HALF YEAR FINANCIAL REPORT

2nd quarter | 1st half 2021

EVONIK
Leading Beyond Chemistry

Strong second quarter—Forecast increased

2nd quarter

- **Organic sales growth** was 32 percent, thanks to significantly higher demand and improved prices
- **Adjusted EBITDA** grew by 42 percent to a very good level of €649 million
- Earnings in all **chemicals divisions** were above the Q2 figures in 2019 and 2020

1st half

- **Sales** increased 15 percent to €7.0 billion
- **Adjusted EBITDA** improved by 28 percent to €1.2 billion
- **Adjusted EBITDA margin** at a good level of 17.7 percent
- **Adjusted net income** improved by 45 percent to €493 million
- High **free cash flow** of €413 million
- **Outlook for 2021 increased:** Adjusted EBITDA now expected to be between €2.3 billion and €2.4 billion

Key figures for the Evonik Group

in € million	2nd quarter 2020	2nd quarter 2021	1st half 2020	1st half 2021
Sales	2,827	3,636	6,069	6,994
Adjusted EBITDA[a]	456	649	970	1,237
Adjusted EBITDA margin in %	16.1	17.8	16.0	17.7
Adjusted EBIT[b]	202	398	475	734
Income before financial result and income taxes, continuing operations (EBIT)	188	380	435	688
Net income	114	218	244	405
Adjusted net income	160	253	341	493
Earnings per share in €	0.24	0.47	0.52	0.87
Adjusted earnings per share in €	0.34	0.54	0.73	1.06
Cash flow from operating activities, continuing operations	285	272	582	766
Cash outflows for investments in intangible assets, property, plant and equipment[c]	-189	-171	-373	-353
Free cash flow[d]	96	101	209	413
Net financial debt as of June 30	–	–	-2,994	-3,170
No. of employees as of June 30	–	–	32,621	32,661

[a] Earnings before financial result, taxes, depreciation, and amortization, after adjustments, continuing operations.
[b] Earnings before financial result and taxes, after adjustments, continuing operations.
[c] Investments in intangible assets, property, plant and equipment, continuing operations.
[d] Cash flow from operating activities, continuing operations, less cash outflows for investments in intangible assets, property, plant and equipment.

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

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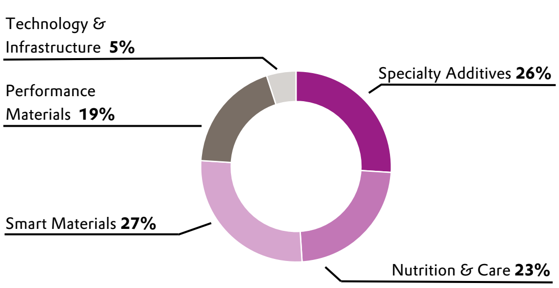
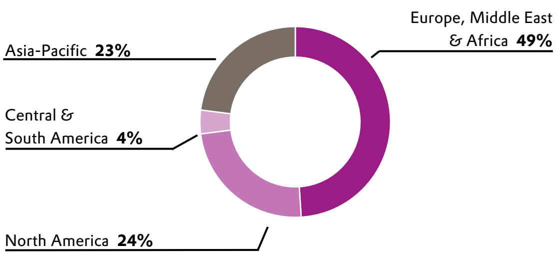
Sales by division—1st half



Sales by region[a]—1st half



[a] By location of customer.

Interim management report as of June 30, 2021

1. Business conditions and performance

1.1 Economic background

In the first six months of 2021, the **global economic** recovery from the coronavirus pandemic was better than had been anticipated at the start of the year. Global trade in goods picked up strongly, and global industrial output increased. The economic recovery continued in both the developed economies and the emerging markets, although the pace differed. The success of the vaccination programs in most industrialized countries and relaxation of the coronavirus measures strengthened global growth as a result of rising consumer demand. Global growth was supported by the expansionary monetary policy and extensive economic measures in the industrialized countries. By contrast, the economic recovery was sluggish in many emerging markets. This was due to slow or inadequate supply of vaccines, limited political support, and greater dependence on tourism.

Despite high demand, in some cases, growth momentum in industrial production was held back in the first six months of 2021 by the interruption of supply chains caused by the pandemic, extreme weather situations in Europe and the USA, and the blockage of the Suez Canal. In some cases, the disruption led to longer supply times and significantly higher prices for raw materials, precursors, and transportation services in the industrial sector. In addition, inflationary pressure was increased by price rises in the service sector.

1.2 Business performance

Major events

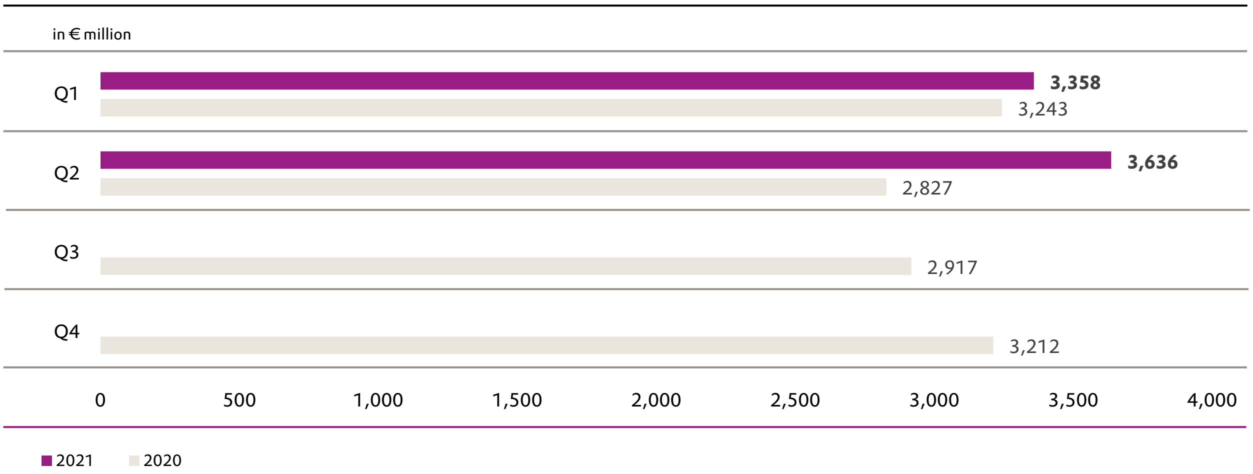
The **coronavirus** pandemic is continuing to affect people's lives and economic activity around the world in 2021. Evonik took the necessary precautions to protect employees at an early stage in order to prevent the virus from spreading while continuing to operate as well as possible. We still regularly analyze the situation so that we can take timely action. In Germany, we have been participating in the vaccination drive by company medical officers since the start of June 2021.

Our business performance in the first half of 2021 was only marginally impacted by the coronavirus pandemic.

Business performance in Q2 2021

Our business developed very well in the second quarter of 2021. We registered high demand worldwide and were able to increase volumes substantially compared with the second quarter of 2020, which was impacted by the coronavirus pandemic. Sales and adjusted EBITDA improved considerably compared with the previous quarter and significantly compared with the prior-year period. They were also considerably higher than the figures for the second quarter of 2019.

Sales by quarter

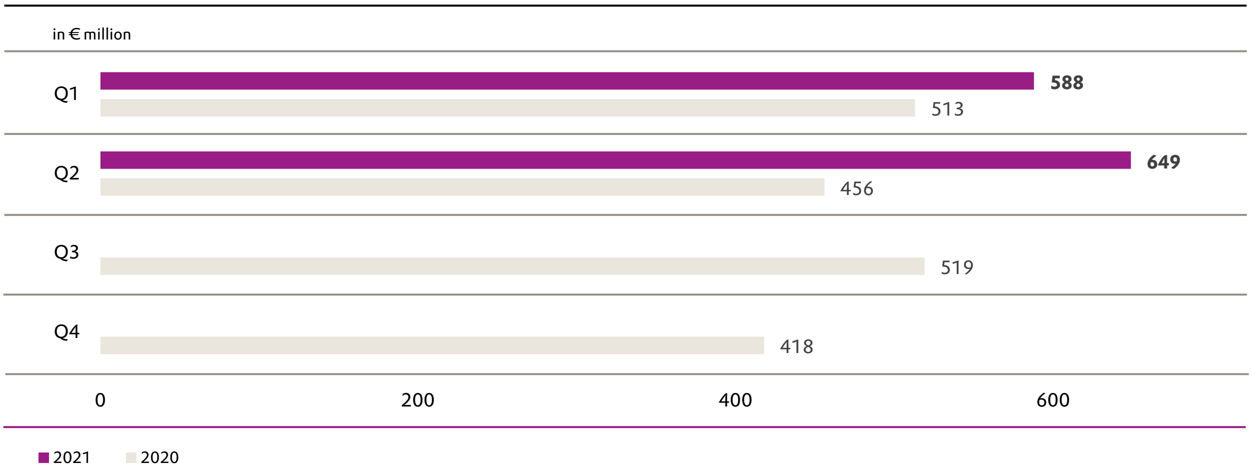


The Evonik Group's **sales** increased by 29 percent to €3,636 million. Organic sales growth was 32 percent, driven by significantly higher volumes and a considerable improvement in selling prices. By contrast, exchange rates had a negative effect.

Year-on-year change in sales

in %	1st quarter 2021	2nd quarter 2021	1st half 2021
Volumes	5	22	13
Prices	3	10	6
Organic sales growth	**8**	**32**	**19**
Exchange rates	-4	-5	-5
Change in the scope of consolidation/other effects	–	2	1
Total	**4**	**29**	**15**

Adjusted EBITDA by quarter



Adjusted EBITDA rose 42 percent to €649 million. All chemicals divisions reported a clear increase in earnings. The adjusted EBITDA margin improved to 17.8 percent, compared with 16.1 percent in the prior-year period.

Statement of income

	2nd quarter			1st half		
in € million	2020	**2021**	Change in %	2020	**2021**	Change in %
Sales	**2,827**	**3,636**	**29**	**6,069**	**6,994**	**15**
Adjusted EBITDA	**456**	**649**	**42**	**970**	**1,237**	**28**
Adjusted depreciation, amortization, and impairment losses	-254	-251		-495	-503	
Adjusted EBIT	**202**	**398**	**97**	**475**	**734**	**55**
Adjustments	-14	-18		-40	-46	
thereof restructuring	-3	-10		-4	-13	
thereof impairment losses/reversal of impairment losses	–	–		–	–	
thereof acquisition/divestment of shareholdings	-1	-2		-23	-6	
thereof other	-10	-6		-13	-27	
Income before financial result and income taxes, continuing operations (EBIT)	**188**	**380**	**102**	**435**	**688**	**58**
Financial result	-25	-40		-75	-62	
Income before income taxes, continuing operations	**163**	**340**	**109**	**360**	**626**	**74**
Income taxes	-34	-113		-91	-200	
Income after taxes, continuing operations	**129**	**227**	**76**	**269**	**426**	**58**
Income after taxes, discontinued operations	-11	-3		-18	-10	
Income after taxes	**118**	**224**	**90**	**251**	**416**	**66**
thereof attributable to non-controlling interests	4	6		7	11	
Net income	**114**	**218**	**91**	**244**	**405**	**66**
Earnings per share in €	**0.24**	**0.47**		**0.52**	**0.87**	

The **adjustments** of -€18 million included restructuring expenses of €10 million for a site in the Nutrition & Care division. The largest items in the line item "Other" are a claim to a value-added tax refund for previous years in Brazil and expenses in connection with the restructuring of the superabsorbents business and the deconsolidation of a company in India. In the previous year, the adjustments mainly contained expenses for the SG&A 2020 program to reduce selling and administrative expenses. The **financial result** was affected by expenses for the measurement of the Argentine currency as a hyperinflationary currency and declined to -€40 million. It contained special items of €10 million for interest income in connection with the claim to the value-added tax refund in Brazil. **Income before income taxes, continuing operations** rose by 109 percent to €340 million. The income tax rate on the continuing operations was 33 percent, and the adjusted income tax rate was 32 percent. That was around the level of the group tax rate. Income after taxes, discontinued operations, was -€3 million and comprised post-divestment expenses for the methacrylates business, which was sold in July 2019.

Overall, **net income** improved by 91 percent to €218 million.
Adjusted net income rose 58 percent to €253 million. **Adjusted earnings per share** increased from €0.34 to €0.54.

Reconciliation to adjusted net income

	2nd quarter			1st half		
in € million	2020	2021	Change in %	2020	2021	Change in %
Adjusted EBITDA	**456**	**649**	**42**	**970**	**1,237**	**28**
Adjusted depreciation, amortization, and impairment losses	-254	-251		-495	-503	
Adjusted EBIT	**202**	**398**	**97**	**475**	**734**	**55**
Adjusted financial result	-25	-50		-76	-72	
Amortization and impairment losses on intangible assets	38	35		70	71	
Adjusted income before income taxes[a]	**215**	**383**	**78**	**469**	**733**	**56**
Adjusted income taxes	-51	-124		-121	-229	
Adjusted income after taxes[a]	**164**	**259**	**58**	**348**	**504**	**45**
thereof adjusted income attributable to non-controlling interests	4	6		7	11	
Adjusted net income [a]	**160**	**253**	**58**	**341**	**493**	**45**
Adjusted earnings per share in € [a]	**0.34**	**0.54**		**0.73**	**1.06**	

[a] Continuing operations.

Business performance in H1 2021

Sales grew by 15 percent to €6,994 million thanks to higher demand and an increase in selling prices. **Adjusted EBITDA** improved 28 percent to €1,237 million. The adjusted EBITDA margin was 17.7 percent, which was above the margin registered in the first half of 2020 (16.0 percent).

The **adjustments** of -€46 million included restructuring expenses of €13 million, mainly for a site in the Nutrition & Care division. The line item "Other" contains various positive and negative items. The largest single items are a claim to a value-added tax refund for previous years in Brazil and expenses in connection with the end of a legal dispute, restructuring of the superabsorbents business, and the deconsolidation of a company in India. In the prior-year period, the adjustments mainly comprised expenses in connection with the acquisition of PeroxyChem. The **financial result** improved to -€62 million. It contained special items of €10 million representing interest income in connection with the claim to a value-added tax refund. The adjusted financial result was -€72 million, which was below the prior-year level (-€76 million) despite the expenses for measurement of the Argentine currency as a hyperinflationary currency. **Income before income taxes, continuing operations** rose by 74 percent to €626 million. The income tax rate on the continuing operations was 32 percent, and the adjusted income tax rate was 31 percent. That was around the level of the group tax rate. Income after taxes, discontinued operations, amounted to -€10 million and comprised post-divestment expenses for the methacrylates business.

Net income rose 66 percent to €405 million.

Adjusted net income improved by 45 percent to €493 million, while **adjusted earnings per share** increased from €0.73 to €1.06.

1.3 Performance of the divisions

Specialty Additives

Key figures

	2nd quarter			1st half		
in € million	2020	**2021**	Change in %	2020	**2021**	Change in %
External sales	747	922	23	1,600	1,829	14
Adjusted EBITDA	202	242	20	442	515	17
Adjusted EBITDA margin in %	27.0	26.2	–	27.6	28.2	–
Adjusted EBIT	158	198	25	354	428	21
Capital expenditures[a]	19	18	-5	32	31	-3
No. of employees as of June 30	–	–	–	3,610	3,680	2

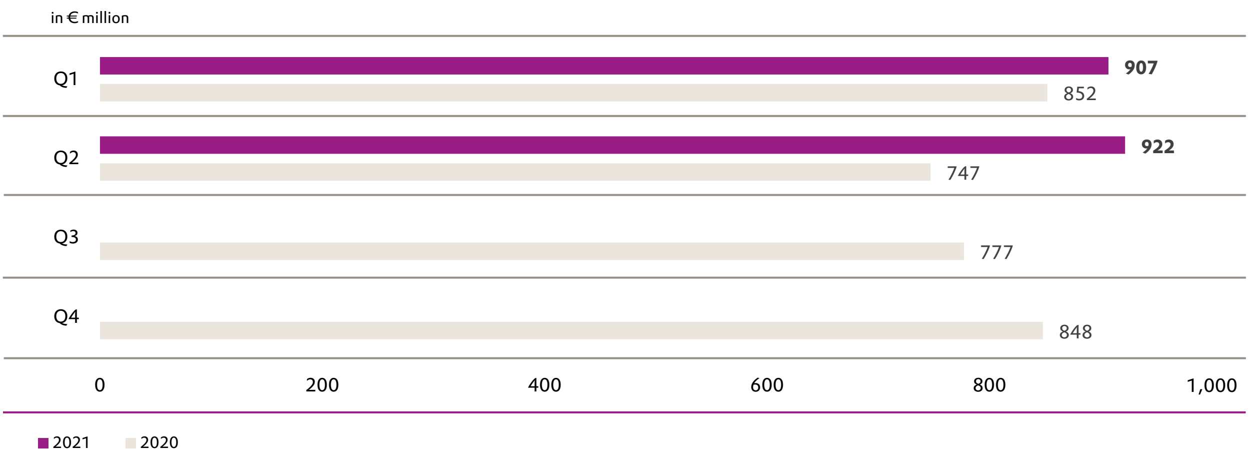
Prior-year figures restated.

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

In the Specialty Additives division, sales rose 23 percent to €922 million in the **second quarter of 2021.** This was driven by a significant rise in volumes and slightly higher prices. The increase was reduced by currency effects.

There was a significant increase in demand for additives for polyurethane foams, for example, for the construction industry and consumer durables such as mattresses and refrigerators, resulting in a strong rise in sales compared to the weaker prior-year quarter, which was impacted by the pandemic. Sales of additives for the coatings industry also grew considerably in all regions. Demand for products for renewable energies remained good. Our business with additives for the automotive industry also picked up significantly year-on-year.

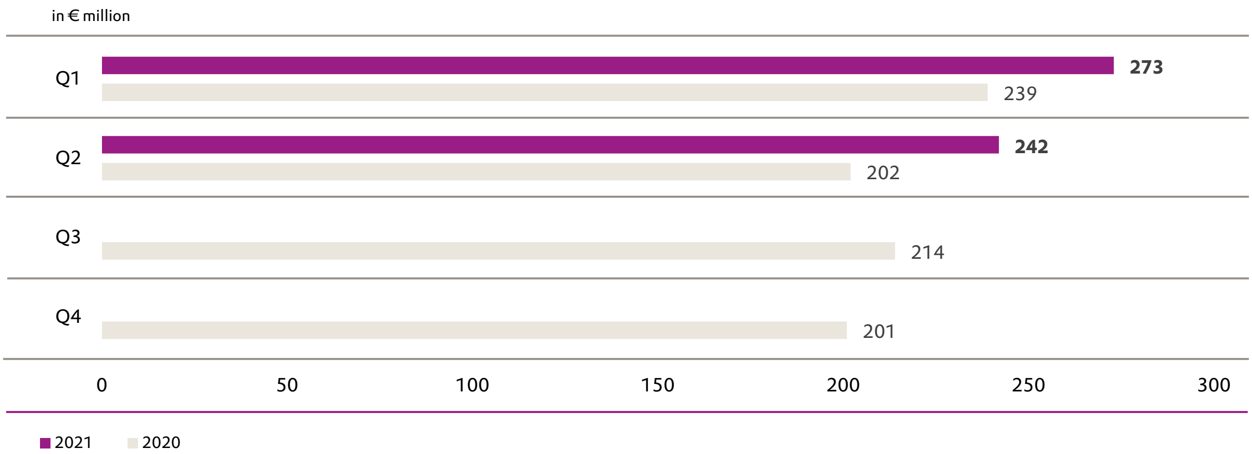
Sales Specialty Additives



Prior-year figures restated.

Adjusted EBITDA rose by 20 percent to €242 million, mainly because volumes were higher. The adjusted EBITDA margin was 26.2 percent, which was slightly lower than in the prior-year period.

Adjusted EBITDA Specialty Additives



Prior-year figures restated.

In the **first six months of 2021,** sales in the Specialty Additives division rose 14 percent to €1,829 million. While selling prices were slightly higher, the rise was mainly attributable to considerably higher volumes. By contrast, currency effects had a negative impact. Adjusted EBITDA increased 17 percent to €515 million, driven mainly by volumes. The adjusted EBITDA margin improved from 27.6 percent in the first half of 2020 to 28.2 percent.

Nutrition & Care

Key figures

	2nd quarter			1st half		
in € million	2020	2021	Change in %	2020	2021	Change in %
External sales	742	838	13	1,490	1,618	9
Adjusted EBITDA	168	183	9	286	325	14
Adjusted EBITDA margin in %	22.6	21.8	–	19.2	20.1	–
Adjusted EBIT	106	122	15	159	200	26
Capital expenditures[a]	24	34	42	43	56	30
No. of employees as of June 30	–	–	–	5,271	5,323	1

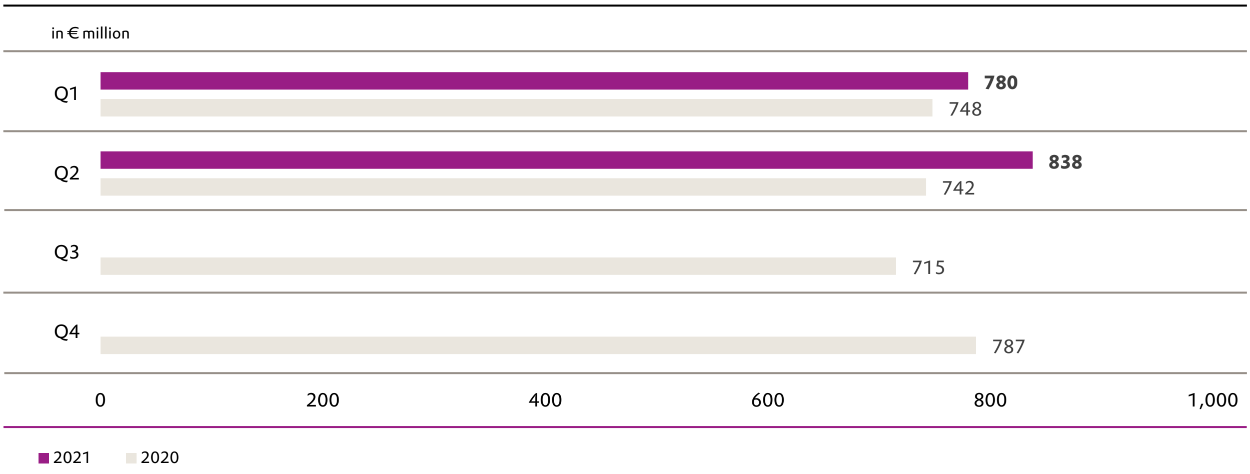
Prior-year figures restated.

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

In the Nutrition & Care division, sales were 13 percent higher at €838 million in the **second quarter of 2021.** This was attributable to considerably higher volumes and an improvement in selling prices. However, the increase was held back by currency effects.

Sales of essential amino acids increased due to good demand and improved selling prices. There was good demand for health and care products, resulting in considerably higher sales in the health & care business. Active ingredients, especially for cosmetics applications, benefited from a very good volume trend. Within pharmaceutical applications, lipids for mRNA vaccines, in particular, posted significant sales growth.

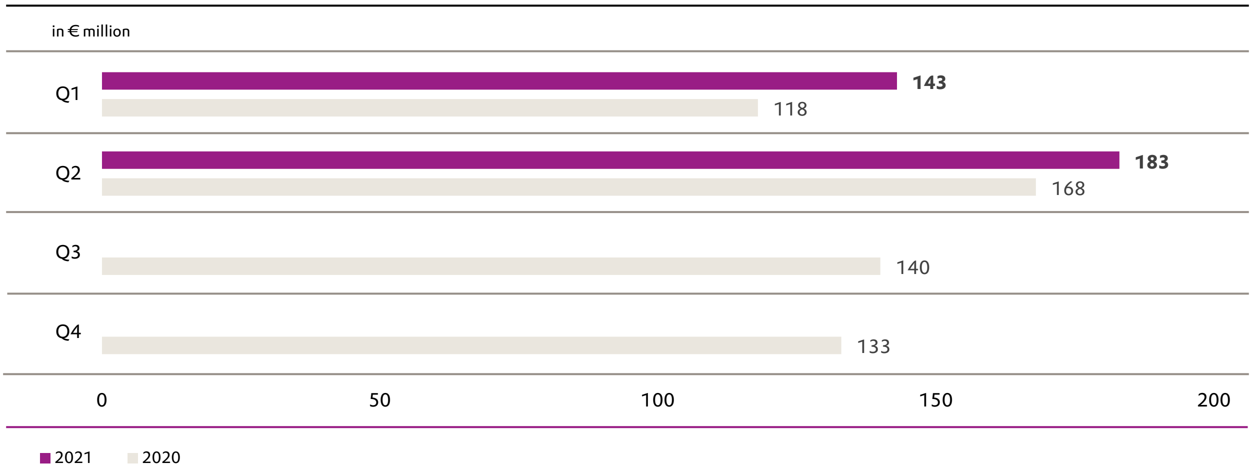
Sales Nutrition & Care



Prior-year figures restated.

Adjusted EBITDA improved 9 percent to €183 million, driven by volumes and sales. The adjusted EBITDA margin was 21.8 percent, compared with 22.6 percent in the prior-year period.

Adjusted EBITDA Nutrition & Care



Prior-year figures restated.

In the **first six months of 2021,** the Nutrition & Care division's sales grew 9 percent to €1,618 million. This was attributable to higher volumes and selling prices, while exchange rates had a negative effect. Adjusted EBITDA increased by 14 percent to €325 million, mainly because of higher selling prices and an improvement in the product mix. The adjusted EBITDA margin improved from 19.2 percent in the first half of 2020 to 20.1 percent.

Smart Materials

Key figures

	2nd quarter			1st half		
in € million	2020	**2021**	Change in %	2020	**2021**	Change in %
External sales	722	975	35	1,579	1,884	19
Adjusted EBITDA	102	176	73	268	350	31
Adjusted EBITDA margin in %	14.1	18.1	–	17.0	18.6	–
Adjusted EBIT	34	111	226	142	218	54
Capital expenditures[a]	98	87	-11	181	146	-19
No. of employees as of June 30	–	–	–	7,607	7,765	2

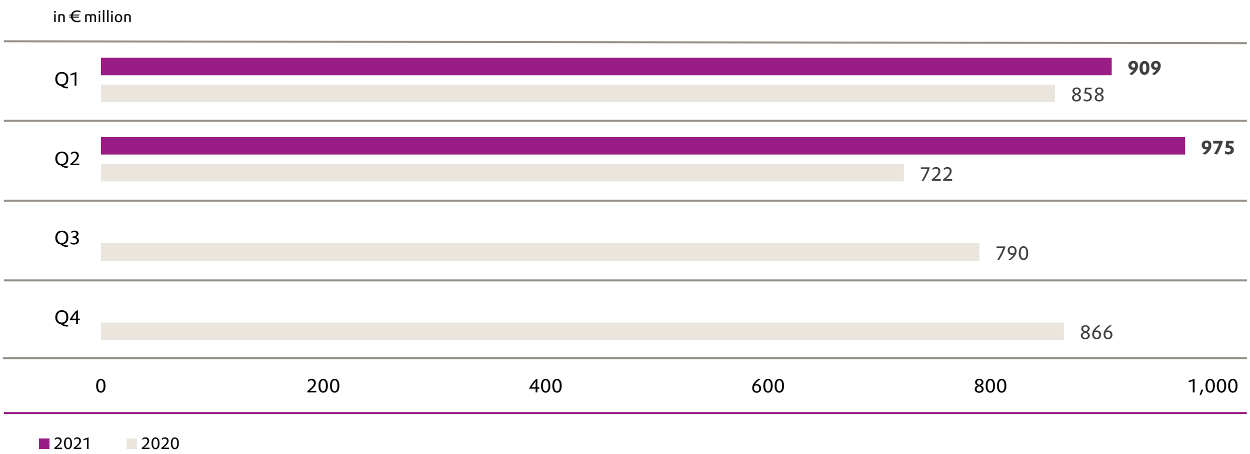
Prior-year figures restated.

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

In the Smart Materials division, sales rose 35 percent to €975 million in the **second quarter of 2021.** While prices were stable, this resulted from a substantial rise in volumes compared with the prior-year quarter, which was impacted by the coronavirus pandemic, and the initial consolidation of Porocel (from November 2020). By contrast, the rise was held back by negative currency effects.

Polymers contributed substantially higher sales, mainly because of a significant upturn in demand from the automotive industry for high-performance polymers. There was also strong demand for our polyamide 12 powder for 3D printing and membranes for efficient treatment of gas. Sales of inorganic products also increased significantly. Here, our business with silicas for tires benefited from a strong recovery in demand following a pandemic-related weaker quarter in the previous year. Active oxygen products registered good demand for both specialties and the conventional hydrogen peroxide business. Our catalysts business benefited from the initial consolidation of Porocel, which was acquired in November 2020.

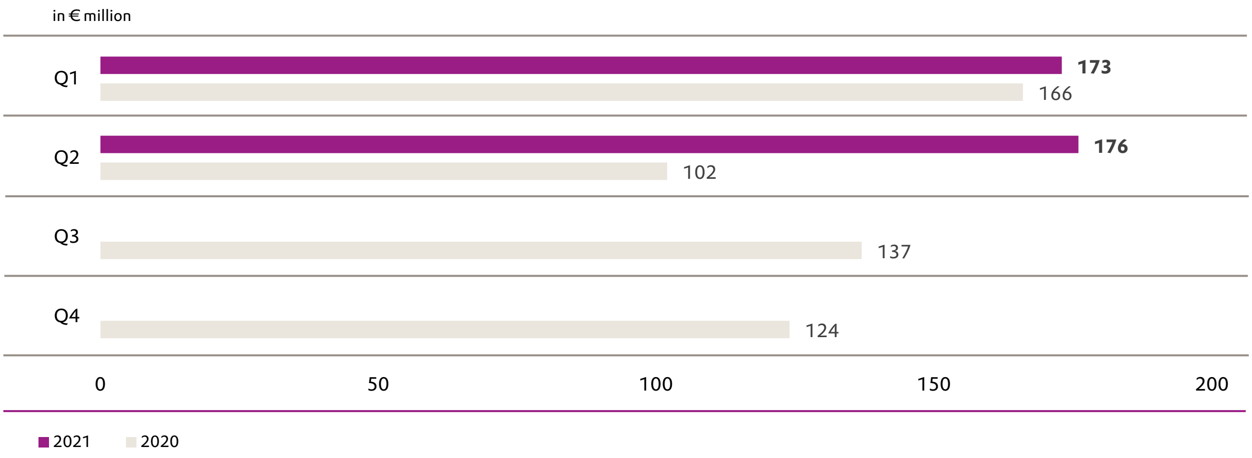
Sales Smart Materials



Prior-year figures restated.

Adjusted EBITDA advanced 73 percent to €176 million, mainly as a result of higher demand. The adjusted EBITDA margin increased significantly from 14.1 percent in the prior-year period to 18.1 percent.

Adjusted EBITDA Smart Materials



Prior-year figures restated.

In the **first six months of 2021,** sales in the Smart Materials division increased by 19 percent to €1,884 million. This was attributable to considerably higher volumes and the initial consolidation of Porocel. The increase was held back by negative currency effects. Adjusted EBITDA increased by 31 percent to €350 million, driven mainly by volumes. The adjusted EBITDA margin improved from 17.0 percent in the first half of 2020 to 18.6 percent.

Performance Materials

Key figures

	2nd quarter			1st half		
in € million	2020	2021	Change in %	2020	2021	Change in %
External sales	437	708	62	1,022	1,288	26
Adjusted EBITDA	12	99	725	29	140	383
Adjusted EBITDA margin in %	2.7	14.0	–	2.8	10.9	–
Adjusted EBIT	-21	66	–	-33	76	–
Capital expenditures[a]	9	11	22	19	19	–
No. of employees as of June 30	–	–	–	1,811	1,791	-1

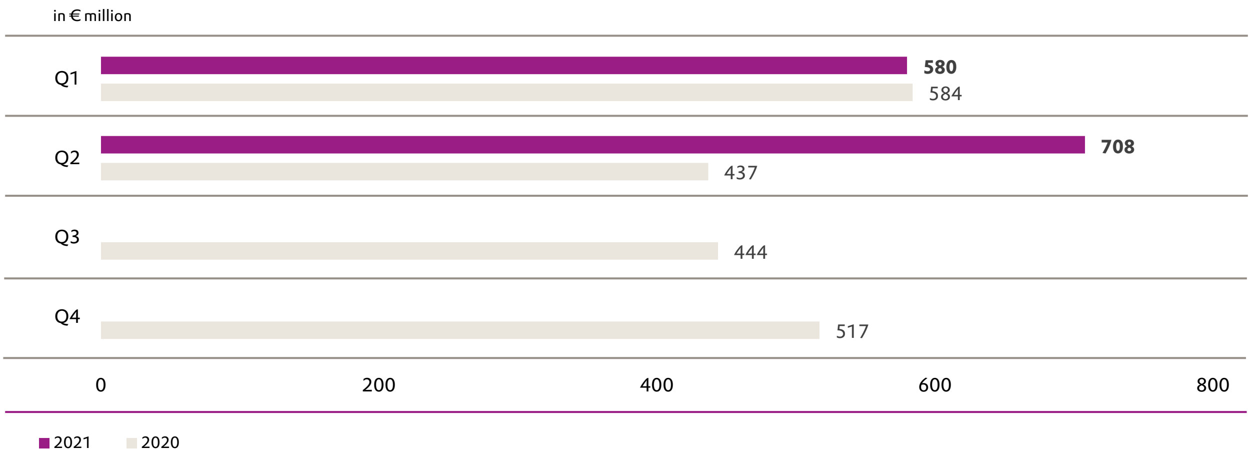
Prior-year figures restated.

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

Sales in the Performance Materials division rose significantly in the **second quarter of 2021,** climbing 62 percent to €708 million. This was the result of volume growth and a substantial rise in selling prices. The increase was held back by negative currency effects.

Sales of C_4 products increased as demand picked up, and there was a strong improvement in selling prices. Business with superabsorbents is still affected by challenging market conditions.

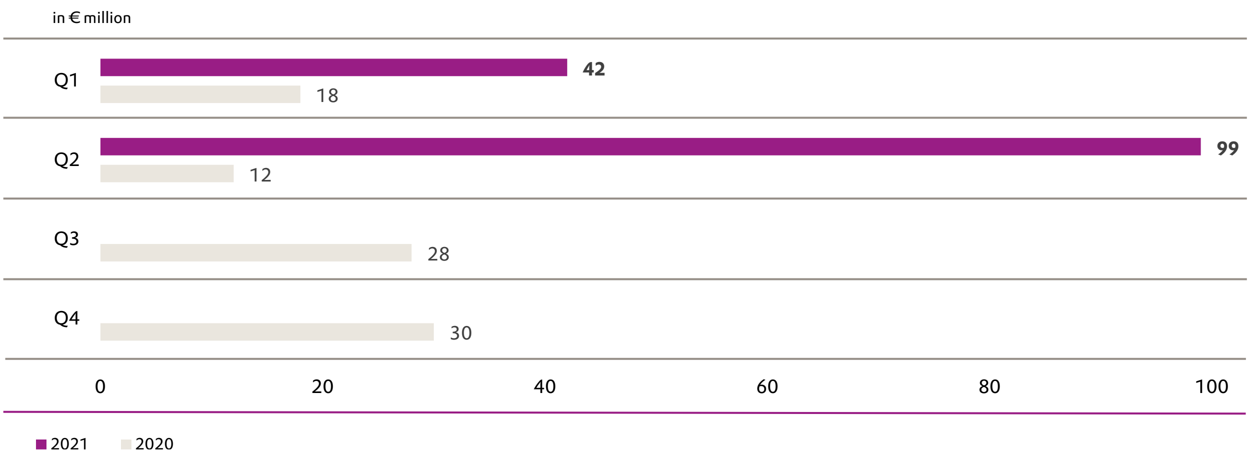
Sales Performance Materials



Prior-year figures restated.

Adjusted EBITDA improved substantially, from €12 million to €99 million, principally due to higher selling prices and improved margins. The adjusted EBITDA margin increased to 14.0 percent, up from 2.7 percent in the prior-year period.

Adjusted EBITDA Performance Materials



Prior-year figures restated.

In the **first six months of 2021,** the Performance Materials division's sales rose by 26 percent to €1,288 million. Adjusted EBITDA increased from €29 million to €140 million, principally as a consequence of the positive price trend. The adjusted EBITDA margin improved to 10.9 percent, up from 2.8 percent in the first half of 2020.

Technology & Infrastructure

Key figures

	2nd quarter			1st half		
in € million	2020	2021	Change in %	2020	2021	Change in %
External sales	161	179	11	345	348	1
Adjusted EBITDA	39	26	-33	73	55	-25
Adjusted EBITDA margin in %	24.2	14.5	–	21.2	15.8	–
Adjusted EBIT	10	-2	–	18	1	-94
Capital expenditures[a]	34	33	-3	54	50	-7
No. of employees as of June 30	–	–	–	8,591	8,413	-2

Prior-year figures restated.

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

In the Technology & Infrastructure division, sales were 11 percent higher at €179 million in the **second quarter of 2021.** The main factors here were higher sales from trading in natural gas and electricity. Adjusted EBITDA declined by 33 percent to €26 million, mainly as a consequence of higher costs for CO_2 allowances and natural gas.

In the **first six months of 2021**, sales were slightly above the prior-year figure at €348 million. Adjusted EBITDA dropped to €55 million due to the increase in energy costs.

2. Earnings, financial and asset position

2.1 Earnings position

Sales rose by 15 percent to €6,994 million in the first six months of 2021, mainly due to considerably higher demand and improved selling prices. The cost of sales increased 14 percent to €4,918 million due to higher volumes and a rise in raw material costs. The **gross profit on sales** improved by 19 percent to €2,076 million. The 6 percent increase in selling expenses to €806 million principally resulted from higher freight costs due to the good business development. Research and development expenses were on a par with the previous year at €215 million. We held general administrative expenses stable at €255 million thanks to the success of our SG&A cost-saving program. The other operating income also increased by €18 million to €102 million as a result of the claim to a value-added tax refund in Brazil. The other operating expenses increased by €47 million to €218 million as a result of higher restructuring expenses and expenses in connection with the end of a legal dispute, restructuring of the superabsorbents business, and deconsolidation of a company in India. **Income before financial result and income taxes, continuing operations,** increased by 58 percent to €688 million.

The **financial result** improved year-on-year from -€75 million to -€62 million. The main factor here was lower interest expense, while expenses for measurement of the Argentine currency as a hyperinflationary currency had a countereffect. Income taxes increased to €200 million due to the improvement in business performance, giving an income tax rate of 32 percent. Income after taxes, discontinued operations, amounted to -€10 million and comprised post-divestment expenses for the methacrylates business, which was sold in July 2019.

Overall, **net income** improved by 66 percent to €405 million.

2.2 Financial and asset position

The **free cash flow** doubled to €413 million. Alongside slightly lower cash outflows for investments in property, plant and equipment, this was mainly due to the cash flow from operating activities, continuing operations, which increased by €184 million to €766 million, primarily due to the improved operating performance. The cash conversion rate[1] improved from 22 percent in the first six months of 2020 to 33 percent.

Cash flow statement (excerpt)

	1st half	
in € million	2020	2021
Cash flow from operating activities, continuing operations	582	766
Cash outflows for investments in intangible assets, property, plant and equipment	-373	-353
Free cash flow	**209**	**413**
Cash flow from other investing activities	130	142
Cash flow from financing activities	-617	-605
Cash flow from discontinued operations	-9	–
Change in cash and cash equivalents	**-287**	**-50**

The cash flow from other investing activities was €142 million and contains proceeds from the sale of current securities. The cash outflow for financing activities was €605 million and mainly relates to the payment of the dividend for fiscal 2020 (€536 million).

Net financial debt was €3,170 million, an increase of €284 million compared with December 31, 2020. This was principally attributable to the regular payment of annual bonuses in the first half of the year and the dividend for the previous fiscal year. The increase was reduced by the positive cash flow from operating activities.

Net financial debt

in € million	Dec. 31, 2020	June 30, 2021
Non-current financial liabilities[a]	-3,564	-3,549
Current financial liabilities[a]	-368	-337
Financial debt	**-3,932**	**-3,886**
Cash and cash equivalents	563	520
Current securities	466	196
Other financial investments	17	–
Financial assets	**1,046**	**716**
Net financial debt	**-2,886**	**-3,170**

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

In the first six months of 2021, **capital expenditures for property, plant and equipment** amounted to €323 million (H1 2020: €391 million). In principle, there is a slight timing difference in cash outflows for property, plant and equipment. The largest individual project is the construction of a production complex for the specialty polymer polyamide 12 in Marl (Germany), which was inaugurated in July 2021.

[1] Ratio of free cash flow to adjusted EBITDA.

As of June 30, 2021, **total assets** were €21.0 billion, an increase of €0.1 billion compared with December 31, 2020. Non-current assets decreased by €0.2 billion to €15.7 billion. Current assets increased by €0.3 billion to €5.3 billion. This was due to an increase in trade accounts receivable and inventories.

Equity rose by €0.7 billion to €8.8 billion. This was mainly due to the remeasurement of defined benefit pension plans in connection with the increase in the discount rate for pension provisions, while the payment of the dividend had a countereffect. The equity ratio increased from 38.8 percent to 41.7 percent.

3. Employees

As of June 30, 2021, the Evonik Group had 32,661 employees, a reduction of 445 compared with December 31, 2020.

Employees by division

	Dec. 31, 2020	June 30, 2021
Specialty Additives	3,666	3,680
Nutrition & Care	5,295	5,323
Smart Materials	7,874	7,765
Performance Materials	1,798	1,791
Technology & Infrastructure	8,711	8,413
Enabling functions, other activities, consolidation	5,762	5,689
Evonik	**33,106**	**32,661**

Prior-year figures restated.

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 2020. They still apply.

In the first half of 2021, the opportunities realized exceeded the risks that materialized. Looking ahead to the second half of the year, the risks have declined significantly. In view of the upward revision of our forecasts, we see further opportunities throughout the Evonik Group. In the majority of divisions, we see risks, in particular, in connection with the future macroeconomic development and the availability and price trend for raw materials. Overall, risks exceed opportunities.

5. Expected development

Our expectations[2] for the **global economic situation** in 2021 have improved significantly compared with the start of the year. Overall, we now assume that the global economy will grow by 5.7 percent year-on-year in 2021 (compared with our forecast of 4.4 percent at the start of the year and 5.0 percent after the end of the first quarter).

Rising rates of vaccination against the coronavirus and the relaxation of restrictions in many economies, especially in North America and Europe, will boost economic activity and consumer spending. Capital expenditure will increase with rising capacity utilization and as a result of state spending programs. Initially, the economic upswing will continue to be supported by the extremely expansionary monetary policy focus and economic policy. In view of the negative implications of rising rates of coronavirus infections in Southeast Asia and Latin America, lower growth is probable in these regions.

The projection for the world economy is hampered by great uncertainty. For example, a renewed flare-up of the coronavirus pandemic could hold back global economic activity. The challenging supply chain situation remains a risk for industrial growth. Persistently high inflation rates could force central banks to take early steps to tighten monetary policy. Last but not least, the global economic development could be below our expectations as a result of geopolitical and trade conflicts.

Our forecast is based on the following assumptions:

- Economic development: 5.7 percent (start of 2021: 4.4 percent; May 2021: 5.0 percent)
- Euro/US dollar exchange rate: US$1.20 (unchanged)
- Internal raw material index: significantly higher than in the prior year (start of 2021: higher than in the prior year)

Sales and earnings

In view of the continued positive development of our markets, we have increased our sales and earnings forecasts. Following a strong first half overall and a more positive outlook for the second half of the year, Evonik now anticipates that full-year **sales** will be between €13.0 billion and €14.5 billion (start of year: between €12.0 billion and €14.0 billion; 2020: €12.2 billion). The growth divisions will benefit further from the resilience and quality they demonstrated in the coronavirus crisis and continue their long-term growth trend. Similarly, we are increasing our forecast for **adjusted EBITDA:** We now expect adjusted EBITDA to be between €2.3 billion and €2.4 billion (start of 2021: between €2.0 billion and €2.3 billion; May 2021: between €2.1 billion and €2.3 billion; 2020: €1,906 million).

We expect the development of the chemical divisions to be as follows:
Despite the challenging conditions, in 2020, the Specialty Additives division was able to maintain its business performance at the very good pre-crisis level. This year, the division will once again benefit from its attractive business model, with high demand for customized, mission-critical solutions for customers. We therefore expect that this division's earnings will be slightly above the prior-year level (2020: €857 million).

For the Nutrition & Care division, we assume that the structural growth trend in our resilient end-markets will continue. We expect business in the consumer goods, nutrition, and healthcare areas to develop positively without cyclical exposure. Overall, we anticipate that this division's earnings will be well above the prior-year level (2020: €560 million).

[2] Our assessment is based on data from IHS Markit and Consensus Economics.

In the Smart Materials division, we anticipate an unchanged, positive development in hygiene, personal care, and environmental applications. Moreover, this division should benefit from the ongoing recovery in the automotive and coatings end-markets. The PeroxyChem and Porocel acquisitions will also have a positive effect on sales and earnings. Overall, we expect earnings to be significantly higher year-on-year (2020: €529 million).

The Performance Materials division should report higher volumes than in the previous year and a significant improvement in margins. Overall, we assume that earnings in this division will be substantially above the low prior-year level (2020: €88 million).

The expected significant increase in raw material prices could have a slightly negative impact on the growth divisions; however, it should have positive effects for Performance Materials. Therefore, it should be balanced out overall across our portfolio.

The return on capital employed **(ROCE)** is now expected to increase significantly year-on-year in 2021 (start of 2021: increase slightly year-on-year; 2020: 6.1 percent).

Financing and investments

We expect **cash outflows for investments in intangible assets, property, plant and equipment** to be around €900 million (2020: €956 million).

For the free cash flow, we still expect the **cash conversion rate** to reach the previous year's very good level of approximately 40 percent (2020: 41 percent; free cash flow: €780 million). This will be driven by the following positive factors: an improvement in earnings, our high investment discipline, and an unchanged low level of bonus payments.

Forecast for 2021

Forecast performance indicators	2020	Forecast for 2021[a]	Revised forecast as of May 2021[b]	**Current forecast for 2021**
Group sales	€12.2 billion	Between €12.0 billion and €14.0 billion	Between €12.0 billion and €14.0 billion	Between €13.0 billion and €14.5 billion
Adjusted EBITDA	€1.9 billion	Between €2.0 billion and €2.3 billion	Between €2.1 billion and €2.3 billion	Between €2.3 billion and €2.4 billion
ROCE	6.1%	Slightly above the prior-year level	Slightly above the prior-year level	Significantly above the prior-year level
Cash outflows for investments in intangible assets, property, plant and equipment	€956 million	Around €900 million	Around €900 million	Around €900 million
Free cash flow: cash conversion rate[c]	41%	Around 40%	Around 40%	Around 40%

[a] As in the financial report 2020.
[b] As reported in the quarterly statement on the first quarter of 2021.
[c] Ratio of free cash flow to adjusted EBITDA.

Consolidated interim financial statements as of June 30, 2021

Income statement

	2nd quarter		1st half	
in € million	2020	**2021**	2020	**2021**
Sales	2,827	3,636	6,069	6,994
Cost of sales	-2,002	-2,550	-4,326	-4,918
Gross profit on sales	**825**	**1,086**	**1,743**	**2,076**
Selling expenses	-368	-416	-762	-806
Research and development expenses	-103	-111	-213	-215
General administrative expenses	-128	-123	-253	-255
Other operating income	39	56	84	102
Other operating expense	-79	-114	-171	-218
Result from investments recognized at equity	2	2	7	4
Income before financial result and income taxes, continuing operations	**188**	**380**	**435**	**688**
Interest income	6	13	13	20
Interest expense	-39	-37	-86	-67
Other financial income/expense	8	-16	-2	-15
Financial result	**-25**	**-40**	**-75**	**-62**
Income before income taxes, continuing operations	**163**	**340**	**360**	**626**
Income taxes	-34	-113	-91	-200
Income after taxes, continuing operations	**129**	**227**	**269**	**426**
Income after taxes, discontinued operations	-11	-3	-18	-10
Income after taxes	**118**	**224**	**251**	**416**
thereof attributable to non-controlling interests	4	6	7	11
thereof attributable to shareholders of Evonik Industries AG (net income)	114	218	244	405
Earnings per share in € (basic and diluted)	**0.24**	**0.47**	**0.52**	**0.87**
thereof continuing operations	0.27	0.47	0.56	0.89
thereof discontinued operations	-0.03	0.00	-0.04	-0.02

Statement of comprehensive income

	2nd quarter		1st half	
in € million	2020	2021	2020	2021
Income after taxes	**118**	**224**	**251**	**416**
Other comprehensive income from hedging instruments: designated risk components	37	-6	13	-63
Other comprehensive income from hedging instruments: cost of hedging	3	1	-1	4
Other comprehensive income from currency translation	-135	-36	-164	229
Other comprehensive income from investments recognized at equity (after income taxes)	–	–	-1	–
Deferred taxes	-5	1	1	18
Other comprehensive income that can be reclassified	**-100**	**-40**	**-152**	**188**
Other comprehensive income from the remeasurement of the net defined benefit liability	-195	135	24	919
Other comprehensive income from equity instruments	47	11	-4	-30
Deferred taxes from the remeasurement of the net defined benefit liability	43	-44	-21	-287
Other comprehensive income that cannot be reclassified	**-105**	**102**	**-1**	**602**
Other comprehensive income after taxes	**-205**	**62**	**-153**	**790**
Total comprehensive income	**-87**	**286**	**98**	**1,206**
thereof attributable to non-controlling interests	2	7	5	13
thereof attributable to shareholders of Evonik Industries AG	-89	279	93	1,193

Balance sheet

in € million	Dec. 31, 2020	June 30, 2021
Intangible assets	5,877	5,891
Property, plant and equipment	6,588	6,648
Right-of-use assets	668	640
Investments recognized at equity	75	78
Other financial assets	607	578
Deferred taxes	2,004	1,715
Other income tax assets	13	14
Other assets	102	127
Non-current assets	**15,934**	**15,691**
Inventories	1,806	2,151
Trade accounts receivable	1,455	1,799
Other financial assets	697	295
Other income tax assets	211	200
Other assets	231	346
Cash and cash equivalents	563	520
Current assets	**4,963**	**5,311**
Total assets	**20,897**	**21,002**
Issued capital	466	466
Capital reserve	1,167	1,168
Retained earnings including distributable profit	6,876	7,389
Other equity components	-497	-341
Equity attributable to shareholders of Evonik Industries AG	**8,012**	**8,682**
Equity attributable to non-controlling interests	87	77
Equity	**8,099**	**8,759**
Provisions for pensions and other post-employment benefits	4,618	3,770
Other provisions	715	673
Other financial liabilities	3,564	3,553
Deferred taxes	586	582
Other income tax liabilities	275	261
Other payables	114	112
Non-current liabilities	**9,872**	**8,951**
Other provisions	744	626
Trade accounts payable	1,273	1,496
Other financial liabilities	434	426
Other income tax liabilities	136	229
Other payables	339	515
Current liabilities	**2,926**	**3,292**
Total equity and liabilities	**20,897**	**21,002**

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, 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**
As of January 1, 2021	**466**	**1,167**	**–**	**6,876**	**-497**	**8,012**	**87**	**8,099**
Capital increases/decreases	–	–	–	–	–	–	-3	-3
Dividend distribution	–	–	–	-536	–	-536	-20	-556
Purchase of treasury shares	–	–	-15	–	–	-15	–	-15
Share-based payment	–	4	–	–	–	4	–	4
Sale of treasury shares	–	-3	15	–	–	12	–	12
Income after taxes	–	–	–	405	–	405	11	416
Other comprehensive income after taxes	–	–	–	632	156	788	2	790
Total comprehensive income	–	–	–	1,037	156	1,193	13	1,206
Other changes	–	–	–	12	–	12	–	12
As of June 30, 2021	**466**	**1,168**	**–**	**7,389**	**-341**	**8,682**	**77**	**8,759**

Cash flow statement

	2nd quarter		1st half	
in € million	2020	**2021**	2020	**2021**
Income before financial result and income taxes, continuing operations	188	380	435	688
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	256	250	496	501
Result from investments recognized at equity	-2	-2	-7	-4
Gains/losses on the disposal of non-current assets	-5	22	10	21
Change in inventories	-123	-161	-213	-319
Change in trade accounts receivable	198	-91	104	-320
Change in trade accounts payable	-98	30	-116	240
Change in provisions for pensions and other post-employment benefits	3	17	21	42
Change in other provisions	-224	-103	-201	-56
Change in miscellaneous assets/liabilities	-10	-18	44	49
Cash inflows from dividends	10	6	23	17
Cash inflows/outflows for income taxes	92	-58	-14	-93
Cash flow from operating activities, continuing operations	**285**	**272**	**582**	**766**
Cash flow from operating activities, discontinued operations	-9	–	-9	–
Cash flow from operating activities	**276**	**272**	**573**	**766**
Cash outflows for investments in intangible assets, property, plant and equipment	-189	-171	-373	-353
Cash outflows to obtain control of businesses	-5	–	-294	-2
Cash outflows relating to the loss of control over businesses	–	-67	–	-145
Cash outflows for investments in other shareholdings	-6	–	-15	-4
Cash inflows from divestments of intangible assets, property, plant and equipment	6	1	12	8
Cash inflows from divestment of other shareholdings	5	1	45	1
Cash inflows/outflows relating to securities, deposits, and loans	222	73	368	277
Cash inflows from interest	8	5	14	7
Cash flow from investing activities	**41**	**-158**	**-243**	**-211**
Cash inflows/outflows relating to capital contributions	-1	–	2	–
Cash outflows for dividends to shareholders of Evonik Industries AG	-266	-536	-266	-536
Cash outflows for dividends to non-controlling interests	-7	-14	-13	-20
Cash outflows for the purchase of treasury shares	-1	–	-16	-15
Cash inflows from the sale of treasury shares	12	12	12	12
Cash inflows from the addition of financial liabilities	631	3	859	84
Cash outflows for repayment of financial liabilities	-778	-56	-1,134	-185
Cash inflows/outflows in connection with financial transactions	-15	77	-23	89
Cash outflows for interest	-23	-18	-38	-34
Cash flow from financing activities	**-448**	**-532**	**-617**	**-605**
Change in cash and cash equivalents	**-131**	**-418**	**-287**	**-50**
Cash and cash equivalents as of April 1/January 1	**999**	**936**	**1,165**	**563**
Change in cash and cash equivalents	-131	-418	-287	-50
Changes in exchange rates and other changes in cash and cash equivalents	-4	2	-14	7
Cash and cash equivalents as on the balance sheet as of June 30	**864**	**520**	**864**	**520**

Notes

1. Segment report

Segment report by operating segments—2nd quarter

	Specialty Additives		Nutrition & Care		Smart Materials	
in € million	2020	**2021**	2020	**2021**	2020	**2021**
External sales	747	922	742	838	722	975
Internal sales	2	3	3	4	12	15
Total sales	749	925	745	842	734	990
Adjusted EBITDA	202	242	168	183	102	176
Adjusted EBITDA margin in %	27.0	26.2	22.6	21.8	14.1	18.1
Adjusted EBIT	158	198	106	122	34	111
Capital expenditures[a]	19	18	24	34	98	87
Financial investments	–	–	–	–	10	–

Prior-year figures restated.

[a] For intangible assets, property, plant and equipment.

Segment report by regions—2nd quarter

	Europe, Middle East & Africa		North America	
in € million	2020	**2021**	2020	**2021**
External sales[a]	1,314	1,803	695	855
Capital expenditures	159	157	20	21

Prior-year figures restated.

[a] External sales Europe, Middle East & Africa: thereof Germany €588 million (Q2 2020: €451 million).

Performance Materials		Technology & Infrastructure		Enabling functions, other activities, consolidation		**Total Group (continuing operations)**	
2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
437	708	161	179	18	14	2,827	**3,636**
15	29	341	355	-373	-406	–	**–**
452	737	502	534	-355	-392	2,827	**3,636**
12	99	39	26	-67	-77	456	**649**
2.7	14.0	24.2	14.5	–	–	16.1	**17.8**
-21	66	10	-2	-85	-97	202	**398**
9	11	34	33	9	10	193	**193**
–	–	–	–	2	2	12	**2**

Central & South America		Asia-Pacific		**Total Group (continuing operations)**	
2020	**2021**	2020	**2021**	2020	**2021**
124	154	694	824	2,827	**3,636**
1	1	13	14	193	**193**

Segment report by operating segments—1st half

	Specialty Additives		Nutrition & Care		Smart Materials	
in € million	2020	2021	2020	2021	2020	2021
External sales	1,600	1,829	1,490	1,618	1,579	1,884
Internal sales	3	6	7	6	30	24
Total sales	1,603	1,835	1,497	1,624	1,609	1,908
Adjusted EBITDA	442	515	286	325	268	350
Adjusted EBITDA margin in %	27.6	28.2	19.2	20.1	17.0	18.6
Adjusted EBIT	354	428	159	200	142	218
Capital expenditures[a]	32	31	43	56	181	146
Financial investments	–	–	20	–	301	5
No. of employees as of June 30	3,610	3,680	5,271	5,323	7,607	7,765

Prior-year figures restated.

[a] For intangible assets, property, plant and equipment.

Segment report by regions—1st half

	Europe, Middle East & Africa		North America	
in € million	2020	2021	2020	2021
External sales[a]	2,963	3,445	1,470	1,628
Goodwill as of June 30[b]	2,330	2,360	2,069	1,972
Other intangible assets, property, plant and equipment, and right-of-use assets as of June 30[b]	4,528	4,768	2,300	2,106
Capital expenditures	286	266	81	38
No. of employees as of June 30	22,333	22,126	4,638	4,826

Prior-year figures restated.

[a] External sales Europe, Middle East & Africa: thereof Germany €1,146 million (H1 2020: €1,043 million).
[b] Non-current assets according to IFRS 8.33 b.

Performance Materials		Technology & Infrastructure		Enabling functions, other activities, consolidation		**Total Group (continuing operations)**	
2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
1,022	1,288	345	348	33	27	6,069	6,994
38	55	682	700	-760	-791	–	–
1,060	1,343	1,027	1,048	-727	-764	6,069	6,994
29	140	73	55	-128	-148	970	1,237
2.8	10.9	21.2	15.8	0.0	0.0	16.0	17.7
-33	76	18	1	-165	-189	475	734
19	19	54	50	62	21	391	323
–	–	–	–	4	3	325	8
1,811	1,791	8,591	8,413	5,731	5,689	32,621	32,661

Central & South America		Asia-Pacific		**Total Group (continuing operations)**	
2020	**2021**	2020	**2021**	2020	**2021**
263	303	1,373	1,618	6,069	6,994
32	30	252	245	4,683	4,607
108	103	1,683	1,596	8,619	8,573
2	2	22	17	391	323
660	690	4,990	5,019	32,621	32,661

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, 2021 have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting 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, 2021 are presented in euros. The reporting period is January 1 to June 30, 2021. 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 basis for the consolidated interim financial statements comprises the consolidated financial statements for the Evonik Group as of December 31, 2020, 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, 2020 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, 2020, with the exception of the new policies that came into effect on January 1, 2021, which are outlined on page 113 of the annual report 2020. The new rules that took effect on January 1, 2021 did not have a material impact on the consolidated interim financial statements.

2.5 Restatement of prior-year figures

Restatement in the segment report

Effective July 1, 2020, the executive board of Evonik Industries AG introduced a new **corporate structure**. The 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. As part of this, employees from the research and development units in the chemicals divisions were transferred to the support functions, which were reported in the Services segment until December 31, 2020. At the same time, the administrative functions were optimized.

The Western Europe, Eastern Europe, and Middle East & Africa **regions** were combined on July 1, 2020, so they can operate as one region in the future and respond to the upcoming challenges.

The **goodwill and identified hidden reserves** relating to former acquisitions of shares in Evonik Operations GmbH (Evonik Operations), which were previously reported in "Corporate, consolidation" in the segment report, have been allocated among the segments on a pro rata basis since December 31, 2020.

Effective January 1, 2021, the executive board of Evonik Industries AG further optimized the **functions** that support the executive board and the operating divisions. The executive board now decides on the allocation of resources and evaluates earnings power at the level of the Technology & Infrastructure division, which was previously part of the Services segment and is therefore now a reporting segment. This division provides technology and infrastructure services for the chemical industry and drives forward production-related innovation and digitalization. At the same time, the support functions formerly bundled in the Services segment have been combined with the former corporate functions to form enabling functions with global responsibility for supporting the executive board and the operating divisions.

The prior-year figures have been restated.

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, 2020	**28**	**124**	**152**
Other companies consolidated for the first time	1	1	2
Other companies deconsolidated	–	-1	-1
As of June 30, 2021	**29**	**124**	**153**
Joint operations			
As of December 31, 2020	**1**	**2**	**3**
As of June 30, 2021	**1**	**2**	**3**
Investments recognized at equity			
As of December 31, 2020	**4**	**11**	**15**
As of June 30, 2021	**4**	**11**	**15**
	34	**137**	**171**

3.2 Assets held for sale and discontinued operations

Income after taxes, discontinued operations

	1st half	
in € million	2020	2021
Methacrylates business	-22	-10
Other discontinued operations	4	–
Income after taxes, discontinued operations	**-18**	**-10**

Income after taxes, discontinued operations, comprises post-divestment gains/losses and mainly contains purchase price adjustments relating to the methacrylates business, which was divested in 2019. The income from the methacrylates business includes income taxes of €1 million (H1 2020: -€7 million).

4. Notes to the income statement

4.1 Sales

Sales by segments and regions in the first half of 2021

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	Total Group
Specialty Additives	778	470	50	531	**1,829**
Nutrition & Care	515	498	168	437	**1,618**
Smart Materials	880	465	54	485	**1,884**
Performance Materials	944	178	31	135	**1,288**
Technology & Infrastructure	313	16	–	19	**348**
Enabling functions, other activities, consolidation	15	1	–	11	**27**
Total Group	**3,445**	**1,628**	**303**	**1,618**	**6,994**
thereof sales outside the scope of IFRS 15	9	14	1	7	31

Sales by segments and regions in the first half of 2020

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	Total Group
Specialty Additives	668	426	38	468	**1,600**
Nutrition & Care	494	429	153	414	**1,490**
Smart Materials	733	417	42	387	**1,579**
Performance Materials	742	179	29	72	**1,022**
Technology & Infrastructure	307	18	–	20	**345**
Enabling functions, other activities, consolidation	19	1	1	12	**33**
Total Group	**2,963**	**1,470**	**263**	**1,373**	**6,069**
thereof sales outside the scope of IFRS 15	5	-15	-1	-2	-13

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—1st half

	Other operating income		Other operating expense	
in € million	2020	**2021**	2020	**2021**
Restructuring measures	7	1	-11	-13
thereof from the disposal of assets	2	–	–	–
thereof income from the reversal of/additions to other provisions	5	1	-1	-5
Reversal of/additions to other provisions[a]	7	5	-14	-21
Recultivation and environmental protection measures	–	–	-7	-6
Disposal of assets[a]	2	3	-16	-26
Impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	-5	-7
Impairment losses/reversal of impairment losses pursuant to IFRS 9 (net presentation)[b]	–	–	–	-5
Currency translation of operating monetary assets and liabilities (net presentation)[b]	–	–	-1	-3
Operational currency hedging (net presentation)[b]	–	–	-8	-3
REACH Regulation	–	1	-6	-5
Other[a]	68	92	-103	-129
Other operating income/expense	**84**	**102**	**-171**	**-218**
thereof adjustments	7	20	-47	-66

[a] Excluding restructuring measures.
[b] The gross income and expense from operational currency hedging, currency translation of operating monetary assets and liabilities, and impairment losses/reversal of impairment losses pursuant to IFRS 9 are netted. The corresponding net amounts are recognized in other operating income or other operating expense as appropriate.

The income and expenses relating to **restructuring measures** mainly come from the closure of a production plant in the Nutrition & Care division and, as in the previous year, 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. 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 €7 million (H1 2020: €5 million). In both periods, these relate mainly to impairment losses on property, plant and equipment.

The **losses on the disposal of assets** comprise €15 million from the end of a legal dispute in connection with the sale of the former carbon blacks business. The purchaser asserted a claim for indemnification from environmental warranties, including those due to alleged infringement of the US Clean Air Act. The settlement was agreed in negotiations in the first quarter of 2021. Payment was made in the second quarter of 2021.

Losses of a further €7 million result from deconsolidation of an Indian company. In H1 2020, this item contained losses of €12 million due to divestment of a PeroxyChem company in Canada to meet antitrust requirements.

In H1 2021, net income/expense of -€5 million came from **impairment losses and reversal of impairment losses for expected credit losses pursuant to IFRS 9** Financial Instruments (H1 2020: none). These related entirely to trade accounts receivable.

The net income and expense from the **currency translation of operating monetary assets** and **operational currency hedging** mainly comprises 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 €92 million (H1 2020: €68 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 €2 million (H1 2020: €3 million) from public subsidies in the China region in connection with the coronavirus pandemic.

The **other expense** of €129 million (H1 2020: €103 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 Income after taxes

Income after taxes

	1st half	
in € million	2020	2021
Income after taxes, continuing operations	**269**	**426**
thereof attributable to non-controlling interests	7	11
thereof attributable to shareholders of Evonik Industries AG	262	415
Income after taxes, discontinued operations	**-18**	**-10**
thereof attributable to non-controlling interests	–	–
thereof attributable to shareholders of Evonik Industries AG	-18	-10

For an explanation of the events and transactions that are relevant for an understanding of the development of earnings and the change in the assets and financial position of the Evonik Group in the first six months of 2021, please refer to the interim group management report.

5. Notes to the balance sheet

As of June 30, 2021, the **provisions for pensions and other post-employment benefits** were €3,770 million, a decline of €848 million compared with December 31, 2020. The change includes an amount of €919 million for the remeasurement of the net defined benefit liability, which is recognized outside of profit and loss in other comprehensive income. This resulted primarily from the increase in the discount rate for Germany from 0.90 percent as of December 31, 2020 to 1.30 percent as of June 30, 2021. The resulting change of €287 million in deferred taxes is recognized as a counter-item in other comprehensive income in the statement of comprehensive income, resulting in a total increase in retained earnings of €632 million.

6. Notes to the cash flow statement

The cash outflows for repayment of financial liabilities recognized in the **cash flow from financing activities** include the payment of lease liabilities. These cash outflows amounted to €35 million in the second quarter of 2021 (Q2 2020: €38 million) and €70 million in the first half of 2021 (H1 2020: €69 million).

7. Notes to the segment report

Composition of enabling functions, other activities, consolidation

	Enabling functions		Other activities		Consolidation		**Total**	
in € million	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
External sales	17	16	16	11	–	–	33	27
Internal sales	289	445	2	2	-1,051	-1,238	-760	-791
Total sales	306	461	18	13	-1,051	-1,238	-727	-764
Adjusted EBITDA	-111	-121	-13	-16	-4	-11	-128	-148
Adjusted EBIT	-138	-154	-22	-23	-5	-12	-165	-189
Capital expenditures	61	21	1	–	–	–	62	21
Financial investments	4	3	–	–	–	–	4	3
No. of employees as of June 30	5,113	5,215	618	474	–	–	5,731	5,689

Prior-year figures restated.

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

	1st half	
in € million	2020	2021
Adjusted EBITDA, reporting segments	1,098	1,385
Adjusted EBITDA, other activities	-13	-16
Adjusted EBITDA enabling functions, consolidation	-115	-132
thereof enabling functions	-111	-121
thereof consolidation	-4	-11
Adjusted EBITDA	**970**	**1,237**
Adjusted depreciation, amortization, and impairment losses	-495	-503
thereof depreciation and amortization	-492	-494
thereof impairment losses/reversal of impairment losses	-5	-12
thereof depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	2	3
Adjusted EBIT	**475**	**734**
Adjustments	-40	-46
thereof restructuring	-4	-13
thereof impairment losses/reversal of impairment losses	–	–
thereof acquisition/divestment of shareholdings	-23	-6
thereof other	-13	-27
Financial result	-75	-62
Income before income taxes, continuing operations	**360**	**626**

Prior-year figures restated.

8. Other disclosures

8.1 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, 2021

	Carrying amounts by valuation category					June 30, 2021
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	**–**	**1,799**	**–**	**–**	**1,799**	**1,799**
Cash and cash equivalents	**–**	**520**	**–**	**–**	**520**	**520**
Other investments	540	–	–	–	540	540
Loans	–	37	12	–	49	49
Securities and similar claims	–	–	226	–	226	226
Receivables from derivatives	–	–	14	19	33	33
Miscellaneous other financial assets	–	8	14	3	25	25
Other financial assets	**540**	**45**	**266**	**22**	**873**	**873**
Total	**540**	**2,364**	**266**	**22**	**3,192**	**3,192**

Carrying amounts and fair values of financial assets as of December 31, 2020

	Carrying amounts by valuation category					Dec. 31, 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	**–**	**1,455**	**–**	**–**	**1,455**	**1,455**
Cash and cash equivalents	**–**	**563**	**–**	**–**	**563**	**563**
Other investments	568	–	–	–	568	568
Loans	–	37	12	–	49	49
Securities and similar claims	–	–	492	–	492	492
Receivables from derivatives	–	–	30	133	163	163
Miscellaneous other financial assets	–	29	–	3	32	32
Other financial assets	**568**	**66**	**534**	**136**	**1,304**	**1,304**
Total	**568**	**2,084**	**534**	**136**	**3,322**	**3,322**

Carrying amounts and fair values of financial liabilities as of June 30, 2021

	Carrying amounts by valuation category			June 30, 2021	
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	**Carrying amount**	**Fair value**
Trade accounts payable	**–**	**1,496**	**–**	**1,496**	**1,496**
Bonds	–	2,995	–	2,995	3,064
Commercial paper	–	–	–	–	–
Liabilities to banks	–	155	–	155	154
Loans from non-banks	–	18	–	18	18
Lease liabilities	–	–	624	624	624
Liabilities from derivatives	23	–	22	45	45
Refund liability	–	–	48	48	48
Miscellaneous other financial liabilities	–	94	–	94	94
Other financial liabilities	**23**	**3,262**	**694**	**3,979**	**4,047**
Total	**23**	**4,758**	**694**	**5,475**	**5,543**

Carrying amounts and fair values of financial liabilities as of December 31, 2020

	Carrying amounts by valuation category			Dec. 31, 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	**–**	**1,273**	**–**	**1,273**	**1,273**
Bonds	–	2,986	–	2,986	3,064
Commercial paper	–	45	–	45	45
Liabilities to banks	–	142	–	142	144
Loans from non-banks	–	12	–	12	12
Lease liabilities	–	–	653	653	653
Liabilities from derivatives	14	–	5	19	19
Refund liability	–	–	47	47	47
Miscellaneous other financial liabilities	–	94	–	94	94
Other financial liabilities	**14**	**3,279**	**705**	**3,998**	**4,078**
Financial liabilities	**14**	**4,552**	**705**	**5,271**	**5,351**

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, 2021

	Fair value based on			June 30, 2021
in € million	Publicly quoted market prices (level 1)	Directly observable market-related prices (level 2)	Individual valuation parameters (level 3)	**Total**
Other investments	56	–	484	540
Loans	–	–	12	12
Securities and similar claims	196	–	30	226
Receivables from derivatives	–	33	–	33
Liabilities from derivatives	–	-45	–	-45

Financial instruments recognized at fair value as of December 31, 2020

	Fair value based on			Dec. 31, 2020
in € million	Publicly quoted market prices (level 1)	Directly observable market-related prices (level 2)	Individual valuation parameters (level 3)	Total
Other investments	49	–	519	568
Loans	–	–	12	12
Securities and similar claims	464	–	28	492
Receivables from derivatives	–	163	–	163
Liabilities from derivatives	–	-19	–	-19

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 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, 2021: €422 million; December 31, 2020: €459 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 €166 million. A reduction in the capital cost accompanied by an increase in sales growth of 10 percent would increase the fair value by €226 million. The fair value of the remaining other investments (€62 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**
As of January 1, 2021	**519**	**12**	**28**	**559**
Additions/disposals	1	–	2	3
Gains or losses recognized in OCI in the reporting period	-36	–	–	-36
As of June 30, 2021	**484**	**12**	**30**	**526**

The **fair value of the financial instruments recognized at amortized cost** is determined as follows: The directly observable stock market price of the bonds on the reporting date is taken as their fair value. 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.

8.2 Related parties

Following the resolution of the annual shareholders' meeting on June 2, 2021, the dividend for fiscal 2020 was paid in the second quarter. RAG-Stiftung, Essen (Germany) received €305 million.

There has not been any other material change in relations with related parties since December 31, 2020.

8.3 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, 2020.

8.4 Events after the reporting date

No material events have occurred since the reporting date.

Essen, July 29, 2021

Evonik Industries AG
The Executive Board

Kullmann Dr. Schwager

Wessel Wolf

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 29, 2021

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 of the Evonik Industries AG, Essen/Germany, – comprising Income statement, Statement of comprehensive income, Balance sheet, Statement of changes in equity, Cash flow statement and selected explanatory Notes – together with the interim group management report of the Evonik Industries AG, for the period from January 1 to June 30, 2021 that are part of the half year financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We performed our review of the condensed consolidated interim financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments 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 issue an auditor's report.

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 material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Essen, 30 July 2021
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Dr. Hain	Dr. Ackermann
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Financial calendar

Financial calendar 2021/22

Event	Date
Interim report Q3 2021	November 4, 2021
Report on Q4 2021 and FY 2021	March 3, 2022
Interim report Q1 2022	May 6, 2022
Annual shareholders' meeting 2022	May 25, 2022
Interim report Q2 2022	August 3, 2022
Interim report Q3 2022	November 8, 2022

Credits

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