

Evonik

Leading Beyond Chemistry

Q4 / FY 2019
Earnings Conference Call



4 March 2020

Christian Kullmann, Chief Executive Officer

Ute Wolf, Chief Financial Officer

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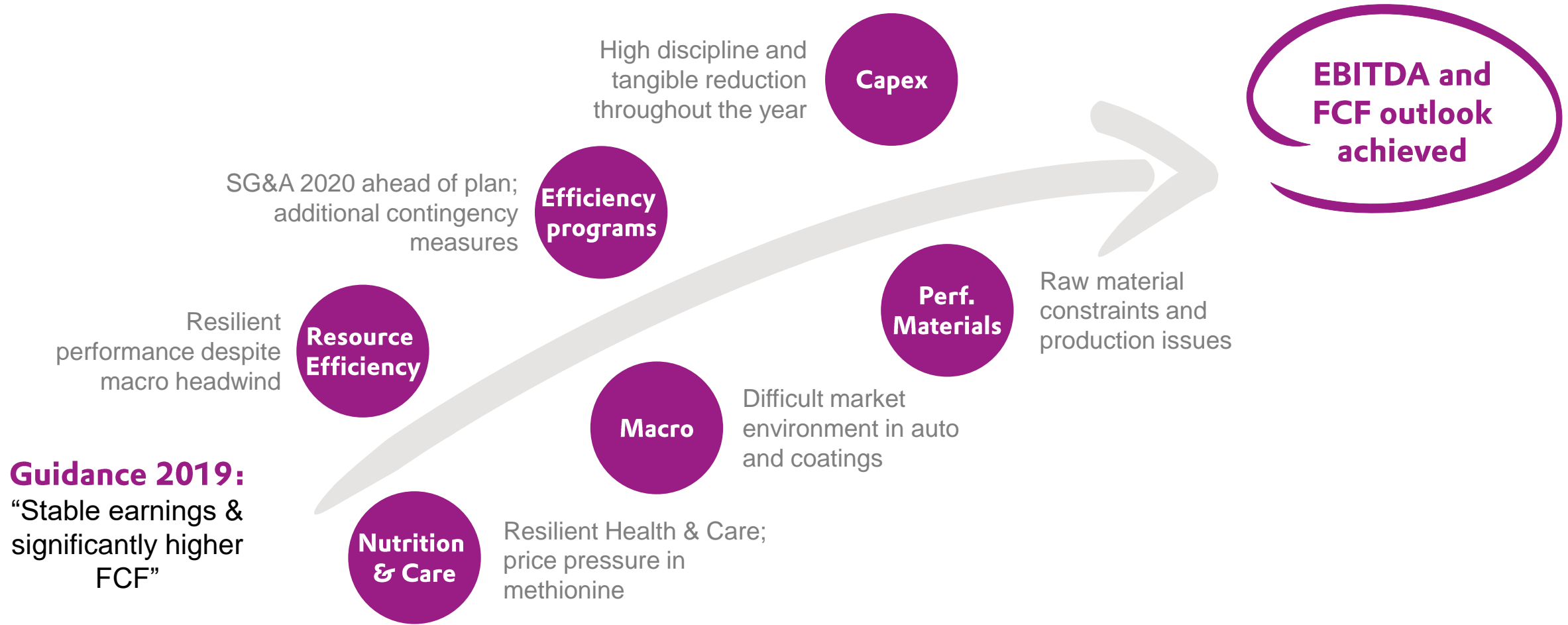
1. Highlights

2. Financial performance Q4 / FY 2019

3. Outlook FY 2020

Operational highlights 2019

Promise & deliver – despite challenges throughout the year



Strategic highlights 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**

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



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** (Growth & Efficiency)
- ✓ **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

Further
details
@ CMD 2020
on 1 April

New Divisional Setup

Specialty Additives

Broad spectrum of performance-defining additives making the key difference in industrial applications for coatings, polyurethane foam & lubricants

- Coating additives
- PU additives
- Lubricant additives



Nutrition & Care

Sustainable solutions for consumer markets, particularly in pharmaceutical, personal care, and nutrition industries

Quarterly sales for sub-divisions **"Animal Nutrition"** and **"Health & Care"**

- Amino acids
- Active ingredients
- Drug delivery systems



Smart Materials

Innovative materials for resource-saving solutions and the replacement of conventional materials

Quarterly sales for sub-divisions **"Inorganics"** and **"Polymers"**

- Silica / Silanes
- H₂O₂
- PA12
- Catalysts



Performance Materials

Leading platforms with efficient processes for production of intermediates and superabsorbent polymers

- C4 derivatives
- Superabsorbers



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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**

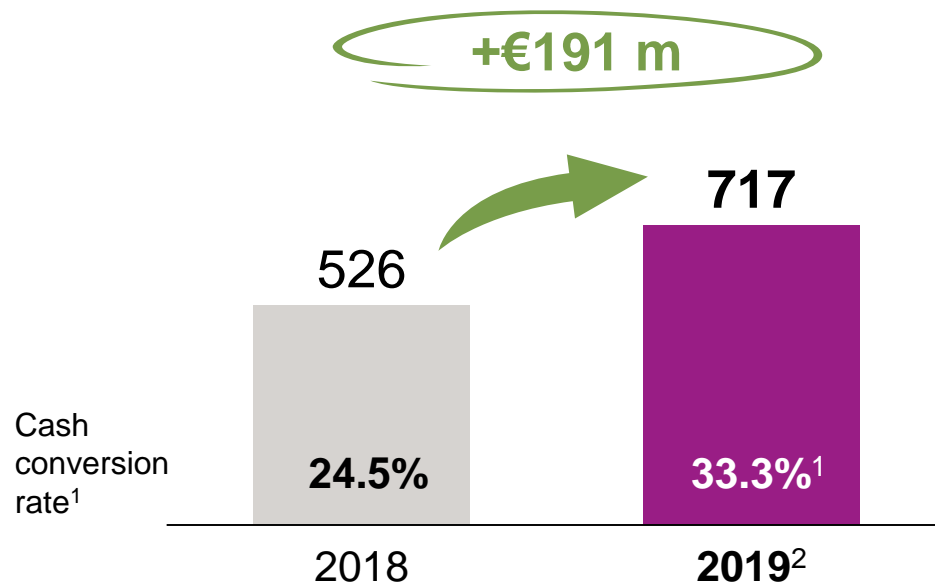
- Delivering **SG&A savings** faster than planned
 - accelerated phasing in 2019: **€70 m savings realized**
 - Measures for **remaining €80 m in 2020** defined and in implementation
 - Program will be **fully realized in 2020** (initial plan: 2021)
 - **FTEs reduced by ~600** → fully on track for targeted 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

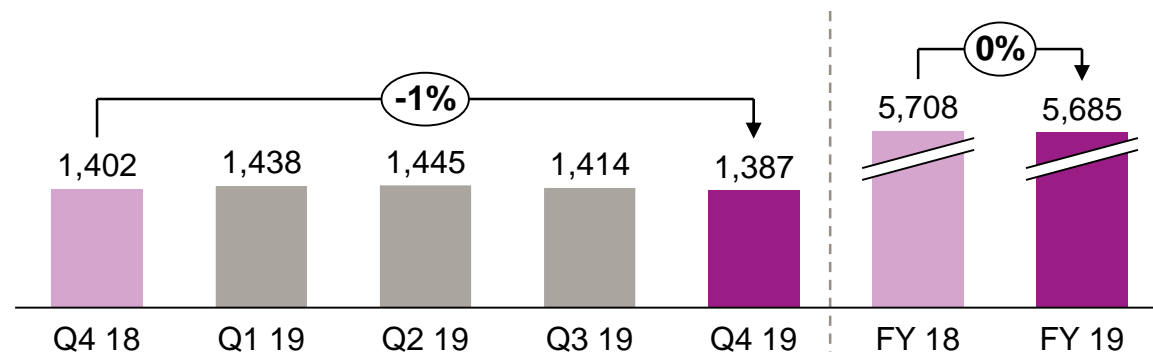
Cash conversion improved to beyond **30%**

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

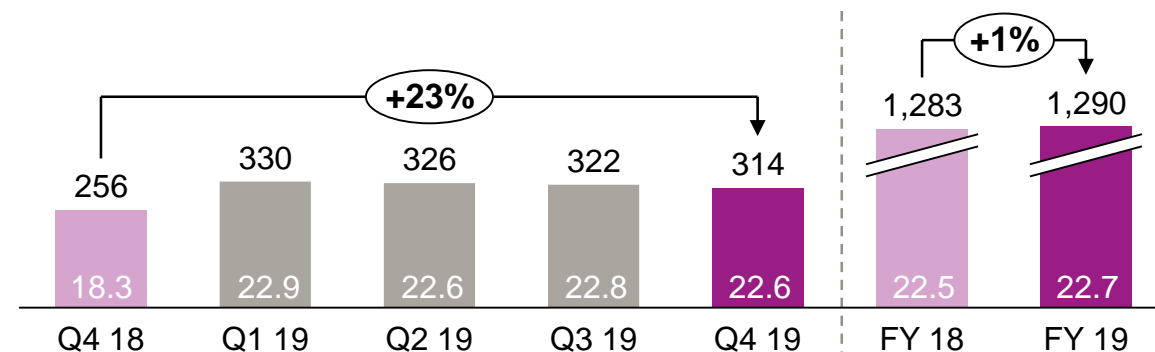
Sales (in € m)



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



Adj. EBITDA (in € m) / margin (in %)

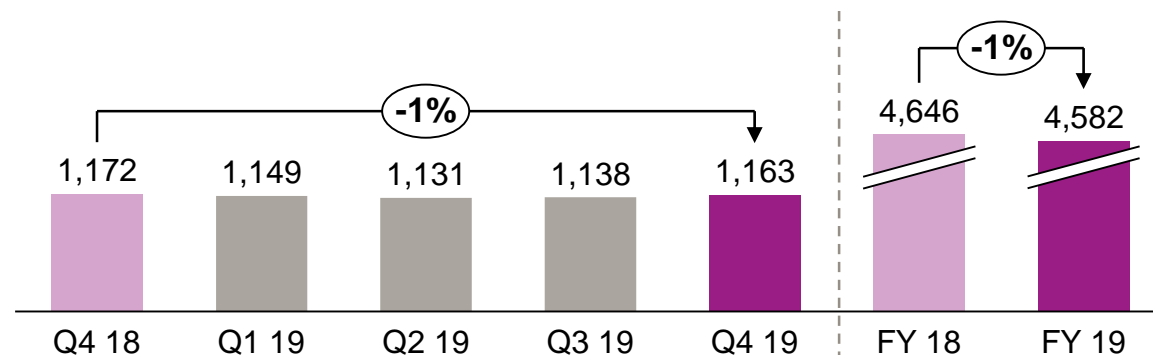


- Difficult market environment for auto and coatings businesses continued, visible in declining volume
- High margin level due to continued solid pricing, cost savings and license income in Active Oxygen business (~€40 m)
- Oil Additives, High Performance Polymers and Crosslinkers with resilient performance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

Nutrition & Care

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

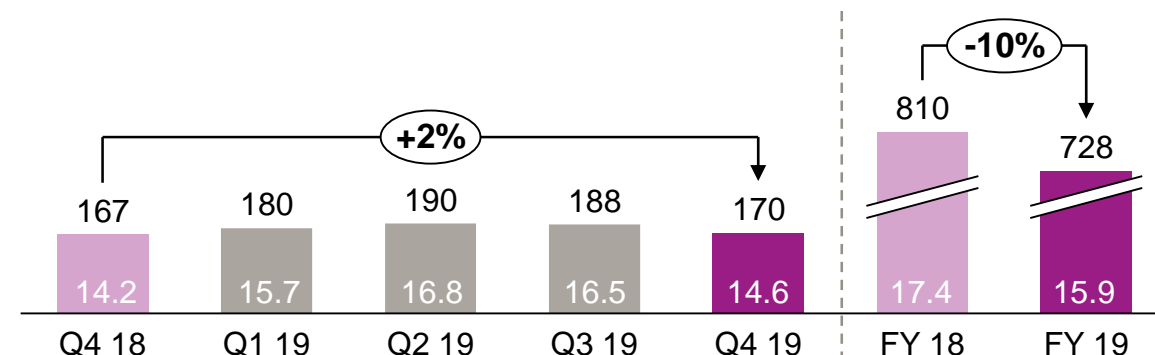
Sales (in € m)



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



Adj. EBITDA (in € m) / margin (in %)

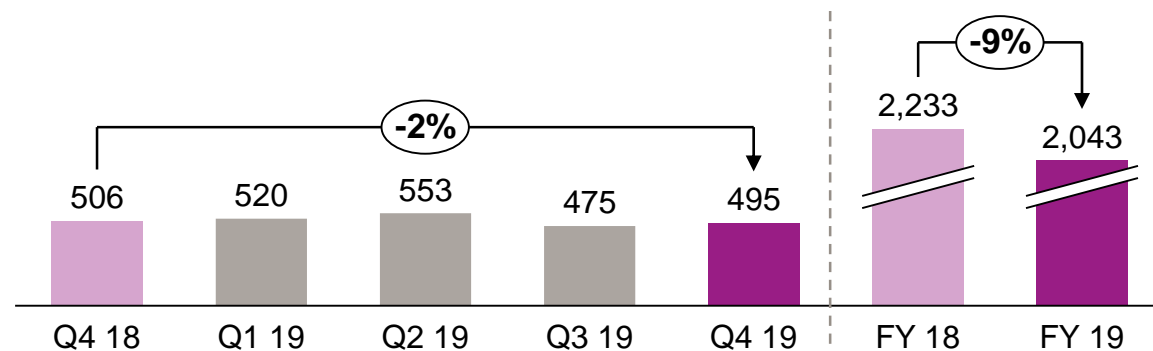


- For the first time in 2019, Nutrition & Care with yoy earnings growth in Q4
- High volumes in Animal Nutrition continue to be mitigated by planned shift from bulk to specialty products (in Care Solutions and for Veramaris JV)
- Strong finish in Care Solutions and Health Care
- Methionine with ongoing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

Performance Materials

Unusual high number of one-offs impacting FY earnings level

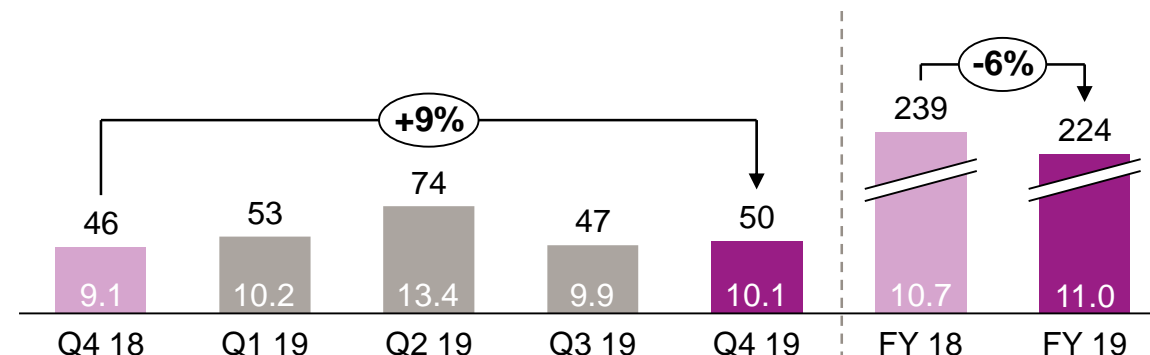
Sales (in € m)



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



Adj. EBITDA (in € m) / margin (in %)



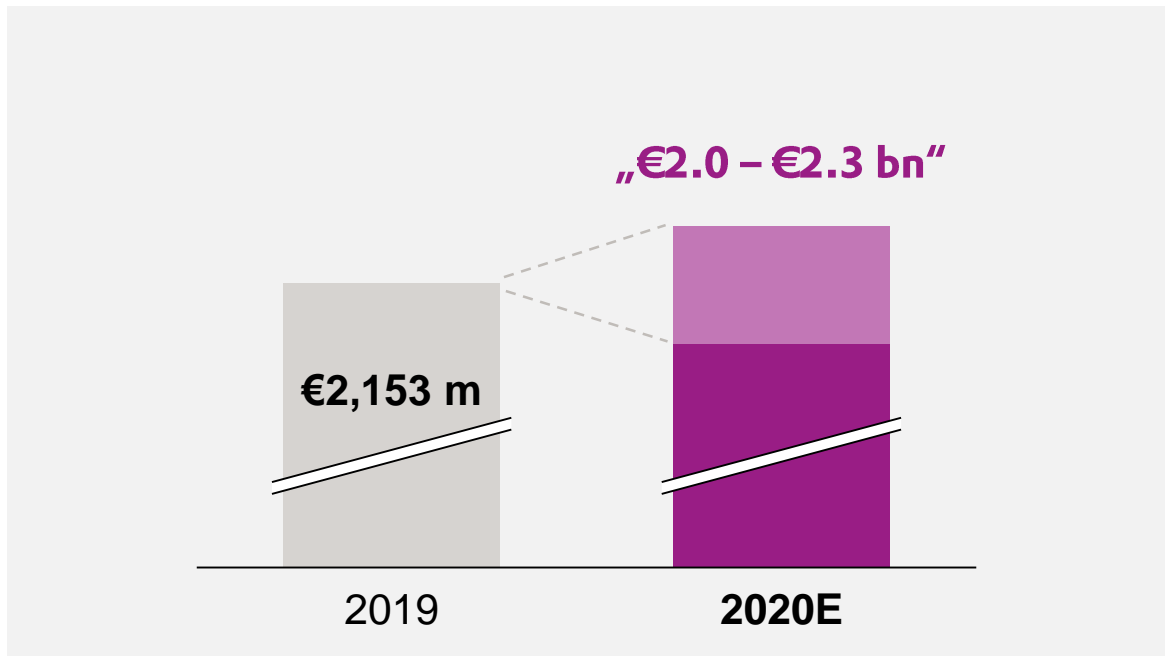
- As guided, Q4 with ~€10 m negative impact from compressor failure in C4 businesses (Q4 2018 with ~€20 negative effect from low Rhine water levels)
- Higher volumes, as prior year was burdened by low Rhine water level and limited raw material availability
- Price decline due to yoy weaker Butadiene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

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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

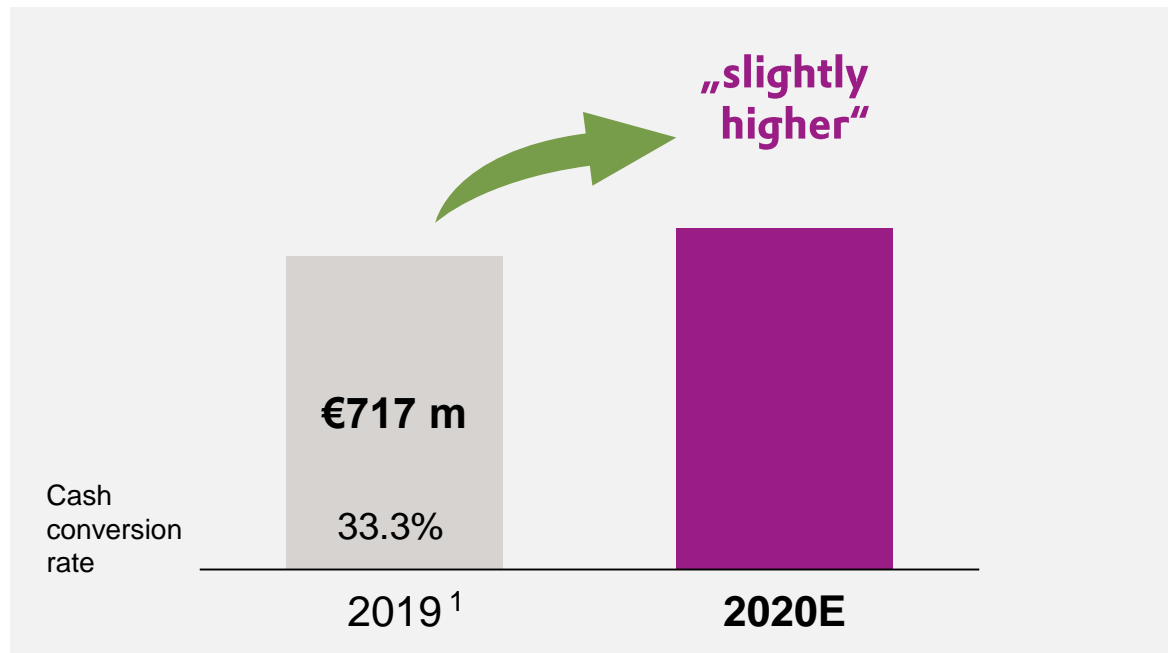


- Continued price weakness leading to lower product spreads year-on-year
- Negative impact from limited raw material supply and plant outages should not reoccur

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



EVONIK

Leading Beyond Chemistry

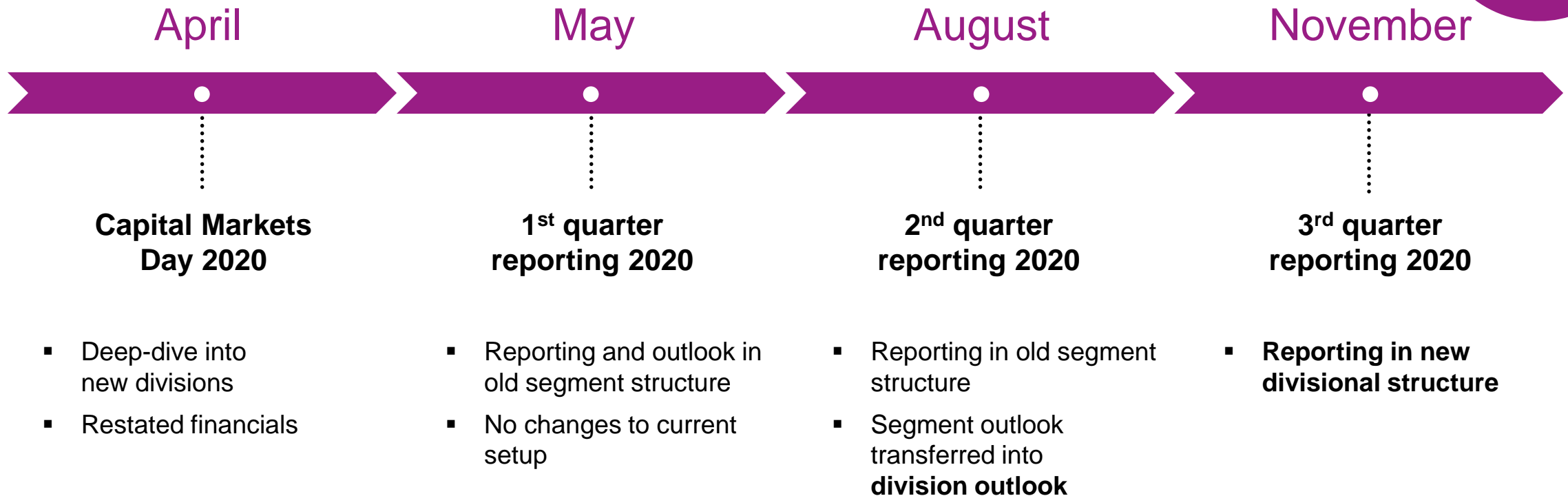
Additional indications for 2020

- 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

Timeline for implementation of new divisional structure

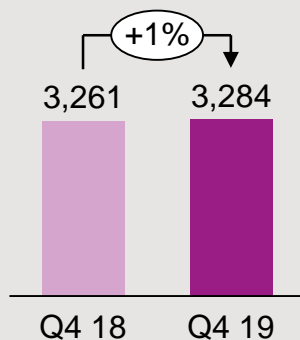
Further
details
@ CMD 2020
on 1 April



Financial highlights Q4 2019

Strong finish to the year

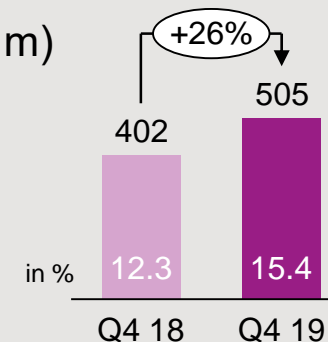
Sales (in € m)



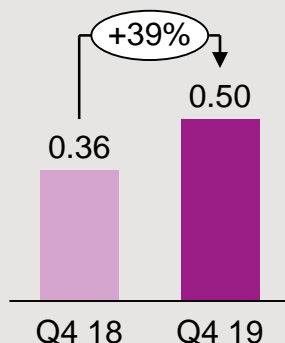
Q4 18 vs. Q4 19

Volume	Price
+0% →	-4% ↘
FX	Other
+1% ↗	+4% ↗

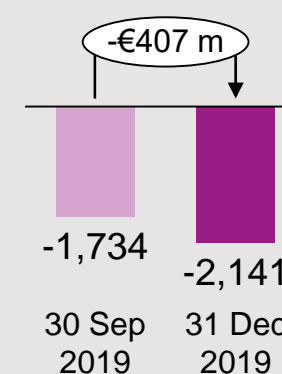
Adj. EBITDA (in € m) / margin (in %)



Adj. EPS (in €)



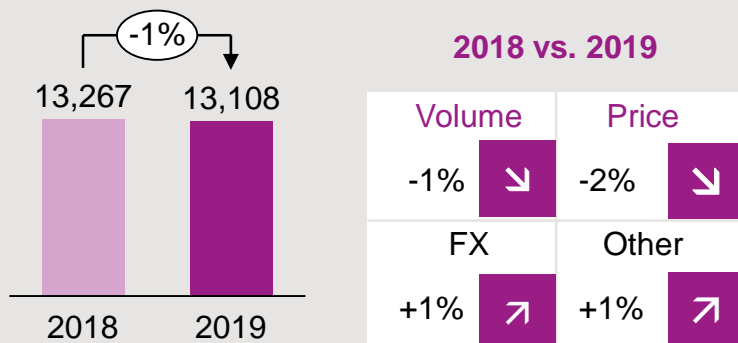
Net financial position (in € m)



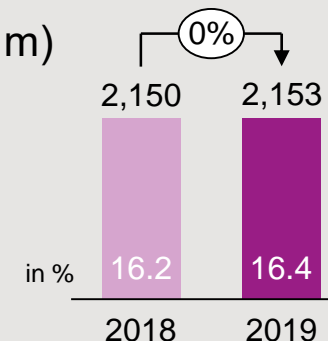
Financial highlights FY 2019

Solid performance despite difficult environment

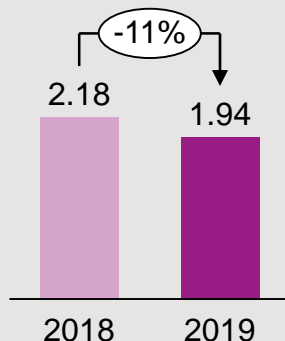
Sales (in € m)



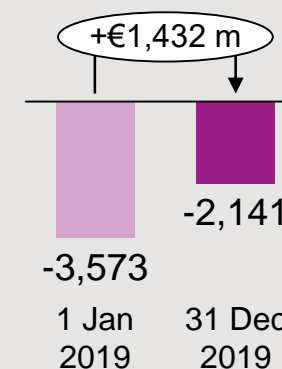
Adj. EBITDA (in € m) / margin (in %)



Adj. EPS (in €)



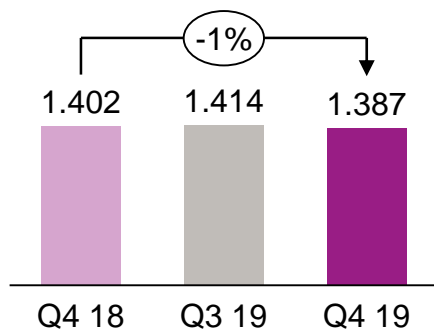
Net financial position (in € m)



Resource Efficiency

Q4 2019 Business Line comments

Sales (in € m)



Coating Additives: Continued slow demand for water-borne coatings for container industry in China as well as coatings for automotive



Crosslinkers: Demand remained healthy driven by composites applications for wind energy; further support from low raw material prices (mainly Acetone)



High Performance Polymers: Resilient business performance supported by price increases in polymer business and positive product mix towards Membranes and 3D printing business

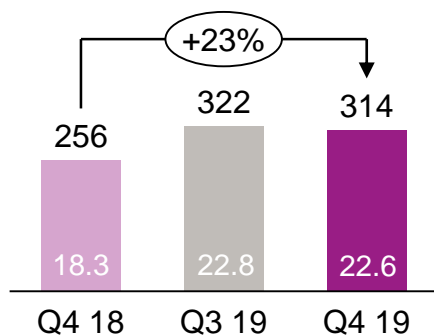


Silica: Slower demand for industry-linked applications like sealants and silicones for automotive continued, while tire business holding up well



Active Oxygens: Specialty applications on continuous growth path, overall Q4 performance supported by ~€40 m license income

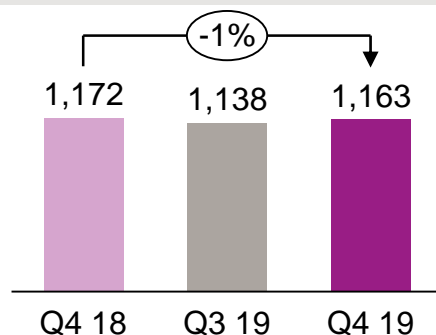
Adj. EBITDA (in € m) / margin (in %)



Nutrition & Care

Q4 2019 Business Line comments

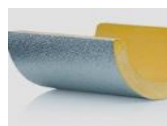
Sales (in € m)



Care Solutions: Solid performance of Cosmetic Solutions and Active Ingredients in 2019. Overall lower volumes due to planned upgrade in product mix.



Health Care: As anticipated, earnings picked up in H2 2019. Overall, FY 2019 with yoy stable earnings (end of large legacy contract compensated by underlying growth).



Comfort & Insulation: Subdued business in auto-related applications more than compensated by higher demand from consumer durables and isolation end-markets.

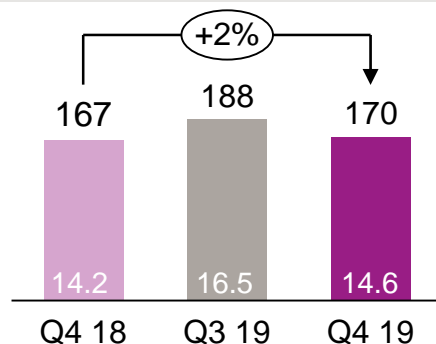


Baby Care: Improvement from a low base in 2019. Self-help measures with positive effect. Price pressure increasing in 2020.



Animal Nutrition: Methionine with ongoing strong volumes, sequentially almost stable pricing. Positive market sentiment and price trend visible into 2020.

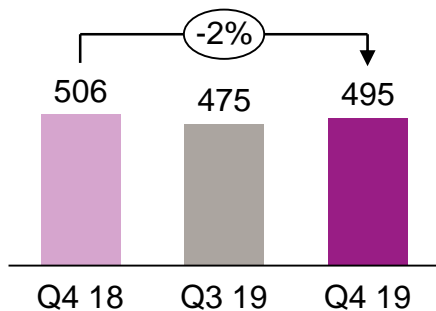
Adj. EBITDA (in € m) / margin (in %)



Performance Materials

Q4 2019 Business Line comments

Sales (in € m)



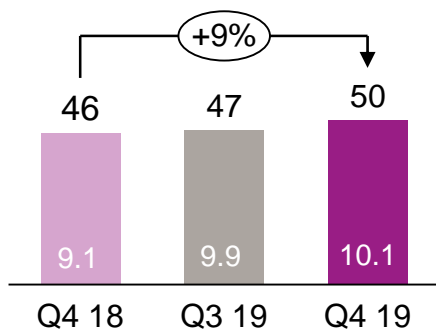
Performance Intermediates: Higher yoy volumes as prior year was burdened by low Rhine water level

Weaker market demand and spreads for petrochemical derivatives (Butadiene, INA, Butene-1)



Despite winter season, strong MTBE demand in Europe

Adj. EBITDA (in € m) / margin (in %)



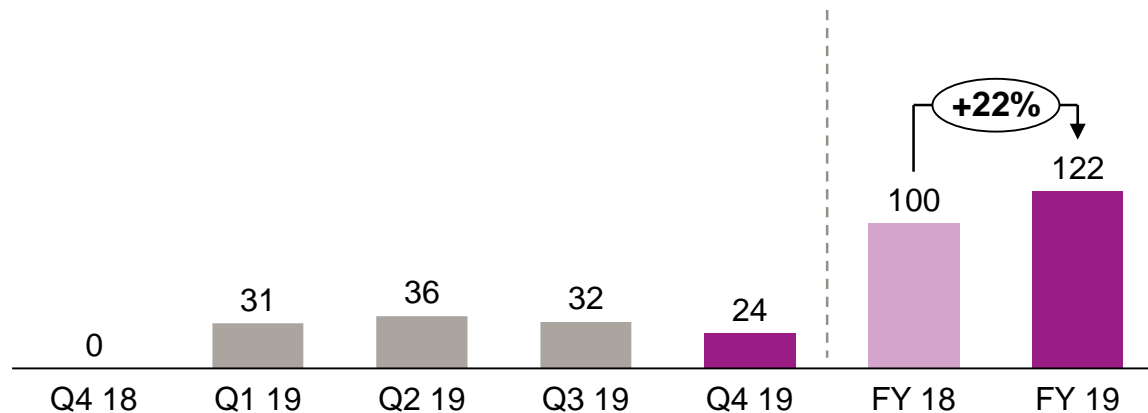
Functional Solutions: Very solid performance continues due to continued high demand from Biodiesel market for Alkoxides



Services and Corporate / Others

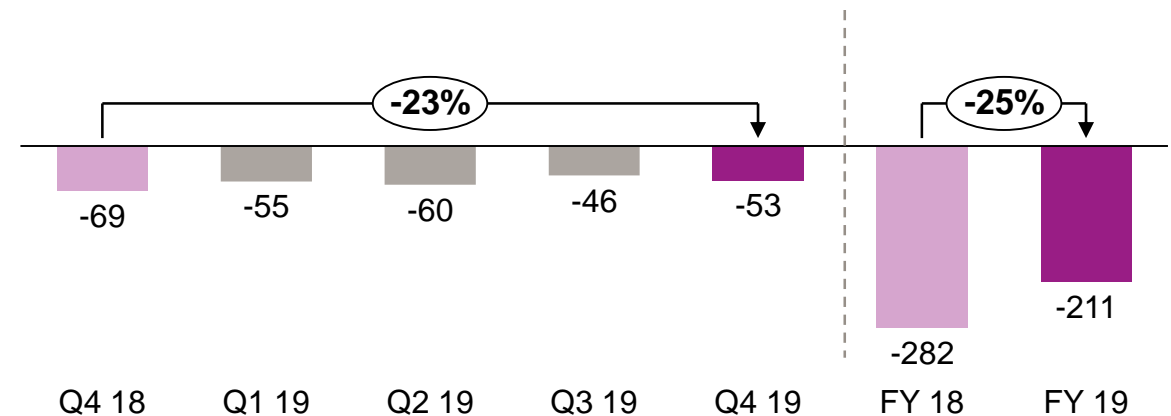
Q4/FY 2019 segment comments

Services: adj. EBITDA (in € m)



- Q4 2019 with usual seasonality
- Last year's earnings with higher reimbursement from Services to operating segments

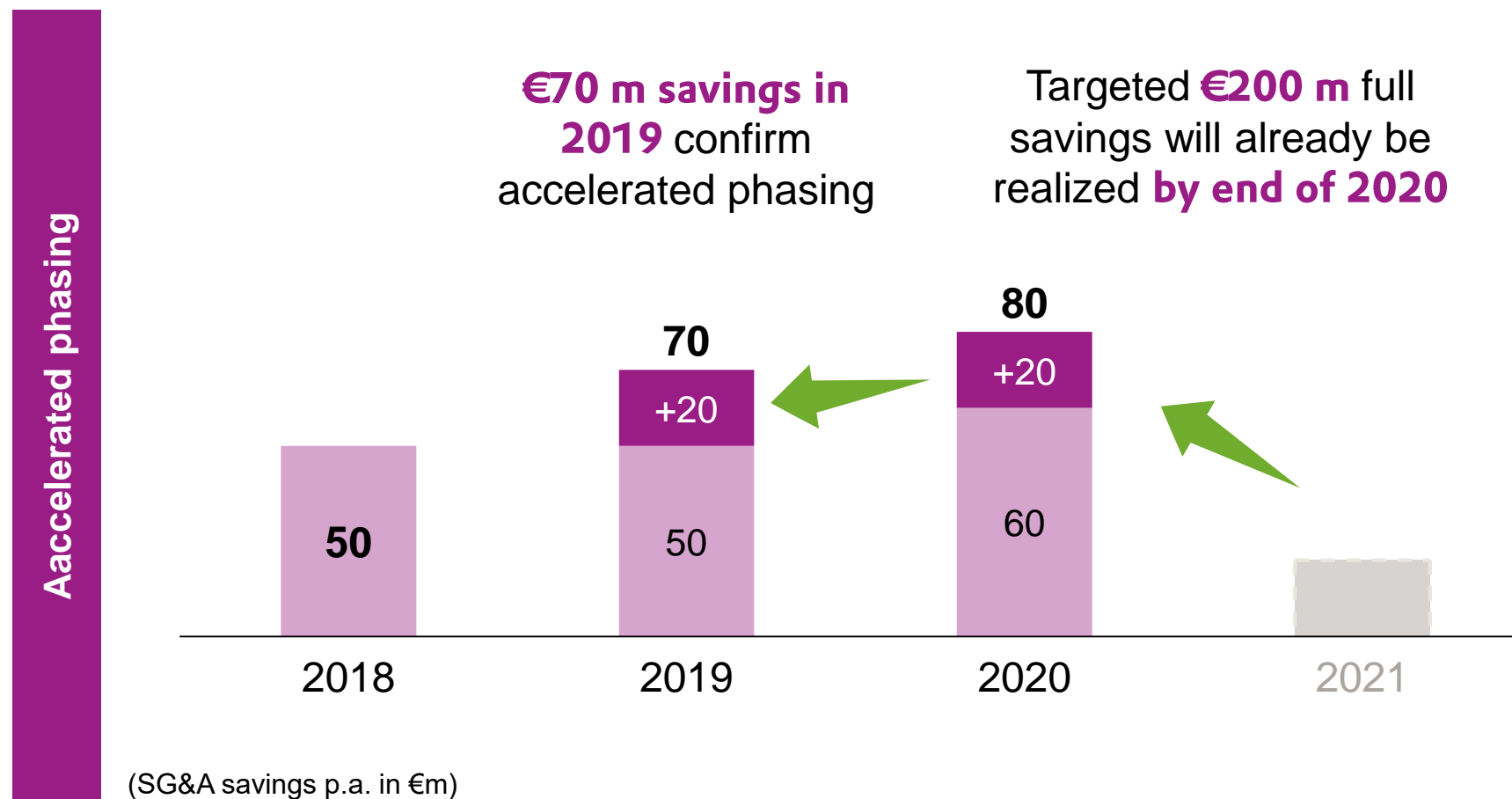
Corporate / Others: adj. EBITDA (in € m)



- Visible positive effects from initiated efficiency programs as well as positive year-end effects

SG&A 2020 – progressing faster than initially expected

Full saving potential already realized by end of 2020

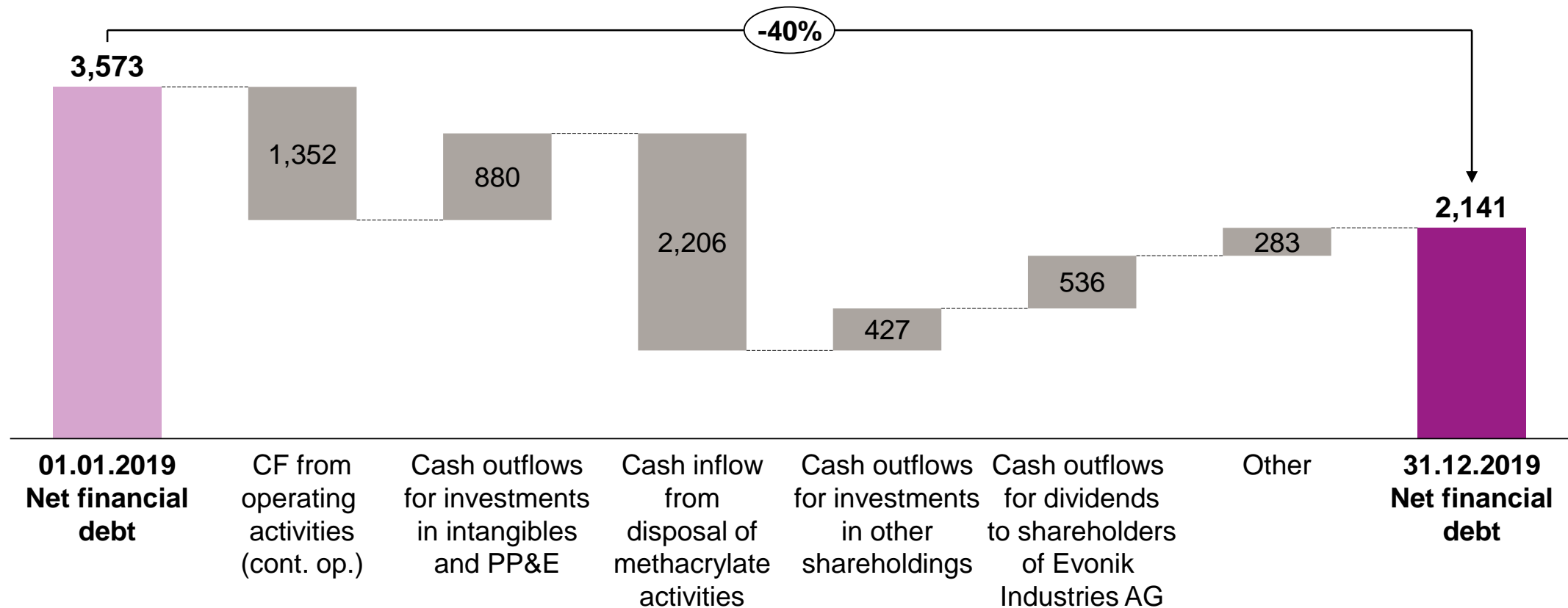


Additional Contingency measures

- Targeted contingencies of **+€20 m delivered** in H2 2019
- Measures for a **similar amount for 2020** implemented

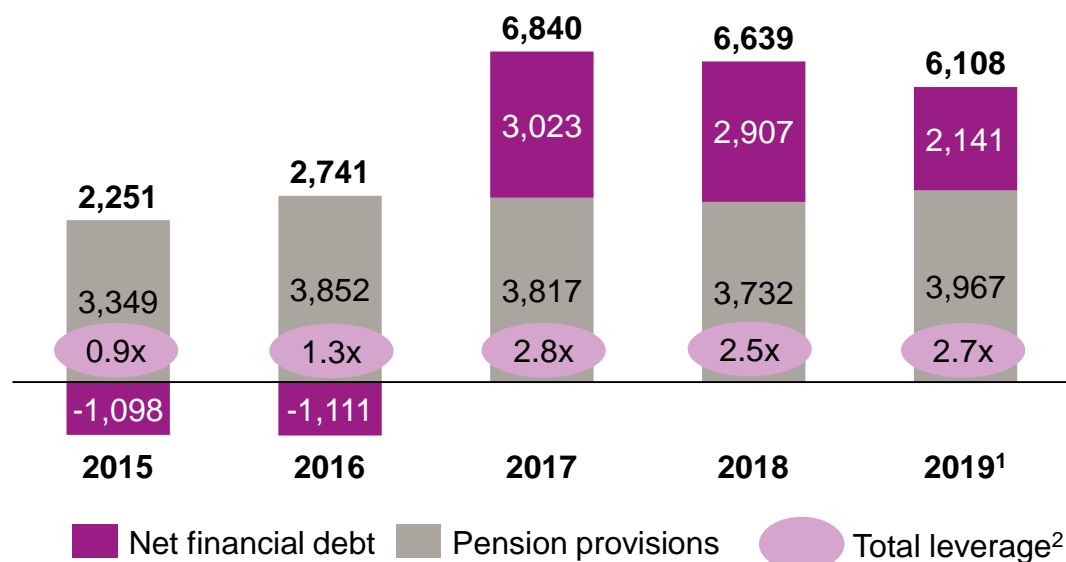
Net financial debt development FY 2019

(in € m)



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 in 2019 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

Adjusted income statement Q4 2019

in € m	Q4 2018	Q4 2019	Δ in %
Sales	3,261	3,284	+1
Adj. EBITDA	402	505	+26
Depreciation & amortization	-202	-252	
Adj. EBIT	200	253	+27
Adj. net financial result	-22	-19	
D&A on intangible assets	37	36	
Adj. income before income taxes	216	270	+25
Adj. income tax	-41	-34	
Adj. income after taxes	175	236	+35
Adj. non-controlling interests	-8	-5	
Adj. net income	167	231	+38
Adj. earnings per share	0.36	0.50	+38
Adjustments	-265	-1	

Depreciation & amortization:

- Increase in D&A mainly due to first time application of IFRS 16 and new sites going on stream (Methionine, Veramaris)

Adj. tax rate:

- Q4 2019 with low tax rate of ~13% due to positive effects from deferred tax revaluation and release of tax risk provisions

Adjustments:

- No major adjustment in Q4 2019, prior year included:
 - restructuring mainly related to efficiency programs SG&A 2020 and Oleo 2020 and
 - reorganization of the Methacrylate business and a project to optimize the procurement of outsourced services

Adjusted income statement FY 2019

in € m	FY 2018	FY 2019	Δ in %
Sales	13,267	13,108	+/-0
Adj. EBITDA	2,150	2,153	+/-0
Depreciation & amortization	-789	-952	
Adj. EBIT	1,361	1,201	-12
Adj. net financial result	-151	-185	
D&A on intangible assets	143	136	
Adj. income before income taxes	1,353	1,152	-15
Adj. income tax	-317	-229	
Adj. income after taxes	1,036	923	-11
Adj. non-controlling interests	-22	-21	
Adj. net income	1,014	902	-11
Adj. earnings per share	2.18	1.94	
Adjustments	-312	-115	

Depreciation & amortization:

- Increase in D&A mainly due to first time application of IFRS 16 and new plants going on stream (Methionine, Veramaris)

Adj. net financial result:

- Overall lower interest rate level leads to negative interest on short-term securities and higher interest expenses as a result from discounting of long-term provisions
- Negative effect on interest result due to first time application of IFRS 16

Adj. tax rate:

- Adj. tax rate of 20% in 2019 even below expected 23%, mainly due to positive effects from deferred tax revaluation (related to MMA)

Adjustments

- Restructuring -€18 m: SG&A 2020 related
- Acquisitions/divestments -€30 m: related to M&A transactions
- Impairments -€47 m: mainly for coal power plant in Marl (Germany), which is replaced by natural gas power plant in 2022

Cash flow statement Q4 2019

in € m	Q4 2018	Q4 2019
Income before financial result and income taxes	-65	252
Depreciation and amortization	205	250
Δ Net working capital	257	278
Change in provisions for pensions & other post-employment benefits	-47	9
Change in other provisions	242	3
Change in miscellaneous assets/liabilities	-48	-100
Cash outflows from income taxes	-47	-64
Extraordinary carve-out taxes related to MMA divestment	0	-117
Others	5	-15
Cash flow from operating activities (continuing ops.)	502	496
Cash outflows for investment in intangible assets, pp&e	-300	-313
FCF (excl. extraordinary carve-out taxes related to MMA divestment)	202	300
Cash flow from investing activities (continuing ops.)	-204	-648
Cash flow from financing activities (continuing ops.)	-65	-97

CF from operating activities

- Noticeably higher income level due to better operational performance and build-up of provisions for SG&A program last year
- Higher D&A due to IFRS 16 and methionine plant
- Strong cash-inflows from tight NWC management
- yoy lower cash-out for pension provisions mirrors positive effect from CTA reimbursement
- Change in other provisions: Q4 18 mirrors build-up of provisions for SG&A program

CF from investing activities

- Line item contains transfer of Vivawest shares from CTA to Evonik as part of announced strategy change in Evonik's pension asset plans (CTA)

Cash flow statement FY 2019

in € m	FY 2018	FY 2019
Income before financial result and income taxes	1,049	1,086
Depreciation and amortization	787	984
Δ Net working capital	-152	108
Change in provisions for pensions & other post-employment benefits	-229	-60
Change in other provisions	158	-294
Change in miscellaneous assets/liabilities	26	-15
Cash outflows from income taxes	-170	-209
Extraordinary carve-out taxes related to MMA divestment	0	-245
Others	5	-3
Cash flow from operating activities (continuing ops.)	1,474	1,352
Cash outflows for investment in intangible assets, pp&e	-948	-880
FCF (excl. extraordinary carve-out taxes related to MMA divestment)	526	717
Cash inflows from divestment of businesses	0	2,208
Cash flow from investing activities (continuing ops.)	-884	-245
Cash flow from financing activities (continuing ops.)	-798	-848

CF from operating activities

- Increase in D&A mainly due to first time application of IFRS 16 and new plants going on stream (Methionine, Veramaris)
- Focus on cash and cost discipline also mirrored in tight NWC management throughout the year
- Lower cash-out for pension provisions mainly driven by positive effect from CTA reimbursement
- Change in other provisions: 2018 with €200 m build-up of provisions for SG&A program; 2019 with yoy higher bonus cash-outs
- Extraordinary low cash taxes in 2019 due to use of tax loss carry forwards; 2020 expected on normalized levels again

CF from investing activities

- Apart from Capex and MMA proceeds, line-item also contains transfer of Vivawest shares from CTA to Evonik as part of announced strategy change in Evonik's pension asset plans (CTA)

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

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

Evonik Investor Relations team



Tim Lange

Head of Investor Relations

+49 201 177 3150

tim.lange@evonik.com



Janine Kanotowsky

Team Assistant

+49 201 177 3146

janine.kanotowsky@evonik.com



Ina Gährken

Investor Relations Manager

+49 201 177 3142

ina.gaehrken@evonik.com



Kai Kirchhoff

Investor Relations Manager

+49 201 177 3145

kai.kirchhoff@evonik.com



Joachim Kunz

Investor Relations Manager

+49 201 177 3148

joachim.kunz@evonik.com



Fabian Schwane

Investor Relations Manager

+49 201 177 3149

fabian.schwane@evonik.com

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