

## Evonik Group (continuing operations)

in € million	Q4 2019				2019			
	Q4 2018	Q4 2019	yoy Δ%	Consensus*	2018	2019	yoy Δ%	Consensus*
External sales	3,261	3,248	1%	3,225	13,267	13,108	-1%	13,050
Volume (%)			0%	-1%			-1%	-1%
Price (%)			-4%	-2%			-2%	-1%
Exchange Rates (%)			1%	1%			1%	0%
Other effects (%)			4%	0%			1%	0%
Adjusted EBITDA	402	505	26%	499	2,150	2,153	0%	2,147
Adjusted EBITDA Margin (%)	12.3%	15.4%	3.1 pp	15.5%	16.4%	16.4%	0.0 pp	16.5%
Adjusted EBIT	200	253	27%	279	1,361	1,201	-12%	1,227
Adjustments	-265	-1			-312	-115		
EBIT	-65	252	-488%		1,225	1,086	-11%	
Adjusted net income	167	231	38%	171	1,014	902	-11%	843
Adjusted earnings per share in €	0.36	0.50	38%	0.37	2.18	1.94	-11%	1.81
Capital expenditures	342	335	-2%		969	842	-13%	
Net financial position (as of Dec. 31)	-2,907	-2,141	-26%		-2,907	-2,141	-26%	
Cash flow from operating activities, cont. ops.	502	496	-1%		1,474	1,352	-8%	
Free cash flow, cont. ops., excl. carve-out taxes	202	300	49%		526	717	36%	
Free cash flow, cont. ops.	202	183	-9%		526	472	-10%	

\* Vara Consensus 29 January 2020

***"We have achieved our targets in 2019. For 2020, there are for sure some opportunities in our businesses - but the macro side remains challenging. So, we look ahead with confidence and will stick to what we have established: give a solid and reliable guidance and deliver on our promises!" Christian Kullmann, CEO***

### Highlights

- **Delivering on financial targets:**
  - Stable EBITDA in FY 2019 despite more difficult macro environment: adj. EBITDA at €2,153 m (2018: €2,150 m)
  - FCF increased to €717 m (2017: €526 m); cash conversion improved to beyond 30%
- **Stable and attractive dividend** proposed (€1.15)
- **Outlook 2020** (including PeroxyChem):
  - Adj. EBITDA between €2.0 billion and €2.3 billion
  - FCF to rise slightly
- **New divisional structure:** Next logical step in our portfolio transformation

### Group business development Q4 2019

- Sales increased by +1% to €3,284 m (Q3 2019: €3,261 m)
  - Stable volumes (+/-0%) on group level; NC (+1%) and PM (+9%) with positive volumes, difficult market environment for auto & coatings businesses leading to decline in RE (-4%)
  - Prices negative (-4%); ongoing solid pricing in RE (+/-0%); declines in NC (-5%; still methionine-related) and PM (-14% due to noticeably lower C4 spreads)
- Adj. EBITDA of €505 m; +26% yoy (Q4 2019: €402 m)
  - Higher yoy earnings in all chemical segments & strict cost awareness on all levels
  - RE (€314 m, +23%); ongoing challenging market environment for auto & coatings businesses, conversely continued solid pricing, cost savings and license income in Active Oxygen business (~€40 m in Q4); EBITDA margin remaining well above 22%
  - NC (€170 m, +2%) with yoy higher earnings for the first time in 2019; strong finish in Care Solutions and Health Care; methionine with sequentially almost stable prices and ongoing strong volumes
  - PM (€50 m; +9%) Higher volumes (prior year burdened by low Rhine water level and limited raw material availability); price decline due to yoy weaker Butadiene and INA spreads; as guided, Q4 with ~€10 m negative impact from compressor failure in C4 businesses
  - Services & Corporate/Others with expected positive effects from strict cost discipline
- Adj. EBITDA margin on Group level at 15.4% (Q4 2018: 12.3%)
- Increase in D&A from €202 m to €252 m mainly due to first time application of IFRS 16 (positive effect of €142 m in FY 2019 after final assessment of leasing contract structure and new tolling contracts due to MMA divestment)
- Adj. EBIT of €253 m (Q4 2019: €200 m) due to yoy stronger operating performance driven by higher earnings in RE & NC
- Adj. EPS at €0.50 (Q4 2018: €0.36)
  - Low tax rate of ~13% due to positive effects from deferred tax revaluation and release of tax risk provisions

## Highlights from cash flow statement & balance sheet 2019

### **Cash Flow Statement**

- FCF 2019 at €717 m (excl. carve-out taxes), yoy improvement driven by strict NWC management, high capex discipline and lower pension cash-out (CTA reimbursement)
- Cash conversion (FCF/adj. EBITDA) improved from 24.5% to 33.3% in 2019

### **Balance Sheet**

- Net financial debt increased sequentially to €2,141 m (from €1,734 m end of Q3), mainly due to the acquisition of a Vivawest stake from the CTA (€369 m) to increase liquidity in our pension assets in-line with the new CTA reimbursement strategy implemented last year
- Pension provisions decreased to €3,967 m (from €4,640 m end of Q3) due to higher discount rate in Germany (from 1.0% to 1.3%)
- Leverage (net debt/adj. EBITDA) now at 2.7x; net financial debt leverage at 0.9x

## Outlook for FY 2020

- Basis for our outlook:
  - Low growth environment expected to continue; no macro recovery assumed (global growth of 2.5% in 2020 (2019: 2.6%))
  - Effects from Corona virus included in outlook (Assumption: ~ €30 m for Q1)
  - Euro/US dollar exchange rate: US\$1.12 (2019: US\$1.12)
  - Internal raw material cost index slightly lower than in the prior year
- Outlook for the full year 2020
  - **Sales stable** (2019: €13.1 bn)
  - **Adj. EBITDA between €2.0 and €2.3 bn** (2019: €2.153 m)
  - **FCF slightly higher than 2019** (2019: €717 m)
- Expected development by segment:
  - **Resource Efficiency: Earnings at least stable**
    - Resilient performance expected for majority of businesses
    - Lower growth in Auto-related end markets to continue
    - High level of license income will not reoccur in 2020
    - 11 months contribution from PXC.
  - **Nutrition & Care: Slightly higher earnings**
    - Resilience and earnings growth expected for Health & Care
    - Strong volumes and assumption of stable Methionine price (yoy annual average)
    - Lower earnings contribution from Baby Care
  - **Performance Materials: Stable to slightly lower earnings**
    - Continued price weakness leading to lower product spreads year-on-year
    - Negative impact from limited raw material supply and plant outages should not reoccur

## Additional indications for FY 2020 (cont. operations)

- PeroxyChem: included in outlook with 11 months (2019: ~ USD300 m sales, ~ USD60 m adj. EBITDA)
- ROCE: **around the level of 2019** (2019: 8.6%)
- Capex: **around the already low level of 2019** (2019: €842 m)
- EUR/USD: **1.12 EUR/USD** (2019: 1.12 EUR/USD)
- EUR/USD sensitivity: +/-1 USD cent = **-/+ ~€7 m** adj. EBITDA (FY basis)
- Adj. EBITDA Services: **around the level of 2019** (2019: €122 m)
- Adj. EBITDA Corporate / Others: **slightly more negative than 2019** (2019: -€211 m)
- Adj. D&A: **around the level of 2019** (2019: €952 m)
- Adj. net financial result: **around -€100 m** (2019: -€185 m) due to bond payback and lower interest rates for pensions
- Adj. tax rate: **back to a normalized rate of ~27%** (2019: 20%; MMA-related)

## New divisional structure

- Reporting in new structure will start from Q3 2020 onwards
- Clear benefits of new divisional structure:
  - **Structure follows strategy:** Logical evolution of defined growth engines into divisional structure
  - **Clearly defined strategic roles** (Growth & Efficiency)
  - **Higher transparency**
  - **Easier-to-understand and to model** (common themes, drivers & end markets for each division)
  - **Smoother internal management** (e.g. technology platforms assigned to single divisions)
- Four new operational divisions:
  - **Specialty Additives:** Broad spectrum of performance-defining additives making the key difference in industrial applications for coatings, polyurethane foam & lubricants
  - **Nutrition & Care:** Sustainable solutions for consumer markets, particularly in pharmaceutical, personal care, and nutrition industries. Quarterly sales for sub-divisions **“Animal Nutrition”** and **“Health & Care”**
  - **Smart Materials:** Innovative materials for resource-saving solutions and the replacement of conventional materials. Quarterly sales for sub-divisions **“Inorganics”** and **“Polymers”**
  - **Performance Materials:** Leading platforms with efficient processes for production of intermediates and superabsorbent polymers

**Further details @ CMD 2020 on 1 April**

## Resource Efficiency (RE)

in € million	Q4 2019				2019			
	Q4 2018	Q4 2019	yoy Δ%	Consensus*	2018	2019	yoy Δ%	Consensus*
External sales	1,402	1,387	-1%	1,348	5,708	5,685	0%	5,641
Volume (%)			-4%				-4%	
Price (%)			0%				2%	
Exchange Rates (%)			1%				1%	
Other effects (%)			2%				1%	
Adjusted EBITDA	256	314	23%	303	1,283	1,290	1%	1,280
Adjusted EBITDA Margin (%)	18.3%	22.6%	4.3 pp	22.6%	22.5%	22.7%	0.2 pp	22.7%
Adjusted EBIT	178	227	28%	225	983	964	-2%	962
Adjustments	-22	16			-22	11		
EBIT	156	243	56%		961	975	1%	
Capital expenditures	114	175	54%		287	373	30%	

\* Vara Consensus 29 January 2020

- **Sales** slightly decreased by -1% to €1,387 m (Q4 2018: €1,402 m)
  - Difficult market environment for auto & coatings businesses continued in Q4, visible in yoy declining volume (-4%)
- **Adj. EBITDA** increased by +23% to €314 m (Q4 2018: €265m)
  - High EBITDA margin level of 22.6% due to continued solid pricing, cost savings and license income
  - Oil Additives, High Performance Polymers and Crosslinkers with resilient performance throughout the year
  - License income from two projects in Active Oxygens business with positive EBITDA impact of ~€40 m in Q4
- **Coating Additives:** Continued slow demand for water-borne coatings for container industry in China as well as coatings for automotive
- **Crosslinkers:** Demand remained healthy driven by composites applications for wind energy; further support from low raw material prices (mainly Acetone)
- **High Performance Polymers:** Resilient business performance supported by price increases in polymer business and positive product mix towards Membranes and 3D printing business
- **Silica:** Slower demand for industry-linked applications like sealants and silicones for automotive continued, while tire business holding up well
- **Active Oxygen:** Specialty applications on continuous growth path, overall Q4 performance supported by ~€40 m license income

## Nutrition & Care (N&C)

in € million	Q4 2019				2019			
	Q4 2018	Q4 2019	yoy Δ%	Consensus*	2018	2019	yoy Δ%	Consensus*
External sales	1,172	1,163	-1%	1,164	4,646	4,582	-1%	4,582
Volume (%)			1%				1%	
Price (%)			-5%				-4%	
Exchange Rates (%)			1%				1%	
Other effects (%)			2%				1%	
Adjusted EBITDA	167	170	2%	182	810	728	-10%	740
Adjusted EBITDA Margin (%)	14.2%	14.6%	0.4 pp	15.7%	17.4%	15.9%	-1.5 pp	16.2%
Adjusted EBIT	97	86	-11%	106	535	404	-24%	425
Adjustments	-31	-10			-56	-36		
EBIT	66	76	15%		479	368	-23%	
Capital expenditures	144	54	-63%		486	260	-47%	

\* Vara Consensus 29 January 2020

- **Sales** decreased by -1% to €1,163 m (Q4 2018: €1,172 m)
  - Volumes slightly positive (+1%); high volumes in Animal Nutrition continue to be mitigated by planned shift from bulk to specialty products (in Care Solutions and for Veramaris JV)
  - Prices down by -5%; mainly due to high comparables in methionine
- **Adj. EBITDA** increased by +2% yoy to €170 m (Q4 2018: €167 m)
  - Adj. EBITDA slightly up yoy due to strong finish in Care Solutions and back-end loaded Health Care earnings
- **Care Solutions:** Solid performance of Cosmetic Solutions and Active Ingredients in 2019. Overall lower volumes due to planned upgrade in product mix
- **Health Care:** As anticipated, earnings picked up in H2 2019. Overall, FY 2019 with yoy stable earnings (end of large legacy contract compensated by underlying growth)
- **Comfort & Insulation:** Subdued business in auto-related applications more than compensated by higher demand from consumer durables and isolation end-markets
- **Baby Care:** Improvement from a low base in 2019. Self-help measures with positive effect. Price pressure increasing in 2020
- **Animal Nutrition:** Methionine with ongoing strong volumes, sequentially almost stable pricing. Positive market sentiment and price trend visible into 2020

## Performance Materials (PM)

in € million	Q4 2019				2019			
	Q4 2018	Q4 2019	yoy Δ%	Consensus*	2018	2019	yoy Δ%	Consensus*
External sales	506	495	-2%	532	2,233	2,043	-9%	2,081
Volume (%)			9%				-1%	
Price (%)			-14%				-7%	
Exchange Rates (%)			3%				0%	
Other effects (%)			0%				-1%	
Adjusted EBITDA	46	50	9%	52	239	224	-6%	228
Adjusted EBITDA Margin (%)	9.1%	10.1%	1.0 pp	10.3%	10.7%	11.0%	0.3 pp	11.0%
Adjusted EBIT	31	22	-29%	24	179	123	-31%	126
Adjustments	-7	-6			-7	-7		
EBIT	24	16	-33%		172	116	-33%	
Capital expenditures	16	15	-6%		45	48	7%	

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- **Sales** decreased by -2% to €495 m (Q4 2018: €506 m)
  - Volumes positive (+9%); volumes in prior year negatively impacted by low Rhine water levels
  - Prices down (-14%) mainly because of yoy lower Butadiene and INA spreads
  
- **Adj. EBITDA** increased by +9% to €50 m (Q4 2018: €46 m)
  - Easier comparables as prior year already with ~€20 negative effect from low Rhine water levels.
  - Higher volumes in Performance Intermediates more than compensated by yoy weaker spreads for C4 derivatives
  - Additionally, and as guided, Q4 2019 with ~€10 m negative impact from compressor failure in C4 businesses.
  
- **Performance Intermediates:**
  - Higher yoy volumes as prior year was burdened by low Rhine water level
  - Weaker market demand and spreads for petrochemical derivatives (Butadiene, INA, Butene-1)
  - Despite winter season, strong MTBE demand in Europe
  
- **Functional Solutions:**
  - Very solid performance continues due to continued high demand from Biodiesel market for Alkoxides

## Services

in € million	Q4 2019				2019			
	Q4 2018	Q4 2019	yoy Δ%	Consensus*	2018	2019	yoy Δ%	Consensus*
External sales	175	221	26%	175	664	763	15%	716
Adjusted EBITDA	0	24		15	100	122	22%	114
Adjusted EBITDA Margin (%)	0.2%	10.9%	10.7 pp	9.1%	15.1%	16.0%	0.9 pp	16.3%
Adjusted EBIT	-32	-18		-17	-29	-42		-41
Adjustments	-38	30			-44	-9		
EBIT	-70	12			-73	-51		
Capital expenditures	64	54	-16%		139	150	8%	

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- Q4 2019 with usual seasonality; last year's earnings with higher reimbursement from Services to operating segments

## Corporate / Others

in € million	Q4 2019				2019			
	Q4 2018	Q4 2019	yoy Δ%	Consensus*	2018	2019	yoy Δ%	Consensus*
External sales	6	18		4	16	35		25
Adjusted EBITDA	-69	-53	23%	-56	-282	-211	25%	-218
Adjusted EBIT	-73	-62	15%	-64	-307	-248	19%	-250
Adjustments	-168	-34			-183	-74		
EBIT	-241	-96			-490	-322		
Capital expenditures	5	4			12	11		

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- Visible positive effects from initiated efficiency programs as well as positive year-end effects

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