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Evonik Industries AG

Evonik. Power to create.

Statement

at the Annual Shareholders' Meeting

on May 19, 2015

in Essen (Germany)

Embargoed until: May 19, 2015, Start of statement

- The spoken version is authoritative -

Evonik. Power to create.

Good morning ladies and gentlemen,

Together with my colleagues on the Executive Board, I would like to extend a warm welcome to you all. This is Evonik's second Shareholders' Meeting as a listed company and I am delighted to report to you—our shareholders—on our strategic and operational performance in 2014. In the past twelve months we have once again demonstrated a good deal of “Power to create”:

- Worldwide we invested selectively in modern new production capacities, innovations, and our employees.
- We embarked on and successfully completed important strategic growth projects.
- We optimized our administrative and cost structures.
- We strengthened our sound financial profile.
- And we gave the Evonik Group a new management structure to enhance its competitiveness and position it closer to the market.

I will be reporting on that in detail shortly. But first, I would like to look at our performance in 2014.

Fiscal 2014—Successful in difficult conditions

“Successful in difficult conditions” is a good way of summarizing Evonik's performance last year. Overall, the development of the global economic framework for our worldwide business was slightly weaker than expected. Nevertheless, volume sales rose thanks to buoyant demand for our products and increased production capacity. The downward price trend slowed during the year and in some businesses there were even signs of a far more positive price trend towards the end of 2014. Overall, **sales** advanced 2 percent to €12.9 billion.

Earnings gained considerable momentum during the year, with **adjusted EBITDA** rising in each of the first three quarters. The fourth quarter brought a turnaround: For the first time since 2011, adjusted EBITDA was higher than in the previous quarter. Although it slipped 6 percent to €1.867 billion over the year as a whole, that was nevertheless within our target range.

The **net income** of €568 million was well below the very high level of over €2 billion reported for 2013. However, the 2013 result was boosted by extraordinary income of around €1.5 billion from the divestment of the real estate business.

Adjusted net income, which reflects the operating performance of the continuing operations, dropped 8 percent to €740 million.

Adjusted earnings per share were €1.59, compared with €1.73 in the previous year.

The adjusted **EBITDA margin** remained at a good level of 14.5 percent, which was also good compared with our competitors. The return on capital employed (**ROCE**) was 12.3 percent, so we once again earned an attractive premium on our cost of capital.

The capital markets are increasingly acknowledging our strong balance sheet and sound financial base. That is shown by our investment grade rating, which was recently confirmed by Moody's rating agency.

Our success and progress in 2014 would not have been possible without the enormous commitment of our employees. I am sure that you, our shareholders, join me in thanking all our employees for that. I would also like to thank the employee representatives and the Supervisory Board with its Chairman Werner Müller for their trustful and constructive collaboration during the year.

Dividend policy aligned to continuity and reliability

We have a long-term dividend policy aligned to continuity and reliability. The Executive Board and Supervisory Board therefore propose that, despite the slight drop in our net income, the dividend for 2014 should be held constant at €1.00 per share. That would increase the payout ratio to 63 percent of net income, keeping our dividend yield among the highest in the chemical industry.

A strong start to 2015

At the beginning of May we reported on Evonik's strong start to 2015. The positive trend observed in the second half of 2014 continued in the first quarter of this year. In particular, the Nutrition & Care and Resource Efficiency segments posted dynamic growth. Sales increased 7 percent year-on-year to €3.4 billion, and adjusted EBITDA rose 40 percent to €650 million. It is especially pleasing to report that three quarters of our 22 business lines were able to improve their earnings year-on-year. The adjusted EBITDA margin rose to a high level of 19 percent.

In view of the positive development of our business, we have raised our **outlook** for fiscal 2015. We still expect sales to be slightly higher than in 2014. Our forecast for adjusted EBITDA is now at least €2.2 billion, whereas at the start of the year we assumed a slight rise.

Evonik shares have risen considerably since the start of 2015

The improvement in our performance in the first months of 2015 has had a positive impact on our share price, which was held back last year by the difficult overall economic conditions and the restricted free float. International conflicts and mounting skepticism about the global economy repeatedly dampened sentiment on the financial markets.

Since the beginning of this year, the turnaround in our operating performance has been clearly reflected in the more dynamic performance of our share price, which rose above €36 for the first time in April.

This pleasing price performance was supported by an increase in the free float. This spring, CVC Capital Partners (CVC) sold two stakes in Evonik via the capital market—approximately 3.9 percent of the shares in the company on March 4, 2015, followed by around 4.7 percent on May 6, 2015. CVC's shareholding is therefore now around 9.4 percent. RAG-Stiftung's stake is unchanged at around 67.9 percent. The free float has increased to about 22.7 percent. The related increase in our weighting in significant indices and inclusion in the renowned MSCI World index from June 1, 2015 will further increase awareness of Evonik on the international financial markets. Average daily trading in our shares increased to around 417,000 or €12.3 million in the first quarter of 2015, more than double the average for 2014 as a whole. In recent months we have registered increased interest from investors in our specialty chemicals company.

Consistent realization of our growth strategy

The pleasing upward trend in Evonik's share price is a further incentive for us to drive forward the systematic realization of our strategy of profitable growth. This comprises four elements:

- firstly, extending our leading market positions in selected, megatrend-driven growth areas of the specialty chemicals business
- secondly, investing in innovations, and in organic and external growth
- thirdly, continuously improving our costs, processes and technology positions, and
- fourthly: strengthening Evonik's competitiveness through a market-oriented management and portfolio structure.

In order to implement our growth strategy, our capital expenditures remained high at €1.1 billion in 2014. Germany remained the regional focus, accounting for 37 percent of the total, followed directly by the Asia-Pacific growth region, which received 29 percent.

Last year we made good progress with the investment program we introduced in 2012. I invite you to take a trip around the major growth projects we completed in 2014. I suggest we start in Singapore, at our new DL-methionine complex. This was Evonik's biggest individual investment to date in the chemical sector, amounting to more than €500 million. It came on stream punctually in fall 2014 after a three-year planning and construction period.

DL-methionine is an essential amino acid for healthy, environment-friendly animal nutrition and plays an increasing role in modern nutritional concepts for poultry, pigs and fish. In view of the growing world population, demand for animal protein will continue to rise in the long term.

Our new world-scale methionine complex at the heart of the Asian growth market is fully backwardly integrated. That means, we produce all necessary precursors ourselves, using local raw materials. With our short delivery lines and optimized energy and storage concept, Evonik sets standards for efficiency and environmental protection. The timing of the start-up was perfect: The market was—and still is—at its limits and urgently needed new capacity.

Staying in Singapore, increased capacity at our production facilities for oil additives was taken into service at the start of this month. We want to use this to benefit from the ongoing rise in mobility and higher demand for high-performance lubricants in Asia.

Moving on from South-East Asia, our tour takes us to China, where our first stop is Shanghai. Here we completed a new production complex for isophorone and isophorone diamine last year. The world market for these products is growing faster than global GDP, with Asia, in particular, posting above-average growth. Demand is driven by the resource efficiency megatrend. Isophorone-based composites are used, for example, to make wind turbines more efficient and automobiles lighter.

Our route now takes us to Jilin in north-eastern China, to our new facility for hydrogen peroxide. This is supplied via a pipeline directly to a neighboring facility operated by a Chinese partner, where our innovative HPPO process is used to produce propylene oxide, a precursor for polyurethane. Polyurethane is used as an insulating material in the construction sector and in refrigerators.

Leaving Asia, our next stop is Brazil. Last fall, we officially opened a new production plant for ingredients for the cosmetics and consumer goods industry in the state of São Paulo. Despite the present economic challenges, Brazil is an especially important growth market for these products. In addition, our products are based on renewable resources and therefore meet customers' demand for greater sustainability.

We are currently building a production plant for precipitated silica at the same site. This will be the first production facility for highly dispersible silica in South America. This high-growth product is mainly used in tires with reduced rolling resistance, which are also known as "green tires". The new facility, which is scheduled to come on stream in 2016, will also target specialty segments of the food, animal feed and agricultural industries.

To expand our leading market positions still further, Evonik aims to grow both organically and through acquisitions. We can see one example of a successful acquisition in the state of Michigan in the USA, where Evonik acquired Silbond last spring. This has strengthened our global market leadership in functional silanes. As a specialty supplier of silicic acid esters, Silbond serves markets with above-average growth rates such as the electronics industry.

Our tour ends at the largest of our worldwide sites, Marl Chemical Park in Germany. A production plant for another variant of functionalized polybutadiene known as HTPB came into service here in 2014. This is the result of in-house development work and is an attractive

addition to our range of polybutadienes. HTPB is used, among other things, as a structural adhesive in lightweight automotive engineering, a market with high growth momentum.

Our present investment program is geared to the period to 2016. After that our budget for capital expenditures will initially settle at a slightly lower level. However, to accompany the growth of our customers, we will continue to embark on new investment projects on the basis of careful analysis. For instance, we intend to extend our integrated technology platform for specialty silicones in Essen and Shanghai in the coming years. This is the backbone of significant business activities in the Nutrition & Care and Resource Efficiency segments. Total investment in this global initiative will be in the triple-digit million euro range. Specialty silicones are used as additives in a wide range of high-quality applications in many industries.

Innovation—a strategic success factor for Evonik

Alongside organic growth and acquisitions to strengthen our core business, innovations are important for differentiation in global competition and a key driver of sustained value creation at Evonik. In view of the strategic importance of R&D, we have raised R&D expenses by an average of 8 percent a year since 2009. Last year, R&D expenses rose to a new record of €413 million. Examples of recent successes include a new generation of bioresorbable polylactides for a wide range of applications in medical technology, silane-modified binders for clear automotive paints, and a new group of polyamides based on castor oil—a renewable raw material—rather than derivatives of crude oil. In the next ten years, R&D expenses will remain high at over €4 billion in total.

Our innovative strength is also reflected in the impressive number of patent applications filed at the European Patent Office: Evonik is the tenth most prolific patent applicant in Germany. In 2014 we improved our position by one notch compared with 2013. To retain our innovative strength in the future, we are becoming even more open to external partners from science and industry. At the same time, we aim to step up our research presence in attractive growth markets. Our Center for Light & Electronics in Taiwan therefore conducts its research in the immediate vicinity of customers in the electronics industry, while our Medical Devices Project House is based in the USA, which is an important market for medical technology.

Continuous improvement in efficiency mobilizes resources for further growth

We increase our scope for investment and innovation by steadily streamlining structures and workflows within the Evonik Group.

The On Track 2.0 efficiency-enhancement program introduced in 2012, which is making an important contribution to optimizing procurement, production and related workflows, is entering the home strait. The aim is to reduce our cost base by €500 million by year-end

2016. By the end of 2014 measures with cost-saving potential of more than €400 million were already being implemented.

In addition to this, since fall 2013 our Administration Excellence program has been raising the quality of our Group-wide administrative workflows. By the end of 2016, we will have implemented the measures already identified, which have the potential to reduce costs by around €230 million. In order to achieve this we have, for example, restructured our IT organization and optimized global procurement. This program had leveraged initial savings of around €40 million a year by the end of 2014.

New Group structure strengthens Evonik's competitiveness

The conditions in which the European chemical industry operates are in flux:

- Product lifecycles are getting shorter. Advanced, high-margin products face an increasingly rapid threat of substitution and price erosion.
- Our customers' requirements are becoming increasingly individualized. At the same time, we are observing increasingly short-term ordering patterns.
- There is now little growth in established regions that we have served successfully for decades and know very well. Rather, growth is concentrated in emerging markets.
- At the same time, these markets are a source of rising local and global competitive pressure from new suppliers.

From our position of strength, last year we therefore paved the way to reorganize the structure of the Evonik Group. Under our new management model, the Executive Board will concentrate on the strategic management and development of Evonik as part of a management holding structure. The three chemicals segments will be run by separate legal entities. The business unit level has been eliminated.

In this structure, we have a better basis to manage and drive forward our businesses with greater differentiation and align them more closely to their markets. That enhances our strategic flexibility and will strengthen our leading competitive positions.

Our strength in specialty chemicals is now bundled in the Nutrition & Care and Resource Efficiency segments. Both of these segments operate mainly in markets with high margins, growth rates and entry barriers. They offer their customers individual, customized and innovation-driven solutions. The aim is to enable these segments to achieve above-average, profitable growth through innovations and investments and also through acquisitions.

In recent months there has been repeated speculation about possible acquisitions by Evonik. I would like to take this opportunity to stress that we have defined clear procedures for acquisitions by the Evonik Group. Any acquisition must make strategic sense and must also meet our profitability requirements. That is our policy and we are sticking to it. We intend to keep a cool head and avoid rash moves.

Now let me turn to our Performance Materials segment, which has a stronger product focus and is characterized by processes that make intensive use of energy and raw materials. Therefore, the main focus here is on integrated, cost-optimized technology platforms, efficient processes and economies of scale. This segment's strategic role is to contribute earnings to finance the growth of the Evonik Group. Investments and, where appropriate, cooperations will concentrate on securing and extending its good market positions.

The new segments have been in place since January 1, 2015 and the legal basis of the new Group structure will be completed by July 1, 2015. Going forward, we expect that in future our managers' will think and act even more as "entrepreneurs within the enterprise".

Evonik—A responsible company

We accept responsibility for our business, our employees, the environment and society—both here and worldwide.

The safety of our employees and local residents has priority over sales and profits: We have set high standards worldwide through our common safety culture.

We strive to increase the contribution we make to the sustainable development of society through our products and system solutions. That commitment is also recognized outside the company: In 2014 Evonik was included in renowned stock market indices for responsible investment and gained a good position in leading sustainability ratings and rankings.

We want to anchor diversity even more firmly in our corporate culture in the future because we are convinced that it is a source of enrichment. We understand diversity as covering the full spectrum, in other words, an employee structure that is balanced in terms of gender, with a wide range of nationalities, experience, expertise, and ages.

To enable our employees to participate in the increase in Evonik's value, we again offered them a special share program this spring. The participation rate in Germany was 40 percent, slightly above the previous year's very high rate. In all, nearly 10,000 employees acquired shares in the company and the average investment was considerably higher than last time.

To purchase the shares required for our employee share program, we utilized the authorization granted by the Annual Shareholders' Meeting in 2013. Between March 10 and April 20, 2015, a total of 415,533 shares with a pro rata share of the capital stock of €1.00 per share were purchased at an average price of €33.43 per share. That was 0.1 percent of our capital stock of €466 million. All the shares have now been transferred to the eligible employees and the surplus has been sold on the market. Evonik no longer has any treasury shares.

Evonik. Power to create.

The global environment remains challenging for chemical companies based in Europe. Last year, Evonik once again demonstrated a good deal of "Power to create". By systematically implementing our corporate strategy, we are now positioned to continue to shape our future proactively and to utilize attractive and sustainable opportunities for growth.

We are therefore looking forward optimistically: 2015 will be a year in which Evonik heads for further profitable growth.

Ladies and gentlemen, I look forward to your continued trustful support. Thank you for your attention and your interest in Evonik.