

# Evonik. Power to create.

Q4 / FY 2013  
Earnings Conference Call

**Klaus Engel**, Chief Executive Officer  
**Ute Wolf**, Chief Financial Officer

7 March, 2014



**EVONIK**  
INDUSTRIES

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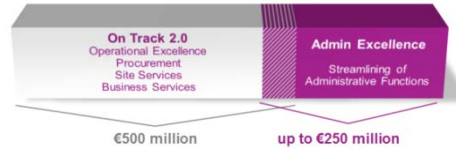
<b>1</b>	<b>Highlights FY 2013</b>
2	Financial performance Q4 2013
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# Highlights FY 2013

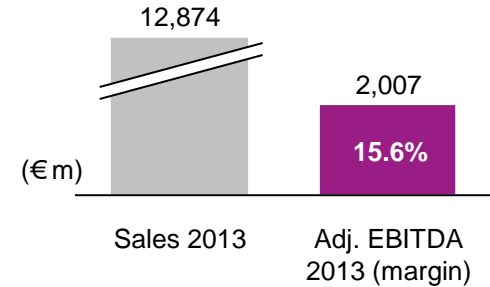
Important milestones achieved during an eventful year



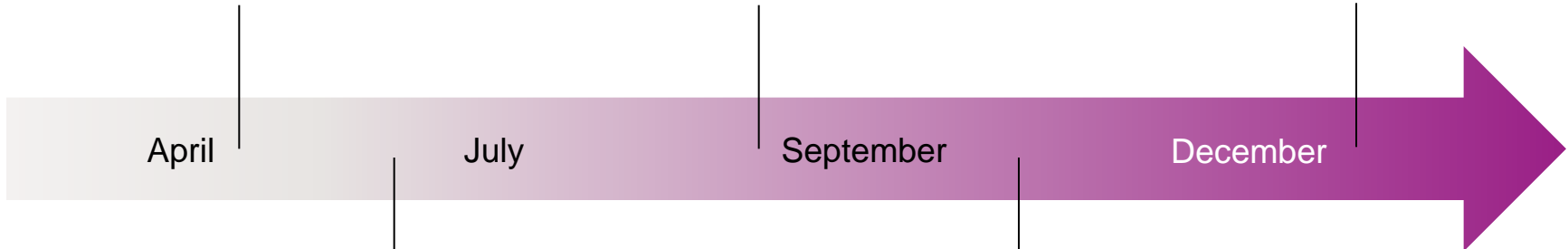
Successful equity listing



Launch of Admin Excellence



Outlook achieved



April

July

September

December

Closing of Real Estate divestment



Mechanical completion of new production plants



# Financial highlights FY 2013

Outlook achieved;  
earnings affected by lower prices for key products



**Sales** of €12,874 m slightly below prior year (-4%); organically almost stable (-1%); strong volume development esp. in H2

Outlook achieved: **adj. EBITDA** of €2,007 m (vs. prior year €2,467 m); majority of businesses stable; weaker pricing esp. for amino acids and C4 products

Strong **net cash position** of €552 m after Real Estate divestment

Continued flexible execution of investment program (**capex** €1,135 m; +18%)

Proposed **dividend** of €1.00 per share for FY 2013 (+9% vs. 2012)

**Outlook 2014:** slightly higher sales; adj. EBITDA between €1.8 - 2.1 bn

# Progress on external and internal growth

Acquisition of silanes business in the US;  
flexible execution of investment program



## External growth

### Silbond



Semiconductors

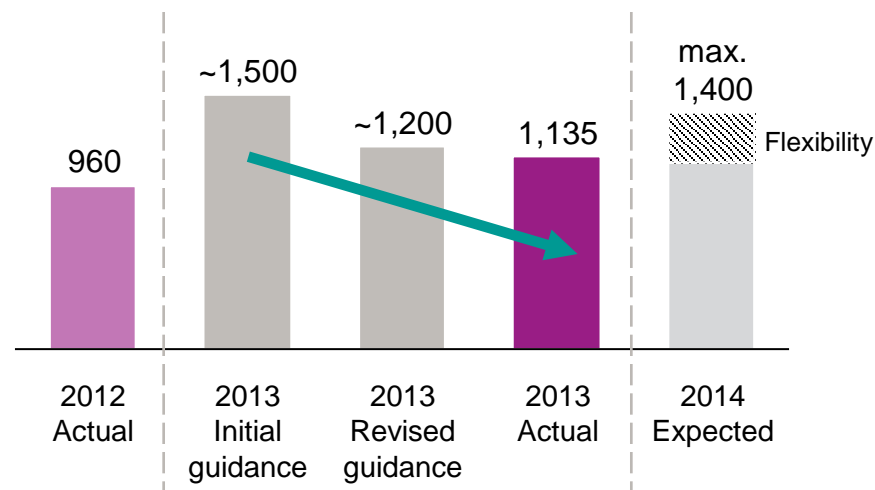


Coatings



Chemicals

## Internal growth (capex in € m)



- Acquisition of Silbond: US-based producer of highly specialized functional silanes
- Global market leadership in functional silanes (BU Inorganic Materials) strengthened
- Enhancement of product portfolio towards specialty applications

- Continued flexibility in execution of €6 bn investment program
- Review & potential re-scheduling of not yet approved projects to optimize timing of market entry

# Admin Excellence

Phase 1 completed;  
development of specific measures in phase 2



## Starting February 2014 From levers to measures

- Over 450 levers for efficiency gains identified
- Over 400 now being detailed in 80 project teams

**1** Until January 2014

Data collection and process analysis

**2**

Development of specific measures



**3** From H2 2014

Implementation of measures

**Savings target of up to €250 m confirmed**

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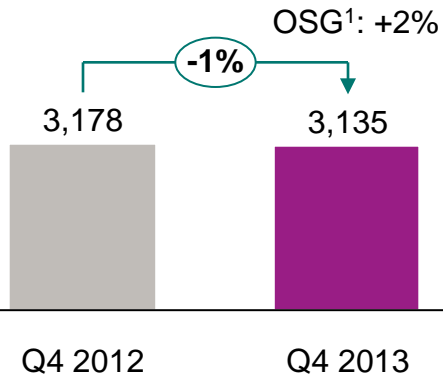
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# Financial highlights Q4 2013

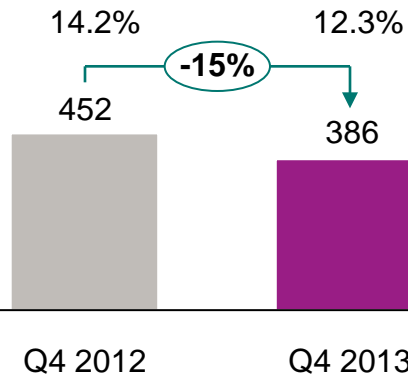
## Strong volume development leading to organic sales growth



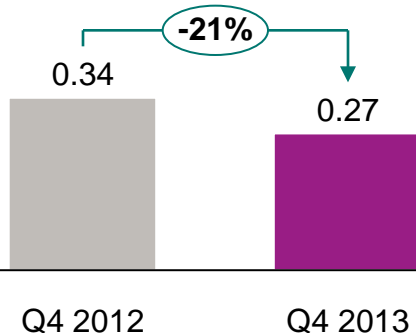
### Sales (in € m)



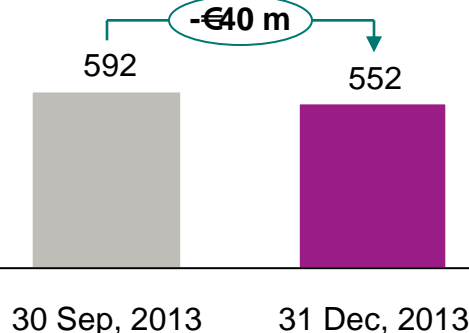
### Adj. EBITDA (in € m) / margin



### Adj. EPS (in €)



### Net cash position (in € m)



- Positive organic sales development (+2%): strong volume growth (+8%) more than overcompensated for declining prices (-6%)
- Currencies only with minor negative impact (-1%)
- Adj. EBITDA below prior year at €386 m, in line with FY guidance of “around €2 bn”
- Improved earnings in Resource Efficiency; Consumer, Health & Nutrition and Specialty Materials weaker due to lower prices
- Net cash level maintained after Real Estate divestment in Q3

<sup>1</sup> OSG = Organic sales growth (volume + price development)

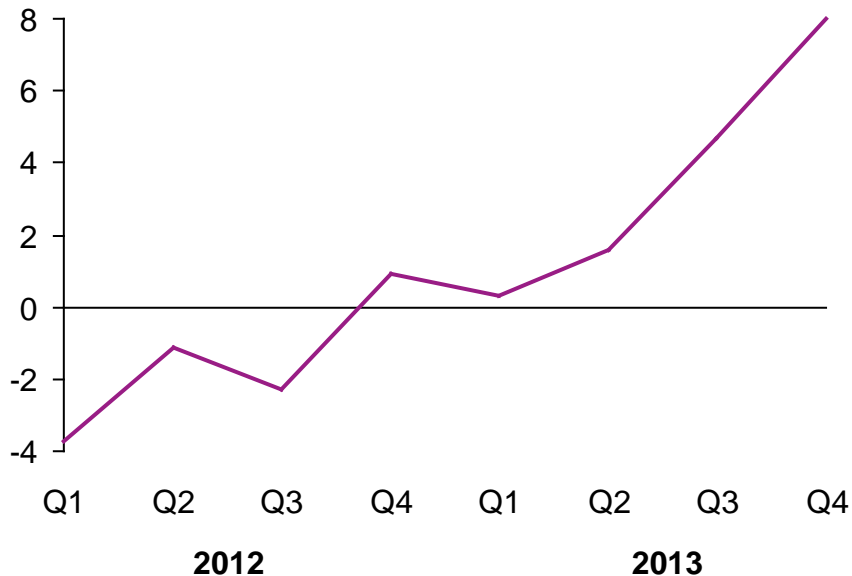


# Volume growth accelerated throughout 2013

## Q4 2013 with 8% volume growth



**Quarterly volume development (yoy, in %)**



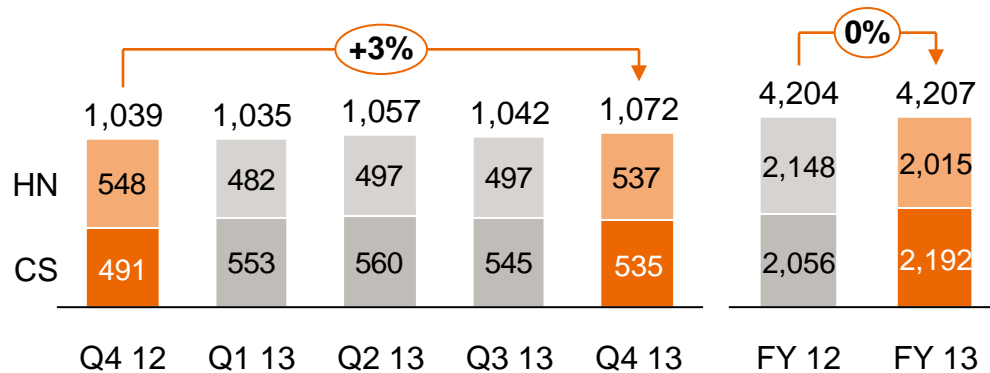
- Strong demand for Evonik products: volume growth accelerated throughout 2012 and 2013; yoy volume increase in every quarter in 2013
- Volumes expanded in all Specialty Chemicals segments, esp. strong development in Personal and Baby Care, feed amino acids, silica, coatings applications and MMA
- Vast majority of businesses proved resilience with stable or higher earnings in Q4 2013 (yoy)

# Consumer, Health & Nutrition

## Solid performance from Q3 continued

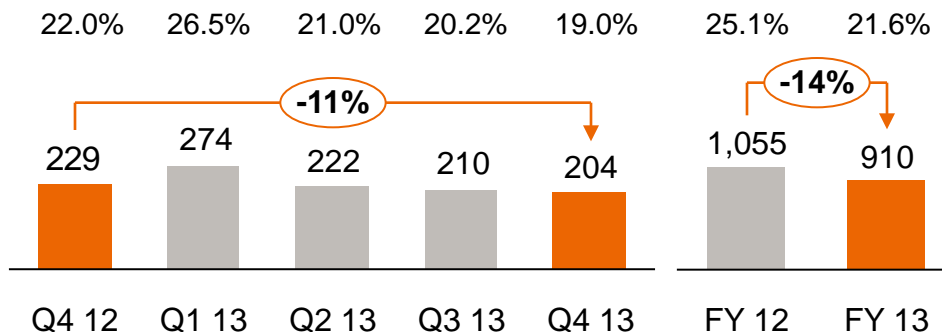


Sales (in € m)



Q4 13	Volume +8%	Price -4%	FX -1%	Other +/-0%
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Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)



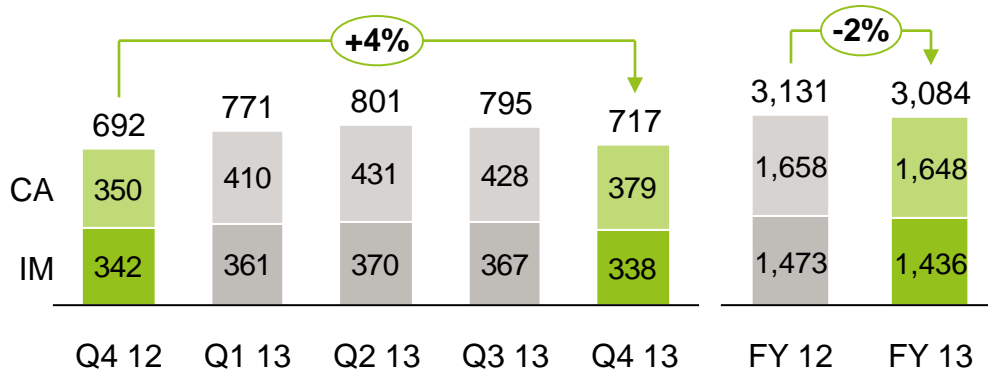
- Resilient performance from Q3 continued into Q4 with higher sales and stable earnings (very little seasonality)
- Ongoing positive volume trend across the segment, but prices on average still lower than prior year (esp. for feed amino acids)
- Consumer Specialties with improved sales and earnings in all businesses, despite ramp-up costs for new plants
- Good demand in Health & Nutrition leading to volume increase
- Earnings yoy still negatively impacted by lower prices for amino acids
- Relief from lower raw material costs for lysine (new corn harvest in US) offset by further price declines

# Resource Efficiency

Good demand for coatings applications leading to strong earnings increase



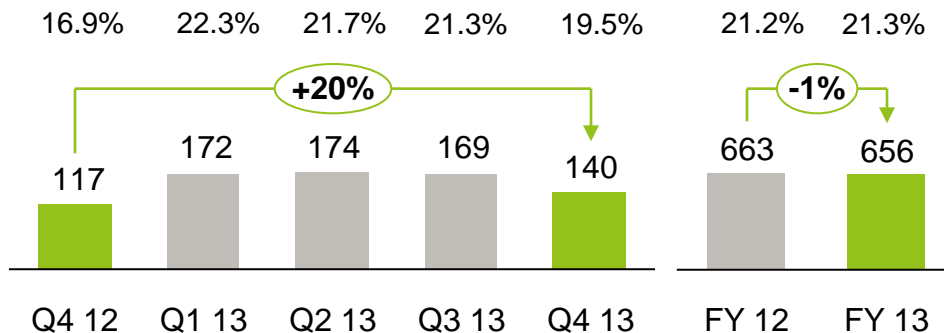
**Sales (in € m)**



- Sales and earnings increased in Q4 due to less pronounced seasonal slowdown, esp. in Coatings & Additives
- Strong volume growth and higher prices, negative FX effects persist in Inorganic Materials (JPY)
- Performance of Inorganic Materials driven by silica with improved tire demand in most regions
- Coatings & Additives seasonally weaker, but quarter far better than last year
- Coatings businesses benefiting from good demand across automotive, coatings and construction industries
- Continued strong demand for high-performance Oil Additives

Q4 13	Volume +6%	Price +1%	FX -3%	Other -1%
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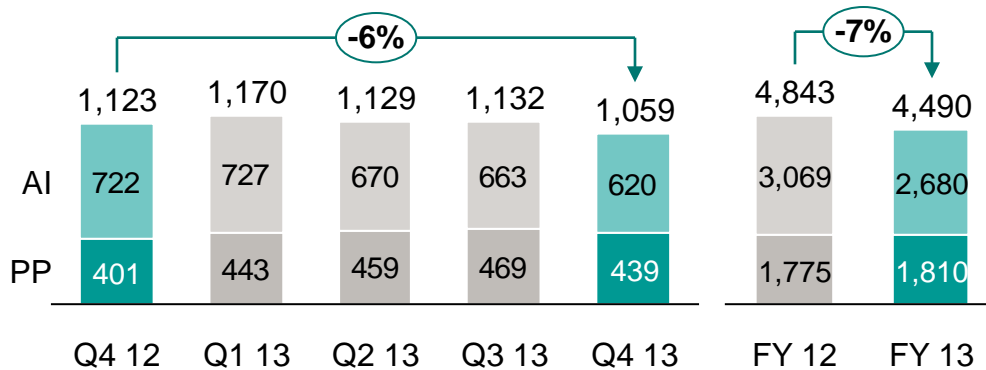
**Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)**



# Specialty Materials

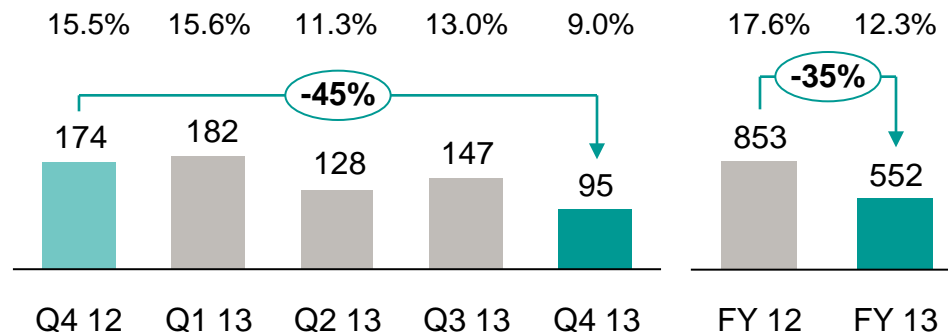
## Weakness across C4 chain affecting earnings

**Sales (in € m)**



Q4 13	Volume +11%	Price -15%	FX -1%	Other -1%
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**Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)**

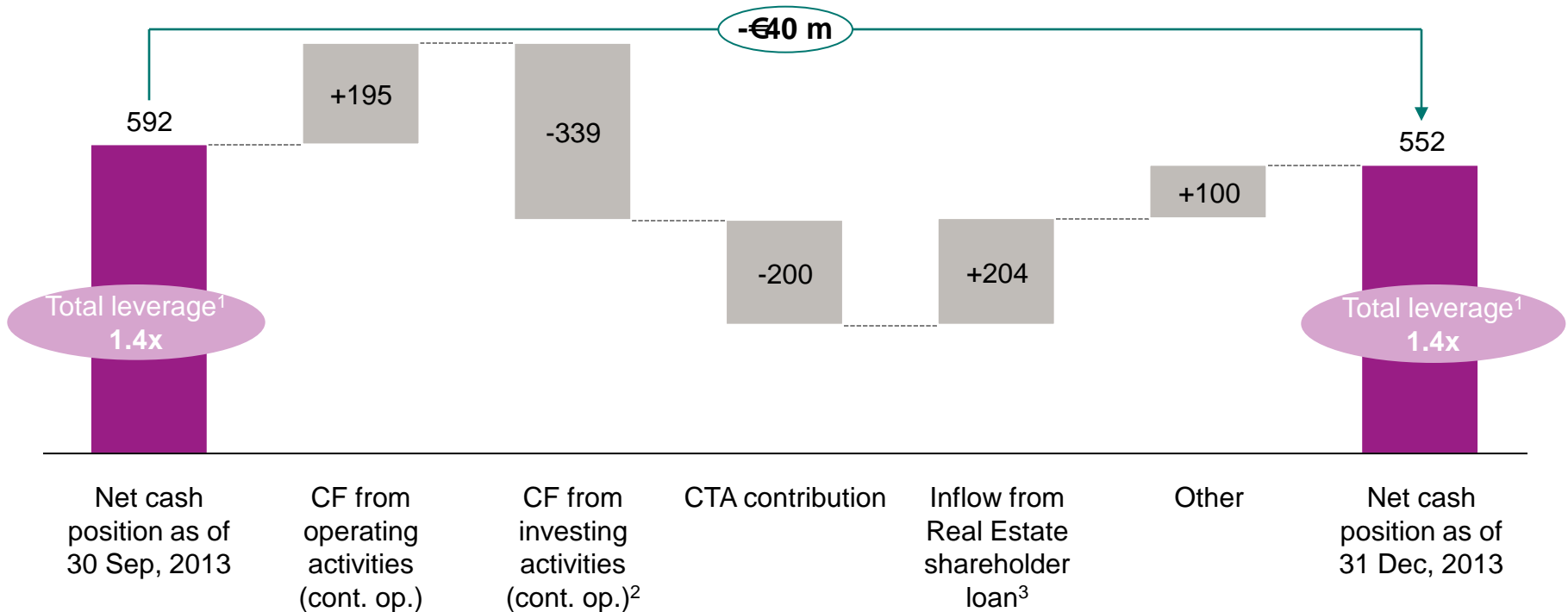


- Volume growth in Specialty Materials more than offset by weaker prices
- Performance Polymers' sales increase driven mostly by continuous improvement in PA12 sales (further ramp-up of CDT-plant)
- MMA with positive earnings development thanks to good demand from coatings industry; PMMA and PA12 with lower earnings yoy
- Advanced Intermediates with both lower sales and earnings
- Butadiene price level steadily increasing since August, but still notably below prior year
- Lower prices and demand also across other C4 products

# Net cash position

## Strong financial position maintained in Q4

### Development of net cash position (in € m)



<sup>1</sup> Total leverage defined as (Net Financial Debt + Funded Status of Pensions) / Adjusted EBITDA LTM

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

<sup>3</sup> In CFS included in cash flows from investing activities (continued operations; cash inflows/outflows relating to securities, deposits and loans)

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# Outlook for 2014

Adj. EBITDA between €1.8 bn and €2.1 bn



## Outlook for Evonik in 2014

### Economic environment

- Global GDP growth expected to pick-up slightly compared to 2013, mainly driven by industrialized countries
- Still considerable uncertainty regarding development esp. in emerging markets

### Outlook

- **Sales: slightly higher** than in previous year (2013: €12.9 bn)
- **Adjusted EBITDA: between €1.8 bn and €2.1 bn** (2013: €2.0 bn)
- **Positive volume trend** from H2 2013 should continue in 2014
- Support coming from completion of first **growth investments**
- **Selling prices** expected at least stable in large areas of product portfolio, but probably below the average for 2013 in some major businesses (as price levels were positively influenced by higher prices in H1 2013)
- First positive effects of **Administration Excellence** initiative to optimize administrative structures
- Downside factors could result from **ramp-up expenses** for growth investments and **negative currency effects**



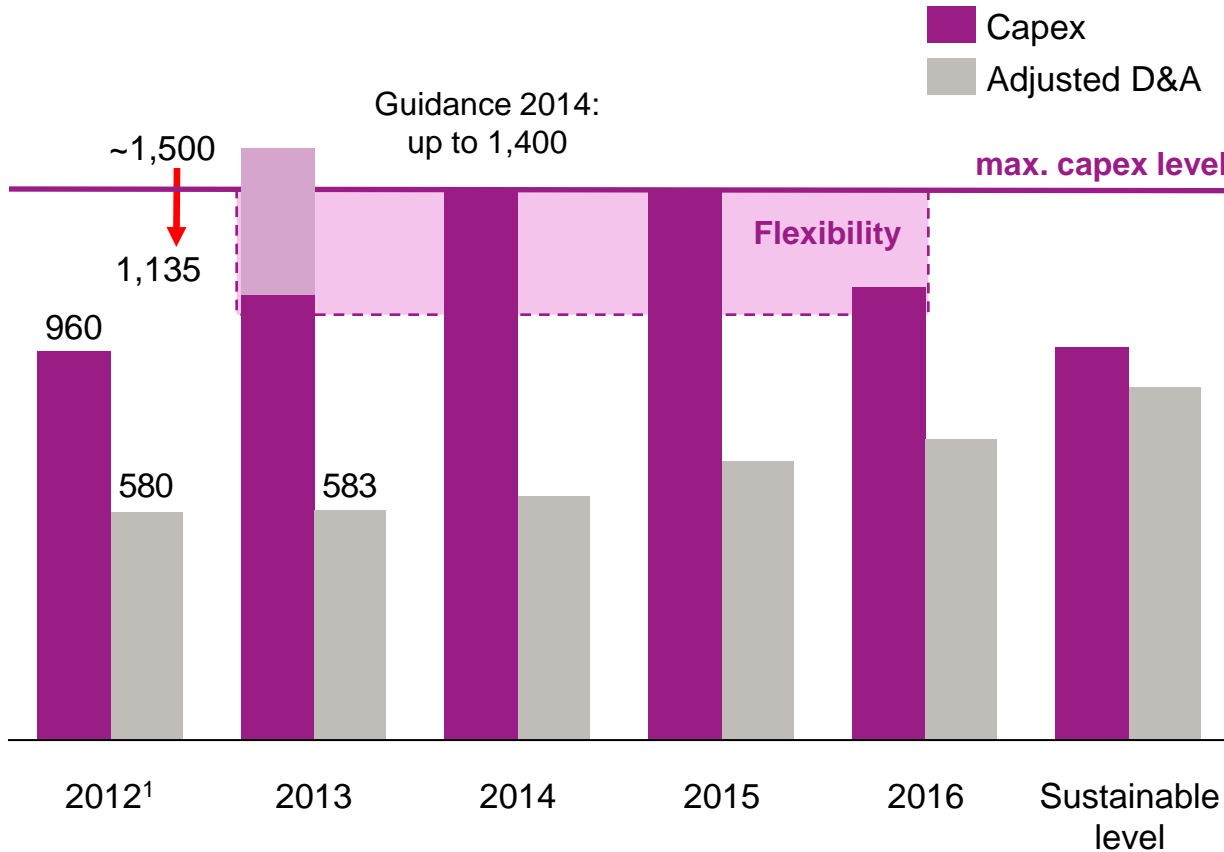
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# Growth

## Flexibility in investment program

Capex planning and adj. D&A (in € m)<sup>1</sup>



- Investment program resulting in capex peak in 2014/15, leveling off thereafter
- Flexibility in timing and execution, e.g.: Capex 2013 reduced to €1.1 bn (from €1.5 bn)
- From 2017: Return to sustainable capex level, thereof ~ €450 m basis investments<sup>2</sup>

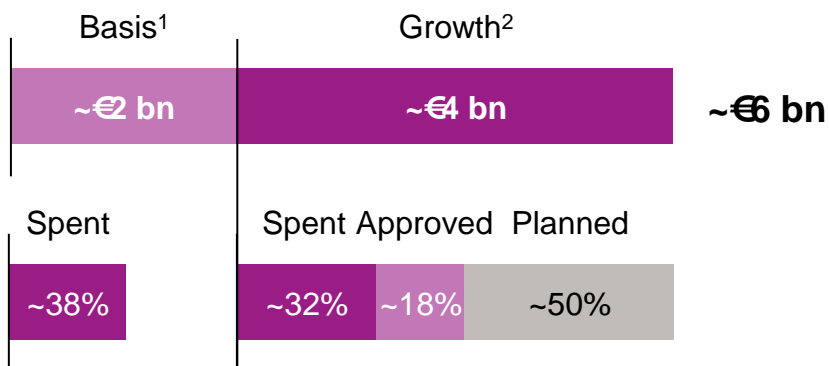
<sup>1</sup> Excl. Real Estate

<sup>2</sup> Basis investments defined as small investments (below €2.5 m focused on growth or efficiency improvements) and maintenance capex (maintenance and regulatory compliance investments)

# Growth

## Progress of investment program

### Progress of 2012-2016 investment program (as of Dec. 2013)



- Program fully on track:  
~€2.2 bn invested by end of 2013
- Mechanical completion reached for several projects in Q4 2013:



Oleochemicals plant  
(Shanghai, China)



Superabsorbents plant  
(Al Jubail, Saudi-Arabia)



Alcoxides plant  
(Puerto General San  
Martin, Argentina)



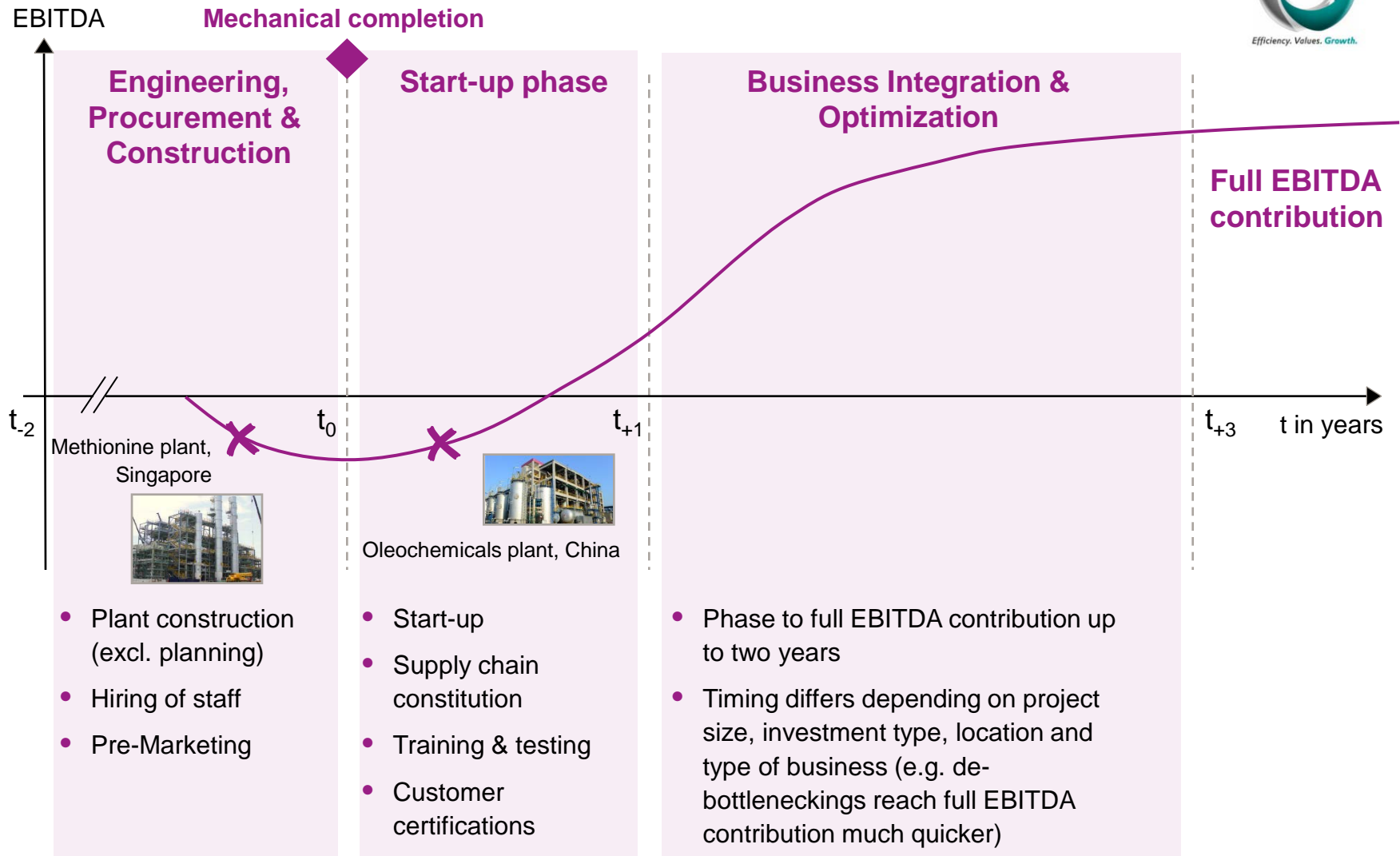
H<sub>2</sub>O<sub>2</sub> for HPPO plant  
(Jilin, China)

<sup>1</sup> Includes investments below €2.5 m and maintenance and regulatory compliance investments

<sup>2</sup> Growth investments defined as investments above €2.5 m into growth projects

# Growth

Earnings contribution of a typical greenfield investment project (>€50 m capex volume)

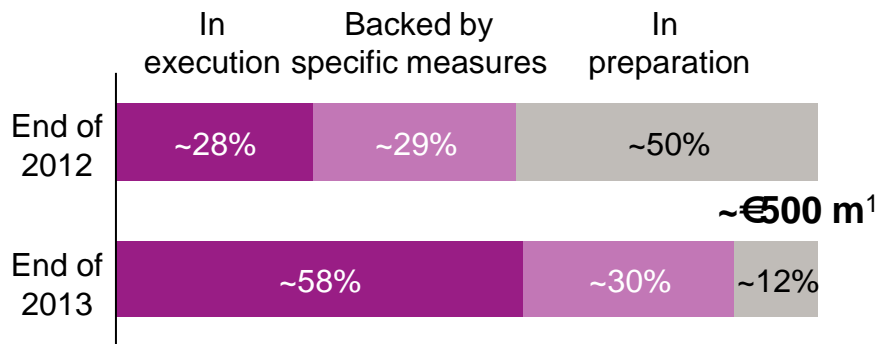


# Efficiency

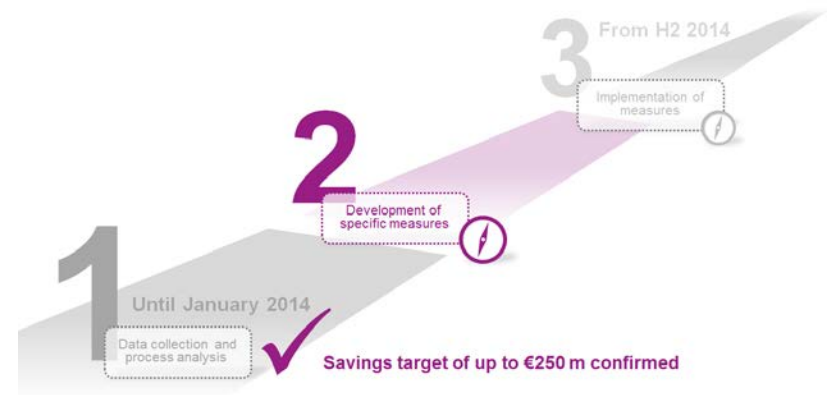
## On Track 2.0 and Admin Excellence update



### Good progress with On Track 2.0



### Admin Excellence: Phase 2 started



- Good progress also in 2013: projects worth another €140 m of savings went into execution
- Continuous effort to offset increasing factor costs (e.g. wages, energy)
- **Example:** In-house bundling of natural gas procurement for large production sites (single-digit million € savings)

- Project initiated in fall 2013; data gathering and process reviews finished (project phase 1)
- Savings target of “up to €250 m” confirmed
- Development of specific measures initiated (phase 2); first measures will be implemented in H2 2014 leading to first savings
- Majority of contributions expected for 2015 and 2016

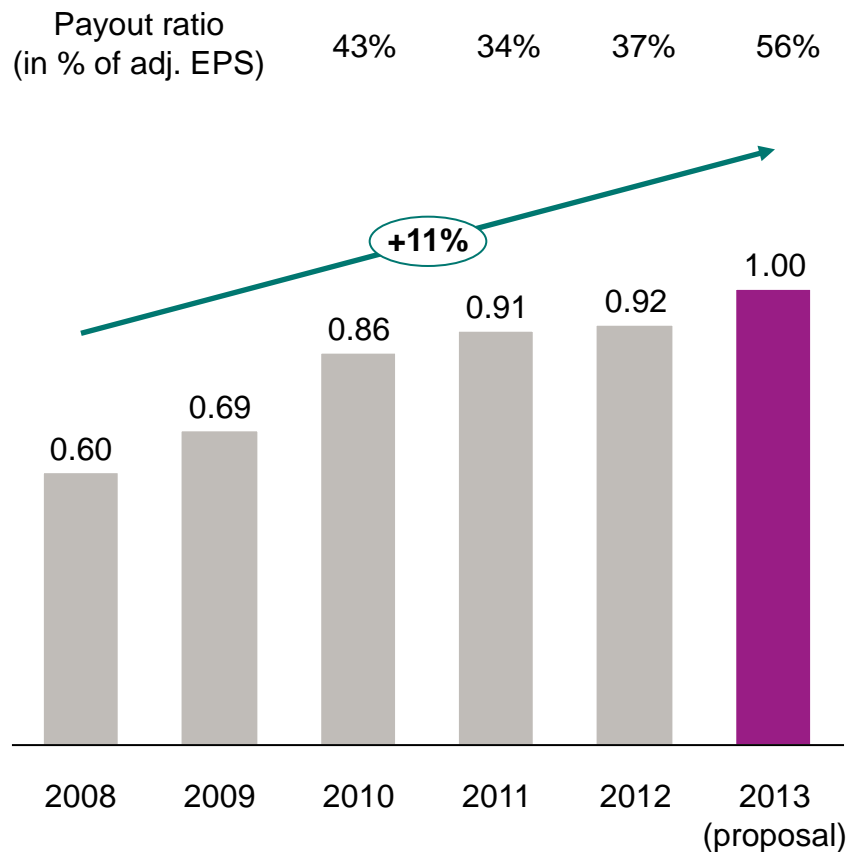
<sup>1</sup> Sustainable annual savings by 2016

# Dividend policy

## Attractive returns for shareholders



### Dividend history (in €)<sup>1</sup>



### Dividend Policy

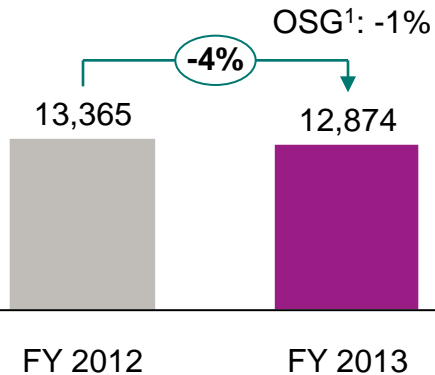
Two components of Evoniks dividend policy:

- 1) Targeted payout ratio:  
**~40% of adjusted net income**
  - 2) Additionally, target of **dividend stability**
- Strong historical track record with regards to dividend policy and shareholder returns (also pre-IPO)
  - Dividend increase in 2014 supported by significant cash inflows from Real Estate divestment

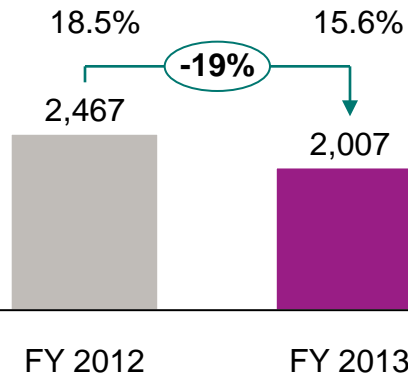
<sup>1</sup> Dividend for the corresponding financial year, paid out the following year

# Financial highlights FY 2013

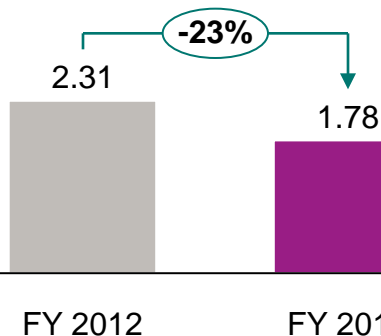
## Sales (in € m)



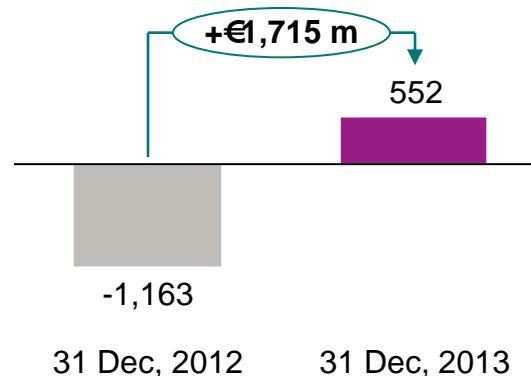
## Adj. EBITDA (in € m) / margin



## Adj. EPS (in €)



## Net financial debt (in € m)

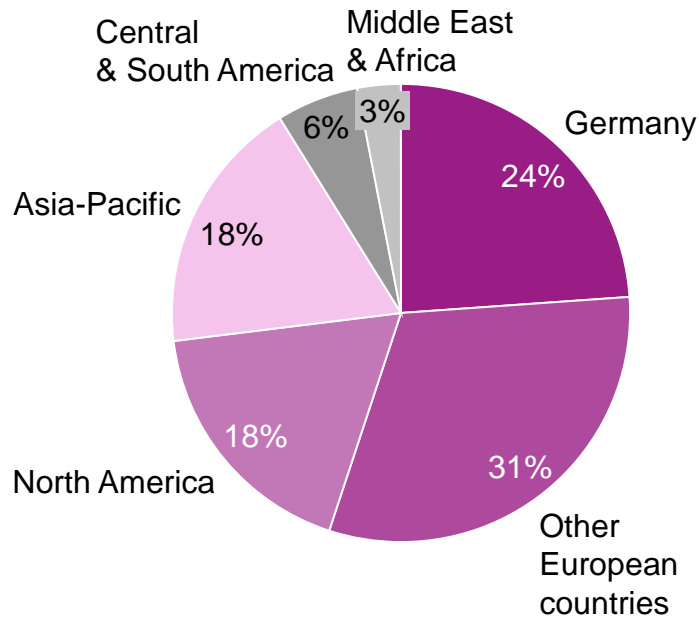


- Organic sales growth -1% (volume +4%; price -5%)
- FX -1%; Other and M&A -2%
- Adj. EBITDA impacted mostly by lower prices in key products
- Net financial debt turned into solid net cash position after divestment of Real Estate activities

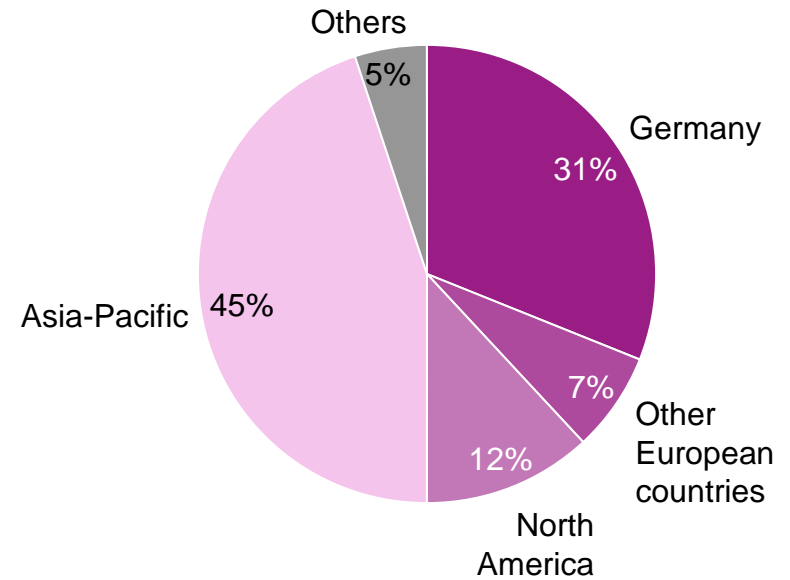
# Sales & Capex split by region FY 2013



**Sales by region (in %)**



**Capex by region (in %)**



## FY 2013 segment overview by quarter


<b>Sales (in €m)</b>	FY 2012	Q1/13	Q2/13	Q3/13	Q4/13	<b>FY 2013</b>
Consumer, Health & Nutrition	4,204	1,035	1,057	1,042	1,072	4,207
Resource Efficiency	3,131	771	801	795	717	3,084
Specialty Materials	4,843	1,170	1,129	1,132	1,059	4,490
Services	999	236	215	226	239	916
Corporate & Others	187	40	45	44	48	177
<b>Group</b>	<b>13,365</b>	<b>3,252</b>	<b>3,248</b>	<b>3,239</b>	<b>3,135</b>	<b>12,874</b>


<b>Adj. EBITDA (in €m)</b>	FY 2012	Q1/13	Q2/13	Q3/13	Q4/13	<b>FY 2013</b>
Consumer, Health & Nutrition	1,055	274	222	210	204	910
Resource Efficiency	663	172	174	169	140	656
Specialty Materials	853	182	128	147	95	552
Services	174	54	52	50	25	182
Corporate & Others	-278	-83	-71	-62	-78	-293
<b>Group</b>	<b>2,467</b>	<b>599</b>	<b>505</b>	<b>518</b>	<b>386</b>	<b>2,007</b>



# Real Estate divestment

## Impact on FY 2013 financials

	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Net debt reduction	Re-classification of <b>€491 m</b> of Real Estate NFD and <b>€106 m</b> DBO to discontinued operations (excl. from NFD)		Reduction of pension liabilities by <b>€758 m</b> as a result of CTA contribution of 25% of combined Vivawest and THS	
Cash receipts			Receipt of cash payments from sale of 30% of combined Vivawest and THS entity to RAG-Stiftung ( <b>€99 m</b> ) and of 7.3 stake to RAG AG ( <b>€20 m</b> )	
		Receipt of first installments of special dividend from Vivawest: <b>€100 m</b>	Second installments of special dividend ( <b>€346 m</b> )	

Total effect on indebtedness in 2013: **-€3.13 bn** (vs. year-end 2012) 

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 €33 m from Vivawest directly, not part of the loan)

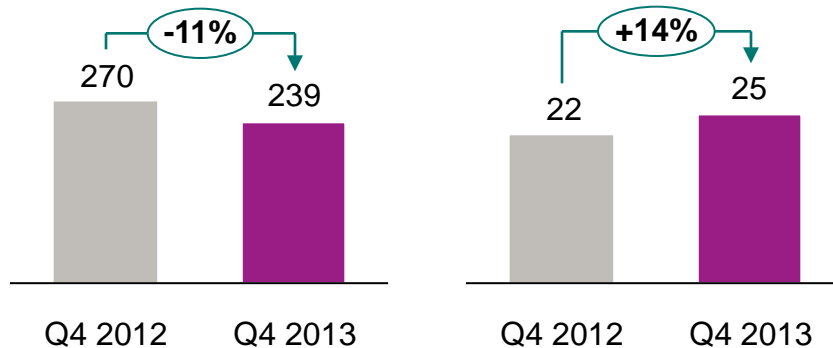
# Services & Corporate/Others Q4 2013



## Services

(External) Sales (€ m)

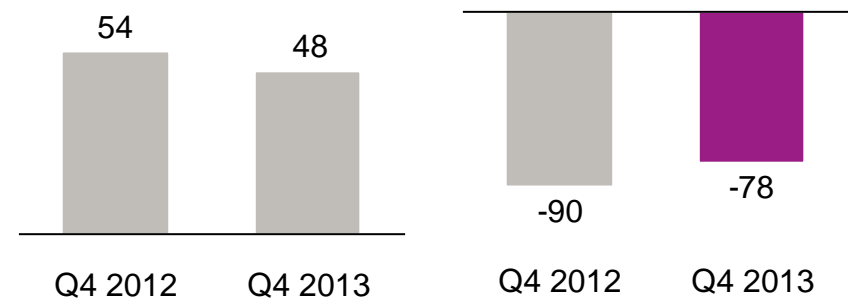
Adj. EBITDA (€ m)



## Corporate / Other / Consolidation

Sales (€ m)

Adj. EBITDA (€ m)



- Q4 generally a weaker quarter for Services due to planned maintenance work at year-end
- Adj. EBITDA slightly improved as result of ongoing strict cost management

- Slight earnings improvement due to cost discipline in Corporate functions in H2 2013 (e.g. travel and advisory costs) and FX effects

# Income statement Q4 2013 (1/2)

in € million	Q4 2012	Q4 2013	Δ in %
<b>Sales</b>	<b>3,178</b>	<b>3,135</b>	<b>-1</b>
Income before financial result and income taxes	321	203	
Results from investments recognized at equity	26	21	
Other financial income	0	0	
<b>EBIT</b>	<b>347</b>	<b>225</b>	<b>-36</b>
Adjustments	-37	4	
<b>Adj. EBIT</b>	<b>310</b>	<b>229</b>	<b>-26</b>
Depreciation and amortization	142	157	
<b>Adj. EBITDA</b>	<b>452</b>	<b>386</b>	<b>-15</b>
<b>Adjusted EBITDA margin</b>	<b>14.2%</b>	<b>12.3%</b>	<b>-1.9pp</b>

- **Sales -1%, thereof**
  - Volumes: +8%
  - Prices: -6%
  - FX: -1% (mainly JPY)
  - Other (incl. M&A): -2% (mainly cyanuric chloride business in China, sold in Dec. 2012)

# Income statement Q4 2013 (2/2)

in € million	Q4 2012	Q4 2013	Δ in %
<b>Adj. EBIT</b>	<b>310</b>	<b>229</b>	<b>-26</b>
Net interest expense	-82	-55	
Adj. income before income taxes	228	173	
Adj. income tax	-36	-44	
Adj. income after taxes	192	129	
Non-controlling interests (adj.)	-33	-3	
<b>Adj. net income</b>	<b>159</b>	<b>126</b>	<b>-21</b>
<b>Adj. earnings per share</b>	<b>0.34</b>	<b>0.27</b>	<b>-21</b>
<b>Net income (as reported)<sup>1</sup></b>	<b>277</b>	<b>104</b>	
<b>Earnings per share (as reported)<sup>1</sup></b>	<b>0.59</b>	<b>0.22</b>	

- **Net interest expense**

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

<sup>1</sup> Including discontinued operations; all other lines only continuing operations

# Cash flow statement Q4 2013

in € million	Q4 2012	Q4 2013
Income before financial result and income taxes	320	203
Depreciation and amortization	134	152
Δ Net working capital	156	103
Change in other provisions	-7	-7
Change in miscellaneous assets/liabilities	65	-17
Outflows from income taxes	-96	-109
Others	-152	-130
<b>Cash flow from operating activities</b>	<b>420</b>	<b>195</b>
<b>Cash flow from investing activities, thereof:</b>	<b>-605</b>	<b>26</b>
Cash outflows for investment in intangible assets, pp&e and shareholdings	-317	-339
Cash inflows/outflows relating to securities, deposits and loans	90	530
Cash inflows/outflows from divestments	4	25
<b>Cash flow from financing activities</b>	<b>-103</b>	<b>-1,101</b>

- **Operating cash flow**

- Higher income tax outflows due to payments related to former periods
- “Others” mostly consists of interest payments

- **Investing cash flow**

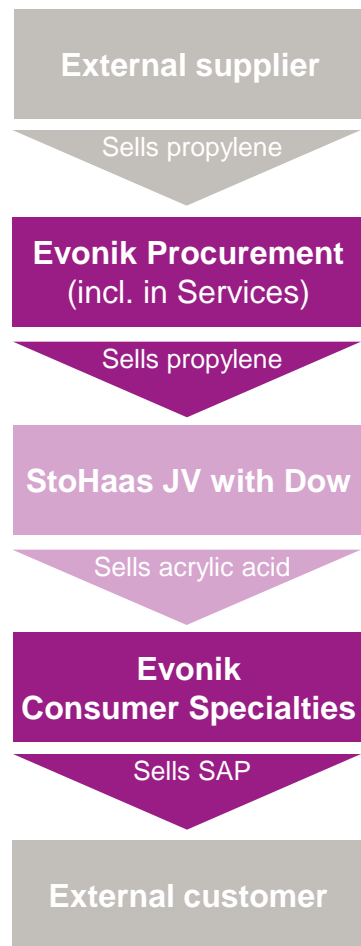
- Increase in cash outflows for investment program
- Cash inflows/outflows related to securities mostly comprises €204 m from Vivawest (shareholder loan) and sale of short-term securities
- CTA contribution of €200 m also included

- **Financing cash flow**

- Includes repayment of Degussa bond in December 2013 (€1,093 m)

# Impact of change in IFRS 11

## Accounting change acrylic acid JV for SAP (“StoHaas”)



### Until end 2013: At equity

*StoHaas JV with Dow (50:50) currently accounted for as investment recognized at equity*

#### Sales

Evonik generates €275 m (100%) of external sales with StoHaas JV (mostly in procurement; incl. in Services)

#### Adj. EBITDA

StoHaas JV generates a net income figure of €52 m, of which 50% (€26 m) are included in Evonik at equity result, which is per Evonik definition included in Consumer Specialties adj. EBITDA

### Starting 1.1.2014: Joint operation<sup>1</sup>

*Changes in IFRS 11 result in a pro-rata consolidation (60%) of the JV*

60% of Evonik sales to StoHaas JV become internal; 40% stay external sales

Effect on external sales 2013 (restated):  
- €165 m (mostly Services)

StoHaas JV generates an adj. EBITDA of ~€60 m, of which 60% (~€36 m) are included in Consumer Specialties adj. EBITDA

Effect on adj. EBITDA 2013 (restated):  
~ +€10 m (in Consumer Specialties)

Earnings after tax remain unchanged

Balance sheet:  
investments recogn. at equity -€91 m;  
assets +€96 m and liabilities +€14 m

Supply chain simplified

<sup>1</sup> Evonik with 60% stake in StoHaas JV for 2013; quota to be re-evaluated annually; all effects for restated FY 2013 figures

## Upcoming IR events

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### Conference participations

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- 14 May 2014: Credit Suisse Chemical and Global Ag Productivity Conference, London
- 12/13 June 2014: Deutsche Bank German, Swiss & Austrian Conference, Berlin

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### Roadshows

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- 19/20 March, 2014: Roadshow London
- 21 March, 2014: Roadshow Frankfurt / Main
- 2 April, 2014: Roadshow Paris
- 2 June, 2014: Roadshow Netherlands
- 12/13 August, 2014: Roadshow USA

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### Next reporting dates

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- 6 May, 2014: Q1 reporting
- 20 May, 2014: Annual General Meeting, Essen
- 31 July, 2014: Q2 reporting
- 31 October, 2014: Q3 reporting



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

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