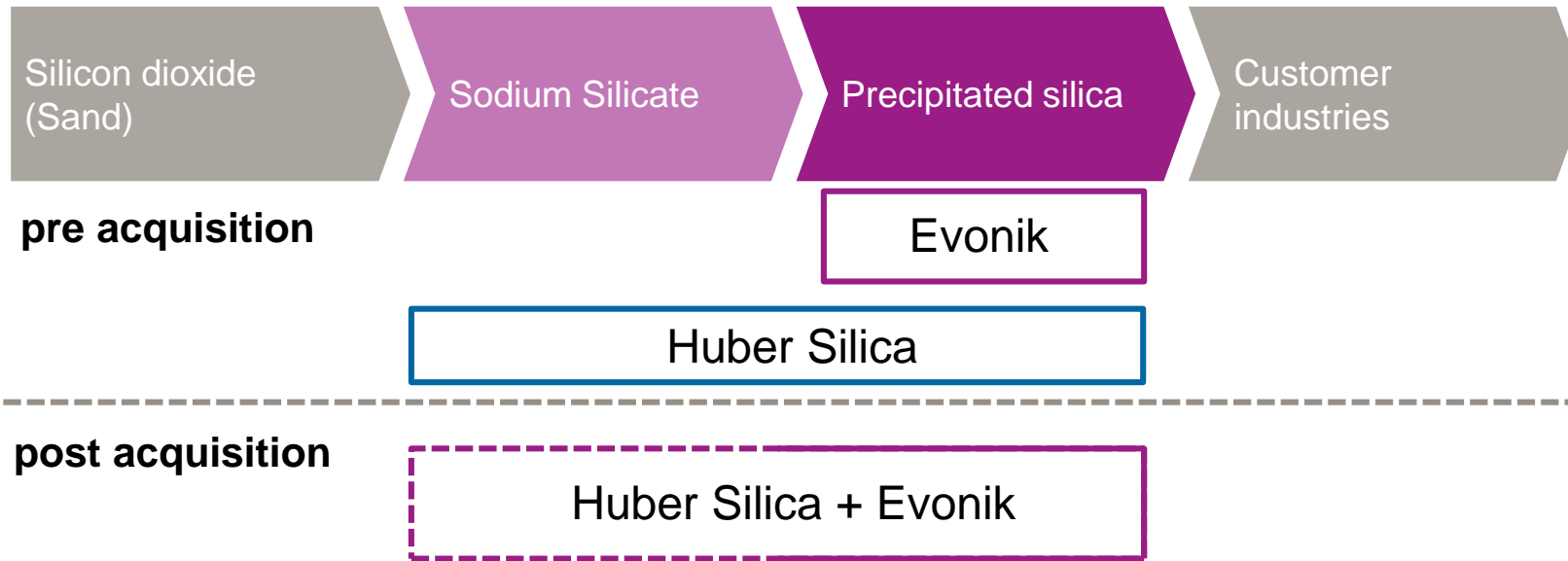
New setup after integration:

- Asset optimization towards one dedicated application per plant fuels higher efficiency
- R&D centers in each major region facilitating targeted R&D for Specialties
- Combined and optimized capacities enable capex saving potential for Evonik in the future

**Combination of production setups: Enabling a dedicated regional plant setup for specific applications**

# Evonik will improve its position in precipitated silica through partial backward integration

## Partial backward integration into sodium silicate (water glass)



- Currently Evonik buys required sodium silicate externally
- Acquisition will improve production setup through backward integration
- Increased supply security and cost position

# Huber Silica technology & innovation capacities

State of the art processes, new products and GMP certified production network

**Excellent setup  
for strong  
customer focus**

- Customer- & solution-driven business
- Strong innovation focus and technical service
- Attractive brand portfolio



**R&D and  
production  
excellence**

## **Process innovation**

- Optimized finishing process with highest efficiency for abrasive silica

## **Product innovation**

- Spherilex™ – a new family of spherical silica with increased properties for coatings and industrial purposes



## **Fully GMP certified production facilities**

- All sites compliant for high-standard food- & dental-grade production

**Combination of two world class Silica platforms with strong innovation pipelines**

GMP: Good Manufacturing Practice

# Significant synergies driven by excellent strategic and operational fit



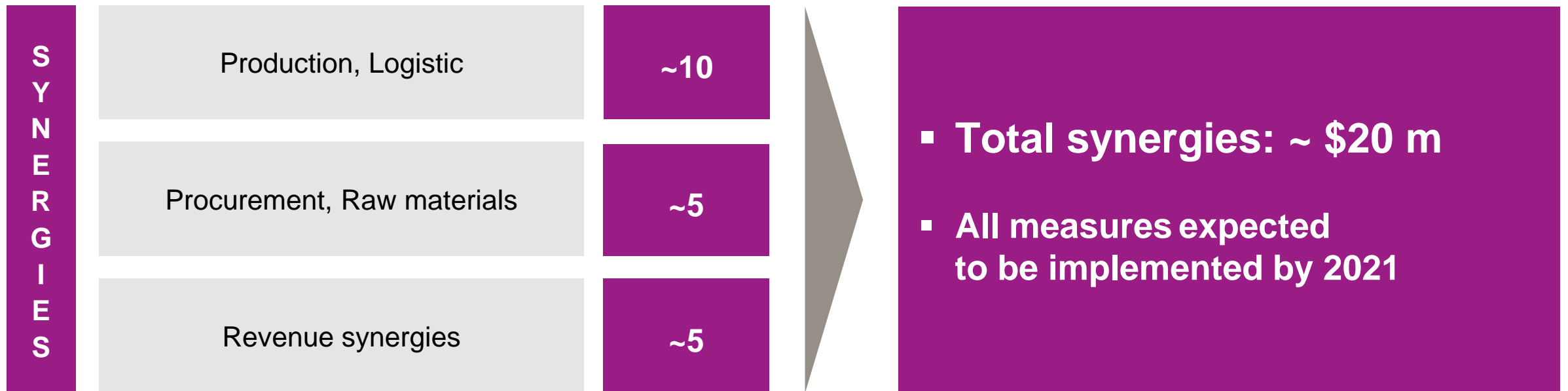
Excellent strategic fit



Complementary product portfolio



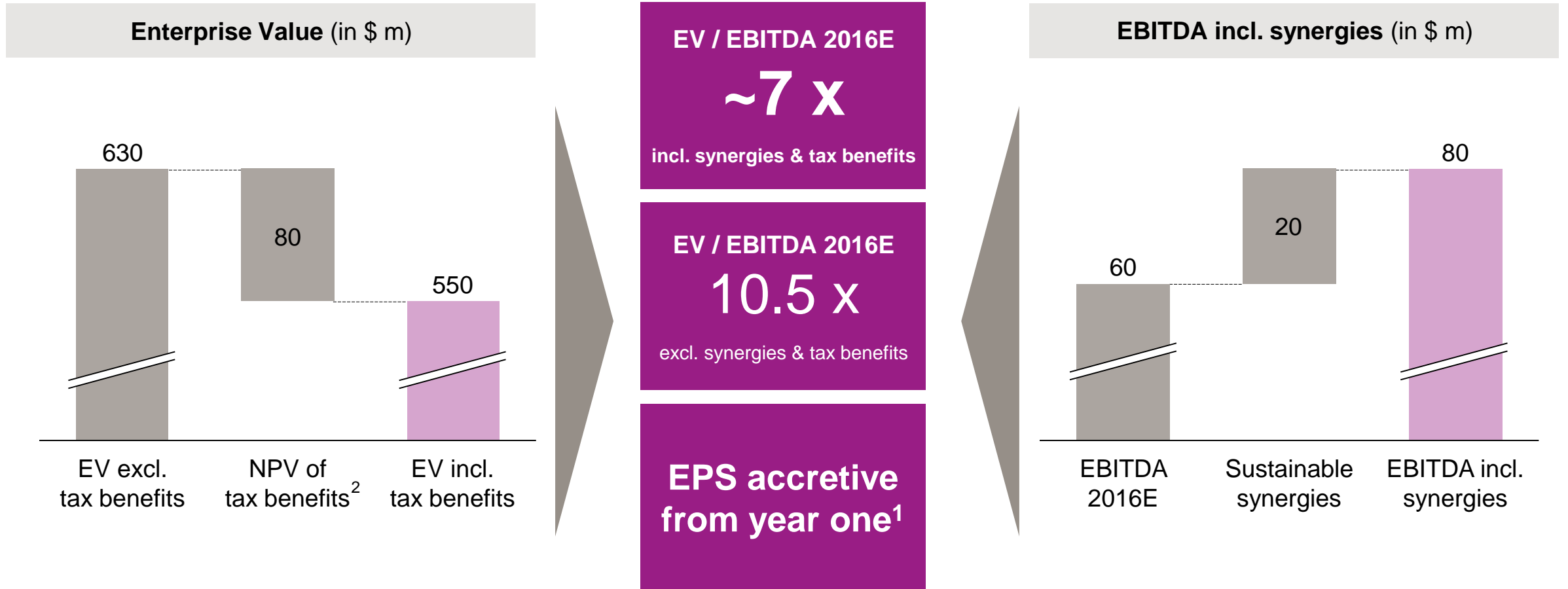
Strong supply chains and manufacturing base



Integration costs of ~ €30 m expected



# Attractive valuation



1. First full year after closing | 2. By purchasing assets, tax benefits from higher D&A after asset step-up will reduce future cash tax burden

# Transaction summary

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## Structure

- 100% acquisition of Silica business of J.M. Huber Corporation
- Structured as a mix of assets and shares
- On a cash and debt free basis

## Financing

- Financing secured via cash and committed credit facilities
- Final funding structure via debt capital markets in line with financial policy

## Timing

- Approved by Huber Board and Evonik's Supervisory Board
- Aiming for closing in 2<sup>nd</sup> half of 2017, subject to approval by responsible authorities

# Key takeaways

- ✓ Strengthening of Evonik's growth segment Resource Efficiency
- ✓ Excellent complementary fit with Evonik's existing silica business
- ✓ High-growth and resilient business with attractive margins
- ✓ Optimizing global presence and combined production setup
- ✓ Attractive valuation
- ✓ Further balancing of Evonik's portfolio and earnings profile

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## Highlights Q3 2016

Outlook in upper half of range reiterated

### Third strong quarter in a row

#### Volume growth

**+ 3%**

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

#### Adj. EBITDA

**€578 m**

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

#### Free cash flow

**€280 m**

Strong cash generation – supported by active NWC management

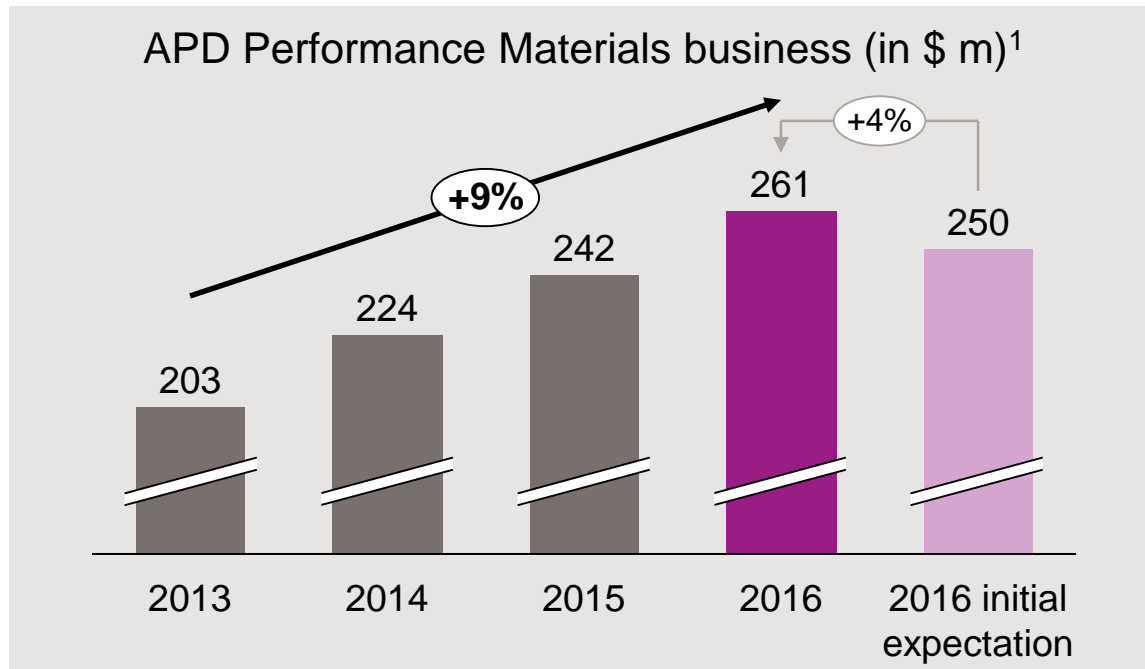
#### Outlook

**Reiterated**

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

# Preparations for APD Performance Materials closing well on track

## EBITDA development



## Comments

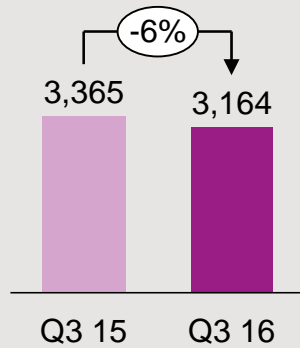
- Sustainable growth trend of the business with 9% CAGR since 2013
- EBITDA of \$261 m in FY 2016<sup>1</sup> above initial expectation given at deal announcement in May
- Transaction already approved by anti trust authorities in USA, Germany and most European countries
- Financing completed at very attractive average interest rate of ~0.35% p.a
- Realization of €10-20 m synergies expected already for FY 2017

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

1. Air Products' fiscal year ends Sep 30

# Financial highlights Q3 2016

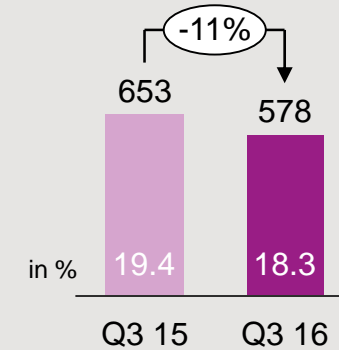
## Sales (in € m)



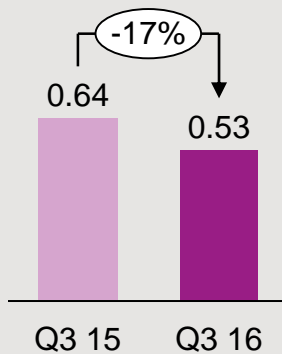
### Q3 16 vs. Q3 15

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

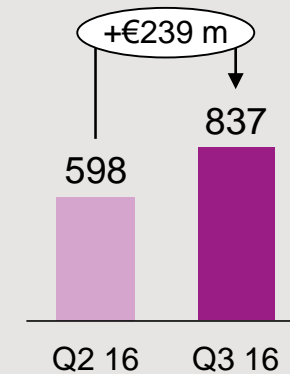
## Adj. EBITDA (in € m) / margin (in %)



## Adj. EPS (in €)



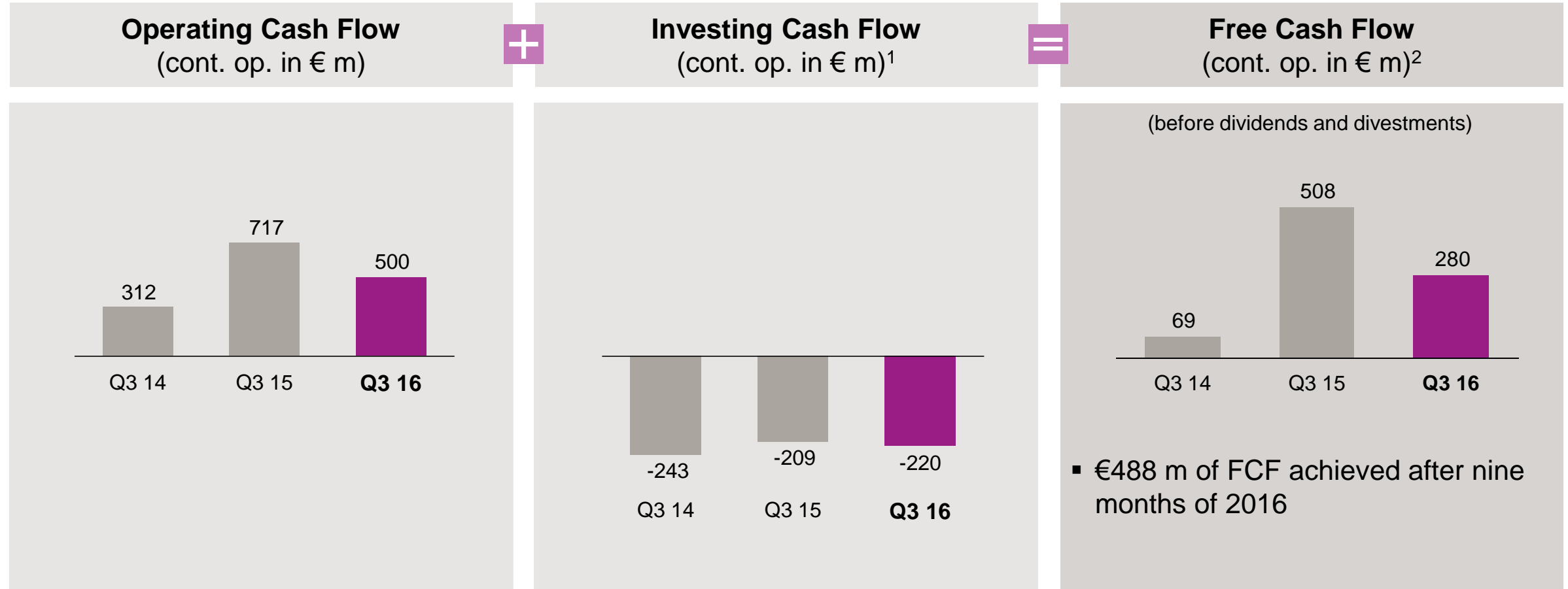
## Net financial position (in € m)





# Cash flow development

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

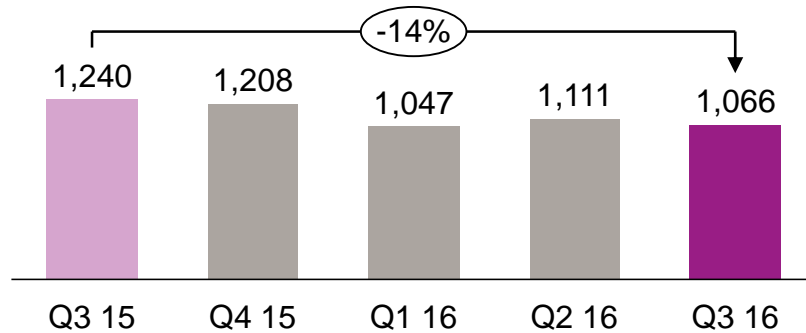


1. Cash outflow for investments in intangible assets and PP&E | 2. Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.)

# Nutrition & Care

## Very good development in Care and Specialty Additive businesses

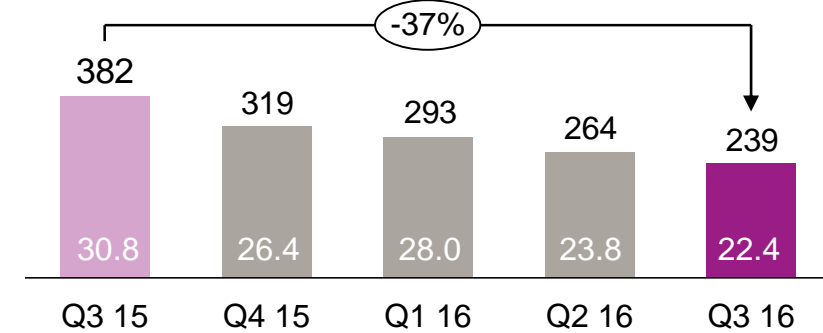
**Sales (in € m)**



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



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

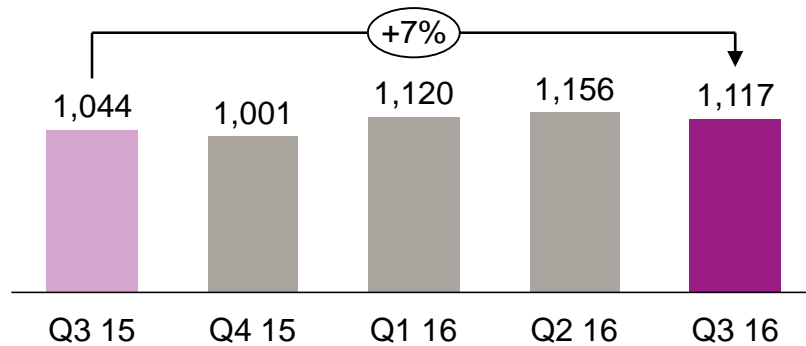


- Ongoing strong demand in Care (e.g. Health Care) and Specialty Additive Businesses (e.g. Comfort & Insulation)
- Weaker volumes and prices (yoy) in Baby Care in challenging market environment; efficiency measures underway including announced capacity adjustment
- Methionine market sequentially slightly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

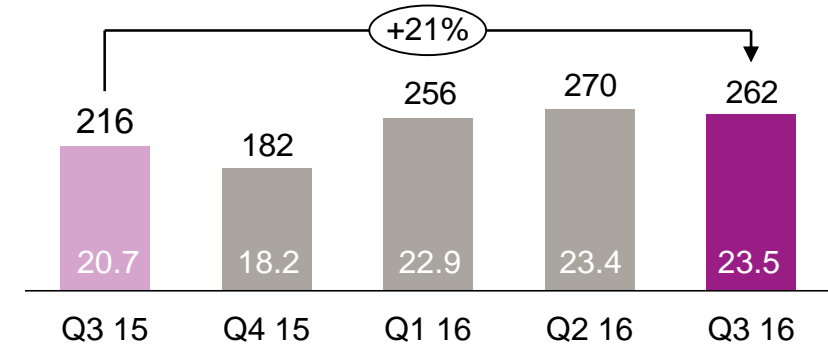
# Resource Efficiency

Further excellent growth on high margin levels

**Sales (in € m)**



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



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

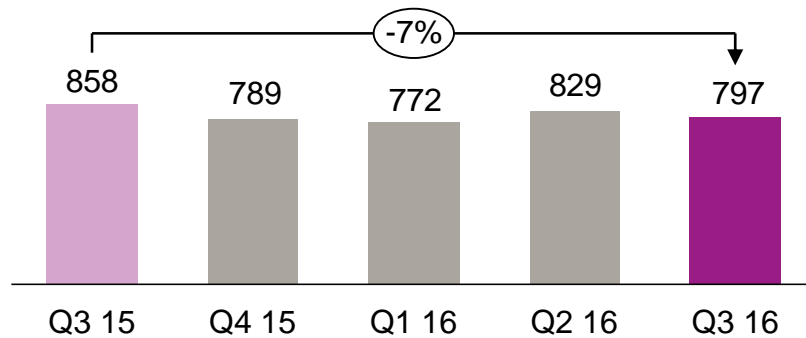


- Strong volume growth across majority of businesses, partly supported by lower prior year comparables
- Ongoing strong demand in coatings and construction industries
- High margin level of Q2 2016 maintained
- Positive market environment expected to continue; usual seasonality and fading raw material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

# Performance Materials

Further positive development since Q2, increased profitability

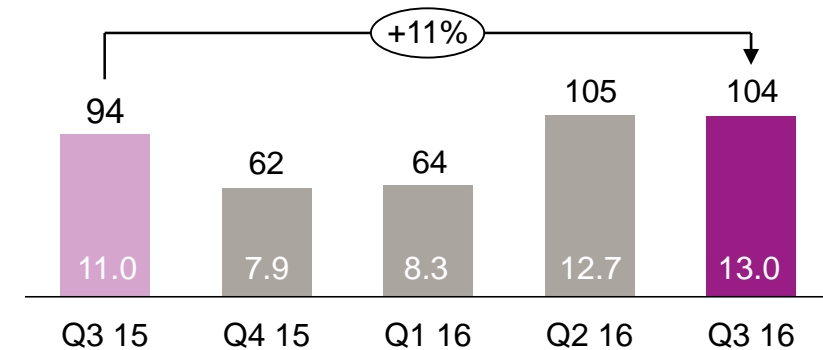
**Sales (in € m)**



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



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



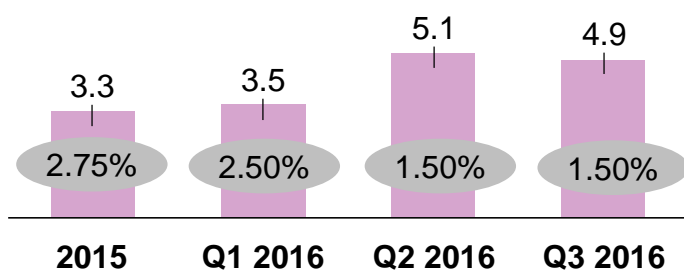
- Positive development mainly in MMA & PMMA molding compounds supported by seasonally high demand and favorable supply
- Earnings level maintained vs. Q2, supported by ongoing efficiency measures
- C4 chain with good underlying demand across most products, price spreads with improving trend. Scheduled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

# Spotlight pension accounting

## Summary of financial impact

### Balance Sheet

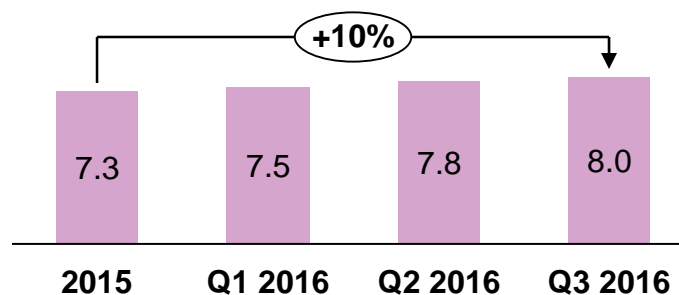
#### Pension provisions (in € bn)



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

**Lower discount rate  
already absorbed**

#### Pension plan assets (in € bn)



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

**Funding level of >60% preserved**

### P&L

#### Service costs

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

**Change in service costs  
without any cash impact**

Note: interest rate Germany



**EVONIK**

**POWER TO CREATE**

# Additional indications for 2016

- EUR/USD sensitivity<sup>1</sup>                      +/-1 USD cent = -/+ ~€5 m adj. EBITDA (FY basis)
- Adj. EBITDA Services<sup>2</sup>                      **Slightly below 2015** (2015: €159 m)
- Adj. EBITDA Corporate / Others<sup>2</sup>                      **Around the level of 2015** (2015: - €334 m)
- Adj. D&A                      **Around the level of 2015** (2015: €713 m)
- Adj. net financial result<sup>3</sup>                      **Around the level of 2015** (previously: “Slight improvement”; 2015: - €179 m)
- Adj. tax rate                      **~30%** (2015: 29.3%)
- Capex                      **Around the level of 2015** (2015: €877 m)
- Free cash flow                      **Positive** (2015: €1,052 m)

1. Including transaction effects (after hedging) and translation effects; before secondary / market effects and APG acquisition

2. 2015 figures restated for restructuring between Services and Corporate / Others segments (€4 m adj. EBITDA re-allocated; neutral on Group level)

3. Guidance for “Adj. net financial result” (incl. “Adj. interest income/expense” and “Other financial income/expense”)



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- 1. Appendix to Acquisition of APD Performance Materials**
2. Segment overview
3. Financials
4. Investor Relations contact



# APD Performance Materials

## A leader in Specialty & Coating Additives

**\$1,078 m**  
2015 Sales

**Global leader** ▪ Global leadership positions in all three divisions

**\$242 m / 22.4%**  
2015 EBITDA /  
EBITDA margin

**Mission-critical products**

- Performance-critical, highly specialised solutions
- Represent only small portion of total end product costs

**15-20%<sup>1</sup>**  
of sales from new  
products

**Innovation & customer focus**

- Strong innovation power for unique technologies
- In-depth knowledge of customer-specific requirements
- Diverse customer base and end-market exposure

**11 Plants<sup>2</sup>**  
8 R&D centers

**Global infrastructure**

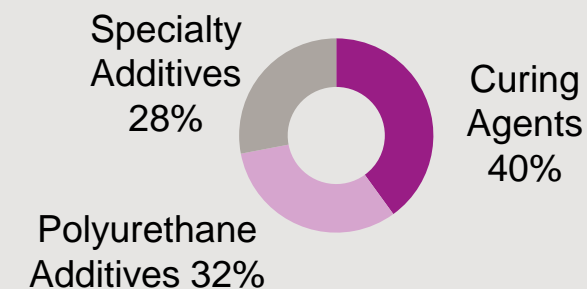
- Best-in-class production and supply network
- Strong presence in North America and Asia
- Global customer service and R&D network

**1,100 Employees**  
~240 in R&D and  
applied technology

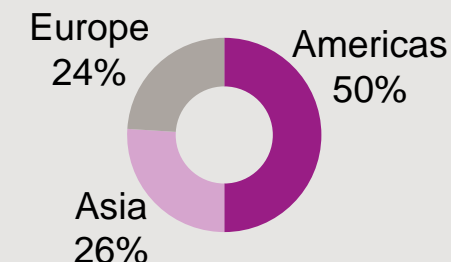
**Best in class financial performance**

- High and resilient margin profile
- Low capital intensity and high cash generation

### 2015 Sales by division



### 2015 Sales by region



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

1. Sales from products introduced within the last 5 years historically in 15-20% range | 2. Includes Pasadena (Texas, USA) site currently under construction

# APD Performance Materials

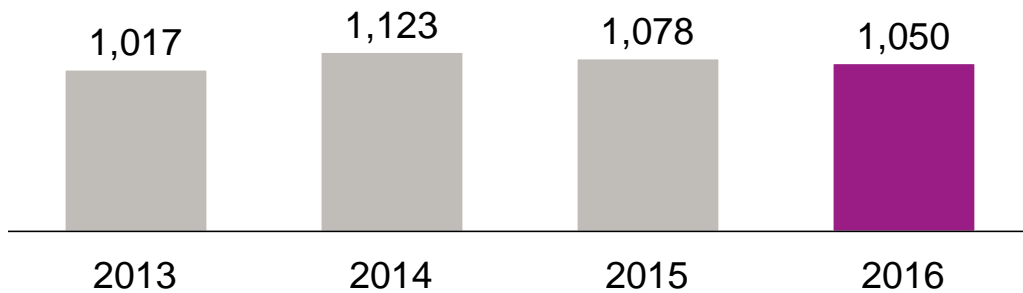
## A leader in high-growth markets

	Polyurethane Additives	Specialty Additives	Curing Agents
	<b>2015 Sales: \$350 m</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>	<b>2015 Sales: \$297 m</b> <b>Global leadership positions in:</b> <ul style="list-style-type: none"> <li>▪ Specialty Wetting Agents</li> </ul>	<b>2015 Sales: \$431 m</b> <b>Global leadership positions in:</b> <ul style="list-style-type: none"> <li>▪ Epoxy Curing Agents</li> </ul>
<b>Applications</b>	<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>
<b>Value drivers</b>	<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>
<b>Market size</b>	~\$1.4 bn	~\$5.5 bn	~\$3.1 bn
<b>Target growth</b>	<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>			

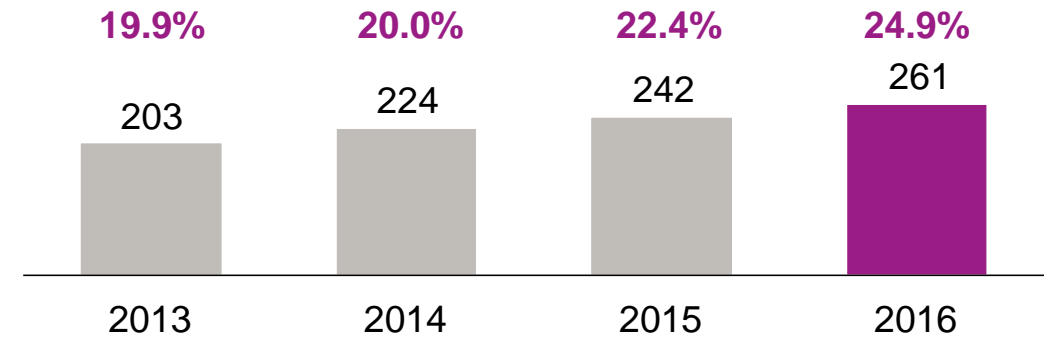
Note: APD Performance Materials 2015 financials are September year-end

# Financial overview of APD Performance Materials

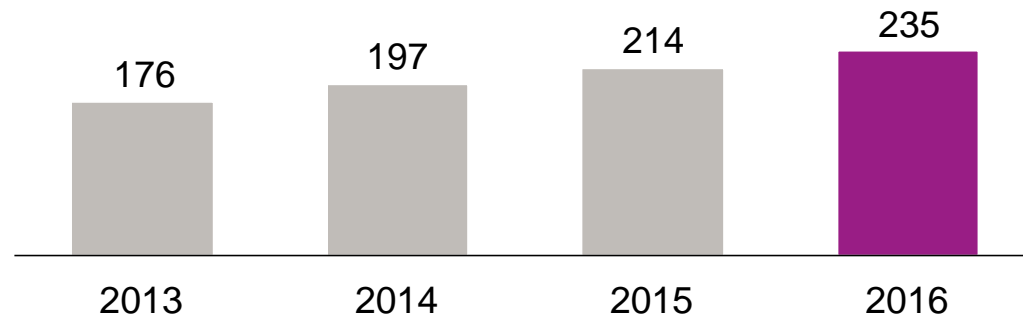
**Sales (in \$ m)**



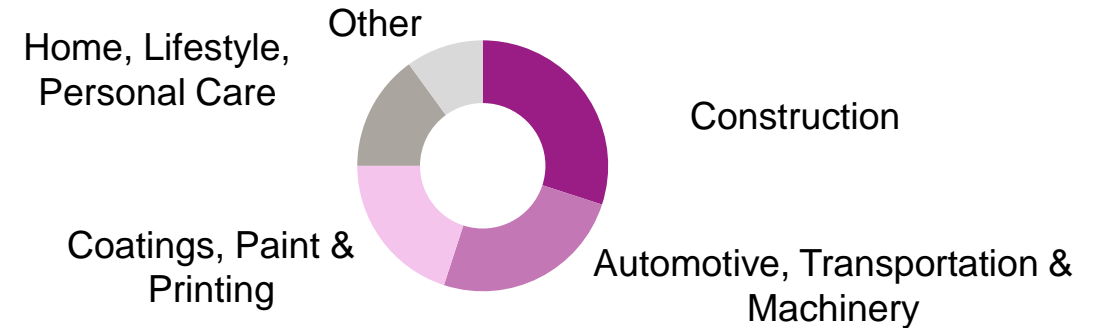
**Adj. EBITDA (in \$ m) / margin<sup>1</sup>**



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



**End market split**



Note: APD Performance Materials' 2016 financials are September year-end

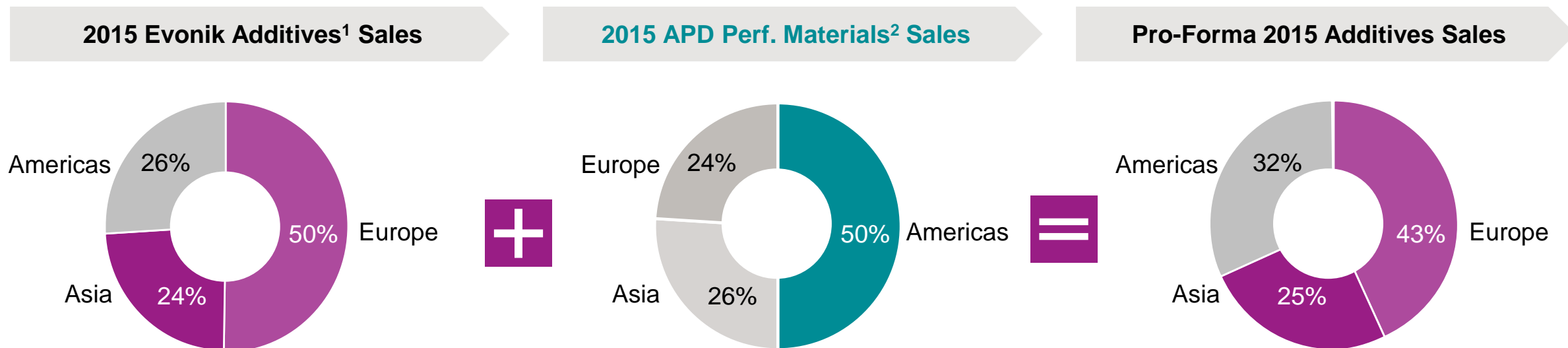
1. Adjusted EBITDA before restructuring charges and corporate allocations, includes equity affiliates income

# 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>	 <ul style="list-style-type: none"> <li>High value additives for PU foam</li> </ul>	<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>	 <ul style="list-style-type: none"> <li>Additives/Ingredients for Coatings &amp; Adhesives</li> </ul>	<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>	 <ul style="list-style-type: none"> <li>Specialty surfactants for Industrial &amp; Institutional Cleaning</li> </ul>	<ul style="list-style-type: none"> <li>Amine-based specialty surfactants</li> </ul>
~€2.5 bn	2015 Sales in Specialty & Coating Additives	~€1 bn

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

# Complementary regional setup leading to balanced geographic footprint



**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**

1. Relates to affected Evonik Specialty & Coating Additives business lines

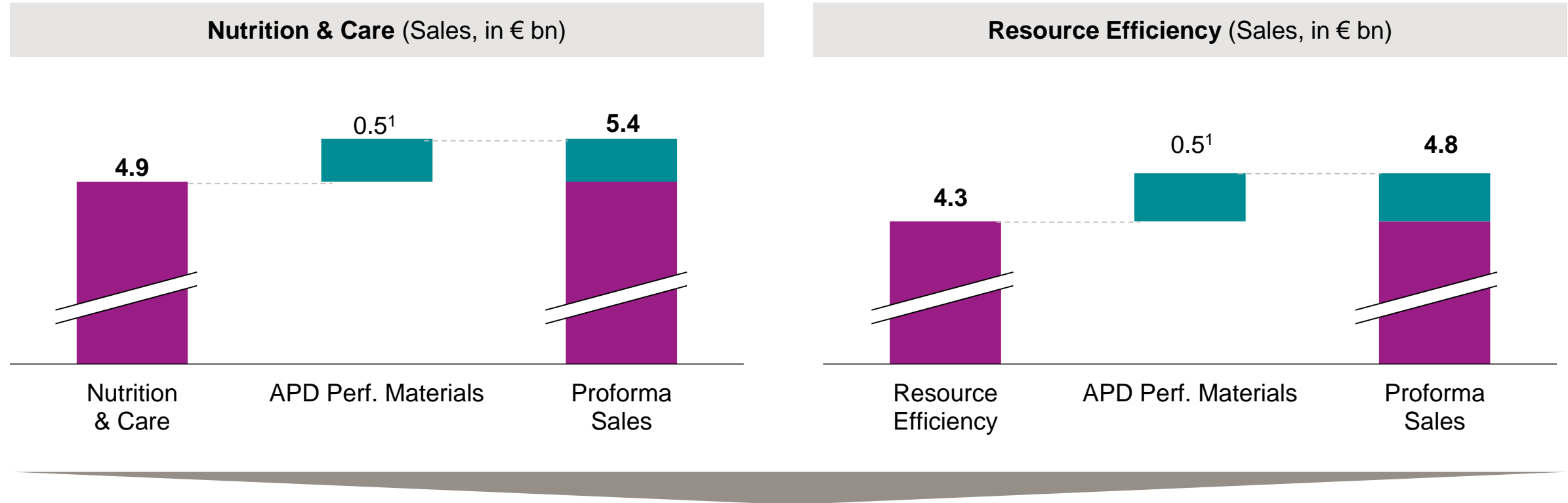
2. APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015

# Creating a global leader in Specialty & Coating Additives



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

# Strengthening of growth segments Nutrition & Care and Resource Efficiency

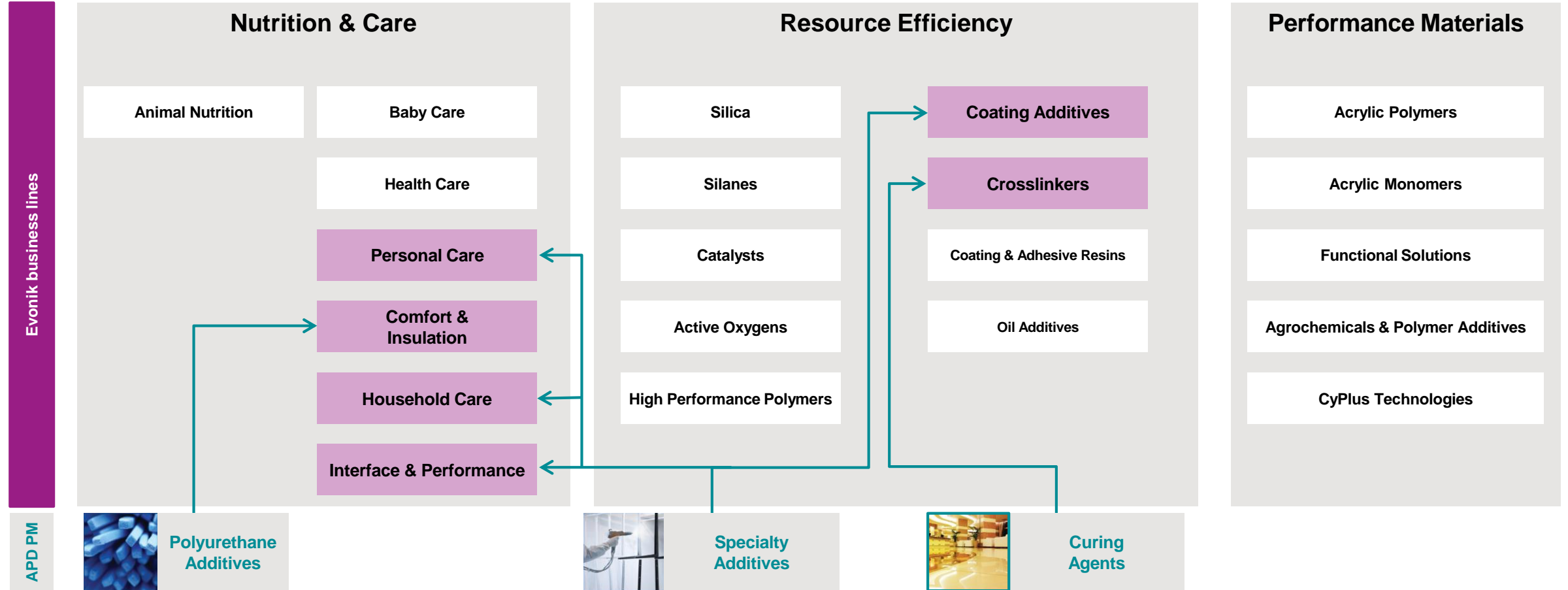


**Significantly increased sales of growth segments**

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

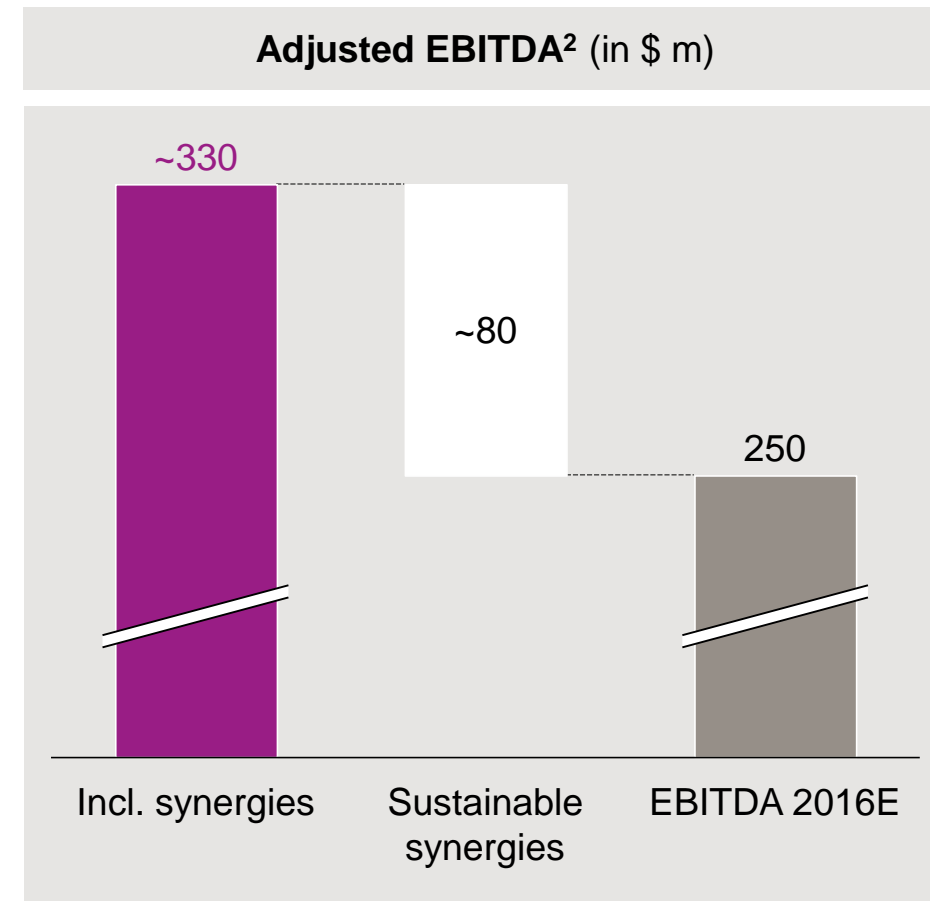
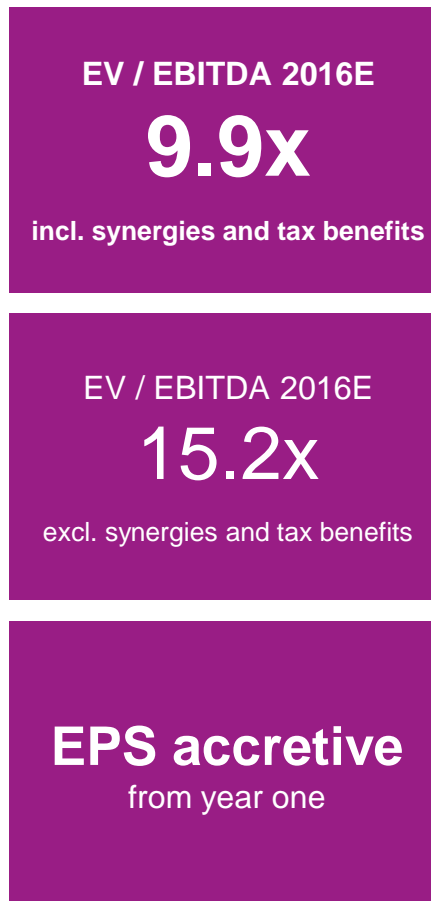
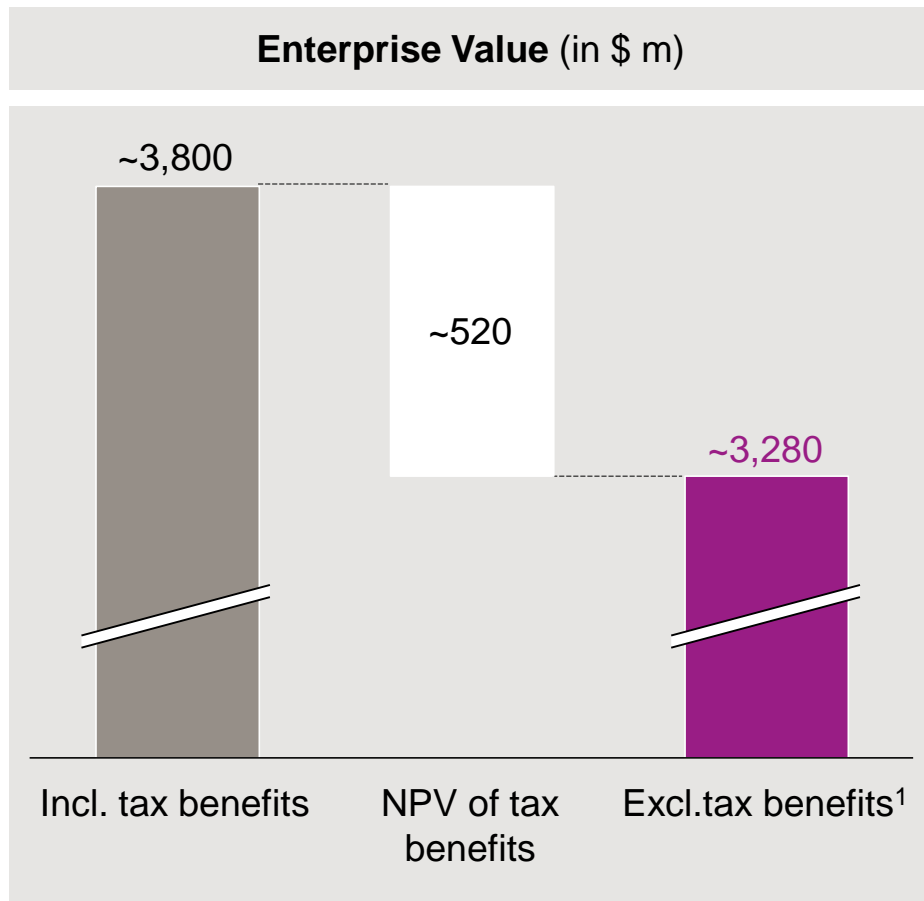
1. APD Performance Materials' sales calendarised to December year-end and translated at EUR/USD FX rate of 1.11 as of average 2015

# Strong fit in Evonik's growth segments





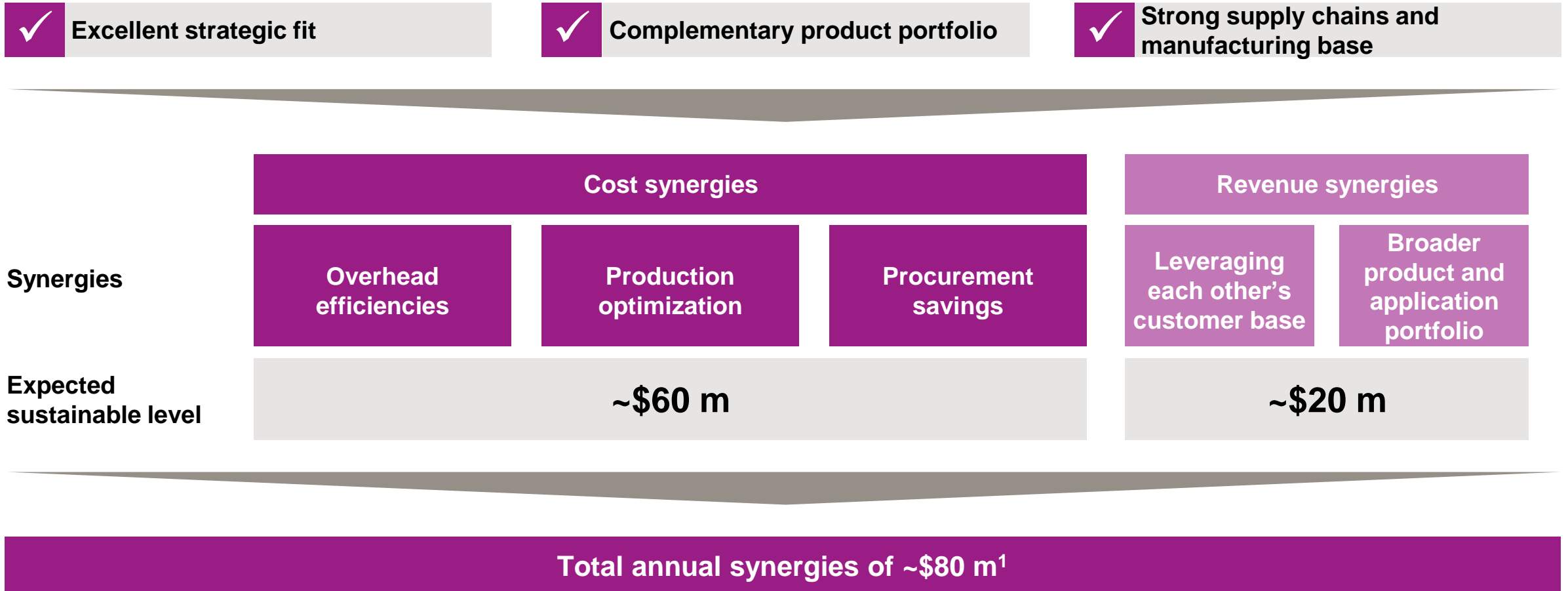
# Synergy potential and tax benefits leading to an attractive price



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

2. Adjusted EBITDA before restructuring charges and corporate allocations

# Excellent strategic and operational fit leading to significant synergies

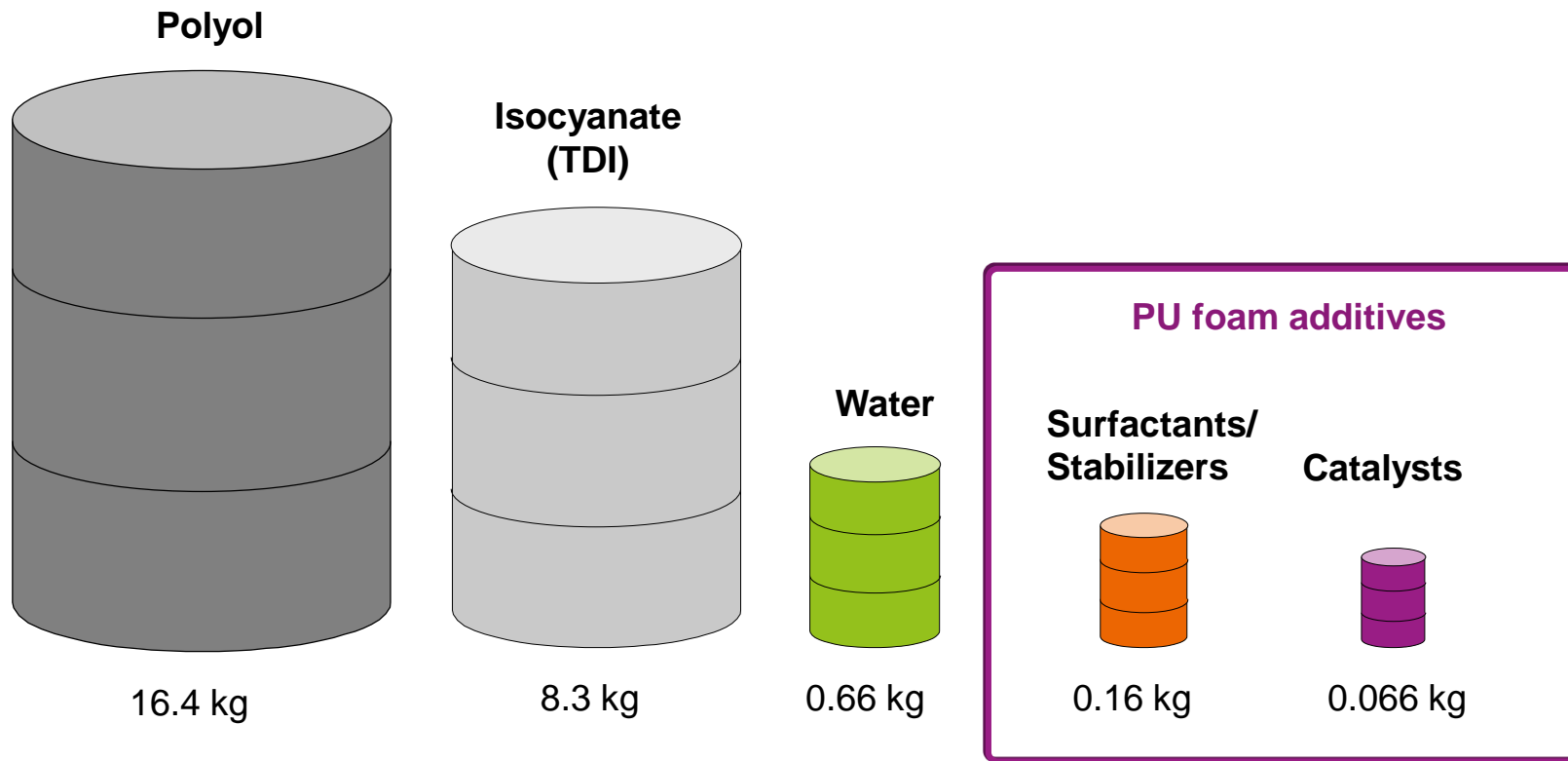


1. Based on current assumptions and market conditions; ramp-up period of 3-4 years with cumulative implementation costs of ~\$80 m

Target market: High value additives for PU foam

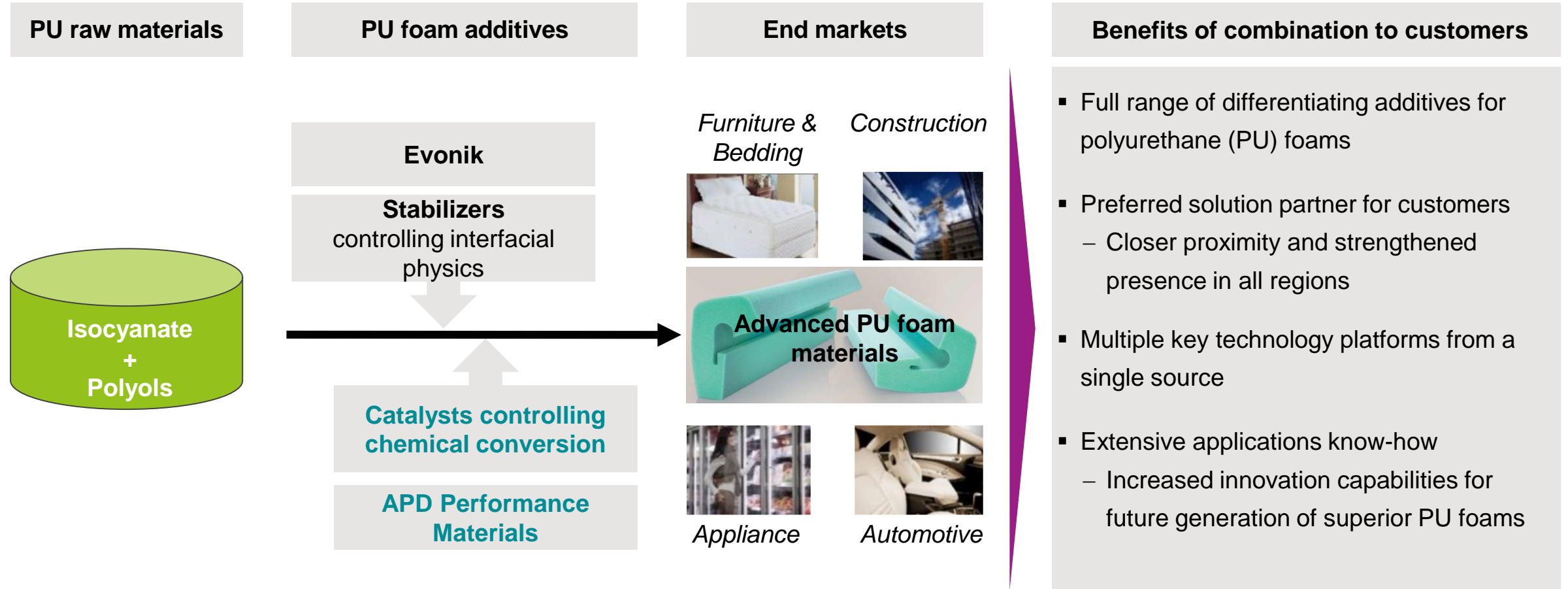
## Additives with small quantity, but decisive impact in PU foam formulation

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



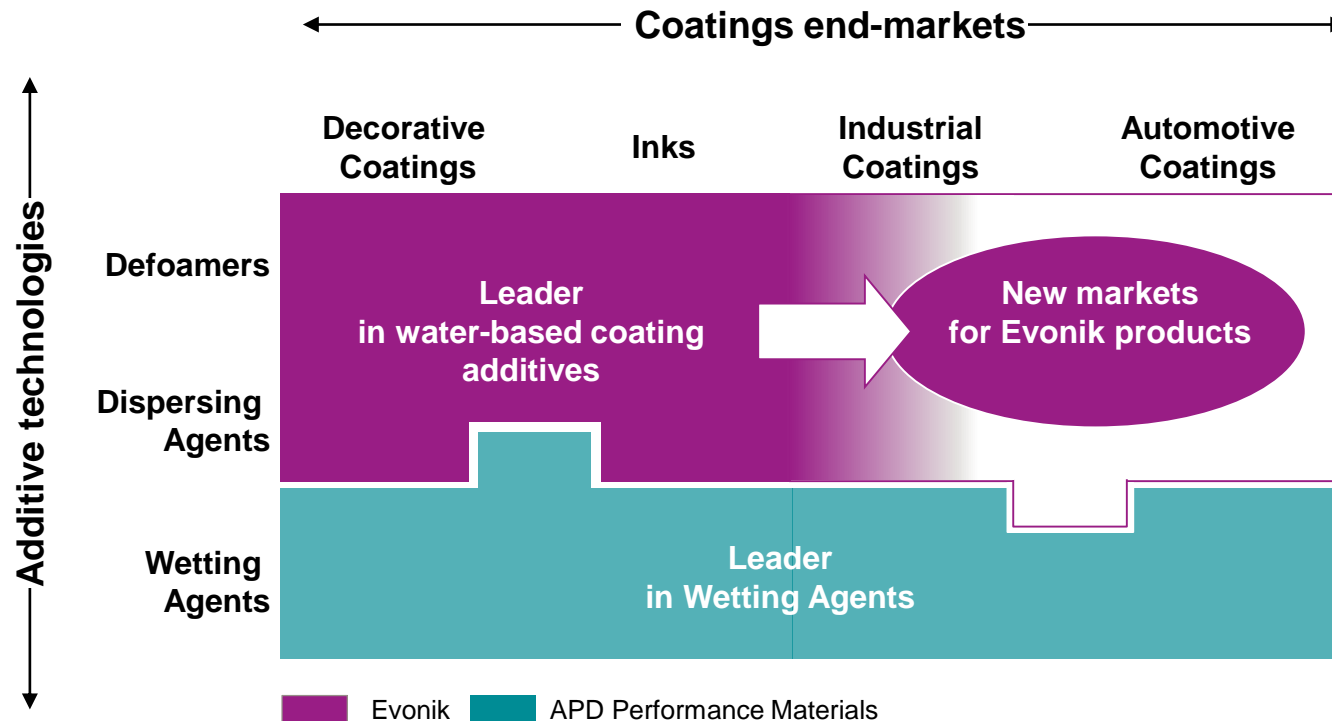
Target market: High value additives for PU foam

## Global leading portfolio of PU foam additives



Target market: Coating Additives

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



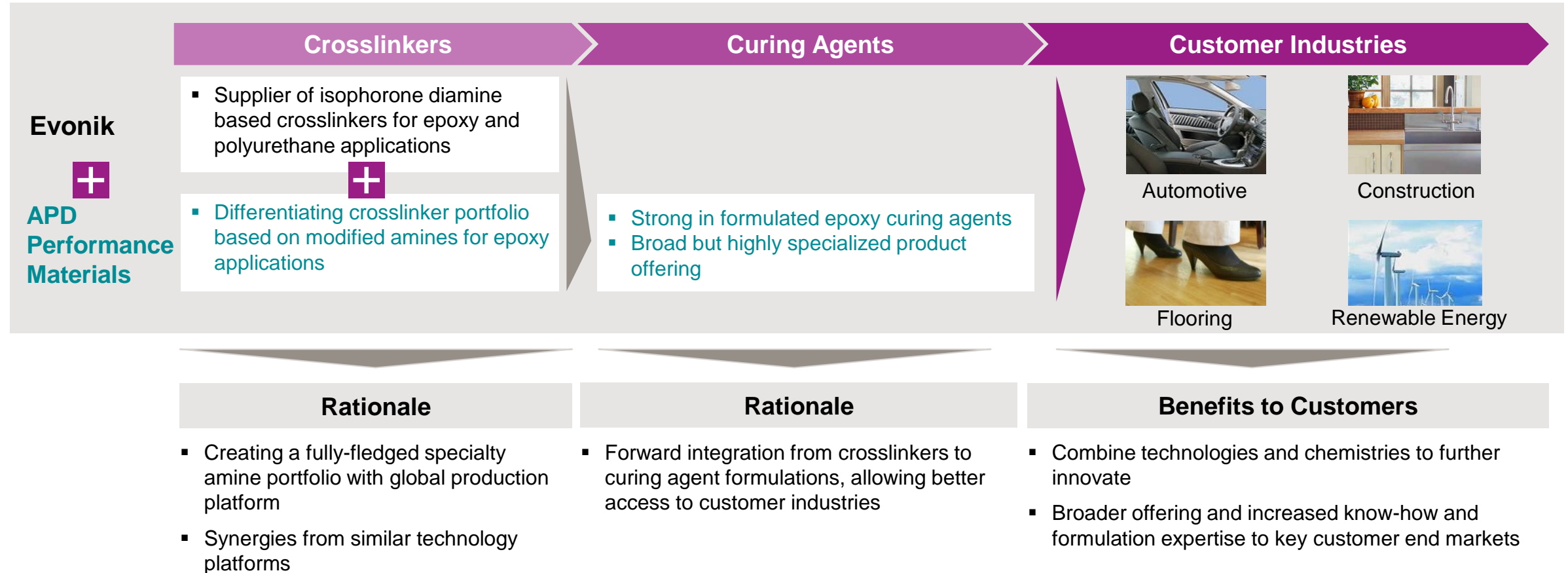
### Key value drivers

- 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

Target market: Crosslinkers/Curing Agents

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



## Financing secured

---



**Final financing structure to consist of mix of cash and bonds**



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



**Three-tranche bonds with a total value of €1.9 billion successfully issued in September, maturing in 2021, 2024 and 2028 with an average coupon of 0.35%**

# Exemplary purchase price allocation in asset deals



1. In countries where applicable



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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

Methacrylates

Acrylic Products

Functional Solutions

Agrochemicals & Polymer Additives

CyPlus Technologies

2015 financials; Business Lines ranked by turnover

# Nutrition & Care

## Fulfilling human needs in a globalizing world

### Key characteristics

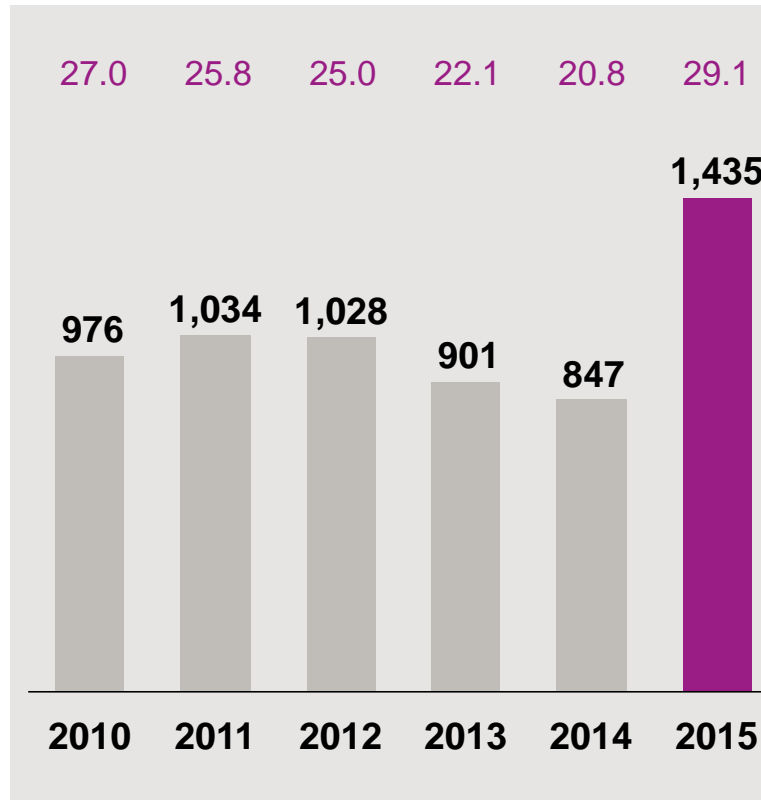
- High degree of **customer intimacy and market know-how**
- Enabling our customers to deliver **differentiating solutions** in their markets
- **Excellent technology platforms**
- **Sustainability** as major growth driver

### Key products

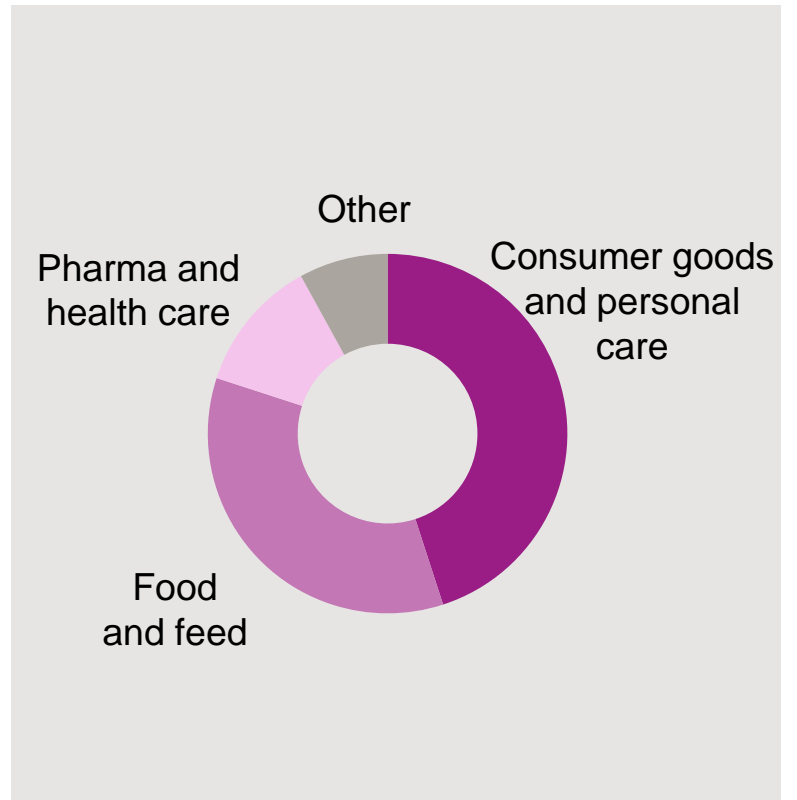
- Amino acids for professional animal nutrition
- Active ingredients for cosmetic products
- Superabsorbents for baby diapers
- Drug delivery systems for controlled drug release



### Adj. EBITDA (€ m) and margin (%)







### End market split



# Nutrition & Care




## Business Line overview (1/2)

	<b>Animal Nutrition</b> 	<b>Baby Care</b> 	<b>Personal Care</b> 	<b>Household Care</b> 
<b>Key products</b>	<ul style="list-style-type: none"> <li>▪ Methionine</li> <li>▪ Lysine, Threonine, Tryptophan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Superabsorbents</li> </ul>	<ul style="list-style-type: none"> <li>▪ Actives</li> <li>▪ Emulsifiers</li> <li>▪ Conditioners</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fabric conditioners</li> <li>▪ Specialty surfactants</li> </ul>
<b>Main Applications</b>	<ul style="list-style-type: none"> <li>▪ Feed additives and services for animal nutrition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baby Care</li> <li>▪ Female Care</li> <li>▪ Adult Care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Laundry care</li> <li>▪ Home care</li> <li>▪ Car care</li> </ul>
<b>Market position<sup>1</sup></b>	<ul style="list-style-type: none"> <li>▪ # 1 in Feed Amino Acids</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 2-3 in superabsorbents</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 4 in cosmetic ingredients</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 1 in fabric softeners</li> </ul>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>▪ Chem China/Adisseo</li> <li>▪ Novus</li> <li>▪ Ajinomoto</li> <li>▪ Cheil Jedang</li> </ul>	<ul style="list-style-type: none"> <li>▪ BASF</li> <li>▪ Nippon Shokubai</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ashland</li> <li>▪ BASF</li> <li>▪ Croda</li> </ul>	<ul style="list-style-type: none"> <li>▪ AkzoNobel</li> <li>▪ BASF</li> <li>▪ Solvay</li> <li>▪ Stepan</li> </ul>

1. Company estimates for relevant markets based on multiple research reports

# Nutrition & Care

## Business Line overview (2/2)

	Health Care	Comfort & Insulation	Interface & Performance
<b>Key products</b>	 <ul style="list-style-type: none"> <li>▪ Active pharma ingredients</li> <li>▪ Pharma grade amino acids</li> <li>▪ Pharmaceutical coatings</li> </ul>	 <ul style="list-style-type: none"> <li>▪ Foam stabilizers</li> <li>▪ Catalysts</li> <li>▪ Release agents</li> </ul>	 <ul style="list-style-type: none"> <li>▪ Release coatings</li> <li>▪ Super spreading additives</li> </ul>
<b>Main Applications</b>	<ul style="list-style-type: none"> <li>▪ Drug delivery systems for oral and parenteral dosage</li> <li>▪ Tailor-made pharmaceutical syntheses</li> <li>▪ Pharma Amino Acids</li> </ul>	<ul style="list-style-type: none"> <li>▪ Furniture / appliances</li> <li>▪ Construction</li> <li>▪ Automotive</li> </ul>	<ul style="list-style-type: none"> <li>▪ Packaging / tapes</li> <li>▪ Agrochemicals</li> <li>▪ Plastic additives</li> </ul>
<b>Market position<sup>1</sup></b>	<ul style="list-style-type: none"> <li>▪ # 1 Functional Polymers for Controlled Release</li> <li>▪ # 2 Exclusive Synthesis</li> <li>▪ # 3 Pharma Amino Acids</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 1 in polyurethane foam additives</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 1-2 in release coatings</li> </ul>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>▪ BASF</li> <li>▪ DSM</li> <li>▪ Lonza</li> <li>▪ Ajinomoto</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maysta</li> <li>▪ Momentive</li> </ul>	<ul style="list-style-type: none"> <li>▪ Clariant</li> <li>▪ Dow Corning</li> <li>▪ Momentive</li> <li>▪ Wacker</li> </ul>

1. 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**



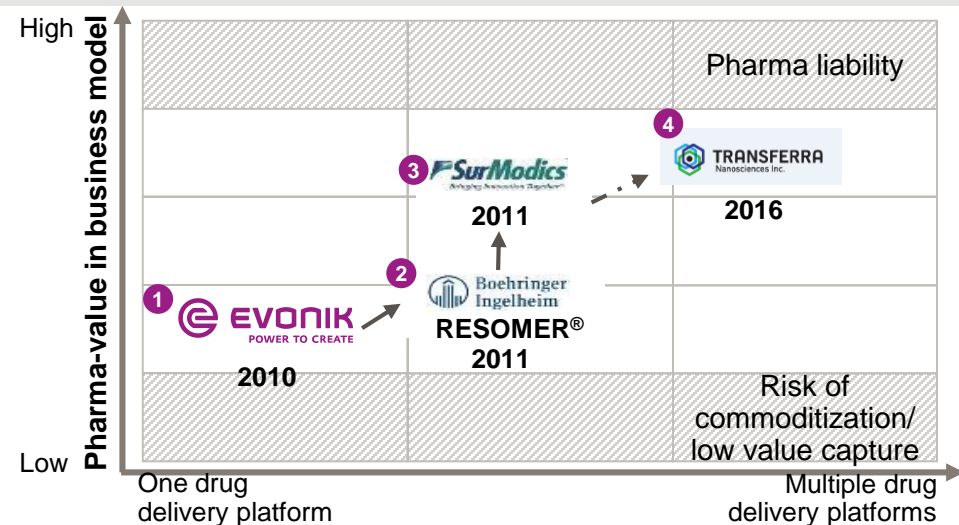
# Acquisition of Transferra Nanosciences – Active technology in the drug delivery industry

**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 market1 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 **Tranferra Nanosciences –** new injectable liposome technology
  - Delivering active ingredients to the virus-infected cell membrane (targeted drug delivery)

1. Market for development & manufacturing services of complex parenteral formulations



# Resource Efficiency

## Innovative products for resource-efficient solutions

### Key characteristics

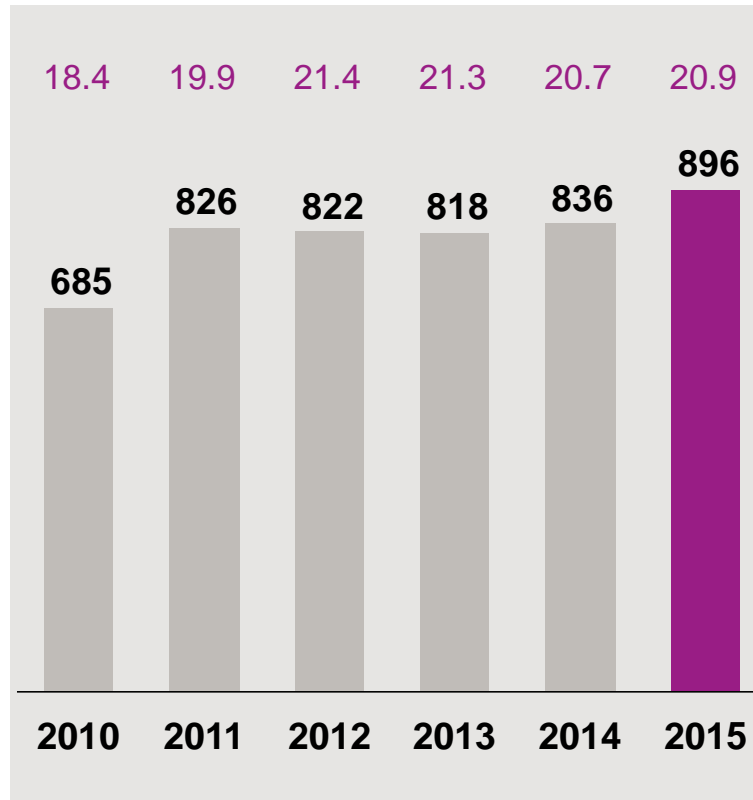
- Focus on **performance-impacting** and value-driving components
- **Minor share of cost** in most end products
- Strong focus on **technical service**
- **Low risk of substitution**
- High pricing power (**value-based pricing**)

### Key products

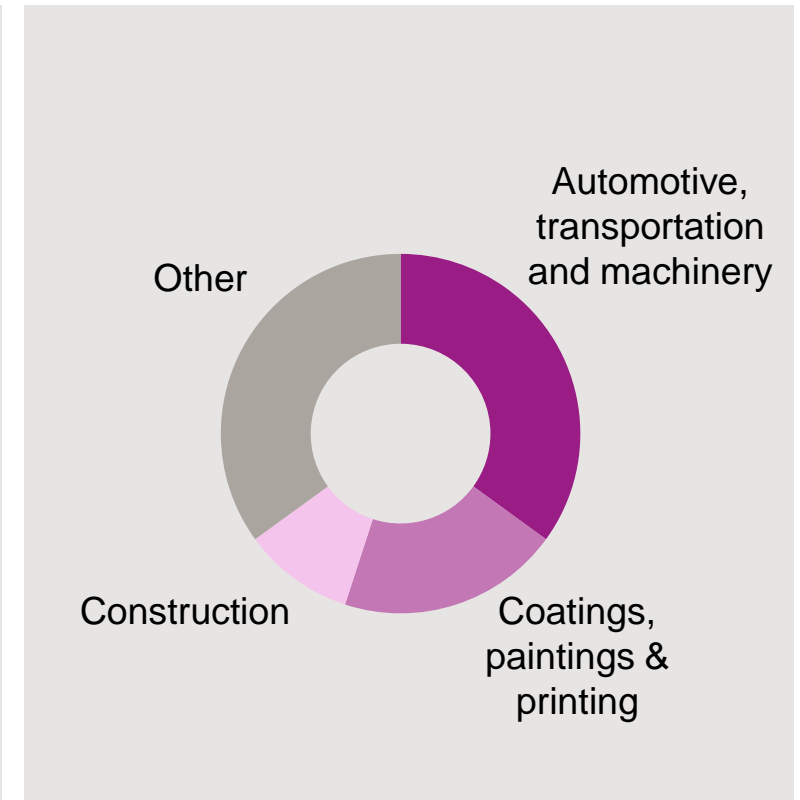
- Precipitated and fumed silica as flow property enhancers
- Crosslinkers for composite materials and coatings
- Viscosity modifiers for oils and hydraulic fluids



### Adj. EBITDA (€ m) and margin (%)






### End market split



# Resource Efficiency




## Business Line overview (1/3)

	<b>Silica</b> 	<b>Oil Additives</b> 	<b>Crosslinkers</b> 
<b>Key products</b>	<ul style="list-style-type: none"> <li>▪ Precipitated silica</li> <li>▪ Fumed silica</li> <li>▪ Special oxides</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lubricant additives (viscosity modifiers)</li> <li>▪ Fuel additives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Crosslinkers for composites, elastomers and non-solvent coatings</li> </ul>
<b>Main Applications</b>	<ul style="list-style-type: none"> <li>▪ Silicone rubber</li> <li>▪ Tires, green tires &amp; rubber</li> <li>▪ Paints &amp; coatings</li> <li>▪ Adhesives &amp; sealants</li> </ul>	<ul style="list-style-type: none"> <li>▪ Auto &amp; industrials</li> <li>▪ Hydraulic systems</li> <li>▪ Refinery processing</li> <li>▪ Biofuels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Composites</li> <li>▪ Coatings &amp; paints</li> <li>▪ Flooring</li> <li>▪ Automotive interior</li> </ul>
<b>Market position<sup>1</sup></b>	<ul style="list-style-type: none"> <li>▪ # 1 in silicas (precipitated, fumed, special oxides, matting agents and specialty fillers)</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 1 in viscosity modifiers for lubricants</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 1 in isophorone chemicals</li> </ul>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>▪ Cabot</li> <li>▪ JM Huber</li> <li>▪ Solvay</li> <li>▪ Wacker</li> </ul>	<ul style="list-style-type: none"> <li>▪ Infineum</li> <li>▪ Lubrizol</li> <li>▪ NewMarket (Afton)</li> <li>▪ Oronite</li> </ul>	<ul style="list-style-type: none"> <li>▪ Arkema</li> <li>▪ BASF</li> <li>▪ Covestro</li> </ul>

1. Company estimates for relevant markets based on multiple research reports

# Resource Efficiency

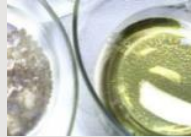


## Business Line overview (2/3)

	Active Oxygens	High Performance Polymers	Coating & Adhesive Resins
			
<b>Key products</b>	<ul style="list-style-type: none"> <li>Hydrogen peroxide</li> </ul>	<ul style="list-style-type: none"> <li>High perf. polyamide (PA12)</li> <li>Polyetheretherketone (PEEK)</li> <li>Membranes and Polyimide fibres</li> </ul>	<ul style="list-style-type: none"> <li>Functional resins</li> <li>Adhesive hot melts</li> <li>Heat sealants</li> <li>Polybutadiene</li> </ul>
<b>Main Applications</b>	<ul style="list-style-type: none"> <li>Oxidising agent in chemical reactions</li> <li>Pulp &amp; paper bleaching</li> </ul>	<ul style="list-style-type: none"> <li>Automotive components</li> <li>Medical</li> <li>Oil &amp; gas pipes</li> </ul>	<ul style="list-style-type: none"> <li>Hot melt</li> <li>Pre coated metal</li> <li>Protective coatings</li> <li>Road marking</li> </ul>
<b>Market position<sup>1</sup></b>	<ul style="list-style-type: none"> <li># 2 in hydrogen peroxide</li> </ul>	<ul style="list-style-type: none"> <li># 1 in PA12</li> </ul>	<ul style="list-style-type: none"> <li># 1 in polyester resins</li> </ul>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>Arkema</li> <li>Solvay</li> </ul>	<ul style="list-style-type: none"> <li>Arkema</li> <li>EMS</li> <li>Solvay</li> <li>Victrex</li> </ul>	<ul style="list-style-type: none"> <li>Dow</li> <li>DSM</li> <li>Mitsubishi Chemical</li> </ul>

1. Company estimates for relevant markets based on multiple research reports

# Resource Efficiency

## Business Line overview (3/3)

	<b>Silanes</b> 	<b>Coating Additives</b> 	<b>Catalysts</b> 
<b>Key products</b>	<ul style="list-style-type: none"> <li>▪ Chlorosilanes</li> <li>▪ Organofunctional silanes</li> <li>▪ Rubber silanes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Additives for eco-friendly and highly solid industrial coatings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Activated base metal catalysts</li> <li>▪ Precious metal catalysts</li> <li>▪ Catalysts for industrial &amp; petrochemicals</li> </ul>
<b>Main Applications</b>	<ul style="list-style-type: none"> <li>▪ Fumed silica</li> <li>▪ Optical fibres</li> <li>▪ Adhesive &amp; sealants</li> <li>▪ Building protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Eco-friendly coatings (low VOC, water based)</li> <li>▪ High solid industrial coatings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Catalysts for chemical processes</li> <li>▪ Enabler for process efficiency / innovation</li> </ul>
<b>Market position<sup>1</sup></b>	<ul style="list-style-type: none"> <li>▪ # 1 in chlorosilanes</li> <li>▪ # 1 in organofunctional and rubber silanes</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 2 in high performance additives for coatings and inks</li> <li>▪ # 1-2 in silicone resins for special applications</li> </ul>	<ul style="list-style-type: none"> <li>▪ #1 in precious metal powder catalysts</li> <li>▪ #3 in activated base metal catalysts</li> </ul>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>▪ Dow Corning</li> <li>▪ Momentive</li> <li>▪ Shin Etsu</li> <li>▪ Tokuyama</li> </ul>	<ul style="list-style-type: none"> <li>▪ Altana</li> <li>▪ BASF</li> <li>▪ Dow Corning</li> </ul>	<ul style="list-style-type: none"> <li>▪ BASF</li> <li>▪ Clariant</li> <li>▪ Johnson Matthey</li> <li>▪ WR Grace</li> </ul>

1. Company estimates for relevant markets based on multiple research reports

# Business Line Silica

## 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

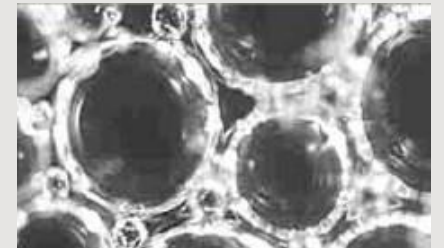
#### Application examples:

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

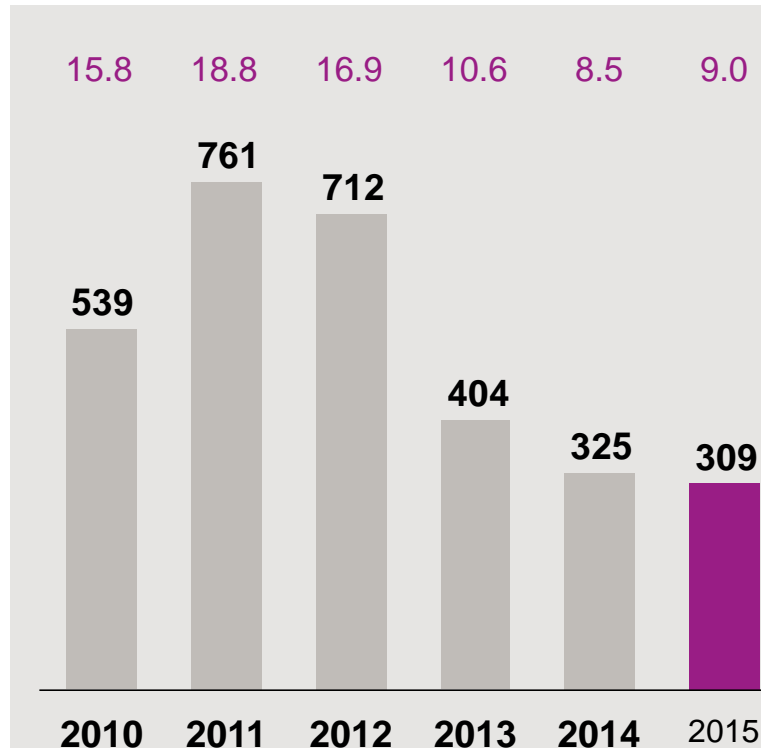
- Strong **integrated production platforms**
- **Leading cost positions**
- Favorable **raw material access**
- Focus on **continuous efficiency improvements**
- High degree of **supply reliability**

### Key products

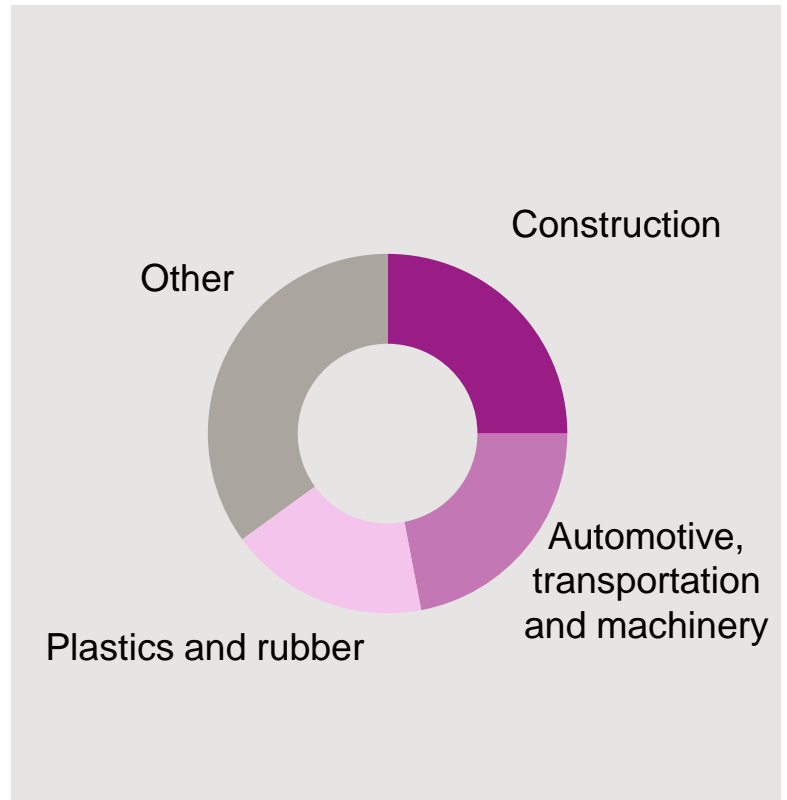
- Acrylic sheets, molding compounds (PMMA) and its precursors (MMA), e.g. for LED and touch screens
- Butadiene for synthetic rubber
- MTBE as fuel additive



### Adj. EBITDA (€ m) and margin (%)






### End market split



# Performance Materials




## Business Line overview (1/2)

	<b>Performance Intermediates</b> 	<b>Methacrylates</b> 	<b>Acrylic Products</b> 
Key products	<ul style="list-style-type: none"> <li>Butadiene</li> <li>MTBE</li> <li>Butene-1</li> <li>Plasticizers (INA&amp;DINP)</li> </ul>	<ul style="list-style-type: none"> <li>Methylmethacrylate (MMA) &amp; application monomers</li> <li>Molding compounds (PMMA granulate)</li> </ul>	<ul style="list-style-type: none"> <li>Acrylic sheets and semi-finished Products (Plexiglas / Acrylite)</li> <li>PMMA systems</li> </ul>
Main Applications	<ul style="list-style-type: none"> <li>Plastics</li> <li>Styrene-Butadiene-Rubber</li> <li>High performance polymers</li> </ul>	<ul style="list-style-type: none"> <li>Coatings</li> <li>PMMA extrusion</li> <li>Light-weight systems</li> <li>Automotive components</li> </ul>	<ul style="list-style-type: none"> <li>Construction</li> <li>Light-weight systems</li> <li>Automotive components</li> <li>Light-guiding systems</li> </ul>
Market position <sup>1</sup>	<ul style="list-style-type: none"> <li># 1 in butene-1</li> </ul>	<ul style="list-style-type: none"> <li># 2 in MMA</li> <li># 1-2 in PMMA molding compounds</li> </ul>	<ul style="list-style-type: none"> <li># 1-2 in PMMA sheets</li> </ul>
Main competitors	<ul style="list-style-type: none"> <li>BASF</li> <li>Sabic</li> <li>LyondellBasell</li> </ul>	<ul style="list-style-type: none"> <li>LG MMA</li> <li>Mitsubishi Chemicals</li> <li>Sumitomo</li> </ul>	<ul style="list-style-type: none"> <li>Arkema</li> <li>Mitsubishi Chemicals</li> <li>Sumitomo</li> </ul>

1. Company estimates for relevant markets based on multiple research reports

# Performance Materials

## Business Line overview (2/2)

	<b>Agrochemicals</b> 	<b>Functional Solutions</b> 	<b>CyPlus Technologies</b> 
Key products	<ul style="list-style-type: none"> <li>▪ Triacetoneamine</li> <li>▪ Crosslinkers</li> <li>▪ Precursors for crop protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Alkoxides (e.g. sodium methylate)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sodium cyanide</li> <li>▪ Potassium cyanide</li> </ul>
Main Applications	<ul style="list-style-type: none"> <li>▪ Polymer additives</li> <li>▪ Optical brighteners</li> <li>▪ Photovoltaic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Catalysts for biodiesel production</li> </ul>	<ul style="list-style-type: none"> <li>▪ Precious metals mining</li> <li>▪ Fine chemicals</li> </ul>
Market position <sup>1</sup>	<ul style="list-style-type: none"> <li>▪ n.a.</li> </ul>	<ul style="list-style-type: none"> <li>▪ # 1 in alkoxides</li> </ul>	<ul style="list-style-type: none"> <li>▪ n.a.</li> </ul>
Main competitors	<ul style="list-style-type: none"> <li>▪ Lanxess</li> <li>▪ Weylchem</li> </ul>	<ul style="list-style-type: none"> <li>▪ BASF</li> <li>▪ DuPont</li> </ul>	<ul style="list-style-type: none"> <li>▪ AGR</li> <li>▪ DuPont</li> <li>▪ Orica</li> </ul>

1. Company estimates for relevant markets based on multiple research reports



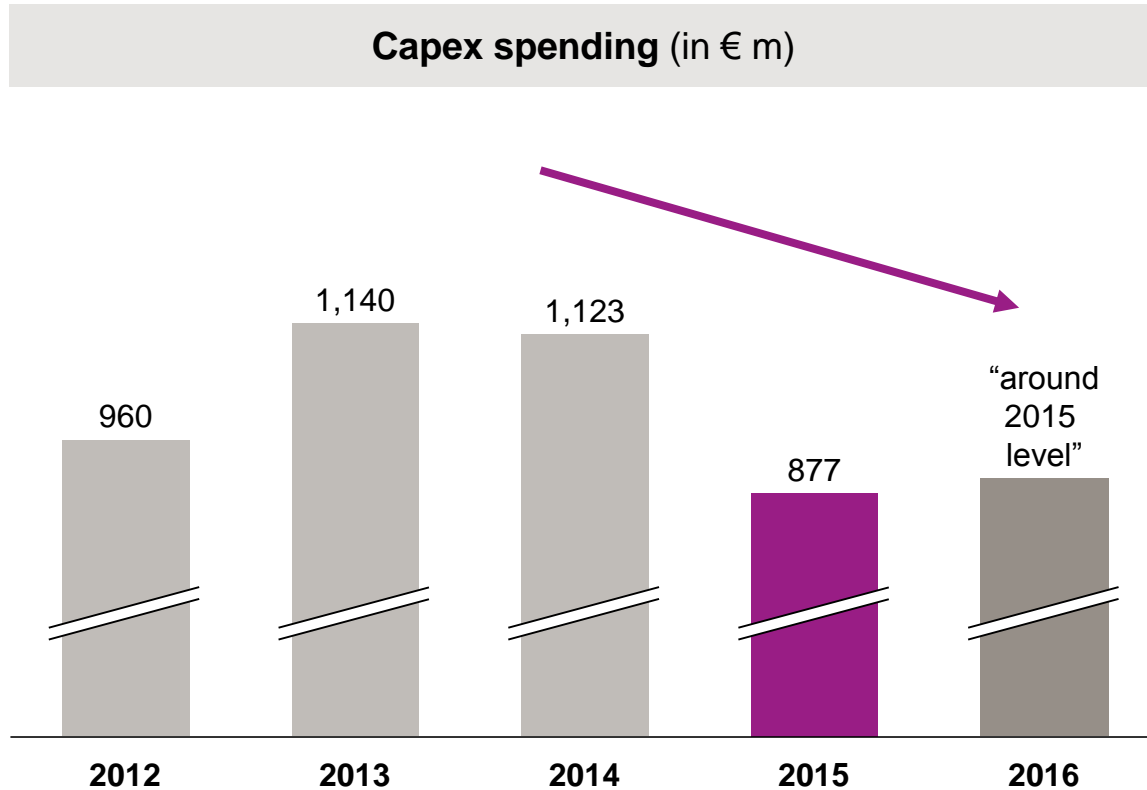
# Table of contents

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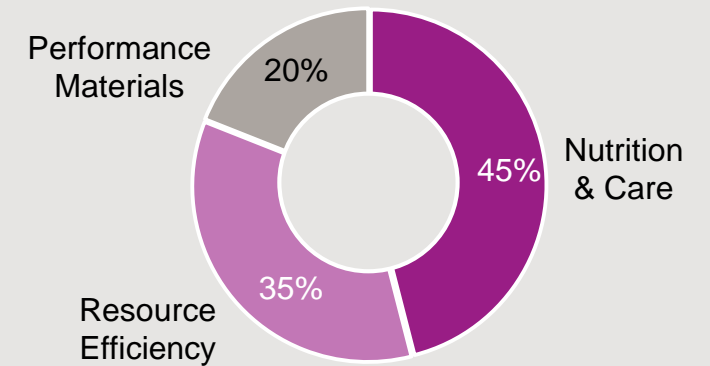
1. Appendix to Acquisition of APD Performance Materials
2. Segment overview
- 3. Financials**
4. Investor Relations contact

# Investments

## Capex brought down to sustainable level



- 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
- Groundbreaking for 2<sup>nd</sup> methionine plant in Singapore in October 2016; CAPEX spending of more than half a billion € expected from 2017 to 2019



1. 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



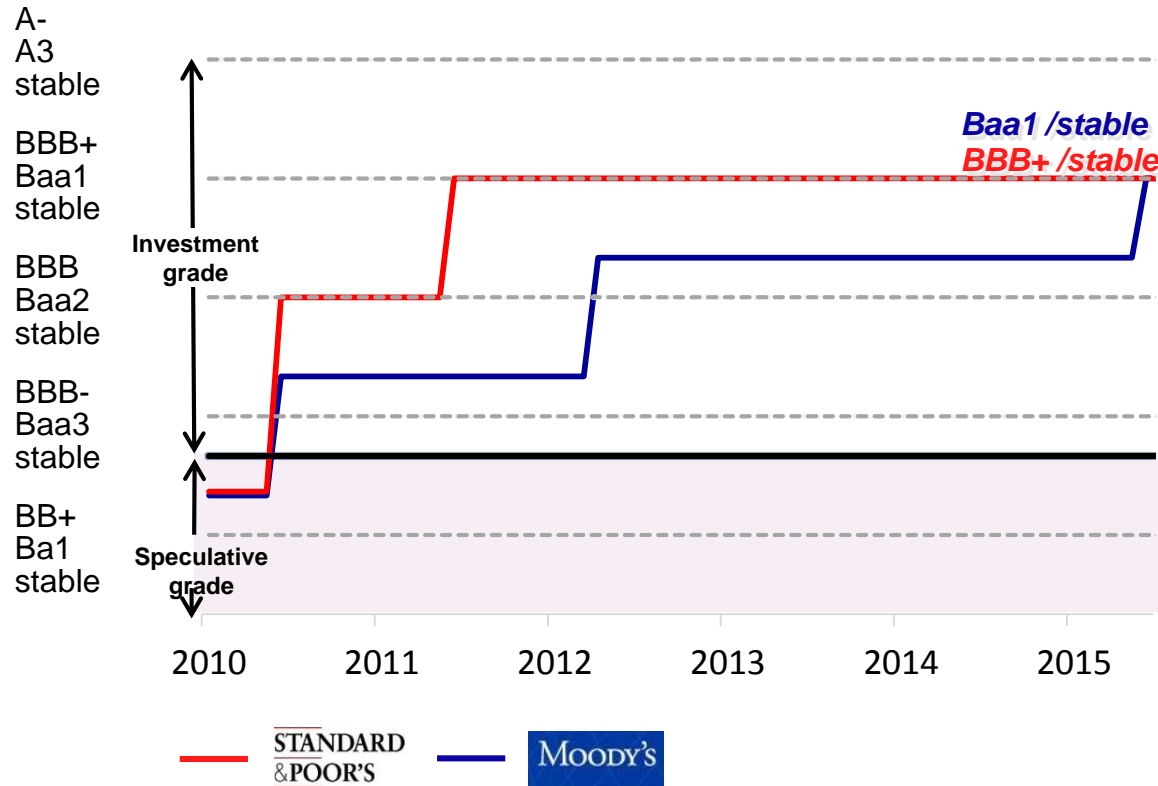
# Efficiency

## 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

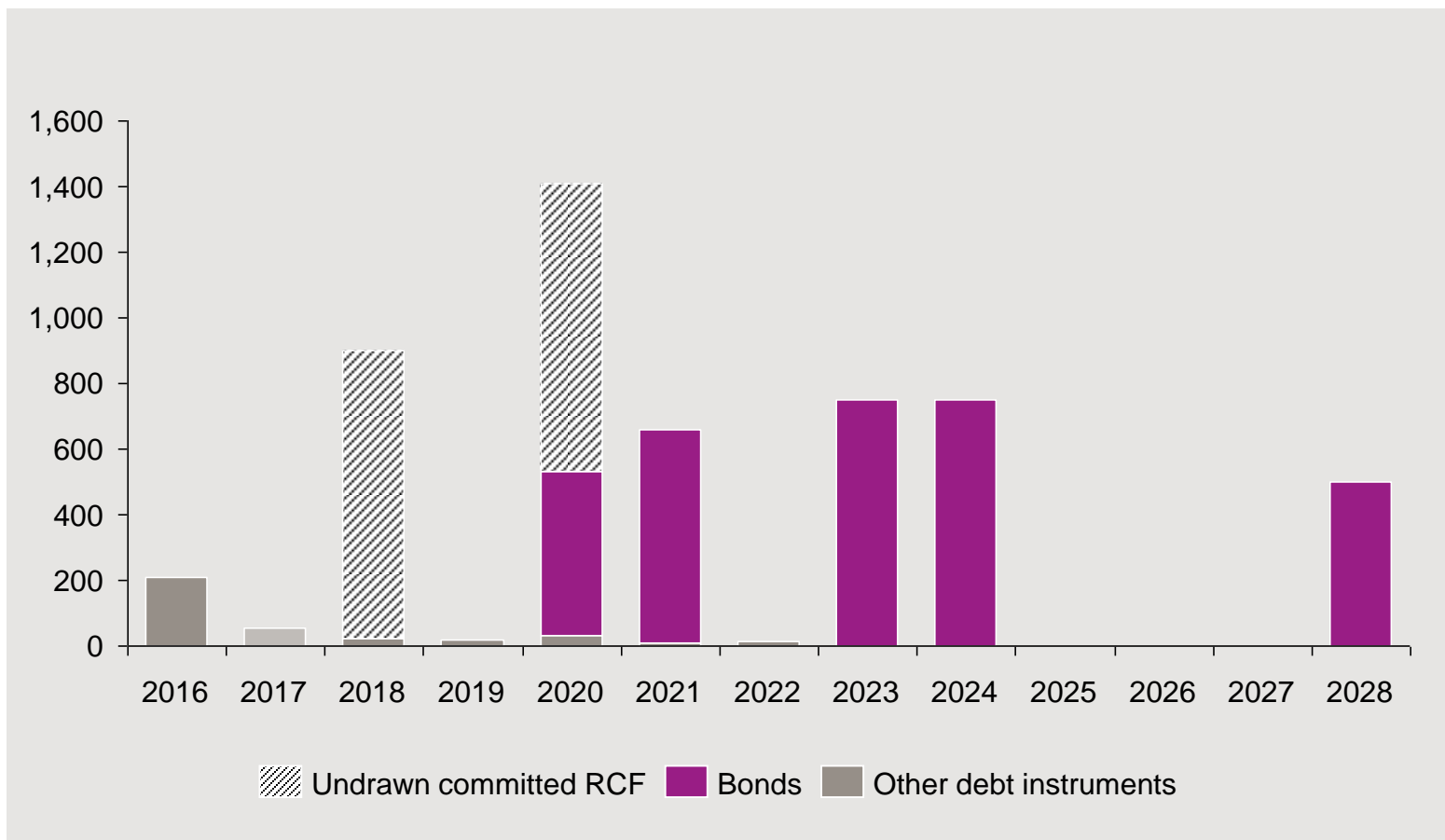
- Specialty chemicals franchise will be improved
- Further strengthening by adding scale and diversity

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

# Debt structure

## Balanced maturity profile

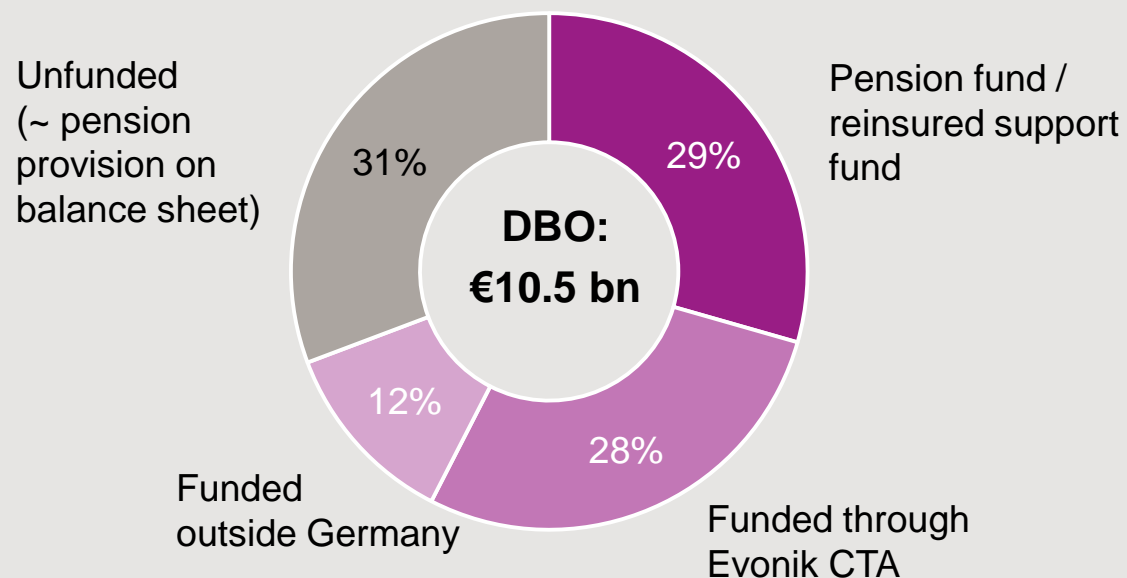
(in € m as of 30 September 2016)



- Three-tranche bonds with a total value of €1.9 billion successfully issued in September, maturing in 2021, 2024 and 2028 with an average coupon of 0.35%
- New bond issuance reduces the average interest rate on capital market debt from 1.35% p.a. to 0.74% p.a
- Proceeds to be used for financing of APD Performance Materials acquisition
- Maturity of syndicated revolving credit facility (RCF) in 2018/20 (€875 m each); currently fully undrawn

# Pensions

## 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

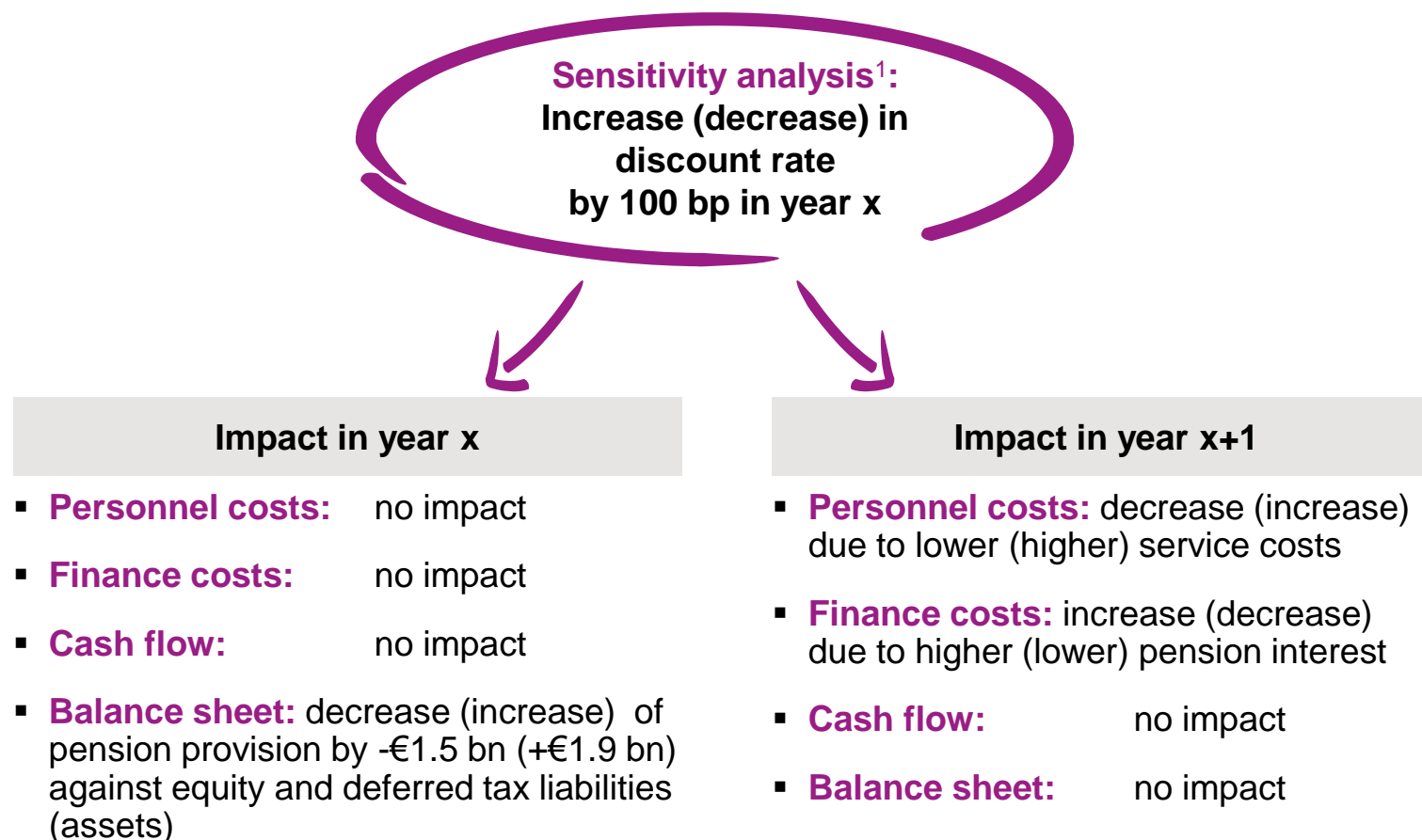
## Breakdown of P&L and cash flow effects

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	



# Pensions

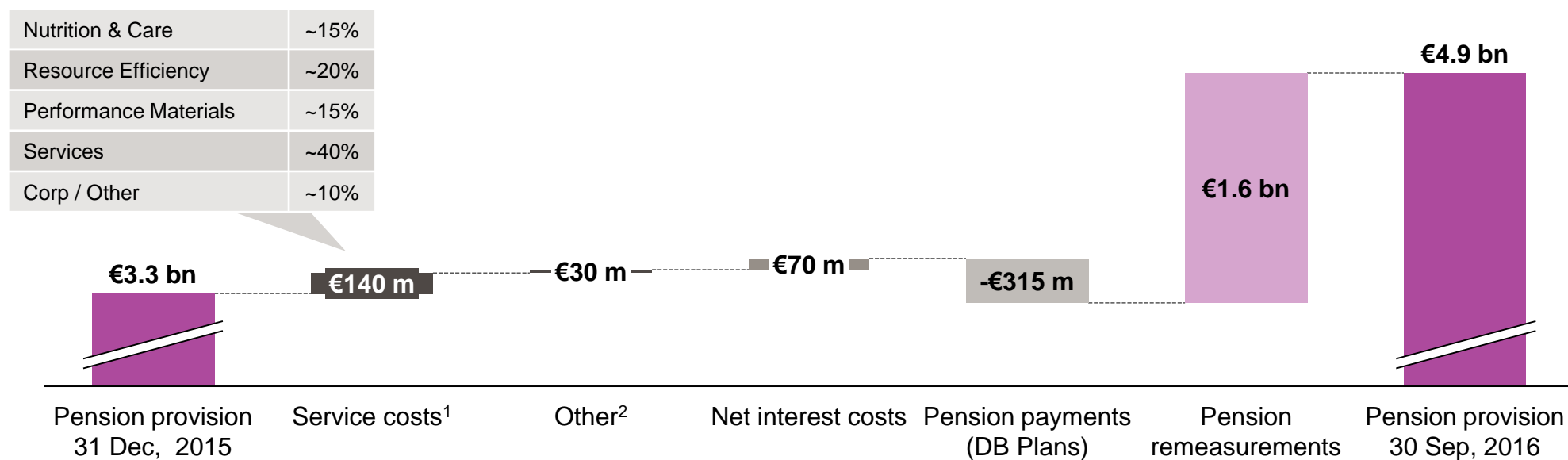
## Sensitivity to discount rate changes



1. Excluding any effects from potential actuarial changes and changes in the valuation of plan assets

# Pension accounting

## Reconciliation of pension provision (as of Sep 2016 YTD)



In financial statement:

EBITDA: personnel expenses

Financial Result

Operating cash flow<sup>3</sup>

Balance sheet (Equity)

Indication for 2017:

Discount rate +/- 25 bp change: impact of +/- ~€20 m in EBITDA

No notable change

broadly unchanged

depending on future discount rate

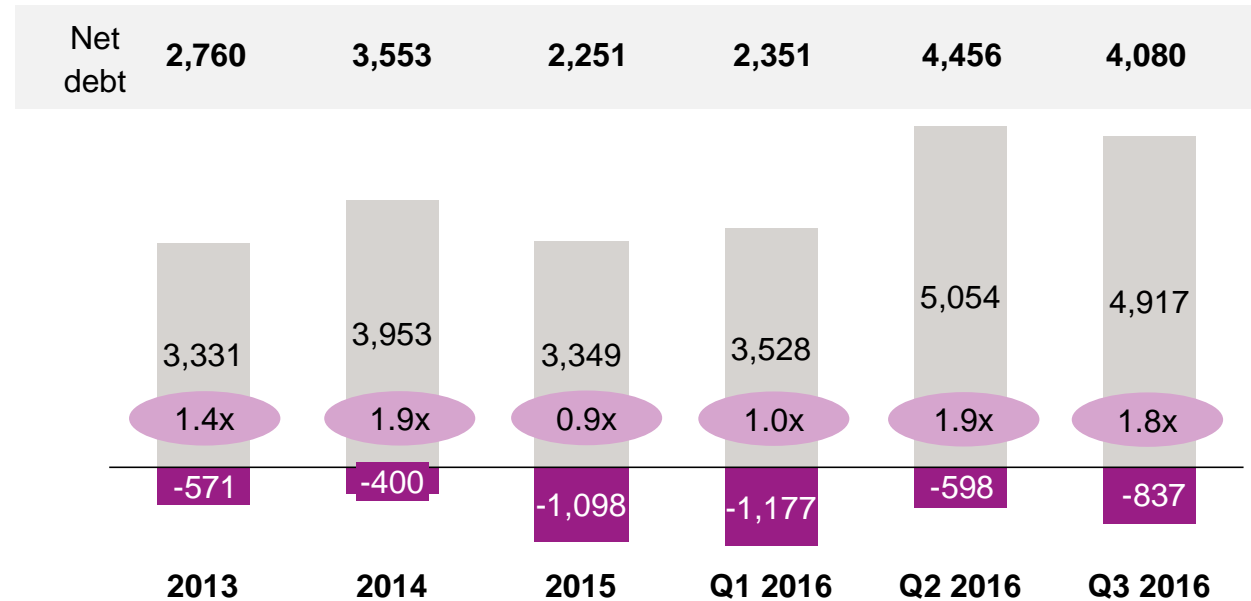
1. Service costs = present (discounted) value of the future/projected pension benefits earned by active employees | 2. Employee contribution

3. Line item "Change in provisions for pensions" in operating cash flow statement: -€125 m | Reconciliation: pension payments (€315 m) - service costs (€140 m) - other (€30 m) - investing cash flow / transfer to pension trust fund / tax effects (€14 m) = €131 m

# Net debt development

(in € m)

■ Net financial debt ■ Pension provisions ● Total leverage<sup>1</sup>



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

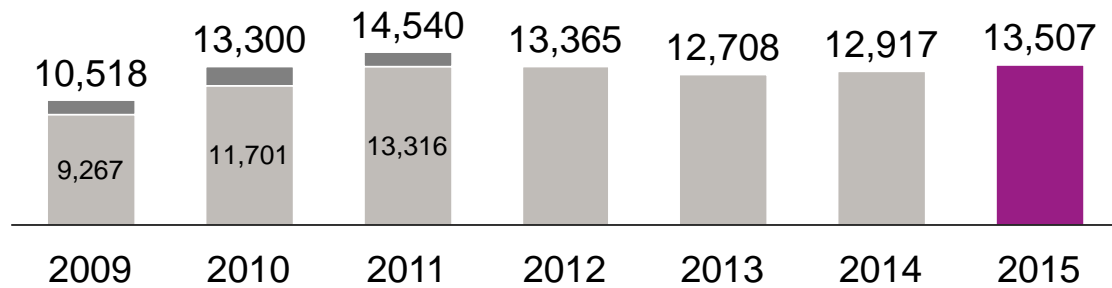
3.84	2.65	2.91	-	-	-	Evonik Group global discount rate <sup>2</sup>
3.75	2.50	2.75	2.50	1.50	1.50	Evonik discount rate for Germany

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

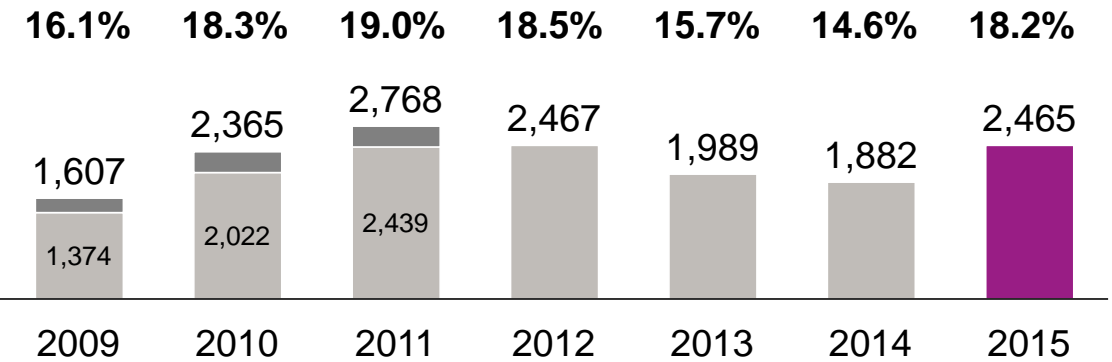
# Financial track record

**Sales (in € m)**

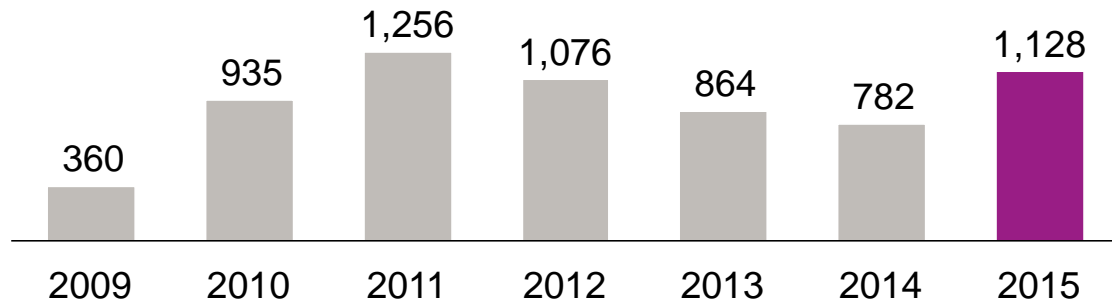
■ Carbon Black/Real Estate



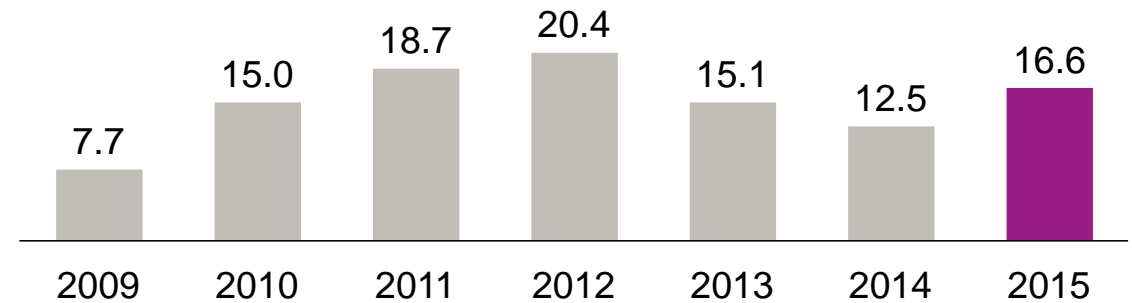
**Adj. EBITDA (in € m) / margin<sup>1</sup>**



**Adj. Operating Income (in € m)**



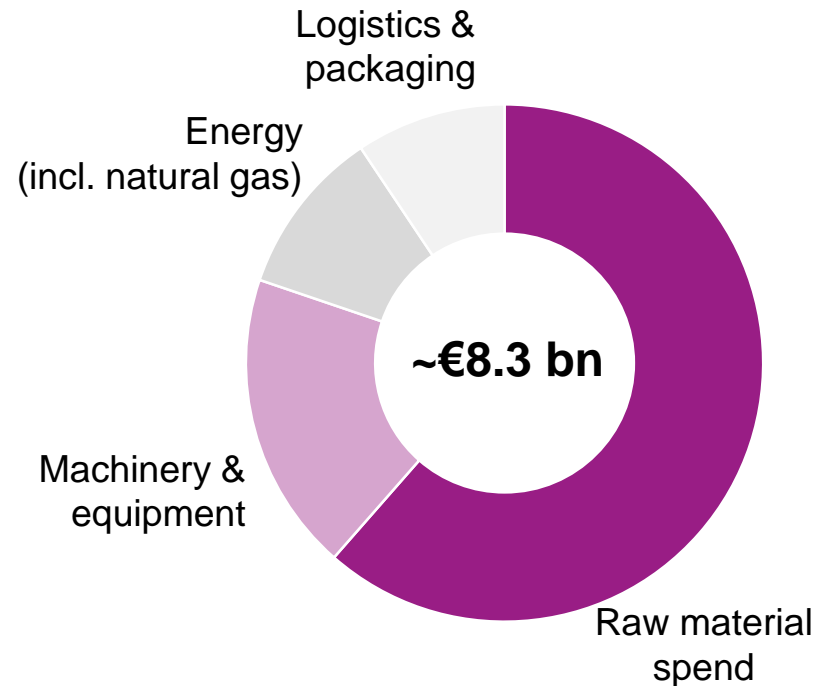
**ROCE (in %)**



1. Excluding Carbon Black

# Raw material split

## Total procurement volume 2015 (in € m)



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

### No oil price link

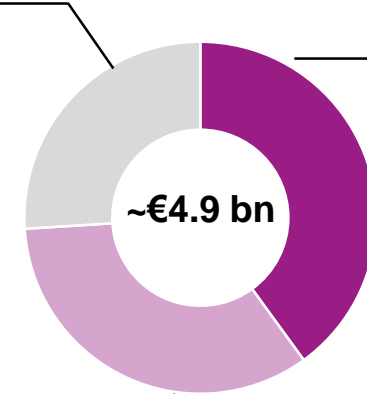
- Sodium silicate (Silica)
- Sugar (Animal Nutrition)
- Fatty acids (Personal Care)

### Direct oil price link

- CC4 (Performance Intermediates)
- Propylene (Baby Care, Animal Nutrition)

### Indirect oil price link

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



1. Raw material spend 59% of total procurement volume in 2015

# Management compensation

Fixed salary ~1/3	<ul style="list-style-type: none"><li>▪ To be paid in cash for each financial year on a monthly basis</li></ul>	
Bonus ~1/3	<ul style="list-style-type: none"><li>▪ To be paid out in cash annually</li><li>▪ 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</li></ul>	<ul style="list-style-type: none"><li>▪ Factor of between 0.8 and 1.2 to take into account the achievement of further individual targets</li><li>▪ Bonus capped at 200% of initial target</li></ul>
Long-term incentive plan ~1/3	<ul style="list-style-type: none"><li>▪ Granted LTI target amount is calculated in virtual shares (4-year lock-up)</li><li>▪ Value of LTI to mirror the development of Evonik's share price (incl. dividends)</li><li>▪ Amount payable is determined by two performance elements</li></ul>	<ul style="list-style-type: none"><li>▪ Absolute performance: Real price of the Evonik share</li><li>▪ Relative performance against external index benchmark (MSCI Chemicals)</li><li>▪ Bonus capped at 300% of initial amount</li><li>▪ To be paid out in cash after lock-up period</li></ul>

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## IR events

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### Conferences & Roadshows

<b>5 December 2016</b>	Berenberg European Conference London
<b>6-7 December 2016</b>	Bank of America European Chemicals Conference London
<b>9-10 January 2017</b>	Commerzbank German Investment Seminar New York
<b>16 January 2017</b>	Kepler Cheuvreux German Corporate Conference Frankfurt / Main
<b>02 February 2017</b>	Lampe German Equity Forum London

### Next reporting dates

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



# Evonik Investor Relations team

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**POWER TO CREATE**