HALF YEAR FINANCIAL REPORT

2ND QUARTER 2018 | 1ST HALF YEAR 2018

POWER TO CREATE

Strong second quarter—Outlook for 2018 raised

2nd quarter

- Organic sales growth (7 percent) driven by higher volumes (3 percent) and prices (4 percent)
- Adjusted EBITDA rose 16 percent to a very good level of €742 million
- Perceptible earnings improvement in all three chemical segments

1st half

- Very good adjusted EBITDA of €1.4 billion (+15 percent)
- Adjusted EBITDA margin improved to 18.8 percent
- Adjusted net income increased to €687 million (+27 percent)
- Free cash flow rose to €140 million
- Outlook for 2018 raised: Adjusted EBITDA now expected to be between €2.60 billion and €2.65 billion with free cash flow notably higher than in the previous year

Key data for the Evonik Group

Key data

	2nd quarter		1st half	
in € million	**2018**	2017	**2018**	2017
Sales	3,870	3,618	7,548	7,254
Adjusted EBITDA[a]	742	640	1,422	1,234
Adjusted EBITDA margin in %	19.2	17.7	18.8	17.0
Adjusted EBIT[b]	514	434	994	822
Income before financial result and income taxes, continuing operations (EBIT)	495	380	950	654
Net income	309	232	599	379
Adjusted net income	354	293	687	541
Earnings per share in €	0.66	0.50	1.29	0.81
Adjusted earnings per share in €	0.76	0.63	1.47	1.16
Cash flow from operating activities	327	29	604	306
Cash outflows for investments in intangible assets, property, plant and equipment	−271	−221	−464	−441
Free cash flow[c]	56	−192	140	−135
Net financial debt as on the balance sheet as of June 30	–	–	−3,478	−3,087
No. of employees as of June 30	–	–	36,112	35,429

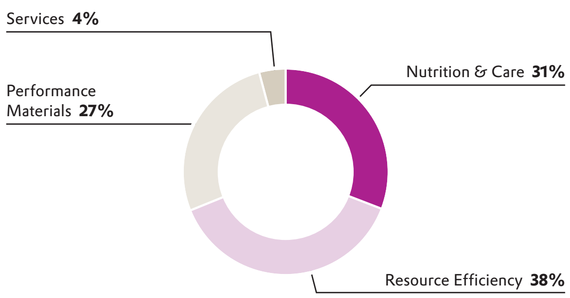
Prior-year figures restated.

[a] Earnings before financial result, taxes, depreciation and amortization, after adjustments.
[b] Earnings before financial result and taxes, after adjustments.
[c] Cash flow from operating activities less cash outflows for investment in intangible assets, property, plant and equipment.

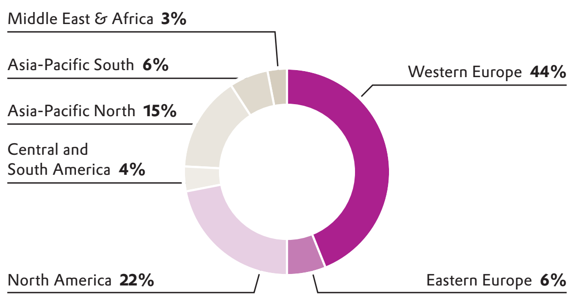
Due to rounding, some figures in this report may not add up exactly to the totals stated.

HALF YEAR FINANCIAL REPORT 2018

Sales by segment



Sales by region [a]



[a] By location of customer.

Interim management report as of June 30, 2018

1. Business conditions and performance

1.1 Economic background

Global economic growth slowed slightly overall in the first half of 2018.

On the whole, the upswing in the developed economies continued although growth momentum was lower, except in the USA. In Europe, macroeconomic growth continued at a slower pace, supported by the expansionary monetary policy, consumer spending, and capital expenditures. In Germany, the economic trend was held back by declining sentiment indicators, lower order intake, and weaker industrial output and exports. Economic output in the USA increased faster than in the previous year, driven by domestic consumption and buoyant investment.

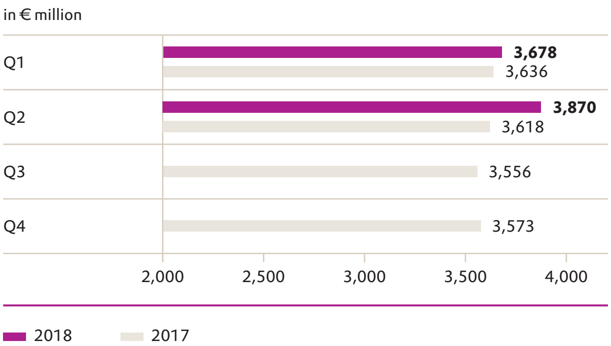
In the emerging markets, growth was stable overall and there was only a slight drop in the rate of expansion. This was attributable to robust demand from the industrialized countries, stable growth in China, and higher raw material prices.

1.2 Business performance

Business performance in Q2 2018

Evonik posted pleasing organic sales growth as a result of higher global demand and there was a perceptible rise in adjusted EBITDA. All three chemical segments contributed to the improvement in earnings as their business developed very well. Alongside continued robust demand, a positive effect came from the first clear signs of the success of the program to reduce selling and administrative expenses.

Sales by quarter



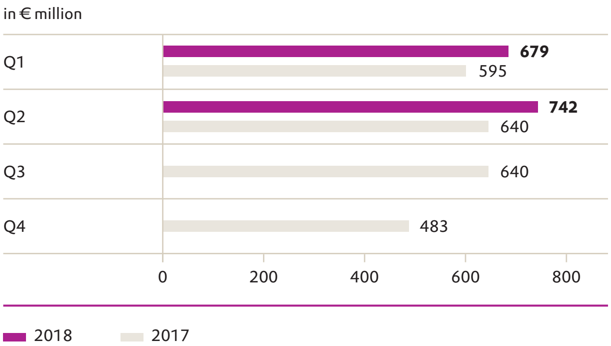
Prior-year figures restated.

The Evonik Group grew **sales** 7 percent to €3,870 million. Higher volumes and prices resulted in organic sales growth of 7 percent. 2 percentage points came from the initial consolidation of the silica business acquired from J. M. Huber Corporation, Atlanta (Georgia, USA) in September 2017. Negative exchange rate movements had a countereffect.

Year-on-year change in sales

in %	1st quarter 2018	**2nd quarter 2018**	**1st half 2018**
Volumes	1	3	2
Prices	4	4	4
Organic sales growth	**5**	**7**	**6**
Exchange rates	–5	–3	–4
Change in the scope of consolidation/other effects	1	3	2
Total	**1**	**7**	**4**

Adjusted EBITDA by quarter



Prior-year figures restated.

Adjusted EBITDA rose 16 percent to €742 million. The adjusted EBITDA margin increased from 17.7 percent in the prior-year quarter to a very good level of 19.2 percent. Adjusted EBIT advanced 18 percent to €514 million.

Statement of income

in € million	2nd quarter 2018	2nd quarter 2017	Change in %	1st half 2018	1st half 2017	Change in %
Sales	**3,870**	**3,618**	**7**	**7,548**	**7,254**	**4**
Adjusted EBITDA	**742**	**640**	**16**	**1,422**	**1,234**	**15**
Adjusted depreciation, amortization and impairment losses	–228	–206		–428	–412	
Adjusted EBIT	**514**	**434**	**18**	**994**	**822**	**21**
Adjustments	–19	–54		–44	–168	
thereof attributable to						
Restructuring	*–3*	*–5*		*–22*	*–13*	
Impairment losses/reversals of impairment losses	*–*	*1*		*7*	*1*	
Acquisition/divestment of shareholdings	*–6*	*–36*		*–11*	*–126*	
Other	*–10*	*–14*		*–18*	*–30*	
Financial result	–49	–36		–99	–91	
Income before income taxes, continuing operations	**446**	**344**	**30**	**851**	**563**	**51**
Income taxes	–133	–110		–243	–178	
Income after taxes, continuing operations	**313**	**234**	**34**	**608**	**385**	**58**
Income after taxes, discontinued operations	1	3		1	3	
Income after taxes	**314**	**237**	**32**	**609**	**388**	**57**
thereof attributable to non-controlling interests	5	5		10	9	
Net income	**309**	**232**	**33**	**599**	**379**	**58**
Earnings per share in €	**0.66**	**0.50**	**–**	**1.29**	**0.81**	**–**

Prior-year figures restated.

The **adjustments** of –€19 million contain –€6 million for the purchase/disposal of investments. These mainly comprise project expenses for the integration of the specialty additives business acquired from Air Products and Chemicals, Inc., Allentown (Pennsylvania, USA) in January 2017, and the Huber silica business. Other includes expenses for examining the options for the future development of the methacrylates business. The prior-year adjustments principally comprised costs in connection with the acquisition of the Air Products specialty additives business. The **financial result** was –€49 million, below the prior-year figure of –€36 million, which contained interest income from a tax refund. **Income before income taxes, continuing operations** rose 30 percent to €446 million. The income tax rate was 30 percent and the adjusted income tax rate was 29 percent.

Overall, **net income** improved 33 percent to €309 million.

The calculation of **adjusted net income** (after adjustment for special items) improves comparability of the earnings power of the continuing operations, especially on a long-term view, and thus facilitates the forecasting of future development. In the second quarter of 2018 it rose 21 percent to €354 million. **Adjusted earnings per share** increased from €0.63 to €0.76.

Reconciliation to adjusted net income

	2nd quarter			1st half		
in € million	2018	2017	Change in %	2018	2017	Change in %
Adjusted EBITDA	**742**	**640**	**16**	**1,422**	**1,234**	**15**
Adjusted depreciation, amortization and impairment losses	–228	–206		–428	–412	
Adjusted EBIT	**514**	**434**	**18**	**994**	**822**	**21**
Adjusted financial result	–48	–33		–98	–86	
Amortization and impairment losses on intangible assets	42	34		75	64	
Adjusted income before income taxes[a]	**508**	**435**	**17**	**971**	**800**	**21**
Adjusted income taxes	–149	–137		–274	–250	
Adjusted income after taxes[a]	**359**	**298**	**20**	**697**	**550**	**27**
thereof adjusted income attributable to non-controlling interests	5	5		10	9	
Adjusted net income[a]	**354**	**293**	**21**	**687**	**541**	**27**
Adjusted earnings per share[a] in €	**0.76**	**0.63**	**–**	**1.47**	**1.16**	**–**

Prior-year figures restated.

[a] Continuing operations.

Business performance in H1 2018

Sales grew 4 percent to €7,548 million. We posted organic sales growth of 6 percent, driven by a rise in both volumes (2 percentage points) and selling prices (4 percentage points). Consolidation of the silica business acquired from Huber contributed a further 2 percentage points. Sales growth was held back by negative currency effects (–4 percentage points).

Adjusted EBITDA improved 15 percent to €1,422 million. All segments generated higher earnings. The adjusted EBITDA margin rose from 17.0 percent in the first half of 2017 to 18.8 percent.

The **adjustments** of –€44 million include –€22 million relating to restructuring, primarily for the shutdown of a production site in Hungary, while –€11 million related to the purchase/disposal of investments, principally in connection with integration of the businesses acquired in 2017. In addition, other includes expenses for examining the options for the future development of the methacrylates business. The prior-year figure of –€168 million mainly comprised expenses in connection with the acquisitions made in 2017. The **financial result** was –€99 million, below the prior-year figure of –€91 million, which contained interest income from a tax refund. **Income before income taxes, continuing operations** increased 51 percent to €851 million. The income tax rate was 29 percent and the adjusted income tax rate was 28 percent.

Net income improved by 58 percent to €599 million.

After special items, **adjusted net income** increased 27 percent to €687 million, while **adjusted earnings per share** rose from €1.16 to €1.47.

Systematic implementation of corporate strategy

As part of the concentration on specialty chemicals, on March 6, 2018 the Executive Board of Evonik Industries AG decided to examine all options for the future development of the methacrylates business. These options include potential partnerships and complete separation.

This is the next step in the ongoing development of Evonik's portfolio. Evonik is focusing on its four defined growth engines, which are characterized by above-average growth and low cyclical exposure. The methacrylates business does not form part of the defined growth engines; it comprises large-volume monomers such as methylmethacrylate (MMA), various specialty monomers, and the PLEXIGLAS® brand of PMMA molding compounds and semi-finished products.

To support our financial targets, in fall 2017 we launched a program with the clear goal of permanently reducing selling and administrative expenses by €200 million. The first €50 million savings should be achieved this year. To realize the remaining €150 million, a detailed analysis of all administrative support functions has been carried out over the past few months.

1.3 Segment performance

Nutrition & Care Segment

Key data for the Nutrition & Care Segment

	2nd quarter			1st half		
in € million	**2018**	2017	Change in %	**2018**	2017	Change in %
External sales	1,189	1,163	2	2,308	2,283	1
Adjusted EBITDA	222	201	10	431	388	11
Adjusted EBITDA margin in %	18.7	17.3	–	18.7	17.0	–
Adjusted EBIT	149	138	8	297	258	15
Capital expenditures[a]	121	85	42	247	154	60
No. of employees as of June 30	–	–	–	8,245	8,234	–

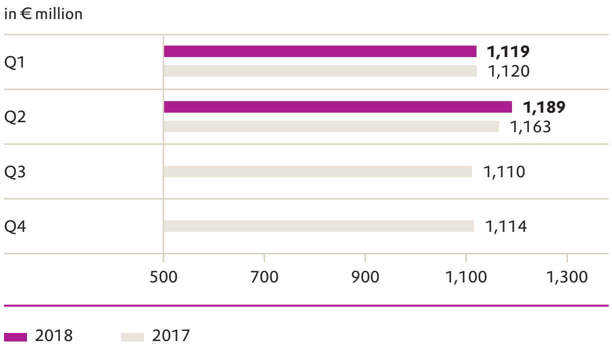
Prior-year figures restated.

[a] Capital expenditures for intangible assets, property, plant and equipment.

The Nutrition & Care Segment grew sales 2 percent to €1,189 million in the **second quarter of 2018,** driven by higher volumes and stable selling prices, while a negative effect came from exchange rates.

Market conditions for essential amino acids for animal nutrition, especially methionine, remained robust. Sales volumes developed positively and were higher than in the prior-year quarter. Selling prices continued the stabilization trend that has been seen since the start of the year. In the health care business, pharmaceutical polymers and exclusive synthesis developed very well. The business with personal care products generated higher sales as a result of an increase in volumes, and the polyurethane foam additives business also posted a slight rise in sales.

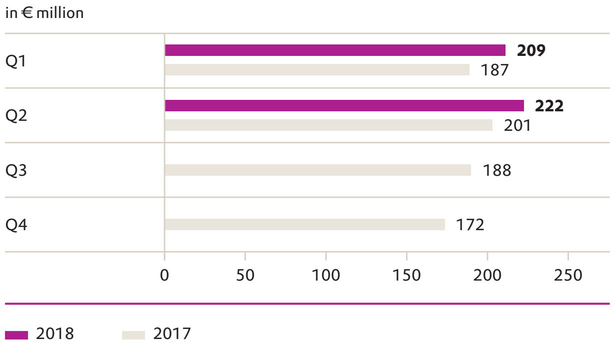
Sales Nutrition & Care Segment



Prior-year figures restated.

Adjusted EBITDA rose 10 percent to €222 million. This was due to the systematic focus on higher-margin products and to successful cost savings. The adjusted EBITDA margin improved significantly from 17.3 percent in the prior-year period to 18.7 percent.

Adjusted EBITDA Nutrition & Care Segment



Prior-year figures restated.

In the **first six months of 2018,** the Nutrition & Care Segment's sales rose by 1 percent to €2,308 million. This was attributable to higher volumes and selling prices. Negative currency effects had a countereffect. Adjusted EBITDA improved 11 percent to €431 million and the adjusted EBITDA margin increased to 18.7 percent.

Resource Efficiency Segment

Key data for the Resource Efficiency Segment

	2nd quarter			1st half		
in € million	2018	2017	Change in %	2018	2017	Change in %
External sales	1,481	1,367	8	2,879	2,727	6
Adjusted EBITDA	366	318	15	691	615	12
Adjusted EBITDA margin in %	24.7	23.3	–	24.0	22.6	–
Adjusted EBIT	286	248	15	541	478	13
Capital expenditures[a]	72	68	6	114	135	–16
No. of employees as of June 30	–	–	–	10,224	9,470	8

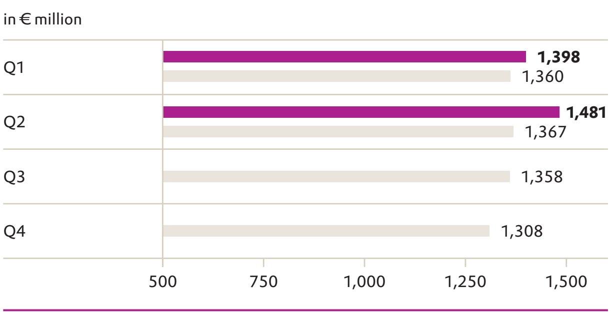
Prior-year figures restated.

[a] Capital expenditures for intangible assets, property, plant and equipment.

The Resource Efficiency Segment continued its extremely stable and profitable development in the **second quarter of 2018.** Sales rose 8 percent to €1,481 million as a result of higher selling prices and the consolidation of the Huber silica business, which was acquired in September 2017. The improvement was reduced by negative currency effects. Volumes were maintained at the prior-year level, with capacity utilization remaining very high.

A substantial increase in sales was registered by the silica business thanks to the consolidation of the acquired operations and higher selling prices. Coating additives benefited from high demand for water-based, environment-friendly paints and coatings. In the high-performance polymers business, there was particularly high demand for products for lightweight structures.

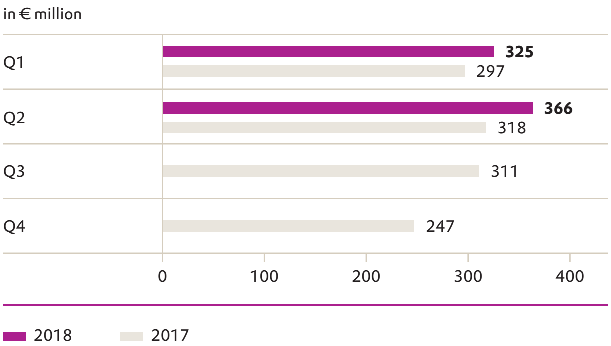
Sales Resource Efficiency Segment



Prior-year figures restated.

Adjusted EBITDA advanced 15 percent to €366 million, partly due to high capacity utilization. The adjusted EBITDA margin rose significantly, from 23.3 percent to a very good level of 24.7 percent.

Adjusted EBITDA Resource Efficiency Segment



Prior-year figures restated.

In the **first six months of 2018,** sales in the Resource Efficiency Segment rose 6 percent to €2,879 million. Alongside consolidation of the Huber silica business, this was attributable to higher selling prices. Negative currency movements had a countereffect. Adjusted EBITDA increased 12 percent to €691 million. The adjusted EBITDA margin was 24.0 percent, up from 22.6 percent in the first half of 2017.

Performance Materials Segment

Key data for the Performance Materials Segment

in € million	2nd quarter			1st half		
	2018	2017	Change in %	2018	2017	Change in %
External sales	1,025	910	13	2,020	1,869	8
Adjusted EBITDA	196	168	17	375	325	15
Adjusted EBITDA margin in %	19.1	18.5	–	18.6	17.4	–
Adjusted EBIT	162	132	23	307	253	21
Capital expenditures[a]	27	39	−31	47	68	−31
No. of employees as of June 30	–	–	–	4,198	4,404	−5

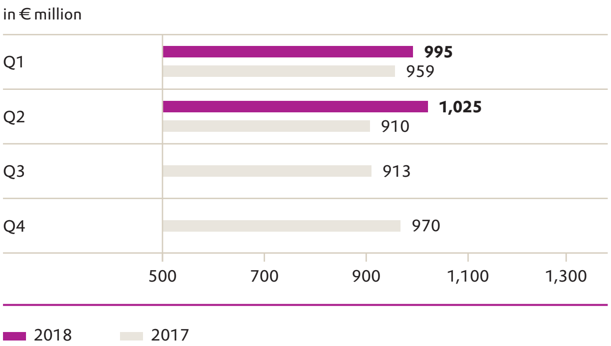
Prior-year figures restated.

[a] Capital expenditures for intangible assets, property, plant and equipment.

The Performance Materials Segment grew sales 13 percent to €1,025 million in the **second quarter of 2018.** This was due to a perceptible rise in volumes and selling prices, while negative currency effects had a countereffect.

The methacrylates business posted another perceptible improvement, which led to a significant rise in sales. High demand, especially from the coatings and automotive sectors, coincided with sustained tight supply on the market. Performance intermediates registered a volume-driven rise in sales. Butadiene prices were below the exceptionally high prior-year level.

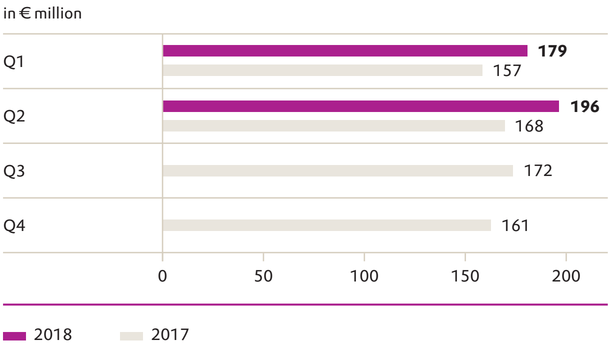
Sales Performance Materials Segment



Prior-year figures restated.

Adjusted EBITDA rose 17 percent to €196 million, mainly on price grounds. The adjusted EBITDA margin was 19.1 percent, up from 18.5 percent in the prior-year period.

Adjusted EBITDA Performance Materials Segment



Prior-year figures restated.

In the **first six months of 2018,** sales in the Performance Materials Segment rose 8 percent to €2,020 million. While currency movements had a negative effect, growth came from higher volumes and selling prices. Adjusted EBITDA improved 15 percent to €375 million. The adjusted EBITDA margin increased to 18.6 percent (H1 2017: 17.4 percent).

Services Segment

Key data for the Services Segment

	2nd quarter			1st half		
in € million	**2018**	2017	Change in %	**2018**	2017	Change in %
External sales	172	174	–1	335	367	–9
Adjusted EBITDA	35	38	–8	84	81	4
Adjusted EBITDA margin in %	20.3	21.8	–	25.1	22.1	–
Adjusted EBIT	1	7	–86	21	20	5
Capital expenditures[a]	29	28	4	46	55	–16
No. of employees as of June 30	–	–	–	12,833	12,725	1

Prior-year figures restated.

[a] Capital expenditures for intangible assets, property, plant and equipment.

Sales were virtually unchanged year-on-year at €172 million in the **second quarter of 2018.** Adjusted EBITDA was 8 percent lower than in the previous year at €35 million.

Sales declined 9 percent to €335 million in the **first six months of 2018,** mainly as a result of lower revenues from procurement for external customers at our sites. Adjusted EBITDA increased 4 percent to €84 million, partly due to higher earnings contributions from Site Management.

2. Earnings, financial and asset position

2.1 Earnings position

Sales rose 4 percent to €7,548 million in the first six months of 2018, driven by higher volumes and selling prices, and by the first-time consolidation of the Huber silica business. Currency movements diminished sales. The cost of sales increased more slowly, by 3 percent to €5,085 million. The **gross profit on sales** improved 7 percent to €2,463 million. Selling expenses increased by 3 percent to €863 million, mainly due to the expansion of our business. Research and development expenses declined by 4 percent to €220 million, partly as a result of more targeted alignment of R&D activities. General administrative expenses declined by 5 percent to €330 million thanks to the successful realization of measures to reduce costs. Other operating income was €101 million, which was 12 percent lower than in the prior-year period. The 40 percent drop in other operating expense to €206 million was principally due to the fact that the prior-year figure contained acquisition-related expenses.

Income before financial result and income taxes, continuing operations improved 45 percent to €950 million.

The **financial result** was –€99 million, below the prior-year figure of –€91 million, which contained interest income from a tax refund. Income taxes increased analogously to the rise in income, to €243 million. Overall, **net income** grew 58 percent to €599 million.

2.2 Financial and asset position

Net financial debt increased to €3,478 million, which was €455 million more than on December 31, 2017. The rise was principally due to cash outflows that occur regularly in the second quarter, such as annual bonus payments and payment of the dividend for fiscal 2017 (€536 million). The increase was held back by the positive cash flows from operating activities in the first half of 2018.

Net financial debt

in € million	June 30, 2018	Dec. 31, 2017
Non-current financial liabilities[a]	−3,686	−3,694
Current financial liabilities[a]	−358	−351
Financial debt	**−4,044**	**−4,045**
Cash and cash equivalents	543	1,004
Current securities	8	9
Other financial investments	15	9
Financial assets	**566**	**1,022**
Net financial debt as stated on the balance sheet	**−3,478**	**−3,023**

[a] Excluding derivatives, refund liabilities under rebate and bonus agreements, and liabilities from exchange-type transactions with competitors.

In the first half of 2018, **capital expenditures for property, plant and equipment** were €468 million (H1 2017: €421 million). For example, a new production line for specialty polyamide 12 powder (PA 12) came on stream in Marl (Germany). This new plant mainly produces high-performance powder for 3D printing. In principle, there is a slight timing difference in outflows for property, plant and equipment due to payment terms. In the reporting period, cash outflows for property, plant and equipment totaled €464 million (H1 2017: €441 million).

Cash flow statement (excerpt)

	1st half	
in € million	2018	2017
Cash flow from operating activities	604	306
Cash outflows for investments in intangible assets, property, plant and equipment	−464	−441
Free cash flow	**140**	**−135**
Cash flow from other investing activities	−57	−3,593
Cash flow from financing activities	−542	−370
Change in cash and cash equivalents	−459	−4,098

Evonik's **cash flow from operating activities** was €604 million in the first six months of 2018, nearly double the level in the prior-year period, mainly as a result of the improvement in operating earnings. Due to the improvement in the cash flow from operating activities, the **free cash flow** improved by €275 million to €140 million.

The cash flow from other investing activities comprised an outflow of €57 million. The high prior-year figure principally comprised outflows for the acquisition of the Air Products specialty additives business. The cash outflow of €542 million for financing activities was primarily for payment of the dividend for 2017 (€ 536 million).

Total assets were €20.1 billion as of June 30, 2018, a slight increase compared with December 31, 2017. Non-current assets were up slightly compared with year-end 2017 at €14.8 billion. Current assets declined by €0.1 billion to €5.3 billion. While cash and cash equivalents were reduced by €0.5 billion, mainly due to bonus and dividend payments, there was a business-related rise in inventories and trade accounts receivable.

Equity decreased by €0.3 billion to €7.2 billion, principally as a result of the dividend payment. The equity ratio dropped from 37.7 percent to 35.7 percent.

3. Employees

As of June 30, 2018, the Evonik Group had 36,112 employees, 411 fewer than at year-end 2017.

Employees by segment

	June 30, 2018	Dec. 31, 2017
Nutrition & Care	8,245	8,257
Resource Efficiency	10,224	10,260
Performance Materials	4,198	4,364
Services	12,833	13,021
Other operations	612	621
Evonik	**36,112**	**36,523**

4. Opportunity and risk report

As an international Group with a diversified portfolio of specialty chemicals, Evonik is exposed to a wide range of **opportunities** and **risks.** The risk categories and principal individual opportunities and risks relating to our earnings, financial and asset position, and the structure of our risk management system, were described in detail in the opportunity and risk report, which forms part of the Management Report for 2017.

In view of the continued volatility of the operating environment, we regularly and systematically monitor and analyze the markets, sectors, and growth prospects of relevance for our segments.

We have already been able to utilize opportunities this year. Based on current market trends in the segments, our overall expectations for earnings are above our estimate at year-end 2017. In addition, our opportunity and risk potential has declined. Evonik still considers that it is exposed to more risks than opportunities, and the relationship of opportunities to risks is unchanged. There are still no risks that could jeopardize the continued existence of the Evonik Group or major individual companies.

5. Expected development

Our expectations for **global economic conditions in 2018** have altered marginally compared with the start of the year: Overall, we now anticipate a year-on-year growth rate of 3.2 percent (previously 3.3 percent) in 2018.

With the exception of the US economy, where dynamic growth is expected, the macroeconomic expansion of individual developed countries will probably continue at a slower pace. Growth will be supported by robust consumer spending, buoyant investment activity, and favorable financing conditions. In view of the good global economic situation, we expect the cyclical recovery in the emerging markets to continue. We predict that in China growth will be high, but that the slight slowdown will continue.

The projection for the global economy is affected by uncertainties. An escalation of the trade disputes with the United States could put a perceptible brake on global economic activity. Moreover, if the already elevated political risks in the European Union were to heighten, this could dampen economic momentum. Finally, there is still a danger that the goal of normalizing monetary policy could suddenly unsettle the capital markets, leading to correction phases on the financial markets or a reversal of capital flows. This would adversely affect the emerging markets, in particular, and hold back the global economy.

Our forecast is based on the following assumptions:

- Global growth: 3.2 percent (previously: 3.3 percent)
- Euro/US dollar exchange rate: US$1.20 (expectation at start of the year: US$1.20, revised to US$1.26 in May 2018)
- Internal raw material cost index slightly higher than in the prior year

Following the very good performance in the first half of the year, we are raising our outlook for key performance indicators in 2018:

While we still anticipate a slight rise in sales, we now expect adjusted EBITDA to be between €2.60 billion and €2.65 billion at year-end. There will also be a further structural improvement in earnings quality. In addition to higher contributions from our innovation growth fields, the businesses acquired from Air Products and Huber will play a considerable part in this. That will further reduce our dependence on individual products.

The growth in our operating result should be primarily organic. In addition, we assume positive earnings effects from the consolidation of the Huber silica business, further synergies from the integration of the acquired businesses, and a positive earnings contribution from the efficiency enhancement program we have introduced.

We assume that earnings will continue to develop positively in the majority of businesses in the Nutrition & Care Segment. As well as organic growth, we expect to leverage additional positive earnings effects from synergies resulting from the integration of the Air Products business. The annual average prices for essential amino acids for animal nutrition are expected to be stable compared with the prior year. At the same time, we assume sustained volume growth in this area. Following the positive performance in the first half of the year, we are also revising our outlook for the Nutrition & Care Segment. We now expect earnings to be higher than in 2017 (previously: slightly higher).

We still anticipate that the Resource Efficiency Segment will continue its very successful business performance. Further strong volume growth should bring another perceptible rise in earnings. In addition, earnings growth will be boosted by additional earnings from the Huber silica business and synergies from the integration of the Air Products and Huber businesses.

We assume that in the third quarter of 2018 the Performance Materials Segment will continue the good business trend seen in the first half of the year. In addition to the measures already in place to raise efficiency, which are increasingly feeding through to earnings, the continuation of the favorable supply/demand situation, especially for methacrylates, is proving beneficial. However, for the time being we are retaining our cautious view on the fourth quarter of 2018. Overall, we now anticipate that in fiscal 2018 the earnings of the Performance Materials Segment will be above the prior-year level (previously: below the good prior-year level).

The free cash flow also developed favorably in the first six months of 2018. Together with the expected earnings growth and heightened cost awareness, this has led us to increase our free cash flow forecast: We now expect the free cash flow to be notably higher than in the previous year (2017: €511 million). So far, we had forecast only a slight increase in the free cash flow.

Forecast

Forecast performance indicators	2017	Forecast for 2018	Revised forecast for 2018
Group sales	€14.4 billion	Slight increase	Unchanged
Adjusted EBITDA	€2.357 billion	Between €2.4 billion and €2.6 billion	Between €2.60 billion and €2.65 billion
ROCE[a]	11.2 percent	Above the cost of capital, about level with the prior year	Unchanged
Capital expenditures[b]	€1.1 billion	Around €1.0 billion	Unchanged
Free cash flow	€0.5 billion	Slightly above the prior year	Notably above the prior year

Prior-year figures restated.

[a] Return on capital employed.
[b] Capital expenditures for intangible assets, property, plant and equipment.

Consolidated interim financial statements as of June 30, 2018

Income statement

Income statement for the Evonik Group

in € million	2nd quarter		1st half	
	2018	2017	**2018**	2017
Sales	3,870	3,618	7,548	7,254
Cost of sales	−2,590	−2,424	−5,085	−4,957
Gross profit on sales	**1,280**	**1,194**	**2,463**	**2,297**
Selling expenses	−443	−438	−863	−841
Research and development expenses	−114	−119	−220	−229
General administrative expenses	−163	−167	−330	−347
Other operating income	59	95	101	115
Other operating expense	−127	−189	−206	−345
Result from investments recognized at equity	3	4	5	4
Income before financial result and income taxes, continuing operations	**495**	**380**	**950**	**654**
Interest income	5	23	9	33
Interest expense	−54	−56	−108	−115
Other financial income/expense	–	−3	–	−9
Financial result	**−49**	**−36**	**−99**	**−91**
Income before income taxes, continuing operations	**446**	**344**	**851**	**563**
Income taxes	−133	−110	−243	−178
Income after taxes, continuing operations	**313**	**234**	**608**	**385**
Income after taxes, discontinued operations	1	3	1	3
Income after taxes	**314**	**237**	**609**	**388**
thereof attributable to				
Non-controlling interests	5	5	10	9
Shareholders of Evonik Industries AG (net income)	309	232	599	379
Earnings per share in € (basic and diluted)	**0.66**	**0.50**	**1.29**	**0.81**

Prior-year figures restated.

Statement of comprehensive income

Statement of comprehensive income for the Evonik Group

in € million	2nd quarter 2018	2nd quarter 2017	1st half 2018	1st half 2017
Income after taxes	**314**	**237**	**609**	**388**
Gains/losses on available-for-sale securities	–	6	–	12
Gains/losses on hedging instruments	–90	62	–84	–38
Fair value of costs of hedging	–	9	–16	9
Currency translation adjustment	150	–317	63	–344
Deferred tax liabilities	25	–24	29	–10
Comprehensive income that will be reclassified subsequently to profit or loss	**85**	**–264**	**–8**	**–371**
Remeasurement of the net defined benefit liability for defined benefit pension plans	–36	93	–594	83
Fair value of equity instruments recognized through other comprehensive income	4	–	–10	–
Deferred tax liabilities	10	–15	188	–6
Comprehensive income that will not be reclassified subsequently to profit or loss	**–22**	**78**	**–416**	**77**
Other comprehensive income after taxes	**63**	**–186**	**–424**	**–294**
Total comprehensive income	**377**	**51**	**185**	**94**
thereof attributable to				
Non-controlling interests	6	1	10	6
Shareholders of Evonik Industries AG	371	50	175	88
Total comprehensive income attributable to shareholders of Evonik Industries AG	**371**	**50**	**175**	**88**
thereof attributable to				
Continuing operations	370	47	174	85
Discontinued operations	1	3	1	3

Prior-year figures restated.

Balance sheet

Balance sheet for the Evonik Group

in € million	June 30, 2018	Dec. 31, 2017
Intangible assets	6,137	6,105
Property, plant and equipment	6,616	6,495
Investments recognized at equity	46	47
Financial assets	197	327
Deferred taxes	1,410	1,226
Other income tax assets	14	14
Other assets	332	296
Non-current assets	**14,752**	**14,510**
Inventories	2,228	2,038
Other income tax assets	95	154
Trade accounts receivable	1,947	1,755
Financial assets	165	166
Other assets	349	313
Cash and cash equivalents	543	1,004
Current assets	**5,327**	**5,430**
Total assets	**20,079**	**19,940**

Issued capital	466	466
Capital reserve	1,167	1,167
Accumulated income	5,692	6,012
Treasury shares	–	–
Accumulated other comprehensive income	−249	−214
Equity attributable to shareholders of Evonik Industries AG	**7,076**	**7,431**
Equity attributable to non-controlling interests	85	88
Equity	**7,161**	**7,519**
Provisions for pensions and other post-employment benefits	4,354	3,817
Other provisions	792	788
Deferred taxes	501	541
Other income tax liabilities	239	225
Financial liabilities	3,705	3,706
Other payables	47	57
Non-current liabilities	**9,638**	**9,134**
Other provisions	789	968
Other income tax liabilities	130	50
Financial liabilities	492	438
Trade accounts payable	1,434	1,449
Other payables	435	382
Current liabilities	**3,280**	**3,287**
Total equity and liabilities	**20,079**	**19,940**

Prior-year figures restated.

Statement of changes in equity

Statement of changes in equity for the Evonik Group

in € million	Issued capital	Capital reserve	Accumulated income	Treasury shares	Accumulated other comprehensive income	Attributable to shareholders of Evonik Industries AG	Attributable to non-controlling interests	Total equity
As of December 31, 2016	**466**	**1,166**	**5,716**	**–**	**310**	**7,658**	**92**	**7,750**
Changes pursuant to IAS 8	–	–	–4	–	–	–4	–1	–5
As of January 1, 2017	**466**	**1,166**	**5,712**	**–**	**310**	**7,654**	**91**	**7,745**
Dividend distribution	–	–	–536	–	–	–536	–11	–547
Purchase of treasury shares	–	–	–	–19	–	–19	–	–19
Share-based payment	–	5	–	–	–	5	–	5
Sale of treasury shares	–	–4	–	19	–	15	–	15
Income after taxes	–	–	379	–	–	379	9	388
Other comprehensive income after taxes	–	–	77	–	–368	–291	–3	–294
Total comprehensive income	–	–	456	–	–368	88	6	94
Other changes	–	–	–	–	–1	–1	–	–1
As of June 30, 2017	**466**	**1,167**	**5,632**	**–**	**–59**	**7,206**	**86**	**7,292**
As of December 31, 2017	**466**	**1,167**	**6,012**	**–**	**–214**	**7,431**	**88**	**7,519**
Changes pursuant to IAS 8	–	–	23	–	–16	7	–	7
As of January 1, 2018	**466**	**1,167**	**6,035**	**–**	**–230**	**7,438**	**88**	**7,526**
Dividend distribution	–	–	–536	–	–	–536	–13	–549
Purchase of treasury shares	–	–	–	–17	–	–17	–	–17
Share-based payment	–	4	–	–	–	4	–	4
Sale of treasury shares	–	–4	–	17	–	13	–	13
Income after taxes	–	–	599	–	–	599	10	609
Other comprehensive income after taxes	–	–	–406	–	–18	–424	–	–424
Total comprehensive income	–	–	193	–	–18	175	10	185
Other changes	–	–	–	–	–1	–1	–	–1
As of June 30, 2018	**466**	**1,167**	**5,692**	**–**	**–249**	**7,076**	**85**	**7,161**

Prior-year figures restated.

Cash flow statement

Cash flow statement for the Evonik Group

in € million	2nd quarter 2018	2nd quarter 2017	1st half 2018	1st half 2017
Income before financial result and income taxes, continuing operations	495	380	950	654
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	226	207	427	413
Result from investments recognized at equity	–3	–4	–5	–4
Gains/losses on the disposal of non-current assets	2	–	–	1
Change in inventories	–69	–10	–182	–21
Change in trade accounts receivable	–93	–20	–183	–168
Change in trade accounts payable	62	–59	–22	–23
Change in provisions for pensions and other post-employment benefits	–36	–30	–106	–96
Change in other provisions	–203	–283	–175	–174
Change in miscellaneous assets/liabilities	4	–45	39	–35
Cash outflows for interest	–42	–40	–61	–61
Cash inflows from interest	9	24	12	28
Cash inflows from dividends	5	4	7	5
Cash inflows/outflows for income taxes	–30	–95	–97	–213
Cash flow from operating activities	**327**	**29**	**604**	**306**
Cash outflows for investments in intangible assets, property, plant and equipment	–271	–221	–464	–441
Cash outflows for investments in subsidiaries	–	–59	–6	–3,580
Cash outflows for investments in other shareholdings	–	–	–11	–2
Cash inflows from divestments of intangible assets, property, plant and equipment	4	4	7	4
Cash inflows/outflows from divestment of shareholdings	–1	–	–1	–12
Cash inflows/outflows relating to securities, deposits and loans	–13	–	–21	20
Transfers to the pension trust fund (CTA)	–25	–23	–25	–23
Cash flow from investing activities	**–306**	**–299**	**–521**	**–4,034**
Cash outflows for dividends to shareholders of Evonik Industries AG	–536	–536	–536	–536
Cash outflows for dividends to non-controlling interests	–7	–6	–11	–11
Cash outflows for the purchase of treasury shares	–4	–3	–17	–19
Cash inflows from the sale of treasury shares	17	20	17	20
Cash inflows from the addition of financial liabilities	–57	71	87	196
Cash outflows for repayment of financial liabilities	–34	–7	–84	–85
Cash inflows/outflows in connection with financial transactions	11	–16	2	65
Cash flow from financing activities	**–610**	**–477**	**–542**	**–370**
Change in cash and cash equivalents	**–589**	**–747**	**–459**	**–4,098**
Cash and cash equivalents as of April 1/January 1	**1,133**	**1,275**	**1,004**	**4,623**
Change in cash and cash equivalents	–589	–747	–459	–4,098
Changes in exchange rates and other changes in cash and cash equivalents	–1	–11	–2	–8
Cash and cash equivalents as on the balance sheet as of June 30	**543**	**517**	**543**	**517**

Prior-year figures restated.

Notes

1. Segment report

Segment report by operating segments—2nd quarter

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2018**	2017	**2018**	2017	**2018**	2017
External sales	1,189	1,163	1,481	1,367	1,025	910
Internal sales	8	7	11	13	39	58
Total sales	1,197	1,170	1,492	1,380	1,064	968
Adjusted EBITDA	222	201	366	318	196	168
Adjusted EBITDA margin in %	18.7	17.3	24.7	23.3	19.1	18.5
Adjusted EBIT	149	138	286	248	162	132
Capital expenditures[a]	121	85	72	68	27	39
Financial investments	–	78	–	–2	–	2

Prior-year figures restated.

[a] Intangible assets, property, plant and equipment.

Segment report by regions—2nd quarter

	Western Europe		Eastern Europe		North America	
in € million	**2018**	2017	**2018**	2017	**2018**	2017
External sales[a]	1,654	1,546	255	206	867	860
Capital expenditures	102	124	1	1	53	50

Prior-year figures restated.

[a] External sales Western Europe: thereof Germany €685 million (Q2 2017: €643 million).

Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
172	174	3	4	–	–	3,870	3,618
558	517	8	9	−624	−604	–	–
730	691	11	13	−624	−604	3,870	3,618
35	38	−22	−23	−55	−62	742	640
20.3	21.8	–	–	–	–	19.2	17.7
1	7	−26	−26	−58	−65	514	434
29	28	10	3	–	1	259	224
1	1	–	–	–	−1	1	78

Central and South America		Asia-Pacific North		Asia-Pacific South		Middle East & Africa		**Total Group (continuing operations)**	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
154	137	590	521	234	233	116	115	3,870	3,618
1	2	11	13	91	34	–	–	259	224

Segment report by operating segments—1st half

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2018**	2017	**2018**	2017	**2018**	2017
External sales	2,308	2,283	2,879	2,727	2,020	1,869
Internal sales	17	15	23	25	82	104
Total sales	2,325	2,298	2,902	2,752	2,102	1,973
Adjusted EBITDA	431	388	691	615	375	325
Adjusted EBITDA margin in %	18.7	17.0	24.0	22.6	18.6	17.4
Adjusted EBIT	297	258	541	478	307	253
Capital expenditures[a]	247	154	114	135	47	68
Financial investments	6	1,801	–	1,791	–	3
No. of employees as of June 30	8,245	8,234	10,224	9,470	4,198	4,404

Prior-year figures restated.

[a] Intangible assets, property, plant and equipment.

Segment report by regions—1st half

	Western Europe		Eastern Europe		North America	
in € million	**2018**	2017	**2018**	2017	**2018**	2017
External sales[a]	3,284	3,147	489	407	1,652	1,699
Goodwill as of June 30[b]	2,416	2,345	54	53	1,900	1,807
Other intangible assets, property, plant and equipment as of June 30[b]	4,174	3,931	25	45	1,933	1,806
Capital expenditures[c]	174	229	1	3	87	100
No. of employees as of June 30	24,220	23,919	612	639	4,907	4,696

Prior-year figures restated.

[a] External sales Western Europe: thereof Germany €1,357 million (H1 2017: €1,317 million).
[b] Non-current assets according to IFRS 8.33 b.
[c] Intangible assets, property, plant and equipment.

Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
335	367	6	8	–	–	7,548	7,254
1,101	1,022	13	15	−1,236	−1,181	–	–
1,436	1,389	19	23	−1,236	−1,181	7,548	7,254
84	81	−48	−48	−111	−127	1,422	1,234
25.1	22.1	–	–	–	–	18.8	17.0
21	20	−55	−54	−117	−133	994	822
46	55	13	7	1	2	468	421
1	1	–	–	5	1	12	3,597
12,833	12,725	259	235	353	361	36,112	35,429

Central and South America		Asia-Pacific North		Asia-Pacific South		Middle East & Africa		**Total Group (continuing operations)**	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
298	263	1,139	1,065	459	459	227	214	7,548	7,254
31	32	199	181	96	97	19	19	4,715	4,534
151	194	756	830	992	752	8	8	8,039	7,566
2	4	16	23	188	62	–	–	468	421
683	661	3,704	3,704	1,796	1,616	190	194	36,112	35,429

2. General information

Evonik Industries AG is an international specialty chemicals company headquartered in Germany.

The present condensed and consolidated interim financial statements (consolidated interim financial statements) of Evonik Industries AG and its subsidiaries (referred to jointly as Evonik or the Evonik Group) as of June 30, 2018 have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting, and in application of Section 315e Paragraph 1 of the German Commercial Code (HGB) using the International Financial Reporting Standards (IFRS) and comply with these standards. The IFRS comprise the standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB), London (UK) and the interpretations (IFRIC, SIC) of the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

The consolidated interim financial statements as of June 30, 2018 are presented in euros. The reporting period is January 1 to June 30, 2018. All amounts are stated in millions of euros (€ million) except where otherwise indicated. The basis for the consolidated interim financial statements comprises the consolidated financial statements for the Evonik Group as of December 31, 2017, which should be referred to for further information.

3. Accounting policies

3.1 Accounting standards to be applied for the first time

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as of December 31, 2017, with the exception of the following changes.

First-time application of IFRS 15

Evonik applied IFRS 15 Revenue from Contracts with Customers for the first time retrospectively as of January 1, 2018.

A change in the timing of revenue recognition results from the identification of an additional performance obligation for freight and transportation services provided after the transfer of control, and from a change in the assessment of the timing of the transfer of control for overseas shipments relating to the sale of products on certain conditions, where control is transferred to customers later than the previous timing of revenue recognition (transfer of opportunities and risks).

Further, under IFRS 15 the level of revenues recognized by Evonik over the total period differs from previous practice in the following cases:

- For prepayments by customers, where it may be necessary to recognize a financing component that would increase sales
- For some agreements on the unconditional repurchase of products that can be classified as leases
- For exchange-type transactions with competitors, where no further revenues will be realized following first time adoption of this standard, the underlying products are still recognized by Evonik, and the transaction is therefore classified as financing.

The following tables show the impact of retrospective application on the prior-year figures for the income statement and balance sheet.

Impact of IFRS 15 on the income statement (excerpt)

	Impact of change	
in € million	2nd quarter 2017	1st half 2017
Sales	4	–42
Cost of sales	–	29
Gross profit on sales	**4**	**–13**
Other operating income	1	–1
Other operating expense	–	1
Income before financial result and income taxes, continuing operations	**5**	**–13**
Financial result	–1	–
Income before income taxes, continuing operations	**4**	**–13**
Income taxes	–	4
Income after taxes	**4**	**–9**
thereof attributable to		
Non-controlling interests	–	–1
Shareholders of Evonik Industries AG (net income)	4	–8
Earnings per share in € (basic and diluted)	**0.02**	**–0.02**

Retrospective application of this standard resulted in an increase of €5 million in both adjusted EBITDA and adjusted EBIT in the second quarter of 2017. Adjusted EBITDA for the first half of 2017 decreased by €13 million. Due to rounding, adjusted EBIT only decreased by €12 million. As a result of positive effects in the following quarters, the reduction in both key figures was €4 million for fiscal 2017 as a whole.

Impact of IFRS 15 on the balance sheet (excerpt)

in € million	Dec. 31, 2017 Before application of IFRS 15	Reclassification	Change in timing of recognition	Change in revenue over total period	Taxes	Dec. 31, 2017 After application of IFRS 15
Deferred taxes	1,223	–	–	–	3	1,226
Other assets	296	–	–	–	–	296
Non-current assets	**14,507**	**–**	**–**	**–**	**3**	**14,510**
Inventories	2,025	–	14	–1	–	2,038
Trade accounts receivable	1,776	–	–21	–	–	1,755
Financial assets	159	–	–	7	–	166
Other assets	314	–	–	–1	–	313
Current assets	**5,432**	**–**	**–7**	**5**	**–**	**5,430**
Total assets	**19,939**	**–**	**–7**	**5**	**3**	**19,940**
Equity	**7,527**	**–**	**–7**	**–4**	**3**	**7,519**
Other payables	57	–	–	–	–	57
Non-current liabilities	**9,134**	**–**	**–**	**–**	**–**	**9,134**
Other provisions	1,035	–67	–	–	–	968
Financial liabilities	371	67	–	–	–	438
Other payables	373	–	1	8	–	382
Current liabilities	**3,278**	**–**	**1**	**8**	**–**	**3,287**
Total equity and liabilities	**19,939**	**–**	**–6**	**4**	**3**	**19,940**

Under IFRS 15, the rebate and bonus agreements previously recognized as other provisions are included in financial liabilities as a refund liability. As of December 31, 2017, this resulted in reclassifications totaling €67 million.

Contract assets are recognized in other assets. As of December 31, 2017, they amounted to €5 million; €3 million of this amount was non-current. Contract liabilities are recognized in other liabilities. As of December 31, 2017, they amounted to €54 million; €45 million of this amount was non-current. The majority of contract liabilities resulted from prepayments by customers, which were previously reported as deferred income, which is part of other liabilities.

First-time application of IFRS 9

Evonik has applied the new accounting standard IFRS 9 Financial Instruments since January 1, 2018. In accordance with the transitional provisions, the comparative data have not been restated, with the exception of certain aspects of hedge accounting.

IFRS 9 specifies that the classification and measurement of financial assets is based on the company's business model and the characteristics of the cash flows from the respective financial asset. Equity instruments held as of January 1, 2018, which were not held for trading, are accounted for uniformly using the option of recognizing future changes in fair value in other comprehensive income, so the results of disposal of the equity instrument are also recognized there. Impairment losses totaling €19 million for equity instruments still held, which are presented as other investments and were recognized in accumulated income until January 1, 2018, have been reclassified to accumulated other comprehensive income. The measurement of other investments at fair value rather than at amortized cost as in the past increased their carrying amount by €4 million. This amount was recognized in accumulated other comprehensive income as of the transition date.

There were also changes as of the transition date due to the cash flow characteristics of investment fund units. €12 million was previously allocated to the "available-for-sale" category for these investments and changes in their fair value were recognized in other comprehensive income. Under IAS 32 Financial Instruments: Presentation in conjunction with IFRS 9, they now have to be presented as debt instruments and changes in their fair value are recognized in profit or loss. Until January 1, 2018, €1 million was recognized in accumulated other comprehensive income for changes in their fair value. This has been reclassified to accumulated income.

Evonik recognizes provisions for expected credit losses pursuant to IFRS 9 as follows: For trade accounts receivable, Evonik uses the simplified approach, where the loss allowance is equal to the lifetime expected credit losses of the respective receivable. Expected losses are calculated on the basis of historical and forecast data, taking into account the business model, customer risk, and the economic situation in the geographical region. Financial assets that are significantly overdue, possibly by more than 90 days as a result of the customer structure, or where insolvency or similar proceedings have been initiated against the debtor, are tested individually for impairment. The simplified approach is also used for receivables from finance leases, which were previously recognized in other financial assets, and for contract assets that are included in other assets.

For all other financial assets, which are subject to the general impairment approach and were already held as of January 1, 2018, there has not been any significant rise in the risk of default between the date of initial recognition (or the date when Evonik became a party to the contract) and January 1, 2018. For these instruments, provisions are therefore recognized on the basis of the 12-month expected credit losses.

The new impairment rules have been applied to financial assets and contract assets already held as of January 1, 2018. The only material effects of applying the new impairment rules related to trade accounts receivable. As a result of initial application of IFRS 9, the accumulated impairment losses of €50 million recognized for trade accounts receivable in accordance with IAS 39 as of December 31, 2017 declined by €3 million to €47 million as of January 1, 2018. There were no reclassification effects.

As of the transition date, the switch from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 impacted financial assets as follows:

Reconciliation of financial assets from IAS 39 to IFRS 9

in € million Financial assets—IAS 39 valuation categories	Carrying amount pursuant to IAS 39 as of Dec. 31, 2017	Reclassification	Revaluation due to change in valuation category	Revaluation due to application of impairment model	Carrying amount pursuant to IFRS 9 as of Jan. 1, 2018	Financial assets—IFRS 9 valuation categories
Financial assets	**493**	**–**	**4**	**–**	**497**	**Financial assets**
Other investments (Measured at amortized cost) – Available-for-sale	14	–	4	–	18	**Other investments** (Measured at fair value) – At fair value through OCI without subsequent reclassification
Other investments (Measured at fair value) – Available-for-sale	112	−12	–	–	100	**Other investments** (Measured at fair value) – At fair value through OCI without subsequent reclassification
Loans Loans and receivables	59	–	–	–	59	**Loans** At amortized cost
Securities and similar claims Available-for-sale	9	12	–	–	21	**Securities and similar claims** At fair value through profit or loss
Receivables from derivatives Held for trading	9	–	–	–	9	**Receivables from derivatives** At fair value through profit or loss
Receivables from derivatives Not allocated to any category	238	–	–	–	238	**Receivables from derivatives** Not allocated to any category
Other financial assets Loans and receivables	9	–	–	–	9	**Other financial assets** At amortized cost
Other financial assets Loans and receivables	29	–	–	–	29	**Other financial assets** At fair value through profit or loss
Other financial assets Not allocated to any category	14	–	–	–	14	**Other financial assets** Not allocated to any category
Trade accounts receivable Loans and receivables	**1,755**	**–**	**–**	**3**	**1,758**	**Trade accounts receivable** At amortized cost
Cash and cash equivalents Loans and receivables	**1,004**	**–**	**–**	**–**	**1,004**	**Cash and cash equivalents** At amortized cost
	3,252	**–**	**4**	**3**	**3,259**	

Prior-year figures restated due to the initial application of IFRS 15.

The next table shows the impact of initial application on the fair value of financial assets which are valued on the basis of unobservable inputs (Level 3):

Reconciliation of financial assets carried at fair value (Level 3) from IAS 39 to IFRS 9

in € million Financial assets—IAS 39 valuation categories	Carrying amount pursuant to IAS 39 as of Dec. 31, 2017	Reclassification	Reclassification due to change in fair value hierarchy	Revaluation due to change in valuation category	Carrying amount pursuant to IFRS 9 as of Jan. 1, 2018	Financial assets—IFRS 9 valuation categories
Financial assets						**Financial assets**
Other investments (Measured at amortized cost) – Available-for-sale	–		14	4	18	**Other investments** (Measured at fair value) – At fair value through OCI without subsequent reclassification
Other investments (Measured at fair value) – Available-for-sale	29	–12	–	–	17	**Other investments** (Measured at fair value) – At fair value through OCI without subsequent reclassification
Securities and similar claims Available-for-sale	–	12	–	–	12	**Securities and similar claims** (Measured at fair value) – At fair value through profit or loss
Financial assets (Level 3), total	**29**	**–**	**14**	**4**	**47**	**Financial assets (Level 3), total**

Prior-year figures restated due to the initial application of IFRS 15.

By contrast, the classification and measurement of financial liabilities is basically unchanged from the previous rules in IAS 39. There was no impact as of the transition date.

Overall, initial application impacted equity as follows:

Impact of the initial application of IFRS 9 on equity

in € million Financial assets—IAS 39 valuation categories	Financial assets—IFRS 9 valuation categories	Accumulated income Impact as of Jan. 1, 2018	Accumulated other comprehensive income Impact as of Jan. 1, 2018
Financial assets	**Financial assets**		
Other investments (Measured at amortized cost) – Available-for-sale	**Other investments** (Measured at fair value) – At fair value through OCI without subsequent reclassification	4	–
Other investments (Measured at fair value) – Available-for-sale	**Other investments** (Measured at fair value) – At fair value through OCI without subsequent reclassification	15	–15
Securities and similar claims Available-for-sale	**Securities and similar claims** At fair value through profit or loss	1	-1
Trade accounts receivable Loans and receivables	**Trade accounts receivable** At amortized cost	3	–
		23	**–16**

For hedge accounting, Evonik utilized the option of applying IFRS 9 prospectively from January 1, 2018 and recognizing the change in the forward and cross-currency basis spread elements over time in equity, and thus outside of profit or loss. By contrast, retrospective application is mandatory where the intrinsic value of an option is designated as the hedging instrument in a hedging relationship. Here, IFRS 9 specifies that changes in the fair value of the time value of the options over the term of the hedging relationship must initially be recognized in other comprehensive income and subsequently released through a basis adjustment or directly to profit or loss, depending on the type of hedged transaction. As of the transition date, Evonik did not have any such cases. However, in 2017 it recognized options transactions that expired in September 2017. Their purpose was to hedge the purchase price of the silica business of J. M. Huber Corporation (Huber), Atlanta (Georgia, USA). The change in fair value recognized in profit or loss in the second quarter was €9 million.

Impact of IFRS 9 on the income statement

	Impact of change	
in € million	2nd quarter 2017	1st half 2017
Financial result	–9	–9
Income before income taxes, continuing operations	**–9**	**–9**
Income taxes	2	2
Income after taxes	**–7**	**–7**
thereof attributable to		
Non-controlling interests	–	–
Shareholders of Evonik Industries AG (net income)	–7	–7
Earnings per share in € (basic and diluted)	**–0.02**	**–0.02**

Retrospective application did not alter the adjusted financial result and adjusted net income reported for the second quarter of 2017 and the first half of 2017.

3.2 Further restatement of prior-year figures

The role of the Corporate Innovation unit is to manage and direct innovations. Since January 1, 2018, the costs incurred for this unit have been included in research and development expenses instead of in general administrative expenses as in the past. This results in an adjustment of €5 million for the second quarter of 2017 and of €9 million for the first half of 2017. The effect for 2017 as a whole is €18 million.

3.3 Accounting standards that are not yet mandatory

The Group-wide project to implement the new standard IFRS 16 Leases has completed the collection and analysis of data on lease agreements—apart from potential new lease agreements in 2018—and is now implementing software (lease engine) to calculate the effects of IFRS 16 and make the necessary postings. An updated provisional analysis based on the figures for fiscal 2017 confirms the results published in the consolidated financial statements for 2017. We expect the changeover to increase assets by around 3 percent and EBITDA by around 5 percent. However, these findings could alter because the final impact is contingent, among other things, on the following decisions:

- Selection of the transition method
- Determination of the interest rates implicit in leases or the incremental borrowing rates
- Application of the option for low-value assets
- Application of the option for short-term leases.

4. Changes in the Group

4.1 Scope of consolidation

Changes in the scope of consolidation

No. of companies	Germany	Other countries	Total
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2017	**43**	**107**	**150**
Other companies consolidated for the first time	–	3	3
Intragroup mergers	–1	–	–1
As of June 30, 2018	**42**	**110**	**152**
Joint operations			
As of December 31, 2017	**1**	**2**	**3**
As of June 30, 2018	**1**	**2**	**3**
Investments recognized at equity			
As of December 31, 2017	**4**	**11**	**15**
Divestments	–	–1	–1
As of June 30, 2018	**4**	**10**	**14**
	47	**122**	**169**

4.2 Acquisitions and divestments

Acquisition of StoHaas Marl GmbH in stages

In the previous year, Evonik and The Dow Chemical Company (Dow), Midland (Michigan, USA), dissolved their joint operation, StoHaas, with effect from December 31, 2017. As a result of this transaction, StoHaas Marl GmbH (StoHaas Marl), Marl (Germany), which was previously carried as a joint operation, is now fully consolidated. In the first half of 2018, the associated purchase price allocation resulted in retrospective adjustments pursuant to IFRS 3 Business Combinations as of the date of acquisition.

Purchase price allocation for StoHaas Marl as of the acquisition date

	Fair value		
in € million	As reported in the consolidated financial statements as of Dec. 31, 2017	Change in purchase price allocation	After change in purchase price allocation
Property, plant and equipment	135	–4	131
Non-current assets	**135**	**–4**	**131**
Inventories	1	–	1
Trade accounts receivable	19	–	19
Cash and cash equivalents	68	–	68
Current assets	**88**	**–**	**88**
Total assets	**223**	**–4**	**219**
Deferred tax liabilities	35	–1	34
Non-current liabilities	**35**	**–1**	**34**
Financial liabilities	20	–	20
Trade accounts payable	60	–	60
Current liabilities	**80**	**–**	**80**
Total liabilities	**115**	**–1**	**114**
Net assets	**108**	**–3**	**105**
Goodwill	56	1	57
Purchase price pursuant to IFRS 3	**164**	**–2**	**162**

Finalization of the revaluation of the shares in ROH Delaware LLC, Deer Park (Texas, USA) and ROH Delaware LP, Deer Park (Texas, USA), which were transferred during the transaction as components of the purchase price, resulted in a €2 million reduction in the purchase price.

Between provisional first-time recognition and the current status of the opening balance sheet (valuation period), the fair value of property, plant and equipment declined by €4 million as a result of new information on plant and machinery. Deferred tax liabilities declined by €1 million. Goodwill increased by €1 million as a result of adjustment of the purchase price allocation.

5. Notes to the income statement

5.1 Sales

Sales by segments and regions in the first half of 2018

in € million	Nutrition & Care	Resource Efficiency	Performance Materials	Services	Other operations	**Total Group**
Western Europe	704	1,131	1,130	318	1	3,284
Eastern Europe	153	195	141	–	–	489
North America	659	630	348	15	–	1,652
Central and South America	177	81	39	–	–	298
Asia-Pacific North	298	600	235	1	5	1,139
Asia-Pacific South	202	182	75	–	–	459
Middle East & Africa	115	60	52	1	–	227
Total Group	**2,308**	**2,879**	**2,020**	**335**	**6**	**7,548**
thereof sales outside the scope of IFRS 15	26	26	14	1	–	67

Sales by segments and regions in the first half of 2017

in € million	Nutrition & Care	Resource Efficiency	Performance Materials	Services	Other operations	**Total Group**
Western Europe	659	1,080	1,057	350	1	3,147
Eastern Europe	132	155	120	–	–	407
North America	732	615	337	15	–	1,699
Central and South America	149	78	35	–	1	263
Asia-Pacific North	288	566	204	1	6	1,065
Asia-Pacific South	215	181	63	–	–	459
Middle East & Africa	108	52	53	1	–	214
Total Group	**2,283**	**2,727**	**1,869**	**367**	**8**	**7,254**
thereof sales outside the scope of IFRS 15	2	–6	–2	1	–	–5

Prior-year figures restated.

Sales outside the scope of IFRS 15 comprise revenues from operating leases and the results of currency hedging of forecast sales in foreign currencies, which are included in hedge accounting.

5.2 Other operating income

Other operating income

in € million	2nd quarter 2018	2nd quarter 2017	1st half 2018	1st half 2017
Income from the reversal of provisions	10	10	16	11
Income from restructuring measures	–	3	6	3
Net income from currency translation of operating monetary assets and liabilities	14	–	4	–
Net income from impairment losses/reversal of impairment losses pursuant to IFRS 9	–	–	4	–
Income from the disposal of assets	1	3	1	3
Net income from operational currency hedging	–	22	–	13
Other income	34	57	70	85
	59	**95**	**101**	**115**
thereof adjustments	7	4	22	4

Prior-year figures restated.

The gross income and expenses from currency translation of operating monetary assets and liabilities are netted in the same way as the gross income and expenses from the corresponding currency hedging. The corresponding results are recognized in other operating income or other operating expense as appropriate.

The net income of €4 million from impairment losses/reversal of impairment losses for expected credit losses pursuant to IFRS 9 (H1 2017: none) relates entirely to trade accounts receivable.

The other income of €70 million (H1 2017: €85 million) comprises, among other things, income from non-core operations, insurance premiums, and measures relating to the change of German energy policy.

5.3 Other operating expense

Other operating expense

in € million	2nd quarter 2018	2nd quarter 2017	1st half 2018	1st half 2017
Expenses for restructuring measures	3	8	28	16
Net expenses for operational currency hedging	20	–	16	–
Impairment losses pursuant to IAS 36/IAS 39	14	–	14	3
Expenses relating to the REACH Regulation	5	2	8	5
Losses on the disposal of assets	4	1	6	2
Net expenses for currency translation of operating monetary assets and liabilities	–	33	–	42
Net expenses for impairment losses/reversals of impairment losses pursuant to IFRS 9	4	–	–	–
Other expense	77	145	134	277
	127	**189**	**206**	**345**
thereof adjustments	26	58	66	172

Prior-year figures restated.

The restructuring expenses of €28 million (H1 2017: €16 million) mainly relate to the shutdown of a production site in Hungary.

The impairment losses of €14 million in the present fiscal year (H1 2017: €3 million) relate entirely to losses determined in accordance with IAS 36 Impairment of Assets. €9 million of this amount relates to intangible assets and €5 million to property, plant and equipment. In the prior-year period, all impairment losses related to trade accounts receivable and were determined in accordance with IAS 39.

The other expenses totaling €134 million (H1 2017: €277 million) include expenses for the purchase of shareholdings in companies, which were lower than in the prior-year period. Further, this item includes expenses for insurance premiums, outsourcing, environmental protection, and non-core operations.

5.4 Financial result

Other financial income/expense

	2nd quarter		1st half	
in € million	**2018**	2017	**2018**	2017
Result from currency translation of financing-related monetary assets and liabilities	−12	1	−16	−6
Result from financing-related currency hedging	11	−6	15	−5
Miscellaneous financial income	1	2	3	2
Miscellaneous financial expenses	–	–	−2	–
	–	**−3**	**–**	**−9**

Prior-year figures restated.

Gross income and expenses from the currency translation of financing-related risk positions are netted. They mainly result from the exchange rate risk of intragroup financing transactions denominated in foreign currencies and from cash and cash equivalents in foreign currencies. The effects of the corresponding currency hedging are recognized in the line item result from financing-related currency hedging. In the prior-year period, this also included income of €4 million from currency hedging for the purchase price for the Huber silica business.

6. Notes to the balance sheet

6.1 Equity and employee share program

In 2017, the Executive Board of Evonik Industries AG decided to purchase shares in the company, utilizing the resolution adopted by the Annual Shareholders' Meeting on May 18, 2016 authorizing it to buy back shares in the company. The Supervisory Board approved this share buy-back program, which relates to the share-based employee participation program (employee share program) Share.2018 launched by Evonik Industries AG in March 2018. The period during which eligible employees could acquire shares ended on March 23, 2018. The lock-up period for Evonik shares purchased or granted through the Share.2018 program ends on December 31, 2020.

Overall, Evonik Industries AG purchased 594,663 ordinary shares on the capital market at an average price of €28.44 per share. In April and May 2018, 566,447 of these ordinary shares (including 146,131 bonus shares) were transferred to participating employees on the basis of the share price and exchange rates prevailing on April 5, 2018. The remaining 28,216 ordinary shares were sold to third parties via the stock exchange by April 11, 2018.

As of June 30, 2018, Evonik therefore no longer held any treasury shares.

6.2 Provisions for pensions and other post-employment benefits

Compared with December 31, 2017, provisions for pensions and other post-employment benefits had increased by a total of €537 million to €4,354 million as of June 30, 2018. This figure includes €594 million recognized in equity with no impact on income after taxes. The increase in the amount recognized without any impact on income was mainly due to a discount rate of 1.75 percent for the euro-zone countries, compared with a rate of 2.00 percent as of December 31, 2017. The €594 million change in provisions for pensions and other post-employment benefits, which had no impact on income, and the change of €188 million in the related deferred tax assets are reflected in a reduction of €406 million in other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans, which is recognized in equity under accumulated income.

7. Notes to the segment report

In connection with the integration of the specialty additives business acquired from Air Products, the segmentation of the prior-year figures has been modified. The change comprises a shift from the Resource Efficiency Segment to the Nutrition & Care Segment. This altered sales in the second quarter of 2017 by €8 million, while adjusted EBITDA and adjusted EBIT were altered by €3 million. For the first half of 2017, the impact was €15 million on sales, €6 million on adjusted EBITDA and adjusted EBIT, and €35 million on financial investments.

Further, the aggregation of countries and country groups to form regions was revised in 2017. The prior-year figures have been restated to reflect this.

Reconciliation from adjusted EBITDA of the reporting segments to income before income taxes, continuing operations

	2nd quarter		1st half	
in € million	**2018**	2017	**2018**	2017
Adjusted EBITDA, reporting segments	819	725	1,581	1,409
Adjusted EBITDA, other operations	–22	–23	–48	–48
Adjusted EBITDA, Corporate	–56	–62	–111	–125
Consolidation	1	–	–	–2
Adjusted EBITDA, Corporate, consolidation	–55	–62	–111	–127
Adjusted EBITDA	**742**	**640**	**1,422**	**1,234**
Depreciation and amortization	–210	–200	–411	–405
Impairment losses/reversals of impairment losses	–19	–7	–12	–9
Depreciation, amortization, impairment losses/reversal included in adjustments	1	1	–5	2
Adjusted depreciation, amortization and impairment losses	–228	–206	–428	–412
Adjusted EBIT	**514**	**434**	**994**	**822**
Adjustments	–19	–54	–44	–168
Financial result	–49	–36	–99	–91
Income before income taxes, continuing operations	**446**	**344**	**851**	**563**

Prior-year figures restated.

Retrospective application of new accounting standards had the following impact on the figures for the second quarter of 2017: Retrospective application of IFRS 15 increased the adjusted EBITDA of the reporting segments by €5 million. The Group's adjusted EBITDA and adjusted EBIT changed by the same amount. Retrospective application of IFRS 9 for certain aspects of hedge accounting increased the financial result by €9 million. Overall, retrospective adjustment for both standards reduced income before income taxes, continuing operations, by €5 million (rounded).

The impact on the figures for the first six months of 2017 is as follows: Retrospective application of IFRS 15 reduced the adjusted EBITDA of the reporting segments by €13 million. The Group's consolidated EBITDA was altered by the same amount. Due to rounding, adjusted EBIT only decreased by €12 million. Retrospective application of IFRS 9 increased the financial result by €9 million. Overall, retrospective adjustments relating to both standards reduced income before income taxes, continuing operations, by €22 million (rounded).

8. Other disclosures

8.1 Financial instruments

The following overview shows the carrying amounts and fair values of all financial assets and liabilities. That part of derivative financial instruments for which hedge accounting is applied is not allocated to any of the categories. Similarly, receivables from finance leases pursuant to IAS 17, which are recognized in other financial assets or liabilities, and refund liabilities under rebate and bonus agreements in accordance with IFRS 15, which are recognized in other financial liabilities, are not allocated to any of the valuation categories.

Carrying amounts and fair values of financial assets as of June 30, 2018

	Carrying amounts by valuation category				June 30, 2018	
in € million	At fair value through OCI without subsequent reclassification	At amortized cost	At fair value through profit or loss	Not allocated to any category	Carrying amount	Fair value
Financial assets	**103**	**68**	**168**	**23**	**362**	**362**
Other investments	103	–	–	–	103	103
Loans	–	53	–	–	53	53
Securities and similar claims	–	–	22	–	22	22
Receivables from derivatives	–	–	137	17	154	154
Other financial assets	–	15	9	6	30	30
Trade accounts receivable	**–**	**1,947**	**–**	**–**	**1,947**	**1,947**
Cash and cash equivalents	**–**	**543**	**–**	**–**	**543**	**543**
	103	**2,558**	**168**	**23**	**2,852**	**2,852**

Carrying amounts and fair values of financial assets as of December 31, 2017

	Carrying amounts by valuation category				Dec. 31, 2017	
in € million	Available-for-sale	Loans and receivables	Held for trading	Not allocated to any category	Carrying amount	Fair value
Financial assets	**135**	**97**	**9**	**252**	**493**	**479**
Other investments[a]	126	–	–	–	126	112
Loans	–	59	–	–	59	59
Securities and similar claims	9	–	–	–	9	9
Receivables from derivatives	–	–	9	238	247	247
Other financial assets	–	38	–	14	52	52
Trade accounts receivable	**–**	**1,755**	**–**	**–**	**1,755**	**1,755**
Cash and cash equivalents	**–**	**1,004**	**–**	**–**	**1,004**	**1,004**
	135	**2,856**	**9**	**252**	**3,252**	**3,238**

Prior-year figures restated due to the initial application of IFRS 15.

[a] The fair value of the other investments (€112 million) does not include investments of €14 million recognized at cost of acquisition as their fair value cannot be determined reliably.

Carrying amounts and fair values of financial liabilities as of June 30, 2018

	Carrying amounts by valuation category			June 30, 2018	
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	Carrying amount	Fair value
Financial liabilities	**73**	**4,044**	**80**	**4,197**	**4,197**
Bonds	–	3,628	–	3,628	3,622
Liabilities to banks	–	353	–	353	359
Loans from non-banks	–	18	–	18	18
Liabilities from derivatives	60	–	26	86	86
Other financial liabilities	13	45	54	112	112
Trade accounts payable	**–**	**1,434**	**–**	**1,434**	**1,434**
	73	**5,478**	**80**	**5,631**	**5,631**

Carrying amounts and fair values of financial liabilities as of December 31, 2017

	Carrying amounts by valuation category			Dec. 31, 2017	
in € million	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
Financial liabilities	**7**	**4,045**	**92**	**4,144**	**4,168**
Bonds	–	3,624	–	3,624	3,644
Liabilities to banks	–	350	–	350	354
Loans from non-banks	–	18	–	18	18
Liabilities from derivatives	7	–	25	32	32
Other financial liabilities	–	53	67	120	120
Trade accounts payable	**–**	**1,449**	**–**	**1,449**	**1,449**
	7	**5,494**	**92**	**5,593**	**5,617**

Prior-year figures restated due to the initial application of IFRS 15.

The following table shows the financial instruments that are measured at fair value on a recurring basis after initial recognition on the balance sheet:

Financial instruments recognized at fair value as of June 30, 2018

	Fair value based on			June 30, 2018
in € million	Publicly quoted market prices (Level 1)	Directly observable market-related prices (Level 2)	Individual valuation parameters (Level 3)	
Other investments	73	–	30	103
Securities and similar claims	6	–	16	22
Receivables from derivatives	–	154	–	154
Other financial assets	–	9	–	9
Liabilities from derivatives	–	–86	–	–86
Other financial liabilities	–	–13	–	–13

Financial instruments recognized at fair value as of December 31, 2017

in € million	Fair value based on: Publicly quoted market prices (Level 1)	Directly observable market-related prices (Level 2)	Individual valuation parameters (Level 3)	Dec. 31, 2017
Other investments	83	–	29	112
Securities and similar claims	9	–	–	9
Receivables from derivatives	–	247	–	247
Liabilities from derivatives	–	–32	–	–32

The financial instruments allocated to Level 1 are recognized at their present stock market price. They comprise all securities and one equity investment. As of the present reporting date, all derivatives are allocated to Level 2. They comprise currency, interest rate, and commodity derivatives whose fair value was determined with the aid of a discounted cash flow method or option pricing models on the basis of the exchange rates at the European Central Bank, observed interest rate structure curves, FX volatilities, observed commodity prices, and observed credit default premiums. Financial assets and liabilities from exchange-type transactions with competitors, which are outside the scope of IFRS 15, are also allocated to Level 2. The underlying products continue to be recognized by Evonik and the transaction is therefore classified as financing. The main input parameter for the valuation of the contracts is observed commodity prices. The other investments, which are allocated to Level 3, are unlisted equity investments, which are measured on the basis of the best available information as of the reporting date. Their fair value was derived from observable prices in connection with equity refinancing and using discounted cash flow and multiples methods. A 10 percent relative change in the key valuation parameters (segment-specific cost of capital, sustained dividend expectations, EBITDA multiple) does not result in a material change in the fair values. Securities and similar claims, which are allocated to Level 3, are unlisted investment funds. The fair values recognized are the net asset values provided by the investment fund companies, which are determined on the basis of internationally recognized valuation principles. There is no intention of selling these investments. There were no transfers between the levels of the fair value hierarchy in the reporting period.

Fair value of Level 3: Reconciliation from the opening to the closing balances

in € million	Other investments	Securities and similar claims	**Total**
As of January 1, 2018	**35**	**12**	**47**
Additions/disposals	–5	4	–1
Gains or losses recognized in OCI in the reporting period	–	–	–
Gains or losses recognized in profit or loss in the reporting period (other financial result)	–	–	–
As of June 30, 2018	**30**	**16**	**46**

The fair value of financial instruments recognized at amortized cost is calculated as follows:

The fair value of bonds is their directly observable stock market price on the reporting date. For loans, other financial assets, liabilities to banks, loans from non-banks, and other financial liabilities the fair value is determined as the present value of the expected future cash inflows or outflows and is therefore allocated to Level 2. Discounting is based on the interest rate for the respective maturity on the reporting date, taking the creditworthiness of the counterparties into account. Since the majority of other financial receivables and liabilities and trade accounts receivable and payable are current, their fair values—like the fair value of cash and cash equivalents—correspond to their carrying amounts.

8.2 Related parties

The dividend for fiscal 2017 was paid in the second quarter, after adoption of the resolution by the Annual Shareholders' Meeting on May 23, 2018.

RAG-Stiftung, Essen (Germany) received €363 million.

There have not been any other material transactions or changes in related party transactions since the consolidated financial statements as of December 31, 2017.

8.3 Contingent receivables and liabilities

There has not been any material changes in contingent receivables and liabilities since the consolidated financial statements as of December 31, 2017.

8.4 Events after the reporting date

No material events have occurred since the reporting date.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report for the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Essen, July 26, 2018

Evonik Industries AG
The Executive Board

Kullmann Dr. Schwager

Wessel Wolf

Review report

To Evonik Industries AG, Essen

We have reviewed the condensed consolidated interim financial statements—comprising the condensed income statement, condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes—and the interim Group management report for Evonik Industries AG, Essen, for the period from January 1, 2018 to June 30, 2018, which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's Executive Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information performed by the Independent Auditor of the Entity" (ISRE 2410). These standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, July 27, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Eckhard Sprinkmeier	Antje Schlotter
German Public Auditor	German Public Auditor

Financial calendar

Financial calendar 2018/2019

Event	Date
Interim report Q3 2018	November 6, 2018
Report on Q4 2018 and FY 2018	March 5, 2019
Interim report Q1 2019	May 7, 2019
Annual Shareholders' Meeting 2019	May 28, 2019
Interim report Q2 2019	August 1, 2019
Interim report Q3 2019	November 5, 2019

Credits

PUBLISHED BY
Evonik Industries AG
Rellinghauser Strasse 1–11
45128 Essen, Germany
www.evonik.com

CONTACT
Communications
Phone +49 201 177-3315
presse@evonik.com

Investor Relations
Phone +49 201 177-3146
investor-relations@evonik.com

CONCEPT, DESIGN AND PRODUCTION
BISSINGER[+] GmbH

The English version is a translation of the German version
and is provided for information only.

EVONIK
POWER TO CREATE