

# Capital Markets Day 2013

## Group Strategy

**Dr. Klaus Engel, CEO**

Essen, 3 September, 2013



**EVONIK**  
INDUSTRIES

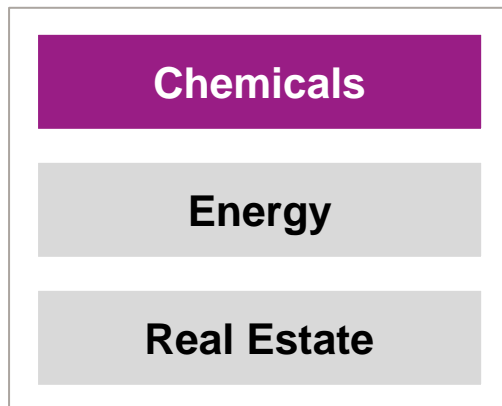
## Track Record and Positioning

## Current Performance and Outlook

## Strategy for the Future

# In the past years we created value and positioned Evonik well for the IPO

## Evonik 2008



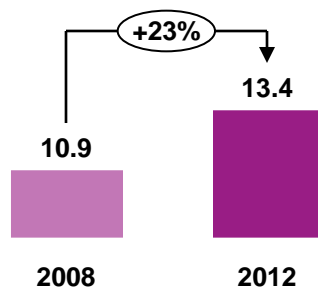
- ▶ Focusing
- ▶ Profitability
- ▶ Debt Reduction

## Evonik 2012/13



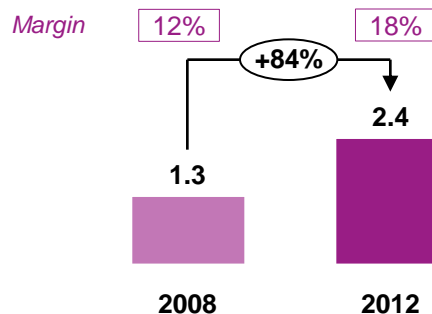
### Sales<sup>1</sup>

(in € bn)



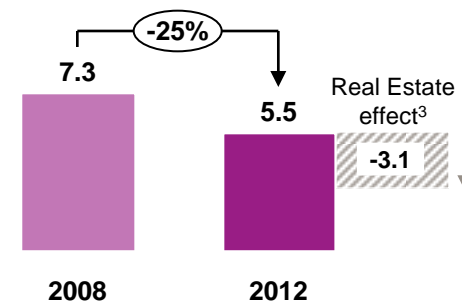
### Adj. EBITDA<sup>1</sup>

(in € bn)



### Debt<sup>2</sup>

(in € bn)



<sup>1</sup> Continued Chemicals Business

<sup>2</sup> Evonik total; Debt incl. pensions

<sup>3</sup> Effect of Real Estate transaction on indebtedness vs. year-end 2012













# Our specialty chemicals business is structured in three segments

	Segments	Business Units
Specialty Chemicals	 <p><b>Consumer, Health and Nutrition</b></p> <p>Sales: €4,204 m Adj. EBITDA margin: 25.1%</p>	<p><b>Consumer Specialties</b> Sales: €2,056 m</p> <p><b>Health &amp; Nutrition</b> Sales: €2,148 m</p>
	 <p><b>Resource Efficiency</b></p> <p>Sales: €3,131 m Adj. EBITDA margin: 21.2%</p>	<p><b>Inorganic Materials</b> Sales: €1,473 m</p> <p><b>Coatings &amp; Additives</b> Sales: €1,658 m</p>
	 <p><b>Specialty Materials</b></p> <p>Sales: €4,843 m Adj. EBITDA margin: 17.6%</p>	<p><b>Performance Polymers</b> Sales: €1,774 m</p> <p><b>Advanced Intermediates</b> Sales: €3,069 m</p>
	<p>Services (e.g. Site Services, Evonik Business Services)</p>	
	<p>Corporate / Other</p>	
	Efficient support functions	

Figures relate to full year 2012

# Most of our sales stem from leading market positions

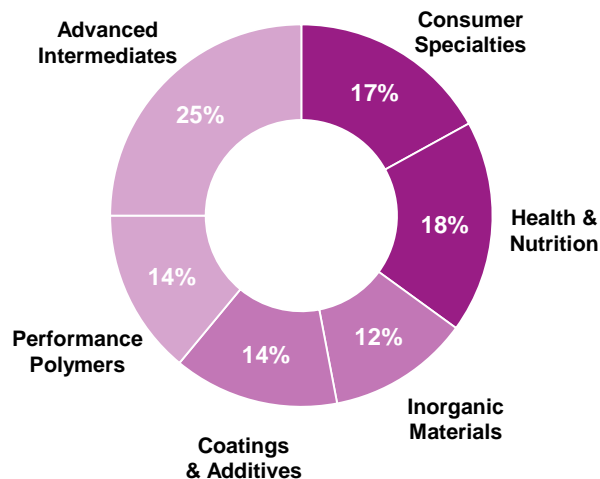
Sales from leading market positions (2012)<sup>1</sup>

	Consumer, Health & Nutrition	Resource Efficiency	Specialty Materials
	 <p>~80%</p>	 <p>~95%</p>	 <p>~70%</p>
Examples of products with leading market positions	<ul style="list-style-type: none"> <li>• Superabsorbents (#1-2) </li> <li>• DL-Methionine (#1) </li> <li>• Pharma polymers (#2) </li> </ul>	<ul style="list-style-type: none"> <li>• Silicas (#1) </li> <li>• Isophorone chemicals (#1) </li> <li>• Oil additives (#1) </li> </ul>	<ul style="list-style-type: none"> <li>• Polyamide-12 (#1) </li> <li>• Methacrylates (#2) </li> <li>• H<sub>2</sub>O<sub>2</sub> (#2) </li> </ul>

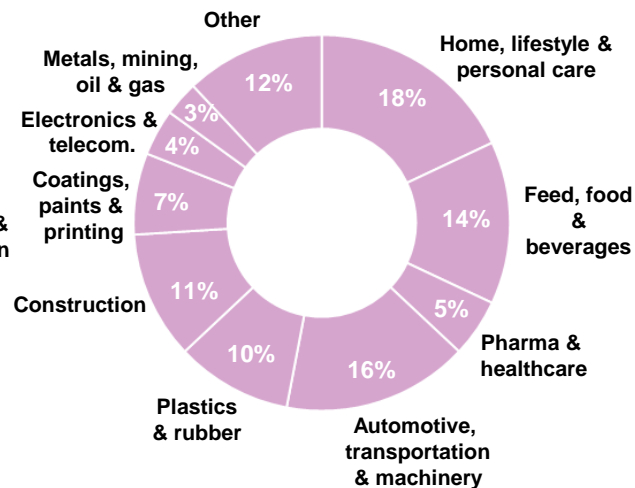
<sup>1</sup> Sales with top 1-3 market position by sales, production volume or capacity (depending on available data)  
Source: Company estimate, based on multiple research reports

# Balanced and diversified portfolio enables sustainability of position and profitable growth

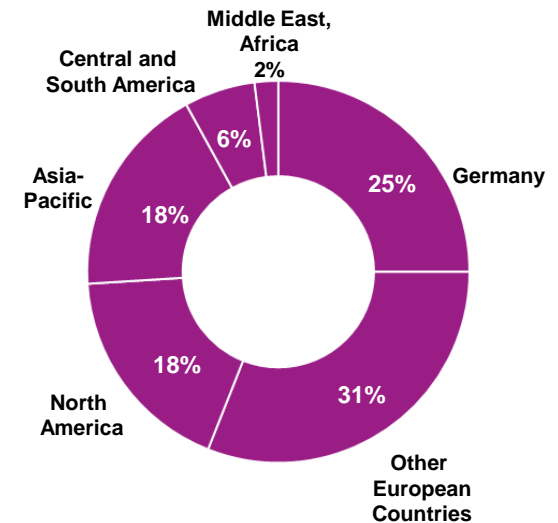
## Sales by Business Units<sup>1</sup>



## End market split<sup>2</sup>



## Sales by region<sup>3</sup>



<sup>1</sup> 2012; not including Services, Real Estate and Corporate/Other

<sup>2</sup> Based on Specialty Chemicals segments' 2012 sales to end markets as per Evonik's internal management system

<sup>3</sup> Consolidated Group sales 2012 (incl. Real Estate)

**Track Record and Positioning**

**Current Performance and Outlook**

**Strategy for the Future**

# Despite negative effects on our current performance the overall outlook remains positive



## Current economic environment

- Europe still struggles with sovereign debt crisis
- Emerging economies still high, but slowed growth
- Slow and fragile recovery in the US
- High volatility of customer industries

➔ **Overall current economic situation remains challenging**



## Evonik – Actual Performance

- Short-term headwinds in some businesses due to
  - lower methionine prices
  - pressure on butadiene prices
  - weaker end markets in Crosslinkers and MMA/PMMA

➔ **Most businesses with stable or higher earnings**



## Evonik – Outlook

- Challenging effects in actual performance predominantly temporary
- Mid term growth drivers for our businesses intact
- Future margin expectations positive

➔ **Overall Evonik well underway regarding its strategic development**



**Track Record and Positioning**

**Current Performance and Outlook**

**Strategy for the Future**

# Profitable growth, efficiency improvements and values are the pillars of our strategy



## Growth

- Focus on attractive businesses and markets
- Ambitious investment program (€6 bn 2012 – 2016)
- External growth through selective acquisitions
- Innovation initiatives addressing future markets

## Efficiency

- Continued shift to high margin applications
- Cost leadership and proprietary production technologies
- Efficiency program “On Track 2.0” launched

## Values

- Mindset for growth
- Performance culture and diversity
- Value based management and incentive system

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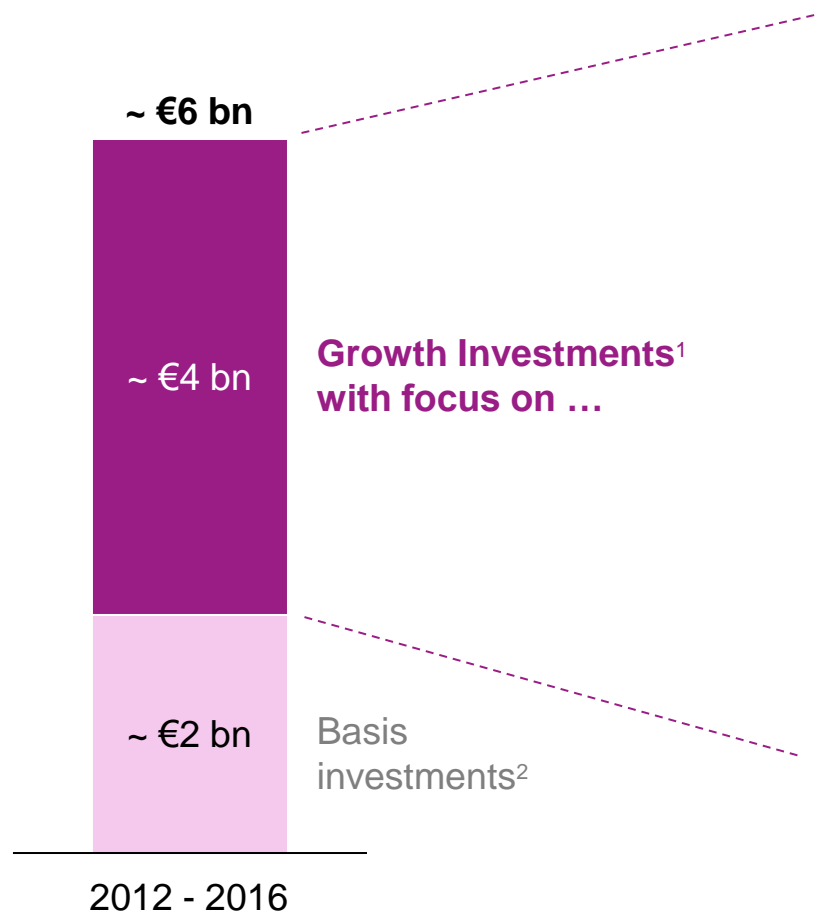
# Favorable megatrends support growth across all segments



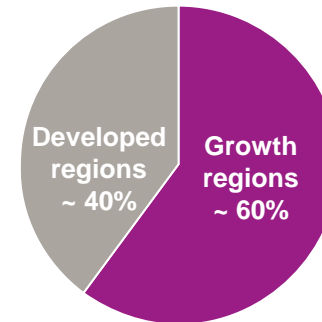
Segments	Key Megatrends	Markets for Evonik	Sales growth CAGR <sub>08-12</sub>
 <p data-bbox="324 476 539 708"><b>Consumer, Health &amp; Nutrition</b></p>	<ul data-bbox="575 511 919 674" style="list-style-type: none"> <li>Growing emerging market wealth</li> <li>Aging population</li> </ul>	<ul data-bbox="1091 482 1518 668" style="list-style-type: none"> <li>Compound animal feed particularly in emerging markets</li> <li>Health Care solutions</li> </ul>	<p data-bbox="1595 491 1789 565">10%</p> <p data-bbox="1595 611 1789 682">11%</p>
 <p data-bbox="324 739 539 971"><b>Resource Efficiency</b></p>	<ul data-bbox="575 773 954 936" style="list-style-type: none"> <li>Renewable energies</li> <li>Environmentally friendly solutions</li> </ul>	<ul data-bbox="1091 753 1557 959" style="list-style-type: none"> <li>Silicas &amp; Silanes for tire industry, incl. green tires</li> <li>Oil Additives – viscosity modifier for fuel efficiency</li> </ul>	<p data-bbox="1595 762 1789 836">15%</p> <p data-bbox="1595 879 1789 953">10%</p>
 <p data-bbox="324 1002 539 1233"><b>Specialty Materials</b></p>	<ul data-bbox="575 1016 989 1222" style="list-style-type: none"> <li>Mobility and urbanization</li> <li>Substitution of conventional materials</li> </ul>	<ul data-bbox="1091 1025 1534 1216" style="list-style-type: none"> <li>Polymers for lightweight construction</li> <li>HPPO for insulation and other PU application</li> </ul>	<p data-bbox="1595 1033 1789 1108">10%</p> <p data-bbox="1595 1150 1789 1225">24%</p>

# A €6 billion investment program focusing on growth regions and businesses

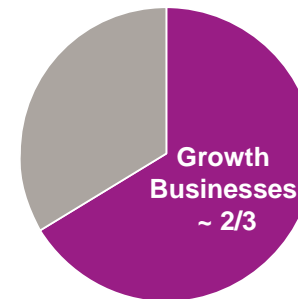
## Investment program 2012 – 2016



### ... Growth Regions<sup>3</sup>



### ... Growth Businesses<sup>4</sup>



<sup>1</sup> Growth investments defined as investments above €2.5 m into growth projects.

<sup>2</sup> Includes investments below €2.5 m and maintenance and regulatory compliance investments

<sup>3</sup> Growth regions defined as Asia and rest of the world, developed regions defined as Europe and North America.

<sup>4</sup> According to Portfolio classification

# Our ongoing investments with focus on emerging regions are well underway

## Lighthouse investment projects



**Lysine Expansion**  
Blair, US



**C4 Chemistry**  
Marl/Antwerp



**Lysine**  
Russia



**Cons. Specialties, Organics**  
China



**H<sub>2</sub>O<sub>2</sub> / HPPO**  
China



**Crosslinkers, Isophorone**  
China



**Biodiesel catalysts**  
Argentina



**Cons. Specialties, Organics**  
Brazil



**Superabsorbents**  
Saudi Arabia



**Methionine**  
Singapore



**Cargill will build a „Blair 2“ in Castro-PR**  
Two wheat corn crops help stabilize feedstock volatility  
Optional partial sucrose use (from market)

**Evonik**  
25 000 t/ann. Lysine  
(+ 66 000 t/ann. Lysine HCl)

**Lysine**  
Brazil

# Me5 – our largest single investment project targets at growth in Asia

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## World scale production in Singapore (2014 start-up)

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### **New world-scale plant at chemicals hub of Jurong Island, Singapore** (investment of €500m)

- Capacity: 150kt
- Fully back-integrated, highly optimized

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## Strategic Rationale

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- New site complements Evonik's global Methionine footprint
- Local production in all major regions: NAFTA, Europe and Asia
- Supports Evonik's growth strategy in emerging regions

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## Project Status

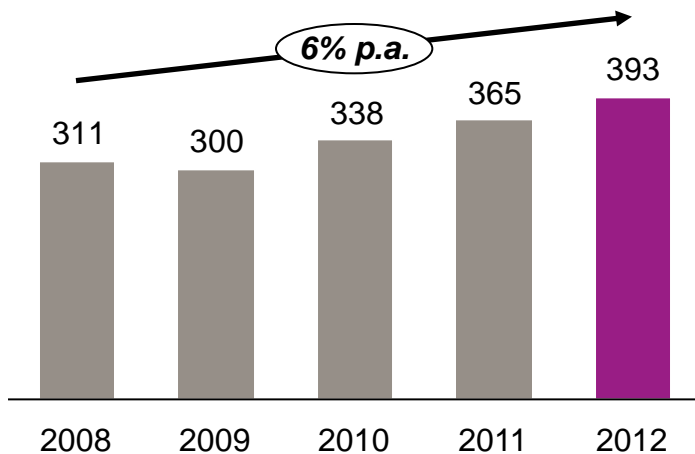
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- Construction progressing well
- Project in time and budget
- Start-up scheduled for H2/2014

# Evonik is significantly expanding its R&D efforts to ensure future business growth



## R&D Expenditures (€m)



- In 2012 R&D spending of €393 million (+8 % vs. prior year)
- Around 2,500 employees at more than 35 sites within our global R&D network

## R&D at Evonik

- Further internationalization of R&D is ongoing (e.g. project house Light & Electronics in Taiwan)
- New innovation centers address attractive innovation fields (e.g. new innovation centers in Essen)
- Corporate Venturing (~ €100 m) allows access to highly innovative technologies and markets

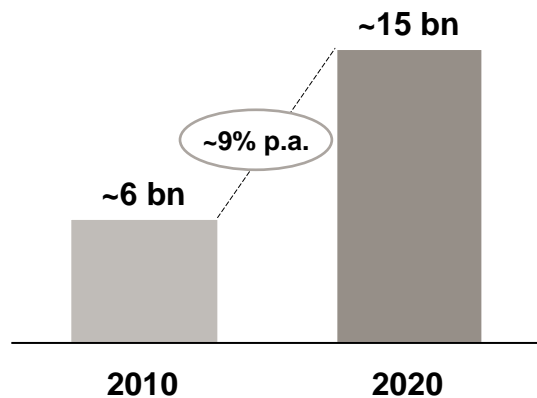




# SEPURAN® membranes to upgrade Biogas are an actual innovation highlight

## Membranes Market

Overall Market-size and expected growth



### Growth drivers

- Increasing demand for resource efficiency solutions
- Push towards electric vehicles and need for battery technologies
- Potential efficiency gains in separation processes for industrial gases and liquids

## Strategic Rationale for Evonik



- SEPURAN® membranes for Purification of Biogas:
  - Environmentally friendly removal of contained CO<sub>2</sub>
  - Easier and less energy-intensive than normal cleaning process
- Innovative proprietary Evonik's technology based on existing polyimide know how (BU Performance Polymers)
- Evonik's business potential ~ €100 million
- Significant contribution to making renewable energy competitive

# For additional growth we are exploring a set of new areas

## New Growth Areas for Evonik

Build a leading nutrition and care platform with unique exposure to growth trends

Create new business in attractive markets for resource efficiency and electronics



Personal  
Care



Food & Feed



Pharma- &  
Biotechnology



Oilfield  
Chemicals



Membranes  
&  
Advanced  
Ceramics



Composites

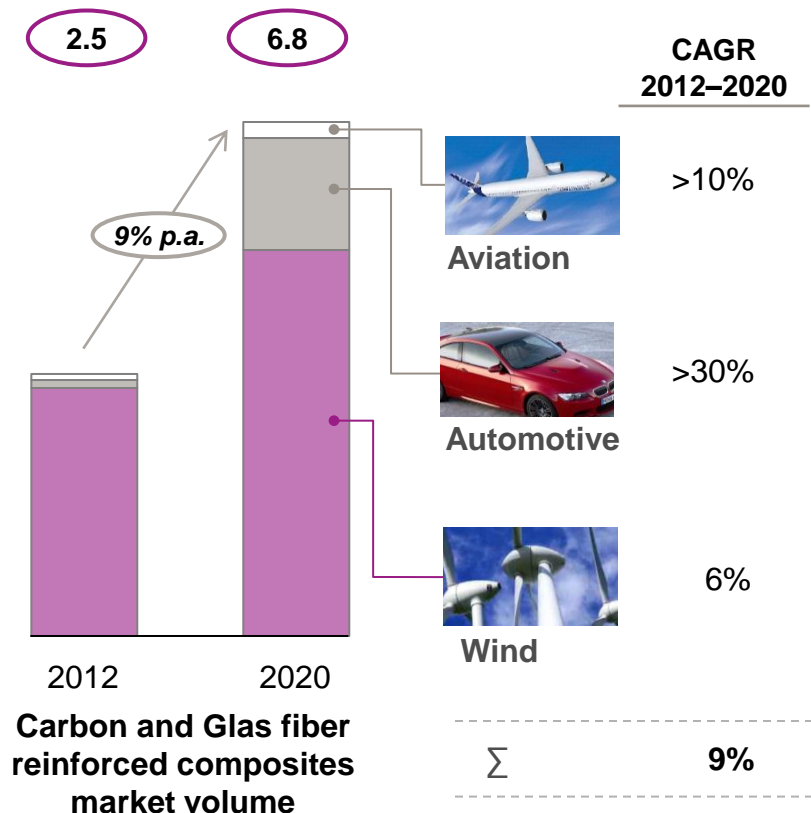


Electronics  
(coating,  
film, powder)

# Example: In high-performance composites we are pursuing an attractive growth opportunity

## Composite Market growth in relevant applications

Value<sup>1</sup>  
in € billion



## Strategic Rationale for Evonik

- Considerable market growth expected in composites market (9 % CAGR<sub>12-20</sub> )
- Evonik's ambition: €250 m revenues in high-performance composites in 2020, mainly in BUs Performance Polymers and Coatings & Additives
- Evonik's products for this market: polymers, structural foams, hardeners and additives
- Project House Composites launched to develop new materials and system solutions

<sup>1</sup> Raw materials value

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# We will use several levers for the continuous shift to high margin applications



## Close and long-term customer relationships

- 'Excellence Award' from P&G in 2008 - 2012
- Collaborative branding campaign with major customer of oil additives



## Market-oriented innovation & value-added services

- New product developments and value-added services for feed industry
- New applications and capability of bringing next-generation superabsorbents to the market

## Margin Improvement



## Ongoing portfolio/ product mix optimization

- Divestment of Carbon Black, Colorants and Plastic additives
- Increasing share of high margin specialties (e.g. Personal Care, Oil Additives)



## Value-based pricing

### Enabled by mission-critical solutions

- Silica-organosilane reinforcing system for green tires
- Tego Coating Additives for eco-friendly coatings

# Additional efficiency gains by cost leadership and proprietary production technologies

## Process development and optimization



**HPPO**

Innovative technology for propylene oxide production with significant cost advantages



**AVENEER®**

New cost-efficient MMA process



**Methionine**

Significant cost reduction in Methionine process



**Bio-  
technology**

Development of biotechnological production process ensures the use of alternative raw material resources



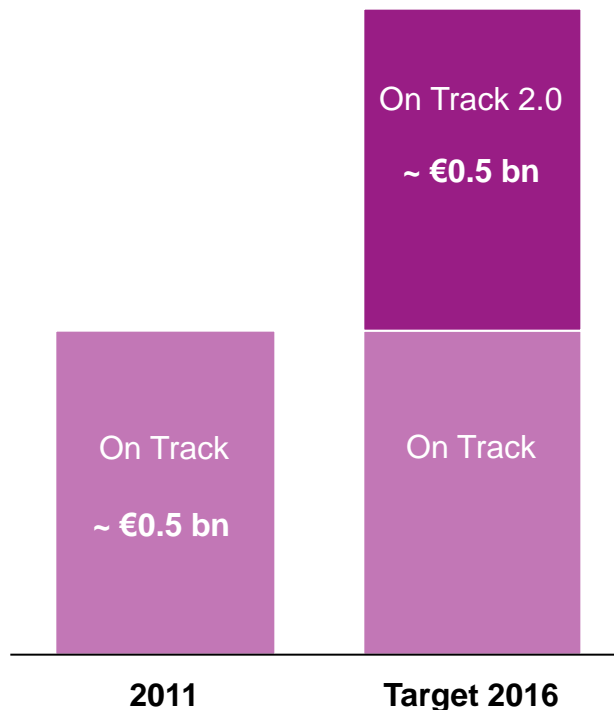
**Six Sigma**

Sustainable efficiency and significant improvement in yield and quality

# Efficiency improvements will continue to ensure competitiveness



## Annual cost savings<sup>1</sup>



## Comments

- "On Track" with >€500 million cost savings completed in 2011, one year ahead of schedule
- "On Track 2.0" initiated in 2012 already
  - Limited implementation costs
  - Examples for improvement initiatives
    - Maintenance costs
    - Energy management
    - Business Services
    - Site Services

Note: Figures excluding Steag and Carbon Black

<sup>1</sup> Annual cost savings of "On Track" compared to 2008 cost base. Excludes c. €40m for Carbon Black in 2011.

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# Our values will be essential for implementing our strategy

## Mindset for growth

- Foster engagement for global growth strategy (e. g. International Growth Conference)



## Performance culture and diversity

- Value-oriented entrepreneurship
- Strategic personal development with focus on diversity
- Support of portfolio management and efficiency improvement programs



## Value based management and incentive system

- Management focused on value creation
- Long-term incentive plan (LTI) for executives

# We have set ourselves ambitious financial targets



## We will ...

- expand our leading market positions
- focus on our attractive growth businesses and emerging markets
- explore new growth areas by innovation and external growth
- continuously improve our cost and technology positions

## Our Financial Targets 2018

**Sales** ~ €18 billion

**Adj. EBITDA** > €3 billion



**EVONIK**  
INDUSTRIES