Ute Wolf

Chief Financial Officer

Evonik Industries AG

Statement

at the Financial Press Conference

on March 6, 2018

in Essen (Germany)

Embargoed until: March 6, 2018, 9:30 a.m. German time

– Text as prepared for spoken delivery –

Ladies and gentlemen,
May I, too, extend a warm welcome to you at today's financial press conference.

Mr. Kullmann has already given you an overview of the strategic initiatives we began last year. I would now like to talk about the financial data from the past fiscal year.

We reliably achieved our financial goals. Especially for our most important earnings figure, our adjusted EBITDA, we were able in August to narrow the original forecast target range to the upper end and, today, we are reporting earnings precisely in the forecast corridor.

And, when we look at the other key figures, I am delighted to report that we achieved our targets in all areas. As a reliable partner for our shareholders, this of course also applies to the dividends, which I will talk about a little later.

Let me talk briefly about the most important key figures of the fiscal year. Sales increased significantly to around €14.4 billion. This can be attributed to both organic growth from higher volumes and prices, and also to our acquisitions, which were consolidated for the first time in 2018. Sales in Germany, still our largest and most important single market, rose significantly to €2.6 billion.
Evonik's adjusted EBITDA of €2.36 billion was significantly above the previous year; the margin reached 16.4%, putting it slightly below the previous year. The main reason for this is a significantly lower margin in the Nutrition & Care Segment, a subject I will come back to.

Our adjusted EBIT increased slightly less strongly to €1.49 billion. Increased depreciation from the Air Products, Huber and Dr. Straetmans acquisitions impacted the result. Adjusted net income rose 9% to €1.01 billion as a result of mostly stable income taxes. On the basis of the number of outstanding shares, that yields earnings per share of €2.17 compared with €1.99 the previous year.

If we look at the segments, we can see that Resource Efficiency continued its stable growth of recent years. Sales in 2017 rose in this segment by 21 percent to €5.4 billion. Growth was reinforced by the acquisition of the specialty chemicals business of Air Products and of Huber Silica. In fact, all business areas of the segment reported increased earnings. The segment's adjusted EBITDA increased 20 percent to €1.2 billion and with that the segment has been able to almost double its earnings in the last five years.

When viewed against the backdrop of significantly rising raw-material costs, this is an outstanding achievement.

The business environment in the Nutrition & Care segment was much more challenging. Amino acids for animal nutrition, by far the largest area in the segment, were faced with continually falling prices. Having successfully pushed through price increases in the second half of the year, the negative price trend of recent years finally turned around. Prices have now clearly stabilized. Sales at Nutrition & Care, therefore, gained only slightly -by 5 percent to €4.51 billion. The segment's earnings were less than the previous year particularly because of the described price effects. Adjusted EBITDA in the segment fell to €749 million compared with €1 billion the previous year. The significant decline could not be compensated through the additional earnings contributions from the Air Products business.

That is not satisfactory for us. As a result, as part of our new strategy, we have already initiated measures to help secure our leading position in the area of feed additives.

In the Performance Materials segment, the results for the year were more positive. The segment reported a very successful year in both of its main areas – the C4 chain and methacrylates. Sales at the segment climbed 17 percent to €3.78 billion in 2017. Because of the unusual and very advantageous market dynamic, adjusted EBITDA jumped 78 percent to €660 million. The segment earned a very attractive margin of 17.5

percent compared with 11.4 percent in the previous year. As you have already heard from Mr. Kullmann, the methacrylate business isn't part of Evonik's growth focus.

Overall, the acquisitions of the Air Products additive business and Huber Silica had a very positive effect on earnings in 2017. Looking back now, we can say that our expectations of these acquisitions – both strategically and operationally – have been met in full. We have now almost finished integrating these units into our existing organizational structure and cost advantages and synergies are being realized as planned.

Ladies and gentlemen,
I'd now like to talk briefly about our investments. If you want sustainable growth, you have to invest. In the fiscal year that has just ended, we did this very successfully and invested more than a billion euros in fixed assets. In the future, too, we will continue to invest in our plants and in expansion. However, in line with our new strategy, we will concentrate our expenditure on our four attractive growth engines of specialty chemicals.

To enable long-term successful investment in growth and in the sustainability of our businesses, we need effective, balanced and healthy company financing. Throughout 2017, we worked hard to achieve this: In June, we signed a new syndicated credit line amounting to over €1.75 billion, which ensures our central liquidity reserve over the long term. In June, we also issued a €500 million hybrid bond for the first time. This provides long-term financing for the acquisition of Huber Silica and, at the same time, strengthens our solid investment rating.

I would like to say a few of words about free cash flow. With just over €500 million in the past fiscal year, it is at a good level. However, we have significant growth potential in the coming years – both through improved results as well as through a more efficient management of working capital and targeted expansion of our growth engines.

To close, let me say a few words about our dividends. Evonik has been and still is reliable when it comes to dividends, with a sustainable dividend policy. With our planned dividend of €1.15 we are continuing this policy for the past fiscal year and are paying out 53% of our adjusted earnings. With a dividend yield of 3.7 percent, we remain among the top performers in the European chemicals sector.

That’s all I’d like to say about the past fiscal year.

If you bear with me, I would like to follow up Mr. Kullmann’s remarks on strategy with the financial goals that accompany them.
We have one key goal: We want to sustainably increase our EBITDA margin – by focusing on specialty chemicals – to a level of 18 to 20 percent. To achieve this, we are relying on synergies from our acquisitions, our cost-saving program, our strong innovation pipeline, and our active portfolio management. Mr. Kullmann has just talked about several examples of our proactive and successful strategy implementation.

In addition to the EBITDA margin, we have formulated other clear financial goals. We aim to achieve volume growth, which – throughout the economic cycle – exceeds the growth of the global economy. We also want to generate a reliable and sustainable, positive free cash flow.

Defining and actively communicating our goals is a key component of the strategy. These clearly formulated key figures will allow us to monitor and measure the success of the actions we have taken and, with it, the success of our daily efforts!

Thank you very much!