

Evonik Capital Markets Day 2014

Poised for
accelerated growth

Klaus Engel
Chief Executive Officer
Hanau, 2 October, 2014



EVONIK
INDUSTRIES

Evonik is committed to deliver sustainable profitable growth in specialty chemicals



Our businesses are aligned towards:

Allocation of resources according to global megatrends and high growth opportunities

Strengthening of leading market positions by development of tailor-made and innovative solutions together with clients

Strategic and financial discipline:

Proven track record in portfolio optimization

Solid balance sheet and disciplined use of funds

Clear Commitment:

to deliver sustainable growth

to increase profitability

Value generation
for our shareholders

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1	Trends in chemical industry
2	Evonik portfolio analysis
3	Strategies for accelerated growth

Global chemicals industry expected to continue to outgrow global GDP, but ...

Growth

Demand growth mainly in emerging countries leading to further shift of markets towards Asia

Product life cycles becoming shorter with an increasing commoditization of product portfolios

Changing competitive structures due to Asian competition

Competitive- ness

Partly higher raw material and operating costs in Europe compared to other regions (USA, Middle East)

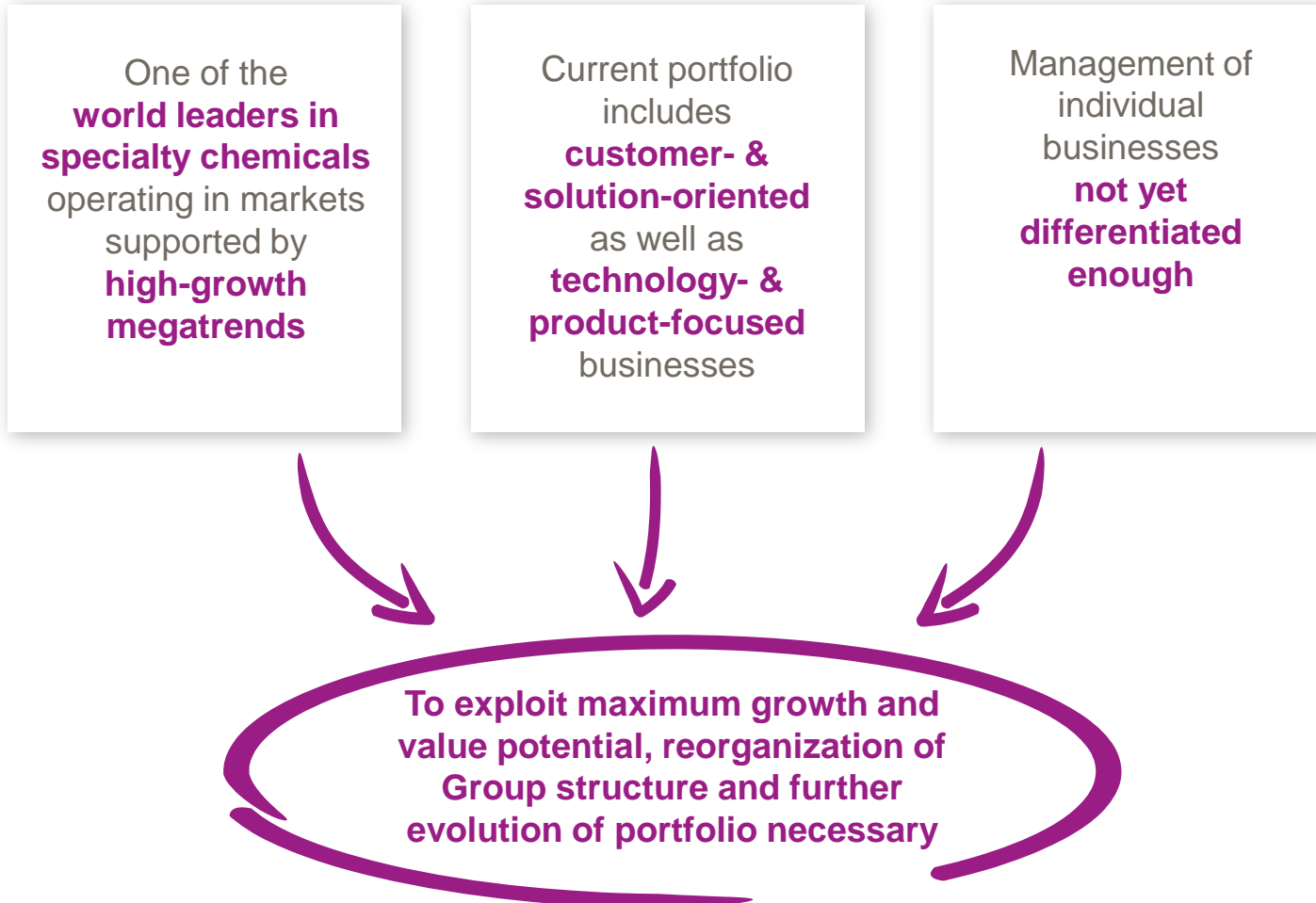
High investment needs are no longer a barrier to entry

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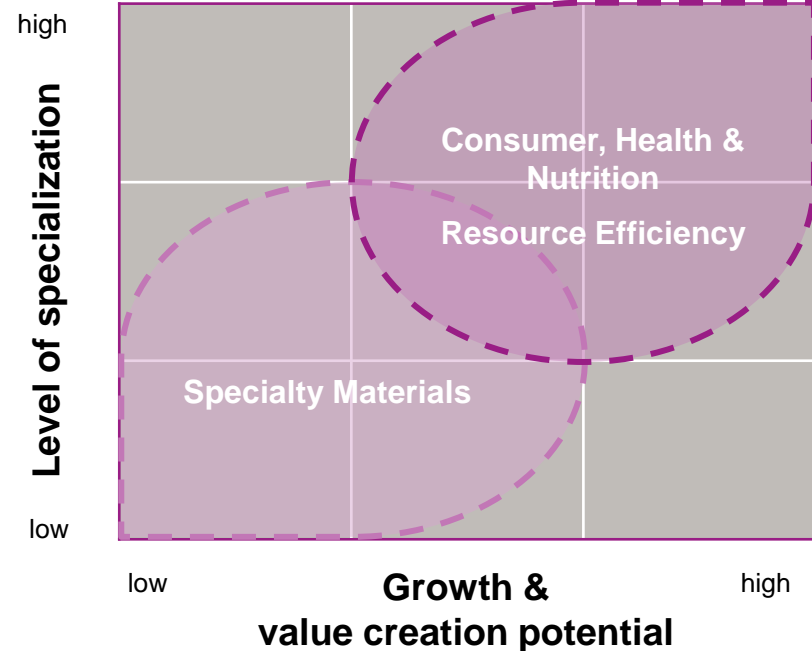
Assessment of Evonik's position and portfolio: More differentiated management needed



Evonik portfolio analysis regarding level of specialization and growth & value potential

Success factors for differentiation

- Dependence on raw materials
- Price-setting mechanisms
- Growth perspectives
- General market size
- Relative margins
- Threats of substitution
- Barriers to entry



**Differentiated management necessary -
tailored to specific needs of individual businesses**

Consumer, Health & Nutrition and Resource Efficiency identified as areas of growth



Consumer, Health & Nutrition



Resource Efficiency



Leading in customized, individual and innovation-driven solutions

- Niche markets with high margins, GDP+ growth rates and strong barriers to entry
 - Low dependency on specific raw material cost development
- Joint R&D with customers and innovative solutions are of high importance

Focus on above-average profitable growth

High returns on invested capital

Concentrate growth capex on these areas

Expansion of businesses with selective acquisitions

Specialty Materials managed with more product-driven business approach in the future



Specialty Materials



Leading in product-driven activities

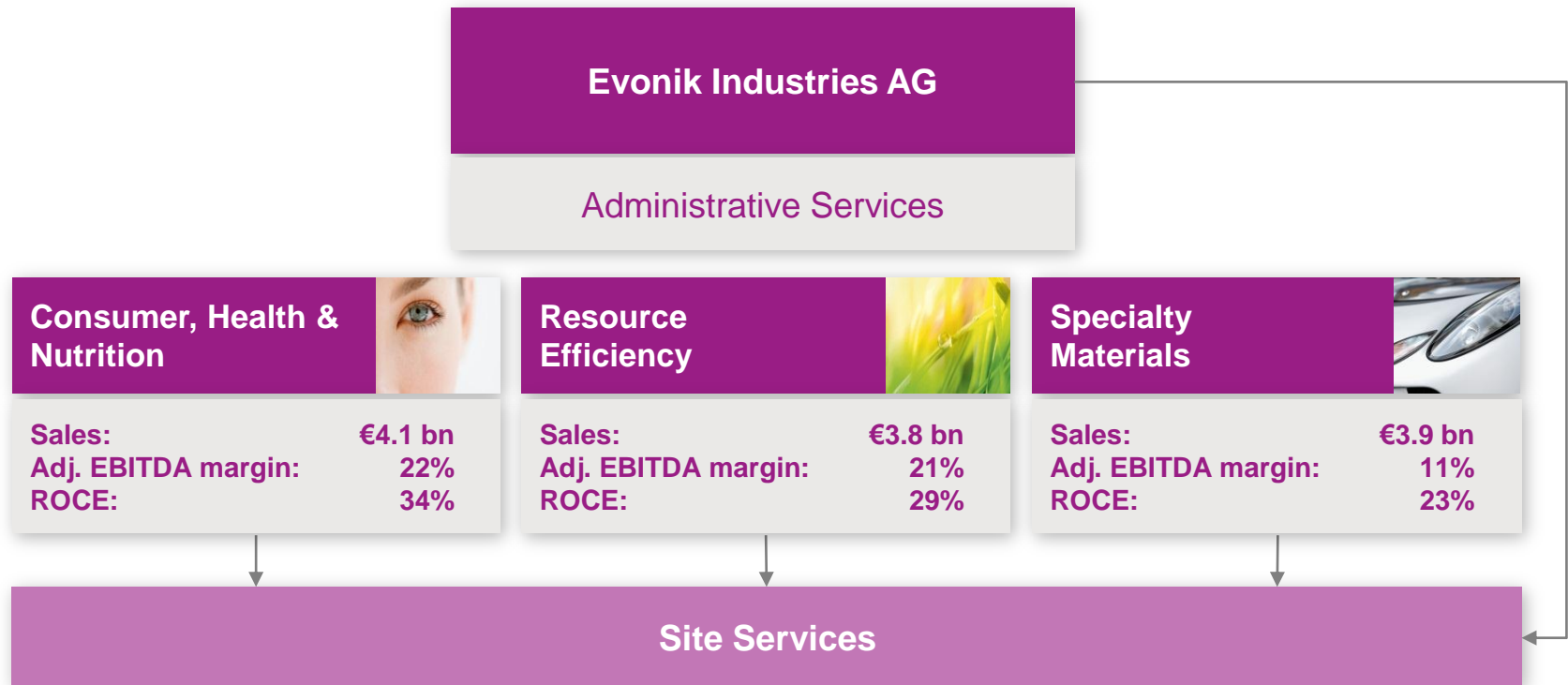
- More product-driven, energy and raw material-intensive businesses
- Characterized by integrated technology platforms, efficient processes and high market penetration

Further efficiency and effectiveness enhancements

High cash returns

Investments and, where appropriate, alliances to secure good market positions

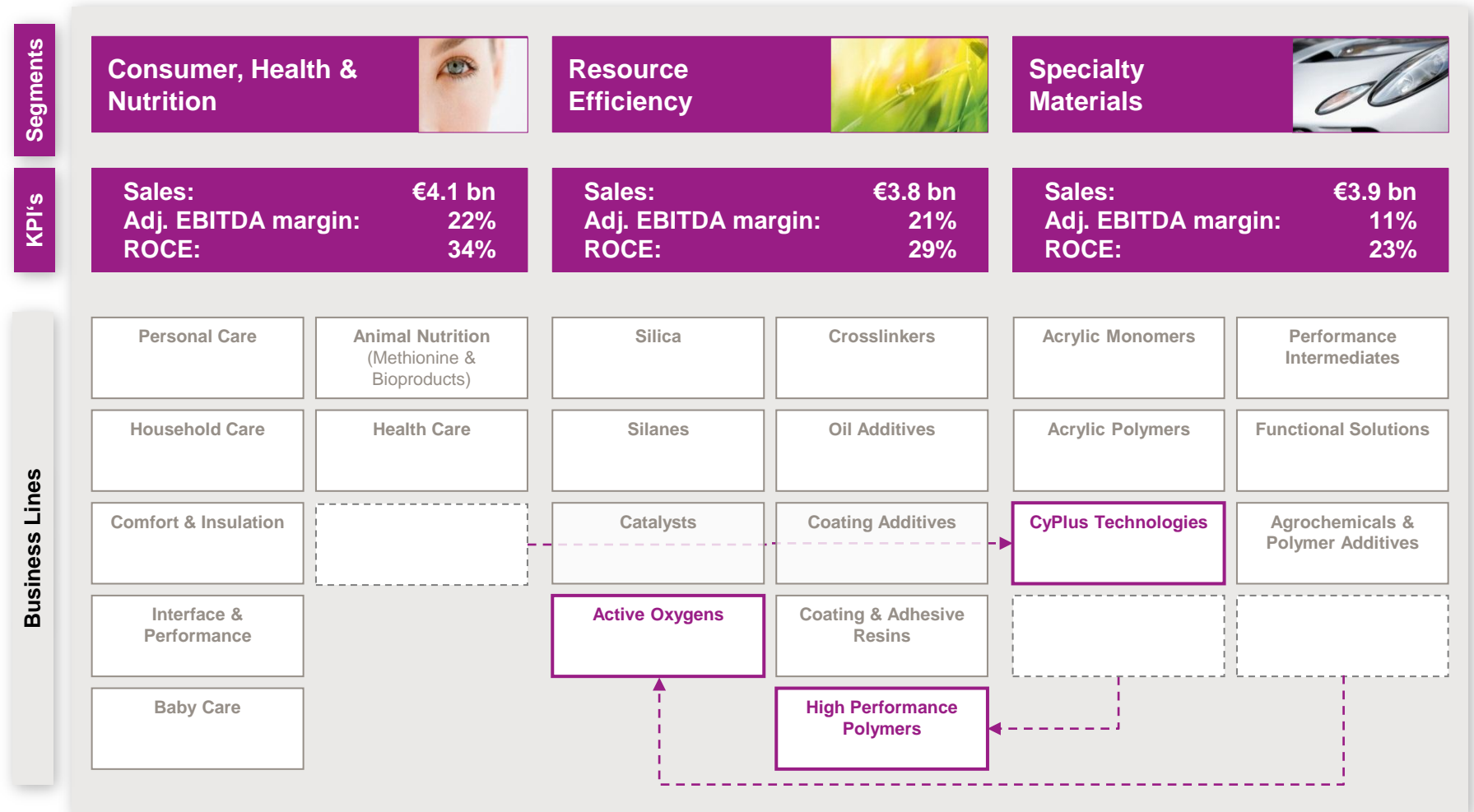
Differentiated management approach supported by new holding structure



- Evonik Industries AG as new holding company focusses on strategic development and target setting
- Legally independent segments with increased degrees of entrepreneurial freedom to manage the operational business

Reclassification of single business lines to allow more targeted management

New
segment structure
from Jan 2015



Pro-forma data as of fiscal year-end 2013 (before reallocation of corporate costs)

2 October, 2014 | Evonik Capital Markets Day 2014 | Group Strategy

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Levers for sustainable value creation

Innovation

- **Differentiated focus** of innovation activities according to specific business needs
- **Strong market & customer orientation** as basis for successful R&D

Organic growth

- **Ramp-up** of investment projects according to plan
- Taking advantage of **flexibility** in investment program

External growth

- **Acquisitions** as an additional route for value creation

Differentiated focus of R&D activities according to specific business needs

Growth



Consumer, Health
& Nutrition



Resource
Efficiency

Further strengthening of innovation efforts to expand leading positions in growth segments, e.g.:

- Innovative solutions for animal nutrition beyond amino acids
- Biosurfactants produced from renewable resources
- Innovative scratch-resistant coatings, e.g. for automotive clear coats

**Split of
R&D
expenses**

~80%

Efficiency



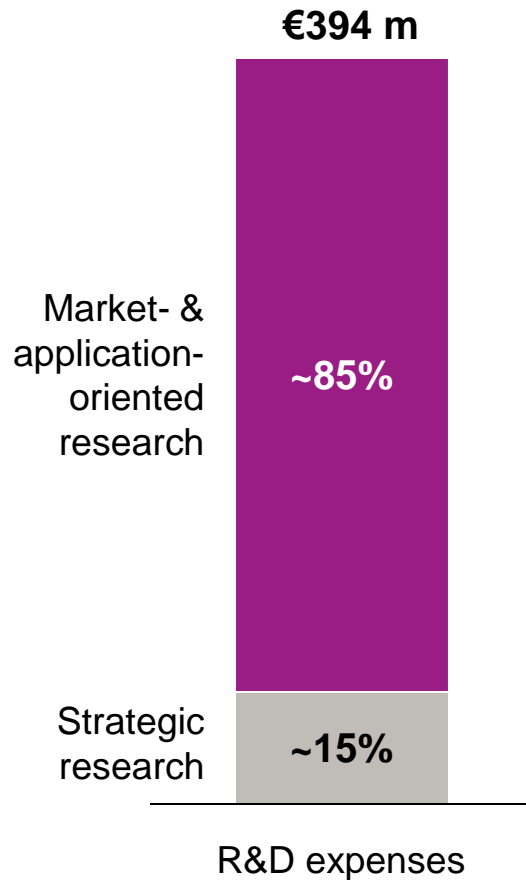
Specialty
Materials

Securing market and cost positions by optimizing production processes, e.g.:

- Broadening of raw material base, e.g. in C4 chain
- Development of new innovative catalysts for use in Evonik production processes (e.g. in INA)

~20%

Strong market & customer orientation as basis for successful R&D



Market- & application-oriented research:

- Short- & medium-term projects
- Focus on existing markets and technologies
- **Strong customer orientation and joint R&D collaborations:**



Oil Additives:

New high quality, multi grade hydraulic fluids from Total for heavy machinery formulated with DYNAVIS® technology



High Performance Polymers:

Supported by Evonik and based on VESTAKEEP® PEEK, medical device maker DiFusion developed a spinal implant with FDA approval

Successful realization of major investment projects

New world-scale methionine plant in Singapore

- On time and on budget after construction phase of three years
- Mechanical completion in July; start of production expected for Q4 2014
- Economic assumptions in line with initial expectations
- Good timing for additional volumes into an unchanged healthy market



Targeted silica expansion steps as part of global master plan

- Global silica master plan:
Capacity expansions completed in USA, Thailand, Taiwan, India, Germany, Spain and Turkey
- Targeted and selective expansion steps meeting strong customer demand and being absorbed by the market



Acquisitions as additional route for value creation



- Acquisitions as **additional growth route** to create value:
 - **Accelerated entrance** into adjacent markets and businesses
 - Enable **growth in asset-light businesses**
 - Strengthening of **resilience** against market or product cycles
 - Value enhancement via **synergies**
- Further **growth and sharpening of specialty chemicals portfolio** in Consumer, Health & Nutrition / Resource Efficiency
- Potential driver for subsequent **portfolio adjustments**
- **Strong financial profile** offers flexibility for external growth

Levers for sustainable value creation: Ambitious long-term aspiration level

Ambitious long-term aspiration level (by FY 2018)

Innovation

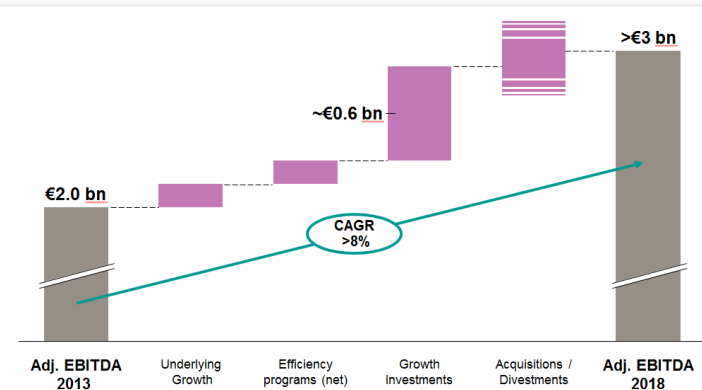
Organic growth

External growth

~€18 bn Sales

>€3 bn adj. EBITDA

Attractive premium on cost of capital





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Group Strategy

Backup

Reorganization of Business Lines according to differentiated management approach

New
segment structure
from Jan 2015

High Performance Polymers



- e.g. Polyamide12; PEEK
- Products with high value added and large portion of customer-specific solutions
- Growth potential in the fields of membranes, light-weight construction, medical technology and alternative energy sources

Active Oxygens



- H_2O_2 for HPPO & “traditional” applications
- Proprietary environmentally friendly technology to produce propylene oxide as polyurethane precursor with substantial cost advantages (HPPO process)

CyPlus Technologies



- e.g. cyanides for precious metal mining
- Joint management in hydrocyanic acid platform (together with MMA) in the future

**Reorganization from
Specialty Materials
to Resource Efficiency**

**Reorganization from
Consumer, Health & Nutrition
to Specialty Materials**