

•HERE WE ARE!

EVONIK IS ONE OF THE WORLD'S LEADING SPECIALTY CHEMICALS COMPANIES. THE CENTRAL ELEMENTS OF OUR STRATEGY FOR SUSTAINED VALUE CREATION ARE PROFITABLE GROWTH, EFFICIENCY AND VALUES. AROUND 80 PERCENT OF SALES COME FROM MARKET-LEADING POSITIONS, WHICH WE ARE SYSTEMATICALLY EXPANDING. WE CONCENTRATE ON HIGH-GROWTH MEGA-TRENDS, ESPECIALLY HEALTH, NUTRITION, RESOURCE EFFICIENCY AND GLOBALIZATION. AS PART OF OUR AMBITIOUS GROWTH STRATEGY, WE ARE ALSO STEPPING UP OUR PRESENCE IN EMERGING MARKETS, ESPECIALLY IN ASIA. IMPORTANT COMPETITIVE ADVANTAGES COME FROM OUR INTEGRATED TECHNOLOGY PLATFORMS, WHICH WE CONTINUOUSLY REFINE.

Key figures

| in € million | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|--------|--------|--------|--------|--------|
| Sales | 10,518 | 13,300 | 14,540 | 13,365 | 12,874 |
| Adjusted EBITDA ^a | 1,607 | 2,365 | 2,768 | 2,467 | 2,007 |
| Adjusted EBITDA margin in % | 15.3 | 17.8 | 19.0 | 18.5 | 15.6 |
| Adjusted EBIT ^b | 868 | 1,639 | 2,099 | 1,887 | 1,424 |
| ROCE ^c in % | 7.7 | 15.0 | 18.7 | 20.4 | 14.5 |
| Net income | 240 | 734 | 1,011 | 1,165 | 2,054 |
| Earnings per share in € | 0.52 | 1.58 | 2.17 | 2.50 | 4.41 |
| Adjusted earnings per share in € | – | 2.09 | 2.70 | 2.31 | 1.78 |
| Total assets as of December 31 | 18,907 | 20,543 | 16,944 | 17,166 | 15,898 |
| Equity ratio as of December 31 in % | 27.6 | 29.1 | 35.8 | 31.9 | 43.1 |
| Cash flow from operating activities | 2,092 | 2,075 | 1,309 | 1,420 | 1,083 |
| Capital expenditures ^d | 569 | 652 | 830 | 960 | 1,135 |
| Depreciation and amortization ^d | 712 | 694 | 647 | 580 | 577 |
| Net financial assets/debt as of December 31 | –3,431 | –1,677 | –843 | –1,163 | 552 |
| Employees as of December 31 | 33,861 | 34,407 | 33,556 | 33,298 | 33,650 |

Figures for 2009 and 2010 contain the former Energy segment as a discontinued operation.

Figures for 2012 and 2013 contain the former Real Estate segment as a discontinued operation.

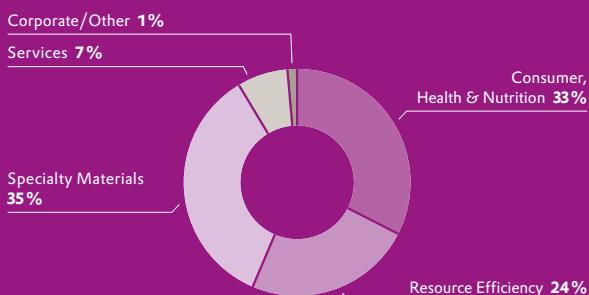
^a Adjusted EBITDA = Earnings before interest, taxes, depreciation and amortization; after adjustments.

^b Adjusted EBIT = Earnings before interest and taxes; after adjustments.

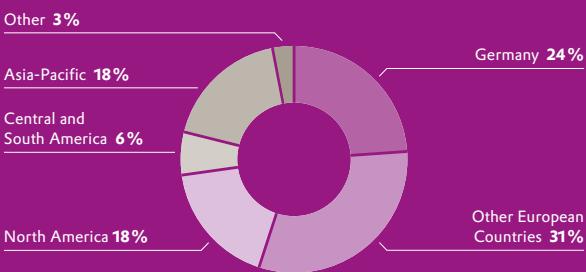
^c Return on capital employed.

^d Intangible assets, property, plant, equipment and investment property.

Sales by segment



Sales by region^a



^a By point of sale.

Consumer, Health & Nutrition

Key figures

| in € million | 2013 | 2012 |
|-----------------------------|-------|-------|
| External sales | 4,207 | 4,204 |
| Adjusted EBITDA | 910 | 1,055 |
| Adjusted EBITDA margin in % | 21.6 | 25.1 |
| Adjusted EBIT | 767 | 929 |
| ROCE in % | 34.3 | 48.7 |
| Employees | 7,150 | 6,821 |

Prior-year figures restated.

The Consumer, Health & Nutrition segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and healthcare sectors. It comprises the Consumer Specialties and Health & Nutrition Business Units.

- Growth drivers: rising prosperity in emerging markets and the aging population in industrialized countries.
- Leading market positions in superabsorbents (# 1-2), DL-methionine (# 1), pharmaceutical polymers (# 2).

Resource Efficiency

Key figures

| in € million | 2013 | 2012 |
|-----------------------------|-------|-------|
| External sales | 3,084 | 3,131 |
| Adjusted EBITDA | 656 | 663 |
| Adjusted EBITDA margin in % | 21.3 | 21.2 |
| Adjusted EBIT | 540 | 526 |
| ROCE in % | 35.7 | 33.0 |
| Employees | 5,854 | 5,755 |

Prior-year figures restated.

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions. It consists of the Inorganic Materials and Coatings & Additives Business Units.

- Growth drivers: trend to renewable energies and environment-friendly solutions.
- Leading market positions in silicas (# 1), isophorone chemistry (# 1), oil additives (# 1).

Specialty Materials

Key figures

| in € million | 2013 | 2012 |
|-----------------------------|-------|-------|
| External sales | 4,490 | 4,843 |
| Adjusted EBITDA | 552 | 853 |
| Adjusted EBITDA margin in % | 12.3 | 17.6 |
| Adjusted EBIT | 395 | 701 |
| ROCE in % | 19.6 | 38.7 |
| Employees | 6,268 | 6,134 |

Prior-year figures restated.

The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries. This segment is composed of the Performance Polymers and Advanced Intermediates Business Units.

- Growth drivers: rising mobility and urbanization.
- Leading market positions in polyamide 12 (# 1), high heat-resistant polymers (# 2), hydrogen peroxide (# 2).

A dynamic triad

Efficiency, values, growth—with this triad we will accelerate our growth, further increase our efficiency, and make management and cooperation within the company more targeted and trustful.

Efficiency

means that we will

- continue to significantly simplify the structures and processes in our company
- achieve more with reduced inputs of materials and resources
- continuously improve our market positions with respect to technology, quality, and costs

Values

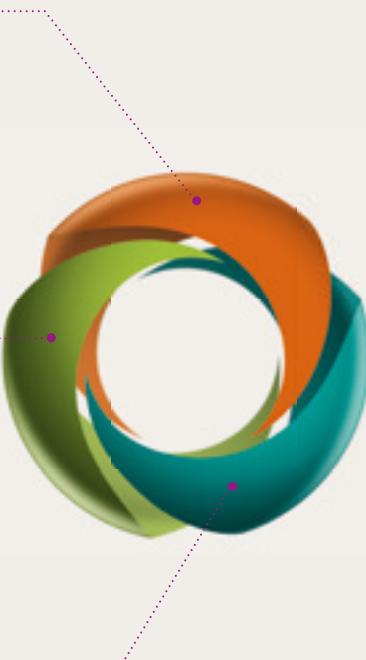
means that we will

- attract and retain well-trained, well-motivated, and performance-oriented employees for Evonik
- be a reliable and high-performance partner for our customers
- live up to our social responsibility as a global player all over the world

Growth

means that we will

- consistently extend our leading market positions in specialty chemicals
- implement an ambitious investment program
- create sustainable value for our employees, customers, and shareholders

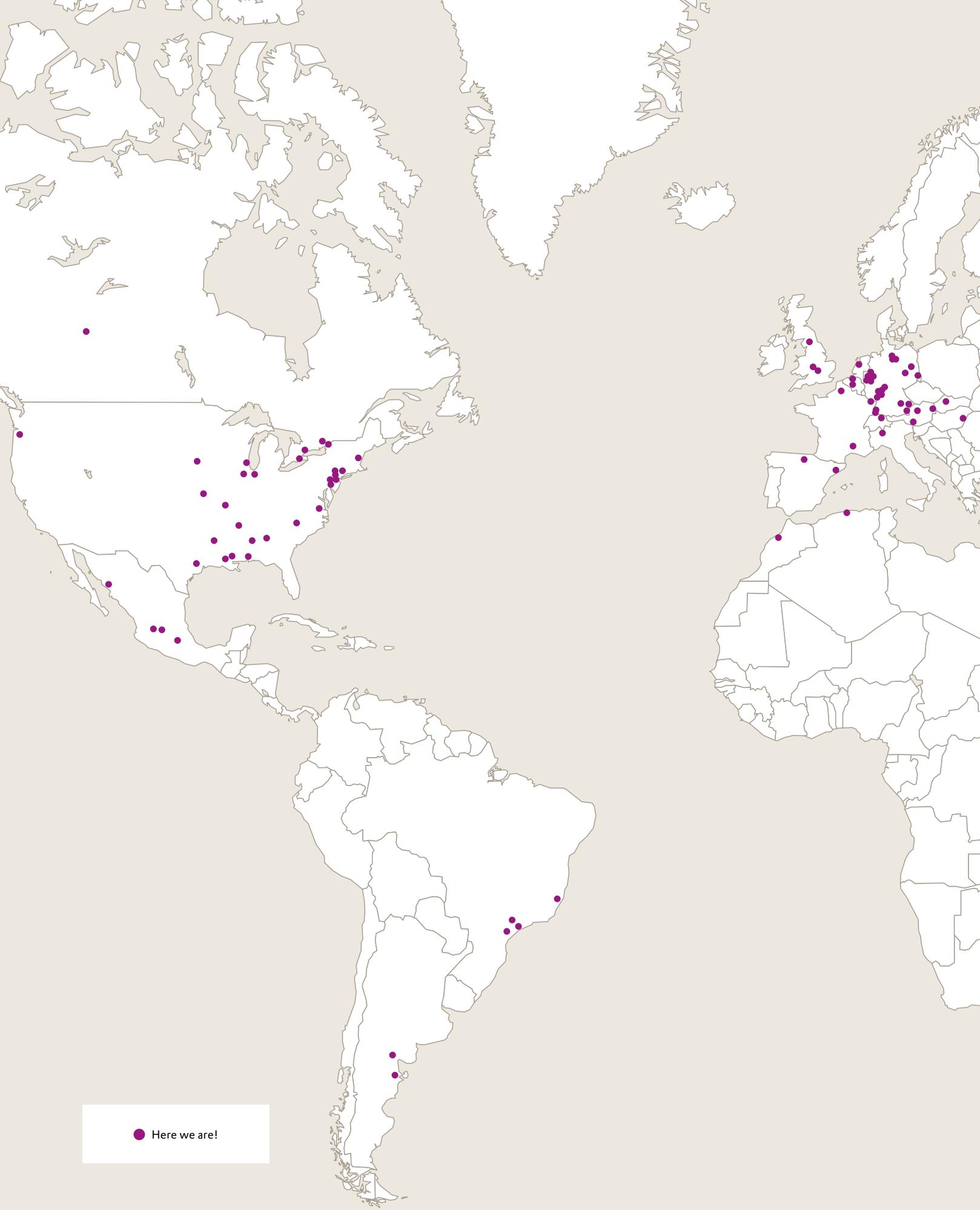


*Efficiency.
Values.
Growth.*

HERE WE ARE! •
EVONIK IS LISTED ON
THE STOCK EXCHANGE.
FIND OUT WHERE ELSE
YOU CAN FIND US.

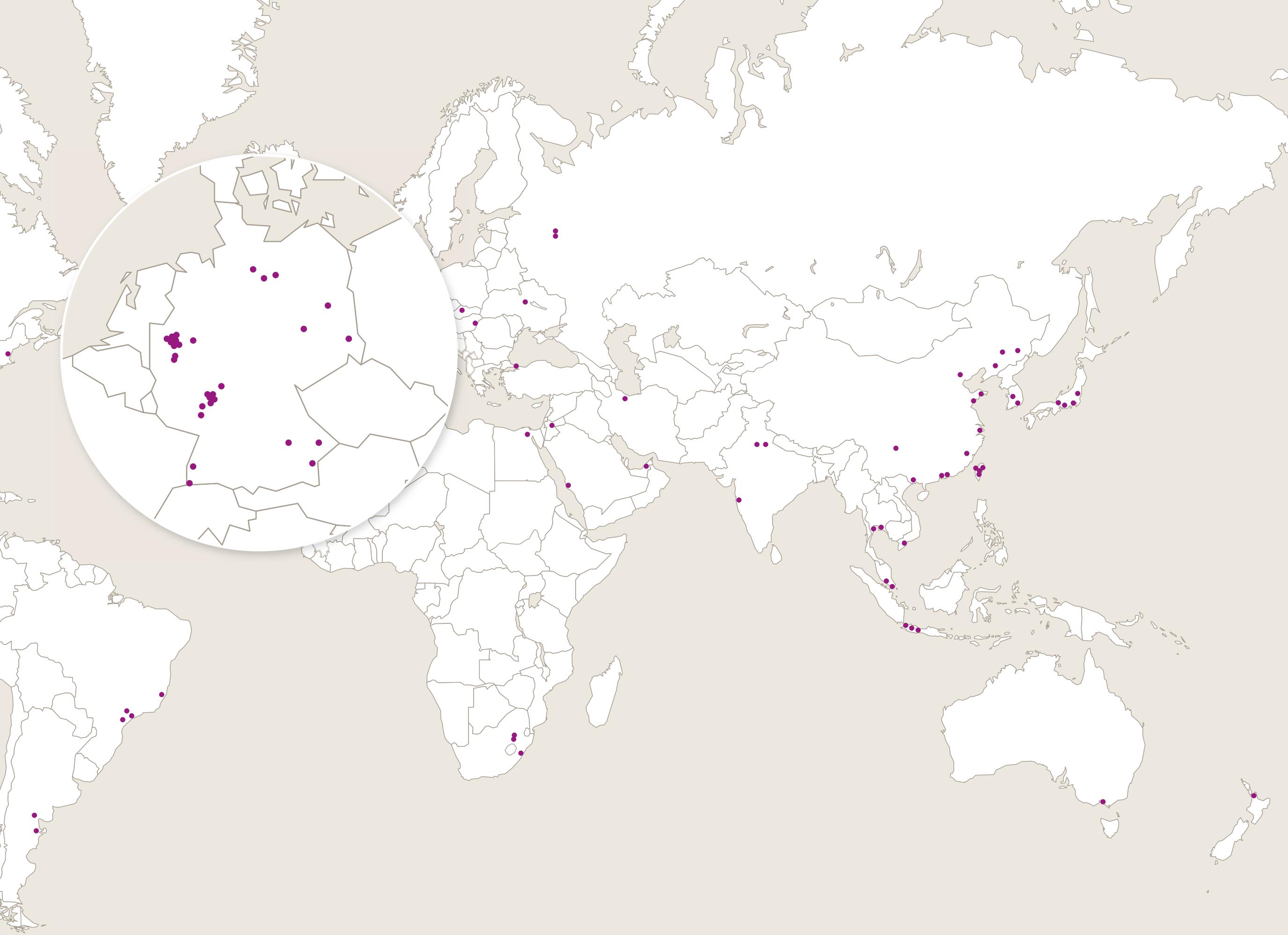


YOU WON'T FIND THE EVONIK BRAND ON SUPERMARKET SHELVES, AT CAR DEALERS OR IN PHARMACIES. HOWEVER, YOU WILL FIND THE GROUP'S TECHNOLOGIES AND PRODUCTS THERE. WE COME INTO CONTACT WITH THEM COUNTLESS TIMES EVERY SINGLE DAY. EVONIK'S PRODUCTS REMAIN DISCREETLY IN THE BACKGROUND, HELPING TO MAKE OUR MODERN LIVES A LITTLE MORE COMFORTABLE, HEALTHIER, AND MORE SUSTAINABLE EVERY DAY.



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Unrestricted mobility

Traveling is more than just movement. Evonik is making mobility more comfortable and sustainable for growing numbers of people worldwide.



Evonik's
lightweight
solutions help
to reduce fuel
consumption.

*“Civilization is a movement
and not a condition, a
voyage and not a harbor.”*

Arnold J. Toynbee, British universal historian (1889–1975)



All the world is on the move

The need for mobility isn't an invention of our modern age—it's as old as mankind. "There is no happiness for the man who does not travel," says the *Aitareya Brahmana*, a three-thousand-year old Hindu text. All the world and all of life are on the move. In the last century, technological progress greatly expanded our geographical reach and thus our social radius. We can now quickly find out what's around the next bend, at the other end of the city, or even on the other side of the ocean. Nothing exemplifies this dream of mobile freedom more than the automobile, and that's why over one billion of them are now on the road worldwide. Germans travel a total of 2.5 billion kilometers by car every day. That's more than eight times the distance between the earth and the sun, and it's by no means a record. Around 63 million automobiles are now produced annually. One fourth of them are manufactured in China, which has long been one of the world's leading automotive producers. Road traffic is now responsible for almost 16 percent of all anthropogenic CO₂ emissions worldwide. That's why it is crucial for us to make mobility more resource-efficient and environmentally friendly over the long term so that everyone in the world can enjoy the fascination of travel. The good news is that this is becoming increasingly easy to do, thanks to advanced materials from Evonik.

- Evonik gives surfaces a pleasant feel.

"Today's low rolling-resistance tires contain a lot more than just a drop of high tech. Our application technology unit alone tests thousands of different rubber mixtures each year."

André Wehmeier,
Head of the Application Technology
Development Department,
Evonik Industries



Boosting efficiency

Evonik discovered long ago that the global growth of mobility is a key development field for the company. The individual business units, Group-wide research units, and a special automotive industry team continuously develop new automotive products and applications. No matter what brand emblem a vehicle's hood bears, people around the world travel in cars containing technologies from Evonik. The new specialty chemicals are crucial for saving fuel and protecting the climate in particular. The best example of this is the latest generation of low rolling-resistance tires.

In the past, high-quality tires weren't one of the top features people looked for when buying a car. The main priorities were the car's brand, color, equipment, and perhaps its fuel efficiency. The price tag was very important too, of course. However, all motorists automatically expect tires to do their job in every imaginable situation. A few square centimeters of rubber ensure that the car has a good grip on the road in every curve and every time the driver brakes or accelerates.

Even though it's not immediately obvious, tires are marvels of engineering. No less than 30 ingredients perform special tasks within the tire. Important ingredients of the tire tread recipe are silicas and organosilanes—two products that only Evonik offers in a special combination for low rolling resistance tires. Together, these products help to reduce rolling resistance, which accounts for 20 to 40 percent of a car's fuel consumption.



- Evonik supplies catalysts for the production of environmentally friendly biodiesel.

Green tires reduce fuel consumption

Anyone who has ever touched the tires of a car after traveling a long distance will have noticed how the rubber can heat up. This is primarily due to friction within the material itself, which converts motion into useless heat. To change this situation, tire manufacturers are working on rubber mixtures that generate as little rolling resistance as possible without reducing comfort, safety, and durability. For a long time, this was considered to be a nearly impossible task, because any increase in the tire's grip on wet roads invariably led to greater fuel consumption. Conversely, lower rolling resistance was associated with less traction. However, this dilemma can now be solved, thanks to sophisticated chemistry. This results in tires that are good at braking the vehicle and at keeping it in the lane. At the same time, they convert far less motive power into heat than was previously the case.

From the standpoint of everyday climate protection, this primarily means that efficiency is increased for everyone's benefit. No matter whether a vehicle has a hybrid, electric, gasoline or traditional diesel drive system, low rolling-resistance tires help motorists get more mileage out of their automobile's tank or battery. The European Union has recognized this as well. In 2012 it introduced a mandatory tire label for car tire sales in Europe. The label lets people see at a glance how fuel-efficient, brake-effective, and quiet a tire is. For example, it shows that a top-quality tire consumes around 7.5 percent less fuel than a very poor one. This can quickly translate into 50 kilometers of added range for a full tank; that's why good tires benefit drivers and the climate alike. Consequently, the demand for efficient tires is increasing.

In addition to the EU, countries such as Japan and South Korea have also introduced similar tire labels. Other countries, including Brazil and the USA, are planning to follow suit.

Evonik is responding to this development by increasing its production capacity for its ULTRASIL® silica rubber additives in Thailand, China, and the USA.



Biofuel in the tank

For a long time now, biodiesel has been the leading alternative energy source for automobiles. In many countries, laws prescribe certain admixtures of biofuel in conventional diesel, leading to clear benefits for the climate and the environment. Biodiesel not only reduces cars' CO₂ emissions but also lowers the amount of particulates in the exhaust and is even biodegradable. Evonik

supplies transesterification catalysts for the production of biodiesel. These catalysts enable manufacturers to use various vegetable oils and waste products to create extremely pure biodiesel that doesn't compete with food production. And thanks to other additives from Evonik, this biodiesel is also usable in an increasing number of different climates and engines.

Global oil consumption
(Millions of barrels/day)



*Forecast

Global car tire sales



Green tires' share of total sales
Total no. of tires sold worldwide

*Forecast



+30%

Annual growth of
the end consumer
market for green tires
(2010 to 2015).

+30%

Expansion of silica
production capacity
by 2014.



● Evonik's light-weight components incorporating hard foam help to reduce airplanes' fuel consumption.

Lighter vehicles

However, specialty chemicals' contribution to efficient mobility isn't restricted to tires. Cars will have to become much lighter in the future so that drivers can get even more mileage out of their vehicles' fuel tanks, fuel cells or batteries. Particularly beneficial in this regard are composites, which combine flexible carbon or glass fibers with a curing plastic. In the past, such materials were primarily associated with the aeronautics industry, where every gram counts. Thanks to new technologies from Evonik, lightweight engineering is becoming more and more widespread in the automotive industry as well. That's because this sector requires especially fast processing techniques. Metal sheets that were previously stamped within seconds cannot be replaced on the production line by parts that need hours or even days to harden. That's why Evonik recently set up the Composites Project House in Marl, which, among other things, researches composite materials that are suitable for use in series production.

Evonik's ROHACELL® structural foam is specifically designed to interact with such composite materials. This hard foam has been used in airplanes and helicopters for a long time, and it is now increasingly being employed for very light body components in automobiles. The resulting hoods, wheel rims, and other body components are much lighter than conventional

metal parts. This is also the case for high-gloss body parts and side windows made of PLEXIGLAS®, which is marketed as ACRYLITE® in the USA. Such parts are not only light but also especially easy to process and unbeatable when it comes to recyclability. Plastic materials are even being increasingly used beneath the hood. The particularly heat-resistant plastic materials VESTAKEEP® and VESTAMID® HTplus are replacing metal components even in areas that are very hot. They not only reduce weight but also improve the airflow in an induction pipe, for example.

Longer attractive

However, an automobile's environmental performance is affected by more than just fuel consumption; the vehicle's production process and service life are also extremely important in this regard. Evonik's specialty chemicals are increasingly helping to improve resource efficiency here as well. Evonik supplies many automobile-related specialty materials that help to protect surfaces, for example. These materials range from very environmentally friendly underseals containing DEGALAN® specialty polymers and VESTINOL® brand plasticizers to extremely scratch-resistant AEROSIL® paints. In the interior, special plastic additives such as TEGOMER® Antiscratch and ACEMATT® protect surfaces against scratching and material aging. No matter which component is in question, if it lasts longer it won't need to be replaced. And because Evonik's coating formulations are increasingly free of solvents and more energy-efficient to apply, cars will first and foremost be "greener" in the future, regardless of their color.

● Evonik makes bicycle paint scratch-resistant.





Gracious living

*People's lives center on
their own four walls.
Evonik makes it easier to
beautify this little world.*

Evonik protects
highly polished
surfaces.

"A house is like an ark—one rides out the flood in it."

Katherine Mansfield, New Zealand/British writer (1888–1923)



The whole world at home

The most important rest and recreation center is a person's own four walls. An apartment is a private sanctuary as well as a stage for socializing. Instead of meeting in a café or a bar, nowadays people are simply getting together in each other's kitchens. Trend researchers call this phenomenon "homing." Whether it's an evening spent cooking with friends or a cozy movie night at home, people spend time in their homes in individual and flexible ways. On the one hand, the homes preserve their residents' privacy; on the other, they celebrate their individual lifestyles. The desire for gracious living is growing all over the world—especially in emerging economies such as China. According to the Association of the German Furniture Industry (VDM), global furniture sales have doubled during the past decade. Changing expectations concerning life and work, as well as the trends of globalization and urbanization, are changing both people's attitudes toward their homes and the homes themselves. In spite of their many differences, all people ultimately share a basic need for warmth and security. Products made by Evonik help us to insulate our homes more effectively and make them more attractive.

A robust foundation

A major factor in creating a comfortable and inviting home is the right choice of floor coverings. Floors should be not only good to look at but also functional. During its long life, a floor has to sustain a great deal of wear and tear: many thousands of steps, heavy furniture, falling dishes. A wet umbrella is dripping in the corner, muddy shoes have left tracks on the way to the bathroom, and a collapsing tower has spread blocks all over the room. The choice of a floor covering has to be well thought out, because the floor will have to last a long time.

Flexible plastic is an especially good choice for heavily traveled rooms. Vinyl floor coverings from the roll have an extremely high threshold of tolerance. Because this material is soft and flexible, it's protected from dents and scratches—and it's impervious to red wine as well as stiletto heels. Another advantage compared to other materials is that vinyl floors are especially easy to care for, because they can simply be mopped with a damp cloth. Today even bathrooms can be provided with vinyl flooring. And here's some good news for late risers and people who are sensitive to cold: Elastic vinyl flooring doesn't feel cold, even in homes without underfloor heating.

"With innovative plasticizers, we aim to serve current market trends at an early stage."

Dr. Rainer Fretzen,
Head of the Performance Intermediates Department,
Evonik Industries



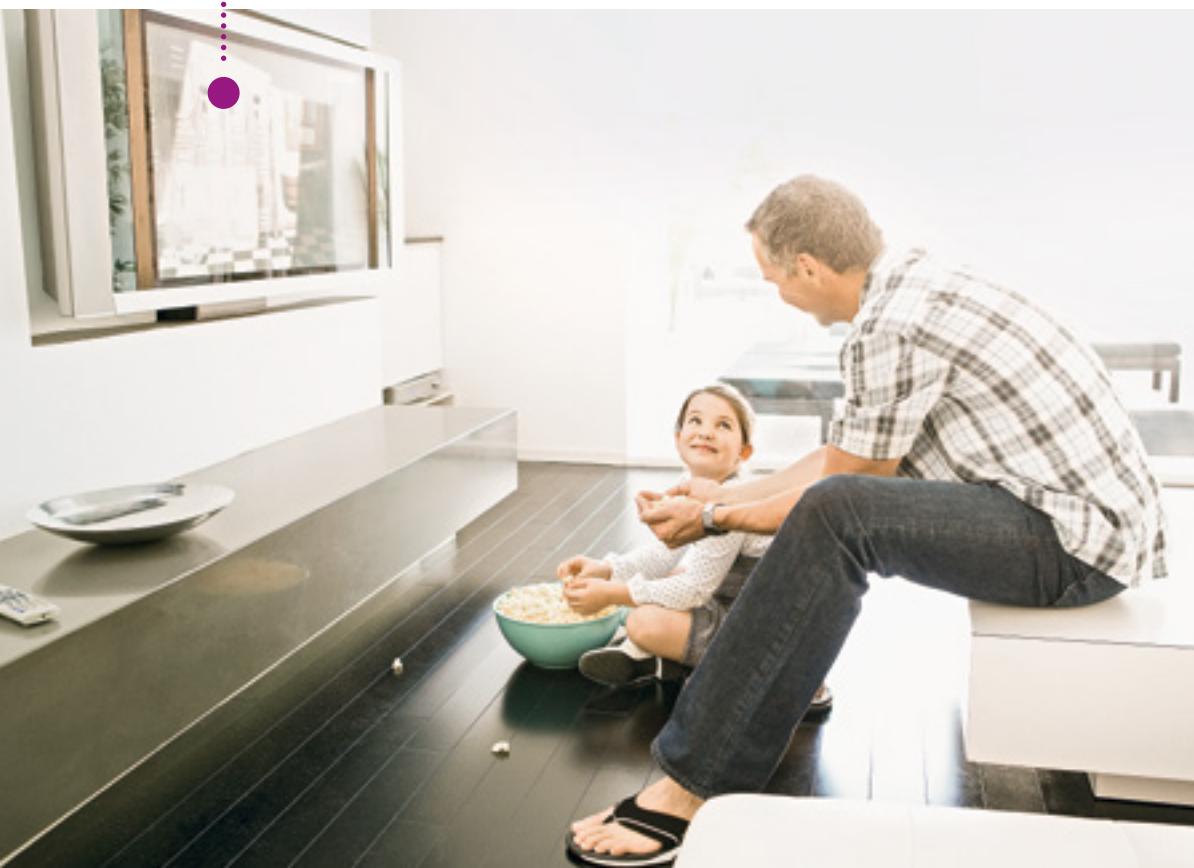
Evonik creates
indestructible
floor coverings.

About 50 million square meters of PVC flooring are laid in Germany every year. That amounts to a market share of 20 percent. A growing variety of patterns is now available to customers; today there are practically no limits to individualized interior design. Natural looks such as wood or stone are still very popular. In many cases it's impossible to tell at first glance what materials a floor consists of.

Vinyl flooring comes in countless different designs. That includes elegant marble, warm wood and gleaming stone—this material can mimic all that with astonishing accuracy. Nowadays plastic flooring can not only look like something else but also feel like it. Embossed surfaces imitate the natural structure of wood and also make the floor slip-resistant. Vinyl floors are also available in solid colors or printed with modern graphics or even photorealistic images of grass or gravel.

Vinyl flooring has all of these characteristics thanks to plasticizers. For example, VESTINOL® 9 or the phthalate-free ELATUR® CH from Evonik transform hard polyvinyl chloride—better known as PVC—into a soft and supple material that isn't damaged by moisture or by chairs being dragged back and forth.

Evonik makes TV images brilliant.



Cuddly additives

Fabric softeners from Evonik keep towels soft and fluffy. They not only make them more pleasant to the touch but also enhance their ability to absorb moisture. Thanks to fabric softeners such as REWOQUAT® and TEGOPREN®, new towels absorb water right after they've been bought, yet remain soft and fluffy. These additives are mixed in during the production of the textiles and threads. They're also used for bedding materials and sports clothing.



Laminate plates made of vinyl have almost the same structure as standard laminate. They consist of several stable layers, are extremely thin, and can be laid with very little effort.

Wall-to-wall carpeting is another very popular type of floor covering. In the carpet manufacturing process, the use of VESTOPLAST® hot melt adhesives ensure that the textile fibers of the carpet are optimally lined up and bound together. The resulting layer can then be adhered to the carpet backing, once again by means of VESTOPLAST®, or provided with a VESTOPLAST®-based heavy layer. The fluffy fibers instantly create cozy warmth in the apartment.

High-definition entertainment

Thanks to the introduction of home movie systems, tablets, and similar equipment, living rooms are increasingly becoming entertainment centers for the whole family. TV flatscreens with LED background lighting are especially popular, not only because they are particularly energy-efficient but also because light-conducting PLEXIGLAS® conjures up extremely high-resolution images on superflat screens. Whether it's an adventure film, a soccer game or a romantic comedy, viewers feel they're experiencing it up close. Silanes from Evonik also play a major role in the colorful entertainment provided on flatscreens. Electronic-quality monosilane is a key raw material for manufacturing LCD and AMOLED displays.

Tablet PCs are also at home on the family sofa. They're being used for watching films, playing games, and chatting online with friends. In these handy devices, music, films, and photos are saved on flash memory chips that are efficiently produced with the help of Siridion® HCDS (hexachlorodisilane). The rapid growth of the tablet market is also boosting the demand for this high-tech raw material.



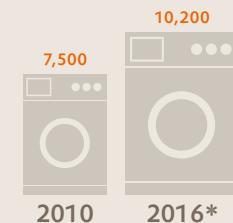
Attractive kitchens for socializing

Today many house and apartment owners set great store by high-quality and individualized interior design, especially in their "public" living and dining areas. Increasingly, these two areas are blending together. An open-plan kitchen with a smooth transition to the dining and/or living room is reinforcing the trend toward using the kitchen as a central communication platform. Products from Evonik help to create a smooth transition between the kitchen and other attractive living spaces. Kitchen cabinet fronts made of PLEXIGLAS® Optical HC combine an elegant appearance with a high degree of resistance to wear and tear. Neither a baking pan nor a rough sponge is a threat to this scratch-proof layered material—that's because of its particularly strong resistance to wear and tear as well as chemicals. In addition, PLEXIGLAS® is 11 times as breakproof as glass, though it's only half as heavy. People who like colorful surroundings like to use PARAPAN®, which is colored right through and offers a perfect shining surface. This material for furniture fronts and other surfaces never loses its color, even after considerable wear and tear. And even if it gets scratched, the scratch can be easily polished away. The fronts can be produced entirely in line with the customer's color and design preferences. That means there are no limits to the variety of possible individualized designs.

Evonik makes pianos impervious to impulsive pianists.

Fabric softeners save time and energy

Size of the fabric softener market
(turnover in Europe/millions of €)



*Forecast

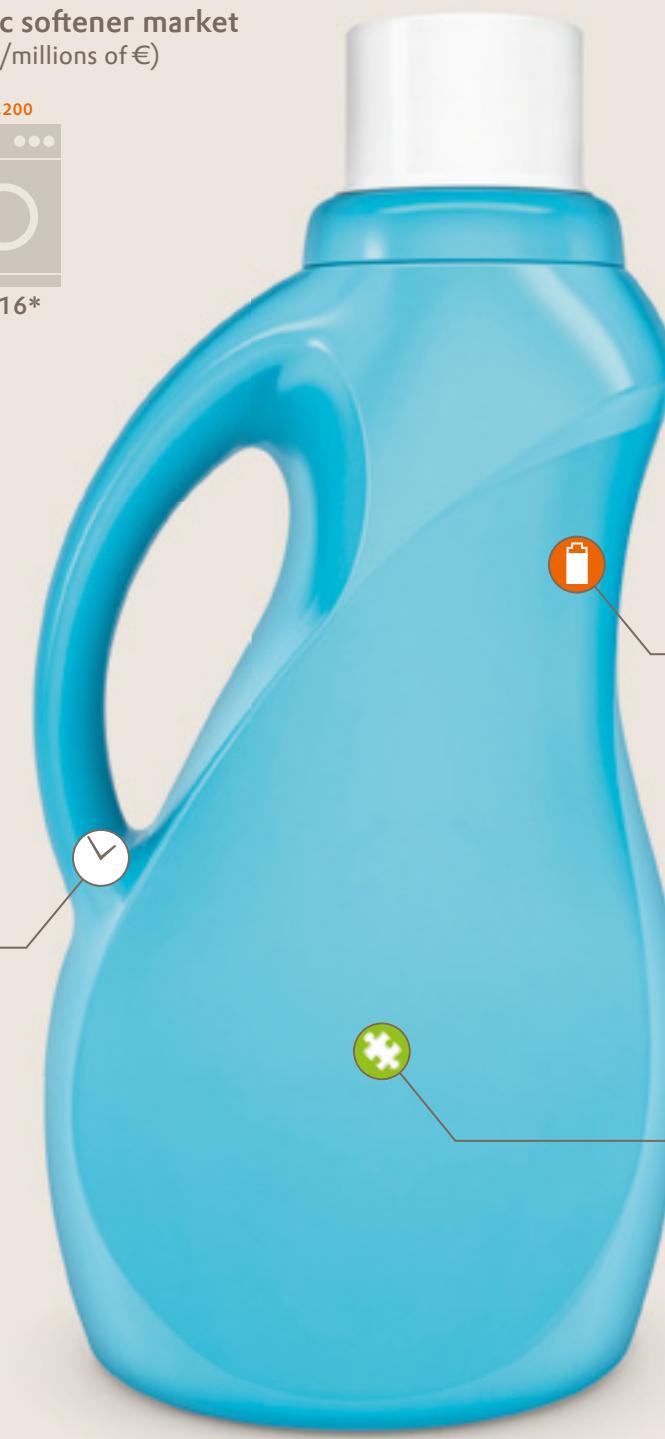
-12%

ironing time is required
for laundry washed
with fabric softener.

appr. -10%

energy is consumed if
fabric softeners are used
during washing.

Liquid fabric softener consists
of biodegradable tensides with
a positive electrical charge.





AT BREAKFAST

Carefree consumption

Food doesn't just satisfy hunger; it's also increasingly becoming better and smarter. Evonik contributes to worldwide sustainable food production.



Evonik ensures sustainability at the breakfast table.

"You should offer your body something good, so that the soul has the desire to live in there."

Winston Churchill, British statesman (1874–1965)



Everyone wants to eat and enjoy

Even though the fight against hunger is making progress worldwide, around 800 million people still suffer from malnutrition. At the same time, the new middle classes in the emerging markets are increasingly demanding a more balanced diet. As a result, more and more people's eating habits are focusing on pleasure and health. Among other things, this leads to an increased demand for meat and dairy products, which many people in the past could not afford or found difficult to store because they lacked refrigerators. This rapid increase in the demand for large quantities of high-quality food can be sustainably met only with new technologies and a more efficient agriculture and food industry. A glance at well-stocked breakfast tables around the world shows not only how diverse people's tastes have become with regard to coffee, cereal, and the like, but also how technological advances (such as those from Evonik) are ensuring that more and more people can afford to buy healthy and nutritious food on a sustainable basis.

● Evonik produces amino acids to help cows give healthy milk.



"We have the world's most extensive amino acid analysis system for the raw materials used in animal feed. This information helps us adapt the feed to the animals' needs all over the world."

Dr. Johann Fickler,
animal nutrition expert,
Evonik Industries



Good for cows, good for milk

There's a booming demand for Greek-style yogurt in the USA, and children in China and Japan have been eating cornflakes with milk for many years now. In Germany, breakfast wouldn't be the same without caffé latte and muesli. Meat, milk, and eggs have become a regular part of the diet of an increasing number of people. They want their food to be nutritious, tasty, and healthy. Dairy products such as yogurt are considered healthy and are in great demand among nutrition-conscious consumers. As a result, milk production has increased by more than 25 percent since 2001, and now totals around 750 million metric tons per year. At more than 375 kilograms per year, Finland has the world's highest per capita milk consumption. Although other European countries account for 17 of the next 19 places in this ranking, milk consumption is increasing especially fast in Asia. India is the world's largest milk producer, surpassing even the United States; Pakistan and China rank third and fourth, respectively. Health-conscious Chinese consumers want to have more milk and dairy products. According to experts, the Chinese market for yogurt is expected to grow by almost 300 percent between 2006 and 2016, and the market for cheese will increase by nearly 500 percent.

To ensure that this growing demand can be sustainably met, farmers have for some time now been using technologies and skills that conserve natural resources. No end is in sight for these advances. The cows in Germany now produce 55 percent more milk on average than they did in 1990. This is largely the result of better animal feed, which increasingly contains amino acids from Evonik.

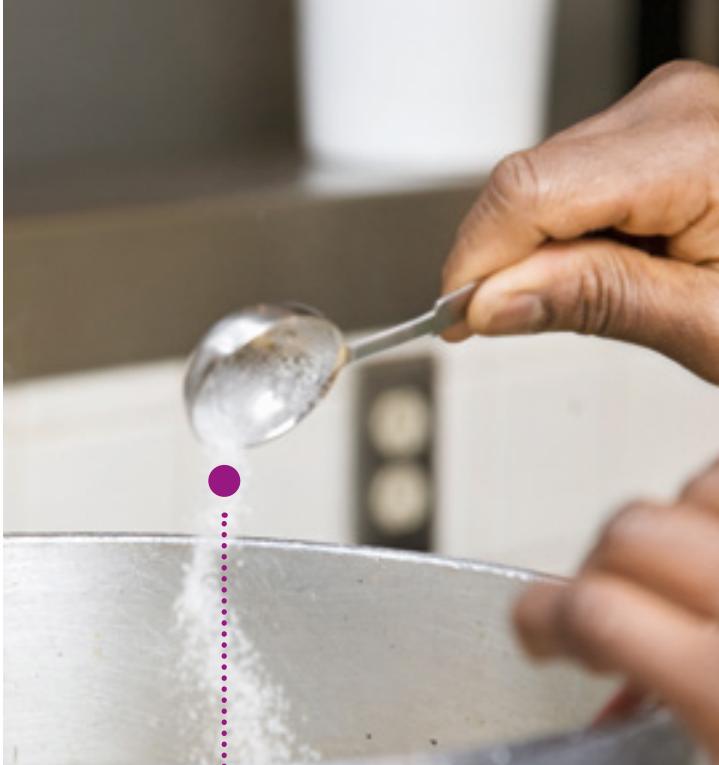
● Evonik makes sure milk is safe.



● Evonik makes refrigerators energy-savers.

Essential amino acids are the building blocks of proteins in people and animals. If food lacks these amino acids, malnutrition will be the result. A particularly important consideration is that organisms can only create the proteins they need if all of the building blocks are available in the right ratios. If one amino acid is lacking, the others will not be fully utilized. In the past, feed manufacturers often enriched their mixtures with large amounts of added protein, which frequently consisted of soybeans or fish meal. However, this practice requires additional farmland, reduces fish stocks, and increases the amount of manure produced. It is much more efficient to directly offset the naturally fluctuating amino acid content in vegetable feed and to do so in a targeted and precise manner in line with the animals' needs. Evonik is the only company in the world that supplies the four most important essential amino acids (methionine, lysine, threonine, and tryptophan) for state-of-the-art animal feed from a single source.

Dairy cows cover 83 percent of the global demand for milk. High-performance cows in particular need lots of methionine—but this amino acid is often lacking in natural animal feed. Because it's difficult to feed ruminants controlled amounts of additives, Evonik has developed a special product known as Mepron®, a type of methionine with a protective coating. The coating ensures that most of the nutrient reaches the cow's small intestine, where it can be directly absorbed. In this way, the coating guarantees that cows receive exactly the amount of methionine they need in order to make optimal use of their feed. That's good news for farmers, who no longer need to buy expensive protein feed; it also lowers the environmental



● Evonik makes salt pour more easily.

impact in three ways. It reduces the demand for land-intensive soybean production and dramatically decreases water consumption as well as the amount of manure and nitrogen produced. It's also good for cows, because it makes sure they are optimally fed and produce lots of healthy milk.

Every lid keeps its promise

Fruit yogurt is Germany's most popular dairy product. Germans eat around 100 cups of yogurt per year on average. This favorite food is almost inseparably associated with the yogurt cup. There are good reasons for this, because single-portion packaging is convenient and popular. Yogurt is perishable, and consumers trust that the portion they want to eat is always fresh and tasty when they open the lid. That's because the cups have lids that are attached with DEGALAN®-based heat-seal lacquers. The aim is to have the lid close firmly and, above all, tightly. But the lid should also be easy to open at one go. All of these requirements are fulfilled by a metal-coated PET film that is thinner than a human hair. Thanks to DEGALAN®, manufacturers can perfectly connect the lid with the cup and seal it firmly using just a single film layer. The system fulfills a promise: The yogurt goes from the producer to the consumer safely and without interference, so that every cup of yogurt can be enjoyed with pleasure.



● Evonik enhances the pleasure of eating yogurt.

Yogurt: a heat-sealed favorite

Fresh and climate-friendly

Our enjoyment of milk and yogurt is made possible by one of the most important technical innovations of the 19th century: the refrigerator. Without it, perishable goods such as milk, fresh fruit, meat, and many other items wouldn't last very long. Today's refrigerators keep food fresh for long periods—while consuming less and less energy. Although refrigeration technology has been further developed over the decades, the energy efficiency of new appliances is also steadily increasing, thanks to advances in insulation. For example, polyurethane insulating foams help to keep food cool. Evonik produces about 50 different additives for improving the processing of the insulating foams. Among other things, these additives create many small bubbles in the foam. These bubbles harden to form an extremely fine cell structure that has ideal insulation properties. What's more, the additives stabilize the foam while it still is a liquid so that it can flow into every corner of a refrigerator's walls without causing holes or cracks to appear in the material. This makes the insulation even more effective. Current appliances also offer the Group a new area of application for AEROSIL® fumed silicas. These products can be used to make especially thin insulating elements that also provide better insulation than previous materials. This means that the new generation of refrigerators will be even better at cooling more fresh and healthy food, although their dimensions will remain unchanged.



1962

That's when DEGALAN® was registered as a trademark.
Today, Evonik's binders are sealing yogurt cups from China to America.



Amino acids for advanced animal feed

Meat is becoming affordable for more and more people around the world. Chicken and pork are particularly in demand. In 2011, 58 billion chickens were consumed worldwide and pork production climbed to 110 million metric tons. These figures are expected to go on growing. Chickens and pigs benefit immensely from innova-

tive, optimized feeding concepts that use amino acids from Evonik. Chickens in particular require a lot of methionine, and pigs often don't have enough lysine in their feed. Evonik takes advantage of an especially efficient biotechnological process in order to produce lysine from renewable raw materials.

Yogurt market volume in China
(billion US dollars/year)





Staying healthy

*Health is our most valuable asset.
It is also our most expensive one.
Evonik helps heal.*

Evonik makes
better X-rays
possible.



*"Health is the primary
duty of life."*

Oscar Wilde, Irish writer (1854–1900)

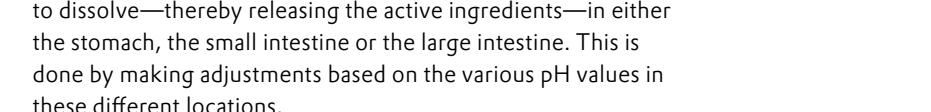
The whole world needs advanced medical care

Pain, high blood pressure, and diabetes—worldwide, millions of people suffer from these medical conditions and their consequences. These and other “common ailments” are especially widespread in industrialized countries. In the USA alone, the number of people suffering from diabetes could climb to 29 million by 2050, compared to 11 million in 2005. The number of elderly people is also growing; by 2030 there will be more than two billion people over the age of 60. More and more people in this age group are seeking access to affordable medical care. Even in emerging economies, the number of patients is increasing. At the same time, huge advances are being made in medicine. Fortunately, many ailments can now be treated effectively. This is due not only to the continual development of new active ingredients by the pharmaceutical industry but also to an increasing ability to develop individualized therapies. Consequently the demands on medicines, implants, and active ingredients are also rising. Products from Evonik support the healing process in many ways.

- Evonik ensures a targeted release of active ingredients.

In the right place at the right time

Innovative products from Evonik make it possible for orally administered drugs to work efficiently and with a minimum of side effects. That's because an active ingredient can only enter



the bloodstream and have its optimal effect if it arrives undamaged at the proper location in the body. EUDRAGIT® brand pharmaceutical polymers from Evonik protect tablets and capsules as they pass through the digestive tract. These polymers form a thin coating that protects the sensitive active ingredient from stomach acids. With EUDRAGIT® it is possible to precisely control when and where a drug is released in the body. A protective film coating made from these polymers can be tailored to dissolve—thereby releasing the active ingredients—in either the stomach, the small intestine or the large intestine. This is done by making adjustments based on the various pH values in these different locations.

The duration of release is also important. This is especially true for active ingredients that have a short half-life. These substances are so formulated that they are released in a controlled manner over a period of up to 24 hours. Ideally, a patient should only have to take a tablet once a day. This type of “delayed release” medication is particularly advantageous for long-term pharmaceutical therapies, such as beta blockers, which are used in the treatment of high blood pressure. The optimal rate of release can be achieved through a targeted combination of various EUDRAGIT® polymers. In this way, a stable dosage at an effective level can be maintained in the body for hours. Moreover, these polymers can mask a tablet's unpleasant taste and odor. In this way, Evonik is making a valuable contribution to therapeutic success.

But not all modern medicines are taken orally, in other words by mouth. Evonik's RESOMER® polymers are used for parenteral drug delivery. Microparticles so small that they can be injected or implants can release substances for a period of several days or even up to several months.



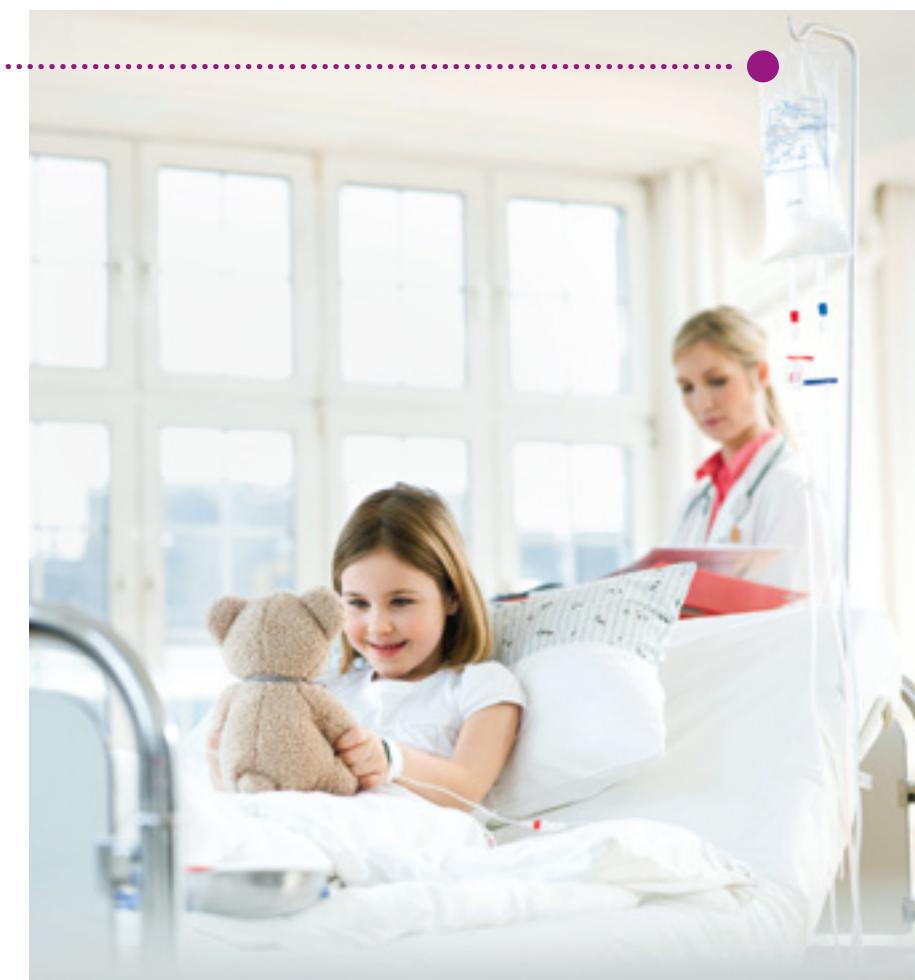
- Evonik targets active ingredients more effectively.



are similar to those of human bones. Consequently, the implant takes on only part of the mechanical stress. This means that it does not entirely relieve the damaged body part. But this is exactly what the patient needs, because bones require a moderate level of mechanical stress in order to regenerate and retain their density. If, for example, an implant with a much higher degree of rigidity relieves too much of the stress on bones, they will deteriorate over time. For this reason, VESTAKEEP® PEEK is being used more and more often for spinal implants, orthopedic implants, and dental applications, as well as in trauma surgery in which bones must be set and bone fragments replaced.

In the past, it was difficult for doctors to observe an operation, monitor the healing process, and check on surgical results using computer and magnetic resonance tomography. Due to their density, metals are opaque to X-rays, and this makes reliable image analysis extremely difficult. Because X-rays easily pass through high-performance plastics such as VESTAKEEP® PEEK, these plastics are practically invisible on X-ray images. This makes it much easier for doctors to evaluate the progress of their patients.

Evonik helps to ensure a quick recovery.



RESOMER® and EUDRAGIT® are the pharmaceutical industry's gold standard. Together with a range of services for the development of custom solutions, these products make Evonik one of the world's leading suppliers of systems for controlled drug delivery.

Helping bones to heal better

If the discomfort of a painful slipped disk or other injury of the spinal column is no longer relieved through massage, physiotherapy, and medication, an operation becomes unavoidable. A very small implant that is only a few millimeters in size is used in cases where a patient is suffering from a slipped disk in the cervical (neck) area.

For a long time, this type of implant has been made mostly of metals such as titanium or cobalt-chromium. The advantages of these materials are that patients can tolerate them well and they last a lifetime. Now, newly developed high-performance plastics, such as VESTAKEEP® PEEK, can also meet these requirements. Polyether ether ketone (PEEK) from Evonik combines the advantages of implants made of metal with new characteristics that have a positive impact on the patient. The flexibility and rigidity of implants made of VESTAKEEP® PEEK

"The pharmaceutical market is booming worldwide. With our technological and chemical expertise, we help our customers give millions of people healthier lives."

Dr. Jean-Luc Herbeaux,
Head of the Health Care Business Line,
Evonik Industries

Medicine for an aging population

Highly specialized medical products can be produced from RESOMER® Pharma Polymers. One example is the screws that are used in the treatment of shoulder injuries. The interesting thing about these screws is that over time they will be biologically dissolved, and so eliminate the need for a second operation. Moreover, they can contain precisely targeted active ingredients that are released into the body over a defined period, such as antibiotics that prevent painful inflammations.

Strategic partner for the pharmaceutical industry

Evonik offers a unique portfolio of differentiated products and services for the pharmaceutical and medical devices industry. From drug substance custom manufacturing to pharmaceutical excipients for oral (EUDRAGIT®) and parenteral (RESOMER®) formulations, formulation development, and the manufacture of clinical and commercial quantities of drug products, Evonik covers the entire drug development value chain. Evonik's specialties in this field include highly potent active pharmaceutical ingredients (HPAPIs) and drug products, which are used in cancer therapy. The access to a broad range of competencies and differentiated technologies makes Evonik a strategic partner for the pharmaceutical and medical devices industry.

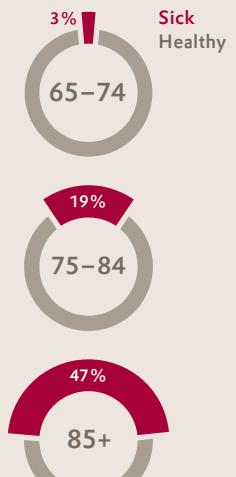


Building blocks of nutrition

Amino acids are the building blocks of life. People who are critically ill and can no longer take in food on their own normally receive infusions of amino acids. These infusions also include high-calorie foodstuffs, minerals, and other substances. Under the brand name Rexim®, Evonik produces

amino acids, peptides, and amino acid derivatives in pharmaceutical and food quality. Besides being added to infusion solutions, these products are used in cell culture media and in the manufacture of active ingredients used to treat high blood pressure and diabetes.

Age-related disorders
Alzheimer's cases according to age groups

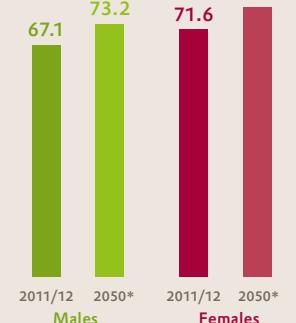


1.6 trillion

US dollars in turnover will be posted by the pharmaceutical industry in 2020—more than double the current figure.



Life expectancy
worldwide, from birth



*Forecast

Populations are aging all over the world.

Expected increase in the number of seniors by 2050:

60+ >250%

80+ >350%

100+ >1,000%



Rest and recreation

Finally, you have some time for yourself. And for wellness, beauty care, and sports. Evonik is right there with you in a wide variety of ways.



Evonik protects
against UV radiation.

*"Man has no nobler
or more valuable
possession than time."*

Ludwig van Beethoven, German composer (1770–1827)



Everyone's relaxing

Instead of wanting to buy beautiful things, 90 percent of Germans would like to have more time for themselves. That's the finding of a survey conducted by the strategy consulting firm diffferent. People want to have time to simply relax, meet friends or do something for their physical well-being. Saunas, thermal baths, and massages offer a break from the stress of everyday life. More than 40,000 beauty parlors provide professional skincare in Germany. And the country's 260,000 barbers and hairdressers not only cut hair but also treat it with special conditioners and shampoos. Skin and hair cosmetics are also in great demand in the home. Global consumer spending on hair care products alone is forecast to hit €63 billion per year in 2016.

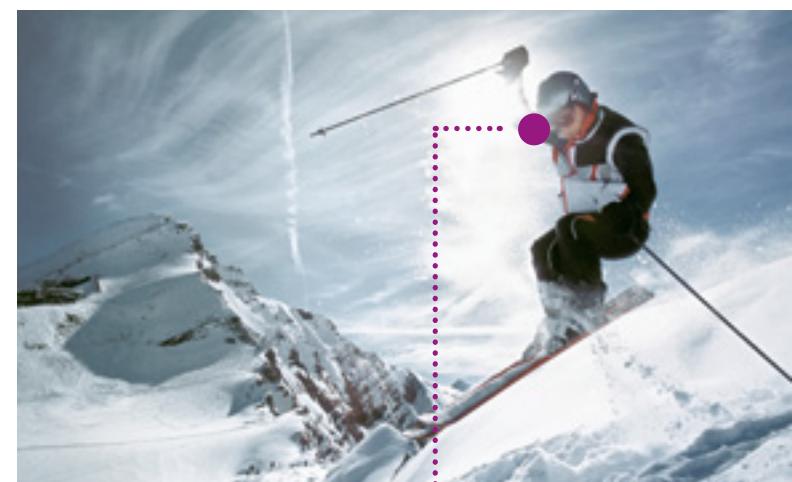
People want to look good. They want to have skin that is smooth, supple, and clear and hair that is full, thick, and shiny. And they are being helped not only by hairdressers and beauticians but also by many ingredients that Evonik develops and produces for cosmetics.

Evonik takes care of skin.



"The two major trends on the cosmetics market are instant and sustained effect and sustainability."

Dr. Mike Farwick,
Head of Research and Development,
Active Ingredients,
Evonik Industries



Young and beautiful

To make a day cream, take some water and add cosmetic oil, emulsifiers, thickening agents, and one or more active ingredients. Evonik supplies all of these substances to cosmetics manufacturers.

Although an active ingredient makes up only a small portion of a skin cream, it is a vital one, because it makes small wrinkles disappear, smooths the skin, and creates a clear complexion. For this purpose, Evonik supplies a wide range of active ingredients that are based on natural raw materials or produced using biotechnological processes. For example, Evonik uses microorganisms in fermentation processes to produce hyaluronic acid, which has recently become a sought-after ingredient for skincare products.

It takes a lot of research to find a formula for enhancing beauty. The Evonik labs conduct many different experiments in which they administer active ingredients to skin cells and subsequently conduct genetic analyses to determine the effects. Evonik employees also participate in studies of the ingredients' effectiveness and sometimes even test the active ingredients on their own skin over weeks, after the substances have been extensively examined in the lab. Probes measure the moisture of the skin, and light projections are used to determine the depth of wrinkles.

In many cases, new active ingredients are created in cooperation with other companies, institutes, and universities. "We have a network with more than ten partners to identify active ingredients," explains Dr. Mike Farwick, Head of Research and Development. Once a substance has demonstrated its effectiveness, the next step is often to form a partnership with a manufacturer. For example, Evonik cooperated with a French cosmetics manufacturer to research the effects of the skin-identical lipid phytosphingosine SLC. This lipid, which is fermented from

Evonik strengthens sports goggles.



sugar and yeast, repairs and regenerates the skin. "We discovered that this ingredient activates the genes known as 'youth genes,'" says Farwick. The customer was greatly interested in this finding, and the substance is now used in a number of the personal care products the French manufacturer produces.

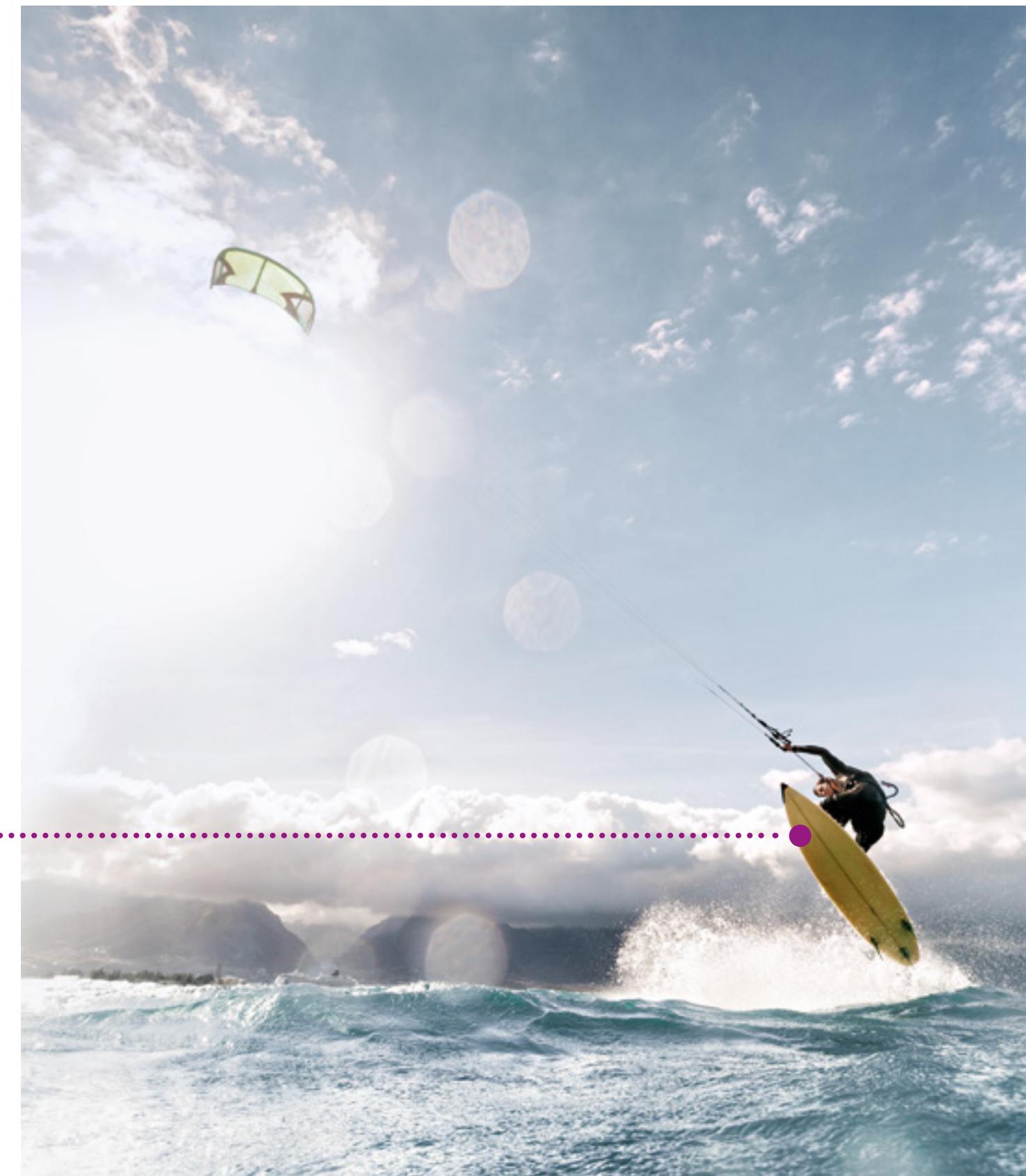
The developers always keep an eye on such trends. They also closely observe the ways that needs are arising and developing in different parts of the world. At the moment, the Brazilian market is especially dynamic. Hair straightening and coloration are very popular in Brazil, but these treatments require more care than other hair styling techniques. The experts at Evonik's hair lab develop the required products. They test care additives, tensides, and hair thickening agents in order to identify the right substances for the manufacturers of shampoos, conditioners, rinses, and hair treatments. They test several variants of a product simultaneously. For example, they apply various conditioners to strands of real hair. After the hair is rinsed, the experts determine whether combs run through the hair more smoothly. When they wash the hair of special hair-dressing dolls, the lab employees check a number of features, including whether the shampoo spreads evenly and is easy to rinse out, and whether the hair is shiny after it dries.

Being fleet-footed

Besides cosmetics, the best way people can take care of their bodies is still to do sports. During their leisure time, people who like to exercise benefit from many specialty chemical products. One of these is the plastic VESTAMID®, which is integrated into the soles of many sports shoes. This substance combines seemingly contradictory attributes such as flexibility, low weight, and stability. As a result, it is ideal for a wide variety of sports-related applications. For example, it makes soccer shoes extremely stable, because players need to stand securely when they kick a ball into the goal. In the case of running shoes, by contrast, the key attributes are low weight, good cushioning, and proper flexing qualities. VESTAMID® is integrated into midsoles and lower soles, where it dampens the impact of the foot on the track surface. The material absorbs energy during deformation and gives some of it back to the runner through a rebound effect.

Evonik produces elastic plastics that cushion every step.

Evonik enhances driving pleasure with lightweight composites.



Lighter on your feet

Making sports easier

Many types of exercise equipment contain ROHACELL® hard foam from Evonik. Although this material is extremely rigid, strong, and durable, it is nonetheless very light. That makes it an ideal component of robust lightweight parts, such as the full-carbon wheel rims used on racing bicycles. For example, the bicycle manufacturer CarbonSports uses ROHACELL® in the cores of wheel rims, enabling a complete set of rims to weigh less than 1,000 grams.

Successful snow, surf, and kiteboarders also appreciate this high-performance polymer. In addition, ROHACELL® is integrated into many cross-country skis. For example, it's used in the skis made by the Norwegian company Madshus, which is the world's oldest ski producer and is still successfully manufacturing. According to Madshus' chief developer, Gunnar Bjertnaes, high-performance ROHACELL® hard foam has outstanding dynamic properties. Due to its easy formability, it can also be excellently processed. "This core sandwich material has also enabled us to substantially reduce the skis' weight," explains Bjertnaes. This is an important consideration, because every gram of weight forces the skier to expend energy. Winter sports practitioners who perform on icy surfaces also appreciate materials with low weight and high stability. That's why the Canadian ice hockey stick manufacturer Bauer incorporates ROHACELL® into the lower section of its hockey sticks. This material ensures that players have optimal control of the puck so that they can play fast games and score many goals.

15 billion

US dollars. That's how much consumers spent worldwide on running shoes in 2011—an increase of 13% on the previous year.



1.8 %

The rate at which the sports shoe market is expected to increase per year until 2018.

150 Min.

The amount of time an adult should spend on exercise per week, according to the WHO.

A blocking lotion

TEGO® Sun T 805 is used as a UV filter in many products that protect the body from the sun's rays. It consists of titanium dioxide, a mineral UV filter that blocks exposure to UV radiation by reflecting the sun's rays, thus preventing damage to the skin.



An invisible deodorant

The deodorant NIVEA Invisible for Black & White was developed by Beiersdorf in cooperation with Evonik. Besides leaving less white residue on dark fabrics, it prevents yellowish stains from appearing on light-colored textiles.

Which kind of sport covers longer distances?

The average total distance traveled by an athlete during a game:





Urban living

Big cities are hubs of globalization. Evonik provides products for the infrastructure of the future.

Evonik provides light more efficiently with LEDs.

*"Architecture is the will
of an epoch translated
into space."*

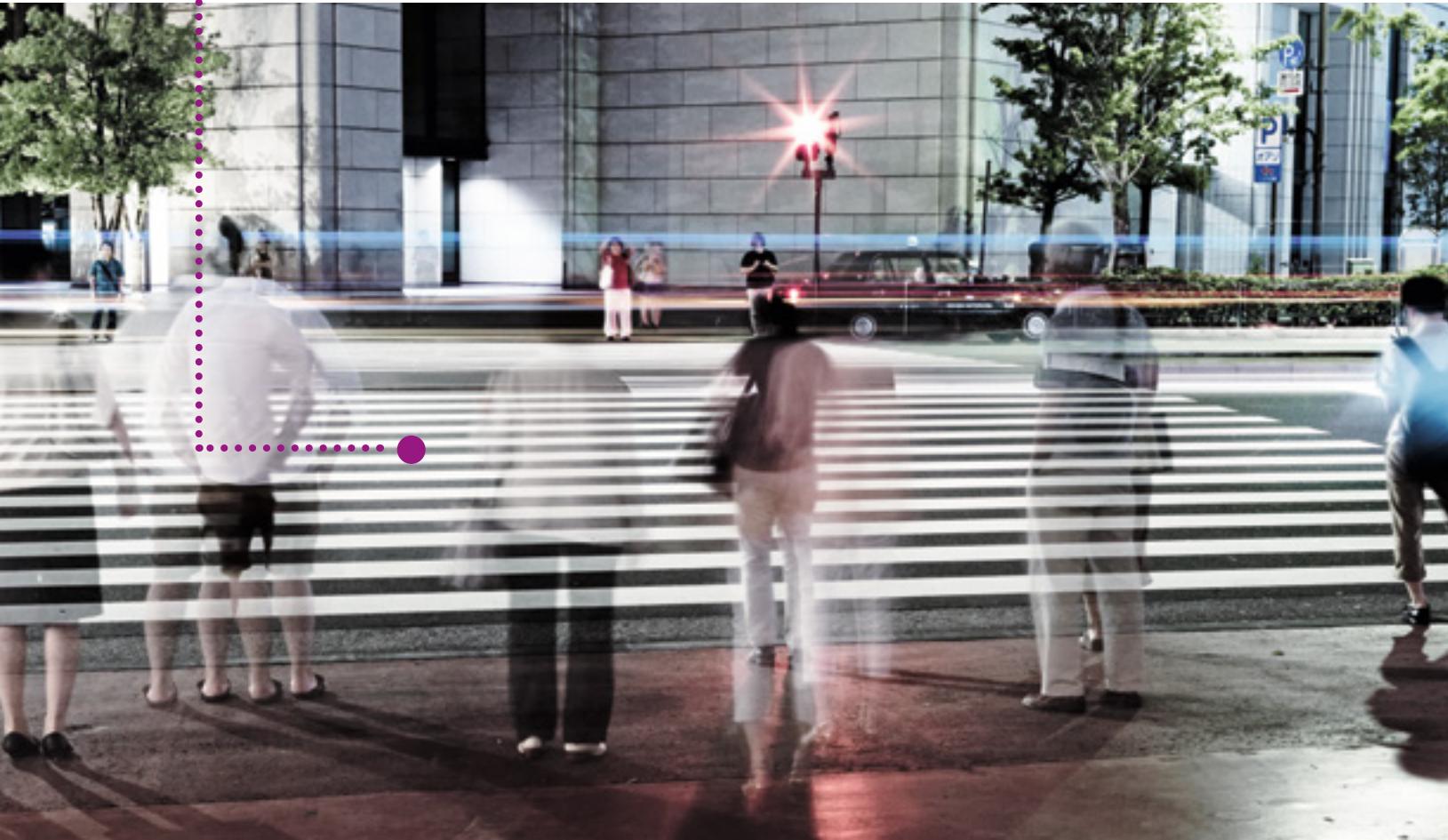
Ludwig Mies van der Rohe,
German-American architect (1886–1969)



People everywhere want to live in a city

Cities are centers of dynamism and development. Today more than half of the world's people already live in cities. According to United Nations estimates, that proportion could rise to almost 70 percent in about 40 years. This means that an increasing number of people will have a decreasing amount of space. In order to create new living and working spaces, buildings are growing ever taller and even the smallest plots of land are being built on. According to forecasts, by the year 2030 cities around the world will collectively cover three times the area that they cover today. But many big cities are already reaching the limits of their capacity. On the other hand, growth offers huge opportunities. In places where many people live and work together in close proximity, communication is easier, and information and knowledge are easily shared. That's why most innovations have originated in cities. With all of this in mind, we need to create sustainable and appropriate infrastructures that support a high quality of life for the "city of the future."

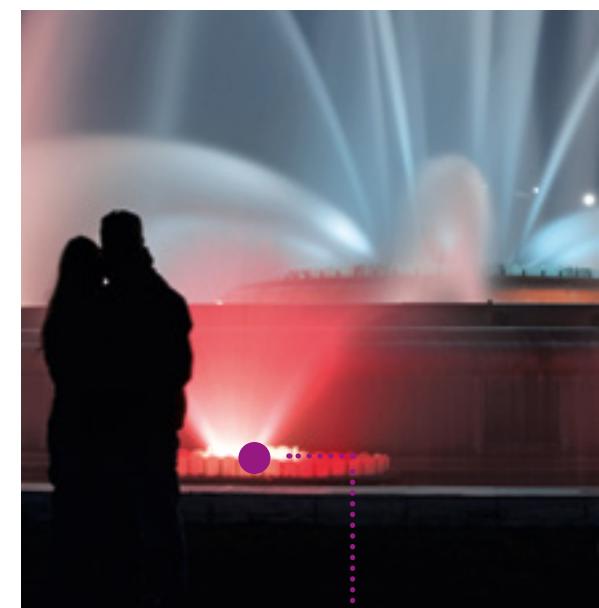
- Evonik makes pedestrian crossings safer.



"The LED opens new possibilities for the use of PLEXIGLAS®.

PLEXIGLAS® conducts light with lower losses than glass, it's easier to shape, and it's a lot lighter."

Stephan Neumayer,
Business Development Manager, Light Management,
Acrylic Polymers,
Evonik Industries



The city never sleeps

Streetlights and illuminated signs light up the streets of cities. Traffic lights and headlights ensure that even at night everything proceeds in an orderly fashion. Shining buildings, façades, and bridges join together to form a glowing skyline. Here, night becomes day. This generates not only immense energy costs but also a high level of CO₂ emissions. According to the International Energy Agency (IEA), 19 percent of the energy consumed worldwide is used for lighting. For this reason, the future belongs to LED technology. Light-emitting diodes, or LEDs, are very energy-efficient, and with a service life of up to 20 years, they're also extremely long-lasting. An LED needs only 10 watts in order to produce the same amount of light as a traditional 60-watt light bulb.

LED technology can be used to achieve tremendous energy savings—in public lighting in particular. Streetlights are in operation for long periods of time, and in addition to their negative impact on the environment they create enormous costs for cities and towns. Experts estimate that up to 40 percent of a city's electricity costs are due to street lighting. Considering that around 65 million streetlights are on every night in Europe, the potential savings are huge. Many of these streetlights are real power guzzlers because they use old-style sodium and mercury-vapor bulbs, which heat up to several hundred degrees Celsius. The Philips electronics company has calculated that a transition to LEDs would reduce CO₂ emissions worldwide by 670 million tons.

In the future, the combination of LEDs with PLEXIGLAS® will play an important role in street lighting. PLEXIGLAS® conducts light with lower losses than glass, it's easier to shape, and it's a lot lighter. Because LEDs never get hotter than 40 to 50 degrees Celsius, plastic lenses can be placed nearer to the light source.

- Evonik protects LED lamps against moisture.



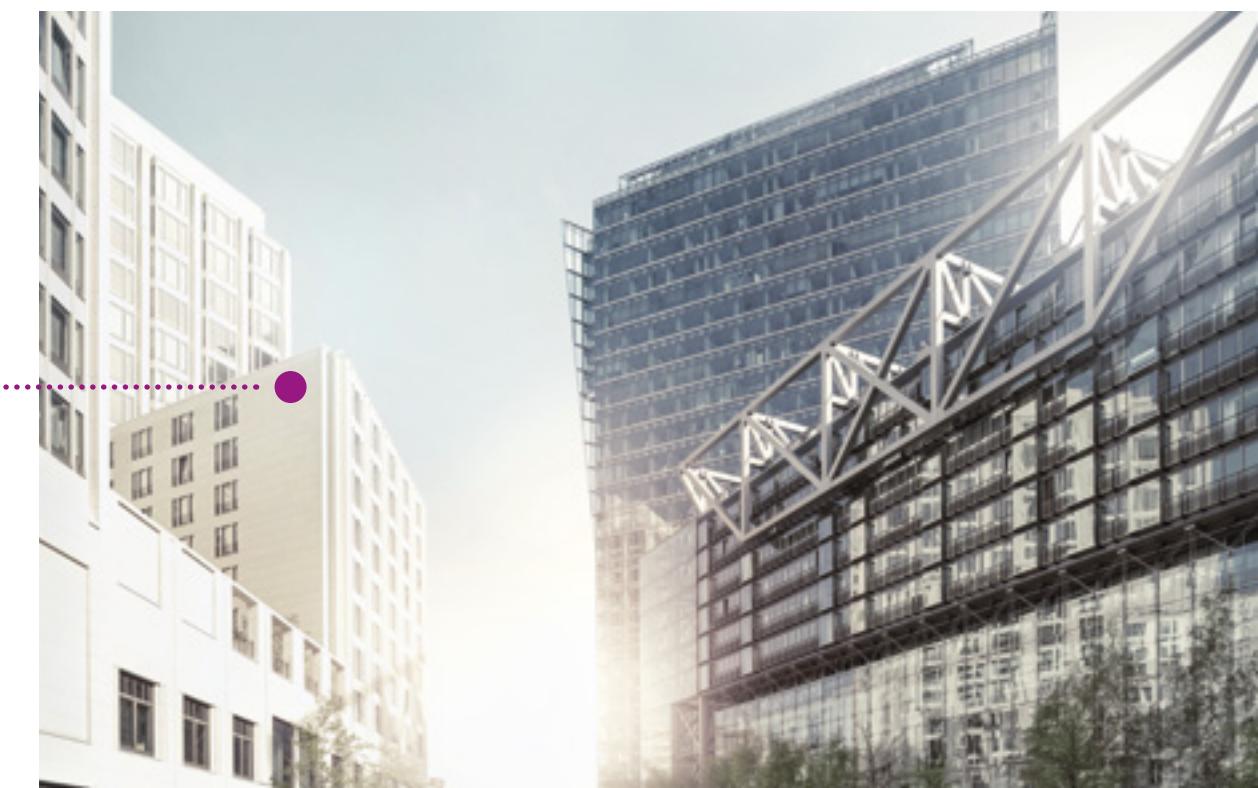
● Evonik makes bicycle lanes more durable.

Thanks to the high precision of the PLEXIGLAS® structures, the point-source light created by the LEDs can be much more accurately directed where it is needed. This combination of materials thus not only provides better lighting but also reduces light pollution compared to traditional diffuse lighting.

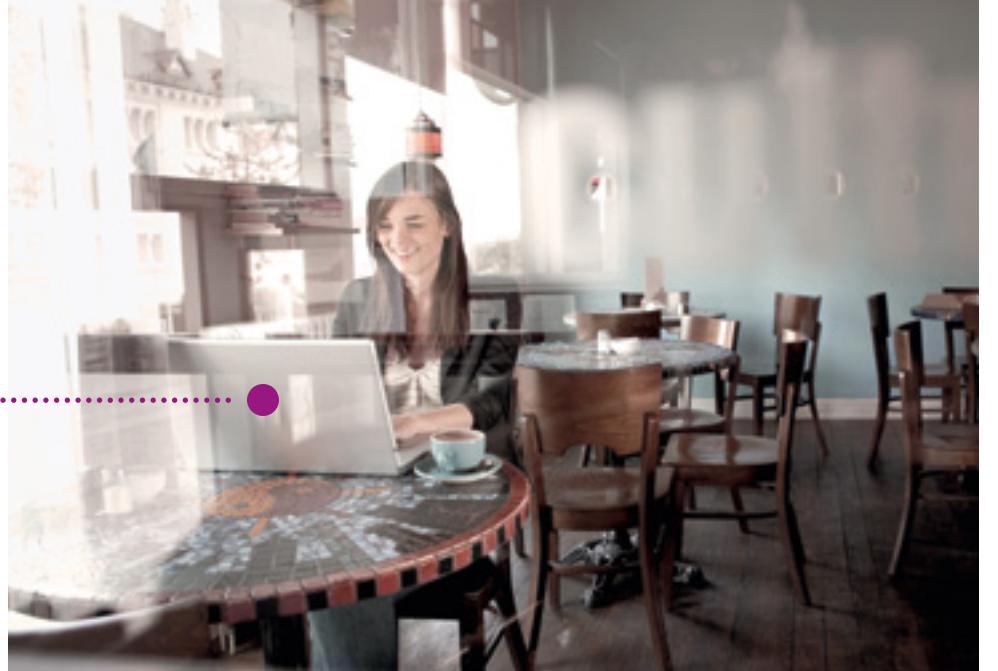
At present, discreet lighting is not necessarily a given in the densely populated urban areas of the world. Whether it's New York or Rio de Janeiro, the shopping malls, temples of consumption, international airports, and train stations are all brightly lit. Internationally operating companies place their advertisements in locations where hundreds of thousands of people live, shop, and work. Illuminated signs are in operation 24 hours a day, 365 days a year. It's therefore no surprise that more and more companies are replacing the lighting on their illuminated signs with more long-lasting LED technology. With the installation of PLEXIGLAS® LEDs, power consumption is significantly reduced. Moreover, this combination produces colors that are brighter and more stable over time. And PLEXIGLAS® is weatherproof—that's an especially important characteristic for long-term outdoor installations.

Future mobility

Bad weather during rush hour presents big challenges to most big cities. Even under normal weather conditions, the daily flood of commuters causes traffic jams and high levels of noise and air pollution. For this reason, in many city districts people can often reach their destinations more quickly by walking or riding a bicycle. These alternative modes of transportation also contribute to sustainability by avoiding CO₂ emissions. In Copenhagen, for example, around 40 percent of commuters ride their bicycles to work these days. In many US cities, the number of people walking or riding bicycles to their destinations has almost tripled since 2000. This trend is motivating an increasing number of cities to expand their infrastructure for pedestrians and bicyclists. The goal here is to improve overall traffic safety. DEGAROUTE® marking systems are an integral part of this expansion. Methacrylate resin from Evonik is at the heart of these systems. DEGAROUTE® is used worldwide to create brightly lit pedestrian crossings and colored bicycle lanes that are highly visible even at night or when the road is wet. Road markings that use DEGAROUTE® as a basis are extremely robust and long-lasting. This makes them extremely environment-friendly, according to the results of the Life Cycle Assessment (LCA). The low maintenance costs compared to other marking technologies are yet another advantage for municipalities.



● Evonik keeps building façades cleaner.



Evonik makes the Internet faster.

Gateway to the world

Even people in remote locations have access to information and resources thanks to the Internet—the information superhighway. As a result, access to broadband Internet is being rapidly expanded all over the world. The higher speeds associated with broadband access will make it possible to provide users with higher-quality content and greater flexibility. The broadband technology that delivers the highest speeds is the glass-fiber cable, and chlorosilane is an important component of this technology. The world's leading manufacturer of this raw material is Evonik, which sells a very pure form of silicon tetrachloride—a form of chlorosilane—under the name Siridon® STC.



The all-weather jacket for buildings

In many cities, old run-down buildings stand in stark contrast to the current construction boom. Heavy traffic, air pollution, and bad weather are destructive to many facades. Protectosil® provides optimal protection for almost every building and every material.

Whether it's concrete, sandstone, granite or plaster, Protectosil® protects buildings from corrosion and from damage due to acid rain. It also inhibits the growth of algae, moss, and mold, and it protects against other kinds of soiling.

Lamps live longer with LEDs

Lamp power rating for the same brightness

In terms of luminous efficacy per watt, LEDs put everything else in the shade.



LED module
10 W



Compact fluorescent lamp
18 W

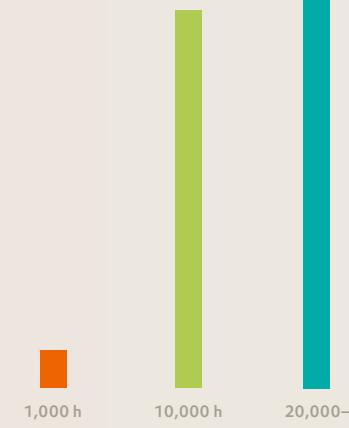


Incandescent bulb
60 W



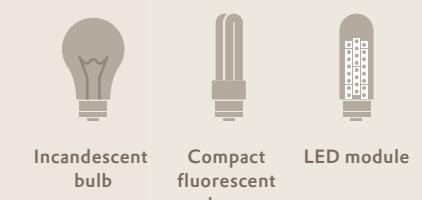
19%

of the energy consumed worldwide today is used for lighting.



≈50%

of the energy consumed annually by German municipalities could be saved by modernizing streetlamps and the lighting in office and school buildings.



Service life of lamps in hours



Working effectively

The work performed at construction sites, on ships, and in factories is extremely tough. Evonik helps to ensure that the machines involved operate more efficiently and more reliably.

Evonik ensures that construction machines run more efficiently over the long haul.

"People who consider themselves too important for small tasks are often too small for important tasks."

Jacques Tati, French filmmaker (1907–1982)



The world of work

The world of work is changing around the globe. Production processes are becoming more efficient, safer, and more environmentally compatible. Moreover, factories are becoming smarter, as more and more robots and machines are doing the difficult and dangerous work. However, people still have to perform hard manual labor in many areas. For example, work is still extremely tough at construction sites, on ships, and in many factories. In most of the emerging economies, the percentage of production-related work has increased in recent years. Greater occupational safety is ensured by international standards and a global culture of hazard prevention. Although the chemical industry has set many standards in this regard, a lot still remains to be done. Fortunately, many of Evonik's products help to create safe industrial and manufacturing workplaces and contribute to the effective use of machines that replace muscle power.

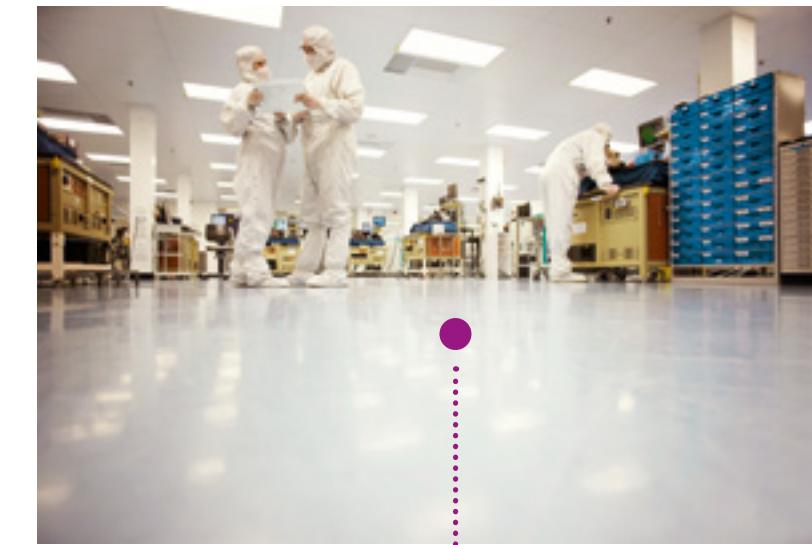
Today the materials used in working environments also have to fulfill a number of basic conditions. They have to be safe, environmentally compatible, durable, and highly efficient. In most cases, the cheapest material isn't very effective. Here Evonik contributes to safety with its DEGADUR® and VESTAMIN® product families for flooring applications.

Evonik makes industrial flooring stress-resistant throughout an entire lifetime of service.



"Our system is especially popular in places where floors need to be installed quickly."

Michael Krämer,
Marketing Director of the Construction product group at the Coatings & Adhesive Resins Business Line,
Evonik Industries



Evonik enables industrial flooring to be hygienically cleaned.

Safety begins on the floor

In the working world, floors aren't exactly comfortable areas. That's because they are subject to great stress wherever hard work is performed. They require special protection—against wear and tear, environmental influences, wind and weather, heat and cold, and harmful substances. At the same time, flooring in the working world should be quickly installed, easy to clean, nonskid, free of pollutants, non-hazardous during fires, and visually appealing to the user. Evonik meets all of these widely-varying requirements with its DEGADUR® and VESTAMIN® product families. In warehouses, DEGADUR® flooring easily withstands the high stresses created by forklift trucks driving back and forth along the same routes. The DEGADUR® floor is also impervious to contact with diesel fuel.

Flooring must be nonskid not only in factories but also on ships at sea, where the aggressive effects of seawater have to be withstood over long periods.

DEGADUR® is perfect not only for withstanding heavy loads, but also for handling the wear and tear in kitchens. The British star chef Jamie Oliver, for example, had the kitchen floor of his restaurant coated with DEGADUR® because it meets the most demanding hygiene standards, is resistant to heat and grease, and easily withstands the impact of a falling cooking pot. Vintners and brewers also like to use DEGADUR®, because it's perfect for places where cleanliness is of the utmost importance and unaffected when alcohol is sometimes



● Evonik makes the adhesives in fluorescent vests fire-resistant.

spilled on the floor. Floor coverings containing VESTAMIN® are used in the corridors of business hotels, for example, because the wheels of the guests' heavy suitcases would otherwise indelibly scratch and permanently mar the floors. In parking garages, many companies have installed flooring containing VESTAMIN® because it meets the garages' requirements for skid resistance, concrete protection, and impact resistance. Even car drivers benefit indirectly from the product's high quality. Because the material effectively protects load-bearing structures against damaging influences, it is used for everything from substrate preparation for road surface renovation to corrosion protection and bridge repairs.

Evonik produces DEGADUR® from its own methacrylate chemistry. This flexible coating can be installed quickly and easily without creating any joints. After priming, the base layer that determines the finished floor's consistency and appearance is applied. In the last step, the floor is sealed.

VESTAMIN® is a high-quality raw material for epoxy formulations that are used in floors, coatings, and paints, for example.



Safety for pipelines

VESTAMID® NRG from Evonik makes deep-sea oil pipelines safer and more effective. Nowadays floating oil platforms are being used more and more frequently, and pipelines have to meet their requirements. VESTAMID® NRG makes oil pipelines flexible and is both durable and resistant to the various chemicals found in oil. Flexible, multi-layer pipelines are laid at depths of up to 2,500 meters. Several of their layers are made of VESTAMID® NRG, which seals the pipelines and protects the stabilizing steel layers against wear and tear. In the future, pipelines for use at greater depths are to be made of VESTAMID® NRG composites with glass fiber reinforcement.

More power for workhorses

Excavators can withstand a lot of stress. They are the main "workhorses" at every construction site, where these strong and mobile machines untiringly dig in every kind of weather. Evonik's DYNAVIS® technology enables hydraulically operated construction machines to be ready for use sooner, achieve more, and last longer.

Whereas conventional hydraulic fluid is too viscous for optimal use when it's cold, it becomes too thin when it's heated and can therefore no longer optimally transfer the power. However, fluids formulated with DYNAVIS® technology substantially extend the temperature range in which construction machines can operate effectively. Cold oil is thinner and hot oil more viscous. The developers at Evonik have demonstrated in tests that this increases the power these machines can use in their work. For the operators of construction machines, doing more work in the same amount of time means that they need less fuel and also spend less money on personnel and equipment. Nine excavators using DYNAVIS®-formulated hydraulic fluids can do the work of ten machines using conventional hydraulic fluid.



● Evonik makes protective masks heat-resistant.

More power. Less fuel.

+30%

Hydraulic fluids formulated with DYNAVIS® additive technology can reduce fuel consumption by up to 30% under full-load conditions.



Benefits of DYNAVIS® technology



Better hydraulic fluid performance at peak operating temperature



Faster response to the operator's hydraulic commands



Up to 30% less fuel consumption for the same amount of work when compared to monograde hydraulic fluids

Source: Evonik.

Wiring the world

Cables are the lifelines of the working world. In offices, computer centers, and beneath the hood, cables transmit the raw materials of our age: electricity and data. Modern cable coatings protect wires and also meet the requirements of occupational safety.



DYNAVIS® has potential

More than half of the hydraulic fluids worldwide are formulated without modern viscosity modifier additive technology.

Dynasylan® from Evonik turns cable insulation into reliable casings. Dynasylan® releases few volatile organic compounds during processing and serves as an adhesive in the production of highly filled compounds for flame-retardant cables. Dynasylan® is also used as a cross-linking agent in flexible plastic pipes for underfloor heating systems. With the newly developed generation of Dynasylan® SILFIN, Evonik can now produce mixtures that do not need heavy metal catalysts for the cross-linkage of polyethylene.

Evonik makes sure that cables are safely insulated.



Evonik protects cables against moisture.



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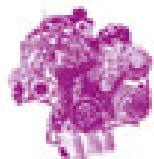
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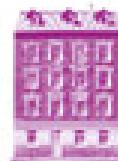
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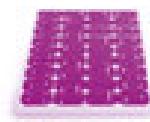
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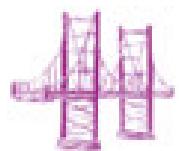
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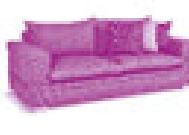
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1 ACEMATT® gives **surfaces** a silky feel.

2 TEGOSOFT® XC is especially suited for **sun care** applications.

3 ULTRASIL® reduces the rolling resistance of **car tires** and helps save fuel.

4 The emulsifier **ABIL® EM 120** effectively stabilizes **foundations, creams, and lotions**.

5 CreAMINO® optimizes the energy metabolism of **poultry** and cuts feed costs.

6 Light guides made of **PLEXIGLAS®** reduce the power consumption of **LED TVs**.

7 AEROPERL® ensures that active ingredients are evenly distributed in **tablets**.

8 MTBE makes **SI engines** run more quietly.

9 TEGODEO® CW 90 combats embarrassing **body odor**.

10 Computer keyboards made from **VESTODUR®** withstand millions of keystrokes without fading.

11 TEGOSTAB® helps steer the **car** comfortably through traffic.

12 CYANURCHLORID optically brightens **washing**.

13 Thanks to **DEGAROUTE®**, road markings such as **pedestrian crossings** last longer.

14 REWOCID® WK 30 keeps **environments** germ-free.

15 Biodegradable, implantable RESOMER® microparticles maintain constant **active ingredient levels** over months.

16 DRIVOSOL® enables the fine distribution of **aerosol contents**.

17 TROGAMID® protects **controls** in car cockpits against wear.

18 GETREN® P helps **windows** slide into place during fitting.

19 VESTAMIN® increases the stability of **wind turbine** rotor blades.

20 TEGOSTAB® makes **mattresses** elastic.

21 VESTAMID® prevents corrosion of **pipelines**.

22 Babies' bottoms stay dry with **FAVOR®** superabsorbers.

23 Thanks to **DEGALAN®**, **yogurt cups** are easier to open.

24 AEROXIDE® ensures that **silicone rubber** stays in shape, even at extremely high temperatures.

25 CALOSTAT® is used to sustainably insulate **buildings**.

26 Headlights get trendy designs with **PLEXIMID®**.

27 Stokolan® has been regenerating **skin** for over fifty years.

28 VP ITO® moderates the heat in **cars** by forming an invisible protective coating.

29 DEGADUR® makes **floors** robust and resistant.

30 AEROSIL® gives **paints and coatings** the right consistency.

31 GORAPUR® gets **running shoes** into shape.

32 Thanks to **EUDRAGIT®, tablets and capsules** release their active ingredients at the right place in the body and at the right time.

33 Additives for polyurethane foams reduce the energy consumption of **refrigerators**.

34 ROHACELL® makes **air-craft** lighter.

35 LOLA® helps treat **liver disease**.

36 AEROSIL® helps to prevent leaks in **gel batteries**.

37 Mepron® lowers the feed costs for **dairy cows**.

38 PERACLEAN® is used to disinfect **PET bottles**.

39 FAVOR® PAC keeps **food** fresh longer.

40 TEGO® Cosmo C 100 improves the **skin**.

41 CABLOC® prevents **damage to cables**.

42 Chlorhexidine has an antiseptic effect and is used in **mouthwashes**, for example.

43 REWOCARE® BDS 15 prevents streaks when **cleaning**.

44 TEGO® Stemlastin makes **skin** look younger.

45 TEGO® Betain F50 in **shower gels** supports the creamy foam.

46 SOLIMIDE® is used for thermal and acoustic insulation in **helicopters**.

47 ROHACELL® reduces **skis' weight**.

48 Rexim® high-purity pharmaceutical amino acids are building blocks of **infusions** for parenteral nutrition.

49 HYPROX® makes **paper** white.

50 DL-Methionine for **Aquaculture™** optimizes the growth of **fish**.

51 SIDENT® improves the flow characteristics of **toothpaste**.

52 TEGOCOLOR® gives **sponges** their color.

53 TEGOMER® Antiscratch protects **surfaces** against scratches and material aging.

54 AROSURF® makes **handkerchiefs** soft.

55 Spinal implants of **VESTAKEEP® PEEK** are transparent to X-rays.

56 ACRIFIX® bonds **PLEXIGLAS®** and other **acrylic glasses** with the same or other materials.

57 Powder-coated bicycle frames withstand all types of weather conditions thanks to **VESTAGON®**.

58 TEGO® Betain C 60 helps **wash the dishes**.

59 Biolys® promotes the healthy growth of **pigs** and poultry.

60 TEGO® Phobe in façade coatings protects buildings against dirt and decay.

61 ABIL® UV Quat 50 helps **hair** retain its color.

62 Protectosil® protects **building walls** against graffiti.

63 Thanks to **OXTERIL®, beverage packaging** remains germ-free during production.

64 ACEMATT® gives **coatings** a silk matte surface.

65 REWOQUAT® WE 18 makes **washing** soft.

66 VESTOSINT® prevents signs of wear on **shopping carts**.

67 COUPSL® extends the lifetime of light-colored **shoe soles**.

68 SIPERNAT® keeps **fire extinguishers** ready for action.

69 VISIONER® MEEU improves the wet adhesion of water-based **coatings** on weathered surfaces.

70 STOCKOSORB® makes it unnecessary to **water the flowers** regularly.

71 Thanks to **RESOMER®, screws and plates** in treated bones dissolve of their own accord—without a second operation.

72 Facades get a colorful cladding with **EUROPLEX® HC**.

73 Dynasylan® improves the adhesion of **adhesives and sealants**.

74 VISIONER® THFMA helps to formulate low-odor **reactive adhesives**.

75 REWOQUAT® CQ AL 100 keeps the **Shanghai Metro** clean.

76 VESTASOL® ensures brilliant colors in **coatings**.

77 Natriummethylat® is essential as a catalyst for **biodiesel** production.

78 P84® fibers are not flammable.

79 DYNAVIS® technology reduces the fuel consumption of **excavators** for the same performance.

80 Glass fibers made from **Siridion®** speed up the **Internet**.

81 Pigs and poultry are fed in an environmentally friendly way with **TrypAMINO®**.

82 Siridion® helps to make **memory chips** ever smaller and more powerful.

83 TAICROS® protects **solar modules** against weathering.

84 TEGO® Foamex prevents foam formation during **coating** production.

85 PARAPAN® brings a high gloss to **furniture fronts**.

86 AMINOChick® supplies the amino acid recommended for optimal **poultry** feed formulation.

87 Automobile windscreens made of **PLEXIGLAS®** ensure substantial weight savings.

88 CO₂ extraction decaffeinates **tea**.

89 VESTANAT® prevents scratches on the high-gloss surfaces of **tablet PCs**.

90 Aesthetic dental prostheses are made with **DEGACRYL®**.

91 DYNACOLL® helps keep **glued wooden edges** together, even at extreme temperatures.

92 TEGOSIVIN® protects **bridges** against moisture.

93 PLEXIGLAS® Heatstop helps rooms **remain cool**.

94 VESTANAT® T 1890 makes **kitchen fronts** shine.

95 VESTAMID® HTplus enables LEDs, e.g. in **bicycle lamps**, to stay bright for a long time.

96 Intelligent polymers create optimal viscosity in **engine oils**.

97 FIRESORB® lends water extra **extinguishing power**.

98 SIPERNAT® makes agricultural **plant protection products** more efficient.

99 TAICROS® increases the resistance of **clear coats**.

100 TEGOPAC® ensures tight **joins** in construction and transport.

101 PROPULSE™ gives **rockets** the essential thrust.

102 VESTAMIN® protects industrial **floors**, car parks, and hospitals against chemical and physical stresses.

103 TEGO® Sorb keeps the air in **refrigerators** clean.

104 Dynasylan® inhibits the flammability of **cable insulation**.

105 TEGO® Polish Additiv E 3982 ensures long-lasting care and gloss for **plastic surfaces** in cars.

106 BTDA® is used as insulation in **aerospace applications**.

107 BREAK-THRU® reduces the use of **pesticides**.

108 SILIKOFTAL® makes decorative coatings on **pans** heat-resistant.

109 TEGO® Polish Additiv C 3191 protects the **coating** and ensures a long-lasting gloss.

110 VISCOBASE® synthetic base fluids protect **transmissions** in automotive and industrial applications.

111 Alkoxides are used in the production of **omega-3 fish oil concentrate**.

112 EDC is an important building block in **PVC** applications.

113 Protectosil® protects **bridges** against water and prevents corrosion of the reinforcing steel.

114 AEROSIL® enables **laser printers** to produce brilliant printouts.

115 VARISOFT® BT 85 in **shampoo** prevents static electricity from making hair stand on end.

116 TEGO® Glide ensures that **leather coatings** have the right feel.

117 VESTANAT® B 1358 A makes **container coatings** look good.

118 Thanks to our HPPO® technology, production of foam precursors for **upholstered products** is environmentally friendly.

119 DYNAPOL® ensures resistance and flexibility in **cans**.

120 AEROSIL® makes **pacifiers** transparent and tear-proof.

121 TEGO® VariPlus makes a high gloss possible in **printing ink applications**.

122 Generic Lorazepam is used as an anxiolytic and for **treating** epileptic episodes.

123 PERTRONIC® is used in the production of high-performance **circuit boards**.

124 FAVOR® superabsorber absorb fluids in **incontinence pads**.

125 DEGALAN® makes **tickets** more secure.

126 Sodium percarbonate ensures clean **washing**.

127 1-butene makes **shopping bags** tear-resistant.

128 VESTAMID® D Polyamide 612 optimizes the elasticity of **toothbrush bristles**.

129 TEGO® Dispers makes powerful colors possible in **printing ink applications**.

130 TAA derivatives stop **plastics** from fading in the sun.

131 VISIONER® UHP HEMA ensures that soft **contact lenses** are comfortable to wear.

132 VESTANAT® gives **artificial leather** its leather-like surface and long lifetime.

133 MetAMINO® promotes the healthy growth of **poultry** and pigs as well as lowering feed costs.

134 ASPERIX® makes **hospital laundry** germ-free.

135 POLYVEST® is used as an **adhesive and sealant** to reduce weight.

136 Dynasylan® SILFIN 201 is used for tin-free crosslinking of polyethylene for heat-resistant **underfloor heating pipes**.

137 Caustic potash is used at airports to de-ice **runways**.

138 TEGO® Airex deaerators prevent the formation of air bubbles in **wood coatings**.

139 Thanks to VESTOWAX®, melt adhesives for **food packaging** let less moisture through.

140 SILIKOPON® EF protects **metal bridges** against corrosion.

141 FAVOR® superabsorbers absorb liquids in **feminine hygiene products**.

142 TEGO® Pep 4-Even delivers an even **skin tone**.

143 TMT 15® binds heavy metals dissolved in **waste water**.

144 AEROSIL® makes **automotive coatings** scratch-proof.

145 SILIKOPHEN® makes **stove** coatings stable at extremely high temperatures.

146 ISOBUTEN® is used in the production of perfumes for **bath products**.

147 CALIDUR® makes better **composites**.

148 SIPERNAT® protects **cappuccino powder** against clumping.

149 TEGO® Addbit extends the lifetime of **roads**.

150 REWOPON® IM AN protects against **rust** and repels water.

151 Butadiene increases the resistance of **gloves**.

152 Thanks to VESTINOL®, **water wings** are soft and flexible.

153 Truck **tarpaulins** fit the vehicle better thanks to ELATUR®.

154 REWOCARE® OT makes the **car** shine.

155 VESTOPLAST® holds the fleece in **babies' diapers** together.

156 NANOCRYL® makes the coatings on **stainless-steel fridges** scratchproof and easy-to-clean.

157 CO₂ extraction is used to put natural flavors into **candy**.

158 VESTAMELT® reduces the weight of **cars**.

159 SEPURAN® upgrades **biogas** into biomethane in an environmentally friendly and energy-saving way.

160 PERSYNT® makes **hair** blond.

161 VESTAGON® EP-HA 368 makes **building façades** resistant and silk-matte.

162 SILIKOPON® EC protects **motorcycle mufflers** against corrosion.

163 **Advertising displays** retain color fidelity and high quality for years with PLEXIGLAS® LED.

164 Mineral-based **sun-creams** reflect damaging radiation with AEROXIDE®.

165 TEGO® AddBond ensures that the **coating layers** adhere to one another and to the car.

166 1,7-octadiene simplifies the process of manufacturing plastics for **high-voltage cables**.

167 VISIONER® MMA enables the production of robust **sinks** in appealing designs.

168 AMINONIR® provides a reliable amino acid profile of **raw materials for feed** to ensure optimal feed composition.

Credits

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HERE WE ARE! ●
EVONIK FOCUSES ON GROWTH
THROUGH INNOVATIVE SPECIALTY
CHEMICALS. FIND OUT MORE
ABOUT OUR PERFORMANCE AND
ACHIEVEMENTS.

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OUR STRATEGY IS BASED ON PROFITABLE GROWTH, EFFICIENCY AND VALUES. WE ARE STRENGTHENING OUR LEADING MARKET POSITIONS AND CONCENTRATING ON ATTRACTIVE GROWTH BUSINESSES AND EMERGING MARKETS. INNOVATIONS AND EXTERNAL GROWTH GIVE US ACCESS TO NEW GROWTH AREAS. WE ARE ALSO CONTINUOUSLY IMPROVING OUR COST BASE AND TECHNOLOGICAL POSITION. THAT CREATES SUSTAINED VALUE FOR EVONIK.

Letter from the Chairman of the Executive Board



Klaus Engel, Chairman of the Executive Board

“2013 was not only the year when we came to the stock market and positioned ourselves as a specialty chemicals company. It was also a year of renewal, a year in which we pledged to raise the worldwide presence of our products, solutions and technologies.”

Ladies and gentlemen,

2013 was a year of achievement for Evonik. We achieved our stock exchange listing and completed our repositioning as a specialty chemicals company. Neither of these undertakings was easy: They both cost us a good deal of energy and persistence. But now we can say: "Here we are!" What's more, both of these successes were achieved in economic conditions that did not make life easy for us as a chemical company.

Operationally, the overall economic situation in 2013 was more difficult than we had anticipated. That led to perceptible pressure on selling prices. Very pleasing, by contrast, was the continued high demand for our products around the world, driven by the health, nutrition, resource efficiency and globalization megatrends.

On balance, we made good headway with the development of our business in 2013 and completed the repositioning of Evonik as a pure specialty chemicals company.

Our successful debut on the stock market in April was an important milestone that has opened up considerable new scope for growth and financing. Together with our shareholders, we want to benefit from these opportunities. Our inclusion in the MDAX index only a few months later, in September 2013, is evidence of investors' tremendous interest and has increased Evonik's visibility on the international financial markets.

Despite the downward operating trend, our profitability remains good. With Group sales of €12.9 billion and adjusted EBITDA of €2.0 billion, our adjusted EBITDA margin came to 15.6 percent. The return on capital employed was an attractive 14.5 percent, well above the pre-tax cost of capital. Net income increased substantially to €2.1 billion thanks to the gain from the sale of the majority of the shares in the real estate activities. To drive forward our ambitious growth strategy, we increased capital expenditures by 18 percent to €1.1 billion.

In keeping with our concentration on specialty chemicals, we have systematically divested non-core activities. Following the disposal of the colorants and carbon black activities in 2012, in 2013 we sold the majority of the shares in the real estate activities bundled at Vivawest GmbH and deconsolidated this business. We plan to divest the remaining 10.9 percent stake in Vivawest to long-term investors. The divestment gain and the deconsolidation of the real estate activities contributed to the significant improvement in our financial profile. As of December 31, 2013, Evonik had net financial assets of €552 million, compared with net financial debt of €1,163 million at year-end 2012.

As a leading specialty chemicals company, high innovative capability is crucial for Evonik. In line with our slogan "Power to create," our goal is to be one of the most innovative companies. We have therefore raised spending on research and development by an average of 9 percent a year since 2009. In 2013 our R&D expenses amounted to €394 million and the R&D ratio was 3.1 percent. Our R&D pipeline is well stocked with around 500 projects, and should continue to provide attractive innovations to support Evonik's future growth.

To strengthen our competitiveness still further, we are systematically enhancing the efficiency of our operational and administrative units. Good progress has been made with the On Track 2.0 efficiency enhancement program introduced in 2012 to further improve process efficiency in production. 24 months into this program, we are currently implementing measures with the potential to make annual savings of over €280 million. Our objective is to achieve sustained savings of €500 million a year by the end of 2016.

Excellence in administration is essential for a top-class operating performance. Following the repositioning of Evonik from a conglomerate to a specialty chemicals company, this is an area that needs to be addressed. In September 2013, we therefore embarked on a program to streamline our administrative structures. The Administration Excellence program aims to create a uniform global administrative organization—without duplication of responsibilities or cost-intensive interfaces. The goal is to make Evonik faster and more flexible in the market.

By the end of 2016, Administration Excellence should leverage savings of up to €250 million a year in personnel and administrative expenses. The reorganization of our administration started at the top: In September 2013 the Supervisory Board took a decision to reduce the size of the Executive Board. Dr. Dahai Yu (52) and Dr. Thomas Haeberle (57) left the company by amicable mutual agreement on December 31, 2013. Effective January 1, 2014, responsibility for the specialty chemicals business was transferred to Patrik Wohlhauser. In June 2013, the Supervisory Board appointed Ute Wolf to succeed Dr. Wolfgang Colberg as Chief Financial Officer with effect from October 1, 2013.

In line with our growth strategy, we set ambitious financial targets in 2013: We aim to report sales of around €18 billion and adjusted EBITDA of over €3 billion by 2018. The growth drivers for our business are the global megatrends health, nutrition, resource efficiency and globalization, and above all, the dynamic development of the emerging markets. That is reflected in our investment program: Between 2012 and 2016 we will be spending more than €6 billion to strengthen our leading market positions. €2.1 billion of this was invested in 2012 and 2013, and up to €1.4 billion has been budgeted for capital expenditures on property, plant and equipment in 2014.

A number of important investment projects were commenced or completed last year. Our new production plant for ingredients for cosmetic and household consumer products came on stream in Shanghai (China). In Singapore, construction of our methionine complex is proceeding on schedule. Costing over €500 million, this is the biggest single investment in Evonik's history. Operation is scheduled to start in the second half of this year.

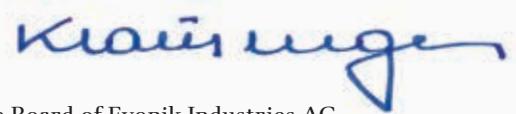
In Saudi Arabia, our first production facility for superabsorbents in the Middle East—a joint venture with Saudi Acrylic Acid Company—came into service in 2013. In Latin America, we are targeting sales of over €1 billion by 2016. One step towards this is the production plant for catalysts for the production of biodiesel that came on stream in Argentina in 2013. In the United States, the 20,000 metric ton expansion of silica capacity will be completed in 2014. And in the Rostov region of Russia, Evonik has embarked on construction of a production plant for amino acids through a joint venture.

Our global activities have not reduced the significance of Germany as our home market. In 2013, work started on a 75,000 metric ton capacity expansion at the butene-1 facility in Marl, and a new production plant for functionalized polybutadiene is due to come on stream in spring 2014. In addition, a production facility for phthalate-free PVC plasticizers was taken into service in Marl in 2013. In Essen, we have opened a new innovation center for our Consumer Specialties Business Unit, which is involved in the development of cosmetic active ingredients and oils.

Evonik has around 33,000 employees worldwide, including more than 21,000 in Germany. Their commitment and hard work drive forward our company every day. Their ideas and improvements are Evonik's creative heart. We therefore foster dialogue with our employees and their representatives. Intensive interaction with our shareholders and analysts is equally important. We need both in order to pursue our ambitious growth targets.

2013 was not only the year when we came to the stock market and positioned ourselves as a specialty chemicals company. It was also a year of renewal, a year in which we pledged to raise the worldwide presence of our products, solutions and technologies. Our achievements in 2013 are a sound basis for the continued success of Evonik.

Best regards,



Klaus Engel

Chairman of the Executive Board of Evonik Industries AG

The Executive Board



Patrik Wohlhauser
Chief Operating Officer

Ute Wolf
Chief Financial Officer

Klaus Engel
Chairman of the Executive Board

Thomas Wessel
Chief Human Resources Officer

Report of the Supervisory Board



Dr. Werner Müller, Chairman of the Supervisory Board

Hadis and Jostkamm,

During the past fiscal year, the Supervisory Board of Evonik Industries AG (Evonik) conscientiously performed the obligations required of it by law and the Articles of Incorporation. We supervised the work of the Executive Board regularly and attentively, and advised it on the management and strategic development of the company.

Collaboration between the Executive Board and Supervisory Board

The Executive Board always gave us full and timely information on all important issues affecting the Group. Key areas were business performance and the situation of the company, along with aspects of business policy, corporate planning and Evonik's ongoing strategic development.

In addition to reporting at meetings of the Supervisory Board, between meetings the Executive Board kept us informed orally and in writing of current business developments and activities of particular significance for Evonik. The Chairman of the Supervisory Board was kept constantly informed of all major business developments.

The Supervisory Board was always consulted at an early stage in decisions of any significance. The Supervisory Board's oversight of the Executive Board centered in particular on ensuring the correct, orderly, expedient and cost-effective management of Group-wide business activities. The content and scope of reporting by the Executive Board complied with the law, the principles of good corporate governance and the requirements set by the Supervisory Board.

Section 16 of the Articles of Incorporation of Evonik Industries AG and the Rules of Procedure of the Supervisory Board set out the business activities and measures of fundamental importance on which the Executive Board is required to seek the approval of the Supervisory Board or, in some cases, individual committees. In the fiscal year, decisions were taken on business activities and measures submitted by the Executive Board after examining them and discussing them with the Executive Board.

Meetings and work of the Supervisory Board

We examined all important issues of relevance for the company at five meetings on March 11 (in addition to the regular meeting of the old Supervisory Board, the constituent meeting of the new Supervisory Board was held on this date), June 21, September 23 and December 19, 2013, and in one written circulation procedure on September 27, 2013. All members of the Supervisory Board attended more than half of the meetings.

The work of the Supervisory Board was prepared and supported by its committees. In 2013 there were the following committees:

- Executive Committee: Dr. Werner Müller (Chairman), Michael Vassiliadis (Deputy Chairman), Günter Adam, Ralf Hermann, Steven Koltes and Dr. Volker Trautz.
- Audit Committee: Dr. Siegfried Luther (Chairman and independent financial expert within the meaning of Section 100 Paragraph 5 German Stock Corporation Act/AktG), Ralf Giesen (Deputy Chairman), Prof. Barbara Grunewald (from March 11, 2013), Jürgen Nöding, Dr. Wilfried Robers, Christian Strenger (until March 11, 2013) and Dr. Christian Wildmoser.
- Finance and Investment Committee: Michael Rüdiger (from March 11, 2013, Chairman), Dr. Hans Michael Gaul (until March 11, 2013, Chairman), Michael Vassiliadis (Deputy Chairman), Günter Adam, Stephan Gemkow, Ralf Giesen (from March 11, 2013), Ralf Hermann, Dr. Werner Müller (from March 11, 2013) and Dr. Christian Wildmoser.
- Nomination Committee: Dr. Werner Müller (Chairman), Steven Koltes and Dr. Volker Trautz.
- Mediation Committee: Dr. Werner Müller (Chairman), Michael Vassiliadis (Deputy Chairman), Ralf Hermann and Dr. Volker Trautz.

The tasks allocated to these committees are described in the Corporate Governance Report on pages 18 to 29.

The Executive Committee held six meetings in 2013 and the Audit Committee met four times. The Nomination Committee met once for its constituent meeting. As well as holding four meetings, the Finance and Investment Committee adopted one resolution via a written circulation procedure. The Mediation Committee was not required to meet in 2013. The chairman or deputy chairman of each committee reported regularly to the Supervisory Board on the issues discussed and decisions taken at committee meetings. The Supervisory Board therefore always had extensive and well-founded information on all matters of significance in the Evonik Group.

In addition to the reports required by law, the Supervisory Board and its committees examined and discussed the following issues in detail:

Performance and situation of the Evonik Group

Operationally, the overall economic environment in 2013 was tougher than had been anticipated. This resulted in perceptible pressure on selling prices and the company suffered considerable price erosion for some important products. Very pleasing, by contrast, was the continued high global demand for Evonik's products around the world, which was driven partly by global megatrends.

In response to the more challenging conditions, the company stepped up its efforts to optimize its cost position. A key element is the On Track 2.0 efficiency enhancement program introduced in 2012. This is expected to make a significant contribution, for example through further optimization of global procurement, production and related workflows. The aim of On Track 2.0 is to cut costs by €500 million a year by the end of 2016. In addition, Evonik is currently reviewing its administrative processes.

The aim of the Administration Excellence program, introduced in fall 2013, is to create uniform global administration structures spanning the organization. This should avoid duplication of responsibilities and unacceptable additional workloads. Any headcount reductions required in this connection will be undertaken without undue social hardship, in close consultation with representatives of the workforce and the German Mining, Chemical and Energy Industrial Union (IG BCE).

Stock exchange listing of Evonik Industries AG

Preparations for the successful stock exchange listing on April 25, 2013 were a focal area of attention for the Supervisory Board, especially in the first quarter of the year. Since the company's owners had canceled an initial public offering (IPO) in June 2012 due to unfavorable stock market conditions, the route chosen in 2013 was a listing preceded by private placements. As a result of the private placements, Evonik was able to obtain a far better stock exchange valuation.

In September 2013, the share was included in the MDAX index. Criteria for the weighting of the shares in this index are market capitalization and trading volume, based on the free float. At the same time, the shares were also listed on the STOXX Europe 600 index and the corresponding sub-indices, including the DJ STOXX 600 ChemicalsSM.

The Supervisory Board explicitly welcomes this as a clear sign that the decision to seek a stock exchange listing was correct.

As of December 31, 2013, the shareholder structure was as follows: RAG-Stiftung held around 68 percent of the shares, and Gabriel Acquisitions GmbH, an indirect subsidiary of funds advised by CVC Capital Partners, held around 18 percent. The free float was therefore around 14 percent.

Remuneration of the Executive Board

The Supervisory Board and its Executive Committee reviewed the remuneration of the Executive Board in 2013. As outlined in the remuneration report, at its meeting on June 21, 2013, the Supervisory Board adopted a resolution—prepared by the Executive Committee—to adjust the remuneration of the Executive Board. The targets for long-term remuneration were adjusted retroactively as of January 1, 2013 to ensure that the majority of the remuneration is long-term. Moreover, it was decided to modify further remuneration components (fixed annual base salary and annual bonus) from January 1, 2014 so that all members of the Executive Board apart from the Chairman are remunerated on the same basis. Alteration of the basic remuneration system was not necessary. The overall remuneration paid to members of the Executive Board comprises a fixed base salary payable in monthly installments, a short-term variable component comprising an annual bonus, long-term variable remuneration, and the customary fringe benefits. The Supervisory Board also discussed the termination benefits for members of the Executive Board who stepped down in 2013.

Investments and divestments

Alongside this, the Supervisory Board kept a close eye on Evonik's growth course. At our meetings we discussed the development of Evonik's sales, earnings and capacity utilization, the financial and earnings position and the main investment and divestment projects, including:

- the establishment of two oleochemical plants (China, Brazil)
- the erection of a hydrogen peroxide plant (China)
- the construction of a new production facility for isophorone and isophorone diamine (China)
- the construction of a backwardly integrated methionine facility (Singapore)
- extension of the production lines for C₄ products (Germany and Belgium)
- construction of a new large-scale facility for functionalized polybutadiene (Germany)
- joint venture for the construction of a production plant for superabsorbents (Saudi Arabia)
- expansion of lysine capacity (Brazil, Russia)
- expansion of capacity for silicone specialties (Germany)
- joint venture to produce sodium cyanide (Mexico)
- erection of a gas and steam power plant at the site in Marl (Germany) under a leasing model with E.ON.

The Supervisory Board also discussed planned transactions in the Health & Nutrition and Consumer Specialties Business Units.

Other issues addressed by the Supervisory Board and its committees

In addition to the aspects outlined in the previous and subsequent sections, the main topics addressed by the Supervisory Board and its committees in 2013 were:

- the final steps in the withdrawal from the photovoltaic business
- the planned withdrawal from business activities with lithium-ion technology
- preparation of the proposals for the Annual Shareholders' Meeting in March 2013, especially the Supervisory Board's proposals to the Shareholders' Meeting on the appointment of the auditor and the elections of shareholder representatives on the Supervisory Board
- the granting of power of attorney to Christian Kullmann effective April 1, 2013
- the new "Safety at Evonik" initiative, which focuses on traffic safety, plant safety and transportation safety as well as on conventional aspects of occupational safety in production plants.

Corporate governance

The Supervisory Board is committed to the principles of good corporate governance. This is based principally on recognition of the provisions of the German Corporate Governance Code, both in the version dated May 15, 2012 and in the revised version of May 13, 2013. This does not exclude the possibility of deviation from its recommendations and suggestions in legitimate cases.

Since it is now listed on the stock exchange, Evonik is subject to the obligation contained in Section 161 the German Stock Corporation Act (AktG) to submit a declaration of the extent to which it has complied or will comply with the German Corporate Governance Code and which recommendations have not been and will not be met, together with the reasons for this (declaration of conformity). In March 2013, ahead of the stock exchange listing, the Executive Board and Supervisory Board issued a declaration of conformity, which is available on the company's website. The Supervisory Board passed a resolution on the subsequent version of this declaration at its meeting on March 6, 2014, following on from the decision taken by the Executive Board. This declaration is available on the company's website and is also contained in this publication after the Supervisory Board's report.

Evonik's Supervisory Board has adopted targets for its structure. These conform with the recommendations of the German Corporate Governance Code and formed the basis for the proposals made by the Supervisory Board with regard to the elections to the Supervisory Board in 2013.

Since 2013 the members of the Supervisory Board have received only fixed remuneration, in conformance with the current version of the German Corporate Governance Code of May 13, 2013.

Members of the Supervisory Board of Evonik Industries AG had no lasting material conflicts of interest in 2013. The Chairman and Deputy Chairman of the Supervisory Board hold offices in organizations that were involved in the transaction to divest Evonik's interest in the real estate company Vivawest. In view of this, they abstained from voting on the resolution on this transaction.

Moreover, there were no consultancy, service or similar contracts with any members of the company's Supervisory Board in 2013. Furthermore, there were no transactions between the company or a company in the Evonik Group on the one hand and Supervisory Board members and related parties on the other.

Audit of the annual financial statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf (Germany), has audited the financial statements of Evonik Industries AG as of December 31, 2013 which were prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements for the Evonik Group prepared using the International Financial Reporting Standards (IFRS), as permitted by Section 315a Paragraph 1 of the German Commercial Code (HGB); and the combined management report for Evonik Industries AG and the Evonik Group, and has endorsed them with an unqualified opinion pursuant to Section 322 of the German Commercial Code (HGB). The Supervisory Board awarded the contract for the audit of the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group in line with the resolution taken by the Shareholders' Meeting on March 11, 2013. In accordance with Section 317 Paragraph 4 of the German Commercial Code (HGB), the annual audit includes an audit of the risk identification system. The audit established that the Executive Board has taken the steps required in compliance with Section 91 Paragraph 2 of the German Stock Corporation Act (AktG) to establish an appropriate risk identification system and that this system is suitable for timely identification of developments that could represent a threat to the continued existence of the company.

The financial statements, management report, auditor's report and the Executive Board's proposal for the distribution of the profit were submitted to all members of the Supervisory Board to prepare for the meeting of the Supervisory Board on March 6, 2014. At its meetings on February 21, 2014 and March 4, 2014 the Audit Committee discussed the annual financial statements, management report and proposal for the distribution of the profit with the auditor to prepare for the subsequent examination and discussion of these documents by the full meeting of the Supervisory Board. Further, the Audit Committee requested that the auditor report on its collaboration with Internal Audit and other units involved in risk management, and on the effectiveness of the risk identification system with respect to accounting. The auditor reported that the Executive Board had taken the steps required in compliance with Section 91 Paragraph 2 of the German Stock Corporation Act (AktG) to establish an appropriate risk identification system and that this system is suitable to ensure timely identification of developments that could represent a threat to the continued existence of the company.

The Supervisory Board conducted a thorough examination of the annual financial statements of Evonik Industries AG, the consolidated financial statements for the Evonik Group, the combined management report for fiscal 2013 and the Executive Board's proposal for the distribution of the profit and—on the basis of explanations of these documents by the Executive Board—discussed them at its meeting on March 6, 2014. The auditor was also present at this meeting and reported

on the main findings of the audit. He also answered questions from the Supervisory Board about the type and extent of the audit and the audit findings. The discussion included the audit of the risk identification system. The Supervisory Board shares the Audit Committee's assessment of the effectiveness of this system. In this way, the Supervisory Board convinced itself that the audit had been conducted properly by the auditor and that both the audit and the audit reports comply with the statutory requirements. Following its thorough examination of the annual financial statements of Evonik Industries AG, the consolidated annual financial statements and the combined management report (including the declaration on corporate governance), the Supervisory Board has no objections to raise against the annual financial statements of Evonik Industries AG, the consolidated annual financial statements or the combined management report. In line with the recommendation made by the Audit Committee, the Supervisory Board has therefore accepted the audit findings. At its meeting on March 6, 2014, the Supervisory Board thus endorsed the annual financial statements of Evonik Industries AG and the consolidated annual financial statements. The annual financial statements for 2013 are thus ratified. The Supervisory Board concurs with the Executive Board's assessment of the situation of the company and the Group as expressed in the combined management report. The Supervisory Board considered the Executive Board's proposal on the distribution of the profit, in particular with a view to the dividend policy, the impact on liquidity and its regard for shareholders' interests. This also included an explanation by the Executive Board and a discussion with the auditor. The Supervisory Board then voted in favor of the proposal put forward by the Executive Board for the distribution of the profit.

Examination of the report by the Executive Board on relations with affiliated companies

The Executive Board prepared a report on relations with affiliated companies in 2013. This was examined by the auditor, who issued the following unqualified opinion in accordance with Section 313 of the German Stock Corporation Act (AktG):

"In accordance with our professional audit and judgment we confirm that
1. the factual disclosures made in this report are correct
2. the company's expenditures in connection with the legal transactions contained in the report
were not unreasonably high and compensation was received for any disadvantages."

The report on relations with affiliated companies and the associated auditor's report were submitted to all members of the Supervisory Board to enable them to prepare for the Supervisory Board meeting on March 6, 2004.

The Audit Committee conducted a thorough examination of these documents at its meetings on February 21, 2014 and March 4, 2014 to prepare for the examination and resolution by the full Supervisory Board. The members of the Executive Board provided detailed explanations of the report on relations to affiliated companies and answered questions on it. The auditor, who was present at these meetings, reported on the main findings of the audit of the report on relations with affiliated companies and answered questions raised by members of the Audit Committee.

The members of the Audit Committee acknowledged the audit report and the audit opinion. The Audit Committee was able to convince itself of the orderly nature of the audit and audit report and, in particular, came to the conclusion that both the audit report and the audit conducted by the auditor comply with the statutory requirements. The Audit Committee recommended that the Supervisory Board should approve the results of the audit and, since it was of the opinion that there were no objections to the Executive Board's declaration on the report on relations with affiliated companies, should adopt a corresponding resolution.

The Supervisory Board discussed the report on relations with affiliated companies at its meeting on March 6, 2014. At this meeting too, the members of the Executive Board provided detailed explanations of the report on relations with affiliated companies and answered questions on it. Moreover, the auditor was present at this meeting of the Supervisory Board and reported on the main findings of the audit of the report on relations with affiliated companies and answered questions from members of the Supervisory Board. On this basis, the Supervisory Board ascertained that under the circumstances known at the time they were undertaken, the company's expenditures in connection with the transactions outlined in the report on relations with affiliated companies were not unreasonably high and compensation had been received for any disadvantages. In particular, it obtained an explanation of the principles used to determine the relevant activities and the remuneration therefore, especially in the case of transactions of material significance. The Audit Committee had discussed the report on relations with affiliated companies and gave the Supervisory Board a detailed overview of the outcome of its deliberations. The Supervisory Board was able to convince itself of the orderly nature of the audit and audit report and came to the conclusion, in particular, that both the audit report and the audit itself meet the statutory requirements. In particular, it examined the completeness and correctness of the report on relations with affiliated companies. No grounds for objection were identified.

The Supervisory Board thus has no objection to raise to the final declaration made by the Executive Board in its report on relations with affiliated companies and concurs with the auditor's findings.

Personnel issues relating to the Executive Board and Supervisory Board

At its meeting on March 11, 2013, the Supervisory Board extended the appointment of Dr. Klaus Engel as a member of the Board of Management for five years, from January 1, 2014 to December 31, 2018, and confirmed his position as Chairman of the company's Executive Board.

There were changes in the composition of the Executive Board in 2013: Ute Wolf was appointed Chief Financial Officer of Evonik Industries AG effective October 1, 2013, as successor to Dr. Wolfgang Colberg, who left the Executive Board on September 30, 2013.

In connection with the streamlining of management and administration structures, in September 2013 the Supervisory Board decided to reduce the size of the Executive Board. Dr. Dahai Yu and Dr. Thomas Haeberle left the company by amicable mutual agreement on December 31, 2013. Effective January 1, 2014, responsibility for the specialty chemicals business was transferred to Patrik Wohlhauser as Chief Operating Officer.

New members joined the Supervisory Board as a result of the regular elections held in March 2013. On March 5 the assembly of delegates elected the employee representatives. The following representatives of the workforce (excluding managerial staff) were elected: Günter Adam, Ralf Hermann, Dieter Kleren, Jürgen Nöding, Norbert Pohlmann and Ulrich Terbrack. Dr. Wilfried Robers was elected to represent the company's executives. The following members were elected to represent the industrial union: Karin Erhard, Ralf Giesen and Michael Vassiliadis, whom the Supervisory Board reappointed as Deputy Chairman.

At the Shareholders' Meeting on March 11, 2013, the following members were elected as representatives of the shareholders: Dr. Werner Müller (who was confirmed as Chairman of the Supervisory Board), Dr. Peter Bettermann, Stephan Gemkow, Prof. Barbara Grunewald, Prof. Wolfgang A. Herrmann, Steven Koltes, Dr. Siegfried Luther (confirmed as finance expert in accordance with Section 100 Paragraph 5 of the German Stock Corporation Act/AktG), Michael Rüdiger, Dr. Volker Trautz, Dr. Christian Wildmoser. The term of office of all members of the Supervisory Board commenced at the end of the Annual Shareholders' Meeting on March 11, 2013.

Two shareholder representatives, Dr. Hans Michael Gaul and Christian Strenger, left the Supervisory Board following the elections. The Supervisory Board would like to thank those members who have left for their dedicated commitment to the good of the company and its workforce over the years.

Concluding remark

The Supervisory Board would like to thank the Executive Board, Works Councils and Executive Staff Councils, and all employees of Evonik Industries AG and its affiliated companies, for their performance over the past year.

Adoption of this report

The Supervisory Board adopted this report at its meeting on March 6, 2014, in accordance with Section 171 Paragraph 2 of the German Stock Corporation Act (AktG).

Essen, March 6, 2014



On behalf of the Supervisory Board
Dr. Werner Müller, Chairman

Joint report of the Executive Board and Supervisory Board of Evonik Industries AG on Corporate Governance

(Corporate Governance Report)

1. Principles of corporate governance and corporate structure

Corporate governance comprises all principles for the management and supervision of a company. As an expression of good and responsible corporate management, it is therefore a key element in Evonik's management philosophy. The principles of corporate governance relate mainly to collaboration within the Executive Board and Supervisory Board, and between these two boards and the shareholders, especially at Shareholders' Meetings. They also relate to the company's relationship with other people and organizations with which it has business dealings.

Evonik is committed to the German Corporate Governance Code

Evonik Industries is a stock corporation established under German law. Its shares have been listed on the stock exchange since April 25, 2013.

Alongside compliance with the provisions of the relevant legislation, the basis for ensuring responsible management and supervision of Evonik with a view to a sustained increase in corporate value is our commitment to the German Corporate Governance Code, both in the version dated May 15, 2012, and the revised version of May 13, 2013. This code, which was adopted by the Government Commission on the German Corporate Governance Code, contains key statutory provisions on the management and supervision of publicly listed German companies, and recommendations and suggestions based on nationally and internationally recognized standards of responsible corporate governance.

The Executive Board and Supervisory Board of Evonik Industries AG are explicitly committed to responsible corporate governance and identify with the goals of the German Corporate Governance Code. According to the foreword, in the interest of good and proactive corporate governance, a company may deviate from the recommendations set out in the German Corporate Governance Code if this is necessary to reflect enterprise-specific requirements.

2. Information on corporate management and corporate governance

2.1 Declaration of conformity with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

Under Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of Evonik Industries AG are required to annually submit a declaration that the company has been, and is, in compliance with the recommendations of the "Government Commission of the German Corporate Governance Code" and which recommendations have not been or are not being applied, together with the associated reasons. The declaration shall be made permanently available to the public on the company's website.

The Executive Board and Supervisory Board of Evonik Industries AG hereby submit the following declaration pursuant to Section 161 of the German Stock Corporation Act (AktG):

Since submitting its last declaration of conformity in March 2013, the company has fully complied with all recommendations of the German Corporate Governance Code in the version dated May 15, 2012, as published in the Federal Gazette on June 15, 2012. Further, the company complies with and will continue to comply with all recommendations of the German Corporate Governance Code in the version dated May 13, 2013, as published in the Federal Gazette on June 10, 2013, as of their respective effective dates.

Further, nearly all suggestions contained in the aforementioned two versions of the German Corporate Governance Code were applied, with the following exceptions:

The suggestion set forth in Section 2.3.3 of the German Corporate Governance Code in its version dated May 13, 2013 (previously Section 2.3.4) (the company should make it possible to follow the general meeting using modern communication media) will not be applied. Instead, due to organizational reasons, only the speeches by the Chairman of the Supervisory Board and the Chairman of the Executive Board will be transmitted. Moreover, it cannot be excluded that a more extensive transmission could infringe the personal rights of shareholders, which are to be protected.

Further, Section 2.3.2 Sentence 2, second half-sentence of the German Corporate Governance Code in its version dated May 13, 2013 (previously Section 2.3.3 Sentence 2, second half-sentence) (the representative appointed to exercise shareholders' voting rights in accordance with instructions should also be reachable during the general meeting) will not be applied. Application of this suggestion would only be appropriate in the event of transmission of the general shareholders' meeting in full via modern communication media. Furthermore, the availability of the representatives nominated by the company via electronic media during the meeting as put forward by this suggestion involves technical uncertainties. These and the associated risks for the efficacy of resolutions are to be avoided.

Essen, March 2014

The Executive Board

The Supervisory Board

2.2 Relevant information on corporate management practices

 See p. 19

Corporate governance

The company complies with the recommendations and—with two exceptions (detailed in section 2.1 above)—the suggestions set forth in the German Corporate Governance Code.

Compliance

Evonik understands compliance as all activities to ensure that the conduct of the company, members of its governance bodies and its employees respect all applicable mandatory standards such as legal provisions, statutory provisions and prohibitions, in-house directives and voluntary undertakings. The basis for this understanding and for compliance with these binding standards is set out in Evonik's Code of Conduct.

Code of Conduct

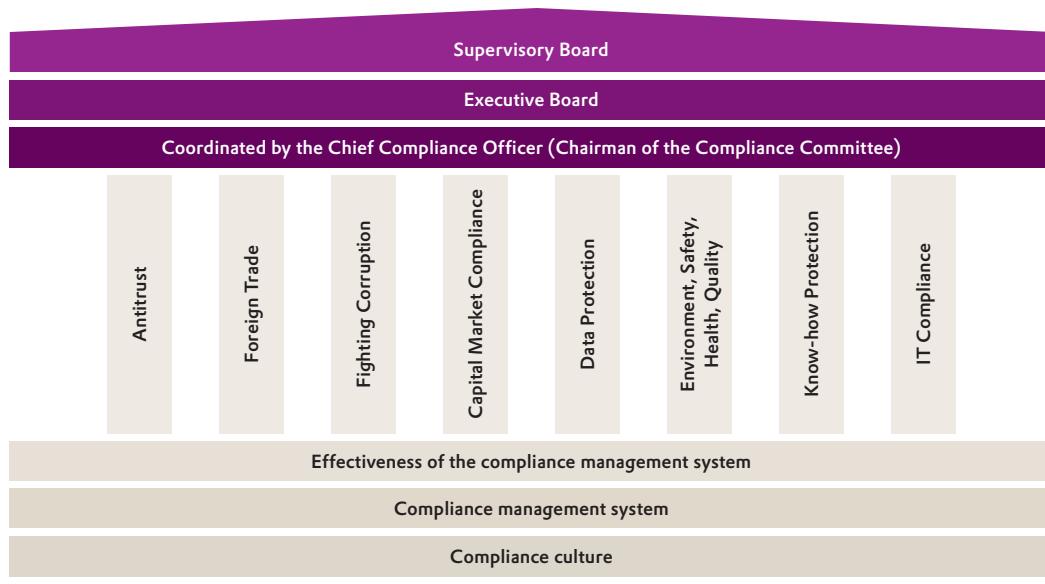
Evonik's binding Group-wide Code of Conduct contains the most important corporate values and principles and governs the conduct of Evonik, its legal representatives and its employees both internally, in the treatment of one another, and externally in the treatment of the company's shareholders and business partners, representatives of authorities and government bodies, and the general public. It requires all employees to comply with the applicable laws, regulations and other obligations. They are also required to observe ethical standards. All employees receive training in the Code of Conduct and systematic action is taken to deal with any breach of its rules. The Code of Conduct fosters a culture that ensures clear responsibility, mutual trust and respect, dependability and lawfulness. The compliance culture created by the Code of Conduct, in particular, forms the basis for Evonik's "House of Compliance."

House of Compliance

The compliance issues identified as being of specific relevance to our company are bundled in a House of Compliance. Alongside traditional compliance issues such as antitrust law, foreign trade law, fighting corruption and data protection, as a technology-driven specialty chemicals company issues of relevance to us include the environment, safety, health, quality, know-how protection, and IT compliance. Since Evonik's stock exchange listing, these have been supplemented by capital market compliance. These issues are the pillars of compliance management, which is based on uniform minimum requirements.

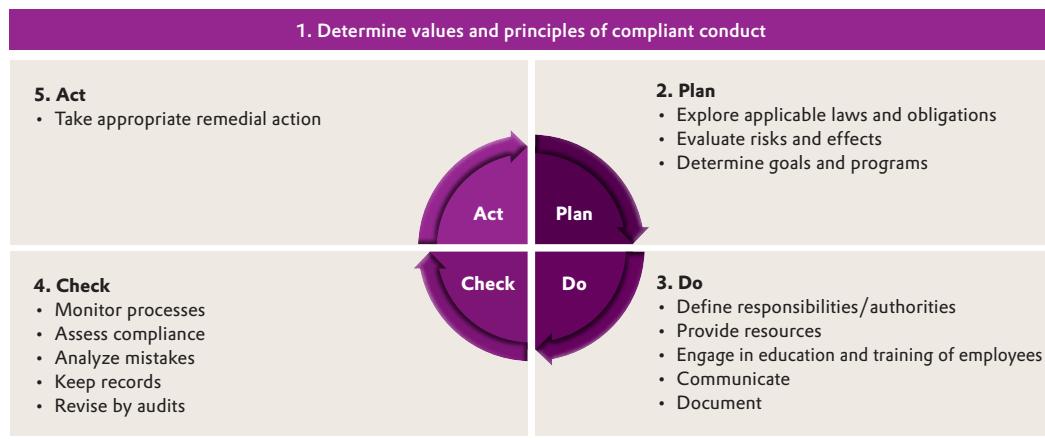
The Chief Compliance Officer coordinates the structure and ongoing development of the House of Compliance. He operates autonomously. He is supported in all major issues by a Compliance Committee. This is an internal advisory committee composed of the heads of the various specialist departments and Corporate Audit. Specially appointed staff officers in the business units, regions and other organizational units (for example, Compliance Officers for Fighting Corruption) ensure close networking of compliance and our business operations.

C01 House of Compliance



All organizational units have a compliance management system based on defined values and principles of lawful conduct. Its principal purpose is to ensure the observance of regulations, timely identification and elimination of infringements, and fulfillment of the organizational obligations imposed by law. It is based on four core elements: Plan, Do, Check and Act (PDCA cycle, see next chart).

C02 PDCA cycle



Corporate Responsibility

Companies that strive for lasting success on the market need social acceptance as well as reliable and responsible corporate governance. Together with Evonik's Code of Conduct, the Global Social Policy (GSP) and our Environment, Safety and Health (ESH) Values contribute to responsible corporate management.

In its Global Social Policy, Evonik outlines its principles of social responsibility for its employees and requires them to comply with recognized international standards of conduct such as the International Labour Standards of the International Labour Organization (ILO) and the Guidelines for Multinational Enterprises issued by the Organisation for Economic Cooperation and Development (OECD). Evonik does not tolerate any conduct that violates the OECD Guidelines for Multinational Enterprises. The governments of the OECD member states and other countries have signed these as a guide to multinational enterprises on how to meet their obligation to ensure responsible corporate conduct. The Global Social Policy states that the company's success and reputation are based fundamentally on the professionalism and commitment of all employees.

By joining the United Nations' Global Compact (UN Global Compact), Evonik also gave an undertaking that, within its sphere of influence, it would respect and promote labor rights and human rights, avoid discrimination, protect people and the environment, and fight against corruption. As a signatory to the chemical industry's Responsible Care Global Charter, we have also given an undertaking that we will continuously strive to improve our performance in health protection, safety, environmental protection and product stewardship. Evonik has signed the Code of Responsible Conduct for Business, which sets measurable standards that have to be firmly anchored in participating companies. These include fair competition, social partnership, the merit principle and sustainability.

Further, as a responsible company we have given a commitment to report regularly on our climate performance as part of the world's largest climate initiative, the Carbon Disclosure Project (CDP). This covers internal organizational processes and accountability, as well as transparent and challenging targets.

Evonik's sustainability management fully complies with the provisions of the German Sustainability Code.

The main documents containing the guidelines on conduct in the Evonik Group can be found on the company's homepage:

Code of Conduct [@](http://www.evonik.com/coc) www.evonik.com/coc

ESH Values [@](http://www.evonik.com/esh) www.evonik.com/esh

Global Social Policy [@](http://www.evonik.com/gsp) www.evonik.com/gsp

Code of Responsible Conduct for Business

[@](http://www.wcge.org/download/120206_leitbild-eng_Unterschriften_o.pdf) www.wcge.org/download/120206_leitbild-eng_Unterschriften_o.pdf

Transparency

Evonik regards timely and equal public disclosure of information as a key basis of good corporate governance. The Investor Relations section of the company's website provides extensive information in German and English.

This includes a financial calendar, which provides a convenient overview of important dates. Evonik's business performance is outlined principally in our quarterly reports, annual report and investor relations presentations. These are supplemented by information on Evonik's shares, the terms of bond issues and an overview of our credit ratings. Mandatory publications such as ad-hoc announcements, voting rights announcements and information on directors' dealings are also published immediately on our Investor Relations site. Finally, the offering includes information on corporate strategy, and Evonik's corporate structure and organization.

In addition, the Investor Relations site provides information on Evonik's approach to corporate responsibility, and how the management and supervision of the company (corporate governance) are aligned to responsible and sustained value creation.

2.3 Work of the Executive Board and Supervisory Board

The German Stock Corporation Act (AktG) forms the legal basis for the incorporation of Evonik Industries AG. Further details are set forth in the company's Articles of Incorporation and the provisions of the German Corporate Governance Code (see section 2.1 above).

Executive Board

The Executive Board of Evonik Industries AG is responsible for running the company in the company's interests with a view to sustained value creation, taking into account the interests of the shareholders, employees and other stakeholders. It works together trustfully with the other corporate bodies for the good of the company.

The Executive Board defines and updates the company's business objectives, its basic strategic focus, business policy and corporate structure. It is responsible for complying with statutory provisions and internal directives, and exerts its influence to ensure that they are observed by Group companies (compliance). Its tasks also include ensuring appropriate risk management and risk controlling within the company.

When making appointments to management functions in the company, the Executive Board applies the principles of diversity. In this it strives, in particular, to ensure adequate representation of women.

The Executive Board currently has four members. One member is appointed to chair the Executive Board. With the approval of the Supervisory Board, the Executive Board has adopted Rules of Procedure and a plan allocating areas of responsibility. The Chairman coordinates the work of the Executive Board, provides information for the Supervisory Board and maintains regular contact with the Chairman of the Supervisory Board. The members of the Executive Board are jointly responsible for the overall management of the company. They work together constructively and keep each other informed of the main activities and developments in their areas of responsibility.

Ensuring that the Supervisory Board receives sufficient information is the joint responsibility of the Executive Board and Supervisory Board. The Executive Board provides the Supervisory Board with the reports to be prepared in accordance with Section 90 of the German Stock Corporation Act (AktG) and the Rules of Procedure of the Supervisory Board. It gives the Supervisory Board timely, regular and full information on all matters that are relevant to the company and the Group relating to strategy, planning, business development, risks, risk management and compliance. It outlines deviations between the planned and actual business performance and targets and the reasons therefor.

Further, the Executive Board submits timely reports to the Supervisory Board on business matters and actions for which it is required by the Articles of Incorporation or the Supervisory Board's Rules of Procedure to obtain the approval of the Supervisory Board, such as the annual finance and investment planning for the Group. In addition, the Supervisory Board can make further business activities and measures dependent on its consent on a case-by-case basis.

Members of the Executive Board are required to act in the interests of the company. They may not pursue personal interests in their decisions, nor may they utilize business opportunities available to the company for themselves.

The members of the Executive Board are subject to a comprehensive non-compete obligation during their term of office. They may only assume additional posts, especially seats on the supervisory boards of companies that are not affiliated companies of Evonik Industries AG, with the consent of the Supervisory Board. Where such posts are assumed with the consent of the Supervisory Board, the Executive Board member shall accept the post as a personal office and shall ensure strict confidentiality and strict separation from his or her activities as a member of the company's Executive Board. Every member of the Executive Board is required to disclose any conflict of interests to the Chairman of the Supervisory Board without delay and to inform the other members of the Executive Board.

In fiscal 2013 there were no conflicts of interest relating to members of the Executive Board of Evonik Industries AG.

All transactions between the company or companies in the Evonik Group on the one hand and Executive Board members and related parties on the other must take place on terms that are customary in the sector. No such transactions took place in the reporting period.

The composition of the Executive Board and membership of supervisory boards and similar governance bodies are outlined on page 266.

Supervisory Board

The Supervisory Board advises and supervises the Executive Board. It appoints the members of the Executive Board and names one member as the Chairperson of the Executive Board. It also decides on the remuneration of the members of the Executive Board. The Executive Board is required to obtain the approval of the Supervisory Board on decisions of fundamental importance, which are defined in a separate list. These include:

- fundamental changes to the structure of the company and the Group
- the annual financial and investment plan for the Group
- individual investments and capital expenditures exceeding €25 million
- the assumption of loans and the issuance of bonds exceeding €300 million.

The Supervisory Board examines the company's annual financial statements, the Executive Board's proposal for the distribution of the profit, the consolidated financial statements for the Group and the combined management report. The Supervisory Board submits a written report on the outcome of the audit to the Shareholders' Meeting.

The Supervisory Board is subject to the German Codetermination Act 1976 (MitbestG). In accordance with these statutory provisions, the Supervisory Board comprises twenty members, ten representatives of the shareholders and ten representatives of the workforce. The representatives of the shareholders are elected by the Shareholders' Meeting on the basis of nominations put forward by the Supervisory Board as prepared by the Nomination Committee. The representatives of the employees are elected by the workforce and comprise seven employee representatives and three representatives of the industrial union.

The composition of the Supervisory Board should ensure that overall its members have the knowledge, ability and professional experience required to perform their duties. The members of the Supervisory Board may not undertake any duties as officers or advisors to the company's major competitors.

The Supervisory Board should not include more than two former members of the Executive Board. A former member of the Executive Board has been elected to the Supervisory Board. His term of office on the Executive Board ended more than two years previously. All members of the Supervisory Board shall ensure that they have sufficient time to perform their tasks as a member of the Supervisory Board. Members of the Supervisory Board who are also members of the Executive Board of a publicly listed stock corporation should not hold more than three seats on the Supervisory Boards of listed companies outside their group of companies or Supervisory Boards of companies where comparable demands are made on them.

Members of the Supervisory Board must act in the interests of the company and not pursue personal interests in their decisions, nor may they utilize business opportunities available to the company for themselves. Members must disclose conflicts of interest to the Supervisory Board. Any member of the Supervisory Board who discloses a conflict of interest is excluded from resolutions at the meetings of the Supervisory Board dealing with matters relating to the conflict of interest. In its report to the Shareholders' Meeting the Supervisory Board discloses any conflicts of interest that have arisen and how they have been dealt with. Material conflicts of interest relating to a member of the Supervisory Board that are not by nature temporary should lead to termination of his/her term of office.

Consultancy, service and similar contracts between a member of the Supervisory Board and the company must be approved by the Supervisory Board. There were no contracts of this type in 2013, nor were there any material and lasting conflicts of interest relating to members of the Supervisory Board of Evonik Industries AG. The Chairman and Deputy Chairman of the Supervisory Board hold offices in organizations that were involved in the transaction to divest Evonik's interest in the real estate company Vivawest. In view of this, they abstained from voting on the resolution on this transaction.

The Supervisory Board has adopted Rules of Procedure, which also govern the formation and tasks of the committees. Two regular meetings of the Supervisory Board are held in each calendar half-year. In addition, meetings may be convened as required and the Supervisory Board may adopt resolutions outside meetings. If an equal number of votes is cast when taking a decision, and a second vote does not alter this situation, the Chairman of the Supervisory Board has the casting vote.

The Supervisory Board has set objectives for its composition, which were taken into account in the proposals put to the Shareholders' Meeting with regard to the regular election of members of the Supervisory Board in March 2013:

- At least two members should have sound knowledge and experience of regions which are of material importance for the Evonik Group's business, either through their background or through professional experience gained in an international context.
- At least two members should have special knowledge and experience of business administration and of finance/accounting or auditing.
- At least two members of the Supervisory Board should have specialist knowledge and experience of the area of specialty chemicals.
- At least two members should have experience of managing or supervising a major company.
- There should be at least two female members of the Supervisory Board.
- The members of the Supervisory Board should not hold consulting or governance positions with customers, suppliers, creditors or other business partners that could lead to a conflict of interests. Deviations from this rule are permitted in legitimate individual cases.
- Members of the Supervisory Board should not normally be over 70 when they are elected.
- At least five members of the Supervisory Board should be independent within the meaning of Section 5.4.2 of the German Corporate Governance Code.

The present composition of the Supervisory Board meets these objectives. The Supervisory Board and its Nomination Committee will continue to monitor observance of these targets in the future.

The Supervisory Board has the following committees:

The **Executive Committee** comprises the Chairman of the Supervisory Board, his deputy and four further members. It undertakes the regular business of the Supervisory Board and advises the Executive Board on fundamental issues relating to the ongoing strategic development of the company. Insofar as is permitted by law, it takes decisions in place of the full Supervisory Board on matters which cannot be deferred until the necessary resolution is passed by the full Supervisory Board without detrimental effects for the company. It also takes decisions on the use of authorized capital. It prepares meetings of the Supervisory Board and, in particular, personnel decisions and resolutions on the remuneration of the Executive Board, including the main contractual elements and the overall remuneration of individual members of the Executive Board. It is also responsible for concluding, amending and terminating employment contracts with the members of the Executive Board, where this does not involve altering or setting remuneration, and represents the company in other transactions of a legal nature with present and former members of the Executive Board and certain related parties. Further, it examines issues relating to corporate governance and reports to the Supervisory Board at least once a year on the status, effectiveness and scope to implement any improvements to corporate governance, and on new requirements and new developments in this field.

The **Audit Committee** has six members. The members of the Audit Committee should have specialist knowledge and experience in the application of accounting standards and internal control systems. The Supervisory Board has appointed the Chairman of the Audit Committee as an independent financial expert in accordance with Section 100 Paragraph 5 of the German Stock Corporation Act (AktG). He also meets the more extensive requirements of the German Corporate Governance Code. The Audit Committee's tasks comprise, in particular, supervising the accounting process and the efficacy of the internal control system, the risk management system, the internal audit system and compliance, the auditing of the financial statements, especially the independence of the auditor, any additional services provided by the auditor, issuing the audit assignment to the auditor, setting focal points for the audit and agreeing audit fees with the auditor. It prepares the Supervisory Board's proposal to the Shareholders' Meeting on the choice of auditor, decides on the appointment of the auditor and authorizes the Chairman of the Supervisory Board to issue the contract to the auditor.

The Audit Committee prepares the decision of the Supervisory Board on approval of the annual financial statements of Evonik Industries AG and the consolidated financial statements for the Group. For this purpose, it is required to conduct a preliminary examination of the annual financial statements of Evonik Industries AG, the consolidated financial statements for the Group, the combined management report, and the Executive Board's proposal for the distribution of the profit. The auditor of the financial statements must attend these meetings of the Audit Committee.

The Audit Committee reviews the quarterly financial statements and half-yearly statements (interim reports), discusses the audit review report with the auditor and decides whether to raise any objections.

The **Finance and Investment Committee** has eight members. Its work covers aspects of corporate finance and investment planning. For example, it takes decisions on behalf of the Supervisory Board involving approval for the establishment, acquisition and divestment of businesses, capital measures at other Group companies and real estate transactions with a value of more than €25 million and up to €50 million. If the value of such measures or transactions exceeds the above limit, it prepares for a resolution by the Supervisory Board. The Finance and Investment Committee also takes decisions on approving the assumption of guarantees and sureties for credits exceeding €50 million and on investments in companies of more than €100 million.

The **Nomination Committee** comprises three Supervisory Board members elected as representatives of the shareholders. The task of the Nomination Committee is to prepare a proposal for the Supervisory Board on the candidates to be nominated to the Shareholders' Meeting for election to the Supervisory Board.

Finally, there is a **Mediation Committee** established in accordance with Section 27 Paragraph 3 of the German Codetermination Act 1976. This mandatory committee is composed of the Chairman and Deputy Chairman of the Supervisory Board, one shareholder representative and one employee representative. This committee puts forward proposals to the Supervisory Board on the appointment of members of the Executive Board if the necessary two-thirds majority of the Supervisory Board members is not achieved in the first vote.

It is only convened when necessary. All other committees meet regularly and may also hold additional meetings on specific issues in line with their responsibilities as set out in the Rules of Procedure for the Supervisory Board.

Further details of the work of the Supervisory Board and its committees in the past fiscal year can be found in the report of the Supervisory Board on page 8. For details of the composition of the Supervisory Board and membership of other supervisory and governance bodies see pages 264 to 265.

Directors' Dealings

Under Section 15a Paragraph 1 of the German Securities Trading Act (WpHG), members of the Executive Board and Supervisory Board and related parties (including spouses, registered same-sex partners and dependent children) are required to notify Evonik Industries AG and the Federal Financial Supervisory Authority (BaFin) of any transactions in shares in Evonik Industries AG or related financial instruments, if the total value of such transactions by a member of the Executive Board or Supervisory Board or a related party is €5,000 or above in a calendar year. The transactions notified are disclosed on the website of Evonik Industries AG.

Total holdings of shares in Evonik Industries AG and related financial instruments by members of the Executive Board and Supervisory Board on the reporting date amounted to less than 1 percent of the issued shares.

3. Shareholders and the Shareholders' Meeting

The shareholders exercise their rights at the Shareholders' Meeting. The Shareholders' Meeting elects the auditor and the shareholder representatives on the Supervisory Board and resolves on the ratification of the actions of members of the Executive Board and Supervisory Board, the distribution of the profit, capital transactions and amendments to the Articles of Incorporation. The shares are registered shares. Shareholders who are entered in the register of shareholders are eligible to attend the Shareholders' Meeting and exercise their voting rights, providing they register in good time to attend the meeting. The shareholders may exercise their voting rights at the Shareholders' Meeting in person, through a proxy of their choice or through a proxy appointed by the company. Each share entitles the holder to one vote.

4. Information on accounting and auditing of the financial statements

Evonik Industries AG prepares its annual financial statements in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements are prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted for use in the EU. In addition, the applicable statutory provisions of Section 315a Paragraph 1 of the German Commercial Code (HGB) are taken into account.

The Shareholders' Meeting appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf as auditor for the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group for 2013. The Supervisory Board previously ascertained the independence of the auditor. PwC has audited the annual financial statements and consolidated annual financial statements of Evonik Industries AG and the combined management report for fiscal 2013. In addition to the accounting, the audit covered the system to identify emerging risks and the accounting-related internal control system. Further, PwC conducted a review of the interim financial statements in 2013.

5. Risk management and internal control system (ICS)

Risk management in the Evonik Group, including the ICS relating to the accounting process, is described in the risk report, which forms part of the management report. Details can be found on page 102.

6. Remuneration

The principles of the remuneration system and the remuneration of the members of the Executive Board and the Supervisory Board are outlined in the remuneration report, which forms part of the management report. Details can be found on page 124.



Klaus Engel, Chairman of the Executive Board, ringing the bell at 9.21 a.m. on April 25, 2013 to mark the start of a new era for Evonik: the start of trading in Evonik shares.

T001 Key data

| April 25 – Dec. 31, 2013 | |
|---|-------------|
| Highest share price ^a in € | 32.94 |
| Lowest share price ^a in € | 24.56 |
| Average price ^a in € | 28.06 |
| Closing price ^a on December 30, 2013 in € | 29.63 |
| No. of shares | 466,000,000 |
| Market capitalization ^a on December 30, 2013 in € billion | 13.81 |
| Average daily trading volume ^a (No. of shares) | 190,684 |

T002 Basic data on Evonik stock

| | |
|---------------------------|---|
| WKN | EVNK01 |
| ISIN | DE000EVNK013 |
| Ticker symbol | EVK |
| Reuters (Xetra trading) | EVKn.DE |
| Bloomberg (Xetra trading) | EVK GY |
| First trading day | April 25, 2013 |
| Trading segments | Regulated market (Prime Standard), Frankfurt am Main Regulated market, Luxembourg |
| Indices | MDAX, STOXX Europe 600 |

^a Xetra trading.

Evonik stock

- Evonik shares listed on the stock exchange
- Intensive dialogue with the capital markets initiated
- First Capital Markets Day well received

Rapid inclusion in the MDAX index

Shares in Evonik Industries AG have been traded on the stock exchanges in Frankfurt am Main (Prime Standard) and Luxembourg since April 25, 2013. In order to secure admission to trading within a short time regardless of the volatility of the equity markets, the route chosen was a listing preceded by private placements.

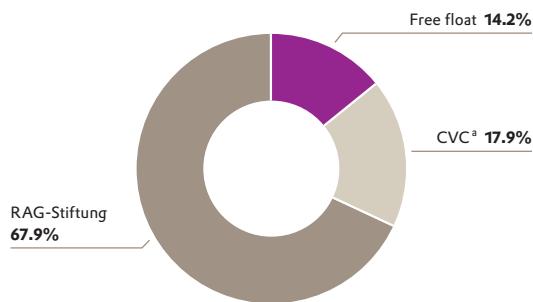
In September 2013, Evonik was included in the MDAX share index, where it now has a sound position. Criteria for the weighting of the shares in this index are market capitalization and trading volume, based on the free float. At the end of 2013, Evonik ranked 21st and 38th on these indices. Its weighting on the MDAX was 1.6 percent, calculated from the market capitalization of its free float of around €2 billion. In parallel with its inclusion in the MDAX, the share was included in the STOXX Europe 600 and the corresponding sub-indices, including the DJ STOXX 600 ChemicalsSM.

First analysis of shareholder structure

Until spring 2013, RAG-Stiftung and funds advised by CVC Capital Partners (CVC) were the sole owners of Evonik with shareholdings of 74.99 percent and 25.01 percent respectively. Before the stock market listing they placed equal numbers of shares in Evonik with institutional investors. At the end of 2013 RAG-Stiftung held some 67.9 percent of Evonik's capital stock, while CVC indirectly held around 17.9 percent. Since the placements, the free float has comprised around 14.2 percent of the shares.

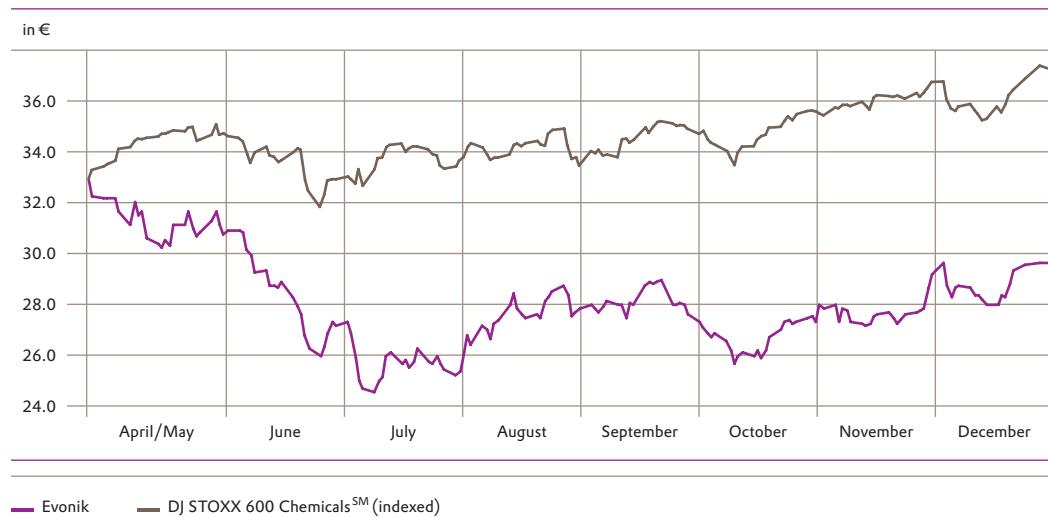
We conducted the first analysis of our shareholder structure in July 2013. At that time about 95 percent of the free float was held by institutional investors, with private shareholders accounting for around 5 percent. The regional distribution of the free float showed that—alongside Asia—most shareholders were in the USA, Germany, the UK and Italy.

C03 Shareholder structure



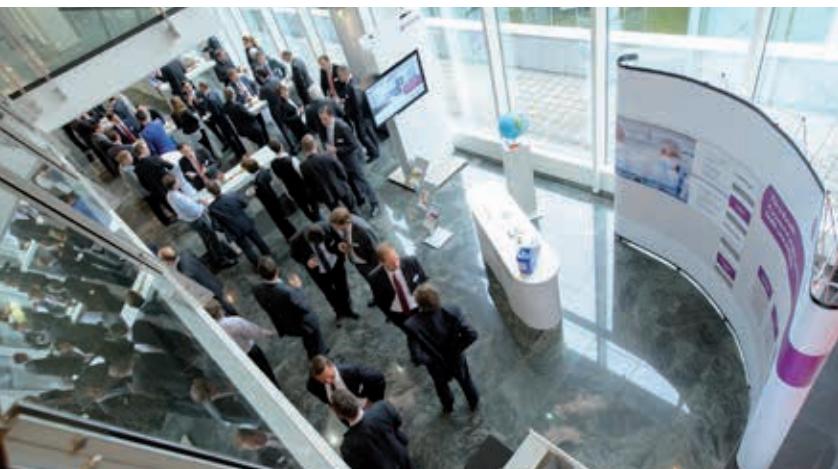
^a The shares in Evonik are held by Gabriel Acquisitions GmbH, an indirect subsidiary of funds advised by CVC Capital Partners.

C04 Performance of Evonik shares April 25 – December 31, 2013



Share price recovered from August onwards

The opening quote for shares in Evonik was €33 and they traded in a range of €30 – 32 until the end of May. In view of the difficult overall economic situation, a more critical general capital market stance on chemical companies and Evonik's weaker business performance, the share price dropped considerably in June and July, recording a low for the year of €24.56 on July 8. It recovered from August, with the anticipated inclusion of the stock in the MDAX and STOXX Europe 600 indices in mid-September providing additional upward impetus. Analysts and investors responded positively to our third-quarter results, which were published at the end of October, and especially to the sequential earnings rise compared with the second quarter. Evonik stock appreciated further at year-end, and closed at €29.63 on December 30, 2013.



Good response to events and roadshows

The Executive Board and the Investor Relations team have conducted an intensive dialogue with members of the financial community since the stock market listing. Evonik held many one-on-one meetings and also talked to investors at twelve conferences and eight roadshows, principally in the financial centers in London, Frankfurt, New York and Paris. Overall, we had contact to around 500 investors. The company's growth strategy and long-term financial targets formed the heart of our first Capital Markets Day, which was held in Essen (Germany) on September 3, 2013 and attracted around 60 international analysts and investors.

C05 Analysts' ratings



Analyst coverage

By the end of December 2013, 17 chemicals analysts had initiated coverage of Evonik. Seven of them rated our shares as a buy, eight as a hold and two issued sell recommendations. The price targets were between €23 and €37, giving a median of €29.

Dividend yield among the highest in the chemical industry

Evonik has a long-term dividend policy that takes account of the legitimate dividend expectations of our shareholders without curtailing corporate growth. At the Annual Shareholders' Meeting on May 20, 2014, the Executive Board and Supervisory Board will propose a dividend of €1.00 per share. That represents a payout ratio of 56 percent based on adjusted net income, giving a dividend yield among the highest in the chemical industry. Evonik intends to pay an attractive dividend in the future too.

Good credit ratings facilitate financing

Evonik has sound investment grade ratings: BBB+ (outlook: stable) from Standard and Poor's and Baa2 (outlook: positive) from Moody's. We used this good capital market standing and the attractive conditions on the financial markets to obtain favorable refinancing terms. A €500 million bond with a maturity of seven years and a coupon of 1.875 percent was issued in April 2013. In September 2013, Evonik negotiated a new €1.75 billion syndicated credit facility, which had not been drawn at year end. The €1.1 billion Evonik Degussa bond, which had a coupon of 5.125 percent, was redeemed in December 2013 when it matured.

Investor Relations

For further information on our investor relations activities, visit our website at www.evonik.com/investor-relations. The financial calendar on our website provides a convenient overview of important dates, plus key facts and figures, especially financial and segment data and details of the company's structure and organization.

This is supplemented by information on Evonik shares, the terms of bond issues and an overview of our credit ratings. Current presentations, analysts' estimates and reports on our business performance are also available.

IR contact details:
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MANAGEMENT REPORT

Combined management report for 2013

This management report is a combined management report for the Evonik Group and Evonik Industries AG. Given the influence of the segments, statements relating to the development of the segments in the Evonik Group also apply for Evonik Industries AG. The consolidated financial statements for the Evonik Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the financial statements of Evonik Industries AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

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Strategic success—A solid operating performance in difficult market conditions

1. Basic information on the Evonik Group

1.1 Business model

Focus on strong market positions

Evonik is one of the world's leading specialty chemicals companies. We concentrate on high-growth megatrends, especially health, nutrition, resource efficiency and globalization. Our strengths include the balanced spectrum of our business activities, end-markets and regions. Around 80 percent of sales come from market-leading positions¹, which we are systematically expanding. Our strong competitive position is based on integrated technology platforms, innovative strength and working closely with our customers.

Our specialty chemicals products make an indispensable contribution to the benefits of our customers' products, which generate their success in global competition. Close cooperation with our customers enables us to build up a deep knowledge of their business, so we can offer products tailored to customers' specifications and extensive technical service. Our technology centers and customer competence centers play an important role in this around the world. We also have a focus on our customers' customers.

Market-oriented research and development is a key driver of profitable growth. Evonik is highly innovative and has efficient research. This is based on our strong innovation culture, which is rooted in our innovation management and management development.

We are convinced that sustainable and responsible business activities are vital for the future of our company. Evonik therefore accepts responsibility worldwide—for its business, its employees and society.

Highly trained employees are a key success factor. They drive forward the company on a daily basis through their hard work and identification. We have therefore developed a wide range of activities to gain and develop talented and qualified employees and to position Evonik as a preferred employer in order to retain them.

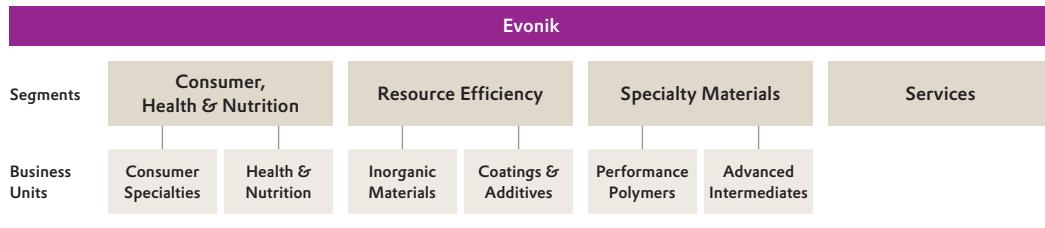
 See p. 267 f.

¹ We define these as ranking 1st, 2nd or 3rd in the relevant markets.

A decentralized corporate structure

Operationally, our specialty chemicals business is aligned to global megatrends that have the potential to generate profitable growth and give us access to future-oriented markets. Our business is grouped in three segments, each of which has two business units. The Services segment is a cross-site supplier of typical chemicals-related services such as utilities, waste management, logistics and plant management, and standardized administrative services. The Corporate Center supports the Executive Board in its strategic management activities and provides administrative functions for the Group. The activities previously bundled in the Real Estate segment were deconsolidated in July 2013 following divestment of the majority of the shares, so we no longer report on this segment.

C06 Corporate structure



The Consumer, Health & Nutrition segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and healthcare sectors. It comprises the Consumer Specialties and Health & Nutrition Business Units.

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions. This segment comprises the Inorganic Materials and Coatings & Additives Business Units.

The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries. It comprises the Performance Polymers and Advanced Intermediates Business Units.

Our services, which are bundled in a separate segment, mainly comprise Site Services and Business Services, which principally provide services for the specialty chemicals business, the Corporate Center, and third parties.

Integrated technology platforms are a competitive advantage

Our products are manufactured using highly developed technologies that we are constantly refining. In many cases Evonik has backwardly integrated production complexes where it produces key precursors for its operations in neighboring production facilities. In this way we offer our customers maximum reliability of supply. At the same time, backwardly integrated world-scale production facilities combined with technologically demanding production processes act as high entry barriers.

Further advantages are leveraged by the use of our integrated technology platforms for several businesses. That means, for example, that by-products from one production facility can be used as starting materials for other products. This results in optimum utilization of resources and thus high added value. Moreover, the operating units can share the site energy supply and infrastructure cost-effectively.

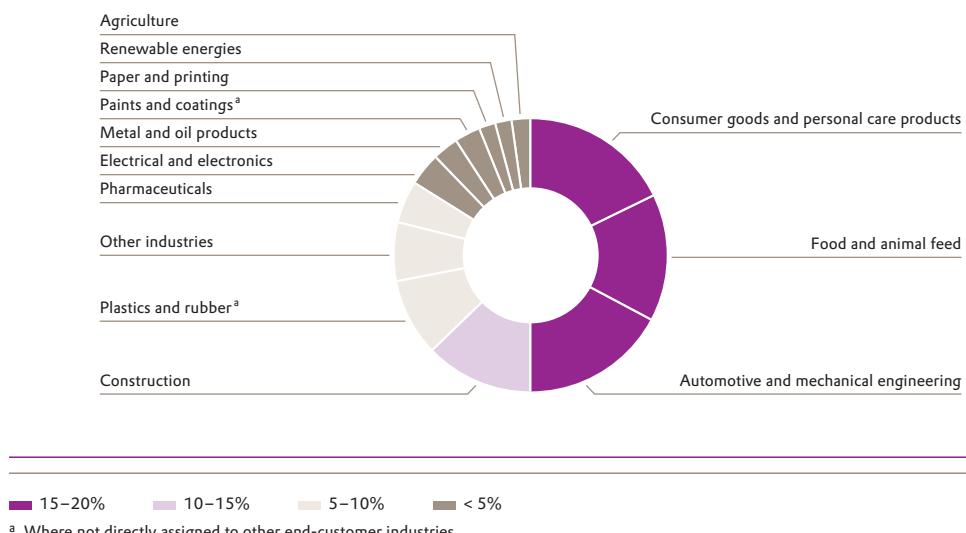
G See Glossary p. 274

G See Glossary p. 273

Broadly diversified end-markets

Most of our customers are industrial companies that use our products for further processing. The range of markets in which they operate is diverse and balanced. None of the end-markets that we supply accounts for more than 20 percent of our sales.

C07 Evonik's end-markets



Global production

 See p. 69 ff.

Evonik has a presence in more than 100 countries and over 76 percent of sales are generated outside Germany. We produce where our markets and customers are. Consequently, we have production facilities in 24 countries on five continents. Our largest production sites—Marl, Wesseling and Rheinfelden (Germany), Antwerp (Belgium), Mobile (Alabama, USA) and Shanghai (China)—have integrated technology platforms used by various business units.

1.2 Principles and objectives

Profitable growth, enhanced efficiency, values

A sustained increase in the value of the company is our overriding goal and the basis for Evonik's strategic alignment. To implement our strategy, we have set demanding financial, safety and environmental targets.

Our strategy is based on profitable growth, efficiency and values. We aim to

- further increase our leading market positions,
- concentrate on attractive growth businesses and emerging markets,
- gain access to new growth areas through innovation and external growth, and
- continuously improve our cost and technology position.

As **growth drivers** for our business we have identified the megatrends health, nutrition, resource efficiency and globalization, and the dynamic development of the emerging markets. The objective of our ambitious program of investment totaling over €6 billion between 2012 and 2016 is to strengthen our leading market positions around the world. Around €4 billion of this is earmarked for growth investments, principally in emerging markets.

☰ See p. 75 f.

To raise scope for growth and innovations, we are continuously working to improve our **cost position**. A key element is the On Track 2.0 efficiency enhancement program introduced in 2012. This is expected to make a significant contribution, for example, through further optimization of global procurement, production and related workflows. The aim of On Track 2.0 is to cut costs by €500 million a year by the end of 2016. Following the successful repositioning of Evonik as a specialty chemicals company, we are now turning our attention to our administrative processes. To achieve a uniform global administrative structure, without duplication of responsibilities and cost-intensive interfaces, we introduced the Administration Excellence program in fall 2013. This should leverage savings of up to €250 million a year by the end of 2016.

☰ See p. 51

The **values** we live provide the foundations for us to enhance our growth impetus and raise efficiency. We encourage a Group-wide performance culture and growth-oriented recruitment of employees. **Diversity** has high priority at Evonik. For our business associates and customers, who are central to Evonik, we are a strong and reliable partner.

☰ See p. 93 ff.

☰ See Glossary p. 272

We accept responsibility worldwide—for our business, our employees and our social environment. That is how we define **sustainability** and corporate responsibility (CR). As part of our corporate strategy, our sustainability strategy takes up economic megatrends as well as ecological and social challenges, and supports the development of new business activities. We are keenly committed to expanding the contribution made by our innovative solutions to sustainable development.

☰ See p. 91 ff.

☰ See p. 84 ff.

Innovations are the driving force of future growth. They provide access to new products and applications, open up attractive future markets and strengthen our market and technology leadership. In fall 2012 we launched an initiative to increase Evonik's innovative strength still further.

Active portfolio management, combined with efficient allocation of capital, is very important to our company. We want to raise the proportion of high-margin chemical specialties in our portfolio. We only invest in businesses that we believe promise sustainable and profitable growth. Businesses that no longer fit our strategy or fail to meet profitability requirements on a sustained basis are divested.

Ambitious targets

In line with our growth strategy, we set ambitious **financial targets** in 2013:

- We aim to report sales of around €18 billion and adjusted EBITDA of over €3 billion by 2018.
- We want to maintain our sound investment-grade rating in the long term.

☰ See p. 99 f.

As a responsible specialty chemicals company, we have also defined ambitious **non-financial targets**. We take our responsibility in the field of safety particularly seriously. Our objective is to protect our employees and local residents, as well as the environment, against any potential negative impact of our activities. Accordingly we set annual limits for occupational safety and plant safety indicators. For 2014 these are:

- The accident frequency rate¹ should not exceed 1.3.
- Incident frequency² should not exceed 48³.

G See Glossary p. 272
G See Glossary p. 273

☰ See p. 92

Evonik is committed to making a contribution to climate protection, minimizing its ecological footprint, and steadily improving its environmental protection performance. We therefore defined demanding environmental targets for our chemicals business for the period 2004-2014:

- Reduce specific energy-related emissions of greenhouse gases by 20 percent.
- Reduce specific water consumption by 20 percent.
- Reduce production waste by 20 percent.

Preparations are under way for the adoption of ambitious new environmental targets in 2014.

¹ Number of accidents per 1 million working hours.

² This indicator comprises incidents resulting in the release of substances, fires or explosions, even if there is little or no damage.

³ Number of incidents per 1 million working hours in the production facilities operated by the business units, taking 2008 as the reference base (expressed in percentage points: 2008 = 100).

Targets already achieved

The strategic goal of **focusing on specialty chemicals** set in 2009 was achieved in 2013 with the divestment of the majority of the shares in the real estate activities bundled at Vivawest GmbH. We intend to divest the remaining 10.9 percent stake to long-term investors in the intermediate term. In 2011, we sold 51 percent of the shares in the energy company STEAG GmbH and made binding arrangements to divest the remaining shares in this company between 2014 and 2017. We have also divested non-core operations that we do not consider to belong to the specialty chemicals business.

Another long-term goal was achieved through our successful **stock exchange listing** in 2013. As well as raising awareness of Evonik, this opens up access to new sources of finance, provides scope for more direct employee participation in the success of the company, and gives us a more objective basis for comparing performance and value creation.

The **environmental targets** agreed for the chemicals business in 2004 were achieved in 2012, two years earlier than planned. That was attributable to the commitment of our employees, who contributed to the significant improvement in our environmental protection performance through a large number of technical and organizational measures.

1.3 Business management systems

Our assessment of our most important key performance indicators (KPIs) is based on the following criteria: regular reporting to the Executive Board, use as the basis for incentive payments, extensive internal analyses, basis for defining action to be taken, and external expectations.

Most important financial key performance indicators

Financial management of Evonik is based on a consistent system of value-oriented indicators. These are used to assess the business performance of the operational units and the Group. Through systematic alignment to these indicators, Evonik endeavors to create value by raising profitability and ensuring profitable growth.

Up to and including 2013, the main financial key performance indicator (KPI) used in the management of Evonik was **EVA®** (economic value added). **EVA®** is the difference between adjusted EBIT and the cost of capital, which is calculated by multiplying average capital employed¹ by the weighted average cost of capital. A positive EVA® indicates that Evonik has created absolute value based on a value-spread approach.

In light of our increased capital market orientation following our stock exchange listing, in 2013 we defined **adjusted EBITDA** as the most important KPI. From the start of 2014 it replaced **adjusted EBIT** as the main indicator used in our reporting. To track the attainment of targets, **adjusted EBITDA** is broken down to the level of the operating units. Adjusted EBITDA and the corresponding relative indicator, the adjusted EBITDA margin, show the operating performance of an entity

G See Glossary p. 275

☰ See p. 52

G See Glossary p. 275

¹ For details of the calculation see section headed Business review **☰** p. 43 ff.

irrespective of the structure of its assets and its investment profile. They therefore provide a key basis for internal and external comparison of the cost structure of business operations. Since depreciation, amortization and impairment losses are not included, these are also cash-flow based parameters. The adjusted EBITDA margin can therefore be taken as an approximation of the return on sales-related cash flows.

G See Glossary p. 276

Our most important KPIs also include the return on capital employed (**ROCE**). In our value-oriented corporate management approach, ROCE, which is already used to measure the attainment of targets, is replacing EVA® as the most important KPI. Both parameters are derived from uniformly defined performance indicators taken from the income statement and balance sheet. The calculation starts from adjusted EBIT in relation to average capital employed. Comparison with the cost of capital, which shows the risk-adjusted return expectations of our investors, can be used to derive relative value creation. This is calculated using a weighted average cost of capital, which reflects the return expectations of both shareholders, derived from the capital asset pricing model, and providers of debt capital.

Since EVA® and adjusted EBIT will no longer be defined as our most important KPIs from 2014, no forecasts are given for them. From 2014, adjusted EBITDA and ROCE will be our most important financial performance indicators.

Most important non-financial key performance indicators

Evonik uses a wide variety of indicators for the non-financial management of the Group. For example, our annual sustainability report¹ provides information on ecological and societal issues to supplement our economic reporting.

Traditionally, we accord special significance to **safety**, which is regarded as an all-round management task that has to be lived at all management levels. In line with this, in 2013 we adopted new guiding principles on safety, which are binding for both managers and non-managerial employees. In keeping with the corporate directive, all units at Evonik have an occupational safety target. In addition, all production units have a plant safety target. The relevant indicators are accident frequency and incident frequency².

To protect the environment we aim to reduce **emissions of greenhouse gases**, not just from our production but also along the entire value chain. We therefore strive continuously to improve our production processes still further, make more efficient use of resources, and minimize environmental impact. Within our environmental indicators, we therefore give particular priority to specific CO₂ emissions and plan to utilize this as a key non-financial performance indicator in the future.

¹ This report is based on G.3.1, the currently valid guidelines issued by the Global Reporting Initiative (GRI).

² See sections Strategy and objectives **3** p. 39 ff., Business performance **3** p. 47 ff., and Sustainability **3** p. 91 ff.

2. Business review

2.1 Overall assessment of the economic situation

From a strategic viewpoint, 2013 was a very successful year for Evonik in which it achieved two long-standing objectives. Shares in Evonik Industries AG have been traded on the stock exchanges in Frankfurt am Main (Prime Standard) and Luxembourg since April 25, 2013. Moreover, following divestment of the majority interest in the real estate activities, Evonik is now entirely a specialty chemicals company.

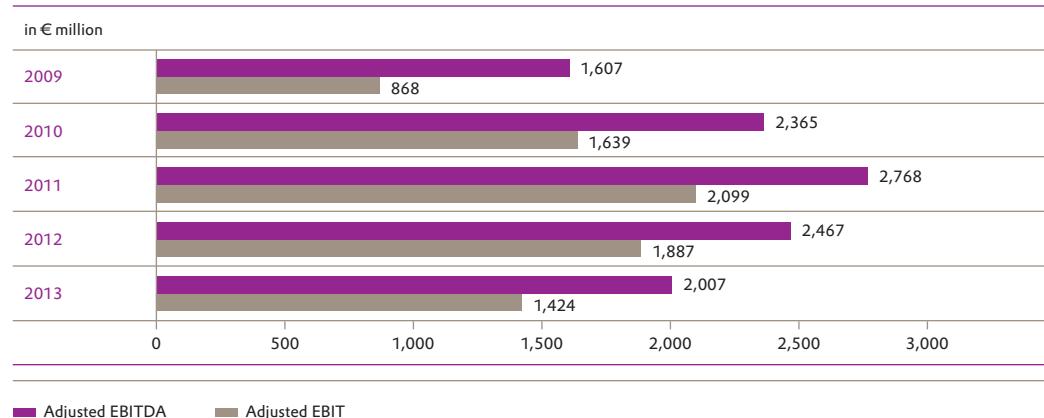
Operationally, the overall economic environment in 2013 was tougher than had been anticipated. That resulted in perceptible pressure on selling prices and we suffered considerable price erosion for some important products. Very pleasing, by contrast, was the continued high demand for our products around the world, driven partly by global megatrends. In response to the more challenging conditions, we stepped up our efforts to optimize our cost position. In all, sales and the operating results were below the previous year's very good figures.

Despite the decline in our operating performance, our profitability is still attractive. The adjusted EBITDA margin was 15.6 percent and ROCE was 14.5 percent, well above the cost of capital. Net income increased substantially to €2.1 billion thanks to the gain from the sale of the majority of shares in the real estate activities.

We also achieved a further improvement in our financial profile. As a consequence of the real estate transaction, we had a net financial asset position for the first time at year-end 2013. The cash flow from operating activities was €1.1 billion. Capital expenditures for our ambitious growth strategy also increased to €1.1 billion. Evonik still has sound investment grade ratings (Moody's: Baa2, Standard and Poor's: BBB+).

Overall, we rate our business performance in 2013 as successful, even though it was weaker than in the very good preceding years.

C08 Development of adjusted EBITDA and adjusted EBIT in the Evonik Group

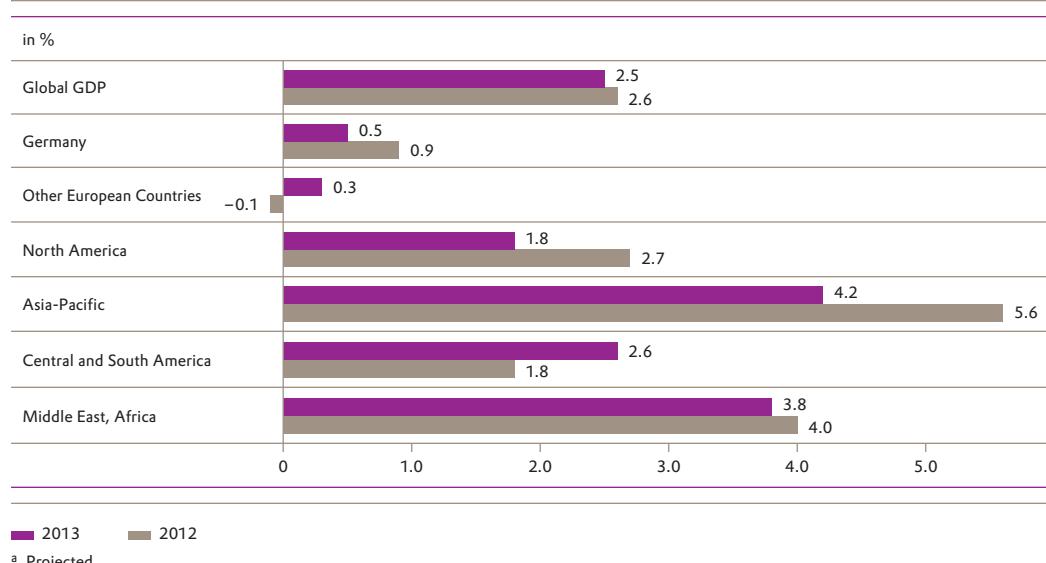


2.2 Economic background

Global economic situation remained challenging in 2013

Following on from the very low momentum in the second half of 2012, the global economy made a weak start to 2013. While it picked up slightly in the following months, we nevertheless assume a further year-on-year drop in the average growth rate to 2.5 percent in 2013.

C09 Development of GDP 2012/2013^a



In the developed economies, the year-on-year reduction in the growth rate was mainly due to far lower expansion in North America, principally as a result of the uncertainty caused by the political dispute about financial policy. Despite renewed political friction, the US economy picked up perceptibly in the second half of the year.

Although the economic situation in Germany improved in the course of 2013, the expected economic upswing again failed to materialize. The country posted the lowest growth rate since the economic and financial crisis, with export and industrial output trends remaining weak.

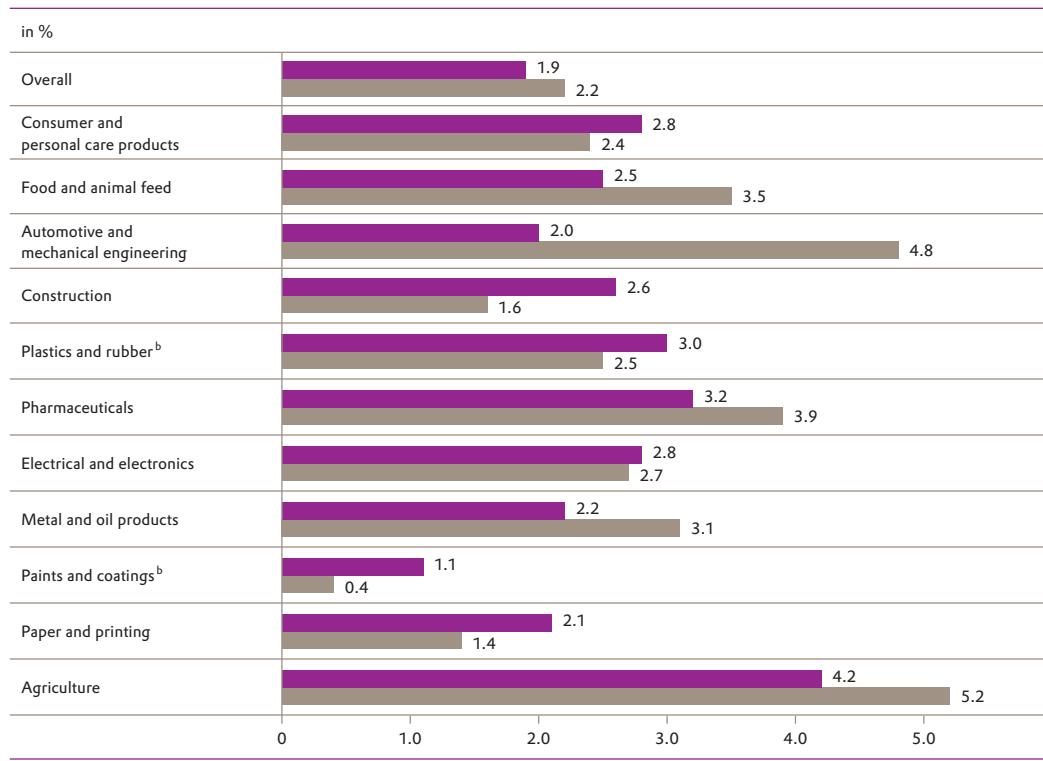
In the rest of Europe, consolidation measures to reduce public-sector debt continued to undermine demand, with strong uncertainty apparent among both consumers and investors. Unlike the situation in the previous year, the decline in GDP in Europe (excluding Germany) was halted.

Growth in output declined even faster in the Asian emerging markets than in the developed countries. On the one hand there was a lack of demand impetus from developed economies, and on the other the pace of growth slowed as a result of domestic economic problems. Many countries also reported considerable capital outflows in the summer as investors endeavored to minimize their investment risks given the prospect of a reversal of US monetary policy.

Further subdued trend in end-customer industries

Although output in Evonik's end-customer industries picked up slightly during 2013, it remained sluggish overall. The full-year growth rate was just 1.9 percent, which was lower than in the previous year (2.2 percent) and also slightly below growth in the gross domestic product. The main drivers were a modest upswing in US manufacturing industry and, especially, in Japan. In contrast to this, there was a further substantial decline in output in Europe.

C10 Development of Evonik's end-customer industries 2012/2013^a



^a Projected.

^b Where not directly assigned to other end-customer industries.

Analogously to the economic recovery, in 2013 there was only a slight shift in demand for consumer and personal care products towards the long-term trend. Persistently high unemployment in the industrialized countries and mounting uncertainty in the emerging markets further dampened consumer confidence.

Lower growth in the emerging markets also impacted the food and feed sectors. At the same time, important markets such as China and the USA were affected by a range of adverse factors such as drought and the debate about food safety.

Overall, the automotive and mechanical engineering sector only posted slow growth in 2013, despite high growth in China and the USA. As a result of downturns in emerging markets such as Brazil, India and Russia as well as in Europe, growth was below the previous year's level.

The global construction industry was dominated by positive signals in 2013. The US, British and Japanese markets picked up and growth remained robust in China. The German construction sector also gained momentum in the second half of the year.

In the plastics and rubber industries, there were two contrasting trends in 2013: While the automotive industry and consumer spending continued to hold back growth, positive effects came from strong growth in the US and Chinese construction sectors.

Compared with the average price recorded for 2012, there was no further increase in the average price of Evonik's raw materials in 2013. In fact the annual average was slightly lower. This was because an increase in supply resulting from new capacity and the US *shale gas* and oil boom coincided with weaker demand. Against Evonik's most important foreign currency, the US dollar, the euro appreciated to US\$1.33 (2012: US\$1.28).

 See Glossary p. 274

2.3 Major events

Shares in Evonik Industries AG have been listed on the stock exchanges in Frankfurt am Main (Prime Standard) and Luxembourg since April 25, 2013. Effective September 23, 2013, they were included in Deutsche Börse's **MDAX** index. As of the same date, the shares were also listed on the STOXX Europe 600 index and the corresponding sub-indices, including the DJ STOXX 600 ChemicalsSM.

In accordance with the **focus on specialty chemicals**, in July 2013 we divested the majority of our stake in the real estate operations bundled in the Real Estate segment. RAG-Stiftung, Essen (Germany) now holds 30.0 percent of Vivawest GmbH (Vivawest), Essen (Germany), Vermögensverwaltungs- und Treuhandgesellschaft der Industriegewerkschaft Bergbau und Energie mbH (VTG), Hanover (Germany) holds 26.8 percent, Evonik Pensionstreuhand e.V., (contractual trust arrangement, *CTA*), Essen (Germany) holds 25.0 percent, and RAG Aktiengesellschaft, Herne (Germany) holds 7.3 percent. We plan to divest our remaining 10.9 percent stake in Vivawest to long-term investors in the intermediate term. All operations of the Real Estate segment were reclassified to discontinued operations in March 2013 and deconsolidated in July. The divestment gain from the sale of the majority shareholding was €1.1 billion and income from the divestment amounted to €1.5 billion.

We intend to withdraw completely from our activities in the field of electromobility and are conducting negotiations on the divestment of the **lithium-ion business**. Accordingly, we reclassified these activities to discontinued operations in September 2013. The prior-year figures in the income statement, reconciliation from adjusted EBITDA to net income and cash flow statement have been restated.

 See Glossary p. 275

 See Notes 5.2 and 5.3, p. 181 ff.

 See Note 5.3, p. 183 ff.

At the end of September we launched a program to streamline our administrative structures. Following Evonik's successful repositioning from a conglomerate to a listed specialty chemicals company, the next step is Group-wide consolidation of management and administrative processes. The **Administration Excellence** program aims to create a uniform global administrative organization—without duplication of responsibilities or cost-intensive interfaces. This should leverage savings of up to €250 million a year by the end of 2016.

In connection with this, at its meeting on September 23, 2013 the Supervisory Board of Evonik Industries AG decided to reduce the size of the company's **Executive Board**. Dr. Dahai Yu (52) and Dr. Thomas Haeberle (57) left the company by amicable mutual agreement on December 31, 2013. Effective January 1, 2014, responsibility for the specialty chemicals business was transferred to Patrik Wohlhauser (49) as Chief Operating Officer.

On June 21, 2013, the Supervisory Board appointed Ute Wolf (45) to succeed Dr. Wolfgang Colberg (53) as a member of the Executive Board and **Chief Financial Officer** with effect from October 1, 2013. Ute Wolf has a degree in mathematics and had headed Evonik's Finance Division since 2006.

2.4 Business performance

Very solid operating performance

Our end-customer industries and thus our own business performance were affected by the lower economic growth in Asia-Pacific and North America, which are important regions for Evonik, and by the persistently weak development in Europe. The more challenging market environment led to perceptible pressure on selling prices and we registered considerable price erosion for some important products. By contrast, the continued high global demand for our products was very pleasing. In all, sales and the operating results were below the previous year's very good figures.

Slight organic sales decline

The Evonik Group's sales fell 4 percent to €12,874 million. The organic decline was 1 percent, with an increase in volumes (4 percentage points) more than offset by the drop in selling prices (−5 percentage points). Another 2 percentage points were due to other effects, principally the deconsolidation of the colorants business, which was divested in April 2012, and the cyanuric chloride business in China, which was divested in December 2012. Adverse currency effects accounted for a further percentage point.

T003 Change in sales 2013 versus 2012

| in % | |
|----------------------------|-----------|
| Volumes | 4 |
| Prices | −5 |
| Organic sales trend | −1 |
| Exchange rates | −1 |
| Other | −2 |
| Total | −4 |

Operating results below the very good prior-year figures

The operating results¹ declined, principally as a result of lower selling prices in key areas of business and higher project costs in connection with growth-driven investments. Adjusted EBITDA dropped by 19 percent to €2,007 million. As a consequence, the adjusted EBITDA margin slipped from 18.5 percent to 15.6 percent.

T004 Adjusted EBIT by segment

| in € million | 2013 | 2012 | Change in % |
|------------------------------|--------------|--------------|----------------|
| Consumer, Health & Nutrition | 767 | 929 | -17 |
| Resource Efficiency | 540 | 526 | 3 |
| Specialty Materials | 395 | 701 | -44 |
| Services | 87 | 78 | 12 |
| Corporate, other operations | -365 | -347 | -5 |
| Evonik | 1,424 | 1,887 | -25 |

Prior-year figures restated.

Adjusted EBIT dropped 25 percent to €1,424 million. The Consumer, Health & Nutrition and Specialty Materials segments both reported a considerable reduction in earnings compared with the previous year's high levels, whereas the Resource Efficiency segment slightly increased adjusted EBIT. Earnings in the Services segment were also higher than in the previous year. The adjusted EBIT for Corporate, other operations was minus €365 million, compared with minus €347 million in 2012. This includes, among others, expenses for the Corporate Center, strategic research, and depreciation of the purchase price allocation from past acquisitions.

¹ The first-time application of the revised version of IAS 19 (2011) retrospectively increased both adjusted EBITDA and adjusted EBIT for 2012 by €22 million. See Note 3.3, [3](#) p. 151 ff.

T005 Sales and reconciliation from adjusted EBITDA to net income

| in € million | 2013 | 2012 | Change in % |
|--|---------------|---------------|----------------|
| Sales | 12,874 | 13,365 | -4 |
| Adjusted EBITDA | 2,007 | 2,467 | -19 |
| Depreciation and amortization | -583 | -580 | |
| Adjusted EBIT | 1,424 | 1,887 | -25 |
| Adjustments | -333 | -10 | |
| thereof attributable to | | | |
| <i>Restructuring</i> | -753 | 132 | |
| <i>Impairment losses/reversals of impairment losses</i> | -93 | -167 | |
| <i>Acquisition/divestment of shareholdings</i> | -41 | 8 | |
| <i>Other</i> | -46 | 17 | |
| Net interest expense | -255 | -321 | |
| Income before income taxes, continuing operations | 836 | 1,556 | -46 |
| Income taxes | -220 | -453 | |
| Income after taxes, continuing operations | 616 | 1,103 | -44 |
| Income after taxes, discontinued operations | 1,397 | 65 | |
| Income after taxes | 2,013 | 1,168 | 72 |
| Attributable to non-controlling interests | 41 | -3 | |
| Net income | 2,054 | 1,165 | 76 |

Prior-year figures restated.

The **adjustments** are the net balance of non-operating income and non-operating expense items which are by nature one-off or rare and amounted to minus €333 million in 2013. They included restructuring expense of €153 million, mainly in connection with the planned optimization of administrative and service structures and workflows, and the shutdown of production facilities in the Specialty Materials segment. This was countered by income relating to measures taken in the photovoltaic business in 2012. The adjustments also include impairment losses on production facilities in the Resource Efficiency and Specialty Materials segments and on the 49 percent stake in STEAG. Further, they include expenses in connection, among other things, with the divestment of former non-core business activities, and allocations to provisions for environmental protection measures and legal disputes. "Other" contains income in connection with measurement of the put option and the call option for the 49 percent stake in STEAG, which is shown separately from the impairment loss on this investment.

The prior-year figure of minus €10 million essentially comprised income from settlements and impairment losses in connection with the photovoltaic business.

G See Glossary p. 275

Net interest expense improved considerably to €255 million, mainly as a result of transfers made to the **CTA** in 2012 and 2013, and lower interest on non-current provisions. **Income before income taxes, continuing operations** fell 46 percent to €836 million due to the reduction in operating performance and higher one-off adjustment expense. The income tax rate was 26 percent and thus below the expected Group tax rate of 30 percent, principally due to tax-free income.

Income after taxes, discontinued operations amounted to €1,397 million. €1,629 million related to the real estate activities, comprising a divestment result of €1,519 million and operating income of €110 million up to deconsolidation. This item also includes a loss of €233 million from the lithium-ion business, comprising the operating business, impairment losses and provisions for impending losses. The minus €41 million attributable to non-controlling interests contains the pro rata losses of fully consolidated subsidiaries attributable to shareholders outside the Evonik Group. **Net income** improved 76 percent to €2,054 million thanks to the income from the divestment of the majority of shares in the real estate activities.

Adjusted net income reflects the operating performance; it does not contain the impact of adjustments or the discontinued operations. Adjusted net income dropped 23 percent to €830 million. **Adjusted earnings per share** decreased from €2.31 to €1.78.

T006 Reconciliation to adjusted net income

| in € million | 2013 | 2012 | Change in % |
|--|--------------|--------------|----------------|
| Income before financial result and income taxes^a | 1,021 | 1,815 | -44 |
| Result from investments recognized at equity | 59 | 62 | |
| Other financial income | 11 | – | |
| EBIT | 1,091 | 1,877 | -42 |
| Adjustments | 333 | 10 | |
| Adjusted EBIT | 1,424 | 1,887 | -25 |
| Net interest expense | -255 | -321 | |
| Adjusted income before income taxes^a | 1,169 | 1,566 | -25 |
| Adjusted income taxes | -326 | -445 | |
| Adjusted income after taxes^a | 843 | 1,121 | -25 |
| Adjusted income attributable to non-controlling interests | -13 | -45 | |
| Adjusted net income^a | 830 | 1,076 | -23 |
| Adjusted earnings per share^a in € | 1.78 | 2.31 | -23 |

Prior-year figures restated.

^a Continuing operations.

Good progress with On Track 2.0—Administration Excellence program launched

In view of the increasing risks associated with the European sovereign debt crisis, at the start of 2012 we initiated the On Track 2.0 efficiency enhancement program. The aim is to reduce costs, especially in production, by €500 million a year by 2016 through a further increase in process efficiency. Measures designed to cut costs by over €400 million have already been identified and approved for the period 2012 to 2016. At the end of 2013, over €280 million was already being implemented.

Following the successful stock exchange listing and Evonik's full focus on the specialty chemicals business, in September 2013 we launched the Administration Excellence program to further strengthen our competitive position and optimize the quality of our administrative processes. This should leverage savings of up to €250 million a year by the end of 2016, and will include shedding around 1,000 jobs, which will be achieved in a socially compatible manner. The first organizational measures and staff changes were implemented in the second half of 2013.

Systematic optimization of the value chain and implementation of the efficiency enhancement programs support Evonik's profitable growth and are core elements of the Evonik 2016 corporate program.

Effective procurement

Ensuring reliable supply, gaining access to new procurement markets, and ongoing optimization of material costs will remain key tasks in the future. For instance, procurement in Evonik's growth markets will play a greater role in the future. Another increasingly important factor is taking a critical look at the growing opportunities to obtain gas from unconventional sources. As well as participating in procurement alliances and validating new suppliers, we are working intensively on extending strategic relationships with suppliers. Here, we are looking for further opportunities to reduce risk, improve costs and enhance cooperation and innovation with the suppliers that are currently of the greatest strategic importance. We are aware of our responsibility within the supply chain: Issues such as safety, health, environmental protection, corporate responsibility and quality play an integral part in our procurement strategy.

The Administration Excellence initiative includes a review of our procurement organization. The main focus is further integration of local and regional procurement activities into the global procurement structures. Intensive cross-organizational and cross-functional collaboration with the business units remains crucial.

In 2013 Evonik spent around €8.5 billion on raw materials and supplies, technical goods, services, energy and other operating supplies. Petrochemical feedstocks account for about 27 percent of the total. Overall, raw materials and supplies make up around 63 percent of procurement volume.

Using renewable resources is very important to Evonik. In 2013, around 8 percent of raw materials were once again from renewable resources. The main applications for these raw materials are *amino acids* and starting products for the cosmetics industry.

G See Glossary p. 272

Further value creation

Up to and including 2013, EVA® was the central management parameter for our business. If EVA® is positive, the Group creates value (value spread approach). EVA® is the difference between adjusted EBIT and the cost of capital, which is calculated by multiplying average capital employed by the weighted average cost of capital (WACC). In the regular review of the cost of capital in 2013 the WACC for the Evonik Group was left unchanged year-on-year at 10.5 percent before taxes.

T007 Capital employed, EVA® and ROCE

| in € million | 2013 | 2012 |
|--|--------------|--------------|
| Intangible assets | 3,077 | 3,156 |
| + Property, plant and equipment, investment property | 4,546 | 4,270 |
| + Investments | 772 | 615 |
| + Inventories | 1,626 | 1,561 |
| + Trade accounts receivable | 1,726 | 1,787 |
| + Other interest-free assets | 584 | 604 |
| - Interest-free provisions | -999 | -1,098 |
| - Trade accounts payable | -1,031 | -1,071 |
| - Other interest-free liabilities | -473 | -574 |
| = Capital employed^a | 9,828 | 9,250 |
| | | |
| Adjusted EBIT | 1,424 | 1,887 |
| Cost of capital (capital employed * WACC) | 1,032 | 972 |
| EVA® (adjusted EBIT – cost of capital) | 392 | 915 |
| ROCE (adjusted EBIT/capital employed) in % | 14.5 | 20.4 |

Prior-year figures restated.

^a Annual averages; prior-year figures restated to reflect discontinued operations.

The average capital employed increased by €0.6 billion to €9.8 billion. The year-on-year increase in capital expenditures to implement our growth strategy increased capital employed, while the divestment of business activities and impairment losses on production facilities had a slight counter-effect.

In 2013, we generated EVA® of €392 million and thus created perceptible value. The reduction of €523 million compared with the previous year was mainly attributable to the drop in operating earnings.

T008 EVA® by segment

| in € million | 2013 | 2012 |
|------------------------------|------------|------------|
| Consumer, Health & Nutrition | 532 | 729 |
| Resource Efficiency | 381 | 358 |
| Specialty Materials | 183 | 511 |
| Services | 32 | 27 |
| Corporate, other operations | -736 | -710 |
| Evonik | 392 | 915 |

Prior-year figures restated.

The three specialty chemicals segments once again generated high returns. The Resource Efficiency segment increased its EVA®, while the contributions from the Consumer, Health & Nutrition and Specialty Materials segments was below the previous year's high level. The Services segment once again reported positive economic value added. The EVA® for the Corporate, other operations segment is dominated by the identified hidden reserves from the acquisition of shares in the former Degussa AG and from earlier mergers of the former Degussa AG. These greatly increase capital employed, while their write-downs considerably diminish EBIT.

Very high return on capital in the specialty chemicals segments

ROCE measures the return on capital employed. It is calculated from adjusted EBIT in relation to average capital employed. We regard the ROCE of 14.5 percent earned in 2013 as an attractive return on capital employed. The decrease compared with the figure reported for 2012 was mainly caused by the decline in the operating results and higher capital expenditures, which increased capital employed but have not yet impacted adjusted EBIT. The return on capital employed in the three specialty chemicals segments was well above-average. The Group's ROCE is considerably lower because capital employed also includes identified hidden reserves from former business combinations.

T009 ROCE by segment

| in % | 2013 | 2012 |
|---|-------------|-------------|
| Consumer, Health & Nutrition | 34.3 | 48.7 |
| Resource Efficiency | 35.7 | 33.0 |
| Specialty Materials | 19.6 | 38.7 |
| Services | 16.7 | 16.0 |
| Evonik (including Corporate, other operations) | 14.5 | 20.4 |

Clear success in occupational safety

Our significant non-financial performance indicators for occupational and plant safety continued their positive long-term trend, although there was a slight deterioration in incident frequency in 2013.

Our occupational safety performance is measured by **accident frequency** based on our own employees. It is calculated as the number of work-related accidents resulting in absence from work per 1 million working hours. This figure includes both Evonik employees and contractors' employees directly supervised by Evonik. In 2013 accident frequency improved substantially to 0.9, down from 1.4 in 2012, and was therefore well below the maximum of 1.5 set for 2013. However, the sustained positive trend in recent years was overshadowed by two fatal accidents at work and one fatal traffic accident on the way to work.

Plant safety is evaluated continuously on the basis of **incident frequency**. This figure comprises incidents involving the release of substances, fires or explosions, even if there is little or no damage¹. It is calculated from the number of incidents per 1 million working hours in the production facilities operated by the business units, taking 2008 as the reference year (reference base = 100 points). This indicator, for which we set a target for the first time in 2013, increased slightly to 50 points (2012: 46 points). We attribute this to an improvement in the reporting culture and increased awareness of such incidents.

 See p. 99 f.

¹ Process safety performance indicator in accordance with the European Chemical Industry Council, Cefic.

2.5 Comparison of forecast and actual performance

Revised forecast met

In our annual report for 2012, we anticipated that in 2013 sales would be higher and the operating results would be in line with the very good level reported for 2012, based on the assumption that global economic conditions would meet expectations. We assumed global growth of 3.0 percent and an increase of 3.5 percent in global industrial output. In fact, the economic trend was considerably weaker in the first half of the year. As a consequence, we had to revise our expectations of a recovery in the second half of the year. This chiefly affected our growth expectations for the main regions of significance for Evonik, especially the EU and China. In view of this, at the end of the first half of the year we revised our full-year outlook downwards and also set more concrete targets: We anticipated sales of around €13 billion, roughly in line with the previous year¹, and forecast that the operating results would be below the very good 2012 levels. We also assumed that adjusted EBITDA would be around €2.0 billion.

Both global growth and industrial output were well below expectations in 2013. In this difficult economic environment, we achieved sales of €12.9 billion and adjusted EBITDA of €2.0 billion, so we met our revised outlook.

Improvement in financial position

At the end of the first half of 2013 we also reduced our capital expenditure budget from the original level of €1.5 billion to €1.2 billion. In this we made use of the flexible timeframe for implementation of the investments of over €6 billion planned for the period 2012 to 2016. In fact, capital expenditures came to €1.1 billion, slightly below the revised budget but well above depreciation, which was €0.6 billion. The cash flow from operating activities was €1.1 billion. At the start of 2013, we anticipated that net financial debt would be higher at year end. However, as a result of the divestment of the majority of the shares in the real estate activities, which was not factored into our outlook, we ended the year with net financial assets.

See p. 76

See p. 77

See p. 74

¹ Continuing operations.

2.6 Segment performance

Consumer, Health & Nutrition segment

The Consumer, Health & Nutrition segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and healthcare sectors. The long-term development of this segment's business is driven by socio-economic megatrends. As a result of growth in the world population, demand for food based on animal protein is rising. At the same time, the rise of an affluent middle class in the emerging markets is increasing consumption of meat and leading to higher demand for better quality day-to-day consumer goods such as personal care products and cosmetics. Moreover, as a result of demographic change the proportion of older people in the developed markets will rise in the long term, leading to higher demand for cosmetics, wellness and healthcare products. This segment comprises the Consumer Specialties and Health & Nutrition Business Units.

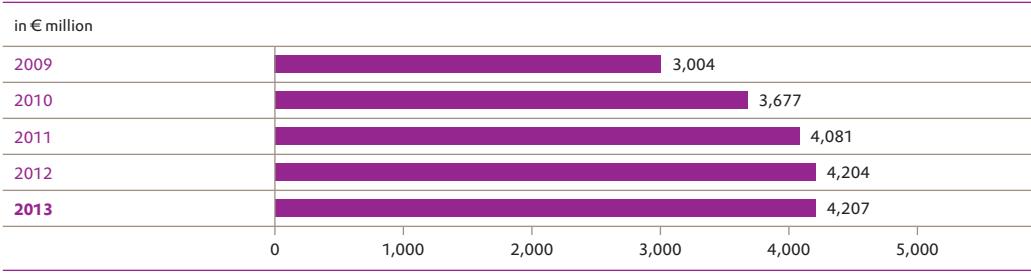
T010 Key data for the Consumer, Health & Nutrition segment

| in € million | 2013 | 2012 | Change in % |
|------------------------------------|-------|-------|----------------|
| External sales | 4,207 | 4,204 | 0 |
| Consumer Specialties Business Unit | 2,192 | 2,056 | 7 |
| Health & Nutrition Business Unit | 2,015 | 2,148 | -6 |
| Adjusted EBITDA | 910 | 1,055 | -14 |
| Adjusted EBITDA margin in % | 21.6 | 25.1 | - |
| Adjusted EBIT | 767 | 929 | -17 |
| Capital expenditures | 455 | 303 | 50 |
| Depreciation and amortization | 140 | 132 | 6 |
| Capital employed (annual average) | 2,237 | 1,906 | 17 |
| ROCE in % | 34.3 | 48.7 | - |
| Employees as of December 31 | 7,150 | 6,821 | 5 |

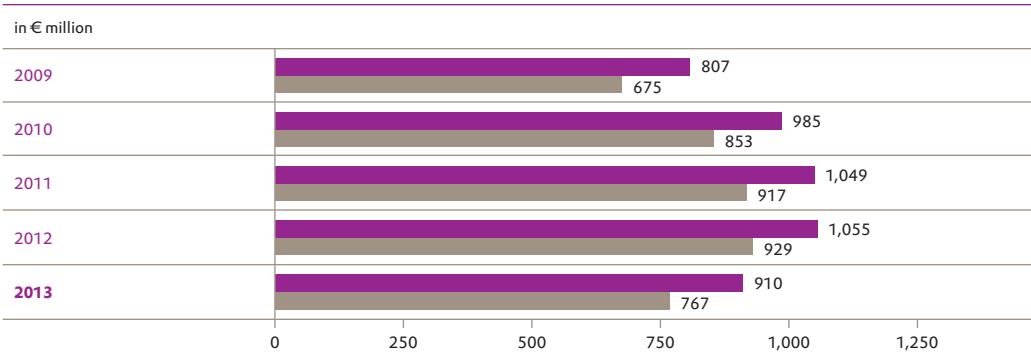
Prior-year figures restated.

Perceptible volume growth

Thanks to buoyant global demand and new production capacities, the Consumer, Health & Nutrition segment registered perceptible volume growth. Owing to the overall downturn in selling prices, sales were in line with the previous year at €4,207 million.

C11 Development of sales in the Consumer, Health & Nutrition segment**Very good earnings**

The segment's operating earnings were very pleasing but fell short of the previous year's excellent levels as a result of the reduction in selling prices. Adjusted EBITDA fell 14 percent to €910 million, while adjusted EBIT dropped 17 percent to €767 million. The adjusted EBITDA margin remained high at 21.6 percent, but was below the previous year's very good level.

C12 Development of adjusted EBITDA and adjusted EBIT in the Consumer, Health & Nutrition segment

■ Adjusted EBITDA ■ Adjusted EBIT

2012 figures restated.

Ambitious growth strategy

The Consumer, Health & Nutrition segment continued the systematic implementation of its growth strategy in 2013. To strengthen its leading global market positions and participate in the dynamic trend, especially in emerging markets, new production facilities were erected. Capital expenditures therefore increased to €455 million (2012: €303 million), and were well above depreciation, which amounted to €140 million. The average capital employed increased by €331 million to €2,237 million, principally because of the high capital expenditures. ROCE was very good at 34.3 percent, although it was considerably lower than in the previous year due to the growth-induced rise in average capital employed.

CONSUMER SPECIALTIES

This business unit focuses principally on ingredients, additives and system solutions, especially for high-quality consumer goods and specific industrial applications. It has outstanding knowledge of interfacial chemistry. Its products are based on an extensive range of oleochemical derivatives, organically modified silicones, and active ingredients produced by biotechnology. Key success factors are high innovative capability, integrated technology platforms and strategic partnerships with major consumer goods manufacturers.

Further improvement in earnings

The Consumer Specialties Business Unit continued its successful performance in 2013. Sales grew 7 percent to €2,192 million on the back of an appreciable rise in volumes. Superabsorbents were driven by a particularly strong hike in demand and registered higher sales. Products for special industrial applications such as radiation-curing silicone acrylates for self-adhesive labels posted a very pleasing development. Volume sales of personal care products were also up, partly as a result of marketing activities in connection with the start-up of the new production plant in China. Overall, the operating results were higher, partly because of the rise in volumes, but this was tempered by higher fixed costs and start-up expenses for growth investments.

Start-up of new production facilities in attractive emerging markets

In fiscal 2013, Consumer Specialties successfully completed two major expansion projects in attractive emerging markets.

In Saudi Arabia, the first production plant for superabsorbents in the Middle East was completed as planned at year-end 2013. For this purpose, Evonik established the Saudi Acrylic Polymers Company as a joint venture with Saudi Acrylic Acid Company (SAAC) in 2011. The new facility, which has annual production capacity of 80,000 metric tons, was built under license from Evonik. Total investment is triple-digit millions of euros, and Evonik's share is in the double-digit million range. The superabsorbent production plant is part of a new acrylic acid and derivatives complex at the Tasnee site in the Al Jubail Chemical Park in Saudi Arabia. It strengthens Consumer Specialties' global leadership in the superabsorbents business and meets rising demand for hygiene products in the fast-growing markets of the Middle East and parts of Africa and Asia.

A new plant for organic specialty surfactants with annual production capacity of around 80,000 metric tons came on stream in Shanghai (China). Investment was in the upper double-digit million euro range. Evonik can now offer customers in Asia a wide range of locally produced products to support their growth. Examples are specialty surfactants produced from renewable raw materials for use in personal care and hygiene products, fabric softeners and industrial applications. China, which is the largest market for cosmetic products in Asia, is expected to account for 25 percent of global growth in this market in the medium term.

In Brazil, 2013 saw the start of construction of a similar facility, which will also be producing ingredients for cosmetics and consumer household goods. Planned production capacity is around 50,000 metric tons a year, with investment in the mid-double-digit million euro range. This plant is scheduled to come into operation in 2014.

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HEALTH & NUTRITION

The Health & Nutrition Business Unit produces and markets essential amino acids for animal nutrition and is a strategic partner for the healthcare industry. Key success factors are years of experience of chemical synthesis and biotechnology, which we regard as key growth drivers for the Evonik Group. Other significant competitive advantages are its global distribution network and extensive and differentiated service offering.

Strong demand

There was continued strong demand for the *amino acids* methionine, lysine, threonine and tryptophan, which are essential for animal nutrition. This was driven by global trends such as population growth and rising incomes in emerging markets. Thanks to the continuous increase in capacity in recent years, for example, the increase in Biolys® capacity in North America in fall 2012, we were able to translate the increased demand into higher volume sales. However, selling prices were well below the very good prior-year level as a result of increasing competition. Sales of amino acids therefore declined overall. The business with healthcare products did not fully match the positive trend seen in 2012 and sales here were also down. Overall, sales of the Health & Nutrition Business Unit slipped 6 percent to €2,015 million. The operating results dropped considerably compared with the previous year's excellent figures as a result of lower selling prices, higher raw material costs and project costs in connection with growth projects.

G See Glossary p. 272

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feed-additives](http://www.evonik.com/feed-additives)

Investing in further growth

We are making good progress with the global expansion of capacity for methionine and lysine. Over €500 million is currently being invested in a fully backwardly integrated production complex for DL-methionine in Singapore. It will be the most modern complex of its type worldwide and the first world-scale facility for methionine in Asia, which is the fastest growing market for this product. The facility is scheduled to come into service in the second half of 2014 with production capacity of 150,000 metric tons a year, bringing total methionine capacity to 580,000 metric tons a year.

Health & Nutrition is building a plant for biotechnological production of the feed additive L-lysine in Castro (Brazil). Evonik's L-lysine, which is marketed as Biolys®, is regarded worldwide as an extremely effective source of lysine for animal nutrition. This new plant is being built at the site operated by the US company Cargill, from which Evonik already sources the main raw material for the Biolys® produced in Blair (Nebraska, USA). The Castro site has excellent access to corn, which is used as a raw material, very good logistics connections, and is close to our customers in the growing Latin American market. A further production plant for Biolys® is under construction in Volgodonsk, in the Rostov on Don region of Russia. It is being built by Evonik and the Russian Varshavsky Group. Evonik is the minority partner in this joint venture. The starting product will be wheat from the Rostov region. The new capacity of 100,000 metric tons a year in Brazil and Russia will give Evonik total production capacity of nearly 500,000 metric tons a year Biolys® from 2015.

Resource Efficiency segment

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions. Since supplies of fossil fuels are limited, we see the trend to renewable energy sources and energy-efficient and environment-friendly products as a key factor in the development of this segment's business. This segment comprises the Inorganic Materials and Coatings & Additives Business Units.

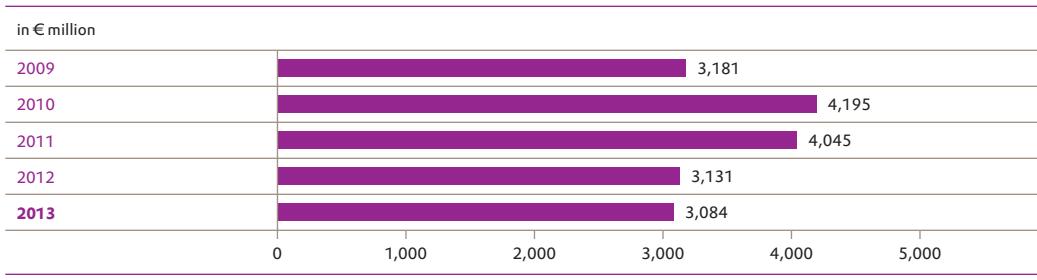
T011 Key data for the Resource Efficiency segment

| in € million | 2013 | 2012 | Change in % |
|------------------------------------|-------|-------|----------------|
| External sales | 3,084 | 3,131 | -2 |
| Inorganic Materials Business Unit | 1,436 | 1,473 | -3 |
| Coatings & Additives Business Unit | 1,648 | 1,658 | -1 |
| Adjusted EBITDA | 656 | 663 | -1 |
| Adjusted EBITDA margin in % | 21.3 | 21.2 | - |
| Adjusted EBIT | 540 | 526 | 3 |
| Capital expenditures | 230 | 171 | 35 |
| Depreciation and amortization | 114 | 136 | -16 |
| Capital employed (annual average) | 1,513 | 1,596 | -5 |
| ROCE in % | 35.7 | 33.0 | - |
| Employees as of December 31 | 5,854 | 5,755 | 2 |

Prior-year figures restated.

Organic sales growth

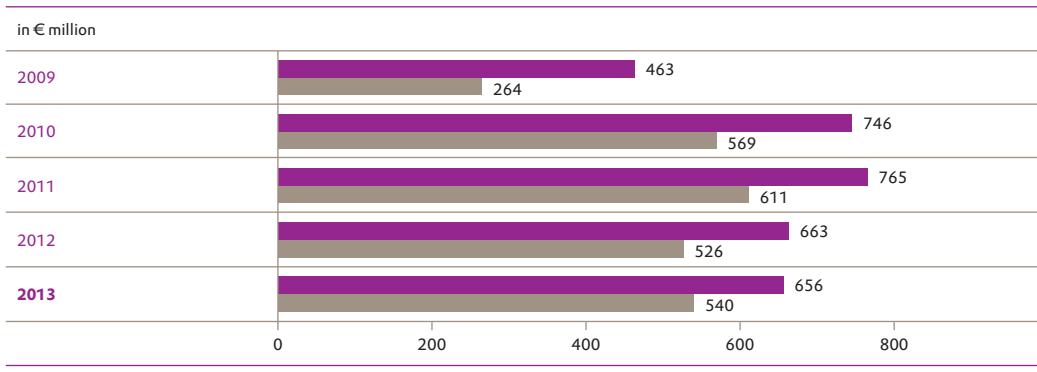
Sales in the Resource Efficiency segment were €3,084 million, 2 percent lower than in the previous year, principally as a result of negative currency effects. In addition, the previous year's figure still contained sales from the colorants business, which was divested at the end of April 2012, and from the photovoltaic activities. In September 2012 we concluded agreements with two major customers in the photovoltaic sector, essentially on winding up long-term supply agreements and on the shutdown of one production plant and divestment of another. After adjustment for these factors, this segment posted organic sales growth as a result of higher volumes and unchanged selling prices.

C13 Development of sales in the Resource Efficiency segment

Figures up to July 2011 include the carbon black business that has since been divested.

Higher adjusted EBITDA margin

The operating results were once again very good. At €656 million, adjusted EBITDA almost matched the previous year's level, while adjusted EBIT rose 3 percent to €540 million. The adjusted EBITDA margin increased slightly from 21.2 percent to 21.3 percent.

C14 Development of adjusted EBITDA and adjusted EBIT in the Resource Efficiency segment

■ Adjusted EBITDA ■ Adjusted EBIT

Figures up to July 2011 include the carbon black business that has since been divested.

Improved return on capital employed

Capital expenditures amounted to €230 million and were once again well above depreciation, which totaled €114 million. The average capital employed decreased by €83 million to €1,513 million. This was primarily attributable to the divestment of the colorants business and the shutdown and divestment of photovoltaic production facilities. A counter-effect came from higher capital expenditures. ROCE improved from 33.0 percent to 35.7 percent, mainly thanks to higher adjusted EBIT.

INORGANIC MATERIALS

A central feature of the Inorganic Materials Business Unit is its integrated silicon technology platform. Key customers include the tire, electronics, construction and fiber optics industries. Its expertise in designing organic particles and their surface properties is also used in the catalysts business.

Good volume trend

Sales decreased by 3 percent to €1,436 million in the Inorganic Materials Business Unit. The main factors behind this decline were negative currency effects, especially from the Japanese yen, and the fact that the previous year still contained sales from the photovoltaic business. After adjustment for these factors, the business unit reported organic sales growth, partly due to higher volumes. Business with fumed *silicas* and specialty oxides was pleasing, with high demand and good utilization of production capacity. Silicas and silanes for the tire and rubber industries also developed well. Both are used above all in tires with reduced rolling resistance ("green" tires) which enhance fuel economy. Rising demand was registered in Europe and Asia in particular, while business in North America was softer. Adjusted EBITDA was lower than in the previous year, while adjusted EBIT was in line with the previous year owing to lower depreciation.

Further expansion of the precipitated silicas business

Inorganic Materials is raising capacity for precipitated silicas by 30 percent by 2014 (reference base 2010). The main growth driver in this market is the trend to energy-saving tires with low rolling resistance. Using a combination of silica and *silanes*, it is possible to manufacture tires with considerably lower rolling resistance than conventional auto tires, resulting in fuel savings of up to 8 percent. Evonik is the only producer that offers both components, making it a competent partner for high-performance tire blends for customers in the tire and rubber industries. Through its capacity expansion, Inorganic Materials is therefore supporting the growth of its key customers in the global tire industry.

Having increased capacity at its sites in Asia and Europe, production capacity for precipitated silicas is now being raised by around 20,000 metric tons at the facility in Chester (USA). Following investment in the low double-digit million euro range, this new plant is scheduled to come into operation in 2014. A low double-digit million euro capacity expansion is also under way at the precipitated silica plant in Map Ta Phut (Thailand). This will raise capacity considerably and should be completed in the first quarter of 2014. Alongside automotive applications, precipitated silica is used by the food and feed industries and in paints and coatings. Demand from these industries is rising strongly in South-East Asia.

G See Glossary p. 274

@ www.evonik.com/rubber-silanes

G See Glossary p. 274

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COATINGS & ADDITIVES

The Coatings & Additives Business Unit supplies high-quality functional polymers and specialty monomers to the paints, coatings, adhesives and sealants industries. It also produces high-performance oil additives and hydraulic fluids. A key attribute is its integrated isophorone technology platform. In addition, Coatings & Additives is closely meshed with Evonik's methylmethacrylate and silicone platforms.

Higher operating earnings

2013 was another successful year for the Coatings & Additives Business Unit, which registered unchanged high demand from the automotive, construction and transportation industries for oil additives that enhance the performance of engines and gears. There was also high demand from the coatings industry and for binders. The composites business got off to a weak start in 2013 but picked up in the second half of the year. This business unit's sales slipped 1 percent to €1,648 million as the previous year's figure still contained sales from the colorants business (divested: April 2012). After adjustment for this effect, the Coatings & Additives Business Unit posted organic sales growth. The operating results improved, principally thanks to higher volumes.

@ [www.evonik.com/
oil-additives](http://www.evonik.com/oil-additives)

Investment in new markets

A major new production facility for functionalized polybutadiene came into operation in Marl (Germany) at the start of 2014. Investment in this plant was in the mid-double-digit millions of euros. Functionalized polybutadiene, which Evonik will be marketing as POLYVEST® HT, is mainly used in sealing components, for example, for double and triple-glazed windows, and in adhesives for lightweight structures in automotive engineering. In this sector adhesives are increasingly being used to complement traditional welding processes and as structural adhesives as a result of the growing use of metal sheeting and plastics.

G See Glossary p. 273

In Shanghai (China), new production facilities for isophorone and isophorone diamine costing over €100 million are also scheduled to come into service in the first quarter of 2014. Crosslinkers are important components, for example, in the production of tough industrial floorings, imitation leather, paints and coatings. They are also used in chemical synthesis and in the growing area of high-performance composites. The capacity expansion is part of the business unit's goal of supporting the growth aspirations of its key customers in Asia and elsewhere in the world.

G See Glossary p. 273
@ [www.evonik.com/
crosslinkers](http://www.evonik.com/crosslinkers)

Coatings & Additives will be raising capacity for oil additives on Jurong Island in Singapore considerably by the start of 2015. Most of the ongoing improvements and debottlenecking measures are scheduled for completion in the first half of 2014. These optimization measures and the planned expansion will almost double production capacity at the oil additives plant in Singapore. Oil additives, which are marketed by Evonik as VISCOPLEX®, are key components in ready-to-use lubricants, which are used in the automotive industry and for other industrial applications. They improve engine performance, help raise fuel economy, and cut CO₂ emissions. Evonik is responding to the above-average growth in the market for oil additives resulting from rising mobility and increased demand from Asia for high-performance lubricants with a higher additive content.

Specialty Materials segment

The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries. Progressive globalization offers market opportunities for this segment, driven by the mobility and urbanization megatrends, which are raising global demand for efficient transportation systems and sustainable construction methods. This is reinforced by the rise of an affluent middle class, especially in the emerging markets in Asia. We are also convinced that this segment's growth will be boosted by new applications resulting from the substitution of materials. This segment comprises the Performance Polymers and Advanced Intermediates Business Units.

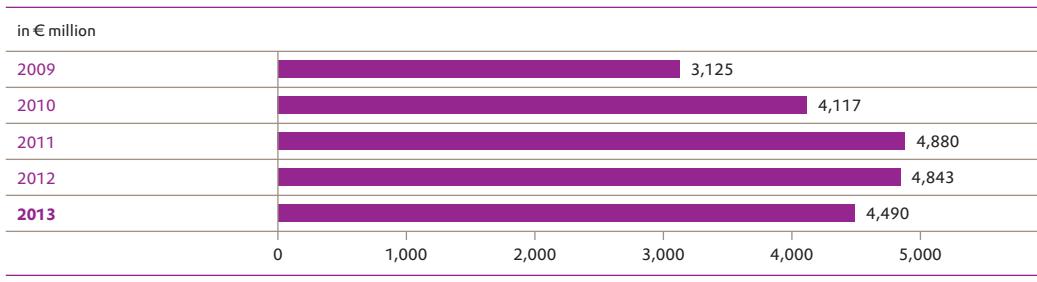
T012 Key data for the Specialty Materials segment

| in € million | 2013 | 2012 | Change in % |
|--------------------------------------|-------|-------|----------------|
| External sales | 4,490 | 4,843 | -7 |
| Performance Polymers Business Unit | 1,810 | 1,774 | 2 |
| Advanced Intermediates Business Unit | 2,680 | 3,069 | -13 |
| Adjusted EBITDA | 552 | 853 | -35 |
| Adjusted EBITDA margin in % | 12.3 | 17.6 | - |
| Adjusted EBIT | 395 | 701 | -44 |
| Capital expenditures | 289 | 344 | -16 |
| Depreciation and amortization | 157 | 151 | 4 |
| Capital employed (annual average) | 2,019 | 1,811 | 11 |
| ROCE in % | 19.6 | 38.7 | - |
| Employees as of December 31 | 6,268 | 6,134 | 2 |

Prior-year figures restated.

Lower sales

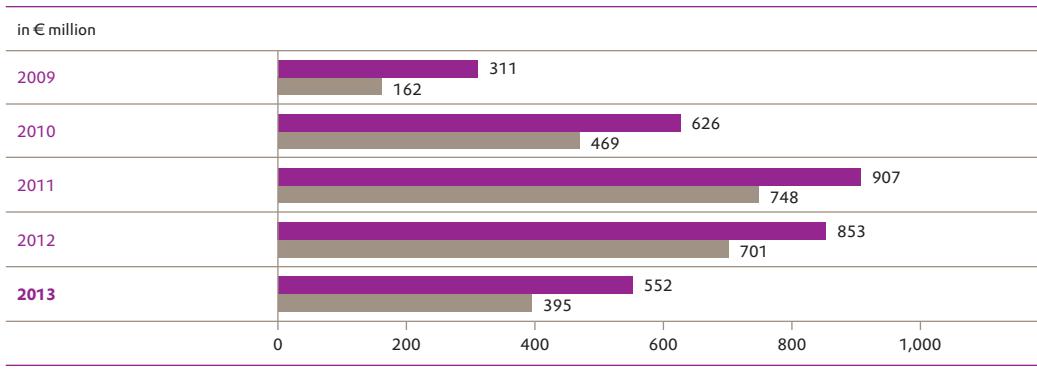
Sales declined 7 percent to €4,490 million in the Specialty Materials segment. Alongside withdrawal from the cyanuric chloride business in China in December 2012, this was due to an organic sales decline, caused by far lower selling prices. However, volumes increased appreciably, driven mainly by the fact that the production plant for cyclododecatriene (CDT), a precursor for polyamide 12, came back into service at the start of 2013. The plant in Marl (Germany) had been damaged by an explosion and fire on March 31, 2012.

C15 Development of sales in the Specialty Materials segment**Operating results lower than in the previous year**

Operating earnings were below the previous year's high levels, mainly as a result of lower selling prices. Adjusted EBITDA fell 35 percent to €552 million, while adjusted EBIT dropped 44 percent to €395 million. The adjusted EBITDA margin was 12.3 percent, down from 17.6 percent in the previous year.

Higher capital expenditures

To increase its global production capacity, Specialty Materials invested €289 million in property, plant and equipment in 2013, following investment of €344 million in 2012. In view of the ambitious growth strategy, capital expenditures once again exceeded depreciation, which amounted to €157 million. The average capital employed increased by €208 million to €2,019 million as a result of intensive capital expenditures. ROCE slipped from 38.7 percent to 19.6 percent owing to the lower earnings and higher average capital employed.

C16 Development of adjusted EBITDA and adjusted EBIT in the Specialty Materials segment

■ Adjusted EBITDA ■ Adjusted EBIT

PERFORMANCE POLYMERS

The Performance Polymers Business Unit produces a wide range of high-performance materials, mainly for the automotive, aviation, electronics and photovoltaic industries. At its heart are integrated technology platforms for methylmethacrylate chemistry (MMA) and polyamide 12. In addition, it manufactures high-performance polymers based on polyethereether ketone (PEEK) and polyimides to meet extremely high-tech mechanical, thermal and chemical requirements. Membrane technology is also developing promisingly.

High demand

Sales rose 2 percent to €1,810 million in the Performance Materials Business Unit, driven by a considerable rise in volumes. However, selling prices declined. The substantial increase in volumes was mainly due to the resumption of production of *cyclododecatriene (CDT)*, a precursor of polyamide 12, in early 2013. Following the fire on March 31, 2012, the CDT plant was rebuilt in record time and came back into service in January 2013. The damage in 2012 resulted in a clear drop in sales volumes but the reduction in earnings was largely covered by insurance. The difficult market environment in southern Europe and Asia affected methacrylate chemicals and prices came under pressure. As a result, the operating results declined.

New joint venture for lightweight construction applications

In September 2013, Performance Polymers and SECAR Technologie, Hönigsberg (Austria) established Litecon Advanced Composite Products, a new joint venture for the mass production of innovative fiber-reinforced composite components for the automotive and aviation industries. Evonik owns 49 percent of the joint venture and will be contributing its expertise in materials development, especially ROHACELL® structural foam. ROHACELL® is used in sandwich structures in planes and sports cars, rotor blades for wind turbines, medical x-ray tables, and sports and leisure equipment.

Substantial capacity expansion

Capacity increases for the specialty polymer polyamide 12 came on stream in 2013 in Marl (Germany) and Shanghai (China). In addition, a new polyamide 12 line is planned for Asia. Performance Polymers is planning this substantial capacity increase to meet rising demand from its customers and secure its leading position in the market for polyamide 12.

In Mobile (Alabama, USA), additional production capacity was completed for methacrylate monomers for special applications, which are developed in close collaboration with customers. Expansion of the plants in Worms (Germany) should be completed by the end of 2014.

Basic engineering for the methacrylate (MMA) production facility based on the new AVENEER® process in Mobile is well advanced. In the intermediate term, Evonik has budgeted a sum in the triple-digit millions of euros for this facility. Methacrylate monomers and their derivatives are the basis for innovative products for resource-saving solutions such as lightweight automotive construction.

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@ [www.evonik.com/](http://www.evonik.com/vestamid)
vestamid

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rohacell

ADVANCED INTERMEDIATES

Key factors in the success of the Advanced Intermediates Business Unit are advanced chemical processes, which Evonik has developed systematically over decades. This applies in particular for the integrated C₄ technology platform, where C₄ crack is processed into specialties. This business unit has gained access to new growth markets for hydrogen peroxide thanks to its innovative capability. It is a world market leader in alcoholates, which are used as catalysts in the production of biodiesel.

Sales and earnings down year-on-year

Sales fell 13 percent to €2,680 million. Alongside divestment of the cyanuric chloride business in China in December 2012, the principal factors were a significant reduction in the selling prices of Performance Intermediates (*C₄ chemistry*), especially butadiene. Volumes were slightly below the previous year's high levels on account of an extensive maintenance shutdown at production facilities for performance intermediates in Marl (Germany) which takes place every five years. The *hydrogen peroxide* business was stable, benefiting from higher demand, especially for applications produced using the *HPPO process* developed by Evonik and ThyssenKrupp Uhde. Demand for alcoholates for the production of *biodiesel* remained buoyant. However, the operating results fell short of the very good results for the prior-year period due to the lower selling prices.

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Investing in the future

The new production facility for hydrogen peroxide was completed in Jilin (China) at the start of 2014, bringing total annual production capacity for this product to over 850,000 metric tons. This investment in the low triple-digit million euro range gives Advanced Intermediates access to new markets for this environmentally friendly oxidation agent. Under a long-term agreement, most of the hydrogen peroxide from the facility in Jilin will be supplied to the neighboring propylene oxide plant operated by Jishen Chemical Industry Co., Ltd., via a direct pipeline. Jishen will use it to produce propylene oxide, which is mainly used in the manufacture of starting products for polyurethane. The market for this is growing particularly fast in Asia.

@ [www.evonik.com/
h2o2](http://www.evonik.com/h2o2)

A new plant to produce catalysts for the production of biodiesel from renewable raw materials has been completed in Puerto General San Marino (Argentina). This new plant has capacity of over 60,000 metric tons a year and will mainly serve the South American region. Through this investment Advanced Intermediates aims to participate in the fast-growing South American market for biodiesel.

@ [www.evonik.com/
oxo-alcohols](http://www.evonik.com/oxo-alcohols)

Evonik has extended its offering of sustainable plasticizers through a strategic addition to its portfolio: A new production plant for phthalate-free plasticizers has started operating in Marl (Germany) following investment amounting to double-digit millions of euros. Plasticizers from Evonik are mainly used in the plastics industry, and in the automotive and construction sectors.

In Jayhawk (USA) this business unit started up a new production plant for polymer additives. This capacity increase was triggered by a new strategic alliance with a leading producer of polyamides and their precursors. In future, Advanced Intermediates will be producing a ligand exclusively for this customer for an innovative catalyst system that represents a new key technology for efficient chemical production.

Services segment

This segment principally comprises Site Services and Business Services. It mainly provides services for the chemicals segments and the Corporate Center, but also serves third parties. The Site Services unit bundles cross-site infrastructure services, such as utilities, waste management, logistics and facility management. Business Services support the specialty chemicals operations and the Corporate Center by providing standardized administrative services, including IT, human resources, accounting and legal services. The Services segment also includes the Group-wide procurement and engineering operations.

T013 Key data for the Services segment

| in € million | 2013 | 2012 | Change in % |
|-----------------------------------|--------|--------|----------------|
| External sales | 916 | 999 | -8 |
| Adjusted EBITDA | 182 | 174 | 5 |
| Adjusted EBITDA margin in % | 19.9 | 17.4 | - |
| Adjusted EBIT | 87 | 78 | 12 |
| Capital expenditures | 122 | 103 | 18 |
| Depreciation and amortization | 94 | 91 | 3 |
| Capital employed (annual average) | 521 | 486 | 7 |
| ROCE in % | 16.7 | 16.0 | - |
| Employees as of December 31 | 12,192 | 11,900 | 2 |

Prior-year figures restated.

Higher earnings

The Services segment's sales totaled €2,680 million in 2013. Internal sales with the specialty chemicals segments and the Corporate Center accounted for €1,764 million of the total. The external sales of €916 million were mainly attributable to services and procurement activities for other customers. The 8 percent drop in external sales was mainly due to lower revenues from Site Services as a result of the shutdown of a customer's plant at the site in Marl (Germany). The increase in the operating results came mainly from successful cost management at the sites. Adjusted EBITDA rose 5 percent to €182 million, while adjusted EBIT grew 12 percent to €87 million. ROCE improved from 16.0 percent to 16.7 percent thanks to higher adjusted EBIT.

2.7 Regional development

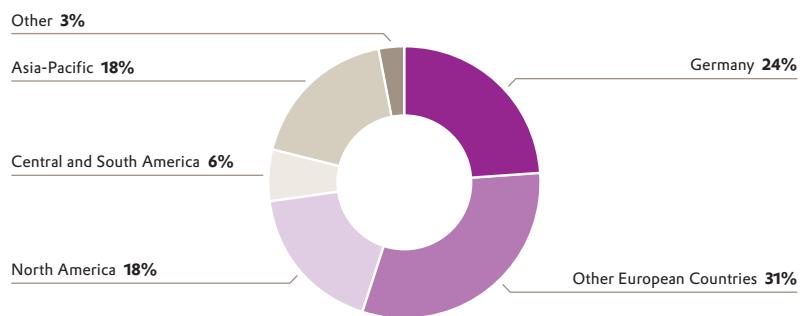
A global presence

In 2013, 76 percent of our sales were once again generated outside Germany. Sales in **Germany** declined by 2 percent to €3,049 million. This was mainly due to the reduction in selling prices in the Specialty Materials segment, and lower sales revenues from the Services segment as a result of the shutdown of a customer's facility at the site in Marl (Germany). Capital expenditures dropped by 22 percent to €349 million as a number of major projects from the previous year were completed. New production facilities for phthalate-free *plasticizers* and the specialty polymer polyamide 12 came into service in Marl (Germany). In addition, a major facility for the production of functionalized *polybutadiene* came on stream in Marl at the start of 2014. A new building was completed in Darmstadt (Germany). From 2014 the pharmaceutical polymers activities will be combined here in order to leverage synergies.

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C17 Sales by region^a



^a By location of customer.

Sales in the **Other European Countries** declined 4 percent to €4,044 million with all three segments contributing to this. This region accounted for an unchanged 31 percent of Group sales. Capital expenditures in this region rose 4 percent to €82 million. In Russia a further production facility for Biolys® with capacity of around 100,000 metric tons p.a. is under construction in Volgodonsk in the Rostov on Don region. It is being built by the OOO DonBioTech joint venture with the Varshavsky Group of Russia. Evonik is the minority partner in this joint venture.

Higher investment in the Americas

In **North America** sales contracted by 3 percent to €2,350 million. Here too, all segments reported lower sales. This region's share of Group sales was unchanged at 18 percent. Capital expenditures amounted to €130 million, slightly below the previous year's figure of €139 million. A new production plant for polymer additives came on stream in Jayhawk (USA), and capacity for precipitated *silicas* is currently being expanded in Chester (USA).

In **Central and South America** Evonik's sales totaled €810 million, which was 3 percent less than in 2012. Higher sales were reported by the Consumer, Health & Nutrition segment, principally because of a hike in business with superabsorbents. The Resource Efficiency segment also increased sales slightly. This region accounted for an unchanged 6 percent of total sales. Capital expenditures to step up our operations in this region rose to €57 million (2012: €14 million). A new facility to produce catalysts for the production of *biodiesel* from renewable resources was completed in Argentina. In Brazil, we are constructing production plants for the cosmetics and household consumer goods sectors and for the feed additive Biolys® for the South American market.

Expansion of our market position in Asia-Pacific

Sales in the **Asia-Pacific** region dropped 6 percent to €2,303 million. This was partly due to the fact that the prior-year figure still contained the cyanuric chloride operations in China. The region's share of Group sales was unchanged at 18 percent. Capital expenditures increased by 85 percent to €513 million as a result of major projects. In China, new production facilities for hydrogen peroxide, polyamide 12 and organic specialty surfactants have been completed or are close to completion, and new capacity for *isophorone* and *isophorone diamine* is scheduled for start-up in 2014. Capacity for precipitated silicas has been expanded greatly in Thailand and a new backwardly integrated production complex for the amino acid DL-methionine is under construction in Singapore.

An increased presence in emerging markets

As part of our growth strategy, we are expanding our presence in emerging markets. We define these as selected countries in Asia, South America, Eastern Europe, and the Middle East. In these countries we generated sales of €3.8 billion in 2013, which was 29 percent of total sales.

As a result of our ambitious investment program, the proportion of Group sales generated in attractive growth regions will increase greatly in the future. Evonik will then have a balanced presence in developed and emerging markets.

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G See Glossary p. 273

2.8 Earnings position

Lower income before income taxes, continuing operations

Despite higher volumes, sales declined 4 percent to €12,874 million as a result of lower selling prices. The cost of sales slipped 2 percent to €9,310 million. This was mainly attributable to initial cost savings, especially from the On Track 2.0 efficiency enhancement program. The prices of individual raw materials fluctuated considerably in some cases both during the year and in the regions. Overall the internal raw materials index was slightly lower than in the previous year. However, this was offset by higher volumes. The gross profit on sales decreased by 9 percent to €3,564 million. Selling and administrative expenses were €1,925 million, around the same level as in the previous year (€1,920 million). To strengthen our innovative capability still further, we raised spending on research and development by 3 percent to €394 million.

Other operating income and expenses include income or expenses from the measurement of derivatives and from currency translation of monetary assets and liabilities. The other operating income of €935 million includes income of €477 million (2012: €589 million) from these two items. The derivatives include the put option and the call option for the remaining shares in STEAG, which resulted in income of €48 million in 2013 (2012: €17 million). Excluding these items, other operating income decreased by €439 million to €458 million, mainly because the previous year's figure contained one-off income of around €270 million from settlements with two customers in the photovoltaic industry. Moreover, income from insurance refunds was lower. The other operating expenses of €1,159 million comprise expenses relating to the measurement of derivatives and the currency translation of monetary assets and liabilities totaling €451 million (2012: €580 million). Excluding these two items, other operating expenses increased by €11 million to €708 million. They contain, among other things, restructuring expenses of €209 million and impairment losses of €106 million, for example on production facilities in the Resource Efficiency and Specialty Materials segments and the 49 percent stake in STEAG. Also included are environmental protection expenses and provisions for legal disputes. The impairment losses and expenses included in the previous year's figure principally related to the photovoltaic business and the incident at the CDT plant. Income before financial result and income taxes, continuing operations dropped 44 percent to €1,021 million.

See p. 51

See p. 84 ff.

See Note 6.3,
p. 189 ff.

See Note 6.4,
p. 191 ff.

T014 Income statement for the Evonik Group

| in € million | 2013 | 2012 | Change in % |
|---|--------------|--------------|-------------|
| Sales | 12,874 | 13,365 | -4 |
| Cost of sales | -9,310 | -9,457 | -2 |
| Gross profit on sales | 3,564 | 3,908 | -9 |
| Selling expenses | -1,294 | -1,286 | 1 |
| Research and development expenses | -394 | -382 | 3 |
| General administrative expenses | -631 | -634 | - |
| Other operating income | 935 | 1,486 | -37 |
| Other operating expenses | -1,159 | -1,277 | -9 |
| Income before financial result and income taxes, continuing operations | 1,021 | 1,815 | -44 |
| Financial result | -185 | -259 | -29 |
| Income before income taxes, continuing operations | 836 | 1,556 | -46 |
| Income taxes | -220 | -453 | -51 |
| Income after taxes, continuing operations | 616 | 1,103 | -44 |
| Income after taxes, discontinued operations | 1,397 | 65 | - |
| Income after taxes | 2,013 | 1,168 | 72 |
| Non-controlling interests | -41 | 3 | - |
| Shareholders of Evonik Industries AG (net income) | 2,054 | 1,165 | 76 |

Prior-year figures restated.

Considerable increase in net income

The financial result improved by €74 million to minus €185 million, principally due to lower interest expense and higher income from securities transactions. Income before income taxes, continuing operations was 46 percent lower at €836 million. Income taxes decreased to €220 million, primarily as a result of tax-free income and the reduction in income. Overall, income after taxes, continuing operations declined by 44 percent to €616 million.

Income after taxes, discontinued operations amounted to €1,397 million. €1,629 million related to the real estate activities, comprising a divestment result of €1,519 million and operating income of €110 million up to deconsolidation. It also includes a loss of €233 million from the lithium-ion business, comprising impairment losses (€223 million), the operating business, and provisions for impending losses. Income after taxes therefore improved 72 percent to €2,013 million. Non-controlling interests in after-tax income amounted to minus €41 million and comprised the pro rata losses of fully consolidated subsidiaries that are attributable to shareholders outside the Evonik Group. Overall the net income of the Evonik Group grew 76 percent to €2,054 million.

 See Note 5.3,
p. 183 ff.

2.9 Financial condition

Effective financial management

The central objectives of financial management are safeguarding the financial independence of the Evonik Group and limiting financial risks. We therefore apply a central financing strategy. Borrowing and bond issuance are normally undertaken by Evonik Industries AG or its financing company Evonik Finance B.V., whose liabilities are fully guaranteed by Evonik Industries AG. To reduce external borrowing, surplus liquidity is placed in a cash pool at Group level to cover financing requirements in other Group companies. Evonik has a flexible range of corporate financing instruments to meet capital requirements for day-to-day business, investments, and the repayment of financial debt.

Moody's upgrade to Baa2, outlook still positive

Following announcement of the divestment of the real estate business Vivawest in March 2013, Moody's upgraded Evonik's *rating* by one notch to Baa2. The outlook remained positive. Moody's stressed the significant reduction in debt resulting from the transaction. It also welcomed the private placements of shares in spring 2013 ahead of the stock exchange listing. Our rating from Standard and Poor's is still BBB+ with a stable outlook. This rating agency confirmed its positive assessment in May 2013. Maintaining a sound investment grade rating is a central element in our finance strategy. To ensure this, the ratio of net debt (including unfunded pension obligations) to adjusted EBITDA should not exceed 2.5. As of December 31, 2013 it was 1.4, compared with 2.1 at year-end 2012. The improvement was mainly driven by a reduction in net debt resulting from revenues from the sale of the majority stake in the real estate activities (€1.1 billion), the transfer of part of Vivawest to the *CTA* for pensions (€0.8 billion), and deconsolidation of the financial debt and pension obligations relating to the real estate activities (€0.6 billion).

G See Glossary p. 276

G See Glossary p. 275

Net financial asset position

Evonik had net financial assets of €552 million at year-end 2013, compared with financial debt of €1,163 million at year-end 2012. The net asset position was principally due to the divestment and deconsolidation of the real estate business and the cash flow from operating activities, while high capital expenditures, the dividend payment of €429 million for 2012, and a cash contribution of €200 million to the CTA had a counter-effect. Further funds are to be allocated to the CTA in 2014 and 2015.

T015 Net financial assets/debt

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|---|------------------|------------------|
| Non-current financial liabilities | -627 | -1,397 |
| Current financial liabilities | -976 | -1,437 |
| Financial debt | -1,603 | -2,834 |
| Cash and cash equivalents | 1,518 | 741 |
| Current securities | 635 | 928 |
| Other financial assets | 2 | 2 |
| Financial assets | 2,155 | 1,671 |
| Net financial assets/debt as stated on the balance sheet | 552 | -1,163 |
| Net financial assets, discontinued operations | 18 | - |
| Net financial assets (total) | 570 | - |

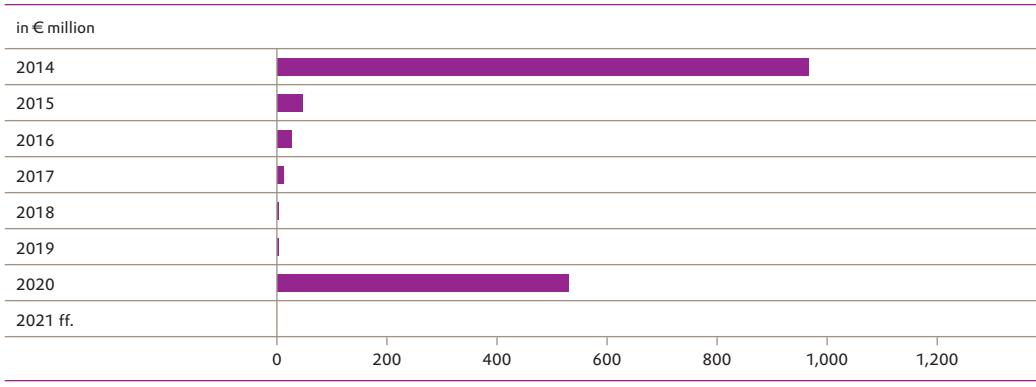
There was a substantial decline of €1,231 million in financial debt to €1,603 million in 2013. On a comparable basis, i.e. taking into account the deconsolidation of the real estate activities and the reclassification of the lithium-ion business to discontinued operations, the decline was €633 million. In April 2013 Evonik Industries AG issued a €500 million bond. The €1,093 million bond issued by Evonik Degussa GmbH was redeemed as scheduled in December. The new bond matures in seven years and has a coupon of 1.875 percent. The yield at issue was 2.001 percent.

Corporate bonds as a central financing instrument

At year-end 2013, the financial debt of €1,603 million comprised two corporate bonds totaling €1,243 million, decentralized bank loans (€326 million), and other liabilities (€34 million). The bond issued by Evonik Industries AG with a nominal value of €750 million matures in October 2014.

At the start of 2013, we launched a debt issuance program to place bonds with a total volume of up to €3 billion. This has increased our flexibility. We can now issue bonds at short notice, thus improving our access to the capital markets.

Over 85 percent of the Group's financial liabilities are denominated in euros. Only Group companies outside the euro zone have financial liabilities in other currencies. The relevant currencies include the Chinese renminbi yuan (CNY), the new Taiwan dollar (TWD), the Argentinean peso (ARS) and the US dollar (USD).

C18 Maturity profile of financial liabilities^a

As of December 31, 2013.

^a Contains all material financial liabilities relating to bonds, bank loans and promissory note loans.**Strong liquidity position**

Alongside cash and cash equivalents of €1,518 million and investments of €635 million in current securities, the Group's central source of liquidity is a €1.75 billion revolving credit facility from a syndicate of 27 national and international banks. This credit facility is €250 million higher than in the previous year and is divided into two tranches of €875 million each running initially until September 2016 and 2018, with two extension options of one year each. This revolving credit facility was not drawn at any time in 2013. It does not contain any covenants requiring Evonik to meet specific financial ratios.

Further, as of December 31, 2013, various unused credit lines totaling €342 million were available to meet local requirements, especially in the Asia-Pacific region.

First growth projects completed

In the specialty chemicals sector Evonik is expanding in business areas and markets where it already has—or intends to build—a strong competitive position. Investment projects are aimed at utilizing potential for sustained profitable growth and value creation. Every project undergoes detailed strategic and economic analyses, and has to meet business-specific, risk-adjusted minimum return requirements, which include covering the cost of central functions. Evonik is currently undertaking a €6 billion investment program. The first major projects under this program were completed or virtually completed in 2013. They include the superabsorbents plant at the joint venture with Saudi Acrylic Acid Company (SAAC) in Saudi Arabia, the production facility for organic specialty surfactants in Shanghai (China), and the production facility for hydrogen peroxide in Jilin (China).

G See Glossary p. 274

G See Glossary p. 272

In 2013 we increased investment in property, plant and equipment by 18 percent to €1,135 million (2012: €960 million). The increase was mainly for strategic growth projects. As part of our growth strategy geared to creating value, these projects will result in above-average capital expenditures in the coming years compared with previous fiscal years. The biggest single project in 2013 was the methionine complex in Singapore, which is scheduled for completion in the second half of 2014.

In keeping with our corporate strategy, the specialty chemicals operations once again received the highest proportion of capital expenditures—86 percent—and 11 percent was invested in the Services segment. The regional focus of capital expenditures was Germany, which accounted for 31 percent of the total, followed by South-East Asia (24 percent) and Greater China (20 percent).

See p. 56 ff.

T016 Major projects completed or virtually completed in 2013

| Segment | Location | Project |
|------------------------------|--------------------------|--|
| Consumer, Health & Nutrition | Al Jubail (Saudi Arabia) | Construction of a new superabsorbents plant ^a |
| | Shanghai (China) | Construction of an integrated oleochemicals facility |
| Resource Efficiency | Lantaron (Spain) | Expansion of silica capacity |
| | Rheinfelden (Germany) | Expansion of capacity for functional silanes |
| Specialty Materials | Jayhawk (USA) | Expansion of capacity for polymer additives |
| | Jilin (China) | New hydrogen peroxide facility |
| | Rosario (Argentina) | New plant for biodiesel catalysts |
| | Marl (Germany) | New production plant for phthalate-free plasticizers |
| | Mobile (USA) | Expansion of capacity for monomer applications |

^a Joint venture (financial investment).

For further information on current capital expenditure projects, please see the sections on the segments and regions.

Additions to financial assets totaled €28 million, which was below the previous year's figure of €32 million.

Cash flow below previous year's high level

The cash flow from operating activities in our continuing operations was €1,086 million in 2013, €309 million less than in the previous year. The reduction in income before the financial result, income taxes, depreciation and amortization was offset to some extent by lower income tax payments. Insurance refunds and the measurement of derivatives also had a positive effect. The cash flow from operating activities in the discontinued operations related to the lithium-ion business and the former Real Estate segment and comprised an outflow of €3 million, compared with an inflow of €25 million in 2012. Overall, the cash flow from operating activities declined by €337 million to €1,083 million.

T017 Cash flow statement (excerpt)

| in € million | 2013 | 2012 |
|--|--------------|---------------|
| Cash flow from operating activities, continuing operations | 1,086 | 1,395 |
| Cash flow from operating activities, discontinued operations | -3 | 25 |
| Cash flow from operating activities | 1,083 | 1,420 |
| Cash flow from investing activities, continuing operations | 322 | -1,472 |
| Cash flow from investing activities, discontinued operations | 59 | -149 |
| Cash flow from investing activities | 381 | -1,621 |
| Cash flow from financing activities, continuing operations | -1,044 | -488 |
| Cash flow from financing activities, discontinued operations | 418 | 20 |
| Cash flow from financing activities | -626 | -468 |
| Change in cash and cash equivalents | 838 | -669 |

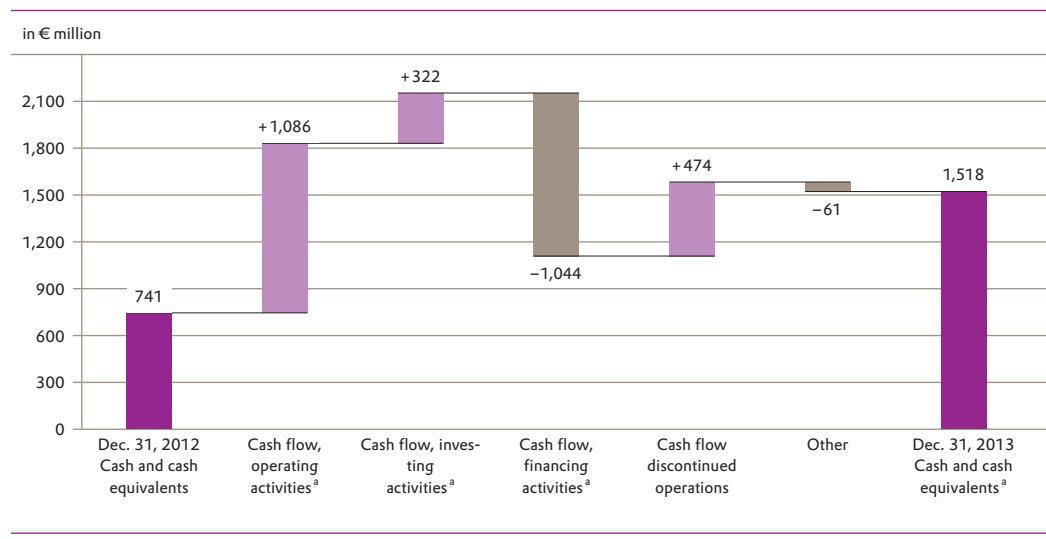
Including discontinued operations.

The cash flow from investing activities, continuing operations comprised an inflow of €322 million. This resulted mainly from the receipt of payments totaling €1,621 million, especially in connection with the divestment of the real estate activities, principally the shares in Vivawest, and current securities. There were also outflows of €1,099 million for investment in property, plant and equipment and shareholdings, and an allocation of €200 million to the *CTA*. In 2012, cash outflows for investment in property, plant and equipment, securities and the allocation to the CTA resulted in a total outflow of €1,472 million. Together with the cash flow from the discontinued operations, the cash flow for investing activities comprised an inflow of €381 million, compared with an outflow of €1,621 million in the previous year.

G See Glossary p. 275

The cash flow from financing activities, continuing operations comprised an outflow of €1,044 million. The main outflows were for repayment of financial debt, especially the redemption of the bond issued by Evonik Degussa GmbH, and the payment of a dividend. These were countered by an inflow from the issuance of the bond by Evonik Industries AG. In 2012, the cash outflow for financing activities, continuing operations was €488 million. The cash inflow from financing activities, discontinued operations amounting to €418 million mainly related to a promissory note in the former Real Estate segment. In all, there was a cash outflow of €626 million for financing activities in 2013, compared with an outflow of €468 million in the previous year.

C19 Cash and cash equivalents December 31, 2013 versus December 31, 2012



^a Continuing operations.

2.10 Asset structure

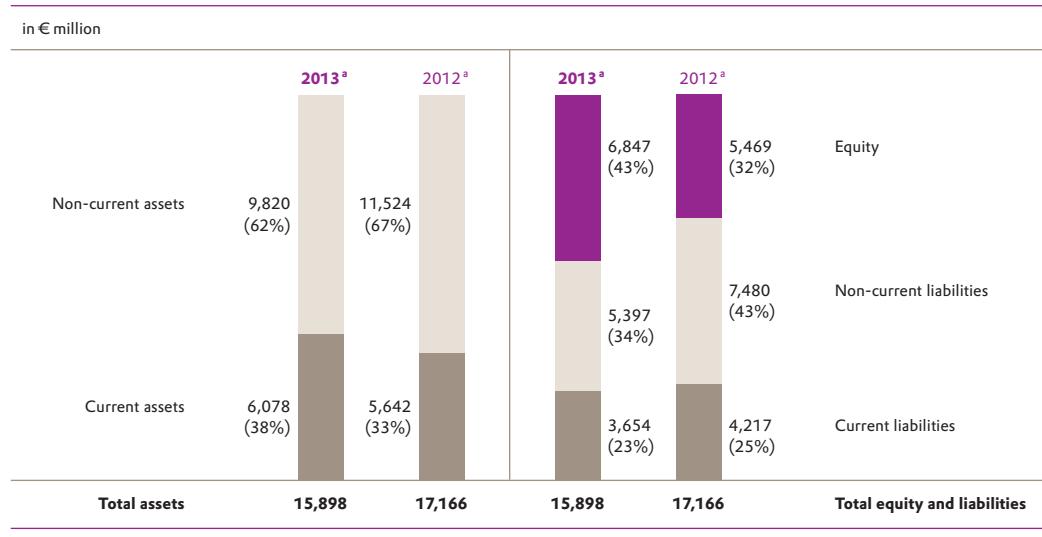
Decrease in total assets

Total assets as of December 31, 2013 decreased by €1.3 billion to €15.9 billion, principally as a result of the deconsolidation of the real estate activities in July 2013 following divestment of the majority of the shares. This was the main reason for the €1.7 billion drop in non-current assets to €9.8 billion. Current assets increased by €0.4 billion to €6.1 billion, mainly because of the receipt of the divestment proceeds of €1.1 billion for the majority stake in the real estate activities. This was countered by the scheduled redemption in December 2013 of the Evonik Degussa bond. Non-current assets decreased to 62 percent (2012: 67 percent) of total assets as a result of the deconsolidation of the principally non-current assets relating to the real estate business. The non-current assets are financed by liabilities with the same maturity structure.

See Note 5.2,
p. 181 ff.

See p. 74

C20 Balance sheet structure of the Evonik Group



^a As of December 31.

Equity increased by €1.4 billion to €6.8 billion thanks to high net income, and the equity ratio improved from 31.9 percent to 43.1 percent.

Non-current liabilities decreased by €2.1 billion to €5.4 billion. The main influences were the deconsolidation of the real estate activities and reclassification of the €750 million bond issued by Evonik Industries AG, which matures in October, to current financial liabilities. In current liabilities, this addition was countered by the redemption of the Evonik Degussa bond. As a result, current liabilities declined by €0.6 billion to €3.7 billion.

3. Performance of Evonik Industries AG

Evonik Industries AG, Essen (Germany) is the parent company of the Evonik Group. It holds direct and indirect stakes in all subsidiaries in the Group. The annual financial statements for Evonik Industries AG have been prepared in accordance with the accounting standards set out in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

As of July 1, 2013, the management of all plants operated by Infracor GmbH and Industriepark Wolfgang GmbH (IPW) was transferred to Evonik Industries AG. In connection with this, around 4,500 employees of these companies were transferred to Evonik Industries AG. There are also plant management agreements with five other major operating companies, including Evonik Degussa GmbH, which were concluded in previous years.

The companies remain the economic owners of the assets and liabilities of the plants. Consequently, the opportunities and risks are still borne by and assigned to these companies. As the operator, Evonik Industries AG recognizes all liabilities entered into in its name and capitalizes a claim for compensation from the owners of the plants. As a result of this structure, the sales revenues shown on the income statement of Evonik Industries AG only contain fees for the management of these plants. All other income and expenses are allocated to the companies that own the plants and are recognized in their annual financial statements.

The earnings performance of Evonik Industries AG is essentially dependent on fees received for the management of its plants, the earnings of its subsidiaries, and income and expenses relating to corporate financing and portfolio management. Financial management is therefore based on an earnings indicator that contains all these effects: net income.

T018 Income statement for Evonik Industries AG

| in € million | 2013 | 2012 |
|--|--------------|-------------|
| Sales | 44 | 71 |
| Other operating income | 2,194 | 505 |
| Personnel expense | -116 | -79 |
| Depreciation of property, plant and equipment, amortization of non-current intangible assets | -3 | -3 |
| Other operating expenses | -620 | -707 |
| Operating result | 1,499 | -213 |
| Income from investments | 453 | 365 |
| Write-downs of financial assets and marketable securities | -17 | -4 |
| Write-ups of financial assets | 48 | - |
| Net interest expense | -99 | -93 |
| Income before taxes | 1,884 | 55 |
| Extraordinary income | 12 | 8 |
| Extraordinary expense | -15 | -10 |
| Extraordinary loss | -3 | -2 |
| Income taxes | -66 | 23 |
| Net income | 1,815 | 76 |
| Allocation to/withdrawals from revenue reserves | -907 | 353 |
| Net profit | 908 | 429 |

Sales relate almost exclusively to plant management fees and slipped from €71 million in 2012 to €44 million in 2013, mainly due to a lower calculation base for plant management fees. The other operating income of €2,194 million contains income of €1,791 million from the sale of the majority of the shares in the real estate business. It also includes income from currency translation gains (€342 million). In the gross presentation, currency translation losses (€336 million) are shown in other operating expenses, separately from the currency translation gains. The net effect was income of €6 million. Personnel expenses increased from €79 million to €116 million. This was principally due to higher remuneration for the Executive Board¹ and expenses for planned measures in the administrative area. This item does not include personnel expense for the employees transferred under the new plant management structure because economically they are still attributable to the companies that own the plants.

¹ See the Remuneration report, § p. 124 ff. and Note 10.3, § p. 252 f.

Income from investments increased to €453 million and includes a dividend of €500 million from Vivawest GmbH, which was offset by expenses for the assumption of losses. The net interest expense of €99 million mainly resulted from borrowing for the company's financing activities for the Group. This item also contains interest income and expense from the Group-wide cash pool, which is concentrated at Evonik Industries AG. Income before income taxes improved from €55 million to €1,884 million, mainly because of the gain from the divestment of the majority of the shares in the real estate subsidiary Vivawest. The extraordinary loss of €3 million (2012: €2 million) comprised expenses in connection with the stock market listing. The extraordinary expenses also include expenses of €12 million (2012: €8 million) for preparation of the stock exchange listing, which were reimbursed by our shareholders. Since the divestment gain was tax-free, income tax expense was €66 million. The net income improved from €76 million to €1,815 million, principally as a result of the divestment gain and higher income from investments. €907,155,984.30 was allocated to revenue reserves, leaving a net profit of €907,500,000.00. The Executive Board will propose to the Annual Shareholders' Meeting that a further €441,500,000.00 should be allocated to other revenue reserves and that €466,000,000.00 should be distributed. That gives a dividend of €1.00 per share.

T019 Balance sheet for Evonik Industries AG

| in € million | 2013 | 2012 |
|--|---------------|---------------|
| Assets | | |
| Intangible assets, property, plant and equipment | 8 | 11 |
| Financial assets | 8,745 | 8,818 |
| Non-current assets | 8,753 | 8,829 |
| Receivables and other assets | 3,671 | 3,281 |
| Securities | 630 | 900 |
| Cash and cash equivalents | 1,186 | 421 |
| Current assets | 5,487 | 4,602 |
| Prepaid expenses and deferred charges | 1 | 2 |
| Total assets | 14,241 | 13,433 |
| | | |
| Equity and liabilities | | |
| Issued capital | 466 | 466 |
| Capital reserve | 720 | 720 |
| Revenue reserves | 3,192 | 2,285 |
| Net profit | 908 | 429 |
| Equity | 5,286 | 3,900 |
| Provisions | 2,044 | 1,743 |
| Payables | 6,911 | 7,790 |
| Total equity and liabilities | 14,241 | 13,433 |

Evonik Industries AG's total assets increased by €0.8 billion to €14.2 billion. Financial assets mainly comprise shares in subsidiaries. The receivables mainly comprise claims for reimbursements in connection with plant management, and financial receivables of €1.2 billion, principally in connection with loans and cash pooling activities. Equity increased by €1.4 billion to €5.3 billion. The equity ratio therefore improved from 29.0 percent to 37.1 percent. The provisions of €2.0 billion include €1.6 billion relating to the plants managed by Evonik Industries AG. The receivables and liabilities reflect the financing activities of Evonik Industries AG in its role as the holding company for the Group. Payables include financial liabilities of €6.0 billion. €4.7 billion of this comprises liabilities to associated companies, mainly in connection with cash pooling activities. A further €1,250 million relates to the corporate bonds.

Opportunities and risks

The most significant operating subsidiaries have profit-and-loss transfer agreements with Evonik Industries AG. In line with the central financing strategy of the Evonik Group, most internal and external financing transactions are handled by Evonik Industries AG. Consequently, Evonik Industries AG is essentially exposed to the same risks and opportunities as the Evonik Group. Further information can be found in the Opportunity and risk report.

Outlook for 2014

We anticipate a substantial reduction in the net income of Evonik Industries AG in 2014 compared with the figure for 2013, which contained the divestment gain from the real estate activities. In order to optimize the legal structures of our subsidiaries, there will be further intragroup mergers in 2014. As in 2013, the merger-related losses will reduce income from investments.

Report on relations with affiliated companies

A report on relations with affiliated companies has been prepared in accordance with Section 312 of the German Stock Corporation Act (AktG). It concludes with the following declaration: "Our company received adequate remuneration or compensation for each of the transactions set out in this report on relations with affiliated companies under the circumstances known to us at the time when the transactions were undertaken. No actions were performed or omitted at the instigation of such companies."

4. Research & development

Evonik gives research more clout

Evonik—one of the world's most innovative companies. That is the vision that guides our research and development (R&D). The Group-wide Leading Innovation initiative, which is designed to step up the pace of innovation, is a key element: It is our response to the challenging market environment and increasingly short product and innovation lifecycles, and paves the way for the future success of the Evonik Group. In 2013 a number of specific measures were defined as part of this initiative, including realigning our strategic innovation unit, Creavis.

A culture of innovation is a key factor in a company's innovative capability. It determines whether—and how fast—employees are able to drive forward good ideas and convert them into additional sales and earnings. That includes the strength to halt R&D projects if their prospects of success are too low, and a constructive attitude to mistakes. Evonik sees itself as an open and learning organization and has anchored this in its innovation management and executive development activities.

To gather new business ideas within the Group, we are using creative new approaches and stepping up the use of online platforms, for example, through global, cross-unit Ideation Jams. In this way, in fall 2013 employees worldwide were able to put forward proposals for the development of new products, technologies and business models aligned specifically to the health needs of older people. More than 20 of the roughly 160 suggestions received were selected for further development.

Every year we present an Innovation Award in various categories to honor outstanding research achievements.

Attractive innovations should continue to support Evonik's growth in the coming years and help us attain the financial targets set for 2018. We have a well-stocked pipeline with a balanced mixture of around 500 short-, mid- and long-term R&D projects.

Examples of our most recent R&D highlights are novel amino acid derivatives that can be used as feed additives for fish, highly transparent insulation for windows, and—as an alternative to petroleum-based laurin lactam—a bio-based amino lauric acid that produces an identical polyamide 12.

In view of its strategic importance, R&D spending has been increased by an average of 9 percent a year since 2009. In 2013, it totaled €394 million, up from €382 million in the previous year and the R&D ratio was 3.1 percent. We intend to maintain spending on R&D at a high level in the future.

Innovation Award 2013

New Products/New System Solutions category

Project:
Silylisocyanates—New technology platform makes automotive clear coats more scratch resistant

Coatings & Additives Business Unit

New or Improved Process category

Project:
New serine production platform—Two enantiomers by a single route

Health & Nutrition Business Unit

Creative Communication Medium category

Project:
CAREtain—The communication platform for sustainable innovation

Consumer Specialties Business Unit

T020 R&D at Evonik

| | |
|---|----------------|
| R&D expenses | €394 million |
| R&D ratio | 3.1% |
| R&D employees | approx. 2,600 |
| Locations | approx. 35 |
| R&E projects | approx. 500 |
| Number of new patent applications filed | approx. 260 |
| Patents held and applications filed | approx. 26,000 |
| Registered/pending trademarks | approx. 7,500 |

In addition, Evonik invested more than €50 million in the construction of laboratory capacity and pilot facilities in 2013. Examples include a new innovation center for applications for the cosmetics industry, which the Consumer Specialties Business Unit opened in Essen (Germany) in June 2013. High-quality cosmetic ingredients are an attractive growth market. As a result of intensive research, the Performance Polymers Business Unit opened a pilot plant for the production of bio-based amino lauric acid in Slovenska L'upča (Slovak Republic) in early 2013.

The large number of first-time patent applications filed by Evonik places it at the forefront of the specialty chemicals sector. In 2013 we had around 26,000 patents and pending patents and filed around 260 new patent applications. The value of our patent portfolio has increased steadily in recent years. In summer 2013 the strength and efficiency of our R&D were highlighted by a survey by PatentSight, a company which regularly analyzes companies' patent portfolios against their global competitors.

Internal and external networks foster new business and technology ideas

Evonik's R&D activities are decentralized. Our global R&D network comprises some 2,600 employees from a variety of disciplines at around 35 locations. We regard this interdisciplinary collaboration as an important generator of innovations, which these days generally span the interfaces between different fields. Moreover, we bring together our in-house expertise in specialty chemicals,

process technology and engineering at an early stage in projects. This facilitates rapid transfer of new processes into industrial production.

Turning successful research into business success requires a sound knowledge of the market-place. Our R&D staff therefore work closely with their colleagues from Marketing & Sales. As a result, our innovations are very closely aligned to the needs of our customers, enabling us to enhance their competitiveness through new or improved products and applications. As part of our Leading Innovation initiative we aim to integrate Marketing & Sales even more closely into our innovation processes in the future. To complement that, our product and marketing expertise for key end-markets such as the automotive, pharmaceuticals, and paints and coatings industries is bundled in special teams. That also increases our visibility to potential customers.

Since product lifecycles are becoming shorter while innovation is becoming more complex, we are making our R&D more open to external partners in the sense of "open innovation." Development alliances with key customers, which have long been established in our day-to-day activities, are becoming even more significant. For this reason, Consumer Specialties' new innovation center has a special workshop area that is separated from the remaining research facilities to secure collaboration with customers yet take account of the need to protect know-how.

In order to participate in the latest research findings, Evonik cooperates with leading universities around the world. In addition, in June 2013 we stepped up our established cooperation with Duisburg-Essen University in Germany by concluding an agreement to sponsor a junior professorship and fund ten new scholarships for doctoral candidates. In fall 2013 we signed a declaration of intent on a strategic partnership with Singapore's leading national research organization, the Agency for Science, Technology and Research (A*STAR).

We are also exploring new routes in open innovation. In August 2013, we invited more than 100 scientists in Germany working in the areas of organic chemistry, biochemistry and catalysis to submit proposals for a specific cooperation project. The goal was to find ways of synthesizing DL-methionine or L-methionine without using hydrocyanic acid. At Evonik's annual research colloquium in December 2013 awards were presented to the scientists who submitted the three best proposals.

Our corporate venture capital activities are a special way of networking and a strategic complement to our R&D. They give us an insight into innovative technologies and business activities aligned to our growth strategy at a very early stage of development. In the next few years, we intend to invest up to €100 million in promising start-ups. More than 300 potential candidates were examined in 2013. In 2012 we invested in the High-Tech Gründerfonds II, the Emerald Cleantech Fund III, and the Pangaea Ventures Fund III. In December 2013 we took a direct stake in FRX Polymers, Inc., a US technology company with specialist expertise in environment-friendly polymer-based flame retardants. This company has pilot facilities in the USA and Switzerland and started up its first plant for mass production of halogen-free flame retardant plastics in Antwerp (Belgium) at the end of 2013.

Strategic innovation unit Creavis realigned

Creavis has long been a symbol of Evonik's research. In the past three years alone, it has initiated new business through the successful development of 20 innovation projects that have been transferred to our operating units for marketing. To make Creavis even faster and more flexible in the future, we reviewed its structures and concepts as part of our Leading Innovation initiative. The goal was to build on Creavis' strengths: excellence in technology and project management. As a result, Creavis was given a new structure effective January 1, 2014.

 www.evonik.com/venturing

 www.evonik.com/creavis

Interdisciplinary research will still be pursued in Creavis' project houses, but they will be structured more flexibly. In spring 2013 we opened our tenth project house, Composites, based in Marl (Germany) with a unit in Darmstadt (Germany). It will be developing innovative materials and systems solutions for lightweight construction. Its research focuses, among other things, on applications in the automotive and aviation sectors and regenerative energies. A further project house is planned for spring 2014. It will be working on medical technology and will be based in Birmingham (Alabama, USA), a location for the healthcare activities of our Health & Nutrition Business Unit.

Sustainability is an important innovation driver

Research into sustainable products and processes that use resources efficiently is an integral element of Evonik's innovation strategy. That applies to the business units as well as to Creavis.

For example, a Creavis project led to the SEPURAN® Green hollow fiber membrane modules marketed by our Performance Polymers Business Unit, which greatly enhance the efficiency of upgrading biogas into biomethane. Evonik was awarded with the German Innovation Prize for Climate and the Environment 2013 in the Environment-Friendly Technologies category. This award is presented annually by the German Ministry for the Environment, Nature Conservation and Reactor Safety and the Federation of German Industry.

Further, scientists at the Eco² Science-to-Business (S2B) Center have developed a method of estimating the carbon footprint of a product or process at an early stage in development. Following successful completion of the S2B at the end of 2013, the Sustainable Business unit at Creavis will be extending it to other environmental and social indicators.

Evonik maintains close dialogue with scientists

Regular interchange with leading international researchers is important to Evonik. At the Evonik Meets Science forum in Atlantic City (New Jersey, USA) in September 2013, our experts discussed surface-active systems for consumer and industrial applications with professors from leading US universities.

Fostering talented young people is also very important to us. In the 2013/2014 academic year, Evonik is providing a total of 200 German scholarships to support students at 14 universities. These scholarships, which are awarded by the German government in collaboration with private sponsors, are designed to encourage more young people to take a university degree. Through the Evonik Foundation we have supported students and doctoral candidates with their research for many years. Regular meetings with these young scientists give them an early insight into day-to-day work in the field of specialty chemicals and positions us as an attractive employer for talented youngsters.

Further globalization of R&D

Selective expansion of our R&D in economically attractive regions, especially Asia, supports Evonik's growth strategy. The aim is to strengthen the competitiveness of our customers in these regions through research and applications technology and technological services geared specifically to local needs. To this end, we have expanded our R&D center in Shanghai (China) for the third time. The new laboratory capacity came into service in fall 2013.

Our Light & Electronics Advanced Project House is based at the renowned Industrial Technology Research Institute in Hsinchu (Taiwan), in the direct vicinity of large electronics producers. It focuses on panel lighting, display components and functional coatings. Nowhere else in the world are innovative trends, for example, for light management systems, mobile communications and electronics, set as fast as in China, South Korea and Taiwan. In 2013 this project house undertook initial sampling of newly developed optoelectronics applications with prospective customers.

In the coming years, we also intend to step up our research in NAFTA, focusing on five Evonik sites in this region. At the end of November 2013, Greensboro (North Carolina, USA), hosted Evonik's first interdisciplinary R&D colloquium in North America. Around 60 R&D experts and engineers attended to find out about the latest projects and new initiatives, so the colloquium was a good opportunity to extend personal networks and facilitate innovative impetus in the future.

Market-oriented research & development

In 2013 our operating units once again developed and launched major innovative products and processes. Special attention was paid to environmental compatibility and efficient use of resources.

The **Consumer Specialties** Business Unit in the **Consumer, Health & Nutrition segment** has developed an innovative class of self-adhesive labels which eliminate the previously essential paper or plastic release liner. This new linerless concept was made possible by the extensive process know-how and product technologies of the Consumer Specialties Business Unit. Radiation-cured silicone acrylates can be used for in-line printing of labels. The linerless labels reduce volume and weight by more than 40 percent and completely eliminate the liner film that had to be disposed of at the end of the process.

Another environment-friendly innovation from Consumer Specialties is Tego® Care PBS 6, a versatile polyglyceryl-based oil-in-water emulsifier for challenging fluid emulsions. This product is used in the production of modern sun care products containing a high proportion of water-soluble UV filters and can also be used with other ingredients where stabilization is a problem. This new emulsifier does not contain polyethylene glycols (PEG) and is produced entirely from plant-based raw materials, principally rape seed and coconut. The first products containing Tego® Care PBS 6 are scheduled for market launch in 2014.

The **Health & Nutrition** Business Unit has developed a more economical process for enzymatic synthesis of the *amino acid* serine, for which it won Evonik's internal Innovation Award in the category "New or Improved Process." The new process allows fully backwardly integrated production of all enantiomer forms (L-serine, D-serine and DL-serine) as well as an attractive portfolio of serine derivatives. L-serine is a natural amino acid found in the human body that plays an important role in the biosynthesis of protein. The main applications for this product are nutrition, pharmaceuticals and cosmetics. So far the business unit has manufactured this product by purifying crude L-serine obtained from natural sources. To scale up the new enzymatic process for industrial use, the production facilities at the site in Nanning (China) have been extended.

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As part of its ongoing strategic development, the Health & Nutrition Business Unit is expanding its DL-methionine activities into aquaculture. Given the scarcity of natural resources, amino acids and plant-based protein can replace valuable fishmeal, enhance feed efficiency in fish and crustaceans, and reduce environmental impact by cutting nitrogen emissions. The first production trial for AQUAVI® Met-Met was completed successfully at our site in Hanau (Germany) in 2013. AQUAVI® Met-Met is a methionine dipeptide specifically for the nutrition of shrimp and other crustaceans.

The **Inorganic Materials** Business Unit in the **Resource Efficiency segment** has introduced ULTRASIL® 6000 GR, a further highly dispersible precipitated silica. Used as an active reinforcer for automobile tires, this product combines the typical benefits of precipitated *silica* such as low rolling resistance and very good wet grip with the rising demands placed on the road handling properties of today's high-performance tires. This is achieved in part through customized particle size distribution. That enhances customers' ability to meet the conditions for tire labeling in the EU. Thanks to global expansion of Evonik's silicas activities, ULTRASIL® 6000 GR will be available worldwide in the future.

@ [www.evonik.com/
ultrasil](http://www.evonik.com/ultrasil)

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Thermoplastics have to be crosslinked to protect their properties. That is vital, for example, for common polyethylene pipes used to supply drinking water, otherwise they would not be resistant to water pressure or hot water. One important method is crosslinking with organofunctional *silanes*, but in most cases this involves the use of catalysts based on organic tin compounds that are critical from an environmental viewpoint. Inorganic Materials offers two new tin-free systems, Dynasylan® SILFIN 201 and 202, as alternatives.

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Scratch-resistance is particularly important for clear automotive top coats. Alongside protection, they make sure the vehicle retains its shiny high-class appearance for longer. Thanks to Evonik's extensive expertise in silane and isocyanate chemistry, the **Coatings & Additives** Business Unit has developed a process that delivers IPMS (3-isocyanatopropyltrimethoxysilane) at competitive cost. This is marketed as VESTANAT® EP-IPMS. Extensive tests have shown that coatings produced with IPMS-functionalized binders have exceptionally high and durable scratch resistance. They also have easy-to-clean properties and good resistance to chemicals. Pilot-scale production of IPMS started in Marl (Germany) in June 2013. In 2013 this innovation won Evonik's internal Innovation Award 2013 in the category "New Products/System Solutions."

@ www.evonik.com/dynapol DYNAPOL® Terra from Coatings & Additives represents a breakthrough in the search for bio-based binders for metal coatings. Pre-coated metal substrates are used in many architectural applications and in the food and beverage industry. The majority of binders for these coatings are based on saturated polyester resins produced from petroleum-based raw materials. By contrast, the products in the new DYNAPOL® range are partially or completely produced from renewable polyester resin components. Their technical properties are comparable to those of conventional binder systems.

@ www.evonik.com/vestakeep In the **Specialty Materials segment**, the **Performance Polymers** Business Unit is systematically extending business with the high-performance polymer VESTAKEEP® PEEK. One attractive market is medical technology, where VESTAKEEP® PEEK polymers are valued for their superior biocompatibility and biostability. In February 2013 the first spinal fusion implant based on VESTAKEEP® received 510(k) approval from the US Food and Drug Administration (FDA). The K7C™ Cervical Spacer is one of several spinal implants developed by the US company K7 LLC and produced with VESTAKEEP® PEEK. According to K7 LLC, the special mechanical properties of VESTAKEEP® PEEK were the main factor in obtaining FDA clearance.

In addition, Performance Polymers has developed an adhesion promoter that improves the performance of hybrid components and reduces material requirements by up to 20 percent. That results in considerable cost benefits and lower CO₂ emissions. The co-polyamide-based VESTAMELT® adhesion promoter ensures excellent bonding to both metals and polymers. A leading automotive manufacturer uses VESTAMELT® X1333-P1 in several of its mass-produced models. Hybrid structures facilitated by VESTAMELT® make a key contribution to lightweight construction by ensuring durable and robust bonding of metals and plastics. The aluminum tubing connects both A-pillars and supports the entire dashboard—from the steering wheel to the glove compartment.

The **Advanced Intermediates** Business Unit has its own research and development laboratory in Marl (Germany) to drive forward the development of plasticizers. ELATUR® CH, a new phthalate-free plasticizer brand was brought onto the market in 2013. It is produced in a new production plant in Marl (Germany) with capacity of 40,000 metric tons a year. As a strategic addition, the portfolio will be supplemented by bio-based plasticizers in the future.

Tomorrow's small-scale production plant is compact, can be planned relatively quickly, and is suitable for a wide variety of different locations. This innovative technology platform was developed as part of the European Union's F³ Factory Project, which aims to make European chemical production more resource-efficient. The goal was to develop standardized, modular production plants using the F³ concept, which stands for fast, flexible, future. The solution is a container-based structure for small to mid-sized production facilities. Experts from Advanced Intermediates and Process Technology & Engineering jointly developed and tested a compact facility of this type for hydroformylation. The modular system was subsequently transferred to a container system with the assistance of Site Services.

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5. Sustainability

Sustainability is a key element in our corporate strategy. We are committed to the ten principles of the UN Global Compact and are guided by the International Labour Standards issued by the International Labour Organization (ILO) and the OECD Guidelines for Multinational Enterprises. Together with Evonik's Code of Conduct, the Global Social Policy (GSP) and our Environment, Safety and Health (ESH) Values contribute to responsible corporate management.

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responsibility](http://www.evonik.com/responsibility)

Central responsibility for sustainability management

The Executive Board bears overall responsibility for sustainability at Evonik. The Chief Human Resources Officer is the Executive Board member with direct responsibility. The issues derived from the sustainability strategy are implemented through goals set for the business units and specialist departments, and their attainment is monitored using performance indicators. The role of the steering committees is to ensure that these goals are achieved. The strategy is mainly developed and monitored in the Corporate Center. In addition, issue-based network platforms, which are supplemented as required, are used to track sustainability-related issues in the Evonik Group and translate them into specific measures.

C21 Sustainability management at Evonik



Driving forward sustainability strategy

In 2013 we refined Evonik's sustainability strategy. This is currently being agreed with the operational units to facilitate subsequent integration into corporate processes. The principles on which our actions are based are business success as a vital precondition, and transparent evaluation of sustainability aspects to support entrepreneurial decisions. We are guided by the conviction that lasting business success and the acceptance of corporate responsibility are complementary and mutually indispensable. The objective of the revised strategy will be to ensure that greater attention is paid to sustainability in long-term corporate decisions, such as investment and research decisions, and at the same time, to anchor it even more firmly in conventional

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sustainability-related areas, i.e. the environment, safety, health and human resources. Equally, we want to address issues such as resource efficiency and social responsibility, which are regarded as important in the context of *stakeholder* dialogue, and to align Evonik to the "Vision 2050" of the World Business Council for Sustainable Development (WBCSD): "9 billion people living well, within the limits of the planet." In our view, the growth, efficiency and values areas of our corporate strategy as the main ways in which we can respond to economic, ecological and social challenges.

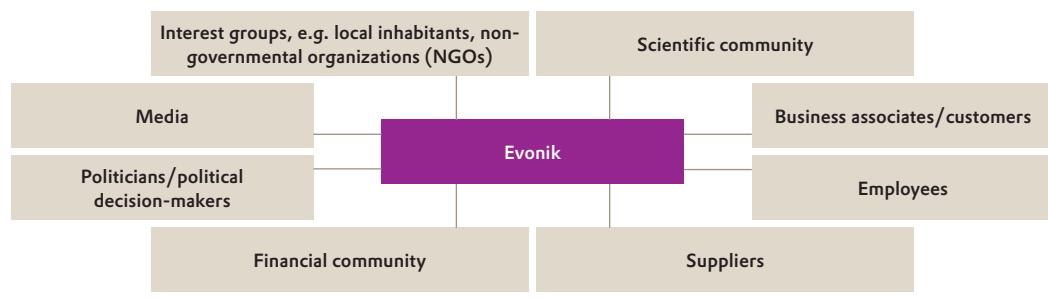
New environmental targets to be defined

Evonik met the ambitious targets set for its core specialty chemicals business in the key areas of greenhouse gases, water consumption and production waste for the period 2004-2014 two years earlier than expected, in 2012. Our aim was a 20 percent reduction in specific (i.e. output-based) energy-related emissions of greenhouse gases, water consumption and production waste. That was only possible thanks to technical and organizational measures, and the hard work and innovative capability of our employees. In 2013 we conducted an intensive dialogue with our operating units on ambitious targets for the period up to 2020, which will now be translated into new targets for the Group.

Collaboration with our stakeholders

Open debate and communication are key elements in sustainability management at Evonik. Ongoing dialogue with our stakeholders helps us understand different perspectives, and pick up trends and key issues at any early stage so we can incorporate them into our business decisions. Key stakeholder groups for Evonik are:

C22 Evonik's stakeholder groups



Dialogue takes place at local, national and international level and may focus on specific issues or target certain stakeholder groups.

5.1 Employees

Human resources work—International harmonization

Our human resources work makes a significant contribution to enhancing Evonik's growth and efficiency. The aims are to ensure excellence in HR work, add value for employees and executives, and ensure that our HR work is perceived as bearing a "common stamp." Following the transfer of around 19,000 employees from subsidiaries to Evonik Industries AG, in 2013 we started to harmonize the roughly 1,700 different rulings applicable to human resources. Our goal is to establish uniform standards and reduce complexity. A large number of aspects including supplementary sick pay and working hours on daytime shifts have already been harmonized and more are to be standardized in 2014. Internationally too, we made considerable progress in harmonizing rules and regulations through HR OnTheMove in the USA, and introduced HR Direct USA as the first point of contact for employees in all HR-related inquiries.

The two new centers introduced in Germany in 2012 are now well established. The HR Direct advisory center is firmly anchored in the Group with a profile spanning our sites. The Recruiting Center provides advice on selecting appropriate recruitment channels and makes sure that the most suitable candidates are hired to fill vacancies.

The HR functions will be supporting the more efficient and effective alignment of Evonik's administrative structures, which is the aim of the Administration Excellence program, as well as driving forward change within the HR organization. We took the first steps towards this in 2013 by stepping up HR's global competency in project management.

HR strategy—Efficiency is becoming more important

In our annual strategy review we confirmed the core messages and objectives of our HR strategy. The key areas of action for executives and HR managers are using our new employer branding concept to attract highly qualified staff, and targeted development of talented employees through extensive talent management activities. To this end, we are strengthening development opportunities for employees throughout the Group and paving the way to fill key positions primarily from within the company. Modern HR management tools and uniform and transparent remuneration systems aid our executives in establishing a healthy performance culture in their teams. In response to the economic situation, we will be giving even greater priority to efficiency-related issues and addressing them more actively.

Employee survey—From data to action

The results of the 2012 employee survey were presented in spring 2013. Alongside a rise in the participation rate to 83.4 percent, the main results were a significant improvement in the commitment index, indicating the enormous identification and engagement of our employees. On the basis of the findings, around 520 improvements have been defined and implementation is under way. Most of them relate to communication and collaboration, and to improving working processes and the organization of work. At Group level, the Executive Board has increased the focus on leadership and values. In all, twice as many measures were initiated in 2013 as in response to the employee survey in 2010.

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Employer branding—Creative new approaches

In spring 2013 we started to communicate our new employer branding concept "Exploring opportunities. Growing together." to sharpen Evonik's profile as an employer. The main focus was on our redesigned careers website and a series of adverts in printed and online media in our core markets, Germany, the USA and China. In tandem with this, we are training more and more employees from all areas of the company as internal brand advocates. The Human Resources Manager magazine honored our new employer branding as exceptionally innovative and creative and awarded us the Human Resources Excellence Award 2013 in the category "Employer Branding Strategy." We also gained first place in the university marketing category for the collaborative Blind Applying project led by Deutsche Telekom. Under this program, Evonik and 17 other companies award an internship without providing advance information on the location or field. In our recruitment strategy, we also continued to focus on selective use of social networks and extended Evonik's activities in this area to include a global presence on LinkedIn, XING and Kununu.

Vocational training—A source of future employees

To continue its policy of sourcing specialists mainly from within the company, Evonik continues to focus on in-house vocational training. In 2013 some 560 youngsters embarked on an apprenticeship with the company in Germany. In all, there were more than 2,200 young people on vocational training, pre-training and combined training and degree programs at year-end 2013. Evonik also makes its expertise in vocational training available to other companies. More than 90 young people sponsored by external partners also started an apprenticeship at Evonik in 2013. Apprentices account for about 9 percent of Evonik's workforce in Germany, which is still well above the national average, and we invested a total of €58 million in vocational training in 2013.

In response to the large number of school leavers resulting from a change in the German education system, Evonik offered 30 additional apprenticeships. It also offered ten additional training places on the "Start in den Beruf" program, which is preparing 110 disadvantaged youngsters for vocational training.

All Evonik apprentices who completed their training courses and were able and willing to work for the company were offered an employment contract in 2013. 55 percent of them were immediately hired on permanent contracts.

We also foster the vocational training of young people in China and the USA. Through our training library we provide multi-media materials in English and Mandarin, which are also suitable for in-house training. In all, the training library has increased its offering to more than 3,000 different materials, with 500 available in English and 250 in Mandarin.

Talent management—Sustained strengthening of our talent base

Filling managerial and other key positions from within the company is an objective that Evonik has actively put in to practice for many years. An end-to-end talent system allows the identification, development and advancement of talented employees across hierarchical levels and functions. The development of such employees and succession planning are discussed by representatives of the business units and regions at a number of planning conferences throughout the year. To supplement our internal talent development, in 2013 we turned our attention to the external market. Through the RISE program (recruiting initiative to strengthen the talent pipeline at Evonik), we were able to attract top talents and integrate them into our talent management system, where they are now undergoing further development. Customized programs are organized in collaboration with renowned business schools and other selected partners. These are complemented by in-house programs for specific target groups such as our management talent training program. In addition, talents regularly meet with members of the top management to discuss topical issues of relevance to Evonik. In keeping with the “Exploring opportunities. Growing together.” employer branding concept, we are empowering talented employees to take greater responsibility for their career development through networking and mentoring.

We intend to internationalize the idea of combining voluntary work with character building, which was realized for the first time through our TalentDays in 2012. At the 2014 TalentDays our corporate talents will be working with local inhabitants to rebuild a village in Vietnam.

Executive development stepped up

With a view to future challenges, leadership has been given a more prominent place in the context of our HR strategy and our strategic drivers “Attract, Develop, Perform, Retain.” Representatives of our international regions and all business unit management teams attended workshops where we developed a common understanding of leadership aligned to the “Evonik 2016” corporate program and the principles of growth, efficiency and values. This common concept forms the basis for a leadership initiative that is scheduled to start in 2014 following approval by the Executive Board.

Continuing the Evonik Executive Development Program introduced in collaboration with Wharton Business School in 2012, a second group of top managers undertook a seven-month “learning voyage” in 2013. This comprises three modules held in the USA, China and Germany and offers participants an opportunity to build on their personal competencies in order to help Evonik realize its growth targets.

Diversity is decisive

We define *diversity* as the interaction of different nationalities, genders, educational backgrounds, professional experience and age structures. To foster female specialists and managers as key elements in Evonik’s diversity strategy, we continued the WoMentoring program initiated in 2012. Female mentees receive personal support and advice from experienced Evonik managers over an 18-month period. Half-way through the program in 2013, the participants met up for a first opportunity to share their experience and opinions.

We also stepped up the Women@Work network. At kick-off events at various sites more than 300 female employees came up with a large number of proposals, some of which have already been embraced in site-specific or more broadly based activities.

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New LTI Plan for executives and members of the Executive Board

Following Evonik's stock exchange listing, the Long-Term Incentive (LTI) Plan for executives and members of the Executive Board was placed on a new footing. It focuses on Evonik's long-term performance and balances the interests of shareholders and the management. The benchmarks are the performance of Evonik's share price and a comparison with a share index reflecting the global stock market performance of the chemical industry. The MSCI World Chemicals IndexSM has been selected as the benchmark. The LTI Plan runs four years, with graduated exercise options.

Remuneration systems—Global harmonization driven forward

We drove forward our global review and harmonization of remuneration systems in 2013. Following implementation in almost all Asian countries and regions, the Evonik Global Grading System was rolled out to Europe, North America, the Middle East and Africa. The process will be completed in 2014 with the rollout to Central and South America.

In view of the wide variety of transfer arrangements, we have developed a new global transfer policy for Evonik's more than 400 expatriates from 21 countries. This sets out Group-wide standards yet takes account of regional features.

Employee participation program even more popular

Around 10,000 employees purchased participation rights with a total value of around €22.2 million in the German employee participation plan in 2013. This plan enables them to share in Evonik's success. The capital invested earns a return based on the Group's return on capital employed (ROCE). The participation rate rose by about 10 percent to around 45 percent, the fourth successive rise. This program is to be replaced by an international employee stock program in 2014.

well@work—Employability and quality of life

Healthy and motivated employees are vital for Evonik's success. The well@work program derived from our HR strategy strengthens employability and quality of life. This initiative centers on human resources and health-related issues, and the wide-ranging modules and measures include regular health screening, training and workshops to strengthen mental health and value-oriented leadership. A focal area in 2013 comprised workshops to make employees and executives more aware of their personal responsibility. At the same time, we introduced guidelines setting out clear rules for responsible use of mobile devices by both executives and other employees. In 2014 we will be stepping up the internationalization of well@work, which we initiated in Europe and Asia, and rolling it out to further regions.

Integrating an awareness of family issues into the management of the company is a key element in well@work. Examples of the many ways in which we help employees in Germany combine their work and private lives are the provision of over one hundred childcare places, vacation programs for more than 600 children, and extensive support on issues related to caring for elderly and sick relatives. The quality and continuity of our offerings is evidenced by the repeated award by the not-for-profit Hertie Foundation's certificate for our family-friendly policies.

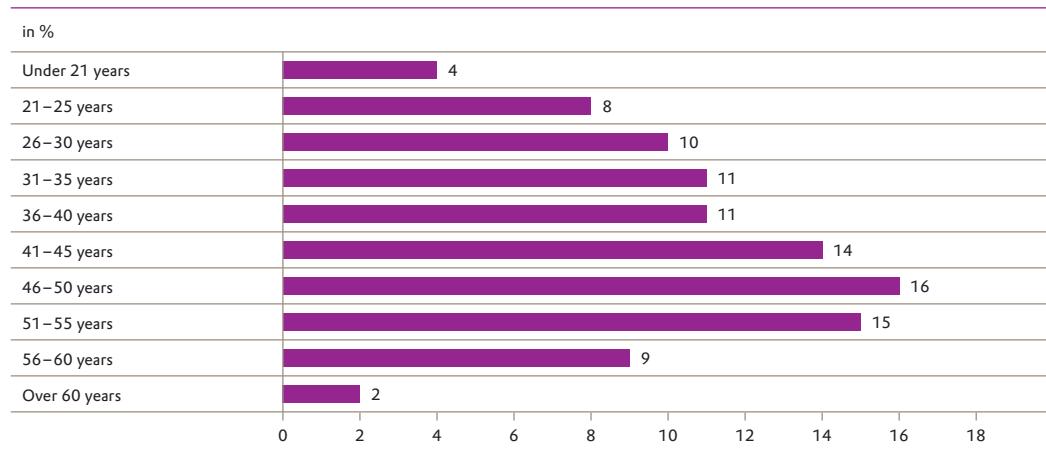
Headcount in 2013

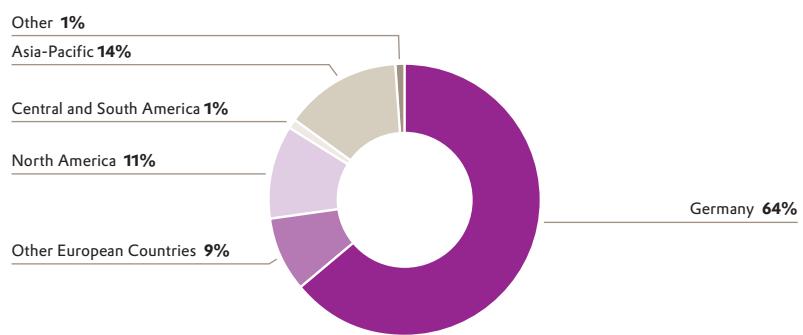
At year-end 2013 the continuing operations had 32,995 employees (33,650 including the lithium-ion business which is classified as a discontinued operation). Around 24 percent of employees were female. The average age of the workforce is 41.2 years and about 36 percent are employed outside Germany. Compared with year-end 2012, the number of employees in the continuing operations increased by 961 as a result of the global expansion of our production operations.

T021 Employees by segment

| | Dec. 31, 2013 | Dec. 31, 2012 |
|------------------------------|------------------|------------------|
| Consumer, Health & Nutrition | 7,150 | 6,821 |
| Resource Efficiency | 5,854 | 5,755 |
| Specialty Materials | 6,268 | 6,134 |
| Services | 12,192 | 11,900 |
| Other operations | 1,531 | 1,424 |
| Continuing operations | 32,995 | 32,034 |
| Discontinued operations | 655 | 1,264 |
| Evonik | 33,650 | 33,298 |

C23 Age structure in the Evonik Group, continuing operations



C24 Employees by region, continuing operations

5.2 Environment, safety and health

Protecting our environment and the climate is one of the major global challenges of our age, along with the limits on key resources and demographic change. We accept our shared obligation to maintain the natural basis for future generations. Companies with a long-term focus and sustainable business practices must be able to reduce emissions, utilize materials and resources more efficiently, and still be successful on the market. It is no longer simply assumed that companies will accept this responsibility: Society's expectations and political pressure on industry to take action are rising steadily. At the same time, customers expect offerings that reduce pressure on the environment so they can improve their own ecological profile. We are making an important contribution to this through our endeavors to reduce emissions further at all stages in the value chain. Key areas of action in the ecological arena can be derived from efficiency requirements. For us, that principally means energy, emissions into the air and water, and water management. A functioning environmental management system is the essential precondition for this. Integrating it into our corporate processes is an ongoing task and an integral part of sustainability management at Evonik. Responsibility for this is delegated to the responsible site operators. Plants, buildings and outdoor areas are therefore assigned to a specific operator along with the responsibility for the associated plant and technical equipment, products and processes. Our binding Group-wide Environment, Safety and Health (ESH) strategy, including rules that have been audited externally, forms the basis for our action. Audits are conducted to monitor implementation by the business units, regions and sites. Alongside many internal audits in operating units, in 2013 we conducted 23 corporate audits. Over 95 percent of our global production has been validated externally as conforming to ISO 14001, the internationally recognized environmental management standard.

Health management and contingency planning go hand-in-hand

Our social responsibility with regard to our employees is demonstrated by programs such as well@work, which contains a wide range of measures to strengthen their employability and thus their quality of life. Evonik's health management measures focus first and foremost on encouraging a healthy lifestyle with offerings in the areas of exercise, a healthy diet, work-life balance, and preventing infections and addiction. To supplement this, special annual campaigns are held to highlight different aspects and the company offers voluntary preventive measures. In 2013, for example, our German sites ran campaigns on prostate cancer, immunization and depression.

Standardized processes based on hazard assessments are used for occupational health management. Potential dangers in the workplace are systematically identified and measures are developed to assure the health and safety of our employees. Their effectiveness is monitored through medical check-ups. Medical contingency management at Evonik is based on a global corporate policy that sets out the necessary emergency organization and the equipment and personnel to be provided, taking the regional emergency response infrastructure into account. Exercises are conducted regularly to check the functioning of this system.

Development of occupational and plant safety

Measured by accident frequency (number of work-related accidents involving company employees and contractors' employees under Evonik's direct supervision per 1 million working hours), the occupational safety performance at our continuing operations improved slightly year-on-year to 0.9 (including the lithium-ion business classified as a discontinued operation: 1.0), compared with 1.4 in 2012. That was well within our defined target of a maximum of 1.5. The sustained positive trend in recent years was overshadowed by two fatal accidents at work and one fatal traffic accident on the way to work. At our site in Rheinfelden (Germany) an employee died in a fork-lift accident. In Qingdao (China) an employee died after falling from a work platform. A bus traveling to our site in Rayong (Thailand) was involved in an accident in which one employee was killed.

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For the purpose of statistical evaluation of accidents, in 2013 for the first time, we also recorded the hours worked by service-providers and other third parties at our sites in order to report accident frequency (number of accidents involving non-Evonik employees resulting in absence from work per 1 million working hours). The accident frequency figure of 3.2¹ for such employees is far higher than the equivalent figure for Evonik's employees and those directly supervised by the company, indicating that we need to require greater commitment to occupational safety from our contractors and involve them more actively in our safety program. Criteria include setting even higher standards for occupational safety performance when selecting contractors, more intensive monitoring, and more systematic evaluation of contractors' employees while they are working at our sites. Our contractor management ensures that our supervisors, safety professionals and plant engineers work together and that we require and support safe working practices by contractors' employees. Since the start of the year, a team of experts has been working on enhancing contractor management.

¹ Continuing and discontinued operations.

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For constant monitoring of plant safety we use a process safety performance indicator based on the standards set by the European Chemical Industry Council (Cefic). This indicator covers incidents involving the release of substances, fire or explosion, even if there is little or no damage. Analogously to the accident frequency indicator for occupational safety, it is calculated from the number of incidents per 1 million working hours in the business units' production facilities. To show a positive development, this indicator has to decline over time. We therefore compare it with 2008, the year in which it was calculated for the first time (reference base: 100 points). This indicator rose slightly to 50 points in 2013 (2012: 46). We attribute this partly to an improvement in the reporting culture and increased awareness of such incidents. Another plant safety indicator developed in 2011 is the activity indicator. This leading indicator identifies the extent to which the business units engaged in production perform their management tasks in the areas of plant safety at the various sites and production facilities. It is based on a survey of key plant safety aspects conducted at the sites (self-assessment by plant managers or evaluation through regular audits). The ten areas covered include directives and targets, the provision of specialist knowledge, change management in the production process, initiatives and programs. The survey was conducted in more than 60 percent of plants in 2012 and evaluated in 2013. Where it indicated a need for improvement, the plants and business units have taken the appropriate steps. This indicator is an effective way of identifying shortcomings in plant safety and communicating them to those responsible.

High standards of climate reporting

Companies that address the challenges of climate change, systematically integrate them into their business strategy and ultimately take them into account in the structure of their portfolio of products and services stand to benefit from the growth potential offered by economically relevant aspects of climate change. Maximizing transparency and comparability in this area is the aim of the Carbon Disclosure Project (CDP), a non-governmental organization which is currently supported by more than 700 institutional investors with combined assets under management in excess of US\$85 trillion. That makes it the biggest and most important initiative by the financial community on climate change as an investment criterion.

Evonik took part for the first time in 2012 and was immediately awarded a score of 81/D by the CDP for extensive and transparent reporting.

Through structural improvements such as implementation of climate responsibility at Executive Board level, we achieved a significant improvement in our CDP score in 2013. A score of 92/B puts us among the top 10 percent of companies that take part in the initiative for mid-sized enterprises in Germany, Austria and Switzerland ("Mittelstandsinitiative").

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In view of current climate reporting developments, investigating climate-related impacts is becoming an increasingly significant factor in evaluating entire supply chains. The CDP has set up a special Supply Chain Project for this. Companies can obtain information on the climate performance of suppliers validated by the CDP. The feedback gives companies important information on potential for improvement and risks and opportunities in their supply chain.

Customers have also approached Evonik to ask for its assistance. In 2013 Evonik was singled out by the CDP as the best participating company from Germany in the category "Supply Chain Project Participants."

Reduction in CO₂ emissions¹

CO₂ emissions totaled 8.7 million metric tons in 2013, which was 3 percent lower than in 2012 (9.0 million metric tons). Both direct and indirect CO₂ emissions (from energy sources) are included in these figures. Direct CO₂ emissions (Scope 1 emissions under the Greenhouse Gas Protocol) come from energy generation and production, and from Evonik's fleet. Indirect CO₂ emissions come from purchased energy (Scope 2 emissions). The reduction is a result of specific energy initiatives and a large number of separate measures to improve energy efficiency, and to a reduction in the use of coal and the divestment of business operations.

The Evonik facilities that fall within the scope of the European Union's Emissions Trading System (EU ETS) emitted 4.2 million metric tons of CO₂ in 2013 (2012: 3.1 million metric tons CO₂). The reason for the rise was that the EU ETS was extended to 29 of Evonik's facilities from 2013 (2012: 15).

Environmental protection investment and operating costs¹

We invested €29 million in 2013 (2012: €39 million) to achieve a further improvement in environmental protection. Investment in environmental protection is divided among a large number of individual investments in end-of-pipe and integrated measures. They depend on specific measures in new or existing facilities and can therefore vary considerably from year to year. The decline in 2013 was due in part to the divestment of business operations. Operating costs for environmental protection amounted to €250 million in 2013, which was slightly less than in the previous year.

¹ Continuing and discontinued operations.

6. Events after the reporting date

No reportable events have occurred since the reporting date.

7. Opportunity and risk report

7.1 Opportunity and risk management

Risk strategy

Evonik is exposed to a variety of risks in the course of its business activities. The management of opportunities and risks therefore forms a central element in the management of the company and is geared to targeted management of risk with a view to securing present and future potential for success, avoiding, preventing, countering and minimizing risk, and utilizing and strengthening opportunities. We only enter into entrepreneurial risks if we are convinced that we can generate a sustained rise in the value of the company and that we are able to control any possible implications. Our system is therefore also used to identify potential events that could jeopardize the company and to ensure that corporate objectives, especially strategic, operational and financial objectives, can be achieved as planned.

Structure and organization of risk management

Evonik has an internal opportunity and risk management system covering the entire Group (subsequently referred to generically as risk management). Addressing opportunities and risks is part of our management structure and is a key task for the heads of all business units, and the process owners and project managers at Group companies. Risk management is therefore a central element in Evonik's controlling processes at all levels in the Group. That includes strategic and operational planning, preparations for investment decisions, monthly reporting and projections, and immediate reporting of risks.

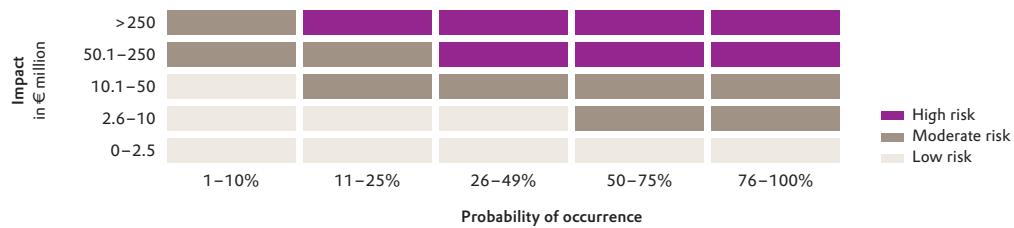
At Group level risk management is assigned to the Chief Financial Officer and is organized on a decentralized basis in line with Evonik's organizational structure. The business units, corporate divisions and service units bear prime responsibility for the early identification of risks, estimating their implications, introducing suitable preventive and control measures, and for the related internal communication. Risk coordinators within the organizational units are responsible for coordinating the relevant risk management activities. By contrast, interest rate and exchange rate risks are managed centrally by the Finance Division of Evonik Industries AG, while commodity risks are managed by the business units in accordance with established corporate policies.

A central Corporate Risk Officer coordinates and oversees the processes and systems. He is the contact for all risk officers and is responsible for information, documentation and coordination at Group level. Further responsibilities include ongoing development of the methodology used by the risk management system. The Risk Committee, which is chaired by the CFO and includes representatives of the corporate divisions, validates the Group-wide risk situation and verifies that it is adequately reflected in financial reporting. The Supervisory Board, especially the Audit Committee, oversees the risk management system. Alongside organizational measures and internal control systems, risk management is supported by Corporate Audit as a process-unrelated controlling and consulting body.

In accordance with our risk catalog, we monitor risks on the basis of the four categories defined by the COSO Enterprise Risk Management model: strategic, operational, compliance/legal and financial. A binding Group-wide policy on risk management has been issued. Special risk management software is used for this. All individual risks are systematically identified and documented. Their probability of occurrence and the potential damage are evaluated and documented, together with their expected impact. The evaluation is viewed against the current five-year (mid-term) planning so the opportunities and risks are defined as deviations from the plan. Comparing current risk reports with previous reports highlights changes in the risk structure.

The organizational units conduct an extensive annual risk inventory in connection with the mid-term planning process. They are required to provide details of action to be taken with regard to risks identified in the risk inventory and track their timely implementation. The annual risk inventory looks at opportunities and risks on the basis of deviation from planned net income over a period of one year (short-term) and at least five years (mid-term). The key criterion for internal management (for example, reporting by the Risk Committee) is the intermediate term. Opportunities and risks are therefore classified as low, moderate or high and evaluated on a five-year basis (see risk matrix). The evaluation is always based on a net view, in other words, taking into account risk limitation measures.

C25 Risk matrix



All high risks are considered material, as are risks classified as moderate with an expected impact over €10 million. The management of risks and opportunities and their potential impact and probability of occurrence are based on the principles outlined above. The expected impact is used exclusively as a basis for prioritization and to focus reporting on key issues. This management system is then used to estimate and classify opportunities and risks within each category.

The annual risk inventory is supplemented by a quarterly review of all risks and monthly risk reports containing changes in the risks already identified and new risks or relevance for the fiscal year.

In addition, the corporate divisions identify and evaluate risks of relevance for the Group. These risks are regularly documented and tracked via appropriate charts. These Group issues are reported quarterly to the Executive Board with the other risk reports. The focus here is on risks that are of material significance for the Group and have altered significantly since the last report.

At companies where we do not exert a controlling influence, we implement our risk management requirements primarily through our presence in management and supervisory bodies so that we can anticipate any negative earnings implications for the Evonik Group. Where it appears necessary, the Corporate Risk Officer and/or the Executive Board is informed.

Corporate Audit regularly checks risk management in Evonik's organizational units to make sure they comply with statutory and internal requirements and to ensure continuous improvement. In addition, the system used to identify emerging risks is included in the annual audit in compliance with the requirements for listed companies. This showed that Evonik's risk detection system is suitable for timely identification of risks that could pose a threat to the company's survival.

7.2 Internal control system for financial accounting

The main financial reporting risks are identified through the internal control system (ICS), which is based on a quantitative and a qualitative analysis. Controls are defined for each risk area of the accounting process. Their efficacy is tested at regular intervals and improved where necessary. All elements of the control process are verified by Internal Audit on the basis of random samples.

To ensure the quality of financial statements we have a Group-wide policy which defines uniform accounting and valuation principles for all German and foreign companies included in the consolidated financial statements for the Evonik Group. The majority of companies have delegated the preparation of their financial statements to Business Services. Through systematic process orientation, standardization and the utilization of economies of scale, this leverages sustained cost benefits and can improve the quality of accounting.

Business Services has developed a standardized control matrix for the internal control system for financial accounting. This matrix is already applied to all Group companies in Germany for which Business Services is responsible. It has also been implemented at the major operating companies in China and will now be rolled out successively to further foreign companies. The aim is to ensure a uniform global standard for the internal control system for financial accounting. An external audit is conducted on the annual financial statements of 95 percent of companies.

All data are consolidated by the Accounting Division using the SAP SEM-BCS system. Group companies submit their financial statements via a web-based interface. A range of technical validations are performed at this stage. Computerized and manual process controls and checking by a second person are the key oversight functions performed in the financial reporting process. The preparation of the monthly consolidated income statement and publication of three quarterly reports allow us to gain experience with new accounting issues and provide a sound basis for plausibilization of the year-end accounts. The Executive Board receives monthly reports and quarterly reports are submitted to the Audit Committee of the Supervisory Board.

Aspects that may represent opportunities or risks for financial reporting in the future are identified and evaluated early through the risk management system. This ensures that risk management can be closely aligned to controlling and accounting processes.

7.3 Risks

Overall assessment of opportunities and risks

Due to the fields in which it operates, the Evonik Group is confronted with constantly changing national and international political, societal, demographic, legal and economic operating conditions. In all segments, market risks may be increased or reduced as a consequence of the *volatility* and cyclicity of the markets. These may have a significant adverse effect on our earnings position. Regional differences in demand trends could also affect our pricing and selling opportunities, with corresponding implications for earnings. To counter the resultant risks we monitor our business environment closely, anticipate market trends and consistently develop our portfolio in conformance with our corporate strategy.

G See Glossary p. 276

Given the measures planned and implemented, no risks have been identified that—either individually or in conjunction with other risks—could jeopardize the continued existence of Evonik as a whole, including Evonik Industries AG in its role as the holding company for the Group. With respect to material individual companies, the divestment of our lithium-ion business could entail risks to the survival of Li-Tec Battery GmbH and the precursor producer Evonik Litarion GmbH (see section headed “Risks relating to individual companies”).

☰ See p. 114

We see substantial opportunities in connection, above all, with the improvement in our cost position (On Track 2.0 and Administration Excellence programs). Further, opportunities are derived from our alignment to the health and nutrition, resource efficiency and globalization megatrends, which we intend to participate in through extensive investment projects.

G See Glossary p. 276

Overall, the relationship between opportunities and risks at Evonik was virtually unchanged in 2013 compared with 2012. Looking at individual risk categories, there was no major change with regard to the volatility of exchange rates, the stabilization of the European sovereign debt crisis, and lower interest rates. By contrast, we identify an increased risk, for example, in the increasing competition in some markets, less favorable supply and demand structures, and higher raw material prices which cannot always be passed on to customers immediately or in full (pass-through capability) as a result of the market or competitive situation. In the following sections, the risks in each category are presented in descending order of significance for the Evonik Group. Except where otherwise indicated, they apply for all segments.

1. Strategic risks

Plans to grow the chemicals business through investment in attractive markets and acquisitions entail certain risks as regards the planned scope and timing of projects. These risks are addressed through established, structured processes.

Market and competitive risks

One general risk factor is the intensive competition in some market segments. In particular, competitors in low-wage countries increase competitive pressure through aggressive pricing policies that could impair our selling prices and volume trends. To counter this we are broadening our foreign production base and gaining access to new markets in high-growth regions such as Asia and South America. The operating units affected also use various methods of increasing customer loyalty to reduce these risks. These include, in particular, strategic research alliances with customers and improving the services offered. We are constantly developing attractive and competitive new products and technologies to counter the risk that chemical products could be replaced by new, improved or less expensive materials or technologies. Alternatives also have to be found for certain raw materials subject to the REACH Regulation which may no longer be available in the future. Specific risks of considerable significance for the Group result from the present market situation, especially in the Resource Efficiency segment and, above all, the markets for wind power, composites and oil additives. In addition, the shale gas boom in the USA could result in a significant cross-segment risk as the improved cost position of some competitors with local production facilities could put Evonik at a competitive disadvantage. Action to counter this includes further optimization of our cost structures. Overall, market and competitive risks represent a high risk for Evonik.

Acquisition and divestment risks

Active portfolio management has priority for Evonik as part of our value-based management approach. Our operating units are permanently screened for sustainable profitability and to ensure they fit our corporate strategy. The strategic development of Evonik may entail the expansion of specific operations, divestment or gaining a foothold in completely new fields of business. Evonik has defined structured processes for all of these alternatives.

We have set out clear procedures for preparing, analyzing and undertaking acquisitions. In particular, these include clear rules on accountability and approval processes. For example, an intensive examination of potential acquisition targets (due diligence) is undertaken before they are acquired. This involves systematic identification of all major risks and opportunities and an appropriate valuation. Key aspects of this process are strategic focus, earnings power and development potential on the one hand, and any legal, financial and environmental risks on the other. New companies are rapidly integrated into the Group and thus into our risk management and controlling processes. Every transaction of this type entails a risk that integration of the business may not be successful or that integration costs may be unexpectedly high, thus jeopardizing realization of the planned quantitative and qualitative targets such as synergies.

Any restructuring or divestment requirements relating to the strategic management of the Evonik Group are also systematically implemented. Post-transaction management closely monitors any liability and guarantee risks resulting from divestments. In connection with the divestment of former businesses, Evonik is exposed to risks arising from contractually agreed indemnification arrangements. Examples relate to the divestment of the former energy business (STEAG) where start-up of a new coal-fired power plant was delayed by technical problems until December 2013, and to the divestment of the former carbon black business as a result of alleged violation of the US Clean Air Act. These risks are outlined in the section on legal risks.

☰ See p. 110 f.

2. Operational risks

In view of the typical business-related dependence on external parameters, especially in the chemicals business (for example economic cycles and raw material prices), action to reduce operational risks is of central importance.

Sales and marketing risks

A decline in demand from the industries served or a deterioration in the competitive position of customers could adversely affect our operating business. We respond to these risks by permanently monitoring the market, acquiring new customers, and efforts to develop new applications and gain access to new markets as early as possible. The above risks may be of high significance for the Group, either in aggregate or individually, depending on the importance of individual products/product groups for Evonik. In view of their high significance for the Group, this applies in particular to activities in the Advanced Intermediates Business Unit (Specialty Materials segment) and the Health & Nutrition Business Unit (Consumer, Health & Nutrition segment).

The customer base in the chemicals segments means they are only exposed to low cluster risks. Nevertheless, some operational units (especially in the Specialty Materials segment) have a certain dependence on key customers. For these segments, the risk is classified as high. The Services segment is dependent to some extent on the performance of large customers at its sites (for example, at the Marl chemical park). This is classified as a moderate risk.

Alongside the specific market situations mentioned above, in Asia in particular, the possibility of avian flu and the associated loss of confidence in certain foods ("food quality crisis") represents an additional risk for our feed additives business. New cases of avian flu could entail high risks to the earnings performance of our Consumer, Health & Nutrition segment.

Procurement risks

For our business operations we require large amounts of raw materials, but also smaller quantities of strategically relevant products. Consequently, the Evonik Group faces risks arising from fluctuations in the price and availability of raw materials and in some cases the very limited number of potential suppliers ("single sourcing").

The chemicals segments are dependent on the development of the price of strategic raw materials, especially petrochemical feedstocks derived directly or indirectly from oil. They are also exposed to changes in exchange rates, which have a major influence on both commodity and energy costs. These risks are countered by optimizing global purchasing activities, and entering into long-term supply agreements with price formulae. In 2013, raw material prices were basically unchanged year-on-year. The market and competitive situation means that cost rises cannot always be passed on to customers through price rises either immediately or in full.

Short- and mid-term bottlenecks in the availability of precursors and intermediates are also potential risks. As well as preparations to switch to substitute suppliers in emergencies, we ensure timely monitoring of the business performance of all suppliers of key raw materials in order to respond promptly to bottlenecks.

In view of Evonik's procurement policy and strategy of backward integration, both the Group and individual business units may be exposed to fluctuations in raw material prices and supply bottlenecks, despite the counter-measures outlined above. Accordingly, on a gross view, this risk is classified as high. To minimize the risks Evonik constantly strives to pass on raw material price rises to customers, for example through price escalation clauses and by adjusting its selling prices. This pass-through capability can be utilized in many areas of business and greatly reduces risk. Viewed on a stand-alone basis, however, the risks are classified as low to moderate as a result of the risk-limitation measures described here. This applies in particular to fluctuations in raw material prices in areas of the Consumer, Health & Nutrition segment with a high dependence on such starting products, and to both price fluctuations and availability of raw materials in the Specialty Materials segment. In addition, in the Resource Efficiency segment there is a moderate risk relating to single sourcing. The resultant accumulated net risk relating to raw materials and suppliers thus represents a high risk for the Group.

Production risks

As a specialty chemicals company, Evonik is exposed to a risk of business interruptions, quality problems and unexpected technical difficulties. Our products involve complex production processes, some of them with interdependent production steps. Consequently, disruption and stoppages can adversely affect subsequent production steps and products. The outage of production facilities and interruptions in production workflows could have a significant negative influence on business and earnings performance, and could also harm people and the environment. Group-wide policies on project and quality management, highly qualified employees and regular maintenance of our plants effectively minimize these risks. Insofar as is economically viable, we take out insurance to cover damage to our plants and sites and production stoppages, so the financial consequences of potential production risks are largely insured. The substantial damage to the *cyclododecatriene* (CDT) plant in 2012 was covered by our insurance. This plant was rebuilt in just six months and was fully operational again at the start of 2013, so the force majeure status could be removed.

Action is taken to mitigate risks through the risk minimization measures outlined above and existing insurance policies. Nevertheless, unforeseeable individual incidents represent a high risk.

G See Glossary p. 272

Human resources risks

The skills and knowledge of our highly qualified managers and employees are vital to achieve the strategic and operational objectives of the organizational units. There is evidently a risk that sufficient suitable candidates will not be found for vacancies or that competent staff will leave the company. Further, in the emerging markets where we are investing or building up new business operations, there may not be sufficient candidates whose qualifications and language skills meet demands of challenging jobs in an international chemical corporation.

To ensure that we can recruit and retain qualified staff to meet our future requirements we offer attractive remuneration systems and systematic personnel development, giving employees a wide range of opportunities to develop and enhance their personal and professional abilities. We also maintain close links to universities and professional associations to help us recruit talented youngsters. Our employer branding is aligned to the *diversity* of human resources. In this way, we aim to attract sustained interest in our company from talented specialists and managers. We have thus largely limited human resources risks.

There are risks relating to recalculation of pension commitments made by Evonik and its legal predecessors. These are classified as moderate.

☰ See p. 93 ff.

G See Glossary p. 272

3. Compliance and legal risks

Legal risks

Evonik is exposed to risks relating to legal disputes, administrative proceedings and fines. In its operating business, the Evonik Group is exposed to liability risks, especially in connection with product liability, patent law, tax law, competition law, antitrust law and environmental law. Changes in public law could also give rise to a risk or materially alter risk positions. As a chemicals company with its own power plants, risks could arise in connection with a possible change in the charges under the German Alternative Energies Act (EEG). This represents a moderate risk for Evonik. Guarantee claims against the company may result from divestments. We have developed a concept involving high quality and safety standards to ensure a controlled approach to such risks. Insurance cover has been purchased for the financial consequences of any damage that may nevertheless occur as a result of damage to property, product liability claims and other risks. Where necessary, Evonik sets up provisions for legal risks. In this context, patent risks are classified as moderate, while the risks relating to the other categories are considered to be low or moderate.

At present, the legal proceedings outlined below represent the main legal risks.

Evonik and its subsidiary RBV Verwaltungs-GmbH are currently involved in three ongoing appraisal processes in connection with the settlement paid to former shareholders. The background relates to the following legal restructuring measures: the domination and profit-and-loss agreement concluded with Rütgers GmbH (formerly Rütgers AG) in 1999, the squeeze-out of non-controlling interests in Rütgers AG in 2003, and the squeeze-out of non-controlling interests in Degussa AG in 2006. The appraisal proceedings comprise a court review of the appropriateness of cash settlements or compensation. Evonik has established sufficient provisions for the associated risks.

In connection with the divestment of its former energy activities (STEAG), Evonik gave the purchaser various guarantees with regard to the Walsum 10 coal-fired power plant that was under construction at the time. As a result of technical problems, the commissioning of this plant was delayed by nearly four years, so commercial operation only started on December 20, 2013. Evonik has established sufficient provisions for the resultant risks. Evonik is of the opinion that the general contractor is responsible for reimbursement of the majority of additional costs and the damage caused by the delay. Arbitration proceedings are currently pending between the project company and the general contractor.

Further, criminal proceedings have been initiated against representatives of one of our companies in an EU country in connection with the alleged failure to file tax declarations.

Following a fine imposed by the EU Commission in 2002 on various methionine producers (including Evonik), the Brazilian antitrust authorities have filed proceedings against Evonik in connection with the delivery of methionine to Brazil. Evonik is of the opinion that a fine cannot be imposed due to the statute of limitations.

In connection with the divestment of the former carbon black operations, the acquirer has claimed indemnification as a precaution in connection with alleged violation of the US Clean Air Act. Evonik is currently in negotiations with the acquirer on this. A provision has been recognized for possible use of the indemnity agreement on the basis of current knowledge. We currently consider the risks exceeding this to be low.

At present there are no specific material risks in the following categories: the environment, know-how protection, compliance, or data security and IT compliance. In principle, however, unforeseeable low to moderate risks could arise in these areas at any time.

Environmental risks (environment, safety, health, quality)

As a specialty chemicals company, Evonik is exposed to risks in the fields of plant safety, product safety, occupational safety and failure to comply with other environmental regulations. Group-wide health and safety policies, and initiatives taken by the Group and the business units to steadily improve the safety of production facilities effectively reduce these risks. In addition, risks that could arise as a result of the sourcing of raw materials and technical services and their impact on our operating business are systematically identified and evaluated. Moreover, audits are conducted at the request of the Executive Board to check the controlled handling of such risks. Furthermore, our environment and safety management systems, which are validated as conforming to international standards, undergo constant development and improvement. Adequate provisions have been established to secure or remediate contaminated sites where necessary. As a responsible company with significant chemical activities, Evonik ensures that such processes are operated in accordance with the principles of the global *Responsible Care* initiative and the UN Global Compact.

☰ See p. 98 ff.

ⓘ See Glossary p. 274

Know-how protection risks

Know-how protection forms an integral part of the principles and actions designed to ensure legally compliant corporate conduct. The company is also exposed to a risk that intellectual property cannot be adequately protected, even through patents, especially when building new production facilities in certain countries. The transfer of know-how and/or business secrets to joint ventures and other forms of cooperation also entails a risk that expertise could be withdrawn from Evonik. In particular, in the event of the possible separation from a joint venture or other cooperation partner there is no guarantee that the business partner will not continue to use know-how and business secrets transferred or disclose them to third parties, thereby damaging Evonik's competitive position. The Group-wide IP & Know-how Management (IPM) unit supports the operational units in protecting, developing and utilizing intellectual property and patents. It is assisted by a worldwide network of correspondent lawyers. Raising awareness of the value of company know-how and the need to protect it was the main objective of the Chief Know-how Protection Officer (CKPO) in 2013, supported by his team and by know-how protection officers in the various organizational units. Undesired attacks can be hampered by safe communication and behavioral practices, and by timely identification of critical signs.

 See Glossary p. 275

 See C01, p. 21

Compliance risks

Compliance risks relate to compliance with regulations and ethically correct business conduct. All Evonik employees are subject to the binding regulations on fair treatment of each other and of business partners set out in our Code of Conduct. The compliance issues regarded as particularly important from Evonik's viewpoint are combined in a "House of Compliance"¹. To minimize compliance risks, extensive training and sensitization of employees is undertaken at face-to-face training sessions and/or through e-learning programs.

The issues grouped at the "House of Compliance" include fighting corruption, antitrust and foreign trade law, data protection, know-how protection, IT and capital market compliance, and the environment, safety, health and quality (ESHQ).

Data security and IT compliance risks

Group-wide rules and regulations provide details of how to handle information and on the secure use of information systems. Modern information and data security technologies are used throughout the Group to avoid such risks. Appropriate procedures and state-of-the-art technical protection are installed to counter the risk of potential unauthorized access and the loss of data. These are expanded and adapted to the constantly changing risk situation to ensure that we are adequately protected against potential risks in the future. Internal communication methods such as IT security campaigns are used to heighten employees' awareness of the need for security in the handling of information technology.

4. Financial risks

Financial risks relate to market and liquidity risks and the risk of default on financial instruments. Market risks are characterized by the fact that the fair value or future cash flows of a financial instrument can vary as a result of changes in market prices. Market risks comprise exchange rate risks, interest rate risks, and the risks relating to commodity prices, which have already been outlined in the section on procurement risks. Liquidity risks relate to the ability of the company to meet its payment obligations, while default risks entail the risk of a loss because a debtor is fully or partially unable to meet its payment commitments.

Minimizing these risks is an important objective of our corporate policy. Risk is managed by using derivative and non-derivative financial instruments, taking the cost/risk profile into account. Hedging can also be used to utilize the opportunities arising from positive market developments. For financial risk management purposes, Evonik follows the principle of separation of trading, risk controlling and back office functions and takes as its guide the banking-specific "Minimum Requirements for Risk Management" (MaRisk) and the requirements of the German legislation on corporate control and transparency (KonTraG). Binding trading limits, responsibilities and controls are thus set in accordance with recognized best practices. Under Group-wide policies and procedures, all financial risk positions have to be identified and evaluated. This forms the basis for selective hedging to limit risks.

 See p. 108

¹ The Corporate Governance Report can be found on  p. 18 ff.

Interest rate and exchange rate risks are managed centrally by the Finance Division of Evonik Industries AG, which also issues instructions on the management of liquidity and default risks. Commodity risks are managed by the business units and the procurement organization on the basis of established corporate policies. Financial derivatives are used exclusively to reduce risks arising from operating and financing activities and therefore always relate to corresponding underlying transactions. The Evonik Group does not use financial instruments for speculation.

For the management of interest rates and exchange rates, currency swaps, forward exchange contracts, cross-currency swaps and interest rate swaps are used. Commodity swaps are used to hedge price risks relating to coal and gas. We also use forward contracts to secure the procurement of emissions allowances to meet statutory obligations. Put and call options are used to minimize the risks of stepwise divestments. These hedge the value of our investment against the risk of a change in fair value. Further details of the financial derivatives used and their recognition and valuation can be found in Note 10.2 to the consolidated financial statements.

See p. 235 ff.

Interest and exchange rate risks

A considerable portion of the Evonik Group's financial assets and liabilities and its sales revenues are denominated in currencies other than the euro, which is the Group's reporting currency. The most important foreign currencies are the US dollar and the Chinese renminbi yuan. All cash flows that are forecast, firmly committed or recognized on the balance sheet as receivables and liabilities that are not denominated in the functional currency of the respective company are exposed to a transactional currency risk. In the Evonik Group, the risk positions resulting from foreign currency receivables and liabilities recognized on the balance sheet are normally bundled and offset through intragroup hedging. The remaining risks are fully hedged through macro-hedges. In view of the opposite valuation effects of the hedged item recognized on the balance sheet and the hedge, no valuation units are formed for this type of currency hedging. Valuation units for micro-hedging are only used in exceptional circumstances (for example, non-current loans, structured hedging instruments for major investments). By contrast, forecast or firmly committed foreign currency cash flows are generally hedged through micro- or portfolio hedges, where the earnings effects of the recognized hedging transactions are synchronized with those of the off-balance-sheet hedged item through hedge accounting. For foreign currency sales revenues and expenditures that are highly probable, the aim is normally to achieve a hedging ratio of 65 percent of the calculated currency risk.

Evonik manages the interest rate risk resulting from financing and investment activities on a case-by-case basis. Through the use of fixed-interest loans and interest rate hedging instruments, 96 percent of all financial liabilities were classified as fixed-interest as of the reporting date and are therefore not exposed to any material interest rate risk. Changes in interest rates can nevertheless have a significant influence on the present value of our pension obligations so here the risk is classified as high.

We use scenario analyses to assess the possible impact of currency and interest rate risks. In view of the rising importance of regions outside the euro zone, on a long-term view the exchange rate risks and opportunities are increasing and can be classified as high despite the hedging measures outlined above.

A detailed overview of interest rate and foreign exchange management and the use of financial derivatives is given in Note 10.2 to the consolidated financial statements and Note 25 to the annual financial statements of Evonik Industries AG.

Liquidity risks

At the heart of Evonik's central liquidity risk management is a Group-wide cash pool. In addition, the Group's financial independence is secured through a broadly diversified financing structure. A detailed overview of liquidity risks and their management can be found in Note 10.2 to the consolidated financial statements. Details of the financing of the Evonik Group and action to protect liquidity can be found in the section on financial condition.

Overall, Evonik believes that adequate financing instruments are available to ensure sufficient liquidity at all times.

Credit risks relating to financial contracts are systematically examined when the contracts are concluded and monitored continuously afterwards. Ceilings are set for each counterparty on the basis of internal or rating-based creditworthiness analyses. The probability of default is currently low, but in unfavorable circumstances a moderate risk situation could arise.

5. Risks relating to individual companies

Together with our joint venture partner, in 2013 we started to search for a purchaser for our joint lithium-ion business. If this search is fruitless, we would have to consider continuing the operations, with the corresponding negative impact on earnings, or closing them down. As outlined in the presentation of the overall risk and opportunity situation, this could represent a risk to the continued existence of Li-Tec Battery GmbH and the precursor manufacturer Evonik Litarion GmbH, but not to the survival of the Evonik Group.

See Note 4 (d),
p. 173 f.

See Note 10.2,
p. 235 ff.

See p. 73 ff.

7.4 Opportunities

Following the divestment of the majority of the shares in the energy and real estate activities, since summer 2013 Evonik has been entirely a specialty chemicals company. We see that as a considerable advantage. We are focusing on identifying and utilizing opportunities to drive forward the profitable growth of our business, and creating a uniform administrative structure. Moreover, the reduction in complexity and heterogeneity make it easier to live our values.

We are systematically expanding Evonik's leadership positions in the market, concentrating on global megatrends such as health, nutrition, resource efficiency and globalization. At the same time, through our ambitious investment program we are stepping up our presence in attractive markets where we see tremendous potential thanks to their economic momentum. That applies especially to the Asia-Pacific region, South America and Eastern Europe.

Regular review of opportunities

In this section we outline the opportunities—analogously to the risks—in descending order of their significance for Evonik. Their significance is derived from a combination of their potential contribution to earnings, probability of occurrence and the time horizon. Their potential for the Evonik Group is regularly reviewed as part of our opportunity and risk management process and the strategic planning process. The opportunities outlined here are only quantified if this is undertaken for internal management and reporting purposes (for example, with a view to Administration Excellence). By contrast, the opportunities generated by the megatrends and innovative capability are outlined by type and not quantified. In view of the focus of the opportunity and risk management system, quantification is only possible with reference to the underlying five-year planning period. However, the megatrends and innovative capability have a far longer term timeframe.

Opportunities generated by continual streamlining of structures and improvement of the cost position

To increase scope for growth and innovations, we are working steadily to improve our cost position. The key element is the On Track 2.0 efficiency enhancement program through which we aim to cut annual costs by €500 million by year-end 2016. We are also optimizing our administrative workflows. The Administration Excellence program introduced in fall 2013 should achieve annual savings of up to €250 million by the end of 2016.

Opportunities generated by the nutrition megatrend

Evonik is the only company in the world that produces all four key amino acids for modern animal nutrition: DL-methionine, L-threonine, L-tryptophan and L-lysine (Biolys®). The development of this business is driven by socio-economic trends: Global population growth means that demand for animal protein will continue to rise steadily in the future. This is reinforced by a further trend: In the emerging markets eating habits in the growing middle class are shifting towards western patterns in the wake of rising affluence and increasing urbanization. Consumption of meat is increasing sharply, especially in Asian cities, leading to more intensive livestock farming in this region. At the same time, environmentally compatible agricultural production that makes more efficient use of resources is becoming more important worldwide for ecological reasons.

In view of this, we expect our amino acids business to go on growing very dynamically in the long term and are therefore systematically extending capacity. A new DL-methionine complex on Jurong Island (Singapore), which is fully backwardly integrated, is scheduled to come on stream in the third quarter of 2014. We will be bringing the additional capacity of up to 150,000 metric tons p.a. onto the market carefully. This new facility is intended mainly to serve the Asia-Pacific region, which is the most dynamic market for DL-methionine. New applications for DL-methionine are also developing very promisingly. One example is aquaculture, enabling us to steadily extend the basis for profitable growth of this business. In addition, we are raising capacity for amino acids produced by fermentation. New production facilities for Biolys® are currently under construction in Brazil and Russia, where the market is growing fast.

Opportunities generated by the resource efficiency megatrend

Evonik offers its customers environment-friendly and energy-efficient systems solutions. In view of the limited reserves of fossil fuels, we see this as a major source of opportunities. One example is precipitated silica, where we are a market leader. Precipitated silica is used in combination with silanes to produce tires with low rolling resistance that reduce fuel consumption. Growth of such products is receiving additional impetus from labeling regulations such as the EU tire label. We are the only manufacturer worldwide that can offer the tire and rubber industries both components required for tires with low rolling resistance, i.e. silica and silanes. Experts are predicting double-digit percentage growth in the global market for these tires in the next five years. To utilize the resultant business opportunities, we are increasing our global capacity for silica by around 30 percent by 2014 (reference base: 2010).

We are currently adding the first site in Asia for our isophorone technology. The new production complex, which is scheduled to come into service in 2014, is located at our multi-user site in Shanghai Chemical Industry Park. We will then have integrated production facilities in the world's three main economic areas, Europe, NAFTA and Asia, so we can further strengthen our market leadership.

Opportunities generated by the health megatrend

In the emerging markets, there is rising demand from the affluent middle class for personal care products and cosmetics. Looking forward, we expect that in the next few years South America will become the world's second-largest market for personal care products, with China in third place. From this we derive promising opportunities for our business. Following the successful start-up of a new production facility for ingredients for the cosmetics and household consumer goods market in Shanghai (China) in fall 2013, we are currently building a corresponding plant in Americana in the state of São Paulo (Brazil) to extend our global production network. This new plant, which is expected to come into service in 2014, will improve our access to the growing South American market.

Opportunities generated by the globalization megatrend

Evonik is the market and technology leader in high-performance additives to optimize the lubricating and flow properties of engine oils and hydraulic fluids. The dynamic economic development in the emerging markets is boosting this business. Asia accounts for one-third of the global lubricants market and is currently the fastest growing market for these products.

We see promising opportunities for our activities there. We will therefore be doubling capacity at our oil additives plant in Singapore by 2015 and are optimizing the production process at the same time. In this way we are responding to the above-average market growth resulting from rising mobility in Asia and increased demand for high-performance additives for modern, resource-efficient lubricants.

Opportunities generated by research and development

In the coming years, we want to step up the pace of research and development, for example through our Leading Innovation initiative. Evonik expects this to bring additional opportunities for profitable growth in the future. Our R&D pipeline is well stocked and comprises a balanced mixture of short-, mid- and long-term projects. Since product lifecycles are becoming shorter while innovation is becoming more complex, we are making our R&D more open to external partners in the sense of open innovation. At the same time we are continuing to drive forward the internationalization of our research activities and gaining access to new opportunities in emerging markets.

Opportunities generated by active portfolio management

Systematic portfolio management generates additional opportunities for Evonik. To support our growth strategy, the focus is on acquisitions to give us access to additional high-margin products, markets and technologies. We constantly examine the strategic alignment, earnings power and development potential of possible acquisition targets. Above all, we are interested in strengthening our activities in the areas of personal care, coating additives, silicas, high performance polymers, oil additives and healthcare.

Businesses that no longer fit our strategy or no longer meet our profitability requirements are divested. For example, we intend to withdraw completely from the electromobility business and divest our activities in this field.

In addition, in mid-2013 we initiated the divestment process for STOKO® Professional Skin Care, a leader in protective skin-care products for use in working conditions that are tough on the skin. This is a non-core business with sales in the mid-double-digit million euro range which is assigned to our Consumer Specialties Business Unit.

Opportunities generated by sustainable products and processes

Our strategic innovation unit Creavis and our business units are stepping up research into sustainable products and processes that make more efficient use of resources. We regard sustainability as an important innovation and growth driver with which we can also meet our corporate responsibility. For example, Evonik is working on industrial biotechnology, a key technology for realization of the bioeconomy. Our products here include amino acids produced using fermentation techniques for nutrition tailored especially to the needs of poultry and pigs. As a result, livestock needs less feed. That also reduces excretion of nitrogen and other undigested nutrients, which improves the carbon footprint of livestock farming and reduces overfertilization of the soil.

VESTAMID® Terra is the brand name for a group of new polyamides based on renewable raw materials marketed by our Performance Polymers Business Unit. The monomers are obtained fully or partially from ricinus oil, a raw material that is not used either as a food or as an animal feed. Moreover, cultivation does not compete with land for food crops.

Opportunities generated by diversity and healthy and motivated employees

G See Glossary p. 272

Evonik sees the *diversity* of all its employees as an enrichment. We define diversity not simply as the best possible balance between male and female employees, but also between different educational backgrounds, experience of working in different organizational units and functional areas, a broad age range and a variety of nationalities, in other words, diversity in all its facets. That increases the ability to generate new ideas, products, processes and applications, strengthen our competitive position, and effectively address demographic change. That is particularly important for us as a specialty chemicals company. Actively fostering diversity is therefore an important element in our corporate culture which has been anchored in the Group in recent years through a variety of measures. Since we see this as offering considerable opportunities, we will be systematically driving it forward.

The same applies to our Group-wide well@work program because healthy and motivated employees are vital if we are to utilize business opportunities effectively. The well@work program is designed to strengthen our employees' fitness for work and thus their quality of life. Good health is one of the major factors in this. Evonik therefore supports and encourages employees in health-promoting activities such as a healthy diet, daily exercise and dealing effectively with psychomental stress.

Opportunities generated by access to new growth areas

Looking ahead to future developments on a ten to fifteen-year time horizon should also contribute to Evonik's success. The Corporate Foresight Team at our strategic innovation unit Creavis identifies such growth areas, with a keen eye on future needs. Trend analyses are used to identify the challenges that will confront tomorrow's markets and where they interface with our specialty chemicals portfolio. The multidisciplinary Corporate Foresight team works closely with a steadily growing network of internal and external specialists. In recent years their work has focused on "megacities", in other words, the urbanization trend. It is now analyzing the development potential and business opportunities of maritime applications.

8. Information pursuant to Section 289 Paragraph 4 and Section 315 Paragraph 4 of the German Commercial Code and explanatory report by the Executive Board pursuant to Section 176 Paragraph 1 of the German Stock Corporation Act

Structure of issued capital

The capital stock of Evonik Industries AG comprises €466,000,000 and is divided into 466,000,000 no-par registered shares. Each share entitles the holder to one vote.

Under Section 5 Paragraph 2 of the Articles of Incorporation, shareholders do not have any claim to the issue of certificates for their shares unless the issue of a certificate is required by the rules of a stock exchange on which the share has been admitted for trading.

There are no different share classes, nor any shares with special rights.

Restrictions on voting rights or the transfer of shares

RAG-Stiftung and Gabriel Acquisitions GmbH (the main shareholders) concluded agreements on cooperation with a view to the development of the Evonik Group, including agreements relating to the divestment of their shares in Evonik.

Through a shareholder agreement (most recently revised on April 10, 2013) they have given an undertaking that in the event of sale of shares in Evonik to third parties outside the stock exchange (trade sale), they will first offer the shares to each other. RAG-Stiftung has to give its consent to a trade sale by Gabriel Acquisitions GmbH, but may only withhold it with good reason. In the event of a trade sale by RAG-Stiftung, Gabriel Acquisitions GmbH has a right to concurrently sell up to 50 percent of the number of shares to be sold out of its shares in Evonik Industries AG. If the main shareholders' combined shareholding in Evonik Industries AG drops below 50 percent of the capital stock of Evonik Industries AG as a result of a trade sale by RAG-Stiftung, Gabriel Acquisitions GmbH may utilize its right to simultaneous sale for its entire shareholding.

Purchasers of Evonik shares through a trade sale must accede to the shareholder agreement. However, in the event of a trade sale by RAG-Stiftung, this shall only apply insofar as the main shareholders together hold less than 80 percent but more than 50 percent of the capital stock of Evonik Industries AG. This shareholder agreement ends if one of the two main shareholders hold less than 5 percent of the capital stock.

Direct and indirect shareholdings that exceed 10 percent of the voting rights

Under the German Securities Trading Act (WpHG), every shareholder whose voting rights in the company reach, exceed or drop below a certain level, whether through the purchase or sale of shares or in any other way, must notify the company and the Federal Financial Supervisory Authority (BaFin). Under Section 21 Paragraph 1 of the German Securities Trading Act, the relevant thresholds are 3, 5, 10, 15, 20, 25, 30, 50 and 75 percent of the voting rights. Changes in voting rights between these thresholds are not subject to notification under the German Securities Trading Act so the following data may differ from more recent overviews of shareholder structure.

Under Section 289 Paragraph 4 No. 3 and Section 315 Paragraph 4 No. 3 of the German Commercial Code (HGB), all direct and indirect shareholdings exceeding 10 percent of the voting rights must be declared.

The company's Executive Board has received notification of the following direct and indirect shareholdings that exceed 10 percent of the voting rights:

T022 Direct/indirect shareholdings exceeding 10 percent of the voting rights

| | | |
|--|----------|---------------|
| RAG-Stiftung, Essen (Germany) | direct | 68.91 percent |
| | indirect | 18.93 percent |
| Gabriel Acquisitions GmbH, Gadebusch (Germany) | direct | 18.93 percent |
| | indirect | 68.91 percent |
| CVC Capital Partners Advisory Company Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC Capital Partners Finance Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC Capital Partners SICAV-FIS S.A., Luxembourg (Luxembourg) | indirect | 87.84 percent |
| CVC Capital Partners 2012 Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC European Equity Partners Tandem Fund (A) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Partners Tandem Fund (B) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Partners Tandem Fund (C) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Partners V (A) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Partners V (B) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Partners V (C) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Partners V (D) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Partners V (E) L.P., Georgetown (Cayman Islands) | indirect | 87.84 percent |
| CVC European Equity Tandem GP Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC European Equity V Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC Group Holdings L.P., St. Helier (Jersey) | indirect | 87.84 percent |
| CVC Group Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC MMXII Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC Nominees Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| CVC Portfolio Holdings Limited, St. Helier (Jersey) | indirect | 87.84 percent |
| Gabriel Holdings S.à r.l., Luxembourg (Luxembourg) | indirect | 87.84 percent |
| Gabriel Investments S.à r.l., Luxembourg (Luxembourg) | indirect | 87.84 percent |

Under the shareholder agreement, the voting rights are allocated reciprocally between the main shareholders pursuant to Section 22 Paragraph 2 of the German Securities Trading Act (WpHG). Both the indirect and the direct investment by Gabriel Acquisitions GmbH is allocated cumulatively to the other shareholders in accordance with Section 22 Paragraph 1 WpHG.

The Executive Board is not aware of any further direct or indirect holdings in the company's capital stock that exceed 10 percent.

In compliance with Section 160 Paragraph 1 No. 8 of the German Stock Corporation Act, the Notes to the company's consolidated financial statements contain an overview of all voting rights notifications submitted to Evonik Industries AG.

Appointment and dismissal of Executive Board members, amendments to the Articles of Incorporation

The appointment and dismissal of members of the Executive Board of Evonik Industries AG is governed by Section 84 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG), in conjunction with Section 6 of the company's Articles of Incorporation. Section 6 of the Articles of Incorporation states that the Executive Board comprises at least two members. Further, the Supervisory Board is responsible for determining the number of members.

Amendments to the Articles of Incorporation have to be adopted by a resolution of the Shareholders' Meeting with a majority of at least three quarters of the capital stock represented at the meeting. Sections 179 et seq. of the German Stock Corporation Act (AktG) are applicable.

Under Section 11 Paragraph 7 of the Articles of Incorporation, the Supervisory Board is authorized to resolve on amendments to the Articles of Incorporation, provided they are only editorial.

Authorization of the Executive Board, especially to issue and repurchase shares

Pursuant to a resolution of the Shareholders' Meeting of March 11, 2013, the Executive Board is authorized until March 10, 2018, subject to the approval of the Supervisory Board, to purchase up to 10 percent of the company's capital stock. Together with other shares in the company which the company has already acquired or still owns, or which are attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act (AktG), the shares acquired under this authorization may not, at any time, exceed 10 percent of the capital stock. Shares in the company may not be purchased for trading purposes.

Subject to the principle of equal treatment (Section 53a German Securities Trading Act/WpHG), the purchase may take place via the stock exchange or via a public offering to all shareholders for the purchase or exchange of shares. In the latter case, notwithstanding the exclusion of tender rights permitted in specific circumstances, the principle of equal treatment (Section 53a AktG) must also be taken into account.

The Executive Board is authorized, subject to the approval of the Supervisory Board, to use the shares acquired under the above authorization, for the following purposes:

- to offer or transfer them to employees of Evonik Industries AG and employees or members of the management of its subsidiaries;
- to offer and/or grant them to third parties in connection with business combinations or the acquisition of companies, parts of companies or shareholdings in companies or other related depositable assets;
- to offer them to shareholders through an offering to all shareholders;
- to sell them via the stock exchange in accordance with the principle of equal treatment (Section 53a AktG);
- to sell them in a manner other than via the stock exchange or an offer to all shareholders insofar as shares are sold in return for cash at a price that is not significantly below the stock exchange price of shares of the same class within the meaning of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG);
- to use them, to introduce shares in the company—on its own or in conjunction with one or more shareholders—to German or foreign stock exchanges where they are not listed.

Pursuant to Section 4 Paragraph 6 of the Articles of Incorporation, the Executive Board is authorized until March 10, 2018, to increase the company's capital stock, subject to the approval of the Supervisory Board, by up to €4,660,000 by issuing new registered no-par shares against cash or contributions in kind (Authorized Capital).

This authorization may be exercised through one or more issuances. The subscription rights of shareholders have been excluded.

The new shares may only be issued to grant shares to employees of Evonik Industries AG and its subsidiaries. The new shares may also be issued to a bank or other company that fulfills the criteria of Section 186 Paragraph 5 Sentence 1 of the German Stock Corporation Act (AktG) and that assumes the shares with the obligation to use them exclusively to grant shares to employees (employee stock).

Insofar as is permitted by law, the employee stock may also be issued in such a manner that the contribution to be paid for the shares is covered by part of the net profit that the Executive Board and Supervisory Board can allocate to other revenue reserves pursuant to Section 58 Paragraph 2 of the German Stock Corporation Act (AktG). The employee stock can also be procured through securities loans from a bank or other company that fulfills the criteria of Section 186 Paragraph 5 Sentence 1 of the German Stock Corporation Act, where the new shares are used to repay the securities loan.

Further, the Executive Board is authorized, with the approval of the Supervisory Board, to determine the content of the rights accorded to these shares and the terms of issue.

Significant agreements concluded by the company that are contingent upon a change of control resulting from a takeover bid

Evonik Industries is a contracting party in the following agreements that are contingent upon a change of control resulting from a takeover bid:

- The company has agreed a €1.75 billion syndicated credit facility with its core banks, which had not been drawn as of December 31, 2013. In the event of a change of control resulting from a takeover bid, these banks could withdraw the credit facility. On the terms agreed, this applies if a new major shareholder (apart from RAG-Stiftung and its subsidiaries) acquires direct or indirect voting rights of more than 50 percent in Evonik Industries AG—including through a voting rights agreement with one or more other shareholders (pursuant to Section 30 Paragraph 2 of the German Securities Acquisition and Takeover Act (WpÜG)).
- At the start of 2013, the company launched a debt issuance program to place bonds with a total volume of up to €3 billion. By December 31, 2013 one bond with a nominal value of €500 million had been issued under this program. The issue conditions contain a change-of-control clause. In the event of a change of control resulting from a takeover bid and a deterioration in the credit rating of Evonik Industries AG to non-investment grade within 90 days as a result of such change of control, the bondholders have the right to demand redemption of the bond at nominal value plus accrued interest. A change of control is deemed to have occurred if a person (apart from RAG-Stiftung or a (direct or indirect) subsidiary of RAG-Stiftung) or persons acting in a concerted manner directly or indirectly acquire(s) more than 50 percent of the voting rights in Evonik Industries AG.

- In October 2009, the company issued a bond with a nominal value of €750 million and a tenor of 5 years, which matures in October 2014. In the event of a change of control resulting from a takeover bid, the bondholders have the right to demand redemption of the bond by Evonik Industries AG at nominal value plus accrued interest. Under the terms, a change of control occurs if a new major shareholder (apart from RAG-Stiftung and its wholly owned subsidiaries) directly or indirectly acquires more than 50 percent of the capital stock or voting rights of Evonik Industries AG.

Agreements on payment of compensation by the company to members of the Executive Board or other employees in the event of a change of control

Change-of-control clauses are only agreed with members of the Executive Board in connection with long-term remuneration. A change of control is defined as cases when another company obtains control of Evonik Industries AG as defined in the German Securities Acquisition and Takeover Act (WpÜG) or there is a significant change in the company's shareholders as a result of a merger or comparable reorganization or business combination. In such cases, the long-term remuneration due to the eligible employees is calculated immediately and paid into their salary account with their next regular salary payment. From the 2013 tranche, such payment is calculated pro rata, based on the period that has elapsed between allocation of the remuneration component and the change of control relative to the full four-year performance period.

9. Declaration on corporate governance

The declaration on corporate governance in compliance with Section 289a of the German Commercial Code (HGB) has been made available to the public on the company's website: www.evonik.com/declaration-on-corporate-governance.

 www.evonik.com/declaration-on-corporate-governance

Further, extensive information on corporate governance is contained in the Corporate Governance Report in this Annual Report.

 See p. 18 ff.

10. Remuneration report

The remuneration report outlines the principles of the remuneration system for the members of the Executive Board and the Supervisory Board, together with the structure and level of their individual remuneration. This report contains the data required to comply with the German Commercial Code (HGB), including the principles set out in the German Accounting Standard No. 17 (DRS 17) and the International Financial Reporting Standards (IFRS).

10.1 Remuneration of the Executive Board

Changes on the Executive Board and extension of contracts

At its meeting on March 11, 2013, the Supervisory Board extended the appointment of Dr. Klaus Engel as Chairman of the Executive Board for a further five years until December 31, 2018. The appointment of Dr. Wolfgang Colberg ended at midnight on September 30, 2013, when he stepped down. At its meeting on June 21, 2013, the Supervisory Board appointed Dr. Ute Wolf to the Executive Board as Chief Financial Officer for a term of five years effective October 1, 2013. Further, Dr. Dahai Yu and Dr. Thomas Haeberle left the Executive Board on December 31, 2013. From January 1, 2014, the Executive Board was therefore reduced from six to four members.

Principles and objectives

The remuneration system for the Executive Board is designed to ensure that members receive adequate remuneration for their tasks and responsibilities, and to take direct account of the performance of each member of the Executive Board and of the company.

The remuneration is reviewed regularly by the Supervisory Board on the basis of remuneration reports from independent consultants. These reviews examine the structure and level of remuneration of the Executive Board, particularly in comparison with the external market, and also in relation to remuneration elsewhere in the company. If this reveals a need to adjust the remuneration system or the level or structure of remuneration, the Executive Committee of the Supervisory Board submits a corresponding proposal to the full Supervisory Board for a decision. The last review of remuneration was in June 2013. At this time, the targets for long-term remuneration were adjusted retroactively as of January 1, 2013 to ensure that the majority of the remuneration is long-term. Further, it was decided to adjust further remuneration components (fixed annual base salary and annual bonus) from January 1, 2014 so that all members of the Executive Board apart from the Chairman are remunerated on the same basis. Alteration of the basic remuneration system was not necessary.

The overall remuneration paid to members of the Executive Board comprises a fixed monthly base salary (fixed annual remuneration), a short-term variable component comprising an annual bonus, long-term variable remuneration, and the customary fringe benefits. Details are given below. The structure is as follows (as of December 31, 2013):

- Fixed annual base salary: approx. 28.5 percent
- Annual bonus (based on 100 percent attainment of targets): approx. 31.5 percent
- Long-term remuneration (based on the agreed target value): approx. 40.0 percent

Performance-unrelated components

Fixed annual base salary

The fixed and individually agreed **annual base salary** is a cash payment for the fiscal year and is paid in twelve equal installments. It takes account of the experience and scope of responsibility of each Executive Board member.

Benefits in kind and other fringe benefits

As benefits in kind and other fringe benefits, members of the Executive Board receive a company car with a driver, the installation of telecommunications equipment, and an entitlement to an annual medical check-up. They may receive a rent subsidy if performance of their duties requires them to rent a second apartment. Any benefits in kind are taxed at the rates set out in the applicable tax regulations.

Further, members of the Executive Board may receive additional remuneration for offices they hold in the interests of the company. Apart from fees for the attendance of meetings, these are deducted from their annual bonus or paid over to the company.

Performance-related components

Short-term variable remuneration

The performance-related **annual bonus** is dependent on the attainment of business targets measured by performance indicators (bonus factor) and the attainment of individual objectives (performance factor). The bonus factor and performance factor are multiplied. The level of the bonus factor depends on the achievement of the business targets derived from the corporate planning and may be between 0 and 200 percent. The business targets are ROCE, net income and the free cash flow. The company's accident performance in the financial year (number of accidents compared with the previous year) also has an influence.

The performance factor rewards the attainment of personal targets and can vary between 80 percent and 120 percent. The parameters are set individually on the basis of the individual performance targets. Assuming 100 percent attainment of the personal and business objectives, the contractually agreed bonus is paid. If the company's income falls short of the planned level, the bonus factor may—in the extreme case—be zero, regardless of personal attainment. In other words, it is conceivable that a bonus might not be paid for a specific year. The bonus is capped at 200 percent of the target bonus.

The business and personal targets set for Executive Board members for the bonus and performance factors are agreed annually in writing between the Supervisory Board and each member of the Executive Board and attainment is determined by the Supervisory Board.

Long-term variable remuneration (LTI)

LTI tranches 2009 through 2012

The reference base for **long-term remuneration** is generally a sustained rise in the value of the company. The tranches 2009 through 2012 reward achieving or exceeding the operating earnings targets set in the mid-term planning and their impact on the value of the company. Each tranche runs for five years from January 1 of the grant year.

Entitlements are based on individually agreed target amounts, provided that earnings targets are met. LTI payments are calculated in the year following the end of the performance period, when the necessary indicators are available. Payments are capped at three times the target amount, and can be zero if the defined lower threshold is not reached.

To determine the value of the company as a basis for ascertaining target attainment, the share price at the end of the performance period is used. For this purpose, the average price of shares in Evonik in the three months prior to the end of the performance period is calculated. In addition, dividends paid and any capital increases or decreases during the performance period are taken into account. The cumulative discrepancy between planned and actual attainment of the targets in the performance period and the dividends paid in the last year of the performance period are taken into account in the calculation. If there is no share price, the value of equity is determined on the basis of the last share transaction in the past twelve months of the performance period. If there was no share transaction in the last twelve months, a fictitious equity value is used. This is derived by applying a fixed EBITDA multiple to the company's business performance in the last full fiscal year.

Given the structure of the LTI Plans 2009 through 2012, they did not meet the definition of share-based remuneration pursuant to DRS 17.9 until Evonik Industries AG was listed on the stock exchange. Consequently, they were not classified as share-based remuneration. In each case, payment was contingent on attainment of the defined performance target and on the condition that the amount available for distribution was not zero. Accordingly, these tranches were only deemed to have been granted in the year in which the respective performance period ended. Granting of payments was further conditional on the fact that the stock exchange listing had not taken place. This final condition was met in 2013, resulting in the reclassification of this remuneration component as share-based remuneration. In accordance with DRS 17, the LTI tranches 2009 through 2012 are therefore regarded as granted as of this date and treated as share-based remuneration. The fair value of each tranche as of the date of the legally binding commitment was calculated and included in the total remuneration of the individual members of the Executive Board in 2013. The fair values are shown in the table of LTI tranches.

LTI tranche 2013

In view of the stock exchange listing of Evonik Industries AG, the Supervisory Board redesigned the LTI Plan for the period from 2013 so it differs from tranches 2009 through 2013. Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals IndexSM.

Based on the contractually agreed target amount, which is defined in euros, a number of virtual shares is calculated using the share price at the start of the performance period. This is based on the price in the last 60 trading days before the start of performance period. The performance period starts on January 1 of the grant year and runs for four years. Since there was no share price at the start of the performance period, as an exception, the virtual shares for the 2013 tranche were calculated from the share price in the first 60 trading days following admission to the stock exchange (April 25, 2013). At the end of the performance period, the starting price of Evonik shares is viewed against the share price at the end of the performance period, including any dividends per share actually paid in this period. This is then compared with the performance of the benchmark index (total shareholder return).

The relative performance may be between 70 and 130 percentage points. If the relative performance is below 70 percentage points, the relative performance factor is deemed to be zero. If the relative performance exceeds 130 percentage points, the relative performance is deemed to be 130 percent.

The payment is calculated by multiplying the relative performance by the number of virtual shares allocated and the average price of Evonik shares at the end of the performance period.

Eligible participants are informed of the outcome after the end of the performance period. They can then opt to accept the payment calculated or to extend the performance period once for a further year. In this case, a renewed calculation is performed at the end of the extended performance period. Partial exercise at the end of the original performance period is not permitted. The upper limit for these payments is set at 300 percent of the individual target amount.

The fair value of the LTI tranches 2009 through 2013 as of the date of the legally binding commitment and the total expense in 2013 are shown in the next table:

T023 LTI tranches

| Name | 2009 ^a | 2010 ^a | 2011 ^a | 2012 ^a | 2013 ^b | |
|----------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|--------------|
| | €'000 | €'000 | €'000 | €'000 | No. of virtual shares | €'000 |
| Dr. Klaus Engel | 463 | 478 | 479 | 495 | 43,133 | 1,028 |
| Dr. Wolfgang Colberg | 208 | 287 | 383 | 396 | – | – |
| Dr. Thomas Haeberle | – | – | 216 | 297 | 25,880 | 617 |
| Thomas Wessel | – | – | 96 | 297 | 25,880 | 617 |
| Patrik Wohlhauser | – | – | 216 | 297 | 25,880 | 617 |
| Ute Wolf | – | – | – | – | 6,470 | 154 |
| Dr. Dahai Yu | – | – | 216 | 297 | 25,880 | 617 |
| Total | 671 | 765 | 1,606 | 2,079 | 153,123 | 3,650 |

^a No details are given of other share-based remuneration amounts because a specific number of shares or share options was not issued, nor can the tranches be converted into a number of virtual shares.

^b The date of the legally binding commitment corresponds to the grant date.

The total expense for all LTI tranches in 2013 was €3,465 thousand. The breakdown of the expense was as follows: €137 thousand for Dr. Engel, €1,364 thousand for Dr. Colberg, €1,040 thousand for Dr. Haeberle, €88 thousand for Mr. Wessel, €31 thousand for Mr. Wohlhauser, €39 thousand for Ms. Wolf, and €1,040 thousand for Dr. Yu. The high expenses for Dr. Colberg, Dr. Haeberle and Dr. Yu relate mainly to amounts determined in connection with termination agreements.

Company pension plan

The company pension arrangements for Dr. Klaus Engel and Dr. Wolfgang Colberg comprise a percentage of their annual base salary, which is dependent on length of service with the company and is capped at 60 percent. The pension commitments provide for lifelong retirement and surviving dependents' benefits.

A defined-contribution system is applicable for Dr. Thomas Haeberle, Thomas Wessel, Patrik Wohlhauser, Ute Wolf and Dr. Dahai Yu. This is a capital-based system funded by provisions. The company credits a fixed annual amount to their pension account. This comprises 15 percent of their target remuneration, i.e. base salary and target bonus (short-term remuneration assuming 100 percent target attainment). The guaranteed annual return is 5 percent. The pension benefit comprises the amount that has accrued on the account, i.e. contributions credited to the account plus accumulated interest. In the event of death or disability, the amount that would be available on the account on the member's 55th birthday, including projected contributions and interest, is calculated. Payment normally comprises a lifelong pension. Alternatively, Executive Board members may opt for disbursement of part of the capital (maximum 50 percent) in six to ten installments. Pension entitlements accrued prior to appointment to the Executive Board are either integrated into the system as an initial contribution or continue to be managed separately. If a member leaves the Executive Board prematurely, no further contributions are credited to the account. However, it continues to earn interest at the market interest rate, which is based on the average return earned by major German life insurers (at least 2.25 percent p.a.) until benefits are claimed.

Members of the Executive Board are entitled to pension benefits after they leave the company if they leave on or after reaching the age of 60 or if they leave as a result of permanent incapacity to work. In addition, Dr. Engel and Dr. Colberg may claim pension benefits from the date of premature termination or non-extension of their contracts on the Executive Board, providing they do not give due cause for such termination.

In 2013, the service cost for members of the Executive Board totaled €693 thousand (2012: €1,566 thousand) based on the German Commercial Code (HGB), and €1,152 thousand (2012: €1,961 thousand) based on IFRS.

The difference in service cost for pension commitments is attributable to the difference between the valuation method used to calculate the settlement amount in accordance with the German Commercial Code and the present value of pension obligations calculated in accordance with IFRS.

The present value of pension obligations for the members of the Executive Board was €13,455 thousand (2012: €17,772 thousand) based on the German Commercial Code (HGB), and €16,414 thousand (2012: €22,360 thousand) based on IFRS. The following table shows the service cost and present value of the pension obligations for individual members of the Executive Board.

T024 Service cost and present value of pension obligations

| Name | HGB | | IFRS | |
|------------------------------|-----------------------|---|-----------------------|--|
| | Service cost €'000 | Settlement amount of pension obligations as of Dec. 31 €'000 | Service cost €'000 | Present value of the defined benefit obligation as of Dec. 31 €'000 |
| Dr. Klaus Engel | 192 | 8,872 | 483 | 10,582 |
| Thomas Wessel | 214 | 1,838 | 281 | 2,326 |
| Patrik Wohlhauser | 242 | 2,348 | 324 | 3,001 |
| Ute Wolf (from Oct. 1, 2013) | 45 | 397 | 64 | 505 |
| | 693 | 13,455 | 1,152 | 16,414 |

Provisions for pension obligations to former members of the Executive Board and their surviving dependents as of the reporting date were €28,002 thousand (2012: €15,360 thousand) based on the German Commercial Code (HGB), and €37,707 thousand (2012: €23,192 thousand) based on IFRS.

Rules on termination of service on the Executive Board

Cap on termination benefits in the event of premature termination of term of office

The contracts with all members of the Executive Board provide for a cap on termination benefits. If a member's term of office is prematurely terminated, payments may not exceed two years' remuneration, including variable remuneration components. In no case is remuneration payable for periods beyond the remaining term of contract. The contracts specify that no termination benefits are payable if an Executive Board member's contract is terminated for reasons for which he or she is responsible. In accordance with the provisions of the German Corporate Governance Code, calculation of the cap on termination benefits is based on total remuneration including fringe benefits in the previous fiscal year and, where appropriate, the anticipated total remuneration for the current fiscal year.

In the termination agreement with Dr. Colberg, agreement was reached to take account of current fixed and variable remuneration components, including contractually agreed fringe benefits. The remuneration increases already resolved by the Supervisory Board for the period from 2014 were taken into account for Dr. Haeberle and Dr. Yu. With respect to performance attainment for variable remuneration components, the empirical values for the previous fiscal years were used. This resulted in termination benefits slightly above the levels outlined above as agreed in their employment contracts.

The following individual benefits were granted to Dr. Colberg, Dr. Haeberle and Dr. Yu in connection with the termination of their service on the Executive Board:

T025 Termination benefits

| Name | Fixed remuneration €'000 | Fringe benefits €'000 | Annual bonus €'000 | Pension contributions €'000 | LTI €'000 | Total €'000 |
|----------------------|-----------------------------|--------------------------|-----------------------|--------------------------------|--------------|--------------------|
| Dr. Wolfgang Colberg | 340 | 11 | 755 | – | 1,000 | 2,106 |
| Dr. Thomas Haeberle | 1,200 | 48 | 2,360 | 422 | 3,000 | 7,030 ^a |
| Dr. Dahai Yu | 1,200 | 48 | 2,438 | 422 | 3,000 | 7,108 |

^a At Dr. Haeberle's request, €1,000 thousand of this was converted into a pension module (deferred compensation).

In addition, from April 1, 2014 Dr. Colberg will receive a contractually agreed transition payment totaling €1,564 thousand over the period until he reaches the age of 60.

Post-contractual non-compete agreements

Post-contractual non-compete agreements have not been concluded with members of the Executive Board.

Change-of-control clause

Change-of-control clauses are only agreed with members of the Executive Board in connection with long-term remuneration. A change of control is defined as cases when another company obtains control of Evonik Industries AG as defined in the German Securities Acquisition and Take-over Act (WpÜG) or there is a material change in the company's shareholders as a result of a merger or comparable reorganization or business combination. In such cases, the long-term remuneration due to the eligible Executive Board members is calculated immediately and paid into their salary account. From the 2013 tranche, the payment is calculated pro rata based on the period between the grant date and the change of control and the 4-year performance period.

Remuneration of the Executive Board in fiscal 2013

The total remuneration paid to the members of the Executive Board for their work in 2013, including remuneration for the performance of other offices, was €25,997 thousand (2012: 10,235 thousand). This included bonus payments of €738 thousand for the previous year, which were not included in the provision for fiscal 2012.

Based on the principles outlined, the breakdown of remuneration for each Executive Board member in 2013 was as follows:

T026 Remuneration of the Executive Board in 2013

| Name | Performance-unrelated remuneration | | Performance-related remuneration | | | Total remuneration in 2013 in accordance with DRS 17 | | |
|---|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|---|--|--|---------------|
| | Fixed remuneration €'000 | Fringe benefits and similar €'000 | Annual bonus €'000 | LTI 2013 ^a €'000 | Special bonus for stock exchange listing €'000 | Remuneration 2013 €'000 | LTI 2009 to 2012 ^b €'000 | 17 €'000 |
| Dr. Klaus Engel | 880 | 74 | 1,107 | 1,028 | 1,500 | 4,589 | 1,915 | 6,504 |
| Dr. Wolfgang Colberg (until September 30, 2013) | 510 | 151 | 1,152 | – | 1,300 | 3,113 | 1,274 | 4,387 |
| Dr. Thomas Haeblerle (until December 31, 2013) | 520 | 40 | 1,153 | 617 | 1,000 | 3,330 | 513 | 3,843 |
| Thomas Wessel | 510 | 175 | 762 | 617 | 1,000 | 3,064 | 393 | 3,457 |
| Patrik Wohlhauser | 575 | 34 | 775 | 617 | 1,000 | 3,001 | 513 | 3,514 |
| Ute Wolf (from October 1, 2013) | 150 | 16 | 163 | 154 | – | 483 | – | 483 |
| Dr. Dahai Yu (until December 31, 2013) | 490 | 40 | 1,149 | 617 | 1,000 | 3,296 | 513 | 3,809 |
| Total | 3,635 | 530 | 6,261 | 3,650 | 6,800 | 20,876 | 5,121 | 25,997 |

^a Fair value as of the legally binding commitment or grant date.

^b Expressed as the accumulated fair value (LTI 2009 through 2012) as of the legally binding commitment due to first-time classification as share-based remuneration pursuant to DRS 17. This is performance-related remuneration.

At its meetings in June 2011 and May 2012, the Supervisory Board of Evonik Industries AG resolved in principle to pay the members of the Executive Board a special bonus in the event of a successful stock exchange listing.

At its meeting on March 11, 2013 the Supervisory Board initially adopted a resolution to grant the Executive Board a special bonus for the successful preparations for Evonik's planned stock exchange listings in 2011 and 2012. At the same meeting, the Supervisory Board also adopted a resolution that payments of the same amount would be made if at least 10 percent of shares in Evonik were placed privately in fiscal 2013 and listed on the Frankfurt stock exchange. Since this occurred in April 2013, corresponding payments were made to the Executive Board members in May 2013.

In 2013, no member of the Executive Board received benefits or corresponding promises from third parties in connection with his or her service on the Executive Board. Further, as of December 31, 2013 there were no loans or advances to members of the Executive Board.

Former Executive Board members, including members who left the Executive Board in 2013
 Total remuneration for former members of the Executive Board and their surviving dependents was €1,154 thousand in 2013 (2012: €1,081 thousand).

10.2 Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is governed by Section 15 of the Articles of Incorporation of Evonik Industries AG.

The remuneration system takes account of the responsibilities and scope of activities of the members of the Supervisory Board. In addition to reimbursement of their expenses and value-added tax payable on their remuneration and expenses, the members of the Supervisory Board receive a fixed annual payment. Their remuneration does not include a variable component.

Different levels of fixed annual remuneration are paid to the Chairman (€200 thousand), Deputy Chairman (€130 thousand) and other members of the Supervisory Board (€90 thousand). The level of remuneration is also increased to reflect membership of the Executive Committee, Audit Committee, Finance and Investment Committee, Mediation Committee and the Nomination Committee, and for the chairperson of each committee.

Additional remuneration of €45,000 is paid for chairing the Executive Committee and the Audit Committee, while the deputy chairpersons receive €30,000 each and other members €30,000 each. The chairperson of the Finance and Investment Committee receives additional remuneration of €35,000, the deputy chairperson €27.5 thousand, and the other members €27.5 thousand each. The additional remuneration for the Nomination Committee and the Mediation Committee is €30,000 for the chairperson, €15,000 for the deputy chairperson and €15,000 each for the other members. Members of the Mediation Committee are only entitled to the additional remuneration if the committee meets during the year.

Further, members of the Supervisory Board receive a fee of €1 thousand for each meeting of the Supervisory Board and its committees that they attend. If several meetings are held on the same day, this fee is only paid once.

Members who only serve on the Supervisory Board for part of a fiscal year receive remuneration on a pro rata basis. This also applies for increases in the remuneration for the Chairman and Deputy Chairman of the Supervisory Board and any increased remuneration paid for membership of or chairing a committee.

Finally, third-party financial loss insurance cover is provided for each member of the Supervisory Board to cover their statutory liability arising from their work on the Supervisory Board. In the event of a claim, this provides for a deductible of 10 percent of the damage, up to one-and-a-half times the individual member's fixed annual remuneration.

The following table shows the breakdown of the amounts paid to individual members of the Supervisory Board:

T027 Remuneration of the Supervisory Board in 2013

| Name | Fixed remu- neration 2013 €'000 | Attendance fees 2013 €'000 | Total remune- ration 2013 €'000 |
|---|--|-------------------------------------|---------------------------------------|
| Günter Adam | 148 | 9 | 157 |
| Dr. Peter Bettermann | 90 | 4 | 94 |
| Karin Erhard | 90 | 4 | 94 |
| Dr. Hans Michael Gaul (until March 11, 2013) | 31 | 2 | 33 |
| Stephan Gemkow | 118 | 8 | 126 |
| Ralf Giesen | 143 | 11 | 154 |
| Prof. Barbara Grunewald (from March 11, 2013) | 100 | 7 | 107 |
| Ralf Hermann | 148 | 9 | 157 |
| Prof. Wolfgang A. Herrmann | 90 | 4 | 94 |
| Dieter Kleren | 90 | 4 | 94 |
| Steven Koltes | 135 | 5 | 140 |
| Dr. Siegfried Luther | 135 | 7 | 142 |
| Dr. Werner Müller | 298 | 12 | 310 |
| Jürgen Nöding ^a | 130 | 11 | 141 |
| Norbert Pohlmann | 90 | 4 | 94 |
| Dr. Wilfried Robers | 120 | 8 | 128 |
| Michael Rüdiger (from March 11, 2013) | 104 | 6 | 110 |
| Christian Strenger (until March 11, 2013) | 30 | 2 | 32 |
| Ulrich Terbrack | 90 | 4 | 94 |
| Dr. Volker Trautz | 135 | 6 | 141 |
| Michael Vassiliadis | 188 | 7 | 195 |
| Dr. Christian Wildmoser | 148 | 13 | 161 |
| Total | 2,651 | 147 | 2,798 |

^a Mr. Nödig is also a member of the Supervisory Board of Evonik Services GmbH.

There were no loans or advances to members of the Supervisory Board as of December 31, 2013, nor did Supervisory Board members receive any remuneration in 2013 for services provided personally, including consulting and referral services.

11. Report on expected developments

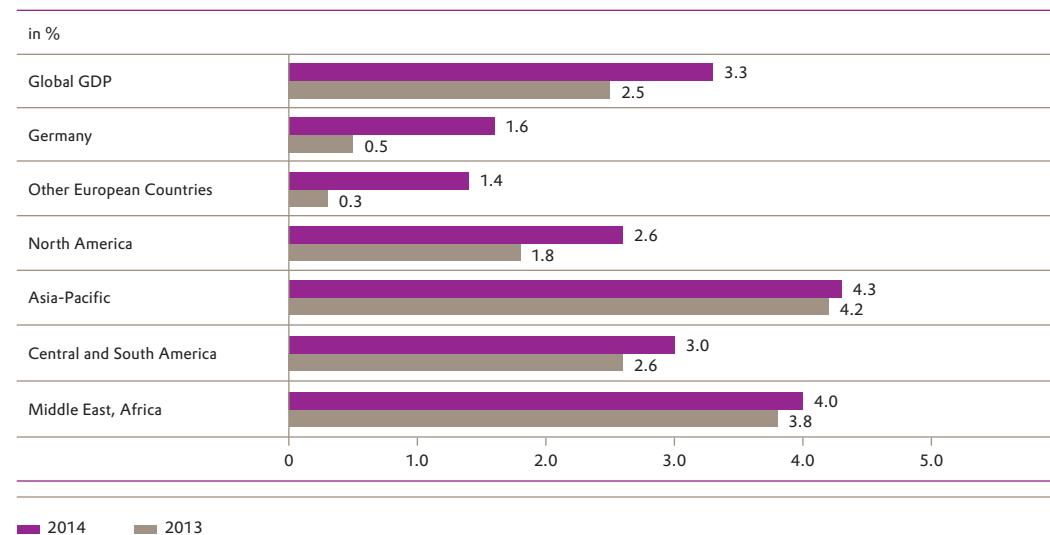
11.1 Economic background

Global economy expected to pick up slightly in 2014

On the basis of our internal analyses, which are derived from the evaluation of a variety of reports and our own estimates, we expect global growth to pick up in 2014. We anticipate that gross domestic product will increase by 3.3 percent. Factors that have had a clearly adverse impact in the past two years such as the sovereign debt crisis in Europe and the political uncertainty in the USA have become less significant. There will probably still be regional differences in economic trends but the industrialized countries in North America and Europe should play a part in the global economy recovery for the first time in a number of years.

The projection for 2014 is marked by considerable uncertainty. The global economy could be held back if measures to stimulate growth are withdrawn too quickly. In particular, if the expansionary monetary policy is throttled too fast, growth in North America could be far lower, and this could also result in slower than anticipated growth in the emerging markets.

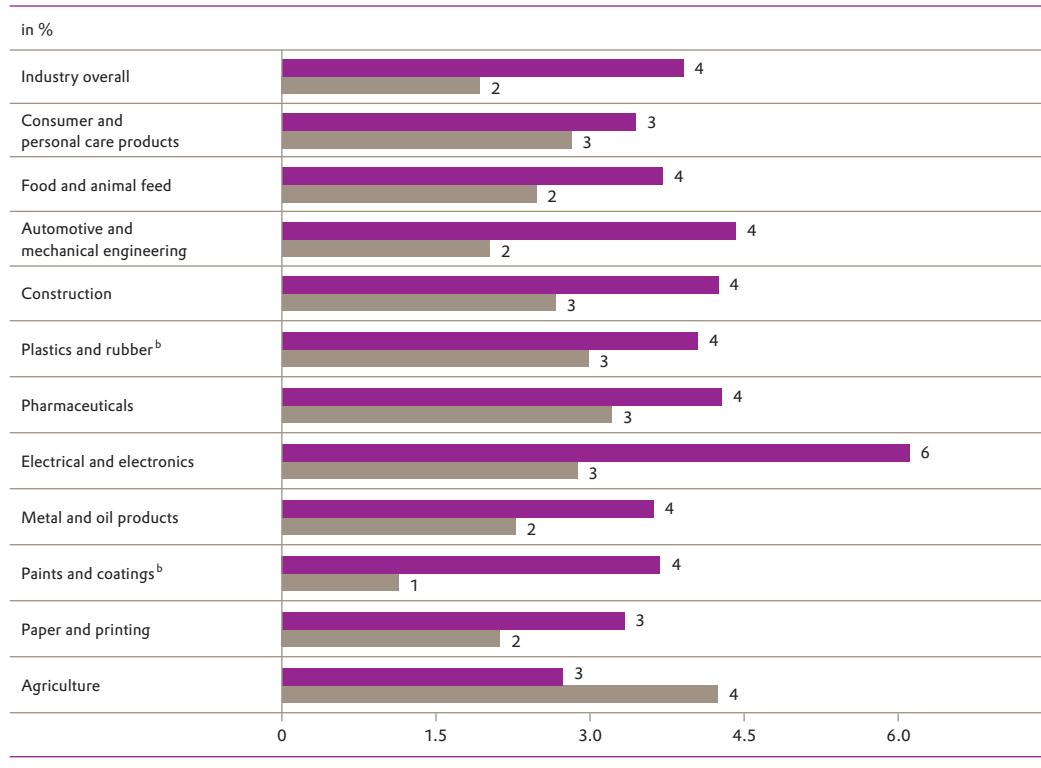
C26 GDP forecast for 2014



The German economy picked up during 2013 and we now predict higher growth momentum for 2014. Driven by the global economic upturn and rising domestic consumption, the German economy should grow faster than in 2013. In the second half of 2013 there were signs that the structural reforms implemented in the rest of Europe are starting to have an impact, so we expect renewed—albeit only moderate—growth in 2014.

The economic trend in the Asia-Pacific region and Central and South America stabilized at the end of 2013 and actually improved slightly. In view of this, we are modestly optimistic about the growth trend in these regions. That said, we see higher risks, especially in the emerging markets, in the light of uncertainty about how smoothly the United States will be able to taper its expansionary monetary policy, sluggish structural reform, and the mounting risk of a financial crisis in China.

C27 Forecast for Evonik's end-customer industries 2013/2014^a



^a 2014 ^b 2013

^a Rounded amounts.

^b Where not directly assigned to other end-customer industries.

Key end-customer industries still suffering price pressure

Alongside the global economy, factors influencing Evonik's market environment include our end-customer industries. While the rise in output in these industries lagged GDP growth in 2013, the pace should pick up again and is expected to be slightly above global GDP. In cyclical end-customer industries such as the construction, automotive and mechanical engineering, and electronics sectors, we expect to see a slight rise in global growth in the wake of the economic recovery. Regionally however, the development is likely to remain subdued, especially in markets of significance to Evonik. Growth rates are likely to be low.

In key end-customer industries—pharmaceuticals, food and feed, and consumer and personal care products—only slight growth is expected following the upward momentum registered in 2013. Overall, the moderate pace of global growth and the unexpectedly low demand in the past two years have led to imbalances in the present supply and demand situation in some of our end-customer industries. Considerable pressure on producer price trends was observed in 2013, resulting in lower sales growth in many industries despite higher volumes. We do not expect this trend to reverse in all of our end-customer industries across the industrial value chain even if there is a further upturn in demand. We therefore anticipate differences in the impact on chemical-related volumes and prices in Evonik's business units.

Given that the economic upturn will be modest, we assume that global inflation will remain low. On the commodities markets, the sluggish cyclical momentum and expansion of supply will have an impact, so the price of Evonik-specific raw materials is only likely to rise slightly. Risks here still include geopolitical factors, which could adversely affect supply. In view of the differences in growth in the euro zone and the USA, we expect upward pressure on the euro to be limited in 2014.

Our forecast is based on the following assumptions:

- Global growth: 3.3 percent
- Euro/US dollar exchange rate: US\$1.35
- Price of Brent crude: US\$100

11.2 Outlook

Sales and earnings

We expect global growth to pick up slightly in 2014, driven mainly by the industrialized countries. However, there is still considerable uncertainty as to whether central banks will tighten monetary policy, which could impede development, especially in the emerging markets.

Provided that the trends outlined in the section "Economic background" materialize, we expect to report another solid business performance in 2014. The following guidance is based on our business in the structure as at year-end 2013; it does not take account of possible portfolio adjustments.

Assuming slightly brighter economic conditions, we anticipate that sales will rise slightly (2013: €12.9 billion). The positive volume trend registered in the second half of 2013 should continue in 2014, leading to a further rise in volumes, with support for this coming from completion of our first growth-driven investments. We expect selling prices to remain at least stable in large areas of our product portfolio but they will probably be below the average for 2013 in some major businesses as price levels were positively influenced by higher prices in the first six months of 2013.

Further relief on the cost front should come from the On Track 2.0 efficiency enhancement program. In addition, we expect to see the first positive effects of the new Administration Excellence initiative to optimize administrative structures. Downside factors could result from ramp-up expenses for growth investments and negative currency effects.

☰ See p. 134 ff.

☰ See p. 51

Overall we expect adjusted EBITDA to be between €1.8 billion and €2.1 billion (2013: €2.0 billion). When comparing the development of earnings in 2014, the price-induced high earnings level at the start of 2013 should be borne in mind.

The return on capital employed (ROCE) should once again be well above the cost of capital in 2014. Nevertheless, it is likely to be slightly lower than in 2013 (14.5 percent), mainly because of rising capital expenditures for our ambitious investment program, with capital employed increasing in the wake of start-ups but there is a time lag before earnings start to rise.

Financing and investment

As outlined in detail in the section on "Opportunities", as part of our growth strategy we have initiated significant investment projects, especially in regions that are attractive from the viewpoint of the global economy. Overall, more than €6 billion has been earmarked for this between 2012 and 2016. €2.1 billion of this amount was spent in 2012 and 2013, and we are budgeting up to €1.4 billion for capital expenditures on property, plant and equipment in 2014. We will continue our disciplined approach to our investment program and will always review projects that have not yet started for changes in the market situation.

We assume that the €0.6 billion net asset position as of year-end 2013 will be temporary and that we will once again report net financial debt at the end of 2014 as a result of the capital required to fund our growth-driven investments.

See p. 115

Occupational and plant safety

In 2014 we will be rolling out our new safety concept Group-wide, paving the way for a further improvement in our safety performance in the long term. We do not expect to achieve such rapid progress in reducing accident frequency (accidents per 1 million working hours) as in 2013. In keeping with the experience of other companies, we are aware that this indicator can fluctuate considerably. Our long-term goal is a sustained value of under 1.0. As a first step, we have reduced the upper limit for this parameter, which we set some time ago, from 1.5 to 1.3. In addition, we are working on an additional performance indicator for occupational safety that would include injuries that do not result in absence from work.

For incident frequency we assume a slight improvement to under 48 (incidents in operational areas per 1 million working hours; reference base 2008).

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 FINANCIAL STATEMENTS

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Income statement

T028 Income statement for the Evonik Group

| in € million | Note | 2013 | 2012 |
|---|------|--------------|--------------|
| Sales | 6.1 | 12,874 | 13,365 |
| Cost of sales | 6.2 | -9,310 | -9,457 |
| Gross profit on sales | | 3,564 | 3,908 |
| Selling expenses | 6.2 | -1,294 | -1,286 |
| Research and development expenses | 6.2 | -394 | -382 |
| General administrative expenses | 6.2 | -631 | -634 |
| Other operating income | 6.3 | 935 | 1,486 |
| Other operating expense | 6.4 | -1,159 | -1,277 |
| Income before financial result and income taxes, continuing operations | | 1,021 | 1,815 |
| Interest income | 6.5 | 35 | 35 |
| Interest expense | 6.5 | -290 | -356 |
| Result from investments recognized at equity | 6.6 | 59 | 62 |
| Other financial income | 6.7 | 11 | - |
| Financial result | | -185 | -259 |
| Income before income taxes, continuing operations | | 836 | 1,556 |
| Income taxes | 6.8 | -220 | -453 |
| Income after taxes, continuing operations | | 616 | 1,103 |
| Income after taxes, discontinued operations | 5.3 | 1,397 | 65 |
| Income after taxes | | 2,013 | 1,168 |
| thereof attributable to | | | |
| Non-controlling interests | | -41 | 3 |
| Shareholders of Evonik Industries AG (net income) | | 2,054 | 1,165 |
| Earnings per share in € (basic and diluted) | 6.9 | +4.41 | +2.50 |

Prior-year figures restated.

Statement of comprehensive income

T029 Statement of comprehensive income for the Evonik Group

| in € million | 2013 | 2012 |
|--|--------------|--------------|
| Income after taxes | 2,013 | 1,168 |
| Comprehensive income that will be reclassified subsequently to profit or loss | -198 | 7 |
| Unrealized gains/losses on available-for-sale securities | -13 | 11 |
| Gains/losses on hedging instruments | 18 | 96 |
| Currency translation adjustment | -200 | -69 |
| Deferred taxes | -3 | -31 |
| Comprehensive income that will not be reclassified subsequently to profit or loss | -22 | -710 |
| Remeasurement of the net defined benefit liability for defined benefit pension plans | -26 | -999 |
| Deferred taxes | 4 | 289 |
| Other comprehensive income after taxes | -220 | -703 |
| Total comprehensive income | 1,793 | 465 |
| thereof attributable to | | |
| Non-controlling interests | -47 | 2 |
| Shareholders of Evonik Industries AG | 1,840 | 463 |
| Total comprehensive income attributable to shareholders of Evonik Industries AG | 1,840 | 463 |
| thereof attributable to | | |
| continuing operations | 395 | 390 |
| discontinued operations | 1,445 | 73 |

Prior-year figures restated.

Balance sheet

T030 Balance sheet for the Evonik Group

| in € million | Note | Dec. 31, 2013 | Dec. 31, 2012 | Jan. 1, 2012 |
|----------------------------------|------|------------------|------------------|-----------------|
| Intangible assets | 7.1 | 3,020 | 3,190 | 3,272 |
| Property, plant and equipment | 7.2 | 4,801 | 4,567 | 4,419 |
| Investment property | 7.3 | 10 | 1,550 | 1,545 |
| Investments recognized at equity | 7.4 | 960 | 1,122 | 1,056 |
| Financial assets | 7.5 | 150 | 197 | 255 |
| Deferred tax assets | 7.14 | 836 | 842 | 712 |
| Other income tax assets | 7.14 | 13 | 21 | 23 |
| Other receivables | 7.7 | 30 | 35 | 41 |
| Non-current assets | | 9,820 | 11,524 | 11,323 |
| | | | | |
| Inventories | 7.6 | 1,596 | 1,648 | 1,582 |
| Other income tax assets | 7.14 | 188 | 121 | 96 |
| Trade accounts receivable | 7.7 | 1,620 | 1,687 | 1,711 |
| Other receivables | 7.7 | 277 | 325 | 322 |
| Financial assets | 7.5 | 735 | 1,086 | 688 |
| Cash and cash equivalents | 7.8 | 1,518 | 741 | 1,409 |
| | | 5,934 | 5,608 | 5,808 |
| Assets held for sale | 5.3 | 144 | 34 | 47 |
| Current assets | | 6,078 | 5,642 | 5,855 |
| | | | | |
| Total assets | | 15,898 | 17,166 | 17,178 |

Prior-year figures restated.

| in € million | Note | Dec. 31, 2013 | Dec. 31, 2012 | Jan. 1, 2012 |
|--|------|------------------|------------------|-----------------|
| Issued capital | | 466 | 466 | 466 |
| Reserves | | 6,303 | 4,892 | 4,862 |
| Equity attributable to shareholders of Evonik Industries AG | | 6,769 | 5,358 | 5,328 |
| Equity attributable to non-controlling interests | | 78 | 111 | 93 |
| Equity | 7.9 | 6,847 | 5,469 | 5,421 |
| Provisions for pensions and other post-employment benefits | 7.10 | 3,331 | 4,380 | 3,835 |
| Other provisions | 7.11 | 800 | 799 | 912 |
| Deferred tax liabilities | 7.14 | 410 | 413 | 440 |
| Other income tax liabilities | 7.14 | 148 | 115 | 70 |
| Financial liabilities | 7.12 | 627 | 1,464 | 2,745 |
| Other payables | 7.13 | 81 | 309 | 369 |
| Non-current liabilities | | 5,397 | 7,480 | 8,371 |
| Other provisions | 7.11 | 979 | 1,130 | 1,174 |
| Other income tax liabilities | 7.14 | 155 | 223 | 352 |
| Financial liabilities | 7.12 | 1,033 | 1,483 | 402 |
| Trade accounts payable | 7.13 | 1,102 | 1,096 | 1,086 |
| Other payables | 7.13 | 282 | 272 | 284 |
| | | 3,551 | 4,204 | 3,298 |
| Liabilities associated with assets held for sale | 5.3 | 103 | 13 | 88 |
| Current liabilities | | 3,654 | 4,217 | 3,386 |
| Total equity and liabilities | | 15,898 | 17,166 | 17,178 |

Prior-year figures restated.

Statement of changes in equity

T031 Statement of changes in equity for the Evonik Group Note 7.9

| in € million | Issued capital | Reserves | |
|--|----------------|-----------------|--------------------|
| | | Capital reserve | Accumulated income |
| As of December 31, 2011 | 466 | 1,165 | 4,568 |
| Changes pursuant to IAS 8 | – | – | –653 |
| | | | |
| As of January 1, 2012 | 466 | 1,165 | 3,915 |
| Capital increases/decreases | – | – | – |
| Dividend distribution | – | – | –425 |
| Changes in ownership interests in subsidiaries without loss of control | – | – | –7 |
| Income after taxes | – | – | 1,165 |
| Other comprehensive income after taxes | – | – | –710 |
| Total comprehensive income | – | – | 455 |
| Other changes | – | – | 2 |
| As of December 31, 2012 | 466 | 1,165 | 3,940 |
| | | | |
| Capital increases/decreases | – | – | – |
| Dividend distribution | – | – | –429 |
| Changes in ownership interests in subsidiaries without loss of control | – | – | – |
| Income after taxes | – | – | 2,054 |
| Other comprehensive income after taxes | – | – | –22 |
| Total comprehensive income | – | – | 2,032 |
| Other changes | – | – | 3 |
| As of December 31, 2013 | 466 | 1,165 | 5,546 |

Prior-year figures restated.

| | Attributable to shareholders of Evonik Industries AG | Attributable to non-controlling interests | Total equity |
|--|--|---|--------------|
| Accumulated other comprehensive income | | | |
| -218 | 5,981 | 93 | 6,074 |
| - | -653 | - | -653 |
| -218 | 5,328 | 93 | 5,421 |
| - | - | 31 | 31 |
| - | -425 | -11 | -436 |
| - | -7 | 4 | -3 |
| - | 1,165 | 3 | 1,168 |
| 8 | -702 | -1 | -703 |
| 8 | 463 | 2 | 465 |
| -3 | -1 | -8 | -9 |
| -213 | 5,358 | 111 | 5,469 |
| - | - | 24 | 24 |
| - | -429 | -6 | -435 |
| - | - | -2 | -2 |
| - | 2,054 | -41 | 2,013 |
| -192 | -214 | -6 | -220 |
| -192 | 1,840 | -47 | 1,793 |
| -3 | - | -2 | -2 |
| -408 | 6,769 | 78 | 6,847 |

Cash flow statement

T032 Cash flow statement for the Evonik Group

| in € million | Notes | 2013 | 2012 |
|--|-------|--------------|---------------|
| Income before financial result and income taxes, continuing operations | | 1,021 | 1,815 |
| Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets | | 630 | 745 |
| Gains/losses on the disposal of non-current assets | | – | 27 |
| Change in inventories | | –101 | –100 |
| Change in trade accounts receivable | | –24 | –22 |
| Change in trade accounts payable and current advance payments received from customers | | –5 | –25 |
| Change in provisions for pensions and other post-employment benefits | | –132 | –207 |
| Change in other provisions | | –14 | –142 |
| Change in miscellaneous assets/liabilities | | 126 | –169 |
| Cash outflows for interest | | –158 | –143 |
| Cash inflows from interest | | 13 | 29 |
| Cash inflows from dividends | | 65 | 37 |
| Cash inflows/outflows for income taxes | | –335 | –450 |
| Cash flow from operating activities, continuing operations | | 1,086 | 1,395 |
| Cash flow from operating activities, discontinued operations | | –3 | 25 |
| Cash flow from operating activities | 8.1 | 1,083 | 1,420 |
| Cash outflows for investments in intangible assets, property, plant and equipment, investment property | | –1,078 | –905 |
| Cash outflows for investments in shareholdings | | –21 | –30 |
| Cash inflows from divestments of intangible assets, property, plant and equipment, investment property | | 43 | 42 |
| Cash inflows/outflows from divestment of shareholdings | | 1,072 | 59 |
| Cash inflows/outflows relating to securities, deposits and loans | | 506 | –238 |
| Cash outflows to fund the contractual trust arrangement | | –200 | –400 |
| Cash flow from investing activities, continuing operations | | 322 | –1,472 |
| Cash flow from investing activities, discontinued operations | | 59 | –149 |
| Cash flow from investing activities | 8.2 | 381 | –1,621 |

| in € million | Notes | 2013 | 2012 |
|---|-------|---------------|--------------|
| Cash inflows/outflows relating to capital contributions | | 2 | - |
| Cash outflows for dividends to shareholders of Evonik Industries AG | | -429 | -425 |
| Cash outflows for dividends to non-controlling interests | | -6 | -11 |
| Cash inflows/outflows from changes in ownership interests in subsidiaries without loss of control | | -2 | - |
| Cash inflows from the addition of financial liabilities | | 720 | 135 |
| Cash outflows for repayment of financial liabilities | | -1,329 | -187 |
| Cash flow from financing activities, continuing operations | | -1,044 | -488 |
| Cash flow from financing activities, discontinued operations | | 418 | 20 |
| Cash flow from financing activities | | -626 | -468 |
| Change in cash and cash equivalents | | 838 | -669 |
| Cash and cash equivalents as of January 1 | | 741 | 1,411 |
| Change in cash and cash equivalents | | 838 | -669 |
| Changes in exchange rates and other changes in cash and cash equivalents | | -16 | -1 |
| Cash and cash equivalents as of December 31 | 8.3 | 1,563 | 741 |
| Cash and cash equivalents included in assets held for sale | | -45 | - |
| Cash and cash equivalents as on the balance sheet as of December 31 | 7.8 | 1,518 | 741 |

Prior-year figures restated.

Notes to the consolidated financial statements of the Evonik Group

1. Segment report

T033 Segment report by operating segments Note 9.1

| in € million | Operating segments | | | | | |
|---|---------------------------------|-------|---------------------|-------|---------------------|-------|
| | Consumer, Health & Nutrition | | Resource Efficiency | | Specialty Materials | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| External sales | 4,207 | 4,204 | 3,084 | 3,131 | 4,490 | 4,843 |
| Internal sales | 67 | 91 | 87 | 73 | 137 | 115 |
| Total sales | 4,274 | 4,295 | 3,171 | 3,204 | 4,627 | 4,958 |
| Adjusted EBITDA | 910 | 1,055 | 656 | 663 | 552 | 853 |
| Adjusted EBITDA margin in % | 21.6 | 25.1 | 21.3 | 21.2 | 12.3 | 17.6 |
| Depreciation and amortization | -140 | -132 | -114 | -136 | -157 | -151 |
| Result from investments recognized at equity | 26 | 33 | - | - | - | 1 |
| Adjusted EBIT | 767 | 929 | 540 | 526 | 395 | 701 |
| Capital employed (annual average) | 2,237 | 1,906 | 1,513 | 1,596 | 2,019 | 1,811 |
| ROCE in % | 34.3 | 48.7 | 35.7 | 33.0 | 19.6 | 38.7 |
| Capital expenditures | 455 | 303 | 230 | 171 | 289 | 344 |
| Financial investments | 21 | 24 | - | - | 2 | 2 |
| Other significant non-cash income and expenses | -72 | -95 | -112 | -254 | -130 | -86 |
| Employees as of December 31 | 7,150 | 6,821 | 5,854 | 5,755 | 6,268 | 6,134 |

Prior-year figures restated.

T034 Segment report by region Note 9.2

| in € million | Germany | | Other European Countries | | North America | |
|--|---------|--------|-----------------------------|-------|---------------|-------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | | | | | | |
| External sales | 3,049 | 3,124 | 4,044 | 4,206 | 2,350 | 2,423 |
| Goodwill as of December 31 ^a | 1,542 | 1,557 | 541 | 542 | 265 | 278 |
| Other intangible assets, property, plant and equipment, investment property as of December 31 ^a | 2,743 | 2,976 | 477 | 481 | 692 | 674 |
| Capital expenditures | 349 | 449 | 82 | 79 | 130 | 139 |
| Employees as of December 31 | 21,240 | 20,708 | 2,819 | 2,736 | 3,763 | 3,790 |

Prior-year figures restated.

^a Non-current assets according to IFRS 8.33 b.

| Services | | Total reporting segments | | Corporate, other operations, consolidation | | Total Group (continuing operations) | | |
|----------|--------|--------------------------|--------|--|--------|-------------------------------------|--------|--------|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| | 916 | 999 | 12,697 | 13,177 | 177 | 188 | 12,874 | 13,365 |
| | 1,764 | 1,716 | 2,055 | 1,995 | -2,055 | -1,995 | - | - |
| | 2,680 | 2,715 | 14,752 | 15,172 | -1,878 | -1,807 | 12,874 | 13,365 |
| | 182 | 174 | 2,300 | 2,745 | -293 | -278 | 2,007 | 2,467 |
| | 19.9 | 17.4 | 18.1 | 20.8 | - | - | 15.6 | 18.5 |
| | -94 | -91 | -505 | -510 | -72 | -70 | -577 | -580 |
| | - | - | 26 | 34 | 33 | 28 | 59 | 62 |
| | 87 | 78 | 1,789 | 2,234 | -365 | -347 | 1,424 | 1,887 |
| | 521 | 486 | 6,290 | 5,799 | 3,538 | 3,451 | 9,828 | 9,250 |
| | 16.7 | 16.0 | 28.4 | 38.6 | - | - | 14.5 | 20.4 |
| | 122 | 103 | 1,096 | 921 | 39 | 39 | 1,135 | 960 |
| | - | - | 23 | 26 | 5 | 6 | 28 | 32 |
| | -217 | -245 | -531 | -680 | -498 | -235 | -1,029 | -915 |
| | 12,192 | 11,900 | 31,464 | 30,610 | 1,531 | 1,424 | 32,995 | 32,034 |

| Central and South America | | Asia-Pacific | | Middle East, Africa | | Total Group (continuing operations) | | |
|---------------------------|------|--------------|-------|---------------------|------|-------------------------------------|--------|--------|
| 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| | 810 | 832 | 2,303 | 2,463 | 318 | 317 | 12,874 | 13,365 |
| | 26 | 27 | 238 | 266 | - | 1 | 2,612 | 2,671 |
| | 75 | 33 | 1,222 | 862 | 10 | 10 | 5,219 | 5,036 |
| | 57 | 14 | 513 | 278 | 4 | 1 | 1,135 | 960 |
| | 507 | 436 | 4,537 | 4,252 | 129 | 112 | 32,995 | 32,034 |

2. General information

Evonik Industries AG is an international specialty chemicals company headquartered in Germany. It also has investments in residential real estate and the energy sector. The company's registered office is Rellinghauser Straße 1–11, 45128 Essen (Germany), and it is registered in the Commercial Register at Essen District Court under HRB No. 19474.

The consolidated financial statements of Evonik Industries AG and its subsidiaries (referred to jointly as Evonik or the Group) were prepared by the Executive Board of Evonik Industries AG on February 27, 2014, and will be conclusively discussed by the Audit Committee at its meeting on March 4, 2014 and presented to the Supervisory Board for approval at its meeting on March 6, 2014. These consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger).

3. Basis of preparation of the financial statements

3.1 Compliance with IFRS

As permitted by Section 315 a Paragraph 1 of the German Commercial Code (HBG), the present consolidated financial statements have been prepared on the basis of 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.

3.2 Presentation of the financial statements

The consolidated financial statements cover the period from January 1 to December 31, 2013 and are presented in euros. All amounts are stated in millions of euros (€ million) except where otherwise indicated. In some cases, rounding may mean that the figures in this report do not add up exactly to the totals stated and percentages do not correlate exactly to the figures presented.

The recognition and valuation principles and items presented in the consolidated financial statements are in principle consistent from one period to the next. Deviations from this principle are outlined in the changes to accounting standards in Note 3.3 or in the relevant Notes. To enhance the clarity of presentation, some items are combined in the income statement, statement of comprehensive income, balance sheet and statement of changes in equity and explained in the Notes.

The income statement has been prepared using the cost-of-sales method. Expenses are divided by function.

The statement of comprehensive income is a reconciliation from income after taxes as shown in the income statement to the Group's total comprehensive income, taking into account other comprehensive income.

On the balance sheet, assets and liabilities are classified by maturity. They are classified as current if they are due or expected to be realized within twelve months from the reporting date.

The statement of changes in equity shows changes in the issued capital, reserves attributable to shareholders of Evonik Industries AG, and changes in non-controlling interests in the reporting period. Transactions with shareholders in their capacity as owners are also shown separately here.

The cash flow statement provides information on the Group's cash flows. The cash flow from operating activities is calculated using the indirect method: Income before financial result and income taxes, continuing operations is adjusted for the effects of non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are added to the result.

The Notes contain basic information on the financial statements, supplementary information on the above components of the financial statements, and further information such as the segment report.

3.3 New accounting standards

Accounting standards applied for the first time

A number of revised and newly issued standards had to be applied for the first time in fiscal 2013. Only those of relevance for Evonik are outlined below.

As of January 1, 2013, Evonik retrospectively applied IAS 19 Employee Benefits (revised 2011), which the IASB published in June 2011, in conjunction with the transition provisions of IAS 19 (2011), together with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The following amendments in IAS 19 (2011) have a material impact on the consolidated financial statements. IAS 19 (2011) abolishes the corridor method previously used by Evonik. Under this method, actuarial gains and losses were recognized with a time lag and only insofar as they exceeded certain thresholds. Now they have to be recognized immediately in full in other comprehensive income. Another effect results from the immediate recognition of non-vested past service cost in profit or loss as it arises. The previous method of recognition over the period until it became vested is no longer permitted. A further impact comes from net interest expense/income, which replaces interest expense and the expected income from plan assets. The expected return on plan assets is no longer calculated on the basis of expected investment income, but is assumed to be equal to the discount rate for defined benefit obligations. Top-up and termination benefits under the German phased early retirement model and for long-term accounts are no longer immediately expensed in full, as was the case in the past. Instead, they are amortized over the remaining term of active employment.

The following tables summarize the effects of the amended accounting standard for the comparative data as of December 31, 2012, the opening balance sheet as of January 1, 2012 and the prior-year periods.

T035 Balance sheet (excerpt): impact of IAS 19 (2011)

| in € million | Dec. 31, 2012 | | | Jan. 1, 2012 | | |
|--|--------------------|------------------|-----------------|--------------------|------------------|-----------------|
| | Before restatement | Impact of change | Restated amount | Before restatement | Impact of change | Restated amount |
| Investments recognized at equity | 1,132 | -10 | 1,122 | 1,057 | -1 | 1,056 |
| Deferred tax assets | 329 | 513 | 842 | 477 | 235 | 712 |
| Total assets | 16,663 | 503 | 17,166 | 16,944 | 234 | 17,178 |
| Reserves | 6,252 | -1,360 | 4,892 | 5,515 | -653 | 4,862 |
| Provisions for pensions and other post-employment benefits | 2,377 | 2,003 | 4,380 | 2,805 | 1,030 | 3,835 |
| Other provisions | 889 | -90 | 799 | 1,014 | -102 | 912 |
| Deferred tax liabilities | 463 | -50 ^a | 413 | 481 | -41 ^a | 440 |
| Total equity and liabilities | 16,663 | 503 | 17,166 | 16,944 | 234 | 17,178 |

^a Offset against deferred tax assets.

The effects of the amended standard on income before financial result and income taxes, continuing operations, essentially canceled each other out in 2012 and were reported in other operating expenses. In 2012, these effects mainly comprised €22 million in connection with the abolition of amortization of actuarial gains and losses, which was countered by the newly required recognition of expenses for top-up benefits under the German phased early retirement model amounting to €22 million. This was recognized in internal reporting in adjustments, see Note 6.4.

The introduction of net interest expense and the lower interest resulting from the reduction in personnel-related provisions resulted in income of €2 million in 2012, which is recognized in the financial result.

This did not alter earnings per share.

See p. 191

T036 Statement of comprehensive income (excerpt): impact of IAS 19 (2011)

| in € million | 2012 | | |
|--|--------------------|------------------|-----------------|
| | Before restatement | Impact of change | Restated amount |
| Income after taxes | 1,167 | 1 | 1,168 |
| thereof attributable to | | | |
| Shareholders of Evonik Industries AG | 1,164 | 1 | 1,165 |
| Comprehensive income that will be reclassified subsequently to profit or loss | 5 | 2 | 7 |
| Currency translation adjustment | -71 | 2 | -69 |
| Comprehensive income that will not be reclassified subsequently to profit or loss | - | -710 | -710 |
| Remeasurement of the net benefit liability for defined benefit pension plans | - | -999 | -999 |
| Deferred taxes | - | 289 | 289 |
| Other comprehensive income after taxes | 5 | -708 | -703 |
| Total comprehensive income | 1,172 | -707 | 465 |
| thereof attributable to | | | |
| Shareholders of Evonik Industries AG | 1,170 | -707 | 463 |

Compared with the old version of IAS 19, the application of IAS 19 (2011) increased the reported income before financial result and income taxes, continuing operations by around €88 million in 2013, while the financial result declined by about €42 million. Tax expense increased by about €14 million. As a result, earnings per share increased by €0.07. Analogously, pension provisions recognized on the balance sheet increased by around €1,959 million in 2013, and deferred tax assets increased by about €558 million. The other provisions declined by about €71 million. Overall, this reduced equity by about €1,330 million. Remeasurement of the net benefit liability for defined benefit pension plans is a new line item in the statement of comprehensive income.

IFRS 13 Fair Value Measurement, which was adopted by the IASB in May 2011, was applied prospectively by Evonik for the first time as of January 1, 2013, in accordance with the transition provisions contained in this standard. IFRS 13 prescribes uniform rules for the measurement of fair value and extends the disclosures on fair value. It does not provide information on when fair value is to be used. These amendments will only affect the scope of disclosures in the notes to the consolidated financial statements.

In June 2011 the IASB issued Changes to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. This stipulates that in the presentation of other comprehensive income, interim amounts must be shown for items depending on whether these items might subsequently be reclassified to the income statement. Evonik has applied these amendments since January 1, 2013.

Since January 1, 2013, Evonik has also applied the amendments to IFRS 7 Financial Instruments: Disclosures issued by the IFRS in December 2011. The amendments only affect the disclosures in the notes to the consolidated financial statements on the offsetting of financial instruments.

Evonik applied the amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 issued as part of the Annual Improvements 2009-2011 Cycle retrospectively for the first time as of January 1, 2013, in conjunction with the applicable transition provisions. These amendments comprise improvements and clarification of existing standards. With the exception of the amendment to IAS 16, the amended standards did not affect the consolidated financial statements. Under IAS 16, spare parts and servicing equipment that meet the definition of property, plant and equipment are recognized as such and not as inventories. This results in a reclassification from inventories to property, plant and equipment amounting to €70 million as of December 31, 2012 (January 1, 2012: €63 million).

In May 2013, the IASB issued amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. These amendments correct a disclosure requirement for the recoverable amount of non-financial assets recently introduced in IAS 36 by IFRS 13 Fair Value Measurement. Under the corrected version, as was originally intended, disclosures on the recoverable amount of a cash-generating unit are only necessary if a write-down or write-up was recognized for the cash-generating unit during the period and the recoverable amount was determined on the basis of fair value less costs to sell. Evonik applied these amendments early, as of December 31, 2013. These amendments only affect the scope of disclosures in the Notes to the consolidated financial statements.

Accounting standards that are not yet mandatory

The IASB has issued further accounting standards which did not become mandatory in the fiscal year or have not yet been officially adopted by the European Union. These new accounting standards will probably be applied for the first time—insofar as they are relevant for the Group's consolidated financial statements—from the date on which they come into force.

T037 Accounting standards that are not yet mandatory

| Standard | Subject of standard— Expected impact on the consolidated financial statements |
|---|---|
| <p>a: Issued by the IASB b: Effective date as per IASB c: Effective date as per EU d: Publication in the Official Journal of the EU</p> <p>IFRS 9 Financial Instruments and subsequent amendments</p> | <p>IFRS 9 is the replacement for IAS 39 Financial Instruments: Recognition and Measurement. In the first step it is concerned exclusively with the classification and measurement of financial assets. It replaces the former valuation categories with the categories "at amortized cost" and "at fair value." In a second step in October 2010, it set out further rules on the classification and measurement of financial liabilities and derecognition of financial assets and liabilities. The main changes relate to the fair value option. Following further amendments to IFRS 9 and IFRS 7 Financial Instruments: Disclosures in December 2011, restatement of prior-year figures is not required when this standard is first applied. Moreover, additional disclosures specified by IFRS 7 are required in the transition period to allow better assessment of the impact of first-time application of IFRS 9 on the measurement and valuation of financial instruments. The third step, containing new rules for recognition of hedge accounting, was published in November 2013. Pending issue of the final version of the standard, no information is given on the effective date. Examination of the impact on the consolidated financial statements has therefore been postponed.</p> |
| <p>IFRS 10 Consolidated Financial Statements and amendments to IAS 27 Consolidated and Separate Financial Statements</p> | <p>IFRS 10 replaces the guidelines on control and consolidation contained in IAS 27 and SIC-12 Consolidation—Special Purpose Entities. The new standard alters the definition of "control" so that the same principles are applied to all companies to determine a relationship of control. This definition is supported by extensive application guidance. The new standard does not alter the previous core principle set out in IAS 27 that consolidated financial statements present the parent company and its subsidiaries as a single economic entity, nor does it alter the consolidation procedure. IAS 27 is to be renamed "Separate Financial Statements" and will in future only contain the unchanged rulings on the preparation of separate financial statements. SIC-12 will be withdrawn. First-time application of IFRS 10 will not have any impact on the scope of consolidation.</p> |

| Standard a: Issued by the IASB b: Effective date as per IASB c: Effective date as per EU d: Publication in the Official Journal of the EU | Subject of standard – Expected impact on the consolidated financial statements |
|--|---|
| IFRS 11 Joint Arrangements and amendments to IAS 28 Investments in Associates and Joint Ventures | IFRS 11 supersedes IAS 31 Interests in Joint Ventures. As a result of the amended definitions in IFRS 11, there are now two types of joint arrangements: joint operations and joint ventures. In future, joint ventures will be recognized using the equity method in accordance with the amended standard IAS 28. The previous option of pro rata consolidation in IAS 28 has been abolished. Companies that have a stake in joint operations will in future have to apply rules that are comparable to the present accounting standards for joint assets or joint operations. Application of IFRS 11 in 2013 would have reduced sales by €165 million and reduced the result from investments recognized at equity by €26 million, with virtually no change in income after taxes. In the balance sheet as of January 1, 2013, the carrying amount of investments recognized at equity would have been €91 million lower, while assets would have been €96 million higher and liabilities €14 million higher. |
| IFRS 12 Disclosure of Interests in Other Entities | The new standard IFRS 12 brings together the revised and extended disclosures in the notes to financial statements required by the present standards IAS 27, IAS 28 and IAS 31. IFRS 12 will affect the extent of disclosures in the consolidated financial statements. |
| Amendments to IAS 32 Financial Instruments—Presentation: Off-setting Financial Assets and Financial Liabilities | The amendment to IAS 32 gives further details of the conditions for offsetting financial instruments. For instance, it explains the current legally enforceable right of set-off and defines which systems with a gross set-off can be regarded as a net set-off within the meaning of the standard. The amendments will not have a material impact on the consolidated financial statements. |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities—Transition Guidance | The amendments clarify the transition guidance for the three standards and grant relief for first-time application. In the case of IFRS 10, the amendments explain that the "date of initial application" is the beginning of the annual reporting period in which the standard is applied for the first time. Relief is also provided for first-time application of IFRS 11 and IFRS 12 insofar as the presentation of comparative information is only required for the period immediately preceding the date of initial application. In addition, the requirement to present comparative information for unconsolidated structured entities is eliminated for first-time application of IFRS 12. These amendments will only affect the scope of disclosures in the notes to the consolidated financial statements. |
| Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities | These amendments define the term investment company and add the requirement that such companies must carry certain investments in subsidiaries controlled by them at fair value through profit and loss instead of consolidating them. The amendments are not relevant for the consolidated financial statements. |
| IFRIC 21 Levies | IFRIC 21 addresses the recognition of levies that are not income taxes within the meaning of IAS 12 Income Taxes and clarifies, in particular, when obligations to pay such levies have to be recognized as liabilities in the financial statements. This interpretation is not relevant for the consolidated financial statements. |

| Standard | | Subject of standard – Expected impact on the consolidated financial statements |
|---|--|---|
| a: Issued by the IASB | | |
| b: Effective date as per IASB | | |
| c: Effective date as per EU | | |
| d: Publication in the Official Journal of the EU | | |
| Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting | a: Jun. 27, 2013 b: Jan. 1, 2014 c: Jan. 1, 2014 d: Dec. 20, 2013 | The amendment to IAS 39 relates to the European Market Infrastructure Regulation (EMIR), which provides for clearing of standardized derivatives that are not traded via a regulated market (over-the-counter (OTC) derivatives) via a central counterparty in the future. The amendment to IAS 39 provides relief in the event that the use of a central counterparty results in derecognition of an existing OTC derivative: If a central counterparty or a member of a central counterparty becomes the contractual party of a hedging instrument, under certain conditions this does not result in termination of hedge accounting. This amendment is not currently relevant for the consolidated financial statements. |
| Amendments to IAS 19 Defined Be- nefit Plans: Employee Contributions | a: Nov. 21, 2013 b: Jul. 1, 2014 c: open d: open | The background to these amendments is the inclusion of employee contributions to defined benefit pension commitments. The new rules simplify recognition of employee contributions that are not linked to the number of years service. In this case, the service cost can be reduced for the period in which the corresponding work was performed, irrespective of the formula used for the plan. These amendments are not relevant for the consolidated financial statements. |
| Annual Improvement Process | a: Dec. 12, 2013 b: Jul. 1, 2014 c: open d: open | Annual Improvements to IFRSs 2010-2012 Cycle comprises amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Further amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40 are addressed in Annual Improvements to IFRSs 2011–2013 Cycle. These amendments comprise improvements and clarification of existing standards. The impact on the consolidated financial statements is currently being examined. |
| IFRS 14 Regulatory Deferral Accounts | a: Jan. 30, 2014 b: Jan. 1, 2016 c: open d: open | This standard permits first-time adopters of IFRS in accordance with IFRS 1 who recognized certain regulatory deferral account balances in connection with rate-regulated activities in accordance with their previous national accounting standards to retain such items in their IFRS statements and to continue to recognize them in accordance with the previous accounting standards. Use of this standard by companies that already use IFRS is explicitly excluded. This amendment is not relevant for the consolidated financial statements. |

3.4 Consolidation methods and scope of consolidation

Scope of consolidation

Alongside Evonik Industries AG, the consolidated financial statements include all material German and foreign subsidiaries directly or indirectly controlled by Evonik Industries AG. Material associated companies and joint ventures are recognized using the equity method if the Group is able to exert a significant influence or exercises joint control. Initial consolidation or deconsolidation takes place as of the date on which the company gains or loses control.

Companies whose influence on the assets, financial position and earnings of the Group, both individually and in aggregate, is negligible are recognized at amortized cost in the consolidated financial statements in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Changes in the scope of consolidation are outlined in Note 5.1.

See p. 175

Consolidation methods

The financial statements of the consolidated German and foreign subsidiaries are prepared using uniform accounting and valuation principles.

Capital is consolidated at the time of acquisition by offsetting the carrying amount of the business acquired against the pro rata revalued equity of the subsidiary. Ancillary acquisition costs are not included in the carrying amount of the subsidiary. Instead they are recognized as expense in the income statement. The assets and liabilities (net assets) of the subsidiary are included at their fair values. If shares in the subsidiary are held before acquiring control, they must be revalued and any resultant change in value must be recognized in the income statement in other operating income or other operating expenses. Gains or losses recognized in other comprehensive income must be derecognized in the same way as if the acquirer had divested the shares previously held. Any remaining excess of the acquisition cost over the fair value of the net assets is recognized as goodwill. Negative differences are included in income following a renewed examination of the fair value of the net assets.

Changes in shareholdings in a previously consolidated subsidiary that do not result in a loss of control are recognized directly in equity as a transaction between owners. In this case, the shares attributable to the owners of the parent company and to the other shareholders are adjusted to reflect the changes in their respective stakes in the subsidiary. Any difference between this adjustment and the fair value of the consideration paid or received is recognized directly in equity and allocated to the shares attributable to the owners of the parent company. Directly related transaction costs are also recognized as a transaction between owners that has no impact on income, with the exception of costs for the issuance of debt or equity instruments, which are still measured in accordance with the criteria for recognizing financial instruments. Cash inflows and outflows relating to these transactions are presented in the cash flow from financing activities.

The subsidiary must be deconsolidated as of the date on which control is lost. The net assets of the subsidiary and non-controlling interests (proportionate net assets of the subsidiary) are derecognized. The gain or loss on the divestments must be calculated from the Group viewpoint. This is derived from the difference between the proceeds of the divestment (selling price less costs to sell) and the proportionate divested net assets of the subsidiary (including the remaining hidden reserves and liabilities, and any goodwill shown on the balance sheet). The shares in the former subsidiary still held by Evonik are revalued at fair value as of the date on which control is lost. All resulting gains and losses are recognized in the income statement as other operating income or other operating expenses. In addition, amounts shown in equity under accumulated other comprehensive income are also rebooked to the income statement, except where another accounting standard requires direct transfer to revenue reserves.

Intragroup income and expenses, profits, losses, receivables and liabilities between consolidated subsidiaries are eliminated. Write-downs on shares in such companies recognized in the separate financial statements are reversed.

The same consolidation principles apply for companies accounted for using the equity method and any goodwill is recognized in the carrying amount of the investment. The financial statements of the companies recognized at equity are prepared using uniform accounting and valuation principles, see Note 3.6 "Investments recognized at equity."

See p. 164

3.5 Currency translation

Foreign currency transactions are measured at the exchange rate on the date of initial recognition. Any gains or losses resulting from the valuation of monetary assets and liabilities in foreign currencies as of the reporting date are recognized in other operating income or other operating expenses.

The functional currency method is used to translate the financial statements of foreign subsidiaries. In the consolidated financial statements, the balance sheets of all foreign subsidiaries are translated from the functional currency of the company into euros at closing rates on the reporting date, since they conduct their business independently in their functional currency. The equity of foreign companies recognized using the equity method is translated in the same way. As an asset pertaining to an economically autonomous foreign operation, goodwill is translated at the closing rate. Income and expense items are translated at average exchange rates for the year. The average annual exchange rates comprise the mean of the exchange rates at month-end over the past 13 months. Translation differences compared to the prior year and translation differences between the income statement and balance sheet are recognized in other comprehensive income.

The following exchange rates were used for currency translation:

T038 Exchange rates

| €1 corresponds to | Annual average rates | | Closing rates | |
|-----------------------------|----------------------|--------|---------------|---------------|
| | 2013 | 2012 | Dec. 31, 2013 | Dec. 31, 2012 |
| Brazilian real (BRL) | 2.88 | 2.52 | 3.26 | 2.70 |
| British pound (GBP) | 0.85 | 0.81 | 0.83 | 0.82 |
| Chinese renminbi yuan (CNY) | 8.18 | 8.15 | 8.35 | 8.22 |
| Japanese yen (JPY) | 128.91 | 103.24 | 144.72 | 113.61 |
| Swiss franc (CHF) | 1.23 | 1.21 | 1.23 | 1.21 |
| US dollar (USD) | 1.33 | 1.29 | 1.38 | 1.32 |

3.6 Accounting policies

Revenue recognition

Revenues from the sale of goods and services that constitute part of the company's normal business activity and other revenues are recognized as follows:

(a) Sales

Evonik mainly generates sales by selling specialty chemicals to industrial customers for further processing, see Note 9.1 for more detailed information.

- The Consumer, Health & Nutrition segment's products are used principally for applications in the consumer goods, animal nutrition and healthcare sectors.
- The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions.
- The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries.
- The Services segment mainly provides services for the specialty chemicals segments and the Corporate Center, but also serves third parties.

The following comments on revenue recognition apply:

Prices are contractually agreed between the parties to a transaction. Sales revenues are measured as the fair value of the consideration received or to be received less value-added tax and any discounts or bulk rebates granted. The general principle for revenue recognition is that both the revenues and the related costs can be measured reliably. It must also be sufficiently probable that the economic benefit will flow to the company.

Revenues from the sale of goods are recognized, assuming that the general conditions for revenue recognition are met, when title and the associated risks pass to the customer. Provisions are established for general risks arising from such sales on the basis of previous experience.

Revenues from services are recognized, assuming that the general conditions for revenue recognition are met, when the percentage of completion can be reliably measured.

They are recognized in the year in which the service is rendered. Where the provision of services extends over more than one fiscal year, sales are recognized proportionately to the total service to be provided.

(b) Other revenues

Other revenues are only recognized if they can be determined reliably and it is sufficiently probable that the economic benefit will flow to the company.

Interest income is recognized on a pro rata temporis basis using the effective interest method. Income from royalties is accrued on the basis of the commercial terms of the underlying contract and recognized on a pro rata basis. Dividend income is recognized as of the date of the right to receipt of the payment.

See p. 224

Intangible assets

Intangible assets are capitalized at acquisition or production cost. Intangible assets with a finite useful life are amortized and an impairment test is conducted if there are indications of a possible impairment, see Note 3.6 "Impairment test." Depending on the type of intangible asset, amortization is recognized in the cost of sales, selling expenses, research and development expense or general administrative expenses. Intangible assets with an indefinite useful life are not amortized; instead they are tested for impairment at least once a year.

See p. 163

(a) Goodwill

Goodwill has an indefinite useful life and is tested for impairment at least once a year.

(b) Franchises, trademarks and licenses

Franchises, trademarks and licenses are amortized over their estimated useful life of 5 – 25 years using the straight-line method. Some rights have an indefinite useful life. These are trademarks with no restrictions on their use. They are tested annually for impairment and to check that their useful life is still indefinite. If the assessment of the useful life of such trademarks has altered and is reclassified as finite, their carrying amounts are amortized over their estimated remaining useful life using the straight-line method.

(c) Capitalized development costs

Development costs are capitalized if they can be clearly assigned to a newly developed product or process that is technically feasible and is designated for captive use or commercialization. Capitalized development costs mainly relate to the development of new products and are amortized using the straight-line method over their estimated useful life of between 3 and 15 years.

(d) Other intangible assets

The majority of other intangible assets are acquired customer relationships. These are amortized over their expected useful life. Their useful life is estimated on the basis of contractual data and experience and is generally between 2 and 11 years. Amortization takes account of both useful life and probability of continuance of the customer relationship in the form of a "churn rate."

Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost and depreciated over their useful life using the straight-line method. If there are indications of a possible impairment, an impairment test is conducted as outlined in Note 3.6 "Impairment test."

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The cost of acquisition includes expenses directly attributable to the acquisition. The cost of production of assets manufactured within the Group comprises the direct cost of materials and labor, plus the applicable proportion of material and manufacturing overheads, including depreciation. Costs relating to obligations to dismantle or remove non-current assets at the end of their useful life are capitalized as acquisition or production costs at the time of acquisition or production. Acquisition and production costs may also include transfers from gains and losses on cash flow hedges entered into in connection with the purchase of property, plant and equipment and previously recognized in other comprehensive income. Borrowing costs that can be allocated directly to the acquisition, construction or production of a qualifying asset are included in the cost of acquisition or production. A qualifying asset is an asset for which more than a year is required to get it ready for its intended use.

Property, plant and equipment are depreciated using the straight-line method over the expected useful life of the assets.

T039 Useful life of property, plant and equipment

| in years | |
|---|-------|
| Buildings | 5–50 |
| Plant and machinery | |
| Chemical facilities | 5–25 |
| Power plants and the related components | 12–40 |
| Decentralized energy supply installations | 8–15 |
| Other technical plant and equipment | 3–25 |
| Other plant, office furniture and equipment | 3–25 |

Expenses for overhauls and major servicing (major repairs) are generally capitalized if it is probable that they will result in future economic benefits from an existing asset. They are then depreciated over the period until the next major repair date. Spare parts and servicing equipment that meet the requirements for recognition as property, plant and equipment, are recognized as such, rather than as inventories. Routine repairs and other maintenance work are expensed in the period in which they are incurred.

If there is a high probability that the project will be realized, costs incurred for planning and pre-engineering work for capital expenditure projects are capitalized. Depreciation is recognized in line with the useful life of the project.

If major components of an asset have different useful lives, they are recognized and depreciated separately.

Gains and losses from the disposal of property, plant and equipment are calculated as the difference between the net proceeds of sale and the carrying amount and recognized in other operating income or other operating expenses.

Investment property

Property held as a financial investment to generate rental revenues and/or for capital appreciation is valued at the cost of acquisition or production and depreciated over its useful life of 25 – 80 years using the straight-line method. If there are indications of a possible impairment, an impairment test is conducted as outlined in Note 3.6 "Impairment test."

The fair value of such properties is valued by internal appraisers using the discounted cash flow (DCF) method. The DCF model maps future cash flows, which determine the value of the property, and thus represents an income-based valuation of the property, as is customary for rented residential property.

☰ See below

Impairment test

If there are indications of possible impairment, an impairment test is conducted on intangible assets, property, plant and equipment and investment property in accordance with IAS 36 Impairment of Assets. The impairment test on such assets is generally conducted for a cash-generating unit (CGU), which is the smallest identifiable group of assets that generates independent cash flows, or for a group of CGUs. Goodwill is allocated to the segments, in other words, to a group of CGUs. Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year. The impairment test is conducted on September 30.

The impairment test comprises comparing the recoverable amount of the CGU/group of CGUs with its carrying amount. The recoverable amount is determined as the higher of the fair value less costs to sell and the value in use of the CGU/group of GCUs. An impairment loss is recognized if the recoverable amount of a CGU/group of CGUs is below its carrying amount. The impairment loss is reversed—except in the case of goodwill—if the reason for the original impairment charge no longer applies.

When testing goodwill for impairment, the recoverable value of goodwill is determined from the fair value less costs to sell of the relevant segment. The fair value less costs to sell is determined as the present value of future cash flows using a valuation model and on the basis of non-observable inputs (Level 3 of the fair value hierarchy). Future cash flows are derived from the current five-year mid-term plan. The mid-term planning is based on a mixture of experience and expectations of future market trends. The main economic data, such as growth in gross domestic product, the development of interest rates, exchange rates, and raw material prices used in the mid-term planning are derived from internal and external market expectations and are set centrally by Evinik. The specific growth rates for individual segments are derived from experience and future expectations; a terminal growth rate is assumed in some cases.

The expected future cash flows are discounted using the weighted average cost of capital (WACC) after taxes. WACC is determined for each segment on the basis of capital market models and is the weighted average cost of debt and equity. The cost of equity is determined from the risk-free interest rate and a risk premium. An identical thirty-year risk-free interest rate is used for all segments. The risk premium is derived by multiplying the beta factor by the market risk premium. The beta factor is obtained from the capital market by comparison with the values for comparable companies for the segment (peer group). The cost of debt for the Consumer, Health & Nutrition, Resource Efficiency, Specialty Materials and Services segments takes account of a risk-free interest rate, premiums for the credit risk and average tax rates for the relevant segment. In the former Real Estate segment the actual cost of debt was used.

The table shows the parameters used and the allocation of goodwill:

T040 Parameters used in impairment testing and allocation of goodwill by segment

| | WACC after taxes (in %) | | Terminal growth rate (in %) | | Goodwill (in € million) | |
|------------------------------|----------------------------|------|--------------------------------|------|----------------------------|------------------|
| | | | | | Dec. 31, 2013 | Dec. 31, 2012 |
| | 2013 | 2012 | 2013 | 2012 | | |
| Consumer, Health & Nutrition | 6.08 | 4.91 | 1.50 | 1.50 | 983 | 1,001 |
| Resource Efficiency | 9.77 | 8.22 | 1.50 | 1.50 | 861 | 875 |
| Specialty Materials | 9.05 | 7.80 | 1.50 | 1.50 | 704 | 715 |
| Services | 8.37 | 7.00 | 1.50 | 1.50 | 50 | 52 |
| Corporate, other operations | 7.52 | 5.97 | 1.50 | 1.50 | 14 | 26 |

The carrying amounts of goodwill are allocated among the segments for the purpose of impairment testing. The goodwill allocated to the three chemicals segments principally relates to earlier acquisitions of shares in Evonik Degussa GmbH (Evonik Degussa), Essen (Germany). In the segment reporting, it is assigned to "Corporate, other operations, consolidation."

For impairment testing of other intangible assets, property, plant and equipment and investment property, the recoverable amount is normally determined by calculating the value in use of the CGU/group of CGUs.

Investments recognized at equity

Material associated companies and joint ventures are recognized using the equity method if Evonik is able to exert a significant influence or exercises joint control.

Initially they are measured at cost of acquisition. The cost of acquisition also contains all ancillary acquisition costs directly attributable to the investment.

As the basis for the measurement of the investment in subsequent periods, the difference between the cost of acquisition and the proportionate equity must be determined. This is then analyzed to see whether it contains hidden reserves or hidden liabilities. Any positive difference remaining after allocation of hidden reserves or liabilities is treated as goodwill and recognized in the carrying amount of the investment. Negative differences are immediately included in income by increasing the carrying amount of the investment.

Starting from the cost of acquisition of the investment, in subsequent periods its carrying amount is increased or reduced by the proportionate net income. Further adjustments to the carrying amount of the investment are necessary if the equity of the investment alters as a result of items contained in other comprehensive income. Subsequent measurement must take into account depreciation of hidden reserves identified at the time of initial consolidation and deducted from the proportionate net income. To avoid dual recognition, any dividends received must be deducted from the carrying amount.

If there are indications of a possible impairment, the investment must be tested for impairment, see Note 3.6 "Impairment test." No separate impairment test is performed for the proportionate goodwill. The impairment test is performed for the entire carrying amount of the investment. Accordingly, impairment losses are not allocated to the proportionate goodwill included in the carrying amount of the investment and can be reversed in full in subsequent periods.

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Inventories

Inventories are measured at the lower of cost and net realizable value. The historical cost of acquisition or production is the upper limit. The net realizable value corresponds to the selling price in the ordinary course of business less the production and selling expenses incurred prior to sale. The cost of inventories of similar structure or for similar applications is determined uniformly as an average or using the first-in first-out method. The cost of production of finished goods and work in progress comprises the cost of raw materials and supplies, directly attributable personnel expenses, other direct costs and general overheads that can be assigned to production (based on normal operating capacity). The cost of inventories may also contain gains and losses for qualifying cash flow hedges for the purchase of raw materials which have been reclassified from other comprehensive income, and borrowing costs for qualifying assets. A qualifying asset is an asset for which more than a year is required to get it ready for sale and which does not comprise a large number of regularly produced inventories.

Purchased emissions allowances are recognized at the lower of cost or net realizable value. Analogously to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, a token amount is recognized for emissions allowances allocated free of charge. Provisions are recognized for the obligation to return emissions allowances insofar as such allowances are available, at the amount capitalized for such allowances. If the return obligation exceeds the allowances capitalized, the difference is recognized at the average price for the three months preceding the reporting date.

Cash and cash equivalents

This item contains checks, cash and cash equivalents and balances held at banks. It also contains highly liquid financial instruments with a maturity, calculated as of the date of purchase, of no more than three months, provided that they can be converted into cash and cash equivalents at any time and are only subject to negligible fluctuations in value. They are measured at fair value.

Provisions for pensions and other post-employment benefits

Provisions for pensions and other post-employment benefits are measured using the projected unit credit method for defined benefit obligations in accordance with IAS 19 (2011) Employee Benefits. This method takes account of future salary and pension increases as well as pension obligations and accrued entitlements as of the reporting date. In Germany, valuation is based on the biometric data in the 2005 G mortality tables published by Klaus Heubeck. For the companies in the UK, the S1PXA tables are used, and for the USA PPA mortality tables are used. Pension obligations in the remainder of the Group are determined using country-specific parameters and measurement principles.

Actuarial gains and losses relating to pension obligations and income from plan assets (apart from interest income) are derived from the difference between the expected pension obligations and the actual obligation calculated at year end, and from deviations between the expected and actual fair value of plan assets calculated at year end.

Changes that arise during a year as a result of actuarial gains/losses relating to pension obligations, income from plan assets (excluding interest income), changes in the asset ceiling (excluding interest expenses) and income from claims to refunds (excluding interest income) are offset directly against other comprehensive income (OCI).

The benefit obligations at year end are compared with the fair value of the plan assets (funded status). Pension provisions are derived from this, taking the asset ceiling into account.

Defined contribution plans result in an expense in the period in which the contribution is made. Defined contribution plans exist for both company pension plans and state pension plans (statutory pension insurance).

Other provisions

Other provisions are liabilities of uncertain timing or amount. They are established to cover a present legal or constructive obligation to third parties based on past events that will probably lead to an outflow of resources. It must also be possible to reliably estimate the level of the obligation. If there are several obligations of the same type, the probability of an outflow of resources is calculated for these obligations as an aggregate. Restructuring provisions are only established if constructive obligations exist on the basis of a formal, detailed plan and those affected have been given justifiable expectations that the restructuring will be carried out.

Provisions are based on settlement obligations and take account of future cost increases. Non-current provisions are discounted. Current provisions and the current portion of non-current provisions are not discounted. Provisions are adjusted over time to take account of new findings.

The Long-Term Incentive Plans comprise performance-related remuneration plans for Evonik's executives and members of the Executive Board. The resulting obligations are determined as a cash compensation payment and expensed in accordance with IFRS 2 Share-based Payment.

Deferred taxes, other income taxes

In compliance with IAS 12 Income Taxes, deferred tax assets and liabilities are established for temporary valuation and recognition differences between the assets and liabilities recognized in the balance sheets prepared for tax purposes and those prepared in accordance with IFRS. Tax-deductible loss carryforwards that will probably be utilized in the future are capitalized at the amount of the deferred tax asset. Deferred tax assets are recognized on the assumption that sufficient future taxable income is likely to be realized to cover these temporary differences. Where the realization of deferred tax assets is unlikely, they are written down.

Deferred tax assets and liabilities are netted if the company is permitted to net other income tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes in the same tax jurisdiction.

The tax rates used to calculate deferred taxes are those valid under current legislation or that have been announced as being applicable as of the date when the temporary differences will probably be settled. The overall tax rate used to calculate deferred taxes for companies in Germany is 30 percent. In addition to 15 percent German corporation tax, the tax rate includes a solidarity surcharge of 5.5 percent of the German corporation tax, and average trade tax of around 14 percent. For German companies that utilize the right to extended trade tax reductions pursuant to Section 9 No. 1 Sentence 2 ff of the German Trade Tax Act (GewStG), a tax rate of 16 percent is used to calculate deferred taxes. This corresponds to German corporation tax including the solidarity surcharge. The tax rates used for foreign companies are their national tax rates. These vary between 10 percent (Hungary) and 40 percent (USA).

Other income taxes for the reporting period and previous periods are recognized on the basis of the expected payment or refund. They are calculated using the company-specific tax rates applicable on the reporting date.

Financial instruments

Financial instruments comprise contractually agreed rights and obligations resulting in an inflow or outflow of financial assets or the issue of equity instruments. They are divided into derivative and non-derivative financial instruments and are recognized on the balance sheet as financial assets or financial liabilities or as trade accounts receivable or trade accounts payable.

Financial instruments are initially measured at fair value plus any directly attributable transaction costs. Transaction costs for financial instruments held at fair value through profit or loss are included directly in the income statement. To measure non-current financial instruments that do not bear interest at market rates, the expected future cash flows are discounted to the date of acquisition using the effective interest rate (present value). The effective interest rate takes account of all directly attributable fees that are by nature interest. Subsequent measurement is based on the classification of the financial instruments.

(a) Non-derivative financial instruments

Evonik classifies non-derivative financial instruments as financial assets in the categories loans and receivables or available-for-sale. They are initially recognized at the settlement date. Financial assets are derecognized when the contractual rights to receive payments lapse or are transferred and Evonik has transferred substantially all opportunities and risks associated with ownership. There were no instances where the Group sold financial assets through securitization or a repurchase agreement and the assets were still reported in full or in part in the financial statements.

Non-derivative financial instruments that constitute financial liabilities are recognized at amortized cost. Financial liabilities are derecognized when the obligation has been settled, canceled or expired.

The categories used by the Group are outlined below:

Loans and receivables principally comprise trade accounts receivable and loans. The assets assigned to this category are valued at amortized cost using the effective interest rate method. If there are objective indications based on historical empirical values that it will not be possible to collect the full amounts due under the customary conditions, an impairment loss is recognized. This is measured as the difference between the carrying amount of the asset and the present value of the estimated future payments calculated using the effective interest rate. Impairment losses are recognized in the income statement. If the original reason for the impairment loss no longer applies, it is reversed to income, but only up to the amortized cost.

Available-for-sale assets comprise equity instruments that are not consolidated or recognized at equity, and other securities. If no fair value is available for such assets or it cannot be determined reliably, for example, in the case of equity instruments that are not listed on a stock exchange, the assets are recognized at amortized cost. Changes in the fair value are recognized in other comprehensive income, taking into account deferred taxes. Financial assets are examined for objective indications of impairment on every reporting date. A material or lasting reduction in the fair value to below the carrying amount is regarded as an indication of impairment. In the case of shares, this is considered to be the case if the fair value is 20 percent below the carrying amount. In such cases, the corresponding losses are derecognized from other comprehensive income and recognized

in the income statement. If the reason for the impairment loss no longer applies, the reversal is recognized in other comprehensive income. Only debt instruments that are allocated to this category are written back by up to the amount of the original impairment in the income statement. Impairment losses are not reversed if they apply to investments and other financial assets whose fair value cannot be reliably determined.

The category at amortized cost mainly refers to trade accounts payable and loans. The liabilities assigned to this category are valued at amortized cost using the effective interest rate method.

(b) Derivative financial instruments

Derivative financial instruments are used to hedge the risk of changes in exchange rates, the price of commodities and interest rates. Hedging instruments are recognized on the balance sheet either on a stand-alone basis or as a valuation unit with the corresponding hedged items (hedge accounting). Initial recognition is on the trading date. If no stock exchange or market price is available for the derivative from an active market, the fair value is determined using financial valuation methods. For forward exchange contracts, the forward exchange rate as of the reporting date is used. The market price of options is determined using established option pricing models. Commodity derivatives are valued with the aid of spot prices and forward rates, while interest rate derivatives are valued by discounting future cash flows.

Stand-alone financial derivatives are assigned to the category at fair value through profit or loss and classified as held for trading. Financial instruments assigned to this category are recognized at fair value on each reporting date. Any gain or loss resulting from a change in their fair value is recognized in the income statement.

Both the hedging instrument and the hedged item have to meet specific criteria to qualify for hedge accounting. In particular, hedge accounting requires extensive documentation of the hedging relationship, together with evidence that the expected and actual effectiveness of the hedge is between 80 and 125 percent. A derivative no longer qualifies for hedge accounting if these conditions are not fulfilled. In the case of cash flow hedges, hedge accounting must also be halted if the forecast transaction no longer appears probable. In such cases, the amount recognized in other comprehensive income is reclassified to the income statement.

Depending on the type of hedge, hedging instruments for which hedge accounting is used, are valued as outlined below:

The purpose of fair value hedges is to hedge the fair value of assets or liabilities reflected on the balance sheet. Changes in the fair value of the hedging instrument as well as changes in the value of the hedged item are recognized in the income statement. If off-balance-sheet firm commitments are hedged, changes in the fair value of the firm commitment resulting from changes in the hedged risk give rise to recognition of an asset or a liability which affects income. In view of this method, changes in the value of the hedged item and the hedge cancel each other out in the income statement.

The purpose of cash flow hedges is to minimize the risk of volatility of future cash flows from a recognized asset or liability or a forecast transaction that is considered highly probable. The effective portion of changes in the fair value of a hedging instrument is recognized in other comprehensive income and the ineffective portion of the change in value is recognized in the income statement. Amounts recognized in other comprehensive income are reclassified to the income statement as soon as the hedged item has an impact on the income statement. In the case of interest rate hedges, such amounts are included in net interest income or expense, while in the case of sales hedges they are included in the corresponding sales revenues, and hedges on the procurement of goods are included directly in the cost of sales. If the hedged future transaction comprises a non-financial asset or a non-financial liability, the gain or loss previously recognized in other comprehensive income is included in the cost of acquisition of the asset or liability when it is initially recognized.

The purpose of a hedge of a net investment is to reduce the foreign currency risk involved in an investment in a company whose functional currency is not the euro. Such hedges are accounted for in the same way as cash flow hedges. Gains and losses recognized in other comprehensive income are reclassified to the income statement when the foreign subsidiary is divested or investment in it is reduced.

Leasing

A lease comprises an agreement that transfers the right to use an asset for a certain period in return for one or more payments. The Group is party to various operating and finance leases as either lessor or lessee.

A lease is classified as a finance lease if, under the lease agreement, the lessee bears substantially all opportunities and risks associated with ownership of the asset. In addition to contractually agreed finance leases, lease agreements relating to the use of assets, for example, long-term supply agreements, may be classified as finance leases if they meet certain cumulative criteria. Where Evonik is the lessee, the assets are included in property, plant and equipment at fair value or at the present value of the non-cancelable minimum lease payments, whichever is the lower. The payment obligations arising from future lease payments are recognized as a liability at the discounted settlement value. Where Evonik is the lessor, it recognizes a receivable equivalent to the net investment value rather than the property, plant and equipment.

Assets recognized by the lessee are depreciated in accordance with IAS 16. For subsequent measurement of the lease liability or lease receivable, the lease rate paid or received is divided into an interest portion and a repayment portion using the effective interest method. The interest portion is recognized in the income statement as interest income or expense over the term of the contract. The repayment portion is calculated as the difference between the lease rate and interest portion and steadily decreases the lease liability or lease receivable.

Receivables and liabilities from finance leases are recognized on the balance sheet as financial assets or financial liabilities.

All leasing arrangements that are not finance leases are classified as operating leases. The related income and expenses are recognized in the income statement in the period in which they are received or incurred.

Assets held for sale and the associated liabilities

Non-current assets are classified as held for sale if the corresponding carrying amount is to be realized principally through a sale transaction rather than through continued use. Such assets must be available for immediate sale in their present condition, on terms that are usual and customary for the sale of such assets, and sale must be highly probable. If the associated liabilities are to be sold with the asset as part of the transaction, these must also be presented separately.

The assets and liabilities must be measured in accordance with the relevant accounting standards immediately before initial classification as held for sale. They are subsequently valued at the lower of the carrying amount and fair value less costs to sell. Where the assets and liabilities do not fall within the scope of the measurement criteria set out in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, subsequent revaluation is performed in accordance with the relevant accounting standards. At Evonik these are mainly:

- IAS 2 Inventories
- IAS 12 Income Taxes
- IAS 19 Employee Benefits and
- IAS 39 Financial Instruments: Recognition and Measurement.

Unless they are classified as discontinued operations, the results of the valuation and the sale of the asset are still included in income from continuing operations.

Discontinued operations

A discontinued operation is either a major line of business or geographical area of the company that is to be sold or shut down on the basis of a single coordinated plan, either as a whole or in parts, or a subsidiary acquired with a view to resale.

The income from the operating activities and the measurement and divestment of discontinued operations is reported separately from the continuing operations on the income statement. Similarly, the cash flow from the operating activities of discontinued operations is reported separately from the continuing operations in the cash flow statement.

Government grants

Government grants for the purchase or construction of property, plant and equipment reduce the cost of acquisition or construction of such assets. They are reflected in the income statement over the useful life of the assets through lower depreciation. The benefit arising from low-interest government loans is accrued in other liabilities and released to income over the term of the loans in the same amount as the interest on the loans. The amount released is recognized in sales revenues if the low-interest loan was granted as compensation for rental revenues forgone. If the interest benefit was granted in connection with an investment, the amount released over the period in which the benefit is granted is recognized in other operating income. Other grants are also accrued in other liabilities and released to income over the same period as the expenses for which they are expected to compensate.

Determination of fair value

The fair value is the price that would be received for the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date. It is therefore an exit price based on a hypothetical transaction on the reporting date. If there are several markets for the asset or liability, the principal market or, as a secondary criterion, the most advantageous market to which the reporting entity has access is used. Transaction costs are not included in fair value. They are accounted for as prescribed by the applicable accounting standard. The fair value of non-financial assets is determined as the best use from a market perspective; this may differ from current use of the asset. In the measurement of financial assets and liabilities, the credit default risk is taken into account.

Fair value measurement is based on a three-level hierarchy. Where available, the fair value is determined from the quoted prices (unadjusted) for identical assets or liabilities in an active market (Level 1). If such data are not available, measurement based on directly or indirectly observable inputs is used (Level 2). In all other cases, valuation methods that are not based on observable market data are used (Level 3).

Contingent liabilities, contingent receivables and other financial commitments

Contingent liabilities, except for those recognized in connection with a business combination, are possible or present obligations arising from past events where an outflow of resources is not improbable but which are not recognized on the balance sheet.

Contingent receivables are possible assets arising from past events, which cannot be recognized on the balance sheet, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not fully under the company's control. A contingent receivable is indicated where an inflow resulting from its economic benefits is probable.

Other financial commitments result from non-onerous executory contracts, continuous obligations, statutory requirements and other commercial obligations that are not already included in the liabilities shown on the balance sheet or in contingent liabilities and that are of significance for an assessment of the company's financial position.

4. Discussion of assumptions and estimation uncertainties

The preparation of consolidated financial statements involves assumptions and estimates about the future. Evidently, the subsequent circumstances do not always match the estimates made. Adjustments to estimates are recognized in income as soon as better information is available. The estimates and assumptions that constitute a considerable risk that the carrying amounts of assets and liabilities may have to be adjusted within the next fiscal year are discussed below:

(a) Impairment testing of goodwill

Testing goodwill for impairment also involves assumptions and estimates regarding, for example, future cash flows, expected growth rates, exchange rates and discount rates. The relevant assumptions may change, leading to impairment losses in future periods.

A relative increase of 10 percent in the weighted average cost of capital (WACC) after taxes as a result of changes in capital market interest rates or a reduction of 10 percent in the cash flow of each segment would not result in any impairment losses.

(b) Impairment testing of deferred tax assets

Deferred tax assets may only be recognized if it is probable that sufficient taxable income will be available in the future. Deferred taxes are calculated on the basis of the tax rates applicable on the date when temporary differences are likely to be reversed. If these expectations are not met, an impairment loss must be recognized in income for the deferred tax assets.

(c) Impairment of other assets

Estimates are made about the useful life, depreciation/amortization period and value of other intangible assets, property, plant and equipment, investment property, investments, and loans and receivables. These estimates are based on experience and planning data, which contain assumptions on business conditions, sector trends and the creditworthiness of customers.

If there is a considerable change in such assumptions or circumstances, the estimates have to be reviewed. This may result in impairment of the related assets.

(d) Valuation of provisions for pensions and other post-employment benefits

The valuation of provisions for pensions and other post-employment benefits is subject, among other things, to assumptions about discount rates, expected future salary and pension increases, the cost trend for healthcare, and mortality tables. The actual data may differ from these assumptions as a result of changes in economic or market conditions.

A reduction of 1 percentage point in the Group-wide discount rate, assuming other parameters remain unchanged, would increase the present value of the defined benefit obligation by €1,573 million. Conversely, increasing the discount rate by 1 percentage point, assuming other parameters do not change, would decrease the defined benefit obligation by €1,219 million.

A reduction of 1 percentage point in the assumed Group-wide salary increases would reduce the defined benefit obligation by €151 million. Conversely, assuming other parameters remain unchanged, a rise of 1 percentage point in the assumed Group-wide salary rises would increase the defined benefit obligation by €165 million.

A reduction of 1 percentage point in the assumed Group-wide pension rises, assuming other parameters remain unchanged, would reduce the defined benefit obligation by €659 million. Conversely, assuming the other parameters remain unchanged, a rise of 1 percentage point in the assumed Group-wide pension rises would increase the defined benefit obligation by €815 million.

Assuming all other parameters remain unchanged, a reduction of 20 percent in mortality in the retirement phase would increase the defined benefit obligation by €625 million.

If the trend in healthcare costs were to increase by 1 percentage point, the accumulated healthcare benefit obligation would increase by €10 million. Conversely, a reduction of 1 percentage point in the cost trend would reduce the accumulated healthcare obligation by €9 million.

(e) Valuation of other provisions

Other provisions, especially provisions for recultivation and environmental protection, litigation risks and restructuring are naturally exposed to significant forecasting uncertainties regarding the level and timing of the obligation. The company has to make assumptions about the probability of occurrence of an obligation or future trends, such as value of the costs, on the basis of experience. Non-current provisions in particular are exposed to forecasting uncertainties. In addition, the level of non-current provisions depends to a large extent on the selection and development of the market-oriented discount rate. The Group uses different interest rates for different currencies and terms to maturity.

5. Changes in the Group

5.1 Scope of consolidation and list of shareholdings

Alongside Evonik Industries AG, the consolidated financial statements include all material subsidiaries in Germany and abroad. Material associated companies and joint ventures are recognized at equity.

Companies whose influence on the assets, financial position and earnings of the Group, both individually and in aggregate, is negligible are recognized at amortized cost in the consolidated financial statements.

The scope of consolidation changed as follows in 2013:

T041 Changes in the scope of consolidation

| Number of companies | Germany | Other countries | Total |
|---|-----------|-----------------|------------|
| Evonik Industries AG and consolidated subsidiaries | | | |
| As of December 31, 2012 | 67 | 107 | 174 |
| Acquisitions | – | – | – |
| Other companies consolidated for the first time | 3 | 3 | 6 |
| Divestments | –17 | – | –17 |
| Intragroup mergers | –6 | –3 | –9 |
| Other companies deconsolidated | –2 | –5 | –7 |
| As of December 31, 2013 | 45 | 102 | 147 |
| Investments recognized at equity | | | |
| As of December 31, 2012 | 11 | 8 | 19 |
| Acquisitions | – | – | – |
| Other investments recognized at equity for the first time | 1 | 2 | 3 |
| Divestments | –4 | – | –4 |
| Other companies deconsolidated | –1 | – | –1 |
| As of December 31, 2013 | 7 | 10 | 17 |
| | 52 | 112 | 164 |

Further information on acquisitions and divestments in 2013 can be found in Note 5.2.

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The impact of changes in shareholdings in subsidiaries that did not result in a loss of control is negligible.

The following list shows Evonik's shareholdings in accordance with Section 313 Paragraph 2 of the German Commercial Code (HGB). The shareholdings have been calculated in accordance with Section 16 of the German Stock Corporation Act (AktG). Accordingly, the calculation includes shares held by the parent company, a subsidiary included in the consolidated financial statements or a person acting on behalf of these companies.

German subsidiaries that make use of the provisions of Sections 264 Paragraph 3 and 264b of the German Commercial Code on exemption from disclosure of annual financial statements and the preparation of notes to their financial statements and a management report are indicated.

Also indicated are companies in which Evonik's shareholding amounts to more than 50 percent of the capital but which are recognized at equity as it does not have a majority of the voting rights.

The following subsidiaries are included in the consolidated annual financial statements:

T042 Consolidated subsidiaries

| Name of company | Registered office | Shareholding in % |
|---|-------------------|------------------------|
| Germany | | |
| AQura GmbH | Hanau | ^a 100.00 |
| BHS Liegenschaften GmbH & Co. KG | Peißenberg | 100.00 |
| BHS Liegenschaften Verwaltungs-GmbH | Peißenberg | 100.00 |
| BK-Wolfgang-Wärme GmbH | Hanau | 100.00 |
| CyPlus GmbH | Hanau | 100.00 |
| DeAM Treasury 1 Spezialfonds der Evonik Industries AG | Essen | ^b 0.00 |
| Evonik Beteiligungs-GmbH | Frankfurt am Main | ^a 100.00 |
| Evonik Chempower GmbH | Essen | 100.00 |
| Evonik Dahlenburg GmbH | Dahlenburg | ^a 100.00 |
| Evonik Degussa GmbH | Essen | 100.00 |
| Evonik Goldschmidt Rewo GmbH | Essen | 100.00 |
| Evonik Gorapur GmbH | Wittenburg | ^a 100.00 |
| Evonik Hanse GmbH | Geesthacht | ^a 100.00 |
| Evonik IP GmbH | Eschborn | 100.00 |
| Evonik Litarion GmbH | Kamenz | ^a 100.00 |
| Evonik Oil Additives GmbH | Darmstadt | 100.00 |
| Evonik Peroxygens Holding GmbH | Essen | 100.00 |
| Evonik Projekt-Beteiligungs-GmbH & Co. KG | Essen | 99.00 |
| Evonik Projekt-Beteiligung Verwaltungs-GmbH | Essen | 100.00 |
| Evonik Real Estate GmbH & Co. KG | Marl | ^{a, c} 100.00 |
| Evonik Real Estate Verwaltungs-GmbH | Marl | 100.00 |
| Evonik Risk and Insurance Services GmbH | Essen | ^a 100.00 |
| Evonik Röhm GmbH | Darmstadt | 100.00 |
| Evonik Services GmbH | Essen | ^a 100.00 |
| Evonik Technochemie GmbH | Dossenheim | ^a 100.00 |
| Evonik Venture Capital GmbH | Hanau | ^a 100.00 |
| Goldschmidt ETB GmbH | Berlin | ^a 100.00 |
| HD Ceracat GmbH | Frankfurt am Main | 100.00 |
| Hüls Service GmbH | Marl | ^a 100.00 |
| Industriepark Wolfgang GmbH | Hanau | 100.00 |
| Infracor GmbH | Marl | 100.00 |
| Infracor Lager- und Speditions-GmbH | Marl | ^a 100.00 |
| JSSI GmbH | Freiberg | 100.00 |
| KMV Vermögensverwaltungs-GmbH | Marl | 100.00 |

| Name of company | Registered office | Shareholding in % |
|---|------------------------------|----------------------|
| Li-Tec Battery GmbH | Kamenz | 50.10 |
| Mönch-Kunststofftechnik GmbH | Bad König | ^a 100.00 |
| R & B Industrieanlagenverwertung GmbH | Essen | 100.00 |
| RBV Verwaltungs-GmbH | Essen | 100.00 |
| RCIV Vermögensverwaltungs-GmbH | Essen | 100.00 |
| RÜTTERS Dienstleistungs-GmbH | Essen | 100.00 |
| RÜTTERS GmbH | Essen | 100.00 |
| RÜTTERS Rail Verwaltungs GmbH | Essen | 100.00 |
| Stockhausen Unterstützungsseinrichtung GmbH | Krefeld | 100.00 |
| Th. Goldschmidt-Fürsorge GmbH (in liquidation) | Essen | 100.00 |
| Westgas GmbH | Marl | 100.00 |
| Other countries | | |
| Degussa International Inc. | Wilmington (Delaware, USA) | 100.00 |
| Degussa SKW Co. | Milton Keynes (UK) | 100.00 |
| Egesil Kimya Sanayi ve Ticaret A.S. | Istanbul (Turkey) | 51.00 |
| Evonik Acrylics Africa (Pty) Ltd. | Johannesburg (South Africa) | 51.00 |
| Evonik Aerosil France S.A.R.L. | Salaise-sur-Sanne (France) | 100.00 |
| Evonik Africa (Pty) Ltd. | Midrand (South Africa) | 100.00 |
| Evonik Agroferm Zrt. | Kaba (Hungary) | 100.00 |
| Evonik Amalgamation Ltd. | Milton Keynes (UK) | 100.00 |
| Evonik Australia Pty Ltd. | Mount Waverley (Australia) | 100.00 |
| Evonik Canada Inc. | Calgary (Canada) | 100.00 |
| Evonik Carbon Black Nederland B.V. (in liquidation) | Rotterdam (Netherlands) | 100.00 |
| Evonik CB LLC | Wilmington (Delaware, USA) | 100.00 |
| Evonik Corporation | Parsippany (New Jersey, USA) | 100.00 |
| Evonik Cristal Materials Corporation | Taipei (Taiwan) | 52.00 |
| Evonik Cyro Canada Inc. | Etobicoke (Canada) | 100.00 |
| Evonik Cyro LLC | Wilmington (Delaware, USA) | 100.00 |
| Evonik Degussa Africa (Pty) Ltd. | Midrand (South Africa) | 100.00 |
| Evonik Degussa Antwerpen N.V. | Antwerp (Belgium) | 100.00 |
| Evonik Degussa Argentina S.A. | Buenos Aires (Argentina) | 100.00 |
| Evonik Degussa Brasil Ltda. | São Paulo (Brazil) | 100.00 |
| Evonik Degussa Carbons, Inc. | Wilmington (Delaware, USA) | 100.00 |
| Evonik Degussa Chile S.A. | Santiago (Chile) | 99.99 |
| Evonik Degussa (China) Co., Ltd. | Beijing (China) | 100.00 |
| Evonik Degussa France Groupe S.A.S. | Ham (France) | 100.00 |
| Evonik Degussa Ibérica S.A. | Granollers (Spain) | 100.00 |
| Evonik Degussa International AG | Zurich (Switzerland) | 100.00 |

| Name of company | Registered office | Shareholding in % |
|---|------------------------------|----------------------|
| Evonik Degussa Iran AG | Teheran (Iran) | 100.00 |
| Evonik Degussa Italia S.p.A. | Pandino (Italy) | 100.00 |
| Evonik Degussa Mexico S.A. de C.V. | Mexico City (Mexico) | 100.00 |
| Evonik Degussa Mexico Servicios, S.A. de C.V. | Mexico City (Mexico) | 100.00 |
| Evonik Degussa Peroxid GmbH | Weissenstein (Austria) | 100.00 |
| Evonik Degussa Services LLC | Wilmington (Delaware, USA) | 100.00 |
| Evonik Degussa Ticaret Ltd. Sirketi | Tuzla/Istanbul (Turkey) | 100.00 |
| Evonik Degussa UK Holdings Ltd. | Milton Keynes (UK) | 100.00 |
| Evonik Dutch Holding B.V. | Amsterdam (Netherlands) | 100.00 |
| Evonik Fermas s.r.o. | Slovenská L'upča (Slovakia) | 100.00 |
| Evonik Fibres GmbH | Schörfling (Austria) | 100.00 |
| Evonik Finance B.V. | Amsterdam (Netherlands) | 100.00 |
| Evonik Foams Inc. | Wilmington (Delaware, USA) | 100.00 |
| Evonik Forhouse Optical Polymers Corporation | Taichung (Taiwan) | 51.00 |
| Evonik Goldschmidt Corp. | Wilmington (Delaware, USA) | 100.00 |
| Evonik Goldschmidt UK Ltd. | Milton Keynes (UK) | 100.00 |
| Evonik Gulf FZE | Dubai (United Arab Emirates) | 100.00 |
| Evonik Hong Kong Ltd. | Hong Kong (Hong Kong) | 100.00 |
| Evonik India Pvt. Ltd. | Mumbai (India) | 100.00 |
| Evonik International Holding B.V. | Amsterdam (Netherlands) | 100.00 |
| Evonik Japan Co., Ltd. | Tokyo (Japan) | 100.00 |
| Evonik Jayhawk Fine Chemicals Corporation | Carson City (Nevada, USA) | 100.00 |
| Evonik Korea Ltd. | Seoul (South Korea) | 100.00 |
| Evonik Limited Egypt | Cairo (Egypt) | 100.00 |
| Evonik Malaysia Sdn. Bhd. | Kuala Lumpur (Malaysia) | 100.00 |
| Evonik MedAvox S.p.A. (in liquidation) | Milan (Italy) | 100.00 |
| Evonik Membrane Extraction Technology Limited | Milton Keynes (UK) | 100.00 |
| Evonik Methionine SEA Pte. Ltd. | Singapore (Singapore) | 100.00 |
| Evonik Metilatos S.A. | Rosario (Argentina) | 100.00 |
| Evonik Mexico S.A. de C.V. | Mexico City (Mexico) | 100.00 |
| Evonik Monosilane Japan Co., Ltd. | Tokyo (Japan) | 100.00 |
| Evonik Oil Additives Asia Pacific Pte. Ltd. | Singapore (Singapore) | 100.00 |
| Evonik Oil Additives Canada Inc. | Morrisburg (Canada) | 100.00 |
| Evonik Oil Additives S.A.S. | Lauterbourg (France) | 100.00 |
| Evonik Oil Additives USA, Inc. | Horsham (Pennsylvania, USA) | 100.00 |
| Evonik Oxeno Antwerpen N.V. | Antwerp (Belgium) | 100.00 |
| Evonik Para-Chemie GmbH | Gramatneusiedl (Austria) | 99.00 |
| Evonik Pension Scheme Trustee Limited | Milton Keynes (UK) | 100.00 |
| Evonik Peroxide Africa (Pty) Ltd. | Umbogintwini (South Africa) | 100.00 |
| Evonik Peroxide Holding B.V. | Amsterdam (Netherlands) | 100.00 |

| Name of company | Registered office | Shareholding in % |
|---|-----------------------------------|----------------------|
| Evonik Peroxide Ltd. | Morrisville (New Zealand) | 100.00 |
| Evonik Re S.A. | Luxembourg (Luxembourg) | 100.00 |
| Evonik Rexim (Nanning) Pharmaceutical Co., Ltd. | Nanning (China) | 100.00 |
| Evonik Rexim S.A.S. | Ham (France) | 100.00 |
| Evonik (SEA) Pte. Ltd. | Singapore (Singapore) | 100.00 |
| Evonik Silquimica S.A. | Zubillaga-Lantaron (Spain) | 100.00 |
| Evonik Speciality Organics Ltd. | Milton Keynes (UK) | 100.00 |
| Evonik Specialty Chemicals (Chongqing) Co., Ltd. | Chongqing (China) | 100.00 |
| Evonik Specialty Chemicals (Jilin) Co., Ltd. | Jilin (China) | 100.00 |
| Evonik Specialty Chemicals (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 |
| Evonik Taiwan Ltd. | Taipei (Taiwan) | 100.00 |
| Evonik Tasnee Marketing LLC | Riyadh (Saudi Arabia) | 75.00 |
| Evonik Thai Aerosil Co. Ltd. | Bangkok (Thailand) | 100.00 |
| Evonik (Thailand) Ltd. | Bangkok (Thailand) | 100.00 |
| Evonik Tianda (Liaoyang) Chemical Additive Co., Ltd. | Liaoyang (China) | 97.04 |
| Evonik Trustee Limited | Milton Keynes (UK) | 100.00 |
| Evonik United Silica Industrial Ltd. | Tao Yuan Hsien (Taiwan) | 100.00 |
| Evonik United Silica (Siam) Ltd. | Rayong (Thailand) | 70.00 |
| Evonik Vietnam Limited Liability Company | Ho Chi Minh City (Vietnam) | 100.00 |
| Evonik Wellink Silica (Nanping) Co., Ltd. | Nanping (China) | 60.00 |
| Insilco Ltd. | Gajraula (India) | 73.11 |
| JIDA Evonik High Performance Polymers (Changchun) Co., Ltd. | Changchun (China) | 84.04 |
| Laporte Industries Ltd. | Milton Keynes (UK) | 100.00 |
| Laporte Nederland (Holding) B.V. | Amsterdam (Netherlands) | 100.00 |
| Nilok Chemicals Inc. (in liquidation) | Parsippany (New Jersey, USA) | 100.00 |
| Nippon Aerosil Co., Ltd. | Tokyo (Japan) | 80.00 |
| OOO Destek | Podolsk (Russian Federation) | 62.25 |
| OOO Evonik Chimia | Moscow (Russian Federation) | 100.00 |
| PT. Evonik Indonesia | Cikarang Bekasi (Indonesia) | 100.00 |
| PT. Evonik Sumi Asih | Bekasi Timur (Indonesia) | 75.00 |
| Qingdao Evonik Chemical Co., Ltd. | Jiaozhou (China) | 52.00 |
| Roha B.V. | Tilburg (Netherlands) | 100.00 |
| RÜTGERS Organics Corporation | State College (Pennsylvania, USA) | 100.00 |
| SKC Evonik Peroxide Korea Co., Ltd. | Ulsan (South Korea) | 55.00 |
| St. Bernard Reinsurance Company S.A. | Luxembourg (Luxembourg) | 100.00 |
| Stockhausen Nederland B.V. | Amsterdam (Netherlands) | 100.00 |

^a Utilizes the exemptions permitted under Sections 264 Paragraph 3 and 264b of the German Commercial Code.^b Special purpose entity that has to be fully consolidated pursuant to IAS 27 in conjunction with SIC-12 due to contractual agreements.^c In 2011 and 2012 the company utilized exemptions permitted under Section 264b of the German Commercial Code.

The following joint ventures and associated companies are included in the consolidated financial statements using the equity method:

T043 Companies recognized at equity

| Name of company | Registered office | Shareholding in % |
|---|-----------------------------|----------------------|
| Joint ventures | | |
| Germany | | |
| StoHaas Management GmbH | Marl | 50.00 |
| StoHaas Monomer GmbH & Co. KG | Marl | 50.00 |
| Other countries | | |
| CyPlus Idesa S.A.P.I de C.V. | Mexico City (Mexico) | 50.00 |
| Daicel-Evonik Ltd. | Tokyo (Japan) | 50.00 |
| DSL Japan Co., Ltd. | Tokyo (Japan) ^a | 51.00 |
| Evonik Headwaters LLP | Milton Keynes (UK) | 50.00 |
| Evonik Lanxing (Rizhao) Chemical Industrial Co., Ltd. | Rizhao (China) | 50.00 |
| Evonik Treibacher GmbH | Treibach-Althofen (Austria) | 50.00 |
| LiteCon GmbH | Mürzzuschlag (Austria) | 49.00 |
| Perorsa - Peróxidos Orgánicos S.A. (in liquidation) | Barcelona (Spain) | 50.00 |
| Rusferm Limited | Nicosia (Cyprus) | 49.00 |
| Saudi Acrylic Polymers Company, Ltd. | Jubail (Saudi Arabia) | 25.00 |
| Associated companies | | |
| Germany | | |
| ARG mbH & Co. KG | Duisburg ^b | 19.93 |
| STEAG GmbH | Essen | 49.00 |
| TÜV NORD InfraChem GmbH & Co. KG | Marl | 49.00 |
| TÜV NORD InfraChem Verwaltungsgesellschaft mbH | Marl | 49.00 |
| Vivawest GmbH | Essen ^c | 35.93 |

^a Joint control exists under contractual agreements.

^b Evonik is able to exercise a material influence under contractual agreements.

^c Based on the nature of plan assets, 25 percent was measured in accordance with IAS 19, see Note 5.2.

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The following companies are included in the consolidated financial statements at amortized cost on the grounds of materiality:

T044 Companies recognized at amortized cost

| Name of company | Registered office | Shareholding in % |
|--|----------------------------|----------------------|
| Non-consolidated subsidiaries | | |
| Germany | | |
| PKU Pulverkautschuk Union GmbH (in liquidation) | Marl | 100.00 |
| Studiengesellschaft Kohle mbH | Mülheim | 69.99 |
| Other countries | | |
| Degussa Limited (in liquidation) | Crawley (UK) | 100.00 |
| EGL Ltd. | Milton Keynes (UK) | 100.00 |
| Evonik Guatemala, S.A. | Guatemala City (Guatemala) | 100.00 |
| Evonik (Shanghai) Investment Management Co., Ltd. | Shanghai (China) | 100.00 |
| Laporte Chemicals Ltd. | Milton Keynes (UK) | 100.00 |
| Joint ventures | | |
| Germany | | |
| Faserwerke Hüls Gesellschaft mit beschränkter Haftung | Marl | 50.00 |
| Associated companies | | |
| Germany | | |
| ARG Verwaltungs GmbH | Duisburg | 20.00 |
| Industriepark Münchsmünster GmbH & Co. KG | Münchsmünster | 30.00 |
| Industriepark Münchsmünster Verwaltungsgesellschaft mit beschränkter Haftung | Münchsmünster | 38.00 |
| Umschlag Terminal Marl GmbH & Co. KG | Marl | 50.00 |
| Umschlag Terminal Marl Verwaltungs-GmbH | Marl | 50.00 |

5.2 Acquisitions and divestments

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

Acquisitions

No acquisitions were made in the reporting period.

Divestments

In accordance with its focus on specialty chemicals, in July 2013 Evonik divested the majority of its shares and thus lost its controlling influence in Vivawest GmbH (Vivawest), Essen (Germany). As a consequence, the real estate activities bundled in the former Real Estate segment were deconsolidated.

Under agreements signed on July 4 and 5, 2013, Vivawest and THS GmbH (THS), Essen (Germany) have been combined and transferred to a new ownership structure. The combination involved a capital increase in kind at Vivawest through the transfer of the 50.0 percent stake in THS held by Vermögensverwaltungs- und Treuhandgesellschaft der Industriegewerkschaft Bergbau und Energie mit beschränkter Haftung (VTG), Hanover (Germany) to Vivawest in return for a 26.8 percent stake.

Immediately afterwards, Evonik sold 30.0 percent of the shares in Vivawest to RAG-Stiftung, Essen (Germany), and 7.3 percent of the shares to RAG Aktiengesellschaft, Herne (Germany). This reduced Evonik's stake in Vivawest to 35.9 percent. In a further step, Evonik transferred 25.0 percent of the shares in Vivawest to Evonik Pensionstreuhand e.V. (contractual trust arrangement / CTA), Essen (Germany) as pension funding. Accordingly, these shares are valued as plan assets in accordance with IAS 19. Following conclusion of these transactions, Evonik still directly holds 10.9 percent of the shares in Vivawest and holds 25.0 percent indirectly via the CTA. The 10.9 percent stake in Vivawest is recognized at equity in Evonik's consolidated financial statements and is to be sold to long-term investors in the intermediate term. The changes in the segment reporting are outlined in Note 9.1.

In connection with the sale of the Vivawest shares to RAG-Stiftung and RAG Aktiengesellschaft, Vivawest was valued at €3,030 million, putting the price of shares sold to RAG-Stiftung at €909 million and the price of those sold to RAG Aktiengesellschaft at €220 million. Initial measurement at fair value gave a carrying amount of €330 million for the remaining interest, which is recognized at equity, and €758 million for the shares transferred to the CTA. The total gross inflows from the divestment of the shares in Vivawest (€1,129 million) and the recognition of the remaining assets at fair value (€1,115 million) less the outflows of net assets (€706 million) resulted in income before income taxes from the transaction of €1,538 million.

As a separate transaction, under the agreement of November 11, 2013, Evonik divested the non-controlling interests held by RBV Verwaltungs-GmbH, Essen (Germany) in Rhein Lippe Wohnen GmbH, Duisburg (Germany) (5.2 percent) and Lünener Wohnungs- und Siedlungsgesellschaft mbH, Lünen (Germany) (5.1 percent) to Stiftung Zollverein, Essen (Germany). The purchase price was €27 million and the transaction had no impact on income.

The aggregate impact of the divestments on the balance sheet at the time of deconsolidation or divestment was as follows:

T045 Impact of divestments on the balance sheet

| in € million | Carrying amounts divested |
|--|---------------------------|
| Non-current assets | 2,104 |
| Current assets (excluding cash and cash equivalents) | 114 |
| Cash and cash equivalents | 42 |
| Non-current liabilities | 885 |
| Current liabilities | 669 |
| Selling price (gross) | 1,156 |

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5.3 Assets held for sale and discontinued operations

In addition to the divestment of the real estate activities outlined in Note 5.2, Evonik intends to withdraw completely from the lithium-ion business. This business comprises the development and production of chemical components for battery cells and the assembly of these components to produce battery cells and battery systems. The planned exit from this business is connected with the development of supply and demand on the electromobility market. In this environment, further investment would be required to achieve the necessary economies of scale in the production of battery cells. In the long term, the lithium-ion business would therefore probably fail to meet the high return requirements set by Evonik as a specialty chemicals company. Evonik is talking to potential purchasers, who would be able to concentrate fully on this business and extend its market access. In the segment report, the lithium-ion activities are included in other operations.

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Further, to optimize its portfolio, Evonik plans to divest the STOKO® Skin Care business. STOKO® Skin Care is part of the Consumer, Health & Nutrition segment and produces protective, cleansing and skin-care products for use in working conditions that are tough on the skin. The active search for a purchaser has started.

The assets and liabilities of the lithium-ion business and the STOKO® Skin Care business were classified as held for sale as of December 31, 2013. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations sets out the valuation and accounting principles to be used for such operations, see Note 3.6, and their presentation in the consolidated financial statements.

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Assets held for sale and the associated liabilities have to be stated separately from other assets and liabilities on the balance sheet. The amounts recognized for these assets and liabilities in the previous year do not have to be restated.

Businesses whose assets and liabilities have been classified as held for sale may also meet the criteria for classification as discontinued operations, especially if a separate, significant business area is to be disposed of. The income and expenses of such discontinued operations have to be stated separately from those of continuing operations in the income statement. The cash flows also have to be stated separately. The prior-period figures have to be restated in the income statement and the cash flow statement.

The lithium-ion business meets the criteria for classification as a discontinued operation. Moreover, the real estate activities were classified as discontinued operations until their divestment on July 17, 2013. Post-divestment income and expenses resulted from past transactions relating to businesses previously classified as discontinued operations.

The following table shows the main impact of the discontinued operations on the income statement, broken down into operating income and the gain or loss on divestment:

T046 Impact of discontinued operations on the income statement

| in € million | Operating income after taxes | | Divestment gains/losses after taxes | | Income after taxes, discontinued operations | |
|-------------------------------|------------------------------|-----------|-------------------------------------|-----------|---|-----------|
| | 2013 | | 2012 | | 2013 | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Former Real Estate segment | 110 | 117 | 1,519 | – | 1,629 | 117 |
| Lithium-ion business | –233 | –67 | – | – | –233 | –67 |
| Other discontinued operations | – | – | 1 | 15 | 1 | 15 |
| | –123 | 50 | 1,520 | 15 | 1,397 | 65 |

The following income and expense items relate to the operating income of the former Real Estate segment and the lithium-ion business:

T047 Operating income from discontinued operations

| in € million | 2013 | 2012 |
|--|-------------|-------------|
| Income | 320 | 338 |
| Former Real Estate segment | 202 | 309 |
| Lithium-ion business | 118 | 29 |
| Expenses | –459 | –281 |
| Former Real Estate segment | –83 | –185 |
| Lithium-ion business | –376 | –96 |
| Operating income before income taxes, discontinued operations | –139 | 57 |
| Former Real Estate segment | 119 | 124 |
| Lithium-ion business | –258 | –67 |
| Income taxes | 16 | –7 |
| Former Real Estate segment | –9 | –7 |
| Lithium-ion business | 25 | – |
| Operating income after taxes, discontinued operations | –123 | 50 |
| Former Real Estate segment | 110 | 117 |
| Lithium-ion business | –233 | –67 |

The operating income before income taxes of minus €258 million from the lithium-ion business contains impairment losses of €223 million on non-current assets (mainly property, plant and equipment), calculated at the date of reclassification, provisions for anticipated losses, and operating losses.

In 2013, both Evonik and the joint venture partner in Li-Tec Battery GmbH (Li-Tec), which is classified as part of the lithium-ion business and in which Evonik has a stake of 50.1 percent, waived repayment of a loan. The amount lent by the joint venture partner was €54 million. The corresponding financial liability of Li-Tec was derecognized and the resulting income was recognized in operating income.

The divestment gains and losses from discontinued operations comprise the following:

T048 Divestment gains/losses from discontinued operations

| in € million | 2013 | 2012 |
|--|--------------|-----------|
| Income before income taxes from the divestment of discontinued operations | 1,540 | 17 |
| Former Real Estate segment | 1,538 | – |
| Other discontinued operations | 2 | 17 |
| Income taxes | -20 | -2 |
| Former Real Estate segment | -19 | – |
| Other discontinued operations | -1 | -2 |
| Income after taxes from the divestment of discontinued operations | 1,520 | 15 |
| Former Real Estate segment | 1,519 | – |
| Other discontinued operations | 1 | 15 |

The assets and liabilities reclassified in the balance sheet as of December 31, 2013 relate to the lithium-ion business and the STOKO® Skin Care business. Further, in the reporting period and the previous year, assets and liabilities of a subsidiary classified as held for sale related to a subsidiary that is reported under "Corporate, other operations, consolidation."

T049 Assets held for sale

| | | Dec. 31, 2013 | Dec. 31, 2012 |
|--------------------------------------|--|------------------|------------------|
| in € million | | | |
| Intangible assets | | 5 | – |
| Lithium-ion business | | – | – |
| Other | | 5 | – |
| Property, plant and equipment | | 9 | 6 |
| Lithium-ion business | | – | – |
| Other | | 9 | 6 |
| Deferred taxes | | 3 | 3 |
| Lithium-ion business | | 1 | – |
| Other | | 2 | 3 |
| Inventories | | 46 | 7 |
| Lithium-ion business | | 27 | – |
| Other | | 19 | 7 |
| Trade accounts receivable | | 34 | 16 |
| Lithium-ion business | | 8 | – |
| Other | | 26 | 16 |
| Other receivables | | 2 | 2 |
| Lithium-ion business | | 1 | – |
| Other | | 1 | 2 |
| Cash and cash equivalents | | 45 | – |
| Lithium-ion business | | 45 | – |
| Other | | – | – |
| Assets held for sale | | 144 | 34 |
| Lithium-ion business | | 82 | – |
| Other | | 62 | 34 |

T050 Liabilities associated with assets held for sale

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|---|------------------|------------------|
| Provisions for pensions and other post-employment benefits | 8 | – |
| Lithium-ion business | 1 | – |
| Other | 7 | – |
| Other provisions | 38 | 1 |
| Lithium-ion business | 33 | – |
| Other | 5 | 1 |
| Deferred taxes | 2 | 1 |
| Lithium-ion business | – | – |
| Other | 2 | 1 |
| Financial liabilities | 36 | 8 |
| Lithium-ion business | 27 | – |
| Other | 9 | 8 |
| Trade accounts payable | 16 | 3 |
| Lithium-ion business | 10 | – |
| Other | 6 | 3 |
| Other payables | 3 | – |
| Lithium-ion business | 2 | – |
| Other | 1 | – |
| Liabilities associated with assets held for sale | 103 | 13 |
| Lithium-ion business | 73 | – |
| Other | 30 | 13 |

The net value of assets held for sale and the associated liabilities of the lithium-ion business amounting to €9 million (2012: none) comprises their fair value less costs to sell. This disposal group was measured on the basis of an offer which indicates a range of possible transaction prices, depending on the structure of the transaction. In addition, the balance sheet contained the assets held for sale and associated liabilities of a subsidiary with a net value of €20 million (2012: €21 million) recognized in the segment report under "Corporate, other operations, consolidation." The fair value of this disposal group was determined on the basis of an indicative purchase price. The fair values of the disposal groups were allocated to Level 2 of the fair value hierarchy pursuant to IFRS 13.

On the cash flow statement, the cash flows from the operating, investing and financing activities of the discontinued operations only comprise cash flows generated through transactions with third parties. The net cash flows reflect the change in cash and cash equivalents and intragroup cash pooling activities.

The cash flows for the discontinued operations can be broken down by business as follows:

T051 Cash flow from discontinued operations

| in € million | 2013 | 2012 |
|---|------------|-------------|
| Cash flow from operating activities | -3 | 25 |
| Former Real Estate segment | 50 | 107 |
| Lithium-ion business | -53 | -82 |
| Cash flow from investing activities | 59 | -149 |
| Former Real Estate segment | 79 | -91 |
| Lithium-ion business | -20 | -58 |
| Cash flow from financing activities | 418 | 20 |
| Former Real Estate segment | 368 | -42 |
| Lithium-ion business | 50 | 62 |
| Change in cash and cash equivalents, discontinued operations | 474 | -104 |
| Former Real Estate segment | 497 | -26 |
| Lithium-ion business | -23 | -78 |

6. Notes to the income statement

6.1 Sales

The sales of €12,874 million (2012: €13,365 million) are comprised entirely of revenues from the sale of goods and services.

6.2 Function costs

Function costs are derived from cost accounting data. IFRS accounting policies are the central recognition principles used at Evonik. Therefore, implicit costs may not be allocated to the functional areas. Function costs are determined after internal cross-charging to ensure that they take account of transactions between the functional areas.

Evonik divides function costs into the cost of sales, selling expenses, research and development expenses and general administrative expenses.

Operating expenses that cannot be allocated to the functional areas are recognized as other operating expenses.

Following harmonization and standardization of cost accounting, Evonik reassigned certain warehousing costs and energy sales among the functional areas in the income statement in 2013. Retrospective adjustment of the income statement for 2012 reduced the cost of sales by €49 million and increased selling and administrative expenses by €45 million and €4 million respectively.

6.3 Other operating income

T052 Other operating income

| in € million | 2013 | 2012 |
|--|------------|--------------|
| Income from the measurement of derivatives (excluding interest rate derivatives) | 341 | 384 |
| Income from currency translation of monetary assets and liabilities | 136 | 205 |
| Income from insurance refunds | 119 | 226 |
| Income from the reversal of provisions | 112 | 118 |
| Income from non-core operations | 66 | 93 |
| Income from the disposal of assets | 13 | 34 |
| Income from research subsidies | 8 | 9 |
| Income from the reversal of impairment losses | 6 | 64 |
| Other income | 134 | 353 |
| | 935 | 1,486 |
| thereof adjustments | 167 | 449 |

Income from the measurement of derivatives in 2013 includes €292 million (2012: €366 million) relating to currency hedging and €1 million (2012: €1 million) relating to commodity derivatives. In addition, €32 million (2012: €17 million) related to the call option for the remaining 49 percent of shares in STEAG GmbH (STEAG), Essen (Germany) that can be exercised by KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG), Essen (Germany), and €16 million for the put option held by Evonik on the remaining 49 percent of shares in STEAG (2012: €5 million recognized in other operating expense). The income of €48 million from the measurement of these options is offset by expense of €42 million for the write-down of the shares in STEAG, giving income of €6 million on a net view.

An explanation of the economic effect of income from currency derivatives and from currency translation of monetary assets and liabilities is provided together with the corresponding expenses in Note 6.4.

As in the previous year, the income from insurance refunds mainly refers to an incident at a production facility operated by the Specialty Materials segment at the site in Marl (Germany) and essentially offsets income lost as a result of the production stoppage.

The income from non-core operations contains income from occasional, unplanned business activities that are not intended to be permanent operations.

The income from reversals of impairment losses in accordance with IAS 39 Financial Instruments: Recognition and Measurement includes €4 million (2012: €12 million) relating to trade accounts receivable and loans. In addition, reversals of impairment losses totaling €2 million (2012: €52 million for property, plant and equipment) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and IAS 36 Impairment of Assets are divided as follows among the segments:

T053 Income from reversal of impairment losses by segment

| in € million | 2013 | 2012 |
|-----------------------------|----------|-----------|
| Resource Efficiency | – | 24 |
| Specialty Materials | 2 | 27 |
| Corporate, other operations | – | 1 |
| | 2 | 52 |

Income from the disposal of assets comprises €12 million (2012: €13 million) from the divestment of property, plant and equipment and investment property, and €1 million (2012: €21 million) from the sale of investments.

Income from settlements in connection with the photovoltaic business reported in other income in 2012 was the main reason for the year-on-year decline in this item. In addition, this item includes commission income, income from contractual penalties, income from the sale of scrap and income relating other periods.

Evonik defines non-operating income and expenses that are by nature one-off or rare as adjustments. These adjustments are included in other operating income and expenses in the income statement.

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The adjustments recognized in other operating income relate to the following functional areas:

T054 Adjustments included in other operating income

| in € million | 2013 | 2012 |
|------------------------|------------|------------|
| Production-related | 30 | 16 |
| R&D-related | 1 | – |
| Administration-related | 14 | 10 |
| Other | 122 | 423 |
| | 167 | 449 |

6.4 Other operating expenses

T055 Other operating expenses

| in € million | 2013 | 2012 |
|--|--------------|--------------|
| Losses on the measurement of derivatives (excluding interest rate derivatives) | 277 | 355 |
| Losses on currency translation of monetary assets and liabilities | 174 | 225 |
| Expenses for restructuring | 209 | 9 |
| Impairment losses | 106 | 230 |
| Expenses for recultivation and environmental protection | 43 | 6 |
| Losses on the disposal of assets | 13 | 50 |
| Expenses relating to the REACH Regulation | 9 | 9 |
| Other expense | 328 | 393 |
| | 1,159 | 1,277 |
| thereof adjustments | 500 | 459 |

Losses on the measurement of derivatives in 2013 include €276 million (2012: €349 million) relating to currency hedging and €1 million (2012: €1 million) relating to commodity derivatives. The figure for 2012 included €5 million for the put option held by Evonik on the remaining 49 percent of shares in STEAG (2013: €16 million reported in other operating income).

One of the principal objectives of the Group's financial hedging strategy is to minimize the earnings risk arising from the translation of monetary items in foreign currency through back-to-back currency hedges. Since these take the form of macro-hedges on the net identified currency risk and therefore do not qualify for hedge accounting in accordance with IAS 39, income and

expenses relating to currency translation of monetary assets and liabilities and income and expenses relating to the associated currency hedges are recognized as gross amounts in the income statement. The economic effect of these currency hedges is shown by the following overview of the items contained in the net currency result:

T056 Net currency result

| in € million | 2013 | 2012 |
|---|------------|-----------|
| Income from currency derivatives | 292 | 366 |
| Income from currency translation of monetary assets and liabilities | 136 | 205 |
| Losses on currency derivatives | -276 | -349 |
| Losses on currency translation of monetary assets and liabilities | -174 | -225 |
| Net currency result | -22 | -3 |

The net currency result is determined principally by the result from currency derivatives used to hedge currency risks relating to off-balance-sheet firm commitments that are not included in hedge accounting, and the ineffective portion of hedging of foreign currency items recognized on the balance sheet. It also contains the ineffective portion of currency hedges recognized in hedge accounting. By contrast, the effective portion of currency hedges for which hedge accounting is applied is not recognized in the net currency result. Instead, it is recognized in other comprehensive income until the hedged transaction is realized and subsequently in sales if it was a sales hedge, inventories or the cost of sales if it was used to hedge cost risks relating to procurement, or in first-time recognition of property, plant and equipment if the purpose was to hedge the foreign currency risk relating to the procurement of assets of this type; see Note 7.9.

The expenses for restructuring mainly relate to the planned optimization of organizational structures and workflows in the administrative and service units, especially headcount adjustments.

Impairment losses determined in accordance with IAS 36 Impairment of Assets in response to indications of a possible impairment are divided among the segments as shown in the table below. In each case, the recoverable amount is determined as the value in use.

T057 Impairment losses by segment

| in € million | 2013 | 2012 |
|---------------------|-----------|------------|
| Resource Efficiency | 26 | 176 |
| Specialty Materials | 25 | 30 |
| Services | - | 5 |
| | 51 | 211 |

The impairment losses in the Resource Efficiency segment mainly relate to a facility for the photovoltaic business, which had to be written down entirely in view of the change in the market situation.

See p. 206

In the Specialty Materials segment an impairment loss had to be recognized for one plant in Asia as a result of lower volume sales. The recoverable amount of this plant, which was determined using a discount rate of 8.37 percent, is in the low double-digit million euros range. In addition, an impairment loss was recognized for a plant in Europe due to planned closure.

The impairment losses on financial instruments and investments recognized at equity, which were determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement, were €53 million (2012: €15 million). Impairment losses of €11 million (2012: €7 million) were recognized for trade accounts receivable. Impairment losses for investments recognized at equity amounted to €42 million (2012: €8 million). Impairment losses of €42 million (2012: none) relate to the remaining 49 percent of shares in STEAG. The impairment losses on these shares are offset by income of €48 million from the measurement of the options, which is recognized in other operating income. On a net view, this resulted in income of €6 million.

Impairment losses on assets held for sale recognized in accordance with IFRS 5 totaled €2 million (2012: €4 million).

The increase in expenses for recultivation and environmental protection was primarily attributable to one site in Germany.

Losses on the disposal of assets comprise €12 million (2012: €40 million) relating to the divestment of intangible assets, property, plant and equipment and investment property, and €1 million (2012: €10 million) relating to the sale of investments.

The decline in other expense is mainly attributable to the fact that the prior-year figure contains expenses relating to the photovoltaic business. The expenses in connection with the incident at a production plant in Marl (Germany) were lower. Further, provisions are recognized for legal disputes.

This item also includes expenses for outsourcing, M&A projects, commission payments and legal and consultancy fees.

The adjustments recognized in other operating expense relate to the following functional areas:

T058 Adjustments included in other operating expenses

| in € million | 2013 | 2012 |
|---|------------|------------|
| Production-related | 81 | 217 |
| R&D-related | – | 20 |
| Administration-related | 201 | 22 |
| Related to investments recognized at equity | 42 | 8 |
| Other | 176 | 192 |
| | 500 | 459 |

6.5 Net interest expense

T059 Net interest expense

| in € million | 2013 | 2012 |
|--|-------------|-------------|
| Income from securities and loans | 14 | 21 |
| Interest and similar income from derivatives | 2 | 2 |
| Other interest-type income | 19 | 12 |
| Interest income | 35 | 35 |
| Interest expense on financial liabilities | -97 | -118 |
| Interest and similar expenses for derivatives | -7 | - |
| Other interest-type expense | -26 | -21 |
| Net interest expense for pensions | -139 | -168 |
| Interest expense on accrued interest on other provisions | -21 | -49 |
| Interest expense | -290 | -356 |
| | -255 | -321 |

Borrowing costs of €29 million (2012: €12 million) are capitalized. The average underlying cost of financing was 5.9 percent (2012: 5.8 percent).

6.6 Result from investments recognized at equity

This item is comprised solely of income from the measurement at equity of investments recognized using the equity method amounting to €59 million (2012: €62 million).

Until the put or call option for the remaining 49 percent of shares in STEAG is exercised, Evonik has a claim on the majority owner, KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG), Essen (Germany), for a guaranteed annual dividend. The guaranteed dividend is included in equity-method income and replaces the pro rata income from STEAG.

6.7 Other financial income

Other financial income includes €11 million (2012: none) from the disposal of securities held as short-term liquidity.

6.8 Income taxes

Income taxes comprise:

T060 Income taxes shown in the income statement

| in € million | 2013 | 2012 |
|---|------------|------------|
| Other income taxes | 257 | 359 |
| thereof relating to other periods | 45 | -40 |
| Deferred taxes | -37 | 94 |
| thereof relating to other periods | -63 | -6 |
| thereof relating to temporary differences | -21 | -12 |
| | 220 | 453 |

The tax reconciliation shows the development of expected income taxes relative to the effective income taxes stated in the income statement. As in the previous year, the expected income taxes for 2013 are based on an overall tax rate of 30 percent, comprising German corporation tax of 15 percent, a solidarity surcharge of 5.5 percent and the average trade tax rate of around 14 percent. The effective income taxes include other income taxes and deferred taxes.

T061 Tax reconciliation

| in € million | 2013 | 2012 |
|---|------------|--------------|
| Income before income taxes, continuing operations | 836 | 1,556 |
| Expected income taxes | 251 | 467 |
| Variances due to differences in the assessment base for trade tax | 4 | 7 |
| Deviation from the expected tax rate | 8 | 28 |
| Changes in valuation allowances on deferred taxes | -6 | 11 |
| Losses not affecting deferred taxes and the use of loss carryforwards | 9 | 6 |
| Changes in tax rates and tax legislation | -2 | - |
| Non-deductible expenses | 13 | 20 |
| Interest ceiling | 1 | -1 |
| Tax-free income | -28 | -32 |
| Result from investments recognized at equity | -9 | -12 |
| Other | -21 | -41 |
| Effective income taxes (current income taxes and deferred taxes) | 220 | 453 |
| Effective income tax rate in % | 26.3 | 29.1 |

"Other" contains other income taxes and deferred taxes relating to different periods.

6.9 Earnings per share

Earnings per share as shown in the income statement are calculated by dividing net income by the weighted average number of shares issued, i.e. 466,000,000 shares. Net income comprises the total earnings for the year less non-controlling interests, including the earnings of discontinued operations. Earnings per share could be diluted by potential ordinary shares. Since there were no potential ordinary shares in either 2013 or 2012, diluted earnings per share are identical to basic earnings per share.

T062 Earnings per share

| in € million | 2013 | 2012 |
|---|--------------|--------------|
| Income after taxes, continuing operations | 616 | 1,103 |
| Income after taxes, discontinued operations | 1,397 | 65 |
| Less income after taxes attributable to non-controlling interests | 41 | -3 |
| Income after taxes attributable to shareholders of Evonik Industries AG (net income) | 2,054 | 1,165 |
| Earnings per share in € (basic and diluted) | | |
| from continuing operations | 1.32 | 2.37 |
| from discontinued operations | 3.00 | 0.14 |
| less earnings per share attributable to non-controlling interests | 0.09 | -0.01 |
| Earnings per share in € (basic and diluted) attributable to shareholders of Evonik Industries AG | +4.41 | +2.50 |

7. Notes to the balance sheet

7.1 Intangible assets

T063 Change in intangible assets

| in € million | Goodwill | Franchises, trademarks and licenses | Capitalized development costs | Other intangible assets | Total |
|---|--------------|---|-------------------------------------|-------------------------------|--------------|
| Cost of acquisition/production | | | | | |
| As of January 1, 2012 | 2,856 | 1,700 | 167 | 478 | 5,201 |
| Currency translation | -22 | -2 | - | 1 | -23 |
| Additions from business combinations | 2 | 2 | - | - | 4 |
| Other additions | - | 38 | - | - | 38 |
| Reclassification pursuant to IFRS 5 | -12 | -10 | - | - | -22 |
| Disposal | -3 | -44 | - | -1 | -48 |
| Reclassification | - | 6 | - | -2 | 4 |
| As of December 31, 2012 | 2,821 | 1,690 | 167 | 476 | 5,154 |
| Currency translation | -43 | -4 | - | -1 | -48 |
| Additions from business combinations | - | - | - | - | - |
| Other additions | - | 11 | 1 | 16 | 28 |
| Reclassification pursuant to IFRS 5 | -64 | -27 | - | -4 | -95 |
| Disposal | - | -46 | - | - | -46 |
| Reclassification | - | 4 | 1 | 1 | 6 |
| As of December 31, 2013 | 2,714 | 1,628 | 169 | 488 | 4,999 |
| Amortization and impairment losses | | | | | |
| As of January 1, 2012 | 112 | 1,267 | 137 | 413 | 1,929 |
| Currency translation | - | -1 | - | - | -1 |
| Additions from business combinations | - | - | - | - | - |
| Amortization | - | 63 | 6 | 13 | 82 |
| Impairment losses | - | 2 | - | - | 2 |
| Reversals of impairment losses | - | - | - | - | - |
| Reclassification pursuant to IFRS 5 | - | -4 | - | - | -4 |
| Disposal | - | -44 | - | - | -44 |
| Reclassification | - | 2 | - | -2 | - |
| As of December 31, 2012 | 112 | 1,285 | 143 | 424 | 1,964 |
| Currency translation | - | -3 | - | - | -3 |
| Additions from business combinations | - | - | - | - | - |
| Amortization | - | 67 | 5 | 11 | 83 |
| Impairment losses | 13 | 16 | - | 4 | 33 |
| Reversals of impairment losses | - | -1 | - | - | -1 |
| Reclassification pursuant to IFRS 5 | -23 | -24 | - | -4 | -51 |
| Disposal | - | -46 | - | - | -46 |
| Reclassification | - | - | - | - | - |
| As of December 31, 2013 | 102 | 1,294 | 148 | 435 | 1,979 |
| Carrying amounts as of December 31, 2012 | 2,709 | 405 | 24 | 52 | 3,190 |
| Carrying amounts as of December 31, 2013 | 2,612 | 334 | 21 | 53 | 3,020 |

Franchises, trademarks and licenses include trademarks with an indefinite useful life totaling €204 million (2012: €207 million).

As in the previous year, on the reporting date there were no intangible assets to which title was restricted and no commitments to purchase intangible assets.

7.2 Property, plant and equipment

T064 Change in property, plant and equipment

| in € million | Land, land rights and buildings | Plant and machinery | Other plant, office furniture and equipment | Advance payments and construction in progress | Total |
|---|---------------------------------|---------------------|---|---|---------------|
| Cost of acquisition/production | | | | | |
| As of January 1, 2012 | 2,800 | 10,441 | 954 | 623 | 14,818 |
| Currency translation | -17 | -67 | -2 | -2 | -88 |
| Additions from business combinations | - | - | - | - | - |
| Other additions | 30 | 198 | 61 | 694 | 983 |
| Reclassification pursuant to IFRS 5 | -31 | -132 | -6 | -9 | -178 |
| Disposal | -29 | -280 | -39 | -12 | -360 |
| Reclassification | 41 | 348 | 28 | -421 | -4 |
| As of December 31, 2012 | 2,794 | 10,508 | 996 | 873 | 15,171 |
| Currency translation | -47 | -179 | -12 | -38 | -276 |
| Additions from business combinations | - | 31 | - | - | 31 |
| Other additions | 43 | 198 | 48 | 832 | 1,121 |
| Reclassification pursuant to IFRS 5 | -51 | -165 | -27 | -48 | -291 |
| Disposal | -35 | -149 | -58 | -10 | -252 |
| Reclassification | 36 | 404 | 32 | -475 | -3 |
| As of December 31, 2013 | 2,740 | 10,648 | 979 | 1,134 | 15,501 |
| Depreciation and impairment losses | | | | | |
| As of January 1, 2012 | 1,514 | 8,094 | 778 | 13 | 10,399 |
| Currency translation | -10 | -51 | -2 | - | -63 |
| Additions from business combinations | - | - | - | - | - |
| Depreciation | 57 | 395 | 59 | - | 511 |
| Impairment losses | 28 | 166 | 3 | 14 | 211 |
| Reversals of impairment losses | -1 | -30 | - | - | -31 |
| Reclassification pursuant to IFRS 5 | -13 | -66 | -5 | - | -84 |
| Disposal | -25 | -270 | -36 | -8 | -339 |
| Reclassification | -1 | 1 | - | - | - |
| As of December 31, 2012 | 1,549 | 8,239 | 797 | 19 | 10,604 |
| Currency translation | -25 | -140 | -8 | - | -173 |
| Additions from business combinations | - | 31 | - | - | 31 |
| Depreciation | 55 | 391 | 61 | - | 507 |
| Impairment losses | 16 | 163 | 5 | 48 | 232 |
| Reversals of impairment losses | - | -2 | - | - | -2 |
| Reclassification pursuant to IFRS 5 | -36 | -160 | -24 | -48 | -268 |
| Disposal | -30 | -148 | -50 | -3 | -231 |
| Reclassification | -18 | 21 | -3 | - | - |
| As of December 31, 2013 | 1,511 | 8,395 | 778 | 16 | 10,700 |
| Carrying amounts as of December 31, 2012 | 1,245 | 2,269 | 199 | 854 | 4,567 |
| Carrying amounts as of December 31, 2013 | 1,229 | 2,253 | 201 | 1,118 | 4,801 |

The carrying amounts of assets from finance leases comprised €1 million (2012: €3 million) for land, land rights and buildings, €1 million (2012: €1 million) for plant and machinery, and €1 million (2012: €1 million) for other plant, office furniture and equipment.

The carrying amounts of property, plant and equipment pledged as security for Group liabilities in 2012 was €8 million.

The Group had commitments of €120 million (2012: €110 million) to purchase property, plant and equipment.

As a lessor, Evonik mainly leases out land under operating leases (2012: land and investment property). The expected future minimum lease payments for these assets over the non-cancelable term of the lease are due as follows:

T065 Maturity structure of future minimum lease payments (lessor; operating leases)

| in € million | 2013 | 2012 |
|--------------------------------------|------------|------------|
| Due within 1 year | 8 | 119 |
| Due in more than 1 and up to 5 years | 18 | 13 |
| Due in more than 5 years | 108 | 105 |
| | 134 | 237 |

The year-on-year decline in future minimum lease payments is mainly due to the deconsolidation of the real estate activities.

7.3 Investment property

T066 Change in investment property

| in € million | Land, land rights | Buildings | Buildings under construction | Total |
|---|----------------------|--------------|------------------------------------|--------------|
| Cost of acquisition/production | | | | |
| As of January 1, 2012 | 325 | 2,312 | 17 | 2,654 |
| Currency translation | -1 | -2 | - | -3 |
| Additions from business combinations | - | - | - | - |
| Other additions | 3 | 44 | 10 | 57 |
| Reclassification pursuant to IFRS 5 | - | - | - | - |
| Disposal | -3 | - | - | -3 |
| Reclassification | 2 | -3 | -13 | -14 |
| As of December 31, 2012 | 326 | 2,351 | 14 | 2,691 |
| Currency translation | -1 | -3 | - | -4 |
| Additions from business combinations | - | - | - | - |
| Other additions | 4 | 1 | 5 | 10 |
| Reclassification pursuant to IFRS 5 | -323 | -2,330 | -11 | -2,664 |
| Disposal | - | -8 | - | -8 |
| Reclassification | 1 | 7 | -8 | - |
| As of December 31, 2013 | 7 | 18 | - | 25 |
| Depreciation and impairment losses | | | | |
| As of January 1, 2012 | 8 | 1,101 | - | 1,109 |
| Currency translation | - | -2 | - | -2 |
| Additions from business combinations | - | - | - | - |
| Depreciation | - | 46 | - | 46 |
| Impairment losses | - | 9 | - | 9 |
| Reversals of impairment losses | - | -13 | - | -13 |
| Reclassification pursuant to IFRS 5 | - | - | - | - |
| Disposal | - | - | - | - |
| Reclassification | - | -8 | - | -8 |
| As of December 31, 2012 | 8 | 1,133 | - | 1,141 |
| Currency translation | - | -3 | - | -3 |
| Additions from business combinations | - | - | - | - |
| Depreciation | - | 11 | - | 11 |
| Impairment losses | - | - | - | - |
| Reversals of impairment losses | - | - | - | - |
| Reclassification pursuant to IFRS 5 | -7 | -1,123 | - | -1,130 |
| Disposal | - | -4 | - | -4 |
| Reclassification | - | - | - | - |
| As of December 31, 2013 | 1 | 14 | - | 15 |
| Carrying amounts as of December 31, 2012 | 318 | 1,218 | 14 | 1,550 |
| Carrying amounts as of December 31, 2013 | 6 | 4 | - | 10 |

 See p. 176

The fair value of investment property was €12 million (2012: €2,927 million).

The substantial reduction is attributable to deconsolidation of the real estate activities.

In 2013 there were no commitments to purchase real estate classified as investment property. Apart from this, there were only contractual commitments in respect of statutory obligations to undertake maintenance, repairs and improvements under rent contracts up to the date of divestment of Vivawest.

7.4 Investments recognized at equity

This item comprises associated companies and joint ventures recognized using the equity method. The carrying amount of €960 million (2012: €1,122 million) mainly relates to the joint venture StoHaas Monomer GmbH & Co. KG, Marl (Germany) and the two associated companies STEAG and Vivawest. A complete list of companies recognized at equity can be found in Note 5.1.

The combined financial data from the last available financial statements of the companies recognized at equity, based on the Group's interest and taking into account the effects of purchase price allocations, are as follows:

T067 Financial data for investments recognized at equity

| in € million | Associated companies | | Joint ventures | |
|---|----------------------|--------|----------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Non-current assets as of December 31 | 1,977 | 1,236 | 101 | 1,370 |
| Current assets as of December 31 | 785 | 1,098 | 99 | 258 |
| Non-current liabilities as of December 31 | -1,256 | -931 | -5 | -820 |
| Current liabilities as of December 31 | -491 | -746 | -118 | -257 |
| Income | 1,507 | 1,805 | 305 | 763 |
| Expenses | -1,408 | -1,795 | -274 | -708 |

 See p. 181

The change in the financial data is partly due to the divestment of the real estate activities, see Note 5.2.

7.5 Financial assets

T068 Financial assets

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|-------------------------------|---------------|---------------------|---------------|---------------------|
| | Total | thereof non-current | Total | thereof non-current |
| Other investments | 7 | 7 | 45 | 45 |
| Loans | 35 | 7 | 62 | 30 |
| Securities and similar claims | 641 | 5 | 951 | 23 |
| Receivables from derivatives | 194 | 127 | 189 | 99 |
| Other financial assets | 8 | 4 | 36 | – |
| | 885 | 150 | 1,283 | 197 |

(a) Other investments

Other investments comprise investments in unlisted equity instruments that are recognized at the cost of acquisition since their fair value cannot be determined reliably. The decline in other investments is principally due to €29 million relating to the deconsolidation of the real estate activities.

(b) Loans

Loans are exposed to an interest-rate risk, which can affect their fair value or future cash flows. They are recognized at amortized cost.

The risk and maturity structure of loans is as follows:

T069 Risk and maturity structure of loans

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|-----------------------|----------------|--------------------|----------------|--------------------|
| | Impaired loans | Non-impaired loans | Impaired loans | Non-impaired loans |
| Nominal value | – | 35 | 1 | 61 |
| Impairment losses | 1 | 35 | –1 | 61 |
| | | | –3 | –3 |
| Impaired loans | – | 35 | 1 | 61 |
| Not yet due | 1 | 35 | –1 | 61 |
| Overdue | 35 | – | –3 | –3 |
| | | | – | – |
| | | 35 | | 62 |

As in the previous year, Evonik did not renegotiate the terms and conditions of any non-current loans in 2013.

(c) Securities and similar claims

Securities and similar claims are exposed to an interest-rate risk, which can affect their fair value or future cash flows. All securities are classified as available-for-sale and are measured at market price. Securities listed on a stock exchange are exposed to a risk of changes in their market price.

(d) Receivables from derivatives

The breakdown of receivables from derivatives at year end was as follows:

T070 Receivables from derivatives

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|---|------------------|------------------|
| Receivables from cross-currency swaps | 11 | 2 |
| Receivables from forward exchange contracts | 69 | 89 |
| Receivables from commodity derivatives | 1 | 1 |
| Receivables from other derivatives | 113 | 97 |
| | 194 | 189 |

The fair value of the put option for the remaining 49 percent of shares in STEAG is recognized under receivables from other derivatives.

(e) Other financial assets

Other financial assets comprise time deposits at banks, receivables from profit-and-loss transfer agreements with investments that are not fully consolidated, and claims relating to the termination of contracts.

The risk and maturity structure of the other financial assets is as follows:

T071 Risk and maturity structure of other financial assets

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|--|------------------|------------------|
| Impaired other financial assets | 2 | 14 |
| Nominal value | 10 | 29 |
| Impairment losses | -8 | -15 |
| Non-impaired other financial assets | 6 | 22 |
| Not yet due | 6 | 22 |
| Overdue | - | - |
| | 8 | 36 |

(f) Security pledged

Financial assets pledged as security for Group liabilities amounted to €4 million (2012: €14 million). They comprised current securities provided as security for commitments to employees under the partial retirement program in Germany.

7.6 Inventories

T072 Inventories

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|--------------------------------|------------------|------------------|
| Raw materials and supplies | 347 | 364 |
| Work in progress | 86 | 115 |
| Finished goods and merchandise | 1,163 | 1,169 |
| | 1,596 | 1,648 |

Impairment losses on raw materials, supplies and merchandise totaling €11 million were recognized in 2013 (2012: €44 million), while reversals of impairment losses amounted to €23 million (2012: €14 million). Reversals of impairment losses were mainly due to higher selling prices and improved market conditions.

7.7 Trade accounts receivable and other receivables

T073 Trade accounts receivable, other receivables

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|---------------------------------|---------------|---------------------|---------------|---------------------|
| | Total | thereof non-current | Total | thereof non-current |
| Trade accounts receivable | 1,620 | – | 1,687 | – |
| Advance payments made | 29 | 8 | 39 | 14 |
| Miscellaneous other receivables | 248 | 10 | 285 | 10 |
| Deferred expenses | 30 | 12 | 36 | 11 |
| | 1,927 | 30 | 2,047 | 35 |

The risk and maturity structure of trade accounts receivable is as follows:

T074 Risk and maturity structure of trade accounts receivable

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|---------------------------------|------------------|------------------|
| Impaired receivables | 1 | 16 |
| Nominal value | 13 | 40 |
| Impairment losses | -12 | -24 |
| Non-impaired receivables | 1,619 | 1,671 |
| Not yet due | 1,401 | 1,443 |
| Overdue | 218 | 228 |
| up to 3 months | 200 | 218 |
| more than 3 and up to 6 months | 14 | 4 |
| more than 6 and up to 9 months | 1 | 1 |
| more than 9 and up to 12 months | 1 | 3 |
| more than 1 year | 2 | 2 |
| | 1,620 | 1,687 |

At year end, trade accounts receivable totaling €521 million (2012: €519 million) were covered by credit insurance. In 2013, the terms for trade accounts receivable classified as not yet due with a carrying amount of €24 million (2012: none) were renegotiated and would otherwise have been impaired or overdue.

7.8 Cash and cash equivalents

The cash and cash equivalents totaling €1,518 million (2012: €741 million) include balances with banks, checks and cash.

7.9 Equity

(a) Issued capital

As in the previous year, the company's fully paid-up capital was €466,000,000 on the reporting date. It is divided into 466,000,000 no-par registered shares.

(b) Authorized capital

Pursuant to Section 4 Paragraph 6 of the Articles of Incorporation, the Executive Board is authorized until March 10, 2018 to increase the company's capital stock, subject to the approval of the Supervisory Board, by up to €4,660,000 by issuing new registered no-par shares against cash or contributions in kind (Authorized Capital). This authorization may be exercised through one or more issuances. The subscription rights of shareholders have been excluded. The new shares may

only be issued to grant shares to employees of Evonik Industries AG and its subordinated affiliated companies (employee stock). The new shares may also be issued to a bank or other company that fulfills the criteria of Section 186 Paragraph 5 Sentence 1 of the German Stock Corporation Act (AktG) and that assumes the shares with the obligation to use them exclusively to grant employee stock. Insofar as is permitted, the employee stock may also be issued in such a manner that the contribution to be paid for the shares is covered by part of the net profit that the Executive Board and Supervisory Board can allocate to other revenue reserves pursuant to Section 58 Paragraph 2 of the German Stock Corporation Act (AktG). The employee stock can also be procured through securities loans from a bank or other company that fulfills the criteria of Section 186 Paragraph 5 Sentence 1 of the German Stock Corporation Act, where the new shares are used to repay the securities loan. Further, the Executive Board is authorized, with the approval of the Supervisory Board, to determine the content of the rights accorded to these shares and the terms of issue.

(c) Capital reserve

The capital reserve mainly contains other payments received from shareholders pursuant to Section 272 Paragraph 2 No. 4 of the German Commercial Code.

(d) Accumulated income

The accumulated income of €5,546 million (2012: €3,940 million) comprises both Group earnings from 2013 and previous years, and other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans. Income after taxes corresponds to the net income attributable to shareholders of Evonik Industries AG, as stated in the income statement for fiscal 2013. However, under German stock corporation law, only revenue reserves from the separate financial statements drawn up by Evonik Industries AG which are not subject to any restrictions are available for distribution. As of December 31, 2013, the profit reserves of Evonik Industries AG totaled €3,192 million (2012: €2,285 million). €47 million of this comprised the statutory reserve that is not available for distribution.

A proposal will be submitted to the Annual Shareholders' Meeting that the net profit of Evonik Industries AG of €907,000,000 for 2013 should be used for a dividend distribution of €466,000,000, and that the remaining €441,500,000 should be allocated to other revenue reserves. That corresponds to a dividend of €1.00 per no-par share.

(e) Accumulated other comprehensive income

Accumulated other comprehensive income contains gains and losses that are not included in the income statement. The reserve for gains and losses on available-for-sale securities contains remeasurement amounts resulting from changes in the value of financial instruments that are expected to be temporary and thus not charged to income. The reserve for gains and losses on hedging instruments comprises changes in the fair value of the effective portion of hedging instruments that are accounted for as cash flow hedges or net investment hedges. The reserve for revaluation surplus for acquisitions made in stages contains the change in the fair value of shares previously held in subsidiaries that were consolidated for the first time on or before December 31, 2009. The reserve for currency translation adjustment comprises differences arising from the translation of foreign financial statements.

The changes in accumulated other comprehensive income (OCI) attributable to shareholders of Evonik Industries AG were as follows:

T075 Change in accumulated other comprehensive income attributable to shareholders of Evonik Industries AG

| in € million | Unrealized gains/losses on available-for-sale securities | Gains/losses on hedging instruments | Revaluation surplus for acquisitions in stages | Currency translation adjustment | Total |
|---|--|-------------------------------------|--|---------------------------------|-------------|
| As of January 1, 2012 | 2 | -59 | 23 | -184 | -218 |
| Other comprehensive income as in the statement of comprehensive income | 9 | 67 | - | -68 | 8 |
| Unrealized gains/losses included in OCI | 11 | 20 | - | - | 31 |
| Amounts reclassified to the income statement | - | 74 | - | - | 74 |
| Amounts reclassified to assets and liabilities | - | 2 | - | - | 2 |
| Currency translation adjustment | - | - | - | -68 | -68 |
| Deferred taxes | -2 | -29 | - | - | -31 |
| Other changes | - | - | -3 | - | -3 |
| As of December 31, 2012 | 11 | 8 | 20 | -252 | -213 |
| Other comprehensive income as in the statement of comprehensive income | -10 | 12 | - | -194 | -192 |
| Unrealized gains/losses included in OCI | -8 | 60 | - | - | 52 |
| Amounts reclassified to the income statement | -5 | -42 | - | - | -47 |
| Amounts reclassified to assets and liabilities | - | - | - | - | - |
| Currency translation adjustment | - | - | - | -194 | -194 |
| Deferred taxes | 3 | -6 | - | - | -3 |
| Other changes | - | - | -3 | - | -3 |
| As of December 31, 2013 | 1 | 20 | 17 | -446 | -408 |

In 2013, an overall hedging result of €42 million (2012: minus €74 million) was reclassified from the reserve for gains/losses on hedging instruments to the income statement as follows:

T076 Reclassification of hedging results from accumulated other comprehensive income to the income statement

| in € million | 2013 | 2012 |
|---------------------------------|-----------|------------|
| Sales | 44 | -61 |
| Cost of sales | -4 | -9 |
| Other operating income/expenses | 4 | -4 |
| Net interest expense | -2 | - |
| | 42 | -74 |

(f) Non-controlling interests

Non-controlling interests amounting to €78 million (2012: €111 million) comprise shares in the issued capital and reserves of consolidated subsidiaries that are not attributable to the shareholders of Evonik Industries AG.

The changes in accumulated other comprehensive income (OCI) attributable to non-controlling interests were as follows:

T077 Change in accumulated other comprehensive income attributable to non-controlling interests

| in € million | Currency translation adjustment | Total |
|---|---------------------------------|-----------|
| As of January 1, 2012 | 3 | 3 |
| Other comprehensive income as in the statement of comprehensive income | -1 | -1 |
| Currency translation adjustment | -1 | -1 |
| As of December 31, 2012 | 2 | 2 |
| Other comprehensive income as in the statement of comprehensive income | -6 | -6 |
| Currency translation adjustment | -6 | -6 |
| As of December 31, 2013 | -4 | -4 |

(g) Other comprehensive income after taxes attributable to discontinued operations

In 2013, €1 million (2012: minus €21 million) of other comprehensive income after taxes was attributable to discontinued operations.

7.10 Provisions for pensions and other post-employment benefits

Provisions for pensions are established to cover benefit plans for retirement, disability and surviving dependents' pensions. The benefit obligations vary depending on the legal, tax and economic circumstances in the various countries in which the companies operate. The level of the benefit obligations generally depends on length of service and remuneration.

At the German companies, occupational pension plans are predominantly defined benefit plans. They are primarily funded by provisions, pension fund assets and a contractual trust arrangement (CTA).

The pension plans at foreign companies may be either defined contribution or defined benefit plans.

The present value of the defined benefit obligations and the fair value of the plan assets as of December 31, 2013 mainly relate to the following countries:

T078 Breakdown of the present value of pension obligations and present value of plan assets

| in € million | Defined benefit obligation | Plan assets |
|---|----------------------------|--------------|
| Evonik total | 9,042 | 5,778 |
| thereof Germany | 7,950 | 4,838 |
| thereof pension fund/reinsured support fund | 3,326 | 2,755 |
| thereof funded through CTA | 4,291 | 2,083 |
| thereof USA | 520 | 339 |
| thereof UK | 493 | 556 |

The main pension plans for employees in Germany:

Pension fund: There are a number of closed pension plans. Income-related contributions are converted into defined benefits and invested with the company-owned Degussa Pension Fund (Pensionskasse Degussa). The tariff structure, including investment of the assets, is subject to oversight by the supervisory authority for the insurance sector. The pension fund is a multi-employer plan. It is funded on a projected benefit basis. The level of plan assets required to cover the projected benefits is derived from a technical business plan approved by the supervisory authority and from statutory requirements. The assets must be sufficient at all times to cover benefits where contributions have been terminated. The company contribution to Tariff DuPK is calculated to ensure that, together with the employee contributions, funding of the resulting entitlements in line with the technical business plan is assured. The company contribution to the Marl and Troisdorf tariffs is proposed by the responsible actuary and is based on the funds required to cover the benefits. As the sponsoring company of this pension fund, Evonik Degussa GmbH has a contractual obligation to cover benefits under the Marl and Troisdorf tariffs if sufficient funding is not available.

This obligation is not limited to the company where the insurees are employed. The obligation was assumed on the basis of a requirement made by the supervisory authority when these tariffs were established. At that time, only company employees were insured in the plan. At present, it is not possible to estimate whether this obligation could be of relevance as a supplement to the tools set out in the pension fund regulation such as increasing company contributions or cutting benefits in the event of a loss.

Support fund (Unterstützungskasse): This is the plan that is open to new employees. It also allows for deferred compensation arrangements. Income-related contributions are converted into defined benefits and invested with the company-owned Degussa Pension Fund. The structure of the tariffs, including investment of the assets, is subject to oversight by the supervisory authority. Pension increases of 1 percent are a firm commitment. The support fund meets the criteria for classification as a multi-employer plan. It is funded through reinsurance with the Degussa Pension Fund, which maintains sufficient funding for this in compliance with the German Insurance Supervision Act and the ordinances issued by the supervisory authority. Funding must be sufficient at all times to cover benefits for which contributions have been terminated. The level of benefits is based on the contributions paid into the fund. The support fund does not have any arrangements under which the Group is liable for the obligations of companies outside the Evonik Group in the event of inadequate funding.

Direct pension commitments: These comprise various defined benefit plans where the pension benefit is generally directly or indirectly linked to the final salary. Most of these plans grant higher benefits for income components above the ceiling for contributions to the state pension insurance plan or are intended exclusively to cover such income components. All final salary plans are closed. In most cases they now only operate through the protection of the accrued benefits for insurees who are currently still working.

This type of pension plan is now only used for senior executives and for voluntary deferred compensation arrangements. In such cases, a defined benefit is calculated on the basis of an income-related contribution or an amount credited by the employee. Insurees can choose between various forms of payment, for example, as a lump sum, an annuity or installment payments. The benefits include a fixed pension increase of 1 percent a year.

Plan assets for large Group companies which account for the vast majority of obligations under direct commitments, are managed by Evonik Pensionstreuhänd e.V. This trust fund is not subject to regulatory oversight or minimum funding requirements. It uses an asset-liability matching strategy whereby changes in obligations are offset through changes in the plan assets. In this strategy, the interest rate and credit sensitivities of the liabilities are partially replicated in the plan assets.

Description of the potential risks arising from pension plans:

Most German pension plans grant lifelong pension benefits. A specific risk here is that rising life expectancy could increase the benefit obligation. In most cases, increases in the benefits paid by these funds are linked to the consumer price index. This entails an additional inflation risk. In the case of plans where employees can choose between a lump-sum payment or an annuity, there is a risk that the option could be selected on the basis of individual assessments of health and life expectancy.

For final salary plans, the benefit risk relates to future salary trends for employees covered by collective agreements and exempt employees and, in some cases, changes in the ceiling for contributions to statutory pension insurance.

Where assets are invested externally by the pension fund, support fund and Evonik Pensionstruhand e.V. plans are exposed to a capital market risk. Depending on the composition of the investment portfolio, this comprises a risk of changes in value and income risks which could mean that the assumed performance or return is not generated over the term of the investment. Under German legislation on occupational pensions, the employer is liable to cover firm benefit commitments and guaranteed returns.

The main pension plans for employees in USA:

In the USA there are unfunded, fully funded and partially funded pension plans and post-employment benefits under healthcare plans. The majority of the obligations relate to funded plans. The defined benefit pension plans in the USA are not open to new employees. Benefits are based on a range of parameters such as final salary, average salary during career, individual pension accounts and fixed benefits. Most plans include a lump-sum option with a corresponding risk to the company that this will be utilized. Minimum funding levels have to be observed. An asset-liability matching strategy is used to avoid volatility. This is implemented primarily through US government bonds and corporate bonds denominated in US dollars. The assets are managed by a pension trust.

The main pension plans for employees in the UK:

In the UK plans are organized through external trusts and the majority of the assets are invested in funds. The majority of the obligations relate to vested benefits for former employees and retirees. Only one plan is still open to new employees. Almost all plans are final salary plans. The plan assets are subject to the asset ceiling. They are required to meet minimum funding requirements that are agreed with the trustees. Similarly, surplus assets cannot be returned to the companies without the approval of the trustees. The investment strategy for plan assets is an asset-liability matching strategy which is implemented principally through inflation-linked British government bonds and British corporate bonds.

The table shows the weighted average assumptions used for the actuarial valuation of the obligations:

T079 Assumptions used in the actuarial valuation of pension obligations

| in % | Group | | Germany | |
|---------------------------------|-------|------|---------|------|
| | 2013 | 2012 | 2013 | 2012 |
| Discount rate as of December 31 | 3.84 | 3.78 | 3.75 | 3.75 |
| Future salary increases | 2.58 | 2.58 | 2.50 | 2.50 |
| Future pension increases | 1.97 | 1.99 | 2.00 | 2.00 |
| Healthcare cost trend | 7.04 | 7.26 | - | - |

The discount rate for Germany and the euro-zone countries is extrapolated from a yield structure curve derived from AA-rated corporate bonds denominated in euros and, where there are no longer any market data, a yield curve for zero-coupon German government bonds, taking into account a risk premium for AA-rated euro-denominated corporate bonds. The AA-rated euro-denominated corporate bonds are derived from bonds with an AA rating from at least one of the major rating agencies. The yield structure curve derived from AA-rated euro-denominated corporate bonds is used to determine the present value of the cash flows from company pension obligations. The discount rate comprises the rounded constant interest rate that results in the same present value when applied to the cash flow.

Analogous methods are used in the UK and the USA. As of December 31, 2013, the rounded discount rate was 4.70 percent for the USA (2012: 3.85 percent) and 4.30 percent for the UK (2012: 4.20 percent).

The present value of the defined benefit obligation changed as follows in fiscal 2013:

T080 Change in the present value of the defined benefit obligation

| in € million | 2013 | 2012 |
|--|--------------|--------------|
| Present value of the defined benefit obligation as of January 1 | 9,088 | 7,787 |
| Current service cost | 178 | 119 |
| Interest cost | 330 | 361 |
| Employee contributions | 52 | 43 |
| Actuarial gains (–) and losses (+) (remeasurement component) | –54 | 1,223 |
| of which based on financial assumptions | –44 | 1,222 |
| of which based on demographic assumptions | – | 3 |
| of which changes in the past fiscal year | –10 | –2 |
| Benefits paid | –401 | –406 |
| Past service cost | 8 | –2 |
| Changes at the companies | 3 | –33 |
| Reclassification pursuant to IFRS 5 | –118 | – |
| Gain/loss from settlement of plans | – | –1 |
| Payments for settlement of plans | – | – |
| Currency translation | –44 | –3 |
| Present value of the defined benefit obligation as of December 31 | 9,042 | 9,088 |

The weighted term of the obligations is 15.6 years (2012: 15.6 years).

The present value of the defined benefit obligation is divided as follows:

T081 Breakdown of the present value of the defined benefit obligation

| in € million | 2013 | 2012 |
|---------------------------------|-------|-------|
| Unfunded plans | 362 | 488 |
| Partially or fully funded plans | 8,587 | 8,497 |
| Healthcare benefit obligations | 93 | 103 |

The fair value of the plan assets changed as follows:

T082 Change in the fair value of plan assets

| in € million | 2013 | 2012 |
|---|--------------|--------------|
| Fair value of plan assets as of January 1 | 4,790 | 4,045 |
| Interest income from plan assets | 195 | 194 |
| Employer contributions | 1,084 | 518 |
| Employee contributions | 12 | 12 |
| Income from assets excluding interest income from plan assets (remeasurement component) | -97 | 216 |
| Other administrative expense | -2 | -1 |
| Benefits paid | -168 | -165 |
| Payments for settlement of plans | - | - |
| Changes at the companies | 2 | -32 |
| Reclassification pursuant to IFRS 5 | -4 | - |
| Currency translation | -34 | 3 |
| Fair value of plan assets as of December 31 | 5,778 | 4,790 |

In 2013, the employer contributions mainly comprised the transfer of 25 percent of the shares in Vivawest (€758 million) and cash contributions (€200 million) to Evonik Pensionstreuhand e.V.

The fair value of plan assets was split as follows:

T083 Breakdown of the fair value of plan assets

| | Dec. 31, 2013 | | Dec. 31, 2012 | |
|--|---------------|--------------|---------------|--------------|
| | in € million | in % | in € million | in % |
| Cash/balances with banks | 140 | 2.4 | 232 | 4.9 |
| Shares—active market | 391 | 6.8 | 287 | 6.0 |
| Shares—no active market | — | — | — | — |
| Government bonds—active market | 955 | 16.5 | 980 | 20.5 |
| Government bonds—no active market | 65 | 1.1 | 112 | 2.3 |
| Corporate bonds—active market | 1,763 | 30.5 | 1,669 | 34.8 |
| Corporate bonds—no active market | 35 | 0.6 | 37 | 0.8 |
| Other bonds—active market | 191 | 3.3 | 179 | 3.7 |
| Other bonds—no active market | 673 | 11.7 | 807 | 16.9 |
| Real estate, direct and indirect investments—active market | 9 | 0.2 | 9 | 0.2 |
| Real estate, direct and indirect investments—no active market | 904 | 15.6 | 63 | 1.3 |
| Other investment funds—active market | 398 | 6.9 | 255 | 5.3 |
| Other investment funds—no active market | — | — | — | — |
| Alternative investments (infrastructure/hedge funds/commodities)—active market | 82 | 1.4 | 5 | 0.1 |
| Alternative investments (infrastructure/hedge funds/commodities)—no active market | 147 | 2.6 | 148 | 3.1 |
| Other—active market | 24 | 0.4 | 7 | 0.1 |
| Other—no active market | 1 | — | — | — |
| | 5,778 | 100.0 | 4,790 | 100.0 |

In 2013 none of the other assets were used by the company.

The asset ceiling changed as follows:

T084 Change in the asset ceiling

| in € million | 2013 | 2012 |
|--|-----------|-----------|
| Asset ceiling as of January 1 | 82 | 92 |
| Interest expense on the unrecognized portion of plan assets | 4 | 5 |
| Changes in asset ceiling, excluding interest expense (remeasurement component) | -17 | -17 |
| Changes at the companies | — | — |
| Reclassification pursuant to IFRS 5 | — | — |
| Currency translation | -2 | 2 |
| Asset ceiling as of December 31 | 67 | 82 |

Pension provisions changed as follows:

T085 Change in pension provisions

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|---|------------------|------------------|
| Pension provisions recognized on the balance sheet as of January 1 | 4,380 | 3,835 |
| Current service cost | 178 | 119 |
| Past service cost | 8 | -2 |
| Gain/loss from settlement of plans | - | -1 |
| Net interest cost | 139 | 172 |
| Employee contributions | 40 | 31 |
| Other administrative expense | 2 | 1 |
| Changes recognized in OCI (remeasurements) | 26 | 990 |
| Benefits paid | -233 | -241 |
| Employer contributions | -1,084 | -518 |
| Changes at the companies | 1 | -1 |
| Reclassification pursuant to IFRS 5 | -114 | - |
| Currency translation | -12 | -5 |
| Pension provisions recognized on the balance sheet as of December 31 | 3,331 | 4,380 |

The pension provisions recognized on the balance sheet included the entitlements, mainly of retirees of US companies, to receive healthcare benefits.

In 2012, €1 million comprised current service costs and €4 million comprised net interest cost of companies that were classified as held for sale in 2013.

The expected development of benefits in the coming years is as follows:

T086 Expected change in benefit payments

| in € million | Expected benefit payments by the companies |
|--------------|---|
| 2014 | 240 |
| 2015 | 243 |
| 2016 | 245 |
| 2017 | 250 |
| 2018 | 249 |

Employer contributions of €130 million are expected to be incurred for 2014.

On the income statement, the net interest cost is included in net interest expense, see Note 6.5, while the other amounts are allocated to the functional areas as personnel expense (pension expenses). A breakdown of overall personnel expense is given in Note 11.2.

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Foreign subsidiaries paid a total of €17 million (2012: €18 million) into defined contribution plans, which are also included in personnel expense (pension expenses).

Further, €117 million (2012: €123 million) was paid into defined contribution state plans (statutory pension insurance) in Germany and abroad. This is also reported in personnel expense (expenses for social security contributions).

7.11 Other provisions

T087 Other provisions

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|--|---------------|---------------------|---------------|---------------------|
| | Total | thereof non-current | Total | thereof non-current |
| Personnel-related | 834 | 354 | 981 | 421 |
| Recultivation and environmental protection | 283 | 233 | 268 | 223 |
| Restructuring | 244 | 138 | 133 | 57 |
| Sales and procurement | 68 | 6 | 92 | 9 |
| Other taxes and interest on taxes | 70 | 15 | 64 | 20 |
| Dismantling obligations | 5 | 5 | 2 | 2 |
| Other obligations | 275 | 49 | 389 | 67 |
| | 1,779 | 800 | 1,929 | 799 |

Overall, the other provisions were €150 million lower than in 2012, principally due to the change in personnel-related provisions, provisions for restructuring, and other obligations. Slightly over half of total provisions are expected to be utilized in 2014.

T088 Change in other provisions

| in € million | Personel-related | Reculti-vation, environ-mental protection | Restructu-ring | Sales, procure-ment | Other taxes, interest on taxes | Dis-mantling obligations | Other obligations | Total |
|--|------------------|---|----------------|---------------------|--------------------------------|--------------------------|-------------------|--------------|
| As of January 1, 2013 | 981 | 268 | 133 | 92 | 64 | 2 | 389 | 1,929 |
| Additions | 396 | 54 | 167 | 84 | 22 | 3 | 132 | 858 |
| Utilization | -493 | -18 | -54 | -48 | -8 | - | -60 | -681 |
| Reversal | -48 | -4 | -2 | -17 | -7 | - | -135 | -213 |
| Addition of accrued interest/interest rate adjustments | 16 | -5 | 1 | - | - | - | - | 12 |
| Reclassification pursuant to IFRS 5 | -11 | -10 | - | -42 | -1 | - | -44 | -108 |
| Other | -7 | -2 | -1 | -1 | - | - | -7 | -18 |
| As of December 31, 2013 | 834 | 283 | 244 | 68 | 70 | 5 | 275 | 1,779 |

Personnel-related provisions are established for many different reasons. They include provisions for bonuses and variable remuneration, statutory and other early retirement arrangements, lifetime working arrangements and anniversary bonuses. About one quarter of non-current personnel-related provisions will result in payments after 2018.

Provisions are established for recultivation and environmental protection on the basis of laws, contracts and regulatory requirements. They cover soil reclamation obligations, water protection, the recultivation of landfills and site decontamination obligations. The non-current portion of these provisions is divided roughly equally between those that will result in payments between 2015 and 2018 and those that will result in payments after 2018.

Provisions for restructuring are based on defined restructuring measures. Such measures comprise programs which are planned and controlled by the company and will materially alter one of the company's areas of business activity or the way in which a business activity is carried out. Restructuring provisions may only be established for costs that are directly attributable to the restructuring program. These include severance packages, redundancy and early retirement arrangements, expenses for the termination of contracts, dismantling and soil reclamation expenses, rents for unused facilities and other shutdown and wind-up expenses. At year-end 2013 they included provisions for a program introduced to strengthen our competitive position and optimize the quality of administrative processes, and provisions for the divestment of the former Energy Business Area in 2011. All of the non-current provisions will be utilized within five years.

The provisions for sales and procurement relate principally to guarantee obligations, outstanding commission payments, price discounts and rebates, and impending losses. Almost all of these provisions will be utilized within one year.

Provisions for other taxes and interest on taxes mainly comprise property tax, value-added tax and interest obligations relating to all types of taxes. Most of these provisions will be utilized in the short term and only about one fifth will be utilized between 2015 and 2018.

Provisions for dismantling obligations relate to dismantling that is not part of a restructuring program. The non-current portion will be utilized by the end of 2018.

Provisions for other obligations include risks relating to legal disputes, administrative proceedings or fines, especially in the areas of product liability, patent, tax, cartel and environmental law, legal and consultancy expenses and audit expenses. Guarantee claims against the company may result from divestments. Adequate provisions have been established in case such risks should materialize. Most of these provisions will be utilized within one year. The remainder will probably be utilized by year-end 2018.

7.12 Financial liabilities

T089 Financial liabilities

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|---------------------------------|---------------|---------------------|---------------|---------------------|
| | Total | thereof non-current | Total | thereof non-current |
| | | | | |
| Bonds | 1,243 | 495 | 1,850 | 746 |
| Liabilities to banks | 326 | 128 | 811 | 568 |
| Loans from non-banks | 18 | – | 74 | 47 |
| Liabilities from finance leases | 4 | 2 | 6 | 4 |
| Liabilities from derivatives | 57 | 1 | 112 | 67 |
| Other financial liabilities | 12 | 1 | 94 | 32 |
| | 1,660 | 627 | 2,947 | 1,464 |

(a) Bonds

As of December 31, 2013, this item comprised two bonds issued by Evonik Industries AG: One has a nominal value of €750 million and matures in October 2014. It has an annual coupon of 7.0 percent and an issue price of 99.489 percent. The other is a bond with a nominal value of €500 million issued in spring 2013 which matures in April 2020. It has an annual coupon of 1.875 percent and is carried at the issue price of 99.185 percent. The discount is credited over the maturity of each bond using the effective interest rate method.

In 2012, this item also included a corporate bond issued by Evonik Degussa GmbH with a nominal value of €1,093 million. This bond had an annual coupon of 5.125 percent and the issue price was 98.99 percent. This bond was redeemed in December 2013.

Fixed-interest bonds are exposed to a risk of price fluctuations while variable-rate liabilities are exposed to a risk of changes in interest rates. These risks may affect their fair value or future cash flows. The €750 million bond issued by Evonik Industries AG was quoted on the stock market at 104.7 percent on the reporting date (2012: 110.5 percent), which was equivalent to a market value of €785 million (2012: €829 million). The bond issued in 2013 was quoted at 97.75 percent, giving a market value of €489 million. The bond issued by Evonik Degussa GmbH was quoted at 103.9 percent at the end of the previous year, giving a market value of €1,135 million for the outstanding bond volume.

(b) Liabilities to banks, loans from non-banks

As of December 31, 2012, the liabilities to banks included low-interest loans from public-sector banks to finance subsidized residential property. These were reported at fair value. The difference between the fair value of the loan and the amount disbursed was shown as deferred income and included in other liabilities, see Note 7.13. Both the liabilities relating to low-interest loans for subsidized residential property and the associated deferred income were derecognized in 2013 with the deconsolidation of the real estate activities.

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Further, in 2009 Evonik Industries AG issued promissory notes. €92 million was still outstanding at year-end 2012 and was recognized mainly in liabilities to banks. These promissory notes were repaid in full in 2013.

The accrual of €18 million (2012: €14 million) for payment of the coupon on the bonds was recognized in current loans from non-banks.

(c) Liabilities from finance leases

Liabilities from finance leases are recognized if the leased assets are capitalized under property, plant and equipment as economic assets belonging to the Group. The reconciliation from the future minimum lease payments to their present values and their due dates are as follows:

T090 Liabilities from finance leases

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|---|------------------|------------------|
| Future minimum lease payments | 4 | 7 |
| due within 1 year | 2 | 2 |
| due in more than 1 and up to 5 years | 2 | 4 |
| due in more than 5 years | – | 1 |
| Interest included therein | – | –1 |
| Present value of future minimum lease payments (liabilities from finance leases) | 4 | 6 |
| due within 1 year | 2 | 2 |
| due in more than 1 and up to 5 years | 2 | 3 |
| due in more than 5 years | – | 1 |

Some of the assets leased under finance leases are sub-leased. The expected future minimum lease payments for the non-cancelable sub-leasing agreements totals €1 million (2012: €2 million).

(d) Liabilities from derivatives

The breakdown of liabilities from derivatives was as follows:

T091 Liabilities for derivatives

| in € million | Dec. 31, 2013 | Dec. 31, 2012 |
|---|------------------|------------------|
| Liabilities from interest rate swaps | – | 17 |
| Liabilities from cross-currency swaps | 1 | – |
| Liabilities from forward exchange contracts | 24 | 26 |
| Liabilities from commodity derivatives | – | 4 |
| Liabilities from other derivatives | 32 | 65 |
| | 57 | 112 |

The fair value of the call option that can be exercised by KSBG for the remaining 49 percent of shares in STEAG is recognized under liabilities from other derivatives.

7.13 Trade accounts payable and other payables

T092 Trade accounts payable, other payables

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|------------------------------|---------------|---------------------|---------------|---------------------|
| | Total | thereof non-current | Total | thereof non-current |
| | | | | |
| Trade accounts payable | 1,102 | – | 1,096 | – |
| Advance payments received | 5 | – | 22 | – |
| Miscellaneous other payables | 319 | 68 | 248 | 50 |
| Deferred income | 39 | 13 | 311 | 259 |
| | 1,465 | 81 | 1,677 | 309 |

In 2012, deferred income included accrued government grants amounting to €232 million, which represented the benefit arising from low-interest loans from public-sector banks to finance subsidized residential properties, see Note 7.12.

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7.14 Deferred taxes, other income taxes

The breakdown of deferred taxes and current income taxes reported on the balance sheet by due date is shown in the table:

T093 Deferred taxes and other income taxes reported on the balance sheet

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|--------------------------------|---------------|---------------------|---------------|---------------------|
| | Total | thereof non-current | Total | thereof non-current |
| | | | | |
| Deferred tax assets | 836 | 720 | 842 | 744 |
| Current income tax assets | 201 | 13 | 142 | 21 |
| Deferred tax liabilities | 410 | 366 | 413 | 363 |
| Current income tax liabilities | 303 | 148 | 338 | 115 |

As of December 31, 2012, the presentation of tax prepayments on the balance sheet had to be adjusted in accordance with IAS 8. This increased current income tax assets by €42 million (January 1, 2012: €36 million) and reduced other receivables by the same amount.

In accordance with IAS 1 Presentation of Financial Statements, the current elements of deferred taxes are reported on the balance sheet under non-current assets and liabilities.

Deferred taxes related to the following balance sheet items:

T094 Deferred taxes by balance sheet item

| in € million | Deferred tax assets | | Deferred tax liabilities | |
|---|---------------------|------------------|--------------------------|------------------|
| | Dec. 31, 2013 | Dec. 31, 2012 | Dec. 31, 2013 | Dec. 31, 2012 |
| Assets | | | | |
| Intangible assets | 6 | 5 | 125 | 142 |
| Property, plant and equipment, investment property | 30 | 107 | 392 | 431 |
| Financial assets | 522 | 246 | 43 | 77 |
| Inventories | 35 | 72 | 3 | 2 |
| Receivables and other assets | 149 | 119 | 19 | 17 |
| Liabilities | | | | |
| Provisions | 891 | 790 | 595 | 193 |
| Payables | 1 | 59 | 28 | 85 |
| Special tax allowance reserves (based on local law) | – | – | 18 | 22 |
| Loss carryforwards | 71 | 68 | – | – |
| Tax credits | 3 | – | – | – |
| Other | 10 | 12 | 2 | 3 |
| Deferred taxes (gross) | 1,718 | 1,478 | 1,225 | 972 |
| Write-downs | –67 | –77 | – | – |
| Netting | –815 | –559 | –815 | –559 |
| Deferred taxes (net) | 836 | 842 | 410 | 413 |

No deferred tax assets were recognized on temporary differences of €212 million (2012: €744 million) because it is not probable that there will be sufficient future taxable income to enable them to be realized. Deferred tax assets of €13 million (2012: €10 million) were recognized for companies that made a loss. Utilization will be ensured by tax measures.

In addition to tax loss carryforwards for which deferred taxes were recognized, there were tax loss carryforwards that were not utilizable and for which no deferred taxes were recognized. These are shown in the table, together with their expiration dates:

T095 Tax loss carryforwards by expiration date

| in € million | Corporation taxes (German and foreign) | | Local taxes (German and foreign) | | Tax credits (foreign) | |
|--------------------------------|---|------------|-------------------------------------|------------|--------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| up to 1 year | 30 | 7 | 1 | – | – | – |
| more than 1 and up to 5 years | 94 | 86 | – | 1 | – | – |
| more than 5 and up to 10 years | 1 | 1 | – | – | – | – |
| unlimited | 251 | 278 | 125 | 176 | 26 | 158 |
| | 376 | 372 | 126 | 177 | 26 | 158 |

8. Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Group in the reporting period. The cash flows are classified by operating, investing and financing activities.

The net cash flow from discontinued operations that is attributable to third parties is shown separately.

The impact of changes in the scope of consolidation has been eliminated.

Interest paid and interest and dividends received are included in operating activities, while dividends paid are assigned to financing activities.

As a result of the amendments to IAS 19, the prior-year figures have been restated to reflect changes in provisions for pensions and other post-employment benefits (minus €22 million) and changes in other provisions (€22 million). This had no impact on the cash flow from operating activities.

8.1 Cash flow from operating activities

The cash flow from operating activities is calculated using the indirect method. Income before financial result and income taxes, continuing operations, is adjusted for the effects of non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are calculated and added to the result.

8.2 Cash flow from investing activities

The cash inflows from divestments and outflows for investments in shareholdings include the following:

The total gross cash inflow from the divestment of subsidiaries was €1,156 million (2012: €104 million), including €1,129 million from the divestment of Vivawest. The outflow of cash and cash equivalents resulting from divestments amounted to €42 million in 2013 (2012: €4 million).

Further, cash outflows of €35 million (2012: €47 million) were recorded in connection with the divestment of the former Energy Business Area. This amount was booked as an expense in 2011.

8.3 Cash and cash equivalents

The cash and cash equivalents of €1,563 million (2012: €741 million) comprise the liquid assets of the continuing operations as well as liquid assets relating to assets held for sale. Since the cash and cash equivalents assigned to the assets held for sale have to be reclassified in the balance sheet in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, see Note 5.3, a reconciliation is provided from the cash and cash equivalents shown in the cash flow statement to the balance sheet, see Note 7.8.

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9. Notes on the segment report

9.1 Reporting based on operating segments

The Executive Board of Evonik Industries AG decides on the allocation of resources and evaluates the profitability of the Group's operations on the basis of the operating segments described below (subsequently referred to as segments). The operating activities are divided into business units within the segments. The reporting based on segments reflects the Group's internal organizational and reporting structure (management approach).

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The same accounting standards are applied as for external financial reporting, see Notes 3.4 to 3.6.

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In accordance with the strategic focus on specialty chemicals, the majority interest in the real estate operations bundled in the Real Estate segment was divested as of July 17, 2013, see Note 5.2. Following deconsolidation of these operations, the Real Estate segment has no longer been included in the segment report since this date. Since then, the remaining direct 10.9 percent interest in Vivawest, which is recognized at equity, has been included in other operations in the segment report. Other operations also include the at-equity interest in STEAG and the lithium-ion business, which is held for sale.

Evonik's segments are outlined below:

(a) Consumer, Health & Nutrition

The Consumer, Health & Nutrition segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and healthcare sectors. It comprises the Consumer Specialties and Health & Nutrition Business Units.

The segment focuses principally on ingredients, additives and system solutions for high-quality consumer goods. Its outstanding knowledge of interfacial chemistry is also used for specific industrial applications. Key success factors are high innovative capability, integrated technology platforms and strategic partnerships with major consumer goods manufacturers. In addition, this segment is the world's only supplier of all four key amino acids for animal nutrition. In this market, this segment differentiates itself through its substantial technical expertise in organic synthesis and biotechnology. Key competitive advantages include its global distribution network and extensive range of specialist services. Moreover, in view of its activities in the areas of exclusive synthesis, pharmaceutical amino acids and pharmaceutical polymers this segment is also a strategic partner and leading solution supplier to the global healthcare industry.

(b) Resource Efficiency

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions. It comprises the Inorganic Materials and Coatings & Additives Business Units. Its integrated silicon technology platform positions it as a market leader in a wide range of silicas and silanes. These are supplied, for example, to the tire, electronics, construction and plastics industries. The Resource Efficiency segment also uses its expertise in designing organic particles

and their surface properties in its catalysts business. Other operations include supplying high-quality functional polymers and specialty monomers, especially to the paints, coatings, adhesives and sealants industries. Examples include crosslinkers used in the construction of rotor blades for wind turbines. This segment also produces high-performance additives to optimize the flow properties and lubricating behavior of engine and hydraulic fluids and fuels.

(c) Specialty Materials

The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries. It comprises the Performance Polymers and Advanced Intermediates Business Units.

This segment produces a broad spectrum of high-performance materials. Here it benefits from its integrated technology platforms for methacrylate chemistry and polyamide 12. In addition, it manufactures high-performance polymers based on polyethereether ketone (PEEK) and polyimides to meet extremely high-tech mechanical, thermal and chemical requirements. Further key factors for the success of Specialty Materials are advanced chemical processes, which Evonik has developed systematically over decades. This applies in particular for the integrated C₄ technology platform, where C₄ crack is processed into specialties. The Specialty Materials segment has opened up new growth markets thanks to its innovative strength. The prime example is the hydrogen peroxide to propylene oxide (HPPO) process. It also produces alcoholates, which are used as catalysts in the production of biodiesel. Key sectors supplied by this segment are the plastics, paints and coatings, automotive and aviation industries. Thanks to their specific properties, its products are also used for architectural, lighting and design applications.

(d) Services

This segment comprises Site Services and Business Services. It mainly provides services for the specialty chemicals segments and the Corporate Center, but also serves third parties.

The Site Services unit bundles cross-site infrastructure services, such as the utilities and waste management, logistics and facility management.

Business Services support the specialty chemicals operations and the Corporate Center by providing standardized administrative services, including IT, human resources, accounting and legal services.

(e) Corporate, other operations, consolidation

This covers the Corporate Center, strategic research and development, the 49 percent shareholding in STEAG and the 10.9 percent direct interest in Vivawest. It also includes corporate operations that are not assigned to any of the reporting segments. Further, it includes hidden reserves and charges and the goodwill from earlier acquisitions of shares in Evonik Degussa, and intersegment consolidation effects.

9.2 Reporting based on regions

For this purpose, countries and country groups are aggregated into regions. Details of the reporting based on regions is outlined in more detail in Note 9.3.

9.3 Notes to the segment data

The data for the four reportable segments take account of consolidation effects relating to the business units within each segment. Consolidation effects that arise at Group level and the related earnings impact, together with goodwill, hidden reserves and charges are included in "Corporate, other operations, consolidation" in the segment report.

The segment data are explained below:

External sales reflect the segments' sales with parties outside the Group. Sales generated between the segments are internal sales and are cross-charged at market prices or using the cost-plus method.

The following table shows a reconciliation from the sales of all reporting segments to Group sales.

T096 Reconciliation from sales of all reporting segments to Group sales

| in € million | 2013 | 2012 |
|--|---------------|---------------|
| Sales, reportable segments | 14,752 | 15,172 |
| Sales, other operations | 464 | 444 |
| Corporate, consolidation, less discontinued operations | -2,342 | -2,251 |
| Sales, corporate, other operations, consolidation | -1,878 | -1,807 |
| External sales of the Evonik Group | 12,874 | 13,365 |

Prior-year figures restated.

The total sales reported for the other operations mainly relate to services provided within the Group, especially the procurement of electricity by energy management.

External sales by country are segmented by customer location. They comprise:

T097 External sales by country

| in € million | 2013 | 2012 |
|---|---------------|---------------|
| Germany | 3,049 | 3,124 |
| USA | 2,170 | 2,250 |
| China | 789 | 815 |
| Switzerland | 770 | 866 |
| Netherlands | 467 | 487 |
| France | 406 | 426 |
| UK | 392 | 425 |
| Brazil | 348 | 354 |
| Japan | 339 | 416 |
| Italy | 327 | 327 |
| Other countries | 3,817 | 3,875 |
| External sales of the Evonik Group | 12,874 | 13,365 |

Prior-year figures restated.

Up to and including 2013, the Executive Board of Evonik Industries AG used economic value added (EVA®) as the main financial indicator for internal management purposes. EVA® shows the value created with capital employed after covering the cost of capital. Since adjusted EBIT is the operating parameter used to calculate EVA®, it was the central earnings indicator used for internal management purposes.

The other internal management indicator used to measure operational performance, adjusted EBITDA, is reported to the Executive Board of Evonik Industries AG. From 2014, adjusted EBITDA will be used as the main management parameter.

Adjusted EBIT is the main earnings parameter that can be influenced by the segment management. It comprises earnings before interest and income taxes, after adjustments.

To calculate adjusted EBITDA, adjusted EBIT is further adjusted for depreciation and amortization, impairment losses and reversals of impairment losses. The adjusted EBITDA margin is the ratio of adjusted EBITDA to external sales.

Depreciation and amortization relate to the depletion in the value of intangible assets, property, plant and equipment and investment property over their estimated useful life.

The result from investments recognized at equity corresponds to the result for these investments as reported in the income statement; see Note 6.6.

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The following table shows the relationship between the internal management parameters adjusted EBITDA and adjusted EBIT and the external earnings parameter income before income taxes from the continuing operations:

**T098 Reconciliation from adjusted EBITDA and adjusted EBIT
to income before income taxes, continuing operations**

| in € million | 2013 | 2012 |
|--|--------------|--------------|
| Adjusted EBITDA | 2,007 | 2,467 |
| Depreciation, amortization, impairment losses/reversal of impairment losses | –680 | –747 |
| Depreciation, amortization, impairment losses/reversals of impairment losses included in adjustments | 97 | 167 |
| Adjusted EBIT | 1,424 | 1,887 |
| Adjustments | –333 | –10 |
| Net interest expense | –255 | –321 |
| Income before income taxes, continuing operations | 836 | 1,556 |

Prior-year figures restated.

The adjustments reflect business transactions that are defined for purposes of internal management as occurring once or rarely and which are significant for an assessment of the company's earnings position. In 2013 the adjustments amounted to minus €333 million (2012: minus €10 million). They mainly comprised restructuring expenses, principally in connection with the planned optimization of organizational structures and workflows in the administrative and service units. The adjustments also include expenses and impairment losses in connection with the shutdown of production facilities in the Resource Efficiency and Specialty Materials segments. A further impairment loss relates to the remaining 49 percent interest in STEAG GmbH. This was countered by income in connection with measurement of the put and call options for this shareholding, resulting in income. In addition, the adjustments include expenses for, among other things, the divestment of former non-core business activities, and allocations to provisions for environmental protection measures and legal disputes.

The reconciliation from the adjusted EBIT of all reportable segments to income before income taxes from the continuing operations is as follows:

T099 Reconciliation from adjusted EBIT of the reporting segments to income before income taxes, continuing operations

| in € million | 2013 | 2012 |
|--|--------------|--------------|
| Adjusted EBIT, reportable segments | 1,789 | 2,234 |
| Adjusted EBIT, other operations | -133 | -113 |
| Adjusted EBIT, Corporate | -241 | -243 |
| Consolidation | -50 | -58 |
| less discontinued operations | 59 | 67 |
| Adjusted EBIT, Corporate, other operations, consolidation | -365 | -347 |
| Adjusted EBIT | 1,424 | 1,887 |
| Adjustments | -333 | -10 |
| Net interest expense | -255 | -321 |
| Income before income taxes, continuing operations | 836 | 1,556 |

Prior-year figures restated.

Capital employed comprises the net assets required by the reportable segments for their operations. Capital employed is calculated by determining the total of intangible assets, property, plant and equipment, investment property, investments, inventories, trade accounts receivable, and other non-interest-bearing assets. The sum of interest-free provisions, trade accounts payable, and other interest-free liabilities is then deducted from this.

Another major internal management control parameter used by the Group is the return on capital employed (ROCE). ROCE is calculated from the ratio of adjusted EBIT to capital employed. To smooth closing date effects, the calculation uses average capital employed in the reporting period.

Capital expenditures comprise additions to intangible assets (excluding goodwill from capital consolidation), property, plant and equipment, and investment property. Additions resulting from changes in the scope of consolidation are not taken into account. Capital expenditures by region are based on the location of the subsidiaries.

Additions to investments recognized at equity, other investments, non-current loans and non-current securities and similar claims made in the reporting period are recognized as financial investments. The acquisition of subsidiaries is shown as an addition to financial investments in the year of acquisition (including goodwill from capital consolidation).

Other material income and expense items that do not impact cash flows mainly comprise impairment losses, reversals of impairment losses, additions to and reversals of provisions and the reversal of deferred income and expenses.

The headcount is taken on the reporting date. It shows the number of employees. Part-time employees are included as absolute figures. The headcount by region is based on the location of the subsidiaries.

Goodwill and other intangible assets, property, plant and equipment and investment property are segmented by the location of the subsidiaries. Together, these assets comprise the non-current assets in accordance with IFRS 8 Operating Segments (c.f. IFRS 8.33 b). The following table provides a breakdown of the Group's non-current assets by country:

T100 Breakdown of non-current assets by country (Evonik Group)

| | | Dec. 31, 2013 | Dec. 31, 2012 |
|---------------------------|--|------------------|------------------|
| in € million | | | |
| Germany | | 4,284 | 4,533 |
| USA | | 869 | 857 |
| China | | 797 | 641 |
| Belgium | | 466 | 479 |
| Other countries | | 1,415 | 1,197 |
| Non-current assets | | 7,831 | 7,707 |

Prior-year figures restated.

The following table shows a breakdown of the column Corporate, other operations, consolidation in the segment report by operating segments:

T101 Breakdown of Corporate, other operations, consolidation

| | Other operations (including discontinued operations) | Corporate, consolidation, less discontinued operations | | Corporate, other operations, consolidation | | |
|--|--|--|--------|--|--------|--------|
| | | 2013 | 2012 | 2013 | 2012 | |
| in € million | | | | | | |
| External sales | 237 | 209 | -60 | -21 | 177 | 188 |
| Internal sales | 227 | 235 | -2,282 | -2,230 | -2,055 | -1,995 |
| Total sales | 464 | 444 | -2,342 | -2,251 | -1,878 | -1,807 |
| Adjusted EBITDA | -107 | -93 | -186 | -185 | -293 | -278 |
| Depreciation and amortization | -26 | -20 | -46 | -50 | -72 | -70 |
| Result from investments recognized at equity | 33 | 28 | - | - | 33 | 28 |
| Adjusted EBIT | -133 | -113 | -232 | -234 | -365 | -347 |
| Capital employed (annual average) | 712 | 583 | 2,826 | 2,868 | 3,538 | 3,451 |
| Capital expenditures | 52 | 89 | -13 | -50 | 39 | 39 |
| Financial investments | 7 | 7 | -2 | -1 | 5 | 6 |
| Other significant non-cash income and expenses | -442 | -170 | -56 | -65 | -498 | -235 |

Prior-year figures restated.

10. Other disclosures

10.1 Performance-related remuneration

Evonik's remuneration system comprises a basic salary, annual short-term incentive payments and, as a long-term component, the Long-Term Incentive Plans for members of the Executive Board and other executives of the Evonik Group. Since Evonik did not have a quoted share price, for both members of the Executive Board and other executives the targets for the annual tranches of these LTI plans issued up to and including 2012 were based on the development of uniformly defined business indicators. However, the target amounts and performance periods of the plans differed. Following the stock exchange listing, the performance of Evonik shares became the central element in the LTI Plan for the first time in 2013. The redesigned LTI Plan was introduced for both Executive Board members and other executives. Following the stock exchange listing of Evonik Industries AG, the performance of shares in the company also became relevant for the valuation of the pre-2013 LTI Plans.

All LTI Plans are share-based remuneration with cash settlement. They are valued on the reporting date using a Monte Carlo simulation, which models exercise patterns. The LTI Plans result in personnel expense which is distributed over the term of each tranche.

(a) Evonik LTI Plan for members of the Executive Board—Tranches 2009 through 2012

The reference base for this long-term remuneration component is a sustained rise in the value of the company. The plan rewards achieving or exceeding the operating earnings targets set in the mid-term planning and their impact on the value of the company. Each plan runs for five years from January 1 of the year in which it is granted.

Entitlements are based on individually agreed target amounts provided that earnings targets are met. LTI payments are calculated in the year following the end of the performance period, when the necessary indicators are available. Payments are capped at three times the target amount, and can be zero if the defined lower threshold is not reached.

To determine the value of the company as a basis for ascertaining target attainment, the share price at the end of the performance period is used. For this purpose, the average price of Evonik shares in the three months prior to the end of the performance period is calculated. In addition, dividends paid and any capital increases or decreases during the performance period are taken into account. The cumulative discrepancy between planned and actual target attainment in the performance period and the dividends paid in the last year of the performance period are taken into account in the calculation. If there is no share price, the value of equity is determined on the basis of the last share transaction in the last twelve months of the performance period. If there was no share transaction in the last twelve months, a fictitious equity value is used. This is derived by applying a fixed EBITDA multiple to the company's business performance in the last full fiscal year.

As of December 31, 2013, there was a provision of €1.7 million (2012: €4.5 million including the 2008 tranche) for the tranches for members of the Executive Board for the years 2009 through 2012. In keeping with the terms of the plan, regular exercise of the 2008 plan took place in 2013 (€0.6 million).

T102 LTI Plan for Executive Board members—Tranches 2009 through 2012

| | | 2012 tranche | 2011 tranche | 2010 tranche | 2009 tranche |
|------------------------------|-----------|------------------------------|------------------------------|------------------------------|------------------------------|
| Grant date | Date | Dec. 18, 2012 | Sept. 30, 2011 | Aug. 31, 2010 | Dec. 17, 2009 |
| Performance period | from – to | Jan. 1, 2012 – Dec. 31, 2016 | Jan. 1, 2011 – Dec. 31, 2015 | Jan. 1, 2010 – Dec. 31, 2014 | Jan. 1, 2009 – Dec. 31, 2013 |
| Expense for the period | in € '000 | 721 | -187 | 524 | 314 |
| Carrying amount of provision | in € '000 | 141 | 269 | 430 | 830 |

The 2009 tranche of the Evonik LTI Plan for Executive Board members was vested as of December 31, 2013. The intrinsic value of this tranche was €0.8 million on the reporting date.

(b) Evonik LTI Plan for executives—Tranches 2011 through 2012

The reference base for this long-term remuneration component is also a sustained rise in the value of the company. The plan rewards achieving or exceeding the operating earnings targets set in the mid-term planning (75 percent) and economic value added (EVA®) (25 percent). Each tranche runs for three years from May 1 of the year in which it is granted.

Entitlements are based on individually agreed target amounts provided that earnings targets are met. LTI payments are calculated in the year following the end of the performance period, when the necessary indicators are available. Payments are capped at twice the target amount, and can be zero if the defined lower threshold is not reached.

To determine the value of the company as a basis for ascertaining target attainment, the share price at the end of the performance period is used. For this purpose, the average price of Evonik shares in the three months prior to the end of the performance period is calculated. In addition, dividends paid and any capital increases or decreases during the performance period are taken into account. The cumulative discrepancy between planned and actual target attainment in the performance period and the dividends paid in the last year of the performance period are taken into account in the calculation. If there is no share price, the value of equity is determined on the basis of the last share transaction in the last twelve months of the performance period. If there was no share transaction in the last twelve months, a fictitious equity value is used. This is derived by applying a fixed EBITDA multiple to the company's business performance in the last full fiscal year. The actual EVA® values in the performance period are used to measure attainment of the EVA® target.

As of December 31, 2013, there was a provision of €6.7 million for the 2011 and 2012 tranches (2012 including the 2010 tranche: €21.8 million). In keeping with the terms of the plan, regular exercise of the 2010 tranche took place in 2013 (€19.6 million).

T103 LTI Plan for executives—Tranches 2011 and 2012

| | | 2012 tranche | 2011 tranche |
|------------------------------|-----------|---------------------------------|---------------------------------|
| Grant date | Date | Dec. 19, 2012 | Oct. 17, 2011 |
| Performance period | from – to | May 1, 2012 – April 30, 2015 | May 1, 2011 – April 30, 2014 |
| Expense for the period | in € '000 | 945 | 1,396 |
| Carrying amount of provision | in € '000 | 3,130 | 3,556 |

(c) Evonik LTI Plan for Executive Board members and other executives—2013 tranche

In view of the stock exchange listing of Evonik Industries AG, the Supervisory Board redesigned the LTI plan for the period from 2013 so it differs from the tranches 2009 through 2012. Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals IndexSM.

Based on the contractually agreed target amount, which is defined in euros, a number of virtual shares is calculated using the share price at the start of the performance period. This is based on the price in the last 60 trading days before the start of the performance period. The performance period starts on January 1 of the grant year and runs for four years. Since there was no share price at the start of the performance period, as an exception, the virtual shares for the 2013 tranche were calculated from the share price in the first 60 trading days following admission to the stock exchange (April 25, 2013). At the end of the performance period, the starting price of Evonik shares is viewed against the share price at the end of the performance period. This is compared with the performance of the benchmark index (total shareholder return).

If the relative performance is below 70 percentage points, the relative performance factor is deemed to be zero. If the relative performance exceeds 130 percentage points, the relative performance is deemed to be 130 percent.

The payment is calculated by multiplying the relative performance by the number of virtual shares allocated and the average price of Evonik shares at the end of the performance period.

At the end of the performance period, there is an option to extend it once for a further year. Partial exercise at the end of the original performance period is not permitted. The upper limit for these payments is set at 300 percent of the individual target amount.

Since the previous performance periods for the LTI Plan for executives, including the 2012 tranche, was three years, the 2013 tranche for executives was set to allow the first half of the 2013 tranche to be exercised after three years and the second half after four years. As a further incentive for the transition, the payments for this tranche are multiplied by 1.2. As from 2014, a four-year performance period is planned for executives. As of December 31, 2013, there was a provision of €4.7 million for the Evonik LTI Plan 2013.

T104 LTI Plan for Executive Board members—Tranche 2013

| 2013 tranche | | |
|------------------------------|-----------|------------------------------|
| Grant date | Date | Aug. 14, 2013 |
| Virtual shares | No. | 153,123 |
| Performance period | from – to | Jan. 1, 2013 – Dec. 31, 2016 |
| Expense for the period | in € '000 | 2,107 |
| Carrying amount of provision | in € '000 | 607 |

T105 LTI Plan for executives—Tranche 2013

| 2013 tranche | | |
|------------------------------|-----------|------------------------------|
| Grant date | Date | Aug. 27, 2013 |
| Virtual shares | No. | 395,422 |
| Performance period | from – to | Jan. 1, 2013 – Dec. 31, 2016 |
| Expense for the period | in € '000 | 4,081 |
| Carrying amount of provision | in € '000 | 4,081 |

As of December 31, 2013, total provisions for share-based remuneration amounted to €13 million. In 2013, total expense including expense for share-based remuneration, including the 2010 tranche, was €12.2 million.

10.2 Additional information on financial instruments

Rights of set-off for financial assets and financial liabilities

To enhance the comparability of financial statements as regards the different netting arrangements for financial instruments under IFRS and US GAAP and inform users of the financial statements of the potential effect of netting arrangements on the company's assets and financial position, IFRS 7 requires disclosure of the gross and net amounts of recognized financial instruments that are a) set off in the balance sheet or b) subject to an enforceable master netting arrangement or similar agreement.

The following financial assets and financial liabilities fulfill these criteria:

T106 Offsetting rights for financial assets

| in € million | Offsetting rights for financial assets | | | Related amounts that are not offset in the balance sheet | | | Net amount | |
|---------------------------|--|---|---|--|--------------------------|------------|------------|--|
| | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities that are set off on the balance sheet | Net amounts of the financial assets as presented on the balance sheet | Financial instruments | Cash collateral received | | | |
| | | | | | | | | |
| Dec. 31, 2013 | | | | | | | | |
| Financial derivatives | – | – | – | – | – | – | – | |
| Trade accounts receivable | 517 | 124 | 393 | – | – | 393 | | |
| | 517 | 124 | 393 | – | – | 393 | | |
| Dec. 31, 2012 | | | | | | | | |
| Financial derivatives | – | – | – | – | – | – | – | |
| Trade accounts receivable | 500 | 123 | 377 | – | – | 377 | | |
| | 500 | 123 | 377 | – | – | 377 | | |

T107 Offsetting rights for financial liabilities

| in € million | Offsetting rights for financial liabilities | | | Related amounts that are not offset in the balance sheet | | | Net amount | |
|------------------------|---|--|--|--|--------------------------|--|------------|--|
| | Gross amount of recognized financial assets | Gross amount of recognized financial liabilities that are set off on the balance sheet | Net amount of the financial assets as presented on the balance sheet | | | | | |
| | | | | Financial instruments | Cash collateral received | | | |
| Dec. 31, 2013 | | | | | | | | |
| Financial derivatives | 3 | – | 3 | 1 | – | | 2 | |
| Trade accounts payable | 251 | 124 | 127 | – | – | | 127 | |
| | 254 | 124 | 130 | 1 | – | | 129 | |
| Dec. 31, 2012 | | | | | | | | |
| Financial derivatives | 3 | – | 3 | 1 | – | | 2 | |
| Trade accounts payable | 245 | 121 | 124 | – | – | | 124 | |
| | 248 | 121 | 127 | 1 | – | | 126 | |

The amounts disclosed for trade accounts receivable and payable result from credit notes granted and received that are eligible for set-off against existing receivables or liabilities relating to the same counterparty. There are no master netting arrangements for trade accounts. Similarly, the master agreements that Evonik has concluded with counterparties for derivatives transactions do not normally include the possibility of netting.

Results of financial instruments by valuation category

The income and expenses, gains and losses from financial instruments reflected in the income statement are allocated to the following valuation categories defined in IAS 39 Financial Instruments: Recognition and Measurement:

T108 Net result from financial instruments by valuation category 2013

| in € million | Net result by valuation category | | | | | 2013 |
|--|----------------------------------|-----------------------|-------------------------|------------------------------|-------------------------------|------------|
| | Available-for-sale assets | Loans and receivables | Assets held for trading | Liabilities held for trading | Liabilities at amortized cost | |
| Proceeds from disposals | 10 | – | – | – | – | 10 |
| Income from the measurement of derivatives | – | – | 339 | –276 | – | 63 |
| Impairment losses/reversals of impairment losses | – | –7 | – | – | – | –7 |
| Net interest expense | 4 | 10 | 2 | –7 | –126 | –117 |
| Income from other investments | – | – | – | – | – | – |
| | 14 | 3 | 341 | –283 | –126 | –51 |

T109 Net result from financial instruments by valuation category 2012

| in € million | Net result by valuation category | | | | | 2012 |
|--|----------------------------------|-----------------------|-------------------------|------------------------------|-------------------------------|------------|
| | Available-for-sale assets | Loans and receivables | Assets held for trading | Liabilities held for trading | Liabilities at amortized cost | |
| Proceeds from disposals | –7 | – | – | – | – | –7 |
| Income from the measurement of derivatives | – | – | 383 | –350 | – | 33 |
| Impairment losses/reversals of impairment losses | – | 5 | – | – | – | 5 |
| Net interest expense | 8 | 13 | 2 | – | –130 | –107 |
| Income from other investments | 1 | – | – | – | – | 1 |
| | 2 | 18 | 385 | –350 | –130 | –75 |

Income from the measurement of derivatives does not include income from derivative financial instruments for which hedge accounting is applied.

Including interest income and expense relating to finance leases, interest income from financial instruments not allocated to the category held for trading amounted to €14 million (2012: €21 million), while the corresponding interest expense was €126 million (2012: €130 million). As in 2012, net interest expense did not include any interest income on the impaired portion of financial assets or trade accounts receivable.

Carrying amounts by valuation category and fair values of financial instruments

Financial instruments within the scope of IFRS 7 Financial Instruments: Disclosures are to be disclosed by classes that take into account the characteristics of the financial instruments. At Evonik, the classification is based on the presentation on the balance sheet. The following tables present the carrying amounts and fair values of each class broken down to the valuation categories and a reconciliation to the carrying amounts of the balance sheet items. Financial instruments not assigned to a valuation category are presented separately.

T110 Carrying amounts and fair values of financial assets as of December 31, 2013

| in € million | Carrying amount by valuation category | | | | Dec. 31, 2013 | |
|----------------------------------|---------------------------------------|-----------------------|-------------------------|-------------------------------|-----------------|--------------|
| | Available-for-sale assets | Loans and receivables | Assets held for trading | Not allocated to any category | Carrying amount | Fair value |
| Financial assets | 648 | 43 | 152 | 42 | 885 | 885 |
| Other investments | 7 | – | – | – | 7 | 7 |
| Loans | – | 35 | – | – | 35 | 35 |
| Securities and similar claims | 641 | – | – | – | 641 | 641 |
| Receivables from finance leases | – | – | – | – | – | – |
| Receivables from derivatives | – | – | 152 | 42 | 194 | 194 |
| Other financial assets | – | 8 | – | – | 8 | 8 |
| Trade accounts receivable | – | 1,620 | – | – | 1,620 | 1,620 |
| Cash and cash equivalents | – | 1,518 | – | – | 1,518 | 1,518 |
| | 648 | 3,181 | 152 | 42 | 4,023 | 4,023 |

T111 Carrying amounts and fair values of financial assets as of December 31, 2012

| in € million | Carrying amount by valuation category | | | | Dec. 31, 2012 | |
|----------------------------------|---------------------------------------|-----------------------|-------------------------|-------------------------------|-----------------|--------------|
| | Available-for-sale assets | Loans and receivables | Assets held for trading | Not allocated to any category | Carrying amount | Fair value |
| Financial assets | 996 | 98 | 144 | 45 | 1,283 | 1,284 |
| Other investments | 45 | – | – | – | 45 | 45 |
| Loans | – | 62 | – | – | 62 | 62 |
| Securities and similar claims | 951 | – | – | – | 951 | 951 |
| Receivables from finance leases | – | – | – | – | – | 1 |
| Receivables from derivatives | – | – | 144 | 45 | 189 | 189 |
| Other financial assets | – | 36 | – | – | 36 | 36 |
| Trade accounts receivable | – | 1,687 | – | – | 1,687 | 1,687 |
| Cash and cash equivalents | – | 741 | – | – | 741 | 741 |
| | 996 | 2,526 | 144 | 45 | 3,711 | 3,712 |

T112 Carrying amounts and fair values of financial liabilities as of December 31, 2013

| in € million | Carrying amount by valuation category | | | Dec. 31, 2013 | |
|---------------------------------|---------------------------------------|-------------------------------|-------------------------------|-----------------|--------------|
| | Liabilities held for trading | Liabilities at amortized cost | Not allocated to any category | Carrying amount | Fair value |
| Financial liabilities | 52 | 1,599 | 9 | 1,660 | 1,710 |
| Bonds | – | 1,243 | – | 1,243 | 1,274 |
| Liabilities to banks | – | 326 | – | 326 | 345 |
| Loans from non-banks | – | 18 | – | 18 | 18 |
| Liabilities from finance leases | – | – | 4 | 4 | 4 |
| Liabilities from derivatives | 52 | – | 5 | 57 | 57 |
| Other financial liabilities | – | 12 | – | 12 | 12 |
| Trade accounts payable | – | 1,102 | – | 1,102 | 1,102 |
| | 52 | 2,701 | 9 | 2,762 | 2,812 |

T113 Carrying amounts and fair values of financial liabilities as of December 31, 2012

| in € million | Carrying amount by valuation category | | | Dec. 31, 2012 | |
|---------------------------------|---------------------------------------|-------------------------------|-------------------------------|-----------------|--------------|
| | Liabilities held for trading | Liabilities at amortized cost | Not allocated to any category | Carrying amount | Fair value |
| Financial liabilities | 89 | 2,829 | 29 | 2,947 | 3,253 |
| Bonds | – | 1,850 | – | 1,850 | 1,964 |
| Liabilities to banks | – | 811 | – | 811 | 999 |
| Loans from non-banks | – | 74 | – | 74 | 77 |
| Liabilities from finance leases | – | – | 6 | 6 | 7 |
| Liabilities from derivatives | 89 | – | 23 | 112 | 112 |
| Other financial liabilities | – | 94 | – | 94 | 94 |
| Trade accounts payable | – | 1,096 | – | 1,096 | 1,096 |
| | 89 | 3,925 | 29 | 4,043 | 4,349 |

That part of derivative financial instruments for which hedge accounting is applied is not allocated to any of the categories defined in IAS 39 Financial Instruments: Recognition and Measurement.

The following table shows the allocation of financial instruments measured at fair value to the level of the hierarchy used to determine their fair value:

T114 Allocation of the fair values of financial instruments to the fair value hierarchy as of December 31, 2013

| in € million | Fair value based on | | | Dec. 31, 2013 |
|-------------------------------|--|--|--|------------------|
| | Publicly quoted market prices (Level 1) | Directly observable market- related prices (Level 2) | Individual valuation parameters (Level 3) | |
| | | | | |
| Financial assets | 641 | 81 | 113 | 835 |
| Securities and similar claims | 641 | – | – | 641 |
| Receivables from derivatives | – | 81 | 113 | 194 |
| Financial liabilities | – | –25 | –32 | –57 |
| Liabilities from derivatives | – | –25 | –32 | –57 |

T115 Allocation of the fair values of financial instruments to the fair value hierarchy as of December 31, 2012

| in € million | Fair value based on | | | Dec. 31, 2012 |
|-------------------------------|--|--|--|------------------|
| | Publicly quoted market prices (Level 1) | Directly observable market- related prices (Level 2) | Individual valuation parameters (Level 3) | |
| | | | | |
| Financial assets | 951 | 92 | 97 | 1,140 |
| Securities and similar claims | 951 | – | – | 951 |
| Receivables from derivatives | – | 92 | 97 | 189 |
| Financial liabilities | – | –47 | –65 | –112 |
| Liabilities from derivatives | – | –47 | –65 | –112 |

Level 2 derivatives comprise currency, interest rate and commodity derivatives whose fair value is determined using discounted cash flow methods based on the exchange rates of the European Central Bank, observable interest rate structure curves and observable commodity price quotes. The discount effect on these derivatives is negligible.

The fair values shown under Level 3 result from the valuation of the put option and the call option for the remaining 49 percent shareholding in STEAG. These options are measured using a binomial model. The central factors influencing the valuation are the formula-based option strike price and an estimate of the fair value of the 49 percent interest in STEAG. A sensitivity analysis is described in the section on market risk.

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The development of assets and liabilities recognized at fair value on the basis of individual valuation parameters is shown in the following table:

T116 Change in the fair value of financial instruments allocated to Level 3 of the fair value hierarchy

| in € million | Receivables from Level 3 derivatives | Liabilities from Level 3 derivatives | Total |
|---|--|--|-----------|
| As of January 1, 2012 | 102 | -82 | 20 |
| Additions | - | - | - |
| Gains or losses in the reporting period | -5 | 17 | 12 |
| Other operating income | - | 17 | 17 |
| Other operating expenses | -5 | - | -5 |
| As of December 31, 2012 | 97 | -65 | 32 |
| Additions | - | 1 | 1 |
| Gains or losses in the reporting period | 16 | 32 | 48 |
| Other operating income | 16 | 32 | 48 |
| Other operating expenses | - | - | - |
| As of December 31, 2013 | 113 | -32 | 81 |

The fair value of financial instruments that are not recognized on the balance sheet at fair value was as follows:

The fair value of bonds is deemed to be their directly observable stock market price as of the reporting date. For loans, receivables from finance leases, other financial assets, liabilities to banks, loans from non-banks, liabilities from finance leases and other financial liabilities the fair value is assumed to be the present value of the expected future cash inflows or outflows and is accordingly allocated to Level 2. The discount rate is the interest rate for the relevant maturity on the reporting date, taking the creditworthiness of the counterparty into account. Since most trade accounts receivable and payable are current, the fair value of these items and of cash and cash equivalents is the carrying amount.

No derivatives were reclassified to other levels in the fair value hierarchy in the reporting period.

Notional value of derivatives

The notional value of interest swaps is the principal on which the swap agreement is based, while the notional value of the cross-currency swaps and forward exchange contracts is the hedged foreign exchange amount converted into euros. The notional value of the commodity derivatives is the hedged procurement costs translated into euros.

Notional value of the derivative financial instruments:

T117 Notional value of derivative financial instruments

| in € million | Dec. 31, 2013 | | | Dec. 31, 2012 | | |
|----------------------------|---------------|-----------------|---------------------|---------------|-----------------|---------------------|
| | Total | thereof current | thereof non-current | Total | thereof current | thereof non-current |
| Interest rate swaps | – | – | – | 506 | 500 | 6 |
| Cross-currency swaps | 231 | – | 231 | 36 | – | 36 |
| Forward exchange contracts | 3,883 | 3,671 | 212 | 3,972 | 3,925 | 47 |
| Commodity derivatives | 16 | 12 | 4 | 29 | 23 | 6 |
| | 4,130 | 3,683 | 447 | 4,543 | 4,448 | 95 |

The notional value of the put option and the call option for the remaining 49 percent of the shares in STEAG depends on a formula set out in the options contract for the fictitious exercise price as of the reporting date and was €545 million on the reporting date (2012: €520 million).

Hedge accounting

Hedge accounting was applied for the following material transactions in 2013:

(a) Fair value hedges

Until August 2009, the €1,250 million bond issued by Evonik Degussa GmbH in November 2003 was hedged by receiver swaps with a notional value of €750 million and an expiration date of 2013. When the hedge was closed out in August 2009, the accumulated income from the effective portion of the fair value hedge of the bond amounted to €60 million. This amount was released to net interest expense over the remaining maturity of the bond using the effective interest method and taking into account the partial buyback of the bond in 2011. €12 million was released in 2013 (2012: €13 million).

(b) Cash flow hedges

As of the balance sheet date, forward exchange contracts were used to hedge forecast sales amounting to around €1,225 million (2012: €1,166 million) up to March 2015 against exchange rate movements. The fair value of these hedging instruments was €36 million (2012: €41 million). At year-end 2013, gains of €47 million (2012: €39 million) were recognized in the hedge reserve.

Further, currency derivatives with a notional value of €26 million (2012: €41 million) and foreign currency holdings of Chinese companies totaling €5 million (2012: €28 million) were designated to hedge the currency risk of planned purchases of property, plant and equipment. These designated hedges had a positive fair value of €1 million on the reporting date (2012: negative fair value of €1 million). The impact on the hedge reserve was €2 million on the reporting date (2012: 0).

In 2013, intragroup loans of CNY 680 million and BRL 60 million were hedged using cross-currency swaps and designated as hedges versus the euro exchange rate. At year end, the fair value of these designated hedges was close to zero. A loss of €1 million was recognized in the hedge reserve for them.

Between December 2011 and December 2012 Evonik successively purchased a total of ten forward starting payer swaps with a notional value of €50 million each to hedge the interest rate risk of a highly probable refinancing transaction totaling €500 million forecast for 2013. In this way, a 5-year swap rate of 1.6 percent was locked in for a period of five years starting from June 2013. The expected refinancing took place in spring 2013 through the issue of a new bond by Evonik Industries AG. The hedge was terminated when the financing terms were fixed. The realized hedging expense of €15 million will be released to net interest expense over the original hedged financing period using the effective interest method. At year-end 2013, a negative fair value of €14 million was recognized in the hedge reserve for this transaction (2012: negative fair value of €17 million).

As of year-end 2013, commodity swaps with a positive fair value of €1 million (2012: negative fair value of €2 million) were used to hedge forecast purchases of raw materials against price fluctuations up to 2015. €2 million was recognized in the hedge reserve for these swaps in 2013 (2012: minus €2 million).

The effectiveness of hedge relations was determined using the dollar offset method, critical term match, the hypothetical derivatives method, regression analysis and sensitivity analyses. When hedging the currency risk of highly probable forecast transactions, in general only the spot components of forward exchange contracts used to hedge currency risks are designated as hedges. In 2013 income of €1 million (2012: expense of €4 million) was recognized for the ineffective portion of the gain or loss on the cash flow hedges.

(c) Hedge of a net investment

Since March 2010 the investment in UK subsidiaries has been hedged against foreign currency risks on a rolling basis. The hedging contracts normally have terms of one to three months. As of December 31, 2013, the notional value of the hedges was £65 million (2012: £74 million). The fair value of the outstanding hedging contracts was close to zero at year-end 2013 (2012: €1 million). Between the start of hedging in March 2010 and year-end 2013, total of expenses of €7 million (2012: €9 million) were assigned to the hedge reserve.

Notes on financial risk management

As an international company, Evonik is exposed to financial risks in the normal course of business. A major objective of corporate policy is to minimize the impact of market, liquidity and default risks both on the value of the company and profitability in order to limit adverse fluctuations in cash flows and earnings without forgoing the opportunity to benefit from positive market trends. For this purpose a systematic financial and risk management system has been established. Interest rate and exchange rate risks are managed centrally by the Finance Division of Evonik Industries AG, while commodity risks are managed by the business units in accordance with established corporate policies.

The financial derivatives contracts used by Evonik are entered into exclusively in connection with corresponding underlying transaction (hedged item) relating to normal operating business, which provides a risk directly opposite to that of the hedge. The instruments used are customary products found on the market. For the management of interest rates and exchange rates, they comprise currency swaps, forward exchange contracts, cross-currency swaps and interest rate swaps. Commodity swaps are used to hedge price risks relating to coal and gas. The procurement of emissions allowances to meet obligations pursuant to Section 6 of the German Emissions Trading Act (TEHG) was optimized through use of EUA-CER swaps and EUA or CER futures.

(a) Market risk

Market risk can basically be subdivided into exchange rate, interest rate and commodity risks:

Exchange rate risks relate to both the sourcing of raw materials and the sale of end-products in currencies other than the functional currency of the company concerned. The aim of currency management is to protect the company's operating business from fluctuations in earnings and cash flows resulting from changes in exchange rates. The opposite effects arising from procurement and sales activities are taken into account. The remaining currency risks to the Group are mainly hedged by Evonik Industries AG through a portfolio approach.

The aim of interest rate management is to protect net income from the negative effects of fluctuations in market interest rates. Interest rate risk is managed by using derivative and non-derivative financial instruments. The aim is to achieve an appropriate ratio of fixed rates (with interest rates fixed for more than one year) and variable rates (terms of less than one year), taking costs and risks into account. At year-end 2013, 96 percent (2012: 93 percent) of non-derivative financial instruments were hedged by fixed-interest contracts.

Several scenario analyses were carried out to measure exchange rate and interest rate risk as of December 31, 2013.

The most important currencies for Evonik are the US dollar (USD) and the Chinese renminbi yuan (CNY/CNH). CNH is the technical market designation for renminbi that are tradable and deliverable outside the territory of China. A sensitivity analysis was performed for these currencies by modeling a change of 5 percent and 10 percent in the exchange rate to simulate the possible loss of value of derivative and non-derivative financial instruments in the event of the appreciation or depreciation of these currencies. The percentage standard deviations of changes in exchange rates versus the euro in 2013 were 2.0 percent for the USD (2012: 6.7 percent) and 6.3 percent for the CNY/CNH (2012: 6.5 percent). The results of these scenarios were as follows:

T118 US dollar sensitivity analysis

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|--------------|------------------|------------------|------------------|------------------|
| | Impact on income | Impact on equity | Impact on income | Impact on equity |
| +5% | -45 | -42 | -21 | -42 |
| -5% | 45 | 42 | 21 | 42 |
| +10% | -90 | -84 | -42 | -85 |
| -10% | 90 | 84 | 42 | 85 |

T119 CNY/CNH sensitivity analysis

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|--------------|------------------|------------------|------------------|------------------|
| | Impact on income | Impact on equity | Impact on income | Impact on equity |
| +5% | - | -3 | - | -4 |
| -5% | - | 3 | - | 4 |
| +10% | -1 | -7 | - | -7 |
| -10% | 1 | 7 | - | 7 |

Several scenarios were also simulated for interest rates. These analyzed shifts of 50, 100 and 150 basis points in the euro interest rate curve to simulate the possible loss of value of derivative and non-derivative financial instruments. The scenarios are summarized in the table:

T120 EUR interest rate sensitivity analysis

| in € million | Dec. 31, 2013 | | Dec. 31, 2012 | |
|--------------------|------------------|------------------|------------------|------------------|
| | Impact on income | Impact on equity | Impact on income | Impact on equity |
| + 50 basis points | 3 | -1 | 2 | 12 |
| - 50 basis points | -3 | 1 | -2 | -12 |
| + 100 basis points | 6 | -1 | 3 | 23 |
| - 100 basis points | -7 | 1 | -3 | -25 |
| + 150 basis points | 10 | -2 | 5 | 34 |
| - 150 basis points | -10 | 2 | -5 | -38 |

Commodity risks resulted from changes in the market prices for the purchase and sale of raw materials and electricity. Raw materials were purchased principally to meet in-house demand. Other factors of importance for Evonik's risk position are the availability and price of raw materials, starting products and intermediates. In particular, raw material prices of significance to the Evonik Group are dependent on exchange rates and the price of crude oil. Commodity management, which is the responsibility of the business units, involves identifying procurement risks and defining effective measures to minimize them. For example, price escalation clauses and swaps are used to reduce price volatility. Pricing and procurement risks are reduced through worldwide procurement and optimized processes to ensure immediate sourcing of additional raw material requirements. Further, use of alternative raw materials is examined for various production processes and Evonik is working on the development of alternative production technologies.

Financial derivatives were also used on a small scale to hedge procurement price risks. If the price of crude oil or natural gas had been 10 percent higher or lower on the reporting date, the impact of the fluctuation in the value of the commodity derivatives on the other comprehensive income from gains/losses from hedging instruments would have been + €1 million or - €1 million at year-end 2013 (2012: + €1 million or - €1 million). As in the previous year, the earnings impact would have been negligible.

Concurrently with the divestment of 51 percent of the shares in STEAG, a put option and a call option for the remaining 49 percent interest in STEAG were agreed with KSBG. The purpose of these options is to hedge the purchase price against the risk of a change in the fair value of the 49 percent interest in STEAG, while guaranteeing flexibility with regard to the future date of sale. The call option has been exercisable since January 1, 2014, with a period of notice of 6 months. The put option can be exercised at the earliest on January 1, 2016. Since the options are not eligible for hedge accounting, accounting risks arise from the different treatment of the options and the hedged item under IFRS rules. The options and the related unrealized gains and losses are recognized gross in the receivables and liabilities from derivatives in financial assets and liabilities and in income and expenses from the measurement of derivatives (excluding interest rate derivatives) in other operating income or other operating expenses. The result of the valuation of the options is included in adjustments.

As of December 31, 2013 the net value of the options was calculated as €81 million (2012: €32 million). If the fair value of the 49 percent stake in STEAG had been 10 percent lower on December 31, 2013, the net value of the options would have been €46 million (2012: €52 million) higher and would have resulted in an additional gain of the same amount. A 10 percent increase in the fair value of the 49 percent stake in STEAG would have reduced the net value of the options by €47 million (2012: €52 million), resulting in a corresponding additional loss.

(b) Liquidity risk

Liquidity risk is managed through business planning to ensure that the funds required to finance the current operating business and current and future investments in all Group companies are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments and other financial activities are derived from a financing status and liquidity planning, which form part of liquidity risk management. Liquidity is pooled in a central cash management pool where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements.

Alongside cash and cash equivalents of €1,518 million and investments of €635 million in current securities, the Group's central source of liquidity is a €1.75 billion revolving credit facility from a syndicate of 27 national and international banks. This credit facility is €250 million higher than in the previous year and is divided into two tranches of €875 million each running initially until September 2016 and 2018, with two extension options of one year each. This credit facility was not drawn at any time in 2013. This revolving credit facility does not contain any covenants requiring Evonik to meet specific financial ratios.

Further, as of December 31, 2013, various unused credit lines totaling €342 million were available to meet local requirements, especially in the Asia-Pacific region.

The table shows the remaining maturity of the non-derivative financial instruments based on the due dates for interest and redemption payments:

T121 Remaining maturity of non-derivative financial instruments 2013

| in € million | Payments due in | | | Dec. 31, 2013 |
|---------------------------------|-----------------|-------------------------------------|-------------------------------------|--------------------------|
| | up to 1 year | more than 1 and up to 3 years | more than 3 and up to 5 years | |
| | 5 years | more than 5 years | | |
| Financial liabilities | 1,072 | 99 | 39 | 550 |
| Bonds | 812 | 19 | 19 | 519 |
| Liabilities to banks | 228 | 78 | 19 | 31 |
| Loans from non-banks | 19 | – | – | – |
| Liabilities from finance leases | 2 | 1 | 1 | – |
| Other financial liabilities | 11 | 1 | – | – |
| Trade accounts payable | 1,102 | – | – | 1,102 |

T122 Remaining maturity of non-derivative financial instruments 2012

| in € million | Payments due in | | | Dec. 31, 2012 |
|---------------------------------|-----------------|-------------------------------------|-------------------------------------|--------------------------|
| | up to 1 year | more than 1 and up to 3 years | more than 3 and up to 5 years | |
| | 5 years | more than 5 years | | |
| Financial liabilities | 1,560 | 937 | 120 | 779 |
| Bonds | 1,202 | 803 | – | – |
| Liabilities to banks | 264 | 114 | 111 | 703 |
| Loans from non-banks | 28 | 6 | 6 | 54 |
| Liabilities from finance leases | 2 | 3 | 1 | 1 |
| Other financial liabilities | 64 | 11 | 2 | 21 |
| Trade accounts payable | 1,096 | – | – | 1,096 |

The Group did not infringe the payment terms agreed for its financial liabilities.

The breakdown of the sum of interest and redemption payments by maturity in the following table relates to derivative financial instruments with positive and negative fair values. The table shows the net value of cash inflows and outflows without the liquidity impact of the put option and the call option for the remaining 49 percent interest in STEAG. Since netting was not agreed for forward exchange contracts and cross-currency swaps, they are presented as gross amounts:

T123 Remaining maturity of derivative financial instruments 2013

| in € million | Payments due in | | | Dec. 31, 2013 |
|-------------------------------------|-----------------|-------------------------------------|----------------------|------------------|
| | up to 1 year | more than 1 and up to 3 years | more than 3 years | |
| | 62 | - | -2 | |
| Receivables from derivatives | | | | 60 |
| Interest rate swaps | - | - | - | - |
| Cross-currency swaps | -5 | -3 | -2 | -10 |
| Cash inflows | 3 | 44 | 170 | 217 |
| Cash outflows | -8 | -47 | -172 | -227 |
| Forward exchange contracts | 66 | 3 | - | 69 |
| Cash inflows | 2,232 | 134 | 2 | 2,368 |
| Cash outflows | -2,166 | -131 | -2 | -2,299 |
| Commodity derivatives | 1 | - | - | 1 |
| Liabilities from derivatives | -30 | -2 | -2 | -34 |
| Interest rate swaps | - | - | - | - |
| Cross-currency swaps | -1 | -2 | -2 | -5 |
| Cash inflows | - | 2 | 51 | 53 |
| Cash outflows | -1 | -4 | -53 | -58 |
| Forward exchange contracts | -29 | - | - | -29 |
| Cash inflows | 1,500 | 79 | - | 1,579 |
| Cash outflows | -1,529 | -79 | - | -1,608 |
| Commodity derivatives | - | - | - | - |

T124 Remaining maturity of derivative financial instruments 2012

| in € million | Payments due in | | | Dec. 31, 2012 |
|-------------------------------------|-------------------------------------|-----------|----------------------|------------------|
| | more than 1 and up to 3 years | | more than 3 years | |
| | up to 1 year | 3 years | | |
| Receivables from derivatives | 87 | -2 | -1 | 84 |
| Interest rate swaps | - | - | - | - |
| Cross-currency swaps | - | -2 | -1 | -3 |
| Cash inflows | - | - | 39 | 39 |
| Cash outflows | - | -2 | -40 | -42 |
| Forward exchange contracts | 86 | - | - | 86 |
| Cash inflows | 2,785 | 2 | 2 | 2,789 |
| Cash outflows | -2,699 | -2 | -2 | -2,703 |
| Commodity derivatives | 1 | - | - | 1 |
| Liabilities from derivatives | -47 | -3 | - | -50 |
| Interest rate swaps | -17 | - | - | -17 |
| Cross-currency swaps | - | - | - | - |
| Cash inflows | - | - | - | - |
| Cash outflows | - | - | - | - |
| Forward exchange contracts | -27 | -2 | - | -29 |
| Cash inflows | 1,220 | 41 | - | 1,261 |
| Cash outflows | -1,247 | -43 | - | -1,290 |
| Commodity derivatives | -3 | -1 | - | -4 |

Receivables from cross-currency swaps comprise transactions with negative net cash flows resulting from positive inflows in euros and negative outflows in foreign currencies. In each maturity bracket, the foreign currency outflows translated into euros exceeded the actual euro inflows. To calculate the present value, the foreign currency side of these swaps is discounted using a yield curve for the foreign currency while the euro side is discounted using a euro yield curve. Since interest rates in the foreign currencies are higher, discounting results in a positive fair value and thus a positive overall carrying amount for the instruments despite the negative net cash flows. This phenomenon is encountered in particular with the Chinese renminbi yuan (CNH) and the Brazilian real (BRL).

(c) Risk of default

Credit risk management divides default risks into three categories, which are analyzed separately on the basis of their specific features. The three categories are debtor and creditor risk, country risk, and the risk of default by financial counterparties.

The debtor and creditor default risks are analyzed and monitored continuously with the aid of an internal limit system. Political risk (country risk) is also taken into account for export orders so that the overall risk assessment takes account of both political and economic risk factors. On the basis of this analysis, a maximum risk exposure limit is set for the contracting party. The credit standing of contracting parties is updated constantly via ratings or scoring processes.

In addition, a specific limit is set for financial counterparties for each type of risk (money market, capital market and derivatives). Maximum limits for each contracting party are set on the basis of the creditworthiness analyses. These are predominantly based on the ratings issued by international rating agencies and our own internal credit analysis. In addition, the development of the price of credit default swaps (CDS) and share prices (where available) is analyzed. Country limits are set for the money and capital markets to ensure diversification of country risks.

Credit risk management also covers derivative financial instruments, where the risk of default is equivalent to the positive fair value. This risk is minimized by setting high standards for the creditworthiness of counterparties. Only common instruments found on the market with sufficient liquidity are used. Consequently, no material risk of default is expected in this field. As for non-derivative financial instruments, there is also a default risk amounting to the positive fair value. This can be minimized by regular creditworthiness reviews. We do not anticipate any material risk of default here either.

Owing to the diversity of business and large number of customers, there were no significant cluster risks.

10.3 Related parties

In addition to the subsidiaries included in the consolidated financial statements, the Group maintains relationships with related parties.

As of December 31, 2013, related parties with which the Group maintains business relationships comprised RAG-Stiftung due to its controlling interest, and Gabriel Acquisitions GmbH (Gabriel Acquisitions) as it can still exercise a significant influence as a shareholder of Evonik Industries AG by appointing representatives to the Supervisory Board of Evonik Industries AG. Further related parties comprise fellow subsidiaries of Evonik owned by RAG-Stiftung and associated companies and joint ventures of Evonik, which are recognized at equity.

The Federal Republic of Germany and the federal states of North Rhine-Westphalia and the Saarland are also classified as related parties as they are able to exercise a significant influence on RAG-Stiftung through their membership of the Board of Trustees of RAG-Stiftung. Transactions effected between Evonik and these federal and state governments and their subsidiaries or joint ventures in the reporting period comprised generally available government grants and subsidies, loans from public-sector banks to finance subsidized housing, and investments in their securities. Further, customary business relationships were maintained with the Deutsche Bahn Group, the Deutsche Telekom Group and the Duisport Group.

The business relations between the Group and these related parties are shown in the table:

T125 Business relations with related parties

| in € million | RAG-Stiftung | | Fellow subsidiaries | | Joint ventures | | Associated companies | |
|--|--------------|------|---------------------|------|----------------|------|----------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Goods and services supplied | 12 | 8 | 4 | 6 | 125 | 178 | 16 | 19 |
| Goods and services received | – | – | –46 | –59 | –1 | –12 | –29 | –42 |
| Other income | 630 | – | 195 | – | – | – | – | 5 |
| Receivables as of December 31 | – | – | – | 3 | 6 | 10 | 2 | 1 |
| Liabilities as of December 31 | – | – | – | –22 | – | – | –2 | –2 |
| Contingent liabilities as of December 31 | – | – | – | – | – | – | – | –14 |

The receivables mainly resulted from trade relations while the debts mainly referred to financial relations.

In the first quarter of 2013 a dividend for 2012 was paid to the company's shareholders, RAG-Stiftung and Gabriel Acquisitions. The dividend payment to RAG-Stiftung was €296 million, while Gabriel Acquisitions received a dividend of €81 million.

Evonik divested the majority of shares in the real estate activities in July 2013 to RAG-Stiftung and RAG AG. The other income relates to the divestment of the real estate activities, see Note 5.2.

In connection with the divestment of these activities, in June 2013 Evonik Industries AG granted Vivawest an intragroup promissory note loan of initially €567 million. Evonik Industries AG subsequently sold tranches of this promissory note loan to RAG-Stiftung (€100 million), RAG AG (€111 million) and a third party (€152 million). The remaining tranche of the promissory note loan to Vivawest amounting to €204 million had been repaid by December 31, 2013.

The property management activities of Evonik Wohnen GmbH (Evonik Wohnen) were transferred to Vivawest Wohnen GmbH (Vivawest Wohnen) on January 1, 2012 as contractually agreed. The Vivawest Wohnen joint venture accounted for the intragroup supply of goods and services amounting to €155 million as of December 31, 2012 and sourced goods and services amounting to €9 million. Further, there was a financial liability of €22 million between RAG AG and companies in the former Real Estate segment. Since the deconsolidation of the real estate activities in 2013, these business relations no longer comprise relationships with related parties. This also explains the reduction in goods and services supplied to €73 million in 2013.

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In 2012, €22 million of the receivables comprised security pledged to a fellow subsidiary for the liabilities of the former Real Estate segment in connection with the financing of property.

Related parties also include members of the management who are directly or indirectly responsible for corporate planning, management and oversight, and members of their families. At Evonik, these parties comprise the Executive Board and Supervisory Board of Evonik Industries AG, the Executive Board and Board of Trustees of RAG-Stiftung, and other management members who hold key positions in the Group.

The remuneration paid to such related parties is shown in the table:

T126 Remuneration paid to related parties

| in € thousand | Executive Board of Evonik Industries AG | | Supervisory Board of Evonik Industries AG | | Other management members | |
|---|---|-------|---|-------|--------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Short-term remuneration | 17,226 | 9,623 | 2,798 | 3,322 | 4,913 | 6,794 |
| Long-term performance-related remuneration (LTI Plans) | – | 612 | – | – | – | 2,307 |
| Share-based remuneration | 3,464 | – | – | – | 1,136 | – |
| Current service cost for pension and other post-employment benefits | 1,152 | 1,961 | – | – | 516 | 441 |
| Termination benefits | 16,244 | – | – | – | – | – |

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments. The data on share-based remuneration comprise expenses incurred in 2013 for the LTI Plan 2009 through 2013. Details of termination benefits are outlined in more detail in the remuneration report. The outstanding obligations for termination benefits amounted to €7,186 thousand as of December 31, 2013.

The present value of pension obligations (defined benefit obligations) was €16,414 thousand (2012: €22,360 thousand) for the Executive Board, and €7,286 thousand (2012: €14,324 thousand) for other members of the management.

Further, the employee representatives elected to the Supervisory Board of Evonik Industries AG continued to receive the regular salary agreed in their employment contract. The level of their salary provided appropriate remuneration for the exercise of their functions and tasks in the company.

In 2013, business relations with the Evonik Group amounting to €3.6 million (2012: €4.3 million) were maintained by one member of the Board of Trustees of RAG-Stiftung through companies attributable to this person.

Apart from the relationships stated above, Evonik did not have any other significant business relationships with related parties.

10.4 Contingent liabilities, contingent receivables and other financial commitments

Contingent liabilities were as follows on the reporting date:

T127 Contingent liabilities

| in € million | 2013 | 2012 |
|---|-----------|-----------|
| Guarantee obligations | 3 | 13 |
| Obligations under warranties and indemnity guarantees | 13 | 36 |
| | 16 | 49 |

The decline in guarantee obligations is due to the divestment of the real estate activities. By contrast, the decline in obligations under warranties and indemnity guarantees is attributable to contracts that had expired as of the reporting date.

On December 18, 2013, the European Union opened an investigation into state aid in connection with Section 41 of the German Renewable Energies Act (EEG). The outcome is currently open. In the event of a negative decision, Evonik could be required to reimburse payments received under the Renewable Energies Act in the low double-digit million euro range.

In virtually all agreements, the level of possible claims and the duration of the indemnities and obligations entered into are limited.

The obligations under indemnity guarantees contain obligations of €10 million that expire in the period up to December 31, 2017.

Other financial commitments are outlined below:

The table shows the nominal value of obligations from future minimum lease payments for assets leased under operating leases with the following payment terms:

T128 Maturity structure of future minimum lease payments

| in € million | 2013 | 2012 |
|--------------------------------------|------------|------------|
| Due within 1 year | 72 | 72 |
| Due in more than 1 and up to 5 years | 217 | 189 |
| Due in more than 5 years | 193 | 88 |
| | 482 | 349 |

The leased assets mainly comprise land and buildings, plant and equipment, and other plant, office furniture and equipment.

Total payments of €105 million (2012: €101 million) were recognized as expense for operating leases in the reporting period. As in the previous year, the entire amount related to minimum lease payments. No contingent rental payments were made.

Some of the assets leased under operating leases were sub-leased. Evonik expects to receive future minimum lease payments of €2 million (2012: €1 million) from these agreements.

10.5 Other agreements between managers and third parties

In connection with the acquisition of 25.01 percent of the shares in Evonik Industries AG by Gabriel Acquisitions, selected managers at Evonik were granted a right to participate indirectly in Evonik's success. To this end, the managers purchased, at market price, limited partnership shares in the partnership Angel MEP GmbH & Co. KG, Frankfurt am Main (Germany) which held 13.69 percent of the shares in Evonik Industries AG at year-end 2013 (2012: 25.01 percent) jointly with Gabriel Holding through two intermediate companies (Gabriel Investment and Gabriel Acquisitions).

The purpose of this program is to provide an incentive to managers to contribute to the future growth and sustained performance of the Group.

On the reporting date, the managers participating in this program held an indirect stake of 0.36 percent (2012: 0.66 percent) in Evonik Industries AG. The cash contribution for this was equivalent to the market value of the partnership shares and was determined by a suitable enterprise valuation method. Since the managers paid the fair value of the shares when they acquired them, the fair value of the equity instruments allocated in return was zero. For this reason, no expense would have to be recognized at any time, either in the event of an exit or if a manager were to leave the company.

Evonik will not at any time be required to make payments to the eligible managers under this program.

10.6 Events after the reporting date

There were no reportable events after the reporting date.

11. Disclosures in compliance with German legislation

11.1 Information on shareholdings pursuant to Section 313 Paragraph 2 of the German Commercial Code (HGB)

The Group's shareholdings are listed in Note 5.1. The list indicates which companies have made use of the provisions in Sections 264 Paragraph 3 and 264b of the German Commercial Code on exemption from disclosure of annual financial statements and the preparation of notes to their financial statements and a management report. In fiscal 2012 this relief was withdrawn for the first time for some subsidiaries in accordance with Section 3 No. 38 and Section 6 b No. 1 of the German Energy Industry Act (EnWG).

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11.2 Personnel expense and number of employees pursuant to Section 314 Paragraph 1 No. 4 of the German Commercial Code (HGB)

The personnel expense in the reporting period comprised the following items:

T129 Personnel expense

| in € million | 2013 | 2012 |
|-------------------------------|--------------|--------------|
| Wages and salaries | 2,306 | 2,148 |
| Social security contributions | 316 | 319 |
| Pension expenses | 203 | 133 |
| Other personnel expense | 23 | 24 |
| | 2,848 | 2,624 |

Wages and salaries also include restructuring expenses.

The increase of €70 million in pension expenses is predominantly attributable to the reduction in the discount rate used to calculate the present value of pension obligations. The discount rate declined from 4.76 percent on December 31, 2011 to 3.78 percent on December 31, 2012.

Interest expense for accrued interest on pension provisions and the expected return on plan assets are included in net interest expense, see Note 6.5.

See p. 194

The table shows the annual average headcount for the continuing operations:

T130 Headcount (annual average)

| Employees | 2013 | 2012 |
|------------------------------|---------------|---------------|
| Consumer, Health & Nutrition | 7,008 | 6,721 |
| Resource Efficiency | 5,847 | 5,845 |
| Specialty Materials | 6,253 | 6,670 |
| Services | 11,870 | 11,637 |
| Corporate, other operations | 1,494 | 1,433 |
| | 32,472 | 32,306 |

11.3 Remuneration of the Executive Board and Supervisory Board pursuant to Section 314 Paragraph 1 No. 6 of the German Commercial Code (HGB)

Remuneration paid to the members of the Executive Board of Evonik Industries AG for their work in 2013 amounted to €25,997 thousand (2012: €10,235 thousand). The figure for 2013 includes bonus payments of €738 thousand for the previous year, for which no provision was established in 2012.

Further details, including an individual breakdown of remuneration, can be found in the remuneration report in the combined management report.

Total remuneration of former members of the Executive Board and their surviving dependents was €1,154 thousand in 2013 (2012: €1,081 thousand).

As of the balance sheet date, the present value of the defined benefit obligations for former members of the Executive Board and their surviving dependents amounted to €37,707 thousand (2012: €23,192 thousand).

The remuneration of the Supervisory Board for 2013 totaled €2,798 thousand (2012: €3,322 thousand).

11.4 Auditor's fees pursuant to Section 314 Paragraph 1 No. 9 of the German Commercial Code (HGB)

The auditor for the consolidated financial statements of the Evonik Group was Pricewaterhouse Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf (Germany). PwC rendered the following services to the Group:

T131 Auditor's fees

| in € million | 2013 | 2012 |
|---|------------|-------------|
| Auditing of annual financial statements | 3.6 | 3.5 |
| Other audit-related services | 2.5 | 2.4 |
| Tax consultation services | 1.3 | 0.8 |
| Other services | 1.4 | 3.5 |
| | 8.8 | 10.2 |

The fees for auditing annual financial statements included expenses for the audit of the consolidated financial statements and of the separate annual financial statements of Evonik Industries AG and its German subsidiaries.

Other audit-related services comprised services apart from the auditing of annual financial statements, especially the review of interim financial statements and other assurance services in connection with projects.

See p. 124

11.5 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the management report for the Group, which is combined with the management report for Evonik Industries AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Essen, February 27, 2014

Evonik Industries AG
The Executive Board

Dr. Engel

Wessel

Wohlhauser

Wolf

SUPPLEMENTARY INFORMATION

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Independent Auditor's Report

To Evonik Industries AG, Essen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Evonik Industries AG, Essen, and its subsidiaries, which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements for the business year from January 1, to December 31, 2013.

Executive Board's Responsibility for the Consolidated Financial Statements

The Executive Board of Evonik Industries AG, Essen, is responsible for the preparation of these consolidated financial statements. This responsibility includes ensuring that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Executive Board is also responsible for the internal controls which the Executive Board determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. (paragraph) 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2013 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying management report for the Evonik Group, which is combined with the management report of the company, Evonik Industries AG, Essen, for the business year from January 1 to December 31, 2013. The Executive Board of Evonik Industries AG, Essen, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 28, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
(German Public Auditor)

Lutz Granderath
(German Public Auditor)

Further information on corporate officers

Supervisory Board of Evonik Industries AG

Dr. Werner Müller, Mülheim an der Ruhr

Chairman of the Supervisory Board
 Chairman of the Executive Board of RAG-Stiftung
 a) RAG Aktiengesellschaft (Chair)
 RAG Deutsche Steinkohle AG (Chair)
 b) Contilia GmbH
 Stadler Rail AG

Michael Vassiliadis, Hanover

Deputy Chairman of the Supervisory Board
 Chairman of the Mining, Chemical and Energy Industrial Union (IG BCE)
 a) K+S AG
 STEAG GmbH
 b) BASF SE
 Henkel AG & Co. KGaA
 (until April 15, 2013)
 RAG-Stiftung

Günter Adam, Freigericht

Deputy Chairman of the Group Works Council of Evonik Industries AG
 Chairman of the Works Council for the Hanau facilities

Dr. Peter Bettermann, Weinheim

Former spokesman for the management of Freudenberg & Co. KG
 a) BATIG Gesellschaft für Beteiligungen GmbH (Chair)
 British American Tobacco (Germany) GmbH (Chair)
 British American Tobacco (Industries) GmbH (Chair)
 b) Wilh. Werhahn KG
 Thyssen'sche Handelsgesellschaft mit beschränkter Haftung
 (since July 1, 2013)

Karin Erhard, Hanover

Secretary of the Board of the Mining, Chemical and Energy Industrial Union (IG BCE)
 a) INEOS Deutschland GmbH
 INEOS Köln GmbH

Stephan Gemkow, Overath

Chairman of the Management Board of Franz Haniel & Cie. GmbH
 a) Celesio AG (Chair)
 TAKKT AG (Chair)
 b) Amadeus IT Group S. A., Madrid (Spain)
 (until June 30, 2013)
 Amadeus IT Holding S. A., Madrid (Spain)
 (until June 30, 2013)
 JetBlue Airways Corporation, New York (USA)

Ralf Giesen, Hanover

Union Secretary of the Mining, Chemical and Energy Industrial Union (IG BCE)
 a) Altana AG

Prof. Barbara Grunewald, Bonn

(since March 11, 2013)
 Chair for Civil Law, Labor Law and Commercial Law at the University of Cologne

Ralf Hermann, Herten

Chairman of the Group Works Council of Evonik Industries AG
 b) RAG-Stiftung

Prof. Wolfgang A. Herrmann, Freising

President of Munich Technical University
 b) Bayerische Forschungsallianz GmbH
 (Chair)

Dieter Kleren, Wesseling
Chairman of the Works Council
for the Wesseling facilities

Steven Koltes, St. Moritz (Switzerland)
Co-Chairman CVC Capital Partners Group
b) Flint Group Holdings S.à r.l., Luxembourg
Flint Group Investments S.à r.l., Luxembourg
Flint Group S. A., Luxembourg

Dr. Siegfried Luther, Gütersloh
Former CFO of Bertelsmann AG
a) Schaeffler AG
Sparkasse Gütersloh

Jürgen Nöding, Duisburg
Chairman of the Central Works Council
of Evonik Services GmbH
a) Evonik Services GmbH

Norbert Pohlmann, Essen
Chairman of the Works Council
for the Goldschmidtstraße facilities
b) BKK Novitas

Dr. Wilfried Robers, Gescher
Chairman of the Group Executive Staff
Council of Evonik Industries AG
b) Pensionskasse Degussa VVaG

Michael Rüdiger, Utting am Ammersee
(since March 11, 2013)
Chairman of the Board of Management
of DekaBank Deutsche Girozentrale
a) Deutsche Landesbankzentrale AG
(Chair; until December 31, 2013)
b) Liquiditäts-Konsortialbank GmbH
(since March 18, 2013,
Chair since May 6, 2013)
Gesellschaft für Mittelstandskreditfonds
der Sparkassen-Finanzgruppe mbH,
(since November 16, 2013)

Ulrich Terbrack, Reinheim
Deputy Chairman of the Group Works Council
of Evonik Industries AG

Dr. Volker Trautz, Munich
Former Chairman of the Management Board
of LyondellBasell Holdings B.V.
a) Citigroup Global Markets Deutschland AG
Solar Tower Technologies AG
b) CERONA Companhia de Energia Renovável,
São Paulo (Brazil)
La Seda de Barcelona, Barcelona (Spain)
(until July 31, 2013)
OSF Merchant Banking, São Paulo (Brazil)

Dr. Christian Wildmoser, Savigny (Switzerland)
Managing Director of CVC Capital Partners
Switzerland GmbH
b) Flint Group Holdings S.à r.l., Luxembourg
Flint Group Investments S.à r.l., Luxembourg
Flint Group S.à r.l., Luxembourg

**The following gentlemen left
the Supervisory Board of Evonik Industries
on March 11, 2013:**

Dr. Hans Michael Gaul, Düsseldorf
Former member of the
Management Board of E.ON AG
a) BDO AG
HSBC Trinkaus & Burkhardt AG
Siemens AG

Christian Strenger, Frankfurt am Main
Former spokesperson for the
management of DWS Investment GmbH
a) DWS Investment GmbH
Fraport AG
(until May 31, 2013)
TUI AG
b) The Germany Funds, New York (USA)
(Chair)

a) Membership of other statutory supervisory boards.

b) Membership of comparable German and foreign supervisory bodies of business enterprises pursuant to Section 125
Paragraph 1 Sentence 5 of the German Stock Corporate Act (AktG).

Executive Board of Evonik Industries AG

Dr. Klaus Engel, Mülheim an der Ruhr

Chairman of the Executive Board

- a) NATIONAL-BANK AG
 - Vivawest Wohnen GmbH
(until July 4, 2013)
 - STEAG GmbH
- b) Vivawest GmbH*
 - (until July 4, 2013)
 - Universitätsklinikum Essen
(since January 21, 2013)

Dr. Thomas Haeblerle, Einhausen

(until December 31, 2013)

Responsible for the Resource Efficiency segment

- a) Evonik Services GmbH
(until December 31, 2013)
- b) Evonik Corporation
(until December 31, 2013)

Thomas Wessel, Herten

Chief Human Resources Officer

Responsible for Site Services

- a) Evonik Services GmbH
 - Industriepark Wolfgang GmbH (Chair)
(until September 30, 2013)
 - Infracor GmbH (Chair)
(until September 30, 2013)
 - Vivawest GmbH*
(Chair until July 5, 2013)
 - Vivawest Wohnen GmbH
(Chair until July 5, 2013)
- b) Gesellschaft zur Sicherung von Bergmannswohnungen mbH
Pensionskasse Degussa VVaG
THS GmbH
(until July 4, 2013)

Patrik Wohlhauser, Kelkheim

Responsible for the Consumer, Health & Nutrition segment

- b) Evonik Degussa Brasil Ltda.

Ute Wolf, Düsseldorf

(since October 1, 2013)

Chief Financial Officer

Responsible for Evonik Business Services

- a) Evonik Services GmbH (Chair)
(since October 1, 2013)
- STEAG GmbH
(since October 1, 2013)
- b) Advanced Metallurgical Group N. V. Amsterdam, Netherlands
(since May 3, 2013)
- Pensionskasse Degussa VVaG

Dr. Dahai Yu, Mülheim an der Ruhr

(until December 31, 2013)

Responsible for the Specialty Materials segment

- b) Evonik Japan Co., Ltd.
(until December 31, 2013)
- Evonik Korea Ltd.
(until December 31, 2013)
- Evonik (SEA) Pte. Ltd.
(until December 31, 2013)

The following gentleman left the Executive Board of Evonik Industries on September 30, 2013:

Dr. Wolfgang Colberg, Ratingen

Chief Financial Officer

Responsible for Evonik Business Services

- a) Evonik Services GmbH (Chair)
(until September 30, 2013)
- STEAG GmbH
(until September 30, 2013)
- Vivawest Wohnen GmbH
(until July 4, 2013)
- b) Pernod Ricard SA
THS GmbH
(until July 4, 2013)
- Vivawest GmbH*
(until July 4, 2013)

a) Membership of other statutory supervisory boards.

b) Membership of comparable German and foreign supervisory bodies of business enterprises pursuant to Section 125 Paragraph 1 Sentence 5 of the German Stock Corporate Act (AktG).

* Until August 23, 2013 defined as a comparable supervisory body pursuant to Section 125 Paragraph 1 Sentence 5 of the German Stock Corporation Act (AktG).

Market positions

T132 Market positions

| Product | Application | Global ranking ^a | Capacity in metric tons p. a. |
|---|---|-----------------------------|-------------------------------|
| Consumer Specialties | | | |
| Fat chemistry, quaternary derivatives | Fabric softeners | 1 | d |
| Amphoteric surfactants | Shampoos, shower gels | 1 | d |
| Ceramides, phytosphingosines | Cosmetics | 1 | d |
| Organically modified silicones | Additives for polyurethane foams, cosmetics, radiation-cured separation coatings | 1–2 | d |
| Superabsorbents | Diapers, feminine hygiene products, incontinence products, technical applications | 1–2 | 480,000 |
| Health & Nutrition | | | |
| Exclusive synthesis | Intermediates and active substances for pharmaceuticals and specialty applications | 2 | d |
| Pharmaceutical polymers | Drug delivery systems, e.g. tablet coatings | 2 | d |
| Amino acids and amino acid derivatives | Pharmaceutical intermediates and infusion solutions | 3 | d |
| DL-methionine | Animal nutrition | 1 | 430,000 |
| Inorganic Materials | | | |
| Organosilanes, chlorosilanes | Rubber, silicone rubber, paints and coatings, adhesives and sealants, building protection materials, pharmaceuticals, cosmetics, optical fibers | 1 ^b | 270,000 |
| Fumed silicas, fumed metal oxides, precipitated silicas, matting agents | Silicone rubber, paints and coatings, adhesives, sealants and plastics, pharmaceuticals, cosmetics, high-temperature insulation, electronics, reinforcement of rubber, consumer products, additives for the coatings and printing inks industry | 1 | 550,000 |
| Precious metal powder catalysts | Life sciences and fine chemicals, industrial chemicals | 1 | d |
| Activated nickel catalysts | Life sciences and fine chemicals, industrial chemicals | 2 | d |
| Coatings & Additives | | | |
| Organically modified silicones | Binders for paints and printing inks | 2 | d |
| Polyester resins | Can- and coil coating, reactive hot melt adhesives | 1 | d |
| Amorphous polyalphaolefins | Thermoplastic hot melt adhesives | 1 | d |
| Isophorone chemistry | Environment-friendly coating systems, high-performance composites (crosslinkers) | 1 | d |
| Oil additives | Viscosity index improvers | 1 | d |
| Thermoplastic and reactive methacrylate resins | Binders for paints and coatings | 1–2 | d |
| Performance Polymers | | | |

T132 Market positions

| Product | Application | Global ranking ^a | Capacity in metric tons p.a. ^b |
|--|--|-----------------------------|---|
| Polyamide 12 | High-performance specialty polymer applications (e.g. automotive, medical, sport, gas and offshore oil pipelines) | 1 | d |
| Methacrylate monomers | Dispersions, coatings, plastics, additives, adhesives, optical lenses | 1–2 | d |
| Methacrylate polymers (PMMA molding compounds and PMMA semi-finished products) | Construction materials for the automotive and electrical/electronics industries, specialty medical technology, architecture, design and communication applications | 1–2 | 400,000 |
| PEEK | Special applications in the oil and gas, automotive and aviation industries, electronics/semiconductors, specialty medical technology (e.g. implants) | 3 | 500 |
| Advanced Intermediates | | | |
| Alcoholates | Catalysts for biodiesel, pharmaceuticals, agrochemicals and other applications | 1 | >200,000 |
| Cyanuric chloride | Industrial applications and specialties (e.g. crosslinkers and optical brighteners), crop protection (especially in China) | 3 | 31,000 |
| Hydrogen peroxide | Bleaching of pulp and textiles, oxidation agent for the chemical industry, starting product for polyurethane | 2 | >850,000 |
| Butene-1 | Co-monomer for polyolefins | 1 ^c | 235,000 |
| Isononanol | Starting product for high-molecular plasticizers | 2 | 350,000 |
| DINP | High-molecular plasticizers for use in flexible PVC | 2 | 220,000 |

^a Evonik's assessment based on various individual market reports/information and in-house market research.^b Chlorosilanes: freely traded volumes. Overall assessment–market position differs depending on application.^c Freely traded volumes.^d No data available.

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Glossary

Technical terms

Accident frequency (occupational safety indicator)

Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 1 million working hours.

Amino acids

Amino acids are essential building blocks for proteins that are used in animal nutrition. As a result, livestock needs less feed. That also reduces excretion of nitrogen and other undigested nutrients, which improves the carbon footprint of livestock farming and reduces overfertilization of the soil. Evonik is the only company in the world that offers all four major essential amino acids for animal nutrition, i.e. methionine (MetAMINO®), threonine (ThreAMINO®), tryptophan (TrypAMINO®) and lysine (Biolys®). Evonik also produces amino acids and their derivatives in pharmaceutical quality for use in infusion solutions for parenteral nutrition, as starting products for animal cell cultures, and in the manufacture of active ingredients.

Biodiesel

These days, biodiesel is mainly produced from renewable raw materials. In many countries, it is already mandatory to add a proportion of biodiesel to mineral diesel fuel. Higher percentages are expected to improve climate protection and reduce dependence on imports. Evonik produces alcoholates which are used as catalysts for efficient high-yield production of biodiesel. Using Evonik's catalysts, biodiesel can be manufactured in a process that does not require water. That prevents contamination of the products, thus facilitating separation and processing.

C₄ chemistry

C₄ crack is a by-product of crude oil refining. It is produced when naphtha is split into ethylene and propylene in a steam cracker. The C₄ hydrocarbons contained in the resulting mixture are isolated, processed and placed on the market, for example, as butadiene for tires, butenane-1 for the

plastics industry. Isobutene is processed into methyl tertiary butylether (MTBE), which is used as an anti-knock agent in fuel. Evonik's integrated C₄ technology platform ensures excellent product yields. All hydrocarbons contained in C₄ crack are processed cost-effectively.

Cyclododecatriene (CDT)

CDT is a precursor for high-quality plastics, especially polyamide 12, which is used in many applications including fuel lines for vehicles, large-volume pipes for oil extraction, cable insulation, catheters in medical technology and precision injection molding parts such as pump wheels and valve housings for machinery and equipment.

Diversity

We define diversity not simply as the best possible balance between male and female employees, but also between different educational backgrounds, experience of working in different organizational units and functional areas, a broad age range and a variety of nationalities, in other words, diversity in all its facets.

HPPO process

In the hydrogen peroxide to propylene oxide (HPPO) process, the oxidative properties of hydrogen peroxide are used to produce propylene oxide from propylene. The advantages of this process are far lower capital investment, high production efficiency, and very good environmental compatibility because it does not generate any by-products apart from water. Evonik developed the HPPO process in collaboration with ThyssenKrupp Uhde GmbH.

Hydrogen peroxide

In the past, hydrogen peroxide was mainly used as a bleaching agent in the textile and pulp industries. The innovative hydrogen peroxide to propylene (HPPO) process has extended use of this environment-friendly oxidation agent to the direct synthesis of propylene oxide, which is an important precursor for polyurethane.

Incident frequency (plant safety indicator)

This indicator is based on the process safety performance indicator defined by the European Chemical Industry Council (Cefic). Analogously to the accident frequency indicator for occupational safety, it covers incidents involving the release of substances, fire or explosion, even if there is little or no damage. It is calculated from the number of incidents per 1 million working hours in the business units' production facilities.

Integrated technology platforms

Integrated technology platforms allow efficient use of product streams and thus high added value by utilizing by-products from one production process as starting products for others. That saves resources, reduces CO₂ emissions and leverages cost-efficiency. Examples of integrated technology platforms in the Evonik Group are isophorone and silicon.

Isophorone/isophorone diamine

Isophorone is used as a solvent in the paints and coatings industry. It is also used in the direct synthesis of isophorone diamine, which is mainly used as a curing agent for epoxy resin systems, for example for industrial floor coatings and composites.

Monomers

Monomers are low-molecular-weight molecules of similar structure that can react with each other to form polymers.

PEEK

Polyetherether ketones (PEEK) are partially crystalline high-performance polymers with outstanding mechanical properties and very good temperature resistance. In view of their exceptionally high mechanical, thermal and chemical properties, they are mainly used in functional components and assemblies in automotive engineering, aviation, electronics and medical products.

Plasticizers

Plasticizers are chemical compounds that make PVC plastics flexible. Alongside conventional products, Evonik markets phthalate-free plasticizers.

PMMA

Abbreviation for polymethylmethacrylate. This is a colorless polymer (acrylic glass) that can be colored in a range of shades. Properties: high light transmittance, good moldability, exceptionally high weather resistance. Applications: automotive and aviation engineering, architecture, lighting, design, electronics and communications technology. Best-known brand: PLEXIGLAS®, which is marketed as ACRYLITE® in the Americas. Form supplied: thermoplastic molding compounds, cast or extruded semi-finished goods (sheet, film, tubes, rods).

Polybutadienes

Polybutadienes are synthetic elastomers that are used, for example, in the automotive, electronics and construction sectors. Hydroxyl-terminated polybutadiene (HTPB) is mainly used in sealing compounds for insulated glazing and adhesives in automotive engineering.

Polyimides

Polyimide insulating foams are used in lightweight construction, for example, in aviation and aerospace applications. Uses of polyimide fibers range from filter media to remove particulates from hot flue gases in coal-fired power plants, waste incinerators and cement plants to flame-proof clothing, sealants and thermal insulating materials.

Polymers

Long-chain, short-chain or crosslinked molecules (macromolecules) produced from smaller molecules (monomers).

Polyurethane (PUR)

Polymers with excellent thermal and sound insulating properties and a very broad spectrum of applications. Flexible, foamed PUR is used for cushions, mattresses and interior trims. Applications for rigid PUR include automotive engineering, construction and refrigerators.

REACH

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is the European chemicals regulation.

Responsible Care

Responsible Care is a global initiative of the chemical industry. Its goals are a continuous improvement in health, safety and environmental performance. It therefore makes an important contribution to sustainability.

Shale gas

Shale gas is an "unconventional" gas. Reserves are trapped in clay-rich rock. Extraction is technically more challenging than extraction of conventional reserves of gas.

Silanes

The terms silanes refers to a group of chemical compounds, comprising silicon and hydrogen. Evonik produces three types of silanes:

- Functional silanes have a hydrocarbon functionality in addition to their basic silicon structure. They are used to produce high-performance additives that improve the properties of inorganic particles, resins and polymers. For example, they enhance the bonding properties of adhesives, make plastics heat-resistant, and add flame-retardant properties to cables.
- Sulfur-functional silanes have revolutionized the production of tires, where they are used with precipitated silicas to improve key properties such as rolling resistance and wet grip.
- Chlorosilanes are important precursors for the semiconductor and optical fiber sectors.

Silicas

Evonik manufactures both precipitated silicas using a wet route and fumed silicas which are produced by combustion. Silicas are also known as silicon dioxide. These ultra-fine particles are used in a wide range of fields, including the life sciences (pharmaceuticals and cosmetics), construction, adhesives and sealants, paints and coatings, furniture manufacture and electronics applications such as polishing computer chips and the production of toners for digital printing. They also play a key role in energy-saving tires with low rolling resistance ("green" tires).

Superabsorbents

Crosslinked polymers that are insoluble in water and can absorb and store large quantities of aqueous liquid through a mechanism that causes them to swell and form hydrogen gels. The liquid is not released even under pressure. Consequently, these polymers are mainly used in diapers. Special forms of superabsorbents are used in agriculture to regulate the moisture in soil. As well as absorbing large quantities of water, they can release it to the plants during dry periods.

World-scale facility

A large-scale production facility. World-scale facilities are often more economical because fixed costs per metric ton decline as output increases.

Financial and economic terms

Adjusted EBIT

Earnings before interest and taxes, after adjustments. Earnings parameter showing Evonik's operating earnings performance irrespective of the structure of its assets.

Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization, after adjustments. Earnings parameter showing Evonik's operating earnings performance irrespective of the structure of its assets and its investment profile. This is a cash flow-related parameter which is used in particular in the adjusted EBITDA margin to show the relationship to sales as a basis for comparison with competitors.

Adjustments

Evonik adjusts its operating earnings to take account of non-operating income and expense items that are one-off or by nature rare. Consequently, these items do not form part of adjusted EBIT and adjusted EBITDA. The adjustments mainly comprise income and expenses relating to the acquisition and divestment of business operations, impairment losses/reversals of impairment losses and restructuring expenses.

Compliance

Compliance refers to all activities to ensure that the conduct of the company, members of its governance bodies and its employees respect all applicable mandatory standards such as legal provisions, statutory provisions and prohibitions, in-house directives and voluntary undertakings entered into by Evonik.

Corporate governance

Corporate governance comprises all principles underlying the management and oversight of a company. As an expression of good and responsible management of the company, it is therefore a central element in a company's management philosophy. The principles of corporate governance relate mainly to collaboration within the Executive Board and Supervisory Board and between these two boards and the shareholders, especially at Shareholders' Meetings. They also relate to the company's relationship with other people and organizations with which it has business dealings.

CTA

Abbreviation for contractual trust arrangement. This is a model used by Evonik to transfer some of its pension obligations to a trust established especially for this purpose: Evonik Pensionstreuhand e. V., Essen (Germany). The assets transferred to this trust secure employees' pensions.

EVA®

Abbreviation for economic value added. Indicator used for value-oriented management of the Evonik Group. EVA® is calculated from the difference between adjusted EBIT and the cost of capital employed. If EVA® is positive, value is created.

Hedge accounting

This refers to accounting for hedging transactions and the associated hedged items as a single valuation unit. The purpose of hedge accounting is to synchronize the otherwise different periods in which the hedged item and hedge impact on earnings.

Hedging

Hedging is the strategy used to offset the exposure of business transactions to risks such as changes in exchange rates, interest rates and raw material prices. The company enters into an additional transaction whose profile is exactly opposite to the profile of the hedge transaction. Derivative financial instruments such as forward contracts, swaps and options are used as hedging instruments.

IFRS

Abbreviation for International Financial Reporting Standards. Since 2005 companies listed on stock exchanges in the European Union have been required to prepare consolidated financial statements in accordance with IFRS.

Rating

In the financial community, a rating is an assessment of the creditworthiness of a debtor. Ratings are generally awarded by specialized rating agencies. The probability of default is calculated on the basis of specific criteria and debtors are assigned to rating classes that are indicated by rating codes. Ratings are also awarded for corporate and government bonds. A rating indirectly affects the debtor's business activity. Normally a better rating enables a debtor to obtain favorable terms for borrowing.

ROCE

The return on capital employed is a measure of the profitability of capital employed. It is calculated by dividing adjusted EBIT by the average capital employed in the reporting period.

Stakeholders

In a corporate context, the term stakeholders refers to all natural or legal persons with an interest in the development of an enterprise. Stakeholders range from owners and employees through customers and suppliers to the state and general public.

Swaps, currency swaps, interest rate swaps

Derivative financial instruments used to hedge currency or interest rate risks by swapping cash flows. Currency swaps entail swapping payments in different currencies, while interest swaps comprise swapping fixed interest rates against variable rates.

Volatility

Volatility is a measure of the fluctuation in the price of traded goods, e.g. shares, currencies, interest rates, in a given period. It expresses the standard deviation of relative changes in prices over a given period (e.g. a year). The term is often used to denote the fluctuation in prices or interest rates on entire markets.

Credits

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