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Christian Kullmann—Chairman of the Executive Board of Evonik Industries AG

Statement at the Annual Shareholders' Meeting on June 4, 2024 in Essen (Germany)

EVONIK
Leading Beyond Chemistry

Ladies and gentlemen:

A warm welcome to this year's annual shareholders' meeting.

2023 was a challenging year for our company. The year got off to a weak start and the recovery we had hoped for subsequently failed to materialize. Persistent inflation, the ongoing war in Ukraine, and the energy crisis were compounded by a global recession, the weakness of the Chinese economy, and the Middle East conflict.

As a result, for the first time in the history of the Evonik Group, we issued a profit warning in July and revised our forecast downward. 2023 was therefore a year of consistent cost-savings and liquidity safeguards.

A word on the format of today's meeting: In light of last year's good experience, we decided to hold the meeting remotely again. The format that the lawmakers have made available to us gives virtual annual shareholders' meetings the same status as in-person meetings. At today's meeting, you—our shareholders—are able to speak, obtain information, and ask questions in real time from a location of your choice. At the same time, we make considerable cost savings in the interests of our shareholders. We look forward to the dialogue with you.

Reviewing 2023 in the German chemical industry is hardly a pleasant task.

In a nutshell: It was a bad year for our sector overall. Output declined by 11 percent and sector sales were down 12 percent. We felt the weak demand in all markets. Our sales volumes declined for seven successive quarters. In such conditions, it was not possible to raise prices. Worse: Prices actually fell by 3 percent. At the same time, we were impacted by inflationary rises in raw material and energy costs.

In this situation, we had to act decisively and make difficult decisions. We did that. We saved €250 million to compensate for rising costs. We implemented short-term contingency measures to safeguard liquidity. That can be seen, in particular, from our capex and working capital discipline.

We faced up to the challenging conditions by making a concerted effort as a team. As a result, we got off relatively lightly. I would like to take this opportunity to thank all our employees for that achievement—and especially for their tremendous efforts and discipline.

In the end, we achieved the lower forecast issued in the summer. Adjusted EBITDA was one-third lower, but at €1.66 billion, it was within our target range of between €1.6 and €1.8 billion. Group sales fell 17 percent to €15.3 billion.

In view of the exceptionally high impairment losses and the charges for structural measures, net income was negative for the first time in our history. However, on an adjusted basis, Evonik posted positive earnings per share of €0.79 in 2023.

I am particularly pleased that we reported free cash flow of €801 million, which was actually higher than in the previous year. That provides a secure basis for our dividend.

We will continue to be affected by the crisis context. Therefore, we are continuing to work systematically on Evonik's resilience. We drove forward the fundamental reorganization of the Group in 2023. In fact, to achieve our mid-term aspiration of profitable growth, we stringently pursued Evonik's strategic development and introduced significant adjustments to prepare for the future. Three basic conditions are necessary for the transformation of Evonik. First, we need a powerful organization. Second, we have to focus on the most attractive growth businesses. And third, the transformation must be sustainable.

Allow me to give you some more details, ladies and gentlemen:

Simply making short-term savings is not enough. We are positioning ourselves for the future so that we can operate fast, agilely and cost-effectively in the market. That means streamlining our organization and adjusting our infrastructure.

To make our organization leaner, we introduced the "Evonik Tailor Made" program six months ago. As part of Evonik Tailor Made, we examined which organizational structures could make the operational chemical businesses even more successful—in terms of hierarchical levels, responsibilities, workflows, and team size.

The analytical phase is now over and the results are promising for our future organization. Wherever possible, we will be cutting out administrative activities that do not directly support our operating business. We are reducing the number of hierarchical levels from ten to six. We are also extending the span of control from a median of 1 to 4 to 1 to 7 direct reports. And we are strengthening regional responsibility. That is the target structure for 2026. We will also be reducing our headcount by 2,000 employees. We will reduce our costs by €400 million.

In short, Evonik will be leaner, faster, and better than before.

We will also be adjusting our infrastructure. To this end, we have analyzed our service division, Technology & Infrastructure, at our biggest production sites. The outcome is that in some cases non-Evonik companies at our sites use a higher proportion of site services than we do. It is clear that technology and process technology are mission-critical and have to remain at Evonik in order to operate on a cross-site basis. However, it is also clear that standard services at our sites, such as logistics, technical service, and facility management, will be run differently in the future. We will open-mindedly consider the best operator model for each site: continued operation by Evonik, alliances, or complete outsourcing are all possible.

That is all I wish to say about the structural aspects of our transformation.

Our portfolio focus remains clear: offering sustainable solutions that generate above-average growth and higher margins. That includes divesting businesses that no longer fit Evonik. In the past 18 months, we have made good progress with our plans to withdraw from the Performance Materials division. We completed the first step, the sale of the Lülsdorf site to International Chemical Investors Group—ICIG for short—in April 2023. In March of this year, we signed an agreement to sell the superabsorbents business to the same reliable investor.

We have therefore taken two steps; the next is the disposal of the C_4 chemicals business. The preparations for that have been completed. The start of the sale process depends on the further recovery of the economy and the C_4 business.

The realignment of our portfolio also includes adjusting business models if the key financials diverge from our aspirations. We have placed Animal Nutrition on a more efficient footing. That will bring annual cost savings of €200 million by the end of 2025. Half of that will be achieved by the end of this year. On the market side, we are currently benefiting from a recovery in methionine.

Above all, ladies and gentlemen, success requires profitable, organic growth.

The world is changing, industry needs to transform itself. In short: profitable growth needs new ideas, innovations, and the right investments. Only in this way can we help our customers achieve their own climate protection, circularity, and biodiversity targets. We refer to products that offer our customers demonstrably superior sustainability benefits as Next Generation Solutions. In 2023, they already accounted for 43 percent of our sales. We want to increase that to over 50 percent by 2030.

We are investing strongly in this—but with focus and prudence. Moreover, for some products, we have gained the support of governments and customers. Both enable a lasting and structural reduction in our investment spending. Nevertheless—or perhaps, precisely because of this—we are realizing important future projects.

In March 2023, we held the groundbreaking ceremony for our new production facility for pharmaceutical specialty lipids in the US state of Indiana. Our production plant for biosurfactants in Slovakia has now been completed. It is an excellent example of how we have driven forward a production process for a highly sustainable product from the original idea to commercial production and gained access to a new market. In the US, we are building a new production facility for specialty silicon dioxide, a key material for the fast-growing semiconductor industry. In Japan, we are investing in a new production facility for fumed aluminum oxide, which is geared to solutions for lithium-ion battery technology for electric vehicles

Moreover, we are continuing to invest in our strong, established businesses. In the US, we are increasing production of precipitated silicas by 50 percent to serve the high demand for more environmentally friendly tires.

In our innovation growth fields, we are gaining access to new, future-oriented areas of business. We want to generate additional sales of more than €1 billion a year by 2025—compared with 2025. We are making good progress towards this. Even in 2023, which was an extremely challenging year from an economic perspective, our innovation growth fields increased sales from over €600 million to more than €650 million. That is impressive given that elsewhere in the chemical industry double-digit sales declines were recorded.

Our membranes business is continuing its successful growth. With membranes for the treatment of biogas and the extraction of hydrogen, Evonik is making a contribution to the defossilization of the energy sector. In October 2023, a further production facility for SEUPURAN® hollow fiber membranes came into service at our site in Schörfling (Austria). And the next investment at this site is already planned.

Another area that is leveraging our transformation, ladies and gentlemen, is renewable energies.

We intend to achieve a further reduction in our ecological footprint and, especially, our emissions.

Here too, we made good progress last year, despite the crisis. The independent Science Based Targets initiative examined our measures and confirmed that our corporate targets make a contribution to reducing greenhouse gas emissions to limit global warming to well below 2 °C.

We were able to implement an important measure in March of this year: the coal-fired power plant in Marl, which we had to continue operating last year due to the energy crisis, was finally taken out of service and replaced by highly efficient gas power plants.

We have also made further progress in switching the external sourcing of electricity to 100 percent green power by 2030. In 2022 and 2023, we concluded agreements on sourcing green electricity from wind farms. This year, we are pleased to report the first major agreements to source solar power from Vattenfall. Moreover, this year we have managed to secure further capacity from RWE's Kaskasi wind farm. Worldwide, about 35 percent of the electricity we source externally comes from renewables.

As a result of the latest agreements, we will be well above the 50 percent threshold in a few years. In this way, we are not simply making a contribution to protecting the environment, we are also making Evonik less dependent on fossil fuels and reducing our energy costs.

As you are aware, ladies and gentlemen, our long-term dividend policy is aligned to continuity and reliability—even in times of crisis.

Admittedly, adjusted earnings per share came to €0.79, which is below the proposed dividend. However, even in such a challenging year as 2023, we were able to generate a free cash flow of over €800 million. As in previous years, that ensures that our absolute dividend payment of €545 million is covered. Today, we are therefore proposing a stable dividend of €1.17 per share for fiscal 2023. Naturally, we want you to be able to rely on us.

We can propose the dividend—but our share price is also influenced by external factors. As in past years, the impact of geopolitical crises dominated the stock markets in 2023. Moreover, the economic situation in China recovered far more slowly than originally predicted. Persistently high inflation around the world and the resulting restrictive monetary policy held back investment and consumption. All this had a particularly strong impact on chemical companies, including Evonik. As a result, Evonik's share price ended 2023 only 3 percent higher than at the end of the previous year—at a still unsatisfactory level of €18.50.

This year, our share price performance has successively distanced itself from the continued weak external factors. In March, our outlook showed that even though conditions remain challenging, we will grow—significantly. In mid-April, the early publication of our key financials showed that our first-quarter performance was significantly above our expectations. As a result, our share price increased significantly and topped the €20 threshold at the start of May.

Our employees show unbroken interest in our shares. This spring, we launched a further tranche of our "Share" employee share program around the world. Once again, more than 9,000 employees acquired shares in Evonik. That was a participation rate of around 35 percent. Through all the programs run since 2014, our employees have received around 6 million shares. That is just over 1 percent of our capital stock.

In 2024, we purchased a total of 707,251 shares for the employee share program at an average price of €17.24 per share. That was around 0.15 percent of our capital stock of €466 million.

For the purchase of these shares, we used the authorization granted by the annual shareholders' meeting in 2020. All the shares have now been transferred to the eligible employees and the remainder have been sold.

And now, ladies and gentlemen, let us look ahead to the future.

We assume that 2024 will be another challenging year. There is no sign of a fundamental upswing. The global economic situation remains uncertain and a recovery is not in sight. Nevertheless, Evonik with grow— even faster than the overall economy.

In the first quarter, our adjusted EBITDA was €522 million, a significant year-on-year increase. Having declined for seven quarters, volumes were above the prior-year level. We therefore made a strong start to the year—not least thanks to our consistent cost measures. We anticipate that the operating trends in the second quarter will be similar to the first quarter, even though there is still no sign of a broadly based macroeconomic recovery. EBITDA should therefore come in at a similarly solid level in the second quarter. That means that in the first six months we should report EBITDA of over €1 billion, providing a sound foundation for our full-year guidance of between €1.7 billion and €2.0 billion. Nevertheless, we are not altering our forecast range for the full year. Quite simply, because visibility for the second half is still low and we prefer to be conservative.

We are still facing challenges.

Germany does not have a coherent energy policy and industrial policy is inadequate. In Europe, there seems to be a misconception that Europe is an island. The carbon border adjustment mechanism is a case in point.

At the same time, Germany and Europe are also under threat from a completely different quarter. We should all be concerned about the rise of the far right and populists. These forces do not want to change or modify Europe. They want to abolish the successful European model. We cannot allow that to happen. Because the destruction of the EU or exiting the euro would threaten our economic future and our well-being. A strong economy is essential for a strong Europe.

And as you can see, Evonik does not allow itself to be held back by external hindrances. We are taking action. And we are raising our voice. As a company, we consider that our responsibility includes being an active member of society. Therefore, we will not remain silent in the future when there is a need to articulate our interests.

Here, I would like to thank the supervisory board, you, our esteemed shareholders, and naturally all Evonik employees for your continued support and trust. I would be delighted if you would continue to place you trust in Evonik in the future. Together with my colleagues on the executive board, I would like to thank you all for your interest and your attention.

EVONIK INDUSTRIES AG
Rellinghauser Straße 1–11
45128 Essen
Germany

www.evonik.com

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