

# Evonik. Power to create.

## Q4 / FY 2015 Earnings Conference Call

**Klaus Engel**, Chief Executive Officer  
**Ute Wolf**, Chief Financial Officer

3 March, 2016



**EVONIK**  
INDUSTRIES

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<b>1</b>	<b>Highlights FY 2015</b>
2	Financial performance Q4 / FY 2015
3	Outlook FY 2016

Sales (+5%)

**€13,507 m**

Organic growth:

Higher volumes and stable prices despite lower raw material prices

Adj. EBITDA (+31%)

**€2,465 m**

18.2% adj. EBITDA margin

3/4 of Business Lines with stable or higher earnings

Free cash flow

**€1,052 m**

Driven by outstanding operating performance and strong capex discipline

Dividend (+15%)

**€1.15**

Substantial dividend increase resulting in dividend yield of ~4%

Reliable dividend policy targeting continuity

# Evonik well-positioned for above average future growth

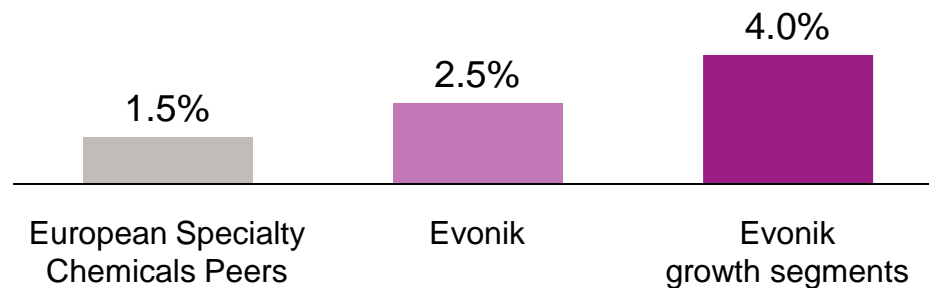


**Leading  
market positions**  
across the portfolio

High level of  
**customer intimacy**  
and tailor-made solutions

Most products with  
**small volumes**  
**but big impact**  
in customers' end products

## Above average volume growth in challenging macro environment<sup>1</sup>



<sup>1</sup> Average volume growth 2013-2015

# Growth strategy based on three strong pillars

## Investments



Expansion of global production footprint

Strengthen leading market positions worldwide

**7** world-scale production plants erected and currently in ramp-up<sup>1</sup>

## Innovation



Market- and customer-oriented R&D approach

Product and process innovation

**~ 2,700**  
R&D employees drive our innovation efforts across the group

## M&A



Sharpening of specialty chemicals portfolio

Additional route for growth and value creation

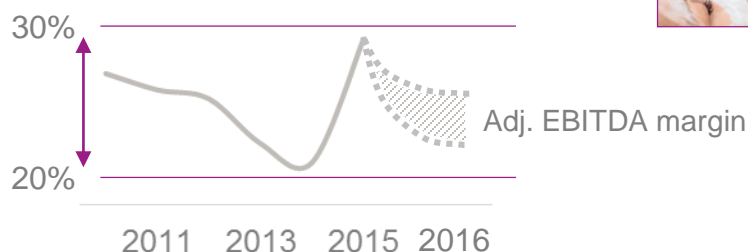
**~ €200 m**  
spent on four bolt-on acquisitions in the last two years<sup>2</sup>

<sup>1</sup> Construction between 2012 and 2015

<sup>2</sup> Since February 2014

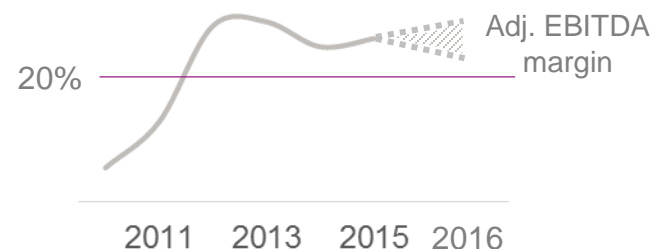
# Growth segments with industry-leading margins

## Nutrition & Care



- Attractive adj. EBITDA margin above 20% at all times
- 2016: Normalization on attractive levels expected after outstanding year 2015

## Resource Efficiency

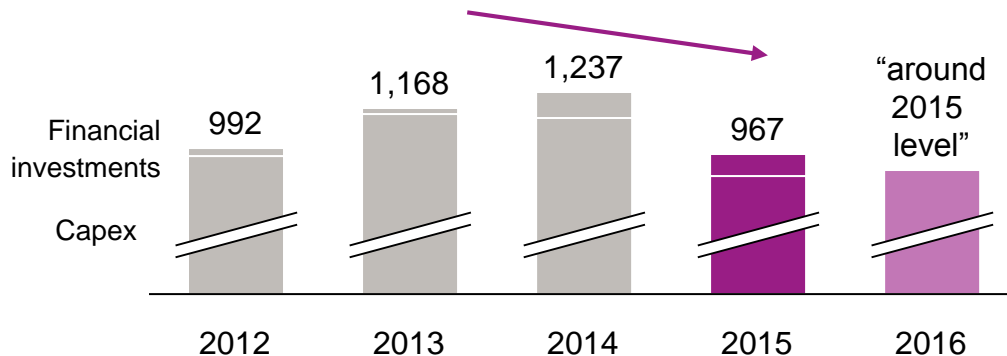


- Steady and stepwise margin growth since 2010
- Solid and reliable margin slightly above 20% since 2012

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

# Capital discipline: Capex normalizing; investment focus on selective, smaller projects

Capex and financial investments (in € m)



- 2015 capex lower than in 2012-14 each
- Disciplined capex approach also in 2016

Selective, smaller growth investments going forward

## Polyimide membrane exp.

Austria

Start-up: 2017  
Volume: <50 m



## PA12 powder expansion

Germany

Start-up: 2017  
Volume: <50 m



## Copolyester plant

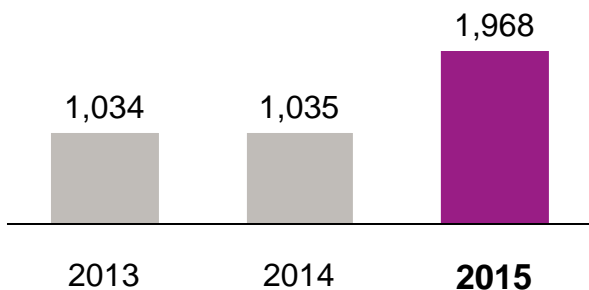
Germany

Start-up: 2018  
Volume: <50 m

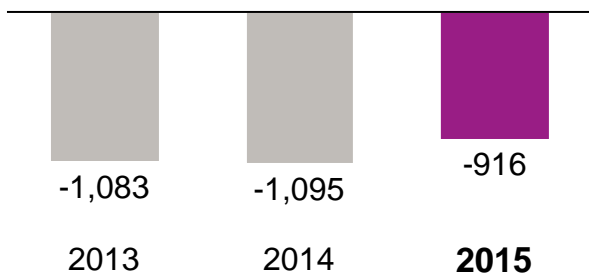


# Outstanding performance drives free cash flow

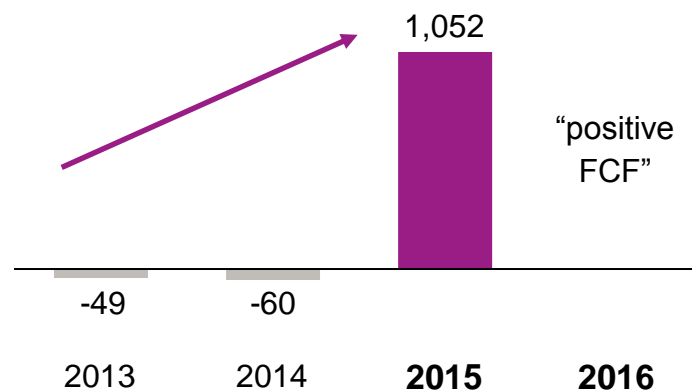
## Operating Cash Flow (cont. op. in € m)



## Investing Cash Flow (cont. op. in € m)<sup>1</sup>



## Free Cash Flow (cont. op. in € m)<sup>2</sup> (before dividends and divestments)

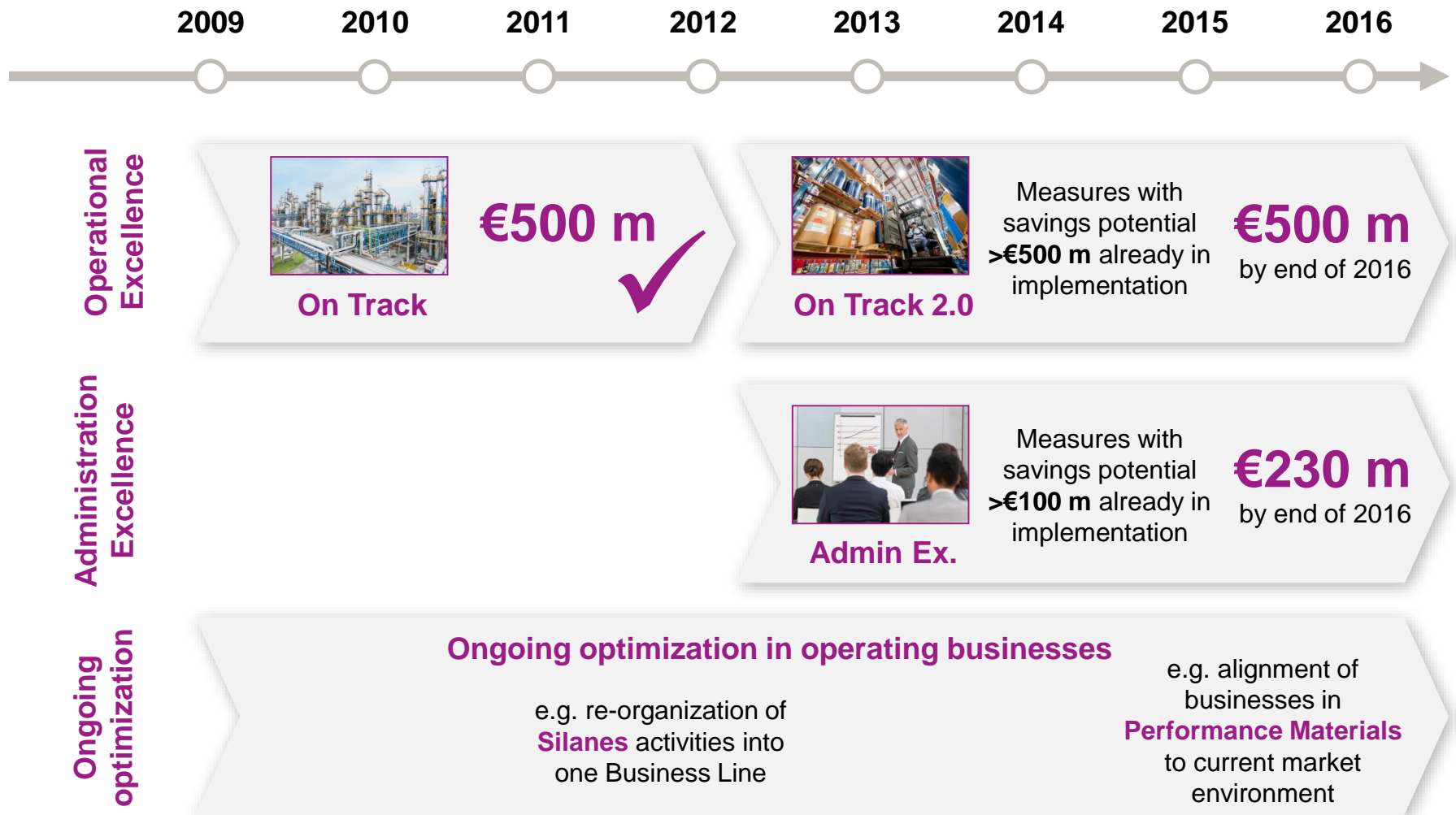


<sup>1</sup> Cash outflow for investments in intangible assets, PP&E and investment property

<sup>2</sup> Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.)

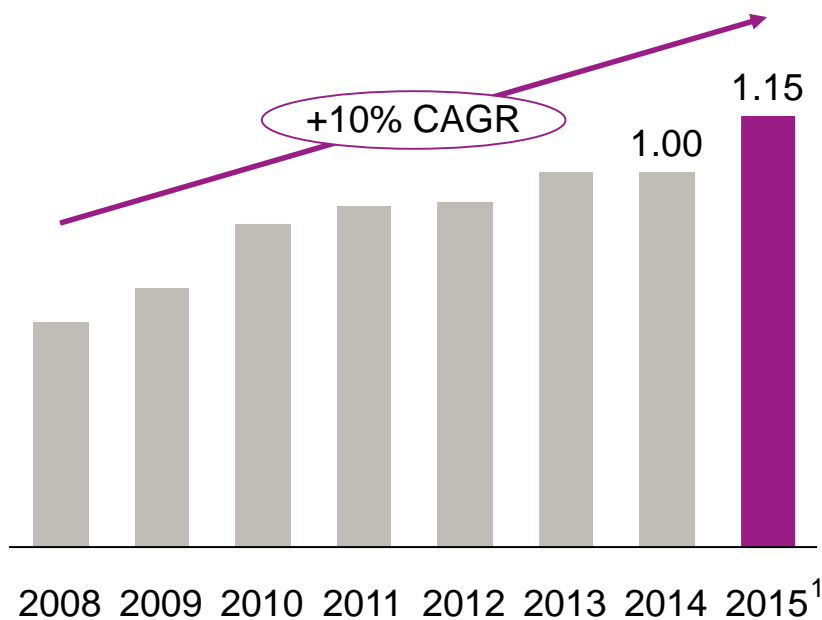


# Continuous cost improvement as integral part of Evonik's DNA



## Reliable and attractive dividend policy

Dividend (in €)



- Sustainable dividend growth over the last years: 10% CAGR between 2008 and 2015
- Substantial dividend increase of 15% proposed for fiscal 2015 on the back of strong operating performance
- **Attractive dividend yield ~ 4%**
- Reliable dividend policy targeting:
  - **dividend continuity**
  - a **payout ratio of ~40%** of adjusted net income

<sup>1</sup> Proposal

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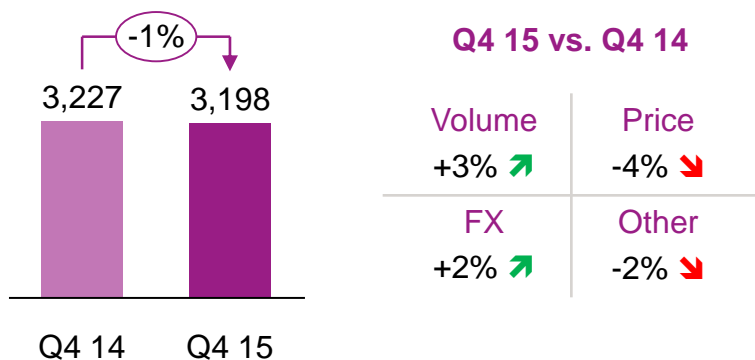
1	Highlights FY 2015
<b>2</b>	<b>Financial performance Q4 / FY 2015</b>
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# Financial highlights Q4 2015

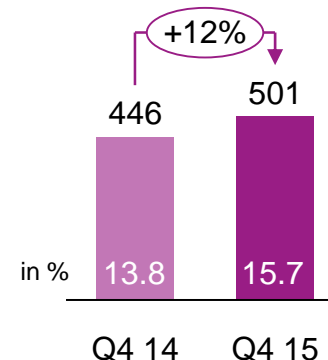
## Strong finish of a successful year



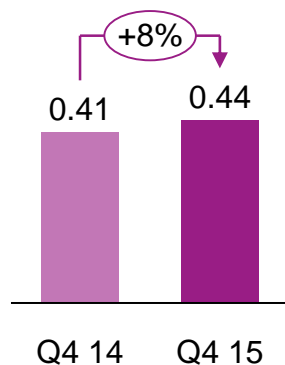
### Sales (in € m)



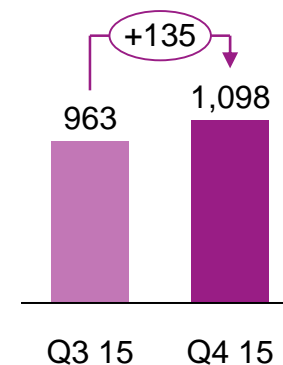
### Adj. EBITDA (in € m) / margin



### Adj. EPS (in €)



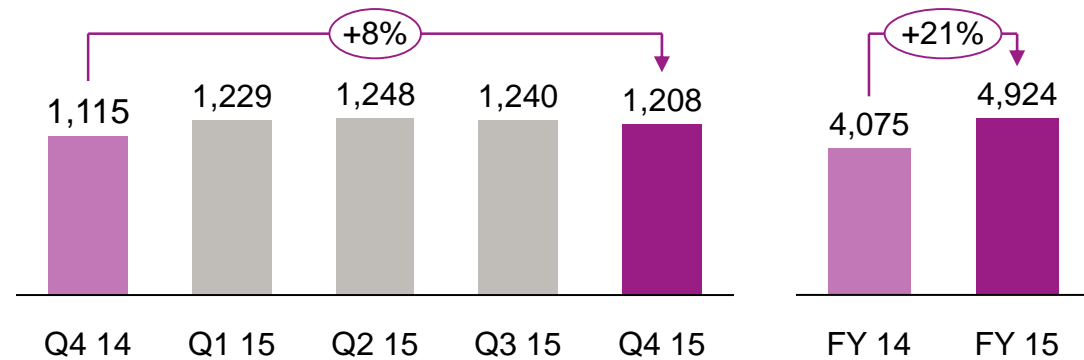
### Net financial position (in € m)



# Nutrition & Care

Good volumes; expected earnings normalization

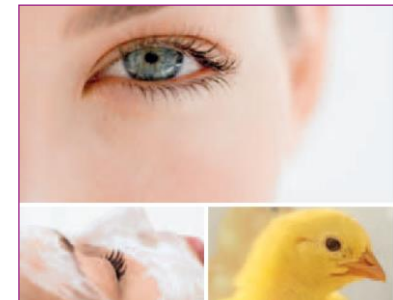
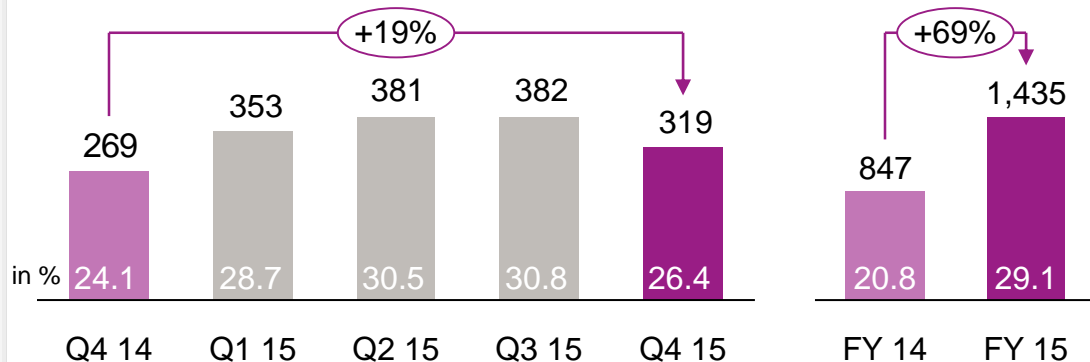
## Sales (in € m)



### Q4 15 vs. Q4 14

Volume	Price
+2% ↗	+4% ↗
FX	Other
+2% ↗	0% →

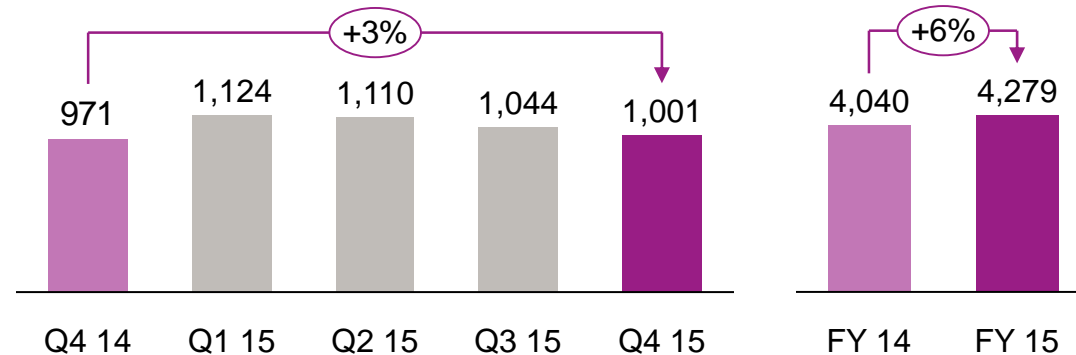
## Adj. EBITDA (in € m) / margin (in %)







# Resource Efficiency

Another year of volume growth & margin expansion

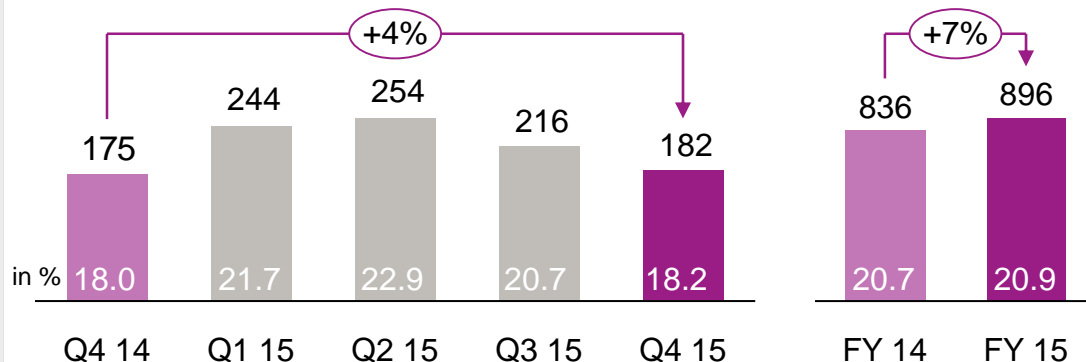
## Sales (in € m)



### Q4 15 vs. Q4 14

Volume	Price
+2% 	-1% 
FX	Other
+3% 	-1% 

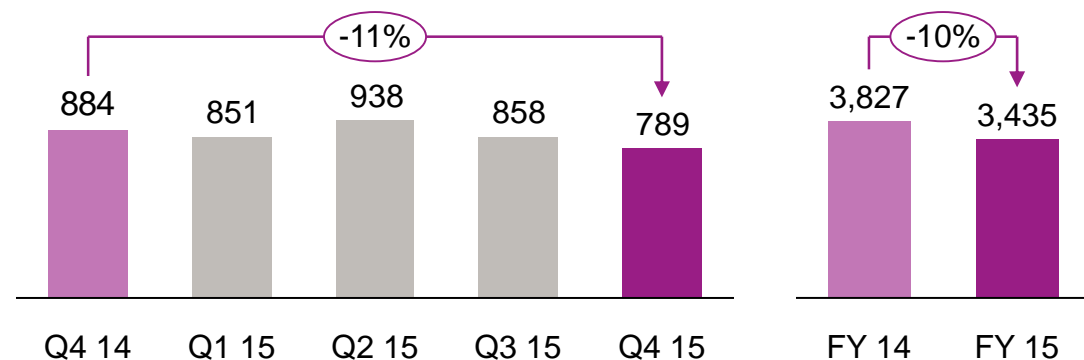
## Adj. EBITDA (in € m) / margin (in %)







# Performance Materials

## Sales and earnings impacted by declining oil price

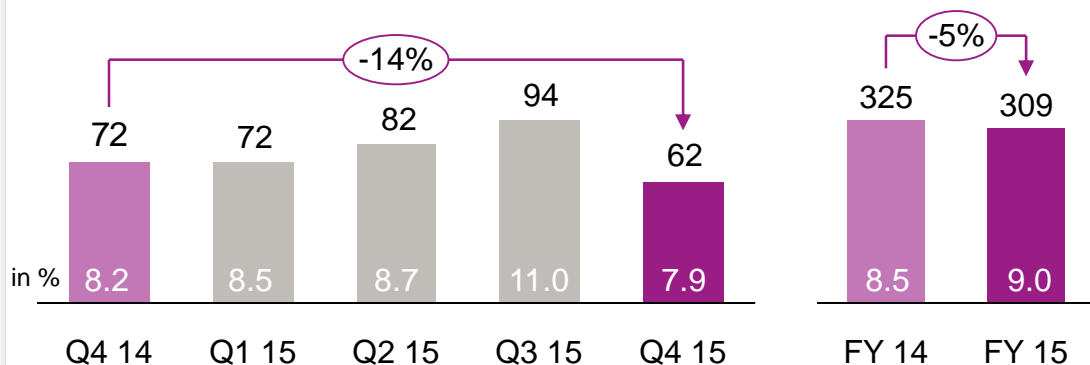
### Sales (in € m)



### Q4 15 vs. Q4 14

Volume	Price
+5% 	-18% 
FX	Other
+2% 	0% 

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



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### Weaker macroeconomic conditions expected

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- Increasing **uncertainty about economic growth** in emerging markets (esp. China) and the US
- Globally weakening demand
- Further **decline in oil** (vs. 2015 average) and hence raw material prices
- Ongoing risk that **geopolitical tensions** may further intensify



**Macroeconomic situation carries high amount of uncertainty**  
**Substantial risk that global growth will disappoint in 2016**

# Outlook for 2016

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** in Nutrition & Care and Resource Efficiency
- **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**

# Leading in specialty chemicals

## 2,000

marketing and  
sales experts globally



High customer  
intimacy and  
market leader-  
ship as key  
**barriers to entry  
in consolidated  
markets**

## 4%

average volume growth  
in Nutrition & Care and  
Resource Efficiency  
since 2010



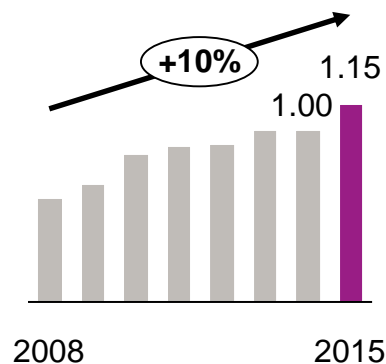
Our growth  
segments live  
up to their name  
and deliver  
**above average  
volume growth**

## 17%

average EBITDA margin  
since 2010



Profitability  
significantly  
above average  
in European  
**Chemicals**



Reliable  
dividend policy;  
**10% CAGR  
(2008-2015);  
~4% yield**



**EVONIK**  
INDUSTRIES

## Additional indications for 2016

- EUR/USD sensitivity<sup>1</sup>                      +/-1 USD cent = -/+ ~€5 m adj. EBITDA (FY basis)
- Adj. EBITDA Services                      **Slightly below 2015** (2015: €163 m)
- Adj. EBITDA Corporate/Other              **Slight improvement** (i.e. less negative) (2015: - €338 m)
- Adj. D&A                                      **Around the level of 2015** (2015: €713 m)
- Adj. net financial result<sup>2</sup>                **Around the level of 2015** (2015: - €179 m)
- Adj. tax rate                                  ~**29%** (2015: 29.3%)
- Capex    **Around the level of 2015**
- Free cash flow                                **Positive** (2015: €1,052 m)

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

<sup>2</sup> Guidance for “Adj. net financial result” (incl. “Adj. interest income/expense” and “Other financial income/expense”)

# Outlook for 2016

## Segment perspective

### 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

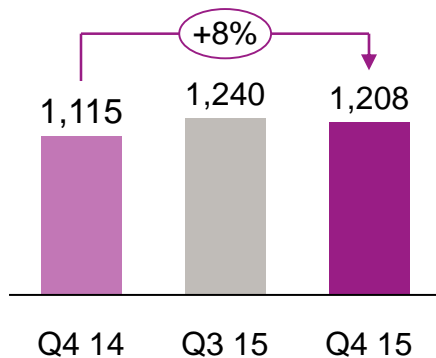


- Further declining oil price (vs. 2015 average) continues to pressure prices and margins of C4 products
- Ample supply and weaker demand weigh on Acrylic Monomers

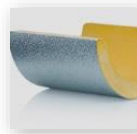
# Nutrition & Care

## Q4 2015 Business Line comments

Sales (in € m)



**Personal Care** with higher sales vs. last year across all regions and market segments; utilization of new China plant increasing and Brazil starting up successfully.



**Comfort & Insulation:** Strong demand in EU core markets; demand for durable consumer applications (e.g. furniture, appliances) in China stabilizing.



**Baby Care:** Overcapacities and ongoing competitive market environment impacting both volumes and prices.

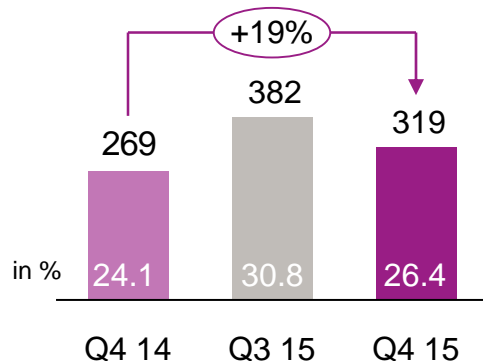


**Health Care** showing continued strong performance in drug delivery systems; positive trend in API business due to increasing number of new customer projects.



**Animal Nutrition:** gradual normalization of tight supply / demand situation from summer 2015 started; situation in well-supplied lysine market more challenging.

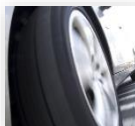
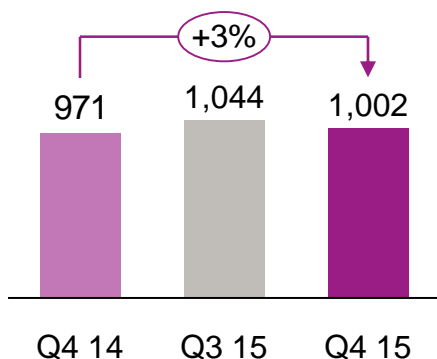
Adj. EBITDA (in € m) / margin



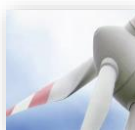
# Resource Efficiency

## Q4 2015 Business Line comments

**Sales (in € m)**



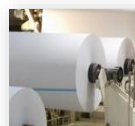
**Silica** enjoying good demand and increasing volumes for both rubber (Europe and US) and fumed silica; slightly weaker demand for rubber silica in Asia.



**Crosslinkers:** strong demand across the whole chain and key industries continued into Q4; benefit from favorable raw material prices persisted.

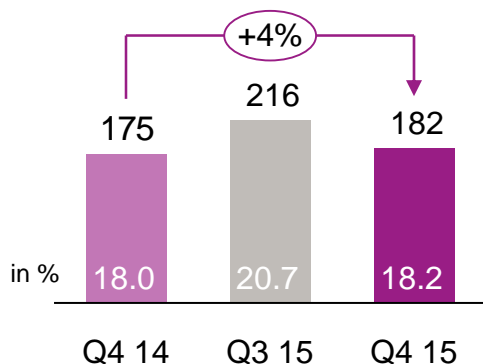


**High Performance Polymers** with recovery after weaker Q3 volumes; strong fibres and membranes business; Chinese demand stabilized on lower levels.



**Active Oxygens:** continued good performance in classic markets leading to high plant utilization globally; recently acquired plant in Netherlands contributing additional volumes and results.

**Adj. EBITDA (in € m) / margin**

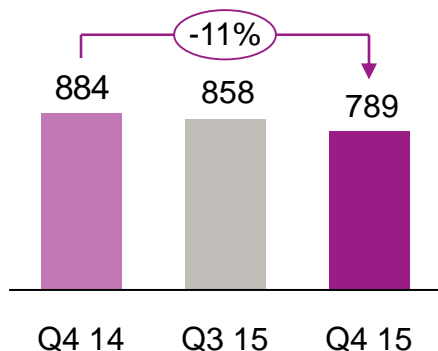




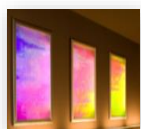
# Performance Materials

## Q4 2015 Business Line comments

**Sales (in € m)**



**MMA:** more balanced supply/demand situation in Europe, softer demand trends (esp. in China) and low raw material price environment leading to lower prices and margins.

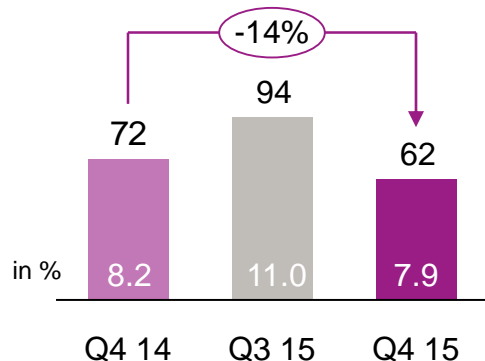


**PMMA:** satisfying demand esp. due to strong EU and US automotive markets; typical seasonal slowdown in construction industry.



**Performance Intermediates** impacted by negative time-lag after stronger Q3 results: end product prices followed oil price drop over the summer and price spreads tightened again; low oil price clearly unfavorable for the whole C4 chain; MTBE with lower blending rates during winter season.

**Adj. EBITDA (in € m) / margin**

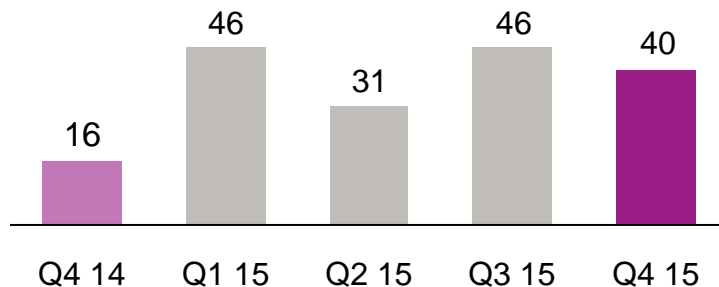


# Services and Corporate / Others

## Q4 2015 segment comments

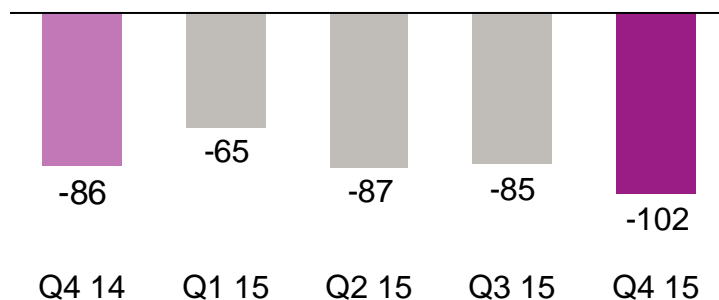


### Services: adj. EBITDA (in € m)



- Strong Q4 results helped by provision release
- Results yoy positively impacted by transfer of several activities from Services to Corporate / Others (e.g. Marketing & Sales Excellence)

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

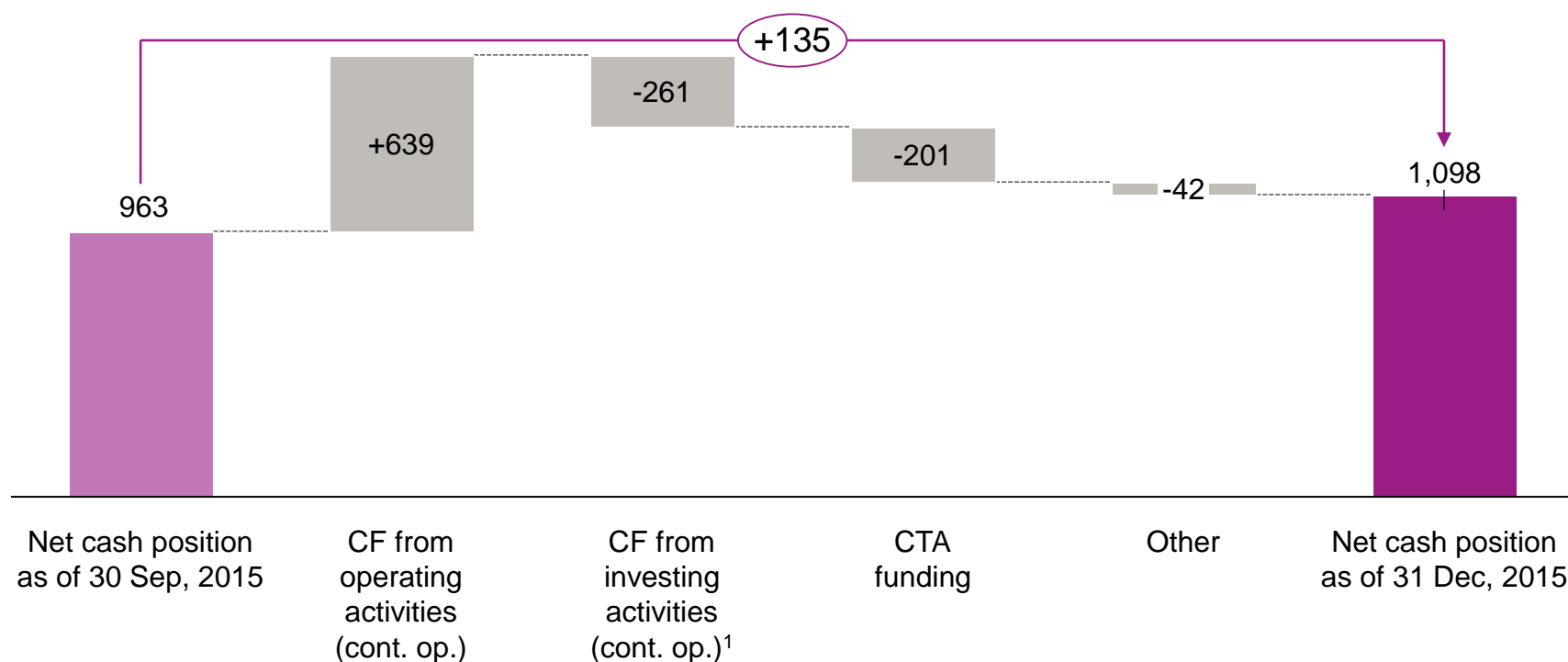


- Q4 earnings influenced by year-end effects and negative FX effects
- Results yoy negatively impacted by transfer of several activities from Services to Corporate / Others (e.g. Marketing & Sales Excellence)

# Net financial position

## CTA funding plan ending in 2015

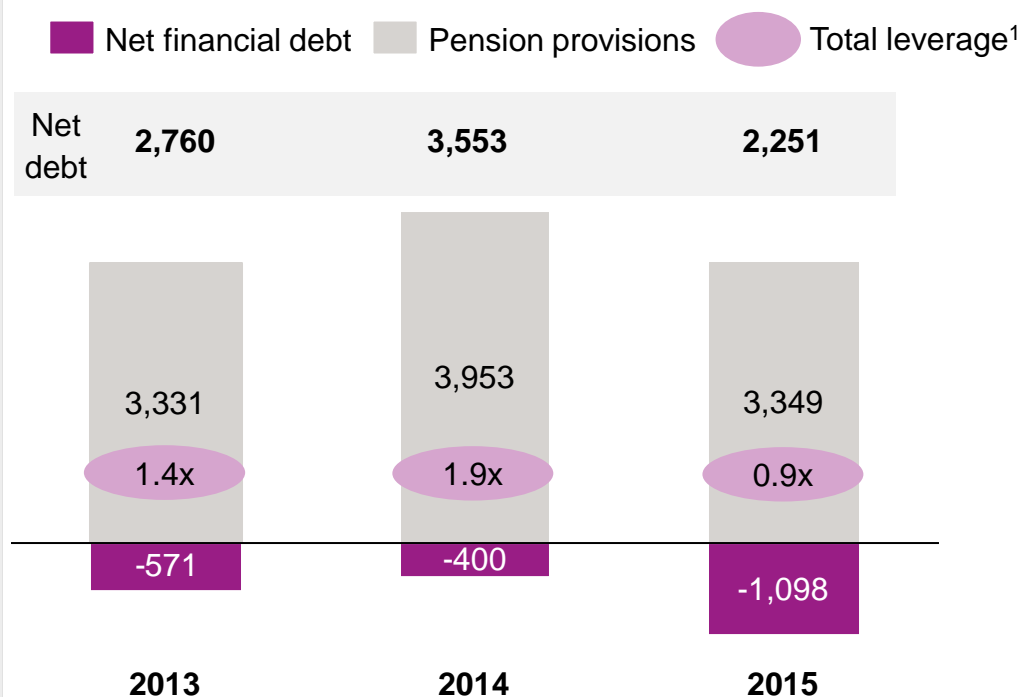
Development of net financial position (in € m)



<sup>1</sup> Cash outflow for investments in intangible assets, PP&E and investment property

# Net debt development

## Net debt development (in € m)



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Decrease of unfunded pension obligations in 2015 due to slightly higher discount rate and CTA funding with €200 m in Q4

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

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

# Adj. income statement Q4 2015

in € million	Q4 2014	Q4 2015	Δ in %
<b>Sales</b>	<b>3,227</b>	<b>3,198</b>	-1
<b>Adj. EBITDA</b>	<b>446</b>	<b>501</b>	+12
Depreciation & amortization	-178	-193	
<b>Adj. EBIT</b>	<b>268</b>	<b>308</b>	+15
Adj. net financial result	-23	-23	
D&A on intangible assets	12	10	
<b>Adj. income before income taxes</b>	<b>257</b>	<b>295</b>	+15
Adj. income tax	-65	-86	
<b>Adj. income after taxes</b>	<b>192</b>	<b>209</b>	+9
Adj. non-controlling interests	-3	-4	
<b>Adj. net income</b>	<b>189</b>	<b>205</b>	+8
<b>Adj. earnings per share</b>	<b>0.41</b>	<b>0.44</b>	
Adjustments	-35	-82	

## D&A

- Increase due to new production facilities coming on stream

## Adj. net financial result

- Positive impact from tax refunds for pre-paid taxes on capital gains (= interest income)

## Adj. tax rate

- Q4 adj. tax rate of 29.2%
- Fully in line with FY 2015 adj. tax rate of 29.3%

## Adjustments

- Restructuring: -€24 m
- Impairments: -€16 m
- Others: -€42 m

# Cash flow statement Q4 2015

in € million (continuing operations)	Q4 2014	Q4 2015
Income before financial result and income taxes	233	226
Depreciation and amortization	172	208
Δ Net working capital	200	294
Change in other provisions	68	92
Change in miscellaneous assets/liabilities	-62	0
Outflows for income taxes	-53	-141
Others	-114	-40
<b>Cash flow from operating activities</b>	<b>444</b>	<b>639</b>
<b>Cash flow from investing activities, thereof:</b>	<b>-282</b>	<b>-480</b>
Cash outflows for investments in intangible assets, PP&E and investment property	-331	-261
Cash inflows/outflows relating to securities, deposits and loans	231	9
Cash outflows to fund the CTA	-209	-201
<b>Cash flow from financing activities</b>	<b>-734</b>	<b>-136</b>

## CF from operating activities

- NWC: increase in accounts receivable
- Higher cash tax due to increased prepayments based on higher earnings level

## CF from investing activities

- Capex clearly below prior year level as large projects were finished in 2014
- CTA funding with ~€200 m in each year; funding scheme ended in Q4 2015

## CF from financing activities

- Bond repayment in Q4 2014

# Segment overview by quarter

<b>Sales</b> (in € m)	Q4/14	FY 2014	Q1/15	Q2/15	Q3/15	<b>Q4/15</b>	FY 2015
Nutrition & Care	1,115	4,075	1,229	1,248	1,240	1,208	4,924
Resource Efficiency	971	4,040	1,124	1,110	1,044	1,001	4,279
Performance Materials	884	3,827	851	938	858	789	3,435
Services	235	906	207	211	207	203	828
Corporate / Others	23	69	14	12	16	-1	41
<b>Evonik Group</b>	<b>3,227</b>	<b>12,917</b>	<b>3,425</b>	<b>3,519</b>	<b>3,365</b>	<b>3,198</b>	<b>13,507</b>

<b>Adj. EBITDA</b> (in € m)	Q4/14	FY 2014	Q1/15	Q2/15	Q3/15	<b>Q4/15</b>	FY 2015
Nutrition & Care	269	847	353	381	382	319	1,435
Resource Efficiency	175	836	244	254	216	182	896
Performance Materials	72	325	72	82	94	62	309
Services	16	151	46	31	46	40	163
Corporate / Others	-86	-277	-65	-87	-85	-102	-338
<b>Evonik Group</b>	<b>446</b>	<b>1,882</b>	<b>650</b>	<b>661</b>	<b>653</b>	<b>501</b>	<b>2,465</b>

# 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



## Upcoming IR events

### Conferences & Roadshows

- 4 March, 2016: Frankfurt Roadshow
- 7-8 March, 2016: London Roadshow
- 18 March, 2016: Goldman Sachs Vision 2020 Conference, London
- 21 March, 2016: Paris Roadshow
- 29 March, 2016: Barclays Global Materials Conference, New York
- 30 March, 2016: New York Roadshow
- 7 April, 2016: MainFirst Corporate Conference, Copenhagen

### Next reporting dates

- 4 May, 2016: Q1 2016 reporting
- 5 August, 2016: Q2 2016 reporting
- 4 November, 2016: Q3 2016 reporting

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

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