HALF YEAR FINANCIAL REPORT

2nd quarter 2019 | 1st half 2019

POWER TO CREATE

Robust first half in a difficult environment—Outlook confirmed

2nd quarter

- Sales down 3 percent due to a cyclical drop in demand; selling prices stable overall
- All segments posted higher earnings than in the first quarter
- Adjusted EBITDA was 8 percent lower than in the prior-year quarter at €566 million

1st half

- Volume-driven sales reduction of 1 percent
- Adjusted EBITDA declined 6 percent year-on-year to €1.1 billion
- Adjusted net income decreased to €476 million (-12 percent)
- Free cash flow increased significantly year-on-year to €95 million
- Outlook for 2019 confirmed: sales and adjusted EBITDA of the continuing operations at least stable

Key data for the Evonik Group

Key data for the Evonik Group[a]

	2nd quarter		1st half	
in € million	**2019**	2018	**2019**	2018
Sales	3,306	3,413	6,592	6,660
Adjusted EBITDA[b]	566	616	1,105	1,170
Adjusted EBITDA margin in %	17.1	18.0	16.8	17.6
Adjusted EBIT[c]	340	409	655	785
Income before financial result and income taxes, continuing operations (EBIT)	319	396	614	750
Net income	228	309	467	599
Adjusted net income	227	279	476	540
Earnings per share in €	0.49	0.66	1.00	1.29
Adjusted earnings per share in €	0.49	0.60	1.02	1.16
Cash flow from operating activities, continuing operations	118	248	452	472
Cash outflows for investments in intangible assets, property, plant and equipment[d]	-182	-252	-357	-426
Free cash flow[e]	-64	-4	95	46
Net financial debt as of June 30	–	–	-4,081	-3,478
No. of employees in the continuing operation as of June 30	–	–	32,369	32,728

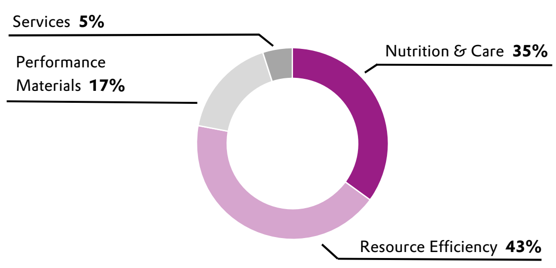
Prior-year figures restated.

[a] The methacrylates business has been reclassified to discontinued operations.
[b] Earnings before financial result, taxes, depreciation and amortization, after adjustments, continuing operations.
[c] Earnings before financial result and taxes, after adjustments, continuing operations.
[d] Investment in intangible assets, property, plant and equipment, continuing operations.
[e] Cash flow from operating activities, continuing operations, less cash outflows for investment in intangible assets, property, plant and equipment.

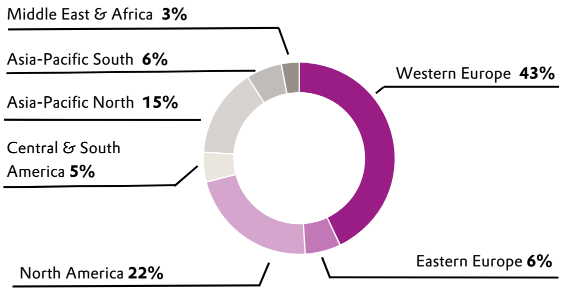
Due to rounding, some figures in this report may not add up exactly to the totals stated.

HALF YEAR FINANCIAL REPORT

Sales by segment—1st half



Sales by region[a]—1st half



[a] By location of customer.

Interim management report as of June 30, 2019

1. Business conditions and performance

1.1 Economic background

As expected, **global economic growth** slowed further in the first six months of 2019 as global trade, global industrial output, and capital expenditures weakened. The economic uncertainty caused by the trade dispute between the USA and China clearly had a negative effect. While production of capital goods and intermediates, especially in the automotive and coatings sectors were badly affected by this, consumer goods held up well.

The slowdown in industrial production was particularly pronounced in the developed economies. The economic situation in Europe and Japan was held back by declining order intake and lower output, along with weaker foreign trade. The German economy registered a downturn despite strong construction activity, the robustness of the service sector, and consumer spending. By contrast, economic output in the United States remained stable overall as a result of the robustness of the domestic economy and lower imports.

In the emerging markets, the pace of growth declined in the wake of lower demand from the industrialized countries, slower growth in China, the drop in raw material prices, and the cooling of global trade.

1.2 Business performance

Major events

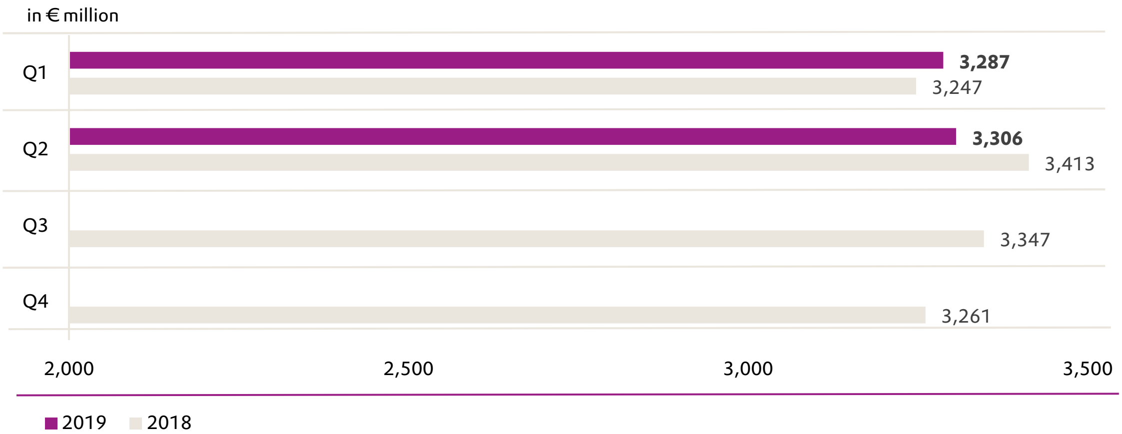
As part of the consistent implementation of our corporate strategy, on March 4, 2019 we signed an agreement to sell the methacrylates business to Advent International Corporation, Boston (Massachusetts, USA) for €3 billion.[1] The methacrylates business comprises large-volume monomers such as methylmethacrylate (MMA), various specialty monomers, and the PLEXIGLAS® brand of PMMA molding compounds and semi-finished products. The methacrylates business has been reclassified to discontinued operations. The prior-year figures in the income statement and cash flow statement, and the key performance indicators used for management purposes have been restated accordingly. Most of the methacrylates business was allocated to the Performance Materials segment, and a small part was allocated to the Resource Efficiency segment. The transaction will be closed as planned in the third quarter of 2019, following approval by the authorities in various countries.

Business performance in Q2 2019

The global economic downturn affected our performance in the second quarter. Some businesses registered a perceptible drop in volumes as a result of lower demand, especially from the automotive and coatings industries. In other, non-cyclical, businesses, by contrast, volumes developed positively. In most of our businesses, we were able to hold selling prices stable or raise them slightly. Despite the economic slowdown, all of the chemicals segments increased earnings compared with the first quarter of 2019 but fell short of the high level registered in the prior-year period.

[1] See note 4.2 to the consolidated financial statements.

Sales by quarter



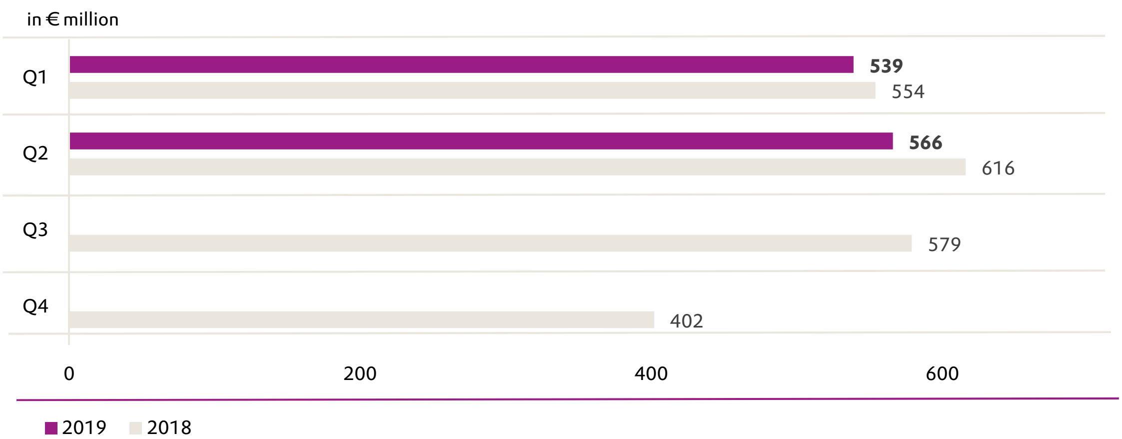
Prior-year figures restated.

The Evonik Group's **sales** declined by 3 percent to €3,306 million due to lower volumes and negative currency effects.

Year-on-year change in sales

in %	1st quarter 2019	2nd quarter 2019	1st half 2019
Volumes	–	-2	-1
Prices	1	–	–
Organic sales growth	**1**	**-2**	**-1**
Exchange rates	–	-1	–
Change in the scope of consolidation/other effects	–	–	–
Total	**1**	**-3**	**-1**

Adjusted EBITDA by quarter



Prior-year figures restated.

Adjusted EBITDA fell by 8 percent to €566 million. Downside factors were the cyclical drop in volumes in the Resource Efficiency segment, lower prices for amino acids in the Nutrition & Care segment, and start-up expenses for new production facilities that we have built to strengthen our global market positions. By contrast, positive effects on adjusted EBITDA came from the ongoing efficiency enhancement programs and initial application of IFRS 16 Leases[2].

The adjusted EBITDA margin fell from 18.0 percent in the prior-year quarter to 17.1 percent. As a result of initial application of IFRS 16 with effect from January 1, 2019, depreciation includes depreciation of right-of-use assets. Adjusted EBIT dropped 17 percent to €340 million.

Statement of income

	2nd quarter			1st half		
in € million	2019	2018	Change in %	2019	2018	Change in %
Sales	**3,306**	**3,413**	**-3**	**6,592**	**6,660**	**-1**
Adjusted EBITDA	**566**	**616**	**-8**	**1,105**	**1,170**	**-6**
Adjusted depreciation, amortization, and impairment losses	-226	-207		-450	-385	
Adjusted EBIT	**340**	**409**	**-17**	**655**	**785**	**-17**
Adjustments	-21	-13		-41	-35	
thereof attributable to						
Restructuring	*-8*	*-3*		*-12*	*-21*	
Impairment losses/reversals of impairment losses	*–*	*–*		*-13*	*7*	
Acquisition/divestment of shareholdings	*-4*	*-6*		*-8*	*-11*	
Other	*-9*	*-4*		*-8*	*-10*	
Income before financial result and income taxes, continuing operations (EBIT)	**319**	**396**	**-19**	**614**	**750**	**-18**
Financial result	-52	-47		-104	-94	
Income before income taxes, continuing operations	**267**	**349**	**-23**	**510**	**656**	**-22**
Income taxes	-74	-106		-101	-186	
Income after taxes, continuing operations	**193**	**243**	**-21**	**409**	**470**	**-13**
Income after taxes, discontinued operations	40	71		69	139	
Income after taxes	**233**	**314**	**-26**	**478**	**609**	**-22**
thereof attributable to non-controlling interests	5	5		11	10	
Net income	**228**	**309**	**-26**	**467**	**599**	**-22**
Earnings per share in €	**0.49**	**0.66**	**–**	**1.00**	**1.29**	**–**

Prior-year figures restated.

The **adjustments** of -€21 million include -€8 million relating to restructuring expenses, primarily for the SG&A 2020 program to reduce selling and administrative expenses. Further adjustments of -€4 million comprise project expenses for the planned acquisition of the US company PeroxyChem, Philadelphia (Pennsylvania, USA). The **financial result** was -€52 million, which was below the prior-year level due to higher interest expense resulting from initial application of IFRS 16. The adjusted financial result deteriorated by €5 million to -€51 million. **Income before income taxes, continuing operations,** was 23 percent lower at €267 million. The income tax rate for the continuing operations and the adjusted income tax rate were both 28 percent. Income after taxes, discontinued operations, contains the methacrylates business and declined from €71 million to €40 million.

Overall, the **net income** of the Evonik Group decreased by 26 percent to €228 million.

[2] See note 3.1 to the consolidated financial statements.

Adjusted net income dropped 19 percent to €227 million in the second quarter of 2019. **Adjusted earnings per share** fell from €0.60 to €0.49.

Reconciliation to adjusted net income

in € million	2nd quarter 2019	2nd quarter 2018	2nd quarter Change in %	1st half 2019	1st half 2018	1st half Change in %
Adjusted EBITDA	**566**	**616**	**-8**	**1,105**	**1,170**	**-6**
Adjusted depreciation, amortization, and impairment losses	-226	-207		-450	-385	
Adjusted EBIT	**340**	**409**	**-17**	**655**	**785**	**-17**
Adjusted financial result	-51	-46		-102	-93	
Amortization and impairment losses on intangible assets	33	41		64	74	
Adjusted income before income taxes[a]	**322**	**404**	**-20**	**617**	**766**	**-19**
Adjusted income taxes	-90	-120		-130	-216	
Adjusted income after taxes[a]	**232**	**284**	**-18**	**487**	**550**	**-11**
thereof adjusted income attributable to non-controlling interests	5	5		11	10	
Adjusted net income[a]	**227**	**279**	**-19**	**476**	**540**	**-12**
Adjusted earnings per share in €[a]	**0.49**	**0.60**	**–**	**1.02**	**1.16**	**–**

Prior-year figures restated.
[a] Continuing operations.

Business performance in H1 2019

Sales were down 1 percent at €6,592 million due to slightly lower volumes. As a result of the weaker second quarter, **adjusted EBITDA** was 6 percent below the prior-year level at €1,105 million. The adjusted EBITDA margin dropped from 17.6 percent in the first half of 2018 to 16.8 percent.

The **adjustments** of -€41 million mainly comprise impairment losses of €13 million on an investment in the Nutrition & Care segment. The restructuring expenses were incurred for the SG&A 2020 program to reduce selling and administrative expenses and the Oleo 2020 project to raise the efficiency of oleochemicals in the Nutrition & Care segment. Further adjustments of -€8 million mainly comprise project expenses for the planned acquisition of the US company PeroxyChem. The prior-year adjustments contained restructuring expenses in connection with the shutdown of a production site in Hungary. The **financial result** was -€104 million, which was below the prior-year level due to higher interest expense resulting from initial application of IFRS 16. The adjusted financial result declined by €9 million to -€102 million. **Income before income taxes, continuing operations,** contracted by 22 percent to €510 million. As a result of the remeasurement of deferred tax assets, the income tax rate on the continuing operations was 20 percent, and the adjusted income tax rate was 21 percent. Income after taxes, discontinued operations, contains the methacrylates business and declined significantly to €69 million.

Net income fell 22 percent to €467 million.

Adjusted net income declined by 12 percent to €476 million, while **adjusted earnings per share** dropped from €1.16 to €1.02.

1.3 Segment performance

Nutrition & Care segment

Key data for the Nutrition & Care segment

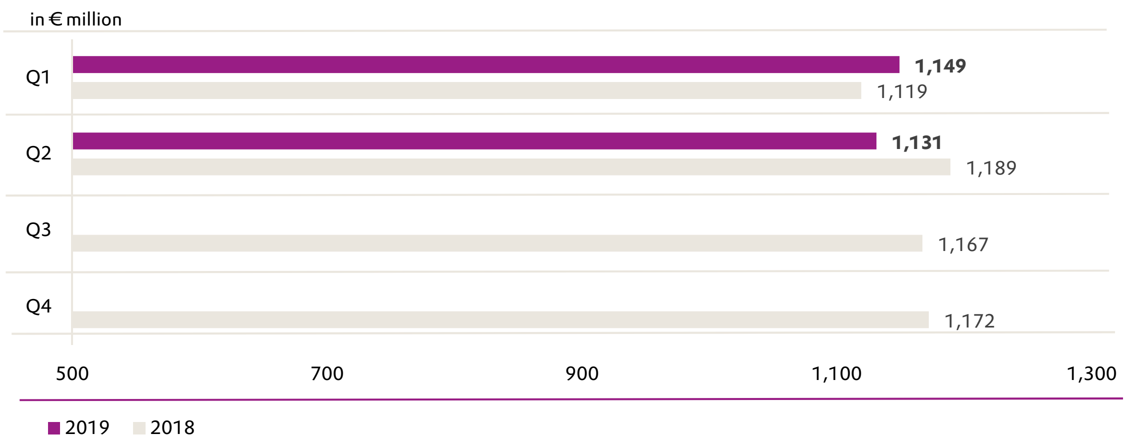
	2nd quarter			1st half		
in € million	2019	2018	Change in %	2019	2018	Change in %
External sales	1,131	1,189	-5	2,280	2,308	-1
Adjusted EBITDA	190	222	-14	370	432	-14
Adjusted EBITDA margin in %	16.8	18.7	–	16.2	18.7	–
Adjusted EBIT	117	149	-21	220	297	-26
Capital expenditures[a]	76	121	-37	119	247	-52
No. of employees as of June 30	–	–	–	8,135	8,239	-1

Prior-year figures restated.
[a] Capital expenditures for intangible assets, property, plant and equipment.

The Nutrition & Care segment reported a 5 percent drop in sales to €1,131 million in the **second quarter of 2019.** This was caused by lower selling prices and negative currency effects, while volumes were at the prior-year level.

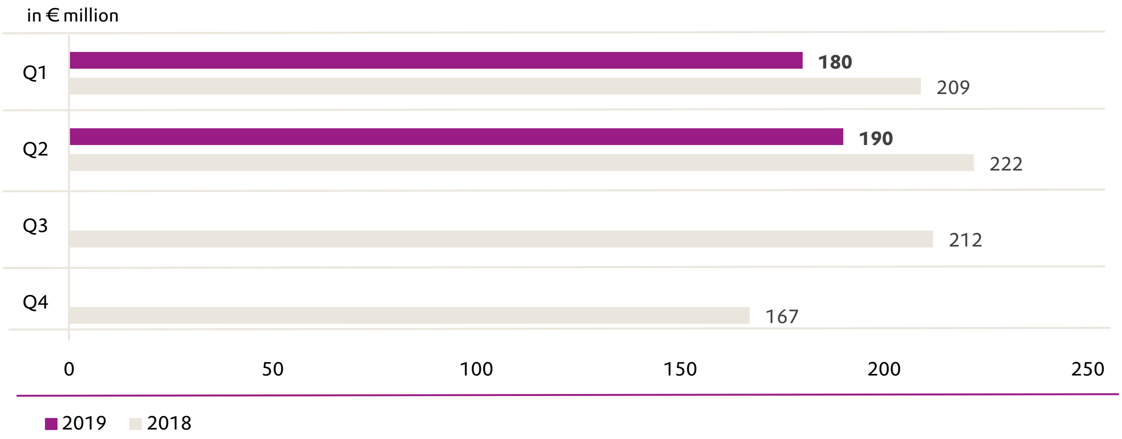
There was a significant drop in sales of essential amino acids for animal nutrition. High demand, especially for methionine, resulted in higher volumes, but selling prices continued to decline due to high availability of this product on the market. In the health care business, there was a substantial rise in sales compared with the first quarter of 2019. Sales were therefore on a par with the prior-year quarter. In the care solutions business, specialty applications posted a particularly favorable trend, while the more volume-intensive basic business declined as expected.

Sales Nutrition & Care segment



Adjusted EBITDA declined 14 percent to €190 million. This was mainly attributable to a reduction in selling prices and to start-up expenses for the new methionine facility in Singapore. The adjusted EBITDA margin was 16.8 percent, which was below the prior-year level.

Adjusted EBITDA Nutrition & Care segment



In the **first six months of 2019,** sales in the Nutrition & Care segment declined by 1 percent to €2,280 million. This was due to lower selling prices, whereas volumes rose. Adjusted EBITDA fell by 14 percent to €370 million, mainly as a result of lower prices. The adjusted EBITDA margin was 16.2 percent, down from 18.7 percent in the first half of 2018.

Resource Efficiency segment

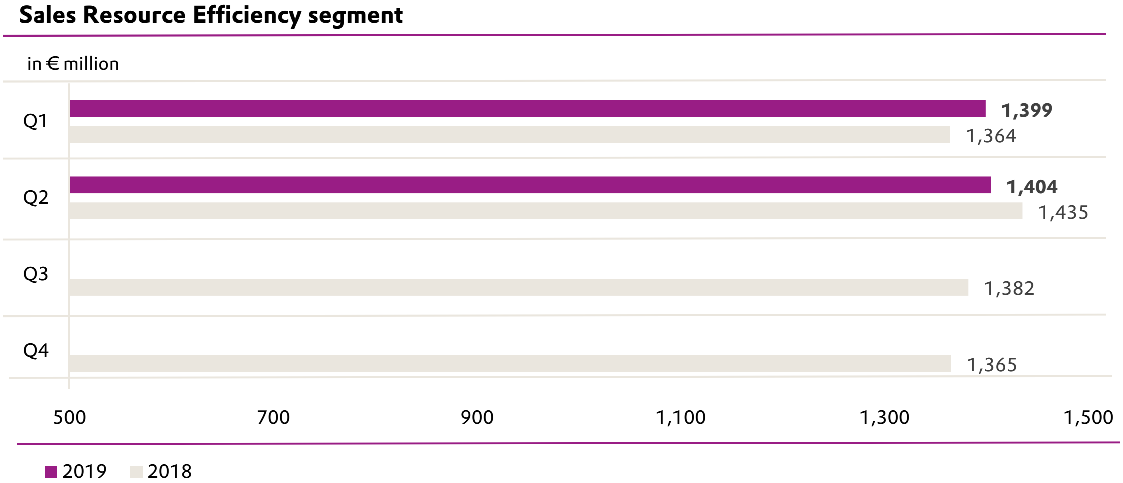
Key data for the Resource Efficiency segment

in € million	2nd quarter 2019	2nd quarter 2018	2nd quarter Change in %	1st half 2019	1st half 2018	1st half Change in %
External sales	1,404	1,435	-2	2,804	2,799	–
Adjusted EBITDA	325	358	-9	649	677	-4
Adjusted EBITDA margin in %	23.1	24.9	–	23.1	24.2	–
Adjusted EBIT	248	280	-11	496	531	-7
Capital expenditures[a]	64	71	-10	109	112	-3
No. of employees as of June 30	–	–	–	10,061	10,040	–

Prior-year figures restated.
[a] Capital expenditures for intangible assets, property, plant and equipment.

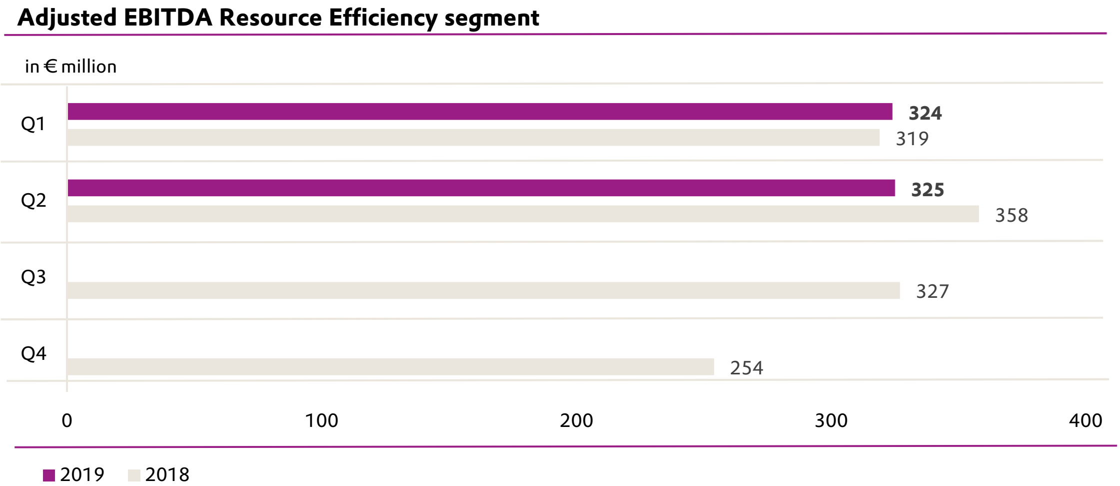
The difficult economic situation in the Resource Efficiency segment reduced sales by 2 percent to €1,404 million in the **second quarter of 2019.** This was caused by lower volumes, while selling prices were slightly higher.

Business with oil additives, coating additives, coating and adhesive resins, and silica was adversely affected by the economic downturn, especially in the automotive and coatings sectors. This mainly had an impact in Europe and Asia. By contrast, the business with high-performance polymers developed very well, with sales rising significantly thanks to higher demand and price rises. Crosslinkers also generated higher sales thanks to strong demand, especially for composites for the wind energy market.



Prior-year figures restated.

Adjusted EBITDA dropped 9 percent to €325 million, principally as a result of the economic downturn. The adjusted EBITDA margin was 23.1 percent, below the very high level in the prior-year quarter (24.9 percent).



Prior-year figures restated.

In the **first half of 2019,** sales in the Resource Efficiency segment were level with the prior-year period at €2,804 million. The effects of higher selling prices and lower volumes canceled each other out. Adjusted EBITDA was 4 percent below the very good prior-year level at €649 million. The adjusted EBITDA margin remained high at 23.1 percent (H1 2018: 24.2 percent).

Performance Materials segment

Key data for the Performance Materials segment

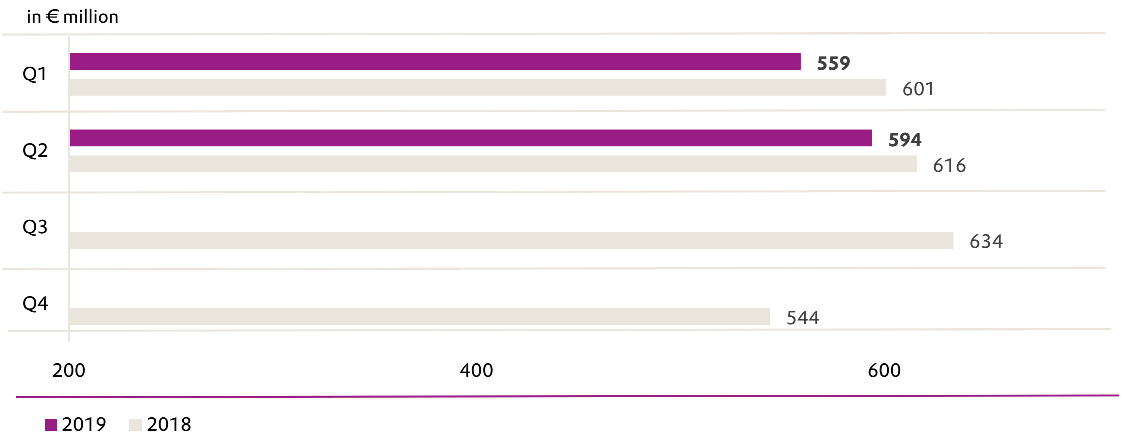
in € million	2nd quarter 2019	2nd quarter 2018	Change in %	1st half 2019	1st half 2018	Change in %
External sales	594	616	-4	1,152	1,217	-5
Adjusted EBITDA	76	79	-4	135	144	-6
Adjusted EBITDA margin in %	12.8	12.8	–	11.7	11.8	–
Adjusted EBIT	50	62	-19	84	112	-25
Capital expenditures[a]	12	10	20	23	19	21
No. of employees as of June 30	–	–	–	1,687	1,806	-7

Prior-year figures restated.
[a] Capital expenditures for intangible assets, property, plant and equipment.

In the **second quarter of 2019,** sales fell 4 percent to €594 million in the Performance Materials segment, due to lower volumes, a slight drop in prices, and negative currency effects.

The development of performance intermediates was impaired by low prices for oil/naphtha and a slight drop in selling prices. Sales decreased accordingly. Within the Functional Solutions unit, alkoxides posted a very pleasing performance. However, sales were lower than in the prior-year period, which still included sales generated by Evonik Jayhawk Fine Chemicals Corp, Galena (Kansas, USA), which was divested in November 2018.

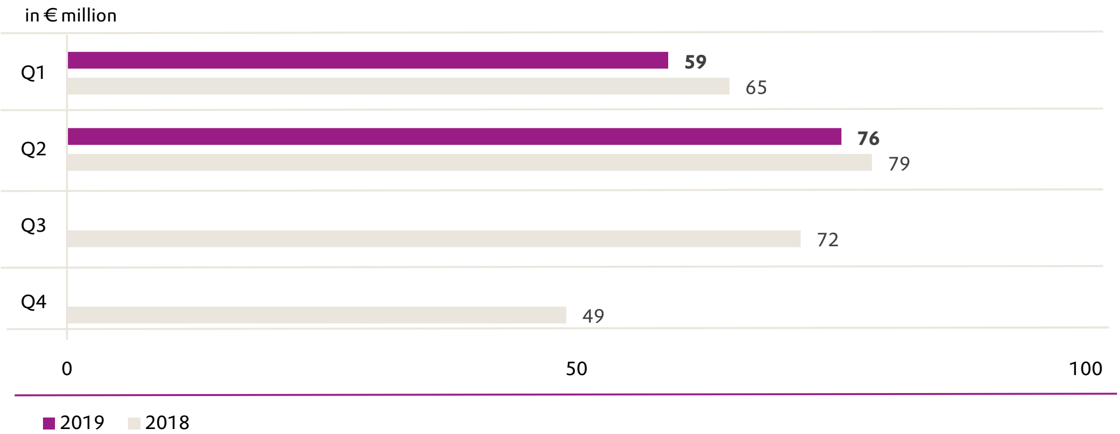
Sales Performance Materials segment



Prior-year figures restated.

Adjusted EBITDA declined 4 percent to €76 million. The adjusted EBITDA margin was 12.8 percent, as in the prior-year quarter.

Adjusted EBITDA Performance Materials segment



Prior-year figures restated.

In the **first six months of 2019,** sales in the Performance Materials segment fell 5 percent to €1,152 million. Adjusted EBITDA declined 6 percent to €135 million, and the adjusted EBITDA margin slipped slightly to 11.7 percent.

Services segment

Key data for the Services segment

in € million	2nd quarter 2019	2nd quarter 2018	2nd quarter Change in %	1st half 2019	1st half 2018	1st half Change in %
External sales	171	169	1	345	329	5
Adjusted EBITDA	36	25	44	67	60	12
Adjusted EBITDA margin in %	21.1	14.8	–	19.4	18.2	–
Adjusted EBIT	-7	-8	-13	-15	1	–
Capital expenditures[a]	32	28	14	54	44	23
No. of employees as of June 30	–	–	–	11,980	12,091	-1

Prior-year figures restated.
[a] Capital expenditures for intangible assets, property, plant and equipment.

Sales were around the prior-year level at €171 million in the second quarter of 2019 and rose 5 percent to €345 million in the first half of 2019. Adjusted EBITDA increased to €36 million in the second quarter of 2019 and to €67 million in the first half of 2019, partly as a result of higher earnings from utility and waste management services.

2. Earnings, financial and asset position

2.1 Earnings position

Sales decreased by 1 percent to €6,592 million in the first six months of 2019. By contrast, the cost of sales rose 2 percent to €4,643 million, partly due to the depreciation of right-of-use assets as a result of the application of IFRS 16 since the start of the year. The **gross profit on sales** fell 8 percent to €1,949 million. The success of our ongoing SG&A 2020 cost-cutting program made a significant contribution to the 1 percent reduction in selling expenses to €765 million and the 6 percent drop in general administrative expenses to €284 million. Research and development expenses were 1 percent lower at €208 million.

Other operating income rose 13 percent to €111 million. Other operating expense decreased by 4 percent to €184 million. The result from investments recognized at equity was -€5 million and contains an impairment loss on an investment in the Nutrition & Care segment.

Income before financial result and income taxes, continuing operations, was 18 percent lower at €614 million.

The **financial result** was -€104 million, below the prior-year figure of -€94 million as a result of the higher interest expense resulting from initial application of IFRS 16. Income taxes declined to €101 million as a consequence of the remeasurement of deferred tax assets. Income after taxes, discontinued operations, contains the methacrylates business and declined from €139 million to €69 million.

Overall, **net income** shrank by 22 percent to €467 million.

2.2 Financial and asset position

The **free cash flow** improved by €49 million to €95 million due to lower capital expenditures for property, plant and equipment. The cash flow from operating activities, continuing operations, was €452 million, €20 million below the prior-year level. Factors contributing to this decline were higher cash outflows for bonuses and income taxes. Positive factors were a lower rise in net working capital, reimbursement of pension payments by the CTA[3], and the initial application of IFRS 16.

Cash flow statement (excerpt)

	1st half	
in € million	**2019**	2018
Cash flow from operating activities, continuing operations	452	472
Cash outflows for investments in intangible assets, property, plant and equipment	-357	-426
Free cash flow	**95**	**46**
Cash flow from other investing activities, continuing operations	-12	-19
Cash flow from financing activities, continuing operations	-532	-605
Cash flow from discontinued operations	4	119
Change in cash and cash equivalents	-445	-459

Prior-year figures restated; for information on the change in the structure of the cash flow statement, please refer to note 3.2 in the consolidated financial statements.

[3] Contractual trust arrangement.

The cash flow from other investing activities, continuing operations, comprised an outflow of €12 million. The cash flow from financing operations, continuing operations, contains the dividend payment for 2018 (€536 million). The cash flows from discontinued operations related to the methacrylates business and amounted to €4 million.

Net financial debt increased to €4,081 million, which was €508 million more than at January 1, 2019. This rise resulted principally from cash outflows in the second quarter, for example, for the annual dividend and bonuses. The increase was reduced by the positive cash flow from operating activities.

Net financial debt

in € million	June 30, 2019	Jan. 1, 2019[a]	Dec. 31, 2018
Non-current financial liabilities[b]	-4,179	-4,228	-3,683
Current financial liabilities[b]	-458	-351	-230
Financial debt	**-4,637**	**-4,579**	**-3,913**
Cash and cash equivalents	529	988	988
Current securities	7	8	8
Other financial investments	20	10	10
Financial assets	**556**	**1,006**	**1,006**
Net financial debt	**-4,081**	**-3,573**	**-2,907**
Net financial debt, discontinued operations	-12	–	–
Net financial debt including discontinued operations	**-4,093**	**-3,573**	**-2,907**

[a] Adjustment due to initial application of IFRS 16 as of January 1, 2019: addition of lease liabilities totaling €666 million.
[b] Excluding derivatives, excluding the refund liability for rebate and bonus agreements, and excluding liabilities from exchange-type transactions with competitors.

In the first half of 2019, **capital expenditures for property, plant and equipment** were €310 million (H1 2018: €435 million).[4] As planned, the second production complex for methionine and strategically important precursors was officially taken into service in Singapore in June after a two-year construction phase. The new complex was modeled on the first facility at the same site. As an extension of this complex, there are synergies with the infrastructure created in 2014, the full backward integration of both facilities with their precursors, and joint operation of the plants. In Antwerp (Belgium), a new production complex for fumed silica was completed.

As of June 30, 2019, **total assets** were €21.1 billion, an increase of €0.8 billion compared with December 31, 2018 due to initial application of IFRS 16. Non-current assets were slightly lower than at year-end 2018 at €14.6 billion. The effects of the addition of right-of-use assets and capital expenditures on property, plant and equipment were basically offset by the reclassification of non-current assets relating to the methacrylates business to assets held for sale. Current assets increased by €0.9 billion to €6.5 billion. The reduction in cash and cash equivalents, principally as a result of dividend and bonus payments, was countered by the reclassification of non-current assets to assets held for sale.

Equity decreased by €0.4 billion to €7.5 billion, mainly as a result of the dividend payment. The equity ratio dropped from 38.6 percent to 35.4 percent.

[4] In principle, there is a slight timing difference in outflows for property, plant and equipment.

3. Employees

The Evonik Group had 35,809 employees as of June 30, 2019, including 3,440 in the discontinued operations. The headcount in the continuing operations declined by 254 to 32,369.

Employees by segment

	June 30, 2019	Dec. 31, 2018
Nutrition & Care	8,135	8,218
Resource Efficiency	10,061	10,085
Performance Materials	1,687	1,724
Services	11,980	12,091
Other operations	506	505
Continuing operations	**32,369**	**32,623**
Discontinued operations	3,440	3,420
Evonik	**35,809**	**36,043**

Prior-year figures restated.

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 2018.

In view of the increasing 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 a reduction in both opportunities and risks compared with our assessment at year-end 2018. Evonik therefore 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 2019 have deteriorated further since the start of the year. Overall, we now expect the global economy to grow by 2.7 percent year-on-year in 2019 (compared with our forecast of 2.9 percent at the start of the year).

Global trade, global industrial production, and capital expenditures are expected to remain weak. Together with the heightened economic uncertainty, that will continue to hold back the global economy. By contrast, the economic situation will be supported by the expansionary monetary and fiscal policy and by consumer spending, which remains intact.

In individual developed countries, economic growth will continue at a slower pace. In view of this, we expect growth to slow in the emerging markets, including China.

The projection for the global economy is affected by uncertainties. An escalation of the trade disputes with the United States could put an even more perceptible brake on global economic activity. Moreover, economic momentum in Europe could be dampened by a further rise in the already elevated political risks in the European Union, including Brexit. Finally, the development of the global economy could be below our expectations as a result of action by the central banks and geopolitical conflict.

Our forecast is based on the following assumptions:

- Global growth of 2.7 percent (until March 2019: 2.9 percent)
- Euro/US dollar exchange rate: US$1.15 (2018: US$1.18)
- Internal raw material cost index slightly lower than in the prior year

Sales and earnings

Following signature on March 4, 2019 of the agreement to sell the methacrylates business, in our quarterly statement on first quarter, we adjusted our outlook compared with the start of the year. Since then, the outlook has referred to Evonik's continuing operations and no longer includes the methacrylates business, which has been reclassified to discontinued operations. The earnings from the planned acquisition of the US company PeroxyChem are not yet included.

Despite the ongoing deterioration of the economic situation, we still anticipate that **sales** will be at least stable in 2019 (2018[5]: €13.3 billion). We also expect **adjusted EBITDA** to be at least stable (2018[5]: €2.150 billion).

We assume a continuation of the volume growth and positive earnings trend in the majority of businesses in the Nutrition & Care segment. With new production capacities coming on stream, we expect the annual average prices for essential amino acids for animal nutrition to be lower than in the previous year. To offset the impact on our earnings, in 2018 we embarked on a program to raise the efficiency of our animal nutrition business. In addition, earnings will be adversely affected by expenses for the start-up of our new methionine facility in Singapore, which started in mid-2019. Overall, earnings in the Nutrition & Care segment are expected to be slightly lower than in the previous year (2018: €810 million).

In 2019, the Resource Efficiency segment will continue to benefit from its good positioning in the respective markets and the trend to resource-efficient solutions. Although growth is expected to slow in some end-markets and regions, we expect earnings to be slightly higher than in the previous year (2018[5]: €1,258 million).

In the Performance Materials segment (without the methacrylates business), we assume that earnings will be fairly stable (2018[5]: €265 million). Operationally, we anticipate a slight downward trend in the C_4 chain, but we do not expect a recurrence of the downside impact of the low water level in the river Rhine.

The earnings impact of the anticipated slight reduction in raw material prices may affect the various businesses differently but should balance out across the portfolio as a whole.

In 2019, the return on capital employed (**ROCE**) should remain above the cost of capital (10.0 percent before taxes). However, it will be held back by an increase in capital employed as a result of initial application of IFRS 16.

[5] Continuing operations.

Financing and investments

We have adjusted our **capital expenditure** budget to reflect the more challenging economic conditions. We now expect capital expenditures to be around €900 million in 2019 (2018[6]: €969 million; previous assumption: €950 million). The budget for maintenance and growth investments is around €750 million. In addition, as a temporary effect, there will be additional cash expenditure for the construction of a fully backwardly integrated polyamide 12 plant in Marl (Germany).

We expect the **free cash flow** to improve significantly year-on-year in 2019 (2018[6]: €526 million). Positive effects will come from the first reimbursement of pension payments by the CTA, which will bring a substantial and lasting improvement in the free cash flow, and from lower cash outflows from net working capital than in 2018. Negative factors will be a normalization of tax payments, cash outflows for the SG&A 2020 efficiency enhancement program, and higher bonus payments as a result of the successful business performance in 2018. This outlook does not include expected one-time tax payments of around €260 million in connection with the carve-out of the methacrylates business.

Forecast for 2019

		Previous forecast incl. methacrylates business	New forecast excl. methacrylates business	
Forecast performance indicators	2018[a]	Forecast for 2019[a]	2018 continuing operations	Forecast for 2019 continuing operations
Group sales	€15.0 billion	Slightly lower to stable	€13.3 billion	At least stable
Adjusted EBITDA	€2.60 billion	Slightly lower to stable	€2.15 billion	At least stable
ROCE	12.1%	Above the cost of capital, slightly lower than in the prior year	10.2%	Above the cost of capital, around the prior-year level
Capital expenditures	€1.05 billion	Around €1.0 billion	€969 million	Around €900 million[b]
Free cash flow	€672 million	Significantly higher than in the prior year	€526 million	Significantly higher than in the prior year[c]

[a] As reported in the financial report 2018.
[b] Adjusted forecast, previously €950 million.
[c] Before expected tax payments relating to the carve-out of the methacrylates business.

[6] Continuing operations.

Consolidated interim financial statements as of June 30, 2019

Income statement

Income statement for the Evonik Group

	2nd quarter		1st half	
in € million	**2019**	2018	**2019**	2018
Sales	3,306	3,413	6,592	6,660
Cost of sales	-2,332	-2,309	-4,643	-4,541
Gross profit on sales	**974**	**1,104**	**1,949**	**2,119**
Selling expenses	-385	-397	-765	-771
Research and development expenses	-101	-109	-208	-210
General administrative expenses	-136	-148	-284	-301
Other operating income	56	61	111	98
Other operating expense	-94	-118	-184	-191
Result from investments recognized at equity	5	3	-5	6
Income before financial result and income taxes, continuing operations	**319**	**396**	**614**	**750**
Interest income	7	5	13	9
Interest expense	-55	-52	-110	-103
Other financial income/expense	-4	–	-7	–
Financial result	**-52**	**-47**	**-104**	**-94**
Income before income taxes, continuing operations	**267**	**349**	**510**	**656**
Income taxes	-74	-106	-101	-186
Income after taxes, continuing operations	**193**	**243**	**409**	**470**
Income after taxes, discontinued operations	40	71	69	139
Income after taxes	**233**	**314**	**478**	**609**
thereof attributable to				
Non-controlling interests	5	5	11	10
Shareholders of Evonik Industries AG (net income)	228	309	467	599
Earnings per share in € (basic and diluted)	**0.49**	**0.66**	**1.00**	**1.29**
thereof attributable to				
Continuing operations	0.40	0.51	0.85	0.99
Discontinued operations	0.09	0.15	0.15	0.30

Prior-year figures restated.

Statement of comprehensive income

Statement of comprehensive income for the Evonik Group

in € million	2nd quarter 2019	2nd quarter 2018	1st half 2019	1st half 2018
Income after taxes	**233**	**314**	**478**	**609**
Other comprehensive income from hedging instruments: designated risk components	30	-90	12	-84
Other comprehensive income from hedging instruments: cost of hedging	-2	–	-6	-16
Other comprehensive income from currency translation	-86	150	47	63
Other comprehensive income from investments recognized at equity (after income taxes)	1	–	1	–
Deferred taxes	-9	25	-2	29
Other comprehensive income that can be reclassified	**-66**	**85**	**52**	**-8**
Other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans	-372	-36	-668	-594
Other comprehensive income from equity instruments	1	4	4	-10
Deferred taxes from the remeasurement of the net defined benefit liability for defined benefit pension plans	228	10	324	188
Other comprehensive income that cannot be reclassified	**-143**	**-22**	**-340**	**-416**
Other comprehensive income after taxes	**-209**	**63**	**-288**	**-424**
Total comprehensive income	**24**	**377**	**190**	**185**
thereof attributable to				
Non-controlling interests	5	5	11	10
Shareholders of Evonik Industries AG	19	372	179	175

Prior-year figures restated.

Balance sheet

Balance sheet for the Evonik Group

in € million	June 30, 2019	Dec. 31, 2018
Intangible assets	5,828	6,134
Property, plant and equipment	6,287	6,785
Right-of-use assets	601	–
Investments recognized at equity	39	46
Other financial assets	234	233
Deferred taxes	1,568	1,419
Other income tax assets	12	16
Other assets	49	56
Non-current assets	**14,618**	**14,689**
Inventories	2,090	2,304
Trade accounts receivable	1,664	1,686
Other financial assets	88	140
Other income tax assets	194	180
Other assets	332	295
Cash and cash equivalents	529	988
	4,897	**5,593**
Assets held for sale	1,588	–
Current assets	**6,485**	**5,593**
Total assets	**21,103**	**20,282**

Issued capital	466	466
Capital reserve	1,167	1,167
Retained earnings including distributable profit	5,824	6,237
Other equity components	-85	-141
Equity attributable to shareholders of Evonik Industries AG	**7,372**	**7,729**
Equity attributable to non-controlling interests	96	96
Equity	**7,468**	**7,825**
Provisions for pensions and other post-employment benefits	3,804	3,732
Other provisions	800	855
Other financial liabilities	4,181	3,689
Deferred taxes	500	557
Other income tax liabilities	267	223
Other payables	73	47
Non-current liabilities	**9,625**	**9,103**
Other provisions	684	1,047
Trade accounts payable	1,336	1,493
Other financial liabilities	589	395
Other income tax liabilities	43	64
Other payables	422	355
	3,074	**3,354**
Liabilities associated with assets held for sale	936	–
Current liabilities	**4,010**	**3,354**
Total equity and liabilities	**21,103**	**20,282**

Statement of changes in equity

Statement of changes in equity for the Evonik Group

in € million	Issued capital	Capital reserve	Treasury shares	Retained earnings/ distributable profit	Other equity components	**Equity attributable to shareholders of Evonik Industries AG**	Equity attributable to non-controlling interests	**Total equity**
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**
As of December 31, 2018	**466**	**1,167**	**–**	**6,237**	**-141**	**7,729**	**96**	**7,825**
Changes pursuant to IAS 8	–	–	–	–	–	–	–	–
As of January 1, 2019	**466**	**1,167**	**–**	**6,237**	**-141**	**7,729**	**96**	**7,825**
Dividend distribution	–	–	–	-536	–	-536	-11	-547
Purchase of treasury shares	–	–	-17	–	–	-17	–	-17
Share-based payment	–	4	–	–	–	4	–	4
Sale of treasury shares	–	-4	17	–	–	13	–	13
Income after taxes	–	–	–	467	–	467	11	478
Other comprehensive income after taxes	–	–	–	-344	56	-288	–	-288
Total comprehensive income	–	–	–	123	56	179	11	190
Other changes	–	–	–	–	–	–	–	–
As of June 30, 2019[a]	**466**	**1,167**	**–**	**5,824**	**-85**	**7,372**	**96**	**7,468**

[a] €15 million of the other equity components as of June 30, 2019 relate to discontinued operations.

Cash flow statement

Cash flow statement for the Evonik Group

in € million	2nd quarter 2019	2nd quarter 2018	1st half 2019	1st half 2018
Income before financial result and income taxes, continuing operations	319	396	614	750
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	227	203	448	384
Result from investments recognized at equity	-5	-3	5	-5
Gains/losses on the disposal of non-current assets	–	2	-5	–
Change in inventories	-15	-62	-80	-180
Change in trade accounts receivable	40	-95	-126	-162
Change in trade accounts payable	6	47	33	-19
Change in provisions for pensions and other post-employment benefits	-12	-60	-35	-128
Change in other provisions	-367	-183	-343	-157
Change in miscellaneous assets/liabilities	-2	–	79	37
Cash inflows from dividends	5	5	7	7
Cash inflows/outflows for income taxes	-78	-2	-145	-55
Cash flow from operating activities, continuing operations	**118**	**248**	**452**	**472**
Cash flow from operating activities, discontinued operations	14	91	39	160
Cash flow from operating activities	**132**	**339**	**491**	**632**
Cash outflows for investments in intangible assets, property, plant and equipment	-182	-252	-357	-426
Cash outflows for investments in subsidiaries	–	–	–	-6
Cash outflows for investments in other shareholdings	-9	–	-19	-11
Cash inflows from divestments of intangible assets, property, plant and equipment	–	4	9	7
Cash inflows/outflows from divestment of shareholdings	-5	-1	-5	-1
Cash inflows/outflows relating to securities, deposits, and loans	–	-13	-13	-20
Cash inflows from interest	12	9	16	12
Cash flow from investing activities, continuing operations	**-184**	**-253**	**-369**	**-445**
Cash flow from investing activities, discontinued operations	-21	-19	-31	-39
Cash flow from investing activities	**-205**	**-272**	**-400**	**-484**
Cash inflows/outflows relating to capital contributions	1	–	1	–
Cash outflows for dividends to shareholders of Evonik Industries AG	-536	-536	-536	-536
Cash outflows for dividends to non-controlling interests	-5	-7	-10	-11
Cash outflows for the purchase of treasury shares	-6	-4	-17	-17
Cash inflows from the sale of treasury shares	13	13	13	13
Cash inflows from the addition of financial liabilities	172	-61	217	81
Cash outflows for repayment of financial liabilities	-72	-29	-153	-76
Cash inflows/outflows in connection with financial transactions	16	11	15	2
Cash outflows for interest	-44	-42	-62	-61
Cash flow from financing activities, continuing operations	**-461**	**-655**	**-532**	**-605**
Cash flow from financing activities, discontinued operations	-2	-1	-4	-2
Cash flow from financing activities	**-463**	**-656**	**-536**	**-607**
Change in cash and cash equivalents	**-536**	**-589**	**-445**	**-459**
Cash and cash equivalents as of April 1/January 1	**1,085**	**1,133**	**988**	**1,004**
Change in cash and cash equivalents	-536	-589	-445	-459
Changes in exchange rates and other changes in cash and cash equivalents	-9	-1	-3	-2
Cash and cash equivalents as of June 30	**540**	**543**	**540**	**543**
Cash and cash equivalents included in assets held for sale	-11	–	-11	–
Cash and cash equivalents as on the balance sheet as of June 30	**529**	**543**	**529**	**543**

Prior-year figures restated.

Notes to the consolidated financial statements

1. Segment report

Segment report by operating segments—2nd quarter

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales	1,131	1,189	1,404	1,435	594	616
Internal sales	9	8	15	12	24	29
Total sales	1,140	1,197	1,419	1,447	618	645
Adjusted EBITDA	190	222	325	358	76	79
Adjusted EBITDA margin in %	16.8	18.7	23.1	24.9	12.8	12.8
Adjusted EBIT	117	149	248	280	50	62
Capital expenditures[a]	76	121	64	71	12	10
Financial investments	–	–	–	–	–	–

Prior-year figures restated.
[a] For intangible assets, property, plant and equipment.

Segment report by regions—2nd quarter

	Western Europe		Eastern Europe		North America	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales[a]	1,405	1,471	212	210	728	753
Capital expenditures	111	91	4	1	28	51

Prior-year figures restated.
[a] External sales Western Europe: thereof Germany €567 million (Q2 2018: €598 million).

Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
171	169	6	4	–	–	3,306	3,413
484	511	9	6	-541	-566	–	–
655	680	15	10	-541	-566	3,306	3,413
36	25	-16	-22	-45	-46	566	616
21.1	14.8	–	–	–	–	17.1	18.0
-7	-8	-21	-25	-47	-49	340	409
32	28	1	10	1	–	186	240
2	1	–	–	–	–	2	1

Central & South America		Asia-Pacific North		Asia-Pacific South		Middle East & Africa		**Total Group (continuing operations)**	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
154	150	513	511	207	213	87	105	3,306	3,413
1	1	7	5	35	91	–	–	186	240

Segment report by operating segments—1st half

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales	2,280	2,308	2,804	2,799	1,152	1,217
Internal sales	17	17	31	23	50	59
Total sales	2,297	2,325	2,835	2,822	1,202	1,276
Adjusted EBITDA	370	432	649	677	135	144
Adjusted EBITDA margin in %	16.2	18.7	23.1	24.2	11.7	11.8
Adjusted EBIT	220	297	496	531	84	112
Capital expenditures[a]	119	247	109	112	23	19
Financial investments	13	6	8	–	–	–
No. of employees as of June 30	8,135	8,239	10,061	10,040	1,687	1,806

Prior-year figures restated.
[a] For intangible assets, property, plant and equipment.

Segment report by regions—1st half

	Western Europe		Eastern Europe		North America	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales[a]	2,843	2,923	414	401	1,460	1,431
Goodwill as of June 30[b]	2,268	2,276	50	50	1,905	1,860
Other intangible assets, property, plant and equipment, and right-of-use assets as of June 30[b]	4,296	3,830	35	24	1,916	1,856
Capital expenditures	193	153	7	1	50	83
No. of employees as of June 30	21,623	21,754	526	570	4,297	4,456

Prior-year figures restated.
[a] External sales Western Europe: thereof Germany €1,146 million (H1 2018: €1,184 million).
[b] Non-current assets according to IFRS 8.33 b.

	Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	345	329	11	7	–	–	6,592	6,660
	973	1,010	19	12	-1,090	-1,121	–	–
	1,318	1,339	30	19	-1,090	-1,121	6,592	6,660
	67	60	-28	-48	-88	-95	1,105	1,170
	19.4	18.2	–	–	–	–	16.8	17.6
	-15	1	-39	-55	-91	-101	655	785
	54	44	4	12	1	1	310	435
	4	6	–	–	–	–	25	12
	11,980	12,091	230	259	276	293	32,369	32,728

	Central & South America		Asia-Pacific North		Asia-Pacific South		Middle East & Africa		**Total Group (continuing operations)**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	299	291	955	989	422	417	199	208	6,592	6,660
	31	30	152	152	100	96	19	19	4,525	4,483
	157	151	605	646	1,176	992	6	6	8,191	7,505
	2	2	12	8	46	188	–	–	310	435
	671	677	3,239	3,315	1,861	1,790	152	166	32,369	32,728

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, 2019 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, 2019 are presented in euros. The reporting period is January 1 to June 30, 2019. 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, 2018, 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 used in the preparation of the consolidated interim financial statements are the same as those applied in the consolidated financial statements as of December 31, 2018, with the exception of the following changes.

Initial application of IFRS 16

Evonik applied IFRS 16 for the first time as of January 1, 2019. The modified retrospective method was used for initial application, so the prior-year figures have not been restated.

IFRS 16 specifies that lessees recognize all leases on the balance sheet at present value in the form of a right-of-use asset and a lease liability. The right-of-use asset is normally depreciated over the term of the lease and the lease liability is increased to reflect interest on the lease using the effective interest method and reduced to reflect lease payments. Consequently, lease expense is no longer recognized in the income statement. The right-of-use asset is subject to an impairment test pursuant to IAS 36 Impairment of Assets.

As of the date of initial application of IFRS 16, right-of-use assets totaling €662 million and a lease liability totaling €666 million were recognized. The following practical expedients were used. Leases formerly classified as operating leases in accordance with IAS 17 Leases were not reassessed to see whether they also meet the definition of a lease in IFRS 16. When determining the term of the lease, extension and termination options were reassessed. Initial direct costs were not included in the measurement of the right-of-use asset. Where the incremental borrowing rate was applied, uniform discount rates were used, taking into account the lease term and economic circumstances of the lease.

In addition, Evonik uses further practical expedients:

- Short-term leases and leases for low-value assets are not recognized on the balance sheet in accordance with IFRS 16; instead, lease expense is still recognized in the income statement (IFRS 16.5).
- For the following classes of assets, lease and non-lease components are combined (IFRS 16.15): power plants, ships, storage tanks.

The reconciliation from the off-balance-sheet lease obligation pursuant to IAS 17 as of December 31, 2018 and the lease liability recognized on the balance sheet pursuant to IFRS 16 as of January 1, 2019 is as follows:

Reconciliation of lease liabilities

in € million	Jan. 1, 2019
Lessee's lease obligation from operating leases as of December 31, 2018	747
Reassessment of lease terms and payments	-9
Application of the practical expedient to capitalize non-lease components	13
Other	2
Nominal value of lease liability as of January 1, 2019	**753**
Discounting	-87
Additional lease liability due to initial application of IFRS 16 as of January 1, 2019	**666**
Weighted average incremental borrowing rate due to initial application of IFRS 16 in %	2.4

As of the date of initial application and the reporting date, Evonik recognized the following right-of-use assets in a separate item on the balance sheet:

Right-of-use assets

in € million	June 30, 2019	Jan. 1, 2019
Land, land rights, and buildings	169	176
Plant and machinery	311	338
Other plant, office furniture, and equipment	121	148
	601	**662**

The right-of-use assets for plant and machinery mainly relate to power plants and storage tanks. The right-of-use assets for other plant, office furniture, and equipment mainly relate to rail wagons and transport containers, ships, and motor vehicles.

The lease liabilities are recognized in other financial liabilities.

3.2 Restatement of prior-year figures

Changes to the presentation of the cash flow statement

To improve comparability within the sector, the structure of the cash flow statement has been altered with effect from January 1, 2019. The prior-year figures have been restated accordingly.

Cash outflows for interest are presented in the cash flow from financing activities, and cash inflows from interest are included in the cash flow from investing activities. In previous years, both were presented in the cash flow from operating activities. Cash outflows for interest amounted to €42 million in the second quarter of 2018, €61 million in the first half of 2018, and €121 million in 2018 as a whole. Cash inflows from interest amounted to €9 million in the second quarter of 2018, €12 million in the first half of 2018, and €43 million in 2018 as a whole.

In addition, payments in connection with the contractual trust arrangement (CTA) are shown in the cash flow from operating activities. In previous years, they were presented in the cash flow from investing activities. Cash outflows of €25 million were reclassified for the second quarter and first half of 2018. For 2018 as a whole, cash outflows of €26 million were reclassified.

Restatement in the segment report

Administrative functions have been reorganized as part of the global efficiency enhancement program. In the segment report, functions previously included in “Corporate” have been shifted to the Services segment. Retrospective restatement reduced the adjusted EBITDA and adjusted EBIT of the Services segment by €8 million in the second quarter of 2018, €16 million in the first half of 2018, and €31 million in 2018 as a whole.

Since the methacrylates business has been classified as a discontinued operation (see Changes in the Evonik Group), the executive board of Evonik Industries AG only evaluates the earnings power and decides on the allocation of resources for these operations as discontinued operations. Separate management of the methacrylates business in no longer undertaken. Consequently, only the continuing operations (without the methacrylates business) are included in the segment report. The key figures have been restated retrospectively. This affects the Performance Materials, Resource Efficiency, and Services segments.

4. Changes in the Group

4.1 Scope of consolidation

Two newly established foreign companies were consolidated for the first time in the first half of 2019, and a consolidated subsidiary in Germany was merged into another company in the Evonik Group. These changes in the scope of consolidation were not material for the Evonik Group.

4.2 Assets held for sale and discontinued operations

Income after taxes, discontinued operations 2nd quarter

	Operating income after taxes		Divestment gains/losses after taxes		Income after taxes, discontinued operations	
in € million	2019	2018	2019	2018	2019	2018
Methacrylates business	40	70	–	–	40	70
Lithium ion business	–	–	–	3	–	3
Other discontinued operations	–	–	–	-2	–	-2
	40	**70**	**–**	**1**	**40**	**71**

Income after taxes, discontinued operations 1st half

	Operating income after taxes		Divestment gains/losses after taxes		Income after taxes, discontinued operations	
in € million	2019	2018	2019	2018	2019	2018
Methacrylates business	69	138	–	–	69	138
Lithium ion business	–	–	–	3	–	3
Other discontinued operations	–	–	–	-2	–	-2
	69	**138**	**–**	**1**	**69**	**139**

In order to sharpen Evonik's focus on less cyclical specialty chemicals, on March 4, 2019 Evonik signed an agreement to sell the methacrylates business to Advent International Corporation, Boston (Massachusetts, USA). The methacrylates business, which comprises large-volume monomers such as methylmethacrylate (MMA), various specialty monomers, and PMMA molding compounds and semi-finished products marketed under the PLEXIGLAS® brand, constitutes a major line of business and has therefore been classified as a discontinued operation.

On the balance sheet as of June 30, 2019, the assets and liabilities of the disposal group are presented as held for sale without restatement of the prior-year figures. The discontinued operation is also stated separately in the income statement and cash flow statement, and the prior-year figures have been restated in each case.

The transaction will be closed as planned in the third quarter of 2019, following approval by the authorities in various countries. The transaction will mainly comprise share deals.

Operating income of the methacrylates business

	2nd quarter		1st half	
in € million	2019	2018	2019	2018
Income	421	458	838	895
Expenses	-369	-361	-741	-700
Operating income before income taxes, methacrylates business	**52**	**97**	**97**	**195**
Income taxes	-12	-27	-28	-57
Operating income after taxes, methacrylates business	**40**	**70**	**69**	**138**

The operating income of the methacrylates business in the first quarter of 2019 differs from the amount presented in the quarterly statement as of March 31, 2019 because the calculation of the data has been adjusted to the point in time when the criteria for recognition as a discontinued operation were first met. This reduced the operating income before income taxes of the methacrylates business by €13 million and the operating income after taxes of the methacrylates business by €10 million.

Assets held for sale and the associated liabilities of the methacrylates business

in € million	June 30, 2019
Intangible assets	275
Property, plant and equipment	520
Right-of-use assets	25
Investments recognized at equity	9
Other financial assets	40
Deferred taxes	221
Inventories	273
Trade accounts receivable	192
Other assets	22
Cash and cash equivalents	11
Assets held for sale	**1,588**
Provisions for pensions and other post-employment benefits	602
Other provisions	66
Other financial liabilities[a]	23
Deferred taxes	47
Trade accounts payable	134
Other payables	64
Liabilities associated with assets held for sale	**936**

[a] Lease liabilities.

5. Notes to the income statement

5.1 Sales

Sales by segments and regions in the first half of 2019

in € million	Nutrition & Care	Resource Efficiency	Performance Materials	Services	Other operations	**Total Group**
Western Europe	662	1,086	766	327	2	2,843
Eastern Europe	159	181	73	1	–	414
North America	690	637	117	16	–	1,460
Central & South America	183	82	34	–	–	299
Asia-Pacific North	287	578	81	1	8	955
Asia-Pacific South	199	184	39	–	-	422
Middle East & Africa	100	56	42	–	1	199
Total Group	**2,280**	**2,804**	**1,152**	**345**	**11**	**6,592**
thereof sales outside the scope of IFRS 15	-16	-18	-5	4	2	-33

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	1,092	815	311	1	2,923
Eastern Europe	153	182	66	–	–	401
North America	659	624	132	16	–	1,431
Central & South America	177	79	34	–	1	291
Asia-Pacific North	298	588	97	1	5	989
Asia-Pacific South	202	176	39	–	–	417
Middle East & Africa	115	58	34	1	–	208
Total Group	**2,308**	**2,799**	**1,217**	**329**	**7**	**6,660**
thereof sales outside the scope of IFRS 15	26	25	10	1	–	62

Prior-year figures restated.

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

5.2 Other operating income

Other operating income

	2nd quarter		1st half	
in € million	**2019**	2018	**2019**	2018
Income from the reversal of provisions	15	10	27	16
Income from restructuring measures	10	–	10	6
thereof income from the reversal of provisions	8	–	8	3
Income from the disposal of assets	1	1	6	1
Net income from currency translation of operating monetary assets and liabilities	–	14	1	4
Net income from impairment losses/reversals of impairment losses pursuant to IFRS 9	–	–	–	4
Other income	30	36	67	67
	56	**61**	**111**	**98**
thereof adjustments	9	7	15	22

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 from impairment losses/reversal of impairment losses for expected credit losses pursuant to IFRS 9 totaling €4 million in the first half of 2018 related entirely to trade accounts receivable.

The other income of €67 million (H1 2018: €67 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 2019	2nd quarter 2018	1st half 2019	1st half 2018
Expenses for restructuring measures	18	3	22	27
thereof impairment losses pursuant to IAS 36	1	–	2	–
Expenses for recultivation and environmental protection	7	1	8	4
Net expenses for operational currency hedging	2	20	5	16
Expenses relating to the REACH Regulation	2	5	5	8
Net expenses for impairment losses/reversals of impairment losses pursuant to IFRS 9	–	6	5	–
Impairment losses pursuant to IAS 36	4	12	4	12
Losses on the disposal of assets	3	4	4	5
Other expense	58	67	131	119
	94	**118**	**184**	**191**
thereof adjustments	30	20	43	57

Prior-year figures restated.

The restructuring expenses of €22 million mainly comprise costs incurred to reduce selling and general administrative expenses, expenses in connection with optimization of the oleochemicals portfolio in the Nutrition & Care segment, and expenses for shutdown of a production site in Hungary. In the first half of 2018, the restructuring expenses of €27 million mainly related to the shutdown of a production site in Hungary.

Overall, other operating expense contains impairment losses pursuant to IAS 36 amounting to €4 million (H1 2018: €12 million). In the current fiscal year, they are comprised exclusively of impairment losses on property, plant and equipment (H1 2018: €3 million). In addition, in the prior year this item included impairment losses on intangible assets amounting to €9 million.

The net expenses for impairment losses/reversal of impairment losses for expected credit losses pursuant to IFRS 9 were €5 million (H1 2018: none) and relate entirely to trade accounts receivable.

The other expense totaling €131 million (H1 2018: €119 million) includes expenses for the purchase of shareholdings in companies. Further, this item includes expenses for insurance premiums, outsourcing, environmental protection, and non-core operations.

5.4 Result from investments recognized at equity

The result from investments recognized at equity in the first half of 2019 contains the complete write-down of an investment in the Nutrition & Care segment amounting to €13 million, which is recognized in adjustments.

5.5 Financial result

Other financial income/expense

	2nd quarter		1st half	
in € million	2019	2018	2019	2018
Result from currency translation of financing-related monetary assets and liabilities	-19	-12	-31	-16
Income from financing-related currency hedging	15	11	23	15
Miscellaneous financial income and expenses	–	1	1	1
	-4	**–**	**-7**	**–**

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.

5.6 Income after taxes

Income after taxes

	2nd quarter		1st half	
in € million	2019	2018	2019	2018
Income after taxes, continuing operations	**193**	**243**	**409**	**470**
thereof attributable to				
Non-controlling interests	5	5	10	9
Shareholders of Evonik Industries AG	188	238	399	461
Income after taxes, discontinued operations	**40**	**71**	**69**	**139**
thereof attributable to				
Non-controlling interests	–	–	1	1
Shareholders of Evonik Industries AG	40	71	68	138

6. Notes to the balance sheet

6.1 Equity and employee share program

In 2018, 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.2019 launched by Evonik Industries AG in March 2019. The period during which eligible employees could acquire shares ended on March 22, 2019. The lock-up period for Evonik shares purchased or granted through the Share.2019 program ends on December 31, 2021.

Overall, Evonik Industries AG purchased 681,009 ordinary shares on the capital market at an average price of €24.67 per share. In April 2019, 608,209 of these ordinary shares (including 162,913 bonus shares) were transferred to participating employees on the basis of the share price and exchange rates prevailing on April 4, 2019. The remaining 72,800 ordinary shares were sold to third parties via the stock exchange by April 29, 2019.

As of June 30, 2019, Evonik Industries AG therefore no longer held any treasury shares.

6.2 Provisions for pensions and other post-employment benefits

Compared with December 31, 2018, provisions for pensions and other post-employment benefits had increased by a total of €72 million to €3,804 million as of June 30, 2019. The main components of this change are, on the one hand, a reduction of €602 million in provisions resulting from reclassification to discontinued operations, and on the other hand, an increase of €668 million in the amount recognized without any impact on income, mainly due to the change in the discount rate for the euro-zone countries from 2.00 percent to 1.50 percent. The €324 million change in provisions for pensions and other post-employment benefits, which had no impact on income, and the change in the related deferred tax assets, which is also recognized outside of profit and loss, are reflected in a reduction of €344 million in other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans, which is recognized in other equity components.

7. Notes to the segment report

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

	2nd quarter		1st half	
in € million	**2019**	2018	**2019**	2018
Adjusted EBITDA, reporting segments	627	684	1,221	1,313
Adjusted EBITDA, other operations	-16	-22	-28	-48
Adjusted EBITDA, Corporate	-43	-47	-86	-95
Consolidation	-2	1	-2	–
Adjusted EBITDA, Corporate, consolidation	-45	-46	-88	-95
Adjusted EBITDA	**566**	**616**	**1,105**	**1,170**
Depreciation and amortization	-223	-189	-443	-370
Impairment losses/reversals of impairment losses	-5	-19	-24	-10
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	2	1	17	-5
Adjusted depreciation, amortization, and impairment losses	-226	-207	-450	-385
Adjusted EBIT	**340**	**409**	**655**	**785**
Adjustments	-21	-13	-41	-35
Financial result	-52	-47	-104	-94
Income before income taxes, continuing operations	**267**	**349**	**510**	**656**

Prior-year figures restated to reflect the reorganization of administrative functions (see section on restatement of prior-year figures).

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 valuation categories. Moreover, the following are not allocated to any of these valuation categories: receivables from finance leases pursuant to IFRS 16 (2018: IAS 17), which are recognized in other financial assets or liabilities, lease liabilities pursuant to IFRS 16 (2018: IAS 17), and the refund liability for rebate and bonus agreements pursuant to IFRS 15, which is recognized in other financial liabilities.

Carrying amounts and fair values of financial assets as of June 30, 2019

	Carrying amounts by valuation category				June 30, 2019	
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**
Trade accounts receivable	**-**	**1,664**	**-**	**-**	**1,664**	**1,664**
Cash and cash equivalents	**-**	**529**	**-**	**-**	**529**	**529**
Other investments	164	-	-	-	164	164
Loans	-	26	2	-	28	28
Securities and similar claims	-	-	22	-	22	22
Receivables from derivatives	-	-	12	60	72	72
Miscellaneous other financial assets	-	30	-	6	36	36
Other financial assets	**164**	**56**	**36**	**66**	**322**	**322**
	164	**2,249**	**36**	**66**	**2,515**	**2,515**

Carrying amounts and fair values of financial assets as of December 31, 2018

	Carrying amounts by valuation category				Dec. 31, 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**
Trade accounts receivable	**-**	**1,686**	**-**	**-**	**1,686**	**1,686**
Cash and cash equivalents	**-**	**988**	**-**	**-**	**988**	**988**
Other investments	149	-	-	-	149	149
Loans	-	60	3	-	63	63
Securities and similar claims	-	-	24	-	24	24
Receivables from derivatives	-	-	8	110	118	118
Miscellaneous other financial assets	-	13	-	6	19	19
Other financial assets	**149**	**73**	**35**	**116**	**373**	**373**
	149	**2,747**	**35**	**116**	**3,047**	**3,047**

Carrying amounts and fair values of financial liabilities as of June 30, 2019

	Carrying amounts by valuation category			June 30, 2019	
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	**Carrying amount**	**Fair value**
Trade accounts payable	**–**	**1,336**	**–**	**1,336**	**1,336**
Bonds	–	3,635	–	3,635	3,713
Commercial paper	–	75	–	75	75
Liabilities to banks	–	255	–	255	262
Loans from non-banks	–	18	–	18	18
Liabilities from derivatives	14	–	76	90	90
Refund liabilities	–	–	40	40	40
Lease liabilities	–	–	608	608	608
Miscellaneous other financial liabilities	–	49	–	49	49
Other financial liabilities	**14**	**4,032**	**724**	**4,770**	**4,855**
	14	**5,368**	**724**	**6,106**	**6,191**

Carrying amounts and fair values of financial liabilities as of December 31, 2018

	Carrying amounts by valuation category			Dec. 31, 2018	
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	**Carrying amount**	**Fair value**
Trade accounts payable	**–**	**1,493**	**–**	**1,493**	**1,493**
Bonds	–	3,632	–	3,632	3,571
Liabilities to banks	–	214	–	214	214
Loans from non-banks	–	18	–	18	18
Liabilities from derivatives	14	–	93	107	107
Refund liabilities	–	–	61	61	61
Miscellaneous other financial liabilities	–	52	–	52	52
Other financial liabilities	**14**	**3,916**	**154**	**4,084**	**4,023**
	14	**5,409**	**154**	**5,577**	**5,516**

The following tables show 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, 2019

	Fair value based on			June 30, 2019
in € million	Publicly quoted market prices (level 1)	Directly observable market-related prices (level 2)	Individual valuation parameters (level 3)	
Other investments	113	–	51	164
Loans	–	–	2	2
Securities and similar claims	5	–	17	22
Receivables from derivatives	–	72	–	72
Liabilities from derivatives	–	-90	–	-90

Financial instruments recognized at fair value as of December 31, 2018

	Fair value based on			Dec. 31, 2018
in € million	Publicly quoted market prices (level 1)	Directly observable market-related prices (level 2)	Individual valuation parameters (level 3)	
Other investments	108	–	41	149
Loans	–	–	3	3
Securities and similar claims	6	–	18	24
Receivables from derivatives	–	118	–	118
Liabilities from derivatives	–	-107	–	-107

The financial instruments allocated to level 1 are recognized at their present stock market price. They comprise 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. 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. There is no intention of selling these investments. The loans allocated to level 3 are convertible bonds. The fair values recognized are based on the nominal value of the bonds. The conversion right is taken into account if it is material. 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 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	Loans	Securities and similar claims	Total
As of January 1, 2019	**41**	**3**	**18**	**62**
Additions/disposal	10	-1	-1	8
Gains or losses recognized in OCI in the reporting period	–	–	–	–
Gains or losses recognized in profit or loss in the reporting period (other financial income/expense)	–	–	–	–
As of June 30, 2019	**51**	**2**	**17**	**70**

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, miscellaneous other financial assets, liabilities to banks, loans from non-banks, and miscellaneous 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 2018 was paid in the second quarter, after adoption of the resolution by the annual shareholders' meeting on May 28, 2019.

RAG-Stiftung, Essen (Germany) received €344 million.

There have not been any other material transactions or changes in related party transactions since the consolidated financial statements as of December 31, 2018.

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, 2018.

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 25, 2019

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, 2019 to June 30, 2019, 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 26, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Eckhard Sprinkmeier	Antje Schlotter
German Public Auditor	German Public Auditor

Financial calendar

Financial calendar 2019/20

Event	Date
Interim report Q3 2019	November 5, 2019
Report on Q4 2019 and FY 2019	March 4, 2020
Interim report Q1 2020	May 7, 2020
Annual shareholders' meeting 2020	May 27, 2020
Interim report Q2 2020	August 4, 2020
Interim report Q3 2020	November 3, 2020

Credits

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