

Evonik. Power to create.

Q3 2013

Earnings Conference Call

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31 October, 2013



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Highlights Q3 2013

Solid performance in still challenging environment;
advanced execution of “Growth, Efficiency, Values”



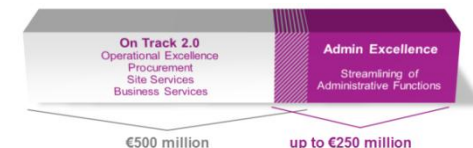
Economic environment & operational performance

- Economic environment still challenging
- However, further stabilizing trend visible in Evonik's operational performance
- Sequential improvement of adj. EBITDA and margin vs. Q2 2013



Advanced focus on “Growth, Efficiency and Values”

- **Growth:** €6 bn investment program progressing well; mechanical completion of superabsorbents and oleochemicals plants
- **Efficiency:** Start of Admin Excellence program to streamline administrative functions group-wide



Financial highlights Q3 2013

Volumes improved strongly; Outlook confirmed



Sales of €3,239 m slightly below prior year (€3,359 m); strong volume development across all segments, lower prices

Adj. EBITDA of €518 m lower than last year (€701 m) driven by one-time effects in Q3 2012 and weaker pricing; sequential improvement (Q2 2013: €505 m)

Closing of Real Estate divestment resulting in net cash position (€592 m)

Intention to divest lithium-ion business; classified as discontinued operation

Outlook FY 2013 confirmed: Sales of ~€13 bn and adj. EBITDA of ~€2 bn

Growth: Steady progress of investment program

Mechanical completion of new production facilities for Consumer Specialties



Superabsorbents, Al-Jubail (Saudi-Arabia)



- Technical completion reached in September
- Ramp-up and start of commercial production commencing in Q4 2013
- First superabsorbent production in Middle East; world-scale size (80 kt/a)
- Competitive raw material access through production JV with Tasnee Sahara
- Long-term supply contract with major customer

Oleochemicals, Shanghai (China)



- Construction completed in June; production of first test batches successful in Q3
- Ramp-up and start of commercial production commencing in Q4 2013
- Second new oleochemicals plant in Brazil currently under construction
- Both plants to locally serve the two fastest growing markets for Personal Care products

Efficiency: Start of Admin Excellence program

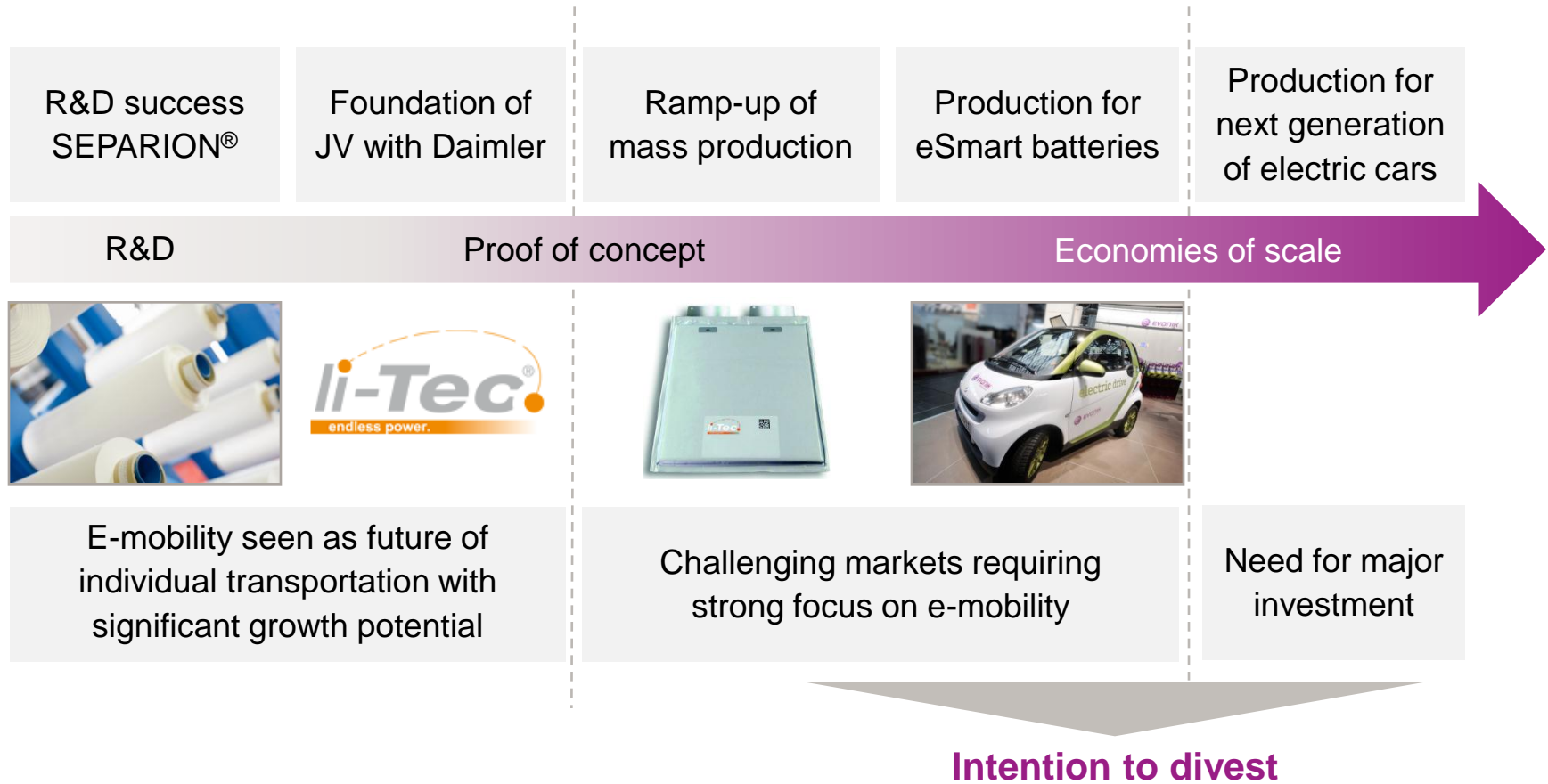
Streamlining of administrative functions



Focus	Mainly on productivity improvements at our sites and procurement	Administrative functions worldwide
Expected Savings	~€500 m p.a. (partly compensated by increasing factor costs)	up to €250 m p.a. (high retention rate expected)

Intention to divest lithium-ion business

Challenging market conditions
require strong focus on e-mobility



E-mobility seen as future of individual transportation with significant growth potential

Challenging markets requiring strong focus on e-mobility

Need for major investment

Intention to divest

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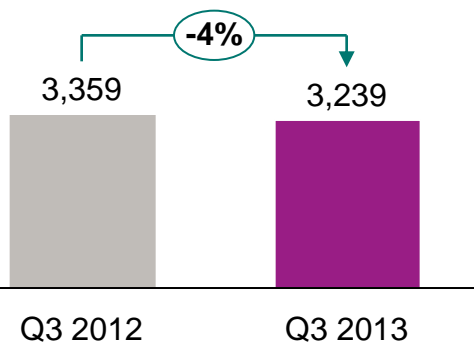
Financials highlights Q3 2013

Sales organically almost stable;

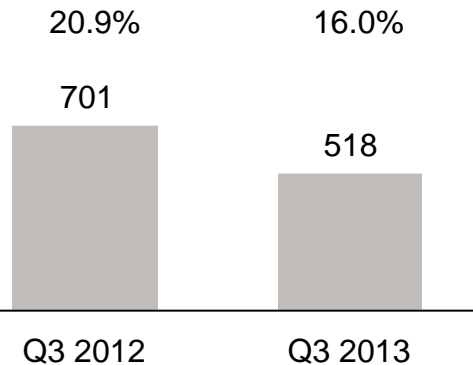
Net cash position established after Real Estate sale



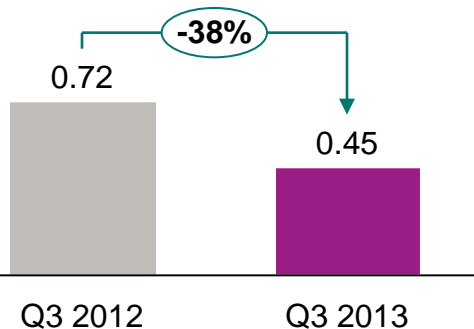
Sales (in € m)



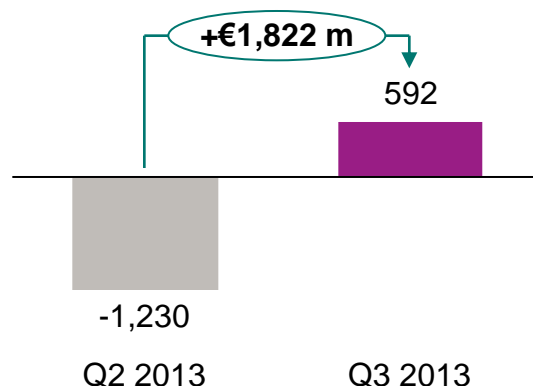
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



Net financial debt (in € m)





- Sales of €3,239 m organically almost stable (-1%); strong volume development (+5%) offset by weaker pricing (-6%)
- Adj. EBITDA below prior year at €518 m (Q3 2012 impacted by one-time effects)
- Higher earnings in Resource Efficiency (excl. 2012 one-off effects); Consumer, Health & Nutrition and Specialty Materials weaker due to lower prices
- Net cash position after closing of Real Estate divestment in Q3
- Lithium-ion business classified as discontinued operation (prior year and prior quarters restated)

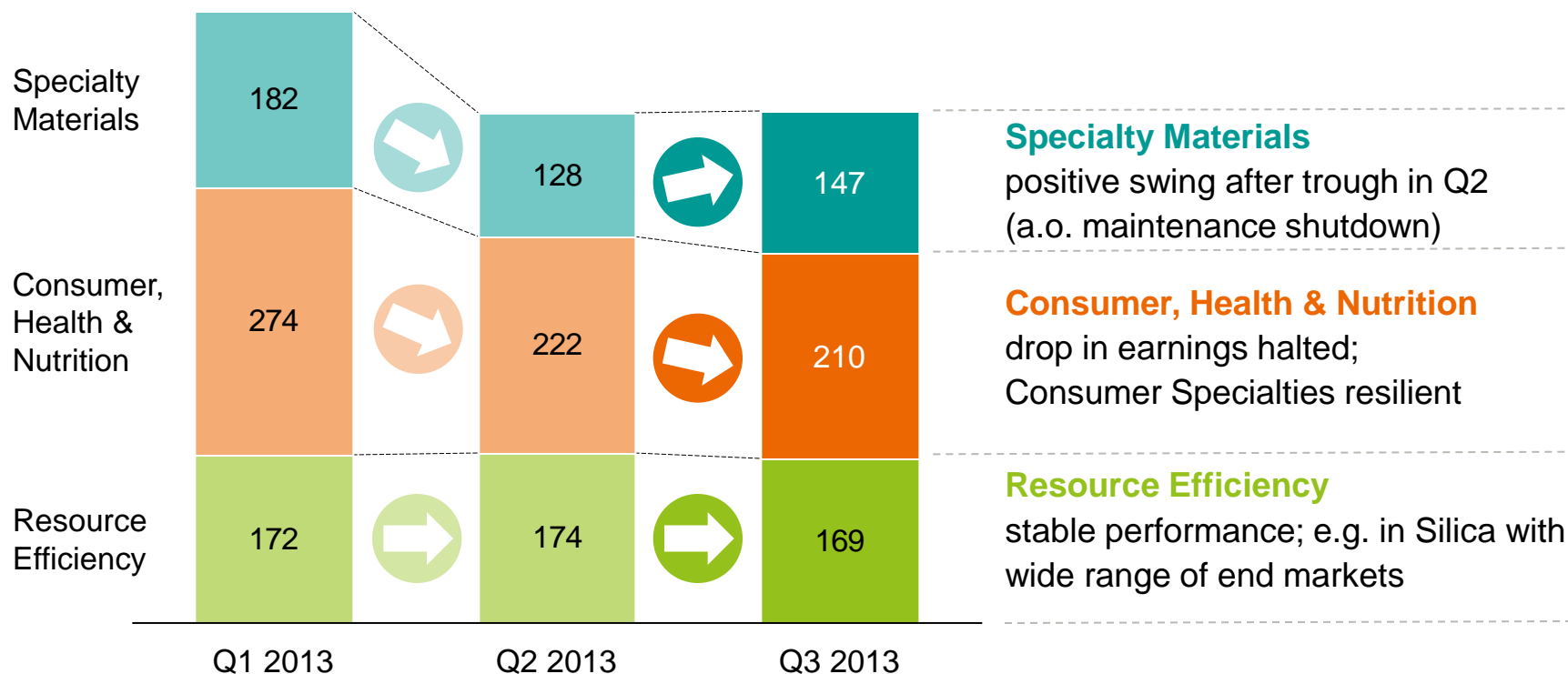
2012 and 2013 figures restated for IAS 19 and discontinued operations (Real Estate and lithium-ion business)

Adj. EBITDA development 2013

Clear stabilization trend in Q3

Adj. EBITDA development Q1-Q3 2013 (in € m) / margin (in %)

Group	599 18.4%		505 15.5%		518 16.0%
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2012 and 2013 figures restated for IAS 19 and discontinued operations (Real Estate and lithium-ion business)

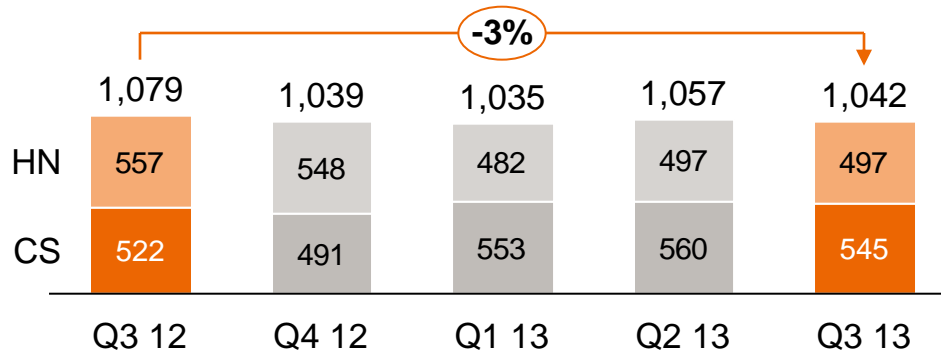
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Consumer, Health & Nutrition

Positive volume trend continued

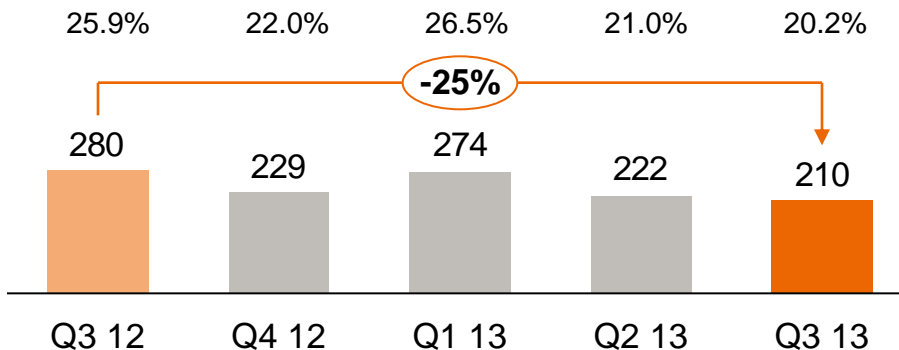


Sales (in € m)



Volume +3%	Price -6%	FX +/-0%	Other +/-0%
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Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)



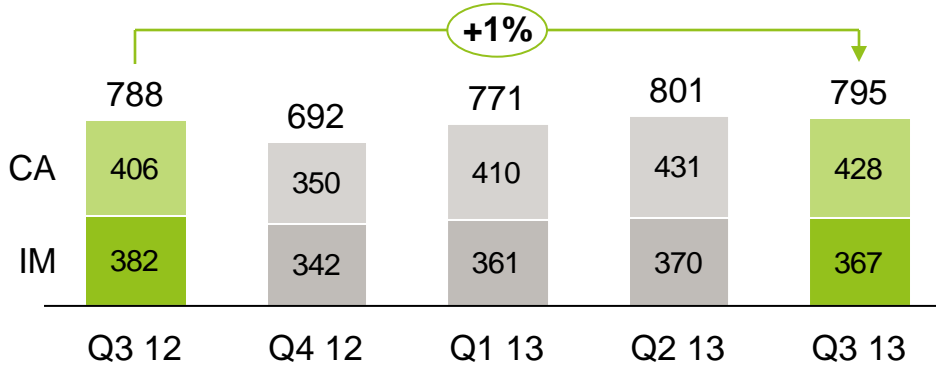
- Positive volume development across the segment, prices lower than prior year esp. for feed amino acids (against tough comparables)
- Consumer Specialties continues positive trend with higher yoy sales
- Baby Care with yet another strong quarter, good demand only partly offset by higher raw material prices (pass-on with time lag)
- Higher fixed costs during ramp-up of new production plants
- Sequential stabilization in Health & Nutrition both in sales and earnings
- Earnings yoy still impacted by lower prices for amino acids and temporarily high raw material prices for Lysine

Resource Efficiency

Good construction and coatings demand drive earnings; prior year affected by one-offs

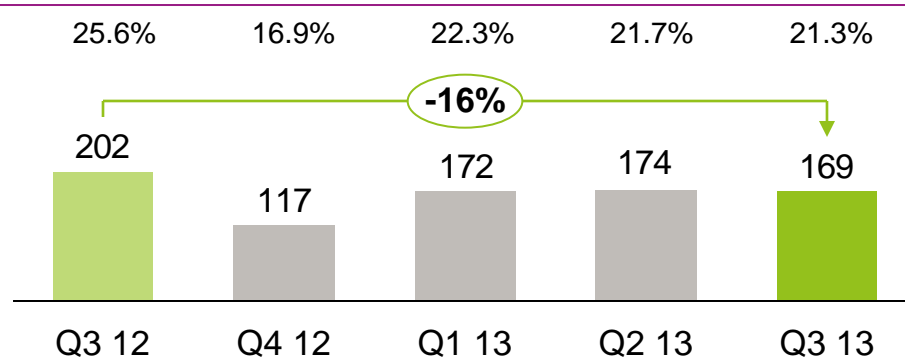


Sales (in € m)



Volume +6%	Price +/-0%	FX -4%	Other -2%
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Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)



- Sales stable with slight decrease in Inorganic Materials offset by strong quarter in Coatings & Additives
- Strong volume growth and stable prices in both BUs, negative FX effects esp. in Inorganic Materials (JPY)
- Prior-year earnings positively impacted by one-time effects (provision releases and receipts from take-or-pay-contracts from photovoltaic industry); earnings operationally improved
- Positive signals from tire industry support stable development of Silica business; headwinds from FX (JPY)
- Coatings & Additives benefitting from improved demand in construction and coatings industry given good weather conditions (after slow start into the year)

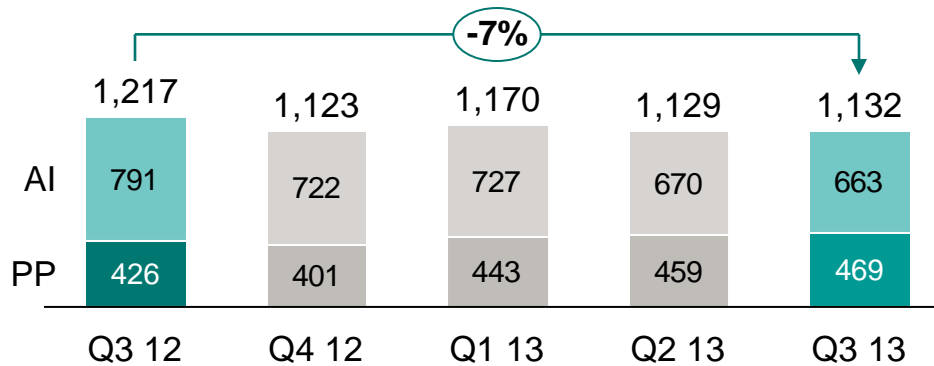
Prior year figures restated for IAS 19

Specialty Materials

Sequential improvement after full re-start of C4 chain

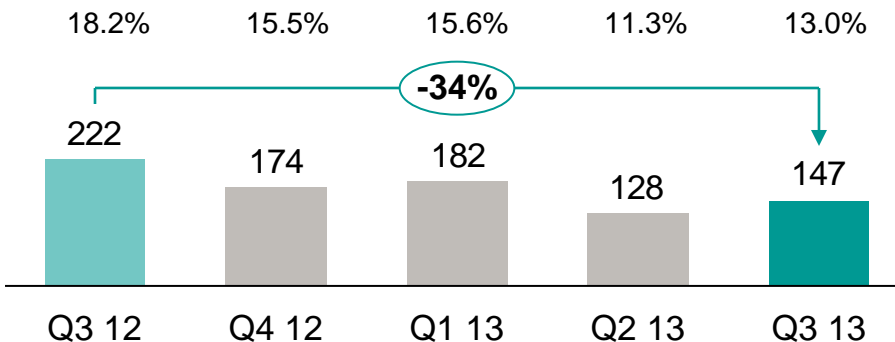


Sales (in € m)



Volume +7%	Price -11%	FX -1%	Other -2%
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Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)



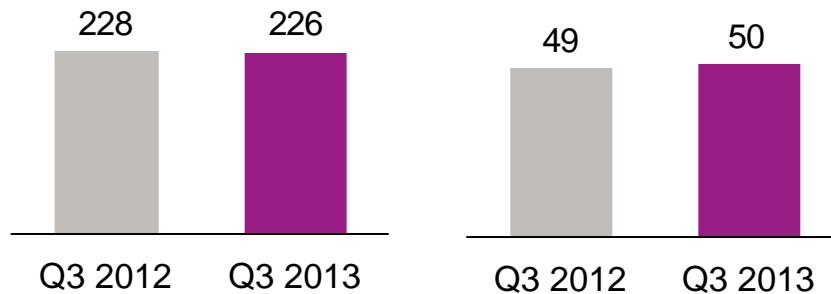
- Advanced Intermediates' sales lower due to weaker (average) Butadiene prices and partly due to remainder of scheduled maintenance shutdown in C4 chain
- Sales in Performance Polymers further increasing (CDT / PA12 ramp-up)
- Maintenance shutdown only with marginal impact on earnings in Q3, significantly smaller extent than in Q2
- Prices across C4 chain lower both compared to prior year and prior quarter
- Market environment for MMA and PMMA remaining challenging

Services and Corporate/Other

Services

(External) Sales (€ m)

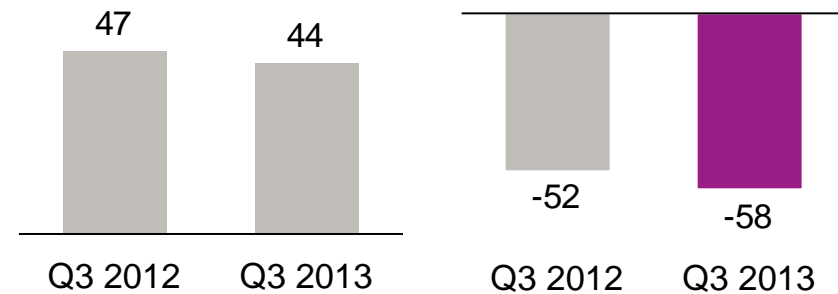
Adj. EBITDA (€ m)



Corporate / Other / Consolidation

Sales (€ m)

Adj. EBITDA (€ m)



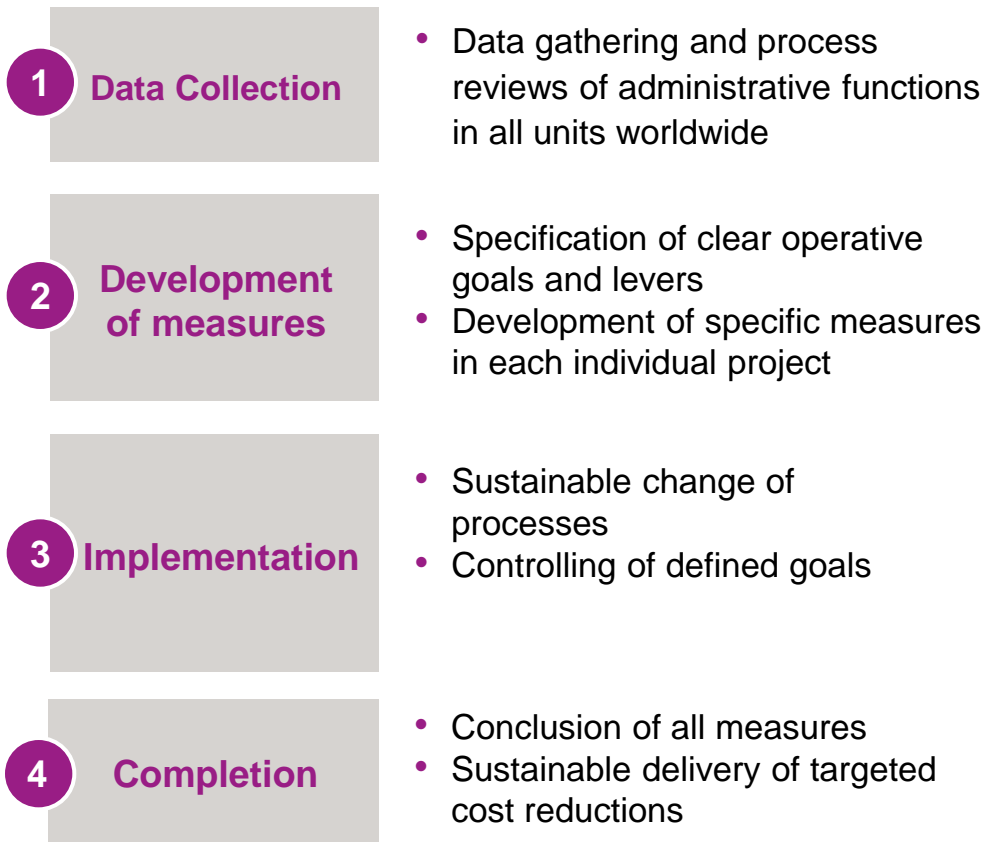
- Stable business development both compared to prior year and prior quarter
- Adj. EBITDA supported by ongoing strict cost management

- Lithium-ion business now classified as discontinued operations (prior periods restated)
- Cost management project for short-term savings in H2 2013 well underway
- Positive one-time effects from FX

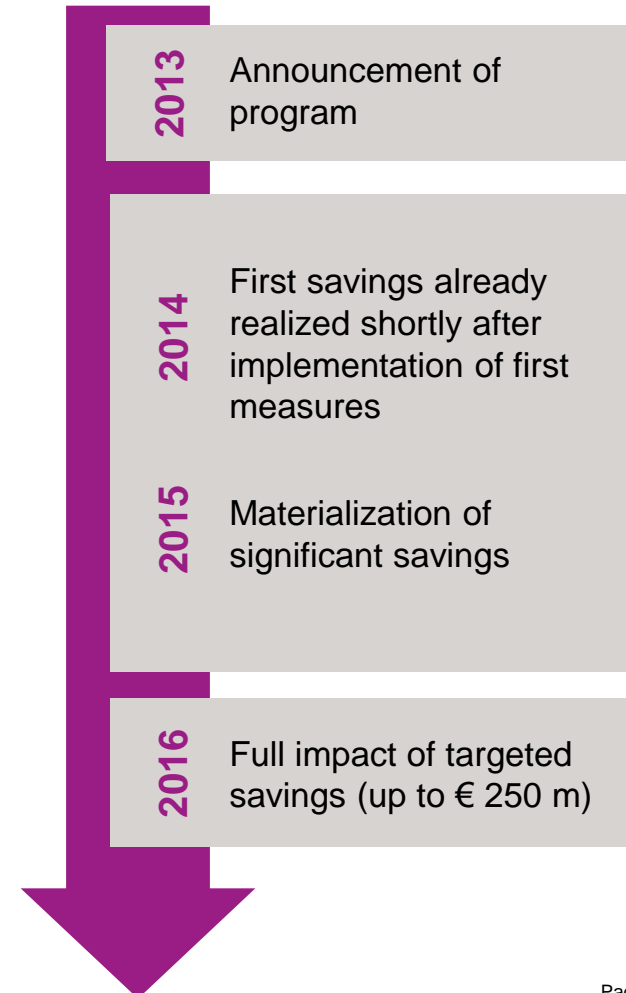
Admin Excellence

Targeted savings of up to €250 m

Project Phases



Timing and materialization of savings

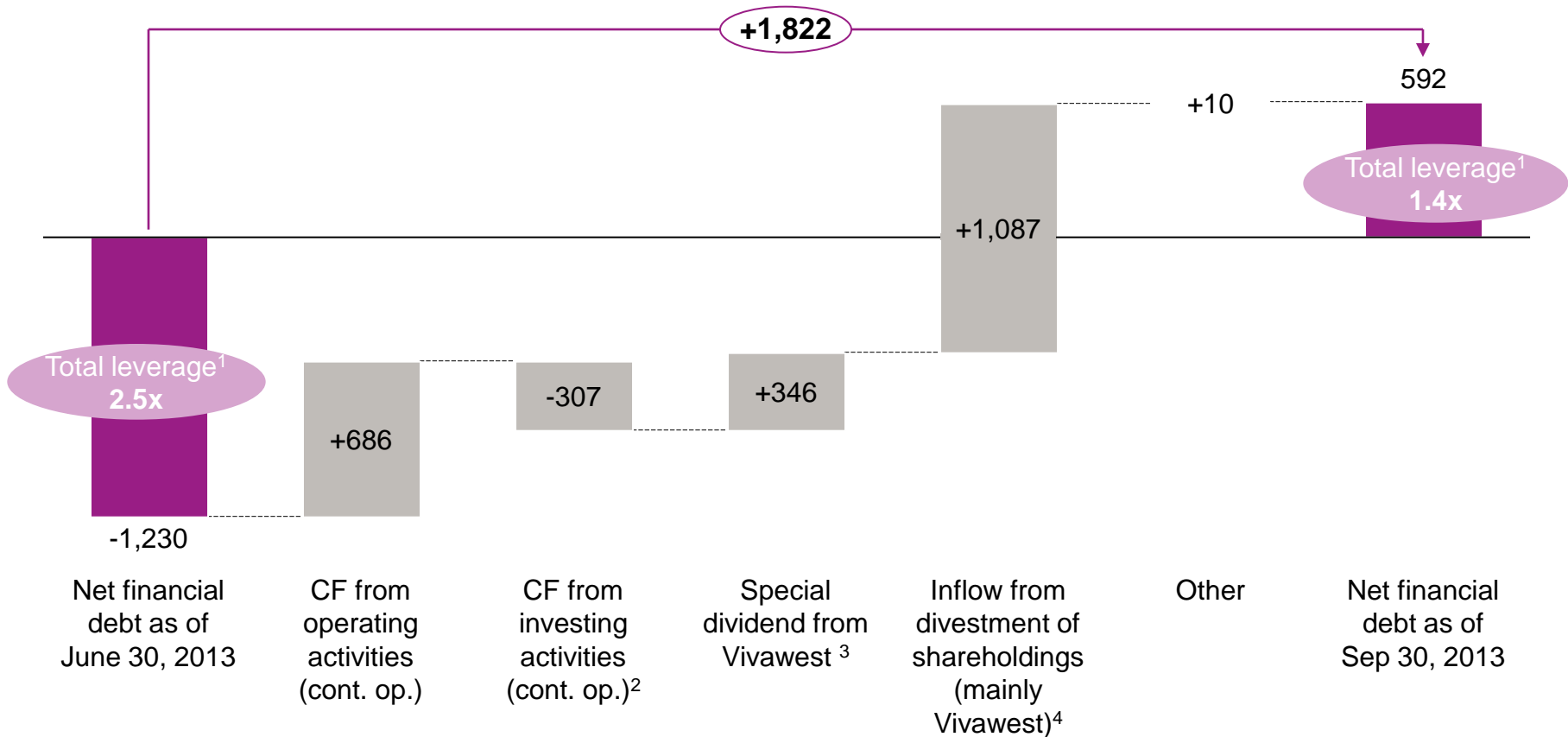


Net financial debt

Net cash position after Real Estate divestment



Development of net financial debt (in € m)



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

² Cash outflow for investment in intangible assets, property, plant and equipment and shareholdings, not including cash in- and outflows related to securities

³ In CFS included in cash flows from investing and financing activities from discontinued operations

⁴ In CFS included in cash inflows/outflows from divestment of shareholdings

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Outlook for Evonik in 2013 (continuing operations¹)

Economic environment

- Forecast for global economic conditions given in half-year financial report remains unchanged
- Global economic conditions will remain challenging
- Recovery expected for H2 more subdued than assumed at start of the year, especially in Europe and China
- In Q4, markets of relevance will continue to develop at the same level as in first nine months

Outlook

- Outlook given in half-year financial report is still applicable:
- Sales: around €13 billion
- Adjusted EBITDA: around €2.0 billion

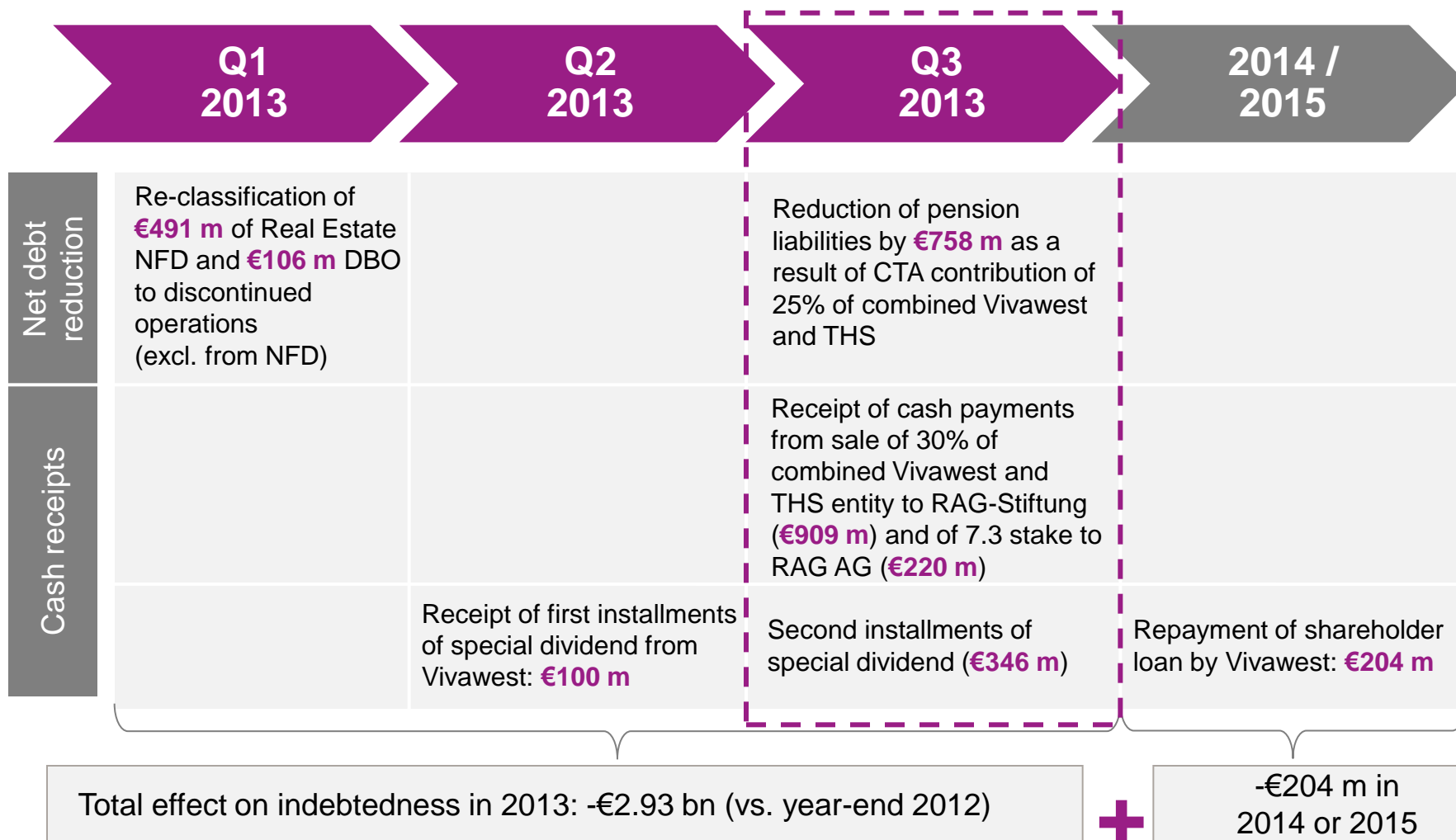
¹ Outlook based on continuing operations (i.e. excluding Real Estate and lithium-ion business)



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Real Estate divestment (1/2)

Reduction of indebtedness by ~€3.1 bn



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)

Real Estate divestment (2/2)

Important effects in Q3 2013



Income Statement

Income after taxes, discontinued operations:

- Includes gain of €1,519 m after tax from fair value step-up of Vivawest assets (taxes: €19 m)
- Not included in adj. EPS

Result from investments recognized at equity:

- Remaining 10.9% stake in Vivawest now accounted for at equity, i.e. included in Evonik adj. EBITDA definition (positive earnings contribution offset by PPA depreciation)

Balance sheet

- CTA contribution of 25% stake reducing “Provisions for pensions and other post-employment benefits” by €758 m
- 10.9% stake in Vivawest now accounted for as “Investment recognized at equity” (~€330 m)
- Assets held for sale no longer contain Real Estate assets¹

NFD and cash flow

- Cash receipts of €1,087 m from sale of stakes in Vivawest (included in “Cash inflows/outflows from divestment of shareholdings” in CFS):
 - €909 m for 30% to RAG-Stiftung
 - €220 m for 7.3% to RAG AG
 - Less €42 m Real Estate cash
- €346 m second installment of special dividend from Vivawest (included in “Cash flow from investing & financing activities, discontinued operations” in CFS)

¹ Assets held for sale still contains €27 m of Real Estate related financial assets

Income statement (1/2)

in € million	Q3 2012	Q3 2013	Δ in %
Sales	3,359	3,239	-4
Income before financial result and income taxes	596	128	
Results from investments recognized at equity	4	12	
Other financial income	-1	0	
EBIT	599	140	-77
Adjustments	-46	235	
Adj. EBIT	553	375	-32
Depreciation and amortization	148	143	
Adj. EBITDA	701	518	-26
Adjusted EBITDA margin	20.9%	16.0%	-4.9pp

- **Sales -4%, thereof**
 - Volumes: +5%
 - Prices: -6%
 - FX: -1% (mainly JPY)
 - Other (incl. M&A): -2% (mainly cyanuric chloride business in China, sold in Dec. 2012)
- **Adjustments of €235 m, thereof:**
 - €163 m restructuring expenses, mainly for planned optimization of admin and service structures and workflows (small counter-effect from income in connection with the restructuring of the photovoltaic business)
 - €19 m impairment losses on production plants in Specialty Materials segment
 - €27 m expenses relating to divestment of former non-core operations
 - €26 m, a.o. expenses for provisions for environmental protection measures and legal disputes

Income statement (2/2)

in € million	Q3 2012	Q3 2013	Δ in %
Adj. EBIT	553	375	-32
Net interest expense	-80	-67	
Adj. income before income taxes	473	308	
Adj. income tax	-134	-95	
Adj. income after taxes	339	213	
Non-controlling interests (adj.)	-3	-3	
Adj. net income	336	210	-38
Adj. earnings per share	0.72	0.45	-38
Net income (as reported)¹	355	1,470	
Earnings per share (as reported)¹	0.76	3.15	

- **Net interest expense**

- Decrease driven by higher interest income from contributions to CTA and lower interest expense for long-term provisions

- **Adjusted tax rate**

- Adj. tax rate of 28.3% for 1-9/2013 in line with FY target of 28%

- **Net income and EPS (as reported):**

- Significant gain from Real Estate divestment included in discontinued operations (€1,519 m after taxes)
- Counter effect from lithium-ion business (- €239 m; impairment losses, provisions for anticipated losses and operating losses)

¹ Including discontinued operations; all other lines only continuing operations
 2012 and 2013 figures restated for IAS 19 and discontinued operations (Real Estate and lithium-ion business)

Cash flow statement, continuing operations

in € million	Q3 2012	Q3 2013
Income before financial result and income taxes	596	128
Depreciation and amortization	249	160
Δ Net working capital	87	117
Change in other provisions	57	247
Change in miscellaneous assets/liabilities	-197	116
Outflows from income taxes	-162	-26
Others	-34	-56
Cash flow from operating activities	596	686
Cash flow from investing activities, thereof:	-250	471
Cash outflows for investment in intangible assets, pp&e and shareholdings	-244	-307
Cash inflows/outflows relating to securities, deposits and loans	-13	-296
Cash inflows/outflows from divestments	-4	1,071
Cash flow from financing activities	16	64

- **Operating cash flow:**

- “Other provisions” contains mainly build-up of provisions included in “adjustments” (e.g. for restructuring)
- “Misc. assets/liabilities” includes insurance payments (also for prior periods)
- Less income tax outflows due to lower earnings; Q3 2012 impacted by subsequent payments for prior years

- **Investing cash flow:**

- Increase in cash outflows for investment program
- Significant cash inflow from divestments for sale of stakes in Vivawest

2012 and 2013 figures restated for discontinued operations (Real Estate and lithium-ion business)

Upcoming IR events

Conference participations

- 12/13 November 2013: UBS European Equities, London
- 26 November, 2013: JP Morgan German Corporate Forum, London
- 3 December, 2013: BoA European Chemicals Conference, London
- 5 December, 2013: HSBC Luxembourg Conference, Luxembourg

Next reporting dates

- Q4 / FY reporting: 7 March, 2014

Roadshows

- 6 November, 2013: Frankfurt
- 20/21 November, 2013: Zurich / Geneva
- 11 December, 2013: Paris



Please find an updated schedule on our IR website (“Events & Presentations“)

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