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

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- 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
- R&D expenses high at €394 million—R&D ratio 3.1 percent
- 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 its recent 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

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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 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).

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).

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.

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.

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.

Steady development in the Greater China region

Evonik is currently undertaking an investment program totaling over €6 billion with a significant amount allocated to the emerging markets including China. It opened a new plant for organic specialty surfactants in Shanghai last October, and the new plant is running smoothly. This year, Evonik will start up new production facilities for isophorone and isophorone diamine in Shanghai. Meanwhile, the construction of Evonik's new hydrogen peroxide plant in Jilin is in good progress. It is scheduled to go online in the first half of 2014, and the introduction of innovative HPPO process helps promote the sustainable growth in China. With these investments, Evonik is sustainably expanding the business in the emerging markets and further consolidating its leading position in the Chinese market.

In the Greater China region, Evonik was able to achieve a slight increase in total sales over 2012.

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.

Evonik Industries has been producing specialty chemical products in the Greater China region (Mainland China, Hong Kong and Taiwan) since the late 1970's; with wide-ranging trading relations already in place prior to this in the region. Evonik regards Greater China as one of the driving forces of the global economy and we consequently endeavour to grow our business in the region. The company now has around 3,200 employees in the Greater China region, the regional sales reached over €1 billion in 2013.