Analyst & Investor Fact Sheet Q4 2017

Evonik Group

in € million	Q4 2016	Q4 2017	yoy Δ%	Q4 2017 Consensus*	2016	2017	yoy Δ%	2017 Consensus*
External sales	3,205	3,567	11%	3,563	12,732	14,419	13%	14,416
Volume (%)			*1%*	*2%*			*3%*	*3%*
Price (%)			*5%*	*3%*			*2%*	*2%*
Exchange Rates (%)			*-4%*	*-3%*			*-1%*	*-1%*
Other effects (%)			*9%*	*9%*			*9%*	*9%*
Adjusted EBITDA	437	474	8%	482	2,165	2,360	9%	2,368
Adjusted EBITDA Margin (%)	13.6%	13.3%	-0.3 pp	13.7%	17.0%	16.4%	-0.6 pp	16.5%
Adjusted EBIT	258	233	-10%	275	1,448	1,490	3%	1,531
Adjustments	-76	-63			-150	-261		
EBIT	182	170	-7%		1,298	1,229	-5%	
Adjusted net income	182	186	2%	180	930	1,010	9%	1,003
Adjusted earnings per share in €	0.39	0.40	2%	0.39	1.99	2.17	9%	2.15
Capital expenditures	372	421	13%		960	1,078	12%	
Net financial position (as of Dec. 31)	1,111	-3.023			1,111	-3.023		
Cash flow from operating activities, cont. ops.	634	518			1,769	1,551		
Free cash flow, cont. ops.	296	161			821	511		

* Vara Consensus 20 February 2018

Successful finish of FY 2017 – Committed to earnings growth 2018 - Next major steps in strategy execution initiated

Financial highlights

- Delivering on financial targets: FY 2017 adj. EBITDA of €2.36 bn at upper end of outlook range (€2.2 - 2.4 bn)
- Q4 2017 adj. EBITDA of €474 m (+8% yoy): higher earnings in Resource Efficiency and Performance Materials, Services lower yoy due to reimbursement to segments and provisions
- Stable dividend proposed (€1.15)
- Outlook 2018: Committed to sales and earnings growth, adj. EBITDA between €2.4 and €2.6 bn expected (2017: €2.36 bn)

Steady progress on strategy execution, next major steps initiated

- Divestment of methacrylates business announced (~€1.5 bn sales in 2017, 18 sites, ~3,700 employees)
  - All options under evaluation, including potential partnerships and complete divestment
  - Systematic implementation of new corporate strategy - key step towards more balanced specialty portfolio
  - Promising development perspectives for methacrylates business

- Optimized strategic positioning for Animal Nutrition business
  - Advance leadership position with growth initiatives and efficiency gains
  - Broadening portfolio beyond amino acids; transforming bio amino acid business model; optimizing cost base
  - Strategic initiatives drive growth and improve efficiency: €50 m of cost savings by 2020, ~150 headcount reduction, first savings (~€10 m) effective already in 2018

- Achieving cost excellence
  - €50 m out of €200 m total savings locked in for 2018
  - More details latest in June when in-depth analysis of major end-to-end processes is finished

Group business development Q4 2017

- Sales growth of 11% to €3,567 m (Q4 2017: €3,205 m)
  - Further accelerating price development (+5%) driven by Resource Efficiency and Performance Materials
  - Strong volumes in Resource Efficiency (+6%), Nutrition & Care with expected lower volumes
  - FX -4%; Other effects +9% mainly attributable to acquisitions of APD and Huber Silica
- Adj. EBITDA of €474 m; +8% yoy (Q4 2016: €437 m)
  - Strong growth in Resource Efficiency (+29%) and Performance Materials (+61%) continuing
  - Nutrition & Care negatively impacted by one-time effects of €10 m (inventory revaluations and more pronounced maintenance activities)
  - Services with negative impact from first-time application of reimbursement scheme from services to operational segments (~€10 m) as well as environmental provisioning for energy & utilities
  - Further synergies of ~€4 m in Q4 (FY 2017: ~€15 m) from APD and Huber integration
- Adj. EBITDA margin on group level at 13.3% (Q4 2016: 13.6%)
  - Adj. EPS came in 2% higher at €0.40 (Q4 2016: €0.39)
    - Last year's Q4 benefitted from ~€25 m interest income from withholding tax refunds
    - Adj. tax rate of only 17% due to one-time benefit from US tax reform (€33 m)

Highlights from balance sheet & cash flow statement

Cash Flow Statement

- Operating cash flow at €518 m in Q4 2017 (Q4 2016: €634 m)
  - Active NWC management continued in 2017, ratios further improved. Last year's pronounced step in NWC improvement however not reoccurring as cash-inflow (NWC cash-inflow of €274 m in Q4 2016 vs €142 m in Q4 2017)
- Q4 2017 with slightly higher capex yoy (€421 m vs €372 m), mainly due to projects progressing faster than expected (Methionine Singapore, Silica in US and Antwerp)
- Free cash flow at €161 m in Q4 2017 (Q4 2016: €296 m); FY 2017 at €511 m (FY 2016: €821 m)

Balance Sheet

- Net financial debt declined slightly to -€3.0 bn (Sep 30, 2017: -€3.2 bn); leverage (Net Debt / Adj. EBITDA) unchanged at 2.8x (Sep 30, 2017: 2.8x)
- Pension funding level (DBO ./. plan assets) unchanged at ~€3.6 bn. Technical increase in pension provisions on balance sheet (Q4 2017: €3,817 m vs Q3 2017: €3,593 m) due to higher than expected returns of plan assets, leading to a ~€200 m pension asset which on the balance sheet technically cannot be netted against liabilities; no change in pension discount rate (2.0% in Germany)

Outlook FY 2018

- Basis for our forecast:
  - Global growth of 3.1 percent
  - Euro/US dollar exchange rate: US$1.20 (2017 US$1.13)
  - Internal raw material cost index slightly higher than in prior year

- Committed to sales and earnings growth:
  - **Slightly higher sales** (2017: €14.4 bn)
  - **Adj. EBITDA between €2.4 and 2.6 bn** (2017: €2.36 m)

  - Structural improvement in earnings quality, less dependence on individual products
  - Growth in operating earnings primarily organic
  - Additionally, positive earnings effects from full-year consolidation of Huber silica business (~€30 m), further synergies from integration of APD and Huber (~€25 m) and from efficiency enhancement program (€50 m)
  - Headwind from yoy weaker US Dollar (2018E: US$1.20; 2017 US$1.13)
  - Higher raw material prices to balance out across portfolio, partly through ability to recoup rises through selling prices

- Nutrition & Care: slightly higher earnings yoy
  - Earnings expected to continue to develop positively in majority of businesses
  - Solutions for sustainable animal nutrition and innovative products and services for pharmaceuticals, medical technology and cosmetics to make significant contribution to this
  - Sustained volume growth in amino acids; annual average prices expected to be stable compared with prior year

- Resource Efficiency: perceptibly higher earnings yoy
  - Further strong volume growth
  - Broad portfolio of high-performance materials for environment-friendly and energy-efficient system solutions offers best basis for continuation of positive organic earnings trend

- Performance Materials: earnings will not achieve prior-year level
  - Good start in 2018
  - In addition to measures already in place to raise efficiency, continuation of favorable supply/ demand situation, especially for methacrylates, is proving beneficial
  - In the remainder of the year, segment is unlikely to achieve the good level of 2017

- Capital expenditures
  - Around €1 bn
  - Keeping total capital expenditures below prior-year level (2017: €1.1 bn), even though investment in our world-scale plant for feed additives in Singapore will double - compared with 2017 - to around €300 m

- Free cash flow
  - Alongside expected earnings growth and increased cost-awareness, strict capital discipline will result in slight increase in free cash flow (2017: €511 million)

Additional indications for FY 2018

- **Synergies from acquisitions:** Additional synergies of ~€25 m (Synergies 2018e: ~€40 m; 2017: ~€15 m) (APD Specialty Chemicals & Huber Silica)
- **Huber:** Additional adj. EBITDA of ~€30 m for further eight months of consolidation (closing Sept 1st 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:** Slightly above the level of 2017 (2017: €511 m)
- **EUR/USD:** Around 1.20 EUR/USD (previously: 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: -€346 m)
- **Adj. D&A:** ~€890 m (2017: €870 m); increase mainly due to new investments going on stream
- **Adj. net financial result:** ~-€190 m (2017: -€175 m); increase mainly due to hybrid bond issuance in July 2017
- **Adj. tax rate:** ~29% (2017: 29% including positive one-time effects from US tax reform in Q4, 31% without this one-time effect)

The final allocation of APD businesses between Nutrition & Care and Resource Efficiency led to a minor and single-digit adj. EBITDA restatement of Q1 - Q3 217 numbers in respective segments. See “Evonik financials” spreadsheet for further details.

Nutrition & Care (N&C)

in € million	Q4 2016	Q4 2017	yoy Δ%	Q4 2017 Consensus*	2016	2017	yoy Δ%	2017 Consensus*
External sales	1,093	1,113	2%	1,148	4,316	4,511	5%	4,524
Volume (%)			*-3%*				*3%*	
Price (%)			*0%*				*-8%*	
Exchange Rates (%)			*-5%*				*-1%*	
Other effects (%)			*10%*				*11%*	
Adjusted EBITDA	209	171	-18%	172	1,006	749	-26%	741
Adjusted EBITDA Margin (%)	19.1%	15.4%	-3.7 pp	15.0%	23.3%	16.6%	-6.7 pp	16.4%
Adjusted EBIT	161	88	-45%	107	795	465	-42%	475
Adjustments	-57	86			-74	24		
EBIT	104	174	67%		721	489	-32%	
Capital expenditures	154	145	-6%		315	391	24%	

* Vara Consensus 20 February 2018

Development Q4: Health Care with strong performance; improved market sentiment in Methionine

- **Sales** increased by 2% yoy to €1,113 m (Q4 2016: €1,093 m)
  - Volumes declined (-3%) as expected in Methionine after stronger Q3 volumes
  - Flat prices yoy (0%); negative price trend of previous quarters came to an end (Q1: -18%; Q2: -11%, Q3: -6%)
  - Other effects of 10% mainly representing portfolio effect from APD specialty additives business

- **Adj. EBITDA** of €171 m (Q4 2016: €209 m)
  - In addition to year-end seasonality, more pronounced maintenance shutdowns and one-time effects of in total €10 m impacting Q4 earnings
  - Good development in most businesses (e.g. Personal Care and Comfort & Insulation), Health Care finishing successful FY 2017 with strong performance in Q4
  - Stabilization in Methionine: step-wise price increase throughout the quarter leading to sequentially higher prices vs. Q3. As expected, Q4 with lower volumes vs. stronger Q3 level

  - Good segment performance also in Q1 2018, stable market sentiment and prices in Methionine expected for FY 2018

- **Personal Care:** Good development in Q4 with strong performance in Specialty products and Active ingredients. Earnings from acquired Dr. Straetmans business above expectations.
- **Health Care:** Strong finish of the year across all product lines in Q4.
- **Comfort & Insulation:** Continued solid performance and favorable volume development, especially in Asia (despite MDI/TDI shortage at some customers).
- **Baby Care:** Low profitability levels persist due to ongoing unfavorable global supply/demand situation. Termination of Acrylic Acid JV will improve cost position going forward.
- **Animal Nutrition:** Improved market sentiment in Methionine: step-wise price increase throughout the quarter leading to sequentially higher prices vs. Q3. As expected, Q4 with lower volumes vs. stronger Q3 level.

Resource Efficiency (RE)

in € million	Q4 2016	Q4 2017	yoy Δ%	Q4 2017 Consensus*	2016	2017	yoy Δ%	2017 Consensus*
External sales	1,081	1,300	20%	1,312	4,473	5,395	21%	5,430
Volume (%)			*6%*				*6%*	
Price (%)			*2%*				*2%*	
Exchange Rates (%)			*-4%*				*-1%*	
Other effects (%)			*16%*				*14%*	
Adjusted EBITDA	189	243	29%	236	977	1,174	20%	1,177
Adjusted EBITDA Margin (%)	17.5%	18.7%	1.2 pp	18.2%	21.8%	21.8%	0.0 pp	21.7%
Adjusted EBIT	132	161	22%	166	751	886	18%	901
Adjustments	-24	-86			-20	-149		
EBIT	108	75	-31%		731	737	1%	
Capital expenditures	86	126	47%		266	340	28%	

* Vara Consensus 20 February 2018

Development Q4: Sustained EBITDA growth on attractive margin level

- **Sales** up by 20% to €1,300 m (Q4 2016: €1,081 m)
  - Strong volume growth (+6%) and higher prices (+2%) compensated FX (-4%) and raw material headwinds
  - Other effects of +16% mainly representing portfolio effect from APD Specialty Additives and Huber Silica business

- **Adj. EBITDA** rose by 29% to €243 m (Q4 2016: €189 m)
  - Healthy demand and high utilization rates across most businesses like Silica and PA12 – expected to continue into 2018
  - Q4 impacted by usual seasonality, several planned maintenance shutdowns and minor year-end effects
  - Healthy organic growth expected for the start of 2018, additionally supported by Huber Silica contribution

- **Coating Additives:** Continued good development and high demand driven by waterborne coatings; selected end-markets like marine still a bit weaker.
- **Crosslinkers:** Market demand continues to be good, but overall performance partly offset by increased acetone prices.
- **High Performance Polymers:** Excellent performance due to higher volumes with robust margins and strong demand for PA 12, mainly from automotive and medical segment. Capacities running at high utilization rates.
- **Silica:** All Silica businesses with continued strong performance; next consecutive strong quarter for Rubber Silica driven by high demand especially in North & Latin America and overall high capacity utilization. First full quarter of earnings contribution from Huber Silica.

Performance Materials (PM)

in € million	Q4 2016	Q4 2017	yoy Δ%	Q4 2017 Consensus*	2016	2017	yoy Δ%	2017 Consensus*
External sales	846	974	15%	923	3,245	3,781	17%	3,730
Volume (%)			*1%*				*-1%*	
Price (%)			*17%*				*18%*	
Exchange Rates (%)			*-3%*				*0%*	
Other effects (%)			*0%*				*0%*	
Adjusted EBITDA	98	158	61%	150	371	660	78%	652
Adjusted EBITDA Margin (%)	11.6%	16.2%	4.6 pp	15.9%	11.4%	17.5%	6.1 pp	17.4%
Adjusted EBIT	64	117	83%	113	234	508	117%	504
Adjustments	-12	0			-25	-4		
EBIT	52	117	125%		209	504	141%	
Capital expenditures	61	60	-2%		168	163	-3%	

* Vara Consensus 20 February 2018

Development Q4: Favorable S/D balance for MMA to persist, C4 with solid performance

- **Sales** increased by 15% to €974 m (Q4 2016: €846 m)
  - Positive volume (+1%) and significantly positive price effect (+17%) driven by ongoing high demand and tight supply in key businesses

- **Adj. EBITDA** came in 61% above prior year at €158 m (Q4 2016: €98 m)
  - Double-digit price increases in Methacrylates in Q4. MMA and PMMA both in tight supply driven by ongoing good demand from e.g. automotive and optical industries (transparent lighting applications)
  - C4 business: MTBE and plasticizers (INA and DINP) with good volumes, slightly lower Butadiene-naphtha spread mainly driven by destocking in the rubber industry

  - Strong segment performance in Q1 2018, attractive MMA margins to continue, prices in C4 chain with sequential uptick

- **MMA/PMMA:** Ongoing healthy demand from automotive coatings and construction continues. Supply remained tight also in Q4. New capacities in China and Middle-East have not changed favorable S/D balance so far. Molding Compounds (PMMA) with higher specialty volumes and prices. MMA margin in Q1 persists on very attractive level, supply expected to remain tight as a result of several announced maintenance shut downs. Leaner cost base and full business strength to become visible and contribute to attractive margins.
- **Performance Intermediates:** MTBE with strong demand against normal year end pattern. Plasticizers (DINP) were solid with good volumes and margins in Europe. 1-Butene with slightly lower margins after very healthy Q3. Butadiene naphtha spread weaker in Q4.

Services

in € million	Q4 2016	Q4 2017	yoy Δ%	Q4 2017 Consensus*	2016	2017	yoy Δ%	2017 Consensus*
External sales	180	178	-1%	171	683	716	5%	710
Adjusted EBITDA	32	1	-97%	23	151	123	-19%	145
Adjusted EBITDA Margin (%)	17.8%	0.6%	-17.2 pp	14.4%	22.1%	17.2%	-4.9 pp	20.7%
Adjusted EBIT	0	-29		-6	32	-1		23
Adjustments	-15	-16			-48	-28		
EBIT	-15	-45			-16	-29		
Capital expenditures	64	80	25%		189	162	-14%	

* Vara Consensus 20 February 2018

- Adj. EBITDA in Services negatively impacted by reimbursement scheme from Services to operating segments (~-€10 m) as well as environmental provisioning for Energy & Utilities

Corporate / Others

in € million	Q4 2016	Q4 2017	yoy Δ%	Q4 2017 Consensus*	2016	2017	yoy Δ%	2017 Consensus*
External sales	5	3		3	15	16		16
Adjusted EBITDA	-92	-99	-8%	-99	-340	-346	-2%	-347
Adjusted EBIT	-100	-103	-3%	-108	-364	-368	-1%	-373
Adjustments	33	-47			17	-104		
EBIT	-67	-150			-347	-472		
Capital expenditures	7	10			22	22		

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