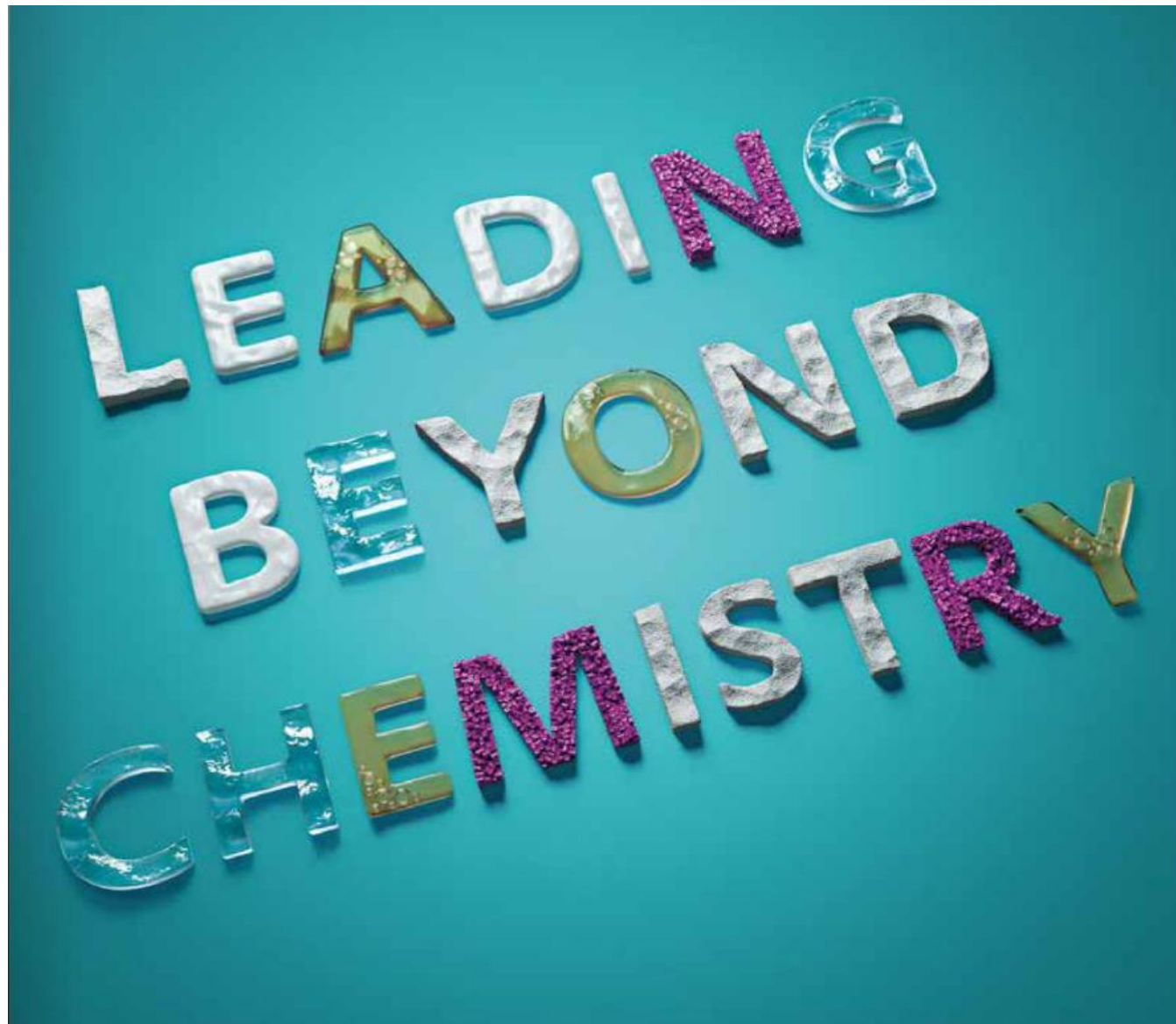


Evonik

Leading Beyond Chemistry

Company Presentation Q2 2020



Key Messages Q2 Roadshow Season

Successful through the crisis with a long-term view

Delivering on our promises in Q2

- Better than expected Q2 performance in an uncertain environment
- Outlook 2020: FCF upgraded, EBITDA confirmed

The right dosage of crisis management

- Structural efficiency measures implemented timely ahead of the crisis
- Going forward, implementation of learnings from the crisis will preserve lower cost base

Growth drivers innovation & sustainability

- New RD&I (Research, Development & Innovation) organization started
- “Next Generation Solutions” delivering growth even in difficult environment

New divisions with a long-term view

- Smooth implementation of new divisional structure (from July 1st) despite the crisis
- Growth divisions with strong positioning and promising growth drivers

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**LEADING BEYOND CHEMISTRY
TO IMPROVE LIFE, TODAY AND TOMORROW**

Leading Beyond Chemistry – Our purpose

Evonik on the way to become a best-in-class specialty chemicals company



Video “We are Evonik”

Leading ...

- Leading market positions in **80%** of our business
- Leading **key financial indicators**

... Beyond ...

- **Connecting skills** and perspectives
- Develop **solutions** together with partners
- **Sustainability** key driver of growth

... Chemistry

- Clear focus on **specialty chemicals**
- Target **100% specialty** portfolio

Leading Beyond Chemistry – Growth divisions

Specialty chemicals portfolio with strong positioning and attractive financials

Specialty Additives



Broad spectrum of additives for **maximum performance** which make the key difference

 Sales: €3,381 m


 Margin: 26%

 ROCE: 18%

Nutrition & Care



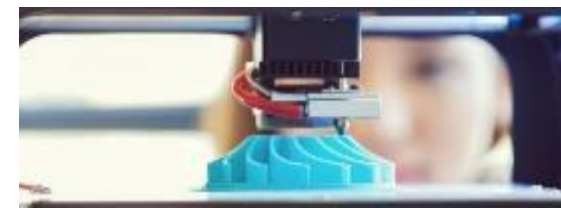
Sustainable solutions for basic human needs in **resilient end markets** like pharma, personal care and animal nutrition

 Sales: €2,922 m


 Margin: 16%

 ROCE: 8%

Smart Materials



Innovative materials that enable **resource-saving solutions** for environment, urbanization, mobility and health

 Sales: €3,371 m

 Margin: 19%

 ROCE: 16%

Strong positioning

... and attractive financials

Leading in Innovation – Growth fields and sales target

On track to achieve target of >1 bn sales from innovation

Innovation Growth Fields



Advanced Food
Ingredients



Additive Manufacturing



Sustainable Nutrition



Cosmetic
Solutions



Membranes



Healthcare
Solutions

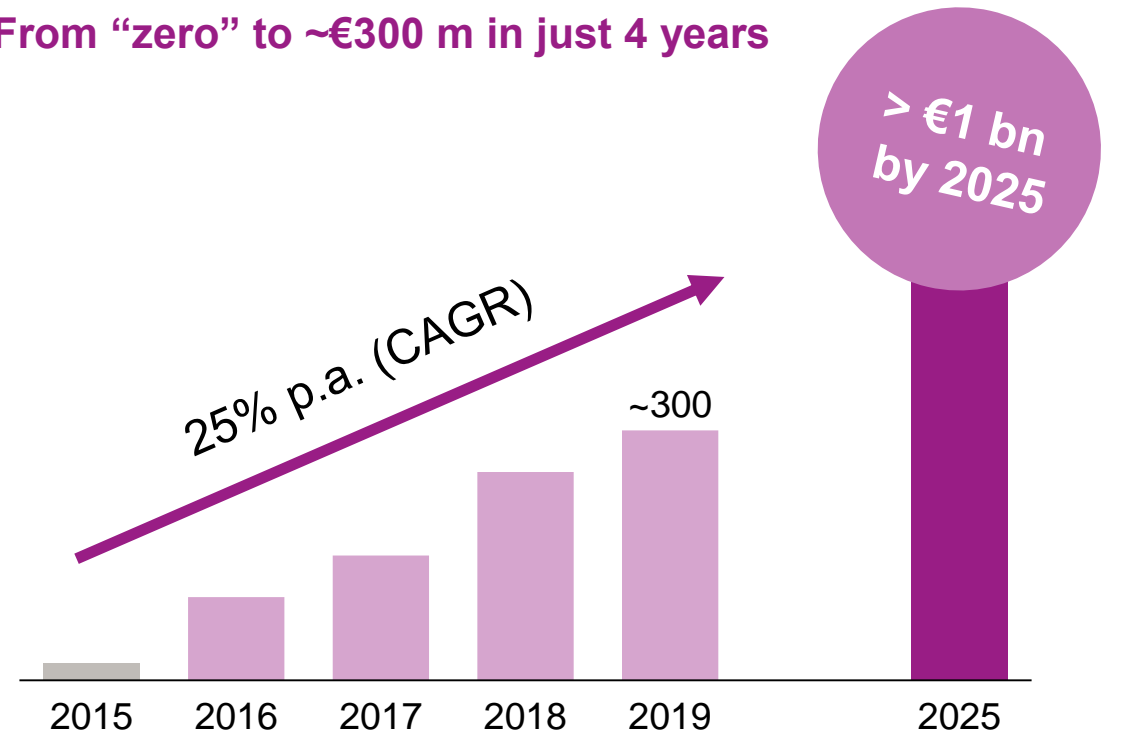


Sizeable sales base established
in all growth fields

Above-average margin contribution

Sales contribution Innovation Growth Fields

From “zero” to ~€300 m in just 4 years



Evonik aligned to sustainability

Sustainability as part of portfolio and strategic management processes

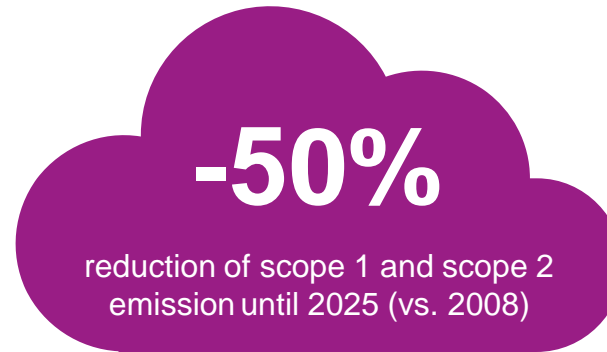
Excellent Rankings



Sector leading rankings

Evonik amongst leaders in all relevant ratings – “A” MSCI ESG rating¹, EcoVadis “Gold” rating, “B-”ISS Oekom² and “B” CDP rating³

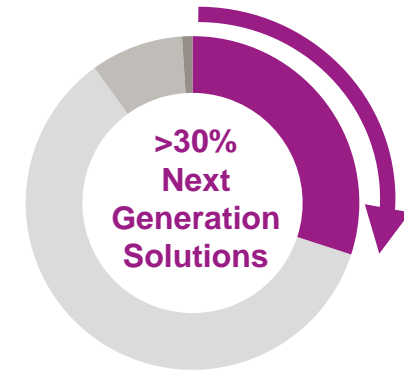
Environmental Targets



Ambitious environmental targets

Evonik’s sustainability strategy 2020+ with ambitious climate and water targets

Portfolio Management



Portfolio aligned to sustainability

>30% of sales with superior sustainability benefits to customers; integration of sustainability into strategic management processes and decisions

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

Evonik – A compelling equity story today and tomorrow

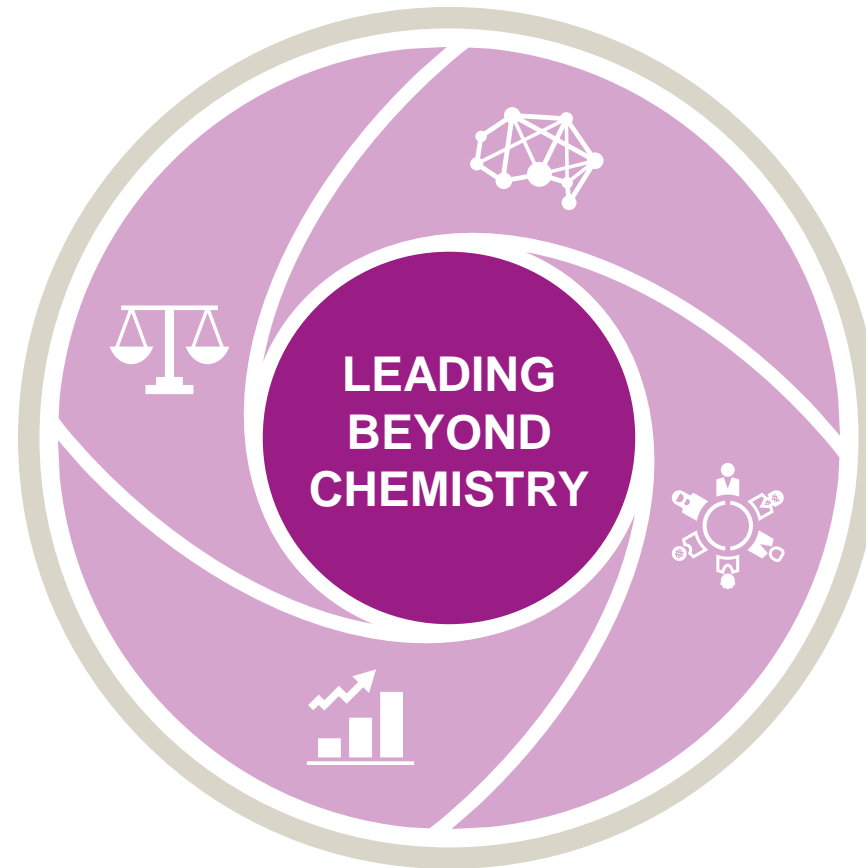
Leading beyond chemistry to drive shareholder value

Ongoing portfolio transformation

- Target: Specialty portfolio with 100% growth businesses

Ambitious financial targets

- EBITDA margin: 18-20%
- Cash conversion ratio: >40%
- ROCE: 11%



Innovation & Sustainability as growth drivers

- €1 bn additional sales from innovation growth fields by 2025
- Growing portfolio share of “Next generation solutions”

Performance-driven corporate culture

- Further drive gender and cultural diversity
- Deliver on efficiency programs in Administration & Operations

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Targeting excellence in three strategic focus areas

Innovation

Clearly defined growth fields
& bundling of cross-business
competencies



Portfolio

Specialty portfolio with
100% growth businesses

Culture

Open & performance-oriented culture



Performance-oriented culture

Major lever of corporate culture with increased capital market focus

Cost awareness

- Streamlined organization with high cost awareness on all levels
- ~€200 m savings achieved by end of 2019¹

Corporate Values

- Values “Performance”, “Trust”, “Openness” and “Speed” as guidelines for Evonik’s operations
- Bottom up initiatives like internal “Speed up Conferences” support cultural change

Performance Management

- Group-wide incentive system strictly aligned to financial targets on all levels
- Clearer differentiation of individual performance levels (“Top”, “Good”, “Low”)

Diversity

- Living diversity is one of the keys to Evonik’s economic success
- Targets for gender diversity and intercultural mix implemented

**Performance-oriented
corporate culture
with increased
capital market focus**

1: SG&A program (€120 m of €200 m achieved by end of 2019), Adjust 2020 (€30 m of €50 m achieved), Oleo 2020 (€20 m achieved)



Innovation strategy

Targeted approach for market-leading innovations



Targeted approach

- **Central steering** of innovation activities
- Focus on **innovation growth fields** with clearly assigned responsibilities
- Bundling of **cross-business competencies** in dedicated R&D hubs



Sustainability focus

- Sustainability as **key driver** for future innovation initiatives
- Sustainability criteria and KPI's **integrated** into innovation process
- Continuous **sustainability analysis** of introduced products



Process innovations

- Higher focus on **process innovations** to drive operational excellence
- Integrate process innovations into continuous improvement process
- **Lower capex and opex levels** for capacity expansions



Innovation pipeline – examples

A well-filled R&D pipeline with different target horizons

Short-term



Additive Manufacturing

- Evonik’s 3D printing portfolio as beneficiary from trend “prototyping only” into real series production

Mid-term



Biosurfactants

- Based on Evonik’s leading biotechnology know-how
- 100% renewable natural resource & biodegradable

Long-term



Precision Livestock Farming

- Digital solutions to optimize every aspect of livestock production – in one holistic approach

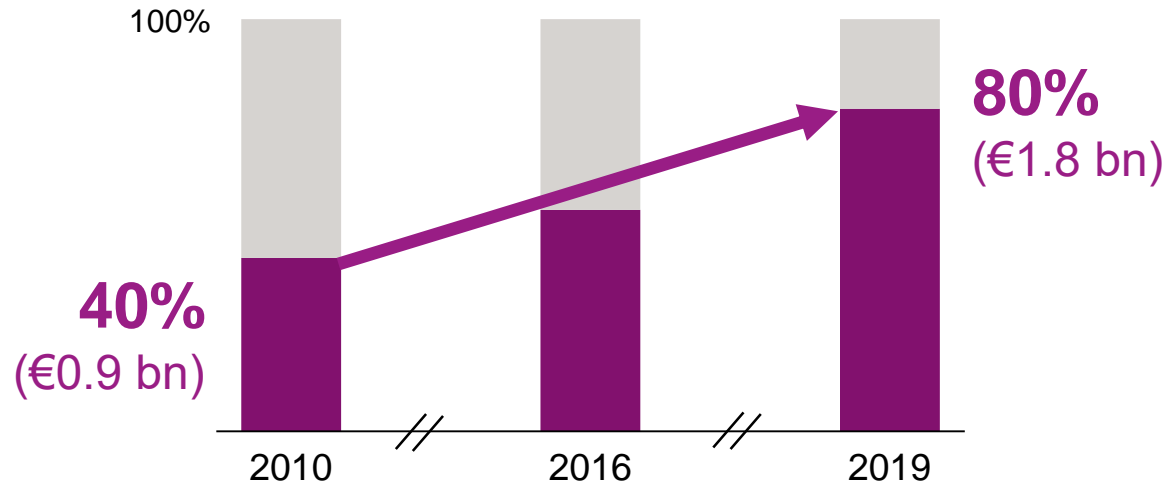




Portfolio transformation – More balanced and more specialty

Portfolio quality significantly improved – today 80% specialty businesses

Adj. EBITDA operating businesses



Portfolio characteristics

- **Specialty businesses** now represent **~80%** of EBITDA¹
- Specialty businesses with track record of **6% annual organic earnings growth**²

Specialty businesses: Specialty Additives, Smart Materials, Health & Care

1: Calculation for operating businesses excluding Services & Corporate | 2: organic EBITDA CAGR (excl. M&A) 2014 – 2019



Portfolio transformation – Active M&A management

Decisive and value-accretive portfolio management

Divestments

~€2 bn cyclical sales

sold at attractive valuation
(**8.5x** EV/EBITDA)

Ø EBITDA margin: ~**15%**¹



Acquisitions

>€2 bn resilient sales

Ø multiple of **9.1x** EV/EBITDA
(incl. synergies)

Ø EBITDA margin: ~**22%**

Delivery of synergies on track (€70 m by end of 2019)



Decisive and value-accretive portfolio management

- Portfolio cyclicalities & Capex intensity reduced
- More resilient EBITDA margin and improved cash profile

Divestments: Methacrylates business sold for EV of €3 bn (8.5x EV/EBITDA) in July 2019

Acquisitions: Air Products specialty additives business for US\$3.8 bn (9.9x EV/EBITDA incl. synergies & tax benefits) in January 2017 | Dr. Straetmans cosmetics business in May 2017

Huber Silica business for US\$630 m (~7x EV/EBITDA incl. synergies & tax benefits) in September 2017 | PeroxyChem for US\$640 m (7.6x EV/EBITDA incl. synergies) in February 2020

1: 2014-2019



Portfolio transformation – Spotlight on acquisitions

Targeted acquisitions to improve quality of growth divisions



(2017)



Specialty Additives

- Creating a **global leader** in Specialty & Coating Additives
- **High margin** and **resilient business** with low capital intensity and strong cash generation



(2017)



Nutrition & Care

- Combination of preservatives know how with emulsifier know how of Evonik
- **Expanded formulation skills** in one hand, thus enhanced capability to offer formulation packages



(2017)



(2020)

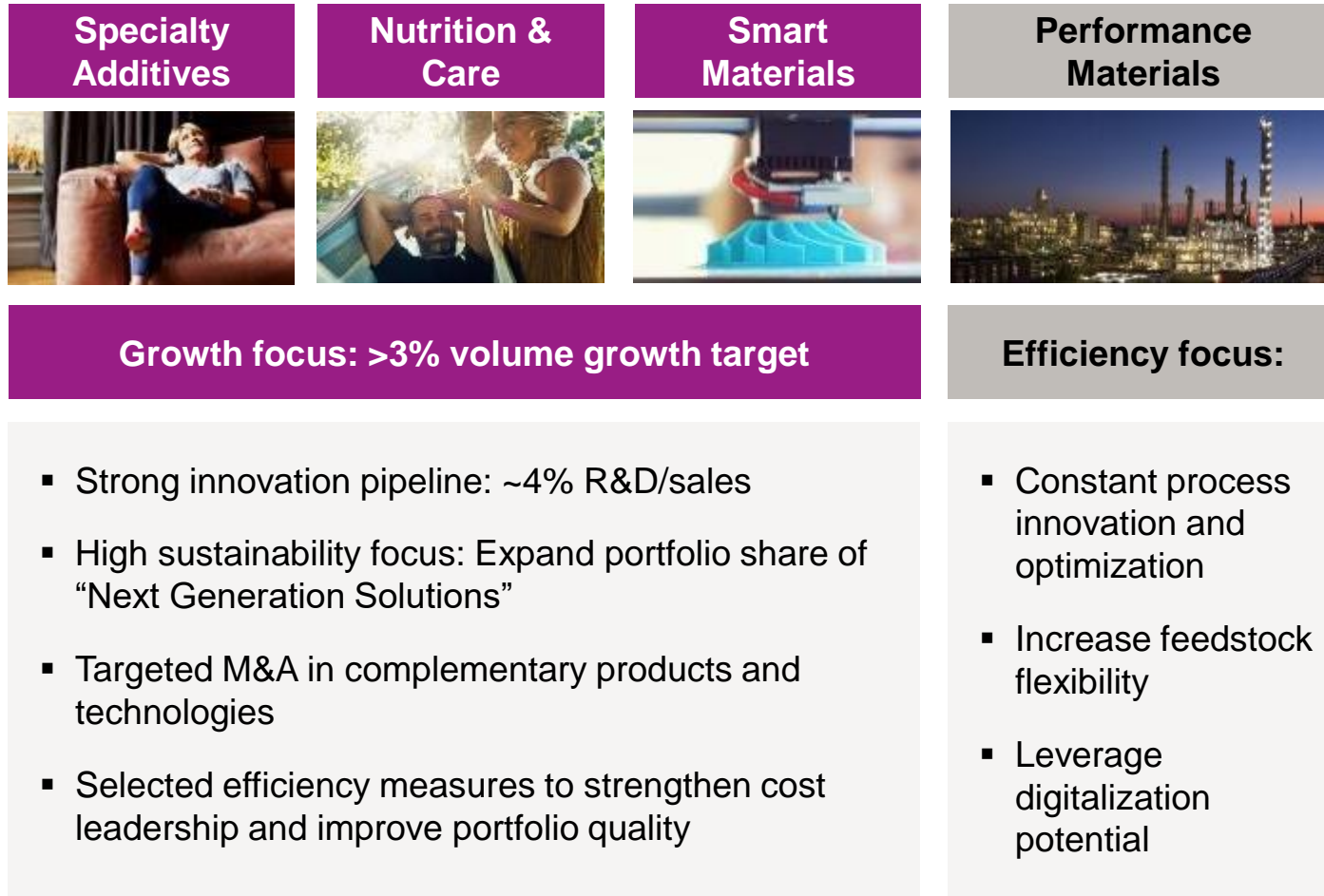


Smart Materials

- **Portfolio expansion** by sustainable specialty applications for **dental silica**, **hydrogen peroxide** and **catalysts**

Strategic agenda going forward

Clear strategic and financial targets



Mid-term Group targets:

- >3%** Volume growth¹
- 18-20%** EBITDA margin
- >40%** FCF conversion
- 11%** ROCE

1: in growth divisions over the cycle

Capital allocation

Priorities for capital deployment

Our capital allocation priorities



Efficient capex allocation

- Strict **capital allocation criteria**
- Optimized Capex spending on **continuously lower level**
- Investment projects **contributing to financial targets**



Attractive dividend

- Shareholder return mainly via **attractive dividend**
- **Stable to rising** dividend going forward



Targeted M&A

- Strong **strategic fit** in our portfolio
- Contributing to **defined financial targets**
- **Strict return criteria**
- High level of **synergies**



Healthy balance sheet level

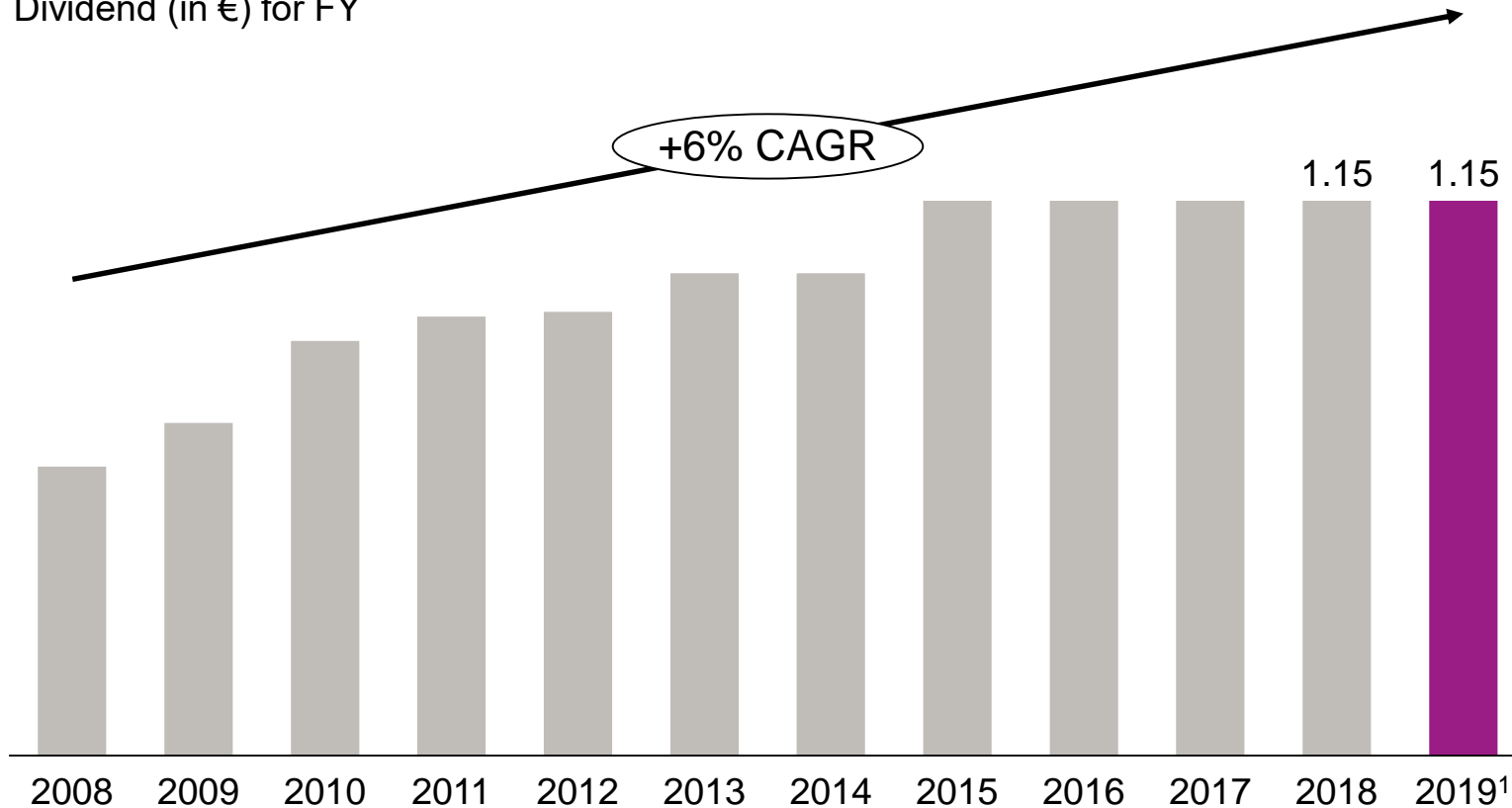
- Maintaining a **solid investment grade rating**
- Solid balance sheet leaves **sufficient room** for **development of the group**

Increasing shareholder value

Spotlight on shareholder returns

Reliable and attractive dividend policy

Dividend (in €) for FY



- Sustainable dividend growth over the last years: 6% CAGR between 2008 and 2019
- **Attractive dividend yield** (~5% mid-2020)
- Reliable dividend policy targeting:
 - **Dividend continuity**
 - **Adj. EPS and FCF growth** with potential for sustainable **dividend growth** going forward

1. Dividend proposal

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Highlights

Better than expected Q2 - FCF outlook 2020 upgraded

Delivering on Q2 & H1 performance

- **Q2 adj. EBITDA at €456 m** – clearly better than initially expected
- Combined **growth segments** with robust EBITDA and pricing in H1
- **Clearly positive free cash flow in Q2** – even in a tough quarter

FCF outlook upgraded

- **Adj. EBITDA** between €1.7 and 2.1 bn
- **Cash conversion rate** at least on prior year's level (33.3%) – upgraded from “stable cash conversion rate”

Actively managing the Corona situation

Successful through the crisis - step-by-step to the “new normal”



Health & safety

- **High hygienic and safety measures remain in place**
Step-by-step returning to “new normal” under highest hygienic standards



Operations

- **Reliable partner for customers throughout the crisis**
Outstanding achievement to keep operations and supply chain up and running



Liquidity management

- **Positive H1 FCF and strong liquidity position**
€1.7 bn liquidity end of June; refinancing of 2021 bond maturity secured



Cost control

- **Execution on efficiency initiatives**
Structurally improved cost position gives support in and out of the crisis

The right dosage of crisis management

Cost management and organizational changes with a long-term view

Costs & Efficiency

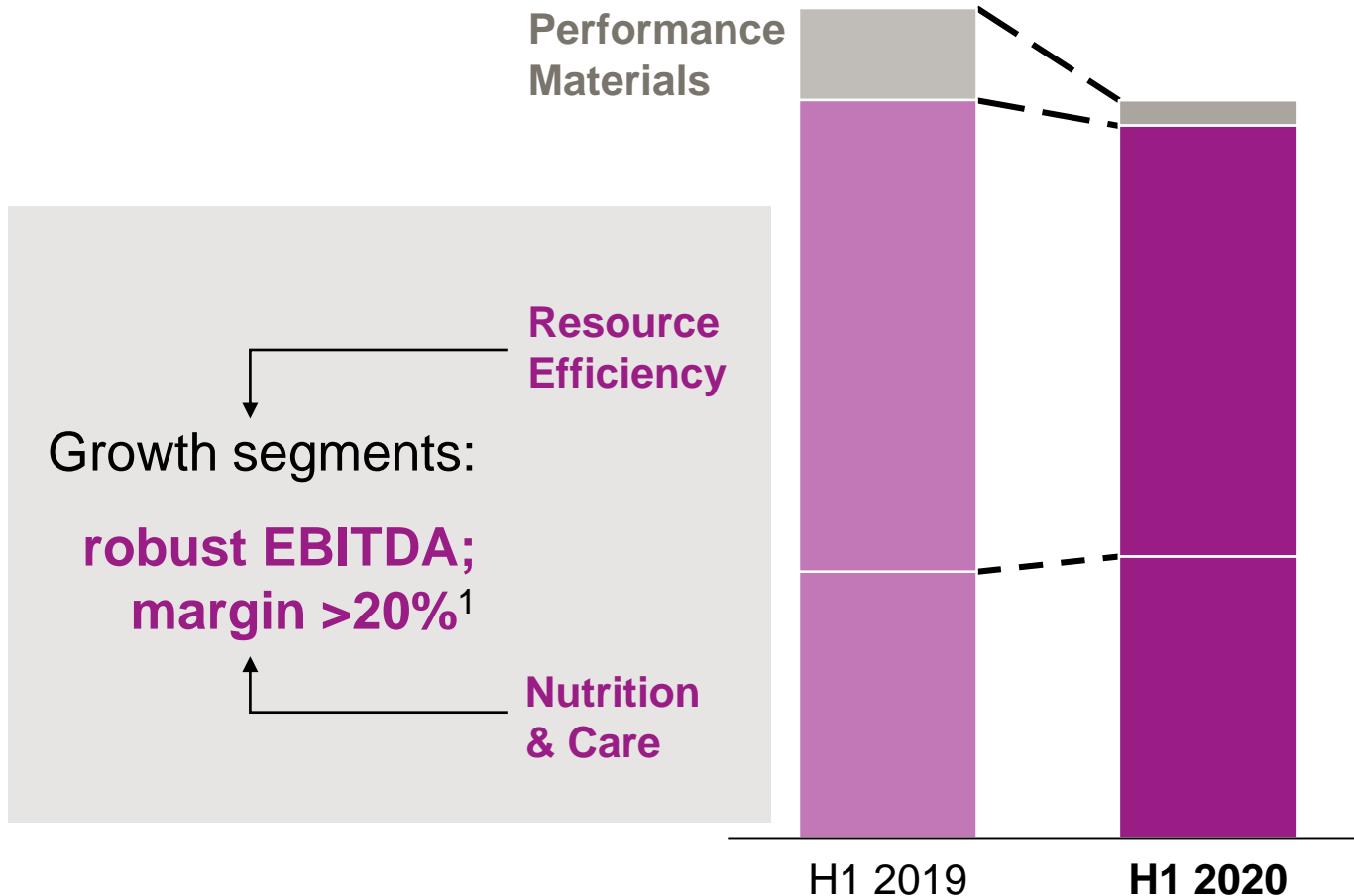
- Structural **efficiency measures implemented timely** ahead of the crisis
- Very **limited use of short-time work** necessary
- Going forward, **implementation of learnings from the crisis** will preserve lower cost base (e.g. virtual marketing & sales activities, internal meeting culture, e-learning, virtual investor roadshows)

Organizational setup

- Smooth implementation of **new divisional structure** (from July 1st) despite the crisis
- New **RD&I** (Research, Development & Innovation) organization starting July 1st
 - Pooling interdisciplinary expertise and technologies to foster sustainable growth

Ongoing portfolio transformation bearing fruit

Growth segments with robust performance in H1



- ↘ **Challenging situation** with weak demand, low naphtha price and product spreads

- ↘ **Lower demand** from **automotive sector**
- ➔ **4 out of 9 businesses with yoy higher earnings;** e.g. H₂O₂ (disinfection solutions), Crosslinkers (wind energy and disinfections in China) and Catalysts

- ➔ **Resilient performance** in Health Care & Care Solutions
- ➔ **Animal Nutrition** with strong demand in H1 and yoy higher prices

1. H1 performance of combined growth segments: yoy adj. EBITDA -3% (incl. PXC contribution); EBITDA margin at 20.2%

Q2 2020 – Solid performance despite corona effects

Sales

€2,827 m

(Q2 19: €3,306 m)

*N&C very solid;
RE with strong pricing;
challenging environment
for PM*

Adj. EBITDA

€456 m

(margin: 16.1%)

*Strong margins
in N&C and RE;
PM clearly down*

Free cash flow (H1)

€209 m

(H1 19: €95 m)

*Very solid cash generation
even during the trough
of the crisis*

Adj. EPS

0.34€

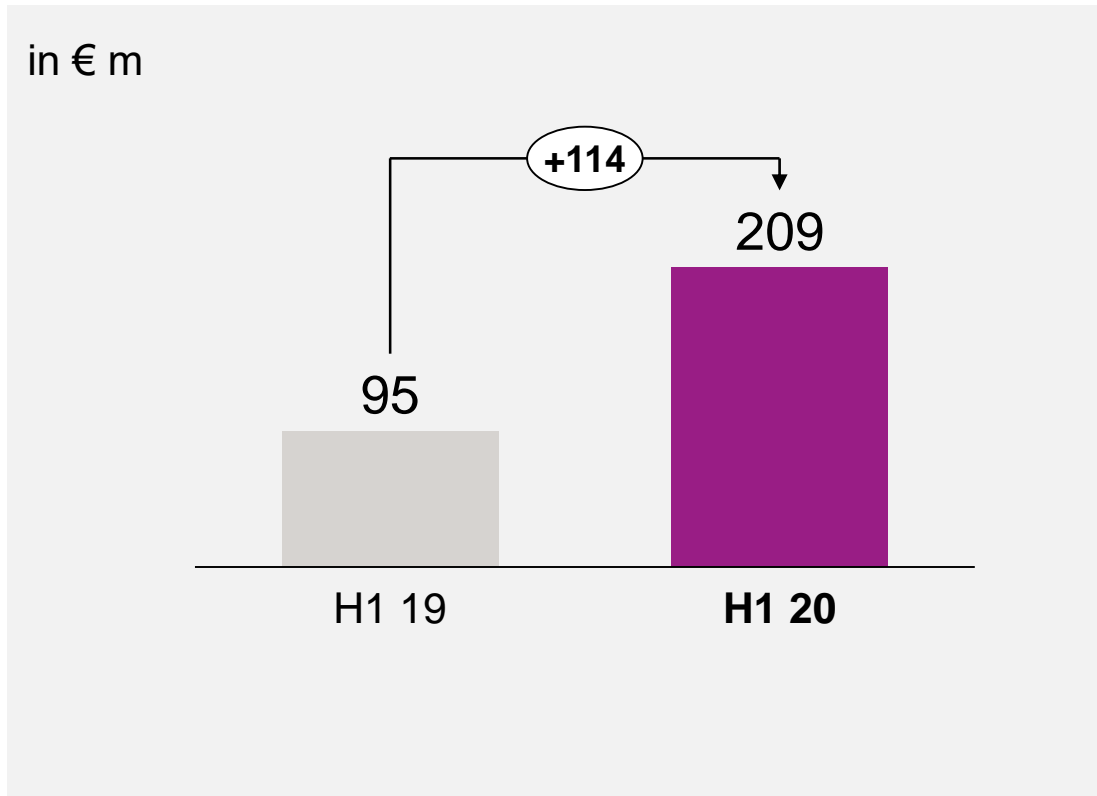
(Q2 19: 0.49€)

*Lower operational
earnings and slightly
higher D&A*

Free Cash Flow H1 2020

Clearly higher FCF despite challenging environment

Free cash flow (in € m, continuing operations)



Free cash flow clearly higher in H1 (yoy):

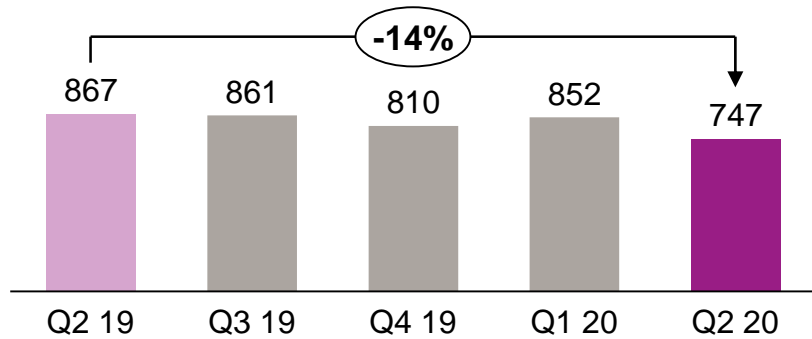
- Overcompensating EBIT decline of €180 m
- High cash awareness with strict cost management
- **NWC**: Focus on supply security in H1; now shifting back to active NWC management in H2
- **Capex** maintained on low prior year's level
- Lower **bonus** payments
- Lower outflows for **taxes** (reimbursements relating to other periods)

Specialty Additives

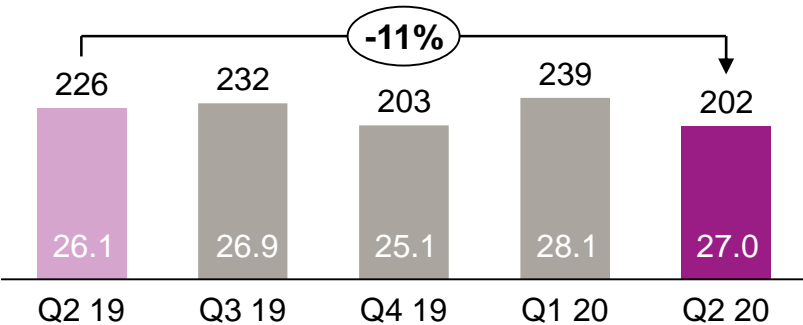
Divisional comments Q2

New divisional setup

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
	-15% ↘	+1% ↗	+0% →	+0% →



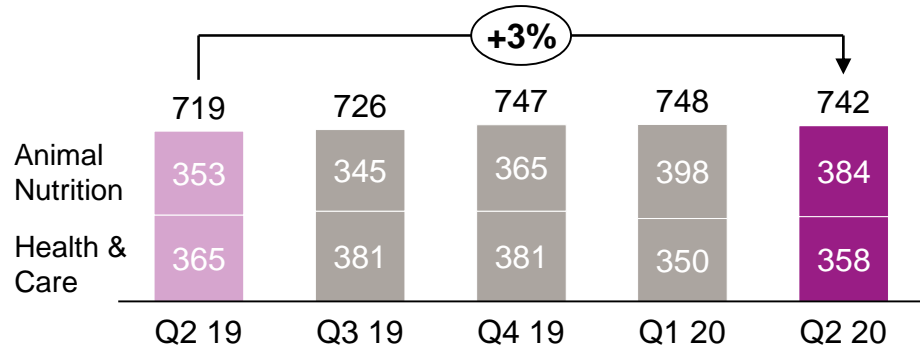
- Additives for agrochemicals, packaging and textiles as well as for composites with ongoing robust development
- Volumes and earnings impacted by lower demand for auto- & mobility-related as well as PU foam additives in the portfolio
- Despite the difficult situation in some end markets, margins remained strong and pricing even up yoy - clearly proving the specialty character of the broad additives portfolio

Nutrition & Care

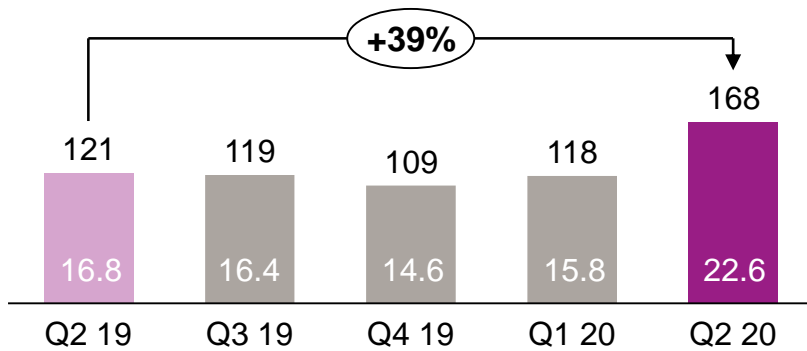
Divisional comments Q2

New divisional setup

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
	+1% ↗	+4% ↗	-2% ↘	+0% →



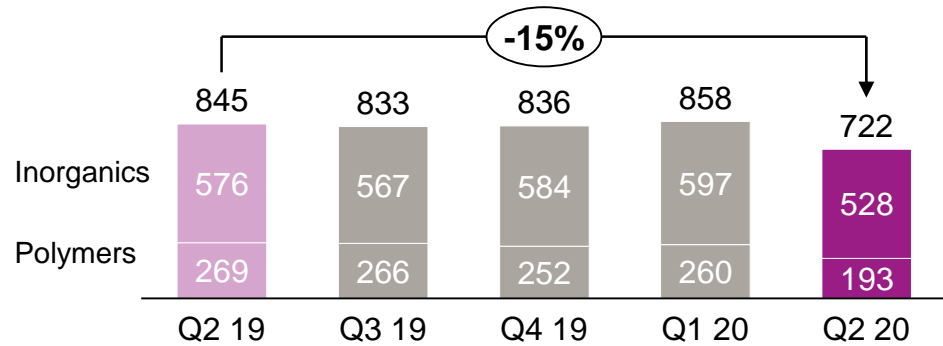
- Resilience despite the crisis in both sub-divisions leading to higher sales in Nutrition & Care
- Positive pricing and solid volume trend in Nutrition & Care, predominantly driven by Animal Nutrition
- Strong margin improvement driven by robust pricing, structural cost savings and raw material support
- Methionine with healthy volumes and increasing prices throughout Q2

Smart Materials

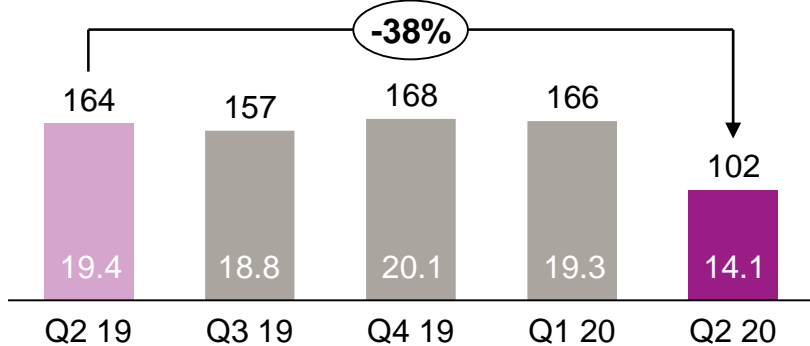
Divisional comments Q2

New divisional setup

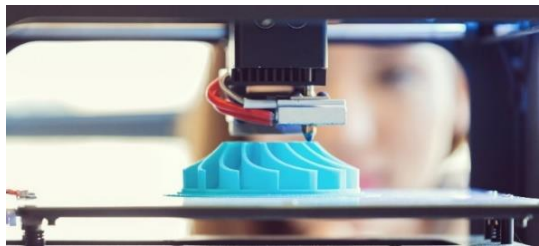
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
	-20% ↘	+0% →	+0% →	+5% ↗



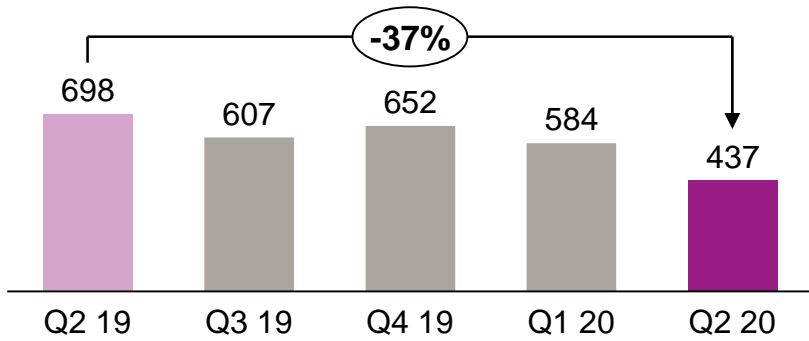
- Smart Materials end markets impacted by corona, especially visible in weaker auto demand
- Polymers with lower volumes in automotive, also oil & gas and white goods weaker
- Inorganics holding up relatively well; demand from cleaning, oral care and environmental end markets benefitting from crisis; tire Silica with clearly lower volumes

Performance Materials

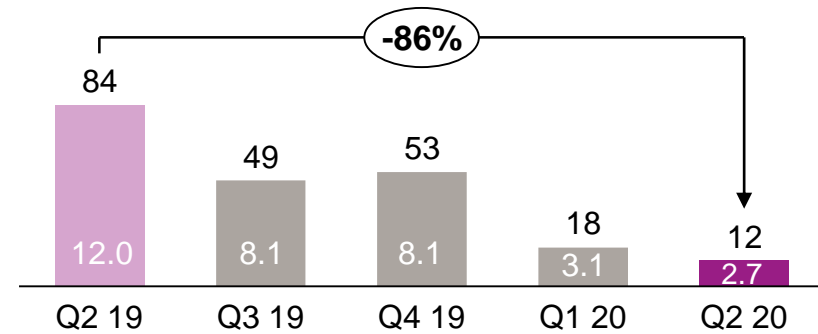
Divisional comments Q2

New divisional setup

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
	-17% ↓	-20% ↓	+0% →	+0% →



- Difficult market environment for petrochemical derivatives continuing
- Weak demand, especially from tire industry (Butadiene) and weakening gasoline market due to less mileage driven (MTBE)
- Low naphtha price with pressure on C4 derivatives (lower prices and spreads)
- Superabsorbents with expected yoy volume and price pressure

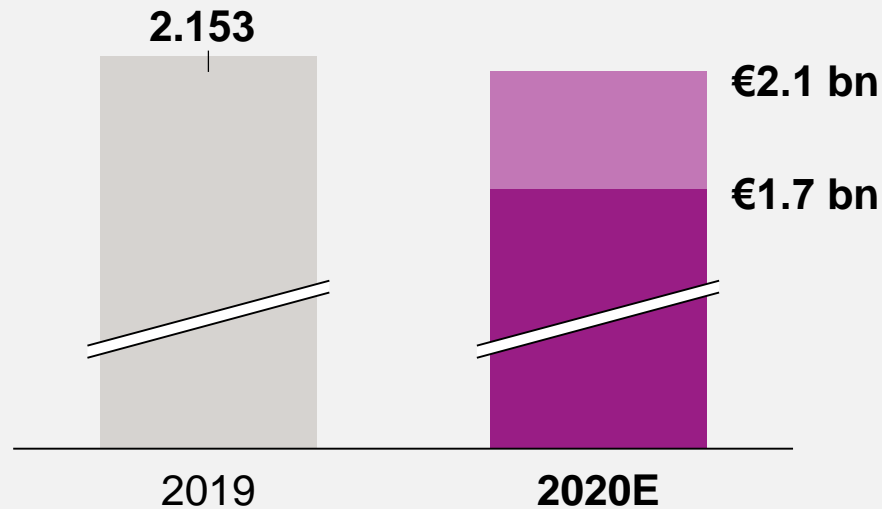
Outlook FY 2020 (1/3)

Outlook for adjusted EBITDA confirmed

Sales: “between €11.5 and €13.0 bn” (FY 2019: €13.1 bn)

Adjusted EBITDA: “between €1.7 and €2.1 bn” (FY 2019: €2.153 bn)

in € bn







FY outlook for new divisions:

- **Specialty Additives** will not reach prior year's earnings level while maintaining attractive margin
- **Nutrition & Care** with clearly higher earnings and margin in resilient end markets
- **Smart Materials** with more resilient Inorganics and clearly lower Polymers business
- **Performance Materials** with oil price-related significant drop in earnings

Outlook FY 2020 (2/3)

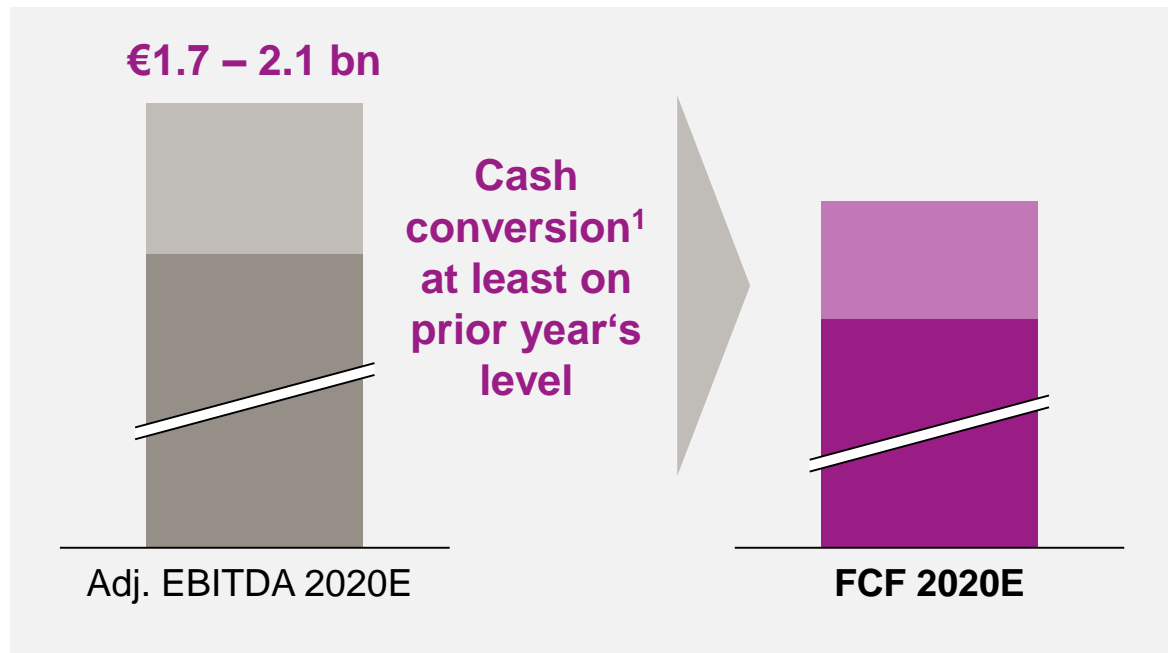
H2 operational development by division

Specialty Additives	<ul style="list-style-type: none">▪ Additives for agrochemicals, packaging and textiles as well as for composites with ongoing robust development▪ Recovery of auto- and mobility-related additives visible - however due to later position of additives in the value chain with slightly delayed recovery phasing	
Nutrition & Care	<ul style="list-style-type: none">▪ Unchanged positive performance in resilient Health & Care end markets▪ Animal Nutrition with normalization of volumes in H2	
Smart Materials	<ul style="list-style-type: none">▪ Ongoing resilience in large parts of Inorganics: demand for hygiene, personal care and environmental applications even benefitting from crisis▪ Auto-related areas in Polymers and tire Silica with slow recovery	
Performance Materials	<ul style="list-style-type: none">▪ Challenging situation in C4-chain only slowly improving with slight recovery of Naphtha prices and product spreads▪ yoy lower volume and price environment in superabsorbents persisting throughout the year	

Outlook FY 2020 (3/3)

Outlook for FCF upgraded

“Cash conversion rate¹ at least on prior year’s level” (FY 2019: 33.3%)



- Strong H1 free cash flow, clearly above prior year’s level
- Active NWC management in H2

FCF outlook upgraded:

- **Cash conversion rate¹ at least on prior year’s level**
(previously: stable cash conversion rate)

1. Free cash flow conversion (FCF/adj. EBITDA)

Additional indications for 2020

- PeroxyChem: Included in outlook with 11 months (FY 2019: ~USD300 m sales, ~USD60 m adj. EBITDA)
- ROCE: **Below the level of 2019** (2019: 8.6%)
- Capex¹: **Around the already low level of 2019** (2019: €880 m)
- EUR/USD: **1.10 EUR/USD** (previously: 1.12 EUR/USD; 2019: 1.12 EUR/USD)
- EUR/USD sensitivity²: +/-1 USD cent = -/+ **~€7 m** adj. EBITDA (FY basis)
- Adj. EBITDA Services, Corp. & Others: **Slightly more negative than 2019** (2019: -€94 m)
(In the new divisional structure and starting with Q3 2020, Services, Corporate & Other will be reported and guided in IR documents as only one line item going forward)
- Adj. D&A: **Around the level of 2019** (2019: €952 m)
- Adj. net financial result: **Around -€100 m** (2019: -€185 m) due to lower cross-currency swaps, lower interest rates for pensions and other provisions
- Adj. tax rate: **Back to a normalized rate of ~27%** (2019: 20%; related to MMA divestment)

1. Cash outflow for investment in intangible assets, pp&e | 2. Including transaction effects (after hedging) and translation effects; before secondary / market effects

Feedback ...

Are you missing anything?

Any comments?

We are always happy about feedback





EVONIK

Leading Beyond Chemistry

Appendix

- 1. Strategy Details**
2. Financial targets
3. Division overview
4. Sustainability
5. Financials
6. Upcoming events



Portfolio Management – Portfolio Strategy

Active portfolio management on multiple layers

Examples ...

Restructuring

- Bio-amino acids (toll manufacturing, streamlining production cost base)
- Care Solutions (adapting asset network for a higher share of specialties)

Innovation and product mix

- H₂O₂ (transform base business into specialized applications)
- Veramaris (switching of Lysin fermentation capacities)

Active M&A

- Bolt-on M&A to strengthen “growth” businesses
- Constant portfolio review and exit of commoditized businesses

Target: Portfolio with 100% growth businesses



Portfolio Management – overview acquisitions

Proof of concept for targeted and disciplined M&A approach



Air Products
Performance Materials (2017)



Huber Silica
(2017)



PeroxyChem
(2020)



Porocel
(2020)

Purchase price

~ €3.5 bn

~ €600 m

\$640 m

\$210 m

Multiple²

15.2x / 9.9x

10.5x / 7x

9.9x / 7.6x

9.1x

EBITDA margin

>20%

>20%

~20%

~23%

Market growth

~4-5%

~4-6%

~6%¹

~4%

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

Porocel – Overview

Leading global provider of specialty catalysts and related services

Porocel

- Headquarter in Houston, Texas (USA)
- Ownership: privately held company
- Headcount: ~300 globally
- Locations: 6 manufacturing facilities in USA, Canada, Luxemburg, Singapore and China

Key products:

- Full suite of critical hydro-processing catalyst services, including a patented technology for highly efficient rejuvenation of desulfurization catalysts
- Leading supplier of purification adsorbents and sulfur recovery catalysts used in the petrochemical, fine chemicals and petroleum refining industries

The logo for Porocel, featuring the word "POROCEL" in a bold, green, italicized sans-serif font. The letters "P" and "O" are connected, and the "R" is stylized with a vertical line through it. The logo is underlined with a thin blue line.

ADSORBENTS, CATALYSTS & SERVICES

Sales
2019:
~\$100 m

adj. EBITDA
2019:
~\$23 m

adj. EBITDA margin: ~23%

Acquisition of Porocel

Excellent complementary fit with Evonik's catalysts business

Evonik catalyst business



Porocel catalyst business

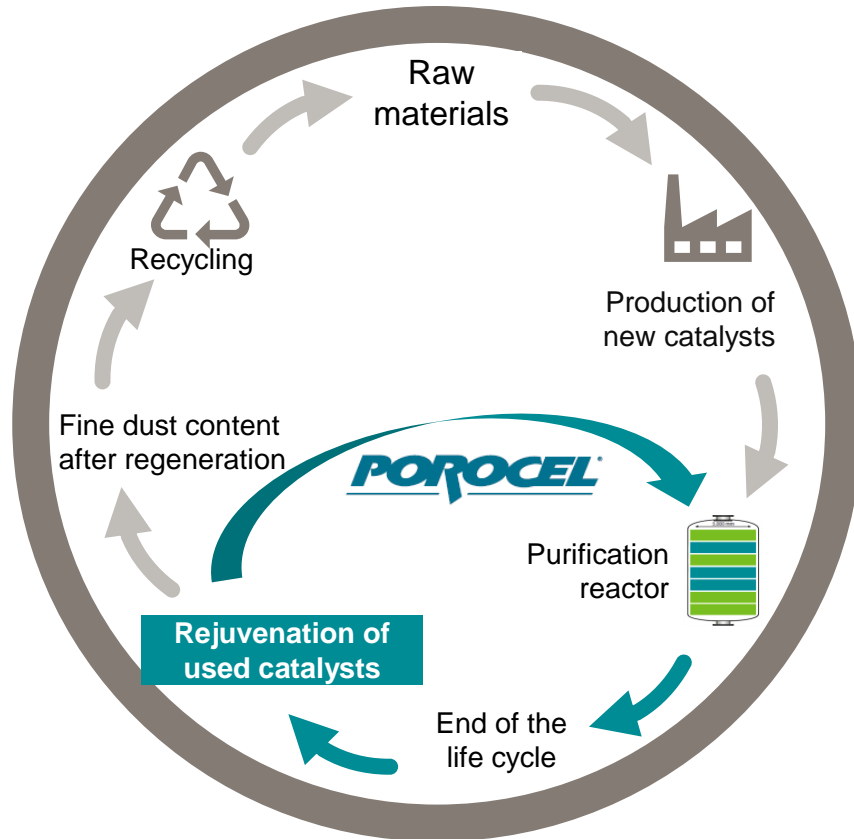
- Strong **catalyst customization know-how** and scale-up competencies
 - Well positioned in “**Fine Chemicals & Intermediates**” segment for e.g. agriculture, food, pharmaceuticals
 - **Sales** and **EBITDA** CAGR of **~10%** since 2014 – significantly above overall market growth
- Leading market position in the field of **rejuvenation of desulfurization** catalysts
 - Core markets with attractive growth and trends towards **sustainability and circular economy**
 - Established relationships with **blue-chip customers in refining & petrochemicals**
 - Access to **available production capacities** with high economies of scale

Acceleration of growth strategy of Evonik's catalyst business
Positioning from multi-niche to a **leading supplier** in the chemical catalyst market

Spotlight – Circular economy & Decarbonization

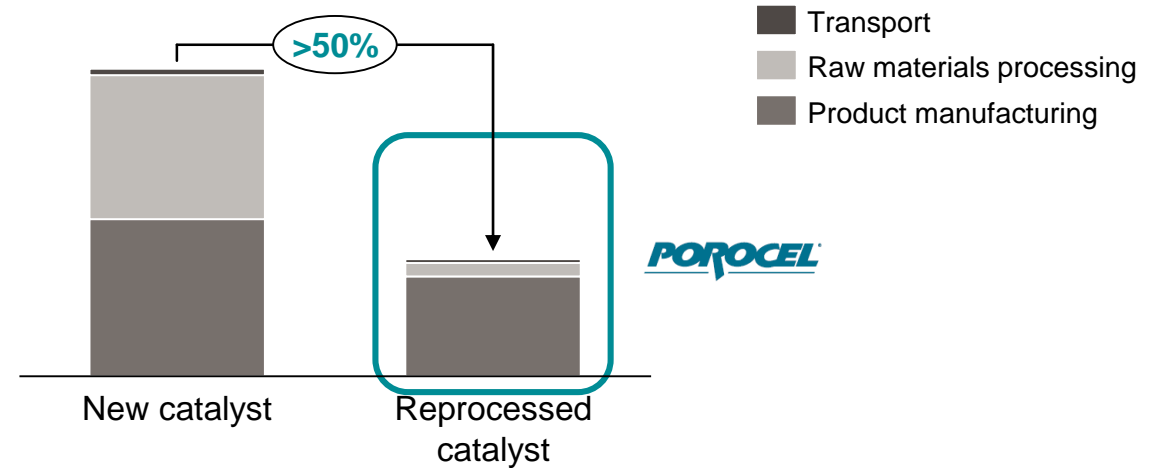
Rejuvenation catalysts contribute to considerable CO₂ savings

Rejuvenation of used catalysts saves resources



Comparison of CO₂ emissions from catalyst production

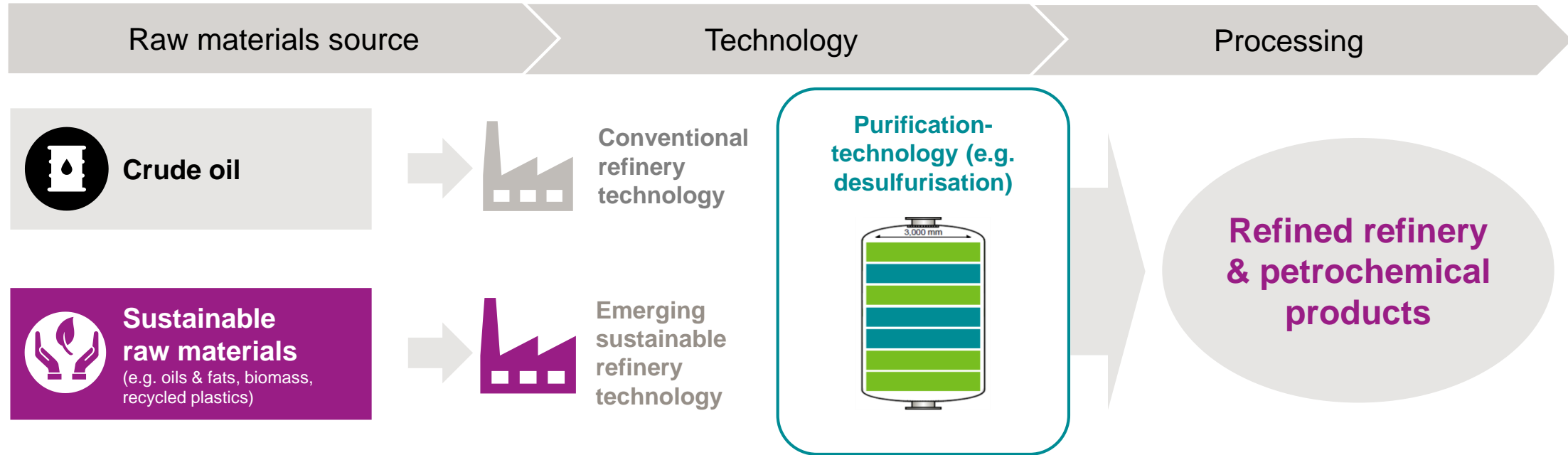
CO₂ emission [kg per ton of catalyst]



- Rejuvenated catalysts save >50% CO₂ compared to new catalyst
- Since 2004, Porocel products have saved ~1 million tons of CO₂

Spotlight – Porocel purification technology

Technology needed for crude oil and sustainable raw material sources



- Long-term **trend from oil-based to bio-based** or recycled refinery raw materials
- Requirement for purification of the material flows (e.g. desulfurisation)
- Porocel with comprehensive purification expertise and comprehensive product portfolio for this key technology

Catalysts play an important role in global key industries

>80% of all chemical products are made by use of a catalyst

Catalysts ...

- ... **accelerate chemical processes** while not being consumed during the reaction
- ... **steer chemical reactions** towards the desired products and avoid by-products and waste
- ... enable efficient chemical processes by using **less feedstock** and **reduced energy consumption**
- ... are **~1% of costs of the respective product** value and offer **resilient market growth of 4% p.a.**

Key end markets

Chemical catalysts



Refining catalysts



Environmental catalysts





Portfolio management – sustainability analysis

Sustainability Analysis integrated into strategy and portfolio decisions

Portfolio management via sustainability criteria

Method



- WBCSD¹ sector **standard approach** aligned to specific requirements of Evonik
- Approach **audited** by PWC



Analysis and results



- **99%** of sales covered by Sustainability analysis
- **Classification** of product portfolio according to its **sustainability performance** (A++ to C--)



Strategic measures



- Analysis part of **strategic portfolio management** e.g. for
 - Investments
 - Innovation
 - M&A

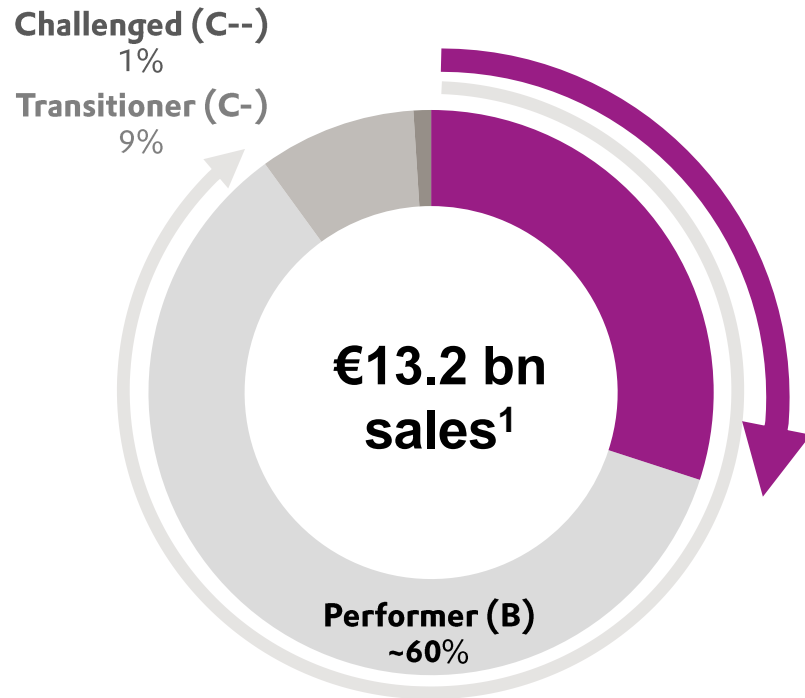


1. Portfolio Sustainability Assessments (PSA) from World Business Council for Sustainable Development



Portfolio management – “Next Generation Solutions”

>30% of Evonik’s portfolio with superior sustainability benefits



~90%

generated with products or solutions **above or on market reference** in terms of sustainability

>30%

“Next Generation Solutions”²

- ... address globally **increasing demand** for sustainable solutions
 - .. deliver **above-average growth**
- ... are highly **profitable** (in or above margin target range of 18-20%)

Target to further increase “Next Generation Solutions”

- Challenged products: evaluation of strategic options (transform/exit/divest) within 5 years

1. 2018 sales continuing operations | 2. “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions



Portfolio management – examples “Next Generation Solutions”

Addressing customers desire for sustainable solutions

Biosurfactants



Biosurfactants used in personal and household care applications

Evonik’s superiority to market

- Evonik only company to produce bio-based surfactants on an **industrial scale**

Growth
>10%

Sustainable Food Packaging



Food stays fresh for longer due to O₂ absorbing packaging

Evonik’s superiority to market

- Evonik only provider of **additive** to capture oxygen molecules inside of packages to keep them fresh longer and **reduce global food waste**

Growth
>5%

Improving Lithium-Ion-Batteries



High-performance separators for more powerful batteries

Evonik’s superiority to market

- Evonik’s high-quality pure silica and metal oxides **increase safety, lifetime** and **performance** of **batteries** for EVs

Growth
>20%

Superinsulation



Purely mineral high-performance insulation material

Evonik’s superiority to market

- **Silica-based** insulation material which is **fully recyclable** and **incombustible** for sustainable housing

Growth
>20%



Culture – self-help measures supporting margin target

Targeting cost excellence in Administration and Operations



Administration

SG&A

- Started in 2018
- Total savings of **~€200 m**
- **€120 m** already achieved
- Completed by **end of 2020**

Ongoing

New divisional structure

- Leaner organizational setup & optimization of processes (reduction of 150 FTE¹)
- Cost savings of **€25 m by end of 2021**

New

Factor cost compensation

- From 2021 onwards, following completion of SG&A program
- Continuous **factor cost compensation mechanism** in Corporate and Admin

Going forward



Operations

On Track

- Continuous factor cost compensation in Production and Procurement
- Started in 2008, **~€120 m gross savings p.a.**

Ongoing

Optimizing businesses

- Strengthening **cost position** and **optimizing portfolio** on business line level (e.g. Animal Nutrition, Care Solutions)

Ongoing

Supply Chain

- Optimized end-to-end processes
- Lower **supply chain costs** and reduced **Capital Employed**

Going forward

Appendix

1. Strategy Details
- 2. Financial targets**
3. Division overview
4. Sustainability
5. Financials
6. Upcoming events

Financial targets going forward

Mid-term Financial Targets set in 2017

Above-average volume growth (GDP+)

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

FCF significantly above dividend level

ROCE above Cost of Capital

Reliable and sustainably growing dividend

Solid investment grade rating

Updated mid-term Financial Targets

Above-average volume growth ¹⁾

>3%



Cash Conversion ratio of ²⁾

>40%

ROCE **well above Cost of Capital**

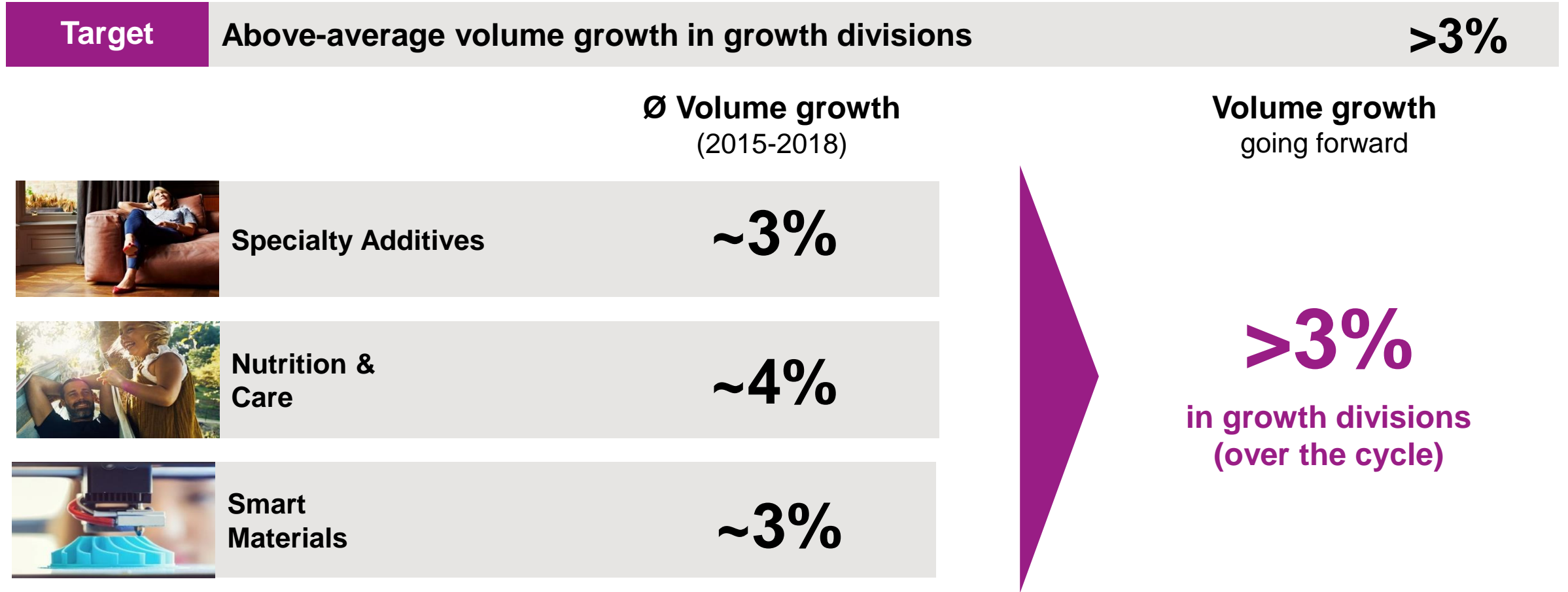
~11%



1: In growth divisions | 2: Cash Conversion ratio defined as FCF/Adj. EBITDA

Top-line growth

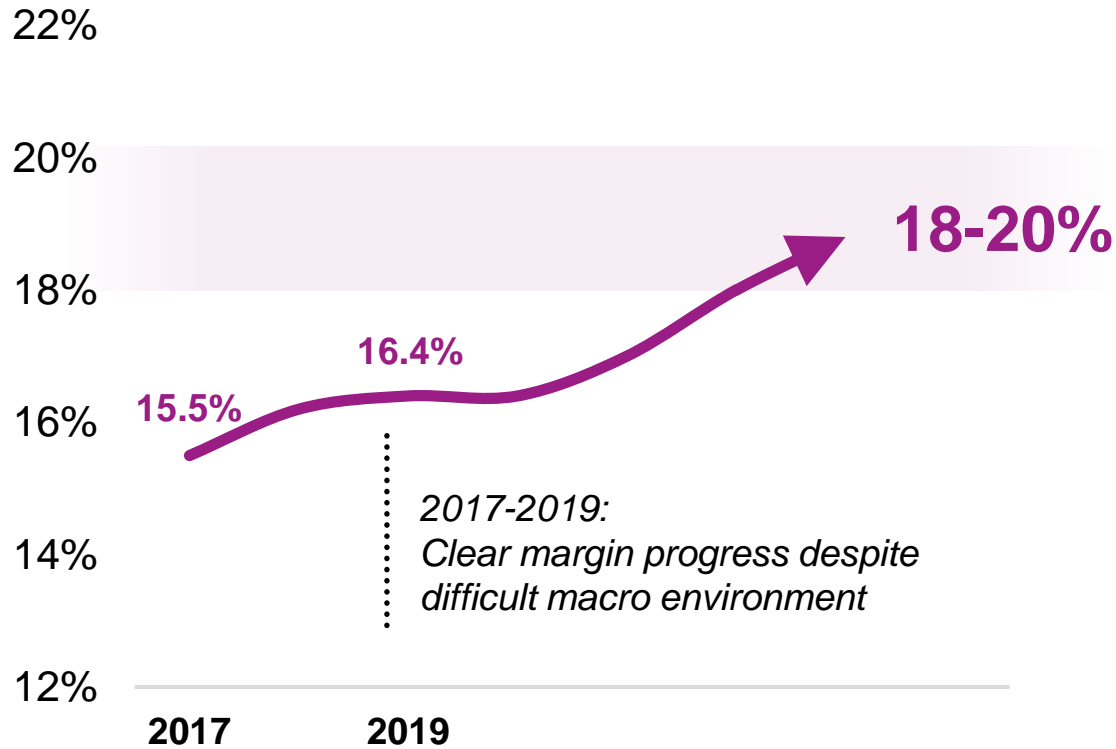
Targeting above-average volume growth in growth divisions



EBITDA margin target range of 18-20%

Three strategic focus areas driving structural margin improvement

EBITDA margin in % (Group level excl. MMA)



Main drivers going forward



- Organic growth projects
- Ongoing shift of product portfolio towards specialty

↑ **>100 bp¹**



- Cost savings from efficiency measures in Administration and Operations

↑ **~50bp**



- €1 bn additional sales from Innovation Growth Fields with above-average margin

↑ **~50bp**

FCF conversion

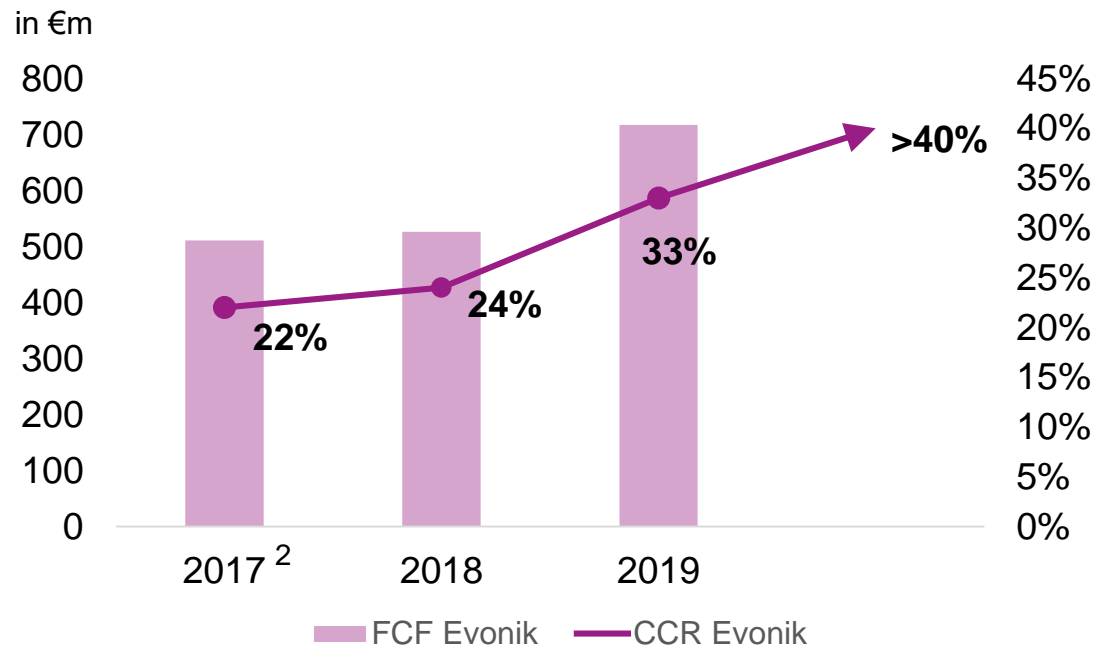
Strong track record established – further improvement ahead

Target

Cash Conversion Ratio¹ of

>40%

Strong improvement of FCF and Cash Conversion¹



1: Cash Conversion ratio as FCF/Adj. EBITDA | 2: Including Methacrylates business

FCF levers going forward

- Ongoing **strict NWC management**; current low level to be secured going forward
- Maintain **capex** level of **€850 m** going forward
- **Growth projects** contributing to high cash conversion e.g.
 - Methionine plant (ME6)
 - PA12 expansion
- Fade-out of cash-outs from **efficiency measures**
- Pensions with stable cash-outs on lowered level (**CTA**)
- Bolt-on acquisitions with **high cash conversion** (e.g. PeroxyChem >60%)

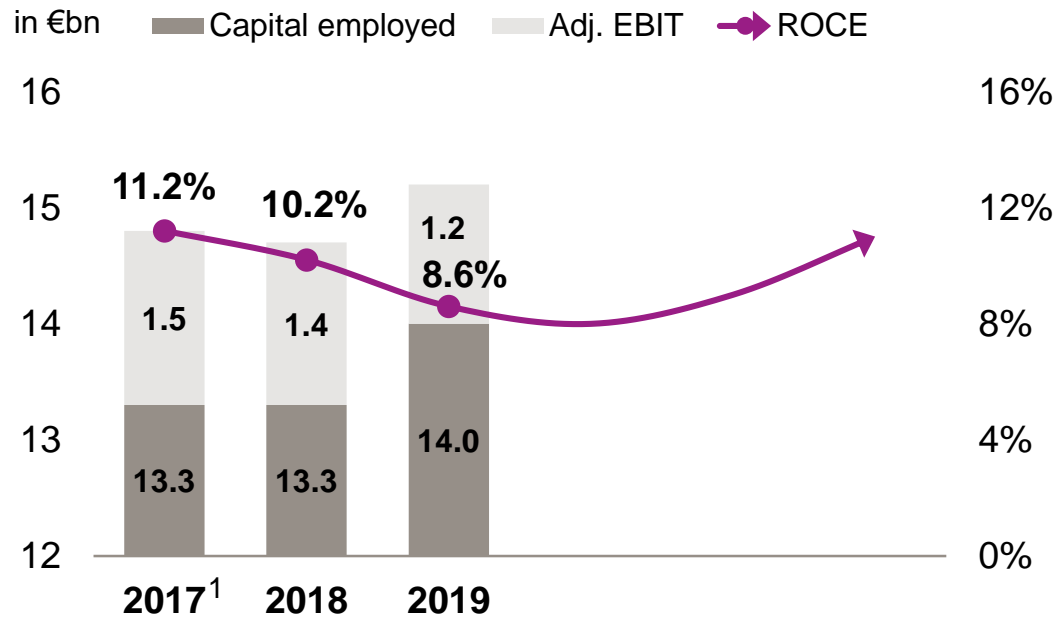
ROCE

Targeting ROCE well above Cost of Capital

Target

ROCE well above Cost of Capital

~11%



Increase in **Capital Employed** mainly driven by **IFRS 16**: capitalization of leases (~€0.6 bn with Q1 2020³)

Larger **growth projects** (like ME6, Precipitated silica USA, PA12):

- ~€1 bn capitalized on balance sheet
- **Full level of fixed costs** already since start-up

Higher EBIT contribution

- Increasing **utilization**
- Growing **market penetration**
- Improving **process efficiency**

Supply chain optimization:

- Optimized processes, lower Capital Employed

WACC² of

9%

Structural improvement of ROCE to

~11%

1: Including Methacrylates business | 2: WACC reduced to 9% due to lower cost of capital and lower beta factor | 3: Annual averages

Appendix

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New divisional structure – Overview

Growth divisions with strong positioning and promising drivers

Further details on the new divisions are available in the [Strategy Update May 2020 presentation](#) on our [Evonik IR website](#)

Specialty Additives



Nutrition & Care



Smart Materials



Performance Materials



Portrait

Broad spectrum of **additives solutions** for maximum performance which **make the key difference** in industrial applications for coatings, polyurethane foam & lubricants

Sustainable solutions for basic human needs **in resilient end markets** like pharma, personal care & animal nutrition

Innovative materials for **resource-saving solutions** and **substitution of conventional materials** in environmental, mobility and construction end markets

Efficient platforms for production of high-volume intermediates for mobility, plastics & rubber as well as superabsorbent polymers for consumer applications

Main Growth Drivers

- More sophisticated additive effects
- Environmentally-friendly additives

- Social trends in health, well-being and nutrition
- Natural-based ingredients
- Biotechnology and fermentation

- Saving resources
- Use of lightweight materials
- Stricter regulation and safety standards

- Focus on efficiency in production & procurement




New divisional structure – Overview

Technology platforms and end market exposure

Specialty Additives	Nutrition & Care	Smart Materials	Performance Materials
Technology platforms			
<ul style="list-style-type: none"> ▪ Silicone chemistry ▪ Isophorone platform ▪ Amines 	<ul style="list-style-type: none"> ▪ Biotechnology / Fermentation ▪ Methionine platform ▪ Oleo chemistry 	<ul style="list-style-type: none"> ▪ Inorganic particle design ▪ Specialty polymers ▪ Active oxygens ▪ Process catalysts 	<ul style="list-style-type: none"> ▪ C4 processing and derivatizing ▪ Polymer know-how
Key products & global market positions			
<ul style="list-style-type: none"> ▪ #1-2 in Coating additives ▪ #1 in PU additives ▪ #1 in Viscosity modifiers (for lubricants) 	<ul style="list-style-type: none"> ▪ #1 in Methionine ▪ Strong position in Active cosmetic ingredients ▪ #2 in Drug delivery systems 	<ul style="list-style-type: none"> ▪ #1 in Silica ▪ #2 in H₂O₂ ▪ Leading in Catalysts¹ ▪ #1 in PA12 	<ul style="list-style-type: none"> ▪ C4 derivatives ▪ Superabsorbers
End market split			

1. #2 in activated nickel catalysts, #3 in Oil & fat hydrogenation catalysts

Financial targets for growth divisions going forward

	Specialty Additives	Nutrition & Care	Smart Materials
Financial target			
Volume growth	<p>>3%</p> <p>in all growth divisions (over the cycle)</p>		
EBITDA margin level	<p>Maintain very attractive margin level (2019: 26%)</p>	<p>Getting back into target range (2019: 16%)</p>	<p>Secure margin level at least in range of 18 - 20% (2019: 19%)</p>
Capex/Sales ratio	~4%	~5%	~6%

New divisional structure – Peers

Growth division with more homogenous trends easier-to-compare to peers

Specialty Additives

Leaders in industrial additives and major players in our core customer industries such as paints & coatings



Nutrition & Care

Specialists with a chemicals pedigree in the field of consumer well-being and food & feed



Smart Materials

Companies in the sphere of inorganic specialties, incl. catalysts, as well as high-performance polymers



Characteristics of divisional peers which we see as a benchmark...

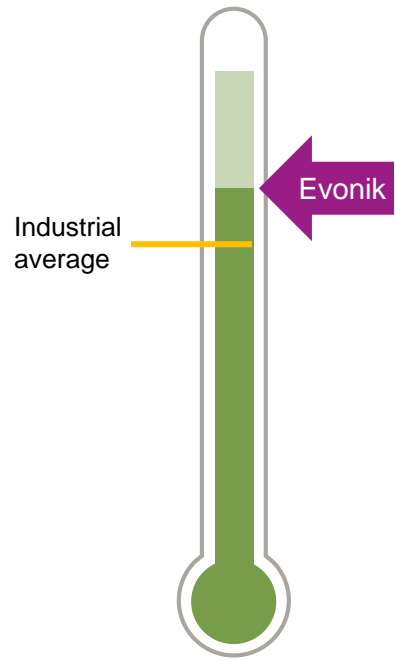
Examples for comparable business model or overlap in value chains...

Appendix

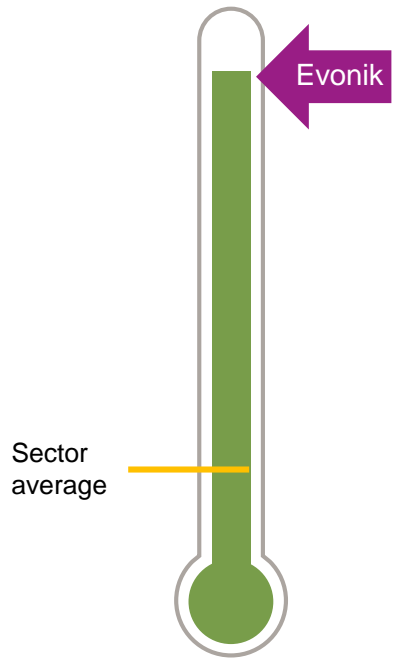
1. Strategy Details
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Sustainability – Rankings

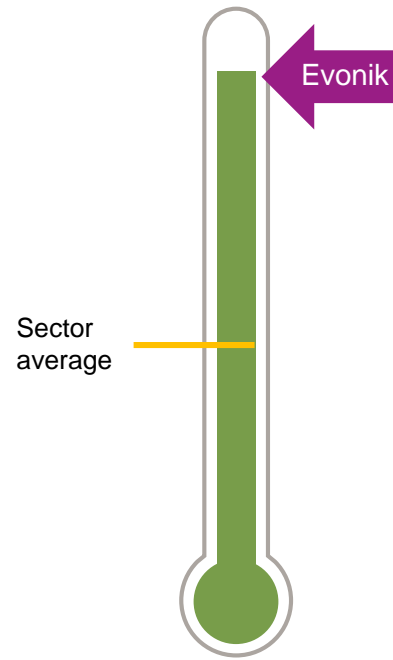
Evonik best-in-class within chemicals sector in terms of sustainability



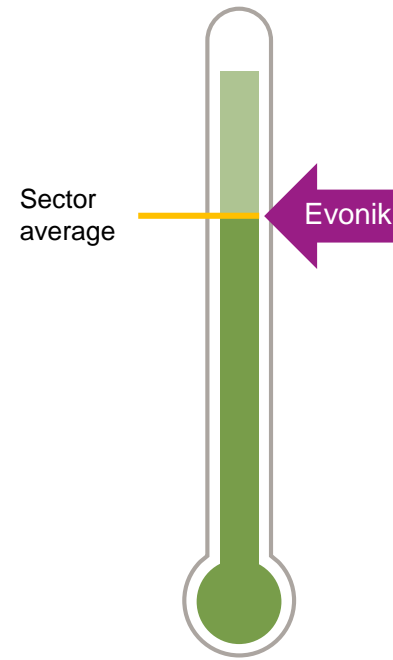
MSCI 



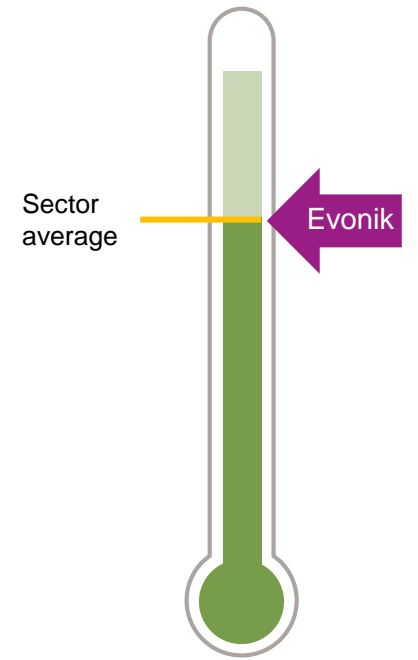
ecovadis



ISS-oekom 



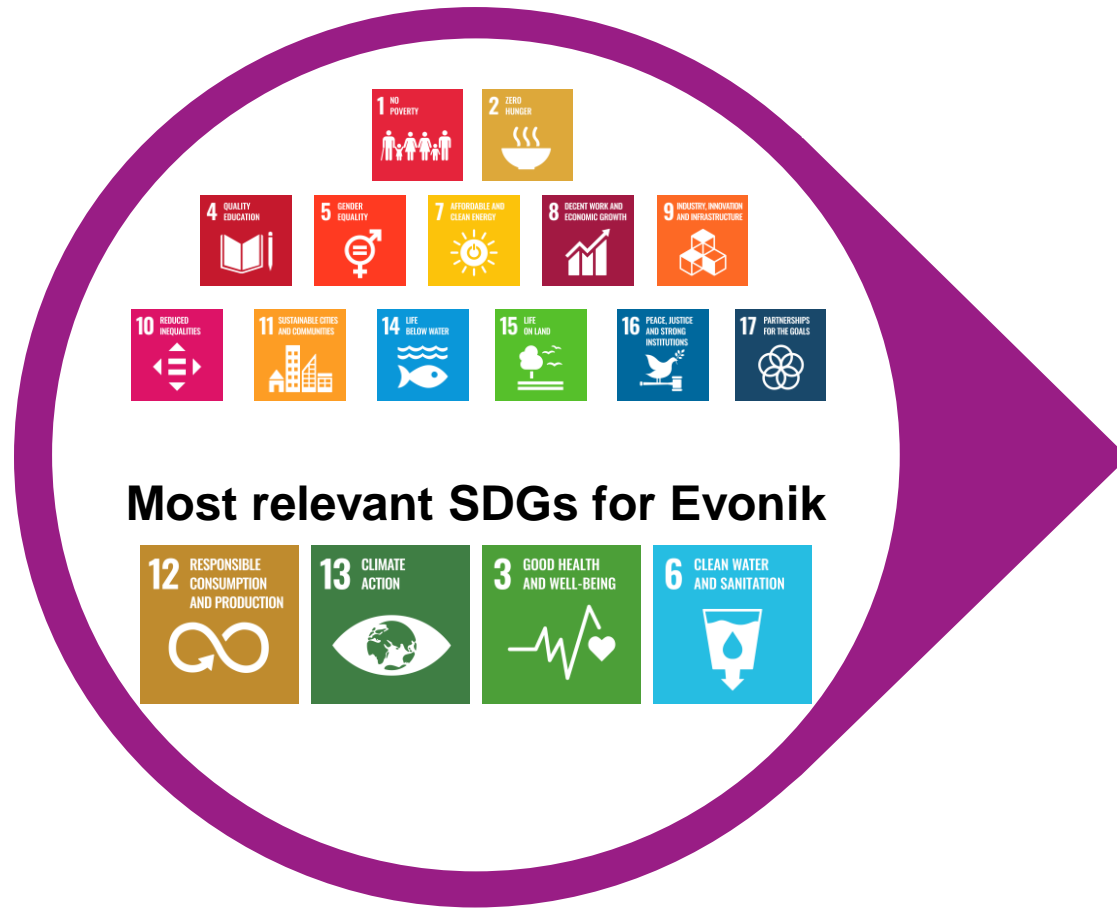
 SUSTAINALYTICS



 CDP
DRIVING SUSTAINABLE ECONOMIES

UN Sustainable Development Goals (SDGs)

>50% of Evonik's portfolio with positive benefit to SDGs

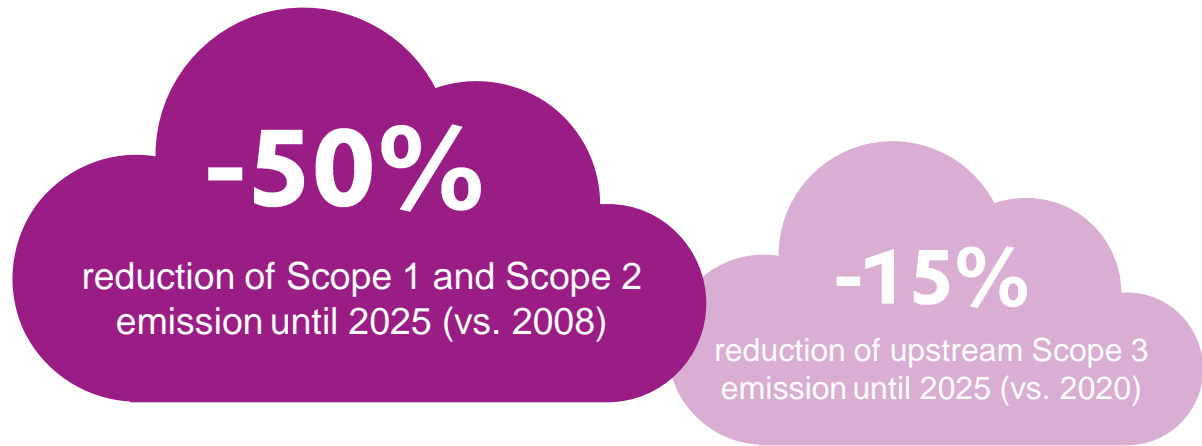


>50%¹
of Evonik's sales
contribute to SDGs

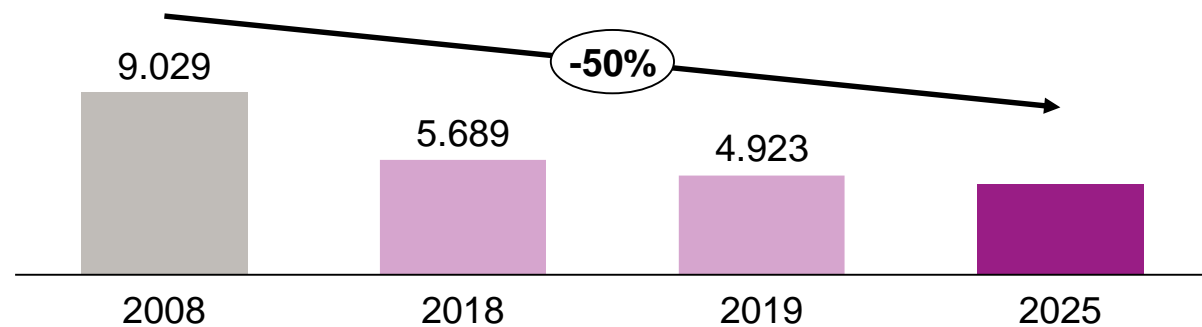
1. 2018 sales continuing operations | Most relevant SDGs ranked by significance from left to right

Sustainability – Environmental targets

Ambitious greenhouse gas emission reduction targets



Evonik Scope 1 and Scope 2 emissions¹



1. in thousand metric tons CO₂eq

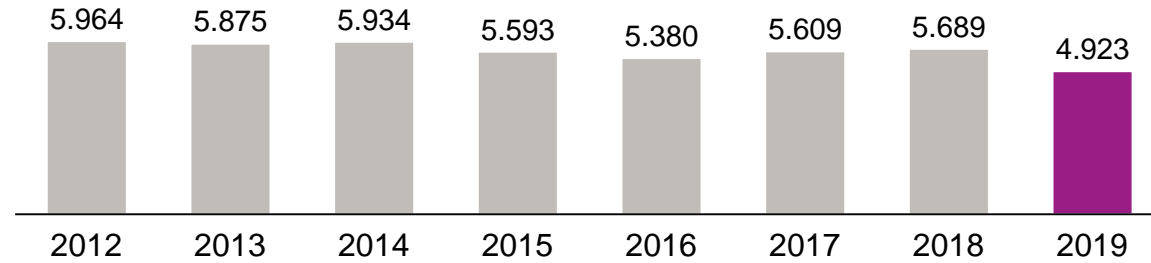
- Strong commitment to **"Paris Agreement on Climate Change"** reflected in implementation and execution on environmental targets
- **"Sustainability Strategy 2020+"** targets reduction of -50% of Scope 1 and Scope 2 emissions by 2025 (compared to base year 2008)
- Global **CO₂ pricing** used as an additional planning parameter for investment decisions

Sustainability – Main KPIs



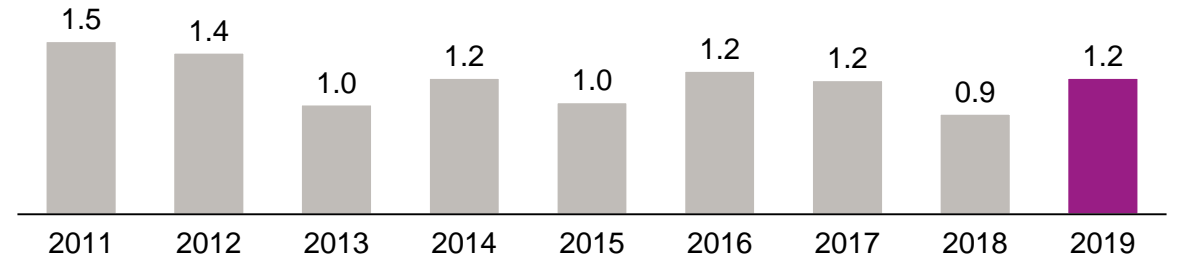
Greenhouse gas emissions

Scope 1 and Scope 2 emissions in thousand metric tons CO2 equivalents



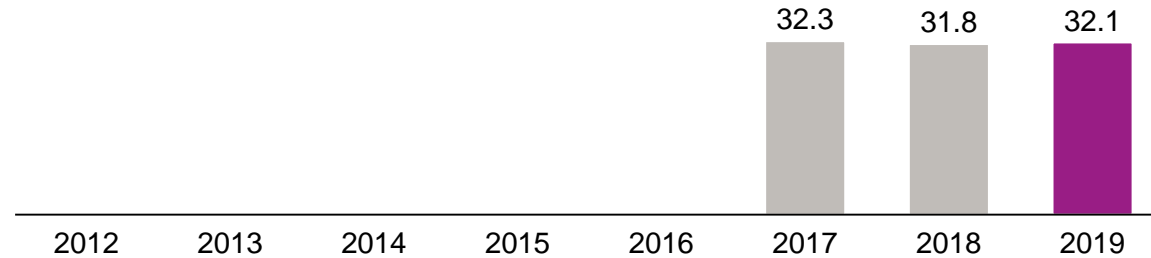
Accident frequency

Number of accidents per 1 million working hours



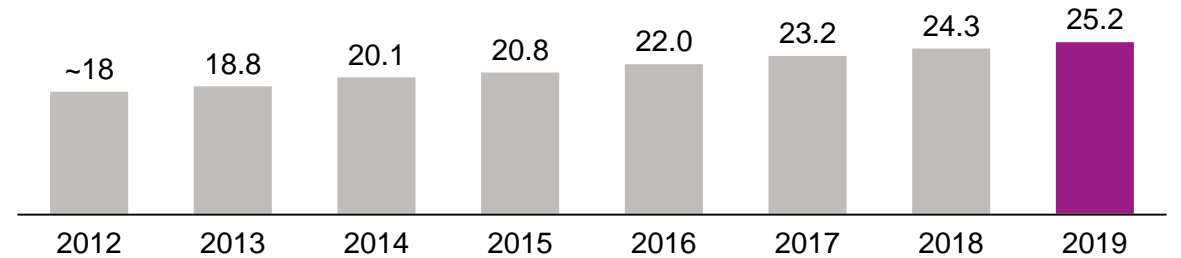
Specific water intake

In m3 freshwater per metric ton production



Diversity/Employees

Female managers in % (Management circles 1 – 3)



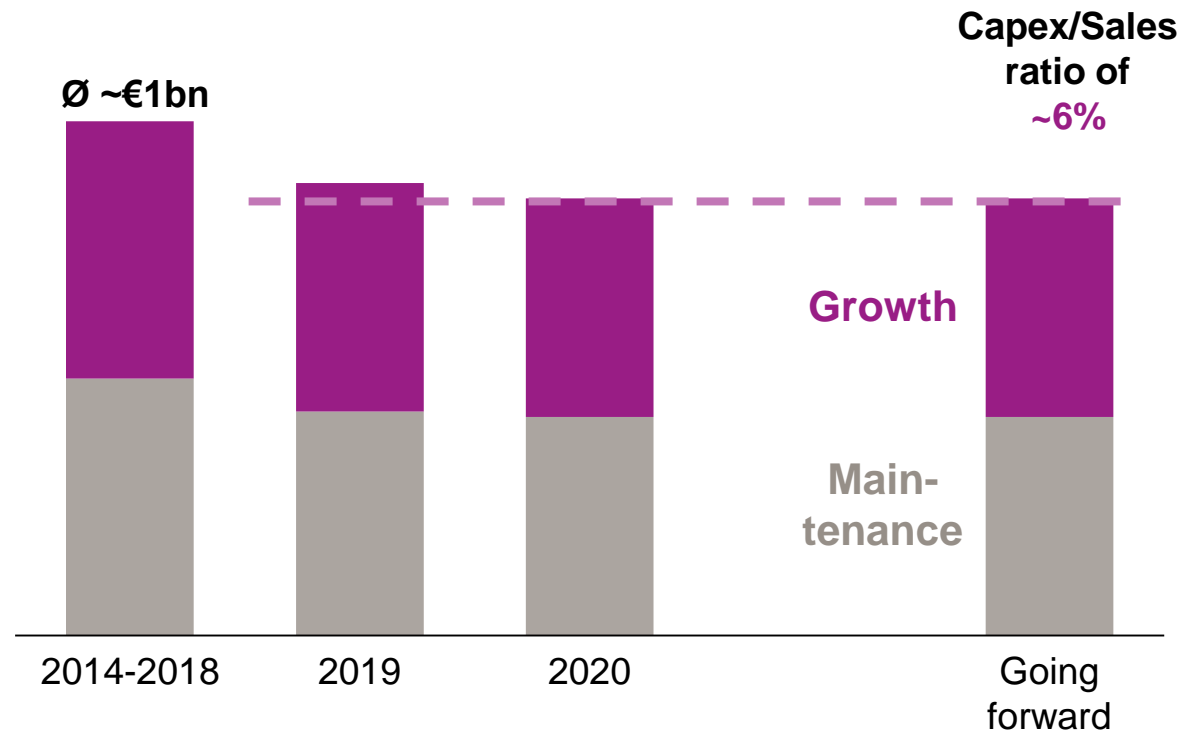
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Spotlight on capex





Optimized capex spending on a continuously lower level of €850 m

Continuous capex level of ~€850 m



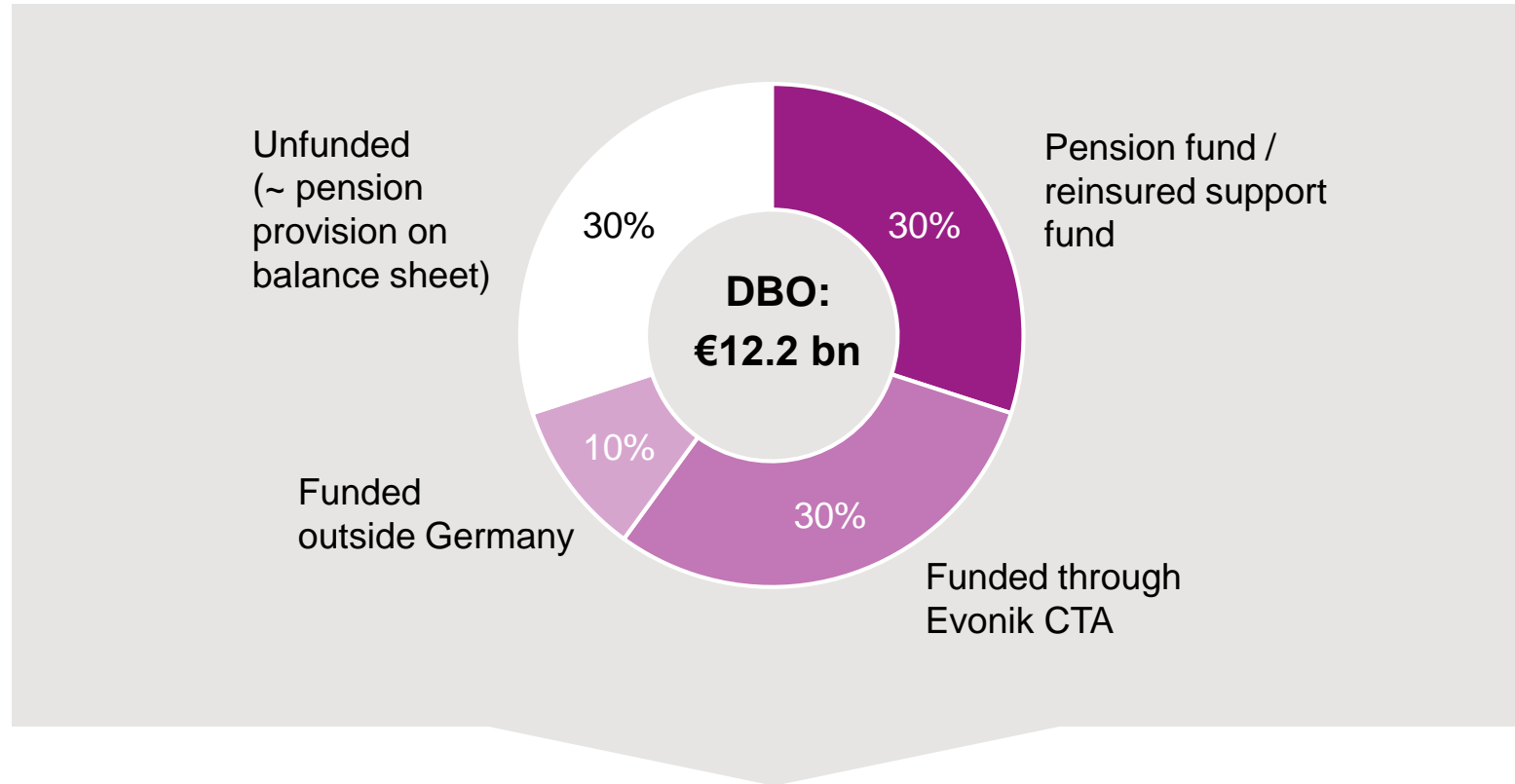
Capex = Cash outflow for investment in intangible assets, pp&e

Optimized capex spending going forward

-  **Strict allocation criteria**, especially for maintenance capex
-  **Harmonization of maintenance projects** to global standards
-  **Asset Lifecycle Management** for each business with a 10-year time horizon
-  **Site Footprint Masterplan**: Definition and capex allocation according to clear capex roles for individual sites

Pensions

Pension funding overview as of 31 December 2019



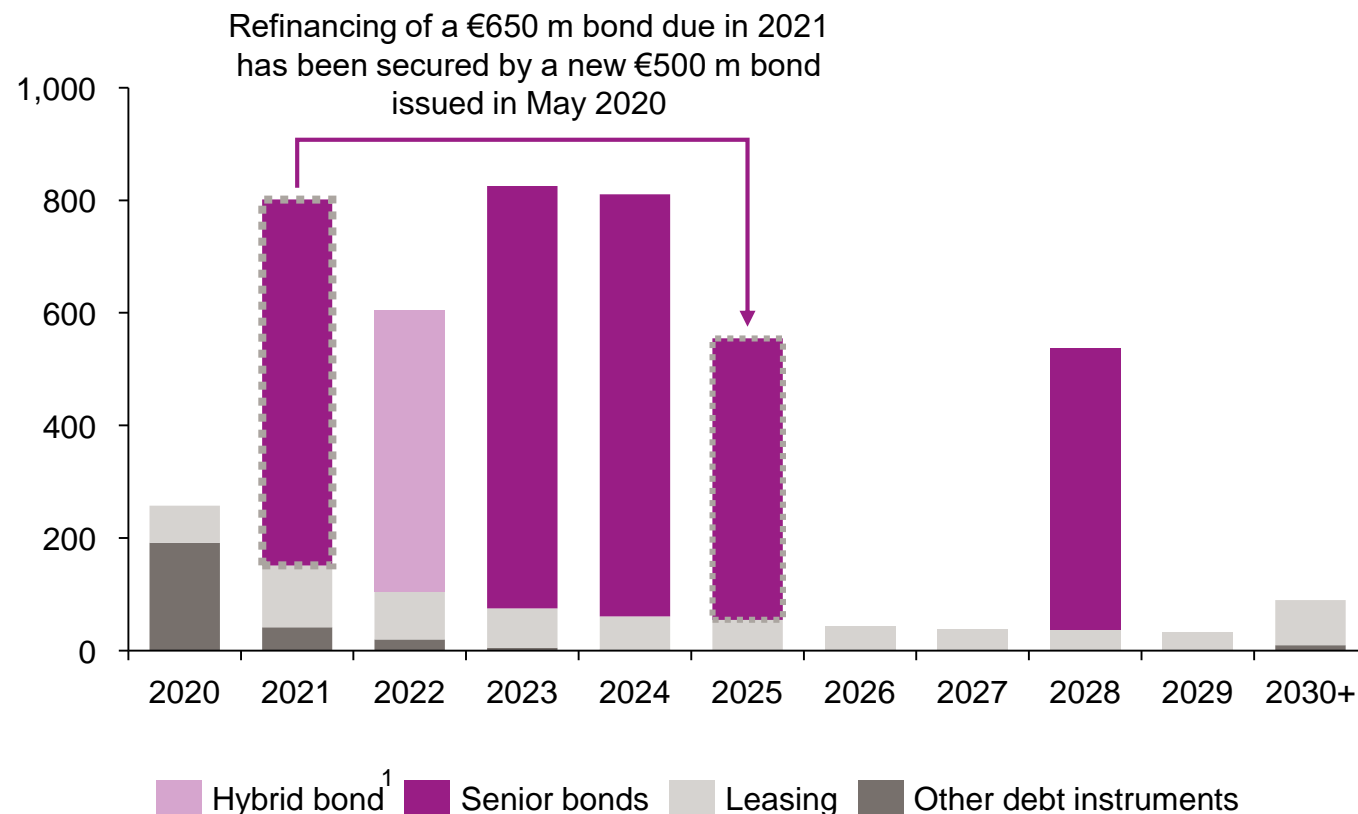
- Pensions very long-term, patient debt (>17 years) with no funding obligations in Germany
- DBO level of €12.2 bn (interest rate at 1.30%)
- Funding ratio at ~70% mainly due to positive development of pension asset

Funding level at ~ 70%

Debt structure

Well balanced maturity profile

(in € m as of June 30, 2020)

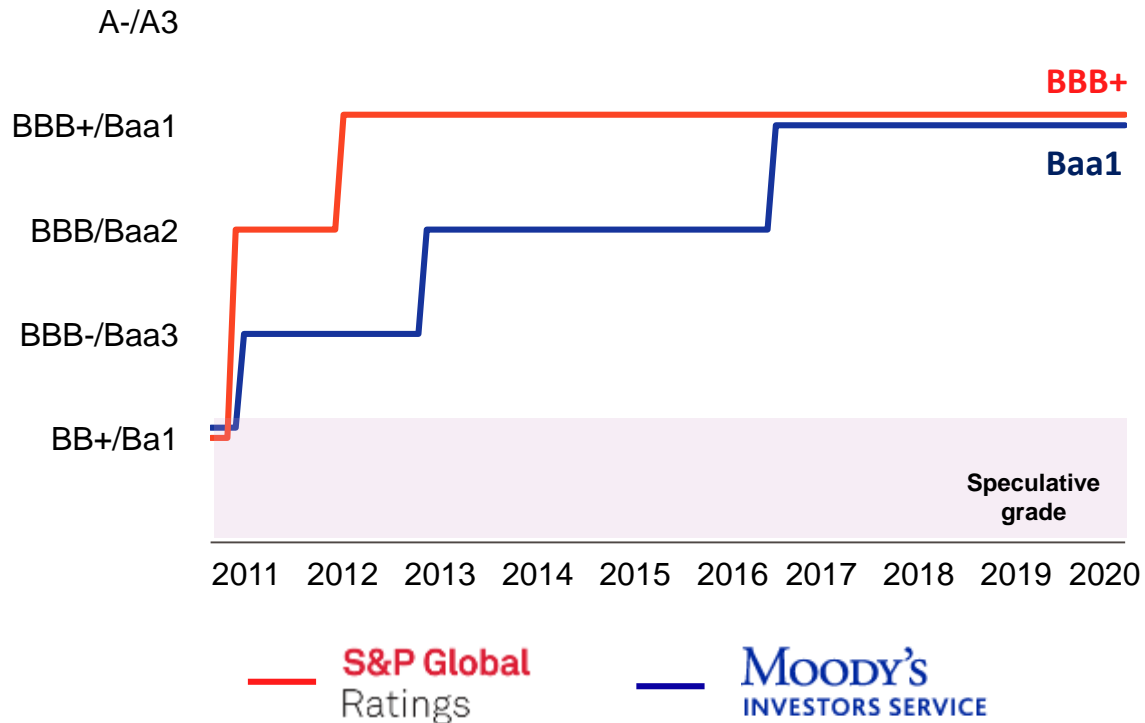


- Well balanced debt maturity profile with no single bond maturity greater than €750 m
- Long-term capital market financing secured at favorable conditions:
 - average coupon of 0.55% p.a. on €3.15 bn senior bonds
 - coupon of 2.125% p.a. on €0.5 bn hybrid bond
- €500 m senior bond due in April 2020 repaid from existing liquidity
- In May 2020, Evonik successfully placed a €500m senior bond, the proceeds of which will be used to partially refinance the outstanding €650 million senior bond due in March 2021
- 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



In April 2020 **Moody's** affirmed the **Baa1** rating of Evonik and changed the outlook to **negative** from stable

At the same time Moody's assessed the liquidity profile of Evonik as solid underpinned by a strong cash position

S&P rating and outlook remains unchanged at **BBB+/stable** since 2012

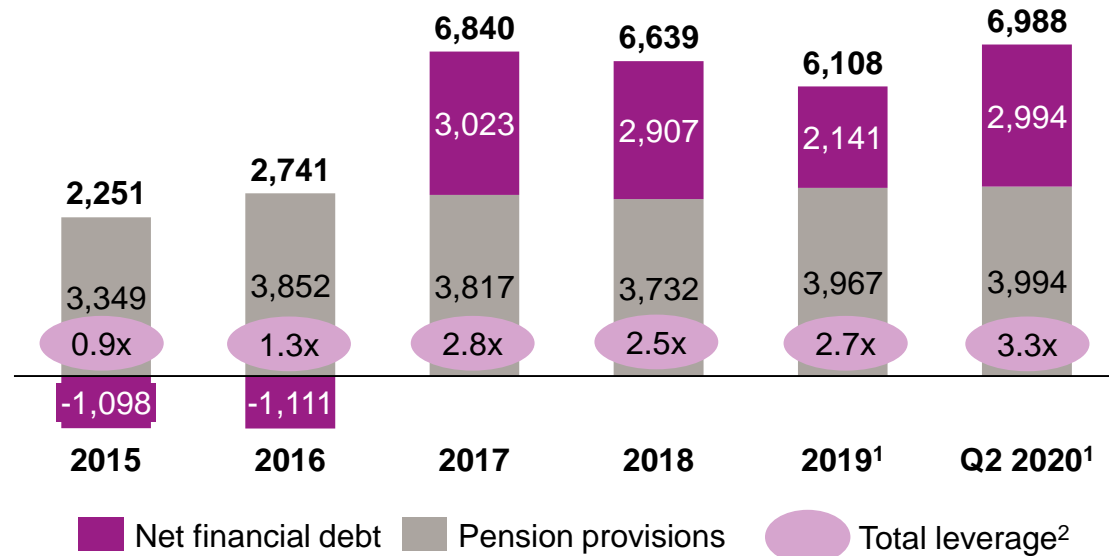
Both rating agencies acknowledge

- a strong business profile of Evonik 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 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)



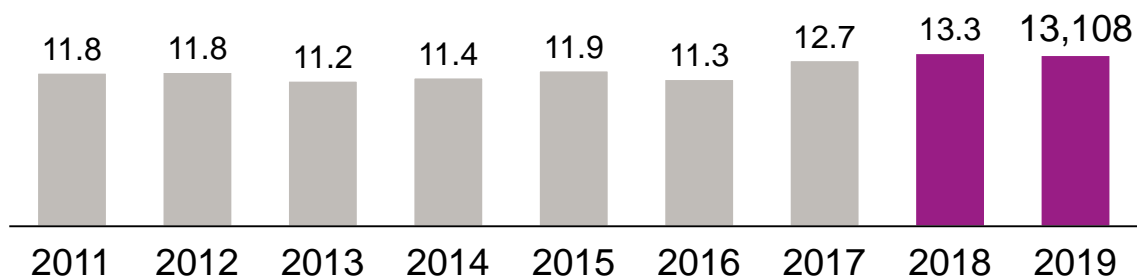
Adj. net debt³	2,251	2,741	6,590	6,389	5,858 ¹	6,738 ¹
Adj. EBITDA	2,465	2,165	2,357	2,601	2,153 ¹	2,017 ¹
German pension discount rate (%)	2.75	2.00	2.00	2.00	1.30	1.40

- Increase of net financial debt as per H1 2020 (vs year-end 2019) mainly from closing of PeroxyChem acquisition and partial dividend payment
- **Net financial debt leverage** continues to be low at **only 1.4x**
- More than half of net debt consists of long-dated pension obligations with >17 years duration
- Q2 pension provisions slightly higher (+ €207 m vs Q1) due to decrease of pension discount rates (from 1.7% to 1.4% in Germany)
- Pension provisions partly balanced by corresponding deferred tax assets of ~€1.35 bn

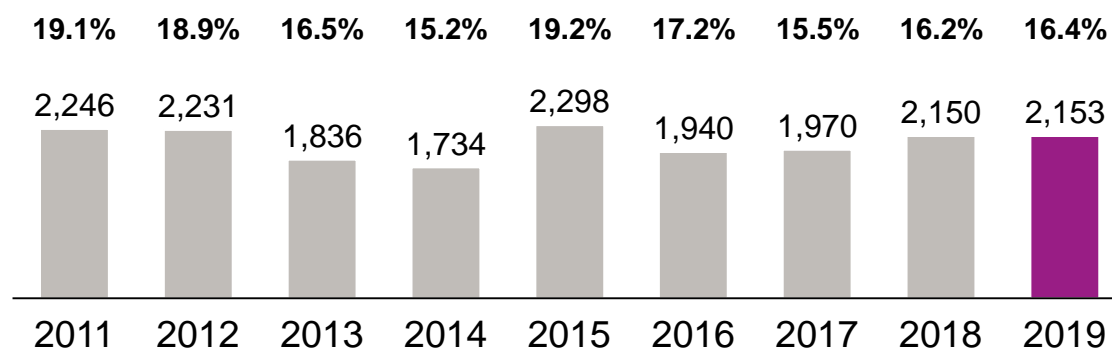
1. Continuing operations (excluding methacrylate activities) , Adj. EBITDA LTM | 2. Adj. net debt³ / adj. EBITDA | 3. Net financial debt – 50% hybrid bond + pension provisions

Financials

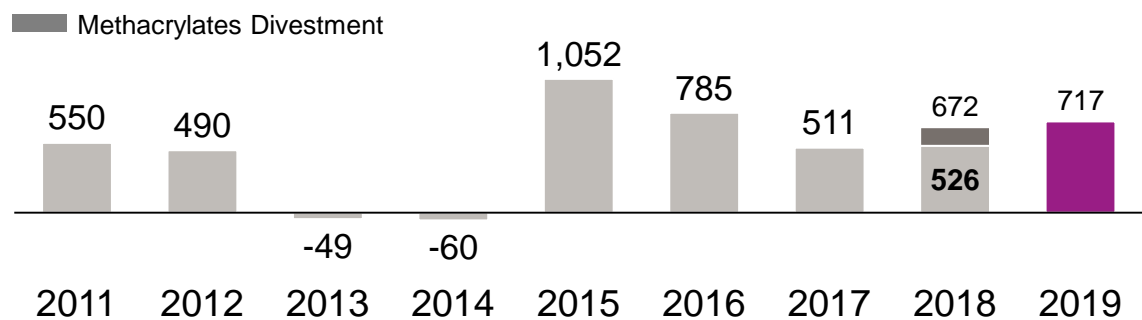
Sales¹ (in € bn)



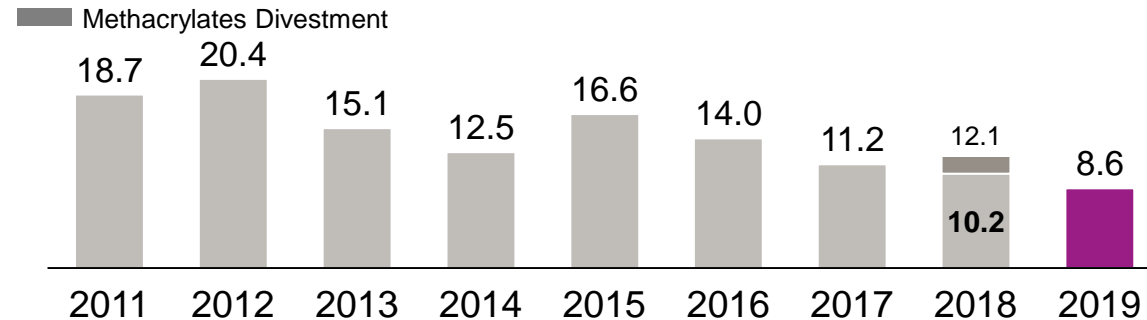
Adj. EBITDA¹ (in € m) / margin



Free Cash Flow (as reported, in € m)



ROCE (as reported, in %)



1. Continuing operations

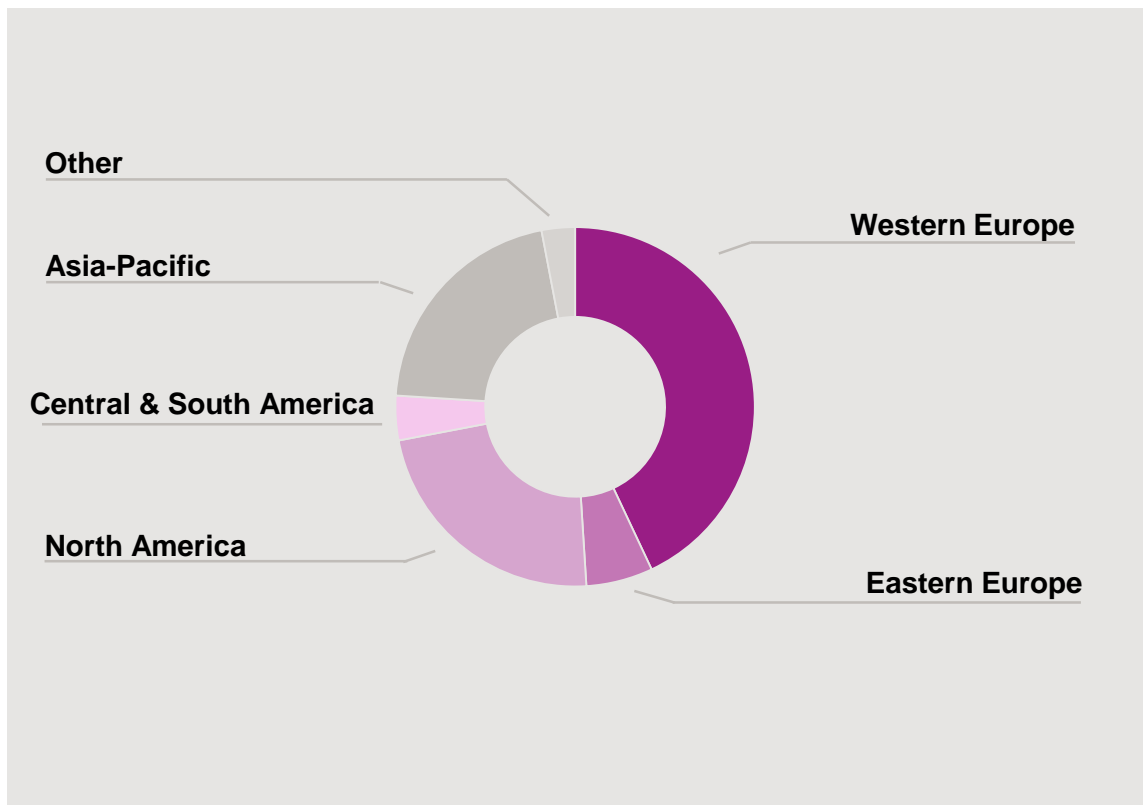
Divisional overview by quarter

Sales (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20
Specialty Additives	842	867	861	810	3,381	852	747
Nutrition & Care	731	719	726	747	2,922	748	742
Smart Materials	857	845	833	836	3,371	858	722
Performance Materials	677	698	607	652	2,634	584	437
Services, Corporate & Others	180	177	205	239	800	201	179
Evonik Group	3,287	3,306	3,232	3,284	13,108	3,243	2,827

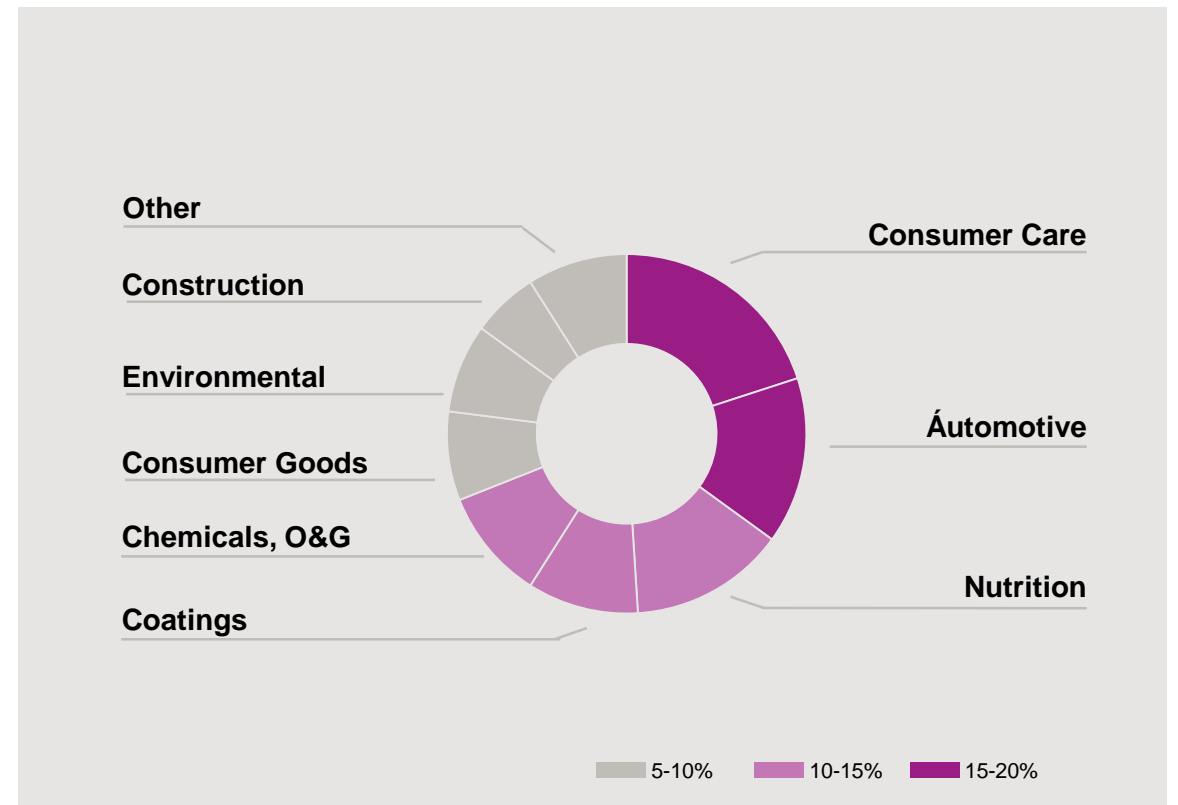
Adj. EBITDA (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20
Specialty Additives	225	226	232	203	886	239	202
Nutrition & Care	113	121	119	109	462	118	168
Smart Materials	162	164	157	168	651	166	102
Performance Materials	63	84	49	53	248	18	12
Services, Corporate & Others	-24	-29	-14	-27	-94	-28	-28
Evonik Group	539	566	543	505	2,153	513	456

Balanced regional and end market split 2019

Sales by region

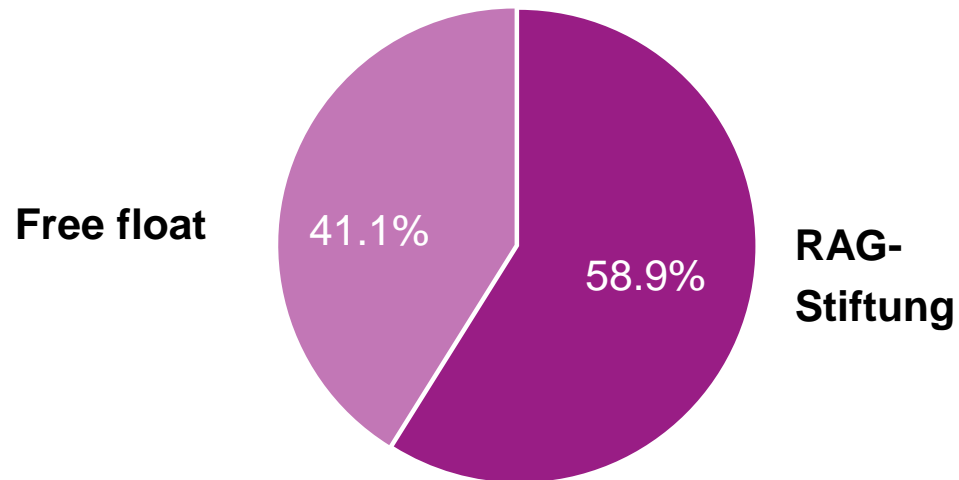


End market split



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

Ownership structure



RAG-Stiftung

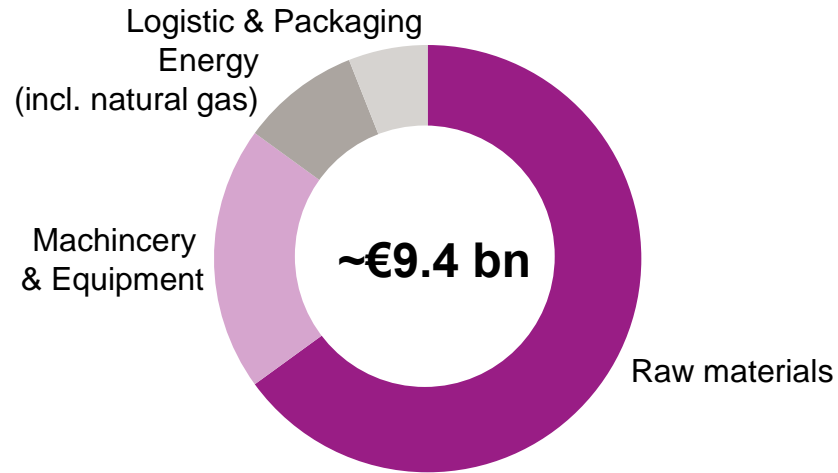
- A foundation with the obligation to finance the perpetual liabilities arising from the cessation of hard-coal mining in Germany
- Evonik as integral and stable portfolio element with **attractive and reliable dividend policy**
- **Clear intention to remain significant shareholder**
- RAG-Stiftung capable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

Management compensation

<p>Fixed salary ~1/3</p>	<ul style="list-style-type: none"> ▪ To be paid in cash for each financial year on a monthly basis 	
<p>Bonus ~1/3</p>	<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 target 2. EBITDA growth (yoy) 3. Contribution to FCF target 4. 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
<p>Long-term incentive plan ~1/3</p>	<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

Raw material split and TOP 3 raw materials per division

Total procurement volume 2019 (in € m)



Breakdown of raw material spend¹ (examples)

Bio

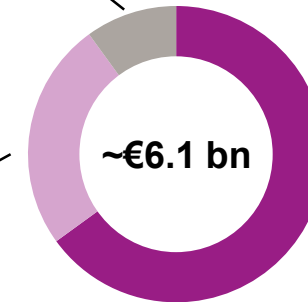
- Dextrose
- Fatty alcohols
- Tallow fatty acid
- Fatty acids
- tallow

Inorganic & other

- Sodium silicate
- Sodium hydroxide
- Silicon metal

Fossil

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



Specialty Additives

Acetone
Ammonia
Fatty Alcohol

Nutrition & Care

Propylene
Methanol
Dextrose

Smart Materials

Sodium Silicate
Silicone Metal
Sodium Hydroxide

Performance Materials

Crack C4
Propylene
Acrylic Acid

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

Appendix

1. Strategy Details
2. Financials
3. Division overview
4. Sustainability
5. Financials
- 6. Upcoming events**

Upcoming IR events

Conferences & Roadshows	
5 August 2020	Roadshow London (virtual)
5/6 August 2020	Jefferies Industrial Conference (virtual)
12 August 2020	Roadshow Benelux (virtual)
18 August 2020	Bankhaus Lampe “Deutschlandkonferenz”, Baden Baden (virtual)
26 August 2020	Roadshow USA (virtual)
27 August 2020	Berenberg Top Picks Seminar, Copenhagen (virtual)
1 September 2020	Commerzbank Corporate Conference, Frankfurt
17 September 2020	Berenberg Food Ingredients & Chemicals Conference, London (virtual)
22 September 2020	Baader Investment Conference, Munich
23 September 2020	Berenberg/Goldman Sachs German Corporate Conference, Munich
24 September 2020	Bernstein Strategic Decisions Conference, London (virtual)
1 October 2020	J.P. Morgan Milan Investor Forum (virtual)

Upcoming Events & Reporting Dates	
31 August 2020	AGM (virtual)
4 August 2020	Q2 2020 reporting
3 November 2020	Q3 2020 reporting
4 March 2021	Q4/FY 2020 reporting
6 May 2021	Q1 2021 reporting
5 August 2021	Q2 2021 reporting
4 November 2021	Q3 2021 reporting

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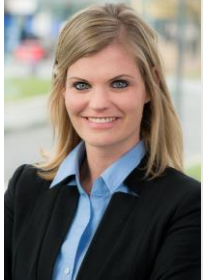


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