Capital Markets Day 2013

Financial Strategy

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Essen, 3 September, 2013

Consistent value creation at Evonik

Strategic focus on Specialty Chemicals

- ✓ Strategic focus on **Specialty Chemicals** initiated
- ✓ Sale of **energy** business majority stake
- ✓ Divestment of **Carbon Black** business
- ✓ Selected bolt-on acquisitions
- ✓ Divestment of **Colorants** business
- ✓ Exit from **Real Estate** business executed

2013

Successful Listing

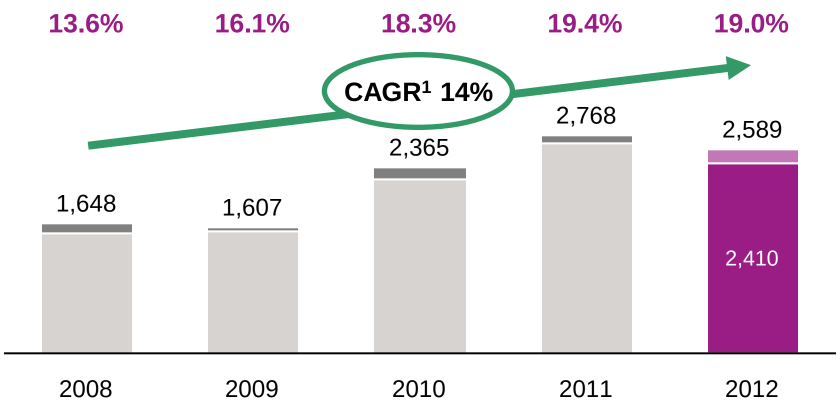
Operational Excellence and Efficiency focus

2009

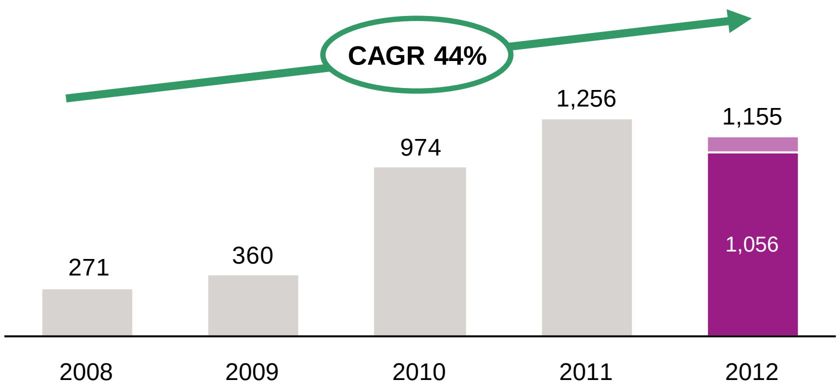
- ✓ Short-term cost savings program **„TaskForce“**
- ✓ Efficiency program **„On Track“** initiated
- ✓ Company management system on **EVA** basis introduced
- ✓ Efficiency program **„On Track” completed** ahead of schedule
- ✓ Efficiency program **„On Track 2.0“** initiated
- ✓ Short-term cost savings of €40 m in H2 2013

Strong track record of value creation

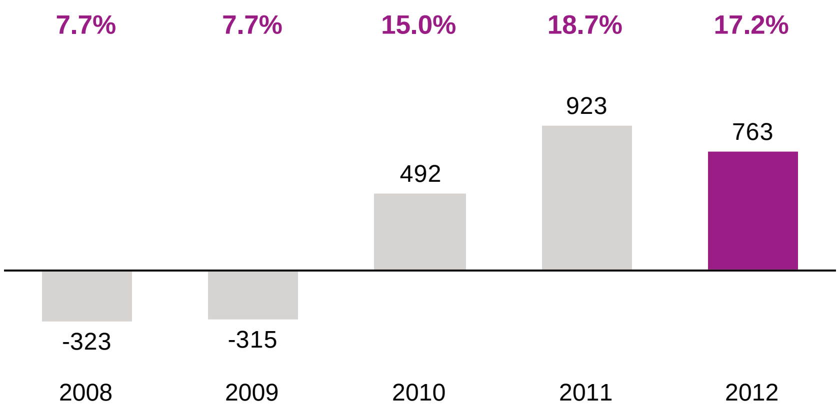
Adj. EBITDA (€m) and margin[1] (%)



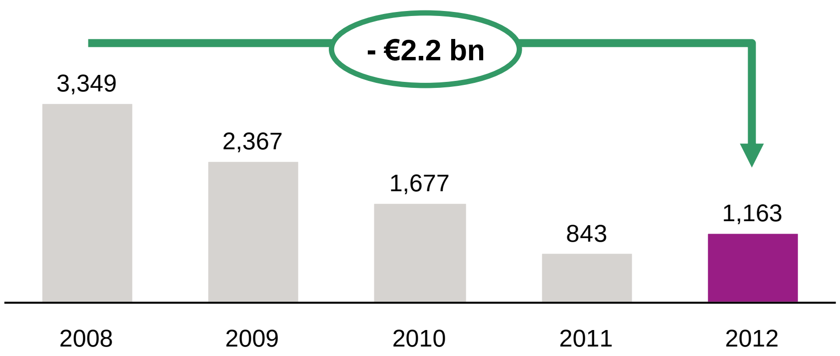
Adj. net income (€m)



EVA[2] (€m) and ROCE (%)



Net Financial Debt (€m)

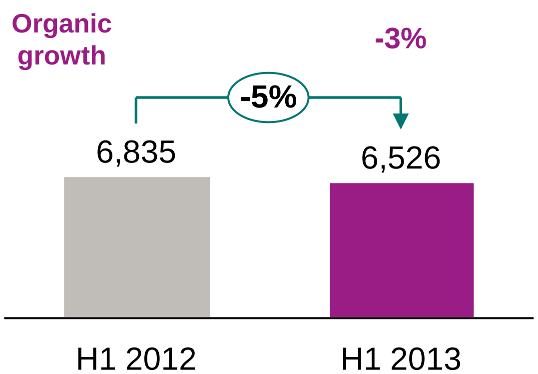


Note: All figures without Steag (excluded from 2008A figures; not included in restated 2009A and 2010A). Steag result included at equity from March 2011 onwards.
[1] Excluding Carbon Black
[2] EVA= adj. EBIT- (average capital employed * WACC); WACC 10.5%

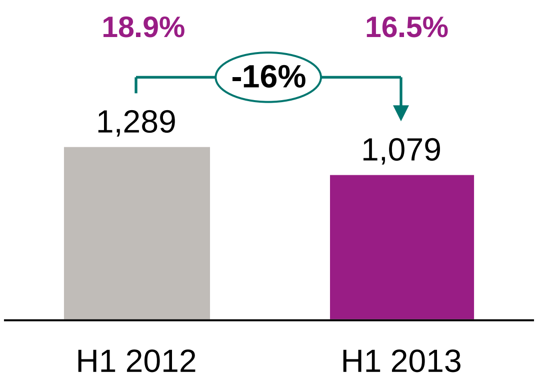
Carbon Black | Real Estate & IAS 19 adjustments

H1 2013 affected by challenging market environment and lower prices

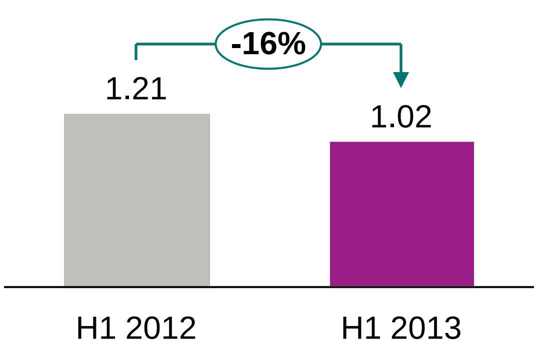
Sales (in € m)



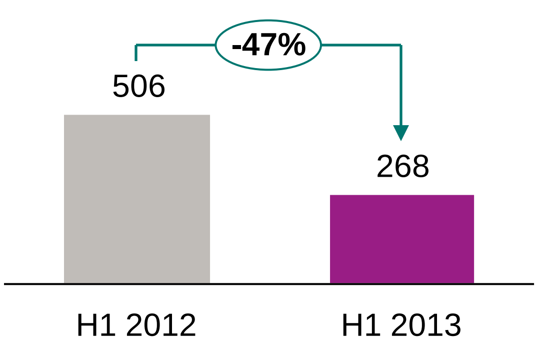
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



EVA (in € m)



- Sales organically slightly below prior year (-3%)
- >60% of portfolio with growing volumes, but lower prices mainly in Methionine and Butadiene
- Some important businesses impacted by temporary effects, e.g.:
  - Methionine business impacted by bird flu in Asia
  - Lower volumes in Performance Intermediates due to planned maintenance shutdown

Outlook 2013 adjusted to reflect economic environment

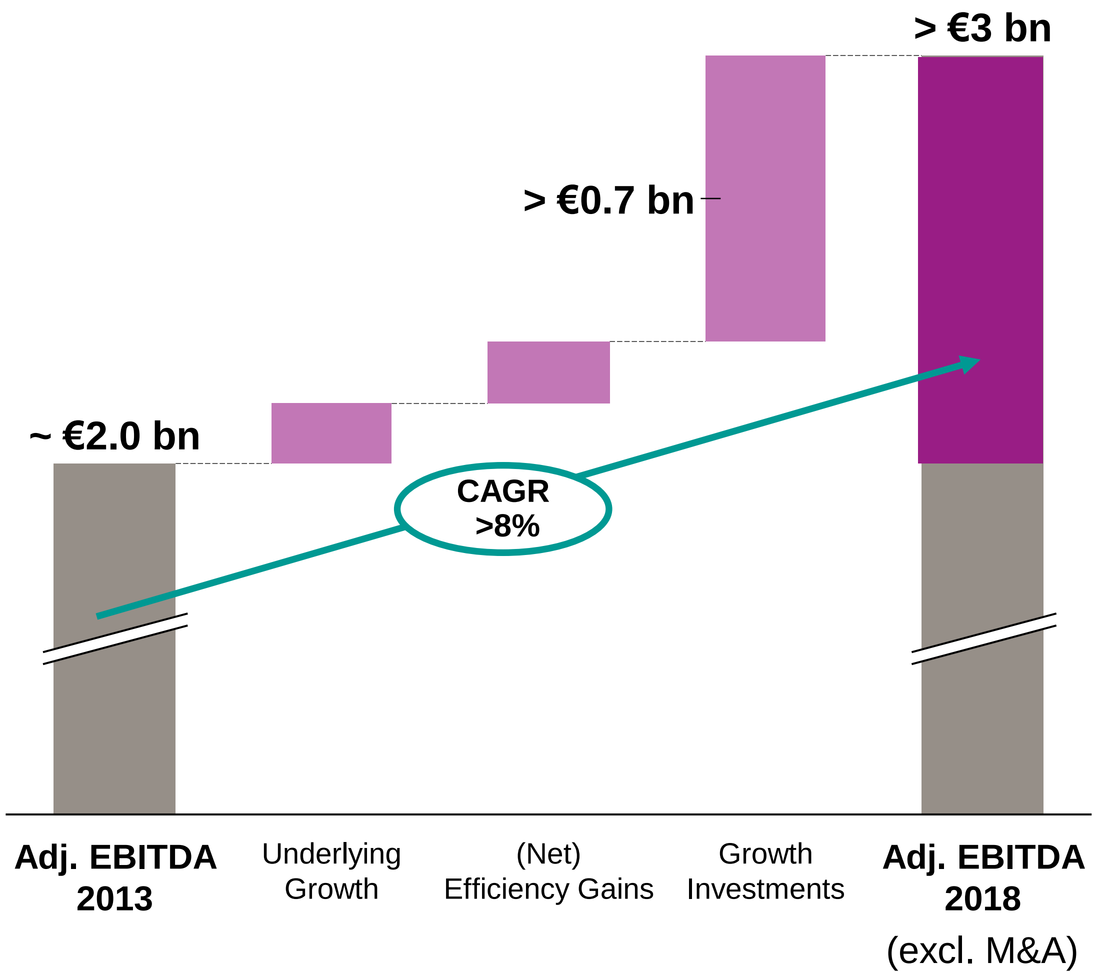
Outlook for Evonik in 2013 (continuing operations[1])	
Economic environment	• Global economic conditions to remain challenging • Growth expectations revised downwards, especially for EU and China • H1 weaker than expected, global economic improvement predicted for H2 less pronounced than assumed at start of the year • Development of relevant markets expected to continue at weaker level seen in the first half of the year *(previous expectation: economic upturn in H2)*
Outlook	• Sales: **~€13 bn** (2012: €13.4 bn), slight yoy improvement in volumes in H2 2013; selling prices to stabilize at present level *(previous: higher sales)* • Adj. EBITDA: **~€2.0 bn** (2012: €2.4 bn) *(previous: stable operating earnings)*

[1] Outlook based on continuing operations, i.e. excl. real estate activities in 2012 and 2013

Evonik:
Positioned for strong financial performance

1	Ambitious long-term financial targets	**~ €18 bn Sales** **> €3 bn Adj. EBITDA** **by FY 2018** (excl. M&A)
2	Strengthened focus on efficiency gains and cost savings	**~ €500 m On Track 2.0 savings**
3	Investment program targeting high-growth end markets	**> €700 m incremental Adj. EBITDA by FY 2018**
4	Strong balance sheet and strict financial policy	**Solid investment grade rating**

① Growth investments and efficiency gains drive adj. EBITDA to > €3 bn by 2018



Underlying Growth

- Focus on pricing power (value-based pricing, differentiation etc.)
- Product innovation driven by close customer relationships
- Improved product and customer mix
- Operating leverage (increased capacity utilization)

(Net) Efficiency Gains

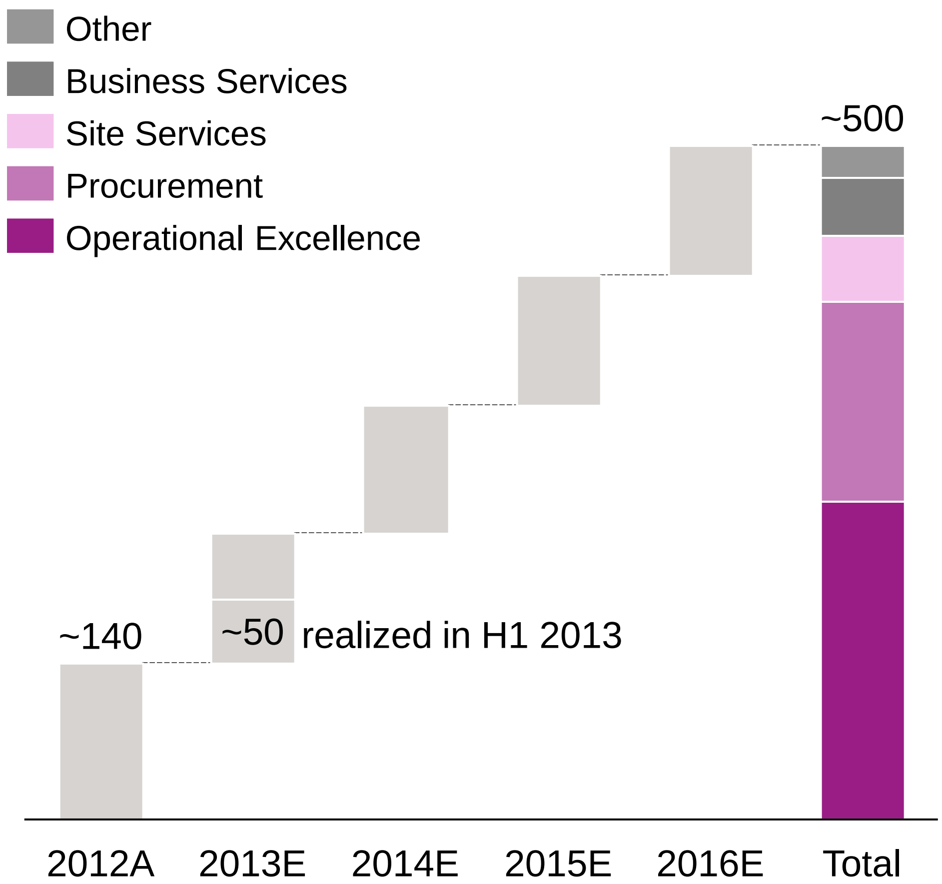
- Execution of On Track 2.0 and realization of additional cost savings

Partly compensated by:

- Factor cost increases (energy, salaries, regulation etc.)
- Investments into growth markets as basis for future growth

② Efficiency and cost saving programs well advanced

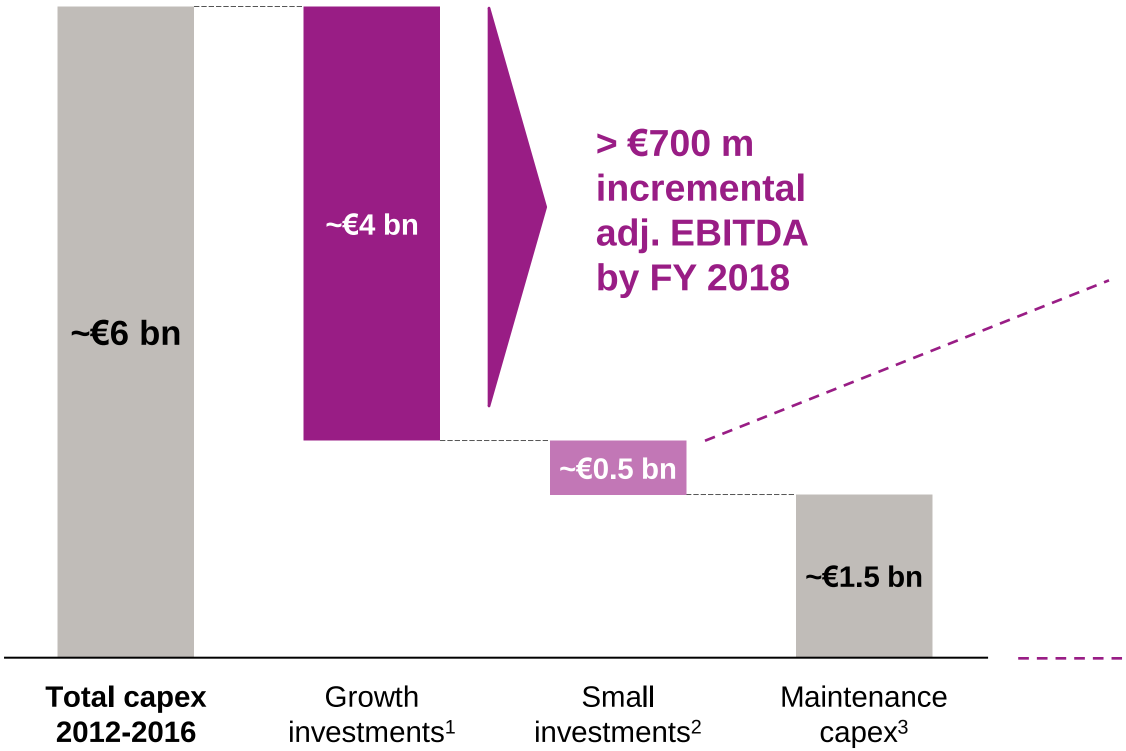
On Track 2.0: Expected savings (in € m)



- Continued successful execution of On Track 2.0 for continuous efficiency improvement
- ~€140 m achieved in 2012
- In H1 2013 another ~50 m realized
- Additionally: cost management project to realize immediate and Group-wide short-term savings of ~ €40 m in H2 2013

③ Investment program with significant contribution to financial targets 2018

Components of €6 bn capex program



"Basis investments"

- Total of ~€2 bn, i.e. ~€400 m p.a.
- **Maintenance capex:** maintenance and regulatory compliance investments
- **Small investments:** mainly Operational Excellence and efficiency improvement measures

[1] Growth investments defined as investments above €2.5 m into growth projects
[2] Small investments defined as investments below €2.5 m focused on growth or efficiency improvements
[3] Maintenance capex includes maintenance and regulatory compliance investments

3 Investment program
Pipeline of attractive growth projects

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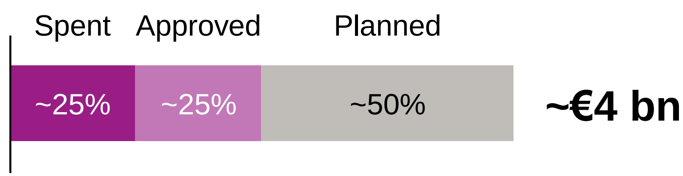
Selected approved projects

Segment	Product area	Location	Capex	Start of construction & exp. start-up 2012 2013 2014 2015
Consumer, Health & Nutrition	Feed amino acids: DL-methionine	Singapore	>€500 m	H2 2014
Consumer, Health & Nutrition	Personal & home care ingredients	China & Brazil	>€100 m	2013 2014
Consumer, Health & Nutrition	Feed amino acids: L-lysine	Brazil & Russia	>€100 m	2014 2015
Resource Efficiency	Silica	Globally	~€100 m	2015
Resource Efficiency	Isophorone and isophorone diamine	China	>€100 m	Q1 2014
Specialty Materials	C_4 chain	Germany & Belgium	>€250 m	2015
Specialty Materials	H_2O_2 for HPPO	China	>€130 m	End 2013 or 2014

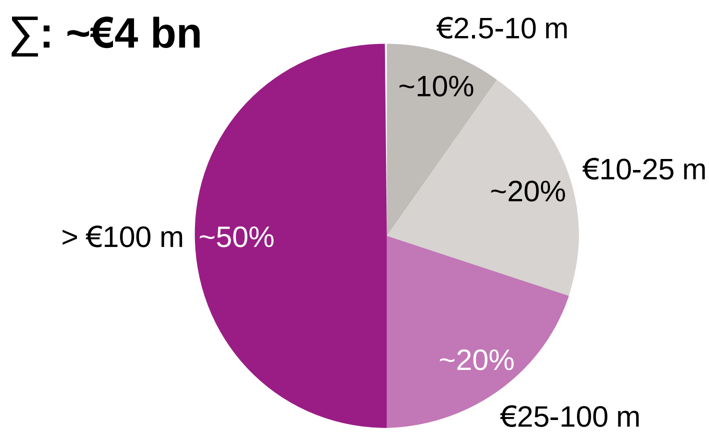
③ Disciplined and flexible investment process

Status of growth investments

(as of June 30th, 2013)



Size of growth investment projects

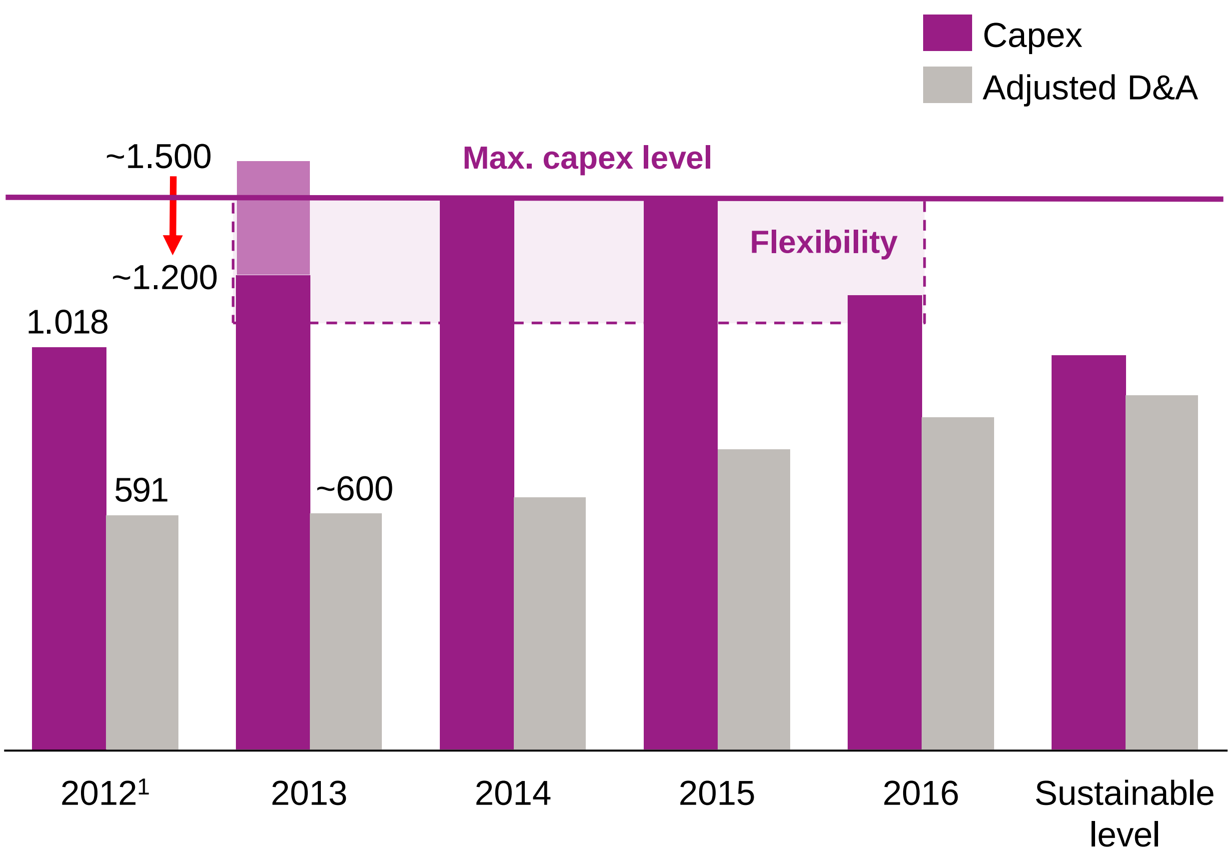


Disciplined and flexible investment process

- Structured planning and approval process:
  - Strategic assessment considering competitive position, market attractiveness, regional focus and risk
  - Economic assessment using DCF-based investment evaluation
  - Strict internal hurdle rates and “competition” for scarce resources
  - Capex allocation based on “strategic roles” of businesses (growth, financing, restructuring)
- Flexibility in execution, adapting to market situation: Review & potential re-scheduling of not yet approved projects with regards to timing of market entry
- Balanced range of project sizes and types (e.g. debottlenecking, expansion, greenfield projects)

③ Capex peak in 2014/15; return to sustainable level thereafter

Capex Planning and Adjusted D&A (in € m)[1]



- Investment program resulting in capex peak in 2014/15, leveling off thereafter
- Flexibility in timing and execution, e.g.: Capex 2013 reduced to €1.2 bn (from €1.5 bn)
- From 2017: Return to sustainable capex level, thereof ~ €450 m basis investments[2]

[1] excl. Real Estate
[2] Basis investments defined as small investments (below €2.5 m focused on growth or efficiency improvements) and maintenance capex (maintenance and regulatory compliance investments)

④ Strict financial policy

Financial Policy

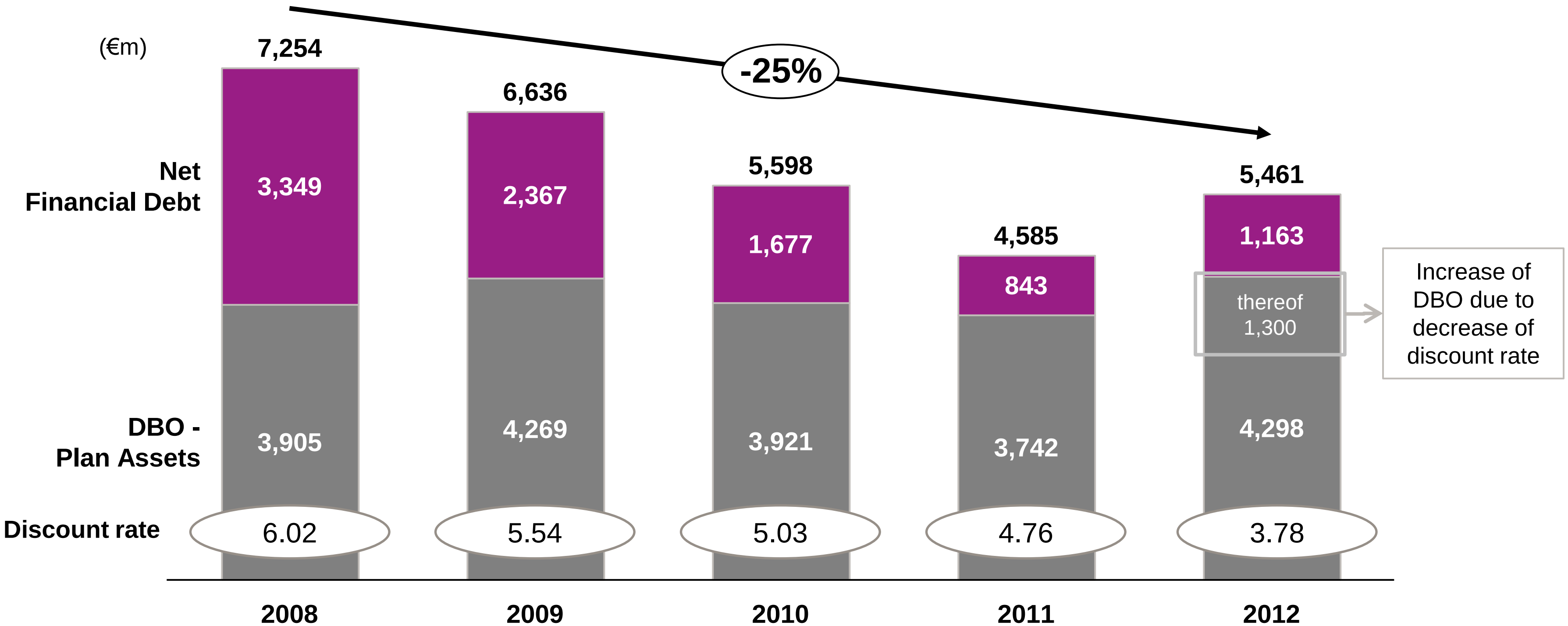
Intend to keep Total leverage ratio below 2.5x[1]

Envisage robust funding level of DBO[2]

Strive to maintain solid investment grade rating

[1] Total leverage defined as (Net Financial Debt + Funded Status) / Adjusted EBITDA
[2] Defined benefit obligations

④ Further significant deleveraging through Real Estate transaction



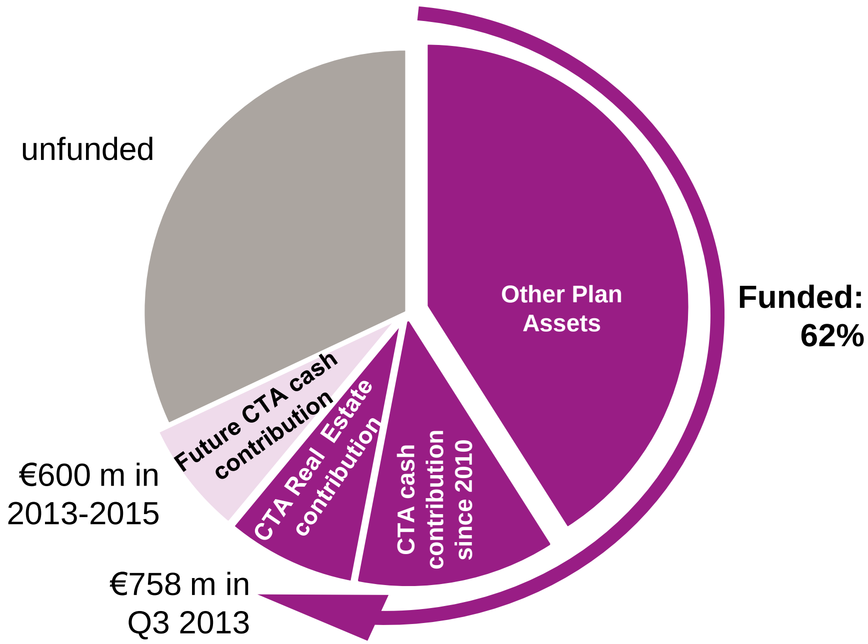
Total Leverage	3.4x	4.1x	2.4x	1.7x	2.1x

Effect of Real Estate transaction on indebtedness: ~-€3.1 bn (vs. year-end 2012)[1]

[1] Thereof ~-€2.9 bn in 2013; -€204 m loan to Vivawest latest to be repaid 2015

④ Pension obligations well financed

Pension overview 2012
(incl. Real Estate contribution/deconsolidation in July 2013)



Pension strategy

- Pension obligations perceived as "patient" long-term debt, no immediate redemption in one go
- More than 50% of DBO are so called "Direktzusagen" (mostly in Germany) with no funding requirements
- However, pension obligations highly sensitive to interest rate changes
- Evonik established Contractual Trust Arrangement (CTA) in 2010
- Contribution of €1.8bn so far (incl. 25% stake in Real Estate in July 2013)
- Further cash contribution planned for 2013-2015 (€200 m p.a.; €600 m in total)

Value-generating use of funds

Internal growth:
€6 bn investment program

- Targeting high-growth end markets
- Focus on Growth Regions (~60% of growth capex)
- Disciplined and flexible investment process

External growth:
Selective acquisitions

- Strengthening of high-growth platforms and broadening of existing competencies and capabilities
- Key criteria: clear strategic fit and value creation

Sound financial profile

- Further funding of pension obligations
- Refinancing of upcoming maturities at attractive conditions
- Target: solid investment grade rating (total leverage: < 2.5x)[1]

Dividend:
Attractive shareholder returns

- Dividend target ratio: ~40% of adjusted net income
- Dividend stability (dividend FY 2012: €0.92)

[1] Total leverage defined as (Net Financial Debt + Funded Status of pensions) / Adjusted EBITDA LTM

Evonik:
Positioned for strong financial performance

1	Ambitious long-term financial targets	~ €18 bn Sales > €3 bn Adj. EBITDA by FY 2018 (excl. M&A)
2	Strengthened focus on efficiency gains and cost savings	~ €500 m On Track 2.0 savings
3	Investment program targeting high-growth end markets	> €700 m incremental Adj. EBITDA by FY 2018
4	Strong balance sheet and strict financial policy	Solid investment grade rating

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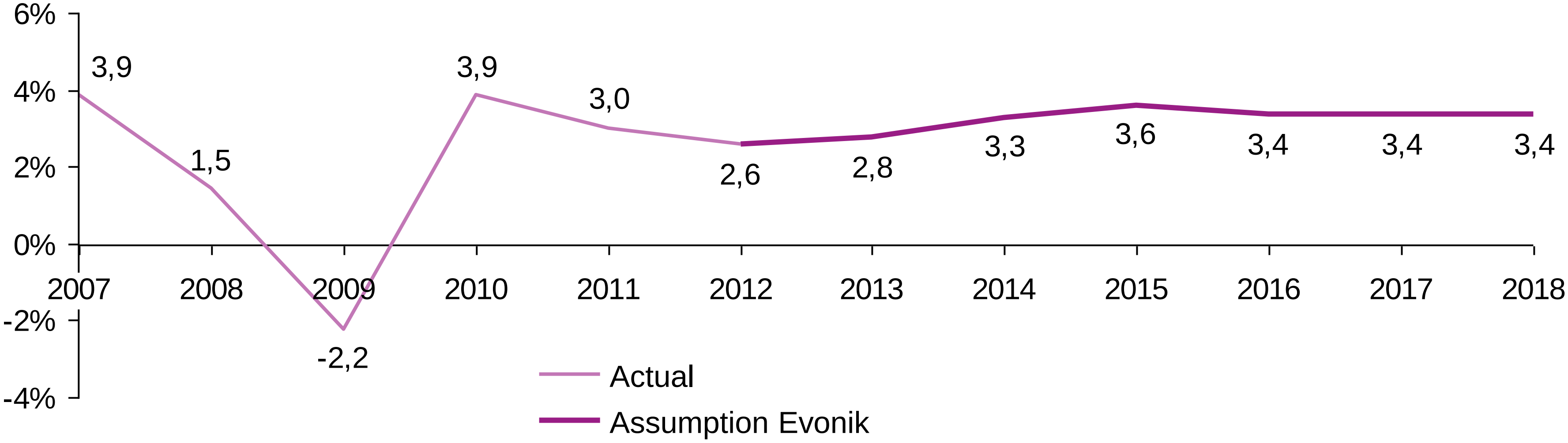
Underlying assumptions 2014-2018
Economic environment

Assumption global GDP growth (in %)



- **Eurozone** with continued structural challenges, but leaving crisis modus
- **USA** with solid growth
- **China** manages transformation to consumer-oriented economy with clearly above average, but slightly subdued growth rates
- **Emerging Regions** with above average growth rates
- Assumption **exchange rate**: 1.35 USD/€
- Assumption **oil price**: 100 USD/bbl

Management compensation (as of 2014)
Value creation focus anchored in management incentivization system at Board level

Fixed salary (c.30%)	• To be paid in cash for each financial year on a monthly basis
Bonus (c.33%)	• To be paid out in cash annually • Payout calculated on the basis of the achievement of certain, primarily value creation focused KPIs (e.g. ROCE, net income, free cash flow) • Factor of between 0.8 and 1.2 to take into account the achievement of further individual targets • Bonus capped at 200% of initial target
Long term incentive plan (c.37%)	• Granted LTI target amount is calculated in virtual shares (4-year lock-up) • Value of LTI to mirror the development of Evonik's share price (incl. dividends) • Amount payable is determined by two performance elements: • Absolute performance: Real price of the Evonik share • Relative performance against to external index benchmark • Bonus capped at 300% of initial amount • To be paid out in cash after lock-up period

Real Estate divestment (1/2)
Step plan executed with closing on July 17th, effective in financial statements in Q3

Three major divestment steps

1 Adjust-ment of capital structure

Evonik ← Special dividend €650 m ← VIVAWEST (Wohnen, wo das Herz schlägt.)

2 Combi-nation of Vivawest and THS

Evonik 73.2% → Combined entity (of Vivawest and THS)

VTG IG BCE Industriegewerkschaft Bergbau, Chemie, Energie 26.8% → Combined entity (of Vivawest and THS)

3 Disposal of majority

RAG Stiftung 30% → Combined entity (of Vivawest and THS)

VTG IG BCE 26.8% → Combined entity

Evonik CTA (pension funding) 25% → Combined entity

Evonik 10.9% → Combined entity

RAG 7.3% → Combined entity

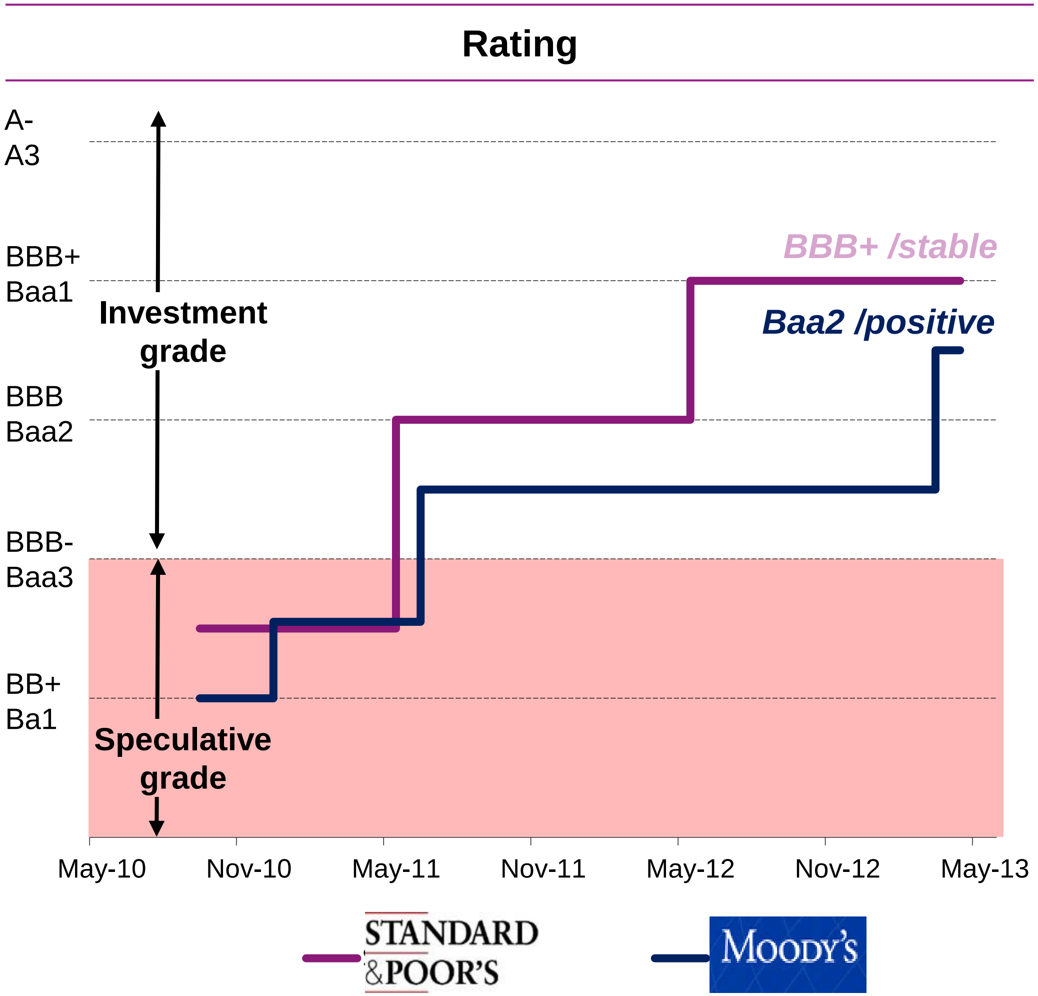
Impact and timing

- **Q2:** Evonik received first installment of special dividend from Vivawest (€100 m); Evonik granted €204 m as loan under market conditions (latest to be repaid 2015)
- **Q3:** Evonik receives another €346 m in cash
- **July 5th:** Combination of Vivawest and THS; fair market value of combined entity of €3,030 m
- **Q1**: Re-classification of €491 m net financial debt and €106 m pension obligations as discontinued operations
- **Q3:** Cash inflows of €909 m from RAG-Stiftung (30% stake) and €220 m from RAG AG (7.3% stake)
- **Q3:** CTA funding of €758 m (25% stake)

Total effect on indebtedness: ~-€3.1 bn (vs. year-end 2012)[1]

[1] Thereof ~-€2.9 bn in 2013; -€204 m loan to Vivawest latest to be repaid 2015

Rating
Strongly positioned in upper range of BBB



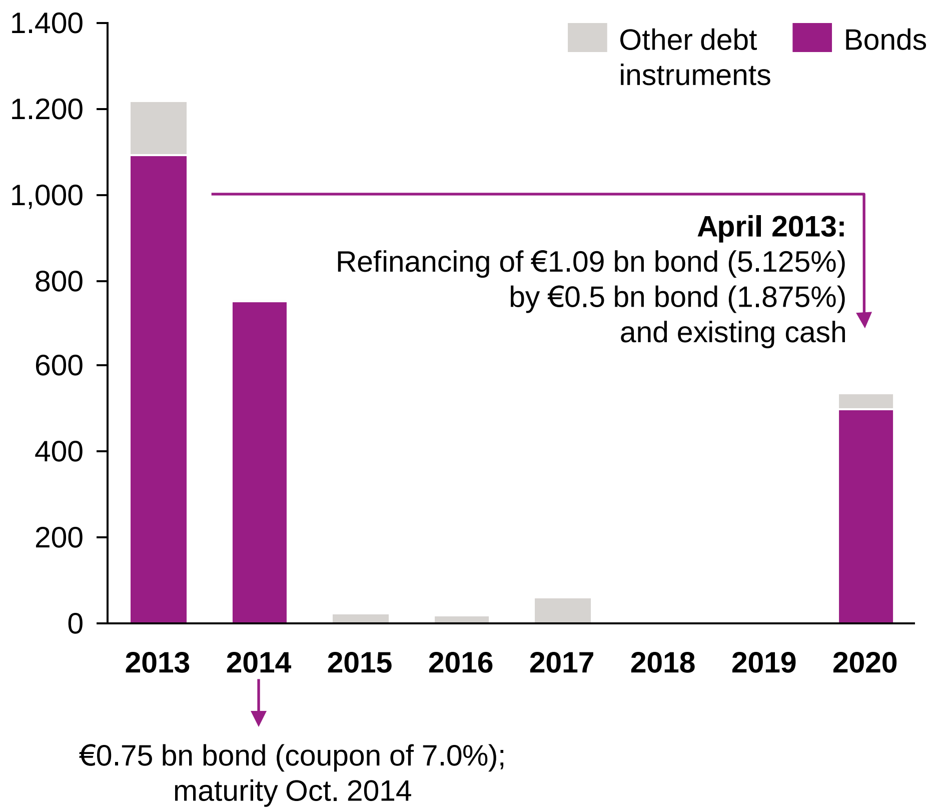
- Rating upgrade by Moody's to Baa2 with positive outlook in March 2013
- S&P's rating BBB+ with stable outlook since May 2012
- Impressive rating dynamic thanks to focus on specialty chemicals and clear financial policy
- Maintaining a solid investment grade rating is an integral part of our financial policy

Pension Obligations
Reduction in 2013 driven by Real Estate transaction

	2013 (prelim.)	2012	2011
Defined benefit obligations (DBO)	9,088	9,088	7,787
Plan assets	(4,790)	(4,790)	(4,045)
Real Estate contribution to CTA (July 2013)	(758)		
Real Estate DBO (disc. operations as of Q1 2013)	(106)		
Funding gap	**3,434**	**4,298**	**3,742**

Refinancing of upcoming maturities at attractive conditions

Debt maturity profile as of June 30, 2013 (in €m)
(continued operations)



Financing Strategy

- Centralized financing concept with intragroup Cash Pool
- Long-term funding through Capital Markets; €3 bn Debt Issuance Program in place
- Syndicated RCF as Liquidity Reserve; currently completely undrawn

Well prepared for upcoming maturities:

- Refinancing of 2013 and 2014 bonds with new issues (at lower coupons) and partly with existing cash

Real Estate divestment (2/2)

Reduction of indebtedness by ~€3.1 bn

	Q1 2013	Q2 2013	Q3 2013	2014 / 2015
Net debt reduction	Re-classification of **€491 m** of Real Estate NFD and **€106 m** DBO to discontinued operations (excl. from NFD)		Reduction of pension liabilities by **€758 m** as a result of CTA contribution of 25% of combined Vivawest and THS	
Cash receipts			Receipt of cash payments from sale of 30% of combined Vivawest and THS entity to RAG-Stiftung (**€909 m**) and of 7.3 stake to RAG AG (**€220 m**)	
Cash receipts		Receipt of first installments of special dividend from Vivawest: **€100 m**	Second installments of special dividend (**€346 m**)	Repayment of shareholder loan by Vivawest: **€204 m**

Total effect on indebtedness in 2013: -€2.93 bn (vs. year-end 2012) + -€204 m in 2014 or 2015

Special dividend of €650 m received already in Q2 in full as internal cash pool transfer; Evonik then granted a loan of €567 m to Vivawest of which parts (€363 m) have been sold to investors; the loan receivables are coming in two installments in Q2 (€100 m) and in Q3 (€263 m plus €83 m from Vivawest directly, not part of the loan)