QUARTERLY FINANCIAL REPORT

3RD QUARTER 2016 | 1ST NINE MONTHS 2016

EVONIK
POWER TO CREATE

THIRD GOOD QUARTER IN SUCCESSION— OUTLOOK CONFIRMED

3rd quarter:

- Volume growth (3 percent) remains pleasing
- Sales down 6 percent year-on-year at €3.2 billion due to lower selling prices
- Adjusted EBITDA still good at €578 million, 11 percent below the exceptionally strong prior-year level
- Financing of the planned acquisition of Air Products' specialty and coating additives business secured at an average interest rate of 0.35 percent

1st nine months:

- Sales down 8 percent at €9.5 billion as a result of lower selling prices but pleasing volume growth of 2 percent
- Adjusted EBITDA 12 percent below high prior-year level at €1.7 billion
- Adjusted EBITDA margin at a very good level of 18.1 percent
- Outlook for FY 2016 confirmed

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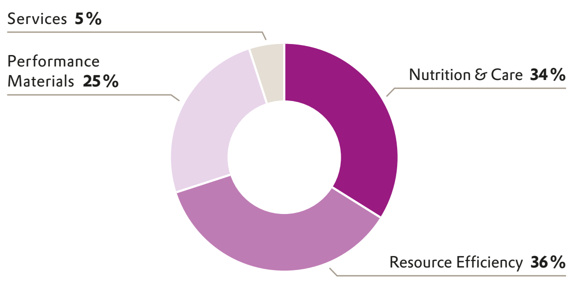
Key data for the Evonik Group

in € million	3rd quarter 2016	3rd quarter 2015	1st nine months 2016	1st nine months 2015
Sales	3,164	3,365	9,527	10,309
Adjusted EBITDA [a]	578	653	1,728	1,964
Adjusted EBITDA margin in %	18.3	19.4	18.1	19.1
Adjusted EBIT [b]	396	473	1,191	1,444
Income before financial result and income taxes, continuing operations (EBIT)	381	382	1,117	1,438
Net income	223	188	628	862
Adjusted net income	247	296	748	923
Earnings per share in €	0.48	0.40	1.35	1.85
Adjusted earnings per share in €	0.53	0.64	1.61	1.98
Cash flow from operating activities, continuing operations	500	717	1,098	1,329
Capital expenditures	217	206	589	585
Net financial assets as on the balance sheet as of September 30	–	–	837	963
No. of employees as of September 30	–	–	34,277	33,650

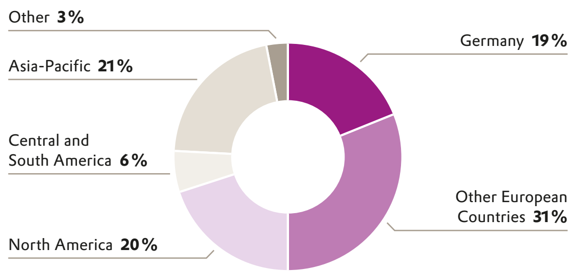
[a] Earnings before financial result, taxes, depreciation and amortization, after adjustments.
[b] Earnings before financial result and taxes, after adjustments.

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

Sales by segment 1st nine months 2016



Sales by region[a] 1st nine months 2016



[a] By location of customer.

QUARTERLY FINANCIAL REPORT 3RD QUARTER 2016

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Interim management report as of September 30, 2016

1. Business conditions and performance

1.1 Economic background

As expected, **global economic growth** was weak in the first nine months of 2016. The economic slowdown continued in the emerging markets. This was attributable to lower growth in China, softer demand from the industrialized countries, low raw material prices, and declining global trade. In Brazil, there were increasing signs in the third quarter that the recession could have bottomed out.

Economic momentum was also low in the developed economies in the first nine months of 2016. Following a weak start to the year, the US economy picked up in the second and third quarters, driven mainly by consumer spending. However, the pace of growth was lower than in the past.

In Europe, the moderate growth continued, supported by consumer spending, sustained favorable financing conditions, and a slight rise in state spending. There was a slight deterioration in economic sentiment in the third quarter as a reaction to the Brexit vote. The cooling of the British economy had a slightly negative impact on the European economy. In Germany, the economy was driven principally by private consumption and public spending and by the rise in construction spending, but was held back by weaker foreign trade.

Evonik's **end-customer industries** posted solid growth overall in the first nine months of this year. Demand for consumer and care products developed well overall, despite regional differences, and registered an upturn in the third quarter, especially in Europe. Automotive output rose year-on-year in Asia and in some cases in Europe. By contrast, the pace of demand for food and animal feed slowed somewhat compared with the previous year. The general industrial trend remained weak in the first nine months of 2016, with output rising only slightly in Europe and dropping back in North America and Latin America.

1.2 Business performance

Significant events

On May 6, 2016, Evonik signed a purchase agreement for the specialty and coating additives business (Performance Materials Division) of the US company **Air Products and Chemicals, Inc.**, Allentown (Pennsylvania, USA) for US$3.8 billion (approximately €3.5 billion). This will strengthen Evonik's leading position on the attractive growth market for specialty additives. The business to be acquired will be integrated into our Nutrition & Care and Resource Efficiency growth segments. The proposed acquisition is contingent on the approval of the relevant antitrust authorities. We secured the financing in September by issuing three bonds at an average interest rate of 0.35 percent. So far this year, the planned acquisition has resulted in project expenses, and financing and currency hedging costs totaling €59 million.

Business performance in Q3 2016

The positive volume trend continued in the third quarter of 2016, with good demand for our products worldwide. Selling prices declined further, partly because lower raw material prices were passed on to customers. Adjusted EBITDA was level with the previous quarter but 11 percent lower than in the exceptionally strong prior-year quarter. The decline was due to the Nutrition & Care segment, where selling prices normalized from the high prior-year level. The Resource Efficiency segment posted a very good performance and improved earnings considerably. Earnings were also up in the Performance Materials and Services segments. The adjusted EBITDA margin remained very good at 18.3 percent.

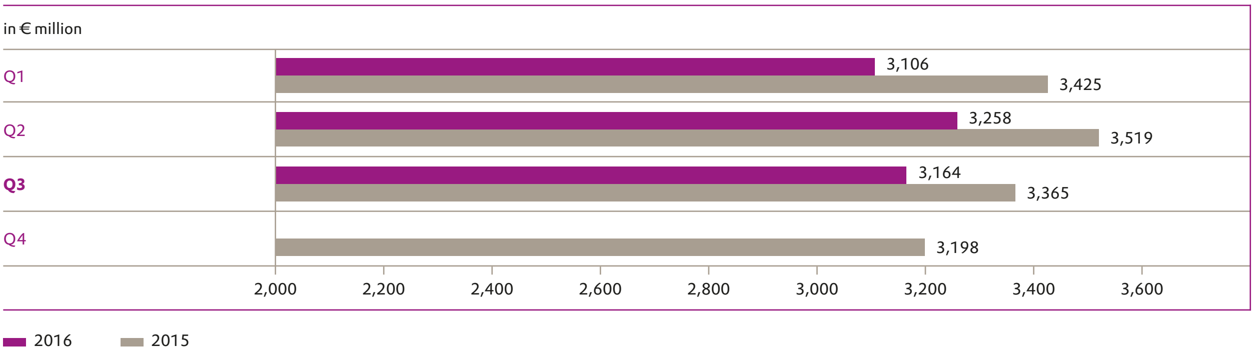
The Evonik Group posted a drop of 6 percent in **sales** to €3,164 million. While volumes were higher (3 percentage points) and currency effects were slightly positive (1 percentage point), the decline was mainly caused by the year-on-year drop in selling prices (–10 percentage points).

Adjusted EBITDA was €578 million, 11 percent less than in the exceptionally strong prior-year quarter. The adjusted EBITDA margin was very good at 18.3 percent (Q3 2015: 19.4 percent). Adjusted EBIT dropped 16 percent to €396 million.

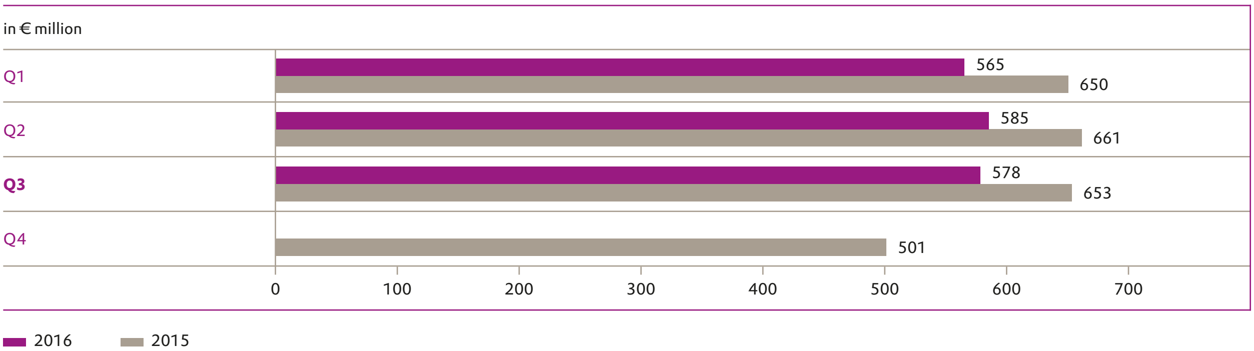
Year-on-year change in sales

in %	1st quarter 2016	2nd quarter 2016	**3rd quarter 2016**	**1st nine months 2016**
Volumes	–	4	3	2
Prices	–7	–10	–10	–9
Organic sales growth	**–7**	**–6**	**–7**	**–7**
Exchange rates	–1	–	1	–
Other effects	–1	–1	–	–1
Total	**–9**	**–7**	**–6**	**–8**

Sales by quarters



Adjusted EBITDA by quarters



The **adjustments** of –€15 million include project expenses of €6 million in connection with the planned acquisition of Air Products' specialty and coating additives business, which are recognized in acquisition/divestment of shareholdings. The prior-year adjustments of –€91 million mainly comprised restructuring expenses, and impairment losses for an equity investment in the Nutrition & Care segment and a production facility in the Performance Materials segment.

Statement of income

in € million	3rd quarter 2016	2015	Change in %	1st nine months 2016	2015	Change in %
Sales	**3,164**	**3,365**	**–6**	**9,527**	**10,309**	**–8**
Adjusted EBITDA	**578**	**653**	**–11**	**1,728**	**1,964**	**–12**
Depreciation and amortization	–182	–180		–537	–520	
Adjusted EBIT	**396**	**473**	**–16**	**1,191**	**1,444**	**–18**
Adjustments	–15	–91		–74	–6	
thereof attributable to						
Restructuring	*–1*	*–20*		*–25*	*–41*	
Impairment losses/reversals of impairment losses	*–1*	*–24*		*–18*	*–47*	
Acquisition/divestment of shareholdings	*–6*	*–*		*–17*	*142*	
Other	*–7*	*–47*		*–14*	*–60*	
Financial result	–55	–86		–183	–200	
Income before income taxes, continuing operations	**326**	**296**	**10**	**934**	**1,238**	**–25**
Income taxes	–100	–105		–297	–354	
Income after taxes, continuing operations	**226**	**191**	**18**	**637**	**884**	**–28**
Income after taxes, discontinued operations	1	–		1	–15	
Income after taxes	**227**	**191**	**19**	**638**	**869**	**–27**
thereof attributable to non-controlling interests	4	3		10	7	
Net income	**223**	**188**	**19**	**628**	**862**	**–27**
Earnings per share in €	**0.48**	**0.40**	**–**	**1.35**	**1.85**	**–**

The **financial result** improved considerably, from –€86 million to –€55 million. It should be noted that the prior-year figure contains one-off factors of –€28 million comprising interest expense in connection with the establishment of provisions. **Income before income taxes, continuing operations** was 10 percent higher at €326 million. The income tax rate was 31 percent, and thus roughly in line with the expected Group tax rate. Overall, **net income** increased 19 percent to €223 million as a result of the reduced impact of one-off factors.

The calculation of **adjusted net income** (after adjustment for exceptional factors) improves comparability of the earnings power of the continuing operations, especially on a long-term view, and thus facilitates the forecasting of future development. Adjusted net income fell 17 percent to €247 million in the third quarter. **Adjusted earnings per share** dropped from €0.64 to €0.53.

Business performance in the first nine months of 2016

Sales declined 8 percent to €9,527 million. This was mainly due to lower selling prices (–9 percentage points), while the increase in volume sales (2 percentage points) cushioned the decline.

Adjusted EBITDA was 12 percent below the very high prior-year level at €1,728 million. The adjusted EBITDA margin was a very good 18.1 percent, compared with 19.1 percent in the first nine months of 2015. Adjusted EBIT dropped 18 percent to €1,191 million.

The **adjustments** of –€74 million include restructuring expenses of €25 million, principally for optimization of the portfolio structure of the Performance Materials segment. The impairment losses/reversals of impairment losses amounting to –€18 million mainly related to an equity investment in the Nutrition & Care segment. Project expenses of €17 million for the planned acquisition of Air Products' specialty and coating additives business were assigned to the acquisition/divestment of business operations. The adjustments of –€6 million reported for the prior-year period contained restructuring expenses, impairment losses and income from the divestment of the stake in Vivawest.

Reconciliation to adjusted net income

	3rd quarter			1st nine months		
in € million	2016	2015	Change in %	2016	2015	Change in %
Adjusted EBITDA	**578**	**653**	**–11**	**1,728**	**1,964**	**–12**
Depreciation and amortization	–182	–180		–537	–520	
Adjusted EBIT	**396**	**473**	**–16**	**1,191**	**1,444**	**–18**
Adjusted financial result	–50	–58		–137	–157	
Amortization and impairment losses on intangible assets	11	10		31	29	
Adjusted income before income taxes [a]	**357**	**425**	**–16**	**1,085**	**1,316**	**–18**
Adjusted income taxes	–106	–126		–327	–386	
Adjusted income after taxes [a]	**251**	**299**	**–16**	**758**	**930**	**–18**
thereof adjusted income attributable to non-controlling interests	4	3		10	7	
Adjusted net income [a]	**247**	**296**	**–17**	**748**	**923**	**–19**
Adjusted earnings per share [a] in €	**0.53**	**0.64**	**–**	**1.61**	**1.98**	**–**

[a] Continuing operations.

The **financial result** of –€183 million contains currency hedging and financing expenses of €42 million for the planned acquisition. In the prior year, one-off factors amounted to –€43 million, mainly interest expense in connection with the establishment of provisions. Overall, **income before income taxes, continuing operations** was 25 percent lower at €934 million. The income tax rate was 32 percent, which was above the expected rate for the Group, primarily because of non-tax-deductible expenses and non-period taxes.

Net income was €628 million, down 27 percent from the high prior-year level, which contained the proceeds from the divestment of the stake in Vivawest.

Adjusted net income dropped 19 percent to €748 million, while **adjusted earnings per share** declined from €1.98 to €1.61.

1.3 Segment performance

Nutrition & Care segment

Key data for the Nutrition & Care segment

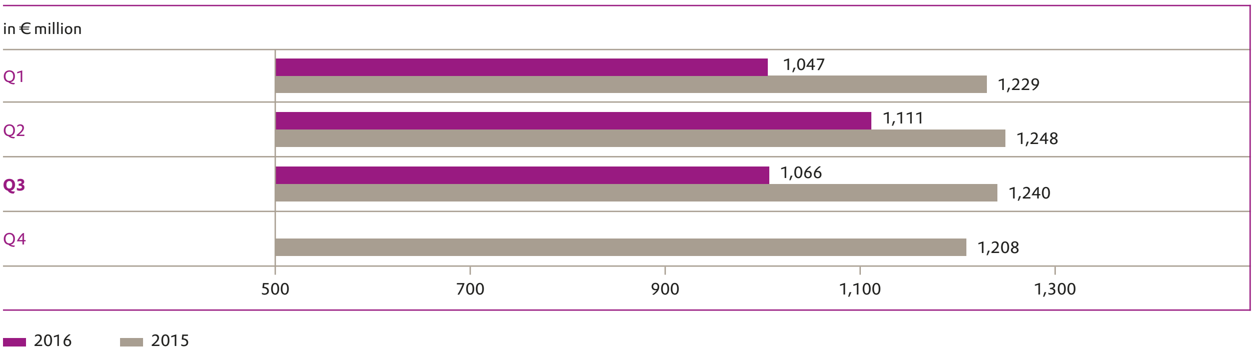
	3rd quarter			1st nine months		
in € million	2016	2015	Change in %	2016	2015	Change in %
External sales	1,066	1,240	–14	3,223	3,716	–13
Adjusted EBITDA	239	382	–37	796	1,116	–29
Adjusted EBITDA margin in %	22.4	30.8	–	24.7	30.0	–
Adjusted EBIT	182	328	–45	634	954	–34
Capital expenditures	59	64	–8	162	177	–8
No. of employees as of September 30	–	–	–	7,550	7,062	7

In the Nutrition & Care segment sales declined 14 percent to €1,066 million in the **third quarter of 2016**. Since volumes were stable compared with the strong prior-year period, this was mainly attributable to lower selling prices.

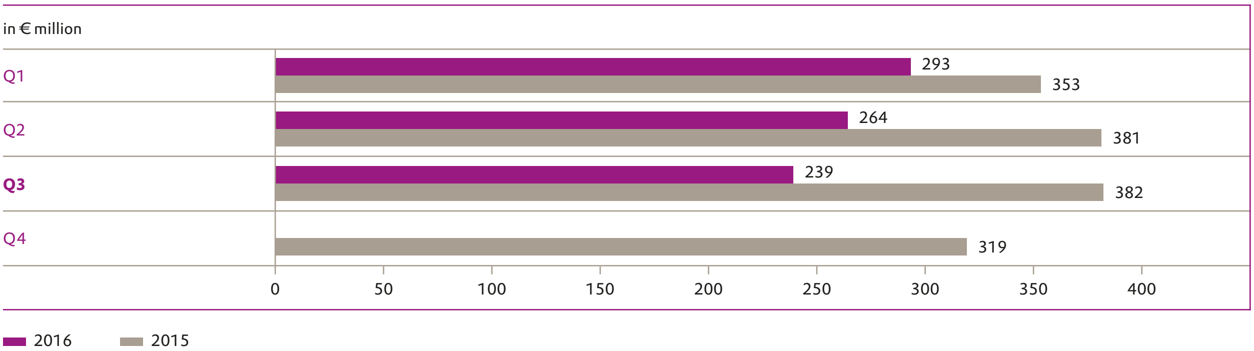
As expected, within essential amino acids for animal nutrition the price of methionine was below the record level of 2015. Selling prices of the other amino acids were also lower than in the prior-year period. Demand for methionine, in particular, weakened again slightly following a good second quarter. Overall, sales of amino acids were down significantly year-on-year as a result of lower selling prices. The principal factor holding back the baby care business was overcapacity. Sales declined considerably as a result of perceptibly lower volumes and declining prices as lower raw material costs were passed on to customers. By contrast, additives for polyurethane foams posted higher sales, with high demand in all major end-markets worldwide. The health care business also developed very well, with good volume growth coming from new projects in the pharmaceuticals business.

Adjusted EBITDA was €239 million, which was below the very high prior-year level of €382 million, mainly on price grounds. The adjusted EBITDA margin dropped to 22.4 percent.

Sales Nutrition & Care segment



Adjusted EBITDA Nutrition & Care segment



In the **first nine months of 2016** sales in the Nutrition & Care segment dropped by 13 percent to €3,223 million. Since volumes were virtually unchanged, the decline was attributable to far lower selling prices. Adjusted EBITDA was 29 percent below the very strong prior-year level at €796 million. The adjusted EBITDA margin remains very good at 24.7 percent.

To implement the Nutrition & Care segment's growth strategy, we have made selective acquisitions to strengthen our portfolio:

In March 2016, we acquired MedPalett AS, Sandnes (Norway). This company markets food ingredients containing anthocyanins, which are known for their natural antioxidant properties and expand the advanced food ingredients offering of our **health care** business.

To extend the portfolio of active ingredients for **personal care** products, in May 2016 we acquired the start-up Alkion Biopharma SAS, Evry (France). This company specializes in biotechnologically produced plant-based active ingredients for the cosmetics industry.

At the start of July 2016 we acquired the probiotics business of NOREL S.A., Madrid (Spain). This comprises the existing probiotics product portfolio and the production site in León (Spain). This acquisition extends our portfolio of products for sustainable and healthy **animal nutrition** solutions. Probiotics play a key role as natural alternatives to antibiotics and antibiotic growth promoters.

To further strengthen the **health care** business, at the end of August 2016 we acquired the business of Transferra Nanosciences Inc., Burnaby (Canada), which specializes in developing liposomal drug delivery systems.

Resource Efficiency segment

Key data for the Resource Efficiency segment

	3rd quarter			1st nine months		
in € million	**2016**	2015	Change in %	**2016**	2015	Change in %
External sales	1,117	1,044	7	3,392	3,278	3
Adjusted EBITDA	262	216	21	788	714	10
Adjusted EBITDA margin in %	23.5	20.7	–	23.2	21.8	–
Adjusted EBIT	205	161	27	619	553	12
Capital expenditures	68	63	8	180	160	13
No. of employees as of September 30	–	–	–	8,879	8,549	4

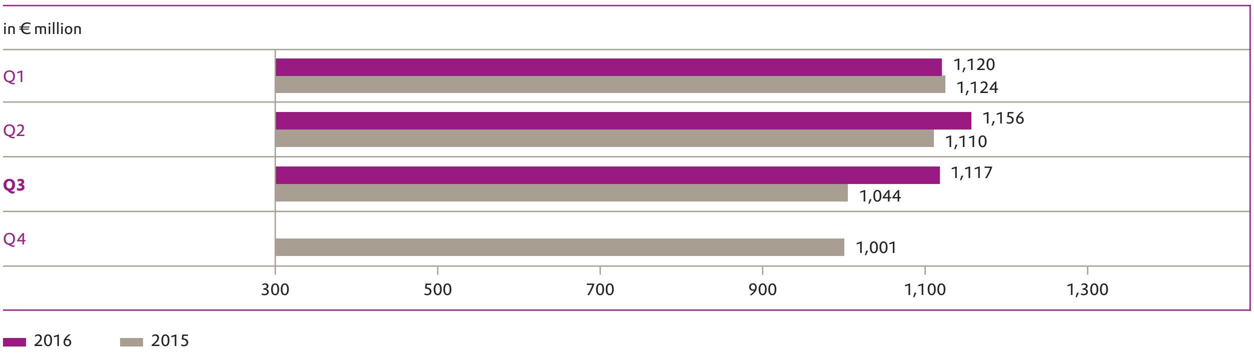
The Resource Efficiency segment continued its successful business performance in the **third quarter of 2016**. Sales rose 7 percent to €1,117 million, driven principally by clear volume growth. Selling prices slipped slightly, mainly because lower raw material costs were passed on to customers.

Silicas posted higher sales thanks to an upturn in demand, especially from the tire and coatings industries. Business with high-performance polymers was also very positive, with the strong rise in sales coming principally from higher volumes. The coating additives business, which mainly supplies technical solutions for coating technologies, also benefited from higher demand. In the active oxygen products business, conventional applications for hydrogen peroxide continued to develop well, with the production facility in the Netherlands which we acquired in October 2015 making a contribution to this.

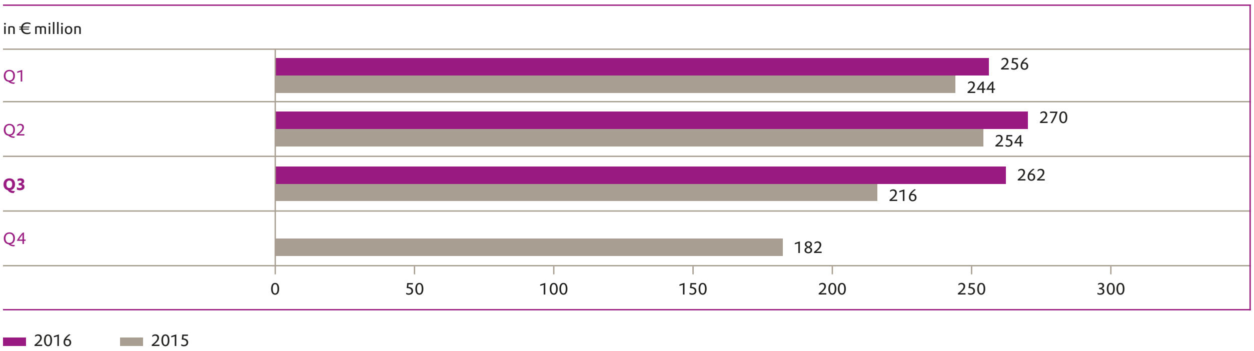
Adjusted EBITDA advanced 21 percent to €262 million, mainly as a consequence of higher volumes and favorable raw material costs. The adjusted EBITDA margin improved to a very good 23.5 percent.

In the **first nine months** of the year, sales in the Resource Efficiency segment rose 3 percent to €3,392 million. This was mainly due to higher volumes, while the reduction in selling prices driven by raw material prices had a counter-effect. Adjusted EBITDA rose by 10 percent to €788 million. The adjusted EBITDA margin improved from 21.8 percent to 23.2 percent.

Sales Resource Efficiency segment



Adjusted EBITDA Resource Efficiency segment



Performance Materials segment

Key data for the Performance Materials segment

	3rd quarter			1st nine months		
in € million	**2016**	2015	Change in %	**2016**	2015	Change in %
External sales	797	858	–7	2,399	2,646	–9
Adjusted EBITDA	104	94	11	273	247	11
Adjusted EBITDA margin in %	13.0	11.0	–	11.4	9.3	–
Adjusted EBIT	70	57	23	170	150	13
Capital expenditures	42	34	24	107	123	–13
No. of employees as of September 30	–	–	–	4,421	4,387	1

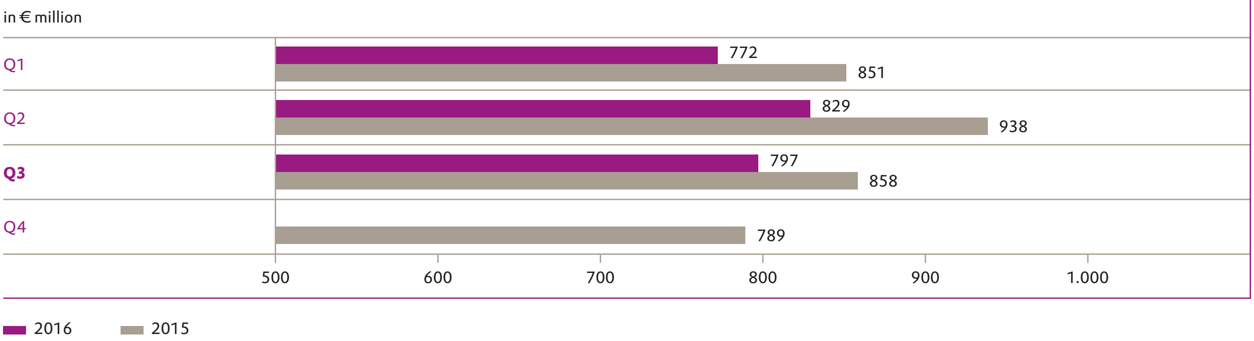
In the Performance Materials segment, sales dropped 7 percent to €797 million in the **third quarter of 2016**. The main reason was the reduction in selling prices as lower raw material costs were passed on to customers. By contrast, volumes rose considerably thanks to good demand.

Volumes of performance intermediates benefited from rising demand and the new production capacities in Marl (Germany) and Antwerp (Belgium). However, selling prices declined further as a result of the drop in the price of oil, leading to a considerable drop in sales. Demand for methacrylates continued to pick up, especially in the coatings and automotive industries, but sales were only at the prior-year level, mainly on price grounds.

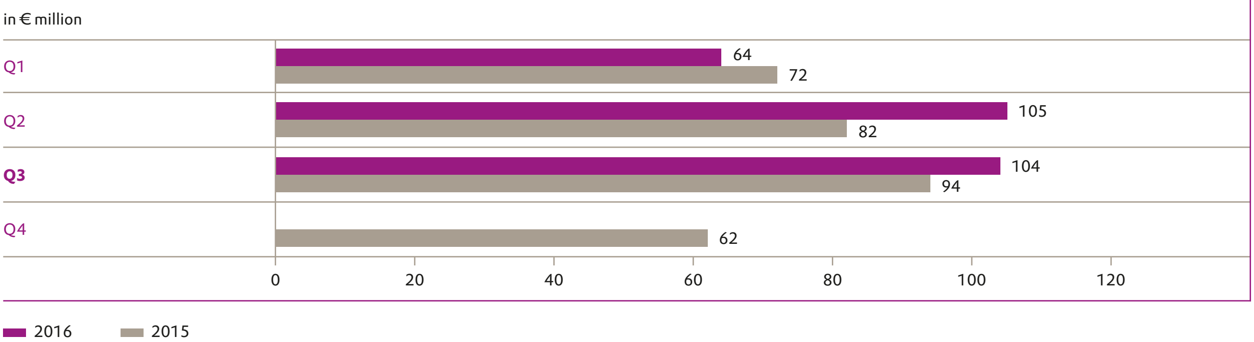
Adjusted EBITDA grew 11 percent to €104 million. This was primarily due to a rise in volumes, high capacity utilization at production facilities, and the initial effects of cost-cutting measures. The adjusted EBITDA margin was 13.0 percent, up from 11.0 percent in the third quarter of 2015.

In the **first nine months** of the year, sales in the Performance Materials segment shrank 9 percent to €2,399 million. With volumes up, the decline was caused by the oil-driven drop in selling prices. Adjusted EBITDA improved 11 percent to €273 million and the adjusted EBITDA margin rose to 11.4 percent.

Sales Performance Materials segment



Adjusted EBITDA Performance Materials segment



Services segment

Key data for the Services segment

in € million	3rd quarter 2016	2015	Change in %	1st nine months 2016	2015	Change in %
External sales	173	207	–16	503	626	–20
Adjusted EBITDA	50	46	9	119	119	–
Adjusted EBITDA margin in %	28.9	22.2	–	23.7	19.0	–
Adjusted EBIT	21	18	17	32	40	–20
Capital expenditures	41	40	3	126	110	15
No. of employees as of September 30	–	–	–	12,896	12,747	1

Prior-year figures restated.

Sales fell 16 percent to €173 million in the **third quarter**. The decline was due to an energy and raw material-driven drop in revenues from procurement and energy supply for external customers at our sites. Adjusted EBITDA increased 9 percent to €50 million, mainly because of higher earnings from Utilities and Waste Management at our sites.

In the **first nine months** sales contracted by 20 percent to €503 million. Adjusted EBITDA was almost unchanged year-on-year at €119 million.

2. Earnings, financial and asset position

2.1 Earnings position

Sales declined 8 percent to €9,527 million in the first nine months of 2016. Given the slight rise in volumes, this was mainly caused by lower selling prices. The cost of sales was down 9 percent year-on-year at €6,297 million, principally due to the reduction in raw material costs. The **gross profit on sales** therefore decreased by just 5 percent to €3,230 million. Selling expenses increased by 4 percent to €1,108 million, mainly due to the expansion of business resulting from new production facilities. Research and development expenses increased by 5 percent to €321 million. General administrative expenses were €5 million lower at €504 million.

Other operating income was €174 million, €152 million below the high prior-year level, which contained the income from the divestment of the stake in Vivawest. The €61 million drop in other operating expenses to €336 million is principally due to lower impairment losses. The result from investments recognized at equity was –€18 million and primarily comprised an impairment loss on one company. **Income before financial result and income taxes, continuing operations** dropped 22 percent to €1,117 million.

The **financial result** of –€183 million contains currency hedging and financing expenses of €42 million in connection with the planned acquisition. The prior-year figure comprised one-off factors of –€43 million, mainly interest expense in connection with the establishment of provisions. **Income before income taxes, continuing operations** was 25 percent lower at €934 million. The income tax rate was 32 percent, which was above the expected Group tax rate, mainly due to non-tax-deductible expenses and taxes relating to other periods. **Income after taxes, continuing operations** dropped 28 percent to €637 million.

Income after taxes, discontinued operations was €1 million and comprised post-divestment income from businesses sold in prior periods. The prior-year figure of –€15 million was mainly attributable to the remaining lithium-ion activities, which were divested in April 2015. **Net income** was €628 million, 27 percent below the prior-year level, which contained the proceeds from the divestment of the stake in Vivawest.

2.2 Financial and asset position

In September 2016 Evonik successfully placed bonds with a nominal value of €1.9 billion on the capital market via its subsidiary Evonik Finance B.V. The proceeds will be used to finance the planned acquisition of Air Products' specialty and coating additives business. As well as the bonds, internal funding of around €1.6 billion will be used to finance the purchase price of around €3.5 billion (US$3.8 billion). Three fixed-rate tranches were issued: a €650 million tranche with a tenor of 4.5 years and a coupon of 0 percent p.a., a €750 million tranche with a tenor of 8 years and a coupon of 0,375 percent p.a., and a €500 million tranche with a tenor of 12 years and a coupon of 0.750 percent p.a.

Net financial assets

in € million	Sept. 30, 2016	Dec. 31, 2015
Non-current financial liabilities [a]	–3,241	–1,361
Current financial liabilities [a]	–292	–194
Financial debt	**–3,533**	**–1,555**
Cash and cash equivalents	4,340	2,368
Current securities	11	262
Other financial investments	19	23
Financial assets	**4,370**	**2,653**
Net financial assets as stated on the balance sheet	**837**	**1,098**

[a] Excluding derivatives.

As of September 30, 2016, financial debt was €3,533 million, a substantial increase of €1,978 million compared with year-end 2015, principally as a result of the bond issues. Financial assets increased by €1,717 million to €4,370 million. Alongside the proceeds from the bond issues, this was due to the positive free cash flow, while the dividend payment for fiscal 2015 had a counter-effect. **Net financial assets** decreased by €261 million compared with December 31, 2015 to €837 million.

While the Standard & Poor's rating agency left the rating of Evonik Industries AG unchanged at BBB+ with a stable outlook, Moody's raised its **rating** one notch from Baa2 with a positive outlook to Baa1 with a stable outlook on May 10, 2016. This was Moody's response to the announcement of the planned acquisition of Air Products' specialty and coating additives business. Moody's expects Evonik's business profile to improve as a result of economies of scale and greater diversification.

In the first nine months of 2016, **capital expenditures for property, plant and equipment** were €589 million, in line with the first nine months of 2015 (€585 million). A new production facility for ROHACELL® structural foam was completed in Shanghai (China). Applications for this product include aircraft and automotive engineering. In Brazil, a new facility for biotechnological production of Biolys® (L-lysine) for modern animal nutrition came into service in Castro and a production plant for precipitated silica, which is mainly used in tires with reduced rolling resistance, came on stream at the site in Americana. In Antwerp (Belgium), we invested in the world's first production plant for Aquavi® Met-Met, a new source of methionine developed specifically for shrimp and other crustaceans. In addition, a thin-film composites plant for membrane coating was taken into service in Marl (Germany). In principle, there is a slight timing difference in outflows for property, plant and equipment due to payment terms. In the reporting period, cash outflows for property, plant and equipment totaled €610 million (9M 2015: €655 million).

The **financial investments** totaling €145 million mainly comprised the acquisition of the Norwegian company MedPalett AS and the business of the Canadian company Transferra Nanosciences Inc. and the Spanish company NOREL S.A.

The **cash flow from operating activities** declined to €1,098 million in the first nine months of 2016, a drop of €234 million compared with the prior-year period. This was mainly caused by lower operating earnings and higher income tax payments, with a clearly positive counter-effect coming from the change in working capital.

Cash flow statement (excerpt)

	1st nine months	
in € million	2016	2015
Cash flow from operating activities, continuing operations	1,098	1,329
Cash flow from operating activities, discontinued operations	–	3
Cash flow from operating activities	**1,098**	**1,332**
Cash flow from investing activities	**–504**	**–180**
Cash flow from financing activities	**1,382**	**269**
Change in cash and cash equivalents	**1,976**	**1,421**

In the cash flow from investing activities, the repayment of current securities (€235 million), in particular, had a positive effect. Together with cash outflows for property, plant and equipment and the acquisition of shareholdings, the total outflow was €504 million. In the prior-year period, cash outflows for capital expenditures for property, plant and equipment were offset by the proceeds from the divestment of the stake in Vivawest, so the total outflow was only €180 million.

The cash inflow for financing activities totaling €1,382 million mainly comprised the proceeds of the bond issues. In the prior-year period, there was an inflow of €269 million, principally from the issuance of a bond.

In the first nine months of 2016, the **free cash flow**[1] was €488 million, compared with €674 million in the prior-year period.

The discount rate for **pensions** in the euro-zone countries declined considerably to 1.50 percent as of June 30, 2016 (year-end 2015: 2.75 percent) and was unchanged in the third quarter. The decline led to an increase of €1.6 billion in pension provisions to €4.9 billion as of September 30, 2016, without recognition in profit or loss. In line with this, deferred tax assets increased by €0.5 billion to €1.6 billion. The increase in pension provisions and the corresponding rise in deferred tax assets reduced equity by €1.2 billion but was not recognized in profit or loss.

Total assets were €19.2 billion as of September 30, 2016, €2.2 billion higher than at year-end 2015. Non-current assets rose by €0.6 billion to €10.9 billion as a result of higher deferred tax assets. Current assets increased by €1.6 billion to €8.3 billion, mainly because of the considerable rise in cash and cash equivalents.

Equity decreased by €1.0 billion to €6.6 billion, principally as a result of the remeasurement of the net defined benefit liability for defined benefit pension plans. The equity ratio decreased from 44.6 percent to 34.2 percent.

3. Research & development

Research and development (R&D) expenses increased by 5 percent to €321 million in the first nine months of 2016. Highlights of our R&D activities were the start-up of our Friction & Motion competence center for enhanced energy efficiency, investment in the Irish medical device company Vivasure Medical Ltd., and involvement of the Open Platform Program of US PC and printer manufacturer HP Inc.

The main topics addressed by the Friction & Motion competence center established by the Resource Efficiency segment's Oil Additives Business Line are energy efficiency and reducing carbon emissions. The aim is to identify potential for savings and improvements in various areas of application. Its work will include e-mobility, robotics and drone technology.

We have made a strategic addition to the applications portfolio for products produced by the Health Care Business Line in the Nutrition & Care segment through our venture capital activities. The investment in medical technology company Vivasure and its innovative technology allows fully bioabsorbable, sutureless and entirely synthetic closure of large-bore arteriotomies (incisions in minimally invasive procedures). The stake in Vivasure opens up new applications for Evonik's RESOMER® business for the production of medical products and pharmaceutical formulations.

Evonik is also extending its exposure to the attractive 3D printing market. The High Performance Polymers Business Line in the Resource Efficiency segment is participating in the Open Platform Program of HP Inc. As part of this it is bringing new custom-tailored powders for the HP Multi Jet Fusion™ technology onto the market. HP's technology opens up new applications for 3D printing and paves the way for research into new materials for the future.

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

4. Employees

As of September 30, 2016, the Evonik Group had 34,277 employees. The increase of 701 compared with year-end 2015 was principally due to expansion of our business, including acquisitions and the start-up of new capacity.

Employees by segments

	Sept. 30, 2016	Dec. 31, 2015
Nutrition & Care	7,550	7,165
Resource Efficiency	8,879	8,662
Performance Materials	4,421	4,380
Services	12,896	12,668
Other operations	531	701
Evonik	**34,277**	**33,576**

Prior-year figures restated.

5. 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 2015.

In view of the continued volatility of the operating environment, we regularly and systematically monitor and analyze the markets, sectors and growth prospects of relevance for our segments. Based on current market trends in our Nutrition & Care, Resource Efficiency and Performance Materials segments, we see fewer opportunities and risks for this year than in our assessment at the end of 2015. There are still no risks that could jeopardize the continued existence of the Evonik Group or major individual companies.

6. Events after the reporting date

No material events have occurred since the reporting date.

7. Expected development

Our expectations for **global economic conditions in 2016** have altered marginally compared with the start of the year: Overall we anticipate slightly lower momentum in the global economy, with a year-on-year growth rate of 2.4 percent in 2016. We expect the present weak growth in the emerging markets to continue, although the recessions in Brazil and Russia should have bottomed out. The economic upturn in some developed economies will probably be dampened by the heightened uncertainty in the wake of the Brexit decision and the run-up to the elections in the USA.

Basis for our forecast:

- Global growth: 2.4 percent (originally: 2.5 percent)
- Euro/US dollar exchange rate around the same level as in 2015 at approx. US$1.10 (unchanged)
- Internal raw material cost index lower than in the prior year (unchanged)

Sales and earnings

We still expect to report slightly lower **sales** in 2016 (2015: €13.5 billion). Thanks to our strong market positions, balanced portfolio and concentration on high-growth businesses, we assume continued high demand for our products and appreciable volume growth despite the difficult macro-economic conditions. The new production capacities taken into service in recent years and further intensification of sales activities are also contributing to this. Selling prices are declining considerably, especially in the Nutrition & Care and Performance Materials segments, leading to the forecast slight reduction in overall sales.

We are confirming the outlook for **adjusted EBITDA** specified at the end of the first six months: We are confident that we can realize adjusted EBITDA in the upper half of the anticipated range of €2.0 billion to €2.2 billion (2015: €2.47 billion).

For the majority of businesses in the Nutrition & Care segment we are expecting a stable or slightly positive business trend compared with the previous year. As expected, the price of essential amino acids for animal nutrition is continuing to normalize from the very high prior-year level. Moreover, the baby care business is still suffering from persistently high competitive pressure.

We expect that the Resource Efficiency segment will be able to improve on the previous year's successful business development despite weaker global growth.

In the Performance Materials segment, the year-on-year decline in the oil price, in particular, has resulted in a further reduction in selling prices. Nevertheless, we are confident that this decline will be more than offset on the earnings side.

The continued systematic implementation of our On Track 2.0 and Administration Excellence efficiency enhancement programs will also contribute to earnings in 2016. The earnings impact of lower raw material prices on individual businesses will vary, but should largely balance out across the portfolio as a whole.

The return on capital employed (**ROCE**) should again be above the cost of capital in 2016, although it will be slightly lower than in 2015 (16.6 percent) due to the overall reduction in earnings.

Financing and investments

We anticipate that **capital expenditures** will be around the 2015 level (€0.9 billion) and thus slightly higher than depreciation and amortization. The **free cash flow** should therefore be clearly positive again, but will fall short of the high level reported for 2015 (€1.1 billion) owing to the weaker operating earnings trend.

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

Consolidated interim financial statements as of September 30, 2016

Income statement

Income statement for the Evonik Group

	3rd quarter		1st nine months	
in € million	**2016**	2015	**2016**	2015
Sales	3,164	3,365	9,527	10,309
Cost of sales	–2,106	–2,245	–6,297	–6,907
Gross profit on sales	**1,058**	**1,120**	**3,230**	**3,402**
Selling expenses	–369	–352	–1,108	–1,063
Research and development expenses	–109	–102	–321	–307
General administrative expenses	–175	–166	–504	–509
Other operating income	39	41	174	326
Other operating expenses	–63	–143	–336	–397
Result from investments recognized at equity	–	–16	–18	–14
Income before financial result and income taxes, continuing operations	**381**	**382**	**1,117**	**1,438**
Interest income	7	1	36	15
Interest expense	–65	–82	–175	–192
Other financial income/expense	3	–5	–44	–23
Financial result	**–55**	**–86**	**–183**	**–200**
Income before income taxes, continuing operations	**326**	**296**	**934**	**1,238**
Income taxes	–100	–105	–297	–354
Income after taxes, continuing operations	**226**	**191**	**637**	**884**
Income after taxes, discontinued operations	1	–	1	–15
Income after taxes	**227**	**191**	**638**	**869**
thereof attributable to				
Non-controlling interests	4	3	10	7
Shareholders of Evonik Industries AG (net income)	223	188	628	862
Earnings per share in € (basic and diluted)	**0.48**	**0.40**	**1.35**	**1.85**

Statement of comprehensive income

Statement of comprehensive income for the Evonik Group

	3rd quarter		1st nine months	
in € million	**2016**	2015	**2016**	2015
Income after taxes	**227**	**191**	**638**	**869**
Gains/losses on available-for-sale securities	12	10	12	21
Gains/losses on hedging instruments	15	45	115	26
Currency translation adjustment	–53	–89	–42	143
Attributable to the equity method (after income taxes)	–	4	1	6
Deferred taxes	–5	–18	–28	–16
Comprehensive income that will be reclassified subsequently to profit or loss	**–31**	**–48**	**58**	**180**
Remeasurement of the net defined benefit liability for defined benefit pension plans	99	–336	–1,646	128
Attributable to the equity method (after income taxes)	–	–	–	–4
Deferred taxes	–31	99	495	–40
Comprehensive income that will not be reclassified subsequently to profit or loss	**68**	**–237**	**–1,151**	**84**
Other comprehensive income after taxes	**37**	**–285**	**–1,093**	**264**
Total comprehensive income	**264**	**–94**	**–455**	**1,133**
thereof attributable to				
Non-controlling interests	4	–1	12	10
Shareholders of Evonik Industries AG	260	–93	–467	1,123
Total comprehensive income attributable to shareholders of Evonik Industries AG	**260**	**–93**	**–467**	**1,123**
thereof attributable to				
Continuing operations	259	–93	–468	1,138
Discontinued operations	1	–	1	–15

Balance sheet

Balance sheet for the Evonik Group

in € million	Sept. 30, 2016	Dec. 31, 2015
Intangible assets	3,259	3,168
Property, plant and equipment	5,845	5,808
Investments recognized at equity	45	53
Financial assets	167	116
Deferred taxes	1,579	1,110
Other income tax assets	10	11
Other receivables	52	54
Non-current assets	**10,957**	**10,320**
Inventories	1,648	1,763
Other income tax assets	117	111
Trade accounts receivable	1,709	1,813
Other receivables	314	265
Financial assets	147	365
Cash and cash equivalents	4,340	2,368
Current assets	**8,275**	**6,685**
Total assets	**19,232**	**17,005**

in € million	Sept. 30, 2016	Dec. 31, 2015
Issued capital	466	466
Capital reserve	1,166	1,166
Accumulated income	4,765	5,821
Accumulated other comprehensive income	94	40
Equity attributable to shareholders of Evonik Industries AG	**6,491**	**7,493**
Equity attributable to non-controlling interests	90	83
Equity	**6,581**	**7,576**
Provisions for pensions and other post-employment benefits	4,917	3,349
Other provisions	880	854
Deferred taxes	462	479
Other income tax liabilities	168	150
Financial liabilities	3,294	1,415
Other liabilities	56	106
Non-current liabilities	**9,777**	**6,353**
Other provisions	1,010	1,177
Other income tax liabilities	123	209
Financial liabilities	333	291
Trade accounts payable	961	1,090
Other liabilities	447	309
Current liabilities	**2,874**	**3,076**
Total equity and liabilities	**19,232**	**17,005**

Statement of changes in equity

Statement of changes in equity for the Evonik Group

in € million	Issued capital	Capital reserve	Accumulated income	Treasury shares	Accumulated other comprehensive income	Attributable to shareholders of Evonik Industries AG	Attributable to non-controlling interests	Total equity
As of January 1, 2015	**466**	**1,165**	**5,040**	**–**	**–244**	**6,427**	**95**	**6,522**
Capital increases/decreases	–	–	–	–	–	–	1	1
Dividend distribution	–	–	–466	–	–	–466	–10	–476
Purchase of treasury shares	–	–	–	–14	–	–14	–	–14
Share-based payment	–	3	–	–	–	3	–	3
Sale of treasury shares	–	–2	–	14	–	12	–	12
Income after taxes	–	–	862	–	–	862	7	869
Other comprehensive income after taxes	–	–	84	–	177	261	3	264
Total comprehensive income	–	–	946	–	177	1,123	10	1,133
Other changes	–	–	2	–	–2	–	–	–
As of September 30, 2015	**466**	**1,166**	**5,522**	**–**	**–69**	**7,085**	**96**	**7,181**
As of January 1, 2016	**466**	**1,166**	**5,821**	**–**	**40**	**7,493**	**83**	**7,576**
Capital increases/decreases	–	–	–	–	–	–	4	4
Dividend distribution	–	–	–536	–	–	–536	–9	–545
Purchase of treasury shares	–	–	–	–15	–	–15	–	–15
Share-based payment	–	3	–	–	–	3	–	3
Sale of treasury shares	–	–3	–	15	–	12	–	12
Income after taxes	–	–	628	–	–	628	10	638
Other comprehensive income after taxes	–	–	–1,151	–	56	–1,095	2	–1,093
Total comprehensive income	–	–	–523	–	56	–467	12	–455
Other changes	–	–	3	–	–2	1	–	1
As of September 30, 2016	**466**	**1,166**	**4,765**	**–**	**94**	**6,491**	**90**	**6,581**

Cash flow statement

Cash flow statement for the Evonik Group

in € million	3rd quarter 2016	3rd quarter 2015	1st nine months 2016	1st nine months 2015
Income before financial result and income taxes, continuing operations	381	382	1,117	1,438
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	178	188	537	556
Result from investments recognized at equity	–	16	18	14
Gains/losses on the disposal of non-current assets	–1	2	–1	–145
Change in inventories	–3	–42	112	16
Change in trade accounts receivable	43	82	103	–216
Change in trade accounts payable and current advance payments from customers	46	–30	–108	–104
Change in provisions for pensions and other post-employment benefits	–58	–57	–125	–117
Change in other provisions	90	147	–160	19
Change in miscellaneous assets/liabilities	–15	47	43	92
Cash outflows for interest	–28	–13	–88	–56
Cash inflows from interest	5	3	33	9
Cash inflows from dividends	3	–	7	18
Cash inflows/outflows for income taxes	–141	–8	–390	–195
Cash flow from operating activities, continuing operations	**500**	**717**	**1,098**	**1,329**
Cash flow from operating activities, discontinued operations	–	–	–	3
Cash flow from operating activities	**500**	**717**	**1,098**	**1,332**
Cash outflows for investments in intangible assets, property, plant and equipment	–220	–209	–610	–655
Cash outflows for investments in shareholdings	–48	–2	–135	–42
Cash inflows from divestments of intangible assets, property, plant and equipment	15	5	19	13
Cash inflows/outflows from divestment of shareholdings	1	–3	1	420
Cash inflows/outflows relating to securities, deposits and loans	–8	72	235	102
Transfers to the pension trust fund (CTA)	–	–8	–14	–18
Cash flow from investing activities	**–260**	**–145**	**–504**	**–180**
Cash inflows/outflows relating to capital contributions	–	1	4	1
Cash outflows for dividends to shareholders of Evonik Industries AG	–	–	–536	–466
Cash outflows for dividends to non-controlling interests	–1	–	–9	–10
Cash outflows for the purchase of treasury shares	–	–	–15	–14
Cash inflows from the sale of treasury shares	–	–	15	15
Cash inflows from the addition of financial liabilities	1,974	29	2,063	854
Cash outflows for repayment of financial liabilities	–31	–25	–98	–111
Cash outflows in connection with financial transactions	–	–	–42	–
Cash flow from financing activities	**1,942**	**5**	**1,382**	**269**
Change in cash and cash equivalents	**2,182**	**577**	**1,976**	**1,421**
Cash and cash equivalents as of July 1/January 1	**2,156**	**1,778**	**2,368**	**921**
Change in cash and cash equivalents	2,182	577	1,976	1,421
Changes in exchange rates and other changes in cash and cash equivalents	2	–12	–4	1
Cash and cash equivalents as of September 30	**4,340**	**2,343**	**4,340**	**2,343**
Cash and cash equivalents included in assets held for sale	–	–1	–	–1
Cash and cash equivalents as on the balance sheet as of September 30	**4,340**	**2,342**	**4,340**	**2,342**

Notes

1. Segment report

Segment report by operating segments—3rd quarter

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	**2016**	2015	**2016**	2015	**2016**	2015
External sales	1,066	1,240	1,117	1,044	797	858
Internal sales	8	8	8	12	30	33
Total sales	1,074	1,248	1,125	1,056	827	891
Adjusted EBITDA	239	382	262	216	104	94
Adjusted EBITDA margin in %	22.4	30.8	23.5	20.7	13.0	11.0
Adjusted EBIT	182	328	205	161	70	57
Capital expenditures	59	64	68	63	42	34
Financial investments	44	–	1	–	5	–

Prior-year figures restated.

Segment report by regions—3rd quarter

	Germany		Other European countries		North America	
in € million	**2016**	2015	**2016**	2015	**2016**	2015
External sales	627	664	926	1,056	621	646
Capital expenditures	109	97	15	16	54	51

Prior-year figures restated.

Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
173	207	11	16	–	–	3,164	3,365
473	466	10	24	−529	−543	–	–
646	673	21	40	−529	−543	3,164	3,365
50	46	−21	−34	−56	−51	578	653
28.9	22.2	–	–	–	–	18.3	19.4
21	18	−24	−38	−58	−53	396	473
41	40	6	5	1	–	217	206
3	–	–	1	–	–	53	1

Central and South America		Asia-Pacific		Middle East, Africa		**Total Group (continuing operations)**	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
201	231	683	657	106	111	3,164	3,365
9	18	30	24	–	–	217	206

Segment report by operating segments—1st nine months

in € million	Nutrition & Care 2016	Nutrition & Care 2015	Resource Efficiency 2016	Resource Efficiency 2015	Performance Materials 2016	Performance Materials 2015
External sales	3,223	3,716	3,392	3,278	2,399	2,646
Internal sales	24	25	30	41	80	99
Total sales	3,247	3,741	3,422	3,319	2,479	2,745
Adjusted EBITDA	796	1,116	788	714	273	247
Adjusted EBITDA margin in %	24.7	30.0	23.2	21.8	11.4	9.3
Adjusted EBIT	634	954	619	553	170	150
Capital expenditures	162	177	180	160	107	123
Financial investments	111	–	15	32	14	12
No. of employees as of September 30	7,550	7,062	8,879	8,549	4,421	4,387

Prior-year figures restated.

Segment report by regions—1st nine months

in € million	Germany 2016	Germany 2015	Other European countries 2016	Other European countries 2015	North America 2016	North America 2015
External sales	1,820	1,996	2,919	3,178	1,854	1,969
Goodwill as of September 30[a]	1,544	1,542	578	546	386	359
Other intangible assets, property, plant and equipment as of September 30[a]	2,871	2,777	565	539	1,114	972
Capital expenditures	278	277	49	65	162	125
No. of employees as of September 30	21,792	21,572	2,724	2,643	3,913	3,761

Prior-year figures restated.

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

	Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	503	626	10	54	–	−11	9,527	10,309
	1,438	1,382	30	70	−1,602	−1,617	–	–
	1,941	2,008	40	124	−1,602	−1,628	9,527	10,309
	119	119	−80	−79	−168	−153	1,728	1,964
	23.7	19.0	–	–	–	–	18.1	19.1
	32	40	−89	−91	−175	−162	1,191	1,444
	126	110	13	14	1	1	589	585
	4	4	1	2	–	–	145	50
	12,896	12,747	209	583	322	322	34,277	33,650

	Central and South America		Asia-Pacific		Middle East, Africa		**Total Group (continuing operations)**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	587	700	2,036	2,132	311	334	9,527	10,309
	32	32	285	270	–	–	2,825	2,749
	213	170	1,507	1,580	9	9	6,279	6,047
	21	57	78	60	1	1	589	585
	728	627	4,939	4,893	181	154	34,277	33,650

2. General information

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

The present condensed and consolidated interim financial statements (consolidated interim financial statements) of Evonik Industries AG and its subsidiaries (referred to jointly as Evonik or the Evonik Group) as of September 30, 2016, have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting, and in application of Section 315a Paragraph 1 of the German Commercial Code (HGB) using the International Financial Reporting Standards (IFRS) and comply with these standards. The IFRS comprise the standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB), London (UK) and the interpretations (IFRIC, SIC) of the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

The consolidated interim financial statements as of September 30, 2016 are presented in euros. The reporting period is January 1 to September 30, 2016. 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, 2015, which should be referred to for further information.

3. Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as of December 31, 2015.

4. Changes in the Group

4.1 Scope of consolidation

The scope of consolidation changed as follows in the reporting period:

Changes in the scope of consolidation

No. of companies	Germany	Other countries	**Total**
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2015	**39**	**99**	**138**
Acquisitions	–	1	1
Other companies consolidated for the first time	2	1	3
Intragroup mergers	–2	–	–2
Other companies deconsolidated	–1	–	–1
As of September 30, 2016	**38**	**101**	**139**
Joint operations			
As of December 31, 2015	**3**	**2**	**5**
As of September 30, 2016	**3**	**2**	**5**
Investments recognized at equity			
As of December 31, 2015	**3**	**8**	**11**
Acquisitions	–	1	1
Other companies included at equity for the first time	1	–	1
As of September 30, 2016	**4**	**9**	**13**
	45	**112**	**157**

4.2 Acquisitions and divestments

This section provides a more detailed overview of the principal changes in the scope of consolidation in the reporting period, divided into acquisitions and divestments.

Acquisitions

On March 3, 2016 Evonik acquired all shares in MedPalett AS (MedPalett), Sandnes (Norway) from Biolink Group AS, Sandnes (Norway). This company specializes in food ingredients containing anthocyanins, which are known for their natural antioxidant properties. Numerous international studies indicate broad health-promoting properties, including the prevention of cardiovascular disease. The aim of this acquisition is to expand the portfolio of the Health Care Business Line in the area of advanced food ingredients.

On July 4, 2016 Evonik acquired the probiotics business of NOREL S.A. (NOREL), Madrid (Spain), one of the world's leading suppliers of feed additives, through an asset deal. The acquisition comprises the existing probiotics product portfolio and the production site in León (Spain). Priobiotics play a key role for Evonik as natural alternatives to antibiotics and antibiotic growth promoters. This acquisition positions Evonik as an innovative solution provider in the field of antibiotic-free animal nutrition.

Effective August 31, 2016, Evonik acquired the business of biotech company Transferra Nanosciences Inc. (Transferra), Burnaby (Canada) through an asset deal. Transferra is a contract development and manufacturing organization that uses its expertise in liposomal drug delivery systems to provide both products and services for the development of pharmaceuticals. This acquisition enables Evonik to extend the portfolio of its Health Care Business Line in the area of parental drug formulation.

The acquisitions have been integrated into the Nutrition & Care segment. Their combined impact on the balance sheet as of their respective acquistion dates was as follows:

Impact of acquisitions on the balance sheet

in € million	Fair value recognized
Non-current assets	36
Current assets	9
thereof receivables	2
thereof cash and cash equivalents	1
Non-current liabilities	–5
Current liabilities	–6
Net assets	**34**
Goodwill	63
Cost of acquisition (purchase price)	**97**

Initial recognition of the business of NOREL and Transferra is based on a provisional purchase price allocation.

Transaction costs of €1 million relating to the three acquisitions are included in other operating expenses.

The goodwill mainly comprises the expected future benefits of assets that were not individually identifiable or for which recognition is not permitted, for example, anticipated synergies and the workforce. The provisional goodwill in connection with the asset deals is €27 million and is expected to be tax-deductible.

The contributions made by the acquisitions to sales and earnings were not material relative to the Nutrition & Care segment as a whole, either since the date of acquisition or on a pro forma basis in the period since January 1, 2016.

Divestments

There were no material divestments in the reporting period.

5. Notes to the income statement

5.1 Other operating income

Other operating income

in € million	3rd quarter 2016	3rd quarter 2015	1st nine months 2016	1st nine months 2015
Income from the reversal of provisions	4	6	50	28
Income from restructuring measures	8	–	18	3
Income from the disposal of assets	2	2	3	152
Net income from currency translation of operating monetary assets and liabilities	–	–	–	36
Other income	25	33	103	107
	39	**41**	**174**	**326**
thereof adjustments	10	4	70	159

The currency translation and operational currency hedging results are recognized in other operating income or other operating expenses as appropriate. Currency management and the presentation of the earnings effects derived from this are outlined in Note 8.1.

The income from the reversal of provisions amounting to €50 million (9M 2015: €28 million) was mainly attributable to renegotiation of an agreement for the supply of raw materials, as a result of which the original risk provisioning is no longer necessary. Further reversals of provisions totaling €16 million (9M 2015: €3 million) are recognized in income from restructuring measures.

The other income of €103 million (9M 2015: €107 million) comprises, among other things, income from non-core operations, income from insurance premiums and refunds, and rental income from leases.

5.2 Other operating expenses

Other operating expenses

in € million	3rd quarter 2016	3rd quarter 2015	1st nine months 2016	1st nine months 2015
Expenses for restructuring measures	9	20	43	44
Net expenses for currency translation of operating monetary assets and liabilities	2	5	16	–
Impairment losses	9	14	14	43
Net expenses for operational currency hedging	7	5	13	59
Expenses relating to the REACH Regulation	2	2	7	6
Losses on the disposal of assets	1	3	3	7
Other expense	33	94	240	238
	63	**143**	**336**	**397**
thereof adjustments	25	81	127	151

The expenses for restructuring measures amounting to €43 million (9M 2015: €44 million) mainly comprise expenses for optimization of the portfolio structure in the Performance Materials segment and expenses in connection with optimization of administrative structures. This item also includes expenses that would by nature otherwise be included in other categories of other operating expenses.

The other expense of €240 million (9M 2015: €238 million) comprises expenses in connection with the waiver of receivables, outsourcing, projects for the acquisition of companies and business operations, environmental protection, non-core businesses, and legal and consultancy fees.

5.3 Result from investments recognized at equity

The result from investments recognized at equity was –€18 million (9M 2015: –€14 million) and mainly comprises an impairment loss on an equity investment in the Nutrition & Care segment, which is recognized in adjustments.

5.4 Financial result

Interest income includes €24 million in connection with tax refunds in the first nine months of the year.

€5 million of the interest expense relates to financing of the planned acquisition of the specialty and coating additives business (Performance Materials Division) of the US company **Air Products and Chemicals Inc.**, Allentown (Pennsylvania, USA). In addition, expenses of €37 million were incurred in connection with hedging of the purchase price. They are recognized in other financial income/expense in the line item net income from financing-related currency hedging. Both amounts are factored out when calculating the adjusted financial result.

Other financial income/expense

	3rd quarter		1st nine months	
in € million	**2016**	2015	**2016**	2015
Net income from currency translation of financing-related monetary assets and liabilities	11	–93	48	–8
Net income from financing-related currency hedging	–7	90	–90	3
Miscellaneous financial income	2	–	1	–
Miscellaneous financial expense	–3	–2	–3	–18
	3	**–5**	**–44**	**–23**

6. Notes to the balance sheet

6.1 Equity and employee share program

In 2015, the Executive Board of Evonik Industries AG decided to purchase shares in the company, utilizing the resolution adopted by the Annual Shareholders' Meeting on March 11, 2013 authorizing it to buy back shares in the company. The Supervisory Board has approved this share buy-back program, which relates to the share-based employee participation program (employee share program) Share.2016 launched by Evonik Industries AG in March 2016. The period during which eligible employees could acquire shares ended on March 25, 2016. The lock-up period for Evonik shares purchased or granted through the Share.2016 program ends on December 31, 2018.

Overall, Evonik Industries AG purchased 574,115 ordinary shares on the capital market at an average price of €25.90 per share. In April 2016, 511,868 of these ordinary shares (including 130,327 bonus shares) were transferred to participating employees on the basis of the share price and the exchange rate for the US dollar prevailing on April 13, 2016. The remaining 62,247 ordinary shares were sold to third parties by April 19, 2016.

As of September 30, 2016, Evonik therefore no longer held any treasury shares.

6.2 Provisions for pensions and other post-employment benefits

Compared with December 31, 2015, provisions for pensions and other post-employment benefits had increased by a total of €1,568 million to €4,917 million as of September 30, 2016. This figure includes €1,646 million recognized in equity with no impact on income after taxes. This increase had no impact on income and was mainly due to a discount rate of 1.50 percent for the euro-zone countries, compared with a rate of 2.75 percent as of December 31, 2015. By contrast, the development of the market value of the plan assets was better than expected as of September 30, 2016. The €1,646 million change in provisions for pensions and other post-employment benefits, which had no impact on income, and the change of €495 million in the related deferred tax assets are reflected in a reduction of €1,151 million in other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans, which is recognized in equity under accumulated income.

6.3 Non-current financial liabilities

Non-current financial liabilities increased by €1,879 million to €3,294 million. This mainly resulted from the issue of bonds with a nominal value of €1,900 million by Evonik Finance B.V., a subsidiary of Evonik Industries AG, in September 2016. A total of three fixed-interest tranches were issued: a €650 million tranche with a tenor of 4.5 years and a coupon of 0 percent p.a., a €750 million tranche with a tenor of 8 years and a coupon of 0.375 percent p.a., and a €500 million tranche with a tenor of 12 years and a coupon of 0.750 percent p.a.

7. Notes to the segment report

The following table shows a reconciliation from adjusted EBITDA for the reporting segments to income before income taxes for the Group's continuing operations.

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

	3rd quarter		1st nine months	
in € million	**2016**	2015	**2016**	2015
Adjusted EBITDA, reporting segments	**655**	**738**	**1,976**	**2,196**
Adjusted EBITDA, other operations	–21	–34	–80	–79
Adjusted EBITDA, Corporate	–56	–52	–167	–162
Consolidation	–	1	–1	1
Less discontinued operations	–	–	–	8
Adjusted EBITDA	**578**	**653**	**1,728**	**1,964**
Depreciation	–175	–176	–526	–516
Impairment losses/reversals of impairment losses	–8	–29	–35	–54
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	1	25	24	50
Depreciation and amortization	**–182**	**–180**	**–537**	**–520**
Adjusted EBIT	**396**	**473**	**1,191**	**1,444**
Adjustments	–15	–91	–74	–6
Financial result	–55	–86	–183	–200
Income before income taxes, continuing operations	**326**	**296**	**934**	**1,238**

Prior-year figures restated.

For reasons of simplification, in the segment report by regions in the past the results from hedging of planned sales were allocated to sales in the country where the counterparty of the hedging transaction was based. Since financial management is largely centralized, this was mainly Germany. From January 1, 2016, by contrast, hedging results are allocated to the country to which the associated hedged sales are allocated. The prior-year figures have been restated where applicable.

8. Other disclosures

8.1 Financial instruments

The following overview shows the carrying amounts and fair values of all financial assets and liabilities. That part of derivative financial instruments for which hedge accounting is applied is not allocated to any of the categories.

Carrying amounts and fair values of financial assets as of September 30, 2016

	Carrying amounts by valuation category				Sept. 30, 2016	
in € million	Available-for-sale assets	Loans and receivables	Assets held for trading	Not allocated to any category	Carrying amount	Fair value
Financial assets	**108**	**87**	**5**	**114**	**314**	**283**
Other investments [a]	97	–	–	–	97	66
Loans	–	59	–	–	59	59
Securities and similar claims	11	–	–	–	11	11
Receivables from derivatives	–	–	5	114	119	119
Other financial assets	–	28	–	–	28	28
Trade accounts receivable	**–**	**1,709**	**–**	**–**	**1,709**	**1,709**
Cash and cash equivalents	**–**	**4,340**	**–**	**–**	**4,340**	**4,340**
	108	**6,136**	**5**	**114**	**6,363**	**6,332**

[a] The difference between the carrying amount and fair value results from equity investments recognized at cost of acquisition as the fair value cannot be determined reliably (€31million).

Carrying amounts and fair values of financial assets as of December, 31, 2015

	Carrying amounts by valuation category				Dec. 31, 2015	
in € million	Available-for-sale assets	Loans and receivables	Assets held for trading	Not allocated to any category	Carrying amount	Fair value
Financial assets	**339**	**58**	**24**	**60**	**481**	**462**
Other investments [a]	74	–	–	–	74	55
Loans	–	29	–	–	29	29
Securities and similar claims	265	–	–	–	265	265
Receivables from derivatives	–	–	24	60	84	84
Other financial assets	–	29	–	–	29	29
Trade accounts receivable	**–**	**1,813**	**–**	**–**	**1,813**	**1,813**
Cash and cash equivalents	**–**	**2,368**	**–**	**–**	**2,368**	**2,368**
	339	**4,239**	**24**	**60**	**4,662**	**4,643**

[a] The difference between the carrying amount and fair value results from equity investments recognized at cost of acquisition as the fair value cannot be determined reliably (€19 million).

Carrying amounts and fair values of financial liabilities as of September 30, 2016

in € million	Carrying amounts by valuation category			Sept. 30, 2016	
	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
Financial liabilities	**12**	**3,533**	**82**	**3,627**	**3,707**
Bonds	–	3,126	–	3,126	3,203
Liabilities to banks	–	371	–	371	374
Liabilities from derivatives	12	–	82	94	94
Other financial liabilities	–	36	–	36	36
Trade accounts payable	**–**	**961**	**–**	**961**	**961**
	12	**4,494**	**82**	**4,588**	**4,668**

Carrying amounts and fair values of financial liabilities as of December 31, 2015

in € million	Carrying amounts by valuation category			Dec. 31, 2015	
	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
Financial liabilities	**19**	**1,554**	**133**	**1,706**	**1,719**
Bonds	–	1,241	–	1,241	1,258
Liabilities to banks	–	282	–	282	278
Liabilities from derivatives	19	–	132	151	151
Other financial liabilities	–	31	1	32	32
Trade accounts payable	**–**	**1,090**	**–**	**1,090**	**1,090**
	19	**2,644**	**133**	**2,796**	**2,809**

The fair value determination is based on the three-level hierarchy stipulated by IFRS 13 Fair Value Measurement:

- Level 1: Quoted price for the financial instrument in an active market
- Level 2: Quoted price in an active market for similar financial instruments or valuation methods based on observable market data
- Level 3: Valuation methods not based on observable market data

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

Financial instruments recognized at fair value as of September 30, 2016

	Fair value based on			Sept. 30, 2016
in € million	Level 1	Level 2	Level 3	
Other investments	66	–	–	66
Securities and similar claims	11	–	–	11
Receivables from derivatives	–	119	–	119
Liabilities from derivatives	–	−94	–	−94

Financial instruments recognized at fair value as of December 31. 2015

	Fair value based on			Dec. 31, 2015
in € million	Level 1	Level 2	Level 3	
Other investments	55	–	–	55
Securities and similar claims	265	–	–	265
Receivables from derivatives	–	84	–	84
Liabilities from derivatives	–	−151	–	−151

The financial instruments allocated to Level 1 are recognized at their present stock market price. They comprise all securities and one equity investment. As of the present reporting date, all derivatives are allocated to Level 2. They comprise currency, interest rate and commodity derivatives whose fair value was determined with the aid of a discounted cash flow method on the basis of the exchange rates at the European Central Bank, observed interest rate structure curves, observed commodity prices, and observed credit default premiums. There were no transfers between the levels of the fair value hierarchy in the reporting period.

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

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

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

Management of currency risk

In the currency hedging of on-balance-sheet risk items, Evonik generally uses the portfolio approach: The risk positions resulting from foreign currency receivables and liabilities are generally netted and bundled via intragroup hedging; the resulting net positions are then hedged via market derivatives. Currency management is carried out separately for operational risk positions (mainly trade accounts receivable and payable in foreign currencies) and risk positions arising from financing activities. Currency translation and hedging results are disclosed in the income statement in line with this distinction. The net presentation of the respective results reflects both their economic substance and the management of the risk positions at Evonik.

Net currency result

	3rd quarter		1st nine months	
in € million	**2016**	2015	**2016**	2015
From operating currency exposure and associated hedging instruments				
Gross income from currency translation	90	28	163	148
Gross expenses for currency translation	–92	–33	–179	–112
Net result from currency translation of operating monetary assets and liabilities	**–2**	**–5**	**–16**	**36**
Gross income from currency hedging	24	91	46	237
Gross expenses for currency hedging	–31	–96	–59	–296
Net result from operational currency hedging	**–7**	**–5**	**–13**	**–59**
From financing-related currency exposure and associated hedging instruments				
Gross income from currency translation	63	6	192	182
Gross expenses for currency translation	–52	–99	–144	–190
Net result from currency translation of financing-related monetary assets and liabilities	**11**	**–93**	**48**	**–8**
Gross income from currency hedging	–	99	62	162
Gross expenses for currency hedging	–7	–9	–152	–159
Net result from financing-related currency hedging	**–7**	**90**	**–90**	**3**
Net currency result (operational and financing-related)	**–5**	**–13**	**–71**	**–28**

The net currency result is determined principally by the swap rate and option premiums at the start of hedging and changes in the hedged foreign currency items recognized on the balance sheet during the hedging period. Since hedge accounting is applied for micro-hedging of foreign currency balance sheet exposure (for example, financing-related currency hedging of non-current loans through cross-currency interest rate swaps) and for hedging of planned or firmly agreed cash flows in foreign currencies (for example, hedging of planned sales revenues), their hedge results are only reflected in the net currency result with the corresponding ineffective portion or any forward components that are excluded from the hedge accounting relationship. By contrast, the effective results of these hedges are recognized in accumulated other comprehensive income until the hedged transaction is realized. Upon realization of the hedged transaction they are transferred to the income statement to offset the countereffect of the hedged transaction.

8.2 Related parties

There has not been any material change in related party transactions since December 31, 2015.

The dividend for fiscal 2015 was paid in the second quarter of 2016, following the adoption of the resolution by the Annual Shareholders' Meeting on May 18, 2016.

RAG-Stiftung, Essen (Germany) received €364 million and The Gabriel Finance Limited Partnership, St. Helier (Jersey) received €23 million.

8.3 Contingent receivables and liabilities

There has not been any material change in contingent assets and liabilities since the consolidated financial statements as of December 31, 2015.

8.4 Events after the reporting date

No material events have occurred since the reporting date.

Essen, October 27, 2016

Evonik Industries AG
The Executive Board

Dr. Engel	Kullmann	Dr. Kaufmann
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, 2016 to September 30, 2016, which are part of the quarterly financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's Executive Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Düsseldorf, October 28, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lutz Granderath	Antje Schlotter
German Public Auditor	German Public Auditor

Financial calendar

Financial calendar 2016/2017

Event	Date
Report on Q4 2016 and FY 2016	March 2, 2017
Interim report Q1 2017	May 5, 2017
Annual Shareholders' Meeting 2017	May 23, 2017
Interim report Q2 2017	August 3, 2017
Interim report Q3 2017	November 3, 2017

Credits

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