EVONIK GROUP DEVELOPMENT

Highlights: Q2 only slightly better than Q1 – economic environment remains difficult
- Q2 adj. EBITDA of €450 m slightly better than Q1 (€409 m)
- Recovery slower than expected in May and June; persistently very weak demand across all end markets and continued customer destocking
- Strict contingency measures with supportive effect; on track to achieve full effect of €250 m in second half of the year
- Revised adj. EBITDA outlook for FY 2023 of €1.6 to 1.8 bn no longer assumes any recovery in H2
- FCF broadly stable in H1 (yoy) despite significantly weaker adj. EBITDA; FY target to develop cash conversion rate towards 40% confirmed

What is new? (compared to preliminary results on July 10th)
- Q2 **adj. EBITDA** of €450 m at upper end of range given with pre-release (€430-450 m);
  main deviation in T&I / Other (+€8 m vs pre-release); chemical divisions in line with pre-release
- **Volume and price development**
  - Volumes negative yoy across divisions, except NC volumes turning positive (+3% yoy, first time after four quarters)
  - Positive pricing in Specialties (SP, Health & Care, SM); Group at -5%
- **Reported EPS** of -€0.58 (Q2 2022: €0.64) as a result of -€390 m asset impairments in Animal Nutrition and Smart Materials (see below)
- **H1 FCF** of -€183 m, broadly stable yoy (H1 2022: -€106 m) despite ~€600 m weaker adj. EBITDA
- **Outlook** for adj. EBITDA, FCF and Capex already given with pre-release, no change
- **Indication next quarters:** Q3 adj. EBITDA expected on Q2 level; Q4 with usual year-end seasonality (~20% lower vs Q3)

Income Statement
- **Sales** decreased by -19% to €3,886 m (Q2 2022: €4,772 m)
  - Volume declines persist (-9% yoy) driven by destocking and weaker end market demand;
    only NC with positive volumes both yoy (+3%) and qoq (demand pickup led by China as well as across other regions)
  - Prices at -5% yoy on Group level driven by lower prices in C4 and Animal Nutrition, SP and SM pricing remains positive yoy
  - Other at -3% driven by divestments of TAA derivatives (Q4 2022) and Lülsdorf site (Q2 2023)

- **Adj. EBITDA** down -38% to €450 m yoy (Q2 2022: €728 m), up qoq by +10% (Q1 2023: €409 m)
  - Significant volume declines and underutilization with negative earnings effect
  - Ongoing pressure on prices and spreads in Animal Nutrition and C4 business
  - Sequential pick up in Specialty Additives and Performance Materials
  - Strict contingency measures well on track for €250 m target, 40% achievement level end of H1
  - T&I / Other with exceptional positive earnings, biggest effect amongst all divisions from contingency measures and reversal of bonus provisions (most employees)

- **Adj. EBITDA margin** decreased by 370bp to 11.6% (Q2 2022: 15.3%)
- **Adj. EBIT** of €157 m (Q2 2022: €456 m)
- **Adj. EPS** of €0.26 (Q2 2022: €0.75)

- **Reported EPS** of -€0.58 (Q2 2023: €0.64) impacted by asset impairments of -€390 m
  - -€305 m on Animal Nutrition facilities worldwide, reflecting the current trough earnings
  - -€84 m on Silica assets in Europe and North America due to substantial increase of energy costs (EU) and site-specific increase of supply costs for raw materials (US) combined with currently sluggish demand and more competitive environment

Cash Flow Statement

- **H1 2023 FCF** of -€183 m (H1 2022: -€106 m)
  - Free cash flow broadly stable in H1 (yoy) despite ~€600 m weaker adj. EBITDA
  - Operating cash flow at €260 m even up yoy (H1 2022: €235 m)
  - Lower NWC outflow (+€631 m yoy) due to strict NWC management and less pronounced price effect compared to 2022
  - Lower bonus cash-out (yoy)
  - Different phasing of capex: higher cash outflow in H1 this year (-€102 m yoy), less in H2

Balance Sheet

- **Net financial debt** of €4,116 m up by ~€860 m (Q1 2023: €3,258 m) mainly driven by dividend and bonus payout in Q2
- **Pension provisions** with increase to €1,624 m (Q1 2023 €1,547 m) due to decrease in discount rates (Germany to 3.8% vs Q1 2023 at 3.9% vs FY 2022 at 4.1%)
- **Leverage** (net debt / Adj. EBITDA) higher at 2.9x (Q1 2023: 2.1x); higher net financial debt leverage at 2.0x (Q1 2023: 1.4x)

DIVISIONAL BUSINESS DEVELOPMENT

Specialty Additives (SP)

- Unprecedented demand weakness (3rd quarter in a row with double-digit volume declines) reflecting a combination of both weak demand and continued destocking
- Customers work through high stock levels from mid last year and reduce stock levels to below normal due to weak end customer demand (e.g. in coatings, construction, durable goods, agro)
- Nevertheless, volumes slightly improved compared to Q1 due to slowing destocking towards the end of the quarter (esp. in coatings)
- Falling prices in selected raw materials providing some support

Nutrition & Care (NC)

Health & Care

- Care Solutions: Active cosmetic ingredients continue strongly, base business negatively impacted by customer destocking
- Health Care: Lower lipid sales, increasing oral drug delivery and service business; H2 with usual stronger seasonality

Animal Nutrition

- Demand pickup led by China as well as across other regions, resulting in sequential volume improvement in Q2
- Prices declining further during Q2, bottoming out visible in Q3
- Maintenance shutdown in Wesseling until May

Smart Materials (SM)

- Sales impacted by broad-based volume declines due to lower demand
- H_2O_2 with ongoing HPPO plant shutdowns in Asia (weakness in construction markets)
- Pricing holding up in most businesses
- qoq Adj. EBITDA decline fully explained by -€40 m effect from planned maintenance shutdown in PA12 (costs of plant overhaul as well as shortfall in volumes)
- With successful completion, both PA 12 plants now available for further ramp-up as of July

Performance Materials (PM)

- Weak customer end markets (plastics, rubber, construction) across the C4 chain
- Pressure on spreads especially for Butadiene, Oxo-Alcohols and plasticizers continuing into H2
- Strong European MTBE market and prices with positive outlook, record-high Gasoline-Naphtha spread positive for octane boosters like MTBE
- Superabsorber with sequentially higher volumes on improved contract price level

Technology & Infrastructure (T&I) / Other

- Q2 2023 with exceptional positive earnings level for T&I / Other: Increasing benefits from ramping up of contingencies; higher energy sales from high power plant availability; release of bonus provisions
- Delta vs pre-release of +€8 m as a combination of several smaller provision releases
- FY 2023 Adj. EBITDA will be a negative mid-double digit million € amount: Contingency measures and bonus provisions with positive effect; negative energy-related one-time effects in FY 2022 not reoccurring

OUTLOOK FY 2023

Basis for the outlook (unchanged)

- GDP of 1.9%
- Internal raw material cost index considerably lower than in FY 2022

Group outlook (no change vs pre-release)

- **Sales:** between €14 and 16 bn (previously: between €17 and 19 bn; FY 2022: €18.5 bn)
- **Adj. EBITDA:** between €1.6 and 1.8 bn (previously: lower end of €2.1 - 2.4 bn; FY 2022: €2,490 m)
  - Continued demand weakness without any recovery throughout H2
  - Q3 Adj. EBITDA expected on Q2 level; Q4 with usual year-end seasonality (~20% vs Q3)
  - Supporting factors for H2: Contingencies ramping up further; falling raw material prices to provide support; both PA12 plants with further ramp-up as of July
- **FCF:** lower absolute FCF (previously: higher absolute FCF; 2022: €785 m), cash conversion to develop towards 40% target confirmed (FY 2022 cash conversion: 32%)
- **Capex:** around **€850 m** (previously: around €900 m; FY 2022: €865 m)
- **ROCE:** significantly below the level of 2022 (previously: slightly below; FY 2022: 8.3%)

Divisional indications for Adj. EBITDA

- **Specialty Additives:** “considerably lower than prior-year level” (previously: stable; FY 2022: €946 m)
  - Specialty Additives faced weak demand and destocking in H1
  - While destocking is slowly easing, no substantial demand recovery to be expected in H2
  - Cost discipline and falling raw material prices will be supportive through the remainder of the year
- **Nutrition & Care:** “significantly lower than prior-year level” (previously: considerably lower; FY 2022: €677 m)
  - Health & Care expected to deliver a considerably better H2 after a weak first half
  - Animal Nutrition with significantly lower prices yoy, but bottoming out in Q3; volumes likely to be stable
  - Easing input costs and first savings from new amino acid operating model supportive in H2
- **Smart Materials:** “considerably lower than prior-year level” (previously: slightly higher; FY 2022: €743 m (restated))
  - Weak demand especially in Inorganics
  - New PA12 capacities to contribute to earnings in H2, following a planned maintenance in Q2
  - Alkoxides (bio-diesel catalysts) now part of Catalysts business line
- **Performance Materials:** “significantly lower than prior-year level” (unchanged; FY 2022: €350 m (restated))
  - Significant pressure on margins in the C_4 business
  - Superabsorbers to benefit from improving market environment and long-term customer relationships
- **T&I/Other:** “negative mid-double digit million € amount” (previously: significantly less negative than prior-year level; FY 2022: -€226 m)

Additional indications (unchanged)

- **EUR/USD sensitivity:** +/-1 USD cent = -/+ ~€10 m Adj. EBITDA (FY basis)
- **Adj. D&A:** slightly above the level of 2022 (unchanged; FY 2022: €1,140 m)
- **Adj. net financial result:** back to around 2021 level (unchanged; FY 2022: -€19 m; 2021: -€97 m)
- **Adj. tax rate:** around long-term sustainable level of ~30% (unchanged; FY 2022: 29%)

Analyst & Investor Fact Sheet Q2 2023

Leading Beyond Chemistry

Key Financials Q2 2023

in € million	Q2 2022	Q2 2023	yoy Δ%	Q1 2023	Q2 2023	qoq Δ%	Q2 2023 Consensus*
Evonik Group (continuing operations)							
External sales	4,772	3,886	-19%	4,005	3,886	-3%	4,081
Volumes (%)			-9%				*-11%*
Prices (%)			-5%				*-3%*
Exchange Rates (%)			-2%				*-1%*
Other (incl. M&A; %)			-3%				*0%*
Adjusted EBITDA	728	450	-38%	409	450	10%	448
Adjusted EBITDA Margin (%)	15.3%	11.6%	-3.7 pp	10.2%	11.6%	4.0 pp	11.3%
Adjusted EBIT	456	157	-66%	130	157	21%	182
Adjustments	-35	-412		-47	-412		-4
EBIT	421	-255	-161%	83	-255	-	168
Adjusted net income	351	123	-65%	115	123	7%	136
Adjusted earnings per share in €	0.75	0.26		0.25	0.26		0.29
Capex (cash-out)	165	237	44%	206	237	15%	
Net financial position (as of End of June)	-3,836	-4,116		-3,258	-4,116		
Cash flow from operating activities	-74	34	-146%	227	34	-85%	
Free cash flow	-239	-203	-15%	21	-203	-	
Specialty Additives							
External sales	1,116	906	-19%	921	906	-2%	961
Volumes (%)			-15%				
Prices (%)			1%				
Exchange Rates (%)			-2%				
Other (incl. M&A; %)			-3%				
Adjusted EBITDA	263	199	-24%	168	199	18%	200
Adjusted EBITDA Margin (%)	23.6%	22.0%	-1.6 pp	18.2%	22.0%	3.8 pp	21.1%
Nutrition & Care							
External sales	1,027	893	-13%	886	893	1%	886
Volumes (%)			3%				
Prices (%)			-11%				
Exchange Rates (%)			-3%				
Other (incl. M&A; %)			-2%				
Sales Animal Nutrition	543	437	-20%	441	437	-1%	434
Sales Health & Care	484	457	-6%	445	457	3%	458
Adjusted EBITDA	185	71	-62%	76	71	-7%	80
Adjusted EBITDA Margin (%)	18.0%	8.0%	-10.0 pp	8.6%	8.0%	-0.6 pp	9.0%
Smart Materials							
External sales	1,335	1,119	-16%	1,188	1,119	-6%	1,156
Volumes (%)			-17%				
Prices (%)			3%				
Exchange Rates (%)			-2%				
Other (incl. M&A; %)			0%				
Sales Inorganics	996	820	-18%	860	820	-5%	860
Sales Polymers	339	299	-12%	328	299	-9%	310
Adjusted EBITDA	219	122	-44%	164	122	-26%	150
Adjusted EBITDA Margin (%)	16.4%	10.9%	-5.5 pp	13.8%	10.9%	-2.9 pp	13.4%
Performance Materials							
External sales	945	694	-27%	707	694	-2%	723
Volumes (%)			-6%				
Prices (%)			-17%				
Exchange Rates (%)			0%				
Other (incl. M&A; %)			-4%				
Adjusted EBITDA	142	45	-68%	37	45	22%	50
Adjusted EBITDA Margin (%)	15.0%	6.5%	-8.5 pp	5.2%	6.5%	1.3 pp	6.8%
Technology & Infrastructure / Other							
External sales	349	274	-21%	303	274	-10%	334
Adjusted EBITDA	-81	13	116%	-36	13	136%	-24

* Vara Consensus July 7, 2023