

## EVONIK GROUP DEVELOPMENT

### Highlights: Strategy execution paying off – Evonik growth engine keeps on running

- Ongoing portfolio upgrading: >40% growth in innovation sales; "Next Generation Solutions" reach 37% of group sales
- Resilience 2020 – Strong growth 2021: Growth divisions as driving force behind €2.4 bn adj. EBITDA (+11% vs 2019)
- Raw materials & supply chain remained challenging in Q4 – €600 m price effect already overcompensates variable costs
- Structural growth continues into FY 2022: Targeting 5-9% adj. EBITDA growth; strong start in Q1 with at least +10% yoy
- FCF: FY 2022 expected to be 5<sup>th</sup> year of higher FCF in a row

### Income Statement (Q4 2021)

- **Sales** increased by +27% to €4,091 m (Q4 2020: €3,212 m)
  - Unchanged positive demand dynamics across all businesses
  - Strong volume (+5%) and price (+19%) progression supported by all divisions
    - Only volumes in Specialty Additives limited by supply chain disruptions
- **Adj. EBITDA** up +20% to €502 m (Q4 2020: €418 m)
  - T&I/Other burdened by negative impact (~€20 m) from unplanned power plant outage
  - Price increases accelerating further in Q4 (~€600 m vs ~€450 m in Q3), overcompensating higher variable costs (raw materials, logistics and energy) on Group level
  - Further increasing raw material and logistics costs esp. in Specialty Additives and Smart Materials; catch-up of negative 2021 cost gap with a time lag resulting in positive EBITDA contribution for 2022
- **Adj. EBITDA margin** decreased by 70bp to 12.3% (Q4 2020: 13.0%)
- **Adj. EBIT** of €113 m (Q4 2020: €139 m)
- **Adj. EPS** at €0.48 (Q4 2020: €0.24)
  - Improved financial result due to lower interest rate environment and higher interest income for tax accruals and VAT refund claim
  - Low adj. tax rate of 19% due to temporary lower foreign tax rates and slightly higher tax-free income

### Cash Flow Statement

- **FY 2021 free cash flow** at €950 m – higher for the 4<sup>th</sup> year in a row (+22% vs FY 2020: €780 m)
  - Cash conversion continued at target level of 40%
- **Q4 2021 free cash flow** (€13 m vs. €259 m prior year) impacted by
  - NWC inflow well below prior-year level (€114 m vs €357 m) mainly due to higher inventories (higher price level, more goods in transit, preparation for maintenance shutdowns in Q1)
  - High cash-out for taxes (€230 m vs €81 m) due to year-end phasing of prepayments (adapting to higher earnings)

### Balance Sheet

- **Net financial debt** stable yoy at €2,857 m (end of 2020 €2,886 m; end of Q3 2021: €2,741 m); higher FCF counterbalanced by cash-outs for dividend, acquisitions and previous M&A transactions
- **Pension provisions** with decrease to €3,766 m (end of 2020: €4,618 m) due to yoy increase in discount rate to 1.3% (end of 2020: 0.9%); slight increase vs end of Q3 2021 (€3,569 m)
- **Leverage** (net debt / adj. EBITDA) at 2.7x (end of 2020: 3.8x; end of Q3 2021: 2.6x); net financial debt leverage at 1.1x

## DIVISIONAL BUSINESS DEVELOPMENT

### Specialty Additives (SP)

- Finishing a strong year: 11% volume growth despite flat volumes in Q4 due to supply constraints
- Unbroken strong demand across all key end markets – also into 2022
- Pricing clearly accelerating: +10% in Q4 vs +7% in Q3
- Q4 with high logistics costs to maintain product deliveries to key customers
- Raw material price increases to be fully passed on with time delay in 2022
- Margin dilution due to higher raw material prices

### Nutrition & Care (NC)

- ~€170 m higher EBITDA vs FY 2018 (9% CAGR) – a year with a similar Methionine price level
- Main drivers: Strong growth and margin expansion in Health & Care, steady Methionine volume growth of ~5% and active cost management
- FY 2021: Care Solutions with strong sales growth, driven by >50% growth in Active Ingredients
- Q4 with strong finish mainly in Health Care (lipid deliveries to BioNTech) and Animal Nutrition (challenging global supply situation at high demand supports volumes & prices)

### Smart Materials (SM)

- FY: Strong +16% volume growth based on intact demand trends
- Second half of the year burdened by raw material price increases and logistics, to be fully passed on with time lag in 2022
- “Eco-Solutions“ (e.g. H<sub>2</sub>O<sub>2</sub> specialties) with positive developments in all regions
- Polyamide 12 with strong volume growth, impacted by higher fixed costs for new plant
- Innovations: membranes and 3D printing powder with ongoing strong growth

### Performance Materials (PM)

- Strong demand and unusual low seasonality for a Q4 resulting in high volumes and utilization rates
- Spreads remained healthy across most products
- Additional support from higher Naphtha price in Q4 (above Q3 level)
- Baby Care: last quarter of unfavourable contract prices

### Technology & Infrastructure (T&I)/Other

- Q4 2021: €20 m higher costs due to unplanned outages of power plants in Marl, Germany
- FY 2021 additionally impacted by insurance claims for weather impacts in H1, higher energy costs, pre-purchases of CO<sub>2</sub> certificates and increased bonus provisions

## OUTLOOK FY 2022

### Basis for the outlook

- Our outlook and all forward-looking statements are based on the currently observable positive sales and order book development. As anybody else, we are currently not able to assess the impact of the war in the Ukraine on the overall economic development.
- GDP of 4.2% (FY 2021: 5.6%)
- Internal raw material cost index higher than in FY 2021

### Group outlook

- **Sales:** between €15.5 and 16.5 bn (FY 2021: €15.0 bn)
- **Adj. EBITDA:** between €2.5 and 2.6 bn (FY 2021: €2,383 m)
  - Continued structural earnings growth – hardly any business overearning in FY 2021
  - Clear growth ambition in any scenario (+5% to +9% growth yoy)
  - More resilient portfolio enables narrower range
- **FCF:** Stable FCF conversion around 40%, resulting in higher absolute FCF (FY 2021 cash conversion: 40%; FCF €950 m)
- **Capex:** unchanged around long-term sustainable level of €900 m (FY 2021: €865 m)
- **ROCE:** slightly above the level of 2021 (FY 2021: 9.0%)

### Q1 outlook

- Strong start into the year
- **Adj. EBITDA** growth of at least 10% (Q1 2021: €588 m)
  - Even above growth rate at upper end of FY guidance range (9%)

### Divisional indications for adj. EBITDA

- **All growth divisions** expected with yoy higher EBITDA
- **Specialty Additives:** “slightly above prior year level” (FY 2021: €920 m)
- **Nutrition & Care:** “considerably above prior year level” (FY 2021: €717 m)
- **Smart Materials:** “significantly above prior year level” (FY 2021: €650 m)
- **Performance Materials:** “below prior year level” (FY 2021: €317 m)
- **T&I/Other:** “considerably less negative than prior year level” (FY 2021: €-221 m)

### Additional indications

- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€6 m adj. EBITDA (FY basis)
- **Adj. D&A:** slightly above the level of 2021 (FY 2021: €1,045 m)
- **Adj. net financial result:** slightly less negative than 2021 (FY 2021: -€97 m)
- **Adj. tax rate:** around long-term sustainable level of ~30% (previously: long-term level of 31%); higher compared to previous years (FY 2021: 28%), amongst others due to changes in international tax legislation

## Key Financials Q4 / FY 2021

### Evonik Group (continuing operations)

in € million	Q4 2020	Q4 2021	yoy Δ%	Q4 2021		yoy Δ%	2021	
				Consensus*	FY 2020		FY 2021	Consensus*
External sales	3,212	4,091	27%	3,751	12,199	14,955	23%	14,616
Volumes (%)			5%	3%			11%	13%
Prices (%)			19%	11%			10%	10%
Exchange Rates (%)			1%	1%			-2%	-1%
Other (incl. M&A; %)			2%	0%			1%	1%
Adjusted EBITDA	418	502	20%	527	1,906	2,383	25%	2,409
Adjusted EBITDA Margin (%)	13.0%	12.3%	-0.7 pp	14.1%	15.6%	15.9%	0.3 pp	16.5%
Adjusted EBIT	146	217	49%	267	890	1,338	50%	1,388
Adjustments	-7	-104			-71	-165		
EBIT	139	113	-19%		819	1,173	43%	
Adjusted net income	114	224	96%	177	640	986	54%	932
Adjusted earnings per share in €	0.24	0.48	100%	0.38	1.37	2.12	55%	2.00
Capex (cash-out)	360	335	-7%		956	865	-10%	
Net financial position (as of September 30)	-2,886	-2,857			-2,886	-2,857		
Cash flow from operating activities, cont. ops.	619	348	-44%		1,736	1,815	5%	
Free cash flow, cont. ops.	259	13	-95%		780	950	22%	

### Specialty Additives

External sales	848	947	12%	914	3,225	3,710	15%	3,677
Volumes (%)			0%				11%	
Prices (%)			10%				5%	
Exchange Rates (%)			2%				-1%	
Other (incl. M&A; %)			0%				0%	
Adjusted EBITDA	201	181	-10%	189	857	920	7%	928
Adjusted EBITDA Margin (%)	23.7%	19.1%	-4.6 pp	20.4%	26.6%	24.8%	-1.8 pp	25.2%

### Nutrition & Care

External sales	787	1,008	28%	932	2,992	3,557	19%	3,481
Volumes (%)			8%				10%	
Prices (%)			18%				11%	
Exchange Rates (%)			2%				-2%	
Other (incl. M&A; %)			0%				0%	
Sales Animal Nutrition	362	507	40%	488	1,474	1,789	21%	1,755
Sales Health & Care	425	501	18%	450	1,518	1,768	16%	1,732
Adjusted EBITDA	133	200	50%	178	560	717	28%	696
Adjusted EBITDA Margin (%)	16.9%	19.8%	2.9 pp	19.5%	18.7%	20.2%	1.5 pp	20.1%

### Smart Materials

External sales	866	1,032	19%	976	3,235	3,918	21%	3,862
Volumes (%)			7%				16%	
Prices (%)			10%				4%	
Exchange Rates (%)			1%				-2%	
Other (incl. M&A; %)			1%				3%	
Sales Inorganics	623	738	18%	692	2,315	2,754	19%	2,709
Sales Polymers	243	294	21%	297	920	1,164	27%	1,154
Adjusted EBITDA	124	123	-1%	145	529	650	23%	671
Adjusted EBITDA Margin (%)	14.3%	11.9%	-2.4 pp	14.8%	16.4%	16.6%	0.2 pp	17.4%

### Performance Materials

External sales	517	840	63%	757	1,983	2,911	47%	2,829
Volumes (%)			6%				10%	
Prices (%)			54%				40%	
Exchange Rates (%)			2%				-3%	
Other (incl. M&A; %)			1%				0%	
Adjusted EBITDA	30	80	167%	74	88	317	>200%	312
Adjusted EBITDA Margin (%)	5.8%	9.5%	3.7 pp	9.7%	4.4%	10.9%	6.5 pp	11.0%

### Technology & Infrastructure / Other

External sales	194	264	36%	198	764	859	12%	793
Adjusted EBITDA	-70	-82	-17%	-60	-128	-221	-73%	-199

\* Vara Consensus 01 February 2022