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Q1 2019
Earnings Conference Call

7 May 2019

Christian Kullmann, Chief Executive Officer

Ute Wolf, Chief Financial Officer

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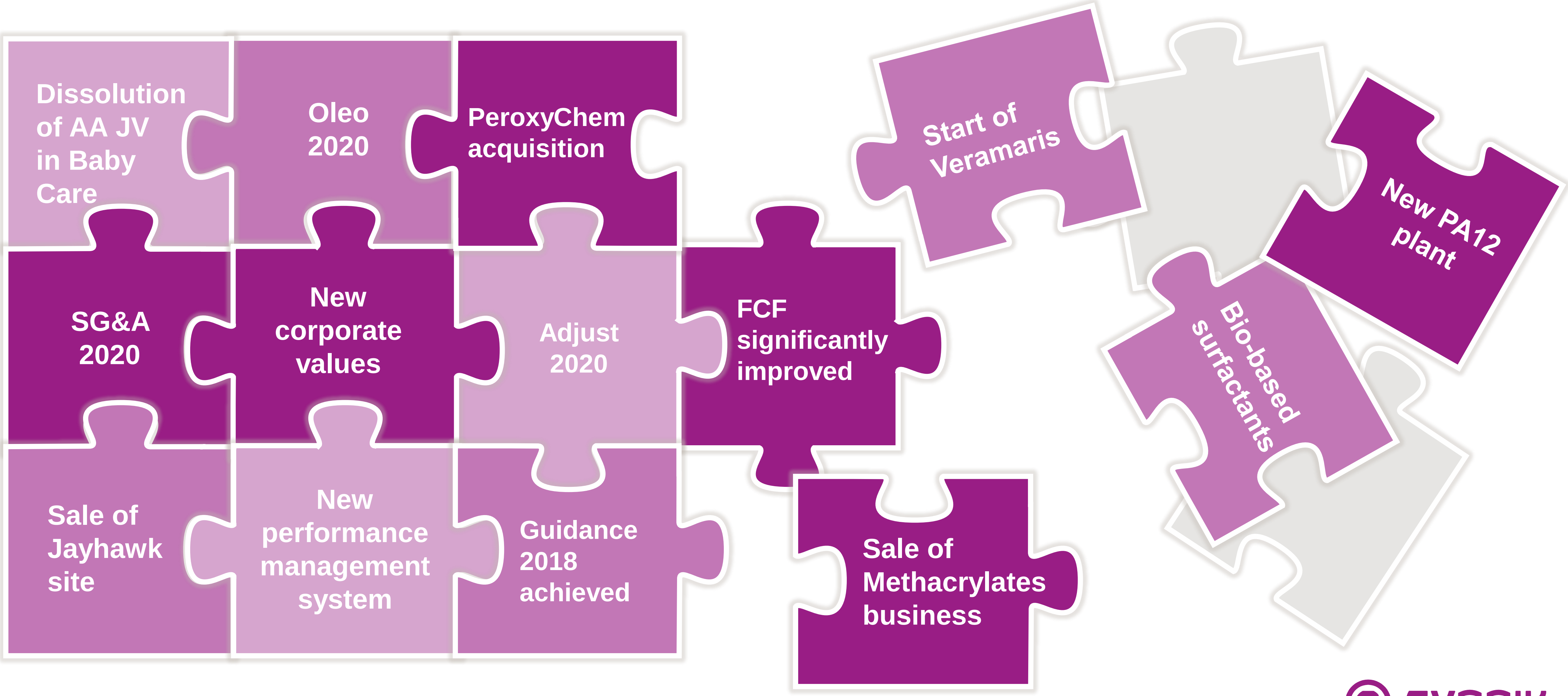
1. **Financial performance Q1 2019**
2. Outlook FY 2019

Constant progress in all strategic focus areas

Portfolio – Culture – Innovation



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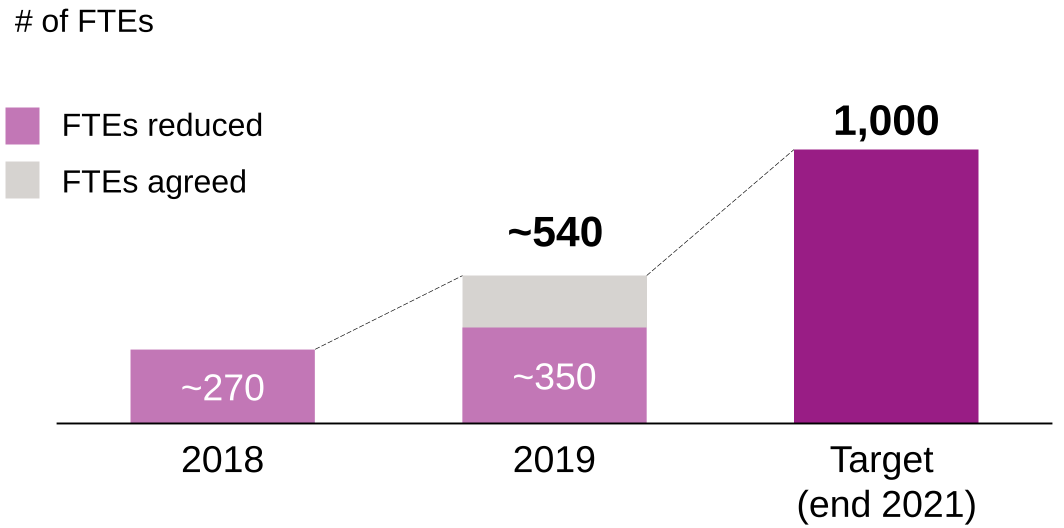
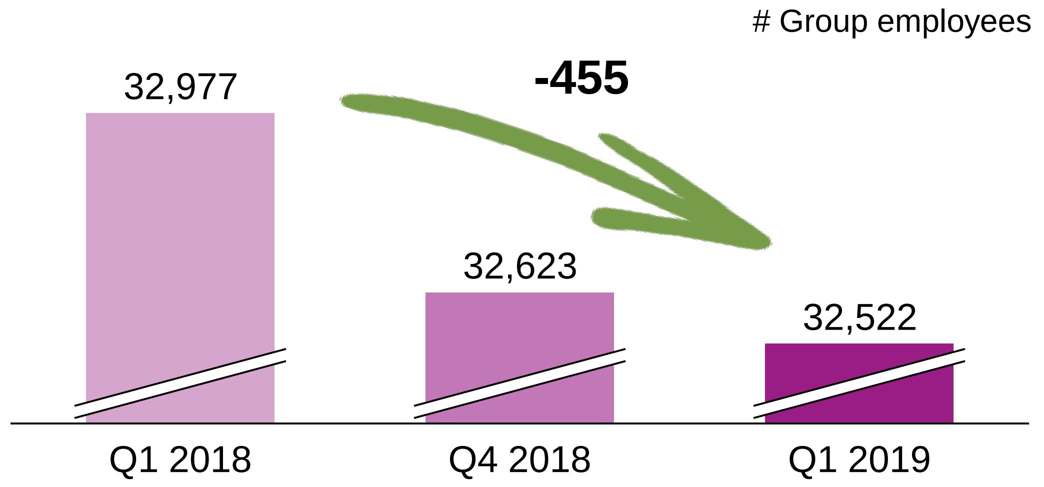
SG&A 2020
FTE reduction by 350 realized by Q1; >50% already fixed

SG&A FTE reduction | **>50% fixed**



- **Reduction of 270 FTEs** in 2018
- Further **80 realized** in Q1 2019
- Overall, **>50%** of targeted 1,000 FTEs already fixed

Total headcount development | **-455** (Q1 yoy)



- FTE reduction in SG&A also visible in number of employees on Group level (as reported)

Highlights Q1 2019

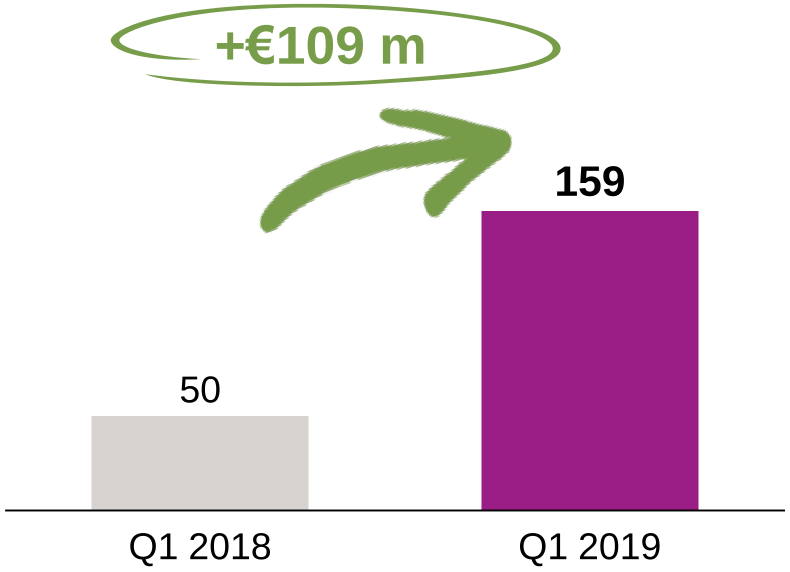
Resilient start despite challenging macro environment

Organic sales growth[1]	Adj. EBITDA	Free cash flow	Outlook
+3%	**539** (Q1 18: €554 m)	**159** (Q1 18: €50 m)	**Outlook increased** (after exclusion of Methacrylates)
Growth segments with yoy growth despite demanding macro	*Earnings stability proving increased resilience of portfolio*	*Higher cash generation driven by improved NWC and CTA reimbursement*	*EBITDA at least stable; significantly higher FCF*

All numbers refer to continuing operations | 1. Growth segments

Free Cash Flow Q1 2019
Strong FCF improvement

Free Cash Flow Q1 2019 (in €m, continuing operations)

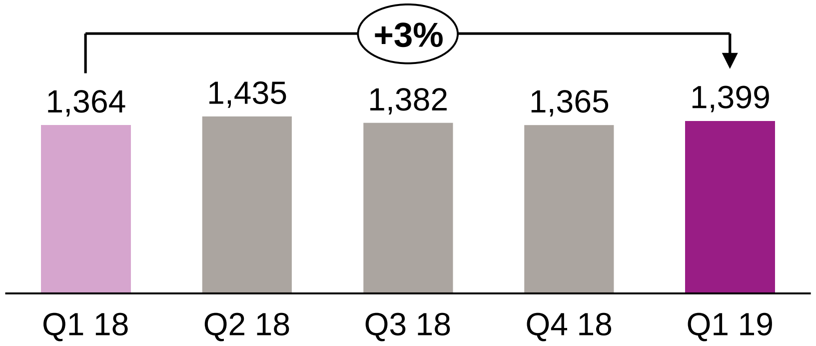


- FCF improved by €109 m (yoy)
- …despite €58 m lower EBIT
- Operating cash flow benefitting from lower cash outflows for NWC and pensions (CTA effect)
- Strong cash generation above prior year also pre IFRS 16 and after interest payments
- … also visible in declining net financial debt level (- €154 m vs Jan 1st, 2019)

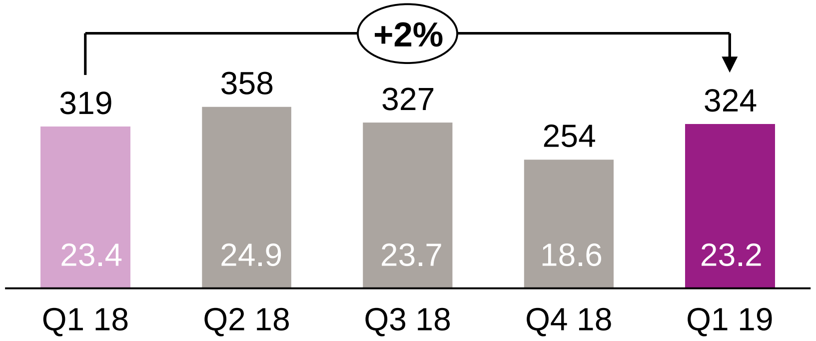
Resource Efficiency

Healthy organic growth driving higher earnings

Sales (in € m)



Adj. EBITDA (in € m) **/ margin** (in %)



Q1 19 vs. Q1 18	Volume	Price	FX	Other
	-2% ↘	+5% ↗	0% →	0% →

- Specialty portfolio demonstrates its resilience with slightly higher earnings in Q1 vs already strong prior-year
- Organic growth of +3% driven by strong pricing (+5%)
- Continued good earnings momentum in Silica and High Performance Polymers (PA12)
- Oil Additives and Coating Additives holding up well in more challenging market environment
- Q2 expected sequentially slightly higher and below outstanding prior-year level

1. Mix of portfolio effects and others

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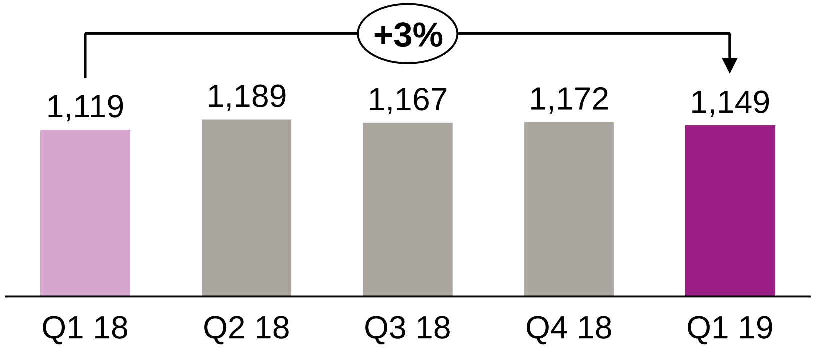
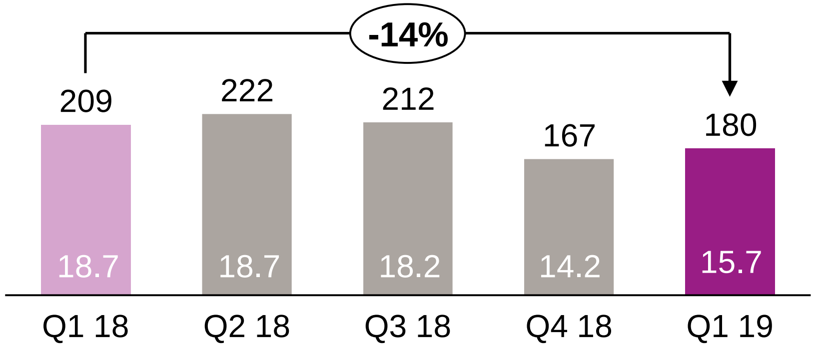
Nutrition & Care

Solid operational performance throughout the first three months

Sales (in € m)



Adj. EBITDA (in € m) **/ margin** (in %)



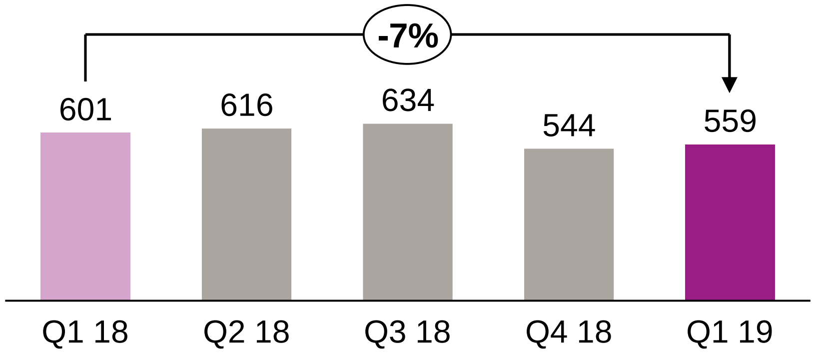
Q1 19 vs. Q1 18	Volume	Price	FX	Other
	+6%	-3%	0%	0%

- Strong volume development in resilient end markets
- Adj. EBITDA in Q1 negatively impacted by ramp-up costs for new methionine plant (~€15 m) and phasing of earnings in Health Care during FY 2019 (back-end loaded)
- Efficiency contributions from Animal Nutrition and Care Solutions
- Methionine with strong volumes, negative price effect against high comparables from Q1 2018
- Sequentially slightly higher earnings expected for Q2: sequentially lower methionine price, improving earnings in Health Care

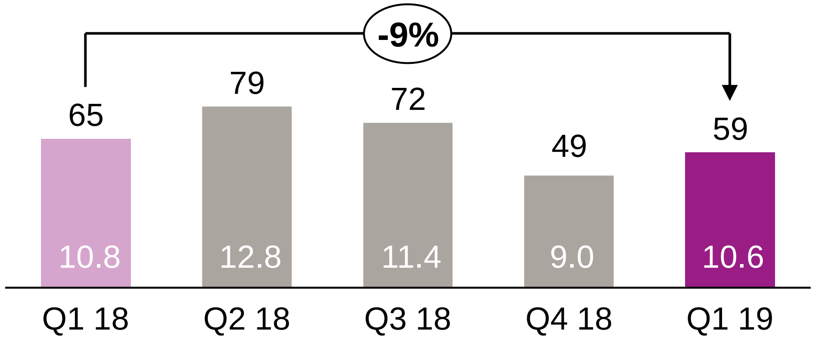
1. Mix of portfolio effects and others

Performance Materials
Supply constraints impacting profitability

Sales (in € m)



Adj. EBITDA (in € m) **/ margin** (in %)



	Volume	Price	FX	Other
Q1 19 vs. Q1 18	-4% ↘	-2% ↘	-1% ↘	0% →

- Continuing operations in PM: C4 businesses and Functional Solutions (alkoxides for production of biodiesel and life science products)
- Lower volumes due to limited raw material availability caused by temporary production issues at supplier site; impact on EBITDA ~€10 m in Q1
- Lower MTBE prices (destocking in European gasoline market) mitigating higher BD-Naphtha spreads
- Supply constraints solved by end of Q1, therefore Q2 expected with clearly higher sales & EBITDA

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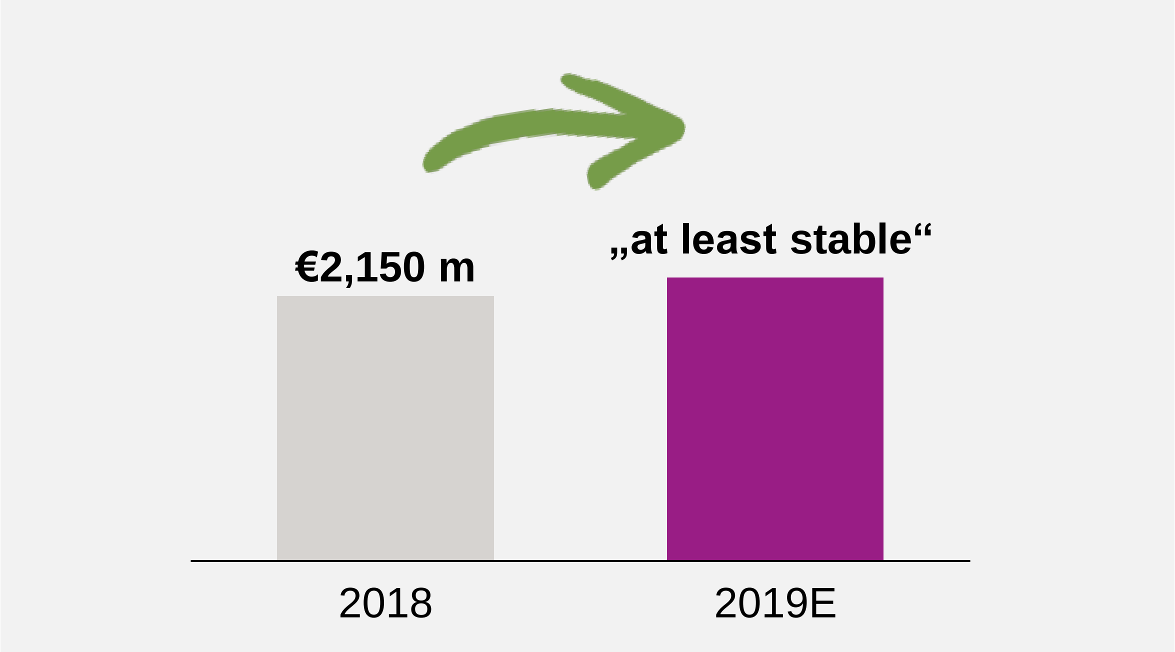
1. Financial performance Q1 2019

2. **Outlook FY 2019**

Outlook 2019: Adj. EBITDA
Outlook increased after exclusion of Methacrylates

"at least stable adj. EBITDA" (FY 2018: €2,150 m); previously: "slightly lower or stable" (incl. MMA)



- Assumption of **lower economic growth** throughout the year 2019
- Outlook now **excluding Methacrylates**
- Nutrition & Care slightly lower; Resource Efficiency slightly higher; Perf. Materials around level of last year

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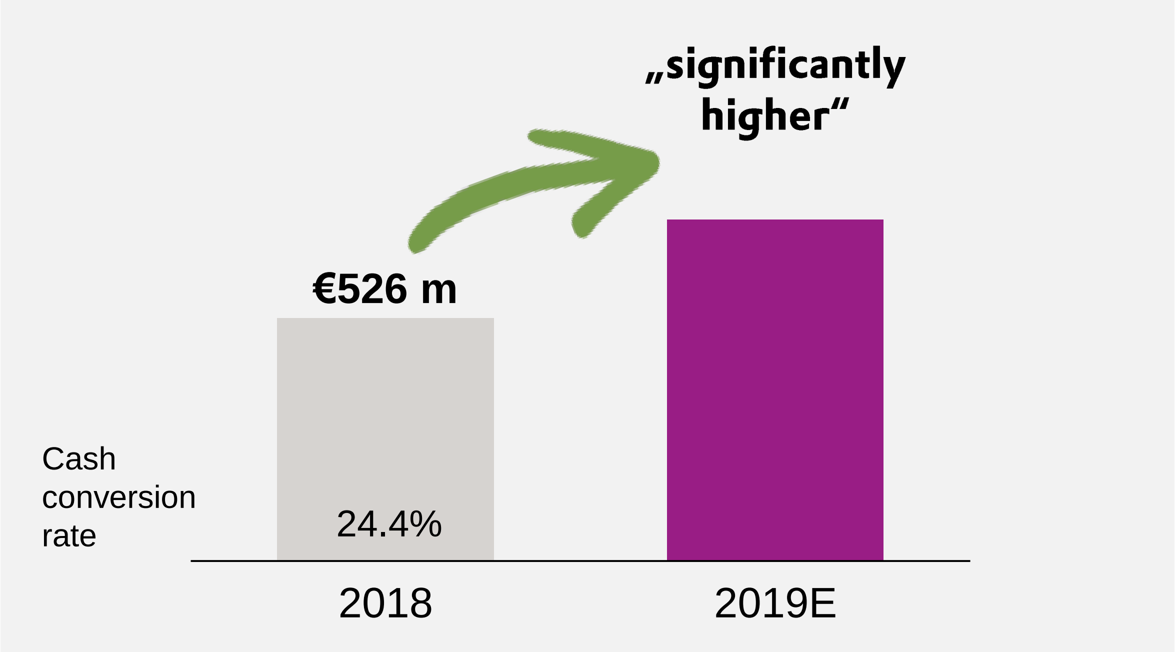
Outlook 2019: Free Cashflow

Further improvement in cash generation expected

"significantly higher free cash flow" (FY 2018: €526 m); unchanged (now excl. MMA)



Positives:

- CTA pension reimbursement
- Lower cash-outflow for working capital

Negatives:

- Normalization of cash taxes
- Cash-out for efficiency program (SG&A)

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Additional indications for 2019

All indications referring to **continuing operations** (i.e. excluding Methacrylates)

▪ IFRS 16 effect	~€100 m equally split over four quarters of the year
▪ Synergies from acquisitions (APD & Huber Silica)	**Additional synergies of ~€30 m** (total synergies: ~€70 m)
▪ PeroxyChem	Not yet included in outlook, closing expected mid-2019 (Adj. EBTDA FY 2018: $60 m)
▪ ROCE	**Above cost of capital** (10.0% before taxes); around the level of 2018 (10.2%)
▪ Capex	**~€950 m** (2018: €969 m)
▪ EUR/USD	**1.15 EUR/USD** (2018: 1.18 EUR/USD)
▪ EUR/USD sensitivity[1]	+/-1 USD cent = **-/+ ~€8 m** adj. EBITDA (FY basis)
▪ Adj. EBITDA Services	**Around the level of 2018** (2018: €100 m); absolute level in Services now lower due SG&A 2020-related reorganization of support functions from Corporate to Services (2018 restated)
▪ Adj. EBITDA Corporate / Others	**Slightly less negative than in 2018** (2018: -€283 m); absolute level in Corporate / Others now less negative due SG&A 2020-related reorganization of support functions from Corporate to Services (2018 restated)
▪ Adj. D&A	**~€900 m** (2018: €789 m); increase mainly IFRS 16-related
▪ Adj. net financial result[2]	**~-€190 m** (2018: -€151 m); increase partly IFRS 16-related
▪ Adj. tax rate	**around the level of 2018** (previously: 28%; 2018: 23%); 2019 now lower due to MMA-related deferred tax assets

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

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Segment outlook FY 2019 (continuing operations)

Nutrition & Care

- We assume a continuation of the volume growth and positive earnings trend in the majority of businesses in the Nutrition & Care segment.
- With new production capacities coming on stream, we expect the annual average prices for essential amino acids for animal nutrition to be lower than in the previous year.
- To offset the impact on our earnings, in 2018 we embarked on a program to raise the efficiency of our animal nutrition business.
- In addition, earnings will be adversely affected by expenses for the start-up of our new methionine facility in Singapore, which is planned for mid-2019.
- Overall, earnings in the Nutrition & Care Segment are expected to be **slightly lower** than in the previous year (2018: €810 m).

Resource Efficiency

- In 2019, the Resource Efficiency segment will continue to benefit from its good positioning in the respective markets and from the trend to resource-efficient solutions.
- Although growth is expected to slow in some end-markets and regions, we expect earnings to be **slightly higher** than in the previous year (2018: €1,258 m).

Performance Materials

- In the Performance Materials segment (without the methacrylates business), we assume that earnings will be **fairly stable** (2018: €265 m).
- Operationally, we anticipate a slight downward trend in the C4 chain, but we do not expect a recurrence of the downside impact of the low water level in the river Rhine.

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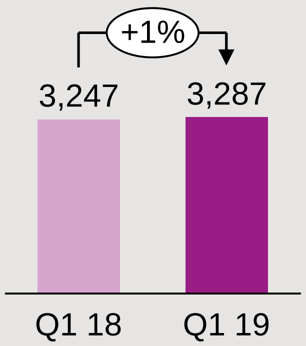
Financial highlights Q1 2019
Solid start despite macro headwinds

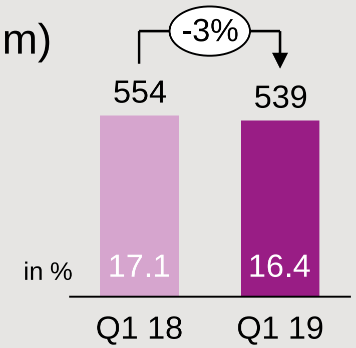
Sales
(in € m)



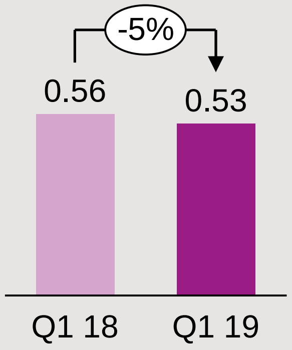
Q1 2019 vs. Q1 2018

Volume	Price
0%	+1%
FX	**Other**
0%	0%

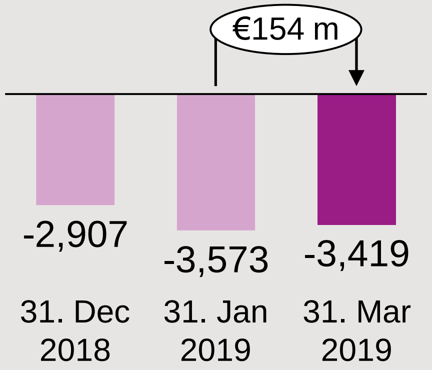
Adj. EBITDA (in € m) / margin (in %)



Adj. EPS
(in €)



Net financial position
(in € m)



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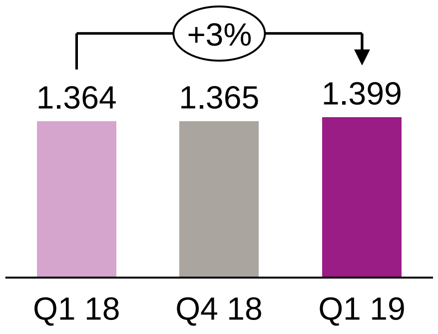
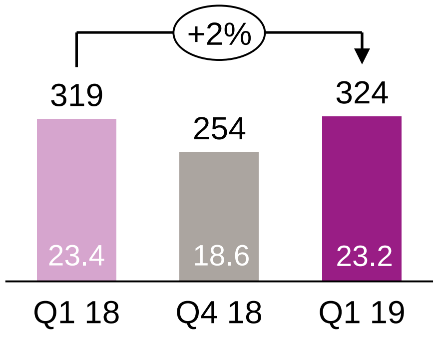
Resource Efficiency
Q1 2019 Business Line comments

Sales (in € m)



Adj. EBITDA (in € m) **/ margin** (in %)



Crosslinkers: Good volume development for almost all major products in all regions. Demand in wind energy market is recovering; additional stock filling effects after customers' year-end inventory optimization and before Chinese New Year.

High Performance Polymers: Strong demand for PA12; Automotive business remained robust across Q1. Also strong market demand in other industries like Oil & Gas.

Silica: Continued good demand for virtually all silica applications. EBITDA impacted by start-up costs from new precipitated silica plant in Charleston, South Carolina (single-digit million €).

Coating Additives: Slightly lower volumes due to in general weaker demand from coating industry.

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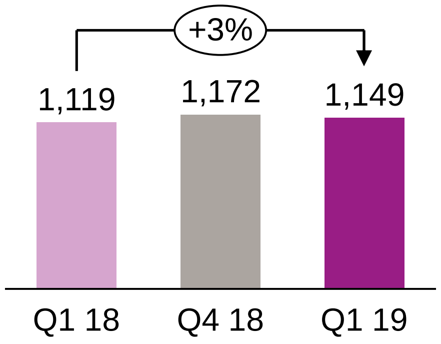
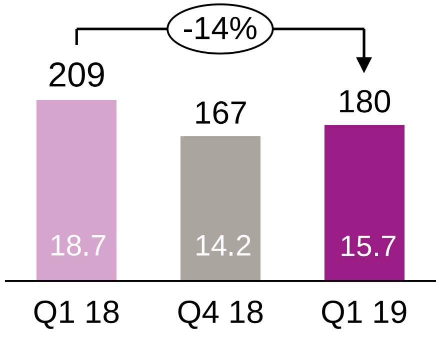
Nutrition & Care
Q1 2019 Business Line comments

Sales (in € m)

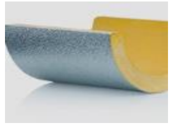


Adj. EBITDA (in € m) **/ margin** (in %)



Care Solutions: Strong start of newly formed business line driven by a favorable product mix within Cosmetic Solutions (towards high-price emulsifiers and functional additives). In addition, base ingredients with strong volumes in LATAM and NAFTA.

Health Care: As expected, slow start into the year due to back-end loaded phasing of earnings. Q2 already with sequentially clearly higher earnings. Overall, 2019 with yoy stable earnings (due to end of large legacy contract).



Comfort & Insulation: Solid start in demanding macro environment. Improved availability on a lower price level for MDI /TDI (raw material for our customers to produce PU foam) supports demand for our PU foam additives & catalysts.

Baby Care: Improvement from a low base continuing. Volumes constantly improving in US and EU; self-help measures with positive effect on margin.

Animal Nutrition: Methionine with very strong volumes, but negative price effect against high comparables from Q1 2018. Q1 additionally burdened by ramp-up costs for new methionine plant (~€15 m).

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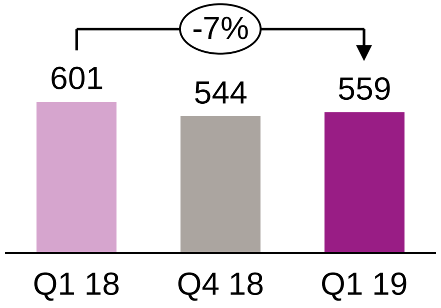
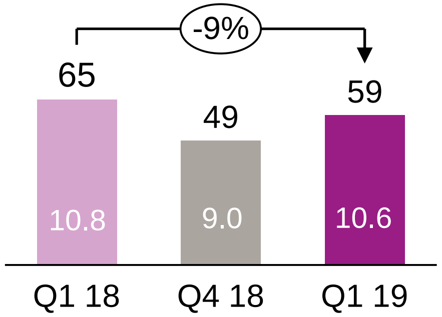
Performance Materials
Q1 2019 Business Line comments

Sales (in € m)



Adj. EBITDA (in € m) **/ margin** (in %)



Performance Intermediates:
Lower volumes due to limited raw material availability caused by temporary production issues at supplier site; impact on EBITDA ~€10 m in Q1.

Prices down as lower MTBE prices (destocking in European gasoline market) mitigating higher BD-Naphtha spreads.

Q2 expected with clearly higher sales & EBITDA as raw material constraints were solved by end of Q1.

Functional Solutions:
Good demand in all Product Lines – especially alkoxides with increasing biodiesel demand in South-America. In addition, overhead cost improvement from merger of previously two Business Lines.

High demand for alkoxides expected to continue into Q2.

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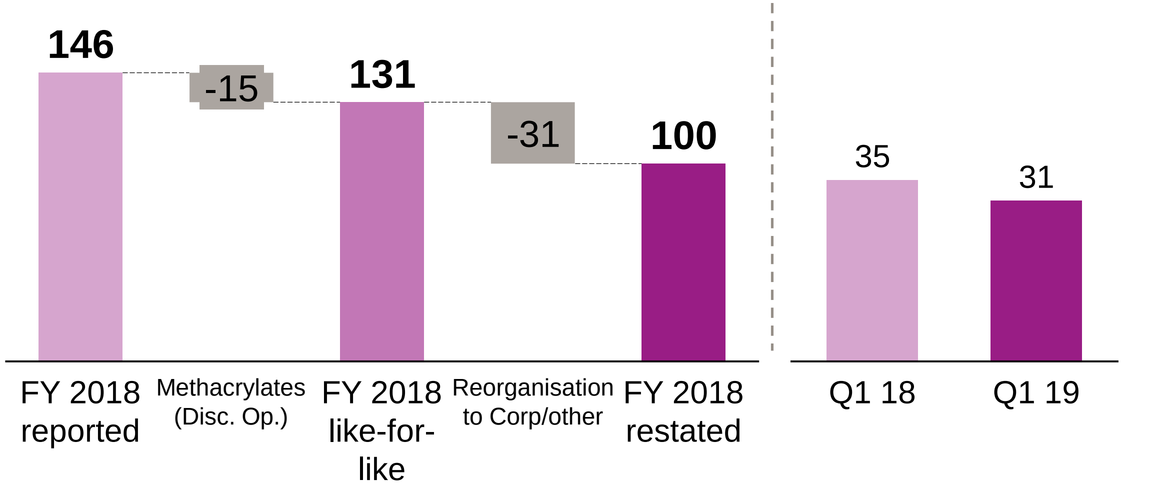
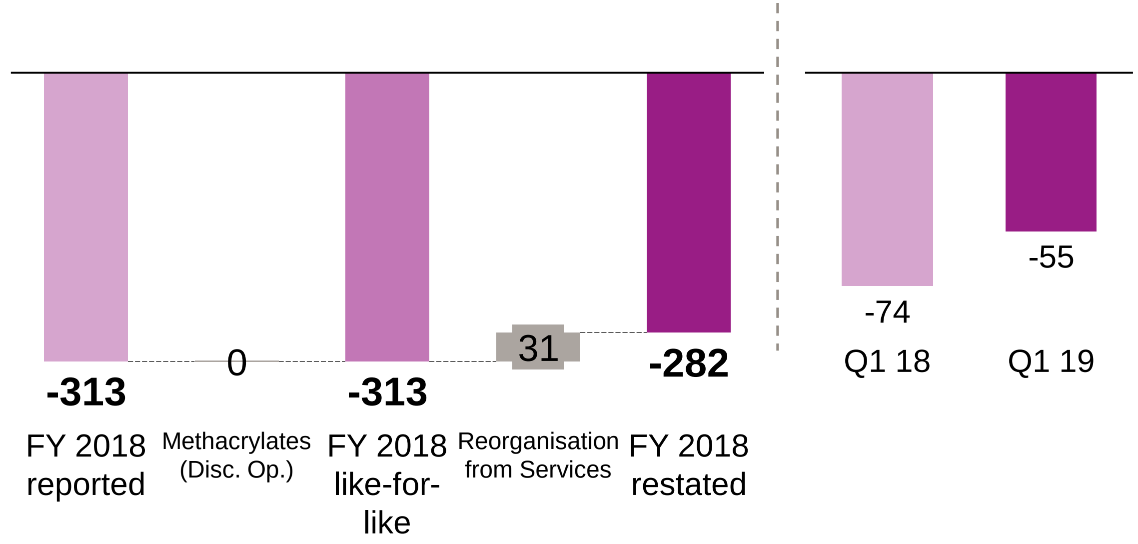
Services and Corporate / Others
SG&A 2020-related reorganization of supporting functions from Corp to Services

Services: adj. EBITDA (in € m)



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



- Like-for-like FY 2018 (€131 m) as provided in April (numbers excl. Methacrylates)
- From 2019 onwards, SG&A 2020-related reorganization of supporting functions from Corporate to Services; Q1 & FY 2018 restated as well

- Q1 with visible effect from SG&A efficiency program
- Like-for-like FY 2018 (- €313 m) as provided in April (numbers excl. Methacrylates)
- SG&A 2020-related reorganization from Corporate to Services; Q1 & FY 2018 restated as well

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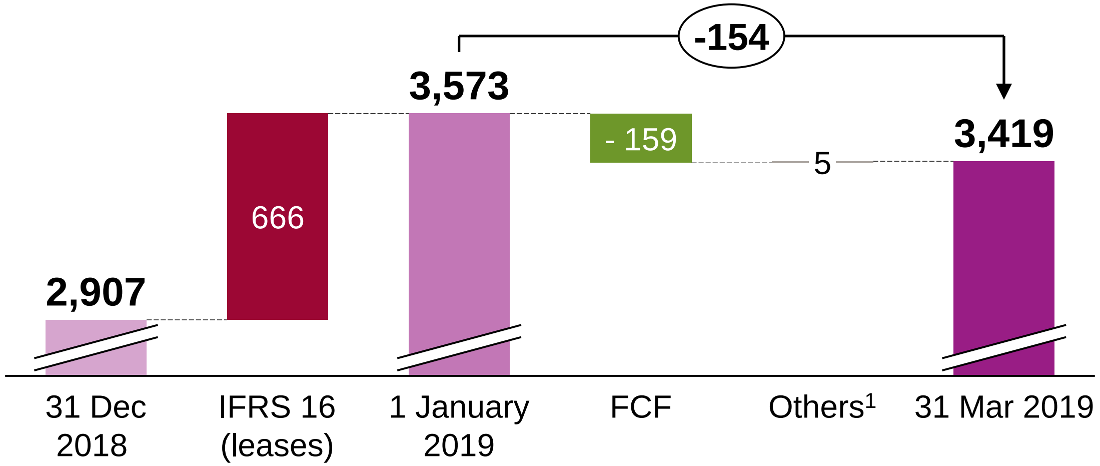
Net financial debt and pension provision development Q1 2019 (cont op)

FCF improvement also becomes visible in net financial debt reduction

(in € m)

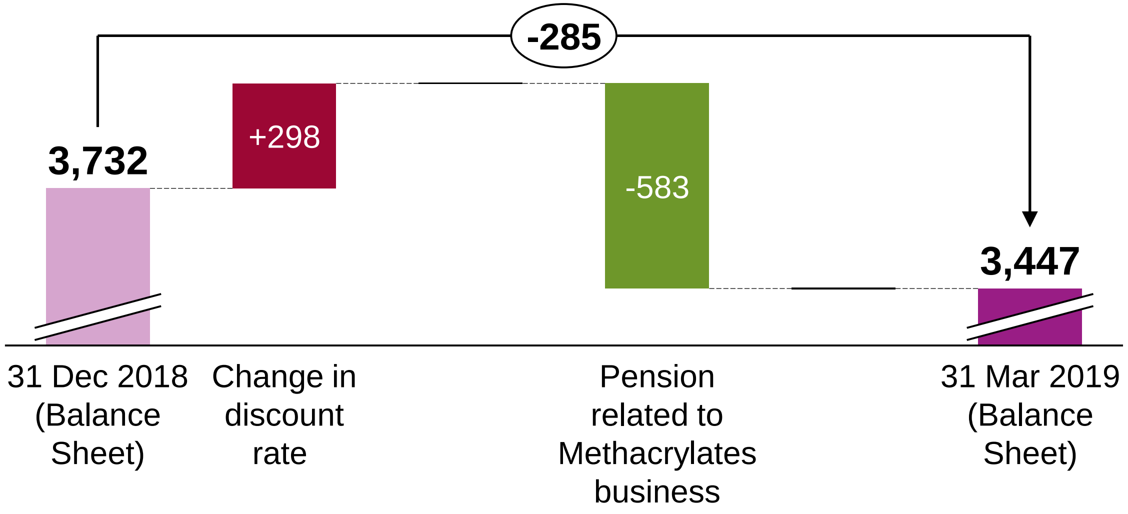
Net financial debt



- Net financial debt with IFRS 16-related increase of €666 m
- From the new base, FCF improvement as main driver for decrease in net financial debt (by €154 m)

1. Others: cash-outs for interest and IFRS leases (not included in FCF definition) as well as other effects on net financial debt (e.g. changes in leasing liabilities)

Pensions provisions



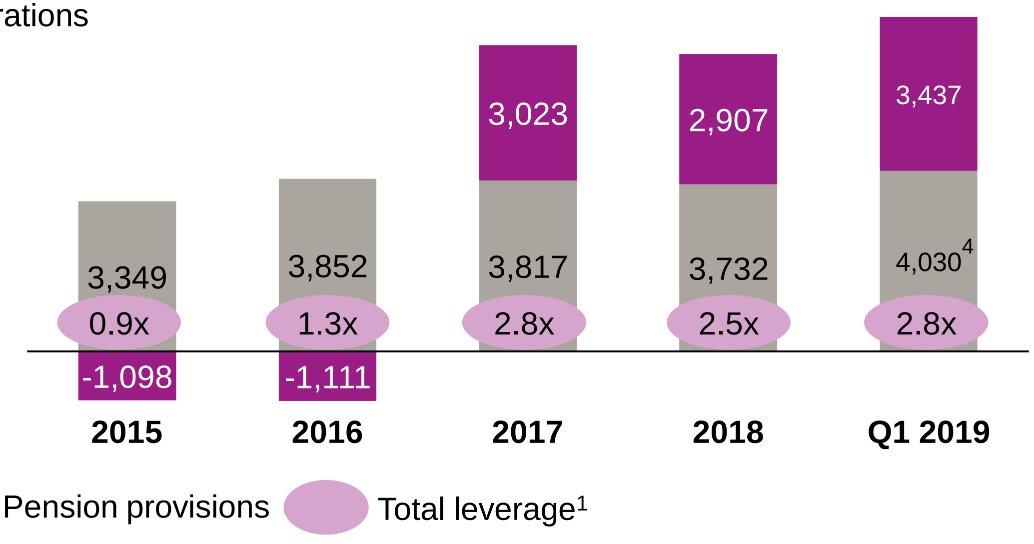
- Pensions provisions with increase of €298 m due to reference-date related interest rate change for Germany (from 2.00% to 1.75%);
- Clear relief of pension provisions from classification of Methacrylates business as discontinued operations

Development of net debt and leverage over time
(still including discontinued operations)

(in € m)

Net debt	**2,251**	**2,741**	**6,840**	**6,639**	**7,467**

including discontinued operations



Discount rate global (in %)[2]	2.91	2.16	2.12	2.15	-
Discount rate Germany (in %)	2.75	2.00	2.00	2.00	1.75

- Net financial debt increase as per Q1 2019 vs year-end 2018 mainly due to IFRS 16 (+ €666 m)
- Pension provisions (incl. disc. op.) increased due to lower discount rate as per Q1 2019 (1.75% vs 2.00% as per year-end 2018)
- Net financial debt development 2017 mainly driven by acquisitions (in particular APD and Huber Silica)
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.2 bn
- More than half of total net debt consists of long-dated pension obligations (> 15 years)

1. Total leverage defined as (net financial debt - 50% hybrid bond + pension provisions) / adj. EBITDA LTM | 2. Calculated annually | 3. Including €18 m from discontinued operations | 4. Including €583 m from discontinued operations

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Adjusted income statement Q1 2019

in € m	Q1 2018	Q1 2019	∆ in %
Sales	**3,247**	**3,287**	**+1**
Adj. EBITDA	**554**	**539**	**-3**
Depreciation & amortization	-178	-224	
Adj. EBIT	**376**	**315**	**-16**
Adj. net financial result	-47	**-53**	
D&A on intangible assets	32	**32**	
Adj. income before income taxes	**361**	**294**	**-19**
Adj. income tax	-97	**-40**	
Adj. income after taxes	**264**	**254**	**-4**
Adj. non-controlling interests	-3	**-5**	
Adj. net income	**261**	**249**	**-5**
Adj. earnings per share	**0.56**	**0.53**	**-5**
Adjustments	-22	**-19**	

Depreciation & amortization:

- Increase in D&A mainly due to IFRS 16 and impairment on investment in N&C (also visible in Adjustments)

Adj. tax rate:

- Q1 2019 adj. tax rate of only 14% due to MMA-related deferred tax assets

Adjustments:

- Impairments -€13m: mainly impairment on investment in N&C
- Restructuring -€4 m: mainly related to efficiency programs SG&A 2020 and Oleo 2020
- Acquisitions/divestments -€4 m: mainly related to PeroxyChem and integration measures for other acquisitions

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Cash flow statement Q1 2019

in € m	Q1 2018	Q1 2019
Income before financial result and income taxes	354	**296**
Depreciation and amortization	181	**221**
Δ Net working capital	-251	**-204**
Change in provisions for pensions and other post-employment benefits	-68	**-23**
Change in other provisions	26	**24**
Change in miscellaneous assets/liabilities	37	**80**
Cash outflows from income taxes	-53	**-67**
Others	-2	**7**
Cash flow from operating activities (continuing ops.)	**224**	**334**
Cash outflows for investment in intangible assets, pp&e	-174	**-175**
Cash inflows/outflows from investments/divestments of shareholdings	-17	**-10**
Cash inflows/outflows relating to securities, deposits and loans	-7	**-13**
Others	6	**13**
Cash flow from investing activities (continuing ops.)	**-192**	**-185**
Cash flow from financing activities (continuing ops.)	**50**	**-71**

CF from operating activities

- Increased D&A mainly due to IFRS 16 and impairment on investment in N&C
- yoy lower cash-outflows from NWC due to inventory management and improved payment terms in accounts payables
- Lower cash-outflow for pension provisions mirrors positive effect from CTA reimbursement
- Change in miscellaneous assets/liabilities: Amongst others, investment grants for projects under construction

CF from investing activities

- Cash-outflows for investments on prior-year level

CF from financing activities

- Higher financial debt repayment due to IFRS 16 (leasing payments)

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Segment overview by quarter

Sales (in € m)	Q1/17	Q2/17	Q3/17	Q4/17	**FY 2017**	Q1/18[1]	Q2/18[1]	Q3/18[1]	Q4/18[1]	**FY 2018**[1]	Q1/19[1]
Nutrition & Care	1,120	1,163	1,110	1,114	**4,507**	1,119	1,189	1,167	1,172	**4,646**	1,149
Resource Efficiency	1,360	1,367	1,358	1,308	**5,393**	1,364	1,435	1,382	1,365	**5,547**	1,399
Performance Materials	959	910	913	970	**3,751**	601	616	634	544	**2,394**	559
Services	193	174	172	178	**717**	160	169	161	175	**664**	174
Corporate / Others	4	4	3	3	**15**	3	4	3	5	**16**	6
Evonik Group	3,636	3,618	3,556	3,573	**14,383**	3,247	3,413	3,347	3,261	**13,267**	3,287

Adj. EBITDA (in € m)	Q1/17	Q2/17	Q3/17	Q4/17	**FY 2017**	Q1/18[1]	Q2/18[1]	Q3/18[1]	Q4/18[1]	**FY 2018**[1]	Q1/19[1]
Nutrition & Care	187	201	188	172	**747**	209	222	212	167	**810**	180
Resource Efficiency	297	318	311	247	**1,173**	319	358	327	254	**1,258**	324
Performance Materials	157	168	172	161	**658**	65	79	72	49	**265**	59
Services	43	38	49	3	**133**	35	25	39	0	**100**	31
Corporate / Others	-89	-85	-80	-100	**-354**	-74	-68	-71	-68	**-283**	-55
Evonik Group	595	640	640	483	**2,357**	554	616	579	501	**2,150**	539

1. Continuing operations

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Upcoming IR events

Conferences & Roadshows	
8-9 May 2019	Roadshow, London
8 May 2019	Roadshow, Frankfurt
8-9 May 2019	Roadshow Brussels/Amsterdam
13-14 May 2019	Roadshow, Milano/Lugano
16 May 2019	Citi Chemicals Conference, London
21 May 2019	Roadshow, Paris
22 May 2019	Morgan Stanley ChemTech Day, London
4 June 2019	Credit Suisse Global Chemicals Conference, London
5-6 June 2019	Deutsche Bank Access Conference, Berlin
12 June 2019	JP Morgan European Materials Conference, London
13 June 2019	Roadshow, Dublin

Upcoming Events & Reporting Dates	
28 May 2019	AGM
1 August 2019	Q2 2019 reporting
5 November 2019	Q3 2019 reporting

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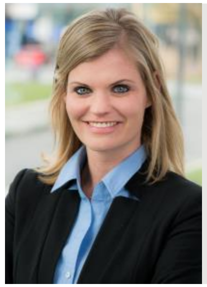

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