

Evonik Capital Markets Day 2014

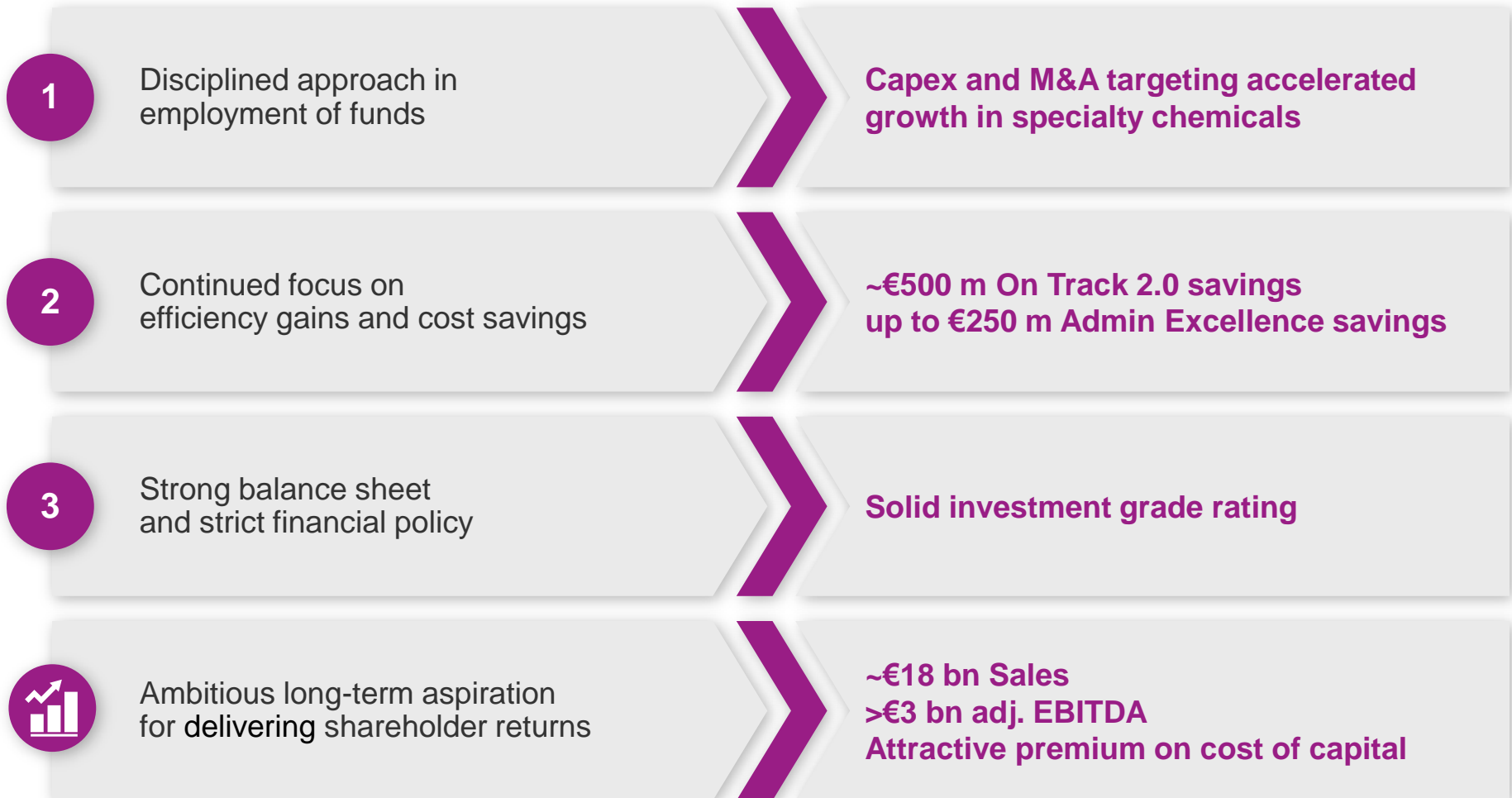
Transforming
accelerated growth
into value

Ute Wolf
Chief Financial Officer
Hanau, 2 October, 2014

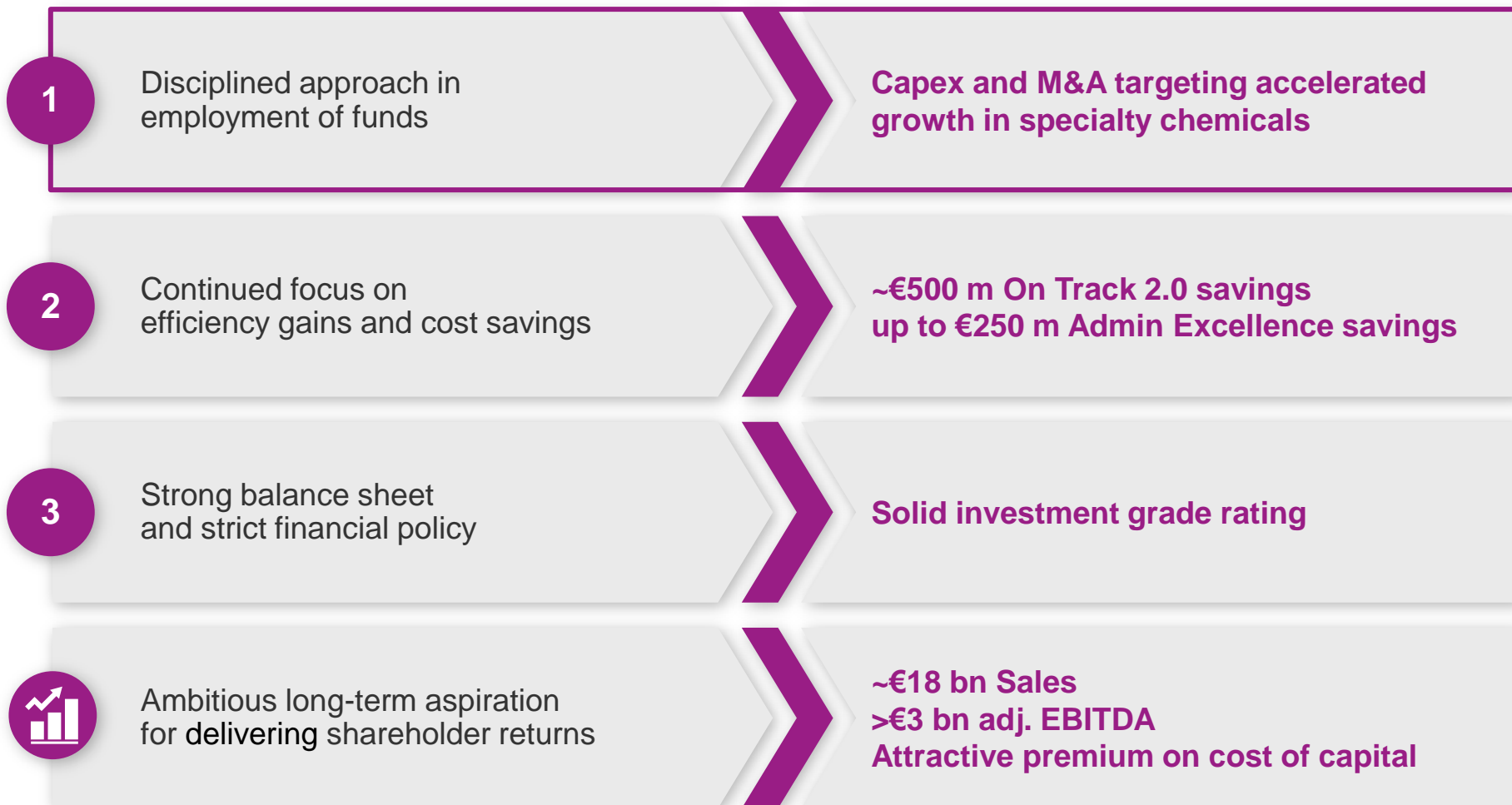


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Transforming accelerated growth into value




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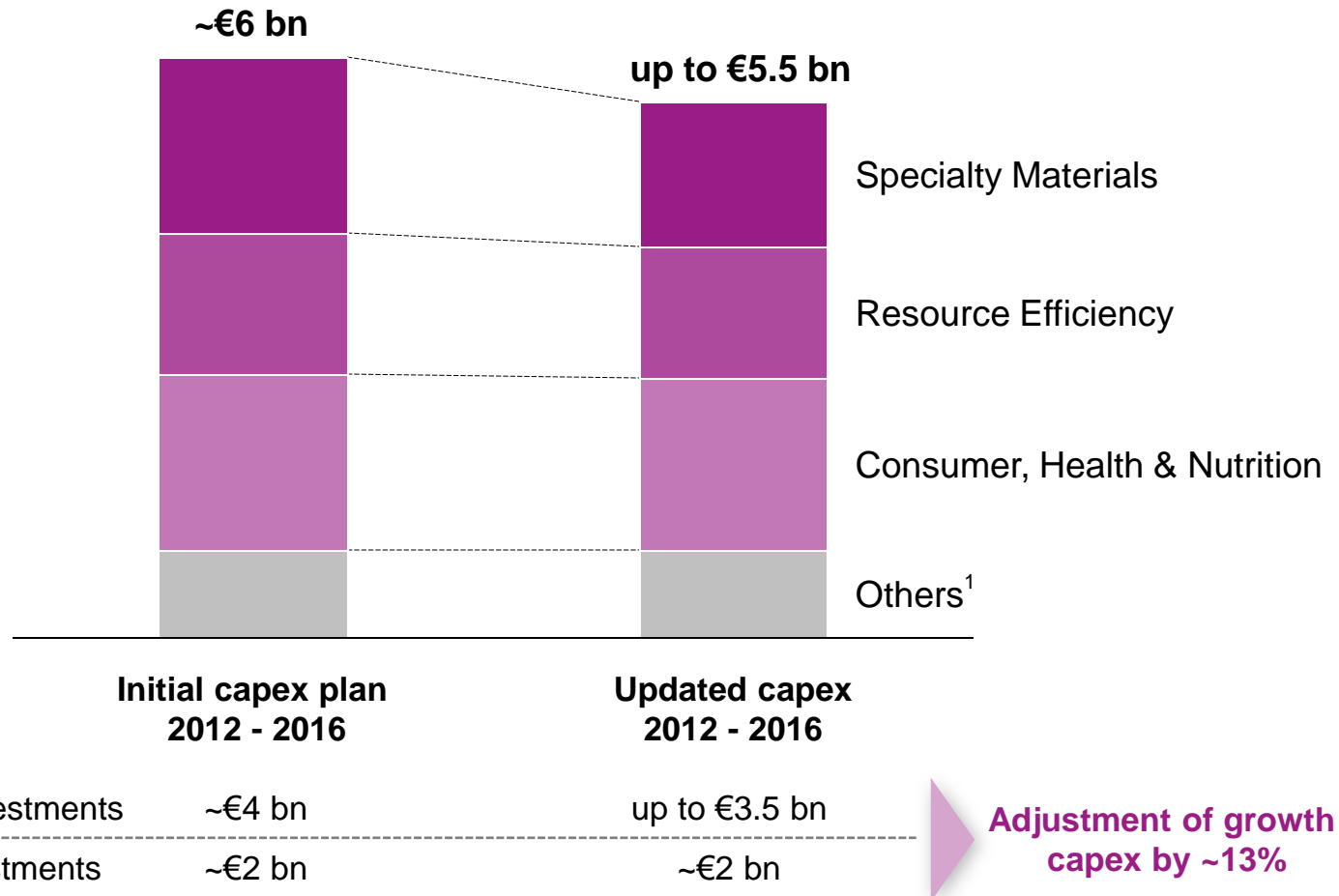
Maximum value creation in specialty chemicals

- Attractive portfolio with **high growth opportunities**
- Focus on specialty chemicals businesses with **above-average returns**
- **Disciplined and structured approach** to internal and external growth opportunities
- Track record in **flexible project execution** and disciplined use of funds















Exploit maximum value potential in specialty chemicals portfolio

Taking advantage of flexibility in internal growth program



¹ Others: Services and Corporate / Others

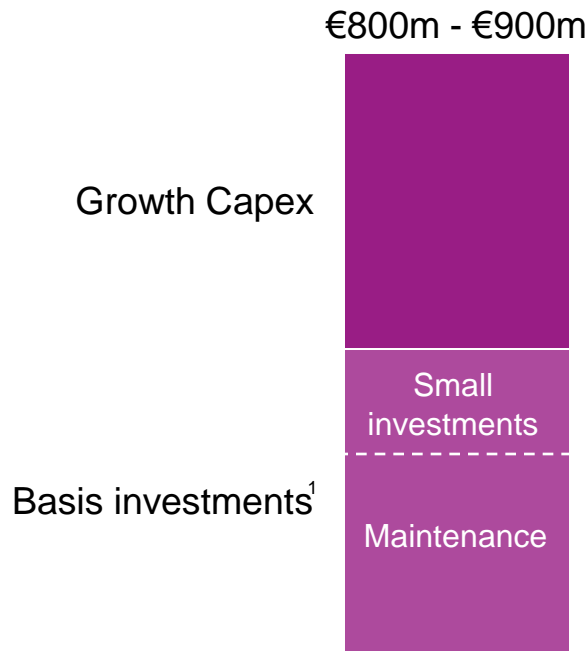
Several major projects finished or close to completion

Segment	Product area	Location		Capex budget	Capex spent ¹	Start-up (actual/expected)
Consumer, Health & Nutrition	Methionine	Singapore		>€500 m		Q4 2014
	Personal & home care ingredients	China Brazil		>€100 m		Q1 2014 Q1 2015
Resource Efficiency	Precipitated silica	Global master plan		~€100 m		Q1 2013 (Taiwan) Q1 2014 (Thailand) Q3 2014 (USA)
	Isophorone/ Isophorone diamine	China		>€100 m		Q2 2014
Specialty Materials	H ₂ O ₂ for HPPO	China		>€130 m		Q2 2014
	C4 Chain	Germany & Belgium		>€250 m		2015

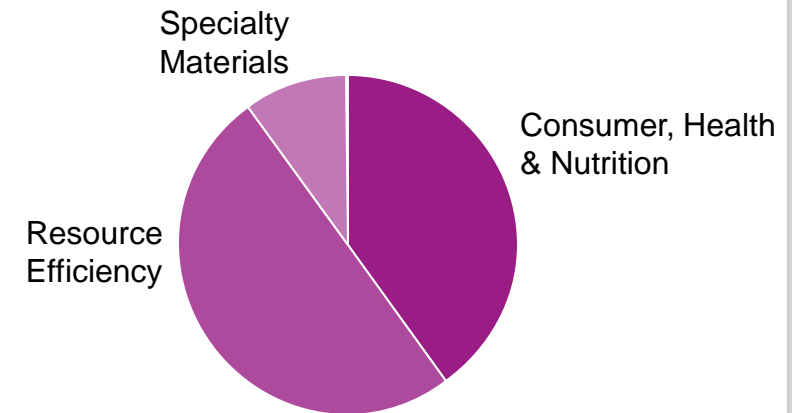
¹ As of September 2014

Return to sustainable capex after 2016

Sustainable annual capex level



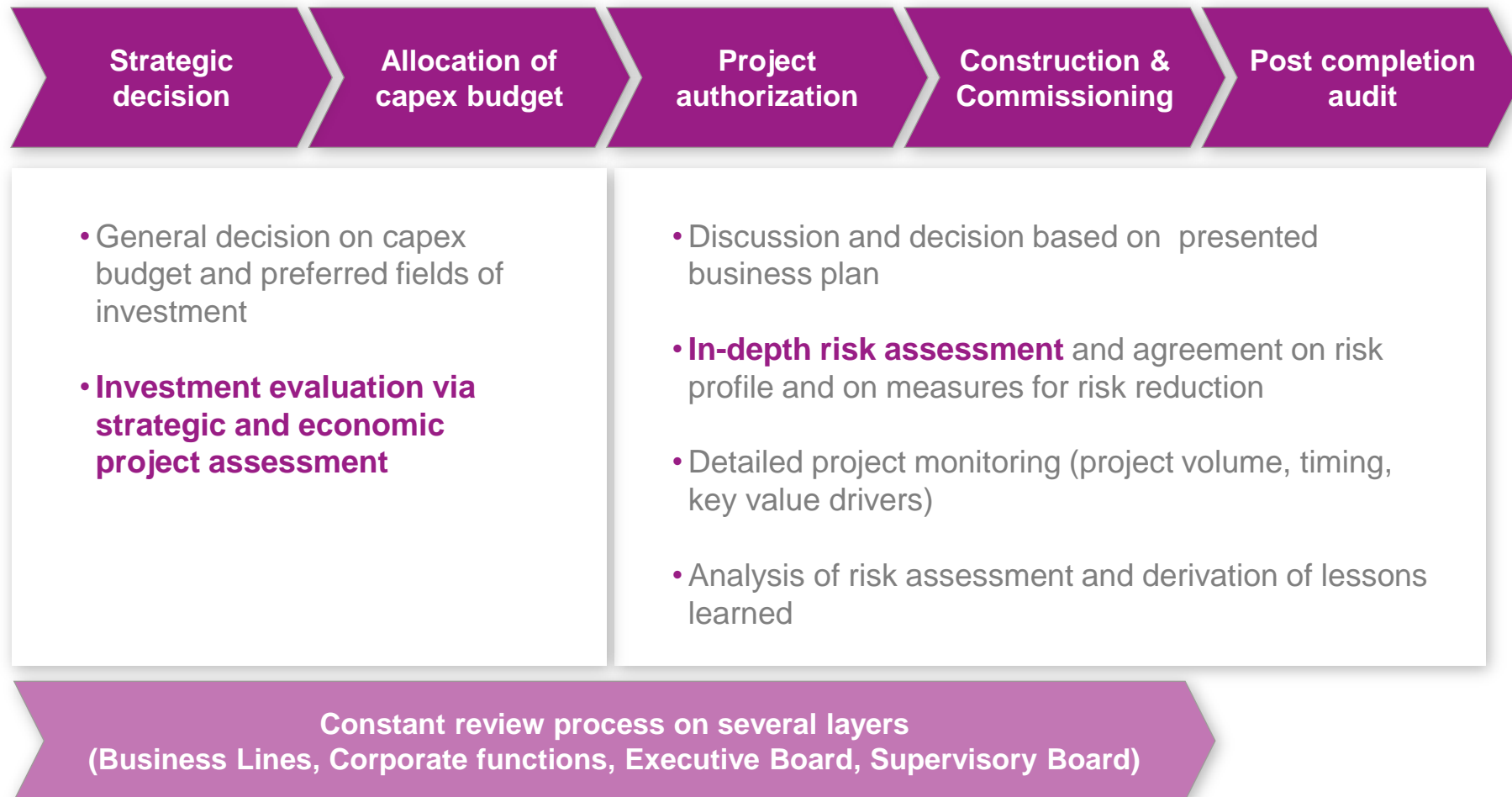
Growth capex by segment



Growth capex mainly allocated to high-margin specialty chemicals businesses

¹ Basis investments defined as small investments (below €2.5 m focused on growth or efficiency improvements) and maintenance capex (maintenance and regulatory compliance investments)

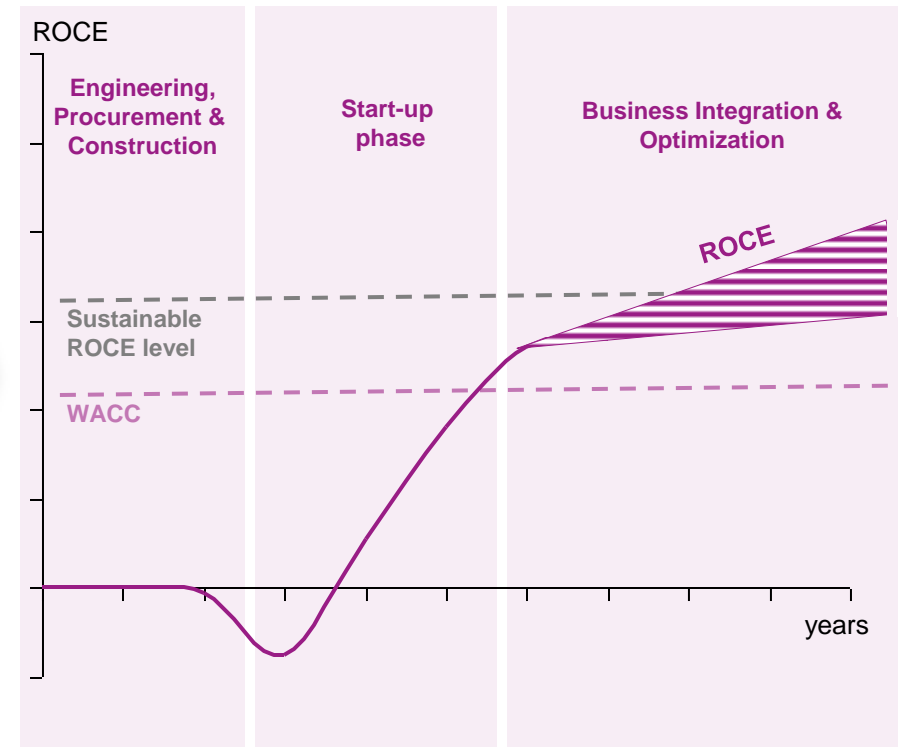
Structured planning and approval process



Diligent investment evaluation to secure premium returns

Strategic and economic assessment

- Strategic assessment considering competitive position, market attractiveness and regional focus
- Economic assessment using DCF-based investment evaluation
- Strict internal hurdle rates and “competition” for scarce resources



Different return levels depending on project layout (e.g. greenfield or debottlenecking)

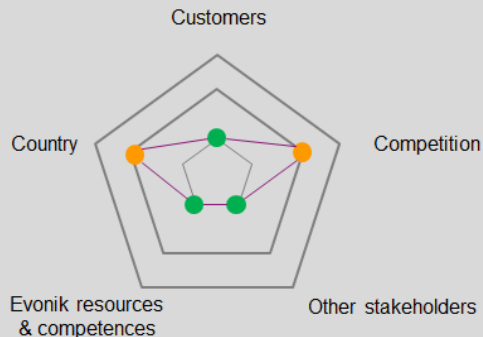
Similar processes apply to external growth

Internal growth

Current cost of capital

Analysis timeframe:
Average depreciation period
(if appropriate, supplemented by life cycle analysis)

Risk assessment in 5 categories



External growth

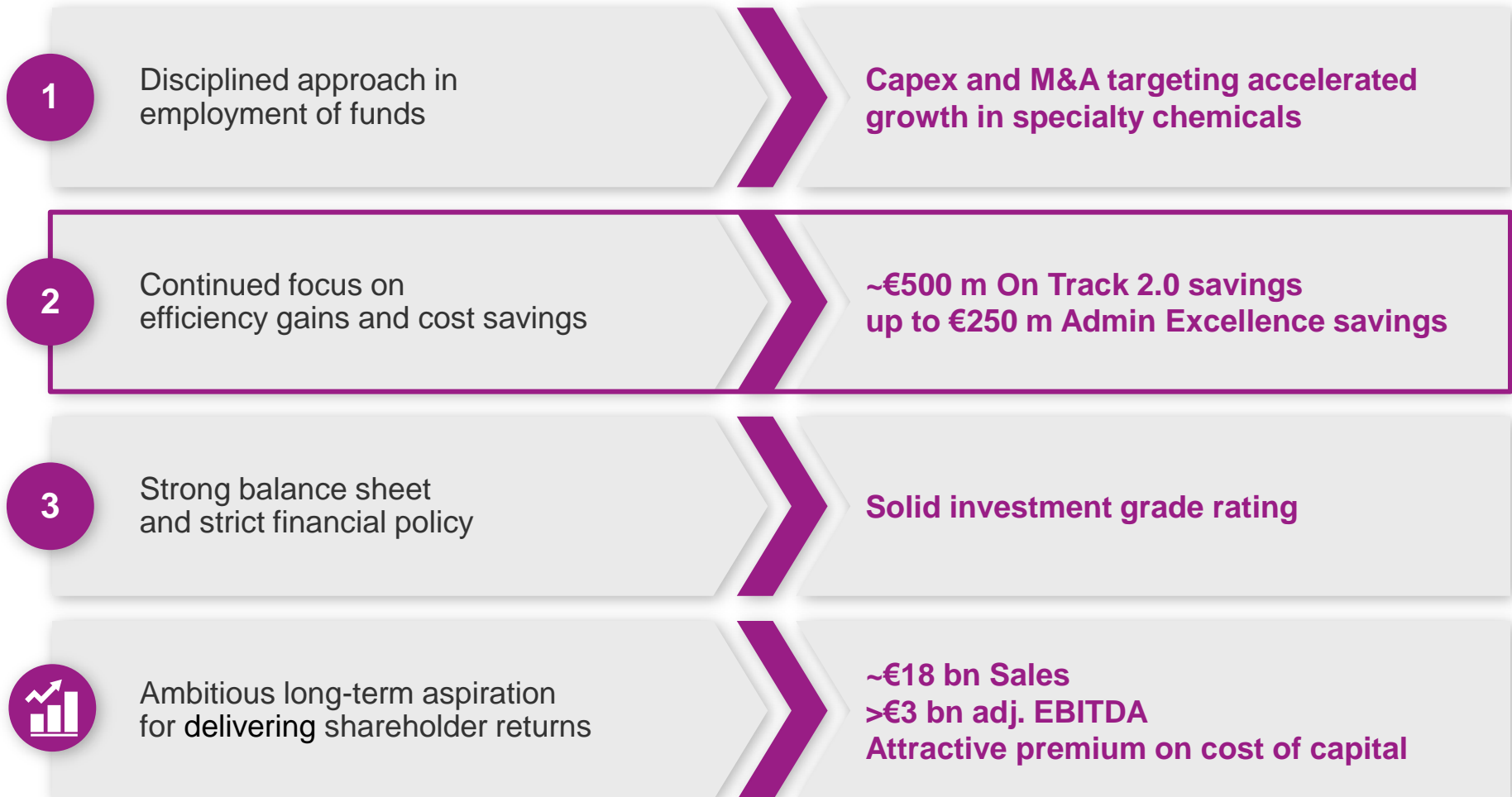
Depending on target size:
Current or updated cost of capital
according to changing business profile

Analysis incl. **perpetual annuity**

... supplemented by **further risk categories**

- Transaction risks
- Integration risks
- Realization of potential
- Synergies
- ...

Transforming accelerated growth into value



Current efficiency programs well underway



Focus

Mainly on productivity improvements at our sites and procurement

Administrative functions worldwide

Expected Savings

~€500 m p.a. by 2016
(partly compensated by increasing factor costs)

up to €250 m p.a.
by the end of 2016
(high retention rate expected)

Status

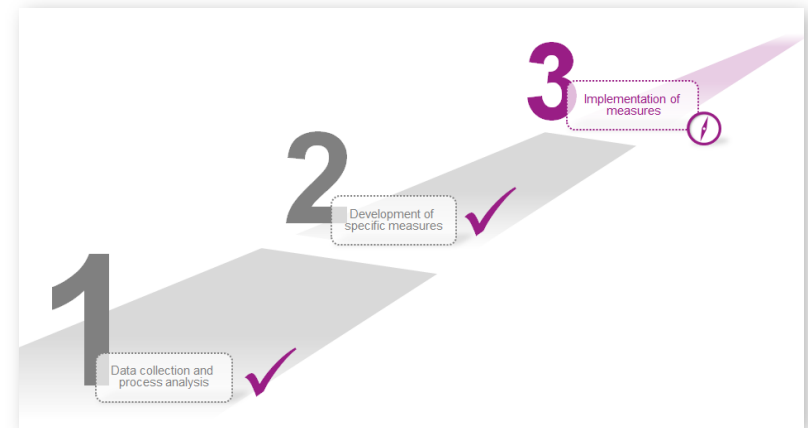
Measures for savings of almost €300 m in execution and further ~€150 m already backed by specific measures

Phase 3 started, first measures in implementation

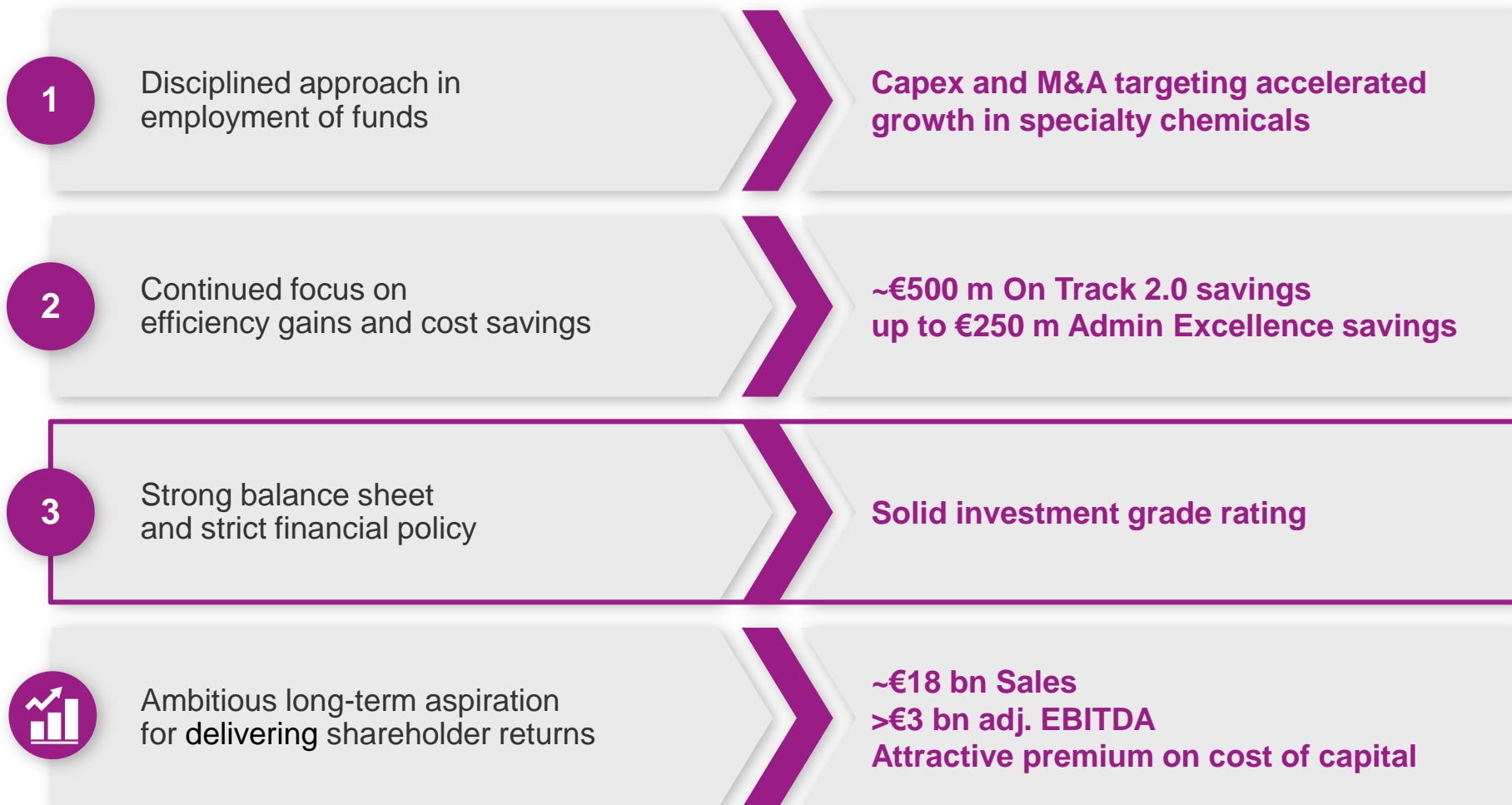
Status of Admin Excellence measures

Admin Excellence: Phase 3 started

- In **project phase 2**, more than 400 measures were defined:
 - Structural improvements (~100 measures)
 - Process improvements (~200 measures)
 - Cease of services (~100 measures)
- **Project phase 3** initiated
 - **First measures already in implementation**, e.g.:
 - Streamlining of controlling and billing processes, e.g. harmonization of SAP platforms
 - Concentration of IT resources and infrastructure in one global competence center

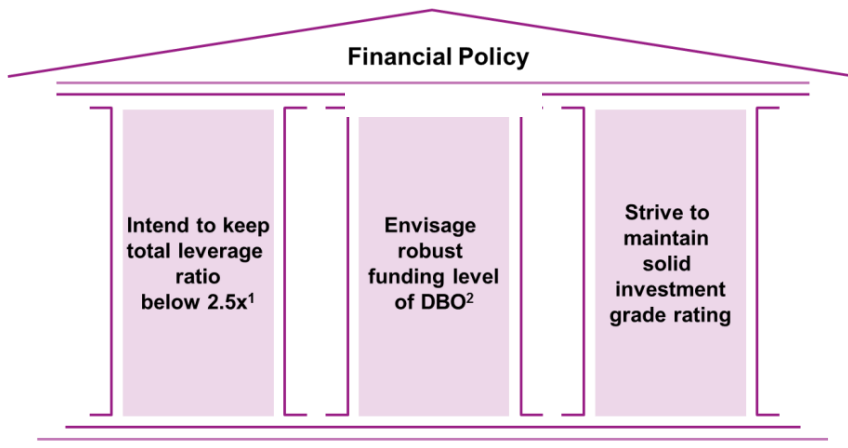


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Financial policy and strong balance sheet provide flexibility

Financial policy



Strong balance sheet

- **Equity ratio of ~40%**
- **Net financial debt at only -€150 m** on 30 June 2014
- STEAG proceeds of ~€570 m received in September 2014
- Total **leverage ratio¹ at 2.1x** (incl. pensions) as of June 2014

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

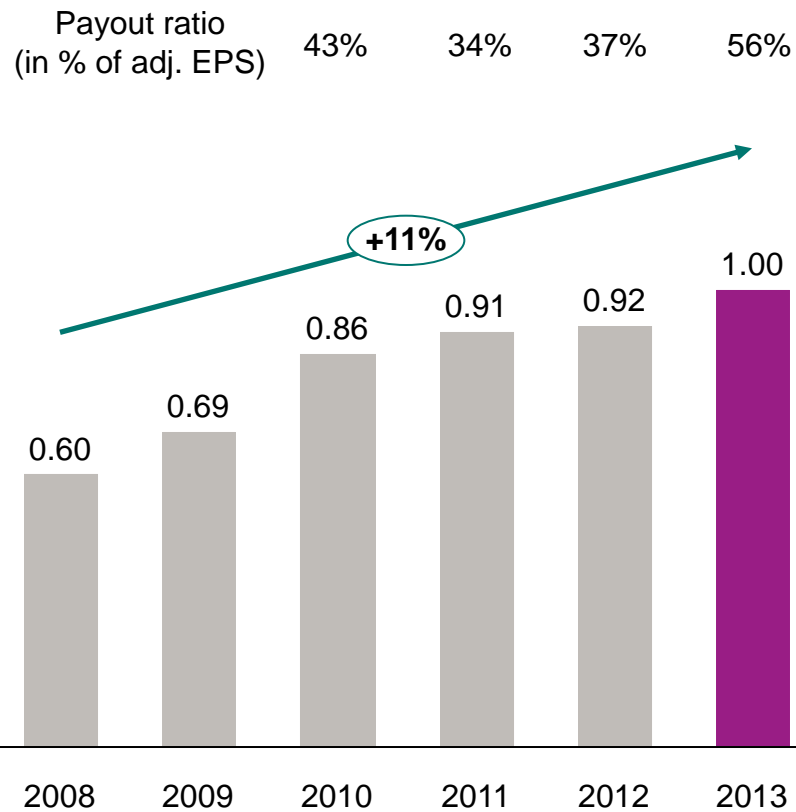
² Defined benefit obligations

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Reliable dividend policy and attractive returns

Dividend history (in €)

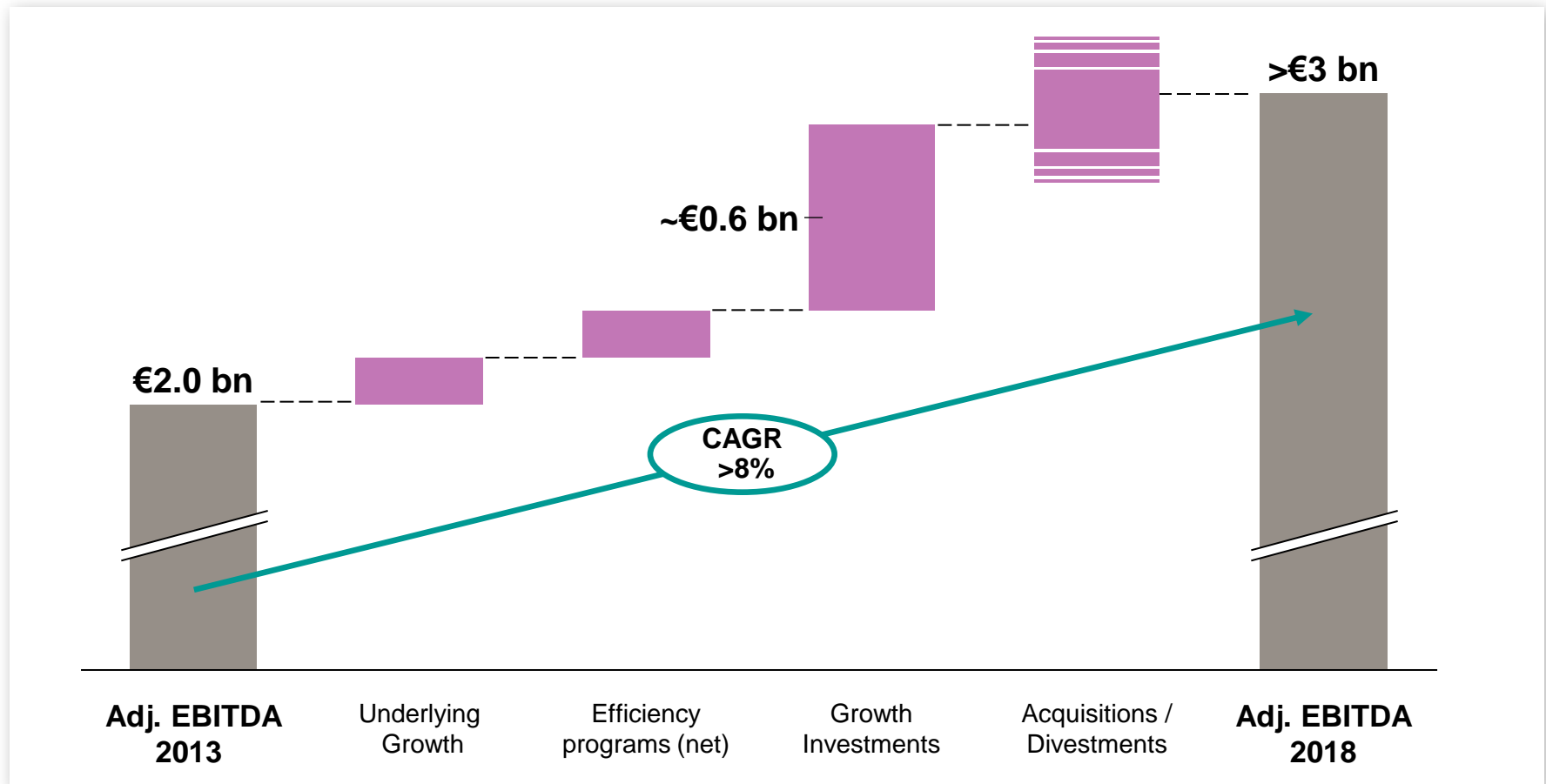


Dividend policy

Two components of Evonik's dividend policy:

- 1) Overarching target of **dividend continuity**
 - 2) additionally, targeted payout ratio:
~40% of adjusted net income
- Compelling track record with regards to dividend policy and shareholder returns (also pre-listing)
 - Dividend payment for 2013 of 1.00 € supported by significant cash inflows from Real Estate divestment

Aspiration level: Adj. EBITDA of >€3 bn
and an attractive premium on cost of capital












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Financial Strategy

Backup

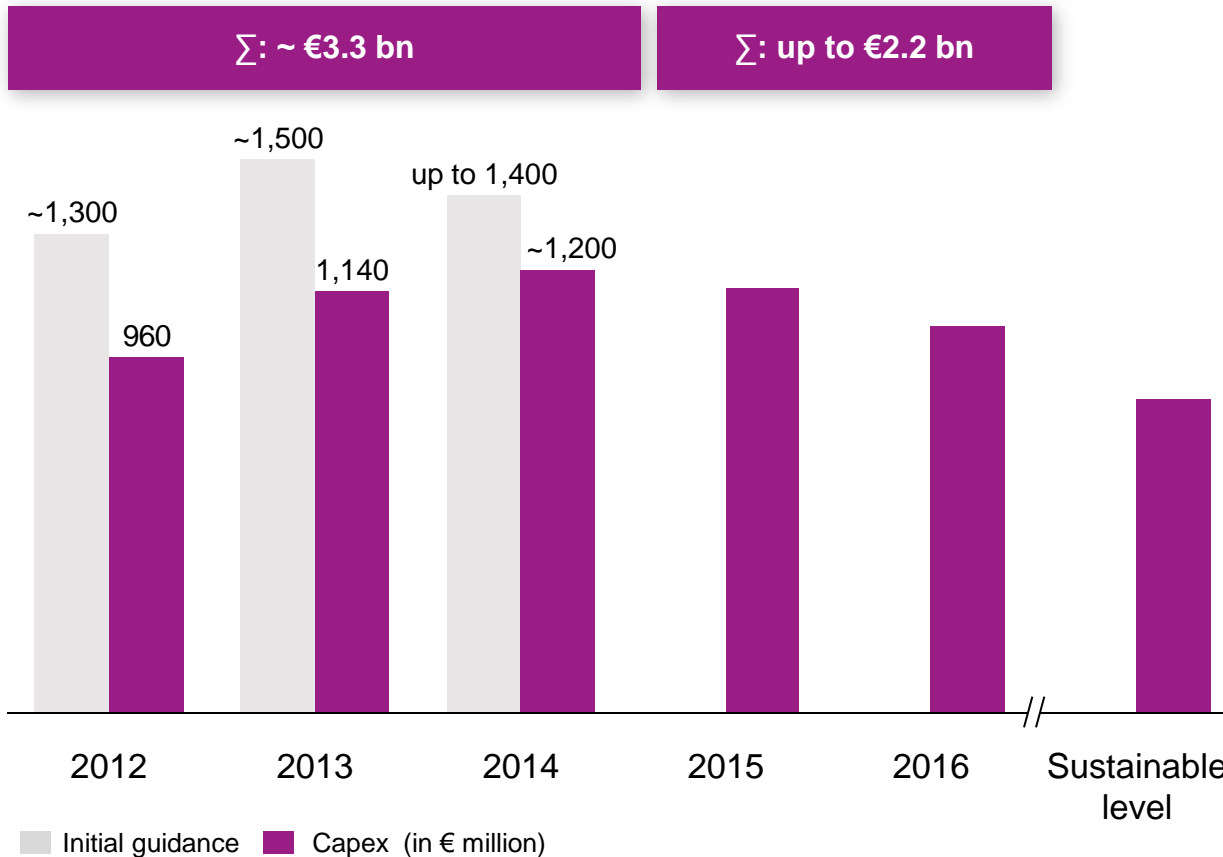
Selected projects planned for 2015 & 2016

Segment	Product area	Location	Capex budget	Capex spent ¹	Start-up (expected)	Status
Consumer, Health & Nutrition	Methionine: Mepron® (for dairy cows)	USA/ Belgium 	<50 m		2015	approved
	AQUAVI® Met-Met (for aquaculture)					
Resource Efficiency	Precipitated silica	Global master plan 	~€100 m		2016 (Brazil)	approved
	Fumed Silica and Silanes	China 	~€100 m		2016	LOI for JV signed

Further projects currently being planned, but not yet approved

¹ As of September 2014

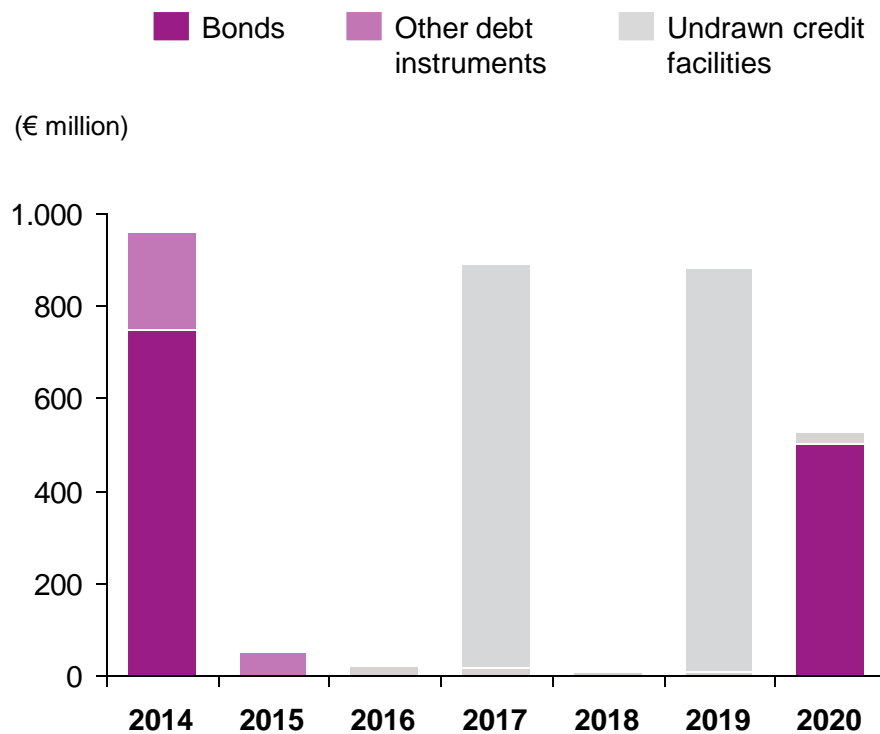
Distribution of capex spending 2012 -2016



- ~€3.3 bn capex will be spent end of 2014
- Target amount for 2015 and 2016: up to €2.2 bn
- Return to sustainable annual capex level of €800 m - €900 m p.a. after 2016 (at current portfolio setup)
 - Thereof ~€450 m basis investments¹
- Corresponding D&A of ~€800 m

Balanced maturity profile

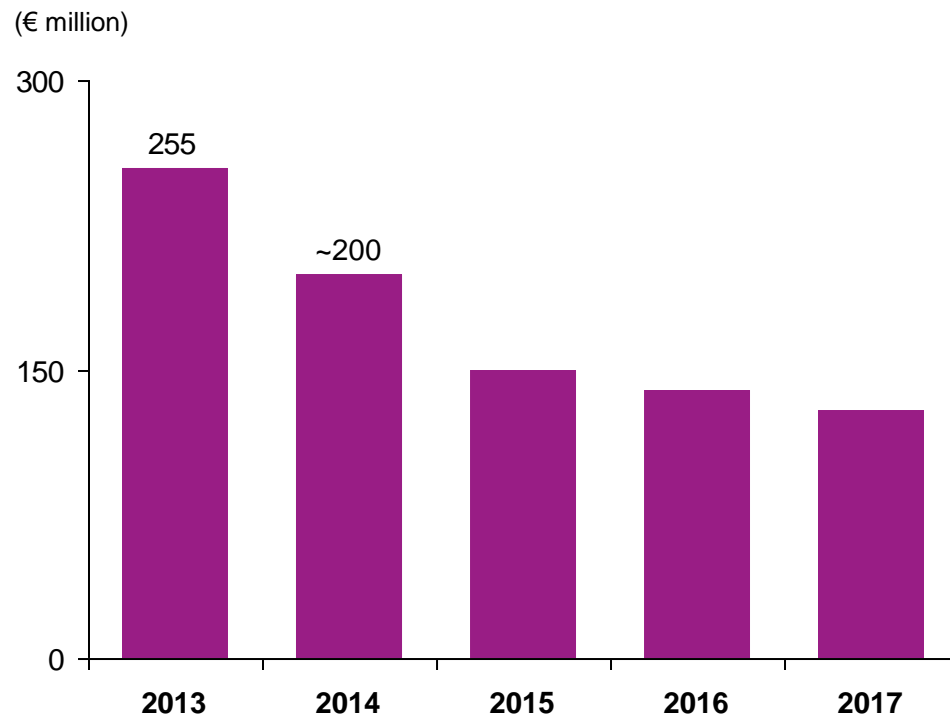
Maturity profile



- Upcoming €750m bond maturity in October 2014
- Unchanged policy to fund long-term debt through Capital Markets:
 - €3 bn debt issuance program in place
 - Additional flexibility from STEAG proceeds (€570 m)
- Undrawn syndicated revolving credit facilities as backup

Declining interest burden

Expected development of adj. net interest expense



- Further reduction of interest expense:
 - Upcoming €750m / 7% bond maturity on 14 October 2014
 - Further CTA funding in 2014 and 2015 (€200 m each)
- Estimated adj. net interest expense for 2014: ~€200 m

Sale of former Energy business STEAG completed



General information

- Sale of remaining 49% stake in Energy business STEAG to consortium of municipal utility suppliers completed in Q3 2014
- Purchase price of ~€570 m received in September
- Accounting treatment changed:
 - Until Q2 2014: at equity in P&L (fixed dividend of €6 m per quarter or €24 m p.a.) and balance sheet (as Evonik “Adjusted EBITDA” definition includes at equity result, fixed dividend was also part of Adjusted EBITDA; in segment Corporate/Other)
 - In Q3 2014 deconsolidation completed after restatement to discontinued operations; **prior year figures (2013) and Q1/Q2 2014 will be restated accordingly**

P&L / Balance Sheet effects

- Guaranteed dividend **of €24 m (on FY basis!) no longer included in adj. EBITDA & adj. EPS**
- Instead in: **“Income after tax from discontinued operations”**, this will include (visible with deconsolidation in Q3 reporting):
 - YTD dividend payments Jan.-Sept. (~ +€10 m)
 - Negative accounting effect from deconsolidation (mid double digit m € amount)
 - Both effects not included in adj. EPS (as excludes disc. op.), but in reported EPS