

Evonik

Leading Beyond Chemistry

Q2 2020

Earnings Conference Call

4 August 2020

Christian Kullmann, Chief Executive Officer

Ute Wolf, Chief Financial Officer

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- 1. Current business environment**
2. Financial performance Q2 2020
3. Outlook FY 2020

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

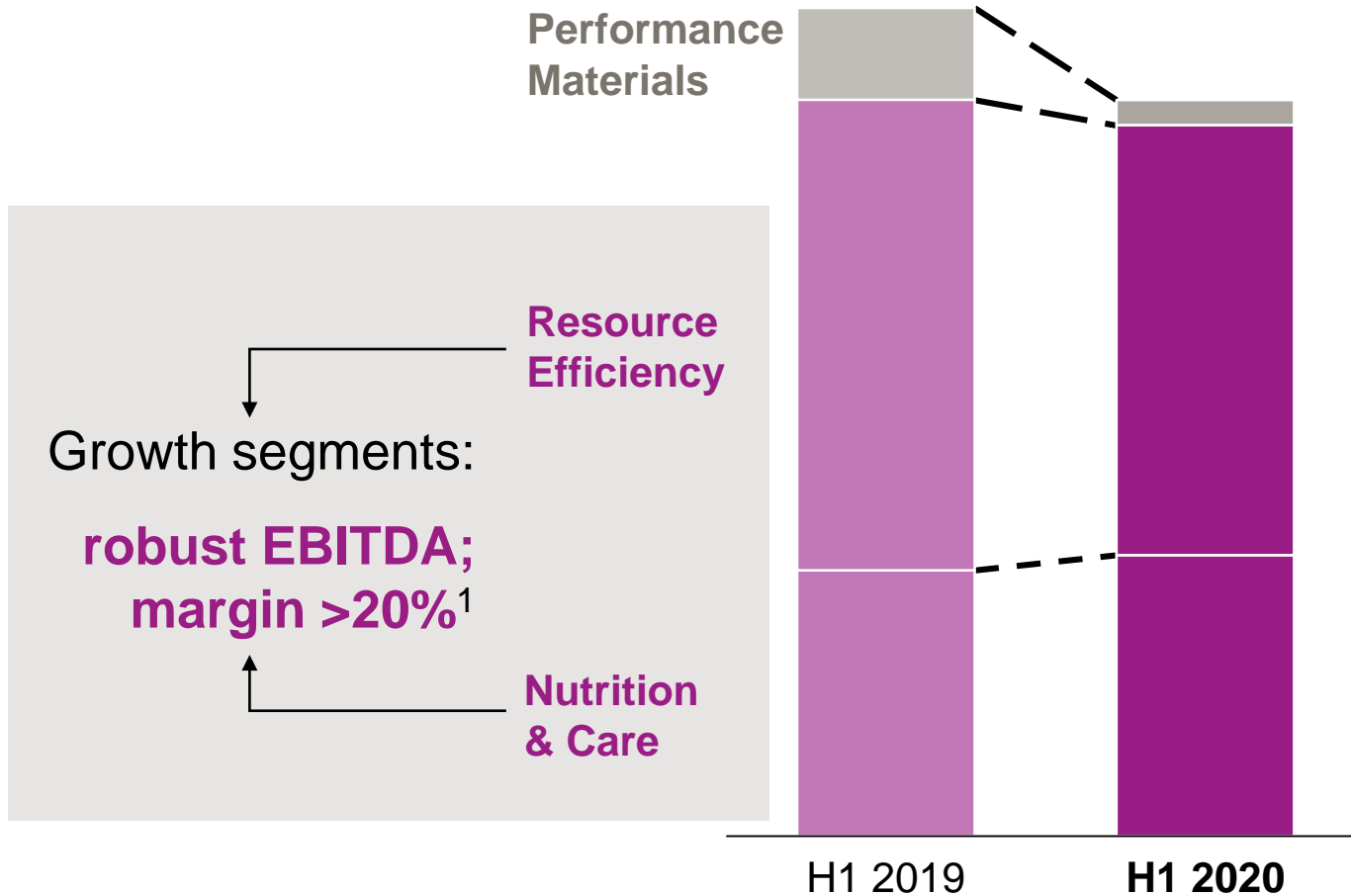
- Smooth implementation of **new divisional structure** (from July 1st) despite the crisis
- New **RD&I** (Research, Development & Innovation) organization starting July 1st
 - Pooling interdisciplinary expertise and technologies to foster sustainable growth

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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€

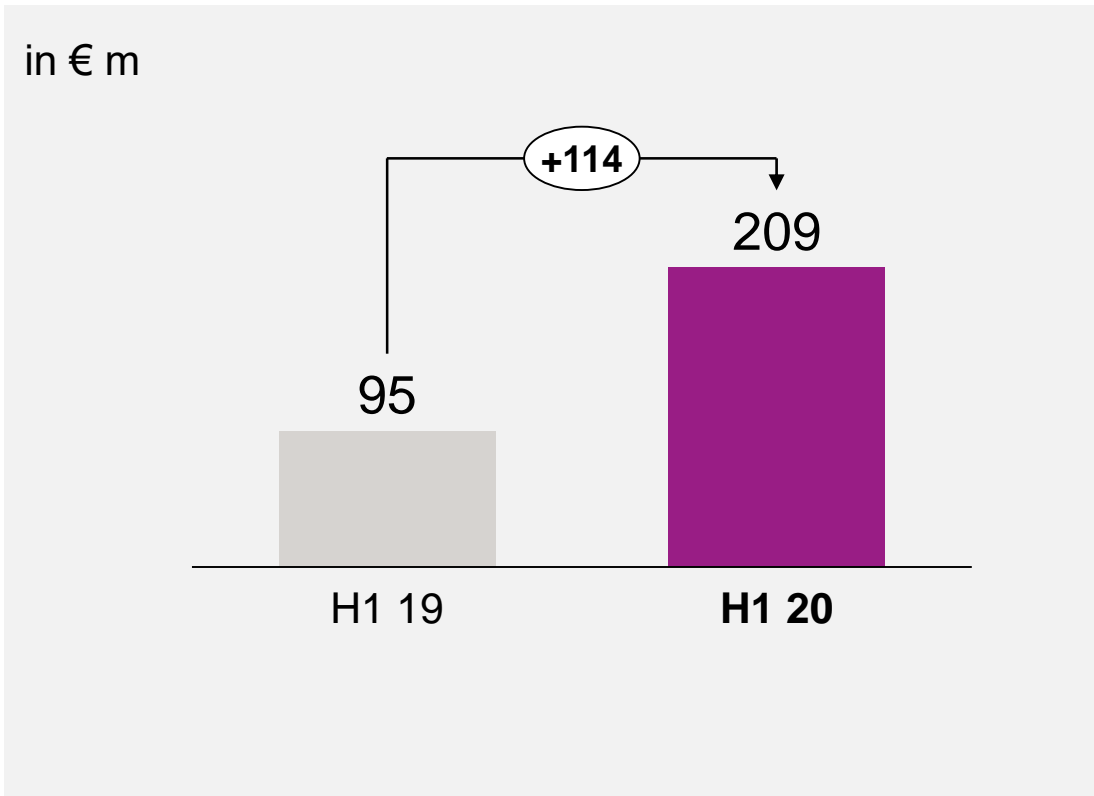
(Q2 19: 0.49€)

*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)



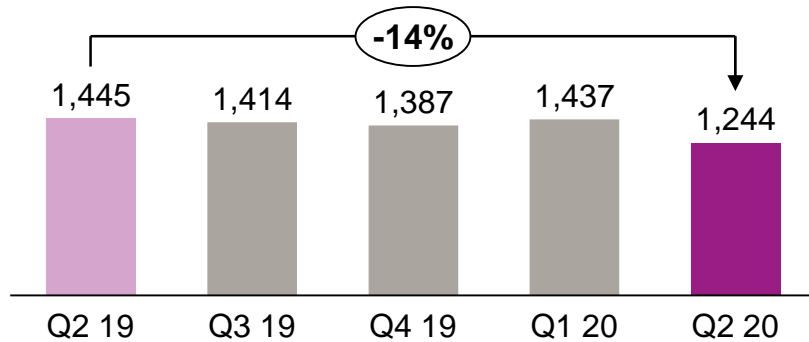
Free cash flow clearly higher in H1 (yoy):

- 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)

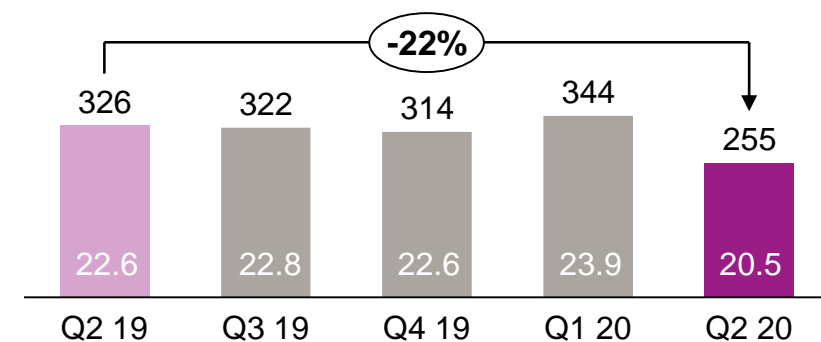
Resource Efficiency

Resilience in >50% of the portfolio; Auto-linked businesses clearly impacted

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
	-18% ↓	+1% ↑	0% →	+3% ↑

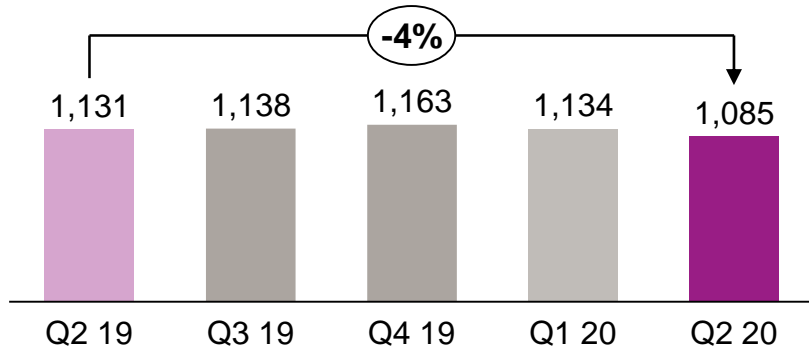


- Margin level of above 20% preserved due to continued high cost awareness, solid pricing and beneficial product mix
- Continued solid performance of Crosslinkers, Active Oxygen and Catalysts; Silica with resilient performance in Oral Care and Specialty application
- Volumes in High Performance Polymers, Silica for tires and Oil Additives clearly impacted by weaker auto demand
- Q2 with maintenance costs for shutdown in preparation of PA12 expansion (~€10 m)

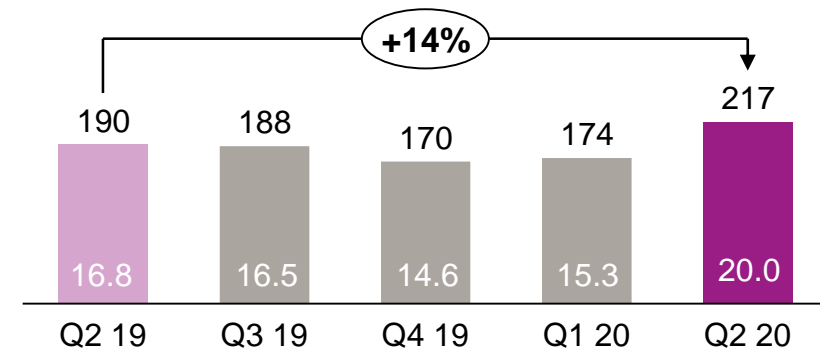
Nutrition & Care

Strong performance in resilient end markets

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
	-3% ↓	0% →	-1% ↓	0% →

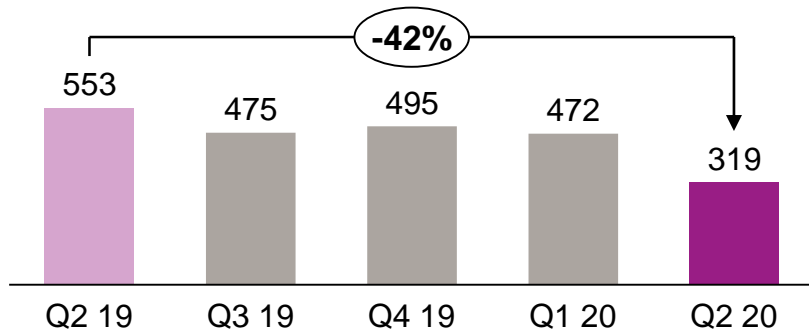


- Robust performance in defensive end markets like Health Care & Care Solutions
- Strong margin improvement driven by robust pricing, structural cost savings and raw material support
- Negative volumes mainly caused by Comfort & Insulation business (clearly impacted by lower demand from auto and white goods producers) and Lysine
- Methionine with healthy volumes and increasing prices throughout Q2

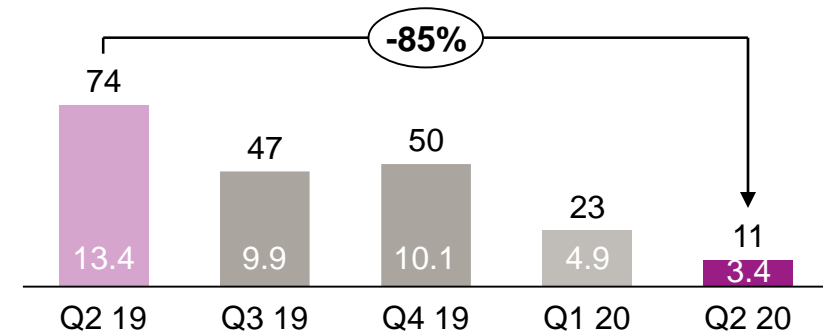
Performance Materials

Difficult market environment for petrochemical derivatives continuing

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
	-21% ↓	-20% ↓	0% →	-1% ↓



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

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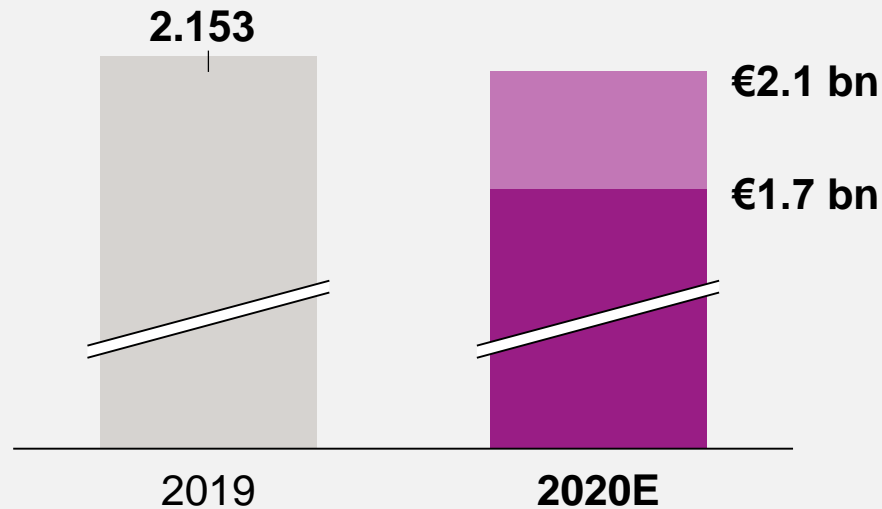
Outlook FY 2020 (1/3)

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

- 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

- Unchanged positive performance in resilient Health & Care end markets
- Animal Nutrition with normalization of volumes in H2



Smart Materials

- 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

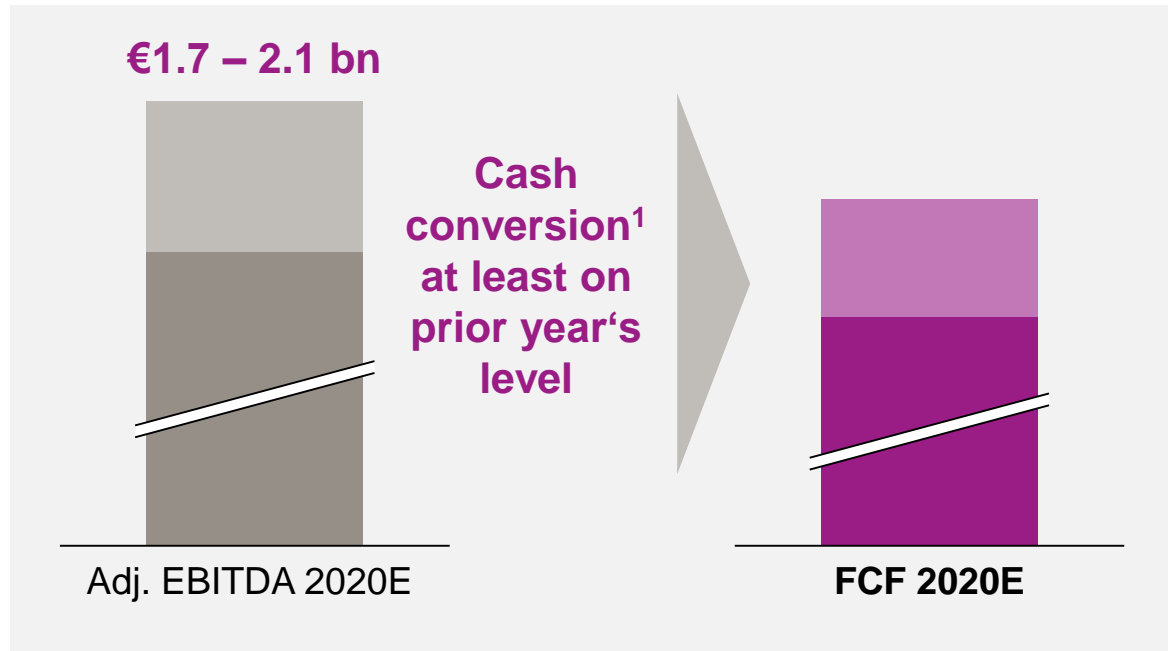
- Challenging situation in C4-chain only slowly improving with slight recovery of Naphtha prices and product spreads
- yoy lower volume and price environment in superabsorbents persisting throughout the year



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)



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Additional indications for 2020

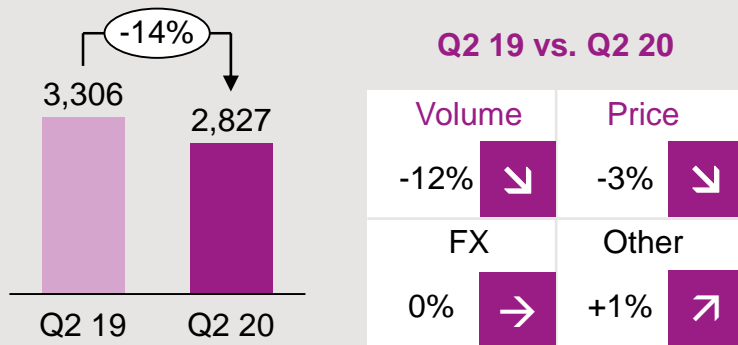
- PeroxyChem: Included in outlook with 11 months (FY 2019: ~USD300 m sales, ~USD60 m adj. EBITDA)
- ROCE: **Below the level of 2019** (2019: 8.6%)
- Capex¹: **Around the already low level of 2019** (2019: €880 m)
- EUR/USD: **1.10 EUR/USD** (previously: 1.12 EUR/USD; 2019: 1.12 EUR/USD)
- EUR/USD sensitivity²: +/-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

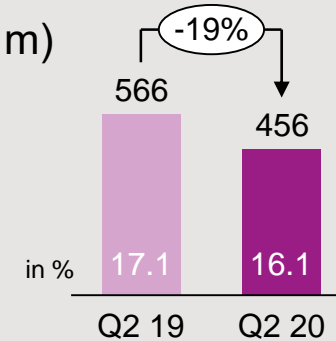
Financial highlights Q2 2020

Robust performance in a challenging year

Sales (in € m)



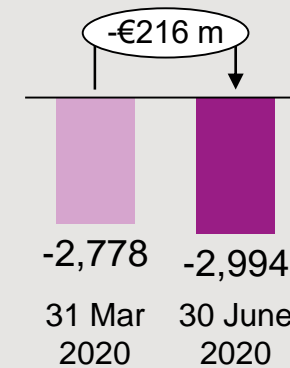
Adj. EBITDA (in € m) / margin (in %)



Adj. EPS (in €)



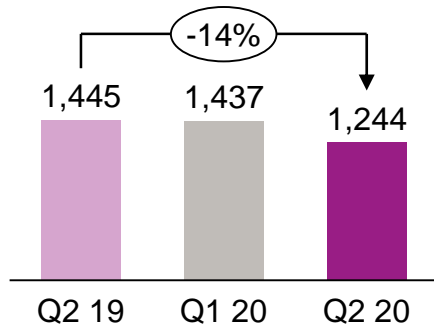
Net financial position (in € m)



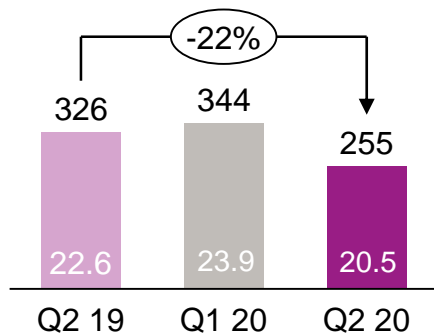
Resource Efficiency

Q2 2020 Business Line comments

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Coating Additives: China and deco coatings with recovery throughout the quarter; continued slow demand for container & auto coatings



Crosslinkers: Good demand for composite applications for wind energy and isophorones for disinfections. Favorable product mix and lower raw material costs (Acetone)



High Performance Polymers: Slow demand from automotive, white goods and oil & gas; additional burden from maintenance shutdown in preparation of PA12 expansion (~€10 m)



Silica: Tire business with visible impact, while Oral Care and specialty applications continued their resilient performance

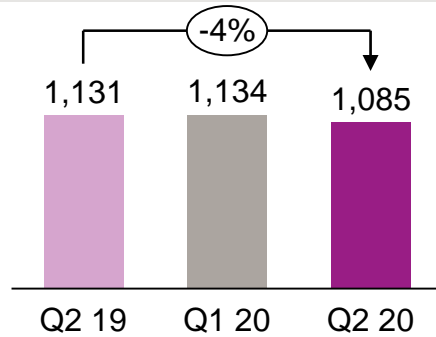


Active Oxygens: Weaker base business, strong demand for specialty applications like disinfections or food packaging; contribution from PeroxyChem for the full quarter

Nutrition & Care

Q2 2020 Business Line comments

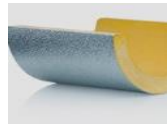
Sales (in € m)



Care Solutions: Overall solid performance, especially in cleaning and active ingredients; Asia with quick recovery after softer Q1; Europa and Americas with corona impact in leave-on cosmetics in Q2



Health Care: Ongoing good performance; high demand for pharma polymers; project pipeline for API well filled



Comfort & Insulation: Subdued business in auto, consumer durables & white goods applications

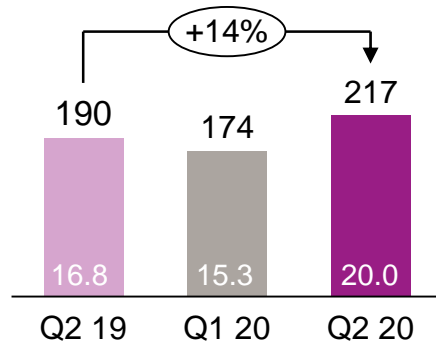


Baby Care: Baby Care with expected yoy volume and price pressure



Animal Nutrition: Methionine with healthy volumes and increasing prices throughout Q2; Lysine with yoy clearly lower volumes

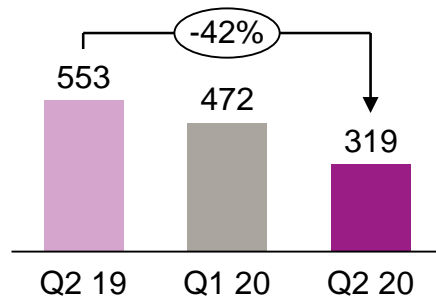
Adj. EBITDA (in € m) / margin (in %)



Performance Materials

Q2 2020 Business Line comments

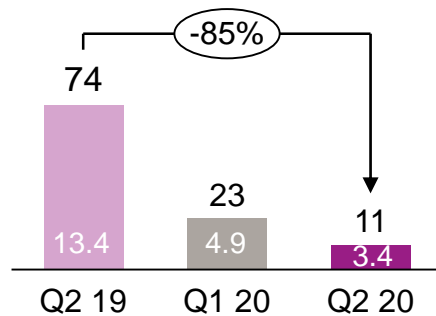
Sales (in € m)



Performance Intermediates:

- 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)

Adj. EBITDA (in € m) / margin (in %)

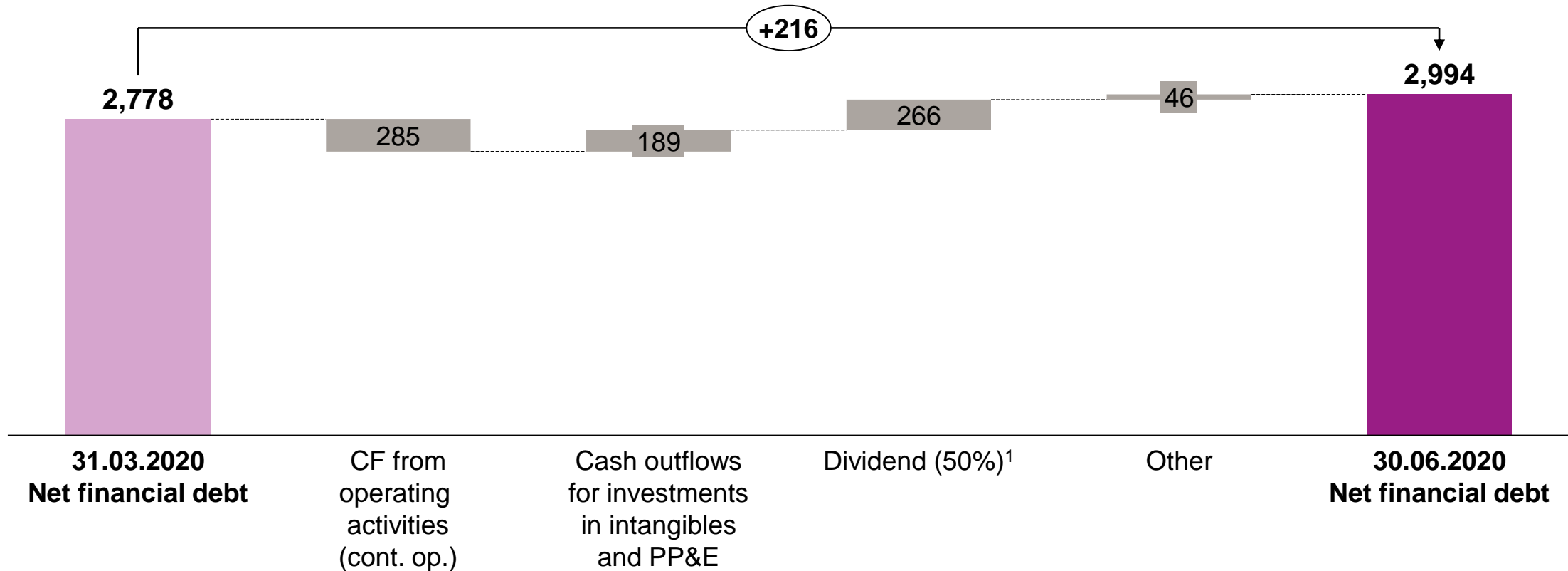


Functional Solutions:

Solid business with alkoxides

Net financial debt development Q2 2020

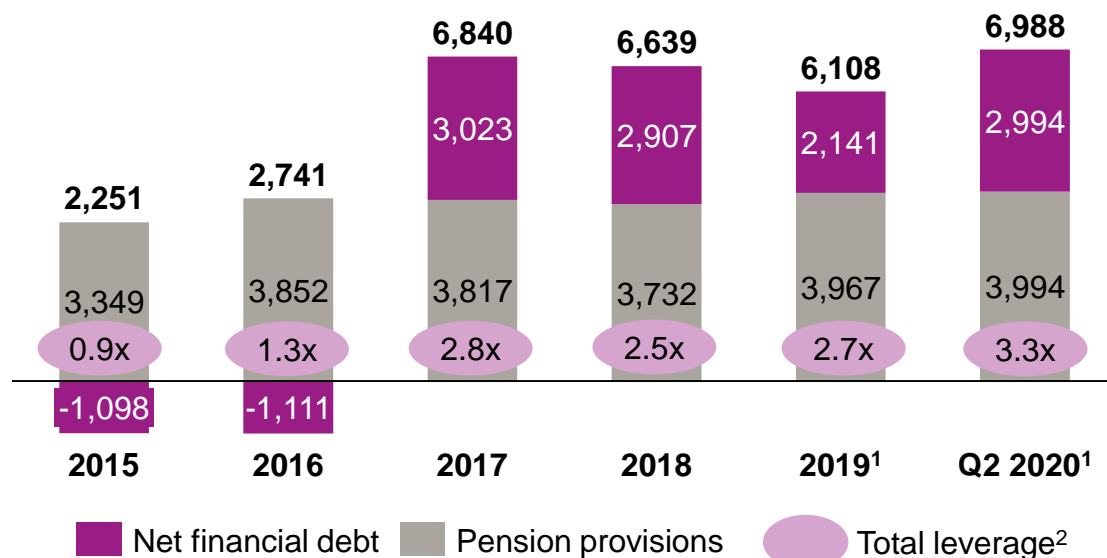
(in € m)



1. An amount of €0.57 per share has been paid on June 2, 2020 as an advance on the net profit. On September 3, 2020, the remaining €0.58 per share will be paid, subject to a corresponding resolution being passed at the planned annual shareholders' meeting on August 31, 2020

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

Adjusted income statement Q2 2020

in € m	Q2 2019	Q2 2020	Δ in %
Sales	3,306	2,827	-14
Adj. EBITDA	566	456	-19
Depreciation & amortization	-226	-254	
Adj. EBIT	340	202	-41
Adj. net financial result	-51	-25	
D&A on intangible assets	33	38	
Adj. income before income taxes	322	215	-33
Adj. income tax	-90	-51	
Adj. income after taxes	232	164	-29
Adj. non-controlling interests	-5	-4	
Adj. net income	227	160	-30
Adj. earnings per share	0.49	0.34	-30
Adjustments	-21	-14	

Depreciation & amortization:

- D&A slightly higher due to new methionine plant and PeroxyChem

Adj. net financial result:

- Clearly below last year (lower cross-currency swaps, lower interest rates for pensions and other provisions) and in-line with full year indication of ~€100 m

Adj. tax rate:

- Q2 2020 with tax rate of 23.7%; H1 2020 (25.8%) in-line with FY guidance of around 27%

Adjustments:

- Amongst others, related to ongoing efficiency programs

Cash flow statement Q2 2020

in € m	Q2 2019	Q2 2020
Income before financial result and income taxes (EBIT)	319	188
Depreciation and amortization	227	256
Δ Net working capital	31	-23
Change in provisions for pensions & other post-employment benefits	-12	3
Change in other provisions	-367	-224
Change in miscellaneous assets/liabilities	-2	-10
Cash outflows from income taxes	-78	92
Others	0	3
Cash flow from operating activities (continuing ops.)	118	285
Cash outflows for investment in intangible assets, pp&e	-182	-189
FCF	-64	96
Cash flow from investing activities (continuing ops.)	-184	41
Cash flow from financing activities (continuing ops.)	-461	-448

CF from operating activities

- EBIT mainly mirroring lower operational performance
- No significant inflow from NWC in Q2 2020 yet
- Lower “other provisions” due to reduced bonus payments in 2020
- Q2 20 with significant tax reimbursements relating to other periods

CF from investing & financing activities

- Cash-inflow from investing activities due to sale of securities
- Cash flow from financing with lower outflow for dividend (only 50% paid yet); compensated by higher debt repayments (bond and short term debt)

Segment overview by quarter

Sales (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20
Nutrition & Care	1,149	1,131	1,138	1,163	4,582	1,134	1,085
Resource Efficiency	1,438	1,445	1,414	1,387	5,685	1,437	1,244
Performance Materials	520	553	475	495	2,043	472	319
Services	174	171	196	221	763	191	171
Corporate / Others	6	6	9	18	35	9	8
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
Nutrition & Care	180	190	188	170	728	174	217
Resource Efficiency	330	326	322	314	1,290	344	255
Performance Materials	53	74	47	50	224	23	11
Services	31	36	32	24	122	29	37
Corporate / Others	-55	-60	-46	-53	-211	-57	-64
Evonik Group	539	566	543	505	2,153	513	456

Divisional overview by quarter

New divisional setup

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

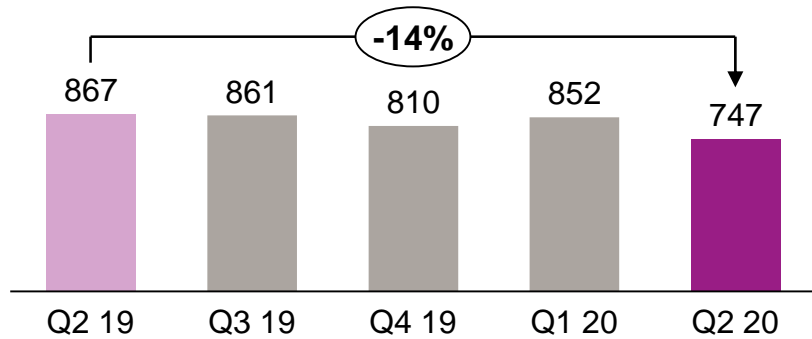
Adj. EBITDA (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20
Specialty Additives	225	226	232	203	886	239	202
Nutrition & Care	113	121	119	109	462	118	168
Smart Materials	162	164	157	168	651	166	102
Performance Materials	63	84	49	53	248	18	12
Services, Corporate & Others	-24	-29	-14	-27	-94	-28	-28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

Specialty Additives

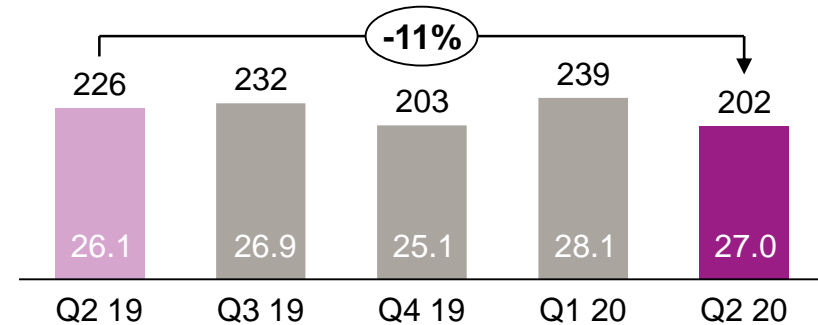
Divisional comments Q2

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% →



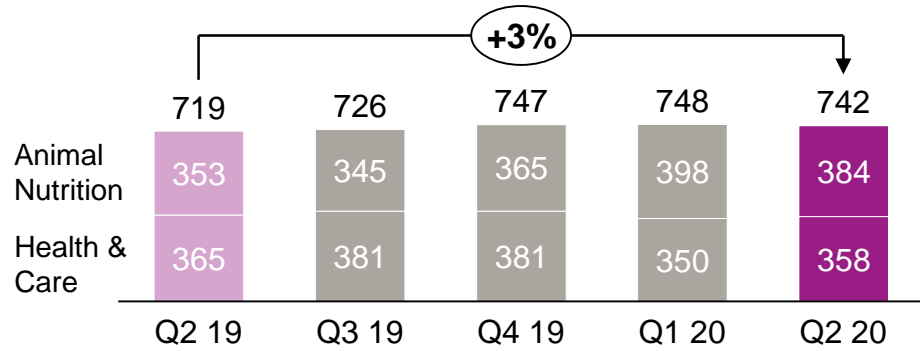
- Additives for agrochemicals, packaging and textiles as well as for composites with ongoing robust development
- Volumes and earnings impacted by lower demand for auto- & mobility-related as well as PU foam additives in the portfolio
- Despite the difficult situation in some end markets, margins remained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

Nutrition & Care

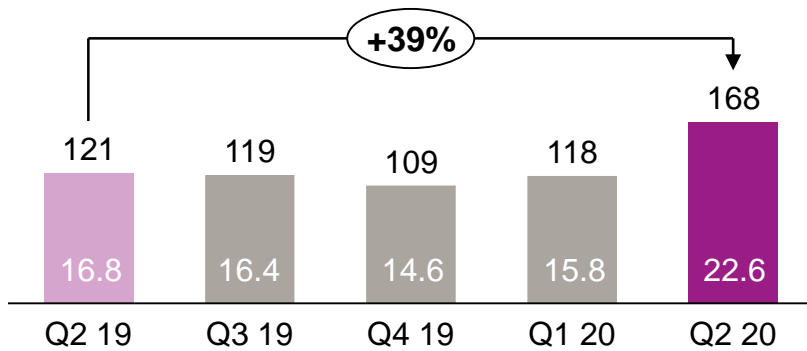
Divisional comments Q2

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% →



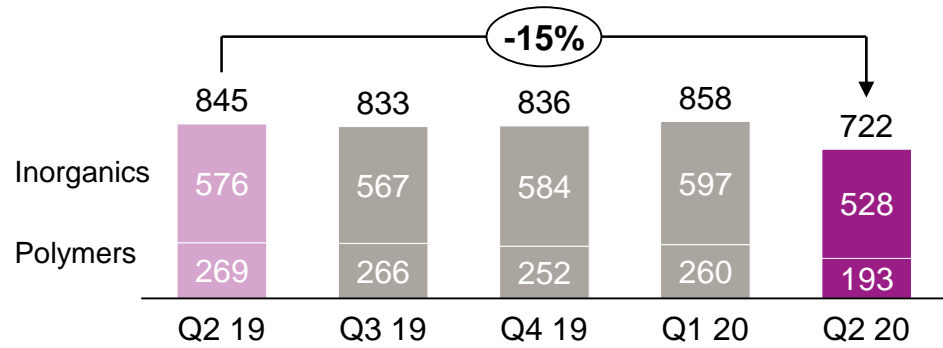
- Resilience despite the crisis in both sub-divisions leading to higher sales in Nutrition & Care
- Positive pricing and solid volume trend in Nutrition & Care, predominantly driven by Animal Nutrition
- Strong margin improvement driven by robust pricing, structural cost savings and raw material support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

Smart Materials

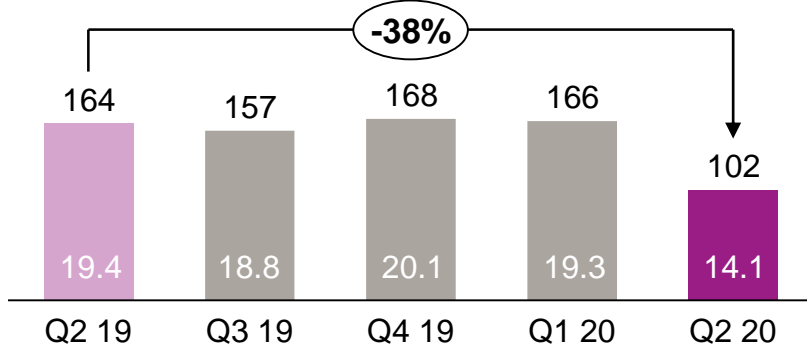
Divisional comments Q2

New divisional setup

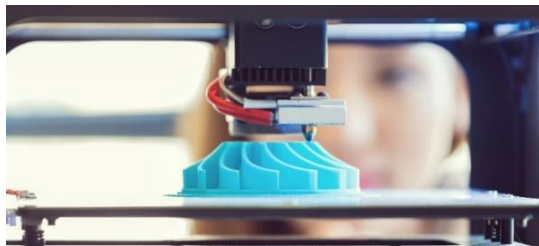
Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



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



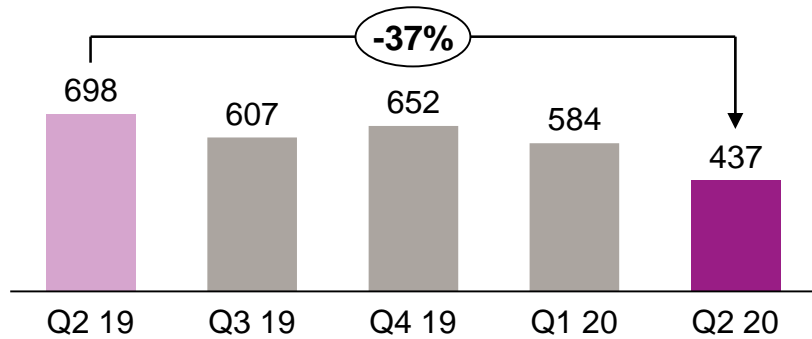
- Smart Materials end markets impacted by corona, especially visible in weaker auto demand
- Polymers with lower volumes in automotive, also oil & gas and white goods weaker
- Inorganics holding up relatively well; demand from cleaning, oral care and environmental end markets benefitting from crisis;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

Performance Materials

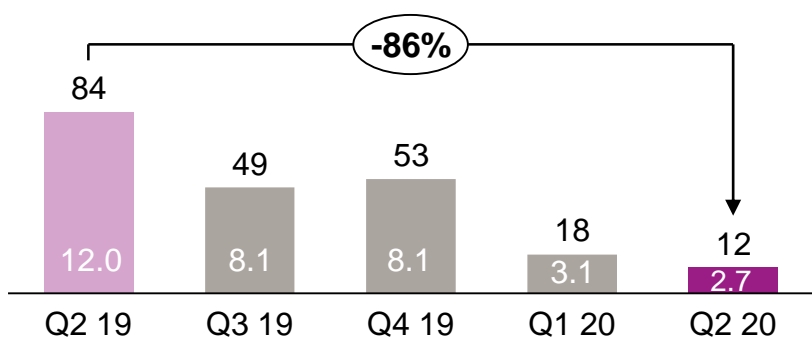
Divisional comments Q2

New divisional setup

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q2 20 vs. Q2 19	Volume	Price	FX	Other
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- 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

Upcoming IR events

Conferences & Roadshows	
5 August 2020	Roadshow London (virtual)
5/6 August 2020	Jefferies Industrial Conference (virtual)
12 August 2020	Roadshow Paris & Benelux (virtual)
18 August 2020	Bankhaus Lampe “Deutschlandkonferenz”, Baden Baden (virtual)
26 August 2020	Roadshow USA (virtual)
27 August 2020	Berenberg Top Picks Seminar, Kopenhagen (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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