QUARTERLY FINANCIAL REPORT

3RD QUARTER 2017 | 1ST NINE MONTHS 2017

EVONIK
POWER TO CREATE

Positive earnings trend continued in the third quarter—Outlook specified

3rd quarter

- Organic sales growth driven by higher volumes (4 percent) and prices (3 percent)
- Adjusted EBITDA rose 11 percent year-on-year to €639 million; adjusted EBITDA margin at a good level of 18.0 percent
- Rapid integration of J. M. Huber's silica business following acquisition

1st nine months

- Sales grew 14 percent year-on-year to €10.9 billion, including 5 percent organic growth
- Adjusted EBITDA rose 9 percent to €1.9 billion
- Adjusted net income improved to €825 million
- Clearly positive free cash flow (€350 million)
- Outlook for 2017 specified: Sales now expected to be significantly higher, with adjusted EBITDA in the upper half of the €2.2 billion to €2.4 billion range

Key data for the Evonik Group

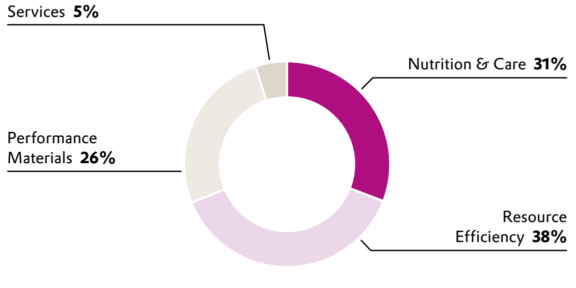
	3rd quarter		1st nine months	
in € million	**2017**	2016	**2017**	2016
Sales	3,556	3,164	10,852	9,527
Adjusted EBITDA[a]	639	578	1,886	1,728
Adjusted EBITDA margin in %	18.0	18.3	17.4	18.1
Adjusted EBIT[b]	422	396	1,257	1,191
Income before financial result and income taxes, continuing operations (EBIT)	392	381	1,059	1,117
Net income	220	223	614	628
Adjusted net income	275	247	825	748
Earnings per share in €	0.47	0.48	1.32	1.35
Adjusted earnings per share in €	0.59	0.53	1.77	1.61
Cash flow from operating activities	727	509	1,033	1,135
Free cash flow[c]	485	289	350	525
Capital expenditures	236	217	657	589
Net financial debt/assets as on the balance sheet as of September 30	–	–	−3,156	837
No. of employees as of September 30	–	–	36,573	34,277

[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.

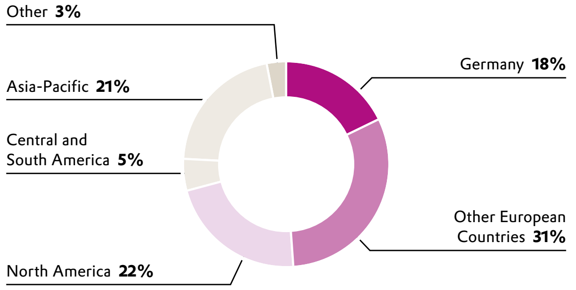
Due to rounding, some figures in this report may not add up exactly to the totals stated.

QUARTERLY FINANCIAL REPORT 3RD QUARTER 2017

Sales by segment



Sales by region



Interim management report as of September 30, 2017

1. Business conditions and performance

1.1 Economic background

In the first nine months of 2017, **global economic conditions** were somewhat better than in the prior-year period. In the developed economies, the slight acceleration of the upswing continued. Economic output in the USA increased faster than in the previous year, supported by domestic consumption and higher investment by the corporate sector. The economic prospects for the euro zone remained slightly positive thanks to the continuation of the expansionary monetary policy and the good labor market situation. In Germany, the economy was mainly supported by consumer spending, the trade surplus and investment in construction. In Japan, the moderate growth continued due to higher exports and corporate investment.

The economic recovery also made further progress in most emerging markets. The economic conditions in China have stabilized to some extent. The recession in Russia is over, but growth remained low as a consequence of the continuing international sanctions. Brazil is only slowly emerging from crisis. Political uncertainty, high unemployment, and private debt are holding back a significant improvement in the economic situation.

Worldwide, the development of Evonik's **end-customer industries** differed by sector and by region in the first nine months of 2017. Growth momentum in the automotive and mechanical engineering sectors weakened slightly year-on-year in North America and Europe but remained high in Asia. Demand for consumer and care products developed positively compared with the prior year, especially in Latin America and Asia, whereas growth was slightly lower in North America and Europe. The pace of growth in the construction industry increased in Europe, mainly because capital expenditures were higher than in 2016. In the first nine months of 2017, the general industrial trend only showed marginal growth in output in Europe, while there was a slight improvement in North America and Asia.

1.2 Business performance

Significant events

At its meeting on March 1, 2017, the Supervisory Board of Evonik Industries AG resolved on changes in the **Executive Board.** Dr. Klaus Engel handed over his post as Chairman of the Executive Board of Evonik Industries AG to Christian Kullmann after the Annual Shareholders' Meeting on May 23, 2017, and left the company with effect from the end of the meeting. Dr. Ralph Sven Kaufmann left Evonik by mutual and amicable agreement on June 30, 2017, before the scheduled end of his term of office. Since September 1, 2017, Dr. Harald Schwager has been Deputy Chairman of the Executive Board with responsibility for chemicals and innovation. Dr. Schwager is a chemist and was a member of the Board of Executive Directors of BASF SE, Ludwigshafen (Germany), until May 2017.

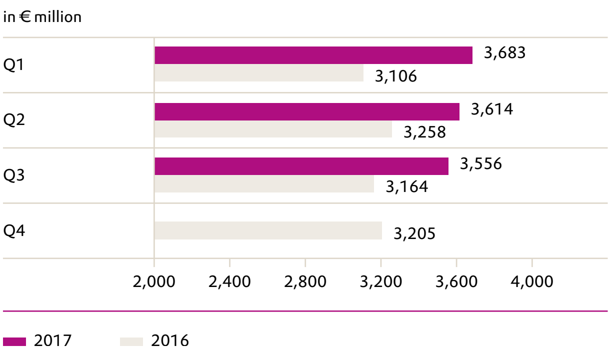
Business performance in Q3 2017

We registered further high demand for our products worldwide in the third quarter and were able to raise volumes considerably. The positive **earnings trend** continued. Adjusted EBITDA was €639 million and was therefore higher than in the two previous quarters and the prior-year quarter.

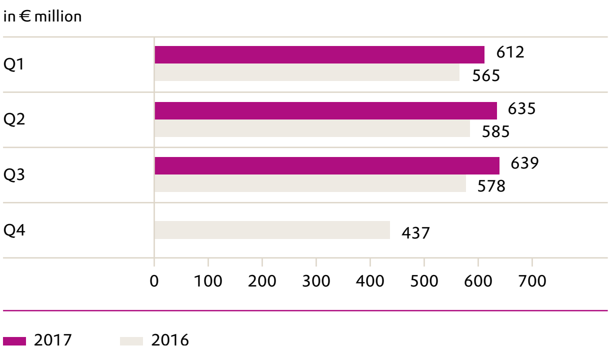
The acquisition of the silica business of J. M. Huber Corporation, Atlanta (Georgia, USA), was successfully closed on September 1, 2017, and the business has been allocated to the Resource Efficiency segment. Good progress is still being made with the integration of the specialty additives business, which we acquired from Air Products and Chemicals, Inc., Allentown (Pennsylvania, USA), on January 3, 2017. This business was allocated to the Nutrition & Care and Resource Efficiency segments at the beginning of this year.

The Evonik Group grew **sales** 12 percent year-on-year to €3,556 million in the third quarter of 2017. We posted organic sales growth of 7 percent, driven by a considerable rise in volumes and prices. A further 8 percentage points came from the initial consolidation of the specialty additives business acquired from Air Products and Huber's silica business.

Sales by quarters



Adjusted EBITDA by quarters



Year-on-year change in sales

in %	1st quarter 2017	2nd quarter 2017	3rd quarter 2017	1st nine months 2017
Volumes	8	–	4	4
Prices	–1	3	3	1
Organic sales growth	**7**	**3**	**7**	**5**
Exchange rates	2	–	–3	–
Change in the scope of consolidation/other effects	10	8	8	9
Total	**19**	**11**	**12**	**14**

Adjusted EBITDA increased 11 percent to €639 million, mainly because of higher demand and the inclusion of the acquired businesses. The adjusted EBITDA margin was a good 18.0 percent (Q3 2016: 18.3 percent).

The **adjustments** totaling –€30 million included expenses of €19 million for the purchase of shareholdings in companies, principally the acquisition of the Air Products specialty additives business, Huber's silica business, and Dr. Straetmans GmbH, Hamburg (Germany). The expenses mainly resulted from the fact that the inventories acquired by Evonik and used in the reporting period have been subject to a fair value step-up in the course of the purchase price allocation (€18 million).

Statement of income

in € million	3rd quarter 2017	3rd quarter 2016	3rd quarter Change in %	1st nine months 2017	1st nine months 2016	1st nine months Change in %
Sales	**3,556**	**3,164**	**12**	**10,852**	**9,527**	**14**
Adjusted EBITDA	**639**	**578**	**11**	**1,886**	**1,728**	**9**
Depreciation and amortization	–217	–182		–629	–537	
Adjusted EBIT	**422**	**396**	**7**	**1,257**	**1,191**	**6**
Adjustments	–30	–15		–198	–74	
thereof attributable to						
Restructuring	*–6*	*–1*		*–19*	*–25*	
Impairment losses/reversals of impairment losses	*1*	*–1*		*2*	*–18*	
Acquisition/divestment of shareholdings	*–19*	*–6*		*–145*	*–17*	
Other	*–6*	*–7*		*–36*	*–14*	
Financial result	–71	–55		–152	–183	
Income before income taxes, continuing operations	**321**	**326**	**–2**	**907**	**934**	**–3**
Income taxes	–98	–100		–283	–297	
Income after taxes, continuing operations	**223**	**226**	**–1**	**624**	**637**	**–2**
Income after taxes, discontinued operations	2	1		4	1	
Income after taxes	**225**	**227**	**–1**	**628**	**638**	**–2**
thereof attributable to non-controlling interests	5	4		14	10	
Net income	**220**	**223**	**–1**	**614**	**628**	**–2**
Earnings per share in €	**0.47**	**0.48**	**–**	**1.32**	**1.35**	**–**

The **financial result** of –€71 million contains special items totaling –€16 million, mainly for currency hedging in connection with the acquisition of Huber's silica business (–€14 million). The prior-year figure contained expenses of €5 million, mainly in connection with the financing of the Air Products specialty additives business. After adjustment for special items, the adjusted financial result deteriorated by 10 percent to –€55 million. **Income before income taxes, continuing operations** was €321 million, slightly lower than in the prior year due to higher acquisition-related adjustment expense.

The income tax rate was 31 percent and thus roughly in line with the expected Group tax rate. Overall, **net income** was €220 million, in line with the prior year.

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. Adjusted net income rose 11 percent to €275 million. **Adjusted earnings per share** increased to €0.59.

Reconciliation to adjusted net income

	3rd quarter			1st nine months		
in € million	2017	2016	Change in %	2017	2016	Change in %
Adjusted EBITDA	**639**	**578**	**11**	**1,886**	**1,728**	**9**
Depreciation and amortization	–217	–182		–629	–537	
Adjusted EBIT	**422**	**396**	**7**	**1,257**	**1,191**	**6**
Adjusted financial result	–55	–50		–139	–137	
Amortization and impairment losses on intangible assets	35	11		98	31	
Adjusted income before income taxes [a]	**402**	**357**	**13**	**1,216**	**1,085**	**12**
Adjusted income taxes	–122	–106		–377	–327	
Adjusted income after taxes [a]	**280**	**251**	**12**	**839**	**758**	**11**
thereof adjusted income attributable to non-controlling interests	5	4		14	10	
Adjusted net income [a]	**275**	**247**	**11**	**825**	**748**	**10**
Adjusted earnings per share [a] in €	**0.59**	**0.53**	**–**	**1.77**	**1.61**	**–**

[a] Continuing operations.

Business performance in the first nine months of 2017

Sales grew 14 percent to €10,852 million. 8 percentage points of this increase came from the initial consolidation of the specialty additives business acquired from Air Products and Huber's silica business. Higher volumes contributed 4 percentage points, and slightly higher selling prices contributed 1 percentage point.

Adjusted EBITDA rose 9 percent to €1,886 million. This was mainly due to the perceptible volume growth, and the first-time consolidation of the acquired specialty additives business. By contrast, the lower selling prices in the Nutrition & Care segment had a negative effect. The adjusted EBITDA margin was 17.4 percent, compared with 18.1 percent in the first nine months of 2016.

The **adjustments** totaling –€198 million included expenses of €145 million in connection with the acquisition of the Air Products specialty additives business, Huber's silica business, and Dr. Straetmans. The biggest individual items are expenses resulting from the fact that the inventories acquired by Evonik and used in the reporting period have been subject to a fair value step-up in the course of the purchase price allocation (€102 million). Further costs[1] of €43 million were due to the integration of the acquired businesses and to transaction taxes. The restructuring expenses of €19 million mainly related to optimization of the administrative structure.

The **financial result** improved to –€152 million. It includes special items of –€13 million, principally for currency hedging of the purchase price of Huber's silica business (–€9 million). The prior-year figure included special items of –€46 million, mainly for currency hedging in connection with the acquisition of the Air Products specialty additives business (–€37 million). The adjusted financial result was almost unchanged year-on-year at –€139 million. **Income before income taxes, continuing operations** was 3 percent lower at €907 million. The income tax rate was 31 percent and thus in line with the expected Group tax rate.

[1] The costs in connection with the individual acquisitions are outlined in detail in Note 4.2.

Net income dropped slightly to €614 million as a result of the acquisition-related expenses contained in the adjustments.

After special items, **adjusted net income** increased 10 percent to €825 million, and adjusted **earnings per share** rose from €1.61 to €1.77.

1.3 Segment performance

Nutrition & Care segment

Key data for the Nutrition & Care segment

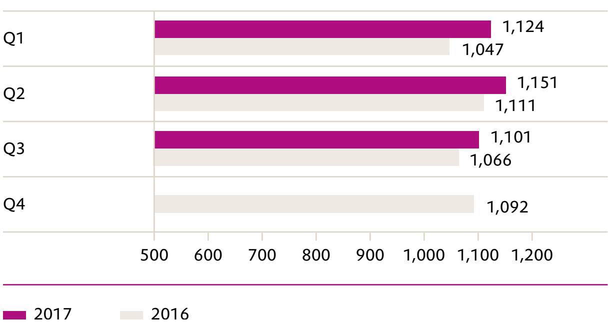
	3rd quarter			1st nine months		
in € million	2017	2016	Change in %	2017	2016	Change in %
External sales	1,101	1,066	3	3,376	3,223	5
Adjusted EBITDA	184	239	–23	569	796	–29
Adjusted EBITDA margin in %	16.7	22.4	–	16.9	24.7	–
Adjusted EBIT	113	182	–38	368	634	–42
Capital expenditures	91	59	54	245	162	51
No. of employees as of September 30	–	–	–	8,660	7,550	15

The Nutrition & Care segment grew sales 3 percent to €1,101 million in the **third quarter of 2017.** This was attributable to the consolidation of the business acquired from Air Products (9 percentage points) and to higher volumes. The increase was held back by selling prices, which were still lower than in the prior-year period, and by negative currency effects.

Market conditions for essential amino acids for animal nutrition, especially methionine, improved in the third quarter. Selling prices stabilized compared with the second quarter of 2017 but were nevertheless considerably lower than in the prior-year quarter. Sales therefore declined significantly despite higher volumes. In the health care business, volumes declined as expected in the third quarter, following a strong first half. This was attributable to the structure of project contracts. Sales were perceptibly lower than in the prior-year period. Personal care products and additives for polyurethane foam posted rising demand worldwide, leading to higher sales.

Sales Nutrition & Care segment

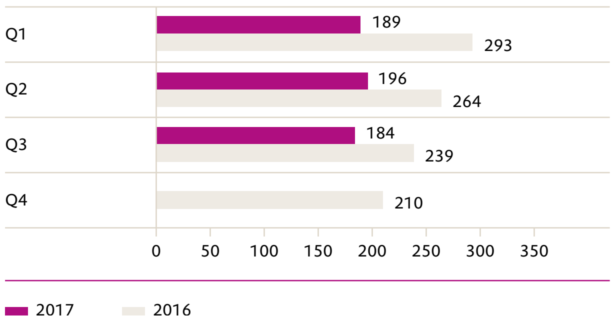
in € million



Adjusted EBITDA was €184 million, 23 percent lower than in the prior-year period due to the significant reduction in selling prices. The adjusted EBITDA margin fell from 22.4 percent to 16.7 percent.

Adjusted EBITDA Nutrition & Care segment

in € million



In the **first nine months of 2017,** sales in the Nutrition & Care segment increased 5 percent to €3,376 million, as a result of the consolidation of the business acquired from Air Products (10 percentage points) and considerable volume growth. A countertrend came from the fact that selling prices were substantially lower than in the prior-year period. Adjusted EBITDA fell 29 percent to €569 million, mainly due to prices. The adjusted EBITDA margin dropped to 16.9 percent.

On May 10, 2017, we completed the acquisition of **Dr. Straetmans GmbH,** Hamburg (Germany), to strengthen our "Health & Care" growth engine. This company specializes in developing and marketing alternative preservatives for the cosmetics industry. This acquisition complements our portfolio of specialties for cosmetics and further consolidates our position as a leading global partner for the cosmetics industry.

Resource Efficiency segment

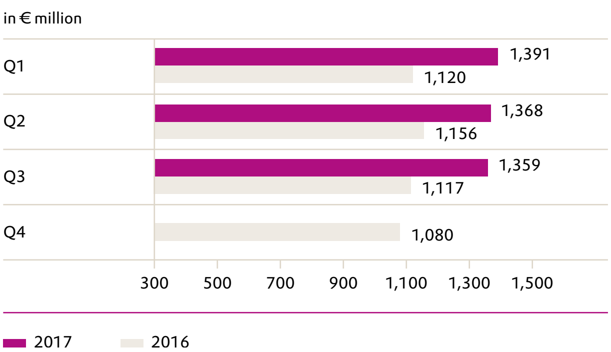
Key data for the Resource Efficiency segment

	3rd quarter			1st nine months		
in € million	2017	2016	Change in %	2017	2016	Change in %
External sales	1,359	1,117	22	4,118	3,392	21
Adjusted EBITDA	312	262	19	941	788	19
Adjusted EBITDA margin in %	23.0	23.5	–	22.9	23.2	–
Adjusted EBIT	244	205	19	734	619	19
Capital expenditures	79	68	16	215	180	19
No. of employees as of September 30	–	–	–	9,954	8,879	12

The very good business trend in the Resource Efficiency segment continued in the **third quarter of 2017,** with sales rising 22 percent to €1,359 million. Volumes increased significantly thanks to higher demand, and selling prices were raised slightly to compensate for higher raw material costs. Consolidation of the operations acquired from Air Products and Huber contributed 14 percentage points to the increase, while currency effects reduced sales growth slightly.

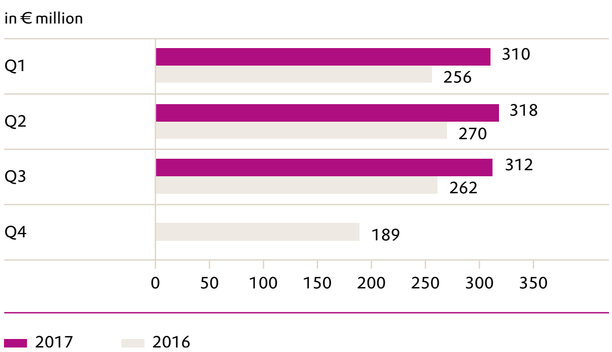
Silica benefited from good demand, especially from the tire industry, and from consolidation of the Huber business, leading to significantly higher sales. Demand for oil additives for the automotive, construction, and transportation industries was high worldwide, resulting in higher sales. Crosslinkers also posted a very good performance worldwide.

Sales Resource Efficiency segment



Adjusted EBITDA climbed 19 percent to €312 million thanks to higher volumes and the additional earnings contributions from the activities acquired from Air Products and Huber. The adjusted EBITDA margin was 23.0 percent, a very good level and on a par with the prior-year period.

Adjusted EBITDA Resource Efficiency segment



In the **first nine months of 2017,** sales in the Resource Efficiency segment rose 21 percent to €4,118 million. There was a further substantial hike in volume sales, driven by higher demand, and slightly higher selling prices also had a positive effect. 13 percentage points of the increase came from consolidation of the operations acquired from Air Products and Huber. Adjusted EBITDA rose 19 percent to €941 million, driven by volumes and acquisitions. The adjusted EBITDA margin was 22.9 percent.

Performance Materials segment

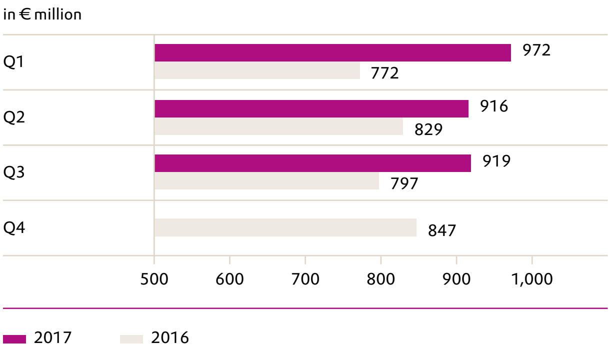
Key data for the Performance Materials segment

in € million	3rd quarter			1st nine months		
	2017	2016	Change in %	2017	2016	Change in %
External sales	919	797	15	2,807	2,399	17
Adjusted EBITDA	174	104	67	502	273	84
Adjusted EBITDA margin in %	18.9	13.0	–	17.9	11.4	–
Adjusted EBIT	135	70	93	391	170	130
Capital expenditures	35	42	–17	103	107	–4
No. of employees as of September 30	–	–	–	4,458	4,421	1

The Performance Materials segment reported a further significant improvement in business in the **third quarter of 2017,** with sales up 15 percent at €919 million. This was principally due to significantly higher selling prices and a slight increase in volumes. Negative currency effects had a countereffect.

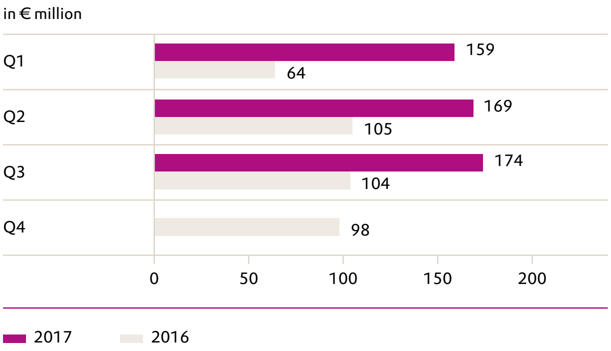
Selling prices of performance intermediates were still above the prior-year level due to the rise in the oil price and high global demand, especially for the C_4 derivative butadiene. Sales grew substantially. Methacrylates also registered a significant improvement in sales. Demand remained pleasing, especially from the coatings and automotive sectors, while supply on the market was tight.

Sales Performance Materials segment



Adjusted EBITDA improved 67 percent to €174 million, principally as a result of higher selling prices. The adjusted EBITDA margin increased significantly to 18.9 percent, up from 13.0 percent in the third quarter of 2016.

Adjusted EBITDA Performance Materials segment



In the **first nine months of 2017,** sales in the Performance Materials segment rose 17 percent to €2,807 million. The growth mainly came from higher selling prices. The slightly lower volumes were mainly attributable to an unplanned shutdown in Antwerp in the second quarter of 2017. Adjusted EBITDA improved 84 percent to €502 million. This was attributable to the rise in selling prices and successful restructuring. The adjusted EBITDA margin rose to 17.9 percent (9M 2016: 11.4 percent).

Services segment

Key data for the Services segment

	3rd quarter			1st nine months		
in € million	2017	2016	Change in %	2017	2016	Change in %
External sales	172	173	–1	538	503	7
Adjusted EBITDA	46	50	–8	122	119	3
Adjusted EBITDA margin in %	26.7	28.9	–	22.7	23.7	–
Adjusted EBIT	15	21	–29	29	32	–9
Capital expenditures	27	41	–34	82	126	–35
No. of employees as of September 30	–	–	–	12,875	12,896	–

Sales were virtually unchanged year-on-year at €172 million in the **third quarter of 2017.** The 8 percent drop in adjusted EBITDA to €46 million was partly due to the shutdown of a customer's plant in Marl (Germany).

In the **first nine months of 2017,** sales increased 7 percent to €538 million. This mainly resulted from higher revenues from utilities and waste management for external customers at our sites. Adjusted EBITDA rose 3 percent to €122 million.

2. Earnings, financial and asset position

2.1 Earnings position

Sales rose 14 percent to €10,852 million in the first nine months of 2017. 8 percentage points of the rise came from initial consolidation of the acquired businesses. Further factors were perceptibly higher volume sales and slightly higher selling prices. The cost of sales increased by 18 percent to €7,411 million. The principal reasons for this were the consolidation of the new businesses, higher volume sales, and the rise in raw material costs. The **gross profit on sales** improved 7 percent to €3,441 million. Selling expenses increased by 14 percent to €1,258 million, mainly due to the expansion of our business. Research and development expenses were 3 percent higher at €332 million. General administrative expenses increased 5 percent to €531 million, partly as a result of consolidation of the Air Products business.

Other operating income was €171 million, which was 2 percent lower than in the prior-year period. The 31 percent rise in other operating expense to €439 million was connected with the acquisitions. This related to expenses resulting from the fact that the value of inventories acquired by Evonik with these businesses and used in the reporting period was subject to step-ups in the purchase price allocation (€102 million), and costs in connection with the acquisitions (€43 million).

Income before financial result and income taxes, continuing operations dropped 5 percent to €1,059 million as a result of the increased expense.

The **financial result** improved to –€152 million. It included currency hedging expenses of €9 million in connection with the acquisition of Huber's silica business. The prior-year figure of –€183 million included currency hedging expenses of €37 million in connection with the acquisition of the Air Products business. The income tax rate was 31 percent and thus roughly in line with the expected Group tax rate. Overall, **net income** declined by 2 percent to €614 million.

2.2 Financial and asset position

As of September 30, 2017, financial debt was €4,016 million, a rise of €469 million compared with year-end 2016, principally as the result of the issue of a €500 million hybrid bond. Financial assets fell by €3,798 million to €860, mainly as a result of the purchase price payment for the Air Products specialty additives business and the payment of the dividend of €536 million for 2016. This was countered by the positive free cash flow[1] of €350 million. Therefore, we had **net financial debt** of €3,156 million as of end-September 2017, compared with net financial assets of €1,111 million at year-end 2016.

Net financial debt/assets

in € million	Sept. 30, 2017	Dec. 31, 2016
Non-current financial liabilities[a]	−3,700	−3,240
Current financial liabilities[a]	−316	−307
Financial debt	**−4,016**	**−3,547**
Cash and cash equivalents	823	4,623
Current securities	9	11
Other financial investments	28	24
Financial assets	**860**	**4,658**
Net financial debt/assets as stated on the balance sheet	**−3,156**	**1,111**

[a] Excluding derivatives.

On July 7, 2017, Evonik Industries AG successfully issued a **hybrid bond** with a nominal value of €500 million on the debt capital market for the first time. Its purpose is to finance the acquisition of Huber's silica business. The hybrid bond is recognized as debt, but the rating agencies regard it as 50 percent equity as it is subordinate to other financial liabilities. Consequently, it supports our solid investment grade rating. The formal tenor of the bond is 60 years, but Evonik has a first redemption right in 2022. The bond was issued at a price of 99.383 percent and has a coupon of 2.125 percent p.a. Evonik has corporate rating of Baa1 from Moody's and BBB+ from S&P, with a stable outlook in both cases. As is customary for such instruments, the ratings for the hybrid bond are two notches below the corporate ratings at Baa3/BBB– and are therefore also in the investment grade range.

In the first nine months of 2017, **capital expenditures** rose 12 percent to €657 million (9M 2016: €589 million). 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 €683 million (9M 2016: €610 million).

The **financial investments** of €4,147 million mainly related to the acquisition of the Air Products specialty additives business, Huber's silica business, and Dr. Straetmans.

Cash flow statement (excerpt)

	1st nine months	
in € million	2017	2016
Cash flow from operating activities	1,033	1,135
Cash flow from investing activities	−4,819	−504
Cash flow from financing activities	–	1,345
Change in cash and cash equivalents	−3,786	1,976

Prior-year figures restated.

The **cash flow from operating activities** declined to €1,033 million in the first nine months of 2017. That was €102 million below the figure for the comparable prior-year period. This resulted principally from an increase in net working capital, compared with a reduction in the prior-year period.

The cash outflow of €4,819 million for investing activities was mainly attributable to outflows for the acquisition of the Air Products specialty additives business and Huber's silica business, and for capital expenditures.

In the cash flow from financing activities, cash inflows and outflows were balanced overall. The cash flow from financing activities includes the cash inflow from the hybrid bond issued to finance the acquisition of the Huber business. A cash outflow resulted from payment of the dividend of €536 million for fiscal 2016.

In the first nine months, we had a clearly positive **free cash flow**[1] of €350 million (9M 2016: €525 million).

Total assets decreased slightly to €19.5 billion as of September 30, 2017, a drop of €0.2 billion compared with year-end 2016. The increase of €3.2 billion in non-current assets to €14.0 billion was mainly attributable to the addition of assets from the operations acquired from Air Products and Huber. Current assets declined by €3.4 billion to €5.4 billion.

[1] Cash flow from operating activities, less outflows for capital expenditures for intangible assets, property, plant and equipment.

This was mainly caused by a significant reduction in cash and cash equivalents due to payment of the purchase price for the Air Products business, and the dividend payment.

Equity declined by €0.3 billion to €7.5 billion. The equity ratio decreased from 39.5 percent to 38.4 percent.

3. Employees

As of September 30, 2017, the Evonik Group had 36,573 employees. The increase of 2,222 compared with year-end 2016 was mainly attributable to the acquisition of the Air Products specialty additives business and Huber's silica business.

Employees by segment

	Sept. 30, 2017	Dec. 31, 2016
Nutrition & Care	8,660	7,594
Resource Efficiency	9,954	8,928
Performance Materials	4,458	4,393
Services	12,875	12,892
Other operations	626	544
Evonik	**36,573**	**34,351**

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 2016.

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.

Based on current market trends in our Nutrition & Care, Resource Efficiency, and Performance Materials segments, overall we see fewer opportunities and less risk potential for this year than in our assessment at the end of 2016. While Evonik therefore still considers that it is exposed to more risks than opportunities, the opportunities and risks are more balanced. There are still no risks that could jeopardize the continued existence of the Evonik Group or major individual companies.

5. Events after the reporting date

See Note 8.4 "Events after the reporting date".

6. Expected development

The **global economy** will probably continue its moderate upswing in the remainder of the year. Global growth will therefore develop slightly better than anticipated at the start of the year. The economic upturn in certain developed economies is still being supported by rising employment, an increase in new orders, the good sentiment in the corporate sector, and a higher level of investment activity.

The emerging markets will benefit particularly from the recovery of raw material prices. The economic recovery in Russia and Brazil should therefore continue, albeit at a relatively low level. We predict that growth will be high in China, but that growth rates will continue to decline slightly.

The projection for the global economy is still marked by uncertainty. In particular, it could be influenced by central bank action and geopolitical conflicts. By contrast, the uncertainty about economic policy resulting from the UK's decision to leave the European Union has not yet had any noticeably negative effects on the real economy.

Overall, we expect global economic growth to be slightly stronger in 2017. Our forecast is based on the following assumptions:

- Global growth of 2.9 percent (previously: 2.6 percent)
- Euro/US dollar exchange rate: US$1.13 (previously US$1.10)
- Internal raw material cost index perceptibly higher than in the prior year

Sales and earnings

Following the acquisition of the Air Products specialty additives business on January 3, 2017, our forecast is for the Evonik Group including these business activities. Since the acquisition of Huber's silica business was successfully completed on September 1, 2017, this business is now included in our forecast on a pro rata basis for four months.

We are specifying our outlook for 2017 as follows: We now assume significantly higher **sales** (previously higher sales; 2016: €12.7 billion). Thanks to our strong market positions, balanced portfolio and concentration on high-growth businesses, we assume continued high demand for our products and perceptible volume growth. We now expect the development of average selling prices across our entire product portfolio to be slightly positive (previously: stable).

In view of the good earnings performance in the first nine months and our expectations for the fourth quarter of 2017, we are now specifying our outlook for **adjusted EBITDA** as follows: We are confident that adjusted EBITDA will be in the upper half of the anticipated range of between €2.2 billion and €2.4 billion (2016: €2.165 billion).

In the majority of businesses in the Nutrition & Care segment the earnings trend will be stable or slightly positive compared with the previous year. Moreover, the Air Products activities allocated to this segment should make a positive contribution to earnings. We anticipate lower average annual selling prices for essential amino acids for animal nutrition following their previously high level, especially at the start of 2016. Overall, we therefore assume that earnings in the Nutrition & Care segment will be lower than in the previous year.

We expect a considerable rise in earnings in the Resource Efficiency segment in 2017 after the very successful business performance in 2016. The Air Products and Huber activities allocated to this segment should contribute to this, and a good business performance is also expected in most of the other businesses.

We expect the Performance Materials segment to report considerably higher earnings, driven by a year-on-year improvement in the supply/demand situation for key products and steps taken to raise efficiency. Contrary to our previous assumption that the market would normalize during 2017, we now expect the supply/demand situation in the remaining three months of the year to be favorable, especially for our methacrylates business.

The earnings impact of higher raw material prices on individual businesses will vary, but should largely balance out across the portfolio as a whole.

In 2017, the return on capital employed (**ROCE**) should again be above the cost of capital (10.0 percent before taxes). Nevertheless, it will be perceptibly lower than in 2016 (14.0 percent) as a consequence of the substantial acquisition-driven rise in capital employed.

Financing and investments

We expect **capital expenditures,** including those for the Air Products specialty additives business and the pro rata expenditures for construction of the world-scale facility for feed additives in Singapore, to be around €1.0 billion. Total capital expenditures should therefore be around the 2016 level (€0.96 billion).

The **free cash flow** is expected to be clearly positive again, but will fall considerably short of the high level reported for 2016 (€0.8 billion), which benefited, in particular, from high inflows from the optimization of net working capital.

This report contains forward-looking statements based on the present expectations, assumptions, and forecasts made by the Executive Board and the information available to it. These forward-looking statements do not constitute a guarantee of future developments and earnings expectations. Future performance and developments depend on a wide variety of factors which contain a number of risks and unforeseeable factors and are based on assumptions that may prove incorrect.

Consolidated interim financial statements as of September 30, 2017

Income statement

Income statement for the Evonik Group

	3rd quarter		1st nine months	
in € million	**2017**	2016	**2017**	2016
Sales	3,556	3,164	10,852	9,527
Cost of sales	−2,425	−2,106	−7,411	−6,297
Gross profit on sales	**1,131**	**1,058**	**3,441**	**3,230**
Selling expenses	−417	−369	−1,258	−1,108
Research and development expenses	−112	−109	−332	−321
General administrative expenses	−175	−175	−531	−504
Other operating income	55	39	171	174
Other operating expense	−92	−63	−439	−336
Result from investments recognized at equity	2	–	7	−18
Income before financial result and income taxes, continuing operations	**392**	**381**	**1,059**	**1,117**
Interest income	8	7	41	36
Interest expense	−62	−65	−176	−175
Other financial income/expense	−17	3	−17	−44
Financial result	**−71**	**−55**	**−152**	**−183**
Income before income taxes, continuing operations	**321**	**326**	**907**	**934**
Income taxes	−98	−100	−283	−297
Income after taxes, continuing operations	**223**	**226**	**624**	**637**
Income after taxes, discontinued operations	2	1	4	1
Income after taxes	**225**	**227**	**628**	**638**
thereof attributable to				
Non-controlling interests	5	4	14	10
Shareholders of Evonik Industries AG (net income)	220	223	614	628
Earnings per share in € (basic and diluted)	**0.47**	**0.48**	**1.32**	**1.35**

Statement of comprehensive income

Statement of comprehensive income for the Evonik Group

in € million	3rd quarter 2017	3rd quarter 2016	1st nine months 2017	1st nine months 2016
Income after taxes	**225**	**227**	**628**	**638**
Gains/losses on available-for-sale securities	28	12	40	12
Gains/losses on hedging instruments	55	15	16	115
Currency translation adjustment	−152	−53	−495	−42
Attributable to the equity method (after income taxes)	–	–	–	1
Deferred taxes	−23	−5	−31	−28
Comprehensive income that will be reclassified subsequently to profit or loss	**−92**	**−31**	**−470**	**58**
Remeasurement of the net defined benefit liability for defined benefit pension plans	42	99	125	−1,646
Deferred taxes	−12	−31	−18	495
Comprehensive income that will not be reclassified subsequently to profit or loss	**30**	**68**	**107**	**−1,151**
Other comprehensive income after taxes	**−62**	**37**	**−363**	**−1,093**
Total comprehensive income	**163**	**264**	**265**	**−455**
thereof attributable to				
Non-controlling interests	2	4	8	12
Shareholders of Evonik Industries AG	161	260	257	−467
Total comprehensive income attributable to shareholders of Evonik Industries AG	**161**	**260**	**257**	**−467**
thereof attributable to				
Continuing operations	159	259	253	−468
Discontinued operations	2	1	4	1

Balance sheet

Balance sheet for the Evonik Group

in € million	Sept. 30, 2017	Dec. 31, 2016
Intangible assets	6,160	3,312
Property, plant and equipment	6,268	6,041
Investments recognized at equity	48	43
Financial assets	340	213
Deferred taxes	1,133	1,162
Other income tax assets	9	8
Other receivables	68	58
Non-current assets	**14,026**	**10,837**
Inventories	1,969	1,679
Other income tax assets	238	228
Trade accounts receivable	1,870	1,661
Other receivables	355	300
Financial assets	175	317
Cash and cash equivalents	823	4,623
Current assets	**5,430**	**8,808**
Total assets	**19,456**	**19,645**

in € million	Sept. 30, 2017	Dec. 31, 2016
Issued capital	466	466
Capital reserve	1,167	1,166
Accumulated income	5,903	5,716
Treasury shares	-	-
Accumulated other comprehensive income	-157	310
Equity attributable to shareholders of Evonik Industries AG	**7,379**	**7,658**
Equity attributable to non-controlling interests	87	92
Equity	**7,466**	**7,750**
Provisions for pensions and other post-employment benefits	3,593	3,852
Other provisions	838	817
Deferred taxes	551	453
Other income tax liabilities	195	173
Financial liabilities	3,715	3,334
Other payables	49	71
Non-current liabilities	**8,941**	**8,700**
Other provisions	902	1,035
Other income tax liabilities	121	83
Financial liabilities	342	401
Trade accounts payable	1,242	1,212
Other payables	442	464
Current liabilities	**3,049**	**3,195**
Total equity and liabilities	**19,456**	**19,645**

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 January 1, 2016	**466**	**1,166**	**5,821**	**–**	**40**	**7,493**	**83**	**7,576**
Capital increases/decreases	–	–	–	–	–	–	4	4
Dividend distribution	–	–	–536	–	–	–536	–9	–545
Purchase of treasury shares	–	–	–	–15	–	–15	–	–15
Share-based payment	–	3	–	–	–	3	–	3
Sale of treasury shares	–	–3	–	15	–	12	–	12
Income after taxes	–	–	628	–	–	628	10	638
Other comprehensive income after taxes	–	–	–1,151	–	56	–1,095	2	–1,093
Total comprehensive income	–	–	–523	–	56	–467	12	–455
Other changes	–	–	3	–	–2	1	–	1
As of September 30, 2016	**466**	**1,166**	**4,765**	**–**	**94**	**6,491**	**90**	**6,581**
As of January 1, 2017	**466**	**1,166**	**5,716**	**–**	**310**	**7,658**	**92**	**7,750**
Dividend distribution	–	–	–536	–	–	–536	–13	–549
Purchase of treasury shares	–	–	–	–19	–	–19	–	–19
Share-based payment	–	5	–	–	–	5	–	5
Sale of treasury shares	–	–4	–	19	–	15	–	15
Income after taxes	–	–	614	–	–	614	14	628
Other comprehensive income after taxes	–	–	107	–	–464	–357	–6	–363
Total comprehensive income	–	–	721	–	–464	257	8	265
Other changes	–	–	2	–	–3	–1	–	–1
As of September 30, 2017	**466**	**1,167**	**5,903**	**–**	**–157**	**7,379**	**87**	**7,466**

Cash flow statement

Cash flow statement for the Evonik Group

in € million	3rd quarter 2017	3rd quarter 2016	1st nine months 2017	1st nine months 2016
Income before financial result and income taxes, continuing operations	392	381	1,059	1,117
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	213	178	626	537
Result from investments recognized at equity	−2	–	−7	18
Gains/losses on the disposal of non-current assets	−3	−1	−2	−1
Change in inventories	−13	−3	−15	112
Change in trade accounts receivable	95	43	−105	103
Change in trade accounts payable and current advance payments received from customers	46	46	12	−108
Change in provisions for pensions and other post-employment benefits	−59	−58	−155	−125
Change in other provisions	90	90	−85	−160
Change in miscellaneous assets/liabilities	64	−6	42	80
Cash outflows for interest	−25	−28	−86	−88
Cash inflows from interest	7	5	35	33
Cash inflows from dividends	–	3	5	7
Cash inflows/outflows for income taxes	−78	−141	−291	−390
Cash flow from operating activities	**727**	**509**	**1,033**	**1,135**
Cash outflows for investments in intangible assets, property, plant and equipment	−242	−220	−683	−610
Cash outflows for investments in subsidiaries	−536	−44	−4,116	−96
Cash outflows for investments in other shareholdings	−5	−4	−7	−39
Cash inflows from divestments of intangible assets, property, plant and equipment	6	15	10	19
Cash inflows/outflows from divestment of shareholdings	2	1	−10	1
Cash inflows/outflows relating to securities, deposits, and loans	−10	−8	10	235
Transfers to the pension trust fund (CTA)	–	–	−23	−14
Cash flow from investing activities	**−785**	**−260**	**−4,819**	**−504**
Cash inflows/outflows relating to capital contributions	–	–	–	4
Cash outflows for dividends to shareholders of Evonik Industries AG	–	–	−536	−536
Cash outflows for dividends to non-controlling interests	−2	−1	−13	−9
Cash outflows for the purchase of treasury shares	–	–	−19	−15
Cash inflows from the sale of treasury shares	–	–	20	15
Cash inflows from the addition of financial liabilities	447	1,974	643	2,063
Cash outflows for repayment of financial liabilities	−74	−31	−159	−98
Cash inflows/outflows in connection with financial transactions	−1	−9	64	−79
Cash flow from financing activities	**370**	**1,933**	**–**	**1,345**
Change in cash and cash equivalents	**312**	**2,182**	**−3,786**	**1,976**
Cash and cash equivalents as of July 1/January 1	**517**	**2,156**	**4,623**	**2,368**
Change in cash and cash equivalents	312	2,182	−3,786	1,976
Changes in exchange rates and other changes in cash and cash equivalents	−6	2	−14	−4
Cash and cash equivalents as on the balance sheet as of September 30	**823**	**4,340**	**823**	**4,340**

Prior-year figures restated.

Notes

1. Segment report

Segment report by operating segments—3rd quarter

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2017**	2016	**2017**	2016	**2017**	2016
External sales	1,101	1,066	1,359	1,117	919	797
Internal sales	7	8	9	8	39	30
Total sales	1,108	1,074	1,368	1,125	958	827
Adjusted EBITDA	184	239	312	262	174	104
Adjusted EBITDA margin in %	16.7	22.4	23.0	23.5	18.9	13.0
Adjusted EBIT	113	182	244	205	135	70
Capital expenditures	91	59	79	68	35	42
Financial investments	–	44	547	1	–	5

Segment report by regions—3rd quarter

	Germany		Other European Countries		North America	
in € million	**2017**	2016	**2017**	2016	**2017**	2016
External sales	648	627	1,099	926	765	621
Capital expenditures	106	109	14	15	50	54

	Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	172	173	5	11	–	–	**3,556**	3,164
	516	473	2	10	−573	−529	**–**	–
	688	646	7	21	−573	−529	**3,556**	3,164
	46	50	−23	−21	−54	−56	**639**	578
	26.7	28.9	–	–	–	–	**18.0**	18.3
	15	21	−27	−24	−58	−58	**422**	396
	27	41	3	6	1	1	**236**	217
	1	3	–	–	2	–	**550**	53

	Central and South America		Asia-Pacific		Middle East, Africa		**Total Group (continuing operations)**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	191	201	748	683	105	106	**3,556**	3,164
	2	9	64	30	–	–	**236**	217

Segment report by operating segments—1st nine months

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2017**	2016	**2017**	2016	**2017**	2016
External sales	3,376	3,223	4,118	3,392	2,807	2,399
Internal sales	21	24	34	30	143	80
Total sales	3,397	3,247	4,152	3,422	2,950	2,479
Adjusted EBITDA	569	796	941	788	502	273
Adjusted EBITDA margin in %	16.9	24.7	22.9	23.2	17.9	11.4
Adjusted EBIT	368	634	734	619	391	170
Capital expenditures	245	162	215	180	103	107
Financial investments	1,836	111	2,303	15	3	14
No. of employees as of September 30	8,660	7,550	9,954	8,879	4,458	4,421

Segment report by regions—1st nine months

	Germany		Other European Countries		North America	
in € million	**2017**	2016	**2017**	2016	**2017**	2016
External sales	2,005	1,820	3,326	2,919	2,361	1,854
Goodwill as of September 30[a]	1,605	1,544	817	578	1,904	386
Other intangible assets, property, plant and equipment as of September 30[a]	3,397	2,871	689	565	1,837	1,114
Capital expenditures	307	278	45	49	148	162
No. of employees as of September 30	22,112	21,792	3,004	2,724	4,870	3,913

[a] Non-current assets according to IFRS 8.33 b.

	Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	538	503	13	10	–	–	**10,852**	9,527
	1,539	1,438	17	30	−1,754	−1,602	**–**	–
	2,077	1,941	30	40	−1,754	−1,602	**10,852**	9,527
	122	119	−71	−80	−177	−168	**1,886**	1,728
	22.7	23.7	–	–	–	–	**17.4**	18.1
	29	32	−81	−89	−184	−175	**1,257**	1,191
	82	126	9	13	3	1	**657**	589
	2	4	–	1	3	–	**4,147**	145
	12,875	12,896	261	209	365	322	**36,573**	34,277

	Central and South America		Asia-Pacific		Middle East, Africa		**Total Group (continuing operations)**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	561	587	2,271	2,036	328	311	**10,852**	9,527
	30	32	300	285	–	–	**4,656**	2,825
	195	213	1,645	1,507	8	9	**7,771**	6,279
	7	21	149	78	1	1	**657**	589
	815	728	5,577	4,939	195	181	**36,573**	34,277

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 September 30, 2017 have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting and in application of Section 315a 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 September 30, 2017 are presented in euros. The reporting period is January 1 to September 30, 2017. 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, 2016, which should be referred to for further information.

3. Accounting policies

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, 2016, with the exception of the following two changes:

In the cash flow statement, all effects from currency hedging transactions were previously included in the cash flow from operating activities, with the exception of the effects of currency hedging in connection with acquisition projects. The effects of these transactions were included in the cash flow from investing activities if they related to currency hedging of the purchase price to be paid, and in the cash flow from financing activities if they related to hedging of acquisition-related intragroup financing. From fiscal 2017, all financing-related cash flow effects from currency hedging—including those unrelated to acquisitions—are included in the cash flow from financing activities. This change leads to consistent treatment of the financing-related cash flow effects of currency hedging. Moreover, it is in keeping with the differentiated allocation of income and expenses from currency translation and currency hedging introduced in 2015. Since then, these have been recognized in income before financial result and income taxes (which is the starting point for the indirect method of calculating the cash flow from operating activities) if they relate to the operating business, and in the financial result if they relate to financing-related processes. The comparative figures for the prior-year period have been restated accordingly.

The joint operation StoHaas Monomer GmbH & Co. KG, Marl (Germany), together with its wholly owned subsidiaries, was previously recognized on the basis of the target output quota for the partners, which Evonik estimated to be constant. The assumption of a constant output quota can no longer be upheld. However, amounts above or below this quota are still offset between the partners via a fixed compensation mechanism, so switching to the method of recognizing Evonik's share of the assets, liabilities, income, and expenses of this joint operation on the basis of its share of the ownership interest in this company, which is also permitted, gives more reliable and more relevant information. Switching from recognition on the basis of the output quota to the share of the ownership interest in this joint operation is a change of accounting policy as defined in IAS 8 and therefore has to be applied retrospectively. Since Evonik used an output quota of 50 percent as the basis for recognition of this joint operation in the previous year, and this corresponds to its share of the ownership interest, the change of accounting policy does not have any material impact on the prior-year figures. Consequently, the prior-year figures have not been restated.

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, 2016	**38**	**99**	**137**
Acquisitions	3	8	11
Other companies consolidated for the first time	2	–	2
Intragroup mergers	–1	–	–1
Other companies deconsolidated	–	–1	–1
As of September 30, 2017	**42**	**106**	**148**
Joint operations			
As of December 31, 2016	**3**	**2**	**5**
As of September 30, 2017	**3**	**2**	**5**
Investments recognized at equity			
As of December 31, 2016	**4**	**9**	**13**
Acquisitions	–	1	1
As of September 30, 2017	**4**	**10**	**14**
	49	**118**	**167**

4.2 Acquisitions and divestments

Acquisition of the specialty additives business of Air Products and Chemicals, Inc.

On January 3, 2017, Evonik acquired the specialty additives business (Performance Materials Division) of Air Products and Chemicals, Inc. (Air Products), Allentown (Pennsylvania, USA). The acquisition comprised asset deals, and the acquisition of all shares in six companies and 50 percent of the shares in one further company (share deals). The specialty additives business, which has around 1,100 employees at eleven production and development locations, has been integrated into the Nutrition & Care and Resource Efficiency segments.

The business acquired and Evonik's existing specialty additives business are a good fit, both regionally and in terms of their product ranges. In the core markets for coating and adhesive additives, high-quality additives for polyurethane foam, and specialty surfactants for industrial cleaners, they target the same customers, but with different and complementary products. The regional focus of the business acquired from Air Products is North America and Asia, while Evonik is mainly active on the European market. The acquisition mainly strengthens Evonik's position on the North American market, improving its ability to serve the increasingly global operations of its customers in the future.

Provisional purchase price allocation for the specialty additives business as of the acquisition date

in € million	Fair value recognized
Intangible assets	920
Property, plant and equipment	333
Investments recognized at equity	5
Non-current assets	**1,258**
Inventories	349
Trade accounts receivable	157
Other receivables	4
Cash and cash equivalents	11
Current assets	**521**
Total assets	**1,779**
Provisions for pensions and other post-employment benefits	11
Deferred taxes	52
Non-current liabilities	**63**
Other provisions	3
Other income tax liabilities	5
Trade accounts payable	56
Other payables	2
Current liabilities	**66**
Total liabilities	**129**
Provisional net assets	**1,650**
Provisional goodwill	1,862
Provisional purchase price pursuant to IFRS 3	**3,512**

The purchase price allocation for the specialty additives business has not yet been completed. Consequently, there may be changes to the allocation of the purchase price among the assets and liabilities acquired. This mainly refers to finalization of the revaluation of intangible assets, property, plant and equipment, inventories and deferred taxes. Intangible assets include acquired customer relationships, technologies, brands, and licenses. In the reporting period, intangible assets increased by €211 million, mainly because the valuation of customer relationships was revised. The fair value of property, plant and equipment declined by €86 million, principally as a result of new information on plant and machinery. Further, an additional €6 million was allocated to the purchase price for inventories. Deferred tax liabilities declined by €2 million.

Provisional purchase price for the acquisition of the specialty additives business

in € million	
Purchase price before purchase price adjustments and currency hedging effects	**3,647**
Provisional purchase price adjustments	–20
Currency hedging effects transferred to the assets acquired	–115
Provisional purchase price pursuant to IFRS 3	**3,512**
Financial assets from provisional purchase price adjustments not yet received	4
Cash and cash equivalents acquired	–11
Cash outflow as per cash flow statement	**3,505**

The purchase price, which was agreed in US dollars, was paid out of cash and cash equivalents, including the proceeds of the bond issue in September 2016.

Change in goodwill for the acquired specialty additives business

in € million	
Goodwill as of January 3, 2017, as stated in the quarterly financial report for Q1 2017	**1,999**
Effect of adjustment of the purchase price allocation	–137
Goodwill as of January 3, 2017, as per the latest status of the purchase price allocation	**1,862**
Currency translation	–201
Goodwill as of September 30, 2017	**1,661**

The provisional calculation of goodwill mainly comprises the expected future benefits of assets that were not individually identifiable or for which recognition is not permitted. These include cost synergies resulting from optimization of procurement, production, logistics, marketing, sales, and administration, and sales synergies due to joint innovation, extension of the customer base and product portfolios, and improved access to new markets. In addition, positive tax effects will result from the customary write-downs in connection with the asset deals.

The breakdown of the costs relating to the acquisition of the specialty additives business included in adjustments is as follows:

Costs relating to the acquisition of the specialty additives business

in € million	1st nine months 2017	Fiscal 2016
Acquisition costs (other operating expense)	4	27
Cost of integration/preparing integration (other operating expense)	24	11
Transaction taxes (other operating expense)	1	–
Financing costs (interest expense)	–	5
Currency hedging and financing costs (other financial income/expense)	–	24
	29	**67**

Bank charges of €4 million were accrued in fiscal 2016 in connection with the issuance of bonds. These are included in interest expense on a pro rata basis by applying the effective interest method over the tenor of each of the bonds.

Sales from the specialty additives business since the acquisition date totaled €731 million. Income also reflects additional expenses of €92 million resulting from the fact that the inventories acquired by Evonik and used in the reporting period have been subject to a fair value step-up in the course of the purchase price allocation. Further, income includes depreciation and amortization of assets newly recognized or revalued in the purchase price allocation. Overall, income after taxes was €12 million.

Evonik and Air Products concluded further agreements alongside the acquisition of the specialty additives business. These include a service agreement for a defined period. During this time Air Products will provide services such as IT, finance, accounting, and taxes, which will be billed monthly. Supply and leasing agreements and a rental agreement have also been concluded.

Further disclosures such as the amount of tax-deductible goodwill will be published when the necessary information is available.

Acquisition of Dr. Straetmans GmbH

On May 10, 2017, Evonik acquired all shares in Dr. Straetmans GmbH, Hamburg (Germany). This company specializes in developing and marketing alternative preservatives for the cosmetics industry. This acquisition complements Evonik's portfolio of specialties for the cosmetics business.

The company has been renamed Evonik Dr. Straetmans GmbH (Evonik Dr. Straetmans) and integrated into the Nutrition & Care segment.

Provisional purchase price allocation for Evonik Dr. Straetmans as of the acquisition date

in € million	Fair value recognized
Intangible assets	38
Property, plant and equipment	8
Non-current assets	**46**
Inventories	11
Trade accounts receivable	5
Other receivables	1
Cash and cash equivalents	4
Current assets	**21**
Total assets	**67**
Deferred taxes	13
Financial liabilities	4
Non-current liabilities	**17**
Other provisions	1
Other income tax liabilities	1
Trade accounts payable	2
Current liabilities	**4**
Total liabilities	**21**
Provisional net assets	**46**
Provisional goodwill	34
Provisional purchase price pursuant to IFRS 3	**80**

The first-time consolidation of Evonik Dr. Straetmans is based on a provisional purchase price allocation. In the reporting period, intangible assets increased by €6 million, mainly because the valuation of customer relationships was revised. Further, an additional €4 million of the purchase price was allocated to inventories. Deferred tax liabilities therefore increased by €3 million, and provisional goodwill was reduced by €7 million.

The purchase price was settled out of cash and cash equivalents. The provisional calculation of goodwill is not tax deductible and mainly comprises the expected future benefits of assets that were not individually identifiable or for which recognition is not permitted. These include expected synergies from backward integration of production and use of Evonik's global distribution network, as well as the workforce of Evonik Dr. Straetmans.

Transaction costs of €1 million relating to this acquisition have been recognized. In addition, the contract contains agreements that are classified as separate transactions and are not included in the purchase price in accordance with IFRS 3. A maximum of €4 million is tied to the retention of key personnel in the company and will be paid at the latest after three years. Personnel-related provisions have been recognized for this. A further amount of at most €4 million is tied to the attainment of specific objectives by key personnel and will be paid at the latest after three years. The level of personnel-related provisions required on the basis of the attainment of these objectives will be reviewed as of each reporting date. Additional expenses of €4 million resulted from the use of inventories acquired by Evonik, which were subject to a fair value step-up in the course of the purchase price allocation. The earnings effects of these items are contained in the income statement in other operating expense, and are included in the adjustments.

The contributions made by Evonik Dr. Straetmans to sales and earnings were not material relative to the Nutrition & Care segment as a whole, either since the date of acquisition or on a pro forma basis in the period since January 1, 2017.

Acquisition of the silica business of J. M. Huber Corporation

Evonik acquired the silica business of J. M. Huber Corporation (Huber), Atlanta (Georgia, USA), as of September 1, 2017. The acquisition comprised asset deals and the acquisition of all shares in four companies (share deals). The silica business, which has around 700 employees at six sites, has been integrated into the Resource Efficiency segment.

The acquisition complements the existing portfolio of silica products. So far, Evonik has focused mainly on industrial applications, for example, for the tire and coatings industries. The acquired silica business has a stronger alignment to the consumer goods sector, especially the dental market. It is also a good geographical fit with Evonik as it concentrates on the US, Chinese, and Indian markets.

Provisional purchase price allocation for the silica business as of the acquisition date

in € million	Fair value recognized
Intangible assets	207
Property, plant and equipment	132
Non-current assets	**339**
Inventories	22
Trade accounts receivable	37
Other receivables	4
Cash and cash equivalents	7
Current assets	**70**
Total assets	**409**
Provisions for pensions and other post-employment benefits	1
Other provisions	5
Deferred taxes	27
Non-current liabilities	**33**
Trade accounts payable	20
Other payables	2
Current liabilities	**22**
Total liabilities	**55**
Provisional net assets	**354**
Provisional goodwill	193
Provisional purchase price pursuant to IFRS 3	**547**

The purchase price allocation for the silica business has not yet been completed. Consequently, there may be changes to the allocation of the purchase price among the assets and liabilities acquired. Further, changes in the purchase price could result from finalization of the agreed purchase price adjustments, which mainly relate to net working capital, cash and cash equivalents, and liabilities as of the acquisition date. Intangible assets include acquired customer relationships, technologies, brands, and licenses.

Provisional purchase price for the acquisition of the silica business

in € million	
Purchase price before purchase price adjustments and currency hedging effects	**529**
Provisional purchase price adjustments	14
Currency hedging effects transferred to the assets acquired	4
Provisional purchase price pursuant to IFRS 3	**547**
Cash and cash equivalents acquired	–7
Transferred currency hedging effects that impacted cash flows in fiscal 2016	–4
Cash outflow as per cash flow statement	**536**

The purchase price, which was agreed in US dollars, was paid out of cash and cash equivalents, including the proceeds of a hybrid bond issued in July 2017.

Change in goodwill for the acquired silica business

in € million	
Goodwill as of September 1, 2017	**193**
Currency translation	1
Goodwill as of September 30, 2017	**194**

The provisional calculation of goodwill mainly comprises the expected future benefits of assets that were not individually identifiable or for which recognition is not permitted. It includes both cost synergies resulting from optimization of procurement, production, logistics, marketing, sales, and administration and sales synergies from the use of a common customer base and the broader portfolio of products and applications. In addition, positive tax effects result from the customary write-downs in connection with the asset deals.

The breakdown of the costs relating to the acquisition of the silica business included in adjustments is as follows:

Costs relating to the acquisition of the silica business

in € million	**1st nine months 2017**	Fiscal 2016
Acquisition costs (other operating expense)	1	8
Cost of integration/preparing integration (other operating expense)	4	–
Transaction taxes (other operating expense)	3	–
Currency hedging costs (other financial income/expense)	9	1
	17	**9**

An issuance discount and bank charges totaling €5 million were accrued in fiscal 2017 in connection with the issuance of the hybrid bond. These are included in interest expense on a pro rata basis by applying the effective interest method over an expected period of five years.

Sales from the silica business since the acquisition date totaled €22 million. Income also reflects additional expenses of €6 million resulting from the fact that the inventories acquired by Evonik and used in the reporting period have been subject to a fair value step-up in the course of the purchase price allocation. Further, income includes depreciation and amortization of assets newly recognized or revalued in the purchase price allocation. Overall, income after taxes was –€2 million.

Evonik and Huber concluded further agreements alongside the acquisition of the silica business. These include a service agreement for a defined period. During this time Huber will provide services such as IT, finance, accounting, taxes, HR, sales, and procurement, which will be billed monthly.

Further disclosures cannot be made as of the present status of the purchase price allocation; the details will be published when the necessary information is available (IFRS 3.B67(a)). As well as finalizing the revaluation of intangible assets, property, plant and equipment, inventories and deferred taxes, this also refers to information on the tax deductibility of goodwill.

If the acquisitions outlined above had been made on January 1, 2017, the sales presented on the income statement for the Evonik Group would have been €11,030 million (instead of €10,852 million), and income after taxes would have been €642 million (instead of €628 million). This is based on the assumption that the purchase price allocation as of January 1, 2017 would have resulted in the same adjustments to the carrying amounts.

There were no divestments in the reporting period.

5. Notes to the income statement

5.1 Other operating income

Other operating income

	3rd quarter		1st nine months	
in € million	**2017**	2016	**2017**	2016
Net income from operational currency hedging	6	–	19	–
Income from the reversal of provisions	2	4	13	50
Income from restructuring measures	3	8	6	18
Income from the disposal of assets	2	2	5	3
Other income	42	25	128	103
	55	**39**	**171**	**174**
thereof adjustments	6	10	11	70

The gross income and expense 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 net results are recognized in other operating income or other operating expense as appropriate.

The other income of €128 million (9M 2016: €103 million) comprises, among other things, income from non-core operations and income from insurance premiums and refunds.

5.2 Other operating expense

Other operating expense

	3rd quarter		1st nine months	
in € million	**2017**	2016	**2017**	2016
Net expenses for currency translation of operating monetary assets and liabilities	16	2	57	16
Expenses for restructuring measures	9	9	25	43
Expenses relating to the REACH Regulation	–	2	7	7
Impairment losses	12	9	14	14
Losses on the disposal of assets	2	1	4	3
Net expenses for operational currency hedging	–	7	–	13
Other expense	53	33	332	240
	92	**63**	**439**	**336**
thereof adjustments	37	25	211	127

The restructuring expenses of €25 million (9M 2016: €43 million) mainly relate to optimization of the administrative structure. This item also includes expenses that would by nature otherwise be included in other categories of other operating expense.

The other expense of €332 million (9M 2016: €240 million) comprises costs of €43 million in connection with the acquisition of the specialty additives business from Air Products, Huber's silica business, and Evonik Dr. Straetmans, and additional expenses of €102 million resulting from the fact that the inventories acquired by Evonik and used in the reporting period have been subject to a fair value step-up in the course of the purchase price allocation. Further, other expense contains expenses for insurance deductibles, outsourcing, environmental protection, and non-core operations.

5.3 Result from investments recognized at equity

In the previous year, this item contained an impairment loss of €17 million on an investment held by the Nutrition & Care segment, which was recognized in the adjustments.

5.4 Financial result

Interest income includes €17 million (9M 2016: €24 million) in connection with tax refunds in the first nine months of the year.

Other financial income/expense

	3rd quarter		1st nine months	
in € million	**2017**	2016	**2017**	2016
Net income/expense from currency translation of financing-related monetary assets and liabilities	3	11	−2	48
Net income/expense from financing-related currency hedging	−19	−7	−15	−90
Miscellaneous financial income	1	2	2	1
Miscellaneous financial expense	−2	−3	−2	−3
	−17	**3**	**−17**	**−44**

Gross income and expense 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 net income/expense from financing-related currency hedging. In the first nine months, this also included expenses of €9 million for currency hedging in connection with the acquisition of Huber's silica business. In the prior-year period, this item included expenses of €37 million relating to hedging of the purchase price of the Air Products specialty additives business.

6. Notes to the balance sheet

6.1 Equity and employee share program

In 2016, 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 has approved this share buy-back program, which relates to the share-based employee participation program (employee share program) Share.2017 launched by Evonik Industries AG in March 2017. The period during which eligible employees could acquire shares ended on March 24, 2017. The lock-up period for Evonik shares purchased or granted through the Share.2017 program ends on December 31, 2019.

Overall, Evonik Industries AG purchased 621,241 ordinary shares on the capital market at an average price of €30.02 per share. In April 2017, 564,408 of these ordinary shares (including 140,711 bonus shares) were transferred to participating employees on the basis of the share price and exchange rates prevailing on April 6, 2017. The remaining 56,833 ordinary shares were sold to third parties via the stock exchange by April 13, 2017.

As of September 30, 2017, Evonik therefore no longer held any treasury shares.

6.2 Financial liabilities

Evonik Industries AG issued a €500 million hybrid bond on the debt capital market for the first time on July 7, 2017. The formal tenor of the bond is 60 years, but Evonik has a first redemption right in 2022. The bond has a coupon of 2.125 percent p.a. and the issue price was 99.383 percent. Its purpose is to finance the acquisition of Huber's silica business.

7. Notes to the segment report

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

	3rd quarter		1st nine months	
in € million	**2017**	2016	**2017**	2016
Adjusted EBITDA, reporting segments	716	655	2,134	1,976
Adjusted EBITDA, other operations	−23	−21	−71	−80
Adjusted EBITDA, Corporate	−55	−56	−175	−167
Consolidation	1	–	−2	−1
Adjusted EBITDA, Corporate, consolidation	**−54**	**−56**	**−177**	**−168**
Adjusted EBITDA	**639**	**578**	**1,886**	**1,728**
Depreciation and amortization	−205	−175	−610	−526
Impairment losses/reversals of impairment losses	−13	−8	−22	−35
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	1	1	3	24
Depreciation and amortization	**−217**	**−182**	**−629**	**−537**
Adjusted EBIT	**422**	**396**	**1,257**	**1,191**
Adjustments	−30	−15	−198	−74
Financial result	−71	−55	−152	−183
Income before income taxes, continuing operations	**321**	**326**	**907**	**934**

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.

Carrying amounts and fair values of financial assets as of September 30, 2017

	Carrying amounts by valuation category				**Sept. 30, 2017**	
in € million	Available-for-sale	Loans and receivables	Held for trading	Not allocated to any category	Carrying amount	Fair value
Financial assets	**163**	**119**	**7**	**226**	**515**	**474**
Other investments[a]	153	–	–	–	153	112
Loans	–	71	–	–	71	71
Securities and similar claims	10	–	–	–	10	10
Receivables from derivatives	–	–	7	212	219	219
Other financial assets	–	48	–	14	62	62
Trade accounts receivable	**–**	**1,870**	**–**	**–**	**1,870**	**1,870**
Cash and cash equivalents	**–**	**823**	**–**	**–**	**823**	**823**
	163	**2,812**	**7**	**226**	**3,208**	**3,167**

[a] The fair value of other investments (€112 million) does not include investments of €41 million recognized at cost of acquisition as the fair value cannot be determined reliably.

Carrying amounts and fair values of financial assets as of December 31, 2016

	Carrying amounts by valuation category				Dec. 31, 2016	
in € million	Available-for-sale	Loans and receivables	Held for trading	Not allocated to any category	Carrying amount	Fair value
Financial assets	**122**	**104**	**14**	**290**	**530**	**492**
Other investments[a]	110	–	–	–	110	72
Loans	–	72	–	–	72	72
Securities and similar claims	12	–	–	–	12	12
Receivables from derivatives	–	–	14	285	299	299
Other financial assets	–	32	–	5	37	37
Trade accounts receivable	**–**	**1,661**	**–**	**–**	**1,661**	**1,661**
Cash and cash equivalents	**–**	**4,623**	**–**	**–**	**4,623**	**4,623**
	122	**6,388**	**14**	**290**	**6,814**	**6,776**

[a] The fair value of other investments (€72 million) does not include investments of €38 million recognized at cost of acquisition as the fair value cannot be determined reliably.

Carrying amounts and fair values of financial liabilities as of September 30, 2017

	Carrying amount by valuation category			Sept. 30, 2017	
in € million	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
Financial liabilities	**9**	**4,016**	**32**	**4,057**	**4,072**
Bonds	–	3,623	–	3,623	3,632
Liabilities to banks	–	343	–	343	349
Loans from non-banks	–	13	–	13	13
Liabilities from derivatives	9	–	32	41	41
Other financial liabilities	–	37	–	37	37
Trade accounts payable	**–**	**1,242**	**–**	**1,242**	**1,242**
	9	**5,258**	**32**	**5,299**	**5,314**

Carrying amounts and fair values of financial liabilities as of December 31, 2016

	Carrying amount by valuation category			Dec. 31, 2016	
in € million	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
Financial liabilities	**14**	**3,546**	**175**	**3,735**	**3,737**
Bonds	–	3,127	–	3,127	3,126
Liabilities to banks	–	375	–	375	378
Loans from non-banks	–	16	–	16	16
Liabilities from derivatives	14	–	174	188	188
Other financial liabilities	–	28	1	29	29
Trade accounts payable	**–**	**1,212**	**–**	**1,212**	**1,212**
	14	**4,758**	**175**	**4,947**	**4,949**

In accordance with IFRS 13, fair value measurement is based on a three-level hierarchy. Where available, the fair value is determined from the quoted prices for identical assets or liabilities in an active market (Level 1). If such data are not available, measurement based on directly or indirectly observable inputs is used (Level 2). In all other cases, valuation methods that are not based on observable market data are used (Level 3). Where input factors from different levels are used, the level applicable for the lowest material input factor is determined and the overall fair value is assigned to this level.

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 September 30, 2017

	Fair value based on			Sept. 30, 2017
	Publicly quoted market prices	Directly observable market-related prices	Individual valuation parameters	
in € million	(Level 1)	(Level 2)	(Level 3)	
Other investments	112	–	–	112
Securities and similar claims	10	–	–	10
Receivables from derivatives	–	219	–	219
Liabilities from derivatives	–	–41	–	–41

Financial instruments recognized at fair value as of December 31, 2016

	Fair value based on			Dec. 31, 2016
	Publicly quoted market prices	Directly observable market-related prices	Individual valuation parameters	
in € million	(Level 1)	(Level 2)	(Level 3)	
Other investments	72	–	–	72
Securities and similar claims	12	–	–	12
Receivables from derivatives	–	299	–	299
Liabilities from derivatives	–	–188	–	–188

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. There were no transfers between the levels of the fair value hierarchy in the reporting period.

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.

The other investments that are recognized on the balance sheet at amortized cost comprise investments in equity instruments for which there is no quoted price in an active market and whose fair values cannot be determined reliably in accordance with one of the three levels of the fair value hierarchy. There is no intention of selling these investments.

8.2 Related parties

There has not been any material change in related party transactions since December 31, 2016.

The dividend for fiscal 2016 was paid in the second quarter, after adoption of the resolution by the Annual Shareholders' Meeting on May 23, 2017. RAG-Stiftung, Essen (Germany), received €364 million.

8.3 Contingent receivables and liabilities

There has not been any material change in contingent receivables and liabilities since the consolidated financial statements as of December 31, 2016.

8.4 Events after the reporting date

No material events have occurred since the reporting date.

Essen, October 26, 2017

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, 2017 to September 30, 2017, which are part of the quarterly financial report pursuant to § (Article) 37w 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, October 27, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Eckhard Sprinkmeier	Antje Schlotter
German Public Auditor	German Public Auditor

Financial calendar

Financial calendar 2017/2018

Event	Date
Report on Q4 2017 and FY 2017	March 6, 2018
Interim report Q1 2018	May 8, 2018
Annual Shareholders' Meeting 2018	May 23, 2018
Interim report Q2 2018	August 2, 2018
Interim report Q3 2018	November 6, 2018

Credits

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

CONTACT
Communication
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