Christian Kullmann – Chairman of the Executive Board, Evonik Industries AG

Statement at the Annual Shareholders´Meeting On May 28, 2019 in Essen (Germany)

TEXT AS PREPARED FOR SPOKEN DELIVERY.

Good morning, ladies and gentlemen,

Together with my colleagues on the Executive board, I would like to welcome you all most warmly to this year's Annual Shareholders' Meeting. I am delighted to report that operationally our company developed very well last year and that, in particular, we made progress with the strategic development of Evonik.

At last year's meeting, we presented our strategy and the related financial targets. Back then, I talked about the need to make changes to our portfolio, lasting cost discipline, and a shift in our corporate culture.

We have worked hard on these targets in the past 12 months—and we have delivered! We have signed an agreement to sell our methacrylates business and have strengthened our portfolio by acquiring PeroxyChem. The measures to enhance efficiency are having a positive effect on our figures and, despite the headwind at year-end, we clearly delivered on the forecast for 2018, which we raised in mid-year.

I would like to report on our successes in the next few minutes—and to give you some information on what we want to do even better in the future. Naturally, I will also give you my views on our share price, which we currently consider to be anything but satisfactory.

Continued systematic implementation of Evonik's strategy in the past year.

Ladies and gentlemen,

Allow me to start by looking at the systematic implementation of our strategy. We set out to build a best-in-class specialty chemicals company. And we have made good progress towards that goal. In 2018 we took several important steps to make our portfolio less cyclical and more robust.

That includes divesting operations that no longer fit our strategy. Our methacrylates business is a case in point. We have sold a well-positioned business to the “best owner.” For a really good price of €3 billion. In short: a successful deal for everyone involved. As the new owner of the methacrylates business, Advent International will continue to extend its technological edge and utilize opportunities for growth. Employees in this business can look forward to a new owner with a long-term focus and excellent expertise in the chemical industry. We will be using the selling price of €3 billion to reduce our debt and further strengthen our portfolio. That includes both in-house investment and selective acquisitions in our growth engines, where we already have a strong position.

As well as this big divestment, we have made an acquisition to strengthen our portfolio of specialty chemicals. The agreed purchase of the US company PeroxyChem for US$625 million is an ideal fit with our Resource Efficiency growth segment. It will add fast-growing, environment- friendly specialty applications to our portfolio.

At the same time, we are continuing our organic growth. Good examples here are the investment in new capacity for silica and polyamide 12. In particular, the planned polyamide 12 facility will drive forward our high-margin specialty chemicals business. This investment is the biggest Evonik has made in Germany to date and will strengthen our site in Marl. That is clear evidence that this region can be successful in international competition. And provided that industrial policy moves in the right direction, it will be able to do so in the future as well.

Systematic implementation of our strategy includes increased cost-awareness. Our goal is to become faster and more efficient in administration and sales. In this way, we want to permanently reduce our cost base by €200 million by the end of 2020. We made impressive headway towards this in 2018 with savings of over €50 million—and another €50 million are set to follow this year. To achieve this, we will be cutting around 1,000 jobs in administration and sales worldwide by the end of 2020. As you would expect, we are doing that in a socially compatible manner that respects the employees affected. In Germany, there is a ban on dismissals for business-related reasons before mid-2023.

As you can see, we achieved a good deal in the past fiscal year. We intend to continue along this route. Building on the success of 2018, the team on the executive board will be working hard to achieve our goal of making Evonik a best-in-class specialty chemicals company.

Strong operating performance in 2018

Operationally, 2018 was another good year.

The first six months were really successful for Evonik, for our customers, and for the whole industry. We grew significantly.

In the first half of the year, Evonik's earnings increased by around 15 percent year-on-year. In mid-2018 we therefore increased our outlook for the full year—and we achieved our higher forecast. We delivered on what we announced—although conditions became increasingly tough as a result of political and economic uncertainty. The second half of the year, in particular, was dominated by the escalating trade conflict between the United States and China, massive fluctuations in raw material prices, and lower growth forecasts for the global economy. In addition, German chemical companies were hampered by the low water level in the river Rhine. That resulted in higher logistics costs and lower availability of raw materials.

Evonik nevertheless did well—in fact, it did more than that: we grew sales by 4 percent to €15.0 billion. And EBITDA increased 10 percent year-on-year to €2.6 billion. We also achieved a further improvement in our margin to 17 percent, a clear step towards our target of 18 to 20 percent.

Adjusted net income increased to €1.3 billion. Based on the number of shares outstanding, that gives adjusted earnings per share of €2.78, up from €2.16 in the previous year.

Our performance and achievements in 2018 would not have been possible without the enormous commitment of our employees—especially given the increasingly demanding operating environment. I am sure that you, our shareholders, join me in thanking our staff around the world most sincerely for that. In addition, I would especially like to thank the employee representatives and the entire supervisory board for their trustful and constructive collaboration during the past fiscal year.

To enable our employees to share in the increase in Evonik's value, we launched a further tranche of our employee share program in the spring for employees in Germany, the USA, Belgium, Singapore, and China.

This program forms a strong cross-border link and helps strengthen corporate identity in the various regions.

Worldwide, around 11,800 employees acquired shares in Evonik, giving a participation rate of nearly 40 percent.

This year, we purchased 681,009 shares for the employee share program at an average price of €24.67 per share, each of which accounts for a proportionate share of the capital stock of €1.00. That was around 0.1 percent of our capital stock of €466 million.

We used the authorization granted by the Annual Shareholders' Meeting in 2016 to purchase these shares.

All the shares have now been transferred to the eligible employees and the surplus has been sold on the market.

Operating performance of the segments in 2018

And now, ladies and gentlemen, allow me to talk briefly about the development of our operating segments.

The Resource Efficiency segment continued its unbroken growth trend and now generates earnings of around €1.3 billion—around half of Evonik's total earnings! The margin rose to a record level of over 22 percent. In this segment we are benefiting from high capacity utilization and a positive price trend—that supports earnings growth. We are optimistic that this positive trend will continue this year.

2018 was also a good year for the Nutrition & Care segment. The relatively negative trend in previous years was halted and earnings increased by an impressive 8 percent to over €800 million in 2018. The margin also improved to just over 17 percent, bringing us closer to our aspirational level. That was attributable to lower price erosion in the animal nutrition business. As a result, the good development and strong growth in the other, highly stable areas of this segment are finally becoming visible. Examples are our additives for personal care products and products for the pharmaceutical industry. These businesses should continue to do well this year, precisely because they are less cyclical. Moreover, we have successfully taken steps to secure our cost leadership in the animal nutrition business. We are therefore excellently prepared for the challenges of 2019.

Performance Materials continued to perform at a very high level in 2018. This segment increased earnings further—to €670 million. The methacrylates business benefited from the favorable supply/demand situation, so the timing of the divestment was smartly chosen. In the 2018 fiscal year the C4 business reliably fulfilled its role as a stable financing generator with low investment requirements.

Stable dividend and high dividend yield of around 5 percent

Based on the performance I have just outlined, the executive board and supervisory board are again proposing a dividend of €1.15 per share.

With a dividend yield of over 5 percent, we are underscoring the attractiveness of our shares.

We will continue our consistent dividend policy in the coming years to give our shareholders an attractive share in the success of the company. Holding the dividend at least stable with a payout ratio of around 40 percent of adjusted net income remains our goal, even after the divestment of the methacrylates business.

Outlook for 2019—earnings expected to be at least stable

So what are our expectations for the present fiscal year?

At the end of 2018, the outlook was dim: the economic experts feared that the global economy would collapse, led by the chemical industry as an early cyclical sector. Things have not turned out quite so badly.

Nevertheless, the global economic challenges are increasing. As a specialty chemicals company with a presence throughout the world, Evonik cannot completely escape the global economic trend.

Therefore, when we published our annual financial statements in March, we forecast that sales and adjusted EBITDA would be slightly lower or stable year-on-year.

We were able to revise that forecast when we published our first quarter results. The methacrylates business is no longer included in our continuing operations. For the remaining businesses, we expect sales and adjusted EBITDA to be at least in line with the prior-year level.

That is a further indication of the development of our portfolio: It is becoming more stable and more robust, with clear growth prospects despite this year's challenging business conditions.

Q1 2019—A solid start to the new year

The figures for the first quarter, which we published at the start of the month, confirm that our continuing operations made a solid start to the year.

Sales increased slightly to €3.3 billion in the first quarter of 2019.

Adjusted EBITDA was €539 million and earnings per share were €0.53.

The development of free cash flow, which is a key performance indicator, was clearly positive. This shows the “cash” Evonik really earned and that is available, for example to finance growth or pay dividends. Our goal for this year is to achieve a significant improvement in this indicator—and we achieved that in the first quarter with a free cash flow of €159 million -an increase of more than €100 million.

Share price performance 2018 and 2019

Now let us turn our attention to the share price. The development of the share price in the second half of 2018, in particular, had little to do with Evonik's operating performance. On the contrary, the stock markets were influenced primarily by political uncertainty.

Evonik's shares were unable to avoid that. Our shares started 2018 at over €31 and performed solidly in the first half of the year. In May and August, our results were well above expectations. Above all, the share price reacted positively to the upward revision of our outlook in July and rose to a high for the year of over €32 at the end of September.

This was followed by a continual downtrend, both for Evonik shares and for the entire chemical industry. The stock market was increasingly dominated by politic issues and growing fears of an economic downturn. The specter of a weakening Chinese economy, the negative development of the automotive industry, and profit warnings in the chemical sector led to a sharp drop in prices in the fourth quarter.

This clearly reflects the chemical industry's role as an “early cycle” sector. Rising uncertainty regularly triggers a sell-off of shares in this sector. What is particularly regrettable from our point of view is the divergence between the performance of our share price and our continued solid operating performance. Evonik was therefore a victim of circumstances.

As I have just shown, operationally we delivered in difficult business conditions, yet this was not rewarded. That's why we are anything but satisfied with our share price performance.

The situation has improved slightly in recent months. Our share price has risen by almost 20 percent since the start of the year—albeit from a low level. We are convinced that if we continue to implement our strategy systematically, this will be reflected in our share price in the longer term.

Concluding remarks

Ladies and gentlemen, I would be delighted if you—our esteemed shareholders—would continue to place your confidence in Evonik in the future. Together with my colleagues on the executive board, I would like to thank you for your trust, your interest, and your attention.

Thank you.