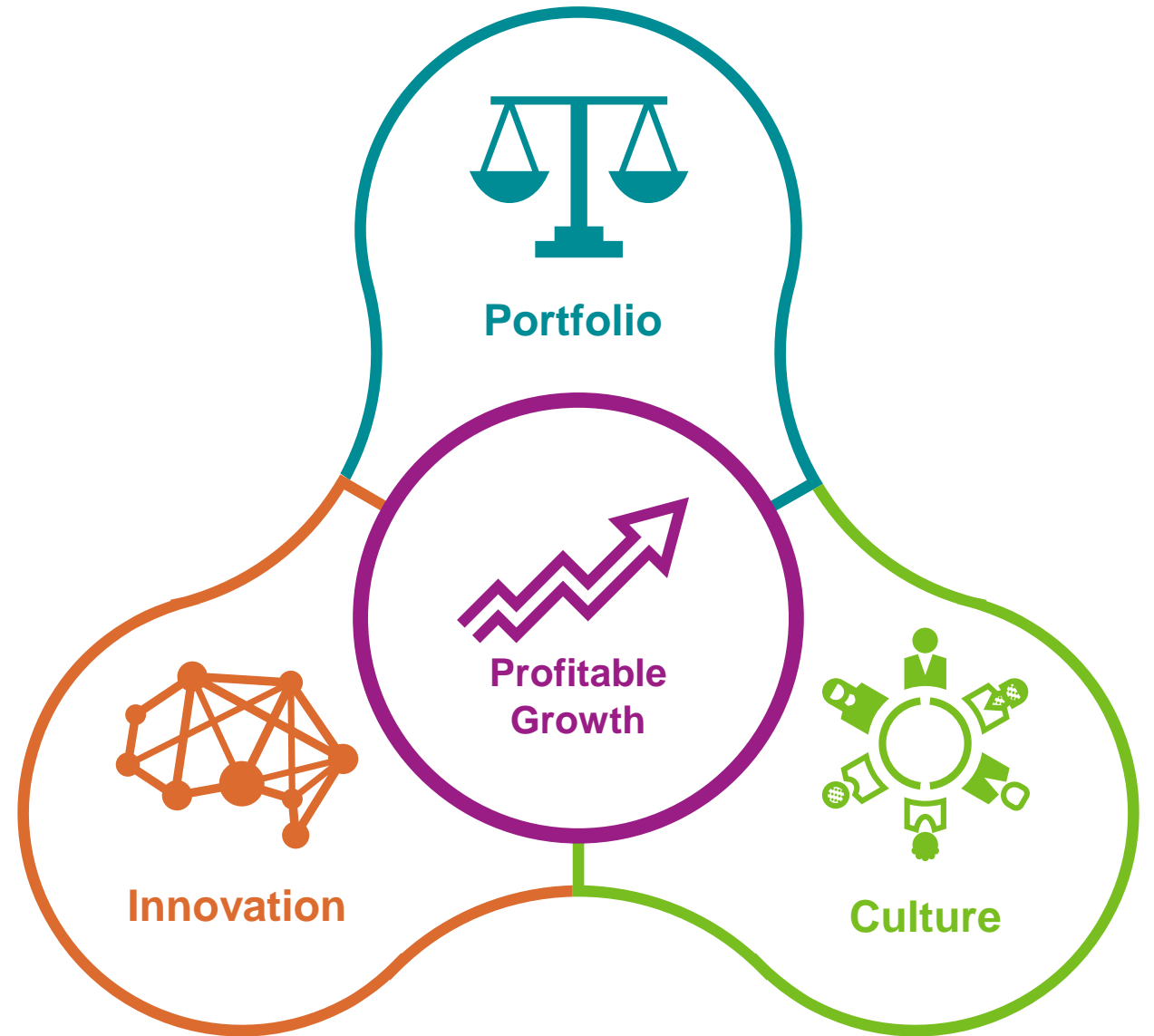


**Evonik**  
**Power to create.**

Company presentation

January 2019



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# A strong basis in Specialty Chemicals

## Market leadership



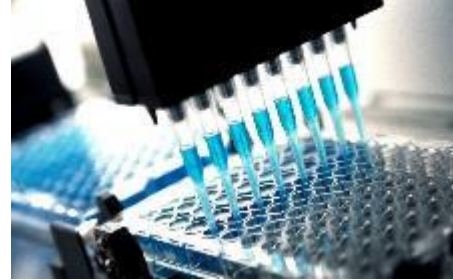
Leading market positions in **80%** of our businesses<sup>1</sup>

## Customer proximity



**Almost 90%** of direct sales via marketing & sales force of **~2,000** employees

## Technology leadership



Leading and proprietary technology platforms in **25 countries** on **5 continents**

## Unique brand recognition



**togo**  
An Evonik product.

**ROHACELL**<sup>®</sup>  
An Evonik product.

**PLEXIGLAS**<sup>®</sup>

(selected product brands)

## Qualified employees



**Highly qualified workforce** as key factor for a successful and sustainable business development

1. Sales with top 1-3 market position by sales, production volume or capacity (depending on available data)

# Three segments with differentiated management

## Group financials 2017

**Sales**

€14,383 m

**Adj. EBITDA**

€2,357 m

**Margin**

16.4%

**ROCE**

11.2%



### Growth

**Nutrition  
& Care**



**Resource  
Efficiency**



### Efficiency

**Performance  
Materials**



**Sales**  
€4,507 m



**Adj. EBITDA / Margin**  
€747 m / 16.6%



**Sales**  
€5,393 m



**Adj. EBITDA / Margin**  
€1,173 m / 21.8%



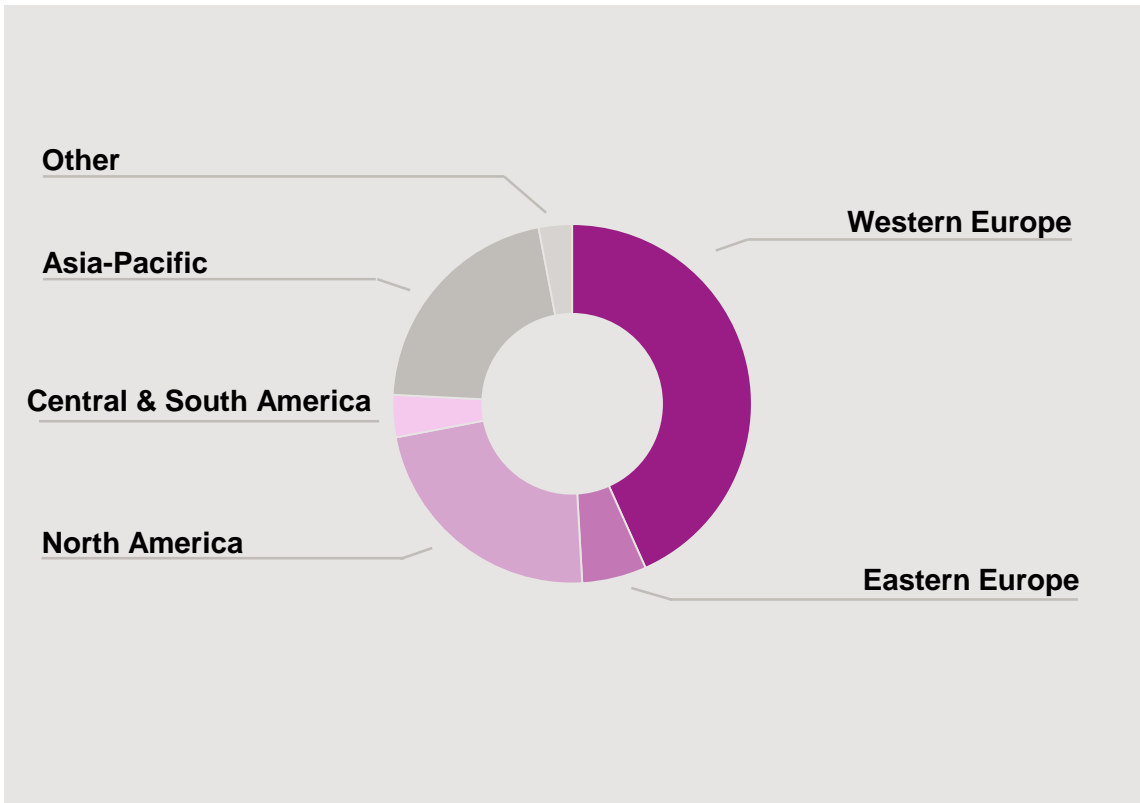
**Sales**  
€3,751 m



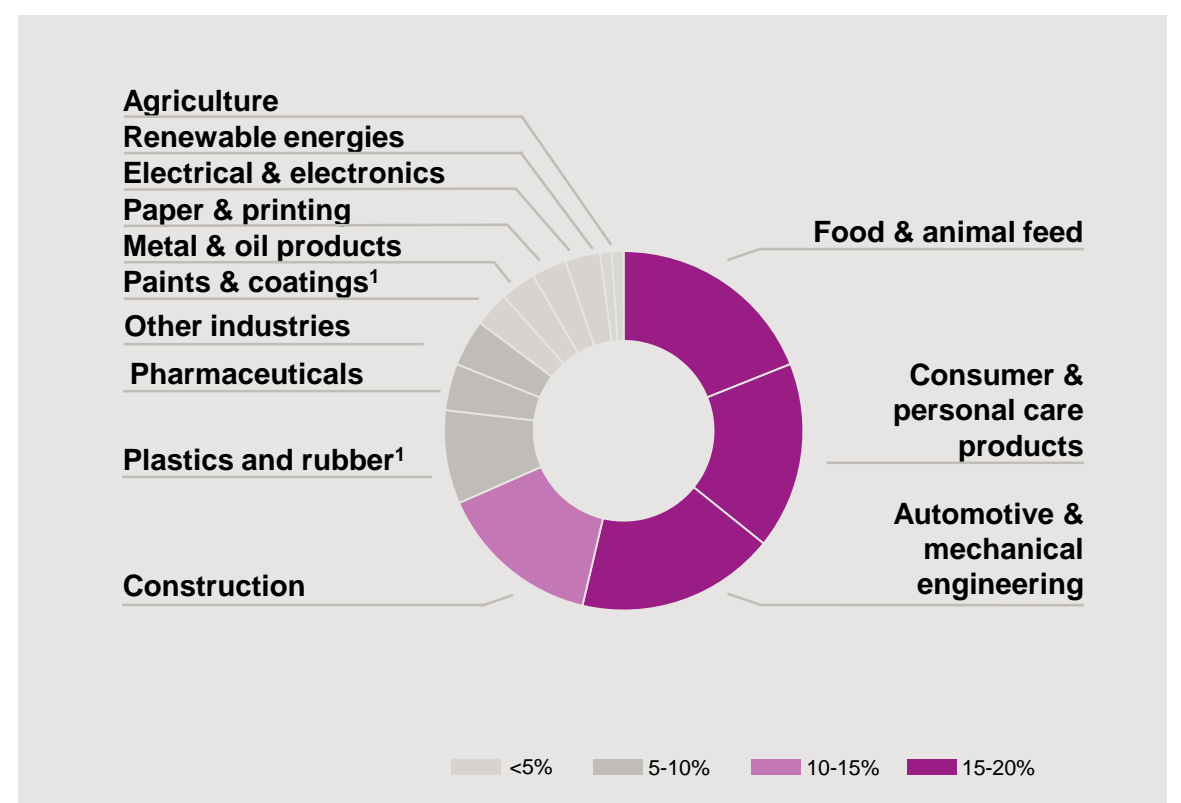
**Adj. EBITDA / Margin**  
€658 m / 17.5%

# Balanced regional and end market split

## Sales by region



## End market split



1. Where not assigned to other end-customer industries | 2017 Financials

# Evonik management team with clear responsibilities

## Executive Board

### Group Strategy



**Christian Kullmann**

Chairman of the Executive Board

### Chemistry & Innovation



**Dr. Harald Schwager**

Deputy Chairman of the Executive Board

### Financials



**Ute Wolf**

Chief Financial Officer

### HR



**Thomas Wessel**

Chief Human Resources Officer

## Segment Management



**Nutrition & Care**  
**Dr. Reiner Beste**



**Resource Efficiency**  
**Dr. Claus Rettig**



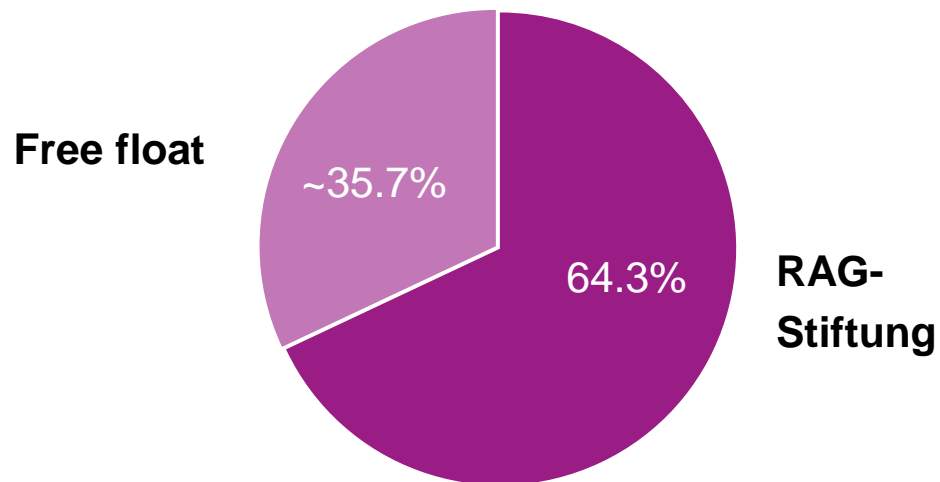
**Performance Materials**  
**Johann-Caspar Gammelin**



**Services**  
**Gregor Hetzke**

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

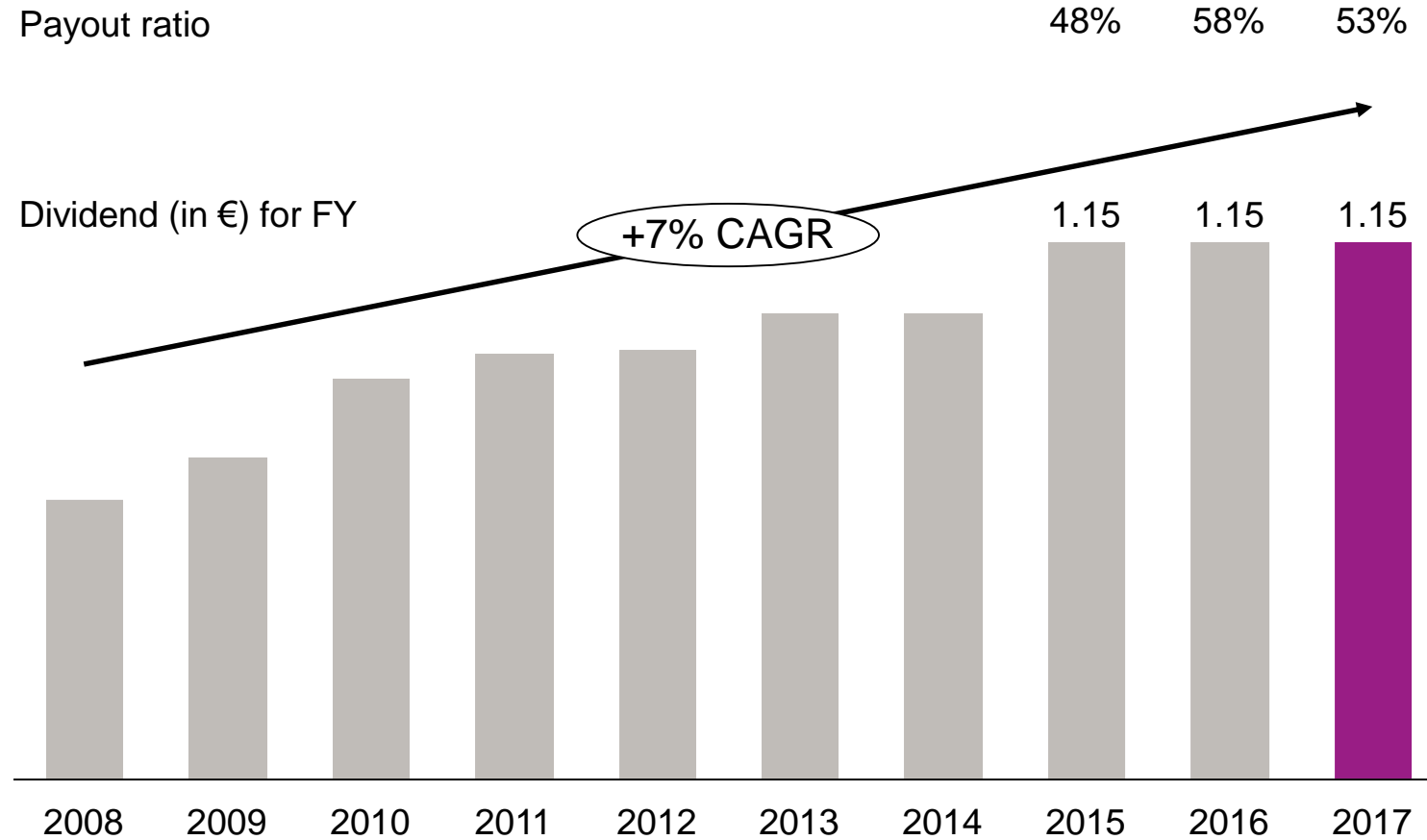
## Ownership structure



## 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)
- Long-term perspective: intention to retain a strategic shareholding of **at least 25.1%**

# Reliable and attractive dividend policy



- Sustainable dividend growth over the last years: 7% CAGR between 2008 and 2017
- **Attractive dividend yield ~ 3.7%**
- Reliable dividend policy targeting:
  - **dividend continuity**
  - a **payout ratio of ~40%** of adjusted net income



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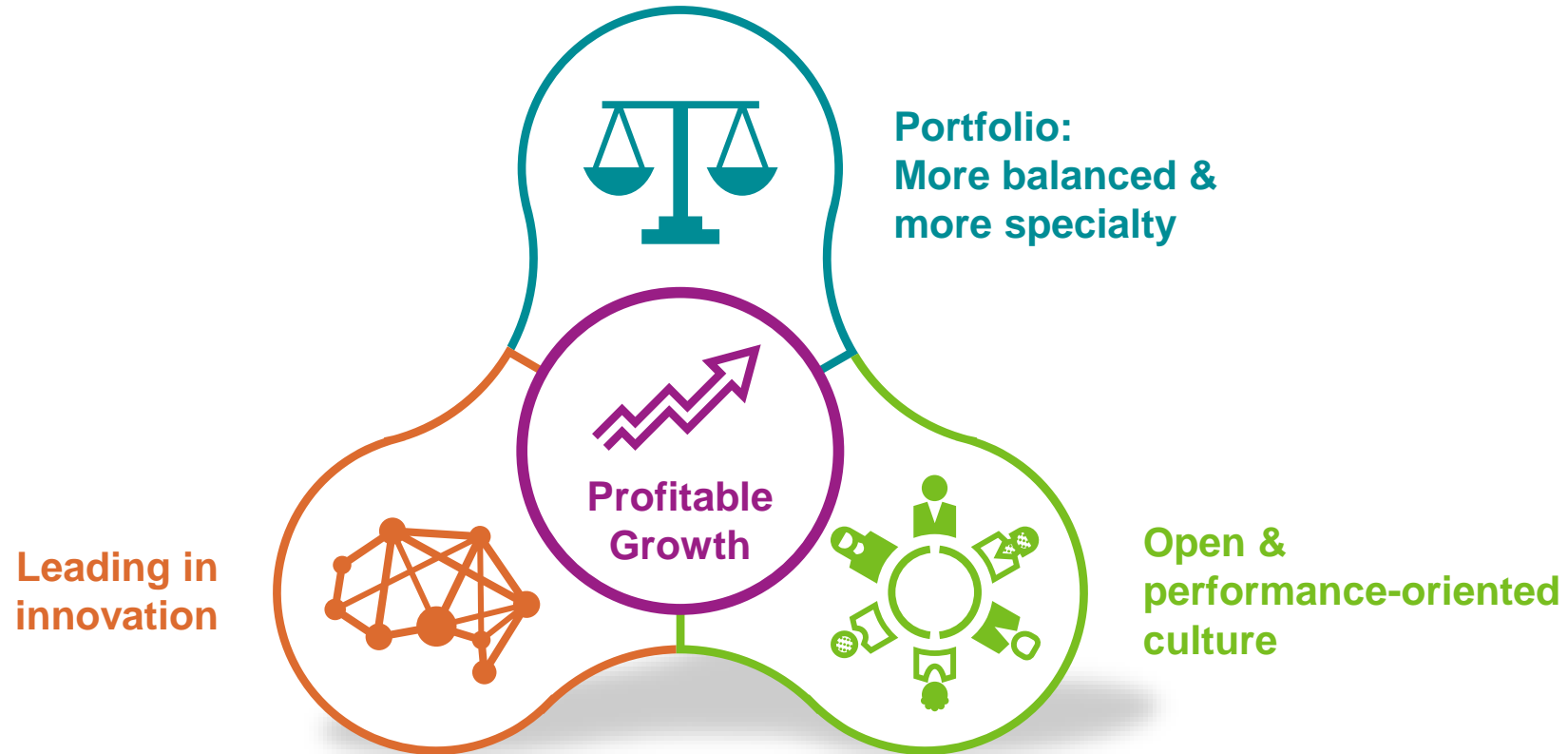
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# Building a best-in-class specialty chemicals company

# Targeting excellence in three strategic focus areas

---



# Target portfolio structure

Four growth engines as drivers for profitable & balanced growth

## NUTRITION & CARE

## RESOURCE EFFICIENCY



Health & Care



Smart Materials



Specialty Additives



Animal Nutrition

Four  
growth  
engines

# Building on our strengths

## Developing our growth segments and businesses

### NUTRITION & CARE

€4.5 bn

Mature  
businesses



Growth  
businesses

### RESOURCE EFFICIENCY

€5.4 bn

Mature  
businesses



Growth  
businesses

### PERFORMANCE MATERIALS

€3.8 bn

Mature  
businesses



✓ Meeting specialty chemicals characteristics

# Portfolio Management

## Targeted and disciplined M&A approach



**Air Products**  
Performance Materials (2016)



**Huber Silica**  
(2016)



**Dr. Straetmans**  
(2017)



**PeroxyChem**  
(2018)

**Purchase price**

~ €3.5 bn

~ €600 m

€100 m

\$625 m

**EBITDA margin**

>20%

>20%

~20%

~20%

**Market growth**

~4-5%

~4-6%

~10%

~6%<sup>1</sup>

**Business**

Highly attractive strategic fit, seamless integration into existing businesses

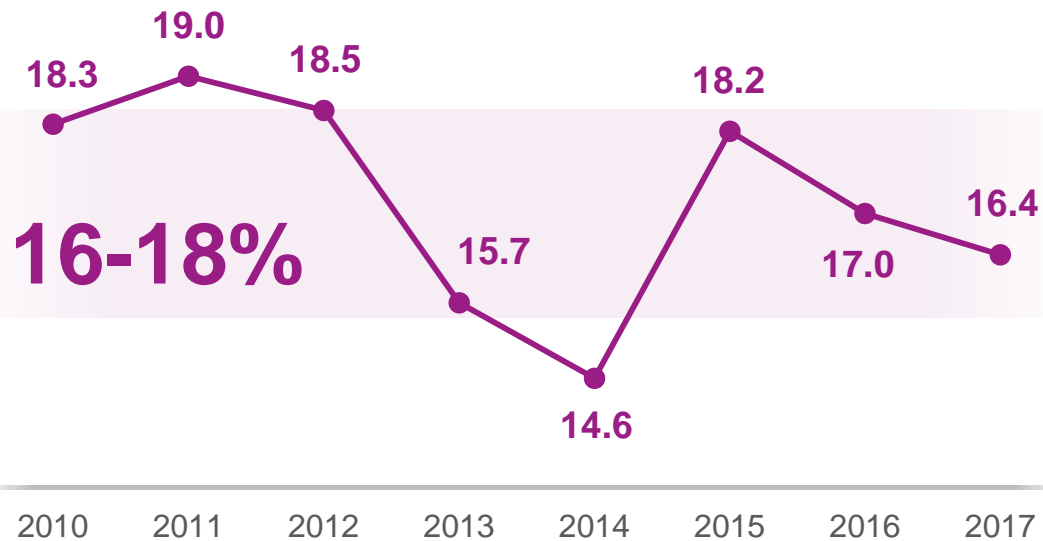
**Disciplined expansion in high-growth & -margin businesses with excellent strategic fit**

1. In specialty applications (~65% of total Adj. EBITDA)

# Strategic agenda reflected in ambitious financial targets

## Structurally lifting EBITDA margin and driving balanced growth

### Historic margin range (in %)



### Targets going forward (over the cycle)

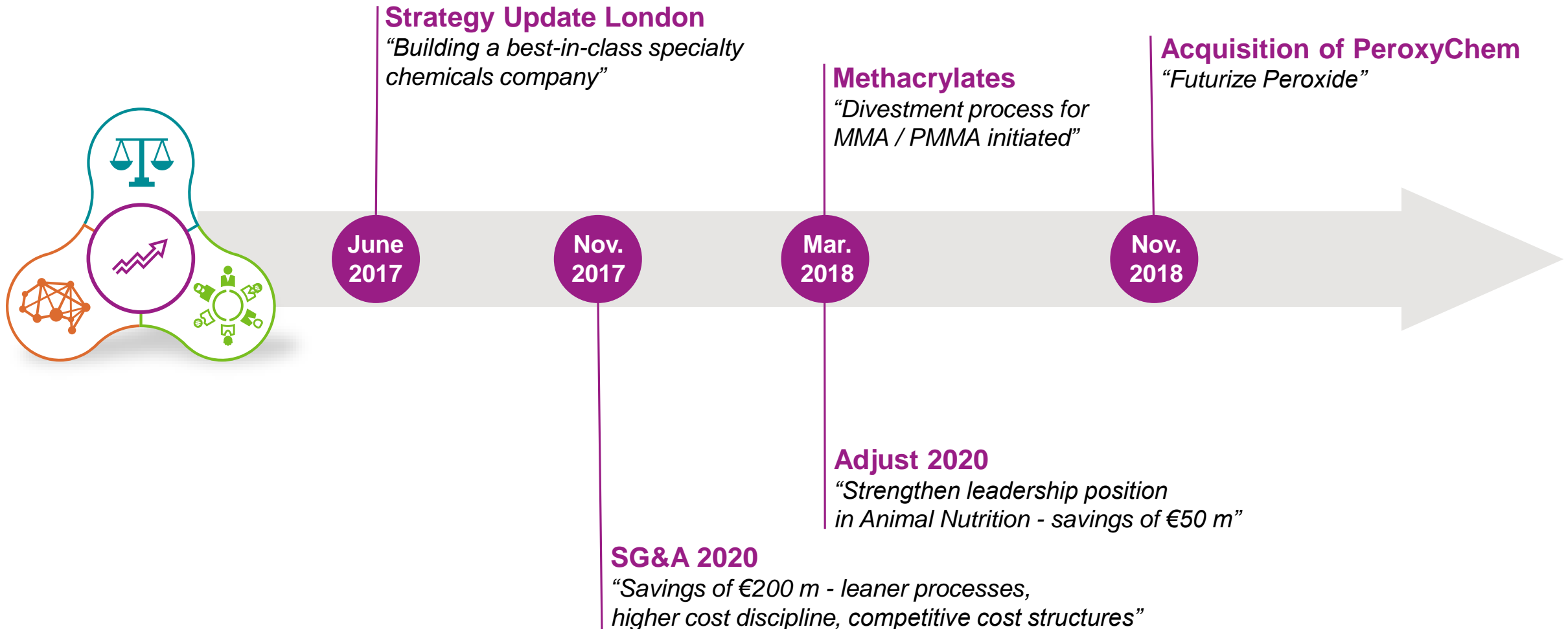
Structurally lift EBITDA margin into sustainably higher range of **18-20%**

Above-average volume growth **GDP+**

- ROCE above cost of capital
- Sustainable FCF generation
- Reliable and sustainably growing dividend
- Solid investment grade rating

# Step by step execution of strategic agenda

## What we achieved so far





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# Acquisition highlights

- ✓ Strengthening of Evonik's growth segment Resource Efficiency
- ✓ Focus on environmentally-friendly specialty applications
- ✓ Attractive end-market growth with low cyclicalty
- ✓ Excellent fit with Evonik's peroxide portfolio – expansion of business in North America
- ✓ EBITDA margin of ~20% above Evonik's average group margin
- ✓ Strong FCF generation with sustainable FCF conversion >60%
- ✓ Fair valuation with EV / adj. EBITDA multiple 7.8x (incl. synergies)

# PeroxyChem – Overview

A global manufacturer and supplier of peroxides

## PeroxyChem

- PeroxyChem is a global manufacturer and supplier of hydrogen peroxide, peracetic acid (PAA) and persulfates (PS)
- Headquarter in Philadelphia, Pennsylvania
- Ownership: Private equity (One Equity Partners)
- Founded: 1900s (Foret and Buffalo Electro-chemical Co.)
- Headcount: ~600 globally, thereof ~20% in application development, sales and marketing
- Locations: 8 manufacturing facilities (USA, Canada, Germany, Spain, Thailand), 2 distribution facilities, 5 regional offices, 3 R&D labs



**Sales**  
**2018E:**

~\$300 m

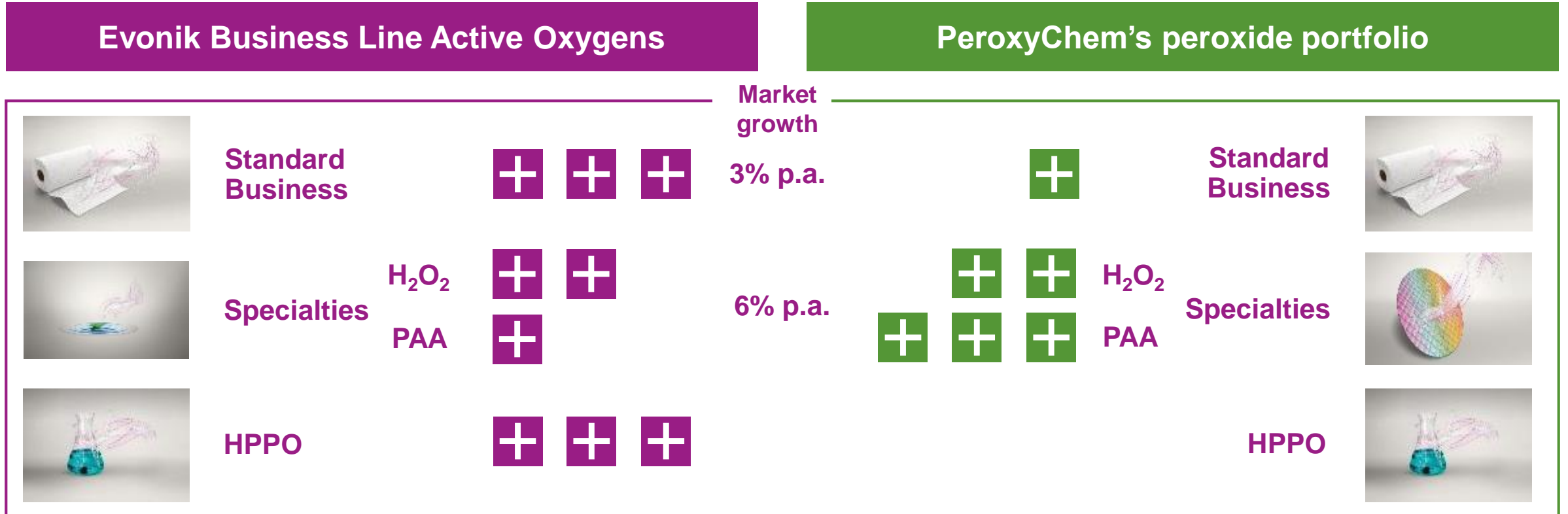
**adj. EBITDA**  
**2018E:**

~\$60 m

adj. EBITDA margin: ~20%

# Acquisition of PeroxyChem

Excellent complementary fit with Evonik's existing peroxide business

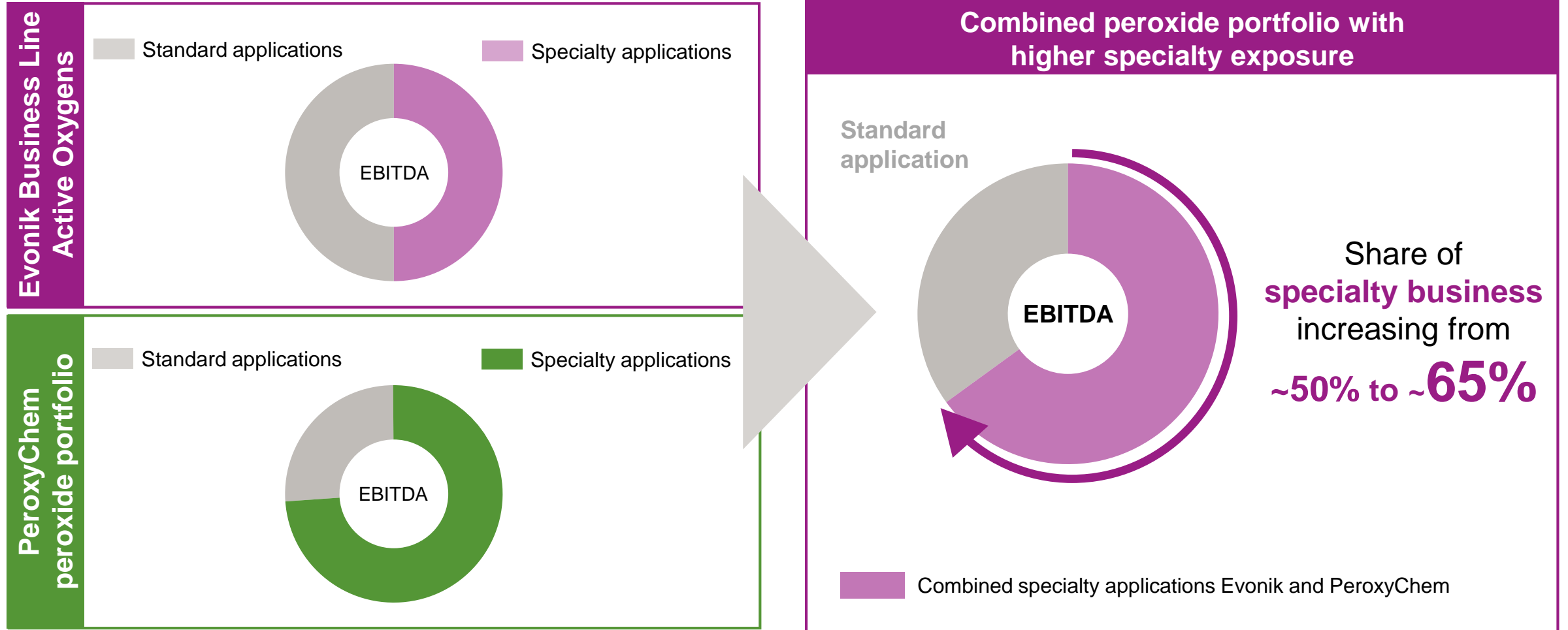


Combined sales<sup>1</sup>: > €700 m

1. Sales of Evonik Business Line Active Oxygen and PeroxyChem

# Evonik and PeroxyChem specialty exposure

## Expansion of high-growth and -margin specialty applications



# Synergies and integration costs

Tangible synergies driven by excellent strategic fit; low integration complexity

## Synergies

Cost Savings in Production, Logistic

Cross Selling

SG&A

Total synergies:  
**~\$20 m p.a.**  
fully realized by 2022

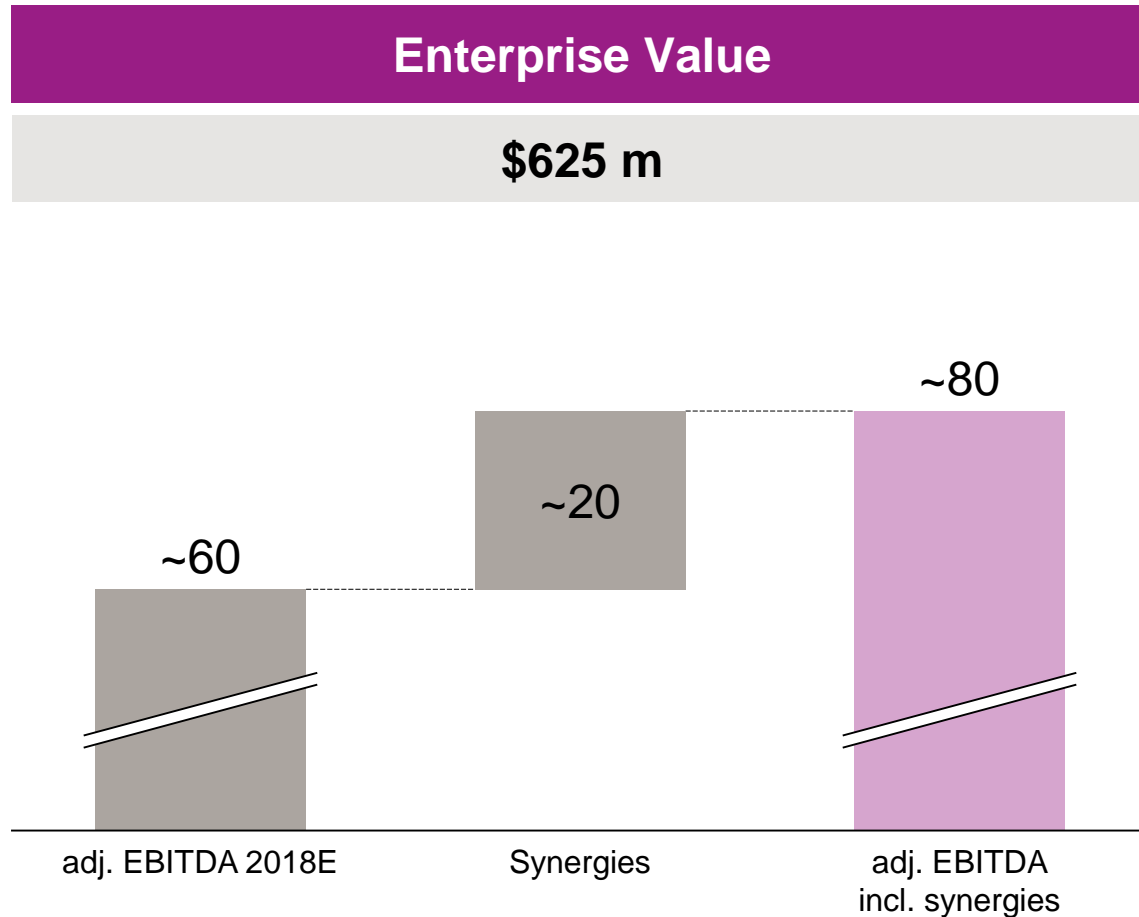
## Integration costs

Integration costs  
(e.g. IT integration, consultants)

Expected cash-out of  
**~\$20 m**  
in first 2 years

Integration costs excluding transaction costs

# Attractive valuation



**Enterprise Value**  
**\$625 m**

EV / adj. EBITDA 2018E  
**7.8x** including synergies

EV / adj. EBITDA 2018E  
**10.4x** excluding synergies

**EPS accretive**  
in 1<sup>st</sup> full year after closing

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# Our agenda for 2018 – Driving the change

## Q3: Further strategy execution and ongoing improvement in operational performance



1

### Strategy execution

- MMA divestment fully on track
- Continued execution of efficiency programs
- Culture initiative started

2

### Earnings growth

- Earnings growth driven by growth segments
- Improved FCF performance YTD
- FY 2018 adj. EBITDA and FCF outlook confirmed

# Highlights Q3 2018

Earnings growth and margin expansion; higher FCF

## Sales growth

**+7%**

**Strong pricing** in all segments (+9%)  
**Volumes** (-1%) impacted by low Rhine river water levels, high utilization rates and limited raw material availability

## Adj. EBITDA and margin

**€692 m** (+8%<sup>1</sup>)

**18.2%** (+0.2pp<sup>1</sup>)

**Earnings growth** driven by growth segments; support from efficiency measures and successful compensation of raw material inflation

## Free cash flow (1-9)

**€442 m** (+26%)

**Higher cash generation** in first nine month driven by higher earnings, cost efficiency measures and realization of synergies

## Outlook

**€2.6-2.65 bn**

Outlook for **Adj. EBITDA** and **FCF** (“notably higher”) **confirmed**

1. Compared to Q3 17 | 2017 financials restated for IFRS 15

# Earnings development Q3 2018

## Earnings growth driven by growth segments

### Resource Efficiency



Adj. EBITDA growth yoy<sup>1</sup>

**+9%**

(Margin: 23.7%; +0.8 pp)

### Nutrition & Care



Adj. EBITDA growth yoy<sup>1</sup>

**+13%**

(Margin: 18.2%; +1.3 pp)

### Performance Materials



Adj. EBITDA growth yoy<sup>1</sup>

**+/-0%**

(Margin: 16.6%; -2.2 pp)

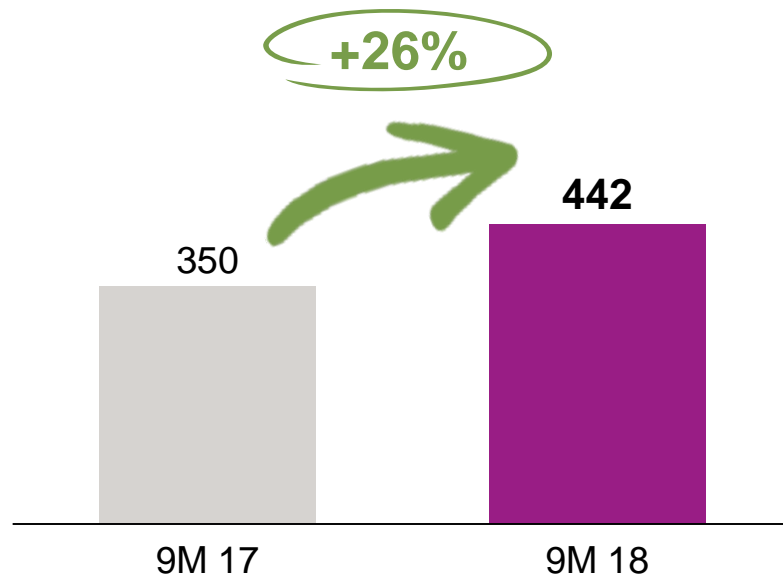
Growth segments driving earnings improvement

1. Improvement yoy: Q3 18 vs. Q3 17 | 2017 financials restated for IFRS 15

# Free Cash Flow 9M 2018

Progress in FCF development: 9M FCF clearly improved

9M 2018 (FCF in €m)

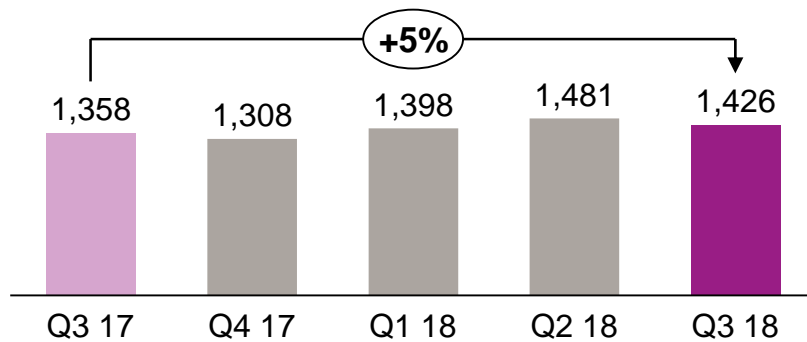


- FCF after 9M 2018 improved by €92 m
- **NWC outflow after 9M 2018** clearly above last year due to different phasing (H2 vs H1). Preparation for maintenance and logistical challenges from low Rhine water level in Q3 2018
- As expected, **different phasing** in cash taxes lead to lower cash-out for taxes in H1 2018; now catch-up in H2
- **Outlook confirmed:** FCF expected to be notably higher yoy

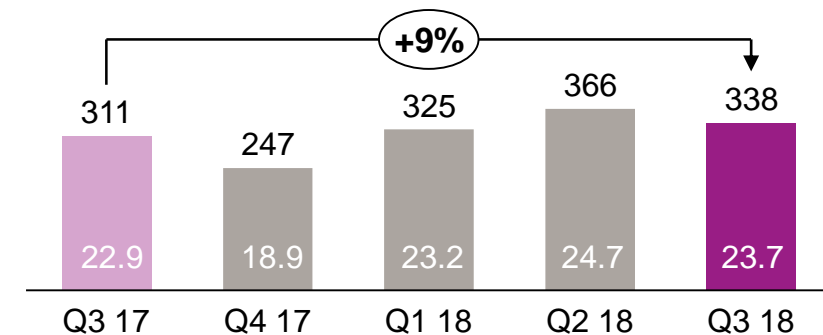
# Resource Efficiency

Sustained strong operational performance on attractive margin level

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q3 18 vs. Q3 17

Volume	-2%	Price	+6%	FX	-1%	Other <sup>1</sup>	+2%
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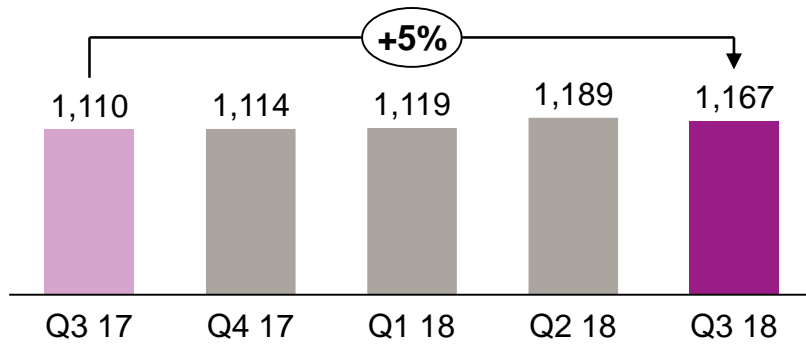
- Strong performance at attractive margin level continued into Q3
- Organic sales growth of 4% driven by strong pricing, successfully compensating raw material inflation
- Volumes not reaching high prior-year comps due to already high plant utilization levels, limited raw material availability and more cautious customer behavior in auto-related activities towards the end of the quarter
- Ongoing strong demand for eco-friendly, water-borne Coating Additives

1. Mix of portfolio effects and others | 2017 financials restated for IFRS 15

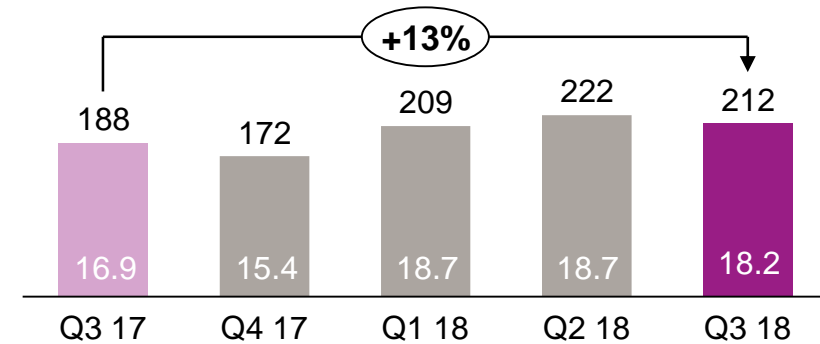
# Nutrition & Care

## Solid operational performance throughout the first three quarters

**Sales (in € m)**



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



Q3 18 vs. Q3 17		Volume	Price	FX	Other <sup>1</sup>
		+5% ↗	+5% ↗	-3% ↘	-2% ↘



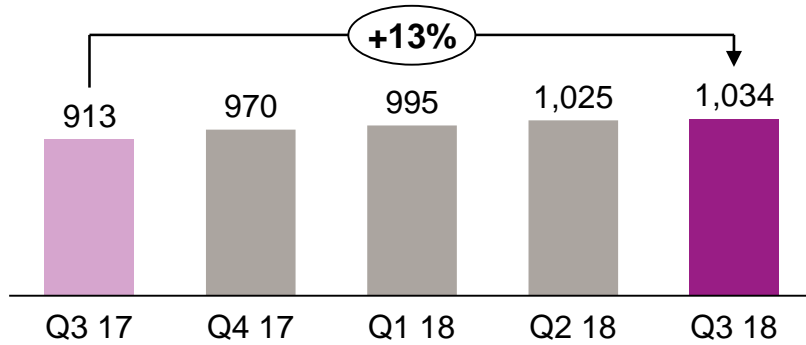
- Good operational performance continuing – strong volume and price development in majority of businesses
- yoy margin expansion driven by improving product mix, successful management of higher raw material prices and efficiency measures
- Health Care and Personal Care with ongoing strong performance and further improving product mix
- Methionine with robust demand trend and yoy higher volumes; prices fairly stable in local currency

1. Mix of portfolio effects and others | 2017 financials restated for IFRS 15

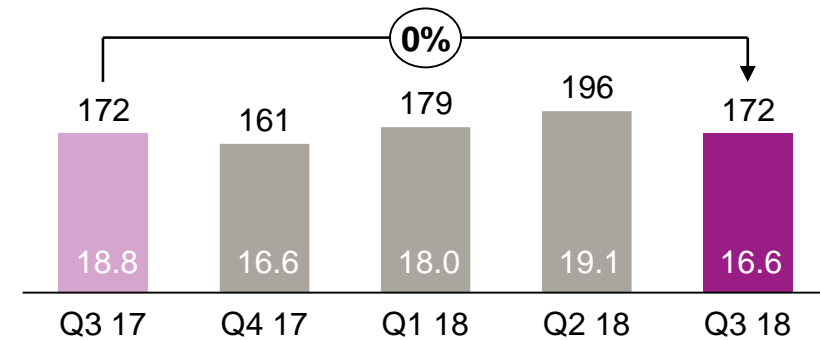
# Performance Materials

## Good operational quarter – one-time effects impacting profitability

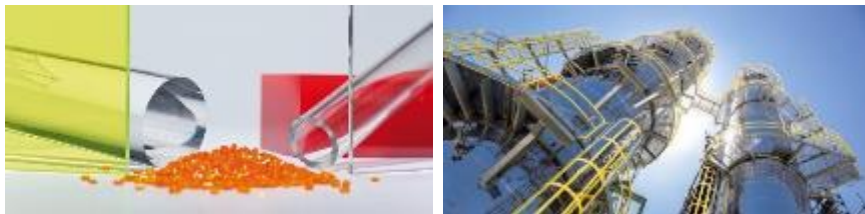
**Sales (in € m)**



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



Q3 18 vs. Q3 17	Volume	Price	FX	Other
	-6% ↘	+21% ↗	-2% ↘	0% →

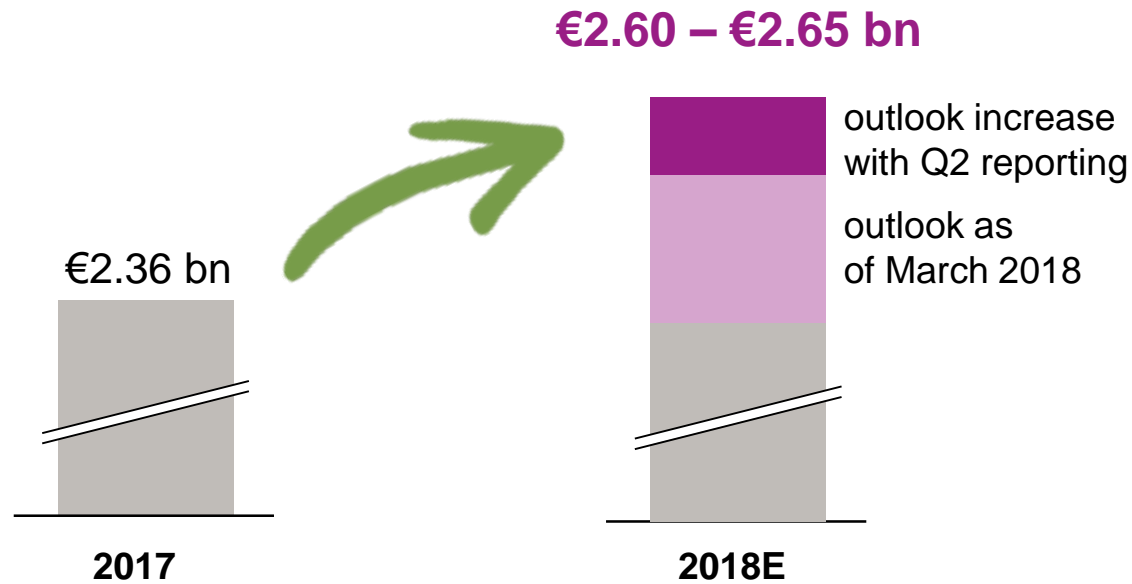


- Good operational performance in both MMA/PMMA and C4
- Weaker volume mainly as a result of logistical constraints from low Rhine water level, raw material availability and maintenance turnaround in MMA
- Sustained high MMA/PMMA margins and yoy notably higher butadiene spreads lead to double-digit price increase
- Sequentially weaker margin due to time-lag in pass-on of higher Naphtha prices and higher logistics costs (low Rhine water level) and maintenance turnaround in MMA; total effect of €15 m

# Outlook 2018

## Outlook confirmed

### Adj. EBITDA and FCF outlook



▶ **FCF expected to be notably higher compared to prior year** (2017: €511 m)

2017 financials restated for IFRS 15





# Outlook 2018

## Outlook on segment level confirmed

Segment outlook	
Nutrition & Care	“higher earnings yoy”
Resource Efficiency	“perceptibly higher earnings yoy”
Performance Materials	“higher earnings yoy”



# Additional indications for 2018

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- 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<sup>st</sup> 2017)
- ROCE **Above cost of capital** (10.0% before taxes) and around the level of last year (2017: 11.2%)
- Capex **~€1 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; 2017: 1.13 EUR/USD)
- EUR/USD sensitivity<sup>1</sup> +/-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<sup>2</sup> **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%))

1. Including transaction effects (after hedging) and translation effects; before secondary / market effects | 2. Guidance for "Adj. net financial result" subject to interest rate fluctuations which influence discounting effects on provisions



**EVONIK**

**POWER TO CREATE**

# Appendix

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## 1. Strategy Details

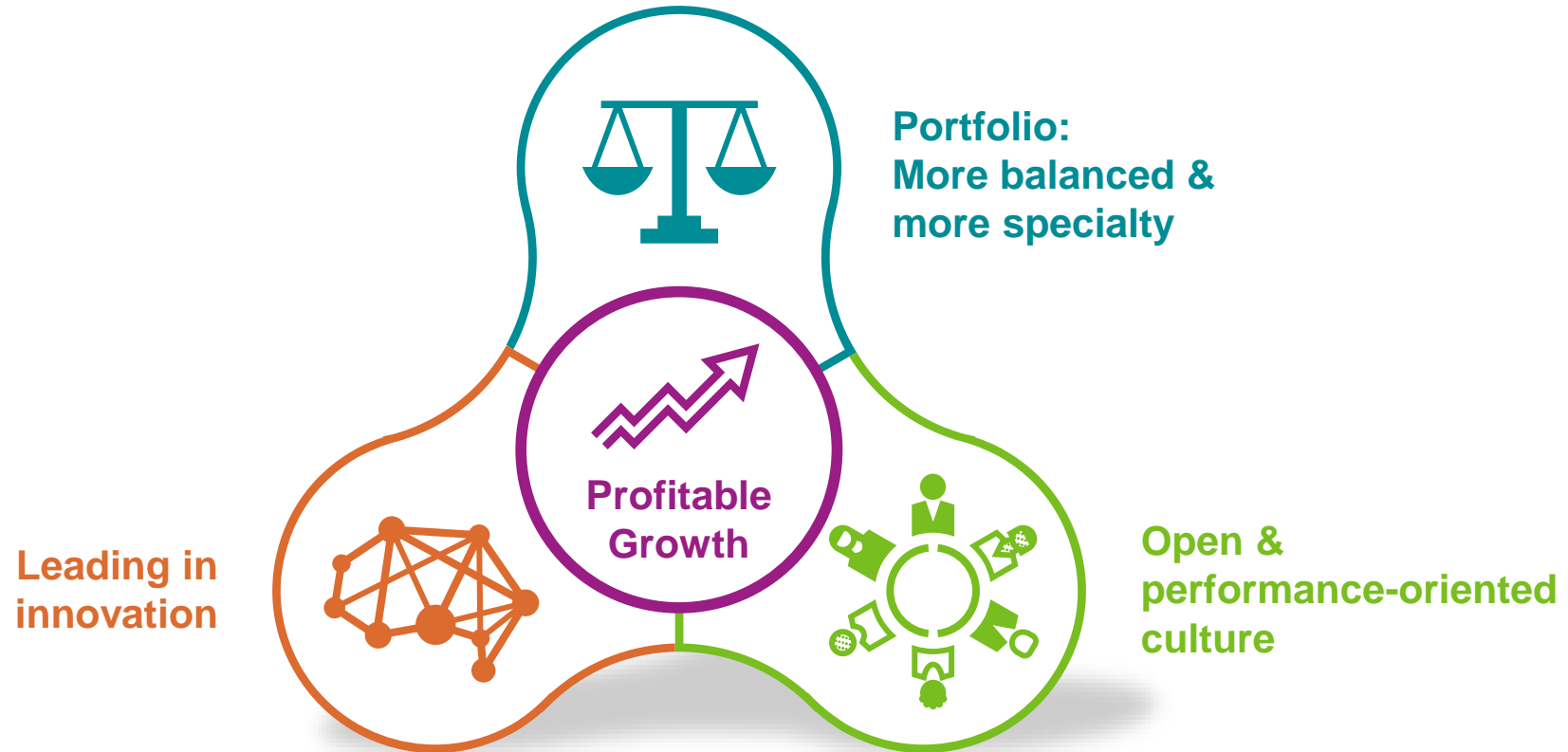
2. Acquisition of PeroxyChem

3. Segment overview

4. Financials

5. Upcoming events

# Targeting excellence in three strategic focus areas



# Executing portfolio management on all levels

Achievements so far ... more to come

## Major portfolio steps

- Acquisition of Air Products Specialty Additives
- Divestment of Methacrylates business



## Bolt-on M&A and divestments

- Acquisition of PeroxyChem
- Acquisition of Huber Silica
- Acquisition of Dr. Straetmans
- Sale of non-core Jayhawk agrochemicals site in Galena, Kansas (Performance Materials)








## Optimization on business level

- Optimized strategic positioning for Animal Nutrition (adjust 2020)
- Business model renewal Household/ Personal Care (Oleo 2020)
- Streamlined setup of Performance Materials (Merger Functional Solutions & Agrochemicals)
- Dissolution of acrylic acid joint venture (StoHaas) in Baby Care

**Portfolio management on all levels to support financial targets**

# Four growth engines

## Growth drivers and product examples

	Growth trends and drivers	Product examples	Market growth
 <p><b>Specialty Additives</b> “Small volume, big impact”</p>	<ul style="list-style-type: none"> <li>More sophisticated requirements on additive effects</li> <li>Need for increased product performance and efficiency</li> </ul>	<p>Coating Additives PU-Additives Oil Additives</p>	 <p>5-6%</p>
 <p><b>Health &amp; Care</b> Preferred partner in Pharma and Cosmetics</p>	<ul style="list-style-type: none"> <li>Increasing health-awareness and lifestyle</li> <li>Bio based products and environmentally-safe cosmetics</li> </ul>	<p>Pharma polymers Oleochemicals Advanced biotechnology</p>	 <p>5-6%</p>
 <p><b>Smart Materials</b> Tailored functionalities for sustainable solutions</p>	<ul style="list-style-type: none"> <li>Trend towards resource efficiency in high demanding applications</li> <li>Engineered materials and systems to fulfill high performance requirements</li> </ul>	<p>Rubber Silica &amp; Silanes High Performance Polymers Membranes</p>	 <p>4-7%</p>
 <p><b>Animal Nutrition</b> Comprehensive portfolio for more sustainable food chain</p>	<ul style="list-style-type: none"> <li>Sustainable nutrition</li> <li>Improving food quality and safety</li> </ul>	<p>Amino acids Probiotics</p>	 <p>5-7%</p>

# Consistently executing our strategic agenda

## Levers for structural uplift in profitability and growth

	Strategic lever	Impact (p.a.)	by (year)
<b>Synergy realization</b>	<ul style="list-style-type: none"> <li>Realization of synergies from Air Products and J.M. Huber acquisitions</li> </ul>	€85 m EBITDA <sup>1</sup>	2020/2021
<b>Cost excellence</b>	<ul style="list-style-type: none"> <li>Targeting structural improvements in SG&amp;A, reduction of 1,000 FTE</li> </ul>	€200 m EBITDA	2021 (full impact)
<b>Innovation</b>	<ul style="list-style-type: none"> <li>Leverage additional growth from six innovation growth fields with above-average profitability</li> </ul>	€1 bn additional SALES	2025
<b>Portfolio Management</b>	<ul style="list-style-type: none"> <li>Portfolio strategy: more balanced and more specialty</li> </ul>		

**18-20%**  
EBITDA margin

**GDP+**  
volume growth

1. Total synergies of ~\$100 m; currency translation based on current EUR/USD rate of 1.18



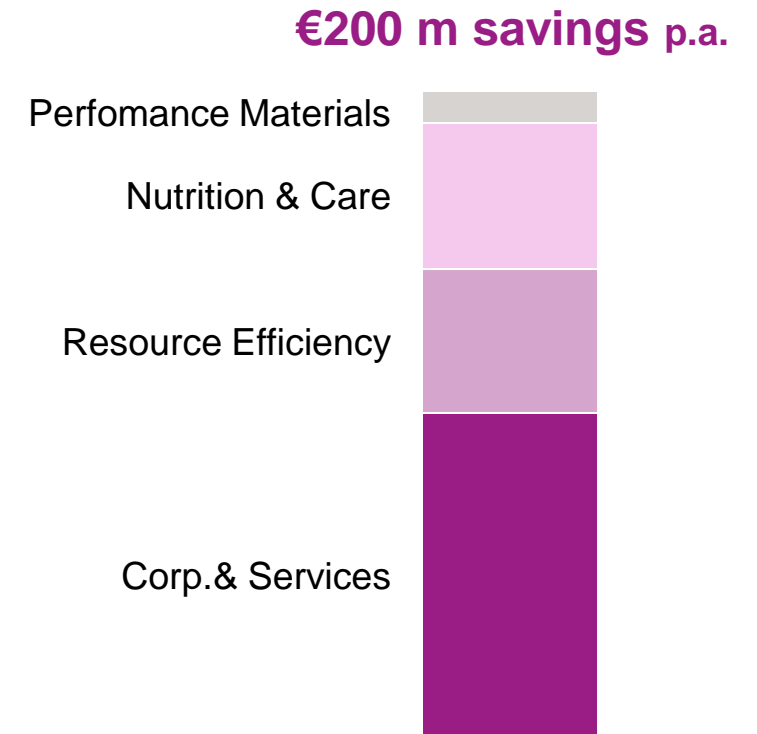
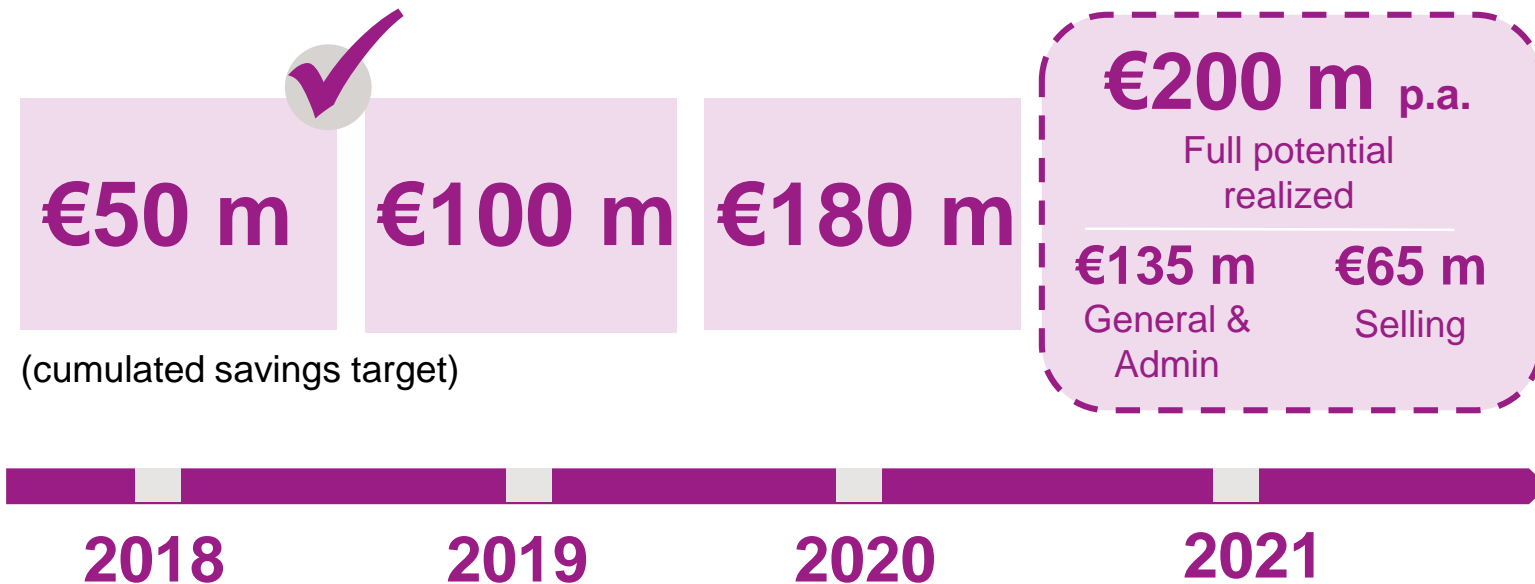
# Achieving cost excellence: SG&A 2020

## Targeting structural improvements in SG&A

Cost savings of **€200 m** p.a.

Reduction of **1,000 FTE**

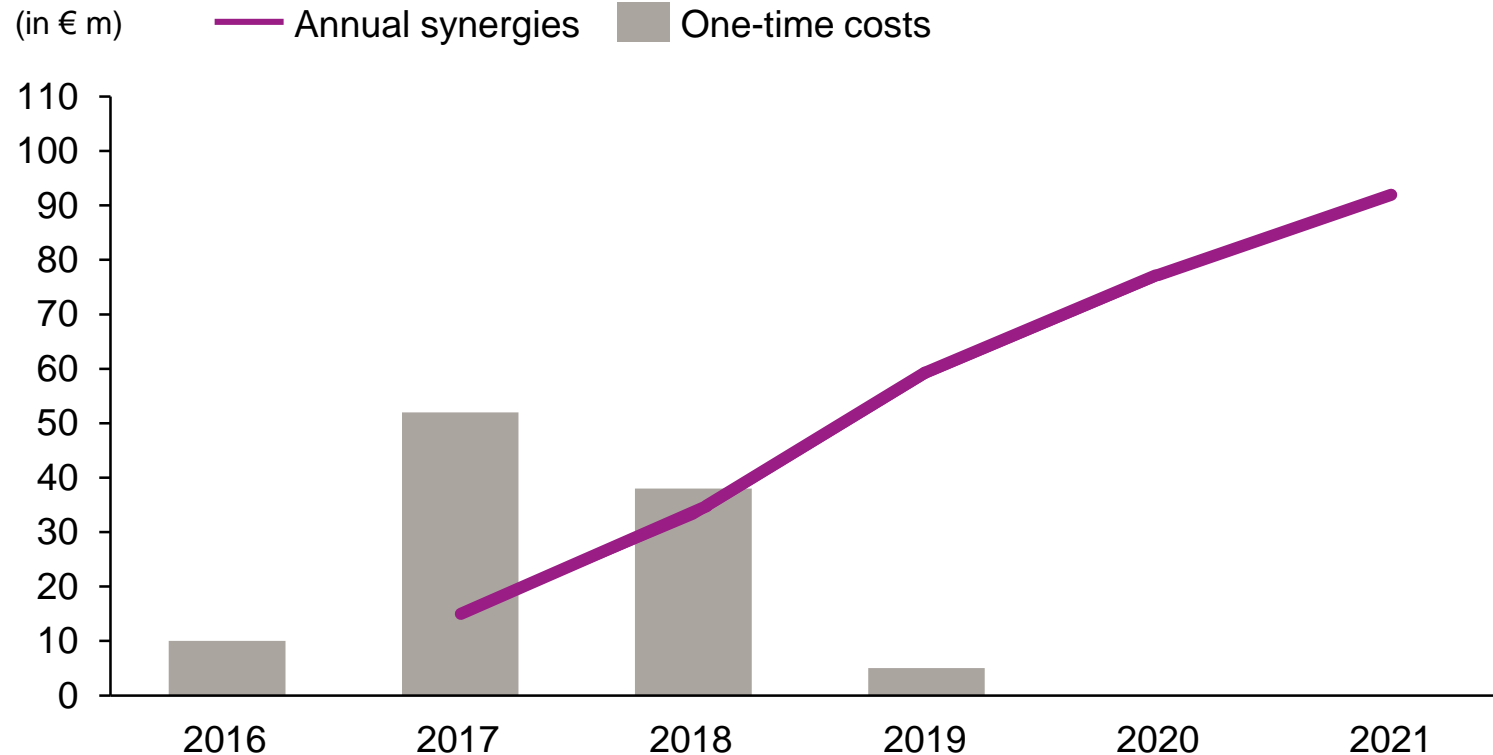
Savings **across all units and segments**



# Implementation schedule for acquisition synergies

## Ramp-up on track for Air Products specialty additives and Huber silica acquisitions

### Implementation schedule



### Total

#### Annual synergies

**~ €85 m p.a. (USD100 m)**  
 APD: ~ €68 m p.a. (USD80 m)  
 Huber: ~ €17 m p.a. (USD20 m)

#### One-time integration costs<sup>1</sup>

**~ €105 m p.a.**  
 APD: ~ €75 m p.a.  
 Huber: ~ €30 m p.a.

1. Excluding transaction-related costs | Currency translation based on current EUR/USD rate of ~1.20

# Leading in Innovation

Innovation growth fields with tangible size already today – strong growth ahead

## Innovation Growth Fields

Advanced Food Ingredients



Additive Manufacturing



Sustainable Nutrition



Membranes



Cosmetic Solutions

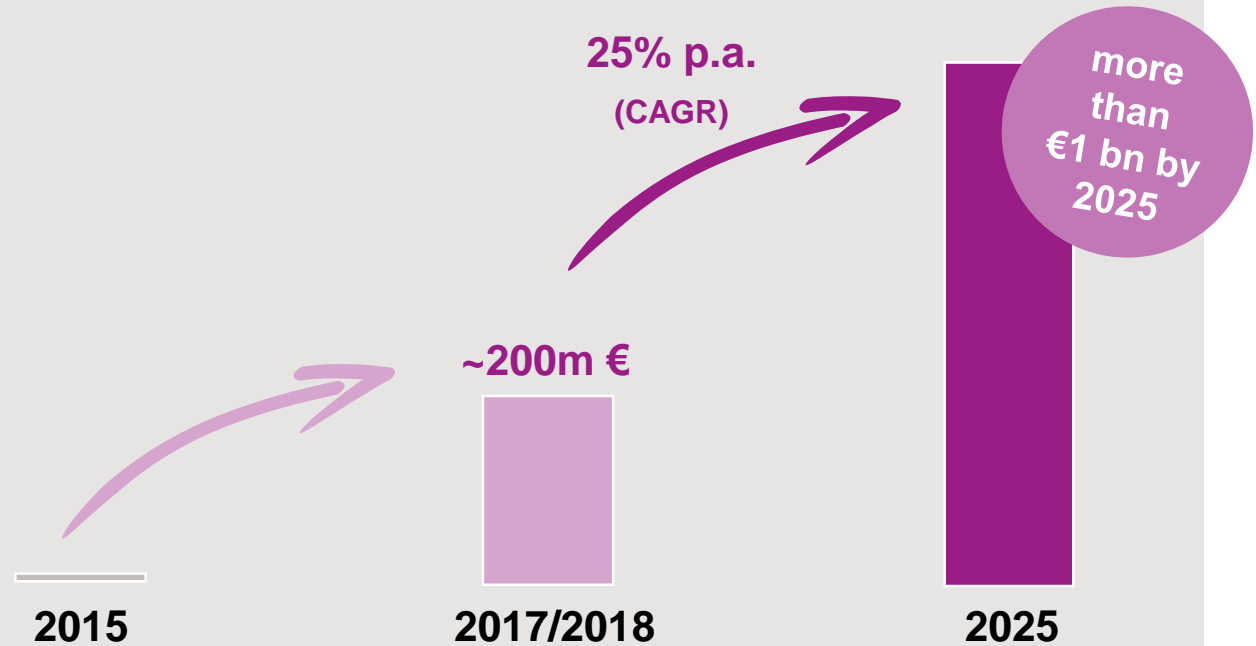


Healthcare Solutions



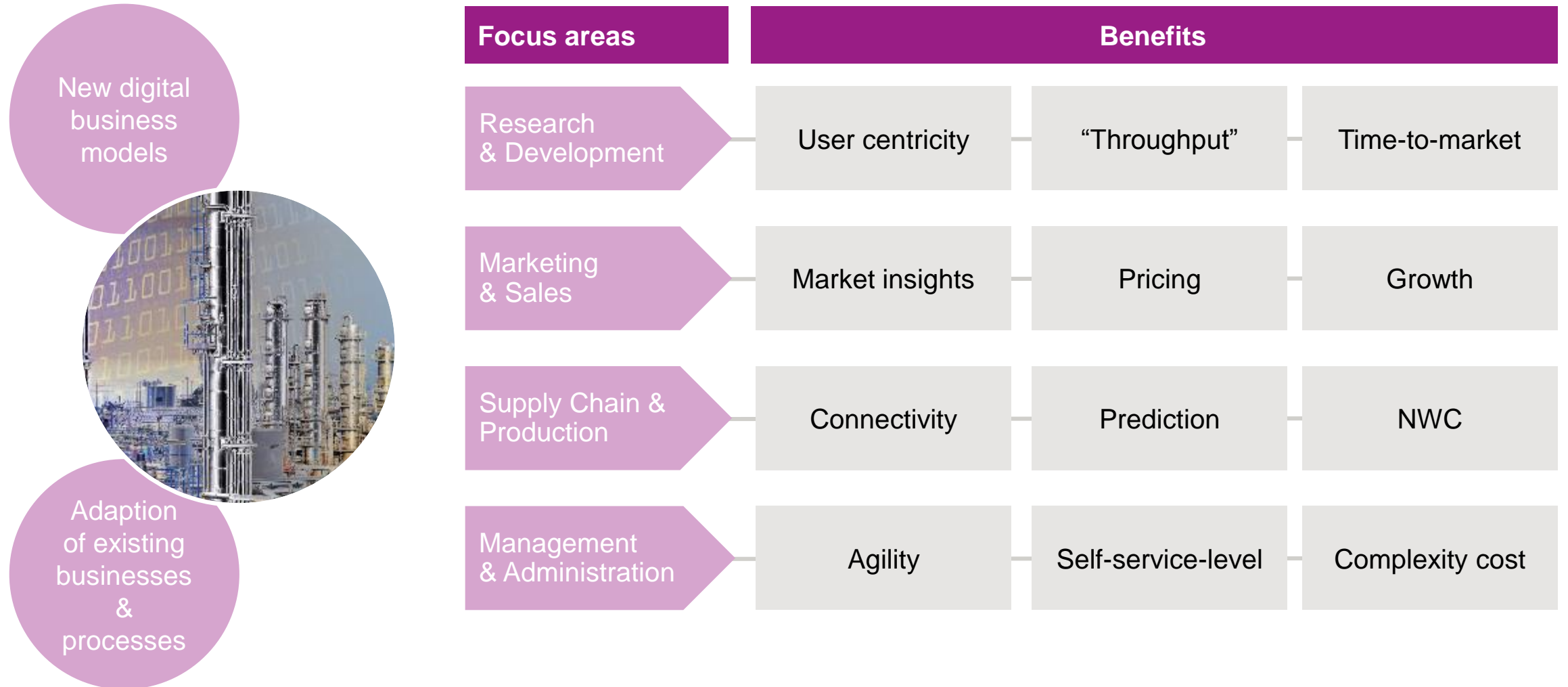
## Sales contribution

Additional contribution to sales from Innovation Growth Fields



# Digital innovations provide the means for value creation

## Digital transformation offers broad-based opportunities



# Open & performance-oriented culture

## New corporate values and performance management system

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### New corporate values

- Guidelines for cultural change
- Introduced in September 2018, now drilled down into the organization

---

### New performance management system

- Leaner process and strict alignment with Group financial targets on all levels
- Reach goals together rather than individually and in silos
- Clearer differentiation of individual performance levels
- To be implemented from 2019 onwards



# Appendix

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1. Strategy Details

**2. Acquisition of PeroxyChem**

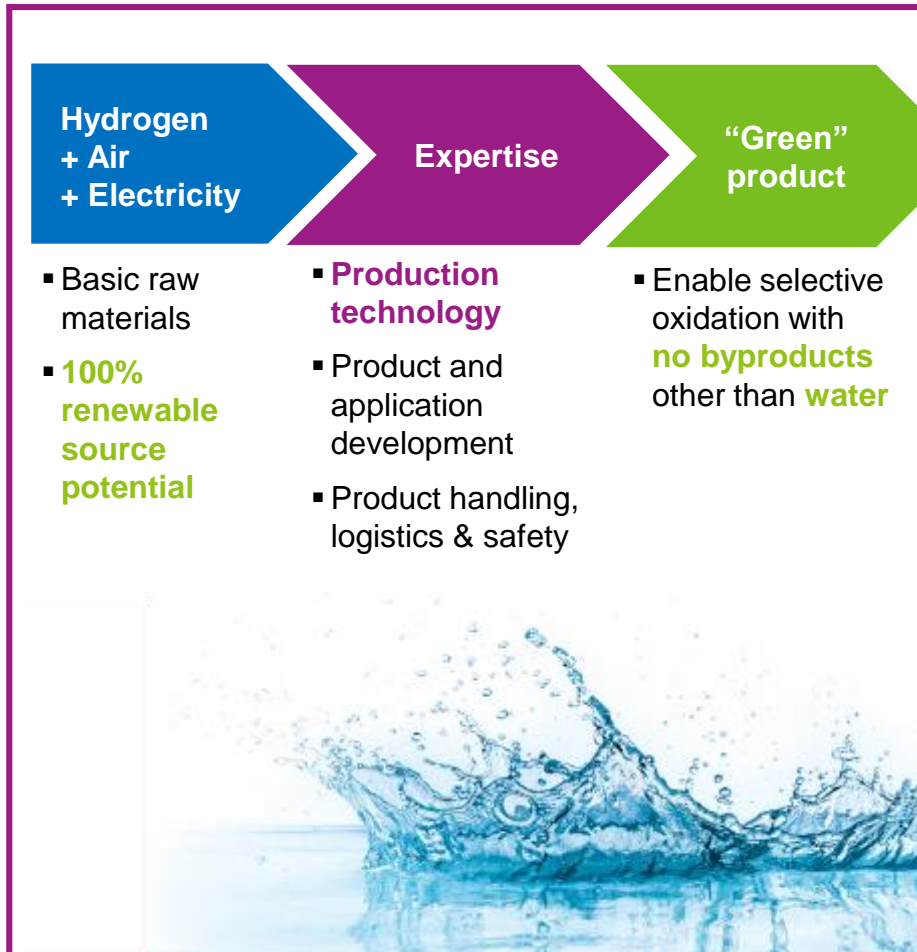
3. Segment overview

4. Financials

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# Strengthening growth segment Resource Efficiency

One of the most versatile and sustainable chemicals available




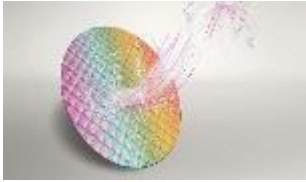



## Hydrogen peroxide (H<sub>2</sub>O<sub>2</sub>) and Peracetic acid (PAA)

- **Diverse applications and high importance of application development:** to commercialize new and enhanced products, technologies and services
- **Sustainability:** stricter environmental regulations as growth driver for environmentally-friendly peroxide applications
- **Highly contract-based business:** longstanding customer relationships with high share of revenue under contracts of >1 year
- **Resilience:** attractive margin profile with minimal raw material volatility or seasonality in demand
- **Asset set-up and logistics:** customer proximity, supply security and logistics as decisive factors

**Resilient and attractive business profile**

# Attractive peroxide applications

Focus on specialty applications with strong secular growth drivers

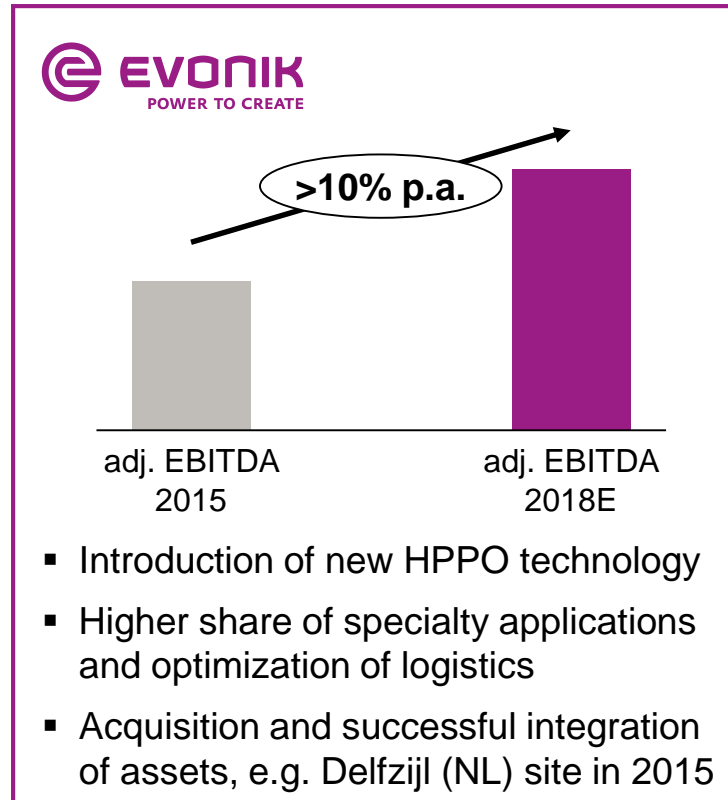
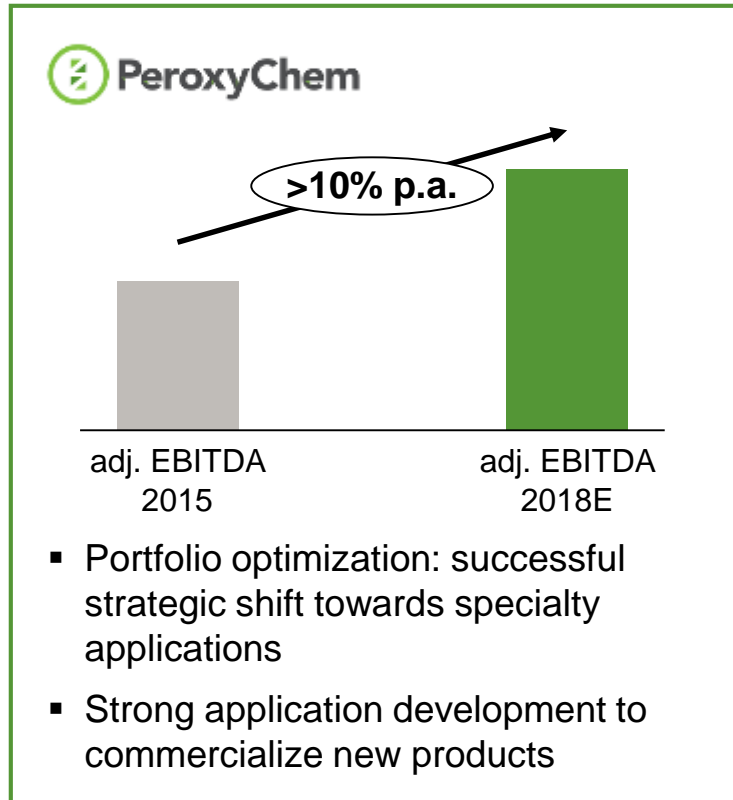
Specialties					
Industry	Environmental	Electronics	Food & Beverage	Other specialties	Process Chemicals
Application fields	<ul style="list-style-type: none"> <li>Solutions for waste water treatment, soil remediation and groundwater treatment</li> <li>H<sub>2</sub>O<sub>2</sub> and PAA as alternative to chlorine</li> </ul>	<ul style="list-style-type: none"> <li>Ultra-pure hydrogen peroxide as cleaning agent in semiconductor Fabs</li> </ul>	<ul style="list-style-type: none"> <li>PAA as disinfectant in poultry &amp; beef processing</li> <li>Aseptic packaging with H<sub>2</sub>O<sub>2</sub> and PAA</li> </ul>	<ul style="list-style-type: none"> <li>Medical, consumer and personal care applications such as sterilization of medical equipment and contact lens solutions</li> <li>Energy: Persulfates and PAA in hydraulic fracturing</li> </ul>	<ul style="list-style-type: none"> <li>Hydrogen peroxide for pulp and paper processing</li> <li>H<sub>2</sub>O<sub>2</sub> and PAA in chemical synthesis</li> </ul>
Growth driver	<ul style="list-style-type: none"> <li>Stricter environmental regulations</li> <li>Redevelopments of former industrial or military sites</li> </ul>	<ul style="list-style-type: none"> <li>Growth of mobile devices</li> <li>Automatization and digitalization</li> </ul>	<ul style="list-style-type: none"> <li>Stronger regulations for food safety</li> <li>Increased demand for convenient packaged food</li> </ul>	<ul style="list-style-type: none"> <li>Increased regulations on cosmetic and care products for high purity grades</li> <li>Rising domestic oil and natural gas production</li> </ul>	<ul style="list-style-type: none"> <li>Customer need for increased high product quality and supply security</li> </ul>
Growth	5-6% p.a.	>7% p.a.	4-6% p.a.	3-5% p.a.	3% p.a.



# Impressive growth track record and attractive growth perspective

## Earnings growth driven by portfolio shift to specialty business

### Resilient and strongly growing business (adj. EBITDA)

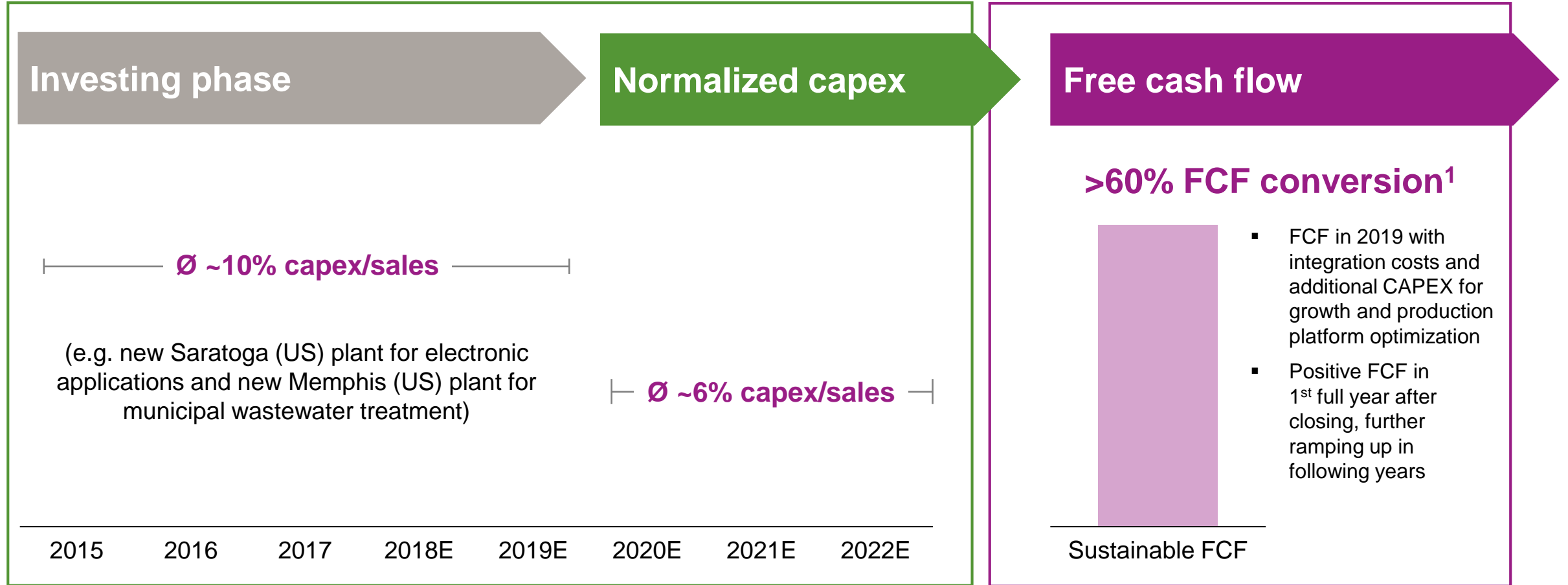


### Future growth drivers

- **Sustainability** and growing demand for environmentally-friendly specialty applications
  - ▶ e.g. **new Memphis plant** with long-term **take-or-pay contract** with City of Memphis for municipal wastewater treatment
- Increased exposure towards **specialty applications**
- **Optimization** in combined **asset set-up** and **logistics**
- Realization of **synergies**

# PeroxyChem – capital expenditures and free cash flow

## Low capital intensity and attractive FCF conversion



1. FCF conversion: FCF / adj. EBITDA

# Transaction summary

---

## Structure

- 100% acquisition of PeroxyChem
- On a cash- and debt-free basis

## Financing

- Financing secured via cash and committed credit facilities

## Timing

- Approved by PeroxyChem Board and Evonik's Supervisory Board
- Aiming for closing by mid 2019, subject to approval by responsible authorities

# Appendix

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1. Strategy Details
2. Acquisition of PeroxyChem
- 3. Segment overview**
4. Financials
5. Upcoming events

# Evonik Group

Number of BL's will be reduced from 22 to 17

## Nutrition & Care



- Animal Nutrition
  - Baby Care
  - Comfort & Insulation
  - Health Care
  - Personal Care
  - Household Care
  - Interface & Performance
- Care Solutions<sup>1</sup>**

## Resource Efficiency



- Silica
- Crosslinkers
- Coating & Adhesive Resins
- Oil Additives
- High Performance Polymers
- Active Oxygens
- Coating Additives
- Silanes
- Catalysts

## Performance Materials



- Performance Intermediates
  - Functional Solutions
  - Ag.chem. & P. Additives
  - Methacrylates
  - Acrylic Products
  - CyPlus Technologies
- Functional Solutions<sup>1</sup>**

Divestment process started

# Nutrition & Care

## Fulfilling human needs in a globalizing world

### Key characteristics

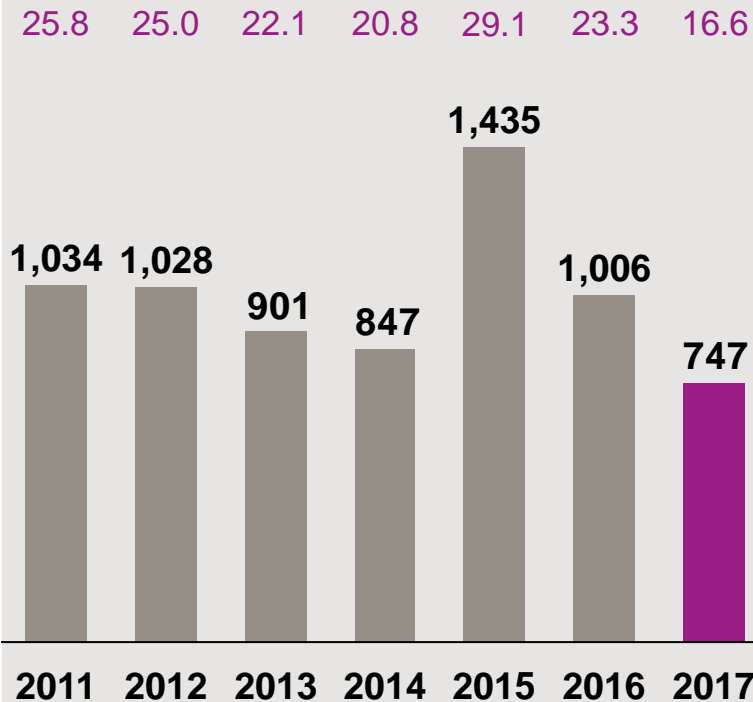
- High degree of **customer intimacy and market know-how**
- Enabling our customers to deliver **differentiating solutions** in their markets
- **Excellent technology platforms**
- **Sustainability** as major growth driver

### Key products

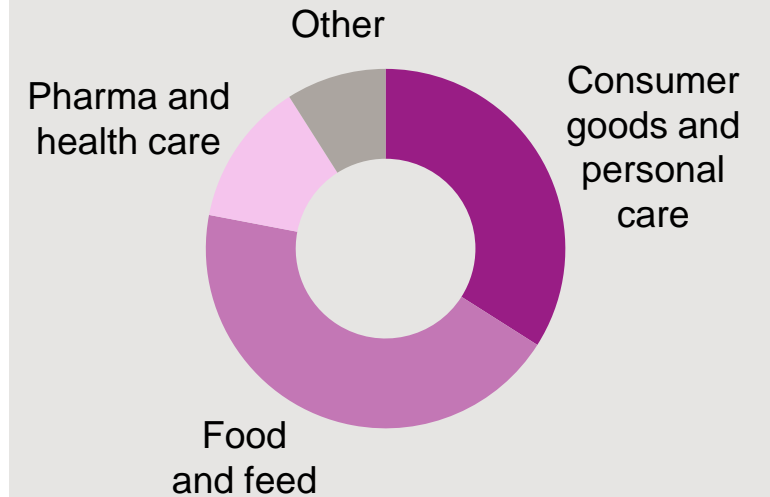
- Amino acids for professional animal nutrition
- Ingredients for cosmetic products
- Superabsorbents for baby diapers
- Drug delivery systems for controlled drug release



### Adj. EBITDA (€ m) and margin (%)

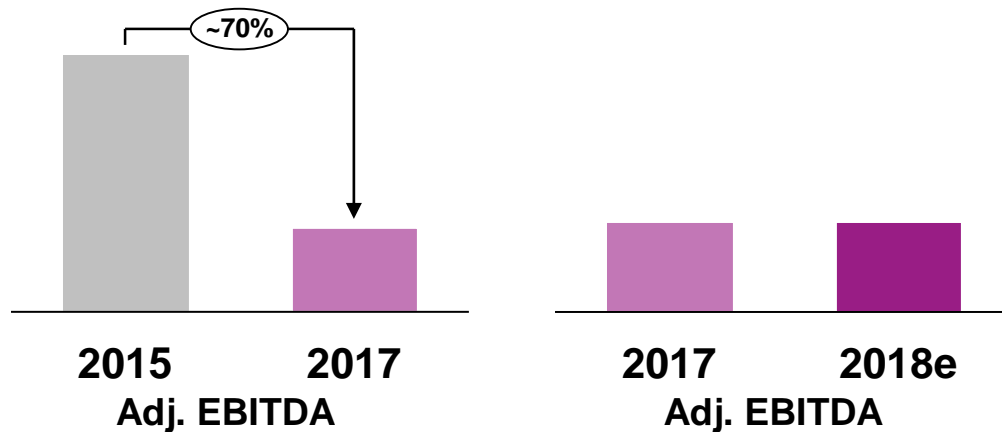


### End market split



# Strong growth in all business lines of Nutrition & Care has been overshadowed by declining prices in Animal Nutrition and Baby Care

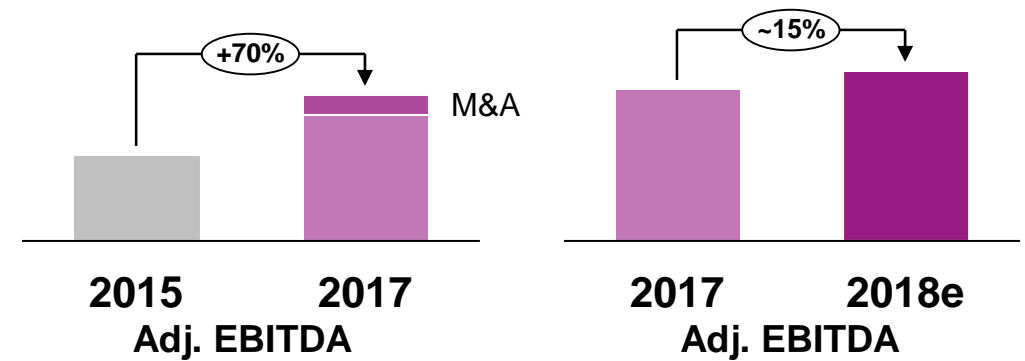
## Animal Nutrition and Baby Care



- Earnings decline since 2015 due to normalization of methionine price and overcapacities in Baby Care (Superabsorbents)
- 2018 showing clear signs of stabilization

## Other Nutrition & Care business lines





(Comfort & Insulation, Health Care, Personal Care, Household Care, Interface & Performance)



- Strong earnings growth since 2015 – finally becoming visible in 2018
- Besides Comfort & Insulation (organic growth and M&A-driven), Personal Care and Health Care as major drivers

# 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>▪ # 3-4 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)

	<b>Health Care</b> 	<b>Comfort &amp; Insulation</b> 	<b>Interface &amp; Performance</b> 
<b>Key products</b>	<ul style="list-style-type: none"><li>▪ Pharmaceutical coatings</li><li>▪ Active pharma ingredients</li><li>▪ Pharma grade amino acids</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>▪ # 3 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

# Spotlight on Nutrition & Care

Pioneer solutions for nutrition, healthcare, personal care and everyday living

A high-value portfolio shaped by the individual needs of our customers

- 1 Non-cyclical growth trends** Serving end markets with **robust and resilient growth (~5%)**
- 2 Technology platforms** **Strong backbone** for innovation & growth (e.g. Silicone Chemistry, Advanced Biotechnology)
- 3 Innovation** **Breakthrough innovations:** biodegradable medical devices, all-natural cosmetic raw materials, algae-based omega-3 fatty acids
- 4 Efficiency** Advance leadership by **growth initiatives & efficiency improvements**



# Portfolio Management – Animal Nutrition

Advance leadership position by growth initiatives and efficiency gains

## Strategic review process conducted in Animal Nutrition

### Broaden portfolio



...beyond amino acids:

- Probiotics
- CreAMINO®
- Omega-3 fatty acids
- Diagnostics

### Manage production setup



- Contract manufacturing for bio-amino acids
- Closure of uneconomic sites (e.g. Threonine in Hungary)
- Synergy realization for lysine and omega-3 production in Blair, NE

### Optimize cost base



- Process innovations to improve Methionine production cost base
- Streamlining supply chain
- Evolution of sales & marketing: strict cost-to-serve approach

Double-digit  
annual growth rates

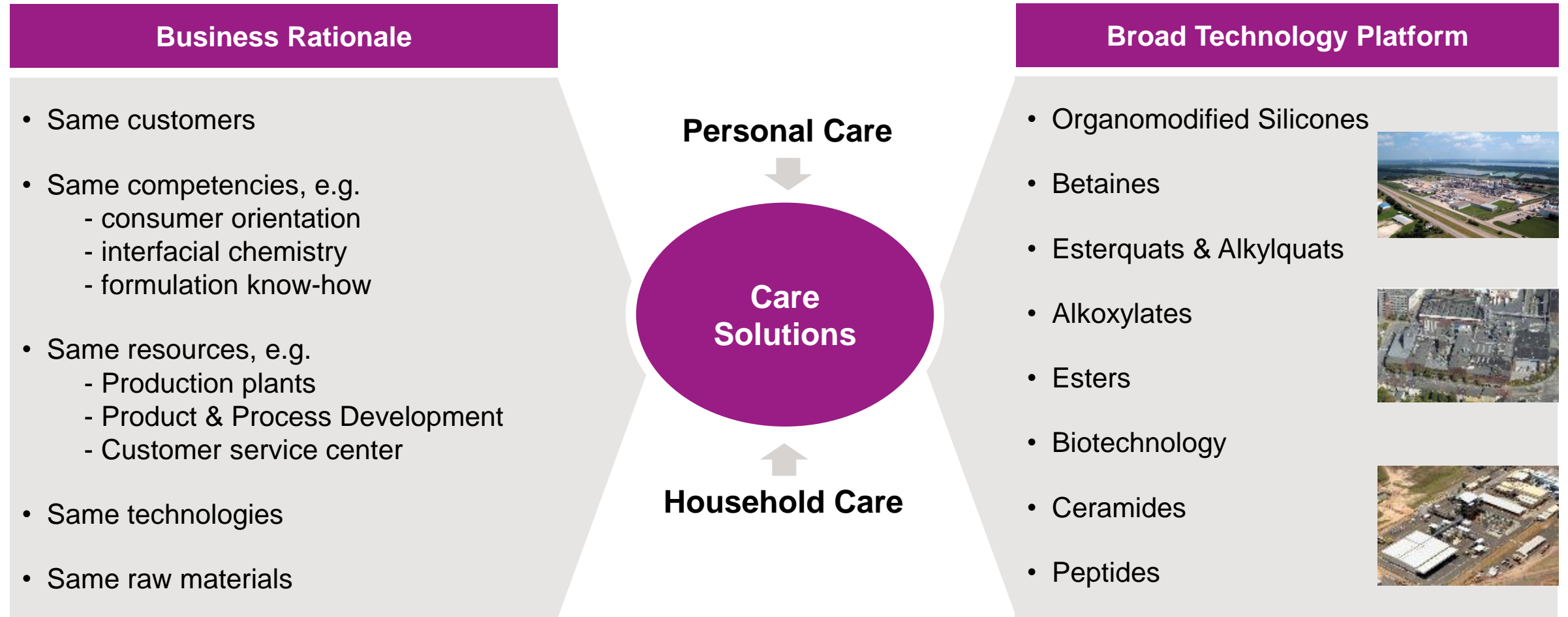
**€50 m p.a. efficiency improvements (“adjust 2020”)**

→ First savings already in 2018; full savings by 2020

→ Reduction of ~270 FTE across all functions

# Building a “Care Solutions” Powerhouse

## Combining Personal Care & Household Care business lines














# Evonik Care Solutions

Leading partner for Care applications: Translating technologies into marketable solutions



## Exemplary Applications

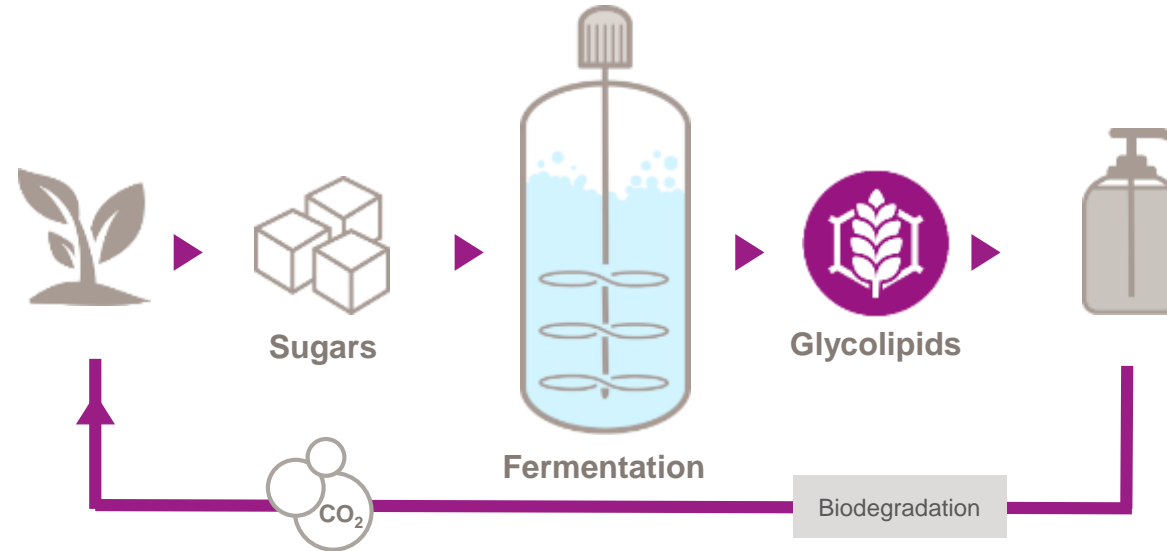
	Bath & Shower		Skin Care		Antiperspirants & Deodorants		Age Defying
	Hair Care		Sun Care		Colour Cosmetics		Industrial Institutional Cleaning
	Fabric Care		Drilling Fluid, Hydraulic Fracturing, Cementing Chemicals		Liquid Laundry Detergent		

<sup>1</sup> Sales from products/applications introduced in the past five years

# Business Line Care Solutions: RHEANCE® Glycolipids / Biosurfactants

## Biotechnology for a sustainable step change in cosmetic ingredients

**Consumer demand:**  
Products from 100% renewable natural resource  
(Traceable to plantation level)



**Consumer products:**  
Multifunctional solution for gentle cleansing enabling 100% biodegradable skin and hair care products with a strong performance and eco-profile

### Unique process – Unique products

- Nature-identical biomolecules
- By fermentation of sugars only
- No tropical oils needed
- Based on strong Evonik biotech platform

# Evonik Health Care

An enabling portfolio of products, technologies & services for high-value partnerships



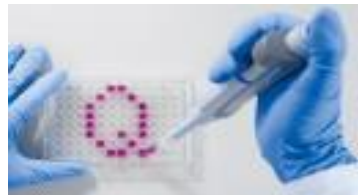
## Pharmaceuticals



API contract manufacturing



Oral and parenteral drug delivery



Cell culture and tissue engineering

## Bioresorbable Implants



Biomaterials



Application technologies

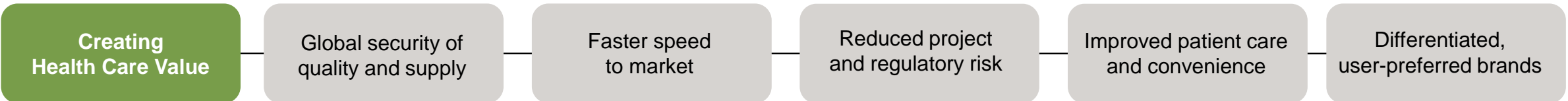
## Nutraceuticals



Advanced food ingredients



Nutraceutical coatings



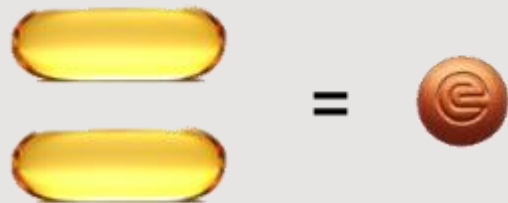


# Business Line Health Care: AvailOm®

## The highest-load Omega-3 powder for cardiovascular and cognitive health

- High-concentration lysine powder complex
  - Minimum of 45 percent EPA and DHA by weight
  - 3-5 times more bioavailable than standard Omega-3 softgels
- Directly compressible to easily combine with other ingredients
- Unmatched protection against oxidation: stable for at least 3 yrs.
- Clearance for use in the U.S., Europe and other markets
- New formulation opportunities for new consumer products

A small, single tablet has the same uptake of EPA and DHA as two fish oil capsules



**DHA to help maintain normal brain function with  
EPA + DHA to maintain normal heart function**



Cognitive health



Cardiovascular health



# Resource Efficiency

## Innovative products for resource-efficient solutions

### Key characteristics

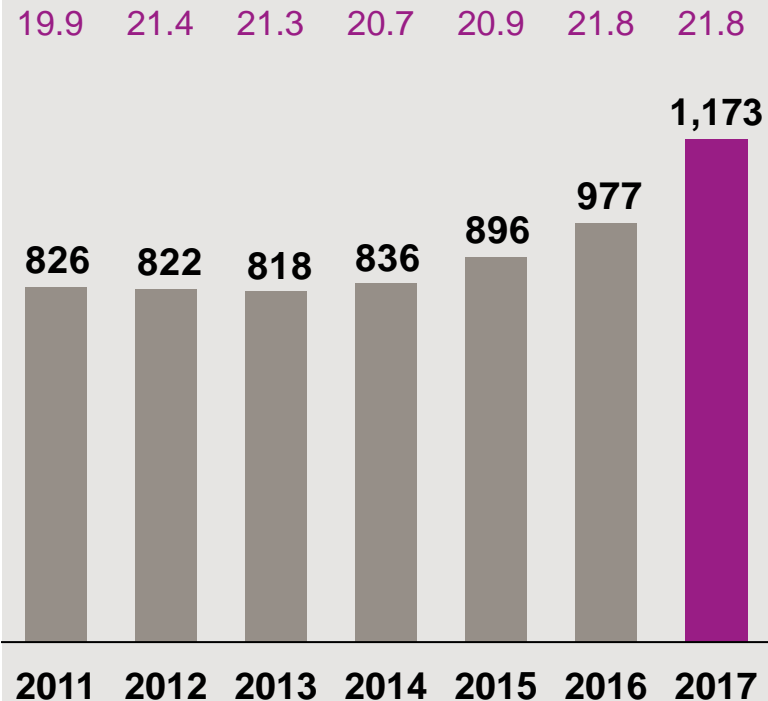
- Focus on **performance-impacting** and value-driving components
- **Minor share of cost** in most end products
- Strong focus on **technical service**
- **Low risk of substitution**
- High pricing power (**value-based pricing**)

### Key products

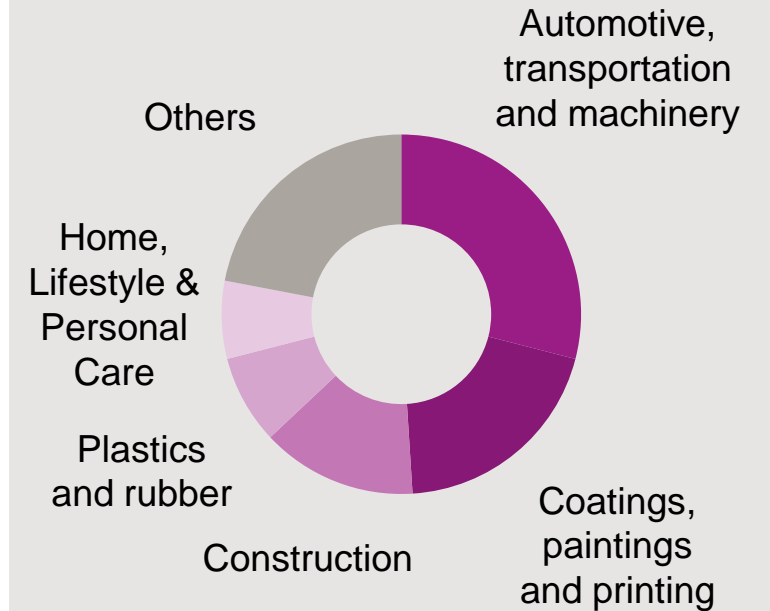
- Precipitated and fumed silica as flow property enhancers
- Crosslinkers for composite materials and coatings
- Viscosity modifiers for oils and hydraulic fluids



### 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> </ul>	<ul style="list-style-type: none"> <li>▪ Crosslinkers for composites, elastomers and 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>▪ Automotive lubes</li> <li>▪ Industrial lubes</li> <li>▪ Hydraulic systems</li> </ul>	<ul style="list-style-type: none"> <li>▪ Composites</li> <li>▪ Coatings &amp; inks</li> <li>▪ Construction / 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>▪ Solvay</li> <li>▪ Wacker</li> </ul>	<ul style="list-style-type: none"> <li>▪ Infineum</li> <li>▪ Lubrizol</li> <li>▪ Afton</li> <li>▪ Oronite</li> </ul>	<ul style="list-style-type: none"> <li>▪ BASF</li> <li>▪ Covestro</li> <li>▪ Wanhua</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> <li>Electronics</li> <li>Fish-Farming</li> </ul>	<ul style="list-style-type: none"> <li>Automotive components</li> <li>Medical</li> <li>Oil &amp; gas pipes</li> <li>Additive manufacturing</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 high 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>#2 in activated base metal catalysts</li> </ul>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>Dow Chemical (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 Chemical (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

# Resource Efficiency

## True specialty segment as strong value driver for Evonik

### High profitability and high-value specialty portfolio

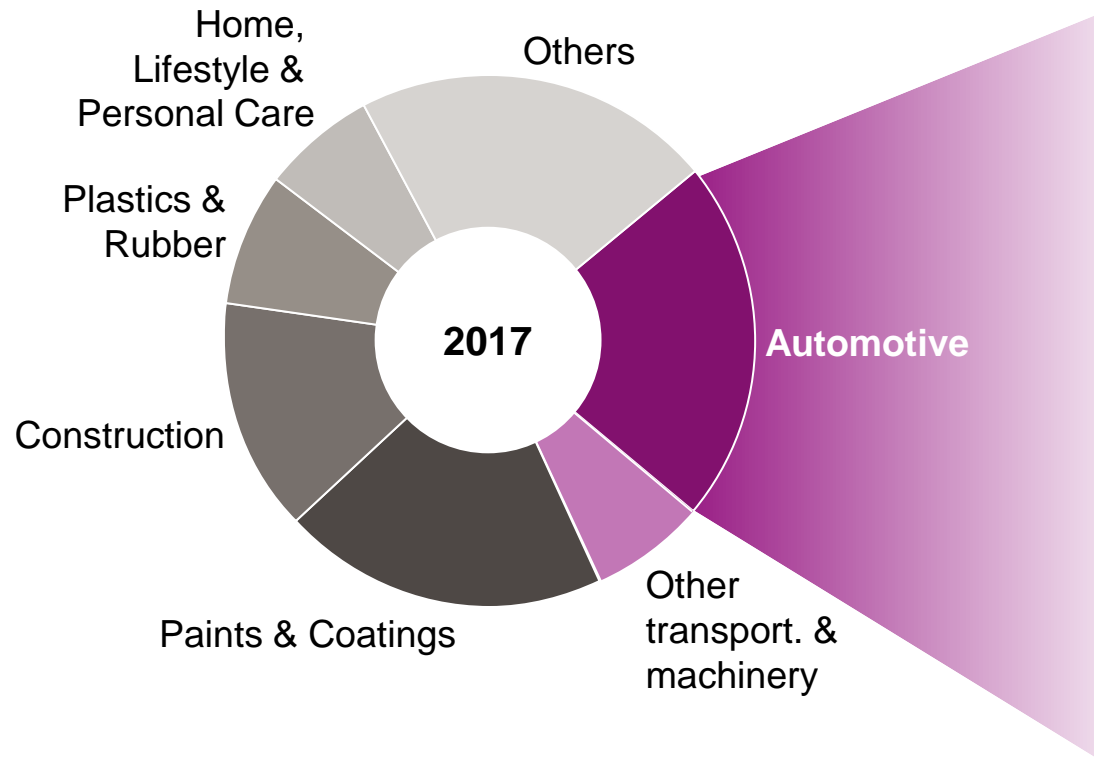
- 1 Portfolio** → High-value and resilient specialty business with broad application scope
- 2 Financials** → Commitment to continue growth track record with resilient EBITDA margins >20%
- 3 Innovation** → Strong technology platforms, application know-how and innovation focus
- 4 Efficiency** → Continue efficiency improvement with focus on SG&A, digitalization and process efficiency



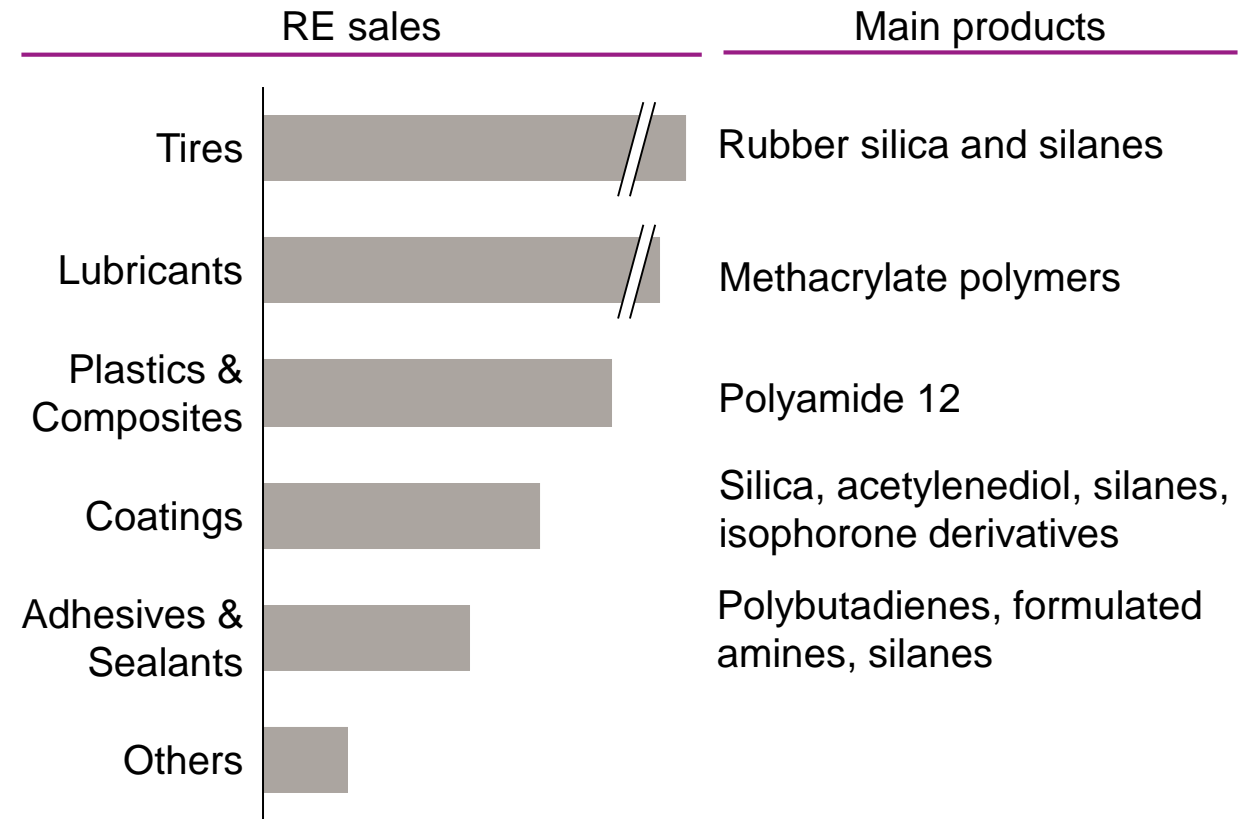
# Resource Efficiency

## Diversified auto product portfolio with broad OEM and replacement exposure

RE sales by Evonik end markets



Automotive end market by direct customer industries



RE sales split 2017

# Business Line Silica

Silica market with strong growth, Evonik leading supplier with full coverage

## Silica market

- Market growth: 4-6%, expected to stay clearly above GDP
- Main growth driver: eco-friendly and custom-tailored, steadily new applications
- Market access: reliable and cost competitive raw material base crucial

## Evonik positioning

- Only supplier for both, **fumed** and **precipitated silica** as well as **metal oxides**
- **Superior process technology** (e.g. integrated silica-silane production platform)
- In-house “Verbund” and external **raw material** partners
- **Global production platform** (26 sites)
- Regional **customer proximity** (~200 M&S employees, presence in 100 countries)
- Unique product portfolio with **>100 larger volume specialties** as well as **customized solutions**





# Business Line Silica

## Innovation pipeline goes beyond the existing business

### 1 Re-innovate product solutions for existing markets

#### New ULTRASIL® grade for SUV tires

- Growing demand for larger SUVs tires
- Challenge for tire manufacturers: Sufficient stiffness in spite of their size
- **ULTRASIL® 7800 GR** offers the right mix to give SUV tires the needed stiffness, low rolling resistance and improved “grip”
- This reduces **CO2-emissions** and **lowers fuel consumption** by up to **8%**



### 2 Tap into new markets via application development

#### AEROXIDE® as additive in Li-ion batteries

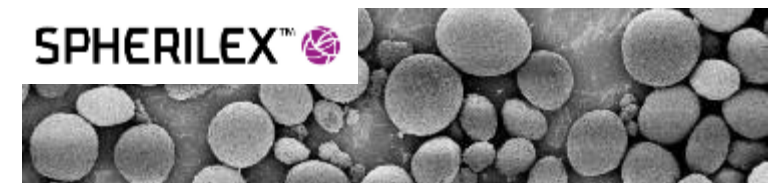
- Li-ion battery market shows a continued high growth rate, ultimately fueled by the **electric vehicle** market
- Key industry challenges are **performance, life-time,** and **safety** of the battery
- **AEROXIDE®** fumed metal oxides from Evonik help addressing these challenges as additives in Li-ion battery components



### 3 Create new technology options to enlarge the playing field

#### SPHERILEX® a new silica class

- New product class, unique, **patented manufacturing process** and materials
- Able to produce **novel, precipitated silica morphologies** with traditional raw materials
- Ability to control pore size, pore size distribution and surface area
- Applications examples: oral care, cosmetics and coatings





# Business Line Silica

## Investment highlights

Start-up	Investment	Rationale	Precipitated Silica	Fumed Silica
2017	Acquisition of Huber Silica Business	Excellent complementary fit for high-growth and resilient Silica business	x	
2018	New precipitated silica plant in South Carolina, USA	World-scale facility close to production plants of large tire manufacturers	x	
2019	Capacity expansion, Antwerp 2020	Investment in additional fumed silica capacities in Antwerp		x
2020	Capacity expansion in Adapazari, Turkey	Investment into additional precipitated silica capacities mainly for tire applications	x	
2021	Joint Venture with Wynca to produce fumed silica	First fumed silica plant in the attractive Chinese market with strong local partner		x

## Business Line High Performance Polymers

### Evonik to expand its leading position in powdered PA 12 for Additive Manufacturing

- Evonik VESTOSINT products have clear USP for powder-based 3D printing (e.g. chemicals resistance, melting point etc.)
- Strong growth potential with ongoing transition from prototyping to manufacturing
- Strong relationships with leading printer manufacturers (e.g. EOS, HP)
- New polyamide 12 powder plant in Marl
  - Investment in the mid double-digit million € range
  - New facility primarily produces high-performance powders for the 3D printing market, which is expanding heavily with double-digit growth rates



# Business Line High Performance Polymers

## Several growth markets benefitting from unique Polyamide 12 properties

### Additive Manufacturing

Mid-term CAGR<sup>1</sup>



**VESTOSINT®** **>15% p.a.**

- PA12 powders for various powder based 3D technologies

Unique PA12 benefit:  
powder quality (shape & precision)

### Automotive



**VESTAMID®** **5-10% p.a.**

- E.g. fuel lines for conventional vehicles & cooling lines for battery packages

Unique PA12 benefit:  
impact & chemical resistance

### Oil and Gas



**VESTAMID® NRG** **>10% p.a.**

- PA12 for large diameter pipes for offshore Oil and Gas production
- PA12 for onshore gas distribution

Unique PA12 benefit:  
high strength & chemical resistance

### Medical



**VESTAMID® Care** **5-10% p.a.**

- Heart catheters and tubes
- Durable medical equipment in imaging devices

Unique PA12 benefit:  
biocompatibility

1. Evonik estimates

# Business Line Coating Additives

## Serving the high demand for eco-friendly, water-borne coatings

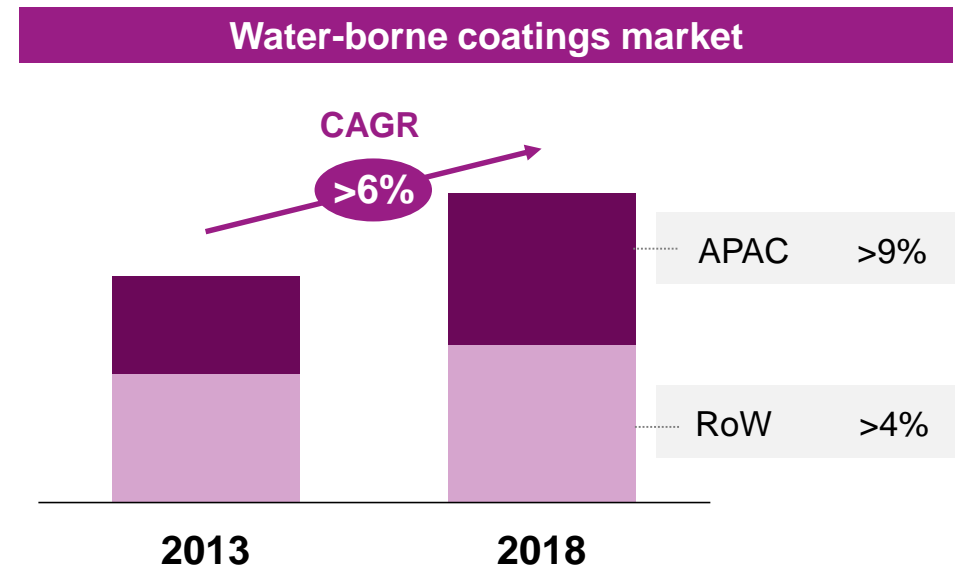
### Challenges & needs:

- Chinese government introduced new coating-regulations to prevent solvent-borne coatings
- First step: only water-borne coatings allowed for container-paintings (China accounts for 90% of worldwide containers-production)
- Increasing use of waterborne coatings also for e.g., wood coatings, protective coatings, industrial coatings

### Approach & Solution:

- Evonik as leading player for water-borne coatings
- Strong and innovative portfolio to serve the growing demand for water-borne coatings and applications from various industries

→ **Additional double digit million € sales in 2018**



# Performance Materials

## Integrated production platforms for efficient production of rubber and plastic intermediates

### Key characteristics

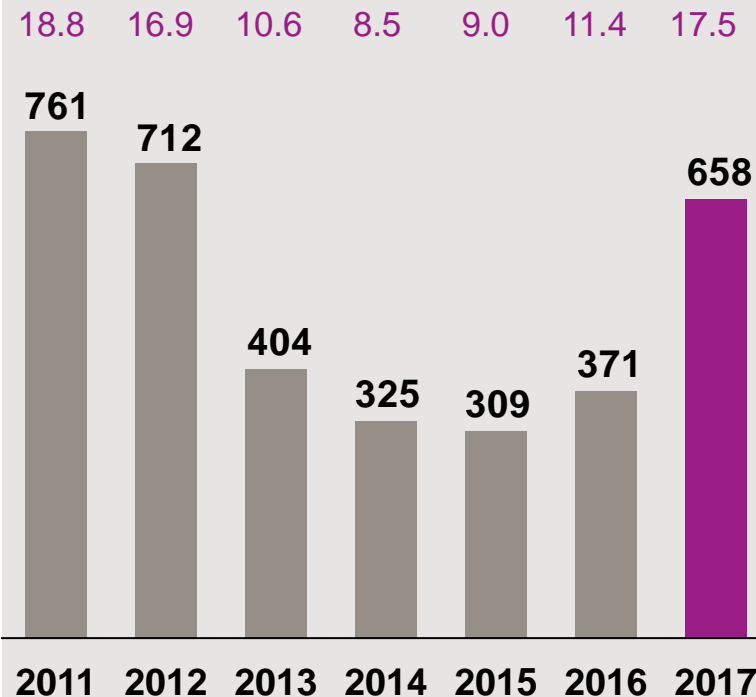
- Strong **integrated production platforms**
- **Leading cost positions**
- Favorable **raw material access**
- Focus on **continuous efficiency improvements**
- High degree of **supply reliability**

### Key products

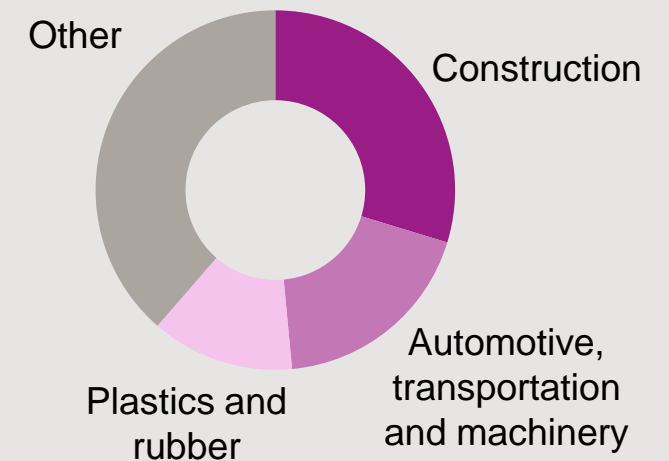
- Acrylic sheets, molding compounds (PMMA) and its precursors (MMA), e.g. for LED and touch screens
- Butadiene for synthetic rubber
- MTBE as fuel additive



### Adj. EBITDA (€ m) and margin (%)






### End market split



# Performance Materials




## Business Line overview (1/2)

	Performance Intermediates	Methacrylates	Acrylic Products
<b>Key products</b>	 <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>
<b>Main Applications</b>	<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>
<b>Market position<sup>1</sup></b>	<ul style="list-style-type: none"> <li># 1 in Butene-1</li> <li># 2 in INA</li> </ul>	<ul style="list-style-type: none"> <li># 2 in MMA</li> <li># 2 in PMMA molding compounds</li> </ul>	<ul style="list-style-type: none"> <li># 2 in PMMA sheets</li> </ul>
<b>Main competitors</b>	<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)

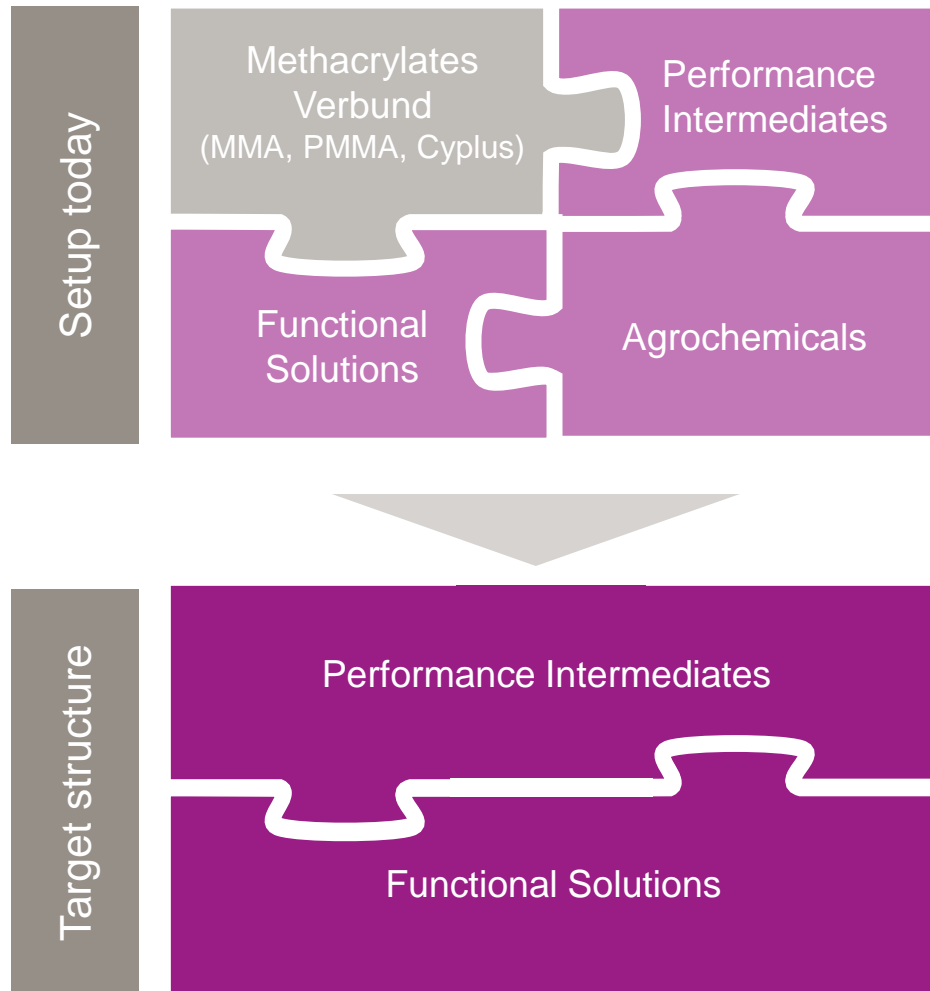
	Agrochemicals & Polymer Additives	Functional Solutions	CyPlus Technologies
<b>Key products</b>	 <ul style="list-style-type: none"> <li>▪ Triacetonamine</li> <li>▪ Crosslinkers</li> <li>▪ Precursors for crop protection</li> </ul>	 <ul style="list-style-type: none"> <li>▪ Alkoxides (e.g. sodium methylate)</li> </ul>	 <ul style="list-style-type: none"> <li>▪ Sodium cyanide</li> <li>▪ Potassium cyanide</li> </ul>
<b>Main Applications</b>	<ul style="list-style-type: none"> <li>▪ Polymer additives</li> <li>▪ Optical brighteners</li> <li>▪ Photovoltaic</li> <li>▪ Agro chemicals</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>
<b>Market position<sup>1</sup></b>	<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>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>▪ Lanxess</li> <li>▪ Weylchem</li> </ul>	<ul style="list-style-type: none"> <li>▪ BASF</li> <li>▪ Smotec</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



# Streamlined setup of Performance Materials segment

## Merger Functional Solutions & Agrochemicals business lines



### Merger Functional Solutions & Agrochemicals: Bundling of competencies

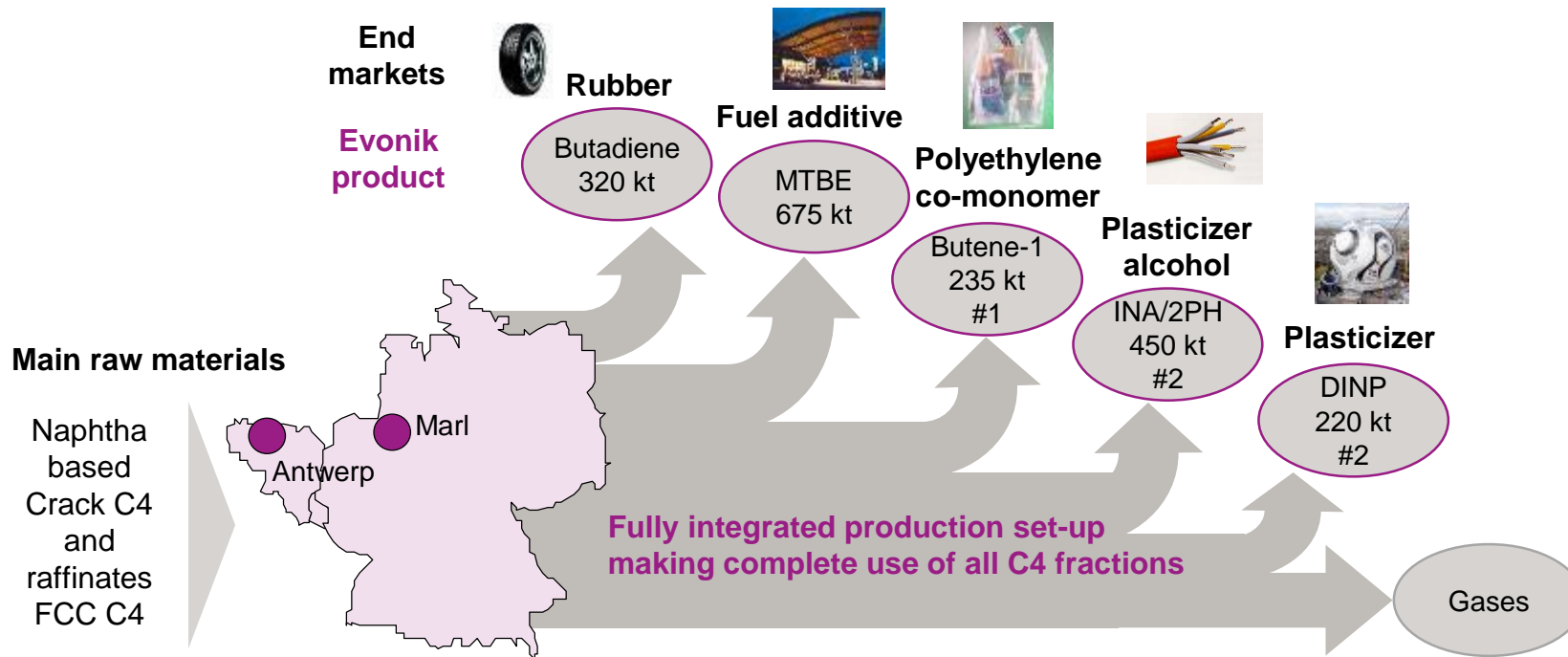
- **Complexity reduction:**
  - On segment level: Going forward, only 2 business lines in Performance Materials
  - On business line level: Reduction of product lines from 5 to 3 (in new Functional Solutions business line)
- **Efficiency improvement:**
  - Further optimization of Chlorine Verbund
  - More efficient supply chain organization
  - Bundling of mgmt. positions and support functions



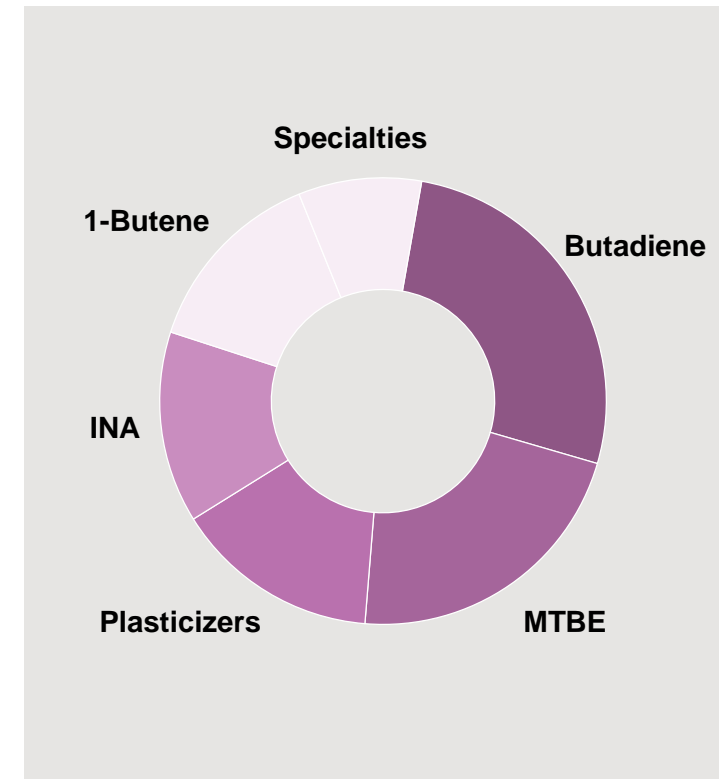
# Performance Intermediates (C4 chain)

## Fully integrated production platform in Europe

### Capacity overview



### Share of total sales by product



# Strategic project to further strengthen our C4 chain



## Target

### C4 “Verbund” optimization through:

- Increased productivity
- Optimization of supply
- Higher product flexibility



## Addressed levers

- Better utilization and debottlenecking of existing plants
- Better catalysts
- Improved product mix



## Approach

### Holistic evaluation of “Verbund” structure

- Interdisciplinary teams
- Agile cooperation methods like Scrum
- Scope: Products & Markets, Processes & Plants, Innovation



## Financial impact

### Consequent focus on efficiency

- Realization of main strategic targets while spending significantly less capex
- **Capex savings of ~55%** after completion

# Portfolio Management – Methacrylates

## Divestment of Methacrylates business

### Business Facts

~€1.7 bn  
sales in 2017

#2 globally  
in MMA and PMMA

18 sites

Access to  
C2, C3 & C4  
-based technologies

~3,700  
employees<sup>1</sup>

>3%  
global market growth

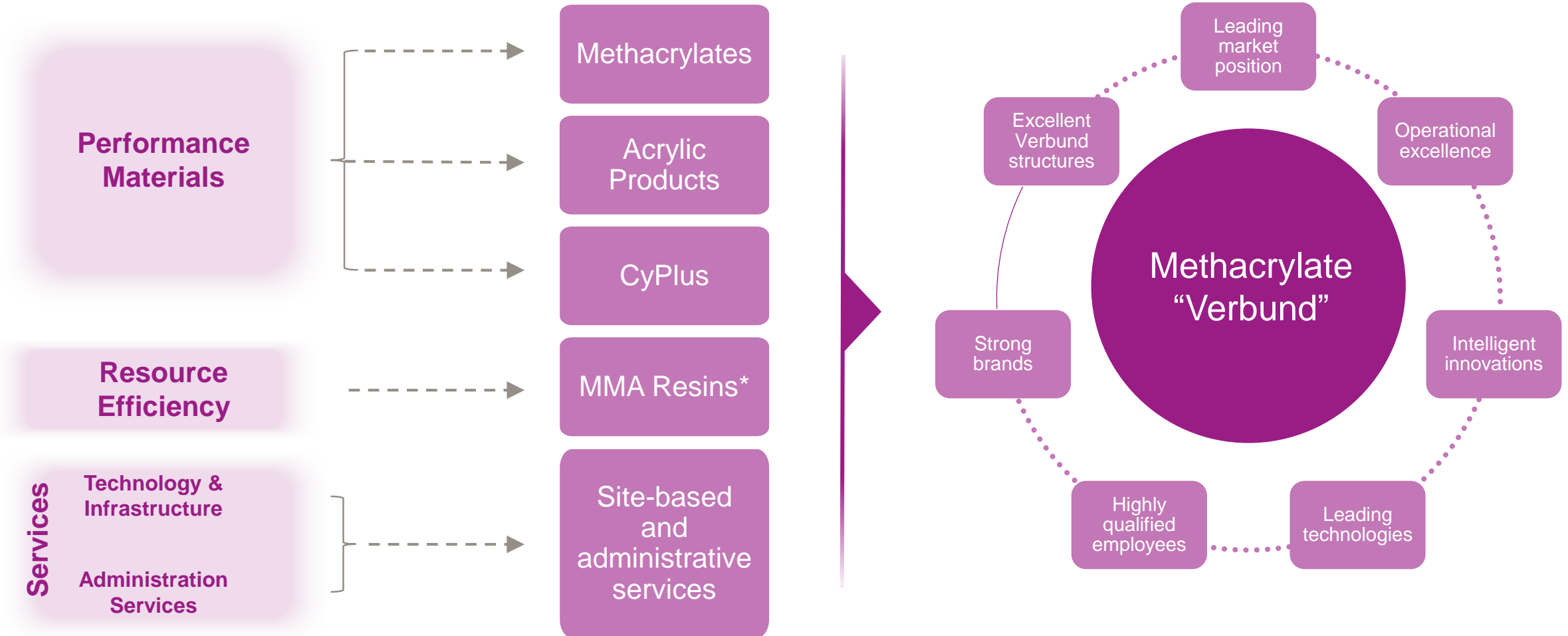
- Methacrylates in good shape and well positioned
- C2 technology “LiMA” opens new opportunities for the business
- Business perspectives cannot be realized with current portfolio role
- Driving process to find a new owner

**Divestment  
process for  
Methacrylates  
initiated**

1. In operational and service functions

# The new Verbund pools methacrylate competencies

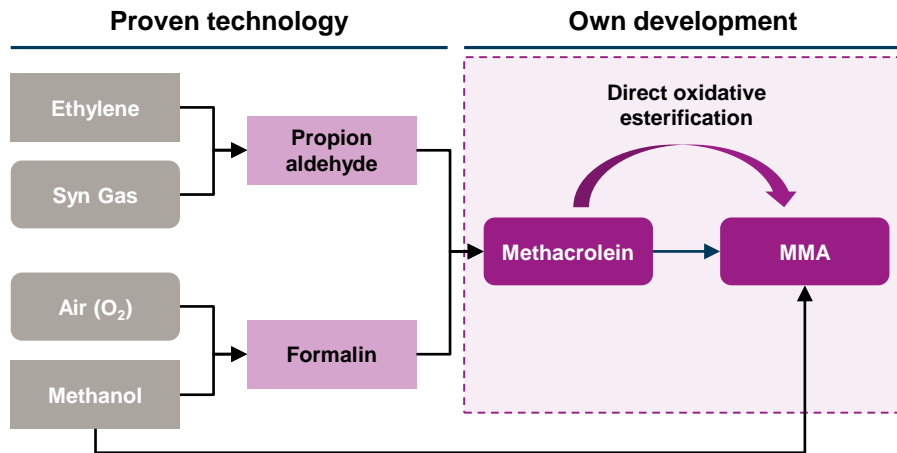
Our claim: the world's leading methacrylate business



\* Product groups: Protective Coatings & Inks , Roadmarking & Flooring

# Proprietary C2 MMA technology with disruptive potential

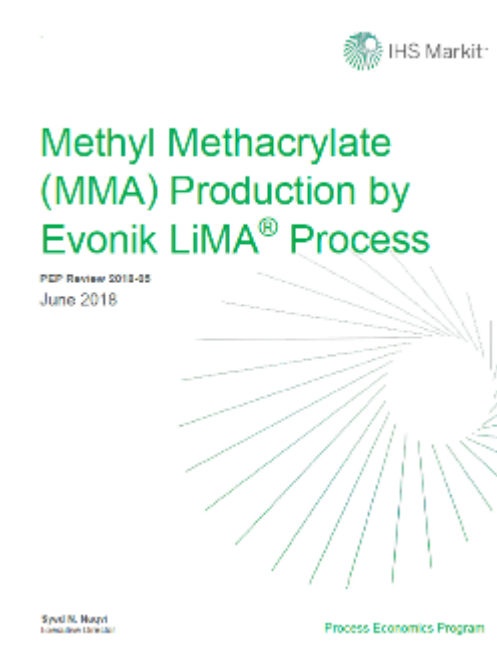
## LiMA – C2 MMA production technology



Pilot plant with >10,000 hrs

- ➔ **Intelligent process ...**  
proprietary catalyst with high yield and selectivity
- ➔ **Efficient new catalyst ...**  
accesses shale gas as raw-material source
- ➔ **Best-in-class ...**  
in environmental impact (emission, energy)

## Advantages of LiMA



*“Based on our analysis, we believe that LiMA has a strong potential to produce MMA at lower costs and with lesser environmental impact than Lucite’s Alpha process.”*

*IHS PEP Review*

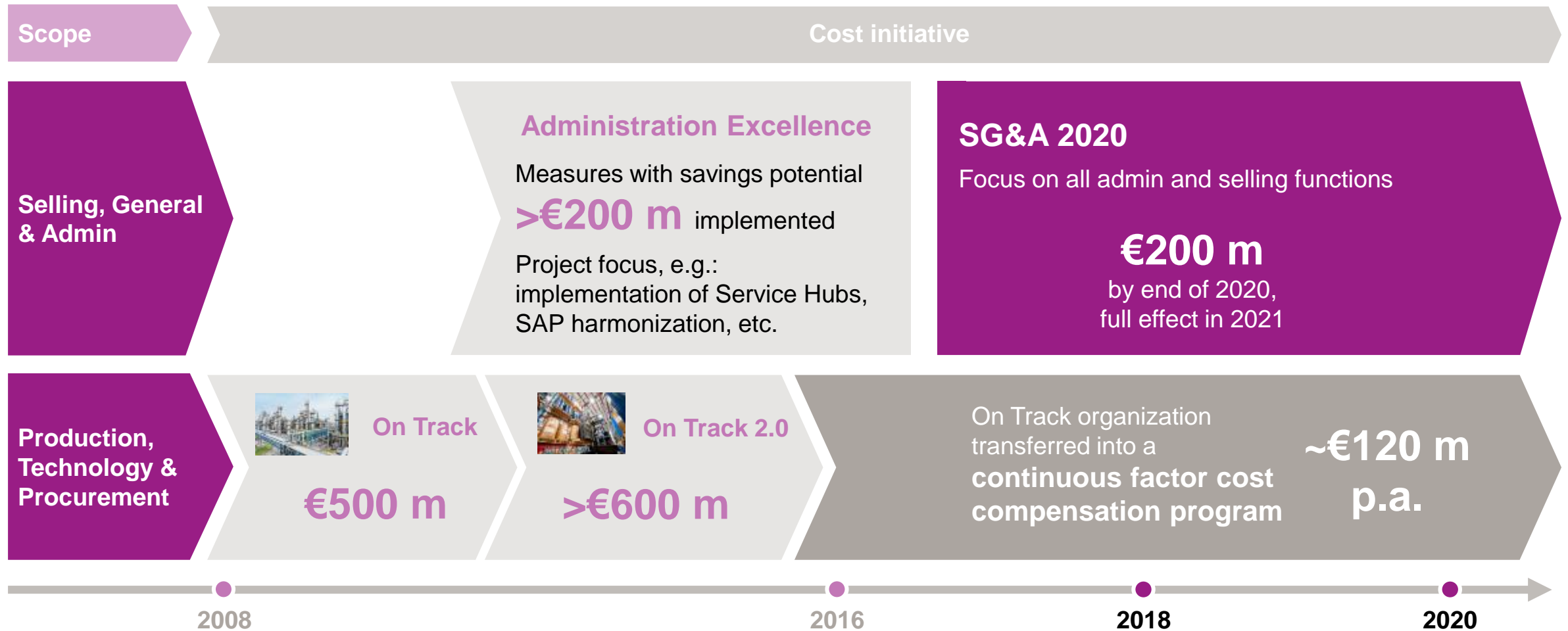
# Appendix

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1. Strategy Details
2. Acquisition of PeroxyChem
3. Segment overview
- 4. Financials**
5. Upcoming events

# Recent cost initiatives

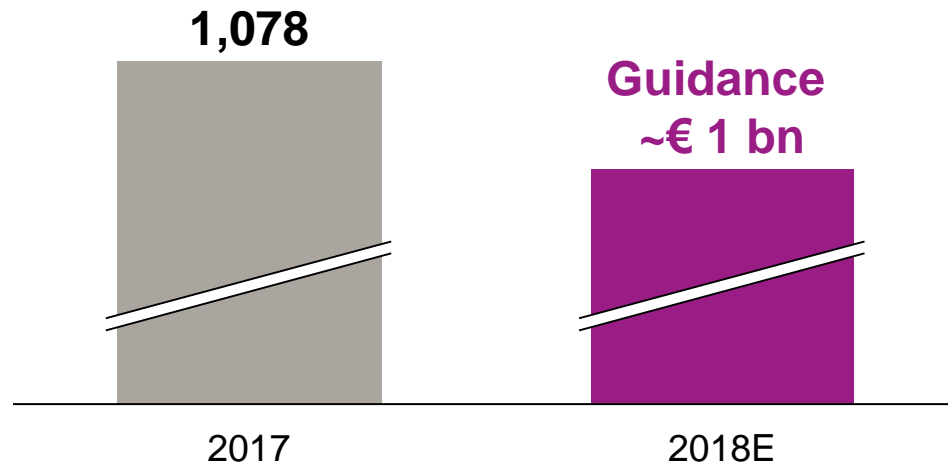
## Program to achieve cost excellence in admin and selling initiated



# Capex 2018

~€1 bn despite additional €150 m for Me6 plant

## Capex development



- Additional ~€150 m capex for Me6 plant in Singapore compared to prior year (total Me6 spending in 2018: ~€300 m)
- Overall lower capex in 2018 due to high capex discipline in form of reduced maintenance capex or postponement of projects

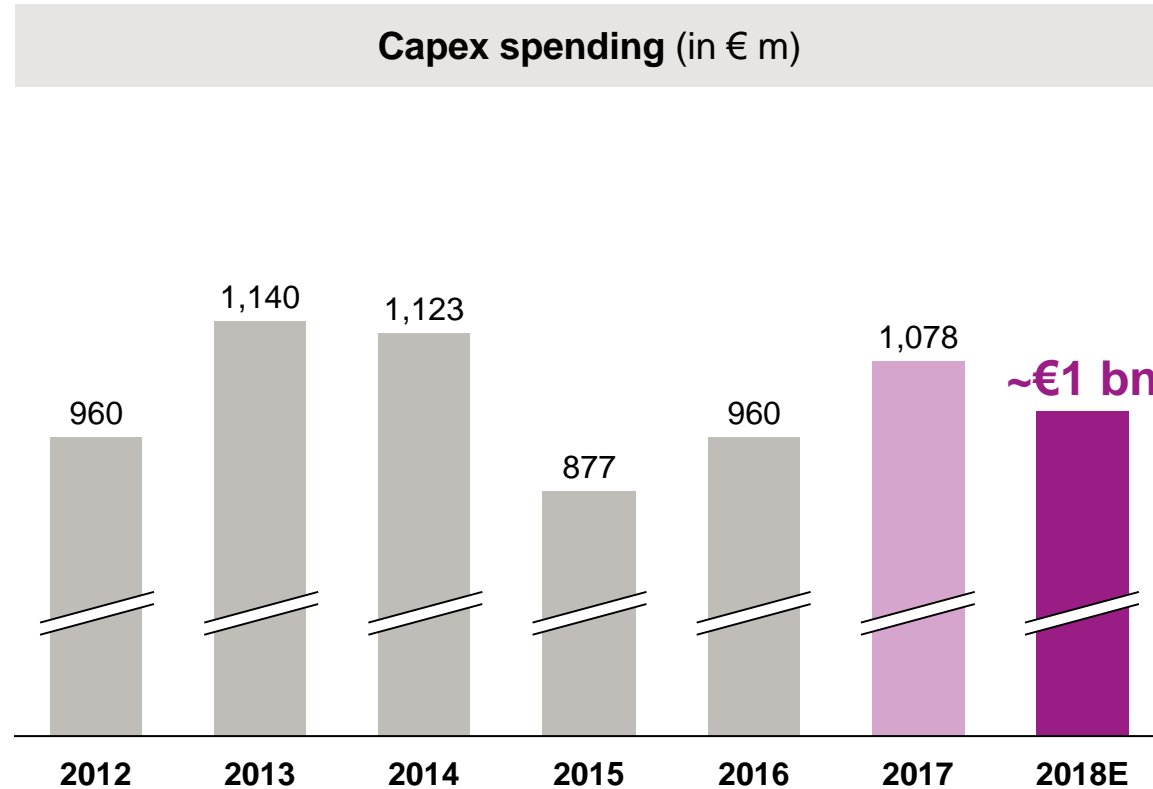
## Top growth projects 2018

- **Methionine 6 (Me6)**
  - More than half a billion €, 2016-2019  
Singapore
- **Extension precipitated silica**
  - ~€100 m; 2016-2018  
Charleston, South Carolina
- **Extension of fumed silica**
  - Upper double-digit million €, 2017-2019  
Antwerp
- **Veramaris (Green Ocean)**
  - ~€100 m (Evonik share), 2017-2019  
Blair, Nebraska

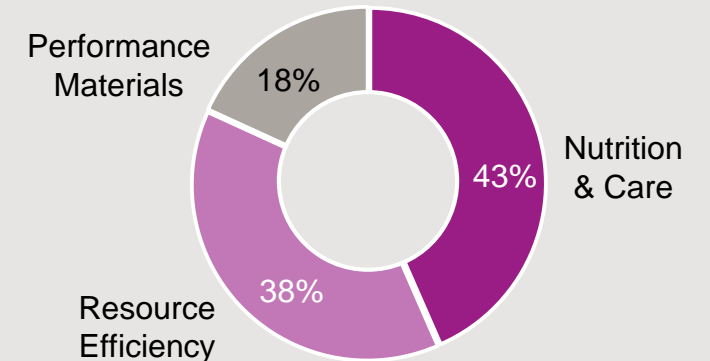


# Investments

## Capex with significant decrease since 2013 – focus on growth segments



- Capex focus on the two growth segments
- **Sustainable capex level going forward: ~€900 - 950 m**
- Sizable investment projects will result in slightly elevated levels during project time (e.g. second Methionine plant in Singapore with more than half a billion € of Capex between 2016 and 2019, peaking in 2018)



Capex 2017 for chemical segments

# Investments

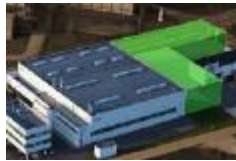
## Selective projects announced for 2018/2019

### Investment projects successfully completed ...

#### Polyimide membrane exp.

Austria

**Rationale:** strengthen growth in attractive gas separation market and position as technology leader for membrane-based gas separation



#### PA12 powder exp.

Germany

**Rationale:** additional capacities target highly attractive growth markets (e.g. 3-D printing) and solidifies leading market position for PA 12



#### Specialty silicones plant

China

**Rationale:** local production increases flexibility in the fast growing market for specialty silicones (e.g. used in polyurethane, paints, and coatings)



### ... and projects with start-up planned for 2019

#### Veramaris JV (Green Ocean)

United States

Start-up: 2019

Volume: ~€100 m



#### Extension of fumed silica

Belgium

Start-up: 2019

Volume: upper double-digit million €



#### New methionine plant (Me6)

Singapore

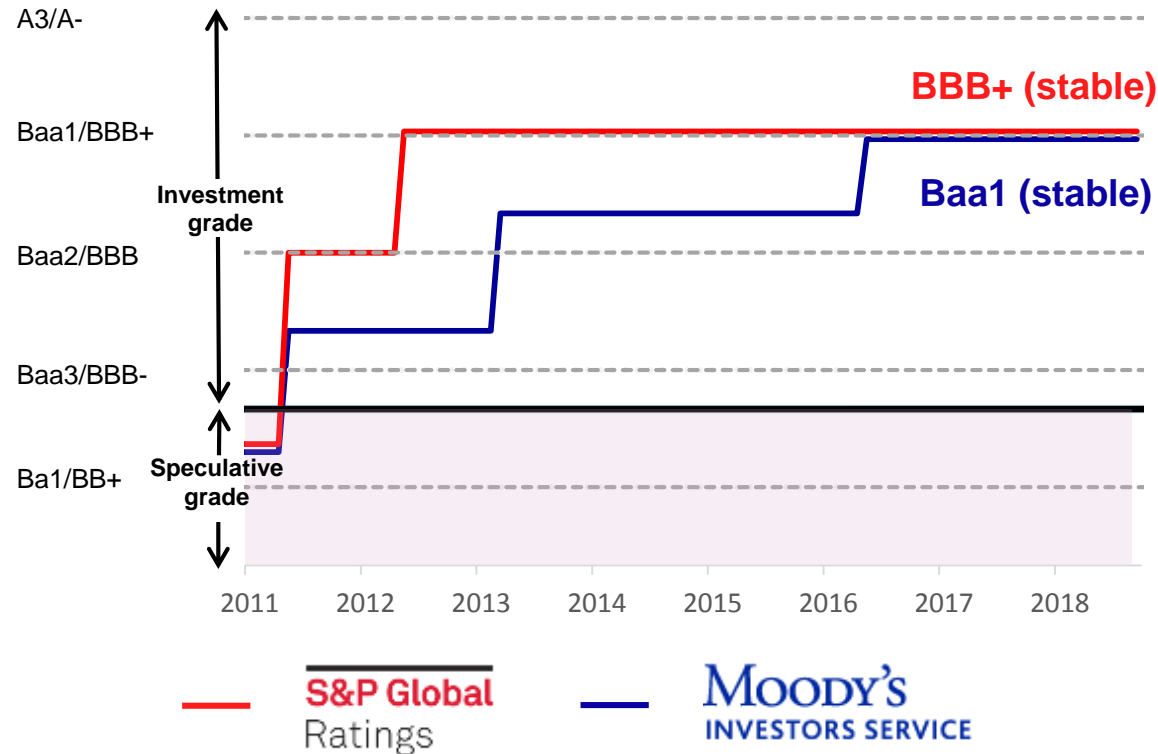
Start-up: 2019

Volume: >€500 m



# Financial policy

## Maintaining a solid investment grade rating



### Both rating agencies affirmed its ratings in 2018 based on

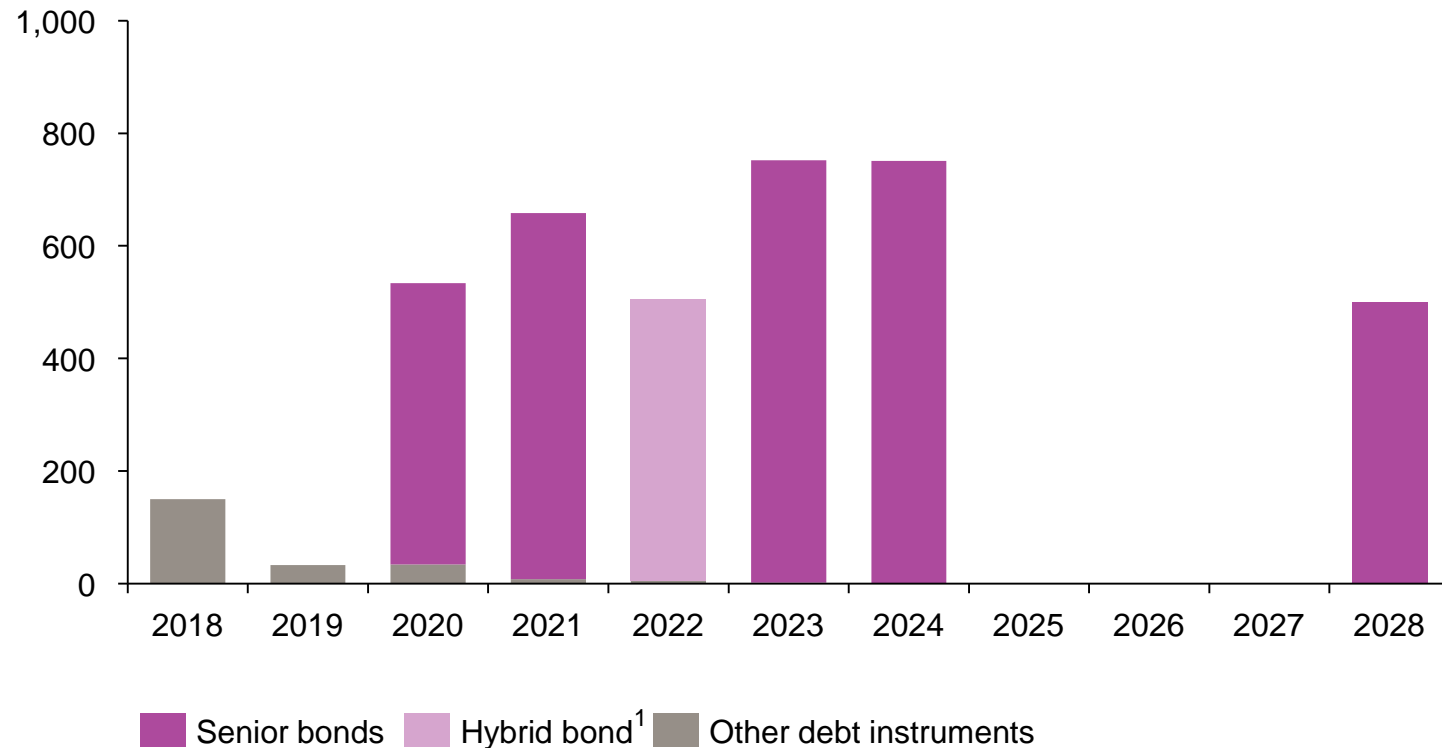
- Strong business profile underpinned by significant size and leading global market positions
- Greater-than-peer diversity in terms of end-markets and product range
- Acquisitions of Air Products Specialty Additives and Huber Silica enhances the specialty chemicals portfolio
- Supportive financial policy and management's commitment to a solid investment-grade rating

Maintaining a solid investment grade rating is a central element in our financing strategy

# Debt structure

## Well balanced maturity profile

(in € m as of September 30, 2018)

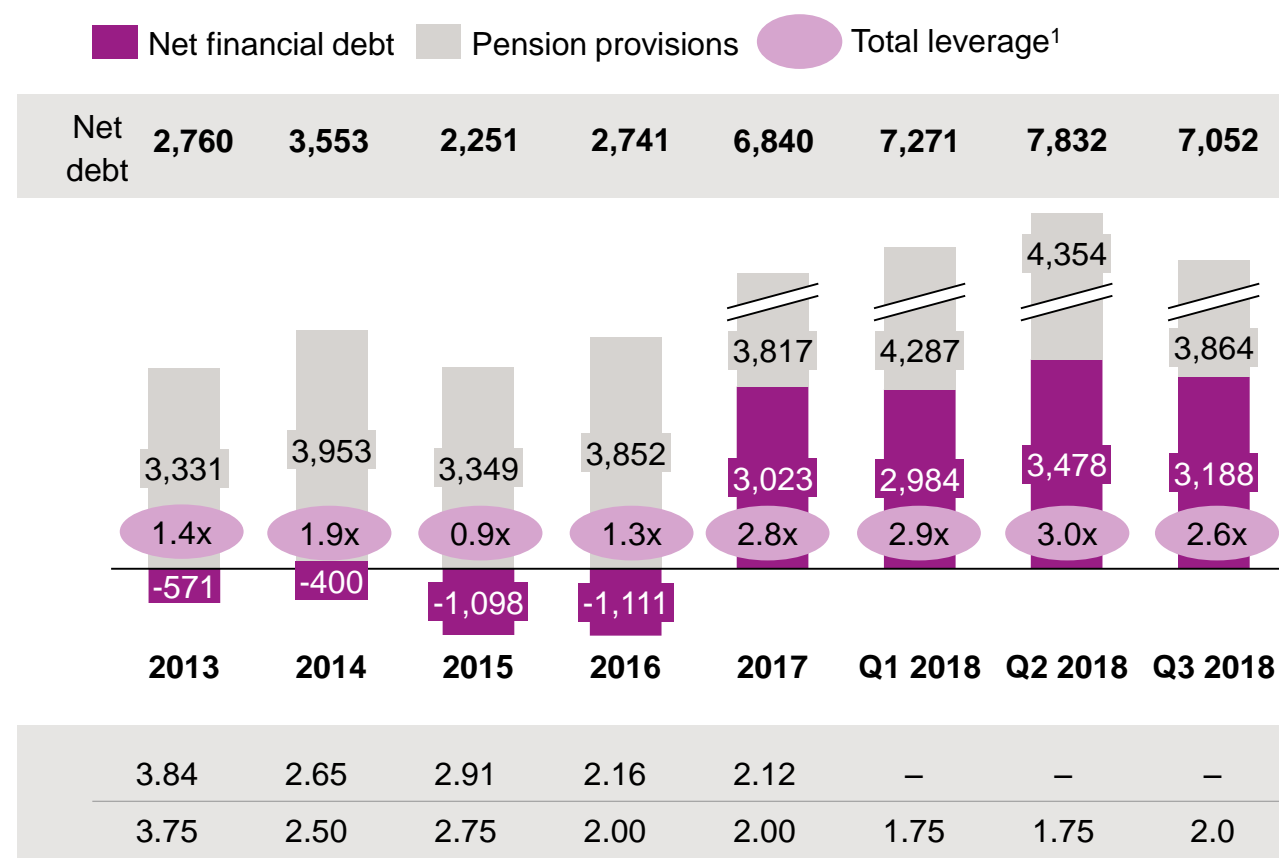


- Well balanced debt maturity profile with no single maturity greater than €750 m
- Long-term capital market financing secured under favorable conditions: average coupon of only 0.74% p.a. on €3.15 bn senior bonds and 2.125% p.a. on €0.5 bn hybrid bond
- Undrawn €1.75 bn syndicated revolving credit facility maturing June 2023 (plus one-year extension option) provides comfortable level of back-up liquidity

1. Formal lifetime of 60 years; first redemption right for Evonik in 2022

# Development of net debt and leverage over time

(in € m)



- Decrease of net financial debt during Q3 due to positive operating cash flow development
- Increase of discount rate for Germany (from 1.75% to 2.00%, as per September 30, 2018) resulting in decrease in pension provisions
- Net financial debt development 2017 mainly driven by acquisition-related purchase price payments (in particular APD and Huber Silica)
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.1 bn
- More than half of total net debt consists of long-dated pension obligations; average life of DBO exceeds 15 years

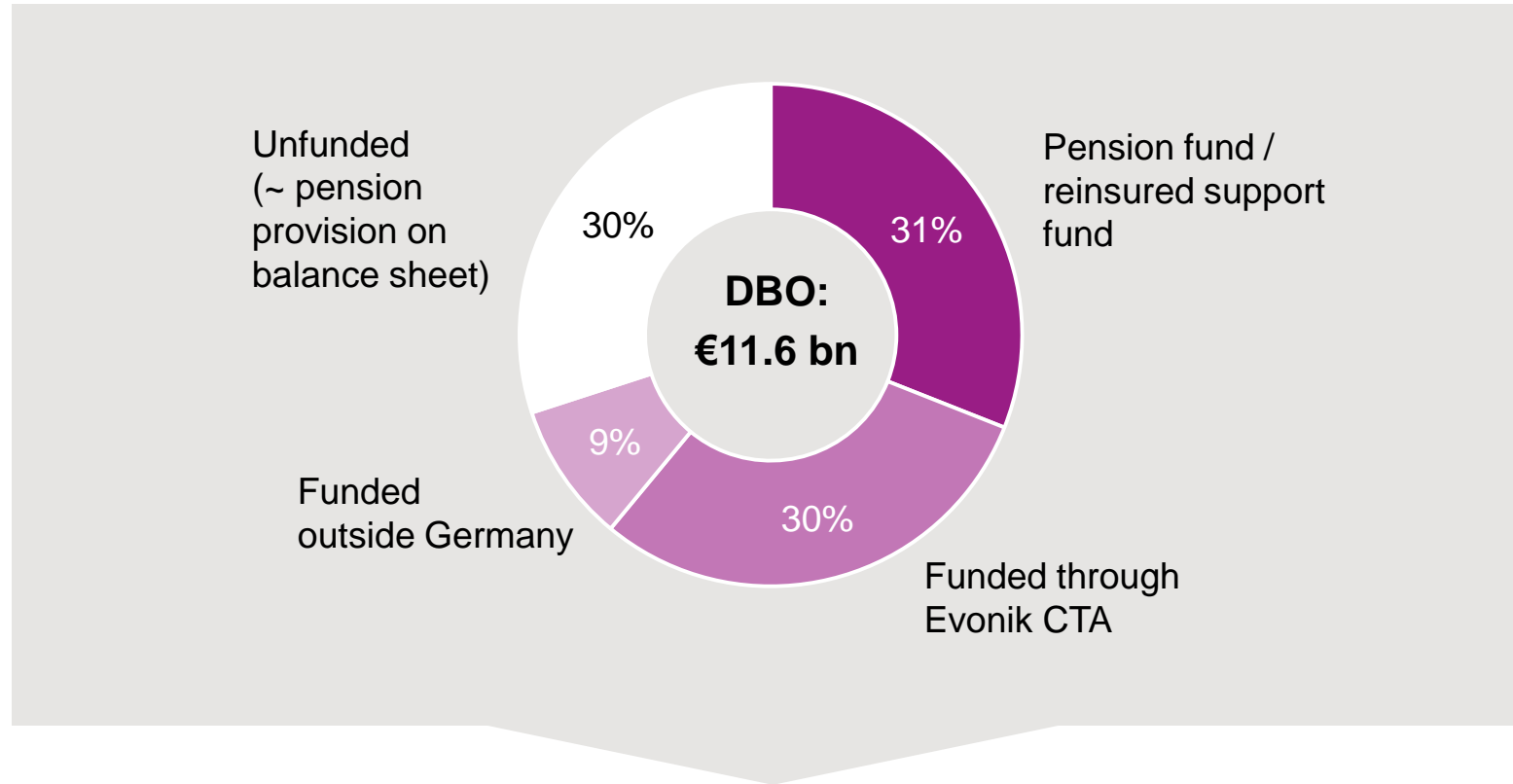
Evonik Group global discount rate (in %)<sup>2</sup>

Evonik discount rate for Germany (in %)

1. Total leverage defined as (net financial debt - 50% hybrid bond + pension provisions) / adj. EBITDA LTM | 2. Calculated annually

# Pensions

## Pension funding overview as of 31 December 2017

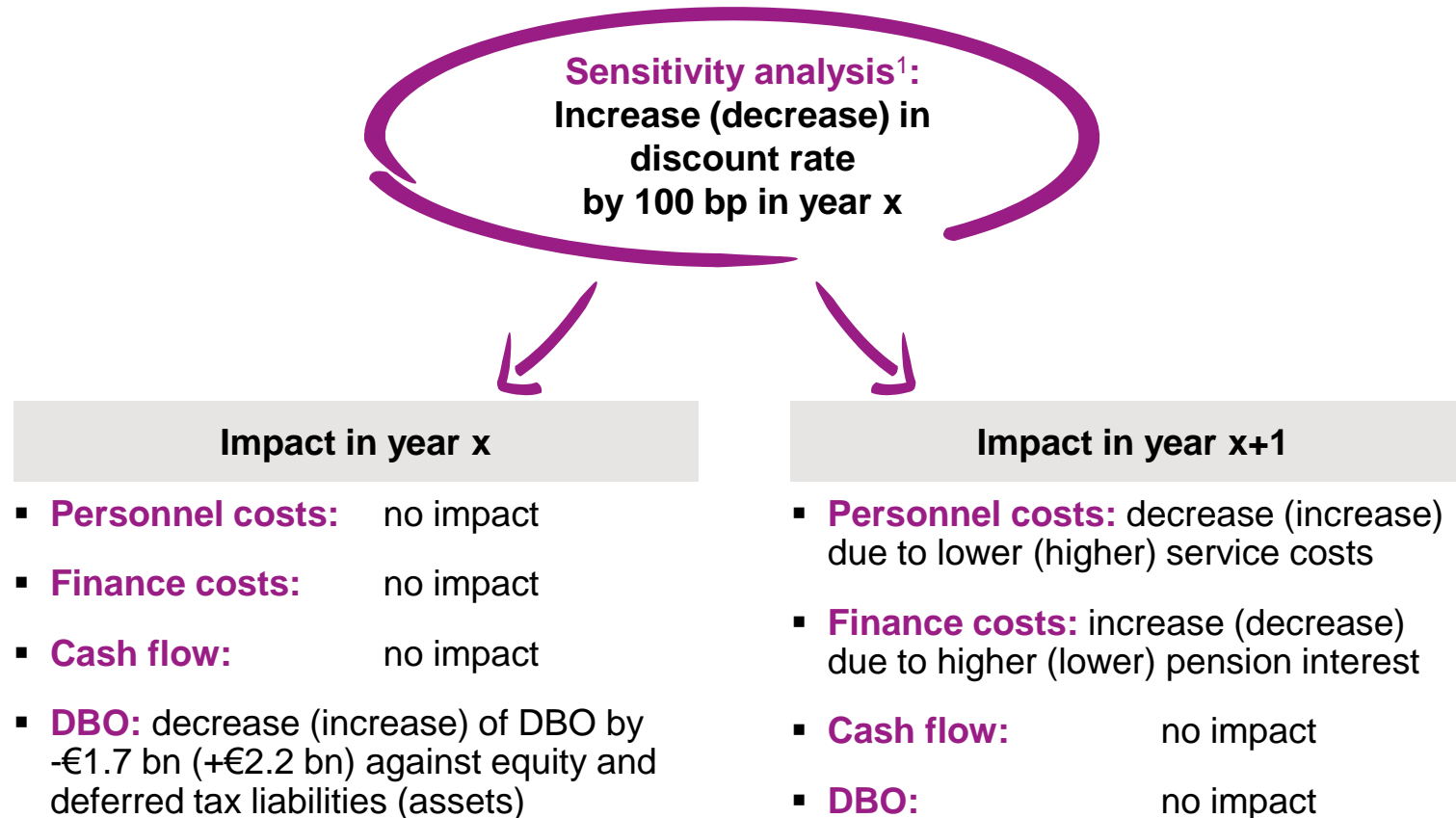


- Pensions very long-term, patient debt (>16 years) with no funding obligations in Germany
- DBO level of €11.6 bn yoy stable (interest rate unchanged at 2.00%)
- Funding ratio increased to ~70% mainly due to positive development of pension asset

**Funding level increased to ~70%**

# Pensions

## Sensitivity to discount rate changes



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

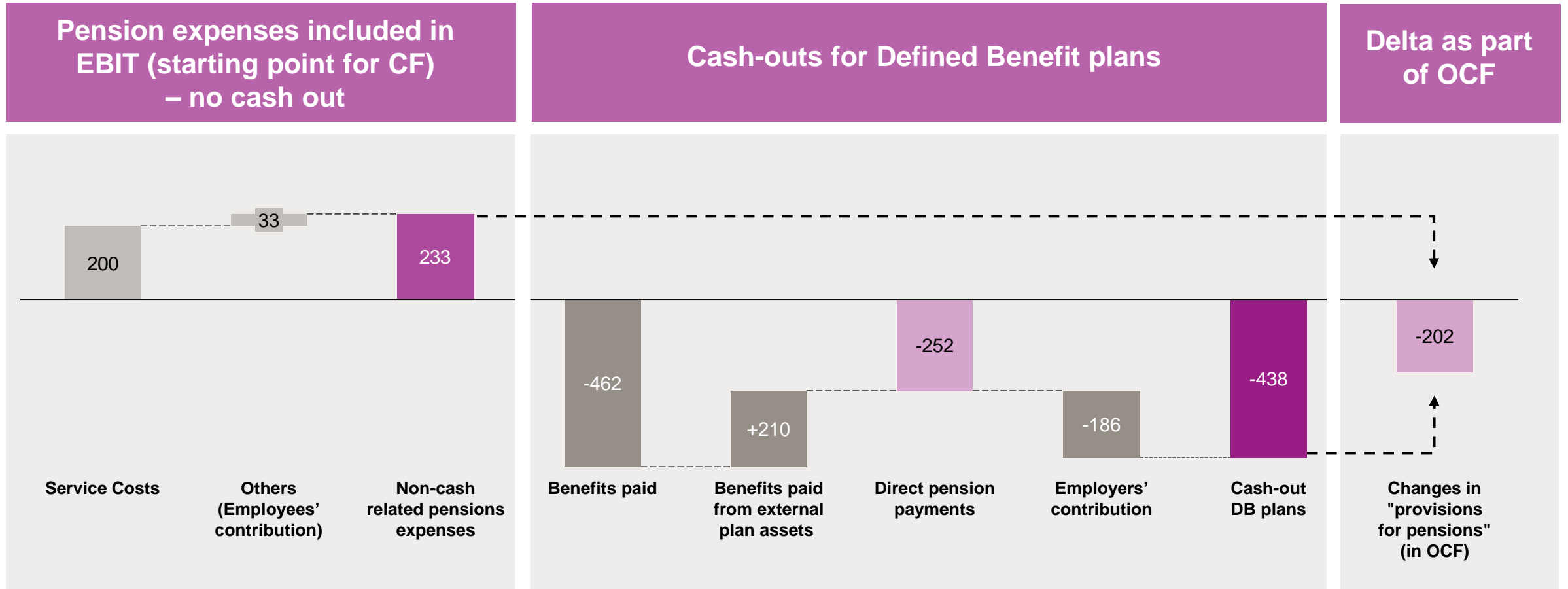
# Pensions

## Breakdown of P&L and cash flow effects

		in € m	P&L item / KPI	2016	2017	Annual report '17
P&L	Current service costs		Adj. EBITDA	-180	-200	p. 131
	Interest costs		Net interest expense	-297	-243	p. 131
	Exp. return on plan assets		Net interest expense	+207	+166	p. 132
	Other		Adj. EBITDA	-44	-33	p. 133
	<b>Total pension expense</b>			<b>-316</b>	<b>-310</b>	
		in € m		2016	2017	Annual report '17
Cash flow	Benefits paid			-428	-462	p. 131
	Benefits paid from plan assets	} From defined benefit plans		+181	+210	p. 132
	Contribution to plan assets (excl. CTA)			-152	-186	p. 132
	Payments under defined contribution plans			-166	-178	p. 133
	<b>Total cash out for pensions (excl. CTA)</b>			<b>-565</b>	<b>-616</b>	



# Transition of “Changes in provisions for pensions” in Operating Cash Flow

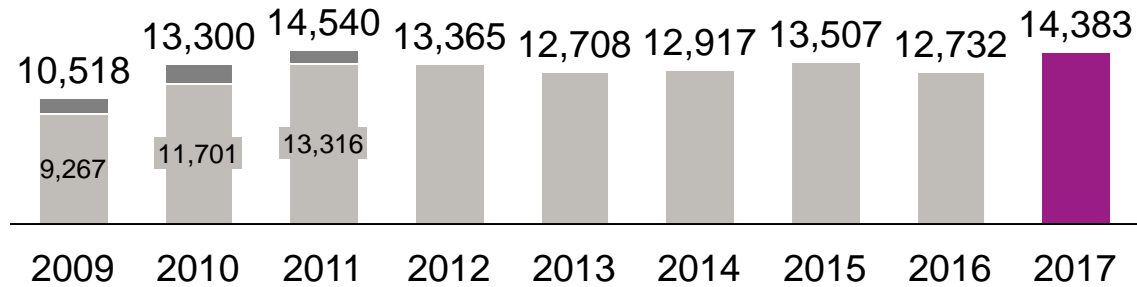


Based on 2017 financials

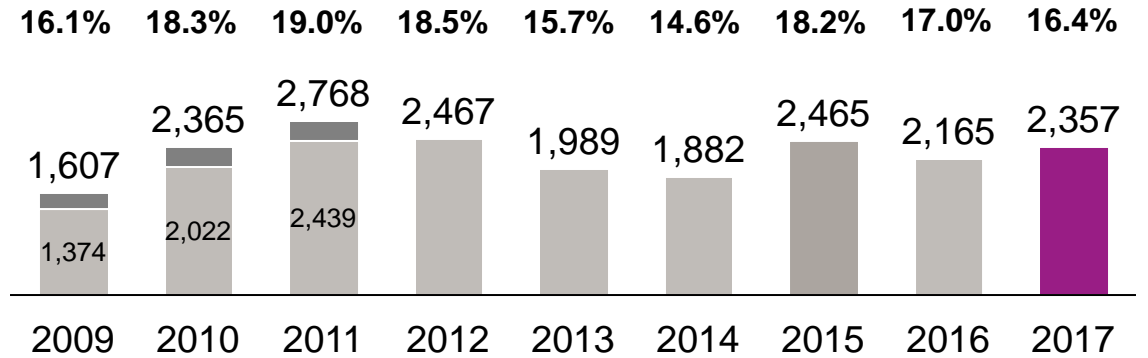
# Financial track record

## Sales (in € m)

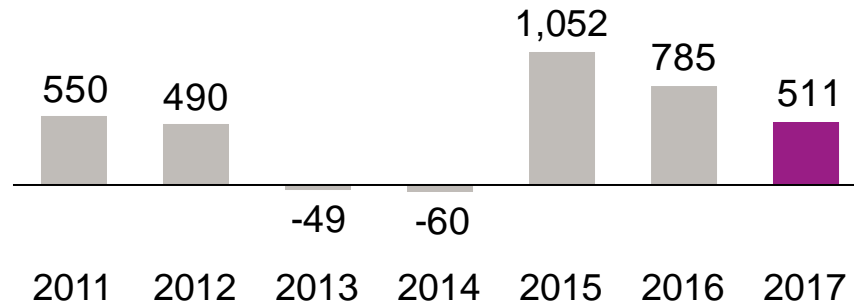
■ Carbon Black/Real Estate



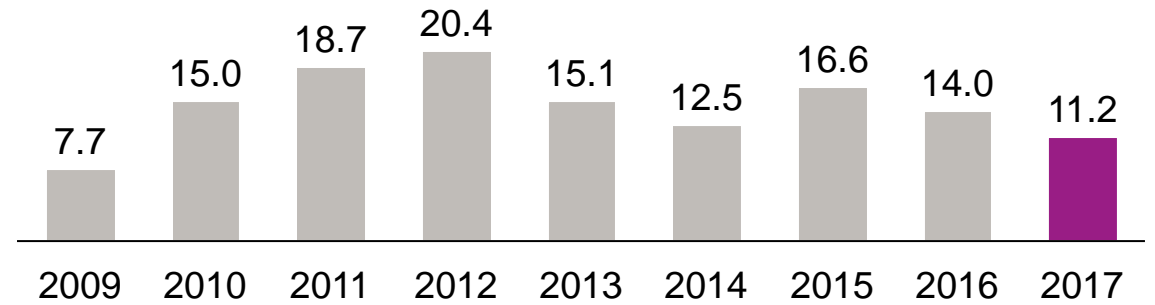
## Adj. EBITDA (in € m) / margin<sup>1</sup>



## Free Cash Flow (in € m)



## ROCE (in %)



1. Excluding Carbon Black

## Segment overview by quarter

Sales (in € m)	FY 2016	Q1/17	Q2/17	Q3/17	Q4/17	FY 2017	Q1/18	Q2/18	Q3/18
Nutrition & Care	<b>4,316</b>	1,120	1,163	1,110	1,114	<b>4,507</b>	1,119	1,189	1,167
Resource Efficiency	<b>4,473</b>	1,360	1,367	1,358	1,308	<b>5,393</b>	1,398	1,481	1,426
Performance Materials	<b>3,245</b>	959	910	913	970	<b>3,751</b>	995	1,025	1,034
Services	<b>683</b>	193	174	172	178	<b>717</b>	163	172	164
Corporate / Others	<b>15</b>	4	4	3	3	<b>15</b>	3	3	3
<b>Evonik Group</b>	<b>12,732</b>	3,636	3,618	3,556	3,573	<b>14,383</b>	3,678	3,870	3,794

Adj. EBITDA (in € m)	FY 2016	Q1/17	Q2/17	Q3/17	Q4/17	FY 2017	Q1/18	Q2/18	Q3/18
Nutrition & Care	<b>1,006</b>	187	201	188	172	<b>747</b>	209	222	212
Resource Efficiency	<b>977</b>	297	318	311	247	<b>1,173</b>	325	366	338
Performance Materials	<b>371</b>	157	168	172	161	<b>658</b>	179	196	172
Services	<b>151</b>	43	38	49	3	<b>133</b>	49	35	49
Corporate / Others	<b>-340</b>	-89	-85	-80	-100	<b>-354</b>	-83	-77	-79
<b>Evonik Group</b>	<b>2,165</b>	595	640	640	483	<b>2,357</b>	679	742	692

2017 financials restated for IFRS 15

# IFRS 16 impact on main KPI's

Changes: 1) Lessee leases are capitalized as assets and liabilities on balance sheet (and depreciated)  
 2) Previous leasing expenses will be replaced by D&A and interest expenses (Financial result)

Impact on

Balance Sheet [€ m]		P&L [€ m]		Cash Flow [€ m]	
CAPEX	n. a.	EBITDA	+100	Operating CF	+90
Capital Employed	+600	D&A	+90	FCF	+90
ROCE	↓	Interest result	-10	Financing CF	-90

Impact on 2019 financials based on 2018 lease contracts | CAPEX on Balance Sheet will be determined without effects from lease transactions

# IFRS 16: guidance on accounting for leases

- **First-time** application as of **January 2019**, no restatement of prior-year figures

## OLD leasing accounting:

1. Balance Sheet:  
Lessee leases reported as operating leases as off-balance commitments (no impact on balance sheet)
2. P&L:  
Leasing expenses **included** in **EBITDA**
3. Cash Flow:  
Leasing payments part of Operating Cash Flow (as part of “Income before financial result & income taxes”)

## NEW leasing accounting:

1. Balance Sheet:  
Lessee **leases** now **capitalized** as assets and liabilities on **balance sheet** (and depreciated)
2. P&L:  
No more **leasing expenses** in P&L, but to be treated as **D&A** and **interest expenses** (Financial Result)
3. Cash Flow:
  - a) **Operating** CF
    - Higher D&A with positive impact
    - Higher interests with negative impact
  - b) **Repayments** (excl. interest) now part of **Financing** Cash Flow

# Structural changes in Cash Flow Statement 2019

1) Application of IFRS 16 for leases

2) Reclassification of cash inflows/ - outflows for interests to industry standards

	IFRS 16 [€ m]	Interests [€ m]	Σ Changes [€ m]
Income before financial result and income taxes = EBIT	+10		+10
D&A	+90		+90
Change in NWC			
Change in provisions			
Inflows from interest		-20*	-20*
Outflows from interest	-10	+110**	+100**
Cash inflows/outflows for income taxes			
...			
<b>Operating Cash Flow:</b>	+90	+90	+180
CAPEX	unchanged	unchanged	unchanged
<i>Inflows from interest (NEW)</i>		+20*	+20*
<b>Investing Cash Flow:</b>	unchanged	+20	+20
<b>Free Cash Flow</b>	+90	+90	+180
<i>Outflows from interest (NEW)</i>		-110**	-110**
<i>Cash outflows for repayments of leasing liabilities (NEW)</i>	-90		-90
<b>Financing Cash Flow:</b>	-90	-110	-200

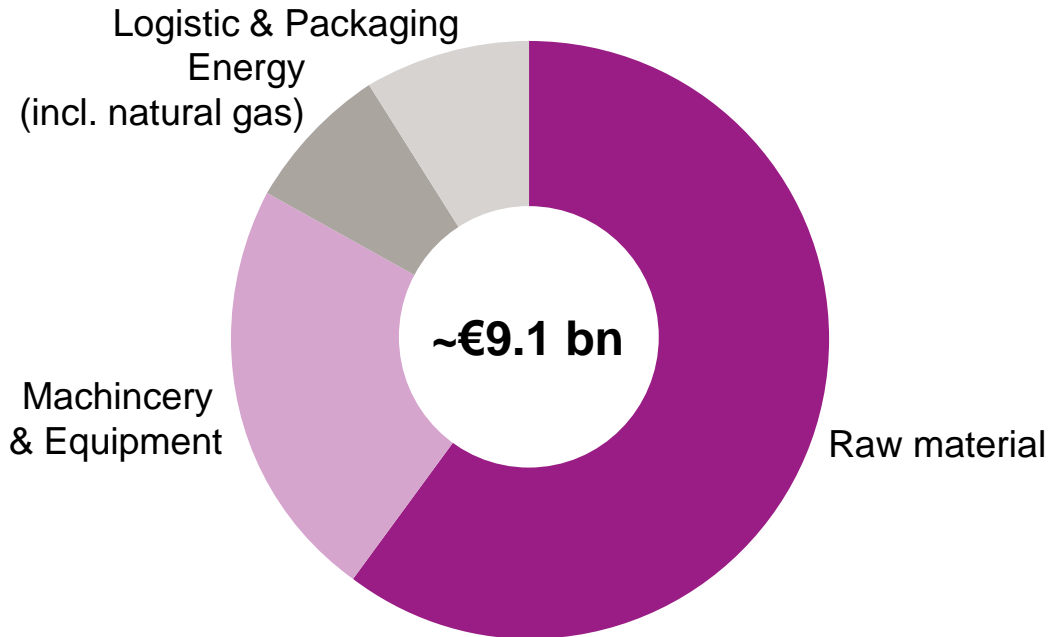
Impact on 2019 financials based on 2018 lease contracts

\* -€20 m = FY 2018 (e) cash inflows from interest, based on 9 months 2018 run rate

\*\* Total cash outflows from interest: ~€10 m = expected impact from IFRS 16; ~€100 m = FY 2018 (e) cash outflows from interest, based on 9 months 2018 run rate

# Raw material split

Total procurement volume 2017 (in € m)



Breakdown of raw material spend<sup>1</sup> (examples)

## Bio

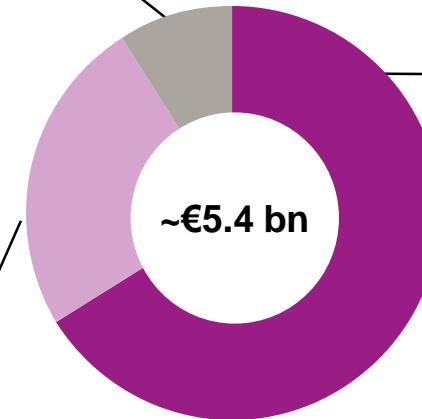
- Dextrose
- Fatty alcohols
- Tallow fatty acid
- Fatty acids
- tallow

## Inorganic & other

- Sodium silicate
- Sodium hydroxide
- Silicon metal

## Fossil

- Crack C4
- Propylene
- Acrylic acid
- Acetone
- Methanol



1. Raw material spend 60% of total procurement volume in 2017

# Management compensation

<p>Fixed salary ~1/3</p>	<ul style="list-style-type: none"><li>▪ To be paid in cash for each financial year on a monthly basis</li></ul>
<p>Bonus ~1/3</p>	<ul style="list-style-type: none"><li>▪ Pay-out calculated on the basis of the achievement of focused KPIs; aligned to mid-term strategic targets:<ol style="list-style-type: none"><li>1. Progression towards EBITDA margin target</li><li>2. EBITDA growth (yoy)</li><li>3. Contribution to group's FCF target</li><li>4. Accident performance</li></ol></li><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>
<p>Long-term incentive plan ~1/3</p>	<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<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></ul></li><li>▪ Bonus capped at 300% of initial amount</li><li>▪ To be paid out in cash after lock-up period</li></ul>









# Six strong Innovation Growth Fields within the growth engines

Leveraging our core competencies into new highly attractive markets



# Our sustainability targets 2017 and beyond

<b>Strategy and Growth</b> 	<b>Governance and Compliance</b> 	<b>Employees</b> 
<ul style="list-style-type: none"><li>▪ Development of methods and indicators for sustainable portfolio management</li></ul>	<ul style="list-style-type: none"><li>▪ 20% women at 1<sup>st</sup> and 2<sup>nd</sup> management level below Executive Board (2019)</li></ul>	<ul style="list-style-type: none"><li>▪ Establish a learning strategy for the ongoing development of various employee groups</li></ul>
<b>Value chain and Products</b> 	<b>Environment</b> 	<b>Safety</b> 
<ul style="list-style-type: none"><li>▪ 20 supplier sustainability audits according to TfS<sup>1</sup></li><li>▪ &gt; €1 bn additional sales in R&amp;D growth fields (2025)</li></ul>	<p>Reduce</p> <ul style="list-style-type: none"><li>▪ specific GHG emissions by 12% (2020)</li><li>▪ specific water intake by 10% (2020)</li></ul>	<ul style="list-style-type: none"><li>▪ Accident frequency rate <math>\leq 1.3</math></li><li>▪ Incident frequency rate <math>\leq 48</math></li><li>▪ Occupational Health Performance Index <math>\geq 5</math></li></ul>

# Sustainability Ratings & Rankings: Evonik well positioned

## Our commitment has been recognized by

- ✓ CDP Climate Change (A-, Index-Leader MDAX)
- ✓ CDP Water (B)
- ✓ Oekom Research (prime standard B-)
- ✓ Sustainalytics (among Top 5 within chemical sector)
- ✓ Together for Sustainability/ecoVadis (“Gold Standard”)
- ✓ FTSE4Good Europe, FTSE4Good Global
- ✓ STOXX® Global ESG Leaders



# Appendix

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1. Strategy
2. Acquisition of PeroxyChem
3. Segment overview
4. Financials
- 5. Upcoming events**

## Upcoming IR events

### Conferences & Roadshows

<b>14/15 January</b>	Commerzbank German Investment Seminar, New York
<b>17 January</b>	Baader German Corporate Day, Toronto
<b>21/22 January</b>	Kepler Cheuvreux German Corp. Conference, Frankfurt
<b>06 March</b>	Roadshow London
<b>06 March</b>	Roadshow Frankfurt
<b>14 March</b>	Goldman Sachs Chemicals Conference, London
<b>19 March</b>	Exane Consumer Ingredients Conference, London
<b>28 March</b>	MainFirst Corporate Conference, Copenhagen
<b>08 April</b>	Roadshow New York

### Upcoming Events & Reporting Dates

<b>5 March 2019</b>	FY 2018 reporting
<b>7 May 2019</b>	Q1 2019 reporting
<b>28 May 2019</b>	AGM
<b>1 August 2019</b>	Q2 2019 reporting
<b>5 November 2019</b>	Q3 2019 reporting

# Evonik Investor Relations team

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**POWER TO CREATE**