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Q3 2014
Earnings Conference Call

Ute Wolf, Chief Financial Officer

30 October, 2014

Table of contents

Highlights Q3 2014
Earnings improvement gaining momentum

Sales of €3,243 m slightly exceed prior year level (+1%);
volume growth (+2%) continuing, prices approaching break-even level (-1%)

Adj. EBITDA of €501 m again with sequential improvement (Q1: €457 m; Q2: €467 m)
Consumer, Health & Nutrition and Specialty Materials with better earnings qoq;
Resource Efficiency continuing on high profitability levels

STEAG proceeds of €569 m received in Q3, leading to **net cash position** again
Increase in pension provisions (+€539 m) due to further lowered discount rate

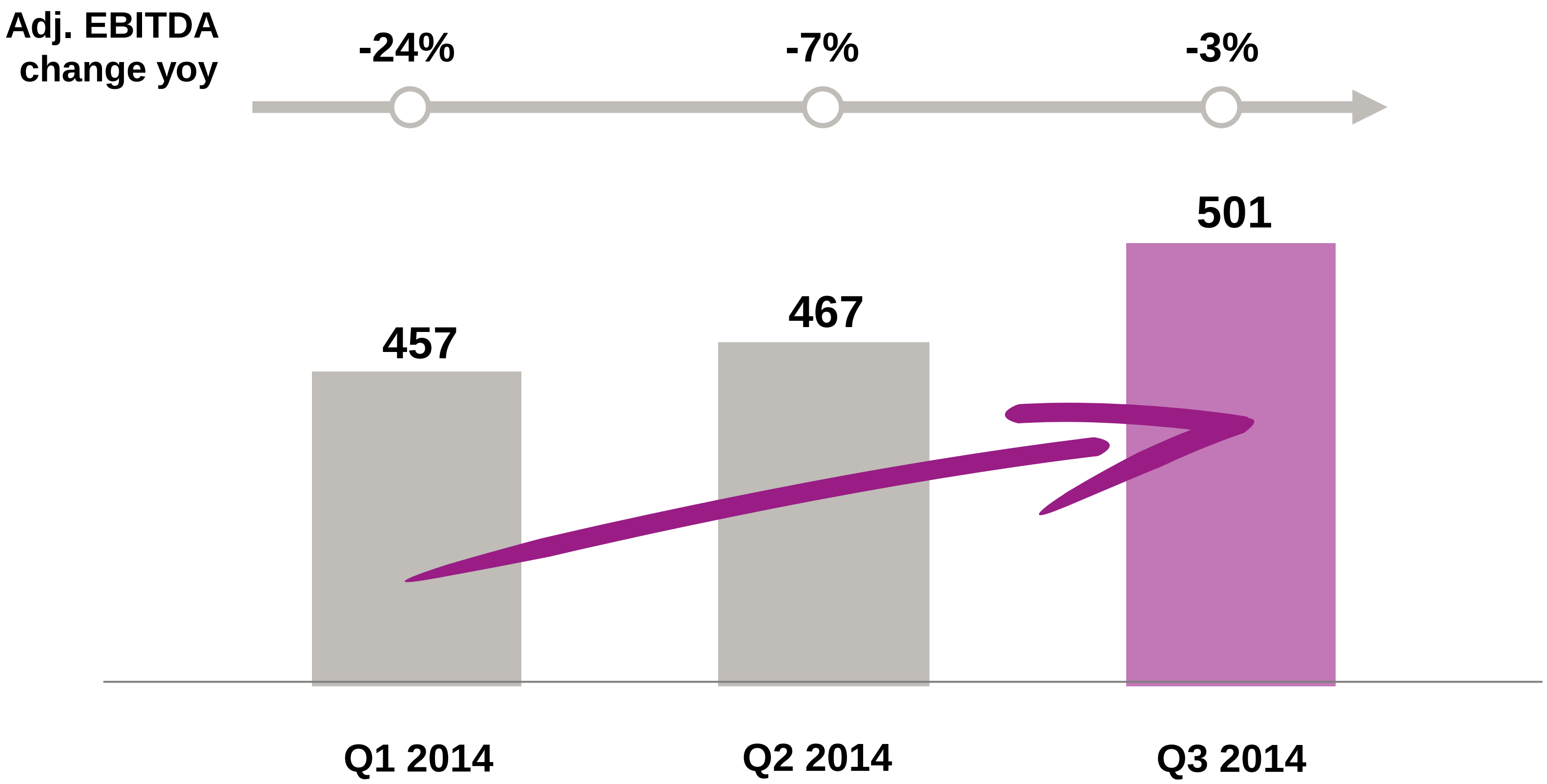
Outlook for 2014 confirmed:
Adj. EBITDA in the lower rather than upper part of €1.8 - 2.1 bn range

Prior quarters restated for STEAG deconsolidation and IFRS 11 changes

Table of contents

Adj. EBITDA development
Sequential earnings improvement continuing; yoy gap closing

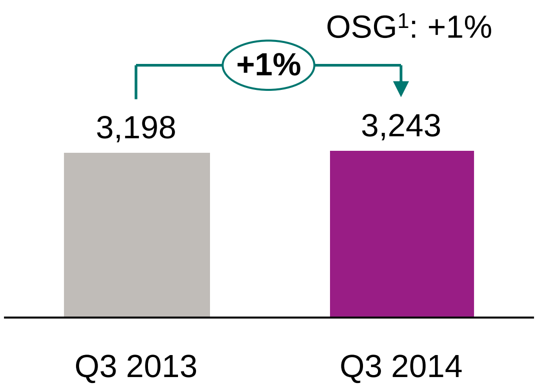
Adj. EBITDA 2014 by quarter (in € m)



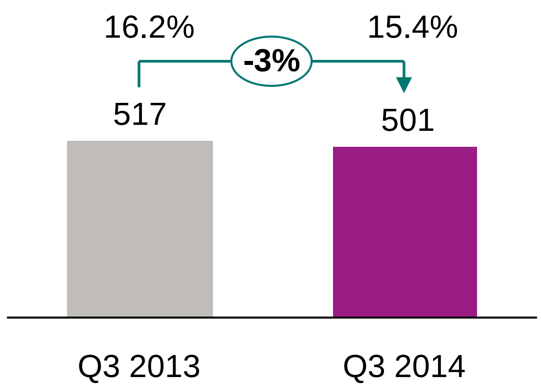
Prior quarters restated for STEAG deconsolidation and IFRS 11 changes

Financial highlights Q3 2014
Adj. EPS above prior year level

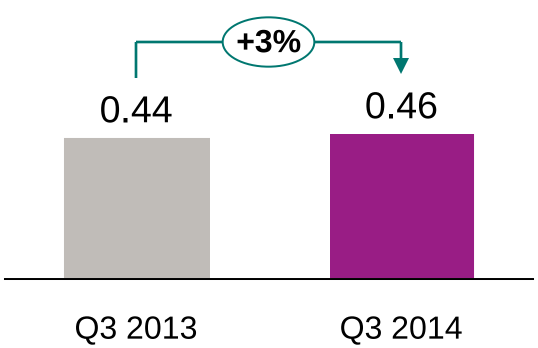
Sales (in € m)



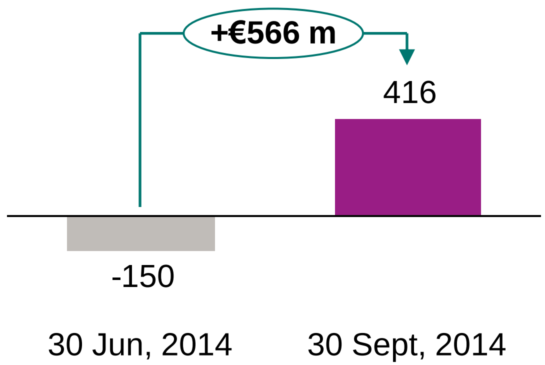
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



Net financial position (in € m)

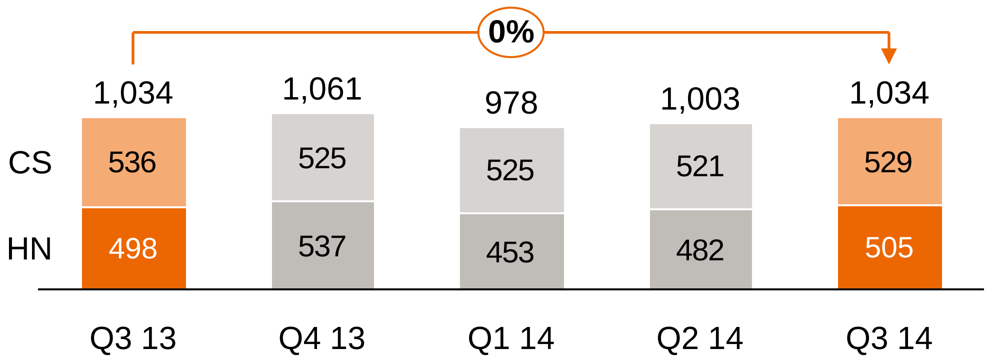


- yoy reported (+1%) and organic (+1%) sales growth
- Solid volume growth (+2%) despite maintenance and higher base in H2 2013
- Steadily improving price trend (Q4: -6%; Q1: -4%; Q2: -2%; Q3: -1%)
- No more negative FX effects (+/-0%)
- Adj. EPS at €0.46 above PY level mainly due to lower adj. tax rate of 26%
- Net cash position from positive operating cash flow (€312 m) and proceeds from sale of 49% STEAG stake

Prior year figures restated for STEAG deconsolidation and IFRS 11 changes
[1] OSG = Organic sales growth (volume + price development)

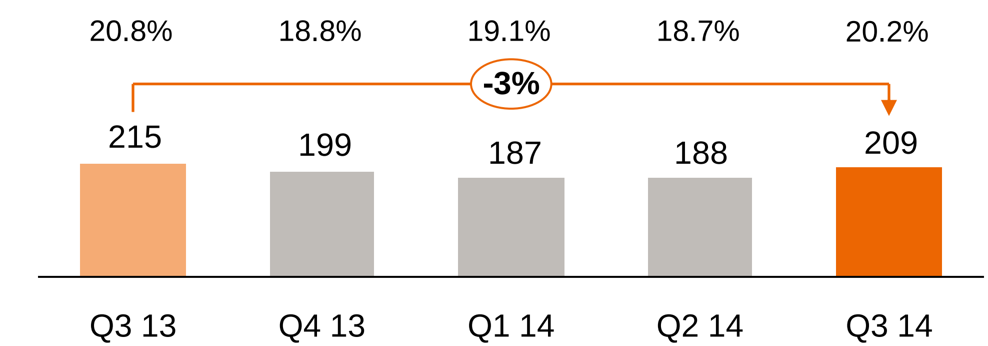
Consumer, Health & Nutrition
Earnings almost on prior year level

Sales (in € m)



Q3 14	Volume +1%	Price -2%	FX +1%	Other +/-0%

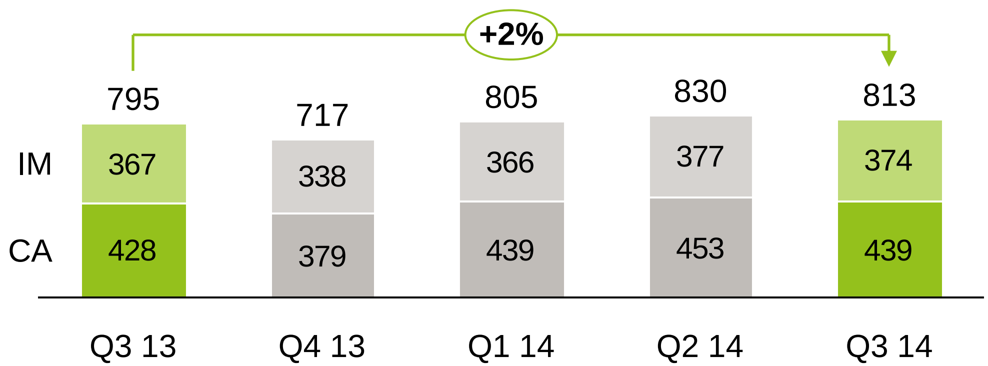
Adj. EBITDA (in € m) / margin



- Sales sequentially improved due to good volume and price development in amino acids
- Consumer Specialties' earnings lower yoy due to reduced volumes in Baby Care and ramp-up costs in Personal Care
- Health & Nutrition with yoy and qoq earnings improvement
- Methionine with expected strong performance: tight supply and healthy demand leading to steadily increasing prices throughout the quarter at maximum utilization rates
- Improving supply/demand and slow but steady price recovery in Lysine

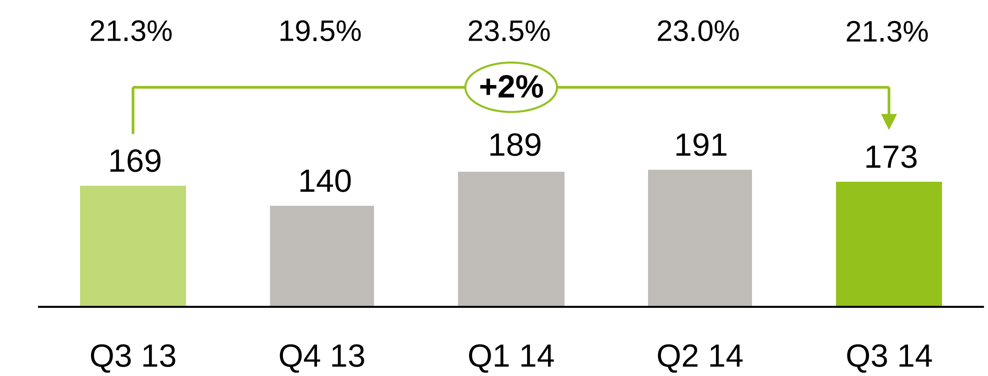
Resource Efficiency
Continued high profitability

Sales (in € m)



Q3 14	Volume +2%	Price +/-0%	FX +/-0%	Other +/-0%

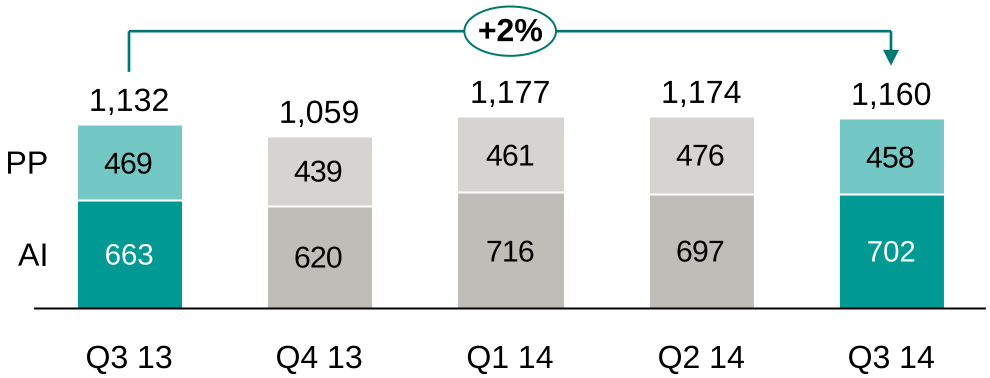
Adj. EBITDA (in € m) / margin



- Resource Efficiency again with increased sales and earnings yoy due to ongoing volume trend and high plant utilization
- Lower earnings qoq mainly caused by planned maintenance shutdown at German Crosslinkers production plant
- Solid volume growth continuing despite seasonal summer dip
- Silica with ongoing strong performance across most applications, e.g. tires, silicone, adhesives & sealants
- After strong start into the year, demand from construction and coating industries stabilized on high level

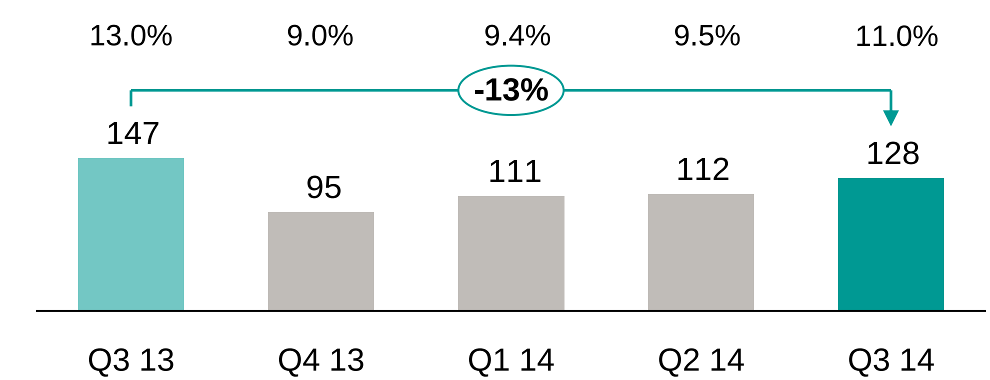
Specialty Materials
Slow recovery visible

Sales (in € m)



Q3 14	Volume +4%	Price +/-0%	FX +/-0%	Other -2%

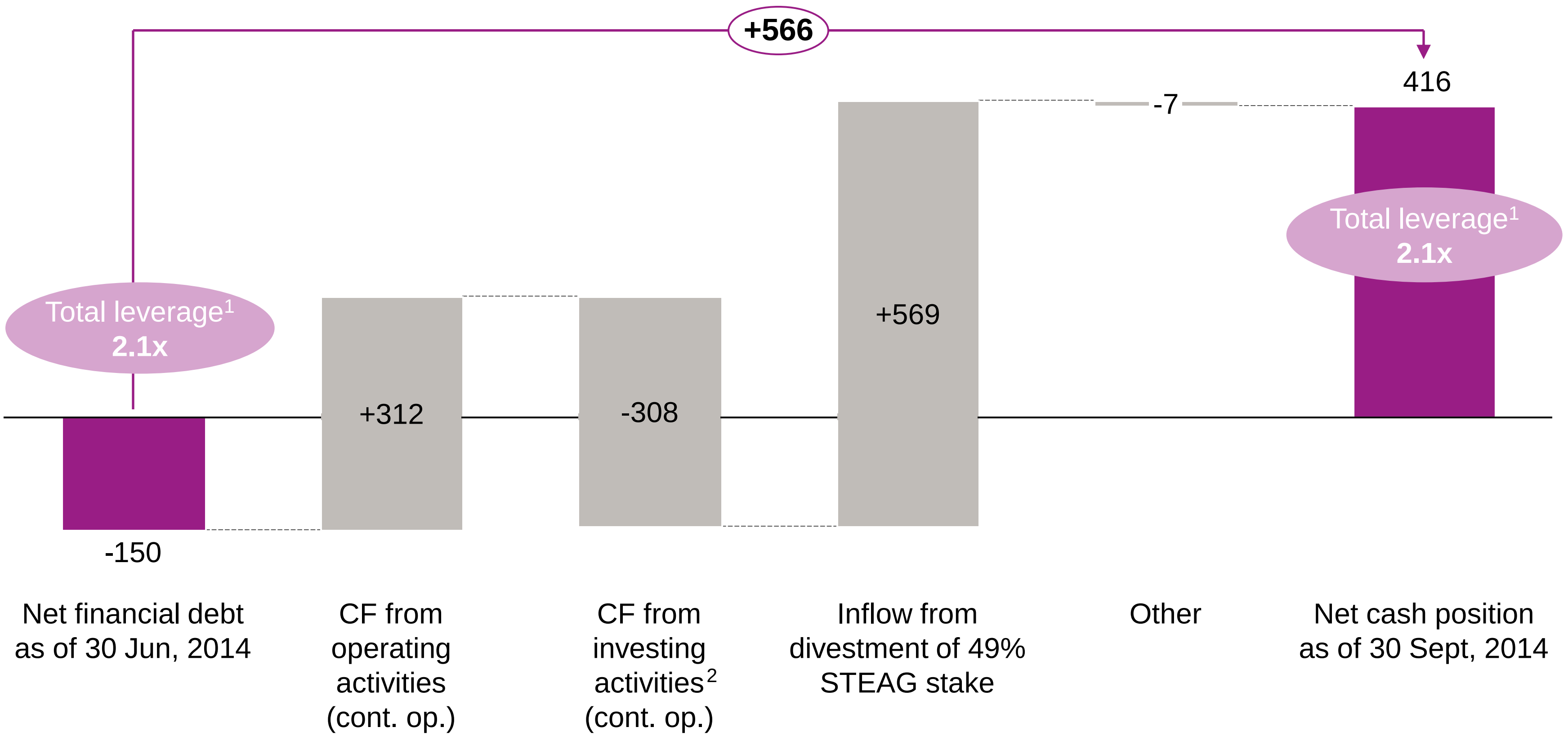
Adj. EBITDA (in € m) / margin



- Sales slightly above prior year; margin recovering qoq
- Good volume development supported by new HPPO and alkoxide plants; prices reaching last years' level
- Stable development qoq for methacrylates, pronounced summer dip compensated by tighter supply in Europe and Asia
- C4 products with sequentially higher margin, helped by lower raw material costs (Naphtha)
- Active Oxygens: Positive earnings contribution from new HPPO plant in China

Net financial position
Positive operating cash flow and STEAG proceeds

Development of net financial position (in € m)

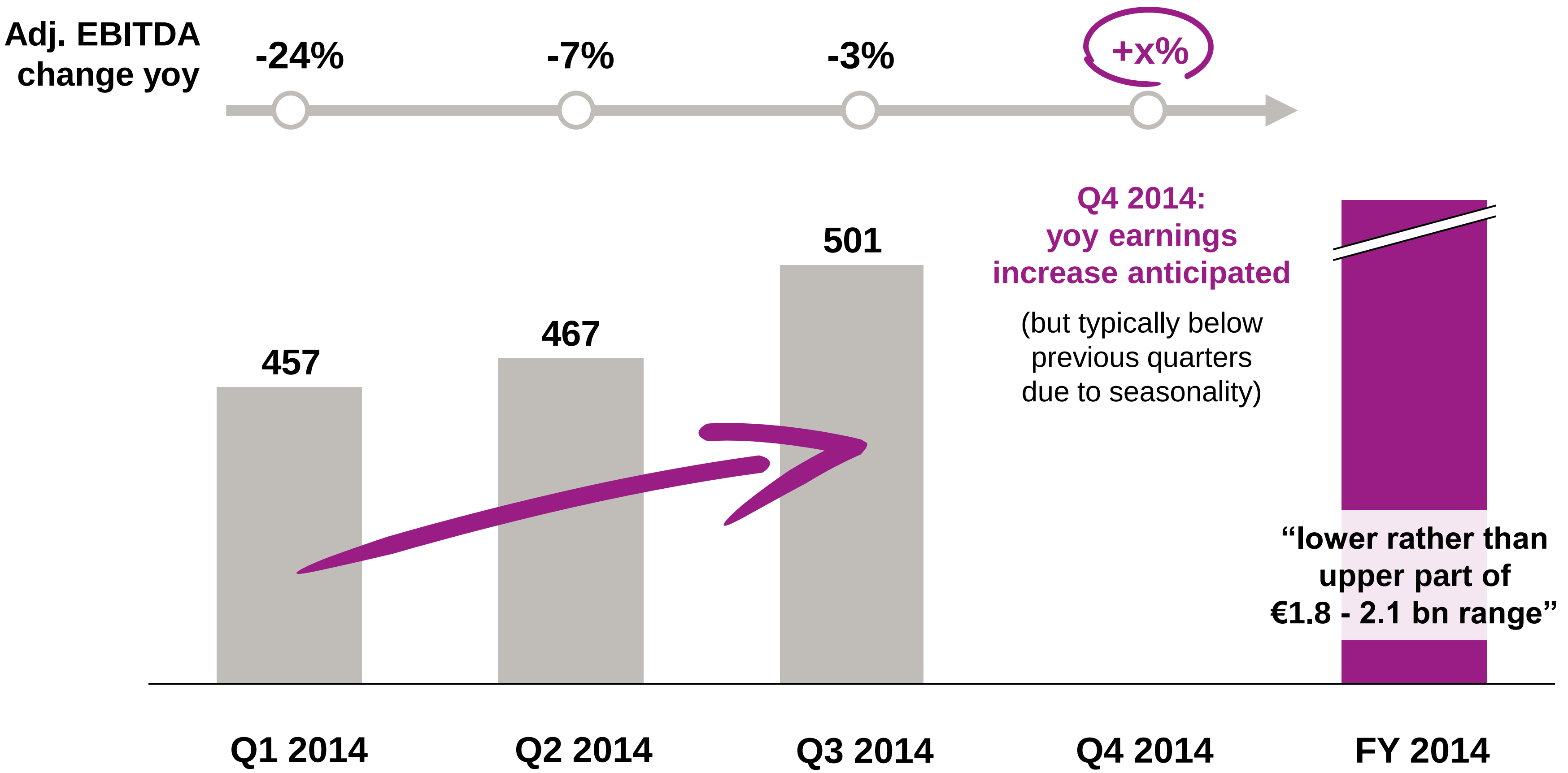


[1] Total leverage defined as (net financial debt + unfunded pension obligations) / adj. EBITDA LTM
[2] Cash outflow for investments in intangible assets, property, plant and equipment and shareholdings, not including cash in- and outflows related to divestments and securities

Table of contents

Outlook for 2014 confirmed
On track to meet lower part of range

Adj. EBITDA development 2014 by quarter (in € m)



Prior quarters restated for STEAG deconsolidation and IFRS 11 changes

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Outlook for 2014 confirmed

Outlook for Evonik in 2014

Economic environment	• Given weaker economic development observed to date, lower global growth assumed also in 2014 as a whole • Stepwise recovery in global economy is increasingly stalling • Structural challenges in emerging markets and uncertainty from ongoing political disputes and military conflicts are increasingly holding back growth expectations
Outlook	• **Sales: slightly higher** than in previous year (2013: €12.7 bn) • **Adj. EBITDA: lower rather than upper part of €1.8 bn to €2.1 bn range** (2013: €2.0 bn) • **Volumes** should continue to grow in the remainder of the year • Stabilization of **prices** expected to continue, clearly positive price trends visible in some businesses; but price trends in Specialty Materials remained below original expectations • First positive effects of **Administration Excellence** program • Downside factors could result from **ramp-up expenses** for growth investments and **negative currency effects**

Prior quarters restated for STEAG deconsolidation and IFRS 11 changes

Specialty Chemicals segments
New segment structure from January 2015

Segments

Nutrition & Care (before: Consumer, Health & Nutrition) — renamed	Resource Efficiency	Performance Materials (before: Specialty Materials) — renamed
		

KPI's

	Nutrition & Care	Resource Efficiency	Performance Materials
Sales:	€4.1 bn	€3.8 bn	€3.9 bn
Adj. EBITDA margin:	22%	21%	11%
ROCE:	34%	29%	23%

Business Lines

Nutrition & Care		Resource Efficiency		Performance Materials	
Personal Care (10%)	Animal Nutrition (35%)	Silica (25%)	Crosslinkers (10%)	Acrylic Monomers (20%)	Performance Intermediates (45%)
Household Care (10%)	Health Care (10%)	Silanes (10%)	Oil Additives (15%)	Acrylic Polymers (20%)	Functional Solutions (5%)
Comfort & Insulation (5%)		Catalysts (5%)	Coating Additives (5%)	**CyPlus Technologies** (5%)	Agrochemicals & Polymer Additives (5%)
Interface & Performance (5%)		**Active Oxygens** (10%)	Coating & Adhesive Resins (10%)		
Baby Care (25%)			**High Performance Polymers** (10%)		

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

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 €569 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 restated accordingly**

P&L / Balance Sheet effects

- Fixed dividend **of €24 m (on FY basis!) no longer included in adj. EBITDA & adj. EPS**
- **"Income after tax from discontinued operations"** of first nine months 2014 of -€30 m includes:
  - Accrued dividend claims for 2014 of €16 m
  - Negative accounting effects from deconsolidation
  - Both effects not included in adj. EPS (as it excludes disc. op.), but in reported EPS
- **Balance sheet:**
  - Cash-inflow of €569 m
  - At equity line declines by €473 m (former 49% stake)
  - Current financial assets & liabilities decline by €96 m (deconsolidation of related options)

Sale of former Energy business STEAG completed - restatement to disc. operations

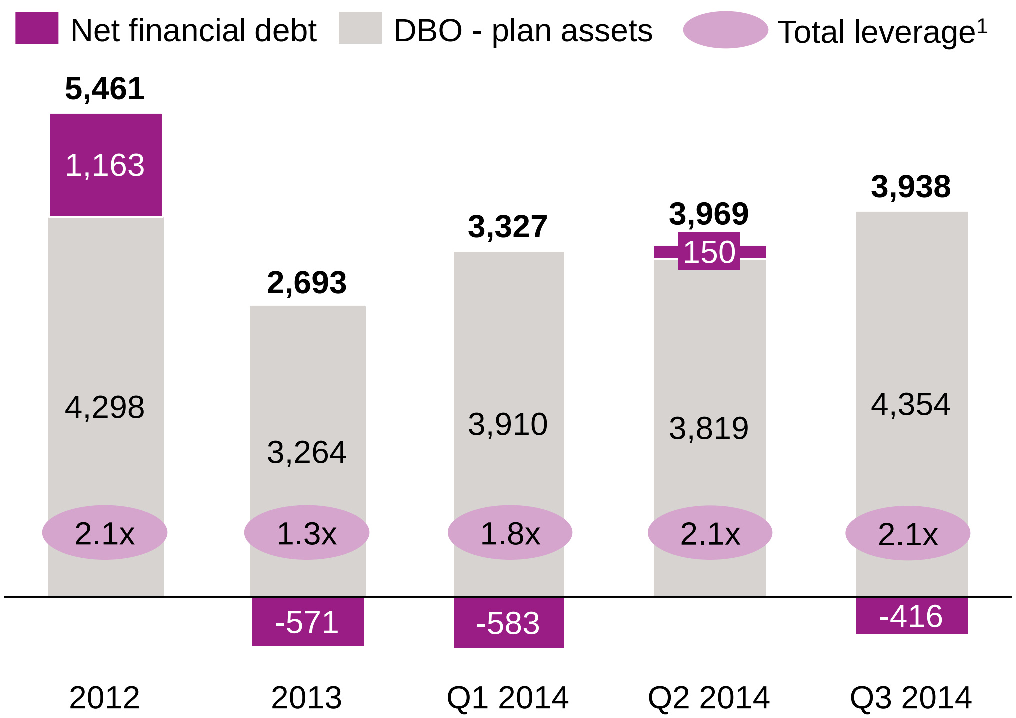
Key KPIs (in € million)	2013 before restatement	Restatement	**2013 after restatement**
Sales	**12,708**	**-**	**12,708**
Adjusted EBITDA	**2,019**	**-24**	**1,995**
Adj. EBITDA margin	**15.9%**	**-0.2 pp**	**15.7%**
Adjusted net income	**831**	**-24**	**807**
Adjusted EPS (€)	1.78	-0.05	1.73
Income after taxes, cont. operations	**616**	**-30**	**586**
Income after taxes, disc. operations	1,397	+30	1,427
Income after taxes	**2,013**	**-**	**2,013**
Non-controlling interests	-41	-	-41
Net income	**2,054**	**-**	**2,054**
EPS (€)	4.41	-	4.41

Restatement of **STEAG dividend** from cont. to disc. operations

Restatement of **STEAG dividend, equity valuation and related option value change** from cont. to disc. operations

Increase in pension obligations due to lowered discount rate

Net debt development (in m €)



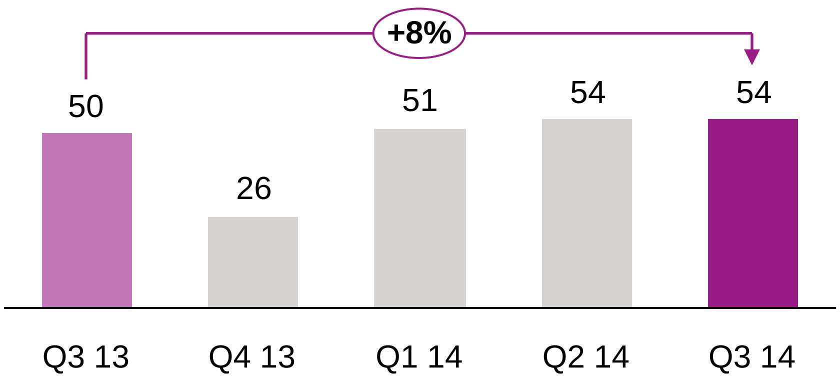
2012	2013	Q1 2014	Q2 2014	Q3 2014	
3.78	3.84				Global discount rate[2]
3.75	3.75	3.25	3.25	2.75	Discount rate for Germany

- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Further increase in pension provisions in Q3 by €0.5 bn due to lower discount rate (from 3.25% to 2.75%)
- Effect offset against equity without impact on cash or earnings
- Total Leverage remains comfortably below targeted 2.5x ceiling

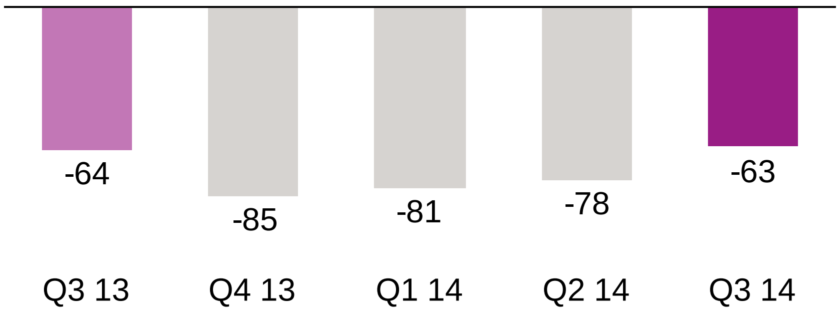
[1] Total Leverage = (Net Financial Debt + (DBO-Plan Assets)) / Adjusted LTM EBITDA
[2] Calculated annually

Services and Corporate / Others

Services: adj. EBITDA (in € m)



Corporate / Others: adj. EBITDA (in € m)



- Stable performance and ongoing efficiency measures

- Positively impacted by strict cost discipline in administrative functions, FX effects and lower provisions for variable remuneration
- Quarterly STEAG dividend of €6 m no longer included in Corporate/Others (prior quarters restated)

Prior year figures restated for STEAG deconsolidation and IFRS 11 changes

Income statement Q3 2014
Sales to adj. EBITDA bridge

in € million	Q3 2013	Q3 2014	∆ in %
Sales	**3,198**	**3,243**	+1
Income before financial result and income taxes	113	291	
Results from investments recognized at equity	1	5	
Other financial income	0	0	
EBIT	**114**	**296**	+160
Adjustments	258	54	
Adj. EBIT	**372**	**350**	-6
Adj. depreciation and amortization	145	151	
Adj. EBITDA	**517**	**501**	-3
Adj. EBITDA margin	**16.2%**	**15.4%**	

- **Sales +1% yoy, thereof**
  - Volumes: +2%
  - Prices: -1%
  - FX: +/-0%
  - Other (incl. M&A): +/-0%
- **At equity result** no longer includes €6 m quarterly guaranteed dividend from 49% stake in STEAG (Q3 2013 restated)
- **Adjustments**:
  - Q3 2014: mainly related to optimization of administrative structures and closure of production site in UK
  - Q3 2013: mainly related to optimization of administrative and service structures

Continuing operations
Prior year figures restated for STEAG deconsolidation and IFRS 11 changes

Income statement Q3 2014
Adj. EBIT to adj. EPS bridge

in € million	Q3 2013	Q3 2014	∆ in %
Adj. EBIT	**372**	**350**	-6
Adj. net interest expense	-67	-63	
Adj. income before income taxes	305	287	
Adj. income tax	-96	-74	
Adj. income after taxes	209	213	
Adj. non-controlling interests	3	0	
Adj. net income	**206**	**213**	+3
Adj. earnings per share	**0.44**	**0.46**	+3

- **Adj. net interest expense**
  - yoy decrease in adj. net interest expense driven by
    - lower interest expense after repayment of Degussa bond end of 2013
    - higher interest income from contributions to CTA
  - qoq increase (Q2 2014: -€59 m) mainly due to higher interest for long-term provisions (following lower market interest rates)
- **Adj. tax rate**
  - Adj. tax rate of 26%, lower than FY guidance (“around 28%”) due to tax free income

Continuing operations
Prior year figures restated for STEAG deconsolidation and IFRS 11 changes

Cash flow statement Q3 2014

in € million (continuing operations)	Q3 2013	Q3 2014
Income before financial result and income taxes	113	291
Depreciation and amortization	161	164
Δ Net working capital	89	-126
Change in other provisions	247	75
Change in miscellaneous assets/liabilities	139	37
Outflows from income taxes	-26	-57
Others	-56	-72
Cash flow from operating activities	**667**	**312**
Cash flow from investing activities, thereof:	**465**	**292**
Cash outflows for investment in intangible assets, pp&e and shareholdings	-307	-308
Cash inflows/outflows relating to securities, deposits and loans	-302	19
Cash inflows/outflows from divestments	1,071	581
Cash flow from financing activities	**64**	**-4**

- **CF from operating activities**
  - Change in NWC mainly due to decreasing accounts payables
  - Higher income tax outflows vs. prior year
  - Last years' "other provisions" impacted by build-up of restructuring provisions (treated as adjustments); "miscellaneous assets/liabilities" contained insurance payments
- **CF from investing activities**
  - Cash inflow from divestments mainly from STEAG sale (Q3 2014) and Vivawest sale (Q3 2013)

Prior year figures restated for STEAG deconsolidation and IFRS 11 changes

Upcoming IR events

Roadshows

- 5 Nov, 2014: Vienna
- 7 Nov, 2014: London
- 11 Nov, 2014: Frankfurt
- 19 Nov, 2014: Duesseldorf / Cologne
- 4 Dec, 2014: Edinburgh

Conference participations

- 11-12 Nov, 2014: Morgan Stanley Global Chemicals Conference, Boston
- 20 Nov, 2014: Credit Agricole Industrial & Infrastructure Credit Seminar, London
- 27 Nov, 2014: HSBC Conference, Zurich
- 3 Dec, 2014: Bank of America European Chemicals Conference, London

Next reporting dates

- 3 Mar, 2015: Q4 / FY 2014 reporting
- 6 May, 2015: Q1 2015 reporting

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

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