# Evonik
## Leading Beyond Chemistry

Company Presentation Q1 2023

NEXTGEN


Leading Beyond Chemistry

# Slow start into 2023 – improving trend visible through Q1

**Q1 adj. EBITDA of only €409 m** due to low volumes and despite positive pricing in Specialties;
PA12 ramp-up driving Smart Materials, slow start in Specialty Additives, price pressure in Animal Nutrition and C4

Through Q1 **every month with sequentially better earnings** – Start into Q2 continues on improved March level

**First divestment in Performance Materials:**
Divestment of Lülsdorf site signed; alkoxides business integrated into Smart Materials

**Strengthening competitiveness of Animal Nutrition business:**
Two separate operating models, with focus on efficiency and cost-leadership in amino acids

**Outlook FY 2023 confirmed:** Lower end of adj. EBITDA range (€2.1 – 2.4 bn) more likely

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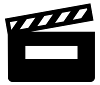
Leading Beyond Chemistry

# 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



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# Evonik well equipped as "Enabler of Sustainable Change"

## Portfolio circled around our four "Sustainability Focus Areas"

**Leading Beyond Chemistry**

### ENSURE HEALTH & WELL-BEING

#### DRUG DELIVERY SYSTEMS

- Advanced oral & parenteral drug delivery systems (e.g. mRNA LNP)

#### SPECIALTY ADDITIVES

- for environmentally-friendly solutions, e.g. water-based artificial leather

### FIGHT CLIMATE CHANGE

#### FUTURE MOBILITY

- Lightweight solutions
- Solutions for hybrid & full battery cars

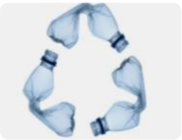
#### ECO-SOLUTIONS

- Specialty peroxides solutions
- Membranes for gas separation

### DRIVE CIRCULARITY

#### CIRCULAR ECONOMY

- Circular plastic & circular polyurethanes additive solutions



#### BIO-BASED SOLUTIONS

- Bio-based & fully bio-degradable surfactants
- Natural active cosmetics ingredients

### SAFEGUARD ECOSYSTEMS

#### SUSTAINABLE NUTRITION

- Omega-3 fatty acids from natural marine algae
- Gut health solutions



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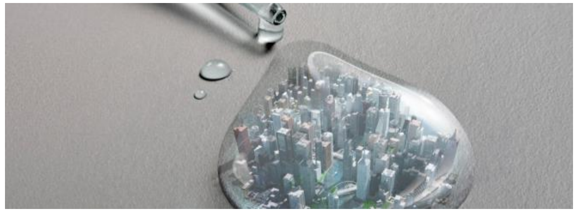
# Leading Beyond Chemistry – Growth divisions

## Specialty chemicals portfolio with strong positioning and attractive financials

| | Specialty Additives | Nutrition & Care | Smart Materials |
|---|---|---|---|
| |  |  |  |
| **Strong positioning …** | Wide range of additives for **maximum performance** which make the key difference | Sustainable solutions for basic human needs in **resilient end markets** like pharma, personal care and animal nutrition | Innovative materials that enable **environmentally-friendly solutions** for mobility, environment and urbanization |
| **… and attractive financials[1]** | Sales: €4,184 m<br>Margin: 23%<br>ROCE: 16% | Sales: €4,237 m<br>Margin: 16%<br>ROCE: 9% | Sales: €4,833 m<br>Margin: 14%<br>ROCE: 7% |

1: FY 2022



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# Leading Beyond Chemistry – Growth divisions
## Ambition and promising growth drivers

Discover more in our Factbook!

| | Specialty Additives | Nutrition & Care | Smart Materials |
|---|---|---|---|
| |  |  |  |
| **Ambition** | "Small amount – **Big effect**" | "Bringing Nutrition & Care to Life – **for life and living**" | "We find solutions for the **needs of today and tomorrow**" |
| **… and promising growth drivers** | ✓ Making the difference<br>✓ Enabling circular economy<br>✓ Digital solutions | ✓ Active cosmetics ingredients<br>✓ Drug delivery systems<br>✓ Sustainable & healthy nutrition | ✓ Future Mobility<br>✓ Eco-Solutions |



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# Next Generation Evonik: Embarking on the next phase of our transformation

## Sustainability fully integrated into all three strategic levers

**Three major strategic levers…**

### Next Generation Portfolio

+ Exit Performance Materials
+ Full focus on three attractive growth divisions

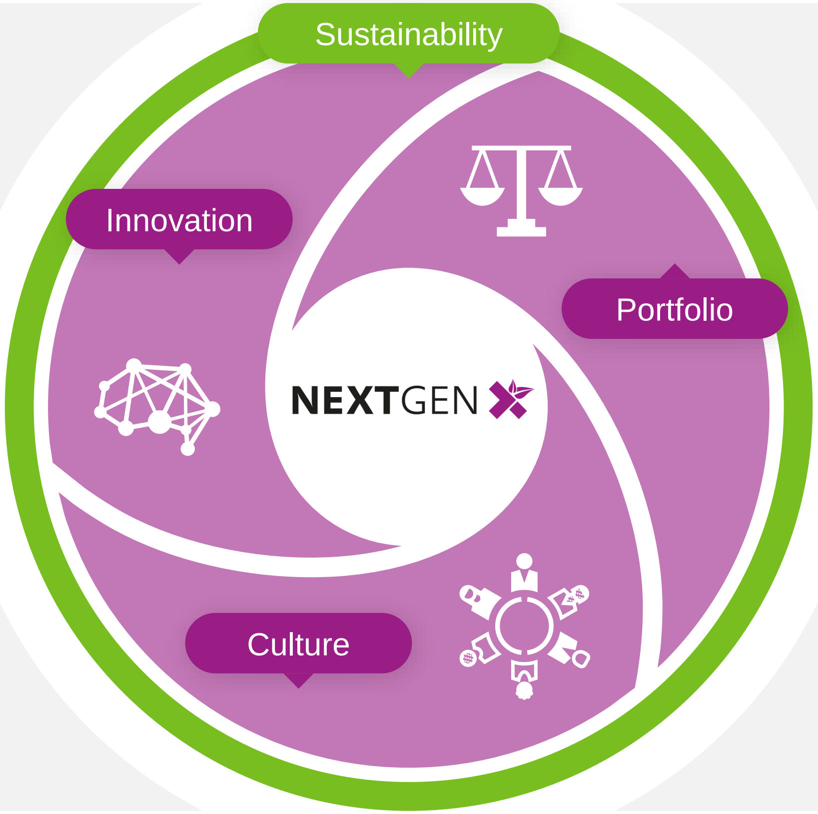
### Next Generation Innovation

+ €1 bn new sales well on track
+ Growth areas beyond 2025 launched

### Next Generation Culture

+ Diversity as key to successful strategy execution
+ ESG targets integrated into mgmt. compensation

**… with sustainability fully integrated …**




**… delivering on ambitious targets**

### ESG Targets[1]

+ >50% sales share of NEXTGEN Solutions
+ -25% $CO_2$ emission reduction, e.g. via NEXTGEN Technologies

### Financial Targets

+ Organic growth >4%
+ EBITDA margin 18-20%
+ ROCE ~11%
+ FCF Conversion >40%

1. Until 2030

# 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

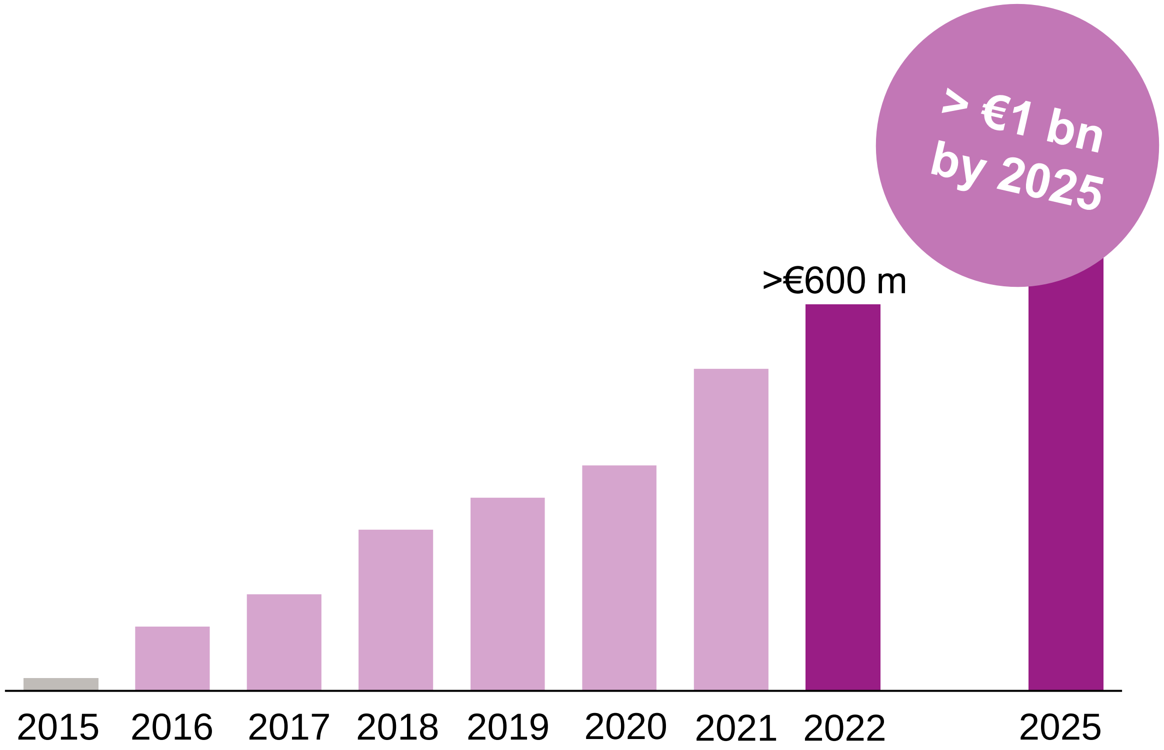

Membranes


Healthcare Solutions

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

**Above-average margin** contribution

### Sales contribution Innovation Growth Fields



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# 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 – “AA” MSCI ESG rating, EcoVadis “Platin” rating, “B-” ISS Oekom and “A-” CDP rating

**Environmental Targets**

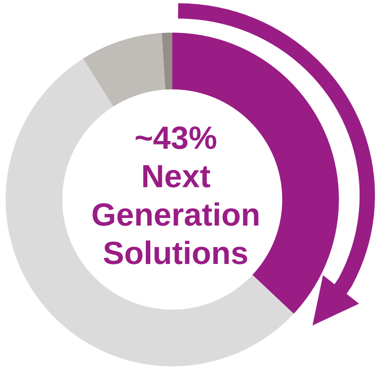
**-25%**

reduction of scope 1 and scope 2 emission until 2030 (vs. 2021)

## Ambitious environmental targets

Evonik’s sustainability strategy with ambitious targets
Evonik will be climate neutral by 2050

**Portfolio Management**




## Portfolio aligned to sustainability

Sales share with solutions with a clearly positive sustainability profile; target of >50% by 2030



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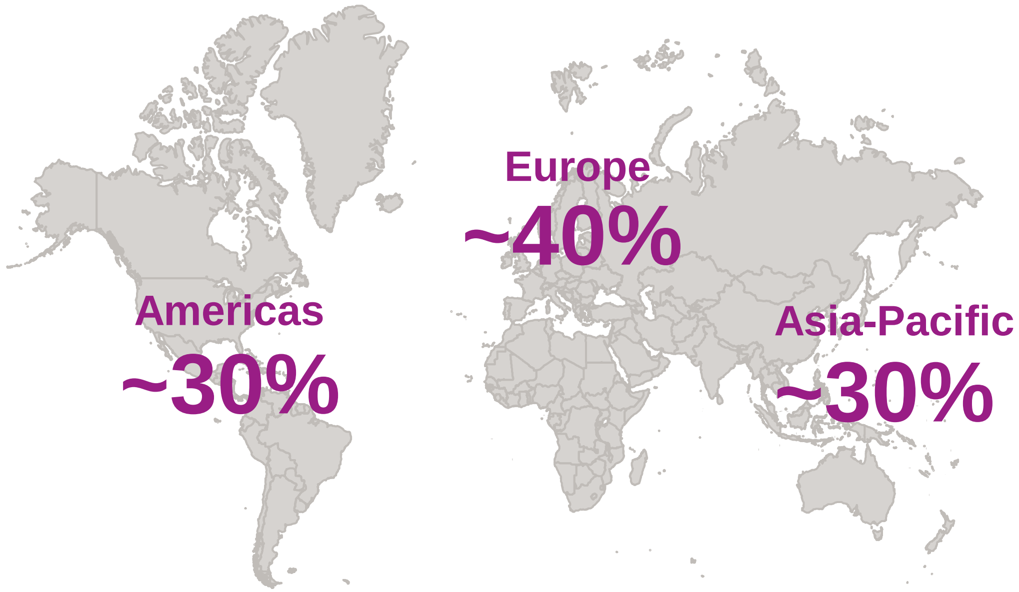
# Balanced global footprint – Clearly profitable in all regions
## Europe as profitable core region for Evonik

**Share of production volumes** (in kt, FY 2022)[1]




All major value chains with production hubs in all three key regions

**European business with high competitiveness**

**Portfolio**

- Focus on less energy-intensive businesses
- Frontrunner in sustainability

**Innovation**

- Innovation-driven, customer-centric solutions
- Value-based pricing

Clearly profitable across all value chains in Europe – now and in the future

1. Excl. Performance Materials



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## Summary of key financial & ESG targets

| Financial Targets | |
|---|---|
| Organic sales CAGR | >4% |
| EBITDA margin | 18-20% |
| Cash conversion ratio | >40% |
| ROCE | ~11% |
| Reliable & sustainably growing dividend | |
| Solid investment grade rating | |


| ESG Targets | |
|---|---|
| Accident frequency rate[1] | ≤0.26 |
| "Next Generation Solutions"[2] | >50% |
| Sales Inno. Growth Fields[3] | >€1 bn |
| GHG emissions (scope 1&2)[4] | -25% |
| Gender diversity[5] | 23% |
| Intercultural mix[6] | 20% |

1. Upper limit, indicator per 200,000 working hours | 2. Sales share by 2030 | 3. by 2025
4. Gross emissions, reference year 2021, target year 2030 | 5. Executive & senior management positions by 2023 | 6. Executive positions by 2023

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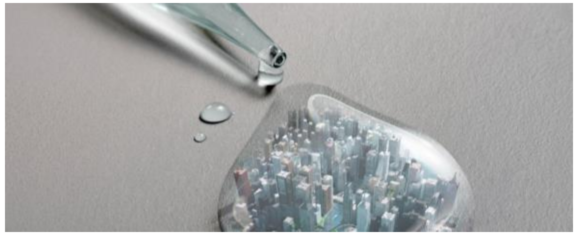
# Portfolio transformation – Clear portfolio roles

## Focus on three growth divisions - Exit Performance Materials

| Specialty Additives | Nutrition & Care | Smart Materials | Performance Materials |
|---|---|---|---|
|  |  |  |  |

**Growth focus**

- Strong innovation pipeline
- High sustainability focus: Expand portfolio share of “Next Generation Solutions”
- Targeted M&A in complementary products and technologies
- Selected efficiency measures to strengthen cost leadership and improve portfolio quality

**Exit**

- Aiming to find new owners for each of the three businesses in the course of 2023



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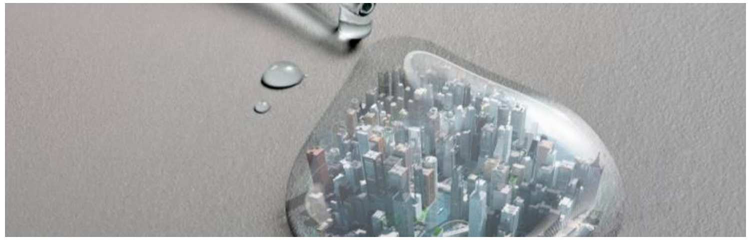
# Portfolio: Full focus on three attractive growth divisions

Investments in R&D, organic & inorganic growth

## Specialty Additives



### Additive Technologies

- **Modular expansion of Silicones & Amine platforms** via >€100 m investments (2022 – 2024)
- **Addition of new effects, functionalities and technology platforms** to Additives portfolio

## Nutrition & Care

### Drug Delivery Systems

- **mRNA**: Sizeable investments into lipids, formulation and fill-finish

### Care Solutions

- Three-digit million € investment into **world's first industrial-scale biosurfactants production** (start-up 2023/24)
- Targeting market leadership in **Active Cosmetics Ingredients** market by 2025 via organic growth and M&A

## Smart Materials

### Membranes

- Modular investments into **capacity expansion for gas-filtering membranes** (~€50 m)
- Breakthrough of electrolytic production of green hydrogen via **DURAION® AEM membranes**

### Specialty Peroxides Solutions

- Investments into **purification capacities** to capture growth potential of Specialties applications
- Growth option in highly efficient and sustainable **HP+ technologies** (HPPO, HPPG)



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# Portfolio transformation – Active M&A management
## Decisive and value-accretive portfolio management

| Divestments | Acquisitions |
|---|---|

### ~€2 bn cyclical sales

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

Ø EBITDA margin: **~15%**[1]

### >€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 cyclicality & 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 I Dr. Straetmans cosmetics business in 05/2017
Huber Silica business for US$630 m (~7x EV/EBITDA incl. synergies & tax benefits) in 09/2017 I PeroxyChem for US$640 m (7.6x EV/EBITDA incl. synergies) in 02/2020 I Porocel for US$210 m (9.1x EV/EBITDA) in 11/2020
1: 2014-2019

# Exit of Performance Materials underway

## Functional Solutions

- Sale of Lülsdorf site, incl. the production of **potash derivatives and cyanuric chlorides,** to ICIG signed in early April
- **Alkoxides** (biodiesel catalysts) integrated into catalyst business within Smart Materials[1]

## Next steps

### Superabsorber

### Performance Intermediates

1. As of January 1st, 2023



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# Strengthening competitiveness of Animal Nutrition business



**TODAY**

One operating model for all products within Animal Nutrition

**SPECIALTY NUTRITION**

*for example*

veramaris
A JOINT VENTURE OF DSM AND EVONIK

Ecobiol®

**Focus portfolio on profitable system solutions**

**TOMORROW** **Running Animal Nutrition with two distinct operating models**

**ESSENTIAL NUTRITION**

*for example*


**Streamlined operating model with lean sales organization**

**€200 m cost savings by 2025**



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# RD&I at a glance
## Facts & Figures

RD&I AT EVONIK

>€460 m SPENT

>€600 M SALES IN 2022 FROM INNOVATION GROWTH FIELDS

~24,000 PATENTS[1]

>2,700 EMPLOYEES

100% SUSTAINABILITY-INTEGRATED

FIGHT CLIMATE CHANGE

DRIVE CIRCULARITY

SAFEGUARD ECOSYSTEMS

ENSURE HEALTH & SAFETY

1. Patents and patents pending



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# RD&I steers innovation based on clear alignment and continuous exchange across the entire Evonik organization

RD&I Council

**Research, Development & Innovation**

**Divisional RD&I**

- Specialty Additives
- Nutrition & Care
- Smart Materials
- Performance Materials

**Business Incubation**

- Creavis

**Venturing**

- Evonik Venture Capital

Consistent focus on the same strategic direction as a Group

Knowledge sharing and use of different technology platforms

Efficient use of resources and competencies; flexible setup of interdisciplinary project teams

Full integration of sustainability criteria into decision making and allocation of resources

# Sustainability as backbone of Evonik's purpose and strategy

## Clear commitment to growing handprint and reducing footprint

### Sustainability is an integral part of our purpose

LEADING BEYOND CHEMISTRY TO IMPROVE LIFE, TODAY AND TOMORROW

"We see profitable growth and assuming responsibility as **two sides of the same coin**."

### Key growth driver…

**Our Handprint**

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

### …and saving resources

**Our Footprint**

"We **take responsibility** by **caring about our resources**."

### Core elements of our sustainability approach

1. Evonik fully integrates sustainability in its **Strategic Management Process**
2. Evonik intends to **increase the portfolio share** of products with **sustainability benefits**
3. Evonik is committed to foresighted **resource management**
4. Evonik with high standards for **governance** and continuous **improvement of its reporting**



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# Ambitious commitments on handprint and footprint

## In line with Science Based Targets

NEXTGEN Solutions

| | Sales by 2030 |
|---|---|
| **Next Gen Solution** *(Leaders + Drivers)* | >50% |
| **Challenged Products** | <5% |

SCIENCE BASED TARGETS

NEXTGEN Technologies

| | $CO_2$ reduction 2030 |
|---|---|
| **Scope 1+2** *(Well below 2 degrees)* | -25% |
| **Scope 3** | -11% |



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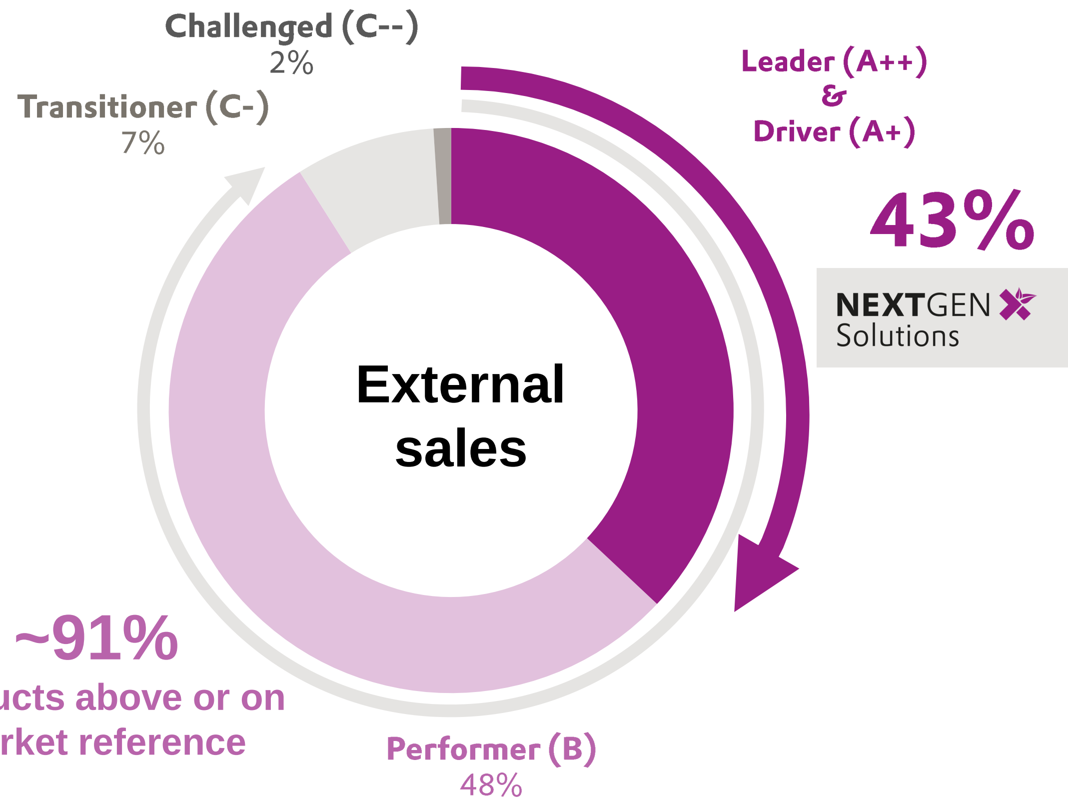
# Handprint: “Next Generation Solutions”

## 43% of Evonik’s portfolio with superior sustainability benefits

### Result of PSA analysis




**~91%**
products above or on market reference

### Best-in-class products in Evonik’s portfolio which…

NEXTGEN Solutions

…deliver **above-average growth**

…address **increasing customer demand** for sustainable solutions

…deliver **superior sustainability benefits** to our customers

NGS: “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions



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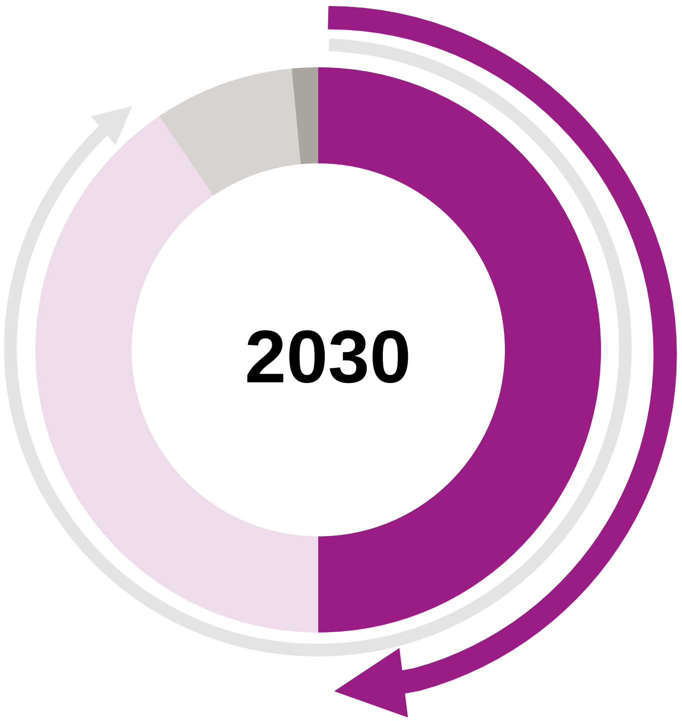
# Handprint: “Next Generation Solutions” to grow beyond 50% by 2030

## Ambitious new sales share target to be achieved through three levers

### Increase “Next Generation Solutions”




**>50%**

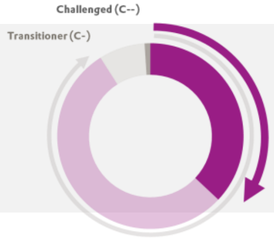
NEXTGEN Solutions

### Three levers to increase the share of NGS

Existing “Next Generation Solutions” with **superior sales growth rates**

New sales from **innovations** becoming “Next Generation Solutions”

“**Challenged**” and “**Transitioner**” products exiting or with new formulations




1. NGS: “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions



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# Handprint: Above-average growth of “Next Generation Solutions”

## Selected examples addressing our four Sustainability Focus Areas

### Future Mobility solutions

- Lightweight applications: PA12 portfolio
- Batteries: additives for electrodes / separators
- “Green tire” technology

+11%

### Additives for durability in construction

- Water-repellents for building materials
- Additives for integrated protection and self-healing of concrete structures

+9%


### Drug Delivery Systems

- Global development partner & solutions provider for delivery systems for effective drugs and vaccinations
- Evonik as pioneer in Lipid Nano Particle (LNP) field for mRNA technology

+14%

### Modern aquaculture solutions

- High-quality proteins with essential amino acids
- Production of omega-3 fatty acids from microalgae

+13%

% values: Target CAGR 2021-2030 defined in Strategy Dialogue

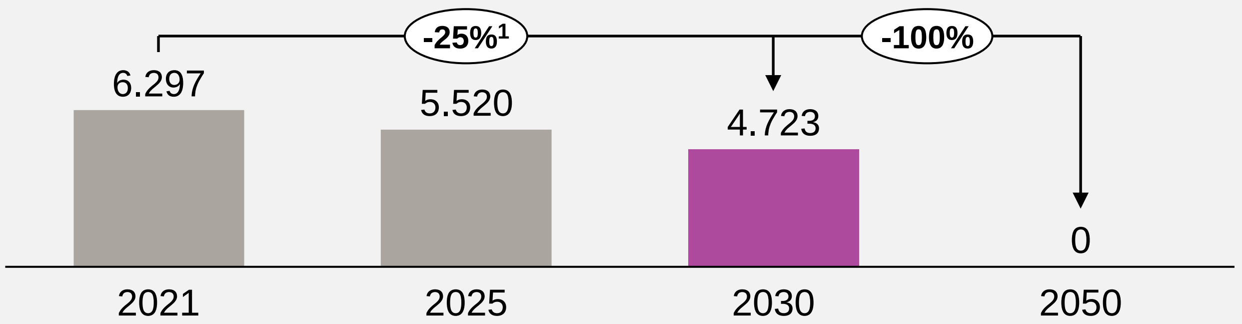
# Footprint: Further reduction underway
## Holistic and measurable set of environmental KPIs in place

### Emission reduction with good progress already in 2022

**Scope 1&2**

**2022** **-6%** **2030** **-25%**

### Our path to climate neutrality




### New water & waste targets until 2030

**Reduce specific production waste[2]** **-10%**

**Reduce specific freshwater intake[2]** **-3%**

1. Gross emissions in Scope 1 and 2; reference year 2021 and target year 2030 | 2. Corresponding to the production volume; reference year 2021



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# Footprint: Targeting 100% green sourced electricity until 2030

## Increasing independence from fossil energy sources

**Europe: Long-term PPA with EnBW starting in 2026**

- First PPA (100 MW) concluded in Q4 2022
- Second long-term agreement (50 MW) in February 2023
- Covering 33% European electricity needs of Evonik with wind energy (~150 kt $CO_2$ emission reduction p.a.[1])

**Asia: Further PPAs at production locations**

- Nanning site (Health Care) switching from coal-fired power to green electricity from wind
- PPAs at five Chinese locations for electricity from wind power and photovoltaic plants in 2022

**Increase of share of green sourced electricity to ~50% in 2026, targeting 100% until 2030**

1. $CO_2$ reduction occurs in GHG protocol scope 1 or 3



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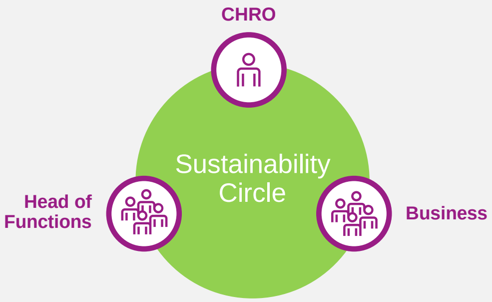
# Complementing the governance on ESG
## Reflected in organizational set-up and remuneration

### Clear responsibilities

- **Executive Board** has overall **responsibility** for sustainability
- Setting **strategic framework** and **executing measures** in close cooperation with operating divisions

Cross-functional & business alignment




Steering & decision-making


### Part of remuneration

- Occupational safety part of remuneration of the executive board since more than a decade
- New ESG goals **integrated in remuneration schemes** of Executive Board

**20%**
ESG

Long-term incentives linked to ESG KPIs:

- **Sales share of “Next Generation Solutions”**
- **$CO_2$ emission reduction**
- **Employee commitment**



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# ONE Evonik. ONE Culture
## … with unifying elements for a diverse company

### Our Purpose
inspires us

**LEADING BEYOND CHEMISTRY**

TO IMPROVE LIFE, TODAY AND TOMORROW

### Our Values
guide us


### Safety first as foundation:
- Accident frequency as part of management compensation
- Low level secured over the last years[1]

### Diversity as basis of our economic success:
- Ambitious targets defined
- Inclusive mindset and behavior ultimately utilize diversity successfully

### Attractive employer:
- Employee commitment with increase of 5 pp in latest employee survey

1. below upper limit of 0.26 (number of accidents per 200,000 working hours)

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# Financial targets
## Evonik Group

**Mid-term targets** (excl. PM)

Organic sales CAGR >4%

**Unchanged**

- EBITDA margin in the range of 18-20%
- Cash conversion ratio of >40%
- ROCE ~11% - well above cost of capital
- Reliable and sustainably growing dividend
- Solid investment grade rating



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# Capital allocation into our green transformation
## Priority on growth investments and targeted M&A

**Significant cash inflow …**

**Increasing Operating Cash Flow**

Attractive cash conversion with steadily growing earnings

**Divestment proceeds Performance Materials**

**… invested into our green transformation**

| | | |
|---|---|---|
| **>€3 bn** 2022-2030 | NEXTGEN Solutions | ▪ Growth investments into our sustainability leaders<br>▪ Attractive growth rates and returns (IRR >11%) |
| **~€700 m** 2022-2030 | NEXTGEN Technologies | ▪ Investments into infrastructure, production and processes<br>▪ Significant energy & emissions reduction as well as reduction of operating costs (>€100 m by 2030) |
| | **Targeted M&A** | ▪ Acceleration of portfolio transformation<br>▪ Expansion of businesses with above-average growth, sustainability profile and returns |
| | **Attractive dividend** | ▪ Reliable and sustainably growing |

**Solid investment grade rating**

1. 80% of growth capex for Next Generation Solutions (~€350 m p.a.) | 2. Additional capex for Next Generation Technologies (~€75 m p.a. on average)



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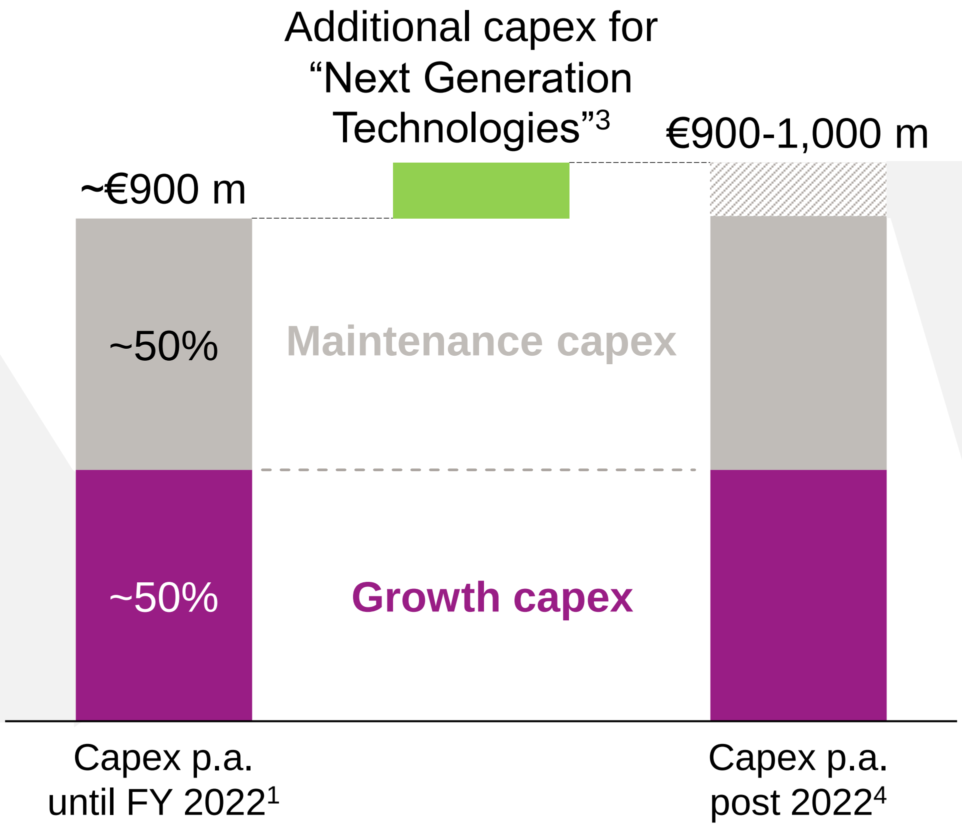
# Capex as key element for investments into handprint & footprint

**WE INCREASE OUR HANDPRINT**

80% of growth capex for "Next Generation Solutions"

**>€3 bn**

2022-2030[2]




**WE REDUCE OUR FOOTPRINT**

Additional capex for "Next Generation Technologies" mainly on top of maintenance

**~€700 m**

2022-2030[3]

1. Incl. ~€50 m p.a. for Performance Materials | 2. ~€350 m p.a. | 3. ~€80 m p.a. on average incl. ~€15 m p.a. for PM, ramping up gradually over the coming years | 4. Incl. ~€75 m p.a. for NGT

# Clear value generation with investments into “Next Generation Solutions” and “Next Generation Technologies”

| | NEXTGEN Solutions | NEXTGEN Technologies |
|---|---|---|
| **Target & benefit** | NEXTGEN Solutions<br>**>50%** sales share<br>Products with superior sustainability[1] and financial performance | **-25%**[2]<br>**2030** Scope 1+2<br>Projects to lower $CO_2$ emissions with value-enhancing, positive NPVs |
| **Value creation** | **Clear investment criteria – aligned with strategic, sustainability and financial targets**<br>▪ Above-average market growth<br>▪ Superior sustainability profile (PSA analysis)<br>▪ IRR above ROCE target (>11%)<br>▪ $CO_2$ pricing implemented | **€700 m capex** (2022-2030) …<br>▪ For NPV-positive projects<br>▪ For advanced levers, innovative waste heat up-cycling and process re-design<br>**… resulting in >€100 m opex savings** (p.a.) |

1. “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions
2. Commitment letter signed and handed in for SBTi, 25th April 2022, gross emissions reduction with reference year 2021, target year 2030



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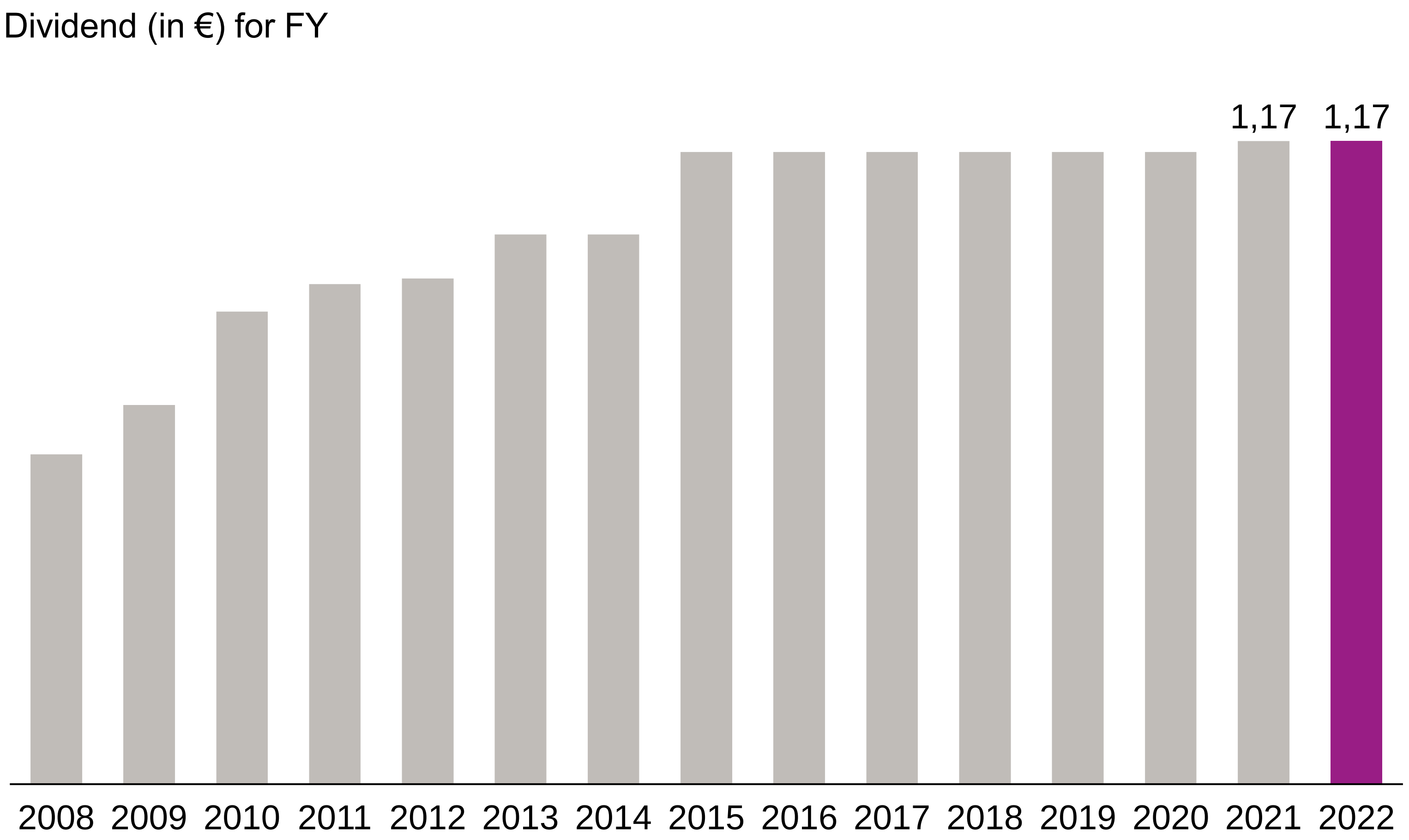
# Spotlight on shareholder returns
## Reliable and attractive dividend policy




- **Stable with** €1.17 in FY 2022
- **Attractive dividend yield of ~6%**
- Reliable dividend policy targeting:
  - **Dividend continuity**
  - **Adj. EPS and FCF growth** with potential for sustainable **dividend growth** going forward



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# Q1 2023 results overview

| **Sales** (in € m) | **EBITDA** (in € m) | **Free cash flow** (in € m) | **Adj. EPS** (in €) |
|---|---|---|---|
| **4,005**<br>(Q1 2022: €4,498 m) | **409**<br>(Q1 2022: €735 m) | **21**<br>(Q1 2022: €133 m) | **0.25**<br>(Q1 2022: €0.76) |
| Positive pricing in Specialties despite low volumes | PA12 ramp-up driving Smart Materials, slow start in Specialty Additives, price pressure in Animal Nutrition | Lower EBIT as starting point limiting cash generation in Q1 | Stable interest result and tax rate, slightly higher D&A |



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# First cost savings in Q1; majority to ramp-up through the year

e.g. optimized maintenance plans, discipline in non-essential projects

**~25%**
Operations

Phasing

**Savings rather backend-loaded in 2023**

e.g. less use of consultants, reduced fair & event participation, reduced sponsoring, optimized IT costs

**~25%**
Others

Phasing

**Immediate savings effect already in Q1**


**~50%**
Personnel

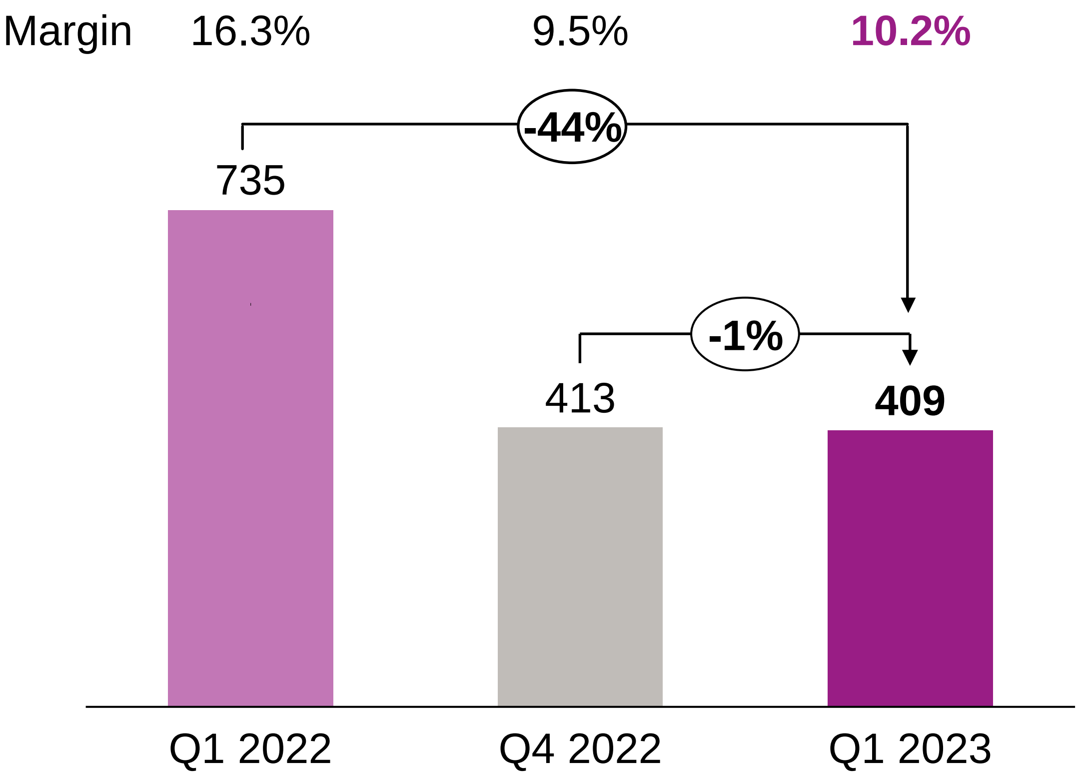
e.g. discipline in hiring & wage, overtime work, secondments, promotions, travel, car policy

Phasing

**Biggest lever with accelerating contribution as the year progresses**

# Adj. EBITDA Q1 2023

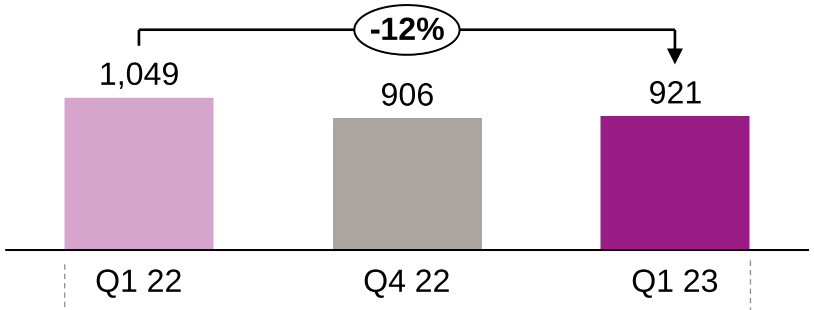
**Adj. EBITDA** (in € m)




- **Q1 EBITDA** down due to significant **volume** declines (-14% yoy)
  - Low utilization and corresponding under-absorption of fixed costs especially in Specialty Additives
  - Clear sequential earnings pick-up in Smart Materials driven by PA12; other divisions below Q4 level
  - Pressure on prices and spreads in Animal Nutrition and C4 business
- **Pricing** remains positive (+3% yoy) driven by Specialty Additives and Smart Materials – compensating again for cost inflation

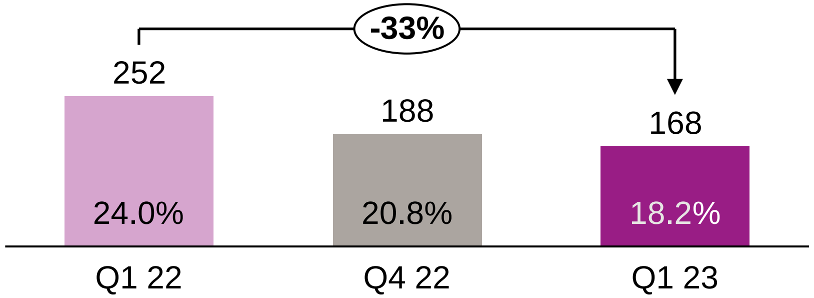
# Specialty Additives

**Sales**
(in € m)




| Q1 23 vs. Q1 22 | | | |
|---|---|---|---|
| Volume | Price | FX | Other |
| -15% | +5% | +/-0% | -2% |

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




- Volume decline even more pronounced than in Q4
  - Especially first weeks of the year with continued customer destocking
  - Especially in coatings
- Clear improvement in order books in March; pick-up in coatings and crosslinkers expected for Q2
- Pricing continues to be positive yoy against high comparables and despite low volumes; only minor support from selected raw material prices moving lower so far
- Adj. EBITDA in Q1 squeezed by high production fixed costs due to low plant utilization



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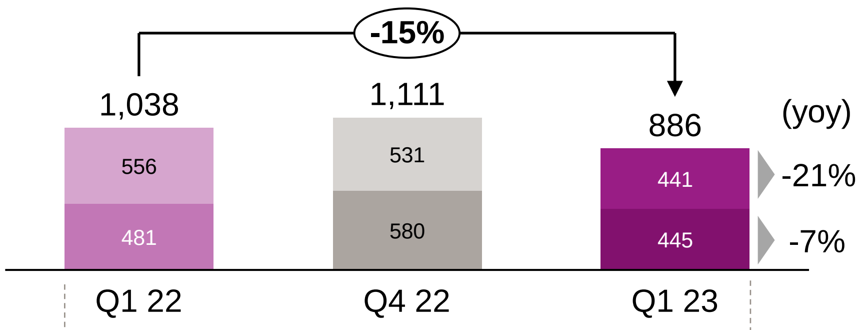
# Nutrition & Care

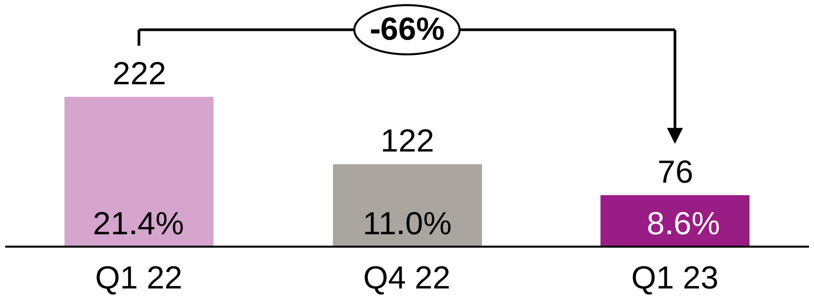
**Sales**
(in € m)

Animal Nutrition
---
Health & Care




| Q1 23 vs. Q1 22 | | | |
|---|---|---|---|
| Volume | Price | FX | Other |
| -12% | -2% | +/-0% | -1% |

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




**Health & Care**

- Continued strong performance in active cosmetic ingredients; lower volumes for cleaning solutions due to an extended plant shutdown
- Health Care with typically lower order pattern for the start into the year; solid oral drug delivery partially compensates lower lipid sales

**Animal Nutrition**

- Animal protein markets continue to struggle with high feed costs and low margins
- Volumes lower than expected, especially in China and Brazil
- Price declines faster than decreasing raw material prices, putting pressure on margins



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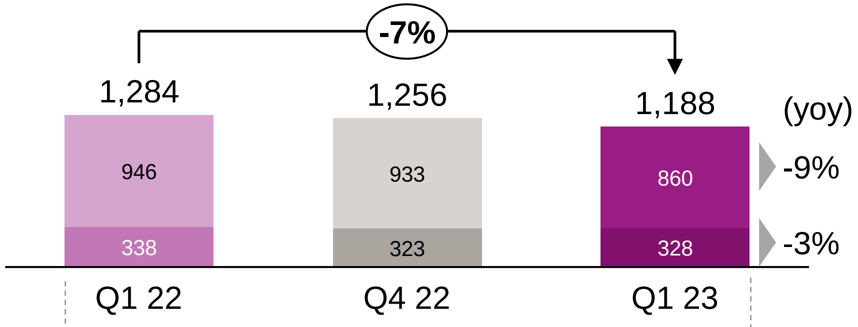
# Smart Materials

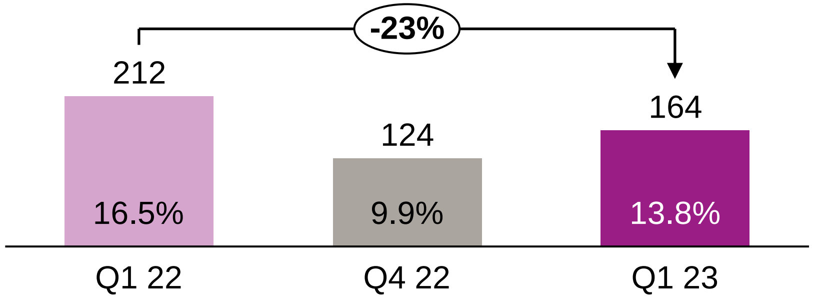
**Sales**
(in € m)

Inorganics
---
Polymers

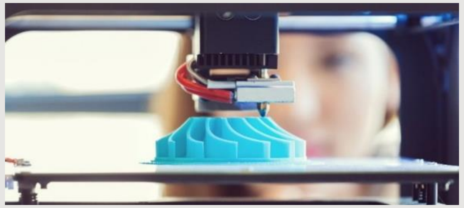



| Q1 23 vs. Q1 22 | | | |
|---|---|---|---|
| Volume | Price | FX | Other |
| -16% | +10% | +/-0% | -1% |

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




- Broad-based volume declines, except High-Performance Polymers
  - Mainly driven by silica and $H_2O_2$ with ongoing HPPO plant shutdowns in Asia
- Strong pricing across all businesses, compensating variable costs
- $H_2O_2$ specialties holding up well, but best performance in HPP:
  - Demand unbroken and tight market for HPP
  - Strong PA12 volumes, only limited by product availability
  - Record in PA12 production in March with both plants running
- Maintenance shutdown planned in Q2 for first PA12 plant





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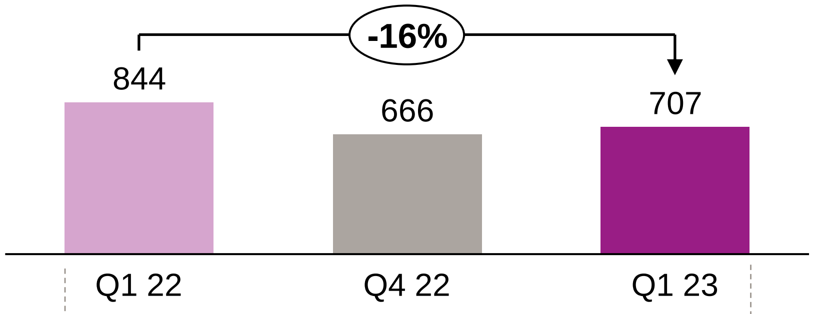
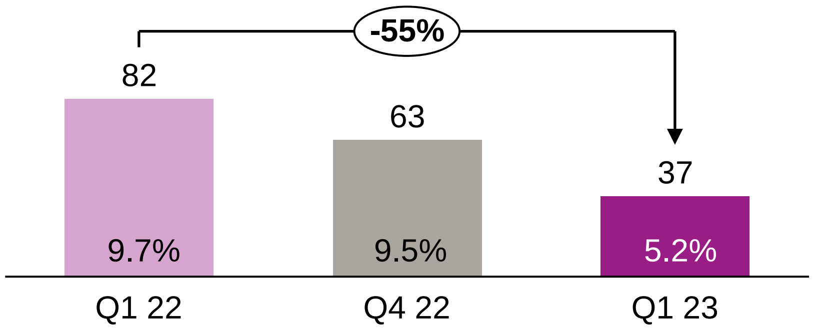
# Performance Materials

**Sales**
(in € m)




| Q1 23 vs. Q1 22 | | | |
|---|---|---|---|
| Volume | Price | FX | Other |
| -14% | -4% | +2% | +/-0% |

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




- Lower volumes in Q1 (vs Q4) across the C4 chain due to weak customer end markets (plastics, rubber, construction)
- Pressure on spreads and margins especially for Butadiene, Oxo-Alcohols and plasticizers
- Superabsorber with expected improving operating result due to higher contracted prices



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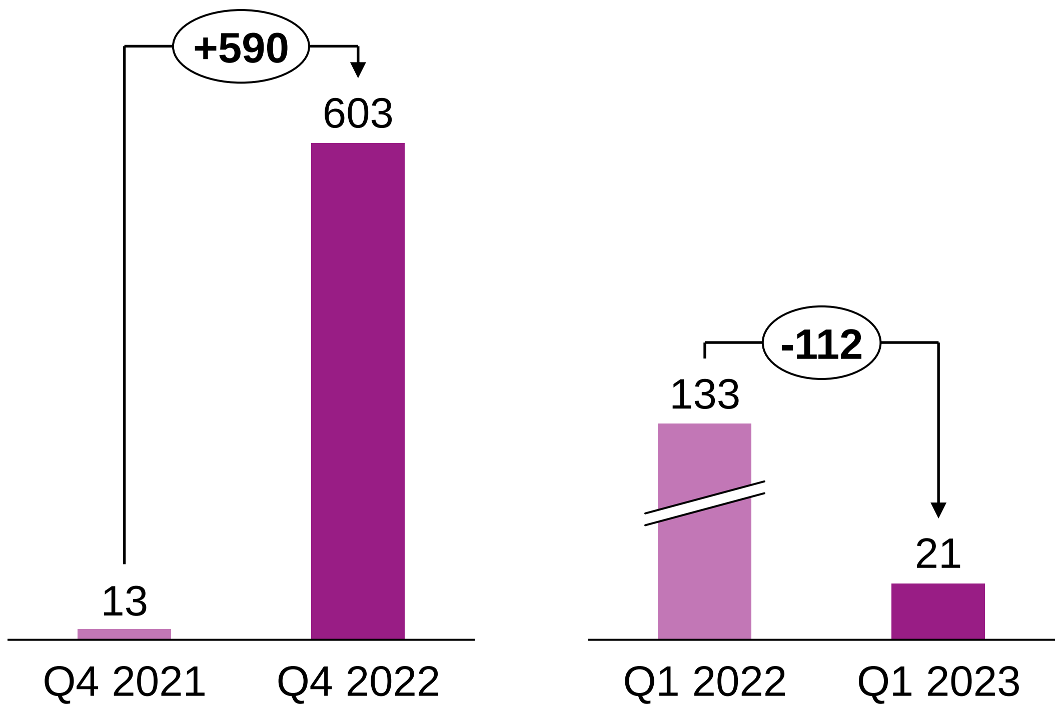
# Free Cash Flow Q1 2023

**Free Cash Flow** (in € m)




- Very strong cash generation in **Q4 limiting cash potential in Q1**
- **Q1 FCF** of €21 m below prior year
  - Lower EBIT as main driver
  - Support from yoy lower NWC outflow (+€235 m yoy)
  - Construction of new plants gathers speed, e.g.
    - Rhamnolipids for biosurfactants in Slovakia for start-up in early 2024
    - Ground-breaking for lipid production in US



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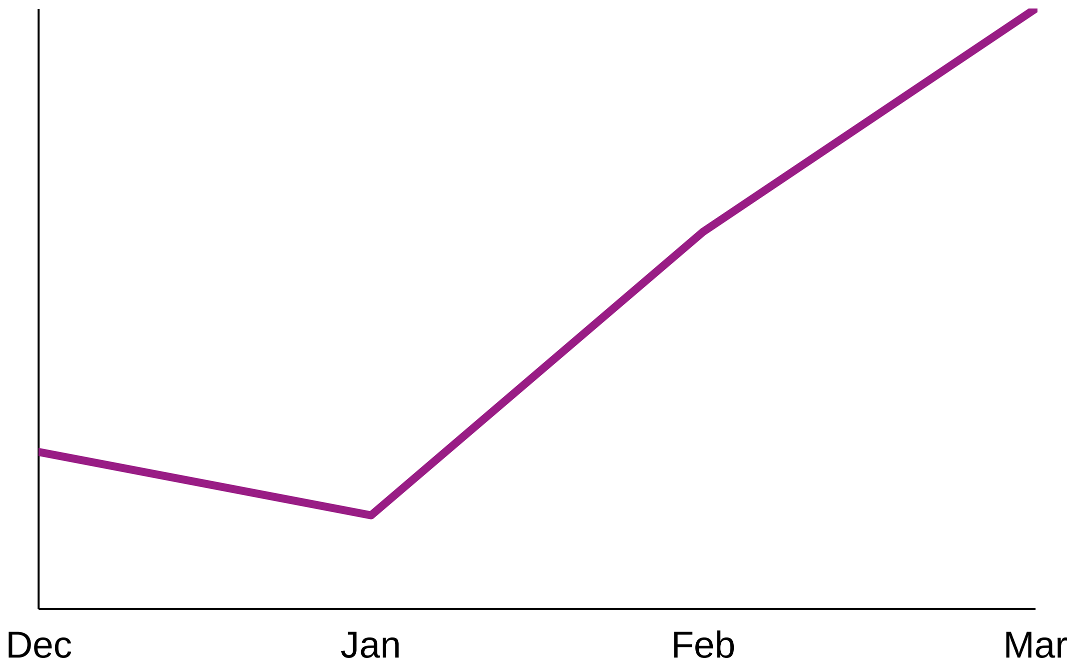
# Improving trend visible through Q1

**EBITDA by working day** (in € m)




## Month-by-month earnings pick-up through Q1

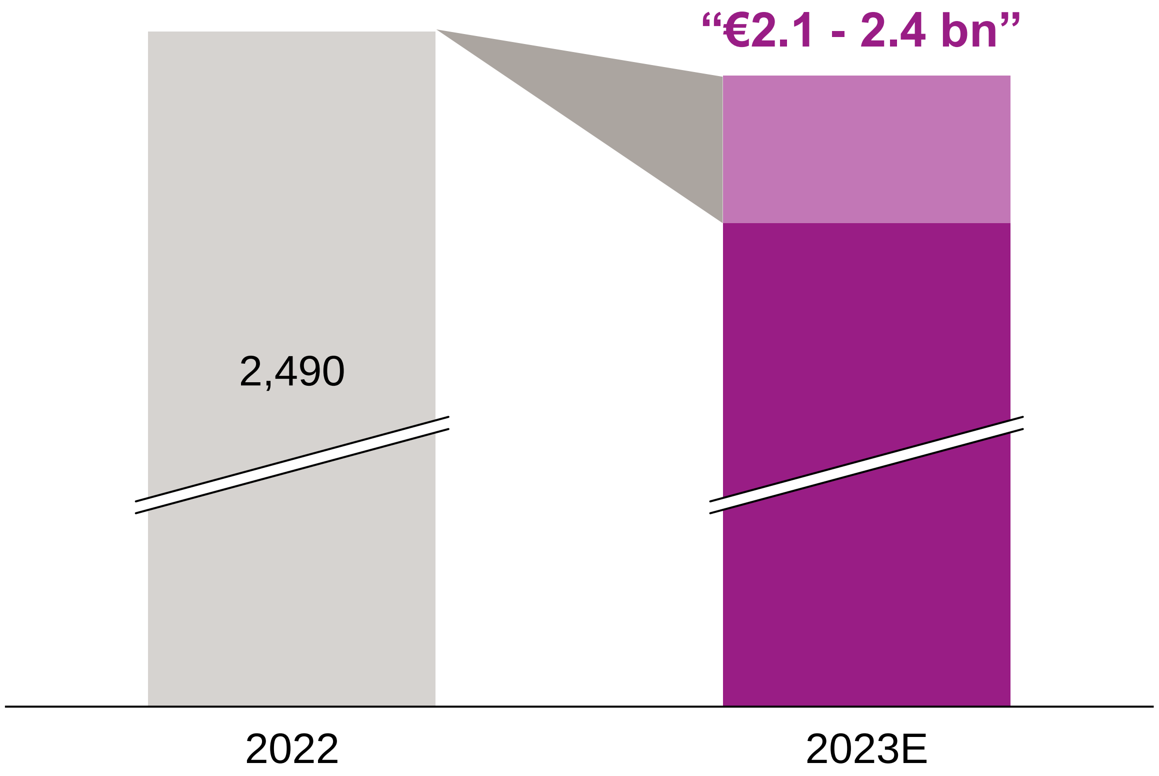
- Volumes ramping up
- Start into Q2 continues on improved March level
- Order books supporting positive trend

## Costs going down into Q2 and H2

- Improving fixed cost absorption with increasing utilization
- Falling raw material costs
- Contingencies ramping up

# Adj. EBITDA outlook confirmed: Lower end of range more likely

**Adj. EBITDA** (in € m)

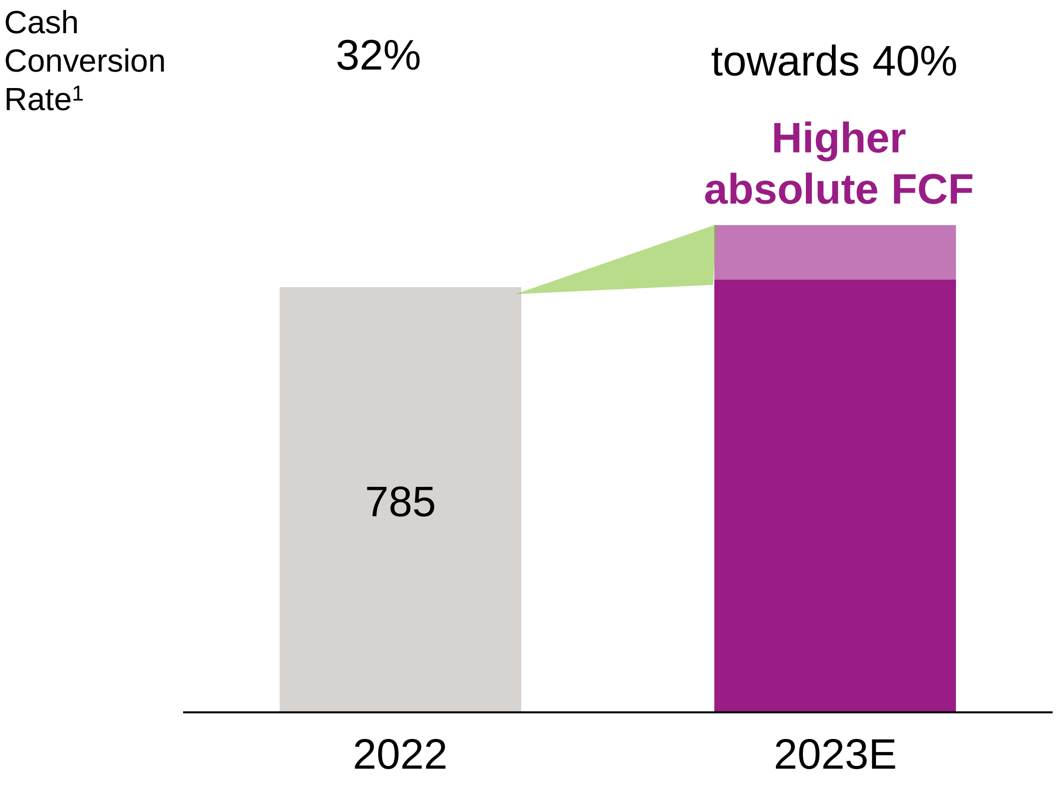



**Drivers for remainder of the year**

- Further acceleration of demand trends during Q2 and into H2 expected
- Specialty Additives and Smart Materials to drive the recovery
- Animal Nutrition below initial expectations from March
- Contribution from contingencies ramping up
- Falling raw material prices to provide support esp. in H2

# Free Cashflow outlook maintained, additional efforts needed

**Free Cashflow** (in € m)




**Free Cashflow to benefit from …**

- Improving earnings situation in the course of the year
- Lower bonus payments for fiscal 2022

**Additional efforts needed**

- Increased capex discipline:
  capex guidance lowered to €900 m (from €975 m)
- Positive contribution from NWC management

1. Free cash flow conversion (FCF / adj. EBITDA)



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# Indications for adj. EBITDA FY 2023 on division level (unchanged)

## Specialty Additives

- Specialty Additives to benefit from mission-critical solutions geared towards sustainability
- e.g. solutions for the energy transition or to improve efficiency
- Supply chain disruptions experienced in 2022 should not repeat

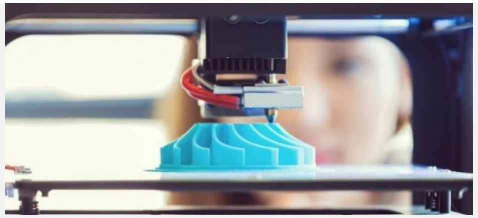
**"stable at around prior-year level"**

## Nutrition & Care

- Health & Care with increasing share of "System Solutions" at above-average margins
- Animal Nutrition: Return to volume growth while prices expected well below prior year's levels; easing raw material and logistic costs in H2
- Continued active cost management

**"considerably lower than prior-year level"**

## Smart Materials



- Ongoing positive development in "Eco Solutions", especially for specialties in Active Oxygens and Catalysts
- "Future Mobility": New PA12 capacities into tight market
- Alkoxides (bio-diesel catalysts) now part of Catalysts business line

**"slightly above prior-year level"[1]**

## Performance Materials

- Significant pressure on margins in the $C_4$ business
- Baby Care with higher earnings, benefiting from improving market environment and long-term customer relationships

**"significantly lower than prior-year level"[1]**

1. Outlook for Smart Materials and Performance Materials based on restated prior-year figures: alkoxides business moved from PM to SM as of January 1st, 2023



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# Additional indications for FY 2023

| | |
|---|---|
| **Sales** | **between €17 and 19 bn** (unchanged; 2022: €18.5 bn) |
| **ROCE** | **slightly below the level of 2022** (unchanged; 2022: 8.3%) |
| **Capex[1]** | **around €900 m** (previously: around €975 m; 2022: €865 m),<br>incl. maintenance and growth investments as well as investments in Next Generation Technologies (€700 m until 2030) |
| **EUR/USD sensitivity[2]** | +/-1 USD cent = **-/+ ~€10 m** adj. EBITDA (FY basis) |
| **Adj. EBITDA T&I/Other** | **significantly less negative than prior year level** (unchanged; 2022: -€226 m) |
| **Adj. D&A** | **slightly above the level of 2022** (unchanged; 2022: €1,140 m) |
| **Adj. net financial result** | **back to around 2021 level** (unchanged; 2022: -€19 m; 2021: -€97 m) |
| **Adj. tax rate** | **around** long-term sustainable level of **~30%** (unchanged; 2022: 29%) |

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



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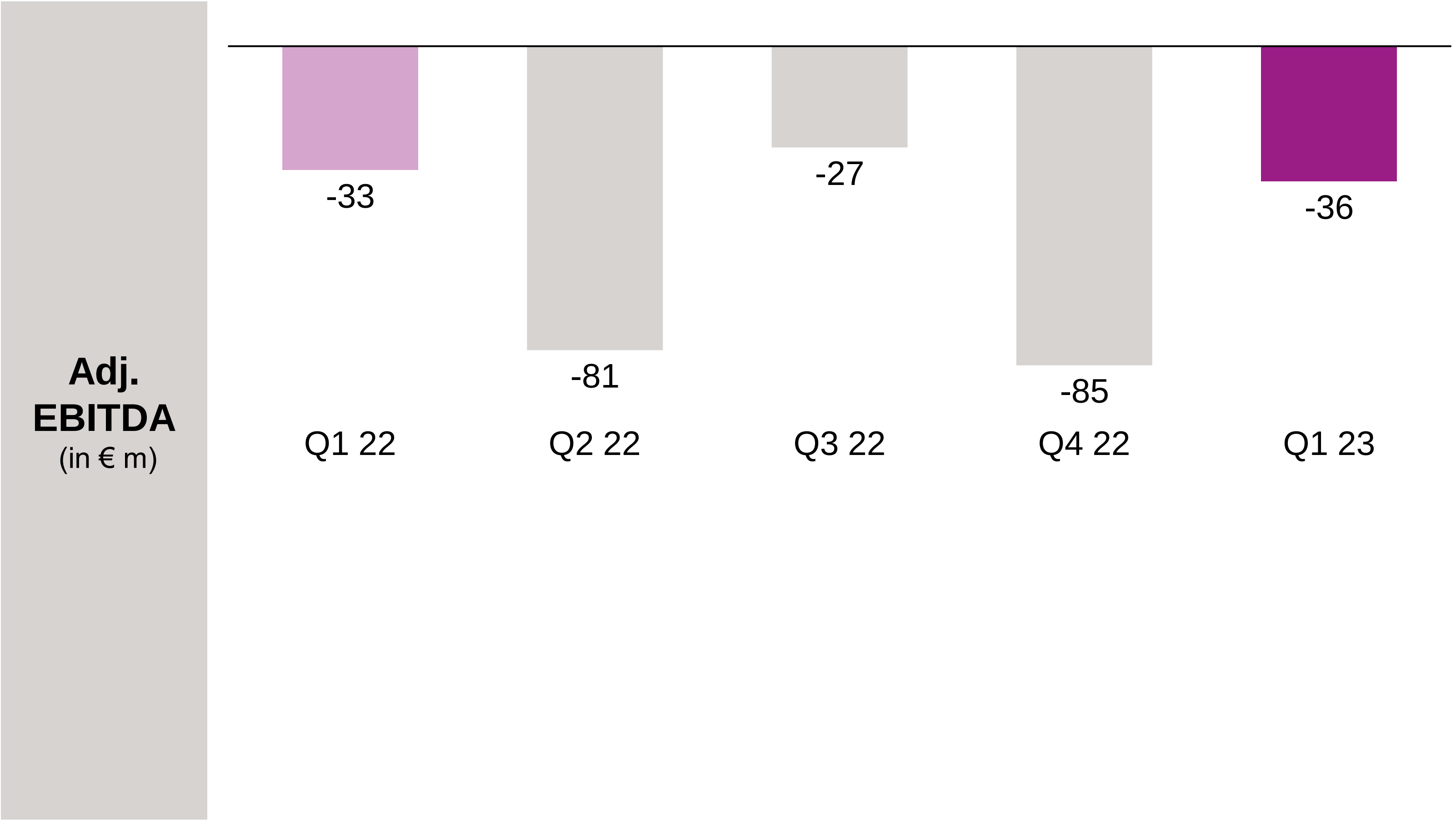
# Technology & Infrastructure / Other




- Q1 2023 with normalized earnings level for T&I / Other
  - First positive benefits from contingency measures
  - Negative FX-effects (hedging costs Argentina)
- FY 2023 adj. EBITDA will be significantly less negative
  - Contingency measures with positive effect
  - Negative one-time effects in FY 2022 not reoccurring (power plants and energy purchasing)



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# Adjusted income statement Q1 2023

| in € m | Q1 2022 | Q1 2023 | ∆ in % |
|---|---|---|---|
| **Sales** | **4,498** | **4,005** | **-11** |
| **Adj. EBITDA** | **735** | **409** | **-44** |
| Depreciation & amortization | -263 | -279 | |
| **Adj. EBIT** | **472** | **130** | **-72** |
| Adj. net financial result | -12 | -12 | |
| D&A on intangible assets | 41 | 41 | |
| **Adj. income before income taxes** | **501** | **159** | **-68** |
| Adj. income tax | -141 | -42 | |
| **Adj. income after taxes** | **360** | **117** | **-68** |
| Adj. non-controlling interests | -4 | -2 | |
| **Adj. net income** | **356** | **115** | **-68** |
| **Adj. earnings per share** (in €) | **0.76** | **0.25** | |
| Adjustments | -16 | -47 | |

**Adj. net financial result** (-€12 m)

- On prior-year level despite higher interest rate environment; higher interest income offset by higher interest expenses

**Adj. tax rate** (26%)

- Broadly stable tax rate (Q1 2022: 28%)
- Slightly below FY guidance of 30%

**Adjustments** (-€47 m)

- Restructuring (-€34 m): Mainly related to divestments in Performance Materials



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# Cash flow statement Q1 2023

| in € m | Q1 2022 | Q1 2023 |
|---|---|---|
| Income before financial result and income taxes (EBIT) | 456 | 83 |
| Depreciation and amortization | 264 | 311 |
| Δ Net working capital | -490 | -255 |
| Change in provisions for pensions & other post-employment benefits | 21 | -5 |
| Change in other provisions | 66 | 92 |
| Change in miscellaneous assets/liabilities | 34 | 53 |
| Cash outflows from income taxes | -52 | -60 |
| Others | 10 | 8 |
| **Cash flow from operating activities** (continuing ops.) | 309 | 227 |
| Cash outflows for investment in intangible assets, pp&e | -176 | -206 |
| **FCF** | 133 | 21 |
| **Cash flow from investing activities** (continuing ops.) | -190 | -167 |
| **Cash flow from financing activities** (continuing ops.) | 65 | -68 |

**CF from operating activities** (€227 m)

- Much lower EBIT as starting point as main driver for lower OCF
- Support from yoy clearly lower NWC increase

**CF from investing activities** (-€167 m)

- Slightly higher capex due to different phasing through the year

**CF from financing activities** (-€68 m)

- Last year with inflow from commercial paper issuance



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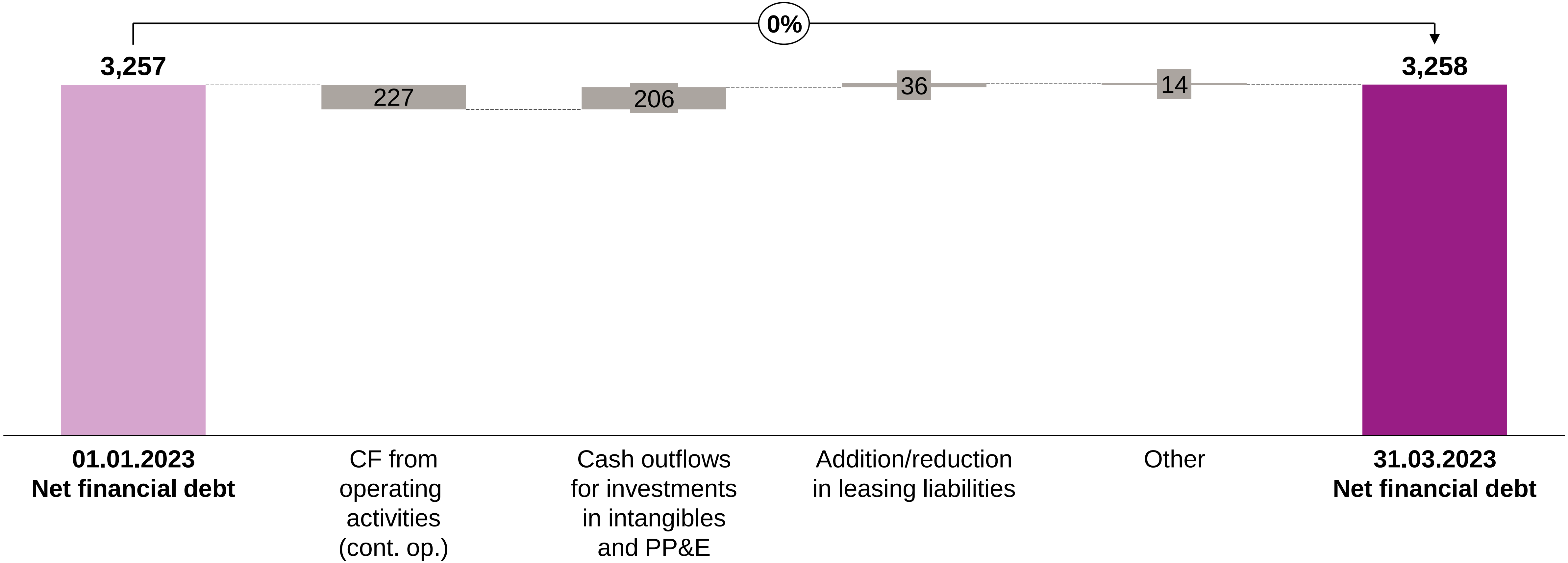
# Net financial debt development Q1 2023

(in € m)



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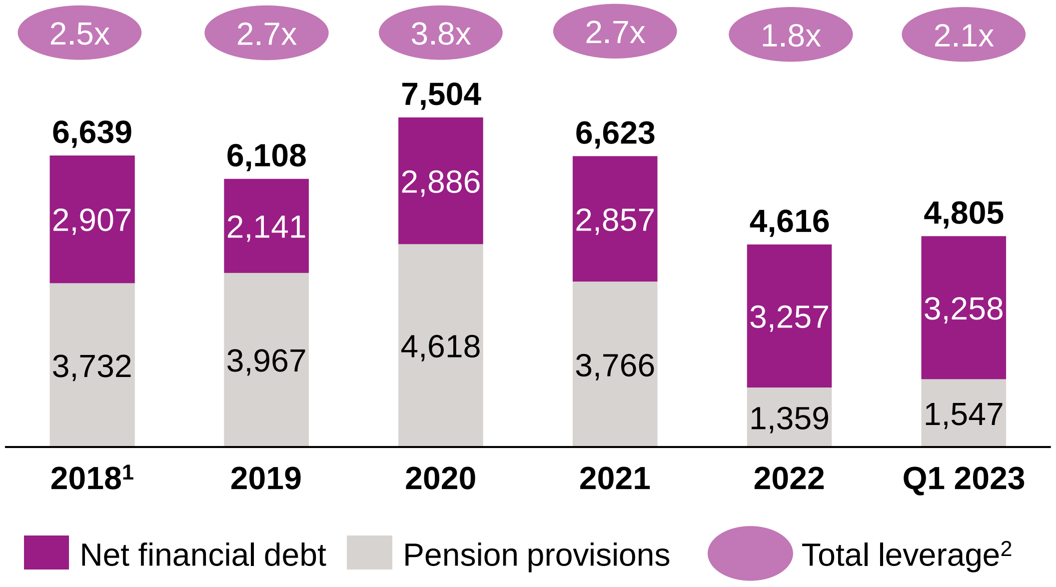
# Development of debt and leverage over time

(in € m)




| | 2018 | 2019 | 2020 | 2021 | 2022 | Q1 2023 |
|---|---|---|---|---|---|---|
| **Adj. net debt[3]** | 6,389[1] | 5,858 | 7,254 | 6,373 | 4,366 | 4,555 |
| **Adj. EBITDA (last 12 months)** | 2,601[1] | 2,153 | 1,906 | 2,383 | 2,490 | 2,164 |
| **German pension discount rate (%)** | 2.00 | 1.30 | 0.90 | 1.30 | 4.10 | 3.90 |

## **Net financial debt** (€3,258 m)

- Stable net financial debt vs. year-end
- Increase in leverage mainly driven by lower adj. EBITDA; additionally slightly higher pension provisions
- Low net financial debt leverage at 1.4x[4]

## **Pension provisions** (€1,547 m)

- Majority of net debt consists of long-dated pension obligations with >13 years duration
- Slightly higher pension provisions vs. year-end from decrease of pension discount rates (esp. in Germany from 4.1% to 3.9%)
- Pension provisions partly balanced by corresponding deferred tax assets of ~€0.5 bn

1. Incl. methacrylate activities (divested in 2019) | 2. Adj. net debt / adj. EBITDA
3. Net financial debt – 50% hybrid bond + pension provisions | 4. (Net financial debt – 50% hybrid bond) / adj. EBITDA



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# Divisional overview by quarter

| **Sales** (in € m) | FY 2021 | **Q1/22** | Q2/22 | Q3/22 | Q4/22 | FY 2022 | **Q1/23** |
|---|---|---|---|---|---|---|---|
| Specialty Additives | 3,710 | **1,049** | 1,116 | 1,113 | 906 | 4,184 | **921** |
| Nutrition & Care | 3,557 | **1,038** | 1,027 | 1,062 | 1,111 | 4,237 | **886** |
| Smart Materials | 3,918 | **1,284** | 1,335 | 1,365 | 1,256 | 5,240 | **1,188** |
| Performance Materials | 2,911 | **844** | 945 | 797 | 666 | 3,253 | **707** |
| Services, Corporate & Others | 859 | **283** | 349 | 541 | 401 | 1,574 | **303** |
| **Evonik Group** | 14,955 | **4,498** | 4,772 | 4,878 | 4,340 | 18,488 | **4,005** |

| **Adj. EBITDA** (in € m) | FY 2021 | **Q1/22** | Q2/22 | Q3/22 | Q4/22 | FY 2022 | **Q1/23** |
|---|---|---|---|---|---|---|---|
| Specialty Additives | 920 | **252** | 263 | 243 | 188 | 946 | **168** |
| Nutrition & Care | 717 | **222** | 185 | 148 | 122 | 677 | **76** |
| Smart Materials | 650 | **212** | 219 | 188 | 124 | 743 | **164** |
| Performance Materials | 317 | **82** | 142 | 63 | 63 | 350 | **37** |
| Services, Corporate & Others | -221 | **-33** | -81 | -27 | -85 | -226 | **-36** |
| **Evonik Group** | 2,383 | **735** | 728 | 615 | 413 | 2,490 | **409** |

Alkoxides business moved from Performance Materials to Smart Materials as of January 1st, 2023; 2022 financials restated



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# Upcoming IR events

| Conferences & roadshows | |
|---|---|
| **May 11, 2023** | Virtual London Roadshow, Barclays |
| **May 12, 2023** | Stifel German Corporate Conference, Frankfurt |
| **May 16, 2023** | Virtual Frankfurt Roadshow, Stifel |
| **May 16, 2023** | Paris Roadshow, Oddo |
| **May 17, 2023** | Citi Chemicals Conference, Virtual |
| **May 17, 2023** | UBS Best of Europe Conference, Virtual |
| **June 6, 2023** | Exane CEO Conference, Paris |

| Upcoming events & reporting dates | |
|---|---|
| **May 31, 2023** | Annual General Meeting |
| **August 10, 2023** | Q2 2023 Reporting |
| **November 7, 2023** | Q3 2023 Reporting |



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