

SPEECH PRE-RELEASED ON MAY 20, 2022.
THE SPOKEN WORD HAS PRECEDENCE.

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

Statement at the Annual Shareholders' Meeting on May 25, 2022 in Essen (Germany)

Welcome

Ladies and gentlemen:

Both 2021 and the first months of this year were dominated by events that confront our company and the entire global economy with major challenges. The dominant issue last year was the coronavirus pandemic. Although it is currently having less impact on us than in 2021, it is still present. For this reason—and to protect your health—we decided to hold this year's annual shareholders' meeting virtually again.

At the end of February, when the Omicron wave finally seemed to be ebbing, we were all shocked by the news from Ukraine. The war in Ukraine has serious implications for the development of the world economy. The global supply chains have suffered a further setback and are seriously affected by sanctions and counter-sanctions. Far higher energy costs and bottlenecks in the supply of key raw materials are putting pressure on the whole of industry.

We reacted promptly to the outbreak of war. Our first step was to help our employees in Ukraine leave the country safely. We then stopped new business with Russia and scaled back our existing business activities wherever this was contractually possible. We have halted investment projects. We are strictly applying the sanctions against Russia. At the same time, we are very aware of our responsibility for our employees in Russia.

Strong operating performance in fiscal 2021

As chairman of the executive board, my task today is to report to you on our performance in 2021. Evonik did well in a truly challenging market environment and performed strongly despite all the obstacles. That was due, first and foremost, to the tremendous achievements of our committed employees, who made it possible for us to continue to implement our strategy successfully.

We wanted to grow and we did grow in 2021. Profitably and sustainably. At last year's meeting I promised to you that we would match or even exceed our pre-pandemic performance. And we did precisely that. This success is evidence of the quality of our portfolio.

Compared with 2020, we grew sales, adjusted EBITDA, and the free cash flow by more than 20 percent. Driven by sustained strong demand in all segments, our sales rose 23 percent to around €15 billion. Earnings before, interest, taxes, depreciation, and amortization increased 25 percent year-on-year to €2.38 billion. The free cash flow rose 22 percent to €950 million.

The cash conversion rate, i.e., the ratio of free cash flow to EBITDA, was 40 percent. With adjusted net income of €986 million, Evonik's adjusted earnings per share were €2.12 in 2021.

Evolution/realignment of Evonik's strategy

Crises and turbulence are additional reasons for us to systematically drive forward Evonik's strategic development. Above all, that includes the concept of sustainability in all its dimensions.

At Evonik, we have a strong and shared focus: We want to improve people's lives, day by day. Foresighted resource management and reducing emissions are some of our most important goals.

But sustainability goes beyond that: Together with innovation, it has always been part of Evonik's DNA. It is a key growth driver for our businesses. Our customers are constantly looking for more future-proof technologies and solutions. Therefore, we are aligning our strategy and our entire portfolio consistently to sustainability.

Allow me to briefly outline our strategy, which has a clear focus on a green transformation: The core is integrating sustainability fully into the pillars of our strategy—portfolio, innovation, and culture—in the future.

Integrating sustainability into our strategy

Our new divisional structure paid off in 2021, the first full year after its introduction. Our growth segments were the driving force of our performance.

We will be pressing ahead with the restructuring and expansion of our portfolio, always focusing on specialty chemicals and sustainable solutions. Take membranes as an example. Since the launch of the first product in 2011, we have delivered membranes for gas separation, for instance, for biogas, to more than 1,000 reference plants. This business is growing by 35 percent a year.

In our acquisitions, we are also increasing our focus on sustainability. One example of a small but smart acquisition is the purchase of Swiss plant extract producer Botanica last October. This acquisition strengthens Evonik's position in the market for bio-based active ingredients for cosmetics and is in tune with our strategy of focusing on high-margin specialty chemicals businesses.

The systematic implementation of this strategy also means withdrawing from businesses that are no longer a good fit for Evonik. Consequently, we are driving forward the divestment of the businesses in the Performance Materials division. The Baby Care business line was carved out as a separate legal entity in 2021. Now we are embarking on the search for a strong partner for our Performance Intermediates business. Our preference here is for a joint venture as an intermediate step towards complete divestment.

We intend to invest the proceeds from these divestments in the transformation of Evonik—in the organic growth of our three future-oriented divisions, further selective acquisitions, and modernizing our plants and production processes to enhance efficiency and further reduce emissions.

Innovation as a growth driver

Innovations pave the way to a sustainable future. Who knows that better than us? After all, innovation and sustainability are the principal drivers of our growth divisions. Our innovative capability can be seen from our performance in 2021. Sales of more than €500 million were generated with products from our six strategic innovation growth fields—an increase of 40 percent! Good examples are our lipids for mRNA vaccines and our cosmetic active ingredients. A clear target has been set for this development: By 2025, we want to generate additional sales of more than €1 billion with products from our innovation growth fields. That will be achieved precisely by integrating sustainability even more consistently into the management of our portfolio. This is one of the reasons why we have set out a sustainability roadmap with clear targets for our handprint and footprint by 2030.

Handprint: Next Generation Solutions

Our handprint describes the benefits that our products have for our customers' sustainability profile. We group products with superior sustainability benefits together as Next Generation Solutions. These include solutions in the areas of food packaging, insulation, and lightweight components for the automotive industry. The dynamic development of demand for these products underscores their significance: Sales achieved with Next Generation Solutions recently increased by two percentage points to 37 percent of the Evonik Group's total sales.

By 2030, we want to raise this to more than 50 percent. That will sharpen our profile on the market and strengthen our competitive position.

Footprint: Next Generation Technologies

At the same time, ladies and gentlemen, we are minimizing our ecological footprint and reducing our direct and indirect CO₂ emissions worldwide.

Last year, we undertook a detailed analysis of the greenhouse gas emissions from our largest sites, identified the most important factors in reducing CO₂ emissions, and determined the necessary capital expenditures. Since 2008, we have already reduced our direct emissions by 43 percent. Building on this momentum, we are now taking the next steps and doing everything possible to meet the targets set in the Paris Climate Agreement.

By 2030, we want to reduce our emissions from energy consumption, that is, our scope 1 and 2 emissions, from 6.5 million metric tons CO₂ at present to 4.9 million metric tons—despite significantly higher production volumes. That equates to a 25 percent reduction in our greenhouse gas emissions.

A central role in this is played by our measures to reduce the emissions from our facilities—our Next Generation Technologies. These are initiatives designed specifically to leverage the highest possible energy savings potential in production and processing. That costs money. In the period to 2030, we are earmarking capital expenditures of around €700 million for this initiative. However, the money is well spent, because we are not simply investing in energy efficiency; we will also achieve a sustained reduction in operating expenses of over €100 million a year.

Our cultural transformation

As a further incentive to achieve our sustainability targets, they have been integrated into the new remuneration system for the executive board, which is being submitted to you for approval today. From 2023, 20 percent of long-term remuneration will be linked to sustainability targets.

This decision is part of the extensive cultural transformation we are driving forward at Evonik. Our goals are greater performance orientation and greater diversity. We are making good headway: Younger managers are increasingly taking on leadership responsibility in numerous key management positions. Combined with experienced top managers, that is making us even better in this respect. The proportion of women in management positions is increasing, and so is the proportion of managers with an international background. The change is becoming visible, especially at the highest management levels. In future, three of the five divisions will be headed by women, including one Frenchwoman and one American.

To sum up: We are firmly convinced that our strategy will enable us to continue our sustainable and profitable growth and achieve our new mid-term financial targets. Our goals are annual organic sales growth of over 4 percent and an adjusted EBITDA margin relative to sales of between 18 and 20 percent.

Increased dividend and high dividend yield

Reliability and continuity have top priority for Evonik. In these times of uncertainty, in particular, we would like to thank you, our shareholders, for your trust in our company and enable you to participate in our success. Therefore, we propose that the dividend for fiscal 2021 should be increased to €1.17 per share. That would give a payout ratio of 55 percent and a total disbursement of €545 million. Evonik's high dividend yield of 4 percent once again positions us among the leaders, not just in the chemical industry.

Share price performance in 2021 and 2022

Let us look at the price performance of our shares. Shares in Evonik Industries AG were trading at almost €27 at the beginning of 2021, a year overshadowed by the coronavirus, and they rose in the first months of the year. In view of the global economic recovery and the publication of our good financial figures, the share price topped €30 for the first time. On April 6 it rose to a high for the year of €30.70. That was also the highest level since October 2018.

Despite the sustained strong business performance, mounting concern about a global economic slowdown propelled our share to an interim low in the fall. Following a strong year-end rally in December 2021, Evonik shares ended the year at €28.47, a gain of around 7 percent over the year.

Our share price performance so far this year has continued to be affected by external factors. While the share rallied at the start of the year as the consequences of the coronavirus pandemic declined, the outbreak of the war in Ukraine has left a clear mark on the capital markets.

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

Worldwide, some 11,000 employees purchased shares in Evonik. That was a participation rate of nearly 42 percent.

For this year's employee share program, we purchased a total of 643,015 shares at an average price of €24.55 per share and a pro rata share of the capital stock of €1.00 per share. That was around 0.1 percent of our capital stock of €466 million.

For this share purchase, we made use of the authorization issued by the annual shareholders' meeting in 2020. All the shares have now been transferred to the eligible employees and the surplus sold on the market.

Q1/Outlook 2022: growth despite adverse conditions

Let us now look ahead to the future. We aim to grow further this year: profitably, sustainably, and healthily in every respect. That said, in the present situation, it is difficult to forecast the macro-economic prospects. We will have to fly by sight, while keeping an eye on our long-term goals.

Evonik made a good start to the year, although conditions in the first quarter were dominated by enormous uncertainty and bottlenecks. Our adjusted EBITDA was €735 million and year-on-year growth was 25 percent, which was significantly above capital market expectations. In the first quarter, we managed to offset higher variable costs by raising selling prices in all divisions.

We have had to downgrade our expectations for global economic growth this year to 3.3 percent. Based on our reduced growth assumptions, we reviewed our expectations for fiscal 2022.

The outcome was positive: Despite all the adverse factors, in view of our strong start to the year and assuming that the geopolitical situation does not deteriorate further, we are able to confirm our outlook for 2022. We still expect to report adjusted EBITDA of between €2.5 billion and €2.6 billion and sales of between €15.5 billion and €16.5 billion.

Concluding remarks

Despite the present short-term uncertainty, our development in the past year and in the first quarter of 2022 has clearly shown that Evonik is robust and healthy and can look forward confidently to the future. We are systematically implementing our strategy, we are capable of responding to unexpected events, and our employees do tremendous work every day in the search for sustainable solutions to new challenges.

Nevertheless, I would like to make one thing quite clear: Evonik's capacity is not endless. The chemical industry is the heart of German industry. We are aware of our responsibility for this country, we accept this responsibility, and we therefore work closely with politicians, our partners in the sector, and the labor unions. At the present time, our joint task is to do everything we can to steer our business through these turbulent times with the greatest possible stability.

Here, I would like to thank the supervisory board, you, our shareholders, and of course all Evonik employees for your ongoing support and trust.

I hope you will continue to support Evonik in the future. Together with my colleagues on the executive board, I would like to thank you all for your interest and your attention.

Stay healthy and look after yourselves.

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