Press release

Key Financial Data:
First half/second quarter 2016

# Evonik specifies outlook for 2016 following a good second quarter

- Evonik increases volumes in the first six months
- Adjusted EBITDA margin continues at very good level of 18.1 percent in the first six months
- Adjusted net income above €500 million
- Outlook for the full year specified: adjusted EBITDA in the upper half of the anticipated range of €2.0 billion to €2.2 billion

**Essen.** Demand for Evonik's products rose worldwide in the first half of this year. "We were able to increase volumes in persistently challenging business conditions," said Klaus Engel, Chairman of the Executive Board of Evonik Industries. "We are now confident that over the full year we will deliver adjusted EBITDA in the upper half of the anticipated range of €2.0 to €2.2 billion."

Evonik registered considerable volume growth in the first six months of 2016, mainly as a result of growth in the second quarter. Despite the higher volumes, Group **sales** declined to €6,363 million, a drop of 8 percent compared with the first half of 2015, principally because lower raw material costs were passed on to customers. Adjusted **EBITDA** was also below the exceptionally strong prior-period figure at €1,150 million. Evonik once again posted a very good **adjusted EBITDA margin** of 18.1 percent in the first half of 2016.

**Adjusted EBIT** fell 18 percent to €795 million in the first six months. **Adjusted net income** declined 20 percent to €501 million. **Net income** was €405 million, down 40 percent from the high prior-year level, which contained the proceeds from the divestment of the stake in Vivawest.

Capital expenditures for property, plant and equipment were €371 million in the first six months of 2016, down 2 percent year-on-year. Despite the lower operating result, Evonik's free cash flow of €208 million was higher than in the first half of 2015 (€166

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million). This was due, among others, to a considerable reduction in net working capital.

**Segment performance**
In the Nutrition & Care segment, lower selling prices accompanied by almost unchanged volumes resulted in a drop in both sales and earnings. In the Resource Efficiency segment higher volumes increased sales and earnings. Higher volumes and lower raw material prices improved earnings in the Performance Materials segment despite a reduction in selling prices.

**Outlook**
Evonik still expects to report slightly lower sales in 2016 (2015: €13.5 billion). Thanks to its strong market positions, balanced portfolio and concentration on high-growth businesses, the company assumes continued high demand for its 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 a slight reduction in overall sales.
Based on the good business performance, especially in the second quarter, and the expectations for the second half of the year, Evonik is specifying its **outlook for the full year**: The company is confident that it can realize adjusted EBITDA in the upper half of the anticipated range of €2.0 to €2.2 billion.

**Business performance in Q2 2016**
In the second quarter of 2016 Group **sales** dropped 7 percent year-on-year to €3,258 million. While volumes increased in all three chemical segments, the decline in sales was principally attributable to the fact that selling prices were lower than in the prior-year period. **Adjusted EBITDA** was €585 million, 11 percent lower than in the exceptionally strong prior-year quarter.

The **adjusted EBITDA margin** was very good at 18.0 percent. **Adjusted EBIT** fell 16 percent to €406 million. **Adjusted net income** dropped 20 percent to €246 million. Overall, **net income** was €165 million. That was below the prior-period level of €418 million, which contained the proceeds from the divestment of the stake in Vivawest.

**Details of segment performance**
In the second quarter of 2016, the **Nutrition & Care** segment's sales fell 11 percent to €1,111 million. This was mainly attributable to lower selling prices as volume sales increased. Adjusted EBITDA was €264 million, which was below the very high prior-year level of €381 million, mainly on price grounds. The adjusted EBITDA margin dropped to 23.8 percent. In the first six months of 2016 this segment's sales dropped by 13 percent to €2,157 million. While volumes were almost unchanged, lower selling prices were the main reason for the decline. Adjusted EBITDA was 24 percent below the very strong prior-year level at €557 million. The adjusted EBITDA margin is still excellent at 25.8 percent.

Business continued to develop pleasingly in the **Resource Efficiency** segment in the second quarter: Sales rose 4 percent to €1,156 million. The main drivers were higher global demand and the activities acquired in 2015. This was countered by a slight reduction in selling prices. Adjusted EBITDA improved 6 percent to €270 million, mainly as a consequence of higher volumes, favorable raw material costs and positive currency effects. The adjusted EBITDA margin improved to a very good 23.4 percent. In the first six months of the year, this segment's sales rose 2 percent to €2,276 million, driven principally by higher volumes. Lower selling prices had a counter-effect. Adjusted EBITDA increased 6 percent to €526 million. The adjusted EBITDA margin improved to 23.1 percent (H1 2015: 22.3 percent).

In the **Performance Materials** segment, sales dropped 12 percent to €829 million in the second quarter, principally owing to lower selling prices as a result of the reduction in raw material prices. By contrast, volumes rose considerably thanks to good demand. Adjusted EBITDA rose by 28 percent to €105 million. This was principally due to a rise in volumes, improved raw material efficiency and systematic cost management. The adjusted EBITDA margin was 12.7 percent, up from 8.7 percent in the second quarter of 2015. Sales in the Performance Materials segment fell 10 percent to €1,601 million in the first six months of 2016. With volumes up, the decline was caused by the oil-driven drop in selling prices. Adjusted EBITDA improved 10 percent to €169 million. The adjusted EBITDA margin improved to 10.6 percent.

**Company information**

Evonik, the creative industrial group from Germany, is one of the world leaders in specialty chemicals. Profitable growth and a sustained increase in the value of the company form the heart of Evonik's corporate strategy. Its activities focus on the key megatrends health, nutrition, resource efficiency and globalization. Evonik benefits specifically from its innovative prowess and integrated technology platforms. Evonik is active in over 100 countries around the world. In fiscal 2015 more than 33,500 employees generated sales of around €13.5 billion and an operating profit (adjusted EBITDA) of about €2.47 billion.

Evonik Industries has been producing specialty chemical products in the Greater China region (Mainland China, Hong Kong and Taiwan) since the late 1970's; with wide-ranging trading relations already in place prior to this in the region. Evonik regards Greater China as one of the driving forces of the global economy and we consequently endeavor to grow our business in the region. The company now has around 3,000 employees in the Greater China region, the regional sales reached over €1.3 billion in 2015.

**Disclaimer**