

Next Generation Evonik

Capital Markets Day
May 11, 2022

Christian Kullmann, CEO

Part 1: Strategy & Portfolio



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1. **Current challenges in the European Chemicals Industry**
2. “Next Generation Evonik”
3. “Next Generation Portfolio”

Evonik-specific drivers supporting strong Q1 performance

Adj. EBITDA of €735 m (+25% yoy) clearly above expectations

Drivers of strong Q1 performance: Nutrition & Care with 9th quarter of resilient yoy growth;
Performance Materials working as natural hedge against higher oil prices

Positive effect from own price increases further ramping up (>€750 m after ~€600 m in Q4 2021),
again **overcompensating variable cost increases on Group level**

FCF (€133 m) burdened by further outflow in NWC
as a result of continued cost inflation and higher safety stock levels to prepare for potential supply chain challenges

Outlook of adj. EBITDA between €2.5 and 2.6 bn **confirmed**

Managing through the current challenges...

FY outlook confirmed

Raw material prices

... managed well

- Higher variable costs successfully compensated via own price increases in each of the last five quarters

Outlook:

- Further price increases necessary and in implementation for the next quarters

Supply chain

... closely monitored

- Tight supply chains and raw material markets still putting limitations on sales potential

Outlook:

- China lockdown puts further stress on local & global supply chains

Energy ... fully hedged for FY 2022

- Flexibility from extending coal-fired power plant in Marl
- Low risk, high visibility for energy costs in 2022 (95% hedged)

Outlook:

- Continued gas supply critical for European Chemicals industry and Evonik

Demand ... holding up well

- Healthy demand in Q1
- No slowdown in demand or order books visible yet

Outlook:

- Outlook for FY 2022 confirmed, even assuming macro slowdown in H2

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Successful execution of our transformation over the last four years

Progress on all strategic levers resulting in improving financial performance

~ €2 bn



cyclical sales divested

8.5x EV/EBITDA

Ø margin: ~15%

resilient sales acquired

9.1x EV/EBITDA¹

Ø margin: ~22%

> €200 m

structural cost savings in general administrative expenses

(SG&A program)

5 %

adj. EBITDA CAGR

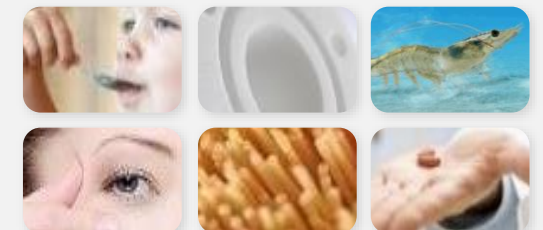
15 %

FCF CAGR

> €500 m

new sales

in six innovation growth fields
with above-average margins



1. incl. synergies

Next Generation Evonik: Embarking on the next phase of our transformation

Sustainability fully integrated into all three strategic levers

Three major strategic levers...

... with sustainability fully integrated ...

... delivering on ambitious targets

Next Generation Portfolio

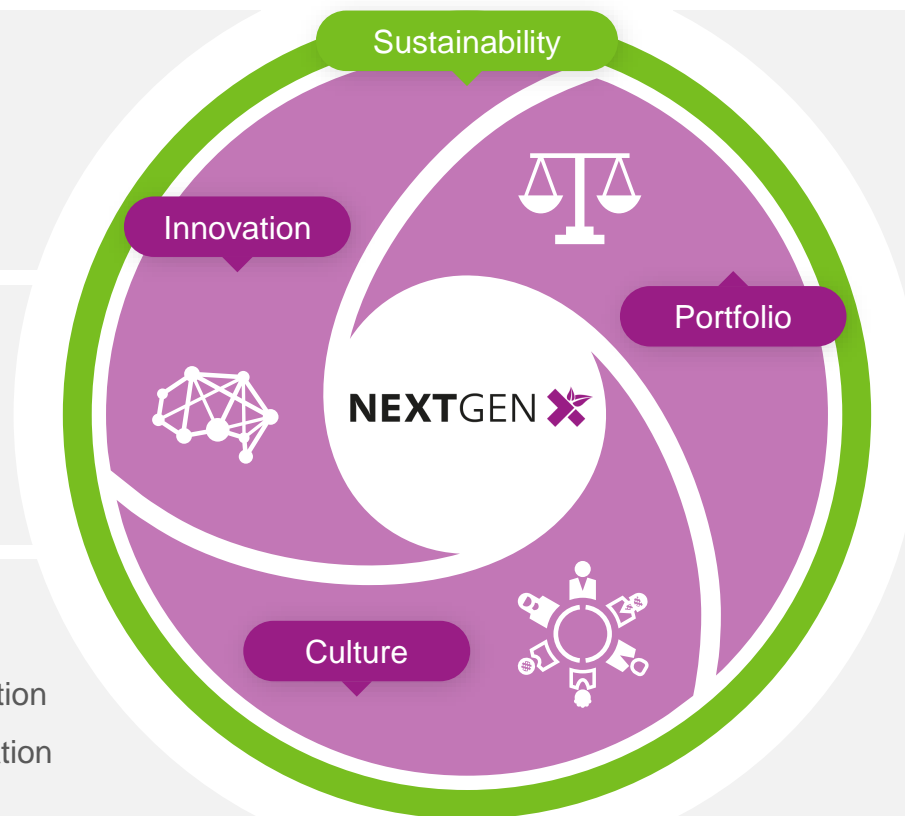
- + Exit Performance Materials
- + Full focus on three attractive growth divisions

Next Generation Innovation

- + €1 bn new sales well on track
- + Growth areas beyond 2025 already launched

Next Generation Culture

- + Diversity as key to successful strategy execution
- + ESG targets integrated into mgmt. compensation



ESG Targets

- + >50% sales share of **NEXTGEN Solutions** ✦
- + -25% CO₂ emission reduction, e.g. via **NEXTGEN Technologies** ✦

Financial Targets

- + Organic growth >4%
- + EBITDA margin 18-20%
- + ROCE ~11%
- + FCF Conversion >40%

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Portfolio: Evonik well equipped as “Enabler of Sustainable Change”

Portfolio circled around our four “Sustainability Focus Areas”





Portfolio: Exit of Performance Materials in execution

Transformation for all three business lines ongoing

Superabsorber



~ €700 m sales¹

- Carve-out completed July 1st 2021
- Value-enhancing start of divestment process on the basis of improved 2022 financials and positive 2023 outlook

Functional Solutions



~ €450 m sales¹

- Divestment process for Lülisdorf site (~ €150 m sales) initiated in 2021
- Alkoxides (biodiesel catalysts; ~ €300 m sales) to become part of Evonik growth divisions

Performance Intermediates



~ €1,800 m sales¹

- Process to find strong new partner for the business to be initiated in H2 2022
- Joint venture as preferred intermediate step for full divestment

Aiming to find new owners/partners for each of the three businesses in the course of 2023
Division Performance Materials to be ceased thereafter

1. FY 2021



Capital allocation into our green transformation

Priority on growth investments and targeted M&A

Significant cash inflow ...

Increasing Operating Cash Flow

Attractive cash conversion with steadily growing earnings

Divestment proceeds Performance Materials

... invested into our green transformation

>€3 bn
2022-2030

NEXTGEN 
Solutions

- Growth investments into our sustainability leaders
- Attractive growth rates and returns (IRR >11%)

~€700 m
2022-2030

NEXTGEN 
Technologies

- Investments into infrastructure, production and processes
- Significant energy & emissions reduction as well as reduction of operating costs (>€100 m by 2030)

Targeted M&A

- Acceleration of portfolio transformation
- Expansion of businesses with above-average growth, sustainability profile and returns

Attractive dividend

- Reliable and sustainably growing

Solid investment grade rating

1. 80% of growth capex for Next Generation Solutions (~€350 m p.a.) | 2. Additional capex for Next Generation Technologies (~€65 m p.a. on average)



Full focus on three attractive growth divisions

Investments in R&D, organic & inorganic growth

Specialty Additives



Additive Technologies

- **Modular expansion of Silicones & Amine platforms** via >€100 m investments (2022 – 2024)
- **Addition of new effects, functionalities and technology platforms** to Additives portfolio

Nutrition & Care



Drug Delivery Systems

- **mRNA**: Sizeable investments into lipids, formulation and fill-finish

Care Solutions

- Three-digit million € investment into **world's first industrial-scale biosurfactants production** (start-up 2023/24)
- Targeting market leadership in **Active Cosmetics Ingredients** market by 2025 via organic growth and M&A

Smart Materials



Membranes

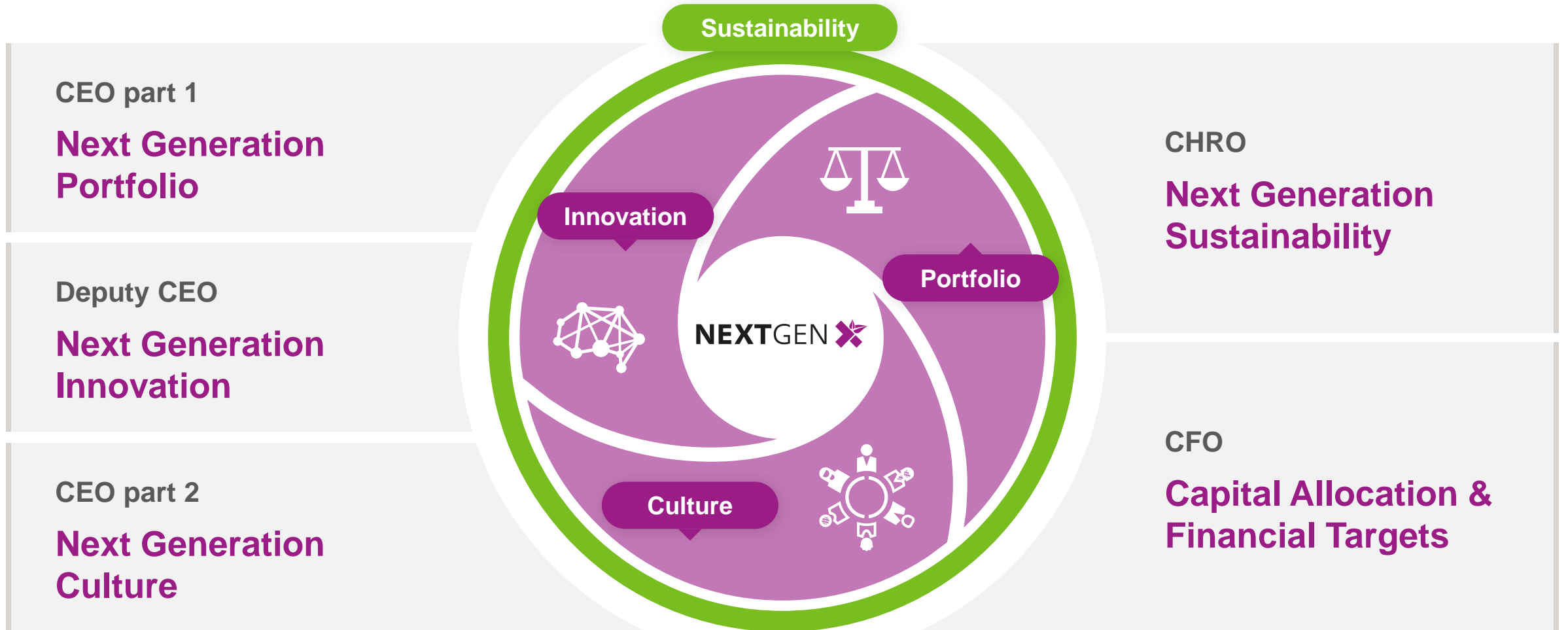
- Modular investments into **capacity expansion for gas-filtering membranes** (~€50 m)
- Breakthrough of electrolytic production of green hydrogen via **DURAION® AEM membranes**

Specialty Peroxides Solutions

- Investments into **purification capacities** to capture growth potential of Specialties applications
- Growth option in highly efficient and sustainable **HP+ technologies** (HPPO, HPPG)

“Next Generation Evonik”

Agenda for today’s presentations



Next Generation Evonik

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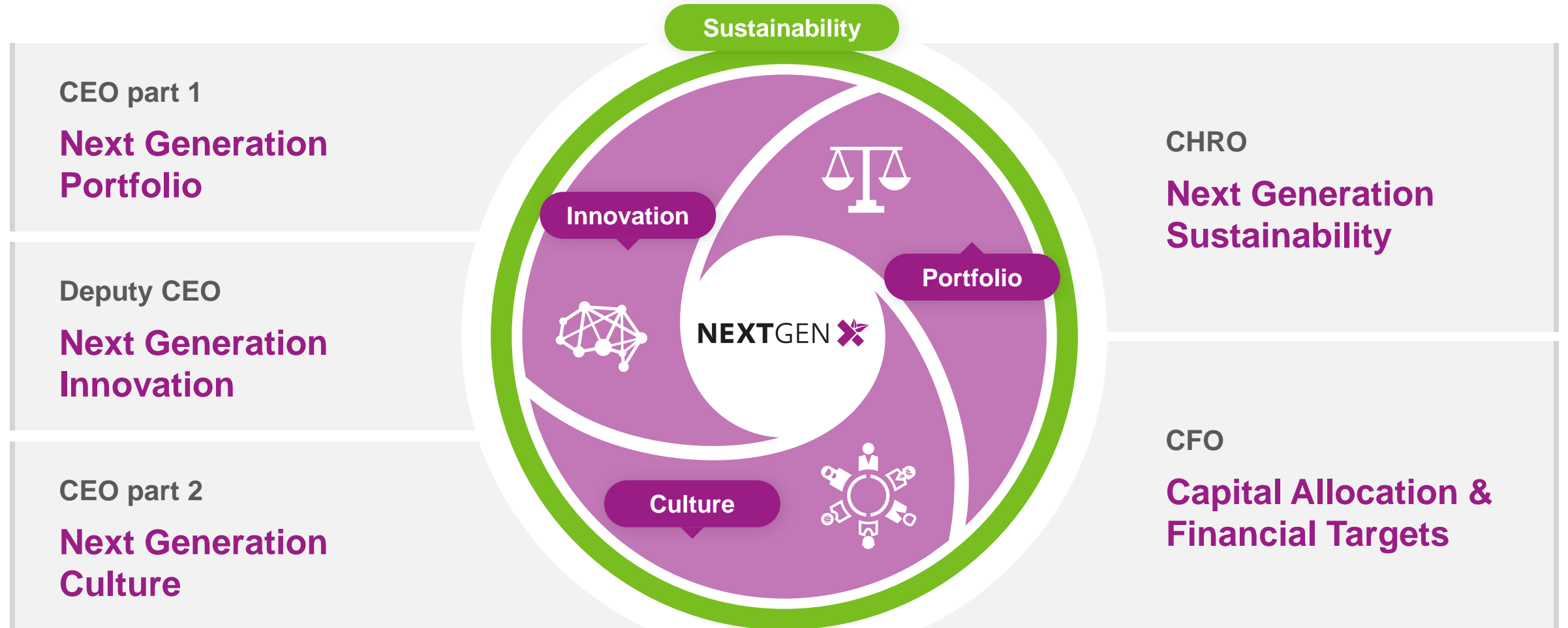
Christian Kullmann, CEO

Part 2: Culture & Wrap-Up



“Next Generation Evonik”

Wrap-up of today’s presentations





ONE Evonik. ONE Culture

... with unifying elements for a diverse company

Our Purpose
inspires us



Our Values
guide us



Safety first as foundation:

- Accident frequency as part of management compensation
- Low level secured over the last years¹

Diversity as basis of our economic success:

- Ambitious targets defined
- Inclusive mindset and behavior ultimately utilize diversity successfully

Attractive employer:

- Employee commitment with increase of 5 pp in latest employee survey

1. below upper limit of 0.26 (number of accidents per 200,000 working hours)



Diversity goes far beyond qualitative targets

We approach diversity with diversity

Diversity is key to economic success

- Evonik ranks among **top European companies** in terms of diversity
- We address **diversity** strategically, culturally and with an eye toward our business processes
- **Top management** as prominent **role model** in embracing diversity, e.g. in Diversity Council



Specific goals with highest priority (by 2023)

- **Gender diversity:** e.g. **23%** of executive & senior management positions and **30%** on manager level (2021: 18%/29%)
- **Intercultural mix:** e.g. **20%** of executive and **35%** of senior management positions (2021: 15%/25%)

Diversity goes far beyond qualitative targets!

- Diversity is not only a numeric game but a **matter of culture**
- An **inclusive mindset and behavior** ultimately determine if we can utilize diversity successfully

Diversity creates growth

Diversity creates innovation

Diversity brings us closer to our customers

Diversity is our future



Sustainability integrated into management compensation scheme

20% of long-term incentive based on strategic ESG KPI's

<p>Fixed salary</p> <p>~1/3</p>	<p>To be paid in cash for each financial year</p>
<p>Bonus</p> <p>~1/3</p>	<p>KPIs aligned to mid-term strategic targets</p> <ol style="list-style-type: none">1. Progression towards EBITDA margin target2. EBITDA growth (yoy)3. Contribution to FCF target <p>... and integrating Safety First mindset:</p> <ol style="list-style-type: none">4. Accident performance
<p>Long-term incentive plan</p> <p>~1/3</p>	<div data-bbox="468 882 733 1148"><p>80% share price</p></div> <ul style="list-style-type: none">▪ Granted LTI target amount calculated in virtual shares (4-year lock-up)▪ Absolute performance: Real price of the Evonik share▪ Relative performance against external index benchmark (MSCI Chemicals) <div data-bbox="1447 839 2430 1196" style="border: 2px dashed purple; padding: 10px;"><div data-bbox="1482 888 1747 1148"><p>20% ESG</p></div><p>LTI based on strategic ESG KPI's, e.g.:</p><ul style="list-style-type: none">▪ Sales share of "Next Generation Solutions"▪ CO₂ emission reduction</div> <div data-bbox="2094 651 2486 936" style="border: 2px solid purple; border-radius: 50%; padding: 10px; transform: rotate(15deg);"><p>New element for approval at AGM 2022</p></div>

Evonik – A compelling equity story today and tomorrow

Leading beyond chemistry to drive shareholder value

Strong track record of **strategic and financial execution** over the last four years

“Enabler of Sustainable Change”:
Portfolio circled around “Sustainability Focus Areas”

Sustainability fully integrated into three strategic levers
“Portfolio – Innovation – Culture”

Full focus on three attractive growth divisions
Exit Performance Materials in the course of 2023

Capital allocation into our green transformation:
“Next Generation Technologies & Next Generation Solutions”

Ambitious financial & non-financial targets;
integrated into management compensation scheme



NEXTGEN 



EVONIK

Leading Beyond Chemistry

Leading Beyond Chemistry

Summary of key financial & ESG targets

Financial Targets		ESG Targets	
Organic sales CAGR	>4%	Accident frequency rate ¹	≤0.26
EBITDA margin	18-20%	“Next Generation Solutions” ²	>50%
Cash conversion ratio	>40%	Sales Inno. Growth Fields ³	>€1 bn
ROCE	~11%	GHG emissions (scope 1&2) ⁴	-25%
Reliable & sustainably growing dividend		Gender diversity ⁵	23%
Solid investment grade rating		Intercultural mix ⁶	20%










1. Indicator per 200,000 working hours | 2. Sales share by 2030 | 3. by 2025

4. Gross emissions, reference year 2021, target year 2030 | 5. Executive & senior management positions by 2023 | 6. Executive positions by 2023

Performance Materials







Performance Intermediates – At a glance

<p>Key facts</p>	 <p>Sales: ~€1.8 bn¹</p>	 <p>Sites: Marl (D), Antwerp (Belgium)</p>	 <p>Employees: ~1,000²</p>	
<p>Product examples</p>	<p>C4 Products</p>		<p>Oxo Products</p>	
<p>Strengths</p>	 <p>Rubber monomers</p> <p>Butadiene, Isobutene</p>	 <p>Fuel additives; Polyethylene co-monomers</p> <p>MTBE, Butene-1</p>	 <p>Oxo alcohols & Plasticizer</p> <p>INA, DINP, 2-PH</p>	 <p>Intermediates for higher-value applications</p> <p>Specialties</p>
<p>Trends & Growth drivers</p>	<ul style="list-style-type: none"> ▪ Fully integrated production set-up ▪ Reliable production to ensure high product quality for more than 50 years ▪ Excellent market access and long-term relationships with major customers and suppliers 		<ul style="list-style-type: none"> ▪ Outstanding capabilities to exploit C4 feedstocks and maximize yield and plant availability ▪ Powerful innovation with protected IP know-how ▪ Lean and focused organization 	

1. FY 2021 | 2. including Service & Logistics, Administration








Performance Materials

Functional Solutions – At a glance

<h3>Key facts</h3>	 <p>Sales: €450 m¹ (thereof ~€300 m for Alkoxides)</p>	 <p>Main sites: Lülsdorf, Wesseling, Ibbenbüren (D), Mobile (USA), Rosario (ARG)</p>	 <p>Employees: ~500</p>
<h3>Product examples</h3>	 <p>Biodiesel (catalysts)</p> <p>Life Science (Food, Feed, Pharma)</p> <p>Alkoxides</p>	 <p>Agriculture</p> <p>Life Science (Food, Pharma)</p> <p>Potassium Derivatives</p>	 <p>Automotive</p> <p>Agriculture</p> <p>Electronics</p> <p>Cyanuric Chloride/ TAC TAICROS®</p>
<h3>Strengths</h3>	<ul style="list-style-type: none"> Strong global market position in attractive biodiesel catalysts market Attractive sustainability profile PET recycling opens up market potential in Circular Economy 	<ul style="list-style-type: none"> Lülsdorf site in the heart of the Western European chemicals industry Excellent logistical connections Reliable supply of raw materials Highly qualified and experienced employees 	
<h3>Trends & Growth drivers</h3>	<ul style="list-style-type: none"> CO₂ reduction in transport sector Regional energy independence Circular Economy (e.g. PET recycling) 	<ul style="list-style-type: none"> Healthy Nutrition Reduction of plastic waste Electronic applications (e.g. 5G applications) 	

Performance Materials

Superabsorber – At a glance

<p>Key facts</p>	 <p>Sales: ~ €700 m¹</p>	 <p>Main sites: Krefeld, Rheinmünster (D), Greensboro, Garyville (USA), Al Jubail (UAE)</p>	 <p>Employees: ~900²</p>	
<p>Product examples</p>	<p>Superabsorbent Polymers</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Baby Care</p> </div> <div style="text-align: center;">  <p>Adult Incontinence</p> </div> <div style="text-align: center;">  <p>Feminine Care</p> </div> <div style="text-align: center;">  <p>Non-Hygiene Applications</p> </div> </div>			
<p>Strengths</p>	<ul style="list-style-type: none"> ▪ Solid & steady growth of the superabsorbent polymers market ▪ 30 years expertise and customer relationships ▪ Close collaboration with global and regional customers to develop new technologies ▪ Digitalization of production and product development for excellent competitiveness 			
<p>Trends & Growth drivers</p>	<ul style="list-style-type: none"> ▪ Adult incontinence ▪ Biodegradable superabsorbent polymers 			

1. FY 2021 | 2. including Service & Logistics, Administration