

**Evonik UK Holdings Limited**  
**Annual Report and Financial Statements**  
**for the year ended**  
**31 December 2015**

**Registered number**      **02695034**

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COMPANIES HOUSE



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**Evonik UK Holdings Limited**

**Annual Report and Financial Statements for the year ended 31 December 2015**

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Evonik UK Holdings Limited

**Strategic Report for the year ended 31 December 2015**

**Business review and principal activities**

Evonik UK Holdings Limited operates as a holding company and as a shared services provider to other entities in the Evonik Industries group of companies

On 1st July 2015 the company changed its name to Evonik UK Holdings Limited

The Company continues to provide company secretarial accounting and tax services for which it charges fees. The principal activities of the Company are concerned with deriving income from investments in subsidiary undertakings and the provision of these shared services. The Directors do not foresee any change to the current activities in the near future.

During the year the company transitioned from UK GAAP to FRS101 and has taken advantage of the disclosure exemptions under this standard. The Company's parent undertaking, Evonik Industries AG, was notified of and did not object to the use of the IFRS disclosure exemptions.

The results for the Company show a loss on ordinary activities before taxation of £41,518,707 for the year (2014: loss on ordinary activities before taxation and before transition £24,037,948 [after transition £24,181,948]). Net assets at the end of the year were £585,622,270 (2014: £699,607,588 [after transition £698,224,738]).

**Key performance indicators ("KPI's")**

Given the fact that the Company acts predominantly as a service provider to other group undertakings, the Directors do not use KPI's to manage the business and do not consider them necessary for an understanding of the development, performance or position of the business.

**Principal risks and uncertainties**

The principal risks and uncertainties of the Company relate to potential fluctuations in the interest rate as described in the financial risk management note in the Directors' Report.

By order of the Board



G A Stapleton  
Company Secretary  
25 November 2016

## **Evonik UK Holdings Limited**

### **Directors' Report for the year ended 31 December 2015**

The Directors present their annual report and the audited financial statements of Evonik UK Holdings Limited (Company number 02695034) for the year ended 31 December 2015

#### **Future outlook**

The Directors have implemented a restructuring project that will review all UK legal entities with a view to liquidating those companies that are no longer required

The Directors consider the future outlook for the Company to remain unchanged for the foreseeable future

#### **Provisions**

Provisions for warranties and liabilities are reviewed on a quarterly basis by the Directors using information provided by third-party advisers. Provisions of £7,507,339 (2014: £9,443,230) relate to inter alia third-party claims, warranties and indemnities and environmental provisions, details of which are described in note 13 of the financial statements

B Lammert	Chairman (resigned 22 05 2015)
T Mueller	Chairman (appointed 23 05 2015)
U Papst	Director (resigned 25 03 2014)
H Van Impe	Managing Director (resigned 02 07 2014)
A Luu	Managing Director
K Tibbles	Managing Director (cessation of office due to death 31 12 2015)
A Ludwig	Director (appointed 25 03 2014)
G Stapleton	Company Secretary

#### **Research and development**

There were no research and development costs during the year (2014: £nil)

#### **Financial risk management**

Due to the nature of the Company, it has exposure to a limited number of financial risks

#### **Cash management**

As a member of the Evonik Industries AG cash pool arrangement, the Company's cash management is effectively controlled by its ultimate German parent organisation. The Evonik Industries AG Treasury function conducts an annual risk assessment exercise. This information is used to provide a risk-adjusted interest rate which is applied between the Company and its German parent in respect of any loans receivable or payable, on an arm's-length basis.

#### **Interest rate and cash flow risk**

The Company has an interest-bearing asset consisting of a loan to its German parent, Evonik Industries AG. The interest rate is calculated on an arm's-length basis and is variable in nature based on one month Euribor.

The Directors have not disclosed the Company's financial management objectives and policies nor the Company's exposure to price risk, credit risk and liquidity risk as such information is not material for the assessment of the Company's assets, liabilities, financial position and loss for the year.

#### **Post-balance sheet events**

There were no post balance sheet events (2014: none)

#### **Directors' indemnity provisions**

There were no qualifying third-party indemnity provisions in force for the benefit of one or more of the Directors at any time during the financial year (2014: none)

**Directors' Report for the year ended 31 December 2015 (continued)**

**Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps to prevent and detect fraud and other irregularities.

**Statement of disclosure of information to auditors**

In accordance with Section 418, each person who is a director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



G A Stapleton  
Company Secretary  
25 November 2016

## **Evonik UK Holdings Limited**

### **Independent Auditors' Report to the members of Evonik UK Holdings Limited**

#### **Report on the financial statements**

##### **Our qualified opinion**

In our opinion except for the failure to produce consolidated financial statements as described in the Basis for our qualified opinion paragraph below, Evonik UK Holdings Limited's financial statements (the financial statements )

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

##### **Basis for our qualified opinion**

As explained in note 1 to the financial statements the company is not entitled to the exemption from the requirement to produce consolidated financial statements under section 400 of the Companies Act 2006 as it has not met all of the necessary conditions. Consequently the company should have produced consolidated financial statements for the parent company and its subsidiary undertakings.

##### **What we have audited**

Evonik UK Holdings Limited's financial statements comprise

- the Balance Sheet as at 31 December 2015,
- the Profit and Loss Account the Statement of Comprehensive Income for the year then ended,
- the Statement of Changes in Equity for the year then ended, and
- the notes to the financial statements which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements for example, in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### **Other matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Evonik UK Holdings Limited**

**Independent Auditors' Report to the members of Evonik UK Holdings Limited (continued)**

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it comes save where expressly agreed by our prior consent in writing

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free of material misstatement, whether caused by fraud or error

This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence forming our own judgements and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report



Mike Robinson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes  
29 November 2016

**Evonik UK Holdings Limited**

**Profit and Loss Account**

**for the year ended 31 December 2015**

	Note	2015 £	2014 £
<b>Continuing operations</b>			
Administrative expenses		(1,407,905)	(3,462,399)
Other operating income		<u>1,542,617</u>	<u>2,260,434</u>
Operating loss	2	134,712	(1,201,965)
Income from shares in group undertakings	5	67,243,698	-
Interest receivable and similar income	6	12,134,259	368,624
Profit on disposal of tangible assets	9	69,050	683,683
Amounts written off investments	8	(121,100,000)	(24,032,290)
Interest payable and similar charges	6	<u>(426)</u>	<u>-</u>
Loss on ordinary activities before taxation		(41,518,707)	(24,181,948)
Tax on loss on ordinary activities	7	(5,309,567)	326,802
<b>Loss for the financial year</b>		<u><b>(46,828,274)</b></u>	<u><b>(23,855,146)</b></u>

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.



Evonik UK Holdings Limited

Statement of Comprehensive Income  
for the year ended 31 December 2015

	Note	2015 £	2014 £
Loss for the financial year		(46,828,274)	(23,855 146)
Other comprehensive income/(expenses)			
Items that will not be recycled to profit or loss			
Remeasurements of defined benefit liability/asset	21	(961,000)	(709 000)
Current tax relating to pension schemes		155,415	151 600
Deferred tax relating to pension schemes	14	(118,641)	(10 800)
		(924,226)	(568 200)
Items that may be recycled to profit or loss			
Loss on available for sale financial assets		(38,513)	(46,450)
Others		287,262	(84,000)
Other comprehensive expense for the year net of tax		(675 477)	(698 650)
Total comprehensive expense for the year		(47 503 751)	(24 553 796)

Evonik UK Holdings Limited

Balance Sheet  
as at 31 December 2015

	Note	£	2015 £	£	2014 £
<b>Fixed assets</b>					
Tangible assets	9		4		462 507
Investments	8		<u>521,916,549</u>		<u>643 055 299</u>
			<u>521,916,553</u>		<u>643 517 806</u>
<b>Current assets</b>					
Debtors (of which £380,359 are due after more than one year)	10	67,873,404		67 720 624	
Cash at bank and in hand		<u>6,506,835</u>		<u>225 334</u>	
		<u>74,380,239</u>		<u>67 945 958</u>	
<b>Creditors</b>					
amounts falling due within one year	11	<u>(654,767)</u>		<u>(857,153)</u>	
<b>Net current assets</b>			<u>73,725,472</u>		67 088 805
<b>Total assets less current liabilities</b>			<u>595,642,025</u>		<u>710 606 611</u>
<b>Creditors</b>					
amounts falling due after more than one year	12		(399,311)		(443 643)
Provisions for liabilities	13		<u>(7,507,339)</u>		<u>(9 443 230)</u>
<b>Net assets excluding pensions</b>			<u>587,735,375</u>		<u>700,719,738</u>
<b>Pension liability</b>	21		<u>(2,113,086)</u>		<u>(2 495 000)</u>
<b>Net assets including pensions</b>			<u>585,622,289</u>		<u>698 224 738</u>
<b>Capital and reserves</b>					
Called up share capital	15		1,000		1 000
Profit and loss account			<u>585,621,289</u>		<u>698 223 738</u>
<b>Total shareholders' funds</b>			<u>585,622,289</u>		<u>698 224 738</u>

The financial statements on pages 7 to 32 were approved by the Board of Directors on 25 November 2016 and were signed on its behalf by



A Luu  
Managing Director

Evonik UK Holdings Limited

Statement of Changes in Equity  
for the year ended 31 December 2015

	Called up Share Capital £	Profit and loss account £	Total Shareholders' Fund £
Balance at 1 January 2014	1 000	722 777,534	722 778,534
<b>Total comprehensive expense for the year</b>			
Loss for the financial year	-	(23 855 146)	(23,855,146)
Other comprehensive expense			
Remeasurement of post-employment benefit plans, net of tax	-	(568,200)	(568,200)
Loss on available for sale financial assets	-	(46,450)	(46,450)
Other		(84,000)	(84,000)
Total comprehensive expense for the year	-	(24,553,796)	(24,553,796)
Balance at 31 December 2014	<u>1 000</u>	<u>698 223 738</u>	<u>698 224 738</u>
<b>Total comprehensive expense for the year</b>			
Loss for the financial year	-	(46 828 274)	(46,828,274)
Dividends Paid		(65 098 698)	(65,098,698)
Other comprehensive income		287 262	287,262
Other comprehensive expense			
Remeasurement of post-employment benefit plans net of tax	-	(924,226)	(924 226)
Loss on available for sale financial assets	-	(38 513)	(38 513)
Total comprehensive expense for the year	-	(112,602,449)	(112 602 449)
Balance at 31 December 2015	<u>1 000</u>	<u>585 621 289</u>	<u>585 622 289</u>

Notes to the financial statements for the year ended 31 December 2015

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of accounting

The financial statements are prepared on the going concern basis and under the historical cost convention as modified by the fair valuation of financial instruments and in accordance with the Companies Act 2006. They were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has adopted FRS 101 for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position is provided in note 22.

The Company's ultimate parent undertaking, Evonik Industries AG, includes the Company in its consolidated financial statements. The consolidated financial statements of Evonik Industries AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Rellinghauser Strasse 1-11, 45128 Essen, Germany.

The Company is a wholly-owned subsidiary of Evonik International Holding B.V. and is included in the consolidated financial statements of Evonik Industries AG which are publicly available. Under section 400 of the Companies Act 2006, entities are entitled to take advantage of an exemption from preparing consolidated financial statements. This exemption cannot be taken by the Company because one of the conditions, being that the company's financial statements are filed at Companies House by its statutory filing deadline of 30 September 2016, has not been met. Consequently, the Company should have prepared consolidated financial statements for the company and its subsidiary undertakings.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets,
- Disclosures in respect of transactions with wholly-owned subsidiaries of Evonik Industries AG,
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs,
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Evonik Industries AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

**1 Principal accounting policies (continued)**

**Going concern**

The Company's business activities together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 3 to 4

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The Directors, having assessed the responses of the directors of the Company's parent Evonik Industries AG to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Evonik Industries AG group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Evonik Industries AG, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

**Significant accounting policies**

A summary of the significant accounting policies is set out below. The accounting policies have been applied consistently throughout the year

**Investments in shares in group undertakings**

Investments in shares in group undertakings are stated at cost less any impairment for diminution in value. Impairment reviews are performed by the Directors when there has been an indication of potential impairment

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. This includes directly attributable financing costs incurred in the acquisition or construction of qualifying assets

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

- |                      |                         |
|----------------------|-------------------------|
| - office equipment   | - maximum of four years |
| - freehold buildings | - twenty five years     |

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Notes to the financial statements for the year ended 31 December 2015 (continued)

1 Principal accounting policies (continued)

**Pensions**

The Company is the principal employer of five UK pension schemes. Pension arrangements for staff are operated through a defined benefit scheme and a stakeholder scheme which is defined contribution. All schemes are accounted for in accordance with IAS 19, *Employee Benefits*.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions, and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of five defined benefit pension plans (see note 21). As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

**Financial Instruments**

Financial instruments comprise cash and cash equivalents, investments in debt securities, loans and borrowings and trade and other debtors and creditors.

**Trade and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

**Trade and other creditors**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Notes to the financial statements for the year ended 31 December 2015 (continued)

1 Principal accounting policies (continued)

**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Investment in debt securities**

Investment in gilts are classified as available for sale financial assets and are recognised at fair value with movements (other than impairments) recognised through other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Interest on such investments is calculated using the effective interest method and recognised in profit or loss.

**Financial assets (including trade and other debtors)**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

**Impairment**

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Non-financial assets (other than stocks and deferred tax assets)**

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made.

Where the effect of the time value of money is material, the provision is discounted to the present value of the expense expected to be required to settle the obligation. Where appropriate, the discount rate has been adjusted for the risk associated with the liability. The unwinding of the discount on those provisions is included within other finance costs.

**Dividends**

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

**Evonik UK Holdings Limited**

**Notes to the financial statements for the year ended 31 December 2015 (continued)**

**2 Operating loss**

The operating loss is stated after charging/(crediting)

	2015	2014
	£	£
<b>Services provided by the Company's auditors</b>		
Fees payable for the audit	54,447	56,146
Fees payable for other services - tax	23,264	87,546
Depreciation of tangible fixed assets - owned assets	-	566
Exchange losses	26,463	19,981
Exchange gains	(2,024)	(9,161)
Release of provisions for liabilities (note 13)	(1,549,945)	(1,649,948)
Additional provisions for liabilities (note 13)	-	1,185,000

In both 2014 and 2015, Evonik UK Holdings Limited has borne the audit fees for all of the UK group companies

Operating loss includes £845,617 (2014 £2,260,434) of other operating income which mainly consists of recharge income received from other group undertakings for whom Evonik UK Holdings Limited has borne the original costs

**3 Staff numbers and costs**

	2015	2014
	Number	Number
<b>Average monthly number of employees (including directors)</b>		
Sales and administration	4	3

The aggregate payroll costs of these persons was as follows

	2015	2014
	£	£
Wages and salaries (including directors remuneration)	416,646	362,273
Social security costs	70,086	61,912
Contributions to defined contribution plans	3,926	547
Expenses related to defined benefit plans (note 21)	(1,000)	2,235,000
	489,658	2,659,732



Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

4 Remuneration of directors

	2015 £	2014 £
Directors' emoluments (including pension contributions)	<u>104,781</u>	<u>131,777</u>

The highest paid Director's emoluments were £104,781 (2014: £131,777). One Director (2014: one) is accruing benefits under a defined benefit pension scheme. Included in emoluments were Company contributions of £18,026 (2014: £15,143) in respect of defined benefit pension schemes. Of these £18,026 (2014: £15,143) related to the highest paid Director.

5 Income from shares in group undertakings

The Company received in 2015, interim dividend payments of £2,145,000 from its subsidiary Evonik Amalgamation Limited (2014: £nil) and £65,098,698 from its subsidiary Evonik Speciality Organics Limited (2014: £nil).

6 Interest and other income and charges

	2015 £	2014 £
<b>Interest receivable and similar income</b>		
Interest from group undertakings	144,654	129,154
Other interest receivable	<u>11,989,605</u>	<u>239,470</u>
	<u>12,134,259</u>	<u>368,624</u>
<b>Interest payable and similar charges</b>		
Other interest payable	<u>(426)</u>	<u>-</u>
	<u>(426)</u>	<u>-</u>

Other interest receivable of £11,590,696 (2014: nil) relates to a repayment of restitution interest and £137,827 (2014: £38,446) relates to the interest earned on Gilts.

**Evomk UK Holdings Limited**

**Notes to the financial statements for the year ended 31 December 2015 (continued)**

**7 Tax on loss on ordinary activities**

	2015 £	2014 £
<b>Recognised in the profit and loss account</b>		
<i>Current tax</i>		
UK corporation tax on income/loss for the year	5,255,878	(445,998)
Adjustments in respect of prior years	53,689	119,196
<b>Total current tax</b>	<u>5,309,567</u>	<u>(326,802)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	-
Reduction in tax rate	-	-
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Tax on (loss)/profit on ordinary activities</b>	<u><u>5,309,567</u></u>	<u><u>(326,802)</u></u>
<b>Recognised in other comprehensive income</b>		
Remeasurements of defined benefit liability/asset	(118,641)	10,800
	<u>(118,641)</u>	<u>10,800</u>

The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). The differences are explained below:

	2015 £	2014 £
<b>Loss on ordinary activities before taxation</b>	<u>(41,518,707)</u>	<u>(24,181,948)</u>
Loss on ordinary activities multiplied by standard rate in the UK 20.25% (2014: 21.50%)	(8,407,538)	(5,199,119)
<i>Effects of</i>		
Additional tax payable of restitutional interest	2,865,950	-
Income not subject to taxation	(13,900,800)	(922,232)
Expenses not deductible for tax purposes	24,472,357	5,179,298
Other temporary differences not recognised for deferred Tax	20,901	(67,151)
Losses not utilised (Not recognised for deferred Tax)	212,648	578,654
Adjustments in respect of prior years	53,689	119,196
Impact of rate change	-	2,612
Impact of rate change between deferred and current tax	(7,640)	-
<b>Total tax for the year</b>	<u><u>5,309,567</u></u>	<u><u>(326,802)</u></u>

The Company has surrendered the benefit of tax losses to another group company for a consideration of £105,321 (2014: £597,598).

**Factors affecting current and future tax charges**

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

8 Investments

	Gifts	Shares in group undertakings	Total
	£	£	£
Cost or valuation			
At 1 January 2015	1,647,400	1 245 909 703	1,247,557,103
Change in fair value	(38,750)	-	(38,750)
Additions	-	-	-
<b>At 31 December 2015</b>	<b>1,608,650</b>	<b>1,245,909,703</b>	<b>1,247,518,353</b>
Impairments			
At 1 January 2015	-	(604 501,804)	(604 501 804)
Impairments charged in the year	-	(121 100 000)	(121 100 000)
<b>At 31 December 2015</b>	<b>-</b>	<b>(725,601 804)</b>	<b>(725,601,804)</b>
Net book amount			
<b>At 31 December 2015</b>	<b>1,608,650</b>	<b>520,307,899</b>	<b>521,916,549</b>
At 31 December 2014	1 647,400	641 407 899	643 055,299

Following an impairment review performed by management in 2015 the investment in Evonik Amalgamation Limited was written down by £1,100,000  
The investment in Evonik Specialty Organics Limited was written down by £120 000 000

During 2015 there were no impairment reversals

The Directors believe that the carrying value of the investments is supported by their underlying net assets

## Evonik UK Holdings Limited

### Notes to the financial statements for the year ended 31 December 2015 (continued)

#### 8 Investments (continued)

The index-linked gilts are listed on the London Stock Exchange and act as security against an unapproved unfunded pension obligation. They are held as available for sale financial assets and are valued according to their listed market value.

Details of the Company's subsidiary and associated undertakings are as follows:

<i>Name of company</i>	<i>Country of registration, incorporation and operation</i>	<i>Holding %</i>	<i>Class of shares held</i>	<i>Nature of business</i>	<i>Direct / Indirect</i>
<b>Subsidiary undertakings</b>					
Evonik Amalgamation Limited	England	100	Ordinary	Holding company	Direct
Evonik Speciality Organics Limited	England	100	Ordinary	Provision of inter-Group services	Direct
Laporte Chemical Limited	England	100	Ordinary	Dormant	Indirect
Evonik Goldschmidt UK Limited	England	100	Ordinary	Toll manufacturer for Consumer Specialities global business unit	Direct
Evonik Membrane Extraction Technology Limited	England	100	Ordinary	Membrane systems for chemical production	Indirect
EGL Limited	England	100	Ordinary	Dormant	Indirect
Laporte Industries Limited	England	100	Ordinary	Non-trading	Indirect
<b>Joint Venture</b>					
Evonik Headwaters LLP	England	50	Ordinary	Dormant	Indirect
<b>Trustees held by the Company</b>					
Evonik Pension Scheme Trustee Limited	England	100	Ordinary	Pension scheme Trustee	Direct
Evonik Trustee Limited	England	100	Ordinary	Pension scheme Trustee	Direct

The subsidiary undertakings and participating interests of the Company at 31 December 2015 are listed under their countries of incorporation, which are also the countries of activity unless otherwise stated.

9 Tangible assets

	Freehold land and buildings	Office equipment	Total
	£	£	£
Cost			
At 1 January 2015	462,507	85,641	548,148
Disposals	(462,503)	-	(462,503)
At 31 December 2015	<u>4</u>	<u>85,641</u>	<u>85,645</u>
Accumulated depreciation			
At 1 January 2015	-	(85,641)	(85,641)
Charge for the year	-	-	-
Disposals	-	-	-
At 31 December 2015	<u>-</u>	<u>(85,641)</u>	<u>(85,641)</u>
Net book amount			
At 31 December 2015	<u>4</u>	<u>-</u>	<u>4</u>
At 31 December 2014	<u>462,507</u>	<u>-</u>	<u>462,507</u>

During 2015 assets of £462,503 sold during the year resulting in a profit on disposal of £69,050 (2014: £683,683)

The gross book value of land and buildings includes £nil (2014: £nil) of depreciable assets. There are no material differences between the book value and the market value.

10 Debtors

	2015 £	2014 £
Amounts falling due within one year		
Amounts owed by other group undertakings	67,304,121	67,021,333
Trade debtors	80,078	37,976
Other debtors	9,261	2,487
Prepayments and accrued income	<u>99,585</u>	<u>159,828</u>
	<u>67,493,045</u>	<u>67,221,624</u>
Amounts falling due after more than one year		
Deferred tax (see note 14)	<u>380,359</u>	<u>499,000</u>
Total debtors	<u>67,873,404</u>	<u>67,720,624</u>

The Company has an interest bearing asset consisting of a loan to its German parent Evonik Industries AG. The interest rate is calculated on an arm's-length basis and is variable in nature. At 31 December 2015, the interest rate was 0.4% (2014: 0.35%). There are no fixed repayment terms, but the loan could be recalled at any time.

In addition, since 2013 the Company has an interest bearing asset consisting of funds totalling £34,038,393 (2014: £34,038,393) which have been deposited into four Trusts (the 'Evonik Trusts') one in respect of each of the four defined benefit Pension Schemes, and each held by Evonik Trustee Limited, the trustee of the Evonik Trusts and a subsidiary of the Company. The interest rate is calculated on an arm's-length basis and is variable in nature. At 31 December 2015, the interest rate was 0.67% (2014: 0.64%). Repayment terms are stipulated in the Trust Deed and Rules and the Supplemental Deed, both dated 20 March 2013.

Notes to the financial statements for the year ended 31 December 2015 (continued)

11 Creditors amounts falling due within one year

	2015 £	2014 £
Amounts owed to group undertakings	25,084	124,533
Trade creditors	133,040	55,226
Other creditors	56,001	337,350
Taxation and social security	-	-
Accruals and deferred income	440,642	340,044
	<u>654,767</u>	<u>857,153</u>

The amounts owed by other group undertakings are non-interest bearing and repayable within twelve months

12 Creditors amounts falling due after more than one year

	2015 £	2014 £
Other creditors	<u>399,311</u>	<u>443,643</u>

13 Provisions for liabilities

	Post-transaction liabilities £	Other £	Total £
At 1 January 2015	8,949,284	493,946	9,443,230
Release	(1,549,945)	-	(1,549,945)
Utilised in the year	(353,396)	(32,550)	(385,946)
At 31 December 2015	<u>7,045,943</u>	<u>461,396</u>	<u>7,507,339</u>

Provisions totalling £7,045,943 (2014 £8,949,284) relate to post-transaction liabilities and associated claims or litigation as a result of indemnities given on divestments. Some of these provisions are in respect of environmental matters totalling £1,522,857 (2014 £3,427,198). In establishing the post-transaction liability related provisions, the Directors have considered a range of possible scenarios and have exercised a judgement as to what a probable outcome might be.

The provision is based on the Directors' best estimate of the most likely outcome of the claims and related legal costs; however, they acknowledge that due to the inherent nature and complexity of these claims and the associated litigation risk, provisions may have to be modified over time. The Directors have also given due consideration to the duration of each of these liabilities and are of the opinion that the majority of the aggregate value of the liabilities will crystallise within the next two years and hence the time value of money is not considered material.

Provisions which are environmental in nature largely relate to contamination of land. Third-party advisers have considered various scenarios and possible costs of clean up. The Directors have based their estimate on the information provided by specialist advisers.

One element of the total provision is categorised under the label 'Other Provisions' - this totals £461,396 (2014 £493,946). These provisions relate to liabilities such as uninsured elements of Employers' Liability claims and restructuring costs. With the exception of the Employers' Liability costs, the Directors have given due consideration to the likely timing for the crystallisation of these liabilities and are of the view that the Company's exposure to these matters will be eliminated within the next two years and hence the time value of money is not considered material.

**Evonik UK Holdings Limited**

**Notes to the financial statements for the year ended 31 December 2015 (continued)**

**14 Deferred tax**

	2015 £	2014 £
Deferred tax asset relating to pensions (note 21)	380,359	499 000
Total deferred tax asset	<u>380,359</u>	<u>499 000</u>
	2015 £	2014 £
At 1 January 2015	499,000	509 800
Deferred tax credited to the profit and loss account (note 7)	-	-
Deferred tax credited to the statement of comprehensive income	(118 641)	(10 800)
At 31 December 2015	<u>380,359</u>	<u>499 000</u>

The Company has losses carried forward of £66,663,433 (2014 £68 524 787) and short term timing differences of £2,013,378 (2014 £2,092,872 ). No deferred tax assets have been recognised in relation to these items as their future use is currently uncertain

**15 Called up share capital**

	2015 £	2014 £
<i>Allotted and fully paid</i>		
1 000 ordinary shares of £1 each (2014 1,000 ordinary shares of £1 each)	<u>1,000</u>	<u>1 000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

## Evonik UK Holdings Limited

### Notes to the financial statements for the year ended 31 December 2015 (continued)

#### 16 Subsequent events

On the 23rd March 2016 the tax authorities repaid an amount of £11,590,696 constituting a repayment of resolutational interest from tax payment from prior years. The interest payment was reduced by a 45% withholding tax. An appeal was filed with the tribunal on the 4 April 2016 against the deduction of the withholding Tax.

#### 17 Contingent assets

On 13 November 2012 the European Court of Justice published its second judgement in the Franked Investment Income Group Litigation Order (FII GLO) in which Evonik UK Holdings Limited and a number of other subsidiaries are participants. The ruling established for the part of the claim in relation to ACT chargeable on Foreign Income Dividends (FID's) that it was unlawful to charge ACT on these FID's.

As a result, the Company challenged two assessments which were raised in 2005 on its subsidiary Laporte Organisation Limited (in liquidation). Management believed that these assessments should be withdrawn resulting in a repayment from the tax authorities of approximately £4.8m.

During 2014, the tax authorities repaid an amount of £6,338,878 constituting the repayment of £4,804,235 previous overpayment and £1,535,643 of accrued interest.

Further Court judgements regarding the wider FII GLO have been made since November 2012, which generally indicate that the Company's claim to recover Advanced Corporation Tax, corporation tax levied under Schedule D case V ICTA 1998 in respect of EU dividends and interest on FID's previously paid could result in future recoveries. At the date of signing these financial statements, there is insufficient information or certainty to be able to estimate the financial effect of these recoveries and therefore no contingent asset is recognised.

#### 18 Related Parties

The company has taken advantage of the exemption from disclosing related party transactions with fellow group members under FRS 8 on the grounds that the group is wholly owned by Evonik Industries AG whose consolidated financial statements are publicly available.

#### 19 Ultimate holding company and controlling party

The Company's immediate holding company is Evonik International Holding B.V. a company registered and incorporated in the Netherlands.

The ultimate parent company of Evonik UK Holdings Limited is Evonik Industries AG a company registered and incorporated in Germany. The consolidated financial statements of Evonik Industries AG being the smallest and largest group to consolidate these financial statements can be obtained from Rellinghauser Strasse 1-11 45128 Essen Germany.

#### 20 Accounting Estimates and Judgements

##### Provisions

The Company makes estimates and assumptions regarding the future in calculating certain provisions. The Company recognises provisions for future environmental claims based on the assessments carried out by external third party experts. Provisions are reviewed against the latest available information and are adjusted accordingly.

Where the effect of the time value of money is material the provision is discounted to the present value of the expense expected to be required to settle the obligation. Where appropriate the discount rate has been adjusted for the risk associated with the liability. The unwinding of the discount on those provisions is included within other finance costs.

##### Taxation

The Company is subject to income taxes. The Company recognises liabilities for anticipated tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded such difference impacts the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

##### Defined Benefit Pension Scheme

The Company has an obligation to pay pension benefits to some employees. The cost of the benefits and present value of the obligations depend on a number of factors including life expectancy, salary increases, asset valuations and inflation.

##### Fixed Assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method, to allocate the cost to the residual values over the estimated useful lives as follows:

- |                     |                         |
|---------------------|-------------------------|
| -office equipment   | -maximum for four years |
| -freehold buildings | -twenty five years      |



## Notes to the financial statements for the year ended 31 December 2015 (continued)

## 21 Pension fund

The Company is the principal employer and sponsor of the following defined benefit schemes

## Evonik Pension Scheme

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an insurance company. The scheme is funded by means of contributions paid by members and the Company in order to ensure that the scheme can meet its expected benefit obligations.

## Laporte Group Pension Trust

The Laporte Group Pension Trust is divided into a number of sections: defined benefit, hybrid arrangements and a defined contribution scheme. The Trust's schemes are funded within a separately administered fund.

The schemes are closed to new members and all active members were transferred to the Evonik Pension Scheme on 1 April 2009.

## Synthetic Chemicals Limited Pension Scheme and Degussa-Huls Employees' Pension Scheme

The Synthetic Chemicals Limited Pension Scheme and The Degussa-Huls Employees' Pension Scheme provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company, being invested with an insurance company.

## Roehm Limited Retirement and Death Benefits Scheme

The scheme is closed to new members and all active members were transferred to the Evonik Pension Scheme on 1 April 2009.

## As at 31 December 2015

	2015	
	EPS scheme £	Other schemes £
Present value of the obligations	(31,841,000)	(381,903,086)
Fair value of plan assets	38,219,102	455,548,000
Surplus before consideration of the asset ceiling	6,378,102	73,644,914
Amounts not recognised due to the effect of the asset ceiling	(6,378,102)	(75,758,000)
Retirement benefit obligation recognised in the balance sheet	-	(2,113,086)
		(2,113,086)

## As at 31 December 2014

	2014	
	EPS scheme £	Other schemes £
Present value of the obligations	(32,378,000)	(397,005,000)
Fair value of plan assets	38,085,102	477,398,000
Surplus /before consideration of the asset ceiling	5,707,102	80,393,000
Amounts not recognised due to the effect of the asset ceiling	(5,707,102)	(82,888,000)
Retirement benefit obligation recognised in the balance sheet	-	(2,495,000)
		(2,495,000)

The latest full actuarial valuation of the schemes were obtained as at 4th March 2016 and have been updated by the actuary on an IAS 19 "Employee Benefits" basis at 31 December 2015.

## 21 Pension Fund (continued)

## Statement of Comprehensive income

## Profit and loss

Amounts recognised in profit and loss were as follows

	2015		
	EPS scheme £	Other schemes £	Total £
Current service cost	(612 000)	-	(612 000)
Past service cost	611 000	-	611 000
<b>Total expenses relating to defined benefit plan</b>	<b>(1 000)</b>	<b>(95,000)</b>	<b>(1,000)</b>
<b>Net interest cost</b>	<b>(13,000)</b>	<b>95,000</b>	<b>82,000</b>
	2014		
	EPS scheme £	Other schemes £	Total £
Current service cost	693 000	-	693 000
Effect of asset ceiling restriction	-	1 484 000	1 484 000
Past service cost	58 000	-	58 000
<b>Total expenses relating to defined benefit plan</b>	<b>751 000</b>	<b>1 484 000</b>	<b>2,235 000</b>
<b>Net interest cost</b>	<b>(17,000)</b>	<b>101,000</b>	<b>84,000</b>

## Other Comprehensive Income

Amounts recognised in other comprehensive income were as follows

	2015		
	EPS scheme £	Other schemes £	Total £
Actuarial loss on defined benefit obligations			
Arising from experience	106 000	(774 000)	(668 000)
Arising from changes in financial assumptions	884 000	7 007 000	7 891 000
Arising from changes in demographic assumptions	106 000	1 274 000	1 380 000
<b>Total actuarial loss before consideration of asset ceiling</b>	<b>1 096 000</b>	<b>7,507 000</b>	<b>8 603 000</b>
Return on plan assets excluding interest income	(1 184 000)	(17 962 000)	(19 146 000)
(Loss) /gain resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(450 000)	10 032 000	9,582 000
<b>Total actuarial loss recognised in other comprehensive income</b>	<b>(538,000)</b>	<b>(423,000)</b>	<b>(961,000)</b>

	2014		
	EPS scheme £	Other schemes £	Total £
Actuarial loss on defined benefit obligations			
Arising from experience	1 767,000	9,046 000	10,813,000
Arising from changes in financial assumptions	(3,723,000)	(29,873,000)	(33,596 000)
Arising from changes in demographic assumptions	-	-	-
<b>Total actuarial gain before consideration of asset ceiling</b>	<b>(1,956,000)</b>	<b>(20 827,000)</b>	<b>(22 783 000)</b>
Return on plan assets excluding interest income	3 729,000	49,783 000	53,512 000
Loss resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(1,773,000)	(29,665 000)	(31 438 000)
<b>Total actuarial loss recognised in other comprehensive income</b>	<b>-</b>	<b>(709,000)</b>	<b>(709 000)</b>

## Notes to the financial statements for the year ended 31 December 2015 (continued)

## 21 Pension fund (continued)

Movements in the present value of the defined benefit scheme assets obligations and minimum funding requirement in the current year were as follows

## EPS

	2015			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2015	38 085 102	(5 707,102)	(32 378 000)	-
Current service cost	-	-	(612 000)	(612 000)
Interest income/cost	1 339 000	(221 000)	(1 105 000)	13 000
Past service cost	-	-	611 000	611 000
Actuarial losses	(1 184 000)	(450 000)	1 096 000	(538,000)
Employer contributions	526 000	-	-	526,000
Contributions from scheme participants	96 000	-	(96 000)	-
Benefits paid from plan assets	(643 000)	-	643 000	-
At 31 December 2015	<u>38,219,102</u>	<u>(6,378,102)</u>	<u>(31,841,000)</u>	<u>-</u>

	2014			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2014	32,582,102	(3,772,102)	(28,810,000)	-
Current service cost	-	-	(693,000)	(693,000)
Interest income/cost	1,410,000	(162,000)	(1,231,000)	17,000
Past service cost	-	-	(58,000)	(58,000)
Actuarial (losses)/gains	3,729,000	(1 773,000)	(1,956,000)	-
Employer contributions	734,000	-	-	734,000
Contributions from scheme participants	134,000	-	(134,000)	-
Benefits paid from plan assets	(504 000)	-	504 000	-
At 31 December 2014	<u>38,085,102</u>	<u>(5,707,102)</u>	<u>(32,378,000)</u>	<u>-</u>

## For the other schemes

	2015			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2015	477,398,000	(82 888,000)	(397,005,000)	(2,495,000)
Current service cost	-	-	-	-
Interest income/cost	16,329,000	(2,902,000)	(13,522,000)	(95,000)
Past service cost	-	-	-	-
Actuarial (losses)/gains	(17,962,000)	10,032,000	7,506,914	(423,086)
Employer contributions	751,000	-	-	751,000
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets	(20 968 000)	-	21 117 000	149 000
At 31 December 2015	<u>455,548,000</u>	<u>(75,758,000)</u>	<u>(381,903,086)</u>	<u>(2,113,086)</u>

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Pension fund (continued)

For the other schemes

	2014			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2014	430,731,000	(51,029,000)	(382,251,000)	(2,549,000)
Current service cost	-	-	-	-
Interest income/cost	18,033,000	(2,194,000)	(15,940,000)	(101,000)
Past service cost	-	-	-	-
Actuarial gains/(losses)	49,783,000	(29,665,000)	(20,827,000)	(709,000)
Employer contributions	685,000	-	-	685,000
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets	(21,834,000)	-	22,013,000	179,000
At 31 December 2014	<u>477,398,000</u>	<u>(82,888,000)</u>	<u>(397,005,000)</u>	<u>(2,495,000)</u>

Scheme assets do not include any of Evonik UK Holdings Limited's own financial instruments or any property occupied by Evonik UK Holdings Limited

Plan asset information

	2015		
	EPS scheme	Other schemes	Total
Allocation percentage			
Equity securities	33.80%	14.40%	48.20%
Government bonds	53.70%	84.60%	138.30%
Pensioner annuities	12.50%	1.00%	13.50%
Fair value of plan assets	<u>38,219,102</u>	<u>455,548,000</u>	<u>493,767,102</u>

Plan asset information

	2014		
	EPS scheme	Other schemes	Total
Allocation percentage			
Equity securities	23.40%	8.17%	31.57%
Government bonds	59.90%	89.46%	149.36%
Pensioner annuities	16.70%	2.37%	19.07%
Fair value of plan assets	<u>38,085,102</u>	<u>477,398,000</u>	<u>515,483,102</u>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

	2015		2014	
	EPS scheme	Other schemes	EPS Scheme	Other schemes
Assumptions and dates used at disclosure				
Discount rate	3.62%	3.47%-3.90%	3.50%	3.50%-4.10%
Retail price inflation	3.17%	3.17%-3.30%	3.20%	3.20%-3.40%
Consumer price inflation	2.17%	2.17%	2.20%	2.20%
Rate of salary increase	4.17%	-	4.20%	3.00%-4.20%
Pension increases for in-payment benefits	2.17%	2.97%-4.17%	2.20%	3.00%-4.20%
Pension increases for deferred benefits	2.17%	2.17%-2.30%	2.20%	2.20%-2.40%
Plan Participant Census date	31-Oct-15	31-Mar-15	31-Oct-14	31-Oct-14

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the time scale covered, may not necessarily borne out in practice.

21 Pension fund (continued)

The mortality assumptions were as follows

	2015		2014	
	EPS scheme years	Other schemes	EPS Scheme years	Other schemes
Longevity at age 65 for current pensioners				
- Men	23.7	21.5-22.5	23.6	21.4-22.5
- Women	25	23.6-24.8	24.9	23.4-24.7
Longevity at age 65 for future pensioners				
- Men	23.8	22.7-23.7	23.9	22.7-23.7
- Women	26.4	25.0-26.5	26.3	24.8-26.3

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2015		2014	
	EPS scheme	Other schemes	EPS Scheme	Other schemes
Discount rate	3.62%	3.62%	3.50%	3.50%
Retail price inflation	3.17%	3.17.00%	3.20%	3.20%
Consumer price inflation	3.17%	2.17%	3.20%	2.20%
Rate of salary increase	4.17%	-	4.20%	-
Pension increases for in-payment benefits	2.17%	2.97-4.17%	2.20%	2.0-4.20%

Stakeholder Pension Plan

The Company also operates a defined contribution stakeholder pension plan which is open to new employees. The cost recognised in the year for the Company's contributions amounted to £3,926 (2014: £547). Outstanding contributions at the balance sheet date amounted to £nil (2014: £nil).

22 Explanation of transition to FRS 101 from old UK GAAP

Reconciliation of equity

1 January 2014

	Note	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
<b>Fixed assets</b>				
Tangible assets		491 757	-	491,757
Investments	a	666 474 438	659 600	667 134 038
		<u>666 966 195</u>	<u>659 600</u>	<u>667,625,795</u>
<b>Current assets</b>				
Debtors (of which £380 750 due after more than one year)	b	70 372 878	509 800	70 882 678
Cash at bank and in hand		1 030 815	-	1 030 815
		<u>71 403 693</u>	<u>509 800</u>	<u>71,913,493</u>
Creditors amounts falling due within one year		(2 288 683)	-	(2,288,683)
<b>Net current assets/liabilities</b>		<u>69 115 010</u>	<u>509 800</u>	<u>69 624 810</u>
Creditors amounts falling due after more than one year		-	-	-
Provisions for liabilities		(11 923 071)	-	(11,923,071)
<b>Net assets/(liabilities) excluding pension</b>		<u>724 158 134</u>	<u>1,169 400</u>	<u>725,327,534</u>
Pension assets	c g	3 017 682	(3,017,682)	-
Pension liabilities	b	(2 039 200)	(509,800)	(2,549 000)
<b>Net assets/(liabilities) including pension</b>		<u>725 136 616</u>	<u>(2 358 082)</u>	<u>722 778 534</u>
<b>Capital and reserve</b>				
Called up share capital		1 000	-	1,000
Profit and loss account	a,c,g	725 135 616	(2 358 082)	722,777,534
<b>Total Shareholders' funds</b>		<u>725 136 616</u>	<u>(2 358 082)</u>	<u>722 778 534</u>

22 Explanation of transition to FRS 101 from old UK GAAP (continued)

31 December 2014

	Note	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
<b>Fixed assets</b>				
Tangible assets		462,507	-	462,507
Investments	a	642,442,149	613,150	643,055,299
		<u>642,904,656</u>	<u>613,150</u>	<u>643,517,806</u>
<b>Current assets</b>				
Debtors (of which £499,000 due after more than one year)	b	67,221,624	499,000	67,720,624
Cash at bank and in hand		225,334	-	225,334
Creditors amounts falling due within one year		(857,153)	-	(857,153)
<b>Net current assets/liabilities</b>		<u>66,589,805</u>	<u>499,000</u>	<u>67,088,805</u>
Creditors amounts falling due after more than one year		(443,643)	-	(443,643)
Provisions for liabilities		(9,443,230)	-	(9,443,230)
<b>Net assets/(liabilities) excluding pension</b>		<u>699,607,588</u>	<u>1,112,150</u>	<u>700,719,738</u>
Pension assets	c g	4,565,682	(4,565,682)	-
Pension liabilities	b	(1,996,000)	(499,000)	(2,495,000)
<b>Net assets/(liabilities) including pension</b>		<u>702,177,270</u>	<u>(3,952,532)</u>	<u>698,224,738</u>
<b>Capital and reserve</b>				
Called up share capital		1,000	-	1,000
Profit and loss account	a c,f,g	702,176,270	(3,952,532)	698,223,738
<b>Total Shareholders' funds</b>		<u>702,177,270</u>	<u>(3,952,532)</u>	<u>698,224,738</u>

## 22 Explanation of transition to FRS 101 from old UK GAAP (continued)

## Reconciliation of profit/loss for 31 December 2014

2014

	Note	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Administrative expenses	h	(4 946 399)	1 484 000	(3 462,399)
Other operating income		2 260 434	-	2 260 434
<b>Operating loss</b>		<b>(2 685 965)</b>	<b>1 484 000</b>	<b>(1,201 965)</b>
Income from shares in group undertakings	d	3 603 432	(3 603 432)	-
Interest receivable and similar income	e f h	1 996 624	(1 712 000)	284 624
Profit on disposal of tangible assets		683 683	-	683 683
Amounts written off investments	d	(27 635 722)	3 603 432	(24 032 290)
Interest payable and similar charges		-	-	-
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(24 037 948)</b>	<b>(228 000)</b>	<b>(24 265,948)</b>
Tax on (loss)/profit on ordinary activities	e g	280 202	46 600	326,802
<b>(Loss)/profit for the financial year</b>		<b>(23,757 746)</b>	<b>(181,400)</b>	<b>(23 939 146)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of defined benefit liability/asset	e f h	998,000	(1,707 000)	(709 000)
Current tax relating to pension schemes		151,600	-	151,600
Deferred tax relating to pension schemes	e g	(351 200)	340 400	(10 800)
		798,400	(1,366 600)	(568,200)
<i>Items that may be reclassified to profit or loss</i>				
Gain / (loss) on available for sale financial assets	a	-	(46 450)	(46 450)
Tax thereon		-	-	-
		-	(46 450)	(46 450)
<b>Total other comprehensive income / (loss)</b>		<b>798,400</b>	<b>(1 413 050)</b>	<b>(614 650)</b>
<b>Total comprehensive income / (loss)</b>		<b>(22,959,346)</b>	<b>(1,594,450)</b>	<b>(24,553,796)</b>



Notes to the financial statement for the year ended 31 December 2015 (continued)

22 Explanation of transition to FRS 101 from old UK GAAP (continued)

Notes

a) Under FRS 101 investments in gilts are classified as available for sale financial assets and are held at fair value. Under previous UK GAAP they were recognised at cost. The investments in gilts were restated to their fair value of £1,600,950 as at 1 January 2014 and £1,647,400 as at 31 December 2014. A corresponding increase in the profit and loss reserve is recognised as at 1 January 2014 and 31 December 2014. Movement in the fair value of £46,450 during 2014 is presented within other comprehensive income.

b) Deferred tax of £499,000 (2013: £509,000) arising from the defined benefit obligation is reclassified and presented within debtors due after more than one year. This balance was netted off the related defined benefit pension liability under previous UK GAAP.

c) The defined benefit surplus of £5,707,102 (2013: £3,772,102) that was recognised relating to the EPS pension scheme under previous UK GAAP is derecognised under IAS 19(R) due to the impact of asset ceiling recognition requirements. A corresponding decrease is recognised in the profit and loss reserve.

d) Under FRS 101, the Company recognises investments in subsidiaries at cost. Where no consideration is paid, the Company initially records the investment at fair value. During 2014, investments in subsidiaries that were received via a dividend in specie had been recognised at their previous book value under previous UK GAAP. The investments are recognised at fair value of nil under FRS 101. As a result, dividend in specie of £3,603,432 that had been recognised under previous UK GAAP is de-recognised alongside the related impairment charge.

e) Under IAS 19(R), the net interest received on the defined benefit pension plans is calculated with reference to the discount rate. As a result, for the year ended 31 December 2014, a reclassification of £644,000 is required between the interest receivable (profit and loss) and remeasurements of defined benefit liability/asset (other comprehensive income). This reduces profit for the year but has no effect on the profit and loss reserve. An associated tax reclassification from profit and loss to other comprehensive income of £138,460 is required for the year ended 31 December 2014.

g) Following the derecognition of the EPS pension scheme surplus (see note c), a corresponding deferred tax liability of £1,141,420 (2013: £754,420) was derecognised. Under UK GAAP this had been presented within the pension asset. Of the deferred tax movement of £387,000 during 2014, £354,782 was derecognised from other comprehensive income and £32,218 from profit and loss.

h) Under previous UK GAAP, the effect of the asset ceiling restriction was recognised within operating income (£1,484,000) and other comprehensive income (£30,375,000). Under FRS 101, the effect of the asset ceiling on these schemes is instead reflected as a reduction to the interest expense of £2,194,000 and a reduction of other comprehensive income of £29,665,000.

Evonik Industries AG  
Rellinghauser Straße 1-11  
45128 Essen, Germany  
[www.evonik.com](http://www.evonik.com)

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# CREDITS

## PUBLISHER

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

## CONTACT

**Communications**  
Phone +49 201 177-3341  
Fax +49 201 177-3013  
info@evonik.com

## INVESTOR RELATIONS

Phone +49 201 177-3146  
Fax +49 201 177-3148  
investor-relations@evonik.com

## CONCEPT, DESIGN, AND REALIZATION

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## PRODUCTION OF EVONIK'S ANNUAL REPORT 2015

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**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 rate swaps comprise swapping fixed interest rates for variable rates.

**Venture capital**

Venture capital is risk capital that is made available to fund innovative concepts and ideas, generally at high-growth small and mid-sized enterprises. Through Evonik Venture Capital GmbH, Evonik aims to invest up to €100 million in promising start-ups and leading specialized venture capital in the mid term.

**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.

## Financial and economic terms

### Adjusted EBIT

Earnings before financial result and taxes, after adjustments. Earnings parameter showing Evonik's operating earnings performance irrespective of the structure of its assets.

### Adjusted EBITDA

Earnings before financial result, taxes, depreciation and amortization, after adjustments. Earnings parameter showing Evonik's operating earnings performance irrespective of the structure of its assets and its investment profile. This is a cash flow-related parameter which is used in particular in the adjusted EBITDA margin to show the relationship to sales as a basis for comparison with competitors.

### Adjustments

Evonik adjusts its operating earnings to take account of non-operating income and expense items that are one-off or by nature rare. Consequently, these items do not form part of adjusted EBIT and adjusted 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.

### Silicas

Evonik manufactures both precipitated silicas using a wet route and fumed silicas which are produced by a flame process. Silicas are also known as silicon dioxide. These ultra-fine particles are used in a wide range of applications, 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).

### Silica-silane system

Silicas are used in combination with silanes to reinforce the tread of modern tires. The silica-silane system greatly reduces rolling resistance, resulting in fuel savings of up to 8 percent compared with conventional auto tires. It also improves grip on wet and wintry roads.

### Structural foams

Structural foams are popular for lightweight construction because they are light and stable. ROHACELL® is the brand name for Evonik's polymethacrylimide (PMI) structural foams, which have been used for many years in planes and helicopters. Now they are increasingly being used in sandwich structures in the automotive industry.

### 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 hydro gels. The liquid is not released even under pressure. Consequently, these polymers are mainly used in diapers. Special forms of superabsorbents are used in agriculture to regulate the moisture in soil. They can absorb large quantities of water, and release it to the plants during dry periods.

### Sustainability

Sustainability is based on the need to balance the economic, ecological and social dimensions. Sustainable development is a commitment to the perspectives for the lives of future generations, as expressed in the Vision 2050 published by the World Business Council for Sustainable Development (WBCSD) and the United Nations' 17 goals for sustainable development. At the same time, sustainable development is an opportunity to establish a successful long-term corporate strategy that combines business success with social and societal responsibility and protection of the environment.

### UN Global Compact

The United Nations Global Compact is the biggest and most important global initiative for responsible business management. Signatories are committed to align their business operations and strategies to ten universally recognized principles relating to human rights, labor, environmental protection and fighting corruption.

### VISIOMER® specialty methacrylates

Evonik markets the VISIOMER® brand of specialty methacrylates as important precursors for adhesive formulations and sealing compounds. Applications include automotive engineering and boat building as well as pressure-sensitive and anaerobic adhesives which allow application-specific optimization of bonding properties.

### Vision 2050

For the Vision 2050 project 29 corporate members of the World Business Council for Sustainable Development (WBCSD) developed a common agenda for a world geared to sustainability by 2050 and pathways to achieve this vision. Evonik was involved in this project and is committed to the Vision 2050 which is expressed as "9 billion people living well within the limits of the planet".

### 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.

**Monomers**

Monomers are low-molecular-weight, reactive molecules that can build polymers

**Oil additives**

As a leading global supplier of oil additives, Evonik develops innovative technologies that improve the operational efficiency of engines, gears and hydraulic systems. Specific and customized improvements in the flow properties of lubricants over a wide temperature range play an important role. Depending on the application, Evonik markets these technologies as DRIVON™, NUFLUX™ and DYNAVIS®.

**PEEK**

Polyetherether ketones (PEEK) are partially crystalline high-performance polymers with outstanding mechanical properties and very good temperature resistance. In view of their exceptionally high mechanical, thermal and chemical properties, they are mainly used in functional components and assemblies in automotive engineering, aviation, electronics and medical products.

**Plasticizers**

Plasticizers are chemical compounds that make PVC plastics flexible. Alongside conventional products, Evonik markets phthalate-free plasticizers.

**Plastic glazing**

Glazing made of PLEXIGLAS® is up to 50 percent lighter than glass. That makes it attractive for automotive engineering. PLEXIGLAS® also has excellent transparency, very good resistance to weathering, pleasant acoustic properties and outstanding moldability, which opens up completely new design options compared with conventional glazing.

**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).

**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.

**Silanes**

Silanes are a group of chemical compounds, comprising silicon and hydrogen. Evonik produces three types of silanes:

- Organofunctional silanes have at least one functional hydrocarbon group. 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 example for the semiconductor and optical fiber sectors.

**Cosmetic ingredients for hair care products**

Evonik produces a wide range of cosmetic ingredients such as conditioning agents, surfactants and thickening agents for shampoos and conditioners, and active ingredients to repair damaged hair. Surfactants provide cleansing properties, while thickeners give the products the right viscosity and rheology. The conditioning additives improve the smoothness and structure of hair, making it easier to comb. They can also provide additional protection against heat, UV irradiation and static charge.

**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).

**High performance polymers**

Evonik is a specialist for high performance polymers. These have particularly high strength, making them a welcome alternative to metals in many fields, for example in lightweight structures, medical implants and industrial applications. Depending on where they are used, such materials have to withstand high temperatures, aggressive chemicals and significant mechanical strain.

**Hydrogen peroxide**

Hydrogen is one of the cleanest and most versatile chemicals. Because of its positive properties it is used in a wide range of applications. Traditionally, hydrogen peroxide has been used as an environmentally benign bleaching agent in the pulp and textile industries. It is also used for antiseptic packaging, to clean silicon wafers in the manufacture of printed circuit boards and as an active ingredient in pharmaceuticals. Thanks to the innovative Hydrogen Peroxide to Propylene Oxide (HPPO) process developed by Evonik and ThyssenKrupp Industrial Solutions, this environment-friendly oxidation agent is also used in the direct chemical synthesis of propylene oxide, which is an important starting product for polyurethanes.

**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 segments' 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<sub>2</sub> emissions and leverages cost-efficiency. Examples of integrated technology platforms in the Evonik Group are isophorone and silicon.

**Isophorone/isophorone diamine/isophorone diisocyanate**

Isophorone is used as a solvent, for example in the paints and coatings industry. It is also used to produce the derivatives isophorone diamine and isophorone diisocyanate. Isophorone diamine is an important curing agent for epoxy resin systems, for example to strengthen rotor blades. Isophorone diisocyanate is used to produce light- and weather-resistant polyurethanes, for example, for coating instrument panels and other plastic components.



# 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

### Active packaging

Active packaging improves the storage conditions for food. For example, oxygen absorbers remove oxygen from the atmosphere, thereby increasing the shelf-life of packaged food through reduced oxidation and maintaining its quality (e.g. color, taste). Evonik is developing VISPARENT®, a portfolio of oxygen absorbers for a wide range of end-uses, including transparent packaging.

### 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 undigested nutrients, which improves the carbon footprint of livestock farming and reduces overfertilization of the soil. Evonik markets 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.

### Anti-fouling

Special paints protect ships from fouling: algae, mussels and barnacles that adhere to the vessel and greatly increase drag as they sail. Anti-fouling coatings therefore bring substantial fuel-savings. Evonik's specialty ingredients provide particularly long-lasting protection.

### Biodiesel

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 alkoxides which are used as catalysts for efficient high-yield production of biodiesel. Using Evonik's catalysts, biodiesel can be manufactured in a water-free process. As a result, fewer unwanted by-products are generated, leading to less contamination, so separation and processing are facilitated.

### Butadiene

Butadiene is mainly used in synthetic rubber, for example for the manufacture of tires. It also has a wide range of applications in elastomers and plastics. For example, it enhances the resistance of rubber gloves and is an important precursor for the production of latex mattresses.

### C<sub>4</sub> chemistry

C<sub>4</sub> crack is a by-product of crude oil refining. It is produced in a steam cracker when naphtha is split into ethylene and propylene. After isolation, Evonik processes the C<sub>4</sub> hydrocarbons and places them on the market, for example as butadiene for tires and butene-1 for the plastics industry. Isobutene is processed into methyl tertiary butylether (MTBE), which is used as an anti-knock agent in fuel. In further processing steps, it manufactures high-chain alcohols and plasticizers for flexible PVC. Evonik's integrated C<sub>4</sub> technology platform ensures excellent product yields. All hydrocarbons contained in C<sub>4</sub> crack are processed cost-effectively.

### Composites

Composites are composed of at least two different materials, for example a matrix material reinforced with fibers. By combining the properties of the materials carefully, it is possible to produce components that are very light yet extremely tough.

**Market positions 2015<sup>a</sup>**

Product	Application	Global ranking <sup>a</sup>	Capacity in metric tons p a
<b>Performance Materials</b>			
Butene-1	Co-monomer for polyolefins	1 <sup>c</sup>	235,000
DINP	High-molecular plasticizers for use in flexible PVC	2	220,000
Isononanol	Intermediate for high-molecular plasticizers	2	400,000
Cyanuric chloride	Industrial applications and specialties (e.g. crosslinkers and optical brighteners), crop protection (especially Chinese producers)	3	31,000
Alcoholates	Catalysts for biodiesel, pharmaceuticals, agrochemicals and other applications	1	> 200,000
Methacrylate monomers	Dispersions, coatings, plastics, additives, adhesives, optical lenses	1–2	<sup>d</sup>
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

<sup>a</sup> Evonik's assessment based on various individual market reports/information and in-house market research

<sup>b</sup> Chlorosilanes: freely traded volumes. Overall assessment—market position differs depending on application

<sup>c</sup> Freely traded volumes

<sup>d</sup> No data available

# Market positions

## Market positions 2015<sup>a</sup>

Product	Application	Global ranking <sup>a</sup>	Capacity in metric tons p.a.
<b>Nutrition &amp; Care</b>			
Amphoteric surfactants	Shampoos, shower gels	1	<sup>d</sup>
Ceramides, phytosphingosines	Cosmetics	1	<sup>d</sup>
Fat chemistry, quaternary derivatives	Fabric softeners	1	<sup>d</sup>
Organically modified silicones	Additives for polyurethane foams, cosmetics, radiation-cured separation coatings	1–2	<sup>d</sup>
Superabsorbents	Diapers, feminine hygiene products, incontinence products, technical applications	1–2	570,000
Amino acids and amino acid derivatives	Pharmaceutical intermediates and infusion solutions	3	<sup>d</sup>
Exclusive synthesis	Intermediates and active substances for pharmaceuticals and specialty applications	3	<sup>d</sup>
Pharmaceutical polymers	Drug delivery systems (e.g. tablet coatings) and medical products (e.g. bioresorbable implants)	2	<sup>d</sup>
DL-methionine	Animal nutrition	1	580,000
<b>Resource Efficiency</b>			
Hydrogen peroxide	Bleaching of pulp and textiles, oxidation agent for the chemical industry, starting product for polyurethane	2	> 900,000
Activated nickel catalysts	Life sciences and fine chemicals, industrial chemicals	3	<sup>d</sup>
Precious metal powder catalysts	Life sciences and fine chemicals, industrial chemicals	1	<sup>d</sup>
Oil and fat hydrogenation catalysts	Life sciences and fine chemicals, industrial chemicals	3	<sup>d</sup>
Amorphous polyalphaolefins	Thermoplastic hot melt adhesives	1	<sup>d</sup>
Polybutadienes	Automotive manufacturing (adhesives and sealants)	2	<sup>d</sup>
Polyester resins	Can- and coil coating, reactive hot melt adhesives	1	<sup>d</sup>
Thermoplastic and reactive methacrylate resins	Binders for paints and coatings	1–2	<sup>d</sup>
Organically modified silicones	Binders for paints and printing inks	2	<sup>d</sup>
Isophorone chemistry	Environment-friendly coating systems, high-performance composites (crosslinkers)	1	<sup>d</sup>
PEEK	Special applications in the oil and gas, automotive and aviation industries, electronics/semiconductors, specialty medical technology (e.g. implants)	3	<sup>d</sup>
Polyamide 12	High-performance specialty polymer applications (e.g. automotive, medical, sport, gas and offshore oil pipelines)	1	<sup>d</sup>
Oil additives	Viscosity index improvers	1	<sup>d</sup>
Organosilanes, chlorosilanes	Rubber, silicone rubber, paints and coatings, adhesives and sealants, building protection materials, pharmaceuticals, cosmetics, optical fibers	1 <sup>b</sup>	<sup>d</sup>
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

## Executive Board of Evonik Industries AG

### Dr. Klaus Engel, Mülheim an der Ruhr

Chairman of the Executive Board

a) NATIONAL-BANK AG

b) Borussia Dortmund Geschäftsführungs-GmbH

### Dr. Ralph Sven Kaufmann, Düsseldorf

(since July 1, 2015)

Responsible for the Nutrition & Care,

Resource Efficiency and Performance Materials segments

a) Evonik Nutrition & Care GmbH

(since July 1, 2015\*, Chair since September 14, 2015)

Evonik Resource Efficiency GmbH

(since July 1, 2015\*, Chair since September 3, 2015)

Evonik Performance Materials GmbH

(since July 1, 2015\*, Chair since October 16, 2015)

### Christian Kullmann, Hamminkeln

Chief Strategic Officer

a) Borussia Dortmund GmbH & Co. KGaA

Evonik Performance Materials GmbH

(since July 1, 2015\*)

### Thomas Wessel, Herten

Chief Human Resources Officer

Responsible for Technology & Infrastructure

a) Evonik Nutrition & Care GmbH (since July 1, 2015\*)

Evonik Resource Efficiency GmbH (since July 1, 2015\*)

Evonik Performance Materials GmbH

(since July 1, 2015\*)

Evonik Technology & Infrastructure GmbH

(since July 1, 2015\*, Chair since September 3, 2015)

Pensionskasse Degussa VVaG

Vivawest GmbH

Vivawest Wohnen GmbH

b) Gesellschaft zur Sicherung von

Bergmannswohnungen mbH

### Ute Wolf, Düsseldorf

Chief Financial Officer

a) Deutsche AWM Investment GmbH (since July 1, 2015)

Evonik Nutrition & Care GmbH (since July 1, 2015\*)

Evonik Resource Efficiency GmbH (since July 1, 2015\*)

Evonik Performance Materials GmbH (since July 1, 2015\*)

Pensionskasse Degussa VVaG

b) Advanced Metallurgical Group N.V., Amsterdam

(Netherlands) (until May 7, 2015)

### The following gentleman

left the Executive Board in 2015

### Patrik Wohlhauser, Kelkheim

(until June 30, 2015)

Responsible for the Nutrition & Care,

Resource Efficiency and Performance Materials segments

b) Jungbunzlauer Holding AG, Basel (Switzerland)

a) Membership of 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)

\* Until August 21, 2015 defined as a comparable supervisory body pursuant to Section 125 Paragraph 1 Sentence 5 of the German Stock Corporation Act (AktG)

**Steven Koltes, St. Moritz (Switzerland)**

Co-Chairman CVC Capital Partners Group  
 b) Frontiers Media S.A. (Switzerland)  
 Kaltroco Limited (Jersey)

**Frank Löllgen, Cologne**

Regional Director North Rhine of the Mining,  
 Chemical and Energy Industrial Union (IG BCE)  
 a) Bayer AG (since November 3, 2015)  
 b) Abbott Management GmbH

**Dr. Siegfried Luther, Gütersloh**

Former CFO of Bertelsmann AG  
 a) Schaeffler AG  
 Sparkasse Gütersloh

**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**

Chairman of DekaBank Deutsche Girozentrale  
 a) Deka Immobilien GmbH  
 Deka Investment GmbH (Chair)  
 Landesbank Berlin Investment GmbH (Chair)  
 Liquiditäts-Konsortialbank GmbH (Chair)  
 b) DekaBank Deutsche Girozentrale  
 Luxembourg S.A. (Luxembourg) (until March 20, 2015)

**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 (until July 31, 2015)  
 b) CERONA Companhia de Energia Renovável,  
 São Paulo (Brazil)  
 OSF Merchant Banking, São Paulo (Brazil)  
 Perstorp Holding AB, Malmö (Sweden)

**Dr. Christian Wildmoser, Surpierre (Switzerland)**

Managing Director of CVC Capital Partners  
 Switzerland GmbH  
 b) Sigma Group Holdings S.à.r.l. (Luxembourg)

**The following gentlemen left the  
Supervisory Board in 2015****Günter Adam, Freigericht**

(until December 10, 2015)  
 Deputy Chairman of the Group Works Council  
 of Evonik Industries AG  
 Chairman of the Works Council  
 for the Hanau facilities

**Jürgen Nöding, Duisburg**

(until September 30, 2015)  
 Chairman of the Works Council  
 for the Essen Campus facilities

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)

## 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

RAG Aktiengesellschaft (Chair)

RAG Deutsche Steinkohle AG (Chair)

b) Contilia GmbH

Stadler Rail AG, Bussnang (Switzerland)

**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

RAG Deutsche Steinkohle AG

STEAG GmbH

b) RAG-Stiftung

**Martin Albers, Dorsten**

(since October 1, 2015)

Deputy Chairman of the Works Council  
for the Essen Campus facilities

a) Pensionskasse Degussa VVaG

b) PEAG Holding GmbH

**Prof. Barbara Albert, Darmstadt**

Professor of Solid State Chemistry at the Eduard-  
Zintl Institute of Inorganic and Physical Chemistry  
at Darmstadt Technical University

**Karin Erhard, Hanover**

Board Secretary to the Pay-Scale/Finances

Division of the Mining, Chemical and  
Energy Industrial Union (IG BCE)

a) INEOS Deutschland GmbH

INEOS Köln GmbH

**Carmen Fuchs, Alzenau**

(since December 10, 2015)

Deputy Chairperson of the  
Works Council for the Hanau facilities

a) Pensionskasse Degussa VVaG

**Stephan Gemkow, Overath**

Chairman of the Management Board  
of Franz Haniel & Cie. GmbH

a) 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 Munich Technical University

b) Bayerische Forschungsallianz GmbH (Chair)

**Dieter Kleren, Wesseling**

Chairman of the Works Council  
for the Wesseling facilities

**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, 2015. 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 22, 2016

**PricewaterhouseCoopers**  
**Aktiengesellschaft**  
**Wirtschaftsprüfungsgesellschaft**

Lutz Granderath  
(German Public Auditor)

Antje Schlotter  
(German Public Auditor)

# 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, 2015

## 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, 2015 as well as the results of operations for the business year then ended, in accordance with these requirements.



# SUPPLEMENTARY INFORMATION

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## 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, 2016

**Evonik Industries AG**  
**The Executive Board**

Dr Engel                      Dr Kaufmann                      Kullmann

Wessel                      Wolf

## Notes

Disclosures in compliance with German legislation

Wages and salaries also include expenses related to restructuring

The net interest expense for pension provisions is shown in the financial result, see Note 6 6

The table shows the annual average headcount for the continuing operations

**Headcount (annual average)**

No. of employees	2015	2014
Nutrition & Care	6,984	6,960
Resource Efficiency	8,240	7,951
Performance Materials	4,322	4,387
Services	12,852	12,844
Corporate, other operations	861	960
	<b>33,259</b>	<b>33,102</b>

Prior year figures restated

### 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 of Evonik Industries for their work in 2015, including remuneration of the former Executive Board member Mr Wohlhauser, was €15,608 thousand (2014 €10,677 thousand). In 2015 provisions of €332 thousand for bonus payments for 2014 were reversed.

Further details, including an individual breakdown of remuneration, can be found in the remuneration report in the combined management report.

Total remuneration of former members of the Executive Board and their surviving dependents was €2,729 thousand in 2015 (2014 €1,374 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 €50,951 thousand (2014 €43,816 thousand).

The remuneration of the Supervisory Board for 2015 totaled €2,818 thousand (2014 €2,816 thousand).

### 11.4 Auditor's fees pursuant to Section 314 Paragraph 1 No. 9 of the German Commercial Code (HGB)

The auditor for the consolidated financial statements of the Evonik Group was PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf (Germany). The fees for services provided by the PwC Group were as follows:

**Auditor's fees**

in € million	Germany		Other countries		Total fees	
	2015	2014	2015	2014	2015	2014
Auditing of annual financial statements	4.1	3.6	4.7	3.8	8.8	7.4
Other audit-related services	1.3	1.7	0.6	0.6	1.9	2.3
Tax consultation services	–	1.4	0.2	0.3	0.2	1.7
Other services	0.4	0.7	–	–	0.4	0.7
	<b>5.8</b>	<b>7.4</b>	<b>5.5</b>	<b>4.7</b>	<b>11.3</b>	<b>12.1</b>

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 and foreign 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.

## 10.4 Contingent liabilities, contingent receivables and other financial commitments

Contingent liabilities mainly comprise guarantee and warranty obligations totaling €70 million (2014: €56 million). They include a guarantee of €44 million in favor of a joint venture, see Note 10.3, and indemnity obligations of €10 million in connection with divestments, which expire in the period up to December 31, 2017.

Furthermore, following completion of administrative proceedings in foreign jurisdictions, it is not improbable that individual customers could file claims for compensation. Since the probability is considered low, Evonik is of the opinion that the risk is in the low double-digit-euro range.

There were no contingent receivables as of December 31, 2015.

Other financial commitments are outlined below.

As a lessee, Evonik is mainly party to operating leases for land and buildings, plant and machinery, and office furniture and equipment.

The table shows the nominal value of obligations from future minimum lease payments for leased assets with the following payment terms:

### Maturity structure of future minimum lease payments (lessee; operating leases)

in € million	2015	2014
Due within 1 year	92	78
Due in more than 1 and up to 5 years	246	211
Due in more than 5 years	218	179
	<b>556</b>	<b>468</b>

Total payments of €99 million (2014: €108 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.

## 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 in 2008, 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 4.24 percent of the shares in Evonik Industries AG at year-end 2015 (2014: 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 0.06 percent (2014: 0.31 percent) in Evonik Industries AG. The cash contribution for this was equivalent to the market value of the partnership shares and was determined by a suitable enterprise valuation method. Since the managers paid the fair value of the shares when they acquired them, the fair value of the equity instruments allocated in return was zero. For this reason, no expense would have to be recognized at any time, either in the event of an exit or if a manager were to leave the company.

Evonik will not at any time be required to make payments to the eligible managers under this program.

## 10.6 Events after the reporting date

There were no material events after the reporting date.

## 11. Disclosures in compliance with German legislation

### 11.1 Information on shareholdings pursuant to Section 313 Paragraph 2 of the German Commercial Code (HGB)

The Group's shareholdings are listed in Note 5.1. The list indicates which companies have made use of the provisions in Sections 264 Paragraph 3 and 264b of the German Commercial Code (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)

#### Personnel expense

in € million	2015	2014
Wages and salaries	2,520	2,200
Social security contributions	370	341
Pension expenses	209	192
Other personnel expense	22	16
	<b>3,121</b>	<b>2,749</b>

Prior-year figures restated

The dividend for fiscal 2014 was paid following the adoption of the resolution by the Annual Shareholders' Meeting on May 19, 2015. RAG-Stiftung, Essen (Germany) received €316 million, Gabriel Acquisitions GmbH, Gadebusch (Germany) received €24 million, and The Gabriel Finance Limited Partnership, St. Helier (Jersey), received €20 million.

In 2015, Evonik received dividends of €18 million (2014 €44 million), mainly from associates.

The other income from fellow subsidiaries comprised the divestment of the 10.3 percent shareholding in Vivawest to RAG Aktiengesellschaft, see Note 5.2.

The contingent liabilities recognized as of December 31, 2015 comprise €44 million relating to a joint venture and result mainly from a guarantee of €39 million granted to secure a loan for the joint venture Saudi Acrylic Polymers Company, Ltd., Jubail (Saudi Arabia). In addition, two guarantees totaling €5 million were provided as collateral for a facility for hedging transactions at the joint venture CyPlus Idesa, S.A.P.I. de C.V., Mexico City (Mexico).

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, and the Duisport Group.

Individuals defined as 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.

#### Remuneration paid to related parties (individual persons)

in € '000	Executive Board of Evonik Industries AG		Supervisory Board of Evonik Industries AG		Other management members	
	2015	2014	2015	2014	2015	2014
Short-term remuneration	10,101	7,472	2,818	2,816	12,982	4,317
Share-based payments	4,753	850	–	–	2,322	121
Current service cost for pension and other post-employment benefits	2,261	1,526	–	–	933	493
Termination benefits	2,380	–	–	–	–	–

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments.

As of December 31, 2015, there were provisions of €6,688 thousand (2014 €3,676 thousand) for short-term performance-related remuneration of members of the Executive Board and €9,160 thousand (2014 €1,677 thousand) for other management members.

At year-end 2015, provisions for share-based payment amounted to €6,624 thousand (2014 €2,291 thousand) for the Executive Board and €2,408 thousand (2014 €942 thousand) for other management members.

Further, as of December 31, 2015 there were provisions for termination benefits for the Executive Board totaling €878 thousand.

The information on share-based payment relates to expenses for fiscal 2015 for the LTI tranches 2010 through 2015 for the Executive Board and LTI tranches 2012 through 2015 for other management members.

The present value of pension obligations (defined benefit obligations) was €25,799 thousand (2014 €29,773 thousand) for the Executive Board, and €17,631 thousand (2014 €10,672 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 2015, business relations with the Evonik Group amounting to €4 million (2014 €2 million) were maintained by one member of the Board of Trustees of RAG-Stiftung through companies attributable to this person. This amount principally comprised goods and services supplied. The liabilities were less than €1 million on the reporting date.

Apart from the relationships stated above, Evonik did not have any other significant business relationships with related parties.

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.

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 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, i.e. companies, the government and individuals.

As of December 31, 2015, 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 through the appointment of representatives 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.

### Business relations with related parties (companies)

in € million	RAG-Stiftung		Fellow subsidiaries		Joint ventures		Associates	
	2015	2014	2015	2014	2015	2014	2015	2014
Goods and services supplied	-	-	2	2	25	32	1	9
Goods and services received	-	-	-57	-66	-1	-	-2	-2
Other income	-	-	143	-	4	-	-	6
Receivables as of December 31	-	-	1	-	7	3	-	1
Liabilities as of December 31	-	-	-	-	-	-	-1	-
Contingent liabilities as of December 31	-	-	-	-	-44	-33	-1	-2

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.

Since netting was not agreed for forward exchange contracts, currency swaps and cross-currency interest rate swaps, they are presented as gross amounts.

### Remaining maturity of derivative financial instruments 2015

in € million	Payments due in			Dec 31, 2015
	up to 1 year	more than 1 and up to 3 years	more than 3 years	
<b>Receivables from derivatives</b>	<b>50</b>	<b>4</b>	<b>-</b>	<b>54</b>
Cross-currency interest rate swaps	13	4	-	17
Cash inflows	123	41	9	173
Cash outflows	-110	-37	-9	-156
Forward exchange contracts and currency swaps	37	-	-	37
Cash inflows	2,118	137	-	2,255
Cash outflows	-2,081	-137	-	-2,218
Commodity derivatives	-	-	-	-
<b>Liabilities from derivatives</b>	<b>-122</b>	<b>-43</b>	<b>-57</b>	<b>-222</b>
Cross-currency interest rate swaps	-12	-27	-53	-92
Cash inflows	23	57	314	394
Cash outflows	-35	-84	-367	-486
Forward exchange contracts and currency swaps	-102	-7	-	-109
Cash inflows	2,690	202	1	2,893
Cash outflows	-2,792	-209	-1	-3,002
Commodity derivatives	-8	-9	-4	-21

### Remaining maturity of derivative financial instruments 2014

in € million	Payments due in			Dec 31, 2014
	up to 1 year	more than 1 and up to 3 years	more than 3 years	
<b>Receivables from derivatives</b>	<b>23</b>	<b>-4</b>	<b>-</b>	<b>19</b>
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	-	-	-	-
<b>Liabilities from derivatives</b>	<b>-198</b>	<b>-36</b>	<b>-33</b>	<b>-267</b>
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

Alongside cash and cash equivalents of €2,368 million and investments of €262 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 second and last option to extend their term by one year was exercised in 2015 and they now run until September 2018 and 2020 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 2015.

Further, as of December 31, 2015, various unused credit lines totaling €368 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.

#### Remaining maturity of non-derivative financial instruments 2015

in € million	Payments due in				Dec 31, 2015
	up to 1 year	more than 1 and up to 3 years	more than 3 and up to 5 years	more than 5 years	
<b>Financial liabilities</b>	<b>211</b>	<b>89</b>	<b>581</b>	<b>796</b>	<b>1,677</b>
Bonds	3	34	534	772	1,343
Liabilities to banks	179	52	47	24	302
Loans from non-banks	14	–	–	–	14
Other financial liabilities	15	3	–	–	18
<b>Trade accounts payable</b>	<b>1,086</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>1,090</b>

#### Remaining maturity of non-derivative financial instruments 2014

in € million	Payments due in				Dec 31, 2014
	up to 1 year	more than 1 and up to 3 years	more than 3 and up to 5 years	more than 5 years	
<b>Financial liabilities</b>	<b>320</b>	<b>94</b>	<b>45</b>	<b>559</b>	<b>1,018</b>
Bonds	9	19	19	509	556
Liabilities to banks	291	72	24	48	435
Loans from non-banks	7	–	–	–	7
Other financial liabilities	13	3	2	2	20
<b>Trade accounts payable</b>	<b>1,126</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,126</b>

The Group met all payment terms agreed for its financial liabilities.



The results of these scenarios were as follows

#### USD sensitivity analysis

in € million	Dec 31, 2015		Dec 31, 2014	
	Impact on income	Impact on equity	Impact on income	Impact on equity
+ 5%	-1	-64	3	-51
- 5%	1	64	-3	51
+ 10%	-1	-127	5	-103
- 10%	1	127	-5	103

#### CNY/CNH sensitivity analysis

in € million	Dec 31, 2015		Dec 31, 2014	
	Impact on income	Impact on equity	Impact on income	Impact on equity
+ 5%	-	-11	-1	-9
- 5%	-	11	1	9
+ 10%	-	-23	-1	-17
- 10%	-	23	1	17

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.

#### EUR interest rate sensitivity analysis

in € million	Dec 31, 2015		Dec 31, 2014	
	Impact on income	Impact on equity	Impact on income	Impact on equity
+ 50 basis points	1	-	2	-
- 50 basis points	-1	-	-2	-
+ 100 basis points	1	-	4	1
- 100 basis points	-1	-	-4	-1
+ 150 basis points	2	-	6	1
- 150 basis points	-2	-	-7	-1

**Commodity risks** result from changes in the market prices for the purchase and sale of raw materials. 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 segments, involves identifying procurement risks and defining effective measures to minimize them. For example, price escalation clauses and swaps are used to reduce price volatility. Pricing and procurement risks are reduced through worldwide procurement and optimized processes to ensure immediate sourcing of additional raw material requirements. Further, use of alternative raw materials is examined for various production processes and Evonik is working on the development of alternative production technologies.

Financial derivatives were also used on a small scale to hedge procurement price risks. If the price of natural gas had been 10 percent higher or lower, the impact of the fluctuation in the value of the commodity derivatives on the hedge reserve would have been +€2 million or -€2 million at year-end 2015 (as in 2014). If the price of naphtha-based petrochemical feedstocks had been 10 percent higher or lower, the impact of the fluctuation in the value of the commodity derivatives on the hedge reserve would have been +€7 million or -€7 million at year-end 2015. In both cases, the impact on income would have been negligible. Similarly, there was no impact on income in the previous year.

#### (b) Liquidity risk

Liquidity risk is managed through business planning to ensure that the funds required to finance the current operating business and current and future investments in all Group companies are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments and other financial activities are derived from a financing status and liquidity planning, which form part of liquidity risk management. Liquidity is pooled in a central cash management pool where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements.

**Net currency result**

in € million	2015	2014
<b>From operating currency exposure and associated hedging instruments</b>		
Gross income from currency translation	189	135
Gross expenses for currency translation	-154	-96
<b>Net result from currency translation of operating monetary assets and liabilities</b>	<b>35</b>	<b>39</b>
Gross income from currency hedging	180	122
Gross expenses for currency hedging	-251	-166
<b>Net result from operational currency hedging</b>	<b>-71</b>	<b>-44</b>
<b>From financing-related currency exposure and associated hedging instruments</b>		
Gross income from currency translation	266	113
Gross expenses for currency translation	-288	-152
<b>Net result from currency translation of financing-related monetary assets and liabilities</b>	<b>-22</b>	<b>-39</b>
Gross income from currency hedging	192	118
Gross expenses for currency hedging	-176	-95
<b>Net result from financing-related currency hedging</b>	<b>16</b>	<b>23</b>
<b>Net currency result (operational and financing-related)</b>	<b>-42</b>	<b>-21</b>

The net currency result is determined principally by the swap premiums at the start of hedging, and the time lag between the hedges and changes in the hedged foreign currency items recognized on the balance sheet during the hedging period. Since hedge accounting is applied for micro-hedging of foreign currency balance sheet exposure (for example, financing-related currency hedging of non-current loans through cross-currency interest rate swaps) and for hedging of planned or firmly agreed cash flows in foreign currencies (for example, hedging of planned sales revenues), their hedge results are only reflected in the net currency result with the corresponding ineffective portion or any forward components that are excluded from the hedge accounting relationship. By contrast, the effective results of these hedges are recognized in accumulated other comprehensive income until the hedged transaction is realized. Subsequently, they are recognized in sales if they were used as a sales hedge, inventories or the cost of sales if they were 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 7.7 (g).

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 2015, 94 percent (2014: 85 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, 2015.

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 relative to all other currencies 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 2015 was 0.7 percent for the USD (2014: 2.6 percent), and 0.7 percent for the CNY/CNH (2014: 2.7 percent).

As of year-end 2015, commodity swaps with a negative fair value of €21 million (2014 negative fair value of €4 million) were used to hedge forecast purchases of raw materials against price fluctuations up to 2019. For these swaps, a negative fair value of €20 million was recognized in the hedge reserve in 2015 (2014 negative fair value of €4 million).

The effectiveness of the hedge relations was determined using the dollar offset method, critical term match, the hypothetical derivatives method, regression analysis and sensitivity analyses. When hedging the currency risk of highly probable forecast transactions, in general only the spot components of forward exchange contracts used to hedge currency risks are designated as hedges. In 2015, the valuation of cash flow hedges did not contain any ineffective portion (2014 income of €1 million).

#### (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 a few months. As of December 31, 2015, the notional value of the hedges was £65 million, as in the previous year. At year-end 2015, the outstanding hedging contracts had a positive fair value of €2 million (2014 negative fair value of €1 million). Between the start of hedging in March 2010 and year-end 2015, total expenses of €19 million (2014 €12 million) were assigned to the hedge reserve.

In July 2015, the investment in a subsidiary in Switzerland was hedged against foreign currency risks. The hedging contracts have a notional value of CHF 69 million and a term of nine months. The fair value of the outstanding hedging contracts was €2 million. Between the start of this hedging transaction and the reporting date, income of €2 million was allocated 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 segments 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 profile 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 the risk of fluctuations in the price of coal, natural gas, electricity and petrochemical feedstocks. The procurement of emission 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.

#### (a) Market risk

Market risk can basically be subdivided into exchange rate, interest rate and commodity risks. The management of these risks is explained below.

**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. One 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. Any opposite effects arising from procurement and sales activities are taken into account. Another objective of currency management is to eliminate the currency risk relating to financing transactions that are not denominated in the functional currency of the respective Group companies.

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

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

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

### Notional value of derivatives

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.

### Notional value of derivative financial instruments

in € million	Dec 31, 2015			Dec 31, 2014		
	Total	thereof current	thereof non-current	Total	thereof current	thereof non-current
Cross-currency interest rate swaps	678	110	568	390	31	359
Forward exchange contracts and currency swaps	5,190	4,842	348	4,462	4,135	327
Commodity derivatives	111	15	96	26	15	11
	<b>5,979</b>	<b>4,967</b>	<b>1,012</b>	<b>4,878</b>	<b>4,181</b>	<b>697</b>

### Hedge accounting

Hedge accounting was applied for the following major transactions in 2015:

#### (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 €1,950 million (2014 around €1,600 million) up to March 2017 against exchange rate movements. These hedging instruments had a negative fair value of €56 million (2014 negative fair value of €96 million). At year-end 2015, losses of €56 million (2014 losses of 96 million) were recognized in the hedge reserve.

Evonik hedges the currency risk arising from intragroup foreign currency loans 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 €1,413 million (2014 €1,065 million). The designed

hedges had a positive fair value of €17 million (2014 negative fair value of €52 million). The hedge reserve is €18 million (2014 €11 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 2015, a negative fair value of €8 million was recognized in the hedge reserve for this transaction (2014 negative fair value of €11 million).

**Financial instruments recognized at fair value**

The fair value determination is based on the three-level hierarchy stipulated by IFRS 13 Fair Value Measurement, which is outlined in section 3.7. The following table shows the financial instruments that are measured at fair value on a recurring basis after initial recognition on the balance sheet.

**Financial instruments recognized at fair value as of December 31, 2015**

in € million	Fair value based on			Dec 31, 2015
	Publicly quoted market prices	Directly observable market-related prices	Individual valuation parameters	
	(Level 1)	(Level 2)	(Level 3)	
Other investments	55	–	–	55
Securities and similar claims	265	–	–	265
Receivables from derivatives	–	84	–	84
Liabilities from derivatives	–	–151	–	–151

**Financial instruments recognized at fair value as of December 31, 2014**

in € million	Fair value based on			Dec 31, 2014
	Publicly quoted market prices	Directly observable market-related prices	Individual valuation parameters	
	(Level 1)	(Level 2)	(Level 3)	
Other investments	53	–	–	53
Securities and similar claims	392	–	–	392
Receivables from derivatives	–	35	–	35
Liabilities from derivatives	–	–206	–	–206

The financial instruments allocated to Level 1 are recognized at their present stock market price. They comprise all securities and one equity investment. As of the present reporting date, all derivatives are allocated to Level 2. They comprise currency, interest rate and commodity derivatives whose fair value was determined with the aid of a discounted cash flow

method on the basis of the exchange rates at the European Central Bank, observed interest rate structure curves, observed commodity prices, and observed credit default premiums.

No derivatives were reclassified to other levels in the fair value hierarchy in fiscal 2015.

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

in € million	Carrying amount by valuation category			Dec 31, 2015	
	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
<b>Financial liabilities</b>	<b>19</b>	<b>1,554</b>	<b>133</b>	<b>1,706</b>	<b>1,719</b>
Bonds	–	1,241	–	1,241	1,258
Liabilities to banks	–	282	–	282	278
Loans from non-banks	–	14	–	14	14
Liabilities from derivatives	19	–	132	151	151
Other financial liabilities	–	17	1	18	18
<b>Trade accounts payable</b>	<b>–</b>	<b>1,090</b>	<b>–</b>	<b>1,090</b>	<b>1,090</b>
	<b>19</b>	<b>2,644</b>	<b>133</b>	<b>2,796</b>	<b>2,809</b>

## Carrying amounts and fair values of financial liabilities as of December 31, 2014

in € million	Carrying amount by valuation category			Dec 31, 2014	
	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
<b>Financial liabilities</b>	<b>36</b>	<b>928</b>	<b>171</b>	<b>1,135</b>	<b>1,171</b>
Bonds	–	496	–	496	529
Liabilities to banks	–	406	–	406	409
Loans from non-banks	–	7	–	7	7
Liabilities from derivatives	36	–	170	206	206
Other financial liabilities	–	19	1	20	20
<b>Trade accounts payable</b>	<b>–</b>	<b>1,126</b>	<b>–</b>	<b>1,126</b>	<b>1,126</b>
	<b>36</b>	<b>2,054</b>	<b>171</b>	<b>2,261</b>	<b>2,297</b>

That part of derivative financial instruments for which hedge accounting is applied is not allocated to any of the valuation categories

**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.

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

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

<sup>a</sup> The difference between the carrying amount and fair value results from investments measured at cost of acquisition for which no fair value could be determined reliably (€19 million)

**Carrying amounts and fair values of financial assets as of December 31, 2014**

in € million	Carrying amount by valuation category				Dec 31, 2014	
	Available-for-sale assets	Loans and receivables	Assets held for trading	Not allocated to any category	Carrying amount	Fair value
<b>Financial assets</b>	<b>456</b>	<b>41</b>	<b>19</b>	<b>16</b>	<b>532</b>	<b>521</b>
Other investments <sup>a</sup>	64	–	–	–	64	53
Loans	–	12	–	–	12	12
Securities and similar claims	392	–	–	–	392	392
Receivables from derivatives	–	–	19	16	35	35
Other financial assets	–	29	–	–	29	29
<b>Trade accounts receivable</b>	<b>–</b>	<b>1,720</b>	<b>–</b>	<b>–</b>	<b>1,720</b>	<b>1,720</b>
<b>Cash and cash equivalents</b>	<b>–</b>	<b>921</b>	<b>–</b>	<b>–</b>	<b>921</b>	<b>921</b>
	<b>456</b>	<b>2,682</b>	<b>19</b>	<b>16</b>	<b>3,173</b>	<b>3,162</b>

<sup>a</sup> The difference between the carrying amount and fair value results from investments measured at cost of acquisition for which no fair value could be determined reliably (€11 million)

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. The master agreements concluded by Evonik with counterparties for derivatives transactions provide for limited offsetting arrangements, especially if one of the contractual parties should become insolvent.

A corresponding disclosure has become established as best practice since the relevant provisions of IFRS 7 came into effect. The prior-year figures are therefore restated accordingly.

#### 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:

#### Net result by valuation category 2015

in € million	Net result by valuation category				2015
	Available-for-sale assets	Loans and receivables	Financial instruments held for trading	Liabilities at amortized cost	
Proceeds from disposals	-3	-	-	-	-3
Income from derivatives	-	-	-55	-	-55
Impairment losses/reversals of impairment losses	-16	-2	-	-	-18
Net interest expense	1	3	-22	-52	-70
Income from other investments	1	-	-	-	1
	<b>-17</b>	<b>1</b>	<b>-77</b>	<b>-52</b>	<b>-145</b>

#### Net result by valuation category 2014

in € million	Net result by valuation category				2014
	Available-for-sale assets	Loans and receivables	Financial instruments held for trading	Liabilities at amortized cost	
Proceeds from disposals	-	-	-	-	-
Income from derivatives	-	-	-21	-	-21
Impairment losses/reversals of impairment losses	-2	-14	-	-	-16
Net interest expense	1	4	-13	-85	-93
Income from other investments	-	-	-	-	-
	<b>-1</b>	<b>-10</b>	<b>-34</b>	<b>-85</b>	<b>-130</b>

Income from derivatives does not include income from derivative financial instruments for which hedge accounting is applied.

As in 2014, net interest expense did not include any interest income on the impaired portion of financial assets or trade accounts receivable.



Notes  
Other disclosures

### Offsetting rights for financial assets

	Netting of financial assets			Affected by enforceable master netting arrangements or similar arrangements		
	Gross amount of transactions affected by netting arrangements	Amounts set off in accordance with IAS 32	Amounts recognized for the relevant transactions	Receivables that do not fully meet the offsetting criteria	Amounts related to financial collateral	Net amount
in € million						
<b>December 31, 2015</b>						
Receivables from derivatives	83	–	83	53	–	30
Other financial assets	10	8	2	–	–	2
Trade accounts receivable	716	51	665	–	–	665
	<b>809</b>	<b>59</b>	<b>750</b>	<b>53</b>	<b>–</b>	<b>697</b>
<b>December 31, 2014</b>						
Receivables from derivatives	34	–	34	31	–	3
Other financial assets	–	–	–	–	–	–
Trade accounts receivable	311	30	281	–	–	281
	<b>345</b>	<b>30</b>	<b>315</b>	<b>31</b>	<b>–</b>	<b>284</b>

### Offsetting rights for financial liabilities

	Netting of financial liabilities			Affected by enforceable master netting arrangements or similar arrangements		Net amount
	Gross amount of transactions affected by netting arrangements	Amounts set off in accordance with IAS 32	Amounts recognized for the relevant transactions	Liabilities that do not fully meet the offsetting criteria	Amounts related to financial collateral	
in € million						
<b>December 31, 2015</b>						
Liabilities from derivatives	144	–	144	53	–	91
Other financial liabilities	6	6	–	–	–	–
Trade accounts payable	386	85	301	–	–	301
	<b>536</b>	<b>91</b>	<b>445</b>	<b>53</b>	<b>–</b>	<b>392</b>
<b>December 31, 2014</b>						
Liabilities from derivatives	201	–	201	31	–	170
Other financial liabilities	–	–	–	–	–	–
Trade accounts payable	222	91	131	–	–	131
	<b>423</b>	<b>91</b>	<b>332</b>	<b>31</b>	<b>–</b>	<b>301</b>

**LTI Plan for Executive Board members—Tranches 2013, 2014 and 2015**

		2015 tranche	2014 tranche	2013 tranche
Grant date	Date	Apr 29, 2015	Apr 14, 2014	Aug 14, 2013
Virtual shares granted	No	175,787	140,145	153,123
Virtual shares forfeited	No	–	–	51,760
Virtual shares as of December 31, 2015	No	175,787	140,145	101,363
Performance period	from – to	Jan 1, 2015 – Dec 31, 2018	Jan 1, 2014 – Dec 31, 2017	Jan 1, 2013 – Dec 31, 2016
Expense (+)/income (–) for the period	in € '000	1,825	1,661	1,373
Carrying amount of provision	in € '000	1,825	2,355	2,351

**LTI Plan for executives—Tranches 2013, 2014 and 2015**

		2015 tranche	2014 tranche	2013 tranche
Grant date	Date	May 18, 2015	Apr 11, 2014	Aug 27, 2013
Virtual shares granted	No	535,195	420,598	395,422
Virtual shares forfeited	No	–	8,137	10,870
Virtual shares as of December 31, 2015	No	535,195	412,461	384,552
Performance period	from – to	Jan 1, 2015 – Dec 31, 2018	Jan 1, 2014 – Dec 31, 2017	Jan 1, 2013 – Dec 31, 2016
Expense (+)/income (–) for the period	in € '000	3,844	3,779	6,800
Carrying amount of provision	in € '000	3,844	5,826	12,138

As of December 31, 2015, total provisions for share-based payment amounted to €28.4 million (2014: €10.8 million). In 2015, total expense including expense for share-based payment, including the 2012 tranche, was €25.7 million (2014: €2.1 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.

**(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.

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.

In keeping with the terms of the plan, regular exercise of the 2012 tranche took place in 2015 (€7.6 million). Consequently, no provision was necessary as of December 31, 2015 (2014: €1.1 million).

**LTI Plan for executives—2012 tranche**

2012 tranche		
Grant date	Date	Dec 19, 2012
Performance period	from – to	May 1, 2012 – Apr 30, 2015
Expense (+)/income (–) for the period	in € '000	6,508
Carrying amount of provision	in € '000	0

**(c) Evonik LTI Plan for Executive Board members and other executives—Tranches 2013 through 2015**

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<sup>SM</sup>.

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. 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, 2015, there was a provision of €28.3 million (2014: €9.1 million) for the LTI Plans for 2013, 2014 and 2015.

## 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 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, 2015, there was a provision of €0.1 million for the tranches for members of the Executive Board for the years 2011 and 2012 (2014: €0.6 million including the 2010 tranche). In keeping with the terms of the plan, regular exercise of the 2010 tranche took place in 2015 (€0.4 million).

The 2011 tranche of the Evonik LTI Plan for Executive Board members was vested as of December 31, 2015 but had no intrinsic value as of this date.

#### LTI Plan for Executive Board members—Tranches 2010 through 2012

		2012 tranche	2011 tranche	2010 tranche
Grant date	Date	Dec 18, 2012	Sep 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	20	–128	2
Carrying amount of provision	in €'000	94	0	0

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

in € million	2015	2014
<b>Adjusted EBITDA, reporting segments</b>	<b>2,803</b>	<b>2,159</b>
Adjusted EBITDA, other operations	-81	-54
Adjusted EBITDA, Corporate	-269	-202
Consolidation	4	-13
Less discontinued operations	8	-8
<b>Adjusted EBITDA, Corporate, other operations, consolidation</b>	<b>-338</b>	<b>-277</b>
<b>Adjusted EBITDA</b>	<b>2,465</b>	<b>1,882</b>
Depreciation	-700	-606
Impairment losses/reversals of impairment losses	-80	-63
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	67	43
<b>Depreciation and amortization</b>	<b>-713</b>	<b>-626</b>
<b>Adjusted EBIT</b>	<b>1,752</b>	<b>1,256</b>
Adjustments <sup>a</sup>	-88	-179
Financial result	-223	-235
<b>Income before income taxes, continuing operations</b>	<b>1,441</b>	<b>842</b>

<sup>a</sup> See management report, section 2.4 Business performance

The adjusted EBITDA margin is the ratio of adjusted EBITDA to external sales

Adjusted EBIT comprises earnings before financial result 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. It is calculated by determining the total of intangible assets, property, plant and equipment, 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.

ROCE is another major internal management parameter used by the Group. It 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.

Depreciation and amortization relate to the depletion in the value of intangible assets, property, plant and equipment over their estimated useful life.

Capital expenditures comprise additions to intangible assets (excluding goodwill from capital consolidation), property, plant and equipment. 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).

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, and property, plant and equipment are segmented by the location of the subsidiaries. Together, these assets comprise the non-current assets in accordance with IFRS 8 Operating Segments (cf. IFRS 8.33 b).

### Breakdown of non-current assets by country

in € million	Dec 31, 2015	Dec 31, 2014
Germany	4,373	4,319
USA	1,321	1,065
China	871	878
Singapore	613	622
Belgium	546	535
Other countries	1,252	1,196
<b>Non-current assets</b>	<b>8,976</b>	<b>8,615</b>

(PEEK) and polyimides to meet high-tech mechanical, thermal and chemical requirements. Thanks to its innovative capability, the Resource Efficiency segment has gained access to new growth markets for hydrogen peroxide.

### (c) Performance Materials

The heart of the Performance Materials segment is the production of polymer materials and intermediates, mainly for the rubber, plastics and agricultural sectors.

Success factors for this segment are advanced chemical processes, which Evonik has developed systematically over decades, including its integrated technology platforms for methylmethacrylate (MMA) and C<sub>4</sub> chemistry. It also produces alcoholates, which are used as catalysts in the production of biodiesel.

### (d) Services

The Services segment provides site management, utilities, and waste management, technical, process technology, engineering, and logistics services for the chemicals segments and external customers at Evonik's sites.

This segment also supports the chemicals businesses and the management holding company by providing standardized Group-wide administrative and business-support services, for example, in the areas of IT, human resources, accounting and legal services.

### (e) Other operations, Corporate and consolidation

Other operations contains the Group's business activities that are not assigned to any of the reporting segments.

The column headed "Corporate, consolidation" includes the management holding company, strategic research, hidden reserves and liabilities and goodwill relating to former acquisitions of shares in Evonik Degussa and intersegment consolidation effects.

## 9.3 Notes to the segment data

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.

### Reconciliation from the sales of all reporting segments to Group sales

in € million	2015	2014
<b>Sales, reporting segments</b>	<b>15,573</b>	<b>14,980</b>
Sales, other operations	138	175
Corporate, consolidation, less discontinued operations	-2,204	-2,238
<b>Sales, corporate, other operations, consolidation</b>	<b>-2,066</b>	<b>-2,063</b>
<b>External sales of the Evonik Group</b>	<b>13,507</b>	<b>12,917</b>

### External sales by country (location of customer)

in € million	2015	2014
USA	2,458	2,128
Germany	2,436	2,814
China	1,087	882
Switzerland	750	816
Netherlands	499	505
UK	453	463
France	400	396
Brazil	398	327
Japan	351	318
Italy	337	371
Other countries	4,338	3,897
<b>External sales of the Evonik Group</b>	<b>13,507</b>	<b>12,917</b>

## 9.2 Reporting based on regions

For this purpose, countries and country groups are aggregated into regions. Details of the reporting based on regions is outlined in more detail in Note 9.3.

The result from investments recognized at equity corresponds to the result for these investments as reported in the income statement, see Note 6.5.

The Executive Board of Evonik Industries AG uses adjusted EBITDA as the main parameter to measure operating performance. Adjusted EBITDA is the main earnings parameter that can be influenced by the segment management. It comprises earnings before financial result, income taxes, depreciation, amortization and impairment losses/reversal of impairment losses, after adjustments.

## 8.3 Cash and cash equivalents

The cash and cash equivalents of €2,368 million (2014 €921 million) comprise the cash and cash equivalents shown in the balance sheet

## 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 following reporting segments, which reflect the core operating business (subsequently referred to as segments)

- Nutrition & Care (2014 Consumer, Health & Nutrition)
- Resource Efficiency
- Performance Materials (2014 Specialty Materials)
- Services

The reporting based on operating segments therefore reflects the internal reporting and management structure of the Evonik Group (management approach)

The same accounting standards are applied as for external financial reporting, see Notes 3.4 to 3.7

In connection with the new management and portfolio structure, see Note 3.4, with effect from January 1, 2015 some segments were renamed, some activities were reallocated among the segments, and the definition of the main management parameter adjusted EBITDA was modified

To ensure that adjusted EBITDA better reflects responsibilities, income and expenses relating to financing and liquidity management have been transferred from adjusted EBITDA to the financial result. These mainly comprise the results from currency translation of loans and the related hedging. This change also affects adjusted EBIT

Further, the following activities have been reallocated among the segments

- The Active Oxygens and High Performance Polymers activities are now part of the Resource Efficiency segment (2014 part of the Specialty Materials segment)
- CyPlus Technologies is now part of the Performance Materials segment (2014 part of the Consumer, Health & Nutrition segment) and
- some service functions have been transferred from Corporate to the Services segment

The prior-year figures have been restated where applicable

The remaining lithium-ion activities, which were divested in the second quarter of 2015 and were classified as discontinued operations until then, see Notes 5.2 and 5.3, are shown in the segment report in the column "Other operations". Since the column "Total Group" no longer contains any discontinued operations, an adjustment is made for these activities in the column "Corporate, consolidation"

Evonik's segments are outlined below

#### (a) Nutrition & Care

The Nutrition & Care segment produces specialty chemicals, principally for use in consumer goods for daily needs, and in animal nutrition and healthcare products

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 Nutrition & Care segment also produces and markets essential amino acids for animal nutrition. One factor in its success is years of experience of chemical synthesis and biotechnology, which Evonik regards as major growth drivers. Other significant competitive advantages for this segment are its global distribution network and extensive and differentiated service offering. The Nutrition & Care segment is also a strategic partner for the healthcare industry

#### (b) Resource Efficiency

The Resource Efficiency segment supplies high-performance materials for environment-friendly and energy-efficient system solutions for the automotive, paints, coatings, adhesives and construction industries and many other sectors

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 paints, coatings, adhesives and sealants industry. Further, it produces high-performance oil additives and additives for hydraulic fluids. In addition, this segment manufactures materials based on polyetherether ketone

No deferred tax assets were recognized on temporary differences of €273 million (2014: €229 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 €514 million. €434 million of this amount is only subject to a tax rate of around 15 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 €15 million (2014: €19 million) were recognized for companies that made a loss. Utilization will be ensured by suitable 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.

#### Tax loss carryforwards by expiration date

in € million	Corporation taxes (German and foreign)		Local taxes (German and foreign)		Tax credits (foreign)	
	2015	2014	2015	2014	2015	2014
Up to 1 year	42	–	–	–	–	–
More than 1 and up to 5 years	168	123	–	–	–	–
More than 5 and up to 10 years	4	1	–	–	–	–
Unlimited	270	265	158	126	6	29
	<b>484</b>	<b>389</b>	<b>158</b>	<b>126</b>	<b>6</b>	<b>29</b>

## 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 prices for the acquisition of shares in subsidiaries consolidated for the first time amounted to €54 million (2014: €38 million). As in the previous year, the entire purchase prices led to a cash outflow. In the course of these acquisitions, cash and cash equivalents of €1 million were acquired in each year.

The selling prices for the divestment of business activities totaled €14 million (2014: €41 million). As in the previous year the full amount was settled in cash and cash equivalents. The divestments included outflows of cash and cash equivalents totaling €7 million (2014: €38 million).

The purchase price of €428 million for the sale of the remaining 10.3 percent shareholding in Vivawest was settled in full.

Further, cash outflows of €9 million (2014: €15 million) were recorded in connection with the divestment of former business areas. This amount was booked as an expense in previous years.



## 7.11 Trade accounts payable, other payables

### Trade accounts payable, other payables

in € million	Dec 31, 2015		Dec 31, 2014	
	Total	thereof non-current	Total	thereof non-current
Trade accounts payable	1,090	–	1,126	–
Advance payments received	31	–	17	–
Miscellaneous other payables	295	45	271	60
Deferred income	89	61	30	11
	<b>1,505</b>	<b>106</b>	<b>1,444</b>	<b>71</b>

## 7.12 Deferred taxes, other income taxes

### Deferred taxes and other income taxes reported on the balance sheet

in € million	Dec 31, 2015		Dec 31, 2014	
	Total	thereof non-current	Total	thereof non-current
Deferred tax assets	1,110	926	1,127	978
Current income tax assets	122	11	222	11
Deferred tax liabilities	479	425	449	401
Other income tax liabilities	359	150	304	199

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 by balance sheet item

in € million	Deferred tax assets		Deferred tax liabilities	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
<b>Assets</b>				
Intangible assets	3	3	125	127
Property, plant and equipment, investment property	43	41	409	404
Financial assets	559	602	97	115
Inventories	72	42	–	1
Receivables and other assets	301	152	18	18
<b>Liabilities</b>				
Provisions	1,086	1,104	856	692
Payables	76	93	30	31
Special tax allowance reserves (based on local law)	–	–	13	12
Loss carryforwards	40	39	–	–
Tax credits	1	1	–	–
Other	3	1	5	–
<b>Deferred taxes (gross)</b>	<b>2,184</b>	<b>2,078</b>	<b>1,553</b>	<b>1,400</b>
Netting	–1,074	–951	–1,074	–951
<b>Deferred taxes (net)</b>	<b>1,110</b>	<b>1,127</b>	<b>479</b>	<b>449</b>

Prior year figures restated

Provisions for other obligations comprise provisions for a variety of obligations that cannot be allocated to the above categories. These include provisions for legal disputes, administrative proceedings or fines, liability risks and guarantee claims relating to divestments. This item also includes provisions for legal and consultancy expenses, audit fees, and

changes in public law regulations, for example, in connection with the levy on renewable energy sources and European emissions trading. The provisions for material legal risks included in this category amount to €115 million (2014: €87 million). The non-current portion of provisions for other obligations will mainly be utilized by year-end 2020.

## 7.10 Financial liabilities

### Financial liabilities

in € million	Dec 31, 2015		Dec 31, 2014	
	Total	thereof non-current	Total	thereof non-current
Bonds	1,241	1,241	496	496
Liabilities to banks	282	118	406	136
Loans from non-banks	14	–	7	–
Liabilities from derivatives	151	53	206	27
Other financial liabilities	18	3	20	7
	<b>1,706</b>	<b>1,415</b>	<b>1,135</b>	<b>666</b>

#### (a) Bonds

In 2015, Evonik Industries AG issued a bond with a nominal value of €750 million and an annual coupon of 1.000 percent which matures in January 2023. The issue price was 99.337 percent. Further, this item comprises a bond issued by Evonik Industries AG in 2013 with a nominal value of €500 million and an annual coupon of 1.875 percent which matures in April 2020. The issue price was 99.185 percent. 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 104.940 percent on the reporting date (2014: 105.855 percent), giving a market value of €525 million (2014: €529 million). The bond issued in January 2015 was quoted at 97.810 percent on the reporting date, giving a market value of €734 million.

#### (b) Loans from non-banks

The accrual of €14 million (2014: €7 million) for payment of the coupon on the bonds is recognized in current loans from non-banks.

#### (c) Liabilities from derivatives

##### Liabilities from derivatives

in € million	Dec 31, 2015	Dec 31, 2014
Liabilities from cross-currency interest rate swaps	34	18
Liabilities from forward exchange contracts and currency swaps	96	184
Liabilities from commodity derivatives	21	4
	<b>151</b>	<b>206</b>

## Notes

Notes to the balance sheet

Overall, the other provisions were €171 million higher than in 2014, principally due to the change in personnel-related provisions and provisions for sales and procurement. It is expected that slightly more than half of total provisions will be utilized in 2016.

Provisions relating to material legal risks amounted to €231 million (2014: €204 million) and are allocated to the various categories of provisions on the basis of their type. The principal legal risks for which provisions have been set up relate to three ongoing appraisal proceedings in connection

with the settlement paid to former shareholders, indemnities in respect of the Walsum 10 coal-fired power plant in connection with the divestment of the former Energy Business Area, and a claim from the purchaser of the former carbon black business for indemnification from environmental guarantees. A provision has been recognized for the expected costs of a legal dispute involving proceedings to fine Evonik in connection with deliveries of methionine to Brazil. The background to these cases is outlined in detail in section 7.4 of the Management Report.

### Change in other provisions

in € million	Personnel- related	Recultivation, environmental protection	Restructuring	Sales, procurement	Other taxes, interest on taxes	Dismantling obligations	Other obligations	Total
<b>As of January 1, 2015</b>	<b>808</b>	<b>304</b>	<b>321</b>	<b>76</b>	<b>59</b>	<b>7</b>	<b>285</b>	<b>1,860</b>
Additions	514	22	66	109	37	1	112	861
Utilization	-433	-16	-22	-44	-3	-	-50	-568
Reversal	-12	-3	-46	-11	-30	-	-45	-147
Addition of accrued interest/ interest rate adjustments	16	2	2	-	-	-	-	20
Other	7	4	1	1	-	1	-9	5
<b>As of December 31, 2015</b>	<b>900</b>	<b>313</b>	<b>322</b>	<b>131</b>	<b>63</b>	<b>9</b>	<b>293</b>	<b>2,031</b>

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 the end of 2020.

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. Slightly more than half of the non-current provisions will result in payments after the end of 2020.

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 arrange-

ments, 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 2015 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. Most of the non-current portion of all restructuring provisions will be utilized by the end of 2020.

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. The non-current portion will be utilized by the end of 2020.

Provisions for dismantling obligations relate to dismantling that is not part of a restructuring program. Most of the non-current portion will be utilized after the end of 2020.

In 2015, as in 2014, none of the other assets were used by the company

#### Change in the asset ceiling

in € million	2015	2014
<b>Asset ceiling as of January 1</b>	<b>114</b>	<b>67</b>
Interest expense on the unrecognized portion of plan assets	4	3
Changes in asset ceiling, excluding interest expense (remeasurement component)	-16	38
Changes at the companies	-	6
Currency translation	7	-
<b>Asset ceiling as of December 31</b>	<b>109</b>	<b>114</b>

#### Change in pension provisions

in € million	Dec 31, 2015	Dec 31, 2014
<b>Pension provisions recognized on the balance sheet as of January 1</b>	<b>3,953</b>	<b>3,331</b>
Current service cost	191	172
Past service cost	1	1
Gain/loss from settlement	-1	1
Net interest cost	96	120
Employee contributions	35	33
Other administrative expense	5	3
Changes recognized in OCI (remeasurement)	-361	844
Benefits paid	-248	-241
Employer contributions	-364	-344
Changes at the companies	15	5
Currency translation	27	28
<b>Pension provisions recognized on the balance sheet as of December 31</b>	<b>3,349</b>	<b>3,953</b>

The pension provisions recognized on the balance sheet included healthcare benefit entitlements, mainly of retirees of US subsidiaries

#### Expected change in benefit payments

in € million	Reporting period	Prior year
2015		242
2016	245	249
2017	255	255
2018	254	254
2019	258	258
2020	261	

Employer contributions of €168 million are expected to be incurred for 2015 (2014: €155 million)

The net interest expense is included in the financial result, see Note 6.6. The other amounts are allocated to the functional areas as personnel expense (personnel expenses). A breakdown of overall personnel expense is given in Note 11.2.

Foreign subsidiaries paid a total of €18 million (2014: €18 million) into defined contribution plans, which are also included in personnel expense (pension expenses).

Further, €138 million (2014: €126 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).

## 7.9 Other provisions

#### Other provisions

in € million	Dec. 31, 2015		Dec. 31, 2014	
	Total	thereof non-current	Total	thereof non-current
Personnel-related	900	358	808	336
Recultivation and environmental protection	313	262	304	266
Restructuring	322	95	321	209
Sales and procurement	131	4	76	6
Other taxes and interest on taxes	63	35	59	20
Dismantling obligations	9	8	7	7
Other obligations	293	92	285	59
	<b>2,031</b>	<b>854</b>	<b>1,860</b>	<b>903</b>

## Notes

Notes to the balance sheet

**Breakdown of the present value of the defined benefit obligation**

in € million	2015	2014
Unfunded plans	357	385
Partially or fully funded plans	10,057	10,142
Healthcare benefit obligations	128	123
<b>Present value of the defined benefit obligation as of December 31</b>	<b>10,542</b>	<b>10,650</b>

In 2015, the employer contributions mainly comprised cash contributions of €200 million (2014 €200 million), and payments to Evonik Pensionstreuhand e V of €19 million (2014 €9 million) in settlement of tax payments from the previous year

**Change in the fair value of plan assets**

in € million	2015	2014
<b>Fair value of plan assets as of January 1</b>	<b>6,811</b>	<b>5,778</b>
Interest income from plan assets	189	224
Employer contributions	364	344
Employee contributions	11	12
Income from assets excluding interest income from plan assets (remeasurement component)	-26	526
Other administrative expense	-5	-3
Benefits paid	-185	-163
Payments for settlement of plans	-3	-4
Changes at the companies	55	4
Currency translation	91	93
<b>Fair value of plan assets as of December 31</b>	<b>7,302</b>	<b>6,811</b>

**Breakdown of the fair value of plan assets**

	Dec 31, 2015		Dec 31, 2014	
	in € million	in %	in € million	in %
Cash/balances with banks	108	1.5	136	2.0
Shares—active market	705	9.7	490	7.2
Shares—no active market	—	—	—	—
Government bonds—active market	1,128	15.5	1,662	24.4
Government bonds—no active market	58	0.8	61	0.9
Corporate bonds—active market	2,187	29.9	1,696	24.9
Corporate bonds—no active market	36	0.5	34	0.5
Other bonds—active market	454	6.2	266	3.9
Other bonds—no active market	681	9.3	715	10.5
Real estate, direct and indirect investments—active market	14	0.2	14	0.2
Real estate, direct and indirect investments—no active market	1,244	17.0	1,090	16.0
Other investment funds—active market	1	—	450	6.6
Other investment funds—no active market	—	—	—	—
Alternative investments (infrastructure/hedge funds/commodities)—active market	524	7.2	116	1.7
Alternative investments (infrastructure/hedge funds/commodities)—no active market	114	1.6	54	0.8
Other—active market	38	0.5	27	0.4
Other—no active market	10	0.1	—	—
	<b>7,302</b>	<b>100.0</b>	<b>6,811</b>	<b>100.0</b>

### 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. This is implemented primarily through US government bonds and corporate bonds denominated in US dollars. The assets are managed by a pension trust.

### The main pension plans for employees in the UK

In the UK, plans are organized through external trusts and the majority of the assets are invested in funds. The majority of the obligations relate to vested benefits for former employees and retirees. Only one plan is still open to new employees. Almost all plans are final salary plans. The plan assets are subject to the asset ceiling. They are required to meet minimum funding requirements that are agreed with the trustees. Similarly, surplus assets cannot be returned to the companies without the approval of the trustees. The investment strategy for plan assets is an asset-liability matching strategy which is implemented principally through inflation-linked British government bonds and British corporate bonds.

The table shows the weighted average assumptions used for the actuarial valuation of the obligations.

### Assumptions used in the actuarial valuation of pension obligations

in %	Group		Germany	
	2015	2014	2015	2014
Discount rate as of December 31	2.91	2.65	2.75	2.50
Future salary increases	2.55	2.58	2.50	2.50
Future pension increases	1.70	1.72	1.75	1.75
Healthcare cost trend	7.00	7.25	-	-

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, 2015, the rounded discount rate was 4.41 percent for the USA (2014: 4.06 percent) and 3.62 percent for the UK (2014: 3.50 percent).

### Change in the present value of the defined benefit obligation

in € million	2015	2014
<b>Present value of the defined benefit obligation as of January 1</b>	<b>10,650</b>	<b>9,042</b>
Current service cost	191	172
Interest cost	281	341
Employee contributions	46	45
Actuarial gains (-) and losses (+) (remeasurement component)	-371	1,332
of which based on financial assumptions	-423	1,298
of which based on demographic assumptions	16	14
of which changes in the past fiscal year	36	20
Benefits paid	-433	-404
Past service cost	1	1
Changes at the companies	70	9
Gain/loss from settlement	-1	1
Payments for settlement of plans	-3	-4
Currency translation	111	115
<b>Present value of the defined benefit obligation as of December 31</b>	<b>10,542</b>	<b>10,650</b>

The weighted term of the obligations is 16.1 years (2014: 16.5 years).

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 insureds 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, which have to be upheld even if the employer's contributions are 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 insureds 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. Insureds 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.

In 2015, an overall hedging result of –€202 million (2014 –€45 million) was reclassified from the reserve for gains/losses on hedging instruments to the income statement as follows

**Reclassification of hedging results from accumulated other comprehensive income to the income statement**

in € million	2015	2014
Sales	–182	17
Cost of sales	–4	–
Other operating income/expenses	1	–59
Net interest expense	–3	–3
Other financial income	–14	–
	<b>–202</b>	<b>–45</b>

**(h) Non-controlling interests**

Non-controlling interests amounting to €83 million (2014 €95 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 2015 or 2014

**Change in accumulated other comprehensive income attributable to non-controlling interests**

in € million	Currency translation adjustment	Total
<b>As of January 1, 2014</b>	<b>–4</b>	<b>–4</b>
<b>Other comprehensive income as in the statement of comprehensive income</b>	<b>6</b>	<b>6</b>
Currency translation adjustment	6	6
<b>As of December 31, 2014</b>	<b>2</b>	<b>2</b>
<b>Other comprehensive income as in the statement of comprehensive income</b>	<b>1</b>	<b>1</b>
Currency translation adjustment	1	1
<b>As of December 31, 2015</b>	<b>3</b>	<b>3</b>

## 7.8 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, 2015 mainly relate to the following countries:

**Breakdown of the present value of the defined benefit obligation and the fair value of plan assets 2015**

in € million	2015	
	Defined benefit obligation	Plan assets
<b>Evonik total</b>	<b>10,542</b>	<b>7,302</b>
thereof Germany	9,099	6,066
thereof pension fund/reinsured support fund	3,933	3,102
thereof funded through CTA	4,845	2,964
thereof USA	720	451
thereof UK	564	670

**Breakdown of the present value of the defined benefit obligation and the fair value of plan assets 2014**

in € million	2014	
	Defined benefit obligation	Plan assets
<b>Evonik total</b>	<b>10,650</b>	<b>6,811</b>
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



A proposal will be submitted to the Annual Shareholders' Meeting that the net profit of Evonik Industries AG of €605,000,000.00 for 2015 should be used to pay a dividend of €535,900,000.00 and the remaining €69,100,000.00 should be allocated to revenue reserves. That corresponds to a dividend of €1.15 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.

**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
<b>As of January 1, 2014</b>	<b>1</b>	<b>20</b>	<b>17</b>	<b>-458</b>	<b>-420</b>
<b>Other comprehensive income as in the statement of comprehensive income</b>	<b>-10</b>	<b>-103</b>	<b>-</b>	<b>292</b>	<b>179</b>
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
<b>Other changes</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>-</b>	<b>-3</b>
<b>As of December 31, 2014</b>	<b>-9</b>	<b>-83</b>	<b>14</b>	<b>-166</b>	<b>-244</b>
<b>Other comprehensive income as in the statement of comprehensive income</b>	<b>15</b>	<b>24</b>	<b>-</b>	<b>247</b>	<b>286</b>
Recognized gains and losses	12	-171	-	-	-159
Amounts reclassified to the income statement	9	202	-	-	211
Amounts reclassified to assets and liabilities	-	1	-	-	1
Currency translation adjustment	-	-	-	244	244
Attributable to the equity method (after income taxes)	-	3	-	3	6
Deferred taxes	-6	-11	-	-	-17
<b>Other changes</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-</b>	<b>-2</b>
<b>As of December 31, 2015</b>	<b>6</b>	<b>-59</b>	<b>12</b>	<b>81</b>	<b>40</b>

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 warrant 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 6, 2015, 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 €113.4 million by April 23, 2015 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 20, 2015 Evonik Industries AG purchased a total of 415,533 shares in the company (corresponding to 0.1 percent or €415,533 of the capital stock). A total of €13.9 million was spent on the shares, corresponding to an average price of €33.43 per share. The purchases were made from March 10, 2015 at an average daily volume of around 15,400 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, 374,627 ordinary shares (including 95,748 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 23, 2015. The remaining 40,906 ordinary shares were sold to third parties by April 27, 2015. As of December 31, 2015, Evonik Industries AG 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 €5,821 million (2014: €5,040 million) comprises both Group earnings from 2015 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 2015. 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, 2015, the profit reserves of Evonik Industries AG totaled €4,235 million (2014: €3,635 million). €47 million of this comprised the statutory reserve that is not available for distribution.

## 7.6 Trade accounts receivable, other receivables

### Trade accounts receivable, other receivables

in € million	Dec 31, 2015		Dec 31, 2014	
	Total	thereof non-current	Total	thereof non-current
Trade accounts receivable	1,813	–	1,720	–
Advance payments made	26	1	37	2
Miscellaneous other receivables	241	47	281	48
Deferred expenses	52	6	43	8
	<b>2,132</b>	<b>54</b>	<b>2,081</b>	<b>58</b>

### Risk and maturity structure of trade accounts receivable

in € million	Dec 31, 2015	Dec 31, 2014
<b>Impaired receivables</b>	<b>4</b>	<b>3</b>
Nominal value	16	15
Impairment losses	–12	–12
<b>Non-impaired receivables</b>	<b>1,809</b>	<b>1,717</b>
Not yet due	1,540	1,479
Overdue	269	238
up to 3 months	235	212
more than 3 and up to 6 months	7	15
more than 6 and up to 9 months	13	1
more than 9 and up to 12 months	6	1
more than 1 year	8	9
	<b>1,813</b>	<b>1,720</b>

At year end, trade accounts receivable totaling €497 million (2014: €498 million) were covered by credit insurance, and €10 million (2014: €3 million) were covered by other collateral. No terms were renegotiated for trade accounts receivable not yet due. In the prior year, the terms for receivables with a carrying amount of €2 million were renegotiated and would otherwise have been impaired or overdue.

## 7.7 Equity

### (a) Issued capital

As in the previous year, the company's fully paid-up capital was €466,000,000 on the reporting date. It is divided into 466,000,000 no-par registered shares.

### (b) Authorized capital

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 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

**(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.

**Risk and maturity structure of loans**

In € million	Dec 31, 2015	Dec 31, 2014
<b>Impaired loans</b>	<b>3</b>	<b>-</b>
Nominal value	3	2
Impairment losses	-	-2
<b>Non-impaired loans</b>	<b>26</b>	<b>12</b>
Not yet due	26	12
Overdue	-	-
	<b>29</b>	<b>12</b>

As in the previous year, Evonik did not renegotiate the terms and conditions of any non-current loans in 2015.

**(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.

As in the previous year, this item contains various securities and similar claims totaling approximately €250 million which are bundled in a fully consolidated segregated investment fund, see Note 5.1. The units in an investment fund totaling €127 million included in the previous year were sold in 2015.

**(d) Receivables from derivatives****Receivables from derivatives**

In € million	Dec 31, 2015	Dec 31, 2014
Receivables from cross-currency interest rate swaps	33	4
Receivables from forward exchange contracts and currency swaps	51	31
	<b>84</b>	<b>35</b>

**(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.

**Risk and maturity structure of other financial assets**

In € million	Dec 31, 2015	Dec 31, 2014
<b>Impaired other financial assets</b>	<b>3</b>	<b>-</b>
Nominal value	10	-
Impairment losses	-7	-
<b>Non-impaired other financial assets</b>	<b>26</b>	<b>29</b>
Not yet due	26	29
Overdue	-	-
	<b>29</b>	<b>29</b>

**(f) Security pledged**

Financial assets pledged as security for Group liabilities amounted to €1 million (2014: €2 million). They comprised current securities provided as security for commitments to employees under the partial retirement program in Germany.

**7.5 Inventories****Inventories**

In € million	Dec 31, 2015	Dec 31, 2014
Raw materials and supplies	438	414
Work in progress	65	78
Finished goods and merchandise	1,260	1,286
	<b>1,763</b>	<b>1,778</b>

Impairment losses on raw materials, supplies and merchandise totaling €37 million were recognized in 2015 (2014: €47 million), while reversals of impairment losses amounted to €25 million (2014: €21 million). Reversals of impairment losses were mainly due to higher selling prices and improved market conditions.

### 7.3 Investments recognized at equity

This item comprises associates and joint ventures recognized using the equity method, see Note 5.1

#### Investments recognized at equity

in € million	Dec 31, 2015	Dec 31, 2014
Carrying amount of material associates	–	300
Carrying amount of individually non-material associates	7	2
Carrying amount of individually non-material joint ventures	46	55
	<b>53</b>	<b>357</b>

In the previous year, Vivawest was classified as material for the Evonik Group. The shares in Vivawest, which were recognized at equity, were divested in the second quarter of 2015, see Note 5.2. Income from investments recognized at equity of €1 million (2014: €10 million) is recognized in connection with Vivawest.

The condensed financial data for the investments recognized at equity which are classified individually as non-material for Evonik, based on Evonik's interest, are as follows:

#### Condensed financial data for individually non-material investments recognized at equity

in € million	Associates		Joint ventures	
	2015	2014	2015	2014
Carrying amount as of December 31	7	2	46	55
Income after taxes, continuing operations	9	7	–25	–3
<b>Total comprehensive income</b>	<b>9</b>	<b>7</b>	<b>–25</b>	<b>–3</b>

For information on contingent liabilities to associates and joint ventures see Note 10.3

### 7.4 Financial assets

#### Financial assets

in € million	Dec 31, 2015		Dec 31, 2014	
	Total	thereof non-current	Total	thereof non-current
Other investments	74	74	64	64
Loans	29	24	12	8
Securities and similar claims	265	3	392	5
Receivables from derivatives	84	11	35	3
Other financial assets	29	4	29	3
	<b>481</b>	<b>116</b>	<b>532</b>	<b>83</b>

#### (a) Other investments

Other investments include shares in Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany) totaling €55 million (2014: €53 million), which 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 contain unlisted equity instruments that are recognized at the cost of acquisition since their fair value cannot be determined reliably.

## 7.2 Property, plant and equipment

### 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
<b>Cost of acquisition/production</b>					
<b>As of January 1, 2014</b>	<b>2,765</b>	<b>10,753</b>	<b>979</b>	<b>1,140</b>	<b>15,637</b>
Currency translation	85	335	12	31	463
Additions from business combinations	5	9	1	-	15
Other additions	131	334	41	598	1,104
Disposal	-65	-330	-30	-35	-460
Reclassification	235	685	22	-936	6
<b>As of December 31, 2014</b>	<b>3,156</b>	<b>11,786</b>	<b>1,025</b>	<b>798</b>	<b>16,765</b>
Currency translation	69	265	7	-8	333
Additions from business combinations	22	13	-	1	36
Other additions	52	271	44	485	852
Disposal	-26	-185	-44	-2	-257
Reclassification	101	546	15	-663	-1
<b>As of December 31, 2015</b>	<b>3,374</b>	<b>12,696</b>	<b>1,047</b>	<b>611</b>	<b>17,728</b>
<b>Depreciation and impairment losses</b>					
<b>As of January 1, 2014</b>	<b>1,525</b>	<b>8,486</b>	<b>778</b>	<b>16</b>	<b>10,805</b>
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
Disposal	-56	-292	-29	-25	-402
Reclassification	-	1	-1	-	-
<b>As of December 31, 2014</b>	<b>1,563</b>	<b>8,840</b>	<b>820</b>	<b>27</b>	<b>11,250</b>
Currency translation	28	176	5	-	209
Additions from business combinations	-	-	-	-	-
Depreciation	77	516	68	-	661
Impairment losses	1	33	-	19	53
Reversals of impairment losses	-	-6	-	-	-6
Disposal	-20	-187	-42	-	-249
Reclassification	-9	24	-10	-3	2
<b>As of December 31, 2015</b>	<b>1,640</b>	<b>9,396</b>	<b>841</b>	<b>43</b>	<b>11,920</b>
<b>Carrying amounts as of December 31, 2014</b>	<b>1,593</b>	<b>2,946</b>	<b>205</b>	<b>771</b>	<b>5,515</b>
<b>Carrying amounts as of December 31, 2015</b>	<b>1,734</b>	<b>3,300</b>	<b>206</b>	<b>568</b>	<b>5,808</b>

Prior-year figures restated

The Group had commitments of €159 million (2014: €105 million) to purchase property, plant and equipment.

As a lessor, Evonik mainly leases out land under operating leases. The nominal values of future minimum lease payments for these assets over the non-cancelable term of the lease are due as follows:

### Maturity structure of future minimum lease payments (lessor; operating leases)

In € million	2015	2014
Due within 1 year	9	9
Due in more than 1 and up to 5 years	23	20
Due in more than 5 years	152	120
	<b>184</b>	<b>149</b>

## Notes

Notes to the balance sheet

## 7. Notes to the balance sheet

## 7.1 Intangible assets

## Change in intangible assets

in € million	Goodwill	Franchises, trademarks, and licenses	Capitalized development costs	Other intangible assets	Total
<b>Cost of acquisition/production</b>					
<b>As of January 1, 2014</b>	<b>2,730</b>	<b>1,647</b>	<b>169</b>	<b>488</b>	<b>5,034</b>
Currency translation	56	10	–	3	69
Additions from business combinations	12	13	–	14	39
Other additions	–	12	–	7	19
Disposal	–6	–9	–2	–1	–18
Reclassification	–	20	–2	–14	4
<b>As of December 31, 2014</b>	<b>2,792</b>	<b>1,693</b>	<b>165</b>	<b>497</b>	<b>5,147</b>
Currency translation	64	7	–	2	73
Additions from business combinations	5	1	–	16	22
Other additions	–	10	–	15	25
Disposal	–	–54	–	–	–54
Reclassification	–	9	–	–3	6
<b>As of December 31, 2015</b>	<b>2,861</b>	<b>1,666</b>	<b>165</b>	<b>527</b>	<b>5,219</b>
<b>Amortization and impairment losses</b>					
<b>As of January 1, 2014</b>	<b>102</b>	<b>1,311</b>	<b>148</b>	<b>435</b>	<b>1,996</b>
Currency translation	–	7	–	1	8
Additions from business combinations	–	–	–	–	–
Amortization	–	48	2	7	57
Impairment losses	–	2	–	–	2
Reversals of impairment losses	–	–	–	–	–
Disposal	–5	–9	–2	–	–16
Reclassification	–	–11	1	10	–
<b>As of December 31, 2014</b>	<b>97</b>	<b>1,348</b>	<b>149</b>	<b>453</b>	<b>2,047</b>
Currency translation	–	5	–	1	6
Additions from business combinations	–	–	–	–	–
Amortization	–	33	1	5	39
Impairment losses	–	2	12	–	14
Reversals of impairment losses	–	–1	–	–	–1
Disposal	–	–53	–	–1	–54
Reclassification	–	–4	–	4	–
<b>As of December 31, 2015</b>	<b>97</b>	<b>1,330</b>	<b>162</b>	<b>462</b>	<b>2,051</b>
<b>Carrying amounts as of December 31, 2014</b>	<b>2,695</b>	<b>345</b>	<b>16</b>	<b>44</b>	<b>3,100</b>
<b>Carrying amounts as of December 31, 2015</b>	<b>2,764</b>	<b>336</b>	<b>3</b>	<b>65</b>	<b>3,168</b>

Franchises, trademarks and licenses include trademarks with an indefinite useful life totaling €203 million (2014 €202 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

## 6.7 Income taxes

### Income taxes shown in the income statement

in € million	2015	2014
<b>Other income taxes</b>	<b>508</b>	<b>225</b>
thereof relating to other periods	21	-18
<b>Deferred taxes</b>	<b>-86</b>	<b>27</b>
thereof relating to other periods	-24	12
thereof relating to temporary differences	-85	1
	<b>422</b>	<b>252</b>

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 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.

### Tax reconciliation

in € million	2015	2014
<b>Income before income taxes, continuing operations</b>	<b>1,441</b>	<b>842</b>
Expected income taxes	432	253
Variances due to differences in the assessment base for trade tax	5	2
Deviation from the expected tax rate	17	21
Changes in the valuation of deferred taxes	-9	5
Losses not affecting deferred taxes and the use of loss carryforwards	24	-6
Changes in tax rates and tax legislation	1	-
Non-deductible expenses	35	19
Interest ceiling	-	1
Tax-free income	-88	-28
Result from investments recognized at equity	4	-5
Other	1	-10
<b>Effective income taxes (current income taxes and deferred taxes)</b>	<b>422</b>	<b>252</b>
Effective income tax rate in %	29.3	29.9

The impairment losses on deferred taxes previously recognized totals €3 million (including €2 million from loss carryforwards). This is countered by reversals of €15 million, mainly in connection with loss carryforwards. "Other" contains other income taxes and deferred taxes relating to different periods.

## 6.8 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 2015 or 2014, diluted earnings per share are identical to basic earnings per share.

### Earnings per share

in € million	2015	2014
Income after taxes, continuing operations	1,019	590
Income after taxes, discontinued operations	-17	-9
Less income after taxes attributable to non-controlling interests	-11	-13
<b>Income after taxes attributable to shareholders of Evonik Industries AG (net income)</b>	<b>991</b>	<b>568</b>
<b>Earnings per share in € (basic and diluted)</b>		
from continuing operations	2.19	1.27
from discontinued operations	-0.04	-0.02
less earnings per share attributable to non-controlling interests	-0.02	-0.03
<b>Earnings per share in € (basic and diluted) attributable to shareholders of Evonik Industries AG</b>	<b>+2.13</b>	<b>+1.22</b>



The determination of the value in use of the production plant in the Performance Materials segment did not generate a positive value, the discount rate used was the weighted cost of capital of the segment, see Note 3.7. The recoverable value of the other assets was not determined as the assets were not considered to have any further benefit.

The adjustments recognized in other operating expenses relate to the following functional areas:

#### Adjustments included in other operating expenses

in € million	2015	2014
Production-related	129	88
Sales-related	12	–
R&D-related	7	–
Administration-related	67	60
Other	75	61
	<b>290</b>	<b>209</b>

## 6.5 Result from investments recognized at equity

#### Result from investments recognized at equity

in € million	2015	2014
Income from measurement at equity	11	18
Expenses for measurement at equity	–26	–4
	<b>–15</b>	<b>14</b>

The expenses for measurement at equity in 2015 include an impairment loss of €14 million on an equity investment in the Nutrition & Care segment, which is contained in adjustments. In the prior year, income from measurement at equity included income of €10 million in connection with the 10.3 percent shareholding in Vivawest, which was sold in the second quarter of 2015 and was previously recognized at equity, see Note 5.2.

## 6.6 Financial result

#### Financial result

in € million	2015	2014
Income from securities and loans	4	5
Interest and similar income from derivatives	8	6
Other interest-type income	34	60
<b>Interest income</b>	<b>46</b>	<b>71</b>
Interest expense on financial liabilities	–47	–50
Interest and similar expenses for derivatives	–29	–19
Interest expense on accrued interest on other provisions	–23	–60
Net interest expense for pensions	–96	–120
Other interest-type expense	–50	–40
<b>Interest expense</b>	<b>–245</b>	<b>–289</b>
Result from currency translation of financing-related assets and liabilities	–22	–39
Income from financing-related currency hedging	16	23
Miscellaneous financial income and expenses	–18	–1
<b>Other financial income</b>	<b>–24</b>	<b>–17</b>
	<b>–223</b>	<b>–235</b>

Borrowing costs of €5 million (2014: €35 million) are capitalized. The average underlying cost of financing was 3.1 percent (2014: 5.5 percent).

An explanation of the economic effect of the result from currency translation of financing-related assets and liabilities is provided in Note 10.2.

The miscellaneous financial expenses of €18 million mainly relate to impairment losses on an equity investment.

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:

#### Adjustments included in other operating income

In € million	2015	2014
Production-related	11	1
Administration-related	35	-
Other	170	29
	<b>216</b>	<b>30</b>

## 6.4 Other operating expenses

#### Other operating expenses

In € million	2015	2014
Expenses for restructuring measures	108	97
thereof impairment losses	6	2
Net expenses for operational currency hedging	71	44
Impairment losses	69	64
Expenses for recultivation and environmental protection	10	6
Losses on the disposal of assets	9	19
Expenses relating to the REACH Regulation	8	6
Other expense	328	257
	<b>603</b>	<b>493</b>
thereof adjustments	290	209

The expenses for restructuring measures mainly contain expenses for optimization of the product portfolio in the Performance Materials segment and in connection with the new Group structure. This item also includes expenses that by nature would otherwise be allocated to other line items in other operating expenses.

An explanation of the economic effect of the net expenses for operational currency hedging is provided in Note 10.2.

Losses from the disposal of assets comprise €9 million (2014: €16 million) from the divestment of property, plant and equipment and, in the prior year, losses of €3 million from the sale of investments and business operations.

The increase in other expense is mainly due to provisions for risks arising from an agreement with a raw material supplier, and to expenses for the reorganization and simplification of corporate structures in Europe. This item also includes expenses for outsourcing, M&A projects, non-core operations, commission payments, other taxes, and legal and consultancy fees.

Other operating expenses contains impairment losses totaling €75 million (2014: €66 million). The impairment losses on financial instruments, which are calculated in accordance with IAS 39 Financial Instruments Recognition and Measurement, totaled €12 million (2014: €19 million) and relate to trade accounts receivable.

Impairment losses on assets classified until now as held for sale recognized in accordance with IFRS 5 totaled €3 million (2014: €2 million).

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.

#### Impairment losses by segment

In € million	2015	2014
Performance Materials	43	38
Resource Efficiency	11	3
Nutrition & Care	5	2
Services	1	2
	<b>60</b>	<b>45</b>

The impairment losses relate principally to capitalized costs for a project in the Resource Efficiency and Performance Materials segments that was terminated following a routine review of investment projects, and a production plant and intangible assets in the Performance Materials segment.

## Notes

Notes to the income statement

## 6. Notes to the income statement

### 6.1 Sales

The sales of €13,507 million (2014: €12,917 million) principally comprise 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

#### Other operating income

in € million	2015	2014
Income from the disposal of assets	153	20
Income from non-core operations	55	55
Income from the reversal of provisions	44	30
Income from restructuring measures	43	11
thereof income from the disposal of assets	–	3
thereof income from the reversal of provisions	37	6
thereof income from the reversal of impairment losses	5	–
Net income from currency translation of operating monetary assets and liabilities	35	39
Income from the reversal of impairment losses	12	6
Other income	103	89
	<b>445</b>	<b>250</b>
thereof adjustments	216	30

The income from non-core operations contains income from occasional, unplanned business activities that are not intended to be permanent operations.

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. This item also includes income that by nature would otherwise be allocated to other line items in other operating income.

An explanation of the economic effect of the net income from currency translation of operating monetary assets and liabilities is provided in Note 10.2.

Other income includes insurance refunds, research subsidies, commission income, income from the sale of scrap and income relating to other periods.

Other operating income includes a total of €7 million (2014: €10 million) from the divestment of property, plant and equipment, and €146 million (2014: €13 million) from the sale of investments and business operations. In 2015 the income from the sale of investments mainly came from the sale of the 10.3 percent shareholding in Vivawest, see Note 5.2.

Further, other operating income contains a total of €17 million (2014: €6 million) from the reversal of impairment losses. This comprises €10 million (2014: €4 million) in accordance with IAS 39 Financial Instruments – Recognition and Measurement relating to trade accounts receivable.

The income from reversals of impairment losses in accordance with IAS 36 Impairment of Assets totaling €7 million (2014: €2 million) relates to the following segments:

#### Income from the reversal of impairment losses by segment

in € million	2015	2014
Resource Efficiency	6	1
Performance Materials	–	1
Other operations	1	–
	<b>7</b>	<b>2</b>

**Impact of the discontinued operations on the income statement**

in € million	Operating income after taxes		Divestment gains/losses after taxes		Income after taxes, discontinued operations	
	2015	2014	2015	2014	2015	2014
Lithium-ion business	-8	21	-7	-1	-15	20
Former Energy Business Area	-	-30	-2	1	-2	-29
	-8	-9	-9	-	-17	-9

No tax was incurred in connection with the divestment proceeds

**Operating income, discontinued operations**

in € million	2015	2014
Lithium-ion business	10	90
Former Energy Business Area	-	145
<b>Income</b>	<b>10</b>	<b>235</b>
Lithium-ion business	-18	-62
Former Energy Business Area	-	-175
<b>Expenses</b>	<b>-18</b>	<b>-237</b>
Lithium-ion business	-8	28
Former Energy Business Area	-	-30
<b>Operating income before income taxes, discontinued operations</b>	<b>-8</b>	<b>-2</b>
Lithium-ion business	-	-7
Former Energy Business Area	-	-
<b>Income taxes</b>	<b>-</b>	<b>-7</b>
Lithium-ion business	-8	21
Former Energy Business Area	-	-30
<b>Operating income after taxes, discontinued operations</b>	<b>-8</b>	<b>-9</b>

The operating income before income taxes from the lithium-ion business included impairment losses of €7 million in fiscal 2015

As of December 31, 2015, there were no assets or liabilities classified as held for sale on the balance sheet

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

**Cash flow from discontinued operations**

in € million	2015	2014
Lithium-ion business	3	7
Former Energy Business Area	-	24
<b>Cash flow from operating activities</b>	<b>3</b>	<b>31</b>
Lithium-ion business	-	-1
Former Energy Business Area	-	-
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-1</b>
Lithium-ion business	3	6
Former Energy Business Area	-	24
<b>Change in cash and cash equivalents, discontinued operations</b>	<b>3</b>	<b>30</b>

Both acquisitions have been integrated into the Resource Efficiency segment. Their aggregate impact on the balance sheet as of the date of first-time consolidation was as follows:

#### Impact of the acquisitions on the balance sheet

in € million	Fair value recognized
Non-current assets	54
Current assets	21
thereof receivables	11
thereof cash and cash equivalents	1
Non-current liabilities	-14
Current liabilities	-12
<b>Net assets</b>	<b>49</b>
Goodwill	5
<b>Cost of acquisition (purchase price)</b>	<b>54</b>

The purchase prices were settled out of cash and cash equivalents. Transaction costs of €1 million relating to these acquisitions 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 and the workforce.

Both since the date of acquisition and on a pro forma basis since January 1, 2015, the aggregate sales generated by the acquisitions were less than €45 million and the aggregate earnings after taxes were under €5 million. Sales and earnings were not material relative to the Resource Efficiency segment as a whole.

#### Divestments of subsidiaries

Under an agreement dated April 29, 2015, Evonik sold its 100 percent stake in Evonik Litarion GmbH, Kamenz (Germany) to Electrova GmbH, Düsseldorf (Germany). It was agreed not to disclose the purchase price. This divestment was closed on the date on which the agreement was signed.

Under an agreement dated September 30, 2015, Evonik sold its 52 percent stake in Qingdao Evonik Chemical Co., Ltd., Jiaozhou (China) to Orion Engineered Carbons International GmbH, Frankfurt (Germany). It was agreed not to disclose the purchase price. The stake was deconsolidated on October 27, 2015 and was classified as held for sale until that date.

Until completion of these transactions, the shares were included in the segment report in other operations.

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

#### Impact of divestments on the balance sheet

in € million	Carrying amounts divested
Non-current assets	8
Current assets	35
thereof cash and cash equivalents	7
Non-current liabilities	-5
Current liabilities	-9

The deconsolidation of subsidiaries resulted in a loss of €4 million (2014: gain of €5 million), which is recognized in other operating expenses and in income after taxes, discontinued operations.

#### Divestment of investments recognized at equity

Under an agreement dated June 23, 2015, Evonik sold 10.3 percent of the shares in Vivawest GmbH (Vivawest), Essen (Germany), to RAG Aktiengesellschaft, Herne (Germany), for a purchase price of €428 million. The transaction was closed on June 29, 2015. The proceeds from this transaction amounted to €143 million. In the segment report, these shares were previously included in other operations.

### 5.3 Assets held for sale and discontinued operations

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 100 percent stake in Evonik Litarion GmbH, comprising the remaining lithium-ion business, was classified as a discontinued operation until the divestment was completed on April 29, 2015.

## Companies recognized at amortized cost

Name of company	Registered office	Shareholding in %
<b>Non-consolidated subsidiaries</b>		
<b>Germany</b>		
PKU Pulverkautschuk Union GmbH (in liquidation)	Marl	100 00
Studiengesellschaft Kohle mbH	Mülheim	84 18
<b>Other countries</b>		
EGL Ltd	Milton Keynes (UK)	100 00
Evonik Guatemala, S A	Guatemala City (Guatemala)	100 00
Evonik International Costa Rica, S A	Santa Ana (Costa Rica)	100 00
Laporte Chemicals Ltd	Milton Keynes (UK)	100 00
LLC "Evonik Ukraine"	Kiev (Ukraine)	100 00
<b>Joint ventures</b>		
<b>Germany</b>		
dev log GmbH (in formation)	Niederkassel	50 00
Faserwerke Hüls Gesellschaft mit beschränkter Haftung	Marl	50 00
StoHaas Management GmbH	Marl	50 00
<b>Other countries</b>		
Idevo Servicios, S A de C V	Mexico City (Mexico)	50 00
RSC Evonik Sweeteners Co., Ltd	Bangkok (Thailand)	50 00
<b>Associates</b>		
<b>Germany</b>		
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
Vivawest GmbH	Essen	25 00

\* Based on the nature of the plan assets, these shares were measured in accordance with IAS 19

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 2014/2015 income after taxes €2.4 million, equity €324 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

Evonik acquired all shares in Monarch Catalyst Pvt. Ltd (Monarch), Dombivli (India) on June 5, 2015. Monarch's global activities in the field of oil and fat hydrogenation catalysts extend Evonik's portfolio of catalysts. In addition, this acquisition strengthens Evonik's market position in activated base and precious metal catalysts in India and on the Asian market. The company has been renamed Evonik Catalysts India Pvt. Ltd.

On October 30, 2015, Evonik acquired all shares in PeroxyChem Netherlands B.V., Amsterdam (Netherlands) from PeroxyChem Coöperatief U.A., Amsterdam (Netherlands). The production facilities in Delfzijl (Netherlands) complement Evonik's European production network for hydrogen peroxide, comprising three European sites in Antwerp (Belgium), Rheinfelden (Germany) and Weissenstein (Austria). The company has been renamed Evonik Peroxide Netherlands B.V.

**Joint operations recognized on a pro rata basis**

Name of company	Registered office	Shareholding in %
<b>Joint operations</b>		
<b>Germany</b>		
Neolyse Ibbenbüren GmbH	Ibbenbüren	50 00
StoHaas Marl GmbH	Marl	50 00
StoHaas Monomer GmbH & Co. KG	Marl	50 00
<b>Other countries</b>		
ROH Delaware LLC	Deer Park (Texas, USA)	50 00
ROH Delaware LP	Deer Park (Texas, USA)	50 00

At the joint operations there is no difference between the shareholding and proportion of the voting rights

The purpose of Neolyse Ibbenbüren GmbH is the joint production of potassium hydroxide solution and chlorine for use by Evonik and its partner Akzo Nobel Industrial Chemicals GmbH

The purpose of StoHaas Monomer GmbH & Co. KG and its wholly owned subsidiaries StoHaas Marl GmbH, ROH Delaware LLC and ROH Delaware LP is joint production of acrylic acid (CAA) for use by Evonik and its partner Dow Chemicals Inc (formerly ROHM AND HAAS TEXAS, INC)

**Companies recognized at equity**

Name of company	Registered office	Shareholding in %
<b>Joint ventures</b>		
<b>Other countries</b>		
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	Honigsberg/Mürzzuschlag (Austria)	49 00
Rusferm Limited	Nicosia (Cyprus)	49 00
Saudi Acrylic Polymers Company, Ltd	Jubail (Saudi Arabia)	25 00
<b>Associates</b>		
<b>Germany</b>		
ARG mbH & Co. KG	Duisburg	19 93
TUV NORD InfraChem GmbH & Co. KG	Marl	49 00
TUV NORD InfraChem Verwaltungsgesellschaft mbH	Marl	49 00

▪ Evonik is able to exercise a material influence under contractual agreements

## Consolidated subsidiaries

Name of company	Registered office	Shareholding in %
Evonik Trianda (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 UK Holdings Ltd	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
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
Roha B.V.	Tilburg (Netherlands)	100.00
RUTGERS Organics Corporation	State College (Pennsylvania, USA)	100.00
SKC Evonik Peroxide Korea Co., Ltd	Ulsan (South Korea)	55.00
Silbond Corporation	Weston (Michigan, USA)	100.00
Stockhausen Nederland B.V.	Amsterdam (Netherlands)	100.00

<sup>a</sup> Utilizes the exemptions permitted under Sections 264 Paragraph 3 and 264b of the German Commercial Code (HGB)

<sup>b</sup> 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 does not hold any shares in this company but it 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.



## Notes

Changes in the Group

## Consolidated subsidiaries

Name of company	Registered office	Shareholding in %
Evonik Hong Kong Ltd	Hong Kong (Hong Kong)	100 00
Evonik India Pvt. Ltd	Mumbai (India)	100 00
Evonik Industrias de Mexico, S A de C V	Mexico City (Mexico)	100 00
Evonik International Holding B V	Amsterdam (Netherlands)	100 00
Evonik Iran AG	Teheran (Iran)	100 00
Evonik Italia S p A	Pandino (Italy)	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 Peroxid GmbH	Weissenstein (Austria)	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 Peroxide Netherlands B V	Amsterdam (Netherlands)	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 Silquímica, S A U	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

**Consolidated subsidiaries**

Name of company	Registered office	Shareholding in %
RBV Verwaltungs-GmbH	Essen	100 00
RCIV Vermögensverwaltungs-GmbH	Essen	100 00
RUTGERS Dienstleistungs-GmbH	Essen	100 00
RUTGERS GmbH	Essen	100 00
Stockhausen Unterstützungseinrichtung GmbH	Krefeld	100 00
Westgas GmbH	Marl	100 00
<b>Other countries</b>		
Degussa International Inc	Wilmington (Delaware, USA)	100 00
DSL Japan Co., Ltd	Tokyo (Japan)	51 00
Egesil Kimya Sanayi ve Ticaret A.Ş.	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 Catalysts India Pvt. Ltd	Dombivli (India)	100 00
Evonik CB LLC	Wilmington (Delaware, USA)	100 00
Evonik Colombia S.A.S.	Medellín (Colombia)	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 International AG	Zurich (Switzerland)	100 00
Evonik Dutch Holding B.V.	Amsterdam (Netherlands)	100 00
Evonik España y Portugal, S.A.U.	Granollers (Spain)	100 00
Evonik Ferma s.r.o.	Slovenská Ľupča (Slovakia)	100 00
Evonik Fibres GmbH	Schörfing (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

Further information on acquisitions and divestments in 2015 can be found in Note 5.2

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

### Consolidated subsidiaries

Name of company	Registered office	Shareholding in %
<b>Consolidated subsidiaries</b>		
<b>Germany</b>		
AQura GmbH	Hanau	<sup>a</sup> 100.00
BK-Wolfgang-Warme GmbH	Hanau	100.00
CyPlus GmbH	Hanau	100.00
DeAM Treasury 1 Spezialfonds der Evonik Industries AG	Essen	<sup>b</sup> 0.00
Evonik Beteiligungs-GmbH	Frankfurt am Main	<sup>a</sup> 100.00
Evonik Catering Services GmbH	Marl	<sup>a</sup> 100.00
Evonik Creavis GmbH	Essen	<sup>a</sup> 100.00
Evonik Dahlenburg GmbH	Dahlenburg	<sup>a</sup> 100.00
Evonik Degussa GmbH	Essen	100.00
Evonik Goldschmidt Rewo GmbH	Essen	100.00
Evonik Gorapur GmbH	Wittenburg	<sup>a</sup> 100.00
Evonik Gorapur Verwaltungs-GmbH	Wittenburg	100.00
Evonik Hanse GmbH	Geesthacht	<sup>a</sup> 100.00
Evonik IP GmbH	Eschborn	<sup>a</sup> 100.00
Evonik Nutrition & Care GmbH	Essen	<sup>a</sup> 100.00
Evonik Oil Additives GmbH	Essen	100.00
Evonik Performance Materials GmbH	Essen	<sup>a</sup> 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	<sup>a</sup> 100.00
Evonik Real Estate Verwaltungs-GmbH	Marl	100.00
Evonik Resource Efficiency GmbH	Essen	<sup>a</sup> 100.00
Evonik Risk and Insurance Services GmbH	Essen	<sup>a</sup> 100.00
Evonik Röhm GmbH	Essen	100.00
Evonik Technochemie GmbH	Essen	<sup>a</sup> 100.00
Evonik Technology & Infrastructure GmbH	Essen	<sup>a</sup> 100.00
Evonik Venture Capital GmbH	Hanau	<sup>a</sup> 100.00
Goldschmidt ETB GmbH	Berlin	<sup>a</sup> 100.00
HD Ceracat GmbH	Frankfurt am Main	100.00
ILaS Integrierte Logistik & Service GmbH	Marl	<sup>a</sup> 100.00
KMV Vermögensverwaltungs-GmbH	Marl	100.00
Mönch-Kunststofftechnik GmbH	Bad König	<sup>a</sup> 100.00

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 €841 million (2014 €857 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 €999 million (2014 €1,025 million).

Assuming all other parameters remain unchanged, a reduction of 20 percent in mortality in the retirement phase would increase the defined benefit obligation by €762 million (2014 €768 million).

If the trend in healthcare costs were to increase by 1 percentage point, the accumulated healthcare benefit obligation would increase by €16 million (2014 €14 million). Conversely, a reduction of 1 percentage point in the cost trend would reduce the accumulated healthcare obligation by €14 million (2014 €12 million).

#### (f) Valuation of other provisions

Other provisions, especially provisions for recultivation and environmental protection, in connection with legal risks and for 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

#### Changes in the scope of consolidation

No. of companies	Germany	Other countries	Total
<b>Evonik Industries AG and consolidated subsidiaries</b>			
<b>As of December 31, 2014</b>	<b>42</b>	<b>98</b>	<b>140</b>
Acquisitions	–	2	2
Other companies consolidated for the first time	–	1	1
Divestments	–1	–1	–2
Intragroup mergers	–2	–	–2
Other companies deconsolidated	–	–1	–1
<b>As of December 31, 2015</b>	<b>39</b>	<b>99</b>	<b>138</b>
<b>Joint operations</b>			
<b>As of December 31, 2014</b>	<b>2</b>	<b>2</b>	<b>4</b>
Other companies consolidated for the first time	1	–	1
<b>As of December 31, 2015</b>	<b>3</b>	<b>2</b>	<b>5</b>
<b>Investments recognized at equity</b>			
<b>As of December 31, 2014</b>	<b>5</b>	<b>9</b>	<b>14</b>
Divestments	–1	–	–1
Other companies deconsolidated	–1	–1	–2
<b>As of December 31, 2015</b>	<b>3</b>	<b>8</b>	<b>11</b>
	<b>45</b>	<b>109</b>	<b>154</b>

## Notes

Discussion of assumptions and estimation uncertainties

**(a) Impairment testing of goodwill**

Testing goodwill for impairment also involves assumptions and estimates regarding, for example, future cash flows, expected terminal growth rates and discount rates. The relevant assumptions may change, leading to impairment losses in future periods.

In the impairment test on goodwill in the Performance Materials segment, the recoverable amount exceeded the carrying amount of the segment by €119 million. The reduction in this amount compared with the previous year was mainly due to the new management and portfolio structure introduced on January 1, 2015. In this context, the segment was defined essentially as a product-oriented, energy and raw material intensive supplier that will in future concentrate on securing and extending its good market positions. This included reallocation of operations between the segments, see Note 9.1, which had a negative impact on the difference between the recoverable amount and carrying amount of the Performance Materials segment. The recoverable amount would correspond to the carrying amount of the segment if the weighted average cost of capital after taxes increased by 0.4 percentage points, or if there was a reduction of 5.0 percent in the net cash flow or of 0.5 percentage points in the terminal growth rate.

In the Nutrition & Care, Resource Efficiency and Services segments, a relative increase in the weighted average cost of capital after taxes of 10 percent or a reduction of 10 percent in the net cash flow or terminal growth rate would not result in an impairment loss.

**(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, 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 7.8.

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 €1,906 million (2014: €1,976 million). Conversely, increasing the discount rate by 1 percentage point, assuming other parameters do not change, would decrease the defined benefit obligation by €1,456 million (2014: €1,518 million).

A reduction of 1 percentage point in the assumed Group-wide salary increases would reduce the defined benefit obligation by €162 million (2014: €185 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 €175 million (2014: €198 million).

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.

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.

### 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). Where input factors from different levels are used, the level applicable for the lowest material input factor is determined and the overall fair value is assigned to this level.

### 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.

## Notes

Basis of preparation of the financial statements

**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. The market price of options is determined using established option pricing models. Commodity derivatives are valued with the aid of spot prices and forward rates while interest rate derivatives are valued by discounting future cash flows.

Stand-alone financial derivatives are assigned to the category at fair value through profit or loss and classified as held for trading. Financial instruments assigned to this category are recognized at fair value on each reporting date. Any gain or loss resulting from a change in their fair value is recognized in the income statement.

Both the hedging instrument and the hedged item have to meet specific criteria to qualify for hedge accounting. In particular, hedge accounting requires extensive documentation of the hedging relationship, together with evidence that the expected and actual effectiveness of the hedge is between 80 and 125 percent. A derivative no longer qualifies for hedge accounting if these conditions are not fulfilled. In the case of cash flow hedges, hedge accounting must also be halted if the forecast transaction no longer appears probable. In such cases, the amount recognized in other comprehensive income is reclassified to the income statement.

Depending on the type of hedge, hedging instruments and the associated hedged items 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 fair value of the hedged item are recognized in the income statement. If off-balance-sheet firm commitments are hedged, changes in the fair value of the firm commitment resulting from changes in the hedged risk give rise to recognition of an asset or a liability which affects income. In view of this method, changes in the value of the hedged item and the hedge cancel each other out in the income statement.

The purpose of cash flow hedges is to minimize the risk of volatility of future cash flows from a recognized asset or liability or a forecast transaction that is considered highly probable. The effective portion of changes in the fair value of a hedging instrument is recognized in other comprehensive income and the ineffective portion of the change in value is recognized in the income statement. Amounts recognized in other comprehensive income are reclassified to the income statement as soon as the hedged item has an impact on the income statement. In the case of interest rate hedges, such amounts are included in net interest income or expense, while in the case of sales hedges they are included in the corresponding sales revenues, and hedges on the procurement of goods are included directly in the cost of sales. If the hedged future transaction comprises a non-financial asset or a non-financial liability, the gain or loss previously recognized in other comprehensive income is included in the cost of acquisition of the asset or liability when it is initially recognized.

The purpose of a hedge of a net investment is to reduce the foreign currency risk involved in an investment in a company whose functional currency is not the euro. Such hedges are accounted for in the same way as cash flow hedges. Gains and losses recognized in other comprehensive income are reclassified to the income statement when the foreign subsidiary is divested or investment in it is reduced.

**Leasing**

A lease comprises an agreement that transfers the right to use an asset for a certain period in return for one or more payments. The Group is mainly party to operating leases as either lessor or lessee. 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.

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 cost of acquisition is regarded as an indication of impairment. In the case of equities, a decline in the fair value of at least 20 percent compared with the cost of acquisition is regarded as material. 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.



## Notes

Basis of preparation of the financial statements

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 in other comprehensive income

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 relating to legal risks are allocated to the various categories of provisions on the basis of their type. They contain appropriate expenses for, e.g. court and lawyers' fees, payments to plaintiffs and any payments for settlement or indemnity. 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 lawyers, 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 carryforwards 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)

### 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

For initial measurement, 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 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 recognition, 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 3.7 "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

### 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 fixed and variable overheads that can be systematically assigned to production (based on normal operating capacity). The cost of inventories may also contain gains and losses from cash flow hedges entered into to hedge the exchange rates or price of goods in connection with the procurement of raw materials and which were included in other comprehensive income in the statement of comprehensive income until they were reclassified to the inventories acquired

### 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

## Notes

Basis of preparation of the financial statements

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 of disposal 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 of disposal of the relevant segment. The fair value less costs of disposal is determined as the present value of future cash flows using a valuation model and on the basis of non-observable inputs (Level 3 of the fair value hierarchy). Future cash flows are derived from the current three-year mid-term plan. The mid-term planning is based on a mixture of experience and expectations of future market trends. The main economic data, such as growth in gross domestic product, the development of exchange rates, raw material and energy

prices and the increase in wages and salaries 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 a capital asset pricing model 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 comprises a risk-free interest rate plus a premium for the credit risk, taking into account the average tax rate.

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

#### Parameters used in impairment testing and allocation of goodwill by segment

	WACC after taxes (in %)		Terminal growth rate (in %)		Goodwill (in € million)	
	2015	2014	2015	2014	Dec 31, 2015	Dec 31, 2014
Nutrition & Care	7.19	7.01	1.50	1.50	1,023	1,021
Resource Efficiency	8.38	9.28	1.50	1.50	1,186	892
Performance Materials	8.83	8.58	1.50	1.50	492	717
Services	8.16	8.31	1.50	1.50	63	51
Corporate, other operations	7.75	8.06	1.50	1.50	–	14

The carrying amounts of goodwill are allocated among the segments for the purpose of impairment testing. The goodwill allocated to the three chemical 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, consolidation". Changes in the allocation of this goodwill compared with the previous

year resulted from the reorganization of various activities, see Note 9.1. All other goodwill is recognized immediately in the segments.

For impairment testing of other intangible assets, and property, plant and equipment, the recoverable amount is normally determined by calculating the value in use of the CGU/group of CGUs.

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.

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.

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. If there are indications of a possible impairment, an impairment test is conducted as outlined in Note 3.7 "Impairment test".

The cost of acquisition includes expenses directly attributable to the acquisition. The cost of production of self-manufactured assets comprises all direct costs, plus the systematically allocable fixed and variable material costs and manufacturing overheads. 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 to hedge foreign currency exposures in connection with the purchase of plants, which were recognized in the statement of comprehensive income until they were reclassified to property, plant and equipment.

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.

Government grants for the purchase or construction of property, plant and equipment reduce the cost of acquisition or production of such assets. They are reflected in the income statement over the useful life of the assets through lower depreciation.

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

### 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

If major components of an asset have different useful lives, they are recognized and depreciated separately.

Spare parts and servicing equipment that meet the requirements for recognition as property, plant and equipment are recognized as such, rather than as inventories. Minor 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.

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.

### Impairment test

If there are indications of possible impairment, an impairment test is conducted on intangible assets, property plant and equipment 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.

## Notes

Basis of preparation of the financial statements

## Exchange rates

	Average annual rates		Closing rates	
	2015	2014	Dec 31, 2015	Dec 31, 2014
€ 1 corresponds to				
Brazilian real (BRL)	3 70	3 12	4 31	3 22
British pound (GBP)	0 73	0 81	0 73	0 78
Chinese renminbi yuan (CNY)	6 99	8 17	7 06	7 54
Japanese yen (JPY)	134 52	140 83	131 07	145 23
Singapore dollar (SGD)	1 53	1 68	1 54	1 61
US dollar (USD)	1 11	1 33	1 09	1 21

## 3.7 Accounting policies

## Revenue recognition

## (a) Sales

Sales revenues arise from normal business activity

The Nutrition & Care, Resource Efficiency and Performance Materials segments mainly generate sales by selling specialty chemicals to industrial customers for further processing. The Services segment principally provides services for the chemicals businesses, the management holding company, and external customers at Evonik's sites, for further details see Note 9.1

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 products are recognized, assuming that the general principles for revenue recognition are met, when the main opportunities and risks associated with title to the products pass to the customer. This is generally determined by the international terms for commercial transactions (Incoterms®). 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 principles for revenue recognition in the period are met, when the percentage of completion can be reliably measured. Where the provision of services extends over more than one reporting period, revenues 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 3.7 "Impairment test". Depending on the type of intangible asset, amortization is recognized in the cost of sales, selling expenses, research and development expenses 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.

Goodwill has an indefinite useful life and is tested for impairment at least once a year.

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 (in other words, 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.

Joint operations are recognized in the consolidated financial statements at the proportionate amount of their assets and liabilities, revenues and expenses in accordance with Evonik's rights and obligations.

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 3.7 "Investments recognized at equity".

### 3.6 Currency translation

The financial statements of Evonik Industries AG and its subsidiaries are generally prepared in their functional currency. The functional currency is the currency used in the primary economic area in which the respective company operates.

In the separate financial statements prepared by these companies, business transactions in foreign currencies are translated 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 are recognized in other operating income, other operating expenses, or other financial result at the closing rate on the reporting date.

In the consolidated financial statements, the assets and liabilities of all foreign subsidiaries are translated from their functional currency into euros at closing rates on the reporting date. Goodwill and hidden assets and liabilities from the acquisition of a foreign subsidiary are translated at the closing rate as assets and liabilities of the foreign subsidiary. 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. They are only reclassified to the income statement when the foreign subsidiary is divested.

The equity of foreign companies recognized using the equity method is translated in the same way.

## Notes

Basis of preparation of the financial statements

The following prior-period items have been restated

**Impact of changes in the presentation of the consolidated income statement of the Evonik Group (excerpt)**

in € million	2014
	Impact of change
Other operating income	-450
Other operating expenses	467
Result from investments recognized at equity	14
<b>Income before financial result and income taxes, continuing operations</b>	<b>31</b>
Result from investments recognized at equity	-14
Other financial income	-17
<b>Financial result</b>	<b>-31</b>
<b>Income before income taxes, continuing operations</b>	<b>-</b>

There was no impact on net income or on basic or diluted earnings per share

For reasons of materiality, investment property, which was previously shown as a separate line item on the balance sheet, is now included in property, plant and equipment. As of December 31, 2015, investment property amounting to €10 million (2014: €10 million) was included in this item.

With effect from January 1, 2015, the determination of the discount rate used to value newly acquired pension entitlements (service cost) in the euro zone was adjusted. While the discount rate for service cost was previously derived from total cash flows relating to pension entitlements (present employees, vested rights of former employees, retirees), it is now based on cash flows relating to present employees, since only they acquire new entitlements.

Before this change, the discount rate as of January 1, 2015 would have been 2.50 percent. The new discount rate for newly acquired entitlements is 2.75 percent. The service cost was therefore €15 million lower as of December 31, 2015. As a change in estimation, this adjustment is entirely prospective.

### 3.5 Consolidation methods and scope of consolidation

#### Scope of consolidation

Alongside Evonik Industries AG, all material German and foreign subsidiaries directly or indirectly controlled by Evonik Industries AG are fully consolidated in the consolidated financial statements of 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.

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.

Joint ventures and associates are generally recognized at equity. 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. Associates are companies where the Evonik Group has a significant influence but does not have control or joint control of financial and operating policies.

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.

#### 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.

**Accounting standards that are not yet mandatory**

Standard		Subject of standard—Expected impact on the consolidated financial statements
a	b	
a Issued by the IASB		
b Effective date as per IASB		
c Effective date as per EU		
d Publication in the Official Journal of the EU		
Annual Improvement Process (IFRSs 2012–2014 Cycle)	a Sep 25, 2014 b Jan 1, 2016 c Jan 1, 2016 d Dec 16, 2015	Annual Improvements to IFRSs 2012–2014 Cycle contains amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. They comprise improvements and clarification of existing standards. The amendments are not currently relevant for the consolidated financial statements.
Amendments to IAS 1 Disclosure Initiative	a Dec 18, 2014 b Jan 1, 2016 c Jan 1, 2016 d Dec 19, 2015	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 sub-totals, 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.
IFRS 16 Leases	a Jan 13, 2016 b Jan 1, 2019 c open d open	The new standard has far-reaching implications for the recognition of leases by the lessee. Under IAS 17, the transfer of substantially all opportunities and risks of the leased asset was decisive for recognition of a lease by the lessee. In future, the lessee will generally recognize each lease on the balance sheet in the form of a right-of-use for the leased asset and a corresponding liability. For lessors, by contrast, the accounting principles are essentially unchanged, especially as regards the continued requirements for the classification of leases. IFRS 16 supersedes IAS 17 and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The impact on the consolidated financial statements will be examined at a later date.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	a Jan 19, 2016 b Jan 1, 2017 c open d open	The amendments clarify the recognition of deferred tax assets for unrealized losses on debt instruments recognized at fair value. The impact on the consolidated financial statements is currently being examined.
Amendments to IAS 7 Statements of Cash Flows	a Jan 29, 2016 b Jan 1, 2017 c open d open	The changes relate to additional disclosure requirements for notes to financial statements to enable users to evaluate changes in liabilities from a company's financing activities. These amendments affect the disclosures in the notes to the consolidated financial statements.

**3.4 Changes in presentation, structure and accounting principles**

Effective January 1, 2015, the Executive Board of Evonik Industries AG altered the management and portfolio structure to further improve the opportunities for profitable growth. This has greatly increased the entrepreneurial independence of the three chemical segments. In line with this, changes have been made to the presentation of the income statement to ensure clear separation of operational and financing-related income and expenses and to better reflect the reorganized responsibilities. Further, this improves comparability with competitors.

The following changes have been made to the presentation:

- the result from investments recognized at equity is now allocated to income before financial result and income taxes from continuing operations
- greater differentiation in the allocation of income and expenses from currency translation and currency hedging, these are recognized in income before financial result and income taxes from continuing operations where they relate to the operating business, and in the financial result where they relate to financing
- more transparent presentation of the economic significance of the results of currency translation and currency hedging by switching from a gross to a net view<sup>1</sup>

<sup>1</sup> Cf. the explanations on currency management and the associated results in Note 10.2



## Notes

Basis of preparation of the financial statements

## Accounting standards that are not yet mandatory

Standard		Subject of standard—Expected impact on the consolidated financial statements
a Issued by the IASB b Effective date as per IASB c Effective date as per EU d Publication in the Official Journal of the EU		
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	a May 6, 2014 b Jan 1, 2016 c Jan 1, 2016 d Nov 25, 2015	The amendments clarify recognition of acquisitions of interests in a joint operation where the joint operation constitutes a business. They stipulate 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.
IFRS 15 Revenue from Contracts with Customers	a May 28, 2014/ Sep 11, 2015 b Jan 1, 2018 c open d open	<p>IFRS 15 contains extensive new rules for the recognition of revenues arising from contracts with customers for all sectors. A five-step model outlines in detail aspects such as identifying distinct performance obligations, the level of the expected consideration, taking into account variable price components, and the distribution of the expected consideration among the identified performance obligations. There are now uniform criteria to determine whether a performance obligation is to be satisfied at a point in time or over time. In addition, IFRS 15 will result in a considerable increase in disclosures in the notes to the consolidated financial statements. This new standard will replace the following current standards and interpretations: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. An analysis of contracts has identified a possible need for change.</p> <p>A change in the timing of revenue recognition may result from identification of an additional performance obligation, a change in the assessment of whether revenue is realized at a point in time or over time, or of the timing of the transfer of control.</p> <p>The following could be identified as separate performance obligations:</p> <ul style="list-style-type: none"><li>• Dosing systems, which were previously transferred as an additional benefit in connection with the sale of a product</li><li>• Freight and transportation services provided after transfer of control</li><li>• Extended warranties that go well beyond the statutory requirements and contain a service component</li><li>• Exclusive sales rights</li></ul> <p>An altered assessment of whether the performance obligation is satisfied at a point in time or over time is possible in the following cases:</p> <ul style="list-style-type: none"><li>• License agreements</li><li>• Development contracts</li></ul> <p>An altered assessment of the time of the transfer of control is possible for agreements on consignment warehouses.</p> <p>Further, under IFRS 15 the level of revenues recognized over the total period may differ from previous practice. This is possible in the following cases:</p> <ul style="list-style-type: none"><li>• Prepayments by customers, where it may be necessary to recognize a financing component that would increase sales</li><li>• Agreements on the unconditional repurchase of products</li><li>• Exchange-type transactions between competitors</li></ul> <p>Finally, the cost of services that are incurred after inception of the contract and can be clearly assigned to the contract must be capitalized and depreciated over the period of time in which the associated goods were transferred to the customer or the services were provided. This may affect application technology services.</p> <p>In the next step, the quantitative impact on the consolidated financial statements will be analyzed in more detail.</p>
IFRS 9 Financial Instruments	a July 24, 2014 b Jan 1, 2018 c open d open	IFRS 9 is the replacement for IAS 39 Financial Instruments: Recognition and Measurement. The main changes in 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 IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	a Sep 11, 2014/ Dec 17, 2015 b open c open 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. In 2015, the IASB postponed the date of first-time application indefinitely. This amendment is not currently relevant for the consolidated financial statements.

## 2. General information

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

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, 2016, discussed at the meeting of the Audit Committee on February 26, 2016, and presented to the Supervisory Board for approval at its meeting on March 2, 2016. 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, 2015 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 Note 3.3 where they relate to changes to accounting standards, and in Note 3.4 or the relevant Notes where they relate to other changes. To enhance the clarity of presentation, some items are combined in the income statement, statement of comprehensive income, balance sheet and statement of changes in equity and explained in the Notes.

The income statement has been prepared using the cost-of-sales method. Expenses are divided by function.

The statement of comprehensive income is a reconciliation from income after taxes as shown in the income statement to the Group's total comprehensive income, taking into account other comprehensive income.

On the balance sheet, assets and liabilities are classified by maturity. They are classified as current if they are due or expected to be realized within twelve months from the reporting date.

The statement of changes in equity shows changes in the issued capital, reserves attributable to shareholders of Evonik Industries AG and changes in non-controlling interests in the reporting period. Transactions with shareholders in their capacity as owners are also shown separately here.

The cash flow statement provides information on the Group's cash flows. The cash flow from operating activities is calculated using the indirect method, where income before financial result and income taxes from 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 to be applied for the first time

A number of revised and newly issued standards and interpretations had to be applied for the first time in fiscal 2015. However, they did not have a material impact on the consolidated financial statements.

#### Accounting standards that are not yet mandatory

The IASB has issued further accounting standards which did not become mandatory in fiscal 2015 or have not yet been officially adopted by the European Union. The accounting standards that could be of relevance for the consolidated financial statements are outlined below. They will probably be applied for the first time from the date on which they come into force.

Notes  
Segment report

Services		Other operations		Corporate, consolidation		Total Group (continuing operations)	
2015	2014	2015	2014	2015	2014	2015	2014
828	906	51	104	-10	-35	13,507	12,917
1,886	1,865	87	71	-2,194	-2,203	-	-
2,715	2,771	138	175	-2,204	-2,238	13,507	12,917
9	7	1	23	-	-13	-15	14
163	151	-81	-54	-257	-223	2,465	1,882
197	167	-	-	-	-	182	146
53	49	-96	-68	-268	-256	1,752	1,256
565	507	11	801	2,838	2,348	10,530	10,054
94	97	-	-	-	-	166	125
-107	-101	-15	-14	-12	-31	-700	-606
177	153	24	20	2	1	877	1,123
6	6	2	64	1	-	90	114
12,668	13,173	391	775	310	162	33,576	33,241

Central and South America		Asia-Pacific		Middle East, Africa		Total Group (continuing operations)	
2015	2014	2015	2014	2015	2014	2015	2014
954	777	2,860	2,440	462	341	13,507	12,917
32	29	274	250	-	-	2,764	2,695
178	172	1,587	1,564	8	10	6,212	5,920
67	106	86	323	1	1	877	1,123
668	611	4,751	4,620	161	125	33,576	33,241

# Notes to the consolidated financial statements of the Evonik Group

## 1. Segment report

### Segment report by operating segments Note 9.1

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	2015	2014	2015	2014	2015	2014
External sales	4,924	4,075	4,279	4,040	3,435	3,827
Internal sales	34	27	53	84	133	156
Total sales	4,958	4,102	4,332	4,124	3,568	3,983
Result from investments recognized at equity	-25	-4	1	1	-1	-
Adjusted EBITDA	1,435	847	896	836	309	325
Adjusted EBITDA margin in %	29.1	20.8	20.9	20.7	9.0	8.5
Adjusted EBIT	1,214	685	675	642	174	204
Capital employed (annual average)	2,923	2,527	2,726	2,474	1,467	1,397
ROCE in %	41.5	27.1	24.8	25.9	11.9	14.6
Depreciation and amortization*	-212	-157	-222	-194	-132	-109
Capital expenditures*	250	458	241	273	183	218
Financial investments	5	2	54	42	22	-
No. of employees as of December 31	7,165	6,943	8,662	7,835	4,380	4,353

Prior year figures restated

\* For intangible assets, property, plant and equipment. For the segmentation of impairment losses and reversals of impairment losses, see Notes 6.3 and 6.4

### Segment report by regions Note 9.2

	Germany		Other European countries		North America	
in € million	2015	2014	2015	2014	2015	2014
External sales	2,436	2,814	4,148	4,235	2,647	2,310
Goodwill as of December 31*	1,542	1,542	546	544	370	330
Other intangible assets, property plant and equipment as of December 31*	2,832	2,777	555	534	1,052	863
Capital expenditures	427	419	88	133	208	141
No. of employees as of December 31	21,514	21,435	2,681	2,741	3,801	3,709

Prior-year figures restated

\* Non-current assets according to IFRS 8.33.b

# Cash flow statement

## Cash flow statement for the Evonik Group

in € million	Note	2015	2014
Income before financial result and income taxes, continuing operations		1,664	1,077
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets		764	656
Result from investments recognized at equity		15	-14
Gains/losses on the disposal of non-current assets		-144	-4
Change in inventories		52	-90
Change in trade accounts receivable		-44	-29
Change in trade accounts payable and current advance payments received from customers		-18	28
Change in provisions for pensions and other post-employment benefits		-162	-165
Change in other provisions		111	-43
Change in miscellaneous assets/liabilities		92	-70
Cash outflows for interest		-67	-114
Cash inflows from interest		22	13
Cash inflows from dividends		19	20
Cash inflows/outflows for income taxes		-336	-230
<b>Cash flow from operating activities, continuing operations</b>		<b>1,968</b>	<b>1,035</b>
Cash flow from operating activities, discontinued operations		3	31
<b>Cash flow from operating activities</b>	8 1	<b>1,971</b>	<b>1,066</b>
Cash outflows for investments in intangible assets, property, plant and equipment		-916	-1,095
Cash outflows for investments in shareholdings		-70	-114
Cash inflows from divestments of intangible assets, property, plant and equipment		13	17
Cash inflows/outflows from divestment of shareholdings		421	578
Cash inflows/outflows relating to securities, deposits and loans		111	248
Transfers to the pension trust fund (CTA)		-219	-209
<b>Cash flow from investing activities, continuing operations</b>		<b>-660</b>	<b>-575</b>
Cash flow from investing activities, discontinued operations		-	-1
<b>Cash flow from investing activities</b>	8 2	<b>-660</b>	<b>-576</b>
Cash inflows/outflows relating to capital contributions		3	-
Cash outflows for dividends to shareholders of Evonik Industries AG		-466	-466
Cash outflows for dividends to non-controlling interests		-11	-5
Cash outflows for the purchase of treasury shares		-14	-13
Cash inflows from the sale of treasury shares		15	13
Cash inflows from the addition of financial liabilities		844	207
Cash outflows for repayment of financial liabilities		-238	-891
<b>Cash flow from financing activities, continuing operations</b>		<b>133</b>	<b>-1,155</b>
Cash flow from financing activities, discontinued operations		-	-
<b>Cash flow from financing activities</b>		<b>133</b>	<b>-1,155</b>
<b>Change in cash and cash equivalents</b>		<b>1,444</b>	<b>-665</b>
<b>Cash and cash equivalents as of January 1</b>		<b>921</b>	<b>1,572</b>
Change in cash and cash equivalents		1,444	-665
Changes in exchange rates and other changes in cash and cash equivalents		3	14
<b>Cash and cash equivalents as on the balance sheet as of December 31</b>	8 3	<b>2,368</b>	<b>921</b>

Prior-year figures restated

# Statement of changes in equity

## Statement of changes in equity for the Evonik Group Note 7.7

in € million	Issued capital	Capital reserve	Accumulated income	Treasury shares	Accumulated other comprehensive income	Attributable to shareholders of Evonik Industries AG	Attributable to non-controlling interests	Total equity
<b>As of January 1, 2014</b>	<b>466</b>	<b>1,165</b>	<b>5,547</b>	<b>-</b>	<b>-420</b>	<b>6,758</b>	<b>78</b>	<b>6,836</b>
Capital increases/decreases	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-466	-	-	-466	-5	-471
Purchase of treasury shares	-	-	-	-13	-	-13	-	-13
Share-based payment	-	3	-	-	-	3	-	3
Sale of treasury shares	-	-3	-	13	-	10	-	10
Income after taxes	-	-	568	-	-	568	13	581
Other comprehensive income after taxes	-	-	-601	-	179	-422	6	-416
Total comprehensive income	-	-	-33	-	179	146	19	165
Other changes	-	-	-8	-	-3	-11	3	-8
<b>As of December 31, 2014</b>	<b>466</b>	<b>1,165</b>	<b>5,040</b>	<b>-</b>	<b>-244</b>	<b>6,427</b>	<b>95</b>	<b>6,522</b>
Capital increases/decreases	-	-	-	-	-	-	3	3
Dividend distribution	-	-	-466	-	-	-466	-11	-477
Purchase of treasury shares	-	-	-	-14	-	-14	-	-14
Share-based payment	-	3	-	-	-	3	-	3
Sale of treasury shares	-	-2	-	14	-	12	-	12
Income after taxes	-	-	991	-	-	991	11	1,002
Other comprehensive income after taxes	-	-	253	-	286	539	1	540
Total comprehensive income	-	-	1,244	-	286	1,530	12	1,542
Other changes	-	-	3	-	-2	1	-16	-15
<b>As of December 31, 2015</b>	<b>466</b>	<b>1,166</b>	<b>5,821</b>	<b>-</b>	<b>40</b>	<b>7,493</b>	<b>83</b>	<b>7,576</b>

## Balance sheet

in € million	Note	Dec 31, 2015	Dec 31, 2014
Issued capital		466	466
Capital reserve		1,166	1,165
Accumulated income		5,821	5,040
Accumulated other comprehensive income		40	-244
<b>Equity attributable to shareholders of Evonik Industries AG</b>		<b>7,493</b>	<b>6,427</b>
Equity attributable to non-controlling interests		83	95
<b>Equity</b>	<b>77</b>	<b>7,576</b>	<b>6,522</b>
Provisions for pensions and other post-employment benefits	78	3,349	3,953
Other provisions	79	854	903
Deferred taxes	712	479	449
Other income tax liabilities	712	150	199
Financial liabilities	710	1,415	666
Other payables	711	106	71
<b>Non-current liabilities</b>		<b>6,353</b>	<b>6,241</b>
Other provisions	79	1,177	957
Other income tax liabilities	712	209	105
Financial liabilities	710	291	469
Trade accounts payable	711	1,090	1,126
Other payables	711	309	247
		<b>3,076</b>	<b>2,904</b>
Liabilities associated with assets held for sale	53	-	18
<b>Current liabilities</b>		<b>3,076</b>	<b>2,922</b>
<b>Total equity and liabilities</b>		<b>17,005</b>	<b>15,685</b>

Prior-year figures restated

# Balance sheet

## Balance sheet for the Evonik Group

in € million	Note	Dec 31, 2015	Dec 31, 2014
Intangible assets	71	3,168	3,100
Property, plant and equipment	72	5,808	5,515
Investments recognized at equity	73	53	357
Financial assets	74	116	83
Deferred taxes	712	1,110	1,127
Current income tax assets	712	11	11
Other receivables	76	54	58
<b>Non-current assets</b>		<b>10,320</b>	<b>10,251</b>
Inventories	75	1,763	1,778
Current income tax assets	712	111	211
Trade accounts receivable	76	1,813	1,720
Other receivables	76	265	303
Financial assets	74	365	449
Cash and cash equivalents	83	2,368	921
		<b>6,685</b>	<b>5,382</b>
Assets held for sale	53	-	52
<b>Current assets</b>		<b>6,685</b>	<b>5,434</b>
<b>Total assets</b>		<b>17,005</b>	<b>15,685</b>

Prior year figures restated



# Statement of comprehensive income

## Statement of comprehensive income for the Evonik Group

in € million	2015	2014
<b>Income after taxes</b>	<b>1,002</b>	<b>581</b>
<b>Comprehensive income that will be reclassified subsequently to profit or loss</b>	<b>287</b>	<b>185</b>
Gains/losses on available-for-sale securities	21	-11
Gains/losses on hedging instruments	32	-142
Currency translation adjustment	245	295
Attributable to the equity method (after income taxes)	6	-
Deferred taxes	-17	43
<b>Comprehensive income that will not be reclassified subsequently to profit or loss</b>	<b>253</b>	<b>-601</b>
Remeasurement of the net defined benefit liability for defined benefit pension plans	361	-844
Attributable to the equity method (after income taxes)	-4	-7
Deferred taxes	-104	250
<b>Other comprehensive income after taxes</b>	<b>540</b>	<b>-416</b>
<b>Total comprehensive income</b>	<b>1,542</b>	<b>165</b>
thereof attributable to		
Non-controlling interests	12	19
Shareholders of Evonik Industries AG	1,530	146
<b>Total comprehensive income attributable to shareholders of Evonik Industries AG</b>	<b>1,530</b>	<b>146</b>
thereof attributable to		
continuing operations	1,547	156
discontinued operations	-17	-10

# Income statement

## Income statement for the Evonik Group

in € million	Note	2015	2014
Sales	6 1	13,507	12,917
Cost of sales	6 2	-9,096	-9,308
<b>Gross profit on sales</b>		<b>4,411</b>	<b>3,609</b>
Selling expenses	6 2	-1,447	-1,289
Research and development expenses	6 2	-434	-413
General administrative expenses	6 2	-693	-601
Other operating income	6 3	445	250
Other operating expenses	6 4	-603	-493
Result from investments recognized at equity	6 5	-15	14
<b>Income before financial result and income taxes, continuing operations</b>		<b>1,664</b>	<b>1,077</b>
Interest income		46	71
Interest expense		-245	-289
Other financial income/expense		-24	-17
<b>Financial result</b>	6 6	<b>-223</b>	<b>-235</b>
<b>Income before income taxes, continuing operations</b>		<b>1,441</b>	<b>842</b>
Income taxes	6 7	-422	-252
<b>Income after taxes, continuing operations</b>		<b>1,019</b>	<b>590</b>
Income after taxes, discontinued operations	5 3	-17	-9
<b>Income after taxes</b>		<b>1,002</b>	<b>581</b>
thereof attributable to			
Non-controlling interests		11	13
Shareholders of Evonik Industries AG (net income)		991	568
<b>Earnings per share in € (basic and diluted)</b>	6 8	<b>+ 2 13</b>	<b>+ 1 22</b>

Prior-year figures restated

# CONSOLIDATED FINANCIAL STATEMENTS

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## 11.2 Outlook

### Basis for our forecast

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

### Sales and earnings

The anticipated weak global growth momentum outlined in the section headed "Economic background" will also affect the development of our business in 2016.

Following a very successful year in 2015, we expect to report slightly lower sales in 2016 (2015: €13.5 billion). Thanks to our strong market positions, balanced portfolio and concentration on high-growth businesses, we assume continued high demand for our products and appreciable volume growth despite the difficult macro-economic conditions. The new production capacities taken into service in recent years and further intensification of sales activities should also contribute to this. We expect selling prices to develop solidly across most of our product portfolio. However, lower selling prices are anticipated for some businesses in the Nutrition & Care and Performance Materials segments, leading to the forecast slight reduction in overall sales.

Nevertheless, we are confident that our business will continue to develop successfully in 2016 and expect to report adjusted EBITDA of between €2.0 billion and €2.2 billion (2015: €2.47 billion).

For the majority of businesses in the Nutrition & Care segment we are expecting a stable or slightly positive business trend compared with the previous year. We assume that the price of essential amino acids for animal nutrition will normalize from the very high prior-year level. Moreover, the baby care business will be affected by persistently high competitive pressure.

We expect that the Resource Efficiency segment will continue the previous year's successful business development despite weaker global growth.

In the Performance Materials segment, the year-on-year decline in the oil price, in particular, will result in a further reduction in selling prices, putting downward pressure on this segment's operating performance.

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

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

### Financing and investments

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

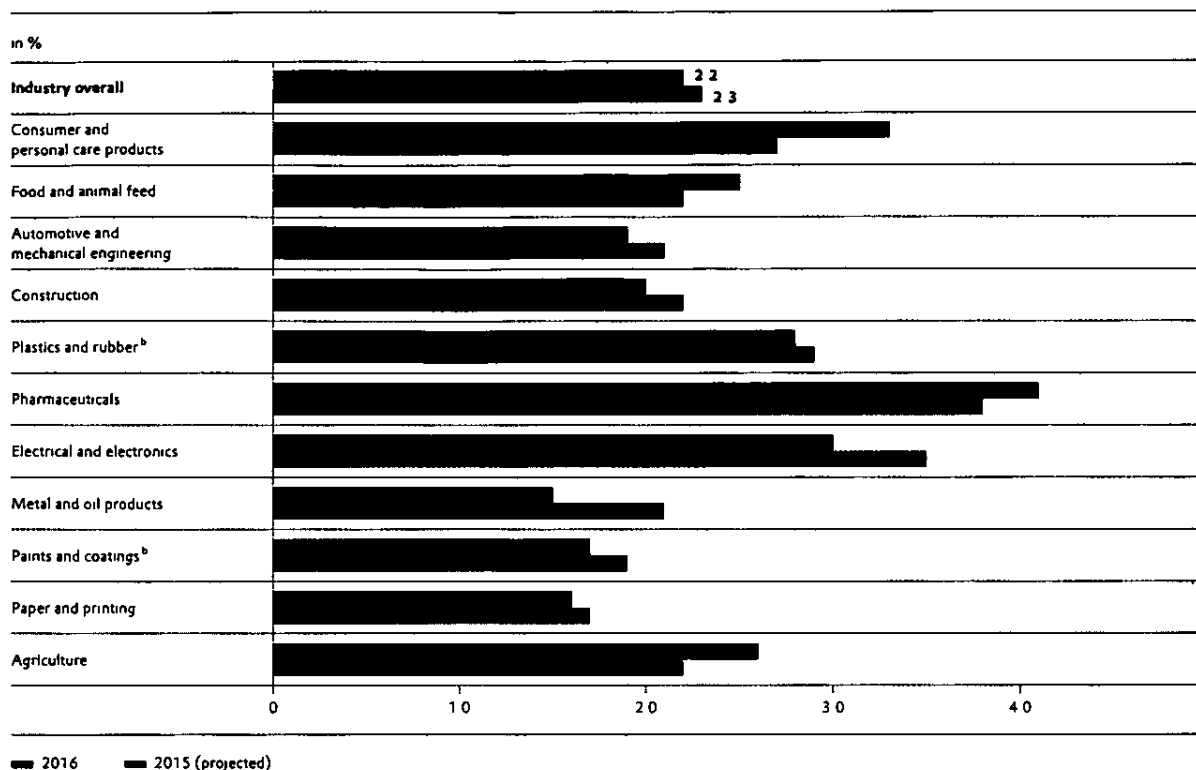
### Occupational and plant safety

We assume that the accident frequency<sup>1</sup> indicator will be stable in 2016 (2015: 1.0) and expect it to be below the upper limit of 1.3 defined for 2015. Our long-term goal is still a sustained value of less than 1.0. We are retaining our target of a maximum of 48 for the plant safety indicator incident frequency<sup>2</sup> in 2016 and expect it to be between 48 and 53, a slight improvement compared with 2015 (55).

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.

<sup>1</sup> Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 1 million working hours

<sup>2</sup> Number of incidents per 1 million hours worked in the production facilities operated by the segments, taking 2008 as the reference base (expressed in percentage points: 2008 = 100)

**Forecast for Evonik's end-customer industries 2016<sup>a</sup>**<sup>a</sup> Rounded amounts<sup>b</sup> Where not directly assigned to other end-customer industries

Along with global economic momentum, trends in our end-customer industries influence the development of Evonik's market environment. While the general industrial trend was weak in 2015 with low growth in output, and only a few industries registering moderate growth, looking ahead to 2016 we only anticipate slight additional impetus in view of the fragile macro-economic environment. Cyclical end-customer industries such as the construction, automotive, mechanical engineering, and electrical and electronics sectors will probably report slower growth. There could be some isolated positive impetus on a regional basis, especially in Europe, which is Evonik's most important market. In other key end-customer industries such as pharmaceuticals, food and animal feed, and the consumer goods and personal care sectors, we assume that the pace of growth will continue

The development of our end-customer industries is likely to have a varied impact on industrial value chains and our business. We anticipate that global inflation will remain at the present low level as a result of slower growth and price pressure from commodities. Moreover, significant deflationary trends could emerge in some areas.

We expect that the weaker cyclical momentum and current increase in supply will continue to have an impact on the raw material markets. Evonik's specific raw materials will be slightly more expensive compared with the end of 2015/early 2016, but overall we expect our internal raw material cost index to remain below the average for 2015. This scenario is based on the assumption that the average oil price will be slightly lower in 2016 than in 2015. Risks here still include geopolitical conflicts, which could adversely affect supply.

## 11. Report on expected developments

- Slightly weaker global economic development
- Slightly lower sales and adjusted EBITDA of between €2.0 billion and €2.2 billion expected
- ROCE expected to be well above the cost of capital again

### 11.1 Economic background

#### Weaker global economic growth momentum anticipated for 2016

We anticipate that global economic conditions will once again be characterized by differing regional growth trends in 2016. The continued economic upturn in the industrialized economies will probably be held back by slower growth in the emerging markets. Overall, we expect a slight reduction in global momentum in 2016, with the growth rate dropping to 2.5 percent, compared with 2.6 percent in 2015.

We assume that in 2016 the industrialized economies will continue to benefit from an expansionary monetary policy and that the oil price will boost consumer spending. In view of this, we expect the fragile upturn in Europe to continue, although momentum will be lower than in 2015.

We anticipate that the German economy will grow by 1.8 percent in 2016, with consumer spending remaining the main growth driver. By contrast, we expect little impetus to come from capital expenditures and foreign trade.

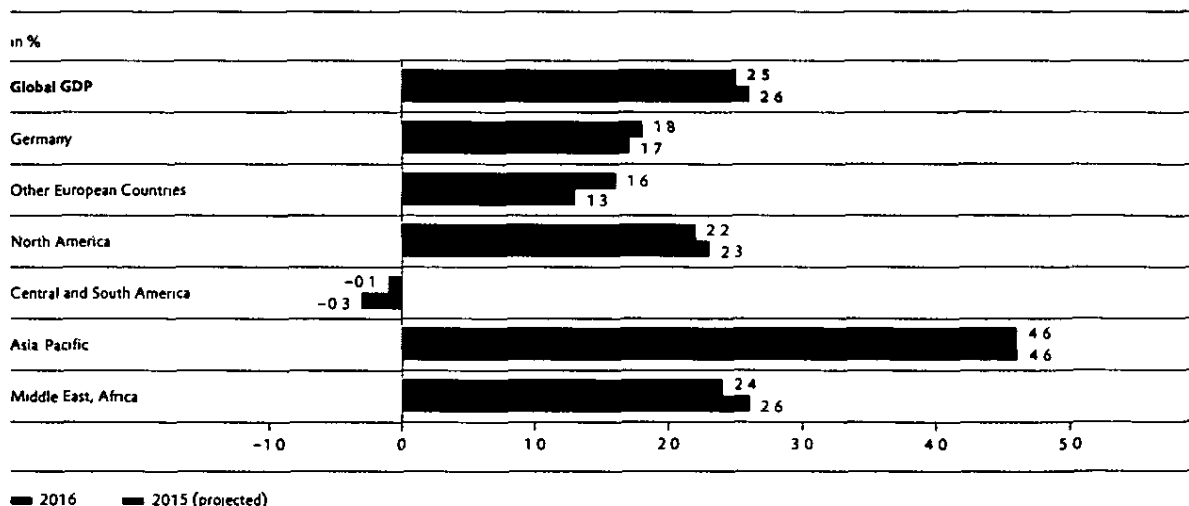
We still see the USA as the keystone of global economic growth, but we expect the growth rate to drop to 2.2 percent in 2016. Domestic consumer spending will probably make the biggest contribution here, while capital spending and foreign trade are likely to be lower than in 2015.

The present challenges in the emerging markets will presumably continue in 2016 and could even be exacerbated by the Fed's monetary policy. If the Fed raises interest rates as planned in 2016, this could accelerate the outflow of capital from emerging markets and increase the cost of financing their high levels of debt. Overall, we expect economic growth in the emerging markets to be around the 2015 level, but the downside risks remain high.

We assume that growth will slow further in China. Given the Chinese government's willingness to take action to support the economy, we expect gross domestic product to rise by 6.5 percent in 2016.

However, the projection for the global economy is still marked by considerable uncertainty. Apart from geopolitical conflicts, action by central banks could cause the global economic development to differ from our expectations.

#### GDP forecast for 2016



Remuneration report  
Remuneration of the Supervisory Board

### Remuneration of the Supervisory Board

in € 000	Fixed remuneration		Remuneration for membership of a committee		Attendance fees		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Günter Adam (until December 10, 2015)	90	90	58	58	10	10	158	158
Martin Albers (from October 1, 2015)	23	–	2	–	1	–	26	–
Prof. Barbara Albert (from July 1, 2014)	90	45	–	–	5	2	95	47
Dr. Peter Bettermann (until June 30, 2014)	–	45	–	–	–	3	–	48
Karin Erhard	90	90	30	20	9	7	129	117
Carmen Fuchs (from December 10, 2015)	8	–	–	–	–	–	8	–
Stephan Gemkow	90	90	28	28	9	8	127	126
Ralf Giesen (until April 30, 2014)	–	30	–	19	–	4	–	53
Prof. Barbara Grunewald	90	90	30	30	9	9	129	129
Ralf Hermann	90	90	58	58	10	9	158	157
Prof. Wolfgang A. Herrmann	90	90	–	–	5	5	95	95
Dieter Kleren	90	90	–	–	5	5	95	95
Steven Koltes	90	90	45	45	8	5	143	140
Frank Löllgen (from May 1, 2014)	90	60	28	18	8	7	126	85
Dr. Siegfried Luther	90	90	45	45	10	10	145	145
Dr. Werner Müller	200	200	103	103	16	13	319	316
Jürgen Nöding (until September 30, 2015)*	68	110	23	30	7	11	98	151
Norbert Pohlmann	90	90	8	–	6	5	104	95
Dr. Wilfried Robers	90	90	30	30	9	10	129	130
Michael Rudiger	90	90	35	35	9	9	134	134
Ulrich Terbrack	90	90	–	–	5	5	95	95
Dr. Volker Trautz	90	90	45	45	8	6	143	141
Michael Vassiliadis	130	130	58	58	12	10	200	198
Dr. Christian Wildmoser	90	90	58	58	14	13	162	161
<b>Total</b>	<b>1,959</b>	<b>1,970</b>	<b>684</b>	<b>680</b>	<b>175</b>	<b>166</b>	<b>2,818</b>	<b>2,816</b>

\* Mr. Nöding 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 2014 and 2015 is presented on a cost basis. For members who joined or left the Supervisory Board during 2014 and 2015, the amounts are calculated on a pro rata basis.

As of December 31, 2015 there were no loans or advances to members of the Supervisory Board. In 2015, the members of the Supervisory Board did not receive any remuneration for services provided personally, especially 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.

## Allocation

	Dr. Klaus Engel Chief Executive Officer		Dr. Ralph Sven Kaufmann Chief Operating Officer (from July 1, 2015)		Christian Kullmann Chief Strategic Officer (from July 1, 2014)		Thomas Wessel Chief Human Resources Officer		Patrik Wohlhauser Chief Operating Officer (until June 30, 2015)		Ute Wolf Chief Financial Officer	
in €'000	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Fixed compensation	1,100	1,100	–	300	300	600	600	600	600	300	600	600
Fringe benefits	49	22	–	28	27	55	91	77	34	17	89	45
<b>Total</b>	<b>1,149</b>	<b>1,122</b>	<b>–</b>	<b>328</b>	<b>327</b>	<b>655</b>	<b>691</b>	<b>677</b>	<b>634</b>	<b>317</b>	<b>689</b>	<b>645</b>
One-year variable compensation <sup>a b c</sup>	1,128	2,070	–	585	326	1,170	632	1,108	652	585	606	1,170
Multi-year variable compensation	835	420	–	–	–	–	–	–	–	–	–	–
LTI 2009 through 2013	835	–	–	–	–	–	–	–	–	–	–	–
LTI 2010 through 2014	–	420	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>3,112</b>	<b>3,612</b>	<b>–</b>	<b>913</b>	<b>653</b>	<b>1,825</b>	<b>1,323</b>	<b>1,785</b>	<b>1,286</b>	<b>902</b>	<b>1,295</b>	<b>1,815</b>
Service cost	488	712	–	–	160	414	280	384	322	402	276	349
<b>Total compensation</b>	<b>3,600</b>	<b>4,324</b>	<b>–</b>	<b>913</b>	<b>813</b>	<b>2,239</b>	<b>1,603</b>	<b>2,169</b>	<b>1,608</b>	<b>1,304</b>	<b>1,571</b>	<b>2,164</b>

<sup>a</sup> In some cases, fees for other offices held, which are contained in fringe benefits, are offset against one-year variable compensation, 2014: Dr. Engel €26 thousand, Wessel €53 thousand (including correction of €33 thousand), Wolf €46 thousand, 2015: Wessel €30 thousand. The correction made for Mr. Wessel for 2014 is also offset against his one-year variable compensation in 2015.

<sup>b</sup> The one-year variable compensation for 2014 corresponds to the actual payments made in 2015 for 2014 (a correction has been made for any discrepancies between the actual payments in 2015 and the estimate made for 2015 in the 2014 remuneration report).

<sup>c</sup> The one-year variable compensation for 2015 has not yet been finalized, estimate based on assumptions made for provisions.

### Former Executive Board members, including members who left the Executive Board in 2015

Total remuneration of former members of the Executive Board and their surviving dependents was €2,729 thousand in 2015 (2014: €1,374 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.



Remuneration report  
Remuneration of the Executive Board

## Benefits granted

in €'000	Dr. Klaus Engel Chief Executive Officer				Dr. Ralph Sven Kaufmann Chief Operating Officer (from July 1, 2015)			
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
Fixed compensation	1,100	1,100	1,100	1,100	–	300	300	300
Fringe benefits	49	22	22	22	–	28	28	28
<b>Total</b>	<b>1,149</b>	<b>1,122</b>	<b>1,122</b>	<b>1,122</b>	<b>–</b>	<b>328</b>	<b>328</b>	<b>328</b>
One-year variable compensation	1,150	1,150	–	2,300	–	325	–	650
Multi-year variable compensation	1,023	1,488	–	3,750	–	447	–	1,125
LTI 2014 through 2017	1,023	–	–	–	–	–	–	–
LTI 2015 through 2018	–	1,488	–	3,750	–	447	–	1,125
<b>Total</b>	<b>3,322</b>	<b>3,760</b>	<b>1,122</b>	<b>7,172</b>	<b>–</b>	<b>1,100</b>	<b>328</b>	<b>2,103</b>
Service cost	488	712	712	712	–	–	–	–
<b>Total compensation</b>	<b>3,810</b>	<b>4,472</b>	<b>1,834</b>	<b>7,884</b>	<b>–</b>	<b>1,100</b>	<b>328</b>	<b>2,103</b>

in €'000	Christian Kullmann Chief Strategic Officer (from July 1, 2014)				Thomas Wessel Chief Human Resources Officer			
	2014	2015	2015 (min)	2015 (max)	2014 <sup>a</sup>	2015	2015 (min)	2015 (max)
Fixed compensation	300	600	600	600	600	600	600	600
Fringe benefits	27	55	55	55	91	77	77	77
<b>Total</b>	<b>327</b>	<b>655</b>	<b>655</b>	<b>655</b>	<b>691</b>	<b>677</b>	<b>677</b>	<b>677</b>
One-year variable compensation	325	650	–	1,300	650	650	–	1,300
Multi-year variable compensation	307	893	–	2,250	614	893	–	2,250
LTI 2014 through 2017	307	–	–	–	614	–	–	–
LTI 2015 through 2018	–	893	–	2,250	–	893	–	2,250
<b>Total</b>	<b>959</b>	<b>2,198</b>	<b>655</b>	<b>4,205</b>	<b>1,955</b>	<b>2,220</b>	<b>677</b>	<b>4,227</b>
Service cost	160	414	414	414	280	384	384	384
<b>Total compensation</b>	<b>1,119</b>	<b>2,612</b>	<b>1,069</b>	<b>4,619</b>	<b>2,235</b>	<b>2,604</b>	<b>1,061</b>	<b>4,611</b>

in €'000	Patrik Wohlhauser Chief Operating Officer (until June 30, 2015)				Ute Wolf Chief Financial Officer			
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
Fixed compensation	600	300	300	300	600	600	600	600
Fringe benefits	34	17	17	17	89	45	45	45
<b>Total</b>	<b>634</b>	<b>317</b>	<b>317</b>	<b>317</b>	<b>689</b>	<b>645</b>	<b>645</b>	<b>645</b>
One-year variable compensation	650	325	–	650	650	650	–	1,300
Multi-year variable compensation	614	893	–	2,250	614	893	–	2,250
LTI 2014 through 2017	614	–	–	–	614	–	–	–
LTI 2015 through 2018	–	893	–	2,250	–	893	–	2,250
<b>Total</b>	<b>1,898</b>	<b>1,535</b>	<b>317</b>	<b>3,217</b>	<b>1,953</b>	<b>2,188</b>	<b>645</b>	<b>4,195</b>
Service cost	322	402	402	402	276	349	349	349
<b>Total compensation</b>	<b>2,220</b>	<b>1,937</b>	<b>719</b>	<b>3,619</b>	<b>2,229</b>	<b>2,537</b>	<b>994</b>	<b>4,544</b>

<sup>a</sup> Correction to the remuneration report 2014: remuneration of €33 thousand received by Mr. Wessel for other offices but not stated in the remuneration report for 2014

### 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 (WpUG) 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 2015

The total remuneration paid to the members of the Executive Board for their work in 2015, including remuneration for the performance of other offices, was €15,608 thousand (2014 €10,677 thousand). In 2015 provisions for bonus payments of €332 thousand for 2014 were reversed.

Based on the principles outlined, the breakdown of remuneration for each Executive Board member in 2015 was as follows

### Remuneration of the Executive Board

in €'000	Performance-unrelated remuneration				Performance-related remuneration				Total remuneration in accordance with DRS 17	
	Fixed remuneration		Benefits in kind and other fringe benefits		Annual bonus		LTI <sup>a</sup>			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Dr. Klaus Engel	1,100	1,100	22	49	1,959	1,419	1,488	1,023	4,569	3,591
Dr. Ralph Sven Kaufmann <sup>b</sup>	300	–	28	–	585	–	447	–	1,360	–
Christian Kullmann <sup>c</sup>	600	300	55	27	1,139	358	893	307	2,687	992
Thomas Wessel <sup>d</sup>	600	600	77	91	1,045	700	893	614	2,615	2,005
Patrik Wohlhauser <sup>e</sup>	300	600	17	34	522	869	893	614	1,732	2,117
Ute Wolf	600	600	45	89	1,107	669	893	614	2,645	1,972
<b>Total</b>	<b>3,500</b>	<b>3,200</b>	<b>244</b>	<b>290</b>	<b>6,357</b>	<b>4,015</b>	<b>5,507</b>	<b>3,172</b>	<b>15,608</b>	<b>10,677</b>

<sup>a</sup> Fair value as of the legally binding commitment or grant date

<sup>b</sup> 2015 pro rata from July 1, 2015

<sup>c</sup> 2014 pro rata from July 1, 2014

<sup>d</sup> Correction to the remuneration report 2014: remuneration of €33 thousand received for other offices but not stated in the remuneration report for 2014

<sup>e</sup> 2015 pro rata up to June 30, 2015

In 2015, 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, 2015 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

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.

**Service cost and present value of pension obligations**

in €'000	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	
	2015	2014	2015	2014	2015	2014	2015	2014
Dr. Klaus Engel	114	2,215	14,102	12,148	712	488	16,945	17,162
Dr. Ralph Sven Kaufmann (from July 1, 2015)	–	–	–	–	–	–	–	–
Christian Kullmann (from July 1, 2014)	217	121	2,787	2,068	414	160	3,732	3,523
Thomas Wessel	236	251	3,027	2,332	384	280	3,810	3,563
Patrik Wohlhauser (until June 30, 2015)	73	254	–	2,917	402	322	–	4,539
Ute Wolf	235	136	998	600	349	276	1,312	986
<b>Total</b>	<b>875</b>	<b>2,977</b>	<b>20,914</b>	<b>20,065</b>	<b>2,261</b>	<b>1,526</b>	<b>25,799</b>	<b>29,773</b>

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 and the present value of pension obligations calculated in accordance with IFRS.

The present value of pension obligations for members of the Executive Board was €20,914 thousand (2014: €20,065 thousand) based on the German Commercial Code (HGB) and €25,799 thousand (2014: €29,773 thousand) based on IFRS.

Provisions for pension obligations to former members of the Executive Board and their surviving dependents as of the reporting date were €38,704 thousand (2014: €28,801 thousand) based on the German Commercial Code (HGB) and €50,951 thousand (2014: €43,816 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.

The termination benefit paid to Patrik Wohlhauser does not exceed the cap.

In addition, from April 1, 2016 Mr. Wohlhauser will receive contractual transition payments totaling €1,795 thousand (past service cost) until he reaches the age of 60. These will be offset against any other earnings he receives in the future.

**Post-contractual non-compete agreements**

Post-contractual non-compete agreements have not been concluded with members of the Executive Board.

**Termination benefits**

in € 000	Fixed remuneration	Benefits in kind	Annual bonus	Pension contributions	Long-term remuneration	Total
Patrik Wohlhauser	450	11	878	141	900 <sup>a</sup>	2,380 <sup>b</sup>

<sup>a</sup> The termination benefit takes account of the LTI tranches 2011 and 2012 and—on a pro rata basis—2016. The LTI tranches 2013 through 2015 will be upheld.

<sup>b</sup> At Mr. Wohlhauser's request, €975 thousand of this amount has been allocated for future pension benefits ("deferred compensation").

The fair values of the LTI tranches 2010 through 2015 as of the date of the legally binding commitment are shown in the next table

#### LTI tranches

	2010 <sup>a</sup>	2011 <sup>a</sup>	2012 <sup>a</sup>	2013 <sup>b</sup>	2014 <sup>b</sup>		2015 <sup>b</sup>	
	in €'000	in €'000	in €'000	No of virtual shares	in €'000	No of virtual shares	in €'000	No of virtual shares
Dr. Klaus Engel	478	479	495	43,133	1,028	45,208	1,023	47,510
Dr. Ralph Sven Kaufmann	-	-	-	-	-	-	-	14,253
Christian Kullmann	-	-	-	-	-	13,562	307	28,506
Thomas Wessel	-	96	297	25,880	617	27,125	614	28,506
Patrik Wohlhauser	-	216	297	25,880	617	27,125	614	28,506
Ute Wolf	-	-	-	6,470	154	27,125	614	28,506
<b>Total</b>	<b>478</b>	<b>791</b>	<b>1,089</b>	<b>101,363</b>	<b>2,416</b>	<b>140,145</b>	<b>3,172</b>	<b>175,787</b>

<sup>a</sup> 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

<sup>b</sup> The date of the legally binding commitment corresponds to the grant date

The total expense for all LTI tranches in 2015 was €4,753 thousand. The breakdown of the expense was as follows: €1,204 thousand for Dr. Engel, €102 thousand for Dr. Kaufmann, €329 thousand for Mr. Kullmann, €752 thousand for Mr. Wessel, €1,837 thousand for Mr. Wohlhauser, and €529 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 (variable 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. Currently, no pension arrangements have been agreed for Dr. Ralph Sven Kaufmann.

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 2015, the service cost for members of the Executive Board totaled €875 thousand (2014: €2,977 thousand) based on the German Commercial Code (HGB) and €2,261 thousand (2014: €1,526 thousand) based on IFRS.

*LTI tranches 2010 through 2012*

The tranches 2010 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 2010 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 2010 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.

*LTI tranches 2013 and subsequent years*

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 now measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals Index<sup>SM</sup>.

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).

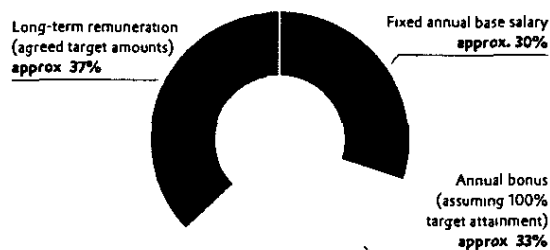
The relative performance may be between 70 and 130 percentage points. If the relative performance is below 70 percentage points, the relative performance factor is deemed to be zero. If the relative performance is above 130 percentage points, the relative performance factor is set at 130.

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 chart shows the breakdown of the main remuneration components in 2015, i.e. excluding benefits in kind, other fringe benefits and company pension plans

#### Structure of remuneration of members of the Executive Board<sup>a</sup>



<sup>a</sup> 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 scope of responsibility of each Executive Board member and 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, in particular, 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. Benefits in kind are presented in this remuneration report at the values defined in the tax regulations.

Further, members of the Executive Board may receive additional remuneration for offices at Group companies that they hold in the interests of Evonik. 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.

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

If the personal and business targets 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.

## 9. Declaration on corporate governance

The declaration on corporate governance in compliance with Section 289a of the German Commercial Code (HGB) has been made available to the public on the company's website at [www.evonik.com/declaration-on-corporate-governance](http://www.evonik.com/declaration-on-corporate-governance)

Further, extensive information on corporate governance is contained in the Corporate Governance Report in this annual report

## 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), the International Financial Reporting Standards (IFRS), and the requirements of the German Corporate Governance Code

### 10.1 Remuneration of the Executive Board

#### Changes on the Executive Board

The appointment of Mr. Patrik Wohlhauser ended on June 30, 2015 with his resignation from the Executive Board. At its meeting on June 25, 2015, the Supervisory Board appointed Dr. Ralph Sven Kaufmann to the Executive Board as Chief Operating Officer for three years from July 1, 2015. At its meeting on September 24, 2015, the Supervisory Board extended the appointment of Mr. Thomas Wessel as Chief Human Resources Officer for a further five years until August 31, 2021.

#### 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 the level or structure of remuneration, the Executive Committee of the Supervisory Board submits a corresponding proposal to the full Supervisory Board for a decision. The last external review of the remuneration system for appropriateness was in September 2015. Following this review, it was decided that from January 1, 2016 the fixed annual base salary should be increased by €150 thousand for the Chairman of the Executive Board and by €100 thousand for all other Executive Board members.

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.

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 warrant 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, 2015. 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 (WpUG)).

- The company has a debt issuance program to place bonds with a total volume of up to €3 billion. By December 31, 2015 two bonds with a total nominal value of €1.25 billion 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 (WpUG) 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.



### 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.

As of December 31, 2015, the Executive Board had only received notification of one direct shareholding exceeding 10 percent of the voting rights. RAG-Stiftung holds 67.91 percent of the company's shares.

The Executive Board is not aware of any further direct or indirect holdings in the company's capital stock that exceed 10 percent of the voting rights.

### 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 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 Financial 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. Financial 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 Financial

Services is responsible. Following successful introduction of the control matrix at the major operating companies in China, Southeast Asia and, in the course of 2015, the USA and Belgium, it will 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 more than 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 enables 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 allows close meshing of risk management with 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

In connection with Evonik's employee share programs, there are restrictions on the ability of participating employees to dispose of their shares for a certain time period. In particular, they are required to hold their shares in each case until the end of the next-but-one calendar year after the year of allocation.

The Executive Board is not aware of any other restrictions on voting rights or the transfer of shares.

Tax risks relate to differences in the valuation of business processes, capital expenditures and restructuring by the financial authorities and potential retroactive payments in the wake of tax audits

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<sup>1</sup>. To minimize compliance risks, extensive training and sensitization of employees is undertaken at face-to-face training sessions and/or through e-learning programs.

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

Innovations play a significant part in Evonik's business success. Protecting know-how and intellectual property is therefore of central importance. With markets growing ever closer and the globalization of business, a competent approach to protecting our competitive edge is a key element in our investment activities. 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 in joint ventures and other forms of cooperation also entails a risk of an outflow of expertise from Evonik. For example, 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 transferred or disclose it to third parties, thereby damaging Evonik's competitive position.

Measures to minimize and avoid such risks are coordinated by the Corporate Security Division and the Intellectual Property Management unit. The Corporate Security Division has Group-wide responsibility for protecting Evonik's employees, facilities, shipments and know-how. That includes, for example, the threat of violence, political unrest, sabotage and industrial espionage. Intellectual Property Management provides Group-wide support for the development, protection, strategic use and commercialization of intellectual property, for instance through patents and brands. The approximately 150 employees in this unit are assisted by a global network of correspondent lawyers.

## 3 Environmental risks (environment, safety, health, quality)

Evonik is exposed to risks in the fields of plant safety, product safety, occupational safety and failure to comply with environmental regulations. Group-wide policies on the environment, health and safety, and worldwide initiatives taken by the Group and the segments to steadily improve safety in our 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, the Group-wide environment and safety management system, which is validated as conforming to international standards, undergoes constant development and improvement. As a responsible chemical company, Evonik ensures that such processes are operated in accordance with the principles of the global Responsible Care initiative and the UN Global Compact.

Adequate provisions have been established to secure or remediate contaminated sites where necessary. 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.

## 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 generally result from specific process shortcomings. Alongside general weaknesses, these include, in particular, risks within the ICS and the accounting-related 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.

<sup>1</sup> The Corporate Governance Report is contained in this annual report on page 56

Opportunities and risks for the development of personnel expenses could come, for example, from future collective agreements

## 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 not only have financial implications but often also involve reputational risks for the company and/or criminal law consequences. Provisions are set up on our balance sheet to cover the financial impact. These are reflected in our system as reducing risk. In view of this complexity, legal/compliance opportunities and risks are not normally assigned to the opportunity/risk matrix illustrated above, nor are they allocated to the risk quantification classes. Major opportunities and risks for the Group's earnings naturally arise from issues that result in the reversal of or an increase in provisions.

### 1. Law, regulatory framework and compliance

Evonik is exposed to legal risks resulting, for example, from legal disputes such as claims for compensation, and from 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 legal risks or materially alter such risk positions. As a chemical company with its own power plants, risks of particular relevance here are a possible change 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 legal 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 issues 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 is currently involved in three ongoing appraisal proceedings in connection with the settlement paid to former shareholders. The background relates to the following corporate restructuring measures: the domination and profit-and-loss agreement concluded with RUTGERS GmbH (formerly RUTGERS AG) in 1999, the squeeze-out of non-controlling interests in RUTGERS AG (now RUTGERS GmbH) 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, 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.

Furthermore, following completion of administrative proceedings outside Germany, it is not improbable that individual customers could file claims for compensation.

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

## 7. 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 potential to raise strategic flexibility and strengthen the operating units as a result of these programs and other restructuring projects, there are risks relating to their implementation. These include the risk of failing to meet the ambitious timelines, a loss of personnel with key expertise, failure to meet financial targets, and higher restructuring costs. Stringent project management, including involving relevant stakeholders, is used to counter these risks.

## 8. 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 some of its electricity requirements itself in resource-efficient co-generation plants. In 2015, we constantly monitored the trend on national and international energy markets, enabling us to respond cost-consciously.

In countries where the sourcing of energy is not state-regulated, Evonik procures and trades in energy and—where necessary—emission allowances (CO<sub>2</sub> allowances) within the framework of defined risk strategies. The aim is to balance the risks and opportunities of volatile energy markets. Depending on how the general conditions develop, our segments could be faced with additional costs.

A further significant drop in the price of oil and coal in the second half of 2015 and high supply on the global gas markets have led to a drop in electricity and natural gas prices, which has also been felt in Germany and Central Europe. Nevertheless, natural gas prices at Evonik's sites in Europe and Asia are still far higher than in the USA and Canada.

Risks could also arise from the continued rise in the price of emission allowances. In 2015, there was a largely uninterrupted upward trend in the price of allowances in European emissions trading, unlike the situation for primary and secondary energy sources. Looking at the regulatory environment, it remains to be seen which rulings will be applied in Germany after 2017 to allocate the cost of renewables among captive energy generators.

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

## 9. 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. 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.

Where businesses no longer fit our strategy or meet our sustainable profitability requirements despite optimization, we also examine external options. If a planned divestment is not achieved successfully, this could generate risks that impact the Group's earnings position.

## 10. Human resources

Qualified specialists and managers are the basis for the achievement of our strategic and operational targets and thus a key competitive factor.

Both the loss of key personnel and difficulties in attracting and hiring skilled and talented staff could therefore constitute a risk in this context.

To ensure that we can recruit and retain qualified staff to meet our future requirements, we offer attractive employment opportunities worldwide, systematic personnel development, and competitive remuneration. In this way, we retain and foster high-performers and talented employees, and position Evonik as an attractive employer for prospective staff. We also maintain close links to universities and professional associations to help us recruit suitable youngsters. Both our employer branding and many internal activities are aligned to diversity. The aim is to make Evonik even more attractive to talented specialists and managers. Strategic human resources planning identifies requirements for a five-year period so timely steps can be taken to cover future personnel needs. We have thus largely limited potential human resources risks.

Further opportunities are being generated by the increasing involvement of external partners (open innovation). We cooperate 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 at all stages in the value chain that set us apart from our competitors.

Through our venture capital program, we take stakes in companies whose know-how can support us in joint developments.

Opportunities and risks in R&D relate to the viability of planned product and process developments and the timing of their implementation. We mainly see significant opportunities from the introduction of new products that go beyond our present planning in the Resource Efficiency segment.

## 5 Investments

Generating organic growth through investment entails risks as regards the proposed scope and timing of projects. These risks are addressed through established, structured processes. For instance, we take an extremely disciplined approach to implementing our investment program. Both projects that have not yet started and those that are already underway are constantly 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. Following the successful start-up of a world-scale facility for DL-methionine in Singapore in fall 2014, we are planning to erect another plant at this complex by 2019. Global population growth means that demand for animal protein will continue to rise steadily in the future. This is being 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 prosperity and increasing urbanization. Consumption of meat is therefore increasing sharply 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.

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 new local production capacities.

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. Combining these silicas with silanes allows the manufacture of tires with considerably lower rolling resistance than conventional auto tires, resulting in fuel savings of up to 8 percent. Here, future growth will be supported, among other factors, by the introduction of tire labeling regulations 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 therefore currently under construction in Americana (Brazil). This will be the first local producer of highly dispersible silica (HD silica) specifically 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 and, in extreme situations, could result in impairment losses and the associated write-downs on facilities or plants under construction. By contrast, new projects could result in additional earnings in some areas.

## 6. 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. Nevertheless, there is a risk of unforeseeable individual incidents.

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 detailed risk controlling. Strategic management of the portfolios takes place via regular active/passive studies. To minimize risk, we use a range of derivative hedging strategies where appropriate. The broad diversification of asset classes, portfolio sizes and asset managers avoids cluster risks. However, unavoidable residual risks may remain in the individual investments

Goodwill from business combinations is allocated to the segments. An impairment test is conducted annually for these reporting segments. Impairment losses on these intangible assets can result from a change in reporting structure, the weighted average cost of capital and, above all, lower cash flow expectations

### 3 Raw material markets

For our business operations we require both high-volume commodities and smaller amounts of strategically relevant raw materials that have to meet highly demanding specifications. Across the entire spectrum of raw materials, Evonik is confronted with opportunities and risks relating to the increasing volatility of the availability of raw materials and their prices. Another risk may arise from single-source situations, although the extent of such risks is limited

The operating business is dependent on the price of strategic raw materials, especially petrochemical feedstocks obtained directly or indirectly from crude oil. The price of crude oil therefore has a considerable influence on both the procurement prices of raw materials further down the value chain and energy costs. The price of renewable raw materials is also highly volatile and depends, among other things, on harvest conditions. Another factor influencing price risks is changes in exchange rates

Some procurement risks are hedged by optimizing global procurement activities, for example, by accessing new markets for raw materials and concluding market-oriented 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, our aim is to align the procurement and sales sides in order to pass fluctuations in raw material prices along to other stages in the value chain where necessary, for example through price escalation clauses. The sharp drop in the oil price in the past two years has made a significant contribution to reducing the cost of procuring raw materials

Short- and mid-term bottlenecks in the availability of precursors and intermediates are also potential risks. We alleviate these where necessary by substituting suppliers. We constantly observe the business performance of suppliers of selected key raw materials to anticipate bottlenecks and avoid risks. 2015 was characterized to an usual extent by outages in the supply chain resulting from force majeure. Such events can generally be overcome by taking suitable steps in cooperation with the suppliers affected and alternative suppliers

Rising volatility will require increased management of the various supply chain risks in the future

Aspects such as safety, health, environmental protection, corporate responsibility and quality have a firm place in our procurement strategy. These sustainability aspects are also supported by standardized global assessments through the Together for Sustainability (TfS) sector initiative, which was co-founded by Evonik. Evonik's principal suppliers and the majority of critical suppliers have already taken part in these assessments, which are evaluated by EcoVadis, an impartial sustainability rating company

The opportunities and risks arising from changes in the price of petrochemical feedstocks mainly affect the Performance Materials segment because of its high procurement volume. Risks relating to single sourcing and short-term restrictions on the availability of raw materials mainly affect the Nutrition & Care and Resource Efficiency segments

### 4. Research & development

Opportunities for Evonik also come from market-oriented research & 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. On the one hand, we constantly strive to improve our processes to strengthen our cost leadership, and on the other, our projects open the door to new markets and new fields of technology. Our project portfolio is consistently aligned to the strategy of the relevant business entities

Minimizing these risks is an important objective of our corporate policy. Group-wide policies and principles specify that all material financial risk positions have to be identified and evaluated. The risks are limited through selective use of derivative and non-derivative financial instruments, taking the cost/benefit profile into account. This may include the use of options for hedging purposes. 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. This forms the basis for selective hedging to limit risks.

The risks and opportunities associated with interest rates and exchange rates 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<sup>1</sup> are used exclusively to reduce the risks resulting from operating and financing activities and therefore always relate to corresponding underlying transactions. Use of financial instruments for speculation is not permitted.

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 the price of coal, natural gas and petrochemical feedstocks. We also use forward contracts to secure the procurement of emissions allowances to meet statutory obligations.

A considerable portion of the Evonik Group's financial assets and liabilities and its sales are 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 the opportunities and risks of changes in exchange rates. Risk positions resulting from trade accounts receivable and payable in foreign currencies are normally bundled and offset through intragroup

hedging. The remaining net risk exposure is then fully hedged through currency derivatives. Cash pool positions and time deposits in foreign currencies are hedged analogously. Unlike these portfolio hedges, micro-hedges are concluded for non-current loans and for planned and firmly agreed foreign currency payments (for example, planned foreign currency sales, where the aim is to hedge 65 percent of the identified exchange rate risk, and exchange rate risks relating to planned investments). When hedging planned and firmly agreed risk positions with financial instruments, hedge accounting is used to synchronize the earnings effects of the recognized hedging instruments with those of the off-balance-sheet hedged items.

Evonik manages the opportunities and risks resulting from changes in interest rates in 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.

Changes in interest rates can have a significant influence on the present value of our pension obligations<sup>2</sup> and thus entail both risks and opportunities for the Group.

We use scenario analyses<sup>3</sup> 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.

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 on 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<sup>3</sup> is a Group-wide cash pool. In addition, the Group's financial independence is secured through a broadly diversified financing structure.

<sup>1</sup> Further details of the financial derivatives used and their recognition and valuation can be found in Note 10.2 to the consolidated financial statements.

<sup>2</sup> See Note 4 (e).

<sup>3</sup> 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.



## Opportunity and risk classes within the planning/market category



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 new capacities and 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 mitigate the risk that chemical products could be replaced by new, improved or less expensive materials or technologies. Opportunities arise for our business from unmet demand in individual markets, for example if our competitors are unable to bring planned new capacity into service on schedule.

The specific market development for individual business activities is another 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 can impact our business volume and sales. We address 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 Nutrition & Care and Performance Materials segments. One potential risk factor for our amino acids business, for example in Asia, is the possible

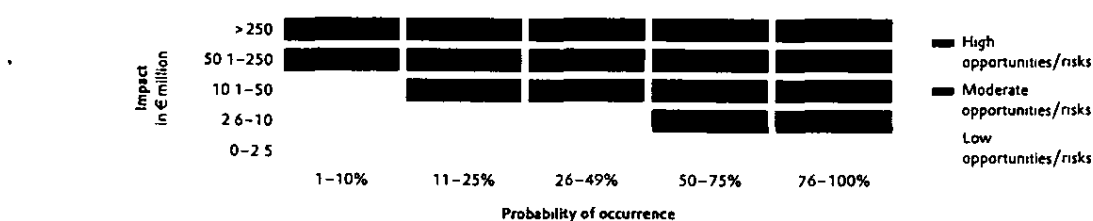
impact of substandard food quality and food safety, especially due to bird flu. We utilize opportunities for profitable future growth by gaining access to new markets as part of our strategic development. One attractive market for our portfolio of feed additives is aquaculture, for which we have developed innovative products. As a result of global 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 Nutrition & Care and Resource Efficiency segments, and the Services segment have a certain dependence on key customers. In the operating business, this applies in particular to production facilities erected in the direct vicinity of major customers. The possible loss of a major customer could result in lower sales and in impairment losses on receivables and investments, as well as impacting our long-term raw material agreements or the financial structure of our affiliates.

## 2 Financial markets

On the financial markets, the company is exposed to risks and opportunities associated with prices and to liquidity and default risks. Price-related 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 if a debtor is fully or partially unable to meet its payment commitments.

## Opportunity/risk matrix



The organizational units conduct an extensive annual risk inventory in connection with the mid-term planning process. They are required to provide details of the measures to be taken with regard to the risks identified, introduce them immediately, and track their timely implementation. Internal management (for example, reporting by the Risk Committee) takes a mid-term view. The opportunities and risks identified are classified as low, moderate or high (see opportunity and risk matrix). The evaluation is always based on a net view, in other words, taking into account risk limitation measures.

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.

The management of risks and opportunities is based on their potential impact and probability of occurrence. All high risks are classified as material individual risks, as are moderate risks with an expected value of over €10 million in the mid term. The expected value 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.

For 2015 we expected slightly more risks than opportunities. However, some major opportunities were realized during the year, resulting in a substantial increase in earnings, especially in the Nutrition & Care and Resource Efficiency

segments. By contrast, the development of the Performance Materials segment was characterized by considerably more risks than opportunities. 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<sub>4</sub> chemicals. From the present standpoint, the risks for 2016 outweigh the potential opportunities, which are around the same level as last year.

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 risk quantification classes within sub-categories. The chart shows the highest class to which an individual risk or opportunity is allocated in each sub-category. Individual opportunities and risks may also be allocated to the lower risk classes. Where two sub-categories have the same profile in the chart, they are ranked first on the basis of opportunities, then listed in descending order, based on their expected impact.

### 1 Sales markets

The macro-economic environment is particularly relevant for an assessment of opportunities and risks. This applies both to the development of the global economy and to economic trends in specific regions such as Europe, China and other growth markets. There are also risks associated with geopolitical conflicts in some regions and countries.

## 6. Events after the reporting date

No reportable events have occurred since the reporting date

## 7. Opportunity and risk report

### 7.1 Opportunity and risk management

#### Risk strategy

Evonik'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 aims are to identify opportunities and risks as early as possible and to define measures to counter and minimize any 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

At Group level risk management is assigned to the Chief Financial Officer and is organized on a decentralized basis in line with Evonik's organizational structure.

The segments, corporate divisions and service units bear prime responsibility for risk management. That comprises early identification of risks, estimating their implications, introducing suitable preventive and control measures and the related internal communication. Risk coordinators in the organizational units are responsible for agreeing on the relevant risk management activities. Risk management is therefore a key element in various management and decision-making processes (for example, controlling processes) at all levels in the Group. It includes strategic and operational planning, the preparation of investment decisions, projections, and timely and systematic reporting of risks.

A central Corporate Risk Officer coordinates and oversees the processes and systems. He is the contact for all risk coordinators 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 Chief Financial Officer 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.

In 2015, the companies included in our risk management system were identical to those in the scope of consolidation for the financial statements. 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. Corporate Audit monitors risk management in our organizational units to make sure they comply with statutory and internal requirements and to ensure continuous improvement of risk management. 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.

The risk management system is based on the internationally recognized COSO Enterprise Management standard. It is implemented through a binding Group-wide policy. Individual risks are systematically identified and managed with the aid of special risk management software. Their probability of occurrence and the possible damage (potential impact) are evaluated and documented, together with their expected value (product of probability of occurrence and potential impact). Analogously to 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.

### 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 lubricant and fuel 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.

The Carbon Disclosure Project is currently the world's largest and most important initiative by the financial sector on climate change, bringing together more than 800 institutional investors with combined assets under management of over US\$95 trillion.

This project examines all aspects of corporate policy and how it is put into practice in business. It covers both the completeness of reporting and the quality of the information relating to actual climate performance. In 2015, Evonik was able to improve on its very good results for 2014 (91/B). With a ranking of 98/B, Evonik once again did significantly better than the average of 72/C for the participating MDAX companies.

### Lower CO<sub>2</sub> emissions<sup>1</sup>

CO<sub>2</sub> emissions declined slightly from 8.8 million metric tons in 2014 to 8.7 million metric tons in 2015 although output increased from 10.3 million metric tons to 10.4 million metric tons in this period. The decline in emissions was mainly due to implementation of specific measures to raise energy efficiency, an altered energy mix in Marl (Germany) as a result of lower availability of the coal-fired power plants due to maintenance shut-downs, and the divestment of the remaining carbon black activities in China. The 30 facilities operated by Evonik that fall within the scope of the European Union's Emissions Trading System (EU ETS) emitted 4.0 million metric tons of CO<sub>2</sub> in 2015. The reduction of 0.2 million metric tons compared with 2014 was mainly due to temporary reductions in coal-based energy generation and lower utilization of the hydrogen plant in Marl.

### Environmental protection investment and operating costs

We invested €43 million in 2015 to achieve a further improvement in environmental protection. This comprised capital expenditures for investment projects undertaken in 2015 such as the expansion of capacity for specialty silicas in Ako (Japan), a large number of individual investments in effective end-of-pipe technologies, and environmental protection measures integrated into plants and processes. The high prior-year figure of €107 million was dominated by the start-up of major strategic investment projects in the Asian region. These included, in particular, the new methionine complex in Singapore and the new production facilities for isophorone and isophorone diamine in Shanghai (China).

Operating costs for environmental protection facilities rose considerably to €283 million in 2015 (2014: €259 million), principally due to the start-up of methionine production and the use of the environmental protection facilities at the site in Singapore.

### Health management and contingency planning go hand-in-hand

To fulfill our responsibility to our employees, we have a wide range of measures to protect and maintain their health. These have a firm place in our Group-wide well@work program.<sup>2</sup>

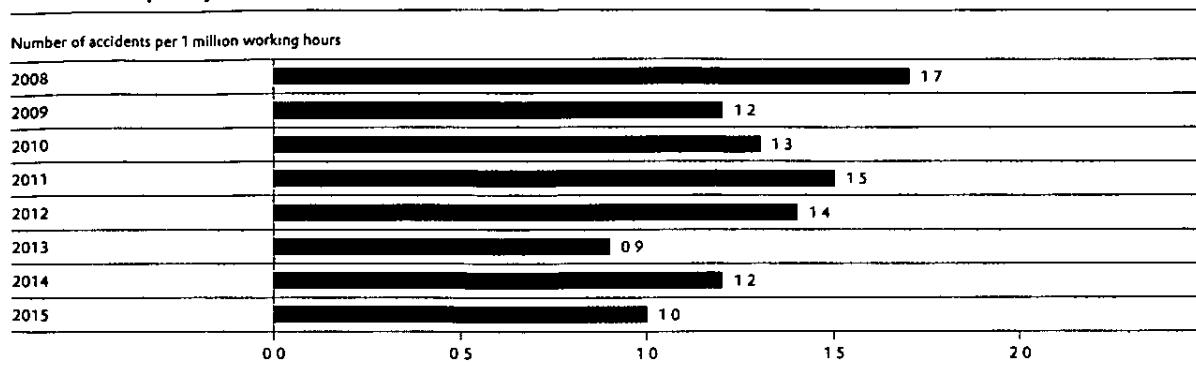
Evonik's workplace health protection and promotion measures focus first and foremost on encouraging a healthy lifestyle with offerings in the areas of exercise, a healthy diet, work-life balance, and preventing infections and addiction. To supplement this, special annual campaigns are devoted to different aspects and the company offers voluntary preventive measures. In 2015, for example, campaigns aimed at preventing colorectal cancer were run at many of our sites.

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 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.

<sup>1</sup> Direct CO<sub>2</sub> emissions (Scope 1 emissions under the Greenhouse Gas Protocol) come from energy generation and production. Indirect CO<sub>2</sub> emissions come from purchased energy (Scope 2 emissions).

<sup>2</sup> See also the section on Employees.

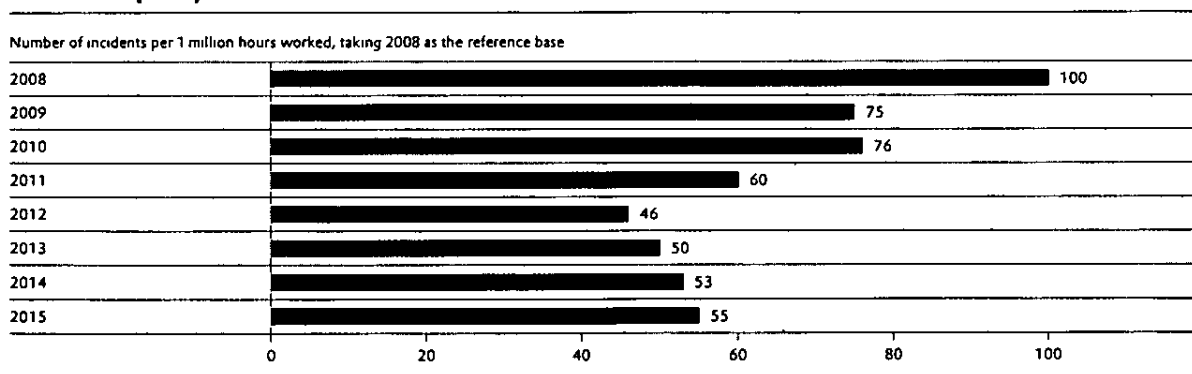
**Accident frequency indicator****Incident frequency did not meet our target**

Process safety at our plants is another focus of our initiative. The concepts to prevent fire and the release of hazardous substances are regularly analyzed in detail. The aim is timely identification of risks so we can develop appropriate measures that reliably prevent these risks. We monitor and evaluate plant safety using the **incident frequency indicator**<sup>1</sup>, which covers incidents involving the release of substances, fire or explosion, even if there is little or no damage (process safety performance indicator defined by the European Chemical Industry Council, Cefic). This indicator deteriorated slightly to 55 points in 2015 (2014: 53), so we did not meet our target of maximum 48 points. The differ-

ence was attributable to one segment and individual sites and measures have already been taken to counter the situation.

Another common indicator of plant safety is also used in external comparisons. This is defined as the number of incidents per 1 million hours worked by all employees in the Group. Evonik's performance rated by this indicator was 1.3.

To ensure that our safety concepts to prevent the release of substances, fire and explosion meet uniformly high safety standards throughout the world, they are developed with the involvement of selected and experienced safety experts, who are assigned to our Global Process Safety Competence Center (GPSC) and form the Global Safety Expert Network led by the GPSC.

**Incident frequency indicator**

<sup>1</sup> Number of incidents per 1 million hours worked in the production facilities operated by the segments, taking 2008 as the reference base (expressed in percentage points: 2008 = 100)

## 5.2 Environment, safety and health

### Ambitious environmental targets

Protecting our environment and the climate are major global challenges of our age, along with the efficient use of limited 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. Key areas of action in the ecological arena can be derived from efficiency requirements. For us, that principally means reducing energy consumption, minimizing emissions into the air and water, and efficient water management.

We also develop products that contribute to forging a clear link between economic success and ecological progress. However, improving our ecological footprint and remaining internationally competitive are also dependent on public acceptance and political opportunity. These conditions are reflected in our strategic focus.

We have set demanding environmental targets for the period 2013–2020 (reference base 2012):

- Reduce specific greenhouse gas emissions<sup>1</sup> by 12 percent
- Reduce specific water intake<sup>2</sup> by 10 percent

In sustainable waste management, we are continuing our efforts to make more efficient use of resources.

In 2015, we made substantial progress in further reducing emissions at all stages in the value chain. A functioning environmental management system is the basis for this. Integrating it into our corporate processes is an ongoing task and an integral part of sustainability management at Evonik. At Evonik, accountability for plants, technical systems, products and processes is therefore assigned to the responsible members of staff, for example, through job descriptions and letters of delegation.

Our binding Group-wide Environment, Safety and Health (ESH) strategy, including a set of rules that has been audited externally, forms the basis for our action. Audits are conducted to monitor implementation by the segments, regions and sites. Alongside many internal audits in operating units, in 2015 we conducted 17 corporate audits. More than 95 percent of our global production is at sites that have been validated as conforming to ISO 14001, an internationally recognized environmental management standard.

### Safety as a management task

We take our responsibility in the field of safety particularly seriously—during production and while shipping products to our customers. Our objective is to protect our employees and local residents, as well as the environment, against any potential negative impact of our activities. The Group-wide “Safety at Evonik” initiative introduced in 2014 has become firmly established as an ongoing process to develop our safety culture and a fundamental management approach to all aspects of occupational and traffic safety. Our guiding principles for safety and our safety culture provide a structure and guidance for our corporate targets and activities. Binding principles are applicable for all employees, from local personnel to our management, and provide clear and measurable guidance for their personal conduct and leadership.

### Reduction in accident frequency

A special focus of our initiative is the safety of our employees—both at work and on the way to and from work—and the safety of contractors working at our sites. In 2015, we registered a further improvement in the accident frequency indicator<sup>3</sup> for our continuing operations to 1.0, compared with 1.2 in the previous year. This indicator has now been stable for several years at our long-term strategic goal of around 1.0. The accident frequency rate was well below the target of a maximum of 1.3 defined for 2015.

There were no fatal accidents at work involving our employees or contractors at our sites in 2015, nor were there any fatal traffic accidents involving employees on the way to and from work or on business trips.

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) dropped back to 2.9 (2014: 3.6). We attribute this positive result to the steps taken to improve our contractor management principles in 2014. The processes to improve the monitoring and evaluation of contractors were implemented at all major German sites in 2015 and are now having an effect. A standard has also been drawn up for our international sites and will be implemented in 2016.

<sup>1</sup> Energy- and process-related emissions as defined by the Greenhouse Gas Protocol

<sup>2</sup> Excluding site-specific factors in the use of surface water or groundwater

<sup>3</sup> Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 1 million working hours

### Diversity is decisive

We place great emphasis on a good mix of employees to ensure diversity of nationality, gender, educational background and professional experience, as well as a wide-ranging age structure. We specifically support this through activities such as gender networks at our major Germany sites and various events and formats that bring together people, enrich discussions and help build bridges between different cultures and backgrounds. The Evonik WoMentoring initiative entered its second round in 2015. In addition, we again included binding diversity targets in the objectives agreed with our corporate executives.

Our diversity strategy also forms the strategic basis for our resolutions on implementing the new legislation on gender quotas<sup>1</sup>, for which the German government set a deadline of September 30, 2015. These resolutions confirm that we will step up the measures already defined and established as part of our diversity strategy to foster women in management positions.

### Employee survey—Online only for the first time

In our first fully online employee survey run under the motto “I’m in online” at the end of 2015, around 33,000 employees worldwide were asked for their input to actively shape the future of the Group. The survey included questions about the change process for the ongoing development of Evonik’s organizational structure. As a new element, there were specific questions on occupational safety, which is a top priority for Evonik as a specialty chemicals company. The participation rate was an excellent 83.9 percent. In the follow-up process, the results of the survey will be translated into specific improvement measures in 2016.

### Work-life balance

Healthy and motivated employees are vital for Evonik’s success and an integral part of our corporate responsibility. Our well@work program covers all aspects that maintain and

improve the employability and quality of life of our employees. For example, in the area of health management seminars are organized throughout Germany to provide information on a healthy diet, handling stress and appropriate physical exercise. Evonik also offers employees a wide range of sports activities—from yoga to conventional gym classes<sup>2</sup>.

Combining work and family life has also had very high priority for Evonik for years and is part of our overall well@work approach. In 2015 we embarked on a review of our performance in this area in order to uphold our validation by the Hertie Foundation as a family-friendly company. Core elements of our offering include support in child care and flexible worktime models.

At the end of 2015 we also started to revise our regional and country-specific approach to work-life balance.

### Lead

In the area of leadership, Evonik builds on a uniform and concrete Group-wide understanding of leadership, centered on a trustful relationship between employees and managers.

To ensure that sincere and effective leadership is a distinctive quality at all Evonik sites, in 2015 we harmonized global training to prepare staff for leadership roles. The aim is to establish high-quality leadership aligned to our corporate culture as a hallmark of Evonik.

Strong leaders are essential for value-oriented management of the company. In 2015 nearly 70 corporate talents therefore once again made a contribution to the housing construction project in Vietnam in collaboration with Habitat for Humanity. As well as direct experience of value-oriented action, they gained inspiration, which they conveyed back into our company. In addition, in 2015 two pilot groups embarked on a program that explores ethical conduct, personal values and their relationship to the working environment. Nearly 30 corporate talents took part in this program in 2015.

<sup>1</sup> See Declaration on corporate governance.

<sup>2</sup> See section on Environment, safety and health.

### Talent management for executives

Evonik is committed to the established practice of filling executive and other key positions principally from within the company. 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 corporate talents and executives.

To ensure continued business-oriented identification and career development for talented employees, in 2015 we aligned our processes and personnel conferences to the management holding structure. Operational and functional units and the Corporate Center discuss key potentials within the Group with the Executive Board, along with the next steps in their development and target functions. Alongside employee development reviews and various panels, we use clearly defined indicators, which are reviewed regularly and were revised in 2015. In 2015 we introduced a new program for top-level development: members of Evonik's top management support personally selected executives in their professional development and act as sparring partners for their future career paths.

### Perform

Here the focus is on a healthy performance culture as the basis for the company's success and the personal motivation of every individual employee. Globally, our activities in this area are based on appropriate human resources tools complemented by a wide variety of performance incentives. Fair, performance-related remuneration plays a central role in this, together with the annual performance and development review.

In 2015, personnel expenses, including social security contributions and pension expense, rose 14 percent to €3,121 million<sup>1</sup> as a result of the increase in our headcount and pay rises. Personnel expenses were therefore 23.1 percent of sales (2014: 21.3 percent).

### Remuneration—Uniform global evaluation criteria

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 remuneration of many members of our workforce includes bonus payments that are dependent on the company's business performance or the personal performance of the employee.

In addition, two years ago we introduced the "Share" employee share program for personnel in Germany, Belgium and the USA. The high participation rate of around 36 percent highlights our employees' confidence in Evonik's business development. In 2015 around 10,000 employees, including apprentices, took part in the "Share" program. They purchased nearly 280,000 shares and were allocated around 95,000 bonus shares through the company's subsidy program.

### Pensions form part of overall compensation

Evonik helps employees provide for security after retirement. Different arrangements are offered depending on regional specifics and the conditions prevailing in individual countries. In Germany, Evonik has established a system of company pension plans that provide retirement, disability and surviving dependents' pensions through a reinsured support fund. Mandatory contributions to this fund, supplemented by optional contributions through deferred compensation arrangements, ensure that employees' pension provision extends beyond the level funded by their employer. Employer contributions to pension plans are also an important element of total annual remuneration outside Germany, for example in the USA and some European countries.

### Retain

In spite of the necessary change processes a high level of employee retention is achieved through our corporate values and common corporate culture, which foster identification with the company.

### Employee fluctuation 2015<sup>1</sup>

	Fluctuation rate in %	No. of employees who left the company
<b>By gender</b>		
Female	5.2	416
Male	4.5	1,133
<b>By age</b>		
Under 30	4.4	295
30 to 50	3.1	537
Over 50	7.7	717
<b>Evonik</b>	<b>4.7</b>	<b>1,549</b>

<sup>1</sup> Reference base: no. of employees in each category as of December 31, 2014

Previous reporting base altered in sustainability reports from 2015: Instead of unplanned fluctuation, the figure now shows total fluctuation.

<sup>1</sup> See Note 11.2



### Employer branding—Positioning Evonik as an attractive employer

A strong and uniform global employer brand is an important success factor in the competition to attract the most talented employees and executives. Our promise “Exploring opportunities. Growing together.” is an expression of our values as an employer: wide-ranging global development opportunities and team spirit. As part of our employer branding, we use creative and unusual methods to fire passion for Evonik in tomorrow’s specialists at an early stage. For example, in 2015 we challenged students at ten universities in Germany to Battle of Brains, a digital quiz that attracted around 1,000 participants. High-quality prizes were awarded to the best three from each university and the winning entrant from each university was invited to attend the Evonik Student Network Day. In addition, around 100,000 impressions of Battle of Brains were registered in various media (including films on YouTube).

A variety of awards and surveys confirm that Evonik is already one of Germany’s most attractive employers. For example, in 2015 we ranked third in the chemical and pharmaceutical sector in the employer ranking conducted by the German news magazine FOCUS. In China, Evonik was once again included in the list of the most popular employers published by the Top Employer Institute in 2015.

### Modern recruiting tools extended

To build contact to relevant groups of potential employees at an early stage, we engage in selective cooperation with universities and higher education institutes around the world. These are selected in consultation with the relevant specialist departments.

In Germany, for example, we support particularly committed students at 15 universities as part of the German government’s “Deutschlandstipendium” program. This includes offering them opportunities for internships and supporting them in the preparation of their dissertations and theses through specific projects at Evonik.

Through the Evonik Perspectives program we remain in contact with students whose performance in internships is above average. Many participants in this program join Evonik when they finish their studies.

In view of the high and growing significance of social media, we have stepped up our activities in this area and further strengthened our presence in such media.

Our global talent recruitment initiative RISE is designed to attract talented external candidates for key positions and management posts. The core element of RISE, apart from suitability for a specific position, is the potential to take on more demanding assignments.

### Develop

In this area, we concentrate on targeted development of talented employees. Group-wide we are therefore stepping up structured development opportunities for all employees aligned to requirements. This also lays the foundations for our sustained policy of filling key positions from within the company.

### Vocational and further training for present and future specialists

Evonik still recruits specialists from within its own ranks and is committed to supporting their vocational training and ongoing development. This is also an element in meeting our corporate responsibility to society and our workforce. The number of apprentices and, above all, the number of apprentices hired by us at the end of their training will be aligned even more clearly to the personnel requirements of our organizational units in the future.

At year-end 2015, we had around 2,050 apprentices at 17 sites in Germany on more than 40 vocational training courses and combined vocational training and study programs. Around 340 of them were being trained on behalf of other companies. We have around 30 places on the “Start in den Beruf” pre-apprenticeship project, plus about 20 additional places for refugees. About 590 new apprentices started their training at Evonik in 2015. Apprentices accounted for around 9 percent of our workforce in Germany, which is still well above the national average. Overall, we invested some €65 million in vocational training in 2015.

Continuous professional development of our skilled personnel geared specifically to the needs of the company is another core element of our HR activities. A large number of training opportunities are offered through in-house courses and in cooperation with external training partners, either centrally or on a decentralized basis by the segments or individual sites. Focal areas in 2015 were competency management and leadership skills.

### Active support for the reorganization of the Group

The strategic reorganization of the management and portfolio structure of the Evonik Group was supported from an early stage in the project by an agreement on key points that subsequently formed the basis for the reconciliation of interests with representatives of the workforce and provided security for the structural changes and safeguarding employment. In all, around 19,000 employees were transferred to the new companies. To secure the operational viability of the new organizational structures, employee representation structures were adjusted, Supervisory Boards were established in accordance with the 1976 Codetermination Act, the new members of our companies were granted the necessary powers, and agreements were concluded in respect of the multi-user sites where there will in future be several or additional Group companies.

### Further optimization of the HR organization

The organization of the human resources departments was also adjusted and optimized to reflect the reorganization of the Group. The aim is to continue to provide uniform, effective and efficient human resources services and sustained support for the segments in the attainment of their business targets.

Personnel planning is geared to this goal. In 2015 we successfully established an all-round approach as a basic prerequisite for high-quality and foresighted human resources work that combines strategic and operational personnel planning and sets a uniform standard for the Group. As a consequence of Evonik's historic roots in a large number of separate companies, the HR systems landscape has so far been very diverse. The HR IT strategy now aims to systematically harmonize the systems landscape. Alongside efficient and effective processes, this should ensure greater transparency and measurability of the success of human resources work.

### Exemplary leadership is the heart of our HR strategy

Our employees are a key factor in the successful and sustainable implementation of our corporate strategy. As a world-leading specialty chemicals company, innovative strength and entrepreneurship play a central role as drivers that enable us to meet our goals of growth and an increase in efficiency.

Based on this, our Group-wide human resources strategy is geared to a healthy performance culture, together with dialogue based on partnership and excellence in human resources processes. The strategic focus of our human resources work is on the principles of "Attract", "Develop", "Perform", "Retain", "Lead" and "HR Excellence". Special attention is paid to exemplary leadership because this is the key to the success in the other areas of action.

In our annual strategy review we defined action for these key areas in consultation with the operational business entities and regional organizations, taking into account relevant political and societal developments. The action defined was implemented through projects.

### Attract

The focus here is on positioning Evonik globally as a strong employer brand. Alongside conventional and modern recruiting methods, activities include measures to ensure that new employees and executives get off to a good start in the company.

## HR strategy



## 5.1 Employees

### Slight increase in headcount

At year-end 2015, the Evonik Group had 33,576 employees. The headcount in our continuing operations was 335 higher than at year-end 2014, principally as a result of acquisitions and investment in growth projects in the Resource Efficiency and Nutrition & Care segments. Implementation of the Administration Excellence program to enhance efficiency, some small optimization programs in the chemical segments, and divestment of the remaining carbon black activities had a counter-effect. At year-end 2014, the discontinued operations still contained Evonik Litarion GmbH, Kamenz (Germany), which was divested in April 2015.

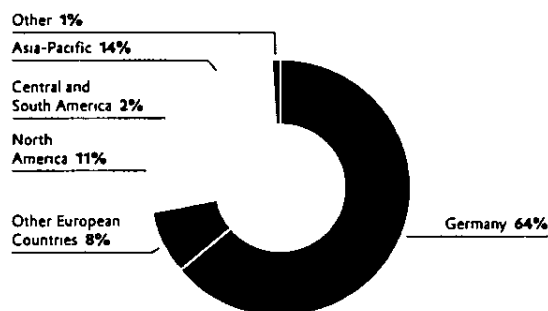
### Employees by segment

	Dec 31, 2015	Dec 31, 2014
Nutrition & Care	7,165	6,943
Resource Efficiency	8,662	7,835
Performance Materials	4,380	4,353
Services	12,668	13,173
Other operations	701	937
<b>Continuing operations</b>	<b>33,576</b>	<b>33,241</b>
Discontinued operations	–	171
<b>Evonik</b>	<b>33,576</b>	<b>33,412</b>

Prior year figures restated

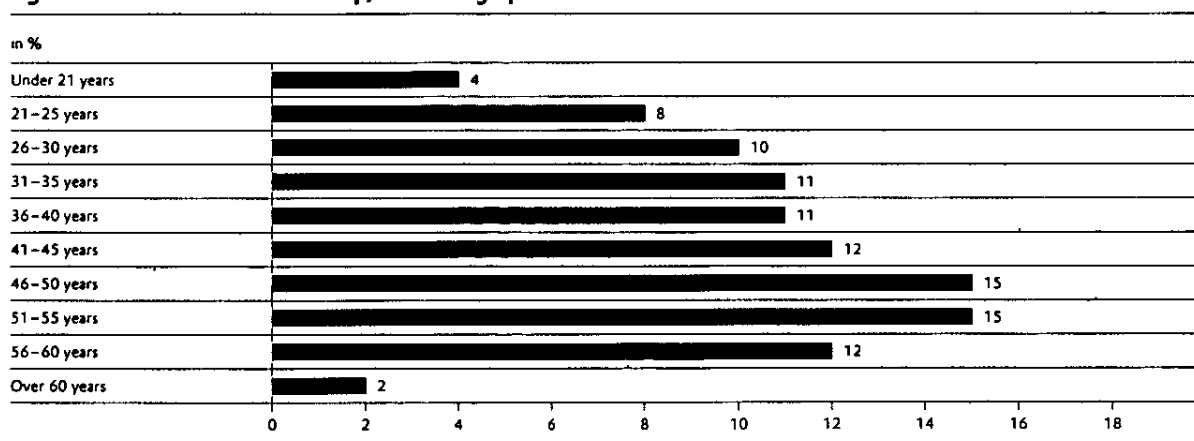
Nearly two-thirds of our workforce is employed in Germany. In line with our global positioning, other focal areas of employment are the Asia-Pacific region (2015: 14 percent) and North America (2015: 11 percent).

### Employees by region, continuing operations



Around 24 percent of employees are female (2014: around 24 percent). The age structure is still biased towards the 46+ age group, which accounts for 44 percent of employees (2014: 44 percent). The average age of our employees was 41.7 years in 2015 (2014: 41.6 years).

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



Accordingly, our market-oriented research & development pays special attention to sustainability and efficient use of resources. Evonik therefore has a good basis for innovative solutions that will strengthen its market-leading positions in the future, give it access to new growth markets, and make a tangible contribution to improving sustainable development.

### Reorganization of sustainability management

The Executive Board bears overall responsibility for sustainability and direct responsibility is assigned to the Chief Human Resources Officer. In view of the importance of sustainability for Evonik, the associated topics are assigned to an independent corporate division at Group level. This division sets the strategic framework for Evonik's sustainability activities. It cooperates closely with the segments to implement this strategy.

### Evonik in dialogue with significant stakeholder groups

At Evonik, sustainability management is characterized by close dialogue with stakeholders. This continuous exchange facilitates timely identification of trends and future requirements and gives us a better understanding of different perspectives. Overall, it helps Evonik to position itself as a company aligned to sustainable business practices.

To update our materiality analysis, in fall 2015 we again asked internal and external stakeholder groups for their views on the relevance of specific sustainability issues for Evonik. The results also form the basis for our Sustainability Report 2015, which will be prepared for the first time in accordance with the Global Reporting Initiative's G4 guidelines.

Important feedback about our sustainability performance also comes from talking with members of the investment community. Alongside financial criteria, more and more investors include ecological, social and governance factors in their investment decisions. Key stakeholder groups for Evonik are shown in the chart below.

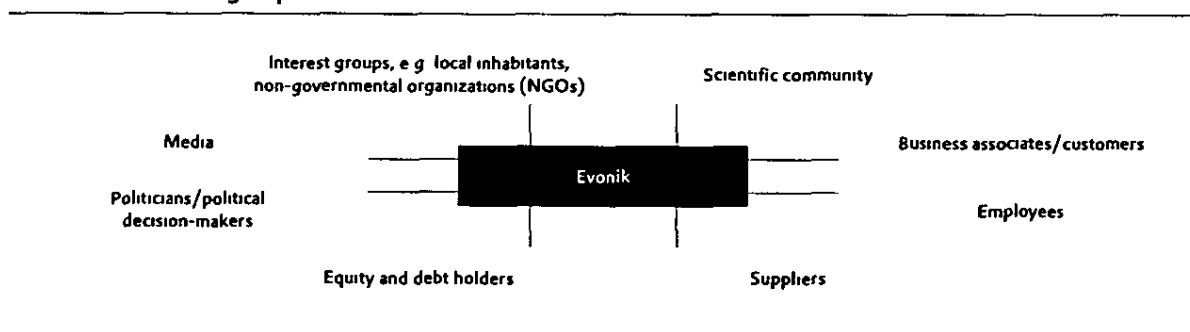
### Evonik is well-positioned in leading sustainability indices and ratings

Evonik is included in the sustainability-oriented index families FTSE4Good Global, STOXX® Global ESG Leaders and Euronext Vigeo Eurozone 120. Important sustainability rating agencies such as Oekom Research, Sustainalytics and Imug/EIRIS also rank the company among the leaders in the chemical sector.

In 2015 we took part in the assessment for the Dow Jones Sustainability Index (DJSI), which is performed by RobecoSAM. As a result, Evonik was included in the RobecoSAM Sustainability Yearbook 2016 as a Sustainability Leader with the distinction "Silver Class". This was the first time we took part and we gained a place straight away among the top ten of the approximately 70 chemical companies rated worldwide.

This provides further motivation for us to drive forward our sustainability activities. In the mid term, we aim to sharpen our sustainability strategy further, anchor it even more firmly in the company, and improve the transparency of our sustainability performance. Alongside this, our goal is to enhance our good position in relevant ratings and rankings and step up dialogue with significant stakeholder groups.

### Evonik's stakeholder groups



## 5. Sustainability

- Committed employees are a key success factor for Evonik
- Ambitious environmental targets
- Evonik is well-positioned in sustainability indices and ratings

### Responsible corporate management

Sustainability is a core element in our corporate claim "Power to create". Our products and solutions are used in many areas that play a significant role in improving people's lives and making efficient use of scarce resources. In fall 2015 the United Nations published 17 goals for global sustainable development, to be achieved by 2030. Our sustainability activities support these in many areas.

Evonik is committed to the ten principles of the UN Global Compact and is guided by the International Labour Standards issued by the International Labour Organization, and the OECD Guidelines for Multinational Enterprises. In addition, we are involved in many networks such as the Chemie<sup>3</sup> sustainability initiative of the German chemical industry, and the World Business Council for Sustainable Development (WBCSD), to which more than 200 companies worldwide belong. Together with our Code of Conduct, our Global Social Policy (GSP) and our Environment, Safety and Health (ESH) Values provide a framework for responsible corporate management.

Furthermore, we are committed to the WBCSD's Vision 2050: "9 billion people living well, within the limits of the planet."

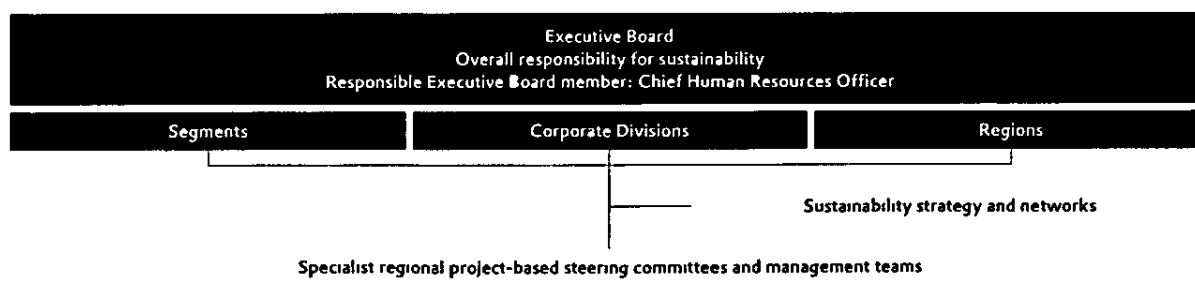
### Close links between sustainability and corporate strategy

We are convinced that sustainable business activities and responsible conduct by our management and staff at all levels are vital for the future of our company. Our sustainability strategy therefore takes up the megatrends identified in our corporate strategy—health, nutrition, resource efficiency and globalization—supplemented by ecological and societal challenges.

In view of this, we systematically drove forward the sustainability analysis of our business in 2015 in collaboration with the operational units. This analysis covers the entire value chain of our products and is based on a list of criteria including elements of the life cycle analysis of the supply chain, production and subsequent use of the product. This sustainability-oriented evaluation of our business supports Evonik's positioning on the capital markets because sustainability is becoming an increasingly significant element in many investors' investment policies.

Demand from our customers for products and solutions that balance economic, ecological and social factors is rising steadily. Sustainability is often an additional benefit for customers that can clinch purchasing decisions and is therefore a clear growth driver in certain businesses such as amino acids for animal nutrition and the personal care sector.

### Sustainability management at Evonik



### Market-oriented research & development

In 2015 our segments once again developed major innovative products and processes up to market maturity or market launch. In addition, they drove forward key future-oriented projects such as new materials and production processes for lightweight construction. Special attention was paid to sustainability and efficient use of resources.

Since summer 2015 our Nutrition & Care segment has been working with DSM Nutritional Products Ltd. on the development of algae-based omega-3 fatty acid products for animal nutrition. Both humans and animals need to absorb a certain amount of these essential long-chain polyunsaturated fatty acids through their diet to ensure healthy growth. At present, most of the omega-3 fatty acids required for aquaculture come from fish oil. The development partners aim to meet the rising global demand for omega-3 fatty acids more resource-efficiently using biotechnological production processes based on marine algae. The anticipated high-quality products are intended principally for applications in aquaculture and the nutrition of pets.

This segment has introduced two new environment-friendly adjuvants under the brand name BREAK-THRU® to improve the performance of crop protection products. These biodegradable adjuvants are based on renewable raw materials, and have an exceptionally good ecotoxicological profile. They improve the retention of agrochemicals on plants and their diffusion into the leaves. The result is a considerable reduction in the amount of crop protection products required. Both new developments therefore make a multiple contribution to more effective and environmentally friendly agriculture.

The Resource Efficiency segment has now entered the market for nitrogen (N<sub>2</sub>) with its SEPURAN® membrane technology, building on its success in the treatment of biogas. The new SEPURAN® N<sub>2</sub> hollow fiber membranes allow particularly energy- and cost-saving recovery of nitrogen from air. Investment costs and energy consumption are lower than for both the conventional method—separation of air at low temperatures—and previous membrane processes. As an inert gas, nitrogen prevents fires and explosions, extends the shelf-life of food, and can also be used as a protective gas for processing chemicals and plastics. The nitrogen market is worth more than US\$10 billion, making it the world's second biggest gas market after oxygen. Although SEPURAN® has only been on the market for four years, it is already making a positive contribution to earnings.

This segment is currently introducing iXsenic®, a new technology for ultra-high resolution displays developed by the Creavis strategic innovation unit. iXsenic® is an inorganic metal oxide semiconductor, which is applied as a solution in normal ambient conditions like a coating. The thin-layer transistors produced in this way allow higher resolution than the established semiconductor amorphous silicon. In addition, iXsenic® can be processed without a vacuum, leading to a simpler process with high yields and clear cost benefits. The Resource Efficiency segment has entered into a strategic partnership with a market-leading plant engineering company to ensure that the material, equipment and process are aligned for the production of displays. A manufacturer of displays is planning to use iXsenic® in a new production facility for flat screens in China.

Olefins, which are used to produce the plasticizer alcohol isononanol and the anti-knock agent MTBE, are an important precursor for our integrated C<sub>4</sub> production in Marl (Germany). Olefins mainly come from C<sub>4</sub> product streams from steam crackers as by-products of ethylene production. Thanks to a unique new process, our Performance Materials segment can now use product streams from fluid catalytic cracking (FCC) processes as a source of olefins. These product streams occur in refineries and are not dependent on the production of ethylene. Since FCC product streams contain unwanted by-products, in the past they were of limited use to the chemical industry. The Performance Materials segment has been using a new process to remove unwanted substances at its new C<sub>4</sub> plant in Marl (Germany) since summer 2015. This innovative process has strengthened the segment's position as a technology leader.

CAPLUS®, a new amine for scrubbing industrial gas streams, has been brought onto the market by Performance Materials. Unwanted acid gases such as carbon dioxide and/or hydrogen sulfide have to be removed from natural gas, synthetic gas, biogas and flue gas for various reasons. CAPLUS® scrubs these gases far more effectively than conventional amines and also increases the performance and working life of plants. Following success in the treatment of biogas and flue gas, the segment has now entered the important natural gas scrubbing market. The first commercial natural gas scrubber was converted in Southeast Asia. Performance Materials is currently introducing CAPLUS® to other well-known natural gas producers in the attractive growth regions of Southeast Asia, the Middle East/North Africa and South America. The International Energy Agency estimates that gas consumption will increase by 50 percent by 2035<sup>1</sup>.

<sup>1</sup> Reference base: 2010

**Evonik Venture Capital: New investments in 2015**

Name	Headquarters	Technology/business model	Strategic focus on the following Evonik competencies
JeNaCell GmbH	Jena (Germany)	Specialist in nanocellulose generated by biotechnological methods, which is used, for example, as a wound dressing to improve the treatment of burns. It can also be loaded with medical active ingredients for controlled release to the skin over time.	An excellent strategic fit with Evonik's expertise in biotechnology and delivery systems for active medical ingredients.
Wiwv Wearables Inc.	Vancouver (Canada)	Wiwv is one of the first companies in the world to use 3D printing for individualized mass production of biomechanically optimized insoles.	Evonik is a leading supplier of polyamide 12 for 3D printing, a highly innovative growth market with diverse applications.
Airborne Oil & Gas	IJmuiden (Netherlands)	Airborne Oil & Gas has a unique production technology for thermoplastic composite pipes for a whole range of applications in offshore oil and gas production.	The oil and gas industry is an attractive growth market for Evonik and an important area of innovation. In addition, it is the market leader in polyamide 12, which is marketed as VESTAMID® and used in pipelines for the production and transportation of oil and gas.
Synoste Oy	Espoo (Finland)	Synoste is a young medical technology company that has developed a novel implant to "lengthen" the legs of patients suffering from limb length discrepancy. Unlike conventional methods, after implantation the implant is activated by an external magnetic field and can correct differences of up to 7 cm.	As a technology leader in high-performance polymers, Evonik supplies polyetherether ketone (PEEK) for medical applications. Our VESTAKEEP® PEEK grades for implants, dental and medical applications set new standards in medical applications thanks to their outstanding biocompatibility and biostability.
GRC SinoGreen Fund III	Beijing (China)	GRC is a Chinese venture capital fund which focuses on investing in non-listed green-tech companies in Greater China (China, Taiwan and Hong Kong) that have unique technological competencies and high growth potential. The target sectors include energy and resource efficiency, environment-friendly mobility, sustainability and climate protection.	By investing in the GRC SinoGreen Fund III, Evonik has extended its venture capital activities to Asia. The company now has a presence in the most important venture capital markets: North America, Europe and Asia. Investments in venture capital funds are a fundamental element of the innovation strategy of Evonik Venture Capital because they offer excellent opportunities to speed up the development of new business and gain access to new growth areas.

Financial statements

Supplementary information

Glossary

**Focus on sustainability**

Our innovative products, systems and solutions make a contribution to sustainable development and we are continuously extending our work in this field. Our market-oriented R&D plays an important role in this. We are aligning our innovation pipeline increasingly to sustainable projects and solutions in response to rising interest from our customers. In this way, we enable them to improve their ecological footprint and successfully differentiate themselves from competitors. Examples of sustainable products recently launched by Evonik include a new ingredient based on renewable resources for shampoos and conditioners, an innovative silica-based insulating material, and a biological fungicide for agricultural applications.

Together with the Wuppertal Institute for Climate, Environment and Energy and the in-house Life-Cycle Management and Innovation Excellence Consulting groups, Creavis has

developed the I2P<sup>3</sup> (idea to people, planet, profit) innovation management process, which allows an extensive sustainability assessment of new products and processes at an early stage in their development.

**Fostering education and science**

Fostering education and science is a core focus of the Evonik Foundation. In 2015 the Foundation supported 18 particularly gifted and committed science students at 17 universities in Germany and in collaboration with foreign universities. Regular meetings with these scholarship students, scientific colloquia and a mentoring program give them an early insight into the day-to-day work of a leading specialty chemicals company. Evonik is also one of the most committed sponsors of the German government's "Deutschlandstipendium" program, with 200 scholarships provided by the Evonik Foundation.

### Main products introduced in 2015

Product	Description	Application	Sector
VISCOBASE 11-524/526	High-viscosity synthetic base fluid with dispersing properties	Favorable alternative formulation for modern gear lubricants for cars, trucks and industrial gears	Automotive, industrial gears
VISCOPLEX 0-192	Easy-to-handle viscosity index improver based on comb polymers	Used in gear lubricant formulations to minimize energy losses in the drivetrain, reduces fuel consumption	Automotive
SILIKOPHEN® AC 950	Heat-resistant, low-toxic (aromatic-free) silicone resin that cures at ambient temperature	High-temperature coating of industrial plant, corrosion protection of high-volume components	Machinery and plant engineering, consumer durables and capital goods, automotive
SEPURAN® Noble	Membrane technology for gas separation, several thousand hollow fibers made from a high-performance polymer (polyimide) are used as membranes	Recovery and treatment of helium and hydrogen	Hydrogen refineries, production of ammonia and methanol Helium medical institutes, MRT technology, welding and metal-working, electronics industry, oil and gas production
BREAK-THRU® SP 131 and BREAK-THRU® SP 133	Based on renewable raw materials, biodegradable, very good ecotoxicological profile, adjuvant to increase the efficacy of crop protection products	Crop protection	Agriculture
SITREN AirVoid® 360	Defoamer for cement- and gypsum-based construction applications	Dry mortar	Construction
Methacrylic acid anhydride (MAAH)	Market entry with improved product quality from a new plant	Synthesis	Specialty chemicals

### Innovation drivers at Evonik

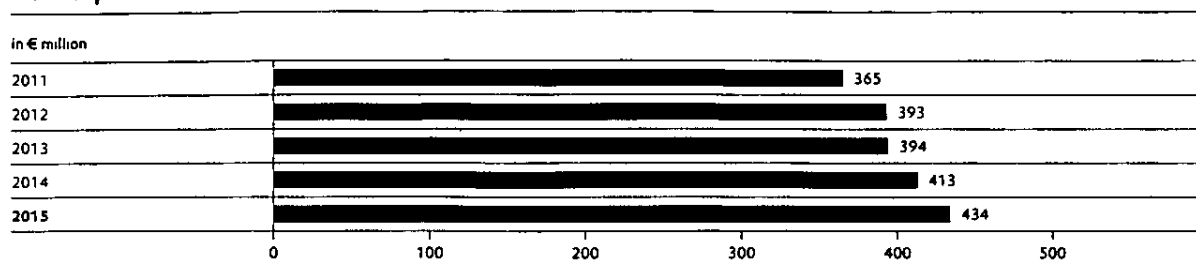
Interdisciplinary collaboration across organizational units and regions is regarded as very important at Evonik because it is a key source of innovative ideas. In the project houses at Creavis, experts work with specialists from the operating business on scientific tasks. At present the project houses, which are set up for a defined time period, are working on research in the innovation areas of medical technology and composites for lightweight engineering. The Business and Innovation Center in Richmond (Virginia, USA), which was inaugurated in summer 2015, is specifically designed for interdisciplinary research. It brings together R&D experts with specialists from the Marketing and Sales, Procurement, Controlling, HR, IT and Environment, Safety, Health and Quality functions.

In addition, we are steadily becoming more open to external partners. We cooperate with research institutes, universities and other industrial companies so that the latest findings in chemistry, biology and physics can rapidly be transported into our company. Through strategic partnerships we are linked to leading universities in the USA, China, and Saudi Arabia, and to Singapore's state-run research agency

(A\*STAR). Our support for our established partnership with the University of Duisburg-Essen in Germany comprises a junior professorship, ten scholarships for doctoral candidates and a large number of joint projects and colloquia. We recently entered into a preferred partnership with the Technical University of Munich (TUM) through a master research agreement. In addition, we regularly organize the Evonik Meets Science forum in Germany, China, Japan and the USA to strengthen networking with leading international research scientists. This is a platform for discussion between our experts and leading scientists from a wide range of disciplines and institutions.

Our corporate venture capital activities are a special way of networking and a strategic complement to our understanding of open innovation. We invest selectively in specialized technology funds and promising start-ups of strategic relevance to Evonik. This gives us an insight into innovative technologies and business activities aligned to our growth strategy at a very early stage of development. New projects and technologies are developed in joint projects. In this way we speed up our innovative process. We selectively extended our corporate venture capital portfolio in 2015.



**R&D expenses**

In addition, in close collaboration with our segments, our strategic innovation unit Creavis is involved in research in new high-tech areas outside the Group's present portfolio. Creavis focuses on mid- to long-term innovation projects that support Evonik's growth and sustainability strategy. For example, the Composites Project House has developed a new composite that combines the benefits of thermoplastics and thermosets. For this innovation Evonik received the 2015 Innovation Award presented by CFK Valley, a leading competency network for fiber composites. Creavis is currently developing a new high-performance surfactant produced using a biotechnological process.

As the driving force behind strategic innovations, the role of Corporate Innovation is to provide direction and leadership for the Evonik Group. This division is headed by the Chief Innovation Officer, who reports directly to the Chairman of the Executive Board. Furthermore, we bring together our in-house expertise in specialty chemicals, process technology and engineering at an early stage in projects to facilitate rapid transfer of new processes to efficient industrial production. In recent years, we have also integrated marketing and sales more closely into innovation processes.

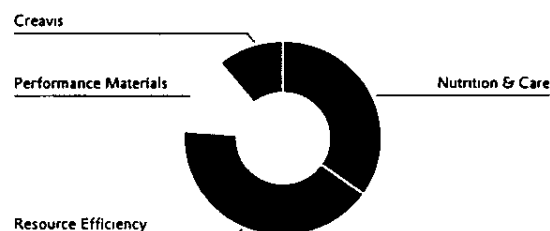
One important success factor for our R&D is close interaction with our customers, which gives us a deep knowledge of their specific markets and requirements. Often, this collaboration results in new products and applications which provide a sound basis for profitable growth. We are strengthening our position as a strategic partner for our customers by raising our R&D presence close to their local markets. At the same time, this enables us to position Evonik as an attractive employer and gain outstanding experts for the Group.

The progressive internationalization of our R&D can be illustrated by two examples. In 2015, Evonik opened new innovation centers in Midrand (South Africa) and Singapore to develop product solutions specifically for customers in the personal care sector in Sub-Saharan Africa, Southeast Asia, Australia and New Zealand. Similarly, the Health Care Busi-

ness Line started to build up a worldwide network of service laboratories for medical products in 2015. The aim is to provide technical support for customers who use our biodegradable polymers. The first of these laboratories was opened in Shanghai (China) in summer 2015.

**High commitment to R&D in 2015**

R&D expenses amounted to €434 million in 2015, an increase of 5 percent compared with the previous year (€413 million). The ratio of R&D expenses to sales was 3.2 percent (2014: 3.2 percent).

**Breakdown of R&D expenses**

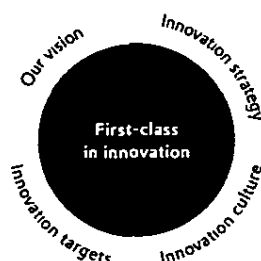
Moreover, in the past four years Evonik has spent €170 million on building laboratory capacity and pilot plants. The focus of this investment in R&D facilities was on new and extended innovation centers in Essen (Germany), Shanghai (China), Richmond (Virginia, USA) and Birmingham (Alabama, USA).

Examples of Evonik's most recent research successes include an innovative microencapsulation process for extended release of medication, and composites for lightweight structures. In addition, work has commenced on a new generation of lubricant additives.

## Our claim: First-class in innovation

Evonik is one of the most innovative companies in the world

Increase the value of the innovation pipeline  
New products, applications, and processes must make a substantial contribution to sales and profit



Explore new horizons  
Push radical innovation  
Cross-unit collaboration

Enhance risk-taking  
Trust, openness and transparency  
Improve knowledge sharing

Our R&D is aligned to three core strategic objectives we aim to

- produce custom-tailored products and solutions in close collaboration with our customers and partners, to drive their success in international competition
- continuously improve our processes, and
- make a substantial contribution to profitable growth and to the future of Evonik

Our open, learning innovation culture based on a business mindset is the key to achieving these goals. It ensures timely identification of good ideas which we can drive forward and turn into additional sales and earnings. To reinforce Evonik's innovative strength, we organize regular internal conferences under the motto Leading Innovation, which are attended by members of our top management.

Every year, we present an Innovation Award in various categories to honor outstanding research achievements. At the same time, we consistently terminate R&D projects if there are no prospects of success and take a constructive attitude to such cases.

We have a well-stocked innovation pipeline with a balanced mixture of more than 500 short-, mid- and long-term projects. These are managed with the aid of Idea-to-Profit, a multi-step innovation process developed by Evonik. Ingredients for the cosmetics industry, membranes, specialty materials for medical technology, feed and food additives, and composites have been identified as promising areas of innovation for Evonik. In addition, we aim to steadily extend our clear expertise in catalysis and biotechnology. To raise the pace of innovation, we want to align our R&D project portfolio even more closely to these fields, step up external knowledge sharing, and drive forward the internationalization of our R&D.

Evonik has an extensive patent strategy to protect new products and processes. The value and quality of our patent portfolio have increased steadily in recent years.

### Innovative strength and patent protection at Evonik

	2015
No. of new patent applications filed	approx. 260
Patents held and applications filed	more than 25,000
Registered/pending trademarks	more than 7,000
No. of projects in the R&D pipeline	more than 500

In view of the strategic importance of R&D, we have raised R&D expenses by an average of 6 percent a year since 2010. Given our growth strategy and our vision of being one of the world's most innovative companies, we want to maintain this ambitious level and intend to spend more than €4 billion on R&D in the next ten years.

The reorganization of our management and portfolio structure allows more differentiated management and development of our various businesses close to the market. This is also reflected in our innovation strategy. The Nutrition & Care and Resource Efficiency growth segments should receive an above-average share of our R&D funds in order to enter new markets through innovations and alliances. The Performance Materials segment focuses on process optimization and incremental product improvements.

### Decentralized organization of R&D

Evonik's global R&D network comprises 35 locations with approximately 2,700 R&D employees. Around 90 percent of our R&D is performed by our segments. That includes, first and foremost, research geared specifically to their core technologies and markets and the development of new business

Net income was 158 percent higher at €1,205 million €599,873,641.46 was allocated to revenue reserves, leaving a net profit of €605,000,000.00. A proposal will be put to the Annual Shareholders' Meeting that €69,100,000.00 of the net profit should be allocated to revenue reserves and €535,900,000.00 should be paid out, giving a dividend of €1.15 per share.

The total assets of Evonik Industries AG declined slightly from €14.2 billion in the previous year to €14.0 billion. Financial assets mainly comprise shares in subsidiaries. The receivables mainly comprise financial receivables of €2.5 billion (2014: €1.9 billion), principally in connection with loans and cash pooling activities. In 2014, receivables also included claims for reimbursement in connection with plant management (€2.1 billion). Cash and cash equivalents increased by €606 million to €2,056 million, mainly because of the sale of the shares in Vivawest and the bond issue.

Equity increased by €0.7 billion to €6.0 billion, mainly as a consequence of the high earnings. The equity ratio therefore improved from 37.2 percent in the prior year to 43.2 percent. The provisions of €2.3 billion in 2014 included €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 €6.8 billion (2014: €5.7 billion), €5.5 billion (2014: €5.2 billion) of this comprises liabilities to affiliated companies, mainly in connection with cash pooling activities. A further €1.3 billion (2014: €0.5 billion) relates to corporate bonds.

### 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<sup>1</sup> for 2016

We anticipate that in 2016 the net income of Evonik Industries AG will be below the high level of 2015, which was also boosted by the sale of the real estate investment and an increase in income from investments as a result of one-off payouts from investments.

### 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."

## 4. Research & development

- Our vision: Evonik—one of the world's most innovative companies
- More than 500 R&D projects in the pipeline
- Innovations drive our profitable growth course

### Innovation strategy firmly anchored in corporate strategy

Evonik—one of the world's most innovative companies. That is the vision that guides our research & development (R&D). As a major driver of profitable growth and value creation, our market-oriented R&D is firmly anchored in our corporate

strategy. Innovations strengthen our leading market and technology positions and open up new high-growth business opportunities. The careful selection of our areas of innovation is guided by the megatrends of relevance for Evonik: health, nutrition, resource efficiency and globalization.

<sup>1</sup> For details of the assumptions, please refer to the Report on expected developments.

## Balance sheet for Evonik Industries AG

in € million	Dec 31, 2015	Dec 31, 2014
<b>Assets</b>		
Intangible assets, property, plant and equipment	40	20
Financial assets	8,870	8,834
<b>Non-current assets</b>	<b>8,910</b>	<b>8,854</b>
Inventories	8	-
Receivables and other assets	2,720	4,354
Securities	249	377
Cash and cash equivalents	2,056	606
<b>Current assets</b>	<b>5,033</b>	<b>5,337</b>
<b>Prepaid expenses and deferred charges</b>	<b>8</b>	<b>7</b>
<b>Total assets</b>	<b>13,951</b>	<b>14,198</b>
<b>Equity and liabilities</b>		
Issued capital	466	466
Capital reserve	721	720
Revenue reserves	4,235	3,635
Net profit	605	466
<b>Equity</b>	<b>6,027</b>	<b>5,287</b>
<b>Provisions</b>	<b>850</b>	<b>2,278</b>
<b>Payables</b>	<b>7,074</b>	<b>6,633</b>
<b>Total equity and liabilities</b>	<b>13,951</b>	<b>14,198</b>

The earnings performance of Evonik Industries AG is essentially dependent on income from its subsidiaries, 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.

Sales increased substantially from €216 million to €592 million as a result of activities assumed by Evonik Industries AG, especially strategic procurement for the subsidiaries. Sales revenues include plant management fees of €31 million (2014: €48 million). The cost of materials rose from €2 million in 2014 to €235 million, due to the assumption of procurement activities. Personnel expense increased by 64 percent to €337 million, driven mainly by staff transfers in connection with the transfers of undertaking in the first half of 2015. The other operating income of €1,431 million contains income from the disposal of assets totaling €413 million, mainly from the divestment of the stake in Vivawest. Further, this item includes currency translation gains of €939 million (2014: €354 million). In the gross presentation, currency translation losses of €921 million (2014:

€337 million) are shown in other operating expenses, separately from the currency translation gains. The net effect was a gain of €18 million (2014: €17 million).

Income from investments increased by 64 percent to €1,509 million, principally because of considerably higher income from profit-and-loss transfer agreements. The increase was mainly due to higher profit transfers from subsidiaries as a result of the good operating performance and to one-off payouts by investments. The write-downs of financial assets and current securities totaling €41 million and write-ups of financial assets and financial securities totaling €10 million mainly related to affiliated companies.

Net interest expense deteriorated considerably from €86 million to €157 million. This was mainly due to higher interest on pension provisions due to a change in the interest rate and an increase in headcount. This item also contains interest income and expense from the Group-wide cash pool, which is concentrated at Evonik Industries AG.

Income before income taxes rose 148 percent to €1,464 million. Income taxes increased to €259 million due to the increase in income.

### 3. Performance of Evonik Industries AG

- Management holding company concentrates on strategic development of the Group
- High net income of €1,205 million
- Proposed increase in the dividend from €1.00 to €1.15

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).

Since January 1, 2015, the Executive Board of Evonik Industries AG has concentrated on the strategic development of the Evonik Group through a management holding structure.

In this connection the plant management agreements between the company and five subsidiaries were terminated effective June 30, 2015. These plant management agreements had been performed on behalf of Evonik Industries AG and for the account of the subsidiaries. The substance of agreements of this type is that the companies remain the economic

owners of the assets and liabilities of the plants, while the operator recognizes liabilities entered into in its own name and at the same time capitalizes a claim for reimbursement against the owners of the plants. As a result of the termination of these agreements, the balance sheet of Evonik Industries AG at year-end 2015 no longer contained any items of this type.

In the income statement, the arrangement merely gave rise to sales revenues from plant management fees. All other income and expenses were allocated to the companies that owned the plants and were recognized in their annual financial statements.

In connection with the strategic realignment of the Evonik Group, in the first half of the year Evonik Industries AG acquired the activities of subsidiaries within the scope of the management holding company or that serve to support it, through asset deals. Activities outside its scope were transferred to the subsidiaries.

#### Income statement for Evonik Industries AG

in € million	2015	2014
Sales	592	216
Increase in work in progress	1	–
Other operating income	1,431	425
Cost of materials	–235	–2
Personnel expense	–337	–206
Depreciation and amortization of intangible assets, property, plant and equipment	–15	–6
Other operating expenses	–1,294	–647
<b>Operating result</b>	<b>143</b>	<b>–220</b>
Income from investments	1,509	921
Write-downs of financial assets and current securities	–41	–121
Write-ups of financial assets and current securities	10	96
Net interest expense	–157	–86
<b>Income before income taxes</b>	<b>1,464</b>	<b>590</b>
Income taxes	–259	–123
<b>Net income</b>	<b>1,205</b>	<b>467</b>
Allocation to revenue reserves	–600	–1
<b>Net profit</b>	<b>605</b>	<b>466</b>

The cash flow from financing activities was €133 million. The cash inflow from the new bond was reduced principally by the repayment of financial debt and the payment of the dividend for 2014. In 2014, there was a cash outflow of €1,155 million, mainly for the redemption of a bond and the dividend for fiscal 2013.

The free cash flow was very high at €1,052 million in 2015 (2014 – €60 million). The significant improvement was mainly due to the very good operating performance and disciplined implementation of our growth-driven investments.

## 2.10 Asset structure

### Increase in total assets

As of December 31, 2015, total assets were €13 billion higher at €17.0 billion. Non-current assets increased slightly year-on-year to €10.3 billion. While the value of investments recognized at equity decreased by €0.3 billion, mainly because of the sale of the stake in Vivawest in June 2015, property, plant and equipment increased by €0.3 billion to €5.8 billion as a result of growth-driven investments. Intangible assets increased slightly, by €0.1 billion, to €3.2 billion. In all, non-current assets decreased to 61 percent of total assets, down from 65 percent in the prior year. They are financed by liabilities with the same maturity structure.

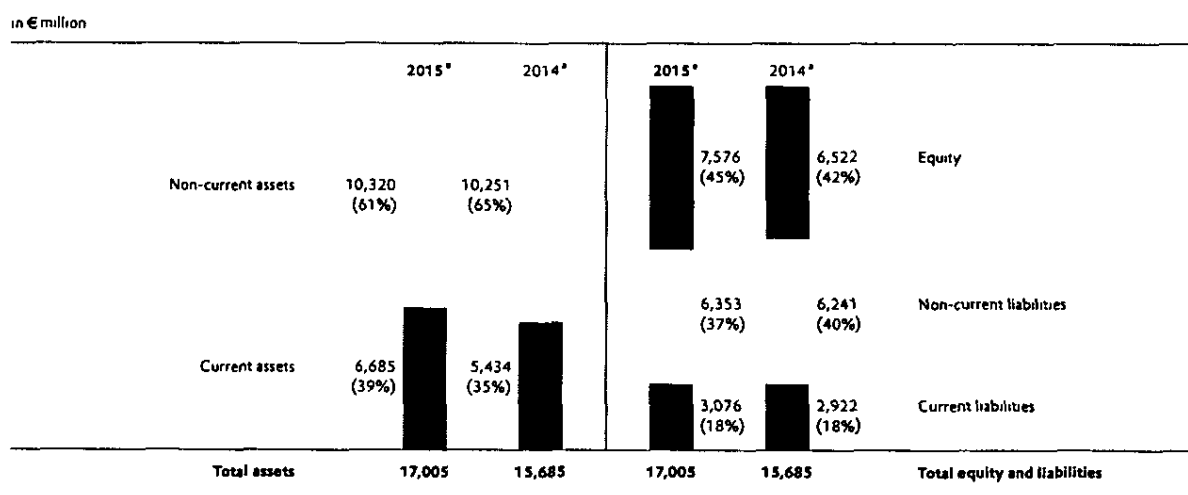
Current assets increased by €1.3 billion to €6.7 billion. This was primarily attributable to a strong rise of €1.4 billion in cash and cash equivalents to €2.4 billion, principally as a result of the issue of the new bond in January 2015 and the good operating performance. Owing to the increase in business, trade accounts receivable were €0.1 billion higher at €1.8 billion. Inventories and financial assets basically remained constant at €1.8 billion and €0.4 billion respectively. Current assets therefore rose to 39 percent of total assets (2014: 35 percent).

Equity increased by €1.1 billion to €7.6 billion as a consequence of the good business performance. The equity ratio rose from 41.6 percent to 44.6 percent.

Non-current liabilities increased by €0.1 billion to €6.4 billion, principally due to the increase in financial liabilities to €1.4 billion in the wake of the bond issue in January 2015. By contrast, provisions for pensions and other post-employment benefits decreased by €0.6 billion to €3.3 billion. Non-current liabilities decreased from 40 percent to 37 percent of total equity and liabilities.

Current liabilities increased by €0.2 billion to €3.1 billion. While trade accounts payable were virtually unchanged at €1.1 billion, other liabilities increased by €0.1 billion. Current liabilities accounted for an unchanged 18 percent of total equity and liabilities.

### Balance sheet structure of the Evonik Group



\* As of December 31

Capital expenditures amounted to €877 million in 2015, below the previous year's high figure of €1,123 million. In principle, the related cash outflows are delayed slightly by payment terms. In 2015, cash outflows for property, plant and equipment totaled €916 million (2014: €1,095 million).

The highest proportion of capital expenditures went to the Nutrition & Care and Resource Efficiency segments (29 percent and 27 percent respectively). A further 21 percent was allocated to the Performance Materials segment, and 20 percent was invested in the Services segment. The regional focus of capital expenditures was Germany, which accounted for 49 percent of the total, followed by North America (24 percent) and the Asia-Pacific region and other European countries, which each received 10 percent.

Financial investments totaled €90 million (2014: €114 million). They mainly comprised the acquisition of Monarch Catalyst Pvt. Ltd., Dombivli (India), and PeroxyChem Netherlands B.V., Amsterdam (Netherlands).<sup>1</sup>

### A strong cash flow

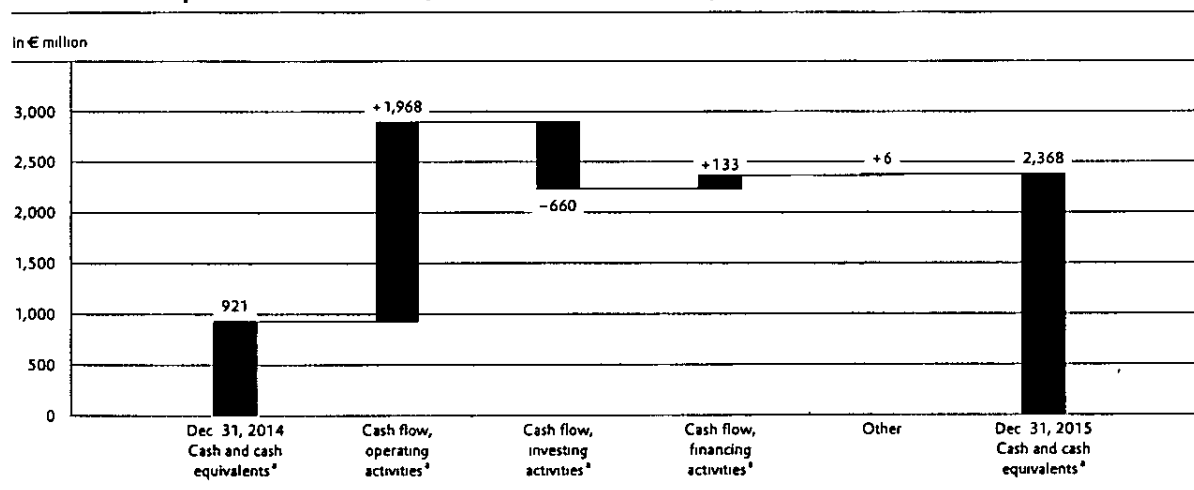
The cash flow from operating activities, continuing operations increased by €933 million to €1,968 million, principally due to the good operating performance. The cash flow from operating activities, discontinued operations related to the lithium-ion business, which has now been divested and, in the prior year, also to the stake in STEAG, which was sold in September 2014. In 2015, the cash flow from operating activities, discontinued operations was €3 million, compared with €31 million in 2014. Overall, the cash flow from operating activities increased by €905 million to €1,971 million.

### Cash flow statement (excerpt)

in € million	2015	2014
Cash flow from operating activities, continuing operations	1,968	1,035
Cash flow from operating activities, discontinued operations	3	31
<b>Cash flow from operating activities</b>	<b>1,971</b>	<b>1,066</b>
Cash flow from investing activities, continuing operations	-660	-575
Cash flow from investing activities, discontinued operations	-	-1
<b>Cash flow from investing activities</b>	<b>-660</b>	<b>-576</b>
Cash flow from financing activities, continuing operations	133	-1,155
Cash flow from financing activities, discontinued operations	-	-
<b>Cash flow from financing activities</b>	<b>133</b>	<b>-1,155</b>
<b>Change in cash and cash equivalents</b>	<b>1,444</b>	<b>-665</b>

The cash flow from investing activities comprised an outflow of €660 million. This was mainly for capital expenditures on property, plant and equipment and investments, and the cash contribution to the CTA. It was countered by cash inflows, mainly from the disposal of investments, especially the shares in Vivawest. In 2014 the cash outflow for investing activities was €576 million.

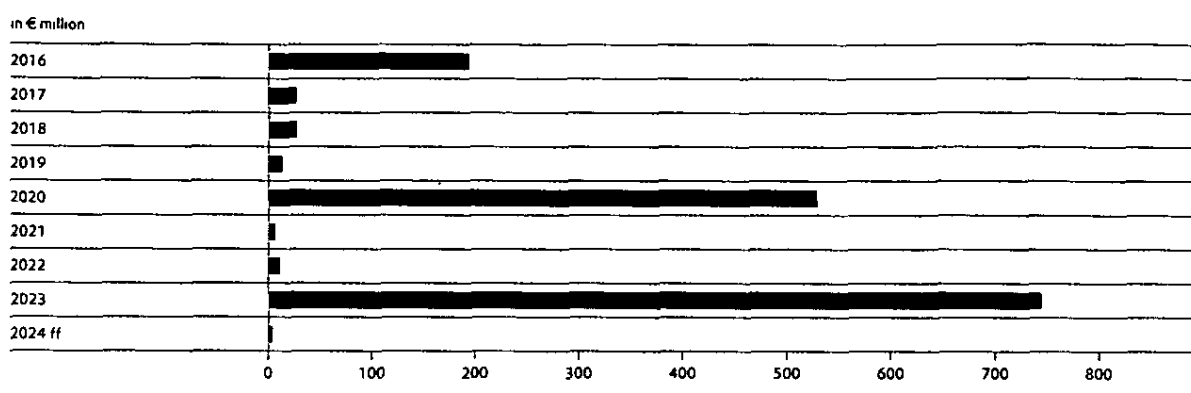
### Cash and cash equivalents December 31, 2015 versus December 31, 2014



<sup>a</sup> Continuing operations

<sup>1</sup> See section on Segment performance and Note 5.2

### Maturity profile of financial liabilities



As of December 31, 2015

#### Further increase in the strong liquidity position

Alongside cash and cash equivalents of €2,368 million and investments of €262 million in current securities, Evonik's central source of liquidity is still 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 second and last option to extend their term by one year was exercised in 2015 and they now run until September 2018 and 2020 respectively. This credit facility was not drawn at any time in 2015. It does not contain any covenants requiring Evonik to meet specific financial ratios.

Further, as of December 31, 2015, various unused credit lines totaling €368 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 take a flexible and disciplined approach to extending our leading market positions. All projects are regularly reviewed for changes in the market situation. Examples of projects completed successfully in 2015 are a new lysine facility in Castro (Brazil), expansion of the production facilities for specialty silicas in Ako (Japan), and expansion of production capacity for butadiene in Antwerp (Belgium), isononanol in Marl (Germany) and the anti-knock agent MTBE in Marl and Antwerp.

#### Major projects completed or virtually completed in 2015

Segment	Location	Project
Nutrition & Care	Castro (Brazil)	Construction of a new lysine plant
	Essen (Germany)	Expansion of the silicone platform
	Mobile (Alabama, USA)	Construction of a new production facility for Mepron
Resource Efficiency	Ako (Japan)	Expansion of capacity for specialty silicas
	Singapore	Expansion of a facility for oil additives
Performance Materials	Marl (Germany) and Antwerp (Belgium)	Expansion of capacity for butadiene in Antwerp, the plasticizer alcohol isononanol in Marl, and the anti-knock agent MTBE in Marl and Antwerp

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



amounted to €11 million (2014: €13 million) and comprised the pro rata profits and losses of fully consolidated subsidiaries that are attributable to shareholders outside the Evonik Group.

The Evonik Group's net income rose 74 percent to €991 million.

## 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., Amsterdam (Netherlands), whose liabilities are fully guaranteed by Evonik Industries AG. To reduce external borrowing, surplus liquidity at Group companies 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 rating confirmed

In 2015 both Moody's and Standard & Poor's (S&P) confirmed their credit ratings for Evonik Industries AG. Moody's still rates Evonik as Baa2 with a positive outlook, while S&P's rating remains BBB+ with a stable outlook. Maintaining a sound investment grade rating is a central element in our financing strategy to ensure we remain a reliable partner for bond investors and banks in the long term.

### Active management of pension obligations

Pension provisions make up the major portion of our total debt. They are non-current and depend on the discount rate. The €604 million decline in pension provisions was principally due to the fact that the discount rate at year end was higher than in the previous year. Unfunded pension obligations were reduced as scheduled in 2015 by a further voluntary cash contribution of €219 million<sup>1</sup> to the contractual trust arrangement (CTA), completing the program of transfers totaling €1.6 billion that commenced in 2010. At present, there are no plans to allocate further funds to the CTA.

### Further increase in net financial assets

Financial debt increased by €626 million compared with year-end 2014 to €1,555 million, essentially as a result of the €750 million bond issued in January 2015. In the same period, financial assets increased by €1,324 million to €2,653 million, mainly because of the high free cash flow<sup>2</sup>, proceeds from the new bond issue, and income from the divestment of the stake in Vivawest (€428 million) at the end of June. The dividend of €466 million for fiscal 2014 was paid in May 2015. Overall, net financial assets were €1,098 million, €698 million higher than at year-end 2014.

### Net financial assets

in € million	Dec 31, 2015	Dec 31, 2014
Non-current financial liabilities*	-1,361	-639
Current financial liabilities*	-194	-290
<b>Financial debt</b>	<b>-1,555</b>	<b>-929</b>
Cash and cash equivalents	2,368	921
Current securities	262	387
Other financial investments	23	21
<b>Financial assets</b>	<b>2,653</b>	<b>1,329</b>
<b>Net financial assets as stated on the balance sheet</b>	<b>1,098</b>	<b>400</b>

\* Excluding derivatives

### Corporate bonds as a central financing instrument

At year-end 2015, the financial debt of €1,555 million comprised two bonds with a total carrying amount of €1,241 million, decentralized bank loans totaling €282 million, and other financial liabilities of €32 million. Following the issuance of a bond with a nominal value of €500 million in 2013, another bond with a nominal value of €750 million was issued in 2015. This matures in 2023 and has a coupon of 1.000 percent. On the reporting date, €1.25 billion of the debt issuance program of up to €3 billion had been used to issue bonds.

Over 85 percent of the Group's financial liabilities are denominated in euros (2014: over 65 percent). Only Group companies outside the euro zone have financial liabilities in other currencies. The relevant currencies include the Chinese renminbi yuan (CNY) and the Brazilian real (BRL).

<sup>1</sup> Including a refund of €19 million for advance tax payments by the CTA.

<sup>2</sup> Cash flow from operating activities, continuing operations, less outflows for capital expenditures for intangible assets, property, plant and equipment.

Since the start of 2015, the effects of currency translation of operating monetary assets and liabilities and the associated hedging instruments have been presented as net amounts in other operating income and expenses. This avoids increases in income and expenses as a result of the high currency-driven volatility of hedging transactions and hedged items during the year, which essentially offset each other. The 78 percent increase in other operating income to €445 million in 2015 was mainly due to higher income from the disposal of assets, especially the sale of the stake in Vivawest. The 22 percent increase in other operating expenses to

€603 million resulted mainly from provisions for risks arising from an agreement with a raw material supplier, and expenses for the reorganization and simplification of corporate structures in Europe. The result from investments recognized at equity was –€15 million and chiefly related to an impairment loss on an equity investment in the Nutrition & Care segment, whereas in the previous year, this item comprised income of €10 million from the former investment in Vivawest. Income before financial result and income taxes, continuing operations improved 55 percent to €1,664 million.

### Income statement for the Evonik Group

in € million	2015	2014	Change in %
Sales	13,507	12,917	5
Cost of sales	–9,096	–9,308	–2
<b>Gross profit on sales</b>	<b>4,411</b>	<b>3,609</b>	<b>22</b>
Selling expenses	–1,447	–1,289	12
Research and development expenses	–434	–413	5
General administrative expenses	–693	–601	15
Other operating income	445	250	78
Other operating expenses	–603	–493	22
Result from investments recognized at equity	–15	14	–
<b>Income before financial result and income taxes, continuing operations</b>	<b>1,664</b>	<b>1,077</b>	<b>55</b>
Financial result	–223	–235	–5
<b>Income before income taxes, continuing operations</b>	<b>1,441</b>	<b>842</b>	<b>71</b>
Income taxes	–422	–252	67
<b>Income after taxes, continuing operations</b>	<b>1,019</b>	<b>590</b>	<b>73</b>
Income after taxes, discontinued operations	–17	–9	89
<b>Income after taxes</b>	<b>1,002</b>	<b>581</b>	<b>72</b>
thereof attributable to			
Non-controlling interests	11	13	–15
<b>Shareholders of Evonik Industries AG (net income)</b>	<b>991</b>	<b>568</b>	<b>74</b>

Prior year figures restated

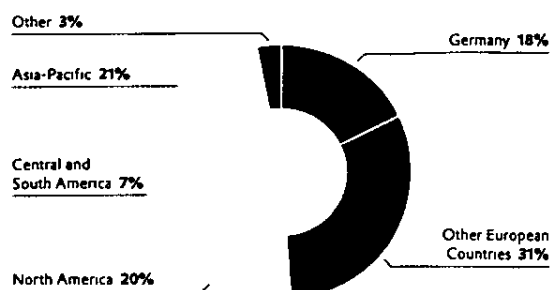
### Considerable increase in net income

The financial result improved 5 percent to –€223 million. This includes one-off factors of –€44 million, mainly for interest expense in connection with the establishment of provisions. In the prior year, these effects were –€26 million. Excluding these effects, there was a significant improvement in the financial result, principally as a consequence of far more favorable refinancing and the voluntary cash contribution to the contractual trust arrangement (CTA) for pensions. Income before income taxes, continuing operations rose

71 percent to €1,441 million. The 67 percent increase in income taxes to €422 million was mainly due to higher earnings.

Income after taxes, discontinued operations<sup>1</sup> was –€17 million and mainly relates to the remaining lithium-ion activities, which were divested in April 2015. The prior-year figure of –€9 million contains operating income from the lithium-ion business and the stake in STEAG, which was divested in September 2014. Income after taxes improved 72 percent to €1,002 million. Non-controlling interests in after-tax income

<sup>1</sup> See Note 5.3

**Sales by region<sup>a</sup>**<sup>a</sup> By location of customer

Sales in the other European countries slipped 2 percent to €4,148 million. This was caused by an oil price-induced drop in sales in the Performance Materials segment. By contrast, high demand enabled the Nutrition & Care and Resource Efficiency segments to raise sales. This region's share of Group sales fell to 31 percent. Capital expenditures in this region were €88 million, a decline of 34 percent year-on-year. A new production plant for C<sub>4</sub>-based products was successfully brought into service in Antwerp (Belgium). In addition, the first production plant for a new source of methionine for shrimp and crustaceans is scheduled for completion at this site in April 2016.

**Higher investment in the Americas**

In North America, sales grew 15 percent to €2,647 million, mainly for currency reasons. The principal contributions to this came from the Nutrition & Care and Resource Efficiency segments. This region's share of Group sales increased to 20 percent. Capital expenditures rose 48 percent to €208 million. A new plant to produce Mepron® for dairy cattle was completed in Mobile (Alabama, USA). At the same time, work started on expansion of capacity for ACA (acrolein cyanohydrin-o-acetate) at this site. This is scheduled to come on stream in early 2017.

Sales totaled €954 million in Central and South America, an increase of 23 percent year-on-year. This was driven mainly by the Nutrition & Care and Resource Efficiency segments. This region's share of Group sales therefore increased

slightly to 7 percent. Capital expenditures were 37 percent lower at €67 million. A new production plant for Biolys®, an amino acid for feed additives, was officially opened in Castro (Brazil). In addition, a new plant for precipitated silicas is currently under construction in São Paulo (Brazil). It is scheduled to come into service in 2016.

**Substantial rise in sales in Asia-Pacific**

Sales grew 17 percent to €2,860 million in the Asia-Pacific region. The Nutrition & Care and Resource Efficiency segments made equal contributions to this, while Performance Materials posted lower sales. This region's share of Group sales increased to 21 percent. Capital expenditures amounted to €86 million, below the previous year's high level of €323 million, which was dominated by construction of the new production complex for the amino acid DL-methionine in Singapore. A new production plant which opened at this site in 2015 has virtually doubled capacity for oil additives. The expansion of production capacity for specialty silicas at the facility in Ako (Japan) came on stream.

**2.8 Earnings position****Considerable improvement in income before income taxes, continuing operations**

Sales rose 5 percent to €13,507 million thanks to higher demand and positive currency effects. Despite higher sales volumes and cost-driving currency effects, the cost of sales declined by 2 percent to €9,096 million. The main positive factors were lower raw material costs, along with substantial cost-savings from the successful implementation of the On Track 2.0 efficiency enhancement program. The gross profit on sales therefore increased by 22 percent to €4,411 million.

Currency effects and the expansion of business following the start-up of new plants increased selling expenses by 12 percent to €1,447 million. Administrative expenses were €693 million, 15 percent higher than in 2014. The main reasons for this increase were a change in the system used to cross-charge services within the Group, higher additions to provisions for long-term incentive programs for executives (LTI Plan)<sup>1</sup> and other variable remuneration components, and currency effects. The rise was mitigated by savings made through the Administration Excellence program. To strengthen our innovative capability still further, we raised spending on research & development by 5 percent to €434 million.

<sup>1</sup> See Note 10.1

## Services segment

The Services segment provides site management, utilities, and waste management, technical, process technology, engineering, and logistics services for the chemicals segments and external customers at our sites. It also provides standardized Group-wide administrative services to support the chemicals businesses and the management holding company.

### Key data for the Services segment

in € million	2015	2014	Change in %
External sales	828	906	-9
Adjusted EBITDA	163	151	8
Adjusted EBITDA margin in %	19.7	16.7	-
Adjusted EBIT	53	49	8
Capital expenditures	177	153	16
Depreciation and amortization	107	101	6
Capital employed (annual average)	565	507	11
ROCE in %	9.4	9.7	-
No. of employees as of December 31	12,668	13,173	-4

Prior-year figures restated

The Services segment generates sales both internally, with the specialty chemicals segments and Corporate Center (2015: €1,886 million), and with external customers. External sales contracted by 9 percent to €828 million in 2015. This was mainly due to the reduction in the price of energy, which the segment charges to external customers at our sites.

Adjusted EBITDA increased 8 percent to €163 million, mainly because of changes to the internal cross-charging system.

Capital expenditures in this segment increased 16 percent to €177 million. That was above depreciation, which amounted to €107 million. Numerous infrastructure projects were completed at German sites in 2015.

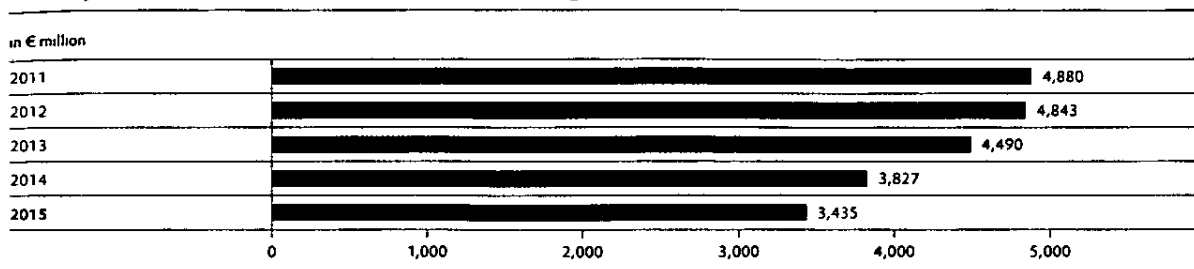
## 2.7 Regional development

### A global presence

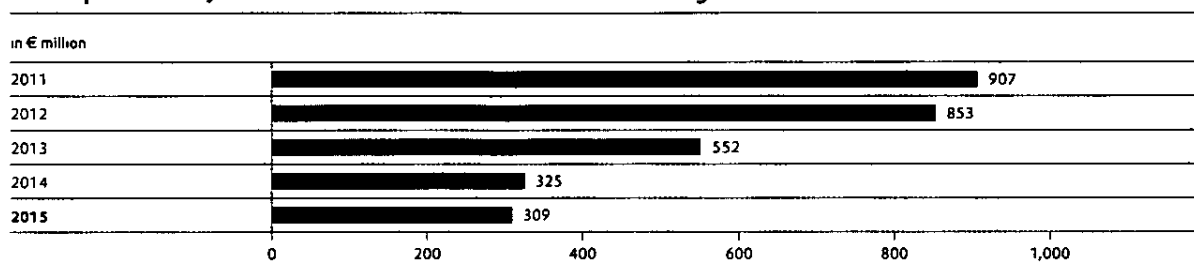
As part of our growth strategy, we are expanding our presence in emerging markets. We define these as selected countries in Asia, South America, Eastern Europe and the Middle East. In 2015, 82 percent of our sales were generated outside Germany.

In Germany, sales were 13 percent lower at €2,436 million in 2015. Sales declined considerably in the Performance Materials segment, mainly as a consequence of the oil price, but the Nutrition & Care and Resource Efficiency segments also reported lower sales.

Our German sites serve customers throughout Europe and in some overseas markets as well as domestic customers. To strengthen these sites, we increased capital expenditures to €427 million (2014: €419 million). A new production plant for C<sub>4</sub>-based products came on stream in Marl in 2015, and in Essen we extended a production plant for specialty silicones. In addition, many infrastructure projects were completed, for example, a freight transport project in Marl and a new control center in Darmstadt.

**Development of sales in the Performance Materials segment**

Figures for 2011 through 2013 reflect the old structure, prior year figures restated

**Development of adjusted EBITDA in the Performance Materials segment**

Figures for 2011 through 2013 reflect the old structure, prior-year figures restated

**Global projects to expand capacity**

As part of the Europe-wide expansion of capacity for C<sub>4</sub>-based products, new plants came on stream in Marl (Germany) and Antwerp (Belgium). These have successfully raised capacity for the plasticizer alcohol isononanol, for butadiene and for MTBE, an anti-knock additive for fuel. Thanks to a unique new process, some product streams from refineries can be utilized for C<sub>4</sub> chemistry for the first time. Total investment was in the triple-digit million euro range.

To ensure sustainable and reliable long-term supply of potassium derivatives to customers, Evonik has established a production joint venture with Akzo Nobel to build and operate a membrane electrolysis plant for chlorine and potassium hydride solution in Ibbenbüren (Germany). Production is scheduled to start in the fourth quarter of 2017.

In Mobile (Alabama, USA) the Performance Materials segment has embarked on a substantial capacity increase for ACA (acrolein cyanohydrin-o-acetate). This drives forward the very successful exclusive partnership with a global leader in broadband herbicides. The new production plant, which involves total investment in the triple-digit million euro range, should start operating in early 2017.

From the second half of 2016 Performance Materials will have access to new capacity for sodium cyanide from a joint venture with the Mexican group IDESA. This will greatly strengthen its position in the growing Mexican market.

## Performance Materials segment

The heart of the Performance Materials segment is the production of polymer materials and intermediates, mainly for the rubber, plastics and agriculture 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.

### Key data for the Performance Materials segment

in € million	2015	2014	Change in %
External sales	3,435	3,827	-10
Adjusted EBITDA	309	325	-5
Adjusted EBITDA margin in %	9.0	8.5	-
Adjusted EBIT	174	204	-15
Capital expenditures	183	218	-16
Depreciation and amortization	132	109	21
Capital employed (annual average)	1,467	1,397	5
ROCE in %	11.9	14.6	-
No. of employees as of December 31	4,380	4,353	1

Prior-year figures restated

#### Lower sales

Sales declined 10 percent to €3,435 million in the Performance Materials segment. Since volume sales were almost stable, the decline was principally due to the oil-driven reduction in selling prices. By contrast, exchange rates had a positive effect.

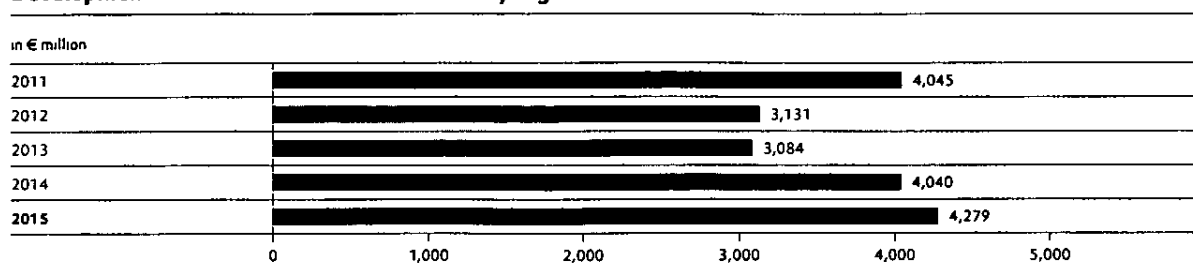
Performance intermediates, in particular, reported significantly lower sales than in the previous year. This was caused by a sharp decline in selling prices for products from the integrated C<sub>4</sub> platform in the wake of the reduction in the oil price. The downward trend gained momentum in the second half of the year. Methacrylate products benefited from good demand in the first half of the year. Polymethylmethacrylate (PMMA) for the automotive industry also developed well, but market conditions for PMMA sheet remained difficult. Alcoholates for the production of biodiesel posted another good performance.

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

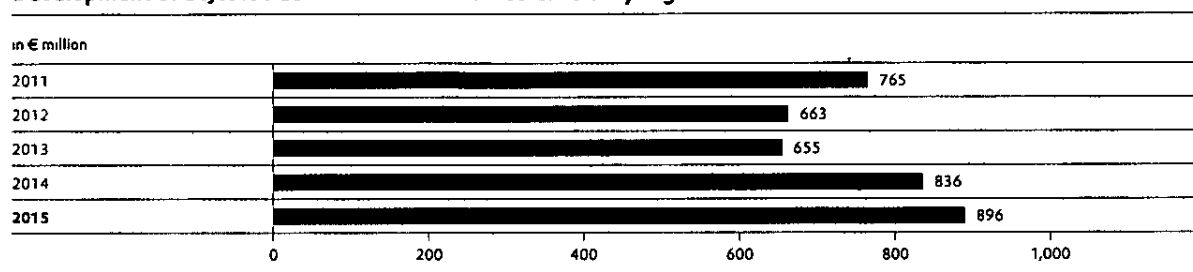
Adjusted EBITDA slipped 5 percent year-on-year to €309 million. This was caused by lower selling prices, while the decline was checked by the reduction in the cost of oil-based raw materials. The adjusted EBITDA margin improved from 8.5 percent to 9.0 percent.

#### Targeted investment—Lower return on capital employed

To secure its leading market positions, raise efficiency and broaden its technology base, the Performance Materials segment invested €183 million in property, plant and equipment in 2015. Capital expenditures therefore exceeded depreciation, which amounted to €132 million. The average capital employed increased by €70 million to €1,467 million as a result of the segment's selective capital expenditures. ROCE dropped from 14.6 percent to 11.9 percent, mainly as a consequence of the reduction in earnings.

**Development of sales in the Resource Efficiency segment**

Figures for 2011 through 2013 reflect the old structure, prior-year figures restated

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

Figures for 2011 through 2013 reflect the old structure, prior-year figures restated

**Investment projects to expand market positions**

The Resource Efficiency segment has almost doubled production capacity for oil additives on Jurong Island (Singapore). This facility, which was inaugurated in May 2015, is now Evonik's biggest production plant for oil additives. The additional capacity enables this segment to meet rising demand from customers for more efficient lubricants.

By raising global capacity for precipitated silicas, the Resource Efficiency segment is supporting the growth of its global customers in the tire, construction, animal feed and nutrition industries. A new production facility is currently under construction near São Paulo (Brazil) and is scheduled to start operating in 2016. This will be the first production facility for highly dispersible silica (HD silica) for the South American tire industry. Pre-engineering work has started for a new production plant for precipitated silicas in North America, which is scheduled to be completed in early 2018. The entire project is still contingent upon approval by the relevant bodies. Progress is also being made with the expansion of capacity for specialty silicas, primarily for customers in the food, cosmetic and pharmaceutical sectors. In fall 2015, DSL Japan Co., Ltd. (DSL), Tokyo (Japan), in

which Evonik has a 51 percent stake, started up new capacity at the extended production facility for specialty silicas in Ako (Japan).

As binders for paints, specialty copolyesters are used in coil coatings and, increasingly, in food can coatings. To meet rising demand, the segment is investing in a new plant at the Witten site in Germany. This will have annual capacity of several thousand metric tons and is scheduled for completion in 2018.

**Strengthened by selective acquisitions**

The Indian catalyst producer Monarch was acquired in June 2015. This strategic acquisition will strengthen the Resource Efficiency segment's market position in activated base and precious metal catalysts and extend its business into oil and fat hydrogenation catalysts.

In October 2015, the Resource Efficiency segment acquired the hydrogen peroxide producer PeroxyChem Netherlands B.V., Amsterdam (Netherlands). Its site in Delfzijl complements the present network of European production sites.

## Resource Efficiency segment

The Resource Efficiency segment supplies high-performance materials for environment-friendly and energy-efficient system solutions for the automotive, paints, coatings, adhesives and construction industries and many other sectors. The resource efficiency megatrend is the basis for energy-efficient and environmentally compatible products and is therefore a key factor in the development of this segment's business.

### Key data for the Resource Efficiency segment

in € million	2015	2014	Change in %
External sales	4,279	4,040	6
Adjusted EBITDA	896	836	7
Adjusted EBITDA margin in %	20.9	20.7	–
Adjusted EBIT	675	642	5
Capital expenditures	241	273	–12
Depreciation and amortization	222	194	14
Capital employed (annual average)	2,726	2,474	10
ROCE in %	24.8	25.9	–
No. of employees as of December 31	8,662	7,835	11

Prior-year figures restated

### Higher sales

Sales in the Resource Efficiency segment grew 6 percent to €4,279 million. Alongside positive currency effects, this was attributable to organic sales growth resulting from higher volumes and stable selling prices.

There was strong growth in sales of crosslinkers, which benefited above all from attractive end-markets such as construction and wind energy. Oil additives, which enhance the performance of engines and gears in the automotive, construction and transportation industries, were again very successful. Sales of silica also increased appreciably, mainly due to buoyant demand for products for the silicones and tire sectors. The catalysts business benefited from the first-time consolidation of the catalyst producer Monarch Catalyst Pvt. Ltd., Dombivli (India), which was acquired in June 2015. High demand for hydrogen peroxide products for traditional applications, especially in the paper and textile industries, resulted in higher sales. Sales of high performance polymers were around the prior-year level, although this still included the solimides business that was divested in September 2014.

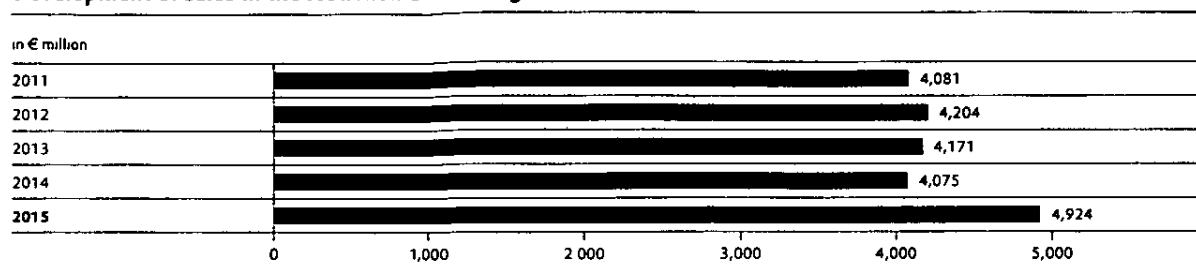
### Improvement in earnings

Adjusted EBITDA in the Resource Efficiency segment advanced 7 percent to €896 million, mainly as a result of higher volumes, better capacity utilization, positive currency effects, and lower raw material costs. The adjusted EBITDA margin increased slightly to 20.9 percent.

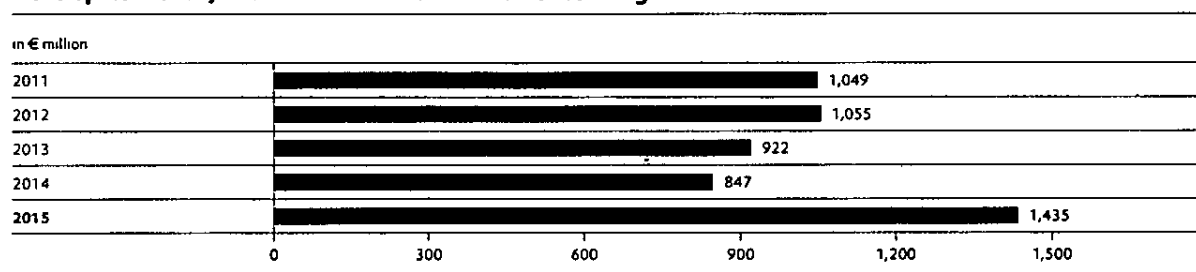
### High investment—Return on capital employed still very good

Capital expenditures in the Resource Efficiency segment remained high at €241 million, but were 12 percent lower than in the previous year. Nevertheless, they were slightly above depreciation, which amounted to €222 million. As a result of the expansion of production capacity, the average capital employed increased by €252 million to €2,726 million. ROCE was very good at 24.8 percent, but below the prior-year level of 25.9 percent due to higher capital expenditures, which increase capital employed but only impact adjusted EBIT successively as the new capacity comes into service.



**Development of sales in the Nutrition & Care segment**

Figures for 2011 through 2013 reflect the old structure, prior-year figures restated

**Development of adjusted EBITDA in the Nutrition & Care segment**

Figures for 2011 through 2013 reflect the old structure, prior-year figures restated

The average capital employed increased by €396 million to €2,923 million, principally because of the high capital expenditures in previous years. Thanks to the positive earnings trend, ROCE improved to 41.5 percent, up from 27.1 percent in 2014.

**Investment projects to drive growth**

Since demand for amino acids for modern animal nutrition is growing fast, selective capacity increases in this field are a major focus of investment in the Nutrition & Care segment. A new facility for biotechnological production of around 100,000 metric tons p.a. of Biolys® (L-lysine), an amino acid for animal feed, was completed in Castro (Brazil). 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.

In addition, the segment invested in new production facilities for methionine formulations tailored specifically to the nutritional requirements of species other than poultry. A facility to produce Mepron® for dairy cattle has been erected in Mobile (Alabama, USA). Investment in this plant was in the low double-digit million euro range. Evonik has also developed AQUAVI® Met-Met, a dipeptide with two methionine molecules, for aquaculture of shrimp and other crustaceans. The first production facility is currently under

construction in Antwerp (Belgium), and is scheduled to come on stream in April 2016. This investment is also in the low double-digit million euro range.

In view of the strong growth in the market for methionine, Evonik is planning to build a further world-scale production complex alongside the facility on Jurong Island (Singapore) that came into service in November 2014. In this new, fully backwardly integrated production complex as well, all key strategic precursors will be produced by Evonik.

As part of the global expansion of the production network for oleochemical specialty surfactants, all production technologies for the high-growth cosmetics and consumer goods industry were successfully started up at the new facility in Americana (Brazil).

Evonik has a global investment initiative to strengthen its integrated technology platform for specialty silicones in Germany and China. Total planned investment is in the triple-digit million euro range. The first capacity expansion in Essen (Germany) came into operation in 2015. The plants there will be extended further over the next few years and a new silicone platform will be constructed in Shanghai (China). The silicone platforms are the backbone of significant business activities in the Nutrition & Care and Resource Efficiency segments.

## 2.6 Segment performance

### Nutrition & Care segment

The Nutrition & Care 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 animal protein such as meat, eggs, milk and fish, 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.

#### Key data for the Nutrition & Care segment

in € million	2015	2014	Change in %
External sales	4,924	4,075	21
Adjusted EBITDA	1,435	847	69
Adjusted EBITDA margin in %	29.1	20.8	–
Adjusted EBIT	1,214	685	77
Capital expenditures	250	458	–45
Depreciation and amortization	212	157	35
Capital employed (annual average)	2,923	2,527	16
ROCE in %	41.5	27.1	–
No. of employees as of December 31	7,165	6,943	3

Prior year figures restated

#### Considerable sales growth

The Nutrition & Care segment posted an extremely successful business performance in 2015 and grew sales 21 percent to €4,924 million. Alongside slightly higher volumes, the main drivers were considerably higher selling prices and positive currency effects.

In particular, there was a substantial increase in sales of essential amino acids for animal nutrition. The strong trend to modern and sustainable animal nutrition continues to have a positive impact on this business. Thanks to the new production facility that came on stream in Singapore at the end of 2014, we were able to satisfy the significant rise in demand for our methionine products and raise volumes further. Having risen since fall 2014, prices have stabilized at a very attractive level since summer 2015. Considerably higher sales were also registered for healthcare products, with exclusive synthesis and pharmaceutical polymers for smart drug delivery systems proving particularly successful. Sales of personal care products were higher, especially in North America

and the Asia-Pacific region, aided by the new capacity in China. In the baby care business, volumes declined, principally because competitors brought new production capacities on stream. Sales were therefore down year-on-year.

#### Substantial increase in adjusted EBITDA

The Nutrition & Care segment's adjusted EBITDA grew 69 percent to €1,435 million, driven mainly by higher selling prices and positive currency effects. The adjusted EBITDA margin improved significantly from 20.8 percent in 2014 to 29.1 percent.

#### Capital expenditures scaled back as planned— Attractive return on capital employed

Capital expenditures in the Nutrition & Care segment amounted to €250 million. That was well below the prior-year figure of €458 million, which was boosted by high growth-driven investments. Nevertheless, capital expenditures were well above depreciation, which was €212 million.

The average capital employed increased by €0.5 billion to €10.5 billion in 2015. Capital employed was increased by the rise in property, plant and equipment and higher trade accounts receivable, which resulted from further implementation of our growth investments. The divestment of the stake in Vivawest and impairment losses on property, plant and equipment had a counter-effect. The considerable improvement in ROCE was attributable to higher operating earnings, while the increase in capital employed had a counter-effect.

In the three chemical segments, ROCE is well above the cost of capital. The return on capital employed in the Nutrition & Care and Resource Efficiency segments is well above average. The ROCE for the Group is considerably lower because capital employed also includes identified hidden reserves from former business combinations.

#### ROCE by segment

In %	2015	2014
Nutrition & Care	41.5	27.1
Resource Efficiency	24.8	25.9
Performance Materials	11.9	14.6
Services	9.4	9.7
<b>Evonik (including Corporate, other operations)</b>	<b>16.6</b>	<b>12.5</b>

Prior-year figures restated

#### Clear 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, the Group creates value (value spread approach). In 2015, we generated EVA® of €646 million. The hike of €446 million compared with the previous year was mainly attributable to the improvement in operating earnings.

## 2.5 Comparison of forecast and actual performance

#### Financial forecast clearly met

In our annual report for 2014 we forecast a slight rise in sales and slightly higher adjusted EBITDA than in the previous year. Thanks to the very good development of our growth segments, Nutrition & Care and Resource Efficiency, especially

in the first half of the year, we raised our guidance at the end of the first and second quarters. After the first six months, we anticipated that at year end we would report sales of around €13.5 billion and adjusted EBITDA of around €2.4 billion. We clearly achieved this revised forecast, with sales up 5 percent at €13,507 million and a 31 percent rise in adjusted EBITDA to €2,465 million. Adjusted EBITDA greatly exceeded our original forecast. This was principally attributable to the more favorable price trend in the Nutrition & Care segment and the reduction in raw material costs resulting from the drop in the oil price.

Since the earnings improvement was better than expected, ROCE was well above the prior-year figure at 16.6 percent. It was also well above the cost of capital, as had been expected.

As a consequence of the disciplined implementation of our growth investments, our capital expenditures totaled €0.9 billion in 2015 so we did not fully utilize the budget of up to €1.1 billion.

In view of the capital required to fund our growth investments, payment of the dividend and the planned cash transfer to the CTA, we had expected to report net financial debt. However, we are able to report a net financial asset position of €1.1 billion thanks to the better-than-expected business performance, the sale of the shares in Vivawest and the fact that capital expenditures were lower than had been budgeted.

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

Our significant non-financial performance indicators for occupational and plant safety 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.

We had expected to achieve a slight improvement in the accident frequency indicator in 2015 and aimed to remain below our upper limit of 13. We clearly achieved this goal, with an accident frequency rate of 1.0.

We also aimed for a slight improvement in our Incident frequency indicator, with a ceiling of 48. The indicator again came in at a good level of 55 and therefore exceeded our ambitious target despite a slight deterioration compared with the previous year (53).

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, for example, through our safety culture initiative.

Specific human resources measures have now been defined to achieve the headcount reductions associated with the savings and 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 increase further in the future.

There were a large number of unforeseeable production outages (force majeure) in 2015, especially in the European chemical industry. We essentially managed to secure supply to our sites through close cooperation with the suppliers affected and by drawing on alternative suppliers.

To optimize material costs, Evonik uses a total-cost-of-ownership (TCO) approach to procurement, together with cross-unit purchasing to leverage savings potential in the process as a whole and along the entire supply chain. Stepping up collaboration with the business entities is a key success factor for efficient and effective procurement processes.

The efficiency of the procurement organization has been optimized further through Administration Excellence. The main leverage was further integration of local and regional procurement into our global procurement structures, and systematic separation of strategic and operational activities within the procurement organization. Ongoing efficiency improvements will remain a core aspect of procurement in 2016. The main drivers will be automation and harmonization of global procurement processes, especially in the operating units.

As well as participating in procurement alliances with other companies and validating new suppliers, we are working intensively to extend strategic relationships with suppliers. Here we are looking for additional 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. These sustainability aspects are also supported by standardized global assessments through the Together for Sustainability (TfS) sector initiative, which was co-founded by Evonik. Evonik's principal

suppliers and the majority of our critical suppliers have already taken part in these assessments, which are evaluated by EcoVadis, an impartial sustainability rating company.

In 2015 Evonik spent around €8.3 billion on raw materials and supplies, technical goods, services, energy and other operating supplies. Petrochemical feedstocks accounted for about 25 percent of the total. Overall, raw materials and supplies make up around 59 percent of procurement volume.

Using renewable resources remains very important to Evonik. In 2015, around 8 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.

### Very good return on capital employed

Within our value-oriented management approach, our success is measured principally by ROCE, which was 16.6 percent in 2015 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.

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

in € million	2015	2014
Intangible assets	3,158	3,067
+ Property, plant and equipment, investment property	5,690	5,116
+ Investments	175	386
+ Inventories	1,782	1,681
+ Trade accounts receivable	1,923	1,749
+ Other interest-free assets	435	497
- Interest-free provisions	-999	-911
- Trade accounts payable	-1,050	-1,072
- Other interest-free liabilities	-584	-459
<b>= Capital employed*</b>	<b>10,530</b>	<b>10,054</b>
<b>Adjusted EBIT</b>	<b>1,752</b>	<b>1,256</b>
<b>ROCE (adjusted EBIT / capital employed) in %</b>	<b>16.6</b>	<b>12.5</b>
Cost of capital (capital employed * WACC)	1,106	1,056
<b>EVA® (adjusted EBIT - cost of capital)</b>	<b>646</b>	<b>200</b>

Prior-year figures restated

\* Annual averages

## Reconciliation to adjusted net income

in € million	2015	2014	Change in %
<b>Adjusted EBITDA</b>	<b>2,465</b>	<b>1,882</b>	<b>31</b>
Depreciation and amortization	-713	-626	
<b>Adjusted EBIT</b>	<b>1,752</b>	<b>1,256</b>	<b>39</b>
Adjusted financial result	-179	-209	
Amortization and impairment losses on intangible assets	39	59	
<b>Adjusted income before income taxes<sup>a</sup></b>	<b>1,612</b>	<b>1,106</b>	<b>46</b>
Adjusted income taxes	-473	-313	
<b>Adjusted income after taxes<sup>a</sup></b>	<b>1,139</b>	<b>793</b>	<b>44</b>
thereof adjusted income attributable to non-controlling interests	11	11	
<b>Adjusted net income<sup>a</sup></b>	<b>1,128</b>	<b>782</b>	<b>44</b>
<b>Adjusted earnings per share<sup>a</sup> in €</b>	<b>2.42</b>	<b>1.68</b>	

<sup>a</sup> Continuing operations

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 -€88 million in 2015. The adjustments include restructuring expenses of €65 million, mainly for optimization of the product portfolio in the Performance Materials segment and in connection with the new Group structure. The impairment losses/reversals of impairment losses totaling -€63 million relate to capitalized costs for a project in the Resource Efficiency and Performance Materials segments that was terminated following a routine review of investment projects, a production plant and intangible assets in the Performance Materials segment, and an equity investment in the Nutrition & Care segment. Income of €142 million from the divestment of shareholdings mainly comprised the divestment of the stake in Vivawest. Other adjustments chiefly comprise risk provisioning relating to a contract with a raw materials supplier, expenses for the reorganization and simplification of corporate structures in Europe, and expenses for an increase in provisions for the partial retirement program to comply with IAS 19. In the prior year, the adjustments totaling -€179 million mainly comprised restructuring expense, principally to optimize administrative structures and the product portfolio of the Nutrition & Care segment.

The financial result of -€223 million contains one-off factors of -€44 million mainly for interest expense in connection with the establishment of provisions. In the previous year, this comprised one-off expense of €26 million. Excluding these effects, the improvement in the financial result was higher, mainly because of the considerably lower cost of refinancing and the voluntary transfers to the contractual trust arrangement (CTA). Income before income taxes, continuing operations grew 71 percent to €1,441 million. The income tax rate was 29 percent, which was in line with the expected Group tax rate.

Income after taxes, discontinued operations was -€17 million and mainly relates to the remaining lithium-ion activities, which were divested in April 2015. The prior-year figure of -€9 million contained operating income from the lithium-ion business and the stake in STEAG, which was divested in September 2014.

The Evonik Group's net income rose 74 percent to €991 million.

Adjusted net income, which reflects the operating performance of the continuing operations, increased 44 percent to €1,128 million in 2015. Adjusted earnings per share therefore rose from €1.68 to €2.42.

## Target for On Track 2.0 achieved—

## Administration Excellence well on schedule

At the start of 2012 we set up the On Track 2.0 efficiency enhancement program to achieve a continuous improvement in process efficiency, especially in the production function. The goal was to reduce production costs by €500 million following realization of this program in the period up to 2016. That has now been achieved. By the end of 2015, measures with the potential to cut costs by well over €550 million had been identified and adopted for implementation.

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. This aims to implement measures with cost-improvement potential of around €230 million by the end of 2016. By year-end 2015 measures with cost-saving potential of around €100 million had already been implemented. In addition, more than 90 percent of the measures defined had been passed on to the responsible units for implementation.

### Organic sales growth

Evonik posted organic sales growth of 1 percent as volumes were higher and prices were unchanged overall. Sales grew 5 percent to €13,507 million, driven by positive currency effects (5 percentage points), principally as a consequence of the depreciation of the euro versus the US dollar and the Chinese renminbi yuan. The other effects (-1 percentage point) include changes in the scope of consolidation.

### Change in sales 2015 versus 2014

in %	
Volumes	1
Prices	0
<b>Organic sales growth</b>	<b>1</b>
Exchange rates	5
Other effects	-1
<b>Total</b>	<b>5</b>

### Very good adjusted EBITDA

Adjusted EBITDA was €2,465 million, 31 percent above the prior-year figure. Alongside positive currency effects, contributory factors were sustained good demand, the positive price trend and lower raw material costs. The adjusted EBITDA margin increased from 14.6 percent to a very good level of 18.2 percent.

### Adjusted EBITDA by segment

in € million	2015	2014	Change in %
Nutrition & Care	1,435	847	69
Resource Efficiency	896	836	7
Performance Materials	309	325	-5
Services	163	151	8
Corporate, other operations, consolidation	-338	-277	-22
<b>Evonik</b>	<b>2,465</b>	<b>1,882</b>	<b>31</b>

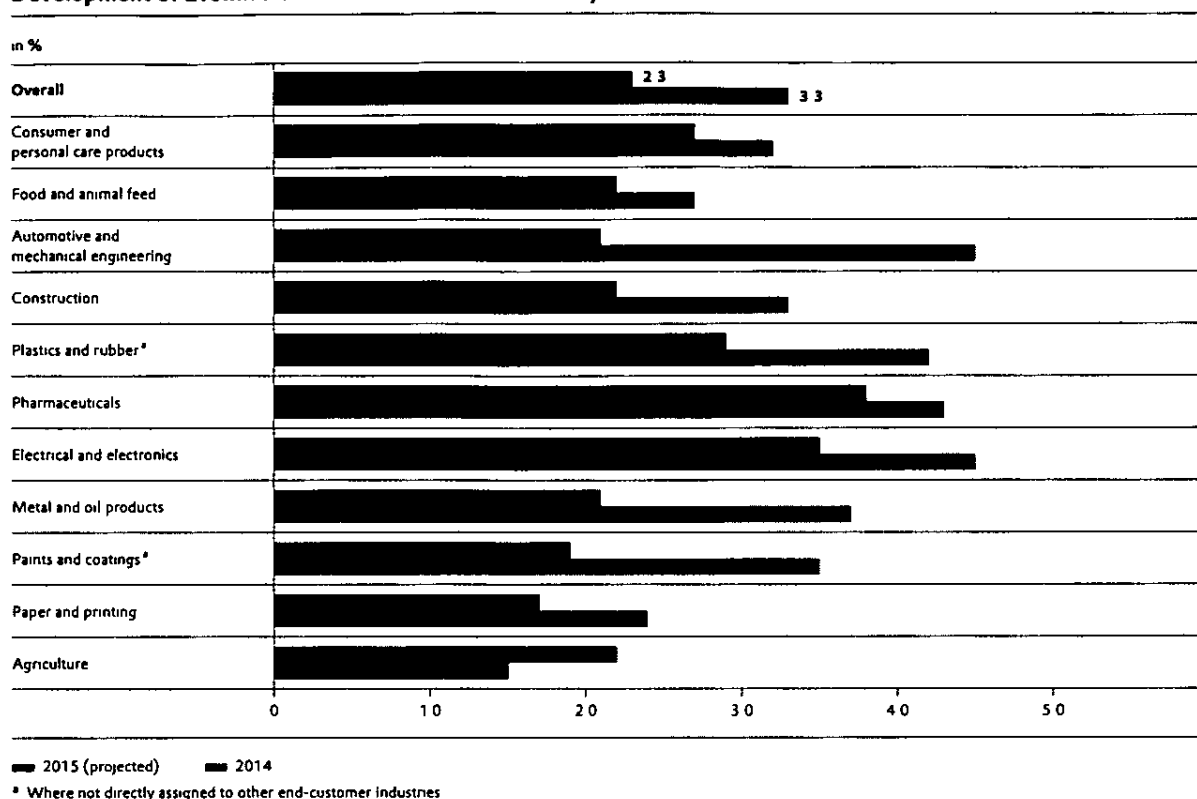
Prior-year figures restated

The Nutrition & Care segment benefited from higher volumes and, above all, higher selling prices accompanied by lower raw material prices. Its earnings were therefore considerably higher than in the prior year. The Resource Efficiency segment improved earnings thanks to higher volumes, high capacity utilization and lower raw material costs. By contrast, the Performance Materials segment was hampered considerably by the reduction in selling prices, whereas lower raw material costs alleviated the situation. Overall, its earnings contribution was slightly lower than in the previous year. Earnings in the Services segment were higher than in the previous year. The adjusted EBITDA reported by Corporate, other operations, including consolidation, was -€338 million. This includes, among others, expenses for the Corporate Center and strategic research.

### Sales and reconciliation from adjusted EBITDA to net income

in € million	2015	2014	Change in %
<b>Sales</b>	<b>13,507</b>	<b>12,917</b>	<b>5</b>
<b>Adjusted EBITDA</b>	<b>2,465</b>	<b>1,882</b>	<b>31</b>
Depreciation and amortization	-713	-626	
<b>Adjusted EBIT</b>	<b>1,752</b>	<b>1,256</b>	<b>39</b>
Adjustments	-88	-179	
thereof attributable to			
Restructuring	-65	-86	
Impairment losses/reversals of impairment losses	-63	-37	
Acquisition/divestment of shareholdings	142	1	
Other	-102	-57	
<b>Income before financial result and income taxes (EBIT)</b>	<b>1,664</b>	<b>1,077</b>	<b>55</b>
Financial result	-223	-235	
<b>Income before income taxes, continuing operations</b>	<b>1,441</b>	<b>842</b>	<b>71</b>
Income taxes	-422	-252	
<b>Income after taxes, continuing operations</b>	<b>1,019</b>	<b>590</b>	<b>73</b>
Income after taxes, discontinued operations	-17	-9	
<b>Income after taxes</b>	<b>1,002</b>	<b>581</b>	<b>72</b>
thereof attributable to non-controlling interests	11	13	
<b>Net income</b>	<b>991</b>	<b>568</b>	<b>74</b>
<b>Earnings per share</b>	<b>2.13</b>	<b>1.22</b>	

Prior year figures restated

**Development of Evonik's end-customer industries 2014/2015****2.3 Major events**

At the end of June 2015, Evonik Industries AG divested its remaining 10.3 percent stake in the residential real estate company Vivawest GmbH to RAG Aktiengesellschaft for €428 million. Through this transaction, Evonik Industries AG has now completely withdrawn from its real estate activities in order to focus on specialty chemicals. The divestment gain is recognized in other operating income.

At its meeting on June 25, 2015, the Supervisory Board of Evonik Industries AG adopted a resolution on ending the term of office of Patrik Wohlhauser as a member of the Executive Board and Chief Operating Officer (COO) by mutual agreement effective June 30, 2015. At the same time, Dr. Ralph Sven Kaufmann was appointed to the Executive Board of Evonik Industries AG as the company's new COO with effect from July 1, 2015.

**2.4 Business conditions and performance****A successful business trend**

Despite the challenging business conditions, we achieved a significant year-on-year improvement in adjusted EBITDA in all four quarters. Although global growth was below expectations, high demand enabled our two growth segments, Nutrition & Care and Resource Efficiency, to report good volume trends, aided by new production capacity. Selling prices rose considerably in the Nutrition & Care segment but decreased in the Performance Materials segment, principally due to the lower oil price. Overall, selling prices were on the previous year's level.

## 2.2 Economic background

### Weaker global economic momentum

Global economic conditions were slightly weaker than expected in 2015. We estimate that global economic growth was around 2.6 percent, which was lower than in the previous year (2.7 percent). At the start of 2015, growth of 3.0 percent had still been anticipated.

The main factors were the continued slowdown of economic activity in the emerging markets, which overshadowed the sound economic momentum in the industrialized economies.

In Europe, the economy picked up in 2015 thanks to the European Central Bank's expansionary monetary policy, the depreciation of the euro, and the low oil price. In Germany, consumer spending, in particular, was boosted by the good employment situation and lower oil price. By contrast, industry only posted modest growth.

During the year the US economy recovered from the temporary dip at the start of the year, with the main impetus coming from consumer spending. Although the appreciation of the dollar and lower investment in the oil and gas sector held back manufacturing industry, the US economy achieved full employment in 2015. The Federal Reserve raised its key interest rates in the fourth quarter for the first time since 2006, ushering in the reversal of its monetary policy.

The lower growth in the emerging markets was driven by a number of factors: slowing growth in China, declining commodity prices and a deterioration in the financial situation as a result of capital outflows and the depreciation of currencies. This had an especially big impact on commodity exporting countries. The recession in Brazil and Russia worsened.

In China, the slowdown in growth caused by the transition to a new economic model with a greater focus on the domestic market continued. Uncertainty about the economic development in China increased, especially in the second half of the year, resulting in higher volatility on the financial markets.

### Solid development of end-customer industries

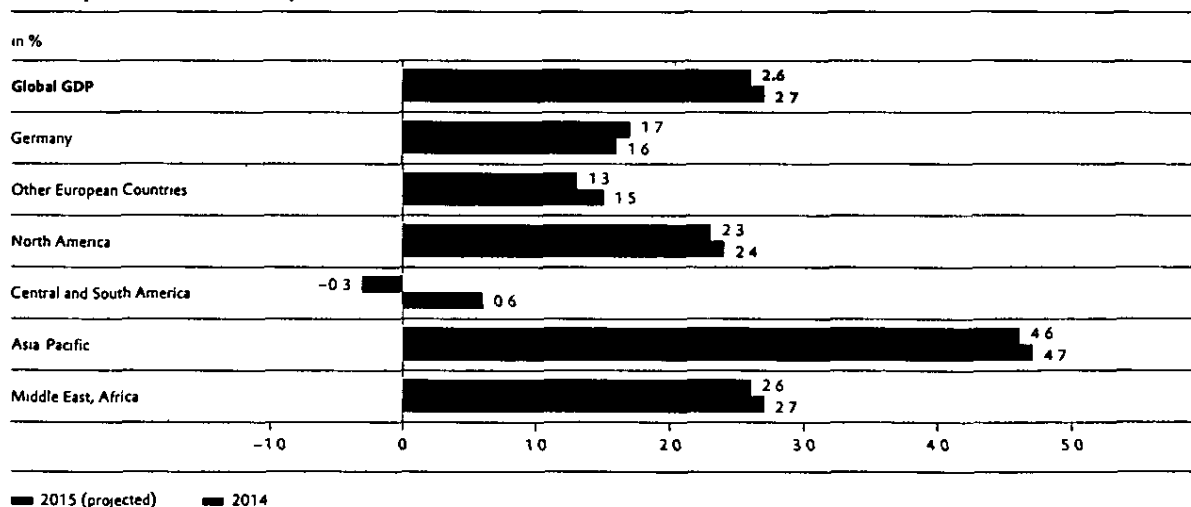
Worldwide, the development of Evonik's end-customer industries differed by region and by sector in the first half of 2015.

Demand for food and animal feed continued its very pleasing trend. There was a year-on-year rise in output of consumer and care products, mainly in North America but also to some extent in Europe. Following a strong first half, growth momentum in the electrical and electronics sector in Asia, North America and some parts of Europe weakened in the remainder of the year. Automotive production cooled in Asia, but continued to grow at a moderate pace in North America and Europe. Overall though, the general industrial trend in Europe and North America remained weak and output only increased slightly.

The average price of Evonik's raw materials was lower than in 2014. This was due to the substantial drop in the price of oil, which triggered a reduction in the price of most of Evonik's specific raw materials.

The euro continued to depreciate against Evonik's most important foreign currency, the US dollar, in 2015 and the average exchange rate was considerably lower than in the previous year at US\$1.11 (2014: US\$1.33).

### Development of GDP 2014/2015





## 2. Business review

- Successful development of the Nutrition & Care and Resource Efficiency growth segments
- Very good adjusted EBITDA margin of 18.2 percent, attractive return on capital employed (ROCE) of 16.6 percent
- Adjusted net income up 44 percent

### 2.1 Overall assessment of the economic situation

Strategically, our new Group structure has further improved our basis for profitable growth in the future. The selective expansion of our market-leading positions was also successful. The new production capacities that have come on stream made a clear contribution to our very good business performance. We are still implementing our growth investments in a disciplined manner.

Operationally, our business developed extremely well. In particular, our two growth segments, Nutrition & Care and Resource Efficiency, were able to raise volume sales further thanks to buoyant demand and increased production capacity. The positive price trend for some important products that started in the second half of 2014 continued uninterrupted until summer 2015 and prices then remained stable in the second half of the year. By contrast, selling prices fell considerably in the Performance Materials segment due to the sharp drop in the oil price. Overall, selling prices were on a level with the prior year.

Sales increased by 5 percent to €13,507 million in 2015. Adjusted EBITDA rose even faster, growing 31 percent to €2,465 million. Higher earnings contributions mainly came

from the growth segments, and earnings in the Performance Materials segment were only down slightly year-on-year.

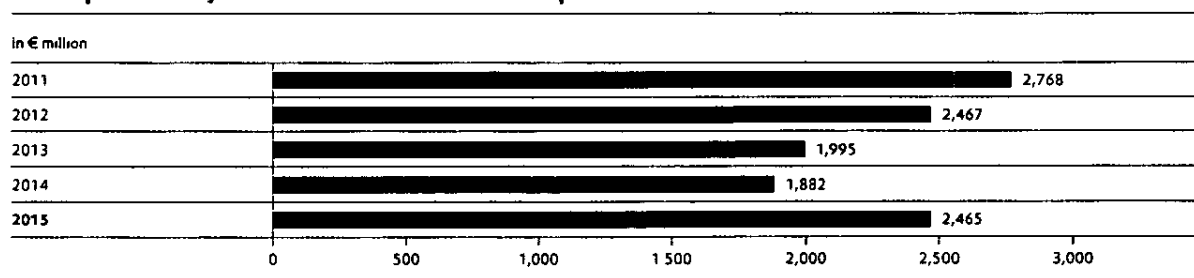
Thanks to our very successful business performance, earnings were high. The adjusted EBITDA margin improved substantially to 18.2 percent, which is also excellent by sector standards. The ROCE of 16.6 percent represents a very attractive return.

Net income improved 74 percent to €991 million, while adjusted net income advanced 44 percent to €1,128 million. To enable our shareholders to participate in this very pleasing business trend, at the Annual Shareholders' Meeting the Executive Board and Supervisory Board will be proposing a dividend payment of €1.15 per share.

Our financial profile remains good. At year-end 2015 we again had a net asset position. The cash flow from operating activities, continuing operations was a strong €1,968 million. After deduction of outflows for capital expenditures, the free cash flow was very high at €1,052 million. Evonik still has a sound investment grade rating (Moody's Baa2, Standard & Poor's BBB+).

Overall, we consider that we are well-positioned for the challenges that could result from the weak economic conditions and geopolitical tension in 2016.

#### Development of adjusted EBITDA in the Evonik Group



The figure for 2011 includes adjusted EBITDA of €219 million for the former Real Estate segment. 2014 restated.

We also set ourselves ambitious environmental targets. The aim is to make a contribution to climate protection, minimize our ecological footprint, and steadily improve our environmental protection performance. In 2014, we set new targets for the period 2013 to 2020 (reference base 2012)

- Reduce specific greenhouse gas emissions<sup>1</sup> by 12 percent
- Reduce specific water intake by 10 percent

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

### 1.3 Business management systems

#### 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.

Our key performance indicator is **adjusted EBITDA**. 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.

The return on capital employed (**ROCE**) is used as a further indicator of value-driven management of the company. 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, indicates 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.

#### Most important non-financial key performance indicators

Evonik also uses a wide variety of non-financial performance indicators. For example, our annual sustainability report<sup>2</sup> provides information on ecological and societal issues to supplement our economic reporting.

Traditionally, we accord special significance to **safety**, which is regarded as a holistic management task that has to be lived at all management levels. Our guiding principles on safety are binding for staff at all levels and were reinforced in 2015 by a global safety culture initiative. In accordance with corporate policy, 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<sup>3</sup>.

To protect the environment we specifically 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. That ensures more efficient use of resources and minimizes environmental impact. We regard specific greenhouse gas emissions as a particularly important environmental indicator, which we plan to use as a key non-financial performance indicator from fiscal 2017.

<sup>1</sup> Energy- and process related emissions as defined by the Greenhouse Gas Protocol

<sup>2</sup> This report is based on G4, the currently valid guidelines issued by the Global Reporting Initiative (GRI)

<sup>3</sup> See sections Principles and objectives and Sustainability

## Global production

Evonik has a presence in more than 100 countries and 82 percent of sales are generated outside Germany. We have production facilities in 24 countries on five continents and are therefore close to our markets and our customers. 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

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 extending our leading market positions around the world. All investment projects are regularly reviewed for changes in the market situation.

**Innovations** are the driving force of future growth. Through them, we gain access to new products and applications, enter attractive future markets and strengthen our market and technology leadership.

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<sup>1</sup> worldwide.

The cornerstones of our corporate culture are our **corporate values** "sparing no effort", "courage to innovate" and "responsible action", which represent the balance between economically successful, ecologically responsible and socially appropriate behavior.

Our sustainability strategy is based on the megatrends identified in our corporate strategy, supplemented by ecological and societal challenges. We are keenly committed to expanding the contribution made by our innovative solutions to **sustainable development**.

### 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

As a responsible specialty chemicals company, we have also defined ambitious **non-financial targets**. We take our responsibility in the field of safety<sup>2</sup> particularly seriously. Our objective is to protect our employees and local residents as well as the environment from any potential negative impact of our activities. Accordingly, we set annual limits for occupational safety and plant safety indicators. For 2016 these are once again:

- The accident frequency<sup>3</sup> rate should not exceed 1.3
- Incident frequency<sup>4</sup> should not exceed 48<sup>5</sup>, taking 2008 as the reference base

<sup>1</sup> See section headed Business review

<sup>2</sup> See section on Sustainability

<sup>3</sup> Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 1 million working hours

<sup>4</sup> This indicator comprises incidents resulting in the release of substances, fire or explosion, even if there is little or no damage

<sup>5</sup> Number of incidents per 1 million hours worked in the production facilities operated by the segments, taking 2008 as the reference base (expressed in percentage points: 2008 = 100)

far greater entrepreneurial independence, so they can operate closer to their markets and customers and improve efficiency still further

The Nutrition & Care segment produces specialty chemicals, principally for use in consumer goods for daily needs, and in animal nutrition and healthcare products

The Resource Efficiency segment supplies high-performance materials for environment-friendly and energy-efficient system solutions for the automotive, paints, coatings, adhesives and construction industries and many other sectors

The heart of the Performance Materials segment is the production of polymer materials and intermediates, mainly for the rubber, plastics and agriculture industries

The Services segment offers services for the chemical segments and external customers at our sites and supports the chemicals businesses and the management holding company by providing standardized Group-wide business services

The Nutrition & Care and Resource Efficiency segments operate principally in markets with high margins, growth rates and entry barriers. They both offer customers customized, innovation-driven solutions and the aim is for them to achieve above-average, profitable growth through innovations, investments and acquisitions

The Performance Materials segment is characterized by processes that make intensive use of energy and raw materials. It therefore concentrates on integrated, cost-optimized technology platforms, efficient workflows, and economies of scale. Our strategic goal for this segment is to contribute earnings to finance the growth of the Evonik Group. In the

future, investments and, where appropriate, alliances will concentrate on securing and extending our good market positions

### Integrated technology platforms are a competitive advantage

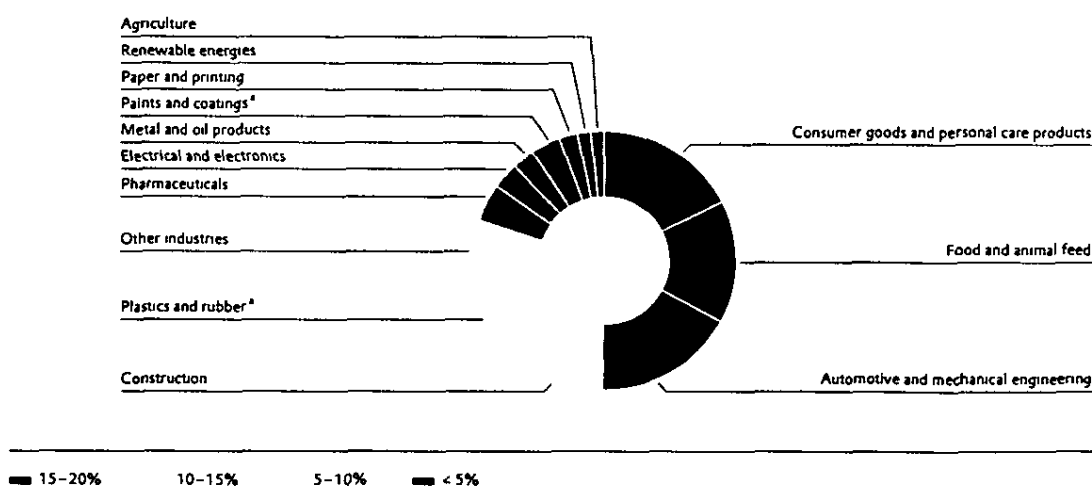
Our products are manufactured using highly developed technologies that we are constantly refining. In many cases, Evonik has backwardly integrated production complexes where it produces key precursors for its operations in neighboring production facilities. In this way we offer our customers maximum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

Further advantages are leveraged by the use of our integrated technology platforms for several businesses. That generates economies of scale and optimizes the 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.

### 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.

### Evonik's end-markets



<sup>a</sup> Where not directly assigned to other end customer industries

# An excellent performance in 2015— Responding vigorously to challenges in 2016

## 1. Basic information on the Evonik Group

- Strong market positions
- A balanced portfolio
- Innovations drive profitable growth

### 1.1 Business model

#### Strong market positions, a clear innovation culture, sustainable business activities

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<sup>1</sup>, which we are systematically expanding. Our strong competitive position is based on integrated technology platforms, innovative strength and working closely with our customers.

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

Market-oriented research & 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.

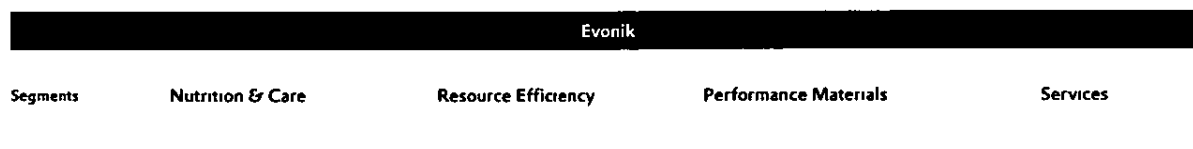
We are convinced that sustainable and responsible business activities are vital for the future of our company. Evonik therefore accepts responsibility worldwide—for its business, its employees and society.

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.

#### A decentralized corporate structure

To further improve our scope for profitable growth, we reorganized our management and portfolio structure effective January 1, 2015. The Executive Board now concentrates on Evonik's strategic development within a management holding structure. The three chemical manufacturing segments<sup>2</sup> are run by newly established management companies and have

#### Corporate structure



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

<sup>2</sup> Two segments were renamed and some activities were assigned to different segments. The prior-year figures have been restated accordingly. See Note 9.1.

# MANAGEMENT REPORT

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## Combined management report for 2015

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).

### Animal Nutrition field trip

A highlight of our capital market communication in 2015 was the Animal Nutrition field trip on October 1. Nearly 40 international analysts and investors visited our production site in Antwerp (Belgium). The focus was the Nutrition & Care segment's Animal Nutrition Business Line. The Executive Board started by outlining the company's present corporate strategy and progress with its growth strategy. As well as giving analysts and investors extensive information on all aspects of the animal nutrition business, the management then explained that market conditions remain attractive thanks to the nutrition, globalization and, above all, sustainability megatrends. On the same day, Evonik announced plans to build a further methionine plant in Singapore, which is scheduled to come on stream in 2019.

### Sound investment grade ratings and a successful bond issue

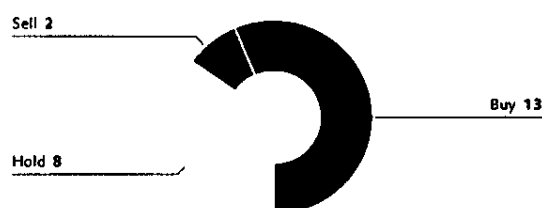
Evonik still has sound investment grade ratings: BBB+ (outlook: stable) from Standard and Poor's and Baa2 (outlook: positive) from Moody's, so we have achieved one of the main goals of our financial strategy.

In January 2015 Evonik Industries AG issued a new €750 million bond with a tenor of eight years. The annual coupon of 1.0 percent is the lowest ever on a bond issued by Evonik. The bond is being used to finance ongoing business and the investment program.

### Further increase in price targets

The number of analysts that cover Evonik increased further in 2015—from 22 to 23. Thirteen of them rated the share as a buy, two as a sell, and eight issued neutral recommendations. Their price targets ranged from €29 to €42. The median was €38. In the previous year, the price targets were between €23 and €34 with a median of €30.

### Analysts' ratings



### Inclusion in another sustainability index

Evonik is included in well-known sustainability stock indices. In 2014 it gained a place in the FTSE4Good Global and STOXX® Global ESG Leaders indices. Since December 2015 we have also been included in the Euronext Vigeo Eurozone 120 index.

## Investor Relations

For further information on our investor relations activities, visit our website at [www.evonik.com/investor-relations](http://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.

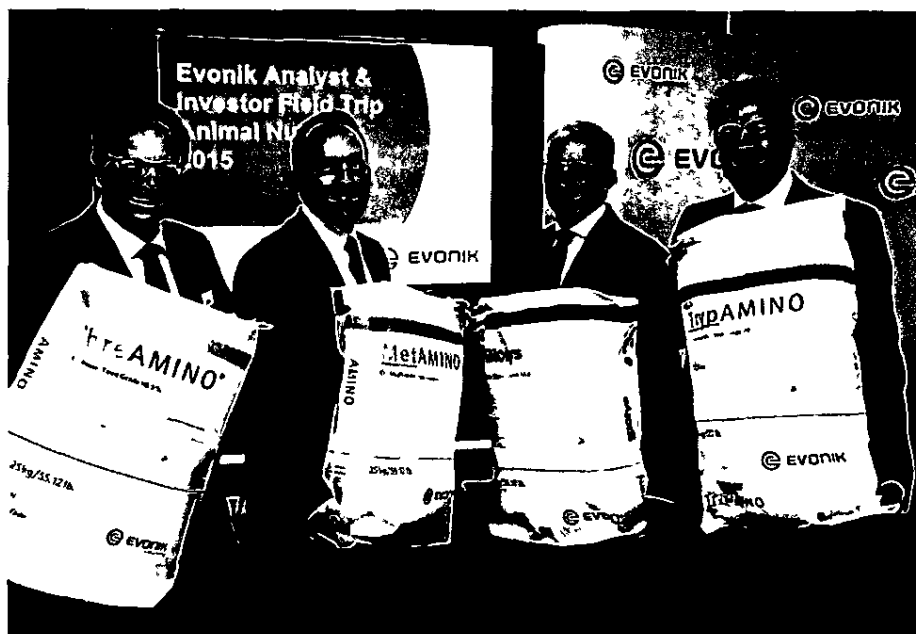
This is supplemented by information on Evonik shares, the terms of bond issues and an overview of our credit ratings. Current presentations, analysts' estimates and reports on our business performance are also available.

Contact: PHONE +49 201 177-3146 | [investor-relations@evonik.com](mailto:investor-relations@evonik.com)

### Dialogue with investors intensified

We extended our intensive dialogue with the capital markets in 2015. The Executive Board and the Investor Relations team outlined Evonik's business and growth strategy in detail to equity and bond investors at 17 roadshows and 17 conferences. In addition, they discussed our business drivers and their present development. Most of the roadshows and conferences were held in Europe, for example in London, Frankfurt, Amsterdam, Luxembourg, Paris, Dublin, Edinburgh, Oslo, Copenhagen, Zurich, Munich and Milan. The main financial centers in North America—New York, Boston, Chicago and Toronto—were also visited.

Alongside conventional capital market communication, we offer investors the opportunity to participate in field trips to our production sites to gain an insight into our products and how they are produced and marketed. Last year, the number of field trips was doubled to ten, compared with five in 2014, and included trips to our sites in Shanghai, Singapore and Antwerp as well as several sites in Germany, for example Marl, Krefeld, Essen and Herne. Overall, we registered around 700 contacts with investors during the year.



Evonik organized a field trip to its Animal Nutrition facilities in Antwerp on October 1, 2015.

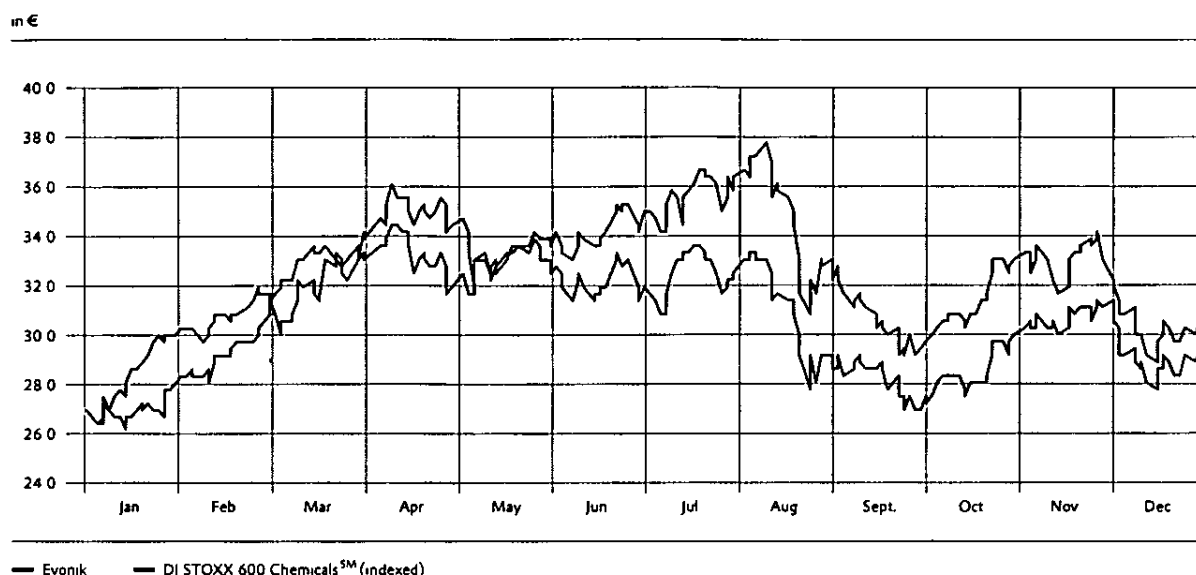


CFO Ute Wolf talking to investors and analysts.

The field trip gave international investors an insight into the Animal Nutrition business.



## Performance of Evonik shares January 1 – December 31, 2015



### Higher free float

Our biggest shareholder in fiscal 2015 was still RAG-Stiftung, which holds 67.9 percent of our capital stock. Our second largest shareholder—CVC Capital Partners—sold four blocks of shares totaling around 14.8 percent of the capital stock in 2015. At year-end, its shareholding was therefore around 4.1 percent. The free float as defined by Deutsche Börse therefore rose to 32.1 percent. The regional distribution of the free float showed that—alongside the UK—most shareholders were in the USA, Asia and Germany.

### Shareholder structure



### Far higher trading volume

The average daily trading volume in our shares increased considerably thanks to the higher free float and was around 648,000 shares (€20.9 million) in 2015, compared with 185,000 shares (€5.1 million) in 2014. Market capitalization was €14.27 billion on December 30, 2015. At the end of 2015, Evonik ranked twelfth in the MDAX on the basis of market capitalization weighted by free float and sixth on the basis of trading volume, positioning it clearly in the upper section of the index.

### Considerable dividend increase for 2015

At the Annual Shareholders' Meeting on May 18, 2016, the Executive Board and Supervisory Board will be proposing a dividend of €1.15 per share for 2015. That would be a rise of 15 percent from the previous year's dividend of €1.00 per share.

This increase continues our attractive dividend policy, which aims for dividend continuity and a payout ratio of around 40 percent of adjusted net income. At the same time, the high operating cash flow in fiscal 2015 allows a considerable increase in the dividend without impairing the Group's ambitious growth targets. Evonik has increased the dividend by an average of 9 percent per year over the past six years, positioning it among the chemical companies that pay the highest dividends.

## Evonik on the capital markets

- Pleasing share price performance in 2015
- Higher free float
- Considerable dividend increase

### Pleasing share price performance

Shares in Evonik started 2015 at €27.10 and the share price rose considerably in the early part of the year to over €36 per share in mid-April. The main reasons for this pleasing price performance were our strong operating performance and rising earnings contributions from our growth investments and efficiency enhancement programs. On August 10, following the second upward revision of our guidance for 2015, our share price rose to an all-time high of €37.73. Amid mounting concern about China's economic development, which increased the volatility of the financial markets, from mid-August Evonik's share price lost ground, along with the market as a whole. Our shares recovered slightly in the final weeks of 2015 and closed at €30.62 on December 30, 2015. That was nearly 13 percent higher than at the start of the year. Excluding the dividend payment of €1.00 in May, the increase was 16 percent. Shares in Evonik therefore performed far better than direct competitors in the chemical sector: the DJ STOXX 600 Chemicals<sup>SM</sup> only gained 5 percent over the year. The broader MDAX index rose by around 23 percent in the same period.



At the Annual Shareholders' Meeting on May 19, 2015, 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 members of Evonik's management.

### Key data

	Jan 1 – Dec 31, 2015
Highest share price* in €	37.73
Lowest share price* in €	26.30
Average price* in €	32.25
Closing price* on December 31, 2015 in €	30.62
No. of shares	466,000,000
Market capitalization* on December 31, 2015 in € billion	14.27
Average daily trading volume* (No. of shares)	~ 648,000

\* Xetra trading

### Basic data on Evonik stock

WKN	EVNK01
ISIN	DE000EVNK013
Ticker symbol	EVK
Reuters (Xetra trading)	EVKn DE
Bloomberg (Xetra trading)	EVK GY
Trading segments	Regulated market (Prime Standard), Frankfurt am Main
Indices	MDAX, MSCI World, DJ STOXX* Europe 600, Euronext Vigeo Eurozone 120, FTSE4Good Global, STOXX* Global ESG Leaders

In view of this, the Supervisory Board has set a target of at least 20 percent female members of the Executive Board to be achieved by June 30, 2017. That would maintain the present status quo as no new appointments are expected to be made before then.

Further, the Executive Board of Evonik Industries AG has a target of 80 percent female managers at the first management level below the Executive Board and 18.8 percent women at the second management level. Both targets are to be met by December 31, 2016. In each case, the targets correspond to the present status quo and take account of succession planning for these two management levels in the period up to the deadline.

### 3. Shareholders and the Shareholders' Meeting

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

### 4. Information on accounting and auditing of the financial statements

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

As proposed by the Supervisory Board, the Annual Shareholders' Meeting on May 19, 2015 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, as auditor for the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group and the combined management report for fiscal 2015. The Supervisory Board previously ascertained the independence of the auditor. The auditors that sign the audit of the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group are Mr. Lutz Granderath (since fiscal 2012) and Ms. Antje Schlotter (since 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 for the first half of 2015. This was also based on the resolution adopted on May 19, 2015.

### 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 113.

### 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 125.

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

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

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

Further details of the work of the Supervisory Board and its committees in the past fiscal year can be found in the report of the Supervisory Board on page 48. The report of the Supervisory Board also outlines the composition of the various committees and the meetings attended by members of the Supervisory Board. For details of the composition of the Supervisory Board and membership of other supervisory and governance bodies see pages 214 and 215.

The Supervisory Board regularly examines the efficiency of its work. Further details can be found in the report of the Supervisory Board on page 53.

#### **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.

## **2.4 Information on statutory diversity requirements**

The German law on equal participation of women and men in management positions in the private and public sectors came into force on May 1, 2015. The regulations are additional to the diversity requirements set forth in the German Corporate Governance Code, which Evonik has satisfied up to now. The new requirements have been considered by the relevant bodies at Evonik at various levels and the necessary resolutions have been adopted.

Since Evonik Industries AG is a publicly listed company and is therefore also subject to German co-determination legislation, its Supervisory Board is required to meet a fixed gender ratio, which is applicable for new appointments from January 1, 2016. The regulation specifies that the Supervisory Board should comprise at least 30 percent women and at least 30 percent men. As of December 31, 2015, four members of the Supervisory Board of Evonik Industries AG were women, two representing the shareholders and two representing the workforce. Thus, on the reporting date 20 percent of Supervisory Board members were women.

Evonik will take the new statutory regulations into account for new appointments from January 1, 2016 in order to meet the requirements. In light of this, the Supervisory Board has revised the targets for its composition in accordance with Section 5.4.1 Paragraph 2 of the German Corporate Governance Code to take account of this aspect of diversity (see also the section headed "Supervisory Board" above).

Further, the legislation on equal participation of women and men in management positions in the private and public sectors requires that targets be set for the percentage of women on the Executive Board and at the two management levels below the Executive Board, together with deadlines for achieving them. The first deadline for achieving these targets must be no later than June 30, 2017.

These targets were last revised in September 2015. The present composition of the Supervisory Board satisfies these objectives, apart from the fact that it currently comprises 20 percent women and consequently does not yet meet the statutory requirement of 30 percent women specified for future elections and appointments (see section 2.4 below). The Supervisory Board and its Nomination Committee will continue to monitor observance of these targets in the future.

In the past fiscal year, the Supervisory Board had 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.

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. Acting on behalf of the Supervisory Board, the Audit Committee's principal tasks comprise supervising the accounting process, the efficacy of the internal control system, the risk management system and the internal audit system, the auditing of the financial statements, especially the independence of the auditor, any additional services provided by the auditor, compliance and the related decisions. It prepares the Supervisory Board's proposal to the Shareholders' Meeting on the choice of auditor, and takes decisions on the appointment of the auditor, the focal points of the audit and the agreement on audit fees. Further, it 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 management report for the Group 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 interim reports, especially the half-yearly report, discusses the audit review report with the auditor—if an auditor is engaged to conduct a review—and decides whether to raise any objections. 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 **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 the assumption of guarantees and sureties for credits exceeding €50 million and on investments in companies of more than €100 million.

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 2015, 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. At least two 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 are taken into account in the proposals put to the Shareholders' Meeting with regard to the regular election of members of the Supervisory Board and the subsequent election of a member of the Supervisory Board.

- 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
- The Supervisory Board should comprise at least 30 percent women and at least 30 percent men<sup>1</sup>
- 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
- Members of the Supervisory Board should not normally hold office for more than three full terms within the meaning of Section 102, Paragraph 1 of the German Stock Corporation Act (AktG), i.e. normally 15 years. It is possible to deviate from this rule, in particular in the case of a member of the Supervisory Board who directly or indirectly holds at least 25 percent of the company's shares or belongs to the governance body of a shareholder that directly or indirectly holds at least 25 percent of the company's shares
- 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

<sup>1</sup> Applicable for new elections and the appointment of substitute members for one or more members of the Supervisory Board from January 1, 2016

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, including the annual budget 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 2015 there were no conflicts of interest relating to members of the Executive Board of Evonik Industries AG.

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

The composition of the Executive Board and membership of supervisory boards and similar governance bodies are outlined on page 216.

### 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
- setting the annual budget for the Group
- investments exceeding €25 million
- the assumption of loans and the issuance of bonds exceeding €300 million with a maturity of more than one year

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 (MitbestG) 1976. 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.

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<sup>1</sup>

Mandatory publications such as ad-hoc announcements, voting rights announcements and information on directors' dealings are also published immediately on our Investor Relations site<sup>2</sup>

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<sup>3</sup>

## 2.3 Work of the Executive Board and Supervisory Board

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

### Executive Board

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

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.

<sup>1</sup> [www.evonik.com/investor-relations](http://www.evonik.com/investor-relations), News & Reports, Share and Bonds & Ratings. For details of the shareholder structure see "Evonik on the capital markets" on p. 67 of this annual report.

<sup>2</sup> [www.evonik.com/investor-relations](http://www.evonik.com/investor-relations), News & Reports/Ad-hoc announcements, Share/Voting rights, and Corporate Governance/Directors' Dealings.

<sup>3</sup> [www.evonik.com/investor-relations](http://www.evonik.com/investor-relations), Sustainable Investments (SRI) and Corporate Governance.



## 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 following internet sites:

- **Code of Conduct** [www.evonik.com/coc](http://www.evonik.com/coc)
- **Supplier Code of Conduct** [www.evonik.com/responsibility](http://www.evonik.com/responsibility)
- **ESH Values** [www.evonik.com/esh](http://www.evonik.com/esh)
- **Global Social Policy** [www.evonik.com/gsp](http://www.evonik.com/gsp)
- **Code of Responsible Conduct for Business**  
[www.wcge.org/download/140918\\_leitbild-eng\\_Unterschriften\\_o.pdf](http://www.wcge.org/download/140918_leitbild-eng_Unterschriften_o.pdf)
- **Responsible Care** [www.icca-chem.org/en/Home/Responsible-care/](http://www.icca-chem.org/en/Home/Responsible-care/)
- **Sustainability Report** [www.evonik.com/responsibility](http://www.evonik.com/responsibility)

## Transparency

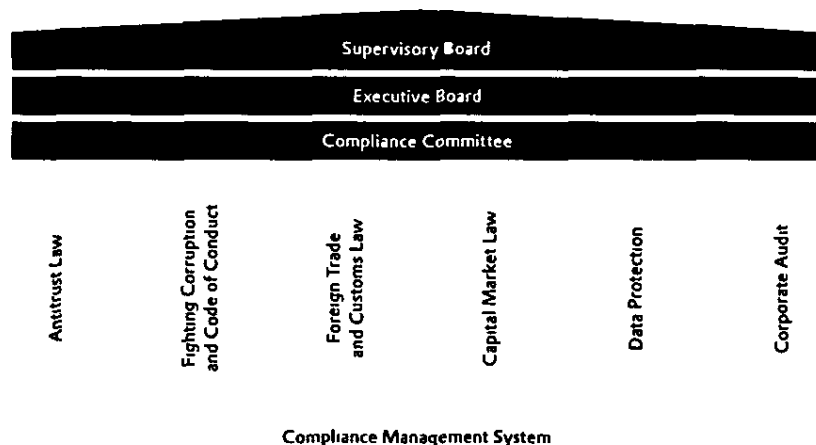
Evonik regards timely and equal public disclosure of information as a key basis of good corporate governance. The Investor Relations section of the company's website provides extensive information in German and English.

This includes our financial calendar, which provides a convenient overview of important dates<sup>1</sup>.

<sup>1</sup> [www.evonik.com/investor-relations](http://www.evonik.com/investor-relations)

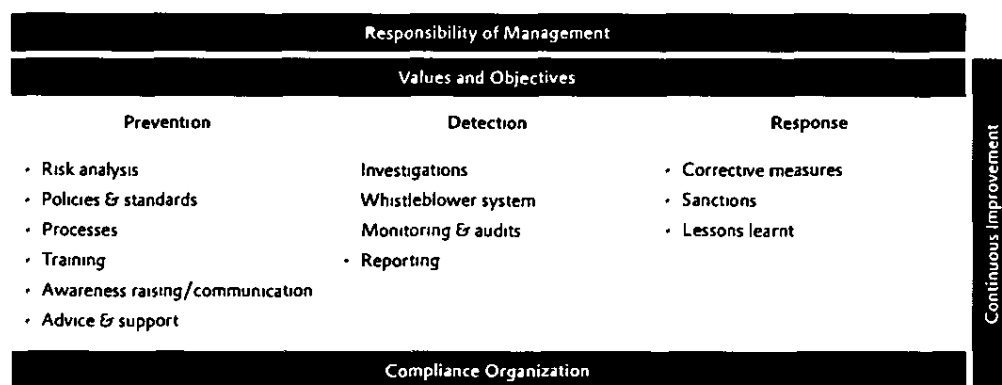
The role of the House of Compliance is to define minimum Group-wide standards for the compliance management systems for these areas and ensure that they are implemented. The process of forming a consensus, sharing experience and coordinating joint activities takes place in the Compliance Committee, which 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.

#### House of Compliance



The compliance management system to be implemented by each area of compliance on the basis of the defined values 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.

#### 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 <sup>1</sup>

<sup>1</sup> Sustainability Report 2014 (the Sustainability Report 2015 will be published in May 2016)

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, December 2015

The Executive Board

The Supervisory Board

## 2.2 Relevant information on corporate management practices

### Corporate governance

The company complies with the recommendations and—with two exceptions—the suggestions set forth in the German Corporate Governance Code (detailed in section 2 1 above)

### 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 requirements 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 specific 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.

# 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 June 24, 2014, and the revised version of May 5, 2015. This code, which was adopted by the Government Commission on the German Corporate Governance Code, contains both 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 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:

Since submitting its last declaration of conformity in March 2015, the company has fully complied with all recommendations of the German Corporate Governance Code in the versions dated June 24, 2014 and May 5, 2015, as published in the Federal Gazette on September 30, 2014 and June 12, 2015, respectively, and will continue to do so.

The Supervisory Board discussed the report on relations with affiliated companies at its meeting on March 2, 2016. At this meeting too, the members of the Executive Board provided detailed explanations of the report on relations with affiliated companies and answered questions on it. Moreover, the auditor was present at this meeting of the Supervisory Board and reported on the main findings of the audit of the report on relations with affiliated companies and answered questions from members of the Supervisory Board. On this basis, the Supervisory Board ascertained that under the circumstances known at the time they were undertaken, the company's expenditures in connection with the transactions outlined in the report on relations with affiliated companies were not unreasonably high and compensation had been received for any disadvantages. In particular, it obtained an explanation of the principles used to determine the relevant activities and the remuneration therefor, especially in the case of transactions of material significance. The Audit Committee had discussed the report on relations with affiliated companies and gave the Supervisory Board a detailed overview of the outcome of its deliberations. The Supervisory Board was able to convince itself of the orderly nature of the audit and audit report and came to the conclusion, in particular, that both the audit report and the audit itself meet the statutory requirements.

In particular, it examined the completeness and correctness of the report on relations with affiliated companies. No grounds for objection were identified.

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

## Personnel issues relating to the Executive Board and Supervisory Board

At its meeting on June 25, 2015, the Supervisory Board first agreed to the early termination of the contract with Patrik Wohlhauser as a member of the Executive Board and his resignation as of June 30, 2015. The Supervisory Board then appointed Dr. Ralph Sven Kaufmann as a member of the Executive Board for three years from July 1, 2015. At its meeting in September, the Supervisory Board reappointed Thomas Wessel to the Executive Board as Chief Human Resources Officer for a further five years from September 1, 2016 until August 31, 2021.

There were some changes in the employee representatives on the Supervisory Board in 2015. Jürgen Noding resigned from the Supervisory Board with effect from September 30, 2015. Martin Albers was appointed to the Supervisory Board effective October 1, 2015 through a decision taken by the District Court of Essen on October 2, 2015 in accordance with Section 104 of the German Stock Corporation Act (AktG). Günter Adam resigned from the Supervisory Board effective December 10, 2015. He was succeeded by Carmen Fuchs, who was elected to the Supervisory Board as a substitute member in accordance with the provisions of the German Codetermination Act (MitbestG) of 1976.

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, 2016, in accordance with Section 171 Paragraph 2 of the German Stock Corporation Act (AktG).

Essen, March 2, 2016



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

The Supervisory Board conducted a thorough examination of the annual financial statements of Evonik Industries AG, the consolidated financial statements for the Evonik Group, the combined management report for fiscal 2015 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, 2016. The auditor was also present at this meeting and reported on the main findings of the audit. He also answered questions from the Supervisory Board about the type and extent of the audit and the audit findings. The discussion included the audit of the risk identification system. The Supervisory Board shares the Audit Committee's assessment of the effectiveness of this system.

In this way, the Supervisory Board convinced itself that the audit had been conducted properly by the auditor and that both the audit and the audit reports comply with the statutory requirements. Following its thorough examination of the annual financial statements of Evonik Industries AG, the consolidated annual financial statements and the combined management report (including the declaration on corporate governance), the Supervisory Board 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, 2016, the Supervisory Board therefore endorsed the annual financial statements of Evonik Industries AG and the consolidated annual financial statements. The annual financial statements for 2015 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 2015. 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."

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, 2016.

The Audit Committee conducted a thorough examination of these documents at its meeting on February 26, 2016 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.

As an additional objective for its composition, Evonik's Supervisory Board has set a regular limit on membership of no more than three full terms of office to satisfy the new requirements set out in the latest version of the German Corporate Governance Code

With the exception of the quotas for men and women to be observed in future appointments, the present composition of the Supervisory Board meets all of the major objectives set for its composition

Further details of the diversity requirements and the list of objectives are set out in the corporate governance report on pages 64 and 65

For 2015, the members of the Supervisory Board will receive attendance fees and purely fixed remuneration for their work on the Supervisory Board and any membership of committees (see page 133)

Members of the Supervisory Board of Evonik Industries AG had no conflicts of interest in 2015

Moreover, there were no consultancy, service or similar contracts with any members of the company's Supervisory Board in 2015. 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 2014 the Supervisory Board examined the efficiency of its work with the support of an external consultant. The measures adopted as a result of this review were either implemented in 2015 or adopted as an ongoing process. All of the measures implemented will increase the efficiency of the Supervisory Board and thus bring a further improvement in corporate governance at Evonik

## 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, 2015 prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements for the Evonik Group prepared using the International Financial Reporting Standards (IFRS), as permitted by Section 315a Paragraph 1 of the German Commercial Code (HGB), and the combined management report for Evonik Industries AG and the Evonik Group, and has endorsed them with an unqualified opinion pursuant to Section 322 of the German Commercial Code (HGB). The Supervisory Board awarded the contract for the audit of the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group in line with the resolution taken by the Shareholders' Meeting on May 19, 2015. 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, 2016. At its meeting on February 26, 2016 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. 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.

## Individual disclosure of the attendance at meetings of the Supervisory Board and its committees

Supervisory Board member	Supervisory Board		Executive Committee		Finance & Investment Committee		Audit Committee		Nomination Committee		Mediation Committee	
	Presence	in %	Presence	in %	Presence	in %	Presence	in %	Presence	in %	Presence	in %
Dr. Werner Müller (Chairman)	5/5	100	8/8	100	4/4	100			1/1	100	0/0	
Michael Vassiliadis (Deputy Chairman)	5/5	100	8/8	100	4/4	100					0/0	
Günter Adam (until December 10, 2015)	4/5	80	7/8	87.5	4/4	100						
Martin Albers (from October 1, 2015)	1/1	100										
Prof. Barbara Albert	5/5	100										
Karin Erhard	5/5	100					4/4	100				
Carmen Fuchs (from December 10, 2015)	0/0											
Stephan Gemkow	5/5	100			4/4	100						
Prof. Barbara Grunewald	5/5	100					4/4	100				
Ralf Hermann	5/5	100	8/8	100	3/4	75					0/0	
Prof. Wolfgang A. Herrmann	5/5	100										
Dieter Kleren	5/5	100										
Steven Koltes	4/5	80	7/8	87.5					1/1	100		
Frank Löllgen	5/5	100			3/4	75						
Dr. Siegfried Luther	5/5	100					4/4	100				
Jürgen Noding (until September 30, 2015)	4/4	100					3/3	100				
Norbert Pohlmann	5/5	100					1/1	100				
Dr. Wilfried Robers	5/5	100					4/4	100				
Michael Rüdiger	5/5	100			4/4	100						
Ulrich Terbrack	5/5	100										
Dr. Volker Trautz	5/5	100	8/8	100					0/1	0	0/0	
Dr. Christian Wildmoser	5/5	100			4/4	100	4/4	100				

## 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 June 24, 2014 and in the present version of May 5, 2015. This does not exclude the possibility of deviation from its recommendations and suggestions in legitimate individual 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 with 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). The Executive Board and Supervisory Board issued declarations of conformity in March and December 2015. These are available on the company's website. In addition, the corporate governance report on page 56 f. contains the most recent declaration of conformity from December 2015.

The Executive Board and Supervisory Board examined the requirements imposed by the German legislation on equal participation of women and men in management positions in the private and public sectors. In accordance with this, the list of objectives for the composition of the Supervisory Board was amended to state that in the future appointments to the Supervisory Board should ensure at least 30 percent women and at least 30 percent men; this requirement is applicable for new appointments from January 1, 2016. Further, the Supervisory Board defined a target of at least 20 percent female members of the Executive Board for the period up to June 30, 2017.



- Concentration of Evonik Industries AG from this date as a management holding company on the strategic management and ongoing development of the legal entities

This introduced the principle of differentiated management. Consequently, the Nutrition & Care and Resource Efficiency segments now have an even stronger focus on growth, while the Performance Materials segment is run as a financing business.

## 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:

- Preliminary planning for the construction of a further methionine plant (Singapore)
- Ongoing construction work on an integrated production complex for oleochemical specialty surfactants (Brazil)
- Ongoing construction of a lysine plant (Brazil)
- Extension of capacity for polyamide 12 powder (Germany)
- Extension of production of high-molecular polyester (Germany)
- Acquisition of Monarch Catalyst Pvt. Ltd. (India)
- Joint venture for the construction of a production facility for potassium hydroxide solution and chlorine (Germany)
- Construction of a production facility for acrolein cyanhydrin-o-acetate (USA)

## Divestments

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

- Divestment of the remaining 10.3 percent stake held by Evonik Industries AG in the real estate company Vivawest GmbH to RAG Aktiengesellschaft, Herne (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 2015 were:

- Proposals for resolutions to be adopted at the Annual Shareholders' Meeting in May 2015, especially the proposal of the Supervisory Board to the Annual Shareholders' Meeting on the appointment of the auditor
- Revision of the Rules of Procedure of the Supervisory Board
- Appointment of Dr. Ralph Sven Kaufmann as a member of the Executive Board and renewal of the appointment of Thomas Wessel as a member of the Executive Board (see "Personnel issues relating to the Executive Board and Supervisory Board" on page 55)
- Resolutions on the Declarations of Conformity in compliance with Section 161 of the German Stock Corporation Act (AktG) in March and December 2015, and the Supervisory Board's report to the Annual Shareholders' Meeting

At its meeting in December, the Supervisory Board discussed the Declaration of Conformity in compliance with Section 161 of the German Stock Corporation Act (AktG), the budget for 2016, the mid-term planning for the period to 2018, and progress in implementing the measures adopted following the efficiency review

In the reporting period, the main issues discussed by the Executive Committee were the bonuses for the Executive Board members for 2014 and their objectives for 2015, adjustment of the remuneration of the Executive Board effective January 1, 2016, systematic succession planning for the Executive Board, preparation of a proposal on implementation of the recommendations made by the efficiency review, the change of Chief Operating Officer on the Executive Board, acceptance and discussion of a report by the Chairman of the Executive Board on acquisition considerations, determination of the targets for the proportion of women on the Supervisory Board and Executive Board, and the business situation, current projects and Evonik's share price

At its meeting in March, the Audit Committee examined the annual financial statements of Evonik Industries AG, the consolidated financial statements, and the proposal for the election of the auditor for fiscal 2015. The focus at its meeting in May was the interim report on the first quarter, while in July the meeting focused on the interim report on the first six months. In October, the central issues discussed by the Audit Committee, apart from the interim report on the third quarter, were corporate governance and the compliance update

The attention of the Finance and Investment Committee in the reporting period was mainly concentrated on growth projects and investment controlling (see page 51 "Investment and investment controlling")

In January, the Nomination Committee discussed the implications of the legislation on equal participation of women and men in management positions in the private and public sectors for both groups of representatives on the Supervisory Board

In addition—apart from 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

The Evonik Group posted a very successful business performance despite the challenging macro-economic environment. Although global growth was lower than expected, the Group posted a pleasing volume trend, supported by the new production capacities. There was a particularly strong rise in selling prices in the Nutrition & Care segment, whereas prices in the Performance Materials segment declined, mainly because of the drop in the oil price. Overall, selling prices were on the previous year's level. Sales increased to €13.5 billion in 2015 and adjusted EBITDA improved considerably to €2.47 billion.

## Implementation of the new management and portfolio structure

The Supervisory Board discussed in detail the reorganization of the management and portfolio structure of the Evonik Group, which started in 2014 and was completed in 2015. The principal objective of the reorganization—to take account of the different management needs of the businesses and bring a further improvement in the structural basis for their profitable growth—was achieved in the reporting period through the following steps:

- Establishment of new legal entities and transfer of management responsibility to the future managing directors of these companies with effect from the start of 2015
- Assumption of the operating business by these new companies through plant management agreements and the associated transfers of undertaking pursuant to Section 613a of the German Civil Code (BGB) effective July 1, 2015

The Supervisory Board was always consulted at an early stage on 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 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 past 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 2, May 19, June 25, September 24 and December 10, 2015. In addition, the Supervisory Board adopted one resolution via a written circulation procedure.

In 2015 the work of the Supervisory Board was again prepared and supported by its committees. The committees and their members in the year under review were as follows:

- Executive Committee: Dr. Werner Müller (Chairman), Michael Vassiliadis (Deputy Chairman), Gunter Adam (until December 10, 2015), 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), Karin Erhard (Deputy Chairwoman), Prof. Barbara Grunewald, Jürgen Noding (until September 30, 2015), Norbert Pohlmann (from October 1, 2015), Dr. Wilfried Robers and Dr. Christian Wildmoser
- Finance and Investment Committee: Michael Rudiger (Chairman), Michael Vassiliadis (Deputy Chairman), Gunter Adam (until December 10, 2015), Martin Albers (from December 11, 2015), Stephan Gemkow, Ralf Hermann, Frank Lollgen, 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 detail in the Corporate Governance Report on pages 63 and 64.

The Executive Committee held eight meetings in 2015. The Audit Committee and the Finance and Investment Committee each held four meetings. In addition, the Finance and Investment Committee adopted one resolution via a written circulation procedure. The Nomination Committee met once in the reporting period. There was no need for the Mediation Committee to meet during the reporting period. The chairman or deputy chairperson of each committee reported regularly at the meetings of 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 examining the annual financial statements, which had first been considered in detail by the Audit Committee, and on preparing for the Annual Shareholders' Meeting. It also resolved on measures resulting from an efficiency review conducted with external support in 2014. The meeting in May was dedicated to supplementary information prior to the Annual Shareholders' Meeting. In June, the focus of the meeting was the resignation from the Executive Board of Patrick Wohlhauser, formerly Chief Operating Officer, and the appointment of Dr. Ralph Sven Kaufmann as his successor. At the meeting in September, the Supervisory Board discussed the strategy of the Evonik Group, the extension of the term of office of Thomas Wessel as Chief Human Resources Officer, targets for female members of the Supervisory Board and Executive Board, revision of the objectives for the composition of the Supervisory Board in accordance with Section 5.4.1 Paragraph 2 of the German Corporate Governance Code, and the new version of the Rules of Procedure of the Supervisory Board.

## Report of the Supervisory Board



Dr. Werner Müller, Chairman of the Supervisory Board

*Ladies and gentlemen,*

In 2015, the Supervisory Board of Evonik Industries AG (Evonik) performed the obligations defined by law and the Articles of Incorporation correctly and with the utmost care, and regularly and conscientiously supervised the work of the Executive Board. We supported the Executive Board by providing advice 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 material issues affecting the Group, and involved us in all fundamental decisions relating to 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 informed of all major business events.

**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.**

# TO OUR SHAREHOLDERS



Specialty products from Evonik are also helping against undesirable adhesiveness of a different kind: graffiti. A special surface coating protects facades against spray attacks, repelling spray paint and markers so they can be easily removed. Although subject to the full force of the weather and repeated cleaning, the coating lasts for several years.

**“** *We not only supply the components for high-performance coatings, we also know precisely what they have to do and under which conditions*

**”**

**JÜRGEN LORÖSCH**  
Head of the Paints & Coatings Industry Team

## CLEAR SAILING ON THE HIGH SEAS

**Because anti-fouling protection makes shipping more efficient and sustainable, fleet operators and ship builders are looking for effective protective paints. Evonik is making today's paint recipes especially effective and is also working on the coatings of tomorrow**

Measuring 400 meters in length and boasting more than 80,000 hp, the largest container ships that currently ply the world's oceans often have up to 19,000 containers on board, representing almost 200,000 tons of freight. However, a tenacious enemy of these giants of the seas is microscopically small.

In a process called fouling, these tiny microorganisms and algae create a slimy organic film on all ships' hulls that are in the water long enough, no matter whether the vessel is a luxury yacht or a deep-sea freighter. Once this "soft growth" has made itself at home on the hull, it is followed somewhat later by mussels, barnacles, and other types of "hard growth." These "stowaways" not only increase the ship's weight but also promote the corrosion of the hull, thus necessitating frequent maintenance work in dry docks. Fouling particularly increases flow resistance, because only clean and smooth hulls glide optimally through the water.

This has a huge impact on the energy efficiency of shipping and thus on its costs and carbon footprint. That's because a strongly fouled container ship can consume up to 40 percent more fuel than a clean one. With consumption figures measured in hundreds of tons of bunker oil per day, this is a considerable amount, and it is also the main reason why fleet operators and ship builders use effective anti-fouling products. These products consist of ship paint that keeps fouling at bay for as long as possible.

The ancient Romans were already familiar with the most important anti-fouling agents against marine pests: metals such as lead and copper that prevent the organisms from attaching themselves to the hull. That's why the paints used on ships today contain copper compounds. The typically red color that adorns the hulls of merchant ships is caused by copper oxide in the paint. By contrast, the paints used for recreational craft mostly contain copper thiocyanate, which is white but much more expensive than copper oxide.

Every large merchant ship is painted with hundreds of tons of coating to protect it against the elements and corrosive cargo. Almost all of the coatings—whether for the deck or the ballast water tanks—contain products from Evonik, which improve the coatings' resistance to the rough conditions aboard a ship. In addition, Evonik products in the formulations of the anti-fouling paints ensure that extremely tiny layers continuously peel off to uncover new copper underneath. This keeps hulls clean longer so that fewer stays are needed in dry dock. It also ensures that the same effect is achieved with less copper, which is beneficial from both an environmental and an economic point of view.

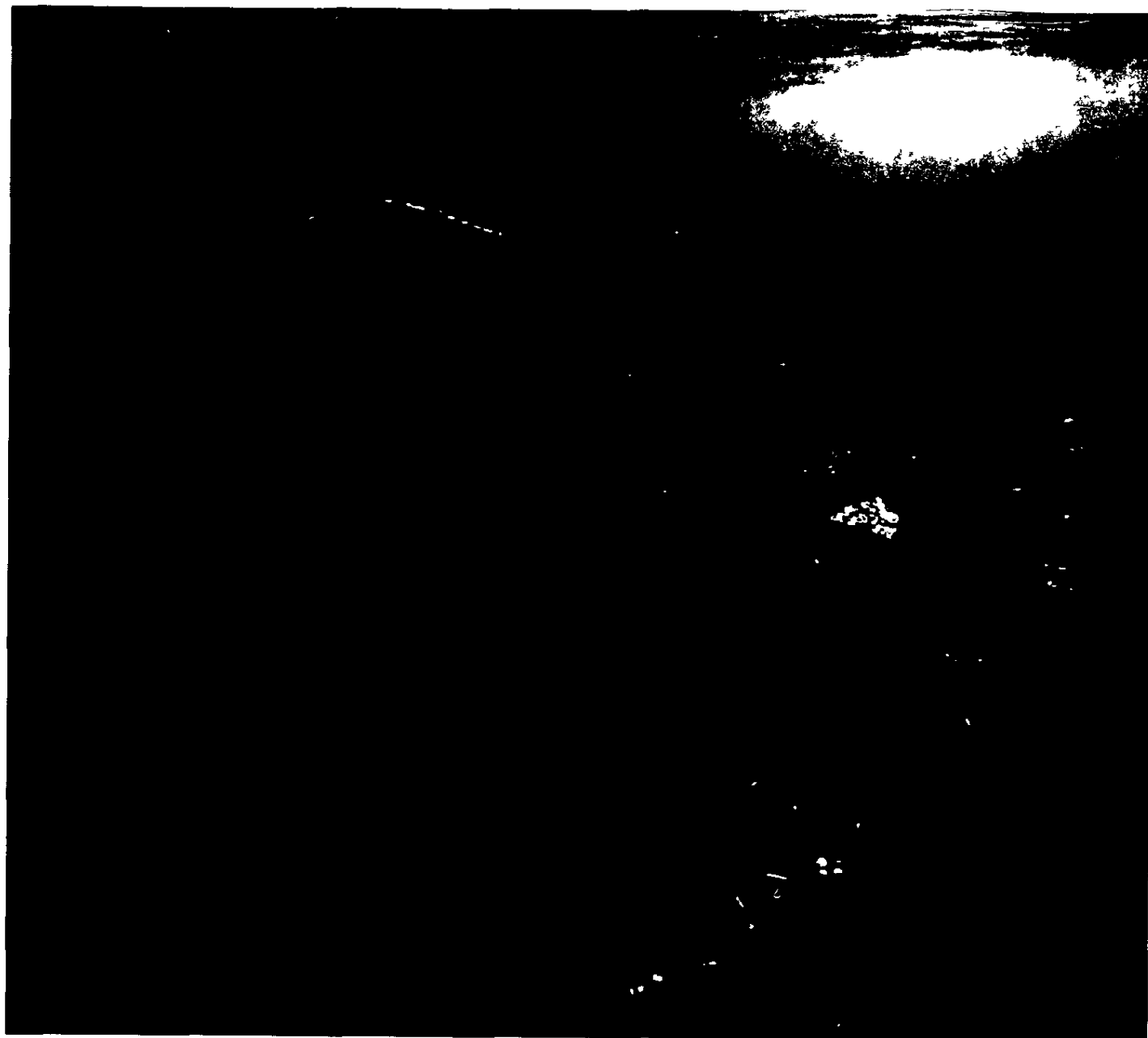
Moreover, Evonik works together with paint manufacturers and research institutes to create new formulations and new anti-fouling systems. The aim is to create paints that are especially effective and sustainable. For example, paints might not need any copper in the future, as they will create surfaces that mechanically prevent organisms from attaching themselves to the hull in a kind of lotus effect for the giants of the seas. The tiny stowaways would then no longer pose any threat to the leviathans of the high seas.







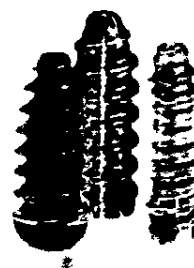
**OUR CUSTOMER'S THINKING:**  
*There are special paints to  
prevent barnacles growing on  
the hulls of container ships.  
It's a pity that such paints  
don't exist for whales as well.*



THE BIOLOGY TEACHER'S  
THINKING  
*Oh, a Megaptera novaeangliae*



THE SMARTPHONE GENERATION'S  
THINKING  
*Cool Can you get whale songs  
as a ring tone?*



medications that can be injected directly beneath the skin or into the affected tissue. There, customized microparticles then continuously release the active ingredient in a targeted way before they themselves are disintegrated and absorbed by the body in a natural process.

These depot medications in particular harbor tremendous potential. Evonik is cooperating with major customers from the pharmaceutical industry and also with creative startups to develop formulations for the treatment of diseases such as cancer and multiple sclerosis, as well as acute injuries, rare diseases such as solar urticaria, which is a severe form of solar allergy, and psychological disorders such as depression and schizophrenia.

Evonik is providing important and comprehensive support, especially in its cooperation with creative startups that are developing new types of treatment. From the initial idea to the development of a prototype, creation of the patterns for clinical studies, and manufacture of the final product, Evonik supports the development process and the steps leading toward commercial production. In this way it ensures that an active ingredient actually gets to the places where it's needed.

.....  
**Bioresorbable polymers from Evonik have proven their worth for years—in the form of surgical screws, for example. The screws do not need to be removed, which cuts costs and the risks posed by an additional operation. Moreover, they can be filled with active ingredients that support healing where it's needed.**  
 .....

“ *Forms of drug administration that intervene in physiological processes through precise dosing make new types of treatment possible. We are helping our customers to implement them.* ”

**THOMAS RIERMEIER**  
 Head of Evonik Pharma Polymers & Services Product Line

## HELPING WHERE IT COUNTS

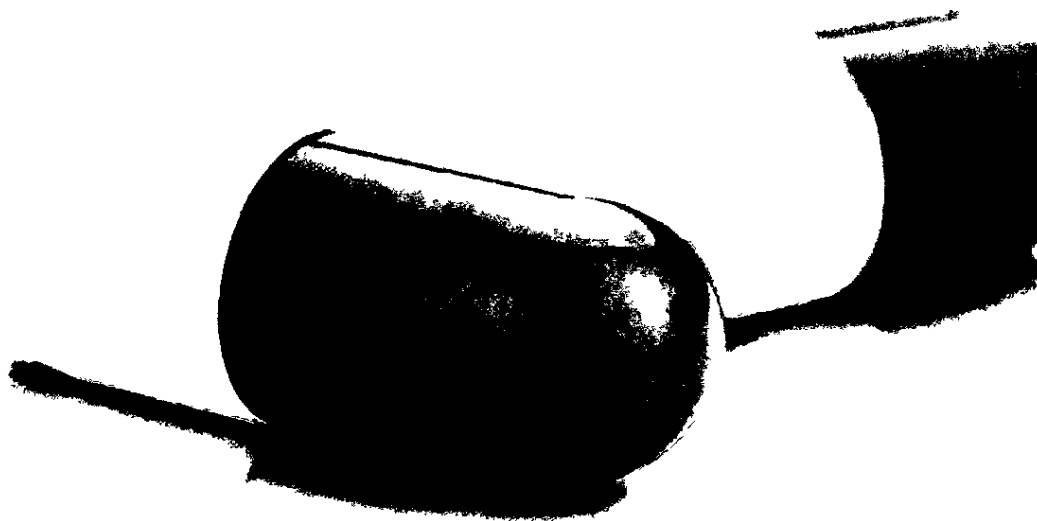
**Dosing active ingredients precisely and purposefully is an art in itself. It's an art that Evonik has mastered by means of polymers for the pharmaceutical industry—and one that could generate innovative treatments against numerous illnesses**

Today people are growing older than ever before. Within four generations, life expectancy has more than doubled all over the world. In the period since 1990, child mortality has been cut in half. This is primarily thanks to the successful struggle against infectious diseases. Today medicine is focusing all the more on noninfectious and chronic diseases, which have long been responsible for the great majority of deaths—especially in developing countries and emerging economies. Diabetes, cancer, cardiovascular disease, and diseases of the respiratory tract are four of the most important fields of medical and pharmaceutical research.

Active ingredients that can precisely intervene in the body's internal processes even in tiny doses are regarded as especially promising. But researchers are also increasingly looking for the optimal way to administer them. Especially in the case of active ingredients with

complex molecules, it is very difficult to ensure that they will be available inside the body in a targeted way as continuously as possible. It is difficult to administer some active ingredients in tablet form, either because they disintegrate in the digestive tract or cannot be absorbed through the intestinal wall. Other active ingredients need to do their work locally, for example in a joint, a certain tissue or an organ, continuously for several weeks or months. That requires frequent injections. As a result, the concentration of the active ingredient in the tissue peaks at first, but then gradually decreases. In addition, every injection increases the patient's risk of infection, not to mention the unpleasant direct effects on the patient.

One solution that involves oral as well as parenteral dosage is offered by pharmaceutical polymers from Evonik Industries. They make it possible to release orally administered active ingredients at the right time and place in the gastrointestinal tract and to transport them from there into the bloodstream continuously in precise doses. This has made it possible to administer some active ingredients in tablet form for the first time ever. Others can now be taken once a day rather than at regular intervals over 24 hours. Biologically absorbable polymers from Evonik now make it possible to formulate parenteral depot





**OUR CUSTOMER'S THINKING:**

*Getting a real injection is seldom this much fun. Fortunately, we'll soon be able to avoid them more and more often.*



**THE LITTLE GIRL'S THINKING**  
*When I grow up, I want to be  
a doctor too! Or a pop star!*



**THE DOCTOR'S THINKING**  
*I'm glad no brown bears are  
showing up at my office!*

.....  
As a post-application crosslinking agent, VISIOMER® 6976 is also suited for other resin systems such as paints and coatings. Such paints are easy to apply before the crosslinking takes place. The natural ultraviolet light from the sun gradually causes the paints to harden and thus become more resistant to external influences.  
.....



# STRONG BONDS

**Special additives from Evonik Industries ensure that adhesive tape and labels stick extremely reliably wherever it really matters. And they do that even when they are taken off and stuck back on**

Adhesives have to stay cool even when the going gets tough. That also applies fully to adhesive tape, no matter whether it's used in sports or at home. However, the ugly brown spots that can be found on many bathroom tiles tell another story. Whereas adhesive strips that have just come off the roll seem to hold no matter what, the towel hooks they support eventually fall off the bathroom wall and only the adhesive itself remains permanently attached to the tiles. The adhesive was weakened by external influences such as temperature fluctuations, cleaning agents, and ultraviolet light. This is an area where Evonik can demonstrate its skill. As a result of post-application UV crosslinking, one of the company's additives, VISIOMER® 6976, can greatly increase a tape's adhesive force. In endurance testing, it stuck 400 times better than a non-crosslinked adhesive.

A typical property of the adhesive used in adhesive tape is its permanent stickiness. This distinguishes it from many types of adhesive, which don't become hard and adhesive until they dry or undergo a chemical reaction. This permanent stickiness makes it possible to attach tape to almost any surface. But it's precisely this versatility that makes the use of tape demanding because it limits the tape's adhesive strength. As a result, it's not just adhesive strips on hockey sticks and labels for frozen products

that have to stay sticky at low temperatures and not become brittle. Stickers on hazardous materials also have to adhere reliably for a long time and when subjected to extensive wear and tear. Removable labels have to stick well but not leave any residue when they are taken off.

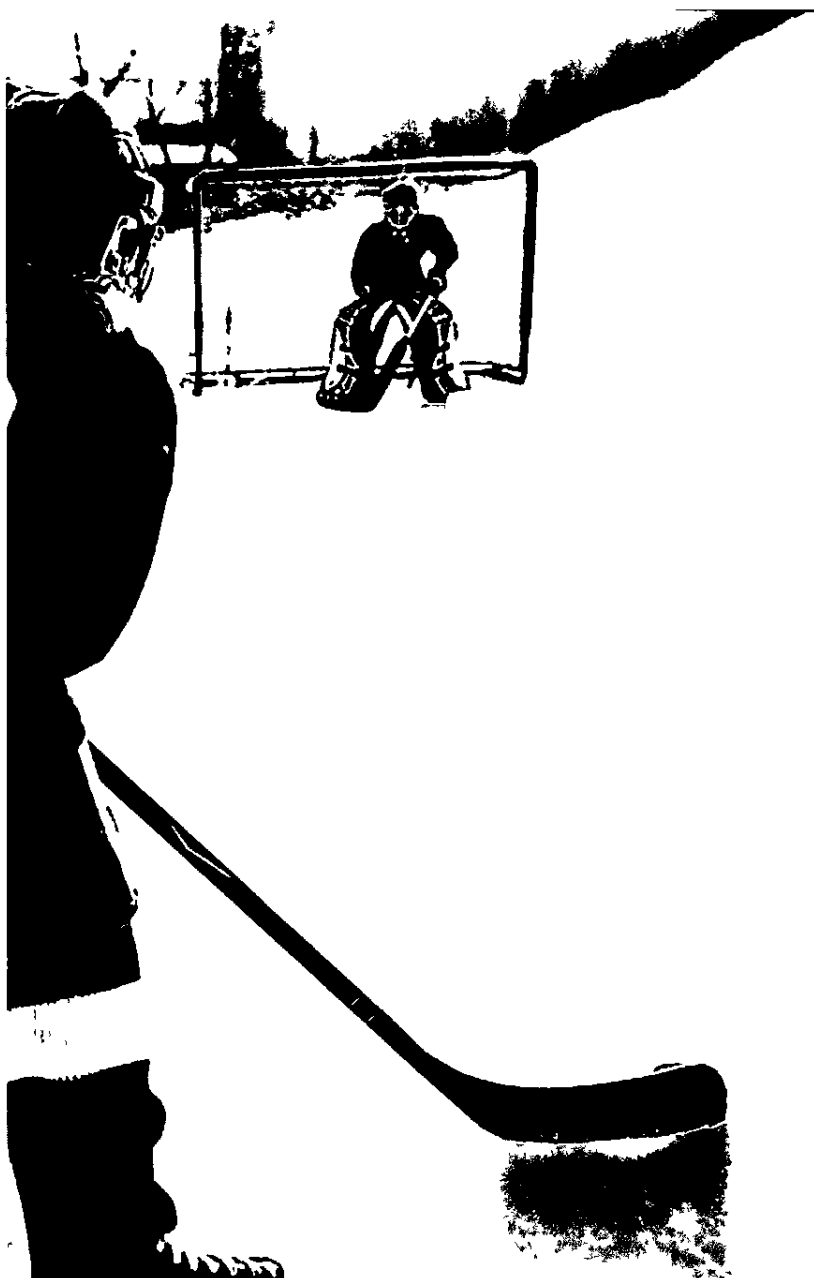
This is where the special methacrylate VISIOMER® 6976 from the Performance Materials Segment comes into play. When an adhesive containing this substance is exposed to ultraviolet light, the adhesive becomes crosslinked. The UV-active monomer VISIOMER® 6976 helps the individual polymers in the adhesive to link up with one another and thus increase the adhesive strength. What's more, this process increases the adhesive's chemical stability, insensitivity to temperature fluctuations, and resistance to moisture. By changing the dose, it's possible to customize the type and duration of the UV influence and thus also the crosslinking to the respective application.

Another benefit of adhesive tape containing VISIOMER® 6976 is that no solvents are needed to make them. This, in turn, reduces the environmental impact and increases the manufacturers' productivity. Typical areas of application for such adhesive tape include electronic systems and the industrial assembly of components. The special methacrylate is also well suited for everyday applications, particularly those that require strong bonds under unfavorable conditions—ice hockey being a good example.

**“ The incorporation of our UV-active monomer VISIOMER® 6976 increases not only a glue's adhesiveness but also its resistance to many external influences such as moisture, temperature fluctuations, and chemicals. ”**

**DR. SABINE KÖMMELT**  
Technical Manager Applied Technology  
Acrylic Monomers Business Line





**OUR CUSTOMER'S THINKING:**  
*...as ever, nobody notices  
the self-adhesive strip on the  
hockey stick, which defies  
the icy cold without losing its  
adhesive properties.*



**MOTHER'S THINKING**  
*Don't hurt yourself, my boy!*

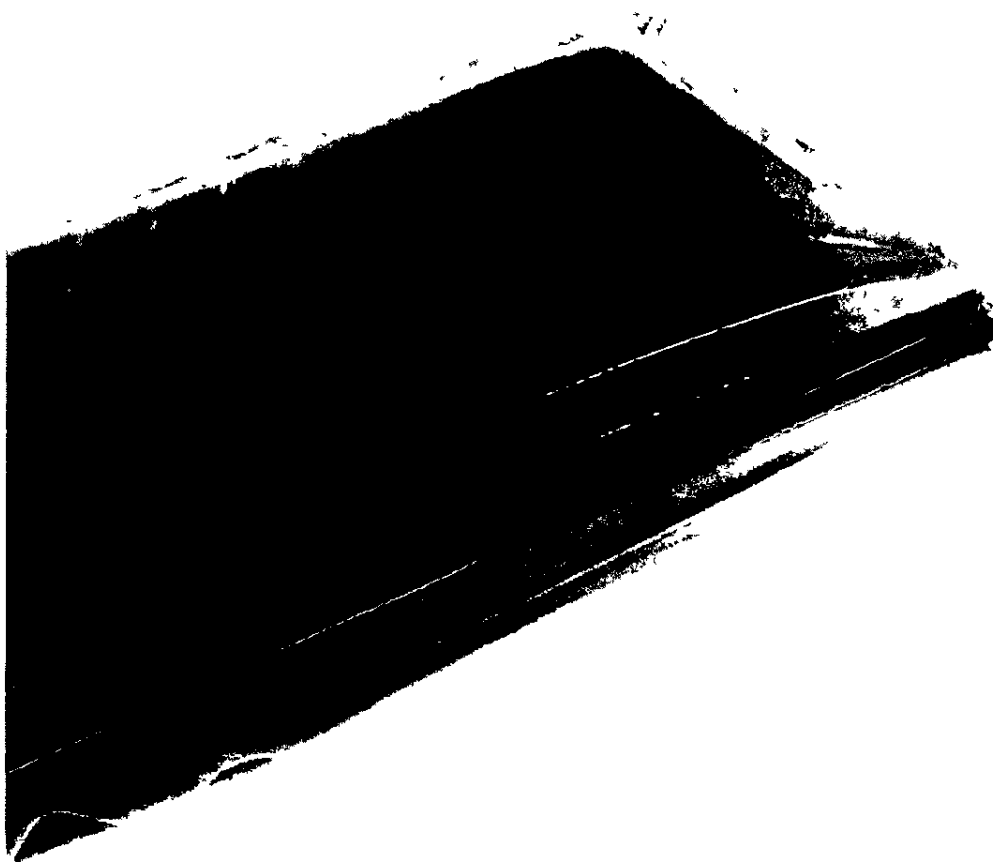


**FATHER'S THINKING**  
*Put it in the net, son!*

Many companies in the food and packaging industries have already expressed interest in the newly developed VISPARENT® product, despite the fact that it's still being examined by the authorities for approval. The market here harbors great potential—for example, demand for such packaging is very high in Europe, the USA, and Japan. Evonik is already working with leading manufacturers on the development of formulations that can offer the right solution for each type of packaging. That's because regardless of whether it's transparent foils, plastic containers, or bottle caps—the new oxygen absorber can basically be used with all types of packaging. This will give it a unique standing on the market and very likely ensure that it will make its way into a large number of supermarkets.



Additive concentrates from Evonik keep cheese, meat, and other foods fresh for a longer period of time. Drinks in PET bottles and milk also last longer—and bottle caps with oxygen absorbers on the inside extend the shelf life of beer and other beverages as well.



## APPETITE FOR MORE

**Foods and beverages stay fresh with the help of protective “active packaging” on the inside of the normal packages. This helps reduce the amount of food that’s thrown away. Scientists at Evonik develop the key raw materials for this “active packaging.”**

Foods that look tasty and fresh and are attractively packaged as well—modern supermarkets have a huge amount of products on offer, and this sometimes causes shoppers to buy more than they can consume over a given period. The problem here is that the food products don’t last forever. At some point, sausages will go bad even in the refrigerator, where yoghurt can also turn sour and cheese moldy. A lot of food therefore ends up in the garbage. Germany’s Ministry of Food and Agriculture reports that every German throws away around 82 kilograms of food each year on average, although 64 percent of this amount really doesn’t have to go to waste.

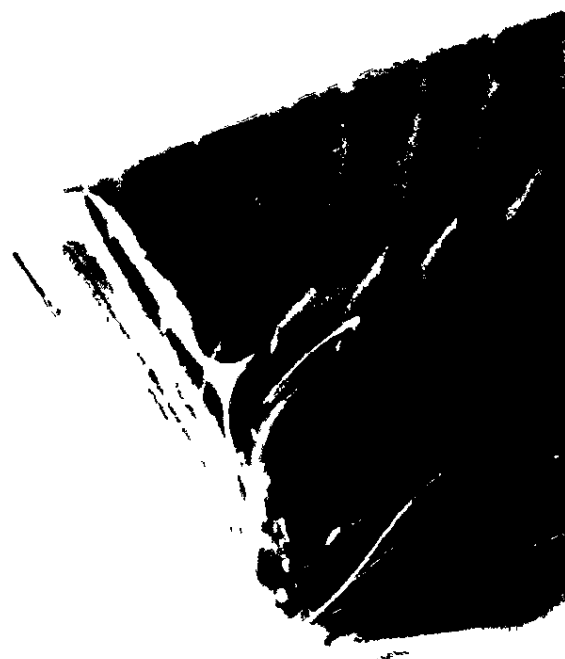
Food products such as meats, sausages, milk and dairy products, and beverages react very sensitively to oxygen, traces of which remain even in shrink-wrapped packages. This oxygen triggers an oxidation process that accelerates the growth of microorganisms that cause fresh foods to start tasting and smelling bad—and also lose their vitamin content. In other words, the food spoils.

A new trend has therefore developed that involves the use of “active packaging” in which a chemical absorber is integrated into the packaging material, where it bonds with the remaining oxygen. Scientists from Evonik develop such additive-based concentrates, which not only absorb oxygen but also ensure that transparent packaging foils remain transparent. This is important, because most oxygen absorbers on the market change their color to an unpleasant-looking yellow as they protect food products.

**“One third of all the food produced is thrown away, according to the United Nations. Our innovative solutions for the food industry can help ensure that resources are used more efficiently.”**

**DR. STEFAN NORDHOFF**  
Vice President Active Packaging,  
Strategy & New Growth Business, Resource Efficiency Segment

**”**





**OUR CUSTOMER'S THINKING:**

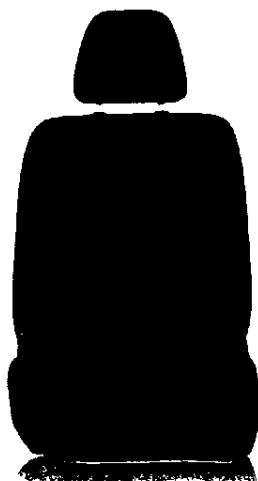
*Beer will also stay fresh longer  
once those new oxygen-absorbing  
bottle caps make it to the market.*



**THE YOUNG MAN'S THINKING**  
*A cool party—I wish I could  
 be there right now*



**THE MARRIED COUPLE'S THINKING**  
*Remember when we were  
 young? Those were the days*



.....  
 Evonik products can be found not only in mattresses but also in upholstery cushions and insulation foams. A variety of foams for industry are made especially robust, fine-pored, and evenly textured through the use of additives from Evonik.  
 .....

to make room for rubber tree plantations. Evonik offers a more economical raw material for latex production: butadiene. This chemical is used to produce synthetic latex, which is cheaper and, by contrast to natural latex, does not become brittle when it is exposed to ultraviolet radiation. And because butadiene is a byproduct of the processing of crude oil, its use is practical and sustainable.

Most mattress producers use a combination of natural and synthetic latex, in a ratio of up to 40 percent natural with the remainder synthetic latex. Butadiene makes about 40 percent of synthetic latex, but there are also production processes that use an even higher proportion of butadiene.

For many people, latex mattresses are a good choice. They are especially appreciated by people who are allergic to house dust mites. Latex mattresses have an antibacterial coating and are therefore more hygienic and easier to keep clean. There's practically no opportunity for dust mites to settle in. When it comes to comfortable sleep, latex mattresses generally also get excellent marks. They feel pleasantly warm and efficiently filter off moisture. People who are tall and heavy or suffer from backaches appreciate the high degree of point elasticity, which results in greater comfort. Who wouldn't be tempted to stay in bed just a little longer?

“ For decades, butadiene has been an important raw material in the tire, paper, and plastic industries. The demand for synthetic rubber will boost growth.”

**DR. GERHARD HIMMEL**  
 Vice President Marketing & Sales,  
 Rubber & Plastics Marketing Area,  
 Performance Intermediates Business Line



## BETTER BEDDING

**More affordable, more ergonomic, and even more sustainable—latex mattresses based on Evonik products promise more comfortable sleep even for demanding sleepers. They also apply a chemical by-product useful and efficiently.**

We spend about a third of our lives in bed. That's already reason enough to select materials carefully when you're buying a mattress. After all, the wrong choice can cause countless problems. If you're allergic to house dust, you'll

suffer from irritation of the eyes and the respiratory tract, if you're sensitive to cold, you'll shiver throughout the winter, and if you have back problems, you'll be kept awake by pain or wake up with stiff muscles. And if you're overweight, you'll tend to sink into your mattress instead of relaxing on top of it. A latex mattress can help you avoid all of these problems.

However, natural latex is expensive, and some of the regions where latex-producing rubber trees are grown are under criticism because rain forests are being logged







**OUR CUSTOMER'S THINKING:**

*Someone's had a good night's sleep! Latex mattresses are not only robust but also ideally suited for many different kinds of sleepers—even people with allergies.*



**THE STUDENT'S THINKING.**  
*How can a person be so  
 awake at 7:30 a.m.?*



**THE GRANDMOTHER'S THINKING**  
*Now you can see what I used  
 to go through!*

**“** *We supply a package solution consisting of product and service. That's the only way our customers, and ultimately their animals, can optimally utilize the feed*

**”**

**STEFAN MACK**  
Head of the Methionine & Derivatives Product Line



Evonik employees provide on-site consultation in 120 countries—wherever raw materials for animal feed grow and meat is produced. Together with their customers, they look at the actual nutrient content of animal feed, the animals' requirements, current feed prices on the world market, and recently also the environmental footprint, in order to determine how to mix the optimal animal feed in terms of nutritional biology, cost-effectiveness, and environmental friendliness.

The addition of between a few hundred grams and a few kilograms of methionine, lysine, threonine or tryptophan per ton of feed makes a crucial difference. That's why the dosage should be extremely precise so that valuable nutrients are not wasted once again. Here too, Evonik is a leader when it comes to customer service. For example, it provides dosing systems for its customers' mixing operations to make sure the feed always contains exactly the nutrients the animals need.

## IT'S ALL IN THE MIX

**Adding correctly dosed amino acids from Evonik to animal feed makes meat production more efficient and more environmentally friendly. But the Group's animal feed experts are delivering far more than these valuable nutrients in themselves.**

In agricultural meat production, everything revolves around livestock and animal feed. Animal feed accounts for between 60 and 70 percent of the total cost of meat production, and it also accounts for most of its environmental footprint. For example, the cultivation of protein-rich fodder plants such as soybeans requires vast amounts of arable land, while other protein sources such as fish meal are accelerating overfishing in the oceans.

If animals are not optimally metabolizing their feed, much of it is excreted without being used. The additional animal waste pollutes water sources, among other things, and it also wastes environmental as well as economic resources. Today farmers and feed producers are responding to this challenge by adjusting the nutrients in their animal feed to precisely meet the needs of particular animal species.

Essential amino acids are an important aspect of this effort. Amino acids are among the basic building blocks of all living things. Human beings and animals need to take in amino acids through the food they consume. However,

amino acids are optimally metabolized only if they are consumed in the right mixing ratio. In order to constantly guarantee the correct mixing ratio for every animal species and every fodder plant in spite of natural fluctuations, expert knowledge is required.

Evonik Industries therefore supplies not only the four most important amino acids for animal feed but also complete systems for their targeted dosing. To accomplish this, the Group also employs its own animal feed specialists and carries out cooperative research with around three dozen universities and research institutes all over the world. The objective of this research is to find out what pigs, chickens, dairy cows, fish, and shrimps each require in order to thrive. After all, every animal species, every farming method, and every new breed has different requirements.

In order to apply this knowledge in practice, Evonik supports all wholesale producers of mixed animal feed, for example through special analyses, consultation, and dosing systems. For example, on behalf of its customers Evonik is using near-infrared spectroscopy (NIR) to regularly check the actual nutrient content of well over 100 different raw materials for animal feed that are sold all over the world. Hundreds of thousands of such analyses are integrated into Evonik's advisory service.



Whether it's Pekin ducks, brood carp or shrimps, Evonik knows the optimal amino acid profile for almost every animal species and has a number of specialized products in its portfolio. Dairy cows, for example benefit from Mepron®, a methionine product that was developed especially for the digestive tract of these ruminants. It moves through the cow's rumen without decomposing and thus can be utilized especially well.



**OUR CUSTOMER'S THINKING:**  
*Worldwide meat consumption is still increasing. We urgently need to do something to make meat production more friendly to climate and the environment.*



**THE MANAGER'S THINKING**

*When I was a little boy, I dreamed of being a cowboy too*



**THE STUDENT'S THINKING**

*That's weird. Why is this making me think of a cigarette ad?*



Evonik supplies its high-performance alkoxides to numerous growth markets. The products are utilized in the pharmaceutical industry, for example, in order to synthesize active ingredients. They can also be found in health care products such as Omega-3 and Omega-6 fish oil capsules.

choice for the production of biodiesel from used cooking oils. That's because such oils contain a high share of free fatty acids that form a soap residue, which makes the manufacturing process more difficult. However, the use of potassium methylate leads to the formation of potassium soaps, which are easier to manage. The production process with potassium methylate is therefore more robust, yields are higher, and the quality of the resulting biodiesel is better.

Potassium methylate might actually be on the verge of a spectacular career, as a study has shown that many other types of waste materials could be used to produce biofuels. If all such waste in the European Union were to be converted into biofuels, the resulting volume would cover around 16 percent of the entire fuel requirement in the EU by 2030. This would also make it possible to lower fossil fuel consumption by up to 37 million tons per year—which would be a real treat for the environment as well.

**“** *As a world market leader, we contribute to the conservation of resources with our alkoxides.*

**”**  
**HENRIK HELLMANN**  
 Head of the Alkoxides Product Line

## FROM DEEP-FRYING FAT TO BIODIESEL

**Alkoxides act as catalysts that help to convert natural oils and fats into biodiesel. Evonik's specialty products make it possible to use highly sustainable raw materials more extensively**

They're greasy and not very healthy, really—but hardly anyone can resist a portion of crispy French fries. What many people don't know is that the deep-frying fat they're made in can be reused in a productive way. However, this fact might soon become common knowledge, because such grease is a perfect raw material for the large-scale production of environmentally and climate-friendly biofuels for automobiles. Biodiesel made from old cooking oils and other waste products produces 80 percent lower emissions of the greenhouse gas carbon dioxide than does diesel from fossil sources. Moreover, the supply of old cooking oils seems virtually inexhaustible. For example, Germany's restaurants alone produce around 200,000 tons of used grease per year and private households offer similar potential.

Although most biofuels today are based on renewable raw materials such as rapeseed or soybean, the use of waste-based biodiesel has expanded rapidly over the last

few years. For example, the share of biodiesel raw materials accounted for by used cooking oils and other waste has nearly doubled since 2011.

The European Union is also supporting the use of biofuels made from waste products because, unlike raw materials that are especially cultivated for fuel applications, such products do not take up fields that could otherwise be used to grow food crops. Moreover, the recyclability of such waste products means their use can significantly reduce greenhouse gas emissions. The importance of waste-based biofuels continues to grow even in Brazil and the USA, both of which produce large amounts of soybean.

Companies around the world that produce biodiesel use alkoxides from Evonik Industries. Here, sodium methylate and potassium methylate serve as catalysts for the transesterification of vegetable oils and animal fats that is needed to produce biodiesel.

Sodium methylate is the most extensively used catalyst worldwide and has been successfully supporting the production of biodiesel from renewable raw materials for many years now. Potassium methylate is the catalyst of







**OUR CUSTOMER'S THINKING:**

*...we'll take the used grease for  
the French fries to make biodiesel—  
that's good for the environment  
and there's no need to grow extra  
canola.*



**THE GIRLFRIEND'S THINKING**  
*Always eating fries and still  
 so slim—how does she do it?!*



**THE CAR LOVER'S THINKING:**  
*No eating in my car!*

**“** *Hair care is a business that also involves emotions. We enable our customers to fulfill very individual needs in terms of hair care and beauty.*

**”**

**DR. WOLFGANG GOERTZ**  
Global Business Director  
Specialties & Business Director EMEA  
Personal Care Business Line



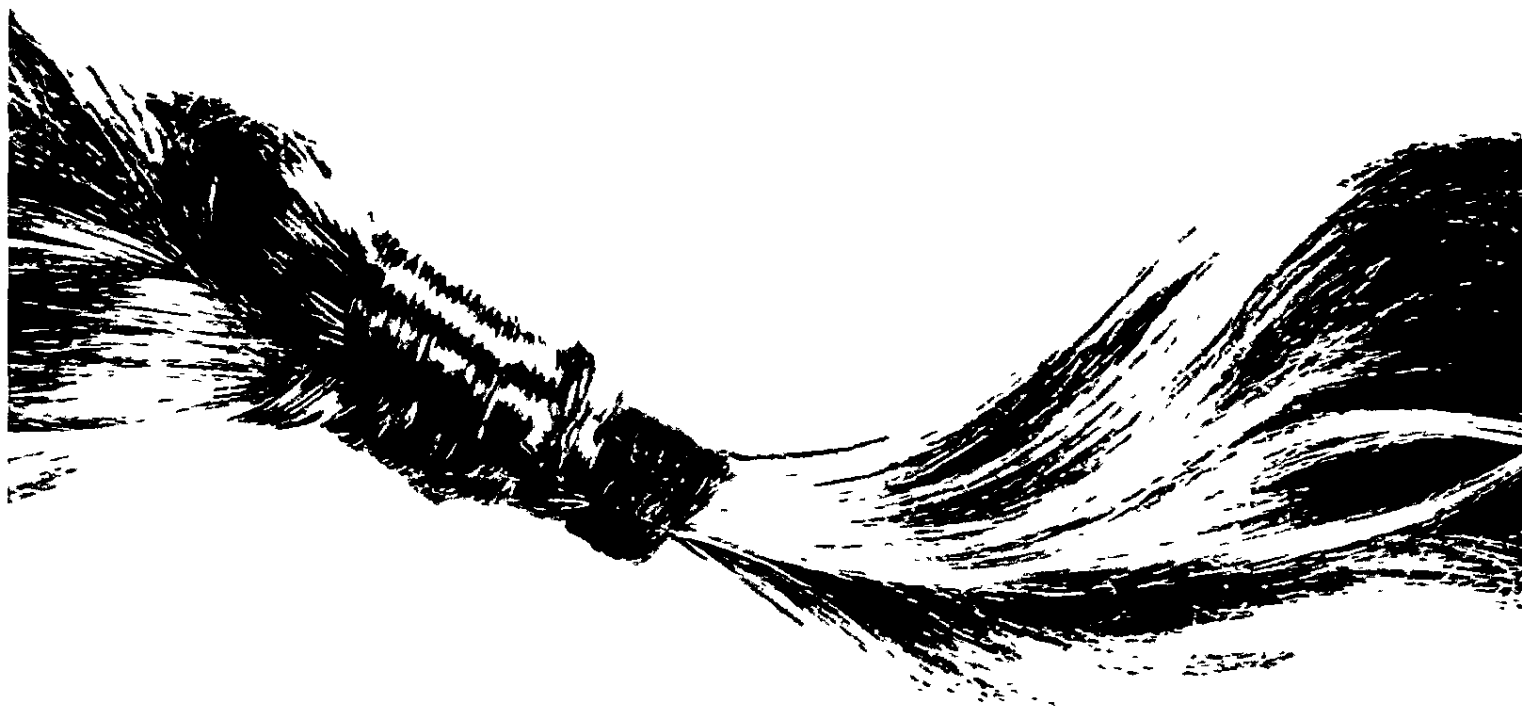
Brazil, Singapore, and China in order to develop new and more precise solutions, such as special formulations, that meet local customers' specific needs

In addition to the familiar hair needs, new consumer demands must also be taken into account. For example, the latest products also protect the hair from ultraviolet radiation and other external influences, thanks to additives from Evonik. This feature is increasingly demanded by customers in China's megacities and elsewhere. There's also a global trend toward natural raw materials, as well as concerns about specific ingredients that are under scrutiny even if the reasons are not always scientifically justified. Brazilian people love natural extracts, while many people of the Asian population are buying more and more silicone-free products and people from France tend to choose products without parabens. Evonik follows a clear strategy in achieving sustainable targets and creating solutions for our customers.



.....  
Natural raw materials in hair and body care products are very popular. Consumers are increasingly making sure the products they buy are sustainably produced. Accordingly, Evonik has some of the production plants for cosmetics ingredients certified—for example, according to the standard of the Roundtable on Sustainable Palm Oil (RSPO).  
.....

## BEAUTIFUL HAIR TRESSES



**Hair should be not only squeaky-clean but also well groomed and, if necessary, conditioned. Modern ingredients in shampoos and conditioners make dreams come true. And in the growing markets all over the world, these dreams vary widely**

Smooth, frizzy, thick, thin, red, blond, gray—there's a wide range of hair types and hair care requirements. Daily care is only a small part of the picture—after all, everyone wants to have attractive hair. For men as well as women, hair and hairstyles reflect an important aspect of their individual style, or even their whole personality. This is not a quirk of contemporary fashion. Since time immemorial, hair has been an expression of individual status and style, health and attractiveness, cultural customs and religious dictates.

Depending on an individual's culture, region, ethnic group, hair type, and preferred fashion, he or she will require different effects, products, and marketing strategies. That's why in some countries the regional brands of hair care products have a 50 percent share of the market—a strong showing compared to the global brands. Local companies' product developers respond more flexibly and precisely to the wishes of their regional customers. As a result, every year about 10,000 new hair care products are launched in markets all over the world.

Evonik provides the biggest and also the smallest hair care product manufacturers with a range of various ingredients for creating this variety. It includes mild surfactants for shampoos, highly effective ingredients for conditioners, and a whole palette of auxiliary materials and additives that make products suitable for daily use.

The formulations made from these ingredients are adapted to the end consumers' expectations. For example, very long hair is an important element of ideal beauty for Brazilian women. Especially in Brazil's humid climate, long tresses require lots of time-consuming care. The average Brazilian woman washes her hair twice a day and prefers especially rich conditioners that make the hair easy to comb.

The dominant local hair structure has an impact on the consumer demands. In Brazil, which is a melting pot of indigenous, European, and African hair types, dark wavy hair dominates, whereas northern Europeans tend to have thinner, light-colored hair. The two types of hair require different kinds of care. In addition, African hair in particular is often severely damaged, whether the customer is African or African-American. Frequent combing causes frizzy hair to break. Many consumers also use straightening irons, chemical hair straighteners or hair dyes that further damage their hair. Evonik has therefore set up local applications laboratories in South Africa,



**OUR CUSTOMER'S THINKING:**

*What lovely hair! Must have been lots of work—especially without modern hair care products. Silky smoothness doesn't come by accident.*

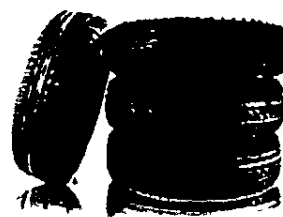


**THE ART LOVER'S THINKING**  
*Fantastic! Why can't  
 I paint like that?*



**THE SCHOOLGIRL'S THINKING**  
*Incredible! That painting is  
 older than my parents!*

Modern low rolling-resistance tires offer an important efficiency benefit today. These tires contain the silica-silane system from Evonik, which reduces rolling resistance even as it ensures optimal traction on wet roads. The result: longer range and lower fuel consumption and emissions.



Evonik is also conducting practical tests with many other solutions—for example, in an ultra-lightweight sports car Evonik designed with Roding Automobile, a small-batch manufacturer from Bavaria. The vehicle is being used to test materials for composites, structural foams, plastic glazing, and oil additives under tough racing conditions.

At the same time, new series production processes are needed if racing innovations are to be transferred to the mass market. Evonik has already accomplished a great deal in this regard with composites. For example, researchers in Evonik's Composites Project House have developed systems and processes that enable composites to be manufactured more quickly and simply, and less expensively. In the course of their work, they also combined properties that were long considered impossible for plastic materials. This feat was achieved with new combinations of polymers, crosslinkers, and catalysts, for example, and it ensures that the potential of composites can be exploited more effectively.

However, lightweight design alone is not enough to make cars significantly more climate-friendly. In particular, the

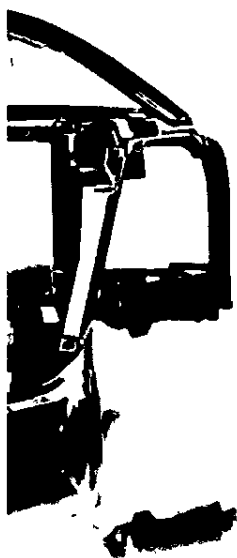
powertrain—where up to 20 percent of a vehicle's energy is lost—needs to be optimized. Evonik is currently establishing a center of competence for such optimization. The facility will channel key areas of expertise at the Group to develop new powertrain technologies. For example, plastics and new coatings in transmissions, combined with specially optimized lubricant additives, could help reduce the loss of engine performance during vehicle operation.

Even with 130 years of development experience, there's still plenty of potential for improving automobiles. The road to climate-friendly mobility will be marked not so much by leaps in technology as by the combination of a large number of individual improvements. Evonik, with its innovations for everything from vehicle roofs to tires, fuels, lubricants, and paints, is present just about everywhere in automobiles, which means the company is well equipped to participate in every step of the problem's solution.

**“** *More varied materials are being used in cars —and not just because of lightweight design. We offer solutions that enhance efficiency in numerous ways*

**”**

**ECKART RUBAN**  
Head of the Automotive Industries Team (AIT)  
at Evonik Industries



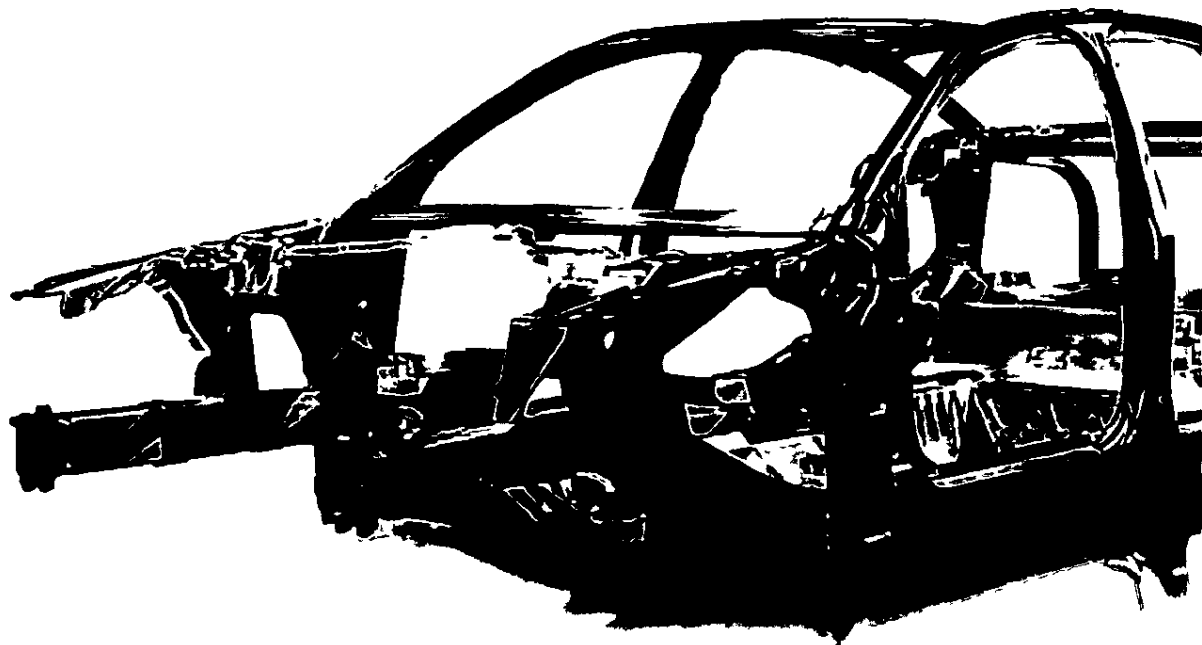
## FAR-REACHING CHANGES

**New materials and manufacturing methods are making vehicles not only lighter but also better. Solutions from Evonik will make just about every car more efficient in the future.**

The automotive industry currently faces major challenges, as legislators and associations around the world are mandating that vehicles should be made more efficient as part of the effort to combat climate change. In other words, mobility must become cleaner and more economical. At the same time, drivers continue to demand a level of comfort and safety that requires the inclusion of more and more equipment and systems. For decades, this led to an increase in vehicle weight with every new model generation, and this development basically negated the numerous advances that had been made with efficient drive systems, improved aerodynamics, and cleaner fuels. A broad range of innovations is needed to ensure that ever more sophisticated equipment can be efficiently put on the road. Such innovations involve everything from lightweight designs and materials to more efficient powertrains. As a specialist for exceptionally high-per-

formance materials, Evonik offers solutions in just about every area here. For example, the company has developed joining technology systems that use very powerful adhesives instead of weld seams, bolts, and rivets. This not only improves bonds between various materials such as metals and plastics, it also makes possible completely new component concepts and enables thinner materials to be used to achieve the same degree of component strength, which also reduces weight. Evonik supplies additives for the special adhesives needed here and also offers a hot melt adhesive system that withstands high stress loads and can thus meet the strictest safety requirements in crash tests.

Plastics are playing an increasingly important role in efforts to make mobility more efficient. They can be used in place of heavier metal parts and also enable the creation of new functions. Even components such as air intake pipes, which are mounted close to the engine and exposed to high levels of stress, can now be manufactured using temperature-resistant high-performance plastics from Evonik. In this case, the weight benefit is accompanied by an optimized air flow.







**OUR CUSTOMER'S THINKING:**

*It shows that there are situations where even the most modern, fuel-efficient, and environmentally friendly lightweight engineering is useless.*



**THE POLICEMAN'S THINKING.**  
*That's a novel way to slow  
 down traffic*



**THE SHEEPDOG'S THINKING.**  
*Woof, woof!*

**“** *Even though it's not always obvious,  
diapers are a high-tech product.  
We provide the core ingredient and  
the key know-how.*

**”**

**STEFAN NOWICKI**  
Strategic Marketing Director  
Baby Care Business Line



## THE INNOVATIVE CORE

**Today baby diapers are a high-tech product that's attracting new customer groups all over the world. Companies are therefore competing more fiercely to make the best diapers. Evonik supplies the key ingredient and special know-how to stay in the running.**

Away from cotton and cellulose, toward superabsorbing polymers. That would be a good way to describe the development of modern diapers—but it wouldn't even be close to the whole story. Since the 1980s, when diaper manufacturers started using superabsorbers, there have been transformations on babies' changing tables and in this fiercely competitive market. Today superabsorbers of the latest generation can absorb 500 times their own weight in liquid. Almost every diaper manufactured today contains a few grams of these granulates. And the granulate in every fifth diaper comes from Evonik Industries.

A great deal of know-how has led to modern diapers and their superabsorbers. Back in the early 1980s, the first-generation superabsorbers merely absorbed liquid especially well and then retained it under pressure. Second-generation superabsorbers could expand against pressure—that is, even when the baby was sitting on the diaper. In the third generation the transport of liquid was optimized, so that the entire diaper could be used even if it didn't contain much cellulose. Today the primary goal is to make diapers that absorb liquid even faster and require even less material to guarantee long-lasting dryness.

That's why Evonik is continuing to do research aimed at finding new and improved superabsorbers, and why it's analyzing diaper designs from all over the world in its application laboratories. Why is it expending so much effort? Because of a demanding and steadily growing group of customers—not the children themselves, but their parents.

From Shanghai to São Paulo, a growing middle class with increasing disposable income is buying more and more modern diapers that promise dry baby bottoms, quieter nights and happier children. As a result, diaper manufacturers in new markets are competing to win over a growing number of customers. Increasing prosperity and rising local birthrates are driving this business. Whereas the diaper market in Western Europe and North America is growing by less than two percent, and in Japan incontinence products and baby diapers are being sold in equal numbers, the rest of the Asian market is growing by about eight percent annually—and the Chinese market is increasing by an impressive ten percent a year.

In these growth markets the manufacturers are trying to beat the competition by means of clever marketing and especially high-quality diapers. In many cases, the keys to success are materials that are very similar to textiles and powerful superabsorbers that make diapers even thinner and more absorbent. Children enjoy the wearing comfort, and parents enjoy having to change diapers less often. Manufacturers and dealers benefit too, because thinner diapers take up less of the fiercely contested space on supermarket shelves. And the environment also benefits, because more diapers fit into each delivery truck.

In general, the environmental balance sheet is playing an increasingly important role for the customers and manufacturers of consumer goods. Evonik is therefore continuing to work on environmental issues and giving its customers extensive information about its products' CO<sub>2</sub> footprint, which has shrunk by 15 percent in the past four years. Thanks in part to yet another hidden piece of high tech in every fifth diaper that is sold.



Baby diapers are the biggest market for superabsorbers, followed by incontinence and hygiene products. But superabsorbers can do much more: They protect undersea cables from invasive seawater. And they absorb and bind the moisture that forms inside the packaging of poultry, meat, fish, fruit and vegetables. These foods stay fresh longer. As water storage media in the soil, superabsorbers also make reliable harvests possible even in regions with a dry climate.



**OUR CUSTOMER'S THINKING:**

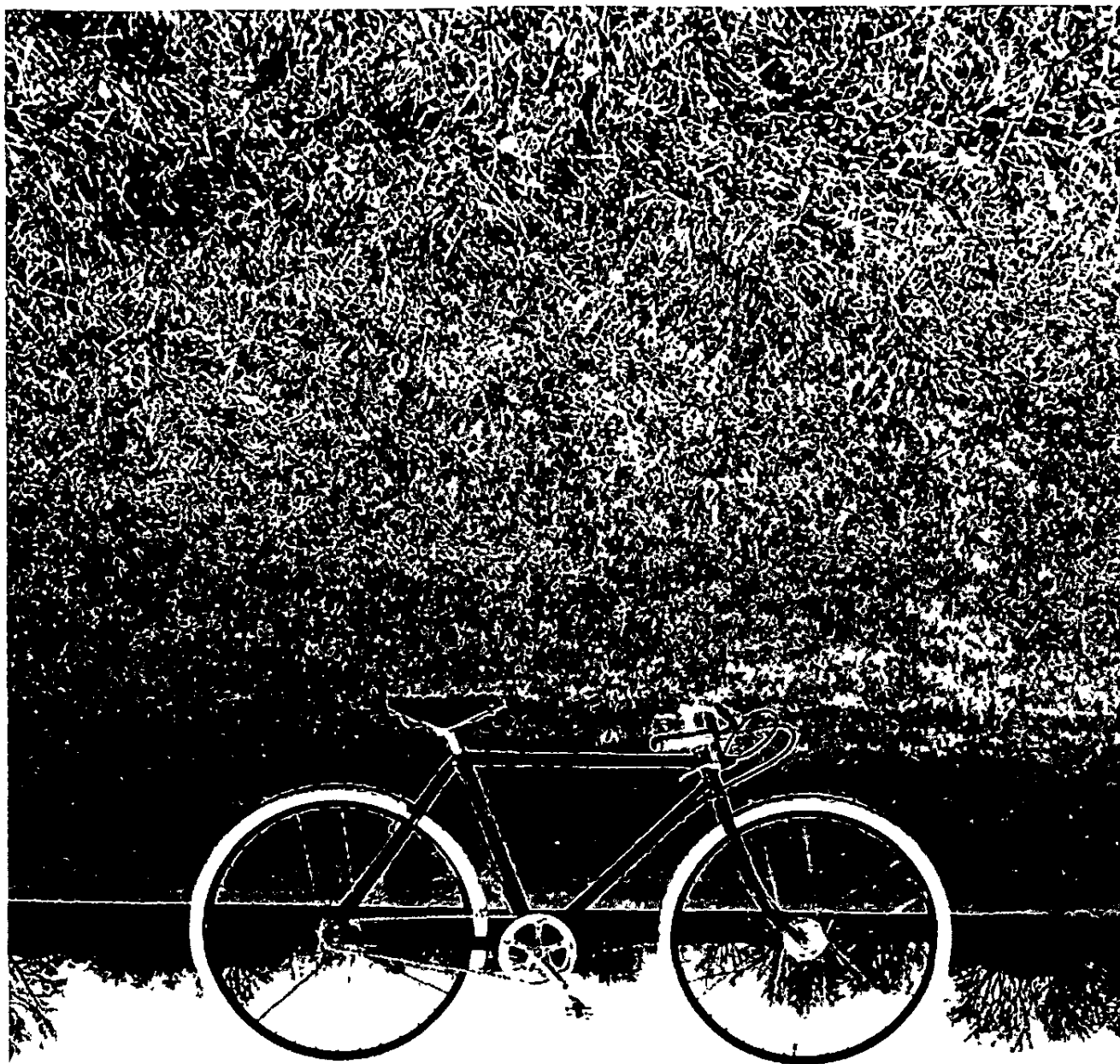
*That's really impressive! Even though that diaper is so thin, it can absorb and contain liquid that's many times its own weight. I bet it could absorb all the water in the wading pool!*



**HER MOM'S THINKING•**  
*Doesn't she look sweet?  
When she grows up,  
she'll be a movie star!*



**HER BROTHER'S THINKING•**  
*Hey, that's my shovel!*

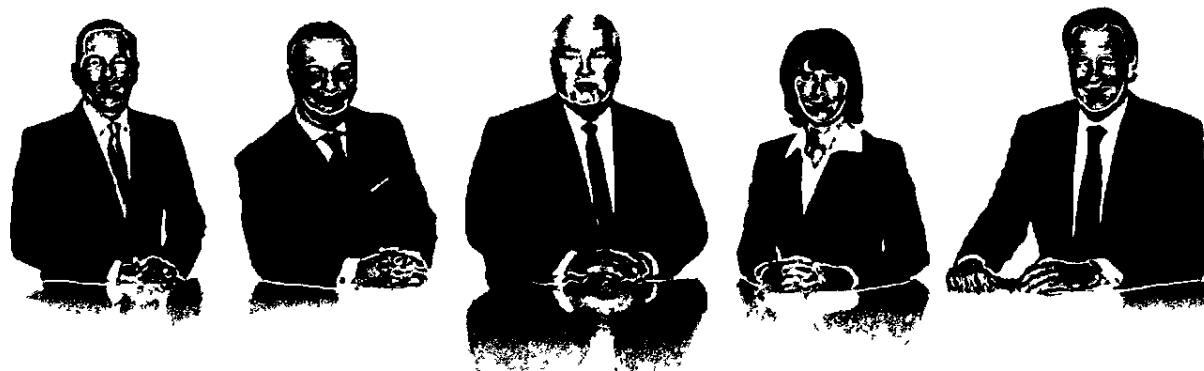


## **THERE ARE AS MANY WORLDS AS THERE ARE HUMAN BEINGS**

There's not just one world, because every individual perceives the world differently. In order to better understand the worlds of our customers and their customers, we are constantly changing our perspective. That's how we gain new points of view that help us find superior, and often unconventional, solutions. Our new corporate structure helps us do this even faster and more flexibly.

In this Annual Report, we cordially invite you to look at things through our customers' eyes. We hope you enjoy these changes of perspective.





**THOMAS WESSEL**  
Chief Human Resources Officer

**CHRISTIAN KULLMANN**  
Chief Strategic Officer

**KLAUS ENGEL**  
Chairman of the Executive Board

**UTE WOLF**  
Chief Financial Officer

**RALPH SVEN KAUFMANN**  
Chief Operating Officer

to food production requirements outside of the poultry sector. A production plant for the Mepron® feed additive for dairy cows has been built in Mobile (Alabama, USA). We have developed the new AQUAVI® Met-Met additive for aquaculture feed. The first manufacturing facility for this is now being built in Antwerp (Belgium).

Demand for quality personal care products and cosmetics is also increasing, so we are expanding our global production network for specialty oleo-chemical surfactants.

In order to improve resource efficiency, we have also expanded our manufacturing capacity for precipitated silicas. Especially when used in combination with silanes, these silicas enable the production of automobile tires that noticeably reduce fuel consumption. A new plant for precipitated silicas is now being built in São Paulo (Brazil) and is scheduled to open later this year. It will be the first facility to produce highly dispersible silicas for the South American tire industry. Just last fall, we also started up new capacity at the extended production facility for specialty silicas in Ako (Japan).

We expect additional growth momentum to be generated by the doubling of our oil additive production capacity in Singapore, as well as by the acquisition of the Indian catalyst manufacturer Monarch and the Dutch hydrogen peroxide manufacturer PeroxyChem.

In our Performance Materials Segment, we have invested in new facilities in Antwerp (Belgium) and Marl (Germany) that have expanded our production capacities for the isononanol plasticizer alcohol, butadiene, and MTBE. This investment has also improved our flexibility in terms of resource

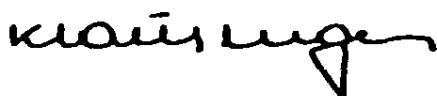
utilization. In addition, we will be launching a production joint venture with AkzoNobel in Ibbenburen (Germany) at the end of 2017 to build and operate a chlorine-potassium hydroxide membrane electrolysis plant.

#### **WE ARE CUSTOMER-FOCUSED AND COSMOPOLITAN**

In our diverse and globalized world, it is becoming more and more important to gain a better understanding of the requirements of our customers and end-consumers. Changing our perspective to view the world through the eyes of our customers allows us to see things differently and thus develop exceptional solutions. Our willingness to remain open to new things and to think in a flexible manner is the key to our culture of learning and innovation. This culture helps us identify good ideas at an early stage of their development and then quickly bring them to market in order to create added value for our customers and Evonik.

The ability to change the way we look at things also requires us to remain objective, impartial, and open, and to accept different ways of thinking and working. Narrow-mindedness and intolerance therefore have no place in our cosmopolitan corporate culture. This culture also forms the foundation of our employees' commitment to social responsibility around the world—for example, the commitment to help people who have been forced to flee their homes due to war and hunger.

I invite you to use this Annual Report to get to know our markets and customers from a new and different point of view, and I hope this perspective change will bring you many new and interesting insights.



# Ladies and gentlemen,

The year 2015 was both challenging and successful for Evonik

Although the global economic situation deteriorated noticeably as the year progressed, all in all we were nevertheless able to defend and improve our market positions. The consistent focus of our business portfolio on customer-oriented specialty chemicals, the further selective expansion of capacities, and our continued investment in research and development all paid off for our company and its shareholders.

Our total sales increased by 5 percent to €13,507 million, and adjusted EBITDA rose even faster, by 31 percent to €2,465 million. Our EBITDA margin thus increased significantly to 18.2 percent, which is an outstanding result both in general and within our own industry. Our return on capital employed (ROCE) of 16.6 percent was also very high.

Adjusted net income rose by 44 percent to €1,128 million. In order to ensure our shareholders benefit from our positive business development, the Executive Board and Supervisory Board will propose to the Annual Shareholders' Meeting in May that the dividend be increased from €1.00 per share to €1.15 per share.

## OUR STRATEGY IS PAYING OFF

Our strategy is based on profitable growth, efficiency, and values. We aim to further expand our leading market positions and our leadership in technology. We will focus here on attractive growth businesses and emerging markets, use our innovations to gain access to new growth areas, and continually improve our cost positions. The successful reorganization of our management and portfolio structure last year noticeably improved the organizational conditions required for the implementation of this strategy.

Our measures here included the sale of our remaining 10.3 percent interest in Vivawest GmbH to RAG Aktiengesellschaft. We have thus completely withdrawn from the real estate business and are now focused on specialty chemicals.

## WE INVEST IN GROWTH

In 2015, we once again invested substantially in innovations and new and improved production facilities. The requirements of local consumers in various markets around the world are constantly changing. We are responding to these developments together with our customers, for whom we develop innovative tailor-made products.

Our innovations improve and simplify the lives of people in many different ways, and we are also helping to ensure the basis for existence of a growing population.

For example, the rising global population will also result in a further increase in demand for animal protein in the future. At the same time, growing prosperity is leading to greater demand for high-quality food products. This in turn is leading to more intensive livestock farming, which presents major challenges in terms of ensuring sustainable and environmentally sound food production.

Essential amino acids from Evonik help reduce water consumption and excess nitrate concentrations in soil, and also contribute to the conservation of natural protein resources. In an effort to meet the continually growing global demand for amino acids, we plan to build an additional production facility right next to the plant that was so successfully commissioned on Jurong Island in Singapore in November 2014. We have already constructed a new manufacturing facility in Castro (Brazil) for our Biolys® amino acid feed additive. We have also invested in new formulations that are tailored



“ *In our diverse and globalized world,  
it is becoming more and more  
important to gain a better under-  
standing of the requirements of our  
customers and end-consumers.*

”

**KLAUS ENGEL**  
Chairman of the Executive Board of Evonik Industries AG

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# Key figures for the Evonik Group

## Key figures

In € million	2011	2012	2013	2014	2015
Sales	14,540	13,365	12,708	12,917	13,507
Adjusted EBITDA*	2,768	2,467	1,995	1,882	2,465
Adjusted EBITDA margin in %	19.0	18.5	15.7	14.6	18.2
Adjusted EBIT <sup>b</sup>	2,099	1,887	1,404	1,256	1,752
ROCE <sup>c</sup> in %	18.7	20.4	15.1	12.5	16.6
Net income	1,011	1,165	2,054	568	991
Adjusted net income	1,256	1,076	806	782	1,128
Earnings per share in €	2.17	2.50	4.41	1.22	2.13
Adjusted earnings per share in €	2.70	2.31	1.73	1.68	2.42
Total assets as of December 31	16,944	17,166	15,883	15,685	17,005
Equity ratio as of December 31 in %	35.8	31.9	43.0	41.6	44.6
Cash flow from operating activities	1,309	1,420	1,055	1,066	1,971
Capital expenditures <sup>d</sup>	830	960	1,140	1,123	877
Depreciation and amortization <sup>e</sup>	647	580	585	606	700
Net financial debt/assets as of December 31	-843	-1,163	571	400	1,098
No. of employees as of December 31	33,556	33,298	33,650	33,412	33,576

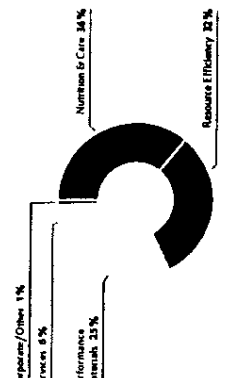
Figures for 2012 and 2013 contain the former Real Estate segment as a discontinued operation

2014 figures revised

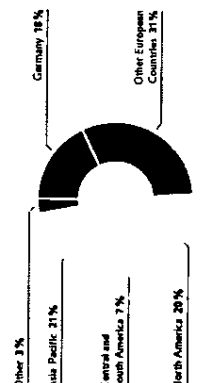
- \* Earnings before financial result, taxes, depreciation and amortization, after adjustments
- <sup>b</sup> Earnings before financial result and taxes, after adjustments
- <sup>c</sup> Earnings on capital employed
- <sup>d</sup> Intangible assets: property, plant, equipment and investment property

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

## Sales by segment



## Sales by region\*



\* By location of customer

## Nutrition & Care

The Nutrition & Care segment produces specialty chemicals, principally for use in consumer goods for daily needs, and in animal nutrition and healthcare products

- 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	2015	2014
External sales	4,924	4,075
Adjusted EBITDA	1,435	847
Adjusted EBITDA margin in %	29.1	20.8
Adjusted EBIT	1,214	685
ROCE in %	41.5	27.1
No. of employees	7,165	6,943

Prior year figures revised

## Resource Efficiency

The Resource Efficiency segment supplies high-performance materials for environment-friendly and energy-efficient systems to the automotive, paints, coatings, adhesives, construction industries and many other sectors

- 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	2015	2014
External sales	4,279	4,040
Adjusted EBITDA	896	836
Adjusted EBITDA margin in %	20.9	20.7
Adjusted EBIT	675	642
ROCE in %	24.8	25.9
No. of employees	8,662	7,835

Prior year figures revised

## Performance Materials

The heart of the Performance Materials segment is the production of polymer materials and intermediates, mainly for the rubber, plastics and agriculture industries

- Growth drivers: rising mobility and urbanization
- Leading market positions in alcohols (# 1), butene-1 (# 1), methacrylate polymers (# 1-2)

### Key figures

In € million	2015	2014
External sales	3,435	3,827
Adjusted EBITDA	309	325
Adjusted EBITDA margin in %	9.0	8.5
Adjusted EBIT	174	204
ROCE in %	11.0	14.6
No. of employees	4,380	4,353

Prior year figures revised

# PERSPECTIVE CHANGE

ANNUAL REPORT 2015

