Press release

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Preliminary Financial Data: April 1 to June 30, 2023

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Second quarter only slightly better than first – economic environment remains difficult

- Adjusted EBITDA of €430 to 450 million in second quarter slightly better than first quarter
- Recovery slower than expected on persistently weak demand
- Revised forecast for 2023 no longer assumes any recovery in second half of the year

Essen, Germany. Evonik today published preliminary figures for the second quarter. The company expects adjusted EBITDA of between €430 and 450 million, a slight improvement compared with the first quarter (€409 million). Strict contingency measures had a supportive effect on earnings. However, the lack of an economic recovery means that earnings fell short of Evonik's expectations. Compared with the prior-year period, adjusted EBITDA fell by around 40 percent.

"During the first quarter, there were signs of a business recovery for the remainder of the year," says Christian Kullmann, Chairman of the Executive Board. "Unfortunately, the recovery turned out to be much weaker in May and June than we had expected. Our contingency measures prevented a more significant earnings decline, but we are feeling the effects of a slowing global economy."

In the second quarter, demand remained very weak across all end markets, and customer destocking continued. Volumes sold remained at the very low level of the previous quarter. Particularly in its specialty chemicals businesses, Evonik nevertheless succeeded in keeping prices stable for the most part. Group sales reflected the weak economic trend as well and are expected at close to €4 billion in the second quarter.

Already in the second half of 2022, Evonik began to implement contingency measures to safeguard earnings. The company aims to save €250 million in the current year by not filling vacant positions, limiting external service providers, and restricting travel. The effects of these measures will continue to ramp-up in the second half of the year.

"We also need additional efforts for free cash flow. We will reduce capital expenditure and net working capital even further," says Chief Financial Officer Maike Schuh. Evonik postponed or canceled smaller capacity expansions and projects in light of persistently weak demand and now expects capital expenditures of around €850 million for 2023. At the start of the year, Evonik had already cut its investment budget from €975 to 900 million.

"We haven't seen such persistently weak sales volumes in a long time, perhaps never before over such a long period," says Kullmann. "We outlined contingency measures at an early stage and are now implementing those measures rigorously. Nevertheless, we will no longer be able to meet our previous guidance."

Evonik now assumes continued weakness in demand without any recovery throughout the second half of the year. Accordingly, adjusted EBITDA for the full year 2023 will be in the range of €1.6 to 1.8 billion. Previously, Evonik had expected adjusted EBITDA in the range between €2.1 to 2.4 billion, with the company recently targeting only the lower end.

Sales are now expected between €14 and 16 billion (previously: €17-19 billion). Evonik holds firm to develop its cash conversion rate toward the target of around 40 percent this year (2022: 32 percent). However, the initially targeted absolute increase in free cash flow is no longer achievable with the lower operating result.

Evonik will publish final results for the second quarter on August 10, 2023.

Development in the divisions

Compared to the first quarter of 2023, Specialty Additives posted a slight increase of adjusted EBITDA in the second quarter (adj.

EBITDA expected for Q2 2023: around €200 million). Although end-customer demand remained weak, the strong destocking at customers, particularly in the coatings industry, eased somewhat in the second quarter.

Performance Materials also saw a slight sequential increase in earnings thanks to improved earnings in MTBE and superabsorbents (adj. EBITDA Q2 2023: around €45 million).

Nutrition & Care again recorded lower earnings compared with the previous quarter (adj. EBITDA Q2 2023: around €70 million). While demand picked up, the price of methionine again fell slightly. A stabilization is now visible for the third quarter. The transformation of the operating model for Animal Nutrition announced at the beginning of the year will already lead to first positive effects of around €30 million this year. Overall, savings of around €200 million are planned by 2025.

Smart Materials results (adj. EBITDA Q2 2023: around €120 million) were negatively impacted by a planned maintenance shutdown for the high-performance polymer Polyamide 12. The costs of the plant overhaul as well as the shortfall in volumes due to the shutdown had a negative effect of €40 million compared with the first quarter. With the successful completion of the maintenance work, both the first as well as the new, second plant are now available for further ramp-up as of July.

Technology & Infrastructure/Other reported significantly improved earnings compared with the previous quarter (adjusted EBITDA Q2 2023: around +€5 million). These areas have the largest number of employees, thus contingency measures as well as the reversal of bonus provisions had the biggest effect here.

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.

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