

Key Financial Data: First half/second quarter 2013

August 1, 2013

Evonik revises outlook for 2013 in far more challenging market conditions

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- Klaus Engel, Chairman of the Executive Board: "We are stepping up cost discipline but sticking to our growth plans"
- Operating performance in H1 2013 below very good prior-period result:
 - Group sales of €6.5 billion reflect slight organic decline on price grounds despite continued good volume trend
 - Operating results well below very high levels of H1 2012
 - Adjusted EBITDA margin slipped to 16.5 percent.
- Net income down 10 percent at €481 million in H1 2013
- Action to raise efficiency and cut costs stepped up
- Outlook for 2013 revised: sales around the previous year's level; operating results below the very good year-back level

Essen. "In a challenging global economic environment, Evonik's business performance in the second quarter was weaker than expected. While volumes increased slightly, earnings were lower, mainly due to declining prices," explained Klaus Engel, Chairman of the Executive Board of Evonik Industries AG, today, when the company published its key financial data on the first half and second quarter of 2013. "We are sticking to our growth plans despite the present development. In the short term, growth will be supported by increased cost discipline and continued systematic implementation of the On Track 2.0 efficiency program." Looking ahead to the second half of the year, the company assumes that prices will stabilize at the present level, while sales volumes should be slightly higher than in the prior-year period. Overall, Evonik expects sales in 2013 to be around the same level as in 2012 at about €13 billion, and to report adjusted EBITDA of around €2.0 billion (2012: €2.4 billion).

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Business performance in H1 2013

In the first half of 2013 there was an organic decline of 3 percent in **Group sales** due to lower selling prices (-4 percent), while volumes increased slightly (+1 percent). Overall, Group sales decreased 5 percent to €6,526 million (H1 2012: €6,835 million) due to the divestment of two small businesses in 2012.

In the first half of 2013 the operating results were below the very high prior-year figures, principally as a result of lower selling prices for some key products and the scheduled shutdown of integrated production facilities in the Specialty Materials segment for maintenance work. Overall, adjusted **EBITDA** declined by 16 percent to €1,079 million (H1 2012: €1,289 million) and adjusted **EBIT** fell 21 percent to €787 million (H1 2012: €995 million). The adjusted **EBITDA margin** slipped from 18.9 percent to 16.5 percent.

The **adjustments** of minus €93 million in the first half of 2013 mainly comprised income, expenses and impairment losses in connection with the shutdown of production plants in the Resource Efficiency and Specialty Materials segments, and expenses relating to the divestment of former non-core operations. Other adjustments comprised expenses in connection with the recognition of the put and call options for the remaining shares in STEAG GmbH. The prior-year figure mainly comprised impairment losses on production plants in the Resource Efficiency segment due to tougher competition in the photovoltaics industry, and expenses in connection with recognition of the STEAG options.

Income after income taxes, continuing operations dropped 14 percent to €397 million (H1 2012: €464 million), mainly due to the weaker operating performance. **Income after taxes, discontinued operations** amounted to €75 million and mainly comprised operating income from the Real Estate segment.

Net income was €481 million in the first half of 2013, 10 percent below the very good figure for the prior-year period (€533 million). **Earnings per share** declined to €1.03 (H1 2012: €1.14).

The **cash flow from operating activities, continuing operations** decreased by €166 million to €172 million in the first six months of 2013. This was mainly caused by lower income before depreciation, amortization, financial result and income taxes, with a counter-effect coming from the lower increase in net working capital. Including the cash flow from discontinued operations, the **cash flow from operating activities** was €222 million, which was €167 million less than in the first six months of 2012.

Capital expenditures increased 14 percent to €431 million in the first six months of 2013 (H1 2012: €378 million), in line with our ambitious investment program. 33 percent of capital expenditures were allocated to the Consumer, Health & Nutrition segment, 29 percent to the Specialty Materials segment and 20 percent to the Resource Efficiency segment.

Evonik is currently investing in major projects such as the construction of production facilities for methionine on Jurong Island in Singapore, for isophorone and isophorone diamine in Shanghai (China), and for hydrogen peroxide in Jilin (China). In Brazil and Russia, groundbreaking ceremonies have been held for two plants for biotechnological production of the amino acid L-lysine for animal nutrition. These plants are scheduled to come into service in 2014 and 2015. At its site in Marl (Germany), the company recently started operation of a production plant for the new phthalate-free plasticizer ELATUR® CH. Plasticizers are mainly used in the plastics industry, and in the automotive and construction sectors.

Net financial debt was €1,230 million at end-June 2013, an increase of €67 million compared with year-end 2012. This was attributable to two counter-effects: firstly, a considerable decline due to the reclassification of the Real Estate segment to discontinued operations at the end of March 2013, and secondly the payment of the dividend of €429 million for 2012.

Business performance in Q2 2013

Market conditions far tougher than expected—Volume trend still good but perceptible decline in selling prices

In the second quarter of 2013, the Evonik Group's **sales** declined by 5 percent to €3,263 million (Q2 2012: €3,428 million). This was mainly attributable to an organic sales decrease of 3 percent due to lower selling prices, while volumes increased.

In Q2 2013, the operating results were below the previous year's high levels, mainly as a result of lower selling prices for some key products, especially butadiene and amino acids for animal nutrition, and a scheduled major maintenance shutdown at production facilities in the Specialty Materials segment. Overall, adjusted **EBITDA** fell by 23 percent to €489 million (Q2 2012: €632 million), while adjusted **EBIT** dropped 30 percent to €342 million (Q2 2012: €486 million). The adjusted **EBITDA margin** slipped from 18.4 percent to 15.0 percent. **Net income** decreased 28 percent to €191 million (Q2 2012: €264 million).

Successful divestment of the real estate business

Evonik has made considerable progress with its focus on specialty chemicals, and has successfully divested the activities bundled in its Real Estate segment. Having combined the management of the residential real estate of Vivawest GmbH and THS GmbH effective January 1, 2012, Vivawest and THS have now been combined with a stable new ownership structure. Following completion of all transactions at the start of July 2013, RAG-Stiftung now holds 30.0 percent of Vivawest, IG BCE 26.8 percent, Evonik Pensionstreuhand e.V. 25.0 percent, and RAG Aktiengesellschaft 7.3 percent. Evonik plans to divest its remaining 10.9 percent stake to long-term investors in the intermediate term.

Performance of the segments in H1 2013

Consumer, Health & Nutrition

- Higher volumes, lower selling prices
- Operating results below the very good prior-year figures
- Adjusted EBITDA margin remained very good at 23.7 percent in the first six months

The Consumer, Health & Nutrition segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and health-care sectors. It comprises the Consumer Specialties and Health & Nutrition Business Units.

In the first six months of 2013 sales were €2,093 million, in line with the first half of 2012 (€2,086 million). The overall decline in selling prices was offset by volume growth. Business with amino acids for animal nutrition was held back, among other things, by the effects of avian flu in China, but there was a slight recovery at the end of the reporting period. Particularly pleasing business trends were registered for superabsorbents, which benefited from high demand, and personal care products.

In the first half of 2013 the operating results fell short of the previous year's high levels, mainly for price reasons and due to higher raw material costs. Adjusted **EBITDA** decreased 9 percent to €496 million (H1 2012: €546 million) while adjusted **EBIT** declined 12 percent to €428 million (H1 2012: €484 million). The adjusted **EBITDA margin** was very good at 23.7 percent (H1 2012: 26.2 percent).

Resource Efficiency

- Stable operating performance
- Operating results benefiting from lower fixed costs
- In the first six months the adjusted EBITDA margin improved from 20.8 percent to 22.0 percent

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions. This segment comprises the Inorganic Materials and Coatings & Additives Business Units.

Sales decreased 5 percent to €1,572 million in the first half of 2013 (H1 2012: €1,651 million). This was due to a slight drop in the organic sales trend, negative currency effects and the divestment of the colorants business at the end of April 2012. The operating performance was stable and the operating results increased as fixed costs were reduced by the shutdown of one production plant and the divestment of another in the fourth quarter of 2012. Adjusted **EBITDA** increased 1 percent to €346 million (H1 2012: €344 million), while adjusted **EBIT** grew 7 percent to €289 million (H1 2012: €270 million). The adjusted **EBITDA margin** rose from 20.8 percent to 22.0 percent.

Specialty Materials

- Negative impact of sharp drop in selling prices and maintenance shutdowns at integrated production facilities
- Operating results below the very good prior-year period
- Adjusted EBITDA margin dropped from 18.3 percent to 13.5 percent in the first six months

The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries. It comprises the Performance Polymers and Advanced Intermediates Business Units.

This segment's **sales** were 8 percent lower at €2,299 million in the first six months of 2013 (H1 2012: €2,503 million). Alongside withdrawal from the cyanuric chloride business in China, the organic sales drop mainly resulted from considerably lower selling prices, especially for butadiene. The operating results fell short of the good results reported for the prior-year period due to lower selling prices and the scheduled major maintenance work at integrated production plants. Adjusted **EBITDA** decreased by 32 percent to €310 million (H1 2012: €457 million) while adjusted **EBIT** fell 39 percent to €234 million (H1 2012: €381 million). The adjusted **EBITDA margin** dropped from 18.3 percent to 13.5 percent.

Services

This segment principally comprises Site Services and Evonik Business Services. It mainly provides services for the chemicals segments and the Corporate Center, but also serves third parties.

Total sales were €1,282 million in the first half of 2013. Internal sales accounted for €831 million of the total. External sales declined by 10 percent to €451 million, mainly because a customer shut down a production facility at the Marl site. The increase in the operating results was mainly driven by improved cost structures at Site Services. Adjusted **EBITDA** increased 5 percent to €107 million, while adjusted **EBIT** grew 3 percent to €61 million.

Further improvement in efficiency; cost discipline stepped up

Good progress is being made with the efficiency enhancement program On Track 2.0. In the first half of 2013 Evonik achieved further savings of a good €50 million. Together with the cost reductions made in 2012, just 18 months after the launch of this program the company has already leveraged nearly €200 million of the planned annual savings of €500 million.

Evonik is driving forward the measures to raise efficiency introduced as part of On Track 2.0. In view of present global economic conditions, which are set to remain challenging in the second half of 2013, Evonik has also set up a cost management project to identify potential short-term savings that can be realized immediately. This is focusing on non-operating units.

Outlook for 2013 revised

Evonik now expects the improvement in the global economy predicted for the second half of the year to be less pronounced than had been assumed at the start of the year, principally because of the sovereign debt crisis and its impact on Europe, and far lower economic growth in China. Accordingly, the company now assumes that the global economic conditions for 2013 as a whole will be worse than previously forecast. Since the first half was weaker than expected and economic growth forecasts for the second half of the year have been reduced, Evonik is altering its outlook for the full year.

In view of the reclassification of the Real Estate segment to discontinued operations in March 2013 and the upcoming deconsolidation of these operations in the third quarter of 2013, the following comments only refer to the continuing operations. The corresponding figures for 2012 have been restated.

Evonik anticipates a slight year-on-year improvement in volumes in the second half of 2013 and assumes that selling prices will stabilize at the present level. Overall the Group now expects sales in 2013 to be around the same level as in the previous year at around €13 billion, and the operating results to be below the very good 2012 levels. Evonik assumes that adjusted EBITDA will be around €2.0 billion (2012: €2.4 billion).

As part of its growth strategy, Evonik is continuing its investment program of over €6 billion between 2012 and 2016. Flexibility in the realization of this program enables it to scale back the budget for capital expenditures this year from €1.5 billion to €1.2 billion and to spread it over an extended time period. In principle, in view of changes in market conditions for the coming years, projects that have not yet commenced will be reviewed and their starting dates may possibly be postponed.

Evonik Group: Excerpt from the income statement

(in € million)	Q2 2013	Q2 2012	Change in %	H1 2013	H1 2012	Change in %
Sales	3,263	3,428	-5	6,526	6,835	-5
Adjusted EBITDA	489	632	-23	1,079	1,289	-16
Adjusted EBIT	342	486	-30	787	995	-21
Adjustments	-64	-25		-93	-93	
Net interest expense	-68	-77		-135	-157	
= Income before income taxes, continuing operations	210	384	-45	559	745	-25
Income taxes	-78	-166		-162	-281	
= Income after income taxes, continuing operations	132	218	-39	397	464	-14
Income after income taxes, discontinued operations	54	40		75	60	
= Income after taxes	186	258	-28	472	524	-10
Attributable to non-controlling interests	5	6		9	9	
= Net income	191	264	-28	481	533	-10
Adjusted net income	183	249	-27	476	565	-16

Prior-year figures restated

Segment performance

	Sales Q2			Adjusted EBITDA Q2		
	Q2 2013 € million	Q2 2012 € million	Change in %	Q2 2013 € million	Q2 2012 € million	Change in %
Consumer, Health & Nutrition	1,057	1,031	3	222	259	-14
Resource Efficiency	801	834	-4	174	176	-1
Specialty Materials	1,129	1,269	-11	128	241	-47
Services	215	245	-12	52	49	6
Other operations	61	49		-87	-93	
Group	3,263	3,428	-5	489	632	-23
	Sales H1			Adjusted EBITDA H1		
	H1 2013 € million	H1 2012 € million	Change in %	H1 2013 € million	H1 2012 € million	Change in %
Consumer, Health & Nutrition	2,093	2,086	0	496	546	-9
Resource Efficiency	1,572	1,651	-5	346	344	1
Specialty Materials	2,299	2,503	-8	310	457	-32
Services	451	501	-10	107	102	5
Other operations	111	94		-180	-160	
Group	6,526	6,835	-5	1,079	1,289	-16

Continuing operations; prior-year figures restated

Employees by segment

	June 30, 2013	Dec. 31, 2012
Consumer, Health & Nutrition	6,967	6,821
Resource Efficiency	5,841	5,755
Specialty Materials	6,241	6,134
Services	11,605	11,900
Other operations	2,211	2,071
Continuing operations	32,865	32,681
Discontinued operations (Real Estate)	666	617
Evonik	33,531	33,298

Company information

Evonik, the creative industrial group from Germany, is one of the world leaders in specialty chemicals. Profitable growth and a sustained increase in the value of the company form the heart of Evonik's corporate strategy. Its activities focus on the key megatrends health, nutrition, resource efficiency and globalization. Evonik benefits specifically from its innovative prowess and integrated technology platforms.

Evonik is active in over 100 countries around the world. In fiscal 2012 more than 33,000 employees generated sales of around €13.6 billion and an operating profit (adjusted EBITDA) of about €2.6 billion.

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