Analyst & Investor Fact Sheet Q3 2018

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Evonik Group

in € million	Q3 2017	Q3 2018	yoy Δ%	Q2 2018	Q3 2018	qoq Δ%	Q3 2018 Consensus*
External sales	3,556	3,794	7%	3,870	3,794	-2%	3,756
Volume (%)			*-1%*				*3%*
Price (%)			*9%*				*4%*
Exchange Rates (%)			*-1%*				*-2%*
Other effects (%)			*0%*				*1%*
Adjusted EBITDA	640	692	8%	742	692	-7%	692
Adjusted EBITDA Margin (%)	18.0%	18.2%	0.2 pp	19.2%	18.2%	-1.0 pp	18.4%
Adjusted EBIT	423	468	11%	514	468	-9%	480
Adjustments	-31	-19		-19	-19		
EBIT	392	449	15%	495	449	-9%	
Adjusted net income	275	370	35%	354	370	5%	319
Adjusted earnings per share in €	0.59	0.79	35%	0.76	0.79	5%	0.68
Capital expenditures	236	210	-11%	259	210	-19%	
Net financial position (as of Sep. 30)	-3,156	-3,188		-3,478	-3,188		
Cash flow from operating activities, cont. ops.	727	542		327	542		
Free cash flow, cont. ops.	485	302		56	302		

* Vara Consensus 23 October 2018

Solid and broad-based earnings growth continues in Q3 – Outlook confirmed

- Q3 adj. EBITDA with €692 m well above last year (+8%), margin expansion to 18.2% (+0.2 pp)
- Earnings growth driven by growth segments: Resource Efficiency with adj. EBITDA +9%, (margin: 23.7%, +0.8 pp); Nutrition & Care with adj. EBITDA +13%, margin: 18.2%, +1.3 pp)
- Further strategy execution: Culture initiative started, effects from SG&A 2020 program becoming more and more visible
- FCF after nine months clearly improved: €442 m (+26%, 9M 2017: €350 m) driven by higher earnings, cost efficiency measures and realization of synergies – and despite higher NWC outflows
- FY 2018 outlook confirmed:
  - Adj. EBITDA between €2.60 and €2.65 bn expected (2017: €2.36 bn)
  - FCF expected to be notably higher compared to prior year (2017: €511 m)

Group business development Q3 2018

- Sales growth of +7% to €3,794 m (Q3 2017: €3,556 m)
  - Strong pricing (+9%) across all segments
  - Volume development on Group level at -1%: Strong growth in NC; other segments impacted by low Rhine river water levels, high utilization rates and limited raw material availability. Especially in auto-related end markets, some signs of more cautious customer behavior towards the end of the quarter
- Adj. EBITDA of €692 m; +8% yoy (Q3 2017: €640 m)
  - Strong earnings development in growth segments (NC: +13%, RE: +9%), supported by efficiency measures and successful compensation of raw material inflation
  - Flat development in PM (+/- 0%), negatively impacted by extraordinary effects in Q3 (low Rhine water levels, delayed pass-on of higher raw material costs, maintenance)
  - Further benefits from initiated cost savings in SG&A and operational businesses as well as contribution from synergies
- Adj. EBITDA margin on group level at 18.2% (Q3 2017: 18.0%), driven by both growth segments (RE, NC)
- Adj. EPS came in +35% higher at €0.79 (Q3 2017: €0.59)
  - Adj. net financial result (Q3 2018: -€41 m, Q3 2017: -€55 m) improved due to reduced financing costs for cross currency swaps
  - Q3 adj. tax rate of 19% benefitted from reversals of tax provisions relating to prior periods (non-cash)

Highlights from balance sheet & cash flow statement

Cash Flow Statement

- FCF 9M 2018: increase of +€92 m to €442 m (9M 2017: €350 m)
  - Improvement driven by yoy higher earnings as well as cash retention down to FCF
  - NWC outflow clearly above last year due to different phasing (H2 vs H1) and preparation for maintenance, Q3 with logistical challenges from low Rhine water level and lower demand in auto-related end markets towards end of quarter
  - As expected, different phasing in cash taxes lead to lower cash-out for taxes in H1 2018; now catch-up in H2

Balance Sheet

- Net financial debt declined sequentially to -€3,188 m (June 30, 2018: -€3,478 m; Dec 31, 2017: -€3,023 m)
- Increase in pension discount rate for Germany (from 1.75% to 2.00 % as per September 30, 2018) resulting in an decrease in pension provisions of €490 m (Q3 2018: €3,864 m vs Q2 2018: €4,354 m)
- Leverage (net debt / adj. EBITDA) at 2.6x (Dec 31, 2017: 2.8x)

Outlook for FY 2018 confirmed:

Generally, the projection for the global economy is affected by increasing uncertainties

- Basis for our forecast:
  - Global growth of 3.2 percent
  - Euro/US Dollar exchange rate: US$1.18 (previously: US$1.20; 2017: US$1.13)
  - Internal raw material cost index slightly higher than in prior year

- Evonik confirms the outlook for the full year 2018:
  - **Slightly higher sales** (2017: €14.4 bn)
  - **Adj. EBITDA between €2.60 and €2.65 bn expected** (2017: €2.36 bn)
  - **FCF expected to be notably higher compared to 2017** (2017: €511 m)

- Expected development by segment (unchanged):
  - Nutrition & Care: higher earnings yoy
  - Resource Efficiency: perceptibly higher earnings yoy
  - Performance Materials: higher earnings yoy

Additional indications for FY 2018 (changes in EUR/USD, net financial result and adj. tax rate)

- **Synergies from acquisitions** (APD Specialty Chemicals & Huber Silica): Additional synergies of ~€25 m (Synergies 2018E: ~€40 m; 2017: ~€15 m)
- **Huber:** Additional adj. EBITDA of ~€30 m for further eight months of consolidation (closing Sept 1, 2017)
- **ROCE:** Above cost of capital (10.0% before taxes) and around the level of last year (2017: 11.2%)
- **Capex:** ~€1.0 bn (2017: €1,078 m)
- **Free cash flow: "**notably higher compared to prior year" (2017: €511 m)
- **EUR/USD: Changed to 1.18 EUR/USD** (previously: 1.20 EUR/USD; 2017: 1.13 EUR/USD)
- **EUR/USD sensitivity:** +/-1 USD cent = -/+ ~€8 m adj. EBITDA (FY basis)
- **Adj. EBITDA Services:** Slightly higher than in 2017 (2017: €123 m)
- **Adj. EBITDA Corporate / Others:** Slightly less negative than in 2017 (2017: -€354 m)
- **Adj. D&A: ~€840 m** (2017: €870 m)
- **Adj. net financial result: Changed to "on previous year's level"** (previously:~-€190 m; 2017: -€175 m)
- **Adj. tax rate: Changed to ~26%** (previously: ~€29%, change due to reversal of tax provisions relating to prior periods (non-cash); 2017: 29%)

Structural changes in cash flow statement from 2019 onwards (IFRS 16 and reclassification of interest)
For further information, please see backup of Q3 2018 conference call presentation.

Nutrition & Care (N&C)

in € million	Q3 2017	Q3 2018	yoy Δ%	Q2 2018	Q3 2018	qoq Δ%	Q3 2018 Consensus*
External sales	1,110	1,167	5%	1,189	1,167	-2%	1,149
Volume (%)			*5%*				
Price (%)			*5%*				
Exchange Rates (%)			*-3%*				
Other effects (%)			*-2%*				
Adjusted EBITDA	188	212	13%	222	212	-5%	210
Adjusted EBITDA Margin (%)	16.9%	18.2%	1.3 pp	18.7%	18.2%	-0.5 pp	18.3%
Adjusted EBIT	116	141	22%	149	141	-5%	142
Adjustments	-8	-1		-2	-1		
EBIT	108	140	30%	147	140	-5%	
Capital expenditures	91	94	3%	121	94	-22%	

* Vara Consensus 23 October 2018

- **Sales** up by +5% to €1,167 m (Q3 2017: €1,110 m)
  - Strong volume (+5%) and price (+5%) development in majority of businesses
  - FX effect (-3%) sequentially softer

- **Adj. EBITDA** increased by +13% yoy to €212 m (Q3 2017: €188 m)
  - Good operational performance continuing, margin up +1.3pp to 18.2%, driven by improving product mix, successful management of higher raw material prices and efficiency measures
  - Health Care and Personal Care with ongoing strong performance and further improving product mix
  - Methionine with robust demand trend and yoy higher volumes; prices fairly stable in local currency

- **Personal Care:** Strong performance due to higher volumes with specialty products and active ingredients (especially Asia-Pacific and North America) leading to an overall improved product mix.
- **Health Care:** Good quarter in all product lines, Exclusive Synthesis and Pharma & Food Ingredients expected with strong finish of a very successful year 2018.
- **Comfort & Insulation:** Good development with price initiatives well established to mitigate higher raw materials in Europe and Americas.
- **Baby Care:** Volumes improving in the US and EU; self-help measures with positive effects on margins. Negative pass-on effect from propylene prices in Q3.
- **Animal Nutrition:** Methionine with robust demand trend and yoy higher volumes; prices fairly stable in local currency. Robust development in Bio-Amino acids.

Resource Efficiency (RE)

in € million	Q3 2017	Q3 2018	yoy Δ%	Q2 2018	Q3 2018	qoq Δ%	Q3 2018 Consensus*
External sales	1,358	1,426	5%	1,481	1,426	-4%	1,448
Volume (%)			*-2%*				
Price (%)			*6%*				
Exchange Rates (%)			*-1%*				
Other effects (%)			*2%*				
Adjusted EBITDA	311	338	9%	366	338	-8%	345
Adjusted EBITDA Margin (%)	22.9%	23.7%	0.8 pp	24.7%	23.7%	-1.0 pp	23.7%
Adjusted EBIT	242	264	9%	286	264	-8%	270
Adjustments	-15	-3		-5	-3		
EBIT	227	261	15%	281	261	-7%	
Capital expenditures	79	60	-24%	72	60	-17%	

* Vara Consensus 23 October 2018

- **Sales** up by +5% to €1,426 m (Q3 2017: €1,358 m)
  - Organic sales growth of +4% driven by:
    - Strong pricing (+6%), successfully compensating raw material inflation
    - Volumes (-2%) not reaching high prior-year comps due to already high plant utilization levels and limited raw material availability. Especially in auto-related end markets, some signs of more cautious customer behavior towards the end of the quarter.

- **Adj. EBITDA** rose by +9% to €338 m (Q3 2017: €311 m)
  - Strong performance at attractive margin level (+0.8pp yoy to 23.7%) continued into Q3
  - Further margin expansion due to high capacity utilization and positive effects from initiated cost saving measures
  - Ongoing strong demand for eco-friendly, water-borne Coating Additives

- **Coating Additives:** Business benefits from ongoing high demand for waterborne coating in China, earnings partially offset by higher raw material costs
- **Crosslinkers:** Slightly softened demand across all regions and market segments compared to prior-year. In contrast recently increasing IPD volumes after first signs of wind market recovery
- **High Performance Polymers:** Continued high demand for PA12 compounds, powders and membranes, plant utilization remains on high level
- **Silica:** Solid demand for precipitated silica, volumes for fumed silica slightly impacted by maintenance in Antwerp

Performance Materials (PM)

in € million	Q3 2017	Q3 2018	yoy Δ%	Q2 2018	Q3 2018	qoq Δ%	Q3 2018 Consensus*
External sales	913	1,034	13%	1,025	1,034	1%	969
Volume (%)			*-6%*				
Price (%)			*21%*				
Exchange Rates (%)			*-2%*				
Other effects (%)			*0%*				
Adjusted EBITDA	172	172	0%	196	172	-12%	178
Adjusted EBITDA Margin (%)	18.8%	16.6%	-2.2 pp	19.1%	16.6%	-2.5 pp	18.3%
Adjusted EBIT	133	138	4%	162	138	-15%	143
Adjustments	-2	0		-1	0		
EBIT	131	138	5%	162	138	-15%	
Capital expenditures	35	27	-23%	27	27	0%	

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- **Sales** increased by +13% to €1,034 m (Q3 2017: €913 m)
  - Weaker volume (-6%) mainly as a result of logistical constraints from low Rhine water level, raw material availability and maintenance turnaround in MMA
  - Sustained high MMA/PMMA margins and yoy notably higher butadiene spreads lead to double-digit price increase (+21%)

- **Adj. EBITDA** came in flat vs. prior-year at €172 m (Q3 2017: €172 m)
  - Good operational performance in Q3, both in C4 and MMA
  - MMA/PMMA with the expected softening of spot prices in Asian bulk monomers and standard grades
  - Sequentially weaker margin (Q3 2018: 16.6%, Q2 2018: 19.1%) due to time-lag in pass-on of higher Naphtha prices, higher logistics costs (low Rhine water level) and maintenance turnaround in MMA; total effect of €15 m

- **MMA/PMMA:**
  - Methacrylates with solid demand and margins; less overheated market outlook.
  - Demand for Bulk Monomers softer after tight markets in H1. Application Monomers with healthy demand, e.g. in the oil & gas and personal care sector.
  - Successful introduction of new PMMA applications in automotive sector leading to above-industry growth rates in Molding Compounds.
  - Supply more balanced in EU and Asia. US tighter due to several plant outages in the industry.
  - Higher costs due to low Rhine water level and maintenance shutdown in MMA in Q3

- **Performance Intermediates:**
  - Higher variable costs (Naphtha) and time-lag in pass-on. Higher logistics costs due to low Rhine water level. European Butadiene price sequentially up in Q3.

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Services

in € million	Q3 2017	Q3 2018	yoy Δ%	Q2 2018	Q3 2018	qoq Δ%	Q3 2018 Consensus*
External sales	172	164	-5%	172	164	-5%	177
Adjusted EBITDA	49	49	0%	35	49	40%	42
Adjusted EBITDA Margin (%)	28.5%	29.9%	1.4 pp	20.3%	29.9%	9.6 pp	24.0%
Adjusted EBIT	18	10		1	10		11
Adjustments	-3	-3		-2	-3		
EBIT	15	7		-1	7		
Capital expenditures	27	33	22%	29	33	14%	

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- Services EBITDA on prior-year level

Corporate / Others

in € million	Q3 2017	Q3 2018	yoy Δ%	Q2 2018	Q3 2018	qoq Δ%	Q3 2018 Consensus*
External sales	3	3		3	3		5
Adjusted EBITDA	-80	-79	1%	-77	-79	-3%	-80
Adjusted EBIT	-86	-85	1%	-84	-85	-1%	-89
Adjustments	-4	-12		-10	-12		
EBIT	-90	-97		-94	-97		
Capital expenditures	4	-4		10	-4		

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- Corp/Others EBITDA on prior-year level

Contact: Investor Relations
Tel. +49-201-177-3146
E-Mail: investor-relations@evonik.com