

Evonik. Power to create.

Q1 2016 Earnings Conference Call

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4 May, 2016



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Table of contents



| | |
|----------|-------------------------------|
| 1 | Highlights Q1 2016 |
| 2 | Financial performance Q1 2016 |
| 3 | Outlook FY 2016 |

Adj. EBITDA

€565 m (-13%)

Good earnings growth in
Resource Efficiency
Normalization in Nutrition & Care

Adj. EBITDA margin

18.2% (-0.8 pp)

High level of profitability maintained

Free cash flow

€161 m (-€18 m)

Free cash flow almost on prior year level
due to solid operating cash flow and
lower capex

Outlook

Confirmed

Slightly lower sales
Adj. EBITDA between €2.0 and 2.2 bn

Highlights Q1 2016

Strong business fundamentals also in 2016



Solid volume growth

Solid volume growth in Resource Efficiency and Performance Materials

EBITDA margins in growth segments >20%

Nutrition & Care and Resource Efficiency delivering adj. EBITDA margins well above 20% in Q1

Disciplined use of funds

Focus on selective, smaller investments projects leading to further reduction in capex in Q1 (-15% yoy)

Positive free cash flow

Free cash flow almost on prior year level due to solid operating cash flow and lower capex

Highlights Q1 2016

Growth segments move on as expected



Nutrition & Care



| | |
|---------------|--------------------|
| Adj. EBITDA | Adj. EBITDA margin |
| €293 m | 28.0% |

- Expected gradual normalization of market situation in methionine
- Good start into the year for Personal Care, Health Care and Comfort & Insulation

Resource Efficiency



| | |
|---------------|--------------------|
| Adj. EBITDA | Adj. EBITDA margin |
| €256 m | 22.9% |

- Good start into 2016 with 5% earnings growth yoy, partly supported by positive effect from lower raw material costs
- Strong performance in Silica, Crosslinkers and Oil Additives

Sustainable and industry-leading EBITDA margin levels (%) of **20+**

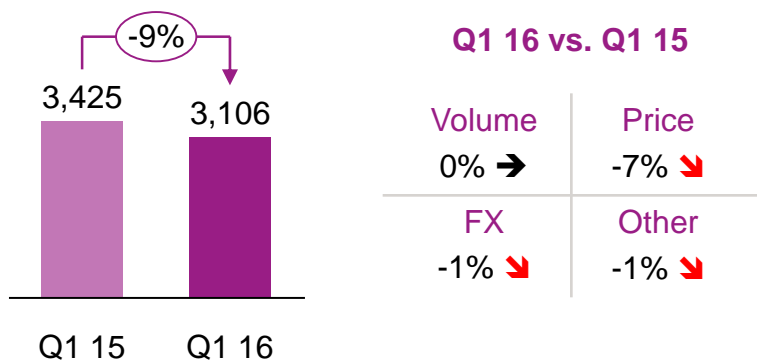
Table of contents



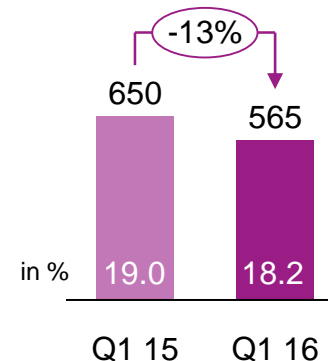
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|----------|--------------------------------------|
| 1 | Highlights Q1 2016 |
| 2 | Financial performance Q1 2016 |
| 3 | Outlook FY 2016 |

Financial highlights Q1 2016

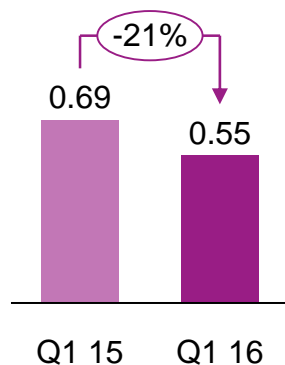
Sales (in € m)



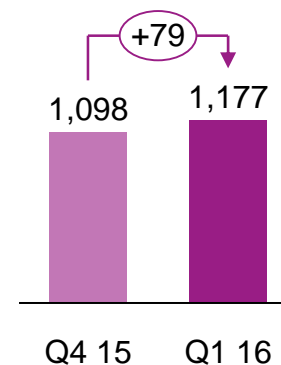
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



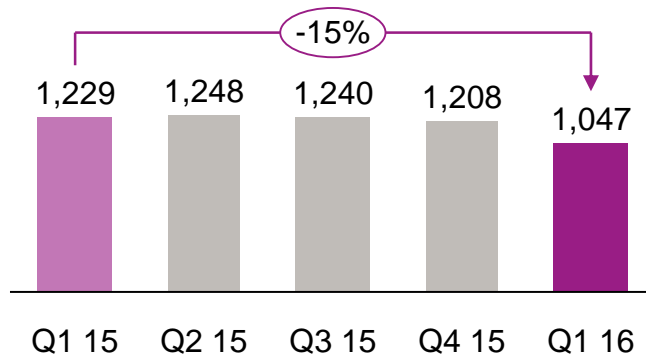
Net financial position (in € m)



Nutrition & Care

Expected normalization in Animal Nutrition

Sales (in € m)



**Q1 16 vs.
Q1 15**

Volume
-5% ↘

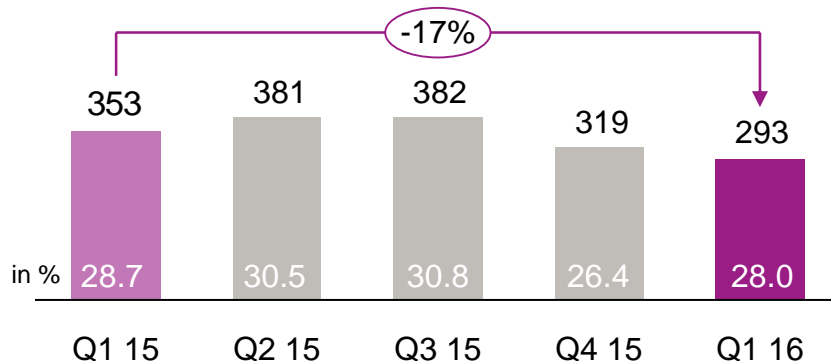
Price
-8% ↘

FX
-2% ↘

Other
0% →

- Declining volumes in methionine due to very strong comparables and temporarily slower market growth
- Also lower volumes in Baby Care in competitive market environment
- Lower prices esp. in Baby Care due to lower propylene prices (formula prices) and competitive situation; gradual normalization in Methionine expected to continue into Q2

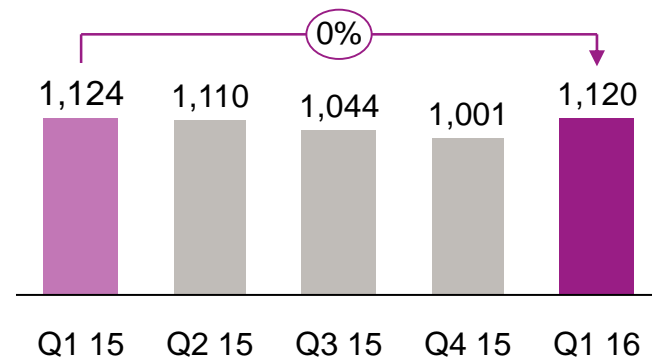
Adj. EBITDA (in € m) / margin (in %)



Resource Efficiency

Volume and earnings growth


Sales (in € m)




**Q1 16 vs.
Q1 15**

Volume
+2% 

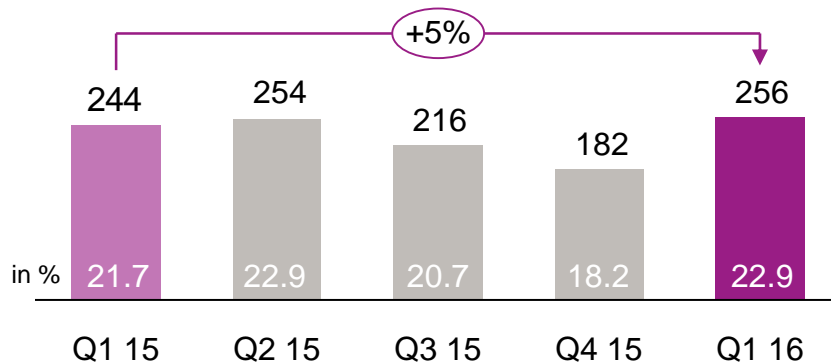
Price
-3% 

FX
0% 

Other
+1% 

- Good volume growth
- Prices slightly declining as a result of the sustained low raw material prices

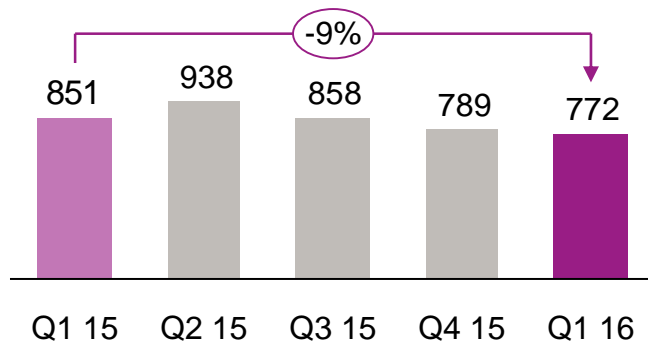
Adj. EBITDA (in € m) / margin (in %)



Performance Materials

Lower prices driving earnings down


Sales (in € m)




**Q1 16 vs.
Q1 15**

Volume
+5% 

Price
-14% 

FX
0% 

Other
0% 

- Increasing volumes mainly from C4 expansion in Marl and Antwerp
- Prices in C4 chain driven down further by lower raw material prices
- MMA with tough comparables, market environment more challenging vs. prior-year

Adj. EBITDA (in € m) / margin (in %)

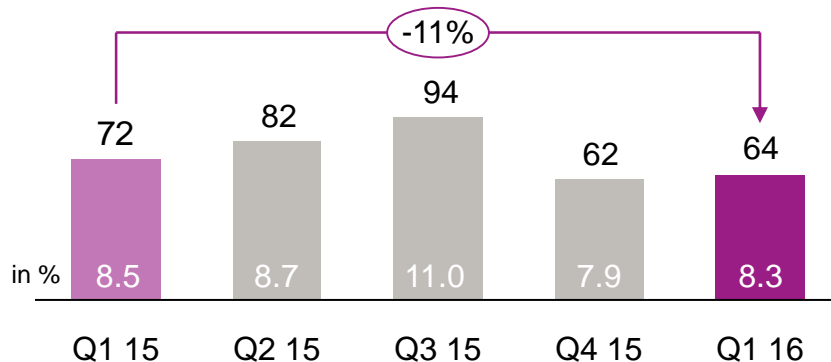


Table of contents



| | |
|----------|-------------------------------|
| 1 | Highlights Q1 2016 |
| 2 | Financial performance Q1 2016 |
| 3 | Outlook FY 2016 |

Outlook for 2016 confirmed

Adj. EBITDA between €2.0 and 2.2 bn expected



Slightly lower sales

(2015: €13,507 m)

Adj. EBITDA between €2.0 and 2.2 bn

(2015: €2,465 m)

**Our future success
continues to be built
on strong business
fundamentals**

- Continued **volume growth**
- **EBITDA margins** in Nutrition & Care and Resource Efficiency >20%
- Selective, smaller **investments** to drive future growth
- **Discipline** in use of funds (capex, M&A)
- **Strong balance sheet** enabling strategic flexibility and ensuring financial stability in volatile markets
- **Positive free cash flow** generation
- Consistent execution of **efficiency programs**

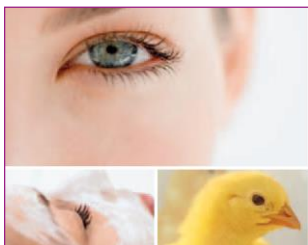


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- ¹ Including transaction effects (after hedging) and translation effects; before secondary / market effects
² 2015 figures restated for restructuring between Services and Corporate / Others segments (€4 m adj. EBITDA re-allocated; neutral on Group level)
³ Guidance for “Adj. net financial result” (incl. “Adj. interest income/expense” and “Other financial income/expense”)
- 4 May, 2016 | Evonik Q1 2016 Earnings Conference Call Page

Segment outlook for 2016

Nutrition & Care



- Stable or slightly positive business performance in majority of businesses (vs. prior year)
- Animal Nutrition: expected gradual normalization of tight supply / demand situation experienced in 2015; market demand to remain robust
- Baby Care: very competitive market environment to persist

Resource Efficiency



- Continuation of prior years' successful business performance, despite weaker global economic growth

Performance Materials

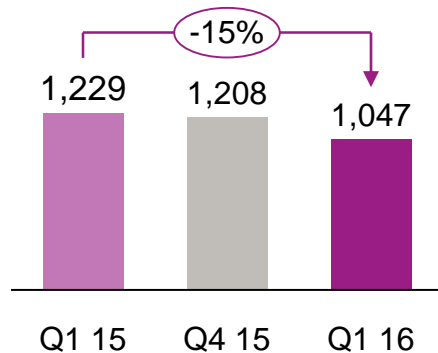


- Further declining oil price (vs. 2015 average) continues to pressure prices and margins of C4 products
- Ample supply and weaker demand weigh on Acrylic Monomers

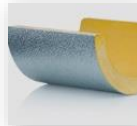
Nutrition & Care

Q1 2016 Business Line comments

Sales (in € m)



Personal Care enjoying good demand across all regions and market segments; beneficial product mix and increasing contributions from new oleochemical plants.

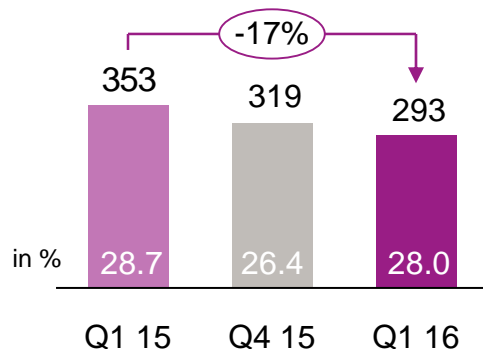


Comfort & Insulation with promising start into the year based on strong demand in EU and US core markets.



Baby Care: volumes and prices significantly impacted by overcapacities in the market; additional impact on selling prices from pass-on of low propylene quotations via formula pricing.

Adj. EBITDA (in € m) / margin

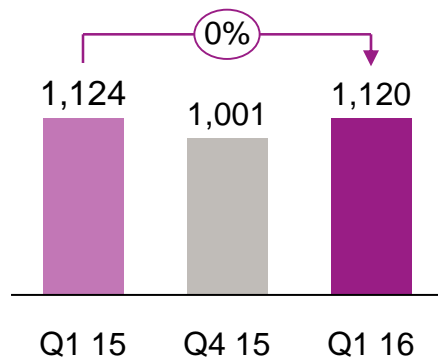


Animal Nutrition: methionine prices normalize from the extraordinarily high prices seen mid-2015 as additional volumes become available; lower volumes against very strong comparables; market situation in lysine remains unsatisfactory.

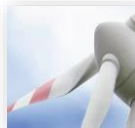
Resource Efficiency

Q1 2016 Business Line comments

Sales (in € m)



Silica with good start into the year; rubber silica demand strong in Europe and the US; specialty silica (esp. matting agents) above prior year in all regions.



Crosslinkers: strong demand across the value chain and most industries carrying over from 2015.

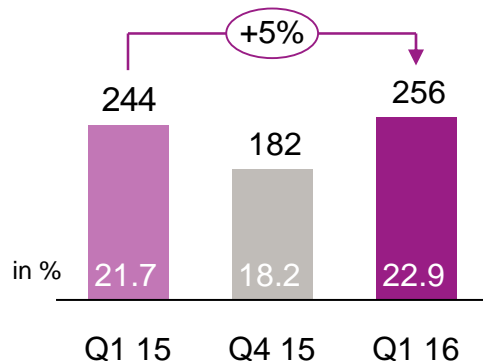


High Performance Polymers: strength in PA12 powder applications and foams, fibres and membranes continues; base business weaker; regionally Europe and US with better performance than Asian markets.



Oil Additives with another strong quarter thanks to good demand environment and attractive product mix.

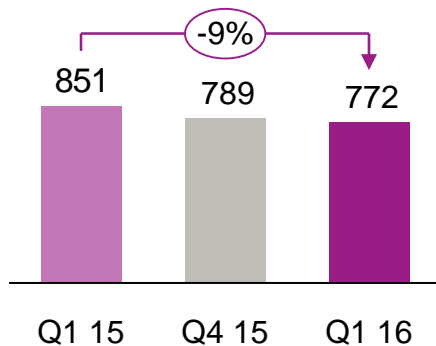
Adj. EBITDA (in € m) / margin



Performance Materials

Q1 2016 Business Line comments

Sales (in € m)



MMA facing tough comparables from a strong H1 2015; long market, soft demand esp. in Asia and low raw material prices leading to yoy lower selling prices; stabilization towards the end of the quarter visible.

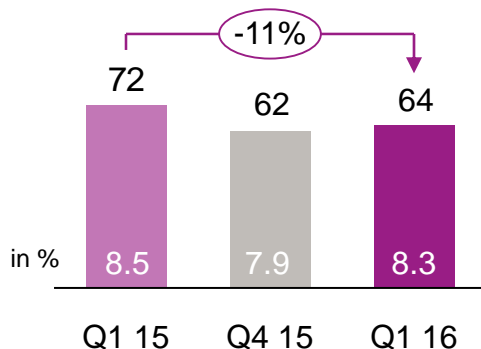


PMMA enjoying continued strong demand from EU and US automotive customers.



Performance Intermediates with tough start into the year due to again lower raw material prices, selling prices and margins; increased volumes from C4 expansion in Marl and Antwerp; lower MTBE inclusion rates due to alternative gasoline specifications during winter time.

Adj. EBITDA (in € m) / margin

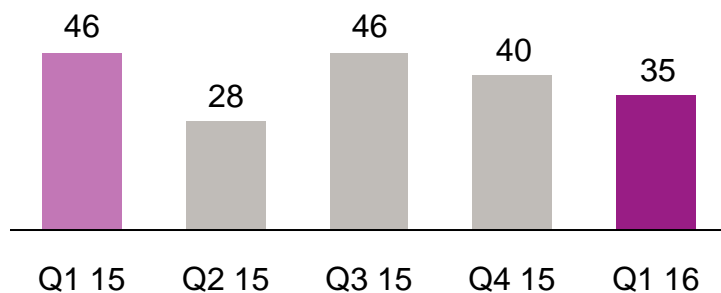


Services and Corporate / Others

Q1 2016 segment comments

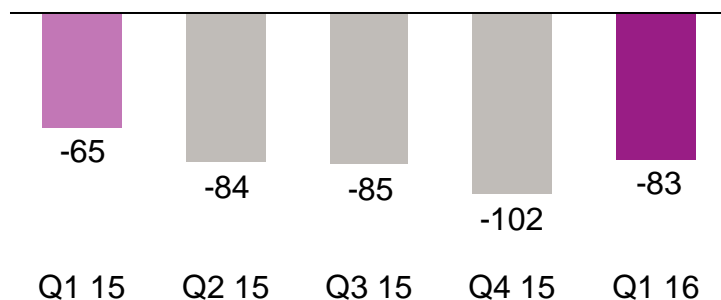


Services: adj. EBITDA (in € m)



- Solid start into the year
- Lower sales as a result of lower energy costs (trading activity for external customers)
- Earnings decline yoy mainly due permanent plant shutdown of one major customer

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

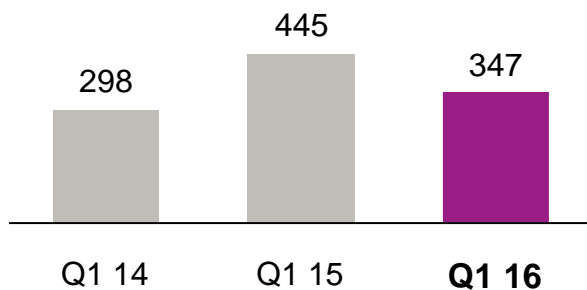


- Earnings negatively impacted by hedging effects
- Q1 2015 benefitted from various smaller non-operating one-offs

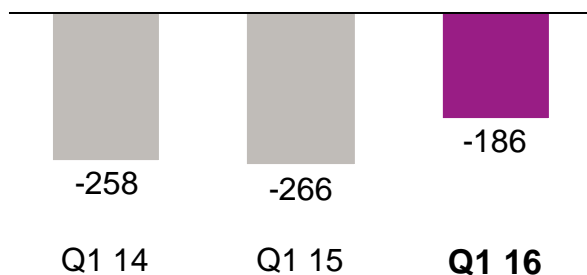
2015 figures restated for restructuring between Services and Corporate / Others segments

Cash flow development

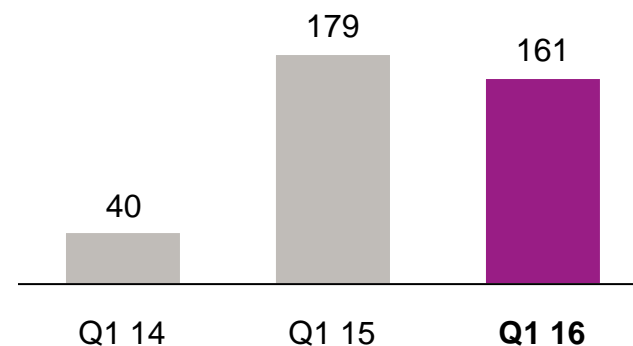
Operating Cash Flow (cont. op. in € m)



Investing Cash Flow (cont. op. in € m)¹



Free Cash Flow (cont. op. in € m)² (before dividends and divestments)

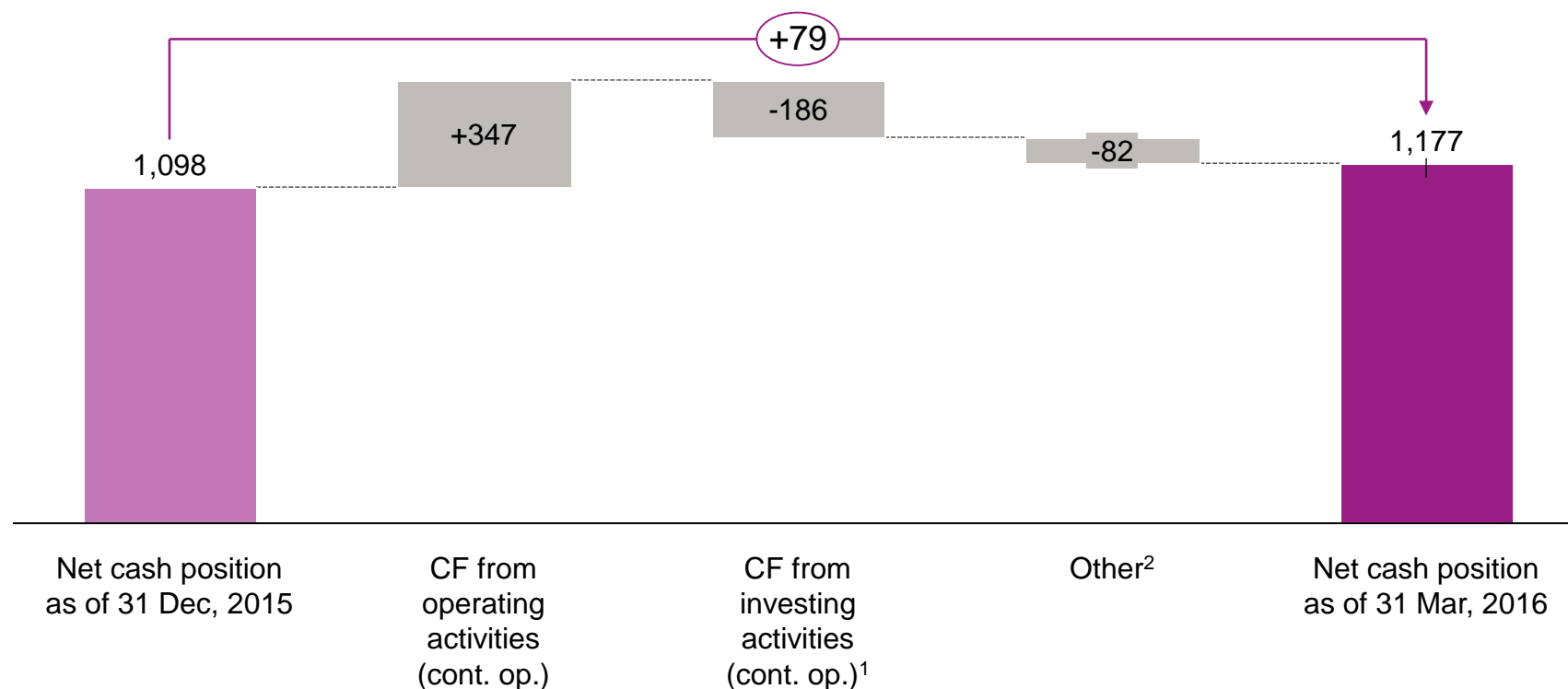


¹ Cash outflow for investments in intangible assets and PP&E

² Operating Cash Flow (cont. op.) ./. Investing Cash Flow (cont. op.)

Net financial position

Development of net financial position (in € m)

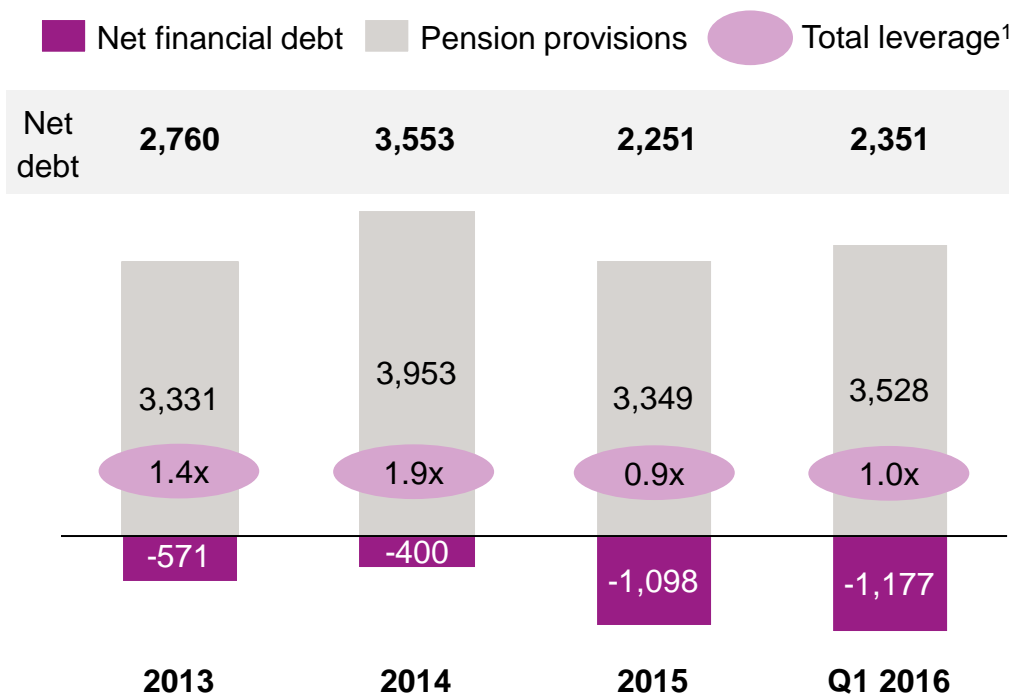


¹ Cash outflow for investments in intangible assets and PP&E

² Including cash outflows for investments in shareholdings

Net debt development

Net debt development (in € m)



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Discount rate slightly lowered in Q1 2016, leading to around €200 m increase in pension provisions

| | | | | |
|------|------|------|------|--|
| 3.84 | 2.65 | 2.91 | - | Evonik Group global discount rate ² |
| 3.75 | 2.50 | 2.75 | 2.50 | Evonik discount rate for Germany |

¹ Total leverage defined as (net financial debt + pension provisions) / adj. EBITDA LTM

² Calculated annually

Adj. income statement Q1 2016

| in € million | Q1 2015 | Q1 2016 | Δ in % |
|--|--------------|--------------|--------|
| Sales | 3,425 | 3,106 | -9 |
| Adj. EBITDA | 650 | 565 | -13 |
| Depreciation & amortization | -165 | -176 | |
| Adj. EBIT | 485 | 389 | -20 |
| Adj. net financial result | -49 | -32 | |
| D&A on intangible assets | 9 | 10 | |
| Adj. income before income taxes | 445 | 367 | -18 |
| Adj. income tax | -122 | -109 | |
| Adj. income after taxes | 323 | 258 | -20 |
| Adj. non-controlling interests | -3 | -4 | |
| Adj. net income | 320 | 254 | -21 |
| Adj. earnings per share | 0.69 | 0.55 | |
| Adjustments | -37 | -13 | |

D&A

- Increase due to new production facilities coming on stream

Adj. net financial result

- Positively impacted by interest income from one-time tax refunds

Adj. tax rate

- Adj. tax rate of 29.7% in line with indication for FY (~29%)

Adjustments

- Restructuring: -€6 m
- Others: -€7 m

Cash flow statement Q1 2016

| in € million (continuing operations) | Q1 2015 | Q1 2016 |
|--|-------------|-------------|
| Income before financial result and income taxes | 448 | 376 |
| Depreciation and amortization | 191 | 176 |
| Δ Net working capital | -242 | -184 |
| Change in other provisions | 51 | 50 |
| Change in miscellaneous assets/liabilities | 86 | 35 |
| Outflows for income taxes | -45 | -72 |
| Others | -44 | -34 |
| Cash flow from operating activities | 445 | 347 |
| Cash flow from investing activities, thereof: | -505 | -236 |
| Cash outflows for investments in intangible assets and PP&E | -266 | -186 |
| Cash outflows for investments in shareholdings | -3 | -58 |
| Cash inflows/outflows relating to securities, deposits and loans | -242 | 5 |
| Cash flow from financing activities | 733 | -6 |

CF from operating activities

- Improvement in NWC, esp. in Performance Materials (NWC management and lower raw material costs)

CF from investing activities

- Capex notably down yoy
- Q1 2016 contains outflow for acquisition of MedPalett

CF from financing activities

- €750 m bond issued last year in Q1

Segment overview by quarter

| Sales (in € m) | FY 2014 | Q1/15 | Q2/15 | Q3/15 | Q4/15 | FY 2015 | Q1/16 |
|-----------------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Nutrition & Care | 4,075 | 1,229 | 1,248 | 1,240 | 1,208 | 4,924 | 1,047 |
| Resource Efficiency | 4,040 | 1,124 | 1,110 | 1,044 | 1,001 | 4,279 | 1,120 |
| Performance Materials | 3,827 | 851 | 938 | 858 | 789 | 3,435 | 772 |
| Services | 906 | 207 | 211 | 207 | 203 | 828 | 166 |
| Corporate / Others | 69 | 14 | 12 | 16 | -3 | 41 | 1 |
| Evonik Group | 12,917 | 3,425 | 3,519 | 3,365 | 3,198 | 13,507 | 3,106 |

| Adj. EBITDA (in € m) | FY 2014 | Q1/15 | Q2/15 | Q3/15 | Q4/15 | FY 2015 | Q1/16 |
|-----------------------------|--------------|------------|------------|------------|------------|--------------|--------------|
| Nutrition & Care | 847 | 353 | 381 | 382 | 319 | 1,435 | 293 |
| Resource Efficiency | 836 | 244 | 254 | 216 | 182 | 896 | 256 |
| Performance Materials | 325 | 72 | 82 | 94 | 62 | 309 | 64 |
| Services | 151 | 46 | 28 | 46 | 40 | 159 | 35 |
| Corporate / Others | -277 | -65 | -84 | -85 | -102 | -334 | -83 |
| Evonik Group | 1,882 | 650 | 661 | 653 | 501 | 2,465 | 565 |

Specialty Chemicals segments



Nutrition & Care



Sales
€4,924 m



Adj. EBITDA / Margin
€1,435 m / 29.1%

Animal Nutrition

Baby Care

Health Care

Personal Care

Household Care

Comfort & Insulation

Interface & Performance



Resource Efficiency



Sales
€4,279 m



Adj. EBITDA / Margin
€896 m / 20.9%

Silica

Crosslinkers

Oil Additives

Coating & Adhesive Resins

High Performance Polymers

Active Oxygens

Silanes

Coating Additives

Catalysts



Performance Materials



Sales
€3,435 m



Adj. EBITDA / Margin
€309 m / 9.0%

Performance Intermediates

Acrylic Polymers

Acrylic Monomers

Functional Solutions

Agrochemicals & Polymer Additives

CyPlus Technologies

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