

Evonik. Power to create.

Q1 2014 Earnings Conference Call

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

6 May, 2014



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INDUSTRIES

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2	Financial performance Q1 2014
3	Outlook FY 2014

Financial highlights Q1 2014

Strong volume development continued;
robust cash flow generation



Sales of €3,201 m on prior year level;
healthy volume growth (+5%) from H2 2013 continued into 2014

Adj. EBITDA of €463 m (vs. prior year €606 m);
strong performance in Resource Efficiency;
moderate start into the year for Consumer, Health & Nutrition and Specialty Materials

Net cash position of €583 m maintained vs. year-and 2013 (€571 m);
NWC discipline leads to strong operating cash flow, compensating for investing outflows

Outlook for 2014 confirmed: slightly higher sales; adj. EBITDA between €1.8 bn and €2.1 bn

Active portfolio management

Successful track record continued in Q1 2014

2011

- ✓ Divestment of **Carbon Black** business
- ✓ Sale of **energy** business (majority stake)
- ✓ Selected bolt-on acquisitions

2012

- ✓ Divestment of **Colorants** business

2013

- ✓ Exit from **Real Estate** business (majority stake)

Q1
2014

- ✓ Divestment of **Professional Skin Care** business

STOKO



- ✓ Restructuring of **lithium-ion** activities

li-Tec
endless power.



- ✓ Acquisition of **Silbond** (functional silanes)

Silbond



Continuous portfolio management

Growth projects and innovation as basis for future growth

First plant for AQUAVI® Met-Met



- Construction of world's first AQUAVI® Met-Met plant in Antwerp (Belgium) initiated
- Plant to be integrated in existing methionine production platform and scheduled to commence operation in late 2015
- AQUAVI® Met-Met: dipeptide optimized for crustaceans (lower water solubility)
- Double-digit market growth rate for shrimps and crustaceans

New platform for silane-modified binders



- Development of new technology for automotive clear coats with combined expertise from Crosslinkers and Silanes businesses:
 - Enabling production of more scratch resistant automotive finishes
 - Result of intense collaboration with customers from automotive and coatings industries

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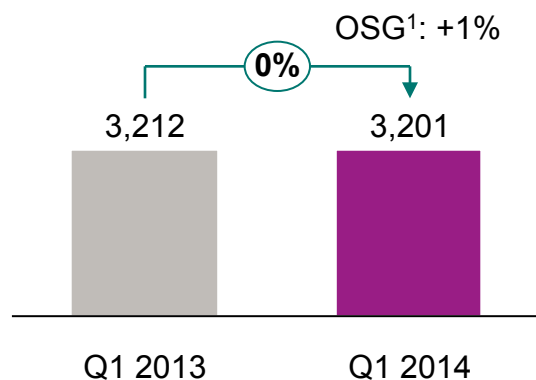
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Financial highlights Q1 2014

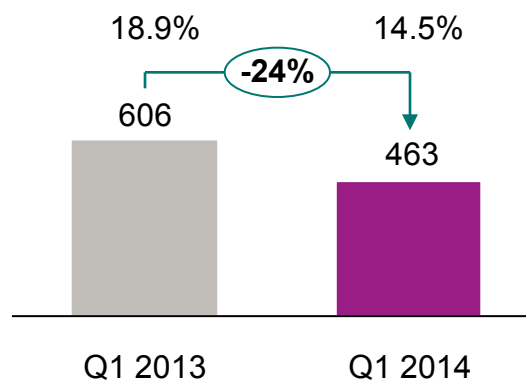
Strong volume development leading to organic sales growth



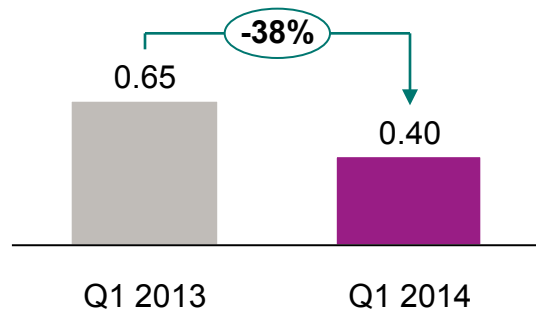
Sales (in € m)



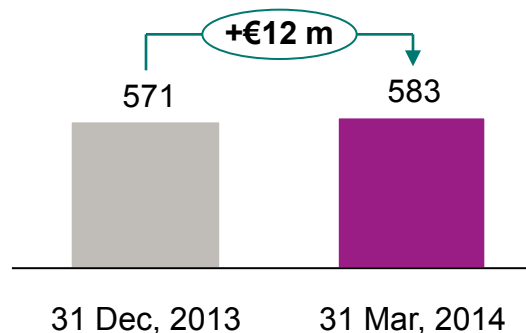
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



Net cash position (in € m)



- Organic sales growth (+1%) thanks to continued strong volume trend (+5%); prices lower yoy vs. tough comparables, but with sequentially easing trend (Q4: -6%; Q1: -4%)
- Currencies with only minor negative impact (-1%)
- Adj. EBITDA below prior year at €463 m:
 - Decline driven mostly by lower prices in Consumer, Health & Nutrition and Specialty Materials
 - Strong performance in Resource Efficiency
- Net cash level maintained due to strong operating cash flow

Prior year figures restated for IFRS 11 changes

¹ OSG = Organic sales growth (volume + price development)

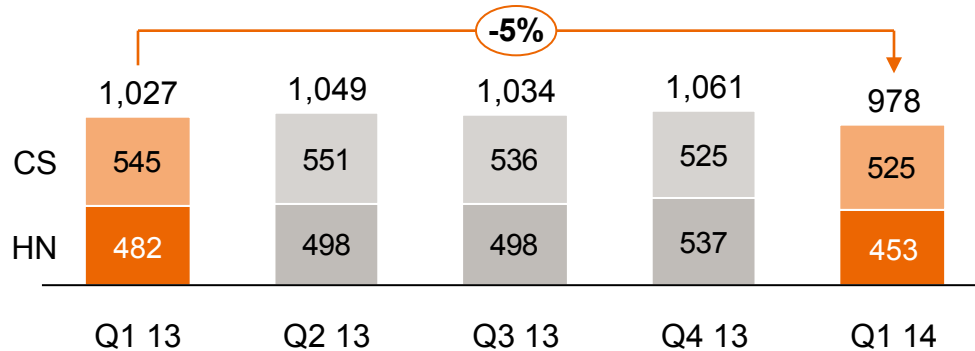
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Consumer, Health & Nutrition

Methionine business with solid performance

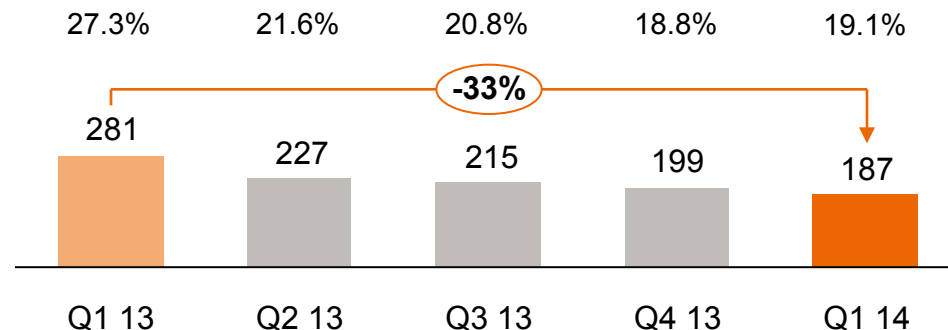


Sales (in € m)



Q1 14	Volume +2%	Price -4%	FX -2%	Other +/-0%
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Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)

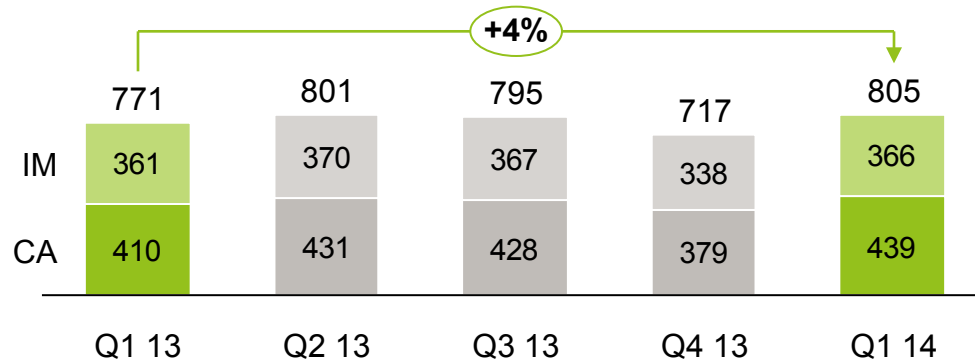


- Sales decline yoy, driven mostly by normalized volumes in Baby Care and weaker amino acid prices
- Consumer Specialties' earnings affected by ramp-up costs for new production sites (oleochemicals, Shanghai; superabsorbents, Saudi-Arabia)
- Health & Nutrition yoy with lower sales and earnings mostly due to prices for amino acids being below last year
- Methionine with solid performance sequentially: stable prices at seasonally lower volumes due to Chinese New Year
- Pricing deteriorated further in lysine business
- Slow start into the year for Health Care due to delays in project-related API business and unplanned production downtime in the US (harsh weather conditions)

Resource Efficiency

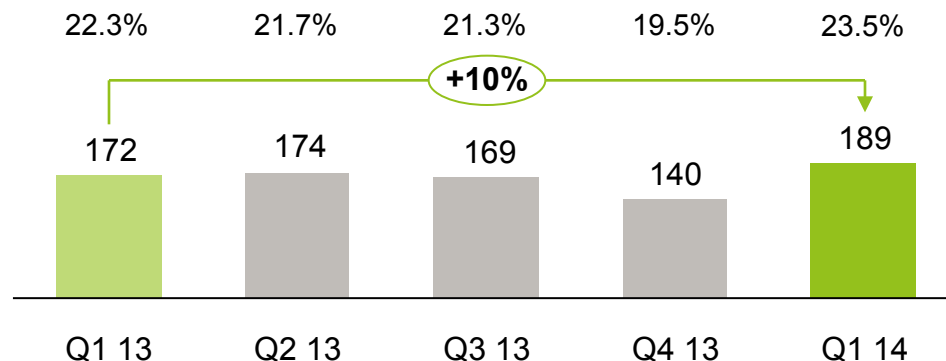
Strong margin improvement

Sales (in € m)



Q1 14	Volume +7%	Price -1%	FX -2%	Other +/-0%
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Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)



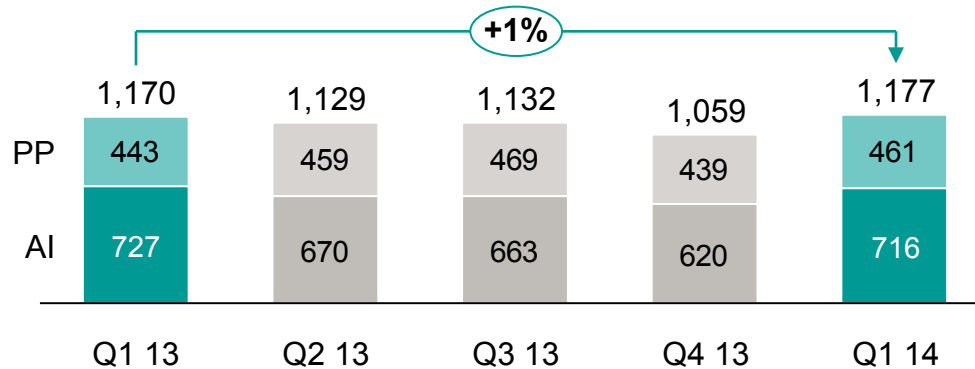
- Another strong quarter for Resource Efficiency with increased sales and earnings yoy, mostly attributable to Coatings & Additives
- Favorable product mix, strong volumes and hence good utilization leading to another improvement in adj. EBITDA margin to 23.5%
- Inorganic Materials with stable performance on high level despite ongoing FX headwinds
- Demand for silica and silanes strong from automotive and coatings industries
- Coatings & Additives benefitting from improved demand from coatings and construction industries, partly supported by the mild winter in Europe

Specialty Materials

Moderate improvement in C4 chain sequentially

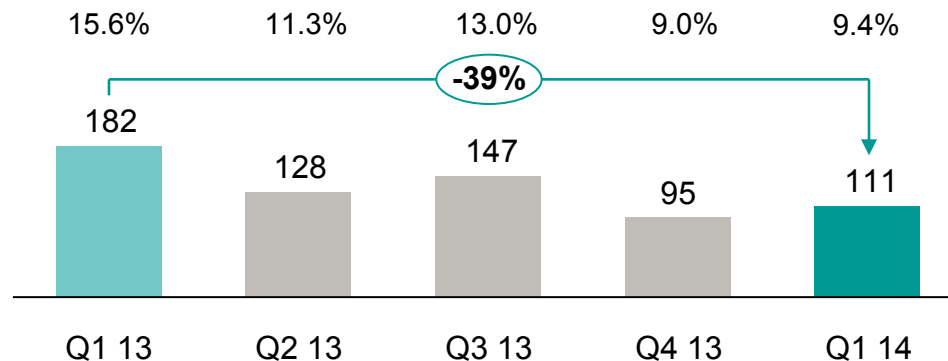


Sales (in € m)



Q1 14	Volume +7%	Price -6%	FX -1%	Other +/-0%
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Adj. EBITDA (in € m) / Adj. EBITDA margin (in %)

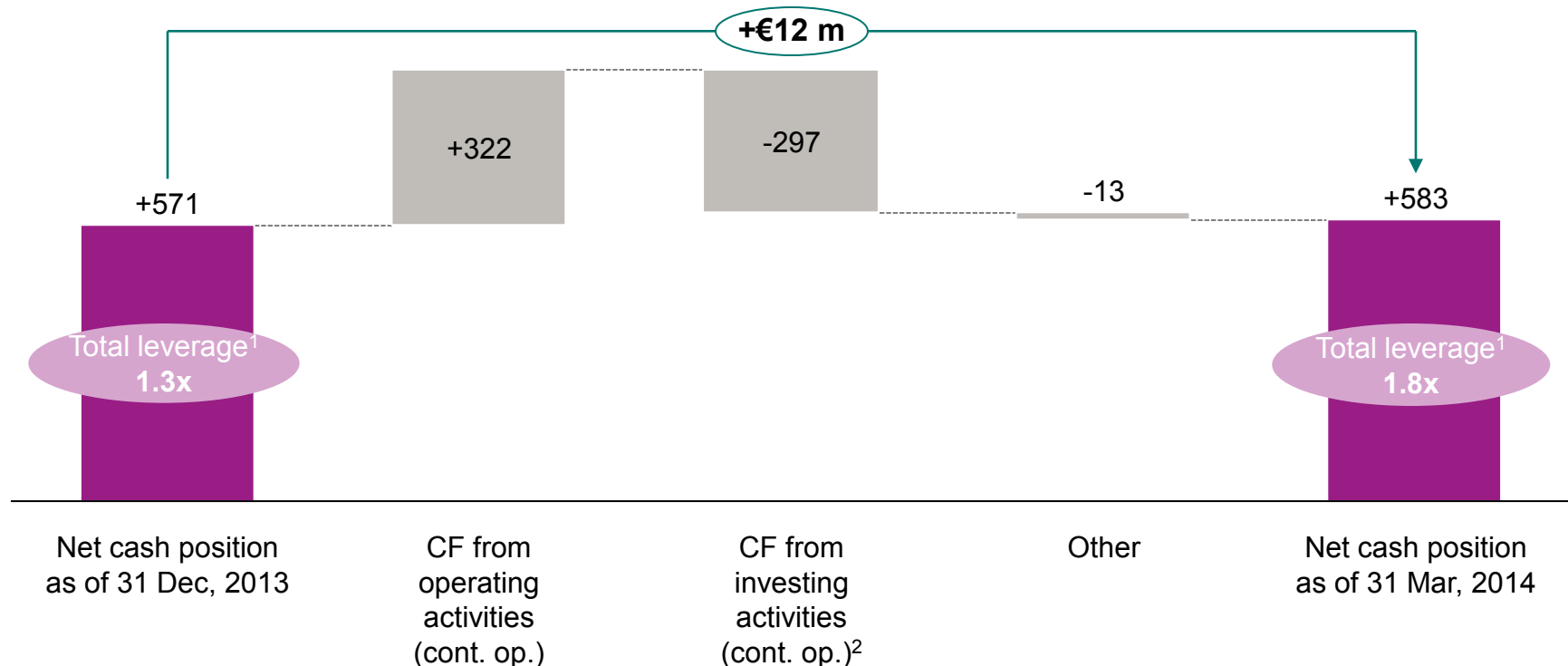


- Sales stable on prior year level; slight decline in Advanced Intermediates compensated by further ramp-up in PA12 sales
- Positive volume development offsetting notably weaker prices
- Demand situation robust for methacrylates; higher raw material costs (esp. acetone) not fully passed on to customers yet
- Good development in PA12, esp. in oil & gas and automotive industries
- Advanced Intermediates with both lower sales and earnings yoy
- Slight recovery sequentially as some seasonal and one-time effects in C4 chain eased out; prices continue to recover slowly across the whole value chain

Net cash position

Level maintained due to strong operating cash flow

Development of net cash position (in € m)



Prior year figures restated for IFRS 11 changes

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

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

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Outlook for 2014 confirmed

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 in emerging markets and increasing geopolitical tension, above all in the Ukraine

Outlook

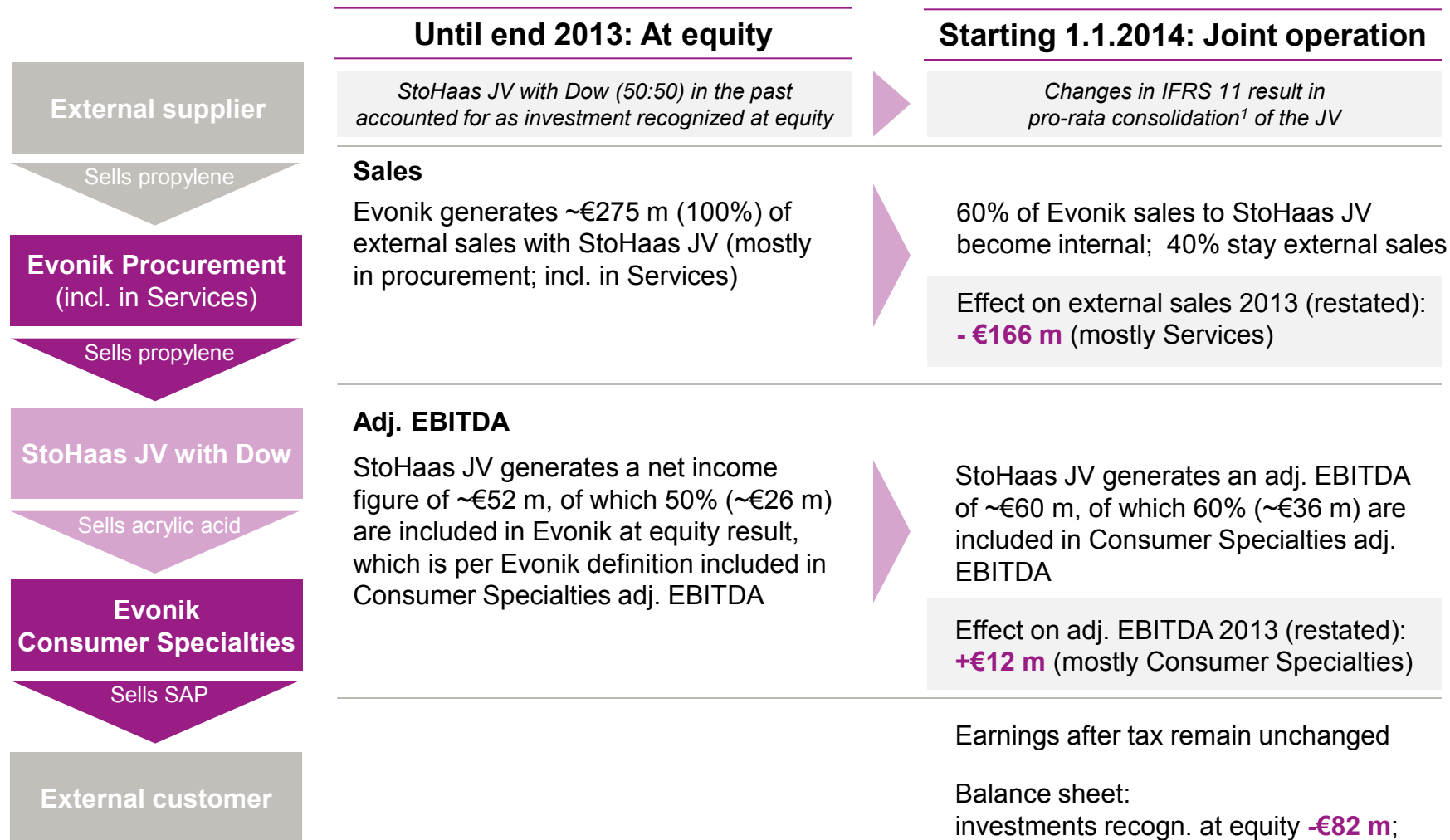
- **Sales: slightly higher** than in previous year (2013: €12.7 bn)
- **Adjusted EBITDA: between €1.8 bn and €2.1 bn** (2013: €2.0 bn)
- **Positive volume trend** should continue in 2014
- Support coming from completion of first **growth investments**
- **Selling prices** expected at least stable in 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** program to optimize administrative structures
- Downside factors could result from **ramp-up expenses** for growth investments and **negative currency effects**



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Change in IFRS 11

Acrylic acid JV for SAP production now accounted for as “Joint operation”



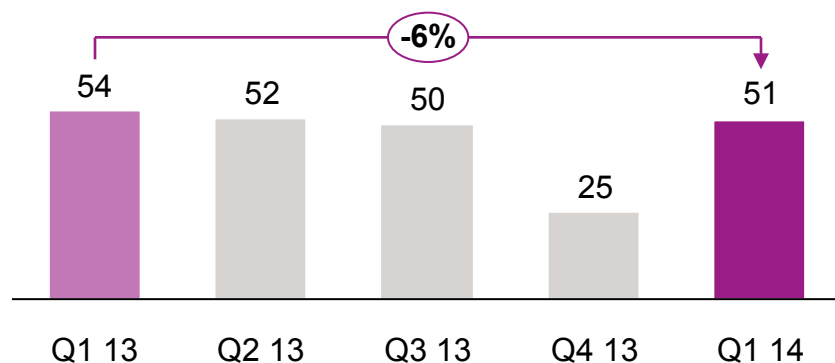
Supply chain simplified

¹ Evonik with 60% stake in StoHaas JV for restated 2013 figures; quota is re-evaluated annually leading to a 50:50 split in 2014

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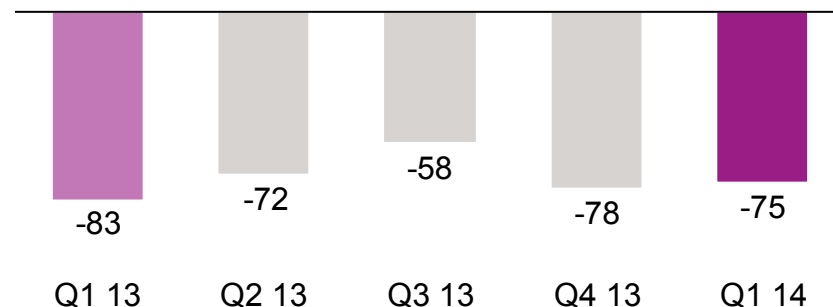
Services & Corporate / Others

Services: adj. EBITDA (in € m)



- Earnings broadly stable; negative effects from planned maintenance in a power plant and permanent plant shutdown of a customer in Marl offset by continued efficiency improvements

Corp. / Other / Cons.: adj. EBITDA (in € m)



- Earnings positively impacted by lower corporate costs and at equity result from remaining Vivawest stake (10.9%)

Income statement Q1 2014

Sales to adj. EBITDA bridge



in € million	Q1 2013	Q1 2014	Δ in %
Sales	3,212	3,201	+/-0
Income before financial result and income taxes	421	279	
Results from investments recognized at equity	7	9	
Other financial income	6	0	
EBIT	434	288	-34
Adjustments	30	28	
Adj. EBIT	464	316	-32
Depreciation and amortization	142	147	
Adj. EBITDA	606	463	-24
Adjusted EBITDA margin	18.9%	14.5%	

- Prior year figures restated for IFRS 11 changes: re-classification of acrylic acid joint venture with Dow from “at equity” shareholding to “joint operation”
- **Sales flat yoy, thereof**
 - Volumes: +5%
 - Prices: -4%
 - FX: -1% (mainly JPY)
 - Other (incl. M&A): +/-0%

Income statement Q1 2014

Adj. EBIT to adj. EPS bridge



in € million	Q1 2013	Q1 2014	Δ in %
Adj. EBIT	464	316	-32
Adj. net interest expense	-66	-52	
Adj. income before income taxes	398	264	
Adj. income tax	-90	-74	
Adj. income after taxes	308	190	
Adj. non-controlling interests	3	3	
Adj. net income	305	187	-39
Adj. earnings per share	0.65	0.40	-39

- **Adj. net interest expense**
 - Net interest expense adjusted for negative one-time effects related to provision increases (-€24 m)
 - Yoy decrease in adjusted net interest expense driven by
 - lower interest expense after repayment of Degussa bond end of 2013
 - higher interest income from contributions to CTA
- **Adj. tax rate**
 - Adj. tax rate of 28.0% on FY 2013 level

Income statement Q1 2014

As reported



in € million	Q1 2013	Q1 2014	Δ in %
Sales	3,212	3,201	+/-0
Cost of sales	-2,243	-2,314	
SG&A and R&D expenses	-562	-564	
Other op. income & expense (net)	+14	-44	
Income before financial result and income taxes, cont. op.	421	279	-34
Net interest expense	-66	-76	
Result from at equity investments	7	9	
Other financial income	6	-	
Income bef. income taxes, cont. op.	368	212	-42
Income taxes	-85	-63	
Income after taxes, cont. op.	283	149	-47
Income after taxes, disc. op.	7	21	
Income after taxes	290	170	-41
Non-controlling interests	-3	4	
Earnings per share (in €)	0.63	0.36	-43

- **Net interest expense**
 - Net interest expense negatively impacted by one-time effects related to provision increases (-€24 m); adjusted net interest expense with yoy improvement
- **Income after taxes, discontinued operations**
 - Positive income from restructuring of lithium-ion business

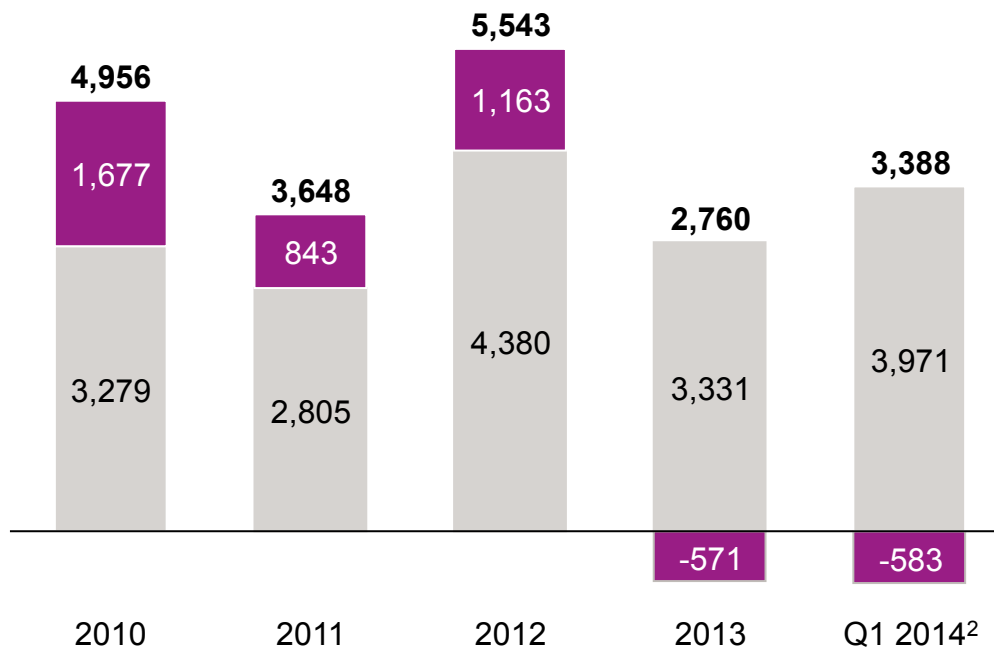
Cash flow statement Q1 2014

in € million	Q1 2013	Q1 2014
Income before financial result and income taxes	421	279
Depreciation and amortization	143	147
Δ Net working capital	-307	-114
Change in other provisions	-17	36
Change in miscellaneous assets/liabilities	67	14
Outflows from income taxes	-82	-27
Others	-41	-13
Cash flow from operating activities	184	322
Cash flow from investing activities, thereof:	150	-283
Cash outflows for investment in intangible assets, pp&e and shareholdings	-218	-297
Cash inflows/outflows relating to securities, deposits and loans	362	-4
Cash flow from financing activities, thereof:	-503	16
Dividend	-429	0

- **CF from operating activities**
 - NWC discipline leading to less pronounced increase
- **CF from investing activities**
 - Increase in cash outflows for investment program (-€209 m) and for Silbond acquisition (-€38 m)
- **CF from financing activities**
 - Dividend payment for fiscal 2013 expected in Q2 2014; last year dividend paid out in Q1

Development of pension provisions

■ Net financial debt ■ Pension provisions



- Pension provisions increased to €3.97 bn from €3.33 bn at year-end 2013
- Result of adjustment of applicable interest rate in Germany and the Euro-Countries from 3.75% to 3.25% due to further yield decline of AA-rated Euro-bonds
- Effect offset against equity without impact on cash or earnings

5.03

4.76

3.78

3.84

Global discount rate¹

5.00

4.75

3.75

3.75

3.25

Discount rate for Germany

Prior year figures restated for IFRS 11 changes

¹ Calculated annually

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Upcoming IR events

Roadshows

- 15 May, 2014: Roadshow Copenhagen
- 2 June, 2014: Roadshow Netherlands
- 12/13 August, 2014: Roadshow New York & Boston

Next reporting dates

- 20 May, 2014: Annual Shareholders' Meeting, Essen
- 31 July, 2014: Q2 reporting
- 30 October, 2014: Q3 reporting

Conference participations

- 14 May 2014: Credit Suisse Chemical and Global Ag Productivity Conference, London
- 5 June, 2014: MainFirst Chemicals One-On-One Forum, Zurich
- 11/12 June 2014: Deutsche Bank German, Swiss & Austrian Conference, Berlin
- 18 June 2014: Exane Chemicals Day, Paris
- 12 August 2014: Jeffries Industrials Conference, New York



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

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