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Key Financial Data:

January 1 to March 31, 2014 / Q1 2014

Q1 2014: A slow start to the year

- **Operating performance in Q1 2014:**
 - **Slight organic sales growth to €3.2 billion**
 - **Adjusted EBITDA at a solid level but well below the very good prior-year figure**
 - **Adjusted EBITDA margin 14.5 percent**
- **Cash flow from operating activities increased considerably to €315 million**
- **Adjusted net income dropped 39 percent to €187 million**
- **Capital expenditures increased by 17 percent**
- **R&D expenses rose 7 percent**
- **Outlook for 2014 reiterated: Sales expected to rise slightly (2013: €12.7 billion¹); adjusted EBITDA expected to be between €1.8 billion and €2.1 billion (2013: €2.0 billion).**

Essen. "Evonik made a slow start to 2014 compared with the first quarter of 2013, which was by far the best quarter of the year," said Klaus Engel, Chairman of the Executive Board of Evonik Industries AG today, when the Group published its key financial figures for the first quarter of 2014.

"The renewed strong growth in demand was pleasing, but selling prices for some important products were well below the year-back level due to the challenging market conditions. However, they were slightly better than at year-end 2013," reported Engel. While sales were virtually unchanged, Evonik achieved solid adjusted EBITDA, although it was considerably lower than in the strong prior-year period.

The Group is confirming its outlook for 2014 as a whole and still expects to report slightly higher sales and adjusted EBITDA of between €1.8 billion and €2.1 billion.

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¹ Prior-year figure restated due to first-time application of IFRS 11

Business performance in Q1 2014

The Evonik Group achieved slight organic **sales** growth of 1 percent year-on-year as higher volumes (5 percentage points) countered the drop in selling prices (-4 percentage points). Adverse currency effects clipped sales by 1 percentage point. Overall, sales were €3,201 million, close to the prior-period level of €3,212 million.

Adjusted **EBITDA** fell short of the very good prior-period level in the first quarter of 2014, mainly due to lower selling prices for some important products. It slipped 24 percent year-on-year to €463 million (Q1 2013: €606 million). The adjusted **EBITDA margin** therefore declined from 18.9 percent to 14.5 percent.

The **adjustments** of minus €28 million mainly comprised restructuring expenses and expenses in connection with changes in the valuation of the remaining shares in STEAG GmbH. The prior-year figure of minus €30 million principally comprised expenses in connection with recognition of the put option and the call option for the STEAG shares.

Income before income taxes, continuing operations declined 42 percent to €212 million (Q1 2013: €368 million). The income after taxes, discontinued operations amounting to €21 million related to the lithium-ion business, and was mainly connected with the divestment agreement concluded with Daimler AG at the end of March 2014.

Overall, the **net income** of the Evonik Group dropped 43 percent to €166 million (Q1 2013: €293 million) as a result of the weaker operating performance and the impact of one-off factors.

Adjusted net income, which reflects the operating performance of the continuing operations, declined by 39 percent to €187 million (Q1 2013: €305 million). **Adjusted earnings per share** decreased from €0.65 to €0.40.

The **cash flow from operating activities, continuing operations** increased by €138 million to €322 million in the first quarter of 2014, mainly due to a slower growth in net working capital and lower income tax payments. Including the cash flow from discontinued operations, the **cash flow from operating activities** rose by €127 million to €315 million.

Capital expenditures increased 17 percent to €209 million (Q1 2013: €178 million). 39 percent of capital expenditures were allocated to the Consumer, Health & Nutrition segment, 27 percent to the Specialty Materials segment, and 21 percent to the Resource Efficiency segment.

New production facilities for isophorone and isophorone diamine are being completed in Shanghai (China). Investment in these plants amounts to more than €100 million. Isophorone chemicals increase the lifecycle of, for example, heavy-duty surfaces, and also facilitate environment-friendly coating technologies.

Evonik has been raising global capacity for precipitated silicas since 2010 and opened an extended production facility in Rayong (Thailand) in March 2014. Growth in South-East Asia is driven principally by fuel-saving tires and life-science applications.

Evonik has further improved its net financial position. As of end-March 2014, it had **net financial assets** of €583 million, €12 million more than at year-end 2013 (€571 million).

Efficiency enhancements driven forward

Systematic implementation of the **On Track 2.0** efficiency enhancement program introduced in 2012 is proceeding well. Measures with annual savings potential of around €300 million out of the target of €500 million set for year-end 2016 are already being implemented. The **Administration Excellence** program launched in fall 2013 to optimize the quality of Group-wide administration processes is also on schedule. This program should leverage savings of up to €250 million a year by the end of 2016. Initial organizational changes were made in 2013 and further optimization is currently being worked out in detail. Implementation of these measures will start in the second half of 2014, and the majority will be implemented in 2015 and 2016.

Research and development stepped up further

The company continued its intensive research and development endeavors in the first quarter of 2014, and R&D expenses increased 7 percent to €98 million. Examples of the most recent highlights are CYROLITE® Protect 2, the second product in the range of PMMA molding compounds with antimicrobial properties to be placed on the market.

Products from the CYROLITE® Protect product line are used in medical devices. For example, they can prevent hospital-acquired infections.

In recent years, Evonik has been working on a new source of methionine specifically for shrimp and crustaceans. This innovation is now being scaled up for industrial production: In Antwerp (Belgium), Evonik is building the world's first production plant for AQUAVI® Met-Met, a feed additive used in aquaculture. The plant should be completed by the end of 2015. Evonik is already the global market leader in amino additives for fish feed. AQUAVI® Met-Met gives the company access to the attractive growth market for shrimp and crustaceans. Over the past ten years there has been double-digit growth in market volume and further dynamic growth is expected in the future.

Performance of the segments in the first quarter of 2014

Consumer, Health & Nutrition

- Higher volumes, lower selling prices
- Adjusted EBITDA below the high prior-year level
- Adjusted EBITDA margin 19.1 percent, below the very good prior-period figure

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

Sales dropped by 5 percent to €978 million (Q1 2013: €1,027 million). Excluding negative exchange rate effects, this segment only posted a slight organic sales drop. Despite higher volumes, this was caused by a reduction in selling prices, especially for amino acids for animal nutrition. Selling prices for the most important amino acid, methionine, stabilized compared with the previous quarter. Business with products for the healthcare sector was impaired by the postponement of development projects. By contrast, demand for ingredients for personal care products developed very well. Adjusted **EBITDA** was 33 percent below the high prior-period level at €187 million (Q1 2013: €281 million) due to lower selling prices and ramp-up expenses for new

production capacity. The adjusted **EBITDA margin** was 19.1 percent, down from the previous year's very good level of 27.3 percent.

Resource Efficiency

- Rising demand and virtually stable selling prices
- Higher adjusted EBITDA
- Adjusted EBITDA margin improved to a very good 23.5 percent

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

Sales grew 4 percent to €805 million (Q1 2013: €771 million). Virtually stable selling prices and a substantial hike in volumes led to clear organic sales growth, but this was reduced by negative currency effects. In particular, the silica and silanes business benefited from strong demand from the tire industry. Matting agents for paints and coatings also did well. Crosslinkers and oil additives registered a substantial hike in demand from the automotive, coatings and construction industries. Adjusted **EBITDA** rose 10 percent to €189 million (Q1 2013: €172 million). The adjusted **EBITDA margin** improved from 22.3 percent to 23.5 percent.

Specialty Materials

- Higher volumes, lower selling prices
- Adjusted EBITDA well below the good prior-period level
- Adjusted EBITDA margin slipped to 9.4 percent

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.

Sales increased by 1 percent to €1,177 million (Q1 2013: €1,170 million). Excluding exchange rate effects, the segment achieved slight organic sales growth. There was a pleasing increase in volumes but a considerable drop in selling prices, especially for butadiene. An increase in demand was registered for almost all C₄ chemistry and polyamide 12 products. Volume sales of methacrylates were stable. Adjusted **EBITDA**

was €111 million, 39 percent below the high year-back figure (€182 million), mainly due to lower selling prices and higher raw material costs. The adjusted **EBITDA margin** was 9.4 percent, down from 15.6 percent in the first quarter of 2013.

Services

The Services segment mainly provides services for the chemicals segments and the Corporate Center, but also serves third parties.

The Services segment's **sales totaled** €651 million. Internal sales accounted for €444 million of the total. External sales were up slightly year-on-year at €207 million (Q1 2013: €204 million). Adjusted **EBITDA** slipped 6 percent year-on-year to €51 million (Q1 2013: €54 million). This was partly due to scheduled maintenance work at a power plant in Marl (Germany).

Outlook for 2014 confirmed

Looking at the global economic background, Evonik still expects global growth to be slightly higher in 2014 than in 2013. Alongside the stepwise recovery in Europe, there are some challenges, especially in the emerging markets, and increasing risk comes from geopolitical tension, above all in the Ukraine.

Evonik is sticking to the forecast made at the start of this year with regard to global economic conditions in 2014 as a whole and is confirming its guidance: The company anticipates that **sales** will rise slightly year-on-year in 2014 (2013: €12.7 billion¹⁾), and still expects adjusted **EBITDA** to be between €1.8 billion and €2.1 billion (2013: €2.0 billion).

The positive volume trend should continue, driven by the completion of the first growth investments. For some major business activities the company still assumes that in 2014 selling prices will be below the average for 2013 as price levels were positively influenced by higher prices in the first six months of 2013.

¹⁾ Prior-year figure restated due to first-time application of IFRS 11

Further relief on the cost front should come from the On Track 2.0 efficiency enhancement program. In addition, Evonik expects to see the first positive effects of the new Administration Excellence program to optimize administrative structures. Downside factors could result from ramp-up expenses for growth investments and negative currency effects.

Evonik Group: Excerpt from the income statement

(in € million)	Q1 2014	Q1 2013	Change in %
Sales	3,201	3,212	0
Adjusted EBITDA	463	606	-24
Adjusted EBIT	316	464	-32
Adjustments	-28	-30	
Net interest expense	-76	-66	
Income before income taxes, continuing operations	212	368	-42
Income taxes	-63	-85	
Income after taxes, continuing operations	149	283	-47
Income after taxes, discontinued operations	21	7	
Income after taxes	170	290	-41
thereof attributable to non-controlling interests	4	-3	
Net income	166	293	-43
Adjusted net income	187	305	-39

Prior-year figures restated

Segment performance

	Sales			Adjusted EBITDA		
	Q1 2014 in € million	Q1 2013 in € million	Change in %	Q1 2014 in € million	Q1 2013 in € million	Change in %
Consumer, Health & Nutrition	978	1,027	-5	187	281	-33
Resource Efficiency	805	771	4	189	172	10
Specialty Materials	1,177	1,170	1	111	182	-39
Services	207	204	1	51	54	-6
Other operations	34	40	-15	-75	-83	-10
Group	3,201	3,212	0	463	606	-24

Prior-year figures restated

Employees by segment

	Mar. 31, 2014	Dec. 31, 2013
Consumer, Health & Nutrition	7,144	7,150
Resource Efficiency	5,933	5,854
Specialty Materials	6,318	6,268
Services	12,316	12,192
Other operations	1,348	1,531
Continuing operations	33,059	32,995
Discontinued operations	592	655
Group	33,651	33,650

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 2013 more than 33,500 employees generated sales of around €12.7 billion and an operating profit (adjusted EBITDA) of about €2.0 billion.

Disclaimer

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