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Q3 2019
Earnings Conference Call

5 November 2019

Christian Kullmann, Chief Executive Officer
Ute Wolf, Chief Financial Officer

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1. **Outlook FY 2019**
2. Financial performance Q3 2019

Outlook 2019 confirmed
Intensified self-help compensates production constraints and weaker environment

Market environment	▪ Ongoing **challenging market environment** mirrored in tight Q3 businesses performance
Production constraints Performance Materials	▪ **Production constraints in Performance Materials** additionally weigh on H2 earnings
Self-help measures	▪ Self-help measures intensified: **SG&A** program **ahead of plan**; additional **contingency measures** implemented

EBITDA guidance 2019 confirmed:

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

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SG&A program ahead of plan – additional contingency measures implemented for H2 2019

SG&A program ahead of plan

(SG&A savings 2019)

Additional contingency measures implemented

- Additional contingencies of **+€20 m**
  - Hiring discipline (free positions filled internally)
  - Travel restrictions (e.g. more digital meetings)
  - Reduced expenditure on external consultants
  - Maintenance (energy & plant management)
  - Salary components

+ €40 m in H2 2019

(thereof €25 m in Q4)

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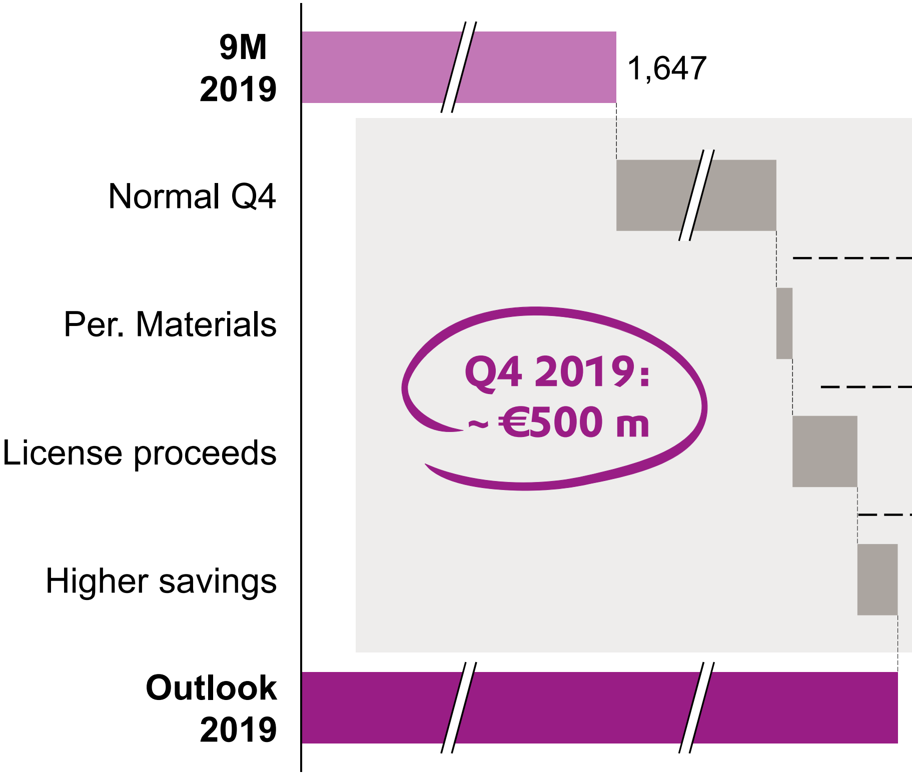
Q4 EBITDA expected ~ €500 m

Reduced Q4 seasonality supported by license fees & cost savings

(Adj. EBITDA in € m)

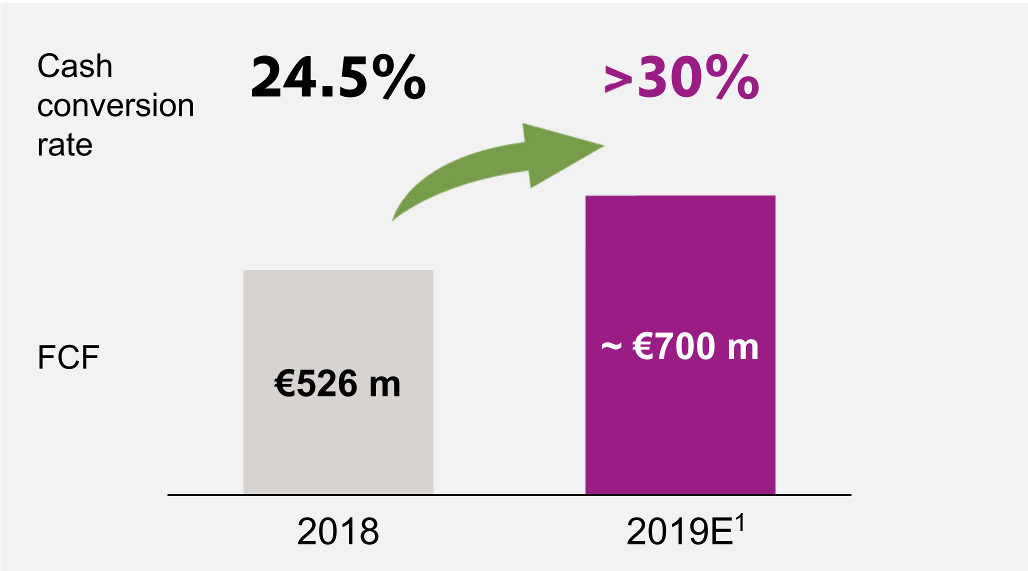


- Normal Q4 earnings (= qoq seasonality of ~20% (after MMA sale))
- Lower qoq impact from production constraints in Performance Materials
- License proceeds of ~€40 m from two projects in Active Oxygens
- SG&A program ahead of plan; additional contingency measures implemented (~ €25 m in Q4)

"at least stable" (2018: €2,150 m)

Outlook 2019: Free Cashflow
Strong improvement both in FCF and cash conversion – further upside in 2020

"Free cash flow of around €700 m" (FY 2018: €526 m)



- Significantly higher FCF: **~€700 m**
- Strict **working capital management**
- High **capex discipline**
- Support from **CTA reimbursement**

Cash conversion rate
- **above 30%** in 2019
- further **upside** for **2020**

1. Extraordinary carve-out taxes of €200-220 m (related to MMA divestment) not considered in 2019 outlook

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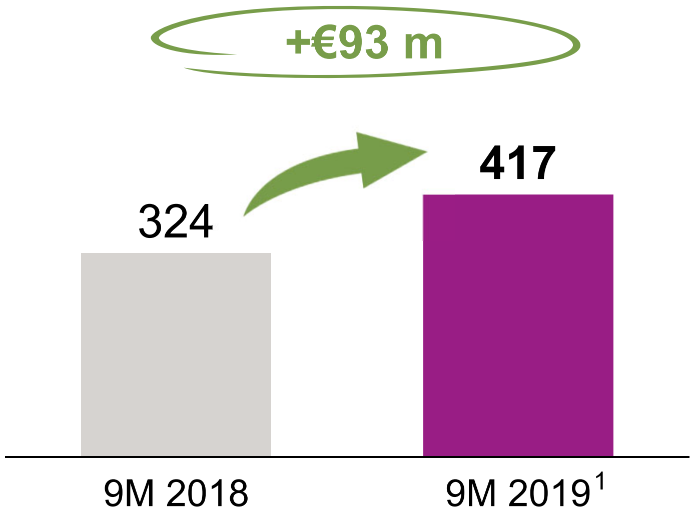
1. Outlook FY 2019
2. **Financial performance Q3 2019**

Free Cash Flow 9M 2019

On track to significantly higher FCF in FY 2019

Free Cash Flow 9M 2019 (in €m, continuing operations)



- FCF improved by €93 m in 9M 2019
- … despite lower EBIT
- … and higher bonus payments (for fiscal 2018)
- Operating cash flow in 9M benefitting from lower cash outflows for NWC and pensions (CTA effect)
- Capex discipline: reduction by €81 m yoy

1. Extraordinary carve-out taxes of €128 m (related to MMA divestment) not considered

Successful efficiency measures reflected in improved financial metrics

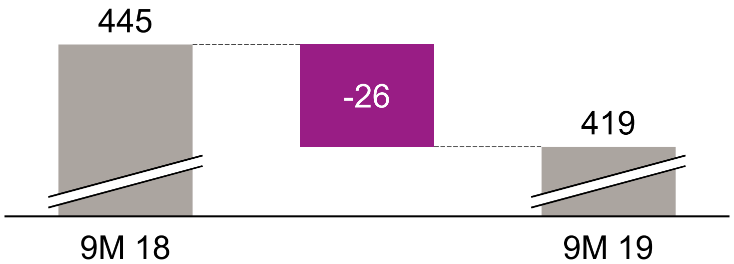
Overhead costs (9M 2019)

- Corporate/Other segment **>€50 m** below prior year
- All quarters with tangibly lower cost base yoy

New indication for **Corp/Other** segment in FY 2019:
"**Tangibly less negative** than 2018"

Admin expenses (9M 2019)

(in € m)

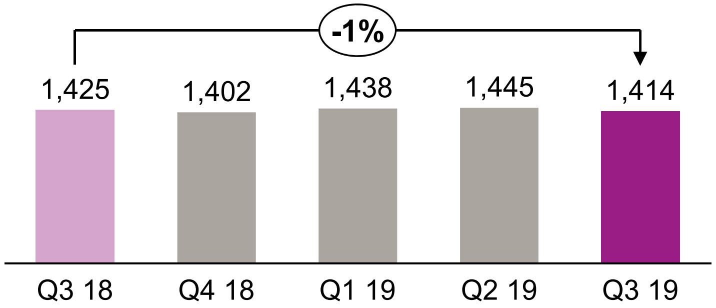


- €26 m (despite usual factor cost increases)

Further acceleration of savings in 2019

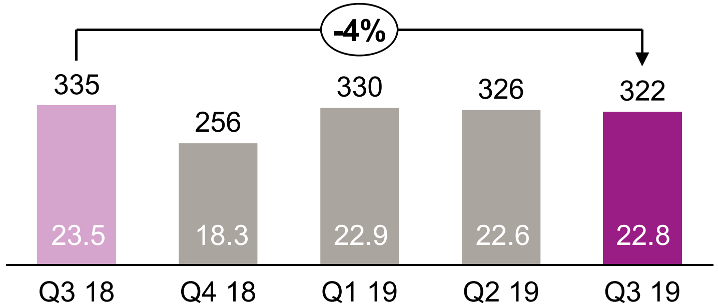
Resource Efficiency
Sequentially stable earnings in an unchanged challenging market environment

Sales (in € m)



Q3 19 vs. Q3 18	Volume	Price	FX	Other
	-3% ↘	+1% ↗	+1% ↗	0% →

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



- Difficult market environment for auto and coatings businesses rolled over into Q3
- Volumes in industry-linked Silica applications and Coating businesses impacted by economic downturn
- Solid pricing continued in Q3, maintaining high margin level of above 22%
- High Performance Polymers (ongoing strong PA12 business in industrial & consumer goods) and Crosslinkers (strong demand for IPD for wind industry) with resilient performance

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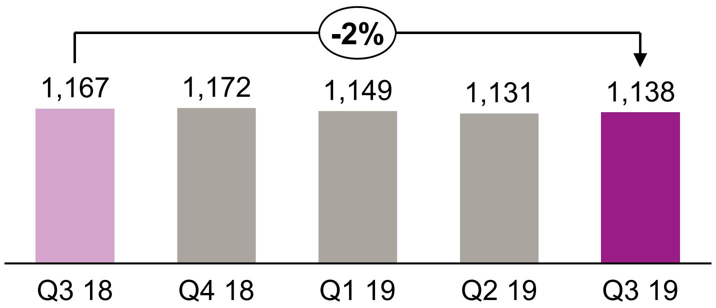
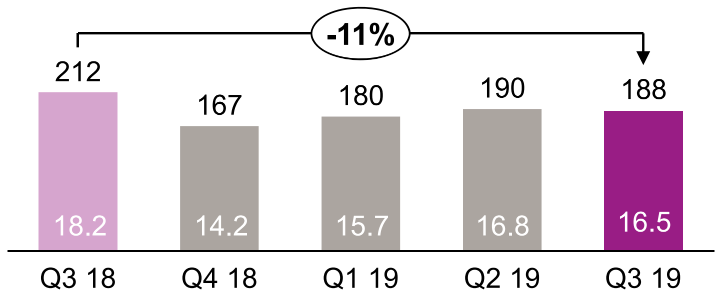
Nutrition & Care
Solid operational performance in resilient end markets

Sales (in € m)



Q3 19 vs. Q3 18	Volume	Price	FX	Other
	-1% ↘	-3% ↘	+2% ↗	0% →

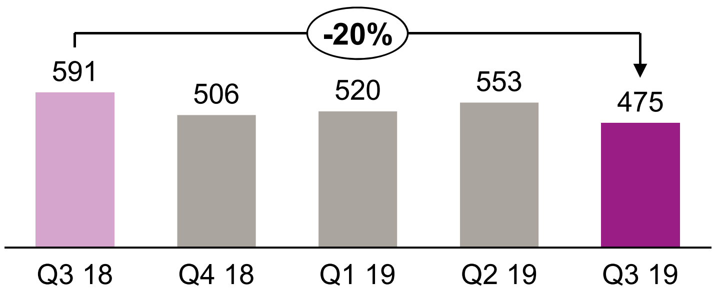
Adj. EBITDA (in € m) **/ margin** (in %)



- High demand in Animal Nutrition continues to be neutralized by planned shift from bulk to specialty products (in Care Solutions and for Veramaris JV)
- Robust contribution from Care Solutions and accelerating earnings in Health Care (FY 2019 back-end loaded)
- Methionine with ongoing strong volumes, sequentially slightly lower prices
- Successful implementation of efficiency programs throughout 2019 mitigate negative methionine price effect of > €100 m

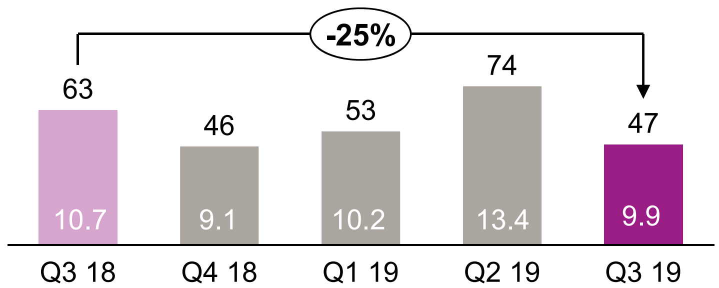
Performance Materials
Difficult quarter due to limited raw material availability and unexpected outage

Sales (in € m)



Q3 19 vs. Q3 18	Volume	Price	FX	Other
	-6% ↘	-10% ↘	0% →	-4% ↘

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



- Difficult market environment for petrochemical derivatives continuing. Additionally, C4 business impacted by limited raw material availability and unexpected outage (BD-plant in Antwerp) (combined EBITDA impact of ~€20 m in Q3)
- Prices down mainly due to yoy lower Butadiene spread
- Q4 earnings will be impacted by limited product availability for INA and DINP (compressor failure in C4 plant in Marl). Production constraints expected to be solved by mid-November. Expected impact on EBITDA in Q4: ~€10 m

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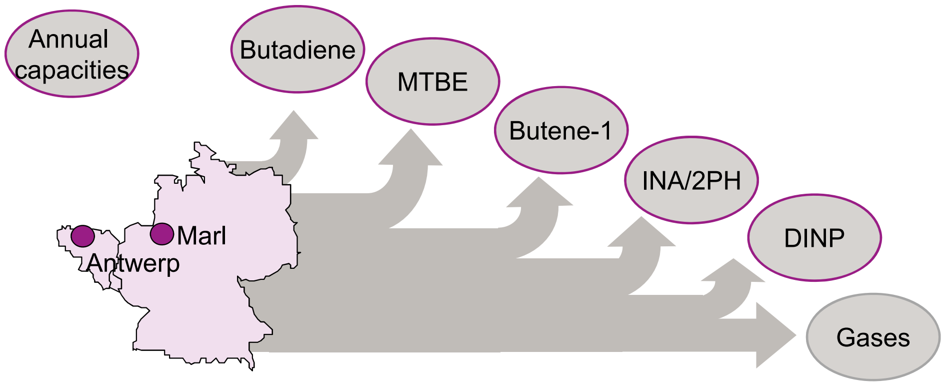
Performance Materials
Supply issues and production constraints throughout the year

Performance Materials



- **Integrated** production set-up based on supply of **crack C4** from crackers in Marl & Antwerp
- Evonik's **advantage** to make **complete use of all C4** fractions
- **High** plant **utilization crucial** for segment **earnings**

Challenges 2019

- **Q1** with limited raw material availability in Marl (supplier shutdown)
  - Impact on EBITDA in Q1: ~€10 m
- **Q3** with limited raw material availability in Antwerp (supplier shutdown) and unexpected turnaround in Antwerp (BD-plant)
  - Impact on EBITDA in Q3: ~€20 m
- **Q4** impacted by limited product availability due to compressor failure in Marl. Production constraints expected to be solved by mid-November.
  - Expected impact on EBITDA in Q4: ~€10 m

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Save the date

Capital Markets Day

London
1 April 2020

Details and invitation to follow shortly

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Additional indications for 2019

▪ Synergies from acquisitions (APD & Huber Silica)	**Additional synergies of ~€30 m** (total synergies: ~€70 m)
▪ PeroxyChem	Not included in outlook
▪ ROCE	**Slightly below** (previously: above) **cost of capital** (10.0% before taxes) and below (previously: 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	**Slightly above the level of 2018** (previously: around the level of 2018; 2018: €100 m)
▪ Adj. EBITDA Corporate / Others	**Tangibly less negative than 2018** (previously: slightly less negative (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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Modelling support: Summary of Q3 & Q4 effects

[yoy in €m]	Q3 effect	Q4 effect (expected)	Total
Performance Materials[1]	-20	-10	**-30**
Licenses RE		+40	**+40**
SG&A ahead of plan	+10	+10	**+20**
Add. contingency measures	+5	+15	**+20**

1. Limited raw material availability and unexpected outage Butadiene plant in Q3; limited product availability (compressor failure) in Q4

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Outlook 2019:
EBITDA outlook confirmed, sales now expected slightly lower

"slightly lower sales"
(FY 2018: €13,267 m)

- With regards to the challenging macro environment we revised our sales outlook for 2019
- Sales on group level are expected to be **slightly below prior year's level** (previously: at least stable)

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

- EBITDA guidance on **group level confirmed**

– **Update** on segment guidance:
  – **Nutrition & Care** slightly lower (confirmed)
  – **Resource Efficiency** slightly higher (confirmed)
  – **Performance Materials lower** (previously: around level of last year)
  – **Services** and **Corporate/Other** with **tangibly lower** cost base

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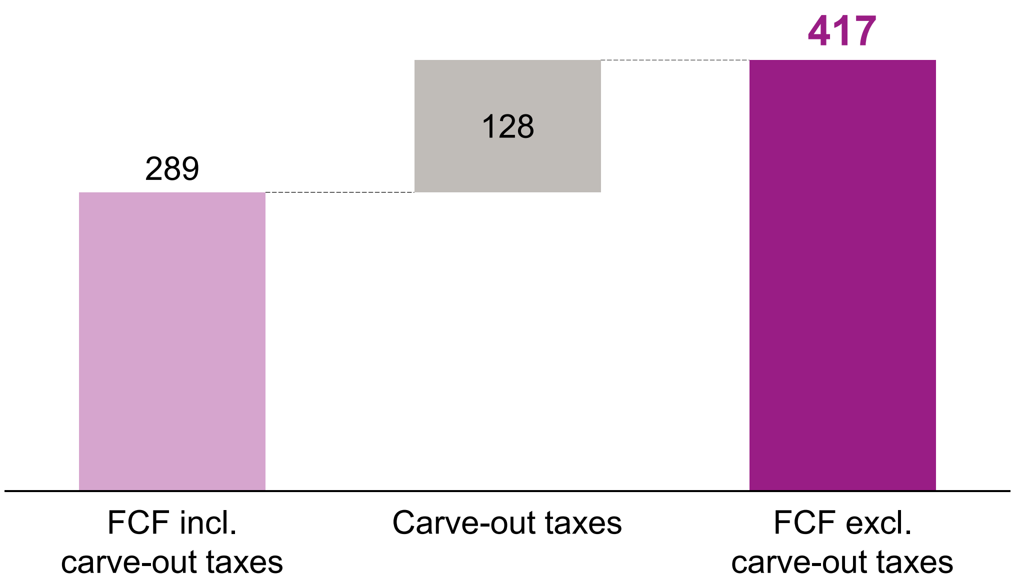
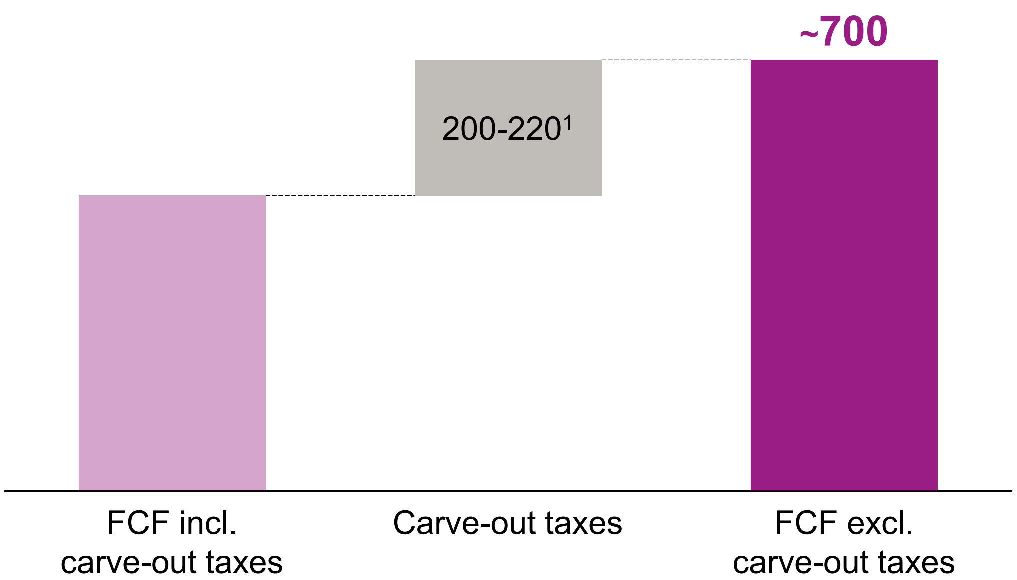
Free Cash Flow 9M & FY 2019

Carve-out taxes related to MMA divestment to be fully paid in Q3 & Q4 2019

Free Cash Flow 9M 2019
(in €m, continuing operations)



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



1. Carve-out taxes expectation for FY 2019 €200 m– €220 m (previously: €260 m)

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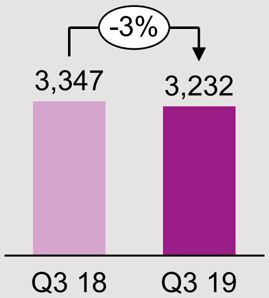
Financial highlights Q3 2019

Solid performance despite ongoing macro headwinds

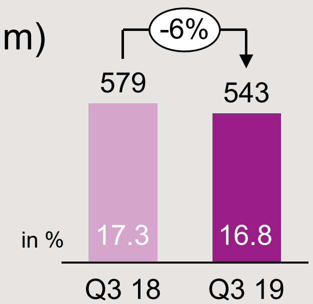
Sales
(in € m)



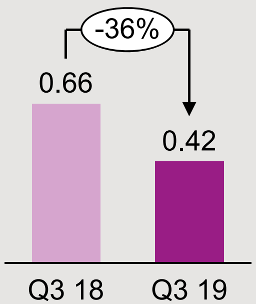
Q3 2019 vs. Q3 2018

Volume	Price
-3% ↘	-2% ↘
FX	**Other**
+2% ↗	0% →

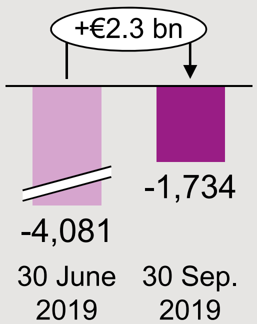
Adj. EBITDA (in € m) / margin (in %)



Adj. EPS
(in €)



Net financial debt position
(in € m)



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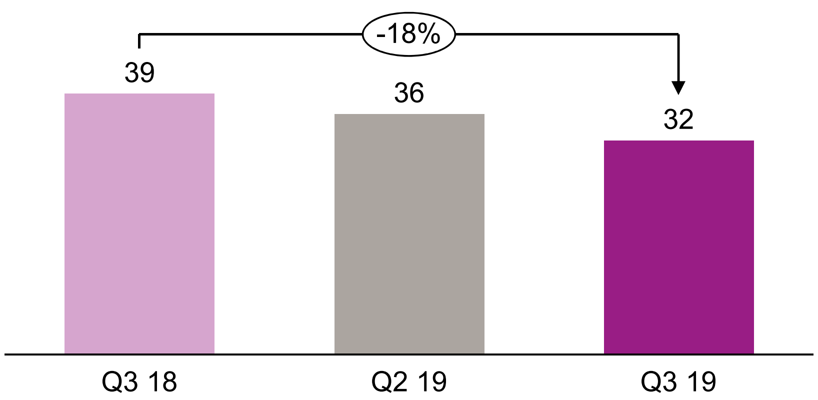
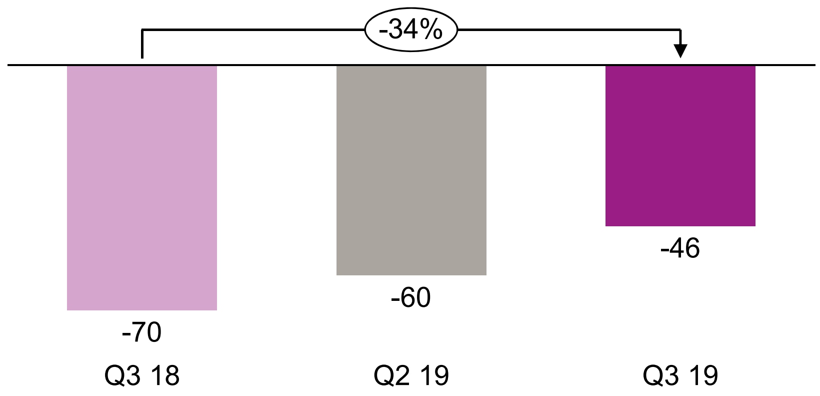
Services and Corporate / Others

Services: adj. EBITDA (in € m)



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

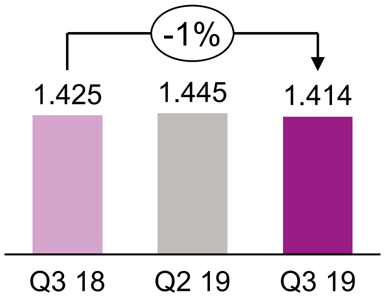


- 9M run rate of €99 m in line with new guidance ("slightly above the level of 2018"; 2018: €100 m)
- YTD positive impact from cost savings and IFRS 16

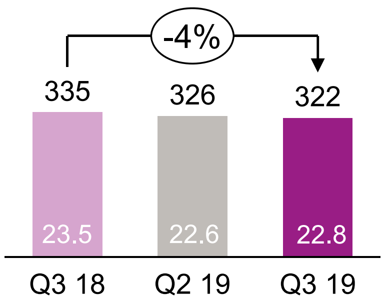
- Strict cost discipline clearly visible in Corporate/Others segment with positive effects from SG&A as well as additional contingency measures

Resource Efficiency
Q3 2019 Business Line comments

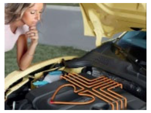
Sales (in € m)



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



Crosslinkers: Continued good demand for composites applications from wind energy market in China. Earnings supported by favourable product mix and raw material prices (Acetone).



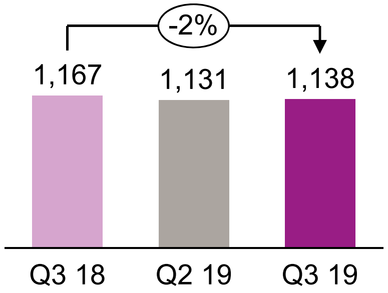
High Performance Polymers: Another good quarter, innovations like membranes and 3D printing applications supported demand for polymers.

Silica: Tire business holding up well due to intact replacement market, slower demand for industry-linked applications like sealants and silicones for automotive.

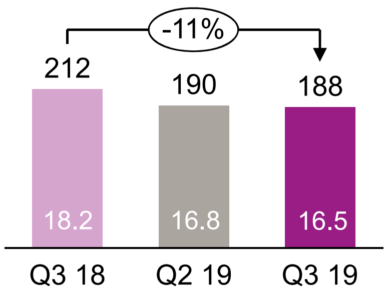
Coating Additives: Weaker due to ongoing macro slowdown, especially in container coatings and automotive.

Nutrition & Care
Q3 2019 Business Line comments

Sales (in € m)

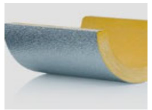


Adj. EBITDA (in € m) **/ margin** (in %)



Care Solutions: Good performance of Cosmetic Solutions and Active Ingredients in 2019. Overall lower volumes due to planned upgrade in product mix.

Health Care: As anticipated, business in Q3 picking up significantly (qoq). Also Q4 expected strong due to back-end loaded phasing of earnings. Overall, FY 2019 with yoy stable earnings (due to end of large legacy contract).



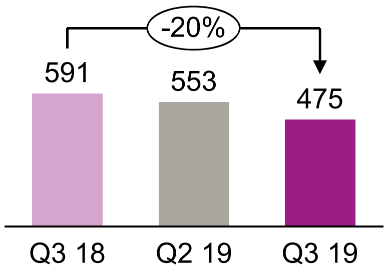
Comfort & Insulation: Subdued business in auto-related applications more than compensated by higher demand from consumer durables and isolation end-markets.

Baby Care: Improvement from a low base continuing. Self-help measures with positive effect on margin as well as yoy more favorable time-lag effects from raw material prices.

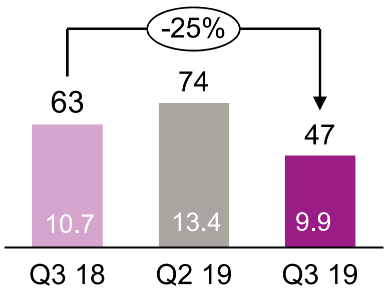
Animal Nutrition: Methionine with ongoing strong volumes, sequentially slightly lower prices

Performance Materials
Q3 2019 Business Line comments

Sales (in € m)



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




Performance Intermediates:
Lower volumes in PI due to unexpected plant outage in Antwerp in combination with limited raw material availability.

Prices down mainly due to yoy noticeably lower Butadiene spread.

Good MTBE development to persist in Q3 due to strong gasoline demand in combination with cracker outages. Contrarily, globally weaker market for petrochemical derivatives (INA, Butene-1).


Functional Solutions:
Solid performance continues. Divestment of non-core Jayhawk site (October 2018) compensated by 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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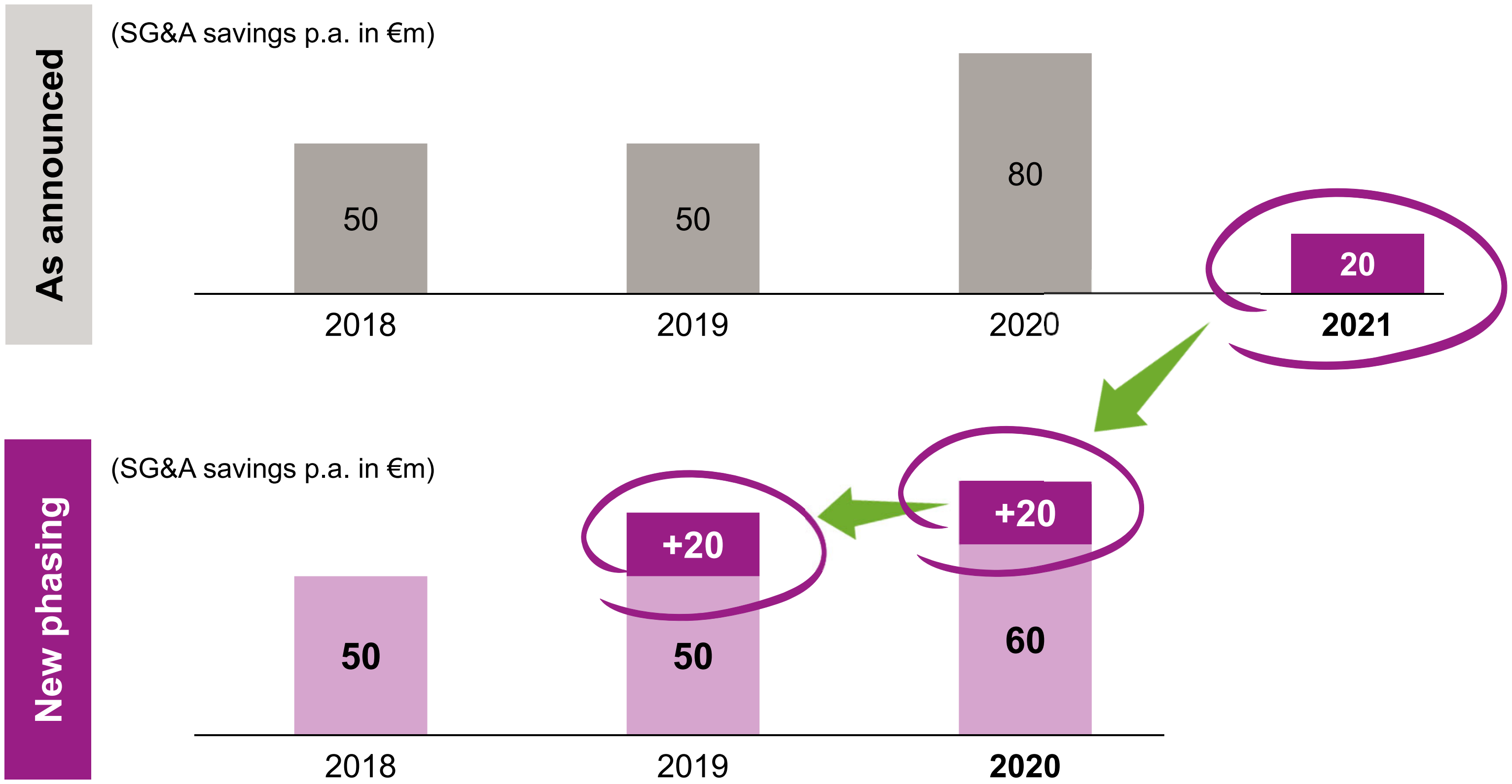
SG&A 2020 – progressing faster than expected
Full saving potential already realized by end of 2020



€200 m savings potential by end of **2021**

€200 m savings already realized by end of **2020**

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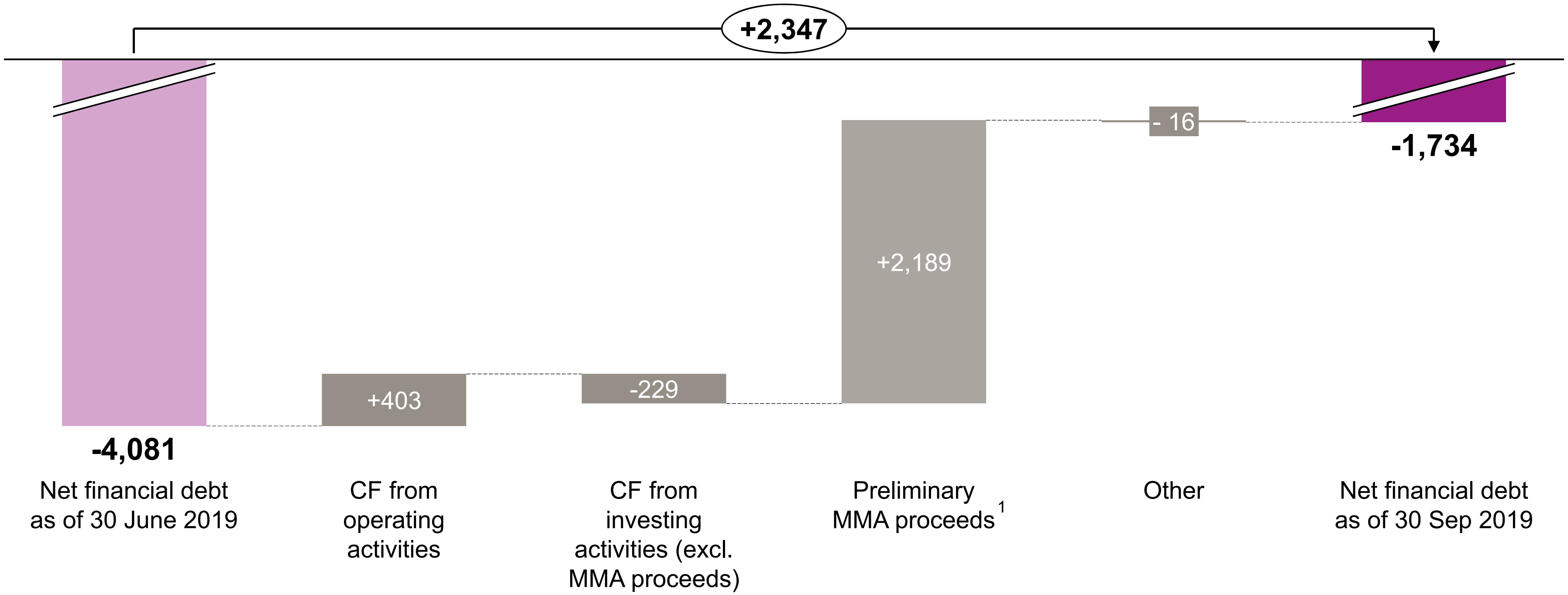
Net financial debt position development Q3 2019 (continued operations)

(in € m)



1. Contractual agreements such as the final valuation of net working capital after closing will result in changes in the purchase price into the first half of 2020

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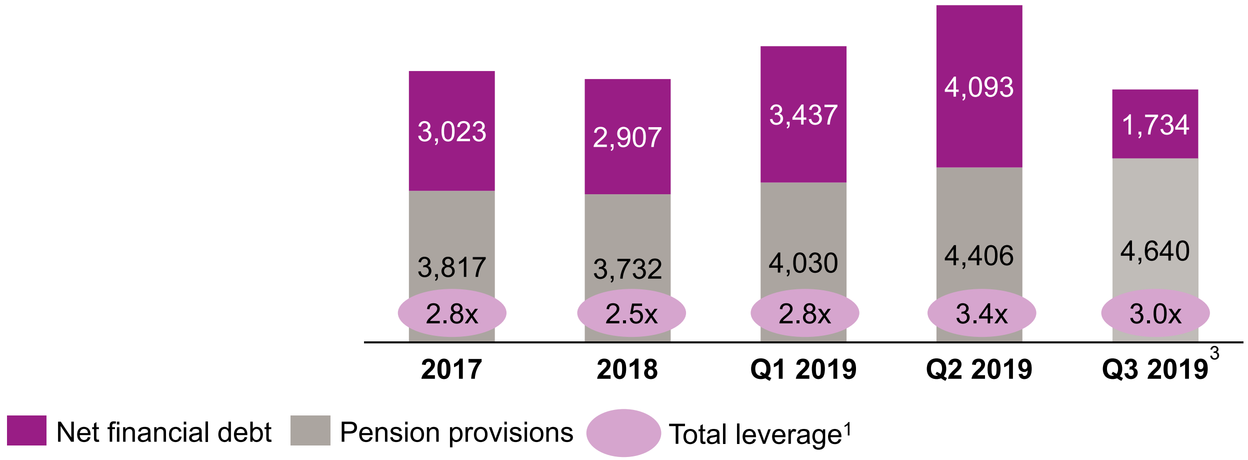
Development of net debt and leverage over time

From Q3 2019 onwards excluding discontinued operations

(in € m)

	2017	2018	Q1 2019	Q2 2019	Q3 2019[3]
Net debt	**6,840**	**6,639**	**7,467**	**8,499**	**6,374**



	2017	2018	Q1 2019	Q2 2019	Q3 2019
Discount rate global (in %)[2]	2.12	2.15	-	-	-
Discount rate Germany (in %)	2.00	2.00	1.75	1.50	1.00

- Net financial debt decreased as per Q3 2019 (vs Q2) mainly due to proceeds from the MMA disposal
- **Net financial debt** leverage **at 0.7x** as per Q3 2019
- Pension provisions increased by ~€0.2 bn (despite €0.6 bn pension transfer from MMA disposal) based on a sharp decline of the German discount rate to 1.0%
- Pension provisions are partly balanced by corresponding deferred tax assets of ~€1.6 bn as per Q3 2019
- Almost 75% 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. Continuing operations (excluding MMA)

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Adjusted income statement Q3 2019

in € m	Q3 2018	Q3 2019	∆ in %
Sales	**3,347**	**3,232**	**-3**
Adj. EBITDA	**579**	**543**	**-6**
Adj. depreciation & amortization	-203	-250	
Adj. EBIT	**376**	**293**	**-22**
Adj. net financial result	-37	**-63**	
D&A on intangible assets	33	**35**	
Adj. income before income taxes	**372**	**265**	**-29**
Adj. income tax	-60	**-65**	
Adj. income after taxes	**312**	**200**	**-36**
Adj. non-controlling interests	-5	**-5**	
Adj. net income	**307**	**195**	**-36**
Adj. earnings per share	**0.66**	**0.42**	**-36**
Adjustments	-12	**-74**	

Adj. depreciation & amortization:

- Increase in D&A mainly due to IFRS 16 and first depreciation of new methionine plant

Adj. net financial result:

- Overall lower interest rate level leads to:
  - Negative interest on short-term securities (higher expenses)
  - Higher interest expenses as a result from discounting of long-term provisions

Adj. tax rate:

- Q3 2019 adj. tax rate of 25%, 9M 2019 at 22%, in-line with full year guidance (around 23%)

Adjustments:

- Restructuring -€6 m: SG&A 2020 related
- Impairments -€34 m: for coal power plant in Marl (Germany), which is replaced by natural gas power plant in 2022
- Acquisitions/divestments -€17 m: related to M&A transactions

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Cash flow statement Q3 2019

in € m	Q3 2018	Q3 2019
Income before financial result and income taxes	364	**219**
Depreciation and amortization	198	**286**
Δ Net working capital	-48	**+3**
Change in provisions for pensions & other post-employment benefits	-54	**-34**
Change in other provisions	+73	**+46**
Change in miscellaneous assets/liabilities	+37	**+6**
Cash outflows from income taxes	-68	**0**
Extraordinary carve-out taxes related to MMA divestment	0	**-128**
Others	-2	**5**
Cash flow from operating activities (continuing ops.)	**500**	**403**
Cash outflows for investment in intangible assets, pp&e	-222	**-210**
FCF (excl. extraordinary carve-out taxes related to MMA divestment)	**278**	**321**
Cash inflows from divestment of businesses	0	2.189
Cash flow from investing activities (continuing ops.)	**-235**	**757**
Cash flow from financing activities (continuing ops.)	**-128**	**-219**

CF from operating activities

- Higher D&A mainly due to IFRS 16, first depreciation of new methionine plant and impairment on the coal power plant in Marl
- Stable NWC due to strict NWC management
- Lower cash-out for pension provisions mirrors positive effect from CTA reimbursement in 2019
- Cash out for taxes: No cash-out for income taxes in Q3 due to phasing in tax payments over the year and higher prepayments; Q3 2019 with €128 m of carve-out taxes related to the MMA divestment (€200 - 220 m expected for FY 2019)

CF from investing activities

- A part of MMA proceeds of €2.2[1] bn immediately invested in securities resulting in CF from investing activities of €757 m

1. Contractual agreements such as the final valuation of net working capital after closing may result in changes in the purchase price into the first half of 2020

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Segment overview by quarter – continuing operations

Sales (in € m)	Q1/18	Q2/18	Q3/18	Q4/18	**FY 2018**	Q1/19	Q2/19	Q3/19
Nutrition & Care	1,119	1,189	1,167	1,172	**4,646**	1,149	1,131	1,138
Resource Efficiency	1,402	1,478	1,425	1,402	**5,708**	1,438	1,445	1,414
Performance Materials	563	573	591	506	**2,233**	520	553	475
Services	160	169	161	175	**664**	174	171	196
Corporate / Others	3	4	3	6	**16**	6	6	9
Evonik Group	3,247	3,413	3,347	3,261	**13,267**	3,287	3,306	3,232

Adj. EBITDA (in € m)	Q1/18	Q2/18	Q3/18	Q4/18	**FY 2018**	Q1/19	Q2/19	Q3/19
Nutrition & Care	209	222	212	167	**810**	180	190	188
Resource Efficiency	324	367	335	256	**1,283**	330	326	322
Performance Materials	60	71	63	46	**239**	53	74	47
Services	35	25	39	0	**100**	31	36	32
Corporate / Others	-74	-69	-70	-67	**-282**	-55	-60	-46
Evonik Group	554	616	579	402	**2,150**	539	566	543

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Upcoming IR events

Conferences & Roadshows	
6 November 2019	Roadshow, Frankfurt
6-7 November 2019	Roadshow, London
13 November 2019	UBS European Conference, London
14 November 2019	Roadshow, Dublin
25 November 2019	UBS Senior Investor Day, Munich
28 November	Kepler Cheuvreux One-Stop-Shop, Amsterdam
2 December 2019	Berenberg European Corporate Conf., London Pennyhill
3 December 2019	Bank of America Chemicals Conference, London
4 December 2019	Societe Generale Premium Review, Paris
14-15 January 2020	Commerzbank German Investment Seminar, New York
16 January 2020	Baader German Corporate Day, Toronto
17 January 2020	Roadshow Montreal
20-21 January 2020	Kepler Cheuvreux German Corporate Conference, Frankfurt

Upcoming Events & Reporting Dates	
4 March 2020	Q4/FY 2019 reporting
1 April 2020	Capital Markets Day, London
7 May 2020	Q1 2020 reporting
4 August 2020	Q2 2020 reporting
3 November 2020	Q3 2020 reporting

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