Analyst & Investor Fact Sheet Q2 2019

Evonik Group (continuing operations)

in € million	Q2 2018	Q2 2019	yoy Δ%	Q1 2019	Q2 2019	qoq Δ%	Q2 2019 Consensus*
External sales	3,413	3,306	-3%	3,287	3,306	1%	3,457
Volume (%)			*-2%*				*1%*
Price (%)			*0%*				*-1%*
Exchange Rates (%)			*-1%*				*1%*
Other effects (%)			*0%*				*0%*
Adjusted EBITDA	616	566	-8%	539	566	5%	570
Adjusted EBITDA Margin (%)	18.0%	17.1%	-0.9 pp	16.4%	17.1%	0.7 pp	16.5%
Adjusted EBIT	409	340	-17%	315	340	8%	345
Adjustments	-13	-21		-19	-21		-20
EBIT	396	319	-19%	296	319		325
Adjusted net income	279	227	-19%	249	227	-9%	233
Adjusted earnings per share in €	0.60	0.49	-19%	0.53	0.49	-9%	0.51
Cash outflows for investments	-252	-182	-28%	-175	-182	4%	
Net financial position (as of June 30)		-4,081		-3,419	-4,081	19%	
Cash flow from operating activities, cont. ops.	248	118	-52%	334	118	-65%	
Free cash flow, cont. ops.	-4	-64	1500%	159	-64	-140%	

* Vara Consensus 18 July 2019

Highlights

- Solid Q2 performance in an increasingly challenging macro environment
  - Q2 2019 adj. EBITDA of €566 m (Q2 2018: €616 m): Sequential earnings growth in all three chemical segments
  - FCF at €95 m in H1 2019 (H1 2018: €46 m): Strict NWC and capex management compensate lower EBIT level
  - Self-help measures in place: SG&A 2020 with €17 m additional savings in Q2; capex budget cut by €50 m for FY 2019

- Outlook 2019 confirmed
  - Sales and adj. EBITDA expected to be "at least stable"
  - FCF to rise significantly
  - H2 will be supported by absence of one-offs in H1 (ramp-up costs & raw material constraints) of around €50 m, year-end phasing in Health Care and license fee for a HPPO project in Resource Efficiency

Group business development Q2 2019

- Sales decline of -3% to €3,306 m (Q2 2018: €3,413 m)
  - Prices stable (0%); ongoing strong pricing in RE (+3%); decline in NC (-4%) and PM (-1%)
  - Volume decline (-2%) mainly due to sluggish demand in RE (auto- and coatings-related businesses) and structural effects in PM (divestment of non-core Jayhawk site in 2018)
- Adj. EBITDA of €566 m; -8% yoy (Q2 2018: €616 m)
  - RE (€325 m, -9%) holding up well despite subdued demand from automotive and coating industries, positive pricing leading to sustained high EBITDA margin of 23%
  - NC (€190 m, -14%) with 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
  - PM (€76 m; -4%) with sequential earnings growth due to higher utilization levels in C4 chain (Q1 with raw material supply constraints). Yoy down because of divestment of non-core Jayhawk site.
  - Services and Corporate with further delivery of SG&A savings and positive effects from personnel-related provisions
- Adj. EBITDA margin on group level at 17.1% (Q2 2018: 18.0%)
- Adj. EBIT at €340 m; yoy lower due to higher D&A (IFRS 16-related; Q2 2018: €409 m)
- Adj. EPS at €0.49 (Q2 2018: €0.60)
  - Q2 2019 adj. tax rate of 28%, H1 2019 at 21%, well in-line with full year guidance (~23%)
  - Higher depreciation and amortization (+ €19 m) mainly due to IFRS 16

Highlights from cash flow statement & balance sheet

Cash Flow Statement

- H1 FCF of €95 m improved by €49 m yoy – despite €136 m lower EBIT and higher bonus payments (for fiscal 2018)
- Operating cash flow in H1 benefitting from strict NWC management (€188 m lower cash-out yoy), lower cash outflows for pensions (CTA effect) and capex discipline (reduction by €69 m yoy)

Balance Sheet

- Net financial debt increased to €4,081 m (from €3,419 m end of Q1), mainly due to dividend payment of €536 m
- Pension provisions increased to €3,804 m (from €3,447 m end of Q1) due to discount rate change for Germany from 1.75 % to 1.50%
- Leverage (net debt/adj. EBITDA including discontinued operations) at 3.4x; pro-forma after MMA divestment at ~2.8x

- Divestment of MMA business closed
  - No significant changes since signing in March 2019
  - Deconsolidation of the business with Q3 reporting (reported as discontinued operations since Jan 1st 2019)
  - As part of divestment process, some parts of MMA legal entities were reverse carved-out, as they stay with Evonik
  - This led to a fair value step-up which results in one-time tax cash-outs of €260 m expected in H2 2019
  - Due to accounting standards, these carve-out taxes will be reported as operating CF of continued operations
  - Effect neutral in the long run: higher depreciation results in up to €20 m future tax relief p.a. for the next 15 years

Outlook for FY 2019 unchanged:

- Basis for our outlook:
  - Global growth of 2.7 percent (2018: 3.2 percent); unchanged
  - 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
  - Underlying macro assumption: H2 expected to continue on weaker Q2 level
  - **At least stable sales** (2018: €13.267 bn)
  - **At least stable adj. EBITDA** (FY 2018: €2,150 m)
  - **FCF expected to be significantly higher compared to 2018** (extraordinary carve-out taxes not considered in 2019 outlook; FY 2018: €526 m)

Additional indications for FY 2019 (cont. operations; change in capex guidance)

- **IFRS 16 effect** of ~€100 m equally split over four quarters of the year
- **Synergies from acquisitions (APD & Huber Silica):** Additional synergies of ~€30 m (total synergies: ~€70 m)
- **PeroxyChem:** Not yet included in outlook, closing expected mid-2019 (Adj. EBTDA FY 2018: $60 m)
- **ROCE:** Above cost of capital (10.0% before taxes); 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 USD cent = -/+ ~€8 m adj. EBITDA (FY basis)
- **Adj. EBITDA Services:** Around the level of 2018 (2018: €100 m)
- **Adj. EBITDA Corporate / Others:** Slightly less negative than in 2018 (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	Q2 2018	Q2 2019	yoy Δ%	Q1 2019	Q2 2019	qoq Δ%	Q2 2019 Consensus*
External sales	1,189	1,131	-5%	1,149	1,131	-2%	1,213
Volume (%)			*0%*				
Price (%)			*-4%*				
Exchange Rates (%)			*-1%*				
Other effects (%)			*0%*				
Adjusted EBITDA	222	190	-14%	180	190	6%	190
Adjusted EBITDA Margin (%)	18.7%	16.8%	-1.9 pp	15.7%	16.8%	1.1 pp	15.8%
Adjusted EBIT	149	117	-21%	103	117	14%	115
Adjustments	-2	-3		-12	-3		
EBIT	147	114	-22%	91	114	25%	

* Vara Consensus 18 July 2019

- **Sales** declined by -5% to €1,131 m (Q2 2018: €1,189 m)
  - Volumes stable; higher volumes in Animal Nutrition neutralized by planned shift from bulk to specialty products (in Care Solutions and for Veramaris JV)
  - Prices down by -4%; mainly due to high comparables in methionine

- **Adj. EBITDA** decreased by -14% yoy to €190 m (Q2 2018: €222 m)
  - Adj. EBITDA in Q2 negatively impacted by methionine price effect and ramp-up costs for methionine plant (~€15 m)
  - Sequential earnings increase 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
  - H2: absence of ramp-up costs for new methionine plant; further acceleration of earnings in Health Care (2/3 of EBITDA expected in H2)

- **Care Solutions:** Ongoing good performance of Cosmetic Solutions (higher-priced emulsifiers and functional additives). Lower volumes due to upgrade in product mix.
- **Health Care:** Business in Q2 picking up qoq. As expected, H2 will see further improvement due to back-end loaded phasing of earnings. Overall, FY 2019 with yoy stable earnings (due to end of large legacy contract).
- **Comfort & Insulation:** Good performance in Europe and Americas, but overall limited volume growth due to headwinds in China & from auto end markets.
- **Baby Care:** Improvement from a low base continuing. Volumes constantly improving in US and EU; self-help measures with positive effect on margin.
- **Animal Nutrition:** Methionine with unchanged strong volumes and negative prices against high yoy comparables. Q2 for the last time burdened by ramp-up costs for new methionine plant (Q2: ~€15 m, H1: ~€30 m).

Resource Efficiency (RE)

in € million	Q2 2018	Q2 2019	yoy Δ%	Q1 2019	Q2 2019	qoq Δ%	Q2 2019 Consensus*
External sales	1,435	1,404	-2%	1,399	1,404	0%	1,472
Volume (%)			*-4%*				
Price (%)			*3%*				
Exchange Rates (%)			*0%*				
Other effects (%)			*-1%*				
Adjusted EBITDA	358	325	-9%	324	325	0%	345
Adjusted EBITDA Margin (%)	24.9%	23.1%	-1.8 pp	23.2%	23.1%	-0.1 pp	23.5%
Adjusted EBIT	280	248	-11%	248	248	0%	268
Adjustments	-4	-5		-3	-5		
EBIT	276	243	-12%	245	243	-1%	

* Vara Consensus 18 July 2019

- **Sales** decreased by -2% to €1,404 m (Q2 2018: €1,435 m)
  - Segment holds up well in weaker market environment for auto- and coatings-related businesses
  - Higher prices (+3%) due to high share of specialty products
  - Volumes (-4%) impacted by weaker auto and coatings end markets in Silica, Oil Additives and Coating businesses

- **Adj. EBITDA** declined by -9% to €325 m (Q2 2018: €358 m)
  - High EBITDA margin level maintained (Q2 2019: 23.1%)
  - Crosslinkers (good demand from wind energy market) and High Performance Polymers (ongoing strong demand for industrial & consumer goods) with resilient performance
  - H2: easier comparables and license fee for HPPO project in China in Active Oxygens

- **Crosslinkers:** Good demand from wind energy market in China. Earnings supported by favorable raw material prices (Acetone) but impacted by higher fix costs due to planned shutdown in Germany.
- **High Performance Polymers:** Business demonstrates good resilience with strong sales in PA12 – especially from additive manufacturing and industrial & consumer goods.
- **Silica:** Higher prices offset by lower volumes. EBITDA impacted by start-up costs from new precipitated silica plant in Charleston, South Carolina, and planned shutdowns.
- **Coating Additives:** Volumes down due to macro slowdown, especially in container coatings and automotive.

EVONIK POWER TO CREATE

Performance Materials (PM)

in € million	Q2 2018	Q2 2019	yoy Δ%	Q1 2019	Q2 2019	qoq Δ%	Q2 2019 Consensus*
External sales	616	594	-4%	544	594	9%	594
Volume (%)			*-2%*				
Price (%)			*-1%*				
Exchange Rates (%)			*-1%*				
Other effects (%)			*0%*				
Adjusted EBITDA	79	76	-4%	49	76	55%	71
Adjusted EBITDA Margin (%)	12.8%	12.8%	0.0 pp	9.0%	12.8%	3.8 pp	11.9%
Adjusted EBIT	62	50	-19%	34	50	47%	48
Adjustments	0	0		-6	0		
EBIT	62	50	-19%	28	50	79%	

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- **Sales** decreased by -4% to €594 m (Q2 2018: €616 m)
  - Negative volumes (-2%) compared to prior year due to divestment of non-core Jayhawk site (BL FY) in October 2018
  - Prices broadly stable at -1%
- **Adj. EBITDA** declined to €76 m (Q2 2018: €79 m)
  - Margin (12.8%) stable yoy and sequentially up due to higher utilization levels in C4 chain (Q1 with raw material supply constraints)
  - Good MTBE development due to positive gasoline market and cracker shutdowns. Contrarily, globally weaker market for petrochemical derivatives (Butadiene, INA, Butene-1).
  - H2: easier comparables especially in Q4, which was affected by the low Rhine water level in 2018

- **Performance Intermediates:**
  - Rather stable volumes in PI despite increasingly tougher markets for petrochemical derivatives.
  - Good MTBE development due to positive gasoline market and cracker shutdowns. Contrarily, globally weaker market for petrochemical derivatives (Butadiene, INA, Butene-1).

- **Functional Solutions:**
  - Lower sales due to divestment of non-core Jayhawk site in October 2018 and negative FX effect.
    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	Q2 2018	Q2 2019	yoy Δ%	Q1 2019	Q2 2019	qoq Δ%	Q2 2019 Consensus*
External sales	169	171	1%	174	171	-2%	172
Adjusted EBITDA	25	36	44%	31	36	>100%	30
Adjusted EBITDA Margin (%)	14.8%	21.1%	6.3 pp	17.8%	21.1%	3.3 pp	17.4%
Adjusted EBIT	-8	-7		-7	-7		-5
Adjustments	-2	-2		-2	-2		
EBIT	-10	-9		-9	-9		

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- Q2 supported by lower build-up of personnel-related provisions (for bonus payments in 2019) as well as positive effects from efficiency program SG&A and IFRS 16

Corporate / Others

in € million	Q2 2018	Q2 2019	yoy Δ%	Q1 2019	Q2 2019	qoq Δ%	Q2 2019 Consensus*
External sales	4	6		6	6		4
Adjusted EBITDA	-68	-61	10%	-55	-61	-11%	-66
Adjusted EBIT	-74	-68	8%	-63	-68	-8%	-76
Adjustments	-5	-11		-2	-11		
EBIT	-79	-79		-65	-79		

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- Q2 with positive effects from efficiency program SG&A and IFRS 16

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