

Evonik

Power to create.

Q4 / FY 2016
Earnings Conference Call

2 March 2017

Ute Wolf, Chief Financial Officer

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- 1. Highlights FY 2016**
2. Financial performance Q4 / FY 2016
3. Outlook FY 2017

Executing on strategy and delivering on financial targets

Stringent M&A execution

- Acquisition of **Air Products Performance Materials** to strengthen our leading position in the high-margin specialty & coating additives market
- Planned acquisition of **Huber Silica** business, a strongly growing, profitable and resilient producer of precipitated silica

Differentiated segment strategy

- Strengthening of **growth** segments Nutrition & Care and Resource Efficiency via selective acquisitions, targeted investments and promising R&D projects
- Further **efficiency** improvements in Performance Materials by ongoing cost optimization and restructuring measures

Delivering on financial targets

- Upper end of **outlook** range achieved
- Strong **Free Cash Flow** generation
- Attractive **dividend** to be maintained

Stringent M&A execution

Building a best-in-class Specialty Chemicals portfolio

Strategy ...

- Strengthening **growth segments** Nutrition & Care and Resource Efficiency
- Targeting markets with **high margins and attractive growth rates**

Growth: GDP+
Margins: >20%

... in execution

- Acquisition of Air Products Performance Materials (APD PM)
- Creating a global leader in specialty & coating additives



Market growth: 4-5%
Margin: >20%

- Acquisition of Huber Silica
- Excellent complementary fit for high-growth and resilient Silica business



Market growth: 4-6%
Margin: >20%

Further balancing of Evonik's portfolio and financial profile

Air Products Performance Materials acquisition successfully closed

Well prepared for a quick and smooth integration

Strong finish of a successful year 2016

- Sales of \$1,056 m and EBITDA of \$259 m in calendar year 2016¹
- Coating additives with good volume and earnings development
- Strong volume development for polyurethane additives

Quick and smooth integration process

- Global onboarding process immediately started after closing on January 3
- Open-minded and constructive atmosphere
- Upfront preparation secured smooth integration process

Attractive earnings contribution

- \$80 m synergies confirmed
- \$10 - 20 m synergies expected in 2017
- Positive EPS contribution in FY 2017

1. January to December 2016, differing from Air Product's fiscal year October to September

Consistent execution of differentiated segment strategy



Growth

Nutrition & Care



Resource Efficiency



Investments

- Selective investments to fuel attractive growth businesses, e.g. new silica plant in South Carolina, USA
- Further ramp-up of capacities, e.g. in Methionine, Crosslinkers and Oleochemicals

Innovation

- Strategic portfolio realignment into six new Growth Fields with above average potential
- Accelerate innovation by investing in specialized start-ups and promising technology funds via venture capital

M&A

- Acquisition of APD PM and Huber Silica
- Targeted bolt-on acquisitions, e.g. in Sustainable Nutrition or Healthcare Solutions

Delivering highly profitable growth



Efficiency

Performance Materials



- Enhancing competitive position through
 - measures to compensate factor cost increase
 - flexibilization of cost structure
 - optimization of product portfolio and production network
- Efficiency improvements becoming visible by attractive cash generation

Strictly committed to efficiency and cash conversion

Delivering on financial targets

	Actual FY 2016	Initial guidance
Adj. EBITDA	€2,165 m ✓	“between €2.0 and €2.2 bn”
ROCE	14.0% ✓	“above cost of capital” (10.5%)
Capex	€ 960 m ✓	“around 2015 level” (€0.9 bn)
Free Cash Flow	€810 m ✓	“clearly positive”

Good operating performance

Highlights FY 2016

Volume growth

+3 %

Good volume growth across all three chemical segments

Adj. EBITDA

€2,165 m

Earnings growth in 17 out of 22 business lines achieved
Strong adj. EBITDA growth in Resource Efficiency (+9%) and Performance Materials (+20%)

Free cash flow

€810 m

Strong cash generation – supported by improved net working capital management

Dividend proposal

1.15 €

Reliable dividend policy resulting in attractive distribution to shareholders

Outlook 2016 fully accomplished

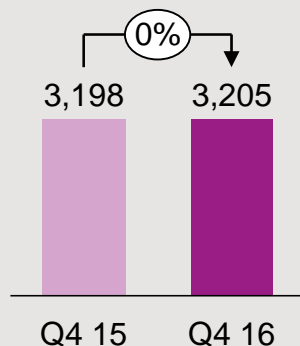
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Financial highlights Q4 2016

Strong volume growth and sequentially improving price trend

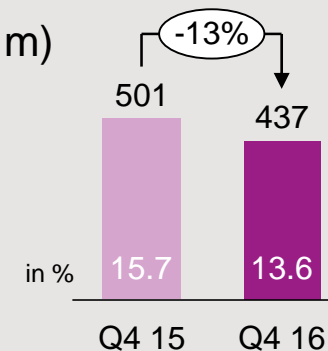
Sales
(in € m)



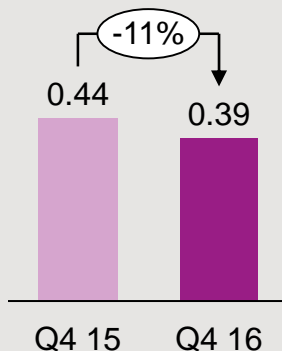
Q4 16 vs. Q4 15

Volume	Price
+5% ↗	-6% ↘
FX	Other
+1% ↗	+/-0% →

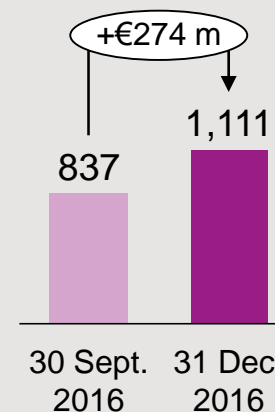
Adj. EBITDA (in € m)
/ margin (in %)



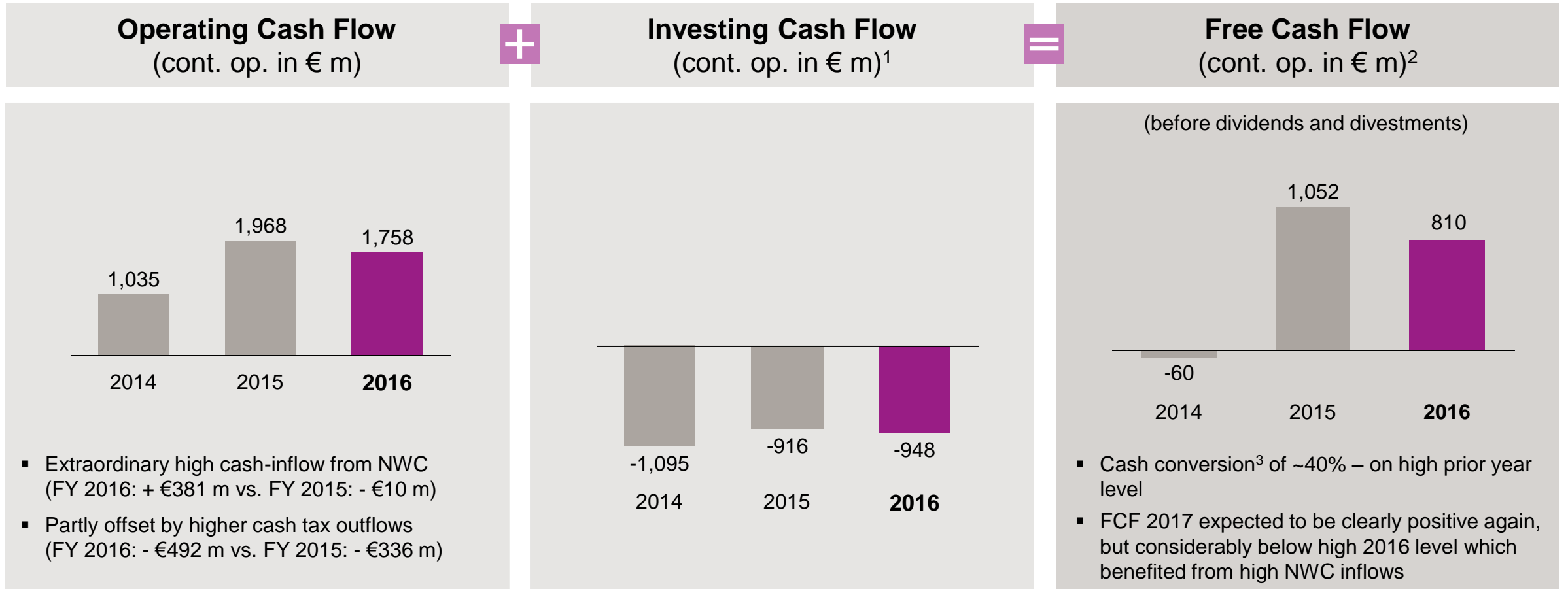
Adj. EPS
(in €)



Net financial
position
(in € m)



Strong operating cash flow and improved net working capital management supporting free cash flow in FY 2016

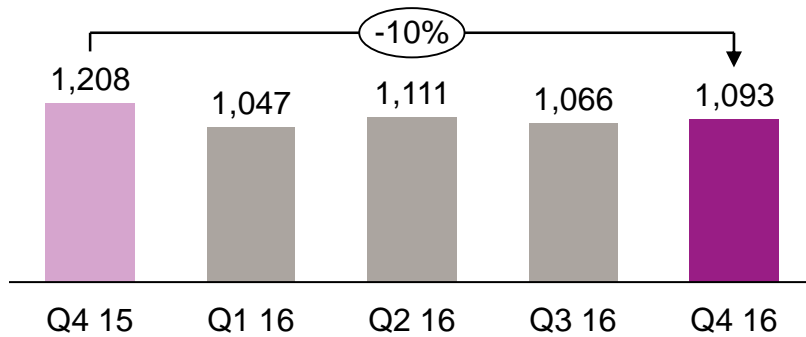


1. Cash outflow for investments in intangible assets and PP&E | 2. Operating Cash Flow (cont. op.) ./ Investing Cash Flow (cont. op.) | 3. FCF/Adj. EBITDA

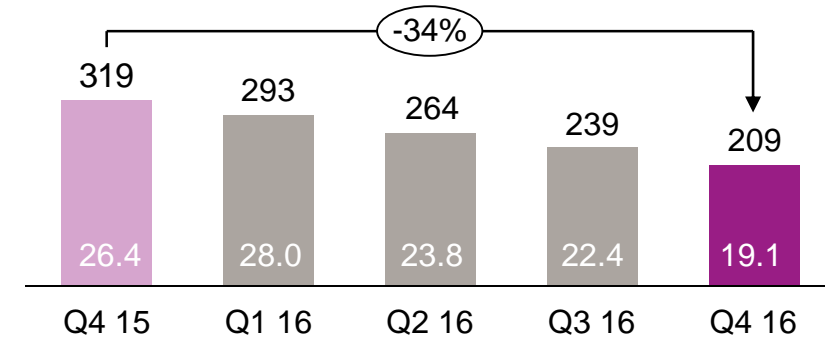
Nutrition & Care

Health Care and Comfort & Insulation with strong finish of a successful year

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q4 16 vs. Q4 15	Volume	Price	FX	Other
	+6% ↗	-17% ↘	+1% ↗	+/-0% →

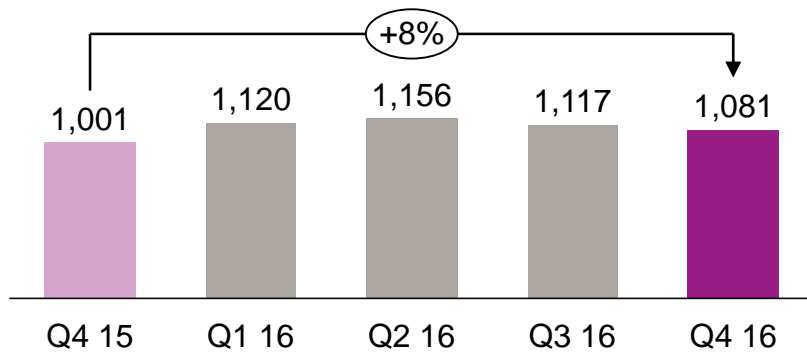


- Lower prices in Animal Nutrition and Baby Care main reason for earnings below prior year
- All other activities with earnings growth yoy
- Comfort & Insulation and Health Care with strong finish
- Strong Q4 volumes in Animal Nutrition confirming healthy demand. Sequentially lower prices in line with expectations. Price declines expected to level out going into 2017.

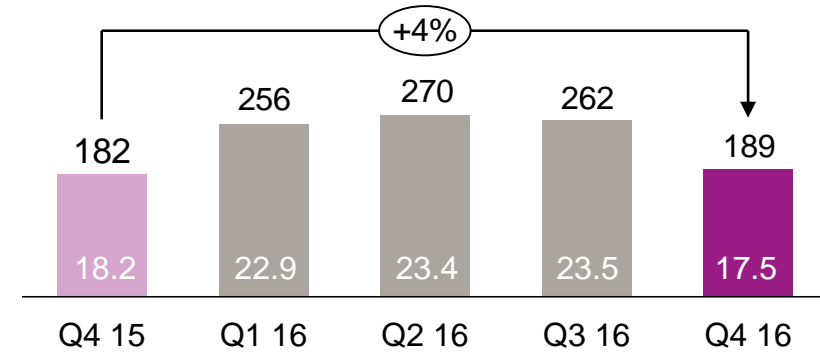
Resource Efficiency

Earnings growth and margin expansion for 3rd year in a row

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q4 16 vs. Q4 15	Volume	Price	FX	Other
+4%	↗	+/-0%	→	+1%
				↗
				↗

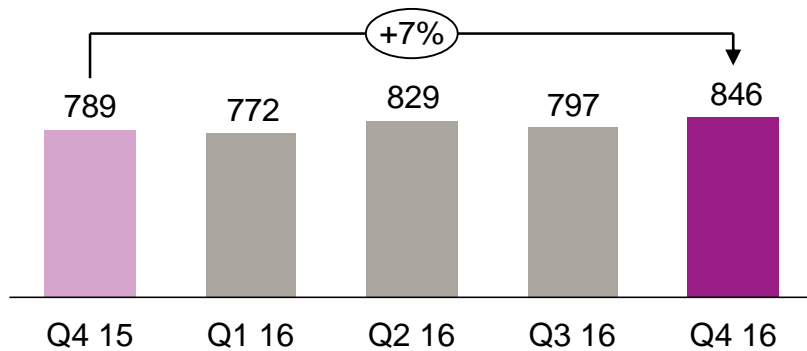
- Continuing good demand in key industries like coatings, construction and automotive with strong pull for value-enhancing additives
- Good volume growth across majority of businesses
- Usual Q4 seasonality, several planned maintenance shutdowns, fading raw material tailwind and more pronounced year-end effects



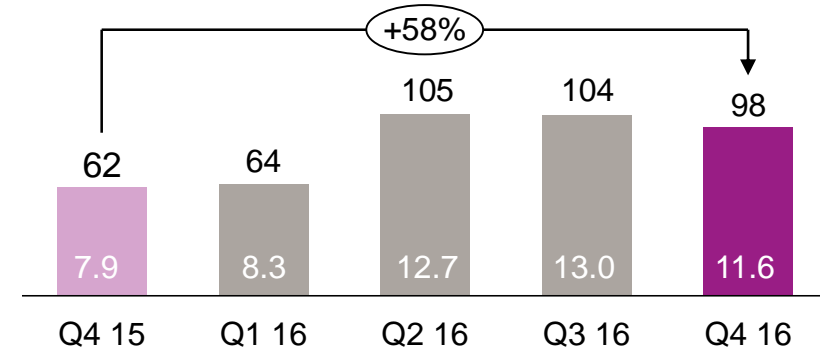
Performance Materials

Significant year-on-year earnings improvement

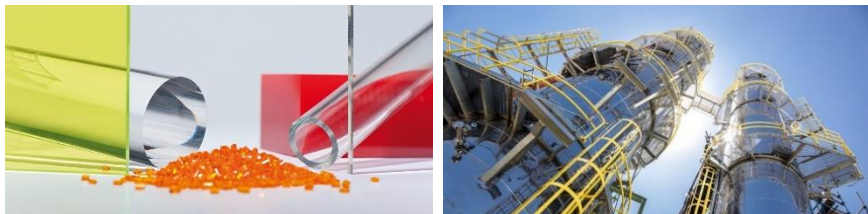
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q4 16 vs. Q4 15	Volume	Price	FX	Other
	+4%	+3%	+/-0%	+/-0%
	↗	↗	→	→



- Good volumes and further improving spreads compensate usual seasonal earnings decline in Q4
- Methacrylates driven by healthy demand from coatings and construction industries and tight supply, successful pass-on of raw material price increases
- C4 chain with good demand from plastics and rubber industries, in combination with tighter than expected supply
- Strong start into 2017; tight market situation expected to normalize in the course of H2

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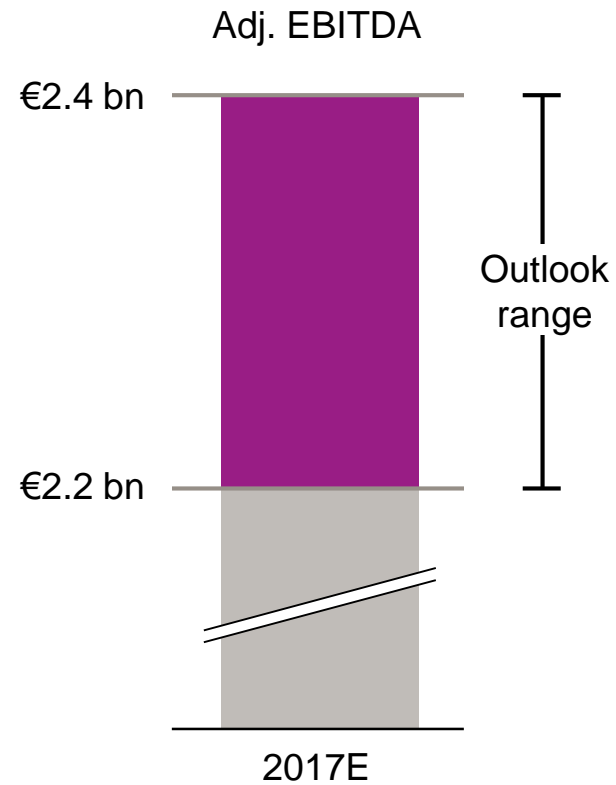
Targeting earnings growth for FY 2017

Outlook for 2017

Outlook 2017

Higher sales
(2016: €12.7 bn)

Adj. EBITDA between
€2.2 bn and €2.4 bn
(2016: €2.165 bn)



Segment outlook FY 2017

(including Air Products specialty additives business; **Huber Silica business not included in outlook**)

Nutrition & Care

- **EBITDA lower than in previous year**
- Positive earnings contribution from allocated Air Products activities
- Stable or slightly positive earnings trend in majority of businesses
- Methionine: lower average annual selling price versus previous year; price declines expected to level out going into 2017

Resource Efficiency

- **Considerably higher EBITDA**
- Positive earnings contribution from allocated Air Products activities
- Good business performance expected in most of the other businesses

Performance Materials

- **Considerably higher EBITDA**
- Improvement in supply/demand situation for key products
- Steps taken to raise efficiency
- Normalization of favorable supply/demand situation assumed during the year

Progress in 2016 as basis for further profitable growth ahead

2016: Executing on strategy and delivering on financial targets

- Outlook achieved – financial targets accomplished
- Good operating performance with attractive volume and earnings growth across large parts of the portfolio
- Consistent execution of differentiated segment strategy
- Stringent M&A execution to further balance Evonik's portfolio and earnings profile

2017: Set for profitable growth

- Successful integration of Air Products specialty additives business and synergy realization as top priority
- Sustained positive market environment for majority of businesses
- Continuation of positive volume growth
- More balanced earnings profile
- Innovation pipeline well filled



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Additional indications for 2017

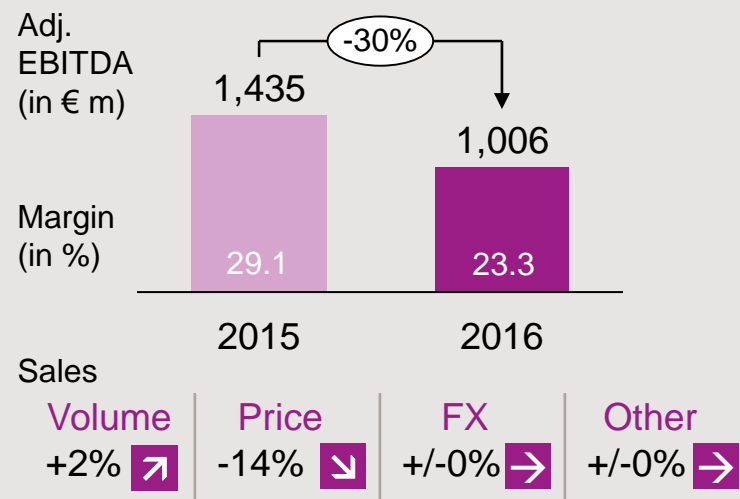
- Air Products specialty additives business Adj. EBITDA of **around €250 m** including first **synergies of €10-20 m**; Sales and adj. EBITDA will be allocated roughly equally between N&C and RE
- ROCE **Above cost of capital** (10.0% before taxes), but perceptibly lower than in 2016 (14.0%) as a consequence of the substantial acquisition-driven rise in capital employed
- Capex **~€1.0 bn** (2016: €960 m)
- Free cash flow **“Clearly positive, but considerably below the strong prior year“** (2016: €810 m)
- EUR/USD **On previous year’s level** (1.10 EUR/USD)
- EUR/USD sensitivity¹ +/-1 USD cent = **-/+ ~€7 m** adj. EBITDA (FY basis)
- Pensions Change in year-end discount rate leading to **~€50 m increase** in pension service costs
- Adj. EBITDA Services **Slightly below 2016** (2016: €151 m)
- Adj. EBITDA Corporate / Others **Slightly more negative than in 2016** (2016: -€340 m)
- Adj. D&A **~€800 m** including €70 - €80 m for APD PM (underlying APD PM business and PPA effects) (2016: €717 m)
- Adj. net financial result² **~€190 m** (2016: - €139 m); absence of pronounced positive year-end effects vs. 2016
- Adj. tax rate **~31%** (2016: 30.4%), due to higher share of profits in USA

1. Including transaction effects (after hedging) and translation effects; before secondary / market effects and after APD acquisition | 2. Guidance for “Adj. net financial result” (incl. “Adj. interest income/expense” and “Other financial income/expense”); subject to interest rate fluctuations which influence discounting effects on provisions

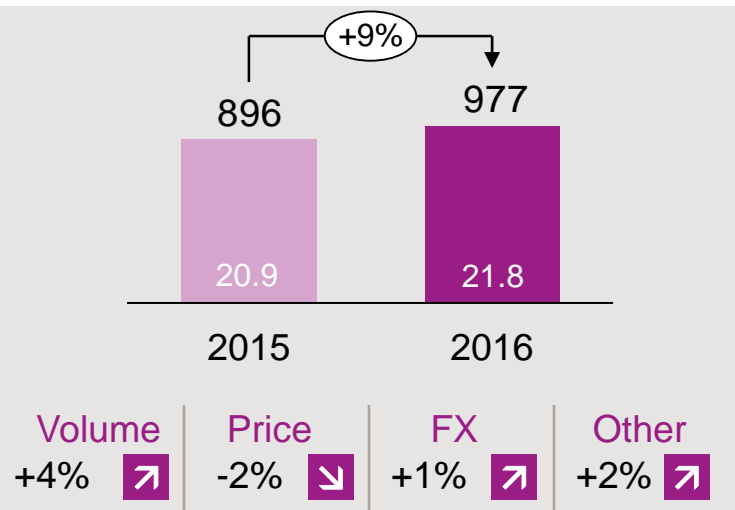
Resource Efficiency and Performance Materials with strong earnings growth

Segment performance FY 2016

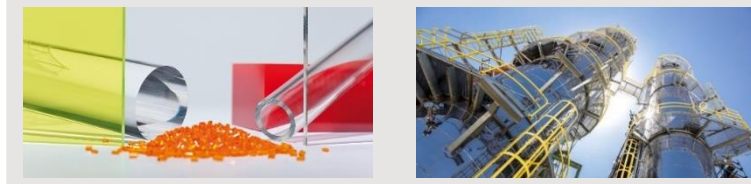
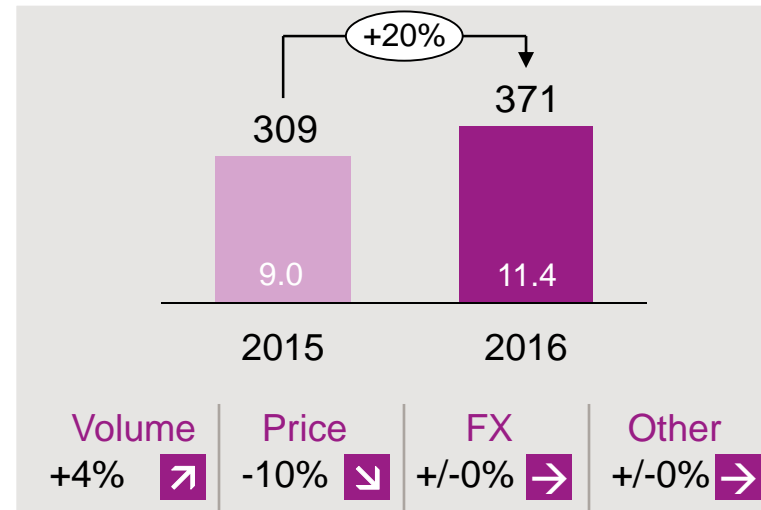
Nutrition & Care



Resource Efficiency



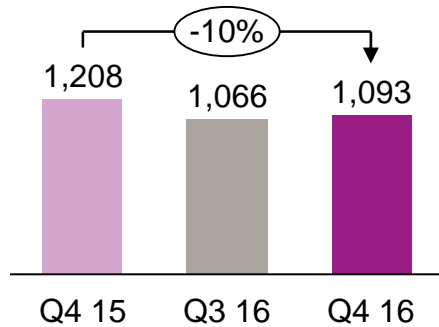
Performance Materials



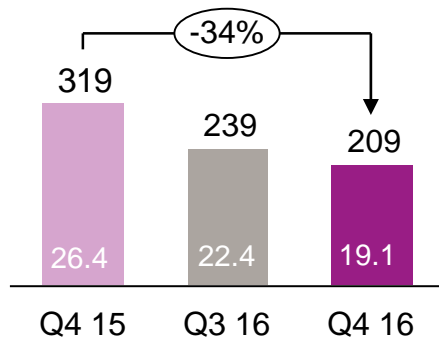
Nutrition & Care

Q4 2016 Business Line comments

Sales (in € m)



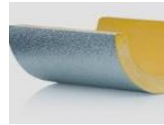
Adj. EBITDA (in € m) / margin (in %)



Personal Care: Continued good business development benefitting from favorable product mix, further supported by increasing contribution from new oleochemicals plants.



Health Care: Particular strong Q4 performance across all activities (Pharma Polymers, Pharma & Food Ingredients, Exclusive Synthesis).



Comfort & Insulation: Strong demand in PU foam stabilizer in all regions, esp. in China. Additional benefit from favorable product mix.



Baby Care: Overall market situation still challenging. Persisting pressure on volumes and prices due to unfavorable S/D situation. Various efficiency improvement measures in preparation and implementation.

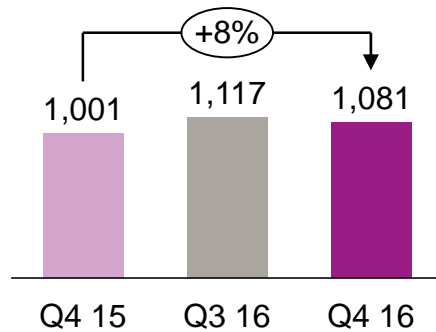


Animal Nutrition: Strong Q4 volumes in Animal Nutrition confirming healthy demand. Sequentially lower prices in line with expectations. Price declines expected to level out going into 2017.

Resource Efficiency

Q4 2016 Business Line comments

Sales (in € m)



Coating Additives: Excellent year 2016, outperformance of market growth driven by continuous trend towards water based coatings – especially in Asia – and increased performance requirements.



Crosslinkers: Maintenance shutdowns in Q4 resulting in lower volumes and increasing fixed costs. Expected weaker demand for wind energy in China. Ramp-up of new competitor in Asia resulting in more balanced supply/demand going forward.

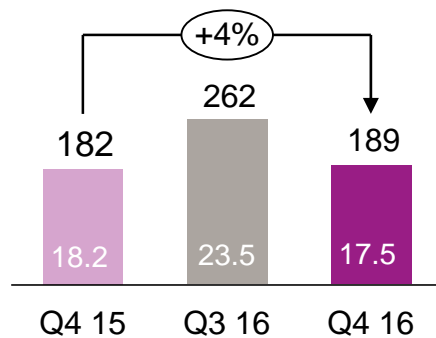


High Performance Polymers: High demand for PA12 compounds and powders in key markets automotive, consumer goods and industrial applications.



Silica: Good development continuing with high demand in rubber silica and other key markets for specialties (e.g. coatings and matting agents).

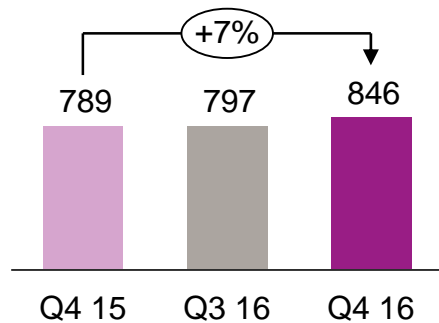
Adj. EBITDA (in € m) / margin (in %)



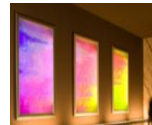
Performance Materials

Q4 2016 Business Line comments

Sales (in € m)



MMA: After weak start in Q1, strong performance throughout the whole of 2016, mainly driven by healthy demand from coatings and construction and tight supply. Elevated market prices allowed stable margins despite increasing raw material costs. High plant utilization. Strong start into 2017 expected.

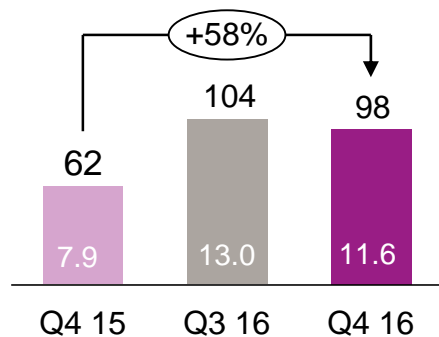


PMMA: Molding compounds continue on higher levels helped by strong automotive demand from Europe and the US. Improved product mix with higher share of specialty products.



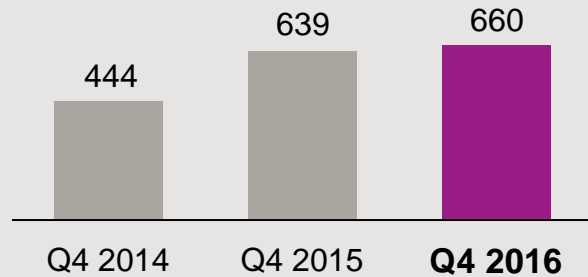
Performance Intermediates: Strong butadiene demand and tight supply driving spreads upwards. Good demand and healthy spreads also across other C4 products (e.g. Butene-1; INA). Strong start into 2017 expected.

Adj. EBITDA (in € m) / margin (in %)



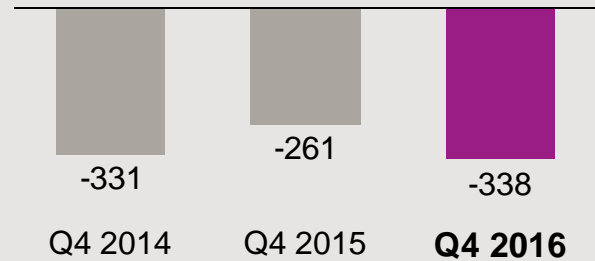
Free Cash Flow Q4 2016

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



+

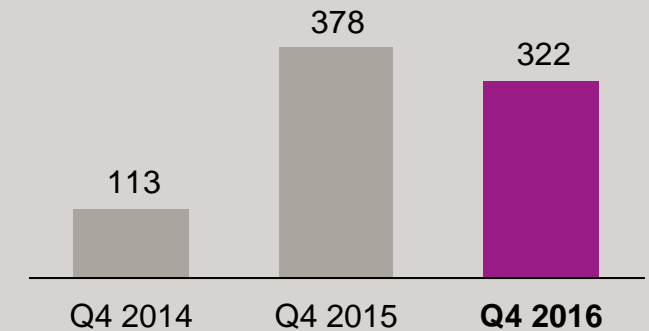
Investing Cash Flow (cont. op. in € m)¹



=

Free Cash Flow (cont. op. in € m)²

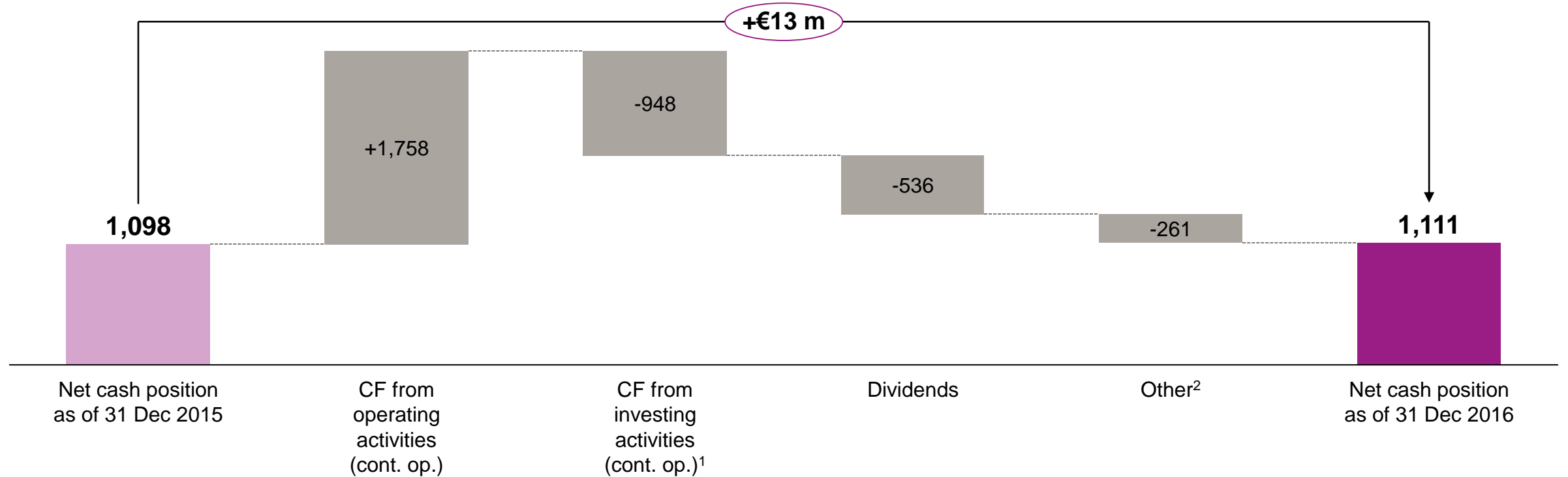
(before dividends and divestments)



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 FY 2016

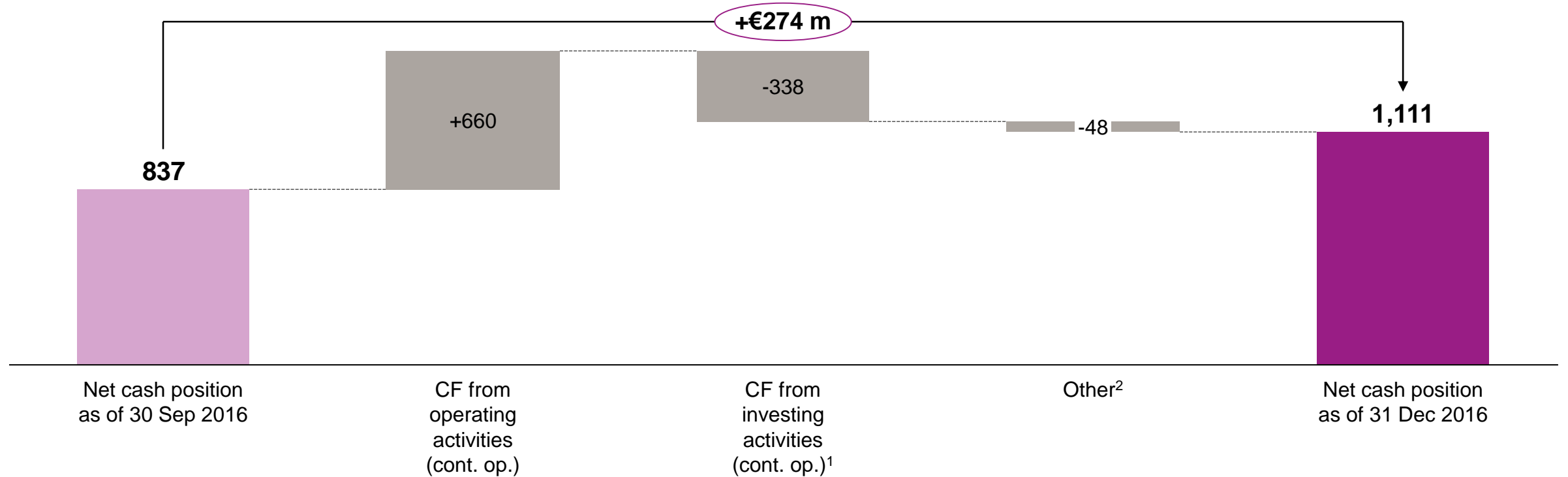
(in € m)



1. Cash outflow for investments in intangible assets and PP&E | 2. Mainly cash outflows for investments in shareholdings

Net financial position development Q4 2016

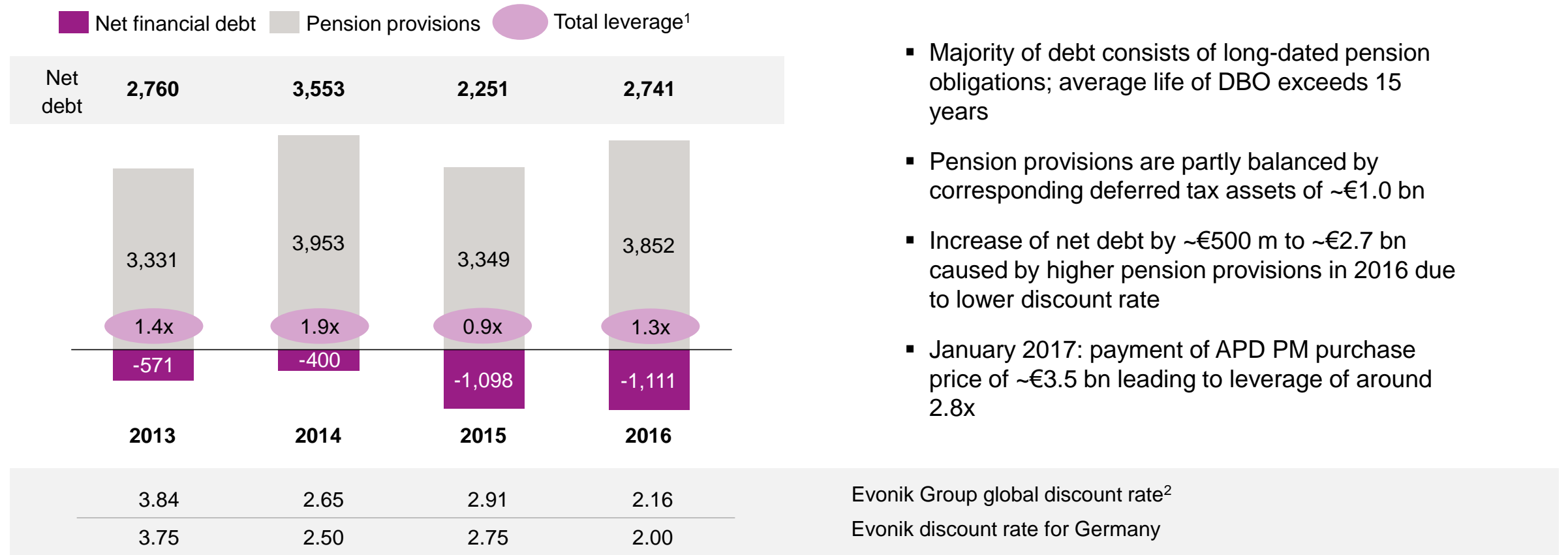
(in € m)



1. Cash outflow for investments in intangible assets and PP&E | 2. Including cash outflows for investments in shareholdings

Net debt development

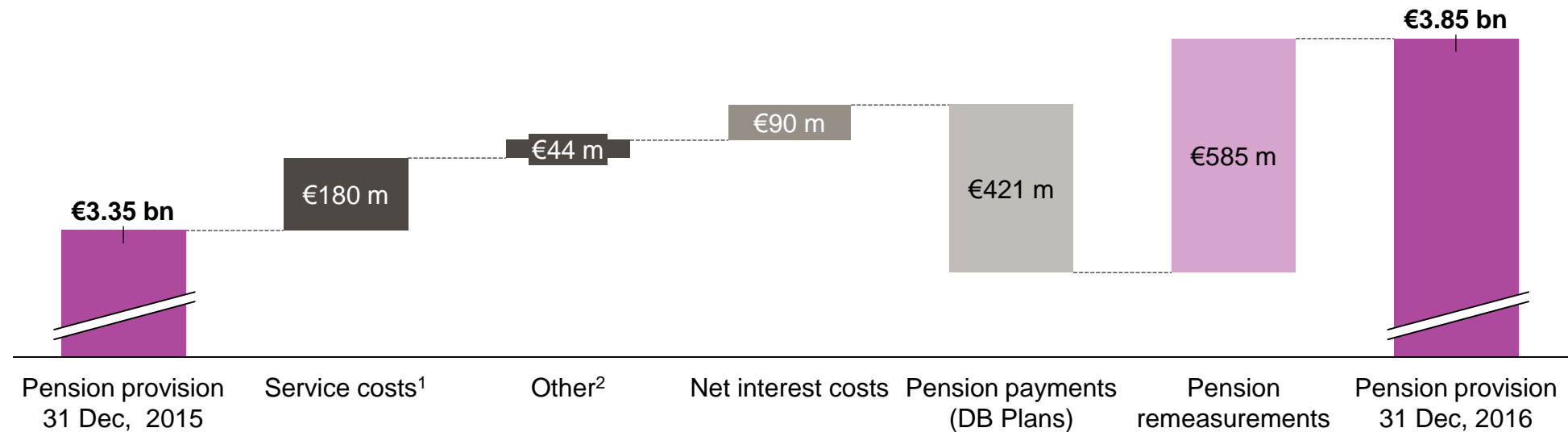
(in € m)



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

Pension accounting

Reconciliation of pension provision (as of Dec. 2016 YTD)



In financial statement:

EBITDA: personnel expenses	Financial Result	Operating cash flow ³	Balance sheet (Equity)
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Outlook for 2017:

~€50 m higher	No notable change	broadly unchanged	depending on future discount rate
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1. Service costs = present (discounted) value of the future/projected pension benefits earned by active employees

2. Employee contributions

3. Line item "Change in provisions for pensions" in operating cash flow statement: -€173 m

Reconciliation: Pension payments (€421 m) - Service costs (€180 m) - Other (€41 m) - Investing cash flow, Transfer to pension trust fund and Tax effects (€22 m) = €178 m

Adjusted income statement Q4 2016

in € m	Q4 2015	Q4 2016	Δ in %
Sales	3,198	3,205	+/-0
Adj. EBITDA	501	437	-13
Depreciation & amortization	-193	-179	
Adj. EBIT	308	258	-16
Adj. net financial result	-23	-3	
D&A on intangible assets	10	16	
Adj. income before income taxes	295	271	-8
Adj. income tax	-86	-86	
Adj. income after taxes	209	185	-11
Adj. non-controlling interests	-4	-3	
Adj. net income	205	182	-11
Adj. earnings per share	0.44	0.39	
Adjustments	-82	-76	

Adj. net financial result:

- Several positive year-end effects: interest income from withholding tax refunds, lower interest expenses for provisions (discounting effect) and positive hedging effects

Adj. tax rate

- Q4 31.7%; FY 2016 30.4% in line with indication of ~30%

EBITDA adjustments:

- Restructuring + €26 m: Positive effect from reversal of provisions in connection with the streamlining of administrative structures
- Impairments - €30 m: mainly in Nutrition & Care and due to the early termination of a project in Performance Materials
- M&A - €29 m: project expenses related to APD PM and Huber acquisitions
- Others - €43 m

Adjusted income statement FY 2016

in € m	FY 2015	FY 2016	Δ in %
Sales	13,507	12,732	-6
Adj. EBITDA	2,465	2,165	-12
Depreciation & amortization	-713	-717	
Adj. EBIT	1,752	1,448	-17
Adj. net financial result	-179	-139	
D&A on intangible assets	39	47	
Adj. income before income taxes	1,612	1,356	-16
Adj. income tax	-473	-412	
Adj. income after taxes	1,139	944	-17
Adj. non-controlling interests	-11	-14	
Adj. net income	1,128	930	-18
Adj. earnings per share	2.42	1.99	
Adjustments	-88	-150	

Adj. net financial result:

- Improvement mainly due to positive year-end effects (see previous slide)

EBITDA adjustments:

- Restructuring + €1 m: expenses for optimization of the portfolio structure in the Performance Materials segment; compensated by income from reversal of provisions in connection with the streamlining of administrative structures
- Impairments - €48 m: mainly in Nutrition & Care and due to the early termination of a project in Performance Materials
- M&A - €46 m: mainly project expenses related to APD PM and Huber acquisitions
- Others - €57 m

Cash flow statement Q4 2016

in € m	Q4 2015	Q4 2016
Income before financial result and income taxes	226	182
Depreciation and amortization	208	210
Δ Net working capital	294	274
Change in other provisions	92	36
Change in miscellaneous assets/liabilities	-	69
Outflows from income taxes	-141	-102
Others	-40	-9
Cash flow from operating activities	639	660
Cash flow from investing activities, thereof:	-480	-379
Cash outflows for investment in intangible assets, pp&e	-261	-338
Cash inflows/outflows from investments/divestments of shareholdings	-27	-14
Cash flow from financing activities	-136	2

CF from operating activities

- NWC: High inflow driven by improved NWC mgmt.

CF from investing activities

- Higher investments of €77 m yoy mainly driven by cash out for METEX acquisition (treated as investment in pp&e) and capex for new methionine plant in Singapore

CF from financing activities

- Repayment of debt in Q4 2015

Continuing operations

Cash flow statement FY 2016

in € m	FY 2015	FY 2016
Income before financial result and income taxes	1,664	1,298
Depreciation and amortization	764	747
Δ Net working capital	-10	381
Change in other provisions	111	-124
Change in miscellaneous assets/liabilities	92	113
Outflows from income taxes	-336	-492
Others	-317	-165
Cash flow from operating activities	1,968	1,758
Cash flow from investing activities, thereof:	-660	-883
Cash outflows for investment in intangible assets, pp&e	-916	-948
Cash inflows/outflows from investment/divestment of shareholdings	351	-148
Cash flow from financing activities	133	1,384

CF from operating activities

- NWC: High inflow driven by continuous improved NWC mgmt. towards year-end
- Outflows for income taxes: pre-payments for strong earnings level of last year; outflows for tax audit relating to prior periods
- Others: Change driven by reclassification of VivaWest disposal in 2015: disposal gain shown as inflow from divestments of shareholdings (investing cash flow)

CF from financing activities

- Financing of APD purchase price and dividend payment

Continuing operations

Segment overview by quarter

Sales (in € m)	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	Q1/16	Q2/16	Q3/16	Q4/16	FY 2016
Nutrition & Care	1,229	1,248	1,240	1,208	4,924	1,047	1,111	1,066	1,093	4,316
Resource Efficiency	1,124	1,110	1,044	1,001	4,279	1,120	1,156	1,117	1,081	4,473
Perf. Materials	851	938	858	789	3,435	772	829	797	846	3,245
Services	207	211	207	203	828	166	163	173	180	683
Corporate / Others	14	12	16	-3	41	1	-1	11	5	15
Evonik Group	3,425	3,519	3,365	3,198	13,507	3,106	3,258	3,164	3,205	12,732

Adj. EBITDA (in € m)	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	Q1/16	Q2/16	Q3/16	Q4/16	FY 2016
Nutrition & Care	353	381	382	319	1,435	293	264	239	209	1,006
Resource Efficiency	244	254	216	182	896	256	270	262	189	977
Perf. Materials	72	82	94	62	309	64	105	104	98	371
Services	46	28	46	40	159	35	33	50	32	151
Corporate / Others	-65	-84	-85	-102	-334	-83	-87	-77	-92	-340
Evonik Group	650	661	653	501	2,465	565	585	578	437	2,165

Upcoming IR events

Conferences & Roadshows

3 March	Roadshow, London
9 March	Roadshow, Frankfurt
23 March	Roadshow, Amsterdam
29 March	Goldman Sachs Chemicals Conference, London
30 March	MainFirst Corporate Conference, Copenhagen

Next reporting dates

5 May 2017	Q1 2017 reporting
23 May 2017	Annual General Meeting 2017
3 August 2017	Q2 2017 reporting
3 November 2017	Q3 2017 reporting

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