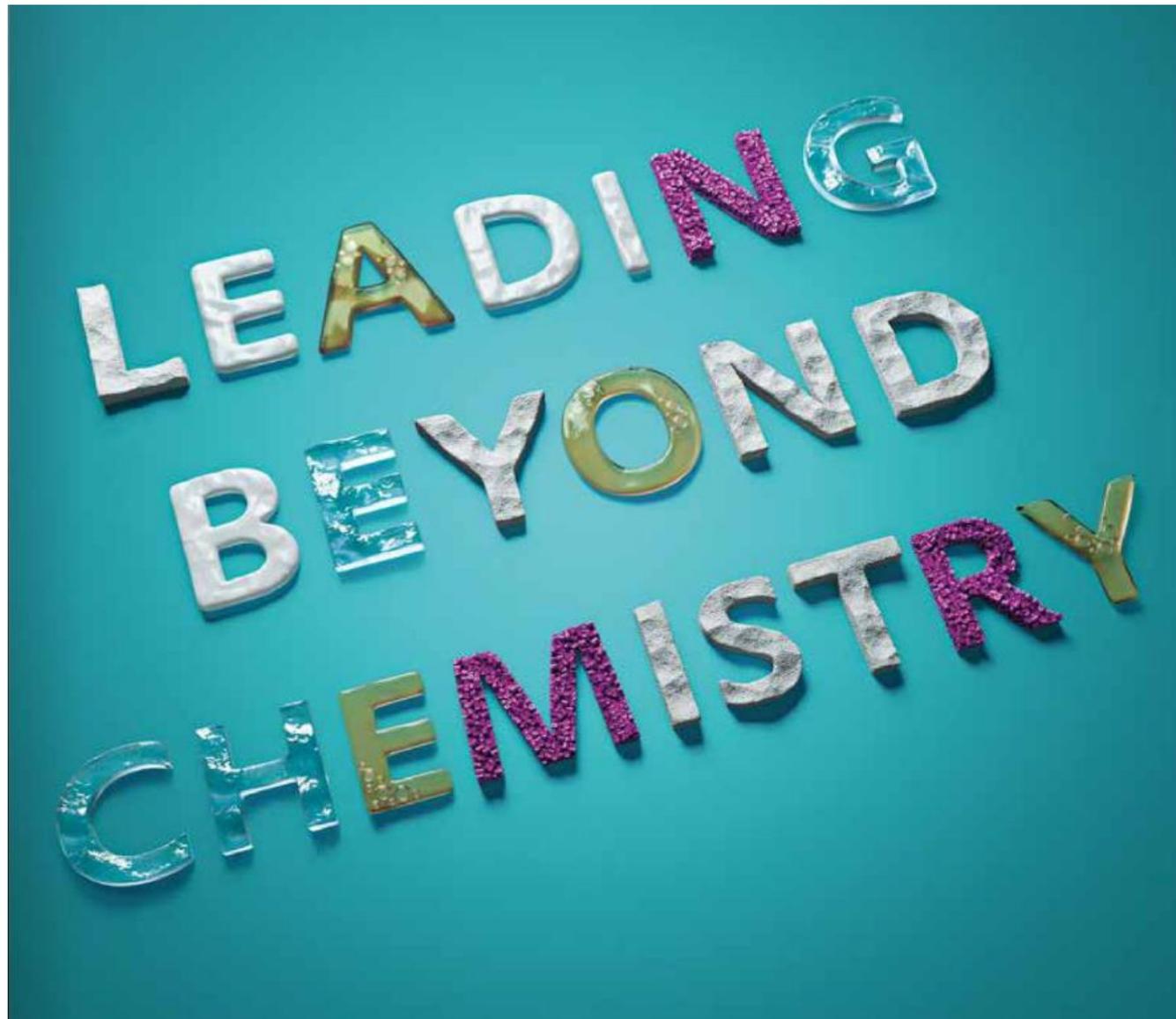


# Evonik

## Leading Beyond Chemistry

Company Presentation Q2 2021



## Key messages Q2 2021

### Strong Q2 and sustained positive dynamic into H2 driving outlook uplift

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- Strong Q2 performance with adj. EBITDA of €649 m clearly above pre-pandemic level (+15% vs Q2 2019)
- “Specialty growth”: Growth divisions with 18% higher adj. EBITDA vs. Q2 2019
- Structural growth drivers well intact across all three growth divisions – sustainability as common theme
- Continued strong cash generation: On track to extend 40% cash conversion track record also in FY 2021
- Sustained positive dynamic into H2 – raw material price impact balancing out across the portfolio
- FY 2021 adj. EBITDA outlook raised to €2.3 to 2.4 bn – likely ending up in upper part of range

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# LEADING BEYOND CHEMISTRY TO IMPROVE LIFE, TODAY AND TOMORROW

# Leading Beyond Chemistry – Our purpose

Evonik on the way to become a best-in-class specialty chemicals company



Video “We are Evonik”

Leading ...

- Leading market positions in **80%** of our business
- Leading **key financial indicators**

... Beyond ...

- **Connecting skills** and perspectives
- Develop **solutions** together with partners
- **Sustainability** key driver of growth

... Chemistry

- Clear focus on **specialty chemicals**
- Target **100% specialty** portfolio

# Leading Beyond Chemistry – Growth divisions

## Specialty chemicals portfolio with strong positioning and attractive financials

Strong positioning ...

... and attractive financials<sup>1</sup>

### Specialty Additives



Wide range of additives for **maximum performance** which make the key difference

	Sales:	€3,225 m
	Margin:	27%
	ROCE:	16%

### Nutrition & Care



Sustainable solutions for basic human needs in **resilient end markets** like pharma, personal care and animal nutrition

	Sales:	€2,992 m
	Margin:	19%
	ROCE:	8%

### Smart Materials



Innovative materials that enable **environmentally-friendly solutions** for mobility, environment and urbanization

	Sales:	€3,235 m
	Margin:	16%
	ROCE:	6%

1: FY 2020

# Leading in Innovation – Growth fields and sales target

On track to achieve target of >€1 bn sales from innovation

## Innovation Growth Fields



Advanced Food  
Ingredients



Additive Manufacturing



Sustainable Nutrition



Cosmetic  
Solutions



Membranes



Healthcare  
Solutions

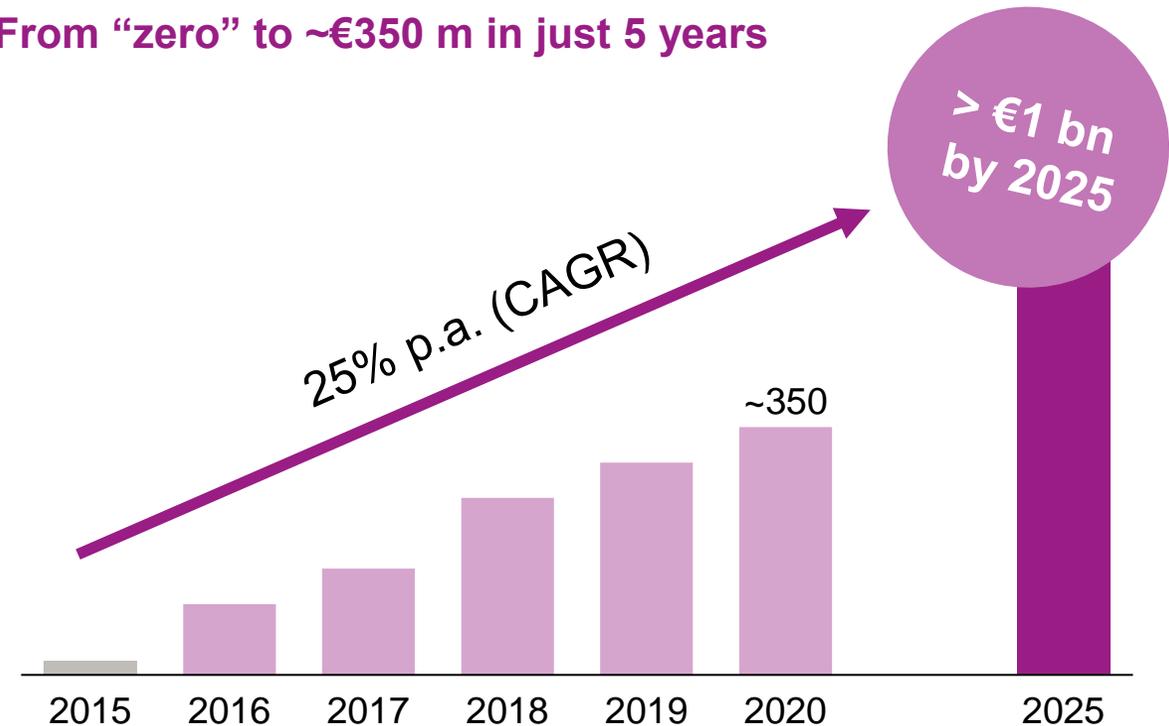


**Sizeable sales base** established  
in all growth fields

**Above-average margin** contribution

## Sales contribution Innovation Growth Fields

From “zero” to ~€350 m in just 5 years



# Evonik aligned to sustainability

## Sustainability as part of portfolio and strategic management processes

### Excellent Rankings



### Sector leading rankings

Evonik amongst leaders in all relevant ratings<sup>1</sup> – “A” MSCI ESG rating, EcoVadis “Platin” rating, “B-” ISS Oekom and “A-” CDP rating

1: See presentation back-up for rating details

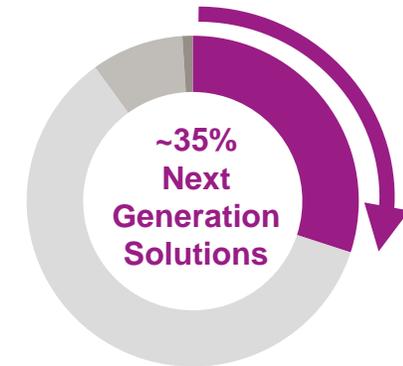
### Environmental Targets



### Ambitious environmental targets

Evonik’s sustainability strategy 2020+ with ambitious climate and water targets

### Portfolio Management



### Portfolio aligned to sustainability

~35% of sales with products and solutions with a clearly positive sustainability profile that is above or well above the market reference level; integration of sustainability into strategic management processes and decisions

# Evonik – A compelling equity story today and tomorrow

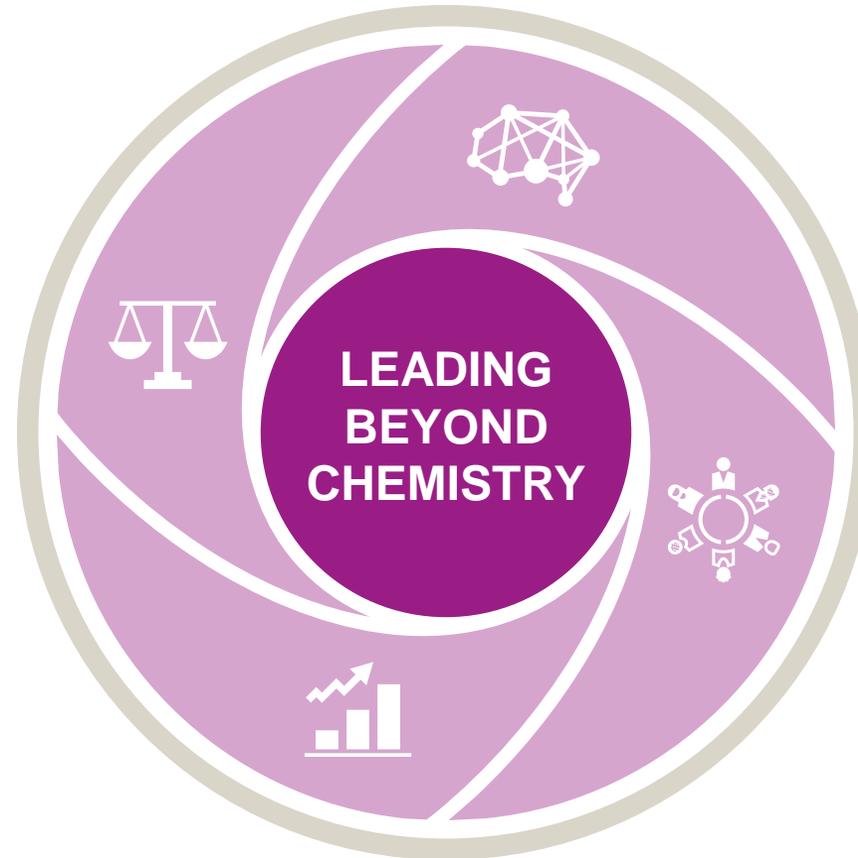
## Leading beyond chemistry to drive shareholder value

### Ongoing portfolio transformation

- Target: Specialty portfolio with 100% growth businesses

### Ambitious financial targets

- EBITDA margin: 18-20%
- Cash conversion ratio: >40%
- ROCE: 11%



### Innovation & Sustainability as growth drivers

- €1 bn additional sales from innovation growth fields by 2025
- Growing portfolio share of “Next Generation Solutions”

### Performance-driven corporate culture

- Further drive gender and cultural diversity
- Deliver on efficiency programs in Administration & Operations

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# Targeting excellence in three strategic focus areas

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## Innovation

Clearly defined growth fields  
& bundling of cross-business  
competencies



## Portfolio

Specialty portfolio with  
100% growth businesses

## Culture

Open & performance-oriented culture



# Performance-oriented culture

Major lever of corporate culture with increased capital market focus

## Cost awareness

- Streamlined organization with high cost awareness on all levels
- Admin expenses structurally lowered by ~€200 m since 2017

## Corporate Values

- Values “Performance”, “Trust”, “Openness” and “Speed” as guidelines for Evonik’s operations
- Bottom-up initiatives like internal “Speed up Conferences” support cultural change

## Performance Management

- Group-wide incentive system strictly aligned to financial targets on all levels
- Clearer differentiation of individual performance levels (“Top”, “Good”, “Low”)

## Diversity

- Living diversity is one of the keys to Evonik’s economic success
- Targets for gender diversity and intercultural mix implemented





# Innovation strategy

## Targeted approach for market-leading innovations



### Targeted approach

- **Central steering** of innovation activities
- Focus on **innovation growth fields** with clearly assigned responsibilities
- Bundling of **cross-business competencies** in dedicated R&D hubs



### Sustainability focus

- Sustainability as **key driver** for future innovation initiatives
- Sustainability criteria and KPI's **integrated** into innovation process
- Continuous **sustainability analysis** of introduced products



### Process innovations

- Higher focus on **process innovations** to drive operational excellence
- Integrate process innovations into continuous improvement process
- **Lower capex and opex levels** for capacity expansions



# Innovation pipeline – examples

A well-filled R&D pipeline with differentiated target horizons

**Short-term**



## Additive Manufacturing

- Evonik’s 3D printing portfolio as beneficiary from trend “prototyping only” into real series production



**Mid-term**



## Biosurfactants

- Based on Evonik’s leading biotechnology know-how
- 100% renewable natural resource & biodegradable



**Long-term**



## Precision Livestock Farming

- Digital solutions to optimize every aspect of livestock production – in one holistic approach

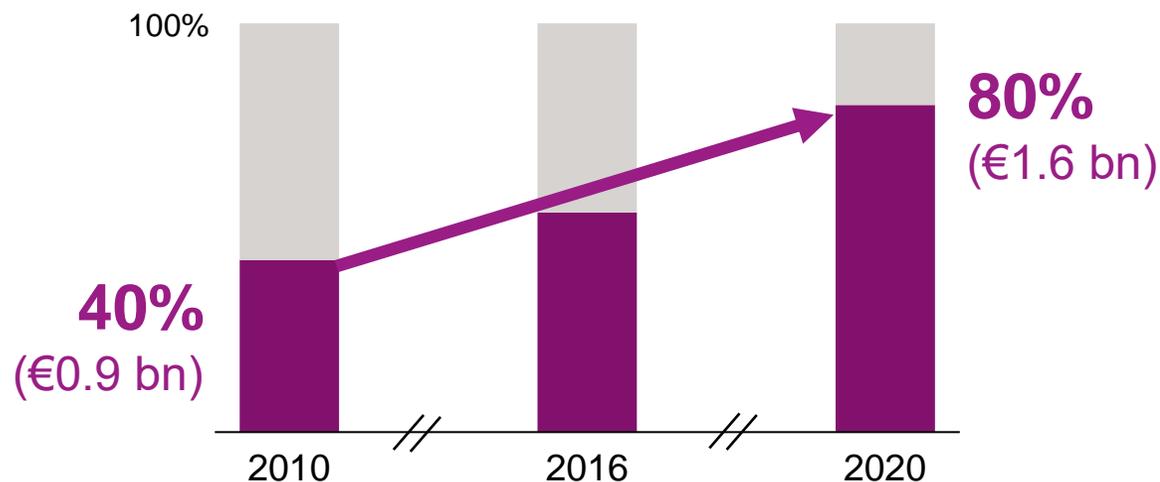




# Portfolio transformation – More balanced and more specialty

## Portfolio quality significantly improved – today 80% specialty businesses

### Adj. EBITDA operating businesses



### Portfolio characteristics

- **Specialty businesses** now represent **~80%** of EBITDA<sup>1</sup>
- Specialty businesses with 10-year track record of **3pp higher annual organic earnings growth**<sup>2</sup>

Specialty businesses: Specialty Additives, Smart Materials, Health & Care (excl. Animal Nutrition & Performance Materials)

1: Calculation for operating businesses excluding T&I / Other | 2: organic EBITDA CAGR Specialty vs. Total Operating Businesses (excl. M&A) 2010 – 2020



# Portfolio transformation – Active M&A management

## Decisive and value-accretive portfolio management

### Divestments

~€2 bn cyclical sales

sold at attractive valuation  
(**8.5x** EV/EBITDA)

Ø EBITDA margin: ~**15%**<sup>1</sup>



### Acquisitions

>€2 bn resilient sales

Ø multiple of **9.1x** EV/EBITDA  
(incl. synergies)

Ø EBITDA margin: ~**22%**

Delivery of synergies on track (€80 m by end of 2020)



## Decisive and value-accretive portfolio management

- Portfolio cyclicalities & Capex intensity reduced
- More resilient EBITDA margin and improved cash profile

Divestments: Methacrylates business sold for EV of €3 bn (8.5x EV/EBITDA) in 07/2019

Acquisitions: Air Products specialty additives business for US\$3.8 bn (9.9x EV/EBITDA incl. synergies & tax benefits) in 01/2017 | Dr. Straetmans cosmetics business in 05/2017

Huber Silica business for US\$630 m (~7x EV/EBITDA incl. synergies & tax benefits) in 09/2017 | PeroxyChem for US\$640 m (7.6x EV/EBITDA incl. synergies) in 02/2020 | Porocel for US\$210 m (9.1x EV/EBITDA) in 11/2020

1: 2014-2019



# Portfolio transformation – Spotlight on acquisitions

## Targeted acquisitions to improve quality of growth divisions



(2017)



### Specialty Additives

- Creating a **global leader** in Specialty & Coating Additives
- **High margin** and **resilient business** with low capital intensity and strong cash generation



(2017)



### Nutrition & Care

- Combination of preservatives know how with emulsifier know how of Evonik
- **Expanded formulation skills** in one hand, thus enhanced capability to offer formulation packages



(2017)



ADSORBENTS, CATALYSTS & SERVICES

(2020)



### Smart Materials

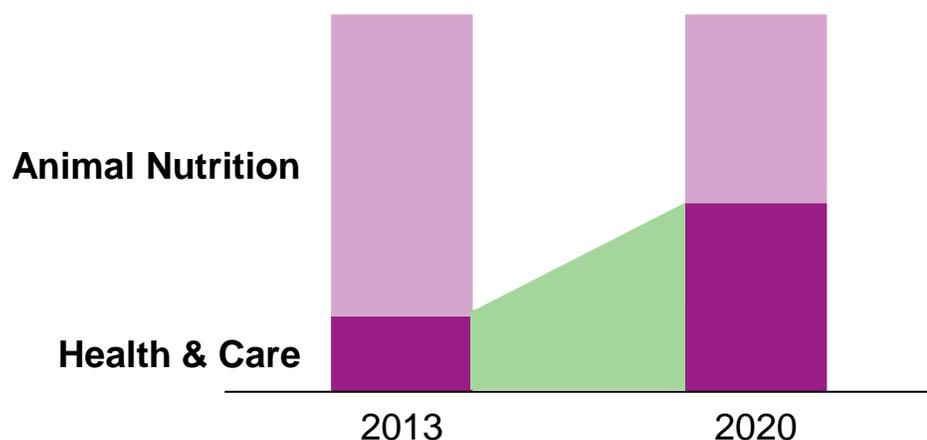
- **Portfolio expansion** by sustainable specialty applications for **dental silica**, **hydrogen peroxide** and **catalysts**



# Portfolio transformation – Product mix shift

## Diversification of earnings in Nutrition & Care

### Nutrition & Care EBITDA share by sub-division



- Above-average growth in **Health & Care** with main growth drivers
  - Drug Delivery Systems
  - Active Cosmetics Ingredients
- Normalization of Methionine price since 2013

### System Solutions as growth driver

#### Drug Delivery Systems in Health Care:



- Integrated portfolio for targeted delivery and controlled release (oral & parenteral)
- Example: Lipid nano particles for vaccination, cell and gene therapy

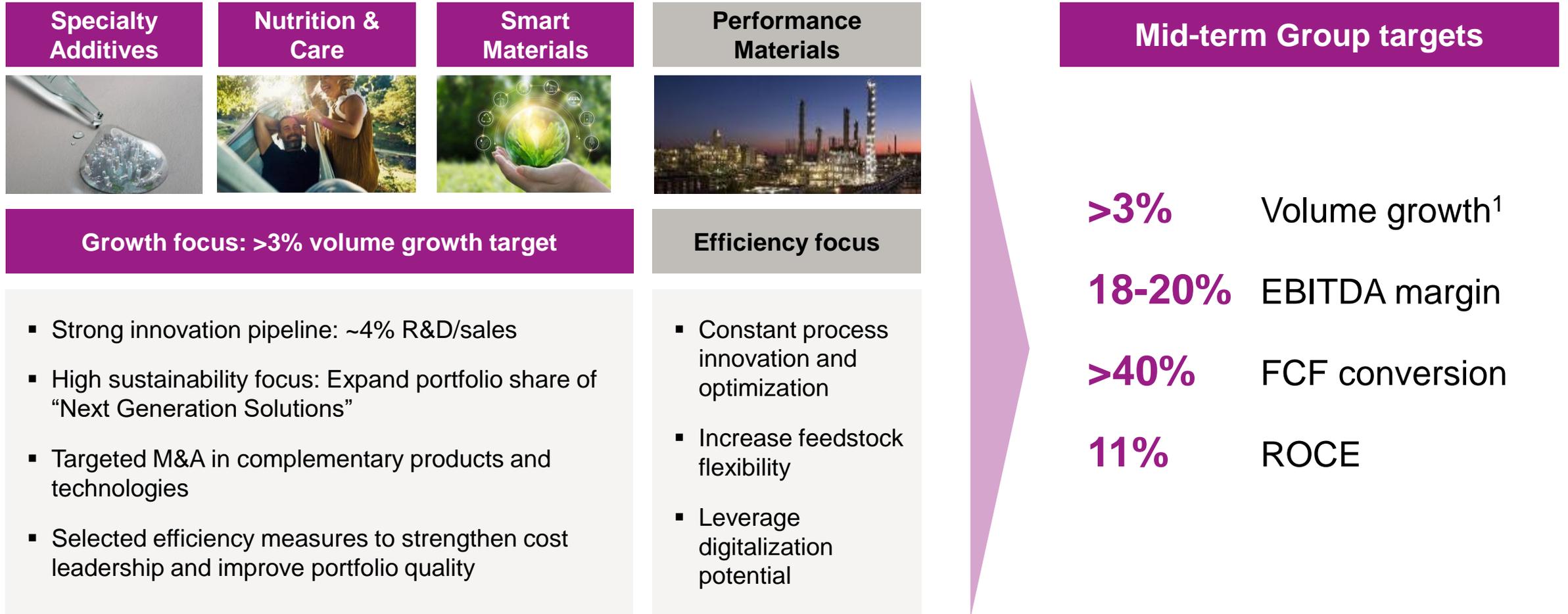
#### Active Ingredients in Care Solutions:



- Ingredients with proven benefit
- Example: Ceramides as Ready-to-Use restoring protective skin barrier function
- Double-digit sales growth with high margins

# Strategic agenda going forward

## Clear strategic and financial targets



1: In growth divisions over the cycle

# Capital allocation

## Priorities for capital deployment

### Our capital allocation priorities



#### Efficient capex allocation

- Strict **capital allocation criteria**
- Optimized Capex spending on **continuously lower level**
- Investment projects **contributing to financial targets**



#### Attractive dividend

- Shareholder return mainly via **attractive dividend**
- **Stable to rising** dividend going forward



#### Targeted M&A

- Strong **strategic fit** in our portfolio
- Contributing to **defined financial targets**
- **Strict return criteria**
- High level of **synergies**



#### Healthy balance sheet level

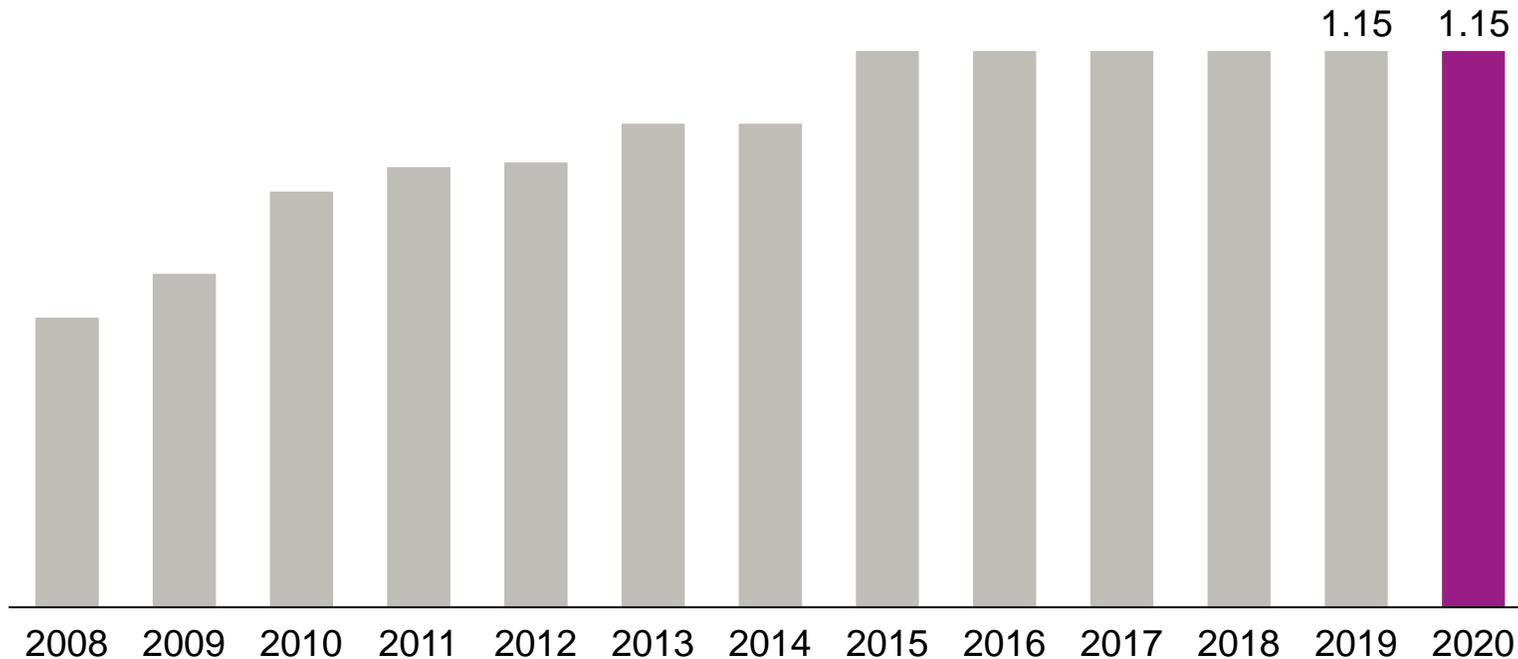
- Maintaining a **solid investment grade rating**
- Solid balance sheet leaves **sufficient room** for **development of the group**

### Increasing shareholder value

# Spotlight on shareholder returns

## Reliable and attractive dividend policy

Dividend (in €) for FY



- **Attractive dividend yield of ~4%**
- Reliable dividend policy targeting:
  - **Dividend continuity**
  - **Adj. EPS and FCF growth** with potential for sustainable **dividend growth** going forward

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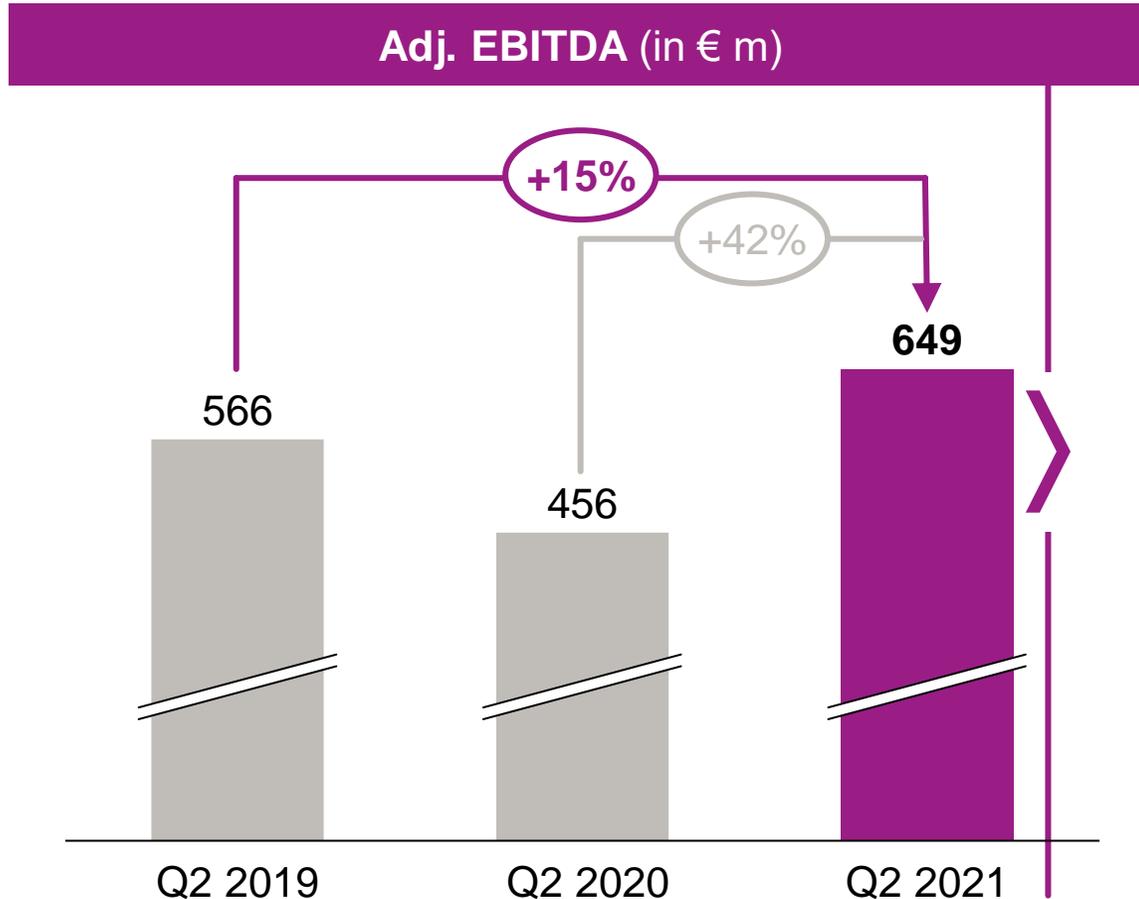
1. Evonik at a glance
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# Financial performance Q2 2021

## Another strong quarter for Evonik

Sales (in € m)	Adj. EBITDA (in € m)	Free cash flow (in € m)	Adj. EPS (in €)
<p><b>3,636</b></p> <p>(Q2 20: 2,827)</p>	<p><b>649</b></p> <p>(Q2 20: 456)</p>	<p><b>101</b></p> <p>(Q2 20: 96)</p>	<p><b>0.54</b></p> <p>(Q2 20: 0.34)</p>
<p>Based on both double-digit volume and price growth</p>	<p>Adj. EBITDA margin improved by 170bp to 17.8%</p>	<p>Improved FCF despite significant NWC outflow</p>	<p>Strong operational performance partly offset by extraordinary effects in financial result and tax rate</p>

# “Specialty growth”: Growth divisions with 18% higher EBITDA vs. Q2 2019



## Another strong quarter driven by “specialty growth”

- Adj. EBITDA 15% above Q2 2019 level
- Three growth divisions up by 18%  
... delivering ~85% of operational growth vs pre-crisis level<sup>1</sup>
- Naphtha factor-based C4 business in Performance Materials working as natural hedge against raw material price increases in other divisions

1: Three growth divisions with €90 m out of €105 m higher adj. EBITDA across all four operating divisions (vs. Q2 2019)

# Structural growth drivers well intact across all three growth divisions – Sustainability as common theme

€90 m

additional  
adj. EBITDA  
from growth  
divisions  
vs. Q2 2019



€62 m

## Nutrition & Care

### Strong performance broad-based:

- Improved pricing in Animal Nutrition
- First contribution from lipid deliveries to BioNTech
- Strong demand for active cosmetic ingredients



€16 m

## Specialty Additives

- High demand for sustainable additive solutions in coatings and construction industries



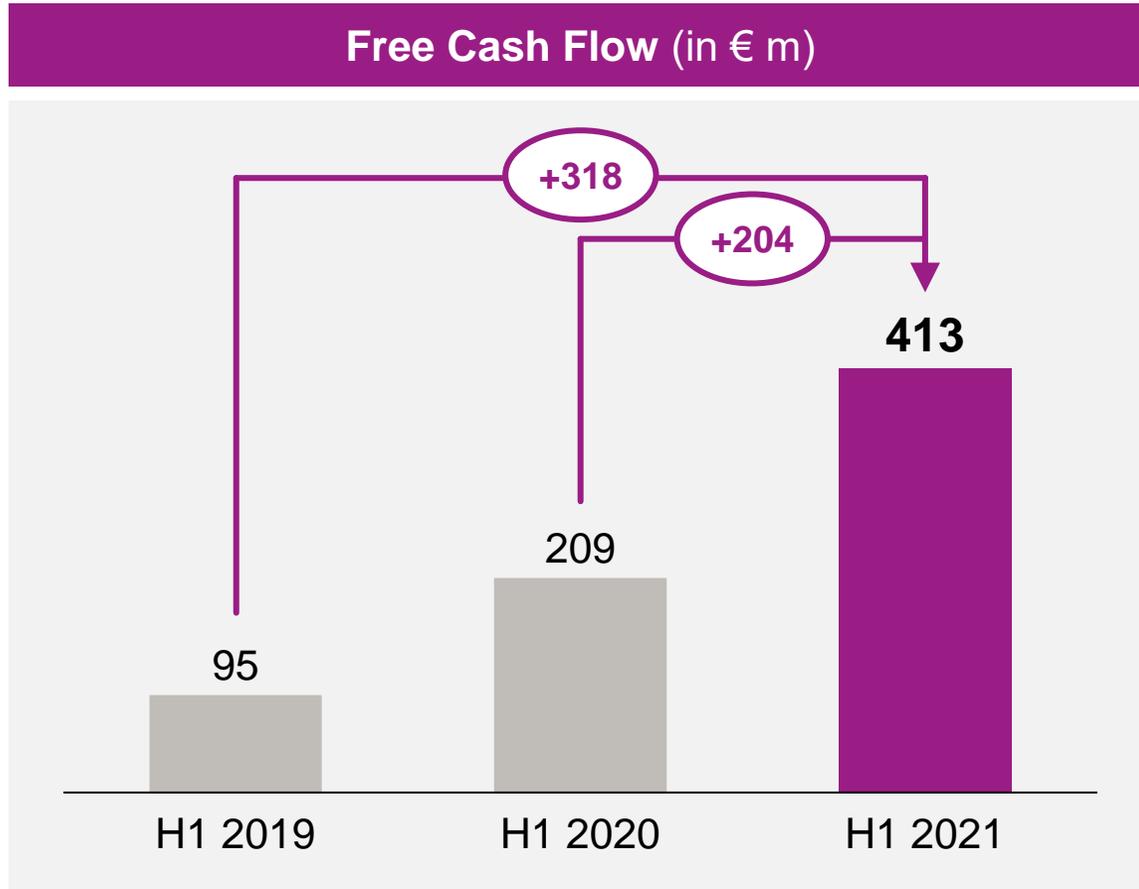
€12 m

## Smart Materials

- Progress in growth field “Eco-Solutions”; strong demand for gas filtering membranes and active oxygens specialties

# Free Cash Flow

## Record-high FCF generation in first half of 2021



### FCF at record-high level

- Best-ever FCF for a first half year
- Well above both 2019 and 2020 level
- Strong basis for **continued track record of FCF growth** also in 2021
- >15% FCF CAGR since FY 2017

### FCF drivers H1 2021

- Higher adj. EBIT(DA)
- Clear NWC outflow (in Q2)
- Higher tax cash-out
- Lower bonus pay-out (for 2020) in “other provisions”

# Specialty Additives

## Maintaining high margin level despite notably higher raw material costs

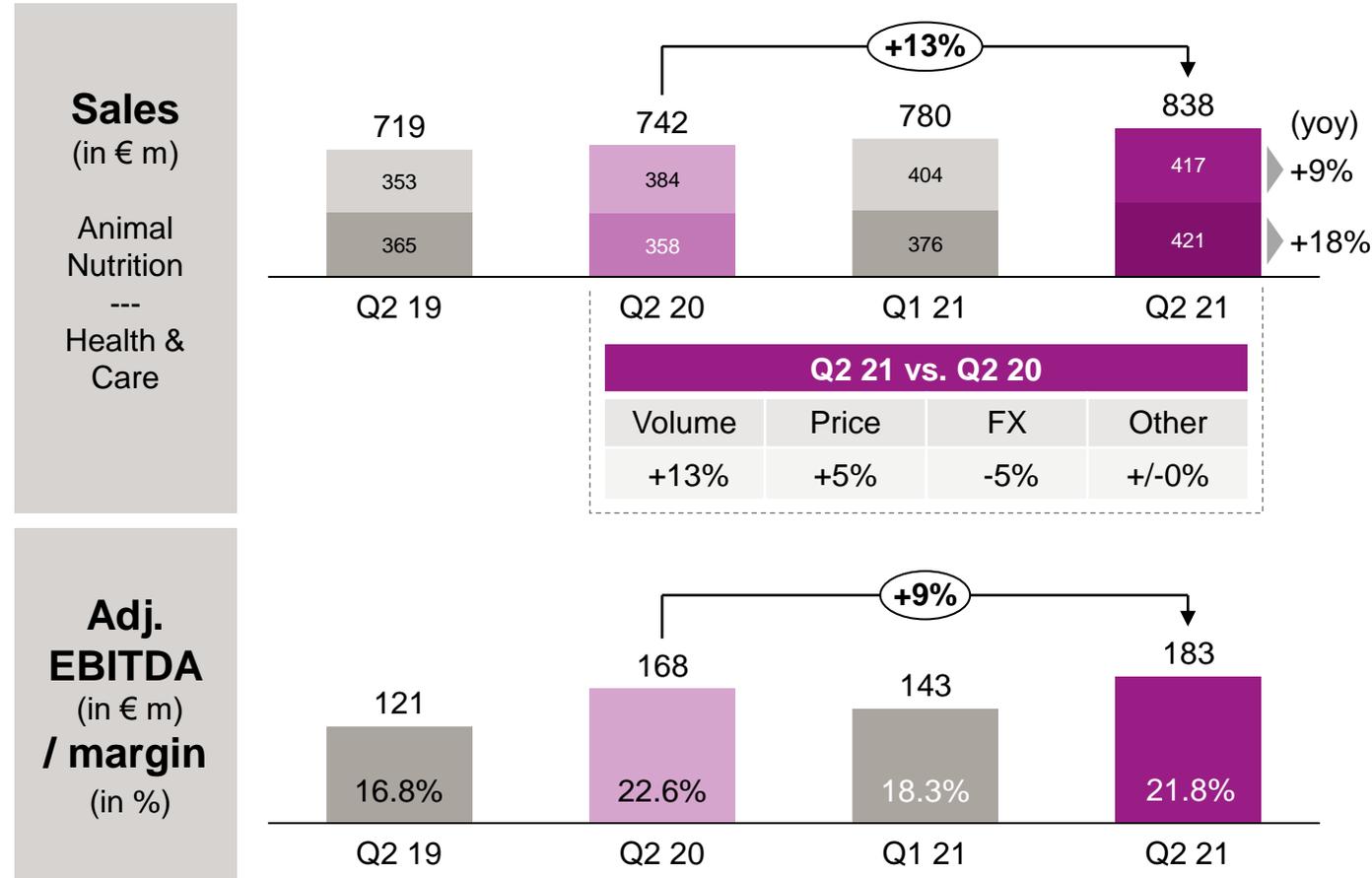


- Strong demand patterns from Q1 continued across industries and regions
  - Additives for coatings and PU foams performing particularly well
- Volume growth coupled with first price increases resulting in strong sales growth
- High margin level maintained despite notably higher raw material costs
- Value-based pricing approach resulting in time lag in raw material pass-on, full effect only in FY 2022



# Nutrition & Care

## Strong & broad based earnings growth

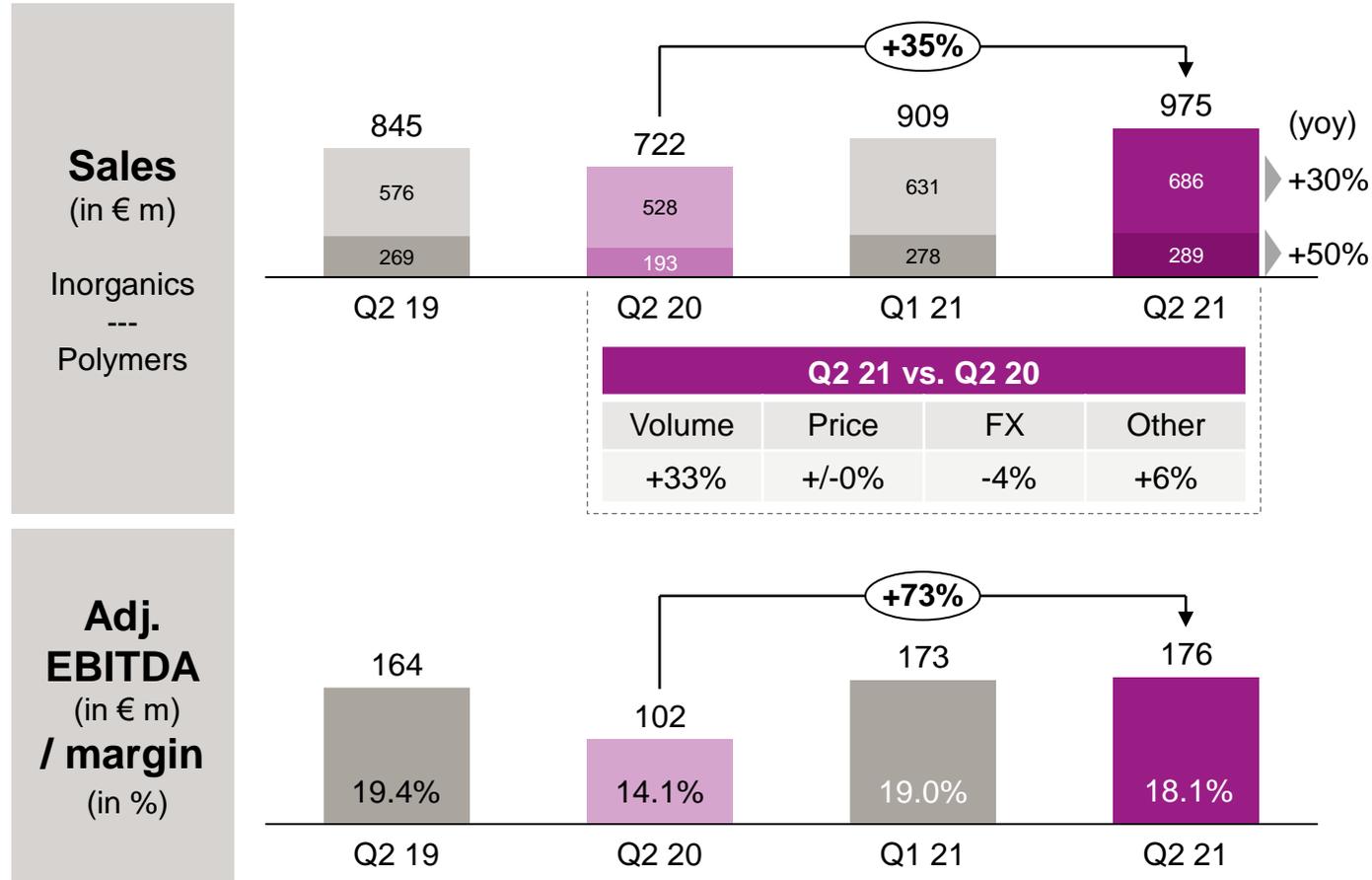


- Strong Q2 with yoy broad-based earnings growth, especially driven by shift towards System Solutions and favorable pricing in Animal Nutrition
- **Health & Care:** Q2 with 18% sales growth. First contribution from LNP business (contract with BioNTech) as well as strong demand for Active Ingredients in Care business
- **Animal Nutrition:** Tight markets in Q1 driving step-up in Q2 pricing (despite negative FX effect); solid demand and pricing also expected for Q3



# Smart Materials

## Strong volume growth across all businesses

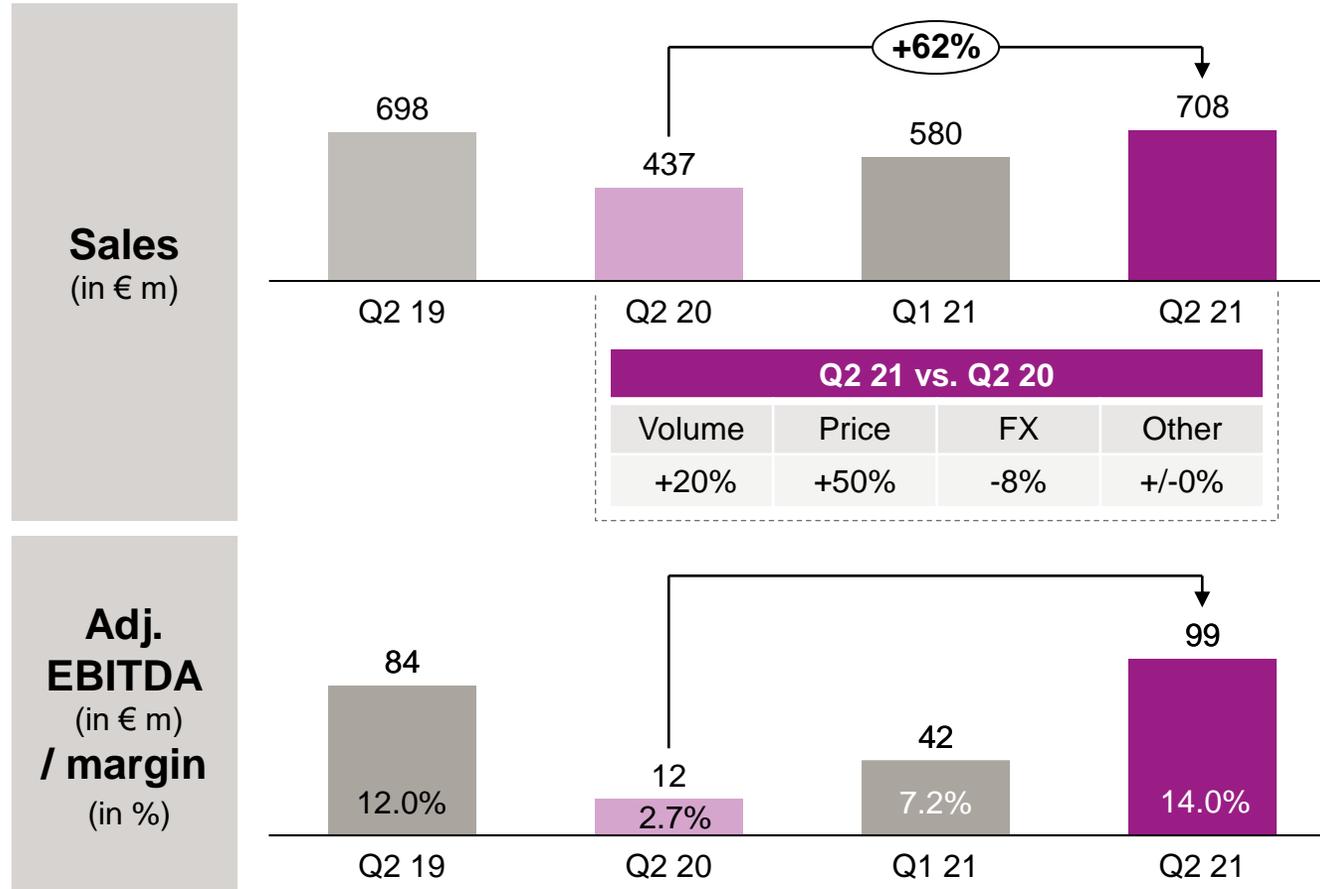


- Strong Q2 performance driven by higher volumes across all businesses
- Solid EBITDA increase, although margin impacted by temporary higher fixed costs (PA 12 ramp up, tight logistics situation)
- Recovery in automotive prevailing, benefitting Silica for tires and High Performance Polymers
- High demand for “Eco-Solutions” like active oxygens specialties and gas separation membranes
- Additional contribution from Porocel acquisition



# Performance Materials

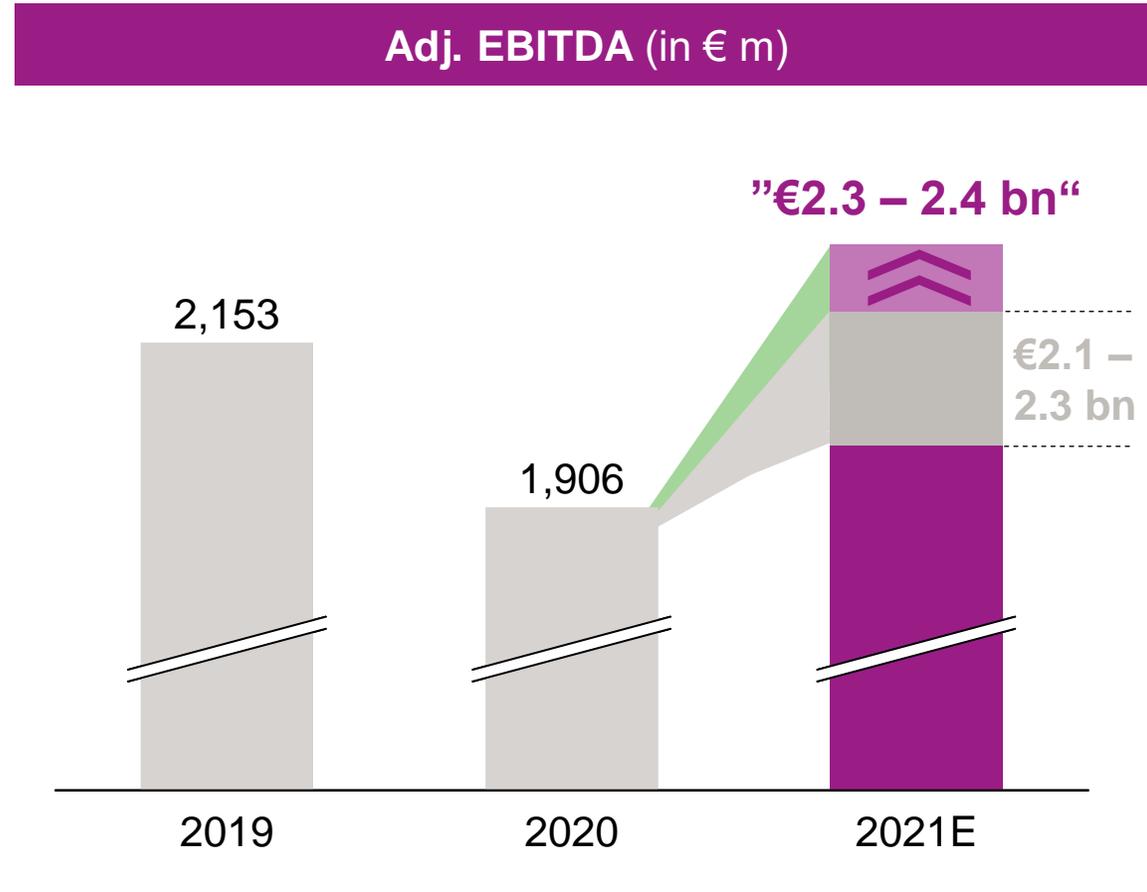
## Higher C4 volumes and margins driving clear earnings recovery



- Higher volumes and margins for all major C4 products (Butadiene, MTBE, oxo alcohols & plasticizers, PE co-monomers) driving clear earnings recovery
- Healthy demand across all major applications meeting tight supply with planned and unplanned outages along the entire value chain
- Higher Naphtha price supports value creation for our C4 products with naphtha-based price formulas
- Q3 with continued tight C4 markets and healthy demand; however, expected lower raw material availability and own planned maintenance turnarounds



# FY 2021 adj. EBITDA outlook raised to €2.3 to 2.4 bn – Likely ending up in upper part of range



## Outlook FY 2021

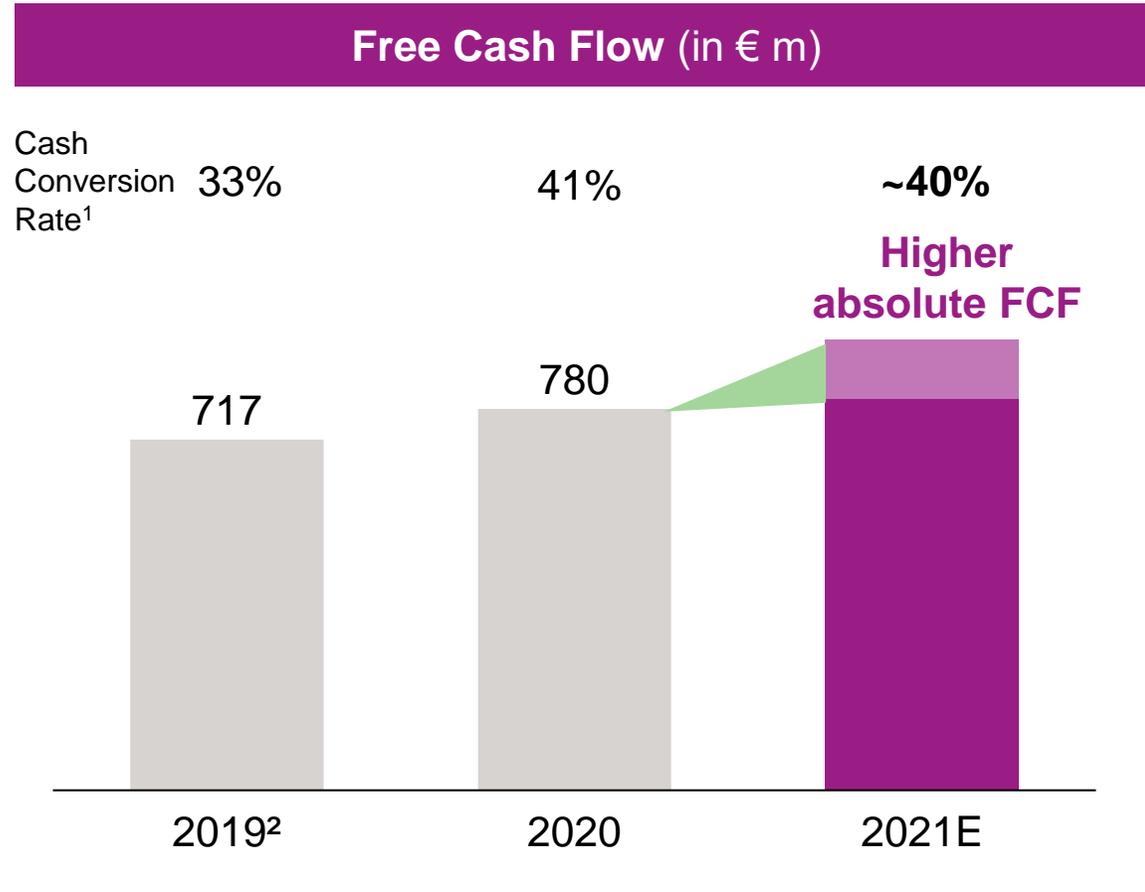
- FY 2021 adj. EBITDA outlook **raised to €2.3 to 2.4 bn** (up from €2.1 – 2.3 bn in May 2021)
- From today's perspective even ending up in the upper part of the range

## Structural growth

- ~5% EBITDA CAGR since 2017<sup>1</sup> despite years of less favourable market environment
- Driven by
  - Portfolio shift geared towards Specialties
  - Sustainability trends across all growth divisions
  - Contribution from Innovation Growth Fields
  - Structural cost savings (SG&A)

1: Continuing operations (excl. MMA) with FY 2017 adj. EBITDA of €1,970 m as basis

# Continued strong cash generation: On track to extend 40% cash conversion track record also in FY 2021



## Outlook FY 2021

- “**Stable FCF conversion** on high prior-year level” (FY 2020: 41%)
- Resulting in higher absolute FCF, driven by:
  - Improving adj. EBIT(DA)
  - Lower capex
  - Continued benefit from CTA pension reimbursement
  - Lower bonus payments (for FY 2020)
- Compensating for
  - NWC outflow
  - Higher tax cash out

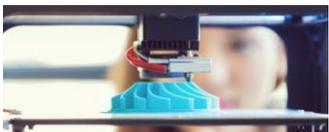
1. Free cash flow conversion (FCF / adj. EBITDA); 2. Excl. extraordinary carve-out taxes of ~€245 m (MMA divestment)

## Additional indications for FY 2021

<b>Sales</b>	<b>between €13.0 and 14.5 bn</b> (previously: between €12.0 and 14.0 bn; 2020: €12.2 bn)
<b>Acquisitions</b>	<b>Porocel</b> (FY 2019: ~USD100 m sales, ~USD23 m adj. EBITDA) consolidated for 2 months in 2020 <b>PeroxyChem</b> (FY 2019: ~USD300 m sales, ~USD60 m adj. EBITDA) consolidated for 11 months in 2020
<b>ROCE</b>	<b>significantly above the level of 2020</b> (previously: slightly above the level of 2020; 2020: 6.1%)
<b>Capex<sup>1</sup></b>	<b>around €900 m</b> (unchanged; 2020: €956 m)
<b>EUR/USD</b>	<b>1.20 EUR/USD</b> (unchanged; 2020: 1.15 EUR/USD)
<b>EUR/USD sensitivity<sup>2</sup></b>	+/-1 USD cent = <b>-/+ ~€6 m</b> adj. EBITDA (FY basis)
<b>Adj. EBITDA T&amp;I/Other</b>	<b>clearly more negative than prior year level</b> (previously: slightly more negative than prior year level; 2020: -€128 m) due to negative weather impact in H1 (~€20 m), higher energy costs and personnel-related provisions
<b>Adj. D&amp;A</b>	<b>slightly above the level of 2020</b> (unchanged; 2020: €1,016 m) due to start-up of new PA12 plant in H2 2021
<b>Adj. net financial result</b>	<b>clearly less negative than 2020</b> due to lower interest expenses for financial liabilities, pensions and other provisions (unchanged; 2020: -€146 m)
<b>Adj. tax rate</b>	<b>around 32%</b> in FY 2021 due to anticipated US tax reform and other one-time effects (e.g. partly non-tax-deductible inflation valuation effects and taxes related to other periods); long-term sustainable level now expected at <b>~29%</b> from 2022 onwards, impacted by US tax reform (previously: ~28%; 2020: 26.8%)

1: Cash outflow for investment in intangible assets, pp&e | 2: Including transaction effects (after hedging) and translation effects; before secondary / market effects

# Indications for FY 2021 adj. EBITDA on division level

<b>Specialty Additives</b>		“slightly above prior year level”
<b>Nutrition &amp; Care</b>		“well above prior year level”
<b>Smart Materials</b>		“significantly above prior year level”
<b>Performance Materials</b>		“substantially above low prior year level”
<b>T&amp;I/Other<sup>1</sup></b>		“clearly more negative than prior year level”

1. Entity renamed; no changes in scope or financials

**Feedback on this presentation?  
Are you missing anything?  
Any comments?**

**We are always happy about feedback:**  
[investor-relations@evonik.com](mailto:investor-relations@evonik.com)





**EVONIK**

**Leading Beyond Chemistry**

# Appendix

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1. **Strategy Details**
2. Financial targets
3. Division overview
4. Sustainability
5. Financials
6. Upcoming events



# Portfolio Management – Portfolio Strategy

## Active portfolio management on multiple layers

### *Examples ...*

#### Restructuring

- Bio-amino acids (toll manufacturing, streamlining production cost base)
- Care Solutions (adapting asset network for a higher share of specialties)

#### Innovation and product mix

- H<sub>2</sub>O<sub>2</sub> (transform base business into specialized applications)
- Veramaris (switching of Lysin fermentation capacities)

#### Active M&A

- Bolt-on M&A to strengthen “growth” businesses
- Constant portfolio review and exit of commoditized businesses

**Target: Portfolio with 100% growth businesses**



# Portfolio Management – overview acquisitions

## Proof of concept for targeted and disciplined M&A approach



**Air Products**  
Performance Materials (2017)



**Huber Silica**  
(2017)



**PeroxyChem**  
(2020)



**Porocel**  
(2020)

**Purchase price** ~ €3.5 bn

**Multiple<sup>2</sup>** 15.2x / 9.9x

**EBITDA margin** >20%

**Market growth** ~4-5%

~ €600 m

10.5x / 7x

>20%

~4-6%

\$640 m

9.9x / 7.6x

~20%

~6%<sup>1</sup>

\$210 m

9.1x

~23%

~4%

**Business**

Highly attractive strategic fit, seamless integration into existing businesses

**Disciplined expansion in high-growth & -margin businesses with excellent strategic fit**

1: In specialty applications (~65% of total Adj. EBITDA) | 2. EV/EBITDA pre / post synergies & tax benefits



# Portfolio Management - Baby Care

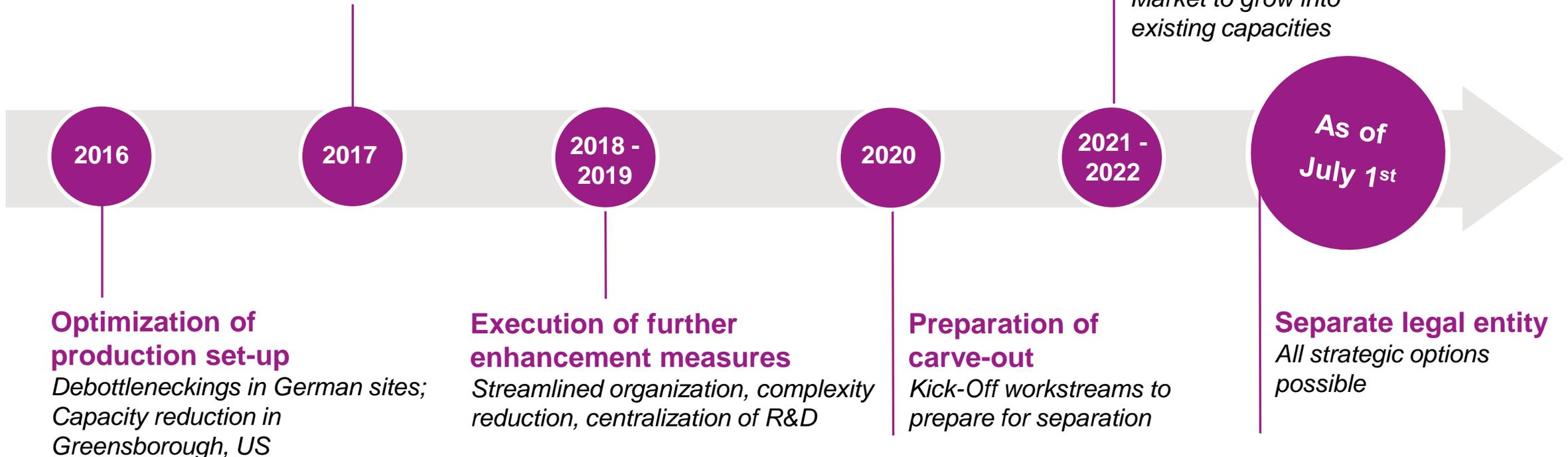
## Evaluating all strategic options to leverage full business potential

### Optimization of sourcing conditions

*Dissolution of acrylic acid production joint venture with Dow to improve sourcing conditions*

### Supply / Demand rebalancing

*Market to grow into existing capacities*





# Portfolio management – sustainability analysis

## Sustainability Analysis integrated into strategy and portfolio decisions

### Portfolio management via sustainability criteria

#### Method



- WBCSD<sup>1</sup> sector **standard approach** aligned to specific requirements of Evonik
- Approach **audited** by PWC



#### Analysis and results



- **100%** of sales covered by Sustainability analysis
- **Classification** of product portfolio according to its **sustainability performance** (A++ to C--)



#### Strategic measures



- Analysis part of **strategic portfolio management** e.g. for
  - Investments
  - Innovation
  - M&A

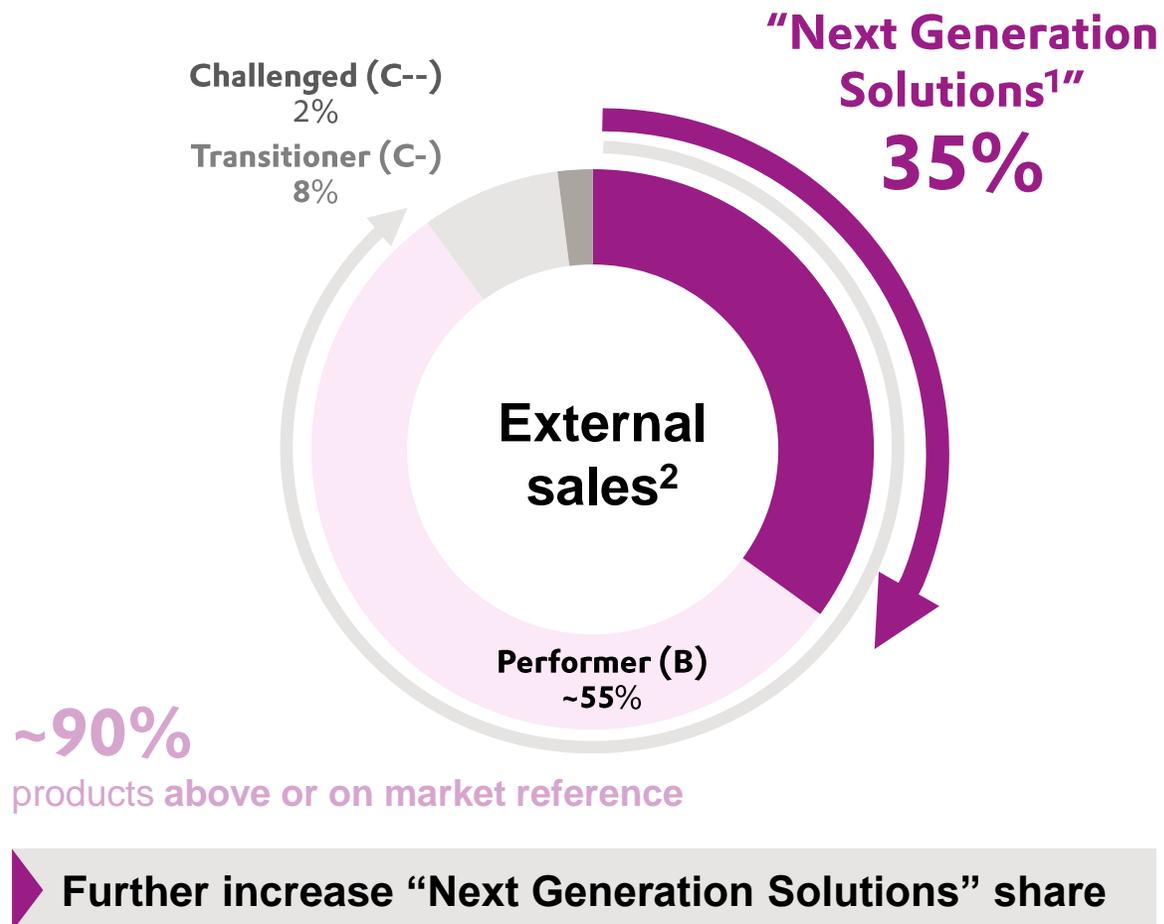
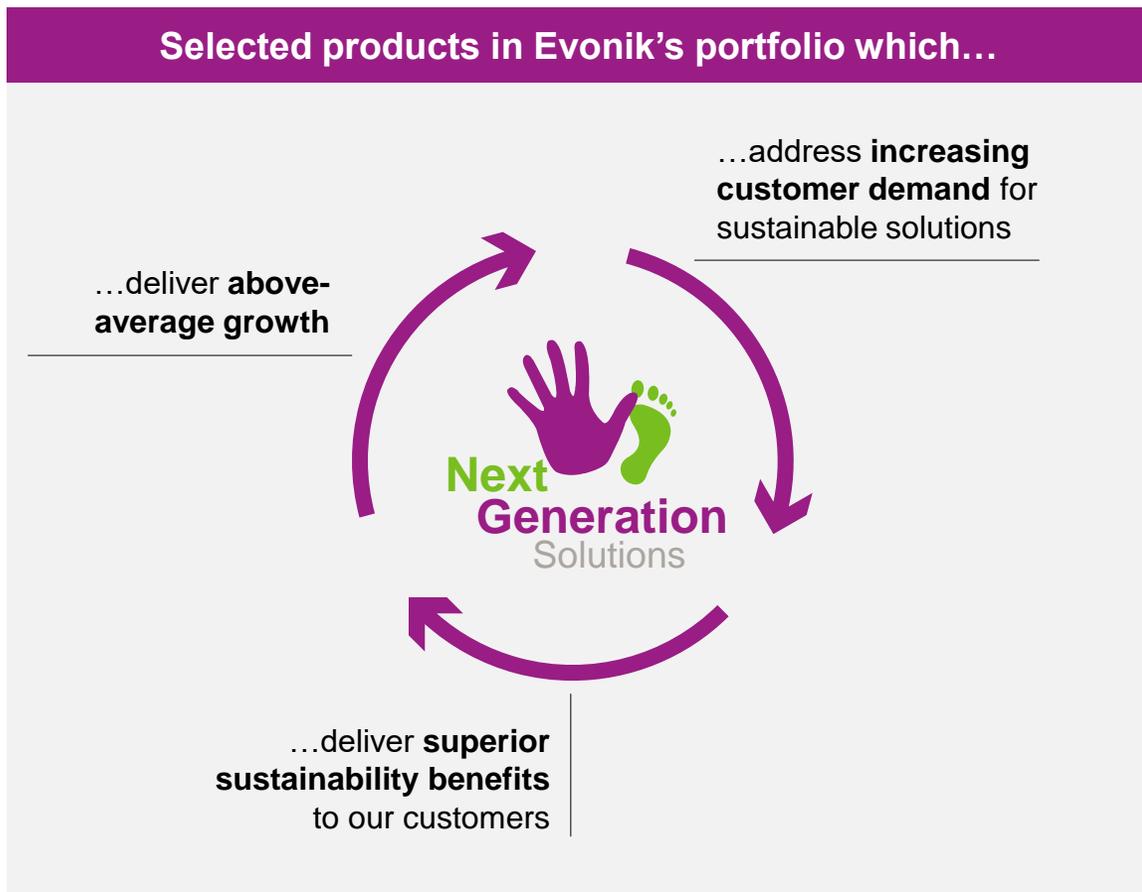


1: Portfolio Sustainability Assessments (PSA) from World Business Council for Sustainable Development



# Next Generation Solutions

## 35% of Evonik's portfolio with superior sustainability benefits



1: “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions | 2: 2019 external sales excluding T&I / Other



# Next Generation Solutions addressing “Sustainability Focus Areas”

## Directly linked to UN SDGs

### Our four “Sustainability Focus Areas”

#### Fight Climate Change



#### Materials for Li-Ion-Batteries



- Nanostructured high quality metal oxide and silicon particles
- High voltage battery housing for lightweight e-mobility

#### Drive Circularity



#### Linerless labels



- Efficient curing through UV-radiation instead of heat
- Enables customers to reduce 40% of material consumption and conserves resources (400t CO<sub>2</sub>)

#### Safeguard Ecosystems



#### Cleaning biosurfactants



- Complex fermentation process leads to improved cleaning and reduced skin irritation
- Based on natural microorganisms

#### Ensure Health & Well-being



#### Drug Delivery Systems

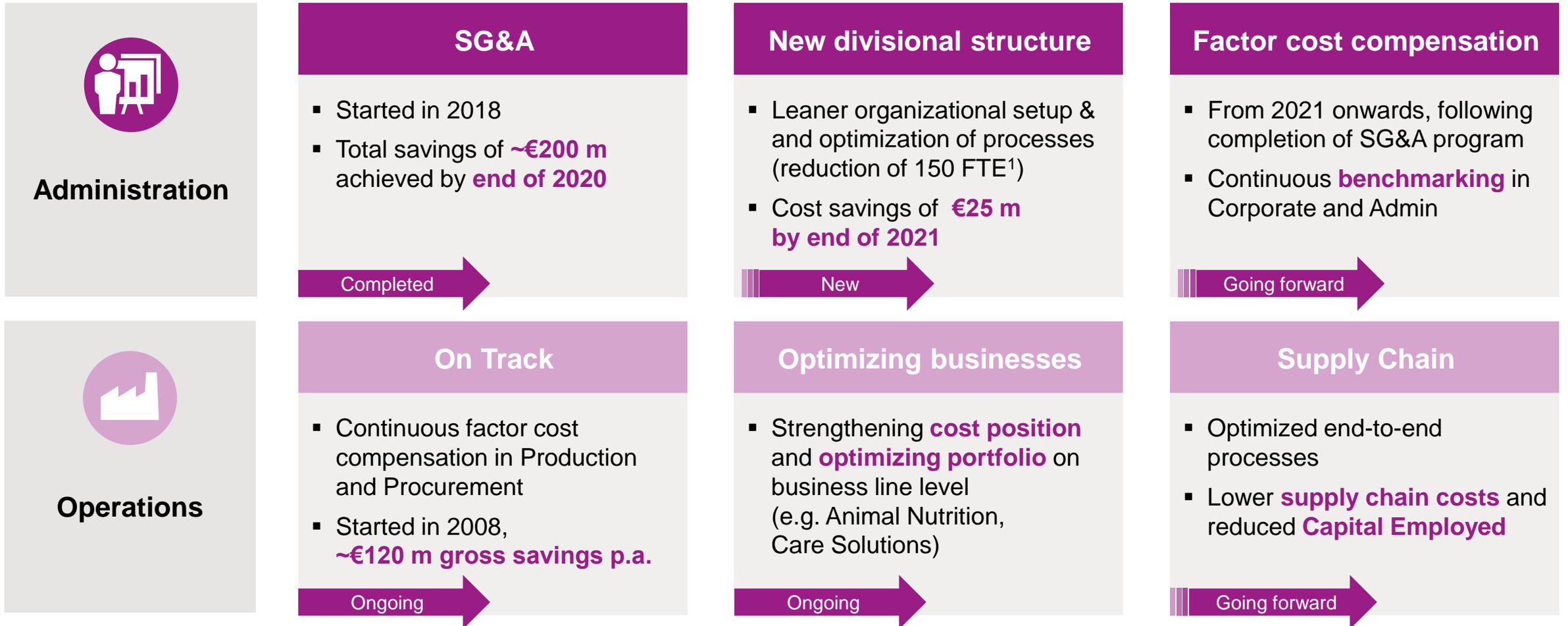


- Global development partner & solutions provider for drug delivery systems
- Evonik as pioneer in LNP field for mRNA technology



# Culture – self-help measures supporting margin target

## Targeting cost excellence in Administration and Operations



# Appendix

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1. Strategy Details
- 2. Financial targets**
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# Financial targets

## Evonik Group

### Mid-term Financial Targets set in 2017

Above-average volume growth (GDP+)

Structurally lift EBITDA margin into sustainably higher range of

FCF significantly above dividend level

ROCE above Cost of Capital

Reliable and sustainably growing dividend

Solid investment grade rating

### Updated mid-term Financial Targets

**Above-average** volume growth <sup>1)</sup>

**>3%**

**18-20%**

**Cash Conversion** ratio of <sup>2)</sup>

**>40%**

**ROCE well above Cost of Capital**

**~11%**

1: In growth divisions | 2: Cash Conversion ratio defined as FCF/Adj. EBITDA

# Financial targets

## By growth division

	Specialty Additives	Nutrition & Care	Smart Materials
			
<b>Next Generation Solutions<sup>1</sup></b>	<b>&gt; 37%</b>	<b>&gt; 50%</b>	<b>&gt; 50%</b>
<b>EBITDA margin</b>	<b>Secure</b> strong level (2020: 26.6%)	<b>&gt; 22%</b> (2020: 18.7%)	<b>~ 20%</b> (2020: 16.4%)
<b>ROCE</b>	<b>Secure</b> strong level (2020: 16%)	<b>&gt; 14%</b> (2020: 8%)	<b>&gt; 11%</b> (2020: 6%)

1: Products and solutions with a clearly positive sustainability profile that is above or well above the market reference level

# EBITDA margin target range of 18-20%

## Three strategic focus areas driving structural margin improvement

### EBITDA margin in % (Group level excl. MMA)



1: Organic growth, excl. large M&A activities

### Main drivers going forward



Portfolio<sup>1</sup>

- Organic growth projects
- Ongoing shift of product portfolio towards specialty



>100 bp<sup>1</sup>

Culture



- Cost savings from efficiency measures in Administration and Operations



~50bp

Innovation



- €1 bn additional sales from Innovation Growth Fields with above-average margin

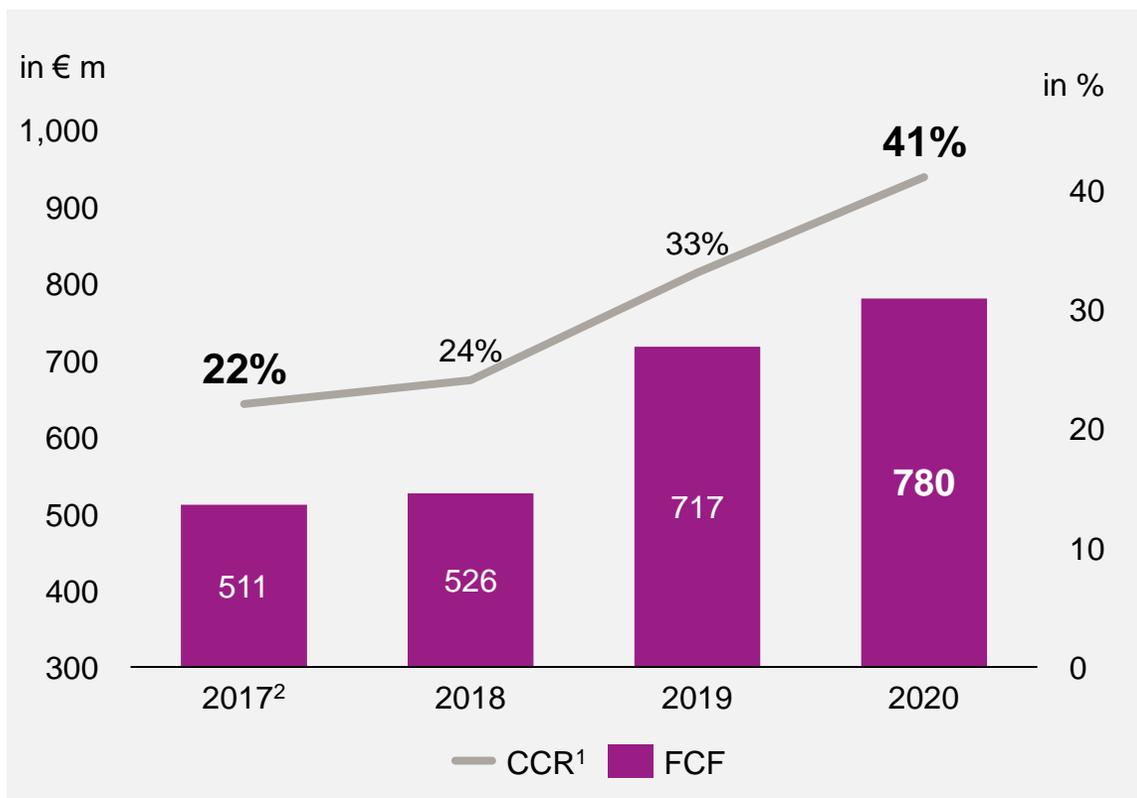


~50bp

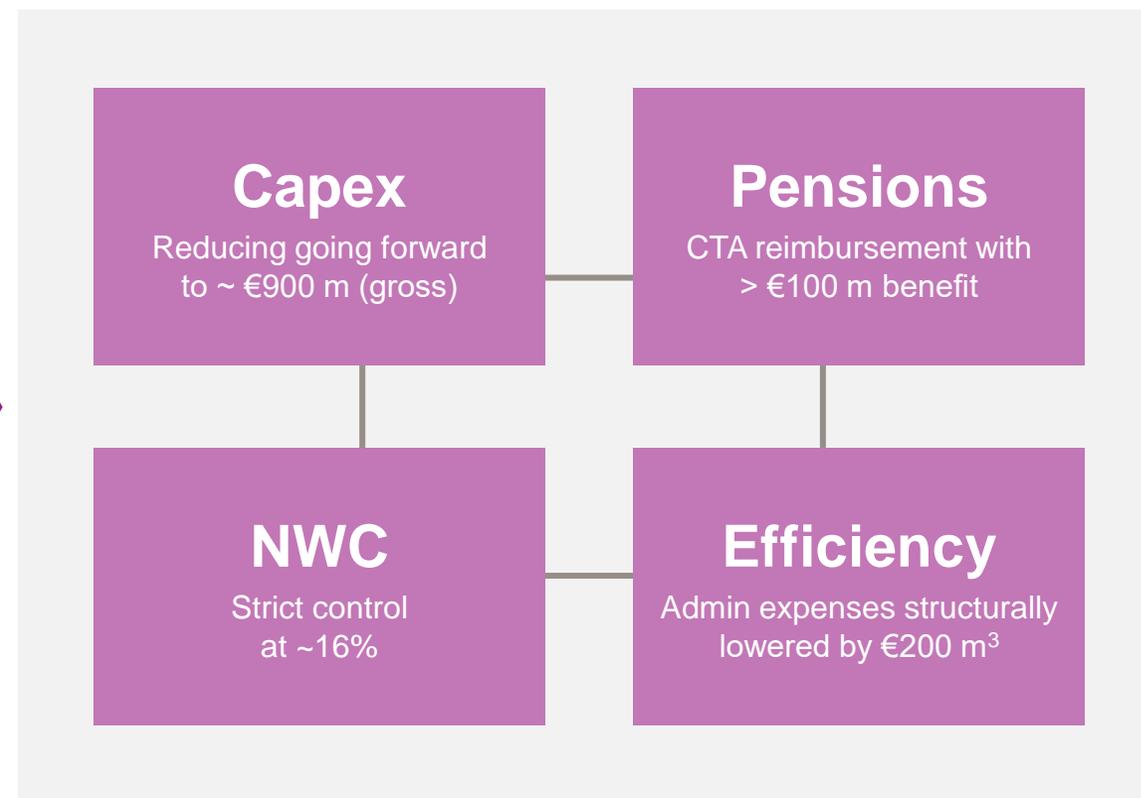
# FCF: Cash conversion rate doubled within only three years

## Target of >40% achieved – further gradual improvements going forward

### Cash conversion doubled within only three years ...



### ... by structural & sustainable improvements



1: Free cash flow conversion (FCF/adj. EBITDA) | 2: Including MMA business | 3: since 2017

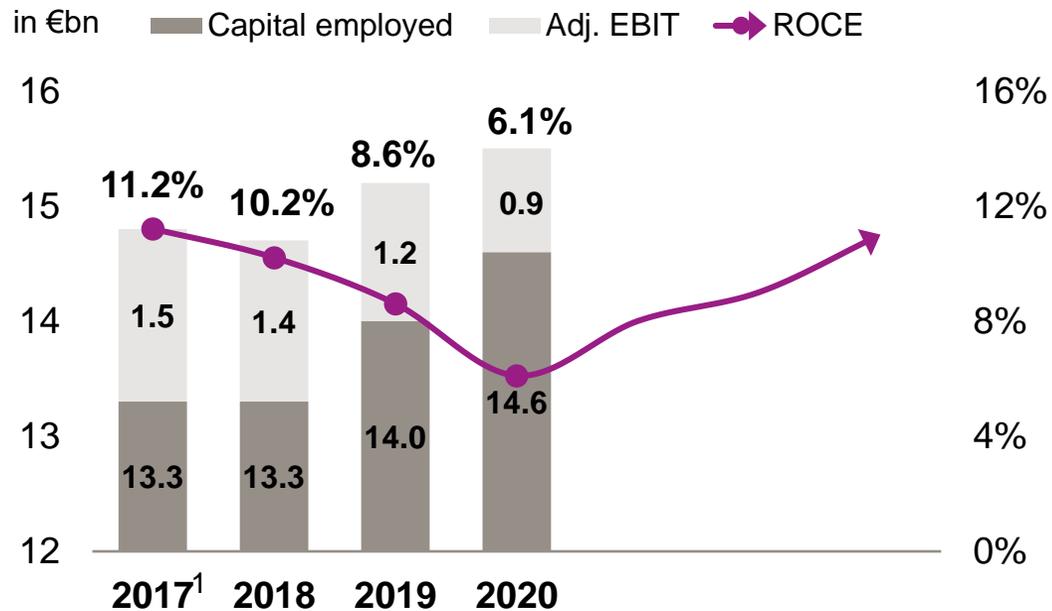
# ROCE

## Targeting ROCE well above Cost of Capital

Target

ROCE well above Cost of Capital

~11%



Increase in **Capital Employed** in 2020 mainly driven by **IFRS 16**: capitalization of leases (~€0.6 bn with Q1 2020<sup>3</sup>)

Larger **growth projects** (like ME6, Precipitated silica USA, PA12):

- ~€1 bn capitalized on balance sheet
- **Full level of fixed costs** already since start-up

Higher EBIT contribution with

- Increasing **utilization**
- Growing **market penetration**
- Improving **process efficiency**

**Three main levers identified & measures in implementation:**

- Top Line (Volume + Margin Growth)
- Cost Development
- Asset Efficiency

WACC<sup>2</sup> of

9%

1: Including Methacrylates business | 2: WACC reduced to 9% due to lower cost of capital and lower beta factor | 3: Annual averages

# Appendix

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1. Strategy Details
2. Financial targets
- 3. Division overview**
4. Sustainability
5. Financials
6. Upcoming events

# Leading Beyond Chemistry – Growth divisions

## Ambition and promising growth drivers

	Specialty Additives	Nutrition & Care	Smart Materials
Ambition	 <p>“Small amount – <b>Big effect</b>”</p>	 <p>“Bringing Nutrition &amp; Care to Life – <b>for life and living</b>”</p>	 <p>“We find solutions for the <b>needs of today and tomorrow</b>”</p>
... and promising growth drivers	<ul style="list-style-type: none"><li>✓ Making the difference</li><li>✓ Enabling circular economy</li><li>✓ Digital solutions</li></ul>	<ul style="list-style-type: none"><li>✓ Active cosmetics ingredients</li><li>✓ Drug delivery systems</li><li>✓ Sustainable &amp; healthy nutrition</li></ul>	<ul style="list-style-type: none"><li>✓ Future Mobility</li><li>✓ Eco-Solutions</li></ul>

# Specialty Additives Overview

## Additive solutions for maximum performance

“SMALL AMOUNT. BIG EFFECT”

FY 2020  
financials



Margin: **27%**



Sales: **€3,225 m**



ROCE: **16%**

Key  
products &  
solutions



Additives for  
coatings and inks



Additives for  
polyurethane foam



Specialty defoamers  
and wetting agents



Epoxy hardeners  
for crosslinkers



Lubricant additives

Growth  
highlights



Making the  
difference



Enabling  
circular  
economy

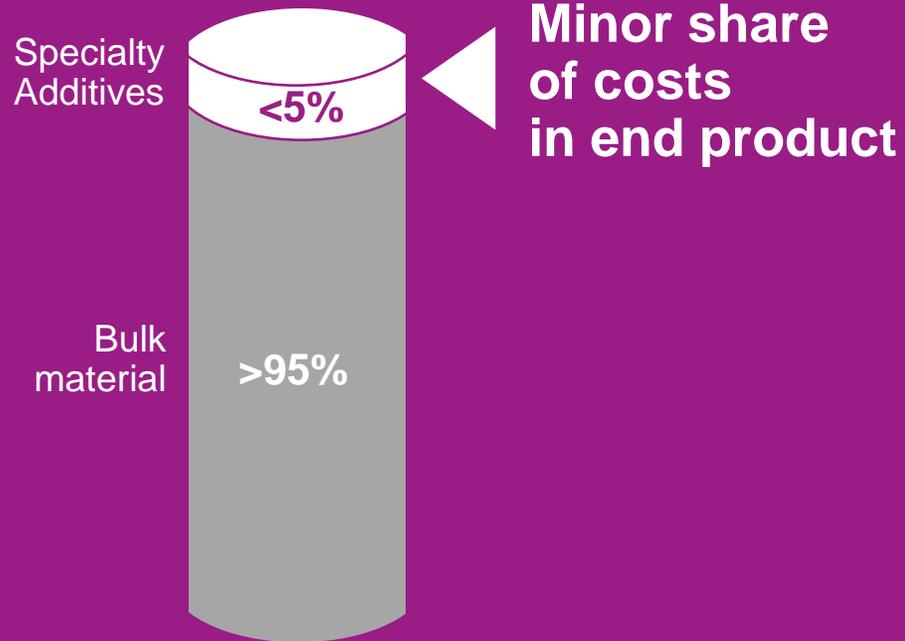


Digital  
Solutions

# Specialty Additives make the difference in customer's formulations

## Improving product characteristics and sustainability profile

### SMALL AMOUNT.



### BIG EFFECT.



Less energy

Novel **PU additives** enabling environmentally-friendly **housing insulation spray foam**



More protection

**Coating additives** prolong life of wall paints



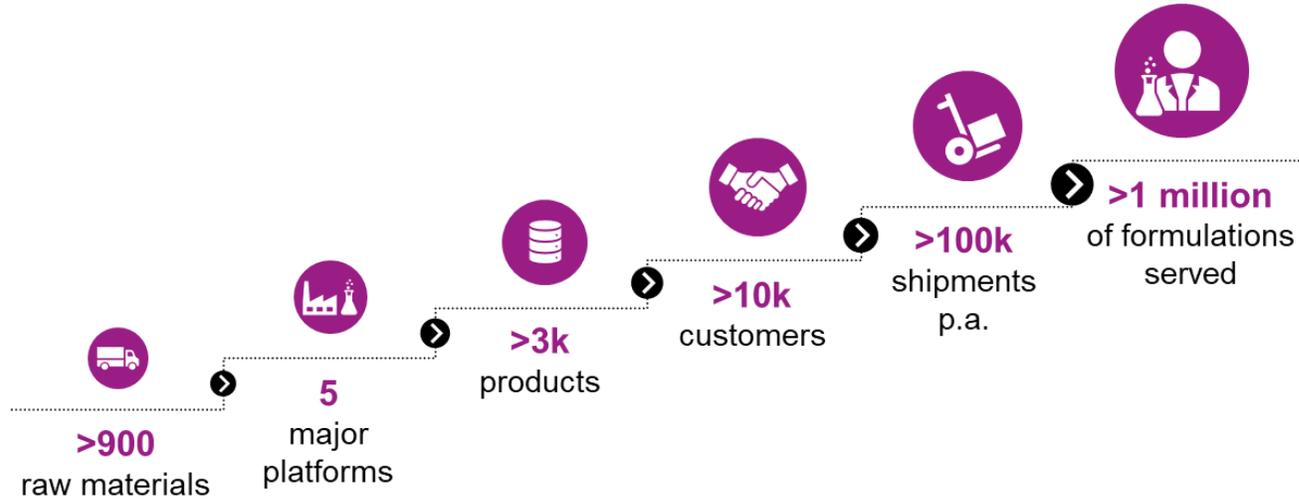
Less waste

**Silicone coatings for linerless labels** resulting in up to 40% material reduction



# Specialty Additives is mastering a highly complex business

## Resulting in tangible benefits



**High barriers to entry**

**Strong market & customer position**

**Resilient financial performance**

**>26%**

adj. EBITDA margin since 2017

### Mastering complexity

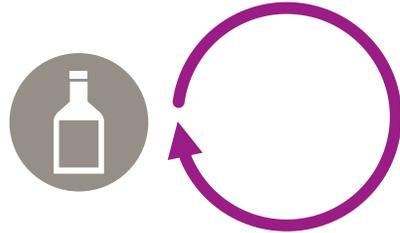
How?

- |          |                             |          |                             |
|----------|-----------------------------|----------|-----------------------------|
| <b>1</b> | Experienced management team | <b>2</b> | Digitalization & automation |
| <b>3</b> | Culture & collaboration     | <b>4</b> | Supply chain excellence     |

# Specialty Additives is an important enabler of Circular Economy

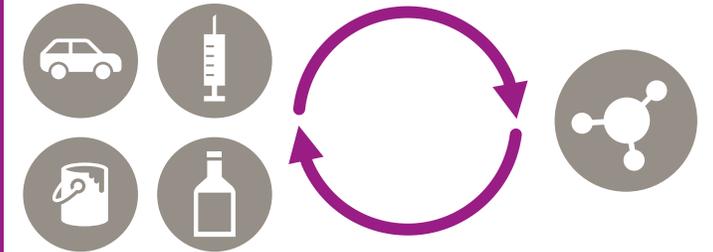
## Decoupling growth from resource consumption

### MECHANICAL RECYCLING



- During separation/washing, **our additives help to make recycling processes more efficient** – resulting in higher quality of recyclates
- During compounding, **our additives improve processing** leading to competitive costs and quality

### CHEMICAL RECYCLING



- **Technologies & additives to enable chemical recycling**
- Additives enabling for example
  - use of recycled polyurethanes
  - silicone recycling

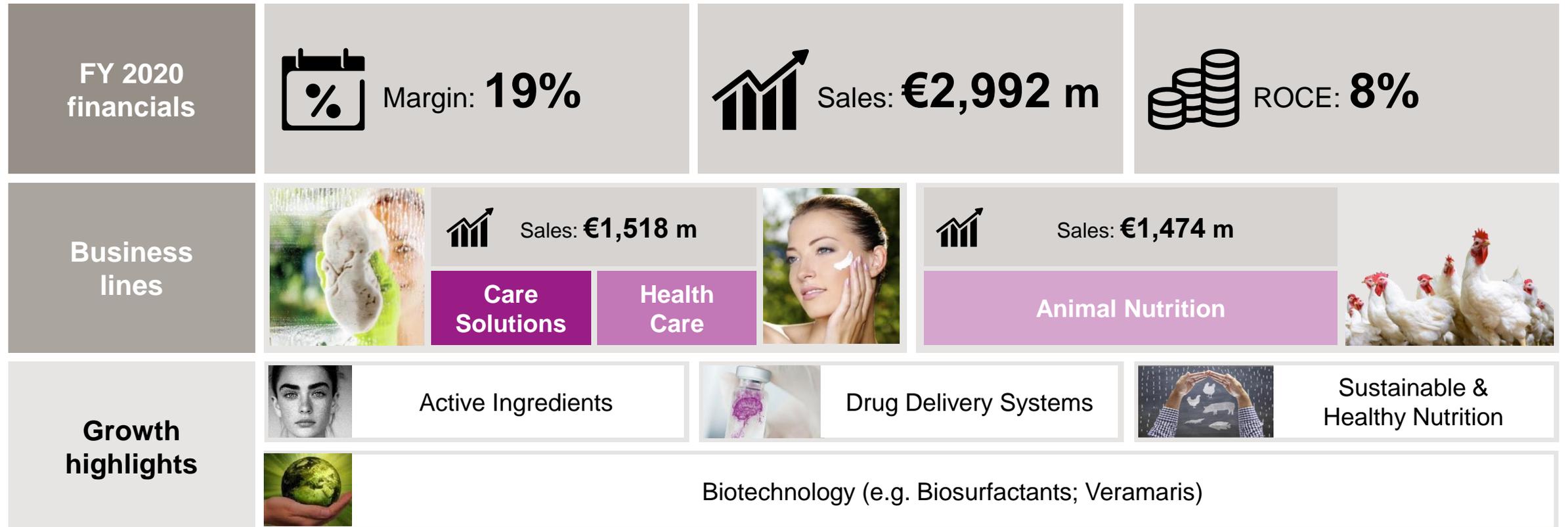
> €350 m

sales potential of Evonik Circular Plastics Program by 2030

# Nutrition & Care Overview

Focused portfolio on consumer-oriented end markets with high level of synergies

“Bringing Nutrition & Care to Life – For life and living”



# Nutrition & Care growth: Focusing on shared technology platforms

## Strong synergies and joint resources across all three businesses

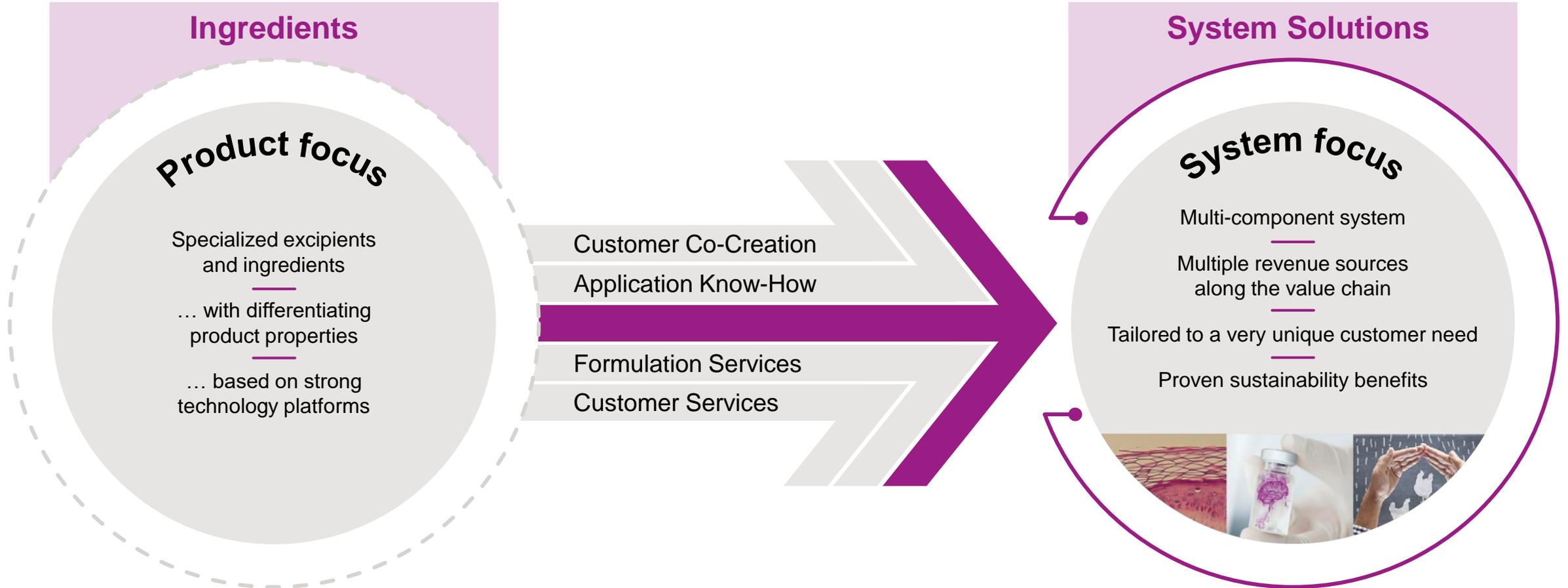
### Technology Platform Example Biotechnology – Process Excellence and Launched Products

	Care Solutions	Health Care	Sustainable Nutrition
Microbiome Modulation	Microbiotic actives to support skin barrier function	Probiotics and Gut Health Solutions	
Biotech Processes	Non-animal derived Collagen	Cell Culture	Natural algae-based omega 3 fatty acids
	Actives (e.g. Ceramides)	CDMO (e.g. fermentation-based proteins)	
	Biosurfactants	Amino acids pharma grade	Bio amino acids

**Sales potential from biotechnology platform of ~ €1 bn by 2030 latest**

# Nutrition & Care: Strategic portfolio shift towards “System Solutions”

## Portfolio upgrade towards higher specialization and higher returns



# Nutrition & Care: System Solutions businesses as major growth driver

## >50% sales from Systems Solutions as strong commitment

### Sales share of System Solutions



### Resulting in....

Higher **growth prospects**

Strong **pricing** power

Above average **margin**

Higher **return on capital**

1) Antibiotic Growth Promoters

### Examples of System Solutions



#### Active Ingredients – Retinol

- Reducing wrinkles without inducing skin irritation
- **Formulation service:** Encapsulation as delivery technology to increase stability and bioavailability



#### Drug Delivery Systems – Complex Parenterals

- **Lipid nano particles** for vaccination, cell and gene therapy
- **Integrated services** from feasibility to commercial



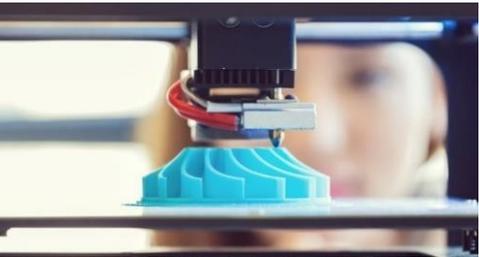
#### Sustainable & Healthy Nutrition – Probiotics

- **GutCare®** for AGP<sup>1</sup>-free healthy poultry nutrition
- Holistic, ready-to-use **concepts for animal diet formulations**, designed on specific customer needs

# Smart Materials Overview

Focused portfolio on environmentally friendly solutions

“We find solutions for the needs of today and tomorrow”

Two strong technology platforms	 Sales: €2,315 m <b>Inorganics</b>		 Sales: €920 m <b>Polymers</b>	
Growth highlights	 <b>Future Mobility</b> (e.g. PA12, Silica, Battery Materials)			
	 <b>Eco-Solutions</b> (e.g. Active Oxygens, Membranes, Catalysts)			
FY 2020 financials	 Margin <sup>1</sup> : <b>16%</b>	 Sales: <b>€3,235 m</b>	 ROCE: <b>6%</b>	

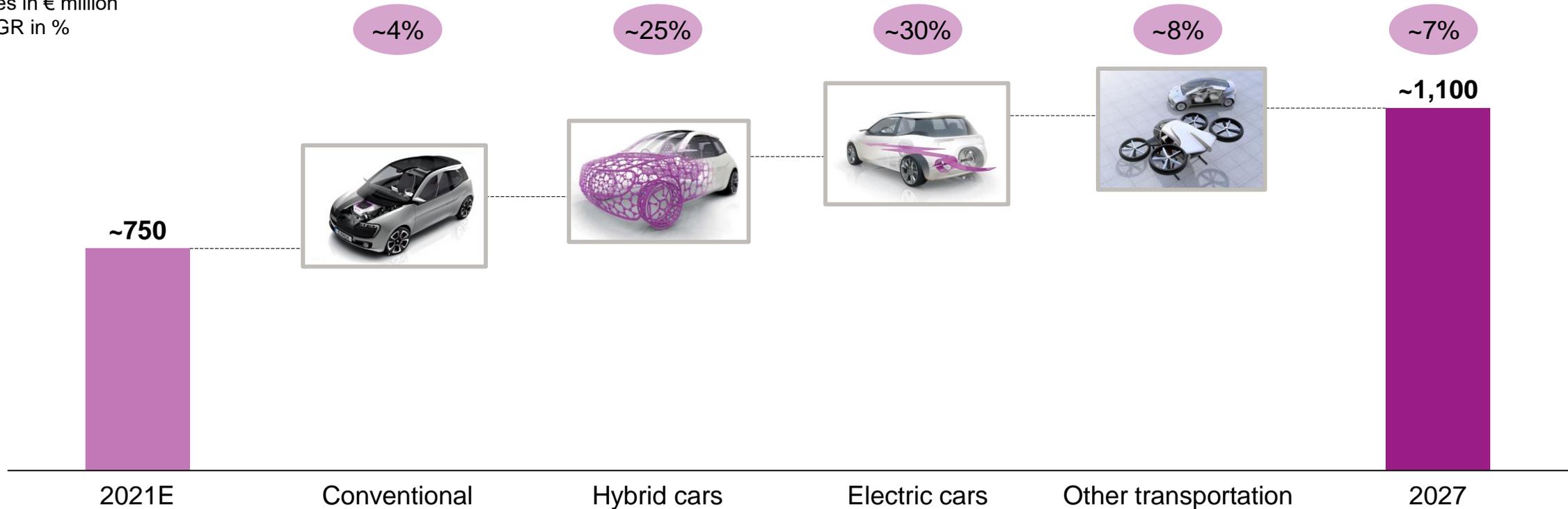
1. Adjusted EBITDA margin

# Smart Materials: “Future Mobility” growth drivers

## Growth to around €1.1 billion sales by 2027

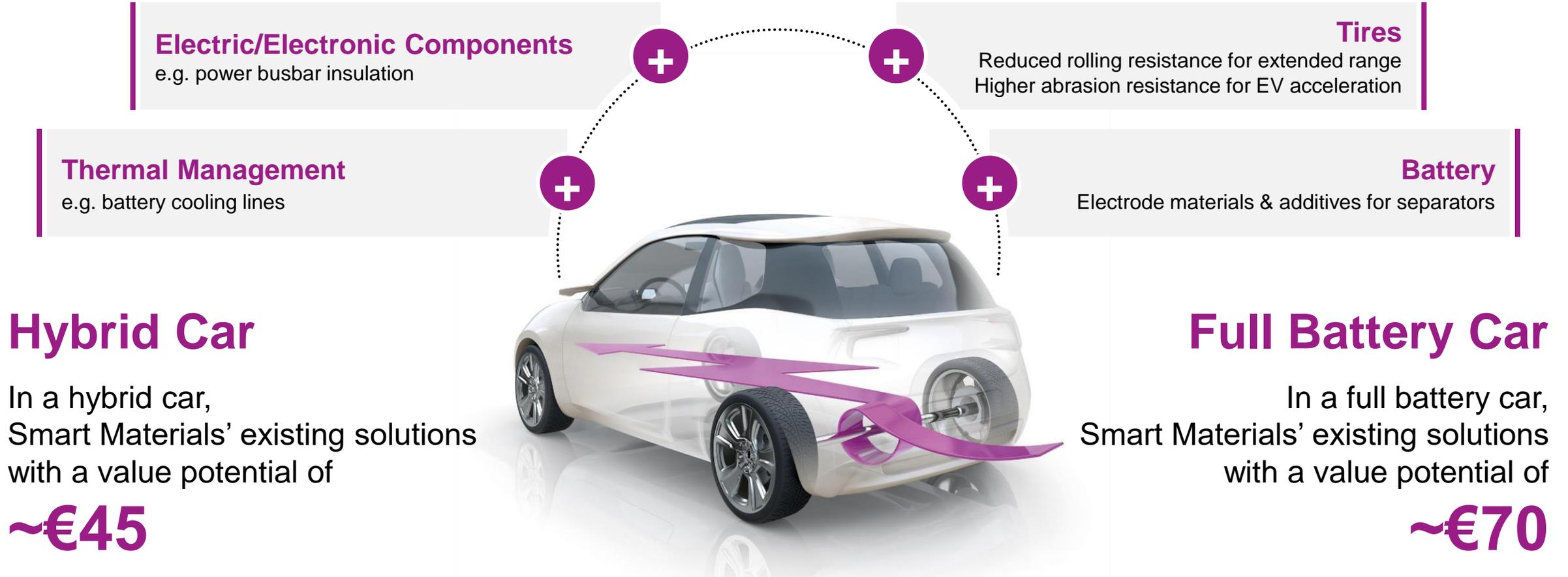
Innovate mobility – we provide the chemistry

Sales in € million  
CAGR in %



# Smart Materials: Product solutions in hybrid and full battery cars

## Extending the value potential of a conventional car (~€30)

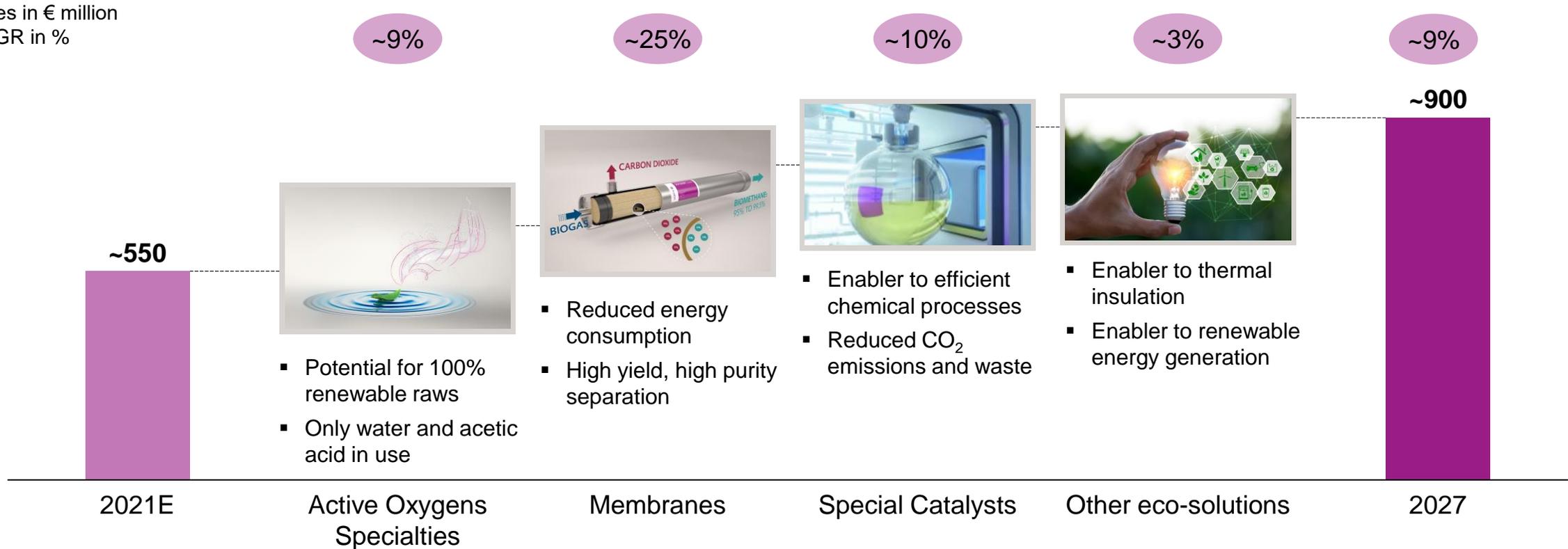


# Smart Materials: “Eco-Solutions” growth drivers

## Growth to around €900 million sales by 2027

Focused on specialty end markets with strong secular growth trends

Sales in € million  
CAGR in %



# Appendix

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1. Strategy Details
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# Leading Beyond Chemistry

## Sustainability as integral part of our strategy

Sustainability is an integral part of our “purpose”

LEADING  
BEYOND CHEMISTRY  
TO IMPROVE LIFE,  
TODAY AND  
TOMORROW

We drive profitable growth ...

Our Handprint



“Sustainability is a key growth driver and the cornerstone of our product portfolio, our investments and our innovation management.”

... by fully assuming our responsibility

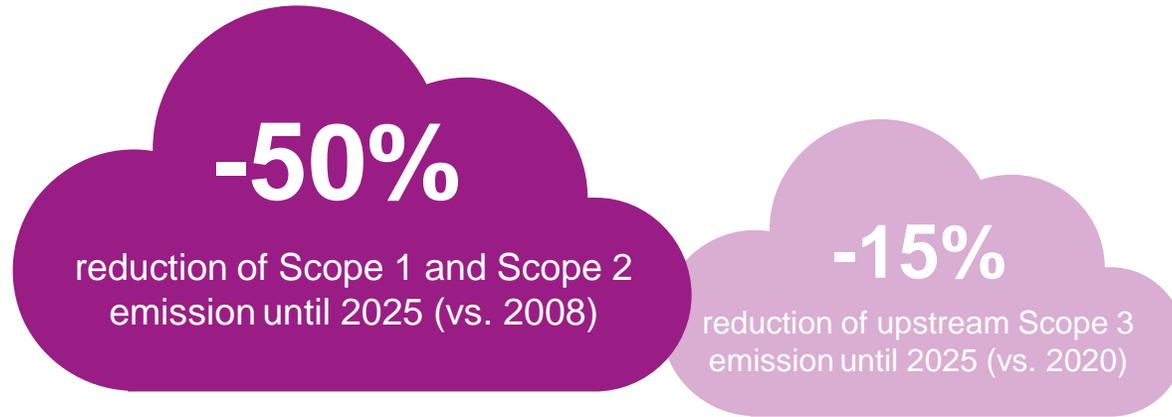
Our Footprint

“We take responsibility by caring about our resources. We see profitable growth and assuming responsibility as **two sides of the same coin.**”

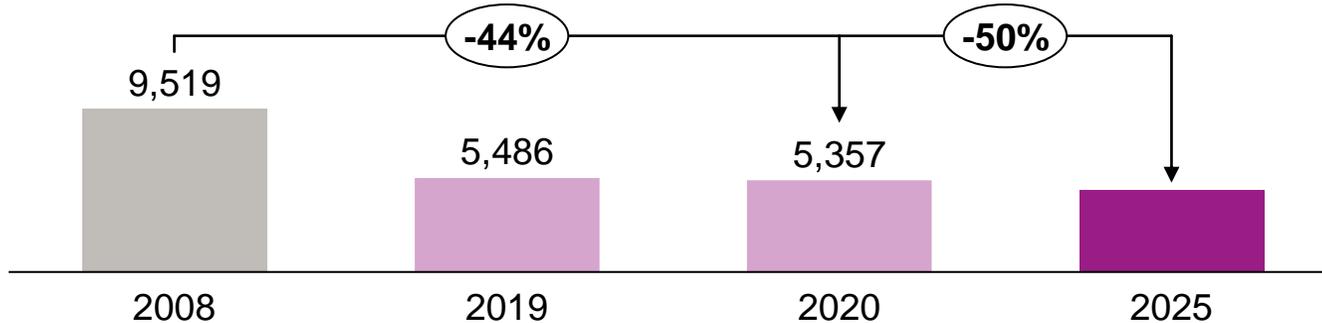


# Sustainability – Environmental targets

## Ambitious greenhouse gas emission reduction targets



### Evonik Scope 1 and Scope 2 emissions<sup>1</sup>



1: in thousand metric tons CO<sub>2</sub>eq

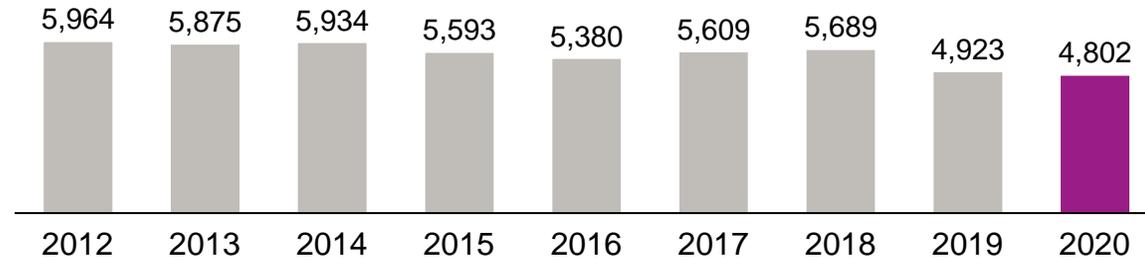
- Strong commitment to **“Paris Agreement on Climate Change”** reflected in implementation and execution on environmental targets
- **“Sustainability Strategy 2020+”** targets reduction of -50% of Scope 1 & Scope 2 emissions by 2025 (compared to base year 2008)
- Global **CO<sub>2</sub> pricing** used as additional parameter for investment decisions

# Sustainability – Main KPIs



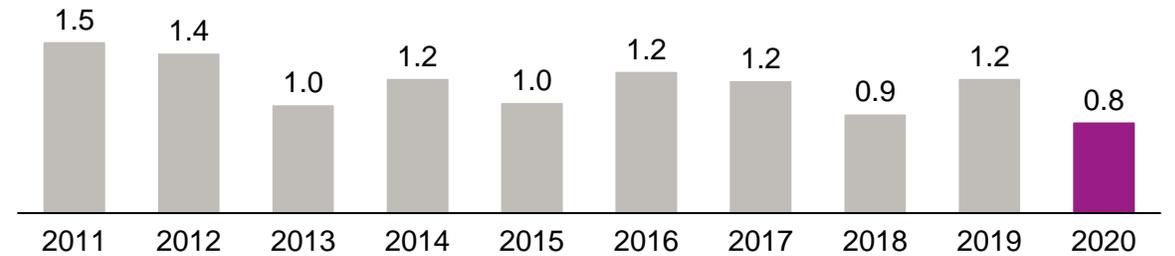
## Greenhouse gas emissions

Scope 1 emissions in thousand metric tons CO2 equivalents



## Accident frequency

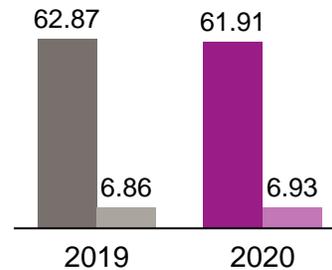
Number of accidents per 1 million working hours



## Energy Consumption

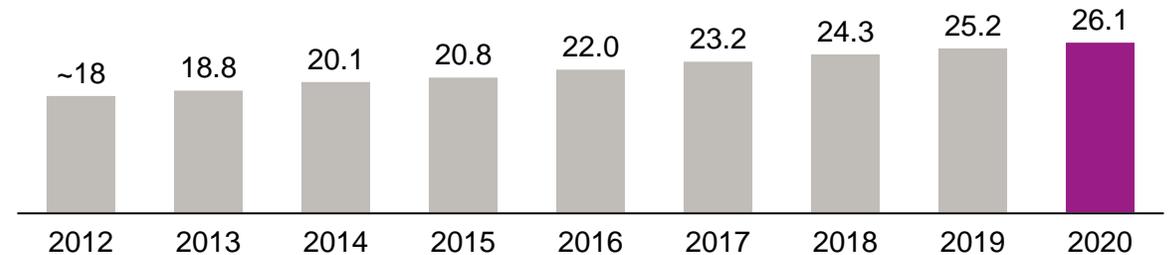
Absolute and specific consumption in Petajoule

**New target:** Reduce both absolute and specific energy consumption by 5% by 2025 (reference base 2020)



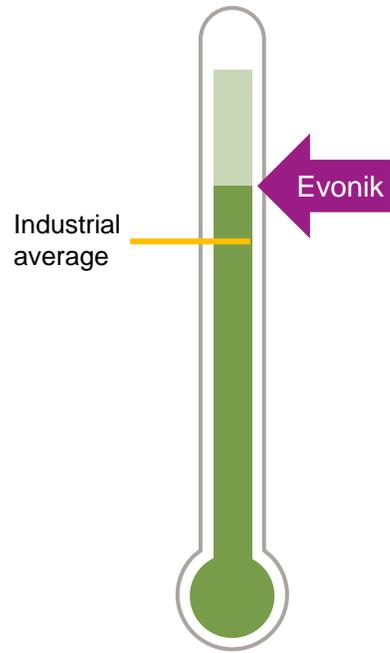
## Diversity/Employees

Women in management in % (Circles 1 – 3)

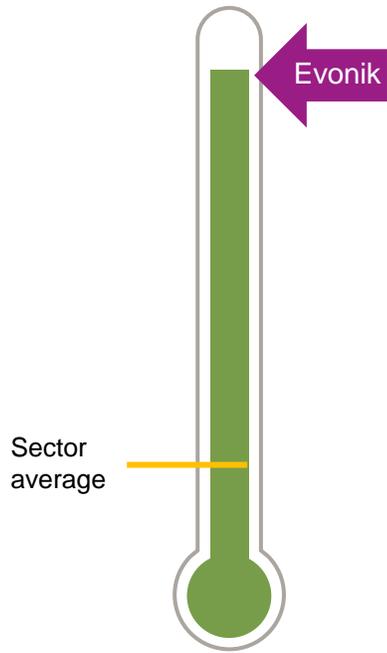


# Sustainability – Rankings

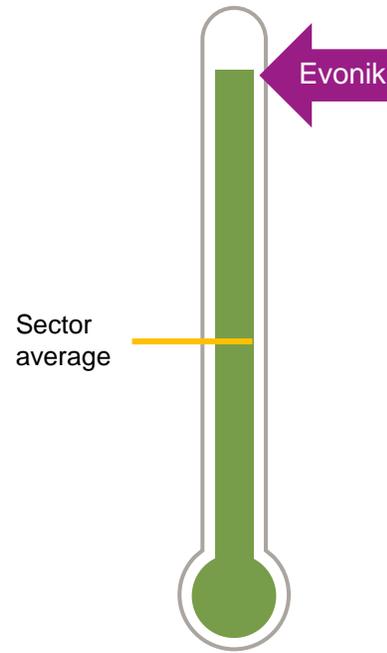
## Evonik best-in-class within chemicals sector in terms of sustainability



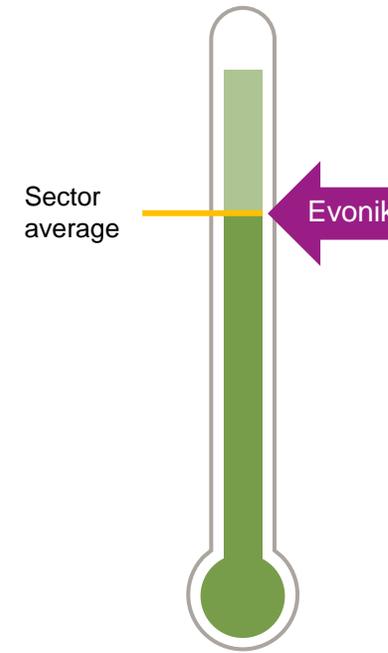
“A” MSCI ESG rating<sup>1</sup>



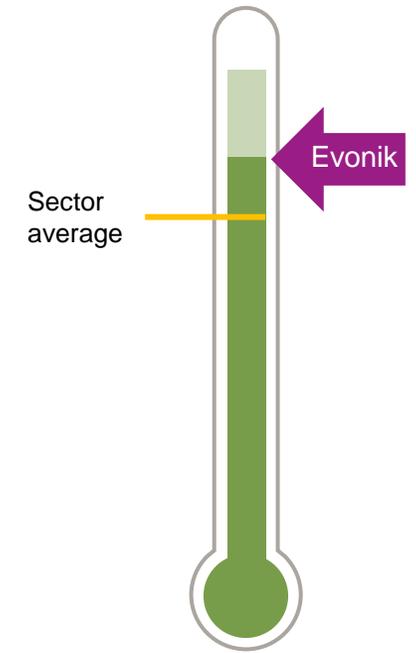
EcoVadis “Platin” rating<sup>2</sup>



“B-”ISS Oekom<sup>3</sup>



Top 10%<sup>4</sup>



“A-” CDP rating<sup>5</sup>

1: Rating on a scale of AAA to CCC | 2. top 1% of companies assessed | 2. Rating on a scale of A+ to D- | 3. out of ~130 companies ranked in the chemical sector | 4. Rating on a scale of A+ to D-

# Appendix

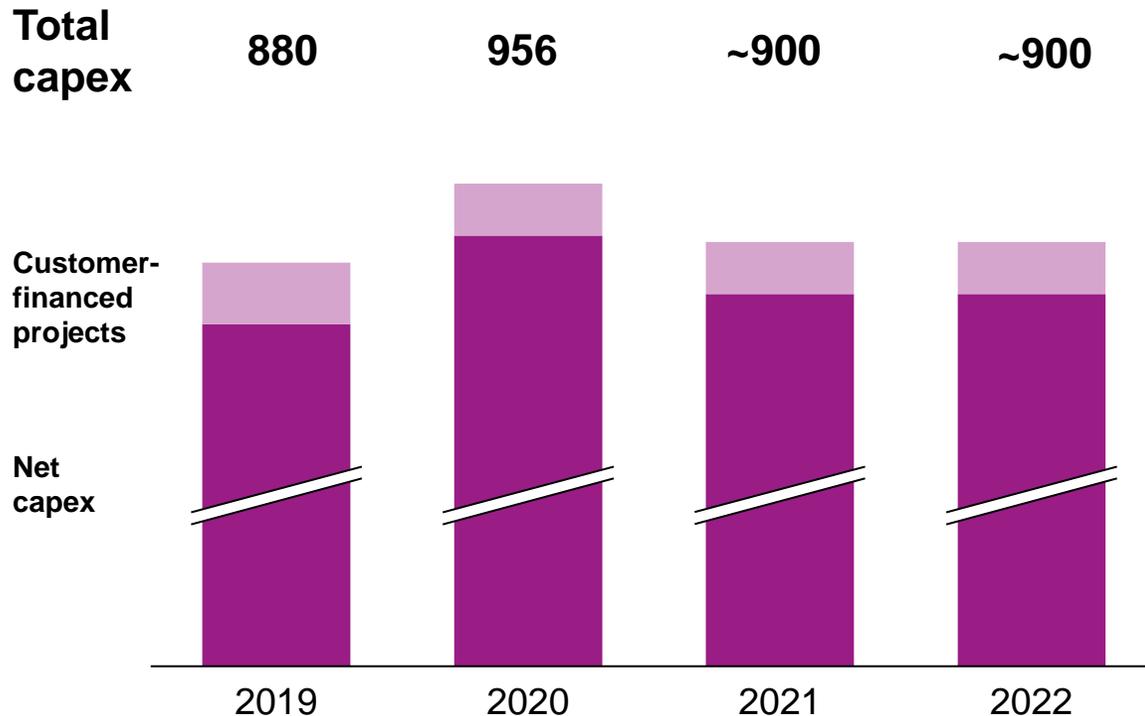
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# Development cash-out for capex

€900 m as sustainable capex level going forward

## Capex development (in € m)



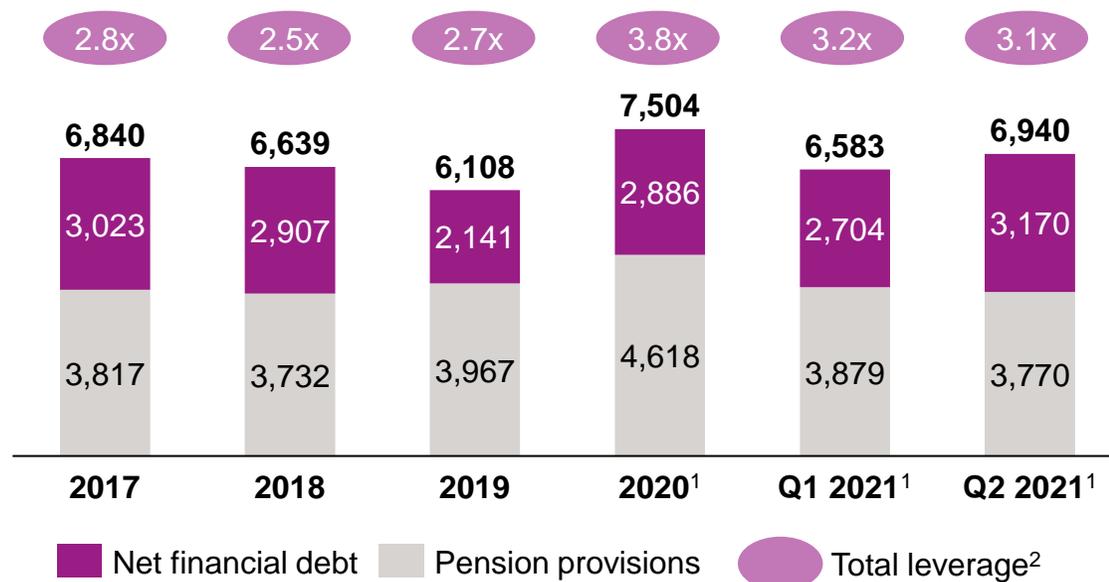
## Capex Approach

- FY 2020 with peak capex for **new Polyamide 12 plant** in Germany (~ €500 m from 2019 to 2021)
- Sustainable (gross) capex level of **~€900 m** with enough headroom to **execute growth** strategy by
  - Smart modular expansions
  - Debottleneckings
  - Capex-light innovations
- Additionally, ongoing smaller cash-in **benefits** from **customer-financed projects**<sup>1</sup> resulting in lower net capex - positive for FCF
- ~50% growth & ~50% maintenance capex

1: Customer financing included in Operating Cashflow (as part of EBITDA or „misc. assets & liabilities“)

# Development of debt and leverage over time

(in € m)



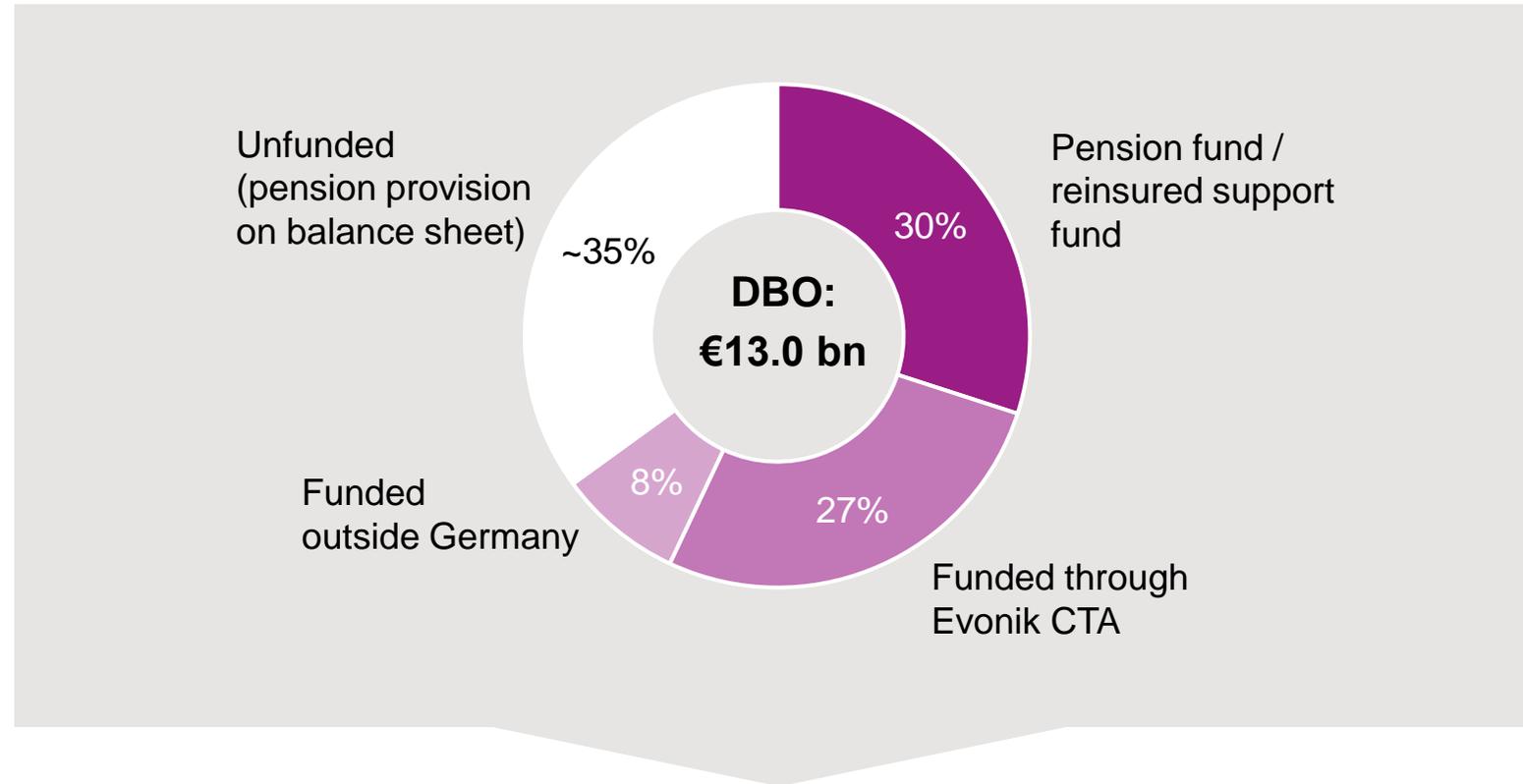
<b>Adj. net debt<sup>3</sup></b>	6,590	6,389	5,858 <sup>1</sup>	7,254 <sup>1</sup>	6,332 <sup>1</sup>	6,690 <sup>1</sup>
<b>Adj. EBITDA LTM</b>	2,357	2,601	2,153 <sup>1</sup>	1,906 <sup>1</sup>	1,981 <sup>1</sup>	2,173 <sup>1</sup>
<b>German pension discount rate (%)</b>	2.00	2.00	1.30	0.90	1.30	1.30

- Increase of net financial debt versus end of Q1 mainly due to dividend payment in Q2
- Low net financial debt leverage at 1.3x<sup>4</sup>
- Majority of net debt consists of long-dated pension obligations with >18 years duration
- Pension provisions broadly stable qoq due to unchanged pension discount rates
- Pension provisions partly balanced by corresponding deferred tax assets of ~€1.3 bn

1: Continuing operations (excluding methacrylate activities) | 2: Adj. net debt / adj. EBITDA LTM | 3: Net financial debt – 50% hybrid bond + pension provisions | 4: (Net financial debt – 50% hybrid bond) / adj. EBITDA

# Pensions

## Pension funding overview as of 31 December 2020



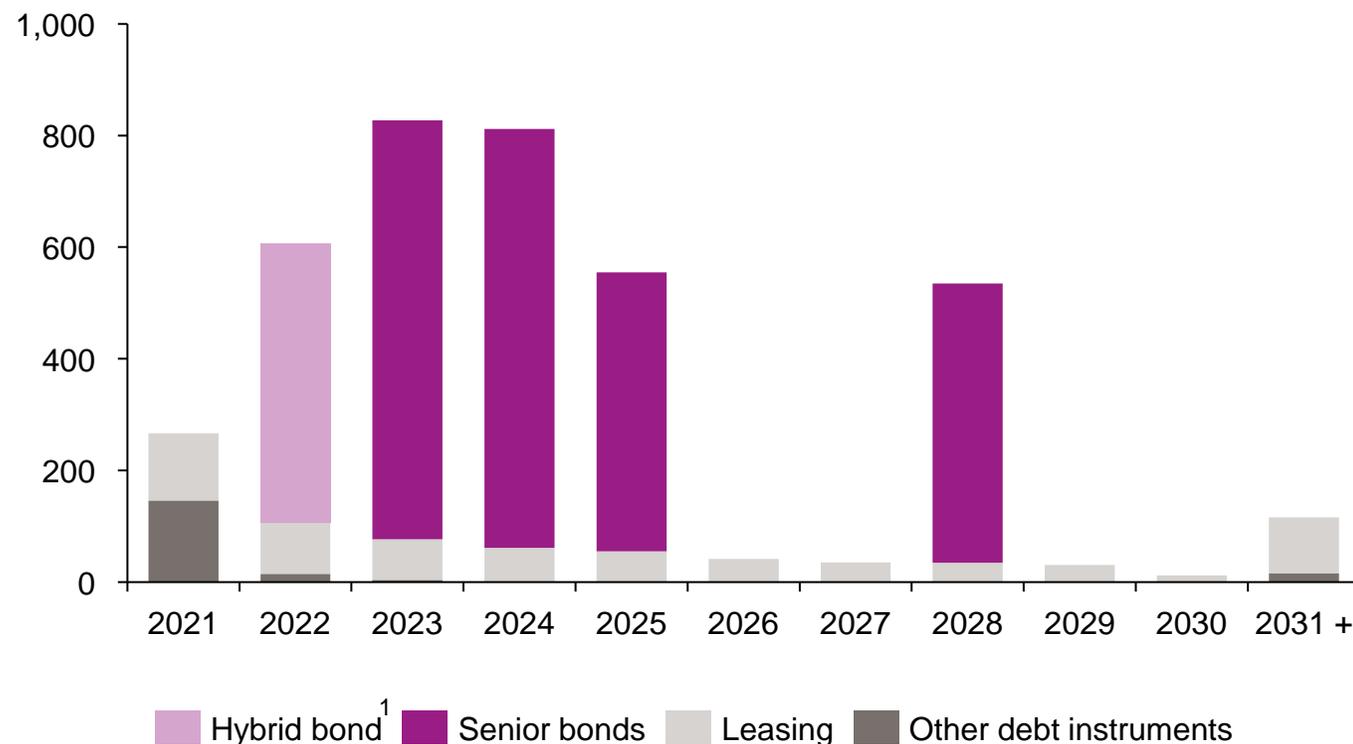
**Funding level at ~ 65%**

- Pensions very long-term, patient debt (>18 years) with no funding obligations in Germany
- DBO level of €13.0 bn
- Higher pension provisions amid decrease of pension discount rates
  - German pension discount rate decline from 1.3% to 0.9% year-on-year
- Solid funding level of ~65%

# Debt structure

## Well balanced maturity profile

(in € m as of December 31, 2020)

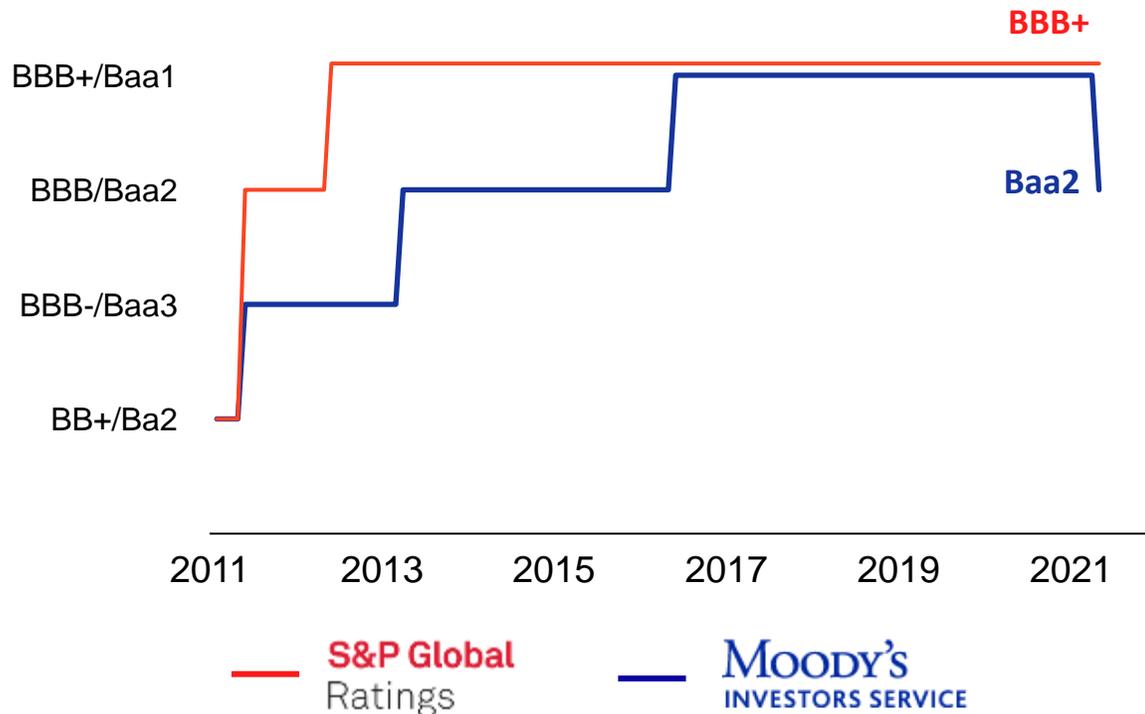


- Well balanced debt maturity profile with no single bond maturity greater than €750 m
- Long-term capital market financing secured at favorable conditions:
  - average coupon of 0.7% p.a. on €2.5 bn senior bonds
  - coupon of 2.125% p.a. on €0.5 bn hybrid bond
- Undrawn €1.75 bn syndicated revolving credit facility maturing June 2024
- The €650 m bond due 8 March 2021 was redeemed three months ahead of the final maturity date (i.e. on 8 December 2020)<sup>2</sup>

1: Formal lifetime of 60 years; first redemption right for Evonik in 2022 | 2: Early redemption right of Evonik (3 months par call)

# Financial policy

## Maintaining a solid investment grade rating



In April 2021, **Moody's** downgraded the rating of Evonik to **Baa2/stable** due to elevated leverage metrics

At the same time Moody's acknowledges Evonik's progress in the further development of its specialty chemicals portfolio as well as its solid liquidity profile

**S&P** rating remains unchanged at **BBB+/stable** since 2012

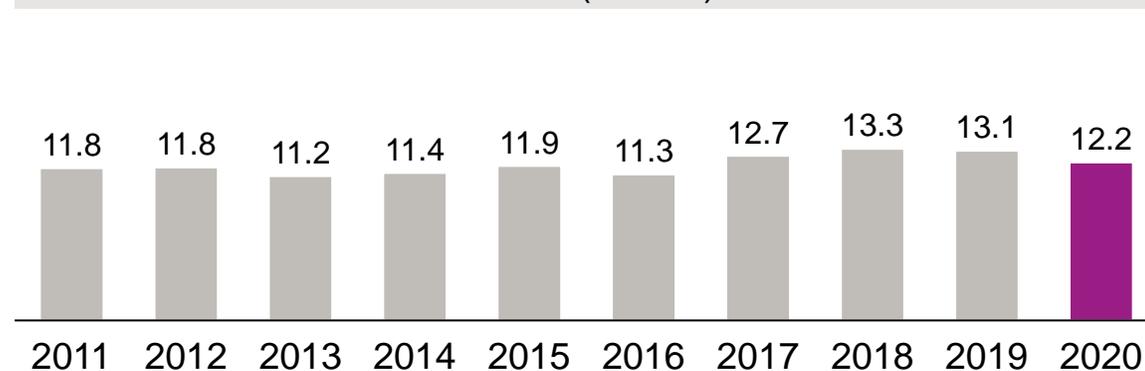
Both rating agencies acknowledge

- a strong business profile of Evonik underpinned by significant size and leading global market positions
- greater-than-peer diversity in terms of end-markets and product range
- supportive financial policy and management commitment to a solid investment-grade rating

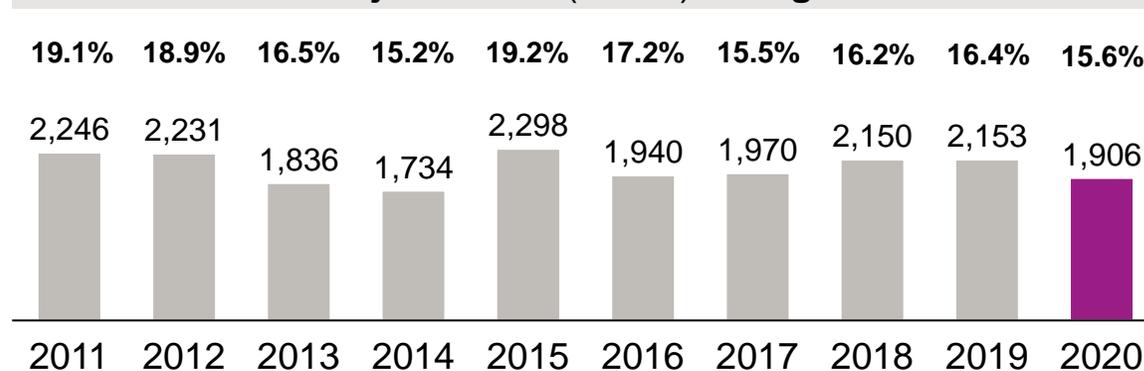
Maintaining a solid investment grade rating is a central element in our financing strategy

# Financials

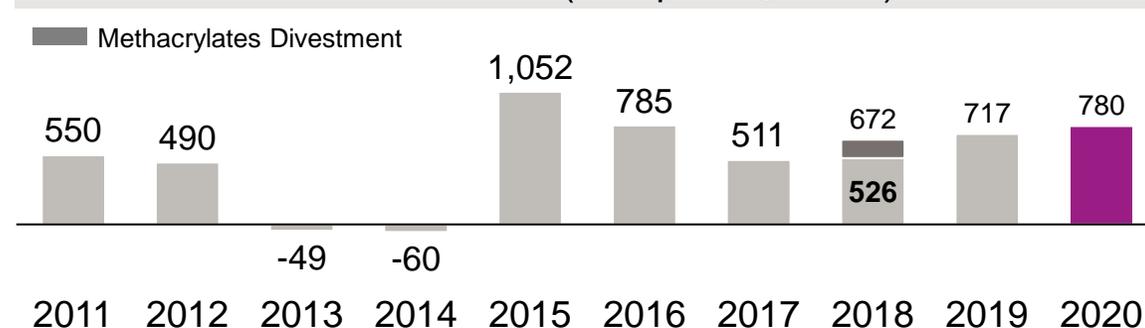
**Sales<sup>1</sup>** (in € bn)



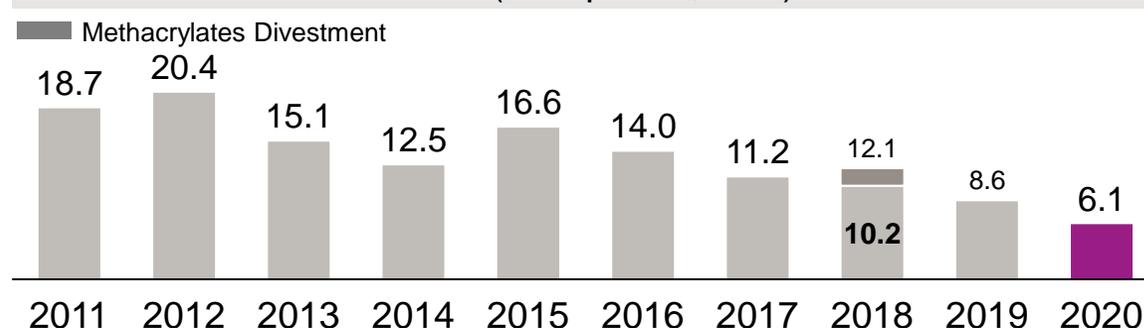
**Adj. EBITDA<sup>1</sup>** (in € m) / margin



**Free Cash Flow** (as reported, in € m)



**ROCE** (as reported, in %)



1: Continuing operations

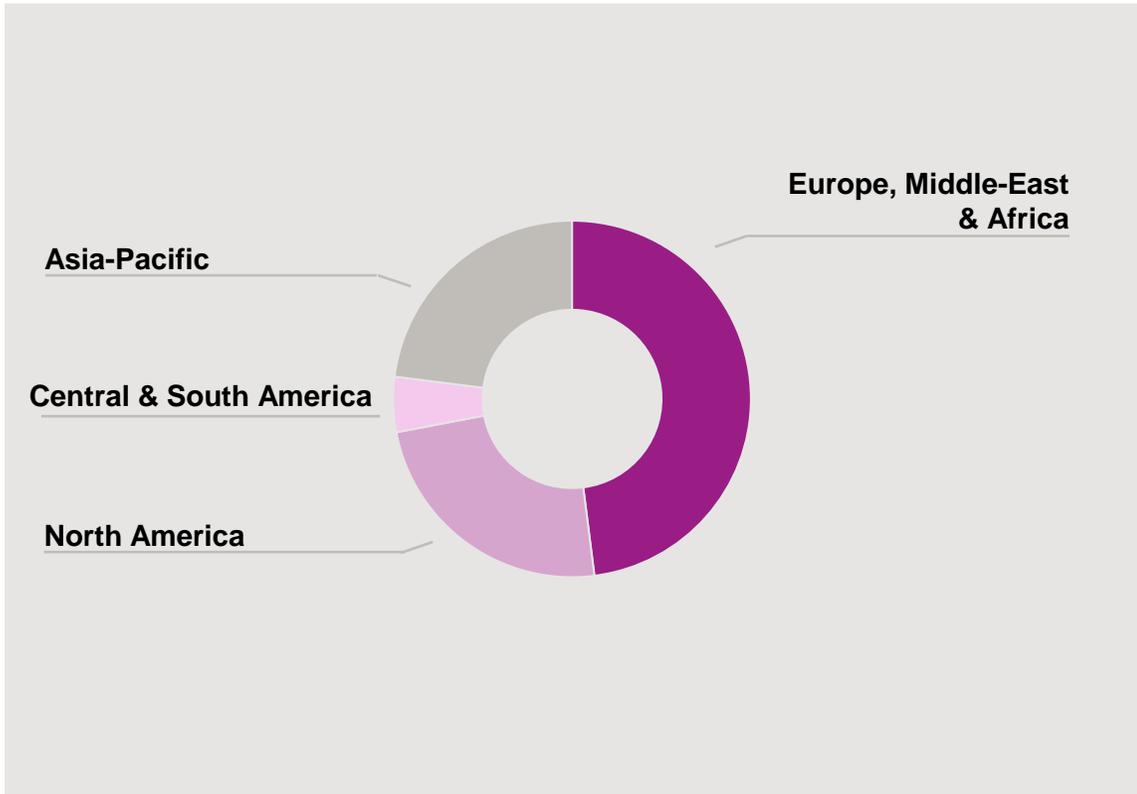
## Divisional overview by quarter

Sales (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20	Q3/20	Q4/20	FY 2020	Q1/21	Q2/21
Specialty Additives	842	867	861	810	3,381	852	747	777	848	3,225	907	922
Nutrition & Care	731	719	726	747	2,922	748	742	715	787	2,992	780	838
Smart Materials	857	845	833	836	3,371	858	722	790	866	3,235	909	975
Performance Mat.	677	698	607	652	2,634	584	437	444	517	1,983	580	708
T&I/Other	180	177	205	239	800	201	179	191	194	764	182	193
<b>Evonik Group</b>	<b>3,287</b>	<b>3,306</b>	<b>3,232</b>	<b>3,284</b>	<b>13,108</b>	<b>3,243</b>	<b>2,827</b>	<b>2,917</b>	<b>3,212</b>	<b>12,199</b>	<b>3,358</b>	<b>3,636</b>

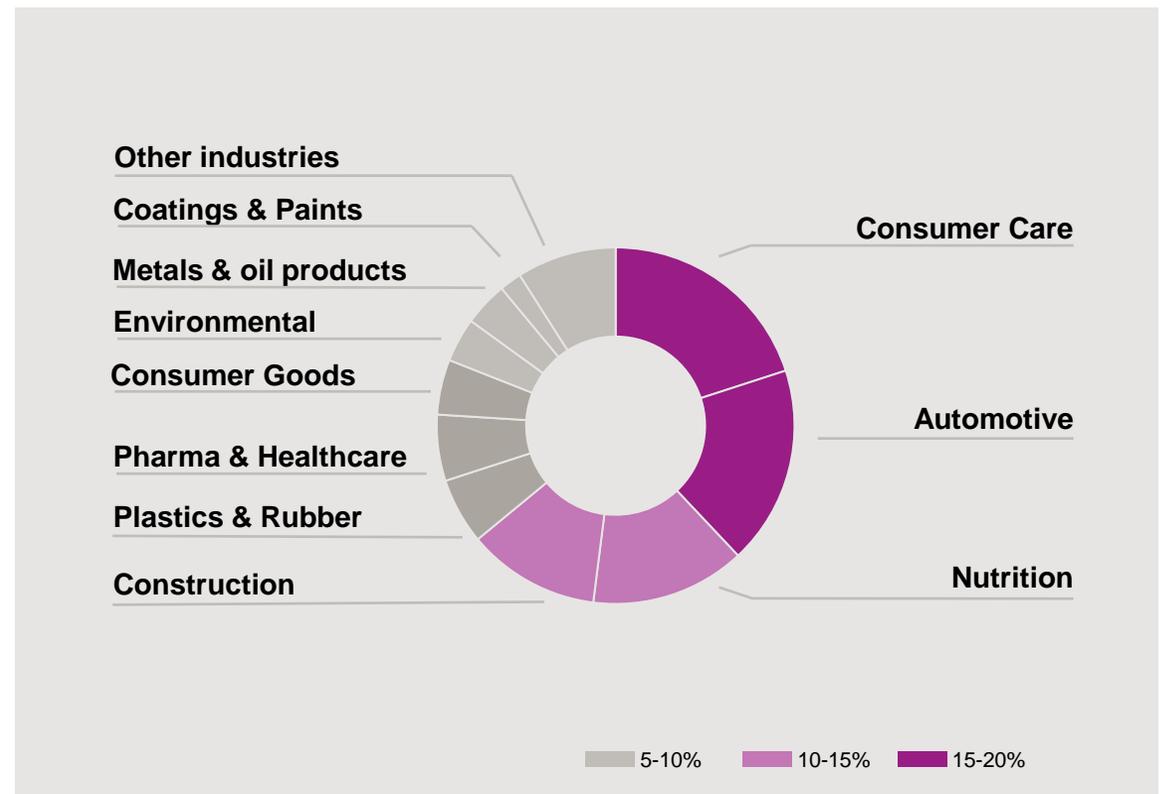
Adj. EBITDA (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20	Q3/20	Q4/20	FY 2020	Q1/21	Q2/21
Specialty Additives	225	226	232	203	886	239	202	214	201	857	273	242
Nutrition & Care	113	121	119	109	462	118	168	140	133	560	143	183
Smart Materials	162	164	157	168	651	166	102	137	124	529	173	176
Performance Mat.	63	84	49	53	248	18	12	28	30	88	42	99
T&I/Other	-24	-29	-14	-28	-94	-28	-28	0	-70	-128	-43	-51
<b>Evonik Group</b>	<b>539</b>	<b>566</b>	<b>543</b>	<b>505</b>	<b>2,153</b>	<b>513</b>	<b>456</b>	<b>519</b>	<b>418</b>	<b>1,906</b>	<b>588</b>	<b>649</b>

# Balanced regional and end market split (FY 2020)

## Sales by region

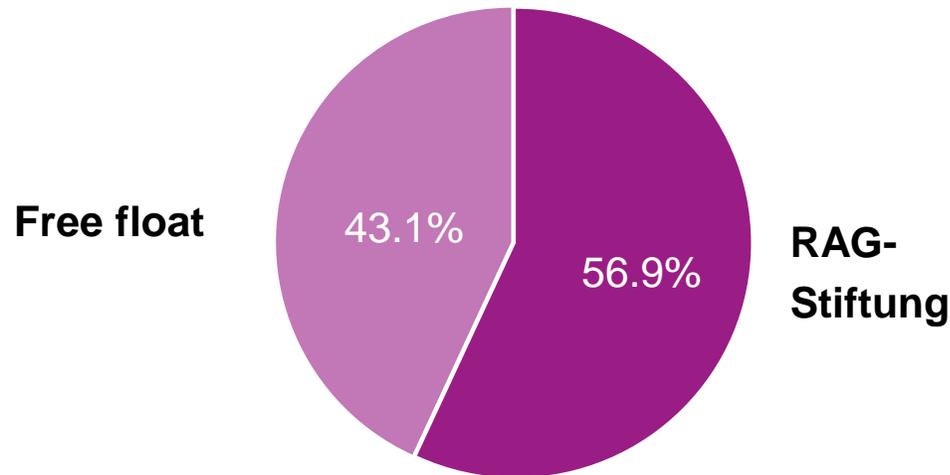


## End market split



# “RAG-Stiftung” as long-term shareholder - Focus on total shareholder return

## Ownership structure



## RAG Stiftung

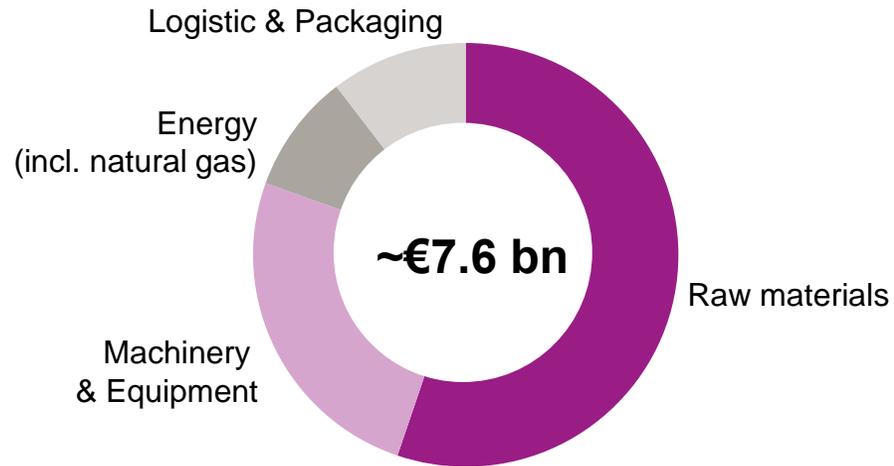
- RAG-Stiftung manages a portfolio of ~€19 bn assets under management, one of the biggest foundations in Europe
- Portfolio consists of publicly traded securities, private equity, direct holdings, real estate and bonds of various types
- RAG-Stiftung focuses on investments with high total shareholder return and strong cash/distribution profiles
- Underlying goal is to finance/cover the perpetual liabilities arising from hard-coal mining in Germany
- >60% of total portfolio invested in assets other than Evonik
- RAG-Stiftung with strong interest in Evonik’s profitable growth, resulting in significant shareholder returns
- Clear intention to remain significant shareholder

# Management compensation

<p>Fixed salary ~1/3</p>	<ul style="list-style-type: none"><li>▪ To be paid in cash for each financial year on a monthly basis</li></ul>
<p>Bonus ~1/3</p>	<ul style="list-style-type: none"><li>▪ Pay-out calculated on the basis of the achievement of focused KPIs; aligned to mid-term strategic targets:<ol style="list-style-type: none"><li>1. Progression towards EBITDA margin target</li><li>2. EBITDA growth (yoy)</li><li>3. Contribution to FCF target</li><li>4. Accident performance</li></ol></li><li>▪ Factor of between 0.8 and 1.2 to take into account the achievement of further individual targets</li><li>▪ Bonus capped at 200% of initial target</li></ul>
<p>Long-term incentive plan ~1/3</p>	<ul style="list-style-type: none"><li>▪ Granted LTI target amount is calculated in virtual shares (4-year lock-up)</li><li>▪ Value of LTI to mirror the development of Evonik's share price (incl. dividends)</li><li>▪ Amount payable is determined by two performance elements<ul style="list-style-type: none"><li>▪ Absolute performance: Real price of the Evonik share</li><li>▪ Relative performance against external index benchmark (MSCI Chemicals)</li></ul></li><li>▪ Bonus capped at 300% of initial amount</li><li>▪ To be paid out in cash after lock-up period</li></ul>

# Raw material split and Top 3 raw materials per division

## Total procurement volume 2020



## Breakdown of raw material spend<sup>1</sup> (examples)

### Bio

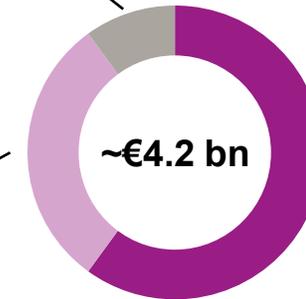
- Dextrose
- Fatty alcohols
- Tallow fatty acid
- Fatty acids
- Tallow

### Inorganics & others

- Sodium silicate
- Sodium hydroxide
- Silicon metal

### Fossil

- Crack C4
- Propylene
- Acrylic acid
- Acetone
- Methanol



### Specialty Additives

Acetone  
Ammonia  
Fatty Alcohol

### Nutrition & Care

Propylene  
Methanol  
Dextrose

### Smart Materials

Sodium Silicate  
Silicone Metal  
Sodium Hydroxide

### Performance Materials

Crack C4  
Propylene  
Acrylic Acid

1: Raw material spend 55% of total procurement volume in 2020

# Appendix

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1. Strategy Details
2. Financials
3. Division overview
4. Sustainability
5. Financials
- 6. Upcoming events**

# Upcoming IR events

Conferences & Roadshows	
10 August 2021	Roadshow, London (Barclays)
31 August 2021	Corporate Conference, Frankfurt (Commerzbank)
13 September 2021	Basic Materials Conference, New York (Credit Suisse)
14 September 2021	Food Ingredients & Chemicals Conf., London (Berenberg)
16 September 2021	Roadshow, Frankfurt (Kepler Cheuvreux)
21 September 2021	Baader Investment Conference, Munich (Baader Bank)
22 September 2021	German Conference, Munich (Berenberg / Goldman Sachs)
23 September 2021	Strategic Decisions Conference, London (Bernstein)

Upcoming Events & Reporting Dates	
4 November 2021	Q3 2021 reporting
3 March 2022	Q4 2021 reporting
<del>7 October 2021</del>	Capital Markets Day

Postponed...  
hoping for a  
physical event  
in H1 2022

# Evonik Investor Relations team

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