

Evonik. Power to create.

Q4 / FY 2014 Earnings Conference Call

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

3 March, 2015



EVONIK
INDUSTRIES

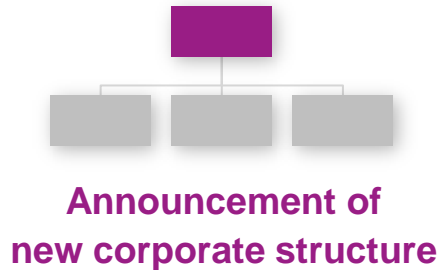
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1	Highlights FY 2014
2	Financial performance Q4 2014
3	Outlook FY 2015

Highlights FY 2014

Constant progress and new strategic alignment



Start-up of several new production sites



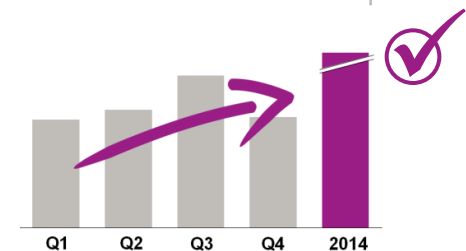
May

August

November

**Sale of remaining
STEAG stake**

steag



Outlook accomplished

Financial highlights FY 2014

Outlook achieved; returning to earnings growth



Sales of €12,917 m slightly above prior year (+2%);
good volume development; pricing strengthening towards year-end

Outlook accomplished: adj. EBITDA of €1,867 m;
Q4 shows first yoy adj. EBITDA growth since 2011

Stable **dividend** of €1.00 per share for FY 2014 proposed (FY 2013: € 1.00)

Outlook 2015: slightly higher sales and adj. EBITDA, additional upside potential from FX

Investment projects

Successful start-up of major plants



World-scale methionine plant in Singapore

- Global production setup: Europe, US and now Asia
- Finished in time and on budget
- Largest single chemicals investment in the history of Evonik



New isophorone chain in Shanghai

- Regional diversification with five fully integrated isophorone chains in Europe, US and now Asia
- Serve growing Asian customer base with locally manufactured products



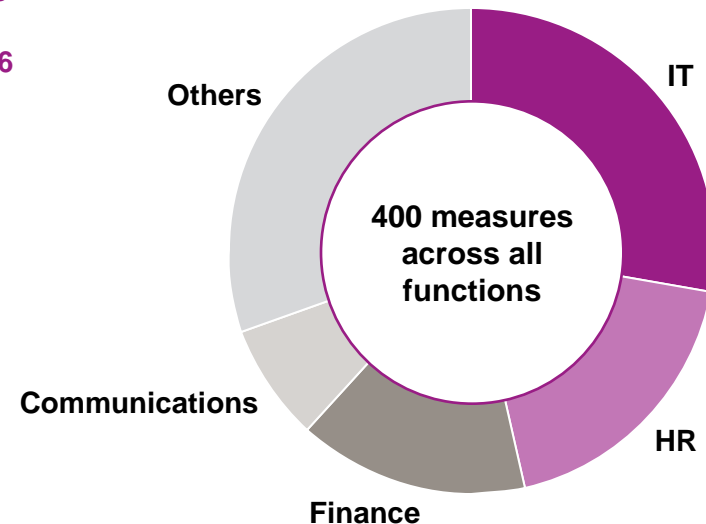
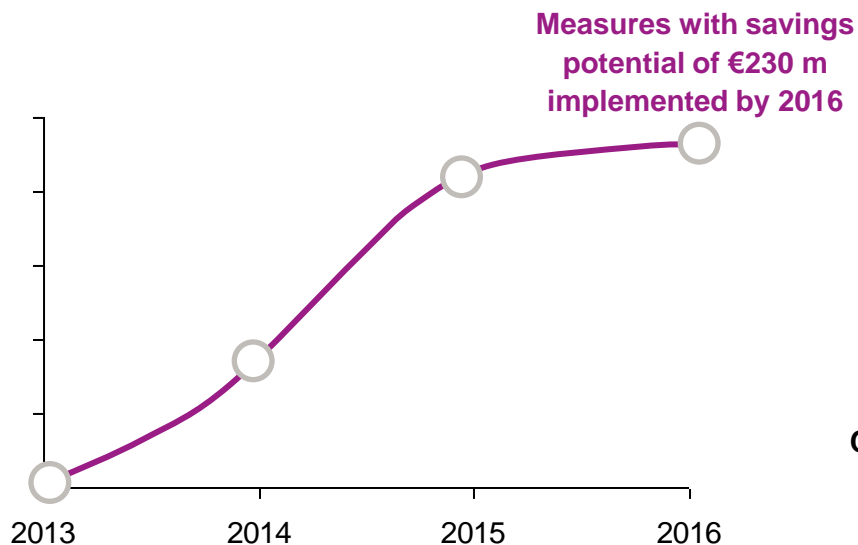
H₂O₂ plant in Jilin

- Fence-to-fence setup
- Environmentally-friendly and energy efficient process to produce propylene oxide using hydrogen peroxide

Administration Excellence

Implementation of measures well underway

Implementation of Admin Excellence measures



First results already visible

- Savings of €40 m realized in FY 2014
- Admin expenses reduced by 5% in FY 2014

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Financial highlights Q4 2014

yoy earnings increase despite inventory revaluations



Sales increased by 4% to €3,226 m; strong pricing and supportive FX

Adj. EBITDA of €442 m; clearly above last year despite ~€30 m inventory revaluations

Adj. EPS of 0.38 €; supported by positive one-off effects in interest result and lower adj. tax rate

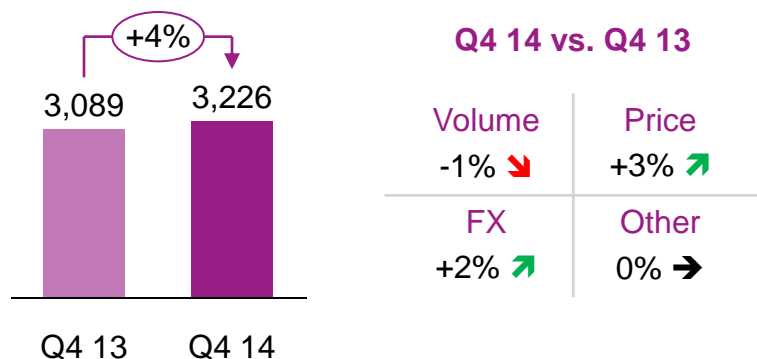
Strong **operational cash-flow** led to qoq almost stable **net cash position** of €400 m

Financial highlights Q4 2014

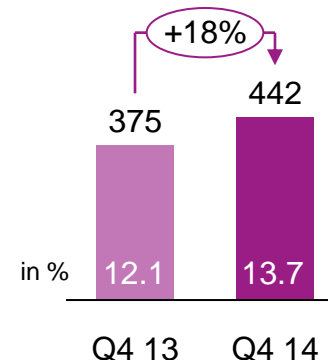
Strong adj. EBITDA and margin improvement



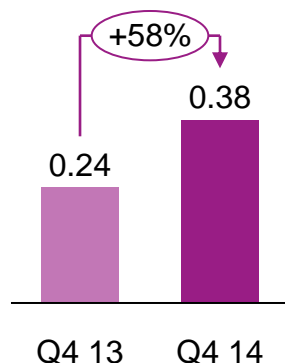
Sales (in € m)



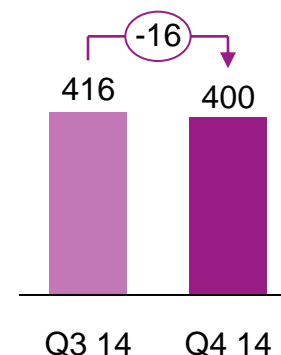
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)



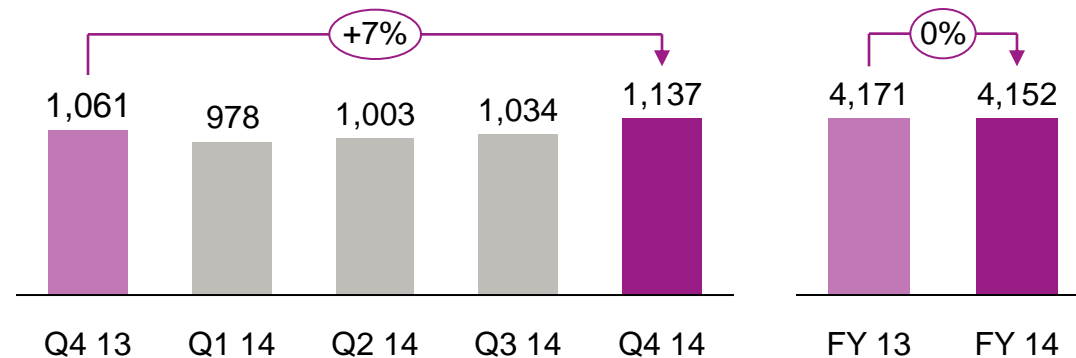
Net financial position (in € m)







Consumer, Health & Nutrition

Positive price trend towards year-end

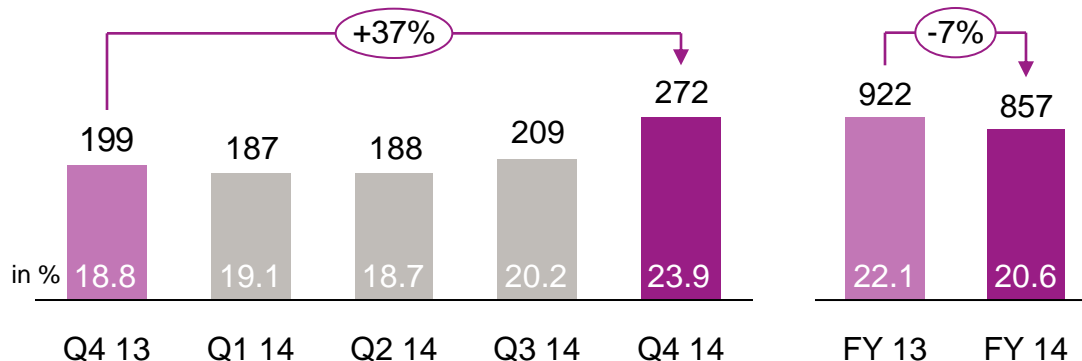
Sales (in € m)



Q4 14 vs. Q4 13

Volume	Price
-2% 	+8% 
FX	Other
+2% 	-1% 

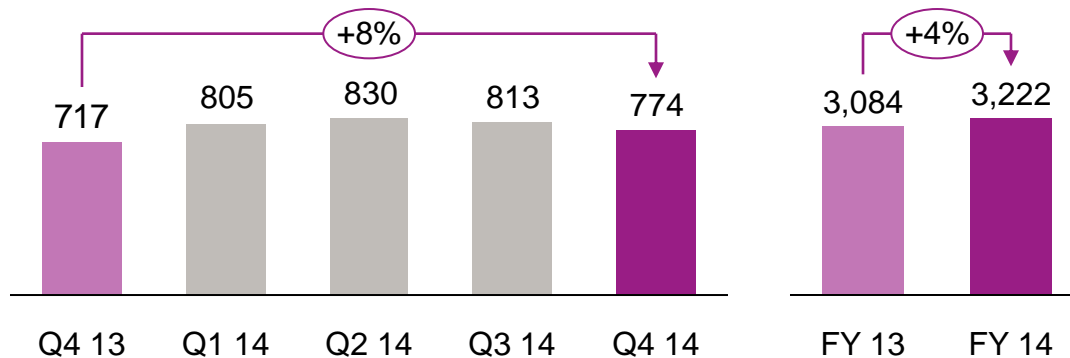
Adj. EBITDA (in € m) / margin (in %)







Resource Efficiency

Margin expansion for 5th consecutive year

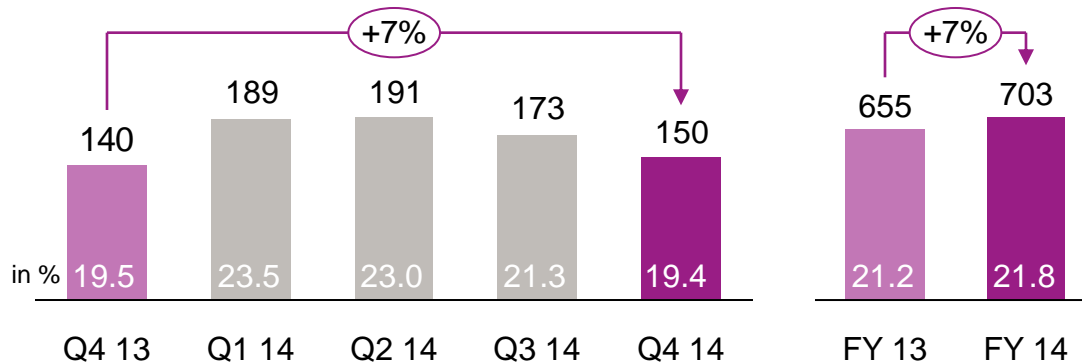
Sales (in € m)



Q4 14 vs. Q4 13

Volume	Price
+4% 	0% 
FX	Other
+2% 	+2% 

Adj. EBITDA (in € m) / margin (in %)

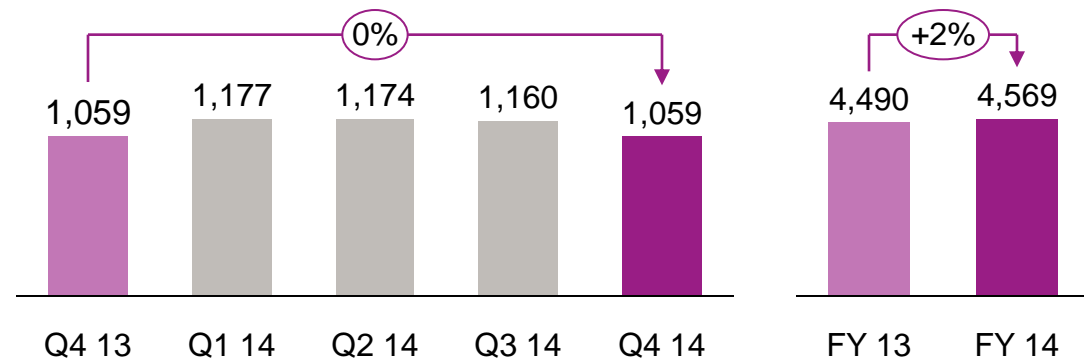


Specialty Materials

Solid operational performance in Q4 mitigated by inventory revaluations



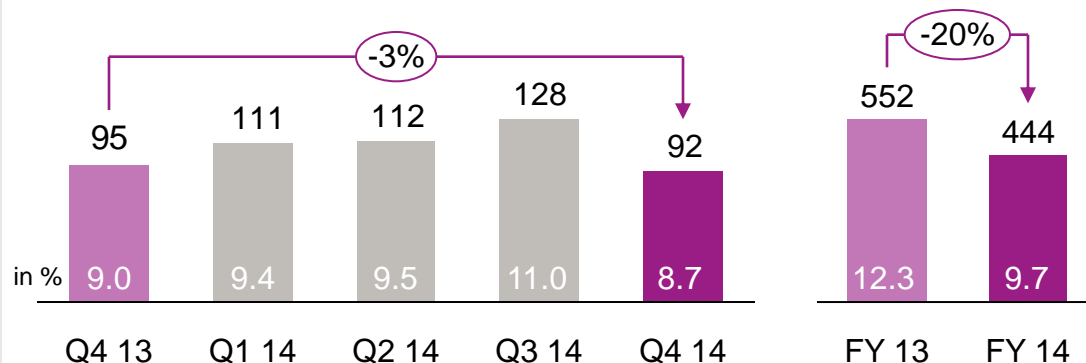
Sales (in € m)



Q4 14 vs. Q4 13

Volume	Price
-3% ↓	+1% ↑
FX	Other
+2% ↑	0% →

Adj. EBITDA (in € m) / margin (in %)



Specialty Chemicals segments

New segment structure from January 2015



Segments until end of FY 2014

Consumer, Health & Nutrition

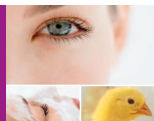
Resource Efficiency

Specialty Materials

- Q4 / FY 2014 reported with old segment names and structure for the last time

Segments from January 2015 onwards

Nutrition & Care



Resource Efficiency



Performance Materials

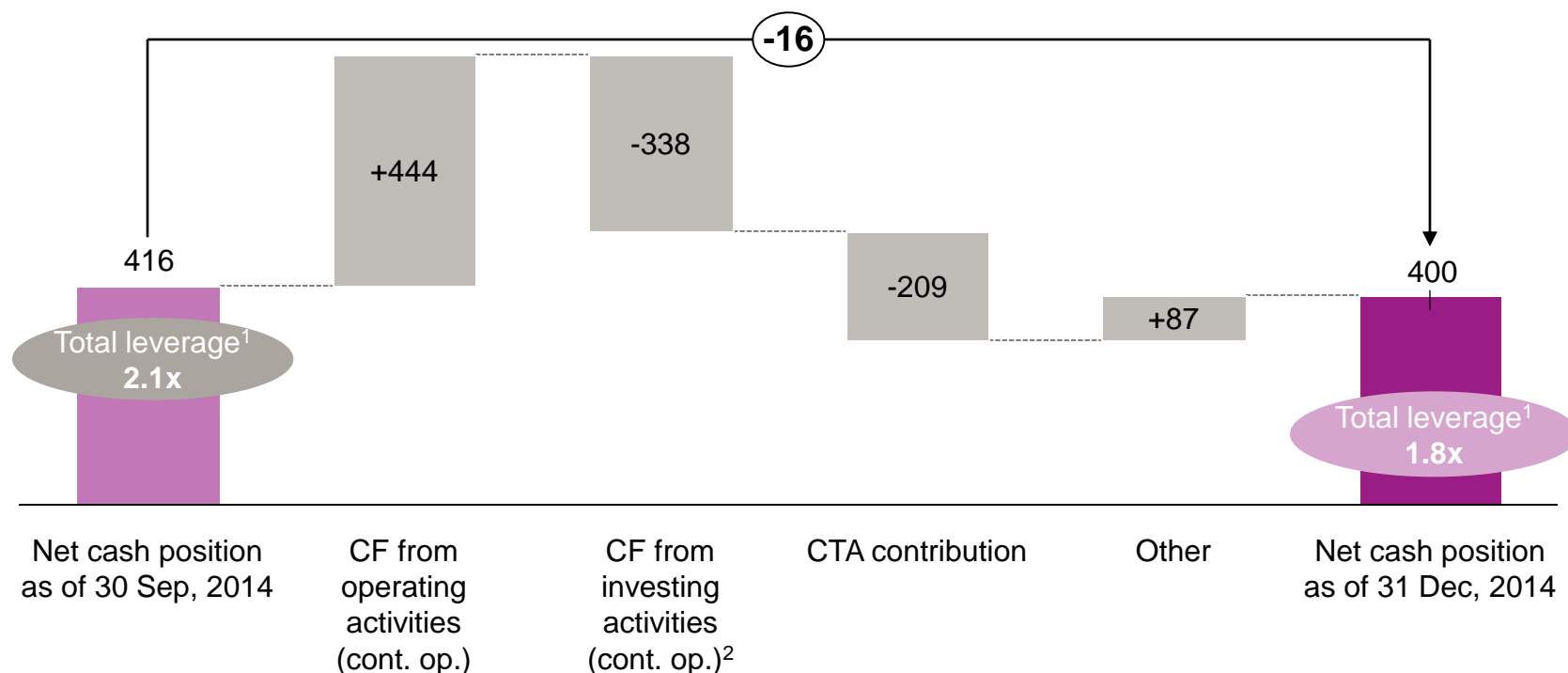


- Two Segments renamed; all 2014 segment figures to be restated
- Leaner organisation (Business Unit level cancelled)
- Minor shifts on Business Line level:
 - Active Oxygens and High Performance Polymers shifted to Resource Efficiency
 - CyPlus Technologies now part of Performance Materials

Net financial position

Strong operating cash flow generation

Development of net financial position (in € m)



¹ Total leverage defined as (net financial debt + unfunded pensions obligations) / adj. EBITDA LTM

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

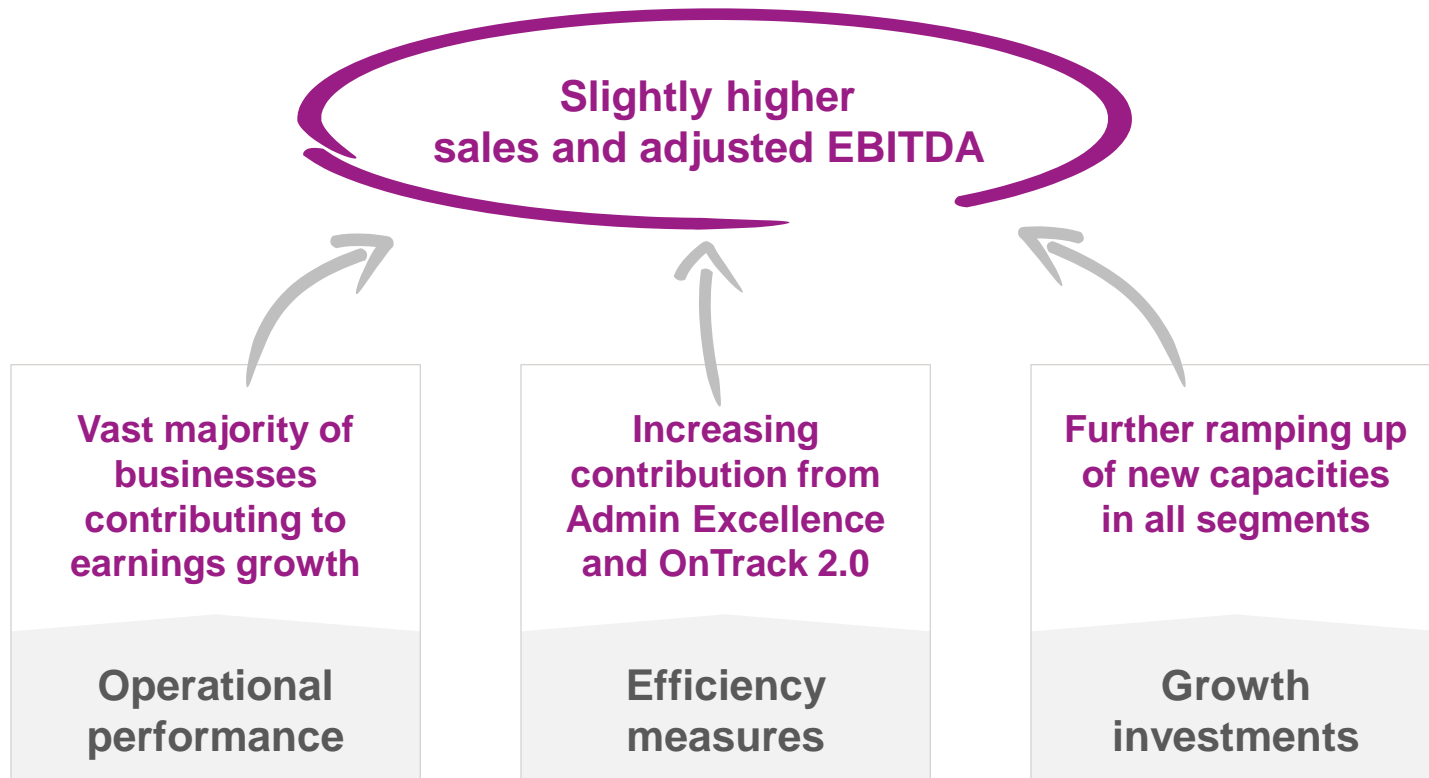
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Outlook for 2015

Strong pillars as basis for growth in 2015



- **Additional upside potential** for sales and adj. EBITDA from FX
- Effects from lower raw material prices should largely balance out on Group level



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Additional indications for 2015

- EUR/USD sensitivity*: +/-1 USD cent = -/+ ~€5 m adj. EBITDA (FY basis)
- Adj. EBITDA Services**: **Slightly below prior year** (2014: €180 m) due to positive one-off effects in 2014 and pension service cost effect
- Adj. EBITDA Corporate/Other**: **On prior year level** (2014: -€317 m) due to strict cost control compensating for factor cost increases
- Adj. D&A: **~€700 m** (2014: €629 m)
- Adj. net interest result: **Stable** in 2015 (2014: -€192 m); 2014 benefitted from positive one-off effects in Q4 (~€30 m), positive trend from new bonds and CTA contribution to continue
- Adj. tax rate: **~29%** (2014: 28.2%)
- Capex: **Up to €1.1 bn** in 2015 (2014: €1.1 bn)
- Net financial position: **Net debt position** end of 2015 (2014: €400 m net cash)

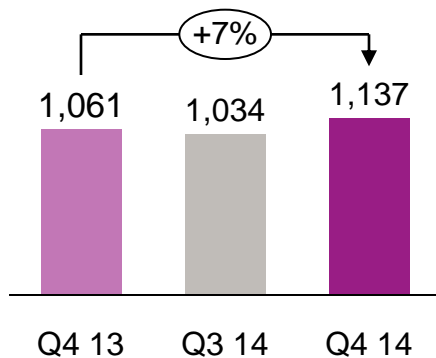
* including transaction effects (after hedging) and translation effects; before secondary/market effects

** before reorganization of Group structure

Consumer, Health & Nutrition

Q4 2014 Business Line comments

Sales (in € m)



Personal Care with good performance in North American conditioner & actives sales, softer in Europe.



Baby Care still positively influenced by competitor outage in 2013, since then market normalization and new capacities.

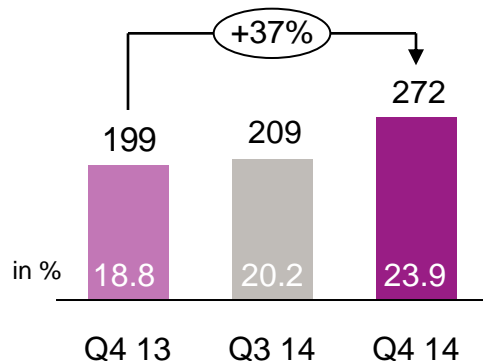


Health Care: Pharma Polymer business with continuing strong performance. Contract manufacturing business accelerating towards year-end.



Animal Nutrition: ongoing high demand for amino acids while overall limited availability in the market. Ramp-up of new capacity in Singapore supporting growth.

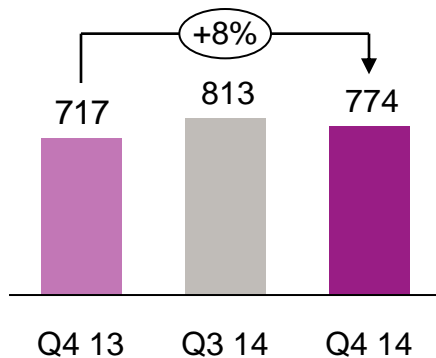
Adj. EBITDA (in € m) / margin



Resource Efficiency

Q4 2014 Business Line comments

Sales (in € m)

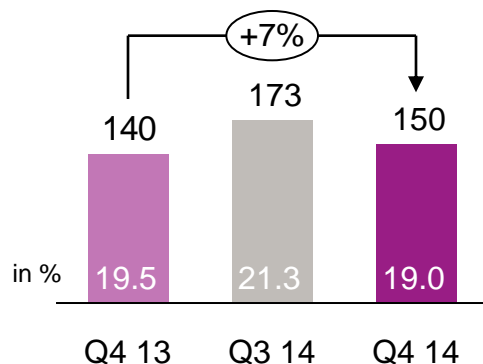


Silica with strong performance across most applications (e.g. green tires and personal care). Good demand from tire customers in Asia and North America.



Crosslinkers driven by high volumes in key industries (e.g. automotive coatings, PU dispersion, composites and construction). New production site in Shanghai further ramping and meeting good market but resulting in higher fix cost base.

Adj. EBITDA (in € m) / margin



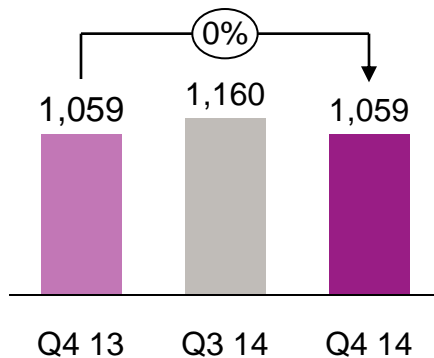
Oil Additives with continued strong performance, improved pricing compensating for slightly higher raw material costs.

Overall, segment earnings impacted by inventory revaluations of around -€10 m

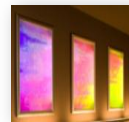
Specialty Materials

Q4 2014 Business Line comments

Sales (in € m)



MMA with usual seasonal slowdown in Q4 (vs. Q3) but benefitting from tight supply in Europe and supportive end-market environment



PMMA also seasonally lower, but not as pronounced as last year due to good demand in US (esp. automotive) and balanced markets in Europe. Price increases successful but overcapacities in Asia persist.



Demand for **High Performance Polymers** seasonally slower, utilization still below pre-accident level.

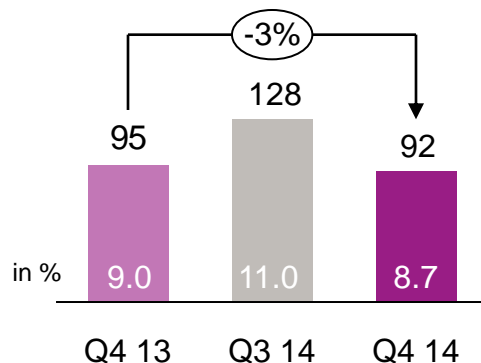


Performance Intermediates with usual seasonality during Q4; solid operational performance but lower prices for C4 products leading to inventory revaluations. Product spreads (vs. Naphtha) still held up well.



Active Oxygens: Ramp-up of new HPPO facility in Jilin progressing well, higher fixed cost base yoy.

Adj. EBITDA (in € m) / margin



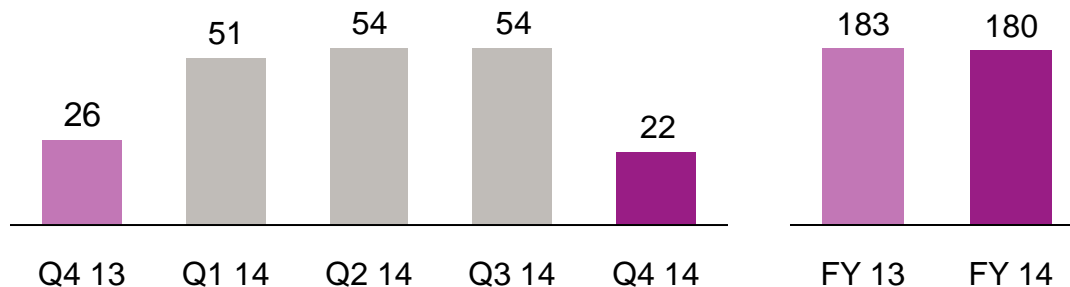
Overall, segment earnings impacted by inventory revaluations of around -€20 m

Services and Corporate Others

Q4 2014 segment comments

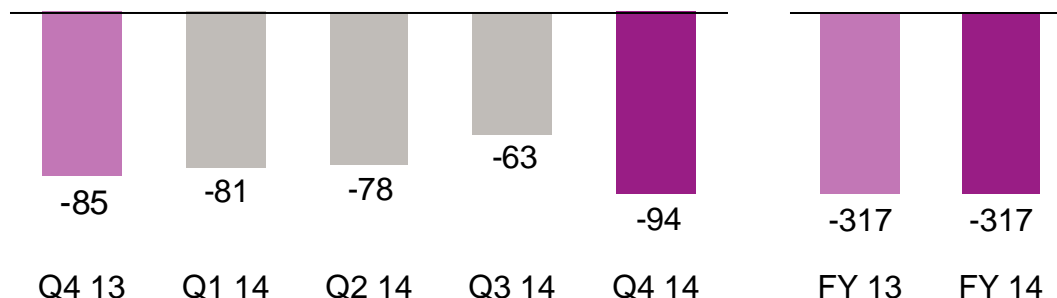


Services: adj. EBITDA (in € m)



- Q4 generally a weaker quarter for Services due to planned maintenance at year-end
- FY 2014 supported by personnel related provision releases

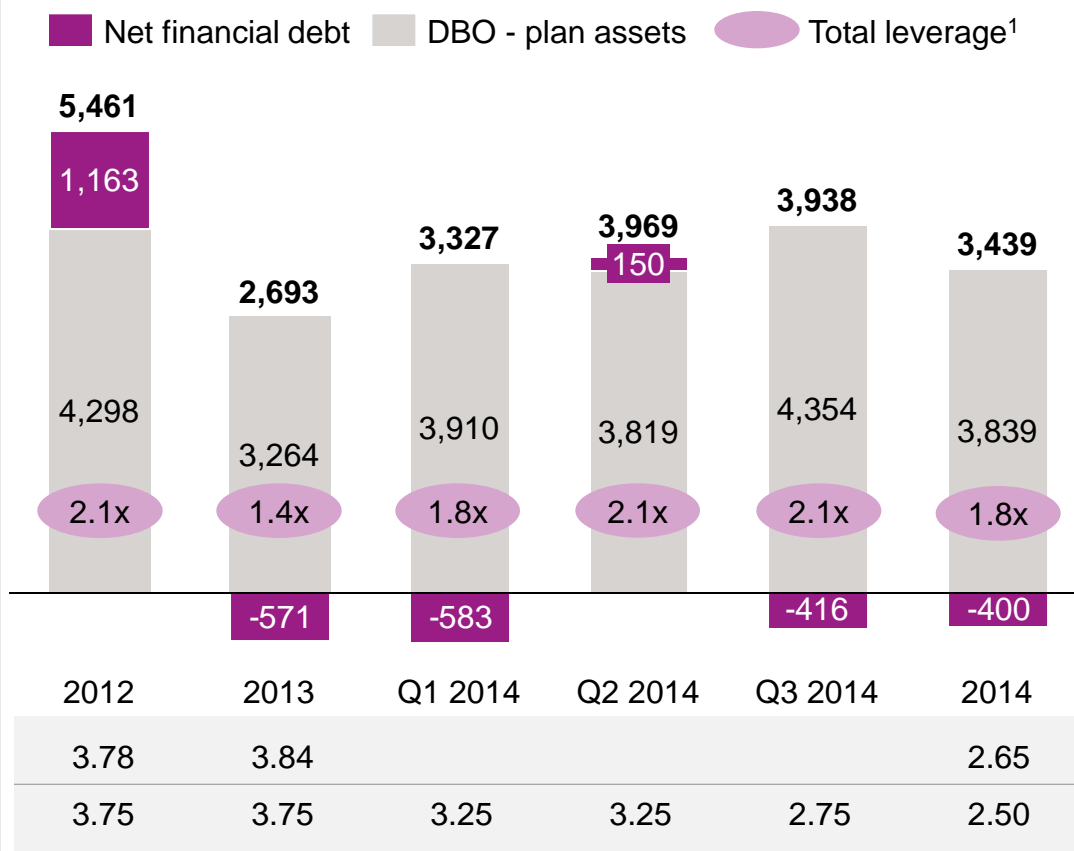
Corporate / Others: adj. EBITDA (in € m)



- Positively impacted by strict cost discipline in administrative functions compensating for factor cost increases

Increase in pension obligations in 2014 due to lowered discount rate

Net debt development (in € m)



- Majority of debt consists of long-dated pension obligations; average life of DBO exceeds 15 years
- Increase in pension obligations in 2014 by €0.6 bn due to lower discount rate (from 3.75% to 2.50%)
- Total Leverage remains comfortably below targeted 2.5x

¹ Total leverage defined as (net financial debt + unfunded pensions obligations) / adj. EBITDA LTM

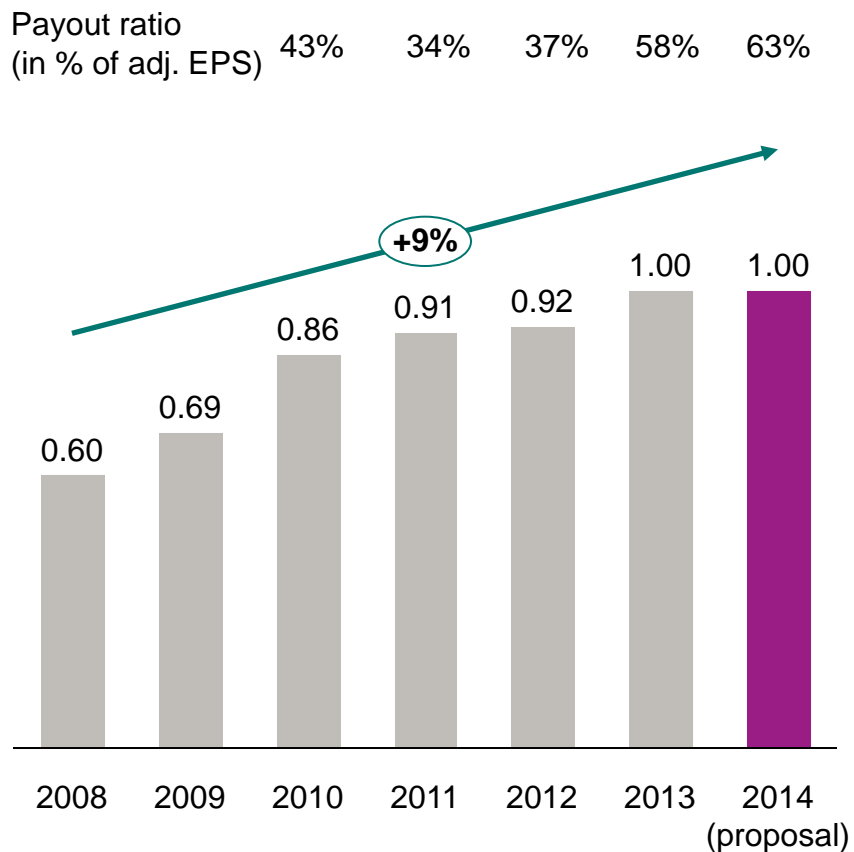
² Calculated annually

Dividend policy

Attractive returns for shareholders



Dividend history (in €)



Dividend policy

Two components of Evonik's dividend policy:

- 1) Overarching target of **dividend continuity**
 - 2) additionally, targeted payout ratio: **~40% of adjusted net income**
- Compelling track record with regards to dividend policy and shareholder returns (also pre-listing)
 - Dividend proposal for 2014 of 1.00 €; stable dividend despite lower adj. net income

Income statement Q4 2014

Sales to adj. EBITDA bridge



in € million	Q4 2013	Q4 2014	Δ in %
Sales	3,089	3,226	+4
Income before financial result and income taxes	194	226	
Results from investments recognized at equity	5	1	
Other financial income	0	0	
EBIT	199	227	+14
Adjustments	16	34	
Adj. EBIT	215	261	+21
Adj. depreciation and amortization	160	181	
Adj. EBITDA	375	442	+18
Adj. EBITDA margin	12.1%	13.7%	

Sales +4% yoy, thereof

- Volumes: -1%
- Prices: +3%
- FX: +2%
- Other (incl. M&A): +/-0%

Adjustments:

- Q4 2014: mainly related to restructuring measures, especially to optimize administrative structures and the product portfolio in Consumer, Health & Nutrition
- Q4 2013: mainly related to provisions for environmental protection measures

D&A:

- New plants going on stream in Q4
- Q4 2014 includes negative one-time effects of ~€10 m

Income statement Q4 2014

Adj. EBIT to adj. EPS bridge



in € million	Q4 2013	Q4 2014	Δ in %
Adj. EBIT	215	261	+21
Adj. net interest expense	-53	-17	
Adj. income before income taxes	162	244	+50
Adj. income tax	-45	-62	
Adj. income after taxes	117	182	+57
Adj. non-controlling interests	-4	-3	
Adj. net income	113	179	+58
Adj. earnings per share	0.24	0.38	+58

Adj. net interest expense

- yoy decrease in adj. net interest expense driven by
 - positive one-time effects of ~€30 m
 - lower interest expense after repayment of bonds end of 2013 and October 2014
 - higher pension interest income from contributions to CTA

Adj. tax rate

- Q4 adj. tax rate of 25% in line to meet targeted level for 2014 (28%)

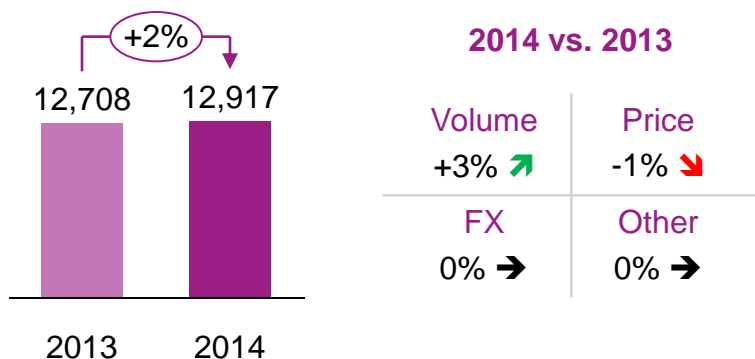
Cash flow statement Q4 2014

in € million (continuing operations)	Q4 2013	Q4 2014
Income before financial result and income taxes	194	226
Depreciation and amortization	155	172
Δ Net working capital	104	200
Change in other provisions	-7	68
Change in miscellaneous assets/liabilities	-7	-56
Outflows from income taxes	-110	-53
Others	-130	-113
Cash flow from operating activities	199	444
Cash flow from investing activities, thereof:	24	-282
Cash outflows for investment in intangible assets, pp&e and shareholdings	-329	-331
Cash inflows/outflows relating to securities, deposits and loans	531	231
CTA contribution	-200	-209
Cash flow from financing activities	-1,098	-734

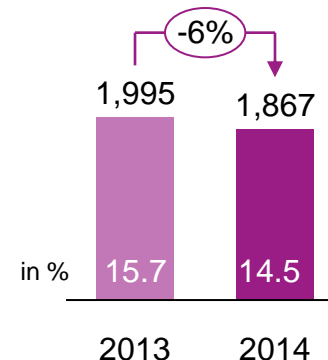
- **CF from operating activities**
 - Change in NWC mainly due to reduced accounts receivables as well as increased accounts payables
- **CF from investing activities**
 - 2013 cash inflows mostly relate to €204 m shareholder loan from Vivawest
- **CF from financing activities**
 - Both 2013 and 2014 mainly include cash outflows for bond repayments

Financial highlights 2014

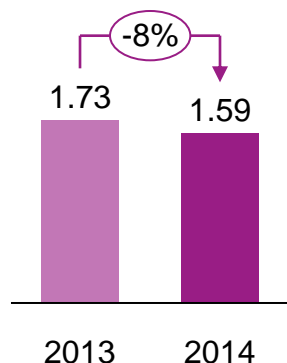
Sales (in € m)



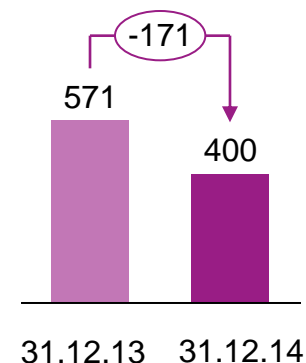
Adj. EBITDA (in € m) / margin



Adj. EPS (in €)

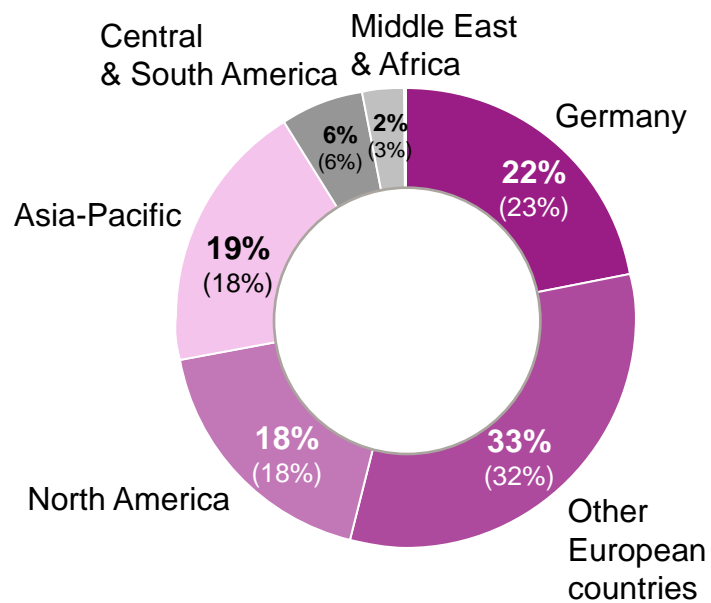


Net financial position (in € m)

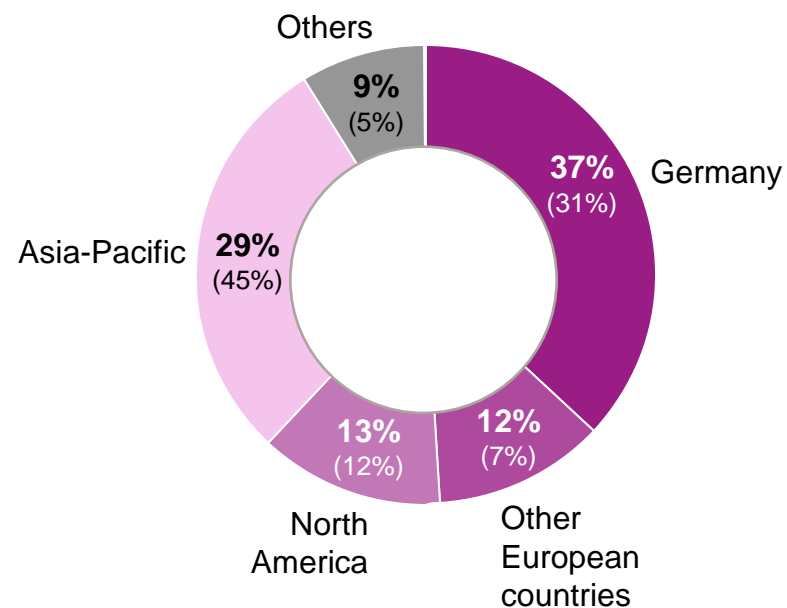


Sales & Capex split by region 2014

Sales by region 2014 (2013)



Capex by region 2014 (2013)



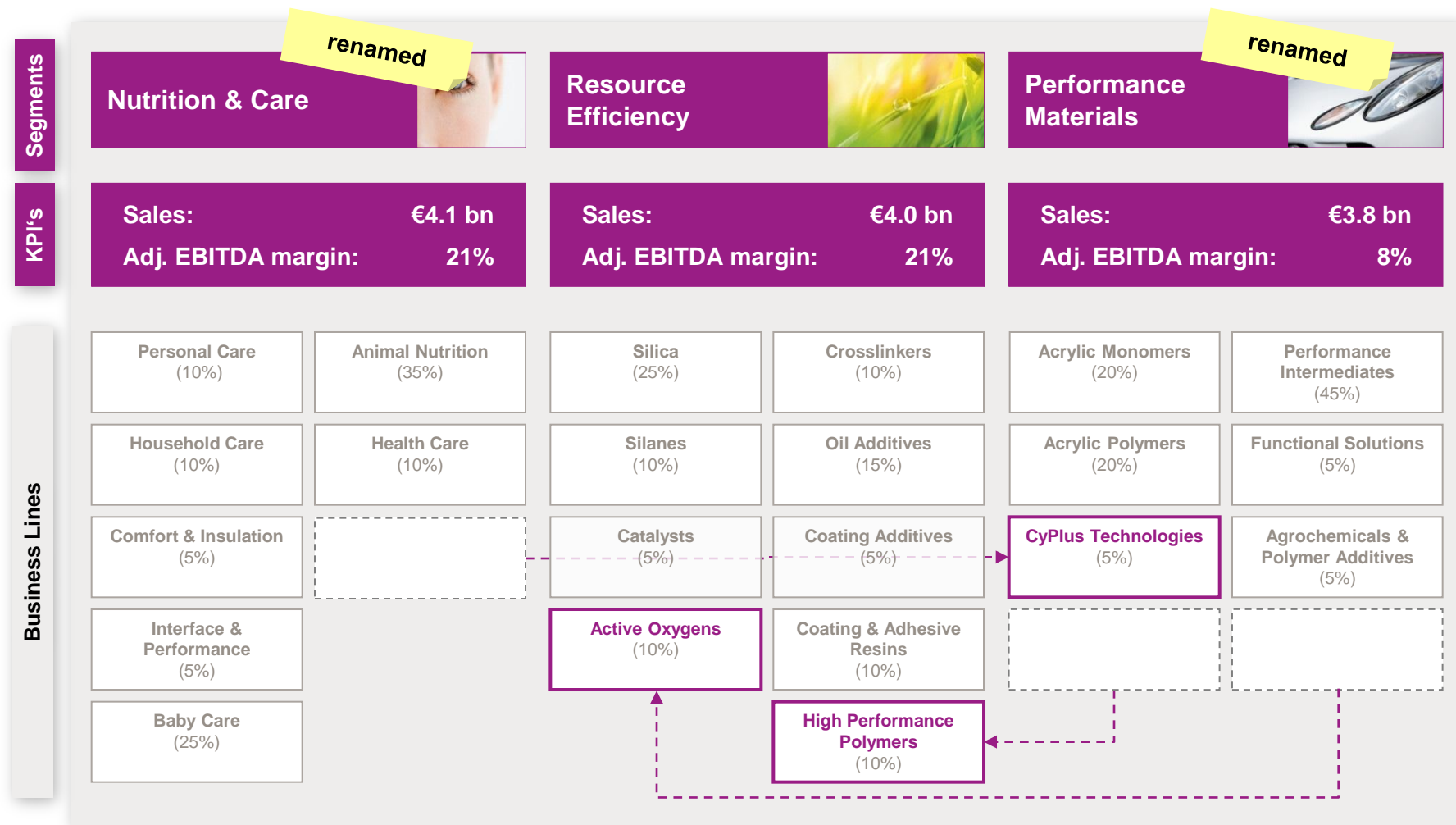
FY 2014 segment overview by quarter

Sales (in € m)	FY 2013	Q1/14	Q2/14	Q3/14	Q4/14	FY 2014
Consumer, Health & Nutrition	4,171	978	1,003	1,034	1,137	4,152
Resource Efficiency	3,084	805	830	813	774	3,222
Specialty Materials	4,490	1,177	1,174	1,160	1,059	4,569
Services	883	229	220	214	232	895
Corporate & Others	80	12	20	22	25	79
Group	12,708	3,207	3,247	3,243	3,226	12,917

Adj. EBITDA (in € m)	FY 2013	Q1/14	Q2/14	Q3/14	Q4/14	FY 2014
Consumer, Health & Nutrition	922	187	188	209	272	857
Resource Efficiency	655	189	191	173	150	703
Specialty Materials	552	111	112	128	92	444
Services	183	51	54	54	22	180
Corporate & Others	-317	-81	-78	-63	-94	-317
Group	1,995	457	467	501	442	1,867

Specialty Chemicals segments

New segment structure from January 2015



Pro-forma data as of fiscal year-end 2014 (before reallocation of corporate costs)

3 March, 2015 | Evonik Q4 / FY 2014 Earnings Conference Call

Upcoming IR events



Roadshows


- 5 Mar, 2015: Frankfurt / Main
- 9-10 Mar, 2015: London
- 30-31 Mar, 2015: New York

Conference participations

- 4 Jun, 2015: Nomura SRI Conference, London
- 18 Jun, 2015: Deutsche Bank German, Swiss & Austrian Conference, Berlin
- 23 Jun, 2015: Credit Suisse Global Chemicals & Agriculture Conference, London

Next reporting dates

- 6 May, 2015: Q1 2015 reporting
- 4 Aug, 2015: Q2 2015 reporting
- 4 Nov, 2015: Q3 2015 reporting



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

Evonik Investor Relations Team



Tim Lange

Head of Investor Relations

+49 201 177 3150

tim.lange@evonik.com



Janine Kanotowsky

Team Assistant

+49 201 177 3146

janine.kanotowsky@evonik.com



Hannelore Gantzer

Investor Relations Manager

+49 201 177 3678

hannelore.gantzer@evonik.com



Christoph Rump

Investor Relations Manager

+49 201 177 3149

christoph.rump@evonik.com



Kai Kirchhoff

Investor Relations Manager

+49 201 177 3145

kai.kirchhoff@evonik.com



Xin Ming Yu

Junior IR Manager

+49 201 177 3147

xinming.yu@evonik.com

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