Evonik
Power to create.

Q2 2019
Earnings Conference Call

1 August 2019

Ute Wolf, Chief Financial Officer

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Evonik delivering in a challenging macro-economic environment

Further weakening macro…

- **Limited growth** (6.2%[1]) in China continuing
- Q2 global auto market with **further slowdown** (-7%[2] ytd)
- Coatings market showing **signs of weakness** (China volume growth turning clearly negative[3])

…Evonik delivering!

- ✓ Q2 2019 with **sequential earnings increase**
- ✓ qoq EBITDA growth in **all 3 chemical segments**
- ✓ Full year 2019 **guidance confirmed**

1. GDP growth Q2 | 2. global light vehicle sales, source: LMC | 3. internal assumption

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More balanced portfolio setup and self-help measures

Headwinds

-3% volume decline in RE (H1),

mostly in coating-, auto- and China-related businesses

Resilience

>10% EBITDA growth

in more resilient and defensive Care businesses[1] in H1 2019 (yoy)

+4% price effect in RE (H1)

proves high customer value of our specialty product

Self-help

€30 m additional savings

realized with SG&A program in H1

€50 m lower capex budget

for 2019 (reduced to €900 m)

1. Care Solutions, Health Care, Baby Care

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Strong innovation pipeline driving future growth
€1 bn sales potential from innovation growth fields

Innovation Growth Fields

more than €1 bn sales by 2025

Advanced Food Ingredients

Additive Manufacturing

Sustainable Nutrition

Membranes

Cosmetic Solutions

Healthcare Solutions

- **Future growth potential** from strong innovation pipeline
- 2018: **€250 m sales contribution** from innovation growth fields achieved
- **>25%** sales growth from our Innovation Growth Fields also **expected for 2019 and beyond**
- Most recent progress in Innovation Growth Field **Sustainable Nutrition**:
  - Official opening of **Veramaris** production plant at Evonik's Blair site in the US
  - **Tangible earnings contribution expected in 2020**

veramaris®
A JOINT VENTURE OF DSM AND EVONIK

Highlights Q2 2019

Solid performance in an increasingly challenging macro environment

Sales	Adj. EBITDA	Free cash flow (H1)	Outlook
3,306	**566**	**95**	**Outlook confirmed**
(Q2 18: €3,413 m)	(Q2 18: €616 m)	(H1 18: €46 m)	

Sales
- *Slight decrease in volumes (-2% yoy)*
- *Strong pricing in RE (+3% yoy)*

Adj. EBITDA
- *Sequential earnings growth in all three segments*
- *Solid group margin level above 17%*

Free cash flow (H1)
- *Higher cash generation driven by improved NWC, CTA reimbursement & capex discipline*

Outlook
- *EBITDA at least stable*
- *Significantly higher FCF*

All numbers refer to continuing operations

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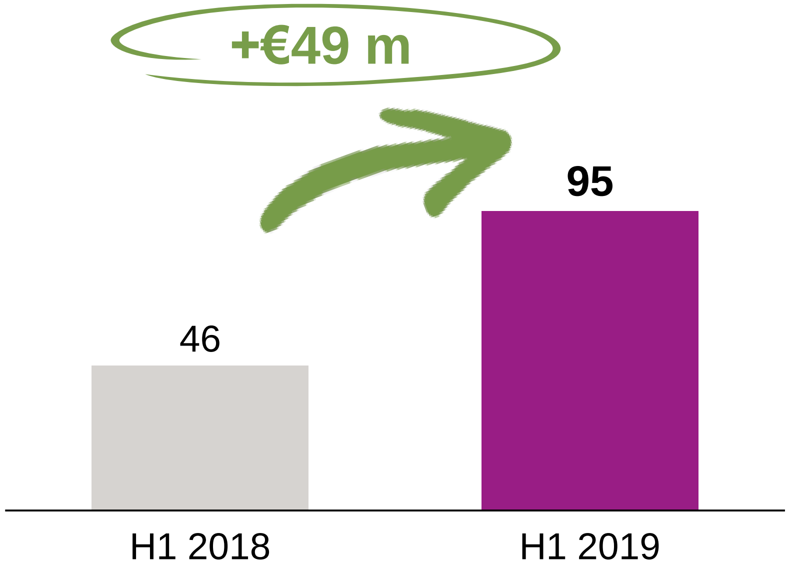
Free Cash Flow H1 2019
On track to significantly improve FCF in FY 2019

Free Cash Flow H1 2019 (in € m, continuing operations)



- FCF improved by €49 m in H1 2019
- … despite €136 m lower EBIT
- … and higher bonus payments (for fiscal 2018)
- Operating cash flow in H1 benefitting from lower cash outflows for NWC and pensions (CTA effect)
- Capex discipline: reduction by €69 m yoy

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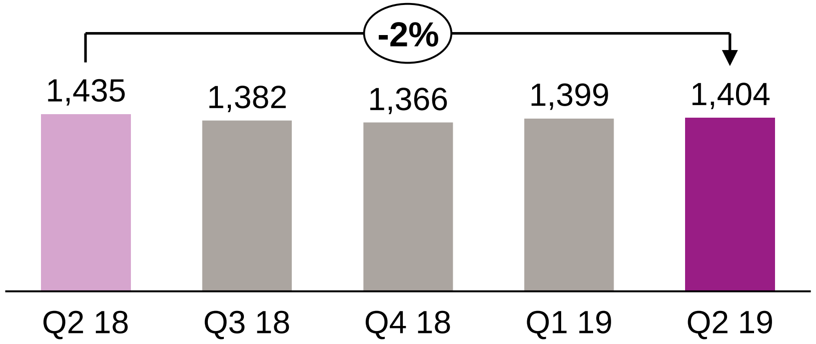
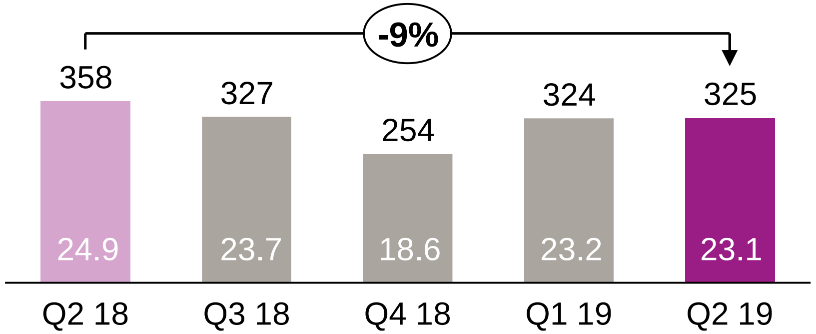
Resource Efficiency
Good performance in an increasingly tough market environment

Sales (in € m)



Q2 19 vs. Q2 18	Volume	Price	FX	Other
	-4% ↘	+3% ↗	0% →	-1% ↘

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



- Segment holds up well in weaker market environment for auto- and coatings-related businesses
- Volumes in Silica, Oil Additives and Coating businesses impacted by economic downturn
- High EBITDA margin of 23%; price increases (+3%) due to high share of specialty products
- Crosslinkers (good demand from wind energy market) and High Performance Polymers (ongoing strong demand for industrial & consumer goods) with resilient performance

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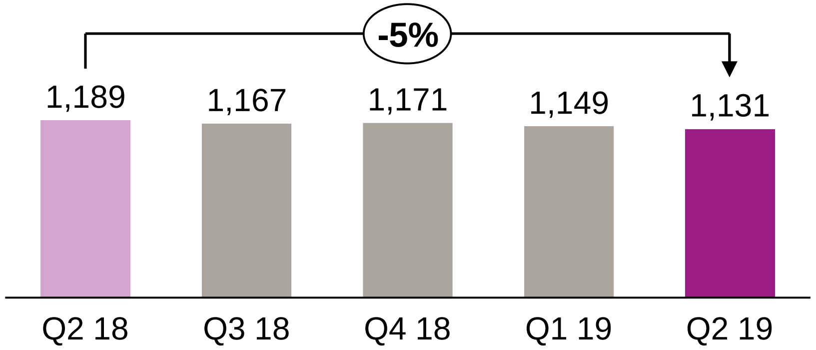
Nutrition & Care

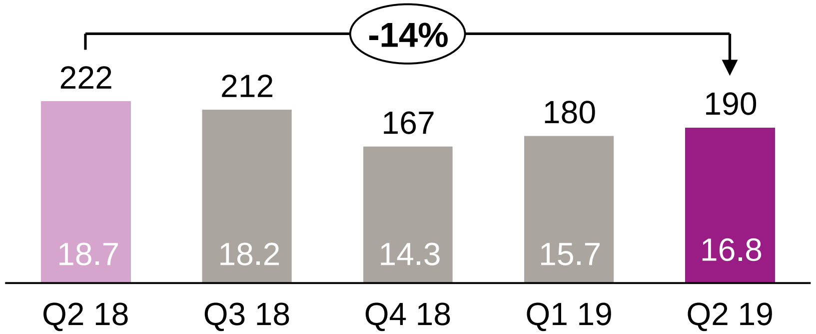
Solid operational performance in resilient end markets

Sales (in € m)



	Volume	Price	FX	Other
Q2 19 vs. Q2 18	0% →	-4% ↘	-1% ↘	0% →

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



- Good demand in resilient end markets: higher volumes in Animal Nutrition neutralized by planned shift from bulk to specialty products (in Care Solutions and for Veramaris JV)
- Sequential earnings increase due to still robust contribution from Care Solutions and accelerating Health Care (FY 2019 back-end loaded)
- Methionine with ongoing strong volumes, negative price effect against still high yoy comparables
- New methionine plant in Singapore going into production (Q2 ramp-up costs ~ €15 m)

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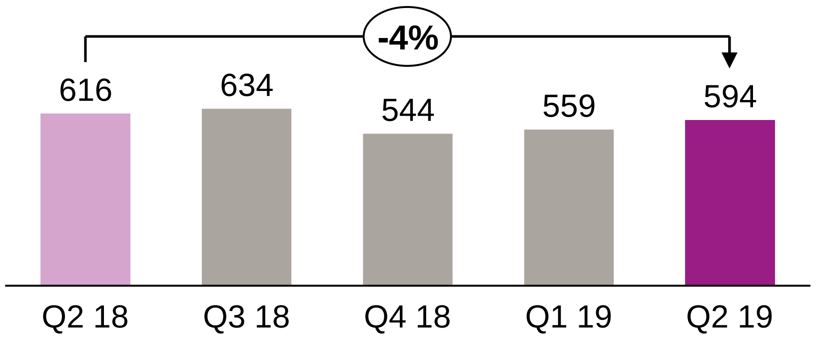
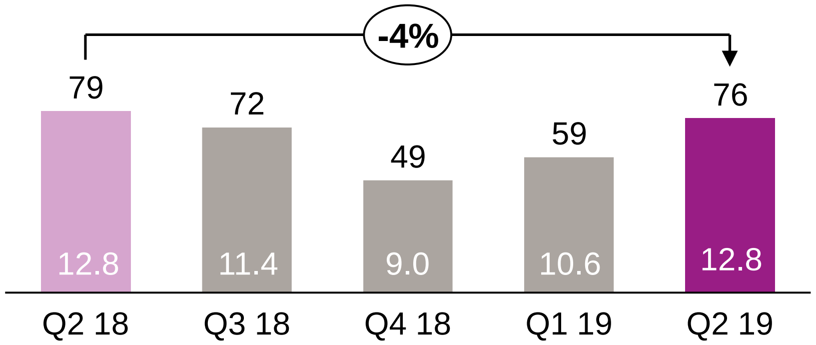
Performance Materials
Tougher market environment for petrochemical derivatives

Sales (in € m)



Q2 19 vs. Q2 18	Volume	Price	FX	Other
	-2% ↘	-1% ↘	-1% ↘	0% →

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



- Margin stable yoy and sequentially up due to higher utilization levels in C4 chain (Q1 with raw material supply constraints)
- Good MTBE development due to positive gasoline market and cracker shutdowns. Contrarily, globally weaker market for petrochemical derivatives (Butadiene, INA, Butene-1).
- Negative volumes compared to prior year due to divestment of non-core Jayhawk site (BL FY) in October 2018

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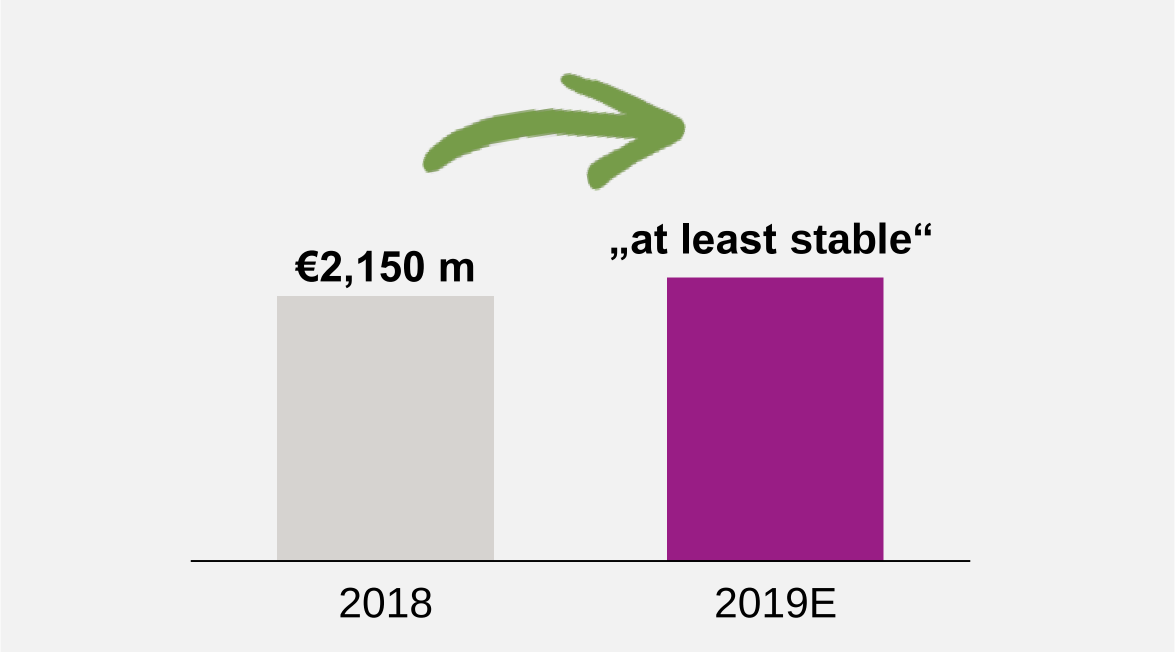
Outlook 2019: Adj. EBITDA
Outlook confirmed

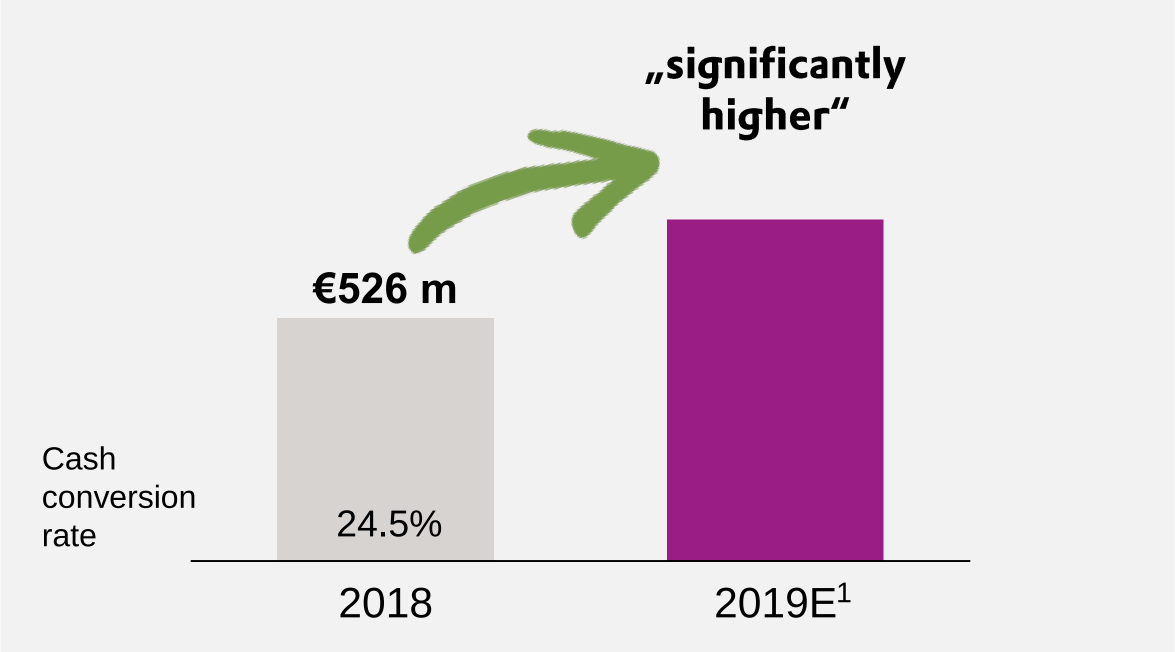
"at least stable adj. EBITDA" (FY 2018: €2,150 m)



- Sequentially **weaker market environment** in Q2
- H2 expected to **continue on Q2 level**
- **Segment guidance confirmed**:
  - Nutrition & Care slightly lower;
  - Resource Efficiency slightly higher;
  - Perf. Materials around level of last year

Outlook 2019: Free Cashflow
Further improvement in cash generation expected

“significantly higher free cash flow” (FY 2018: €526 m)



Positives:
- CTA pension reimbursement
- Lower cash-outflow for working capital
- Lower capex

Negatives:
- Normalization of cash taxes
- Cash-out for efficiency program (SG&A)
- Higher bonus payments (for fiscal 2018)

1. Extraordinary carve-out taxes not considered in 2019 outlook

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Additional indications for 2019

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

▪ 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	**~€900 m** (previously: €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)
▪ Adj. EBITDA Corporate / Others	**Slightly less negative than in 2018** (2018: -€283 m)
▪ 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** (2018: 23%); 2018 & 2019 benefit from US tax reform & MMA-related deferred tax assets, normalization of adj tax rate to ~28% expected from 2020 onwards

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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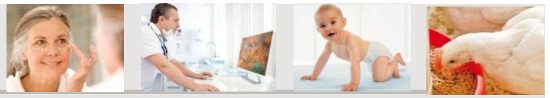
On track for FY outlook of “at least stable” earnings

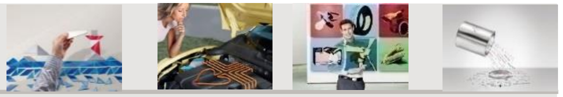
H2 vs H1 adj. EBITDA: Favorable phasing and absence of one-time effects

Nutrition & Care



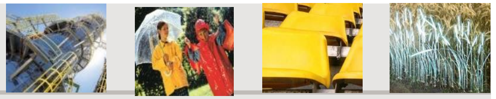
- **H1:** -€62 m yoy – despite >€100 m Methionine price effect and ramp-up costs; Care businesses well above prior year
- **H2:** absence of one-time effects (e.g. ramp-up costs Me6) and acceleration in Health Care (2/3 of EBITDA expected in H2)

Resource Efficiency



- **H1:** “only” €28 m (-4%) below prior year in challenging macro environment and against very strong comparables
- **H2:** with easier comparables and proceeds from license fee for HPPO project in Active Oxygens

Performance Materials



- **H1:** -€9 m yoy – fully explained by raw material supply constraints in Q1
- **H2:** easier comparables (low Rhine water in Q3 & Q4 2018)

Corporate/Others

- **H1:** +€27 m yoy – SG&A savings further ramping up
- **H2:** increased cost consciousness and further delivery of SG&A savings

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Tax implications related to the divestment of Methacrylates Verbund

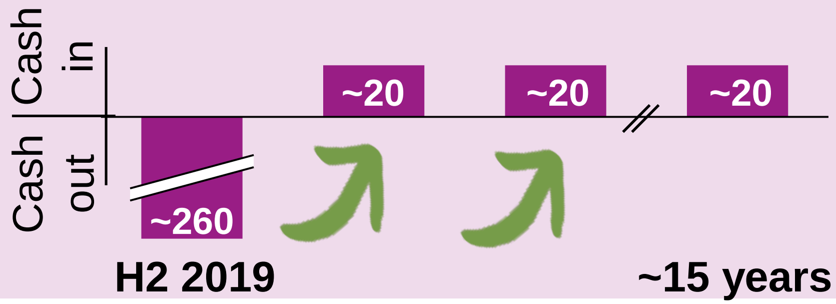
MMA legal entity
(illustrative)

Assets related to MMA-Verbund → Sale to Advent → **Transactional taxes**

~€200 m

(included in discontinued operations in 2019)

Assets remaining @ Evonik → Reverse carve-out of non-MMA assets into EVK legal entity → **Taxes** related to fair value step-up for **carved-out assets**



= **largely offset**

(Cash-out included in OCF of continuing operations: line-item “cash taxes from portfolio measures”)

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Unchanged 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 million).

Resource Efficiency

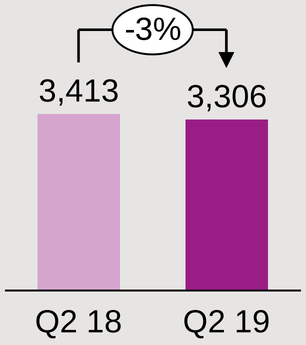
- In 2019, the Resource Efficiency segment will continue to benefit from its good positioning in the respective markets and from the trend to resource-efficient solutions.
- Although growth is expected to slow in some end-markets and regions, we expect earnings to be **slightly higher** than in the previous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

Performance Materials

- In the Performance Materials segment (without the methacrylates business), we assume that earnings will be **fairly stable** (2018: €265 million).
- 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.

Financial highlights Q2 2019
Solid performance despite increasing macro headwinds

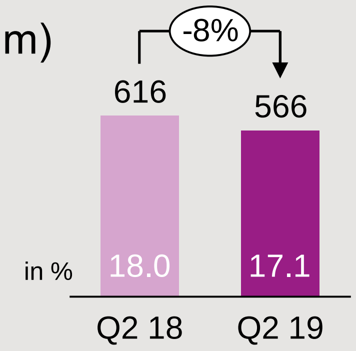
Sales
(in € m)



Q2 2019 vs. Q2 2018

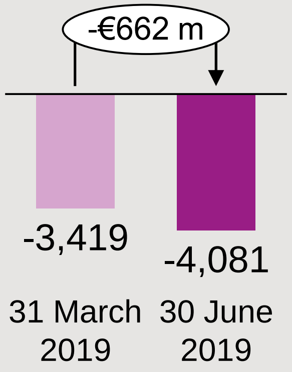
Volume	Price
-2%	0%
FX	**Other**
-1%	0%

Adj. EBITDA (in € m) / margin (in %)



Adj. EPS
(in €)

Net financial debt position
(in € m)



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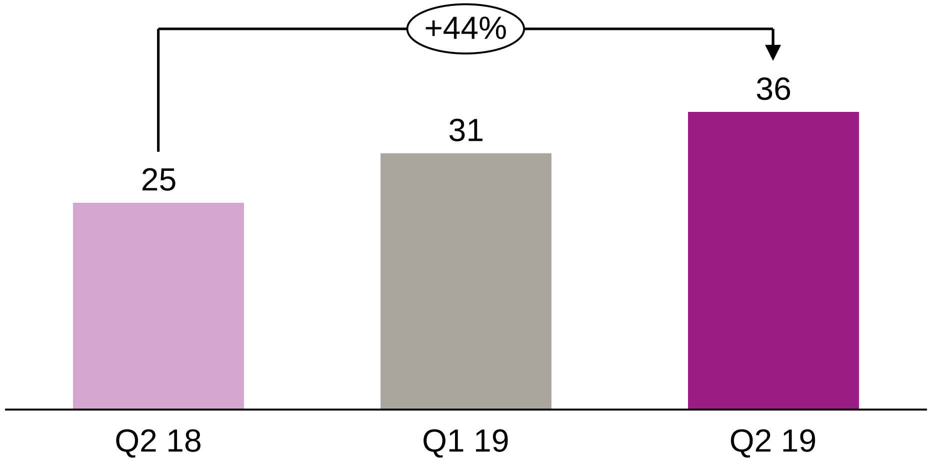
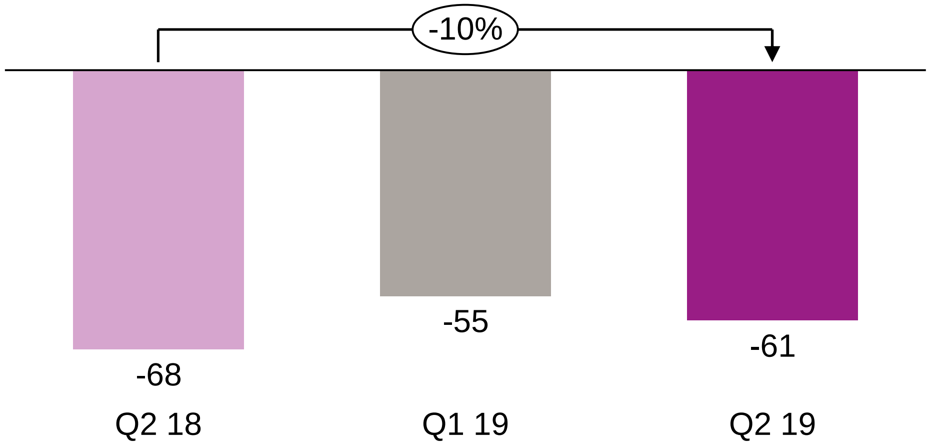
Services and Corporate / Others

Services: adj. EBITDA (in € m)



- Q2 supported by lower build-up of personnel-related provisions (for bonus payments in 2019) as well as positive effects from efficiency program SG&A and IFRS 16

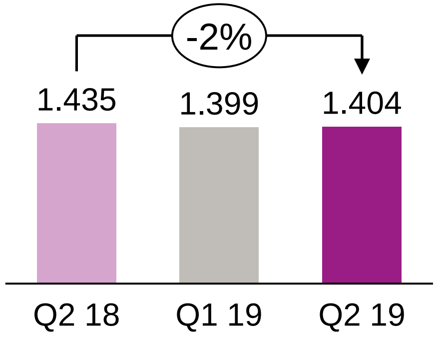
Corporate / Others: adj. EBITDA (in € m)



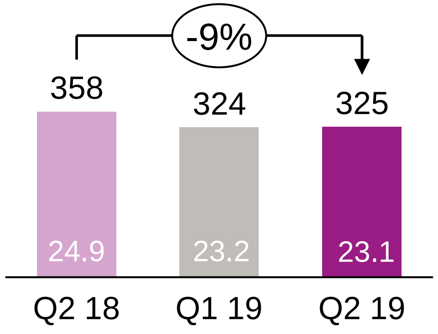
- Q2 with positive effects from efficiency program SG&A and IFRS 16

Resource Efficiency
Q2 2019 Business Line comments

Sales (in € m)



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



Crosslinkers: Good demand from wind energy market in China. Earnings supported by favorable raw material prices (Acetone) but impacted by higher fix costs due to planned shutdown in Germany.

High Performance Polymers: Business demonstrates good resilience with strong sales in PA12 – especially from additive manufacturing and industrial & consumer goods.

Silica: Higher prices offset by lower volumes. EBITDA impacted by start-up costs from new precipitated silica plant in Charleston, South Carolina and planned shutdowns.

Coating Additives: Volumes down due to macro slowdown, especially in container coatings and automotive.

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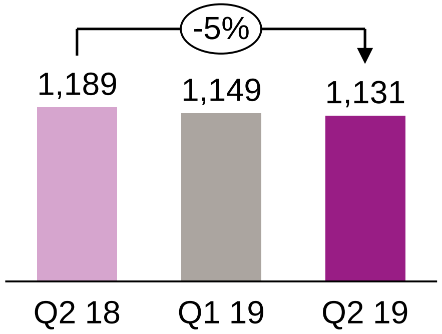
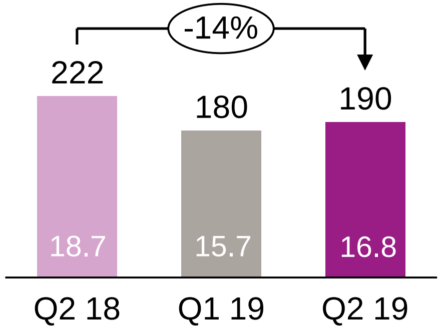
Nutrition & Care

Q2 2019 Business Line comments

Sales (in € m)

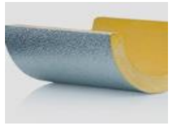


Adj. EBITDA (in € m) **/ margin** (in %)



Care Solutions: Ongoing good performance of Cosmetic Solutions (higher priced emulsifiers and functional additives). Lower volumes due to planned upgrade in product mix.

Health Care: Business in Q2 picking up qoq. As expected, H2 will see further improvement due to back-end loaded phasing of earnings. Overall, FY 2019 with yoy stable earnings (due to end of large legacy contract).



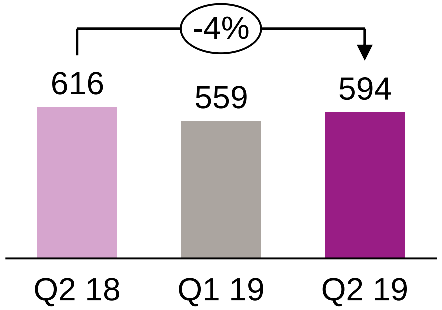
Comfort & Insulation: Good performance in Europe and Americas, but overall limited volume growth due to headwinds in China & from auto end markets.

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

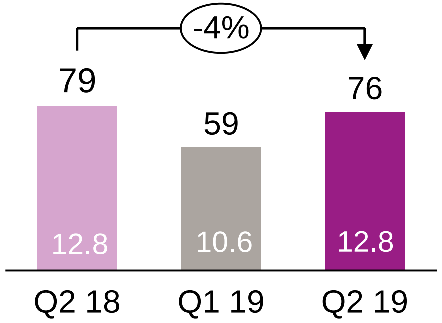
Animal Nutrition: Methionine with unchanged strong volumes and negative prices against high yoy comparables. Q2 for the last time burdened by ramp-up costs for new methionine plant (Q2: ~€15 m, H1: ~€30 m).

Performance Materials
Q2 2019 Business Line comments

Sales (in € m)



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



Performance Intermediates:
Rather stable volumes in PI despite increasingly tougher markets for petrochemical derivatives.

Good MTBE development due to positive gasoline market and cracker shutdowns. Contrarily, globally weaker market for petrochemical derivatives (Butadiene, INA, Butene-1).

Functional Solutions:
Lower sales due to divestment of non-core Jayhawk site in October 2018 and negative FX effect.
Continued high demand from Biodiesel market for Alkoxides.

Earnings also supported by cost advantages from merger of two BL’s (less admin costs and more efficient supply chain)

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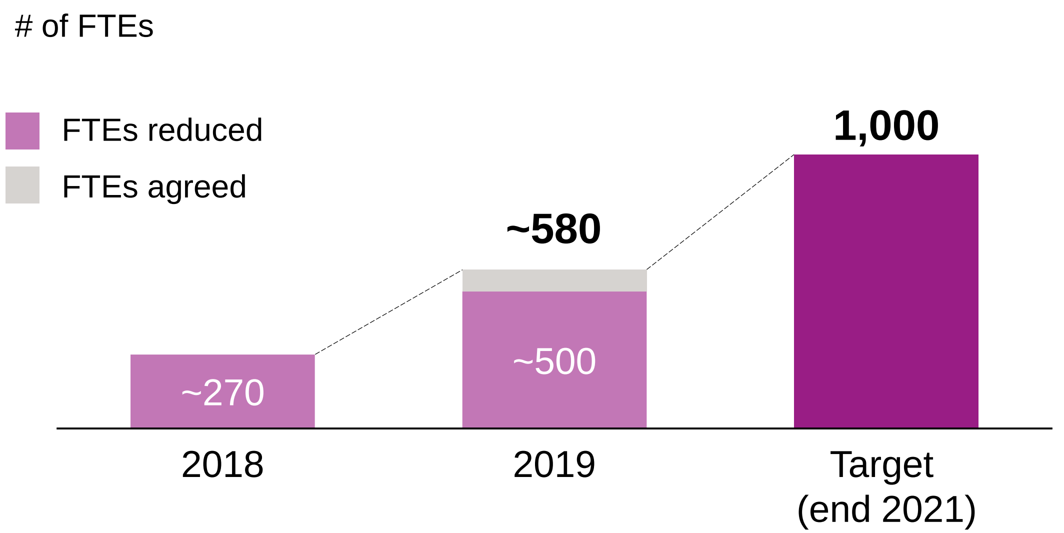
SG&A 2020

FTE reduction by 500 realized by Q2; >50% already fixed

SG&A FTE reduction

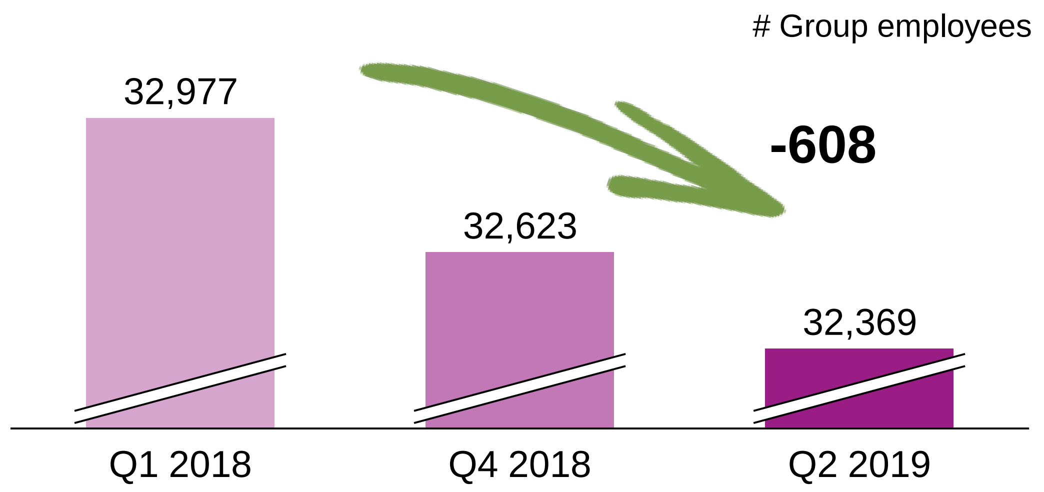
>50% fixed



- **Reduction of 270 FTEs** in 2018
- Further **230 realized** in H1 2019
- Overall, **>50%** of targeted 1,000 FTEs already fixed

Total headcount development

-608
(Q2 vs. Q1 yoy)



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

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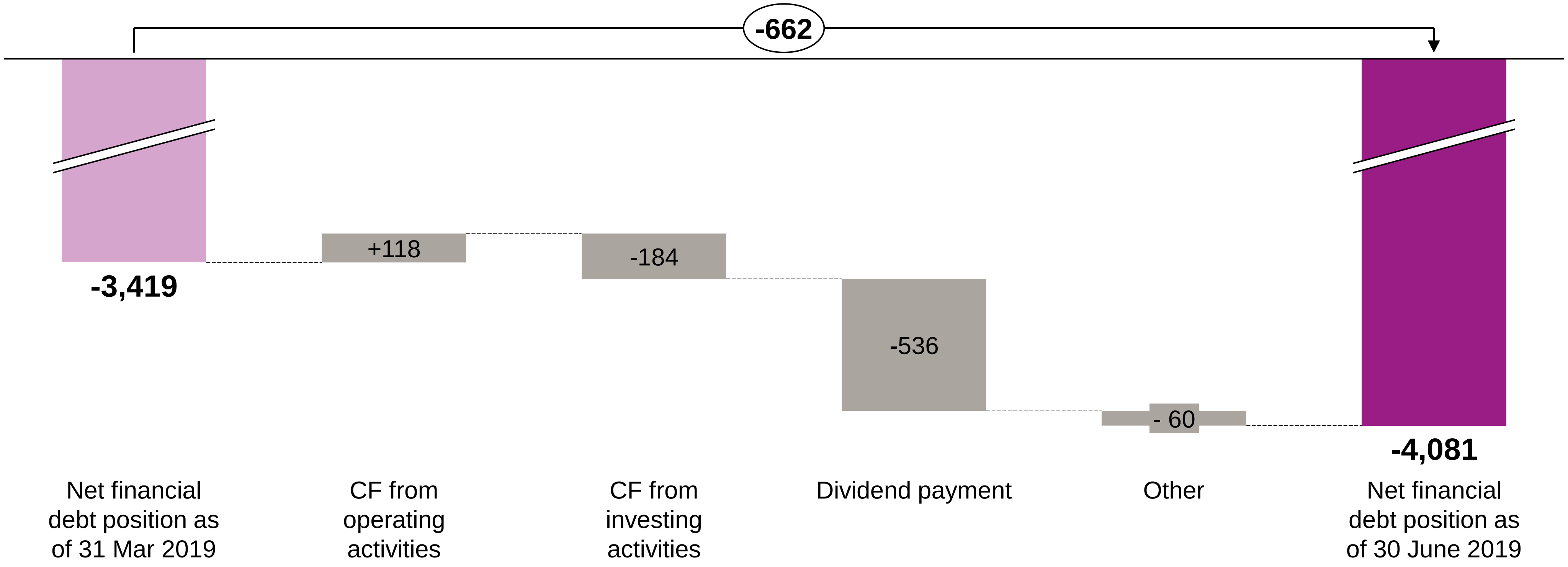
Net financial debt position development Q2 2019 (continued operations)

(in € m)



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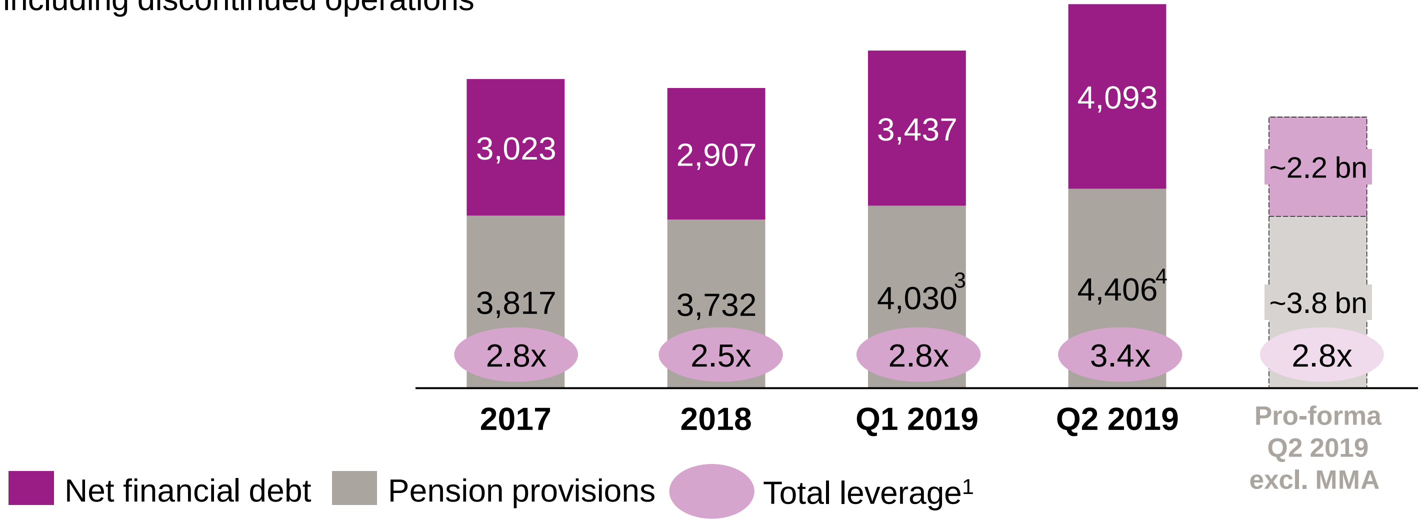
Development of net debt and leverage over time
(still including discontinued operations)

(in € m)

Net debt	**6,840**	**6,639**	**7,467**	**8,499**	**~ 6 bn**

including discontinued operations



Discount rate global (in %)[2]	2.12	2.15	-	-
Discount rate Germany (in %)	2.00	2.00	1.75	1.50

- Net financial debt increased as per Q2 2019 vs Q1 2019 mainly due to dividend and bonus payments
- **Net financial debt** leverage **at 1.8x** as per Q2 2019
- Pension provisions (incl. disc. op.) increased due to lower discount rate as per Q2 2019 (1.50% vs 1.75% as per Q1 2019)
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.5 bn as per Q2 2019
- 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 €583 m from discontinued operations | 4. Including €602 m from discontinued operations

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Adjusted income statement Q2 2019

in € m	Q2 2018	Q2 2019	∆ in %
Sales	**3,413**	**3,306**	**-3**
Adj. EBITDA	**616**	**566**	**-8**
Depreciation & amortization	-207	-226	
Adj. EBIT	**409**	**340**	**-17**
Adj. net financial result	-46	**-51**	
D&A on intangible assets	41	**33**	
Adj. income before income taxes	**404**	**322**	**-20**
Adj. income tax	-120	**-90**	
Adj. income after taxes	**284**	**232**	**-18**
Adj. non-controlling interests	-5	**-5**	
Adj. net income	**279**	**227**	**-19**
Adj. earnings per share	**0.60**	**0.49**	**-19**
Adjustments	-13	**-21**	

Depreciation & amortization:

- Increase in D&A mainly due to IFRS 16

Adj. tax rate:

- Q2 2019 adj. tax rate of 28%, H1 2019 at 21%, well in-line with full year guidance (~23%); Q1 2019 with positive effects from deferred tax revaluation in the context of the announced MMA sale

Adjustments:

- Restructuring -€8 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 Q2 2019

in € m	Q2 2018	Q2 2019
Income before financial result and income taxes	396	**319**
Depreciation and amortization	203	**227**
Δ Net working capital	-110	**31**
Change in provisions for pensions & other post-employment benefits	-60	**-12**
Change in other provisions	-183	**-367**
Change in miscellaneous assets/liabilities	0	**-2**
Cash outflows from income taxes	-2	**-78**
Others	4	**0**
Cash flow from operating activities (continuing ops.)	**248**	**118**
Cash outflows for investment in intangible assets, pp&e	-252	**-182**
Free cash flow	**-4**	**-64**
Cash flow from investing activities (continuing ops.)	**-253**	**-184**
Cash flow from financing activities (continuing ops.)	**-655**	**-461**

CF from operating activities

- Higher D&A mainly due to IFRS 16
- Cash-inflows from NWC due to strict NWC management
- Lower cash-out for pension provisions mirrors positive effect from CTA reimbursement
- Change in other provisions: mainly related to bonus payments
- Cash out for taxes: lower cash taxes in 2018; cash tax rate Q2 & FY 2019 back on normal level

CF from investing activities

- Capex discipline leading to lower cash-out for investments

CF from financing activities

- Dividend payment of €536 m

Segment overview by quarter – continuing operations

Sales (in € m)	Q1/18	Q2/18	Q3/18	Q4/18	**FY 2018**	Q1/19	Q2/19
Nutrition & Care	1,119	1,189	1,167	1,172	**4,646**	1,149	1,131
Resource Efficiency	1,364	1,435	1,382	1,365	**5,547**	1,399	1,404
Performance Materials	601	616	634	544	**2,394**	559	594
Services	160	169	161	175	**664**	174	171
Corporate / Others	3	4	3	5	**16**	6	6
Evonik Group	3,247	3,413	3,347	3,261	**13,267**	3,287	3,306

Adj. EBITDA (in € m)	Q1/18	Q2/18	Q3/18	Q4/18	**FY 2018**	Q1/19	Q2/19
Nutrition & Care	209	222	212	167	**810**	180	190
Resource Efficiency	319	358	327	254	**1,258**	324	325
Performance Materials	65	79	72	49	**265**	59	76
Services	35	25	39	0	**100**	31	36
Corporate / Others	-74	-68	-71	-68	**-283**	-55	-61
Evonik Group	554	616	579	402	**2,150**	539	566

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Upcoming IR events

Conferences & Roadshows

2 August 2019	Roadshow, Frankfurt
6 August 2019	Roadshow, London
20-21 August 2019	Deutsche Bank Corporate Days, Stockholm/Helsinki
27 August 2019	Commerzbank Sector Conference, Frankfurt
10 September 2019	Credit Suisse Basic Materials Conference, New York
11 September 2019	Roadshow, Toronto
11 September 2019	Berenberg Food Ingredients & Chemicals Conf., London
23 September 2019	Berenberg/Goldman Sachs Corporate Conf., Munich
26 September 2019	Baader Investment Conference, Munich
26 September 2019	Bernstein Strategic Decisions Conference, London

Upcoming Events & Reporting Dates

5 November 2019	Q3 2019 reporting
4 March 2020	Q4/FY 2019 reporting

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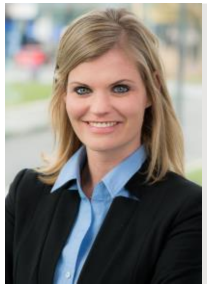
Evonik Investor Relations team

Tim Lange
Head of Investor Relations

+49 201 177 3150
tim.lange@evonik.com

Janine Kanotowsky
Team Assistant

+49 201 177 3146
janine.kanotowsky@evonik.com



Ina Gährken
Investor Relations Manager

+49 201 177 3142
ina.gaehrken@evonik.com

Kai Kirchhoff
Investor Relations Manager

+49 201 177 3145
kai.kirchhoff@evonik.com

Joachim Kunz
Investor Relations Manager

+49 201 177 3148
joachim.kunz@evonik.com

Fabian Schwane
Investor Relations Manager

+49 201 177 3149
fabian.schwane@evonik.com

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