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| Evonik Industries AGRellinghauser Straße 1-1145128 EssenGermanyPhone +49 201 177-01Telefax +49 201 177-3475www.evonik.com**Supervisory Board**Dr. Werner Müller, ChairmanExecutive BoardDr. Klaus Engel, ChairmanChristian KullmannThomas WesselPatrik WohlhauserUte WolfRegistered office EssenRegistered courtEssen local courtCommercial registry B 19474VAT ID no. DE 811160003 |

Key Financial Data: First half/second quarter 2014

**A solid performance in Q2 2014—
Slight operating improvement compared with first quarter**

**Key data on Q2 2014:**

* **3 percent organic sales growth—pleasing increase in volumes accompanied by declining price pressure**
* **Adjusted EBITDA €473 million, down year-on-year but higher than in Q1 2014**
* **All segments posted slightly better results than in Q1 2014**

**Key data on H1 2014:**

* **Slight organic sales growth to €6.4 billion**
* **Adjusted EBITDA at a solid level but below the good prior-year figure**
* **Adjusted EBITDA margin 14.5 percent**
* **Cash flow from operating activities increased considerably to €308 million**
* **Adjusted net income dropped 28 percent to €361 million**
* **Outlook for 2014 confirmed and specified**

Essen. "Strong demand for our products was registered worldwide in the second quarter of 2014 in a slightly positive economic environment. Our business developed solidly overall," said Klaus Engel, Chairman of the Executive Board of Evonik Industries AG, today, when the Group presented its key financial data for the second quarter and first half of 2014. "Overall, the clear downward price trend for some important products observed in previous quarters slowed perceptibly. The earnings performance of all our segments improved slightly compared with the first quarter."

Overall, the Group achieved organic sales growth in the first six months of 2014. The operating results were solid, although they were below the good prior-year level due to the erosion of selling prices for some important products.

Evonik is confirming and specifying its outlook for 2014 as a whole.

The company still anticipates that **sales** will rise slightly (2013: €12.7 billion) and that adjusted **EBITDA** will be between €1.8 billion and €2.1 billion (2013: €2.0 billion).

On the price front, Evonik expects the stabilization that has been evident so far to continue. In some businesses, a slightly positive price trend is visible. However, so far this does not apply to the Specialty Materials segment, where price trends have remained below the original expectations. If this should continue for the remainder of this year, Evonik currently assumes that adjusted **EBITDA** will probably be in the lower rather than the upper part of the €1.8 billion to €2.1 billion range.

**Business performance in H1 2014**

The overall global economic development was slightly weaker than expected in the first half of 2014. Although the sustained upward trend in global growth continued, no additional momentum was generated in the second quarter.

In the first six months of 2014, **Group sales** posted organic growth of 2 percent. This was driven by higher volumes (5 percentage points), while selling prices were lower (-3 percentage points). Taking into account currency effects (-2 percentage points), sales amounted to €6,448 million, up from the prior-period figure of €6,421 million.

Adjusted **EBITDA** fell 16 percent to €936 million (H1 2013: €1,115 million), mainly due to erosion of selling prices for some important products. The adjusted **EBITDA margin** therefore declined from 17.4 percent to 14.5 percent.

The **adjustments** of minus €79 million relate, among other things, to restructuring expenses, impairment losses, mainly in connection with a project in the Specialty Materials segment that was terminated following a routine review of investment projects, and the at-equity carrying amount of STEAG. The prior-year figure of minus €93 million mainly comprised income, expenses and impairment losses in connection with the shutdown of production plants in the Resource Efficiency and Specialty Materials segments.

**Income before income taxes, continuing operations** was 29 percent lower at €424 million (H1 2013: €601 million). **Income after taxes, discontinued operations** totaled €21 million. It mainly related to the lithium-ion business and resulted principally from revaluation in connection with the sale of the shares in Li-Tec Battery and Deutsche Accumotive to Daimler AG.

Overall, the Group's **net income** dropped 37 percent to €305 million in the first six months of 2014 (H1 2013: €486 million).

**Adjusted net income**, which reflects the operating performance of the continuing operations, declined by 28 percent to €361 million (H1 2013: €499 million). **Adjusted earnings per share** therefore decreased from €1.07 to €0.77.

The **cash flow from operating activities, continuing operations** increased by €111 million to €303 million in the first six months of 2014, mainly due to a considerably lower increase in net working capital and lower income tax payments. Including the cash flow from discontinued operations, the **cash flow from operating activities** increased by €99 million to €308 million.

**Capital expenditures** increased 14 percent to €478 million (H1 2013: €419 million). 43 percent of capital expenditures were allocated to the Consumer, Health & Nutrition segment, 24 percent to the Specialty Materials segment, and 21 percent to the Resource Efficiency segment.

To extend its leading market positions, Evonik started up new production capacity in Asia. More than €100 million has been invested in an integrated production complex for isophorone and isophorone diamine in Shanghai (China). Isophorone chemicals increase the service life of, for example, heavy-duty surfaces, and also facilitate environment-friendly coating technologies. In Rayong (Thailand), an extended production plant for precipitated silica was brought into service. Growth in South-East Asia is driven principally by fuel-saving tires and life-science applications. A new hydrogen peroxide plant with production capacity of 230,000 metric tons p.a. has been completed in Jilin (China). The product will be supplied to a neighboring Chinese partner, which will use it to produce propylene oxide at a newly erected plant based on an innovative process developed by Evonik and ThyssenKrupp Uhde.

At the end of June 2014, **net financial debt** was €150 million, partly due to ongoing investment spending and the dividend of €466 million for fiscal 2013, which was paid in May. At year-end 2013 Evonik had **net financial assets** of €571 million.

**Business performance in Q2 2014**

Evonik registered strong demand for its products worldwide in the second quarter of 2014. The clear downward price trend observed in previous quarters slowed perceptibly. Both sales and adjusted EBITDA improved slightly compared to the first quarter of 2014, with all segments contributing to the improvement in earnings.

**Group sales** grew 1 percent to €3,247 million in the second quarter of 2014 (Q2 2013: €3,209 million). Evonik posted organic sales growth of 3 percent, driven by a considerable rise in volumes (5 percentage points), which was countered by slight erosion of selling prices
(-2 percentage points). Currency effects clipped sales by 2 percentage points.

Adjusted **EBITDA** was €473 million, 7 percent below the year-back figure of €509 million, mainly due to lower selling prices for some important products. The adjusted **EBITDA margin** slipped from 15.9 percent to 14.6 percent.

**Performance of the segments in H1 2014**

**Consumer, Health & Nutrition**

* Higher volumes, lower selling prices
* Adjusted EBITDA below the high prior-period level
* Adjusted EBITDA marginat a good level of 19.0 percent in H1 2014

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.

In the first six months of 2014, this segment's **sales** dropped by 5 percent to €1,981 million (H1 2013: €2,076 million). Slight volume growth was more than offset by declining selling prices and negative currency effects. Demand for amino acids for animal nutrition continued to rise but superabsorbents did not match the high volume sales registered in the first half of the previous year. Adjusted **EBITDA** dropped 26 percent to €376 million (H1 2013: €508 million) as a result of lower selling prices, especially for amino acids for animal nutrition, and start-up expenses for new production capacity. Selling prices for the most important amino acid, methionine, have stabilized since the start of the year. The adjusted **EBITDA margin** was good at 19.0 percent (H1 2013: 24.5 percent).

**Resource Efficiency**

* Far higher demand and stable selling prices
* Further improvement in adjusted EBITDA
* Adjusted EBITDA margin rose to an excellent 23.2 percent in the first six months

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 €1,635 million in the first half of 2014 (H1 2013: €1,572 million). The strong volume growth was offset by a slight decline in selling prices and negative currency effects. In particular, business with silicas and silanes remained very pleasing thanks to high demand from the tire industry. The Coatings & Additives Business Unit was able to lift volumes considerably and benefited from high demand from the automotive and construction industries. Adjusted **EBITDA** increased 10 percent to €380 million (H1 2013: €346 million), mainly because of the rise in volumes. The adjusted **EBITDA margin** rose from 22.0 percent to 23.2 percent.

**Specialty Materials**

* Far higher volumes, lower selling prices
* Adjusted EBITDA down year-on-year
* Adjusted EBITDA margin slipped to a weak 9.5 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** rose 2 percent to €2,350 million in the first six months of 2014 (H1 2013: €2,299 million), driven by far higher volumes, while sales growth was held back by lower selling prices, especially for butadiene. A further increase in demand was registered for almost all
C4 chemistry products, and for polyamide 12 products and methacrylates. Adjusted **EBITDA** dropped 28 percent to €224 million (H1 2013: €310 million), mainly because of the reduction in selling prices. The adjusted **EBITDA margin** dropped from 13.5 percent to 9.5 percent.

**Services**

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

**Sales** grew 3 percent to €449 million in the first half of 2014 (H1 2013: €437 million). Adjusted **EBITDA** dropped 2 percent, from €107 million in the first half of 2013 to €105 million in the first half of 2014.

**Outlook for 2014**

Looking at the global economic background, even though the development in the first six months was somewhat weaker than had been anticipated, Evonik still expects to see a slight upturn in global growth in 2014 as a whole. That said, the stepwise recovery in the global economy is affected by increasing structural challenges in the emerging markets and the uncertainty arising from ongoing political disputes and military conflicts. Despite the expected upturn in demand, the decline in producer prices observed in 2013 will not be reversed in all end-customer industries in 2014.

Overall, Evonik is confirming and specifying its outlook for 2014.

The company still anticipates that **sales** will rise slightly (2013: €12.7 billion) and that adjusted **EBITDA** will 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. On the price front, the company expects the stabilization that has been evident so far to continue. In some businesses, a slightly positive price trend is visible. However, so far this does not apply to the Specialty Materials segment, where price trends have remained below the original expectations. If this should continue for the remainder of this year, Evonik currently assumes that adjusted EBITDA will probably be in the lower rather than the upper part of the €1.8 billion to €2.1 billion range.

Further relief on the cost front should come from the On Track 2.0 efficiency enhancement program. In addition, the company expects to see the first positive effects of the Administration Excellence program, which was launched in fall 2013 to optimize administrative structures. Downside factors could result from ramp-up expenses for growth investments, negative currency effects, and the rising price of crude oil.

**Evonik Group: Excerpt from the income statement**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **(in € million)** | **Q2 2014** | **Q2  2013** | **Change in %** | **H1****2014** | **H1****2013** | **Change in %** |
| Sales | 3,247 | 3,209 | 1 | 6,448 | 6,421 | 0 |
| Adjusted EBITDA | 473 | 509 | -7 | 936 | 1,115 | -16 |
| Adjusted EBIT | 322 | 364 | -12 | 638 | 828 | -23 |
| Adjustments | -51 | -63 |  | -79 | -93 |  |
| Net interest expense | -59 | -68 |  | -135 | -134 |  |
| Income before income taxes, continuing operations | 212 | 233 | -9 | 424 | 601 | -29 |
| Income taxes | -70 | -80 |  | -133 | -165 |  |
| Income after taxes, continuing operations | 142 | 153 | -7 | 291 | 436 | -33 |
| Income after taxes, discontinued operations | - | 35 |  | 21 | 42 |  |
| Income after taxes | 142 | 188 | -24 | 312 | 478 | -35 |
| Thereof attributable to non-controlling interests | 3 | -5 |  | 7 | -8 |  |
| **Net income** | 139 | 193 | -28 | 305 | 486 | -37 |
| **Adjusted net income** | **174** | **194** | **-10** | **361** | **499** | **-28** |

Prior-year figures restated

**Segment performance**

|  |  |  |
| --- | --- | --- |
|  | **Sales Q2**  | **Adjusted EBITDA Q2** |
|  | **Q2 2014** | **Q2 2013** | **Change** | **Q2 2014** | **Q2 2013** | **Change** |
|  | **€ million** | **€ million** | **in %** | **€ million** | **€ million** | **in %** |
| Consumer, Health & Nutrition | 1,003 | 1,049 | -4 | 188 | 227 | -17 |
| Resource Efficiency | 830 | 801 | 4 | 191 | 174 | 10 |
| Specialty Materials | 1,174 | 1,129 | 4 | 112 | 128 | -13 |
| Services | 220 | 210 | 5 | 54 | 53 | 2 |
| Other operations | 20 | 20 | 0 | -72 | -73 | 1 |
| **Group** | 3,247 | 3,209 | 1 | 473 | 509 | -7 |
|  | **Sales H1** | **Adjusted EBITDA H1** |
|  | **H1 2014** | **H1 2013** | **Change** | **H1 2014** | **H1 2013** | **Change** |
|  | **€ million** | **€ million** | **in %** | **€ million** | **€ million** | **in %** |
| Consumer, Health & Nutrition | 1,981 | 2,076 | -5 | 376 | 508 | -26 |
| Resource Efficiency | 1,635 | 1,572 | 4 | 380 | 346 | 10 |
| Specialty Materials | 2,350 | 2,299 | 2 | 224 | 310 | -28 |
| Services | 449 | 437 | 3 | 105 | 107 | -2 |
| Other operations | 33 | 37 | -11 | -149 | -156 | 4 |
| **Group** | 6,448 | 6,421 | 0 | 936 | 1,115 | -16 |

Prior-year figures restated

**Employees by segment**

|  |  |  |
| --- | --- | --- |
|  | **June 30, 2014** | **December 31, 2013** |
| Consumer, Health & Nutrition | 7,059 | 7,150 |
| Resource Efficiency | 5,984 | 5,854 |
| Specialty Materials | 6,333 | 6,268 |
| Services | 12,185 | 12,192 |
| Other operations | 1,421 | 1,531 |
| Continuing operations | 32,982 | 32,995 |
| Discontinued operations  | 186 | 655 |
| **Group** | **33,168** | **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.

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