

# Evonik. Power to create.

## Q1 2015 Earnings Conference Call

**Ute Wolf**, Chief Financial Officer

6 May, 2015



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2	Financial performance Q1 2015
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# Highlights Q1 2015

## Strong start into the year; outlook raised



### Accelerating operational performance

**Adj. EBITDA of €650 m** significantly above prior year level (+40%) driven by strong performance in Nutrition & Care and Resource Efficiency

**Outlook raised:** adj. EBITDA for FY 2015 at least €2.2 bn

### Consistent execution of growth strategy

**Expansion of silicone platform** in Essen and Shanghai, investing more than €100 m until 2017



**Innovation:** new heat-sealing binder launched, reducing complexity of coating formulations significantly



**Acquisition of Monarch** in India to strengthen global leadership position in catalyst business



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# Financial highlights Q1 2015

## Sales and earnings significantly increased



**Sales** increased by 7% to €3,425 m driven by dynamic volume growth in Nutrition & Care (+5%) and Resource Efficiency (+6%) as well as by favourable currency exchange rates

**Adj. EBITDA** of €650m clearly above prior year (+40%);  
Three quarters of 22 Business Lines contributing to accelerated performance

**Adj. EPS** of €0.69 (+63%) driven by operational performance and improved financial result

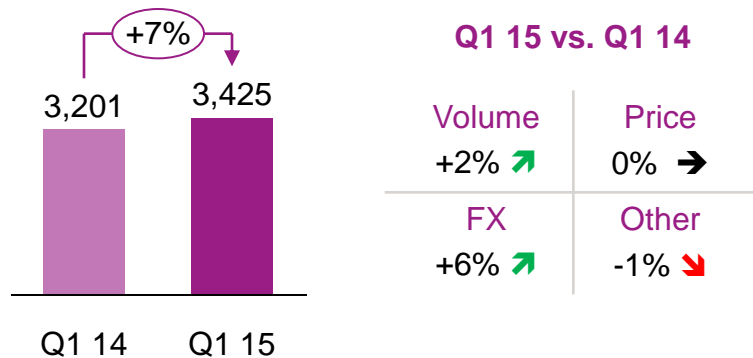
**Net cash position** of €548 m improved thanks to strong operating cash flow of €445 m (+49%)

# Financial highlights Q1 2015

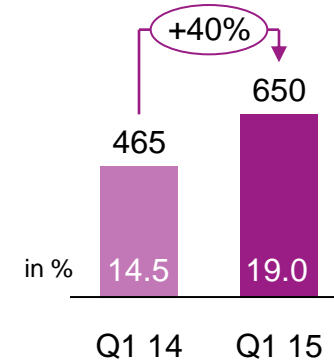
## Notable margin expansion



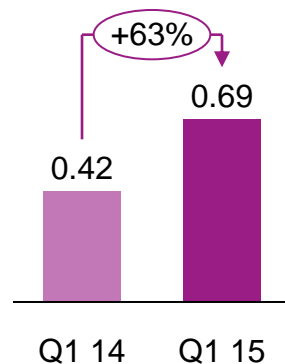
### Sales (in € m)



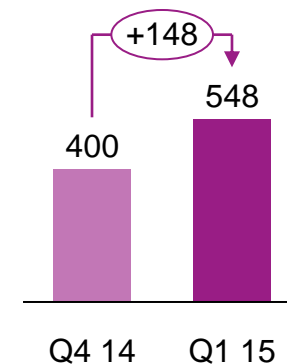
### Adj. EBITDA (in € m) / margin



### Adj. EPS (in €)



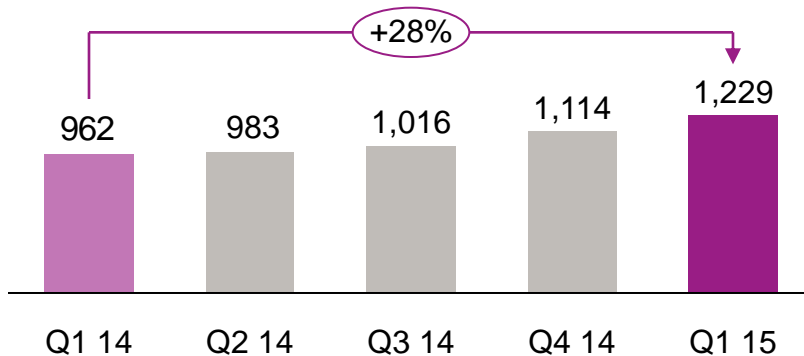
### Net financial position (in € m)



# Nutrition & Care

## Strong volumes and prices in Animal Nutrition

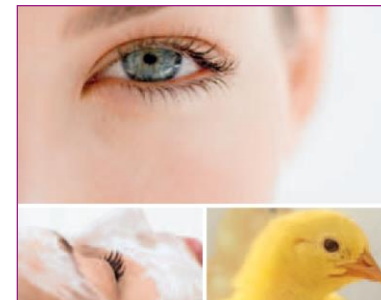
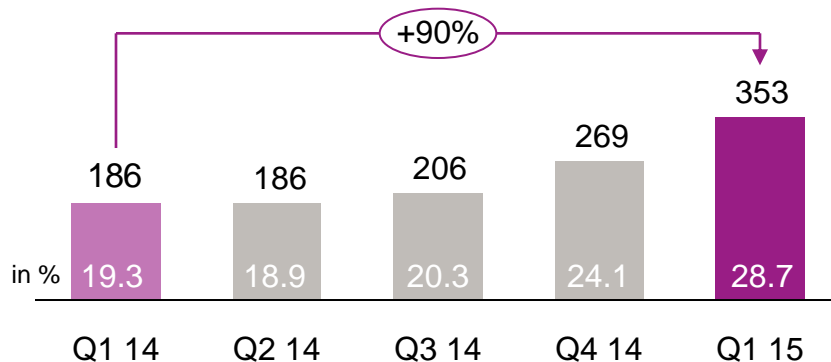
### Sales (in € m)



### Q1 15 vs. Q1 14

Volume	Price
+5% ↗	+16% ↗
FX	Other
+9% ↗	-2% ↘

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



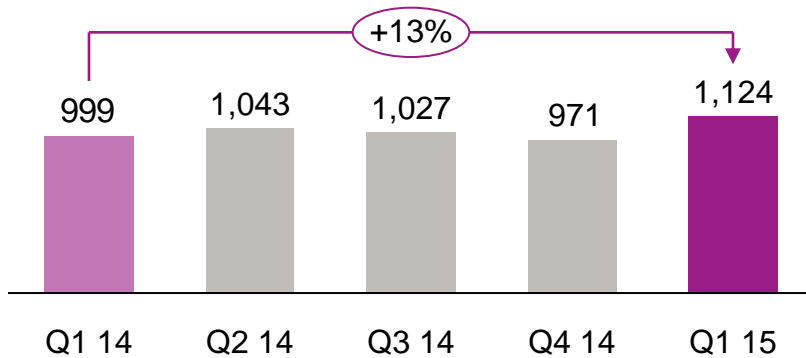
# Resource Efficiency

Continued high demand and new capacities driving growth

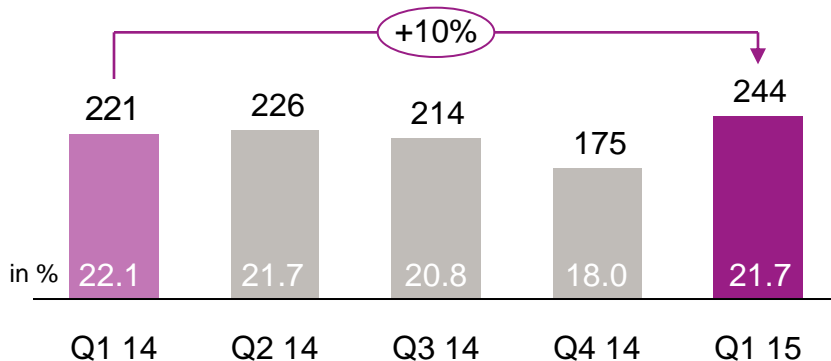
## Sales (in € m)

### Q1 15 vs. Q1 14

Volume	Price
+6% ↗	0% →
FX	Other
+6% ↗	+1% ↗



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





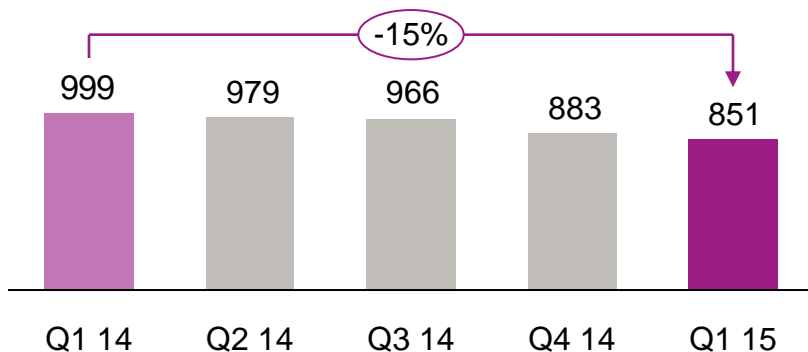
# Performance Materials

Good start for Methacrylates

offset by difficult trading environment for C4 products



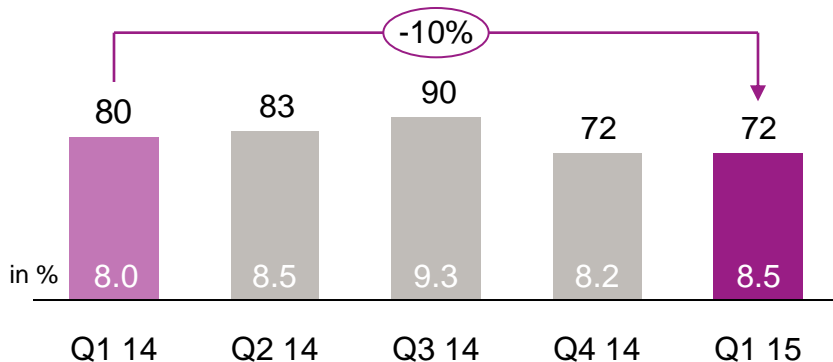
## Sales (in € m)



### Q1 15 vs. Q1 14

Volume	Price
-5% ↘	-14% ↘
FX	Other
+4% ↗	0% →

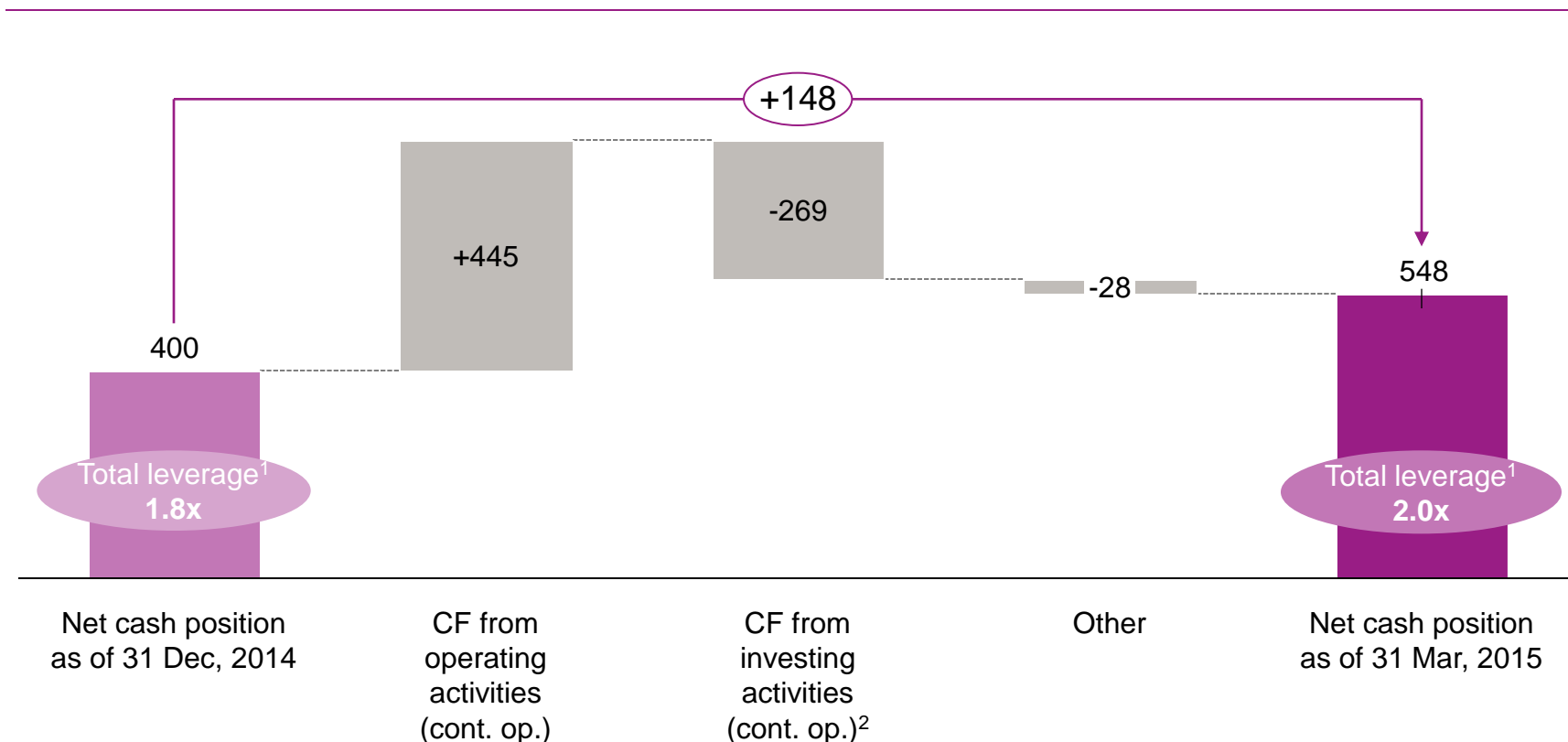
## Adj. EBITDA (in € m) / margin (in %)



# Net financial position

## Strong operating cash flow generation

Development of net financial position (in € m)



<sup>1</sup> Total leverage defined as (net financial debt + unfunded pensions obligations) / adj. EBITDA LTM

<sup>2</sup> Cash outflow for investment in intangible assets, PP&E and shareholdings, not including cash in- and outflows related to divestments and securities

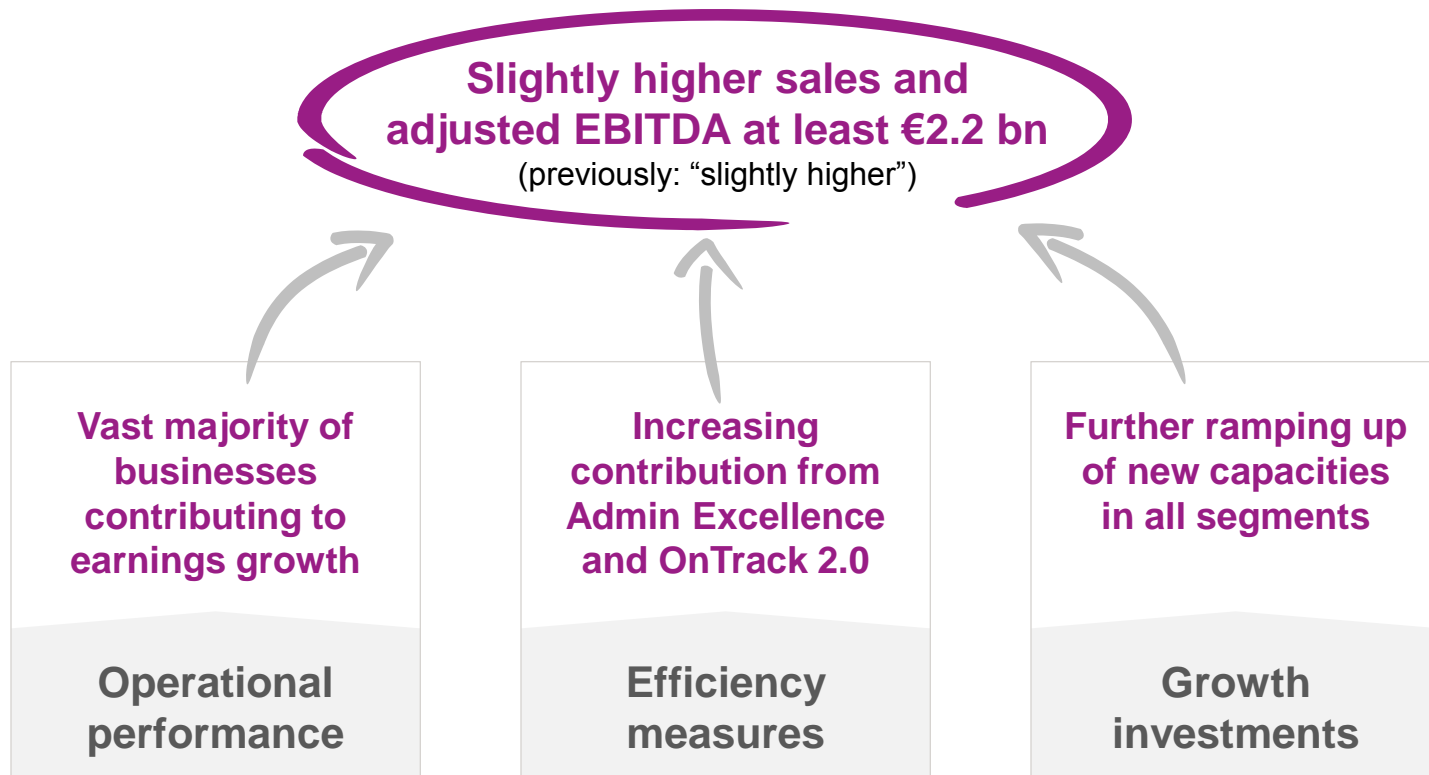
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# Outlook for 2015 raised

Adj. EBITDA of at least €2.2 bn expected



- Positive FX impact on sales and adj. EBITDA now included in outlook (assumption: US\$1.13)
- Effects from lower raw material prices should largely balance out on Group level



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## Additional indications for 2015

- EUR/USD sensitivity<sup>1</sup> +/-1 USD cent = -/+ ~€5 m adj. EBITDA (FY basis)
- Adj. EBITDA Services<sup>2</sup> **Stable in 2015** (previously: “slightly below prior year”; 2014: €151 m)
- Adj. EBITDA Corporate/Other<sup>2</sup> **Slightly more negative than in 2014** (previously: “on prior year level”; 2014: -€277 m)
- Adj. D&A ~ **-€700 m** (unchanged; 2014: -€626 m)
- Adj. net financial result<sup>3</sup> **Slight improvement** (previously: “stable adj. net interest result in 2015”; 2014: -€209 m)
- Adj. tax rate ~**29%** (unchanged; 2014: 28.3%)
- Capex **Up to €1.1 bn** in 2015 (unchanged; 2014: €1.1 bn)
- Net financial position **Net cash position** end of 2015 (previously: “net debt position”; 2014: €400 m net cash)

<sup>1</sup> Including transaction effects (after hedging) and translation effects; before secondary / market effects

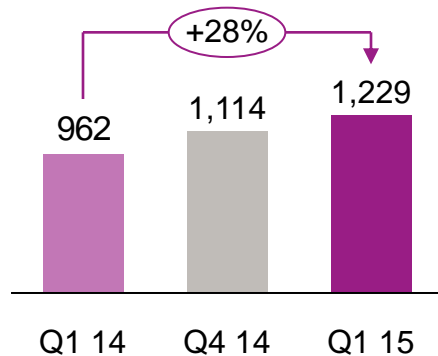
<sup>2</sup> Guidance adjusted to reflect reorganization of Group structure

<sup>3</sup> Guidance now for “Adj. net financial result” (new definition incl. “Adj. interest income/expense” and “Other financial income/expense”)

# Nutrition & Care

## Q1 2015 Business Line comments

Sales (in € m)



**Personal Care** facing good demand esp. in Asia and North America; overall favorable product mix with higher share of specialties

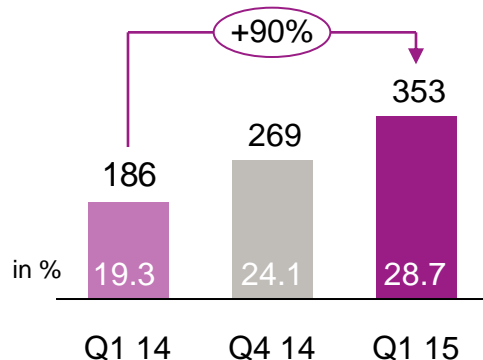


**Baby Care** with solid performance in normalized market environment; new production capacities coming on stream in the industry



**Health Care:** Strong start into the year for drug delivery systems; positive trend in API carrying over from Q4

Adj. EBITDA (in € m) / margin

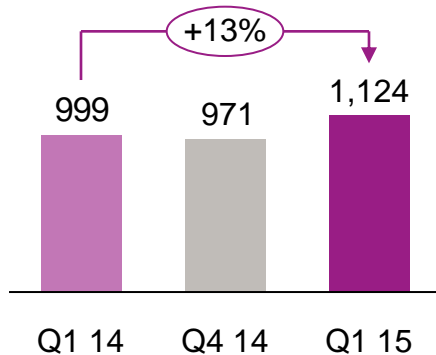


**Animal Nutrition** benefitting from favorable market conditions esp. in methionine; markets with strong demand growth meeting still tight supply; additional tailwind from low raw material prices and new volumes from Singapore site

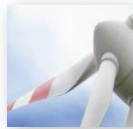
# Resource Efficiency

## Q1 2015 Business Line comments

Sales (in € m)

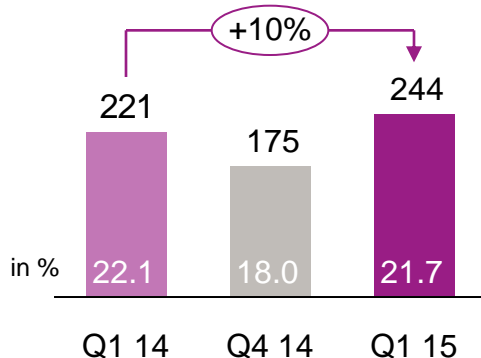


**Silica** with strong demand across most end markets leading to high plant utilization also for new capacities; strong demand for specialty applications



**Crosslinkers:** good start into 2015 driven by high volumes in key industries (e.g. automotive coatings, PU dispersion, composites and construction); new production site in Shanghai further ramping up

Adj. EBITDA (in € m) / margin



**High Performance Polymers** with good sales growth; business benefitting from low raw material price environment



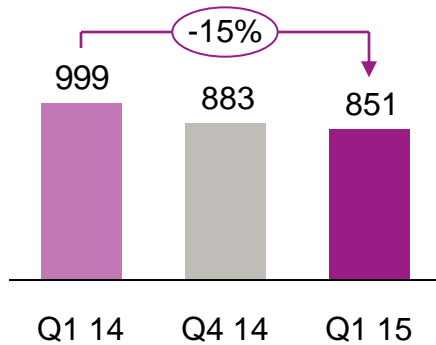
**Active Oxygens** with improved demand in classic H<sub>2</sub>O<sub>2</sub> markets (pulp & paper, textile) across all regions; further ramp-up of new HPPO facility in China



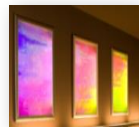
# Performance Materials

## Q1 2015 Business Line comments

### Sales (in € m)



**MMA:** good start into 2015 driven by prices holding up well in low raw material price environment; support coming esp. from tight supply in Europe

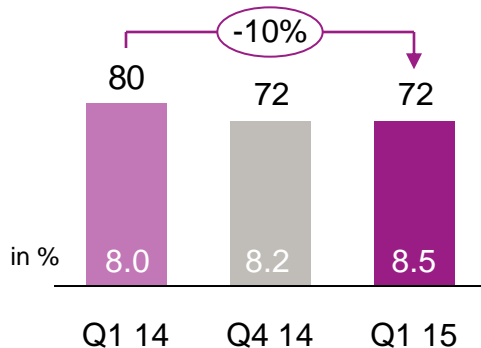


**PMMA** with good demand in Europe and the US, esp. from automotive customers; planned maintenance shutdown of Chinese production site in February and March



**Performance Intermediates** still facing cautious customer behavior esp. in January and February; price spreads over naphtha tightening in Q1 due to naphtha prices slightly recovering and product prices further falling (negative time-lag effect)

### Adj. EBITDA (in € m) / margin

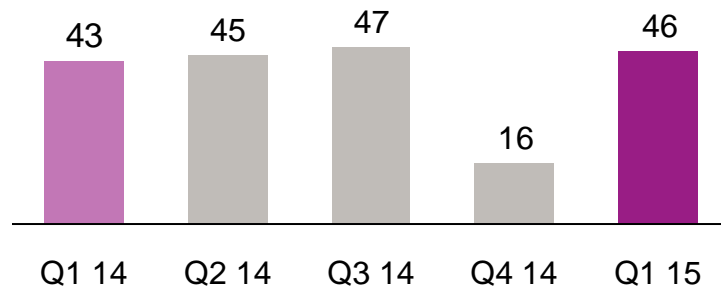


# Services and Corporate / Others

## Q1 2015 segment comments

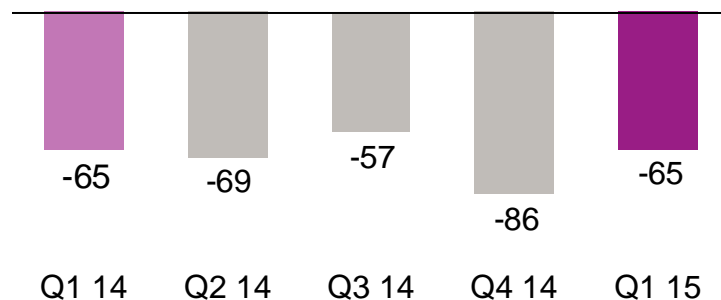


### Services: adj. EBITDA (in € m)



- Solid quarter supported by good demand from chemicals segments due to strong volumes (logistics, technical service)

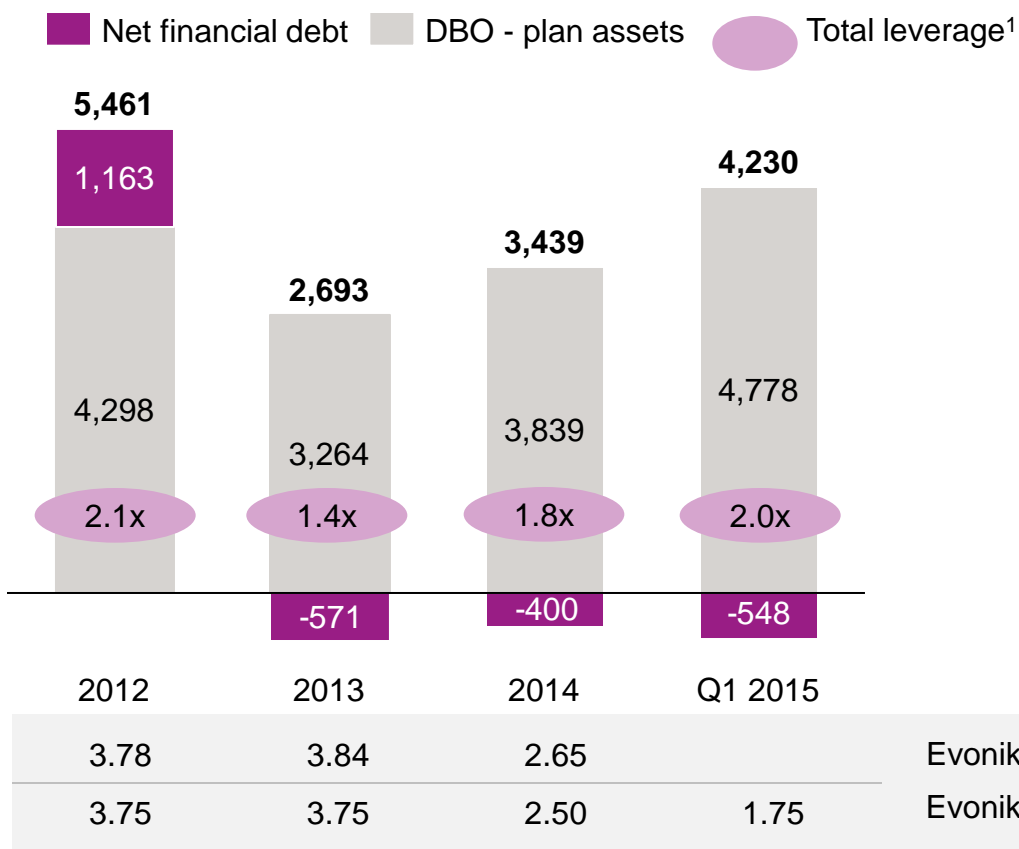
### Corporate / Others: adj. EBITDA (in € m)



- Positively impacted by strict cost discipline in administrative functions compensating for factor cost increases
- Negative counter effect from higher provisions for variable remuneration

# Further increase in pension obligations in Q1 due to lowered discount rate

## Net debt development (in € m)



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Increase in unfunded pension obligations in Q1 by about €1 bn due to lower discount rate (from 2.50% to 1.75%)
- Total leverage remains comfortably below targeted ceiling of 2.5x

<sup>1</sup> Total leverage defined as (net financial debt + unfunded pensions obligations) / adj. EBITDA LTM

<sup>2</sup> Calculated annually

# Adj. income statement Q1 2015

in € million	Q1 2014	Q1 2015	Δ in %
<b>Sales</b>	<b>3,201</b>	<b>3,425</b>	+7
<b>Adj. EBITDA</b>	<b>465</b>	<b>650</b>	+40
Depreciation & amortization	-147	-165	
<b>Adj. EBIT</b>	<b>318</b>	<b>485</b>	+53
Adj. net financial result	-59	-49	
D&A on intangible assets	20	9	
<b>Adj. income before income taxes</b>	<b>279</b>	<b>445</b>	+59
Adj. income tax	-80	-122	
<b>Adj. income after taxes</b>	<b>199</b>	<b>323</b>	+62
Adj. non-controlling interests	-3	-3	
<b>Adj. net income</b>	<b>196</b>	<b>320</b>	+63
<b>Adj. earnings per share</b>	<b>0.42</b>	<b>0.69</b>	
Adjustments	-19	-37	

## D&A

- Increase due to new production facilities coming on stream

## Adj. net financial result

- Improvement from favorable bond refinancing

## Adj. tax rate

- Q1 adj. tax rate of 27.4% slightly below full year indication of 29%

## Adjustments

- Mainly impairment of capitalized projects costs in Performance Materials

# Cash flow statement Q1 2015

in € million (continuing operations)	Q1 2014	Q1 2015
Income before financial result and income taxes	299	448
Depreciation and amortization	147	191
Δ Net working capital	-114	-242
Change in other provisions	36	51
Change in miscellaneous assets/liabilities	-3	86
Outflows from income taxes	-27	-45
Others	-40	-44
<b>Cash flow from operating activities</b>	<b>298</b>	<b>445</b>
<b>Cash flow from investing activities, thereof:</b>	<b>-283</b>	<b>-505</b>
Cash outflows for investment in intangible assets, pp&e and shareholdings	-297	-269
Cash inflows/outflows relating to securities, deposits and loans	-4	-242
<b>Cash flow from financing activities</b>	<b>16</b>	<b>733</b>

## CF from operating activities

- Build-up in NWC result of higher volumes and sales

## CF from investing activities

- Purchase of short-term securities as part of regular investment strategy
- Capex below prior year level

## CF from financing activities

- New €750 m bond issued in January 2015

## Segment overview by quarter

<b>Sales</b> (in € m)	Q1/14	Q2/14	Q3/14	Q4/14	FY 2014	<b>Q1/15</b>
Nutrition & Care	962	983	1,016	1,114	4,075	1,229
Resource Efficiency	999	1,043	1,027	971	4,040	1,124
Performance Materials	999	979	966	883	3,827	851
Services	231	223	217	235	906	207
Corporate / Others	10	19	17	23	69	14
<b>Evonik Group</b>	<b>3,201</b>	<b>3,247</b>	<b>3,243</b>	<b>3,226</b>	<b>12,917</b>	<b>3,425</b>

<b>Adj. EBITDA</b> (in € m)	Q1/14	Q2/14	Q3/14	Q4/14	FY 2014	<b>Q1/15</b>
Nutrition & Care	186	186	206	269	847	353
Resource Efficiency	221	226	214	175	836	244
Performance Materials	80	83	90	72	325	72
Services	43	45	47	16	151	46
Corporate / Others	-65	-69	-57	-86	-277	-65
<b>Evonik Group</b>	<b>465</b>	<b>471</b>	<b>500</b>	<b>446</b>	<b>1,882</b>	<b>650</b>

# Specialty Chemicals segments

## New segment structure from January 2015



Segments	Nutrition & Care 		Resource Efficiency 		Performance Materials 	
	<b>Sales:</b> €4,075 m <b>Adj. EBITDA:</b> €847 m <b>Adj. EBITDA margin:</b> 20.8%		<b>Sales:</b> €4,040 m <b>Adj. EBITDA:</b> €836 m <b>Adj. EBITDA margin:</b> 20.7%		<b>Sales:</b> €3,827 m <b>Adj. EBITDA:</b> €325 m <b>Adj. EBITDA margin:</b> 8.5%	
Business Lines	Animal Nutrition (~35%)	Health Care (~10%)	Silica (~25%)	Coating & Adhesive Resins (~10%)	Performance Intermediates (~45%)	Agrochemicals (~5%)
	Baby Care (~25%)	Comfort & Insulation (~5%)	Oil Additives (~15%)	Silanes (~10%)	Acrylic Monomers (~20%)	Functional Solutions (~5%)
	Personal Care (~10%)	Interface & Performance (~5%)	Crosslinkers (~10%)	Coating Additives (~5%)	Acrylic Polymers (~20%)	CyPlus Technologies (~5%)
	Household Care (~10%)		Active Oxygens (~10%)	Catalysts (~5%)		
		High Performance Polymers (~10%)				

Financials for FY 2014, restated to reflect new segment structure from Jan 1<sup>st</sup>, 2015

# Upcoming IR events



## Roadshows

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- 8 May, 2015: London
- 11 May, 2015: Frankfurt / Main

## Conference participations

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- 7 May, 2015: HSBC Luxemburg Conference
- 4 Jun, 2015: Nomura SRI Conference, London
- 18 Jun, 2015: Deutsche Bank German, Swiss & Austrian Conference, Berlin
- 23 Jun, 2015: Credit Suisse Global Chemicals & Agriculture Conference, London

## Next reporting dates

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- 4 Aug, 2015: Q2 2015 reporting
- 4 Nov, 2015: Q3 2015 reporting
- 3 Mar, 2016: Q4 2015 reporting



**Please find an updated schedule  
on our IR website  
("Events & Presentations")**



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