

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

Statement at the Annual Shareholders' Meeting on June 2, 2021 in Essen (Germany)

Welcome

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, which is once again being held in a purely digital format.

Regrettably, the coronavirus is still with us and continues to dominate our daily lives. We are now all too familiar with the related restrictions. Health always has top priority for us—especially the health of our employees and naturally the health of our shareholders. That is why I am speaking to you today by video only, though that does not make it any less personal.

Your rights and dialog with you are very important to us, even in this special format. We will do our best to answer your questions albeit virtually.

It is said that true character is revealed in a crisis. Our employees have shown real character over the past year. They have demonstrated impressively what we at Evonik stand for: reliability, trust, quality, and progress. We have stood up to this global crisis. We have rolled up our sleeves and steered our course, despite the uncertainty and instability of the global economic environment. What is more, Evonik has continued to develop in these difficult times. I am very grateful to our employees for that. I am also grateful that I will be holding the rudder at Evonik as Chairman of the Executive Board for a further five years, surrounded and supported by my valued crew, so I will have the privilege of continuing to steer our successful course.

Allow me to use the next minutes to give you a quick review of 2020 and show you why this success is not due to chance: First and foremost, it is attributable to our carefully thought-out and systematically implemented strategy.

Management during the pandemic

2020 was dominated by a pandemic that brought both personal tragedies and the most severe economic crisis since the second world war.

I am pleased to report that so far Evonik has been able to respond well in the pandemic.

Protecting our employees has been, and remains, our top priority at all times. We were able to ensure this and provide a reliable and functioning digital infrastructure at short notice thanks to our pandemic plans and extensive precautionary measures.

Allow me to give you some figures: At times, we had 16,000 employees working from home. So far, we have distributed more than 190,000 masks to members of our workforce, sent out 220,000 self-test kits, and started to vaccinate staff at our Hanau site. Our aim is to vaccinate all our employees and their families as quickly as possible. At present, we are waiting for sufficient amounts of vaccine and the necessary permits.

Logistics and supply chains were exposed to special challenges during the year. Thanks to our global network of reliable partners, we coped well with the challenges and were able to maintain production and deliveries throughout the world.

We are aware of our special social responsibility, especially during periods of crisis.

We rapidly increased production capacity for disinfectants to meet rising demand. And we supported and supplied institutions in communities close to our sites.

Together with customers, we donated our high-performance polymer PA12 for the manufacture of protective medical equipment.

Recently, we reported that we are driving forward production of vaccines against COVID-19 by setting up the production and supply of special lipids exceptionally fast. What would normally take at least a year has been achieved in less than six months. We received the first request from vaccine producer BioNTech in Mainz in November 2020. To transport its novel mRNA vaccine safely to cells in the human body, the long-chain molecules are encapsulated in a lipid particle. As well as protecting the sensitive mRNA, this custom-tailored shell helps transport it to the cells. BioNTech awarded us a contract to produce these essential lipids.

In response, production at our sites in Hanau and Dossenheim was ramped up in record time, with support in the form of precursors and knowledge coming from the entire Evonik Group—from Marl to Mapleton.

That is our modest contribution to combating this pandemic.

Delivering good results

Our financial performance and the ongoing strategic development of the Group also show that Evonik proved resilient in the crisis.

Above all, they are evidence that we once again delivered what we promised—despite the extreme situation.

We were one of the few companies that had the courage to issue earnings guidance in May 2020, shortly after the outbreak of the crisis—and we achieved that forecast almost exactly during the year. In fact, our free cash flow was well above our guidance.

Adjusted earnings before financial result, taxes, depreciation, and amortization came in at €1.9 billion, exactly in the middle of the range we forecast in May 2020. Sales were €12.2 billion, around 7 percent lower than in the previous year. However, that was a respectable result in the context of the most serious economic crisis since the second world war. Our free cash flow was really good: At €780 million it was well above the prior-year level.

Our adjusted net income was therefore €640 million, giving adjusted earnings per share of €1.37.

A robust quality-based portfolio

Achieving our goals was only possible thanks to improved quality and the resulting increase in the robustness of our portfolio, which we have steadily restructured in recent years.

Our three growth divisions, which are the heart of our portfolio, generated 95 percent of earnings from our operating business in 2020.

I presented our new divisional structure to you last year. Despite the difficult situation, it was launched on schedule during the year. The former chemicals segments have been transferred to four divisions, which are more balanced in terms of size and type of business. Moreover, they can be managed better thanks to clear strategic roles, common end-markets, and a clear allocation to technology platforms.

The Specialty Additives, Nutrition & Care, and Smart Materials divisions are clearly aligned to growth. Performance Materials is lean and efficient.

We are reaping the benefits of this accomplishment and that is reflected in our financial figures. As already mentioned, our adjusted EBITDA was €1.9 billion. That was a reduction of 11 percent at Group level.

However, earnings from our three growth divisions—Specialty Additives, Nutrition & Care, and Smart Additives—were only 3 percent lower.

Innovation and sustainability as growth drivers

The growth and resilience of these three new divisions are driven by two factors. First, the high proportion of environment-friendly and sustainable solutions. Second, our innovative capability and thus our innovative new products and solutions.

These two elements clearly differentiate us in the market and in what we offer our customers.

Allow me to present some examples from our three growth divisions:

Specialty Additives brings together our broad spectrum of specialty additives, which enhance the quality of our customers' products, save energy, and quite simply make them better in many respects. Self-adhesive labels without a backing material are an impressive example of an Evonik development. Normally, self-adhesive labels generate a great deal of waste because they require a release liner until they are applied. Evonik's technology prevents such waste being generated in the first place, because our silicones eliminate the need for an additional liner. As well as reducing the total weight by 40 percent and cutting down the related material costs, that saves resources.

The **Nutrition & Care** division focuses on people's well-being, in other words, their health and quality of life. Earlier, I mentioned that we had set up production of lipids for BioNTech in record time. That is probably the best example of innovation and speed. Another project focused on sustainable innovation that is very close to our heart is the development of biosurfactants that are 100 percent biodegradable. The first industrial-scale production facility for these products—scheduled for 2023—will be a real milestone. We have already received initial recognition for this: Our partner, Unilever, has selected the collaboration with Evonik as a key element in its "Clean Future" initiative to drive forward the decarbonization of its products.

The **Smart Materials** division bundles our business with innovative materials that enable resource-saving solutions and replace conventional materials. We are the global leader in PA12 powders for 3D printing. Just recently, we launched a new generation of powders for 3D printing. About 80 percent of the product can be recycled in the printing process, making a strong contribution to tomorrow's circular economy. Another perfect example of innovation driven by sustainability is a new anode material for lithium ion batteries. We recently launched this product under the trade-name Siridion® Black. It improves the performance of batteries by increasing their energy density and improving their fast-charging capability and energy efficiency.

As you can no doubt imagine, I could easily talk for far longer about Evonik's impressive projects.

However, I also want to look at the progress with our strategy, without which the successes I have just highlighted would not have been possible.

Continued consistent implementation of our strategy

Although we are still a long way from our goal, we have made considerable progress in implementing our strategy in recent years. We continued this process in 2020, despite all the hindrances around us.

Four years ago, in 2017, we embarked on a transformation process at Evonik.

If you think of it as a 100 meter sprint, we are currently about half way.

We have achieved a number of successes over the past four years.

First, our **corporate culture**: We have established a strong culture that rewards above-average performance, supports diversity, encourages innovation, and focuses on sustainability.

We have also taken the next steps in systematically integrating **sustainability** into our business strategy. I am convinced that, in the long term, only companies that operate responsibly and create value for society will be successful. That is precisely what Evonik does. In line with this, we have achieved a major milestone: Over the past few years, we have conducted the first sustainability analysis of all our businesses. To put it briefly, every product line has been examined to establish what value it creates for society and the environment, and its footprint, in other words, the emissions released during production. In 2020, we completed this evaluation of our entire chemicals portfolio. A particularly positive finding is that around 35 percent of our products already offer higher sustainability benefits than comparable competing products. That superiority translates into very attractive growth rates. We call this group of products Next Generation Solutions.

Our ambitious goal is to steadily increase the proportion of such products in the coming years, naturally with the aid of research and development.

From our corporate purpose—Leading Beyond Chemistry to improve life, today and tomorrow—we derive the aspiration of being a global leader with our **innovations**. With that in mind, we have restructured our organization and pooled our competencies to bring our scientific expertise and even close to our markets and customers and speed up the development of new solutions and applications.

We aim to generate additional sales of €1 billion by 2025 with innovations from our six innovation growth fields.

Here, we virtually started from zero in 2015 and had already generated additional sales of €350 million by the end of 2020.

Turning to **portfolio management**, in the past four years, we have divested cyclical businesses with sales of €2 billion.

In the same period, we have strengthened our portfolio by adding higher value, less cyclical specialty businesses of similar size.

All the **divestments** were made at attractive prices in favorable phases of the economic cycle.

We are continuing this policy. Since fall 2020 we have therefore been preparing to carve out the Baby Care business to pave the way for a realignment of these operations with a partner or a new owner.

The **acquisitions** have strengthened the growth and resilience of our business, reduced our overall capital intensity, and have so far leveraged cumulative annual synergies of €70 million.

In 2020, we continued to make rapid progress with the integration of our most recent investments. That included both successfully closing of the acquisition of the US company PeroxyChem and the acquisition of catalysts specialist Porocel, which we successfully completed at the end of the year.

At present, we are also driving **growth** through our largest investment in Germany. More than €400 million have been invested in the PA12 complex at our biggest site: Marl Chemical Park in North Rhine-Westphalia. This complex will come into service in 2021. The investment is a perfect fit with our strategy of systematically focusing on specialty chemicals because polyamide 12 is a high-performance polymer that is used in many demanding applications. For example, it is used as a substitute for steel in automotive engineering and lightweight structures, and for special solutions for medical technology and 3D printing. Therefore, it is an important part of our Smart Materials growth engine.

We are also focusing on **growth and efficiency** in the amino acids business.

Specifically, that means that in the future Evonik will be concentrating its methionine production at three state-of-the-art sites: in Asia, Europe, and the USA. At the end of March 2021, we closed our oldest and smallest production facility in Germany. That will bring economies of scale, cost savings, and strengthen our global cost leadership.

And while we are on the subject of costs: In the past, **cost discipline** was not one of our strengths. That is another thing that has changed, as 2020 proves: Cost-discipline is firmly established and is now part of our corporate DNA.

We successfully completed our SG&A program last year. You doubtless remember that in 2018 we announced planned savings of €200 million. And we have kept our promise. If you look at our income statement, you will see that we actually exceeded our target with savings of €230 million.

We keep a close eye on cost trends in both our operating business and our administrative operations. We refer to that as APEX and OPEX. APEX means that we will be pursuing the continuous improvement of our administrative structures even after completion of the SG&A program.

In a way, we could say that is the final touch in our profitable future growth—alongside our growth divisions, which are driven by innovation and sustainability.

Dividend continuity and a high dividend yield

Naturally, we want to make sure that you, our shareholders, also benefit from Evonik's successful performance.

Based on our stable results in 2020, the Executive Board and Supervisory Board are therefore proposing a stable and attractive dividend of €1.15 per share.

We focus on dividend continuity at a high level, even, or rather, precisely, in challenging times when earnings are declining. That is one of our highest priorities.

Based on the closing share price at year-end 2020, that represents a dividend yield of 4.3 percent.

That is further evidence that Evonik shares are very attractive.

Outlook for 2021: We are focusing on growth

Now let us look at the present fiscal year—2021.

The pandemic will continue to influence the economy this year, so we still have to live with a certain amount of uncertainty.

However, our robust performance over the past year and our confidence in our strengths mean that we can look ahead confidently.

Since the end of last year, we have noticed a clear recovery and also made a strong start to the year.

The global economy should grow by at least 4 percent this year.

We expect Evonik to grow slightly faster.

Based on our good first quarter results, on May 6 we announced that we are not simply confirming our guidance; we are now more optimistic:

We now expect adjusted EBITDA to be between €2.1 billion and €2.3 billion this year.

The signs are clearly pointing to growth. In 2021, we aim to exceed the pre-pandemic performance reported in 2019.

Q1—A good start to the year

In the first quarter, sales grew 4 percent year-on-year to €3.36 billion.

Adjusted EBITDA was 15 percent higher than in the prior-year period at €588 million. That was 9 percent more than in the first quarter of 2019.

Our growth strategy is successful: our three growth divisions—Specialty Additives, Nutrition & Care, and Smart Materials—remain our drivers and are making an above-average contribution to our good performance.

The free cash flow tripled to almost €312 million in the first quarter, boosted by our improved business situation, strict management of net working capital, and lower taxes.

That good start makes us optimistic about this fiscal year and the future.

Share price performance 2020/2021

Ladies and gentlemen,

If we look at the stock market in 2020, we see that it was influenced to a large extent by the impact of the coronavirus pandemic.

Evonik shares started the year at around €27 and reached their highest point very early on, at €27.33 on January 2.

The market went through many volatile phases during the year, mainly due to the global economic crisis and the virus-related news flow.

Our shares ended 2020 at €26.38, a slight loss of around 2 percent over the year.

Since the start of 2021, our share price performance has been far more pleasing. Fueled by more positive market sentiment and our more optimistic outlook, Evonik shares topped the €30 mark with a year-to-date high of €30.70 on April 6, 2021.

May 25 the share price was €29.07, a rise of 9 percent since the beginning of the year. Evonik therefore outperformed the DAX, which rose by 6 percent.

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

Worldwide, around 11,000 employees acquired shares in Evonik, a take-up rate of nearly 41 percent.

For this year's "Share" program, we purchased a total of 503,491 shares with an average price of €29.75 and a theoretical share of the capital stock of €1.00 per share.

That was about 0.1 percent of our capital stock of €466 million.

For this we used the authorization to purchase treasury stock granted at the Annual Shareholders' Meeting in 2020.

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

Conclusion

As you have seen and heard, ladies and gentlemen, we have made very good progress in implementing our strategic agenda for the future. And as I have explained to you, there are further interesting challenges ahead.

Evonik's clear objective for the coming years is to continue its transformation into a specialty chemicals company with 100 percent growth businesses.

That will not happen overnight, but the direction is clearly defined. We will be continuing to actively manage our portfolio to make it more robust and increase the return on capital and cash generation.

Our innovation and sustainability targets play a very important role in this transformation, along with further focused investment in growth, acquisitions, and the restructuring and divestment of further businesses.

Thanks to my reappointment, I am looking forward to continuing to shape and lead this strategic development with my colleagues on the Executive Board, our executives, and our entire workforce. I would like to take this opportunity to thank the Supervisory Board, you, our shareholders, and naturally all Evonik employees for your continued trust and support.

I hope that you, our esteemed shareholders, will continue to place your confidence in Evonik in the future and thank you all on behalf of myself and my colleagues on the Executive Board for your interest and attention.

Stay safe and take care!

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