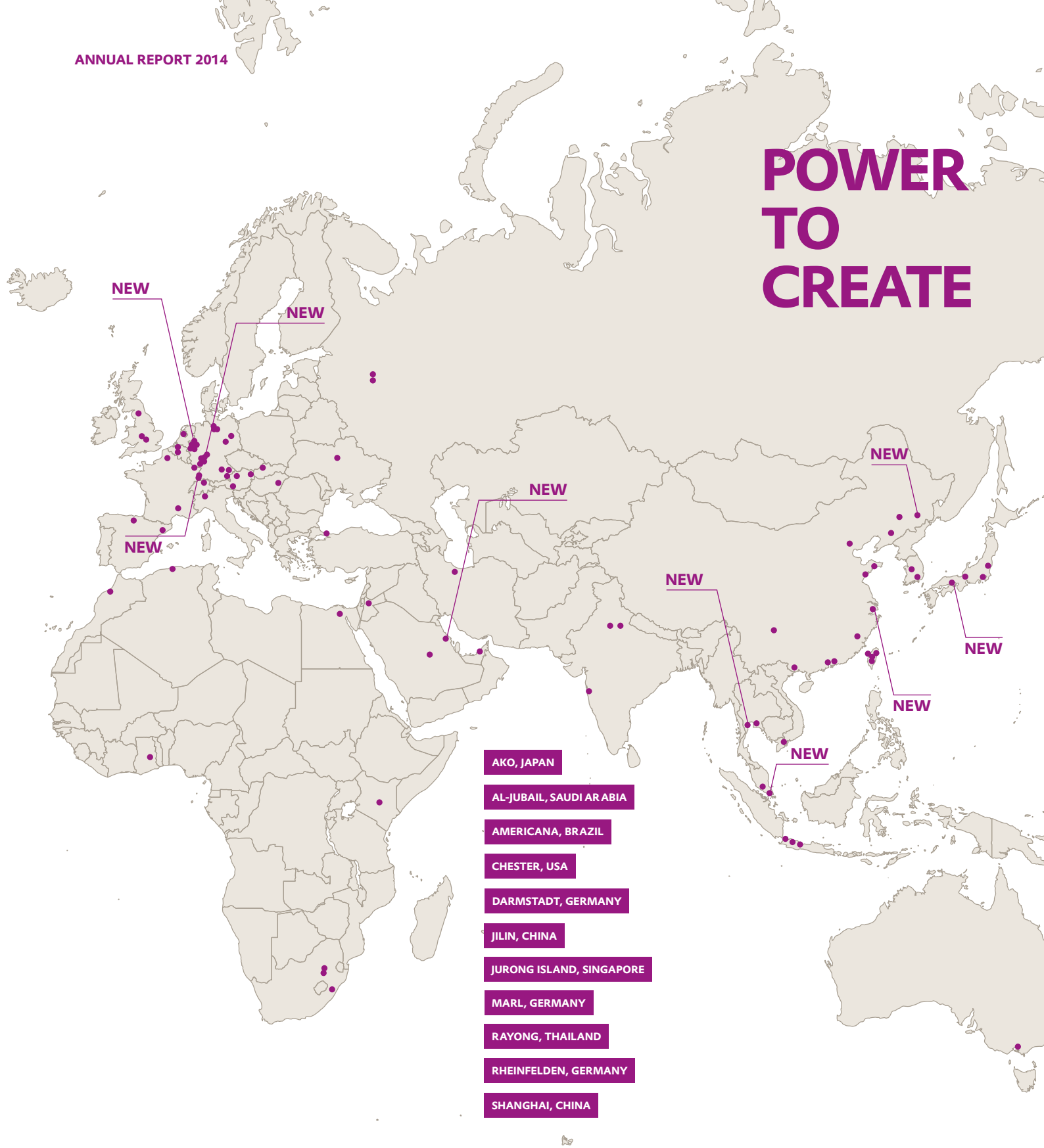
ANNUAL REPORT 2014

# POWER TO CREATE




Preprint

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on March 3, 2015

EVONIK INDUSTRIES

# Key figures for the Evonik Group

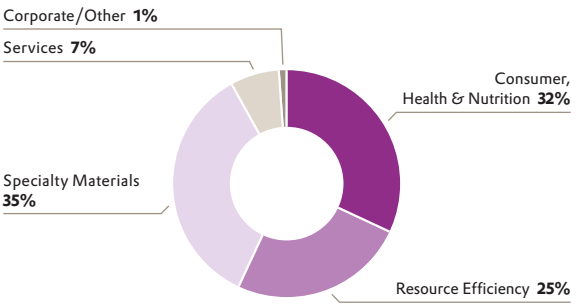
## Key figures

| in € million | 2010 | 2011 | 2012 | 2013 | **2014** |
|---|---|---|---|---|---|
| Sales | 13,300 | 14,540 | 13,365 | 12,708 | 12,917 |
| Adjusted EBITDA [a] | 2,365 | 2,768 | 2,467 | 1,995 | 1,867 |
| Adjusted EBITDA margin in % | 17.8 | 19.0 | 18.5 | 15.7 | 14.5 |
| Adjusted EBIT [b] | 1,639 | 2,099 | 1,887 | 1,404 | 1,238 |
| ROCE [c] in % | 15.0 | 18.7 | 20.4 | 15.1 | 12.3 |
| Net income | 734 | 1,011 | 1,165 | 2,054 | 568 |
| Earnings per share in € | 1.58 | 2.17 | 2.50 | 4.41 | 1.22 |
| Adjusted earnings per share in € | 2.09 | 2.70 | 2.31 | 1.73 | 1.59 |
| Total assets as of December 31 | 20,543 | 16,944 | 17,166 | 15,883 | 15,685 |
| Equity ratio as of December 31 in % | 29.1 | 35.8 | 31.9 | 43.0 | 41.6 |
| Cash flow from operating activities | 2,075 | 1,309 | 1,420 | 1,055 | 1,066 |
| Capital expenditures [d] | 652 | 830 | 960 | 1,140 | 1,123 |
| Depreciation and amortization [d] | 694 | 647 | 580 | 585 | 606 |
| Net financial debt/assets as of December 31 | –1,677 | –843 | –1,163 | 571 | 400 |
| No. of employees as of December 31 | 34,407 | 33,556 | 33,298 | 33,650 | 33,412 |

Figures for 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.
2013 figures restated.

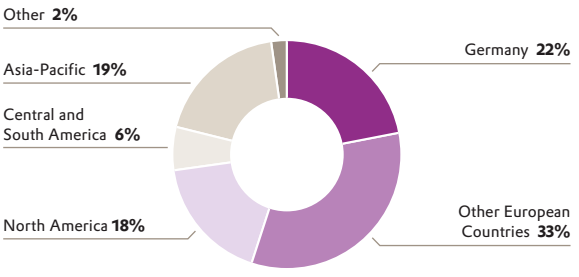
[a] Adjusted EBITDA = Earnings before interest, taxes, depreciation and amortization; after adjustments.
[b] Adjusted EBIT = Earnings before interest and taxes; after adjustments.
[c] Return on capital employed.
[d] Intangible assets, property, plant, equipment and investment property.

## Sales by segment [a]




[a] The structure of the Evonik Group was altered effective January 1, 2015. For information on our new structure, see Management Report p. 62.

## Sales by region [a]




[a] By location of customer.

## Consumer, Health & Nutrition [a]

**The Consumer, Health & Nutrition segment produces specialty chemicals, principally for use in consumer goods for daily needs, and animal nutrition and healthcare products. 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).

### Key figures

| in € million | 2014 | 2013 |
|---|---|---|
| External sales | 4,152 | 4,171 |
| Adjusted EBITDA | 857 | 922 |
| Adjusted EBITDA margin in % | 20.6 | 22.1 |
| Adjusted EBIT | 694 | 770 |
| ROCE in % | 27.1 | 34.5 |
| No. of employees | 7,090 | 7,150 |

Prior-year figures restated.

## Resource Efficiency [a]

**The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions, mainly for the automotive sector and for the paints, coatings and construction industries. 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).

### Key figures

| in € million | 2014 | 2013 |
|---|---|---|
| External sales | 3,222 | 3,084 |
| Adjusted EBITDA | 703 | 655 |
| Adjusted EBITDA margin in % | 21.8 | 21.2 |
| Adjusted EBIT | 569 | 539 |
| ROCE in % | 33.3 | 35.6 |
| No. of employees | 5,804 | 5,854 |

Prior-year figures restated.

## Specialty Materials [a]

**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), methacrylate polymers (# 1–2), hydrogen peroxide (# 2).

### Key figures

| in € million | 2014 | 2013 |
|---|---|---|
| External sales | 4,569 | 4,490 |
| Adjusted EBITDA | 444 | 552 |
| Adjusted EBITDA margin in % | 9.7 | 12.3 |
| Adjusted EBIT | 261 | 395 |
| ROCE in % | 12.2 | 19.6 |
| No. of employees | 6,236 | 6,268 |

Prior-year figures restated.

[a] The structure of the Evonik Group was altered effective January 1, 2015. For information on our new structure, see Management Report p. 62.

## Strong market positions, sustainable business activities, responsible action

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 positions, which we are systematically expanding. Our strong competitive position is based on integrated technology platforms, innovative strength and working closely with our customers.

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# LETTER FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Klaus Engel, Chairman of the Executive Board

**"Evonik demonstrated a great deal of 'Power to create' in 2014. All over the world, we invested in new production capacity, innovations, and our employees."**

Ladies and gentlemen,

Evonik demonstrated a great deal of "Power to create" in 2014. All over the world, we invested in new production capacity, innovations, and our employees. Several important growth projects were launched in the 2014 fiscal year. In addition, we further optimized our cost structure, solidified our strong financial position, and reorganized our company in a structure that is even closer to the growing markets where we operate and will significantly facilitate possible acquisitions and partnerships.

Our focus on profitable growth is the foundation of our publicly listed company's strategy. Our overriding goal is to achieve a sustained increase in the value of our Group. Extensive communication with analysts and shareholders is therefore just as important to us as our continual dialogue with our employees and stakeholders in society. Both are crucial to achieving our ambitious growth targets.

Our approach led to several important successes last year. For example, global demand for our products was high, despite a difficult overall economic environment, and our expanded production capacities also helped us further increase our sales in 2014. The noticeable downward trend in prices for several key products that had been observed since the summer of 2012 abated somewhat throughout the year, and prices actually developed very positively once again in some of our business sectors. As a result, we were able to largely eliminate the operating-result shortfall in the first half of 2014 by the end of the year.

Group sales rose slightly in 2014, to €12.9 billion. At €1.9 billion, adjusted EBITDA was moderately lower than in the prior year, but it once again represented a solid level of earnings. At 12.3%, the return on capital employed (ROCE) was once again well above the cost of capital for the Evonik Group. We also significantly lowered the Group's debt. As a result of the divestment of its remaining shares of STEAG, Evonik was once again able to end the year with net financial assets, which totaled €400 million on December 31, 2014. Our cash flow from operating activities remained unchanged at €1.1 billion. This solid financial position gives us a great deal of "Power to create."

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

- improve our cost structure, processes, and technology position,
- further expand our leading market positions,
- invest in innovation and organic growth, and
- gain access to new growth areas and exploit the new structure of the Group to enable external growth.

**Cost and process optimization**

In order to mobilize resources and funds for further growth, we are lowering our costs and continually optimizing the efficiency of our industrial and work processes along the entire value chain.

For example, we entered the home stretch of our On Track 2.0 efficiency enhancement program in 2014, as we identified measures with a cost-cutting potential of more than €500 million. At the end of 2014, associated projects with a volume of more than €400 million were already in the implementation phase.

Our Administration Excellence program for optimizing the quality of our administrative processes had generated savings of approximately €40 million by the end of 2014. Last year we also began to implement more than two thirds of the measures defined by the program. These measures have a total cost- ▶

saving potential of approximately €230 million. The workforce reductions associated with these savings are being carried out in a socially responsible manner.

**Expanding our leading market positions**

We focus on attractive growth sectors and up-and-coming markets in order to further expand our leading market position. The growth drivers of our businesses are the megatrends of health, nutrition, and resource efficiency, as well as the dynamic development of the emerging markets. As a result of ongoing globalization and the international division of labor, more and more people are being integrated into the world market and thus are helping to break down economic barriers.

A new broad-based middle class has emerged in Asia in particular. This segment of society continues to grow, and through education and participation in the skilled workforce it has also increased its own political, social, and cultural importance. It is also continuing to develop new needs, tastes, and consumption habits. The accompanying megatrends of urbanization, population growth, and the fortunately increasing access to high-quality food and medical care are creating excellent opportunities for growth at Evonik. Our goal is to further increase our presence in these growing markets and systematically penetrate them with our products and sophisticated solutions.

**Investment in innovation and organic growth**

Innovations are a key driver of profitable growth and are therefore a major focus of our strategy for the future. Innovations lead to the development of new products and solutions, create attractive new business sectors, and strengthen our leading market and technology positions. They improve our competitiveness in hotly contested markets characterized by larger and larger research projects and ever shorter innovation cycles.

Evonik has a highly developed culture of innovation. We view ourselves as an open and learning organization. We promote an exchange of knowledge throughout our Group, and we encourage employees and managers to identify and promote good ideas and exploit them in order to improve sales and earnings. Our culture of innovation also includes the ability to constructively address any and all setbacks. Together, we aim to make Evonik one of the most innovative companies in the world.

Our innovations are developed at all of our internal organizational units and in all regions in cooperation with customers and external researchers from various fields and disciplines. A key role is played here by the Group-wide Leading Innovation initiative, which is designed to further improve our innovation capabilities. The initiative is our response to the challenging market environment in the chemical industry, with its ever shorter product lifecycles, very specific customer requirements, and significantly increasing research and development activities in emerging markets.

We combine the existing specialty chemicals expertise at the Group with the knowledge of our process technology and engineering specialists in order to achieve our goal of quickly implementing new ideas and processes.

As a creative industrial group, we make an indispensable contribution to ensuring a high level of product utility for our customers, which in turn enables them to be successful in the

**“Together, we aim to make Evonik one of the most innovative companies in the world.”**

global competitive environment. Through close dialogue with our customers we acquire in-depth knowledge of their business. This enables us to tailor products to customer requirements and offer customers comprehensive technical services. This combination of innovation and in-depth knowledge of our customers' business has played a major role in the success of our company from the very start.

Our innovations help millions of people from all walks of life—often behind the scenes. We make it possible to manufacture and optimize products that improve or enrich these people's lives every day. At the same time, we help safeguard the basic requirements of a growing population. For example, our biotechnology research enables us to develop new processes for sustainable production. Our materials make it possible to steadily improve rotor blades for the effective utilization of wind power. We develop highly efficient active substances for the cosmetics and pharmaceutical industries. Evonik also produces the four key amino acids for advanced animal feed, which makes a big contribution to safeguarding the world's long-term food supply.

In order to meet the high global demand for amino acids, we opened a new facility for manufacturing DL-methionine in Singapore in 2014. We did a perfect job. After three years of planning and construction we succeeded in commissioning the plant on time in a project that marked the single largest investment in our company's history. The new plant has been enabling us to boost our sales since November.

More than two thirds of the up to €5.5 billion in funding we provide for our 2012–2016 investment program is earmarked for growth sectors. This includes additional major projects that were successfully completed in 2014, such as our production facility for isophorone and isophorone diamine in Shanghai, which rounds out our global structure of fully integrated production platforms and enables us to directly supply our growing customer base in Asia. In Jilin, China, we commenced hydrogen peroxide production that is integrated with the local manufacturing activities of our licensees. We invested heavily in facilities in our home market in Germany as well, including a plant in Marl for the production of hydroxyl-terminated polybutadiene. Investment in plant and equipment in Germany increased by 18 percent to €419 million last year.

Total worldwide investment in property plant and equipment was once again high in 2014, amounting to €1.1 billion. This level of investment reflects the approach we have adopted to increase the Group's value.

**Growth with a new Group structure**

Along with creating the conditions necessary for achieving further organic growth, we also set the stage for the strategic further development of Evonik in 2014. We want to address the upcoming transformation of our business sector from a position of strength.

In the future, the Executive Board will concentrate more strongly on Evonik's strategic development by working within a management holding structure. Effective July 1, 2015, our three operating segments will be run as independent companies. The associated new management requirements have also had an effect on the composition of the Executive Board. Effective July 1, 2014, the Supervisory Board appointed Christian Kullmann as a new member of the Executive Board and Chief Strategic Officer.

The management holding will be responsible for goal formulation and capital allocation. It will formulate the company's ▶

- vision and strategy and define the strategic framework for the implementation of growth plans at the new corporate units.

Our new Group structure makes it possible to manage our various businesses much more individually and further develop them in a more targeted manner. The Nutrition & Care and Resource Efficiency segments operate mostly in markets with high margins and growth rates and extensive market-entry barriers. These segments offer customers customized, innovation-driven solutions. The objective here is to generate above-average profitable growth, mainly through targeted investments and acquisitions.

The Performance Materials segment is more product-oriented and its manufacturing processes make intensive use of raw materials and energy. This segment therefore focuses on integrated technology platforms and efficient processes. The competitive advantages of this segment are to be strengthened through further efficiency enhancements and in some cases through cooperation with partners. Future investment will focus on safeguarding and expanding its already solid market positions.

This focus will consolidate our combined strengths in key market segments and simplify the further exploitation of growth potential. The three operating segments will be given a high degree of entrepreneurial independence so as to enable them to operate closer to their markets with a high level of flexibility, and to more effectively develop tailored solutions in cooperation with their customers.

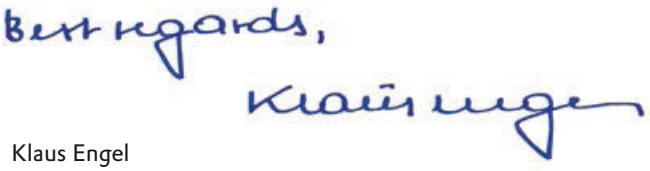
Evonik will become more decentralized, and decision-making paths will be made shorter and more efficient. This, in turn, will promote personal initiative on the part of executives and employees, as well as entrepreneurial thinking and action throughout the company.

**Responsibility**

We remain a responsible company and partner for our customers, suppliers, shareholders, and employees. We take our social responsibility seriously and act accordingly—in our home market and around the world. Evonik is also a socially responsible and responsive employer. The safety of our employees and the residents in the communities where we operate, and the protection of the environment, are more important to us than any sales or earnings results. Evonik's exemplary standards are anchored in a culture of safety that is shared by all its employees and managers worldwide. Numerous projects and innovative products support and promote the idea of making industrial processes more sustainable.

In the future, we will continue to use our strong Evonik brand to share our common cultural and social values with people all around the world, and we will remain true to the identity we have developed over the years.

At Evonik, we believe that only those who remain true to themselves as they continually evolve can marshal the "Power to create."



Klaus Engel
Chairman of the Executive Board of Evonik Industries AG

# THE EXECUTIVE BOARD

**Patrik Wohlhauser**
**Chief Operating Officer**

**Christian Kullmann**
**Chief Strategic Officer**

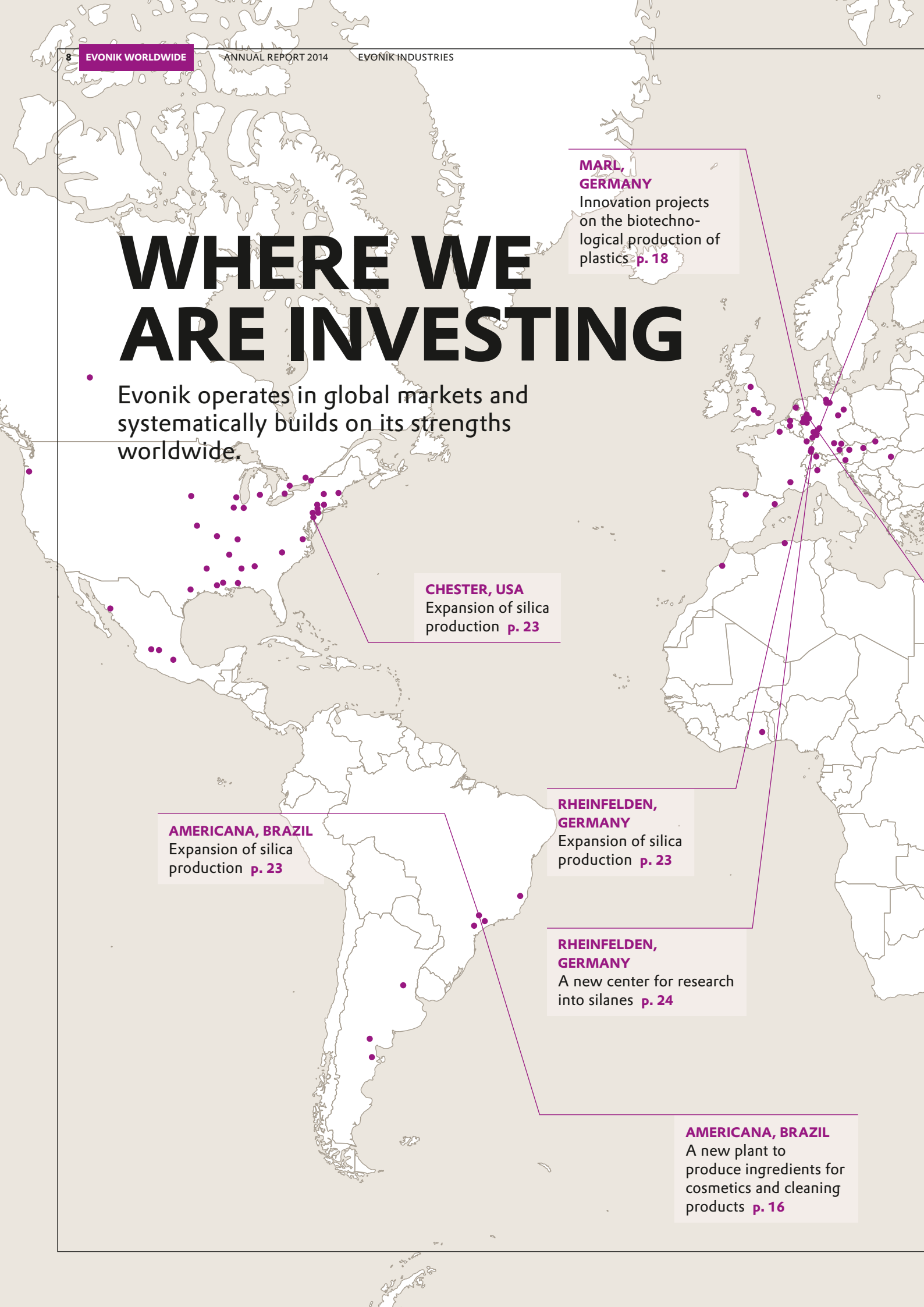
**Klaus Engel**
**Chairman of the Executive Board**

**Ute Wolf**
**Chief Financial Officer**

**Thomas Wessel**
**Chief Human Resources Officer**

# WHERE WE ARE INVESTING

Evonik operates in global markets and systematically builds on its strengths worldwide.



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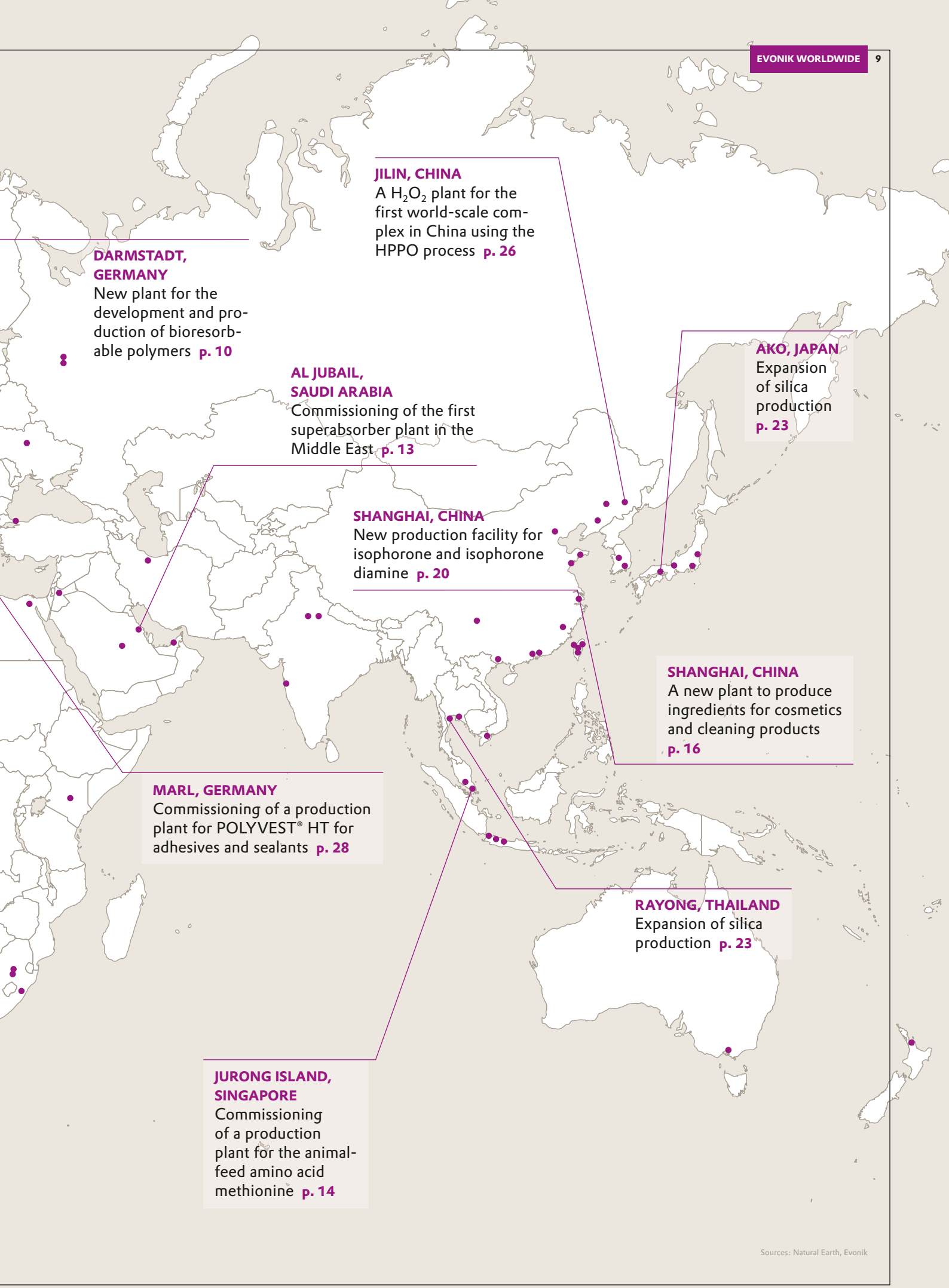
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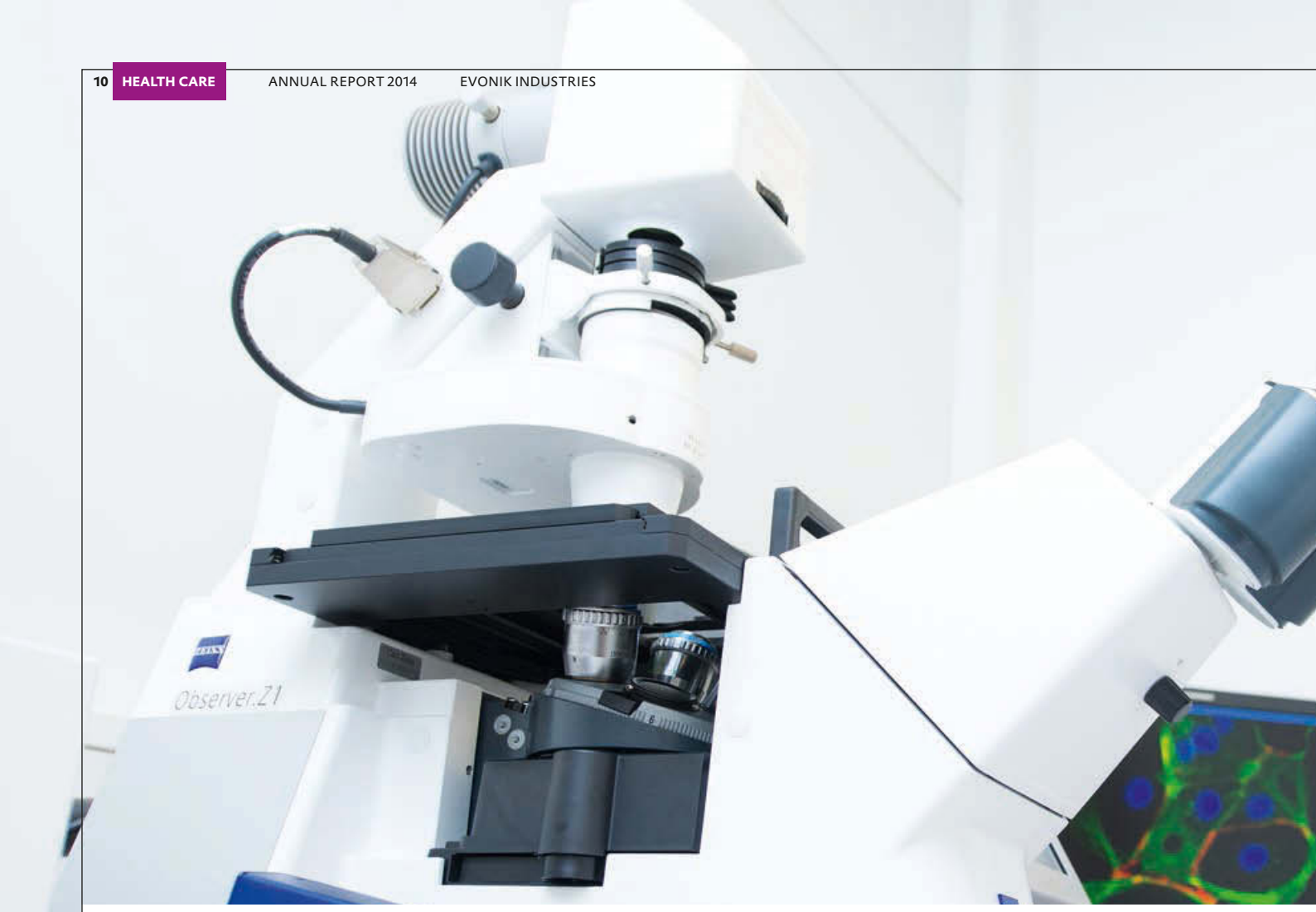



# A COURIER SERVICE TO THE BLOODSTREAM

Tablets to replace injections: still a dream for millions of patients with a chronic disease. Pharmaceutical polymers from Evonik are about to make it come true.

It looks like routine work, yet each one of her actions still requires extreme caution and intense concentration. "When batches of polymer particles containing highly potent active pharmaceutical ingredients (HPAPIs) are on the production schedule, the pressure ratchets up a notch," confirms Dr. Andrea Engel of the Discovery & Development Team at Evonik Industries' new lab in Darmstadt. There are two reasons for this.

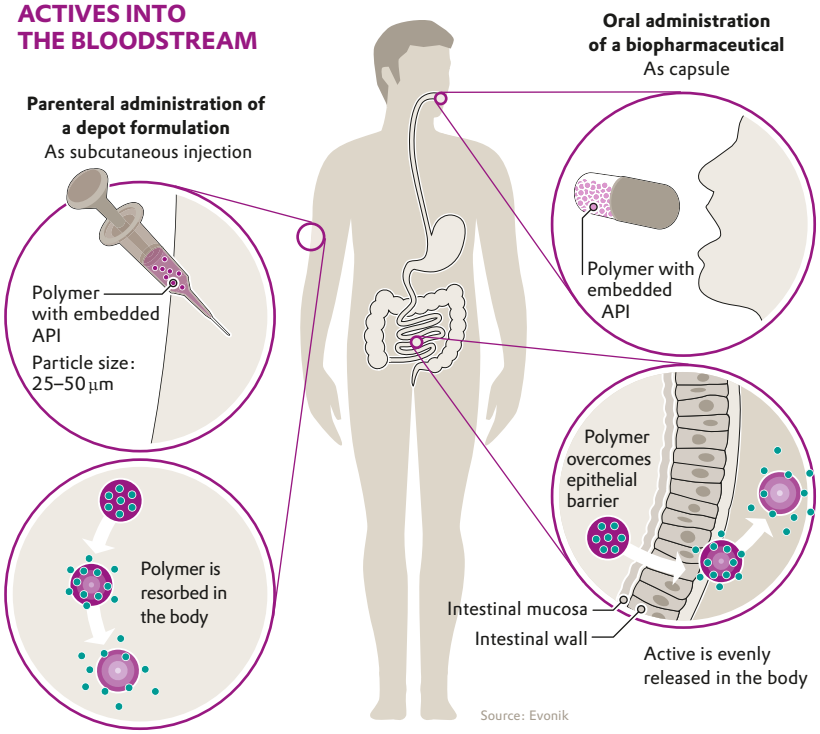
The first has to do with safety: A healthy person should not come into contact with an active pharmaceutical ingredient (API) that is pharmacologically active at the microgram level. Today, a diabetes drug is on the roster, and our young pharmacist is wearing a full-body protective suit and breathing apparatus to weigh the active on a safety workbench under an extractor hood with a special air duct.

The second reason revolves around the scope of the project: Will it be possible to introduce this advanced API as encapsulated particles through the gastro intestinal tract into the bloodstream? This would save millions of patients the inconvenience of daily injections. This ambitious goal is what drives Dr. Engel and her colleagues in the Discovery & Development team in Darmstadt. They have been working in close concert with a network of scientists from various European universities and institutes since early 2014 as part of a series of projects funded by the German Federal Ministry of Education and Research and the European Union.

Many modern APIs for treating diabetes, cancer, or multiple sclerosis, for example, are in fact protein molecules. What makes them especially effective is how they directly impact human biological processes and actually take over the role of substances that occur naturally in the body. Here's the rub: administered orally in tablet form, these APIs are

**A PEEK INTO THE FUTURE:**
**Scientists at Evonik are researching advanced drugs for treating chronic diseases**

## HOW POLYMER PARTICLES DELIVER PHARMACEUTICAL ACTIVES INTO THE BLOODSTREAM




Source: Evonik

simply digested and lose most if not all their efficacy. Or they can't penetrate the intestinal mucosa. In order to unfold their full potential, these APIs therefore need to be protected against premature degradation in the body on one hand, and on the other they need a means of transport for resorption through the intestinal wall. RESOMER® polymers provide both functionalities either by modifying known polymers or by tailoring innovative polymers for the specific application at hand.

RESOMER® is the name for a family of lactic acid-based functional, bioresorbable polymers from Evonik that naturally degrade in the body. They established themselves as a superior material for surgical screws many years ago. Today, RESOMER® polymers are opening new horizons for controlled drug release in the area of parenteral medicine. This concerns all the treatments that must bypass the intestine, and therefore most commonly need to be injected with a syringe. With RESOMER®, pharmaceutical companies can develop depot formulations embedding APIs in a polymer matrix. Injected under the skin, these polymer-based particles or rod-shaped implants subsequently release the drug over a period of days, weeks or even months. Compare this to the daily injections, and you can imagine what a relief this alternative represents to countless patients with a chronic disease.

Dr. Jeffrey Atkinson at the Evonik site in Birmingham (Alabama, USA) is making headway in precisely that direction. The formulation development project for a pharmaceutical company involves developing a formulation for a diabetes treatment that would only need a weekly injection – rather than a daily one. "Basically, what we are doing, is packing the API, a protein molecule, into a polymer particle," says Atkinson, "and since our application requires the particles to have a slower degradation profile, we work with RESOMER® polymers different ▶

Working under cleanroom conditions in Birmingham (Alabama, USA)

## NEW PHARMA BUILDING

Location:
**Darmstadt, Germany**

Construction:
**18 months**

Inauguration:
**February 2014**

Size:
**4,000 square meters of new manufacturing and lab facilities**

Activity:
**RESOMER® research and production**

Dr. Andrea Engel's goal: to replace injections with tablets

▶ from those used by the colleagues in Darmstadt. And slightly different technologies, too." The project is expected to wrap by the end of 2016 – with an industrial scale manufacturing process ready to go on-stream.

Back in Darmstadt, Dr. Andrea Engel is working with an API of a related class. Over the past year, building on the experiences of her colleagues in the US, and liaising with them on a regular basis, she has continually tweaked the polymer composition, gradually optimizing the particle formulation. Whereas the team in Birmingham focuses on controlled release, her main concern is efficient transportation and delivery of the API into the bloodstream. "Particle quality, their size distribution and loading rates are all looking very good at this stage," she is happy to report. The key now is to ensure that the particles loaded with the active ingredient pass the intestinal mucosa and enter the bloodstream in sufficient quantity to reliably deliver the active ingredient and achieve the desired efficacy. "Setting up the cell culture for these tests is a pretty involved process and requires several weeks' lead time," says the researcher.

**It would be sensational breakthrough, if Darmstadt were to develop an oral delivery form for the diabetes treatment.**

It would be sensational breakthrough, if Darmstadt were to develop an oral delivery form for the diabetes treatment – the demand is huge. Today, biopharmaceuticals, i.e. drugs based on protein or nucleic acid molecules, account for a high proportion of the pharma industry's development pipeline. Various technologies are being experimented with to formulate them as tablets, but the success rate hasn't been too encouraging. However, Pharma researchers from Evonik are confident they are on the right track to squaring the circle by banking on biofunctional polymers.

The new particle lab recently completed in Darmstadt will be expanded in 2015 just for that purpose. This new facility will be dedicated to HPAPI formulation development, while the former lab will continue to focus on substances with lower containment requirements as well as on particle analytics.

Dedicated research and manufacturing capabilities for functional pharma-grade polymers, combined with special formulation expertise in polymer-based, customized oral and parenteral drugs in Darmstadt und Birmingham – this unique range of skills and resources means that Evonik is ideally equipped for the sophisticated and ambitious formulation projects brought to us by international customers. Indeed, the teams around Dr. Engel and Dr. Atkinson can look forward to exciting – and challenging! – times in pharmaceutical research.

## GROWING APACE

Location:
**Al-Jubail, Saudi Arabia**

Commissioning:
**End of 2013**

Product:
**Superabsorber (FAVOR®)**

Production capacity:
**80,000 metric tons per year**

Investment:
**Triple-digit millions of euros**
(in a joint venture with Saudi Acrylic Acid Company LLC)

# HIGH TECH FOR DIAPERS

Superabsorbers make diapers absorbent and comfortable. That's good news for more and more parents and babies all over the world.

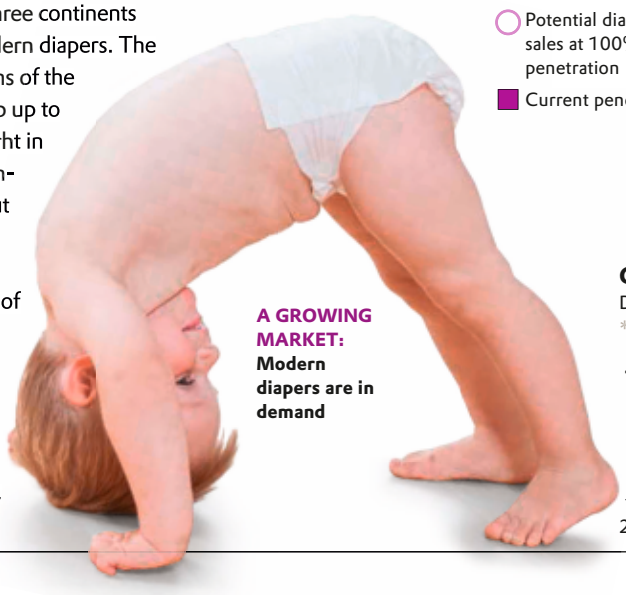
It may be pink or blue, but it's always odor-free and completely realistic—the Application Technology department at Evonik Industries in Krefeld uses 80 liters of artificial urine every day in the service of diaper science. At this production location for superabsorbers, Group employees test diaper models from all over the world. How much liquid do they absorb? How fast and how evenly do they absorb it? Do they retain it even under pressure? And how can these processes be further improved? The application engineers use various devices and anatomically correct dolls to find answers to these and other questions day after day. That's because state-of-the-art diapers are made with high-tech materials and constitute a lucrative growth market.

The superabsorbers that Evonik Industries manufactures here and at four other production locations on three continents are the secret behind modern diapers. The nondescript polymer grains of the FAVOR® brand can absorb up to 500 times their own weight in liquid and retain it even under strong pressure. About ten grams, or a heaping tablespoon, of FAVOR® is contained in the products of leading diaper manufacturers to make sure that baby bottoms stay dry, nights are quieter, and parents can stay more relaxed. At the same time, the diapers themselves are becoming ever thinner. That's good for active toddlers and also saves space during transport and on supermarket shelves.

Thanks to these qualities, superabsorbers have been increasingly replacing cellulose in diapers ever since their market launch in the 1980s. Today some diapers can almost completely dispense with cellulose. One reason for that is the fact that FAVOR® superabsorbers do more than simply store liquid, thanks to targeted refinements of the particles' surface as well as optimized formulas and production processes.

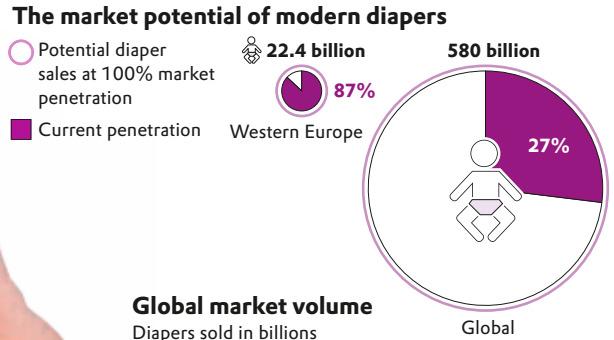
Evonik is one of the world's major superabsorber manufacturers, with a production capacity of 570,000 metric tons a year. In purely arithmetic terms, that's enough for 57 billion diapers. Some 90 percent of its total production is used for hygiene products, well over 70 percent for baby diapers alone. And this sales market is still growing. It's true that in the industrialized nations diaper sales are stagnating along with the birth rate—but in the emerging markets a growing middle class is starting to use modern diapers for the first time. In Western Europe, for example, the market penetration is 87 percent, but on a global scale only about 27 percent of the potential market volume has been exploited.

Evonik has been producing FAVOR® for the up-and-coming markets in the Middle East, Eastern Europe, and North Africa at a new production plant in Saudi Arabia since 2014. Here as everywhere, the customers are literally clamoring for it.



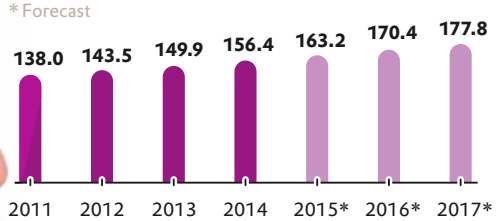
**A GROWING MARKET:** **Modern diapers are in demand**

### The market potential of modern diapers




### Global market volume

Diapers sold in billions
* Forecast




Source: Evonik

# HEALTHY GROWTH

**1 kg METHIONINE**

replaces **260 kg of soy bean meal,**

reduces **ammonia emissions** by **8 kg**

and **nitrate use** by **7.9 kg**

## MEAT CONSUMPTION
**per capita and year in China**

| | 2003* | 2013* | 2023 (forecast) |
|---|---|---|---|
| Poultry | 8.4 kg | 11.3 kg | 13.8 kg |
| Pork | 25.2 kg | 31.3 kg | 33.4 kg |

*Estimated

Meat production will increase by 57.7 million metric tons between now and 2023. China alone will account for 27 percent of this growth, most of which will consist of pork and poultry.

## AT THE CENTER OF DEMAND

Location:
**Jurong Island, Singapore**

Commissioning:
**November 2014**

Investment:
**more than €500 million**

Key markets:
**animal feed for the production of meat in Asia and Oceania**

Amino acids in animal feed help conserve important resources. Evonik is currently exploiting its efficiency edge in Asia with the biggest chemical investment in the company's history.

For most people, a healthy diet includes a certain amount of animal protein. Moreover, more and more people in the world can now afford to consume milk, eggs, and meat. However, the global increase in meat consumption requires more agricultural land to be devoted to the growing of animal feed. This results in more emissions and increases the environment impact. Amino acids from Evonik can substantially reduce these effects. Since the end of 2014, Evonik has been manufacturing MetAMINO® (DL-methionine) directly in its growing Asian market. Methionine is an essential amino acid and one of the most important such amino acids in the diet of chickens, pigs, and fish from aquaculture.

MetAMINO® can offset the lack of this essential amino acid in protein sources such as grain and soy bean meal. If feed contains balanced amounts of amino acids, it can be more efficiently consumed by animals. As a result, animals don't need as much protein to produce the desired amount of meat. That makes feeding the animals more efficient and sustainable at the same time.

Evonik produces and markets the four most important amino acids for the state-of-the-art feeding of animals. The new facility in Singapore has further strengthened Evonik's leading position in the global methionine market, boosting the company's annual production capacity to 580,000 metric tons. Evonik was already producing methionine in Germany, Belgium, and the USA. The Group is clearly demonstrating its commitment to the Asian market with the construction of the continent's largest methionine facility in the Jurong Island industrial park in Singapore. The new plant is scheduled to produce 150,000 metric tons of methionine for the region every year.

The facility has been fully back-integrated, which means that Evonik makes all of the required primary products itself. The plant mainly uses locally sourced raw materials. In addition to boasting great energy efficiency, it has short supply lines and an optimized warehousing system. As a result, the plant sets new standards for efficiency and environmental protection.

At over €500 million, the facility is Evonik's biggest investment to date in the chemical sector. Not only does Singapore promise to provide the plant with stability, it also enables the company to easily reach the Asian growth markets. This ensures an extremely secure supply and helps make food production even more sustainable in more regions of the world.

**Evonik has invested more than €500 million in the hub of its most important growth market, Asia.**

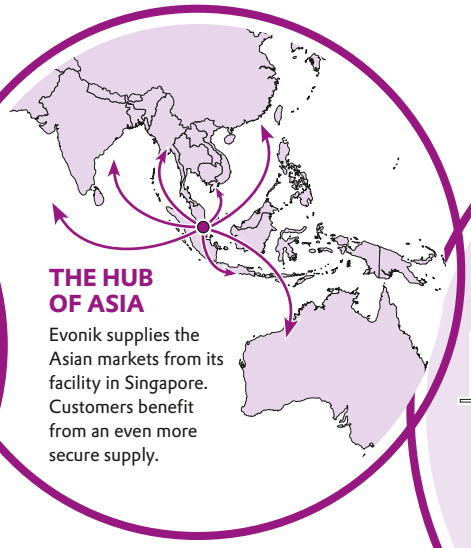
### THE MIDDLE CLASS
**continues to grow**

The middle class consists of people who earn $10 to $100 per day.
This class is rapidly growing in China.

**China's middle class**

| 2003 | 2013 | 2023 (forecast) |
|---|---|---|
| 45 million | 271 million | 709 million |
| 4% | 20% | 51% |

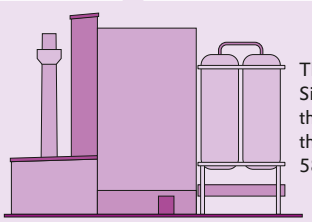
**Share of China's population**



### THE HUB OF ASIA

Evonik supplies the Asian markets from its facility in Singapore. Customers benefit from an even more secure supply.

**430,000 t** of methionine are currently being produced **each year** by the plants in Europe and the USA.



The new facility in Singapore has boost this output by more than one third to 580,000 metric tons.

**150,000 t**
**per year**

Sources: Evonik, OECD, FAO, DAGI

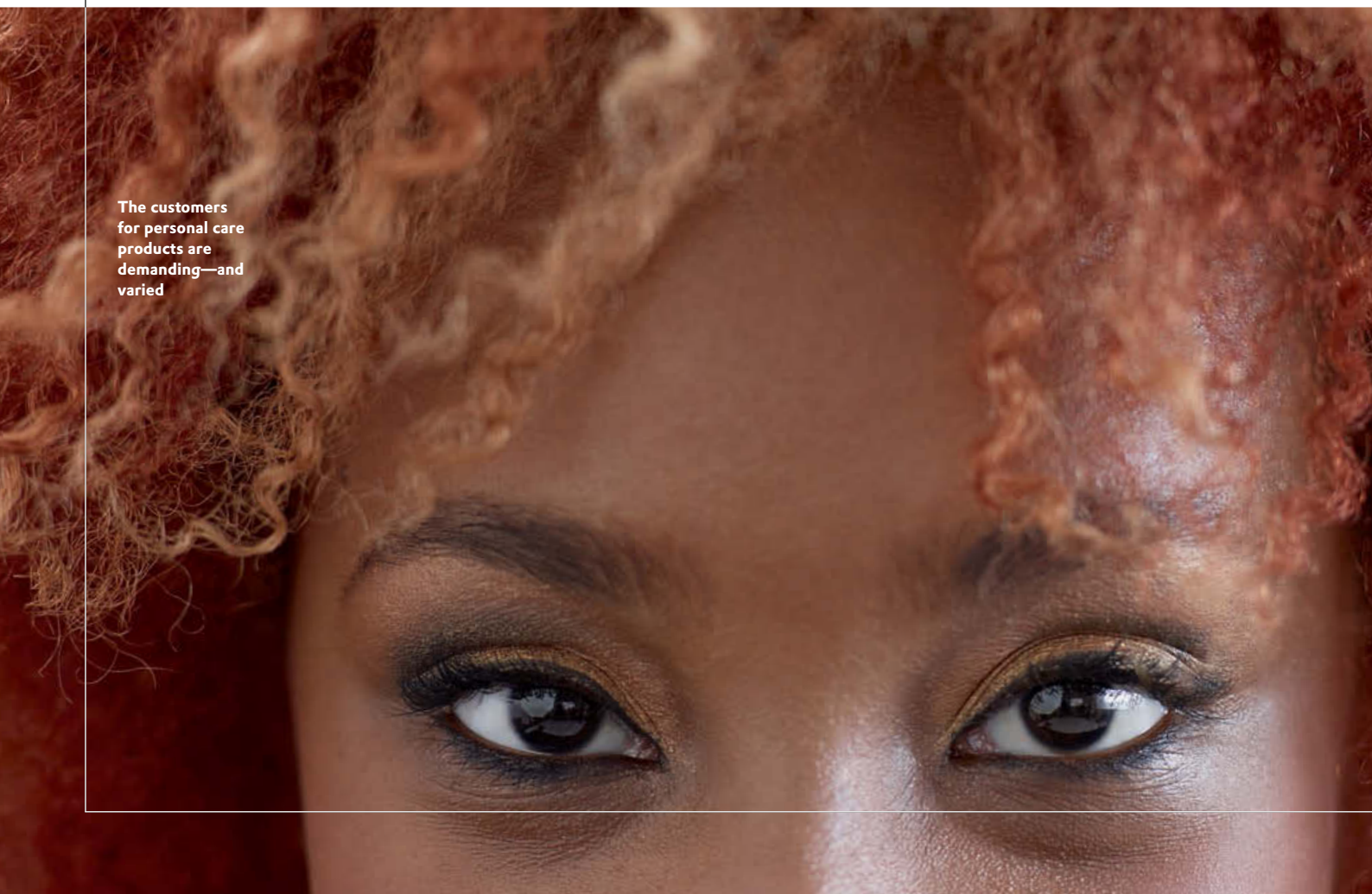
# MORE THAN SKIN-DEEP

The personal care and cosmetics business responds to habits and trends. It helps to have development and production close to the market.

In the market for personal care and cosmetics products, local cultures and individual habits play a key role. Evonik Industries therefore builds its production plants and laboratories in the places where its customers live. For example, its two newest facilities for manufacturing raw materials for cosmetics are in Shanghai, China and Americana, Brazil. Stéphanie Facuri, who heads the applications laboratory for cosmetics in Guarulhos near São Paulo, explains in an interview why this close connection is so important, and what special wishes she helps to fulfill.

**Ms. Facuri, all of us eventually develop wrinkles. We take showers, we use creams, we put on makeup. Are there really huge differences in these respects between South Americans, Europeans, and Asians?**

Of course there are. They begin in the morning as soon as people step into the



**The customers for personal care products are demanding—and varied**

## CLOSER TO THE CONSUMER

Locations and commissioning:

1 **Americana, Brazil (early 2015)**

2 **Shanghai, China (end of 2013)**

Total investment: **Over €100 million for both facilities**

Products: **Ingredients for cosmetics and consumer goods**

shower. Whereas Europeans reach for the shower gel, Brazilians prefer to use a bar of soap. That's why we've developed a customer-specific formulation for such soaps at our laboratory in Guarulhos. These soaps are sold all over South America. Within the Group, we are the experts when it comes to such formulations. To create them you have to know what the customers expect from the end product and also how much they want to spend for it. Price is an important factor for customers in South America.

**Is South America a region where only inexpensive products are sold?**
No, people's expectations are rising. They used to be satisfied with just using a shampoo, but now many people also reach for a conditioner. There's also a trend toward highly effective products, and in these cases we also have to take into account special requirements such as climate. We've developed a formulation for a body lotion that releases moisture after it has been applied. It nourishes and refreshes the skin at the same time. One of the biggest Brazilian cosmetics companies is using this technology. The middle class in South America has been growing for years, and the cosmetics market has been growing with it. In Brazil, the cosmetics market has steadily grown around 10 percent in the past 19 years. The situation is similar to other countries in South America.

**What kinds of products does this growing middle class want?**
For us Brazilians, hair is an important factor. Brazil is a trendsetter in many areas, such as hair straightening. Brazilians also wash their hair more often than people in other countries, so they need more hair care. That's why South Americans prefer creamy conditioners that don't have to be washed out after they've been applied. By contrast, Europeans prefer lighter products. In addition, the natural hair structure of many people here is different from that of Europeans or people in the USA. That's why you have to really know your customers down to the tips of their hair. In the near future we want to set up a hair laboratory in Brazil in order to develop new formulations that are even more market-specific.

**TRENDSETTER: Brazil sets the trends for personal care products all over South America; Stéphanie Facuri makes that possible**

**Who are your customers?**
Our direct customers are multinational cosmetics companies, larger regional companies, and also small companies. The big industrial groups appreciate the fact that they now receive Evonik products from local facilities in the top quality they are used to. In our application technology unit, we help customers develop formulations and we offer training courses. There is still very little research in the area of cosmetics at South American universities, and our customers expect very quick solutions. As soon as people see a cosmetics product in one of the popular soap operas on TV, they want to buy it right away. And we have to deliver—the technical solutions as well as the raw materials for the product. But we can do that much better now that we have our new plant in Americana and our lab in Guarulhos.

Bacteria such as these *Clostridia* could completely transform the supply of raw materials

# NEW MATERIALS FOR TOMORROW AND BEYOND

The Strategic Innovation unit uses biotechnology to invent new processes for more sustainable production. There's a lot to learn, but the colleagues at Creavis have plenty of experience with long-term development work.

In the laboratories at Creavis, people think ahead. That's part of their job. The Strategic Innovation unit of Evonik Industries develops technologies that have the potential to completely transform our daily lives, as well as the Group's production methods. For one of its current research projects, the unit has acquired some especially experienced assistants. The genes of the bacteria Evonik could use to completely transform its own raw materials base for several value-added chains are 3.5 billion years old. These bacteria, called *Clostridia,* were already living when the earth's atmosphere consisted mainly of carbon dioxide and hydrogen. Such a mixture of gases can be found today as a waste gas in heavy industry. To date this mixture, called synthesis gas, has been burned as a fuel or used to create chemical products through complex processes. At Creavis, *Clostridia* have now been genetically engineered to feed on synthesis gas and excrete valuable raw materials for Evonik products. The goal is to exploit a waste product as a raw materials base for high-quality specialty chemicals, with as little expenditure of energy as possible. The team at Creavis has been working on this project in its laboratories in Marl since 2012.

The principle underlying the project was already tried and tested long ago. In their recent work, the researchers have focused on all the products these tiny "colleagues" can generate. They've found that a whole series of raw material chains can be extended or completely transformed over the long term. Their results include a starting material for important plastics and another starting material for amino acids and fatty acids for cleaning and care products. All of these material chains can already be produced in the laboratory, but it's a long way from there to industrial-scale production. The colleagues at Creavis know that better than anyone else. All the same, to a certain extent the road ahead has already been marked out.

Another biotechnological production process, which uses different bacteria and has a different target product, has already successfully overcome many of these obstacles. This process also began with an interesting idea and was eventually brought to maturity through a cooperative project starting in 2007 between the TU Dortmund University, the High Performance Polymers Business Line, Creavis, and the Group's own process engineers. Evonik has been using the process since 2011 to create a primary product for the manufacture of the high-performance plastic polyamide 12 in a pilot plant in Slovenská Ľupča, Slovakia. This plastic, called VESTAMID®, is used wherever plastics are subjected to severe stress—for example, as a protective covering for flexible offshore pipelines, for fuel lines in cars, and for sport shoes. In these applications, no drop in performance whatsoever is tolerated, even for a biologically based plastic.

The project brought together experts from various fields from the very beginning—starting from the initial idea that arose directly from the Group's business

operations and continuing with the strain development at Creavis, followed by the assistance of biotechnology experts from the feed business and process engineers as the idea was implemented on an industrial scale. Today customized bacteria in a pilot project generate the primary product for a polyamide 12 that can replace the petroleum-based material that was used previously. The primary product comes from sustainably produced palm kernel oil.

Whereas the optimization work toward the large-scale industrial production of biotechnologically based polyamide 12 is in full swing, the biotechnological use of synthesis gas still has a long development process before it. However, Dr. Thomas Haas, the head of the Biotechnology unit at Creavis, is convinced that it's a worthwhile innovation path. "The aim is to become more flexible and independent in our choice of raw materials," he says. "That will also give us more leeway in our choice of production locations. We are thus equipping ourselves with our own know-how and safeguarding our technological leadership."

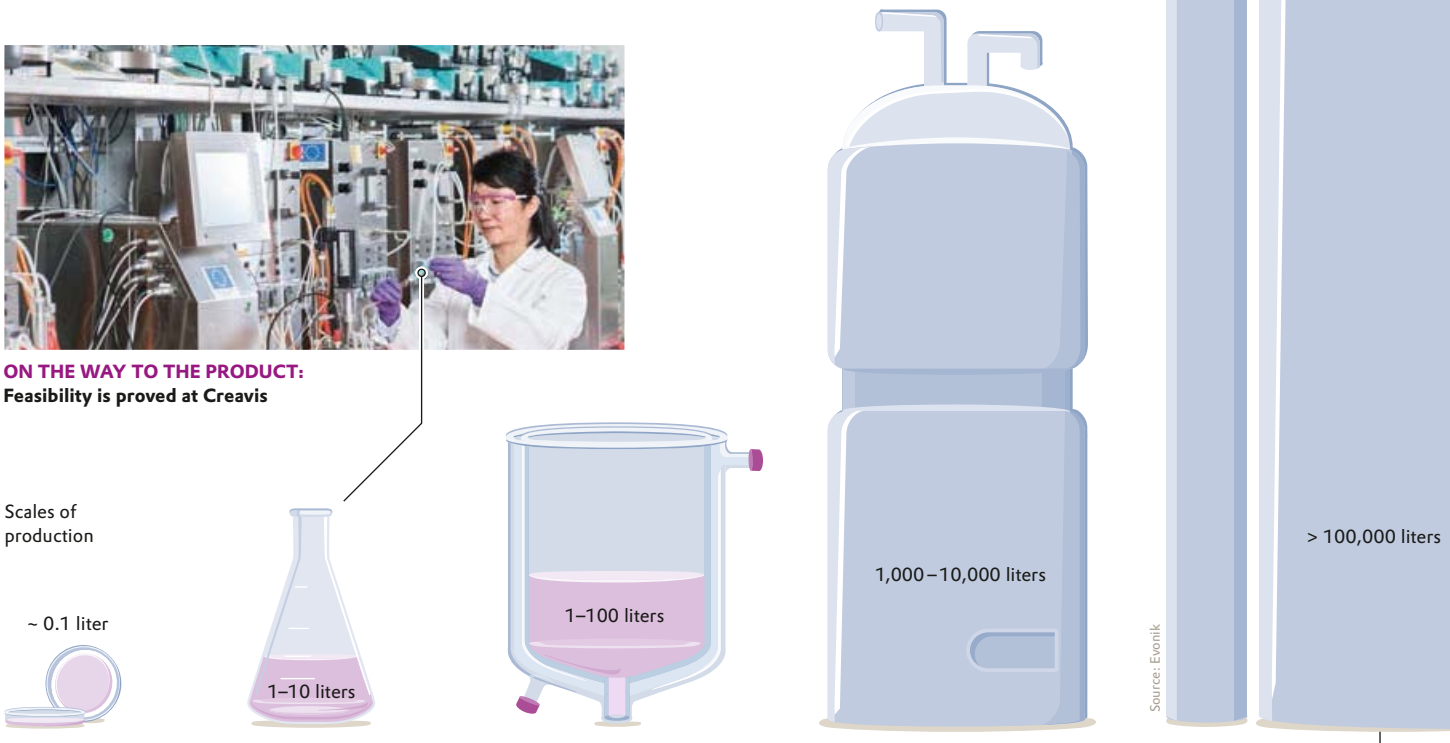
## FROM THE INVENTION TO THE PRODUCT

**The path from strategic research to new large-scale production is a long one. Every major leap in scale is preceded by time-consuming work on process development and optimization.**

**FINAL STEPS TO MATURITY: The biotechnology pilot plant is running in Slovenská Ľupča**



**ON THE WAY TO THE PRODUCT: Feasibility is proved at Creavis**




**DEVELOPMENT STAGE: From proof of the principle to technical feasibility and process optimization. After in-house and external researchers have developed bacteria for the production of the desired raw materials, the aim is to optimally manage the process, the yield, and the production of the product.**

**PRODUCTION STAGE: The industrial-scale pilot plant is directly built with steel and concrete. This is where preparations are made to scale up the production to industrial dimensions and the process and the yield are improved further.**

## A MODEL PLANT

Research locations:
**35 worldwide; strategic research in Marl (Germany), Taiwan, USA, and China**

Research budget:
**€413 million**

Projects:
**500 current development projects**

Patent registrations:
**About 250 in 2014**

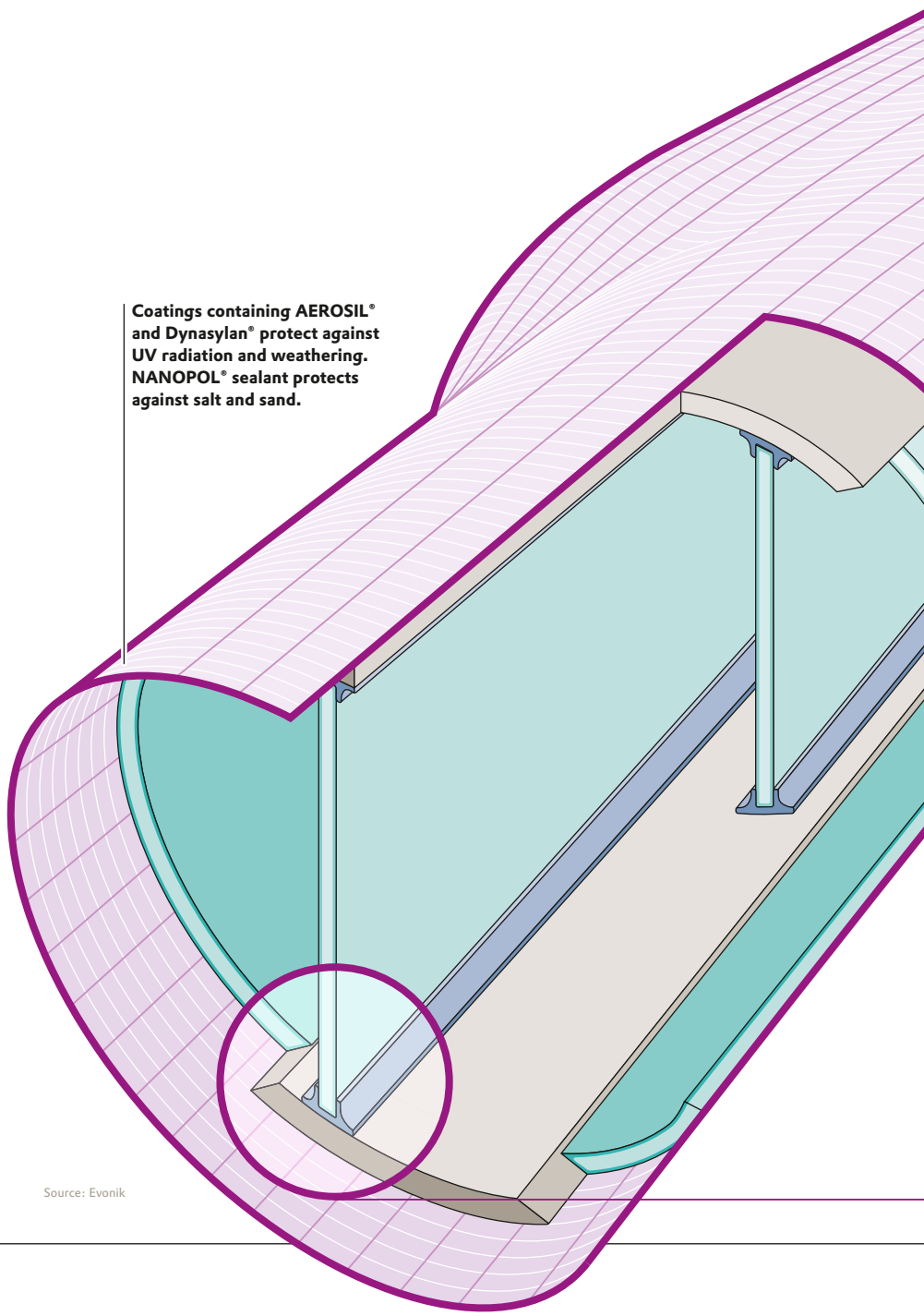
# STANDING TALL AND LIGHT

## When it comes to wind power, size pays off: Materials from Evonik are helping to make rotor blades longer, which increases turbine output.

If you want to get as much electricity out of wind power as possible, and as continually as possible, you have to reach for the skies. That's because the higher you go, the stronger and more reliably winds blow—and the energy yield also rises disproportionately as rotor blade length increases. For example, a wind turbine with rotor blades 45 meters long generates around two megawatts of power. Rotor blades with a length of 70 meters generate four megawatts, and top models can even produce more than seven megawatts. Wind turbines are therefore getting taller and taller and are increasingly being installed at greater heights, and often offshore as well.

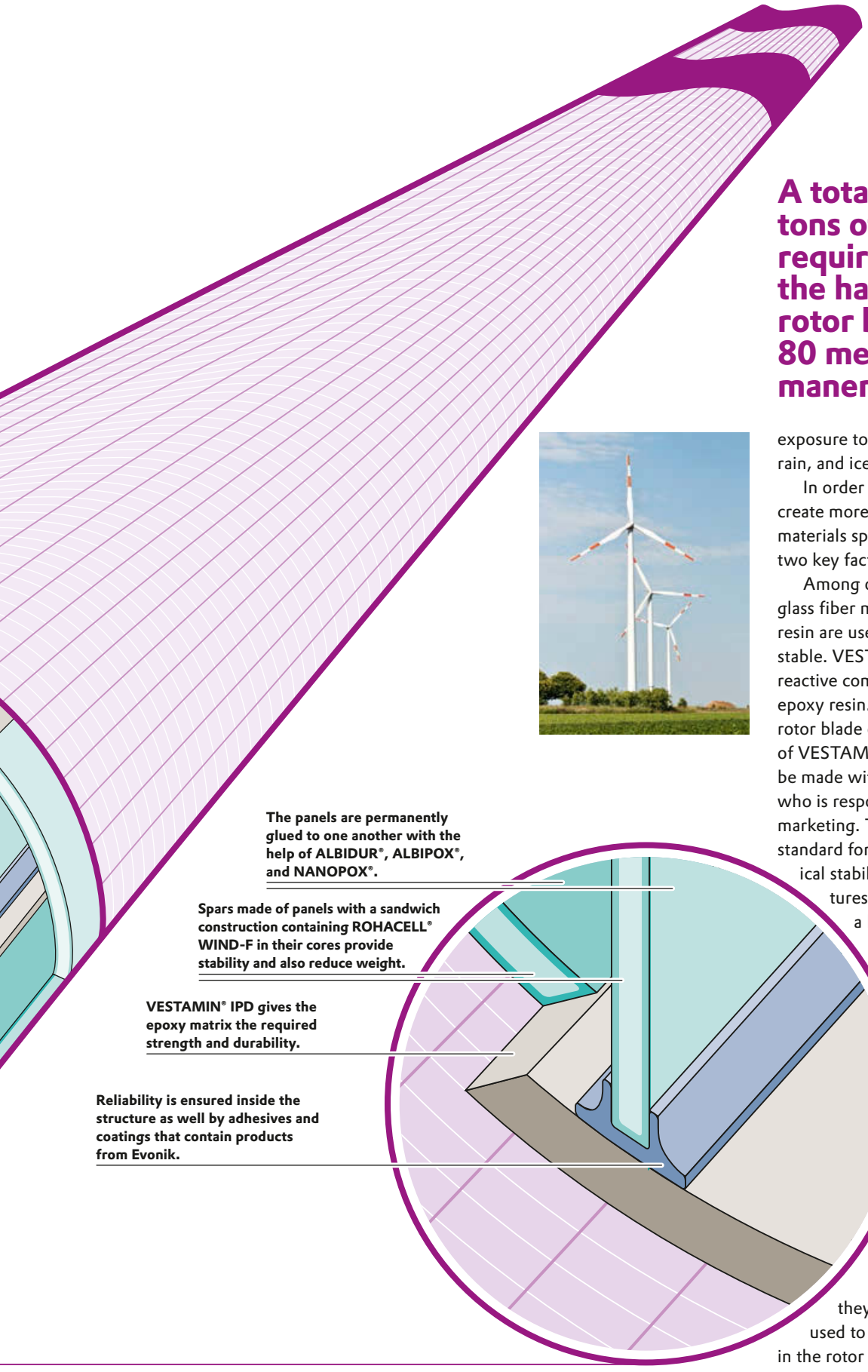
However, the strain on the rotors, and their weight, also increase in proportion to the desired energy yield. The rotor tips on a 4.5-megawatt wind turbine with 70-meter long rotor blades move faster than a Formula 1 race car at full speed, reaching 400 kilometers per hour in some cases. However, each of the three rotor blades weighs as much as a semitrailer and bends up to ten meters in the wind.

The only way such structures can withstand that kind of torture over many years is through the use of very special materials, such as those developed by Evonik Industries. These materials have to be extremely stable in order to withstand the forces they're exposed to, yet they also need to have sufficient flexibility to ensure they won't break when they bend. They should not become soft at high temperatures or brittle at low ones, and they must be resistant to long-term



**Coatings containing AEROSIL® and Dynasylan® protect against UV radiation and weathering. NANOPOL® sealant protects against salt and sand.**

Source: Evonik




## A total of 1.5 metric tons of adhesive is required to keep the half shells of a rotor blade over 80 meters long permanently together.



exposure to UV radiation, sand, salt, rain, and ice.

In order to ensure this and thus help create more efficient wind turbines, the materials specialists at Evonik focus on two key factors: stability and weight.

Among other things, extremely large glass fiber mats impregnated with epoxy resin are used to make giant rotor blades stable. VESTAMIN® IPD is the key reactive component for hardening the epoxy resin. "Although each epoxy resin rotor blade only contains a few percent of VESTAMIN® IPD, the blades couldn't be made without it," says Michael Vogel, who is responsible for VESTAMIN® marketing. The material is the industry standard for the high degree of mechanical stability needed (at high temperatures as well), and it also ensures a long service life for the rotor blades. As used in the hardening process, it helps lead to greater reactivity and shorter production times as well. In the case of a 45-meter turbine blade, around five metric tons of epoxy resin with just a small percentage of VESTAMIN® IPD and the glass fiber mats is hardened in giant molds in just one process step. The mats often slip when they're being laid up and this used to require a lot of manual labor in the rotor manufacturing process. ▶

## COMPLETE FACILITY FOR CHINA

Location:
**Shanghai, China**

Commissioning:
**May 2014**

Products:
**Isophorone and isophorone diamine**

Production capacity:
**50,000 metric tons per year**

Most important markets:
**Wind power and coatings**

Investment sum:
**Over €100 million**

**PRECISION WORK ON A GRAND SCALE:** **Before a rotor blade leaves a manufacturing facility, it is examined closely for defects and cracks. Even minor material weaknesses can lead to costly breakdowns during peak-load operations**

▶ A special Evonik adhesive known as ALBIPOX® has eliminated this problem. Robots can now lay up the mats, which lowers production costs and makes the design more stable. There was still another problem, however: "Components of that size are not precisely dimensioned, and glue lines as thick as a thumb often have to be sealed with the adhesive," says Dr. Stephan Sprenger from the Composite Industry Team. As much as 1.5 metric tons of adhesive is used to hold the two half shells together. Silica from Evonik—more specifically AEROSIL® R208 (as a thickener) and VESTAMIN® IPD (for reactive components)—make the adhesive stable enough to ensure the half shells remain permanently affixed to one another even under peak loads.

The epoxy resin impregnated into the glass fiber mats also contains silane-based Dynasylan®, which ensures the right balance between stability and flexibility.

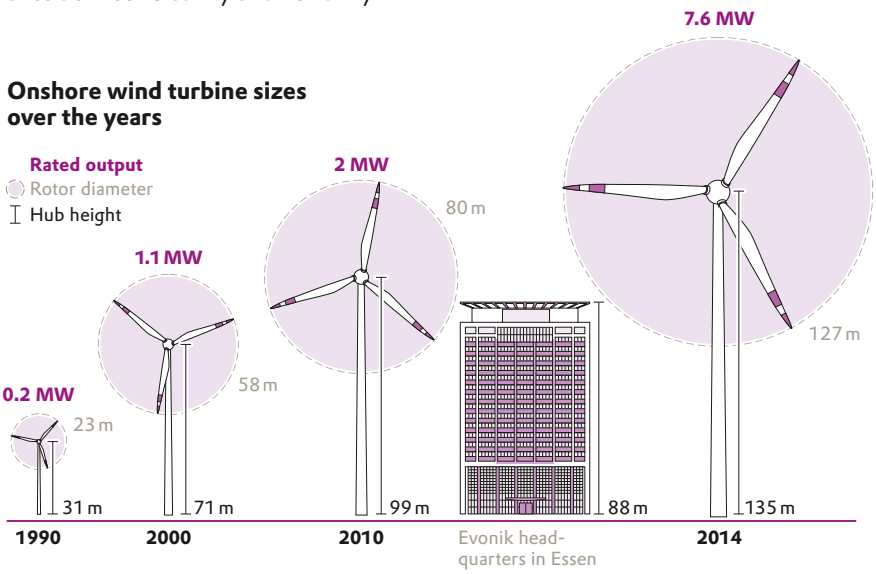
Because stability cannot come at the expense of increased weight, the shell and spars are manufactured with the very light ROHACELL® structural foam. "Our material is used by leading manufacturers of rotor blades," says Christoph Menzel, a wind power project manager at ROHACELL®. For example, the German-Polish company EUROS used ROHACELL® to develop the longest fully certified rotor blade at the moment (81.6 meters). These types of rotors will be used at offshore facilities with an output of seven megawatts.

ROHACELL®, which is incorporated into sandwich structures, is not only light itself; its very fine pore structure also ensures it absorbs extremely little epoxy resin during the production process. This can reduce the weight of each rotor blade by as much as one metric ton. ROHACELL® is also very temperature-resistant. The epoxy resins can therefore be hardened at temperatures of up to 130 degrees Celsius, which is much higher than the limit for comparable products. This shortens the hardening time by 20 percent and makes the production process much more cost-effective.

Evonik has also solved problems associated with rotor blade coatings. Because UV radiation would turn epoxy resins brittle over the lifespan of a wind turbine, the coatings used have to remain effective for many years. That's why they contain Evonik specialties such as VESTANAT®, AEROSIL®, and Dynasylan®. NANOPOL® nanoparticles protect them against salt and sand. This protection against the ravages of time pays off for wind farm operators, especially when one considers that it takes two days to replace a rotor blade at sea and it costs around €2 million to rent a special ship for this period.

Evonik is also now bringing its specialized knowledge of techniques for extreme lightweight construction—and the associated products—to the Chinese growth market. In order to meet growing demand in China, Evonik invested more than €100 million in the construction of a new production facility for isophorone and isophorone diamine (i.e. VESTAMIN® IPD), which is very important for lightweight construction. The new isophorone complex in Shanghai began operating in the first half of 2014. China is already the world's biggest market for wind power plants by far, and the country plans to double its wind power capacity to 200 gigawatts by 2020. Large offshore wind farms are part of this plan. These will also be very tall—but thanks to Evonik, lighter than ever before.

**Onshore wind turbine sizes over the years**




Sources: Fraunhofer IWES, Evonik, ENERCON

## TARGETED WORLDWIDE EXPANSION

Locations and commissioning:

1 **Rayong, Thailand (March 2014)**
2 **Chester, USA (September 2014)**
3 **Rheinfelden, Germany (October 2014)**
4 **Ako, Japan (2015)**
5 **Americana, Brazil (2016)**

Total investment:
**In upper double-digit millions of euros**

Products:
**Precipitated and fumed silica**

Total capacity:
**ca. 550,000 metric tons per year**

# A COVETED ALL-ROUNDER

Consumers everywhere now expect more from daily life: energy-saving tires and fridges, white teeth, smoothly applied paints, and easily flowing powders. Evonik has the answer: silica.

Silica has become indispensable in our daily lives. This all-rounder discreetly adds a certain something to a wide variety of products and consumer goods. Together with silanes, silica reduces rolling resistance in car tires and thus saves fuel. It makes spices and other powders flow more freely, and without silica it would be difficult to apply paints and coatings evenly. It helps to insulate refrigerators and make them more energy-efficient.

In many cases, just a pinch is enough to give a product very special properties. Because of its high chemical purity, silica is also in demand in the food and cosmetics industries and in pharmaceuticals. In the latter two areas, it is prized because of its reinforcing and thickening properties as well as its ability to serve as an active ingredient carrier without entering into chemical interactions itself.

Because of the breadth of its end markets, silica is a robust business for Evonik Industries. The Group produces numerous specialized variants under its own brand names and continuously refines them. Today silica is used as a nature-identical product in shower gels and peeling products, for example. In this application it's an environmentally friendly alternative to microplastics, which end up in drainpipes after a shower and are therefore attracting public attention as a burden on the environment. Because silica is now required in almost every area of life, the demand for it is growing all over the world. One response of Evonik was to expand its capacities for producing precipitated silica by 30 percent between 2010 and 2014 in order to supply the worldwide markets even more effectively. The triumphant march of this all-rounder is by no means over.

# BUILDING AND PRESERVING

Builders want their structures to last forever. Thanks to the building protection systems from Evonik, buildings last longer than they used to. This saves costs and safeguards investments.

During the summer, around 40,000 automobiles cross the 18-kilometer-long Storebæltsbroen ("Great Belt Bridge") between eastern and western Denmark every day. In addition to a high volume of traffic, Europe's longest suspension bridge has to withstand the effects of the weather. Bridges that cross bodies of seawater are especially threatened by corrosion, because the steel inside the bridge will rust if water and salt penetrate into the concrete. This causes structural damage that can rapidly undermine the bridge's stability.

To prevent this from happening, experts from Evonik Industries protected the pillars against rain and seawater while the bridge was still under construction. The protection's main element is a waterproof impregnation with Protectosil®. Protectosil building protection products increase the service life of structures. As a result, builders from the public and private sectors are increasingly using these functional silanes from Evonik whenever they construct new buildings or renovate bridges and other important infrastructure facilities. "Scientific studies confirm that the protection pays off," says Dr. Christine Fliedner, an expert for building protection at Evonik. "If you compare the maintenance costs of buildings and bridges that have been protected with those that have not, you will see that costs can be reduced by up to 70 percent over a ten-year period," she says.

Word of these cost benefits has gotten around, which is why the Lotus Temple in New Delhi, the Louvre in Paris, and the sidewalks at New York's Times Square are all now protected against the ravages of time by functional silanes from Evonik.

However, it's not just prestigious buildings that deserve such special protection, as tight municipal budgets pose a major challenge for anyone who builds, operates, or renovates a structure. Crumbling bridges and decaying parking garages have become a common sight. In fact, more than half of all public parking garages and underground garages in Germany need to be renovated. A significant share of the country's approximately 39,000 bridges is also in need of renovation. As a result, Germany's federal government has made around €1 billion available for a special renovation program that will run until 2017. This money has to be as wisely used as possible. "Preventive measures are particularly needed for bridges, parking garages, and public roads so that they don't require costly renovations or repairs later on," says Dr. Christopher Studte, a building protection researcher at Evonik in Rheinfelden.

Thankfully, the Protectosil® product line provides suitable and sustained protection for almost every kind of materi-

## NEW RESEARCH LABORATORY

Location:
**Rheinfelden, Germany**

Investment:
**More than €10 million**

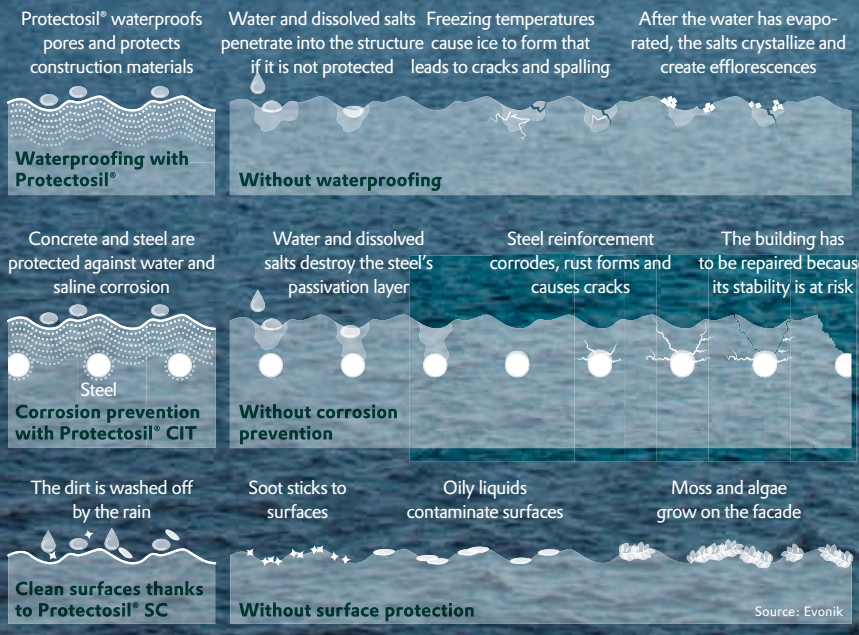
Commissioning:
**Early 2016**

Size:
**3,500 square meters**

Key markets:
**construction chemicals, electronics, tires, adhesives, and plastics**

## WHAT PROTECTOSIL® CAN DO

**The functional silanes from Evonik Industries protect surfaces against weathering. They prevent water and salts from penetrating the surface, and ensure algae and dirt don't have a chance.**




al—from concrete and sandstone to granite and plaster. The products protect the structures against corrosion, frost, acid rain, and moss as well as against graffiti. And because Protectosil® is permeable to water vapor, it behaves like a breathable all-weather jacket for buildings.

Although the Group has been researching, developing, and producing silanes for over 60 years now, it is continuously discovering new uses for them. "Silanes can change, improve, or even create a wide variety of properties," says Dr. Stefan Bade, who is responsible for functional silane innovations at Evonik. Silanes protect buildings and increase the performance of smartphone microchips. In conjunction with silica, they also make tires more fuel-efficient and coatings more durable. To promote research in all of these fields, Evonik itself is now laying the foundations for a building that will house a new research center in Rheinfelden.

# BETTER FOAM PRODUCTION

Construction in China: Polyurethane is in demand as insulating foam for millions of modern apartment units being built in China

## An impressive complete package: Evonik supplies the hydrogen peroxide, the catalyst, and the technology for the environmentally compatible production of propylene oxide.

Asia's new middle class of enthusiastic consumers continues to grow. Whether it's cars, luxury items or real estate—more and more people in China and other Asian countries can now afford more things. This trend is also pushing up demand for the polyurethane foams used in the interior trim of automobiles, car-seat upholstery, furniture and mattresses, and as an insulating material in refrigerators and buildings. Production of such foams in China alone is rising by seven percent each year. That makes Evonik Industries very happy.

Evonik not only manufactures the additives needed to produce the foams; since 2014, it has also been operating a production network in northern China in cooperation with the Chinese company Jishen Chemical Industry. To this end, the two companies set up production plants in the direct vicinity of one another in Jilin. Jishen manufactures propylene oxide—an intermediate product for polyurethane—at the site. Evonik supplies the hydrogen peroxide Jishen needs to make the propylene oxide. The hydrogen-peroxide-to-propylene-oxide (HPPO) process is used here. The technology was developed by Evonik scientists in cooperation with experts from ThyssenKrupp Industrial Solutions. "With an annual capacity of 300,000 metric tons, the plant in Jilin is the first in China to manufacture propylene oxide using the HPPO process, and it does so on a world scale," says Thomas Bode, Vice President Performance Oxidants at Evonik.

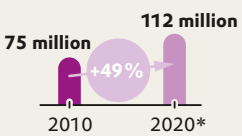
The successful launch of the production network is a welcome development for many reasons. For one thing, the hydrogen peroxide plant has enabled the Essen-based specialty chemicals company to increase its global annual production capacity by 230,000 metric tons to more than 900,000 metric tons. Up until

### THREE GROWING MARKETS

**AUTOMOBILES**

**The global automobile market continues to grow—and with it the demand for greater vehicle comfort.**

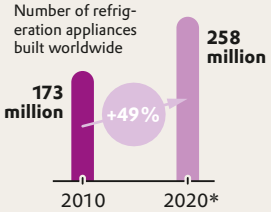
Number of automobiles built worldwide




**CONSUMER GOODS**

**The up-and-coming middle class wants refrigerators that are large and energy-efficient.**

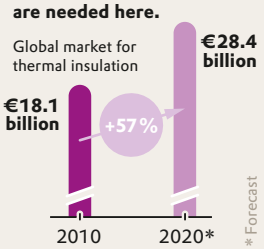
Number of refrigeration appliances built worldwide




**CONSTRUCTION**

**The construction boom continues. High-performance insulating materials are needed here.**

Global market for thermal insulation




* Forecast

Sources: Frost & Sullivan, End Market Growth Study 2013; Euromonitor International; Evonik

## A BENCHMARK FACILITY

Location:
**Jilin, China**

Launch:
**July 2014**

Product:
**Hydrogen peroxide**

Production capacity:
**230,000 metric tons per year**

Exceptional aspect:
**Part of the first world-scale HPPO production network in China**


now, the product has mainly been used as a bleaching agent in the paper industry. However, as a starting material for propylene oxide, the much sought-after primary product for polyurethane, it has opened up completely new and attractive opportunities on the global market.

In addition, the commissioning of the new large-scale plant is a symbol of the successful research partnership between Evonik and ThyssenKrupp Industrial Solutions. "Our technology makes a more cost-effective and environmentally friendly manufacturing process possible," Bode explains. That's because water is the only byproduct of the HPPO process. Conventional technologies produce by-products and co-products such as calcium chloride, styrene, and methyl tert-butyl ether (MTBE), an anti-knock agent.

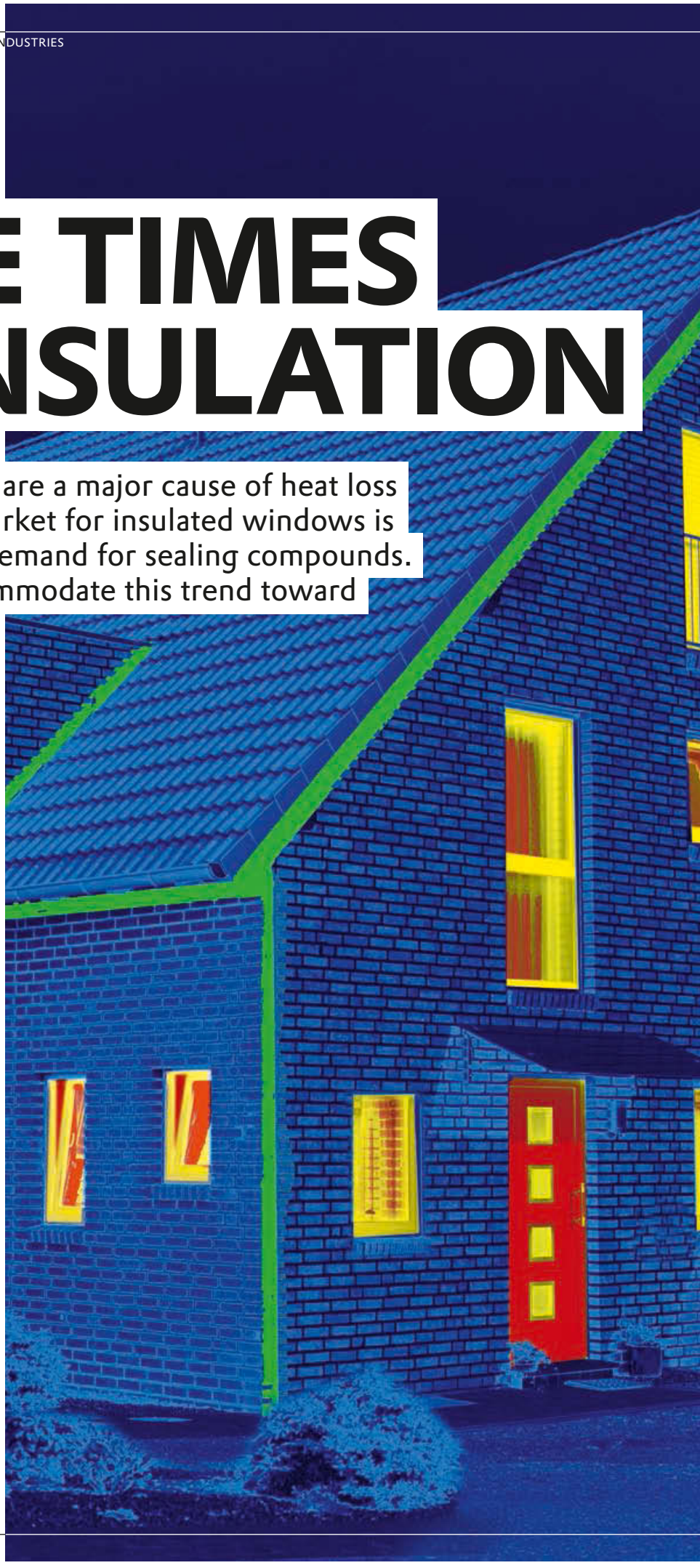
The new process also offers another benefit to Evonik in that the Group not only manufactures the hydrogen peroxide starting material but also markets the license for the technology together with ThyssenKrupp Industrial Solutions and produces the proper catalyst for it as well. "That makes us the only company in the world that can supply everything from a single source," says Bode. Evonik manufactures the catalyst using a technique the Group's scientists developed especially for the HPPO process several years ago.

Back in 2008, the South Korean manufacturer SKC became the first company ever to acquire a HPPO license. Since then, SKC has been producing propylene oxide using the hydrogen peroxide and catalyst from Evonik. SKC recently expanded its manufacturing capacity.

Other companies are also now switching over to the efficient and environmentally friendly HPPO process. Experts believe that most new plants will use the HPPO process in the future. Interest in the technology is especially high in Asia, according to Bode. In order to further expand its market position, Evonik is continually improving the process and the catalyst. "After all," says Bode, "innovation has always been one of our greatest strengths."

# THREE TIMES THE INSULATION

Poorly insulated windows are a major cause of heat loss in many buildings. The market for insulated windows is growing, and with it the demand for sealing compounds. Binders from Evonik accommodate this trend toward greater efficiency.



Sitting nice and warm in your living room while the wind howls outside—that's only possible with well-insulated windows. Thermal imaging cameras show that most lost heat energy literally flies out the window. Insulated windows with up to three glass panes are used to efficiently retain heat when buildings are renovated or new ones are constructed. This eases the strain on the environment, and also saves people money. POLYVEST® HT from Evonik Industries can help with window insulation. This clear fluid, which has the consistency of honey, is known to experts by its complicated name of hydroxyl-terminated polybutadiene (HTPB).

Under the POLYVEST® HT brand name, it plays a key role as a binder in the production of window insulation materials. The product does its job regardless of whether there's a heat wave or a deep freeze outside. It's also extremely resistant to humidity and UV radiation. All of this is crucial when you're dealing with windows meant to last for several decades. Windows are insulated by a hermetically sealed space between panes that is filled with gas—in the case of highly insulated windows an inert gas is used. The required distance is maintained by the placement of spacers along the outer edge of the window. An initial sealing binds the pane and the spacers.

Insulated glass is needed here: POLYVEST® HT helps stop heat losses

A second sealant mass with POLYVEST® HT is then sprayed into the remaining gap below, and this holds everything together and seals off the window completely.

"The product plays a key role in ensuring the quality of the entire window because the double-sealant system increases the lifespan of the insulated glass unit," says Dr. Niko Haberkorn, an application technology specialist at Evonik. Triple-pane insulating glass window designs can lower heat losses through the window by as much as 80 percent as compared to a single-pane design. Whereas double-pane windows have long since been the standard in Europe and the trend is now moving toward triple glazing, many countries outside Europe continue to use single-pane windows. Nevertheless, the trend in Asia and the USA is also now shifting toward more efficient multi-pane solutions.

In addition to its application in modern insulating glass windows, HTPB is also used in other industries. One example of this is the automotive industry, where more and more manufacturers are replacing bolts, rivets, and seams with adhesive binders—especially for joining ever-lighter components made of sheet metal or composites. In this manner, HTPB is helping to reduce vehicle weight and fuel consumption. "There's great demand for products that help companies use resources more efficiently," says Dr. Dietmar Wewers, Head of the Coating & Adhesive Resins Business Line. "The market here is growing very fast, especially in Germany and other European countries, which together account for more than half of total global demand."

That's one reason why Evonik built its new POLYVEST® HT facility near its customers in Marl, which ensures short delivery distances and times. However, Evonik doesn't just supply a product here: Together with researchers and application technology specialists, the Group's experts team up with customers to develop tailored solutions for existing and future applications.

## BUILT CLOSE TO THE MARKET

Location:
**Marl, Germany**

Investment sum:
**Several tens of millions of euros**

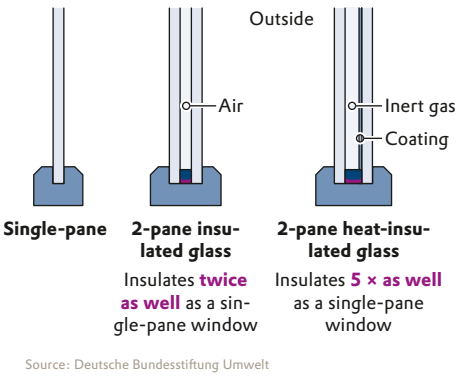
Commissioning:
**November 2014**

Product:
**Functionalized polybutadienes**

Key market sectors:
**Sealing compounds for insulated windows, adhesives for the automotive industry**

## THREE PANES KEEP THE HEAT IN THE HOUSE

**The trend is moving toward three-pane windows, which when combined with coated glass ensure very effective insulation.**

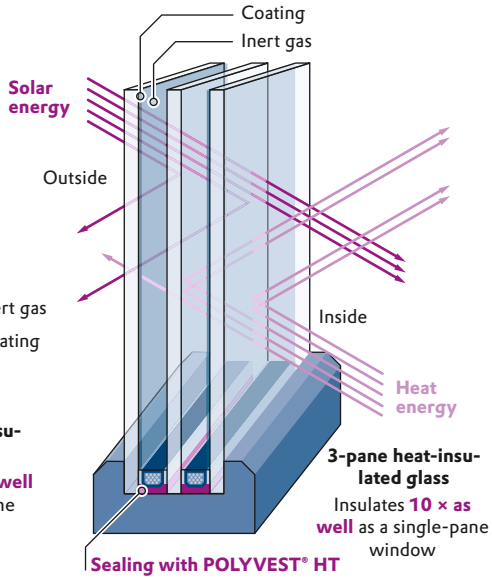



**Single-pane**

**2-pane insulated glass**
Insulates **twice as well** as a single-pane window

**2-pane heat-insulated glass**
Insulates **5 × as well** as a single-pane window

Source: Deutsche Bundesstiftung Umwelt




**3-pane heat-insulated glass**
Insulates **10 × as well** as a single-pane window

# TO OUR SHAREHOLDERS

**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 technology position.**

# Report of the Supervisory Board

Dr. Werner Müller, Chairman of the Supervisory Board

Ladies and gentlemen,

During the past fiscal year, the Supervisory Board of Evonik Industries AG (Evonik) conscientiously performed the obligations defined by law and the Articles of Incorporation. We oversaw 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, and involved us in all decisions of a fundamental nature for the company. 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, 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, the Supervisory Board took decisions 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 issues of importance to the company at five meetings, on March 6, May 20, June 26, September 23 and December 9, 2014. 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. The committees and their members in 2014 were as follows:

- 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 (until April 30, 2014, Deputy Chairman), Karin Erhard (since May 20, 2014, Deputy Chairwoman), Prof. Dr. Barbara Grunewald, Jürgen Nöding, Dr. Wilfried Robers and Dr. Christian Wildmoser.
- Finance and Investment Committee: Michael Rüdiger (Chairman), Michael Vassiliadis (Deputy Chairman), Günter Adam, Stephan Gemkow, Ralf Giesen (until April 30, 2014), Ralf Hermann, Frank Löllgen (since May 20, 2014), Dr. Werner Müller 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 40 to 51.

The Executive Committee and the Audit Committee each held five meetings in 2014, the Nomination Committee met once and the Finance and Investment Committee held four meetings. In addition, the Finance and Investment Committee adopted one resolution via a written circulation procedure. The Mediation Committee was not required to meet in 2014. The chairman or deputy chairperson 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.

At its meeting in March, the Supervisory Board focused on an examination of the annual financial statements, which had first been examined in detail by the Audit Committee, and on preparing for the Annual Shareholders' Meeting. In September, the meeting centered on corporate strategy, while the central issues at the meeting in December were the mid-term planning and the budget. At its meeting in March, the Executive Committee took at detailed look at the corporate planning, while in September it looked closely at Evonik's earnings and the performance of Evonik shares, in both cases in comparison with companies in the sector. At the meeting in May, the Audit Committee discussed the quarterly financial report, in July it examined the financial report for the first six months and in October—alongside the interim report on the third quarter—it considered the focal areas of the audit of the annual financial statements for 2014. At its meeting in March, the Nomination Committee examined the suitability of Prof. Dr. Barbara Ruth Albert for a seat on the Supervisory Board in detail and made a positive recommendation.

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 Evonik Group's business developed well overall in 2014, despite the difficult economic environment. Thanks to buoyant demand and increased production capacity, Evonik posted a further rise in volume sales. The downward price trend for some products weakened during the year and in some businesses there were even clear signs of an upward trend towards the end of the year. Overall, sales increased slightly, but adjusted EBITDA was 6 percent lower than in the previous year at €1.9 billion.

Systematic implementation of the On Track 2.0 efficiency enhancement program introduced in 2012 to further optimize production and related workflows is making good headway. On Track 2.0 aims to make annual cost-savings of €500 million by 2016. By the end of 2014 measures with savings potential of more than €400 million were already being implemented.

The additional Administration Excellence program launched in fall 2013 to optimize Group-wide administration processes is also on schedule. This program is expected to leverage savings of around €230 million a year by the end of 2016. Following initial organizational changes, details of further optimization were worked out and are now being realized. 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). Most of the measures will be implemented in 2015 and 2016.

## Reorganization of the management and portfolio structure

The Supervisory Board discussed the planned reorganization of Evonik's management and portfolio structure in 2015 in detail. The principal objective of the reorganization is to take account of the different management needs of the businesses and bring a further improvement in the structural basis for profitable growth of the various businesses. Evonik Industries AG will concentrate on strategic management and development of the business entities within a management holding structure. The three chemical segments Nutrition & Care (previously Consumer, Health & Nutrition), Resource Efficiency and Performance Materials (previously Specialty Materials) will have greater entrepreneurial freedom and will operate on the market as separate companies. The Supervisory Board explicitly welcomes the reorganization as an important basis for more differentiated development of the businesses in line with the markets and the competitive situation.

## Investment and investment controlling

Alongside this, the Supervisory Board and its committees 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 growth projects, including investment controlling for current projects. The projects considered in detail by the Supervisory Board and the Finance and Investment Committee included:

- the construction of a backwardly integrated methionine facility (Singapore)
- expansion of lysine capacity (Brazil, Russia and the USA)
- expansion of capacity for the amino acid specialties Mepron® and AQUAVI® Met-Met (USA and Belgium)
- joint venture to produce sodium cyanide (Mexico)
- extension of the silicone technology platform (Germany and China)
- joint venture for the construction of a production plant for superabsorbents (Saudi Arabia)
- construction of a new integrated plant for oleochemicals (Brazil)
- construction of a production facility for isophorone and isophorone diamine (China)
- construction of a new facility for functionalized polybutadiene (Germany)
- acquisition of Silbond Corporation, a leading producer of silicic acid esters (USA)
- construction of a production facility for precipitated silica (Brazil)
- extension of the production lines for polyamide 12 (Germany and China)
- extension of the production lines for $C_4$ products (Germany and Belgium)
- the erection of a hydrogen peroxide plant (China)

## Divestments

The Supervisory Board and the Finance and Investment Committee also closely examined divestment projects, including the following:

- sale of the STOKO® Skin Care business to Deb Holdings Ltd. (UK)
- sale of the remaining 49 percent stake in the energy company STEAG GmbH to KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG, Essen (Germany), a consortium of municipal utilities in the Rhine-Ruhr region
- divestment of the interest in Li-Tec Battery GmbH and Deutsche Accumotive GmbH & Co KG to Daimler AG, Stuttgart (Germany).

## Other issues addressed by the Supervisory Board and its committees

In addition to the issues and developments outlined above, the main topics addressed by the Supervisory Board and its committees in 2014 were:

- preparation of the proposals for the Annual Shareholders' Meeting in May 2014, especially the Supervisory Board's proposals on the appointment of the auditor and the election of a shareholder representative on the Supervisory Board
- continuation of the commitment to BVB by taking a minority stake in Borussia Dortmund GmbH & Co. Kommanditgesellschaft auf Aktien and extending the sponsorship agreement with BVB
- status of the "Safety at Evonik" initiative, especially the development of a new safety vision, road safety and plant and transportation safety
- the appointment of Mr. Christian Kullmann to the Executive Board (see also "Personnel issues relating to the Executive Board and Supervisory Board" on page 39)
- the resolution on the Declaration of Conformity in compliance with Section 161 of the German Stock Corporation Act (AktG) and the Supervisory Board's report to the Annual Shareholders' Meeting.

## 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 13, 2013 and in the present version of June 24, 2014. This does not exclude the possibility of deviation from its recommendations and suggestions in legitimate cases.

Since it is listed on the stock exchange, Evonik is subject to the obligation contained in Section 161 of 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 2014, 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 2, 2015, 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 provisions 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 and the subsequent election and court appointment of a substitute member in 2014.

In conformance with the current version of the German Corporate Governance Code, since 2013 the members of the Supervisory Board have received only fixed remuneration.

Members of the Supervisory Board of Evonik Industries AG had no conflicts of interest in 2014.

Moreover, there were no consultancy, service or similar contracts with any members of the company's Supervisory Board in 2014. 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.

In keeping with the German Corporate Governance Code, the Supervisory Board also examined the efficiency of its work. To this end, in 2014 it conducted a self-evaluation with the aid of an external consultant. The results were validated by interviews and analysis of documents, and evaluated against supplementary benchmark information.

This revealed a positive picture of the efficiency of the Supervisory Board's work at Evonik, also in comparison with other companies. Various recommendations were made for action to bring a further improvement in the processes.

## 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, 2014 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 315 a 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 May 20, 2014. 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 Executive Board submitted the above documents, together with the auditor's reports and the Executive Board's proposal for the distribution of the profit to all members of the Supervisory Board to prepare for the meeting of the Supervisory Board on March 2, 2015. At its meeting on February 25, 2015 the Audit Committee discussed the annual financial statements, auditor's reports, and proposal for the distribution of the profit in the presence of 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 the auditor to report on its collaboration with the internal audit department 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 Ev onik Industries AG, the consolidated financial statements for the Evonik Group, the combined management report for fiscal 2014 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 2, 2015. 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 management), the Supervisory Board declares that, based on the outcome of its examination, it has no objections to raise to the annual financial statements of Evonik Industries AG, the consolidated annual financial statements and 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 2, 2015, the Supervisory Board therefore endorsed the annual financial statements of Evonik Industries AG and the consolidated annual financial statements. The annual financial statements for 2014 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 for 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 has prepared a report on relations with affiliated companies in 2014. 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 Executive Board submitted the report on relations with affiliated companies and the associated auditor's report to all members of the Supervisory Board to enable them to prepare for the Supervisory Board meeting on March 2, 2015.

The Audit Committee conducted a thorough examination of these documents at its meeting on February 25, 2015 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 this meeting, 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 2, 2015. 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. It obtained an explanation of the principles used to determine the relevant activities and the remuneration, particularly 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 June 26, 2014, the Supervisory Board appointed Christian Kullmann as the Executive Board member with responsibility for corporate strategy for five years from July 1, 2014.

There were changes in the composition of the Supervisory Board in 2014: Dr. Dr. Peter Bettermann stepped down from his post as a shareholder representative on the Supervisory Board as of June 30, 2014. At the Annual Shareholders' Meeting on May 20, 2014, Prof. Dr. Barbara Ruth Albert was elected as a shareholders' representative on the Supervisory Board effective July 1, 2014. Ralf Giesen, a representative of the workforce, stepped down from the Supervisory Board with effect from April 30, 2014. Frank Löllgen was appointed to the Supervisory Board effective May 1, 2014 through a decision taken by the District Court of Essen on April 22, 2014 in accordance with Section 104 AktG. 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 also 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 successful work over the past year.

The Supervisory Board adopted this report at its meeting on March 2, 2015, in accordance with Section 171 Paragraph 2 of the German Stock Corporation Act (AktG).

Essen, March 2, 2015

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, between these two boards, and between the 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 13, 2013, and the revised version of June 24, 2014. 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 on the German Corporate Governance Code and which recommendations have not been or are not being applied, together with the associated reasons. The declaration has to 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 2014, the company has fully complied with all recommendations of the German Corporate Governance Code in the versions dated May 13, 2013 and June 24, 2014, as published in the Federal Gazette on June 10, 2013 and September 30, 2014, respectively, and will continue to do so.

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 (the company should make it possible to follow the general meeting using modern communication media) was not and will not be applied. Instead, for organizational reasons, only the speeches by the Chairman of the Supervisory Board and the Chairman of the Executive Board will be transmitted. This procedure also correlates with widespread practice. 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 (the representative appointed to exercise shareholders' voting rights in accordance with instructions should also be reachable during the general meeting) was not and 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 2015

The Executive Board

The Supervisory Board

## 2.2 Relevant information on corporate management practices

### Corporate governance

See p. 41

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, 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

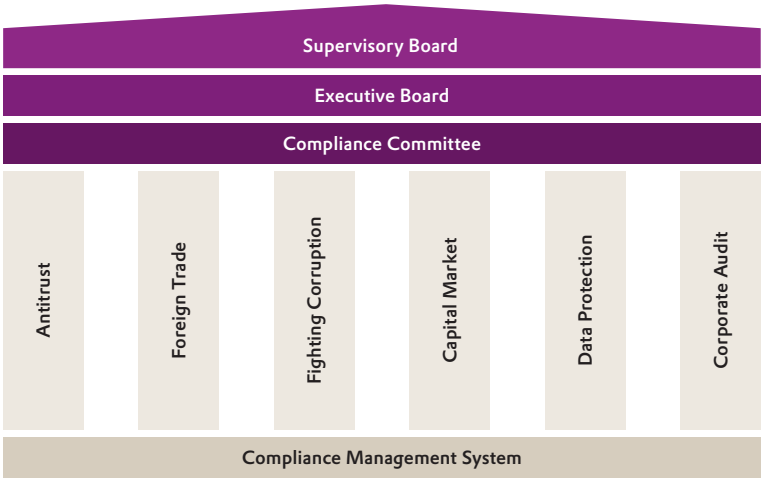
Evonik's binding Group-wide Code of Conduct contains the most important corporate values and principles and governs the conduct of Evonik, its legal representatives and its employees both internally, in the treatment of one another, and externally in the treatment of the company's shareholders and business 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.

### House of Compliance

The compliance areas identified as being of special relevance to our company are bundled in a House of Compliance. Following a refocusing, this still includes the traditional compliance issues: antitrust law, foreign trade law, fighting corruption, data protection, and—as a publicly listed company—capital market compliance. Environment, safety, health and quality are bundled in a separate corporate division.

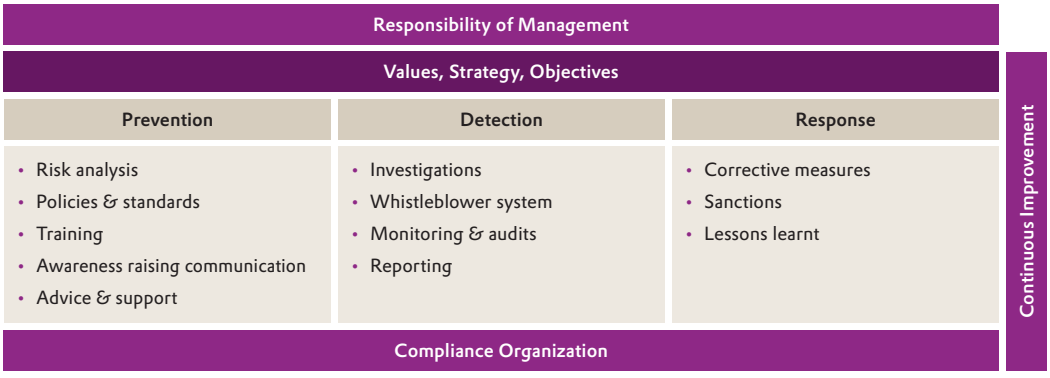
The role of the House of Compliance is to define minimum Group-wide standards for the compliance management system for these areas and ensure that they are implemented. The process of forming a consensus, sharing experience and coordinating joint activities takes place in the Compliance Committee, which is composed of the heads of the respective units, who have independent responsibility for their areas, and the Head of Corporate Audit. The Compliance Committee is chaired by the Head of Compliance and Antitrust Law.

## C01 House of Compliance




The compliance management system to be implemented by each area of compliance on the basis of the defined values, strategy and specific targets has to implement the tools shown in the next chart. Measures must be put in place to avoid compliance risks and systematic misconduct, identify cases of misconduct, apply appropriate sanctions, and correct process weaknesses.

## C02 Evonik: Compliance Management System (CMS)




Further information on Evonik's compliance management system and the corresponding areas of focus and action taken in the year under review can be found in the Sustainability Report[1].

[1] The Sustainability Report 2014 will be published in May 2015 and will be available at www.evonik.com/responsibility

## 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 Labor Standards of the International Labour Organisation (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. We also expect our suppliers to share these principles and accept their responsibility with regard to their own employees and business partners, society and the environment. This is set out in our Supplier Code of Conduct.

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 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** @ www.evonik.com/coc
**Supplier Code of Conduct** @ www.evonik.com/responsibility
**ESH Values** @ www.evonik.com/esh
**Global Social Policy** @ www.evonik.com/gsp
**Code of Responsible Conduct for Business**
@ www.wcge.org/download/120206_leitbild-eng_Unterschriften_o.pdf
**Responsible Care** @ www.icca-chem.org/en/Home/Responsible-care/
**Sustainability Report** @ www.evonik.com/responsibility

### 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. [1]

www.evonik.com/investor-relations

Mandatory publications such as ad-hoc announcements, voting rights announcements and information on directors' dealings are also published immediately on our Investor Relations site. [2]

The offering also 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. [3]

## 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).

See p. 41

### 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 five 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. The Executive Board endeavors to take decisions unanimously, but may also adopt resolutions by majority vote. If an equal number of votes is cast, the Chairman has the casting vote.

[1] www.evonik.com/investor-relations, News & Reports, Share and Bonds & Ratings. For details of shareholder structure see "Evonik on the capital markets" on p. 52 of this Annual Report and www.evonik.com/investor-relations, Share/Shareholder structure
[2] www.evonik.com/investor-relations, News & Reports/Ad-hoc announcements, Share/Voting rights announcements, and Corporate Governance/Directors' Dealings
[3] www.evonik.com/investor-relations, Sustainable Investments (SRI) and Corporate Governance

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 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/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 2014 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.

See p. 264 ff.

The composition of the Executive Board and membership of supervisory boards and similar governance bodies are outlined on page 264.

## 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 before the date of his election to the Supervisory Board. 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 2014, nor were there any conflicts of interest relating to members of the Supervisory Board of Evonik Industries AG. 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 and the subsequent election of a member at the Shareholders' Meeting on May 20, 2014:

- 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.

See p. 32 ff.
See p. 264 ff.

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 32. For details of the composition of the Supervisory Board and membership of other supervisory and governance bodies see pages 264 to 266.

## 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 315 a Paragraph 1 of the German Commercial Code (HGB) are taken into account.

The Shareholders' Meeting appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf (PwC) as auditor for the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group for fiscal 2014. 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 2014. 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 2014.

## 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 opportunity and risk report, which forms part of the management report. Details can be found on page 114.

See p. 114 ff.

## 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 132.

See p. 132 ff.

# Evonik on the capital markets

- Capital market communication stepped up
- Dividend policy geared to continuity
- Successful Capital Markets Day

## Dialogue with investors intensified

In 2014 we stepped up our dialogue with the capital markets. The Executive Board and Investor Relations team gave equity and bond investors extensive information on Evonik's specialty chemicals portfolio, growth strategy, business drivers, and business performance at 18 roadshows, 14 conferences and five field trips in Europe, the USA and Asia. Overall, we registered around 500 contacts with investors. The capital markets were positive about the disciplined realization of our investment program, and the management and portfolio structure planned as from 2015, which is expected to create a better basis for differentiated management and selective growth.


At the Annual Shareholders' Meeting on May 20, 2014, Dr. Klaus Engel, Chairman of the Executive Board, reported on the previous fiscal year, and private and institutional investors had an opportunity for direct discussion with Evonik's top management.

### T001 Key data

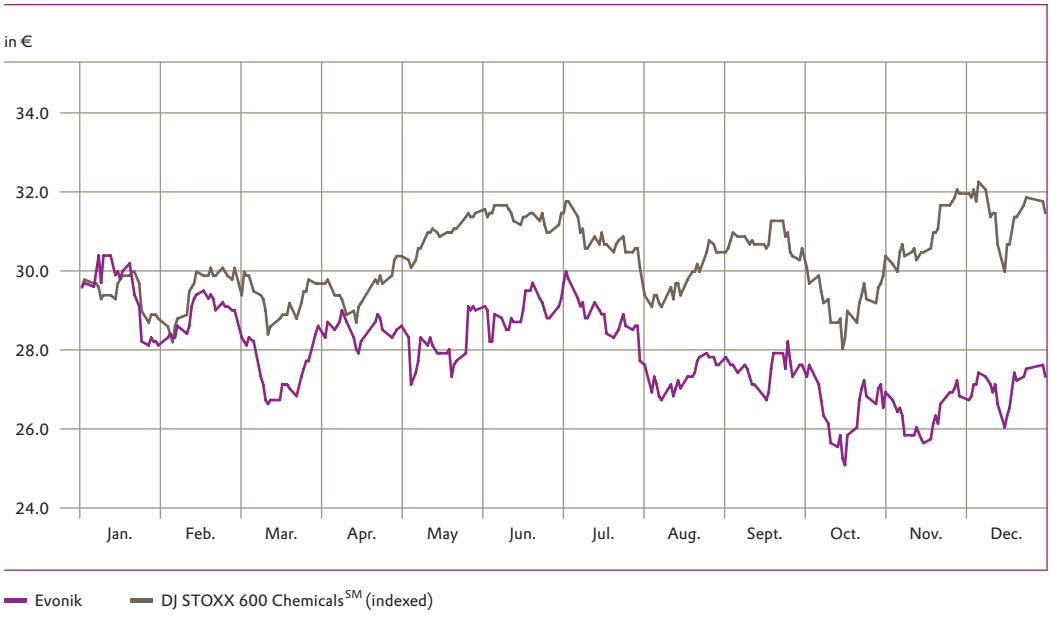
| | Jan. 1 – Dec. 31, 2014 |
|---|---|
| Highest share price[a] in € | 30.45 |
| Lowest share price[a] in € | 24.66 |
| Average price[a] in € | 27.76 |
| Closing price[a] on December 30, 2014 in € | 27.13 |
| No. of shares | 466,000,000 |
| Market capitalization[a] on December 30, 2014 in € billion | 12.64 |
| Average daily trading volume[a] (No. of shares) | ~185,000 |

[a] Xetra trading.

### 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 |
| Indices | MDAX, DJ STOXX® Europe 600, FTSE4Good Global, STOXX® Global ESG Leaders |

**C03 Performance of Evonik shares January 1 – December 31, 2014**




## Share price performance

At the start of the year, shares in Evonik continued the upward trend from the end of the previous year and traded at above €30 in January. However, in the following months sentiment on the financial markets was adversely affected by international conflicts and increasing skepticism about the development of the global economy, which also put pressure on our shares. Despite temporary rallies, supported by expectations of a continued sound business performance, the share price therefore dropped to a low for the year of €24.66 on October 16, 2014. The good performance of our amino acids business and positive analysts' estimates helped the share price to recover shortly afterwards. In the last weeks of the year, which were dominated by the massive drop in the price of oil, the sharp fall of the ruble, and fears that the euro crisis could flare up again, our shares proved quite robust compared with those of direct competitors in the chemical sector. As a consequence of the difficult overall economic conditions, the share price closed at €27.13 on December 30, 2014. That was 8 percent lower than at the start of the year. Taking into account the dividend payment of €1.00 in May, the decline was 5 percent. The MDAX rose 2 percent in 2014, and the DJ STOXX 600 Chemicals℠ gained 4 percent. Average daily trading volume in 2014 was around 185,000 Evonik shares (€5.1 million) and market capitalization was €12.64 billion on December 30, 2014, positioning Evonik in mid-field in the MDAX index in terms of these two indicators.

## Dividend yield among the highest in the chemical industry

Evonik has a sustained dividend policy that takes account of the dividend expectations of our shareholders without curtailing corporate growth. We aim to pay a dividend of around 40 percent of adjusted net income. In addition, dividend continuity is very important to us.

At the Annual Shareholders' Meeting on May 19, 2015, the Executive Board and Supervisory Board will therefore be proposing a dividend of €1.00 per share for 2014, as for the previous year. That represents a payout ratio of 63 percent of adjusted net income. With a dividend yield of 3.7 percent based on the year-end share price, Evonik ranks among the leaders in the chemical industry.

## 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 Partners, with an indirect shareholding of 17.9 percent. The free float was 14.2 percent. In July 2014, about 92 percent of the free float was held by institutional investors, with private shareholders accounting for around 8 percent. The regional distribution of the free float showed that—alongside Asia—most shareholders were in the USA, the UK and Germany.

CFO Ute Wolf talking to investors and analysts.

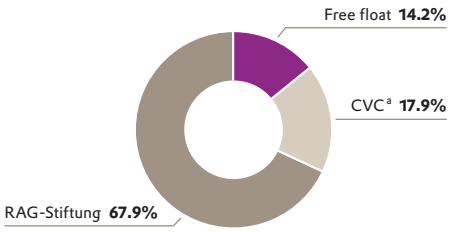

The second Capital Markets Day was held in Hanau (Germany) on October 2, 2014.

There was great interest in the latest corporate and financial strategy, and the new Group structure.

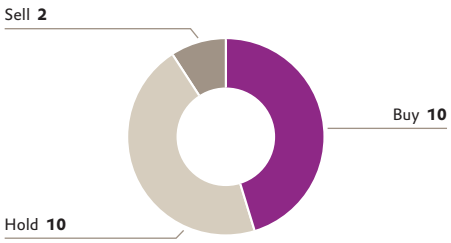
## Second Capital Markets Day was a success

Our second Capital Markets Day at the start of October was a highlight of our investor relations work. More than 30 analysts and investors attended the event at Evonik's site in Hanau (Germany), where the Executive Board presented the latest corporate and financial strategy and talked about the new Group structure. The aspiration level for the mid-term goals—sales of around €18 billion and adjusted EBITDA of over €3 billion by 2018—was confirmed. The second focus of the Capital Markets Day was the Resource Efficiency segment. Examples of its environmentally compatible and energy-efficient system solutions were highlighted through presentations by the Silica, Oil Additives and Coating Additives Business Lines.

### C04 Shareholder structure




### C05 Analysts' ratings




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

## Further increase in coverage

The number of analysts who cover Evonik increased from 17 to 22 by the end of 2014. Ten of them rated Evonik shares as a buy, two as a sell, and ten issued neutral recommendations. Their price targets ranged from €23 to €34. The median was €30.

## Evonik is well-positioned in sustainability indices and ratings

In 2014, Evonik was included in the FTSE4Good and FTSE4Good Global responsibility-oriented investment indices and the STOXX® Global ESG Leaders index. The company also positioned itself successfully with leading sustainability rating agencies such as Oekom and Sustainalytics. Since the stock exchange listing, an increasing number of financial investors and analysts who base investment decisions on the sustainability performance of companies as well as their financial performance have had Evonik on their radar screens. We have therefore increased the information offering for this target group on our Investor Relations website.

## Successful bond issue

Evonik has sound investment grade ratings: BBB+ (outlook: stable) from Standard and Poor's and Baa2 (outlook: positive) from Moody's, so we have achieved one of the main goals of our financial strategy. The €750 million bond, which we issued in 2009 with a coupon of 7 percent p.a., was redeemed as scheduled in October 2014. In mid-January 2015 Evonik Industries AG issued a new €750 million bond. This has a coupon of 1.0 percent p.a. and matures in eight years. This issue took place under the present Debt Issuance Programme and will be used to finance our ongoing business and our investment program.

## 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. The website also contains 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.

**Contact:**
Phone +49 201 177-3146
www.evonik.com/investor-relations

# MANAGEMENT REPORT

**Combined management report for 2014**

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).

# Successful in difficult conditions—Confident about 2015

## 1. Basic information on the Evonik Group

### 1.1 Business model

**Strong market positions, sustainable business activities, responsible action**

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 positions[1], which we are systematically expanding. Our strong competitive position is based on integrated technology platforms, innovative strength and working closely with our customers.

See p. 267 f.

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.

See p. 100

Market-oriented research and development is a key driver of profitable growth. 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.

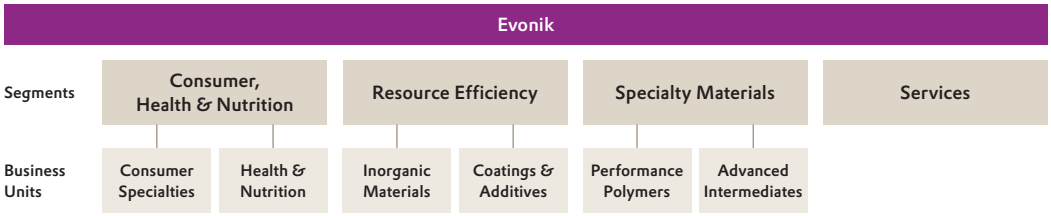
[1] We define these as ranking 1st, 2nd or 3rd in the relevant markets.

## A decentralized corporate structure

Operationally, our specialty chemicals business is aligned to global megatrends that have the potential to give us access to future-oriented markets and generate profitable growth. Until December 31, 2014, our operating business was grouped in three segments, each of which had two business units[1]. 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 of the Group.

See p. 62

### C06 Corporate structure




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

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions, mainly for the automotive sector and for the paints, coatings and construction industries. 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 is composed of 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.

See glossary p. 274

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

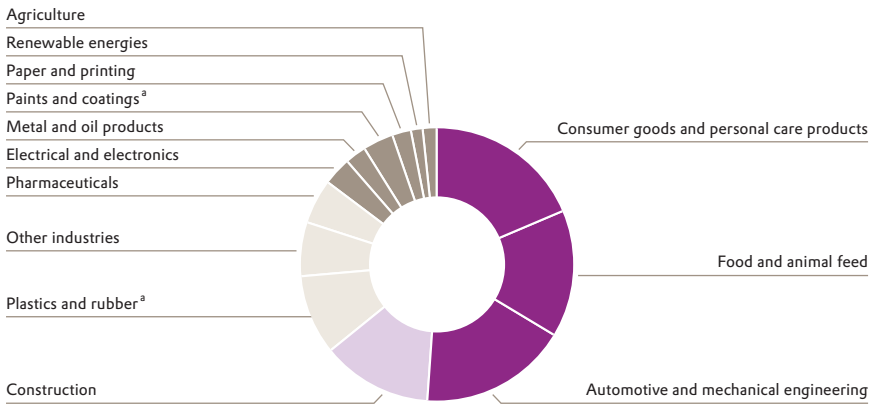
See glossary p. 273

[1] For details of the new Group structure, see the section on Strategy and objectives.

### 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**




15–20% 10–15% 5–10% < 5%

[a] Where not directly assigned to other end-customer industries.

### Global production

See p. 87

Evonik has a presence in more than 100 countries and 78 percent of sales are generated outside Germany. We produce where our markets and customers are. Consequently, we have production facilities in 25 countries on five continents. Our largest production sites—Marl, Wesseling and Rheinfelden (Germany), Antwerp (Belgium), Mobile (Alabama, USA), Shanghai (China) and Singapore—have integrated technology platforms used by various 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.

See p. 92

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. We take a flexible and disciplined approach to implementing our ambitious investment program to extend our leading market positions around the world. Projects that have not yet started are always reviewed for changes in the market situation.

See p. 267 f.

To raise scope for growth and innovations, we are continuously working to improve our **cost position**. The On Track 2.0 efficiency enhancement program is geared to optimizing production and related workflows, while the Administration Excellence program is designed to optimize our administrative functions worldwide.

See p. 70 f.

We accept **responsibility** worldwide—for our business, our employees and our social environment. For example, we foster a Group-wide performance culture and growth-oriented mindset among our workforce. *Diversity* is very important for Evonik. For our business associates and customers, who are central to Evonik, we are a strong and reliable partner. That is how we define **sustainability** and corporate responsibility. 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.

G See glossary p. 272
See p. 105 ff.
G See glossary p. 274

**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.

See p. 100 ff.

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. 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.

G See glossary p. 276

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 2015 these are:

See p. 111 ff.

- The *accident frequency rate*[1] should not exceed 1.3.
- *Incident frequency*[2] should not exceed 48[3].

G See glossary p. 272
G See glossary p. 273

[1] Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision 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 hours worked in the production facilities operated by the business units, taking 2008 as the reference base (expressed in percentage points: 2008 = 100).

Alongside financial and safety targets, we set ambitious environmental targets. The aim is to make a contribution to climate protection, minimize our ecological footprint, and steadily improve our environmental protection performance. We defined demanding environmental targets for the period 2004 – 2014. Thanks to our joint efforts, these were achieved in 2012, two years earlier than planned. In 2014, we set new targets for the period 2013 to 2020, taking 2012 as the reference base:

- Reduce specific greenhouse gas emissions[1] by 12 percent
- Reduce specific water consumption by 10 percent

In the area of sustainable waste management, we are continuing our efforts to minimize the use of resources.

## New Group structure

To further improve our scope for profitable growth, we reorganized our management and portfolio structure effective January 1, 2015. In the future, the Executive Board will concentrate on Evonik's strategic development within a management holding structure. This gives the three specialty chemicals segments far greater entrepreneurial independence so they can operate closer to their markets and customers and improve efficiency still further.

- The Consumer, Health & Nutrition segment has been renamed Nutrition & Care and will be managed by the new legal entity Evonik Nutrition & Care GmbH.
- The Resource Efficiency segment will be run by the new legal entity Evonik Resource Efficiency GmbH.
- The Specialty Materials segment has been renamed Performance Materials and will be run by Evonik Performance Materials GmbH.

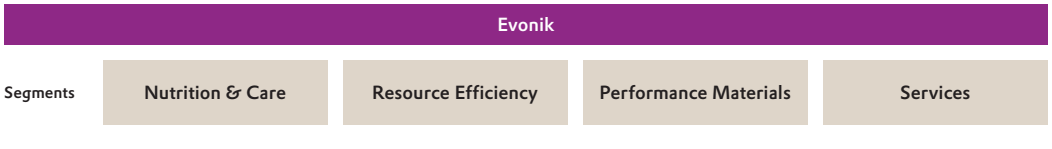
The former business unit level has been eliminated.

The new structure is designed to allow far more differentiated management of the various businesses and more targeted development.

The Nutrition & Care and Resource Efficiency segments operate principally in markets with high margins, growth rates and entry barriers. They offer customers customized, innovation-driven solutions. The aim is to generate profitable, above-average growth, mainly by selective capital expenditures and acquisitions.

The Performance Materials segment has a strong product focus and is characterized by processes that make intensive use of energy and raw materials. Therefore, the main focus is on integrated technology platforms and efficient processes. We want to strengthen these competitive advantages by further improvements in our efficiency and possibly through alliances. In the future, investments will concentrate on securing and extending our good market positions.

**C08 Corporate structure as of January 1, 2015**




[1] Energy- and process-related emissions as defined by the Greenhouse Gas Protocol.

## 1.3 Business management systems

Our assessment of our most significant performance indicators 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.

In light of our increased capital market orientation following our stock exchange listing, in 2013 we defined **adjusted EBITDA** as the key performance indicator. 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 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.

See p. 68
G See glossary p. 275

The return on capital employed **(ROCE)** is used as a further indicator. In our value-oriented corporate management approach, at the start of 2014 our previous performance indicator Economic Value Added **(EVA®)** was replaced by *ROCE*, which was already used to measure the attainment of targets. 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.

G See glossary p. 276
See p. 72

### 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 report[1] provides information on ecological and societal issues to supplement our economic reporting.

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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 all staff at all levels. 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 frequency*[2].

See p. 112
G See glossary p. 272

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. We regard specific greenhouse gas emissions as a particularly important environmental indicator and plan to use it as a key non-financial performance indicator in the future.

G See glossary p. 273

[1] This report is based on G.3.1, the currently valid guidelines issued by the Global Reporting Initiative (GRI).
[2] See sections Principles and objectives p. 60 ff., Business performance p. 68 ff., and Sustainability p. 105 ff.

# 2. Business review

## 2.1 Overall assessment of the economic situation

Strategically, we sharpened our profile as a pure specialty chemicals company, especially by divesting the remaining shares in the energy company STEAG GmbH, Essen (Germany). We completed important growth projects under the aegis of the 2012–2016 investment program, which is being implemented with discipline yet flexibility. We also improved the basis for profitable growth in the future by developing a new Group structure that will allow more differentiated management of our business from 2015.

Operationally, our business developed well overall in difficult economic conditions. Thanks to buoyant demand and increased production capacity, Evonik posted a further rise in volume sales. The downward price trend for some products weakened during the year and in some businesses there were even clear signs of an upward trend. By year end we were therefore largely able to make up the shortfall in operating earnings in the first half of the year. Our efficiency enhancement programs contributed to this. Overall, sales increased slightly to €12.9 billion, while *adjusted EBITDA* was €1.9 billion, 6 percent lower than in the previous year.

G See glossary p. 275

Our earnings remain solid despite the initially negative impact of the ramp-up expenses associated with our extensive growth-driven investments. The adjusted EBITDA margin was 14.5 percent and *ROCE* was 12.3 percent, well above our cost of capital.

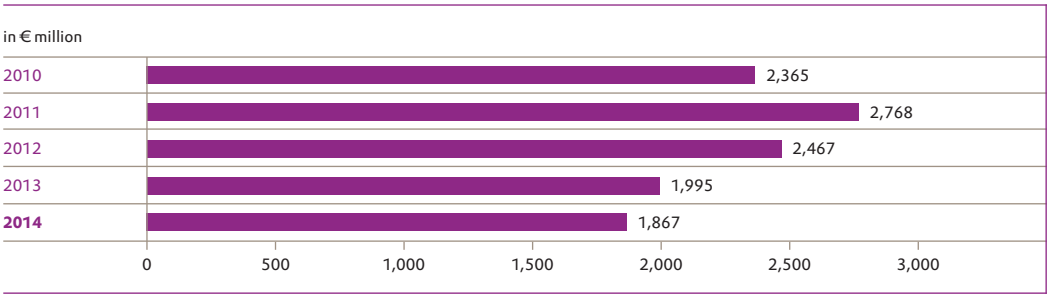
G See glossary p. 276

Net income was €568 million, which was below the very high prior-year level, which contained the gains from the divestment of the majority of shares in the real estate activities.

Our financial profile remains good: At year-end 2014 we again had a net asset position, mainly due to the divestment of the remaining shares in STEAG. The cash flow from operating activities remained strong at €1.1 billion. In line with our ambitious growth strategy, capital expenditures for property, plant and equipment also remained high at €1.1 billion. Evonik still has a sound investment grade *rating* (Moody's: Baa2, Standard & Poor's: BBB+).

G See glossary p. 276

**C09 Development of adjusted EBITDA in the Evonik Group**



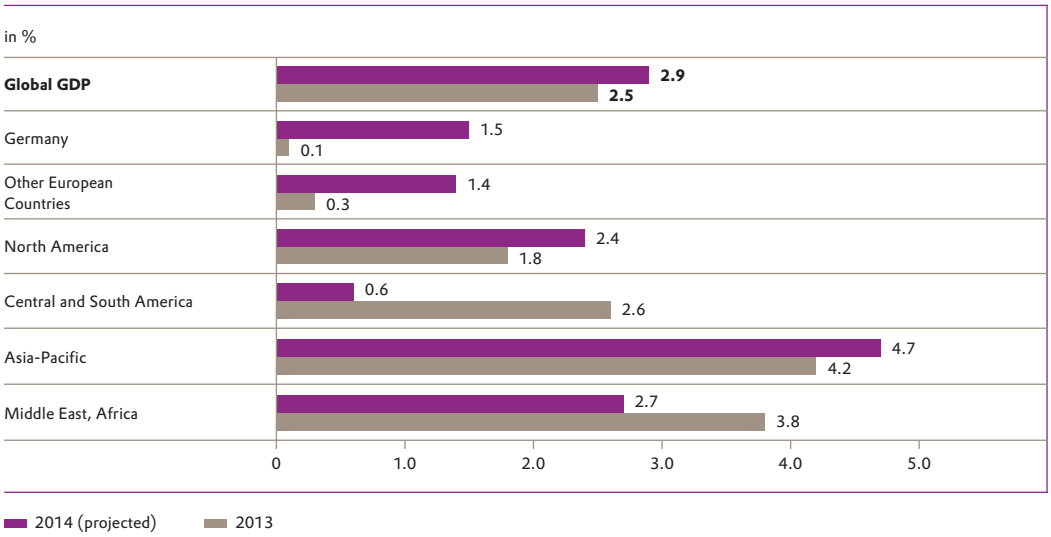

Figures for 2010 and 2011 include the former Real Estate segment. 2013 restated.

## 2.2 Economic background

### Low global economic momentum

In 2014, global economic conditions were slightly weaker than expected. We estimate that global economic growth was around 2.9 percent in 2014. Although that was slightly higher than in the previous year (2.5 percent), it was nevertheless still well below the growth potential of the global economy.

**C10 Development of GDP 2013/2014**




The slight but steady upward trend in global growth, which started in mid-2013, continued at the start of 2014. However, the first headwind was encountered after the first quarter as a consequence of the political situation in the Ukraine, the exceptionally cold winter in the USA and persistent pressure on exchange rates and share prices in the emerging markets. While the weather-related drop in production was rapidly offset during the year, the geopolitical and regional challenges increased and prevented a more dynamic economic development in 2014.

A perceptible recovery in developed economies had been expected to be the main driver of the anticipated global upswing. However, the economic upturn observed in some parts of Europe in the first half of the year subsequently faltered in some areas. Thanks in particular to the good start to 2014, economic output in Germany was far higher than in 2013, but this was not the case everywhere in Europe. Economic growth in Europe (excluding Germany) was 1.4 percent overall, but countries such as Italy and France made virtually no contribution.

As expected, the economy in North America recovered from the extremely hard winter at the start of the year and posted a positive underlying trend. The stable labor market situation and low inflation, accompanied by very low interest rates, supported consumer spending as a key driver of the US economy in 2014.

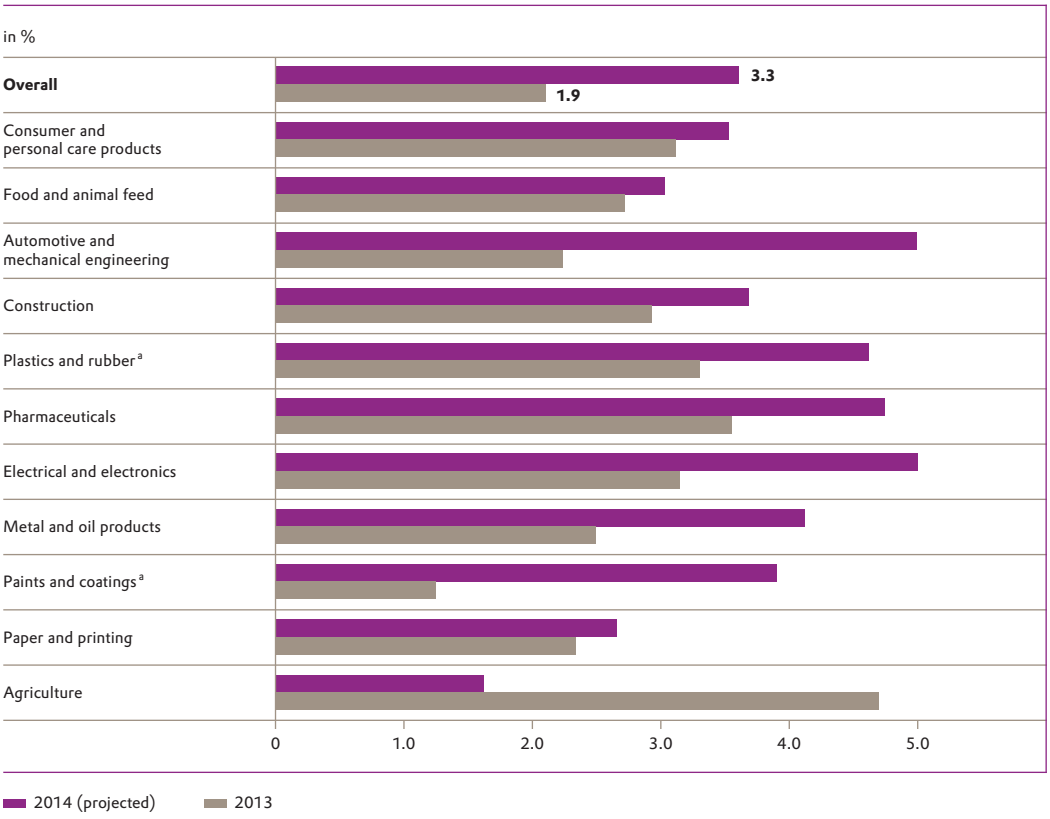
In the emerging markets, especially China, growth continued at the lower level of the previous year. Lower investment as a consequence of reforms and action to redress the misallocation of resources meant China reported the lowest growth for more than 20 years. Other emerging markets such as Brazil and India suffered from structural problems that held back economic growth in 2014, principally as a result of rising inflation and high interest rates. In addition, growth in many emerging markets was impaired by capital outflows and the mounting uncertainty caused by the global *volatility* of commodity and currency markets. Moreover, the sharp drop in the price of oil in the second half of the year dampened growth in many oil-producing emerging markets.

G See glossary p. 276

### Robust development of end-customer industries

Overall, Evonik's end-customer industries proved robust in 2014, with the majority reporting higher growth than in the previous year. Following higher momentum in the first six months, the pace of growth slowed in some industries in the second half of the year.

**C11 Development of Evonik's end-customer industries 2013/2014**




[a] Where not directly assigned to other end-customer industries.

Along with the entire automotive and mechanical engineering sector, the car manufacturing and tire industries grew far faster than in the previous year. This also had a positive influence on the paints and coatings, and plastics and rubber sectors, which posted above-average global growth. Worldwide, the construction industry grew slightly faster than in 2013 but the regional trends differed. Momentum slowed in Europe and some parts of Asia but the trend remained positive in North America.

Demand for consumer and personal care products remained stable in 2014, as expected, but rising competitive pressure was observed. The food and animal feed industries continued to develop positively through the year, with *amino acids* in particular benefiting from robust demand.

G See glossary p. 272

The pressure on producer prices at the beginning of 2014 lessened during the year. Since inflationary pressure remained low and the cost of crude oil and other raw materials has dropped considerably, many prices remained as low as in the second half of 2013.

The average price of Evonik's raw materials was slightly lower lower than in 2013. This was due to the substantial drop in the price of oil and many other raw materials in the second half of the year. Increased supply resulting from new capacities, for example shale oil in the USA and exceptional harvests of many agricultural commodities, coincided with more sluggish demand, putting considerable downward pressure on prices. The average exchange rate for the euro versus Evonik's most important foreign currency, the US dollar, was US$1.33 in 2014, unchanged from the previous year (US$1.33). However, at year-end 2014 the euro had depreciated considerably against the world's most important currencies.

## 2.3 Major events

At the end of April 2014 we sold 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 became the sole owner of both companies. In view of the planned exit from the **lithium-ion business** these activities were reclassified to discontinued operations in September 2013. The revaluation of assets and provisions in connection with this agreement, and the subsequent divestment of the shares resulted in income after taxes of €20 million.

In fall 2014, we divested the remaining stake in the energy company **STEAG** GmbH, Essen (Germany) to KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG, Essen (Germany) for €569 million. We had sold the first tranche comprising 51 percent of the shares to KSBG in 2011 and also concluded an agreement which enabled KSBG to exercise its option to acquire the remaining 49 percent stake at the start of September 2014. A binding purchase price mechanism for the second tranche was also agreed at that time. The stake in STEAG was reclassified to discontinued operations in mid-July 2014 when we received notification that KSBG intended to exercise the call option. There were negative earnings effects ahead of this divestment, relating among other things to the valuation and deconsolidation of the options and the adjustment of a provision. Offsetting this against income, principally from the guaranteed dividend, resulted in an after-tax loss of €29 million.

To further improve our scope to grow profitably, in summer 2014 we decided to reorganize the Evonik Group's **management and portfolio structure** with effect from January 1, 2015.

See p. 62

At its meeting on June 26, 2014, the Supervisory Board appointed Mr. Christian Kullmann to the **Executive Board** effective July 1, 2014.

## 2.4 Business performance

### A successful business trend

Our business developed well despite the difficult economic conditions. Although global growth fell short of expectations, we registered high demand worldwide and achieved a further increase in volume sales, not least due to the start-up of new production capacities. The downward price trend for some important products, which started in 2012, weakened during the year and a clear upward trend was visible in some businesses in the second half of the year. However, sales and operating earnings were impacted considerably by a year-on-year reduction in selling prices, especially in the first six months.

### Slight organic sales growth

Group sales rose 2 percent to €12,917 million in 2014. Organic growth was also 2 percent and resulted from higher volumes (3 percentage points), while selling prices dropped slightly (–1 percentage point).

**T003 Change in sales 2014 versus 2013**

| in % | |
|---|---|
| Volumes | 3 |
| Prices | –1 |
| **Organic sales growth** | **2** |
| Exchange rates | – |
| Other | – |
| **Total** | **2** |

### Adjusted EBITDA down slightly year-on-year

Adjusted EBITDA was held back by lower selling prices, especially at the start of the year. Thanks to the positive price trend in the fourth quarter, the perceptible earnings shortfall in the first six months was largely offset in the second half of the year. Overall, adjusted EBITDA was €1,867 million, 6 percent lower than in the previous year. The adjusted EBITDA margin slipped from 15.7 percent to 14.5 percent.

**T004 Adjusted EBITDA by segment**

| in € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| Consumer, Health & Nutrition | 857 | 922 | –7 |
| Resource Efficiency | 703 | 655 | 7 |
| Specialty Materials | 444 | 552 | –20 |
| Services | 180 | 183 | –2 |
| Corporate, other operations | –317 | –317 | – |
| **Evonik** | **1,867** | **1,995** | **–6** |

Prior-year figures restated.

The Resource Efficiency segment posted another increase in adjusted EBITDA, driven by strong demand and high capacity utilization. By contrast, the Consumer, Health & Nutrition and Specialty Materials segments were once again held back, mainly by lower selling prices and start-up costs for growth-driven investments. As a result, earnings were slightly lower than in 2013 in the Consumer, Health & Nutrition segment and considerably lower in the Specialty Materials segment. Earnings from Services were almost at the prior-year level. The adjusted EBITDA reported by Corporate, other operations, including consolidation was minus €317 million, as in the previous year. This includes, among others, expenses for the Corporate Center and strategic research.

**T005 Sales and reconciliation from adjusted EBITDA to net income**

| in € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| **Sales** | **12,917** | **12,708** | **2** |
| **Adjusted EBITDA** | **1,867** | **1,995** | **–6** |
| Depreciation and amortization | –629 | –591 | |
| **Adjusted EBIT** | **1,238** | **1,404** | **–12** |
| Adjustments | –178 | –340 | |
| thereof attributable to | | | |
| *Restructuring* | *–86* | *–191* | |
| *Impairment losses/reversals of impairment losses* | *–37* | *–15* | |
| *Acquisition/divestment of shareholdings* | *1* | *–41* | |
| *Other* | *–56* | *–93* | |
| Net interest expense | –218 | –255 | |
| **Income before income taxes, continuing operations** | **842** | **809** | **4** |
| Income taxes | –252 | –224 | |
| **Income after taxes, continuing operations** | **590** | **585** | **1** |
| Income after taxes, discontinued operations | –9 | 1,428 | |
| **Income after taxes** | **581** | **2,013** | **–71** |
| thereof attributable to non-controlling interests | 13 | –41 | |
| **Net income** | **568** | **2,054** | **–72** |
| **Earnings per share** | **1.22** | **4.41** | |

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 €178 million in 2014. They included restructuring expense of €86 million, principally to optimize administrative structures and the product portfolio of the Consumer, Health & Nutrition segment. Impairment losses/reversals of impairment losses totaling minus €37 million mainly relate to capitalized expenses for construction in progress for two projects in the Specialty Materials segment that were terminated following a routine review of investment projects. Other *adjustments* relate, among other things, to expenses in connection with incidents incurred by business partners, and expenses for an increase in provisions relating to the partial retirement program to comply with IAS 19 (2011). The prior-year figure of minus €340 million essentially comprised restructuring expenses in connection with optimization of the administrative structures and the shutdown of production facilities in the Specialty Materials segment.

G See glossary p. 275

Net interest expense was €218 million and contains one-off expense of €26 million in connection with the establishment of provisions. The considerable improvement compared with the previous year was due to the redemption of the Evonik Degussa bond (December 2013) and the Evonik bond (October 2014). **Income before income taxes, continuing operations** rose 4 percent to €842 million thanks to lower adjustment-driven one-off expense. The income tax rate was 30 percent, which was in line with the expected Group tax rate.

See Note 5.3, p. 189 ff.

**Income after taxes, discontinued operations** was minus €9 million and mainly relates to operating income from the investment in STEAG, which was divested in September 2014, and to the lithium-ion business. The prior-year figure of €1,428 million mainly comprised the proceeds from the divestment of the real estate activities in July 2013. The **net income** of €568 million was therefore well below the very high prior-year level.

**Adjusted net income,** which reflects the operating performance of the continuing activities, dropped 8 percent to €740 million in 2014. **Adjusted earnings per share** therefore decreased from €1.73 to €1.59.

**T006 Reconciliation to adjusted net income**

| in € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| **Income before financial result and income taxes[a]** | **1,046** | **1,045** | **–** |
| Result from investments recognized at equity | 14 | 8 | |
| Other financial income | – | 11 | |
| **EBIT** | **1,060** | **1,064** | **–** |
| Adjustments | 178 | 340 | |
| **Adjusted EBIT** | **1,238** | **1,404** | **–12** |
| Adjusted net interest | –192 | –255 | |
| **Adjusted income before income taxes[a]** | **1,046** | **1,149** | **–9** |
| Adjusted income taxes | –295 | –330 | |
| **Adjusted income after taxes[a]** | **751** | **819** | **–8** |
| thereof adjusted income attributable to non-controlling interests | 11 | 13 | |
| **Adjusted net income[a]** | **740** | **806** | **–8** |
| **Adjusted earnings per share[a]** in € | **1.59** | **1.73** | |

Prior-year figures restated.

[a] Continuing operations.

## On Track 2.0 enters the home strait—Administration Excellence being implemented

At the start of 2012 we introduced the On Track 2.0 efficiency enhancement program as a continuous improvement process. The aim is to reduce costs, especially in production, by €500 million a year by 2016 through a further increase in process efficiency. We are very close to our target for On Track 2.0: Measures with cost-saving potential of over €500 million have now been identified and approved for realization. At the end of 2014, over €400 million was already being implemented.

Following the successful stock exchange listing and Evonik's strategic 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. By the end of 2016, measures with the potential to cut costs by around €230 million will have been implemented. Following a successful launch, savings of around €40 million had already been realized by year-end 2014. In addition, more than two-thirds of the measures identified had been passed on to the line organization for implementation. The headcount reductions associated with the savings will be implemented in consultation with representatives of the workforce to avoid undue hardship.

Systematic optimization of the value chain and implementation of the efficiency enhancement programs support Evonik's strategy of profitable growth.

### Efficient and effective procurement

Reliable supply, gaining access to new procurement markets, and ongoing optimization of material costs are still the key tasks for Evonik's procurement function. Procurement in the company's growth markets will play a greater role in the future. Another very important factor is taking a critical look at the implications of using unconventional oil and gas sources. For us, the main focuses are the rising opportunities for supply, and at the same time, the general change in procurement markets for petrochemical feedstocks.

The efficiency of the procurement organization is being optimized further through Administration Excellence. The main leverage comes from further integration of local and regional procurement into our global procurement structures, and systematic separation of strategic and operational activities within the procurement organization. Stepping up collaboration with the business entities is key success factor for efficient and effective procurement processes.

As well as participating in procurement alliances with other companies and validating new suppliers, we are working intensively on extending strategic relationships with suppliers. Here, we are looking for further opportunities to reduce risk, optimize 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. Globally, this approach to sustainability is supported by the sector initiative Together for Sustainability, of which Evonik is a founding member.

@ www.tfs-initiative.com

In 2014 Evonik spent around €9.1 billion on raw materials and supplies, technical goods, services, energy and other operating requirements. Petrochemical feedstocks accounted for about 27 percent of the total. Overall, raw materials and supplies make up around 60 percent of procurement volume.

Using renewable resources remains very important to Evonik. In 2014, around 7 percent of raw materials were 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

## Attractive return on capital employed

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Within our value-oriented management approach, our success is measured principally by *ROCE*, which was 12.3 percent in 2014 and therefore well above our cost of capital, which was confirmed as 10.5 percent before taxes in our regular review for the fiscal year.

### T007 Capital employed, ROCE and Economic Value Added (EVA®)

| in € million | 2014 | 2013 |
|---|---|---|
| Intangible assets | 3,067 | 3,092 |
| + Property, plant and equipment, investment property | 5,116 | 4,563 |
| + Investments | 418 | 213 |
| + Inventories | 1,681 | 1,625 |
| + Trade accounts receivable | 1,749 | 1,723 |
| + Other interest-free assets | 528 | 584 |
| – Interest-free provisions | –911 | –999 |
| – Trade accounts payable | –1,072 | –1,023 |
| – Other interest-free liabilities | –496 | –474 |
| **= Capital employed** [a] | **10,080** | **9,304** |
| | | |
| **Adjusted EBIT** | **1,238** | **1,404** |
| **ROCE (adjusted EBIT/capital employed)** in % | **12.3** | **15.1** |
| Cost of capital (capital employed * WACC) | 1,058 | 977 |
| **EVA® (adjusted EBIT – cost of capital)** | **180** | **427** |

Prior-year figures restated.

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

The average capital employed increased by €0.8 billion to €10.1 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 property, plant and equipment had a slight counter-effect. The drop in ROCE from the very high year-back figure of 15.1 percent was attributable to lower operating earnings and the increase in capital expenditures. This increases capital employed, but is only reflected successively in adjusted EBIT as the new production capacities come on stream.

The return on capital employed in the three specialty chemicals segments was well above average. The ROCE for the Group was considerably lower because capital employed also includes identified hidden reserves from former business combinations.

**T008 ROCE by segment**

| in % | 2014 | 2013 |
|---|---|---|
| Consumer, Health & Nutrition | 27.1 | 34.5 |
| Resource Efficiency | 33.3 | 35.6 |
| Specialty Materials | 12.2 | 19.6 |
| Services | 15.4 | 16.4 |
| **Evonik (including Corporate, other operations)** | **12.3** | **15.1** |

## Further value creation

Economic Value Added (*EVA®*) is the difference between adjusted EBIT and the cost of capital, which is calculated by multiplying average capital employed by the average cost of capital (WACC). If EVA® is positive, Evonik creates value (value spread approach). In 2014, we generated EVA® of €180 million. The reduction of €247 million compared with the previous year was mainly attributable to the drop in operating earnings.

G See glossary p. 275

**T009 EVA® by segment**

| in € million | 2014 | 2013 |
|---|---|---|
| Consumer, Health & Nutrition | 426 | 537 |
| Resource Efficiency | 389 | 381 |
| Specialty Materials | 37 | 183 |
| Services | 26 | 30 |
| Corporate, other operations | –698 | –704 |
| **Evonik** | **180** | **427** |

Prior-year figures restated.

The three specialty chemicals segments once again created value. The Resource Efficiency segment posted an increase in EVA®, while the contributions from the Consumer, Health & Nutrition and Specialty Materials segments were below the previous year's 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.

## 2.5 Comparison of forecast and actual performance

### Financial forecast met

In our annual report for 2013, we forecast that we would report slightly higher sales in 2014 and that adjusted EBITDA would be between €1.8 billion and €2.1 billion, based on the assumption that global economic conditions would meet our expectations. We assumed global growth of 3.0 percent and an increase of 4.0 percent in global industrial output. In fact, economic development was weaker than had been expected, especially in the second half of the year. This mainly affected our growth expectations for the regions of significance for Evonik, especially the EU, North America and China. In 2014, we achieved our forecast, with sales up 2 percent and *adjusted EBITDA* of €1.9 billion. At 12.3 percent *ROCE* was well above the cost of capital as expected, but slightly lower than in the previous year.

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As a consequence of the disciplined implementation of our investment program in 2014 our capital expenditures totaled €1.1 billion, below the budget of up to €1.4 billion.

Given our growth program, we had expected to report net financial debt. In fact, as a result of the divestment of the stake in STEAG and the fact that capital expenditures were lower than had been budgeted, we were again able to report a net financial asset position.

### Non-financial safety indicators at a good level

Our significant non-financial performance indicators for occupational and plant safety [1] continued their positive long-term trend. A further improvement in our safety indicators is especially important to us. We have therefore set ambitious long-term targets. However, these indicators can naturally fluctuate from year to year.

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We had not expected to improve *accident frequency* from the very low level of 0.9 in 2013. Our target for 2014 was to remain below the defined upper limit of 1.3. We achieved this, with an accident frequency rate of 1.2.

We aimed for a slight improvement in our incident frequency indicator, with a ceiling of 48. Although 53 points was a good level, the indicator deteriorated year-on-year and remained below our ambitious target.

Based on our systematic analysis of all accidents and incidents, action has already been initiated to bring about an improvement. We are stepping up measures to improve our performance, as shown by the launch of our safety culture initiative.

[1] See section on Sustainability p. 105 ff.

## 2.6 Segment performance

### Consumer, Health & Nutrition segment

The Consumer, Health & Nutrition segment produces specialty chemicals, principally for use in consumer goods for daily needs, and in animal nutrition and healthcare products. 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 | 2014 | 2013 | Change in % |
|---|---|---|---|
| External sales | 4,152 | 4,171 | – |
| Consumer Specialties Business Unit | 2,085 | 2,157 | –3 |
| Health & Nutrition Business Unit | 2,067 | 2,014 | 3 |
| Adjusted EBITDA | 857 | 922 | –7 |
| Adjusted EBITDA margin in % | 20.6 | 22.1 | – |
| Adjusted EBIT | 694 | 770 | –10 |
| Capital expenditures | 460 | 459 | – |
| Depreciation and amortization | 158 | 148 | 7 |
| Capital employed (annual average) | 2,558 | 2,229 | 15 |
| ROCE in % | 27.1 | 34.5 | – |
| No. of employees as of December 31 | 7,090 | 7,150 | –1 |

Prior-year figures restated.

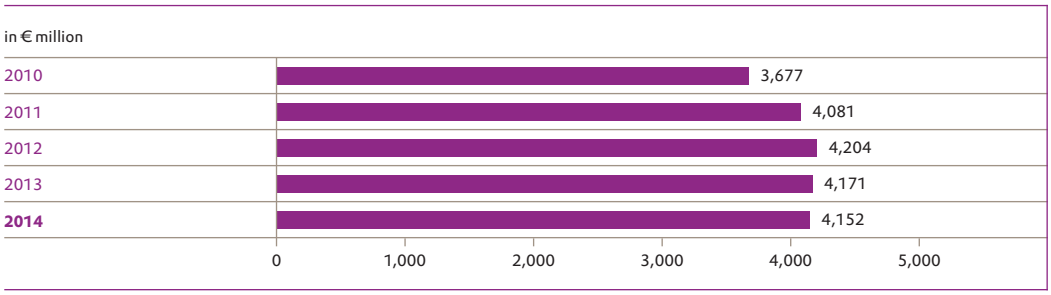
#### Perceptible volume growth

In the Consumer, Health & Nutrition segment sales were €4,152 million, which was again almost unchanged from the prior-year level. Volume sales were slightly higher worldwide, partly due to the new production capacities from growth-driven investments. The clear downward trend in prices for important products that started in summer 2012 weakened perceptibly during the year and the prices of some important products picked up considerably in the final months of the year. Overall, selling prices were almost level with 2013.

#### Adjusted EBITDA impacted by start-up costs

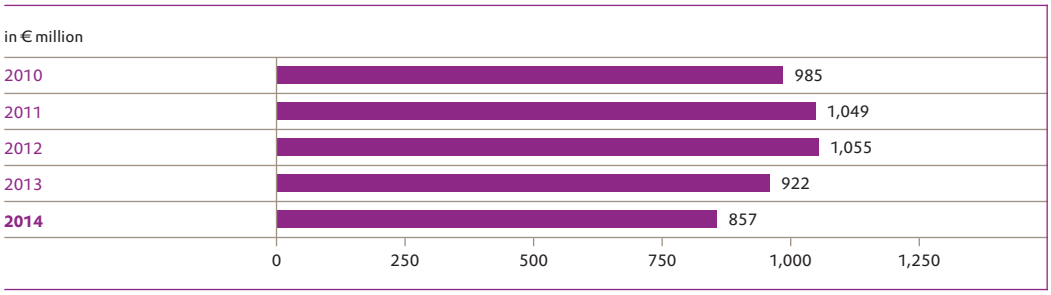
The Consumer, Health & Nutrition segment's adjusted EBITDA was good at €857 million. The main impacts compared with the previous year were far lower selling prices, especially in the first half of the year, and start-up costs for new capacities. As a result, adjusted EBITDA was 7 percent lower than in 2013. The adjusted EBITDA margin slipped from 22.1 percent in 2013 to 20.6 percent in 2014.

**C12 Development of sales in the Consumer, Health & Nutrition segment**




Prior-year figures restated.

**C13 Development of adjusted EBITDA in the Consumer, Health & Nutrition segment**




Prior-year figures restated.

### Ambitious growth strategy

The Consumer, Health & Nutrition segment continued the systematic implementation of its growth strategy in 2014. To strengthen its leading global market positions and participate in the dynamic trend, especially in emerging markets, new production facilities were erected. Capital expenditures were €460 million, as in 2013. In view of the ambitious growth strategy, capital expenditures were once again well above depreciation, which amounted to €158 million. The average capital employed increased by €329 million to €2,558 million, principally because of the high capital expenditures. ROCE was high at 27.1 percent, although it was well below the very good prior-year level 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. In particular, 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.

### Lower sales

In the Consumer Specialties Business Unit sales dropped 3 percent to €2,085 million. Since selling prices were almost unchanged, this was mainly due to lower volumes and the divestment of the skin care business. In particular, superabsorbents posted lower sales, as volumes did not match the high prior-year level, which was boosted by a competitor's production stoppage. By contrast, volume sales of personal care products were considerably higher, especially in Europe and Asia, driven partly by new production capacity in China. Products for industrial applications, for example, stabilizers for polyurethane foam, also posted a positive development. Adjusted EBITDA was lower than in the previous year as a result of lower volumes and higher fixed costs, combined with start-up costs for growth-driven investments.

@ www.evonik.com/personal-care

### Skin care business divested

As part of the refocusing of the portfolio on high-margin specialty chemical products, the skin care business was sold to Deb Group, Denby (UK) at the start of June 2014. The business model for the global skin protection business bundled under the Stoko® Professional Skin Care brand differed substantially from Evonik's present business model. Stoko® will have better prospects of realizing its growth potential as part of the Deb Group.

### Expansion in attractive growth markets

To drive the global expansion of its business with the cosmetics and consumer goods industry, Consumer Specialties is investing in new production facilities, especially in attractive growth markets. Having started up a production plant for organic specialty surfactants with annual capacity of around 80,000 metric tons in Shanghai (China) in fall 2013, the focus in 2014 was on construction of a new production facility in Brazil. Investment in this facility in Americana in the state of São Paulo is in the mid double-digit millions of euros and it will be able to produce up to 50,000 metric tons of ingredients and precursors for regional and global customers. The new facility has high strategic importance for Consumer Specialties' business in South America: Around 80 percent of customers are based in the economically important state of São Paulo. The new plant will enable us to respond faster and more effectively to rising demand in South America for sustainable local products.

## HEALTH & NUTRITION

The Health & Nutrition Business Unit produces and markets essential amino acids for animal nutrition. It is also 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.

### Further strong demand

The Health & Nutrition Business Unit grew sales by 3 percent to €2,067 million. There was continued strong demand, especially 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. Volumes increased considerably, aided by the successful start-up of the new methionine complex in Singapore in the fourth quarter of 2014. The clear downward price trend that started in summer 2012 slowed perceptibly during the year and in some cases a perceptible upturn in

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prices was observed in the second half of the year. Overall, there was a slight increase in sales from amino acids. Business with healthcare products held margins stable but sales were down slightly. The growth rate for pharmaceutical polymers remained attractive thanks to new products and expansion of our service offering. Adjusted EBITDA was lower than in the previous year, principally due to lower selling prices in the first half of the year and to project costs in connection with growth investments.

### Investment to strengthen leading market positions

Investment focuses on keeping pace with growth in the market for amino acids for modern animal nutrition. A new methionine complex was taken into service on Jurong Island (Singapore) in November 2014 after a three-year planning and construction phase. This is the first *world-scale production facility* for methionine in Asia. Evonik is therefore continuing to expand its market and technology leadership in DL-methionine and now has highly efficient, state-of-the-art production facilities in all major regions of the world. Total investment in this new integrated complex, which produces both MetAMINO® (DL-methionine) and all strategically important precursors, amounted to over €500 million. Asia is the fastest growing methionine market in the world. Its momentum is attributable to progress with the introduction of sustainable modern methods of livestock farming, population growth, and rising purchasing power, which is driving demand for animal protein. Through this local presence with a new fully backwardly integrated production plant and our global production network for MetAMINO®, Evonik can offer customers in Asia maximum reliability of supply. Capacity at the new facility is 150,000 metric tons a year. That has increased Evonik's total production capacity for methionine to up to 580,000 metric tons p. a.

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Health & Nutrition is also ramping up its business with amino acids for other high-growth applications. For example, it is currently erecting new production facilities for methionine formulations tailored specifically to the nutritional requirements of other species. In Mobile (Alabama, USA), a facility to produce Mepron® for dairy cattle is under construction. Investment is in the low double-digit million euro range and the plant is scheduled to come into service in the second half of 2015. Mepron® has a special coating that protects the methionine from undesired degradation in the rumen. Evonik has also developed AQUAVI® Met-Met, a dipeptide with two methionine molecules, for aquaculture of shrimp and other crustaceans. The first production facility for this product is currently under construction in Antwerp (Belgium), and should come on stream in the second half of 2015. Investment is in the lower double-digit million euro range.

@ www.evonik.com/feed-additives

New capacity of around 100,000 metric tons is currently under construction in Brazil for biotechnological production of the Biolys® (L-lysine), an amino acid for animal feed. This new plant is being built at the Castro site operated by the US company Cargill, from which Evonik already sources the main raw material for the Biolys® in Blair (Nebraska, USA). This 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.

# Resource Efficiency segment

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions, mainly for the automotive sector and for the paints, coatings and construction industries. The resource efficiency megatrend is the basis for energy-efficient and environment-friendly products and therefore 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

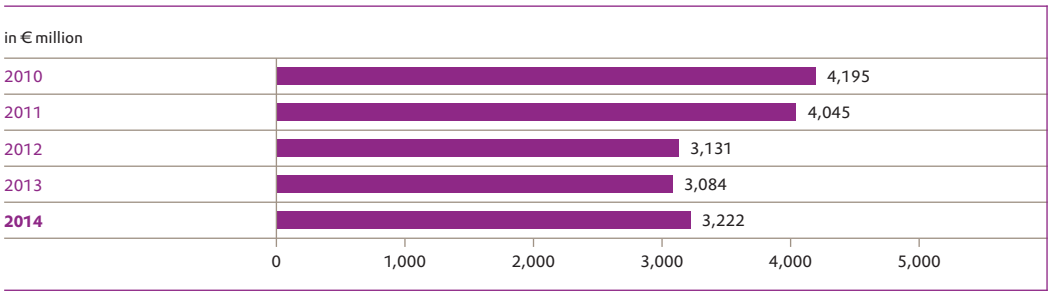
| in € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| External sales | 3,222 | 3,084 | 4 |
| Inorganic Materials Business Unit | 1,485 | 1,436 | 3 |
| Coatings & Additives Business Unit | 1,737 | 1,648 | 5 |
| Adjusted EBITDA | 703 | 655 | 7 |
| Adjusted EBITDA margin in % | 21.8 | 21.2 | – |
| Adjusted EBIT | 569 | 539 | 6 |
| Capital expenditures | 199 | 230 | –13 |
| Depreciation and amortization | 130 | 114 | 14 |
| Capital employed (annual average) | 1,711 | 1,513 | 13 |
| ROCE in % | 33.3 | 35.6 | – |
| No. of employees as of December 31 | 5,804 | 5,854 | –1 |

Prior-year figures restated.

## Considerable volume growth

The Resource Efficiency segment posted another very pleasing business performance in difficult economic conditions. Sales rose 4 percent to €3,222 million, driven mainly by perceptible organic growth as a result of another rise in volume sales and almost stable selling prices. The slightly negative currency impact was offset by the first-time consolidation of Silbond Corporation, Weston (Michigan, USA), which was acquired in February 2014.

## C14 Development of sales in the Resource Efficiency segment

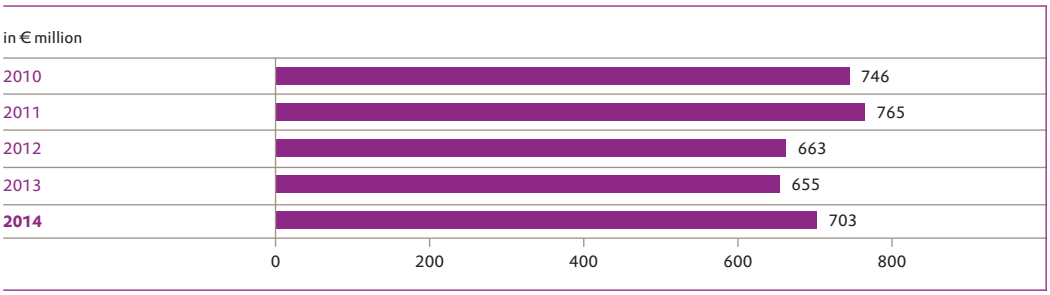



Figures up to July 2011 include the carbon black business that has since been divested.

### Very good earnings

Adjusted EBITDA increased 7 percent to €703 million, mainly because of the rise in volumes and high capacity utilization. The adjusted EBITDA margin rose to a very good level of 21.8 percent.

**C15 Development of adjusted EBITDA in the Resource Efficiency segment**




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

### Improved return on capital employed

Capital expenditures amounted to €199 million and were thus below the previous year's high level. However, they were once again significantly higher than depreciation and amortization, which came to €130 million. As a result of the expansion of production capacity, the average capital employed increased by €198 million to €1,711 million. ROCE was very good at 33.3 percent, but below the prior-year level of 35.6 percent due to the growth-induced rise in capital employed.

## 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. This segment's core competency is the production, design and structuring of the specific surface properties of inorganic particles. Its offering is complemented by fumed specialty oxides, chlorosilanes and organofunctional silanes. It also develops and manufactures a broad spectrum of catalysts in close collaboration with customers.

### Higher earnings

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2014 was a successful year for the Inorganic Materials Business Unit. In response to high global demand, it was able to raise volumes, helped by new production capacity. Precipitated silicas and *silanes*, in particular, benefited from an upturn in demand from the rubber and tire industries in Asia and North America and the global coatings market. The integration of Silbond Corporation was very successful. Business with fumed *silicas* and specialty oxides developed positively and benefited from capacity expansions. Overall, this business unit grew sales by 3 percent to €1,485 million. Adjusted EBITDA improved, thanks mainly to the increase in volume sales and high capacity utilization.

### Acquisition in North America

Silbond Corporation, a specialty supplier of silicic acid ester (TEOS), was acquired in February 2014. 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 of Silbond opens the door for Inorganic Materials to supply customers in North America in particular from local production facilities, and to participate in future growth in the market for silicic acid esters.

### Targeted expansion of silica capacity

Since 2010 Evonik has been expanding its capacity for precipitated silica worldwide in response to the global growth of customers in the tire, construction, food and animal feed industries. 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. As well as being used in tires with low rolling resistance, precipitated silica is used as a carrier and anti-caking agent in the feed and food industries, and as an additive in the paints and coatings industry.

@ www.evonik.com/ultrasil

@ www.evonik.com/rubber-silanes

Following the capacity expansions for silica in Europe and Asia completed in the previous two years, the capacity increase in Map Ta Phut (Thailand) was finished in spring 2014. In North America, additional capacity of around 20,000 metric tons p.a. came on stream in Chester (Pennsylvania, USA) in September 2014. Investment in this new capacity in both Thailand and the USA was in the low double-digit million euro range. A further production facility is currently under construction near São Paulo (Brazil) and is scheduled to start operating in 2016. This will be our first production facility for highly dispersible silica (HD silica) for the South American tire industry. In South America the market for tires with low rolling resistance, and thus for HD silica, is growing far faster than the market for normal auto tires.

In addition, this business unit is raising specialty silica capacity, especially for customers in the food, cosmetics and pharmaceuticals sectors. In Ako (Japan), DSL. Japan Co., Ltd. (DSL), in which Evonik has a 51 percent stake, is investing a sum in the single-digit million euro range. The new capacity is scheduled to come into service in 2015.

@ www.evonik.com/aerosil

Inorganic Materials opened a new production facility for the AEROSIL® brand of surface-treated fumed specialty silicas in Rheinfelden (Germany) in October 2014. AEROSIL® specialty silicas improve the properties of high-performance adhesives and sealants, industrial resins, and paints and coatings. The development of resource-saving products and technologies is generating buoyant demand. Key growth drivers are the spread of renewable energies, one example being wind turbines, and the shift to structural adhesives instead of traditional welding processes in the automotive industry.

## COATINGS & ADDITIVES

The Coatings & Additives Business Unit supplies high-quality additives to the paints, coatings, adhesives and sealants industries. It also produces high-performance oil additives and additives for hydraulic fluids. Its integrated technology platform for isophorone-based products has been steadily refined over the decades. In addition, Coatings & Additives is closely meshed with Evonik's silicone platform.

### Considerable volume increases

There was high demand for the Coatings & Additives Business Unit's products worldwide. The crosslinkers business benefited especially from high demand from the automotive, coatings and construction sectors, and from the start-up of new production capacity in China. It registered unchanged high demand from the automotive, construction and transportation industries for oil additives that enhance the performance of engines and gears. Overall, the Coatings & Additives Business Unit grew sales by 5 percent to €1,737 million. Adjusted EBITDA rose despite the start-up costs for new production capacity.

### Investment in the resource efficiency megatrend

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More than €100 million has been invested in an integrated production complex for *isophorone and isophorone diamine* in Shanghai (China), which came into service in spring 2014. Demand is driven principally by the resource efficiency megatrend. Isophorone-based composites are used, for example, to make wind turbines more efficient and automobiles lighter. Moreover, isophorone products increase the service life of heavy-duty surfaces. That cuts maintenance costs and often makes refurbishment unnecessary. Environment-friendly coating technologies such as UV-curing systems and solvent-free powder coatings are growing especially fast. From a regional perspective, Asia offers particularly high growth potential.

@ www.evonik.com/crosslinkers

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A major new production facility for functionalized *polybutadiene* came into operation in Marl (Germany) in fall 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 compounds, 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 or as structural adhesives for increasingly thin metal sheets and plastics. POLYVEST® HT therefore plays a part in more efficient use of resources.

@ www.evonik.com/adhesive-resins

Coatings & Additives is currently raising capacity for oil additives substantially on Jurong Island in Singapore. Most of the ongoing improvements and debottlenecking measures were completed in 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 $CO_2$ emissions. In this way, Evonik is responding to the above-average pace of growth in the oil additives market, especially in Asia.

@ www.evonik.com/oil-additives

# 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. 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**

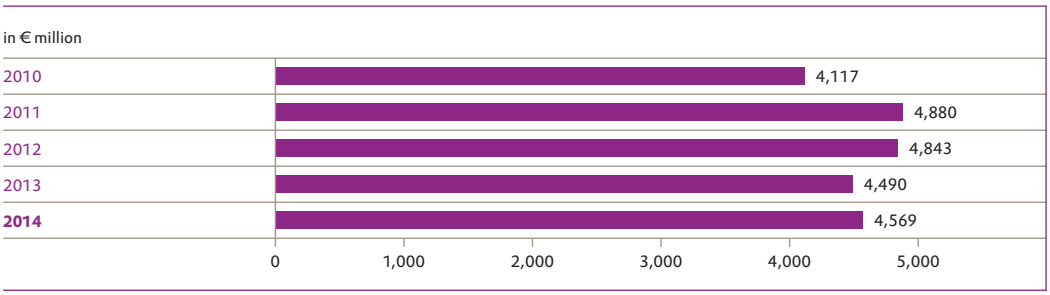
| in € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| External sales | 4,569 | 4,490 | 2 |
| Performance Polymers Business Unit | 1,837 | 1,810 | 1 |
| Advanced Intermediates Business Unit | 2,732 | 2,680 | 2 |
| Adjusted EBITDA | 444 | 552 | –20 |
| Adjusted EBITDA margin in % | 9.7 | 12.3 | – |
| Adjusted EBIT | 261 | 395 | –34 |
| Capital expenditures | 290 | 290 | – |
| Depreciation and amortization | 172 | 157 | 10 |
| Capital employed (annual average) | 2,132 | 2,019 | 6 |
| ROCE in % | 12.2 | 19.6 | – |
| No. of employees as of December 31 | 6,236 | 6,268 | –1 |

Prior-year figures restated.

## Higher sales

The Specialty Materials segment grew sales 2 percent to €4,569 million, driven by far higher volume sales and the start-up of new production capacity. The downward trend in selling prices slowed perceptibly during the year but overall prices were lower than in the previous year.

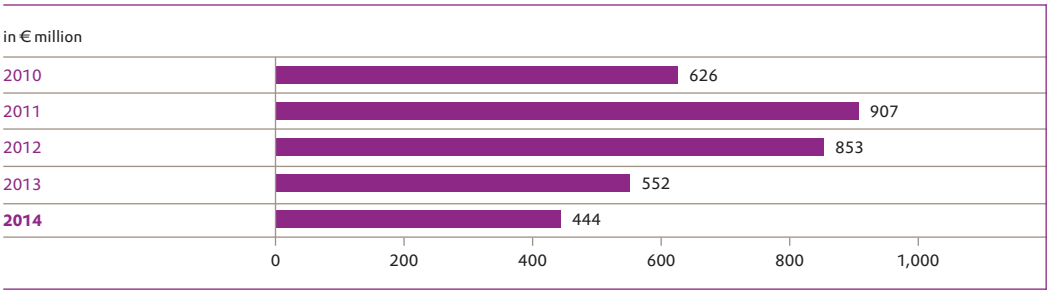
**C16 Development of sales in the Specialty Materials segment**



### Adjusted EBITDA down year-on-year

Adjusted EBITDA fell 20 percent to €444 million, mainly because of the drop in selling prices. The adjusted EBITDA margin was a weak 9.7 percent, down from 12.3 percent in 2013.

**C17 Development of adjusted EBITDA in the Specialty Materials segment**




### High capital expenditures

To increase its global production capacity, Specialty Materials invested €290 million in property, plant and equipment in 2014, as in 2013. Capital expenditures were therefore again well above depreciation and amortization, which amounted to €172 million. The average capital employed increased by €113 million to €2,132 million as a result of intensive investment spending. ROCE dropped from 19.6 percent to 12.2 percent, mainly as a consequence of the reduction in earnings.

## 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 polyetherether ketone (PEEK) and polyimides to meet extremely high-tech mechanical, thermal and chemical requirements. Membrane technology is also developing promisingly.

### Lower adjusted EBITDA

Business in the Performance Polymers Business Unit was held back by the difficult economic situation. In particular, demand for methacrylates weakened. By contrast, business with ROHACELL® structural foam and membranes developed well. Sales increased by 1 percent to €1,837 million, partly because production of *cyclododecatriene (CDT)* was ramped up gradually in 2013 so only small quantities could be sold at the start of the year. Adjusted EBITDA declined.

@ www.evonik.com/rohacell

G See glossary p. 272

### Targeted capacity expansion

Performance Polymers raised production capacity for polyamide 12 further in Marl (Germany) to increase reliability of supply of the structural material VESTAMID®. In addition, preparations have started to increase capacity for VESTOSINT® polyamide powder. The growth strategy is underpinned by the development of various technologies for precursors for polyamide 12. For example, Evonik has a production-ready conventional route based on an improved process for a stand-alone $C_{12}$ line right up to the polymer. At the same time, good progress has been made towards a biosynthesis route based on palm kernel oil—without butadiene and *cyclododecatriene (CDT)*. This process uses 100 percent renewable raw materials and produces ω-amino-lauric acid, an alternative to petroleum-based laurin lactam which yields an identical polyamide 12. Experience from the pilot plant that has been operating in Slovenská L'upča (Slovakia) for more than a year will be used to select the process for the next capacity increase for polyamide 12.

@ www.evonik.com/vestamid

G See glossary p. 272

## 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 $C_4$ technology platform, where $C_4$ 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.

### High demand

Strong volume growth lifted sales 2 percent to €2,732 million. The *hydrogen peroxide* business developed very well, benefiting above all from the new capacity that came on stream in China at the start of 2014 and higher demand from applications based on the *HPPO process* developed by Evonik and ThyssenKrupp Industrial Solutions. Far higher volumes of alcoholates for the production of *biodiesel* were also sold thanks to the new production plant built in South America in 2013. Performance Intermediates also registered higher demand. Although the downward price trend that started in spring 2012 weakened during 2014, the present low price level is unsatisfactory. Adjusted EBITDA dropped considerably as a result of lower selling prices.

G See glossary p. 272
@ www.evonik.com/h202
G See glossary p. 272
G See glossary p. 272

### Systematic refinement of processes

The Advanced Intermediates Business Unit completed the fourth expansion phase of a production plant for an exclusive intermediate in Antwerp (Belgium). This product has been produced exclusively for a leading agrochemical company since 1979 under a long-term supply agreement. The customer uses it to produce its largest and fastest-growing herbicide.

Advanced Intermediates is one of Europe's leading producers of *$C_4$* products, OXO alcohols and *plasticizers*, with a strong market position and technology platform. It is continuously refining its demanding chemical processes. For example, an overhaul of the *world-scale production facility* for the plasticizer alcohol 2-propylheptonal (2-PH) in Marl (Germany) was used to implement a substantial process improvement: Use of the new ligand OxoPhos64i developed by Evonik allows the plant to operate for longer with less maintenance. At the same time, even more efficient use is made of the raw materials.

G See glossary p. 272 and p. 273
G See glossary p. 274
@ www.evonik.com/oxo-alcohols

## Services segment

This segment comprises Site Services and Business Services. It mainly provides services for the chemicals segments and the Corporate Center, and also serves third parties. The Site Services unit bundles cross-site infrastructure services, such as utilities, waste management, logistics and facility management. Business Services supports 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 | 2014 | 2013 | Change in % |
|---|---|---|---|
| External sales | 895 | 883 | 1 |
| Adjusted EBITDA | 180 | 183 | –2 |
| Adjusted EBITDA margin in % | 20.1 | 20.7 | – |
| Adjusted EBIT | 80 | 86 | –7 |
| Capital expenditures | 148 | 123 | 20 |
| Depreciation and amortization | 99 | 96 | 3 |
| Capital employed (annual average) | 520 | 524 | –1 |
| ROCE in % | 15.4 | 16.4 | – |
| No. of employees as of December 31 | 12,710 | 12,192 | 4 |

Prior-year figures restated.

The Services segment generates sales internally with the specialty chemicals segments and Corporate Center (2014: €1,842 million), and externally, mainly through services and procurement for external customers. In 2014 external sales increased by 1 percent to €895 million, principally due to a rise in procurement activity. Adjusted EBITDA was €180 million, almost at the prior-year level.

## 2.7 Regional development

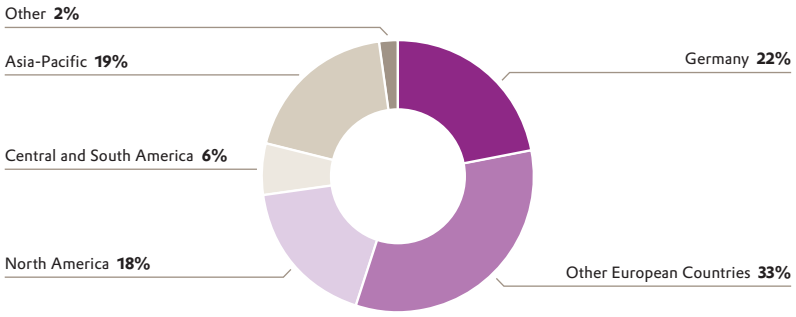
### A global presence

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 2014, 78 percent of our sales were generated outside Germany.

Sales in **Germany** declined by 2 percent to €2,814 million. Capital expenditures rose 18 percent to €419 million. A new large-scale facility to produce functionalized *polybutadienes* came on stream at the site in Marl. In Rheinfelden, capacity for the fumed specialty silica AEROSIL® was expanded.

G See glossary p. 273

**C18 Sales by region[a]**




[a] By location of customer.

Sales in the **Other European Countries** declined 5 percent to €4,235 million with all three segments playing a part in this. This region's share of Group sales increased to 33 percent. Capital expenditures in this region rose 62 percent to €133 million. In Antwerp (Belgium), the fourth phase in the extension of a facility for an exclusive intermediate for agrochemicals was completed.

### Higher investment in the Americas

In **North America,** sales contracted by 2 percent to €2,310 million. The Consumer, Health & Nutrition and Specialty Materials segments reported lower sales in this region, while the Resource Efficiency segment increased its sales. This region's share of Group sales was unchanged at 18 percent. Capital expenditures rose 8 percent to €141 million. Additional capacity for precipitated silicas was successfully taken into service in Chester (Pennsylvania, USA).

In **Central and South America,** Evonik's sales totaled €777 million, which was 4 percent less than in 2013. This was attributable, in particular, to lower sales from the Consumer, Health & Nutrition segment. This region accounted for an unchanged 6 percent of total sales. Capital expenditures to step up our operations in this region rose to €106 million (2013: €57 million). A new production plant for ingredients and precursors for cosmetics and household consumer goods was officially opened in Americana (Brazil). Further, production facilities for the feed additive Biolys® and for highly dispersible silica (HD silica) are under construction in Brazil.

### Expansion of our market positions in Asia-Pacific

Sales in the **Asia-Pacific** region rose 6 percent to €2,440 million, with all three segments contributing to this. The region's share of Group sales increased to 19 percent. Capital expenditures amounted to €323 million, below the previous year's high figure of €513 million. In Singapore, the new backwardly integrated production complex for the amino acid DL-methionine was completed. The new capacities for *isophorone and isophorone diamine* were also successfully brought on stream in China, and in Thailand production capacity for precipitated silica was extended.

G See glossary p. 273

## 2.8 Earnings position

### Income before income taxes, continuing operations at prior-year level

Sales rose 2 percent to €12,917 million thanks to higher demand. The cost of sales also increased by 2 percent to €9,308 million. Higher volume sales and start-up costs for expanded production capacity contributed to this, while cost-savings from the On Track 2.0 efficiency enhancement program held back the rise. The gross profit on sales was around the prior-year level at €3,609 million. Administrative expenses decreased by 5 percent to €601 million thanks to the first savings from the program to streamline administrative structures, and high cost discipline. To strengthen our innovative capability still further, we raised spending on research and development by 5 percent to €413 million.

See p. 100 ff.

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 €700 million includes income of €488 million (2013: €430 million) from these two items. Without these items, other operating income declined by €246 million to €212 million, principally because the prior-year figure included insurance refunds. The other operating expenses of €960 million comprise expenses relating to the measurement of derivatives and the currency translation of monetary assets and liabilities totaling €509 million (2013: €451 million). Excluding these two items, other operating expenses dropped by €219 million to €451 million. The decline resulted primarily from lower expenses for restructuring. Income before the financial result and income taxes, continuing operations was around the prior-year level at €1,046 million.

**T014 Income statement for the Evonik Group**

| in € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| Sales | 12,917 | 12,708 | 2 |
| Cost of sales | –9,308 | –9,111 | 2 |
| **Gross profit on sales** | **3,609** | **3,597** | **–** |
| Selling expenses | –1,289 | –1,294 | – |
| Research and development expenses | –413 | –394 | 5 |
| General administrative expenses | –601 | –631 | –5 |
| Other operating income | 700 | 888 | –21 |
| Other operating expenses | –960 | –1,121 | –14 |
| **Income before financial result and income taxes, continuing operations** | **1,046** | **1,045** | **–** |
| Financial result | –204 | –236 | –14 |
| **Income before income taxes, continuing operations** | **842** | **809** | **4** |
| Income taxes | –252 | –224 | 13 |
| **Income after taxes, continuing operations** | **590** | **585** | **1** |
| Income after taxes, discontinued operations | –9 | 1,428 | – |
| **Income after taxes** | **581** | **2,013** | **–71** |
| thereof attributable to | | | |
| Non-controlling interests | 13 | –41 | – |
| **Shareholders of Evonik Industries AG (net income)** | **568** | **2,054** | **–72** |

Prior-year figures restated.

## Net income below previous year's very high level

The financial result was minus €204 million and contains one-off interest expense of €26 million in connection with the establishment of provisions. Excluding this effect, the financial result was €58 million higher. Income before income taxes, continuing operations rose 4 percent to €842 million. The 13 percent increase in income taxes to €252 million was mainly due to higher earnings and lower tax income relating to other periods. Income after taxes, continuing operations increased by 1 percent to €590 million.

Income after taxes, discontinued operations was minus €9 million and mainly related to operating income from the investment in STEAG, which was divested in September 2014, and the lithium-ion business. The prior-year figure of €1,428 million mainly comprised the proceeds from the divestment of the real estate activities in July 2013. Income after taxes therefore fell 71 percent to €581 million. Non-controlling interests in after-tax income amounted to €13 million (2013: minus €41 million) and comprised the pro rata profits and losses of fully consolidated subsidiaries that are attributable to shareholders outside the Evonik Group. The net income of €568 million was therefore well below the very high prior-year level.

See Note 5.3, p. 189 ff.

## 2.9 Financial condition

### Central financial management

The principal 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 liquidity requirements for day-to-day business, investments, and the repayment of financial debt.

### Solid investment grade ratings and active management of pension obligations

G See glossary p. 276

In spring 2014 both Moody's and Standard & Poor's (S&P) confirmed their good credit ratings for Evonik Industries AG. Moody's *rating* is Baa2 with a positive outlook, while S&P's is BBB+ with a stable outlook. Maintaining a sound investment grade rating is a central element in our finance strategy. To ensure this, in the long term the ratio of net debt (including unfunded pension obligations) to adjusted EBITDA should not exceed 2.5. As of December 31, 2014 it was 1.8, compared with 1.4 at year-end 2013. The change was mainly attributable to the interest rate-driven €1.6 billion rise in unfunded pension obligations to €10.7 billion and to some extent to slightly lower adjusted EBITDA compared with 2013. The rise in unfunded pension obligations was actively countered by a further voluntary contribution of €209 million[1] to the contractual trust arrangement (*CTA*). Further funds are to be allocated to the CTA in 2015.

G See glossary p. 275

### Net financial asset position

Net financial debt contracted by €677 million compared with year-end 2013 to €929 million. This was mainly due to the repayment in October of the €750 million bond issued in 2009, which had a coupon of 7.0 percent. Financial assets declined by €848 million to €1,329 million, mainly because of the repayment of the bond, high capital expenditures, the €466 million dividend payment for 2013, and the cash contribution to the CTA. A countereffect came from receipt of the purchase price for the shares in STEAG.

Net financial assets as stated on the balance sheet amounted to €400 million on December 31, 2014, compared with €571 million on December 31, 2013.

[1] Including a refund of €9 million for advance tax payments by the CTA.

## T015 Net financial assets

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Non-current financial liabilities | –639 | –627 |
| Current financial liabilities | –290 | –979 |
| **Financial debt** | **–929** | **–1,606** |
| Cash and cash equivalents | 921 | 1,527 |
| Current securities | 387 | 635 |
| Other financial assets | 21 | 15 |
| **Financial assets** | **1,329** | **2,177** |
| **Net financial assets as stated on the balance sheet** | **400** | **571** |
| Net financial assets, discontinued operations | – | 18 |
| **Net financial assets (total)** | **400** | **589** |

Prior-year figures restated.

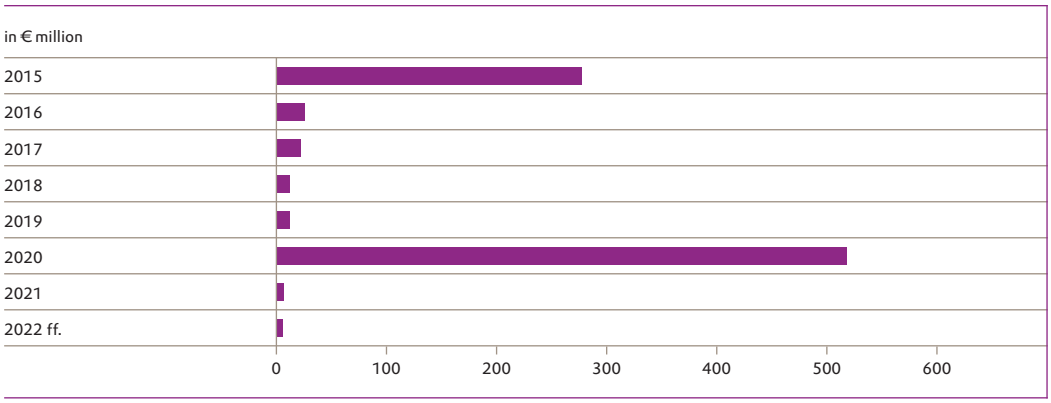
### Corporate bonds as a central financing instrument

At year-end 2014, the financial debt of €929 million comprised a €496 million corporate bond, decentralized bank loans totaling €406 million, and other liabilities of €27 million.

On the reporting date, €500 million of the debt issuance program with a total volume of up to €3 billion had been used to issue a bond. This bond has a coupon of 1.875 percent and matures in 2020. In January 2015, after the reporting date, a further €750 million bond was issued. This matures in 2023 (8 years) and has a coupon of 1.0 percent.

Over 65 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 Brazilian real (BRL), the US dollar (USD), the Argentinian peso (ARS), and the new Taiwan dollar (TWD).

## C19 Maturity profile of financial liabilities [a]




As of December 31, 2014.

[a] Contains all material financial liabilities relating to bonds, bank loans and promissory note loans.

## Strong liquidity position

Alongside cash and cash equivalents of €921 million and investments of €387 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 divided into two tranches of €875 million each, which now run until September 2017 and 2019 respectively as the option to extend them by one year was exercised. This credit facility was not drawn at any time in 2014. It does not contain any covenants requiring Evonik to meet specific financial ratios.

Further, as of December 31, 2014, various unused credit lines totaling €327 million were available to meet local requirements, especially in the Asia-Pacific region.

## Significant growth projects completed successfully

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. In addition, there is a minimum return requirement for every project based on Evonik's cost of capital. We are realizing our investment program with discipline. Projects that have not yet started are always reviewed for changes in the market situation. Examples of the facilities successfully completed and new capacity introduced without any adverse effect on the market are the new methionine complex in Singapore, which was Evonik's biggest single investment in the chemicals operations, the production facility for *isophorone and isophorone diamine* in Shanghai (China), and the plant for hydroxyl-terminated polybutadiene in Marl (Germany). We have already successfully implemented well over half of this investment program and had invested around €3.2 billion by the end of 2014. Our flexible and disciplined approach resulted in a slight reduction in the total amount budgeted for this program from the original level of €6 billion to up to €5.5 billion between 2012 and 2016.

G See glossary p. 273

Capital expenditures were €1,123 million, which was around the prior-year level (2013: €1,140 million). This high level mainly reflects the growth strategy adopted to create value.

The highest proportion of capital expenditures—41 percent—went to the Consumer, Health & Nutrition segment, a further 26 percent was allocated to the Specialty Materials segment, and 18 percent was invested in the Resource Efficiency segment. The regional focus of capital expenditures was Germany, which accounted for 37 percent of the total, followed by the Asia-Pacific region (29 percent) and North America (13 percent).

**T016 Major projects completed or virtually completed in 2014**

| Segment | Location | Project |
|---|---|---|
| Consumer, Health & Nutrition | Singapore | New methionine complex |
| | Americana (Brazil) | Construction of an integrated oleochemicals facility |
| Resource Efficiency | Shanghai (China) | Construction of production facilities for isophorone and isophorone diamine |
| | Chester (USA) | Capacity expansion for precipitated silica |
| | Map Ta Phut (Thailand) | Capacity expansion for precipitated silica |
| | Rheinfelden (Germany) | Capacity expansion for fumed specialty silica |
| | Marl (Germany) | Construction of a production plant for hydroxyl-terminated polybutadiene |
| Specialty Materials | Antwerp (Belgium) | Extension of capacity for an exclusive intermediate for herbicide production |

For further information on current capital expenditure projects, please see the section on Segment performance.

See p. 75 ff.

Financial investments totaled €114 million (2013: €28 million). They mainly comprised the purchase of a 14.8 percent stake in Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany) to strengthen our brand partnership, and the acquisition of Silbond Corporation.

See p. 81

## Cash flow at the good prior-year level

Evonik's cash flow from operating activities, continuing operations was €1,035 million in 2014, around the prior-year level. The cash flow from operating activities, discontinued operations was €31 million compared with €21 million in 2013, and mainly related to the lithium-ion business and the stake in STEAG which has now been sold. Overall, the cash flow from operating activities increased by €11 million to €1,066 million.

**T017 Cash flow statement (excerpt)**

| in € million | 2014 | 2013 |
|---|---|---|
| Cash flow from operating activities, continuing operations | 1,035 | 1,034 |
| Cash flow from operating activities, discontinued operations | 31 | 21 |
| **Cash flow from operating activities** | **1,066** | **1,055** |
| Cash flow from investing activities, continuing operations | –575 | 304 |
| Cash flow from investing activities, discontinued operations | –1 | 59 |
| **Cash flow from investing activities** | **–576** | **363** |
| Cash flow from financing activities, continuing operations | –1,155 | –1,041 |
| Cash flow from financing activities, discontinued operations | – | 418 |
| **Cash flow from financing activities** | **–1,155** | **–623** |
| **Change in cash and cash equivalents** | **–665** | **795** |

Prior-year figures restated.

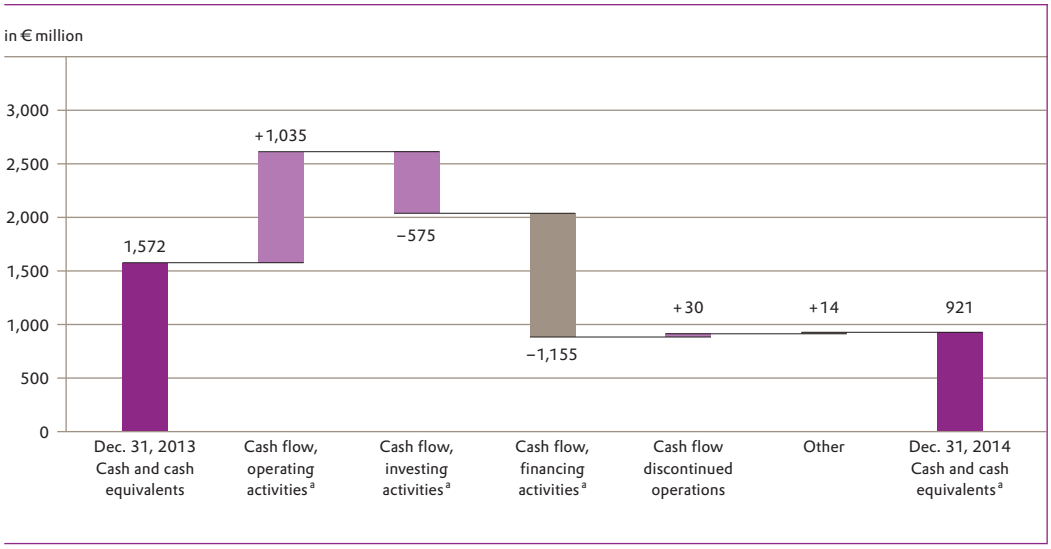
G See glossary p. 275

The cash flow from investing activities, continuing operations comprised an outflow of €575 million. This was mainly for capital expenditures on property, plant and equipment and investments, and the cash contribution to the *CTA*. This was countered by cash inflows, mainly from the disposal of investments, especially the stake in STEAG, and current securities. In 2013, cash inflows from the divestment of the majority of shares in the real estate activities resulted in a cash inflow of €304 million. Together with the corresponding cash flow from the discontinued operations, there was a cash outflow of €576 million for investing activities, compared with an inflow of €363 million in 2013.

The cash flow from financing activities, continuing operations comprised an outflow of €1,155 million. This was mainly for the repayment of financial debt, especially the redemption of the corporate bond issued by Evonik Industries AG, and payment of the dividend. In 2013, there was a cash outflow of €1,041 million for financing activities, mainly for redemption of the Evonik Degussa bond and the dividend payment.

The cash inflow from financing activities, discontinued operations of €418 million in 2013 mainly related to the former Real Estate segment. In all, there was a cash outflow of €1,155 million for financing activities in 2014, compared with an outflow of €623 million in the previous year.

**C20 Cash and cash equivalents December 31, 2014 versus December 31, 2013**




[a] Continuing operations.

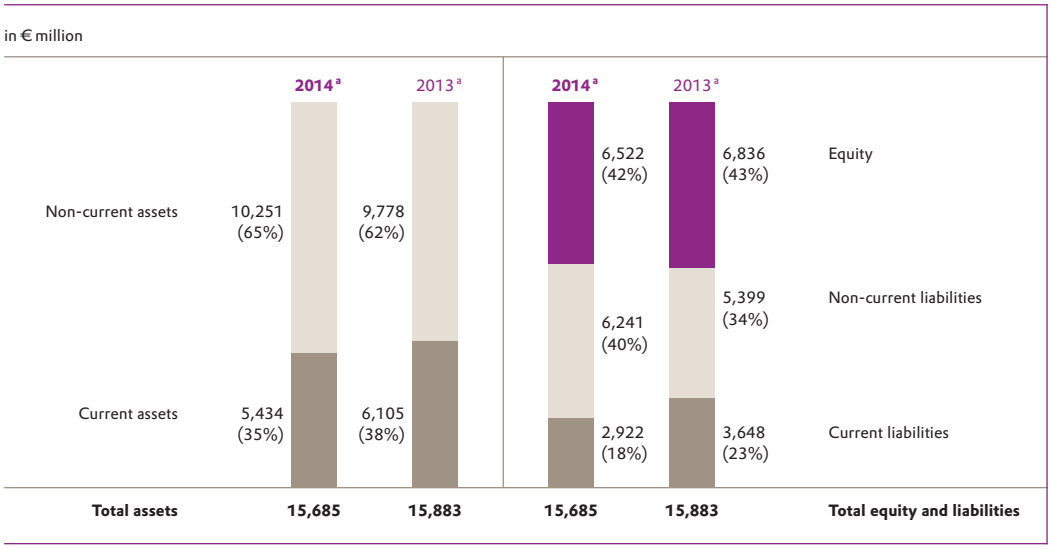
Prior-year figure restated.

## 2.10 Asset structure

### Slight decrease in total assets

As of December 31, 2014, total assets were €0.2 billion lower at €15.7 billion. Non-current assets increased by €0.5 billion to €10.3 billion. The main reason for this was investment in new production facilities. The sale of the stake in STEAG had a counter-effect. Current assets contracted by €0.7 billion to €5.4 billion, mainly because of the scheduled repayment of the Evonik Industries bond in October 2014. Non-current assets rose to 65 percent of total assets (2013: 62 percent) and are financed by liabilities with the same maturity structure.

**C21 Balance sheet structure of the Evonik Group**




[a] As of December 31.
Prior-year figures restated.

Equity declined by €0.3 billion to €6.5 billion, mainly because of the reduction in the discount rate for pension provisions. The equity ratio declined from 43.0 percent to 41.6 percent.

See Note 7.4, p. 207 f.

Higher pension provisions were the main factor behind the €0.8 billion increase in non-current liabilities to €6.2 billion. Current liabilities decreased by €0.7 billion to €2.9 billion. This was due to repayment of the Evonik bond.

# 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).

Effective April 1, 2014, all operations of Evonik Services GmbH were transferred to Evonik Industries AG through an asset deal. The purpose of Evonik Services GmbH was the provision of administrative services for Group companies, especially in the areas of information technology, communication, human resources and accounting. The economic assets, contracts and employment contracts were transferred and Evonik Industries AG assumed the majority of the receivables and liabilities of Evonik Services GmbH. Pro forma data are presented in an additional column in the balance sheet and income statement to allow economic comparability with the prior-year figures. These data are based on the assumption that the asset deal had already taken place on April 1, 2013. They are the basis for the year-on-year comparison in the following comments on business performance.

On December 31, 2014 there were plant management agreements between Evonik Industries AG and five subsidiaries (Evonik Degussa GmbH, Evonik Röhm GmbH, Evonik Oil Additives GmbH, Evonik Goldschmidt Rewo GmbH, and Evonik Technochemie GmbH). Industriepark Wolfgang GmbH, Hanau (Germany), and Infracor GmbH, Marl (Germany), were both merged into Evonik Degussa GmbH with economic effect from January 1, 2014.

These 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 them. 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 the performance of its subsidiaries, service and plant management fees, and income and expenses relating to corporate financing and portfolio management activities. 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 | 2014 | 2013 | Pro forma 2013 |
|---|---|---|---|
| Sales | 216 | 44 | 228 |
| Other operating income | 425 | 2,194 | 2,194 |
| Cost of materials | –2 | – | –1 |
| Personnel expense | –206 | –116 | –283 |
| Depreciation of property, plant and equipment, amortization of non-current intangible assets | –6 | –3 | –7 |
| Other operating expenses | –647 | –620 | –673 |
| **Operating result** | **–220** | **1,499** | **1,458** |
| Income from investments | 921 | 453 | 505 |
| Write-downs of financial assets and marketable securities | –121 | –17 | –17 |
| Write-ups of financial assets | 96 | 48 | 48 |
| Net interest expense | –86 | –99 | –110 |
| **Income before income taxes** | **590** | **1,884** | **1,884** |
| Extraordinary income | – | 12 | 12 |
| Extraordinary expense | – | –15 | –15 |
| **Extraordinary loss** | **–** | **–3** | **–3** |
| Income taxes | –123 | –66 | –66 |
| **Net income/net loss** | **467** | **1,815** | **1,815** |
| Allocation to revenue reserves | –1 | –907 | –907 |
| **Net profit** | **466** | **908** | **908** |

Sales were €216 million and contain plant management fees of €48 million (2013: €44 million). That was a decline of 5 percent compared with the pro forma figure for the prior year, mainly as a result of lower fees for services. The other operating income comprises currency translation gains (€354 million). In the gross presentation, currency translation losses (€337 million) are shown in other operating expenses, separately from the currency translation gains. The net effect was income of €17 million. The prior-year figure of €2,194 million mainly comprised income from the sale of the majority of the shares in the real estate business totaling €1,791 million. Personnel expenses declined from €283 million to €206 million. This was principally due to the fact that the prior-year figure contained higher remuneration for the Executive Board and expenses for planned measures in the administrative units. 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.

See p. 132 ff., and Note 10.3, p. 254 f.

Income from investments increased to €921 million, mainly because of higher income from profit-and-loss transfer agreements. The prior-year figure included a dividend of €500 million from Vivawest GmbH. The write-downs of financial assets and marketable securities totaling €121 million and write-ups of financial assets totaling €96 million mainly related to affiliated companies. The net interest expense of €86 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 taxes was €590 million, compared with €1,884 million in 2013. The extraordinary loss of €3 million in the previous year comprised expenses in connection with the stock market listing. The extraordinary expenses in 2013 included expenses of €12 million for preparation of the stock exchange listing, which were reimbursed by our shareholders. Net income was €467 million. As forecast in 2013, this was below the high prior-year figure, which contained the divestment gain from the sale of the majority of shares in the real estate investment Vivawest. €1,295,763.47 was allocated to revenue reserves, leaving a net profit of €466,000,000.00. The Executive Board will propose to the Annual Shareholders' Meeting that the net profit should be distributed in full. That corresponds to a dividend of €1.00 per share.

### T019 Balance sheet for Evonik Industries AG

| in € million | Dec. 31, 2014 | Dec. 31, 2013 | Pro forma Dec. 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets, property, plant and equipment | 20 | 8 | 18 |
| Financial assets | 8,834 | 8,745 | 8,745 |
| **Non-current assets** | **8,854** | **8,753** | **8,763** |
| Receivables and other assets | 4,354 | 3,671 | 3,697 |
| Securities | 377 | 630 | 630 |
| Cash and cash equivalents | 606 | 1,186 | 1,186 |
| **Current assets** | **5,337** | **5,487** | **5,513** |
| **Prepaid expenses and deferred charges** | **7** | **1** | **3** |
| **Total assets** | **14,198** | **14,241** | **14,279** |
| | | | |
| **Equity and liabilities** | | | |
| Issued capital | 466 | 466 | 466 |
| Capital reserve | 720 | 720 | 720 |
| Revenue reserves | 3,635 | 3,192 | 3,192 |
| Net profit | 466 | 908 | 908 |
| **Equity** | **5,287** | **5,286** | **5,286** |
| **Provisions** | **2,278** | **2,044** | **2,288** |
| **Payables** | **6,633** | **6,911** | **6,705** |
| **Total equity and liabilities** | **14,198** | **14,241** | **14,279** |

Evonik Industries AG's total assets amounted to €14.2 billion, as in the previous year. Financial assets mainly comprise shares in subsidiaries. The receivables mainly comprise claims for reimbursements in connection with plant management, and financial receivables of €1.9 billion, principally in connection with loans and cash pooling activities. Equity was unchanged at €5.3 billion, and the equity ratio improved from 37.0 percent in 2013 to 37.2 percent in 2014. The provisions of €2.3 billion include €1.5 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 €5.7 billion. €5.2 billion of this comprises liabilities to affiliated companies, mainly in connection with cash pooling activities. A further €500 million relates to the corporate bond.

### Opportunities and risks

The most significant operating subsidiaries in Germany 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[1] for 2015

We anticipate that in 2015 Evonik Industries AG will report net income of around the same level as in 2014. We assume that income from investments will remain at an attractive level and that expenses for financing activities will be lower. By contrast, the low interest rates mean that pension provisions may have a negative impact.

### Report on relations with affiliated companies

A report on Evonik Industries AG's 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."

[1] For details of the assumptions, please refer to the Report on expected developments p. 144 ff.

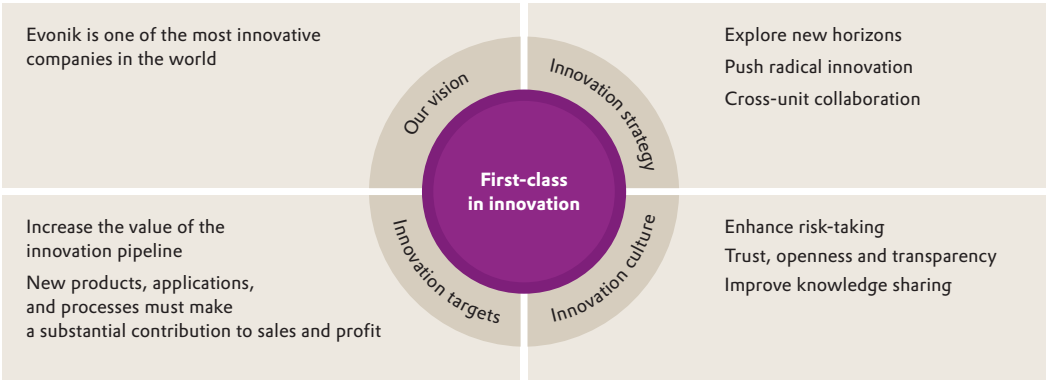
# 4. Research & development

**Innovation—a strategic success factor for Evonik**

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 strengthen our innovative capability, is a key element in this. It is our response to the challenging situation in the chemical industry, with increasingly short product life cycles, customer-specific requirements and a considerable rise in R&D activity in emerging markets.

A culture of innovation is a key factor in a company's innovative capability. It determines whether—and how fast—employees are able to identify and 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 this is firmly anchored in its innovation management and executive development activities. Within the Evonik Group, we foster the sharing of knowledge and encourage a business mindset. Every year, we present an Innovation Award in various categories to honor outstanding research achievements.

**C22 Our claim: First-class in innovation**




In view of the strategic importance of R&D, we have raised R&D expenses by an average of 8 percent a year since 2009. They amounted to €413 million in 2014, an increase of 5 percent compared with the previous year (€394 million). The R&D ratio[1] was 3.2 percent (2013: 3.1 percent). Around 80 percent of R&D expenses are for activities within our business units, which are geared specifically to our core technologies and markets. Roughly another 10 percent is used by the operating units to research and develop new business. The remaining 10 percent is spent on strategic development by our innovation unit Creavis to build up new high-tech activities outside the present portfolio. Moreover, in the past three years Evonik has spent €130 million on building laboratory capacity and pilot plants.

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Examples of recent successes include a new generation of bioresorbable polylactides for non-aggressive therapies and a wide range of applications in medical technology, silane-modified binders for clear automotive paints, and a new group of polyamides based on castor oil.

[1] R&D expenses relative to sales.

The large number of first-time patent applications filed by Evonik places it at the forefront of the specialty chemicals sector. In 2014 we had more than 25,000 patents and pending patents and filed around 250 new patent applications. The value of our patent portfolio has increased steadily in recent years.

We have a well-stocked R&D pipeline with a balanced mixture of around 500 short-, mid- and long-term projects, and intend to raise the value of our pipeline further in the coming years. Attractive products, applications and processes make an important contribution to our growth strategy, along with organic growth and acquisitions. Promising areas of innovation are ingredients for the cosmetics industry, membranes, specialty materials for medical technology, feed and food additives, and composites. In addition, we want to steadily extend our expertise in catalysis and biotechnology.

**T020 R&D at Evonik**

| | |
|---|---|
| R&D expenses | €413 million |
| R&D ratio | 3.2% |
| R&D employees | approx. 2,600 |
| Locations | approx. 35 |
| R&D projects | approx. 500 |
| No. of new patent applications filed in 2014 | approx. 250 |
| Patents held and applications filed | more than 25,000 |
| Registered/pending trademarks | more than 7,000 |

### Intensive dialogue stimulates innovation

An important source of innovation is interaction between specialists from different disciplines, both within the company and with other scientists, industrial partners and our customers. The close correlation between innovation and proximity to customers has traditionally been a key success factor for our business. Working closely with our customers enables us to build knowledge of their specific requirements and markets so we can customize our solutions to their needs. Often, this close collaboration results in completely new products and applications which provide a sound basis for profitable growth in the future.

As part of our Leading Innovation initiative, we examined the role of Marketing and Sales and integrated them more closely into the innovation process. Our product and marketing expertise for key end-markets such as the automotive, pharmaceuticals and paints and coatings industries is bundled in special cross-unit teams. That also increases our visibility to potential customers. 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 to industrial production.

Interdisciplinary collaboration across organizational units and regions is regarded as very important at Evonik. In the project houses at Creavis, experts work with specialists from the operating business on scientific tasks. At present the project houses, which are set up for a defined time period, are working on research into the growth areas of medical technology and composites. The Composites Project House is developing innovative materials and system solutions for lightweight construction, while the Medical Devices Project House pools and extends our expertise in the fields of medical technology and biomaterials research. It mainly addresses applications in implantology. Our R&D colloquia and innovation conferences bring together employees from a region across organizational boundaries and provide a platform for them to share their knowledge, experience and ideas for innovations. Examples are the meetings held in fall 2014 in Lafayette (Indiana, USA) and Shanghai (China).

In the areas of research and development we are deliberately becoming more open to external partners. We cooperate with research institutes and universities, other companies and start-ups so that the latest research findings in chemistry, biology and physics can rapidly be transported into our company. For example, in 2014 we set up a partnership with the University of Tokyo and stepped up cooperation with Jiao Tong University in Shanghai. As part of our innovation partnership we have established a project with Singapore's state-run Agency for Science, Technology and Research (A*STAR) to develop alternative anti-fouling marine coatings. Bio-fouling is the undesirable growth of marine organisms, plants and algae on wet surfaces such as ship hulls. This greatly reduces fuel efficiency so prevention is of enormous economic significance. We also successfully developed the Evonik Call for Research Proposals, where we invite external scientists to submit proposed solutions to a specific issue. In 2014, for example, we called for proposals for a new technology to mask the taste of pharmaceutical active ingredients and neutraceuticals.

Another platform for discussion with leading scientists is the Evonik Meets Science forum, which was held in Tokyo (Japan) in April 2014 and Fulda (Germany) in September 2014. In Fulda, the focus was on new materials: composites, membrane technology, and bio-based polymers. In 2014 Evonik awarded the Friedrich-Bergius Lecture to Professor Markus Antonietti, Director of the Max-Planck Institute of Colloids and Interfaces in Potsdam (Germany). He therefore had the honor of reporting to this forum on his research.

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Our corporate venture capital activities give Evonik access to attractive new growth markets. By taking stakes in new technology companies and specialized funds, we gain an insight into innovative technologies and businesses aligned to our growth strategy at an early stage of development. We added three investments to our portfolio in 2014: Biosynthetic Technologies, which is headquartered in Irvine (California, USA), Algal Scientific, based in Northville (Michigan, USA), and Nanocomp Oy of Lehmo (Finland). Biosynthetic Technologies produces a new class of bio-based oils that are used as high-performance lubricants. Algal Scientific manufactures and markets a polysaccharide that is added to food and animal feed to strengthen the immune system. Nanocomp develops nano-optical structures for use in the recognition of gestures in 3D, medical technology and displays.

### Expansion of R&D in attractive growth markets

We are consistently driving forward the internationalization of our R&D to make sure Evonik has its finger on the pulse of dynamic growth markets. The aim is to enhance the competitiveness of our customers in these regions through research, applications technology, and technology services aligned to local needs. One example is our functional silanes laboratory in Mumbai (India), which provides technical know-how and customer-specific silane formulations for customers in India. In May 2014 we inaugurated a new Application Technology Center for Electronic Solutions in Hsinchu (Taiwan) to serve customers in the display industry in Asia and develop applications tailored specifically to their needs. A new laboratory for the preparation of catalysts in Shanghai (China) is an important step towards building up a research and development presence for catalysts in the Greater China region, where Evonik has had a production facility for precious metal powder catalysts since 2010. These activities complement our established research facilities in Asia, for example, the R&D center in Shanghai, the innovation center for coating additives in Singapore and Shanghai, and the Light & Electronics Project House in Hsinchu (Taiwan), which is located in the direct vicinity of large electronics producers. The Medical Devices Project House is located in the USA, a significant market for medical technology.

## Sustainability is an important innovation driver

We are systematically extending Evonik's contribution to sustainable development through resource-saving products and solutions, and continuous improvement of our processes. For example, joint research by Creavis and our operating units has led to an alternative to petroleum-based laurinlactam. Polymerization of bio-based ω-amino-lauric acid yields an identical polyamide 12 (PA12) and is therefore an important step in the production of sustainable high-tech polymers. In the long term, the new process could supplement butadiene-based production of PA12. The process is currently being scaled up for industrial use at a pilot facility in Slovenská L'upča (Slovakia).

Together with the Wuppertal Institute for Climate, Environment and Energy in Germany, Creavis has developed the I2P$^3$ (idea to people, planet, profit) innovation management process, which takes account of economic criteria (profit), environmental influences (planet) and societal aspects (people) when assessing projects for new products.

To quantify and evaluate the potential climate impact of new products and processes at an early stage in their development, Creavis uses the Carbon Footprint Estimation model developed by Evonik.

## Commitment to fostering talented young people

Fostering education and science is important to Evonik. In 2014, we provided scholarships for 186 especially talented and committed students at 14 universities in Germany. 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 position us as an attractive employer for talented young people.

## Market-oriented research & development

In 2014 our operating units once again developed major innovative products and processes up to market maturity or market launch. At the same time, progress was made with important basic projects. Special attention was paid to minimizing the use of resources.

In the **Consumer, Health & Nutrition segment,** a new conditioning agent developed by the **Consumer Specialties** Business Unit is aimed at the growing need for high-performance hair care products. The new ingredient combines exceptional performance with biodegradability and ease of incorporation in products such as shampoos and conditioners. The esterquat (quarternium-98) is produced from renewable, non-palm-oil based feedstocks. Scientific studies show that the new ingredient provides superior manageability, lubricity and softness of hair. The first products containing the new active ingredient VARIOSOFT® EQ 100 will be available commercially in 2015.

In 2014, the **Health & Nutrition** Business Unit met the conditions for marketing EUDRAGUARD® control in the European Union and the USA. EUDRAGUARD® control is the first of a new product family for the high-end neutraceutical market. It is based on the established EURDRAGIT® brand of pharmaceutical polymers. Like them, EUDRAGUARD® can be used to prevent degradation of sensitive active ingredients by stomach acid, and ensure extended release and taste and odor masking. It should allow the formulation of neutraceuticals with improved properties, leading to better acceptance by end-consumers. EUDRAGUARD® control will be launched in the first quarter of 2015.

**Innovation Award 2014**

**New Products/ System Solutions category**

**Project:**
The solution for the TV of the future (iXsenic® metal oxide semiconductor material)

Coatings & Additives Business Unit/Creavis

**New or Improved Process category**

**Project:**
An inventive combination that boosts amino acid yields (optimized downstream process in fermentation)

Health & Nutrition Business Unit/ Process Technology & Engineering

In the past, microscopic polyethylene and polypropylene particles have been used in exfoliants in the cosmetics industry. The **Inorganic Materials** Business Unit in the **Resource Efficiency segment** has now launched SIPERNAT® specialty silicas as an environment-friendly alternative. SIPERNAT® 2200 PC and SIPERNAT® 22 PC are listed by the International Natural and Organic Cosmetics Association as nature-identical products. SIPERNAT® is also more economical than other substitutes for polyethylene. It is produced on an industrial scale, ensuring economical worldwide availability. Further, thanks to the specific properties of the silica SIPERNAT® can be incorporated quickly and easily into formulations. Some well-known international cosmetics companies are already using SIPERNAT® in shower gels and face and body exfoliants.

@ www.evonik.com/sipernat

In 2014 the **Coatings & Additives** Business Unit started up a new production plant for hydroxyl-terminated liquid polybutadiene at Evonik's site in Marl (Germany) with annual capacity of several thousand metric tons. This was preceded by intensive development work, which successfully added this functionalized polybutadiene to Evonik's range. POLYVEST® HT is used in sealing compounds for insulating glass windows and as a structural adhesive in non-weldable composites used in auto bodywork. Key growth drivers here are energy efficiency and weight reduction. With POLYVEST® HT we want to participate in the above-average growth of the adhesives market.

Lightweight construction is a big issue in the automotive industry. That includes manufacturing serial components so smartly that they have multiple functions and meet high demands, while maximizing the efficiency of materials and saving resources. In view of this, the HYLIGHT project supported by the Federal Ministry of Education and Research (BMBF) has developed a new type of adhesion promoter system for plastic-metal hybrids on the basis of the VESTAMELT® adhesion promoter developed by the **Performance Polymers** Business Unit **(Specialty Materials segment)**. This new system allows significant weight reductions at no additional cost and can be used in serial production. In the research consortium, which was led by Evonik, partners from all stages in the value chain and universities worked together closely for a period of three years

A team from the **Advanced Intermediates** Business Unit and Evonik's analytical unit AQura has developed a significant process improvement for our *world-scale production facility* for the high-molecular plasticizer alcohol 2-propylheptanol (2-PH) in Marl (Germany). Use of the new ligand OxoPhos64i allows the plant to operate for longer with less maintenance. Moreover, the raw materials can be used more efficiently. 2-PH is a precursor for PVC *plasticizers* and is mainly used in cables and film. This innovation, which has excellent IP protection, strengthens Evonik's technology position in the attractive growth market for plasticizer alcohols.

G See glossary p. 274

G See glossary p. 273

# 5. Sustainability

*Sustainability* is a core element in our corporate claim Power to create. Our products and solutions are used in many applications that play a significant role in improving people's lives and making efficient use of scarce resources. 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 our Code of Conduct, the Global Social Policy (GSP) and our Environment, Safety and Health (ESH) Values contribute to responsible corporate management.

G See glossary p. 274

G See glossary p. 274

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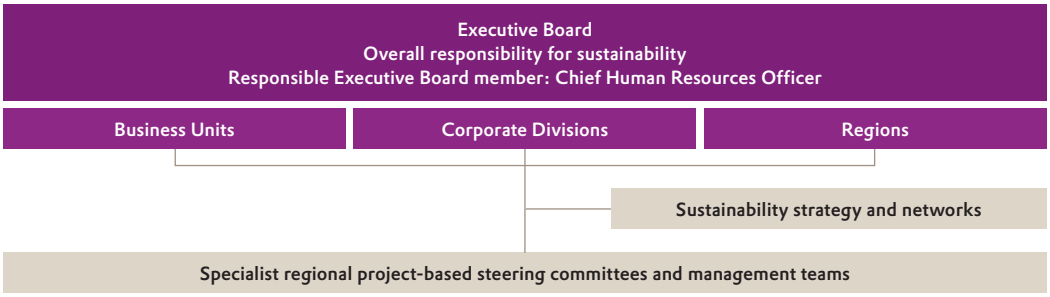
## Central responsibility for sustainability management

As part of Evonik's ongoing strategic development, in summer 2014 the Executive Board decided to establish a separate Sustainability/Corporate Responsibility Division reporting to the Chief Human Resources Officer. The issues derived from the sustainability strategy are implemented through goals set for the business units and specialist departments. The strategy is mainly developed and monitored by the Corporate Center, drawing closely on the knowledge of Services and the operating units.

**C23 Sustainability management at Evonik**




## Driving forward sustainability strategy

Lasting business success and the acceptance of corporate responsibility are complementary and mutually indispensable. That is reflected in our customers' growing demand for products and solutions that balance economic, ecological and social factors. Reliable assessment of sustainability factors is therefore becoming increasingly important. That includes the need to anchor sustainability even more strongly in strategic decision-making processes, for example, investment decisions and research. Our focus is on global mega-trends such as resource efficiency, health, nutrition and the globalization of technologies. In keeping with this, we acknowledge "Vision 2050" of the World Business Council for Sustainable Development (WBCSD): "9 billion people living well, within the limits of the planet".

In 2014, we drove forward the sustainability analysis of our business. This analysis was conducted in close cooperation with our operating units and covered the entire value chain of our products. The list of criteria includes elements from the life cycle assessment of our supply chain, production and subsequent use of our products. Our goal is to use the results of this sustainability analysis as supplementary information when describing our products and business activities. In this way we can assure that the progressive assessment of sustainability aspects does not simply describe the ecological and societal risks relating to our portfolio, but also supports the strategic long-term positioning of individual products and businesses.

## Ambitious environmental targets

Evonik achieved the ambitious targets set for its specialty chemicals business for the period 2004 – 2014 in the areas of greenhouse gases, water consumption and production waste two years earlier than expected. In March 2014, we therefore adopted new targets for the Group for period from 2013 to 2020.

Taking 2012 as the reference year, our targets are to

- reduce specific greenhouse gas emissions[1] by 12 percent and
- reduce specific water consumption by 10 percent.

In sustainable waste management, we are continuing our efforts to minimize the use of resources.

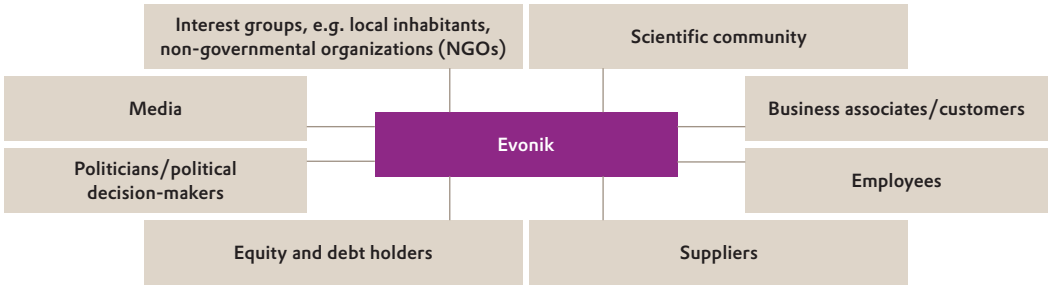
In our environmental indicators, special attention is paid to specific greenhouse gas emissions.

## Collaboration with our stakeholders

G See glossary p. 276

At Evonik, sustainability management is characterized by trustful dialogue with *stakeholders*. This continuous interchange contributes to a better understanding of different perspectives, and aids timely identification of trends and key requirements so they can be incorporated into entrepreneurial decisions. Key stakeholder groups for Evonik are:

**C24 Evonik's stakeholder groups**




Dialogue takes place at local, national and international level.

[1] Energy- and process-related emissions in accordance with the Greenhouse Gas Protocol.

## 5.1 Employees

### Human resources work—Strengthening development opportunities

As a leading specialty chemicals company, Evonik offers a wide range of global career and development opportunities. At the same time, we have a clear focus on teamwork. This is expressed in our employer brand, "Exploring opportunities. Growing together.", which guides our human resources work. Attracting highly qualified candidates, and targeted development of talented employees pave the way for us to fill key positions from within the company. At the same time, we are increasing development opportunities for all company employees—from vocational training to training for our top management at well-known business schools. Our HR management tools help our line managers establish a healthy performance culture in their teams and lead change processes through a constructive dialogue based on partnership. This is an integral part of our value- and performance-oriented management of the company.

Modern, customized HR services play an important part in raising efficiency and supporting growth. The more efficient and effective alignment of Evonik's administrative structures, which is the aim of the Administration Excellence program, will therefore be implemented with respect for people, taking care to avoid undue hardship. Another priority of our HR organization is supporting global growth by recruiting suitably qualified personnel for new production facilities.

### HR strategy—Leadership is a central element

In our annual strategy review in 2014 we confirmed the core messages and objectives of our HR strategy, including recruiting and retaining staff and people development. Leadership is the central focus. HR strategy is an important element in Evonik's corporate strategy. Line managers and HR departments are working together to shape the reorganization of the Evonik Group into a management holding structure with three strong operating segments and efficient services. At the same time, they are working in partnership on the basis of Evonik's common corporate values to implement the Administration Excellence program. Based on our strategic workforce planning we implement targeted personnel measures in the face of the wide-ranging challenges on the regional labor markets.

### Employer branding—Promoting a strong global brand

A strong and uniform global employer brand is a key success factor in the competition to attract the ablest employees. "Exploring opportunities. Growing together." expresses our values as an employer: wide-ranging global development opportunities and team spirit. Various awards and surveys show that Evonik is already one of Germany's most attractive employers. For example, in 2014 we came third in the chemical and pharmaceutical sector in the employer ranking conducted by the German news magazine FOCUS.

A special vocational training campaign aims to interest school students in a vocational training course or combined training and degree course at Evonik. Our apprentices were involved in designing and realizing the campaign and were able to contribute their own ideas.

### Vocational training—A source of future specialists

Evonik remains committed to vocational training and will be making more intensive use of the findings of detailed HR requirements in the recruitment process to make sure that tomorrow's specialists can be sourced primarily from within the company. As a result, hiring apprentices on permanent contracts at the end of their training will increasingly become the norm in the future, and temporary contracts will be the exception.

Some 590 apprentices started their training at 15 sites across Germany in 2014. Overall, we are training more than 2,100 young people for more than 40 recognized qualifications and on combined vocational training and study programs. Around 370 of them are being trained for partner firms. We also offer more than 80 places on the "Start in den Beruf" program for disadvantaged youngsters. In addition, Evonik provides extensive information and a range of internships to help young people decide on their career options before embarking on vocational training. Internships for school students are a focal area of this work. A total of 5,000 days internships were completed by more than 2,700 school students. Apprentices account for about 9 percent of Evonik's workforce in Germany, which is still well above the national average. In 2014, we invested around €61 million in vocational training.

### Generation Pact—Knowledge transfer between generations

To balance the interests of the company and those of older and younger generations, Evonik has introduced a new nationwide human resources concept in Germany. Based on a "Generation Pact" signed with the Works Council and the German Mining, Chemical and Engineering union (IG BCE), hiring apprentices at the end of their training is closely linked to the retirement of more experienced colleagues. The agreement was introduced in summer 2014 for non-managerial employees born between 1959 and 1961.

### Selective development of executives and talents

Evonik's practice of filling executive and key functions principally from within the company is based on a clear commitment. Our talent management identifies, develops and fosters employees with potential across hierarchical levels and functions. Regular planning conferences with the close involvement of the Executive Board focus on development and succession planning for the most talented employees. To strengthen our international growth strategy still further, in 2014 our RISE talent recruiting program focused mainly on Asia.

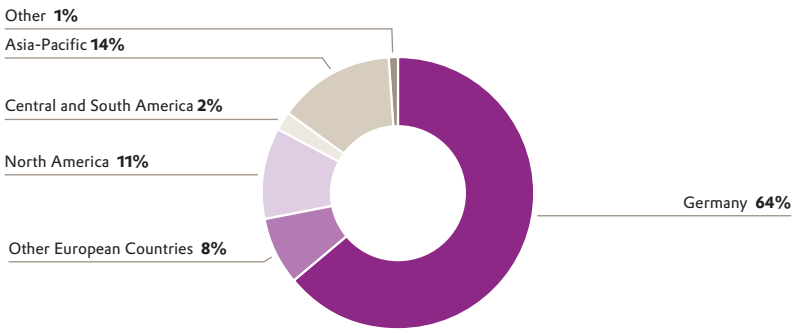
Measures to foster upcoming executives include a combination of personnel development and volunteering. In spring 2014, around 70 upcoming managers built houses for people in the Hoa Binh region of Vietnam in collaboration with our partner Habitat for Humanity. In addition, a new series of events deals intensively with the links between ethical aspects, business and personal leadership practice.

### Diversity is decisive

We are firmly convinced that a diversity of nationalities, genders, educational backgrounds, professional experience and age structures is a significant booster of creativity and innovation and therefore enhances our competitiveness. At the start of 2014, around 90 different nationalities were represented in Evonik's workforce. In addition, fostering both international and female specialists and executives is an important part of our *diversity* strategy. This is supported by extensive in-house and external networks such as women@work, which organizes regular meetings, talks, mentoring and training sessions. The number of female executives has increased to over 10 percent in the past two years.

G See glossary p. 272

**C25 Employees by region, continuing operations**




### Remuneration—New employee share program

When shaping remuneration systems, Evonik believes it is very important to offer specialists and executives market-oriented and performance-related salaries based on uniform global evaluation criteria. The review and harmonization of our remuneration systems was concluded in 2014.

In 2014 we introduced Share.2014, Evonik's first employee share program. Employees in Germany, Belgium and USA were eligible to take part. The high participation rate of 37 percent on average highlights our employees' confidence in Evonik's business development. In all, more than 10,000 employees were allocated more than 420,000 shares under this international program.

### Employee survey—Altered frequency

Thanks to the tremendous response to the employee survey conducted at the end of 2012, well over 600 projects and other measures have been initiated. We worked systematically on these in 2014 as part of our follow-up process. To allow thorough consideration of their effects, the frequency of our employee survey has been altered from every two to every three years. The next Group-wide employee survey will therefore be held in 2015.

### well@work—Brake on email is having an effect

Healthy and motivated employees are the vital for Evonik's success. In 2014, we aligned the well@work program, which is anchored in our human resources strategy, even more clearly to the needs of our employees and the company. The focal areas were optimizing advice and other services geared to health promotion, work-life balance and exercise programs. All activities center on encouraging employees at all levels to take greater responsibility for their health.

As one of Germany's largest employers, in 2013 we set clear rules for responsible use of mobile communications devices. The regulations are now having an impact on all 21,000 employees in Germany. For example, the introduction of a "brake" on email correspondence has roughly halved emails at weekends.

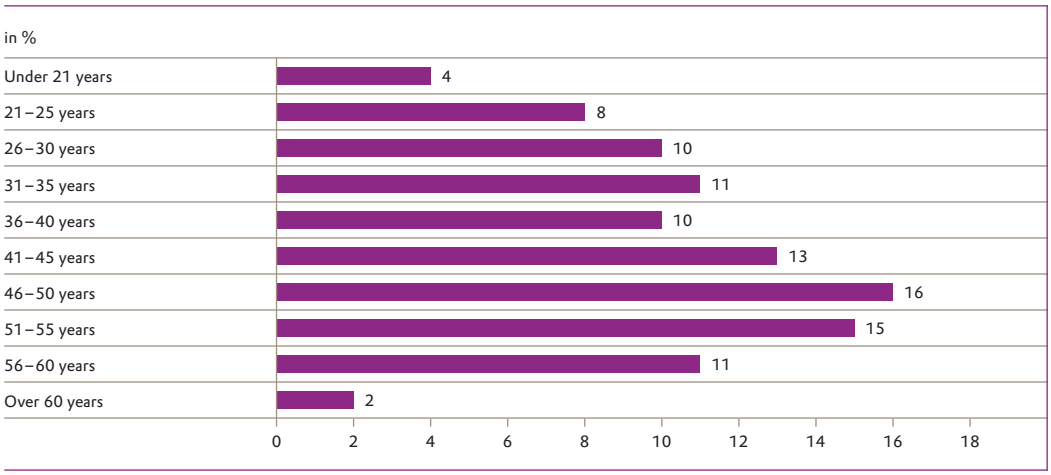
## Headcount in 2014

At year-end 2014, the Evonik Group had 33,412 employees. The continuing operations had 33,241 employees, around 24 percent of whom were female. The average age of the workforce is 41.6 years. About 36 percent are employed outside Germany. Compared with year-end 2013, the number of employees in the continuing operations increased by 246, mainly as a result of growth projects. This was countered by the divestment of the skin care business and implementation of the efficiency enhancement programs.

### T021 Employees by segment

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Consumer, Health & Nutrition | 7,090 | 7,150 |
| Resource Efficiency | 5,804 | 5,854 |
| Specialty Materials | 6,236 | 6,268 |
| Services | 12,710 | 12,192 |
| Other operations | 1,401 | 1,531 |
| **Continuing operations** | **33,241** | **32,995** |
| Discontinued operations | 171 | 655 |
| **Evonik** | **33,412** | **33,650** |

### C26 Age structure in the Evonik Group, continuing operations



## 5.2 Environment, safety and health

Protecting our environment and the climate are major global challenges of our age, along with efficient use of natural resources in the face of the growing world population and increasing affluence. Maintaining the natural basis for future generations is part of our corporate responsibility. That includes steadily reducing emissions, utilizing materials and resources more efficiently, and developing products that help us forge a clear link between economic success and ecological progress. However, improving our ecological footprint and remaining internationally competitive are dependent on public acceptance and political opportunity. These conditions are reflected in our strategic focus. In 2014, we made a considerable effort 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 reducing energy consumption and emissions into the air and water, and efficient 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 plants, technical systems, products and processes is therefore assigned to specific people at Evonik, for example, through job descriptions and letters of delegation.

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 2014 we conducted 18 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 responsibility to our employees is reflected in programs such as well@work, which comprises measures to strengthen employability and the quality of life. Evonik's workplace 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 devoted to different aspects and the company offers voluntary preventive measures. In 2014, for example, our German sites ran extensive campaigns to encourage early identification and prevention of common illnesses. In North America we organized our first regional healthcare campaign on high blood pressure.

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 accidents at work involving company employees and contractors' employees under Evonik's direct supervision per 1 million hours worked), our occupational safety performance was 1.2, and thus within our defined target of a maximum of 1.3. However, this was a deterioration compared with the previous year (0.9). This was mainly due to an increase in accident frequency at one site in Germany. We are now intensively analyzing the causes with the site and developing specific measures to improve the situation. There were no fatal accidents involving Evonik employees or contractors' employees on our sites. Sadly one apprentice at our Hanau site in Germany had a fatal car accident on the commute home. As part of the Safety at Evonik initiative, we ran an accident prevention program on commuting safely at all our sites in Germany in order to raise employee's awareness of road safety.

The accident frequency indicator for contractors (number of work-related accidents involving non-Evonik employees resulting in absence from work per 1 million working hours) increased to 3.6 (2013: 3.2). Although this indicator declined at our German sites, it is still well above the average. We attribute the stagnation of this indicator at Group level to an improvement in our worldwide reporting culture. Accident frequency was recorded for non-Evonik employees for the first time in 2013. Since then we have made considerable progress in the management of our contractors.

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). Analogously to the accident frequency indicator for occupational safety, this indicator 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. This indicator was calculated for the first time in 2008, which serves as the reference year for all subsequent years (reference base: 100). Aided by the Safety at Evonik initiative, 2014 built on the good performance of past years and the indicator was 53 (2013: 50). However, that meant we did not quite achieve our ambitious target of less than 48 points. We are using established methods of analysis to tackle the weaknesses identified and implement specific measures over the coming years to achieve a further improvement in plant safety.

The Global Process Safety Competence Center (GPSC) initiated in 2013 is also contributing to an improvement in our performance. It supports the operating units in their responsibility for safe operation of production facilities. The GPSC safety experts coordinate, facilitate and generate safety concepts for our worldwide production facilities and conduct periodic reviews of existing safety concepts. The GPSC manages the Group-wide Global Safety Expert Network. High-quality safety analyses based on a uniform international technical standard help to ensure that our production plants met our safety requirements and protect our employees, local residents and the environment.

## High standard of climate reporting established

Potential to grow our business can be leveraged by systematic realignment of our portfolio of products and services, taking global megatrends into account. For Evonik, these include global climate change. We have a large number of innovative products that improve energy efficiency at subsequent stages in the value chain and therefore make an important contribution to reducing the use of resources and cutting emissions. Our fuel and lubricant additives are a good example. Hydraulic fluids containing our DYNAVIS® additives can increase the productivity of excavators by up to 30 percent and at the same time cut fuel

consumption by up to 30 percent. Companies that are interested can calculate the exact savings for themselves using a special calculator on the DYNAVIS® website. Maximum comparability based on complete transparency is essential to make sustainable business activities measurable and traceable. Together with other members of the WBCSD, in 2013 Evonik developed a reporting guideline to ensure practical implementation of the *Greenhouse Gas Protocol* (GHG—Scope 1, 2 and 3) and calculate potential to reduce emissions along the value chain. The Carbon Disclosure Project is currently the world's largest and most important initiative by the financial sector on climate change, working with more than 750 institutional investors with combined assets under management of US$92 trillion. This project undertakes a uniquely detailed examination of all aspects of corporate policy and how it is put into practice in business. As a publicly listed company, in 2014 Evonik was invited to take part in the Investor CDP for the first time. Evonik obtained a very high ranking of 91 B, compared with an average of 69 C for all participating companies in Germany, Austria and Switzerland.

@ www.evonik.com/dynavis-savings
@ www.evonik.com/wbcsd-guidance
@ www.evonik.com/wbcsd-guidelines
G See glossary p. 272

## Slight rise in $CO_2$ emissions[1]

$CO_2$ emissions[2] increased slightly from 8.7 million metric tons in 2013 to 8.8 million metric tons in 2014. The increase was mainly due to a change in capacity utilization at our production plants, accompanied by an increase in output from 10.1 million metric tons to 10.3 million metric tons. Specific $CO_2$ emissions (emissions per 1 metric ton output) were therefore at the prior-year level[3].

The 29 facilities operated by Evonik that fall within the scope of the European Union's Emissions Trading System (EU ETS) emitted 4.2 million metric tons of $CO_2$ in 2014, as in 2013. Due to differences in capacity utilization, overall the increases and decreases in emissions at individual ETS plants cancel each other out.

www.evonik.com/responsibility

## Environmental protection investment and operating costs

We invested €107 million to achieve a further improvement in environmental protection, a considerable increase compared with the previous year (€29 million). About two-thirds of this comprised property, plant and equipment for our strategic investment projects, especially in Asia and North America. The most significant of these are the methionine complex in Singapore, the *isophorone and isophorone diamine* plants in Shanghai (China,) and the precipitated *silica* facility in Chester (Pennsylvania USA). The final third was divided among a wide range of individual investments to maintain and extend facilities at the sites and integrated environmental protection technologies. They depend on specific measures in new or existing facilities and can therefore vary considerably from year to year. Investment in environmental protection increased considerably in 2014 as a result of projects, and operating costs for environmental protection increased slightly to €259 million (2013: €250 million).

G See glossary p. 273
G See glossary p. 274

[1] Continuing and discontinued operations.
[2] Direct $CO_2$ emissions (Scope 1 emissions under the Greenhouse Gas Protocol) come from energy generation and production. Indirect $CO_2$ emissions come from purchased energy (Scope 2 emissions).
[3] Further information on specific greenhouse gas emissions, specific water consumption and progress towards the targets for these indicators can be found in Evonik's Sustainability Report.

# 6. Events after the reporting date

In January 2015, Evonik Industries AG issued a bond with a nominal value of €750 million, which matures in 2023. The coupon on this bond is 1.0 percent and the issue price was 99.337 percent.

# 7. Opportunity and risk report

## 7.1 Opportunity and risk management

### Risk strategy

Evonik's Group-wide internal opportunity and risk management (referred to generically as risk management in this section) forms a central element in the management of the company. Our risk detection system meets the requirements for publicly listed companies. The aim is to identify opportunities and risks as early as possible and to define measures to counter and minimize risks and utilize opportunities. That includes risks which could jeopardize the future of the company. We only enter into entrepreneurial risks if we are convinced that in this way we can generate a sustained rise in the value of the company and, at the same time, permanently limit possible negative implications.

### Structure and organization of risk management

The business units, corporate divisions and service units bear prime responsibility for early identification of risks, estimating their implications, introducing suitable preventive and control measures and the related internal communication. Risk management is therefore a key element in Evonik's controlling processes at all levels and includes strategic and operational planning, preparations for investment decisions, projections, and immediate reporting of risks.

In 2014 we started to realign our risk management as part of the Administration Excellence project. Combining the previous self-assessment of the efficacy of the internal control system (ICS) with the risk management system leverages potential for synergies. Our previous risk catalogue has been replaced by the categories planning/market, legal/compliance and processes/organization. Examples of further changes are the elimination of monthly reporting, accompanied by more stringent rules to ensure prompt reporting, and switching our focus from a five-year to a three-year planning period. This results in a more systematic presentation in our external reporting, with little change in structures and workflows. The risk management system is based on the internally recognized COSO Enterprise Management standard.

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. Risk officers in the organizational units are responsible for coordinating the relevant risk management activities.

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 is chaired by the CFO and composed of representatives of the corporate divisions. It 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.

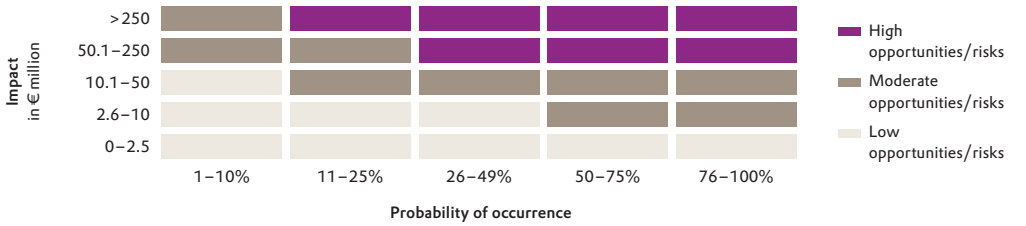
At companies where we do not exert a controlling influence, we implement our risk management requirements primarily through our presence in management and supervisory bodies. In 2014 the companies included in our risk consolidation were identical to those in scope of consolidation for the financial statements.

Corporate Audit monitors risk management in our 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 audit showed that Evonik's risk detection system is suitable for timely identification of risks that could pose a threat to the company's survival.

A binding Group-wide policy on risk management has been issued. All individual risks are systematically identified and documented using special risk management software. Their probability of occurrence and the possible damage are evaluated and documented, together with their expected impact. Like current planning, the evaluation is based on a period of three years (mid-term planning). Opportunities and risks are defined as positive and negative deviations from the plan.

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. Internal management (for example, reporting by the Risk Committee) takes a mid-term view. Opportunities and risks are classified as low, moderate or high and evaluated on a three-year basis (see opportunity and risk matrix). The evaluation is always based on a net view, in other words, taking into account risk limitation measures.

**C27 Opportunity/risk matrix**




The risk inventory is supplemented by quarterly reviews of all opportunities and risks relating to the present year to spot changes in the opportunities and risks that have already been identified and identify new risks and opportunities.

All high risks are classified as material individual risks, as are moderate risks with an expected impact of over €10 million in the mid term. The management of risks and opportunities is based on their potential impact and probability of occurrence. The expected impact, which is the product of the potential impact and probability of occurrence, is used exclusively as a basis for prioritization and to focus reporting on key issues.

## 7.2 Overall assessment of opportunities and risks

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.

Compared with previous years, Evonik faced considerably more risks than opportunities in 2014. This applied in particular to the Consumer, Health & Nutrition and Specialty Materials segments. Key factors relating to the risk categories were the macro-economic environment and the specific market and competitive situation, especially in the markets for amino acids and *$C_4$ chemicals*. In 2015, the risks once again outweigh the opportunities, although the gap is narrower than in 2014.

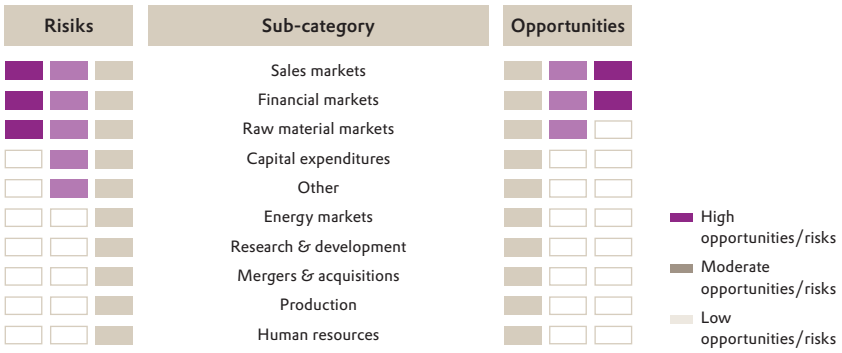
G See glossary p. 272

Sections 7.3 and 7.4 present the opportunities and risks in each category in descending order of significance for the Evonik Group. Except where otherwise indicated, they apply for all segments.

## 7.3 Planning/market risks and opportunities

In accordance with our internal management, opportunities and risks in the planning/market category are allocated to sub-categories. The chart shows the highest risk class to which an individual risk is allocated in each sub-category. Individual opportunities and risks may also be found in the lower risk classes.

**C28 Opportunity and risk classes within the planning/market category**




### 1. Sales markets

The macro-economic environment is particularly relevant for an assessment of both opportunities and risks. This applies both to the development of the global economy and trends in specific regions such as Europe and China.

Alongside the general demand situation, intensive competition in the various market segments harbors both opportunities and risks. In particular, competitors in low-wage countries increase competitive pressure through aggressive pricing policies that can 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 extending the services offered along the value chain. 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. Opportunities arise for Evonik in the event of production stoppages at competitors' facilities or when competitors are unable to bring planned new capacity into service on schedule or at all. In addition to their overall impact on Evonik's business, the opportunities and risks relating to the competitive situation are particularly relevant for our Consumer, Health & Nutrition and Resource Efficiency segments.

G See glossary p. 273

The specific market development for individual business activities is a general focus in the assessment of opportunities and risks. This relates to both demand from specific markets and the competitive situation in various industries. Changes in demand from the industries to which we supply our products and individual key account customers can have a positive or negative influence on our business. We counter these risks proactively through permanent market monitoring, activities to retain customers and gain new accounts, and timely endeavors to develop innovative new applications and enter new markets. In principle, these opportunities and risks may affect all segments, but they are particularly relevant for the Consumer, Health & Nutrition and Specialty Materials segments. For example, one risk factor in Asia is the possibility that substandard food quality and food safety could impact our amino acids business, especially as a result of bird flu. We utilize opportunities for profitable future growth by gaining access to new markets as part of our strategic development. One attractive market for our amino acids portfolio is aquaculture, for which we have developed innovative products. As a result of population growth, rising affluence in emerging markets and overfishing of the world's oceans, the global aquaculture market is growing faster than other areas of livestock farming.

Customer concentration is basically low in our chemicals segments. None of the end-markets that we supply accounts for more than 20 percent of sales. Nevertheless, some operational units, especially in the Consumer, Health & Nutrition segment, have a certain dependence on key customers. In the Services segment, the performance of large customers at its sites, for example, at the Marl chemical park, is extremely important.

In addition to the global economic situation and trends on specific markets, there are also risks associated with geopolitical conflicts in some countries and regions. At present, these relate mainly to the Ukraine and the Middle East.

### 2. Financial markets

The risks and opportunities of financial instruments relate to market prices, liquidity and default risks. Market opportunities and risks arise from the fact that the fair value or future cash flows of a financial instrument can vary as a result of changes in market prices. Such opportunities and risks result from changes in exchange rates, interest rates and other prices. 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 such risks is an important objective of our corporate policy. The risks are managed through derivative and non-derivative instruments, taking the cost/risk profile into account. This may include the use of options. For financial risk management purposes, Evonik applies the principle of separation of front office, 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. Group-wide policies and principles specify that all financial risk positions have to be identified and evaluated. This forms the basis for selective hedging to limit risks.

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. Financial derivatives are used exclusively to reduce risks resulting from operating and financing activities and therefore always relate to corresponding underlying transactions. The Evonik Group does not use financial instruments for speculation.

Forward exchange contracts, currency swaps and cross-currency interest rate swaps are used to manage currency risks. When setting interest terms, we pay attention to careful structuring of the fixed-to-floating interest ratio; interest rate swaps can be used to optimize the situation. Commodity swaps are used to hedge the risk of fluctuations in coal and gas prices. We also use forward contracts to secure the procurement of emissions allowances to meet statutory obligations. 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 Note 10.2, p. 240 ff.

A considerable portion of the Evonik Group's financial assets and liabilities and its sales 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 planned, firmly agreed or recognized on the balance sheet as receivables and liabilities and are not denominated in the functional currency of the respective company are exposed to transactional exchange rate risks and opportunities. In the Evonik Group, positions resulting from foreign currency receivables and payables recognized on the balance sheet are normally bundled and offset through intragroup *hedging*. The remaining exposure is then fully hedged through macro-hedges. Due to the opposite valuation effects of the hedged item and hedging instrument, both of which are recognized on the balance sheet, no valuation units are formed for this type of currency hedging. *Hedge accounting* for balance sheet exposures is only applied in exceptional circumstances on the basis of micro hedges, for example for non-current loans, structured hedging instruments and major investments. By contrast, planned or firmly agreed cash flows in foreign currency are generally hedged through micro- or portfolio hedges using hedge accounting to synchronize the earnings effects of the recognized hedging instruments with those of the off-balance-sheet hedged items. For foreign currency sales revenues and expenditures that are highly probable, the target hedging ratio is 65 percent of the calculated currency exposure.

G See glossary p. 276

G See glossary p. 275

Evonik manages the interest rate risks and opportunities 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 therefore had no material exposure to changes in interest rates. However, changes in interest rates can have a significant influence on the present value of our pension obligations. These entail both risks and opportunities for the Group.

See Note 4. (d), p. 179

We use scenario analyses to assess the possible impact of opportunities and risks relating to currencies and interest rates. In view of the rising importance of regions outside the euro zone, exchange rate risks and opportunities will increase in the long term.

A more 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.[1]

See Note 10.2, p. 240 ff.

[1] The separate financial statements of Evonik Industries AG are available at @ www.evonik.com/investor-relations, News & Reports/ Separate financial statements..

Other price risks relating to the financial markets come mainly from investments in companies that are listed on the stock exchange, which IAS 39 specifies have to be recognized in the balance sheet at their stock market value. Since Evonik does not generally undertake such investments with a view to short-term purchase or sale, the unrealized changes in market value are only recognized in the income statement if they represent a significant or long-term loss of value. Otherwise, they are recognized as changes in equity with no impact on profit or loss until such gains or losses are realized through sale of the investment.

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.

See Note 10.2, p. 240 ff.

See p. 90 ff.

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. Limits are set for each counterparty on the basis of internal or rating-based creditworthiness analyses.

Market opportunities and risks, and liquidity and default risks relating to financial instruments also arise from the management of our pension plan assets. Here, we take an active approach to risk management, which is combined with sophisticated risk controlling. Strategic management of the portfolios takes place via active/passive studies. To minimize risk, we also use a range of derivative hedging strategies. The broad diversification of asset classes, portfolio sizes and asset managers avoids cluster risks. However, there are still unavoidable residual risks in the individual investments.

### 3. Raw material markets

For our business operations we require both large quantities of raw materials, and smaller amounts of strategically relevant materials that have to meet highly demanding specifications. Consequently, the Evonik Group faces opportunities and risks relating to fluctuations in the price and availability of raw materials, and in some cases, the very limited number of potential suppliers for products in specific markets ("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 raw material and energy costs. These risks are countered by optimizing global purchasing activities, and entering into long-term supply agreements. The overriding aim of the procurement strategy is to secure the availability of raw materials on the best possible terms.

To further reduce the risks with regard to products that have intensive raw material requirements, Evonik constantly strives to pass on raw material price rises to customers, for example through price escalation clauses and by adjusting its selling prices.

Short- and mid-term bottlenecks in the availability of precursors and intermediates are also potential risks. As well as making preparations so we can switch to substitute suppliers in emergencies, we constantly observe the business performance of suppliers of selected key raw materials to anticipate bottlenecks and avoid risks.

The opportunities and risks in connection with changes in raw material prices mainly relate to the Consumer, Health & Nutrition and Specialty Materials segments because of the scale of their procurement. Single sourcing risks mainly affect the Resource Efficiency segment.

## 4. Capital expenditures

Evonik's plans to generate organic growth through investment in attractive markets and acquisitions entail certain risks as regards the proposed scope and timing of projects. These risks are addressed through established, structured processes. For instance, we are taking an extremely disciplined approach to implementing the 2012–2016 investment program. Projects that have not yet started are always reviewed for changes in the market situation and postponed if necessary.

At the same time, we regard building new production facilities in regions with high growth momentum as an opportunity to generate further profitable growth. For example, socio-economic megatrends are driving the development of our amino acids business. A *world-scale* complex for DL-methionine came on stream in Singapore in fall 2014. We aim to use this principally to serve the Asian market in the coming years. 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. Moreover, environmentally compatible agricultural production that makes more efficient use of resources is becoming more important worldwide for ecological reasons.

G See glossary p. 274

In addition, in emerging markets there is rising demand from the affluent middle class for personal care products and cosmetics. China and Brazil are important growth markets for personal care products because of their size and momentum. Evonik wants to participate in this growth through its new production capacities in Shanghai (China) and Americana (Brazil).

The resource efficiency megatrend is the basis for a large number of energy-efficient and environment-friendly products from Evonik. One example is precipitated silica, where we are a market leader. This product can be used in combination with silanes to produce tires with far lower rolling resistance that reduce fuel consumption by up to 8 percent (compared with conventional auto tires). Future growth in this business will be boosted, among other things, by the introduction of tire labeling requirements in further countries, for example, in Brazil in 2016. To utilize the resultant opportunities, we are increasing our capacity for silica. A new production facility is currently under construction in Americana (Brazil). This will be the first producer of highly dispersible silica (HD silica) for the South American tire industry. In South America the market for tires with low rolling resistance, and thus for HD silica, is growing far faster than the market for normal auto tires.

The investments described above are included in our mid-term planning. Delayed realization or abandonment of investment projects, for example because of the political situation in certain countries, would adversely affect planned growth. By contrast, new projects could result in additional earnings in some areas.

### 5. Other

To increase scope for growth and innovations, we are working steadily to improve our cost position, especially through the On Track 2.0 and Administration Excellence programs. Beside the opportunity to raise strategic flexibility and strengthen the operating units resulting from these programs, there are risks that their implementation could adversely impact earnings. These include the risk of failing to meet the ambitious timelines, a loss of personnel with key expertise, and failure to meet financial targets. Stringent project management, including involving relevant stakeholders, is used to counter these risks.

The reorganization of Evonik's management and portfolio structure effective January 1, 2015 improves opportunities for profitable growth. The new structure allows far more differentiated management and more targeted development of the various businesses. That enhances our strategic flexibility and strengthens our leadership position in the respective markets. The Executive Board will concentrate principally on Evonik's strategic development within a management holding structure. This gives the three specialty chemicals segments—Consumer, Health & Nutrition, Resource Efficiency, and Specialty Materials—far greater entrepreneurial independence so they can operate closer to their markets and customers and improve efficiency still further. Possible risks could come, for example, from delays in the realization of the new Group structure.

### 6. Energy markets

Evonik requires considerable amounts of energy from a wide variety of sources for its chemical facilities and infrastructure. The main sources are natural gas, coal and electricity. Oil only plays a subordinate role in Evonik's energy mix. At several major sites, Evonik generates electricity in resource-efficient co-generation plants. In 2014, we constantly monitored the trend on national and international energy markets and responded appropriately. As part of the Administration Excellence program, we have pooled all operations relating to the energy markets, enabling us to gain further efficiency benefits.

In countries where the sourcing of energy is not state-regulated, Evonik procures and trades in energy and—where necessary—emissions allowances ($CO_2$ allowances) within the framework of defined risk strategies. The aim of these risk strategies is to balance the risks and opportunities of volatile energy markets.

The sharp drop in the oil price in the second half of 2014 had an impact on natural gas prices in Germany and Central Europe in the fourth quarter. Nevertheless, oil prices at Evonik's European and Asian sites are still far higher than in the USA, where the price is still determined by the *shale gas* boom.

G See glossary p. 274

Overall, we are exposed to fluctuations in the market price of various energy sources as a result of the specific demand/supply situation and political events. These entail both opportunities and risks.

### 7. Research & development

Opportunities for Evonik also come from market-oriented research and development (R&D), which we regard as an important driver of profitable growth. We have a well-stocked R&D pipeline with a balanced mixture of short-, mid- and long-term R&D projects. Attractive areas of innovation include ingredients for the cosmetics industry, membranes, specialty materials for medical technology, feed and food additives, and composites. In addition, we want to steadily extend our expertise in catalysis and biotechnology. Further opportunities are being generated by the increasing involvement of external partners (open innovation). We work with research institutes and universities to ensure rapid translation of the latest research findings into our company. We also work with start-ups and other industrial companies to facilitate solutions that differentiate us at all stages in the value chain. At the same time we are continuing to drive forward the internationalization of our research activities and gaining access to new options in emerging regions and high-growth markets.

Opportunities and risks in R&D relate to the viability of planned product and process development projects and the timing of their implementation.

### 8. Mergers & acquisitions

Active portfolio management has high priority for Evonik as part of our value-based management approach. We have set out clear procedures for preparing, analyzing and undertaking acquisitions and divestments. 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 opportunities and risks 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.

Businesses that no longer fit our strategy or no longer meet our profitability requirements are divested. If we do not successfully achieve a planned divestment, this could generate risks that impact the Group's earnings position. That applies, for example, to Evonik Litarion GmbH, which uses state-of-the-art coating technology to manufacture the LITARION® and SEPARION® brands of electrodes and ceramic separators for large-scale, high-performance lithium-ion battery cells.

### 9. Production

As a specialty chemicals company, Evonik is exposed to the 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.

We have taken action to mitigate the risks through the risk minimization measures outlined above and existing insurance policies. Nevertheless, there is a risk of unforeseeable individual incidents. Conversely, there are always opportunities associated with a further increase in productivity.

### 10. Human resources

The achievement of the strategic and operational objectives of our organizational units is based on the skills and knowledge of our highly qualified managers and specialists. There is evidently a risk that there may not be sufficient suitable candidates to fill vacancies or that competent staff could leave the company. In particular, in the emerging markets where we operate, there might only be a small proportion of workers with the qualifications and language skills required for 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. 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 make Evonik even more attractive to talented specialists and managers. We have thus largely limited potential human resources risks. Opportunities and risks for the development of personnel expenses could come from future collective agreements.

G See glossary p. 272

## 7.4 Legal/compliance risks and opportunities

The opportunities and risks in this category are far more difficult to quantify than planning/market risks, as they often involve reputational risks and/or criminal law consequences as well as having financial implications. In addition, provisions are set up on our balance sheet for such cases. These are reflected in our risk assessment as reducing risk. In view of this complexity, opportunities and risks relating to this category are not normally assigned to the matrix illustrated above. Consequently, they are not allocated to the above risk quantification classes. Major opportunities and risks for the Group's earnings can come from the reversal of or increase in provisions.

## 1. Law, regulatory framework and compliance

Evonik is exposed to risks relating to legal disputes, (e.g. claims for compensation) and 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 risk or materially alter risk positions. As a chemicals company with its own power plants, risks could arise in connection with possible changes in the charges levied under the German Alternative Energies Act (EEG) and amendments to the European emissions trading regulations.

Further, Evonik may be liable for guarantee claims relating to divestments. Post-transaction management closely monitors any liability and guarantee risks resulting 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.

At present, the legal proceedings outlined below represent the main legal risks. As a matter of principle, we refrain from evaluating the opportunities and risks of potential legal proceedings or proceedings that have commenced, in order not to influence our position.

Evonik and its subsidiary RBV Verwaltungs-GmbH are currently involved in three ongoing appraisal proceedings 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 (now Evonik Degussa GmbH) in 2006. The appraisal proceedings comprise a court review of the appropriateness of cash settlements or compensation.

In connection with the divestment of its former energy activities (STEAG), Evonik gave the purchaser various indemnities 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 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 now pending between the project company and the general contractor.

In connection with the divestment of the former carbon black activities, the purchaser has requested indemnification from environmental guarantees relating to alleged infringement of the US Clean Air Act. Evonik is currently engaged in a dispute with the purchaser on this.

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.

With regard to employment law, there are risks relating, for example, to recalculation of pension commitments entered into by Evonik and its legal predecessors.

*Compliance* means lawful and ethically correct business conduct. All employees are subject to the binding regulations on fair treatment of each other and of business partners set out in our Code of Conduct. Risks could therefore result from failure to comply with the corresponding regulations. To minimize compliance risks, extensive training and sensitization of employees is undertaken at face-to-face training sessions and/or through e-learning programs.

G See glossary p. 275

See p. 40 ff.

### 2. Risks relating to the protection of intellectual property and know-how

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. Similarly, 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 Intellectual Property Management unit supports the operational units in protecting, developing and utilizing intellectual property and patents. It is assisted by a worldwide network of correspondent lawyers. A Corporate Security Division was established in 2014. This bundles the relevant expertise to ensure Group-wide protection of installations, employees, sites, transportation and information for which special protection ins required.

### 3. 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.

G See glossary p. 274

Alongside the need to adjust environmental provisions identified through structured internal processes, for example, as a result of changes in the regulatory framework, further unplanned additions to such provisions may be necessary, or the provisions may be utilized.

## 7.5 Process/organization risks

### 1. General

This risk category covers the interface between risk management and the internal control system (ICS). In this category, risks result from specific process shortcomings. Alongside general weaknesses, these include, in particular, risks within the ICS and the accounting-related ICS. The issues examined are material for assessing the efficacy of the ICS. Classification is therefore based on the list of processes drawn up by Corporate Audit. Starting from key corporate processes, the existence of relevant control objectives and standard controls for the main risks identified is checked. In view of the types of risk in this category, a purely qualitative assessment is normally used.

The evaluation of specific risks resulting from weaknesses in processes within the organizational units showed very little scope to optimize existing processes because of the efficacy of the current controls. Corresponding scope for improvement has been identified. There are therefore no signs of systematic errors in the Evonik Group's ICS.

### 2. Internal control system for financial accounting

The main financial reporting risks are identified in the ICS through 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. 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 also improves the quality of accounting. Business Services has developed a standardized control matrix for the internal control system for financial accounting. This is already applied to all Group companies in Germany for which Business Services is responsible. Following successful introduction of the control matrix at the major operating companies in China and South-East Asia in the course of 2014, it 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 allows 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.

# 8. Information pursuant to Section 289 Paragraph 4 and Section 315 Paragraph 4 of the German Commercial Code (HGB) and explanatory report by the Executive Board pursuant to Section 176 Paragraph 1 of the German Stock Corporation Act (AktG)

### Structure of issued capital

The capital stock of Evonik Industries AG is €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) have 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.

Under a shareholder agreement (most recently revised on April 10, 2013), the main shareholders have given an undertaking that in the event of sale of some or all of their shares in Evonik to third parties outside the stock exchange (trade sale), they would first offer the shares to the other main shareholder. RAG-Stiftung has to give its consent to a trade sale by Gabriel Acquisitions GmbH. It may only withhold its consent with good reason. In the event of a trade sale by RAG-Stiftung, Gabriel Acquisitions GmbH has a right to concurrently sell shares from its shareholding in Evonik Industries AG equivalent to up to 50 percent of the shares in Evonik Industries AG that are to be sold. 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.

In the event of a trade sale by RAG-Stiftung, the purchaser of the Evonik shares only has to accede to this agreement if 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 holds 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 the shareholder structure. In compliance with Section 160 Paragraph 1 No. 8 of the German Stock Corporation Act (AktG), the notes to the financial statements of Evonik Industries AG contain an overview of all voting rights notifications submitted to the company.

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.

### 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.

Changes to the Articles of Incorporation are normally resolved by the Annual Shareholders' Meeting. Section 20 Paragraph 2 of the Articles of Incorporation states that, unless mandatory provisions require otherwise, resolutions shall be adopted by a simple majority of the votes cast and—unless besides a majority of the votes, a majority of the capital is required by law—by a simple majority of the capital stock represented.

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. A simple majority vote is sufficient.

### 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 AktG), the purchase may take place via the stock exchange or via a public offer 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 Annual Shareholders' Meeting on May 20, 2014 adopted an amendment to Section 4 Paragraph 6 of the Articles of Incorporation authorizing the Executive Board until May 1, 2019, subject to the approval of the Supervisory Board, to increase the company's capital stock by up to €116,500,000 (Authorized Capital 2014).

This authorization may be exercised through one or more issuances.

The new shares may be issued against cash and/or contributions in kind. The Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights when issuing new shares in the following cases:

- capital increases against contributions in kind
- if the capital increase is against cash and the proportionate share of the capital stock attributable to the new shares does not exceed 10 percent of the capital stock, and the issue price of the new shares is not significantly below the stock market price of shares already listed on the stock exchange
- to exclude fractional amounts arising from the subscription ratio
- insofar as is necessary to grant holders and/or creditors of warrants or conversion rights or obligors of warrant and/or conversion obligations subscription rights to new shares to the extent that they would be entitled to them after exercise of their warrants and/or conversion rights or fulfillment of their warrant or conversion obligations
- to grant shares to employees (employee stock), provided that the new shares for which subscription rights are excluded do not in aggregate account for a proportionate share of the capital stock in excess of 1 percent
- for the execution of a scrip dividend.

The proportionate amount of the capital stock attributable to the shares for which subscription rights are excluded, together with the proportionate amount of the capital stock attributable to treasury stock or to conversion and/or warrant rights or obligations arising from debt instruments, which are sold or issued after May 20, 2014 under exclusion of subscription rights, may not exceed 20 percent of the capital stock. If the sale or issue takes place in application—analogously or mutatis mutandis—of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG), this shall also be deemed to constitute exclusion of subscription rights.

In connection with the authorization of May 20, 2014 to issue convertible and/or warrant bonds with a nominal value of up to €1.25 billion up to May 1, 2019, the capital stock is conditionally increased by a further €37,280,000 (Conditional Capital 2014).

The conditional capital increase will only be conducted insofar as holders or creditors of warrant or conversion rights or obligors of warrants or conversion obligations arising from warrant bonds and/or convertible bonds issued or guaranteed on the basis of the authorization resolved at the Annual Shareholders' Meeting of May 20, 2014, exercise their warrants or conversion rights or, insofar as they have an obligation to exercise the warrants or conversion obligations, meet the obligation to exercise the warrant or conversion obligations and other forms of settlement are not used.

The new shares are entitled to a dividend from the start of the fiscal year in which they are issued.

### Significant agreements concluded by the company that are contingent upon a change of control resulting from a takeover bid

Evonik Industries AG 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, 2014. 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, 2014 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.

### 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 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 employees is calculated immediately and paid into their salary account with their next regular salary payment. 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 four-year performance period.

# 9. Declaration on corporate management

The declaration on corporate management in compliance with Section 289a of the German Commercial Code (HGB) has been made available to the public on the company's website at 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. 40 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 complies with the German Commercial Code (HGB), including the principles set out in German Accounting Standard No. 17 (DRS 17), International Financial Reporting Standards (*IFRS*), and the requirements of the German Corporate Governance Code.

See glossary p. 276

## 10.1 Remuneration of the Executive Board

### Changes on the Executive Board

At its meeting on June 26, 2014, the Supervisory Board appointed Christian Kullmann (45) to the Board of Management for a period of five years from July 1, 2014. He is responsible for the Corporate Strategy & Corporate Performance, Legal & Compliance, Corporate Affairs, and Corporate Security Divisions. Effective July 1, 2014, the Executive Board was therefore increased from four to five members.

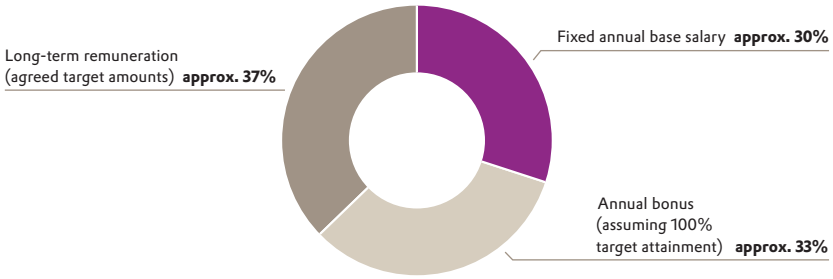
### Principles and objectives

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 structure of the remuneration system for the members of the Executive Board of Evonik Industries AG is geared to sustained value creation and performance-oriented management of the company. It comprises a fixed monthly base salary, which takes account of the tasks and services performed by the respective member, and a variable short-term component comprising an annual bonus which is dependent on the attainment of annual performance targets. This is supplemented by a long-term component linked directly to the increase in the value of the company as an incentive for sustained commitment to the company, and the customary fringe benefits.

The remuneration is reviewed regularly by the Supervisory Board, where appropriate 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 level of remuneration or the structure of remuneration, the Executive Committee of the Supervisory Board submits a corresponding proposal to the full Supervisory Board for a decision. The last external review of the remuneration system for appropriateness was in June 2013.

The chart shows the breakdown of the main remuneration components, i.e. excluding benefits in kind, other fringe benefits and company pensions plans.

**C29 Structure of remuneration of members of the Executive Board** [a]




[a] Excluding fringe benefits and retirement pensions.

## Performance-unrelated components

### Fixed annual base salary

The fixed **annual base salary** is a cash payment for the fiscal year. It takes account of the experience and scope of responsibility of each Executive Board member. It is paid out in twelve equal installments.

### 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. Executive Board members 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, insofar as such fees are paid to Executive Board members, such payments are deducted from their annual bonus or paid over to the company. In this remuneration report, remuneration for offices held in the interests of the company is included in other fringe benefits.

## 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 agreed business targets, and may be between 0 and 200 percent. *ROCE*, adjusted net income and *adjusted EBITDA* are defined as business targets. The ROCE target is measured against the mid-term cost of capital, the net income target is derived from a comparison with the prior year, and the EBITDA target is derived from corporate planning. The company's accident performance in the financial year (number and severity of accidents compared with the previous year) also has an influence.

G See glossary p. 276
G See glossary p. 275

The performance factor rewards the attainment of personal targets and can vary between 80 percent and 120 percent. The reference indicators are aligned individually to the performance targets for each member of the Executive Board and normally have a multi-year context within the target-setting framework.

If the personal and business objectives are achieved in full, 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 in writing at the start of each fiscal year between the Supervisory Board and each member of the Executive Board and the level of attainment is determined by the Supervisory Board after the end of the year.

### Long-term variable remuneration (LTI)

The members of the Executive Board receive long-term variable remuneration in the form of Long-Term Incentive (LTI) Plans. Following Evonik's stock exchange listing, the structure of the LTI Plans was redefined as from the 2013 tranche. The general reference base for **long-term remuneration** is a sustained rise in the value of the company.

#### *LTI tranches 2009 through 2012*

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 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.

Given the structure of the LTI Plans 2009 through 2012, they did not meet the definition of share-based payment pursuant to DRS 17.9 until Evonik Industries AG was listed on the stock exchange. Consequently, they were not classified as share-based payments. 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 a share-based payment. 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 payments. 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.

*LTI tranches 2013 and 2014*

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 now measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals Index$^{SM}$.

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 average share price at the end of the performance period, including any dividends per share actually paid in this period. This is 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 is above 130 percentage points, the relative performance factor is set at 130.

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 on a one-off basis 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 values of the LTI tranches 2009 through 2014 as of the date of the legally binding commitment are shown in the next table:

**T023 LTI tranches**

| | 2009[a] | 2010[a] | 2011[a] | 2012[a] | 2013[b] | | **2014[b]** | |
|---|---|---|---|---|---|---|---|---|
| | in € '000 | in € '000 | in € '000 | in € '000 | No. of virtual shares | in € '000 | No. of virtual shares | in € '000 |
| Dr. Klaus Engel | 463 | 478 | 479 | 495 | 43,133 | 1,028 | 45,208 | 1,023 |
| Christian Kullmann | – | – | – | – | – | – | 13,562 | 307 |
| Thomas Wessel | – | – | 96 | 297 | 25,880 | 617 | 27,125 | 614 |
| Patrik Wohlhauser | – | – | 216 | 297 | 25,880 | 617 | 27,125 | 614 |
| Ute Wolf | – | – | – | – | 6,470 | 154 | 27,125 | 614 |
| **Total** | **463** | **478** | **791** | **1,089** | **101,363** | **2,416** | **140,145** | **3,172** |

[a] No details are given of other share-based payments 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 2014 was €850 thousand. The breakdown of the expense was as follows: €259 thousand for Dr. Engel, €67 thousand for Mr. Kullmann, €194 thousand for Mr. Wessel, €172 thousand for Mr. Wohlhauser, and €158 thousand for Ms. Wolf.

### Company pension plan

The company pension arrangements for Dr. Klaus Engel comprise a percentage of his fixed annual base salary, which is dependent on length of service with the company and is capped at 60 percent. This pension commitment provides for a lifelong retirement pension and surviving dependents' benefits.

A defined-contribution system is applicable for Christian Kullmann, Thomas Wessel, Patrik Wohlhauser and Ute Wolf. 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 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's contract as a member of the Executive Board ends before benefits are payable, no further contributions are credited to the account. However, it continues to earn interest at the common market interest rate 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 62 (depending on their individual pension arrangements) or if they leave as a result of permanent incapacity to work. In addition, Dr. Engel can claim pension benefits from the date of premature termination or non-extension of his contract on the Executive Board, providing he does not give due cause for such termination. Mr. Kullmann, Mr. Wessel and Mr. Wohlhauser have similar claims based on pension entitlements accrued prior to their appointment to the Executive Board.

In 2014, the service cost for members of the Executive Board totaled €2,977 thousand (2013: €693 thousand) based on the German Commercial Code (HGB), and €1,526 thousand (2013: €1,152 thousand) based on IFRS.

The difference in service cost for pension commitments is attributable to differences in the valuation methods used to calculate the settlement amount in accordance with the German Commercial Code (HGB) 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 €20,065 thousand (2013: €13,455 thousand) based on the German Commercial Code (HGB), and €29,773 thousand (2013: €16,414 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**

| | German Commercial Code (HGB) | | | | IFRS | | | |
|---|---|---|---|---|---|---|---|---|
| | Service cost | | Settlement amount of pension obligations as of Dec. 31 | | Service cost | | Present value of the defined benefit obligation as of Dec. 31 | |
| in € '000 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Dr. Klaus Engel | 2,215 | 192 | 12,148 | 8,872 | 488 | 483 | 17,162 | 10,582 |
| Christian Kullmann (pro rata for 2014) | 121 | – | 2,068 | – | 160 | – | 3,523 | – |
| Thomas Wessel | 251 | 214 | 2,332 | 1,838 | 280 | 281 | 3,563 | 2,326 |
| Patrik Wohlhauser | 254 | 242 | 2,917 | 2,348 | 322 | 324 | 4,539 | 3,001 |
| Ute Wolf (pro rata for 2013) | 136 | 45 | 600 | 397 | 276 | 64 | 986 | 505 |
| **Total** | **2,977** | **693** | **20,065** | **13,455** | **1,526** | **1,152** | **29,773** | **16,414** |

Provisions for pension obligations to former members of the Executive Board and their surviving dependents as of the reporting date were €28,801 thousand (2013: €28,002 thousand) based on the German Commercial Code (HGB), and €43,816 thousand (2013: €37,707 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

In conformance with the German Corporate Governance Code, the employment 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. 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.

### 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 Takeover 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 four-year performance period.

## Remuneration of the Executive Board in fiscal 2014

The total remuneration paid to the members of the Executive Board for their work in 2014, including remuneration for the performance of other offices, was €10,644 thousand (2013: €25,997 thousand and included remuneration of €12,039 thousand paid to the former Executive Board members Dr. Colberg, Dr. Haeberle and Dr. Yu). The amount for 2014 includes bonus payments of €339 thousand for the previous year, for which no provision was established in 2013.

Based on the principles outlined, the breakdown of remuneration for each Executive Board member in 2014 was as follows:

**T025 Remuneration of the Executive Board**

| | Performance-unrelated remuneration | | | | Performance-related remuneration | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fixed remuneration | | Fringe benefits and similar | | Annual bonus | | Special bonus for stock exchange listing | LTI[a] | | LTI 2009 to 2012 | Total remuneration in accordance with DRS 17 | | Benchmark[e] |
| in € '000 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | 2013 | **2014** | 2013 | 2013 | **2014** | 2013[d] | 2013 |
| Dr. Klaus Engel | 1,100 | 880 | 49 | 74 | 1,419 | 1,107 | 1,500 | 1,023 | 1,028 | 1,915 | 3,591 | 6,504 | 3,089 |
| Christian Kullmann[b] | 300 | – | 27 | – | 358 | – | – | 307 | – | – | 992 | – | – |
| Thomas Wessel | 600 | 510 | 58 | 175 | 700 | 762 | 1,000 | 614 | 617 | 393 | 1,972 | 3,457 | 2,064 |
| Patrik Wohlhauser | 600 | 575 | 34 | 34 | 869 | 775 | 1,000 | 614 | 617 | 513 | 2,117 | 3,514 | 2,001 |
| Ute Wolf[c] | 600 | 150 | 89 | 16 | 669 | 163 | – | 614 | 154 | – | 1,972 | 483 | 483 |
| **Total** | **3,200** | **2,115** | **257** | **299** | **4,015** | **2,807** | **3,500** | **3,172** | **2,416** | **2,821** | **10,644** | **13,958** | **7,637** |

[a] Fair value as of the legally binding commitment or grant date.
[b] Pro rata for 2014 from July 1, 2014.
[c] Pro rata for 2013 from October 1, 2013.
[d] Including LTI 2009 through 2012 due to first-time classification as share-based payment pursuant to DRS 17 and special bonus for stock exchange listing.
[e] Excluding LTI 2009 through 2012 and special bonus for stock exchange listing to enhance comparability of the prior-year figures.

In 2014, 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, 2014 there were no loans or advances to members of the Executive Board.

Finally, third-party financial loss insurance cover is provided for each member of the Executive Board to cover their statutory liability arising from their work on the Executive 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.

### Remuneration report in accordance with the German Corporate Governance Code

As from 2014, the German Corporate Governance Code recommends that listed companies should also disclose the remuneration of the Executive Board on the basis of a defined table showing the granting and allocation of benefits.

### T026 Benefits granted

| | **Dr. Klaus Engel** Chief Executive Officer | | | |
|---|---|---|---|---|
| in € '000 | 2013 | **2014** | **2014 (min)** | **2014 (max)** |
| Fixed compensation | 880 | 1,100 | 1,100 | 1,100 |
| Fringe benefits | 74 | 49 | 49 | 49 |
| **Total** | **954** | **1,149** | **1,149** | **1,149** |
| One-year variable compensation [a] | 2,525 | 1,150 | – | 2,300 |
| Multi-year variable compensation | 1,028 | 1,023 | – | 3,750 |
| *LTI 2009 through 2013* | *1,028* | – | – | – |
| *LTI 2010 through 2014* | – | *1,023* | – | *3,750* |
| **Total** | **4,507** | **3,322** | **1,149** | **7,199** |
| Service cost | 483 | 488 | 488 | 488 |
| **Total compensation** | **4,990** | **3,810** | **1,637** | **7,687** |

| | **Christian Kullmann** Chief Strategic Officer (from July 1, 2014) | | | |
|---|---|---|---|---|
| in € '000 | 2013 | **2014 [b]** | **2014 [b] (min)** | **2014 [b] (max)** |
| Fixed compensation | – | 300 | 300 | 300 |
| Fringe benefits | – | 27 | 27 | 27 |
| **Total** | **–** | **327** | **327** | **327** |
| One-year variable compensation [a] | – | 325 | – | 650 |
| Multi-year variable compensation | – | 307 | – | 1,125 |
| *LTI 2009 through 2013* | – | – | – | – |
| *LTI 2010 through 2014* | – | *307* | – | *1,125* |
| **Total** | **–** | **959** | **327** | **2,102** |
| Service cost | – | 160 | 160 | 160 |
| **Total compensation** | **–** | **1,119** | **487** | **2,262** |

[a] Including special bonus for the stock market listing in 2013.
[b] Pro rata (Mr. Kullmann from July 1, 2014).

## T026 Benefits granted

| | Thomas Wessel<br>Chief Human Resources Officer | | | |
|---|---|---|---|---|
| in € '000 | 2013 | 2014 | 2014 (min) | 2014 (max) |
| Fixed compensation | 510 | 600 | 600 | 600 |
| Fringe benefits | 175 | 58 | 58 | 58 |
| **Total** | **685** | **658** | **658** | **658** |
| One-year variable compensation [a] | 1,570 | 650 | – | 1,300 |
| Multi-year variable compensation | 617 | 614 | – | 2,250 |
| *LTI 2009 through 2013* | *617* | – | – | – |
| *LTI 2010 through 2014* | – | *614* | – | *2,250* |
| **Total** | **2,872** | **1,922** | **658** | **4,208** |
| Service cost | 281 | 280 | 280 | 280 |
| **Total compensation** | **3,153** | **2,202** | **938** | **4,488** |

| | Patrik Wohlhauser<br>Chief Operating Officer | | | |
|---|---|---|---|---|
| in € '000 | 2013 | 2014 | 2014 (min) | 2014 (max) |
| Fixed compensation | 575 | 600 | 600 | 600 |
| Fringe benefits | 34 | 34 | 34 | 34 |
| **Total** | **609** | **634** | **634** | **634** |
| One-year variable compensation [a] | 1,650 | 650 | – | 1,300 |
| Multi-year variable compensation | 617 | 614 | – | 2,250 |
| *LTI 2009 through 2013* | *617* | – | – | – |
| *LTI 2010 through 2014* | – | *614* | – | *2,250* |
| **Total** | **2,876** | **1,898** | **634** | **4,184** |
| Service cost | 324 | 322 | 322 | 322 |
| **Total compensation** | **3,200** | **2,220** | **956** | **4,506** |

| | Ute Wolf<br>Chief Financial Officer (from Oct. 1, 2013) | | | |
|---|---|---|---|---|
| in € '000 | 2013 [b] | 2014 | 2014 (min) | 2014 (max) |
| Fixed compensation | 150 | 600 | 600 | 600 |
| Fringe benefits | 16 | 89 | 89 | 89 |
| **Total** | **166** | **689** | **689** | **689** |
| One-year variable compensation [a] | 163 | 650 | – | 1,300 |
| Multi-year variable compensation | 154 | 614 | – | 2,250 |
| *LTI 2009 through 2013* | *154* | – | – | – |
| *LTI 2010 through 2014* | – | *614* | – | *2,250* |
| **Total** | **483** | **1,953** | **689** | **4,239** |
| Service cost | 64 | 276 | 276 | 276 |
| **Total compensation** | **547** | **2,229** | **965** | **4,515** |

[a] Including special bonus for the stock market listing in 2013.
[b] Pro rata (Ms. Wolf from October 1, 2013).

## T027 Allocation

| in € '000 | Dr. Klaus Engel Chief Executive Officer | | Christian Kullmann Chief Strategic Officer (from July 1, 2014) | | Thomas Wessel Chief Human Resources Officer | | Patrik Wohlhauser Chief Operating Officer | | Ute Wolf Chief Financial Officer (from Oct. 1, 2013) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | **2014** | 2013 | **2014**[a] | 2013 | **2014** | 2013 | **2014** | 2013[a] | **2014** |
| Fixed compensation | 880 | 1,100 | – | 300 | 510 | 600 | 575 | 600 | 150 | 600 |
| Fringe benefits | 74 | 49 | – | 27 | 175 | 58 | 34 | 34 | 16 | 89 |
| **Total** | **954** | **1,149** | **–** | **327** | **685** | **658** | **609** | **634** | **166** | **689** |
| One-year variable compensation[b, c, d, e] | 2,705 | 1,239 | – | 358 | 1,575 | 695 | 1,804 | 715 | 163 | 669 |
| Multi-year variable compensation | 598 | 835 | – | – | – | – | – | – | – | – |
| *LTI 2008 through 2012* | *598* | – | – | – | – | – | – | – | – | – |
| *LTI 2009 through 2013* | – | *835* | – | – | – | – | – | – | – | – |
| **Total** | **4,257** | **3,223** | **–** | **685** | **2,260** | **1,353** | **2,413** | **1,349** | **329** | **1,358** |
| Service cost | 483 | 488 | – | 160 | 281 | 280 | 324 | 322 | 64 | 276 |
| **Total compensation** | **4,740** | **3,711** | **–** | **845** | **2,541** | **1,633** | **2,737** | **1,671** | **393** | **1,634** |

[a] Pro rata (Ms. Wolf from October 1, 2013, Mr. Kullmann from July 1, 2014).
[b] Including special bonus for the stock market listing in 2013.
[c] In some cases, fees for other offices held are offset against variable compensation contained in fringe benefits; 2013: Dr. Engel €63 thousand, Wessel €130 thousand; 2014: Dr. Engel €26 thousand, Wessel €20 thousand, Wolf €46 thousand.
[d] The one-year variable compensation for 2013 corresponds to the actual payments made in 2014 for 2013.
[e] The one-year variable compensation for 2014 has not yet been finalized; estimate based on assumptions made for provisions.

### Former Executive Board members, including members who left the Executive Board in 2014

Total remuneration of former members of the Executive Board and their surviving dependents was €1,374 thousand in 2014 (2013: €1,154 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).

Additional remuneration of €45 thousand is paid for chairing the Executive Committee and the Audit Committee, while the deputy chairpersons receive €30 thousand each and other members €30 thousand each. The chairperson of the Finance and Investment Committee receives additional remuneration of €35 thousand, 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 thousand for the chairperson, €15 thousand for the deputy chairperson and €15 thousand 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.

The following table shows the breakdown of the amounts paid to individual members of the Supervisory Board:

**T028 Remuneration of the Supervisory Board**

| | Fixed remuneration | | Remuneration for membership of a committee | | Attendance fees | | Total | |
|---|---|---|---|---|---|---|---|---|
| in € '000 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Günter Adam | 90 | 90 | 58 | 58 | 10 | 9 | 158 | 157 |
| Prof. Barbara Albert (from July 1, 2014) | 45 | – | – | – | 2 | – | 47 | – |
| Dr. Peter Bettermann (until June 30, 2014) | 45 | 90 | – | – | 3 | 4 | 48 | 94 |
| Karin Erhard | 90 | 90 | 20 | – | 7 | 4 | 117 | 94 |
| Dr. Hans Michael Gaul (until March 11, 2013) | – | 22 | – | 9 | – | 2 | – | 33 |
| Stephan Gemkow | 90 | 90 | 28 | 28 | 8 | 8 | 126 | 126 |
| Ralf Giesen (until April 30, 2014) | 30 | 90 | 19 | 53 | 4 | 11 | 53 | 154 |
| Prof. Barbara Grunewald (from March 11, 2013) | 90 | 75 | 30 | 25 | 9 | 7 | 129 | 107 |
| Ralf Hermann | 90 | 90 | 58 | 58 | 9 | 9 | 157 | 157 |
| Prof. Wolfgang A. Herrmann | 90 | 90 | – | – | 5 | 4 | 95 | 94 |
| Dieter Kleren | 90 | 90 | – | – | 5 | 4 | 95 | 94 |
| Steven Koltes | 90 | 90 | 45 | 45 | 5 | 5 | 140 | 140 |
| Frank Löllgen (from May 1, 2014) | 60 | – | 18 | – | 7 | – | 85 | – |
| Dr. Siegfried Luther | 90 | 90 | 45 | 45 | 10 | 7 | 145 | 142 |
| Dr. Werner Müller | 200 | 200 | 103 | 98 | 13 | 12 | 316 | 310 |
| Jürgen Nöding[a] | 110 | 100 | 30 | 30 | 11 | 11 | 151 | 141 |
| Norbert Pohlmann | 90 | 90 | – | – | 5 | 4 | 95 | 94 |
| Dr. Wilfried Robers | 90 | 90 | 30 | 30 | 10 | 8 | 130 | 128 |
| Michael Rüdiger (from March 11, 2013) | 90 | 75 | 35 | 29 | 9 | 6 | 134 | 110 |
| Christian Strenger (until March 11, 2013) | – | 22 | – | 8 | – | 2 | – | 32 |
| Ulrich Terbrack | 90 | 90 | – | – | 5 | 4 | 95 | 94 |
| Dr. Volker Trautz | 90 | 90 | 45 | 45 | 6 | 6 | 141 | 141 |
| Michael Vassiliadis | 130 | 130 | 58 | 58 | 10 | 7 | 198 | 195 |
| Dr. Christian Wildmoser | 90 | 90 | 58 | 58 | 13 | 13 | 161 | 161 |
| **Total** | **1,970** | **1,974** | **680** | **677** | **166** | **147** | **2,816** | **2,798** |

[a] Mr. Nödig was also a member of the Supervisory Board of Evonik Services GmbH until July 31, 2014.

The remuneration and attendance fees paid to the Supervisory Board in 2013 and 2014 is presented on a cost basis. For members who joined or left the Supervisory Board during 2013 and 2014, the amounts are calculated on a pro rata basis.

There were no loans or advances to members of the Supervisory Board as of December 31, 2014, nor did Supervisory Board members receive any remuneration in 2014 for services provided personally, including consulting and referral services.

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.

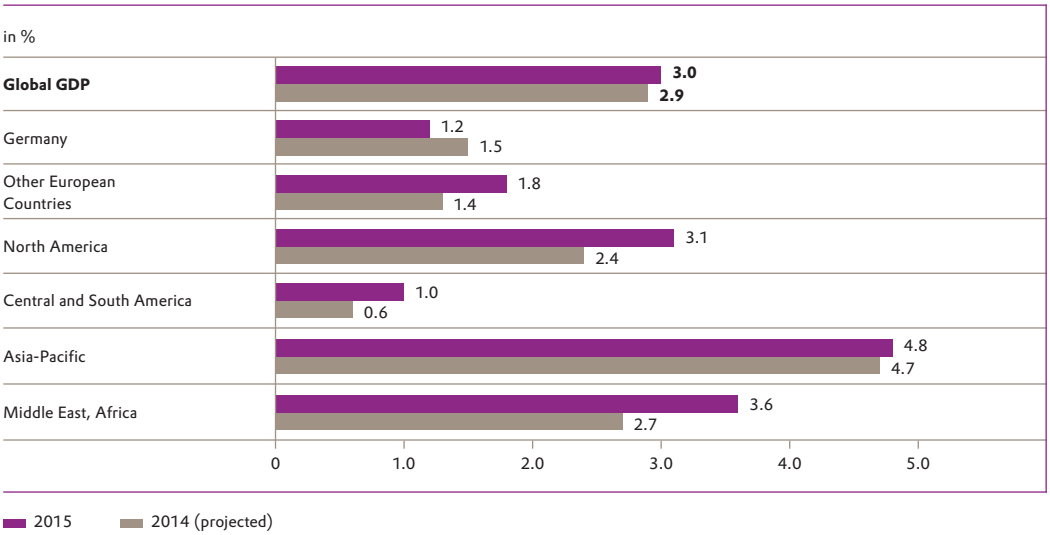
# 11. Report on expected developments

## 11.1 Economic background

### Global economy expected to pick up slightly in 2015

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 in 2015 to pick up moderately compared with 2014. Following the slightly weaker economic development observed in the second half of 2014, we assume that global gross domestic product will increase by 3.0 percent in 2015. The stepwise global economic recovery is still exposed to considerable headwind and regional trends are likely to be increasingly divergent. While far stronger growth is likely in North America, we only anticipate a sluggish recovery in Europe, despite the European Central Bank's monetary policy and the depreciation of the euro.

**C30 GDP forecast for 2015**




Since German growth slowed considerably in 2014, we expect the growth rate to be slightly lower in 2015. While we assume that investment will rise more slowly, we expect the economy to grow by 1.2 percent in 2015, driven mainly by rising domestic consumption. Turning to the other European countries, there are initial signs of success with structural reforms in some countries like Spain. Moreover, the significant depreciation of the euro could improve the competitiveness of some European economies in the short term. However, since the structural problems in many European countries have still not been resolved, we assume that growth in Europe as a whole will only increase slightly in 2015.

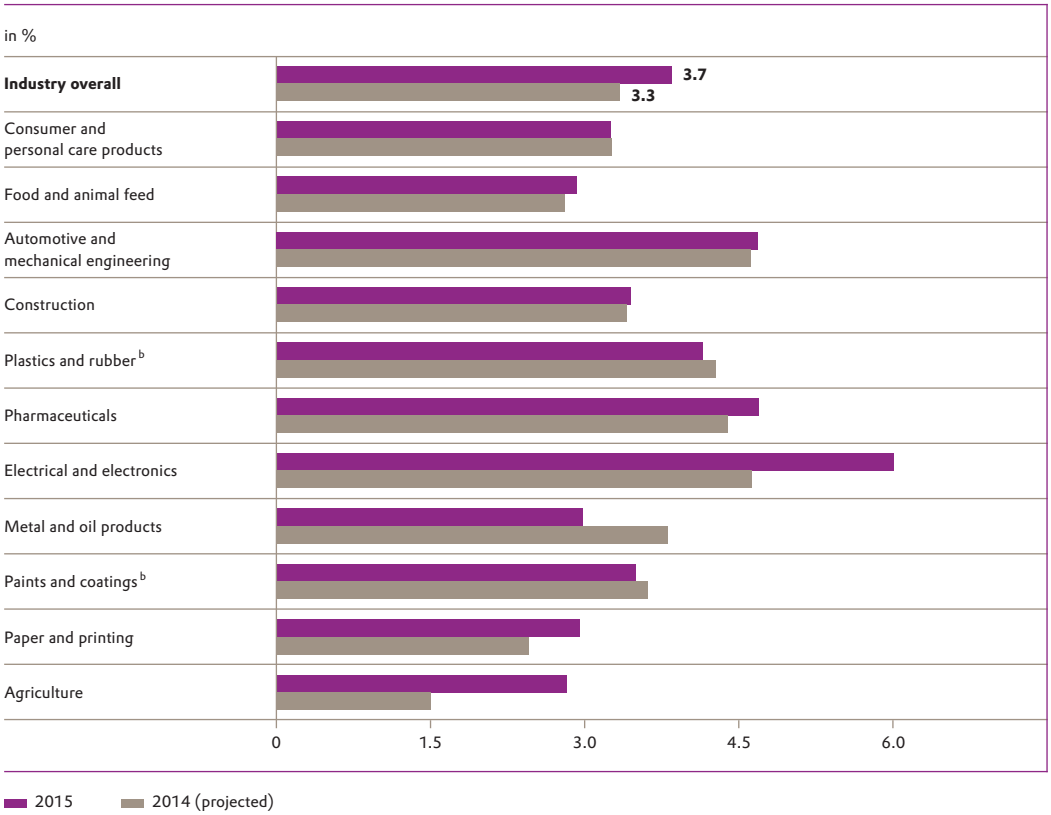
Growth in North America will be a major pillar of the ongoing global recovery in 2015. In view of the steady upturn on the labor market, we assume far higher growth than in 2014, driven mainly by consumer spending.

The economic trend in the Asia-Pacific region, and especially China, stabilized at the end of 2014. Given the reforms in China and the government's lower growth target, our assumption is that in most countries economic growth will be around or slightly above the 2014 level. In the South American emerging markets, by contrast, we see higher risks. These could be exacerbated by failure to undertake structural reforms, leading to lower growth in the short and mid term.

The projection for 2015 is marked by considerable uncertainty. The global economy could develop differently from our expectations, especially on the basis of central bank action. Both the impact of the ECB's bond purchase program and the possibility that the Fed could rein in measures to support the economy in the USA could result in further distortion of the foreign exchange and commodity markets, which would adversely affect growth.

Alongside global economic momentum, Evonik's market environment is influenced by trends in our **end-customer industries.** Since output in our end-customer industries again grew slightly faster than GDP in 2014, we only expect to see additional impetus in a few industries in 2015. Only cyclical end-customer industries such as the construction, automotive, mechanical engineering and electronics sectors are expected to report a slight increase in global growth. That said, the regional development is likely to remain subdued, especially in Europe, which is an important market for Evonik, and growth rates will probably remain low. In key end-customer industries such as pharmaceuticals, food and animal feed, and in the consumer goods and personal care sectors, we assume that growth will stabilize at the present level.

**C31 Forecast for Evonik's end-customer industries 2014/2015 [a]**




[a] Rounded amounts.
[b] Where not directly assigned to other end-customer industries.

The impact of an upturn in our end-customer industries on industrial value chains and our business is likely to vary. We anticipate that global inflation will remain low as a result of the moderate economic upturn and low upward price pressure from commodities. Moreover, significant deflationary trends could emerge in some areas. On the commodities markets, the sluggish cyclical momentum and present expansion of supply will continue to make themselves felt, so the price of Evonik-specific raw materials is only likely to rise slightly compared with the end of 2014/early 2015. Overall, our internal raw material cost index should be below the average for 2014. Risks here still include geopolitical factors, which could adversely affect supply.

We expect the euro to depreciate in 2015 as a result of the growth gap and yield spread between the euro zone and the USA. Overall it is likely to be below the average of 2014.

## 11.2 Outlook

Basis for our forecast:

- Global growth: 3.0 percent
- Euro/US dollar exchange rate: around US$1.30[1]
- Internal raw material cost index lower than prior year

### Sales and earnings

The following guidance relates to our business in the structure applicable from the start of 2015.

Provided that the development outlined in the section "Economic background" materializes, we expect the positive trend at Evonik that we experienced in the second half of 2014 to continue through 2015.

We anticipate that **sales will rise slightly** (2014: €12.9 billion). The continued positive trend in our markets and pleasing demand for our products will lead to further volume growth. The new production facilities that came on stream in the past year will also contribute to this. We expect selling prices to develop solidly across most of our product portfolio. However, lower raw material prices could continue to put pressure on selling prices in certain businesses in the Performance Materials segment.

In all, we expect **adjusted EBITDA to be slightly higher than in the previous year** (2014: €1,867 million). Alongside the continued high profitability of our operating businesses, the On Track 2.0 and Administration Excellence efficiency enhancement programs will make a perceptible contribution to the earnings increase in 2015. This will be countered, however, by ramp-up expenses and the higher fixed-cost base resulting from growth investments. The earnings impact of lower raw material prices on individual businesses will vary, but should largely balance out across the portfolio as a whole.

Moreover, exchange rate effects could affect the development of sales and earnings. If the average euro/US dollar exchange rate remains at the level registered at the start of 2015, there will be additional upside potential for sales and adjusted EBITDA over the full year.

The return on capital employed (ROCE) should once again be above the cost of capital in 2015. Nevertheless, it is likely to be slightly lower than in 2014 (12.3 percent) due to high capital expenditures for the present growth program, as the construction of production facilities increases capital employed, while earnings only increase successively as capacity utilization rises.

[1] Weighted average calculated from currency hedging and the present rate for the US dollar transaction volume.

## Financing and investments

Up to €1.1 billion has been budgeted for capital expenditures on property, plant and equipment in 2015 (2014: €1.1 billion). In the following years, capital expenditures should decline to a sustainable level of around €800 million to €900 million p.a.

In view of the capital requirements for the implementation of our growth investments, the payment of the dividend and the planned contribution to the *CTA*, we assume that—following a net cash position of €0.4 billion at year-end 2014—we will once again report net financial debt at the end of 2015.

G See glossary p. 275

## Occupational and plant safety

We assume a slight improvement in the accident frequency[1] indicator in 2015 (2014: 1.2), so we should remain below the upper limit of 1.3 defined for 2015. Our long-term goal is still a sustained value of less than 1.0. Our 2015 target for the plant safety indicator incident frequency[2] is still a maximum of 48 and we expect to post a slight improvement compared with 2014 (53).

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] Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 1 million working hours.

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

# CONSOLIDATED FINANCIAL STATEMENTS

# Income statement

## T029 Income statement for the Evonik Group

| in € million | Notes | 2014 | 2013 |
|---|---|---|---|
| Sales | 6.1 | 12,917 | 12,708 |
| Cost of sales | 6.2 | –9,308 | –9,111 |
| **Gross profit on sales** | | **3,609** | **3,597** |
| Selling expenses | 6.2 | –1,289 | –1,294 |
| Research and development expenses | 6.2 | –413 | –394 |
| General administrative expenses | 6.2 | –601 | –631 |
| Other operating income | 6.3 | 700 | 888 |
| Other operating expenses | 6.4 | –960 | –1,121 |
| **Income before financial result and income taxes, continuing operations** | | **1,046** | **1,045** |
| Interest income | 6.5 | 71 | 35 |
| Interest expense | 6.5 | –289 | –290 |
| Result from investments recognized at equity | 6.6 | 14 | 8 |
| Other financial income | 6.7 | 0 | 11 |
| **Financial result** | | **–204** | **–236** |
| **Income before income taxes, continuing operations** | | **842** | **809** |
| Income taxes | 6.8 | –252 | –224 |
| **Income after taxes, continuing operations** | | **590** | **585** |
| Income after taxes, discontinued operations | 5.3 | –9 | 1,428 |
| **Income after taxes** | | **581** | **2,013** |
| thereof attributable to | | | |
| Non-controlling interests | | 13 | –41 |
| Shareholders of Evonik Industries AG (net income) | | 568 | 2,054 |
| **Earnings per share in € (basic and diluted)** | 6.9 | **+1.22** | **+4.41** |

Prior-year figures restated.

# Statement of comprehensive income

**T030 Statement of comprehensive income for the Evonik Group**

| in € million | 2014 | 2013 |
|---|---|---|
| **Income after taxes** | **581** | **2,013** |
| **Comprehensive income that will be reclassified subsequently to profit or loss** | **185** | **–200** |
| Gains/losses on available-for-sale securities | –11 | –13 |
| Gains/losses on hedging instruments | –142 | 18 |
| Currency translation adjustment | 295 | –199 |
| Attributable to the equity method (after income taxes) | – | –3 |
| Deferred taxes | 43 | –3 |
| **Comprehensive income that will not be reclassified subsequently to profit or loss** | **–601** | **–22** |
| Remeasurement of the net defined benefit liability for defined benefit pension plans | –844 | –26 |
| Attributable to the equity method (after income taxes) | –7 | – |
| Deferred taxes | 250 | 4 |
| **Other comprehensive income after taxes** | **–416** | **–222** |
| | | |
| **Total comprehensive income** | **165** | **1,791** |
| thereof attributable to | | |
| Non-controlling interests | 19 | –47 |
| Shareholders of Evonik Industries AG | 146 | 1,838 |
| **Total comprehensive income attributable to shareholders of Evonik Industries AG** | **146** | **1,838** |
| thereof attributable to | | |
| continuing operations | 156 | 363 |
| discontinued operations | –10 | 1,475 |

Prior-year figures restated.

# Balance sheet

## T031 Balance sheet for the Evonik Group

| in € million | Note | Dec. 31, 2014 | Dec. 31, 2013 | Jan. 1, 2013 |
|---|---|---|---|---|
| Intangible assets | 7.1 | 3,100 | 3,038 | 3,209 |
| Property, plant and equipment | 7.2 | 5,505 | 4,822 | 4,591 |
| Investment property | 7.3 | 10 | 10 | 1,550 |
| Investments recognized at equity | 7.4 | 357 | 878 | 1,031 |
| Financial assets | 7.5 | 83 | 150 | 197 |
| Deferred taxes | 7.14 | 1,127 | 837 | 843 |
| Other income tax assets | 7.14 | 11 | 13 | 21 |
| Other receivables | 7.7 | 58 | 30 | 35 |
| **Non-current assets** | | **10,251** | **9,778** | **11,477** |
| | | | | |
| Inventories | 7.6 | 1,778 | 1,594 | 1,645 |
| Other income tax assets | 7.14 | 211 | 188 | 121 |
| Trade accounts receivable | 7.7 | 1,720 | 1,626 | 1,676 |
| Other receivables | 7.7 | 303 | 278 | 325 |
| Financial assets | 7.5 | 449 | 748 | 1,100 |
| Cash and cash equivalents | 7.8 | 921 | 1,527 | 793 |
| | | **5,382** | **5,961** | **5,660** |
| Assets held for sale | 5.3 | 52 | 144 | 34 |
| **Current assets** | | **5,434** | **6,105** | **5,694** |
| | | | | |
| **Total assets** | | **15,685** | **15,883** | **17,171** |

Prior-year figures restated.

| in € million | Note | Dec. 31, 2014 | Dec. 31, 2013 | Jan. 1, 2013 |
|---|---|---|---|---|
| Issued capital | | 466 | 466 | 466 |
| Capital reserve | | 1,165 | 1,165 | 1,165 |
| Accumulated income | | 5,040 | 5,547 | 3,941 |
| Accumulated other comprehensive income | | –244 | –420 | –223 |
| **Equity attributable to shareholders of Evonik Industries AG** | | **6,427** | **6,758** | **5,349** |
| Equity attributable to non-controlling interests | | 95 | 78 | 111 |
| **Equity** | 7.9 | **6,522** | **6,836** | **5,460** |
| | | | | |
| Provisions for pensions and other post-employment benefits | 7.10 | 3,953 | 3,331 | 4,380 |
| Other provisions | 7.11 | 903 | 800 | 799 |
| Deferred taxes | 7.14 | 449 | 412 | 414 |
| Other income tax liabilities | 7.14 | 199 | 148 | 115 |
| Financial liabilities | 7.12 | 666 | 627 | 1,464 |
| Other payables | 7.13 | 71 | 81 | 309 |
| **Non-current liabilities** | | **6,241** | **5,399** | **7,481** |
| | | | | |
| Other provisions | 7.11 | 957 | 979 | 1,130 |
| Other income tax liabilities | 7.14 | 105 | 158 | 225 |
| Financial liabilities | 7.12 | 469 | 1,037 | 1,499 |
| Trade accounts payable | 7.13 | 1,126 | 1,089 | 1,089 |
| Other payables | 7.13 | 247 | 282 | 274 |
| | | **2,904** | **3,545** | **4,217** |
| Liabilities associated with assets held for sale | 5.3 | 18 | 103 | 13 |
| **Current liabilities** | | **2,922** | **3,648** | **4,230** |
| | | | | |
| **Total equity and liabilities** | | **15,685** | **15,883** | **17,171** |

Prior-year figures restated.

# Statement of changes in equity

## T032 Statement of changes in equity for the Evonik Group Note 7.9

| 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 | |
| Purchase of treasury shares | – | – | – | |
| Share-based payment | – | – | – | |
| Sale of treasury shares | – | – | – | |
| 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** | **5,547** | |
| Capital increases/decreases | – | – | – | |
| Dividend distribution | – | – | –466 | |
| Purchase of treasury shares | – | – | – | |
| Share-based payment | – | 3 | – | |
| Sale of treasury shares | – | –3 | – | |
| Changes in ownership interests in subsidiaries without loss of control | – | – | – | |
| Income after taxes | – | – | 568 | |
| Other comprehensive income after taxes | – | – | –601 | |
| Total comprehensive income | – | – | –33 | |
| Other changes | – | – | –8 | |
| **As of December 31, 2014** | **466** | **1,165** | **5,040** | |

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** |
| – | – | – | 24 | 24 |
| – | – | –429 | –6 | –435 |
| – | – | – | – | – |
| – | – | – | – | – |
| – | – | – | – | – |
| – | – | – | –2 | –2 |
| – | – | 2,054 | –41 | 2,013 |
| – | –194 | –216 | –6 | –222 |
| – | –194 | 1,838 | –47 | 1,791 |
| – | –3 | – | –2 | –2 |
| **–** | **–420** | **6,758** | **78** | **6,836** |
| – | – | – | – | – |
| – | – | –466 | –5 | –471 |
| –13 | – | –13 | – | –13 |
| – | – | 3 | – | 3 |
| 13 | – | 10 | – | 10 |
| – | – | – | – | – |
| – | – | 568 | 13 | 581 |
| – | 179 | –422 | 6 | –416 |
| – | 179 | 146 | 19 | 165 |
| – | –3 | –11 | 3 | –8 |
| **–** | **–244** | **6,427** | **95** | **6,522** |

# Cash flow statement

## T033 Cash flow statement for the Evonik Group

| in € million | Note | 2014 | 2013 |
|---|---|---|---|
| Income before financial result and income taxes, continuing operations | | 1,046 | 1,045 |
| Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets | | 656 | 638 |
| Gains/losses on the disposal of non-current assets | | –4 | – |
| Change in inventories | | –90 | –102 |
| Change in trade accounts receivable | | –29 | –42 |
| Change in trade accounts payable and current advance payments received from customers | | 28 | –11 |
| Change in provisions for pensions and other post-employment benefits | | –165 | –132 |
| Change in other provisions | | –43 | –14 |
| Change in miscellaneous assets/liabilities | | –53 | 128 |
| Cash outflows for interest | | –114 | –158 |
| Cash inflows from interest | | 13 | 13 |
| Cash inflows from dividends | | 20 | 6 |
| Cash inflows/outflows for income taxes | | –230 | –337 |
| **Cash flow from operating activities, continuing operations** | | **1,035** | **1,034** |
| Cash flow from operating activities, discontinued operations | | 31 | 21 |
| **Cash flow from operating activities** | 8.1 | **1,066** | **1,055** |
| Cash outflows for investments in intangible assets, property, plant and equipment, investment property | | –1,095 | –1,083 |
| Cash outflows for investments in shareholdings | | –114 | –21 |
| Cash inflows from divestments of intangible assets, property, plant and equipment, investment property | | 17 | 43 |
| Cash inflows/outflows from divestment of shareholdings | | 578 | 1,072 |
| Cash inflows/outflows relating to securities, deposits and loans | | 248 | 493 |
| Cash outflows to fund the contractual trust arrangement (CTA) | | –209 | –200 |
| **Cash flow from investing activities, continuing operations** | | **–575** | **304** |
| Cash flow from investing activities, discontinued operations | | –1 | 59 |
| **Cash flow from investing activities** | 8.2 | **–576** | **363** |

| in € million | Note | 2014 | 2013 |
|---|---|---|---|
| Cash inflows/outflows relating to capital contributions | | – | 2 |
| Cash outflows for dividends to shareholders of Evonik Industries AG | | –466 | –429 |
| Cash outflows for dividends to non-controlling interests | | –5 | –6 |
| Cash inflows/outflows from changes in ownership interests in subsidiaries without loss of control | | – | –2 |
| Cash outflows for the purchase of treasury shares | | –13 | – |
| Cash inflows from the sale of treasury shares | | 13 | – |
| Cash inflows from the addition of financial liabilities | | 207 | 723 |
| Cash outflows for repayment of financial liabilities | | –891 | –1,329 |
| **Cash flow from financing activities, continuing operations** | | **–1,155** | **–1,041** |
| Cash flow from financing activities, discontinued operations | | – | 418 |
| **Cash flow from financing activities** | | **–1,155** | **–623** |
| **Change in cash and cash equivalents** | | **–665** | **795** |
| | | | |
| **Cash and cash equivalents as of January 1** | | **1,572** | **793** |
| Change in cash and cash equivalents | | –665 | 795 |
| Changes in exchange rates and other changes in cash and cash equivalents | | 14 | –16 |
| **Cash and cash equivalents as of December 31** | 8.3 | **921** | **1,572** |
| 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 | **921** | **1,527** |

Prior-year figures restated.

# Notes to the consolidated financial statements of the Evonik Group

## 1. Segment report

### T034 Segment report by operating segments Note 9.1

| | Operating segments | | | | | |
|---|---|---|---|---|---|---|
| | Consumer, Health & Nutrition | | Resource Efficiency | | Specialty Materials | |
| in € million | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| External sales | 4,152 | 4,171 | 3,222 | 3,084 | 4,569 | 4,490 |
| Internal sales | 69 | 70 | 76 | 87 | 107 | 137 |
| Total sales | 4,221 | 4,241 | 3,298 | 3,171 | 4,676 | 4,627 |
| Adjusted EBITDA | 857 | 922 | 703 | 655 | 444 | 552 |
| Adjusted EBITDA margin in % | 20.6 | 22.1 | 21.8 | 21.2 | 9.7 | 12.3 |
| Depreciation and amortization | –158 | –148 | –130 | –114 | –172 | –157 |
| Result from investments recognized at equity | –4 | – | – | – | 1 | – |
| Adjusted EBIT | 694 | 770 | 569 | 539 | 261 | 395 |
| Capital employed (annual average) | 2,558 | 2,229 | 1,711 | 1,513 | 2,132 | 2,019 |
| ROCE in % | 27.1 | 34.5 | 33.3 | 35.6 | 12.2 | 19.6 |
| Capital expenditures | 460 | 459 | 199 | 230 | 290 | 290 |
| Financial investments | 3 | 21 | 42 | – | – | 2 |
| Other significant non-cash income and expenses | –101 | –72 | –129 | –112 | –185 | –130 |
| No. of employees as of December 31 | 7,090 | 7,150 | 5,804 | 5,854 | 6,236 | 6,268 |

Prior-year figures restated.

### T035 Segment report by region Note 9.2

| | Germany | | Other European countries | | North America | |
|---|---|---|---|---|---|---|
| in € million | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| External sales | 2,814 | 2,883 | 4,235 | 4,044 | 2,310 | 2,350 |
| Goodwill as of December 31[a] | 1,542 | 1,542 | 544 | 541 | 330 | 281 |
| Other intangible assets, property, plant and equipment, investment property as of December 31[a] | 2,777 | 2,765 | 534 | 477 | 863 | 693 |
| Capital expenditures | 419 | 354 | 133 | 82 | 141 | 130 |
| No. of employees as of December 31 | 21,435 | 21,240 | 2,741 | 2,819 | 3,709 | 3,763 |

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 |
| | 895 | 883 | 12,838 | 12,628 | 79 | 80 | 12,917 | 12,708 |
| | 1,842 | 1,933 | 2,094 | 2,227 | –2,094 | –2,227 | – | – |
| | 2,737 | 2,816 | 14,932 | 14,855 | –2,015 | –2,147 | 12,917 | 12,708 |
| | 180 | 183 | 2,184 | 2,312 | –317 | –317 | 1,867 | 1,995 |
| | 20.1 | 20.7 | 17.0 | 18.3 | – | – | 14.5 | 15.7 |
| | –99 | –96 | –559 | –515 | –47 | –70 | –606 | –585 |
| | – | – | –3 | – | 17 | 9 | 14 | 9 |
| | 80 | 86 | 1,604 | 1,790 | –366 | –386 | 1,238 | 1,404 |
| | 520 | 524 | 6,921 | 6,285 | 3,159 | 3,019 | 10,080 | 9,304 |
| | 15.4 | 16.4 | 23.2 | 28.5 | – | – | 12.3 | 15.1 |
| | 148 | 123 | 1,097 | 1,102 | 26 | 38 | 1,123 | 1,140 |
| | – | – | 45 | 23 | 69 | 5 | 114 | 28 |
| | –244 | –223 | –659 | –537 | –326 | –492 | –985 | –1,029 |
| | 12,710 | 12,192 | 31,840 | 31,464 | 1,401 | 1,531 | 33,241 | 32,995 |

| | Central and South America | | Asia-Pacific | | Middle East, Africa | | **Total Group (continuing operations)** | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | 777 | 810 | 2,440 | 2,303 | 341 | 318 | 12,917 | 12,708 |
| | 29 | 26 | 250 | 238 | – | – | 2,695 | 2,628 |
| | 172 | 75 | 1,564 | 1,222 | 10 | 10 | 5,920 | 5,242 |
| | 106 | 57 | 323 | 513 | 1 | 4 | 1,123 | 1,140 |
| | 611 | 507 | 4,620 | 4,537 | 125 | 129 | 33,241 | 32,995 |

## 2. General information

Evonik Industries AG is an international specialty chemicals company headquartered in Germany. It also has an investment in Vivawest GmbH (Vivawest), Essen (Germany) in the residential real estate sector. The remaining shares in the former investment in the energy company STEAG GmbH (STEAG), Essen (Germany) were divested to KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG), Essen (Germany), in the reporting period, see Note 5.2. The registered office of Evonik Industries AG is at Rellinghauser Straße 1–11, 45128 Essen (Germany), and the company is registered in the Commercial Register at Essen District Court under HRB No. 19474.

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The present 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 at its meeting on February 19, 2015, discussed at the meeting of the Audit Committee on February 25, 2015, and presented to the Supervisory Board for approval at its meeting on March 2, 2015. The 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 (HGB), 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, 2014 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.

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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, where 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 2014. Only those that are material for Evonik are outlined below. The prior-year figures have been restated where applicable.

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, resulted 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 to, 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 it 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. It is now recognized as a joint operation.

Further, in June 2012 the IASB published 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. Evonik applies the new standards in accordance with the transition guidance.

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

**T036 Impact of IFRS 11 on the consolidated income statement of the Evonik Group (excerpt)**

| in € million | 2013<br>Impact of change |
|---|---|
| Sales | –166 |
| Cost of sales | 199 |
| Other operating income/expenses | –3 |
| Result from investments recognized at equity | –26 |
| Income taxes | –4 |
| **Income after taxes** | **–** |

There was no impact on basic or diluted earnings per share. The application of IFRS 11 increased adjusted EBITDA by €11 million in 2013.

**T037 Impact of IFRS 11 on the consolidated balance sheet of the Evonik Group (excerpt)**

| in € million | Dec. 31, 2013<br>Impact of change | Jan. 1, 2013<br>Impact of change |
|---|---|---|
| Non-current assets | –42 | –47 |
| thereof investments recognized at equity | –82 | –91 |
| Current assets | 27 | 52 |
| thereof cash and cash equivalents | 9 | 52 |
| **Total assets** | **–15** | **5** |
| Equity | –11 | –9 |
| Non-current liabilities | 2 | 1 |
| Current liabilities | –6 | 13 |
| **Total equity and liabilities** | **–15** | **5** |

**T038 Impact of IFRS 11 on the cash flow statement of the Evonik Group (excerpt)**

| in € million | 2013<br>Impact of change |
|---|---|
| Cash flow from operating activities | –28 |
| Cash flow from investing activities | –18 |
| Cash flow from financing activities | 3 |

## 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.

### T039 Accounting standards that are not yet mandatory

| **Standard**<br>a: Issued by the IASB<br>b: Effective date as per IASB<br>c: Effective date as per EU<br>d: Publication in the Official Journal of the EU | | **Subject of standard—**<br>**Expected impact on the consolidated financial statements** |
|---|---|---|
| IFRIC 21 Levies | a: May 20, 2013<br>b: Jan. 1, 2014<br>c: Jun. 17, 2014<br>d. Jun. 14, 2014 | 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. |
| Amendments to IAS 19 Defined Benefit Plans: Employee Contributions | a: Nov. 21, 2013<br>b: Jul. 1, 2014<br>c: Feb. 1, 2015<br>d: Jan. 9, 2015 | The background to this amendment is the inclusion of employee contributions to defined-benefit pension commitments. The new rules simplify recognition of employee contributions that are not linked to years of 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. For reasons of simplification, Evonik used this method in the past. |
| Annual Improvement Process (IFRSs 2010–2012 Cycle) | a: Dec. 12, 2013<br>b: Jul. 1, 2014<br>c: Feb. 1, 2015<br>d: Jan. 9, 2015 | 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. These amendments comprise improvements and clarification of existing standards. They will not have any impact on the consolidated financial statements. |
| Annual Improvement Process (IFRSs 2011–2013 Cycle) | a: Dec. 12, 2013<br>b: Jul. 1, 2014<br>c: Jan. 1, 2015<br>d. Dec. 19, 2014 | Annual Improvements to IFRSs 2011–2013 Cycle comprises amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. They comprise improvements and clarification of existing standards. The changes will not have any impact on the consolidated financial statements. |
| IFRS 14 Regulatory Deferral Accounts | a: Jan. 30, 2014<br>b: Jan. 1, 2016<br>c: open<br>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. |
| Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations | a: May 6, 2014<br>b: Jan. 1, 2016<br>c: open<br>d: open | The amendments clarify recognition of acquisitions of interests in a joint operation where the joint operation constitutes a business. It stipulates that the principles of accounting for business combinations (IFRS 3) also apply for the acquisition of interests in joint operations of this type. This amendment is not currently relevant for the consolidated financial statements. |
| Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation | a: May 12, 2014<br>b: Jan. 1, 2016<br>c: open<br>d: open | The amendments clarify that allocating the depreciable amount of an asset on the basis of revenues generated in an accounting period as a proportion of total expected revenues is not an acceptable depreciation method for property, plant and equipment, and is only appropriate for the amortization of intangible assets in very limited circumstances. This amendment is not relevant for the consolidated financial statements. |

| **Standard**<br>a: Issued by the IASB<br>b: Effective date as per IASB<br>c: Effective date as per EU<br>d: Publication in the Official Journal of the EU | | **Subject of standard—**<br>**Expected impact on the consolidated financial statements** |
|---|---|---|
| IFRS 15 Revenue from Contracts with Customers | a: May 28, 2014<br>b: Jan. 1, 2017<br>c: open<br>d: open | IFRS 15 specifies a five-step model for all sectors comprising principles for recognizing the timing and amount of revenues arising from contracts with customers. It supersedes the following standards and interpretations: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. In addition, the standard outlines the measurement and recognition of gains and losses from the sale of certain non-financial assets such as property, plant and equipment and intangible assets that do not constitute part of the company's normal operating business. The impact on the consolidated financial statements is currently being examined. |
| Amendments to IAS 16 and IAS 41 Bearer Plants | a: Jun. 30, 2014<br>b: Jan. 1, 2016<br>c: open<br>d: open | The amendments require bearer plants to be accounted for as property, plant and equipment in accordance with IAS 16. The produce of bearer plants remains within the scope of IAS 41. This amendment is not relevant for the consolidated financial statements. |
| IFRS 9 Financial Instruments and subsequent amendments | a: Jul. 24, 2014<br>b: Jan. 1, 2018<br>c: open<br>d: open | IFRS 9 is the replacement for IAS 39 Financial Instruments: Recognition and Measurement. The first version of IFRS 9, which was published in November 2009, was concerned exclusively with the classification and measurement of financial assets. In a second step in October 2010, it set out revised rules on the classification and measurement of financial liabilities and derecognition of financial assets and liabilities. The third step, containing new rules for recognition of hedge accounting, was published in November 2013. The fourth and final version of IFRS 9 was issued in July 2014 and contains a revision of the rules set out in the previous versions. The main changes in the final version of IFRS 9 compared with the old standard IAS 39 comprise the introduction of completely new classification and measurement rules for financial assets, the introduction of a new impairment model which should result in more timely recognition of losses, extension of the permitted hedged items, a modified assessment of the effectiveness of hedge accounting relationships, and extended information in the notes. The impact on the consolidated financial statements is currently being examined. |
| Amendments to IAS 27 Equity Method in Separate Financial Statements | a: Aug. 12, 2014<br>b: Jan. 1, 2016<br>c: open<br>d: open | These amendments by the IASB reintroduce the equity method as an elective method of accounting for shares in subsidiaries, joint ventures and associates in separate financial statements. The amendments are not relevant for the consolidated financial statements. |
| Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | a: Sep. 11, 2014<br>b: open<br>c: open<br>d: open | The purpose of this amendment is to eliminate an inconsistency between IFRS 10 and IAS 28 in the event of the sale or contribution of assets to an associate or joint venture. The amendment provides that in the future the full gain or loss resulting from such transactions should only be recognized if the assets sold or contributed constitute a business as defined in IFRS 3. Otherwise, only partial gain or loss recognition will be permitted. The legal form of the assets sold or contributed is not relevant. This amendment is not currently relevant for the consolidated financial statements. |
| Annual Improvement Process (IFRSs 2012–2014 Cycle) | a: Sep. 25, 2014<br>b: Jan. 1, 2016<br>c: open<br>d: open | Annual Improvements to IFRSs 2012–2014 Cycle comprises amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. They comprise improvements and clarification of existing standards. The impact on the consolidated financial statements is currently being examined. |
| Amendments to IAS 1 Disclosure Initiative | a: Dec. 18, 2014<br>b: Jan. 1, 2016<br>c: open<br>d: open | Through these amendments the IASB eliminates uncertainty relating to the application of the materiality principle outlined in IAS 1, and the subdivision of items in the balance sheet and statement of comprehensive income. Further clarifications and improvements relate to the presentation of subtotals, the structure of disclosures in the notes to the financial statements, and information on significant accounting policies. These amendments only affect the disclosures in the notes to the consolidated financial statements. |

| **Standard**<br>a: Issued by the IASB<br>b: Effective date as per IASB<br>c: Effective date as per EU<br>d: Publication in the Official Journal of the EU | | **Subject of standard—**<br>**Expected impact on the consolidated financial statements** |
|---|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception | a: Dec. 18, 2014<br>b: Jan. 1, 2016<br>c: open<br>d: open | The amendments comprise a number of minor changes to IFRS 10, IFRS 12 and IAS 28. In particular, they address various aspects relating to the exemption from mandatory consolidation under IFRS 10 when the parent company meets the definition of an investment company. The impact on the consolidated financial statements is currently being examined. |

## 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. Evonik Industries AG controls a company if it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Initial consolidation or deconsolidation takes place as of the date on which the company gains or loses control.

Joint operations are included in the consolidated financial statements on a pro rata basis. A joint operation is an arrangement where the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Associates and joint ventures are generally recognized at equity. Associates are companies where the Evonik Group has a significant influence but does not have control or joint control of financial and operating policies. A joint venture is a joint arrangement where the Group has joint control, together with other parties, and has rights to the net assets of the arrangement.

Companies whose influence on the assets, financial position and earnings of the Group, both individually and in aggregate, is negligible are carried at amortized cost.

Changes in the scope of consolidation are outlined in Note 5.1.

See p. 181 ff.

### 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.

A subsidiary must be deconsolidated as of the date on which control is lost. The net assets of the subsidiary and the non-controlling interests (which equal the parent company's share in the net assets of the subsidiary) are derecognized. The gain or loss on the divestments must be calculated from the Group viewpoint. It is derived from the difference between the proceeds of the divestment (selling price less costs to sell) and the parent company's share in the 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 reclassified 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 fully eliminated. In the case of joint operations, elimination is pro rata. 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. In this case, 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. 167

## 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:

**T040 Exchange rates**

| | Annual average rates | | Closing rates | |
|---|---|---|---|---|
| €1 corresponds to | **2014** | 2013 | **Dec. 31, 2014** | Dec. 31, 2013 |
| Brazilian real (BRL) | 3.12 | 2.88 | 3.22 | 3.26 |
| British pound (GBP) | 0.81 | 0.85 | 0.78 | 0.83 |
| Chinese renminbi yuan (CNY) | 8.17 | 8.18 | 7.54 | 8.35 |
| Japanese yen (JPY) | 140.83 | 128.91 | 145.23 | 144.72 |
| Singapore dollar (SGD) | 1.68 | 1.66 | 1.61 | 1.74 |
| US dollar (USD) | 1.33 | 1.33 | 1.21 | 1.38 |

## 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.

See p. 230 f.

- The Consumer, Health & Nutrition segment produces specialty chemicals, principally for use in consumer goods for daily needs, and in animal nutrition and healthcare products.
- The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions, mainly for the automotive sector and for the paints, coatings and construction industries.
- 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 principally provide services for the specialty chemicals segments, Corporate Center, and 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.

## 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. 170

### (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 between 5 and 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".

See p. 170

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 in foreign currencies 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.

G See glossary p. 276

Property, plant and equipment are depreciated using the straight-line method over the expected useful life of the assets.

**T041 Useful life of property, plant and equipment**

| in years | |
|---|---|
| Buildings | 5–50 |
| Plant and machinery | 2–25 |
| 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 between 25 and 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.

### 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. Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year. 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. 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 CGUs. 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 five-year mid-term plan as of September 30. 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 Evonik. The specific growth rates for individual segments are derived from experience and future expectations; a terminal growth rate is also assumed.

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 cost of debt takes account of a risk-free interest rate, premiums for the credit risk and average tax rates for the relevant segment.

The beta factor and the credit risk premiums are obtained from the capital market by comparison with the values for the peer group for the segment.

The table shows the parameters used and goodwill by segment:

**T042 Parameters used in impairment testing and allocation of goodwill by segment**

| | WACC after taxes (in %) | | Terminal growth rate (in %) | | Goodwill (in € million) | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **Dec. 31, 2014** | Dec. 31, 2013 |
| Consumer, Health & Nutrition | 7.01 | 6.08 | 1.50 | 1.50 | 1,021 | 999 |
| Resource Efficiency | 9.28 | 9.77 | 1.50 | 1.50 | 892 | 861 |
| Specialty Materials | 8.58 | 9.05 | 1.50 | 1.50 | 717 | 704 |
| Services | 8.31 | 8.37 | 1.50 | 1.50 | 51 | 50 |
| Corporate, other operations | 8.06 | 7.52 | 1.50 | 1.50 | 14 | 14 |

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". All other goodwill is recognized immediately in the segments.

See p. 158 f.

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

Associates and joint ventures are generally 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 investor's share in the investee's 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 investor's share in the investee's 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 the hidden reserves identified at the time of initial consolidation, which must be deducted from the investor's share in the investee's 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". There is no separate impairment test for the goodwill. Rather, the impairment test is performed for the entire carrying amount of the investment. Accordingly, impairment losses are not allocated to the goodwill included in the carrying amount of the investment and can thus be reversed in full in subsequent periods.

See p. 170

### 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 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 cost) 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 a cash outflow. If there are several obligations of the same type, the probability of a cash outflow is calculated for these obligations as an aggregate. It must also be possible to reliably estimate the level of the obligation.

Provisions are based on the probable 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.

Reversals of provisions are recognized as income in the functional areas to which the original expense for the provision was charged.

Long-Term Incentive Plans are included in personnel-related provisions. These are 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.

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 for other obligations also contain provisions for legal disputes. These comprise appropriate expenses, for example for court and lawyers' fees, payments to plaintiffs and any settlement amounts. The level of such provisions is based, among other factors, on the type of dispute or claim, status of the legal proceedings, the opinion of the lawyers representing the company, experience of comparable cases and probability assumptions.

### 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 carryfowards that will probably be utilized in the future are capitalized at the amount of the deferred tax asset, taking into account whether they can be carried forward for a limited or unlimited period. The recognition of deferred tax assets at companies with tax-deductible loss carryforwards is based, on the one hand, on current planning calculations, which are normally for a five-year period, and on the other hand, the availability of sufficient temporary tax differences. Deferred tax assets are recognized where it is probable that future taxable income will be generated, which can 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. 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. Uncertain tax assets and liabilities are recognized as soon as their probability of occurrence is more than 50 percent. Uncertain income tax positions are recognized on the basis of their most likely amount.

### 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 and the assets were still reported in the financial statements on the basis of continuing involvement.

Non-derivative financial instruments that constitute financial liabilities are recognized at amortized cost. Financial liabilities are derecognized when the obligation has been settled or canceled, or has 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 original 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 the fair value 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.

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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.

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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 for identical assets or liabilities in an active market without adjustment (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 cost of capital (WACC) after taxes or a reduction of 10 percent in the net 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) Uncertain income tax positions

Group companies are liable to pay income tax in many countries around the world. When evaluating global income tax assets and liabilities, there may be some uncertainty relating, in particular, to the interpretation of tax regulations. It cannot be ruled out that the fiscal authorities will take a different view on the correct interpretation of tax regulations. Changes in assumptions regarding the correct interpretation of tax regulations, for example, as a result of changes in legal decisions, are reflected in the recognition of uncertain income tax assets and liabilities for the corresponding fiscal year.

### (d) 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.

### (e) 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. Sensitivity depends on the interest rate as of December 31 of the respective fiscal year, which is used as the discount rate, see Note 7.10.

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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 €1,976 million (2013: €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 €1,518 million (2013: €1,219 million).

A reduction of 1 percentage point in the assumed Group-wide salary increases would reduce the defined benefit obligation by €185 million (2013: €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 €198 million (2013: €165 million).

A reduction of 1 percentage point in the assumed Group-wide pension increase, assuming other parameters remain unchanged, would reduce the defined benefit obligation by €857 million (2013: €659 million). Conversely, assuming other parameters remain unchanged, a rise of 1 percentage point in the assumed Group-wide pension rises would increase the defined benefit obligation by €1,025 million (2013: €815 million).

Assuming all other parameters remain unchanged, a reduction of 20 percentage points in mortality in the retirement phase would increase the defined benefit obligation by €768 million (2013: €625 million).

If the trend in healthcare costs were to increase by 1 percentage point, the accumulated healthcare benefit obligation would increase by €14 million (2013: €10 million). Conversely, a reduction of 1 percentage point in the cost trend would reduce the accumulated healthcare obligation by €12 million (2013: €9 million).

### (f) 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, all material subsidiaries in Germany and abroad are fully consolidated in the financial statements. Joint operations are recognized on a pro rata basis, while associates and joint ventures are recognized at equity.

Companies whose influence on the assets, financial position and earnings of the Group is negligible, both individually and in aggregate, are carried at cost less impairment losses (amortized cost) in the consolidated financial statements.

The scope of consolidation changed as follows in 2014:

**T043 Changes in the scope of consolidation**

| No. 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 | 4 | 2 | 6 |
| Divestments | –1 | –2 | –3 |
| Intragroup mergers | –5 | –2 | –7 |
| Other companies deconsolidated | –1 | –3 | –4 |
| **As of December 31, 2014** | **42** | **98** | **140** |
| **Joint operations** | | | |
| **As of December 31, 2013** | **–** | **–** | **–** |
| Changes due to first-time application of IFRS 11 | 2 | 2 | 4 |
| **As of December 31, 2014** | **2** | **2** | **4** |
| **Investments recognized at equity** | | | |
| **As of December 31, 2013** | **7** | **10** | **17** |
| Divestments | –1 | – | –1 |
| Other companies deconsolidated | –1 | –1 | –2 |
| **As of December 31, 2014** | **5** | **9** | **14** |
| | **49** | **109** | **158** |

Further information on acquisitions and divestments in 2014 can be found in Note 5.2.

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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 (HGB) on exemption from disclosure of annual financial statements and the preparation of notes to their financial statements and a management report are indicated.

The following subsidiaries are included in the consolidated annual financial statements:

## T044 Consolidated subsidiaries

| Name of company | Registered office | | Shareholding in % |
|---|---|---|---|
| **Consolidated subsidiaries** | | | |
| **Germany** | | | |
| AQura GmbH | Hanau | a | 100.00 |
| BK-Wolfgang-Wärme GmbH | Hanau | | 100.00 |
| CyPlus GmbH | Hanau | | 100.00 |
| DeAM Treasury 1 | Essen | b | 0.00 |
| Evonik Beteiligungs-GmbH | Frankfurt am Main | a | 100.00 |
| Evonik Creavis GmbH | Essen | a | 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 | | 100.00 |
| Evonik Hanse GmbH | Geesthacht | a | 100.00 |
| Evonik IP GmbH | Eschborn | a | 100.00 |
| Evonik Litarion GmbH | Kamenz | a | 100.00 |
| Evonik Nutrition & Care GmbH | Essen | a | 100.00 |
| Evonik Oil Additives GmbH | Darmstadt | | 100.00 |
| Evonik Performance Materials GmbH | Essen | a | 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 | 100.00 |
| Evonik Real Estate Verwaltungs-GmbH | Marl | | 100.00 |
| Evonik Resource Efficiency GmbH | Essen | a | 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 Technology & Infrastructure GmbH | Essen | 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 |
| ILaS Integrierte Logistik & Service GmbH | Marl | a | 100.00 |
| JSSi GmbH | Freiberg | | 100.00 |
| KMV Vermögensverwaltungs-GmbH | Marl | | 100.00 |
| Mönch-Kunststofftechnik GmbH | Bad König | a | 100.00 |
| RBV Verwaltungs-GmbH | Essen | | 100.00 |
| RCIV Vermögensverwaltungs-GmbH | Essen | | 100.00 |
| RÜTGERS Dienstleistungs-GmbH | Essen | | 100.00 |
| RÜTGERS GmbH | Essen | | 100.00 |

| Name of company | Registered office | Shareholding in % |
|---|---|---|
| RÜTGERS Rail Verwaltungs GmbH | Essen | 100.00 |
| Stockhausen Unterstützungseinrichtung GmbH | Krefeld | 100.00 |
| Westgas GmbH | Marl | 100.00 |
| | | |
| **Other countries** | | |
| Degussa International Inc. | Wilmington (Delaware, USA) | 100.00 |
| DSL. Japan Co., Ltd. | Tokyo (Japan) | 51.00 |
| 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 CB LLC | Wilmington (Delaware, USA) | 100.00 |
| Evonik Corporation | Parsippany (New Jersey, USA) | 100.00 |
| 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 Ibérica S.A. | Granollers (Spain) | 100.00 |
| Evonik Degussa International AG | Zurich (Switzerland) | 100.00 |
| Evonik Degussa Iran AG | Teheran (Iran) | 100.00 |
| Evonik Degussa Italia S.p.A. | Pandino (Italy) | 100.00 |
| Evonik Degussa Peroxid GmbH | Weissenstein (Austria) | 100.00 |
| Evonik Degussa Services LLC | Wilmington (Delaware, USA) | 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 France S.A.S. | Ham (France) | 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 |

| Name of company | Registered office | Shareholding in % |
|---|---|---|
| Evonik Industries de Mexico S.A. de C.V. | Mexico City (Mexico) | 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 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 |
| Evonik Peroxide Ltd. | Morrinsville (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 Servicios, S.A. de C.V. | Mexico City (Mexico) | 100.00 |
| Evonik (Shanghai) Investment Management Co., Ltd. | Shanghai (China) | 100.00 |
| Evonik Silquimica S.A. | Zubillaga-Lantaron (Spain) | 100.00 |
| Evonik Speciality Organics Ltd. | Milton Keynes (UK) | 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 Ticaret Ltd. Sirketi | Tuzla/Istanbul (Turkey) | 100.00 |
| Evonik Trustee Limited | Milton Keynes (UK) | 100.00 |
| Evonik United Silica Industrial Ltd. | Taoyuan 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 |

| Name of company | Registered office | Shareholding in % |
|---|---|---|
| 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 |
| Silbond Corporation | Weston (Michigan, USA) | 100.00 |
| SKC Evonik Peroxide Korea Co., Ltd. | Ulsan (South Korea) | 55.00 |
| 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 (HGB).
[b] Fully consolidated structured entity in accordance with IFRS 10.B8 in conjunction with B19 (b).

DeAM-Fonds Treasury 1 is a special purpose segregated alternative investment fund (AIF) with fixed investment terms pursuant to Section 284 of the German Capital Investment Act (KAGB). It was established by Evonik at Deutsche Asset & Wealth Management Investment GmbH (DeAWM), Frankfurt am Main (Germany). Evonik is the sole investor and owns all the investment certificates. Evonik is therefore fully exposed to the opportunities and risks of this special purpose entity. Evonik plays a role in setting the investment strategy by defining the basic focus of the fund in the Investment Committee and through general and special contractual terms. Contractually, Evonik is the principal and DeAWM is the agent. The fund therefore constitutes a structured entity, which has to be fully consolidated as Evonik exercises control. No financial or other assistance has been granted or pledged.

The following affiliates (joint operations) are recognized in the consolidated annual financial statements on a pro rata basis:

### T045 Joint operations recognized on a pro rata basis

| Name of company | Registered office | Shareholding in % |
|---|---|---|
| **Joint operations** | | |
| **Germany** | | |
| StoHaas Marl GmbH | Marl | 50.00 |
| StoHaas Monomer GmbH & Co. KG | Marl | 50.00 |
| | | |
| **Other countries** | | |
| ROH Delaware LLC | Deer Park (Texas, USA) | 50.00 |
| ROH Delaware LP | Deer Park (Texas, USA) | 50.00 |

StoHaas Monomer GmbH & Co. KG and its wholly owned subsidiaries StoHaas Marl GmbH, ROH Delaware LLC, and ROH Delaware LP are included in the consolidated financial statements as joint operations by recognizing the proportionate amount of their assets and liabilities, revenues and expenses in accordance with Evonik's rights and obligations. Their main purpose is the joint production of acrylic acid (CAA) for use by Evonik and its partner Dow Chemicals Inc. (formerly ROHM AND HAAS TEXAS, INC.). There is no discrepancy between the shareholdings and voting rights.

The following affiliates (joint ventures and associates) are included in the consolidated financial statements using the equity method:

**T046 Companies recognized at equity**

| Name of company | Registered office | | Shareholding in % |
|---|---|---|---|
| **Joint ventures** | | | |
| **Other countries** | | | |
| CyPlus Idesa S.A.P.I. de C.V. | Mexico City (Mexico) | | 50.00 |
| Daicel-Evonik Ltd. | Tokyo (Japan) | | 50.00 |
| 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 | Hönigsberg/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 |
| | | | |
| **Associates** | | | |
| **Germany** | | | |
| ARG mbH & Co. KG | Duisburg | [a] | 19.93 |
| TÜV NORD InfraChem GmbH & Co. KG | Marl | | 49.00 |
| TÜV NORD InfraChem Verwaltungsgesellschaft mbH | Marl | | 49.00 |
| Vivawest GmbH | Essen | [b] | 35.33 |

[a] Evonik is able to exercise a material influence under contractual agreements.
[b] Based on the nature of plan assets, 25 percent was measured in accordance with IAS 19.

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The following companies are included in the consolidated financial statements at amortized cost:

**T047 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 | 84.18 |
| **Other countries** | | |
| EGL Ltd. | Milton Keynes (UK) | 100.00 |
| Evonik Colombia S.A.S. | Medellín (Colombia) | 100.00 |
| Evonik Guatemala, S.A. | Guatemala City (Guatemala) | 100.00 |
| Laporte Chemicals Ltd. | Milton Keynes (UK) | 100.00 |
| | | |
| **Joint ventures** | | |
| **Germany** | | |
| Faserwerke Hüls Gesellschaft mit beschränkter Haftung | Marl | 50.00 |
| StoHaas Management GmbH | Marl | 50.00 |
| | | |
| **Associates** | | |
| **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 |

Evonik holds more than 5 percent of the voting rights in the following company, which is defined as a large stock corporation in accordance with Section 267 Paragraph 3 of the German Commercial Code (HGB) (disclosure pursuant to Section 313 Paragraph 2 No. 4 Sentence 2 German Commercial Code (HGB)):

Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany) (shareholding: 14.78 percent; fiscal year 2013/2014; income after taxes: €11 million; equity: €187 million).

## 5.2 Acquisitions and divestments

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

### Acquisitions

On 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.

The impact of Silbond Corporation on the balance sheet as of the date of initial consolidation was as follows:

**T048 Impact of the acquisition of Silbond Corporation on the balance sheet**

| in € million | Fair value |
|---|---|
| Non-current assets | 35 |
| Current assets | 10 |
| thereof receivables | 6 |
| thereof cash and cash equivalents | 1 |
| Non-current liabilities | –17 |
| Current liabilities | –1 |
| **Net assets** | **27** |
| Goodwill | 11 |
| **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.

Both since the date of acquisition and on a pro forma basis since January 1, 2014, sales generated by Silbond Corporation were less than €25 million and earnings after taxes were below €5 million. Sales and earnings were not material relative to the Resource Efficiency segment.

### Divestments

Under an agreement dated March 31, 2014, Evonik divested its 50.1 percent stake in Li-Tec Battery GmbH (Li-Tec Battery), Kamenz (Germany), and its 10 percent stake in Deutsche Accumotive GmbH & Co. KG (Deutsche Accumotive), Kirchheim unter Teck (Germany), which were part of its lithium-ion business, to Daimler AG, Stuttgart (Germany). It was agreed not to divulge the purchase prices. The transaction was closed on April 29, 2014. Until then, the shares were included in the segment report in other operations. The wholly owned subsidiary Evonik Litarion GmbH (Evonik Litarion), Kamenz (Germany) did not form part of this transaction and is still reported in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, see Note 5.3.

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On March 19, 2014, Evonik and Deb Holdings Ltd, Denby (UK) signed an agreement on the sale of the operating assets of the STOKO® Skin Care business (asset deal). It was agreed not to disclose the purchase price. The assets were transferred on June 2, 2014. Until then this business was part of the Consumer, Health & Nutrition segment.

On July 14, 2014, Evonik received notification from KSBG that it intended to exercise the call option for the remaining 49 percent of shares in STEAG. On August 29, 2014, KSBG and Evonik concluded the agreement on the transfer of the shares for a consideration of €569 million. The transaction was closed on September 5, 2014. In the segment report, these shares were previously included in other operations. KSBG had acquired 51 percent of the shares in STEAG in fiscal 2011.

On July 16, 2014, Evonik signed an agreement to sell the operating assets (asset deal) of the SOLIMIDE® business to LTI Flexible Products, Inc., Modesto (California, USA). It was agreed not to disclose the purchase price. The assets were transferred on September 10, 2014. Until then, this business was reported as part of the Specialty Materials segment.

Under an agreement dated December 8, 2014, Evonik sold a 0.6 percent stake in Vivawest GmbH (Vivawest), Essen (Germany), to RAG Aktiengesellschaft, Herne (Germany) for a purchase price of €19 million. The transaction was closed on December 30, 2014. In the segment report, these shares were previously included in other operations. The remaining 10.3 percent stake in Vivawest is still included in the consolidated financial statements for the Evonik Group at equity.

The aggregate impact of the divestments of subsidiaries and businesses on the balance sheet at the time of deconsolidation or divestment was as follows:

**T049 Impact of divestments on the balance sheet**

| in € million | Carrying amounts divested |
|---|---|
| Non-current assets | 27 |
| Current assets (excluding cash and cash equivalents) | 23 |
| Cash and cash equivalents | 38 |
| Non-current liabilities | –38 |
| Current liabilities | –20 |

The deconsolidation of subsidiaries gave rise to income of €5 million, which is recognized in other operating income and income after taxes, discontinued operations.

## 5.3 Assets held for sale and discontinued operations

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations sets out the accounting principles to be used for assets held for sale (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 shares in Li-Tec Battery and Deutsche Accumotive assigned to the lithium-ion business were classified as discontinued operations until closure of the sale on April 29, 2014. The 100 percent stake in Evonik Litarion is still classified as a discontinued operation as Evonik still intends to divest this business.

In connection with the divestment of the former Energy Business Area, on July 14, 2014 Evonik was notified by KSBG that it intended to exercise the call option for the remaining 49 percent of shares in STEAG, so they were classified as discontinued operations. The sale of these shares to KSBG was closed on September 5, 2014.

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:

**T050 Impact of the discontinued operations on the income statement**

| | Operating income after taxes | | Divestment gains/losses after taxes | | Income after taxes, discontinued operations | |
|---|---|---|---|---|---|---|
| in € million | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Lithium-ion business | 21 | –233 | –1 | – | 20 | –233 |
| Former Energy Business Area | –30 | 31 | 1 | –1 | –29 | 30 |
| Former Real Estate segment | – | 110 | – | 1,519 | – | 1,629 |
| Other discontinued operations | – | – | – | 2 | – | 2 |
| | **–9** | **–92** | **–** | **1,520** | **–9** | **1,428** |

The following income and expense items relate to the operating income of the discontinued operations:

**T051 Operating income, discontinued operations**

| in € million | **2014** | 2013 |
|---|---|---|
| **Income** | **235** | **393** |
| Lithium-ion business | 90 | 118 |
| Former Energy Business Area | 145 | 73 |
| Former Real Estate segment | – | 202 |
| **Expenses** | **–237** | **–501** |
| Lithium-ion business | –62 | –376 |
| Former Energy Business Area | –175 | –42 |
| Former Real Estate segment | – | –83 |
| **Operating income before income taxes, discontinued operations** | **–2** | **–108** |
| Lithium-ion business | 28 | –258 |
| Former Energy Business Area | –30 | 31 |
| Former Real Estate segment | – | 119 |
| **Income taxes** | **–7** | **16** |
| Lithium-ion business | –7 | 25 |
| Former Energy Business Area | – | – |
| Former Real Estate segment | – | –9 |
| **Operating income after taxes, discontinued operations** | **–9** | **–92** |
| Lithium-ion business | 21 | –233 |
| Former Energy Business Area | –30 | 31 |
| Former Real Estate segment | – | 110 |

The operating income before income taxes from the lithium-ion business totaling €28 million mainly resulted from the impact of the revaluation of the assets that have now been sold, and one-off income from the adjustment of agreements and of a provision established in the previous year.

The operating loss of €30 million before income taxes relating to the former Energy Business Area comprised income from the at-equity valuation of the investment and income from guaranteed dividends on the 49 percent of shares in STEAG now divested, plus effects arising from the measurement and deconsolidation of the associated options. In addition, earnings were impacted by the increase in a restructuring provision in connection with the divestment of the former Energy Business Area. The remeasurement of the shares in STEAG as prescribed by IFRS 5 resulted in an impairment loss of €13 million, which was charged to operating income before income taxes.

Only a small divestment gain of €1 million was registered from the former Energy Business Area in the reporting period as the assets divested were carried at fair value. The remaining divestment gains and losses for discontinued operations comprise the following:

### T052 Divestment gains and losses, discontinued operations

| in € million | 2014 | 2013 |
|---|---|---|
| **Income before income taxes from the divestment of discontinued operations** | **–** | **1,540** |
| Lithium-ion business | –1 | – |
| Former Energy Business Area | 1 | –1 |
| Former Real Estate segment | – | 1,538 |
| Other discontinued operations | – | 3 |
| **Income taxes** | **–** | **–20** |
| Lithium-ion business | – | – |
| Former Energy Business Area | – | – |
| Former Real Estate segment | – | –19 |
| Other discontinued operations | – | –1 |
| **Income after taxes from the divestment of discontinued operations** | **–** | **1,520** |
| Lithium-ion business | –1 | – |
| Former Energy Business Area | 1 | –1 |
| Former Real Estate segment | – | 1,519 |
| Other discontinued operations | – | 2 |

The assets and liabilities reclassified in the balance sheet as of December 31, 2014 relate to the parts of the lithium-ion business that have not yet been divested, and a subsidiary that is reported under "Corporate, other operations, consolidation".

### T053 Assets held for sale

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Intangible assets** | **–** | **5** |
| Lithium-ion business | – | – |
| Other | – | 5 |
| **Property, plant and equipment** | **5** | **9** |
| Lithium-ion business | – | – |
| Other | 5 | 9 |
| **Deferred taxes** | **3** | **3** |
| Lithium-ion business | 1 | 1 |
| Other | 2 | 2 |
| **Inventories** | **17** | **46** |
| Lithium-ion business | 9 | 27 |
| Other | 8 | 19 |
| **Trade accounts receivable** | **26** | **34** |
| Lithium-ion business | 5 | 8 |
| Other | 21 | 26 |
| **Other receivables** | **1** | **2** |
| Lithium-ion business | – | 1 |
| Other | 1 | 1 |
| **Cash and cash equivalents** | **–** | **45** |
| Lithium-ion business | – | 45 |
| Other | – | – |
| **Assets held for sale** | **52** | **144** |
| Lithium-ion business | 15 | 82 |
| Other | 37 | 62 |

## T054 Liabilities associated with assets held for sale

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Provisions for pensions and other post-employment benefits** | **1** | **8** |
| Lithium-ion business | 1 | 1 |
| Other | – | 7 |
| **Other provisions** | **4** | **38** |
| Lithium-ion business | 3 | 33 |
| Other | 1 | 5 |
| **Deferred taxes** | **2** | **2** |
| Lithium-ion business | – | – |
| Other | 2 | 2 |
| **Other income tax liabilities** | **1** | **–** |
| Lithium-ion business | – | – |
| Other | 1 | – |
| **Financial liabilities** | **7** | **36** |
| Lithium-ion business | – | 27 |
| Other | 7 | 9 |
| **Trade accounts payable** | **3** | **16** |
| Lithium-ion business | 1 | 10 |
| Other | 2 | 6 |
| **Other payables** | **–** | **3** |
| Lithium-ion business | – | 2 |
| Other | – | 1 |
| **Liabilities associated with assets held for sale** | **18** | **103** |
| Lithium-ion business | 5 | 73 |
| Other | 13 | 30 |

The net value of assets held for sale and the associated liabilities of the lithium-ion business amounting to €10 million (2013: €9 million) recognized on the balance sheet comprises their fair value less costs to sell. This disposal group was measured on the basis of an offer, which indicated a range of possible transaction prices, depending on the structure of the transaction. In addition, the balance sheet contains the assets held for sale and associated liabilities of a subsidiary with a net value of €24 million (2013: €20 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.

See p. 158 f.

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:

**T055 Cash flow from discontinued operations**

| in € million | 2014 | 2013 |
|---|---|---|
| **Cash flow from operating activities** | **31** | **21** |
| Lithium-ion business | 7 | –53 |
| Former Energy Business Area | 24 | 24 |
| Former Real Estate segment | – | 50 |
| **Cash flow from investing activities** | **–1** | **59** |
| Lithium-ion business | –1 | –20 |
| Former Energy Business Area | – | – |
| Former Real Estate segment | – | 79 |
| **Cash flow from financing activities** | **–** | **418** |
| Lithium-ion business | – | 50 |
| Former Energy Business Area | – | – |
| Former Real Estate segment | – | 368 |
| **Change in cash and cash equivalents, discontinued operations** | **30** | **498** |
| Lithium-ion business | 6 | –23 |
| Former Energy Business Area | 24 | 24 |
| Former Real Estate segment | – | 497 |

# 6. Notes to the income statement

## 6.1 Sales

The sales of €12,917 million (2013: €12,708 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.

## 6.3 Other operating income

**T056 Other operating income**

| in € million | 2014 | 2013 |
|---|---|---|
| Income from derivatives (excluding interest rate derivatives) | 240 | 293 |
| Income from currency translation of monetary assets and liabilities | 248 | 138 |
| Income from the reversal of provisions | 30 | 101 |
| Income from non-core operations | 55 | 66 |
| Income from restructuring measures | 11 | 56 |
| Income from the disposal of assets | 20 | 11 |
| Income from research subsidies | 5 | 8 |
| Income from the reversal of impairment losses | 6 | 6 |
| Other income | 85 | 209 |
| | **700** | **888** |
| thereof adjustments | 30 | 115 |

In 2014, income from derivatives came entirely from currency hedging. The corresponding prior-year figure comprised €292 million relating to currency hedging and €1 million relating to commodity derivatives.

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.

See p. 197

The income from non-core operations contains income from occasional, unplanned business activities that are not intended to be permanent operations.

To enhance transparency, income from restructuring measures is reported separately in other operating income for the first time. The prior-year figures have been restated accordingly. The income from restructuring measures mainly comprises income in connection with the planned optimization of administrative and service structures and workflows, and income relating to the exit from the photovoltaic business. In the previous year, the income mainly related to the withdrawal from the photovoltaic business. The income from restructuring measures comprises €6 million (2013: €10 million) from the reversal of provisions, and €3 million (2013: €2 million) from the disposal of assets.

The income from reversals of impairment losses in accordance with IAS 39 Financial Instruments: Recognition and Measurement includes €4 million (2013: €4 million) relating to trade accounts receivable and loans. Further, pursuant to IAS 36 Impairment of Assets, €2 million of the reversals (2013: €2 million for property, plant and equipment) relate to the following segments:

**T057 Income from the reversal of impairment losses by segment**

| in € million | 2014 | 2013 |
|---|---|---|
| Resource Efficiency | 1 | – |
| Specialty Materials | 1 | 2 |
| | **2** | **2** |

Income from the disposal of assets comprises €10 million (2013: €12 million) from the divestment of property, plant and equipment, and €13 million (2013: €1 million) from the sale of investments and business operations.

The reduction in other income mainly relates to income from insurance refunds in connection with an incident at a production facility in Marl (Germany), which was contained in the prior-year figure. In addition, this item includes commission income, income from the sale of scrap, and income relating to 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. The adjustments recognized in other operating income relate to the following functional areas:

**T058 Adjustments included in other operating income**

| in € million | 2014 | 2013 |
|---|---|---|
| Production-related | 1 | 29 |
| R&D-related | – | 1 |
| Administration-related | – | 15 |
| Other | 29 | 70 |
| | **30** | **115** |

## 6.4 Other operating expenses

**T059 Other operating expenses**

| in € million | 2014 | 2013 |
|---|---|---|
| Losses on derivatives (excluding interest rate derivatives) | 261 | 278 |
| Losses on currency translation of monetary assets and liabilities | 248 | 174 |
| Expenses for restructuring measures | 97 | 247 |
| Impairment losses | 66 | 28 |
| Expenses for recultivation and environmental protection | 6 | 43 |
| Losses on the disposal of assets | 19 | 12 |
| Expenses relating to the REACH Regulation | 6 | 9 |
| Other expense | 257 | 330 |
| | **960** | **1,121** |
| thereof adjustments | 208 | 455 |

In 2014, losses on derivatives related entirely to currency hedging. The corresponding prior-year figure comprised €277 million relating to currency hedging and €1 million relating to commodity derivatives.

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 per currency 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:

**T060 Net currency result**

| in € million | 2014 | 2013 |
|---|---|---|
| Income from currency derivatives | 240 | 292 |
| Income from currency translation of monetary assets and liabilities | 248 | 138 |
| Losses on currency derivatives | –261 | –277 |
| Losses on currency translation of monetary assets and liabilities | –248 | –174 |
| **Net currency result** | **–21** | **–21** |

The net currency result is determined principally by the swap premiums at the start of hedging and changes in the hedged foreign currency items recognized on the balance sheet during the hedging period. It also contains the ineffective portion of currency hedges recognized in hedge accounting. By contrast, the effective portion of currency relating to pending or expected hedged items, which is reported as a cash flow hedge, is not recognized in the net currency result. Instead, it is recognized in other comprehensive income until the hedged transaction is realized. Subsequently it is recognized 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 the 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. In the case of currency hedges for loans for which cash flow hedge accounting is applied, the effective portion of the hedge is derecognized from accumulated other comprehensive income to offset the income or expenses from currency translation of monetary assets and liabilities triggered by the hedged item. See Note 7.9 (e).

See p. 214

The expenses for restructuring mainly relate to the planned optimization of administrative structures and the product portfolio of the Consumer, Health & Nutrition segment. They also contain expenses in connection with the photovoltaic business. The expenses for restructuring include impairment losses on assets totaling €2 million (2013: €36 million). In 2013 this item included losses of €2 million from the disposal of assets.

Impairment losses determined in accordance with IAS 36 Impairment of Assets in response to indications of a possible impairment were divided among the segments as shown in the table below. In each case, the recoverable amount is determined as the value in use.

**T061 Impairment losses by segment**

| in € million | 2014 | 2013 |
|---|---|---|
| Consumer, Health & Nutrition | 2 | – |
| Resource Efficiency | 3 | 26 |
| Specialty Materials | 38 | 25 |
| Services | 2 | – |
| | **45** | **51** |

The impairment losses in the Specialty Materials segment mainly relate to capitalized expenses for construction in progress for projects that were terminated following a routine review of investment projects.

The impairment losses on financial instruments, which were determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement, were €21 million (2013: €11 million). Impairment losses of €19 million were recognized for trade accounts receivable (2013: €11 million), while €2 million relates to other investments.

Impairment losses on assets held for sale recognized in accordance with IFRS 5 totaled €2 million (2013: €2 million).

The decrease in expenses for recultivation and environmental protection was primarily attributable to expense contained in the previous year for one site in Germany.

Losses from the disposal of assets comprises €16 million (2013: €12 million) from the divestment of property, plant and equipment, and €3 million (2013: €2 million) from the sale of investments and business operations.

The decline in other expense is mainly attributable to the fact that the prior-year figure still contained expenses relating to the damage at a production facility in Marl (Germany). This item also includes expenses for outsourcing, M&A projects, non-core operations, commission payments and legal and consultancy fees.

The adjustments recognized in other operating expenses relate to the following functional areas:

**T062 Adjustments included in other operating expenses**

| in € million | 2014 | 2013 |
|---|---|---|
| Production-related | 88 | 81 |
| Administration-related | 60 | 201 |
| Other | 60 | 173 |
| | **208** | **455** |

## 6.5 Net interest expense

**T063 Net interest expense**

| in € million | 2014 | 2013 |
|---|---|---|
| Income from securities and loans | 5 | 14 |
| Interest and similar income from derivatives | 6 | 2 |
| Other interest-type income | 60 | 19 |
| **Interest income** | **71** | **35** |
| Interest expense on financial liabilities | –50 | –97 |
| Interest and similar expenses for derivatives | –19 | –7 |
| Other interest-type expense | –40 | –26 |
| Net interest expense for pensions | –120 | –139 |
| Interest expense on accrued interest on other provisions | –60 | –21 |
| **Interest expense** | **–289** | **–290** |
| | **–218** | **–255** |

Borrowing costs of €35 million (2013: €29 million) are capitalized. The average underlying cost of financing was 5.5 percent (2013: 5.9 percent).

## 6.6 Result from investments recognized at equity

**T064 Result from investments recognized at equity**

| in € million | 2014 | 2013 |
|---|---|---|
| Income from measurement at equity | 18 | 8 |
| Expenses for measurement at equity | –4 | – |
| | **14** | **8** |

## 6.7 Other financial income

In 2013 other financial income included €11 million from the disposal of securities held as short-term liquidity.

## 6.8 Income taxes

Income taxes comprise:

**T065 Income taxes shown in the income statement**

| in € million | 2014 | 2013 |
|---|---|---|
| **Other income taxes** | **225** | **261** |
| thereof relating to other periods | –18 | 45 |
| **Deferred taxes** | **27** | **–37** |
| thereof relating to other periods | 12 | –63 |
| thereof relating to temporary differences | 1 | –21 |
| | **252** | **224** |

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 2014 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 an average trade tax rate of around 14 percent. The effective income taxes include other income taxes and deferred taxes.

### T066 Tax reconciliation

| in € million | 2014 | 2013 |
|---|---|---|
| **Income before income taxes, continuing operations** | **842** | **809** |
| Expected income taxes | 253 | 243 |
| Variances due to differences in the assessment base for trade tax | 2 | 4 |
| Deviation from the expected tax rate | 21 | 8 |
| Changes in valuation allowances on deferred taxes | 5 | –6 |
| Losses not affecting deferred taxes and the use of loss carryforwards | –6 | 9 |
| Changes in tax rates and tax legislation | – | –2 |
| Non-deductible expenses | 19 | 13 |
| Interest ceiling | 1 | 1 |
| Tax-free income | –28 | –28 |
| Result from investments recognized at equity | –5 | –2 |
| Other | –10 | –16 |
| **Effective income taxes (current income taxes and deferred taxes)** | **252** | **224** |
| | | |
| Effective income tax rate in % | 29.9 | 27.7 |

"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 2014 or 2013, diluted earnings per share are identical to basic earnings per share.

### T067 Earnings per share

| in € million | 2014 | 2013 |
|---|---|---|
| Income after taxes, continuing operations | 590 | 585 |
| Income after taxes, discontinued operations | –9 | 1,428 |
| Less income after taxes attributable to non-controlling interests | –13 | 41 |
| **Income after taxes attributable to shareholders of Evonik Industries AG (net income)** | **568** | **2,054** |
| Earnings per share in € (basic and diluted) | | |
| from continuing operations | 1.27 | 1.26 |
| from discontinued operations | –0.02 | 3.06 |
| less earnings per share attributable to non-controlling interests | –0.03 | 0.09 |
| **Earnings per share in € (basic and diluted) attributable to shareholders of Evonik Industries AG** | **+1.22** | **+4.41** |

# 7. Notes to the balance sheet

## 7.1 Intangible assets

### T068 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, 2013** | **2,838** | **1,708** | **167** | **477** | **5,190** |
| Currency translation | –44 | –5 | – | –1 | –50 |
| Additions from business combinations | – | – | – | – | – |
| Other additions | – | 12 | 1 | 16 | 29 |
| Reclassification pursuant to IFRS 5 | –64 | –27 | – | –4 | –95 |
| Disposal | – | –45 | – | – | –45 |
| Reclassification | – | 4 | 1 | – | 5 |
| **As of December 31, 2013** | **2,730** | **1,647** | **169** | **488** | **5,034** |
| Currency translation | 56 | 10 | – | 3 | 69 |
| Additions from business combinations | 12 | 13 | – | 14 | 39 |
| Other additions | – | 12 | – | 7 | 19 |
| Reclassification pursuant to IFRS 5 | – | – | – | – | – |
| Disposal | –6 | –9 | –2 | –1 | –18 |
| Reclassification | – | 20 | –2 | –14 | 4 |
| **As of December 31, 2014** | **2,792** | **1,693** | **165** | **497** | **5,147** |
| **Amortization and impairment losses** | | | | | |
| **As of January 1, 2013** | **112** | **1,301** | **143** | **425** | **1,981** |
| Currency translation | – | –4 | – | – | –4 |
| Additions from business combinations | – | – | – | – | – |
| Amortization | – | 68 | 5 | 11 | 84 |
| Impairment losses | 13 | 16 | – | 4 | 33 |
| Reversals of impairment losses | – | –1 | – | – | –1 |
| Reclassification pursuant to IFRS 5 | –23 | –24 | – | –5 | –52 |
| Disposal | – | –45 | – | – | –45 |
| Reclassification | – | – | – | – | – |
| **As of December 31, 2013** | **102** | **1,311** | **148** | **435** | **1,996** |
| Currency translation | – | 7 | – | 1 | 8 |
| Additions from business combinations | – | – | – | – | – |
| Amortization | – | 48 | 2 | 7 | 57 |
| Impairment losses | – | 2 | – | – | 2 |
| Reversals of impairment losses | – | – | – | – | – |
| Reclassification pursuant to IFRS 5 | – | – | – | – | – |
| Disposal | –5 | –9 | –2 | – | –16 |
| Reclassification | – | –11 | 1 | 10 | – |
| **As of December 31, 2014** | **97** | **1,348** | **149** | **453** | **2,047** |
| **Carrying amounts as of December 31, 2013** | **2,628** | **336** | **21** | **53** | **3,038** |
| **Carrying amounts as of December 31, 2014** | **2,695** | **345** | **16** | **44** | **3,100** |

Franchises, trademarks and licenses include trademarks with an indefinite useful life totaling €202 million (2013: €204 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

### T069 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, 2013** | **2,794** | **10,617** | **996** | **877** | **15,284** |
| Currency translation | –47 | –181 | –12 | –37 | –277 |
| Additions from business combinations | – | 31 | – | – | 31 |
| Other additions | 43 | 200 | 48 | 834 | 1,125 |
| Reclassification pursuant to IFRS 5 | –51 | –165 | –27 | –48 | –291 |
| Disposal | –35 | –154 | –58 | –10 | –257 |
| Reclassification | 36 | 405 | 32 | –476 | –3 |
| **As of December 31, 2013** | **2,740** | **10,753** | **979** | **1,140** | **15,612** |
| Currency translation | 84 | 335 | 12 | 31 | 462 |
| Additions from business combinations | 5 | 9 | 1 | – | 15 |
| Other additions | 131 | 334 | 41 | 598 | 1,104 |
| Reclassification pursuant to IFRS 5 | – | – | – | – | – |
| Disposal | –64 | –330 | –30 | –35 | –459 |
| Reclassification | 235 | 685 | 22 | –936 | 6 |
| **As of December 31, 2014** | **3,131** | **11,786** | **1,025** | **798** | **16,740** |
| **Depreciation and impairment losses** | | | | | |
| **As of January 1, 2013** | **1,549** | **8,329** | **796** | **19** | **10,693** |
| Currency translation | –25 | –141 | –7 | – | –173 |
| Additions from business combinations | – | 31 | – | – | 31 |
| Depreciation | 54 | 397 | 61 | – | 512 |
| 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 | –152 | –50 | –3 | –235 |
| Reclassification | –18 | 21 | –3 | – | – |
| **As of December 31, 2013** | **1,510** | **8,486** | **778** | **16** | **10,790** |
| Currency translation | 31 | 212 | 8 | – | 251 |
| Additions from business combinations | 1 | 2 | – | – | 3 |
| Depreciation | 60 | 425 | 64 | – | 549 |
| Impairment losses | 2 | 8 | – | 36 | 46 |
| Reversals of impairment losses | – | –2 | – | – | –2 |
| Reclassification pursuant to IFRS 5 | – | – | – | – | – |
| Disposal | –56 | –292 | –29 | –25 | –402 |
| Reclassification | – | 1 | –1 | – | – |
| **As of December 31, 2014** | **1,548** | **8,840** | **820** | **27** | **11,235** |
| **Carrying amounts as of December 31, 2013** | **1,230** | **2,267** | **201** | **1,124** | **4,822** |
| **Carrying amounts as of December 31, 2014** | **1,583** | **2,946** | **205** | **771** | **5,505** |

The carrying amounts of assets from finance leases comprised €1 million (2013: €1 million) for land, land rights and buildings, €1 million (2013: €1 million) for plant and machinery, and €1 million (2013: €1 million) for other plant, office furniture and equipment.

The Group had commitments of €105 million (2013: €120 million) to purchase property, plant and equipment.

As a lessor, Evonik mainly leases out land under operating leases. The expected future minimum lease payments for these assets over the non-cancelable term of the lease are due as follows:

**T070 Maturity structure of future minimum lease payments (lessor; operating leases)**

| in € million | 2014 | 2013 |
|---|---|---|
| Due within 1 year | 9 | 8 |
| Due in more than 1 and up to 5 years | 20 | 18 |
| Due in more than 5 years | 120 | 108 |
| | **149** | **134** |

## 7.3 Investment property

### T071 Change in investment property

| in € million | Land, land rights | Buildings | Buildings under construction | **Total** |
|---|---|---|---|---|
| **Cost of acquisition/production** | | | | |
| **As of January 1, 2013** | **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** |
| Currency translation | 1 | – | – | 1 |
| Additions from business combinations | – | – | – | – |
| Other additions | – | – | – | – |
| Reclassification pursuant to IFRS 5 | – | – | – | – |
| Disposal | – | –1 | – | –1 |
| Reclassification | – | – | – | – |
| **As of December 31, 2014** | **8** | **17** | **–** | **25** |
| **Depreciation and impairment losses** | | | | |
| **As of January 1, 2013** | **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** |
| Currency translation | – | – | – | – |
| Additions from business combinations | – | – | – | – |
| Depreciation | – | – | – | – |
| Impairment losses | – | – | – | – |
| Reversals of impairment losses | – | – | – | – |
| Reclassification pursuant to IFRS 5 | – | – | – | – |
| Disposal | – | – | – | – |
| Reclassification | – | – | – | – |
| **As of December 31, 2014** | **1** | **14** | **–** | **15** |
| **Carrying amounts as of December 31, 2013** | **6** | **4** | **–** | **10** |
| **Carrying amounts as of December 31, 2014** | **7** | **3** | **–** | **10** |

The fair value of investment property was €10 million (2013: €12 million).

On the reporting date there were no commitments to purchase real estate classified as investment property.

## 7.4 Investments recognized at equity

This item comprises associates and joint ventures recognized using the equity method. A complete list of companies recognized at equity can be found in Note 5.1.

See p. 181

**T072 Investments recognized at equity**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Shares in material associates | 300 | 815 |
| Shares in individually non-material associates | 2 | 2 |
| Shares in individually non-material joint ventures | 55 | 61 |
| | **357** | **878** |

In accordance with its focus on specialty chemicals, in July 2013 Evonik divested its majority shareholding and thus lost its controlling influence in the real estate company Vivawest. Vivawest is not listed on the stock exchange so there is no available market price for its shares. Evonik has a direct stake of 10.3 percent in Vivawest and an indirect stake of 25.0 percent through the CTA and exerts a significant influence, see Note 5.1. In the mid term, the aim is to divest the 10.3 percent stake recognized at equity to investors with a long-term horizon. As of December 31, 2014, Vivawest was classified as material for the Evonik Group.

See p. 181

In the previous year, Vivawest and STEAG were both classified as material. The shares in STEAG, which were recognized at equity, were divested in 2014, see Note 5.2.

See p. 188

The next table shows the condensed financial data (100 percent) for Vivawest, taking into account adjustments based on application of the equity method:

**T073 Condensed financial data for Vivawest**

| in € million | 2014 | 2013 |
|---|---|---|
| Non-current assets as of December 31 | 6,419 | 6,315 |
| Current assets as of December 31 | 261 | 249 |
| Non-current liabilities as of December 31 | –3,482 | –3,226 |
| Current liabilities as of December 31 | –290 | –278 |
| **Net assets as of December 31** | **2,908** | **3,060** |
| | | |
| Sales | 806 | 367 |
| | | |
| Income after taxes, continuing operations | 93 | 29 |
| Other comprehensive income after taxes | –74 | – |
| **Total comprehensive income** | **19** | **29** |
| | | |
| Dividends received | 13 | – |

The prior-year figures for sales and the components of comprehensive income relate to the period since July 2013, when the equity method was first applied.

The reconciliation from the condensed financial data to the carrying amount of the equity stake in Vivawest is as follows:

**T074 Reconciliation Vivawest**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Net assets | 2,908 | 3,060 |
| Shareholding in %[a] | 10.33 | 10.93 |
| **Carrying amount** | **300** | **334** |

See p. 187 ff.

[a] A 0.6 percent stake in Vivawest was sold in 2014, see Note 5.2. As a result, the shareholding recognized at equity declined from 10.93 percent to 10.33 percent. A further shareholding of 25.0 percent is valued in accordance with IAS 19 due to its nature as plan assets.

The condensed financial data from the last available financial statements of the investments recognized at equity which are classified individually as non-material for Evonik, based on Evonik's interest, are as follows:

**T075 Condensed financial data for individually non-material investments recognized at equity**

| | Associates | | Joint ventures | |
|---|---|---|---|---|
| in € million | 2014 | 2013 | 2014 | 2013 |
| Carrying amount as of December 31 | 2 | 2 | 55 | 61 |
| | | | | |
| Income after taxes, continuing operations | 7 | 6 | –3 | – |
| **Total comprehensive income** | **7** | **6** | **–3** | **–** |

See p. 254 ff.

For information on contingent liabilities to associates and joint ventures see Notes 10.3 and 10.4.

## 7.5 Financial assets

**T076 Financial assets**

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| in € million | Total | thereof non-current | Total | thereof non-current |
| Other investments | 64 | 64 | 7 | 7 |
| Loans | 12 | 8 | 35 | 7 |
| Securities and similar claims | 392 | 5 | 641 | 5 |
| Receivables from derivatives | 35 | 3 | 194 | 127 |
| Other financial assets | 29 | 3 | 21 | 4 |
| | **532** | **83** | **898** | **150** |

### (a) Other investments

Other investments include shares in Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany) totaling €53 million, which were acquired in 2014 and are recognized at their stock market value as of the reporting date. This investment is therefore exposed to a market price risk and is allocated to the category available-for-sale.

Further, other investments contains unlisted equity instruments that are recognized at the cost of acquisition since their fair value cannot be determined reliably.

### (b) Loans

Loans are recognized at amortized cost. They are exposed to an interest rate risk, which can affect their fair value or future cash flows.

The risk and maturity structure of loans is as follows:

**T077 Risk and maturity structure of loans**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Impaired loans** | **–** | **–** |
| Nominal value | 2 | 1 |
| Impairment losses | –2 | –1 |
| **Non-impaired loans** | **12** | **35** |
| Not yet due | 12 | 35 |
| Overdue | – | – |
| | **12** | **35** |

As in the previous year, Evonik did not renegotiate the terms and conditions of any non-current loans in 2014.

### (c) Securities and similar claims

Securities and similar claims mainly comprise bonds and money market paper purchased to invest liquid funds. They 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.

This item contains various securities and similar claims totaling approximately €250 million (2013: €500 million) which are bundled in the fully consolidated segregated investment fund DeAM-Fonds Treasury 1, see Note 5.1. The year-on-year change results from sales in the year under review, which were used to redeem the corporate bond that matured in October 2014, see Note 7.12.

See p. 181
See p. 225 f.

A further €127 million (2013: €130 million) comprises units in an open-ended investment fund, which invests worldwide in bonds of different maturities, credit ratings, countries and currencies, and in financial derivatives. This is one of many sub-funds of a Luxembourg-based investment fund (SICAV), which is managed through an asset management contract. The fund therefore meets the definition of a structured entity, but it is not consolidated by Evonik as the Group does not exercise control. As of the reporting date, Evonik held around 20 percent of the subfund assets. The maximum default risk in both 2014 and 2013 was the carrying amount of the securities. No assistance was granted or pledged to the fund in the fiscal year or the previous year without a contractual obligation.

### (d) Receivables from derivatives

The breakdown of receivables from derivatives at year end was as follows:

**T078 Receivables from derivatives**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Receivables from cross-currency interest rate swaps | 4 | 11 |
| Receivables from forward exchange contracts and currency swaps | 31 | 69 |
| Receivables from commodity derivatives | – | 1 |
| Receivables from other derivatives | – | 113 |
| | **35** | **194** |

The decline in receivables from other derivatives is attributable to the divestment of the shares in STEAG. In the previous year, the fair value of the put option for the remaining 49 percent of shares in STEAG was recognized here.

### (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:

**T079 Risk and maturity structure of other financial assets**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Impaired other financial assets** | **–** | **2** |
| Nominal value | – | 10 |
| Impairment losses | – | –8 |
| **Non-impaired other financial assets** | **29** | **19** |
| Not yet due | 29 | 19 |
| Overdue | – | – |
| | **29** | **21** |

(f) Security pledged

Financial assets pledged as security for Group liabilities amounted to €2 million (2013: €4 million). They comprised current securities provided as security for commitments to employees under the partial retirement program in Germany.

## 7.6 Inventories

**T080 Inventories**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Raw materials and supplies | 414 | 347 |
| Work in progress | 78 | 86 |
| Finished goods and merchandise | 1,286 | 1,161 |
| | **1,778** | **1,594** |

Impairment losses on raw materials, supplies and merchandise totaling €47 million were recognized in 2014 (2013: €11 million), while reversals of impairment losses amounted to €21 million (2013: €23 million). Reversals of impairment losses were mainly due to higher selling prices and improved market conditions.

## 7.7 Trade accounts receivable, other receivables

**T081 Trade accounts receivable, other receivables**

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| in € million | Total | thereof non-current | Total | thereof non-current |
| Trade accounts receivable | 1,720 | – | 1,626 | – |
| Advance payments made | 37 | 2 | 29 | 9 |
| Miscellaneous other receivables | 281 | 48 | 249 | 9 |
| Deferred expenses | 43 | 8 | 30 | 12 |
| | **2,081** | **58** | **1,934** | **30** |

The risk and maturity structure of trade accounts receivable is as follows:

**T082 Risk and maturity structure of trade accounts receivable**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Impaired receivables** | **3** | **1** |
| Nominal value | 15 | 13 |
| Impairment losses | –12 | –12 |
| **Non-impaired receivables** | **1,717** | **1,625** |
| Not yet due | 1,479 | 1,407 |
| Overdue | 238 | 218 |
| up to 3 months | 212 | 200 |
| more than 3 and up to 6 months | 15 | 14 |
| more than 6 and up to 9 months | 1 | 1 |
| more than 9 and up to 12 months | 1 | 1 |
| more than 1 year | 9 | 2 |
| | **1,720** | **1,626** |

At year end, trade accounts receivable totaling €498 million (2013: €521 million) were covered by credit insurance. The terms for trade accounts receivable classified as not yet due with a carrying amount of €2 million (2013: €24 million) were renegotiated and would otherwise have been impaired or overdue.

## 7.8 Cash and cash equivalents

The cash and cash equivalents totaling €921 million (2013: €1,527 million) include balances with banks, checks and cash. Further, this item includes highly liquid securities that can be converted into cash amounts at any time and are only exposed to minor fluctuations in value.

## 7.9 Equity

The presentation of equity on the balance sheet was altered in 2014 to enhance transparency. It is now aligned to the classification used in the statement of changes in equity. The reserves previously stated on the balance sheet comprised the capital reserve, accumulated income and accumulated other comprehensive income.

### (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

Under a resolution adopted by the Annual Shareholders' Meeting on May 20, 2014 on authorized capital, the Executive Board is authorized until May 1, 2019, subject to the approval of the Supervisory Board, to increase the company's capital stock by up to €116,500,000 by issuing new registered shares with no par value (Authorized Capital 2014).

This authorization may be exercised through one or more issuances.

The new shares may be issued against cash and/or contributions in kind. The Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights when issuing new shares in the following cases:

- capital increases against contributions in kind
- if the capital increase is against cash and the proportionate share of the capital stock attributable to the new shares does not exceed 10 percent of the capital stock, and the issue price of the new shares is not significantly below the stock market price of shares of the same class and with the same rights already listed on the stock exchange on the date of the final determination of the issue price; to exclude fractional amounts arising from the subscription ratio
- insofar as is necessary to grant holders and/or creditors of warrants or conversion rights or obligors of warrant and/or conversion obligations subscription rights to new shares to the extent that they would be entitled to them after exercise of their warrants and/or conversion rights or fulfillment of their warrant or conversion obligations
- to grant shares to employees (employee stock), provided that the new shares for which subscription rights are excluded do not in aggregate account for a proportionate share of the capital stock in excess of 1 percent
- for the execution of a scrip dividend.

The proportionate amount of the capital stock attributable to the shares for which subscription rights are excluded, together with the proportionate amount of the capital stock attributable to treasury stock or to conversion and/or warrant rights or obligations arising from debt instruments, which are sold or issued after May 20, 2014 under exclusion of subscription rights, may not exceed 20 percent of the capital stock. If the sale or issue takes place in application—analogously or mutatis mutandis—of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG), this shall also be deemed to constitute exclusion of subscription rights.

The Executive Board is authorized, subject to the approval of the Supervisory Board, to define further details of capital increases out of the Authorized Capital 2014.

The authorized capital has not yet been utilized.

### (c) Conditional capital

Under a further resolution adopted by the Annual Shareholders' Meeting of May 20, 2014, the capital stock is conditionally increased by up to €37,280,000, divided into up to 37,280,000 registered shares with no par value (Conditional Capital 2014). This conditional capital increase relates to a resolution of the above Shareholder's Meeting granting authorization to issue convertible and/or warrant bonds.

The conditional capital increase will only be conducted insofar as holders or creditors of warrant or conversion rights or obligors of warrants or conversion obligations arising from warrant bonds and/or convertible bonds issued or guaranteed on the basis of the authorization resolved at the Annual Shareholders' Meeting of May 20, 2014, exercise their warrants or conversion rights or, insofar as they have an obligation to exercise the warrants or conversion obligations, meet the obligation to exercise the warrant or conversion obligations and other forms of settlement are not used. In principle, the shareholders have a statutory right to subscription rights to the convertible and/or warrant bonds; the authorization sets out specific cases where the Executive Board may exclude subscription rights to convertible and/or warrant bonds, subject to the approval of the Supervisory Board. The new shares shall be issued at the warrant or conversion price set in accordance with the above provisions of the resolution.

The new shares are entitled to a dividend from the start of the fiscal year in which they are issued.

The Executive Board is authorized, subject to the approval of the Supervisory Board, to define further details of capital increases out of the conditional capital.

The conditional capital has not yet been utilized.

### (d) Treasury shares

On March 14, 2014, Evonik Industries AG announced that it would be utilizing the authorization granted by the Annual Shareholders' Meeting on March 11, 2013 to purchase shares in the company totaling up to €131 million by April 28, 2014 at the latest. The purpose of purchasing the shares was to grant shares to employees of Evonik Industries AG and certain subordinated companies in the Evonik Group as part of an employee share program.

Through this share buyback program, by April 11, 2014 Evonik Industries AG purchased a total of 466,731 shares in the company (0.1% of the capital stock). A total of €12.9 million was spent on the shares, corresponding to an average price of €27.53 per share. The purchases were made from March 19, 2014 at an average daily volume of around 27,500 shares on each Xetra trading day through a bank acting on the instructions of Evonik Industries AG. The consideration for each share repurchased (excluding ancillary costs) could not exceed or fall short of the opening price as set in the opening auction for the trading day for shares in Evonik Industries AG in Xetra trading on the Frankfurt Stock Exchange by more than 5 percent. At the end of April, 420,727 ordinary shares (including 112,544 bonus shares) were transferred to participating employees on the basis of the share price and the exchange rate for the US dollar prevailing on April 29, 2014. The remaining 46,004 ordinary shares were sold to third parties by May 9, 2014. As of December 31, 2014, Evonik therefore no longer held any treasury shares.

### (e) 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 (HGB).

### (f) Accumulated income

The accumulated income of €5,040 million (2013: €5,547 million) comprises both Group earnings from 2014 and previous years, and other comprehensive income from the remeasurement of the net 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 2014. 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, 2014, the profit reserves of Evonik Industries AG totaled €3,635 million (2013: €3,192 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 €466,000,000 for 2014 should be distributed in full. That corresponds to a dividend of €1.00 per no-par share.

### (g) 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:

**T083 Change in accumulated other comprehensive income attributable to shareholders of Evonik Industries AG**

| in € million | 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, 2013** | **11** | **8** | **20** | **–262** | **–223** |
| **Other comprehensive income as in the statement of comprehensive income** | **–10** | **12** | **–** | **–196** | **–194** |
| Recognized gains and losses | –8 | 60 | – | – | 52 |
| Amounts reclassified to the income statement | –5 | –42 | – | – | –47 |
| Amounts reclassified to assets and liabilities | – | – | – | – | – |
| Currency translation adjustment | – | – | – | –193 | –193 |
| Attributable to the equity method (after income taxes) | – | – | – | –3 | –3 |
| Deferred taxes | 3 | –6 | – | – | –3 |
| **Other changes** | **–** | **–** | **–3** | **–** | **–3** |
| **As of December 31, 2013** | **1** | **20** | **17** | **–458** | **–420** |
| **Other comprehensive income as in the statement of comprehensive income** | **–10** | **–103** | **–** | **292** | **179** |
| Recognized gains and losses | –11 | –186 | – | – | –197 |
| Amounts reclassified to the income statement | – | 45 | – | – | 45 |
| Amounts reclassified to assets and liabilities | – | –1 | – | – | –1 |
| Currency translation adjustment | – | – | – | 289 | 289 |
| Attributable to the equity method (after income taxes) | – | –3 | – | 3 | – |
| Deferred taxes | 1 | 42 | – | – | 43 |
| **Other changes** | **–** | **–** | **–3** | **–** | **–3** |
| **As of December 31, 2014** | **–9** | **–83** | **14** | **–166** | **–244** |

In 2014, an overall hedging result of minus €45 million (2013: €42 million) was reclassified from the reserve for gains/losses on hedging instruments to the income statement as follows:

**T084 Reclassification of hedging results from accumulated other comprehensive income to the income statement**

| in € million | 2014 | 2013 |
|---|---|---|
| Sales | 17 | 44 |
| Cost of sales | – | –4 |
| Other operating income/expenses | –59 | 4 |
| Net interest expense | –3 | –2 |
| | **–45** | **42** |

## (h) Non-controlling interests

Non-controlling interests amounting to €95 million (2013: €78 million) comprise shares in the issued capital and reserves of consolidated subsidiaries that are not attributable to the shareholders of Evonik Industries AG.

There were no changes in subsidiaries without loss of control in 2014. In the previous year, such changes were immaterial.

The changes in accumulated other comprehensive income attributable to non-controlling interests were as follows:

**T085 Change in accumulated other comprehensive income attributable to non-controlling interests**

| in € million | Currency translation adjustment | Total |
|---|---|---|
| **As of January 1, 2013** | **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** |
| **Other comprehensive income as in the statement of comprehensive income** | **6** | **6** |
| Currency translation adjustment | 6 | 6 |
| **As of December 31, 2014** | **2** | **2** |

## (i) Other comprehensive income after taxes attributable to discontinued operations

In 2014, none (2013: €1 million) of the 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, 2014 mainly relate to the following countries:

**T086 Breakdown of the present value of the defined benefit obligation and the fair value of plan assets**

| in € million | Defined benefit obligation | Plan assets |
|---|---|---|
| **Evonik total** | **10,650** | **6,811** |
| thereof Germany | 9,334 | 5,670 |
| thereof pension fund/reinsured support fund | 3,892 | 3,025 |
| thereof funded through CTA | 5,092 | 2,645 |
| thereof USA | 675 | 433 |
| thereof UK | 551 | 662 |

The main pension plans for employees in Germany are as follows:

Pension fund (Pensionskasse): 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. The structure of the tariffs, including investment of the assets, is subject to oversight by the supervisory authority for the insurance sector. The pension fund is a multi-employer fund. 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. Funding must be sufficient at all times to cover benefits, which have to be upheld even if the employer's contributions are 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 stipulated 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 for the insurance sector. Pension increases of 1 percent p.a. 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 and in most cases they now only operate through the protection of the accrued benefits for insurees who are currently still working.

Direct commitments of this type are now only used for senior executives and 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 Pensionstreuhand e.V. This 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 Pensionstreuhand 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 the 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. To avoid *volatility* this is supported by an asset-liability matching strategy, which is implemented primarily through US government bonds and corporate bonds denominated in US dollars. The assets are managed by a pension trust.

G See glossary p. 276

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:

**T087 Assumptions used in the actuarial valuation of pension obligations**

| | Group | | Germany | |
|---|---|---|---|---|
| in % | **2014** | 2013 | **2014** | 2013 |
| Discount rate as of December 31 | 2.65 | 3.84 | 2.50 | 3.75 |
| Future salary increases | 2.58 | 2.58 | 2.50 | 2.50 |
| Future pension increases | 1.72 | 1.97 | 1.75 | 2.00 |
| Healthcare cost trend | 7.25 | 7.04 | – | – |

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 euro-denominated AA-rated corporate bonds. The data on AA-rated euro-denominated corporate bonds is based on 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, 2014, the rounded discount rate was 4.06 percent for the USA (2013: 4.70 percent) and 3.50 percent for the UK (2013: 4.30 percent).

The present value of the defined benefit obligation changed as follows in fiscal 2014:

**T088 Change in the present value of the defined benefit obligation**

| in € million | 2014 | 2013 |
|---|---|---|
| **Present value of the defined benefit obligation as of January 1** | **9,042** | **9,088** |
| Current service cost | 172 | 178 |
| Interest cost | 341 | 330 |
| Employee contributions | 45 | 52 |
| Actuarial gains (–) and losses (+) (remeasurement component) | 1,332 | –54 |
| of which based on financial assumptions | 1,298 | –44 |
| of which based on demographic assumptions | 14 | – |
| of which changes in the past fiscal year | 20 | –10 |
| Benefits paid | –404 | –401 |
| Past service cost | 1 | 8 |
| Changes at the companies | 9 | 3 |
| Reclassification pursuant to IFRS 5 | – | –118 |
| Gain/loss from settlement | 1 | – |
| Payments for settlement of plans | –4 | – |
| Currency translation | 115 | –44 |
| **Present value of the defined benefit obligation as of December 31** | **10,650** | **9,042** |

The weighted term of the obligations is 16.5 years (2013: 15.6 years).

The present value of the defined benefit obligation is divided as follows:

**T089 Breakdown of the present value of the defined benefit obligation**

| in € million | 2014 | 2013 |
|---|---|---|
| Unfunded plans | 385 | 362 |
| Partially or fully funded plans | 10,142 | 8,587 |
| Healthcare benefit obligations | 123 | 93 |

The fair value of the plan assets changed as follows:

**T090 Change in the fair value of plan assets**

| in € million | 2014 | 2013 |
|---|---|---|
| **Fair value of plan assets as of January 1** | **5,778** | **4,790** |
| Interest income from plan assets | 224 | 195 |
| Employer contributions | 344 | 1,084 |
| Employee contributions | 12 | 12 |
| Income from assets excluding interest income from plan assets (remeasurement component) | 526 | –97 |
| Other administrative expense | –3 | –2 |
| Benefits paid | –163 | –168 |
| Payments for settlement of plans | –4 | – |
| Changes at the companies | 4 | 2 |
| Reclassification pursuant to IFRS 5 | – | –4 |
| Currency translation | 93 | –34 |
| **Fair value of plan assets as of December 31** | **6,811** | **5,778** |

In 2014, the employer contributions mainly comprised cash contributions of €200 million, and payments to Evonik Pensionstreuhand e. V. in settlement of tax payments from the previous year (€9 million).

The fair value of plan assets was split as follows:

**T091 Breakdown of the fair value of plan assets**

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| | in € million | in % | in € million | in % |
| Cash/balances with banks | 136 | 2.0 | 140 | 2.4 |
| Shares—active market | 490 | 7.2 | 391 | 6.8 |
| Shares—no active market | – | – | – | – |
| Government bonds—active market | 1,662 | 24.4 | 955 | 16.5 |
| Government bonds—no active market | 61 | 0.9 | 65 | 1.1 |
| Corporate bonds—active market | 1,696 | 24.9 | 1,763 | 30.5 |
| Corporate bonds—no active market | 34 | 0.5 | 35 | 0.6 |
| Other bonds—active market | 266 | 3.9 | 191 | 3.3 |
| Other bonds—no active market | 715 | 10.5 | 673 | 11.7 |
| Real estate, direct and indirect investments—active market | 14 | 0.2 | 9 | 0.2 |
| Real estate, direct and indirect investments—no active market | 1,090 | 16.0 | 904 | 15.6 |
| Other investment funds—active market | 450 | 6.6 | 398 | 6.9 |
| Other investment funds—no active market | – | – | – | – |
| Alternative investments (infrastructure/ hedge funds/commodities)—active market | 116 | 1.7 | 82 | 1.4 |
| Alternative investments (infrastructure/ hedge funds/commodities)—no active market | 54 | 0.8 | 147 | 2.6 |
| Other—active market | 27 | 0.4 | 24 | 0.4 |
| Other—no active market | – | – | 1 | – |
| | **6,811** | **100.0** | **5,778** | **100.0** |

In 2014 none of the other assets were used by the company.

The asset ceiling changed as follows:

**T092 Change in the asset ceiling**

| in € million | 2014 | 2013 |
|---|---|---|
| **Asset ceiling as of January 1** | **67** | **82** |
| Interest expense on the unrecognized portion of plan assets | 3 | 4 |
| Changes in asset ceiling, excluding interest expense (remeasurement component) | 38 | –17 |
| Changes at the companies | 6 | – |
| Reclassification pursuant to IFRS 5 | – | – |
| Currency translation | – | –2 |
| **Asset ceiling as of December 31** | **114** | **67** |

Pension provisions changed as follows:

### T093 Change in pension provisions

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Pension provisions recognized on the balance sheet as of January 1** | **3,331** | **4,380** |
| Current service cost | 172 | 178 |
| Past service cost | 1 | 8 |
| Gain/loss from settlement | 1 | – |
| Net interest cost | 120 | 139 |
| Employee contributions | 33 | 40 |
| Other administrative expense | 3 | 2 |
| Changes recognized in OCI (remeasurement) | 844 | 26 |
| Benefits paid | –241 | –233 |
| Employer contributions | –344 | –1,084 |
| Changes at the companies | 5 | 1 |
| Reclassification pursuant to IFRS 5 | – | –114 |
| Currency translation | 28 | –12 |
| **Pension provisions recognized on the balance sheet as of December 31** | **3,953** | **3,331** |

The pension provisions recognized on the balance sheet included healthcare benefit entitlements, mainly of retirees of US subsidiaries.

The expected development of benefits in the coming years is as follows:

### T094 Expected change in benefit payments

| in € million | Expected benefit payments by the companies |
|---|---|
| 2015 | 242 |
| 2016 | 249 |
| 2017 | 255 |
| 2018 | 254 |
| 2019 | 258 |

Employer contributions of €155 million are expected to be incurred for 2015.

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 €18 million (2013: €17 million) into defined contribution plans, which are also included in personnel expense (pension expenses).

Further, €126 million (2013: €117 million) were 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

### T095 Other provisions

| in € million | Dec. 31, 2014 Total | Dec. 31, 2014 thereof non-current | Dec. 31, 2013 Total | Dec. 31, 2013 thereof non-current |
|---|---|---|---|---|
| Personnel-related | 808 | 336 | 834 | 354 |
| Recultivation and environmental protection | 304 | 266 | 283 | 233 |
| Restructuring | 321 | 209 | 244 | 138 |
| Sales and procurement | 76 | 6 | 68 | 6 |
| Other taxes and interest on taxes | 59 | 20 | 70 | 15 |
| Dismantling obligations | 7 | 7 | 5 | 5 |
| Other obligations | 285 | 59 | 275 | 49 |
| | **1,860** | **903** | **1,779** | **800** |

Overall, the other provisions were €81 million higher than in 2013, principally due to the change in provisions for restructuring. It is expected that over half of total provisions will be utilized in 2015.

### T096 Change in other provisions

| in € million | Personnel-related | Recultivation, environmental protection | Restructuring | Sales, procurement | Other taxes, interest on taxes | Dismantling obligations | Other obligations | Total |
|---|---|---|---|---|---|---|---|---|
| **As of January 1, 2014** | **834** | **283** | **244** | **68** | **70** | **5** | **275** | **1,779** |
| Additions | 387 | 20 | 81 | 56 | 31 | 1 | 98 | 674 |
| Utilization | –422 | –22 | –22 | –32 | –16 | – | –62 | –576 |
| Reversal | –27 | –2 | – | –11 | –27 | – | –34 | –101 |
| Addition of accrued interest/interest rate adjustments | 26 | 25 | 5 | – | – | – | 3 | 59 |
| Reclassification pursuant to IFRS 5 | – | – | – | – | – | – | – | – |
| Other | 10 | – | 13 | –5 | 1 | 1 | 5 | 25 |
| **As of December 31, 2014** | **808** | **304** | **321** | **76** | **59** | **7** | **285** | **1,860** |

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 2019.

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 2016 and 2019 and those that will result in payments after 2019.

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 all other shutdown and wind-up expenses. At year-end 2014 they included provisions for a program introduced to strengthen our competitive position and optimize the quality of administrative processes, and provisions relating to the divestment of the former Energy Business Area in 2011. Almost all of the non-current provisions for restructuring 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 third will be utilized between 2016 and 2019.

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 2019.

Provisions for other obligations include those relating to legal disputes, administrative proceedings or fines, especially in the areas of product liability, patent, tax, competition, cartel and environmental law. The main legal disputes are outlined in Section 7.4 of the Management Report. Evonik had provisions of €47 million (2013: €17 million) for these on the reporting date. Provisions are also established for legal and consultancy expenses and for audit expenses. Further, guarantee claims against the company may result from divestments. Most of the provisions for other obligations will be utilized within the following year. The remainder will mainly be utilized by year-end 2019.

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## 7.12 Financial liabilities

**T097 Financial liabilities**

| in € million | Dec. 31, 2014 Total | Dec. 31, 2014 thereof non-current | Dec. 31, 2013 Total | Dec. 31, 2013 thereof non-current |
|---|---|---|---|---|
| Bonds | 496 | 496 | 1,243 | 495 |
| Liabilities to banks | 406 | 136 | 326 | 128 |
| Loans from non-banks | 7 | – | 18 | – |
| Liabilities from finance leases | 1 | 1 | 4 | 2 |
| Liabilities from derivatives | 206 | 27 | 58 | 1 |
| Other financial liabilities | 19 | 6 | 15 | 1 |
| | **1,135** | **666** | **1,664** | **627** |

### (a) Bonds

As of December 31, 2014, this item comprised one bond issued by Evonik Industries AG in 2013 with a nominal value of €500 million and a coupon of 1.875 percent which matures in April 2020. The issue price was 99.185 percent. In the previous year, this item also included another bond issued by Evonik Industries AG with a nominal value of €750 million. This bond had an annual coupon of 7.0 percent and the issue price was 99.489 percent. It was redeemed in October 2014. The discount is credited over the maturity of each bond using the effective interest rate method.

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 bond issued by Evonik Industries AG in 2013 was quoted on the stock market at 105.855 percent on the reporting date (2013: 97.75 percent), giving a market value of €529 million (2013: €489 million). The bond redeemed in October 2014 was quoted at 104.7 percent on December 31, 2013, giving a market value of €785 million.

### (b) Loans from non-banks

The accrual of €7 million (2013: €18 million) for payment of the coupon on the bonds is recognized in current loans from non-banks.

### (c) Liabilities from derivatives

The breakdown of liabilities from derivatives at year end was as follows:

**T098 Liabilities from derivatives**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Liabilities from cross-currency interest rate swaps | 18 | 1 |
| Liabilities from forward exchange contracts and currency swaps | 184 | 25 |
| Liabilities from commodity derivatives | 4 | – |
| Liabilities from other derivatives | – | 32 |
| | **206** | **58** |

The decline in liabilities from other derivatives is attributable to the sale of the shares in STEAG. In the previous year, the fair value of the call option that could be exercised by KSBG for the remaining 49 percent of shares in STEAG was recognized here.

## 7.13 Trade accounts payable, other payables

The breakdown of payables at year end was as follows:

**T099 Trade accounts payable, other payables**

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| in € million | Total | thereof non-current | Total | thereof non-current |
| Trade accounts payable | 1,126 | – | 1,089 | – |
| Advance payments received | 17 | – | 5 | – |
| Miscellaneous other payables | 271 | 60 | 319 | 68 |
| Deferred income | 30 | 11 | 39 | 13 |
| | **1,444** | **71** | **1,452** | **81** |

## 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:

### T100 Deferred taxes and other income taxes reported on the balance sheet

| in € million | Dec. 31, 2014 Total | Dec. 31, 2014 thereof non-current | Dec. 31, 2013 Total | Dec. 31, 2013 thereof non-current |
|---|---|---|---|---|
| Deferred tax assets | 1,127 | 978 | 837 | 720 |
| Current income tax assets | 222 | 11 | 201 | 13 |
| Deferred tax liabilities | 449 | 401 | 412 | 368 |
| Other income tax liabilities | 304 | 199 | 306 | 148 |

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 relate to the following balance sheet items:

### T101 Deferred taxes by balance sheet item

| in € million | Deferred tax assets Dec. 31, 2014 | Deferred tax assets Dec. 31, 2013 | Deferred tax liabilities Dec. 31, 2014 | Deferred tax liabilities Dec. 31, 2013 |
|---|---|---|---|---|
| Assets | | | | |
| Intangible assets | 4 | 6 | 127 | 125 |
| Property, plant and equipment, investment property | 63 | 30 | 404 | 394 |
| Financial assets | 602 | 523 | 115 | 43 |
| Inventories | 44 | 35 | 1 | 3 |
| Receivables and other assets | 152 | 149 | 18 | 19 |
| Liabilities | | | | |
| Provisions | 1,159 | 891 | 692 | 595 |
| Payables | 93 | 1 | 31 | 28 |
| Special tax allowance reserves (based on local law) | – | – | 12 | 18 |
| Loss carryforwards | 47 | 71 | – | – |
| Tax credits | 1 | 3 | – | – |
| Other | 1 | 10 | – | 2 |
| **Deferred taxes (gross)** | **2,166** | **1,719** | **1,400** | **1,227** |
| Write-downs | –88 | –67 | – | – |
| Netting | –951 | –815 | –951 | –815 |
| **Deferred taxes (net)** | **1,127** | **837** | **449** | **412** |

No deferred tax assets were recognized on temporary differences of €229 million (2013: €212 million) because it is not probable that there will be sufficient future taxable income to enable them to be realized.

The total taxable temporary differences relating to shares in subsidiaries, associates and joint ventures, for which no deferred taxes were recognized, were €1,419 million. €1,330 million of this amount is only subject to a tax rate of around 1.5 percent, based on Section 8b of the German Corporation Tax Act (KStG). Evonik is in a position to manage the timing of the reversal of temporary differences.

Deferred tax assets of €19 million (2013: €13 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:

**T102 Tax loss carryforwards by expiration date**

| | Corporation taxes (German and foreign) | | Local taxes (German and foreign) | | Tax credits (foreign) | |
|---|---|---|---|---|---|---|
| in € million | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Up to 1 year | – | 30 | – | 1 | – | – |
| More than 1 and up to 5 years | 123 | 94 | – | – | – | – |
| More than 5 and up to 10 years | 1 | 1 | – | – | – | – |
| Unlimited | 265 | 251 | 126 | 125 | 29 | 26 |
| | **389** | **376** | **126** | **126** | **29** | **26** |

# 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.

## 8.1 Cash flow from operating activities

The cash flow from operating activities is calculated using the indirect method. Income before the 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 gross purchase price for the subsidiary consolidated for the first time was €38 million. The entire purchase price comprised a cash outflow. The acquisition included cash and cash equivalents totaling €1 million.

The selling prices for the divestment of business activities amounted to €41 million in total and the full amount was settled in cash and cash equivalents.

In connection with the exit from the lithium-ion business, there was an outflow of cash and cash equivalents amounting to €38 million.

The total gross cash inflow from the divestment of subsidiaries in 2013 was €1,156 million, including €1,129 million from the divestment of Vivawest. The divestment included outflows of cash and cash equivalents totaling €42 million.

The purchase price of €569 million for the sale of the remaining 49 percent interest in STEAG was settled in full.

Further, cash outflows of €15 million (2013: €35 million) were recorded in connection with the divestment of former business areas. This amount was booked as an expense in previous years.

## 8.3 Cash and cash equivalents

The cash and cash equivalents of €921 million (2013: €1,572 million) comprise the liquid assets of the continuing operations and, in the previous year, 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 in 2013 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 earnings power 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.

Effective April 1, 2014, Evonik transferred the energy trading activities and analytical services for internal and external customers from other operations to the Services segment. The prior-year figures have been restated accordingly.

Evonik's segments are outlined below:

### (a) Consumer, Health & Nutrition

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

Ingredients, additives and system solutions for high-quality consumer goods and specific industrial applications are focal areas of this segment. 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 important consumer goods manufacturers. The Consumer, Health & Nutrition segment also produces and markets essential amino acids for animal nutrition. Key success factors are years of technical experience of chemical synthesis and biotechnology, which we regard as key growth drivers for the Evonik Group. Other significant competitive advantages for this segment are its global distribution network and extensive and differentiated service offering. The segment is also a strategic partner for the healthcare industry.

### (b) Resource Efficiency

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions, mainly for the automotive sector and for the paints, coatings and construction industries. It comprises the Inorganic Materials and Coatings & Additives Business Units.

A central feature of the segment is its integrated silicon technology platform. Key customers include the tire, electronics, construction and fiber optics industries. This segment's core competency is the production, design and structuring of the specific surface properties of inorganic particles. Its offering is complemented by fumed specialty oxides, chlorosilanes and organofunctional silanes. It also develops and manufactures a broad spectrum of catalysts in close collaboration with customers. It supplies high-quality additives to the coatings, colorants, adhesives and sealants industry. It also produces high-performance oil additives and additives for hydraulic fluids.

### (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. This segment is composed of the Performance Polymers and Advanced Intermediates Business Units.

The segment produces a wide range of high-performance materials, mainly for the automotive, aviation and electronics industries. At its heart are integrated technology platforms for methylmethacrylate chemistry (MMA) and polyamide 12. In addition, it manufactures materials based on polyetherether ketone (PEEK) and polyimides to meet high-tech mechanical, thermal and chemical requirements. Further success factors for Specialty Materials are advanced chemical processes, which Evonik has developed systematically over decades. This applies in particular for the integrated $C_4$ technology platform, where $C_4$ crack is processed into specialties. Specialty Materials has gained access to new growth markets for hydrogen peroxide thanks to its innovative capability. It also produces alcoholates, which are used as catalysts in the production of biodiesel.

### (d) Services

This segment comprises Site Services and Business Services. It principally provides services for the specialty chemicals business, the Corporate Center, and third parties.

The Site Services unit bundles cross-site infrastructure services, such as the utilities and waste management, logistics and facility management.

Business Services supports 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 includes the Corporate Center, strategic research and development, and 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.

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

**T103 Breakdown of Corporate, other operations, consolidation**

| | Other operations (including discontinued operations) | | Corporate, consolidation, less discontinued operations | | Corporate, other operations, consolidation | |
|---|---|---|---|---|---|---|
| in € million | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| External sales | 115 | 140 | –36 | –60 | 79 | 80 |
| Internal sales | 104 | 112 | –2,198 | –2,339 | –2,094 | –2,227 |
| Total sales | 219 | 252 | –2,234 | –2,399 | –2,015 | –2,147 |
| Adjusted EBITDA | –74 | –131 | –243 | –186 | –317 | –317 |
| Depreciation and amortization | –16 | –22 | –31 | –48 | –47 | –70 |
| Result from investments recognized at equity | 30 | 33 | –13 | –24 | 17 | 9 |
| Adjusted EBIT | –89 | –131 | –277 | –255 | –366 | –386 |
| Capital employed (annual average) | 818 | 694 | 2,341 | 2,325 | 3,159 | 3,019 |
| Capital expenditures | 19 | 50 | 7 | –12 | 26 | 38 |
| Financial investments | 69 | 7 | – | –2 | 69 | 5 |
| Other significant non-cash income and expenses | –66 | –436 | –260 | –56 | –326 | –492 |

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The column headed other operations includes the interest in Vivawest GmbH, Essen (Germany), which is recognized at equity, the lithium-ion business, parts of which have now been divested, and the investment in STEAG, which has now been divested, see Note 5.2. In the column Corporate, consolidation less discontinued operations, an adjustment is made for the lithium-ion business and STEAG. They are not included in the column Corporate, other operations, consolidation because only continuing operations are reported here.



## 9.2 Reporting based on regions

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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 reporting segments take account of consolidation effects relating to the business units within each segment. Intersegment consolidation effects, together with goodwill, hidden reserves and charges relating to former acquisitions of shares in Evonik Degussa 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.

**T104 Reconciliation from the sales of all reporting segments to Group sales**

| in € million | 2014 | 2013 |
|---|---|---|
| **Sales, reporting segments** | **14,932** | **14,855** |
| Sales, other operations | 219 | 252 |
| Corporate, consolidation, less discontinued operations | –2,234 | –2,399 |
| **Sales, corporate, other operations, consolidation** | **–2,015** | **–2,147** |
| **External sales of the Evonik Group** | **12,917** | **12,708** |

External sales by country are segmented by customer location. They comprise:

**T105 External sales by country**

| in € million | 2014 | 2013 |
|---|---|---|
| Germany | 2,814 | 2,883 |
| USA | 2,128 | 2,170 |
| China | 882 | 789 |
| Switzerland | 816 | 770 |
| Netherlands | 505 | 467 |
| UK | 463 | 392 |
| France | 396 | 406 |
| Italy | 371 | 327 |
| Brazil | 327 | 348 |
| Japan | 318 | 339 |
| Other countries | 3,897 | 3,817 |
| **External sales of the Evonik Group** | **12,917** | **12,708** |

Since the start of 2014, the Executive Board of Evonik Industries AG has used adjusted EBITDA as the main parameter to measure operating performance (2013: adjusted EBIT). Adjusted EBITDA is the main earnings parameter that can be influenced by the segment management. It comprises earnings before interest, taxes, depreciation, amortization and impairment losses/reversal of impairment losses; after adjustments.

The reconciliation from the adjusted EBITDA of all reporting segments to income before income taxes from the continuing operations is as follows:

**T106 Reconciliation from adjusted EBITDA of the reporting segments to income before income taxes, continuing operations**

| in € million | 2014 | 2013 |
|---|---|---|
| **Adjusted EBITDA, reporting segments** | **2,184** | **2,312** |
| Adjusted EBITDA, other operations | –74 | –131 |
| Adjusted EBITDA, Corporate | –225 | –238 |
| Consolidation | –9 | 5 |
| Less discontinued operations | –9 | 47 |
| **Adjusted EBITDA, Corporate, other operations, consolidation** | **–317** | **–317** |
| **Adjusted EBITDA** | **1,867** | **1,995** |
| Depreciation, amortization, impairment losses/reversal of impairment losses | –671 | –645 |
| Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments | 42 | 54 |
| **Adjusted EBIT** | **1,238** | **1,404** |
| Adjustments | –178 | –340 |
| Net interest expense | –218 | –255 |
| **Income before income taxes, continuing operations** | **842** | **809** |

Evonik defines non-operating income and expenses that are by nature one-off or rare as adjustments. In 2014 the adjustments amounted to minus €178 million (2013: minus €340 million). They mainly comprised restructuring expenses, principally to optimize administrative structures and for the product portfolio of the Consumer, Health & Nutrition segment. Impairment losses/reversals of impairment losses mainly relate to capitalized expenses for construction in progress for two projects in the Specialty Materials segment that were terminated following a routine review of investment projects. Other adjustments relate, among other things, to expenses in connection with incidents incurred by business partners, and expenses for an increase in provisions relating to the phased early retirement programs to comply with IAS 19 (2011). The prior-year adjustment of minus €340 million mainly comprised restructuring expenses to optimize administrative structures and expenses in connection with the shutdown of production facilities in the Specialty Materials segment.

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.

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The result from investments recognized at equity corresponds to the result for these investments as reported in the income statement; see Note 6.6.

Adjusted EBIT comprises earnings before interest and income taxes, after adjustments. It is used to calculate the internal management parameter return on capital employed (ROCE).

Capital employed comprises the net assets required by the reporting 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.

The return on capital employed (ROCE) is another major internal management parameter used by the Group. ROCE is calculated from the ratio of adjusted EBIT to capital employed. To smooth the closing date effect, 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:

**T107 Breakdown of non-current assets by country**

| in € million | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Germany | 4,319 | 4,307 |
| USA | 1,065 | 885 |
| China | 878 | 797 |
| Singapore | 622 | 370 |
| Belgium | 535 | 466 |
| Other countries | 1,196 | 1,045 |
| **Non-current assets** | **8,615** | **7,870** |

# 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 (LTI) 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 payments with cash settlement. They are valued on the reporting date using a Monte Carlo simulation, which also 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 2010 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 of these tranches runs for five years from January 1 of the year in which it was granted.

Entitlements are based on individually agreed target amounts provided that earnings targets are met (lower threshold). 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 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, 2014, there was a provision of €0.6 million for the tranches for members of the Executive Board for the years 2010 through 2012 (2013: €1.7 million including the 2009 tranche). In keeping with the terms of the plan, regular exercise of the 2009 tranche took place in 2014 (€0.8 million).

**T108 LTI Plan for Executive Board Members—Tranches 2010 through 2012**

| | | 2012 tranche | 2011 tranche | 2010 tranche |
|---|---|---|---|---|
| Grant date | Date | Dec. 18, 2012 | Sept. 30, 2011 | Aug. 31, 2010 |
| Performance period | from – to | Jan. 1, 2012 – Dec. 31, 2016 | Jan. 1, 2011 – Dec. 31, 2015 | Jan. 1, 2010 – Dec. 31, 2014 |
| Expense (+)/income (–) for the period | in € '000 | –67 | –141 | –12 |
| Carrying amount of provision | in € '000 | 74 | 128 | 418 |

The 2010 tranche of the Evonik LTI Plan for Executive Board members was vested as of December 31, 2014. The intrinsic value of this tranche was €0.4 million at year end.

### (b) Evonik LTI PLan for executives—2012 tranche

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.

G See glossary p. 275

Entitlements are based on individually agreed target amounts provided that earnings targets are met (lower threshold). LTI payments are calculated in the year following the end of the performance period, when the necessary indicators are available. Payments are capped at double 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 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, 2014, there was a provision of €1.1 million for the 2012 tranche (2013: €6.7 million including the 2011 tranche). In keeping with the terms of the plan, regular exercise of the 2011 tranche took place in 2014 (€3.1 million).

**T109 LTI Plan for executives—2012 tranche**

| | | 2012 tranche |
|---|---|---|
| Grant date | Date | Dec. 19, 2012 |
| Performance period | from – to | May 1, 2014 – Apr. 30, 2015 |
| Expense (+)/income (–) for the period | in € '000 | –1,945 |
| Carrying amount of provision | in € '000 | 1,110 |



### (c) Evonik LTI Plan for Executive Board members and other executives—2013 and 2014 tranches

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 2010 through 2012. Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals Index[SM].

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 average 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 is above 130 percentage points, the relative performance factor is set at 130.

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, were 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 applied for executives. As of December 31, 2014, there was a provision of €9.1 million (2013: €4.7 million) for the LTI Plans for 2013 and 2014.

**T110 LTI Plan for Executive Board members—Tranches 2013 and 2014**

| | | 2014 tranche | 2013 tranche |
|---|---|---|---|
| Grant date | Date | Apr. 14, 2014 | Aug. 14, 2013 |
| Virtual shares granted | No. | 140,145 | 153,123 |
| Virtual shares forfeited | No. | – | 51,760 |
| Virtual shares as of December 31, 2014 | No. | 140,145 | 101,363 |
| Performance period | from–to | Jan. 1, 2014–Dec. 31, 2017 | Jan. 1, 2013–Dec. 31, 2016 |
| Expense (+)/income (–) for the period | in € '000 | 693 | 370 |
| Carrying amount of provision | in € '000 | 693 | 978 |

**T111 LTI Plan for executives—Tranches 2013 and 2014**

| | | 2014 tranche | 2013 tranche |
|---|---|---|---|
| Grant date | Date | Apr. 11, 2014 | Aug. 27, 2013 |
| Virtual shares granted | No. | 420,178 | 395,422 |
| Virtual shares forfeited | No. | 6,329 | 9,145 |
| Virtual shares as of December 31, 2014 | No. | 413,849 | 386,277 |
| Performance period | from–to | Jan. 1, 2014–Dec. 31, 2017 | Jan. 1, 2013–Dec. 31, 2016 |
| Expense (+)/income (–) for the period | in € '000 | 2,135 | 1,432 |
| Carrying amount of provision | in € '000 | 2,047 | 5,338 |

As of December 31, 2014, total provisions for share-based payment amounted to €10.8 million (2013: €13.0 million). In 2014, total expense including expense for share-based payment, including the 2011 tranche, was €2.1 million (2013: €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 rules 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 financial position, IFRS 7 requires disclosure of the gross and net amounts of recognized financial instruments that are set off in the balance sheet. Amounts subject to a legally enforceable master netting arrangement or similar agreement but which are not set off in the balance sheet also have to be disclosed. These include financial instruments that do not fully meet the stringent netting requirements of IAS 32.42 and amounts relating to financial collateral.

The following financial assets and financial liabilities fulfill these criteria:

**T112 Offsetting rights for financial assets**

| | Netting of financial assets | | | Affected by enforceable master netting arrangements or similar arrangements | | |
|---|---|---|---|---|---|---|
| in € million | Gross amounts of recognized financial assets | Amounts set off in accordance with IAS 32 | Net amounts presented on the balance sheet | Receivables that do not fully meet the offsetting criteria | Amounts related to financial collateral | Net amount |
| Dec. 31, 2014 | | | | | | |
| Receivables from derivatives | 1 | – | 1 | 1 | – | – |
| Trade accounts receivable | 311 | 30 | 281 | – | – | 281 |
| | **312** | **30** | **282** | **1** | **–** | **281** |
| | | | | | | |
| Dec. 31, 2013 | | | | | | |
| Receivables from derivatives | – | – | – | – | – | – |
| Trade accounts receivable | 517 | 124 | 393 | – | – | 393 |
| | **517** | **124** | **393** | **–** | **–** | **393** |

## T113 Offsetting rights for financial liabilities

| in € million | Netting of financial liabilities | | | Affected by enforceable master netting arrangements or similar arrangements | | |
|---|---|---|---|---|---|---|
| | Gross amounts of recognized financial liabilities | Amounts set off in accordance with IAS 32 | Net amounts presented on the balance sheet | Liabilities that do not fully meet the offsetting criteria | Amounts related to financial collateral | Net amount |
| Dec. 31, 2014 | | | | | | |
| Liabilities from derivatives | 2 | – | 2 | 1 | – | 1 |
| Trade accounts payable | 222 | 91 | 131 | – | – | 131 |
| | **224** | **91** | **133** | **1** | **–** | **132** |
| | | | | | | |
| Dec. 31, 2013 | | | | | | |
| Liabilities from derivatives | 3 | – | 3 | 1 | – | 2 |
| Trade accounts payable | 251 | 124 | 127 | – | – | 127 |
| | **254** | **124** | **130** | **1** | **–** | **129** |

The amounts disclosed for trade accounts receivable and payable result from credit notes granted and received that were 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.

## T114 Net result by valuation category 2014

| in € million | Net result by valuation category | | | | | 2014 |
|---|---|---|---|---|---|---|
| | Available-for-sale assets | Loans and receivables | Assets held for trading | Liabilities held for trading | Liabilities at amortized cost | |
| Proceeds from disposals | – | – | – | – | – | – |
| Income from derivatives | – | – | 239 | –260 | – | –21 |
| Impairment losses/reversals of impairment losses | –2 | –14 | – | – | – | –16 |
| Net interest expense | 1 | 4 | 6 | –19 | –85 | –93 |
| | **–1** | **–10** | **245** | **–279** | **–85** | **–130** |

**T115 Net result 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 derivatives | – | – | 291 | –277 | – | 14 |
| Impairment losses/reversals of impairment losses | – | –7 | – | – | – | –7 |
| Net interest expense | 4 | 10 | 2 | –7 | –126 | –117 |
| | **14** | **3** | **293** | **–284** | **–126** | **–100** |

Income from 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 €5 million (2013: €14 million), while the corresponding interest expense was €85 million (2013: €126 million). As in 2013, 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 that fall 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 of each class broken down to the IAS 39 valuation categories. Assets and liabilities not allocated to any category are shown in a separate column. The total carrying amount per class or balance sheet item is then compared to the fair value.

## T116 Carrying amounts and fair values of financial assets as of December 31, 2014

| | Carrying amount by valuation category | | | | Dec. 31, 2014 | |
|---|---|---|---|---|---|---|
| in € million | Available-for-sale assets | Loans and receivables | Assets held for trading | Not allocated to any category | Carrying amount | Fair value |
| **Financial assets** | **456** | **41** | **19** | **16** | **532** | **532** |
| Other investments | 64 | – | – | – | 64 | 64 |
| Loans | – | 12 | – | – | 12 | 12 |
| Securities and similar claims | 392 | – | – | – | 392 | 392 |
| Receivables from finance leases | – | – | – | – | – | – |
| Receivables from derivatives | – | – | 19 | 16 | 35 | 35 |
| Other financial assets | – | 29 | – | – | 29 | 29 |
| **Trade accounts receivable** | **–** | **1,720** | **–** | **–** | **1,720** | **1,720** |
| **Cash and cash equivalents** | **–** | **921** | **–** | **–** | **921** | **921** |
| | **456** | **2,682** | **19** | **16** | **3,173** | **3,173** |

## T117 Carrying amounts and fair values of financial assets as of December 31, 2013

| | Carrying amount by valuation category | | | | Dec. 31, 2013 | |
|---|---|---|---|---|---|---|
| in € million | Available-for-sale assets | Loans and receivables | Assets held for trading | Not allocated to any category | Carrying amount | Fair value |
| **Financial assets** | **648** | **56** | **152** | **42** | **898** | **898** |
| 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 | – | 21 | – | – | 21 | 21 |
| **Trade accounts receivable** | **–** | **1,626** | **–** | **–** | **1,626** | **1,626** |
| **Cash and cash equivalents** | **–** | **1,527** | **–** | **–** | **1,527** | **1,527** |
| | **648** | **3,209** | **152** | **42** | **4,051** | **4,051** |

## T118 Carrying amounts and fair values of financial liabilities as of December 31, 2014

| | Carrying amount by valuation category | | | Dec. 31, 2014 | |
|---|---|---|---|---|---|
| in € million | Liabilities held for trading | Liabilities at amortized cost | Not allocated to any category | Carrying amount | Fair value |
| **Financial liabilities** | **36** | **928** | **171** | **1,135** | **1,171** |
| Bonds | – | 496 | – | 496 | 529 |
| Liabilities to banks | – | 406 | – | 406 | 409 |
| Loans from non-banks | – | 7 | – | 7 | 7 |
| Liabilities from finance leases | – | – | 1 | 1 | 1 |
| Liabilities from derivatives | 36 | – | 170 | 206 | 206 |
| Other financial liabilities | – | 19 | – | 19 | 19 |
| **Trade accounts payable** | **–** | **1,126** | **–** | **1,126** | **1,126** |
| | **36** | **2,054** | **171** | **2,261** | **2,297** |

## T119 Carrying amounts and fair values of financial liabilities as of December 31, 2013

| | Carrying amount by valuation category | | | Dec. 31, 2013 | |
|---|---|---|---|---|---|
| in € million | Liabilities held for trading | Liabilities at amortized cost | Not allocated to any category | Carrying amount | Fair value |
| **Financial liabilities** | **53** | **1,602** | **9** | **1,664** | **1,714** |
| 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 | 53 | – | 5 | 58 | 58 |
| Other financial liabilities | – | 15 | – | 15 | 15 |
| **Trade accounts payable** | **–** | **1,089** | **–** | **1,089** | **1,089** |
| | **53** | **2,691** | **9** | **2,753** | **2,803** |

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.

## Financial instruments recognized at fair value

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

**T120 Allocation of the fair values of financial instruments to the fair value hierarchy as of December 31, 2014**

| in € million | Fair value based on: Publicly quoted market prices (Level 1) | Directly observable market-related prices (Level 2) | Individual valuation parameters (Level 3) | Dec. 31, 2014 |
|---|---|---|---|---|
| **Financial assets** | **445** | **35** | **–** | **480** |
| Other investments | 53 | – | – | 53 |
| Securities and similar claims | 392 | – | – | 392 |
| Receivables from derivatives | – | 35 | – | 35 |
| **Financial liabilities** | **–** | **–206** | **–** | **–206** |
| Liabilities from derivatives | – | –206 | – | –206 |

**T121 Allocation of the fair values of financial instruments to the fair value hierarchy as of December 31, 2013**

| in € million | Fair value based on: Publicly quoted market prices (Level 1) | Directly observable market-related prices (Level 2) | Individual valuation parameters (Level 3) | Dec. 31, 2013 |
|---|---|---|---|---|
| **Financial assets** | **641** | **81** | **113** | **835** |
| Other investments | – | – | – | – |
| Securities and similar claims | 641 | – | – | 641 |
| Receivables from derivatives | – | 81 | 113 | 194 |
| **Financial liabilities** | **–** | **–26** | **–32** | **–58** |
| Liabilities from derivatives | – | –26 | –32 | –58 |

The financial instruments allocated to Level 1 are recognized at their present stock market price. They comprise all securities and the investment in Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany).

Level 2 derivatives comprise currency, interest rate and commodity derivatives whose fair value is determined using discounted cash flow methods on the basis of the exchange rates of the European Central Bank, observed interest rate structure curves and observed commodity price quotes, and credit default premiums.

The fair values shown for 2013 under Level 3 resulted from the valuation of the put option and the call option for the remaining 49 percent stake in STEAG, which ended in fiscal 2014. These options were measured using a binomial model. The central factors influencing the valuation were the formula-based option strike price and an estimate of the fair value of 49 percent of the shares in STEAG.

The development of assets and liabilities recognized at fair value on the basis of individual valuation parameters is shown in the following table:

**T122 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, 2013** | **97** | **–64** | **33** |
| Gains or losses in the reporting period | – | – | – |
| Other operating income | – | 1 | 1 |
| Other operating expenses | – | –1 | –1 |
| Income after taxes, discontinued operations | 16 | 32 | 48 |
| **As of December 31, 2013** | **113** | **–32** | **81** |
| Income after taxes, discontinued operations | –113 | 32 | –81 |
| **As of December 31, 2014** | **–** | **–** | **–** |

No derivatives were reclassified to other levels in the fair value hierarchy in the reporting period.

### Fair value of financial instruments recognized at amortized cost

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

The other investments recognized at amortized cost on the balance sheet comprise investments in equity instruments for which there is no quoted price in an active market and whose fair values cannot be determined reliably in accordance with one of the three levels of the fair value hierarchy. In this case, the fair value is assumed to be equal to the amortized cost.

### Notional value of derivatives

G See glossary p. 276

The notional value of interest rate *swaps* is the principal on which the swap agreement is based, while the notional value of the cross-currency interest rate swaps, forward exchange contracts and currency swaps is the hedged foreign exchange amount converted into euros. The notional value of the commodity derivatives is the hedged procurement cost translated into euros.

**T123 Notional value of derivative financial instruments**

| in € million | Dec. 31, 2014 Total | thereof current | thereof non-current | Dec. 31, 2013 Total | thereof current | thereof non-current |
|---|---|---|---|---|---|---|
| Cross-currency interest rate swaps | 390 | 31 | 359 | 231 | – | 231 |
| Forward exchange contracts and currency swaps | 4,462 | 4,135 | 327 | 3,883 | 3,671 | 212 |
| Commodity derivatives | 26 | 15 | 11 | 16 | 12 | 4 |
| | **4,878** | **4,181** | **697** | **4,130** | **3,683** | **447** |

## Hedge accounting

Hedge accounting was applied for the following major transactions in 2014:

### (a) Cash flow hedges

As of the balance sheet date, forward exchange contracts and currency swaps were used to hedge forecast foreign currency sales amounting to around €1,600 million (2013: €1,225 million) up to March 2016 against exchange rate movements. These hedging instruments had a negative fair value of €96 million (2013: positive fair value of €36 million). At year-end 2014, losses of €96 million (2013: gains of 47 million) were recognized in the hedge reserve.

In the Evonik Group, the currency risk arising from intragroup foreign currency loans is hedged against the functional currency of the relevant Group company through cross-currency interest rate swaps, forward exchange contracts and currency swaps. The notional value of these cash flow hedges on the reporting date was €1,065 million (2013: €100 million). The designated hedges had a negative fair value of €52 million (2013: close to zero). The hedge reserve is €11 million (2013: minus €1 million).

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 2014, a negative fair value of €11 million was recognized in the hedge reserve for this transaction (2013: negative fair value of €14 million).

As of year-end 2014 commodity swaps with a negative fair value of €4 million (2013: positive fair value of €1 million) were used to hedge forecast purchases of raw materials against price fluctuations up to 2016. Minus 4 million was recognized in the hedge reserve for these swaps in 2014 (2013: €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. As in 2013, income of €1 million was recognized for the ineffective portion of the valuation of cash flow hedges.

### (b) 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, 2014, the notional value of the hedges was £65 million, as in the previous year. At year-end 2014, the outstanding hedging contracts had a negative fair value of €1 million (2013: close to zero). Between the start of hedging in March 2010 and year-end 2014, total of expenses of €12 million (2013: €7 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 on both the value of the company and profitability in order to check 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 a 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 interest rate 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) can be optimized through use of EUA-CER swaps and EUA or CER futures.

G See glossary p. 276

### (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 risk 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 2014, 85 percent (2013: 96 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, 2014.

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 2014 were 2.6 percent for the USD (2013: 2.0 percent) and 2.7 percent for the CNY/CNH (2013: 6.3 percent). The results of these scenarios were as follows:



**T124 US dollar sensitivity analysis**

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| in € million | Impact on income | Impact on equity | Impact on income | Impact on equity |
| +5% | 3 | –51 | –45 | –42 |
| –5% | –3 | 51 | 45 | 42 |
| +10% | 5 | –103 | –90 | –84 |
| –10% | –5 | 103 | 90 | 84 |

**T125 CNY/CNH sensitivity analysis**

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| in € million | Impact on income | Impact on equity | Impact on income | Impact on equity |
| +5% | –1 | –9 | – | –3 |
| –5% | 1 | 9 | – | 3 |
| +10% | –1 | –17 | –1 | –7 |
| –10% | 1 | 17 | 1 | 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:

**T126 EUR interest rate sensitivity analysis**

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| in € million | Impact on income | Impact on equity | Impact on income | Impact on equity |
| + 50 basis points | 2 | – | 3 | –1 |
| – 50 basis points | –2 | – | –3 | 1 |
| + 100 basis points | 4 | 1 | 6 | –1 |
| – 100 basis points | –4 | –1 | –7 | 1 |
| + 150 basis points | 6 | 1 | 10 | –2 |
| – 150 basis points | –7 | –1 | –10 | 2 |

Commodity risks resulted from changes in the market prices for the purchase and sale of raw materials, electricity and gas. 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.

G See glossary p. 276

Financial derivatives were also used on a small scale to hedge procurement price risks. If the price of natural gas had been 10 percent higher or lower, 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 + €2 million or – €2 million at year-end 2014 (2013: + €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 stake in STEAG were agreed with KSBG. The purpose of these options was to hedge the purchase price against the risk of a change in the fair value of the 49 percent stake in STEAG, while guaranteeing flexibility with regard to the future date of sale. KSBG exercised the call option in September 2014, so the put option lapsed. As of December 31, 2013 the net value of the options was calculated as €81 million.

### (b) Liquidity risk

Liquidity risk is managed through business planning to ensure that 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 €921 million and investments of €387 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 divided into two tranches of €875 million each. The option to extend their term by one year has now been used and they now run until September 2017 and 2019 respectively. This credit facility does not contain any covenants requiring Evonik to meet specific financial ratios and was not drawn at any time in fiscal 2014.

Further, as of December 31, 2014, various unused credit lines totaling €327 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 agreed dates for interest and redemption payments.

**T127 Remaining maturity of non-derivative financial instruments 2014**

| | Payments due in | | | | Dec. 31, 2014 |
|---|---|---|---|---|---|
| in € million | up to 1 year | more than 1 and up to 3 years | more than 3 and up to 5 years | more than 5 years | |
| **Financial liabilities** | **320** | **94** | **45** | **559** | **1,018** |
| Bonds | 9 | 19 | 19 | 509 | 556 |
| Liabilities to banks | 291 | 72 | 24 | 48 | 435 |
| Loans from non-banks | 7 | – | – | – | 7 |
| Liabilities from finance leases | – | 1 | – | – | 1 |
| Other financial liabilities | 13 | 2 | 2 | 2 | 19 |
| **Trade accounts payable** | **1,126** | **–** | **–** | **–** | **1,126** |

**T128 Remaining maturity of non-derivative financial instruments 2013**

| | Payments due in | | | | Dec. 31, 2013 |
|---|---|---|---|---|---|
| in € million | up to 1 year | more than 1 and up to 3 years | more than 3 and up to 5 years | more than 5 years | |
| **Financial liabilities** | **1,074** | **99** | **39** | **550** | **1,762** |
| Bonds | 812 | 19 | 19 | 519 | 1,369 |
| Liabilities to banks | 228 | 78 | 19 | 31 | 356 |
| Loans from non-banks | 18 | – | – | – | 18 |
| Liabilities from finance leases | 2 | 1 | 1 | – | 4 |
| Other financial liabilities | 14 | 1 | – | – | 15 |
| **Trade accounts payable** | **1,089** | **–** | **–** | **–** | **1,089** |

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. The put and call options for the 49 percent interest in STEAG, which was divested in 2014, are no longer included for fiscal 2014. Since netting was not agreed for forward exchange contracts, currency swaps and cross-currency interest rate *swaps*, they are presented as gross amounts:

G See glossary p. 276

**T129 Remaining maturity of derivative financial instruments 2014**

| in € million | Payments due in up to 1 year | Payments due in more than 1 and up to 3 years | Payments due in more than 3 years | Dec. 31, 2014 |
|---|---|---|---|---|
| **Receivables from derivatives** | **23** | **–4** | **–** | **19** |
| Cross-currency interest rate swaps | –5 | –5 | – | –10 |
| Cash inflows | 26 | 63 | – | 89 |
| Cash outflows | –31 | –68 | – | –99 |
| Forward exchange contracts and currency swaps | 28 | 1 | – | 29 |
| Cash inflows | 1,141 | 28 | – | 1,169 |
| Cash outflows | –1,113 | –27 | – | –1,140 |
| Commodity derivatives | – | – | – | – |
| **Liabilities from derivatives** | **–198** | **–36** | **–33** | **–267** |
| Cross-currency interest rate swaps | –7 | –24 | –33 | –64 |
| Cash inflows | 19 | 28 | 262 | 309 |
| Cash outflows | –26 | –52 | –295 | –373 |
| Forward exchange contracts and currency swaps | –188 | –11 | – | –199 |
| Cash inflows | 2,832 | 286 | 1 | 3,119 |
| Cash outflows | –3,020 | –297 | –1 | –3,318 |
| Commodity derivatives | –3 | –1 | – | –4 |

**T130 Remaining maturity of derivative financial instruments 2013**

| in € million | Payments due in up to 1 year | more than 1and up to 3 years | more than 3 years | Dec. 31, 2013 |
|---|---|---|---|---|
| **Receivables from derivatives** | **62** | **–** | **–2** | **60** |
| Cross-currency interest rate swaps | –5 | –3 | –2 | –10 |
| Cash inflows | 3 | 44 | 170 | 217 |
| Cash outflows | –8 | –47 | –172 | –227 |
| Forward exchange contracts and currency swaps | 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** |
| Cross-currency interest rate swaps | –1 | –2 | –2 | –5 |
| Cash inflows | – | 2 | 51 | 53 |
| Cash outflows | –1 | –4 | –53 | –58 |
| Forward exchange contracts and currency swaps | –29 | – | – | –29 |
| Cash inflows | 1,500 | 79 | – | 1,579 |
| Cash outflows | –1,529 | –79 | – | –1,608 |
| Commodity derivatives | – | – | – | – |

Receivables from cross-currency interest rate 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.

G See glossary p. 276

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 equity prices (where available) is analyzed. Country limits are set for the money and capital markets to ensure diversification of country risks.

Credit 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 the 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, 2014, related parties with which the Group maintains business relationships included RAG-Stiftung, Essen (Germany), due to its controlling interest, and Gabriel Acquisitions GmbH (Gabriel Acquisitions), Gadebusch (Germany) as it can still exercise a significant influence as a shareholder of Evonik Industries AG by appointing a representative to the Supervisory Board of Evonik Industries AG. Further related parties comprise fellow subsidiaries of Evonik owned by RAG-Stiftung and associates 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, 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 companies are shown in the table:

**T131 Business relations with related parties**

| | RAG-Stiftung | | Fellow subsidiaries | | Joint ventures | | Associates | |
|---|---|---|---|---|---|---|---|---|
| in € million | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Goods and services supplied | – | 12 | 2 | 4 | 32 | 100 | 9 | 16 |
| Goods and services received | – | – | –66 | –46 | – | –1 | –2 | –29 |
| Other income | – | 630 | – | 195 | – | – | 6 | – |
| Receivables as of December 31 | – | – | – | – | 3 | 6 | 1 | 2 |
| Liabilities as of December 31 | – | – | – | – | – | – | – | –2 |
| Contingent liabilities as of December 31 | – | – | – | – | 33 | – | 2 | – |

The dividend for fiscal 2013 was paid following the adoption of the resolution by the Annual Shareholders' Meeting on May 20, 2014. RAG-Stiftung received €316 million, Gabriel Acquisitions GmbH received €64 million, and The Gabriel Finance Limited Partnership, St. Helier (Jersey) received €20 million.

The decline in goods and services supplied to joint ventures is attributable to the divestment of the real estate activities.

The other income reported in 2013 mainly related to the divestment of the real estate activities to RAG-Stiftung and RAG AG.

The receivables mainly resulted from trade relations while the liabilities mainly referred to financial relations.

The contingent liabilities of €33 million relating to a joint venture in 2014 result from a guarantee granted to secure a loan for the joint venture Saudi Acrylic Polymers Company, Ltd., see Note 10.4.

See p. 256

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:

**T132 Remuneration paid to related parties**

| | Executive Board of Evonik Industries AG | | Supervisory Board of Evonik Industries AG | | Other management members | |
|---|---|---|---|---|---|---|
| in € '000 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Short-term remuneration | 7,472 | 17,226 | 2,816 | 2,798 | 4,317 | 4,913 |
| Share-based payments | 850 | 3,464 | – | – | 121 | 1,136 |
| Current service cost for pension and other post-employment benefits | 1,526 | 1,152 | – | – | 493 | 516 |
| 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 payments comprise expenses incurred in 2014 for the LTI Plan 2009 through 2014.

The present value of pension obligations (defined benefit obligations) was €29,773 thousand (2013: €16,414 thousand) for the Executive Board, and €10,672 thousand (2013: €7,286 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 2014, business relations with the Evonik Group amounting to €2 million (2013: €4 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:

**T133 Guarantee and warranty obligations**

| in € million | 2014 | 2013 |
|---|---|---|
| Obligations from bills of exchange | 8 | – |
| Guarantee obligations | 35 | 3 |
| Obligations under warranties and indemnity guarantees | 21 | 13 |
| | **56** | **16** |

See p. 254 f.

The increase in guarantee obligations results from a guarantee to secure a loan for the joint venture Saudi Acrylic Polymers Company, Ltd., see Note 10.3.

The obligations under warranties and indemnity guarantees contain obligations of €10 million that expire in the period up to December 31, 2017. In virtually all agreements, the level of possible claims and the duration of the indemnities and obligations entered into are limited.

There were no contingent receivables as of December 31, 2014.

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:

**T134 Maturity structure of future minimum lease payments (lessee; operating leases)**

| in € million | 2014 | 2013 |
|---|---|---|
| Due within 1 year | 78 | 72 |
| Due in more than 1 and up to 5 years | 211 | 217 |
| Due in more than 5 years | 179 | 193 |
| | **468** | **482** |

The leased assets mainly comprise land and buildings, plant and equipment, and other plant, office furniture and equipment.

Total payments of €108 million (2013: €105 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 (2013: €2 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 17.93 percent of the shares in Evonik Industries AG at year-end 2014 (2013: 17.93 percent) jointly with Gabriel Holding through three intermediate companies (Gabriel Investments, Gabriel Acquisitions, and The Gabriel Finance Limited Partnership).

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 0.31 percent (2013: 0.36 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

In January 2015 Evonik Industries AG issued a bond with a nominal value of €750 million, which matures in 2023. The coupon on this bond is 1.0 percent and the issue price was 99.337 percent.

# 11. Disclosures in compliance with German legislation

## 11.1 Information on shareholdings pursuant to Section 313 Paragraph 2 of the German Commercial Code (HGB)

See p. 181 ff.

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 (HGB) on exemption from disclosure of annual financial statements and the preparation of notes to their financial statements and a management report.

## 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:

**T135 Personnel expense**

| in € million | 2014 | 2013 |
|---|---|---|
| Wages and salaries | 2,222 | 2,306 |
| Social security contributions | 336 | 316 |
| Pension expenses | 192 | 203 |
| Other personnel expense | 21 | 23 |
| | **2,771** | **2,848** |

Wages and salaries also include expenses related to restructuring.

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. 199

The table shows the annual average headcount for the continuing operations:

**T136 Headcount (annual average)**

| Employees | 2014 | 2013 |
|---|---|---|
| Consumer, Health & Nutrition | 7,111 | 7,008 |
| Resource Efficiency | 5,890 | 5,847 |
| Specialty Materials | 6,296 | 6,253 |
| Services | 12,404 | 11,870 |
| Corporate, other operations | 1,401 | 1,494 |
| | **33,102** | **32,472** |

## 11.3 Remuneration of the Executive Board and Supervisory Board pursuant to Section 314 Paragraph 1 No. 6 of the German Commercial Code (HGB)

The total remuneration paid to the members of the Executive Board Evonik Industries AG for their work in 2014 was €10,644 thousand (2013: €25,997 thousand, including remuneration of €12,039 thousand paid to the former Executive Board members Dr. Colberg, Dr. Haeberle and Dr. Yu). The figure for 2014 includes bonus payments of €339 thousand for the previous year, for which no provision was established in 2013.

Further details, including an individual breakdown of remuneration, can be found in the remuneration report in the combined management report.

See p. 132

Total remuneration of former members of the Executive Board and their surviving dependents was €1,374 thousand in 2014 (2013: €1,154 thousand).

As of the balance sheet date, the present value of pension obligations (defined benefit obligations) for former members of the Executive Board and their surviving dependents amounted to €43,816 thousand (2013: €37,707 thousand).

The remuneration of the Supervisory Board for 2014 totaled €2,816 thousand (2013: €2,798 thousand).

## 11.4 Auditors' 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 PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf (Germany). The fees for services provided by the PwC Group in Germany were as follows:

**T137 Auditor's fees**

| in € million | 2014 | 2013 |
|---|---|---|
| Auditing of annual financial statements | 3.6 | 3.6 |
| Other audit-related services | 1.7 | 2.5 |
| Tax consultation services | 1.4 | 1.3 |
| Other services | 0.7 | 1.4 |
| | **7.4** | **8.8** |

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 and other business-related issues.

## 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 19, 2015

**Evonik Industries AG**
**The Executive Board**

Dr. Engel Kullmann Wessel Wohlhauser Wolf

# SUPPLEMENTARY INFORMATION

# 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, 2014.

## 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, 2014 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, 2014. 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 20, 2015

**PricewaterhouseCoopers**
**Aktiengesellschaft**
**Wirtschaftsprüfungsgesellschaft**

Lutz Granderath
(German Public Auditor)

Antje Schlotter
(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) Borussia Dortmund GmbH & Co. KGaA
(since November 24, 2014)
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) BASF SE
K+S AG
RAG Aktiengesellschaft (since June 16, 2014)
RAG Deutsche Steinkohle AG
(since June 16, 2014)
STEAG GmbH
b) 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

**Prof. Barbara Albert**
(since July 1, 2014)
Professor of Solid State Chemistry at the Eduard-Zintl-Institute of Inorganic and Physical Chemistry of the Technical University Darmstadt

**Karin Erhard, Hanover**
Board Secretary of the Pay-Scale/Finances Division 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) (until March 13, 2014)
TAKKT AG (Chair)
b) JetBlue Airways Corporation, New York (USA)

**Prof. Barbara Grunewald, Bonn**
Chair for Civil 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 Technische Universität München
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
(until September 5, 2014)
Sigma Group Holdings S.à r.l., Luxembourg

**Frank Löllgen, Cologne**
(since May 1, 2014)
Regional Director North Rhine of the Mining, Chemical and Energy Industrial Union (IG BCE)
b) Abbott Management GmbH

**Dr. Siegfried Luther, Gütersloh**
Former CFO of Bertelsmann AG
a) Schaeffler AG
Sparkasse Gütersloh

**Jürgen Nöding, Duisburg**
Chairman of the Works Council
of the jointly operated site Essen Campus
a) Evonik Services GmbH (until July 31, 2014)

**Norbert Pohlmann, Essen**
Chairman of the Works Council
for the Goldschmidtstraße facilities
a) BKK Novitas

**Dr. Wilfried Robers, Gescher**
Chairman of the Group Executive Staff Council
of Evonik Industries AG
a) Pensionskasse Degussa VVaG

**Michael Rüdiger, Utting am Ammersee**
Chief Executive Officer
of DekaBank Deutsche Girozentrale
a) Deka Immobilien GmbH
Deka Immobilien Investment GmbH
(until December 31, 2014)
Deka Investment GmbH
(since December 12, 2014, also Chair)
Gesellschaft für Mittelstandskreditfonds
der Sparkassen-Finanzgruppe mbH
(until September 30, 2014)
Landesbank Berlin Investment GmbH
(since December 3, 2014, also Chair)
Liquiditäts-Konsortialbank GmbH (Chair)
WestInvest Gesellschaft für
Investmentfonds GmbH
(until December 31, 2014)
b) DekaBank Deutsche Girozentrale
Luxembourg S.A., Luxembourg

**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 Industries
a) Citigroup Global Markets Deutschland AG
Solar Tower Technologies AG
b) CERONA Companhia de Energia Renovável,
São Paulo (Brazil)
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
(until September 5, 2014)
Sigma Group Holdings S.à r.l., Luxembourg

## The following gentlemen left the Supervisory Board of Evonik Industries in 2014:

**Dr. Peter Bettermann, Weinheim**
(until June 30, 2014)
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

**Ralf Giesen, Hanover**
(until April 30, 2014)
Union Secretary of the Mining, Chemical
and Energy Industrial Union (IG BCE)
a) Altana AG (until April 30, 2014)

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 Corporation Act (AktG).

## Executive Board of Evonik Industries AG

**Dr. Klaus Engel, Mülheim an der Ruhr**
Chairman of the Executive Board
a) NATIONAL-BANK AG
STEAG GmbH (until August 19, 2014)
b) Borussia Dortmund Geschäftsführungs-GmbH
Universitätsklinikum Essen
(until December 31, 2014)

**Christian Kullmann, Hamminkeln**
Chief Strategic Officer
(since July 1, 2014)
a) Borussia Dortmund GmbH & Co. KGaA

**Thomas Wessel, Herten**
Chief Human Resources Officer
Responsible for Technology & Infrastructure
a) Evonik Services GmbH (until July 31, 2014)
Pensionskasse Degussa VVaG
Vivawest GmbH
Vivawest Wohnen GmbH
b) Gesellschaft zur Sicherung von
Bergmannswohnungen mbH

**Patrik Wohlhauser, Kelkeim**
Responsible for the Nutrition & Care,
Resource Efficiency and
Performance Materials segments
b) Evonik Degussa Brasil Ltda. (until July 1, 2014)
Jungbunzlauer Holding AG, Basel (Switzerland)
(since September 15, 2014)

**Ute Wolf, Düsseldorf**
Chief Financial Officer
a) Evonik Services GmbH (Chair)
(until July 31, 2014)
Pensionskasse Degussa VVaG
STEAG GmbH (until August 19, 2014)
b) Advanced Metallurgical Group N.V.,
Amsterdam (Netherlands)

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 Corporation Act (AktG).

# Market positions

## T138 Market positions 2014 [a]

| Product | Application | Global ranking [b] | Capacity in metric tons p.a. |
|---|---|---|---|
| **Consumer Specialties** | | | |
| Amphoteric surfactants | Shampoos, shower gels | 1 | [e] |
| Ceramides, phytosphingosines | Cosmetics | 1 | [e] |
| Fat chemistry, quaternary derivatives | Fabric softeners | 1 | [e] |
| Organically modified silicones | Additives for polyurethane foams, cosmetics, radiation-cured separation coatings | 1–2 | [e] |
| Superabsorbents | Diapers, feminine hygiene products, incontinence products, technical applications | 1–2 | 570,000 |
| **Health & Nutrition** | | | |
| Amino acids and amino acid derivatives | Pharmaceutical intermediates and infusion solutions | 3 | [e] |
| Exclusive synthesis | Intermediates and active substances for pharmaceuticals and specialty applications | 3 | [e] |
| Pharmaceutical polymers | Drug delivery systems (e.g. tablet coatings), and medical devices (e.g. bioresorbable implants) | 2 | [e] |
| DL-methionine | Animal nutrition | 1 | 430,000 |
| **Inorganic Materials** | | | |
| 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 | 600,000 |
| Organosilanes, chlorosilanes | Rubber, silicone rubber, paints and coatings, adhesives and sealants, building protection materials, pharmaceuticals, cosmetics, optical fibers | 1 [c] | [e] |
| Activated nickel catalysts | Life sciences and fine chemicals | 3 | [e] |
| Precious metal powder catalysts | Life sciences and fine chemicals | 1 | [e] |
| **Coatings & Additives** | | | |
| Isophorone chemistry | Environment-friendly coating systems, high-peformance composites (crosslinkers) | 1 | [e] |
| Organically modified silicones | Binders for paints and printing inks | 2 | [e] |
| Amorphous polyalphaolefins | Thermoplastic hot melt adhesives | 1 | [e] |
| Polybutadienes | Automotive manufacturing (adhesives and sealants) | 2 | [e] |
| Polyester resins | Can- and coil coating, reactive hot melt adhesives | 1 | [e] |
| Thermoplastic and reactive methacrylate resins | Binders for paints and coatings | 1–2 | [e] |
| Oil additives | Viscosity index improvers | 1 | [e] |

## T138 Market positions 2014 [a]

| Product | Application | Global ranking [b] | Capacity in metric tons p.a. |
|---|---|---|---|
| **Performance Polymers** | | | |
| Methacrylate monomers | Dispersions, coatings, plastics, additives, adhesives, optical lenses | 1–2 | [e] |
| 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 | [e] |
| Polyamide 12 | High-performance specialty polymer applications (e.g. automotive, medical, sport, gas and offshore oil pipelines) | 1 | [e] |
| **Advanced Intermediates** | | | |
| Butene-1 | Co-monomer for polyolefins | 1 [d] | 235,000 |
| DINP | High-molecular plasticizers for use in flexible PVC | 2 | 220,000 |
| Isononanol | Intermediate for high-molecular plasticizers | 2 | 350,000 |
| Hydrogen peroxide | Bleaching of pulp and textiles, oxidation agent for the chemical industry, starting product for polyurethane | 2 | >850,000 |
| Alcoholates | Catalysts for biodiesel, pharmaceuticals, agrochemicals and other applications | 1 | >200,000 |
| Cyanuric chloride | Industrial applications and specialties (e.g. crosslinkers, optical brighteners and UV stabilizers); crop protection (especially Chinese producers) | 3 | 30,000 |

[a] The structure of the Evonik Group was altered effective January 1, 2015. For information on our new structure, see Management Report p. 62.
[b] Evonik's assessment based on various individual market reports/information and in-house market research.
[c] Chlorosilanes: freely traded volumes. Overall assessment—market position differs depending on application.
[d] Freely traded volumes.
[e] No data available.

# List of charts and tables

## Charts



## Tables

# 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 building blocks for proteins that are used in animal nutrition. They are used to ensure that the amino acid content of animal feed is optimally aligned to requirements. 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. DL-methionine (MetAMINO®), L-lysine (Biolys®), L-threonine (ThreAMINO®) and L-tryptophan (TrypAMINO®). 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.

**$C_4$ chemistry**
$C_4$ crack is a by-product of crude oil refining. It is produced in a steam cracker when naphtha is split into ethylene and propylene. The $C_4$ hydrocarbons contained in the resulting mixture are isolated, processed and placed on the market, for example, as butadiene for tires and 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 $C_4$ technology platform ensures excellent product yields. All hydrocarbons contained in $C_4$ 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.

**Greenhouse Gas Protocol (GHG Protocol)**
The Greenhouse Gas Protocol is regarded as the most widespread voluntary international standard for calculating and compiling data on greenhouse gas emissions from industry. It was developed by the World Business Council for Sustainable Development (WBCSD) and the World Resource Institute (WRI).

**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 Industrial Solutions.

**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 $CO_2$ 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 to strengthen the rotor blades of wind turbines.

**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 as 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 fibers are mainly used in filter media to remove particulates from hot flue gases in coal-fired power plants, waste incinerators and cement plants.

**Polymers**
Long-chain, short-chain or crosslinked molecules (macromolecules) produced by linking 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**
Silanes are 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 superabsorbent 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.

**Sustainability**
Sustainability and corporate responsibility are often used as synonyms for sustainable development. Sustainable development addresses the challenge of finding a fair and viable balance between the needs of the present generation and perspectives for the lives of generations to come. This is not simply a duty towards future generations. It is also an opportunity to establish a successful long-term strategy for the future that combines economic success with social and societal responsibility and protection of the environment.

**UN Global Compact**
The United Nations' Global Compact is a strategic initiative for companies that undertake to respect ten universally recognized principles relating to human rights, workers' rights, environmental protection and fighting corruption in their business operations and strategy.

**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 in 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 EBTIDA. 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, 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 are 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.

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