QUARTERLY STATEMENT

3rd quarter 2019 | 1st nine months 2019

EVONIK
POWER TO CREATE

A challenging environment in the third quarter—Earnings forecast confirmed

3rd quarter

- Sales down 3 percent due to a cyclical drop in demand and weaker selling prices
- Adjusted EBITDA decreased 6 percent to €543 million
- High net income of €1.5 billion due to divestment of the methacrylates business

1st nine months

- Sales decreased by 2 percent to €9.8 billion
- Adjusted EBITDA declined 6 percent year-on-year to €1.6 billion
- Adjusted net income 21 percent lower at €671 million
- Free cash flow before tax payments relating to the carve-out of the methacrylates business improved to €417 million
- SG&A 2020 cost-saving program is successful; further contingency measures introduced to safeguard earnings
- Earnings forecast for 2019 confirmed: adjusted EBITDA at least stable

Key data for the Evonik Group

Key data for the Evonik Group[a]

	3rd quarter		1st nine months	
in € million	**2019**	2018	**2019**	2018
Sales	3,232	3,347	9,824	10,007
Adjusted EBITDA[b]	543	579	1,647	1,748
Adjusted EBITDA margin in %	16.8	17.3	16.8	17.5
Adjusted EBIT[c]	293	376	948	1,161
Income before financial result and income taxes, continuing operations (EBIT)	219	364	834	1,114
Net income	1,479	329	1,945	928
Adjusted net income	195	307	671	847
Earnings per share in €	3.17	0.71	4.17	1.99
Adjusted earnings per share in €	0.42	0.66	1.44	1.82
Cash flow from operating activities, continuing operations	403	500	856	972
Cash outflows for investments in intangible assets, property, plant and equipment[d]	-210	-222	-567	-648
Free cash flow[e] (after tax payments relating to the carve-out of the methacrylates business)	193	278	289	324
Free cash flow before tax payments relating to the carve-out of the methacrylates business	321	278	417	324
Net financial debt as of September 30	–	–	-1,734	-3,188
No. of employees in the continuing operations as of September 30	–	–	32,570	32,892

Prior-year figures restated.

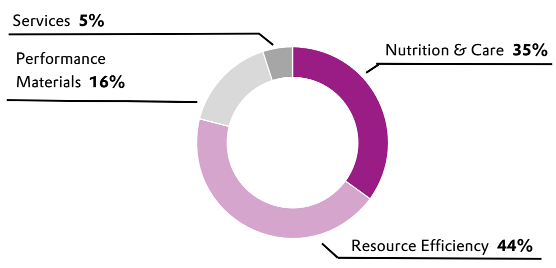
[a] The methacrylates business was recognized in discontinued operations until its divestment as of July 31, 2019.
[b] Earnings before financial result, taxes, depreciation and amortization, after adjustments, continuing operations.
[c] Earnings before financial result and taxes, after adjustments, continuing 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.

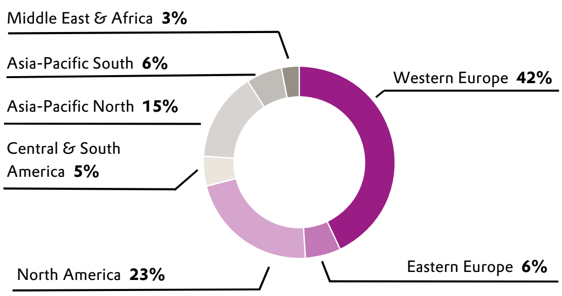
QUARTERLY STATEMENT

3RD QUARTER 2019

Sales by segment—1st nine months



Sales by region[a]—1st nine months



[a] By location of customer.

Business conditions and performance

1. Business performance

Major events

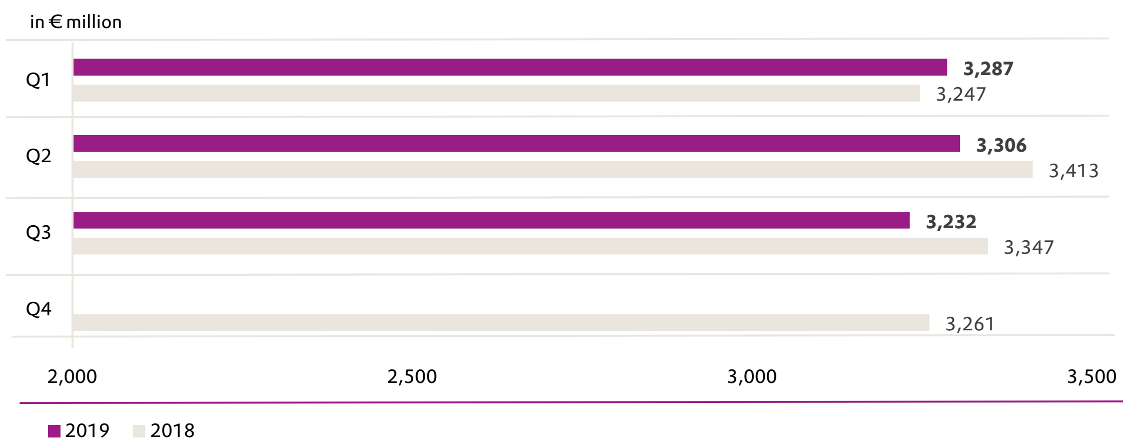
As part of the consistent implementation of our corporate strategy, on July 31, 2019 we divested the **methacrylates business** to Advent International Corporation, Boston (Massachusetts, USA).[1] The methacrylates business was reclassified to discontinued operations following signature of the sale agreement in March 2019 and deconsolidated as of July 31, 2019. The prior-year figures have been restated in the income statement, cash flow statement, and the key figures used for management purposes. 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. Most of the business was allocated to the Performance Materials segment, and a small part was allocated to the Resource Efficiency segment.

The planned acquisition of the US company **PeroxyChem** has been delayed. The Federal Trade Commission (FTC) in the USA has filed a lawsuit seeking to block Evonik's acquisition of PeroxyChem. We consider the case to be unfounded and still assume that we can close the transaction next year. At the end of 2018, Evonik signed an agreement with One Equity Partners to acquire PeroxyChem for US$625 million. PeroxyChem is a manufacturer of hydrogen peroxide and peracetic acid and is well positioned in high-margin specialty applications.

Business performance in Q3 2019

The global economic downturn continued to impact our performance in the third quarter. Some businesses registered a perceptible drop in volumes as a result of lower global demand, especially from the automotive and coatings industries. In other, non-cyclical, businesses, by contrast, volumes developed positively. Selling prices developed differently in the various businesses, but declined overall. In general, we notice that the earnings situation is challenging. In response, we have introduced additional contingency measures to safeguard earnings.

Sales by quarter



Prior-year figures restated.

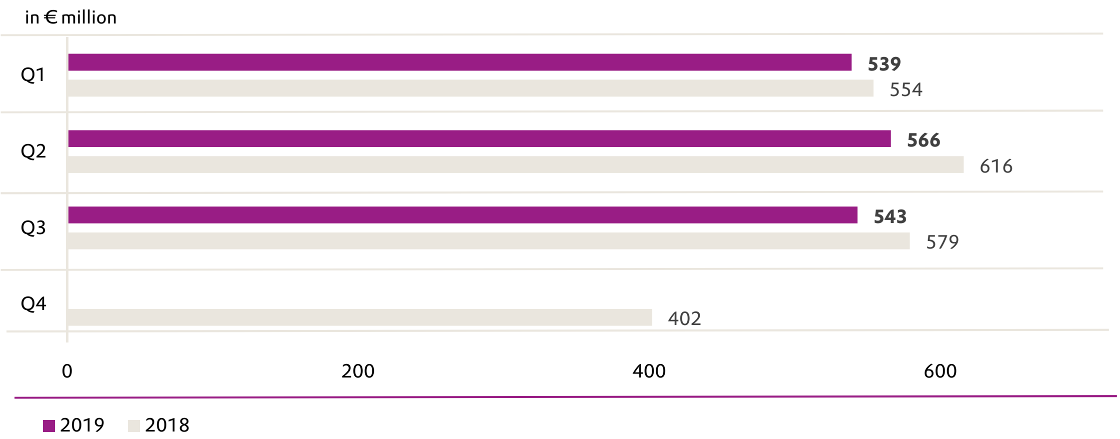
[1] See Changes in the Evonik Group in the appendix.

The Evonik Group's **sales** dropped 3 percent to €3,232 million, impacted by a reduction in both volumes and selling prices. By contrast, currency effects were positive.

Year-on-year change in sales

in %	1st quarter 2019	2nd quarter 2019	3rd quarter 2019	1st nine months 2019
Volumes	–	-2	-3	-1
Prices	1	–	-2	-1
Organic sales growth	**1**	**-2**	**-5**	**-2**
Exchange rates	–	-1	2	–
Change in the scope of consolidation/other effects	–	–	–	–
Total	**1**	**-3**	**-3**	**-2**

Adjusted EBITDA by quarter



Prior-year figures restated.

Adjusted EBITDA was down 6 percent year-on-year at €543 million. The reasons for this were lower prices in the Performance Materials segment and for amino acids in the Nutrition & Care segment, as well as a drop in volumes in the Resource Efficiency segment. By contrast, initial application of IFRS 16 Leases[2] and the ongoing efficiency enhancement programs had a positive impact. In particular, the SG&A 2020 program is making very good progress, resulting in a visible reduction in selling and administrative expenses.

The adjusted EBITDA margin fell from 17.3 percent in the prior-year quarter to 16.8 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 22 percent to €293 million.

[2] See Initial application of IFRS 16 in the appendix.

Statement of income

	3rd quarter			1st nine months		
in € million	2019	2018	Change in %	2019	2018	Change in %
Sales	**3,232**	**3,347**	**-3**	**9,824**	**10,007**	**-2**
Adjusted EBITDA	**543**	**579**	**-6**	**1,647**	**1,748**	**-6**
Adjusted depreciation, amortization, and impairment losses	-250	-203		-699	-587	
Adjusted EBIT	**293**	**376**	**-22**	**948**	**1,161**	**-18**
Adjustments	-74	-12		-114	-47	
thereof attributable to						
Restructuring	*-6*	*-3*		*-18*	*-24*	
Impairment losses/reversals of impairment losses	*-34*	*–*		*-47*	*7*	
Acquisition/divestment of shareholdings	*-17*	*-3*		*-25*	*-14*	
Other	*-17*	*-6*		*-24*	*-16*	
Income before financial result and income taxes, continuing operations (EBIT)	**219**	**364**	**-40**	**834**	**1,114**	**-25**
Financial result	-7	-38		-112	-133	
Income before income taxes, continuing operations	**212**	**326**	**-35**	**722**	**981**	**-26**
Income taxes	-54	-51		-155	-236	
Income after taxes, continuing operations	**158**	**275**	**-43**	**567**	**745**	**-24**
Income after taxes, discontinued operations	1,326	59		1,395	198	
Income after taxes	**1,484**	**334**	**344**	**1,962**	**943**	**108**
thereof attributable to non-controlling interests	5	5		17	15	
Net income	**1,479**	**329**	**350**	**1,945**	**928**	**110**
Earnings per share in €	**3.17**	**0.71**		**4.17**	**1.99**	

Prior-year figures restated.

The **adjustments** of -€74 million include an impairment loss of €34 million on the coal-fired power plant in Marl (Germany), which is to be replaced by a new natural gas-fired plant in 2022. Further adjustments of -€17 million relate to the divestment of the methacrylates business, the planned acquisition of PeroxyChem, and the integration of the Air Products specialty additives business. The restructuring expenses were 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. The **financial result** of -€7 million contains special items of €56 million, mainly from the reversal of provisions. The adjusted financial result was -€63 million, which was significantly below the prior-year level of -€37 million due to higher interest expense for provisions and initial application of IFRS 16. **Income before income taxes, continuing operations,** was 35 percent lower at €212 million. The income tax rate for the continuing operations, and the adjusted income tax rate were both 25 percent. The income after taxes, discontinued operations, was €1,326 million and contained the proceeds from the divestment of the methacrylates business.

Overall, the **net income** of the Evonik Group improved from €329 million to €1,479 million thanks to the proceeds from the divestment of the methacrylates business.

Adjusted net income dropped 36 percent to €195 million in the third quarter of 2019. **Adjusted earnings per share** fell from €0.66 to €0.42.

Reconciliation to adjusted net income

in € million	3rd quarter 2019	3rd quarter 2018	Change in %	1st nine months 2019	1st nine months 2018	Change in %
Adjusted EBITDA	**543**	**579**	**-6**	**1,647**	**1,748**	**-6**
Adjusted depreciation, amortization, and impairment losses	-250	-203		-699	-587	
Adjusted EBIT	**293**	**376**	**-22**	**948**	**1,161**	**-18**
Adjusted financial result	-63	-37		-165	-131	
Amortization and impairment losses on intangible assets	35	33		100	107	
Adjusted income before income taxes[a]	**265**	**372**	**-29**	**883**	**1,137**	**-22**
Adjusted income taxes	-65	-60		-195	-275	
Adjusted income after taxes[a]	**200**	**312**	**-36**	**688**	**862**	**-20**
thereof adjusted income attributable to non-controlling interests	5	5		17	15	
Adjusted net income[a]	**195**	**307**	**-36**	**671**	**847**	**-21**
Adjusted earnings per share in €[a]	**0.42**	**0.66**		**1.44**	**1.82**	

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

Business performance in the first nine months of 2019

Sales dropped 2 percent to €9,824 million due to slightly lower volumes and prices. **Adjusted EBITDA** declined by 6 percent to €1,647 million, mainly on price grounds. The adjusted EBITDA margin was 16.8 percent, compared with 17.5 percent in the first nine months of 2018.

The **adjustments** of -€114 million comprised impairment losses of €47 million on the coal-fired power plant in Marl (Germany), which is to be replaced by a natural gas-fired plant in 2022, and on an investment in the Nutrition & Care segment. Further adjustments of -€25 million relate to the purchase/sale of investments, specifically the divestment of the methacrylates business, the planned acquisition of PeroxyChem, and the integration of the Air Products specialty additives business. The restructuring expenses of €18 million were incurred for the SG&A 2020 program to reduce selling and administrative expenses, and for the Oleo 2020 project to raise the efficiency of oleochemicals in the Nutrition & Care segment. The prior-year adjustments mainly contained restructuring expenses in connection with the shutdown of a production site in Hungary and project expenses for the acquisition of shareholdings. The **financial result** of -€112 million contains special items of €53 million, mainly from the reversal of provisions. The adjusted financial result deteriorated from -€131 million to -€165 million due to higher interest expense for provisions and the initial application of IFRS 16.

Income before income taxes, continuing operations, contracted by 26 percent to €722 million. The income tax rate on the continuing operations was 21 percent and the adjusted income tax rate was 22 percent, partly as a result of the remeasurement of deferred tax assets. Income after taxes, discontinued operations, contains the methacrylates business and increased from €198 million to €1,395 million thanks to the high divestment gain.

Net income therefore improved by 110 percent to €1,945 million.

Adjusted net income declined by 21 percent to €671 million, while **adjusted earnings per share** dropped from €1.82 to €1.44.

2. Segment performance

Nutrition & Care segment

Key data for the Nutrition & Care segment

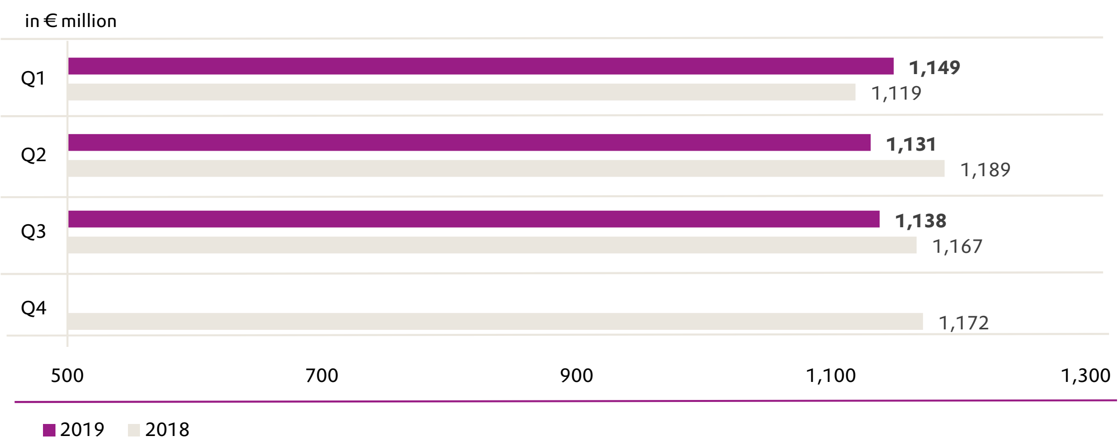
	3rd quarter			1st nine months		
in € million	2019	2018	Change in %	2019	2018	Change in %
External sales	1,138	1,167	-2	3,418	3,474	-2
Adjusted EBITDA	188	212	-11	558	643	-13
Adjusted EBITDA margin in %	16.5	18.2	–	16.3	18.5	–
Adjusted EBIT	99	141	-30	319	438	-27
Capital expenditures[a]	54	94	-43	174	341	-49
No. of employees as of September 30	–	–	–	8,107	8,231	-2

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

In the Nutrition & Care segment, sales declined 2 percent to €1,138 million in the **third quarter of 2019.** This was caused by lower volumes and selling prices, while currency effects were positive.

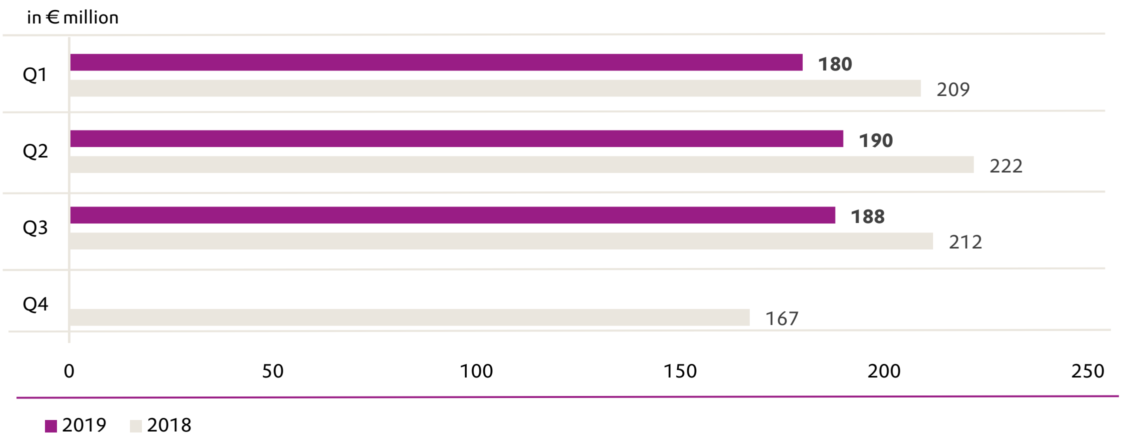
There was a significant drop in sales of essential amino acids for animal nutrition. While demand was high, especially for methionine, selling prices declined further due to adequate market availability of this product. In the health care business, by contrast, sales increased substantially, as expected, following the weak first half. In particular, pharmaceuticals and food ingredients reported a very encouraging development. Additives for polyurethane foams also posted a significant increase in sales; the ongoing drop in demand from the automotive industry was more than offset by high demand from the markets for consumer durables and insulation.

Sales Nutrition & Care segment



Adjusted EBITDA fell by 11 percent to €188 million, mainly as a result of lower selling prices. The adjusted EBITDA margin was 16.5 percent, which was well below the prior-year level (18.2 percent).

Adjusted EBITDA Nutrition & Care segment



In the **first nine months of 2019,** sales in the Nutrition & Care segment declined by 2 percent to €3,418 million. This was due to lower selling prices, whereas volumes rose slightly. Adjusted EBITDA dropped 13 percent to €558 million, mainly on price grounds. The adjusted EBITDA margin was 16.3 percent, which was well below the comparable prior-year level (18.5 percent).

To strengthen our **Health & Care** growth engine, we have acquired the patented Endexo® technology from Interface Biologics, a material science company in Toronto (Canada). Endexo® enhances the biocompatibility of medical devices such as catheters that come into contact with blood, tissue, or other biological fluids. This acquisition extends our capability as a development partner and solution provider for medical device companies worldwide.

Resource Efficiency segment

Key data for the Resource Efficiency segment[a]

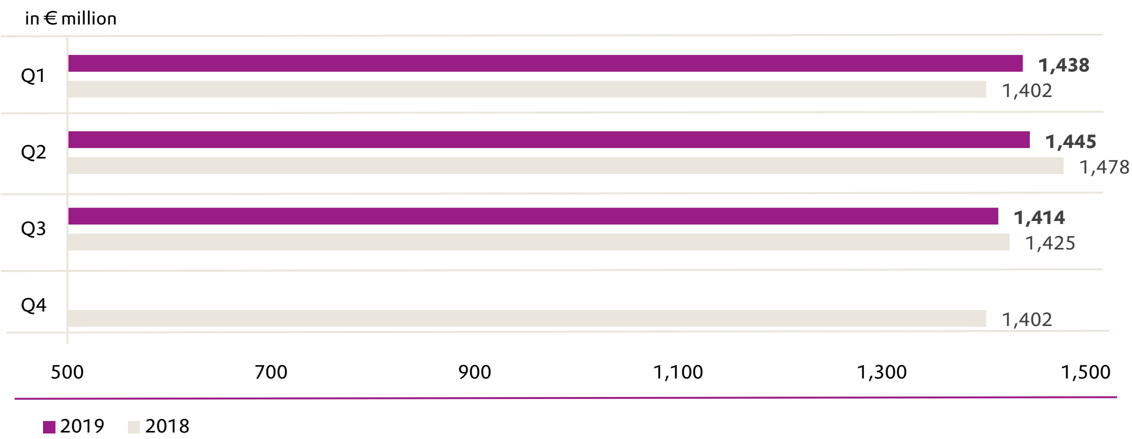
	3rd quarter			1st nine months		
in € million	2019	2018	Change in %	2019	2018	Change in %
External sales	1,414	1,425	-1	4,297	4,306	–
Adjusted EBITDA	322	335	-4	977	1,027	-5
Adjusted EBITDA margin in %	22.8	23.5	–	22.7	23.9	–
Adjusted EBIT	237	262	-10	737	805	-8
Capital expenditures[b]	87	60	45	199	173	15
No. of employees as of September 30	–	–	–	10,221	10,327	-1

Prior-year figures restated.
[a] Retrospectively from January 1, 2018, the figures contain the application monomers business; see appendix.
[b] Capital expenditures for intangible assets, property, plant and equipment.

In the Resource Efficiency segment, sales declined by 1 percent to €1,414 million in the **third quarter of 2019.** While there was a cyclical drop in volumes, this was almost offset by slightly higher selling prices and positive currency effects.

Business with coating additives and coating and adhesive resins was adversely affected by the global economic downturn, especially in the automotive and coatings sectors. Lower volumes were also reported by the silica business, particularly in industry-oriented areas. By contrast, the business with high-performance polymers developed very well, benefiting from solid demand and a positive trend, especially in 3D printing and membranes. Crosslinkers also generated higher sales thanks to strong demand, especially for composites for the wind energy market. Business with catalysts and conventional hydrogen applications was robust.

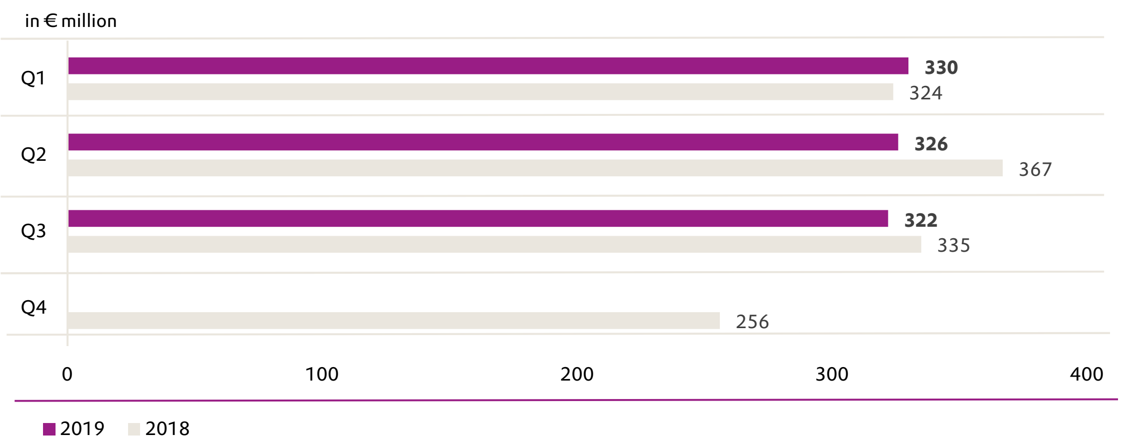
Sales Resource Efficiency segment



Figures restated.

Adjusted EBITDA dropped 4 percent to €322 million, mainly on price grounds. The adjusted EBITDA margin declined from the very good prior-year level (23.5 percent) to 22.8 percent.

Adjusted EBITDA Resource Efficiency segment



Figures restated.

In the **first nine months of 2019,** sales in the Resource Efficiency segment were level with the prior-year period at €4,297 million. The impact of lower volumes was canceled out by higher selling prices and positive currency effects. Adjusted EBITDA was 5 percent below the very good prior-year level at €977 million, mainly due to the drop in volumes. The adjusted EBITDA margin decreased to 22.7 percent, compared with 23.9 percent in the prior-year period.

Performance Materials segment

Key data for the Performance Materials segment[a]

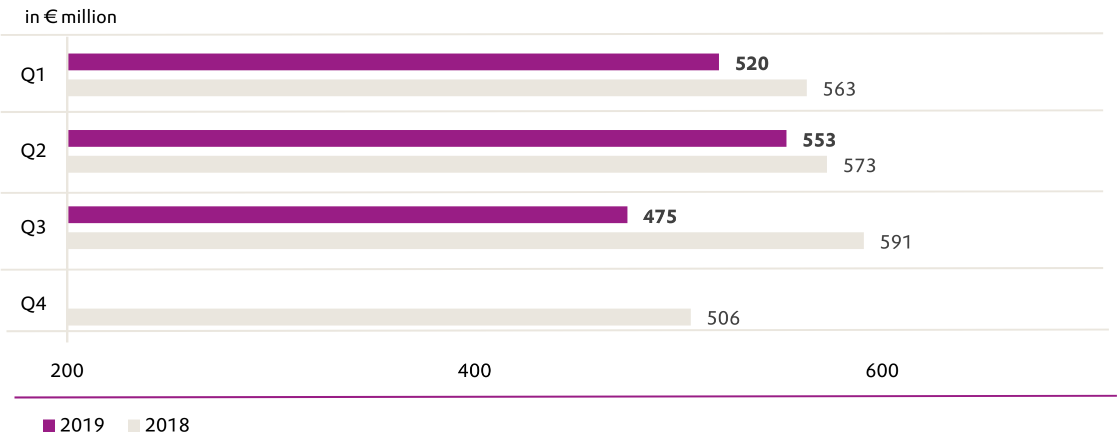
	3rd quarter			1st nine months		
in € million	**2019**	2018	Change in %	**2019**	2018	Change in %
External sales	475	591	-20	1,548	1,727	-10
Adjusted EBITDA	47	63	-25	174	194	-10
Adjusted EBITDA margin in %	9.9	10.7	–	11.2	11.2	–
Adjusted EBIT	22	49	-55	101	148	-32
Capital expenditures[b]	12	11	9	33	28	18
No. of employees as of September 30	–	–	–	1,645	1,658	-1

Prior-year figures restated.
[a] Retrospectively from January 1, 2018, the figures no longer include the application monomers business; see appendix.
[b] Capital expenditures for intangible assets, property, plant and equipment.

In the **third quarter of 2019,** sales fell 20 percent to €475 million in the Performance Materials segment, due to a substantial drop in prices and a perceptible decline in volumes.

The development of performance intermediates was impaired by low prices for oil/naphtha, a slight drop in selling prices, plant shutdowns, and bottlenecks in the supply of raw materials. Sales decreased significantly. Within the Functional Solutions unit, alkoxides posted a very pleasing performance. Sales nearly reached the prior-year level, which still included sales generated by Evonik Jayhawk Fine Chemicals Corp, Galena (Kansas, USA), which was divested in November 2018.

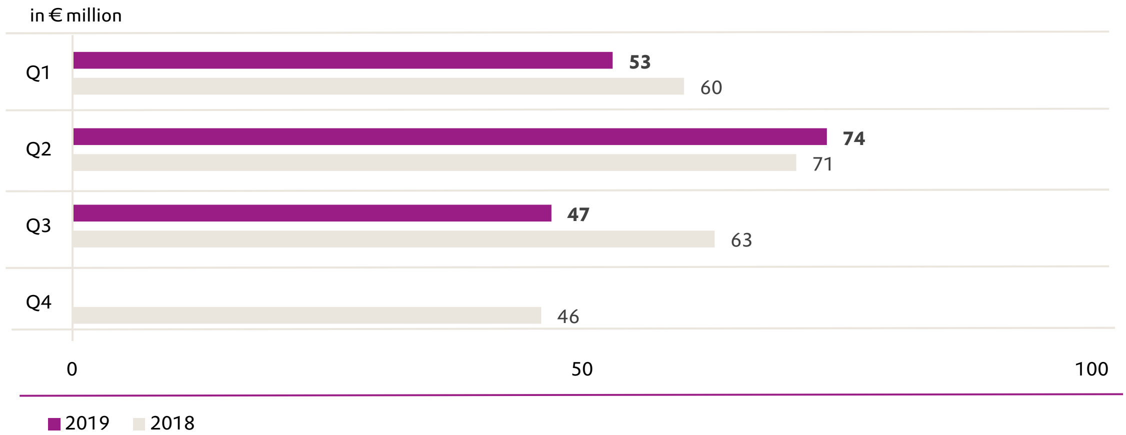
Sales Performance Materials segment



Figures restated.

Adjusted EBITDA dropped 25 percent to €47 million, mainly on price grounds. The adjusted EBITDA margin was 9.9 percent, which was perceptibly lower than in the prior-year period (10.7 percent).

Adjusted EBITDA Performance Materials segment



Figures restated.

In the **first nine months of 2019,** sales in the Performance Materials segment fell 10 percent to €1,548 million. This was caused by lower volumes and lower selling prices. Adjusted EBITDA also declined by 10 percent to €174 million. The adjusted EBITDA margin was 11.2 percent, as in the prior-year period.

Services segment

Key data for the Services segment

	3rd quarter			1st nine months		
in € million	**2019**	2018	Change in %	**2019**	2018	Change in %
External sales	196	161	22	542	489	11
Adjusted EBITDA	32	39	-18	99	99	–
Adjusted EBITDA margin in %	16.3	24.2	–	18.3	20.2	–
Adjusted EBIT	-9	2	–	-24	3	–
Capital expenditures[a]	42	31	35	95	75	27
No. of employees as of September 30	–	–	–	12,088	12,159	-1

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

Sales increased by 22 percent to €196 million in the **third quarter of 2019** and by 11 percent to €542 million in the **first nine months of 2019.** This was mainly due to higher revenue from utility and waste management services and from technical services for external customers at our sites. Adjusted EBITDA was €32 million in the third quarter, below the good prior-year level. In the first nine months it was €99 million, the same level as in the previous year.

Financial position

The **free cash flow** fell by €35 million to €289 million as a result of one-time tax payments (€128 million) in connection with the carve-out of the methacrylates business. Excluding this, the free cash flow increased by €93 million to €417 million.

Cash flow statement (excerpt)

	1st nine months	
in € million	**2019**	2018
Cash flow from operating activities, continuing operations	856	972
Cash outflows for investments in intangible assets, property, plant and equipment	-567	-648
Free cash flow (after tax payments relating to the carve-out of the methacrylates business)	**289**	**324**
For information: free cash flow before tax payments relating to the carve-out of the methacrylates business	417	324
Cash flow from other investing activities, continuing operations	954	-32
Cash flow from financing activities, continuing operations	-751	-733
Cash flow from discontinued operations	52	158
Change in cash and cash equivalents	544	-283

Prior-year figures restated; for information on the change in the structure of the cash flow statement, please refer to the appendix.

The cash flow from operating activities, continuing operations, decreased by €116 million to €856 million, principally as a result of one-time tax payments. The reduction in the operating result was more than offset by a lower increase in net working capital. The cash flow from other investing activities, continuing operations, comprised an inflow of €954 million. This includes the cash inflow for the methacrylates business, less the portion of the purchase price received that has been invested in securities. The cash flow from discontinued operations related to the methacrylates business and amounted to €52 million.

Net financial debt was reduced by €1,839 million compared with January 1, 2019 to €1,734 million. This was attributable to the receipt of the purchase price for the methacrylates business, which is reflected in both cash and cash equivalents and current securities. The cash outflow for the annual dividend and bonuses in the second quarter had a counter-effect.

Net financial debt

in € million	**Sep. 30, 2019**	Jan. 1, 2019[a]	Dec. 31, 2018
Non-current financial liabilities[b]	-3,654	-4,228	-3,683
Current financial liabilities[b]	-825	-351	-230
Financial debt	**-4,479**	**-4,579**	**-3,913**
Cash and cash equivalents	1,532	988	988
Current securities	1,188	8	8
Other financial investments	25	10	10
Financial assets	**2,745**	**1,006**	**1,006**
Net financial debt	**-1,734**	**-3,573**	**-2,907**

[a] Adjustment due to initial application of IFRS 16 as of January 1, 2019: addition of lease liabilities of €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 nine months of 2019, **capital expenditures for property, plant and equipment** were €507 million (9M 2018: €626 million).[3] 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.

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 2.5 percent in 2019 (compared with our forecast of 2.9 percent at the start of the year and 2.7 percent after the first six months).

If the present uncertainty with regard to economic policy continues, the global industrial recession will deepen further and will increasingly spread to the service sector and thus to consumers. Together with the ongoing weakness of global trade and investment, that would continue to hold back the global economy. By contrast, the expansionary monetary and fiscal policy will support the economy.

In individual developed countries, economic growth will continue at a slower pace. In Germany, the downturn will become a recession in the coming months. We also expect growth to slow in the emerging markets, including China.

The projection for the global economy is affected by increasing uncertainty. An escalation of the trade disputes with the United States could put a 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 differ from 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 2.5 percent (March 2019: 2.9 percent, August 2019: 2.7 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

In view of the challenging economic environment, we have revised our sales forecast and now expect full-year sales to be slightly lower (previously: at least stable). To counter weaker demand, we have further intensified our ongoing cost-saving programs with determination and introduced further short-term contingency measures to safeguard earnings. We are therefore confirming our earnings forecast for 2019 and still expect adjusted EBITDA to be at least stable (2018: €2,150 million). With earnings remaining (at least) stable, we now expect that ROCE will decline slightly year-on-year (previously: around the prior-year level) and that it will be below the cost of capital, which is 10 percent. This is attributable to both lower adjusted EBIT than anticipated at the start of the year and the increase in capital employed resulting from initial application of IFRS 16.

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

Forecast for 2019

Forecast performance indicators	Original forecast incl. methacrylates business 2018[a]	Original forecast incl. methacrylates business Forecast for 2019[a]	Forecast excl. methacrylates business 2018 continuing operations	Forecast excl. methacrylates business Forecast for 2019 continuing operations
Group sales	€15.0 billion	Slightly lower to stable	€13.3 billion	Slightly below prior year[b]
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%	Slightly below prior year and cost of capital[b]
Capital expenditures	€1.05 billion	Around €1.00 billion	€0.97 billion	Around €0.90 billion[b]
Free cash flow	€0.67 billion	Significantly higher than in the prior year	€0.52 billion	Significantly higher than in the prior year[c]

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

Income statement

Income statement for the Evonik Group

	3rd quarter		1st nine months	
in € million	**2019**	2018	**2019**	2018
Sales	3,232	3,347	9,824	10,007
Cost of sales	-2,343	-2,332	-6,986	-6,873
Gross profit on sales	**889**	**1,015**	**2,838**	**3,134**
Selling expenses	-370	-388	-1,135	-1,160
Research and development expenses	-107	-106	-315	-315
General administrative expenses	-135	-144	-419	-445
Other operating income	65	43	177	140
Other operating expense	-125	-58	-309	-247
Result from investments recognized at equity	2	2	-3	7
Income before financial result and income taxes, continuing operations	**219**	**364**	**834**	**1,114**
Interest income	57	7	70	16
Interest expense	-56	-45	-166	-149
Other financial income/expense	-8	–	-16	–
Financial result	**-7**	**-38**	**-112**	**-133**
Income before income taxes, continuing operations	**212**	**326**	**722**	**981**
Income taxes	-54	-51	-155	-236
Income after taxes, continuing operations	**158**	**275**	**567**	**745**
Income after taxes, discontinued operations	1,326	59	1,395	198
Income after taxes	**1,484**	**334**	**1,962**	**943**
thereof attributable to				
Non-controlling interests	5	5	17	15
Shareholders of Evonik Industries AG (net income)	1,479	329	1,945	928
Earnings per share in € (basic and diluted)	**3.17**	**0.71**	**4.17**	**1.99**
thereof attributable to				
Continuing operations	0.33	0.58	1.18	1.57
Discontinued operations	2.84	0.13	2.99	0.42

Prior-year figures restated.

Balance sheet

Balance sheet for the Evonik Group

in € million	Sep. 30, 2019	Dec. 31, 2018
Intangible assets	5,955	6,134
Property, plant and equipment	6,349	6,785
Right-of-use assets	595	–
Investments recognized at equity	42	46
Other financial assets	223	233
Deferred taxes	1,947	1,419
Other income tax assets	10	16
Other assets	53	56
Non-current assets	**15,174**	**14,689**
Inventories	2,087	2,304
Trade accounts receivable	1,653	1,686
Other financial assets	1,298	140
Other income tax assets	217	180
Other assets	447	295
Cash and cash equivalents	1,532	988
Current assets	**7,234**	**5,593**
Total assets	**22,408**	**20,282**
Issued capital	466	466
Capital reserve	1,167	1,167
Retained earnings including distributable profit	6,727	6,237
Other equity components	76	-141
Equity attributable to shareholders of Evonik Industries AG	**8,436**	**7,729**
Equity attributable to non-controlling interests	100	96
Equity	**8,536**	**7,825**
Provisions for pensions and other post-employment benefits	4,640	3,732
Other provisions	814	855
Other financial liabilities	3,660	3,689
Deferred taxes	494	557
Other income tax liabilities	431	223
Other payables	88	47
Non-current liabilities	**10,127**	**9,103**
Other provisions	749	1,047
Trade accounts payable	1,284	1,493
Other financial liabilities	1,009	395
Other income tax liabilities	106	64
Other payables	597	355
Current liabilities	**3,745**	**3,354**
Total equity and liabilities	**22,408**	**20,282**

Cash flow statement

Cash flow statement for the Evonik Group

	3rd quarter		1st nine months	
in € million	2019	2018	2019	2018
Income before financial result and income taxes, continuing operations	219	364	834	1,114
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	286	198	734	582
Result from investments recognized at equity	-2	-2	3	-7
Gains/losses on the disposal of non-current assets	4	–	-1	–
Change in inventories	23	-95	-57	-275
Change in trade accounts receivable	103	62	-23	-100
Change in trade accounts payable	-123	-15	-90	-34
Change in provisions for pensions and other post-employment benefits	-34	-54	-69	-182
Change in other provisions	46	73	-297	-84
Change in miscellaneous assets/liabilities	6	37	85	74
Cash inflows from dividends	3	–	10	7
Tax payments relating to the carve-out of the methacrylates business	-128	–	-128	–
Cash inflows/outflows for other income taxes	–	-68	-145	-123
Cash flow from operating activities, continuing operations	**403**	**500**	**856**	**972**
Cash flow from operating activities, discontinued operations	68	58	107	218
Cash flow from operating activities	**471**	**558**	**963**	**1,190**
Cash outflows for investments in intangible assets, property, plant and equipment	-210	-222	-567	-648
Cash outflows to obtain control of businesses	-25	-7	-25	-13
Cash outflows for the acquisition of other shareholdings	-9	-2	-28	-13
Cash inflows from divestments of intangible assets, property, plant and equipment	10	3	19	10
Cash inflows/outflows from divestment of businesses and other shareholdings	2,189	–	2,183	-1
Cash inflows/outflows relating to securities, deposits, and loans	-1,203	-12	-1,216	-32
Cash inflows from interest	5	5	21	17
Cash flow from investing activities, continuing operations	**757**	**-235**	**387**	**-680**
Cash flow from investing activities, discontinued operations	-16	-18	-47	-57
Cash flow from investing activities	**741**	**-253**	**340**	**-737**
Cash inflows/outflows relating to capital contributions	3	–	4	–
Cash outflows for dividends to shareholders of Evonik Industries AG	–	–	-536	-536
Cash outflows for dividends to non-controlling interests	-1	-2	-11	-13
Cash outflows for the purchase of treasury shares	–	–	-17	-17
Cash inflows from the sale of treasury shares	–	–	13	13
Cash inflows from the addition of financial liabilities	86	4	303	85
Cash outflows for repayment of financial liabilities	-282	-112	-435	-188
Cash inflows/outflows in connection with financial transactions	-6	3	9	5
Cash outflows for interest	-19	-21	-81	-82
Cash flow from financing activities, continuing operations	**-219**	**-128**	**-751**	**-733**
Cash flow from financing activities, discontinued operations	-4	-1	-8	-3
Cash flow from financing activities	**-223**	**-129**	**-759**	**-736**
Change in cash and cash equivalents	**989**	**176**	**544**	**-283**
Cash and cash equivalents as of July 1/January 1	**540**	**543**	**988**	**1,004**
Change in cash and cash equivalents	989	176	544	-283
Changes in exchange rates and other changes in cash and cash equivalents	3	-2	–	-4
Cash and cash equivalents as of September 30	**1,532**	**717**	**1,532**	**717**
Cash and cash equivalents included in assets held for sale	–	–	–	–
Cash and cash equivalents as on the balance sheet as of September 30	**1,532**	**717**	**1,532**	**717**

Prior-year figures restated.

Segment report

Segment report by operating segments—3rd quarter

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales	1,138	1,167	1,414	1,425	475	591
Internal sales	7	7	11	11	23	33
Total sales	1,145	1,174	1,425	1,436	498	624
Adjusted EBITDA	188	212	322	335	47	63
Adjusted EBITDA margin in %	16.5	18.2	22.8	23.5	9.9	10.7
Adjusted EBIT	99	141	237	262	22	49
Capital expenditures[a]	54	94	87	60	12	11
Financial investments	31	–	–	–	–	–

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

Segment report by regions—3rd quarter

	Western Europe		Eastern Europe		North America	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales[a]	1,320	1,456	205	186	752	754
Capital expenditures	133	90	4	3	33	40

Prior-year figures restated.
[a] External sales Western Europe: thereof Germany €562 million (Q3 2018: €576 million).

	Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	196	161	9	3	–	–	3,232	3,347
	444	515	9	7	-494	-573	–	–
	640	676	18	10	-494	-573	3,232	3,347
	32	39	-2	-21	-44	-49	543	579
	16.3	24.2	–	–	–	–	16.8	17.3
	-9	2	-8	-25	-48	-53	293	376
	42	31	2	-5	–	1	197	192
	9	2	–	1	–	–	40	3

	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
	146	151	520	494	203	222	86	84	3,232	3,347
	2	1	17	7	8	51	–	–	197	192

Segment report by operating segments—1st nine months

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales	3,418	3,474	4,297	4,306	1,548	1,727
Internal sales	24	25	39	31	73	92
Total sales	3,442	3,499	4,336	4,337	1,621	1,819
Adjusted EBITDA	558	643	977	1,027	174	194
Adjusted EBITDA margin in %	16.3	18.5	22.7	23.9	11.2	11.2
Adjusted EBIT	319	438	737	805	101	148
Capital expenditures[a]	174	341	199	173	33	28
Financial investments	43	6	9	–	–	–
No. of employees as of September 30	8,107	8,231	10,221	10,327	1,645	1,658

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

Segment report by regions—1st nine months

	Western Europe		Eastern Europe		North America	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
External sales[a]	4,164	4,379	619	587	2,212	2,185
Goodwill as of September 30[b]	2,275	2,276	50	50	1,992	1,868
Other intangible assets, property, plant and equipment, and right-of-use assets as of September 30[b]	4,260	3,804	39	25	2,021	1,825
Capital expenditures	325	242	11	4	84	123
No. of employees as of September 30	21,907	21,971	501	535	4,309	4,441

Prior-year figures restated.
[a] External sales Western Europe: thereof Germany €1,708 million (9M 2018: €1,760 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
542	489	19	11	–	–	9,824	10,007
1,416	1,526	28	19	-1,580	-1,693	–	–
1,958	2,015	47	30	-1,580	-1,693	9,824	10,007
99	99	-30	-69	-131	-146	1,647	1,748
18.3	20.2	–	–	–	–	16.8	17.5
-24	3	-46	-80	-139	-153	948	1,161
95	75	5	8	1	1	507	626
13	8	–	–	–	–	65	14
12,088	12,159	223	230	286	287	32,570	32,892

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
445	442	1,475	1,483	625	639	284	292	9,824	10,007
33	31	156	147	103	96	20	19	4,629	4,487
149	141	618	613	1,176	1,034	6	6	8,269	7,448
4	4	29	15	54	238	–	–	507	626
675	678	3,213	3,296	1,814	1,813	151	158	32,570	32,892

Appendix

1. Initial application of IFRS 16

The accounting policies applied in this quarterly statement are the same as those applied in the consolidated financial statements as of December 31, 2018, with the exception of the initial application of IFRS 16 Leases.

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, in principle, lessees must 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. Therefore, 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 confirm that 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, the contract currency, and the economic circumstances of the lease.

In addition, Evonik uses further practical expedients:

- IFRS 16 is not applied to intangible assets (IFRS 16.4).
- 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 of the off-balance-sheet lease obligation pursuant to IAS 17 as of December 31, 2018 to 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	Sep. 30, 2019	Jan. 1, 2019
Land, land rights, and buildings	166	176
Plant and machinery	311	338
Other plant, office furniture, and equipment	118	148
	595	**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.

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 in each case.

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 €21 million in the third quarter of 2018, €82 million in the first nine months of 2018, and €121 million in 2018 as a whole. Cash inflows from interest amounted to €5 million in the third quarter of 2018, €17 million in the first nine months 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. No restatement was necessary for the third quarter of 2018. Cash outflows of €25 million were reclassified for the first nine months 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 €7 million in the third quarter of 2018, €23 million in the first nine months of 2018, and €31 million in 2018 as a whole.

The methacrylates business was divested effective July 31, 2019 (see Changes in the Evonik Group). This business was reclassified as a discontinued operation when the sale agreement was signed in March 2019. Since then, the executive board of Evonik Industries AG has only evaluated the earnings power and decided on the allocation of resources at the level of the continuing operations; separate management of the methacrylates business was no longer undertaken in the period until its divestment. Consequently, the methacrylates business has not been included in the segment report since the first quarter of 2019. The key figures have been restated retrospectively. Alongside the Evonik Group as a whole, this affects the Performance Materials, Resource Efficiency, and Services segments.

In connection with the divestment of the methacrylates business, the business with application monomers was integrated into the Resource Efficiency segment (previously it was allocated to the Performance Materials segment). The change of segment also involved some consolidation effects. The following tables show the impact of this retrospective adjustment on the key figures as a result of this reclassification.

Retrospective reclassification of the application monomers business

	3rd quarter 2018			1st nine months 2018		
in € million	Resource Efficiency	Performance Materials	Corporate, consolidation	Resource Efficiency	Performance Materials	Corporate, consolidation
External sales	43	-43	–	124	-124	–
Internal sales	-2	1	1	-5	1	4
Total sales	41	-42	1	119	-123	4
Adjusted EBITDA	8	-8	–	22	-22	–
Adjusted EBIT	8	-8	–	20	-20	–
Capital expenditures	1	-1	–	2	-2	–

Retrospective reclassification of the application monomers business—fiscal 2018

in € million	Resource Efficiency	Performance Materials	Corporate, consolidation
External sales	161	-161	–
Internal sales	-6	–	6
Total sales	155	-161	6
Adjusted EBITDA	25	-26	1
Adjusted EBIT	22	-23	1
Capital expenditures	3	-3	–

3. Changes in the Evonik Group

Assets held for sale and discontinued operations

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 transaction was closed on July 31, 2019 and mainly took the form of share deals. After taking into account the liabilities and cash and cash equivalents transferred and the provisional, contractually agreed purchase price adjustments prior to closing, the payment received was €2.4 billion. In the cash flow statement, this has to be offset against the divested cash and cash equivalents totaling €0.2 billion, so the cash flow statement shows an inflow of €2.2 billion from this divestment. Contractual agreements such as the final valuation of net working capital after closing may result in changes in the purchase price into the first half of 2020.

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, constituted a major line of business and was therefore classified as a discontinued operation until completion of the transaction. The discontinued operation is stated separately in the income statement and cash flow statement, and the prior-year figures have been restated in each case.

Income after taxes, discontinued operations—3rd 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	15	56	1,311	–	1,326	56
Other discontinued operations	–	–	–	3	–	3
	15	**56**	**1,311**	**3**	**1,326**	**59**

Income after taxes, discontinued operations—1st nine months

	Operating income after taxes		Divestment gains/losses after taxes		Income after taxes, discontinued operations	
in € million	**2019**	2018	**2019**	2018	**2019**	2018
Methacrylates business	84	194	1,311	–	1,395	194
Other discontinued operations	–	–	–	4	–	4
	84	**194**	**1,311**	**4**	**1,395**	**198**

Operating income of the methacrylates business

	3rd quarter		1st nine months	
in € million	**2019**	2018	**2019**	2018
Income	156	453	994	1,348
Expenses	-135	-372	-876	-1,071
Operating income before income taxes, methacrylates business	**21**	**81**	**118**	**277**
Income taxes	-6	-25	-34	-83
Operating income after taxes, methacrylates business	**15**	**56**	**84**	**194**

The divestment gain before income taxes from the methacrylates business amounts to €1,529 million. Income taxes of €218 million are payable on this amount.

Financial calendar

Financial calendar 2019/20

Event	Date
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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