Analyst & Investor Fact Sheet Q4 2018

EVONIK
POWER TO CREATE

Evonik Group

in € million	Q4 2017	Q4 2018	yoy Δ%	Q4 2018 Consensus*	2017	2018	yoy Δ%	2018 Consensus*
External sales	3,573	3,681	3%	3,626	14,383	15,024	4%	14,968
Volume (%)			*-1%*	*-1%*			*0%*	*1%*
Price (%)			*4%*	*2%*			*5%*	*6%*
Exchange Rates (%)			*-1%*	*-1%*			*-3%*	*-3%*
Other effects (%)			*1%*	*1%*			*2%*	*2%*
Adjusted EBITDA	483	487	1%	489	2,357	2,601	10%	2,602
Adjusted EBITDA Margin (%)	13.5%	13.2%	-0.3 pp	13.4%	16.4%	17.3%	0.9 pp	17.4%
Adjusted EBIT	242	261	8%	289	1,486	1,724	16%	1,751
Adjustments	-63	-294			-261	-357		
EBIT	178	-32	-118%		1,225	1,367	12%	
Adjusted net income	191	237	24%	171	1,007	1,294	29%	1,228
Adjusted earnings per share in €	0.41	0.51	24%	0.37	2.16	2.78	29%	2.64
Capital expenditures	420	372	-11%		1,078	1,050	-3%	
Net financial position (as of Dec. 31)	-3.023	-2.907	-4%		-3.023	-2.907	-4%	
Cash flow from operating activities, cont. ops.	518	558	8%		1,551	1,704	10%	
Free cash flow, cont. ops.	161	230	43%	198	511	672	32%	640

* Vara consensus including the to be divested Methacrylate Verbund as well as changes from IFRS 16, reclassification of interest in the cash flow statement and the contribution of the PeroxyChem acquisition from mid-2019 onwards.

"We delivered on our guidance in 2018 and are well prepared for a more challenging 2019. We experienced a very solid start into the year, which underpins the resilience of our portfolio." *Christian Kullmann, CEO*

Highlights

- Delivering on financial targets:
  - FY 2018 with broad-based earnings growth: adj. EBITDA up +10% to €2,601 m (2017: €2,357 m)
  - FCF increased by more than +30% to €672 m (2017: €511 m)
- Successful finish of 2018: Q4 2018 adj. EBITDA of €487 m (+1% yoy): higher earnings in RE and Corporate; PM burdened by low Rhine water level and limited raw material availability
- Sustainable FCF improvement: Start of reimbursement from pension CTA in 2019 to improve FCF by ~+€100 m annually
- Stable dividend proposed (€1.15)
- Outlook 2019 (including Methacrylates business and IFRS 16, excluding PeroxyChem acquisition)
  - Sales and adj. EBITDA to be slightly lower* or stable (including normalization effect of previously very favorable supply/demand situation in Methacrylates business (negative yoy effect on adj. EBITDA of -€140 m)
  - FCF to rise significantly

* In the context of sales, slightly refers to a change of between 1 and 5 percent
In the context of adjusted EBITDA, slightly refers to a change of between 1 and 10 percent.

Group business development Q4 2018

- Sales growth of +3% to €3,681 m (Q4 2018: €3,573 m)
  - Strong pricing (+4%) driven by RE (+6%) and PM (+9%)
  - Volume development on Group level at -1%: Strong growth in NC (+9%) and positive volumes in RE (+1%), but strongly impacted from low Rhine water levels in PM (-13%)
- Adj. EBITDA of €487 m; +1% yoy (Q4 2018: €483 m)
  - Higher earnings in RE (€259 m; +5%), despite cautious customer behavior in Auto- and China-related businesses
  - NC with slightly lower earnings (€167 m; -3%) due to decline in industry-linked businesses (e.g. Comfort & Insulation); Methionine with unchanged healthy demand trend; prices lower yoy due to higher product availability
  - PM (€124 m; -23%) burdened by low Rhine water level (Q4 impact ~€20 m) and limited raw material availability
  - Services with higher earnings; Corporate benefitted from year-end effects and first SG&A cost savings
- Adj. EBITDA margin on group level at 13.2% (Q4 2017: 13.5%)
- Adj. EPS came in +24% higher at €0.51 (Q4 2017: €0.41)
  - Q4 adj. tax rate of only 10.5% due to positive effects from deferred taxes revaluation in China
  - Lower depreciation and amortization (Q4 2017 with extraordinary impairments of ~€20 m across all segments) as well as lower net financial result (improved due to reduced financing costs for cross currency swaps)

Highlights from cash flow statement & balance sheet

Cash Flow Statement

- FCF 2018: strong increase of +€161 m to €672 m (2017: €511 m)
  - Operational performance mirrored in operating cash flow of €1,704 m (2017: €1,551 m)
  - Strong FCF generation despite above-average NWC outflow in 2018 due to logistical challenges from low Rhine water level and cautious customer behavior towards year-end
  - Lower cash-out for taxes in 2018 due to reimbursements relating to other periods
- Free cash flow conversion (FCF/adj. EBITDA) improving from 21.7% in 2017 to 25.8% in 2018

Balance Sheet

- Net financial debt declined sequentially to -€2,907 m (September 30, 2018: -€3,188 m; Dec 31, 2017: -€3,023 m)
- Stable discount rate for Germany (2.00 % as per December 31, 2018)
- Leverage (net debt/adj. EBITDA) at 2.5x (Dec 31, 2017: 2.8x)

Outlook for FY 2019:

The following outlook includes the methacrylates business and effects of IFRS 16 (adj. EBITDA: +€100 m) in 2019. Therefore, the outlook is comparable to the Vara consensus (only difference: Vara consensus includes already PeroxyChem).

- Basis for our outlook:
  - Global growth of 2.9 percent (2018: 3.2 percent)
  - Euro/US dollar exchange rate: US$1.15 (2018: US$1.18)
  - Internal raw material cost index slightly lower than in the prior year

- Outlook for the full year 2019
  - **Slightly* lower or stable sales** (2018: €15.0 bn)
  - **Slightly* lower or stable adj. EBITDA** (FY 2018: €2,601 m; incl. normalization effect in Methacrylates of ~-€140 m)
  - **FCF expected to be significantly higher compared to 2018** (FY 2018: €672 m)

* In the context of sales, slightly refers to a change of between 1 and 5 percent
In the context of adjusted EBITDA, slightly refers to a change of between 1 and 10 percent.

- Sustainable free cash flow improvement (further details on slides 16 and 32-34 in earnings conference call presentation)
  - Reimbursement from pension assets (CTA) with tangible effect: Sustainable annual FCF improvement of ~+€100 m p.a.
  - Target CTA funding ratio of ~70% reached ahead of plan due to historic top-ups (2011-2015) and strong asset performance
  - Reimbursement (out of CTA assets) brought forward from 2021 to 2019 – partly replacing payments by Evonik
  - Sufficient asset base to reimburse annually until the end of pension life while keeping funding ratio ~70% (no future top-ups)

- Expected development by segment:
  - Nutrition & Care: slightly lower earnings yoy
    - Continuation of volume growth and positive earnings trend in majority of businesses
    - Positive effect from “adjust 2020” efficiency program, earnings will be adversely affected ramp-up costs of our new methionine facility in Singapore (~€30 m)
    - Annual average prices for methionine expected to be lower yoy due to new production capacities coming on stream
  - Resource Efficiency: slightly higher earnings yoy
    - Although growth is expected to slow in some end-markets and regions, RE will continue to benefit from its good positioning in the respective markets and the trend to resource-efficient solutions.
  - Performance Materials: significantly lower earnings yoy
    - Recently very favorable demand/supply situation in the methacrylates business is expected to normalize (~-€140 m)
    - As a result, this segment will not be able to repeat the very high level of earnings seen in 2018

Additional indications for FY 2019

- **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) but below 2018 (12.1%) due to higher capital employed (IFRS 16-related)
- **Capex:** ~€1 bn (2018: €1,050 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: €146 m)
- **Adj. EBITDA Corporate / Others:** Slightly less negative than in 2018 (2018: -€313 m)
- **Adj. D&A:** ~€950 m (2018: €877 m); increase mainly IFRS 16-related (~+€90 m)
- **Adj. net financial result:** ~-€190 m (2018: -€162 m); increase partly IFRS 16-related (~ €10 m)
- **Adj. tax rate:** ~28% (2018: 23%); 2018 benefitted from deferred taxes revaluation

Nutrition & Care (N&C)

in € million	Q4 2017	Q4 2018	yoy Δ%	Q4 2018 Consensus*	2017	2018	yoy Δ%	2018 Consensus*
External sales	1,114	1,172	5%	1,147	4,507	4,646	3%	4,622
Volume (%)			*9%*				*5%*	
Price (%)			*-2%*				*2%*	
Exchange Rates (%)			*-2%*				*-5%*	
Other effects (%)			*0%*				*1%*	
Adjusted EBITDA	172	167	-3%	175	747	810	8%	818
Adjusted EBITDA Margin (%)	15.4%	14.2%	-1.2 pp	15.3%	16.6%	17.4%	0.8 pp	17.7%
Adjusted EBIT	89	97	9%	113	463	535	16%	551
Adjustments	86	-31			25	-56		
EBIT	175	66	-62%		488	479	-2%	
Capital expenditures	146	144	-1%		391	486	24%	

* Vara Consensus 5 February 2019

- **Sales** up by +5% to €1,172 m (Q4 2017: €1,114 m)
  - Strong volumes (+9%) driven by Animal Nutrition & Baby Care
  - Declining prices in Methionine yoy and Health Care (due to contract structure)

- **Adj. EBITDA** decreased by -3% yoy to €167 m (Q4 2017: €172 m)
  - Health Care and Personal Care with ongoing strong performance and further improving product mix
  - Industry-linked businesses (e.g. Comfort & Insulation) in Q4 impacted by cautious customer behavior especially in China
  - First ramp-up costs for the new plant in Singapore (~€10 m) in Q4
  - Lower earnings in Q1 expected (yoy), driven by seasonal patterns in Health Care, lower Methionine price (comps improving throughout the year) and ramp-up costs for new methionine plant

- **Personal Care** Good performance due to higher volumes with actives and functional additives (especially North America) leading to an overall improved product mix. Earnings growth expected for 2019.
- **Health Care:** Solid Q4, finish of successful year across all product lines. Q1 expected yoy lower due to seasonal patterns; FY 2019 with stable earnings (due to end of large legacy contract).
- **Comfort & Insulation**: Year-end impacted by cautious customer behavior especially in China and higher raw materials in Europe and Americas.
- **Baby Care:** Improvement from a low base continuing. Volumes constantly improving in US and EU; self-help measures with positive effect on margins.
- **Animal Nutrition:** Methionine with unchanged healthy demand trend; prices down yoy due to higher product availability. Q1 expected to be impacted by lower Methionine price (yoy delta improving throughout the year) and ramp-up costs for new methionine plant.

Resource Efficiency (RE)

in € million	Q4 2017	Q4 2018	yoy Δ%	Q4 2018 Consensus*	2017	2018	yoy Δ%	2018 Consensus*
External sales	1,308	1,404	7%	1,346	5,393	5,709	6%	5,651
Volume (%)			*1%*				*-1%*	
Price (%)			*6%*				*5%*	
Exchange Rates (%)			*-1%*				*-2%*	
Other effects (%)			*1%*				*4%*	
Adjusted EBITDA	247	259	5%	259	1,173	1,288	10%	1,288
Adjusted EBITDA Margin (%)	18.9%	18.4%	-0.5 pp	19.3%	21.8%	22.6%	0.8 pp	22.8%
Adjusted EBIT	165	180	9%	188	885	985	11%	993
Adjustments	-86	-21			-149	-22		
EBIT	79	159	101%		736	963	31%	
Capital expenditures	126	115	-9%		340	289	-15%	

* Vara Consensus 5 February 2019

- **Sales** up by +7% to €1,404 m (Q4 2017: €1,308 m)
  - Organic sales growth of +7% driven by:
    - Strong pricing trend (+6%) continuing, successfully compensating raw material inflation
    - Higher volumes (+1%) despite a weaker macro environment

- **Adj. EBITDA** rose by +5% to €259 m (Q4 2017: €247 m)
  - RE proved its resilience and delivered a solid performance at attractive margins (18.4%) in Q4
  - Q4 impacted by usual seasonality and cautious customer behavior in Auto- and China-related businesses
  - Strong demand for additives from water-borne coatings and inks in Q4
  - Earnings growth targeted for FY 2019

- **Coating Additives:** Strong demand for additives from water-borne coatings and inks in Q4. Good business performance expected to continue in Q1.
- **Crosslinkers:** Seasonally weaker demand across all regions and market segments like wind market or automotive. Solid start into 2019.
- **High Performance Polymers:** Strong performance continued in Q4 with higher volumes and prices (yoy) for both membranes and PA12. This expected to continue in Q1.
- **Silica:** Good demand across all market segments, EBITDA impacted by higher distribution expenses and additional start-up costs from new precipitated silica plant in Charleston, South Carolina.

Performance Materials (PM)

in € million	Q4 2017	Q4 2018	yoy Δ%	Q4 2018 Consensus*	2017	2018	yoy Δ%	2018 Consensus*
External sales	970	922	-5%	954	3,751	3,976	6%	4,008
Volume (%)			*-13%*				*-3%*	
Price (%)			*9%*				*12%*	
Exchange Rates (%)			*-1%*				*-3%*	
Other effects (%)			*0%*				*0%*	
Adjusted EBITDA	161	124	-23%	127	658	670	2%	674
Adjusted EBITDA Margin (%)	16.6%	13.4%	-3.2 pp	13.6%	17.5%	16.9%	-0.6 pp	16.9%
Adjusted EBIT	121	89	-26%	96	507	534	5%	541
Adjustments	-1	-9			-5	-10		
EBIT	120	80	-33%		502	524	4%	
Capital expenditures	61	39	-36%		163	114	-30%	

* Vara Consensus 5 February 2019

- **Sales** decreased by -5% to €922 m (Q4 2017: €970 m)
  - Weaker volume (-13%) due to low Rhine water and limited raw material availability as well as lower demand in Coatings & Construction and destocking in chemical supply chain
  - Positive pricing (+9%) mainly driven by yoy higher butadiene spreads

- **Adj. EBITDA** declined to €124 m (Q4 2017: €161 m)
  - Low Rhine water level with negative impact on earnings in Q4 (~-€20 m)
  - Expected margin normalization in MMA/PMMA
  - In Q1, margin normalization in MMA/PMMA expected to continue; C4 business with limited raw material availability

- **MMA/PMMA:**
  - Q4 slowdown in demand for MMA and PMMA across major industries (coatings, construction, automotive) due to cautious customer buying behavior.
  - Expected margin normalization in Q4 as supply/demand turns to balance in EU and Asia, US remains on the short side due to unplanned outages. Margin normalization in MMA/PMMA expected to continue in Q1.

- **Performance Intermediates:**
  - Q4 with lower volumes in almost all products due to low Rhine water level and raw material supply constraints. Effect partially compensated by yoy higher contract spreads for Butadiene.
  - Lower variable costs due to oil and Naphtha price drop in Q4 slightly supports margin. In Q1, margin normalization in MMA/PMMA expected to continue; C4 business with limited raw material availability.

Services

in € million	Q4 2017	Q4 2018	yoy Δ%	Q4 2018 Consensus*	2017	2018	yoy Δ%	2018 Consensus*
External sales	178	178	0%	196	717	677	-6%	695
Adjusted EBITDA	3	13	333%	22	133	146	10%	155
Adjusted EBITDA Margin (%)	1.7%	7.3%	5.6 pp	10.3%	18.5%	21.6%	3.1 pp	21.9%
Adjusted EBIT	-28	-22		-9	10	9		23
Adjustments	-16	-38			-28	-44		
EBIT	-44	-60			-18	-35		
Capital expenditures	80	69	-14%		162	148	-9%	

* Vara Consensus 5 February 2019

- Services adj. EBITDA negatively impacted by reimbursement scheme from Services to operating segments in Q4

Corporate / Others

in € million	Q4 2017	Q4 2018	yoy Δ%	Q4 2018 Consensus*	2017	2018	yoy Δ%	2018 Consensus*
External sales	3	6		6	15	16		15
Adjusted EBITDA	-100	-74	26%	-94	-354	-313	12%	-334
Adjusted EBIT	-105	-83	21%	-99	-379	-339	11%	-356
Adjustments	-47	-194			-104	-225		
EBIT	-152	-277			-483	-564		
Capital expenditures	10	5			22	13		

* Vara Consensus 5 February 2019

- Corp/Others adj. EBITDA with year-end effects and first visible benefits from initiated efficiency programs

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