

Evonik

Leading Beyond Chemistry

Company Presentation Q4/FY 2019

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A strong basis in Specialty Chemicals

Market leadership



Leading market positions in
80%
of our businesses¹

Customer proximity



Almost 90%
of direct sales
via
marketing & sales force
of **~2,000**
employees

Technology leadership



Leading and
proprietary technology
platforms in
25 countries
on
5 continents

Unique brand recognition



tego
An Evonik product.

ROHACELL
An Evonik product.

MetAMINO

(selected product brands)

Qualified employees



Highly qualified workforce
as key factor for a
successful and
sustainable business
development

1. Sales with top 1-3 market position by sales, production volume or capacity (depending on available data)

Three segments with differentiated management

Group financials 2019¹

Sales

€13,108 m

Adj. EBITDA

€2,153 m

Margin

16.4%

ROCE

8.6%



Growth

**Nutrition
& Care**



Sales
€4,582 m



Adj. EBITDA / Margin
€728 m / 15.9%

**Resource
Efficiency**



Sales
€5,685 m



Adj. EBITDA / Margin
€1,290 m / 22.7%



Efficiency

**Performance
Materials**



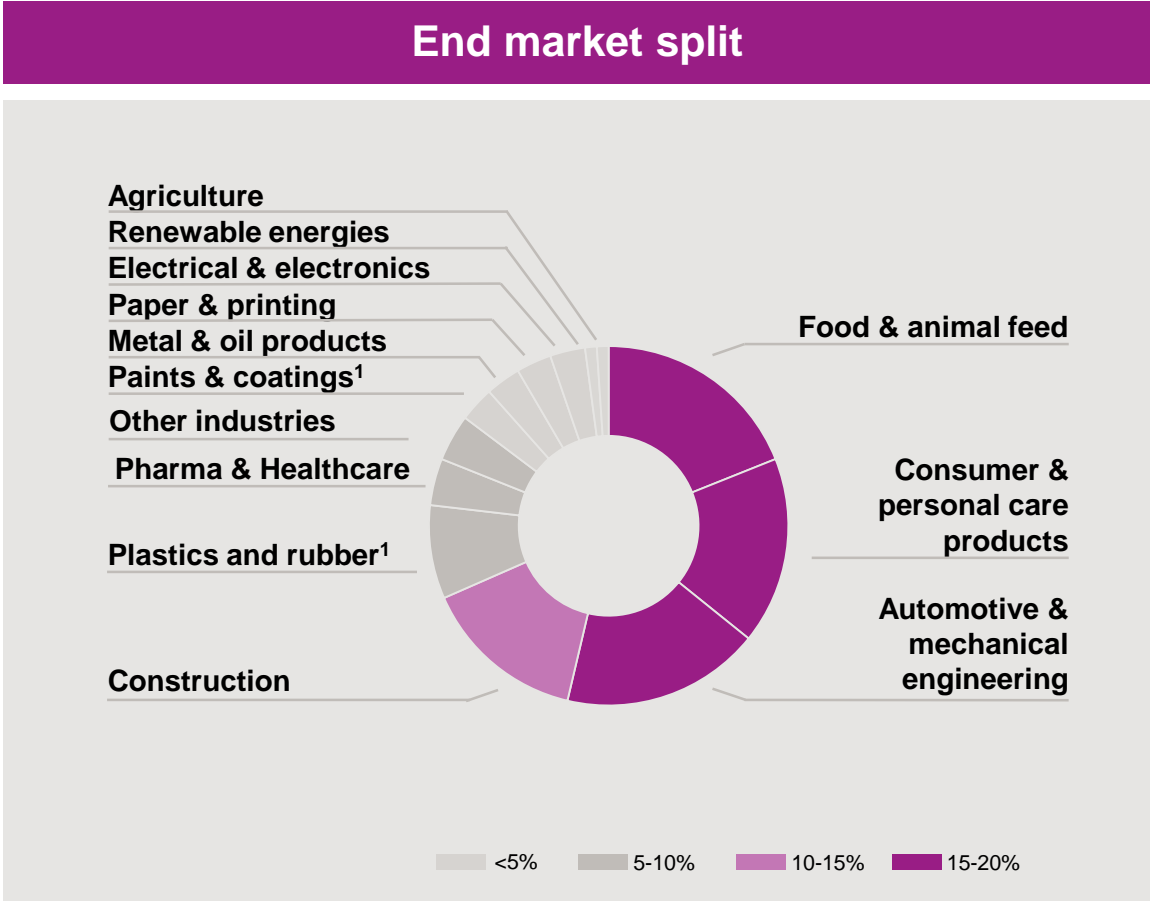
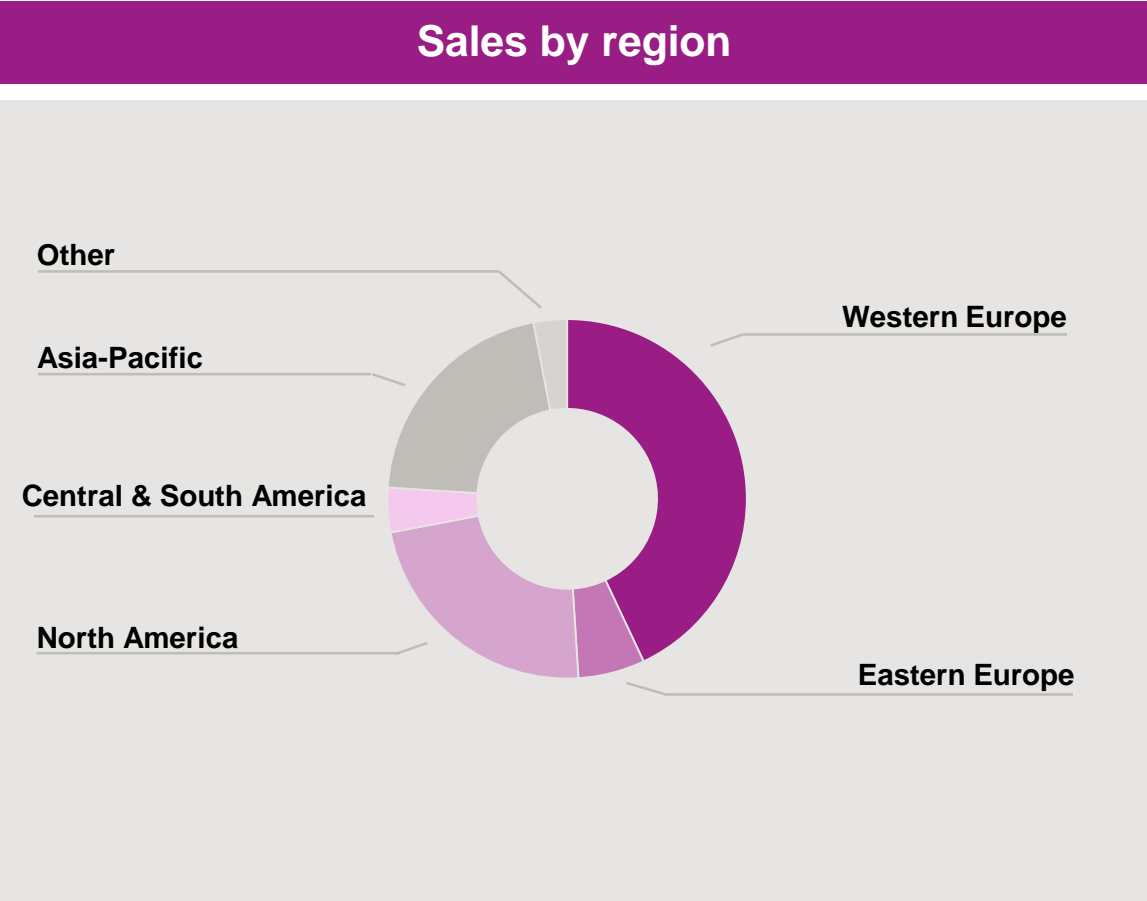
Sales
€2,043 m



Adj. EBITDA / Margin
€224 m / 11.0%

1. Continuing Operations

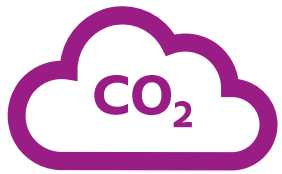
Balanced regional and end market split



Evonik Sustainability Strategy and Targets

Execution of sustainability strategy confirmed by rankings

Environmental targets



-50%
reduction of Scope 1
and Scope 2 emissions until
2025 (vs. base year 2008)

Ambitious targets implemented

Evonik's sustainability strategy 2020+
focuses on environmental targets

Sustainable Development Goals



>50% of sales contribute to SDGs

SDGs "Responsible consumption production",
"Climate Action", "Good Health" and "Clean Water"
identified as being particularly relevant to Evonik

Excellent Rankings

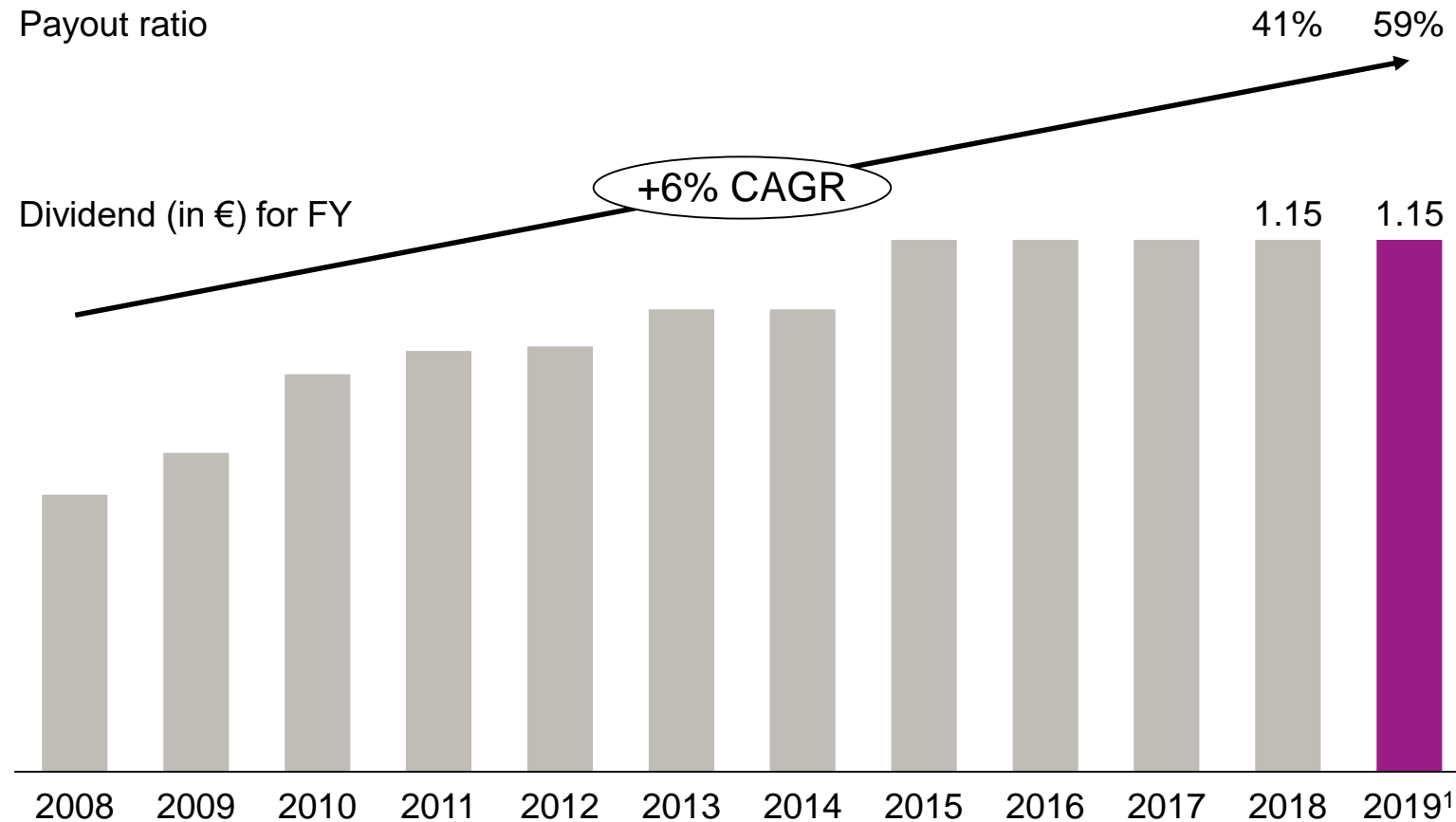


Sector-leading rankings

"A" MSCI ESG rating¹
EcoVadis "Gold" rating
"B-" ISS Oekom²
"B-" CDP rating³

1. Rating on a scale of AAA-CCC | 2. Rating on a scale of A+-D- | 3. Rating on a scale of A+-D-

Reliable and attractive dividend policy



- Sustainable dividend growth over the last years: 6% CAGR between 2008 and 2019
- **Attractive dividend yield**
- Reliable dividend policy targeting:
 - **dividend continuity**
 - a **payout ratio of ~40%** of adjusted net income

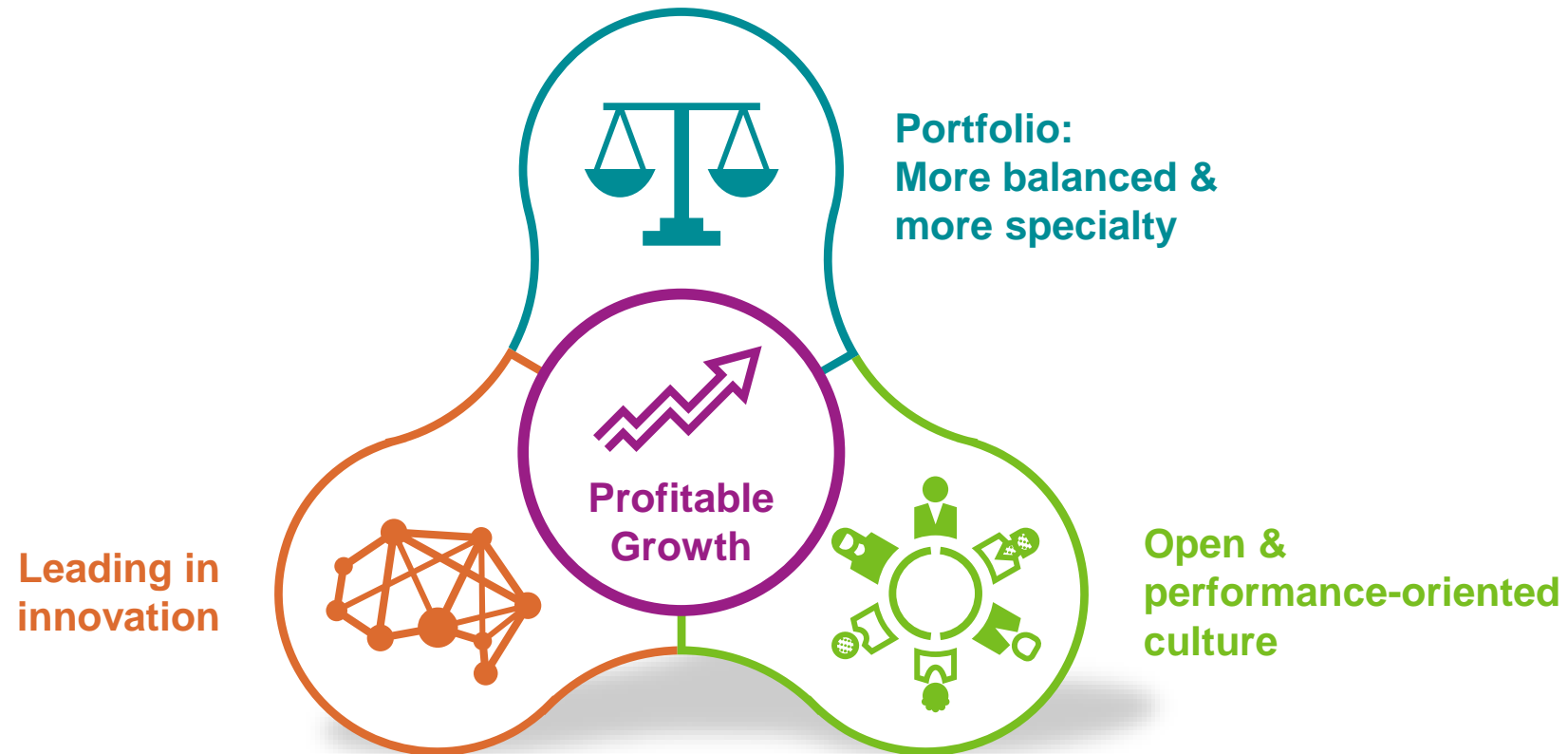
1. Dividend proposal

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Building a best-in-class specialty chemicals company

Targeting excellence in three strategic focus areas



Target portfolio structure

Four growth engines as drivers for profitable & balanced growth

Four
growth
engines

NUTRITION & CARE



Health & Care

RESOURCE EFFICIENCY



Smart Materials



Specialty Additives



Animal Nutrition

Building on our strengths

Developing our growth segments and businesses

NUTRITION & CARE

€4.6 bn

Mature
businesses



Growth
businesses

RESOURCE EFFICIENCY

€5.7 bn

Mature
businesses



Growth
businesses

PERFORMANCE MATERIALS

€2.0 bn

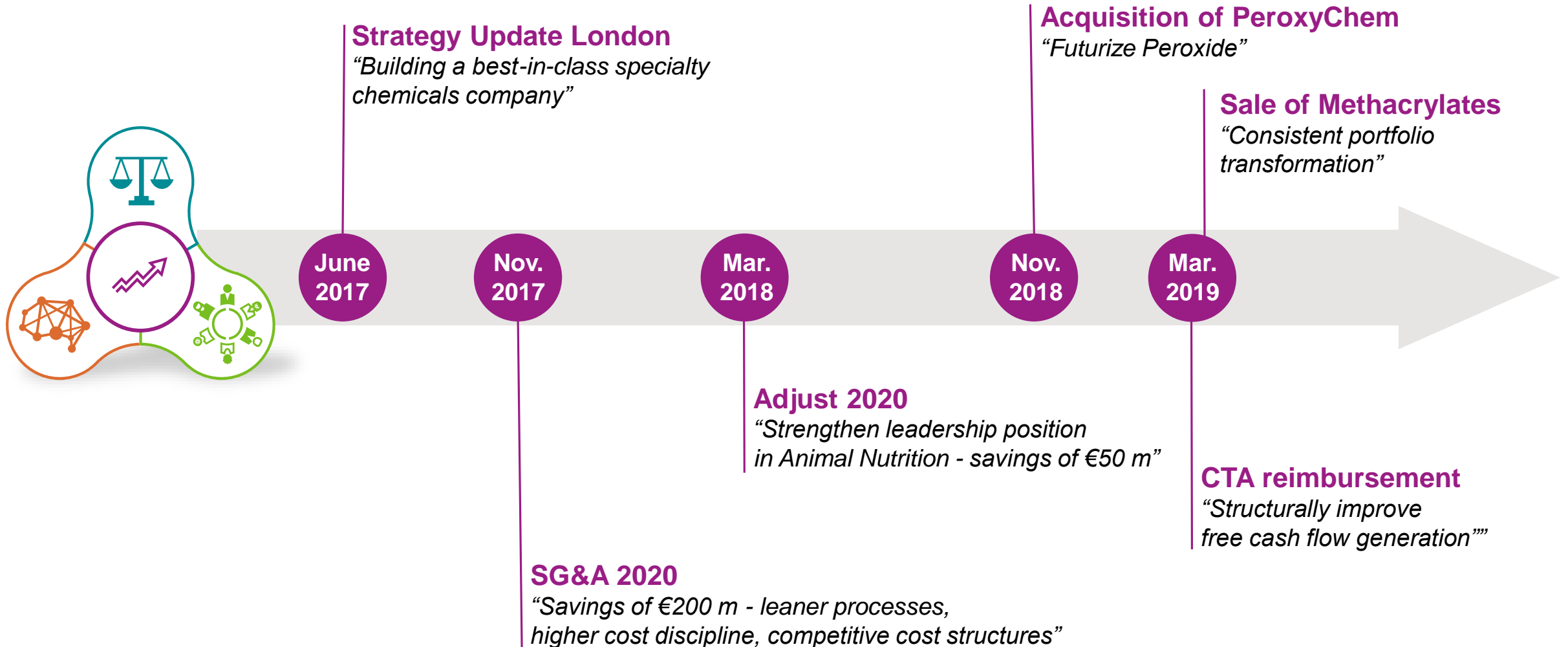
Mature
businesses



✓ Meeting specialty chemicals characteristics

Step by step execution of strategic agenda

What we achieved so far



Active portfolio management

More balanced and specialty with improved financial metrics

Acquisitions

APD Specialty Additives

„Creating a global leader in Specialty & Coating Additives“

Huber Silica

„Excellent complementary fit for resilient silica business“

Dr. Straetmans

„Expansion as leading partner for the cosmetics industry“

PeroxyChem

„Expansion of high-growth & -margin H₂O₂ specialty applications“



- Stable businesses with GDP+ growth
- EBITDA margin above target range
- CAPEX-light
- Sustained high cash conversion

Divestments

Jayhawk (non-core agrochemical site in PM)

„Streamlining on business-line level“

MMA/PMMA Verbund

„Major step towards a more specialty & balanced portfolio“



- Supply/demand-driven cyclical businesses
- Margin and FCF volatility over the cycle
- CAPEX-intensive

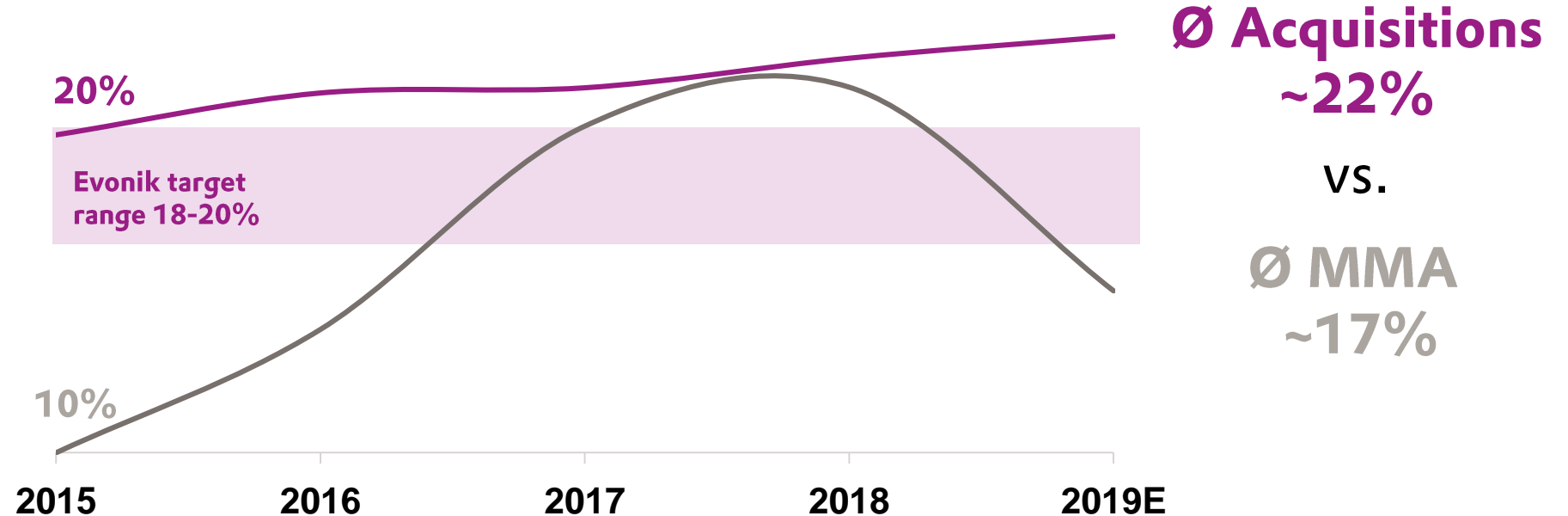
Portfolio transformation leads to higher margins with reduced volatility

EBITDA margin development: Acquisitions vs. “MMA/PMMA Verbund”

Acquisitions



MMA/PMMA



Acquisitions: APD Specialty Additives; Huber Silica; Dr. Straetmans; PeroxyChem

Portfolio development

Asset-light shift towards specialties leads to margin uplift

Asset-light shift towards specialty applications offers significant margin potential

PA12

Processing PA12 product into powders suitable for highest needs in 3D printing (additive manufacturing)

Omega 3 fatty acids

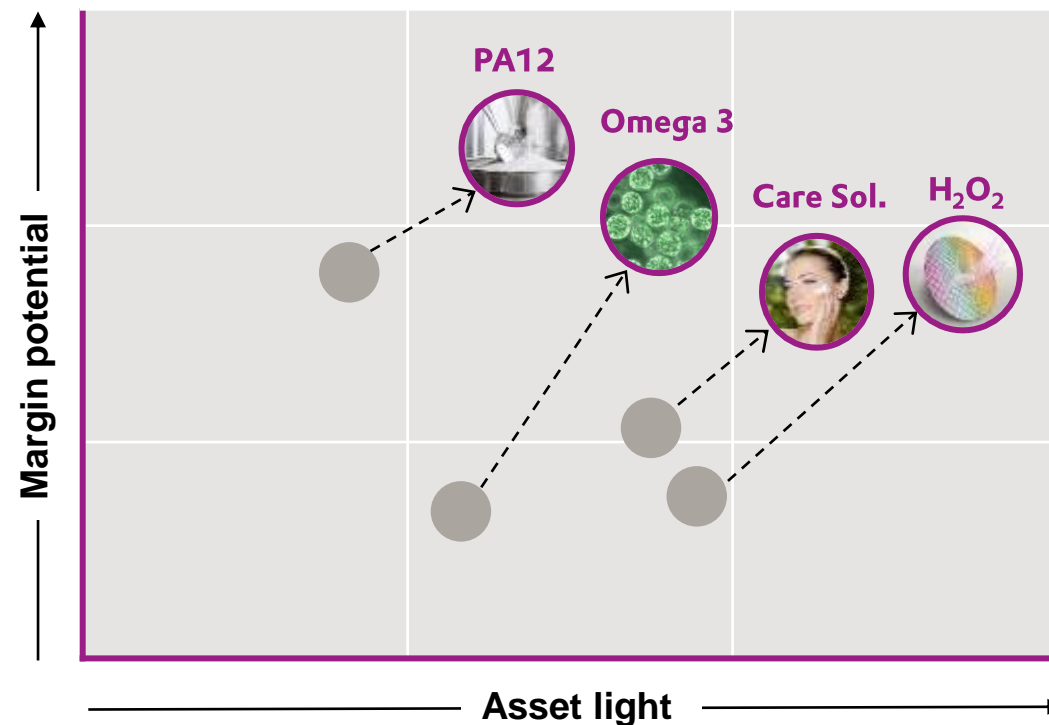
Repurposing fermenters of mature lysine business to produce high-end algae based omega-3 fatty acids

H₂O₂

Add purification stages to further transform base business into high-end applications in electronics and environmental applications

Care Solutions

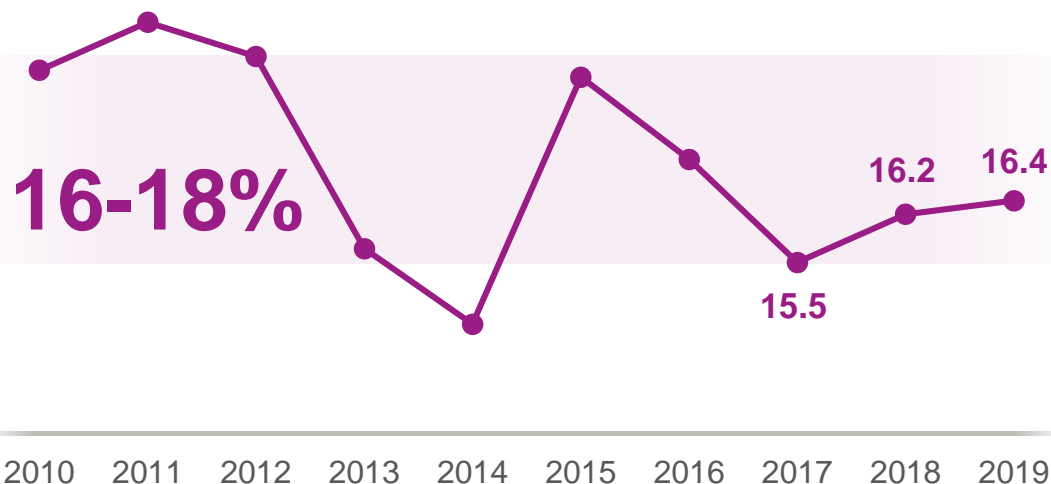
Aligning the product portfolio and adapting the asset network to meet the future requirements for a higher share of specialties



Strategic agenda reflected in ambitious financial targets

Structurally lifting EBITDA margin and driving balanced growth

Historic margin range (in %)



2017-2019: continued operations

Targets going forward (over the cycle)

Structurally lift EBITDA margin into sustainably higher range of **18-20%**

Above-average volume growth **GDP+**

- ROCE above cost of capital
- FCF significantly above dividend level
- Reliable and sustainably growing dividend
- Solid investment grade rating

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Strategic highlights FY 2019

Consistent execution of strategy and portfolio transformation



Divestment of cyclical **MMA business**



Strengthening of specialty businesses with **PeroxyChem** acquisition



Leverage **innovation potential** via targeted allocation of resources (e.g. biosurfactants, 3D-printing)



Continued streamlining on **Business Line level**
(e.g. product portfolio shift in Care Solutions)



Execution of **efficiency measures**
(SG&A and short-term contingencies)



**Consistent
strategy
execution**

FY 2019 – we delivered on our main financial targets

EBITDA

stable at
€2,153 m
(2018: €2,150 m)

*Delivering on guidance,
despite more difficult
macro environment*

EBITDA margin¹

+20bp
(to 16.4%)

*Improvement supported
by strict cost discipline*

Free cash flow¹

+36%
(cash conversion rate²:33%)

*Clear improvement of
absolute FCF level
and cash conversion rate*

Dividend

1.15€
(yield: 4.2%)

*Reliable and attractive
dividend at the top of the
chemicals industry*

1. Compared to prior year | 2. Free cash flow conversion (FCF/adj. EBITDA)

Successful efficiency measures also reflected in improved financial metrics

Admin expenses¹

- **€31 m** (-20bp²)

Selling expenses¹

- **€52 m** (-30bp²)

R&D expenses

Stable at ~ **€430 m**

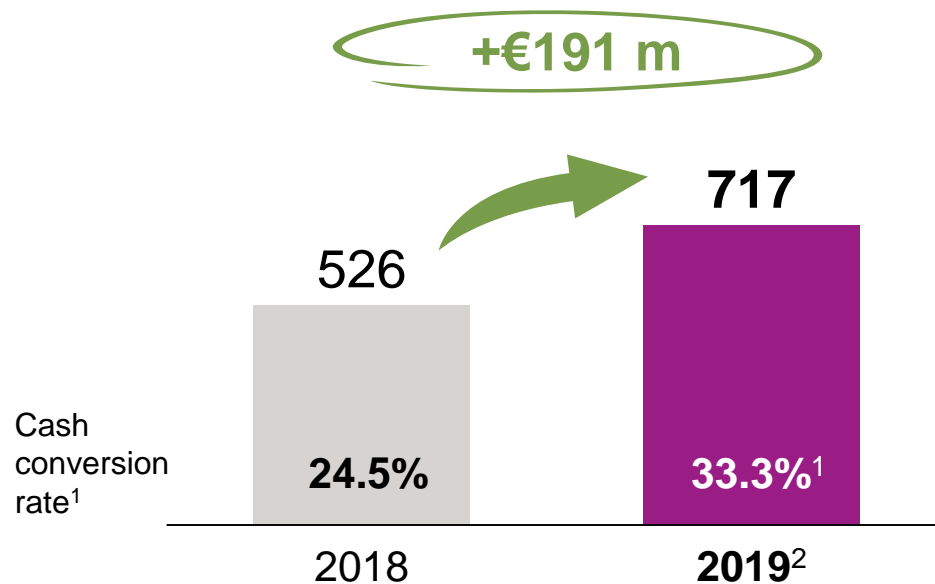
- Delivering **SG&A savings** faster than planned
 - accelerated phasing in 2019: **€70 m savings realized**
 - Measures for **remaining €80 m in 2020** defined and in implementation
 - Program will be **fully realized in 2020** (initial plan: 2021)
 - **FTEs reduced by ~600** → fully on track for targeted 1,000
- More **targeted R&D approach** and focus on innovation growth fields
- **Sales of the innovation growth fields** are fully on track (>€300 m in 2019; target >€1 bn by 2025)

1. FY 2019 P&L compared to prior year | 2. FY 2019 P&L in % of sales compared to prior year

Free Cash Flow 2019

Significantly higher FCF and strong improvement of conversion rate in FY 2019

Free Cash Flow 2019 (in €m, continuing operations)



- Measures for **FCF improvement** with ongoing positive effects:
 - Strict working capital management
 - High capex discipline
 - Support from CTA reimbursement

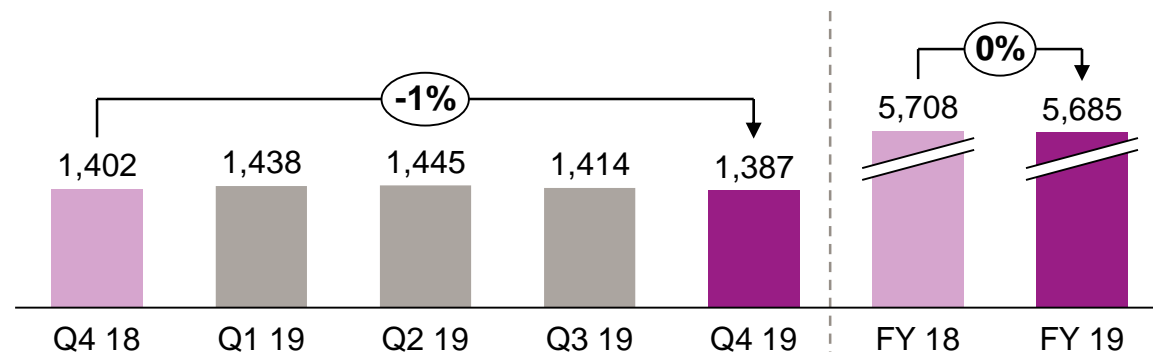
Cash conversion improved to beyond **30%**

1. Free cash flow conversion (FCF/adj. EBITDA) | 2. Extraordinary carve-out taxes of €245 m (related to MMA divestment) not considered

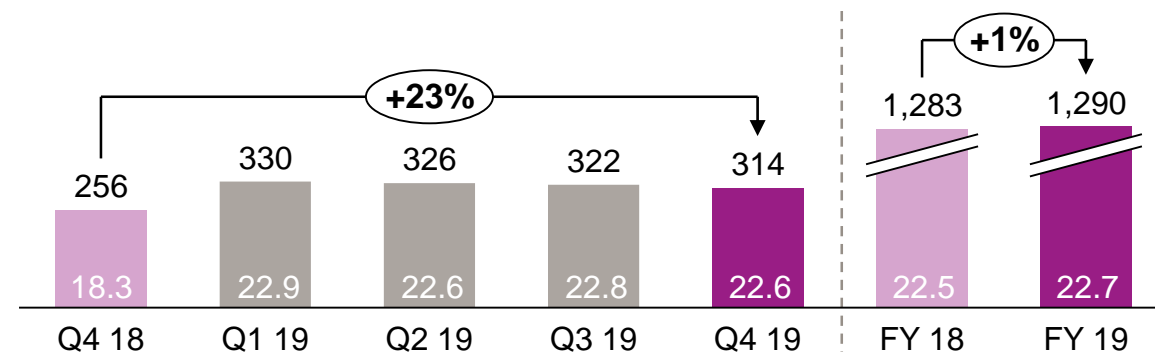
Resource Efficiency

Resilient business performance supported by license income

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q4 19 vs. Q4 18	Volume	Price	FX	Other
	-4% ↘	+/-0% →	+1% ↗	+2% ↗

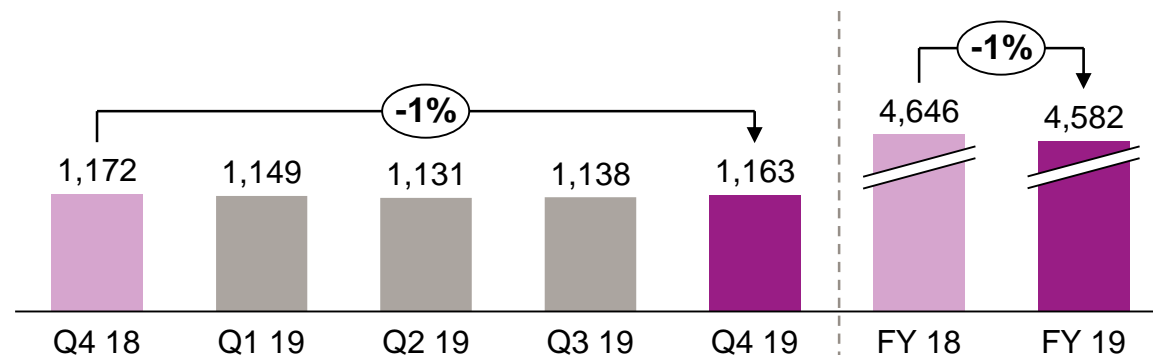


- Difficult market environment for auto and coatings businesses continued, visible in declining volume
- High margin level due to continued solid pricing, cost savings and license income in Active Oxygen business (~€40 m)
- Oil Additives, High Performance Polymers and Crosslinkers with resilient performance throughout the year

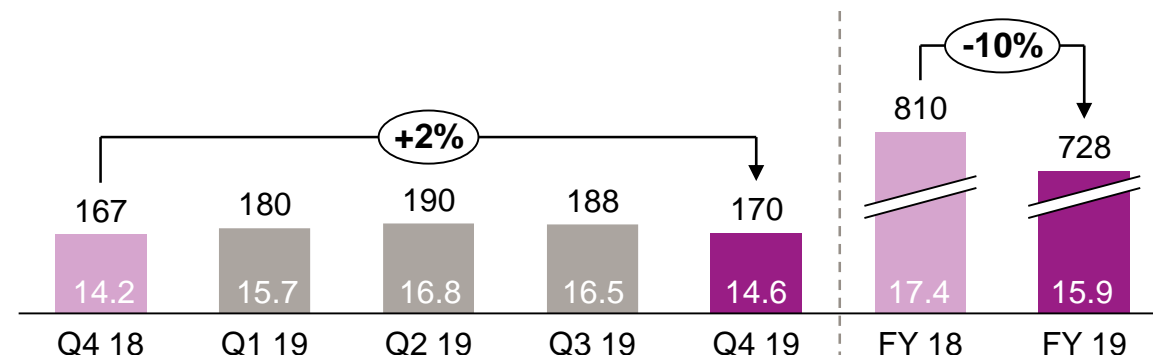
Nutrition & Care

yoy earnings growth in Q4, price pressure in Animal Nutrition fading out

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q4 19 vs. Q4 18	Volume	Price	FX	Other
	+1%	-5%	+1%	+2%

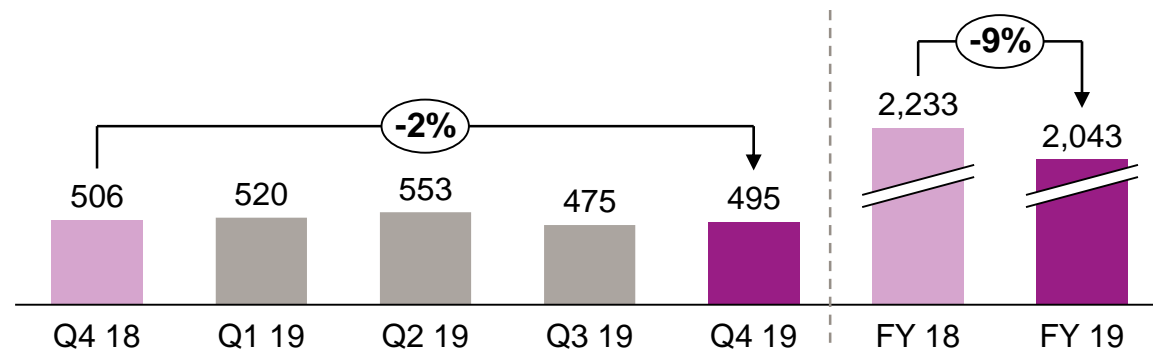


- For the first time in 2019, Nutrition & Care with yoy earnings growth in Q4
- High volumes in Animal Nutrition continue to be mitigated by planned shift from bulk to specialty products (in Care Solutions and for Veramaris JV)
- Strong finish in Care Solutions and Health Care
- Methionine with ongoing strong volumes and sequentially almost stable pricing

Performance Materials

Unusual high number of one-offs impacting FY earnings level

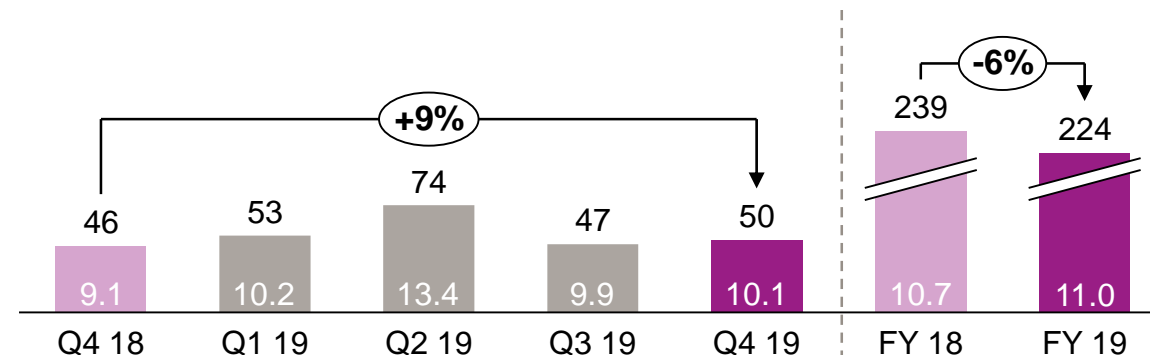
Sales (in € m)



Q4 19 vs. Q4 18	Volume	Price	FX	Other
	+9% ↗	-14% ↘	+3% ↗	+/-0% →



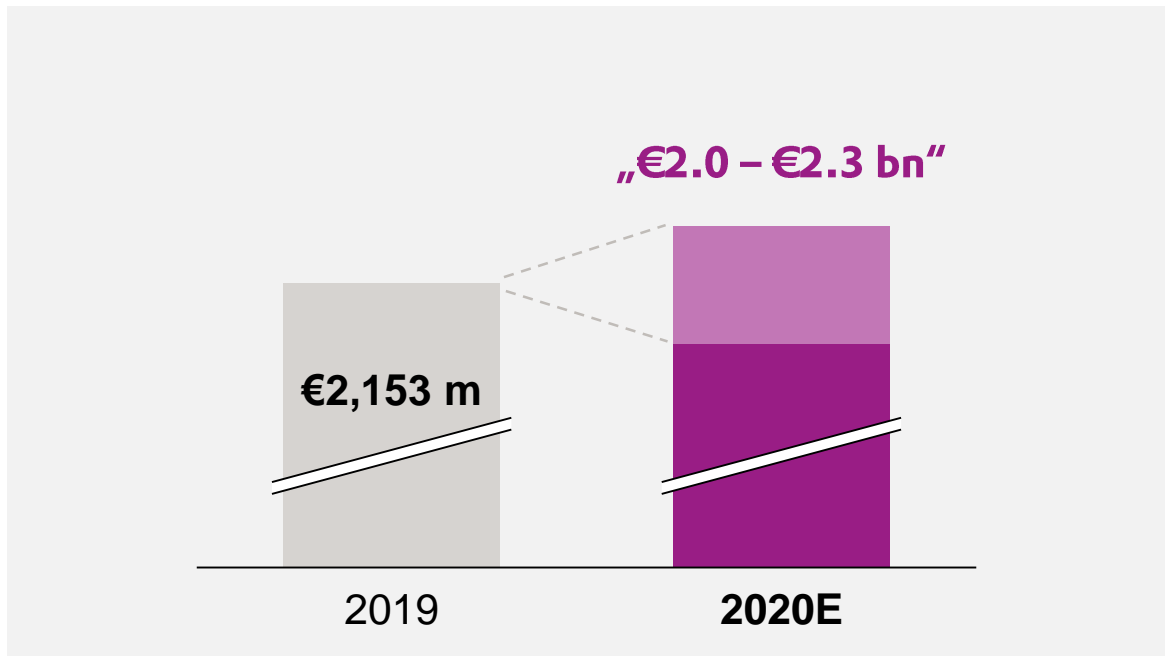
Adj. EBITDA (in € m) / margin (in %)



- As guided, Q4 with ~€10 m negative impact from compressor failure in C4 businesses (Q4 2018 with ~€20 negative effect from low Rhine water levels)
- Higher volumes, as prior year was burdened by low Rhine water level and limited raw material availability
- Price decline due to yoy weaker Butadiene and INA spreads
- Functional solutions holding up well due to persistent high demand for alkoxides

Outlook 2020: Adj. EBITDA

“between €2.0 and €2.3 bn” (FY 2019: €2.153 bn)



- Assumption of **ongoing low growth environment in 2020**
- Outlook includes **PeroxyChem** (11 months)
- **Specialty businesses** expected to grow
- **Performance Materials** with challenging price environment
- Further execution of **efficiency measures**

Indications 2020 on Segment level

Resource Efficiency



- Resilient performance expected for majority of businesses
- Lower growth in Auto-related end markets to continue
- High level of license income will not reoccur in 2020
- 11 months contribution from PXC

Earnings at least stable

Nutrition & Care



- Resilience and earnings growth expected for Health & Care
- Strong volumes and assumption of stable Methionine price (yoy annual average)
- Lower earnings contribution from Baby Care

Slightly higher earnings

Performance Materials

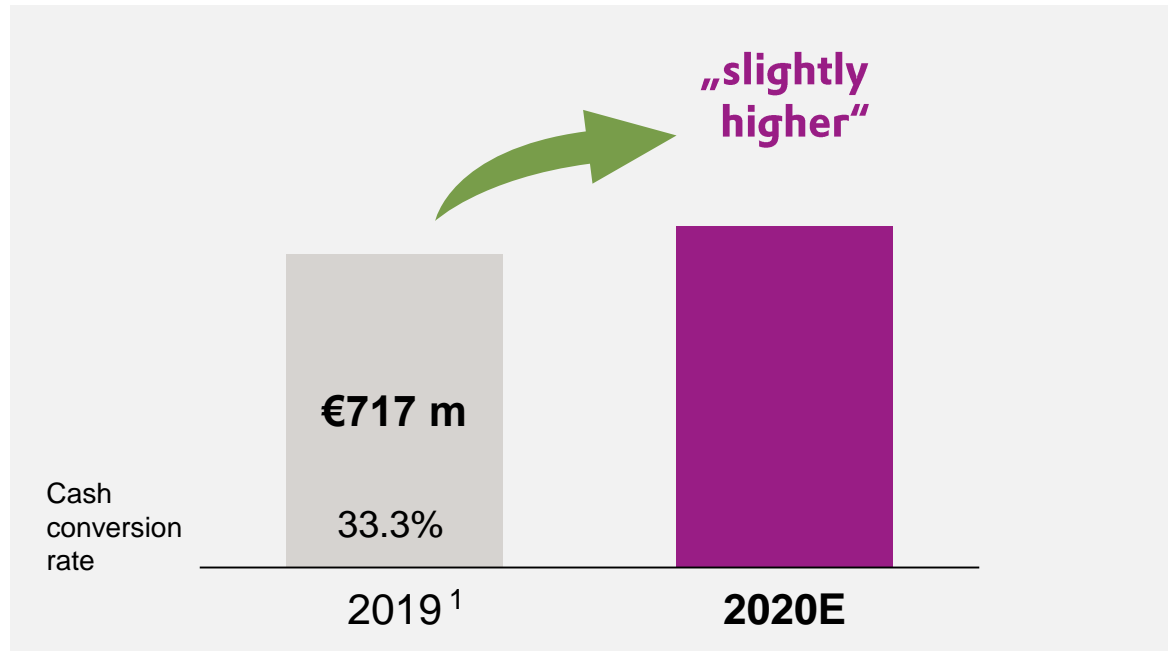


- Continued price weakness leading to lower product spreads year-on-year
- Negative impact from limited raw material supply and plant outages should not reoccur

Stable to slightly lower earnings

Outlook 2020: Free Cashflow

“slightly higher Free Cashflow” (FY 2019: €717 m¹)



Positives

- Strict **working capital management**
- High **capex discipline**
- Lower **bonus payments** (for 2019)

Negatives

- Normalization of **tax payments**
- Cash outflows for **SG&A 2020**

1. Extraordinary carve-out taxes of €245 m (related to MMA divestment) not considered

New divisional structure – the next logical step in our portfolio transformation

Clear benefits of new divisional structure









Structure follows strategy:

Logical evolution of defined growth engines into divisional structure

- ✓ **Clearly defined strategic roles**
- ✓ **Higher transparency**
- ✓ **Easier-to-understand and to model** (common themes, drivers & end markets for each division)
- ✓ **Smoother internal management** (e.g. technology platforms assigned to single divisions)

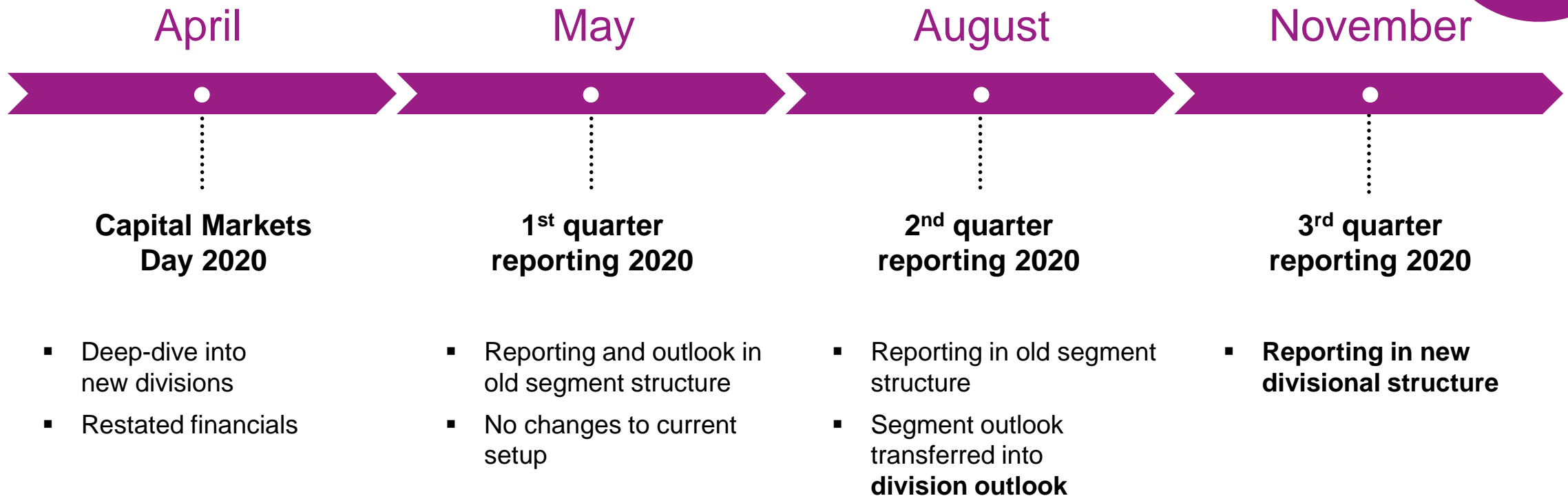
New divisional structure – the next logical step in our portfolio transformation

Consequent evolution of our growth engines into new divisions

New Divisional Setup				
Portrait	Specialty Additives	Nutrition & Care	Smart Materials	Performance Materials
	<p>Broad spectrum of performance-defining additives making the key difference in industrial applications for coatings, polyurethane foam & lubricants</p>	<p>Sustainable solutions for consumer markets, particularly in pharmaceutical, personal care, and nutrition industries</p> <p>Quarterly sales for sub-divisions “Animal Nutrition” and “Health & Care”</p>	<p>Innovative materials for resource-saving solutions and the replacement of conventional materials</p> <p>Quarterly sales for sub-divisions “Inorganics” and “Polymers”</p>	<p>Leading platforms with efficient processes for production of intermediates and superabsorbent polymers</p>
Key products	<ul style="list-style-type: none"> Coating additives PU additives Lubricant additives 	<ul style="list-style-type: none"> Amino acids Active ingredients Drug delivery systems 	<ul style="list-style-type: none"> Silica / Silanes H₂O₂ PA12 Catalysts 	<ul style="list-style-type: none"> C4 derivatives Superabsorbers
	 	 	 	 

Timeline for implementation of new divisional structure

Further details
@ CMD 2020
on 1 April



Additional indications for 2020

- PeroxyChem: Included in outlook with 11 months (2019: ~ USD300 m sales, ~ USD60 m adj. EBITDA)
- ROCE: **Around the level of 2019** (2019: 8.6%)
- Capex: **Around the already low level of 2019** (2019: €842 m)
- EUR/USD: **1.12 EUR/USD** (2019: 1.12 EUR/USD)
- EUR/USD sensitivity¹: +/-1 USD cent = -/+ **~€7 m** adj. EBITDA (FY basis)
- Adj. EBITDA Services: **Around the level of 2019** (2019: €122 m)
- Adj. EBITDA Corporate / Others: **Slightly more negative than 2019** (2019: -€211 m)
- Adj. D&A: **Around the level of 2019** (2019: €952 m)
- Adj. net financial result: **Around -€100 m** (2019: -€185 m) due to bond payback and lower interest rates for pensions
- Adj. tax rate: **Back to a normalized rate of ~27%** (2019: 20%; MMA-related)

1. Including transaction effects (after hedging) and translation effects; before secondary / market effects | 2. Guidance for "Adj. net financial result" subject to interest rate fluctuations which influence discounting effects on provisions



EVONIK

Leading Beyond Chemistry

Appendix

- 1. Strategy Details**
2. Segment overview
3. Financials
4. Upcoming events

Consistently executing our strategic agenda

Levers for structural uplift in profitability and growth

	Strategic lever	Impact (p.a.)	by (year)
Synergy realization	<ul style="list-style-type: none"> Realization of synergies from Air Products, J.M. Huber and PeroxyChem acquisitions 	~ €100 m EBITDA	2020/ 2021/ 2022
Cost excellence	<ul style="list-style-type: none"> Targeting structural improvements in SG&A, reduction of 1,000 FTE 	€200 m EBITDA	2021 (full impact)
Innovation	<ul style="list-style-type: none"> Leverage additional growth from six innovation growth fields with above-average profitability 	€1 bn additional SALES	2025
Portfolio Management	<ul style="list-style-type: none"> Portfolio strategy: more balanced and more specialty 		

18-20%
EBITDA margin

GDP+
volume growth

Four growth engines

Growth drivers and product examples

	Growth trends and drivers	Product examples	Market growth
 Specialty Additives “Small volume, big impact”	<ul style="list-style-type: none">▪ More sophisticated requirements on additive effects▪ Need for increased product performance and efficiency	Coating Additives PU-Additives Oil Additives	 5-6%
 Health & Care Preferred partner in Pharma and Cosmetics	<ul style="list-style-type: none">▪ Increasing health-awareness and lifestyle▪ Bio based products and environmentally-safe cosmetics	Pharma polymers Oleochemicals Advanced biotechnology	 5-6%
 Smart Materials Tailored functionalities for sustainable solutions	<ul style="list-style-type: none">▪ Trend towards resource efficiency in high demanding applications▪ Engineered materials and systems to fulfill high performance requirements	Rubber Silica & Silanes High Performance Polymers Membranes	 4-7%
 Animal Nutrition Comprehensive portfolio for more sustainable food chain	<ul style="list-style-type: none">▪ Sustainable nutrition▪ Improving food quality and safety	Amino acids Probiotics	 5-7%

Portfolio Management

Targeted and disciplined M&A approach



Air Products
Performance Materials (2017)



Huber Silica
(2017)



Dr. Straetmans
(2017)



PeroxyChem
(2020)

Purchase price	~ €3.5 bn	~ €600 m	€100 m	\$640 m
Multiple²	15.2x / 9.9x	10.5x / 7x	(not disclosed)	9.9x / 7.6x
EBITDA margin	>20%	>20%	~20%	~20%
Market growth	~4-5%	~4-6%	~10%	~6% ¹

Business

Highly attractive strategic fit, seamless integration into existing businesses

Disciplined expansion in high-growth & -margin businesses with excellent strategic fit

1. In specialty applications (~65% of total Adj. EBITDA) | 2. EV/EBITDA pre / post synergies & tax benefits

Successful closing of PeroxyChem acquisition

Specialty character impressively demonstrated in a challenging year 2019

Strategy Execution

- Closing is the **next step** in consistent **strategy execution** and **portfolio transformation**
- Re-investing parts of the MMA proceeds for **expansion** into high-margin & less cyclical specialties

Specialty character

- Court ruling **confirmed specialty nature** of PXC hydrogen peroxide (H_2O_2) and peracetic acid (PAA) business
- **Strong 2019 business performance** with earnings growth and margin expansion
- Acquisition unlocks **additional growth opportunities** in environmental, food safety and semiconductor industries
- **Synergy level** of US\$20 m **confirmed**, fully realized by 2022

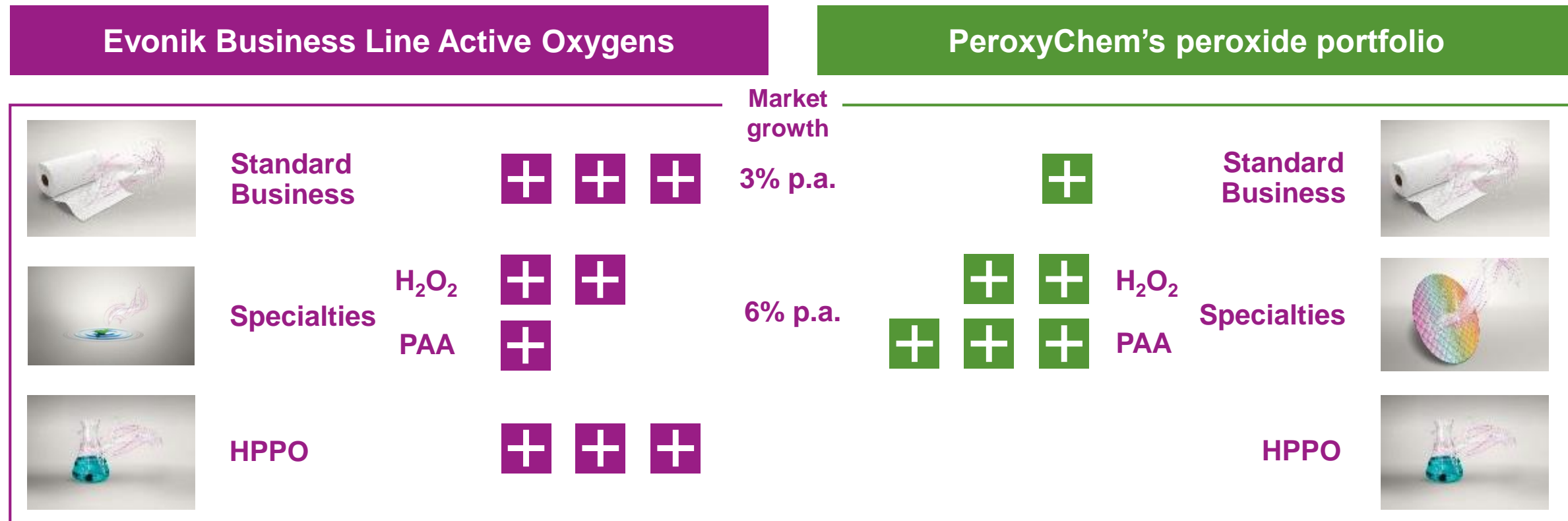


PeroxyChem acquisition highlights

- ✓ Strengthening of Evonik's growth segment Resource Efficiency
- ✓ Focus on environmentally-friendly specialty applications
- ✓ Attractive end-market growth with low cyclicalality
- ✓ Excellent fit with Evonik's peroxide portfolio – expansion of business in North America
- ✓ EBITDA margin of ~20% above Evonik's average group margin
- ✓ Strong FCF generation with sustainable FCF conversion >60%
- ✓ Fair valuation with EV / adj. EBITDA multiple 7.8x (incl. synergies)

Acquisition of PeroxyChem

Excellent complementary fit with Evonik's existing peroxide business








Combined sales¹: > €700 m

1. Sales of Evonik Business Line Active Oxygen and PeroxyChem

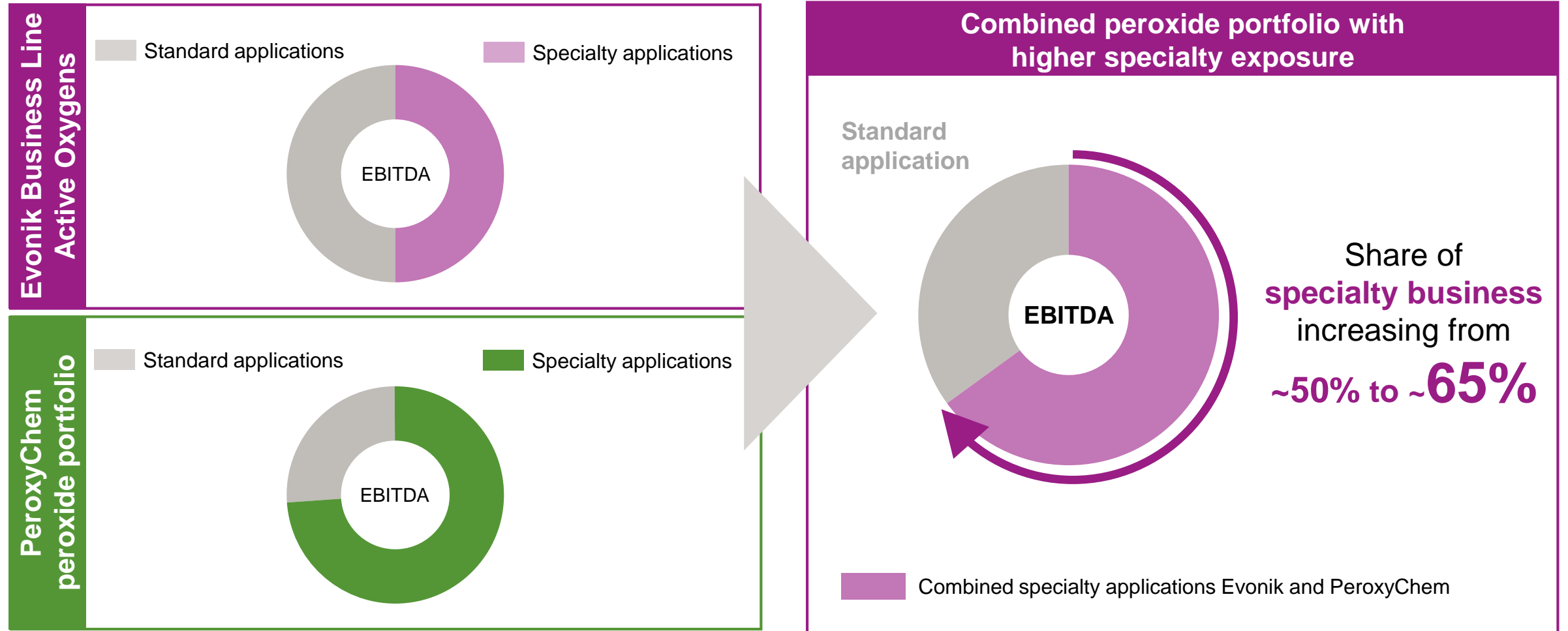
Attractive peroxide applications

Focus on specialty applications with strong secular growth drivers

Specialties					
					
Industry	Environmental	Electronics	Food & Beverage	Other specialties	Process Chemicals
Application fields	<ul style="list-style-type: none"> Solutions for waste water treatment, soil remediation and groundwater treatment H₂O₂ and PAA as alternative to chlorine 	<ul style="list-style-type: none"> Ultra-pure hydrogen peroxide as cleaning agent in semiconductor Fabs 	<ul style="list-style-type: none"> PAA as disinfectant in poultry & beef processing Aseptic packaging with H₂O₂ and PAA 	<ul style="list-style-type: none"> Medical, consumer and personal care applications such as sterilization of medical equipment and contact lens solutions Energy: Persulfates and PAA in hydraulic fracturing 	<ul style="list-style-type: none"> Hydrogen peroxide for pulp and paper processing H₂O₂ and PAA in chemical synthesis
Growth driver	<ul style="list-style-type: none"> Stricter environmental regulations Redevelopments of former industrial or military sites 	<ul style="list-style-type: none"> Growth of mobile devices Automatization and digitalization 	<ul style="list-style-type: none"> Stronger regulations for food safety Increased demand for convenient packaged food 	<ul style="list-style-type: none"> Increased regulations on cosmetic and care products for high purity grades Rising domestic oil and natural gas production 	<ul style="list-style-type: none"> Customer need for increased high product quality and supply security
Growth	5-6% p.a.	>7% p.a.	4-6% p.a.	3-5% p.a.	3% p.a.

Evonik and PeroxyChem specialty exposure

Expansion of high-growth and -margin specialty applications



Synergies and integration costs

Tangible synergies driven by excellent strategic fit; low integration complexity

Synergies

Cost Savings in Production, Logistic

Cross Selling

SG&A

Total synergies:
~€18 m p.a.
fully realized by 2022

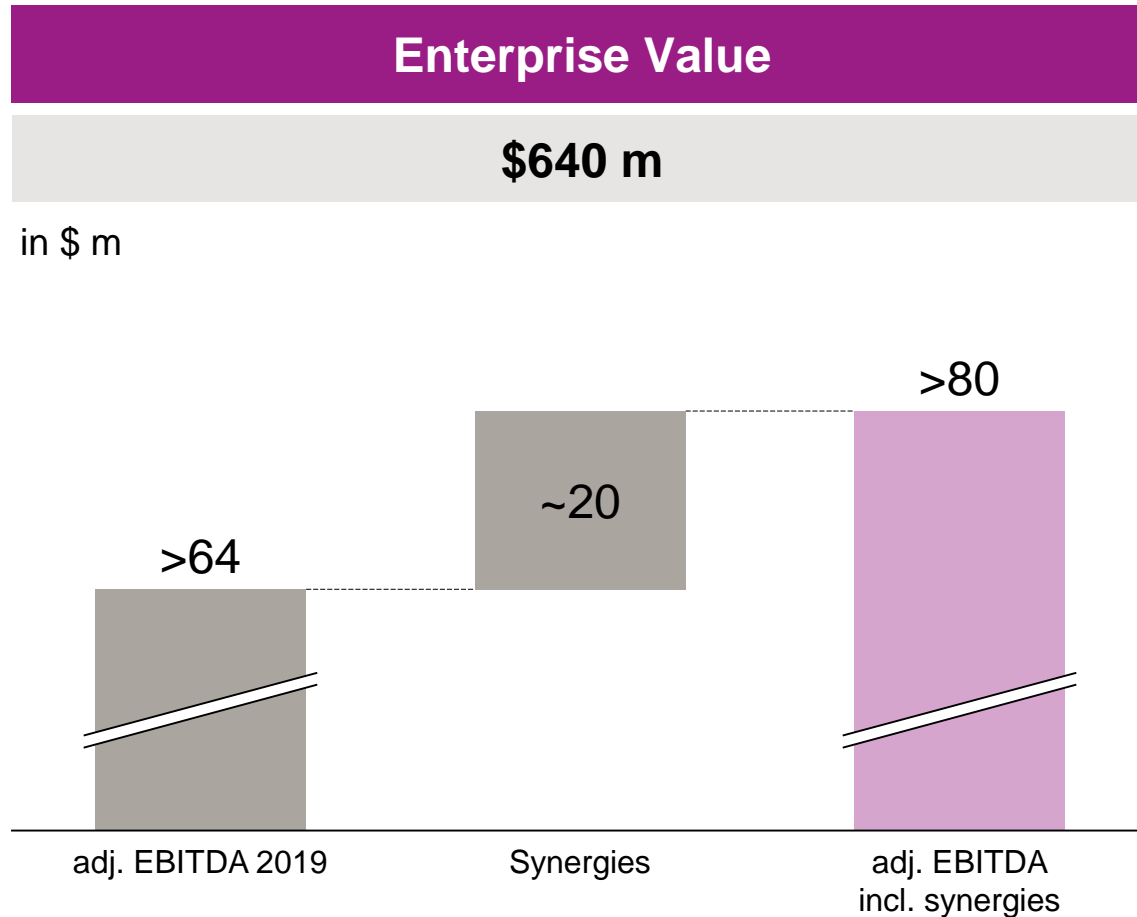
Integration costs

Integration costs
(e.g. IT integration, consultants)

Expected cash-out of
~€18 m
in 2020 & 2021

Integration costs excluding transaction costs

Attractive valuation



EV / adj. EBITDA 2019

7.6x

including synergies

EV / adj. EBITDA 2019

9.9x

excluding synergies

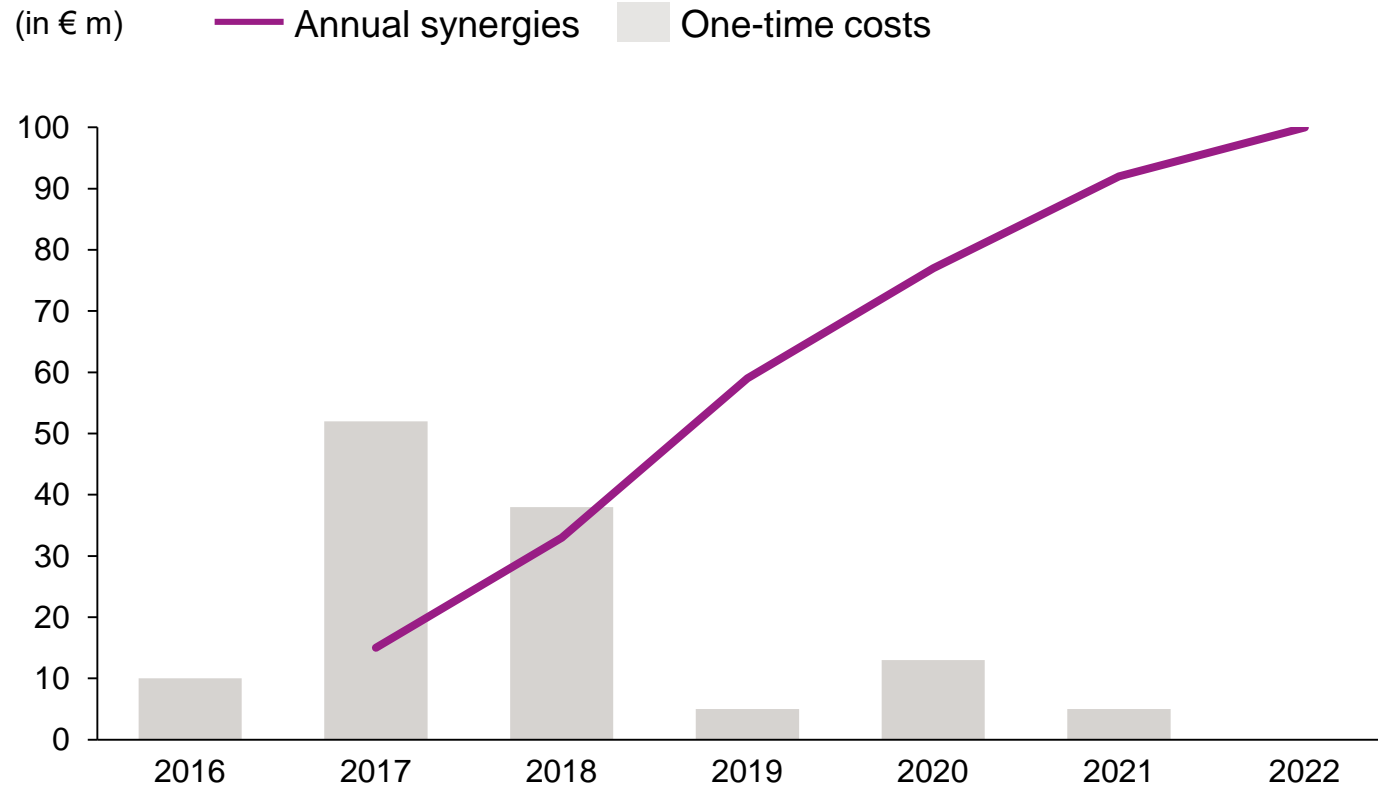
EPS & FCF accretive

in 2020

Implementation schedule for acquisition synergies

Strong delivery on synergy targets; PeroxyChem with additional synergies

Implementation schedule



Total

Annual synergies

~ €100 m p.a. (USD120 m)

APD: ~ €68 m p.a. (USD80 m)

Huber: ~ €17 m p.a. (USD20 m)

PeroxyChem: ~ €18m p.a. (USD20 m)

One-time integration costs¹

~ €120 m

APD: ~ €75 m

Huber: ~ €30 m

PeroxyChem: ~€18 m

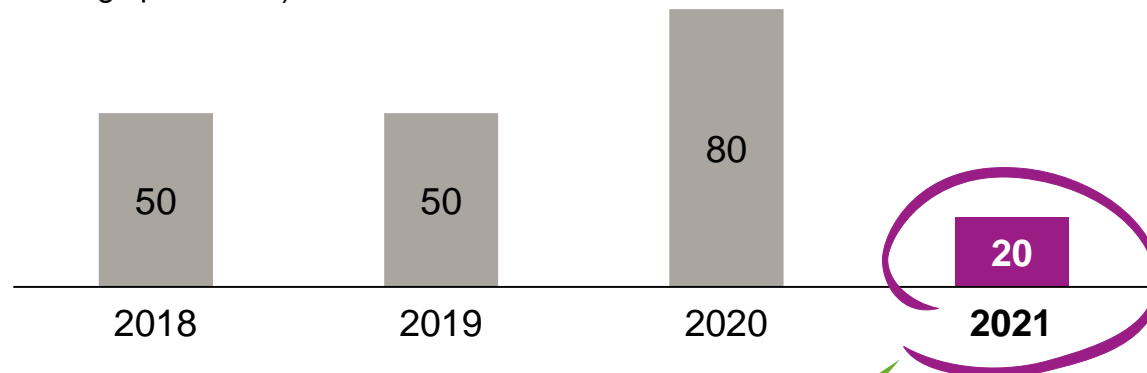
1. Excluding transaction-related costs | Currency translation based on current EUR/USD rate of ~1.20 for APD & Huber; 1.12 for PXC

SG&A 2020 – progressing faster than expected

Full saving potential already realized by end of 2020

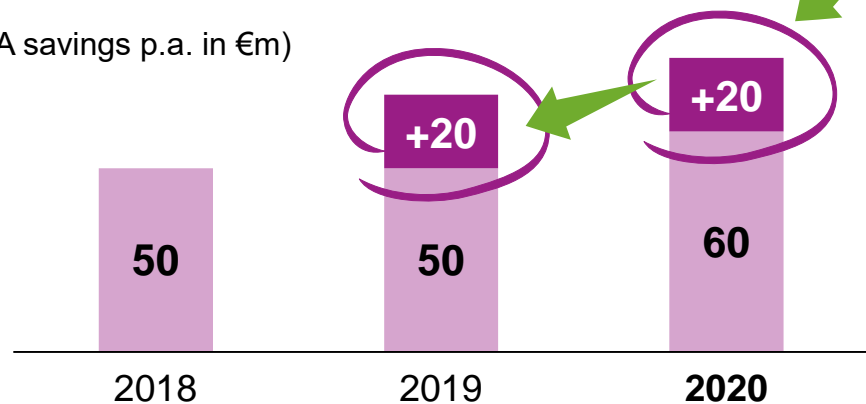
As announced

(SG&A savings p.a. in €m)



New phasing

(SG&A savings p.a. in €m)



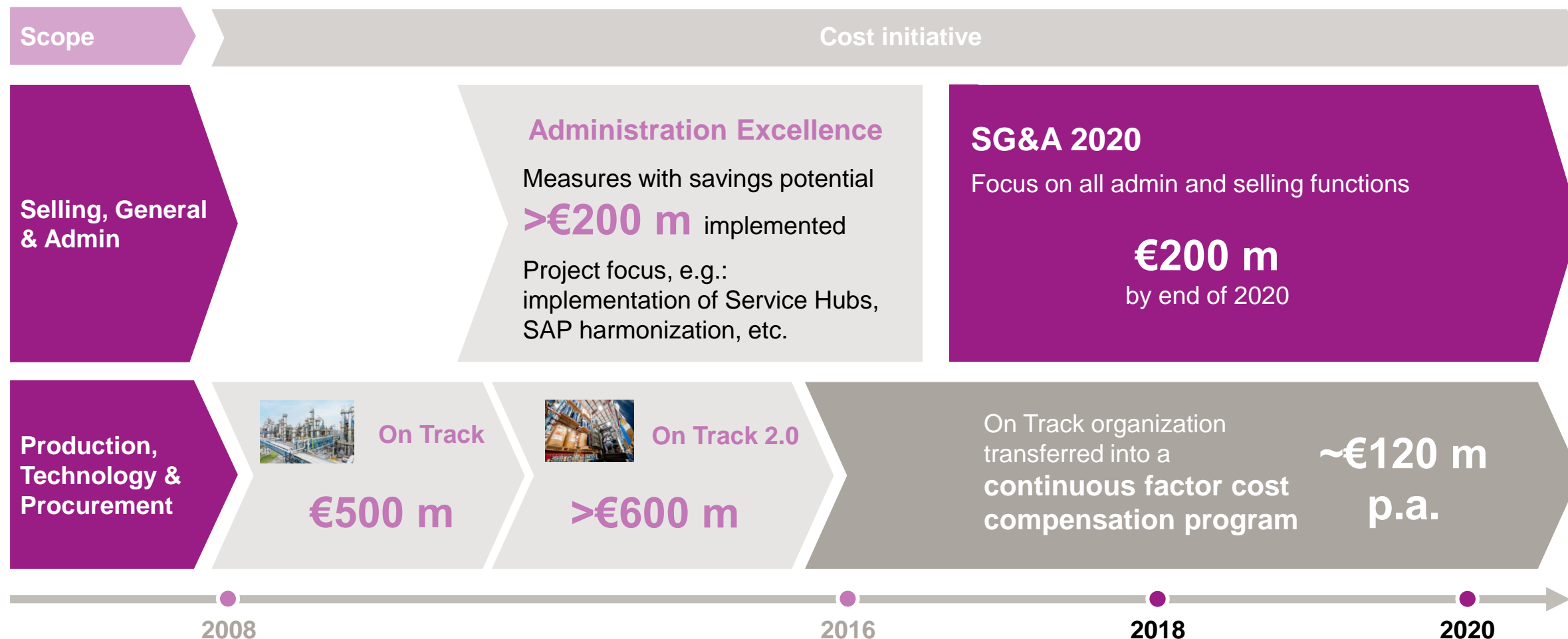
€200 m
savings
already realized
by end of **2020**

Split by Segment



Recent cost initiatives

Program to achieve cost excellence in admin and selling initiated



Leading in Innovation

Innovation growth fields with tangible size already today – strong growth ahead

Innovation Growth Fields

Advanced
Food Ingredients



Additive
Manufacturing



Sustainable
Nutrition



Membranes



Cosmetic
Solutions



Healthcare
Solutions



Sales contribution

Additional contribution to sales from
Innovation Growth Fields

25% p.a. (CAGR)

more
than
€1 bn by
2025

~€250 m

2015

2018

2025

Open & performance-oriented culture

New corporate values and performance management system

New corporate values

- Guidelines for cultural change
- Introduced in September 2018, now drilled down into the organization

New performance management system

- Leaner process and strict alignment with Group financial targets on all levels
- Reach goals together rather than individually and in silos
- Clearer differentiation of individual performance levels
- Implemented since 2019



Appendix

1. Strategy Details
- 2. Segment overview**
3. Financials
4. Upcoming events

Evonik Group¹

17 Business Lines managed in 3 operative segments

Nutrition & Care



Sales
€4,582 m



Adj. EBITDA / Margin
€728 m / 15.9%

Animal Nutrition

Care Solutions

Baby Care

Comfort & Insulation

Health Care

Interface & Performance

Resource Efficiency



Sales
€5,685 m



Adj. EBITDA / Margin
€1,290 m / 22.7%

Silica

Crosslinkers

Oil Additives

High Performance Polymers

Coating Additives

Coating & Adhesive Resins

Active Oxygens

Silanes

Catalysts

Performance Materials



Sales
€2,043 m



Adj. EBITDA / Margin
€224 m / 11.0%

Performance Intermediates

Functional Solutions

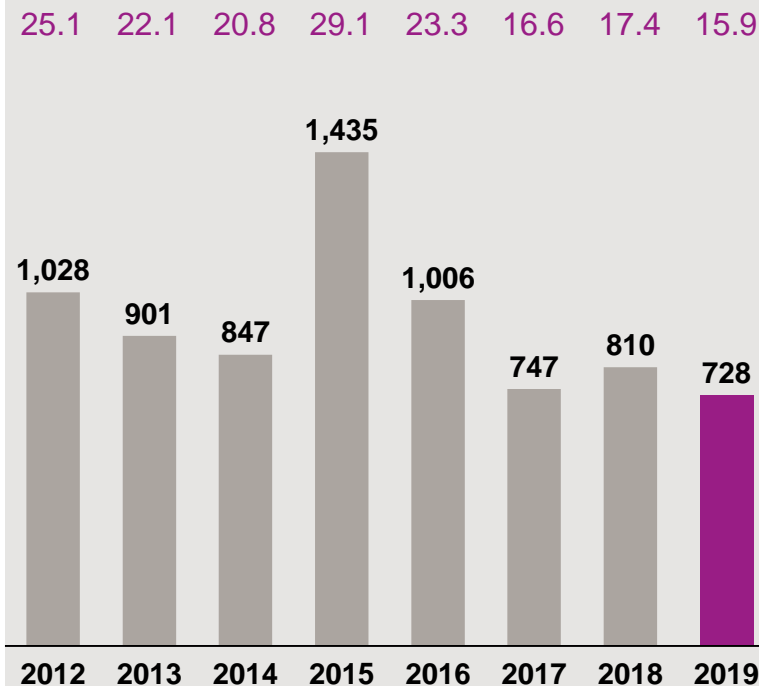
Nutrition & Care

Fulfilling human needs in a globalizing world

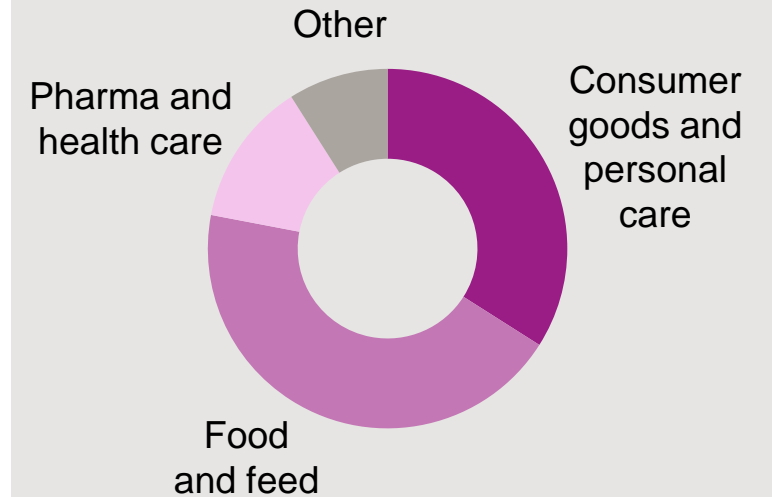
Key characteristics

- Long-term development is especially driven by **socioeconomic megatrends and sustainability**
- High degree of **customer intimacy and market know-how**
- Enabling our customers to deliver **differentiating solutions** in their markets
- **Excellent technology platforms**

Adj. EBITDA (€ m) and margin (%)



End market split



Nutrition & Care

Selected growth trends and products examples

Nutrition & Care produces specialty chemicals, principally for use in consumer goods for daily needs, in animal nutrition and in healthcare products

Growth example *Smart Drug Delivery*



With smart drug delivery systems like EUDRAGIT®, active ingredients get to where they are needed in the body

Growth example *Sustainable Nutrition*



With our amino acids and probiotics, we have an extensive offering of solutions for sustainable healthy nutrition of animals

Growth example *Bio-based Cosmetics*



With RHEANCE®, we offer a multifunctional solution for gentle cleansing enabling 100% biodegradable skin and hair care products

Growth example *Innovative Additives*



With our innovative additives based on organically modified silicones like TEGOSTAB®, mattresses are more flexible

Nutrition & Care – Veramaris

Conserving marine life in the ocean: Omega-3 fatty acids from natural marine algae

Strong consumer-pull for sustainable salmon products



- Product **supplied to three of the largest salmon feed producers** and used by the largest salmon farmers in Norway and Chile
- First Veramaris-fed salmon **available in store at major retailers** across Europe

Next targets 2020:



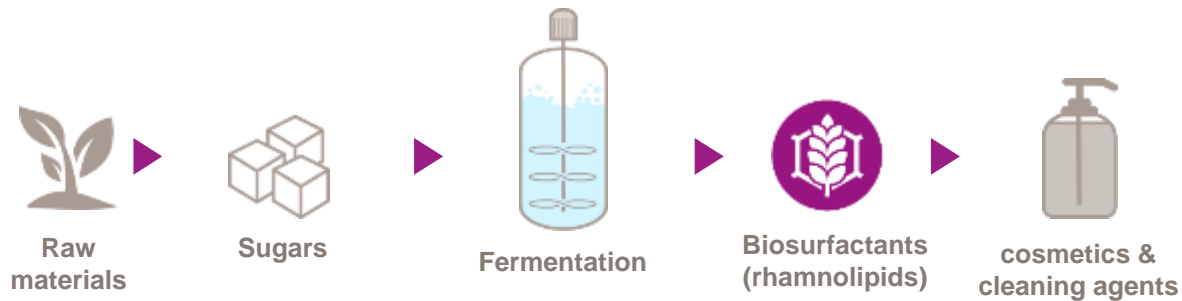
- Entering the **highly attractive pet food market**
- Intensifying consumer-pull through further **retail engagement** and **marketing along the value chain**



Biosurfactants are the next game changer in Evonik's innovation portfolio

Large-scale production of world's first "green" biosurfactant (rhamnolipids)

A unique process resulting in a unique product



- 100% **renewable natural resource & biodegradable**
- **Plant based sugars** as only carbon source – no oils used
- **Unique product properties**, especially cleansing & foaming (comparable products usually made from petrochemicals)
- → **First large-scale biosurfactant** for cosmetics and cleaning

Commercialization to capture future growth



- **Unilever** has successfully launched a product in Chile in 2019
- Next step in commercializing **Evonik's leading biotechnology capabilities**: designs of a **global scale production plant**
- Evonik will be the **first company to produce biosurfactants on industrial scale** with focus on attractive markets in personal and home care

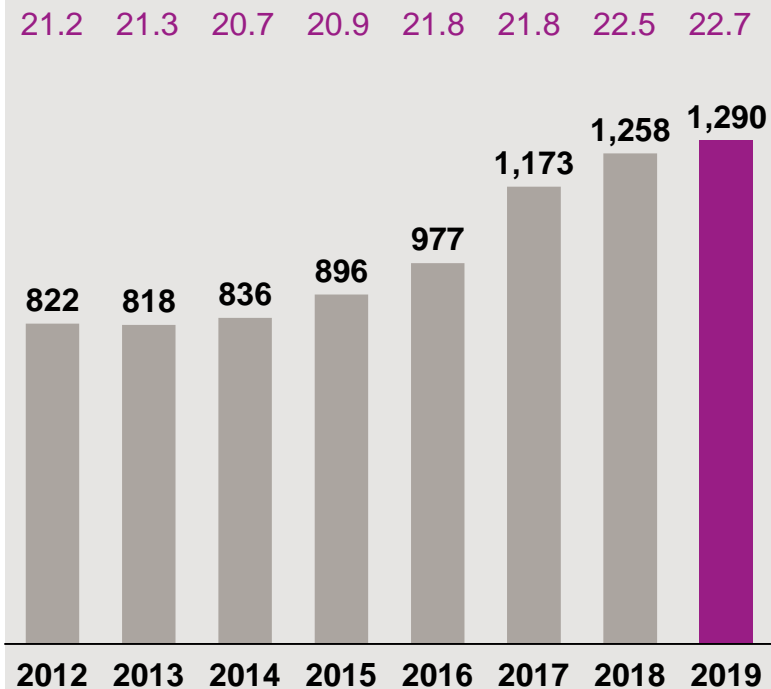
Resource Efficiency

Innovative products for resource-efficient solutions

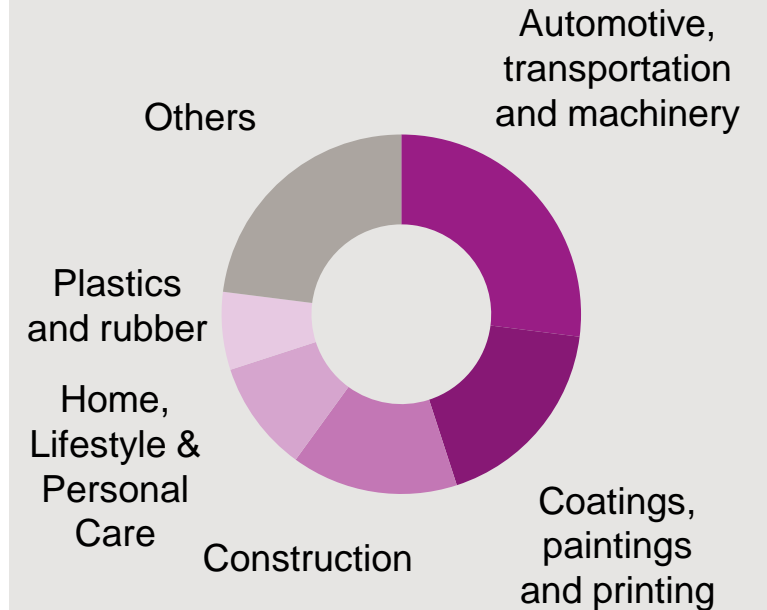
Key characteristics

- **High-value and resilient specialty business** with broad application scope
- Focus on **performance-impacting** and value-driving components
- **Minor share of cost** in most end products
- Strong focus on **technical service**
- **Low risk of substitution**
- High pricing power (**value-based pricing**)
- **Strong technology platforms, application know-how** and **innovation focus**

Adj. EBITDA (€ m) and margin (%)



End market split



Resource Efficiency

Selected growth trends and products examples

Resource Efficiency provides environment-friendly and energy-efficient system solutions, mainly for the automotive sector and for the paints, coatings and construction industries

Growth example *Lightweight*



With high performance polymers like ROHACELL® or Polyamid 12, we make for example airplanes or cars lighter

Growth example *Green Tires*



With our ULTRASIL® Silica/Silane technology, we reduce the rolling resistance of tires and help to save fuel

Growth example *Eco-friendly Insulation*



With our purely mineral and fully recyclable insulation material CALOSTAT®, we insulate houses efficiently

Growth example *Eco-friendly Coatings*



With our waterborne and TEGO® applications, we make coatings environmentally friendly

Resource Efficiency – E-Mobility

Additional sales opportunities



Opportunities arising from e-mobility ...

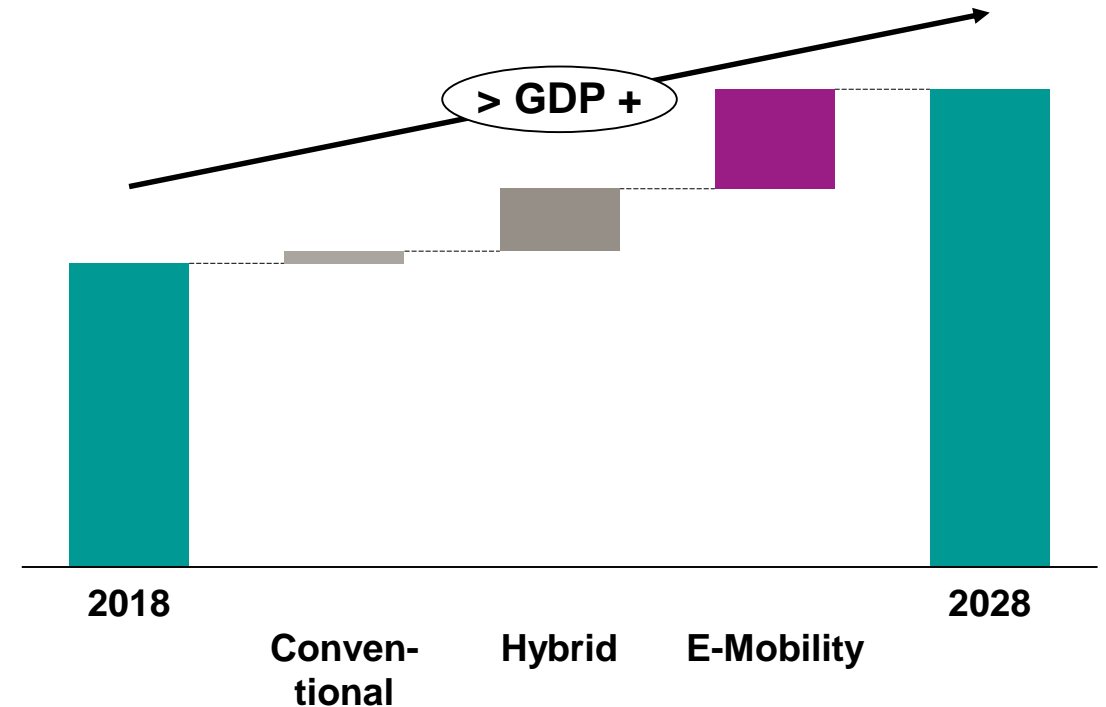
Plastics and composites (e.g. PA 12 or ROHACELL®)
Cooling lines, charging and high voltage cables

Lubricants (e.g. Additives like DYNAVIS® or DRIVON™)
Cooling fluids and e-motor greases, hybrid transmission

Tires (e.g. Silica like ULTRASIL®)
Reduced rolling and higher abrasion resistance

Adhesives & Sealants (e.g. Polyesters like DYNACOLL®)
Gap fillers for batteries, noise reduction, vibration/harshness

Additional sales potential in auto end market 2018-2028 (in €m)



Performance Materials

Integrated production platforms for efficient production of rubber and plastic intermediates

Key characteristics

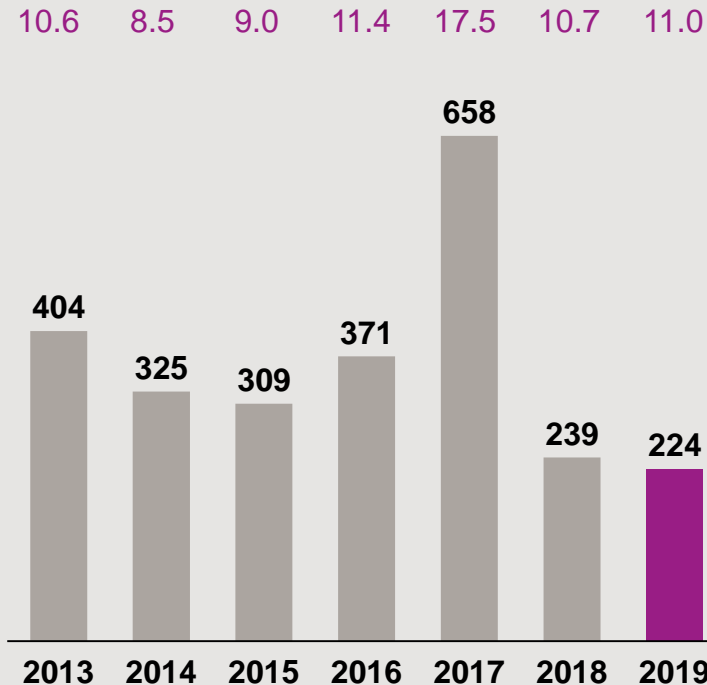
- Strong **integrated production platforms**
- **Leading cost positions**
- Favorable **raw material access**
- Focus on **continuous efficiency improvements**
- High degree of **supply reliability**

Key products

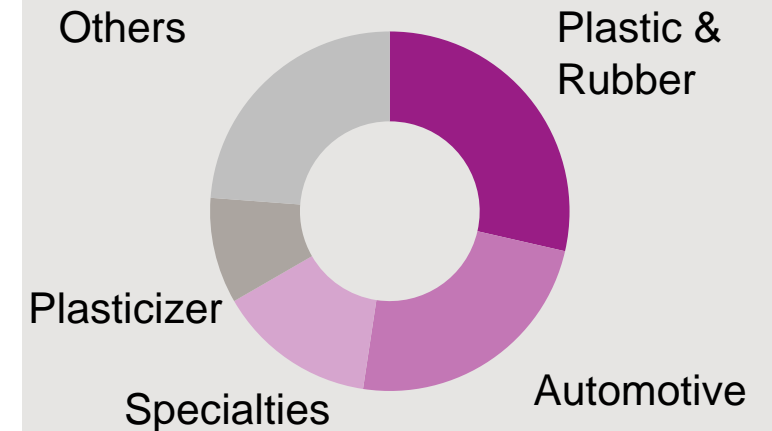
- Butadiene for synthetic rubber
- MTBE as fuel additive
- Alkoxides for biodiesel and life-science products



Adj. EBITDA¹ (€ m) and margin¹ (%)



End market split



1. 2017- 2019: restated for continuing operations (excluding methacrylates)

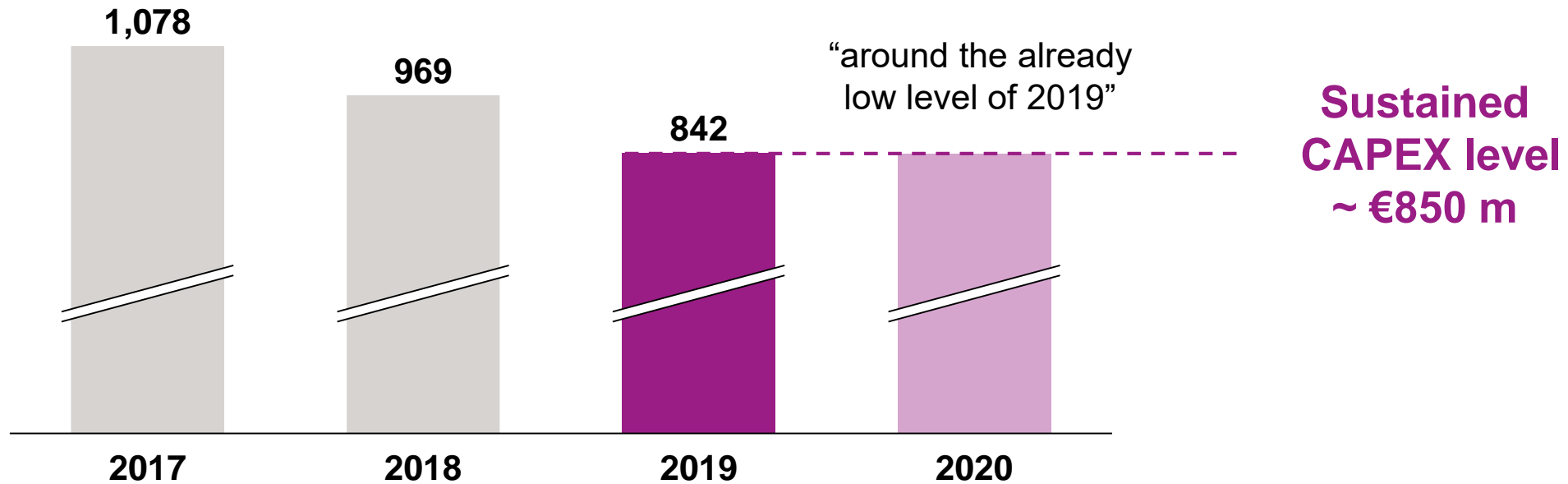
Appendix

1. Strategy Details
2. Segment overview
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CAPEX

High CAPEX discipline in 2019 and 2020

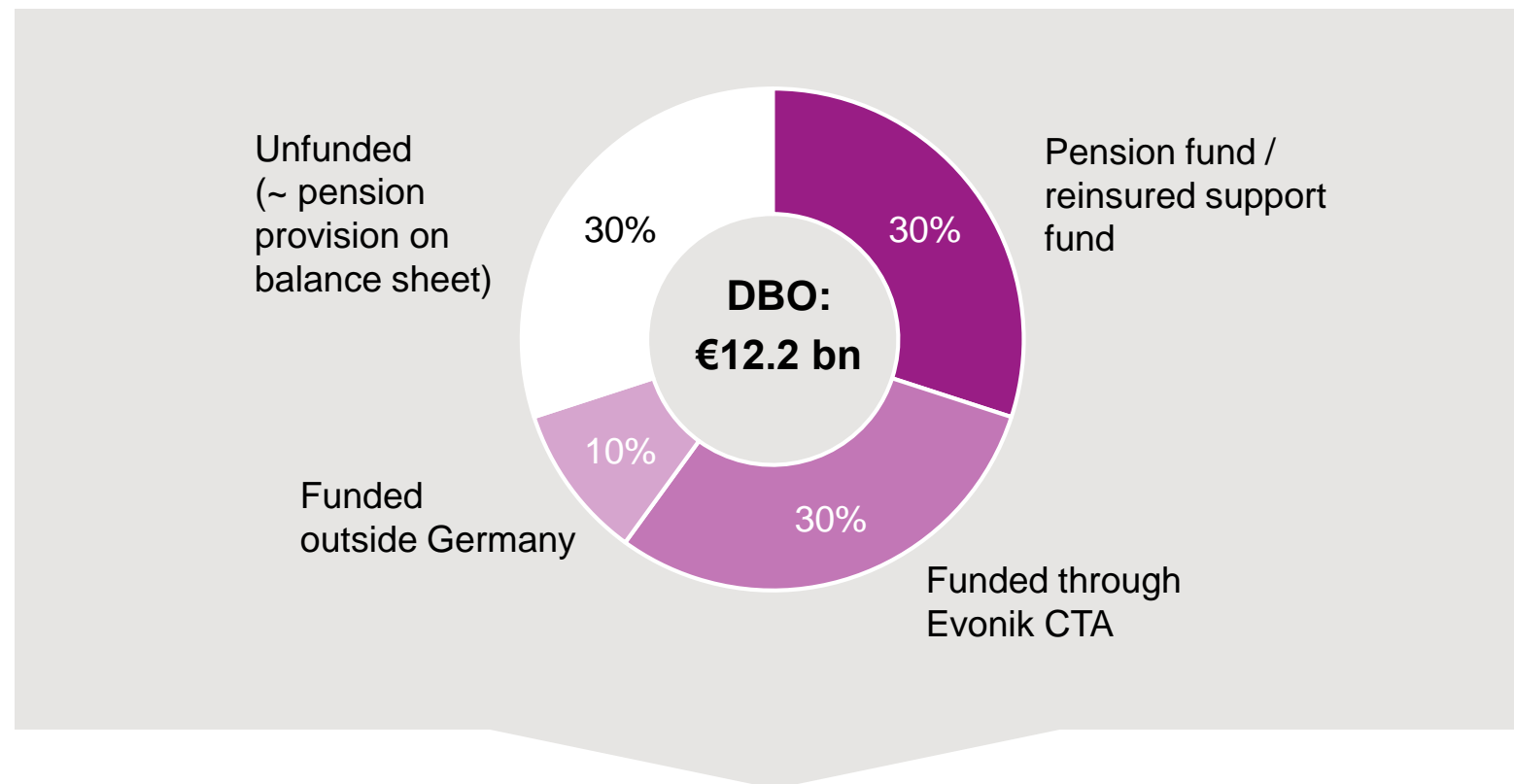
CAPEX development (in € m)



1. Continuing operations (excluding methacrylates)

Pensions

Pension funding overview as of 31 December 2019



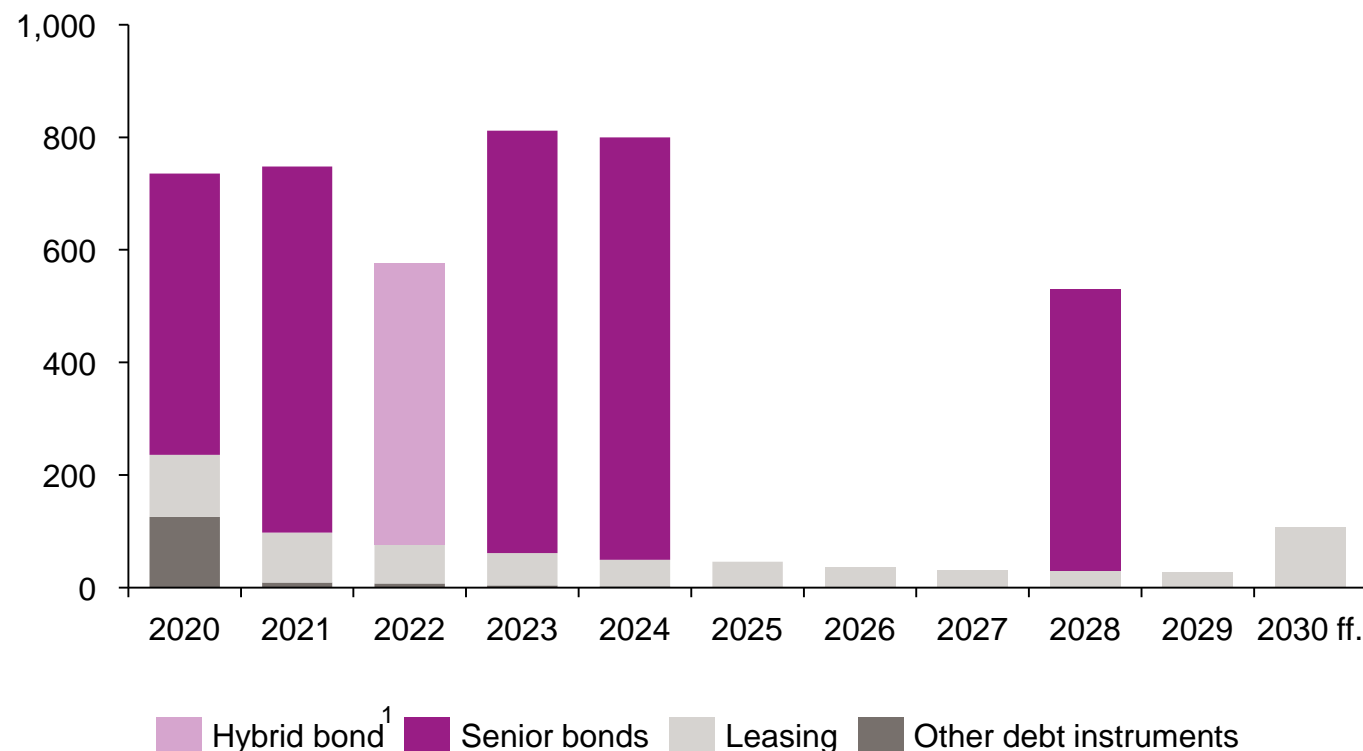
Funding level at ~ 70%

- Pensions very long-term, debt (>17 years) with no funding obligations in Germany
- DBO level of €12.2 bn (interest rate at 1.30%)
- Funding ratio at ~70% mainly due to positive development of pension asset

Debt structure

Well balanced maturity profile

(in € m as of December 31, 2019)

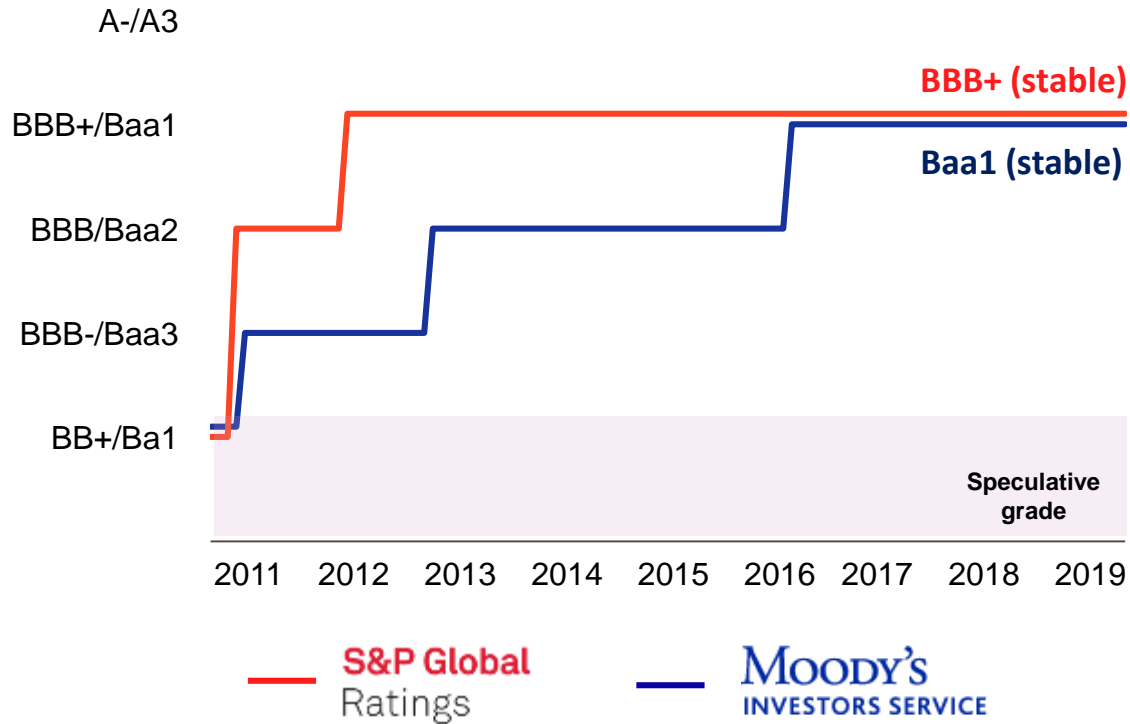


- Well balanced debt maturity profile with no single bond maturity greater than € 750m
- Long-term capital market financing secured at favorable conditions:
 - average coupon of 0.74% p.a. on €3.15 bn senior bonds
 - coupon of 2.125% p.a. on €0.5 bn hybrid bond
- MMA disposal proceeds partially used for deleveraging: €500 m senior bond due April 2020 will be repaid (coupon of 1.875% p.a.)
- Undrawn €1.75 bn syndicated revolving credit facility maturing June 2024

1. Formal lifetime of 60 years; first redemption right for Evonik in 2022

Financial policy

Maintaining a solid investment grade rating



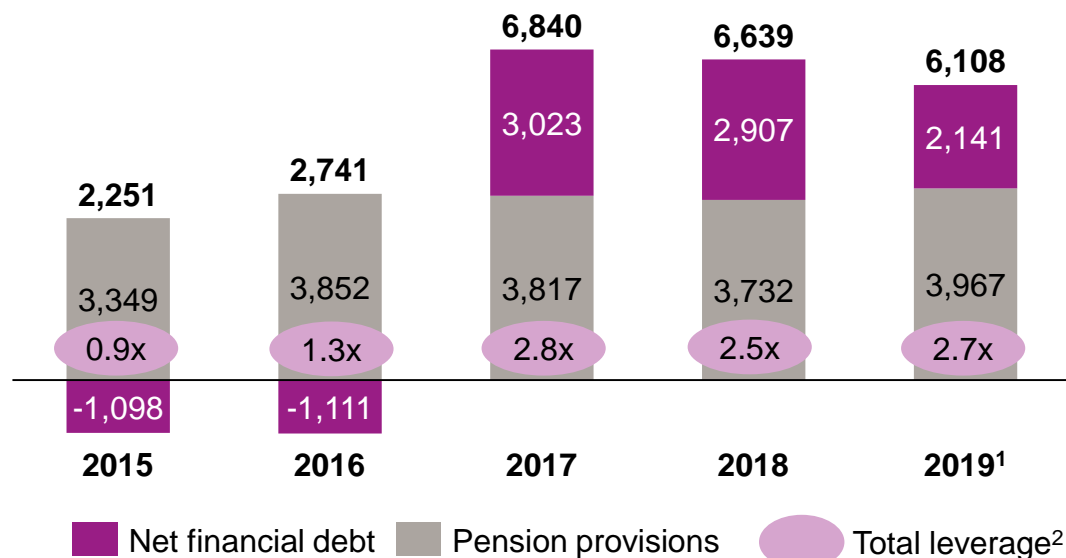
Successful rating development based on a strong credit profile:

- Strong business profile underpinned by significant size and leading global market positions
- Greater-than-peer diversity in terms of end-markets and product range
- Supportive financial policy and management's commitment to a solid investment-grade rating

Maintaining a solid investment grade rating is a central element in our financing strategy

Development of debt and leverage over time

(in € m)



Adj. net debt ³	2,251	2,741	6,590	6,389	5,858 ¹
Adj. EBITDA	2,465	2,165	2,357	2,601	2,153 ¹
German pension discount rate (%)	2.75	2.00	2.00	2.00	1.30

1. Continuing operations (excluding methacrylate activities, including IFRS 16 effect)

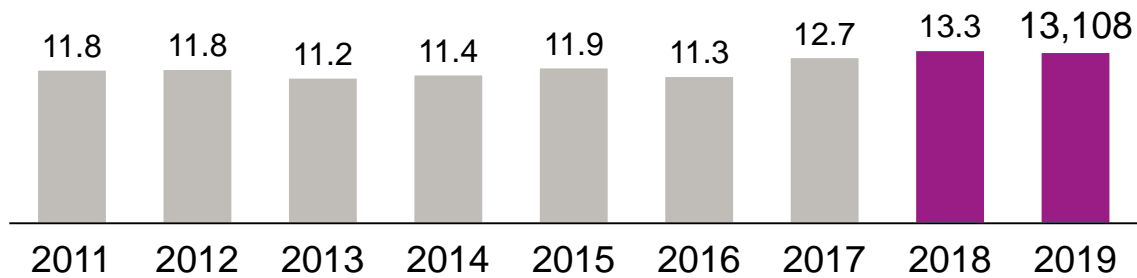
2. Adj. net debt³ / adj. EBITDA

3. Net financial debt – 50% hybrid bond + pension provisions

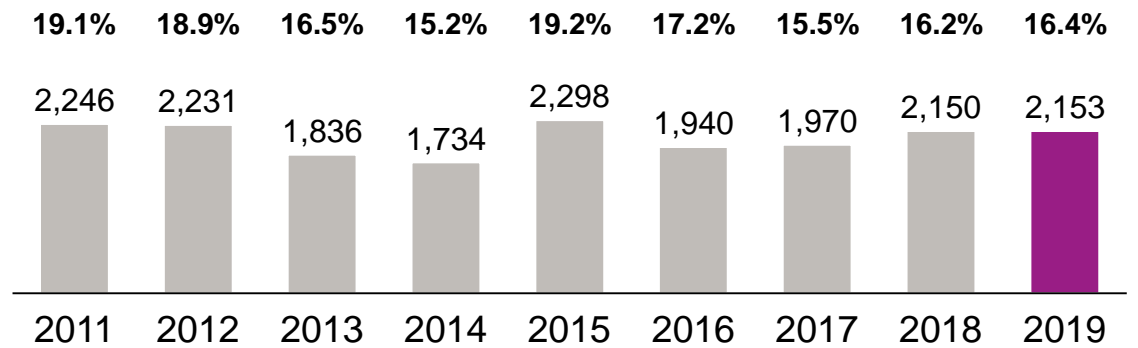
- Net financial debt significantly reduced mainly by disposal proceeds from methacrylate activities, mitigated by IFRS 16 effect (€666 m)
- Net financial debt** leverage **at only 0.9x** as per end of 2019
- Around 2/3 of net debt consists of long-dated pension obligations with > 17 years duration
- Pension provisions increased due to sharp discount rate decline, mitigated by transfer of €0.6 bn pension provisions with methacrylate disposal and strong performance of plan assets
- Pension provisions partly balanced by corresponding deferred tax assets of ~€1.35 bn

Financials

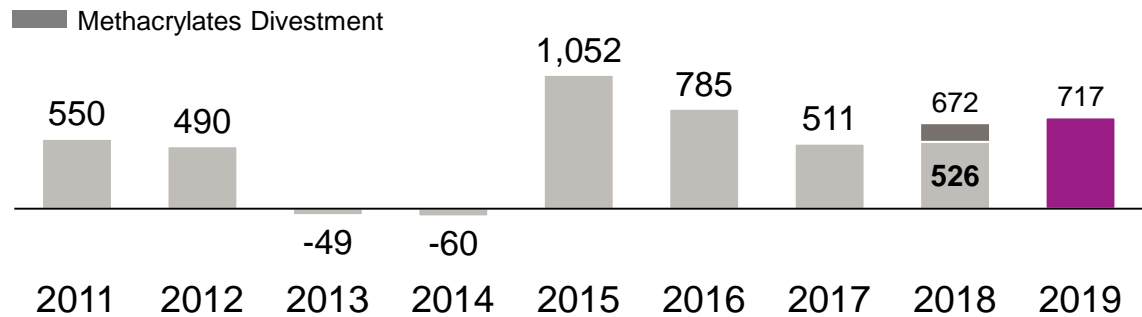
Sales¹ (in € bn)



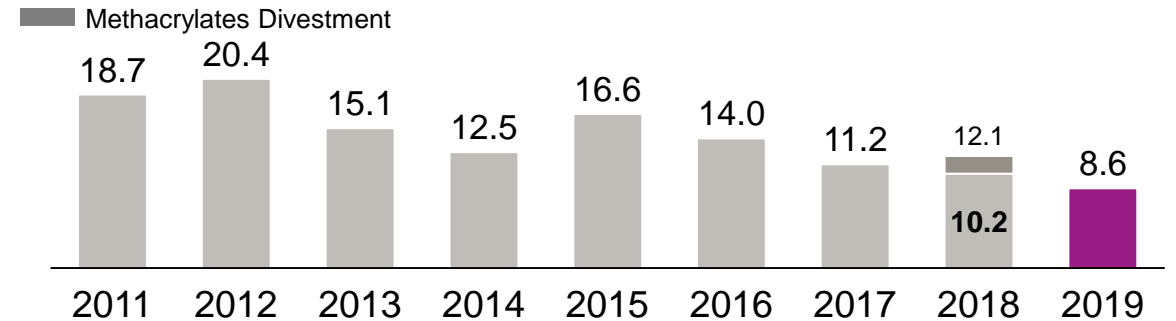
Adj. EBITDA¹ (in € m) / margin



Free Cash Flow (as reported, in € m)



ROCE (as reported, in %)



1. Continuing operations

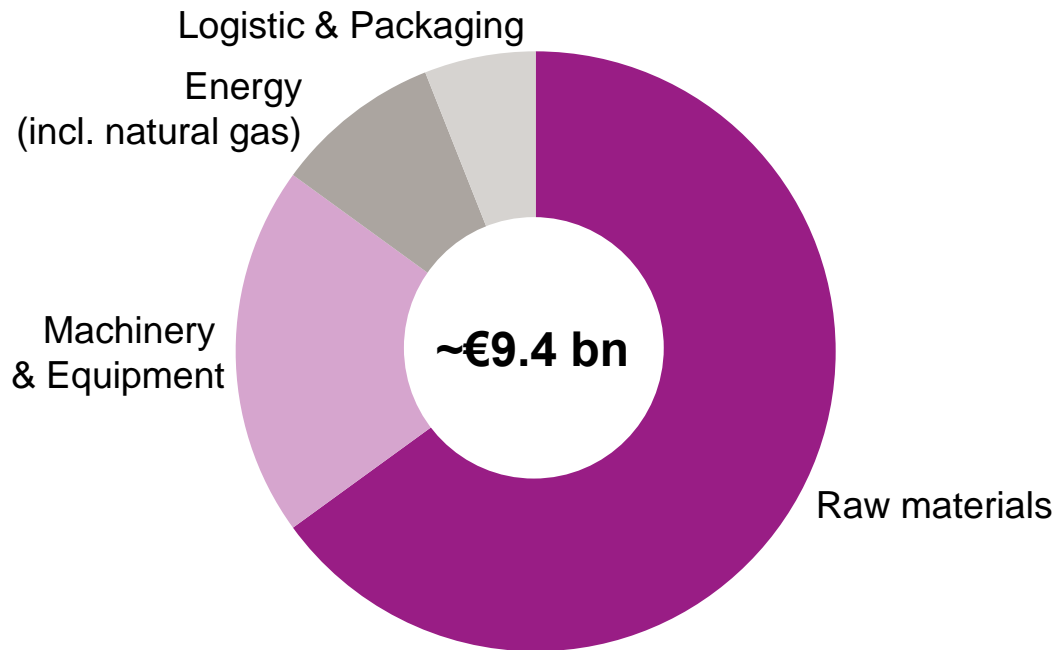
Segment overview by quarter – continuing operations

Sales (in € m)	Q1/18	Q2/18	Q3/18	Q4/18	FY 2018	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019
Nutrition & Care	1,119	1,189	1,167	1,172	4,646	1,149	1,131	1,138	1,163	4,582
Resource Efficiency	1,402	1,478	1,425	1,402	5,708	1,438	1,445	1,414	1,387	5,685
Performance Materials	563	573	591	506	2,233	520	553	475	495	2,043
Services	160	169	161	175	664	174	171	196	221	763
Corporate / Others	3	4	3	6	16	6	6	9	18	35
Evonik Group	3,247	3,413	3,347	3,261	13,267	3,287	3,306	3,232	3,284	13,108

Adj. EBITDA (in € m)	Q1/18	Q2/18	Q3/18	Q4/18	FY 2018	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019
Nutrition & Care	209	222	212	167	810	180	190	188	170	728
Resource Efficiency	324	367	335	256	1,283	330	326	322	314	1,290
Performance Materials	60	71	63	46	239	53	74	47	50	224
Services	35	25	39	0	100	31	36	32	24	122
Corporate / Others	-74	-69	-70	-67	-282	-55	-60	-46	-53	-211
Evonik Group	554	616	579	402	2,150	539	566	543	505	2,153

Raw material split

Total procurement volume 2019 (in € m)



Breakdown of raw material spend¹ (examples)

Bio

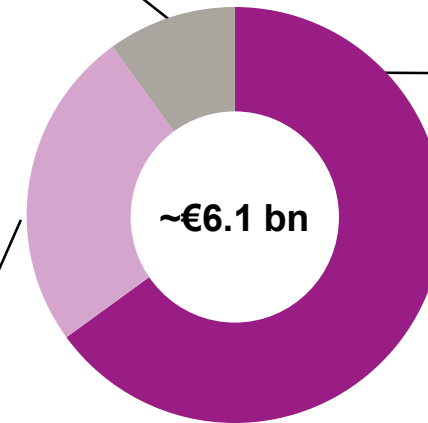
- Dextrose
- Fatty alcohols
- Tallow fatty acid
- Fatty acids
- tallow

Inorganic & other

- Sodium silicate
- Sodium hydroxide
- Silicon metal

Fossil

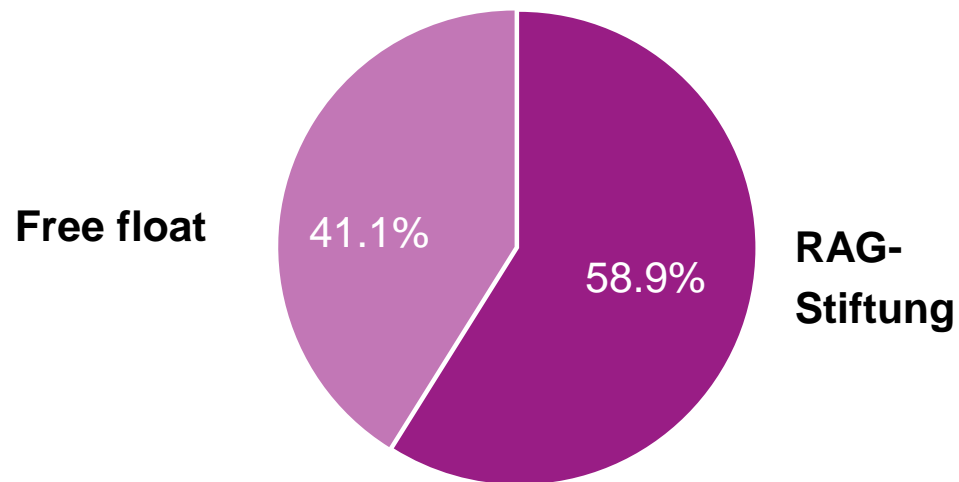
- Crack C4
- Propylene
- Acrylic acid
- Acetone
- Methanol



1. Raw material spend 65% of total procurement volume in 2019

“RAG-Stiftung” as long-term shareholder with focus on attractive returns

Ownership structure



RAG-Stiftung

- A foundation with the obligation to finance the perpetual liabilities arising from the cessation of hard-coal mining in Germany
- Evonik as integral and stable portfolio element with **attractive and reliable dividend policy**
- Clear **intention to remain significant shareholder**
- RAG-Stiftung capable to cover annual cash out requirements with Evonik dividend (~€345 m dividend received in 2019)

Management compensation

Fixed salary ~1/3	<ul style="list-style-type: none">▪ To be paid in cash for each financial year on a monthly basis	
Bonus ~1/3	<ul style="list-style-type: none">▪ Pay-out calculated on the basis of the achievement of focused KPIs; aligned to mid-term strategic targets:<ol style="list-style-type: none">1. Progression towards EBITDA margin target2. EBITDA growth (yoy)3. Contribution to FCF target4. Accident performance	<ul style="list-style-type: none">▪ Factor of between 0.8 and 1.2 to take into account the achievement of further individual targets▪ Bonus capped at 200% of initial target
Long-term incentive plan ~1/3	<ul style="list-style-type: none">▪ Granted LTI target amount is calculated in virtual shares (4-year lock-up)▪ Value of LTI to mirror the development of Evonik's share price (incl. dividends)▪ Amount payable is determined by two performance elements	<ul style="list-style-type: none">▪ Absolute performance: Real price of the Evonik share▪ Relative performance against external index benchmark (MSCI Chemicals)▪ Bonus capped at 300% of initial amount▪ To be paid out in cash after lock-up period

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Disclaimer

In so far as forecasts or expectations are expressed in this presentation or where our statements concern the future, these forecasts, expectations or statements may involve known or unknown risks and uncertainties. Actual results or developments may vary, depending on changes in the operating environment. Neither Evonik Industries AG nor its group companies assume an obligation to update the forecasts, expectations or statements contained in this release.

Upcoming IR events

Conferences & Roadshows	
10 & 11 March 2020	Roadshow, London
12 March 2020	Goldman Sachs Chemicals Conference, London
16 March 2020	Roadshow, Frankfurt
18 March 2020	Exane BNP Paribas Consumer Ingredients Conf., London
24 March 2020	Société Générale ESG/SRI Conference, Paris
26 March 2020	Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
21 April 2020	Roadshow, Amsterdam

Upcoming Events & Reporting Dates	
4 March 2020	Q4/FY 2019 reporting
1 April 2020	Capital Markets Day, London
7 May 2020	Q1 2020 reporting
4 August 2020	Q2 2020 reporting
3 November 2020	Q3 2020 reporting

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EVONIK

Leading Beyond Chemistry