

HERE WE ARE! ●

INTERIM REPORT

JANUARY 1 TO MARCH 31, 2014

Q1 2014: A slow start to the year

- Further volume growth but lower selling prices
- Adjusted EBITDA at a solid level but well below the very good prior-year figure
- Clear improvement in cash flow from operating activities
- Agreement on restructuring the lithium-ion activities signed
- Outlook for 2014 confirmed



EVONIK
INDUSTRIES

Key data for the Evonik Group

Key data for the Evonik Group

in € million	1st quarter	
	2014	2013
Sales	3,201	3,212
Adjusted EBITDA ^a	463	606
Adjusted EBITDA margin in %	14.5	18.9
Adjusted EBIT ^b	316	464
EBIT	288	434
Income before financial result and income taxes, continuing operations	279	421
Net income	166	293
Earnings per share in €	0.36	0.63
Adjusted earnings per share in €	0.40	0.65
Cash flow from operating activities, continuing operations	322	184
Capital expenditures	209	178
Net financial assets/debt as on the balance sheet as of March 31	583	-1,137
Employees as of March 31	33,651	33,455

Prior-year figures restated.

a Earnings before interest, taxes, depreciation, and amortization, after adjustments.

b Earnings before interest and taxes, after adjustments.

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

Contents

Evonik in focus Q1 2014	3	Quarterly financial report	7
Evonik on the capital markets	4	Interim management report	8
Profile of Evonik	6	Interim financial statements	24
		Financial calendar	46
		Credits	46

Evonik in focus Q1 2014

Evonik and Daimler restructure lithium-ion activities

Daimler AG and Evonik have restructured their activities in the field of electric mobility in Kamenz and Kirchheim unter Teck (Germany) in response to altered market conditions. Evonik has sold its 50.1 percent interest in Li-Tec Battery GmbH and its 10 percent stake in Deutsche Accumotive GmbH & Co. KG to Daimler AG, making it the sole owner of these two companies. The parties agreed not to divulge details of the agreement, which was concluded at the end of March 2014.

Evonik is investing in an innovative methionine source for shrimp

Evonik is building the world's first production plant for AQUAVI® Met-Met in Antwerp (Belgium). This new source of methionine has been specially developed for shrimp and other crustaceans and is added to the feed used in aquaculture. The plant, which will be operated by the Health &



Nutrition Business Unit, is scheduled come on stream at the end of 2015. Investment will be in the lower double-digit million euro range. AQUAVI® Met-Met is an ideal addition to our product portfolio for aquaculture and opens up new growth prospects for Evonik. We will initially be marketing it for shrimp and crustaceans. Use with other species will follow.

New production facility for ROHACELL®

Evonik has successfully started operation of a new production facility for ROHACELL® structural foam at its site in Darmstadt (Germany) following investment of approximately €6 million. This new facility for



the Performance Polymers Business Unit increases polymerization capacity at the site by about 50 percent in response to rising demand. ROHACELL® is an extremely robust structural foam used as a core material in heavy-duty sandwich structures for the aviation, aerospace and automotive industries and lifestyle applications. For example, it is used in components for the Airbus A340 and A380 and in the manufacture of rotor blades for helicopters.



Evonik consolidates its global market leadership in functional silanes

At the end of February 2014, Evonik acquired Silbond Corporation, Weston (Michigan, USA), a specialized supplier of silicic acid esters (TEOS). This strengthens our leadership in silanes and improves our technology and cost position. The purchase price was in the mid double-digit million euro range. Silicic acid esters are a special group of functional silanes used in a wide variety of high-growth applications, for example, in the electronics industry. The acquisition opens the door for our Inorganic Materials Business Unit to supply TEOS from local production, especially to customers in North America, and to participate in future growth in the market for silicic acid esters.

Stoko® Professional Skin Care business sold to Deb Group

In mid-March 2014, Evonik signed an agreement to divest its global line of skin-care activities for professionals, bundled under the Stoko® Professional Skin Care brand, to the Deb Group of the UK, the world leader in skin care regimes for the workplace and public environments. This opens up further growth prospects for the Stoko® product line, which was previously part of the Consumer Specialties Business Unit. Details of the agreement have not been disclosed.

Evonik on the capital markets

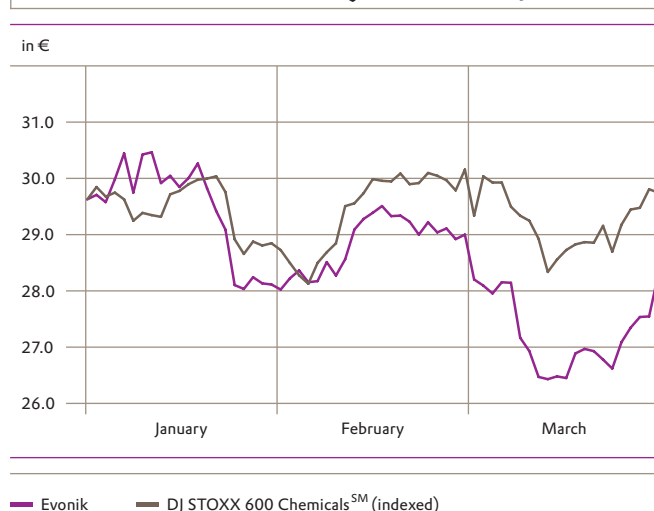
Share price performance

In the first few weeks of January 2014, Evonik shares continued the upward trend seen at the end of 2013. Having started the year at €29.61 on January 2, the share price subsequently rose above the €30 mark several times. The Q4 and full-year results for 2013, which were published on

March 7, 2014, were in line with capital market expectations. They were therefore well-received and our share proved robust on this date, despite the negative market environment.

In the second half of March the share price dropped to between €26 and €27. This was caused partly by the revision of analysts' expectations for Evonik in 2014, and partly by the fact that equity markets around the world were affected by the Crimea crisis and fears that the Chinese economy could be cooling. The share price recovered at the end of the month and ended the first quarter of 2014 at €28.28. Overall, the share price declined by 4.6 percent in the first three months of this year, while the MDAX and DJ STOXX 600 ChemicalsSM slipped 0.7 percent and 1.0 percent respectively.

Performance of Evonik shares Jan. 1 – Mar. 31, 2014



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, an increase of €0.08 or 9 percent compared with the previous year. We are therefore offering a dividend yield of over 3 percent, which is among the highest in the chemical industry. Dividend continuity is an important objective for us. Evonik intends to pay an attractive dividend to its shareholders in the future too.

Key data

Jan. 1 – Mar. 31, 2014	
Highest share price ^a in €	30.45
Lowest share price ^a in €	26.40
Average price ^a in €	28.50
Closing price ^a on March 31, 2014 in €	28.28
No. of shares	466,000,000
Market capitalization ^a on March 31, 2014 in € billion	13.18
Average daily trading volume ^a No. of shares	183,589

^a Xetra trading.

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

Reporting on the fourth quarter attracted much attention

Alongside investors' conferences at the start of the year, our investor relations activities in the period January to March 2014 focused principally on reporting on fiscal 2013 and the fourth quarter of the year. The subsequent roadshows to financial centers in Europe attracted a good deal of interest. Overall, we registered around 100 contacts with investors in the first quarter of 2014.

Further increase in coverage

Two further analysts initiated coverage of Evonik in the reporting period. Our stock is now covered by 19 analysts. Eight of them rated Evonik as a buy, three put it on sell and eight issued hold recommendations. Their price targets ranged from €23 to €34. The median at the end of the quarter was €31.20.

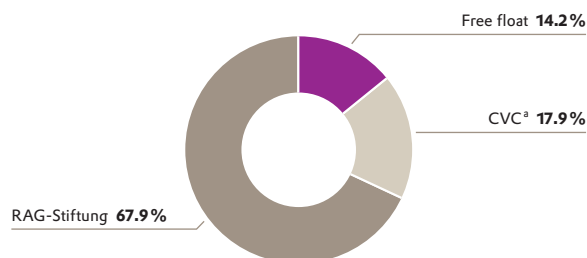
Shareholder structure unchanged

Our largest shareholders in the reporting period were still RAG-Stiftung, with a shareholding of 67.9 percent of the capital stock, and funds advised by CVC Capital, with an indirect shareholding of 17.9 percent. The free float was 14.2 percent.

Employee share program launched

To enable our employees to share in the success of the company and strengthen the focus on the capital markets, Evonik launched the Share.2014 employee share program in March. We reported regularly on our Investor Relations website on the repurchase of shares for this purpose.

Shareholder structure



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

Moody's confirms its rating

On March 28, 2014 the international rating agency Moody's confirmed our Baa2 rating (outlook: positive). Moody's specifically highlighted the backward integration of our production processes and our above-average profitability. Further, it stressed the strong debt reduction of around €3.1 billion resulting from the divestment of the majority shareholding in our real estate company Vivawest. Our current rating from Standard and Poor's is BBB+ with a stable outlook. Evonik therefore has sound investment-grade ratings. Maintaining these is a central element in our financial strategy.

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: PHONE +49 201 177-3146

 investor-relations@evonik.com

Profile of Evonik

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 megatrends, 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. Our operations are grouped in three segments, each of which has two business units.

Consumer, Health & Nutrition

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



Resource Efficiency

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



Specialty Materials

The heart of the Specialty Materials segment is the production of polymer materials and their preproducts, and additives. It comprises the Performance Polymers and Advanced Intermediates Business Units.



Services

This segment principally comprises site services and business services. It mainly provides services for Evonik's specialty chemicals segments and Corporate Center, but also serves third parties.



QUARTERLY FINANCIAL REPORT 1ST QUARTER 2014

Interim management report	8	Interim financial statements	24
1. Business conditions and performance	8	Income statement	24
1.1 Economic background	8	Statement of comprehensive income	25
1.2 Business performance	8	Balance sheet	26
1.3 Segment performance	12	Statement of changes in equity	28
2. Earnings, financial and asset position	18	Cash flow statement	30
2.1 Earnings position	18	Notes	32
2.2 Financial and asset position	19	1. Segment report	32
3. Research & development	21	2. General information	34
4. Employees	22	3. Accounting policies	34
5. Opportunity and risk report	22	4. Changes in the Group	36
6. Events after the reporting date	22	5. Notes to the income statement	39
7. Expected development	23	6. Notes to the balance sheet	40
		7. Notes on the segment report	41
		8. Other disclosures	42

Interim management report as of March 31, 2014

1. Business conditions and performance

1.1 Economic background

As expected, the **overall global economic situation** stabilized further in the first quarter of 2014. Global growth continued the sustained upward trend that started in mid-2013, despite some headwind from the political situation in the Ukraine, the cold winter in the USA and persistent pressure on exchange rates and share prices in the emerging markets.

In particular Europe and Germany, which are especially important regions for Evonik, registered a further slight recovery. Although economic growth in North America was held back by the extreme winter weather, it was nevertheless still good.

Worldwide, the development of Evonik's **end-customer industries** was more dynamic in the first quarter of 2014 than a year earlier. As anticipated, output increased considerably year-on-year. In Europe, and especially Germany, favorable weather conditions in the first two months provided additional upward impetus in some end-customer industries.

However, the positive demand situation in the first quarter only had a limited effect on prices in the various end-customer industries. Most prices remained at the low levels seen in the second half of 2013 and were therefore far lower than in the first quarter of 2013.

Despite mounting geopolitical tension, in the first quarter of 2014 Evonik's average **raw material prices** only increased slightly from the low level recorded in the fourth quarter of 2013.

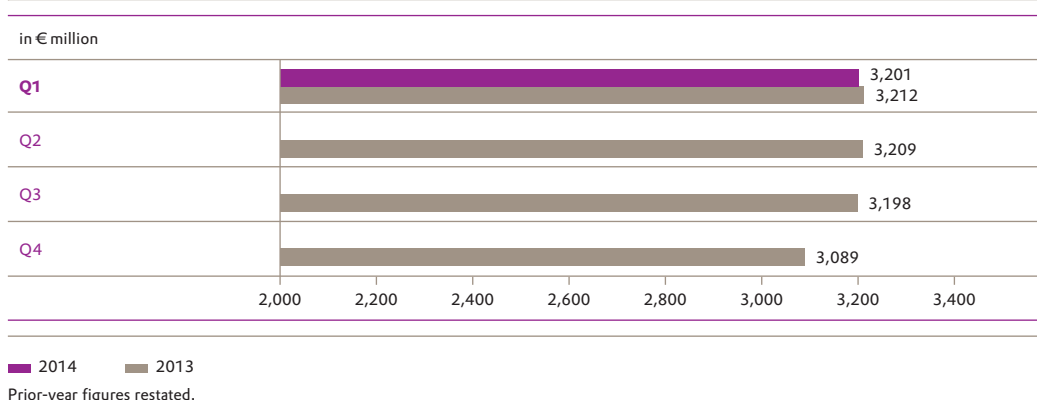
1.2 Business performance

Significant event

At the end of March 2014 we reached agreement with Daimler AG on restructuring our lithium-ion activities. This entails the sale of our 50.1 percent interest in Li-Tec Battery GmbH and the 10 percent stake in Deutsche Accumotive GmbH & Co. KG to Daimler AG, which will then be the sole owner of both companies. The shares will probably be transferred in the second quarter of 2014. In view of the planned exit from these activities, we reclassified our **lithium-ion business** to discontinued operations in September 2013. The revaluation of assets and provisions in connection with this agreement resulted in income after taxes of €21 million in the first quarter of 2014.

Business performance in Q1 2014

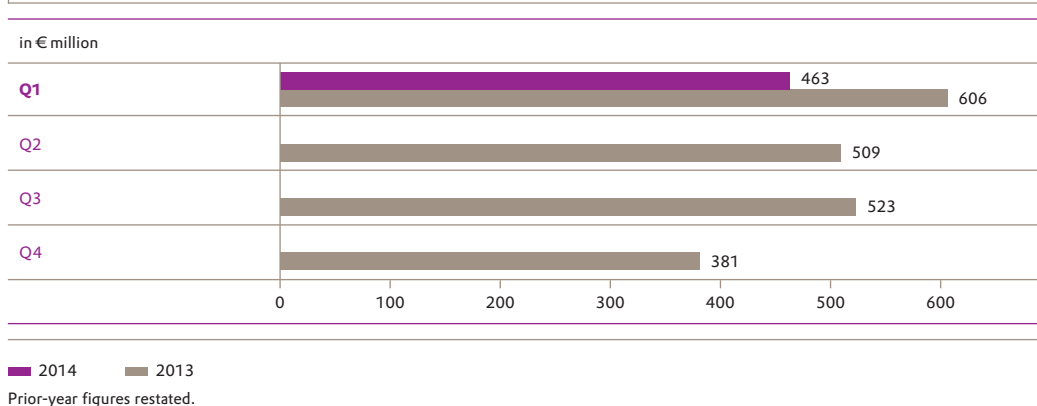
Further strong demand for our products was registered in the first quarter of 2014 in a somewhat more positive economic environment. As a consequence of the challenging market conditions for some important products, selling prices remained well below the very high level of the first quarter of 2013, although they did improve slightly compared with year-end 2013. Overall, sales were virtually unchanged and we can report solid adjusted EBITDA. Nevertheless, adjusted EBITDA was considerably lower than in the first quarter of 2013, which was by far the strongest quarter of the year.

Sales by quarters

The Evonik Group's sales were €3,201 million, in line with the previous year. Higher demand enabled us to achieve slight organic growth of 1 percent despite erosion of selling prices. Adverse currency effects clipped sales by 1 percentage point.

Year-on-year change in sales

in %	1st quarter 2014
Volumes	5
Prices	-4
Organic sales growth	1
Exchange rates	-1
Other effects	0
Total	0

Adjusted EBITDA by quarters

Adjusted EBITDA was €463 million, 24 percent below the very good figure for the prior-year period due to the drop in selling prices. The adjusted EBITDA margin therefore declined from 18.9 percent to 14.5 percent.

Statement of income

in € million	1st quarter		
	2014	2013	Change in %
Sales	3,201	3,212	0
Adjusted EBITDA	463	606	-24
Depreciation and amortization	-147	-142	
Adjusted EBIT	316	464	-32
Adjustments	-28	-30	
thereof attributable to			
<i>Restructuring</i>	-5	-5	
<i>Impairment losses/reversals of impairment losses</i>	-18	-	
<i>Acquisition/divestment of shareholdings</i>	-	-	
<i>Other</i>	-5	-25	
Net interest expense	-76	-66	
Income before income taxes, continuing operations	212	368	-42
Income taxes	-63	-85	
Income after taxes, continuing operations	149	283	-47
Income after taxes, discontinued operations	21	7	
Income after taxes	170	290	-41
thereof attributable to non-controlling interests	4	-3	
Net income	166	293	-43
Earnings per share in €	0.36	0.63	-43

Prior-year figures restated.

Adjusted EBIT dropped 32 percent to €316 million, principally as a consequence of lower selling prices.

The **adjustments** of minus €28 million mainly relate to changes in the valuation of the 49 percent stake in STEAG GmbH, which is recognized at equity. In this connection, an impairment loss of €18 million was taken on the carrying amount of this investment. At the same time, the pro rata guaranteed dividend was recognized in income. Overall, this resulted in expense of €6 million. In addition, the adjustments contain restructuring expenses of €5 million. The prior-year figure of minus €30 million mainly comprised expenses in connection with recognition of the put and call options for the STEAG shares.

Net interest expense was €76 million and contained interest expense of €24 million in connection with one-off factors relating to the establishment of provisions. If these are factored out, there was a considerable year-on-year improvement, chiefly because of the repayment of the Evonik Degussa bond in December 2013. **Income before income taxes, continuing operations** was 42 percent lower at €212 million. The income tax ratio was in line with the expected level at 30 percent.

Income after taxes, discontinued operations¹ was €21 million. This item reflects the lithium-ion business and was mainly connected with the divestment agreement. The weak operating performance and the impact of one-off factors on interest expense reduced **net income** to €166 million.

Reconciliation to adjusted net income

in € million	1st quarter		
	2014	2013	Change in %
Income before financial result and income taxes^a	279	421	-34
Result from investments recognized at equity	9	7	
Other financial income	-	6	
EBIT	288	434	-34
Adjustments	28	30	
Adjusted EBIT	316	464	-32
Adjusted net interest	-52	-66	
Adjusted income before income taxes^a	264	398	-34
Adjusted income taxes	-74	-90	
Adjusted income after taxes^a	190	308	-38
thereof adjusted income attributable to non-controlling interests	3	3	
Adjusted net income^a	187	305	-39
Adjusted earnings per share^a in €	0.40	0.65	-39

Prior-year figures restated.

^a Continuing operations.

Adjusted net income, which reflects the operating performance of the continuing operations, dropped 39 percent to €187 million in the first quarter of 2014. **Adjusted earnings per share** decreased from €0.65 to €0.40.

Efficiency enhancement programs

Systematic implementation of the On Track 2.0 efficiency enhancement program introduced in 2012 is proceeding well. Measures with annual savings potential of around €300 million out of the target of €500 million set for year-end 2016 are now being implemented. The additional Administration Excellence program launched in fall 2013 to optimize the quality of our Group-wide administration processes is also on schedule. This program should leverage savings of up to €250 million a year by the end of 2016. Initial organizational changes were made in 2013 and further optimization is currently being worked out in detail. Implementation of these measures will start in the second half of 2014, and the majority will be implemented in 2015 and 2016.

¹ See Note 4.3.

1.3 Segment performance

Consumer, Health & Nutrition segment

- Higher volumes, lower selling prices
- Adjusted EBITDA below the high prior-period level
- Adjusted EBITDA margin 19.1 percent, below the very good prior-period figure

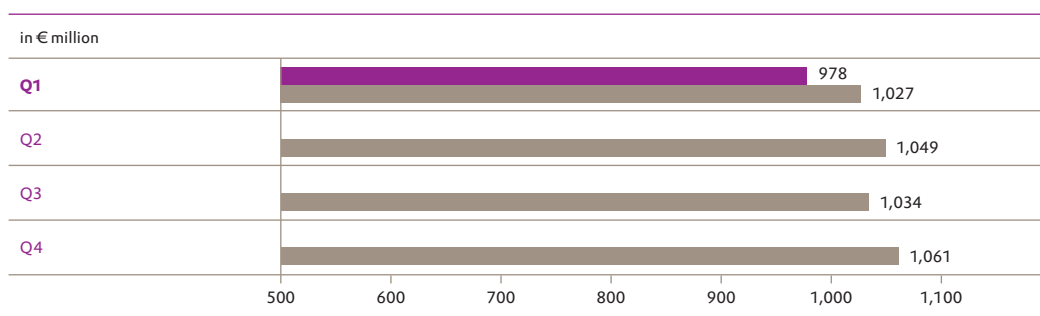
Key data for the Consumer, Health & Nutrition segment

in € million	1st quarter		Change in %
	2014	2013	
External sales	978	1,027	-5
Consumer Specialties Business Unit	525	545	-4
Health & Nutrition Business Unit	453	482	-6
Adjusted EBITDA	187	281	-33
Adjusted EBITDA margin in %	19.1	27.3	-
Adjusted EBIT	150	245	-39
Capital expenditures	81	61	33
Employees as of March 31	7,144	6,878	4

Prior-year figures restated.

The Consumer, Health & Nutrition segment's sales dropped 5 percent to €978 million. Excluding negative currency effects, this segment posted a slight organic sales drop as selling prices declined despite higher volumes. Adjusted EBITDA was 33 percent below the high prior-period level at €187 million due to lower selling prices and start-up expenses for new production capacity. The adjusted EBITDA margin was 19.1 percent, down from the previous year's very good level of 27.3 percent.

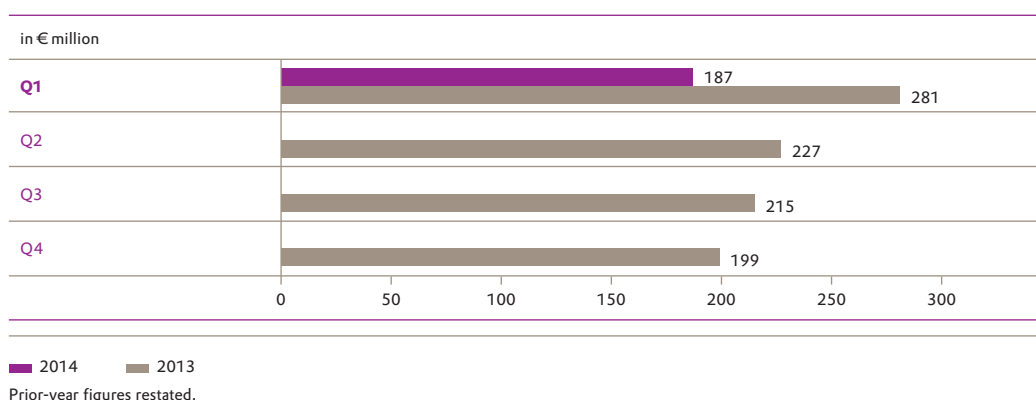
Sales for the Consumer, Health & Nutrition segment



■ 2014 ■ 2013

Prior-year figures restated.

Adjusted EBITDA for the Consumer, Health & Nutrition segment



Consumer Specialties

Sales decreased by 4 percent to €525 million in the Consumer Specialties Business Unit. While volume sales of superabsorbents were below the very high level recorded in the first quarter of 2013, almost all other products posted a very pleasing trend. Adjusted EBITDA fell short of the prior-year level, mainly as a result of higher fixed costs and start-up expenses in connection with growth-driven investments.

Health & Nutrition

In the Health & Nutrition Business Unit sales contracted by 6 percent to €453 million. Sales revenues from amino acids for animal nutrition were lower despite higher demand. The main cause of this was a drop in selling prices compared with the high prior-period level. Business with products for the healthcare sector was impaired by the postponement of development projects. The drop in this segment's adjusted EBITDA was principally attributable to lower prices than in the excellent prior-period quarter.

Resource Efficiency segment

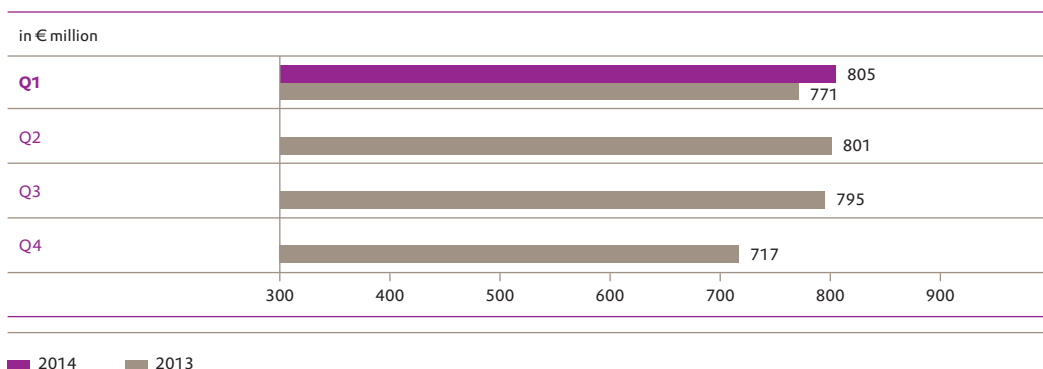
- Rising demand and virtually stable selling prices
- Higher adjusted EBITDA
- Adjusted EBITDA margin improved to a very good 23.5 percent

Key data for the Resource Efficiency segment

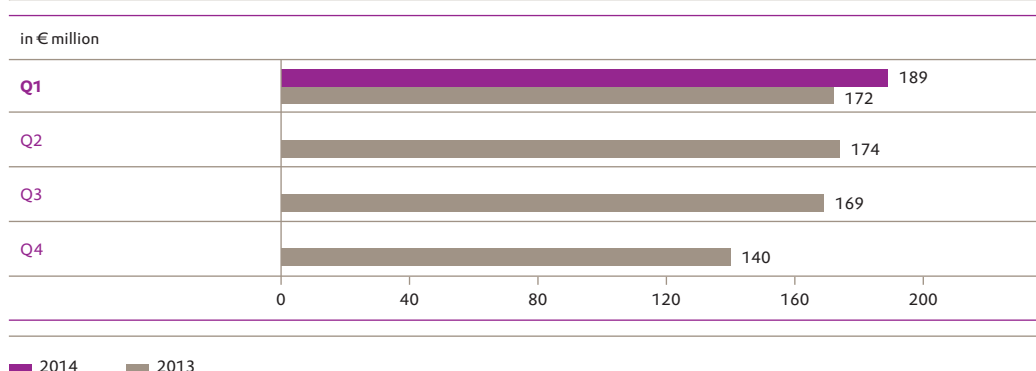
in € million	1st quarter		Change in %
	2014	2013	
External sales	805	771	4
Inorganic Materials Business Unit	366	361	1
Coatings & Additives Business Unit	439	410	7
Adjusted EBITDA	189	172	10
Adjusted EBITDA margin in %	23.5	22.3	–
Adjusted EBIT	160	143	12
Capital expenditures	44	37	19
Employees as of March 31	5,933	5,806	2

Sales in the Resource Efficiency segment grew 4 percent to €805 million. Virtually stable selling prices and a substantial hike in volumes led to clear organic sales growth, but this was reduced by negative currency effects. Adjusted EBITDA rose 10 percent to €189 million and the adjusted EBITDA margin improved from 22.3 percent in the prior-year period to 23.5 percent.

Sales for the Resource Efficiency segment



Adjusted EBITDA for the Resource Efficiency segment



Inorganic Materials

The Inorganic Materials Business Unit grew sales slightly to €366 million, driven by higher volumes and a slight improvement in selling prices, with a negative effect coming from exchange rates. In particular, the silica and silanes business benefited from strong demand from the automotive and coating industries, enabling it to post higher sales. Matting agents for paints and coatings also did well. Adjusted EBITDA improved thanks to the increase in volume sales and high capacity utilization.

Coatings & Additives

This business unit's sales rose 7 percent to €439 million. Strong demand from the automotive, coatings and construction sectors generated clear volume growth, especially in crosslinkers and oil additives. Adjusted EBITDA therefore increased.

Specialty Materials segment

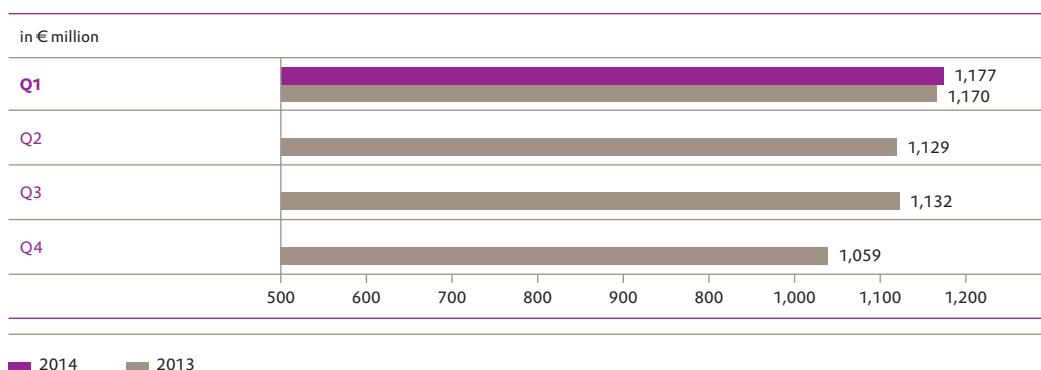
- Higher volumes, lower selling prices
- Adjusted EBITDA well below the good prior-period level
- Adjusted EBITDA margin slipped to 9.4 percent

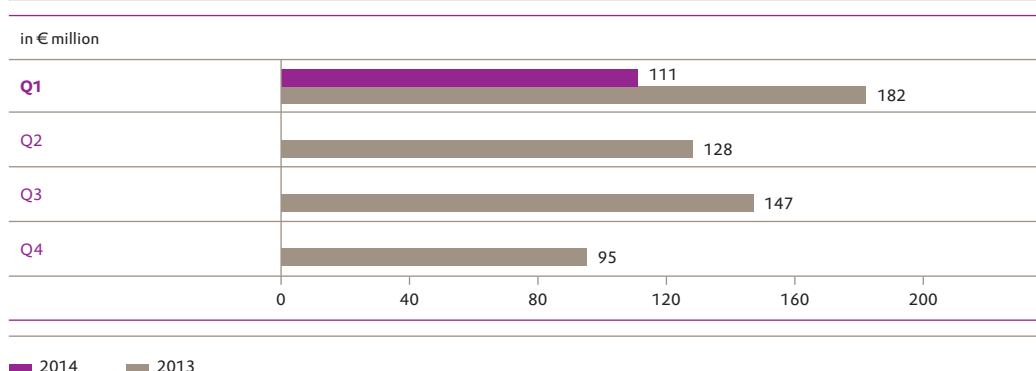
Key data for the Specialty Materials segment

in € million	1st quarter		
	2014	2013	Change in %
External sales	1,177	1,170	1
Performance Polymers Business Unit	461	443	4
Advanced Intermediates Business Unit	716	727	-2
Adjusted EBITDA	111	182	-39
Adjusted EBITDA margin in %	9.4	15.6	-
Adjusted EBIT	72	145	-50
Capital expenditures	56	50	12
Employees as of March 31	6,318	6,229	1

The Specialty Materials segment lifted sales by 1 percent to €1,177 million. Excluding exchange rate effects, the segment achieved slight organic sales growth. There was a pleasing increase in volumes but product prices dropped considerably. Adjusted EBITDA was €111 million, well below the high year-back figure, mainly due to lower selling prices. The adjusted EBITDA margin was 9.4 percent, down from 15.6 percent in the first quarter of 2013.

Sales for the Specialty Materials segment



Adjusted EBITDA for the Specialty Materials segment**Performance Polymers**

Sales grew 4 percent to €461 million in the Performance Polymers Business Unit. In particular, polyamide 12 products benefited from rising demand. Demand for methacrylates was solid in Europe and North America, but selling prices came under pressure from overcapacity in Asia and persistently weak demand from southern Europe. Adjusted EBITDA was down year-on-year, partly because of higher raw material costs.

Advanced Intermediates

Sales in the Advanced Intermediates Business Unit declined by 2 percent to €716 million. Far lower selling prices for performance intermediates (C₄ chemistry), especially butadiene, were largely offset by strong volume growth in virtually all products. Adjusted EBITDA fell far short of the good prior-year figure due to the drop in selling prices.

Services segment

Key data for the Services segment

in € million	1st quarter		
	2014	2013	Change in %
External sales	207	204	1
Adjusted EBITDA	51	54	-6
Adjusted EBITDA margin in %	24.6	26.5	-
Adjusted EBIT	28	32	-13
Capital expenditures	22	21	5
Employees as of March 31	12,316	12,046	2

Prior-year figures restated.

The Services segment's sales totaled €651 million. Internal sales accounted for €444 million of the total. External sales were up slightly year-on-year at €207 million, while adjusted EBITDA fell slightly to €51 million. This was partly due to scheduled maintenance work at one of our power plants in Marl (Germany).

2. Earnings, financial and asset position

2.1 Earnings position

Sales were virtually unchanged year-on-year at €3,201 million as the increase in volumes was canceled out by lower selling prices and adverse currency effects. As a result of the increase in sales volume, the cost of sales increased 3 percent to €2,314 million. The **gross profit on sales** therefore decreased by 8 percent to €887 million. Selling and administrative expenses were €466 million, around the same level as in the previous year. To strengthen our innovative capability still further, we raised spending on research and development by 7 percent to €98 million.

Other operating income totaling €173 million mainly includes income from the measurement of derivatives (€68 million) and from currency translation of monetary assets and liabilities (€43 million). The €116 million year-on-year decline in other operating income was caused principally by lower income from currency translation of monetary assets and liabilities and the fact that the prior-year figure included the reversal of provisions. The other operating expenses of €217 million comprised €64 million relating to the measurement of derivatives, €59 million relating to currency translation of monetary assets and liabilities, and €18 million relating to impairment losses on the carrying amount of the investment in STEAG. The decline of €58 million compared with the first quarter of 2013 was mainly due to lower expenses in connection with the first two of these items. **Income before financial result and income taxes, continuing operations** was €279 million, 34 percent below the corresponding prior-year figure.

The **financial result** declined to minus €67 million. This figure includes interest expense of €24 million relating to one-off factors in connection with the establishment of provisions. Income before income taxes, continuing operations declined 42 percent to €212 million. After deduction of the lower income taxes, **income after income taxes, continuing operations** was €149 million, 47 percent less than in the prior-year quarter.

The **income after taxes, discontinued operations**¹ amounting to €21 million related to the lithium-ion business, and was mainly connected with the divestment agreement. Overall, the **net income** of the Evonik Group dropped to €166 million as a result of the weaker operating performance and the impact of one-off factors on interest expense.

2.2 Financial and asset position

Financial debt was €1,647 million on March 31, 2014, €41 million higher than at year-end 2013. Financial assets also increased (€53 million), so the **net financial assets** as stated on the balance sheet improved by €12 million to €583 million.

Net financial assets

in € million	Mar. 31, 2014	Dec. 31, 2013
Non-current financial liabilities	-634	-627
Current financial liabilities	-1,013	-979
Financial debt^a	-1,647	-1,606
Cash and cash equivalents	1,575	1,527
Current securities	639	635
Other financial assets	16	15
Financial assets^a	2,230	2,177
Net financial assets as stated on the balance sheet	583	571
Net financial assets, discontinued operations	14	18
Net financial assets (total)	597	589

Prior-year figures restated.

^a Excluding derivatives.

¹ See Note 4.3.

Cash flow statement (excerpt)

in € million	1st quarter	
	2014	2013
Cash flow from operating activities, continuing operations	322	184
Cash flow from operating activities, discontinued operations	-7	4
Cash flow from operating activities	315	188
Cash flow from investing activities, continuing operations	-283	150
Cash flow from investing activities, discontinued operations	-1	3
Cash flow from investing activities	-284	153
Cash flow from financing activities, continuing operations	16	-503
Cash flow from financing activities, discontinued operations	-	-
Cash flow from financing activities	16	-503
Change in cash and cash equivalents	47	-162

Prior-year figures restated.

The **cash flow from operating activities, continuing operations** increased by €138 million to €322 million. The drop in income before depreciation, amortization, financial result and income taxes was more than offset, mainly by lower growth in net working capital and lower income tax payments. The cash outflow for operating activities, discontinued operations was €7 million, compared with a cash inflow of €4 million in the previous year. Overall, the cash flow from operating activities increased by €127 million to €315 million.

The cash outflow for investing activities, continuing operations was €283 million, mainly for capital expenditures on property, plant and equipment and for investments in shareholdings. In the prior-year period, outflows for capital expenditures were more than offset by inflows from the sale of securities, resulting in a net cash inflow of €150 million. Together with the corresponding cash flow from the discontinued operations, there was a cash outflow of €284 million for investing activities in the first quarter of 2014, compared with an inflow of €153 million in the prior-year period.

The cash flow from financing activities comprised an inflow of €16 million. In the prior-year period, the dividend payment of €429 million for 2012 resulted in a total cash outflow of €503 million. The dividend of €1.00 per share for 2013 will be paid after the resolution by the Annual Shareholders' Meeting on May 20, 2014.

Capital expenditures increased 17 percent to €209 million. 39 percent of capital expenditures were allocated to the Consumer, Health & Nutrition segment, 27 percent to the Specialty Materials segment, and 21 percent to the Resource Efficiency segment. The Inorganic Materials Business Unit, which has been raising global capacity for precipitated silicas since 2010, opened an extended production facility in Rayong (Thailand) in mid-March 2014. Growth in South-East Asia is driven principally by tires that reduce fuel consumption and life-science applications. The Coatings & Additives Business Unit is completing new production facilities for isophorone and isophorone diamine in Shanghai (China). Investment in these plants amounts to more than €100 million. Isophorone chemicals increase the lifecycle of, for example, heavy-duty surfaces, and also facilitate environment-friendly coating technologies.

Investment in **financial assets** increased to €42 million and mainly comprises the acquisition of Silbond Corporation, Weston (Michigan, USA), a specialized supplier of silicic acid esters (TEOS). Silicic acid esters are a special group of functional silanes used in a wide variety of high-growth applications, for example, in the electronics industry. The acquisition opens the door for our Inorganic Materials Business Unit to supply TEOS from local production, especially to customers in North America, and to participate in future growth in the market for silicic acid esters.

Total assets were €16.4 billion as of March 31, 2014, €0.5 billion higher than at year-end 2013. Non-current assets increased by €0.3 billion to €10.1 billion. Current assets rose slightly to €6.3 billion as trade accounts receivable were higher. Equity decreased by €0.3 billion to €6.5 billion, principally due to the reduction in the discount rate for pension provisions¹. The equity ratio therefore declined from 43.0 percent to 39.9 percent.

3. Research & development

Our intensive research and development endeavors continued in the first quarter of 2014 and R&D expenses increased 7 percent to €98 million.

The Performance Polymers Business Unit launched CYROLITE® Protect 2, the second product in its new range of **PMMA molding compounds with antimicrobial properties**. Products from the CYROLITE® Protect product line are used in medical devices. Their antimicrobial capabilities relate to a wide range of different micro-organisms commonly found in medical institutions. For example, they can prevent hospital-acquired infections.

In recent years, the Health & Nutrition Business Unit has been working on a new **source of methionine** specifically for shrimp and crustaceans. This innovative product is now being scaled up for industrial production: Evonik is building the world's first production plant for AQUAVI® Met-Met in Antwerp (Belgium). This plant is scheduled for completion by year-end 2015 and investment is in the lower double-digit million euro range. AQUAVI® Met-Met is added to the feed used in aquaculture. It reduces consumption of expensive fishmeal and improves water quality by raising the efficiency of the feed. AQUAVI® Met-Met therefore makes an important contribution to the sustainability of aquaculture. Evonik is already the market leader in amino acids as additives for fish feed, especially for salmonids (salmon, trout). AQUAVI® Met-Met gives us access to an attractive new market for shrimp and crustaceans. Over the past ten years there has been double-digit growth in market volume and further dynamic growth is expected for the future.

¹ See Note 6.

4. Employees

As of March 31, 2014, the Evonik Group had 33,651 employees. 33,059 of them were employed in the continuing operations, an increase of 64 compared with year-end 2013.

Employees by segment

	Mar. 31, 2014	Dec. 31, 2013
Consumer, Health & Nutrition	7,144	7,150
Resource Efficiency	5,933	5,854
Specialty Materials	6,318	6,268
Services	12,316	12,192
Other operations	1,348	1,531
Continuing operations	33,059	32,995
Discontinued operations	592	655
Evonik	33,651	33,650

5. Opportunity and risk report

As an international Group with a diversified portfolio of specialty chemicals, Evonik is exposed to a wide range of **opportunities** and **risks**. The risk categories and principal individual opportunities and risks relating to our earnings, financial and asset position, and the structure of our risk management system are described in detail in the opportunity and risk report for 2013.

With the economic situation remaining uncertain, we regularly and systematically monitor and analyze the markets, sectors and growth prospects of relevance for our segments. Based on current price trends in our Consumer, Health & Nutrition and Specialty Materials segments, we see fewer opportunities for the current year than in our assessment at the end of 2013, while the risk situation is unchanged. As in the past, there are no risks that could jeopardize the continued existence of the Evonik Group. Looking at material individual companies, the risk situation for our lithium-ion business has declined considerably following the agreement to sell our shares in Li-Tec Battery GmbH to Daimler AG.

6. Events after the reporting date

No material events have occurred since the reporting date.

7. Expected development

Looking at the **global economic background**, we still expect global growth to be higher in 2014 than in 2013. Alongside the stepwise recovery in Europe, there are some challenges, especially in the emerging markets, and increasing risk comes from geopolitical tension, above all in the Ukraine. Despite the continued upturn in demand and the resulting volume growth, the decline in producer prices observed in 2013 will not be reversed in all end-customer industries in 2014.

The expected cyclical recovery occurred at the start of this year, especially in Europe and Germany, which are significant for our volume sales. As anticipated, in the first quarter of 2014 the pace of growth declined further in the emerging markets, especially China. We therefore only expect these regions to make a slight contribution to the recovery of the global economy.

We are sticking to the forecast we made at the start of this year for global economic conditions in 2014 as a whole. Our forecast is still based on the following assumptions:

- Global growth: 3.3 percent
- Euro/US dollar exchange rate: US\$1.35
- Price of Brent crude: US\$100

Based on these overall economic conditions, we are reiterating our **outlook** for the full year. We still anticipate that sales will rise slightly (2013: €12.7 billion¹) and that adjusted EBITDA will be between €1.8 billion and €2.1 billion (2013: €2.0 billion).

The positive volume trend should continue, driven by the completion of our first growth investments. For some major business activities we still assume that in 2014 selling prices will be below the average for 2013 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 program to optimize administrative structures. Downside factors could result from ramp-up expenses for growth investments and negative currency effects.

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.

¹ Restated for IFRS II Joint Arrangements.

Consolidated interim financial statements as of March 31, 2014

Income statement

Income statement for the Evonik Group

in € million	1st quarter	
	2014	2013
Sales	3,201	3,212
Cost of sales	-2,314	-2,243
Gross profit on sales	887	969
Selling expenses	-315	-314
Research and development expenses	-98	-92
General administrative expenses	-151	-156
Other operating income	173	289
Other operating expenses	-217	-275
Income before financial result and income taxes, continuing operations	279	421
Interest income	6	10
Interest expense	-82	-76
Result from investments recognized at equity	9	7
Other financial income	-	6
Financial result	-67	-53
Income before income taxes, continuing operations	212	368
Income taxes	-63	-85
Income after taxes, continuing operations	149	283
Income after taxes, discontinued operations	21	7
Income after taxes	170	290
thereof attributable to		
Non-controlling interests	4	-3
Shareholders of Evonik Industries AG (net income)	166	293
Earnings per share in € (basic and diluted)	0.36	0.63

Prior-year figures restated.

Statement of comprehensive income

Statement of comprehensive income for the Evonik Group

in € million	1st quarter	
	2014	2013
Income after taxes	170	290
Comprehensive income that will be reclassified subsequently to profit or loss	-12	35
Unrealized gains/losses on available-for-sale securities	1	-7
Gains/losses on hedging instruments	-17	-15
Currency translation adjustment	-1	51
Deferred taxes	5	6
Comprehensive income that will not be reclassified subsequently to profit or loss	-448	5
Remeasurement of the net defined benefit liability for defined benefit pension plans	-641	8
Deferred taxes	193	-3
Other comprehensive income after taxes	-460	40
Total comprehensive income	-290	330
thereof attributable to		
Non-controlling interests	3	-3
Shareholders of Evonik Industries AG	-293	333
Total comprehensive income attributable to shareholders of Evonik Industries AG	-293	333
thereof attributable to		
Continuing operations	-313	320
Discontinued operations	20	13

Prior-year figures restated.

Balance sheet

Balance sheet for the Evonik Group

in € million	Mar. 31, 2014	Dec. 31, 2013
Intangible assets	3,054	3,038
Property, plant and equipment	4,882	4,822
Investment property	10	10
Investments recognized at equity	867	878
Financial assets	148	150
Deferred tax assets	1,041	837
Other income tax assets	14	13
Other receivables	32	30
Non-current assets	10,048	9,778
Inventories	1,613	1,594
Other income tax assets	172	188
Trade accounts receivable	1,768	1,626
Other receivables	304	278
Financial assets	751	748
Cash and cash equivalents	1,575	1,527
	6,183	5,961
Assets held for sale	124	144
Current assets	6,307	6,105
Total assets	16,355	15,883

Prior-year figures restated.

in € million	Mar. 31, 2014	Dec. 31, 2013
Issued capital	466	466
Capital reserve	1,168	1,165
Accumulated income	5,255	5,547
Treasury shares	-9	-
Accumulated other comprehensive income	-431	-420
Equity attributable to shareholders of Evonik Industries AG	6,449	6,758
Equity attributable to non-controlling interests	76	78
Equity	6,525	6,836
Provisions for pensions and other post-employment benefits	3,971	3,331
Other provisions	873	800
Deferred tax liabilities	419	412
Other income tax liabilities	156	148
Financial liabilities	636	627
Other payables	80	81
Non-current liabilities	6,135	5,399
Other provisions	999	979
Other income tax liabilities	183	158
Financial liabilities	1,063	1,037
Trade accounts payable	1,063	1,089
Other payables	314	282
	3,622	3,545
Liabilities associated with assets held for sale	73	103
Current liabilities	3,695	3,648
Total equity and liabilities	16,355	15,883

Prior-year figures restated.

Statement of changes in equity

Statement of changes in equity for the Evonik Group

in € million	Issued capital	Capital reserve	Accumulated income	
As of December 31, 2012	466	1,165	3,940	
Changes pursuant to IAS 8	–	–	1	
As of January 1, 2013	466	1,165	3,941	
Capital increases/decreases	–	–	–	
Dividend distribution	–	–	–429	
Changes in ownership interests in subsidiaries without loss of control	–	–	–	
Income after taxes	–	–	293	
Other comprehensive income after taxes	–	–	5	
Total comprehensive income	–	–	298	
Other changes	–	–	1	
As of March 31, 2013	466	1,165	3,811	
As of January 1, 2014	466	1,165	5,547	
Capital increases/decreases	–	–	–	
Purchase of treasury shares	–	–	–	
Share-based payment	–	3	–	
Dividend distribution	–	–	–	
Changes in ownership interests in subsidiaries without loss of control	–	–	–	
Income after taxes	–	–	166	
Other comprehensive income after taxes	–	–	–448	
Total comprehensive income	–	–	–282	
Other changes	–	–	–10	
As of March 31, 2014	466	1,168	5,255	

Prior-year figures restated.

	Treasury shares	Accumulated other comprehensive income	Attributable to shareholders of Evonik Industries AG	Attributable to non-controlling interests	Total equity
	-	-213	5,358	111	5,469
	-	-10	-9	-	-9
	-	-223	5,349	111	5,460
	-	-	-	-	-
	-	-	-429	-	-429
	-	-	-	-2	-2
	-	-	293	-3	290
	-	35	40	-	40
	-	35	333	-3	330
	-	-1	-	-	-
	-	-189	5,253	106	5,359
	-	-420	6,758	78	6,836
	-	-	-	-	-
	-9	-	-9	-	-9
	-	-	3	-	3
	-	-	-	-5	-5
	-	-	-	-	-
	-	-	166	4	170
	-	-11	-459	-1	-460
	-	-11	-293	3	-290
	-	-	-10	-	-10
	-9	-431	6,449	76	6,525

Cash flow statement

Cash flow statement for the Evonik Group

in € million	1st quarter	
	2014	2013
Income before financial result and income taxes, continuing operations	279	421
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	147	143
Gains/losses on the disposal of non-current assets	–	1
Change in inventories	–19	–126
Change in trade accounts receivable	–131	–186
Change in trade accounts payable and current advance payments received from customers	36	5
Change in provisions for pensions and other post-employment benefits	–32	–33
Change in other provisions	36	–17
Change in miscellaneous assets/liabilities	14	67
Cash outflows for interest	–10	–15
Cash inflows from interest	5	5
Cash inflows from dividends	24	1
Cash inflows/outflows for income taxes	–27	–82
Cash flow from operating activities, continuing operations	322	184
Cash flow from operating activities, discontinued operations	–7	4
Cash flow from operating activities	315	188
Cash outflows for investments in intangible assets, property, plant and equipment, investment property	–258	–216
Cash outflows for investments in shareholdings	–39	–2
Cash inflows from divestments of intangible assets, property, plant and equipment, investment property	2	13
Cash inflows/outflows from divestment of shareholdings	16	–7
Cash inflows/outflows relating to securities, deposits and loans	–4	362
Cash flow from investing activities, continuing operations	–283	150
Cash flow from investing activities, discontinued operations	–1	3
Cash flow from investing activities	–284	153

in € million	1st quarter	
	2014	2013
Cash outflows for dividends to shareholders of Evonik Industries AG	–	–429
Cash outflows for dividends to non-controlling interests	–3	–
Cash inflows/outflows from changes in ownership interests in subsidiaries without loss of control	–	–2
Cash outflows for the purchase of treasury shares	–6	–
Cash inflows from the addition of financial liabilities	112	48
Cash outflows for repayment of financial liabilities	–87	–120
Cash flow from financing activities, continuing operations	16	–503
Cash flow from financing activities, discontinued operations	–	–
Cash flow from financing activities	16	–503
Change in cash and cash equivalents	47	–162
Cash and cash equivalents as of January 1	1,572	793
Change in cash and cash equivalents	47	–162
Changes in exchange rates and other changes in cash and cash equivalents	–1	7
Cash and cash equivalents as of March 31	1,618	638
Cash and cash equivalents included in assets held for sale	–43	–50
Cash and cash equivalents as on the balance sheet as of March 31	1,575	588

Prior-year figures restated.

Notes

1. Segment report

Segment report by operating segments—1st quarter

in € million	Operating segments					
	Consumer, Health & Nutrition		Resource Efficiency		Specialty Materials	
	2014	2013	2014	2013	2014	2013
External sales	978	1,027	805	771	1,177	1,170
Internal sales	18	17	21	15	31	32
Total sales	996	1,044	826	786	1,208	1,202
Adjusted EBITDA	187	281	189	172	111	182
Adjusted EBITDA margin in %	19.1	27.3	23.5	22.3	9.4	15.6
Adjusted EBIT	150	245	160	143	72	145
Capital expenditures	81	61	44	37	56	50
Financial investments	1	1	40	–	–	2
Employees as of March 31	7,144	6,878	5,933	5,806	6,318	6,229

Prior-year figures restated.

Segment report by regions—1st quarter

in € million	Germany		Other European countries		North America	
	2014	2013	2014	2013	2014	2013
External sales	754	726	1,097	1,071	541	576
Goodwill as of March 31 ^a	1,542	1,557	541	540	300	304
Other intangible assets, property, plant and equipment, investment property as of March 31 ^a	2,749	2,977	477	476	716	701
Capital expenditures	77	60	18	18	24	24
Employees as of March 31	21,256	20,737	2,800	2,735	3,772	3,783

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)	
2014	2013		2014	2013	2014	2013	2014	2013
207	204		3,167	3,172	34	40	3,201	3,212
444	443		514	507	-514	-507	-	-
651	647		3,681	3,679	-480	-467	3,201	3,212
51	54		538	689	-75	-83	463	606
24.6	26.5		17.0	21.7	-	-	14.5	18.9
28	32		410	565	-94	-101	316	464
22	21		203	169	6	9	209	178
-	-		41	3	1	-	42	3
12,316	12,046		31,711	30,959	1,348	1,195	33,059	32,154

Central and South America		Asia-Pacific		Middle East, Africa		Total Group (continuing operations)	
2014	2013	2014	2013	2014	2013	2014	2013
185	205	547	556	77	78	3,201	3,212
26	27	237	262	-	1	2,646	2,691
93	45	1,255	926	10	11	5,300	5,136
20	11	70	64	-	1	209	178
527	447	4,562	4,341	142	111	33,059	32,154

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 present condensed and consolidated interim financial statements (consolidated interim financial statements) of Evonik Industries AG and its subsidiaries (referred to jointly as Evonik or the Group) as of March 31, 2014, have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting, and in application of Section 315 a Paragraph 1 of the German Commercial Code (HGB) using the International Financial Reporting Standards (IFRS) and comply with these standards. The IFRS comprise the standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB), London (UK) and the interpretations (IFRIC, SIC) of the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

The consolidated interim financial statements as of March 31, 2014 are presented in euros. The reporting period is January 1 to March 31, 2014. All amounts are stated in millions of euros (€ million) except where otherwise indicated. The basis for the consolidated interim financial statements comprises the consolidated financial statements for the Evonik Group as of December 31, 2013, which should be referred to for further information.

3. Accounting policies

The accounting and consolidation principles applied in these consolidated interim financial statements are the same as those used for the consolidated financial statements as of December 31, 2013, with the exception of changes resulting from application of new or revised accounting standards that are applicable for the first time in fiscal 2014.

Since January 1, 2014, Evonik has applied IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, which the IASB published in May 2011. IFRS 12 Disclosure of Interests in Other Entities, which was published at the same time, will result in extended disclosures in the notes to the consolidated financial statements for the first time as of December 31, 2014.

IFRS 10 replaces the guidelines on control and consolidation contained in IAS 27 Consolidated and Separate Financial Statements 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. A parent company is deemed to control an entity if it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 did not have any impact on the scope of consolidation as of January 1, 2014.

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. Joint ventures may now only be recognized using the equity method. The previous option of pro rata consolidation has been abolished. This change does not affect Evonik as the company only used the equity method in the past. Companies involved in joint operations are required to recognize their share of the assets, liabilities, revenue and expenses from such operations. As a result of first-time application of IFRS 11, effective January 1, 2014 Evonik was required to reclassify a company with three subsidiaries allocated to the Consumer, Health & Nutrition segment that was previously recognized at equity as a joint operation.

The following tables show the impact of the retrospective application of IFRS 11 on the prior-year figures.

Impact of IFRS 11 on the consolidated income statement of the Evonik Group (excerpt)

	1st quarter 2013
in € million	Impact of change
Sales	-40
Cost of sales	52
Result from investments recognized at equity	-6
Income taxes	-2
Income after taxes	4

Impact of IFRS 11 on the consolidated balance sheet of the Evonik Group (excerpt)

	Dec. 31, 2013
in € million	Impact of change
Non-current assets	-42
thereof investments recognized at equity	-82
Current assets	27
thereof cash and cash equivalents	9
Total assets	-15
Equity	-11
Non-current liabilities	2
Current liabilities	-6
Total equity and liabilities	-15

Impact of IFRS 11 on the cash flow statement of the Evonik Group (excerpt)

	1st quarter 2013
in € million	Impact of change
Cash flow from operating activities	-25
Cash flow from investing activities	-2
Cash flow from financing activities	-

4. Changes in the Group

4.1 Scope of consolidation

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

Changes in the scope of consolidation

Number of companies	Germany	Other countries	Total
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2013	45	102	147
Acquisitions	–	1	1
Other companies consolidated for the first time	–	1	1
Intragroup mergers	–1	–2	–3
As of March 31, 2014	44	102	146
Joint operations			
As of December 31, 2013	–	–	–
Changes due to first-time application of IFRS 11	2	2	4
As of March 31, 2014	2	2	4
Investments recognized at equity			
As of December 31, 2013	7	10	17
Changes due to first-time application of IFRS 11	–1	–	–1
As of March 31, 2014	6	10	16
	52	114	166

4.2 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

On February 28, 2014 Evonik acquired all shares in Silbond Corporation, Weston (Michigan, USA) from Silbond Holdings LLC, Bloomfield Hills (Delaware, USA). Silbond Corporation is a leading supplier of silicic acid esters, a special group of functional silanes used in a wide variety of future-oriented applications, for example, in the electronics industry and in chemical applications. The business has been integrated into the Resource Efficiency segment.

First-time consolidation of Silbond Corporation was based on a provisional purchase price allocation. The impact on the balance sheet as of the date of initial consolidation was as follows:

Impact of the acquisition of Silbond Corporation on the balance sheet

in € million	Fair value
Non-current assets	22
Current assets	7
thereof receivables	3
thereof cash and cash equivalents	1
Non-current liabilities	-8
Current liabilities	-1
Net assets	20
Goodwill	18
Cost of acquisition (purchase price)	38

The purchase price was settled out of cash and cash equivalents. Transaction costs of less than €1 million relating to this acquisition are included in other operating expenses. The goodwill is not tax-deductible and mainly comprises the expected future benefits of assets that were not individually identifiable or for which recognition is not permitted, for example, anticipated synergies or the workforce.

Due to the short period for which it has been part of the Group and the size of the business, the contributions made by Silbond Corporation to sales and earnings were not material, either in the reporting period or on a pro forma basis in the period from January 1, 2014.

Divestments

In the reporting period, agreements were signed in connection with the restructuring of the lithium-ion business and the divestment of the STOKO® Skin Care business. These transactions have not yet been closed; see Note 4.3.

4.3 Assets held for sale and discontinued operations

The assets and liabilities of the lithium-ion business and the STOKO® Skin Care business were reclassified as held for sale for the first time in the third quarter of 2013. The development of these transactions since December 31, 2013 is outlined below.

Under an agreement dated March 31, 2014, Evonik has divested the 50.1 percent stake in Li-Tec Battery GmbH, Kamenz (Germany), and the 10 percent stake in Deutsche Accumotive GmbH & Co. KG, Kirchheim unter Teck (Germany), which were part of the lithium-ion business, to Daimler AG, Stuttgart (Germany). The companies will remain classified as held for sale until the transaction is closed. It was agreed not to divulge the purchase prices. The wholly owned subsidiary Evonik Litarion GmbH, Kamenz (Germany) did not form part of this transaction. In the segment report, the lithium-ion activities are included in other operations.

The STOKO® Skin Care business assigned to the Consumer, Health & Nutrition segment was sold to Deb Holdings Ltd, Denby (UK) under an agreement dated March 19, 2014. It was agreed not to disclose the purchase price. The assets and liabilities of this business will remain classified as held for sale until closing of the asset deal.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations sets out the accounting principles to be used in such cases and their presentation in the consolidated financial statements.

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.

The following table shows the main impact of the discontinued operations on the income statement. No divestment gains/losses were recorded in the reporting period. The agreement with Daimler AG had a positive overall impact of €29 million on the income from discontinued operations. This comprises the revaluation of the assets held for sale, and one-off income from the adjustment of agreements and of a provision set up in the previous year.

Operating income, discontinued operations

in € million	1st quarter	
	2014	2013
Income	60	76
Lithium-ion business	60	12
Former Real Estate segment	–	64
Expenses	–31	–68
Lithium-ion business	–31	–26
Former Real Estate segment	–	–42
Operating income before income taxes, discontinued operations	29	8
Lithium-ion business	29	–14
Former Real Estate segment	–	22
Income taxes	–8	–1
Lithium-ion business	–8	1
Former Real Estate segment	–	–2
Operating income after taxes, discontinued operations	21	7
Lithium-ion business	21	–13
Former Real Estate segment	–	20

The following table shows the assets held for sale and the associated liabilities after all consolidation steps:

Assets held for sale and the associated liabilities

in € million	Mar. 31, 2014	Dec. 31, 2013
Intangible assets	5	5
Property, plant and equipment	8	9
Financial assets	10	–
Deferred tax assets	4	3
Inventories	32	46
Trade accounts receivable	20	34
Other receivables	2	2
Cash and cash equivalents	43	45
Assets held for sale	124	144
Provisions for pensions and other post-employment benefits	9	8
Other provisions	17	38
Deferred tax liabilities	2	2
Financial liabilities	33	36
Trade accounts payable	10	16
Other payables	2	3
Liabilities associated with assets held for sale	73	103

5. Notes to the income statement

Other operating income

Other operating income

	1st quarter	
in € million	2014	2013
Income from the measurement of derivatives (excluding interest rate derivatives)	68	96
Income from currency translation of monetary assets and liabilities	43	87
Other income	62	106
	173	289
thereof adjustments	16	4

In the first quarter of 2014, the other income of €62 million included income from the guaranteed dividend on the remaining 49 percent of shares in STEAG GmbH (STEAG), Essen (Germany), income from non-core businesses, and insurance refunds. The decline in other income was principally due to the fact that the prior-year figure contained reversals of provisions.

Other operating expenses

Other operating expenses

in € million	1st quarter	
	2014	2013
Losses on the measurement of derivatives (excluding interest rate derivatives)	64	133
Losses on currency translation of monetary assets and liabilities	59	70
Impairment losses	20	4
Other expense	74	68
	217	275
thereof adjustments	44	34

€18 million of the impairment losses relates to the valuation of the remaining 49 percent of shares in STEAG. The other expense of €74 million in the first quarter of 2014 related, among other things, to outsourcing, projects for the acquisition and divestment of companies and business operations, non-core businesses, commission expenses, and legal and consultancy fees.

Interest expense

Including one-off factors totaling €24 million in connection with the establishment of provisions, interest expense rose €6 million year-on-year to €82 million. Excluding the one-off factors, there was a significant drop in interest expense year-on-year, mainly because of the redemption of the Evonik Degussa bond in December 2013.

6. Notes to the balance sheet

Equity and employee share program

In 2013 the Executive Board of Evonik Industries AG decided to purchase shares in the company, utilizing the resolution adopted by the Annual Shareholders' Meeting of Evonik Industries AG on March 11, 2013 authorizing it to buy back shares in the company in accordance with Section 71 Paragraph 1 No. 8 of the German Stock Corporation Act (AktG). The Supervisory Board has approved this share buy-back program, which relates to the share-based employee participation program (employee share program) Share.2014 launched by Evonik Industries AG in March 2014. Employees of Evonik Industries AG and certain subordinated Group companies, and the management of certain subordinated Group companies in Germany, Belgium and the USA were eligible for this program. Every participant could acquire shares up to a maximum value of €4,000 (US\$5,400 in the USA), conditional upon the purchase of at least two shares. Evonik granted bonus shares in a ratio of two to one for personal investments of up to €500 (US\$660 in the USA). In addition, the company granted every participant further bonus shares of up to €110 (US\$150 in the USA). The maximum subsidy therefore totaled €360 (US\$480 in the USA). The subscription period ended on March 28, 2014 and the shares purchased or granted under Share.2014 must be held until December 31, 2016.

The employee share program is a share-based payment program with settlement in equity instruments that are vested with effect from the end of the subscription period.

By March 31, 2014 Evonik Industries AG had purchased 328,960 ordinary shares on the capital market at an average price of €27.19 per share. That is 0.07 percent of the capital stock. The ordinary shares purchased by the company are included in the calculation of earnings per share. The employee share program resulted in personnel expense of €3 million, which was recognized in full in the reporting period as the entitlements are vested.

Provisions for pensions and other post-employment benefits

Compared with December 31, 2013, provisions for pensions and other post-employment benefits increased by a total of €640 million to €3,971 million as of March 31, 2014, and include €641 million recognized in equity with no impact on income after taxes. This increase was mainly attributable to the reduction in the discount rate used for Germany and the euro-zone countries from 3.75 percent to 3.25 percent. The discount rate for Germany and the euro-zone countries is determined from market data for AA-rated euro-denominated corporate bonds, whose market yields had declined as of March 31, 2014. The change in provisions for pensions and other post-employment benefits and the related deferred tax assets is reflected in a reduction of €448 million in other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit plans, which is recognized in equity under accumulated income.

7. Notes on the segment report

The Executive Board of Evonik Industries AG decides on the allocation of resources and evaluates the earnings power of the Group's operations on the basis of the operating segments (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).

Until the end of 2013, adjusted EBIT was the main earnings parameter that could be influenced by the segment management. As from 2014, the main parameter used to measure operating performance is adjusted EBITDA.

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

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

in € million	1st quarter	
	2014	2013
Adjusted EBITDA, reporting segments	538	689
Adjusted EBITDA, other operations	-13	-42
Adjusted EBITDA, Corporate	-65	-51
Consolidation	1	-
Less discontinued operations	2	10
Adjusted EBITDA, Corporate, other operations, consolidation	-75	-83
Adjusted EBITDA	463	606
Depreciation, amortization, impairment losses/reversal of impairment losses	-166	-143
Depreciation, amortization, impairment losses/reversals of impairment losses included in adjustments	19	1
Adjusted EBIT	316	464
Adjustments	-28	-30
Net interest expense	-76	-66
Income before income taxes, continuing operations	212	368

Prior-year figures restated.

The following table shows a breakdown of the column Corporate, other operations, consolidation in the segment report by operating segments:

Breakdown of Corporate, other operations, consolidation

in € million	Other operations (including discontinued operations)		Corporate, consolidation, less discontinued operations		Corporate, other operations, consolidation	
	1st quarter		1st quarter		1st quarter	
	2014	2013	2014	2013	2014	2013
External sales	47	51	-13	-11	34	40
Internal sales	54	55	-568	-562	-514	-507
Total sales	101	106	-581	-573	-480	-467
Adjusted EBITDA	-13	-42	-62	-41	-75	-83
Adjusted EBITDA margin in %	-	-	-	-	-	-
Adjusted EBIT	-17	-48	-77	-53	-94	-101
Capital expenditures	6	12	-	-3	6	9
Financial investments	1	-	-	-	1	-

The column headed other operations includes the interests in Vivawest and STEAG, which are recognized at equity, and the lithium-ion business, which is classified as held for sale. In the column Corporate, consolidation less discontinued operations, an adjustment is made for the lithium-ion business. This business is not included in the column Corporate, other operations, consolidation because only continuing operations are reported here.

8. Other disclosures

8.1 Fair values

The fair value determination is based on the 3-level hierarchy stipulated by IFRS 13 Fair Value Measurement:

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

The following table shows the assets and liabilities that were measured at fair value on a recurring basis after initial recognition on the balance sheet:

Measurement at fair value pursuant to IFRS 13

in € million	Fair value based on			Mar. 31, 2014
	Level 1	Level 2	Level 3	
Assets recognized at fair value	644	69	107	820
Securities and similar claims	644	-	-	644
Receivables from derivatives	-	69	107	176
Liabilities recognized at fair value	-	-22	-30	-52
Liabilities from derivatives	-	-22	-30	-52

Level 2 derivatives comprise currency, interest rate and commodity derivatives whose fair value was determined on the basis of the exchange rates at the European Central Bank, observed interest rate structure curves, observed commodity prices, and observed credit default premiums. The discount effect on these derivatives is negligible.

The fair value resulting from the measurement of the put option and the call option for the remaining 49 percent shareholding in STEAG is allocated to Level 3. Recognized mathematical finance methods are used to model the observed change in the market value of the underlying.

There were no reclassifications to other levels in the reporting period.

Reconciliation from the opening to the closing balances for fair value (Level 3)

in € million	Receivables from derivatives	Liabilities from derivatives	Total
As of January 1, 2014	113	-32	81
Additions	-	-	-
Gains or losses in the reporting period	-6	2	-4
Other operating income	-	2	2
Other operating expenses	-6	-	-6
As of March 31, 2014	107	-30	77

As of March 31, 2014, the net value of the put option and the call option for the remaining 49 percent of the shares in STEAG was €77 million. The central factors influencing the valuation were the formula-based option strike price and an estimate of the fair value of the shares in STEAG. If the fair value of these shares had been 10 percent lower on March 31, 2014, the net value of the options would have been €44 million higher and would have resulted in an additional gain of the same amount. A 10 percent increase in the fair value of the shares would have reduced the net value of the options by €45 million, resulting in a corresponding additional loss.

As of March 31, 2014, the assets and liabilities recognized at fair value on a non-recurring basis totaled €42 million. These are contained in assets held for sale and the associated liabilities. The net value derived from the loss-free valuation of these assets and liabilities is allocated to Level 2. The main input factor for the valuation was the expected proceeds from sale less the costs to sell.

The following overview shows the carrying amounts and fair values of all financial assets and liabilities:

Carrying amounts and fair value of financial assets

in € million	Mar. 31, 2014	
	Carrying amount	Fair value
Financial assets	899	899
Other investments	8	8
Loans	28	28
Securities and similar claims	644	644
Receivables from finance leases	–	–
Receivables from derivatives	176	176
Other financial assets	43	43
Trade accounts receivable	1,768	1,768
Cash and cash equivalents	1,575	1,575

Carrying amounts and fair value of financial liabilities

in € million	Mar. 31, 2014	
	Carrying amount	Fair value
Financial liabilities	1,699	1,751
Bonds	1,244	1,279
Liabilities to banks	346	363
Loans from non-banks	34	34
Liabilities from finance leases	3	3
Liabilities from derivatives	52	52
Other financial liabilities	20	20
Trade accounts payable	1,063	1,063

8.2 Contingent assets and liabilities

There has not been any material change in contingent assets and liabilities since the consolidated annual financial statements as of December 31, 2013.

8.3 Related parties

There has not been any material change in related party transactions since December 31, 2013.

The dividend for fiscal 2013 will be paid after the resolution of the Annual Shareholders' Meeting on May 20, 2014. In 2013, the dividend for fiscal 2012 was paid in the first quarter.

8.4 Events after the reporting date

No material events have occurred since the reporting date.

Essen, April 28, 2014

Evonik Industries AG
The Executive Board

Dr. Engel

Wessel

Wohlhauser

Wolf

Financial calendar

Financial calendar 2014

Event	Date
Annual Shareholders' Meeting 2014	May 20, 2014
Interim Report Q2 2014	July 31, 2014
Interim Report Q3 2014	October 30, 2014

Credits

Published by

Evonik Industries AG
Rellinghauser Straße 1–11
45128 Essen
Germany
www.evonik.com

Contact

Communications/Board Office

PHONE +49 201 177-3388

FAX +49 201 177-3181

info@evonik.com

Investor Relations

PHONE +49 201 177-3146

FAX +49 201 177-3148

investor-relations@evonik.com

Concept, design, and realization

KNSK Werbeagentur GmbH
HGB Hamburger Geschäftsberichte GmbH & Co. KG

The English version is a translation of the German version and is provided for information only.



EVONIK
INDUSTRIES

Evonik Industries AG

Rellinghauser Straße 1–11

45128 Essen

Germany

www.evonik.com

Evonik. Power to create.