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Significant profit decline in second quarter - economic environment remains difficult

- Adjusted EBITDA in second quarter falls 38 percent to €450 million year-over-year
- Weak demand holds back recovery
- Good progress towards savings target

Essen, Germany. Evonik posted adjusted EBITDA of €450 million in the second quarter of 2023, a slight improvement compared with the first quarter (€409 million). Earnings were buoyed by strict cost-cutting measures. Compared with the same period last year, adjusted EBITDA fell by 38 percent. Evonik already published preliminary figures for the second quarter on July 10.

"Germany is in a recession, Europe as well, and the economy in China is not picking up as we had hoped," says Christian Kullmann, Chairman of the Executive Board. "Unfortunately, the second quarter showed no meaningful turnaround for our business."

The economic downturn caused Group sales to fall 19 percent to €3.89 billion in the second quarter compared to the previous year. Volumes were down 9 percent, while prices declined by 5 percent.

Evonik has been implementing cost-cutting measures to safeguard earnings since the second half of 2022. The company will save €250 million in the current year by not filling vacant positions, cutting down on the use of external service providers and restricting business travel. By June 30, Evonik reached 40 percent of that target.

Free cash flow was a seasonal negative €203 million in the second quarter, an improvement compared with the negative €239 million in the same period of 2022. Evonik remains committed to increasing the cash conversion rate toward its target of 40 percent in the current year. In 2022, the rate was 32 percent. The previous target for higher free cash flow this year is no longer achievable, as communicated on July 10.

"We are now steering the company towards cash," says Chief Financial Officer Maike Schuh. "We are keeping the money together so that we remain financially capable of acting."

Evonik will limit capital expenditures in 2023 to around €850 million. The corresponding budget was already cut from €975 million to €900 million earlier this year. All pending approvals as well as further expenditures related to already approved projects are subject to individual assessments. Investments in green technologies, such as Evonik's Next Generation Technologies, will continue, as will safety-related maintenance expenditures.

Evonik posted a net loss of €270 million in the second quarter. This is primarily a result of impairment charges totaling €390 million, mainly on production facilities of methionine worldwide, as well as for silica in Europe and North America.

The portfolio revamp continues: Effective June 30, the site in Luelsdorf, Germany was divested to the International Chemical Investors Group of Luxembourg. The superabsorbents business has been classified as held for sale and was reclassified accordingly in the balance sheet as of June 30. The divestment process is progressing as planned.

Evonik expects continued weak demand in 2023 without any recovery throughout the second half of the year. As announced on July 10, Evonik lowered the expectations for its full-year adjusted EBITDA to between €1.6 billion and €1.8 billion. Previously, this range was €2.1 billion to €2.4 billion. Sales are now expected between €14 billion and €16 billion this year.

Development of the Chemicals Divisions

Specialty Additives: Second-quarter sales in the Specialty Additives division decreased by 19 percent to €906 million year-on-year due to lower volumes and negative currency effects. In contrast, selling prices were slightly higher because of the pass-through of higher raw material and energy costs. The prior-year figure also included sales from the TAA derivatives business, which was sold at the end of 2022. For products geared to the construction and coatings industries, lower demand in all regions led to a significant decline in sales. Sales of additives for polyurethane foams and consumer durables also decreased. Additives for the automotive industry saw declining volumes, while selling prices rose slightly. Adjusted EBITDA declined by 24 percent to €199 million, mainly due to the decline in volumes and lower capacity utilization. At 22.0 percent, the adjusted EBITDA margin remained at a good level.

Nutrition & Care: Sales in the Nutrition & Care division decreased by 13 percent to €893 million. Selling prices were noticeably lower, while volumes increased slightly. The essential amino acids business (Animal Nutrition) saw an upturn in volume, but selling prices again declined slightly compared to the previous quarter and were significantly lower than in the prior-year quarter. Overall, sales of amino acids decreased significantly. Products for the health and care industry recorded lower volumes overall. Adjusted EBITDA fell 62 percent to €71 million, mainly due to price declines in essential amino acids. The adjusted EBITDA margin shrunk from 18.0 percent to 8.0 percent.

Smart Materials: Sales of the Smart Materials division decreased by 16 percent to €1.12 billion in the second quarter. The decline resulted from noticeably lower volumes, while selling prices remained stable and raw material costs fell slightly. Inorganic products saw significantly lower sales on declining demand from almost all market segments while prices remained stable. High-performance polymers performed well due to higher volumes and prices. Adjusted EBITDA declined by 44 percent to €122 million, also negatively impacted by a planned maintenance shutdown at the polyamide 12 production site. The corresponding margin decreased from 16.4 percent to 10.9 percent.

Performance Materials: In the Performance Materials division, sales decreased by 27 percent to €694 million in the second quarter, mainly due to lower prices and volumes. Products from the C_4 chain saw declining volumes with significantly softening prices. Sales of superabsorbents fell as a result of lower demand in Europe. Adjusted EBITDA declined by 68 percent to €45 million, mainly a result of the drop in prices for C_4 products, which overshadowed improved earnings for superabsorbents. The adjusted EBITDA margin decreased from 15.0 percent to 6.5 percent.

Excerpt from the income statement

	2nd quarter			1st half		
in € million	2022	2023	Change in %	2022	2023	Change in %
Sales	**4,772**	**3,886**	**-19**	**9,270**	**7,891**	**-15**
Adjusted EBITDA	**728**	**450**	**-38**	**1,462**	**859**	**-41**
Adjusted EBIT	**456**	**157**	**-66**	**928**	**287**	**-69**
Adjustments	-35	-412		-52	-459	
Financial result	4	-30		-7	-45	
Income before income taxes, continuing operations	**425**	**-285**		**869**	**-217**	
Income taxes	-123	19		-249	–	
Income after taxes	**302**	**-266**		**620**	**-217**	
thereof attributable to non-controlling interests	5	4		9	6	
Net Income	**297**	**-270**		**611**	**-223**	
Adjusted net income	**351**	**123**	**-65**	**707**	**237**	**-66**

Division performance – 2nd quarter

	Sales			Adjusted EBITDA		
in € million	2022	2023	Change in %	2022	2023	Change in %
Specialty Additives	1,116	906	-19	263	199	-24
Nutrition & Care	1,027	893	-13	185	71	-62
Smart Materials[a]	1,335	1,119	-16	219	122	-44
Performance Materials[a]	945	694	-27	142	45	-68
Technology & Infrastructure	328	260	-21	-6	64	-
Enabling Functions, Other Activities, Consolidation	21	14	-33	-75	-51	32
Evonik Group	**4,772**	**3,886**	**-19**	**728**	**450**	**-38**

EVONIK Leading Beyond Chemistry

Division performance – 1st half

in € million	Sales 2022	Sales 2023	Sales Change in %	Adjusted EBITDA 2022	Adjusted EBITDA 2023	Adjusted EBITDA Change in %
Specialty Additives	2,165	1,827	-16	515	367	-29
Nutrition & Care	2,064	1,779	-14	407	147	-64
Smart Materials[a]	2,619	2,307	-12	431	286	-34
Performance Materials[a]	1,790	1,401	-22	224	81	-64
Technology & Infrastructure	599	552	-8	30	98	227
Enabling Functions, Other Activities, Consolidation	33	25	-24	-145	-120	17
Evonik Group	**9,270**	**7,891**	**-15**	**1,462**	**859**	**-41**

Employees by division

	Dec. 31, 2022	June 30, 2023
Specialty Additives	3,824	3,545
Nutrition & Care	5,690	5,807
Smart Materials	8,011	8,113
Performance Materials	1,951	1,641
Technology & Infrastructure	8,367	7,972
Enabling Functions, Other Activities, Consolidation	6,186	6,279
Evonik Group	**34,029**	**33,357**

Company Information
Evonik is one of the world leaders in specialty chemicals. The company is active in more than 100 countries around the world and generated sales of €18.5 billion and an operating profit (adjusted EBITDA) of €2.49 billion in 2022. Evonik goes far beyond chemistry to create innovative, profitable, and sustainable solutions for customers. About 34,000 employees work together for a common purpose: We want to improve life today and tomorrow.