HALF YEAR FINANCIAL REPORT

2nd quarter 2020 | 1st half 2020

Evonik
Leading Beyond Chemistry

Well positioned throughout the first six months—Outlook confirmed

2nd quarter

- **Sales** were down 14 percent due to considerably lower demand in some markets
- **Adjusted EBITDA** was 19 percent lower than in the previous year at €456 million, but above expectations
- Adjusted EBITDA margins of 20 percent in the **Nutrition & Care** and **Resource Efficiency** growth segments

1st half

- **Sales** dropped 8 percent to €6.1 billion
- **Adjusted EBITDA** decreased by 12 percent to €1.0 billion
- **Adjusted net income** fell 28 percent to €341 million
- **Free cash flow** was €209 million
- Sufficient **liquidity** and firmly committed credit facilities
- **Outlook for 2020 confirmed:** adjusted EBITDA expected to be between €1.7 billion and €2.1 billion

Key figures for the Evonik Group

	2nd quarter		1st half	
in € million	2019[a]	**2020**	2019[a]	**2020**
Sales	3,306	2,827	6,592	6,069
Adjusted EBITDA[b]	566	456	1,105	970
Adjusted EBITDA margin in %	17.1	16.1	16.8	16.0
Adjusted EBIT[c]	340	202	655	475
Income before financial result and income taxes, continuing operations (EBIT)	319	188	614	435
Net income	228	114	467	244
Adjusted net income	227	160	476	341
Earnings per share in €	0.49	0.24	1.00	0.52
Adjusted earnings per share in €	0.49	0.34	1.02	0.73
Cash flow from operating activities, continuing operations	118	285	452	582
Cash outflows for investments in intangible assets, property, plant and equipment[d]	-182	-189	-357	-373
Free cash flow[e]	-64	96	95	209
Net financial debt as of June 30	–	–	-4,081	-2,994
No. of employees (continuing operations) as of June 30[f]	–	–	32,470	32,621

[a] The methacrylates business was presented as a discontinued operation until its divestment on July 31, 2019.
[b] Earnings before financial result, taxes, depreciation, and amortization, after adjustments, continuing operations.
[c] Earnings before financial result and taxes, after adjustments, continuing operations.
[d] Investments in intangible assets, property, plant and equipment, continuing operations.
[e] Cash flow from operating activities, continuing operations, less cash outflows for investments in intangible assets, property, plant and equipment.
[f] Prior-year figure restated.

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

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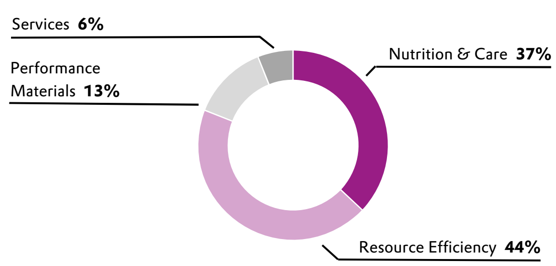
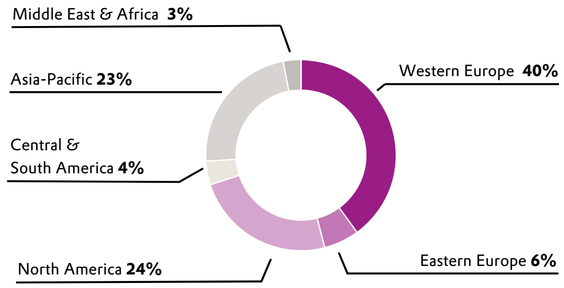
Sales by segment—1st half



Sales by region[a]—1st half



[a] By location of customer.

Interim management report as of June 30, 2020

1. Business conditions and performance

1.1 Economic background

In the first half of 2020, the **global economy** was held back substantially by the coronavirus pandemic, and growth was far weaker than had been anticipated at the start of the year. The measures to check the global spread of coronavirus had a major impact on supply and demand in many countries, leading to a pronounced global recession.

The crisis started in China and spread to all economic regions. The developed economies registered a substantial drop in economic activity in the first quarter and, above all, the second quarter. The emerging markets are also badly affected by the coronavirus pandemic. In addition to measures to counter the pandemic, deteriorating financing conditions and declining income from the sale of raw materials are having a negative effect.

The crisis is having a major impact on many sectors of industry worldwide, especially producers of capital goods and precursors such as the automotive, coatings, and plastics industries. By contrast, the development of industries such as pharmaceuticals and food is stable.

1.2 Business performance

Major events

Effective July 1, 2020, we introduced a new **corporate structure.** Our new chemicals divisions—Specialty Additives, Nutrition & Care, Smart Materials, and Performance Materials—are more balanced in terms of size and profitability. Moreover, clearer alignment to the technology platforms allows more selective management. At the same time, we have streamlined our legal entity structures and optimized our administrative functions. The old structure is used in the report on the first six months, but the outlook for 2020 reflects the new structure.

The **coronavirus** pandemic spread around the world in the first half of 2020. Evonik took the necessary precautions to protect its employees at an early stage in order to prevent the virus from spreading within the company while continuing to operate as best possible. Group-wide, 87 employees worldwide had been infected by the virus by end of June. 74 of them have already recovered. The situation is analyzed daily at all sites worldwide by the site steering groups so that timely action can be taken. The Evonik steering committee receives regular information and issues globally valid instructions.

Our business performance in the first six months was hampered by the effects of the coronavirus pandemic. We registered a considerable drop in demand worldwide as a result of the recession, especially in some customer industries such as the automotive and fuel industries. Our production facilities at smaller sites were affected by restrictions resulting from state-imposed shutdowns. However, our supply chains have remained intact, and we have sufficient liquidity, as well as firmly committed credit facilities that have not yet been drawn.

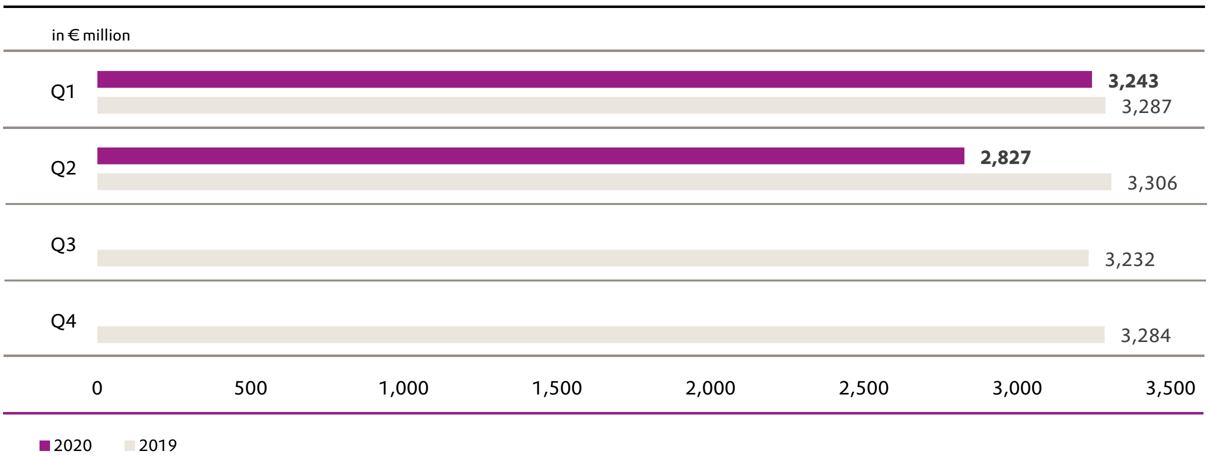
We postponed our Annual Shareholders' Meeting to August 31, 2020 due to the present situation, and it will be held remotely. At the start of June 2020, we made an advance payment of €0.57 per share out of the distributable profit for 2019 (dividend proposal to the Annual Shareholders' Meeting: €1.15 per share less the advance payment).[1]

In November 2018, Evonik signed an agreement to acquire **PeroxyChem,** Philadelphia (Pennsylvania, USA) from One Equity Partners, Chicago (Illinois, USA). PeroxyChem is a manufacturer of hydrogen peroxide and peracetic acid. The acquisition was initially delayed because the Federal Trade Commission (FTC) in the USA filed a lawsuit to block the transaction. The lawsuit was dismissed in January 2020, and the acquisition was then closed on February 3, 2020.

Business performance in Q2 2020

The impact of the coronavirus pandemic held back the development of some of our businesses, especially in the Resource Efficiency and Performance Materials segments. By contrast, other businesses, particularly in the Nutrition & Care segment, were less affected or actually bucked the general trend and posted an improvement. Overall, in the second quarter of 2020, our business developed better than we had anticipated given the global recession triggered by the pandemic.

Sales by quarter



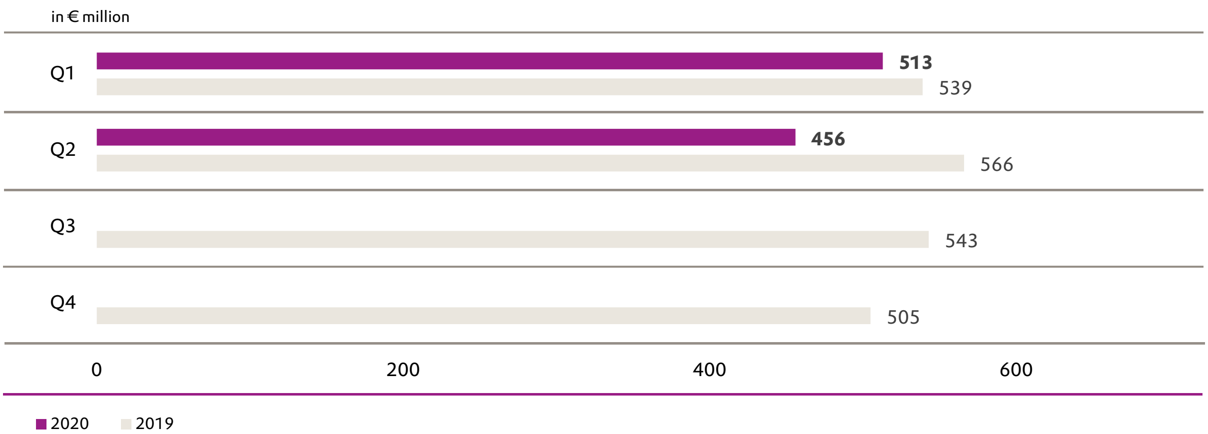
The Evonik Group's **sales** fell 14 percent to €2,827 million, principally due to the pandemic-related drop in demand and slightly lower selling prices. By contrast, the first-time consolidation of PeroxyChem in February 2020 had a positive effect.

[1] See note 7.2 to the consolidated financial statements.

Year-on-year change in sales

in %	1st quarter 2020	2nd quarter 2020	1st half 2020
Volumes	-1	-12	-7
Prices	-2	-3	-3
Organic sales growth	**-3**	**-15**	**-10**
Exchange rates	–	–	–
Change in the scope of consolidation/other effects	2	1	2
Total	**-1**	**-14**	**-8**

Adjusted EBITDA by quarter



Adjusted EBITDA contracted by 19 percent to €456 million. This was attributable to the impact of the coronavirus pandemic, which led, in particular, to weaker demand in the Resource Efficiency segment and price erosion in the Performance Materials segment. By contrast, the pleasing development of the Nutrition & Care segment and successful cost savings had a positive effect.

The adjusted EBITDA margin was 16.1 percent, down from 17.1 percent in the prior-year period. Adjusted EBIT dropped 41 percent to €202 million.

Statement of income

	2nd quarter			1st half		
in € million	2019	2020	Change in %	2019	2020	Change in %
Sales	**3,306**	**2,827**	**-14**	**6,592**	**6,069**	**-8**
Adjusted EBITDA	**566**	**456**	**-19**	**1,105**	**970**	**-12**
Adjusted depreciation, amortization, and impairment losses	-226	-254		-450	-495	
Adjusted EBIT	**340**	**202**	**-41**	**655**	**475**	**-27**
Adjustments	-21	-14		-41	-40	
thereof attributable to						
Restructuring	*-8*	*-3*		*-12*	*-4*	
Impairment losses/reversals of impairment losses	–	–		*-13*	–	
Acquisition/divestment of shareholdings	*-4*	*-1*		*-8*	*-23*	
Other	*-9*	*-10*		*-8*	*-13*	
Income before financial result and income taxes, continuing operations (EBIT)	**319**	**188**	**-41**	**614**	**435**	**-29**
Financial result	-52	-25		-104	-75	
Income before income taxes, continuing operations	**267**	**163**	**-39**	**510**	**360**	**-29**
Income taxes	-74	-34		-101	-91	
Income after taxes, continuing operations	**193**	**129**	**-33**	**409**	**269**	**-34**
Income after taxes, discontinued operations	40	-11		69	-18	
Income after taxes	**233**	**118**	**-49**	**478**	**251**	**-47**
thereof attributable to non-controlling interests	5	4		11	7	
Net income	**228**	**114**	**-50**	**467**	**244**	**-48**
Earnings per share in €	**0.49**	**0.24**		**1.00**	**0.52**	

The **adjustments** of -€14 million included restructuring expenses of €3 million, mainly for the SG&A 2020 program to reduce selling and administrative expenses. The item "other" includes expenses in connection with the new corporate structure. The **financial result** improved to -€25 million due to lower interest expense and higher income. **Income before income taxes, continuing operations,** declined by 39 percent to €163 million. Due to lower foreign tax rates, the income tax rate on the continuing operations was 21 percent, and the adjusted income tax rate was 24 percent. Income after taxes, discontinued operations, amounted to -€11 million and comprised post-divestment expenses, principally for the methacrylates business, which was sold in July 2019. The prior-year figure of €40 million still contained the operating income of the methacrylates business.

Overall, **net income** fell by 50 percent to €114 million.

Adjusted net income dropped 30 percent to €160 million. **Adjusted earnings per share** decreased from €0.49 to €0.34.

Reconciliation to adjusted net income

	2nd quarter			1st half		
in € million	2019	2020	Change in %	2019	2020	Change in %
Adjusted EBITDA	**566**	**456**	**-19**	**1.105**	**970**	**-12**
Adjusted depreciation, amortization, and impairment losses	-226	-254		-450	-495	
Adjusted EBIT	**340**	**202**	**-41**	**655**	**475**	**-27**
Adjusted financial result	-51	-25		-102	-76	
Amortization and impairment losses on intangible assets	33	38		64	70	
Adjusted income before income taxes [a]	**322**	**215**	**-33**	**617**	**469**	**-24**
Adjusted income taxes	-90	-51		-130	-121	
Adjusted income after taxes [a]	**232**	**164**	**-29**	**487**	**348**	**-29**
thereof adjusted income attributable to non-controlling interests	5	4		11	7	
Adjusted net income [a]	**227**	**160**	**-30**	**476**	**341**	**-28**
Adjusted earnings per share in € [a]	**0.49**	**0.34**		**1.02**	**0.73**	

[a] Continuing operations.

Business performance in H1 2020

Sales fell 8 percent to €6,069 million due to considerably lower volumes in the wake of the coronavirus pandemic and slightly lower prices. **Adjusted EBITDA** declined by 12 percent to €970 million, mainly due to the coronavirus crisis. The adjusted EBITDA margin was 16.0 percent, which was below the margin registered in the first half of 2019 (16.8 percent).

The **adjustments** of -€40 million included -€23 million in connection with the acquisition/divestment of shareholdings. These mainly related to the purchase of PeroxyChem and principally comprised the sale of a Canadian investment of PeroxyChem to meet antitrust requirements, as well as acquisition and integration costs.[2] The restructuring expenses mainly related to the SG&A 2020 program to reduce selling and administrative expenses. The **financial result** improved to -€75 million as interest expense was lower. **Income before income taxes, continuing operations,** declined by 29 percent to €360 million. Due to lower foreign tax rates, the income tax rate on the continuing operations was 25 percent, and the adjusted income tax rate was 26 percent. In the first half of 2019, they were only 20 percent and 21 percent, respectively, as a result of one-time effects from the remeasurement of deferred taxes. Income after taxes, discontinued operations, amounted to -€18 million and comprised post-divestment expenses, mainly for the methacrylates business. The prior-year figure of €69 million still included operating income from the methacrylates business.

Net income was down 48 percent year-on-year at €244 million.

Adjusted net income dropped by 28 percent to €341 million, while **adjusted earnings per share** declined from €1.02 to €0.73.

[2] See note 3.2 to the consolidated financial statements.

1.3 Segment performance

Nutrition & Care segment

Key figures

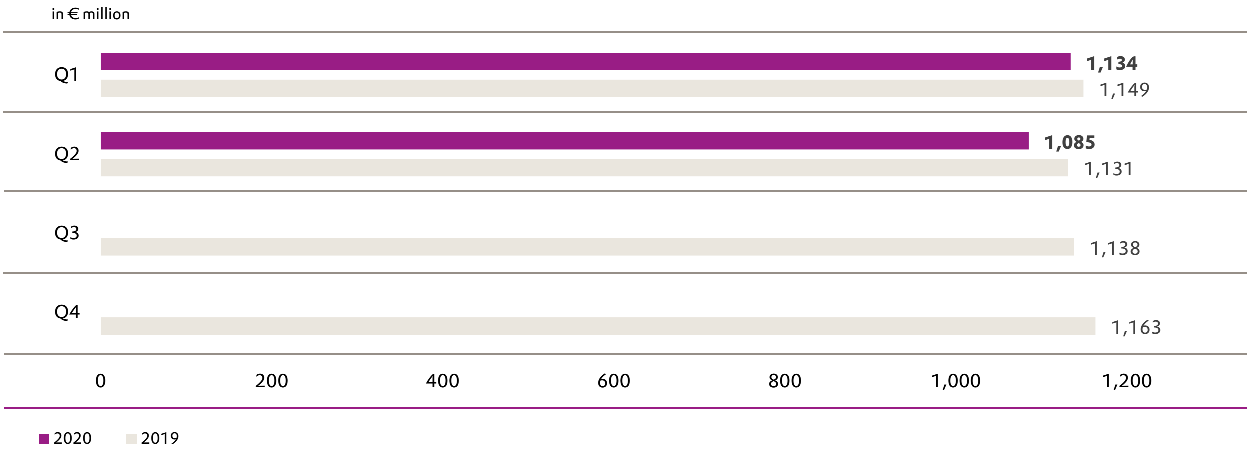
	2nd quarter			1st half		
in € million	2019	2020	Change in %	2019	2020	Change in %
External sales	1,131	1,085	-4	2,280	2,219	-3
Adjusted EBITDA	190	217	14	370	391	6
Adjusted EBITDA margin in %	16.8	20.0	–	16.2	17.6	–
Adjusted EBIT	117	134	15	220	222	1
Capital expenditures[a]	76	32	-58	119	55	-54
No. of employees as of June 30	–	–	–	8,135	7,979	-2

[a] Capital expenditures for intangible assets, property, plant and equipment.

In the Nutrition & Care segment, sales fell 4 percent to €1,085 million in the **second quarter of 2020,** due to lower volumes and negative currency effects.

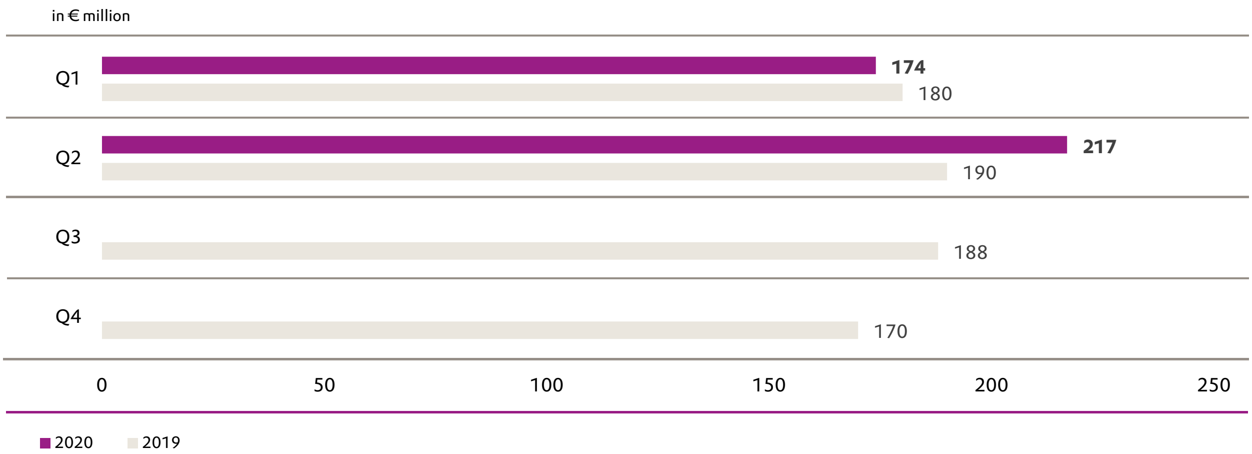
Essential amino acids for animal nutrition posted a perceptible increase in sales. Methionine, in particular, benefited from improved selling prices and higher demand. The healthcare business again registered a very pleasing development in pharmaceutical ingredients, food ingredients, and pharmaceutical polymers. By contrast, demand for additives for polyurethane foam declined, mainly due to the coronavirus crisis, and sales were below the high prior-year figure. There was a significant drop in sales in the baby care business as the reduction in raw material prices was passed on to customers on the basis of sliding price clauses, and competition on the market for superabsorbents was tough.

Sales Nutrition & Care segment



Adjusted EBITDA increased by 14 percent to €217 million, driven mainly by the positive development of essential amino acids for animal nutrition and successful implementation of cost-cutting measures. The adjusted EBITDA margin increased slightly to 20.0 percent, up from 16.8 percent in the prior-year period.

Adjusted EBITDA Nutrition & Care segment



In the **first six months of 2020,** the Nutrition & Care segment's sales decreased by 3 percent to €2,219 million. This was attributable to a slight drop in volumes and selling prices. Adjusted EBITDA rose by 6 percent to €391 million, principally as a result of the positive development of essential amino acids for animal nutrition and lower costs. The adjusted EBITDA margin was 17.6 percent, up from 16.2 percent in the first half of 2019.

Resource Efficiency segment

Key figures

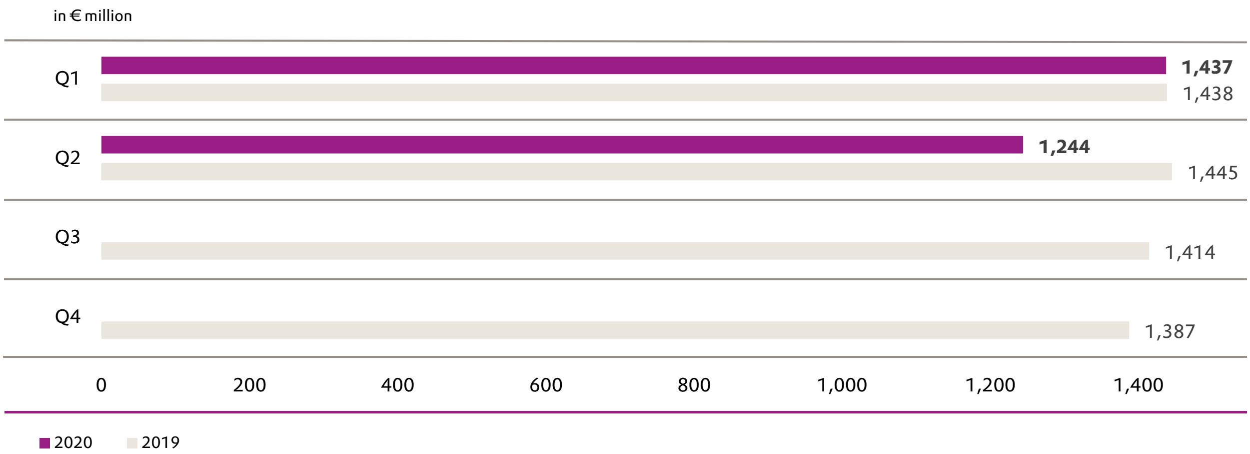
	2nd quarter			1st half		
in € million	2019	2020	Change in %	2019	2020	Change in %
External sales	1,445	1,244	-14	2,883	2,681	-7
Adjusted EBITDA	326	255	-22	655	599	-9
Adjusted EBITDA margin in %	22.6	20.5	–	22.7	22.3	–
Adjusted EBIT	247	160	-35	500	418	-16
Capital expenditures[a]	65	109	68	111	200	80
No. of employees as of June 30	–	–	–	10,249	10,564	3

Prior-year figures restated.
[a] Capital expenditures for intangible assets, property, plant and equipment.

The development of the Resource Efficiency segment in the **second quarter of 2020** was hampered by a perceptible drop in demand as a consequence of the coronavirus pandemic. Sales fell 14 percent to €1,244 million, principally due to volumes, while the decline was cushioned by slightly higher selling prices and the first-time consolidation of PeroxyChem.

The global economic downturn and restrictions on production by customers, mainly in the automotive sector but also in other industries, led to a drop in volumes in our business with high-performance polymers, silica and silanes for the tire industry, and oil additives. By contrast, the crosslinkers business reported higher demand for products for the wind energy market. Sales of active oxygen products increased due to the first-time consolidation of PeroxyChem and a good performance by specialties, for example, for disinfectants.

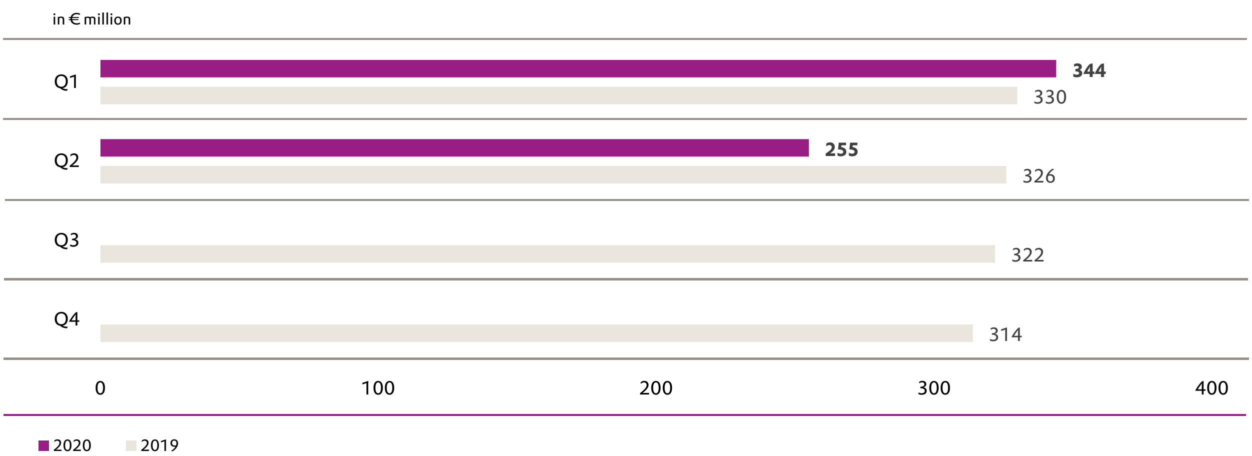
Sales Resource Efficiency segment



Prior-year figures restated.

Adjusted EBITDA dropped 22 percent to €255 million. This was attributable to lower selling prices, while lower costs and the first-time consolidation of PeroxyChem had a positive effect. The adjusted EBITDA margin was 20.5 percent, down from 22.6 percent in the prior-year period.

Adjusted EBITDA Resource Efficiency segment



Prior-year figures restated.

In the **first six months of 2020,** the Resource Efficiency segment's sales declined by 7 percent to €2,681 million. This was caused by the pandemic-related reduction in volumes, while the first-time consolidation of PeroxyChem had a positive impact. Adjusted EBITDA contracted by 9 percent to €599 million. The adjusted EBITDA margin was 22.3 percent, which was around the prior-period level (22.7 percent).

Performance Materials segment

Key figures

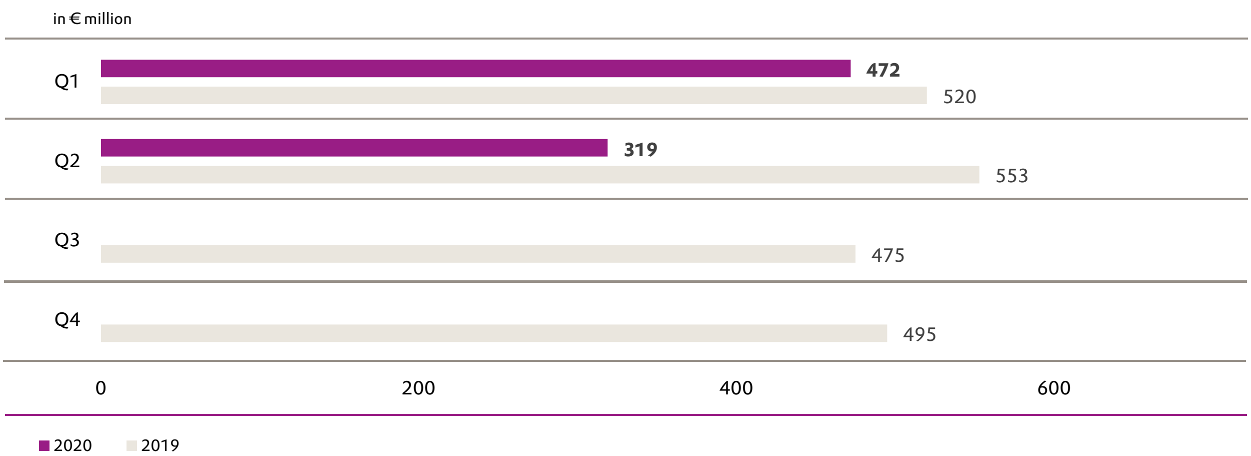
	2nd quarter			1st half		
in € million	2019	2020	Change in %	2019	2020	Change in %
External sales	553	319	-42	1,073	791	-26
Adjusted EBITDA	74	11	-85	128	35	-73
Adjusted EBITDA margin in %	13.4	3.4	–	11.9	4.4	–
Adjusted EBIT	50	-17	-134	79	-18	-123
Capital expenditures[a]	11	9	-18	21	19	-10
No. of employees as of June 30	–	–	–	1,600	1,605	–

Prior-year figures restated.
[a] Capital expenditures for intangible assets, property, plant and equipment.

Business performance in the Performance Materials segment was also held back by the coronavirus crisis. Sales fell 42 percent to €319 million in the **second quarter of 2020** due to a significant drop in volumes and selling prices.

Sales of performance intermediates declined as a result of lower demand, especially from the automotive and fuel sectors. Another downside factor was the massive drop in the oil price. Sales of functional solutions also dropped as a result of lower demand.

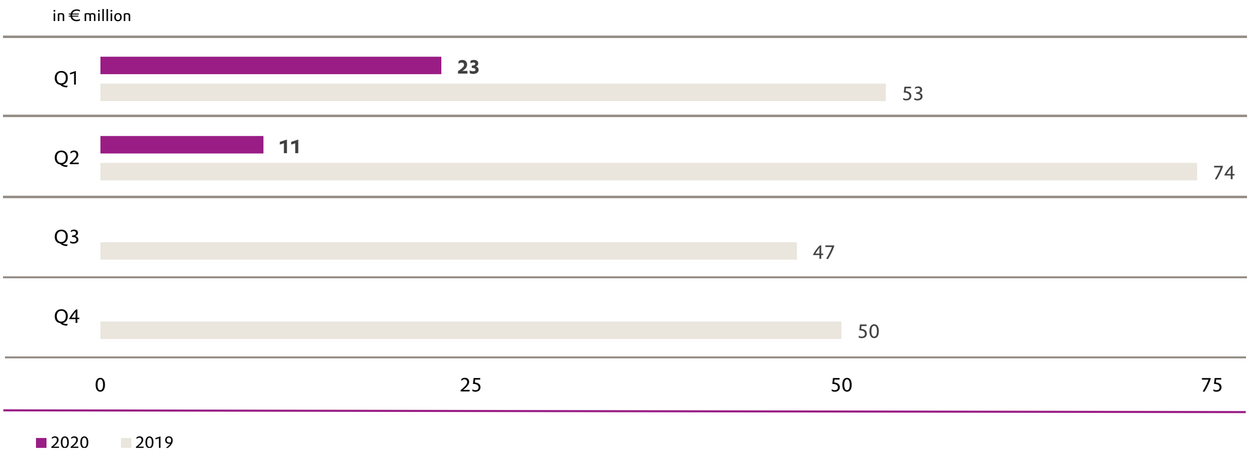
Sales Performance Materials segment



Prior-year figures restated.

Adjusted EBITDA was down 85 percent year-on-year at €11 million due to the reduction in selling prices and volumes in the wake of the coronavirus pandemic. The adjusted EBITDA margin dropped to 3.4 percent.

Adjusted EBITDA Performance Materials segment



Prior-year figures restated.

In the **first six months of 2020,** sales in the Performance Materials segment fell 26 percent to €791 million due to prices and volumes. Adjusted EBITDA dropped 73 percent to €35 million, mainly because of the impact of the coronavirus pandemic on the price trends for key products. The adjusted EBITDA margin was 4.4 percent, down from 11.9 percent in the first half of the previous year.

Services segment

Key figures

	2nd quarter			1st half		
in € million	2019	2020	Change in %	2019	2020	Change in %
External sales	171	171	–	345	362	5
Adjusted EBITDA	36	37	3	67	66	-1
Adjusted EBITDA margin in %	21.1	21.6	–	19.4	18.2	–
Adjusted EBIT	-7	-3	57	-15	-13	13
Capital expenditures[a]	32	42	31	54	115	113
No. of employees as of June 30	–	–	–	11,980	11,988	–

[a] Capital expenditures for intangible assets, property, plant and equipment.

Sales were virtually unchanged year-on-year at €171 million in the **second quarter of 2020.** Adjusted EBITDA increased slightly to €37 million.

In the **first six months of 2020,** sales rose 5 percent to €362 million. The main reason for this was the divestment of the methacrylates business in July 2019. This business now uses Evonik's site services as an external customer. Adjusted EBITDA slipped slightly to €66 million.

2. Earnings, financial and asset position

2.1 Earnings position

Sales fell by 8 percent to €6,069 million in the first six months of 2020, mainly due to the effect of the coronavirus pandemic. The cost of sales decreased more slowly, dropping 7 percent to €4,326 million because there was a significant reduction in the cost of raw materials. The **gross profit on sales** declined by 11 percent to €1,743 million. The success of our ongoing SG&A 2020 cost-saving program and lower travel expenses were the main reasons for the 1 percent drop in selling expenses to €762 million and the 11 percent drop in administrative expenses to €253 million. Research and development expenses increased by 2 percent to €213 million. Other operating income was 24 percent lower at €84 million, and other operating expense decreased by 7 percent to €171 million. **Income before financial result and income taxes, continuing operations,** dropped by 29 percent to €435 million.

The **financial result** improved considerably year-on-year, from -€104 million to -€75 million, as a result of lower interest expense. Income taxes were reduced to €91 million. Income after taxes, discontinued operations, decreased from €69 million to -€18 million. It relates to the methacrylates business, which was divested in July 2019.

Overall, **net income** dropped by 48 percent to €244 million.

2.2 Financial and asset position

The cash flow from operating activities, continuing operations, increased by €130 million to €582 million. The reduction in the operating result and the higher increase in net working capital were more than offset by lower bonus and tax payments. Although cash outflows for property, plant and equipment were slightly higher, this resulted in a significant improvement in the **free cash flow,** which rose by €114 million to €209 million.

Cash flow statement (excerpt)

	1st half	
in € million	2019	**2020**
Cash flow from operating activities, continuing operations	452	582
Cash outflows for investments in intangible assets, property, plant and equipment	-357	-373
Free cash flow	**95**	**209**
Cash flow from other investing activities, continuing operations	-12	130
Cash flow from financing activities, continuing operations	-532	-617
Cash flow from discontinued operations	4	-9
Change in cash and cash equivalents	-445	-287

The cash flow of €130 million from other investing activities, continuing operations, contains the proceeds from the sale of current securities. A counter-effect came from the cash outflow of €281 million for the acquisition of PeroxyChem. The cash outflow of €617 million for financing activities, continuing operations, contains the redemption of a bond, the issue of a bond, and the advance payment out of the distributable profit for 2019 (€266 million). The cash flow from discontinued operations relates to the methacrylates business.

Net financial debt was €2,994 million, an increase of €853 million compared with December 31, 2019. This was principally attributable to the acquisition of PeroxyChem, which resulted in a cash outflow of €580 million, taking into account repayment of an acquired loan, currency hedging, and the acquired cash and cash equivalents. Other factors were the payment of the annual bonuses, which regularly occurs in the first half of the year, and the advance payment out of the distributable profit for 2019. The increase was reduced by the positive cash flow from operating activities.

Net financial debt

in € million	Dec. 31, 2019	June 30, 2020
Non-current financial liabilities[a]	-3,712	-3,627
Current financial liabilities[a]	-806	-1,063
Financial debt	**-4,518**	**-4,690**
Cash and cash equivalents	1,165	864
Current securities	1,203	820
Other financial investments	9	12
Financial assets	**2,377**	**1,696**
Net financial debt	**-2,141**	**-2,994**

[a] Excluding derivatives and excluding the refund liability for rebate and bonus agreements.

In April 2020, we redeemed the bond issued by Evonik Industries AG in 2013, which had a nominal value of €500 million and an annual coupon of 1.875 percent. The repayment was made out of liquid funds. A new bond with a nominal value of €500 million and an issue price of 99.599 percent was issued by Evonik Industries AG in May 2020. This bond has an annual coupon of 0.625 percent and a tenor of five years and four months. The proceeds of this issue will be used to partially refinance the €650 million bond issued by Evonik Finance B.V., which matures in March 2021.

Evonik has a **solid investment grade rating.** It still has a rating of Baa1 from Moody's and BBB+ from Standard & Poor's. The outlook for the S&P rating is stable. In April 2020, Moody's reduced its outlook for the Baa1 rating from stable to negative.

With cash and cash equivalents and current securities totaling around €1.7 billion, our liquidity position remains very solid. In addition, we have an unused, firmly committed credit facility of €1.75 billion, which is available until June 2024.

In the first six months of 2020, **capital expenditures for property, plant and equipment** amounted to €391 million (H1 2019: €310 million). In principle, there is a slight timing difference in cash outflows for property, plant and equipment. The biggest individual project is the construction of a production complex for the specialty polymer polyamide 12, which started in 2019. The work is on schedule, and the facility is expected to come into service in early 2021.

As of June 30, 2020, **total assets** were €21.6 billion, a drop of €0.4 billion compared with December 31, 2019. Non-current assets increased by €0.3 billion to €15.8 billion as a result of the acquisition of PeroxyChem. Current assets decreased by €0.7 billion to €5.9 billion.

Equity declined slightly, by €0.2 billion to €8.9 billion, as a consequence of the advance payment out of the distributable profit. The equity ratio increased slightly to 41.0 percent.

3. Employees

The Evonik Group had 32,621 employees as of June 30, 2020. The increase of 198 compared with December 31, 2019 was mainly due to the acquisition of PeroxyChem.

Employees by segment

	Dec. 31, 2019	June 30, 2020
Nutrition & Care	8,090	7,979
Resource Efficiency	10,153	10,564
Performance Materials	1,622	1,605
Services	12,037	11,988
Other operations	521	485
Evonik	**32,423**	**32,621**

4. Opportunity and risk report

As an international group with a diversified portfolio of specialty chemicals, Evonik is exposed to a wide range of **opportunities** and **risks.** The risk categories and principal individual opportunities and risks relating to our earnings, financial and asset position, and the structure of our risk management system were described in detail in the opportunity and risk report, which forms part of the management report for 2019.

Our businesses are affected to a varying extent by the coronavirus crisis. In particular, we are registering a drop in demand from the automotive and fuel industries. In addition, the Performance Materials segment is suffering the negative effects of the low oil price. Overall, more risks than opportunities materialized in the first half of 2020. We have also identified considerably more risks than opportunities for the second half of the year. Since we revised our forecast downwards in May 2020, the expected value of the risks is considerably lower than at the start of the year. Partly due to the reduction in earnings, we see lower risks in the remainder of the year, while the potential opportunities are stable. In all segments, more risks than opportunities have been identified, not least in connection with the future development of the coronavirus crisis. Group-wide, various monitoring and control measures have been put in place to ensure a timely and effective response to the present challenges.

There are still no risks that could jeopardize the continued existence of the Evonik Group or major individual companies.

5. Expected development

Our expectations for **global economic conditions** in 2020 have deteriorated significantly since the start of the year. Overall, we now expect the global economy to shrink by 5.5 percent year-on-year in 2020 (at the start of the year, we anticipated growth of 2.5 percent).

The recovery of the global economy, first signs of which emerged at the end of the second quarter, depends to a large extent on the development of the epidemic and the measures to combat it. Assuming that the restrictions are eased further and the economy receives further support from monetary and fiscal policy, a slight recovery in the global economy can be expected in the second half of the year.

The projection for the world economy is hampered by great uncertainty. For example, global economic activity could be held back far more significantly if there is a renewed spike in the coronavirus pandemic bringing further lockdowns, or by a further escalation of global trade disputes, especially the dispute between the USA and China. Moreover, economic momentum in Europe could be dampened by a further increase in the already elevated political risks within the European

Union, including Brexit. Last but not least, the global economic development could be below our expectations as a result of geopolitical conflicts and actions by central banks.

Our forecast is based on the following assumptions:

- Economic development -5.5 percent (start of 2020: 2.5 percent; May 2020: -3.0 percent)
- Euro/US dollar exchange rate: US$1.10 (previously: US$1.12)
- Internal raw material index significantly lower than the prior year (unchanged)

Sales and earnings

Due to the global spread of coronavirus and the related impact on the global economy, in our quarterly statement at the end of the first quarter, we revised the forecast for 2020 published in the 2019 financial report. At the end of the first half of 2020, we are now confirming this revised forecast.

We still anticipate that **sales** will be between €11.5 billion and €13.0 billion (2019: €13.1 billion) and expect **adjusted EBITDA** to be between €1.7 billion and €2.1 billion (2019: €2.153 billion).

The following indicators for our chemical operations are presented for the first time using the new corporate structure introduced on July 1, 2020 (see Major events).

Business in the Specialty Additives division will be influenced by lower demand from the automotive sector as a result of the coronavirus crisis. By contrast, additives for packaging, agrochemicals, and lightweight construction materials are expected to develop well. Overall, we expect that this division's earnings will not quite reach the previous year's level (adjusted EBITDA 2019: €886 million), with the margin remaining very attractive.

In the Nutrition & Care division, we expect business in the consumer goods, nutrition, and healthcare area to develop positively without cyclical exposure. Overall, was expect earnings in the Nutrition & Care division to be clearly higher than in the previous year (adjusted EBITDA 2019: €462 million).

The Smart Materials division is affected by a pandemic-related drop in demand, especially for high-performance polymers and silica for the automotive industry. By contrast, hydrogen peroxide-based disinfectants, catalysts, and silica for consumer goods applications are expected to perform well. Overall, we expect that this division's earnings will not reach the prior-year level (adjusted EBITDA 2019: €651 million).

The development of the Performance Materials division will continue to be held back by the sharp drop in the oil price. Consequently, we assume that earnings will be significantly lower than in the previous year (adjusted EBITDA 2019: €248 million).

We will continue the systematic implementation of our efficiency enhancement programs. At the same time, in the present tense global economic situation, we are focusing particularly on maintaining our strong liquidity position. That includes continued high capital expenditure discipline. In 2020, cash outflows for capital expenditures will remain at last year's already low level (2019: €880 million).

Looking at the **free cash flow** (2019: €717 million[3]), we anticipate that the cash conversion rate[4] will be at least stable year-on-year (2019: 33.3 percent).

[3] Before tax payments relating to the carve-out of the methacrylates business.
[4] Defined as free cash flow/adjusted EBITDA.

The return on capital employed (**ROCE**) ultimately depends on the level of earnings that can be achieved, but it will be below the prior-year level in 2020 (2019: 8.6 percent).

Forecast for 2020

Forecast performance indicators	2019	Forecast for 2020[a]	Revised forecast for 2020
Group sales	€13.1 billion	Stable	Between €11.5 billion and €13.0 billion
Adjusted EBITDA	€2.15 billion	Between €2.0 billion and €2.3 billion	Between €1.7 billion and €2.1 billion
ROCE	8.6%	At the prior-year level	Below the prior-year level
Cash outflows for investments in intangible assets, property, plant and equipment	€880 million	At the prior-year level	At the prior-year level
Free cash flow: cash conversion rate[b]	33%[c]	Slightly higher	At least at the prior-year level

[a] As in the financial report 2019.
[b] Defined as free cash flow/adjusted EBITDA.
[c] Before tax payments relating to the carve-out of the methacrylates business.

To facilitate comparison of the forecasts for 2020 based on the new corporate structure, the following table presents total external sales and adjusted EBITDA in 2019 in the new divisional structure:

2019 sales and adjusted EBITDA in the new corporate structure

	Sales	Adjusted EBITDA
Specialty Additives	3,381	886
Nutrition & Care	2,922	462
Smart Materials	3,371	651
Performance Materials	2,634	248
Services	763	122
Corporate, other operations	37	-216
Evonik	**13,108**	**2,153**

Consolidated interim financial statements as of June 30, 2020

Income statement

in € million	2nd quarter 2019	2nd quarter 2020	1st half 2019	1st half 2020
Sales	3,306	2,827	6,592	6,069
Cost of sales	-2,332	-2,002	-4,643	-4,326
Gross profit on sales	**974**	**825**	**1,949**	**1,743**
Selling expenses	-385	-368	-765	-762
Research and development expenses	-101	-103	-208	-213
General administrative expenses	-136	-128	-284	-253
Other operating income	56	39	111	84
Other operating expense	-94	-79	-184	-171
Result from investments recognized at equity	5	2	-5	7
Income before financial result and income taxes, continuing operations	**319**	**188**	**614**	**435**
Interest income	7	6	13	13
Interest expense	-55	-39	-110	-86
Other financial income/expense	-4	8	-7	-2
Financial result	**-52**	**-25**	**-104**	**-75**
Income before income taxes, continuing operations	**267**	**163**	**510**	**360**
Income taxes	-74	-34	-101	-91
Income after taxes, continuing operations	**193**	**129**	**409**	**269**
Income after taxes, discontinued operations	40	-11	69	-18
Income after taxes	**233**	**118**	**478**	**251**
thereof attributable to				
Non-controlling interests	5	4	11	7
Shareholders of Evonik Industries AG (net income)	228	114	467	244
Earnings per share in € (basic and diluted)	**0.49**	**0.24**	**1.00**	**0.52**
thereof attributable to				
Continuing operations	0.40	0.27	0.85	0.56
Discontinued operations	0.09	-0.03	0.15	-0.04

Statement of comprehensive income

	2nd quarter		1st half	
in € million	2019	**2020**	2019	**2020**
Income after taxes	**233**	**118**	**478**	**251**
Other comprehensive income from hedging instruments: designated risk components	30	37	12	13
Other comprehensive income from hedging instruments: cost of hedging	-2	3	-6	-1
Other comprehensive income from currency translation	-86	-135	47	-164
Other comprehensive income from investments recognized at equity (after income taxes)	1	–	1	-1
Deferred taxes	-9	-5	-2	1
Other comprehensive income that can be reclassified	**-66**	**-100**	**52**	**-152**
Other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans	-372	-195	-668	24
Other comprehensive income from equity instruments	1	47	4	-4
Deferred taxes from the remeasurement of the net defined benefit liability for defined benefit pension plans	228	43	324	-21
Other comprehensive income that cannot be reclassified	**-143**	**-105**	**-340**	**-1**
Other comprehensive income after taxes	**-209**	**-205**	**-288**	**-153**
Total comprehensive income	**24**	**-87**	**190**	**98**
thereof attributable to				
Non-controlling interests	5	2	11	5
Shareholders of Evonik Industries AG	19	-89	179	93

Balance sheet

in € million	Dec. 31, 2019	June 30, 2020
Intangible assets	5,858	6,068
Property, plant and equipment	6,435	6,568
Right-of-use assets	640	667
Investments recognized at equity	45	73
Other financial assets	625	556
Deferred taxes	1,718	1,719
Other income tax assets	12	12
Other assets	82	116
Non-current assets	**15,415**	**15,779**
Inventories	1,884	2,080
Trade accounts receivable	1,569	1,464
Other financial assets	1,278	944
Other income tax assets	325	215
Other assets	387	301
Cash and cash equivalents	1,165	864
Current assets	**6,608**	**5,868**
Total assets	**22,023**	**21,647**

Issued capital	466	466
Capital reserve	1,167	1,167
Retained earnings including distributable profit	7,341	7,338
Treasury shares	–	–
Other equity components	-4	-174
Equity attributable to shareholders of Evonik Industries AG	**8,970**	**8,797**
Equity attributable to non-controlling interests	90	88
Equity	**9,060**	**8,885**
Provisions for pensions and other post-employment benefits	3,967	3,994
Other provisions	779	774
Other financial liabilities	3,713	3,628
Deferred taxes	537	523
Other income tax liabilities	320	309
Other payables	93	110
Non-current liabilities	**9,409**	**9,338**
Other provisions	778	603
Trade accounts payable	1,324	1,201
Other financial liabilities	918	1,138
Other income tax liabilities	59	71
Other payables	475	411
Current liabilities	**3,554**	**3,424**
Total equity and liabilities	**22,023**	**21,647**

Statement of changes in equity

in € million	Issued capital	Capital reserve	Treasury shares	Retained earnings/ distributable profit	Other equity components	**Equity attributable to shareholders of Evonik Industries AG**	Equity attributable to non-controlling interests	**Total equity**
As of January 1, 2019	**466**	**1,167**	**–**	**6,237**	**-141**	**7,729**	**96**	**7,825**
Capital increases/decreases	–	–	–	–	–	–	–	**–**
Dividend distribution	–	–	–	-536	–	-536	-11	**-547**
Purchase of treasury shares	–	–	-17	–	–	-17	–	**-17**
Share-based payment	–	4	–	–	–	4	–	**4**
Sale of treasury shares	–	-4	17	–	–	13	–	**13**
Income after taxes	–	–	–	467	–	467	11	**478**
Other comprehensive income after taxes	–	–	–	-344	56	-288	–	**-288**
Total comprehensive income	–	–	–	123	56	179	11	**190**
Other changes	–	–	–	–	–	–	–	**–**
As of June 30, 2019[a]	**466**	**1,167**	**–**	**5,824**	**-85**	**7,372**	**96**	**7,468**
As of January 1, 2020	**466**	**1,167**	**–**	**7,341**	**-4**	**8,970**	**90**	**9,060**
Capital increases/decreases	–	–	–	–	–	–	2	2
Dividend distribution	–	–	–	-266	–	-266	-9	-275
Purchase of treasury shares	–	–	-16	–	–	-16	–	-16
Share-based payment	–	3	–	–	–	3	–	3
Sale of treasury shares	–	-3	16	–	–	13	–	13
Income after taxes	–	–	–	244	–	244	7	251
Other comprehensive income after taxes	–	–	–	3	-154	-151	-2	-153
Total comprehensive income	–	–	–	247	-154	93	5	98
Other changes	–	–	–	16	-16	–	–	–
As of June 30, 2020	**466**	**1,167**	**–**	**7,338**	**-174**	**8,797**	**88**	**8,885**

[a] As of June 30, 2020, €15 million of the other equity components related to discontinued operations.

Cash flow statement

	2nd quarter		1st half	
in € million	2019	**2020**	2019	**2020**
Income before financial result and income taxes, continuing operations	319	188	614	435
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	227	256	448	496
Result from investments recognized at equity	-5	-2	5	-7
Gains/losses on the disposal of non-current assets	–	-5	-5	10
Change in inventories	-15	-123	-80	-213
Change in trade accounts receivable	40	198	-126	104
Change in trade accounts payable	6	-98	33	-116
Change in provisions for pensions and other post-employment benefits	-12	3	-35	21
Change in other provisions	-367	-224	-343	-201
Change in miscellaneous assets/liabilities	-2	-10	79	44
Cash inflows from dividends	5	10	7	23
Cash inflows/outflows for income taxes	-78	92	-145	-14
Cash flow from operating activities, continuing operations	**118**	**285**	**452**	**582**
Cash flow from operating activities, discontinued operations	14	-9	39	-9
Cash flow from operating activities	**132**	**276**	**491**	**573**
Cash outflows for investments in intangible assets, property, plant and equipment	-182	-189	-357	-373
Cash outflows to obtain control of businesses	–	-5	–	-294
Cash outflows for investments in other shareholdings	-9	-6	-19	-15
Cash inflows from divestments of intangible assets, property, plant and equipment	–	6	9	12
Cash inflows/outflows relating to the loss of control over businesses	-5	–	-5	–
Cash inflows/outflows from divestment of other shareholdings	–	5	–	45
Cash inflows/outflows relating to securities, deposits, and loans	–	222	-13	368
Cash inflows from interest	12	8	16	14
Cash flow from investing activities, continuing operations	**-184**	**41**	**-369**	**-243**
Cash flow from investing activities, discontinued operations	-21	–	-31	–
Cash flow from investing activities	**-205**	**41**	**-400**	**-243**
Cash inflows/outflows relating to capital contributions	1	-1	1	2
Cash outflows for dividends to shareholders of Evonik Industries AG	-536	-266	-536	-266
Cash outflows for dividends to non-controlling interests	-5	-7	-10	-13
Cash outflows for the purchase of treasury shares	-6	-1	-17	-16
Cash inflows from the sale of treasury shares	13	12	13	12
Cash inflows from the addition of financial liabilities	172	631	217	859
Cash outflows for repayment of financial liabilities	-72	-778	-153	-1,134
Cash inflows/outflows in connection with financial transactions	16	-15	15	-23
Cash outflows for interest	-44	-23	-62	-38
Cash flow from financing activities, continuing operations	**-461**	**-448**	**-532**	**-617**
Cash flow from financing activities, discontinued operations	-2	–	-4	–
Cash flow from financing activities	**-463**	**-448**	**-536**	**-617**
Change in cash and cash equivalents	**-536**	**-131**	**-445**	**-287**
Cash and cash equivalents as of April 1/January 1	**1,085**	**999**	**988**	**1,165**
Change in cash and cash equivalents	-536	-131	-445	-287
Changes in exchange rates and other changes in cash and cash equivalents	-9	-4	-3	-14
Cash and cash equivalents as of June 30	**540**	**864**	**540**	**864**
Cash and cash equivalents included in assets held for sale	-11	–	-11	–
Cash and cash equivalents as on the balance sheet as of June 30	**529**	**864**	**529**	**864**

Notes to the consolidated financial statements

1. Segment report

Segment report by operating segments—2nd quarter

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	2019	**2020**	2019	**2020**	2019	**2020**
External sales	1,131	1,085	1,445	1,244	553	319
Internal sales	9	4	13	12	23	14
Total sales	1,140	1,089	1,458	1,256	576	333
Adjusted EBITDA	190	217	326	255	74	11
Adjusted EBITDA margin in %	16.8	20.0	22.6	20.5	13.4	3.4
Adjusted EBIT	117	134	247	160	50	-17
Capital expenditures[a]	76	32	65	109	11	9
Financial investments	–	–	–	10	–	–

Prior-year figures restated.
[a] For intangible assets, property, plant and equipment.

Segment report by regions—2nd quarter

	Western Europe		Eastern Europe		North America	
in € million	2019	**2020**	2019	**2020**	2019	**2020**
External sales[a]	1,405	1,058	212	169	728	695
Capital expenditures	111	155	4	4	28	20

Prior-year figures restated.
[a] External sales Western Europe: thereof Germany €451 million (Q2 2019: €567 million).

Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**
171	171	6	8	–	–	3,306	2,827
484	437	9	8	-538	-475	–	–
655	608	15	16	-538	-475	3,306	2,827
36	37	-16	-22	-44	-42	566	456
21.1	21.6	–	–	–	–	17.1	16.1
-7	-3	-21	-28	-46	-44	340	202
32	42	1	1	1	–	186	193
2	2	–	–	–	–	2	12

Central & South America		Asia-Pacific		Middle East & Africa		**Total Group (continuing operations)**	
2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**
154	124	720	694	87	87	3,306	2,827
1	1	42	13	–	–	186	193

Segment report by operating segments—1st half

	Nutrition & Care		Resource Efficiency		Performance Materials	
in € million	2019	2020	2019	2020	2019	2020
External sales	2,280	2,219	2,883	2,681	1,073	791
Internal sales	17	9	28	29	50	38
Total sales	2,297	2,228	2,911	2,710	1,123	829
Adjusted EBITDA	370	391	655	599	128	35
Adjusted EBITDA margin in %	16.2	17.6	22.7	22.3	11.9	4.4
Adjusted EBIT	220	222	500	418	79	-18
Capital expenditures[a]	119	55	111	200	21	19
Financial investments	13	20	8	301	–	–
No. of employees as of June 30	8,135	7,979	10,249	10,564	1,600	1,605

Prior-year figures restated.
[a] For intangible assets, property, plant and equipment.

Segment report by regions—1st half

	Western Europe		Eastern Europe		North America	
in € million	2019	2020	2019	2020	2019	2020
External sales[a]	2,843	2,421	414	371	1,460	1,470
Goodwill as of June 30[b]	2,268	2,261	50	50	1,905	2,069
Other intangible assets, property, plant and equipment, and right-of-use assets as of June 30[b]	4,296	4,481	35	42	1,916	2,300
Capital expenditures	193	280	7	6	50	81
No. of employees as of June 30	21,724	21,709	526	483	4,297	4,638

Prior-year figures restated.
[a] External sales Western Europe: thereof Germany €1,043 million (H1 2019: €1,146 million).
[b] Non-current assets according to IFRS 8.33 b.

Services		Other operations		Corporate, consolidation		**Total Group (continuing operations)**	
2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**
345	362	11	16	–	–	6,592	6,069
973	880	19	18	-1,087	-974	–	–
1,318	1,242	30	34	-1,087	-974	6,592	6,069
67	66	-28	-38	-87	-83	1,105	970
19.4	18.2	–	–	–	–	16.8	16.0
-15	-13	-39	-49	-90	-85	655	475
54	115	4	2	1	–	310	391
4	4	–	–	–	–	25	325
11,980	11,988	230	229	276	256	32,470	32,621

Central & South America		Asia-Pacific		Middle East & Africa		**Total Group (continuing operations)**	
2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**
299	263	1,377	1,373	199	171	6,592	6,069
31	32	252	252	19	19	4,525	4,683
157	108	1,781	1,683	6	5	8,191	8,619
2	2	58	22	–	–	310	391
671	660	5,100	4,990	152	141	32,470	32,621

2. Basis of preparation of the financial statements

2.1 Compliance with IFRS

The present condensed and consolidated interim financial statements (consolidated interim financial statements) of Evonik Industries AG and its subsidiaries (referred to jointly as Evonik or the Evonik Group) as of June 30, 2020 have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting, and in application of section 315e paragraph 1 of the German Commercial Code (HGB), using the International Financial Reporting Standards (IFRS) and comply with these standards. The IFRSs 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.

2.2 Presentation and methods

The consolidated interim financial statements as of June 30, 2020 are presented in euros. The reporting period is January 1 to June 30, 2020. All amounts are stated in millions of euros (€ million) except where otherwise indicated.

The basis for the consolidated interim financial statements comprises the consolidated financial statements for the Evonik Group as of December 31, 2019, which should be referred to for further information.

2.3 Assumptions and estimation uncertainties

The preparation of consolidated interim financial statements involves assumptions and estimates about the future. The subsequent circumstances may differ from these estimates. Adjustments to estimates are recognized in income as soon as better information is available. We regularly review our assumptions and estimates in comparison with the consolidated financial statements as of December 31, 2019 to identify any need for adjustment, for example, due to the coronavirus pandemic. Where necessary, this is reported in the relevant notes to the consolidated financial statements.

2.4 Accounting standards to be applied for the first time

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as of December 31, 2019.

2.5 Restatement of prior-year figures

Restatement in the segment report

In connection with the divestment of the methacrylates business, the application monomers business was integrated into the Resource Efficiency segment (previously it was allocated to the Performance Materials segment). The following table shows the impact of this retrospective adjustment on the key figures as a result of this reclassification.

Retrospective reclassification of the application monomers business

	2nd quarter 2019			1st half 2019		
in € million	Resource Efficiency	Performance Materials	Corporate, consolidation	Resource Efficiency	Performance Materials	Corporate, consolidation
External sales	41	-41	–	79	-79	–
Internal sales	-2	-1	3	-3	-	3
Total sales	39	-42	3	76	-79	3
Adjusted EBITDA	1	-2	1	6	-7	1
Adjusted EBIT	-1	-	1	4	-5	1
Capital expenditures	1	-1	–	2	-2	–

3. Changes in the Evonik Group

3.1 Scope of consolidation

Changes in the scope of consolidation

No. of companies	Germany	Other countries	**Total**
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2019	**35**	**104**	**139**
Acquisitions	1	14	15
Other companies consolidated for the first time	–	1	1
Intragroup mergers	-2	–	-2
As of June 30, 2020	**34**	**119**	**153**
Joint operations			
As of December 31, 2019	**1**	**2**	**3**
As of June 30, 2020	**1**	**2**	**3**
Investments recognized at equity			
As of December 31, 2019	**4**	**9**	**13**
Acquisitions	–	2	2
Other companies deconsolidated	–	-1	-1
As of June 30, 2020	**4**	**10**	**14**
	39	**131**	**170**

3.2 Acquisitions and divestments

Acquisition of Wilshire Technologies, Inc.

Evonik acquired all shares in Wilshire Technologies, Inc. (Wilshire Technologies), Princeton (New Jersey, USA) on January 16, 2020. This company has developed a technology that can be used to obtain products from renewable, non-animal sources for use as cosmetic active ingredients. The acquisition extends Evonik's portfolio of sustainable active ingredients for cosmetics. Wilshire Technologies has been integrated into the Nutrition & Care segment.

Provisional purchase price allocation for Wilshire Technologies as of the acquisition date

in € million	Fair value recognized
Intangible assets	7
Non-current assets	**7**
Inventories	3
Other assets	4
Current assets	**7**
Total assets	**14**
Provisional net assets	**14**
Provisional goodwill	5
Provisional purchase price pursuant to IFRS 3	**19**

The intangible assets include acquired technologies and one brand. A useful life of ten years is assumed for the technologies. Measurement of the brand is based on a royalty period of ten years and a royalty rate of 3 percent. Churn rates are applied when measuring the intangible assets. The discount factor applied was a weighted cost of capital based on companies with comparable business activities.

As of the acquisition date, €12 million of the provisional purchase price pursuant to IFRS 3 was settled out of cash and cash equivalents. A further €7 million relate to purchase price components that are recognized as other financial liabilities. They comprise both a firmly agreed retrospective purchase price payment and payments linked to product deliveries by suppliers. €1 million has already been paid. The remaining €6 million will probably result in cash outflows within the next two years. The purchase price was agreed in US dollars. The purchase price could change as a result of the finalization of the agreed purchase price adjustments.

The provisional calculation of goodwill mainly comprises the expected future benefits of assets that were not individually identifiable or for which recognition was not permitted. These include synergies resulting from backward integration of production, and the workforce. The full amount of goodwill is expected to be tax-deductible.

Acquisition of PeroxyChem

On November 7, 2018, Evonik signed an agreement to acquire PeroxyChem, Philadelphia (Pennsylvania, USA) from One Equity Partners, Chicago (Illinois, USA). PeroxyChem is a manufacturer of hydrogen peroxide and peracetic acid. The acquisition was initially delayed because the Federal Trade Commission (FTC) in the USA filed a lawsuit to block the transaction. The lawsuit was dismissed in January 2020, and the acquisition was then closed on February 3, 2020.

The acquisition comprised the purchase of 100 percent of the shares in 16 companies, a 50 percent share deal, and a 20 percent share deal. To meet antitrust requirements, the 100 percent stake in a Canadian PeroxyChem company had to be sold immediately. In the balance sheet for first-time consolidation, this stake is presented in other current financial assets.

PeroxyChem has been integrated into the Resource Efficiency segment. This acquisition extends Evonik's portfolio of environment-friendly, high-growth specialty applications. The business has above-average growth rates, low capital intensity, and low cyclical exposure.

Provisional purchase price allocation for PeroxyChem as of the acquisition date

in € million	Fair value recognized
Intangible assets	156
Property, plant and equipment	195
Right-of-use assets	25
Investments recognized at equity	29
Other financial assets	6
Other assets	49
Non-current assets	**460**
Inventories	27
Trade accounts receivable	45
Other financial assets	19
Cash and cash equivalents	6
Current assets	**97**
Total assets	**557**
Provisions for pensions and other post-employment benefits	3
Other provisions	2
Other financial liabilities	35
Deferred taxes	4
Other payables	1
Non-current liabilities	**45**
Other provisions	10
Trade accounts payable	23
Other financial liabilities	304
Other income tax liabilities	1
Other payables	12
Current liabilities	**350**
Total liabilities	**395**
Provisional net assets	**162**
Provisional goodwill	125
Provisional purchase price pursuant to IFRS 3	**287**

The purchase price allocation has not yet been finalized. Therefore, there could be changes in the purchase price allocation to the acquired assets and liabilities.

The intangible assets include acquired customer relationships, technologies, and brands. A useful life of between seven and 16 years, including churn rates in some cases, is assumed for the customer relationships. For the acquired technologies, a useful life of between five and 17 years is assumed, including churn rates in some cases, and royalty rates of 4 or 5 percent are applied. Brands are measured using royalty periods of ten or 15 years and a royalty rate of 1 percent. The discount rate applied was a weighted cost of capital, taking into account the useful life and country-specific risk adjustments.

The acquired other financial liabilities contain a loan of €298 million, which has been taken into account as a purchase price adjustment. The loan has been completely repaid. The repayment is presented in the cash flow statement in the cash flow from financing activities. In addition, a payment of €5 million in connection with the acquisition is recognized as a loan repayment in the cash flow from financing activities. This amount has been transferred from the cash flow from investing activities, where it was recognized in the first quarter of 2020, to the cash flow from financing activities.

In the period between the provisional initial recognition and the present status of the opening balance sheet (measurement period), there was a material change in the value of the balance sheet items as of the acquisition date because the purchase price allocation was not available in the first quarter of 2020. Therefore, the assets and liabilities were recognized using provisional carrying amounts. Changes resulting from the purchase price allocation in the second quarter include an increase of €150 million in intangible assets and an increase of €21 million in investments recognized at equity. An additional €52 million has been allocated to property, plant and equipment, while a further €12 million has been allocated to other assets. Furthermore, there was a reclassification from property, plant and equipment to other assets. Overall, property, plant and equipment increased by €20 million compared with the first quarter and other assets increased by €35 million.

Provisional purchase price for the acquisition of PeroxyChem

in € million	
Purchase price before purchase price adjustments and currency hedging effects	**565**
Provisional purchase price adjustments	-275
Currency hedging effects transferred to the acquired assets	-3
Provisional purchase price pursuant to IFRS 3	**287**
Acquired cash and cash equivalents	-6
Cash outflow as per cash flow statement	**281**

The purchase price was agreed in US dollars and was settled out of cash and cash equivalents. Changes in the purchase price could result from the finalization of the agreed purchase price adjustments, which relate, among other things, to net working capital, cash and cash equivalents, and liabilities as of the acquisition date.

Development of goodwill relating to PeroxyChem

in € million	
Goodwill as of February 3, 2020 as shown in the quarterly statement for Q1 2020	**344**
Effects of purchase price allocation	-219
Goodwill as of February 3, 2020 based on the present status of the purchase price allocation	**125**
Currency translation	-2
Goodwill as of June 30, 2020	**123**

The provisional calculation of goodwill mainly comprises the expected future benefits of assets that were not individually identifiable or for which recognition was not permitted. These include expected synergies from complementary business areas, cost optimization in the areas of logistics, distribution, and procurement, and the workforce. €107 million of the goodwill totaling €125 million is expected to be tax-deductible.

The costs presented in other operating expense in connection with the acquisition are contained in the adjustments. Their breakdown is as follows:

Costs relating to the acquisition of the PeroxyChem business

in € million	Fiscal 2018	Fiscal 2019	**1st half 2020**
Acquisition costs	8	22	1
Integration costs	–	–	5
	8	**22**	**6**

Since the date of acquisition, PeroxyChem's sales have amounted to €109 million, and income after taxes was -€13 million. Income after taxes contains a loss of €12 million resulting from the sale of a Canadian PeroxyChem company, which was necessary to meet antitrust requirements, and some of the integration costs. The earnings calculation takes into account additional expenses of €3 million resulting from the fact that that the inventories acquired by Evonik and used in the reporting period were subject to a fair value step-up in the course of the purchase price allocation. These effects are recognized in other operating expense and contained in the adjustments. Furthermore, the income after taxes includes depreciation and amortization of assets newly recognized or remeasured in the course of the purchase price allocation.

If the acquisitions outlined above had been made on January 1, 2020, the sales presented in the income statement for the Evonik Group would have been €6,093 million (instead of €6,069 million) and income after taxes would have been €250 million (instead of €251 million). This is based on the assumption that the purchase price allocation as of January 1, 2020 would have resulted in the same adjustments to the carrying amounts.

3.3 Assets held for sale and discontinued operations

Income after taxes, discontinued operations—2nd quarter

	Operating income after taxes		Divestment gains/losses after taxes		Income after taxes, discontinued operations	
in € million	2019	**2020**	2019	**2020**	2019	**2020**
Methacrylates business	40	–	–	-15	40	-15
Other discontinued operations	–	–	–	4	–	4
	40	**–**	**–**	**-11**	**40**	**-11**

Income after taxes, discontinued operations—1st half

	Operating income after taxes		Divestment gains/losses after taxes		Income after taxes, discontinued operations	
in € million	2019	**2020**	2019	**2020**	2019	**2020**
Methacrylates business	69	–	–	-22	69	-22
Other discontinued operations	–	–	–	4	–	4
	69	**–**	**–**	**-18**	**69**	**-18**

In the first half of 2020, the income after taxes, discontinued operations, for the methacrylates business, which was divested in 2019, includes, among other things, purchase price adjustments and income tax expense of €7 million.

4. Notes to the income statement

4.1 Sales

Sales by segments and regions in the first half of 2020

in € million	Nutrition & Care	Resource Efficiency	Performance Materials	Services	Other operations	**Total Group**
Western Europe	623	975	501	321	1	2,421
Eastern Europe	147	167	53	1	3	371
North America	674	704	72	20	–	1,470
Central & South America	173	62	28	–	–	263
Asia-Pacific	519	729	93	20	12	1,373
Middle East & Africa	83	44	44	–	–	171
Total Group	**2,219**	**2,681**	**791**	**362**	**16**	**6,069**
thereof sales outside the scope of IFRS 15	*-8*	*-15*	*-3*	*12*	*1*	*-13*

Sales by segments and regions in the first half of 2019

in € million	Nutrition & Care	Resource Efficiency	Performance Materials	Services	Other operations	**Total Group**
Western Europe	662	1,111	741	327	2	2,843
Eastern Europe	159	183	71	1	–	414
North America	690	677	77	16	–	1,460
Central & South America	183	82	34	–	–	299
Asia-Pacific	486	773	109	1	8	1,377
Middle East & Africa	100	57	41	–	1	199
Total Group	**2,280**	**2,883**	**1,073**	**345**	**11**	**6,592**
thereof sales outside the scope of IFRS 15	*-16*	*-18*	*-5*	*4*	*2*	*-33*

Prior-year figures restated.

Sales outside the scope of IFRS 15 comprise the results of currency hedging of forecast sales in foreign currencies, which are included in hedge accounting, and revenues from operating leases.

4.2 Other operating income/expense

Other operating income/expense—2nd quarter

	Other operating income		Other operating expense	
in € million	2019	**2020**	2019	**2020**
Restructuring measures	10	4	-18	-7
thereof impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	*-1*	–
thereof from the disposal of assets	–	*2*	–	–
thereof income from the reversal of/additions to other provisions	*8*	*2*	–	–
Reversal of/additions to other provisions	15	–	-5	-10
Recultivation and environmental protection measures	–	–	-7	-6
Disposal of assets	1	1	-3	–
Impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	-4	-3
Operational currency hedging (net presentation)[a]	–	–	-2	-2
REACH Regulation	–	–	-2	-2
Other income/expense	30	34	-53	-49
	56	**39**	**-94**	**-79**
thereof adjustments	*9*	*4*	*-30*	*-18*

[a] The gross income and expenses from currency translation of operating monetary assets and liabilities are netted in the same way as the gross income and expenses from the corresponding currency hedging. The corresponding results are recognized in other operating income or other operating expense as appropriate.

Other operating income/expense—1st half

	Other operating income		Other operating expense	
in € million	2019	**2020**	2019	**2020**
Restructuring measures	10	7	-22	-11
thereof impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	-2	–
thereof from the disposal of assets	–	2	–	–
thereof income from the reversal of/additions to other provisions	8	5	–	-1
Reversal of/additions to other provisions	27	7	-10	-14
Recultivation and environmental protection measures	–	–	-8	-7
Disposal of assets	6	2	-4	-16
Impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	-4	-5
Impairment losses/reversals of impairment losses pursuant to IFRS 9 (net presentation)[a]	–	–	-5	–
Currency translation of operating monetary assets and liabilities (net presentation)[a]	1	–	–	-1
Operational currency hedging (net presentation)[a]	–	–	-5	-8
REACH Regulation	–	–	-5	-6
Other income/expense	66	68	-121	-103
	111	**84**	**-184**	**-171**
thereof adjustments	*15*	*7*	*-43*	*-47*

[a] The gross income and expenses from currency translation of operating monetary assets and liabilities are netted in the same way as the gross income and expenses from the corresponding currency hedging. The corresponding results are recognized in other operating income or other operating expense as appropriate.

The income and expenses relating to **restructuring measures** mainly come from the program to reduce selling and administrative expenses. In addition, income in connection with the optimization of the product portfolio in the Performance Materials segment is recognized here. In the prior-year period, the income and expenses comprised expenses in connection with the program to reduce selling and administrative expenses and, in particular, income and expense relating to measures to optimize the efficiency of the oleochemicals business and the shutdown of a production site in Hungary. Further, the line item for restructuring measures includes income and expenses that by nature would otherwise be allocated to other line items in other operating income and expense.

Overall, other operating expense contains **impairment losses pursuant to IAS 36** amounting to €5 million (H1 2019: €6 million). In both periods, these relate entirely to impairment losses on property, plant and equipment.

€12 million of the **losses on the disposal of assets** result from the divestment of a Canadian PeroxyChem company, which was necessary to meet antitrust requirements.

In 2020, no income or expense is recognized for **impairments/reversal of impairments** for expected credit losses **pursuant to IFRS 9** Financial Instruments. In the prior-year period, the expense of €5 million related entirely to trade accounts receivable.

The net income and expense from the **currency translation of operating monetary assets** and **operational currency hedging** mainly comprise balance sheet items recognized in foreign currencies that arose in the course of the operating business, where the currency risk is hedged using the portfolio approach.

The **other income** of €68 million (H1 2019: €66 million) contains income from occasional, unplanned business activities not intended to be permanent operations (non-core operations). Furthermore, this item contains income in connection with measures relating to the change in German energy policy. In addition, the other income contains insurance refunds, insurance premiums, and commission. Furthermore, it contains income of €3 million (H1 2019: none) from public subsidies in the China region in connection with the coronavirus pandemic.

The **other expense** of €103 million (H1 2019: €121 million) contains costs in connection with the acquisition of PeroxyChem, Philadelphia (Pennsylvania, USA). Further, this item includes expenses for insurance deductibles, outsourcing, non-core businesses, commission payments, other taxes, and legal and consultancy fees.

4.3 Result from investments recognized at equity

The result from investments recognized at equity in the first half of 2019 contains an impairment loss of €13 million on the entire carrying amount of an investment in the Nutrition & Care segment. This amount is recognized in the adjustments.

4.4 Financial result

Other financial income/expense

	2nd quarter		1st half	
in € million	2019	**2020**	2019	**2020**
Result from currency translation of financing-related monetary assets and liabilities	-19	-8	-31	12
Income from financing-related currency hedging	15	7	23	-15
Miscellaneous financial income and expenses	–	9	1	1
	-4	**8**	**-7**	**-2**

Gross income and expenses from the currency translation of financing-related risk positions are netted. They mainly result from the exchange rate risk of intragroup financing transactions denominated in foreign currencies and from cash and cash equivalents in foreign currencies. The effects of the associated currency hedges are recognized in income from financing-related currency hedging.

4.5 Income after taxes

Income after taxes

	2nd quarter		1st half	
in € million	2019	**2020**	2019	**2020**
Income after taxes, continuing operations	**193**	**129**	**409**	**269**
thereof attributable to				
Non-controlling interests	5	4	10	7
Shareholders of Evonik Industries AG	188	125	399	262
Income after taxes, discontinued operations	**40**	**-11**	**69**	**-18**
thereof attributable to				
Non-controlling interests	–	–	1	–
Shareholders of Evonik Industries AG	40	-11	68	-18

4.6 Impact of the coronavirus pandemic

Our business performance in the first six months was hampered by the effects of the coronavirus pandemic, which resulted in a drop in demand due to the global recession and, in particular, in some customer industries such as the automotive and fuel industries. The resulting volume and price effects were the main reasons for the 8 percent drop in sales. On the other hand, relief came from the cost side: The reduction in the cost of sales was mainly attributable to the lower price of raw materials, especially petrochemical feedstocks. The main positive effects on selling, administrative, and R&D expenses came from the reduction in business travel and slightly lower bonus expectations for fiscal 2020. A slightly positive effect also came from claiming public subsidies in the Asia region; these are recognized in other operating income.

5. Notes to the balance sheet

5.1 Impairment test pursuant to IAS 36

In view of the general economic impact of the coronavirus pandemic, there were indications of the need for an **impairment test on goodwill** as of June 30, 2020. For this purpose, the current three-year mid-term plan was adjusted to take account of the expected impact of the coronavirus pandemic. The weighted cost of capital after taxes used for the impairment test was also recalculated.

The impairment test on the two segments with material goodwill—**Nutrition & Care** and **Resource Efficiency**—did not shown any need for impairment losses as a result of the current situation. In neither of these segments would 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 result in an impairment loss.

Moreover, the impairment test did not show any need for an impairment loss in the segments where goodwill is not material (**Performance Materials** and **Services**).

Parameters used in impairment testing and allocation of goodwill by segment

	WACC after taxes (in %)		Terminal growth rate (in %)		Goodwill (in € million)	
	2019	**2020**	2019	**2020**	Dec. 31, 2019	**June 30, 2020**
Nutrition & Care	7.52	6.93	1.50	1.50	2,070	2,068
Resource Efficiency	6.63	6.84	1.50	1.50	2,155	2,272
Performance Materials	7.07	7.61	1.50	1.50	286	284
Services	7.09	7.10	1.50	1.50	59	59

5.2 Equity and employee share program

In 2019, the Executive Board of Evonik Industries AG decided to purchase shares in the company, utilizing the resolution adopted by the Annual Shareholders' Meeting on May 18, 2016 authorizing it to buy back shares in the company. The Supervisory Board approved this share buy-back program, which relates to the share-based employee participation program (**employee share program**) Share.2020 launched by Evonik Industries AG in March 2020. The period during which eligible employees could acquire shares ended on March 20, 2020. The lock-up period for Evonik shares purchased or granted through the Share.2020 program ends on December 31, 2022.

Overall, Evonik Industries AG purchased 841,030 ordinary shares on the capital market at an average price of €18.72 per share. In April, 726,558 ordinary shares (including 187,025 bonus shares) were transferred to participating employees on the basis of the share price of €18.35 as of April 2, 2020 and the exchange rates prevailing on the same date. The remaining 114,472 ordinary shares were sold to third parties via the stock exchange by April 20, 2020.

As of June 30, 2020, Evonik therefore no longer held any treasury shares.

5.3 Provisions for pensions and other post-employment benefits

As of June 30, 2020, provisions for pensions and other post-employment benefits were €3,994 million, an increase of just €27 million compared with December 31, 2019. However, due to the changes in the discount rate in the two quarters, the changes outside of profit or loss are clearly visible in the statement of comprehensive income: In the first quarter of 2020, the change in the discount rate for the euro-zone countries from 1.30 percent to 1.70 percent resulted in positive other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans of €219 million and a deferred tax effect of -€64 million. In the second quarter, by contrast, the change in the discount rate for the euro-zone countries from 1.70 percent to 1.40 percent had the opposite effect. The aggregate effect recognized in the statement of comprehensive income for the first half of 2020 was therefore an increase in other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans of just €24 million and a deferred tax effect of -€21 million. By contrast, the change in interest rates in the first half of 2019 had a far greater impact on the other comprehensive income from the remeasurement of the net defined benefit liability for defined benefit pension plans (-€668 million) and the associated deferred taxes (€324 million).

5.4 Financial liabilities

In April 2020, Evonik redeemed the fixed-interest bond issued in 2013. In May 2020, a new fixed-interest bond with the same nominal value was issued.

Bonds

in € million	Interest coupon in %	Nominal value[a]	Carrying amount Dec. 31, 2019	Carrying amount June 30, 2020	Stock market value Dec. 31, 2019	Stock market value June 30, 2020
Evonik Industries AG						
Fixed-interest bond 2013/2020	1.875	500	500	–	503	–
Fixed-interest bond 2015/2023	1.000	750	747	748	771	763
Hybrid bond 2017/2077[b]	2.125	500	497	497	516	504
Fixed-interest bond 2020/2025	0.625	500	–	497	–	489
Evonik Finance B.V.						
Fixed-interest bond 2016/2021	0.000	650	650	650	651	648
Fixed-interest bond 2016/2024	0.375	750	747	747	755	752
Fixed-interest bond 2016/2028	0.750	500	496	496	512	503
		3,650	**3,637**	**3,635**	**3,708**	**3,659**

[a] The redeemed fixed-interest bond 2013/2020 is not included in the total nominal value.
[b] The formal tenor of the bond is 60 years, and Evonik has a first repayment right in 2022.

6. Notes to the segment report

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

	2nd quarter		1st half	
in € million	2019	2020	2019	2020
Adjusted EBITDA, reporting segments	626	520	1,220	1,091
Adjusted EBITDA, other operations	-16	-22	-28	-38
Adjusted EBITDA, corporate	-43	-41	-86	-82
Consolidation	-1	-1	-1	-1
Adjusted EBITDA, corporate, consolidation	-44	-42	-87	-83
Adjusted EBITDA	**566**	**456**	**1,105**	**970**
Depreciation and amortization	-223	-253	-443	-492
Impairment losses/reversals of impairment losses	-5	-2	-24	-5
Depreciation, amortization, impairment losses/reversals of impairment losses included in adjustments	2	1	17	2
Adjusted depreciation, amortization, and impairment losses	-226	-254	-450	-495
Adjusted EBIT	**340**	**202**	**655**	**475**
Adjustments	-21	-14	-41	-40
Financial result	-52	-25	-104	-75
Income before income taxes, continuing operations	**267**	**163**	**510**	**360**

7. Other disclosures

7.1 Financial instruments

Disclosures on the carrying amounts and fair values of financial instruments

Carrying amounts and fair values of financial assets as of June 30, 2020

	Carrying amounts by valuation category				June 30, 2020	
in € million	At fair value through OCI without subsequent reclassification	At amortized cost	At fair value through profit or loss	Not allocated to any category	**Carrying amount**	**Fair value**
Trade accounts receivable	–	**1,464**	–	–	**1,464**	**1,464**
Cash and cash equivalents	–	**864**	–	–	**864**	**864**
Other investments	516	–	–	–	516	516
Loans	–	37	10	–	47	47
Securities and similar claims	–	–	845	–	845	845
Receivables from derivatives	–	–	22	48	70	70
Miscellaneous other financial assets	–	19	–	3	22	22
Other financial assets	**516**	**56**	**877**	**51**	**1,500**	**1,500**
	516	**2,384**	**877**	**51**	**3,828**	**3,828**

Carrying amounts and fair values of financial assets as of December 31, 2019

	Carrying amounts by valuation category				Dec. 31, 2019	
in € million	At fair value through OCI without subsequent reclassification	At amortized cost	At fair value through profit or loss	Not allocated to any category	**Carrying amount**	**Fair value**
Trade accounts receivable	**–**	**1,569**	**–**	**–**	**1,569**	**1,569**
Cash and cash equivalents	**–**	**1,165**	**–**	**–**	**1,165**	**1,165**
Other investments	556	–	–	–	556	556
Loans	–	39	8	–	47	47
Securities and similar claims	–	–	1,225	–	1,225	1,225
Receivables from derivatives	–	–	11	47	58	58
Miscellaneous other financial assets	–	14	–	3	17	17
Other financial assets	**556**	**53**	**1,244**	**50**	**1,903**	**1,903**
	556	**2,787**	**1,244**	**50**	**4,637**	**4,637**

Carrying amounts and fair values of financial liabilities as of June 30, 2020

	Carrying amounts by valuation category			**June 30, 2020**	
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	**Carrying amount**	**Fair value**
Trade accounts payable	**–**	**1,201**	**–**	**1,201**	**1,201**
Bonds	–	3,635	–	3,635	3,659
Commercial paper	–	90	–	90	90
Liabilities to banks	–	181	–	181	180
Loans from non-banks	–	16	–	16	16
Lease liabilities	–	–	677	677	677
Liabilities from derivatives	19	–	19	38	38
Refund liability	–	–	37	37	37
Miscellaneous other financial liabilities	–	91	–	91	91
Other financial liabilities	**19**	**4,013**	**733**	**4,765**	**4,788**
	19	**5,214**	**733**	**5,966**	**5,989**

Carrying amounts and fair values of financial liabilities as of December 31, 2019

	Carrying amounts by valuation category			Dec. 31, 2019	
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	**Carrying amount**	**Fair value**
Trade accounts payable	**–**	**1,324**	**–**	**1,324**	**1,324**
Bonds	–	3,637	–	3,637	3,707
Liabilities to banks	–	150	–	150	153
Loans from non-banks	–	18	–	18	18
Lease liabilities	–	–	650	650	650
Liabilities from derivatives	16	–	52	68	68
Refund liability	–	–	45	45	45
Miscellaneous other financial liabilities	–	63	–	63	63
Other financial liabilities	**16**	**3,868**	**747**	**4,631**	**4,704**
	16	**5,192**	**747**	**5,955**	**6,028**

Financial instruments recognized at fair value are allocated to the following levels in the fair value hierarchy:

Financial instruments recognized at fair value as of June 30, 2020

	Fair value based on			**June 30, 2020**
in € million	Publicly quoted market prices (level 1)	Directly observable market-related prices (level 2)	Individual valuation parameters (level 3)	
Other investments	52	–	464	516
Loans	–	–	10	10
Securities and similar claims	818	–	27	845
Receivables from derivatives	–	70	–	70
Liabilities from derivatives	–	-38	–	-38

Financial instruments recognized at fair value as of December 31, 2019

	Fair value based on			Dec. 31, 2019
in € million	Publicly quoted market prices (level 1)	Directly observable market-related prices (level 2)	Individual valuation parameters (level 3)	
Other investments	120	–	436	556
Loans	–	–	8	8
Securities and similar claims	1,201	–	24	1,225
Receivables from derivatives	–	58	–	58
Liabilities from derivatives	–	-68	–	-68

The financial instruments allocated to **level 1** are recognized at their present stock market price. They comprise securities, funds, 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 or option pricing models on the basis of the exchange rates at the European Central Bank, observed interest rate structure curves, FX volatilities, observed commodity prices, and observed credit default premiums.

The other investments, which are allocated to **level 3,** are unlisted equity investments and are measured on the basis of the best available information as of the reporting date. The shares in Vivawest GmbH were valued using the discounted cash flow method (fair value as of June 30, 2020: €410 million). The material non-observable inputs in the valuation were the cost of capital and sales growth. An increase in the cost of capital accompanied by a drop in sales growth of 10 percent would reduce the fair value by €135 million. A reduction in the capital cost accompanied by an increase in sales growth of 10 percent would increase the fair value by €182 million. The fair value of the remaining other investments (€54 million) was derived from observable prices in connection with equity refinancing and using discounted cash flow and multiples methods. A 10 percent relative change in the key valuation parameters (segment-specific cost of capital, sustained dividend expectations, EBITDA multiple) does not result in a material change in the fair values. There is no intention of selling these investments.

The loans allocated to level 3 are convertible bonds. The fair values recognized are based on the nominal value of the bonds. The conversion right is taken into account if it is material. Securities and similar claims, which are allocated to level 3, are unlisted investment funds. The fair values recognized are the net asset values provided by the investment fund companies, which are determined on the basis of internationally recognized valuation principles.

There were no transfers between the levels of the fair value hierarchy in the reporting period.

**Fair value of level 3:
Reconciliation from the opening to the closing balances**

in € million	Other investments	Loans	Securities and similar claims	**Total**
As of January 1, 2020	**436**	**8**	**24**	**468**
Additions/disposals	–	2	3	5
Gains or losses recognized in OCI in the reporting period	28	–	–	28
As of June 30, 2020	**464**	**10**	**27**	**501**

The **fair value of financial instruments recognized at amortized cost** is calculated as follows: The fair value of bonds is their directly observable stock market price on the reporting date. For loans, miscellaneous other financial assets, liabilities to banks, loans from non-banks, and miscellaneous 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.

7.2 Related parties

Due to the coronavirus pandemic, our Annual Shareholders' Meeting has been postponed to August 31, 2020. Consequently, the shareholder resolution on the dividend was not adopted in the second quarter.

The Board of Management and Supervisory Board of Evonik Industries AG are still proposing a dividend of €1.15 per share for fiscal 2019 and decided to make an advance payment of €0.57 per share out of the distributable profit for 2019. The Annual Shareholders' Meeting scheduled for August 31, 2020 will therefore vote on the remaining portion of the dividend, which amounts to €0.58 per share.

The advance payment was made in the second quarter. RAG-Stiftung, Essen (Germany) received €156 million.

There has not been any material change in relations with related parties since December 31, 2019.

7.3 Contingent receivables and liabilities

There has not been any material change in contingent receivables and liabilities since the consolidated financial statements as of December 31, 2019.

7.4 Events after the reporting date

No material events have occurred since the reporting date.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report for the Group 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 for the remaining months of the fiscal year.
Essen, July 27, 2020

Evonik Industries AG
The Executive Board

Kullmann

Dr. Schwager

Wessel

Wolf

Review report

To Evonik Industries AG, Essen

We have reviewed the condensed consolidated interim financial statements—comprising the condensed income statement, condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes—and the interim Group management report for Evonik Industries AG, Essen, for the period from January 1, 2020 to June 30, 2020, which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's Executive Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information performed by the Independent Auditor of the Entity" (ISRE 2410). These standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, July 28, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Aissata Touré
German Public Auditor	German Public Auditor

Financial calendar

Financial calendar 2020/21

Event	Date
Annual Shareholders' Meeting 2020	August 31, 2020
Interim report Q3 2020	November 3, 2020
Report on Q4 2020 and FY 2020	March 4, 2021
Interim report Q1 2021	May 6, 2021
Annual Shareholders' Meeting 2021	June 2, 2021
Interim report Q2 2021	August 5, 2021
Interim report Q3 2021	November 4, 2021

Credits

Published by
Evonik Industries AG
Rellinghauser Strasse 1-11
45128 Essen, Germany
www.evonik.com

Contact
Communications
Phone +49 201 177-3315
presse@evonik.com

Investor Relations
Phone +49 201 177-3146
investor-relations@evonik.com

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