Analyst & Investor Fact Sheet Q3 2019

EVONIK
POWER TO CREATE

Evonik Group (continuing operations)

in € million	Q3 2018	Q3 2019	yoy Δ%	Q2 2019	Q3 2019	qoq Δ%	Q3 2019 Consensus*
External sales	3,347	3,232	-3%	3,306	3,232	-2%	3,279
Volume (%)			*-3%*				*-1%*
Price (%)			*-2%*				*-1%*
Exchange Rates (%)			*2%*				*1%*
Other effects (%)			*0%*				*0%*
Adjusted EBITDA	579	543	-6%	566	543	-4%	537
Adjusted EBITDA Margin (%)	17.3%	16.8%	-0.5 pp	17.1%	16.8%	-0.3 pp	16.4%
Adjusted EBIT	376	293	-22%	340	293	-14%	311
Adjustments	-12	-74		-21	-74		-21
EBIT	364	219	-40%	319	219		289
Adjusted net income	307	195	-36%	227	195	-14%	215
Adjusted earnings per share in €	0.66	0.42	-36%	0.49	0.42	-14%	0.46
Cash outflows for investments	-222	-210	-5%	-182	-210	15%	
Net financial position (as of September 30)		-1,734		-4,081	-1,734	-58%	
Cash flow from operating activities, cont. ops.	500	403	-19%	118	403	>100%	
Free cash flow, cont. ops., excl. carve-out taxes	278	321	15%	-64	321	>100%	
Free cash flow, cont. ops.	278	193	-31%	-64	193	>100%	

* Vara Consensus 22 October 2019

Highlights

- Outlook confirmed despite additional production constraints in Performance Materials (€20 m in Q3; €10 m in Q4)
- Self-help measures intensified: SG&A program ahead of plan, additional contingency measures of €20 m implemented
- FCF outlook confirmed and specified: ~€700 m expected for FY 2019; improvement of cash conversion rate to >30%

- Earnings outlook confirmed; Q4 2019 level of around €500 m well underpinned
  - Adj. EBITDA outlook confirmed: "at least stable"
  - Sales expected to be slightly below prior year's level due to lower demand environment
  - Q4 2019 expected at around €500 m (see presentation page 5): reduced cyclicality due to portfolio improvement (MMA sale); production constraints in PM expected to be solved by mid-November; license proceeds of ~€40 m from two projects in Active Oxygens; further support of in total ~€25 m from accelerated SG&A program and additional contingency measures

Group business development Q3 2019

- Sales decline of -3% to €3,232 m (Q3 2018: €3,347 m)
  - Volume decline (-3%) mainly due to production constraints in PM and challenging market environment for auto- and coatings-related businesses
  - Prices slightly negative (-2%); ongoing solid pricing in RE (+1%); declines in NC (-3%) and PM (-10%)
- Adj. EBITDA of €543 m; -6% yoy (Q3 2018: €579 m)
  - RE (€322 m, -4%); challenging market environment for auto and coatings businesses; conversely pricing remains solid with an EBITDA margin above 22%
  - NC (€188 m, -11%) with robust contribution from Care Solutions and accelerating Health Care (FY 2019 back-end loaded); methionine with ongoing strong volumes and sequentially slightly lower prices
  - PM (€47 m; -25%) with difficult market environment for petrochemical derivates; additionally, Q3 was impacted by limited raw material availability in C4 business and unexpected outage (BD-plant in Antwerp)
  - Services & Corporate/Others: strict cost discipline leading to improved FY expectations
    - Services now "slightly above the level of 2018" (previously: around the level of 2018; 2018: €100 m)
    - Corporate/Others now "tangibly less negative than 2018" (previously: slightly less negative (2018: - €283 m)
- Adj. EBITDA margin on group level at 16.8% (Q3 2018: 17.3%)
- Adj. EBIT at €293 m is -22% lower yoy compared to adj. EBITDA with -6% yoy due to higher D&A (IFRS 16-related)
- Adj. EPS at €0.42 (Q3 2018: €0.66)
  - Adj. financial result of -€63m (Q3 2018: -€37 m): lower interest rate level resulting in negative interest for short-term securities and higher interest expenses from discounting of long-term provisions
  - Q3 2019 adj. tax rate of 25%, 9M 2019 at 22%, well in-line with full year guidance (~23%)
- Clean EPS of €3.17 includes discontinued operations and therefore MMA book gain of €1.3 bn

Highlights from cash flow statement & balance sheet

Cash Flow Statement

- FCF of €417 m (excl. carve-out taxes) in the first nine months, improved by €93 m yoy – despite lower EBIT and higher bonus payments (for fiscal 2018)
- Positive effects from lower cash outflows for NWC (9M 2019: €237 m lower cash-out yoy) and lower cash outflows for pensions (CTA effect; 9M 2019: €113 m) as well as strict capex discipline (9M 2019: reduction by €81 m yoy)
- Extraordinary carve-out taxes of €128 m paid in Q3 (related to MMA divestment); full-year now expected at €200 m – €220 m (previously: €260 m)

Balance Sheet

- Net financial debt decreased to €1,734 m (from €4,093 m end of Q2), mainly due to proceeds from MMA disposal
- Pension provisions increased to €4,640 m (from €3,804m end of Q2 (continuing operations excluding MMA)) due to discount rate change in Germany from 1.5% to 1.0%
- Leverage (net debt/adj. EBITDA) now at 3.0x; net financial debt leverage at 0.7x

- Divestment of MMA business closed
  - Deconsolidation of the business with Q3 reporting (reported as discontinued operations since 1 January 2019)
  - Q3 P&L: Book gain from MMA disposal in discontinued operations of €1,326 m
  - ~€2.2 bn preliminary proceeds received. Contractual agreements such as the final valuation of net working capital still need to be finalized with the buyer and will result in changes in the purchase price in the first half of 2020

Outlook for FY 2019

- Basis for our outlook:
  - Global growth of 2.5 percent (2018: 3.2 percent); previously: 2.7 percent
  - Euro/US dollar exchange rate: US$1.15 (2018: US$1.18); unchanged
  - Internal raw material cost index slightly lower than in the prior year; unchanged

- Outlook for the full year 2019
  - **Sales slightly below the level of 2018** (previously: at least stable sales; 2018: €13.267 bn)
  - **At least stable adj. EBITDA** (FY 2018: €2,150 m)
  - **FCF significantly higher than 2018 (**€526 m) **at around €700 m**; carve-out taxes not considered in 2019 outlook
  - **Cash conversion rate above 30%** in 2019 (2018: 24.5%)

Additional indications for FY 2019 (cont. operations)

(Change in Services, Corporate/Others and ROCE; rest unchanged)

- **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 (2018: €969 m)**
- **EUR/USD:** 1.15 EUR/USD (2018: 1.18 EUR/USD)
- **EUR/USD sensitivity**: +/-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:** ~-€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

Nutrition & Care (N&C)

in € million	Q3 2018	Q3 2019	yoy Δ%	Q2 2019	Q3 2019	qoq Δ%	Q3 2019 Consensus*
External sales	1,167	1,138	-2%	1,131	1,138	1%	1,155
Volume (%)			*-1%*				
Price (%)			*-3%*				
Exchange Rates (%)			*2%*				
Other effects (%)			*0%*				
Adjusted EBITDA	212	188	-11%	190	188	-1%	191
Adjusted EBITDA Margin (%)	18.2%	16.5%	-1.7 pp	16.8%	16.5%	-0.3 pp	16.5%
Adjusted EBIT	141	99	-30%	117	99	-15%	117
Adjustments	-1	-13		-3	-13		
EBIT	140	86	-39%	114	86	-25%	

* Vara Consensus 22 October 2019

- **Sales** decreased by -2% to €1,138 m (Q3 2018: €1,167 m)
  - Volumes slightly negative (-1%); higher volumes in Animal Nutrition neutralized by planned shift from bulk to specialty products (in Care Solutions and for Veramaris JV)
  - Prices down by -3%; mainly due to high comparables in methionine

- **Adj. EBITDA** decreased by -11% yoy to €188 m (Q3 2018: €212 m)
  - Adj. EBITDA sequentially around the level of Q2 due to robust contribution from Care Solutions and accelerating Health Care (FY 2019 back-end loaded)
  - Methionine with ongoing strong volumes, negative price effect against still high yoy comparables

- **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.

Resource Efficiency (RE)

in € million	Q3 2018	Q3 2019	yoy Δ%	Q2 2019	Q3 2019	qoq Δ%	Q3 2019 Consensus*
External sales	1,425	1,414	-1%	1,399	1,414	1%	1,383
Volume (%)			*-3%*				
Price (%)			*1%*				
Exchange Rates (%)			*1%*				
Other effects (%)			*0%*				
Adjusted EBITDA	335	322	-4%	326	322	-1%	319
Adjusted EBITDA Margin (%)	23.5%	22.8%	-0.7 pp	22.6%	22.8%	0.2 pp	23.0%
Adjusted EBIT	262	237	-10%	247	237	-4%	239
Adjustments	-3	3		-4	3		
EBIT	259	240	-7%	243	240	-1%	

* Vara Consensus 22 October 2019

(Shift of Application Monomers business from Performance Materials to Resource Efficiency in the context of the MMA disposal; quarterly effect of around €4 m in adj. EBITDA (no change on Group level); numbers in RE & PM restated for all 2018 and 2019 quarters; for further details see Evonik Financials)

- **Sales** slightly decreased by -1% to €1,414 m (Q3 2018: €1,425 m)
  - Difficult market environment for auto and coatings businesses reflected in Q3 numbers
  - Volumes (-3%) in industry-linked Silica applications and Coating businesses impacted by economic downturn
  - Pricing (1%) continued to be solid in Q3 for products with a high share of specialty character

- **Adj. EBITDA** declined by -4% to €322 m (Q3 2018: €335 m)
  - High EBITDA margin level maintained (Q3 2019: 22.8%)
  - High Performance Polymers (ongoing strong PA12 business in industrial & consumer goods) and Crosslinkers (strong demand for IPD for wind industry) with resilient performance
  - License proceeds from two projects in Active Oxygens business with positive EBITDA impact of ~€40 m expected in Q4 (HPPO project with Zibo Qixiang Tengda Chemical Co. communicated with Q2 reporting; new HPPG project with Dow communicated in IR News on 30 October, 2019)

- **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.

Performance Materials (PM)

in € million	Q3 2018	Q3 2019	yoy Δ%	Q2 2019	Q3 2019	qoq Δ%	Q3 2019 Consensus*
External sales	591	475	-20%	553	475	-14%	564
Volume (%)			*-6%*				
Price (%)			*-10%*				
Exchange Rates (%)			*0%*				
Other effects (%)			*-4%*				
Adjusted EBITDA	63	47	-25%	74	47	-36%	57
Adjusted EBITDA Margin (%)	10.7%	9.9%	-0.8 pp	13.4%	9.9%	-3.5 pp	9.6%
Adjusted EBIT	49	22	-55%	50	22	-56%	33
Adjustments	0	-1		0	-1		
EBIT	49	21	-57%	50	21	-58%	

* Vara Consensus 22 October 2019

(Shift of Application Monomers business from Performance Materials to Resource Efficiency in the context of the MMA disposal; quarterly effect of around €4 m in adj. EBITDA (no change on Group level); numbers in RE & PM restated for all 2018 and 2019 quarters; for further details see Evonik Financials)

- **Sales** decreased by -20% to €475 m (Q3 2018: €591 m)
  - Negative volumes (-6%) due to limited raw material availability in C4 business and unexpected outage (BD-plant in Antwerp)
  - Prices down (-10%) mainly because of yoy lower Butadiene spreads
- **Adj. EBITDA** declined to €47 m (Q3 2018: €63 m)
  - Difficult market environment for petrochemical derivatives continuing; additional impact from raw material constraints and unexpected outage (impact on EBITDA in Q3: ~€20 m)
  - 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

- **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)

Services

in € million	Q3 2018	Q3 2019	yoy Δ%	Q2 2019	Q3 2019	qoq Δ%	Q3 2019 Consensus*
External sales	161	196	22%	171	196	15%	165
Adjusted EBITDA	39	32	-18%	36	32	>100%	32
Adjusted EBITDA Margin (%)	24.2%	16.3%	-7.9 pp	21.1%	16.3%	-4.8 pp	19.4%
Adjusted EBIT	2	-9		-7	-9		-6
Adjustments	-3	-36		-2	-36		
EBIT	-1	-45		-9	-45		

* Vara Consensus 22 October 2019

- 9M 2019 EBITDA 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

Corporate / Others

in € million	Q3 2018	Q3 2019	yoy Δ%	Q2 2019	Q3 2019	qoq Δ%	Q3 2019 Consensus*
External sales	3	9		6	9		4
Adjusted EBITDA	-70	-46	34%	-60	-46	23%	-60
Adjusted EBIT	-78	-56	28%	-67	-56	16%	-69
Adjustments	-5	-26		-12	-26		
EBIT	-83	-82		-79	-82		

* Vara Consensus 22 October 2019

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

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