

Evonik Group

in € million	Q4 2016				2016			
	Q4 2015	Q4 2016	yoy Δ%	Consensus*	2015	2016	yoy Δ%	Consensus*
External sales	3,198	3,205	0%	3,069	13,507	12,732	-6%	12,597
Volume (%)			5%	2%			3%	2%
Price (%)			-6%	-5%			-8%	-8%
Exchange Rates (%)			1%	0%			0%	0%
Other effects (%)			0%	1%			-1%	0%
Adjusted EBITDA	501	437	-13%	427	2,465	2,165	-12%	2,155
Adjusted EBITDA Margin (%)	15.7%	13.6%	-2.1 pp	13.9%	18.2%	17.0%	-1.2 pp	17.1%
Adjusted EBIT	308	258	-16%	245	1,752	1,448	-17%	1,436
Adjustments	-82	-76			-88	-150		
EBIT	226	182	-19%		1,664	1,298	-22%	
Adjusted net income	205	182	-11%	158	1,128	930	-18%	901
Adjusted earnings per share in €	0.44	0.39	-11%	0.34	2.42	1.99	-18%	1.94
Capital expenditures	293	372	27%		877	960	9%	
Net financial position (as of Dec 31)					1,098	1,111		
Cash flow from operating activities, cont. ops.	639	660			1,968	1,758		
Free cash flow, cont. ops.	378	322			1,052	810		

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Highlights

- Delivering on financial targets in FY 2016
- FY 2016 adj. EBITDA of €2,165 m; upper end of outlook range (€2.0 bn - €2.2 bn) achieved
- Q4 2016 adj. EBITDA of €437 m: higher earnings in Resource Efficiency and Performance Materials, Nutrition & Care with lower earnings in line with expectations
- Q4 2016: Strong volume growth (+5%) across all chemical segments and sequentially improving price trend (-6% yoy after -10% in Q2 and Q3 2016)
- Strong free cash flow generation of €322 m in Q4 2016 (FY 2016: €810 m) – supported by improved NWC management
- Stable dividend proposed (€1.15)
- Executing on strategy: Closing of APD PM effective January 3rd; closing of Huber Silica expected for H2 2017
- Well positioned for earnings growth in FY 2017
- Outlook 2017: Adj. EBITDA between €2.2 and €2.4 bn expected (2016: €2,165 m)

Group business development Q4 2016

- Sales stable at €3,205 m (Q4 2015: €3,198 m)
 - Volume growth of +5%; prices -6; FX +1%; Other effects +/- 0%
- Adj. EBITDA of €437 m; -13% yoy (Q4 2015: €501 m)
 - Adj. EBITDA margin on group level at 13.6% (Q4 2015: 15.7%)
- Adj. net financial result less negative yoy: -€3 m (Q4 2015: -€23 m); impacted by several positive year-end effects (interest income from withholding tax refunds, lower interest expenses for provisions (discounting effect) and positive hedging effects)
- Adj. EPS came in 11% lower at €0.39 (Q4 2015: €0.44)

Highlights from balance sheet & cash flow statement

- Q4 again with strong operating cash flow of €660 m, driven by improved NWC management
- Higher yoy capex of €372 m for Q4 2016 (Q4 2015: €293 m); mainly driven by cash out for METEX acquisition (treated as investment in pp&e) and capex for new methionine plant in Singapore
- Free cash flow of €322 m nearly on high prior-year level (Q4 2015: €378 m); FY 2016 free cash flow of €810 m leading to cash conversion of ~40% on high prior year level
- Net cash position increased sequentially by €274 m to €1,111 m (Sep 30, 2016: €837 m) driven by strong OCF
- Leverage at 1.3x, will increase to ~2.8x after payment of APD PM purchase price of ~€3.5 bn in January
- Pension provisions of €3.9 bn sequentially down by ~€1.1 bn, driven by higher pension discount rate (Discount rate Germany: Sep 2016 1.5%; Dec 2016 2.0%)

Outlook FY 2017

- We are confident that our business will grow in 2017 and expect to report:
 - **Higher sales** (2016: €12,732 m)
 - **Higher adj. EBITDA between €2.2 and €2.4 bn** (2016: €2,165 m)
- **Segment outlook:**
 - **Nutrition & Care: Adj. EBITDA lower than previous year**
 - Positive earnings contribution from allocated Air Products activities
 - Stable or slightly positive earnings trend in majority of businesses
 - Methionine: lower average annual selling price vs. previous year; price declines expected to level out going into 2017
 - **Resource Efficiency: Considerably higher adj. EBITDA**
 - Positive earnings contribution from allocated Air Products activities
 - Good business performance expected in most of the other businesses
 - **Performance Materials: Considerably higher adj. EBITDA**
 - Improvement in supply/demand situation for key products
 - Steps taken to raise efficiency
 - Normalization of favorable supply/demand situation assumed during the year
- Basis for our forecast:
 - Including Air Products specialty additives business; Huber Silica business not included in outlook
 - Global growth of 2.6%
 - Euro/US dollar exchange rate around the same level as 2016 (1.10 EUR/USD)
 - Internal raw material cost index perceptibly higher than in prior year

Additional indications for FY 2017

- **APD PM:** Adj. EBITDA of around €250 m including first synergies of €10-20 m; Sales and adj. EBITDA will be allocated roughly equally between N&C and RE
- **ROCE:** Above cost of capital (10.0% before taxes), but perceptibly lower than in 2016 (14.0%) as a consequence of the substantial acquisition-driven rise in capital employed
- **Capex:** ~€1.0 bn (2016: €960 m)
- **Free cash flow:** Clearly positive, but considerably below the strong prior year (2016: €810 m)
- **EUR/USD:** On previous year's level (1.10 EUR/USD)
- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€7 m adj. EBITDA (FY basis)
- **Pensions:** Change in year-end discount rate leading to ~€50 m increase in pension service costs
- **Adj. EBITDA Services:** Slightly below 2016 (2016: €151 m)
- **Adj. EBITDA Corporate / Others:** Slightly more negative than in 2016 (2016: -€340 m)
- **Adj. D&A:** ~€800 m including €70 - €80 m for APD PM (underlying business and PPA effects) (2016: €717 m)
- **Adj. net financial result:** ~€190 m (2016: -€139 m); absence of pronounced positive year-end effects vs. 2016
- **Adj. tax rate:** ~31% (2016: 30.4%), due to higher share of profits in USA

Nutrition & Care (N&C)

in € million	Q4 2015	Q4 2016	yoy Δ%	Q4 2016	2015	2016	yoy Δ%	2016
				Consensus*				Consensus*
External sales	1,208	1,093	-10%	1,060	4,924	4,316	-12%	4,284
Volume (%)			6%				2%	
Price (%)			-17%				-14%	
Exchange Rates (%)			1%				0%	
Other effects (%)			0%				0%	
Adjusted EBITDA	319	209	-34%	210	1,435	1,006	-30%	1,006
Adjusted EBITDA Margin (%)	26.4%	19.1%	-7.3 pp	19.4%	29.1%	23.3%	-5.8 pp	23.4%
Adjusted EBIT	261	161	-38%	160	1,214	795	-35%	794
Adjustments	-6	-57			-21	-74		
EBIT	255	104	-59%		1,193	721	-40%	
Capital expenditures	73	154	111%		250	315	26%	

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Development Q4

- **Sales** declined by 10% yoy to €1,093 m (Q4 2015: €1,208 m)
 - Strong Q4 volumes of +6%, driven by healthy demand in Animal Nutrition
 - Lower prices in line with expectations
- **Adj. EBITDA** of €209 m below the high prior-year level of €319 m
 - Lower prices in Animal Nutrition and Baby Care main reason for earnings below prior year
 - All other activities with earnings growth yoy
 - Comfort & Insulation and Health Care with strong finish of successful year
- **Personal Care:** Continued good business development benefitting from favorable product mix, further supported by increasing contribution from new oleochemicals plants.
- **Health Care:** Particular strong Q4 performance across all activities (Pharma Polymers, Pharma & Food Ingredients and Exclusive Synthesis).
- **Comfort & Insulation:** Strong demand in PU foam stabilizer in all regions, esp. in China. Additional benefit from favorable product mix.
- **Baby Care:** Overall market situation still challenging. Persisting pressure on volumes and prices due to unfavorable S/D situation. Various efficiency improvement measures in preparation and implementation.
- **Animal Nutrition:** Strong Q4 volumes in Animal Nutrition confirming healthy demand. Sequentially lower prices in line with expectations. Price declines expected to level out going into 2017.

Resource Efficiency (RE)

in € million	Q4 2016			Q4 2016 Consensus*	2016			2016 Consensus*
	Q4 2015	Q4 2016	yoy Δ%		2015	2016	yoy Δ%	
External sales	1,001	1,081	8%	1,038	4,279	4,473	5%	4,431
Volume (%)			4%				4%	
Price (%)			0%				-2%	
Exchange Rates (%)			1%				1%	
Other effects (%)			3%				2%	
Adjusted EBITDA	182	189	4%	202	896	977	9%	990
Adjusted EBITDA Margin (%)	18.2%	17.5%	-0.7 pp	19.3%	20.9%	21.8%	+0.9 pp	22.3%
Adjusted EBIT	122	132	8%	142	675	751	11%	761
Adjustments	-3	-24			-57	-20		
EBIT	119	108	-9%		618	731	18%	
Capital expenditures	80	86	8%		241	266	10%	

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Development Q4

- Sales up by 8% to €1,081 m (Q4 2015: €1,001 m)
 - Good volume growth (+4%) across majority of businesses: Continuing good demand in key industries like coatings, construction and automotive with strong pull for value-enhancing additives
 - Prices stable (+/- 0%)
 - Others (+3%), mainly portfolio effect from last year's catalysts and peroxide acquisition
- Adj. EBITDA rose by 4% to €189 m (Q4 2015: €182 m)
- Q4 with usual seasonality, several planned maintenance shutdowns, fading raw material tailwind and more pronounced year-end effects
- **Coating Additives:** Excellent year 2016, outperformance of market growth driven by continuous trend towards water based coatings – especially in Asia – and increased performance requirements.
- **Crosslinkers:** Maintenance shutdowns in Q4 resulting in lower volumes and increasing fixed costs. Expected weaker demand for wind energy in China. Ramp-up of new competitor in Asia resulting in more balanced supply/demand going forward.
- **High Performance Polymers:** High demand for PA12 compounds and powders in key markets automotive, consumer goods and industrial applications.
- **Silica:** Good development continuing with high demand in rubber silica and other key markets for specialties (e.g. coatings and matting agents).

Performance Materials (PM)

in € million	Q4 2015	Q4 2016	yoy Δ%	Q4 2016	2015	2016	yoy Δ%	2016
				Consensus*				Consensus*
External sales	789	846	7%	789	3,435	3,245	-6%	3,187
Volume (%)			4%				4%	
Price (%)			3%				-10%	
Exchange Rates (%)			0%				0%	
Other effects (%)			0%				0%	
Adjusted EBITDA	62	98	58%	77	309	371	20%	350
Adjusted EBITDA Margin (%)	7.9%	11.6%	+3.7 pp	9.9%	9.0%	11.4%	+2.4 pp	11.0%
Adjusted EBIT	24	64	167%	42	174	234	34%	212
Adjustments	-38	-12			-84	-25		
EBIT	-14	52	471%		90	209	132%	
Capital expenditures	59	61	3%		183	168	-8%	

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Development Q4

- Sales increased by 7% to €846 m (Q4 2015: €789 m)
 - Good volume growth (+4%)
 - Positive price effect (+3%) for the first time in 8 quarters as indication for accelerating business momentum
- Adj. EBITDA came in 58% above prior year at €98 m (Q4 2015: €62 m), good volumes and further improving spreads compensate usual seasonal earnings decline in Q4
- Strong start into 2017 expected; tight market situation expected to normalize in the course of H2
- **MMA:** After weak start in Q1, strong performance throughout the whole of 2016, mainly driven by healthy demand from coatings and construction and tight supply. Elevated market prices allowed stable margins despite increasing raw material costs. High plant utilization. Strong start into 2017 expected.
- **PMMA:** Molding compounds continue on higher levels helped by strong automotive demand from Europe and the US. Improved product mix with higher share of specialty products.
- **Performance Intermediates:** Strong butadiene demand and tight supply driving spreads upwards. Good demand and healthy spreads also across other C4 products (e.g. Butene-1; INA). Strong start into 2017 expected.

Services

in € million	Q4 2015	Q4 2016	yoy Δ%	Q4 2016	2015	2016	yoy Δ%	2016
				Consensus*				Consensus*
External sales	203	180	-11%	177	828	683	-18%	679
Adjusted EBITDA	40	32	-20%	30	159	151	-5%	148
Adjusted EBITDA Margin (%)	19.7%	17.8%	-1.9 pp	17.1%	19.2%	22.1%	+2.9 pp	21.8%
Adjusted EBIT	10	0		0	50	32		32
Adjustments	-5	-15			-17	-48		
EBIT	5	-15			33	-16		
Capital expenditures	67	64			177	189		

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Development Q4

- Lower sales as a result of lower energy costs (trading activity for external customers)
- Adj. EBITDA came in at €32 m (Q4 2016: €40 m)
- As guided, FY 2016 of €151 m slightly below FY 2015 of €159 m

Corporate / Others

in € million	Q4 2015	Q4 2016	yoy Δ%	Q4 2016	2015	2016	yoy Δ%	2016
				Consensus*				Consensus*
External sales	-3	5		10	41	15		21
Adjusted EBITDA	-102	-92	10%	-87	-334	-340	-2%	-334
Adjusted EBIT	-109	-100	8%	-92	-361	-364	-1%	-356
Adjustments	-30	33			91	17		
EBIT	-139	-67			-270	-347		
Capital expenditures	14	7			26	22		

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Development Q4

- Adj. EBITDA in Q4 of -€92 m with the typical year-end seasonality
- FY 2016 of -€340 m on previous year level (-€334 m)

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