

Capital Markets Day 2013

Group Strategy

Dr. Klaus Engel, CEO

Essen, 3 September, 2013



EVONIK
INDUSTRIES

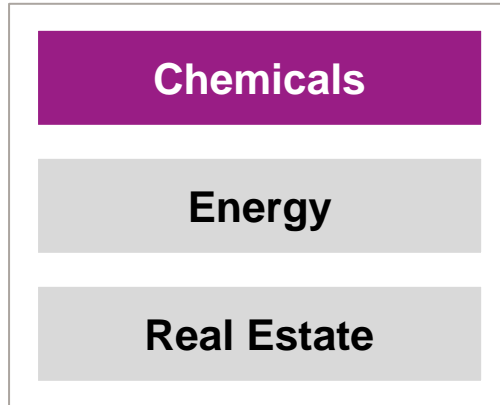
Track Record and Positioning

Current Performance and Outlook

Strategy for the Future

In the past years we created value and positioned Evonik well for the IPO

Evonik 2008

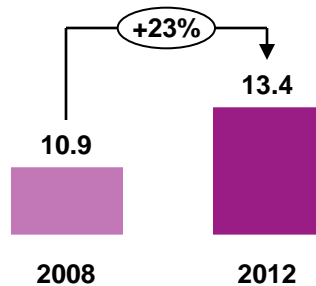


- ▶ Focusing
- ▶ Profitability
- ▶ Debt Reduction

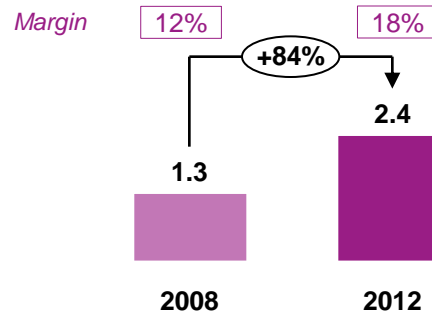
Evonik 2012/13



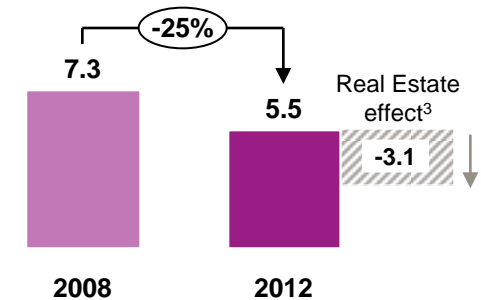
Sales¹
(in € bn)



Adj. EBITDA¹
(in € bn)



Debt²
(in € bn)



¹ Continued Chemicals Business

² Evonik total; Debt incl. pensions

³ Effect of Real Estate transaction on indebtedness vs. year-end 2012













Our specialty chemicals business is structured in three segments

		Segments	Business Units
Specialty Chemicals		Consumer, Health and Nutrition Sales: €4,204 m Adj. EBITDA margin: 25.1%	Consumer Specialties Sales: €2,056 m
			Health & Nutrition Sales: €2,148 m
		Resource Efficiency Sales: €3,131 m Adj. EBITDA margin: 21.2%	Inorganic Materials Sales: €1,473 m
			Coatings & Additives Sales: €1,658 m
		Specialty Materials Sales: €4,843 m Adj. EBITDA margin: 17.6%	Performance Polymers Sales: €1,774 m
			Advanced Intermediates Sales: €3,069 m
Efficient support functions	Services (e.g. Site Services, Evonik Business Services)		
	Corporate / Other		

Figures relate to full year 2012

Most of our sales stem from leading market positions

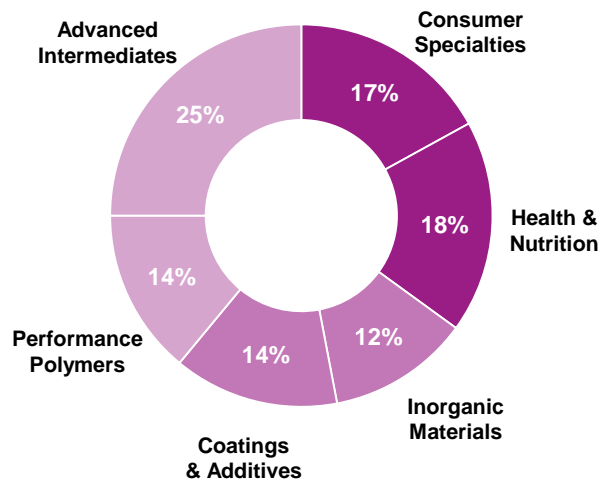
Sales from leading market positions (2012)¹

	Consumer, Health & Nutrition	Resource Efficiency	Specialty Materials
	 <p>~80%</p>	 <p>~95%</p>	 <p>~70%</p>
Examples of products with leading market positions	<ul style="list-style-type: none"> • Superabsorbents (#1-2)  • DL-Methionine (#1)  • Pharma polymers (#2)  	<ul style="list-style-type: none"> • Silicas (#1)  • Isophorone chemicals (#1)  • Oil additives (#1)  	<ul style="list-style-type: none"> • Polyamide-12 (#1)  • Methacrylates (#2)  • H₂O₂ (#2) 

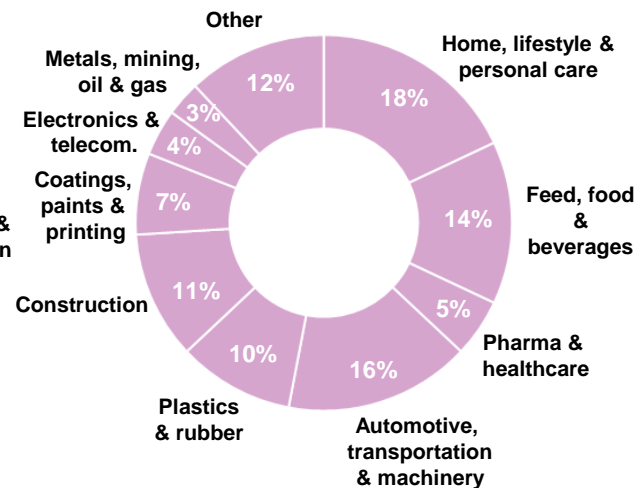
¹ Sales with top 1-3 market position by sales, production volume or capacity (depending on available data)
Source: Company estimate, based on multiple research reports

Balanced and diversified portfolio enables sustainability of position and profitable growth

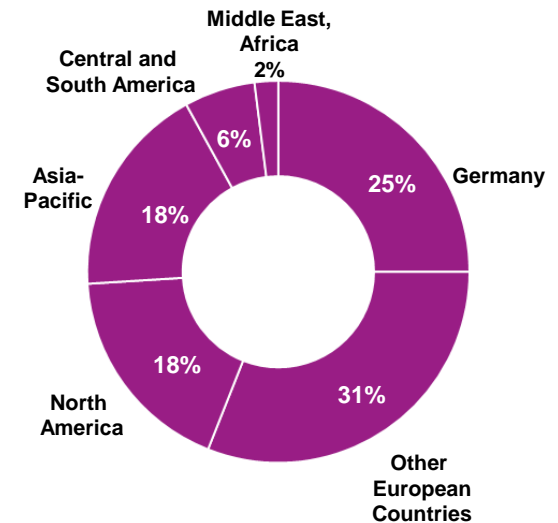
Sales by Business Units¹



End market split²



Sales by region³



¹ 2012; not including Services, Real Estate and Corporate/Other

² Based on Specialty Chemicals segments' 2012 sales to end markets as per Evonik's internal management system

³ Consolidated Group sales 2012 (incl. Real Estate)

Agenda



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Despite negative effects on our current performance the overall outlook remains positive



Current economic environment

- Europe still struggles with sovereign debt crisis
- Emerging economies still high, but slowed growth
- Slow and fragile recovery in the US
- High volatility of customer industries

➔ **Overall current economic situation remains challenging**



Evonik – Actual Performance

- Short-term headwinds in some businesses due to
 - lower methionine prices
 - pressure on butadiene prices
 - weaker end markets in Crosslinkers and MMA/PMMA

➔ **Most businesses with stable or higher earnings**



Evonik – Outlook

- Challenging effects in actual performance predominantly temporary
- Mid term growth drivers for our businesses intact
- Future margin expectations positive

➔ **Overall Evonik well underway regarding its strategic development**

Track Record and Positioning

Current Performance and Outlook

Strategy for the Future

Profitable growth, efficiency improvements and values are the pillars of our strategy



Growth

- Focus on attractive businesses and markets
- Ambitious investment program (€6 bn 2012 – 2016)
- External growth through selective acquisitions
- Innovation initiatives addressing future markets

Efficiency

- Continued shift to high margin applications
- Cost leadership and proprietary production technologies
- Efficiency program “On Track 2.0” launched

Values

- Mindset for growth
- Performance culture and diversity
- Value based management and incentive system

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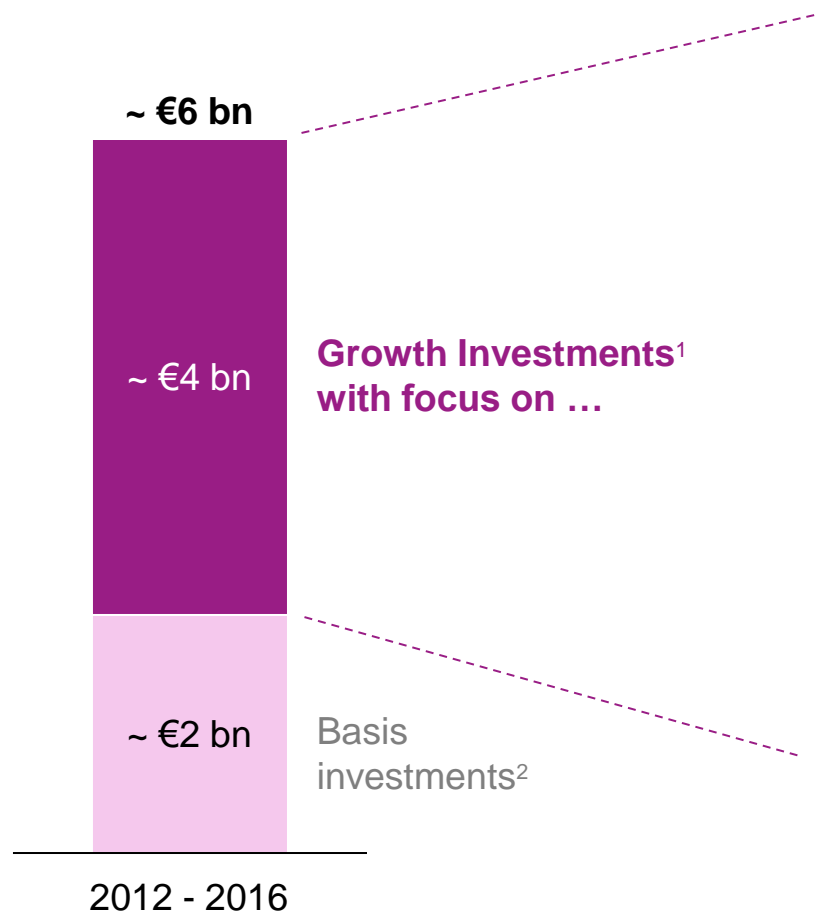
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Favorable megatrends support growth across all segments

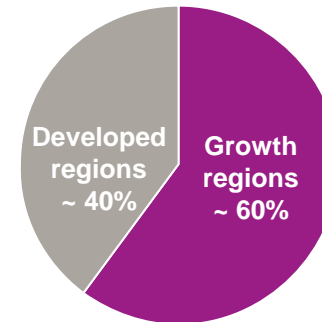
Segments	Key Megatrends	Markets for Evonik	
			Sales growth CAGR ₀₈₋₁₂
 <p>Consumer, Health & Nutrition</p>	<ul style="list-style-type: none"> Growing emerging market wealth Aging population 	<ul style="list-style-type: none"> Compound animal feed particularly in emerging markets Health Care solutions 	<p>10%</p> <p>11%</p>
 <p>Resource Efficiency</p>	<ul style="list-style-type: none"> Renewable energies Environmentally friendly solutions 	<ul style="list-style-type: none"> Silicas & Silanes for tire industry, incl. green tires Oil Additives – viscosity modifier for fuel efficiency 	<p>15%</p> <p>10%</p>
 <p>Specialty Materials</p>	<ul style="list-style-type: none"> Mobility and urbanization Substitution of conventional materials 	<ul style="list-style-type: none"> Polymers for lightweight construction HPPO for insulation and other PU application 	<p>10%</p> <p>24%</p>

A €6 billion investment program focusing on growth regions and businesses

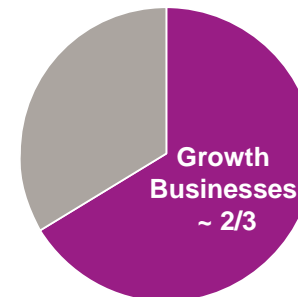
Investment program 2012 – 2016



... Growth Regions³



... Growth Businesses⁴



¹ Growth investments defined as investments above €2.5 m into growth projects.

² Includes investments below €2.5 m and maintenance and regulatory compliance investments

³ Growth regions defined as Asia and rest of the world, developed regions defined as Europe and North America.

⁴ According to Portfolio classification

Our ongoing investments with focus on emerging regions are well underway

Lighthouse investment projects



Lysine Expansion
Blair, US



C4 Chemistry
Marl/Antwerp



Lysine
Russia



Cons. Specialties, Organics
China



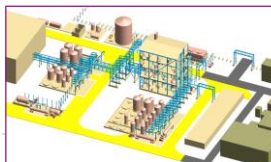
H₂O₂ / HPPO
China



Crosslinkers, Isophorone
China



Biodiesel catalysts
Argentina



Cons. Specialties, Organics
Brazil



Superabsorbents
Saudi Arabia



Methionine
Singapore



Lysine
Brazil

Me5 – our largest single investment project targets at growth in Asia

World scale production in Singapore (2014 start-up)



New world-scale plant at chemicals hub of Jurong Island, Singapore (investment of €500m)

- Capacity: 150kt
- Fully back-integrated, highly optimized

Strategic Rationale

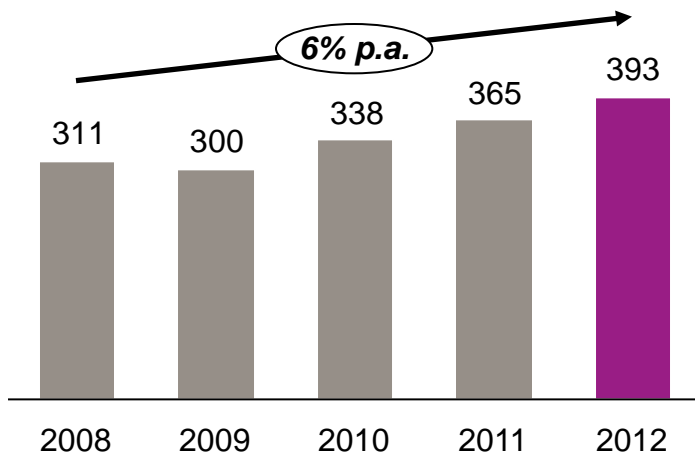
- New site complements Evonik's global Methionine footprint
- Local production in all major regions: NAFTA, Europe and Asia
- Supports Evonik's growth strategy in emerging regions

Project Status

- Construction progressing well
- Project in time and budget
- Start-up scheduled for H2/2014

Evonik is significantly expanding its R&D efforts to ensure future business growth

R&D Expenditures (€m)



- In 2012 R&D spending of €393 million (+8 % vs. prior year)
- Around 2,500 employees at more than 35 sites within our global R&D network

R&D at Evonik

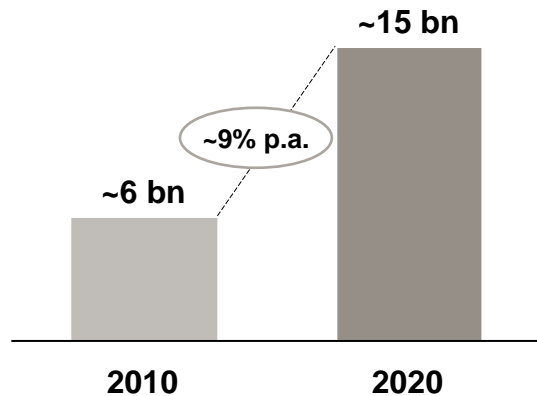
- Further internationalization of R&D is ongoing (e.g. project house Light & Electronics in Taiwan)
- New innovation centers address attractive innovation fields (e.g. new innovation centers in Essen)
- Corporate Venturing (~ €100 m) allows access to highly innovative technologies and markets



SEPURAN® membranes to upgrade Biogas are an actual innovation highlight

Membranes Market

Overall Market-size and expected growth



Growth drivers

- Increasing demand for resource efficiency solutions
- Push towards electric vehicles and need for battery technologies
- Potential efficiency gains in separation processes for industrial gases and liquids

Strategic Rationale for Evonik



- SEPURAN® membranes for Purification of Biogas:
 - Environmentally friendly removal of contained CO₂
 - Easier and less energy-intensive than normal cleaning process
- Innovative proprietary Evonik's technology based on existing polyimide know how (BU Performance Polymers)
- Evonik's business potential ~ €100 million
- Significant contribution to making renewable energy competitive

For additional growth we are exploring a set of new areas

New Growth Areas for Evonik

Build a leading nutrition and care platform with unique exposure to growth trends

Create new business in attractive markets for resource efficiency and electronics



Personal Care



Food & Feed



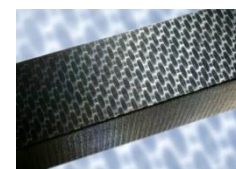
Pharma- & Biotechnology



Oilfield Chemicals



Membranes & Advanced Ceramics



Composites

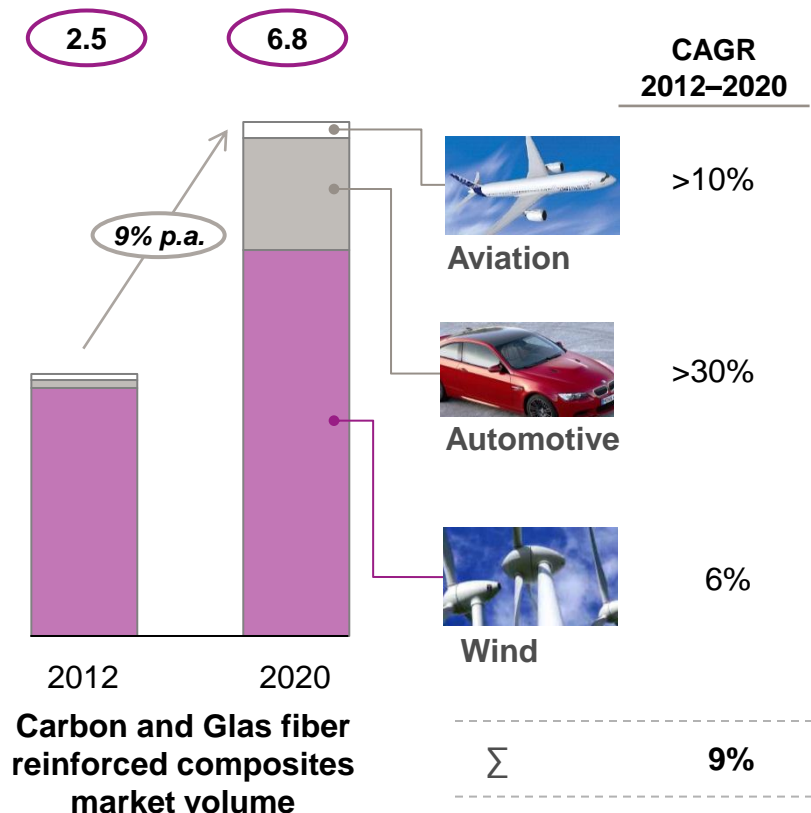


Electronics
(coating, film, powder)

Example: In high-performance composites we are pursuing an attractive growth opportunity

Composite Market growth in relevant applications

Value¹
in € billion



Strategic Rationale for Evonik

- Considerable market growth expected in composites market (9 % CAGR₁₂₋₂₀)
- Evonik's ambition: €250 m revenues in high-performance composites in 2020, mainly in BUs Performance Polymers and Coatings & Additives
- Evonik's products for this market: polymers, structural foams, hardeners and additives
- Project House Composites launched to develop new materials and system solutions

¹ Raw materials value

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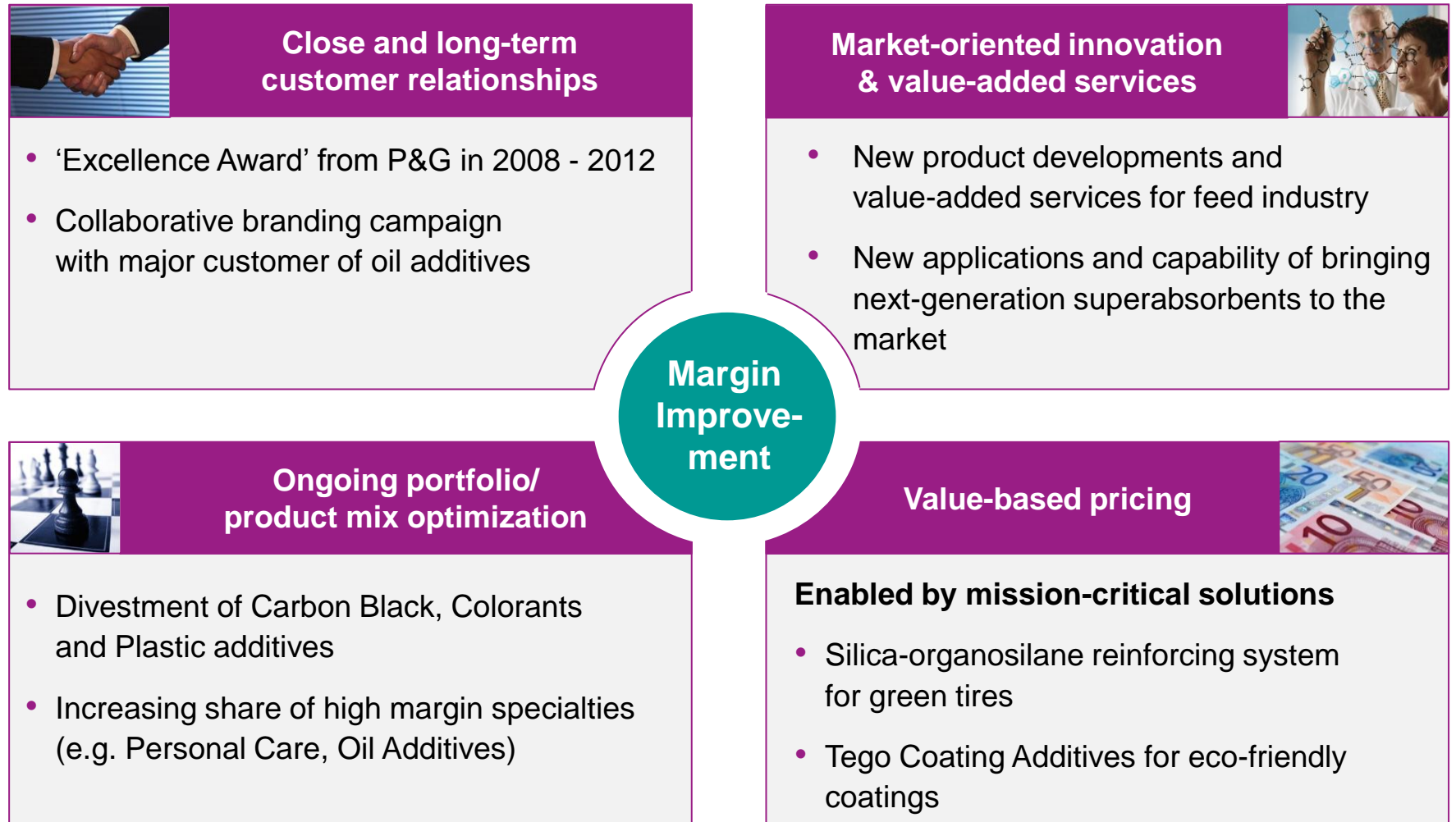
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We will use several levers for the continuous shift to high margin applications



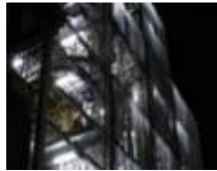
Additional efficiency gains by cost leadership and proprietary production technologies

Process development and optimization



HPPO

Innovative technology for propylene oxide production with significant cost advantages



AVENEER®

New cost-efficient MMA process



Methionine

Significant cost reduction in Methionine process



**Bio-
technology**

Development of biotechnological production process ensures the use of alternative raw material resources



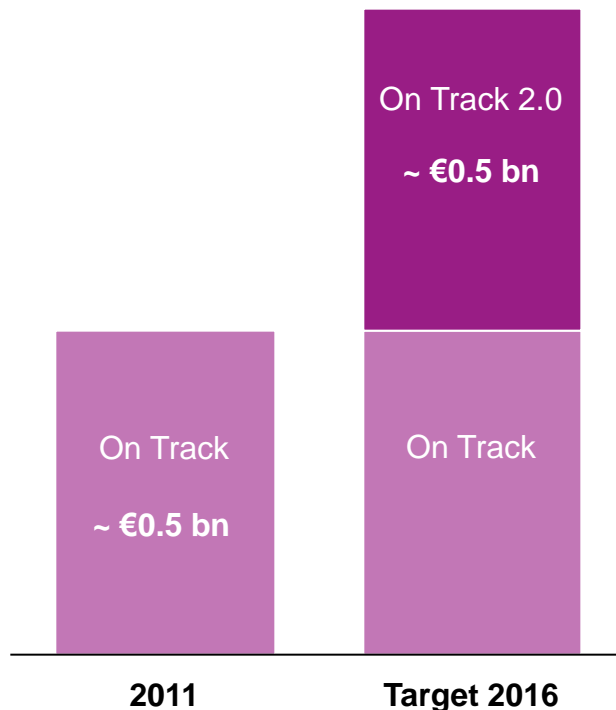
Six Sigma

Sustainable efficiency and significant improvement in yield and quality

Efficiency improvements will continue to ensure competitiveness



Annual cost savings¹



Comments

- "On Track" with >€500 million cost savings completed in 2011, one year ahead of schedule
- "On Track 2.0" initiated in 2012 already
 - Limited implementation costs
 - Examples for improvement initiatives
 - Maintenance costs
 - Energy management
 - Business Services
 - Site Services

Note: Figures excluding Steag and Carbon Black

¹ Annual cost savings of "On Track" compared to 2008 cost base. Excludes c. €40m for Carbon Black in 2011.

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Our values will be essential for implementing our strategy

Mindset for growth

- Foster engagement for global growth strategy (e. g. International Growth Conference)



Performance culture and diversity

- Value-oriented entrepreneurship
- Strategic personal development with focus on diversity
- Support of portfolio management and efficiency improvement programs



Value based management and incentive system

- Management focused on value creation
- Long-term incentive plan (LTI) for executives

We have set ourselves ambitious financial targets



We will ...

- expand our leading market positions
- focus on our attractive growth businesses and emerging markets
- explore new growth areas by innovation and external growth
- continuously improve our cost and technology positions

Our Financial Targets 2018

Sales ~ €18 billion

Adj. EBITDA > €3 billion



EVONIK
INDUSTRIES