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Barbara Müller
Head of Corporate Press
Phone +49 201 177-3423
Fax +49 201 177-3030
barbara.mueller@evonik.com

Alexandra Boy
Deputy Head of Corporate Press
Phone +49 201 177-3167
Fax +49 201 177-3030
alexandra.boy@evonik.com

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Strategically, 2013 was a successful year—
A solid operating performance in difficult market conditions

- **Klaus Engel, Chairman of the Executive Board: "We have achieved our strategic objectives: Evonik is now a publicly listed specialty chemicals company. Operationally, we achieved solid results in difficult market conditions."**
- **Operating performance in 2013:**
  - **Group sales €12.9 billion; virtually stable organic sales trend**
  - **Adjusted EBITDA €2.0 billion; reduction from very high prior-year figure mainly price-induced**
  - **Attractive adjusted EBITDA margin of 15.6 percent**
- **Net income rose 76 percent to €2.1 billion thanks to divestment gains from real estate activities**
- **Capital expenditures increased 18 percent to €1.1 billion**
- **R&D expenses high at €394 million—R&D ratio 3.1 percent**
- **Dividend proposal for 2013: €1.00 per share (2012: €0.92)**
- **Outlook for 2014: Sales expected to rise slightly (2013: €12.9 billion); adjusted EBITDA expected to be between €1.8 billion and €2.1 billion (2013: €2.0 billion)**

Essen. “Evonik is now listed on the stock exchange and—since last summer's divestment of the majority of shares in the real estate activities—a well-positioned and focused specialty chemicals company. In 2013 we made considerable progress with our growth strategy: The first major projects in our ambitious investment program were completed," reported Klaus Engel, Chairman of the Executive Board of Evonik Industries AG, at today’s financial press conference.

The general economic background was tougher than anticipated in 2013. While volumes increased, lower selling prices, in particular, led to a drop in Evonik's operating results. "Despite the difficult market environment, our business performance was solid," said Engel. "We will be raising the efficiency of our operational and administrative areas still further and systematically improving our cost position. That will support our competitiveness and our profitable growth strategy," he stressed.

Evonik Industries AG
Rellinghauser Straße 1-11
45128 Essen
Germany
Phone +49 201 177-01
Telefax +49 201 177-3475
www.evonik.de

Evonik anticipates that **sales** will rise slightly year-on-year in 2014 (2013: €12.9 billion), and expects adjusted **EBITDA** to be between €1.8 billion and €2.1 billion (2013: €2.0 billion).

Business performance in 2013

Virtually stable organic sales trend at Group level—Solid operating results

In 2013, Evonik's end-customer industries and thus the company's own business performance were affected by the lower economic growth in Asia-Pacific and North America, which are important regions for the company. The persistently weak development in Europe also had an impact. The challenging market environment led to perceptible pressure on selling prices and considerable price erosion for some important businesses. By contrast, the continued high global demand was very pleasing and resulted in clear volume rises, especially in the second half of 2013 compared with the same period of 2012.

Organically, **Group sales** were virtually stable in 2013, posting only a slight year-on-year decline of minus 1 percent. This was mainly caused by lower selling prices (minus 5 percentage points), whereas volumes increased (4 percentage points). Together with other effects (minus 2 percentage points), primarily the divestment of two small businesses in 2012, and currency effects (minus 1 percentage point), the overall result was a 4 percent drop in sales to €12,874 million (2012: €13,365 million).

The operating results fell short of the very high prior-year results, mainly because of the reduction in selling prices for some key businesses. Overall, adjusted **EBITDA** declined by 19 percent to €2,007 million (2012: €2,467 million) and adjusted **EBIT** was 25 percent lower at €1,424 million (2012: €1,887 million). The adjusted **EBITDA margin** was 15.6 percent and thus remained at an attractive level (2012: 18.5 percent).

Considerable improvement in net income

Income before income taxes, continuing operations fell 46 percent to €836 million (2012: €1,556 million). This was attributable to the poorer operating performance and higher one-off adjustment expenses. The **adjustments** of minus €333 million are the net balance of non-operating income and expense items which are by nature one-off or rare. They mainly comprised restructuring expenses, principally in connection with the planned optimization of structures and workflows in the administrative and service units, the shutdown of production plants in the Specialty Materials segment, impairment losses on production plants in the Resource Efficiency and Specialty Materials segments, and other expenses, for example in connection with the sale of former non-core activities.

Income after taxes, discontinued operations totaling €1,397 million (2012: €65 million) mainly contains the proceeds from the divestment of the majority stake in the real estate operations, which was successfully completed in July 2013. **Net income** therefore improved 76 percent to €2,054 million (2012: €1,165 million).

As a result of the operating performance, **adjusted net income**, which does not contain either the effects of adjustments or the discontinued operations, and thus does not include the proceeds from the divestment of the real estate business, dropped 23 percent to €830 million (2012: €1,076 million). **Adjusted earnings per share** decreased from €2.31 to €1.78.

At the Annual Shareholders' Meeting on May 20, 2014, the Executive Board and Supervisory Board will be proposing a **dividend** of €1.00 per share (2012: €0.92).

Attractive return on capital—First major growth projects completed

With a **ROCE** of 14.5 percent, Evonik earned an attractive return on capital employed, which was well above the cost of capital of 10.5 percent before taxes. The decrease compared with the previous year's excellent level (20.4 percent) was caused partly by the decline in operating earnings and partly by the scheduled rise in capital expenditures, which increased capital employed but has not yet impacted adjusted EBIT.

The **cash flow from operating activities, continuing operations** was €1,086 million in 2013, €309 million lower than in the previous year. Including the cash flow from discontinued operations, the **cash flow from operating activities** declined by €337 million to €1,083 million. **Capital**

expenditures increased 18 percent year-on-year to €1,135 million (2012: €960 million), mainly because of the strategic growth projects.

Evonik is currently undertaking an investment program totaling over €6 billion. The first major projects were completed in 2013. They include a superabsorbents plant built with a joint venture partner in Saudi Arabia, and a production facility for organic specialty surfactants in Shanghai (China). The hydrogen peroxide plant in Jilin (China) was completed at the start of 2014 and the new methionine plant in Singapore is scheduled to start operating in the second half of 2014.

Evonik will be taking a disciplined approach to the remainder of the investment program and will consistently examine those projects that have not yet started for changes in the market situation. Up to €1.4 billion has been budgeted for capital expenditures in 2014. The intention is to finance investments largely out of the cash flow.

Clear improvement in financial profile

Evonik has greatly improved its financial profile. At year-end 2013, it had **net financial assets** of €552 million, compared with net financial debt of €1,163 million at year-end 2012. This was mainly due to the divestment and deconsolidation of the real estate activities.

Research and development driven forward

In view of their strategic importance, R&D expenses have been increased by an average of 9 percent a year since 2009. In 2013 they totaled €394 million, up from €382 million in the previous year. The R&D ratio was 3.1 percent. Attractive innovations should continue to support Evonik's growth strategy in the coming years. The R&D pipeline is well stocked with around 500 projects. Examples of the most recent R&D highlights are novel amino acid sources that can be used as feed additives for aquaculture, highly transparent insulation for windows, and—as an alternative to petroleum-based laurin lactam—a bio-based amino lauric acid that produces an identical polyamide 12, for example for the automotive industry.

Development of the segments in fiscal 2013

Consumer, Health & Nutrition

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

Perceptible volume growth and very good earnings

Thanks to buoyant global demand and new production capacities, the Consumer, Health & Nutrition segment registered perceptible volume growth. In particular, there was a clear rise in demand for superabsorbents and personal care products. In view of the overall decline in selling prices, especially for amino acids for animal feed, segment **sales** were essentially in line with the previous year at €4,207 million (2012: €4,204 million).

The operating results were pleasing but fell short of the excellent prior-year figures due to lower selling prices in some businesses. Adjusted **EBITDA** dropped 14 percent to €910 million (2012: €1,055 million) and adjusted **EBIT** decreased by 17 percent to €767 million (2012: €929 million). The adjusted **EBITDA margin** remained very good at 21.6 percent (2012: 25.1 percent). ROCE was 34.3 percent (2012: 48.7 percent).

Resource Efficiency

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

Organic sales growth—Higher adjusted EBITDA margin

Sales in the Resource Efficiency segment were €3,084 million, 2 percent lower than in 2012 (€3,131 million). This was principally attributable to negative currency effects and the impact of the colorants business, which was contained in the prior-year figures until April. After adjustment for these factors, the segment posted organic sales growth, driven by higher volumes and unchanged selling prices. Business with fumed silicas and specialty oxides was especially pleasing, with high demand and good utilization of production capacity. Rising demand for silicas and silanes for the tire and rubber industries, especially in Europe and Asia, led to a positive performance by these products. The segment registered unchanged high demand for oil additives for the automotive, construction and transportation industries, and for products for the coatings industry and binders.

The operating results were once again very good. Adjusted **EBITDA** was €656 million and almost matched the previous year's level of €663 million. Adjusted **EBIT** rose 3 percent to €540 million (2012: €526 million), mainly due to lower depreciation. The adjusted **EBITDA margin** increased slightly from 21.2 percent to 21.3 percent. ROCE improved from 33.0 percent to 35.7 percent.

Specialty Materials

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

Significant decline in selling prices—Sales and operating results lower than in the previous year

In the Specialty Materials segment **sales** declined 7 percent to €4,490 million (2012: €4,843 million). Alongside withdrawal from the cyanuric chloride business in China in December 2012, this was due to an organic sales decline, caused by far lower selling prices, especially for butadiene. By contrast, volumes increased appreciably, driven by resumption of production at the CDT plant in Marl (Germany) at the start of 2013. The hydrogen peroxide business was stable and reported higher demand, especially for applications that use the HPPO process developed by Evonik and ThyssenKrupp Uhde. Demand for alcoholates for the production of biodiesel remained buoyant.

The operating results were below the previous year's very good levels, mainly because of price erosion. Adjusted **EBITDA** fell by 35 percent to €552 million (2012: €853 million), while adjusted **EBIT** dropped 44 percent to €395 million (2012: €701 million). The adjusted **EBITDA**

margin was 12.3 percent, down from 17.6 percent in the previous year. ROCE slipped from 38.7 percent to 19.6 percent owing to the lower earnings and higher average capital employed.

Services

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

Its **sales** totaled €2,680 million in 2013. Internal sales accounted for €1,764 million of the total. External sales declined by 8 percent to €916 million for demand reasons, principally because a customer shut down a production facility at the Marl site. The increase in the operating results was mainly driven by improved cost management at the sites. Adjusted **EBITDA** rose 5 percent to €182 million, while adjusted **EBIT** grew 12 percent to €87 million.

Evonik Group: Q4 2013

Organic sales growth

The pleasing volume trend continued in the fourth quarter of 2013. The Evonik Group posted organic **sales growth** of 2 percent, driven by significant volume increases (8 percentage points), while selling prices declined (minus 6 percentage points). Overall, sales slipped 1 percent to €3,135 million. This was attributable to negative currency effects (minus 1 percentage point) and other effects (minus 2 percentage points), principally relating to the fact that the figures for the prior-year period still contained the cyanuric chloride business in China.

The operating results fell short of the very high prior-year results, mainly because of lower selling prices in some key areas of business. Adjusted **EBITDA** decreased by 15 percent year-on-year to €386 million, while adjusted **EBIT** fell 26 percent to €229 million. The adjusted **EBITDA margin** was 12.3 percent, which was below the previous year's level of 14.2 percent. **Net income** fell 63 percent to €103 million, while **adjusted net income** dropped 20 percent to €127 million.

Focus on raising efficiency—Administration Excellence launched

Good progress is being made with the On Track 2.0 efficiency enhancement program, which was introduced at the start of 2012, mainly to leverage a further improvement in process efficiency in production. After just 24 months, measures are already being implemented to achieve more than €280 million p.a. of the total savings of €500 million scheduled for year-end 2016.

Following the successful stock exchange listing and strict focus on the specialty chemicals business, in September 2013 Evonik launched the Administration Excellence program to strengthen its competitive position further and optimize the quality of administrative processes. This should leverage savings of up to €250 million a year by the end of 2016. The first organizational measures were implemented in the second half of 2013.

Outlook for 2014

Evonik expects global growth to pick up slightly in 2014, driven mainly by the industrialized countries. However, there is still considerable uncertainty as to whether central banks will tighten monetary policy, which could impede development, especially in the emerging markets.

Sales and earnings

Assuming slightly brighter economic conditions, Evonik anticipates that sales will rise slightly in 2014 (2013: €12.9 billion). The positive volume trend registered in the second half of 2013 should continue in 2014, leading to a further rise in volumes, with support for this coming from completion of the first growth projects.

Selling prices are expected to remain at least stable in large areas of the company's product portfolio in 2014. Nevertheless, in some major businesses they could be below the average for 2013 as price levels were positively influenced by higher prices in the first six months of 2013.

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 initiative to optimize administrative structures. Downside factors could result from ramp-up expenses for growth investments and negative currency effects.

Overall, Evonik expects adjusted EBITDA to be between €1.8 billion and €2.1 billion (2013: €2.0 billion). When comparing the development of earnings in 2014, the price-induced high earnings level at the start of 2013 should be borne in mind.

Evonik Group: Excerpt from the income statement

(in € million)	Q4 2013	Q4 2012	Change in %	2013	2012	Change in %
Sales	3,135	3,178	-1	12,874	13,365	-4
Adjusted EBITDA	386	452	-15	2,007	2,467	-19
Adjusted EBIT	229	310	-26	1,424	1,887	-25
Adjustments	-6	37		-333	-10	
Net interest expense	-54	-82		-255	-321	
Income before income taxes, continuing operations	169	265	-36	836	1,556	-46
Income taxes	-40	3		-220	-453	
Income after taxes, continuing operations	129	268	-52	616	1,103	-44
Income after taxes, discontinued operations	34	22		1,397	65	
Income after taxes	163	290	-44	2,013	1,168	72
Attributable to non-controlling interests	-60	-13		41	-3	
= Net income	103	277	-63	2,054	1,165	76
Adjusted net income	127	159	-20	830	1,076	-23

Prior-year figures restated

Segment performance

	Sales			Adjusted EBITDA		
	Q4 2013 € million	Q4 2012 € million	Change in %	Q4 2013 € million	Q4 2012 € million	Change in %
Consumer, Health & Nutrition	1,072	1,039	3	204	229	-11
Resource Efficiency	717	692	4	140	117	20
Specialty Materials	1,059	1,123	-6	95	174	-45
Services	239	270	-11	25	22	14
Other operations	48	54	-11	-78	-90	
Group	3,135	3,178	-1	386	452	-15
	Sales			Adjusted EBITDA		
	2013 € million	2012 € million	Change in %	2013 € million	2012 € million	Change in %
Consumer, Health & Nutrition	4,207	4,204	0	910	1,055	-14
Resource Efficiency	3,084	3,131	-2	656	663	-1
Specialty Materials	4,490	4,843	-7	552	853	-35
Services	916	999	-8	182	174	5
Other operations	177	188	-6	-293	-278	
Group	12,874	13,365	-4	2,007	2,467	-19

Prior-year figures restated

Employees by segment

	Dec. 31, 2013	Dec. 31, 2012
Consumer, Health & Nutrition	7,150	6,821
Resource Efficiency	5,854	5,755
Specialty Materials	6,268	6,134
Services	12,192	11,900
Other operations	1,531	1,424
Continuing operations	**32,995**	**32,034**
Discontinued operations	655	1,264
Evonik	**33,650**	**33,298**

Prior-year figures restated

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 €12.9 billion and an operating profit (adjusted EBITDA) of about €2.0 billion.

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