EVONIK UK HOLDINGS LIMITED

Annual report and financial statements

for the year ended

31 December 2022

Registered number: 02695034

31/12/23

Evonik UK Holdings Limited

Annual Report and Financial Statements for the year ended 31 December 2022

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Strategic Report for the year ended 31 December 2022

Business review and principal activities

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

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

The results for the company show a loss before taxation of £4,156,239 for the year (2021: loss £26,043,683). The decrease in the loss was a result of dividend income received in 2022 as well as higher admin costs in 2021 relating to pensions data clansing costs. Net assets at the end of the year were £405,840,085 (2021: £409,896,324).

Key performance indicators (KPIs)

Given the fact that the Company's trade is largely within the Evonik group, the Directors do not use KPIs to manage the business and do not consider them necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risks and uncertainties of the Company relate to pension funding and potential fluctuations in the interest rate.

Financial risk management

Due to the nature of the Company, it has exposure to financial risks including liquidity and interest rate cash flow risks.

Foreign exchange

The company is not exposed to any foreign exchange risk 2021: none.

Liquidity risk

Liquidity risk is the risk that the Company either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and headroom on its working capital facilities.

Interest rate cash flow risk

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

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

Going Concern

The Company has sufficient liquid assets (other debtors, intercompany debt and cash) to enable the company to meet its liabilities as they fall due. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

Evonik UK Holdings Limited

Strategic Report for the year ended 31 December 2022 (continued)

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

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

Approved by the Board on 19th December 2023 and signed on its behalf by:

Anh Luu
Director

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2022

The Directors present their annual report and the audited financial statements of Evonik UK Holdings Limited (Company number: 02695034) for the year ended 31 December 2022

Future developments
The Directors consider the future developments for the Company to remain unchanged for the foreseeable future.

Dividends
Dividends totalling £51,306,780 were received in the year (2021: Nil).

Directors
The directors who served during the year and after the balance sheet date up to the date of signing the financial statements are as follows:
A Luu
M Hau (Resigned on 28th February 2023).
H Bergandt (Appointed on 1st March 2023).
L Aoulad Si Kaddour
A Boam

Research and development
There were no research and development costs during the year (2021: £nil).

Financial instruments
There were no financial instruments held during the year (2021: £nil).

Political donations
The company made no political contributions during the year (2021: nil).

Employees
During the year the company had an average number of 4 employees (2021: 5).
The Directors recognise that employees are fundamental and core to the business and delivery of the company's strategic ambitions. The success of the company's business depends on attracting, retaining and motivating employees. From pay and benefits to health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce.

Statement of engagement with suppliers, customers and others in a business relationship with the company
The directors recognise that delivering their strategy requires strong mutually beneficial relationships with suppliers, customers, and others in a business relationship with the company. The directors seek the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter or remain in such relationships. The company has a set of business principles that must be adhered to whilst engaging with suppliers, customers and other external stakeholders. The board of directors continuously assess the priorities related to customers and those with whom the company does business and engages with the businesses on these topics.

Statement of corporate governance arrangements
The board of directors periodically review and approve clear frameworks, such as The Evonik General Business Principles, Evonik's Code of Conduct and specific Ethics & Compliance manuals, to ensure that its high standards are maintained both within the business and the business relationships it maintains. This, complemented by the ways the board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that the company acts in ways that promote high standards of business conduct.

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2022 (Continued)

The company accepts responsibility for the community and environment and believes that responsible action and economic success belong inseparably together. The board have therefore included ecological and social criteria in their business decisions in order to pursue new, sustainable paths. The company's most recent Sustainability Strategy was developed in constant dialogue with its stakeholders. Evonik's materiality analysis and the sustainable development goals have been incorporated into this strategy.

Directors' indemnity provisions

There were no qualifying third party indemnity provisions in force for the benefit of one or more of the Directors at any time during the financial year (2021: none) and at the date of approval of the financial statements.

Independent auditors

The auditor, KPMG LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the Board on 19th December 2023 and signed on its behalf by:

Anh Luu
Director

Registered number: 02695034

Registered office:
Clayton Lane,
Clayton,
Manchester,
England,
M11 4SR

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law and FRS 101 *Reduced Disclosure Framework.*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVONIK UK HOLDINGS LIMITED

Opinion

We have audited the financial statements of Evonik UK Holdings Limited ("the Company") for the year ended 31 December 2022, which comprise the Profit and Loss Account, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVONIK UK HOLDINGS LIMITED (CONTINUED)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors of whether they are aware of fraud and of the group and company's high-level policies and procedures to prevent and detect fraud as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes
- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements.

On this audit, we do not believe there is fraud risk related to revenue recognition because there are no revenue transactions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included any journals posted to unusual accounts for cash and intercompany as well as any material post-closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, antibribery, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVONIK UK HOLDINGS LIMITED (CONTINUED)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

JVermooten

Justin Vermooten (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

Date: 19 December 2023

Evonik UK Holdings Limited

Profit and Loss Account for the year ended 31 December 2022

	Note	2022	2021
		£	£
Administrative expenses		**(3,094,259)**	(8,332,411)
Other operating income		**1,416,747**	833,676
Operating loss	2	**(1,677,512)**	(7,498,735)
Amounts written off shares in group undertakings	4	**(55,474,936)**	(18,712,152)
Income from shares in group undertakings	5	**51,306,780**	-
Interest receivable and similar income	6	**1,766,520**	196,689
Interest payable and similar expenses	7	**(77,091)**	(29,485)
Loss before taxation		**(4,156,239)**	(26,043,683)
Tax on loss	8	-	-
Loss for the financial year		**(4,156,239)**	(26,043,683)

The accompanying notes on pages 16 to 33 form an integral part of these financial statements.

Evonik UK Holdings Limited

Statement of Comprehensive Income for the year ended 31 December 2022

	Note	2022 £	2021 £
Profit/(Loss) for the financial year		**(4,156,239)**	(26,043,683)
Other comprehensive expense			
Items that will not be recycled to profit or loss			
Remeasurement of post-employment benefit plans, net of tax	19	**100,000**	4,691,000
Other comprehensive expense for the year, net of tax		**100,000**	4,691,000
Total comprehensive income/(expense) for the year		**(4,056,239)**	(21,352,683)

The accompanying notes on pages 16 to 33 form an integral part of these financial statements.

Evonik UK Holdings Limited

Balance Sheet as at 31 December 2022

	Note	2022	2022	2021	2021
			£		£
Non-current assets					
Investments	9		**286,633,218**		342,108,154
Debtors: amounts falling due after more than one year	10		**34,038,393**		34,038,393
			320,671,611		376,146,547
Current assets					
Debtors: amounts falling due within one year	10	**87,982,381**		37,582,754	
Other investments	11	**1,627,626**		1,626,000	
Cash at bank and in hand		**24,538**		1,698	
		89,634,545		39,210,452	
Creditors: amounts falling due within one year	12	**(859,859)**		(663,463)	
		(859,859)		(663,463)	
Net current assets			**88,774,686**		38,546,989
Total assets less current liabilities			**409,446,297**		414,693,536
Creditors: amounts falling due after more than one year	12		**(63,311)**		(119,311)
Provisions for liabilities	13		**(2,189,901)**		(2,739,901)
Pensions fund	19		**(1,353,000)**		(1,938,000)
Net assets			**405,840,085**		409,896,324
Capital and reserves					
Called up share capital	20		**1,000**		1,000
Profit and loss account			**405,839,085**		409,895,324
Total equity			**405,840,085**		409,896,324

The accompanying notes on pages 16 to 33 form an integral part of these financial statements.

The financial statements were approved by the Board on 18th December and signed on its behalf by:

Anh Luu
Director

Registered number: 02695034

Evonik UK Holdings Limited

Statement of Changes in Equity for the year ended 31 December 2022

	Called up Share Capital £	Profit and loss account £	Total equity £
Balance at 1 January 2021	1,000	431,248,007	431,249,007
Loss for the financial year	-	(26,043,683)	(26,043,683)
Other comprehensive expense			
Items that will not be recycled to profit or loss			
Remeasurement of post-employment benefit plans, net of tax	-	4,691,000	4,691,000
Total comprehensive expense for the year	-	(21,352,683)	(21,352,683)
Balance at 31 December 2021	1,000	409,895,324	409,896,324
Profit for the financial year		(4,156,239)	(4,156,239)
Other comprehensive expense			
Items that will not be recycled to profit or loss			
Remeasurement of post-employment benefit plans, net of tax	-	100,000	100,000
Total comprehensive income for the year	-	(4,056,239)	(4,056,239)
Balance at 31 December 2022	**1,000**	**405,839,085**	**405,840,085**

The accompanying notes on pages 16 to 33 form an integral part of these financial statements.

1. Basis of accounting and principal accounting policies

Evonik UK Holdings Limited operates as a holding company and as a shared services provider to other entities in the Evonik Industries group of companies. The company is a private limited company limited by shares and is incorporated and domiciliated in the UK. The address of its registered office is Clayton Lane, Clayton, Manchester, England, M11 4SR.

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

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

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

The Company is a wholly-owned subsidiary of Evonik International Holding B.V. and is included in the consolidated financial statements of Evonik Industries AG which are publicly available. Under section 400 of the Companies Act 2006, entities are entitled to take advantage of an exemption from preparing consolidated financial statements.

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

- IAS 7 - A Cash Flow Statement and related notes;
- IAS 1 - Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- IAS 24 - Disclosures in respect of transactions with wholly owned subsidiaries of Evonik Industries AG;
- IAS 8 - The effects of new but not yet effective IFRS's;
- IAS 24 - Disclosures in respect of the compensation of Key Management Personnel.
- IFRS 7 - Disclosures in respect of financial instruments.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There are no new or amended accounting standards or IFRIC interpretations, that are effective for the year ended 31 December 2022, that have had a material impact on these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1. Basis of accounting and principal accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report and the Directors' Report on pages 2 to 5.

The Company has sufficient liquid assets (other debtors, intercompany debt and cash) to enable the company to meet its liabilities as they fall due. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

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

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

Significant accounting policies

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

Investments in shares in group undertakings

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

Investments in bank deposits

Investments in bank deposits are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. The gains or losses on translation are included in the profit and loss account, if not hedged or, if hedged, the gains or losses on translation are included in other comprehensive income.

1. Basis of accounting and principal accounting policies (continued)

Pensions

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

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

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

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

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

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

The Company is the sponsoring employer of a defined benefit pension plan (see note 19). As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

The pension surplus (to the extent it is recoverable), subject to the asset ceiling restrictions, or deficit is recognised in total.

Taxation

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

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

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

1. Basis of accounting and principal accounting policies (continued)

Financial instruments
Financial instruments comprise cash and cash equivalents, accruals and trade, inter-company and other debtors and creditors.

Other debtors and amounts owed by group undertakings
Other debtors and amounts owed by group undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Other creditors, accruals and amounts owed to group undertakings
Other creditors, accruals and amounts owed to group undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment
Financial assets (including other debtors and amounts owed by group undertakings)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

1. Basis of accounting and principal accounting policies (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

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

Dividends
Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

2. Operating loss

The operating loss is stated after charging / (crediting) :

	2022	2021
	£	£
Fees payable for the audit	**65,005**	68,149
Exchange losses realised	**43,091**	4,485
Exchange gains realised	**(8,178)**	(2,801)
Release of provisions for liabilities	**(550,000)**	(550,000)

Evonik UK Holdings Limited has borne audit fees totalling £42,720 (2021: £27,072) for other UK group companies and has not recharged these to the related companies.

3. Staff costs and numbers

	2022	2021
	£	£
Wages and salaries	**208,611**	442,735
Social security costs	**30,658**	49,551
Other pension costs	**19,932**	4,633,829
	259,201	5,126,115

The average number of persons employed by the company during the year was 4 (2021: 5).

The total Directors' emoluments were £312,377 (2021: £147,501) for one director. Total contributions of £11,683 were paid in respect of contributions to a pension scheme (2021: £11,139).

The time spent on services for this Company by the other 4 directors is inconsequential.

4. Amounts written off shares in group undertakings

	2022	2021
	£	£
Impairment Evonik Chemicals Limited	**(55,474,936)**	-
Impairment Evonik Specialily Organics Limited	-	(13,012,152)
Impairment of Evonik Membrane Extraction Technology Limited	-	(5,700,000)
	(55,474,936)	(18,712,152)

As a result of a dividend payment amounting to £51m paid by Evonik Chemicals Limited in the year the financial assets of Evonik Chemicals Limited have substantially decreased. This reduction in financial assets has led to an assessed impairment of the investment in Evonik Chemicals limited. The impairment is not a result of any additional factors.

Investment has been tested for impairment by comparing the carrying value against value in use (VIU), which is based on projected cash flows for the duration of five years, derived from the latest budget discounted at a post-tax rate of 7.90% (2021: 6.55%) to calculate its net present value.

The significant assumptions for the determination of the VIU is the application of the VIU model due to the additional complex around how to consider dividends and the value that the parent can extract from its investment and the discount rate of 7.90% (2021: 6.55%).

5. Income from shares in group undertakings

	2022	2021
	£	£
Dividend received from Evonik Chemicals Limited	51,306,780	-

6. Interest receivable and similar income

	2022	2021
	£	£
Interest and similar income from group undertakings	1,348,004	150,579
Other interest and similar income	418,516	46,110
	1,766,520	196,689

7. Interest payable and similar expenses

	2022	2021
	£	£
Interest and similar expenses from group undertakings	14,344	3,475
Other interest and similar expenses	28,747	1,010
Interest payable related to pensions (note 19)	34,000	25,000
	77,091	29,485

8. Tax on loss

Tax assessed for the year is lower (2021: lower) than the standard rate of tax in the UK of 19% (2021: 19%). The differences are explained below.

	2022	2021
	£	£
Loss before taxation	(4,156,239)	(26,043,683)
Loss before taxation multiplied by standard rate in the UK 19% (2021: 19%)	(789,685)	(4,948,300)
Effects of:		
Expenses not deductible for tax purposes	10,540,237	
Income not taxable	(9,879,692)	4,948,300
Deferred tax movement not recognised		
Effects of group relief/ other reliefs	436,424	
Amounts not recognised	(307,284)	
Total tax for the year	-	-

Factors affecting current and future tax charges:
An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

Notes to the financial statements for the year ended 31 December 2022 (continued)

9. Investments

	2022 Shares in group undertakings £	2021 Shares in group undertakings £
Cost or valuation		
At 1 January	**1,392,321,193**	1,392,396,193
Additions	-	-
Disposals	-	(75,000)
Return of capital contribution	-	-
At 31 December	**1,392,321,193**	1,392,321,193
Impairments and other movements		
At 1 January	**(1,050,213,039)**	(1,031,500,887)
Reversals	-	-
Impairment	(55,474,936)	(18,712,152)
Disposals	-	-
At 31 December	**(1,105,687,975)**	(1,050,213,039)
Net book amount		
At 31 December	**286,633,218**	342,108,154

The Directors believe that the carrying value of the investments is supported by their recoverable amount.

As a result of a dividend payment totalling £51m paid by Evonik Chemicals Limited in the year the financial assets of Evonik Chemicals Limited have substantially decreased. This reduction in financial assets has led to an assessed impairment of the investment in Evonik Chemicals limited. The impairment in the investment in Evonik Chemicals limited is not a result of any additional factors.

The subsidiary undertakings of the Company at 31 December 2022 are listed under their countries of incorporation, which are also the countries of activity unless otherwise stated. Details of the Company's subsidiary undertakings are as follows:

9. Investments (continued)

Name of company Subsidiary undertakings	Country of registration, incorporation and operation	Holding %	Class of shares held	Direct / Indirect	Nature of business
Evonik Chemicals Limited	England	100	Ordinary	Direct	Toll manufacturer for Resource Efficiency and Nutrition & Care
Evonik Membrane Extraction Technology Limited	England	100	Ordinary	Direct	Toll manufacturer for Resource Efficiency global Segment
Evonik Speciality Organics Limited	England	100	Ordinary	Direct	Provision of inter-Group services
Evonik Amalgamation Limited	England	100	Ordinary	Direct	Holding company
Evonik LIL Limited	England	100	Ordinary	Indirect	Non-trading
Evonik LCL Limited	England	100	Ordinary	Indirect	Dormant
EGL Limited	England	100	Ordinary	Indirect	Dormant
Trustees held by the Company					
Evonik Trustee Limited	England	100	Ordinary	Direct	Pension scheme Trustee
Evonik Pension Scheme Trustee Limited	England	100	Ordinary	Direct	Pension scheme Trustee

The registered address of the Company's subsidiaries and trustees is Clayton Lane, Clayton, Manchester, England, M11 4SR.

10. Debtors

	2022	2021
	£	£
Amounts falling due within one year		
Amounts owed by group undertakings	**87,858,799**	37,299,013
Other debtors	**100,821**	224,261
Prepayments and accrued income	**22,761**	59,480
	87,982,381	37,582,754
Amounts falling due after more than one year		
Amounts owed by group undertakings	**34,038,393**	34,038,393
Total debtors	**122,020,774**	71,621,147

Amounts owed by group undertakings includes an interest bearing asset consisting of an unsecured loan to its German parent Evonik Industries AG of £87,156,809 (2021: £37,018,393). The interest rate is calculated on an arm's length basis and is variable in nature based on one month Libor. There are no fixed repayment terms, but the loan could be recalled at any time. Other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Since 2013 the company has a loan to its subsidiary Evonik Trustee Limited. This interest bearing asset consists of funds totalling £34,038,393 (2021: £34,038,393) which have been deposited into a Trust (the 'Evonik Trusts'), and held by Evonik Trustee Limited, the trustee of the Evonik Trusts. The interest rate is calculated on an arm's-length basis and is variable in nature. At 31 December 2022, the interest rate was 3.43% (2021: 0.19%). The loan is repayable on termination of the Trust Deed with Evonik Trustee Limited and Evonik Pension Scheme Trustee Limited, as stipulated in the Trust Deed and Rules and the Supplemental Deed, both dated 20 March 2013. The directors assessment of the Trust Deed is that it will terminate in a period greater than 12 months from the balance sheet date and it is therefore classified as an amount falling due after more than one year.

11. Other investments

	2022	2021
	£	£
Bank fixed deposit	**1,627,626**	1,626,000

In 2022 the Company had interest bearing bank deposits totalling £1,627,626 (2021 £1,626,000) falling due within one year.

12. Creditors

	2022	2021
	£	£
Amounts falling due within one year		
Amounts owed to group undertakings	**81,164**	99,231
Other creditors	**109,478**	71,521
Accruals	**669,217**	492,711
	859,859	663,463
Amounts falling due after more than one year		
Other creditors	**63,311**	119,311
Total creditors	**923,170**	782,774

The amounts owed to group undertakings are unsecured, non-interest bearing and repayable within twelve months.

Other creditors relate to Escrow funds received on sale of land in 2020. These are unsecured, non-interest bearing and repayable after more than one year.

13. Provisions for liabilities

	2022	2021
	£	£
Post-transaction liabilities		
At 1 January	2,739,901	3,289,901
Released to profit and loss	(550,000)	(550,000)
At 31 December	**2,189,901**	**2,739,901**

Provisions totalling £2,189,901 (2021: £2,739,901) relate to post-transaction environmental liabilities and associated claims or litigation as a result of indemnities given on divestments. In establishing the post-transaction liability related provisions, the Directors have considered a range of possible scenarios and have exercised a judgement as to what a probable outcome might be.

Based on legal advise provided in 2017, the provision is being released over a period of 10 years at a value of £550,000 per year.

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

14. Financial instruments

There are no derivative financial instruments in existence at the balance sheet date (2021: £Nil).

15. Deferred tax assets

	2022	2021
	£	£
Deferred tax asset	**-**	-
Total deferred tax asset	**-**	-

	£	£
At 1 January	-	-
Movement in respect of pensions recognised in OCI	-	-
Credit/(charge) to profit and loss account	**-**	-
At 31 December	**-**	-

Unrecognised deferred tax asset:	**£**	£
Fixed assets	**5,535**	6,750
Temporary differences trading	**547,475**	684,975
Losses	**10,024,793**	10,083,497
Pension Scheme	**514,356**	836,713
	11,092,159	11,611,935

16. Related party relationships and transactions

The company has taken advantage of the exemption from disclosing related party transactions with fellow group members under IAS 24 on the grounds that the group is wholly owned by Evonik Industries AG whose consolidated financial statements are publicly available.

17. Dividends

Dividends totaling £51,306,780 were received in the year (2021: £Nil).

18. Estimates and Judgements

Provisions for liabilities and charges
The company is likely to receive legal claims relating to prior year environmental activities (see note 13). Management has made judgments as to the likelihood of any environmental claims succeeding by making provisions. The timing of such claims concluding is uncertain. The timing and cost depends on the legal process involved for the investigation and judgement of the claim.

Impairment of Investment in subsidiaries
The company carries out annual assessment of its investments and determines whether the current carrying value of the investment should be impaired. Detailed calculations are performed based on the expected future cash flow of the subsidiaries. The current value in use requires management to make an estimate of the future cash flows from its subsidiaries.

Pension
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and discount rates. Management estimate these factors in determining the net pension obligation.

19. Pensions fund

The Company is the principal employer and sponsor of the Laporte Group Pension Trust (LGPT) and provides unfunded benefits to past employees through two unapproved arrangements.

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

The assets and liabilities of the legacy funded schemes Evonik Pension Scheme, Synthetic Chemicals Limited Pension Scheme and Degussa-Huls Employees' Pension Scheme were transferred into the Laporte Group Pension Trust in December 2021.

Shortly after the transfer, a buy-in transaction was entered into with L&G securing the benefits in LGPT, and those of the transferring-in schemes.

Following the transfer of all the assets and liabilities to the Laporte Group Pension Trust, the legacy schemes were wound up during 2022.

Unapproved arrangements
The Company provides unfunded post-retirement medical and pension benefits in respect of a small number of past employees.

19. Pensions fund (continued)

As at 31 December 2022:	2022 Funded scheme £	2022 Unapproved arrangements £	2022 Total £
Present value of the obligations	(297,650,000)	(1,353,000)	(299,003,000)
Fair value of plan assets	*300,202,000*	-	*300,202,000*
Surplus before consideration of the asset ceiling	2,552,000	(1,353,000)	1,199,000
Amounts not recognised due to the effect of the asset ceiling	**(2,552,000)**	-	**(2,552,000)**
Retirement benefit obligation recognised in the balance sheet	-	**(1,353,000)**	**(1,353,000)**

As at 31 December 2021:	2021 Funded scheme £	2021 Unapproved arrangements £	2021 Total £
Present value of the obligations	(450,051,000)	(1,938,000)	(451,989,000)
Fair value of plan assets	452,719,000	-	452,719,000
Surplus /before consideration of the asset ceiling	2,668,000	(1,938,000)	730,000
Amounts not recognised due to the effect of the asset ceiling	(2,668,000)	-	(2,668,000)
Effect of onerous liability	-	-	-
Retirement benefit obligation recognised in the balance sheet	-	**(1,938,000)**	**(1,938,000)**

For the funded schemes, the fair value of the buy-in asset has been determined as the present value of the corresponding obligations under IAS 19 "Employee Benefits". The calculations have been carried out based on census data as at 31 March 2018 but have been updated by the Actuary to 31 December 2022 in line with IAS19. The value of the unfunded obligations have a census date of 31 December 2022.

Statement of Comprehensive income:

Profit and loss:

Amounts recognised in profit and loss were as follows:

	2022 Funded scheme £	2022 Unapproved arrangements £	2022 Total £
Current service cost	-	-	-
Past service cost	-	-	-
Curtailment credit	-	-	-
Total expenses relating to defined benefit plan	-	-	-
Net interest cost	-	**34,000**	**34,000**

	2021 Funded scheme £	2021 Unapproved arrangements £	2021 Total £
Current service cost	-	-	-
Past service cost	4,600,000	-	4,600,000
Curtailment Credit	-	-	-
Total expenses relating to defined benefit plan	**4,600,000**	-	**4,600,000**
Net interest cost	-	**25,000**	**25,000**

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19. Pensions fund (continued)

Other Comprehensive Income:

Amounts recognised in other comprehensive income were as follows:

	2022		
	Funded scheme	Unapproved arrangements	Total
	£	£	£
Actuarial (gain)/loss on defined benefit obligations.			
Arising from experience	9,286,000	(51,000)	9,235,000
Arising from changes in financial assumptions	(142,302,000)	(422,000)	(142,724,000)
Arising from changes in demographic assumptions	(3,547,000)	(19,000)	(3,566,000)
Total actuarial loss before consideration of asset ceiling	(136,563,000)	(492,000)	(137,055,000)
(Return)/loss on plan assets excluding interest income	137,122,000	-	137,122,000
Loss/(gain) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(167,000)	-	(167,000)
Total actuarial loss recognised in other comprehensive income	**392,000**	**(492,000)**	**(100,000)**

	2021		
	Funded scheme	Unapproved arrangements	Total
	£	£	£
Actuarial (gain)/loss on defined benefit obligations·			
Arising from experience	3,159,000	(94,000)	3,065,000
Arising from changes in financial assumptions	(15,951,000)	(9,000)	(15,960,000)
Arising from changes in demographic assumptions	(935,000)	(6,000)	(941,000)
Total actuarial gain before consideration of asset ceiling	(13,727,000)	(109,000)	(13,836,000)
Return on plan assets excluding interest income	13,249,000	-	13,249.000
Loss/(gain) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(4,104,000)	-	(4,104,000)
Total actuarial loss recognised in other comprehensive income	**(4,582,000)**	**(109,000)**	**(4,691,000)**

Movements in the present value of the defined benefit scheme assets, obligations and net defined benefit liability in the current year were as follows:

19. Pensions fund (continued)

Funded scheme	**2022**			
	Assets	**Effect of asset ceiling and minimum funding liability**	**Liabilities**	**Net defined benefit liability**
	£	**£**	**£**	**£**
At 1 January 2022	452,719,000	(2,668,000)	(450,051,000)	-
Current service cost	-	-	-	-
Interest income/cost	7,991,000	(51,000)	(7,940,000)	-
Past service cost	-	-	-	-
Actuarial (losses)/gains	(137,122,000)	167,000	136,563,000	(392,000)
Employer contributions	392,000	-	-	392,000
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets	(23,778,000)	-	23,778,000	-
At 31 December 2022	**300,202,000**	**(2,552,000)**	**(297,650,000)**	**-**

Funded scheme	**2021**			
	Assets	**Effect of asset ceiling and minimum funding liability**	**Liabilities**	**Net defined benefit liability**
	£	**£**	**£**	**£**
At 1 January 2021	487,634,000	(6,690,000)	(480,944,000)	-
Current service cost	-	-	-	-
Interest income/cost	5,860,000	(82,000)	(5,778,000)	-
Past service cost	-	-	(4,600,000)	(4,600,000)
Actuarial (losses)/gains	(13,249,000)	4,104,000	13,727,000	4,582,000
Employer contributions	18,000	-	-	18,000
Contributions from scheme participants	4,000	-	(4,000)	-
Benefits paid from plan assets	(27,548,000)	-	27,548,000	-
At 31 December 2021	**452,719,000**	**(2,668,000)**	**(450,051,000)**	**-**

19. Pensions fund (continued)

Unapproved arrangements	2022			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2022	-	-	(1,938,000)	(1,938,000)
Current service cost	-	-	-	-
Interest income/cost	-	-	(34,000)	(34,000)
Past service cost	-	-	-	-
Actuarial (losses)/gains	-	-	492,000	492,000
Employer contributions	-	-	-	-
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets/book reserves	-	-	127,000	127,000
At 31 December 2022	-	-	**(1,353,000)**	**(1,353,000)**

Unapproved arrangements	2021			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2021	-	-	(2,154,000)	(2,154,000)
Current service cost	-	-	-	-
Interest income/cost	-	-	(25,000)	(25,000)
Past service cost	-	-	-	-
Actuarial gains/(losses)	-	-	109,000	109,000
Employer contributions	-	-	-	-
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets/book reserves	-	-	132,000	132,000
At 31 December 2021	-	-	**(1,938,000)**	**(1,938,000)**

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

19. Pensions fund (continued)

Plan asset information

	2022
	Funded Scheme
Allocation percentage	
Equity securities	0.00%
Debt securities	0.00%
Buy-in asset and annuity policies	98.82%
Cash/Other	1.18%
	100.00%
Fair value of plan assets	**300,202,000**

Plan asset information

	2021
	Funded Scheme
Allocation percentage	
Equity securities	0.00%
Debt securities	0.00%
Buy-in asset and annuity policies	99.08%
Cash/Other	0.92%
	100.00%
Fair value of plan assets	**452,719,000**

The fair value of the buy-in asset and other annuity policies has been determined as the present value of the related benefit obligation under IAS19.

	2022	2021
Assumptions and dates used at disclosure		
Discount rate	4.81%	1.81%
Retail price inflation	3.60%	3.73%
Consumer price inflation	3.07%	3.13%
Rate of salary increase	N/A	N/A
Pension increases for in-payment benefits	2.14%-4.31%	2.16%-4.34%
Pension increases for deferred benefits	3.07%	3.13%
Plan Participant Census date	31-Mar-18	31-Mar-18

The assumptions used by the actuary are the best estimates chosen, in accordance with IAS 19, from a range of possible actuarial assumptions. These assumptions may not necessarily be borne out in practice.

19. Pensions fund (continued)

The mortality assumptions were as follows:	2022	2021
	years	years
Longevity at age 65 for current pensioners:		
- Men	20.6 - 21.7	20.7 - 21.8
- Women	23.0 - 24.0	23.0 - 24.1
Longevity at age 65 for future pensioners:		
- Men	21.4 - 22.5	21.6 - 22.7
- Women	24.1 - 25.1	24.2 - 25.2

Sensitivity to change in key assumptions:

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. Following the buy-in at the end of 2020, the change in the defined benefit obligation for LGPT will be matched by an equivalent change in the buy-in asset. Therefore the net balance sheet position is largely immunised against changes in assumptions.

The following table summarises the impact of an increase in the respective assumptions by 1%.

	2022		
Change in:	Defined benefit obligation	Plan assets	Net balance sheet
Discount rate	(9%)	(9%)	0%
Price inflation	6%	6%	0%
Consumer price inflation	2%	2%	0%
Pension increases for in-payment benefits	9%	9%	0%

Stakeholder Pension Plan

The Company also operates a defined contribution stakeholder pension plan which is open to new employees. The cost recognised in the year for the Company's contributions amounted to £19,931 (2021: £33,829). Outstanding contributions at the balance sheet date amounted to £Nil (2021: £Nil).

20. Called up share capital

	2022	2021
	£	£
Allotted and fully paid		
1,000 ordinary shares of £1 each (2021: 1,000 ordinary shares of £1 each)	**1,000**	1,000

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

21. Ultimate holding company and controlling party

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

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

Certified by Attorney

Matthias Kittler
Rechtsanwalt
20/12/2023

FINANCIAL REPORT

Evonik
Leading Beyond Chemistry

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

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in € million	Note	2021	2022
Sales	5.1	14,955	18,488
Cost of sales	5.2	−10,925	−14,257
Gross profit on sales		**4,030**	**4,231**
Selling expenses	5.2	−1,717	−2,035
Research and development expenses	5.2	−464	−460
General administrative expenses	5.2	−546	−554
Other operating income	5.3	211	358
Other operating expense	5.3	−349	−610
Result from investments recognized at equity	5.4	8	12
Income before financial result and income taxes, continuing operations (EBIT)	5.5	**1,173**	**942**
Interest income		64	144
Interest expense		−129	−122
Other financial income/expense		−23	−41
Financial result	5.6	**−88**	**−19**
Income before income taxes, continuing operations		**1,085**	**923**
Income taxes	5.7	−316	−369
Income after taxes, continuing operations		**769**	**554**
Income after taxes, discontinued operations		−2	1
Income after taxes	5.8	**767**	**555**
thereof attributable to non-controlling interests		21	15
thereof attributable to shareholders of Evonik Industries AG (net income)		746	540
Earnings per share in € (basic and diluted)	5.9	**1.60**	**1.16**
thereof continuing operations		1.60	1.16
thereof discontinued operations		0.00	0.00

Statement of comprehensive income

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in € million	Note	2021	2022
Income after taxes		**767**	**555**
Unrealized amounts from hedging instruments: designated risk components	9.4.3	−79	−89
Realized amounts from hedging instruments reclassified to profit or loss: designated risk components	9.4.3	−36	87
Deferred taxes on hedging instruments: designated risk components	9.4.3	36	1
Unrealized amounts from hedging components: cost of hedging	9.4.3	−11	−15
Realized amounts from hedging instruments reclassified to profit or loss: cost of hedging	9.4.3	15	13
Deferred taxes on hedging instruments: cost of hedging	9.4.3	−2	1
Other comprehensive income from currency translation	6.4	527	291
Other comprehensive income from currency translation of investments recognized at equity	6.4	−3	2
Other comprehensive income that can be reclassified		**447**	**291**
Other comprehensive income from the remeasurement of the net defined benefit liability	6.10	995	2,426
Deferred taxes from the remeasurement of the net defined benefit liability	6.10	−329	−838
Other comprehensive income from equity instruments measured at fair value through OCI	9.4.1, 9.4.2	−62	−200
Other comprehensive income that cannot be reclassified		**604**	**1,388**
Other comprehensive income after taxes		**1,051**	**1,679**
Total comprehensive income		**1,818**	**2,234**
thereof attributable to non-controlling interests		21	14
thereof attributable to shareholders of Evonik Industries AG		1,797	2,220

Balance sheet

T44

in € million	Note	Dec. 31, 2021	Dec. 31, 2022
Goodwill	6.1, 6.5	4,785	4,568
Other intangible assets	6.1, 6.5	1,260	1,142
Property, plant and equipment	6.2, 6.5	6,963	6,962
Right-of-use assets	6.3	608	972
Investments recognized at equity	6.4, 6.5	81	88
Other financial assets	6.6	581	441
Deferred taxes	6.14	1,755	890
Other income tax assets	6.14	16	19
Other non-financial assets	6.8	125	64
Non-current assets		**16,174**	**15,146**
Inventories	6.7	2,548	2,820
Trade accounts receivable	6.6	1,954	1,898
Other financial assets	6.6	571	581
Other income tax assets	6.14	199	98
Other non-financial assets	6.8	382	546
Cash and cash equivalents	6.6, 7	456	645
		6,110	**6,588**
Assets held for sale	4.3	–	76
Current assets		**6,110**	**6,664**
Total assets		**22,284**	**21,810**

in € million	Note	Dec. 31, 2021	Dec. 31, 2022
Issued capital		466	466
Capital reserve		1,168	1,168
Retained earnings		7,767	9,345
Other equity components		–112	–5
Equity attributable to shareholders of Evonik Industries AG		**9,289**	**10,974**
Equity attributable to non-controlling interests		83	82
Equity	6.9	**9,372**	**11,056**
Provisions for pensions and other post-employment benefits	6.10	3,766	1,359
Other provisions	6.11	657	542
Other financial liabilities	6.12	3,531	4,117
Deferred taxes	6.14	628	661
Other income tax liabilities	6.14	195	246
Other non-financial liabilities	6.13	143	182
Non-current liabilities		**8,920**	**7,107**
Other provisions	6.11	892	732
Trade accounts payable	6.12	2,022	1,735
Other financial liabilities	6.12	477	429
Other income tax liabilities	6.14	211	189
Other non-financial liabilities	6.13	390	501
		3,992	**3,586**
Liabilities associated with assets held for sale	4.3	–	61
Current liabilities		**3,992**	**3,647**
Total equity and liabilities		**22,284**	**21,810**

Statement of changes in equity

Note 6.9

T45

in € million	Issued capital	Capital reserve	Retained earnings	Other equity components: Equity instruments at fair value through OCI	Other equity components: Hedging instruments: designated risk components	Other equity components: Hedging instruments: cost of hedging	Other equity components: Currency translation	**Equity attributable to shareholders of Evonik Industries AG**	Equity attributable to non-controlling interests	**Total equity**
As of January 1, 2021	**466**	**1,167**	**6,876**	**100**	**45**	**–2**	**–640**	**8,012**	**87**	**8,099**
Capital increases/decreases	–	–	–	–	–	–	–	–	–3	–3
Dividend distribution	–	–	–536	–	–	–	–	–536	–22	–558
Income after taxes	–	–	746	–	–	–	–	746	21	767
Other comprehensive income after taxes	–	–	666	–62	–79	2	524	1,051	–	1,051
Total comprehensive income	–	–	1,412	–62	–79	2	524	1,797	21	1,818
Offset against the cost of acquisition (cash flow hedges)	–	–	–	–	–	–	–	–	–	–
Other changes	–	1	15	–	–	–	–	16	–	16
As of December 31, 2021	**466**	**1,168**	**7,767**	**38**	**–34**	**–**	**–116**	**9,289**	**83**	**9,372**
Capital increases/decreases	–	–	–	–	–	–	–	–	–	–
Dividend distribution	–	–	–545	–	–	–	–	–545	–12	–557
Changes in ownership interests in subsidiaries without loss of control	–	–	–2	–	–	–	–	–2	–3	–5
Income after taxes	–	–	540	–	–	–	–	540	15	555
Other comprehensive income after taxes	–	–	1,588	–200	–1	–1	294	1,680	–1	1,679
Total comprehensive income	–	–	2,128	–200	–1	–1	294	2,220	14	2,234
Basis adjustment (cash flow hedges)	–	–	–	–	15	–	–	15	–	15
Other changes	–	–	–3	–	–	–	–	–3	–	–3
As of December 31, 2022	**466**	**1,168**	**9,345**	**–162**	**–20**	**–1**	**178**	**10,974**	**82**	**11,056**

Cash flow statement

T46

Note 7	2021	2022
in € million		
Income before financial result and income taxes, continuing operations (EBIT)	1,173	942
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	1,073	1,568
Result from investments recognized at equity	–8	–12
Gains/losses on the disposal of non-current assets	43	–50
Change in inventories	–675	–270
Change in trade accounts receivable	–449	42
Change in trade accounts payable	680	–257
Change in provisions for pensions and other post-employment benefits	83	–19
Change in other provisions	207	–149
Change in miscellaneous assets/liabilities	–23	10
Cash inflows from dividends	19	19
Cash outflows for income taxes	–432	–353
Cash inflows from income taxes	124	179
Cash flow from operating activities, continuing operations	**1,815**	**1,650**
Cash outflows for investments in intangible assets, property, plant and equipment	–865	–865
Cash outflows to obtain control of businesses	–70	–1
Cash outflows relating to the loss of control over businesses	–145	–
Cash outflows for investments in other shareholdings	–15	–26
Cash outflows relating to divestments of intangible assets, property, plant and equipment	–21	–
Cash inflows from divestments of intangible assets, property, plant and equipment	9	5
Cash inflows relating to the loss of control over businesses	–	97
Cash inflows from divestment of other shareholdings	2	–
Cash inflows/outflows relating to securities, deposits, and loans	23	–3
Cash inflows from interest	12	16
Cash flow from investing activities, continuing operations	**–1,070**	**–777**
Cash outflows for dividends to shareholders of Evonik Industries AG	–536	–545
Cash outflows for dividends to non-controlling interests	–21	–13
Cash outflows due to changes in ownership interests in in subsidiaries	–	–5
Cash outflows for the purchase of treasury shares	–15	–16
Cash inflows from the sale of treasury shares	12	12
Cash inflows from the addition of financial liabilities	655	1,649
Cash outflows for repayment of financial liabilities	–948	–1,577
Cash inflows/outflows in connection with financial transactions	91	–104
Cash outflows for interest	–94	–73
Cash flow from financing activities, continuing operations	**–856**	**–672**
Change in cash and cash equivalents	**–111**	**201**
Cash and cash equivalents as of January 1	**563**	**456**
Change in cash and cash equivalents	–111	201
Changes in exchange rates and other changes in cash and cash equivalents	4	–12
Cash and cash equivalents as on the balance sheet as of December 31	**456**	**645**

Notes to the consolidated financial statements

1. Segment report

Segment report by operating segments Note 8.1

T47

	Specialty Additives		Nutrition & Care		Smart Materials		Performance Materials		Technology & Infrastructure		Enabling functions, other activities, consolidation		**Total Group (continuing operations)**	
in € million	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
External sales	3,710	4,184	3,557	4,237	3,918	4,833	2,911	3,660	798	1,508	61	66	14,955	18,488
Internal sales	9	7	7	11	72	82	147	208	1,484	1,709	–1,719	–2,017	–	–
Total sales	3,719	4,191	3,564	4,248	3,990	4,915	3,058	3,868	2,282	3,217	–1,658	–1,951	14,955	18,488
Result from investments recognized at equity	2	2	–	–	6	7	–3	–	3	3	–	–	8	12
Adjusted EBITDA	920	946	717	677	650	684	317	409	97	86	–318	–312	2,383	2,490
Adjusted EBITDA margin in %	24.8	22.6	20.2	16.0	16.6	14.2	10.9	11.2	12.2	5.7	–	–	15.9	13.5
Adjusted EBIT	739	753	453	405	374	367	188	274	–15	–53	–401	–396	1,338	1,350
Capital employed (annual average)	4,168	4,631	3,893	4,286	4,637	5,044	1,209	1,223	827	926	65	82	14,799	16,192
ROCE in %	17.7	16.3	11.6	9.4	8.1	7.3	15.6	22.4	–1.8	–5.7	–	–	9.0	8.3
Depreciation and amortization[a]	–180	–190	–253	–266	–273	–307	–126	–134	–108	–121	–83	–82	–1,023	–1,100
Impairment losses/reversal of impairment losses pursuant to IAS 36	–1	–4	–36	–42	–7	–14	–6	–371	–3	–20	–	–2	–53	–453
Capital expenditures[b]	94	106	164	243	379	264	63	62	162	120	67	61	929	856
Financial investments	–	–	90	3	12	17	3	–	–	–	18	28	123	48
No. of employees as of December 31	3,693	3,824	5,453	5,690	7,742	7,921	1,964	2,041	8,152	8,367	6,000	6,186	33,004	34,029

[a] For intangible assets, property, plant and equipment, and right-of-use assets.
[b] For intangible assets, property, plant and equipment.

Segment report by regions Note 8.2

T48

	Europe, Middle East & Africa		North America		Central & South America		Asia-Pacific		Total Group (continuing operations)	
in € million	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
External sales[a]	7,363	**9,360**	3,495	**4,392**	684	**952**	3,413	**3,784**	14,955	**18,488**
Non-current assets in accordance with IFRS 8 as of December 31	7,472	**7,520**	4,265	**4,374**	166	**141**	1,919	**1,761**	13,822	**13,796**
Capital expenditures	713	**569**	138	**203**	13	**9**	65	**75**	929	**856**
No. of employees as of December 31	22,461	**23,040**	4,806	**4,987**	701	**725**	5,036	**5,277**	33,004	**34,029**

[a] External sales Europe, Middle East & Africa thereof Germany €2,904 million (2021: €2,469 million).

2. General information

Evonik Industries AG is an international specialty chemicals company headquartered in Germany. Its registered office is at Rellinghauser Strasse 1–11, 45128 Essen (Germany), and the company is registered in the commercial register at Essen District Court under HRB no. 19474. As a subsidiary of RAG-Stiftung, Essen (Germany), Evonik Industries AG, together with its subsidiaries, is included in the annual consolidated financial statements of RAG-Stiftung, which is the highest parent company. The consolidated financial statements of RAG-Stiftung and the consolidated financial statements of Evonik Industries AG are published in the German Federal Gazette (Bundesanzeiger).

3. Basis of preparation of the financial statements

3.1 Compliance with IFRS

As permitted by section 315e paragraph 1 of the German Commercial Code (HGB), the present consolidated financial statements of Evonik Industries AG and its subsidiaries (referred to jointly as Evonik or the Group) have been prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and comply with these standards.

3.2 Presentation and accounting policies

The consolidated financial statements cover the period from January 1 to December 31, 2022 and are presented in euros. All amounts are stated in millions of euros (€ million) except where otherwise indicated. In some cases, rounding may mean that the figures in this report do not add up exactly to the totals stated, and percentages do not correlate exactly to the figures presented.

The consolidated financial statements are drawn up using uniform accounting policies. They have been prepared using the historical cost of acquisition and production principle, with the exception of certain items, which are presented at fair value.

The accounting policies applied are outlined in the respective notes.

Both the accounting policies and the items presented in the consolidated financial statements are, in principle, consistent from one period to the next. Deviations from this principle resulting from changes in accounting standards are outlined in note 3.4 p. 131 or in the relevant notes.

3.3 Estimation uncertainties and use of judgment

The preparation of the consolidated financial statements involves making judgments as well as the use of assumptions and estimates about the future. The subsequent circumstances may differ from these estimates. Adjustments to estimates are recognized prospectively in income as soon as better information is available. We regularly review our assumptions and estimates to identify any need for adjustment.

The decisions involving judgments about the application of accounting standards that have a material impact on the amounts recognized in the financial statements are as follows:

- Determination of whether control is exercised, even if less than half of the voting rights are held (see note 3.6 p. 132 f.);
- Determination of when a non-current asset or a disposal group meets the criteria for classification as held for sale (see note 4.3 p. 135 f.);
- Identification and definition of cash-generating units for impairment testing of assets, especially as there may be integrated structures comprising various, possibly cross-regional, production facilities and sites (see note 6.5 p. 151 ff.);
- Determination of whether it is reasonably certain that extension options will be exercised when determining lease terms (see note 9.2 p. 175 ff.);
- Application of classification and derecognition criteria for financial liabilities (see note 9.4 p. 179 ff.).

The assumptions and estimation uncertainties that may entail a considerable risk that a material adjustment of the carrying amounts of assets and liabilities could be necessary within the next fiscal year are as follows:

- The material assumptions used in impairment testing to determine the recoverable amount of goodwill, other intangible assets, property, plant and equipment, and right-of-use assets (see note 6.5 p.151ff.);
- Definition of the material actuarial assumptions for the valuation of defined benefit obligations (see note 6.10 p.158ff.);
- Material assumptions on the probability and extent of an outflow of resources in the recognition and measurement of provisions and contingent liabilities (see notes 6.11 p.163f. and 9.6 p.199f.);
- Determination of the fair value of unlisted equity instruments based on material non-observable inputs (see note 9.4 p.179ff.).

3.4 Accounting standards to be applied for the first time

Accounting standards to be applied for the first time T49

Standard/ Interpretation	Title of the standard/interpretation or amendment	Mandatory application as per IASB	Mandatory application as per EU
IFRS 3	Business Combinations (amendments to references to the conceptual framework)	Jan. 1, 2022	Jan. 1, 2022
IAS 16	Property, Plant and Equipment (clarification of the rules on proceeds before intended use)	Jan. 1, 2022	Jan. 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (clarification of the cost of fulfilling onerous contracts)	Jan. 1, 2022	Jan. 1, 2022
Annual Improvements 2018–2020	Amendments to IFRS 1 (first-time adoption by subsidiaries), IFRS 9 (fees in the "10% test" for derecognition of financial liabilities), IFRS 16 (lease incentives), IAS 41 (taxation in fair value measurement)	Jan. 1, 2022	Jan. 1, 2022

3.5 Accounting standards that are not yet mandatory

The International Accounting Standards Board (IASB) has issued further accounting standards (IFRS, IAS) and interpretations (IFRIC, SIC), which did not become mandatory in fiscal 2022 or have not yet been officially adopted by the European Union. The new provisions are not expected to have a material impact on current or future reporting periods or on foreseeable future transactions but are monitored continuously.

Accounting standards that are not yet mandatory T50

Standard/ Interpretation	Title of the standard/interpretation or amendment	Mandatory application as per IASB	Mandatory application as per EU
Officially adopted by the EU			
IFRS 17	Insurance Contracts (initial application, various amendments, and IFRS 9—comparative information)	Jan. 1, 2023	Jan. 1, 2023
IAS 1 and IFRS Practice Statement 2	Presentation of Financial Statements (amendments relating to disclosure of accounting policies)	Jan. 1, 2023	Jan. 1, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (amendments relating to accounting estimates)	Jan. 1, 2023	Jan. 1, 2023
IAS 12	Income Taxes (amendments relating to deferred taxes on leases and decommissioning obligations)	Jan. 1, 2023	Jan. 1 2023
Not yet officially adopted by the EU			
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities as current or non-current)	Jan. 1, 2024	–
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities as current or non-current)—deferral of the effective date	Jan. 1, 2024	–
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities with covenants)	Jan. 1, 2024	–
IFRS 16	Leases (clarification of the subsequent recognition of sale-and-leaseback transactions by a seller-lessee)	Jan. 1, 2024	–

3.6 Consolidation methods and scope of consolidation

Scope of consolidation

Alongside Evonik Industries AG, all material German and foreign **subsidiaries** and two specialized funds for the investment of liquidity, which are directly or indirectly controlled by Evonik, are fully consolidated in the consolidated financial statements. Evonik controls these companies and funds if it is exposed to, or has rights to, variable returns from its involvement with them and has the ability to affect those returns through its power over them. As a rule, Evonik exercises control through a majority of the voting rights. Evonik has power over the two specialized funds, LBBW AM-EVO, Essen (Germany) and Union Treasury 1, Essen (Germany), because Evonik has contractually agreed unconditional rights of dismissal. Consequently, the fund managers are deemed to be agents whose power over the fund is attributable to Evonik.

Joint operations are included in the consolidated financial statements on a pro rata basis. A joint operation is an arrangement where the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. This condition is fulfilled, in particular, if the legal form of the joint operation allows such rights to the assets or obligations for the liabilities or if the products of the joint operation are sold principally to the parties exercising joint control and these parties therefore ensure the ongoing financing of the joint operation. The determination of a joint operation and the amount of the pro rata inclusion in the consolidated financial statements involves management judgments. In joint operations, each partner has rights to the assets and bears joint and several liability for the obligations of the joint operation. The partners decide jointly on all relevant activities. Consequently, these companies are classified as joint operations.

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

Changes in the scope of consolidation are outlined in note 4.1 p.134 f.

Consolidation methods

The **financial statements of the consolidated German and foreign subsidiaries and joint operations** are prepared using uniform accounting policies.

At the **acquisition date,** all recognizable assets and liabilities of the acquired subsidiary are recognized at their full fair value or, in the case of joint operations, their pro rata fair value. The consideration transferred for the acquired company, the non-controlling interests in the fair value of the net assets of the acquired company, and the fair value of any shares previously held are then offset against the fair value of the assets and liabilities acquired. Any remaining excess of the acquisition costs over the fair value of the net assets is recognized as goodwill; negative differences are included in income following a renewed examination of the fair value. The ancillary acquisition costs relating to a business combination are recognized in other operating expense in the income statement.

Changes in the ownership interest in a previously consolidated company that do not result in a loss of control are recognized directly in equity as a transaction between owners. Cash inflows and outflows relating to these transactions are presented in the cash flow from financing activities.

A company must be deconsolidated as of the **date on which control is lost.** The assets and liabilities of the company and the non-controlling interests are derecognized in the deconsolidation process. The ownership interests in the former consolidated company still held by Evonik are remeasured at fair value as of the date on which control is lost. All resulting gains and losses are recognized in the income statement as other operating income or other operating expense. In addition, amounts shown in equity under other equity components are also reclassified to the income statement, except where another accounting standard requires direct transfer to retained earnings.

Intragroup income and expenses, profits, losses, receivables, and liabilities between consolidated subsidiaries are fully eliminated. In the case of joint operations, elimination is pro rata.

The above consolidation principles also apply to **companies accounted for using the equity method.** In this case, any goodwill is recognized in the carrying amount of the investment. The financial statements of the investments recognized at equity are also prepared using uniform accounting policies.

3.7 Currency translation and financial reporting in hyperinflationary economies

The financial statements of Evonik Industries AG and its subsidiaries are generally prepared in their **functional currency.**

In the **separate financial statements** prepared by these companies, business transactions in foreign currencies are translated at the exchange rate on the date of initial recognition. Any gains or losses resulting from the valuation of monetary assets and liabilities in foreign currencies are recognized in other operating income, other operating expense, or other financial income/expense as appropriate at the closing rate on the reporting date.

In the **consolidated financial statements,** the assets and liabilities of all foreign **subsidiaries** are translated from their functional currency into euros at closing rates on the reporting date. Goodwill and hidden assets and liabilities from the acquisition of a foreign subsidiary are translated at the closing rate as assets and liabilities of the foreign subsidiary. Income and expense items are translated at the exchange rate on the transaction date, approximated by using the average exchange rate for the year. Translation differences compared to the prior year and translation differences between the income statement and balance sheet are recognized in other comprehensive income from currency translation in the statement of comprehensive income. They are only reclassified to the income statement when the foreign subsidiary is divested. The equity of foreign companies **recognized using the equity method** is translated in the same way.

In principle, exchange rates are determined on the basis of the ECB reference rates. Please also refer to the disclosure in note 9.4.4.1 p. 190 ff.

The historical cost approach pursuant to IAS 29 Financial Reporting in Hyperinflationary Economies is applied to the **financial statements of foreign subsidiaries in hyperinflationary economies.** This requires the financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy to be restated before they are included in the consolidated financial statements. As a consequence, the operations of these subsidiaries are no longer presented on the basis of historical cost of production or acquisition; instead, they are presented using the monetary unit current as of the reporting date. For this purpose, the carrying amount of non-monetary assets and liabilities are converted to the monetary unit current as of the reporting date using an index. Further specific adjustments relate to equity, the statement of comprehensive income, income taxes, deferred taxes, and the cash flow statement. Restatement of monetary assets and liabilities is not necessary because they are already expressed in the monetary unit current as of the reporting date.

Turkey has been classified as a hyperinflationary economy since June 30, 2022. The Turkish economy has reported high inflation rates for years. As of December 31, 2022, the cumulative inflation rate for the past three years was 156.17 percent (December 31, 2021: 74.4 percent). The cumulative inflation over the past three years, which is the quantitative criterion set out in IAS 29, has now exceeded 100 percent. Evonik has two subsidiaries in Turkey. Their functional currency is the Turkish lira. The inflation rate is determined on the basis of the cumulative consumer goods index of the Turkish Statistical Institute (Turkstat). Restatement was retrospective as of January 1, 2022. As of this date, the index was 686.95 points. The cumulative effect of the initial application of the index was income of €5 million, which is recognized in other comprehensive income from currency translation. The prior-year figures have not been restated. The effect of applying the index after January 1, 2022 (gain on the net monetary items) is recognized in the financial result and is €7 million. The applicable value of the index as of December 31, 2022 was 1,128.45 (December 31, 2021: 686.95). The change in the index in 2022 was 64.27 percent.

Argentina has been classified as a hyperinflationary economy since July 1, 2018. This applies to the translation of the financial statements of two Argentinian subsidiaries. The effect of applying the index (loss on the net monetary items) is recognized in the financial result. In 2022, it was €23 million (2021: €34 million). The inflation rate is derived from the consumer price index published by the National Institute of Statistics and Censuses of the Argentine Republic (INDEC), which is updated monthly. As of December 31, 2022, it was 1,134.59 (December 31, 2021: 582.46). The change in the index in 2022 was 95 percent.

4. Changes in the Evonik Group

4.1 Scope of consolidation

Changes in the scope of consolidation T51

No. of companies	Germany	Other countries	Total
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2021	**28**	**127**	**155**
Acquisitions	1	–	1
Other companies consolidated for the first time	2	–	2
Divestments	–1	–1	–2
Intragroup mergers	–1	–3	–4
Other companies deconsolidated	–	–4	–4
As of December 31, 2022	**29**	**119**	**148**
Joint operations			
As of December 31, 2021	**1**	**2**	**3**
As of December 31, 2022	**1**	**2**	**3**
Investments recognized at equity			
As of December 31, 2021	**4**	**11**	**15**
Divestments	–	–1	–1
Other companies deconsolidated	–	–2	–2
As of December 31, 2022	**4**	**8**	**12**
Total	**34**	**129**	**163**

In aggregate, the acquisitions made in the reporting period were not material.

The following list contains material subsidiaries as of December 31, 2022, selected on the basis of quantitative and qualitative criteria in accordance with IFRS 12 Disclosure of Interests in Other Entities. There was no change in the ownership interests in the material consolidated subsidiaries compared with the previous year.

Material consolidated subsidiaries T52

Name of company	Registered office	Ownership interest in %
Germany		
Evonik Operations GmbH	Essen	100.00
Evonik Real Estate GmbH & Co. KG	Marl	100.00
Evonik Superabsorber GmbH	Essen	100.00
LBBW AM-EVO[a]	Essen	0.00
Union Treasury 1[a]	Essen	0.00
Other countries		
Evonik Active Oxygens, LLC	Dover (Delaware, USA)	100.00
Evonik Antwerpen NV	Antwerp (Belgium)	100.00
Evonik Brasil Ltda.	São Paulo (Brazil)	100.00
Evonik (China) Co., Ltd.	Beijing (China)	100.00
Evonik Canada Inc.	Calgary (Canada)	100.00
Evonik Chemicals Ltd.	Greenford (UK)	100.00
Evonik Corporation	Piscataway (New Jersey, USA)	100.00
Evonik India Pvt. Ltd.	Mumbai (India)	100.00
Evonik Industries de Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00
Evonik International Holding B.V.	Amsterdam (Netherlands)	100.00
Evonik Japan Co., Ltd.	Tokyo (Japan)	100.00
Evonik Korea Ltd.	Seoul (South Korea)	100.00
Evonik Methionine SEA Pte. Ltd.	Singapore (Singapore)	100.00
Evonik Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00
Evonik Oil Additives USA, Inc.	Horsham (Pennsylvania, USA)	100.00
Evonik Oxeno Antwerpen NV	Antwerp (Belgium)	100.00
Evonik (SEA) Pte. Ltd.	Singapore (Singapore)	100.00
Evonik Specialty Chemicals (Nanjing) Co., Ltd.	Nanjing (China)	100.00
Evonik Specialty Chemicals (Shanghai) Co., Ltd.	Shanghai (China)	100.00
Evonik Superabsorber LLC[a]	Greensboro (North Carolina, USA)	100.00
Evonik Taiwan Ltd.	Taipei (Taiwan)	100.00
Evonik Ticaret Ltd. Sirketi	Tuzla/Istanbul (Turkey)	100.00
Evonik UK Holdings Ltd.	Greenford (UK)	100.00

[a] Fully consolidated structured company in accordance with IFRS 10.B8 in conjunction with B19 (b).

An overview of all companies included in the consolidated financial statements and full details of the shareholdings in accordance with section 313 paragraph 2 of the German Commercial Code (HGB) can be found in the list of shareholdings, which is formally part of these notes. The list of shareholdings is published with the consolidated annual financial statements in the Federal Gazette and can be viewed on Evonik's website. **www.evonik.com/list-of-shareholdings**

4.2 Divestments

In order to sharpen its strategic focus on specialty chemicals, on October 20, 2022, Evonik signed an agreement to sell the Specialty Additives division's TAA derivatives business to Sabo GmbH, Marl (Germany) and Sabo S.p.A., Levate (Italy). TAA derivatives are essential precursors for the production of light stabilizers. The transaction was closed on December 29, 2022. It comprised both an asset deal and a share deal, whereby 97 percent of the shares in Evonik Tianda (Liaoyang) Chemical Additive Co., Ltd., Liaoyang (China) were transferred. The business was classified as held for sale from September 30, 2022 until closing of the transaction, see note 4.3 p. 135 f.

Together with further, smaller disposals in 2022, the divestment of the TAA derivatives business impacted the balance sheet as follows:

Assets and liabilities disposed of through divestments T53

in € million	2022
Non-current assets	78
Current assets	44
thereof cash and cash equivalents	[illegible]
Total assets	**122**
Non-current liabilities	14
Current liabilities	6
Total liabilities	**20**
Net assets	**102**

The result from the deconsolidation of subsidiaries was €18 million (2021: –€7 million). It is recognized in other operating income (2021: other operating expense) and contained in the adjustments.

4.3 Assets held for sale and discontinued operations

A **non-current asset** or a **disposal group** is classified on the balance sheet as **held for sale** in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations if the corresponding carrying amount is to be realized principally through a sale transaction rather than through continued use. The prior-year figures are not restated. A disposal group may also contain current assets and liabilities. The assets and liabilities must be measured in accordance with the previously relevant accounting standards immediately before initial classification as held for sale. The non-current assets or disposal groups are subsequently valued at the lower of the carrying amount and fair value less costs to sell. In the income statement, their income is still included in income from continuing operations. The assessment as to when a non-current asset or a disposal group meets the criteria for classification as held for sale is subject to management judgment.

Additionally, a non-current asset or disposal group classified as held for sale may meet the criteria for classification as a **discontinued operation.** This is either a major line of business or geographical area of the company that has been, or is to be, sold or shut down on the basis of a single coordinated plan, either as a whole or in parts, or a subsidiary acquired with a view to resale. The income from the operating activities, measurement, and divestment of a discontinued operation is reported separately from continuing operations in the income statement. Similarly, the cash flows are reported separately in the cash flow statement. The prior-year figures are restated in each case.

Income after taxes, discontinued operations, relates to divestments in previous years.

Divestment gains/losses from discontinued operations T54

in € million	2021	2022
Income before income taxes from the divestment of discontinued operations	**–1**	**1**
Income taxes	**–1**	**–**
Income after taxes from the divestment of discontinued operations	**–2**	**1**

The **TAA derivatives business** was classified as held for sale from September 30, 2022 until closing of the transaction on December 29, 2022, see note 4.2 p. 135.

As part of the strategic concentration on specialty chemicals, Evonik intends to sell the **Lülsdorf site** in Germany. At this site, the Performance Materials division mainly produces alkoxides, potassium derivatives, and—together with plants at the nearby site in Wesseling—cyanuric chlorides. The assets and liabilities of this disposal group were classified as held for sale as of December 31, 2022.

Held-for-sale assets of the Lülsdorf site T55

in € million	Dec. 31, 2022
Property, plant and equipment	24
Deferred taxes	2
Inventories	25
Trade accounts receivable	23
Other non-financial assets	2
Assets held for sale	**76**

Liabilities associated with held-for-sale assets of the Lülsdorf site T56

in € million	Dec. 31, 2022
Provisions for pensions and other post-employment benefits	17
Other provisions	13
Other financial liabilities	2
Trade accounts payable	25
Other non-financial liabilities	4
Liabilities associated with assets held for sale	**61**

As of the date of initial classification as held for sale, the disposal group was measured on the basis of a provisional purchase price less costs to sell. In accordance with IFRS 13 Fair Value Measurement, the fair value is allocated to level 2 of the fair value hierarchy. Impairment losses of €15 million were recognized for other intangible assets, property, plant and equipment, and right-of-use assets.

5. Notes to the income statement

5.1 Sales

Revenue is normally recognized when the distinct performance obligations set out in a contract or bundle of contracts are satisfied. The amount of revenue recognized is the transaction price allocated to these performance obligations.

If a contract with a customer has enforceable commercial substance and identifiable rights with respect to the products and services to be transferred, the payment terms are known, and collection of the consideration is probable, it falls **within the scope of IFRS 15** Revenue from Contracts with Customers. **Contracts entered into with the same customer are combined** for accounting purposes if they are concluded close together and are commercially linked. Exchange-type transactions (exchange of similar products) with competitors to overcome bottlenecks or reduce transportation costs are explicitly outside the scope of IFRS 15 and therefore do not result in revenue recognition.

A **performance obligation is distinct** if the products or services contained in the contract can be identified individually, and the customer can benefit from the goods or services at any time and separate them from other products and services in the same contract. Freight services relating to product deliveries are distinct performance obligations if the freight service takes place after the transfer of control of the products to the customer.

The **transaction price** is the consideration expected to be received from the customer for the transfer of the products or performance of the service. It contains both fixed and variable components. When determining the transaction price, volume-based rebates and bonuses are included at their expected value. This regularly results in an adjustment of the transaction price based on the estimate of the annual volumes for the rebates and bonus payments. If the price includes a significant financing component as a result of prepayments by the customer, the transaction price is increased, and the financing component results in the recognition of financing expenses.

If there are several performance obligations, the **transaction price** (including possible price discounts) is **allocated** among the individual performance obligations based on the relative stand-alone selling price. If stand-alone selling prices cannot be determined from an observable market price, appropriate estimates are used. For freight services that comprise a distinct performance obligation within the context of product deliveries, part of the transaction price specified in the agreement on the delivery of the product must be allocated to the freight service.

The criteria for **satisfaction of a performance obligation** are differentiated as follows: The Evonik Group recognizes **revenue from product deliveries** at the point in time when the customer obtains control of the product. For this purpose, the provisions of the General Business Conditions and any individual contractual arrangements must be taken into account; these include the Incoterms©. The Evonik Group recognizes **revenue for services** over time if the customer receives the benefits during the provision of the service. The level of revenue to be recognized is determined from the stage of fulfillment based on the work already performed relative to the overall service. The stage of fulfillment is determined using both input- and output-based methods. A contract liability for non-current prepayments by customers for holding or building up customer-specific production capacity is recognized as revenue on a straight-line basis over the contractually agreed performance period.

Sales totaled €18,488 million (2021: €14,955 million). In all divisions, they consist principally of revenue from the sale of products and services. Revenue from the sale of products amounted to €17,817 million (2021: €14,394 million) and revenue from the sale of services totaled €657 million (2021: €520 million).

All divisions **sell products** on the basis of multi-year master agreements with an annual adjustment in volumes and prices. There are also agreements with customers on the provision of fixed capacities. In these cases, volumes and prices are also regularly renegotiated. Further, the Evonik Group delivers to some of its customers on the basis of short-term orders. In individual cases, Evonik has agreements with customers on legally enforceable minimum take-off amounts. The underlying prices are often variable, in other words, based on commodity prices or indexed to energy prices, and are only fixed at the time of delivery or transfer of control. In addition, there are volume-based rebates and bonuses that are normally agreed annually. In some cases, customers make long-term prepayments for keeping or building up customer-specific production capacity. These are recognized as contract liabilities from contracts with customers and released to revenue on a straight-line basis over the performance period. The Evonik Group supplies energy (for example, steam, water, electricity, gas) to customers on the basis of site agreements, which are generally concluded for the long term. Energy is normally supplied free to the customer's place of consumption, i.e., including transportation from the generating facility to the place of consumption. Order volumes are determined by the customer. Prices comprise components for the work performed and for services. Sales revenues are recognized on the basis of actual consumption. Billing is on delivery, at least monthly. Payment terms are normally short-term, i.e., between 30 and 60 days.

Services are provided principally by the Technology & Infrastructure division and, to a smaller extent, by the chemicals divisions (for example, contract manufacturing of certain chemical products). The Technology & Infrastructure division provides site management, utilities, waste management, technical, process technology, engineering, and logistics services for the four chemicals divisions and external customers at our sites. If the benefits are received during the provision of the service, revenue from such services is recognized over time. This mainly applies to the Technology & Infrastructure division.

Sales by segments and regions 2022 T57

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	Total Group
Specialty Additives	1,694	1,200	137	1,153	4,184
Nutrition & Care	1,284	1,365	545	1,043	4,237
Smart Materials	2,185	1,274	165	1,209	4,833
Performance Materials	2,738	502	102	318	3,660
Technology & Infrastructure	1,415	49	1	43	1,508
Enabling functions, other activities	44	2	2	18	66
Total Group	**9,360**	**4,392**	**952**	**3,784**	**18,488**
thereof sales outside the scope of IFRS 15	13	–78	–	–20	–85

Sales by segments and regions 2021 T58

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	Total Group
Specialty Additives	1,552	968	107	1,083	3,710
Nutrition & Care	1,130	1,105	386	936	3,557
Smart Materials	1,804	975	114	1,025	3,918
Performance Materials	2,116	409	76	310	2,911
Technology & Infrastructure	723	36	–	39	798
Enabling functions, other activities	38	2	1	20	61
Total Group	**7,363**	**3,495**	**684**	**3,413**	**14,955**
thereof sales outside the scope of IFRS 15	16	15	1	6	38

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.

Sales from **performance obligations satisfied in prior periods** amounted to €8 million (2021: €9 million). They mainly result from rebate and bonus agreements where the liability for rebate and bonus agreements recognized in previous years does not match the final invoice in the current fiscal year.

Firmly agreed performance obligations that had not been satisfied in full as of the reporting date are expected to result in revenue recognition, as shown below. The transaction price of the unsatisfied performance obligations is based on the volumes and services contractually agreed with the customer as of the reporting date for which the customer has a take-off obligation, and Evonik has a performance obligation. Variable transaction price elements are included in future sales on the basis of an estimate based on the present price. Evonik applies the practical expedient set out in IFRS 15.121 and does not disclose the outstanding performance obligations for contracts with an expected term of no more than one year.

Transaction prices of unsatisfied performance obligations as of December 31, 2022 T59

	Revenue recognition in			
in € million	more than 1 and up to 3 years	more than 3 and up to 5 years	more than 5 years	**Total**
Transaction prices of unsatisfied performance obligations	1,383	1,243	1,644	4,270

Transaction prices of unsatisfied performance obligations as of December 31, 2021 T60

	Revenue recognition in			
in € million	more than 1 and up to 3 years	more than 3 and up to 5 years	more than 5 years	**Total**
Transaction prices of unsatisfied performance obligations	1,039	781	1,401	**3,221**

Further information on contract assets from contracts with customers can be found in note 6.8 p. 155, while further information on contract liabilities from contracts with customers can be found in note 6.13 p. 166.

5.2 Function costs

In the cost-of-sales method, function costs for the relevant functional areas are derived from cost accounting. Evonik distinguishes between the following functional areas: cost of sales, selling expenses, research and development expenses, and general administrative expenses. In addition to all directly attributable costs such as material expenses, personnel expenses, energy costs, and depreciation and amortization, the **cost of sales** includes overheads that can be attributed to the production process and impairment losses/reversals of impairment losses on inventories. **Selling expenses** mainly comprise marketing, logistics, and packaging expenses and materials management costs. **Research and development expenses** contain the cost of all research and development activities in the chemicals divisions and at the strategic research unit, Creavis. **Administrative expenses** contain costs for the management of business entities, management boards, the executive board, and the supervisory board. They also include expenses for the support functions.

Operating expenses that cannot be allocated to the functional areas are recognized as other operating expense.

The amounts recognized in function costs for restructuring measures, gains/losses from disposal of assets, and impairment losses/reversal of impairment losses pursuant to IAS 36 Impairment of Assets, and the amounts included in other operating income are explained in note 5.5 p.141f. The segmentation of impairment losses and reversals of impairment losses pursuant to IAS 36 and additional disclosures are presented in note 6.5 p.151ff.

Other operating income/expense T61

	Other operating income		Other operating expense	
in € million	2021	**2022**	2021	**2022**
Restructuring measures[a]	1	–	1	–10
Reversal of/additions to other provisions[b]	14	21	–71	–
Recultivation and environmental protection measures	–	–	–16	–18
Disposal of assets[b]	6	57	–35	–14
Impairment losses/reversal of impairment losses pursuant to IAS 36[b]	–	–	–23	–347
Impairment losses/reversal of impairment losses pursuant to IFRS 9 (net presentation)[c]	–	3	–2	–
Currency translation of operating monetary assets and liabilities (net presentation)[c]	1	–	–	–22
Operational currency hedging (net presentation)[c]	–	–	–13	–4
Non-core businesses	54	48	–	–
Government grants	20	19	–	–
Business insurance[a]	16	67	–25	–27
REACH regulation	1	2	–10	–12
Other	98	140	–154	–156
Other operating income/expense	**211**	**358**	**–349**	**–610**

[a] Excluding amounts disclosed in the function costs.
[b] Excluding restructuring expenses and amounts disclosed in the function costs.
[c] 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.

5.3 Other operating income/expense

Other operating income is all income that by nature is not attributable to either sales or financial income. Government grants related to income are normally accrued in other liabilities and released to other operating income in the periods in which the expenses that the grants are intended to compensate for are incurred. **Other operating expense** is all expense that cannot be allocated meaningfully to either a function cost type or financial expense.

The amounts recognized in other operating income and expense for restructuring measures, reversal of/additions to other provisions, gains/losses from the disposal of assets, and impairment losses/reversal of impairment losses pursuant to IAS 36, and the amounts recognized in the function costs are explained in note 5.5 p.141f. The segmentation of impairment losses and reversals of impairment losses pursuant to IAS 36, and additional disclosures are presented in note 6.5 p.151ff.

In 2022, **impairments/reversal of impairments for expected credit losses pursuant to IFRS 9** Financial Instruments comprised net income (2021: net expense) relating 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; see note 9.4.4 p. 189 ff.

Non-core business comprises income from occasional, unplanned business activities not intended to be permanent operations and income from the supply of energy to customers at Evonik sites.

The **government grants** mainly relate to projects in connection with the energy transition.

As well as income from the recognition of claims on insurance companies, **business insurance** includes income from the payment of premiums by insurance companies to Evonik's internal reinsurance company Evonik Re S.A., Luxembourg, and expenses of Evonik Re for insurance obligations to insurance companies. The expenses for business insurance includes premiums paid by Evonik Re for stop-loss insurance. Claims under the stop-loss insurance are offset against Evonik Re's expense for obligations to insurers. By contrast, expenses for premiums paid by the Evonik Group to insurers are not recognized in other operating expense; they are recognized in the functional costs.

The **other income** relates to a large number of very different, decentrally managed activities that individually generate income that is not material for the Evonik Group.

The **other expense** comprise expenses totaling €12 million (2021: €28 million) in connection with the acquisition of PeroxyChem and Porocel and the reorganization of the superabsorbents business In addition, this item contains a large number of different transactions and individual projects that are reflected, among others, in the cost types outsourcing, commission payments, other taxes, and legal and consultancy fees.

5.4 Result from investments recognized at equity

Result from investments recognized at equity T62

in € million	2021	**2022**
Income from measurement at equity	12	13
Expenses for measurement at equity	–4	–1
Result from investments recognized at equity	**8**	**12**

5.5 Income before financial result and income taxes (EBIT)

Income before financial result and income taxes (EBIT) contains restructuring measures, reversals of/additions to other provisions, gains/losses from the disposal of assets, and impairment losses/reversal of impairment losses pursuant to IAS 36, which are divided among the following line items in the income statement:

Additional information on income before financial result and income taxes in 2022 T63

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	**Total**
Restructuring measures	–82	1	–24	–	–10	–	**–115**
thereof from the reversal of/additions to other provisions	6	1	–23	–	–	–	–16
thereof from impairment losses/reversal of impairment losses pursuant to IAS 36	–73	–	–	–	–	–	–73
thereof from impairment losses/reversal of impairment losses pursuant to IFRS 5	–15	–	–	–	–	–	–15
Reversal of/additions to other provisions	–	–	–	22	–	–	**22**
Result from the disposal of assets	–	–	–	57	–14	–	**43**
Impairment losses/reversal of impairment losses pursuant to IAS 36	–33	–	–	–	–347	–	**–380**

Additional information on income before financial result and income taxes in 2021 T64

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	**Total**
Restructuring measures	–11	–3	–7	1	–	–	–20
thereof from the reversal of/additions to other provisions	9	2	3	1	–	–	–3
Reversal of/additions to other provisions	–1	–	–	14	–71	–	–58
Result from the disposal of assets	–	–	–	6	–35	–	–29
Impairment losses/reversal of impairment losses pursuant to IAS 36	–27	–	–	–	–23	–3	–53

The income and expenses relating to **restructuring measures** in the reporting period mainly come from impairment losses pursuant to IAS 36 in the Performance Materials division (see note 6.5 p. 151 ff.). Further, provisions for restructuring were established for a new group-wide project to optimize administrative functions and in connection with the planned sale of a business in the Performance Materials division. As in the previous year, a new estimate was made of the obligations relating to the program to reduce selling and administrative expenses, following a change regarding the employees affected. This led to reversals of provisions for restructuring. In addition, income in connection with the shutdown of a production plant in the Nutrition & Care division is included due to the reversal of provisions for restructuring. Impairment losses in accordance with IFRS 5 were recognized in connection with the planned sale of the Lulsdorf site (see note 4.3 p.135 f.).

Disposal of assets T65

	Gains		Losses	
in € million	2021	2022	2021	2022
Property, plant and equipment	5	2	–6	–5
Right-of-use assets	1	1	–	–2
Investments and businesses	–	54	–22	–
Trade accounts receivable	–	–	–4	–4
Other non-financial assets	–	–	–3	–3
Total	**6**	**57**	**–35**	**–14**

The gains from the **disposal of investments and businesses** comprised €29 million from the sale of the TAA derivatives business, €23 million from the sale of a business by the Nutrition & Care division in North America, and €2 million from post-transaction disposals relating to the acquisition of PeroxyChem. In the previous year, the losses on the disposal of investments and businesses contained €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. Losses of a further €7 million result from deconsolidation of an Indian company.

Note 6.5 p.151 ff. contains details of segmentation and additional information on the **impairment losses/reversal of impairment losses determined in accordance with IAS 36.**

5.6 Financial result

Financial result T66

in € million	2021	2022
Income from securities and loans	9	17
Interest and similar income from derivatives	1	–
Interest income from other provisions[a]	18	96
Other interest-type income	36	31
Interest income	**64**	**144**
Interest expense on financial liabilities	–45	–41
Interest and similar expenses for derivatives	–5	–1
Interest expense for other provisions[a]	–5	–9
Net interest expense for pensions	–43	–50
Interest expense for leases	–14	–17
Other interest-type expense	–17	–4
Interest expense	**–129**	**–122**
Result from currency translation of financing-related assets and liabilities	–43	48
Income from financing-related currency hedging	39	–67
Miscellaneous financial income and expenses	–19	–22
Other financial income/expense	**–23**	**–41**
Financial result	**–88**	**–19**

[a] These items contain income/expense from the unwinding of discounting and from changes in interest rates for other provisions.

The **interest income from loans** and the **interest expense on financial liabilities** are recognized on a pro rata temporis basis using the effective interest method.

The **other interest-type income** contains €25 million (2021: €22 million) relating to taxes in connection with income from plan assets and income tax receivables.

In 2021, negative interest of €1 million on short-term deposits was recognized in **other interest-type expense.**

Interest and similar expenses for derivatives and the corresponding income item comprise accrued and realized interest from cross-currency interest rate swaps used for currency hedging of an intra-group loan.

The **result from currency translation of financing-related assets and liabilities** included in other financial income/expense mainly results from the exchange rate risk of current intragroup financing transactions (cash pooling) denominated in foreign currencies and from cash and cash equivalents in foreign currencies as these balance sheet items are not included in hedge accounting. The effects of the associated currency hedging are recognized in **income from financing-related currency hedging,** which also includes any ineffectiveness; see note 9.4.4 p. 189 ff.

5.7 Income taxes

Income taxes shown in the income statement T67

in € million	2021	2022
Other income taxes	337	325
thereof relating to other periods	-12	-8
Deferred taxes	-21	44
thereof relating to temporary differences	-13	40
thereof relating to loss carryforwards and tax credits	-10	3
thereof from changes in tax rates and tax legislation	2	1
Income taxes	**316**	**369**

The tax reconciliation shows the development of expected income taxes relative to the effective income taxes stated in the income statement. The expected income taxes are based on an overall tax rate of 32 percent in Germany. This comprises German corporation tax of 15 percent, a solidarity surcharge of 5.5 percent, and an average trade tax rate of around 16 percent. The effective income taxes include other income taxes and deferred taxes.

Tax reconciliation T68

in € million	2021	2022
Income before income taxes, continuing operations	**1,085**	**923**
Expected income taxes (32%)	347	295
Variances due to differences in the assessment base for trade tax	4	5
Deviation from the expected Group tax rate	-82	-74
Changes in the valuation of deferred taxes	2	7
Losses without the establishment of deferred taxes	8	126
Utilization of loss carryforwards	-12	-4
Changes in tax rates and tax legislation	2	1
Non-deductible expenses	29	17
Tax-free income	-38	-35
Result from investments recognized at equity	-2	-4
Other	58	35
Effective income taxes (current income taxes and deferred taxes)	**316**	**369**
Effective income tax rate in %	29.1	40.0

The changes in the valuation of deferred taxes comprise the revaluation of previously non-recognized deferred taxes on temporary differences. Losses without the establishment of deferred taxes relate principally to impairment losses on goodwill, which are not tax-deductible. "Other" contains other income taxes and deferred income taxes totaling −€8 million (2021: −€12 million) relating to other periods, deferred income taxes totaling −€11 million (2021: €25 million) relating to other periods, non-deductible withholding taxes, and, in particular, the revaluation of uncertain income tax positions.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published a legal framework for the introduction of a minimum global tax rate of 15 percent (Pillar II). Based on the present status of the debate about Pillar II, Evonik would fall within the scope of this legal framework. Depending on how it is actually implemented, Evonik may be subject to additional tax expense as it operates in states where the legal tax rate is below 15 percent or where the effective tax rate is below 15 percent as a result of government regulations. The legislative process is being monitored closely. A quantitative estimate is not yet possible.

5.8 Income after taxes

Income after taxes T69

in € million	2021	2022
Income after taxes, continuing operations	**769**	**554**
thereof attributable to non-controlling interests	21	15
thereof attributable to shareholders of Evonik Industries AG	748	539
Income after taxes, discontinued operations	**−2**	**1**
thereof attributable to non-controlling interests	–	–
thereof attributable to shareholders of Evonik Industries AG	−2	1

5.9 Earnings per share

Earnings per share as shown in the income statement are calculated by dividing net income by the weighted average number of shares issued, i.e., 466,000,000 shares. Net income comprises the total earnings for the year less non-controlling interests, including the earnings of discontinued operations. Earnings per share could be diluted by potential ordinary shares. Since there were no potential ordinary shares in either 2021 or 2022, diluted earnings per share are identical to basic earnings per share.

Earnings per share T70

			Earnings per share in € (basic and diluted)	
in € million	2021	2022	2021	2022
Income after taxes, continuing operations	769	554	1.65	1.19
Income after taxes, discontinued operations	−2	1	−0.00	0.00
Less income after taxes attributable to non-controlling interests	−21	−15	−0.05	−0.03
Income after taxes attributable to shareholders of Evonik Industries AG (net income)	**746**	**540**	**1.60**	**1.16**

6. Notes to the balance sheet

6.1 Intangible assets

Intangible assets are capitalized at acquisition or production cost and amortized using the straight-line method if their useful life is finite. An impairment test is conducted on assets with a finite useful life if there are indications of a possible impairment and at least once a year on goodwill. Amortization and impairment losses are recognized in the costs of the function that benefits from the use of the asset.

The estimated useful life of **franchises, trademarks, and licenses** is between five and 25 years.

Development costs are capitalized if they can be clearly assigned to a newly developed product or process that is technically feasible and designated for captive use or commercialization. They are amortized over their estimated useful life of between three and 15 years using the straight-line method.

The **other intangible assets** mainly comprise acquired customer relationships. Their useful life is estimated on the basis of contractual data and experience and is generally between five and 20 years. Amortization also takes account of the probability of continuance of the customer relationship in the form of a churn rate.

Change in intangible assets T71

		Other intangible assets				
in € million	Goodwill	Franchises, trademarks, and licenses	Capitalized development costs	Miscellaneous other intangible assets	**Total**	**Total goodwill and other intangible assets**
Cost of acquisition/production						
As of January 1, 2021	**4,642**	**1,455**	**4**	**1,040**	**2,499**	**7,141**
Currency translation	193	11	1	66	78	271
Additions from business combinations	66	5	–	15	20	86
Other additions	–	14	–	3	17	17
Reclassification pursuant to IFRS 5	–	–	–	–	–	–
Disposal	–	–22	–	–	–22	–22
Reclassification	–18	19	21	–40	–	–18
As of December 31, 2021	**4,883**	**1,482**	**26**	**1,084**	**2,592**	**7,475**
Currency translation	116	4	–	42	46	162
Additions from business combinations	–	–	–	–	–	–
Other additions	–	3	–	5	8	8
Reclassification pursuant to IFRS 5	–22	–3	–	–	–3	–25
Disposal	–7	–33	–	–2	–35	–42
Reclassification	–5	9	–	2	11	6
As of December 31, 2022	**4,965**	**1,462**	**26**	**1,131**	**2,619**	**7,584**

Change in intangible assets

T71

in € million	Goodwill	Other intangible assets: Franchises, trademarks, and licenses	Other intangible assets: Capitalized development costs	Other intangible assets: Miscellaneous other intangible assets	Other intangible assets: Total	**Total goodwill and other intangible assets**
Amortization and impairment losses						
As of January 1, 2021	**97**	**881**	**3**	**283**	**1,167**	**1,264**
Currency translation	1	6	1	19	26	27
Amortization	–	90	2	67	159	159
Impairment losses	–	2	–	–	2	2
Reclassification pursuant to IFRS 5	–	–	–	–	–	–
Disposal	–	–22	–	–	–22	–22
Reclassification	–	–	–	–	–	–
As of December 31, 2021	**98**	**957**	**6**	**369**	**1,332**	**1,430**
Currency translation	–2	1	–	11	12	10
Amortization	–	86	2	76	164	164
Impairment losses	301	4	–	–	4	305
Reclassification pursuant to IFRS 5	–	–2	–	–	–2	–2
Disposal	–	–34	–	–	–34	–34
Reclassification	–	2	–	–1	1	1
As of December 31, 2022	**397**	**1,014**	**8**	**455**	**1,477**	**1,874**
Carrying amounts as of December 31, 2021	**4,785**	**525**	**20**	**715**	**1,260**	**6,045**
Carrying amounts as of December 31, 2022	**4,568**	**448**	**18**	**676**	**1,142**	**5,710**

As in the previous year, there were no intangible assets on the reporting date to which title was restricted.

6.2 Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost and depreciated over their useful life. If there are indications of a possible impairment, an impairment test is conducted.

The **cost of acquisition** includes expenses directly attributable to the acquisition. The cost of production comprises all direct costs, plus the systematically allocable material costs and manufacturing overheads. Costs relating to obligations to dismantle or remove property, plant and equipment at the end of their useful life are also included in the cost of acquisition or production. Acquisition and production costs may also include transfers from gains and losses on cash flow hedges entered into to hedge foreign currency exposures in connection with the purchase of plants that were recognized in other comprehensive income in the statement of comprehensive income until they were reclassified to property, plant and equipment. Borrowing costs that can be allocated directly to the acquisition, construction, or production of a qualifying asset (necessary timescale: more than one year) are included in the cost of acquisition or production. Government grants for the purchase or construction of property, plant and equipment reduce the cost of acquisition or production of such assets. They are reflected in the income statement over the useful life of the assets through lower depreciation.

Property, plant and equipment are **depreciated** using the straight-line method over the expected useful life of the assets. This is between five and 50 years for buildings, between two and 25 years for plant and machinery, and between three and 25 years for other plant, office furniture, and equipment.

Gains and losses on disposal are recognized in profit or loss via other operating income or expense.

Change in property, plant and equipment T72

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	Advance payments and construction in progress	Total
Cost of acquisition/production					
As of January 1, 2021	**3,575**	**13,265**	**1,069**	**1,136**	**19,045**
Currency translation	133	356	14	6	509
Additions from business combinations	–	3	–	–	3
Other additions	36	189	33	654	912
Reclassification pursuant to IFRS 5	–	–	–	–	–
Disposal	−20	−169	−39	7	−221
Reclassification	81	371	10	−471	−9
As of December 31, 2021	**3,805**	**14,315**	**1,087**	**1,332**	**23,239**
Currency translation	78	231	8	7	324
Additions from business combinations	–	–	–	–	–
Other additions	19	249	42	538	848
Reclassification pursuant to IFRS 5	−91	−540	−20	−12	−663
Disposal	−38	−157	−68	−5	−268
Reclassification	63	932	22	−990	27
As of December 31, 2022	**3,836**	**14,730**	**1,071**	**870**	**20,507**

Change in property, plant and equipment

T72

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	Advance payments and construction in progress	Total
Depreciation and impairment losses					
As of January 1, 2021	**1,724**	**9,803**	**889**	**41**	**12,457**
Currency translation	50	233	11	−1	293
Depreciation	96	565	62	–	723
Impairment losses	4	40	–	4	48
Reclassification pursuant to IFRS 5	–	–	–	–	–
Disposal	−9	−169	−39	–	−217
Reclassification	−1	−23	−4	–	−28
As of December 31, 2021	**1,864**	**10,449**	**919**	**44**	**13,276**
Currency translation	30	140	6	–	176
Depreciation	103	622	60	–	785
Impairment losses	40	108	–	–	148
Reclassification pursuant to IFRS 5	−71	−503	−18	–	−592
Disposal	−38	−147	−67	–	−252
Reclassification	–	5	−1	–	4
As of December 31, 2022	**1,928**	**10,674**	**899**	**44**	**13,545**
Carrying amounts as of December 31, 2021	**1,941**	**3,566**	**168**	**1,288**	**6,963**
Carrying amounts as of December 31, 2022	**1,908**	**4,056**	**172**	**826**	**6,962**

The carrying amount of property, plant and equipment used as **collateral for liabilities of Evonik** is €22 million (2021: €23 million).

6.3 Right-of-use assets

Right-of-use assets are normally recognized at the amount of the lease liability and depreciated. If there are indications of a possible impairment, an impairment test is conducted.

Right-of-use assets are depreciated using the straight-line method, usually over the expected lease term of the right-of-use asset. This is primarily between two and 99 years for right-of-use assets for land, land rights, and buildings, between five and 50 years for right-of-use assets for plant and machinery, and between two and 20 years for right-of-use assets for other plant, office furniture, and equipment.

The right-of-use assets for plant and machinery mainly relate to power plants and storage tanks. The right-of-use assets for other plant, office furniture, and equipment mainly relate to rail wagons and transport containers, ships, and motor vehicles.

Development of right-of-use assets T73

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	Total
Cost of acquisition/production				
As of January 1, 2021	**300**	**360**	**237**	**897**
Currency translation	9	4	8	21
Additions from business combinations	3	–	–	3
Other additions	45	6	59	110
Reclassification pursuant to IFRS 5	–	–	–	–
Disposal	–26	–22	–39	–87
Reclassification	8	–8	–	–
As of December 31, 2021	**339**	**340**	**265**	**944**
Currency translation	6	2	7	15
Additions from business combinations	–	–	–	–
Other additions	70	372	76	518
Reclassification pursuant to IFRS 5	–4	–	–11	–15
Disposal	–16	–16	–33	–65
Reclassification	1	–	1	2
As of December 31, 2022	**396**	**698**	**305**	**1,399**

Development of right-of-use assets

T73

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	Total
Depreciation and impairment losses				
As of January 1, 2021	**60**	**75**	**94**	**229**
Currency translation	4	1	3	8
Depreciation	36	41	64	141
Reclassification pursuant to IFRS 5	–	–	–	–
Disposal	–9	–7	–26	–42
Reclassification	1	–1	–	–
As of December 31, 2021	**92**	**109**	**135**	**336**
Currency translation	1	1	3	5
Depreciation	39	46	66	151
Reclassification pursuant to IFRS 5	–1	–	–8	–9
Disposal	–10	–15	–32	–57
Reclassification	1	–	–	1
As of December 31, 2022	**122**	**141**	**164**	**427**
Carrying amounts as of December 31, 2021	**247**	**231**	**130**	**608**
Carrying amounts as of December 31, 2022	**274**	**557**	**141**	**972**

Further information on right-of-use assets and leasing can be found in note 9.2 p. 175 ff.

6.4 Investments recognized at equity

Associates and joint ventures are generally recognized using the equity method. They are initially measured at cost of acquisition, including all directly allocable ancillary costs. If there are indications of a possible impairment, an impairment test is conducted.

For **initial measurement,** the difference between the cost of acquisition and the investor's share in the investee's equity is determined. Any positive difference remaining after the identification of hidden reserves or hidden liabilities is treated as goodwill and recognized in the carrying amount of the investment. A negative difference is recognized in profit or loss and the carrying amount of the investment is recognized in acquisition costs.

In **subsequent periods,** the carrying amount of the investment is increased or reduced by the pro rata share of the investee's net income. Further adjustments to the carrying amount of the investment are necessary if the equity of the investment alters as a result of items contained in other comprehensive income. Subsequent measurement must take into account depreciation of the hidden reserves identified at the time of initial recognition, which must be deducted from the investor's share in the investee's net income. To avoid dual recognition, any dividends received must be deducted from the carrying amount.

Investments recognized at equity T74

in € million	Dec. 31, 2021	Dec. 31, 2022
Carrying amount of individually non-material associates	13	15
Carrying amount of individually non-material joint ventures	68	73
Investments recognized at equity	**81**	**88**

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

Condensed financial data for individually non-material investments recognized at equity T75

	Associates		Joint ventures	
in € million	2021	2022	2021	2022
Income after taxes, continuing operations	4	5	4	7
Total comprehensive income	**4**	**5**	**4**	**7**

In addition, there was other comprehensive income of €2 million (2021: −€3 million) from the currency translation of the carrying amounts of investments recognized at equity. This mainly related to joint ventures.

For further information on contingent liabilities to associates and joint ventures, see note 9.5 p. 198 f.

6.5 Impairment test pursuant to IAS 36

If there are indications of possible impairment, an impairment test is conducted on intangible assets, property plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets in accordance with IAS 36. Goodwill is tested for impairment at least once a year.

The impairment test is generally conducted for a cash-generating unit (CGU) or a group of CGUs. The identification of CGUs involves making judgments, especially as there could possibly be various cross-region integrated production facilities and sites. For the impairment test on goodwill, the group of CGUs corresponds to the segment. The recoverable amount of the CGU/group of CGUs is compared with its carrying amount. The recoverable amount is determined as the higher of the fair value less costs of disposal and the value in use of the CGU/group of CGUs. An impairment loss is recognized if the recoverable amount is below the carrying amount. The impairment loss is reversed—except in the case of goodwill—if the reason for the original impairment charge no longer applies.

When **testing goodwill for impairment,** the recoverable amount of goodwill is determined from the fair value less costs of disposal of the relevant segment. The fair value less costs of disposal is determined as the present value of future cash flows using a valuation model, and thus on the basis of non-observable inputs (level 3 of the fair value hierarchy defined in IFRS 13). This model is based on the three-year mid-term plan, supplemented by two transitional years and a terminal growth rate. The specific growth rates for the individual segments and the terminal growth rates are derived from experience and future expectations. The expected future cash flows are discounted using the segment-specific weighted average cost of capital (WACC) after taxes. The weighted average cost of capital is determined for each segment on the basis of a capital asset pricing model and is the weighted average cost of debt and equity.

For **impairment testing of other intangible assets, property, plant and equipment, and right-of-use assets,** the recoverable amount is normally the value in use of the CGU/group of CGUs. This is determined as the present value of future cash flows from the CGU/group of CGUs using a valuation model, and thus on the basis of non-observable inputs (level 3 of the fair value hierarchy defined in IFRS 13). This model is based on the average remaining useful life of the assets in the CGU/group of CGUs to be tested. A specific weighted cost of capital is used for each CGU/group of CGUs.

The **impairment test on goodwill** involves assumptions and estimates that may be subject to change and could result in impairment losses in the future. The material estimates include the determination of the expected cash flows. Other key parameters are the terminal growth rate and the weighted average cost of capital after taxes. The main assumptions underlying the planning include the development of sales and adjusted EBITDA. The development of sales is derived from expected volume and price-related trends in the relevant markets, taking into account the expectations for GDP and exchange rates. To derive the development of adjusted EBITDA, we also take account of raw material and energy prices and increases in wages and salaries. In the Evonik Group, the regular date for testing of goodwill is September 30.

Disclosures on the impairment test on segment goodwill as of September 30 T76

	WACC after taxes (in %)		Terminal growth rate (in %)	
	2021	**2022**	2021	**2022**
Specialty Additives	6.37	7.32	1.50	1.50
Nutrition & Care	5.72	7.83	1.50	1.50
Smart Materials	7.15	7.21	1.50	1.50
Performance Materials	7.31	7.40	1.50	1.50

In light of the present difficult economic situation, the **regular impairment test on goodwill as of September 30** used three scenarios with differing timings for the recovery to the pre-crisis level were used. Alongside recovery to the pre-crisis level in fiscal 2023 and fiscal 2024, an ongoing recession was considered. For the impairment test on goodwill, the most probable scenario was used; this assumes recovery to the pre-crisis level in fiscal 2024. The future cash flow estimate for the three-year mid-term planning period for the Specialty Additives, Nutrition & Care, and Smart Materials divisions was based on assumptions about the development of sales, which could be reflected in segment-specific average annual growth rates of between 1.4 percent and 4.5 percent. For adjusted EBITDA, growth below sales is assumed for the Nutrition & Care division; for the other two divisions, it was assumed that growth in adjusted EBITDA will be considerably higher than the increase in sales. The estimate of future cash flows for the Performance Materials division was based on the assumption of a considerable reduction in sales and stable development of adjusted EBITDA. The regular impairment test on goodwill as of September 30 did not result in impairment losses in any segment. In the three segments with material goodwill—the Specialty Additives, Nutrition & Care, and Smart Materials divisions—a reduction in the net cash flow or the terminal growth rate in the least favorable scenario would not result in an impairment loss.

In the fourth quarter, the planning for the Performance Materials division was revised downwards as a result of the developments on the European energy market. **Based on this indication, an impairment test on the goodwill** of this division was performed **as of December 31, 2022.** For this, the estimated future cash flows were reduced considerably, especially with regard to the development of adjusted EBITDA, and an adjusted cost of capital of 7.86 percent was used. The terminal growth rate was still 1.50 percent. Taking into account the Evonik-specific cost allocations that the division has to bear and the currently foreseeable downside effects of the geopolitical crises, a recoverable amount pursuant to IAS 36 of €996 million was determined as of December 31, 2022. This resulted in the recognition of an impairment loss of €301 million for all goodwill of the Performance Materials division, which is recognized in other operating expense.

Segment goodwill T77

	Dec. 31, 2021	Dec. 31, 2022
Specialty Additives	1,986	2,046
Nutrition & Care	1,185	1,186
Smart Materials	1,319	1,336
Performance Materials	295	–

Impairment tests are performed **on other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets** if there are internal or external indications of possible impairment.

The difference between the carrying amount of equity and the market capitalization of the Evonik Group was an indication for an asset impairment test. This impairment test was performed for all CGUs and groups of CGUs in the Evonik Group and resulted in impairment losses in individual cases. The impairment losses in the Performance Materials division mainly relate to plant and machinery and to land and land rights at one site in Germany. They were written down to their fair value less disposal costs. All other impairment losses involved a write-down of the value in use. The impairment losses in the Nutrition & Care division relate to production facilities in Central & South America and Europe. In the Smart Materials division, impairment losses were recognized for production facilities in Asia and Europe. The impairment losses in the Technology & Infrastructure division related to plant and machinery and land and buildings in Germany.

The outcome of the impairment test on goodwill and on other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets is presented below:

Impairment tests pursuant to IAS 36 by segments and asset classes T78

	Goodwill		Other intangible assets		Property, plant and equipment		Investments recognized at equity		Total	
in € million	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Specialty Additives	–	–	–	–	1	4	–	–	1	4
Nutrition & Care	–	–	–	4	36	38	–	–	36	42
Smart Materials	–	–	2	–	5	14	–	–	7	14
Performance Materials	–	301	–	–	3	70	3	–	6	371
Technology & Infrastructure	–	–	–	–	3	20	–	–	3	20
Enabling functions, other activities	–	–	–	–	–	2	–	–	–	2
Total Group	**–**	**301**	**2**	**4**	**48**	**148**	**3**	**–**	**53**	**453**

6.6 Financial assets

Financial assets T79

in € million	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current
Trade accounts receivable	**1,954**	–	**1,898**	–
Cash and cash equivalents	**456**	–	**645**	–
Other investments	515	515	347	347
Loans	51	10	57	21
Securities and similar claims	489	43	462	49
Receivables from derivatives	70	3	89	19
Miscellaneous other financial assets	27	10	67	5
Other financial assets	**1,152**	**581**	**1,022**	**441**
Financial assets	**3,562**	**581**	**3,565**	**441**

The **material other investments** are the 7.5 percent shareholding in Vivawest GmbH and the equity investment in Borussia Dortmund GmbH & Co. KGaA. Furthermore, this item contains unlisted equity investments, some of which relate to venture capital activities. In addition, it includes non-consolidated affiliated companies that—individually and in aggregate—have a negligible influence on the Evonik Group's assets, financial position, and earnings. Information on their valuation is presented in note 9.4.1 p. 180 ff.

The **loans** contain convertible bonds totaling €6 million (2021: €12 million). Information on their valuation is presented in note 9.4.1 p. 180 ff.

Securities and similar claims comprise listed bonds and money market paper purchased for short-term investment of liquid funds and shares in unlisted investment funds relating to venture capital activities in which Evonik has a long-term strategic investment.

Receivables from derivatives T80

in € million	Dec. 31, 2021	Dec. 31, 2022
Receivables from forward exchange contracts, currency options, and currency swaps	29	68
Receivables from commodity derivatives	41	21
Total	**70**	**89**

The **miscellaneous other financial assets** comprise time deposits at banks and claims relating to the termination of contracts.

6.7 Inventories

Inventories are measured at the lower of cost and net realizable value. Normally, the cost of inventories is determined uniformly using an average, the first-in first-out method, or the standard cost method. The cost of production of finished goods and work in progress comprises the cost of raw materials and supplies, directly attributable personnel expenses, other direct costs, and general overheads that can be assigned to production. Emission allowances are also recognized at cost. Emission allowances allocated free of charge by the German emissions trading authority (DEHSt) or comparable authorities in other countries are recognized in the balance sheet with a value of zero.

Inventories T81

in € million	Dec. 31, 2021	Dec. 31, 2022
Raw materials and supplies	617	779
Work in progress	98	73
Finished goods and merchandise	1,833	1,968
Inventories	**2,548**	**2,820**

Raw materials and supplies include emission allowances intended for use totaling €30 million (2021: €23 million).

Impairment losses of €65 million were recognized **on inventories** in the reporting period (2021: €61 million), while reversals of impairment losses amounted to €44 million (2021: €34 million). Reversals of impairment losses were mainly due to higher selling prices and improved market conditions.

Inventories recognized **as an expense in the period** amounted to €13,455 million (2021: €10,381 million).

6.8 Other non-financial assets

Other non-financial assets T82

	Dec. 31, 2021		Dec. 31, 2022	
in € million	Total	thereof non-current	Total	thereof non-current
Assets from overfunded pension plans[a]	–	–	1	1
Advance payments made	60	–	50	–
Deferred expenses	83	42	51	10
Contract assets from contracts with customers	12	12	7	4
Receivables from other taxes	269	37	315	30
Receivables from employees	9	–	15	2
Miscellaneous other non-financial assets	74	34	171	17
Other non-financial assets	**507**	**125**	**610**	**64**

[a] See note 6.10 p. 158 ff.

Contract assets from contracts with customers arise from license agreements based on milestones, where a customer is granted a right of use. The contract assets are reclassified to receivables as soon as the associated rights become unconditional. Information on risk provisioning is presented in note 9.4.4 p. 189 ff.

Development of contract assets from contracts with customers T83

in € million	2021	2022
As of January 1	**20**	**12**
Currency translation	–	2
Additions	–	2
Reclassification to receivables	–8	–2
Other reclassifications	–	–6
Other disposals	–	–1
As of December 31	**12**	**7**

Miscellaneous other non-financial assets mainly comprise receivables from governments, receivables from insurance policies, receivables relating to acceptance by the Federal Network Agency of the bid for the decommissioning of hard coal power plants, and a claim to a value-added tax refund for previous years in Brazil.

6.9 Equity

Issued capital and capital reserves contain the paid-up capital of Evonik Industries AG. By contrast, the capital earned by the Evonik Group that is attributable to shareholders of Evonik Industries AG is recognized in retained earnings and other equity components. The share of paid-up and earned equity of consolidated subsidiaries of the Evonik Group that is attributable to non-controlling interests is presented in the line item non-controlling interests.

As in the previous year, the company's **fully paid-up capital** was €466,000,000 on the reporting date. It is divided into 466,000,000 no-par registered shares. The arithmetic value of each share is unchanged at €1. Each no-par share entitles the holder to one vote.

Authorized and conditional capital as of December 31, 2022 T84

	Amount in €	Purpose
Authorized capital 2022 (annual shareholders' meeting of May 25, 2022)	116,500,000	Increase the capital stock by issuing new registered no-par shares (authorization runs to May 24, 2027)
Conditional capital 2022 (annual shareholders' meeting of May 25, 2022)	37,280,000	Issue of new registered no-par shares for the issuance of convertible or warrant bonds

Under the **authorized capital 2022,** the executive board is authorized, subject to the approval of the supervisory board, to increase the company's capital stock through one or more issuances in return for cash and/or contributions in kind. Subject to the approval of the supervisory board, it may to exclude shareholders' statutory subscription rights when issuing new shares in the following cases:
- capital increases against contributions in kind
- if the capital increase is against cash and the proportionate share of the capital stock attributable to the new shares does not exceed 10 percent of the capital stock, and the issue price of the new shares is not significantly below the stock market price of shares already listed on the stock exchange
- to exclude fractional amounts arising from the subscription ratio
- insofar as is necessary to grant holders and/or creditors of warrants and/or conversion rights or obligors of warrant and/or conversion obligations subscription rights to new shares to the extent that they would be entitled to them after exercise of their warrants and/or conversion rights or fulfillment of their warrant and/or conversion obligations
- to grant shares to employees (employee stock), provided that the new shares for which subscription rights are excluded do not, in aggregate, account for a proportionate share of the capital stock in excess of 1 percent
- for the execution of a scrip dividend.

The proportionate amount of the capital stock attributable to the shares for which subscription rights are excluded, together with the proportionate amount of the capital stock attributable to treasury stock or to conversion and/or warrant rights or obligations arising from debt instruments, which are sold or issued after May 25, 2022 under exclusion of subscription rights, may not exceed 20 percent of the capital stock. If the sale or issue takes place in application—analogously or mutatis mutandis—of section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG), this shall also be deemed to constitute an exclusion of subscription rights. The executive board is authorized, subject to the approval of the supervisory board, to define further details of capital increases out of the authorized capital 2022. The authorized capital has not yet been utilized.

The conditional capital increase **(conditional capital 2022)**, divided into up to 37,280,000 registered shares with no par value, will only be conducted insofar as holders or creditors of warrant or conversion rights or obligors of warrant or conversion obligations arising from warrant bonds and/or convertible bonds issued or guaranteed on the basis of the authorization resolved at the annual shareholders' meeting of May 25, 2022, exercise their warrants or conversion rights or, insofar as they have an obligation to exercise the warrants or conversion obligations, meet the obligation to exercise the warrant or conversion obligations, and other forms of settlement are not used In principle, the shareholders have a statutory right to subscription rights to the convertible and/or warrant bonds; the authorization sets out specific cases where the executive board may exclude subscription rights to convertible and/or warrant bonds, subject to the approval of the supervisory board. The new shares shall be issued at the warrant or conversion price set in accordance with the above provisions of the resolution. The new shares are entitled to a dividend from the start of the fiscal year in which they are issued. The executive board is authorized, subject to the approval of the supervisory board, to define further details of capital increases out of the conditional capital. The conditional capital has not yet been utilized.

The **capital reserve** mainly contains other payments received from shareholders pursuant to section 272 paragraph 2 no. 4 of the German Commercial Code (HGB).

On March 3, 2022, Evonik Industries AG announced that it would be utilizing the authorization granted by the annual shareholders' meeting on August 31, 2020 to purchase **shares in the company** totaling up to €111,180,000 thousand by April 1, 2022 at the latest. The purpose of purchasing the shares was to grant shares under an employee share program to employees of Evonik Industries AG and certain subordinated affiliated companies in the Evonik Group and to members of the management of subordinated affiliated companies of Evonik Industries AG.

Development of treasury shares T85

	Treasury shares (in € million)		No. of ordinary shares		Average price (in €)	
	2021	**2022**	2021	**2022**	2021	**2022**
As of January 1	–	**–**	–	**–**	–	**–**
Purchase of treasury shares	15	**16**	503,491	**659,015**	29.75	**24.54**
Sale of treasury shares to employees	–13	**–14**	434,650	**579,240**	30.16	**25.18**
thereof bonus shares	–3	**–4**	115,729	**148,523**	30.16	**25.18**
Sale of treasury shares on the stock exchange	–2	**–2**	68,841	**79,775**	30.41	**24.39**
As of December 31	**–**	**–**	**–**	**–**	**–**	**–**

Through this share buyback program, by March 25, 2022 Evonik Industries AG purchased 659,015 shares in the company, corresponding to 0.1 percent of the capital stock. The purchases were made from March 7, 2022 at an average daily volume of around 44,000 shares on each Xetra trading day through a bank acting on the instructions of Evonik Industries AG. The maximum purchase price of each share repurchased (excluding ancillary costs) could not exceed or fall short of the opening price as set in the opening auction for the trading day for shares in Evonik Industries AG in Xetra trading on the Frankfurt stock exchange by more than 5 percent. In April 2022, shares in the company were transferred to participating employees on the basis of the share price on March 31, 2022 and the exchange rates prevailing on the same date. The remaining ordinary shares were sold to third parties via the stock exchange by April 14, 2022.

Retained earnings amounted to €9,345 million (2021: €7,767 million) and comprised Group earnings from 2021 and previous years, as well as other comprehensive income from the remeasurement of the net defined benefit liability. Evonik Industries AG reported a net loss of €223 million for fiscal 2022. Following the withdrawal of €602,701,103 from retained earnings and taking into account the profit of €164,780,000 carried forward from the previous year, net income was €545,220,000. A proposal will be submitted to the annual shareholders' meeting that this should be paid out in full. That corresponds to a dividend of €1.17 per no-par share for fiscal 2022.

The **other equity components** contain accumulated other comprehensive income recognized outside of profit or loss, i.e., not included in the income statement. The other equity components from equity instruments contain increases and decreases in the fair value of other investments, which are recognized outside of profit or loss. The other equity components from hedging instruments for designated risk components comprise net gains or losses from the change in the fair value of the effective portion of cash flow hedges and hedges of a net investment. The other equity components from hedging instruments for the cost of hedging reflect changes in the time value of options and the interest spread and foreign currency basis spreads on forward currency transactions and currency swaps. The cost of hedging relates to hedged items recognized both at a point in time and over time. The other equity components from currency translation comprise differences arising from the translation of foreign financial statements.

In the reporting period, –€100 million (2021: €21 million) was reclassified from other equity components for designated risk components and for the cost of hedging to the income statement:

Reclassification of hedging results from other equity components to the income statement T86

in € million	2021	**2022**
Sales	20	**–100**
Cost of sales	1	**–**
Total	**21**	**–100**

For further information on changes in the other equity components from hedging instruments for designated risk components and for the cost of hedging and their allocation among the various risk types, see note 9.4.3 p. 185 ff.

Non-controlling interests amounting to €82 million (2021: €83 million) comprise shares in the issued capital and reserves of consolidated subsidiaries that are not attributable to the shareholders of Evonik Industries AG. Changes in ownership interests in subsidiaries without loss of control were negligible in the reporting period, as in the previous year. The other earnings components attributable to non-controlling interests relate entirely to currency translation.

Change in other equity components attributable to non-controlling interests T87

in € million	2021	2022
As of January 1	**–8**	**–8**
Currency translation	–	–1
Other comprehensive income as in the statement of comprehensive income	**–**	**–1**
As of December 31	**–8**	**–9**

6.10 Provisions for pensions and other post-employment benefits

Provisions for pensions and other post-employment benefits are measured using the projected unit credit method for **defined benefit obligations** in accordance with IAS 19 Employee Benefits. This method takes account of future salary and pension increases, biometric assumptions, as well as pension obligations and accrued entitlements as of the reporting date. Pension obligations are determined using country-specific parameters and measurement principles.

Actuarial gains and losses relating to pension obligations and income from plan assets (apart from interest income) are derived from the difference between the expected pension obligations and the actual obligation calculated at year-end and from deviations between the expected and actual fair value of plan assets calculated at year-end. Changes that arise as a result of actuarial gains/losses relating to pension obligations, income from plan assets (excluding interest income), changes in the asset ceiling (excluding interest cost), and income from claims to refunds (excluding interest income) are offset directly in other comprehensive income.

The **defined benefit obligations** at year-end are compared with the fair value of the plan assets (funded status), and pension provisions are derived from this, taking into account the asset ceiling and the net defined benefit assets from overfunded plans recognized on the assets side.

Defined contribution plans result in an expense in the period in which the contribution is made. Defined contribution plans exist for both company pension plans and state pension plans (statutory pension insurance).

Provisions for pensions are established to cover **benefit plans for retirement, disability, and surviving dependents' pensions.** The benefit obligations vary depending on the legal, tax, and economic circumstances in the various countries in which the companies operate. The level of the benefit obligations generally depends on the length of service and remuneration.

At the German companies, **occupational pension plans** are predominantly defined benef t plans. They are primarily funded by provisions, pension fund assets, and a contractual trust arrangement (CTA). The pension plans at companies outside Germany may be either defined contribution or defined benefit plans.

The present value of the defined benefit obligations and the fair value of the plan assets as of December 31, 2022 mainly relate to Germany, the USA, and the UK:

Breakdown of the present value of the defined benefit obligations and the fair value of plan assets T88

	2021		2022	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
Germany	10,990	7,386	7,514	6,355
thereof pension fund/reinsured support fund	5,712	3,940	3,543	3,585
thereof funded through CTA	4,965	3,446	3,759	2,770
USA	441	318	327	199
UK	538	539	337	338
Other	193	156	166	139
Total Group	**12,162**	**8,399**	**8,344**	**7,031**

The main pension plans for employees in **Germany** are as follows:

Pension fund (Pensionskasse): There are a number of closed pension plans. Income-related contributions are converted into defined benefits and invested with the company-owned Degussa Pension Fund. The structure of the tariffs, including investment of the assets, is subject to oversight by the supervisory authority for the insurance sector. The pension fund is a multi-employer fund. It is funded on a projected benefit basis. The level of plan assets required to cover the projected benefits is derived from a technical business plan approved by the supervisory authority and from statutory requirements. Funding must be sufficient at all times to cover benefits, which have to be upheld even if the employer's contributions are terminated. The company contribution to Tariff DuPK is calculated to ensure that, together with the employee contributions, funding of the resulting entitlements in line with the technical business plan is assured. The company contribution to the Marl and Troisdorf tariffs is proposed by the responsible actuary and is based on the funds required to cover the benefits. As the sponsoring company of this pension fund, Evonik Operations GmbH has a contractual obligation to cover benefits under the Marl and Troisdorf tariffs if sufficient funding is not available. This obligation is not limited to the company where the insurees are employed. The obligation was assumed on the basis of a requirement stipulated by the supervisory authority when these tariffs were established. At that time, only company employees were insured in the plan. At present, it is not possible to estimate whether this obligation could be of relevance as a supplement to the tools set out in the pension fund regulation, such as increasing company contributions or cutting benefits in the event of a loss.

Support fund (Unterstützungskasse): The support fund comprises two plans, one of which is open to new employees. It also allows for deferred compensation arrangements. Income-related contributions are converted into defined benefits and reinsured with the company-owned Degussa Pension Fund. The structure of the tariffs, including investment of the assets, is subject to oversight by the supervisory authority for the insurance sector. Pension increases of 1 percent p.a. are a firm commitment. The support fund meets the criteria for classification as a multi-employer plan. It is funded through reinsurance with the Degussa Pension Fund, which covers pension adjustments for the open plan. The Degussa Pension Fund maintains sufficient funding for this in compliance with the German Insurance Supervision Act and the ordinances issued by the supervisory authority. Funding must be sufficient at all times to cover benefits, which have to be upheld even if the employer's contributions are terminated. The level of benefits is based on the contributions paid into the fund. The support fund does not have any arrangements under which the Group is liable for the obligations of companies outside the Evonik Group in the event of inadequate funding.

Direct pension commitments: These comprise various defined benefit plans where the pension benefit is generally directly or indirectly linked to the final salary. Most of these plans grant higher benefits for income components above the ceiling for contributions to the state pension insurance plan or are intended exclusively to cover such income components. All final salary plans are closed and, in most cases, now only operate through the protection of the accrued benefits for insurees who are currently still working. Direct commitments of this type are now only used for senior executives and voluntary deferred compensation arrangements. In such cases, a defined benefit is calculated on the basis of an income-related contribution or an amount credited by the employee. Insurees can choose between various forms of payment, for example, as a lump sum, an annuity, or installment payments. The benefits include a fixed pension increase of 1 percent p.a. Plan assets for large companies in the Evonik Group, which account for the vast majority of obligations under direct commitments, are managed by Evonik Pensionstreuhand e.V. This fund is not subject to regulatory oversight or minimum funding requirements. It uses an asset-liability matching strategy, whereby changes in obligations are offset through changes in the plan assets. In this strategy, the interest rate and credit sensitivities of the liabilities are partially replicated in the plan assets.

Description of the potential risks arising from pension plans: Most German pension plans grant lifelong pension benefits. A specific risk here is that rising life expectancy could increase the benefit obligation. In most cases, increases in the benefits paid by these funds are linked to the consumer price index. This entails an additional inflation risk. In the case of plans where employees can choose between a lump-sum payment or an annuity, there is a risk that the option could be selected on the basis of individual assessments of health and life expectancy. For final salary plans, the benefit-risk relates to future salary trends for employees covered by collective agreements and exempt employees and, in some cases, changes in the ceiling for contributions to statutory pension insurance. Where assets are invested externally by the pension fund, support fund, and Evonik Pensionstreuhand e.V., plans are exposed to a capital market risk. Depending on the composition of the investment portfolio, this comprises a risk of changes in value and income risks, which could mean that the assumed performance or return is not generated over the term of the investment. Under German legislation on occupational pensions, the employer is liable to cover firm benefit commitments and guaranteed returns.

The main pension plans for employees in the **USA:**

In the USA there are unfunded, fully funded, and partially funded pension plans and post-employment benefits under healthcare plans. The majority of the obligations relate to funded plans. The defined benefit pension plans in the USA are not open to new employees. Benefits are based on a range of parameters such as final salary, average salary during career, individual pension accounts, and fixed benefits. Most plans include a lump-sum option with a corresponding risk to the company that this will be utilized. An asset-liability matching strategy supports compliance with minimum funding levels to avoid volatility. This is implemented primarily through US government bonds and corporate bonds denominated in US dollars. The assets are managed by a pension trust.

The main pension plans for employees in the **UK:**

All obligations in the UK relate to vested benefits for former employees and retirees. The majority of the pension obligations are asset-funded. In 2020, these plans were combined in a single plan, which is administered by an external trust. All plans have been closed to new entrants since 2020. Almost all plans are final salary plans. The plan assets are subject to the asset ceiling. Similarly, surplus assets cannot be returned to the companies without the approval of the trustees. In 2021, the surplus from the buy-in was invested in a defined contribution plan. The transfer resulted in past service cost of €5 million.

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

Assumptions used in the actuarial valuation of pension obligations T89

	Evonik Group		Germany	
in %	2021	**2022**	2021	**2022**
Discount rate as of December 31	1.38	4.17	1.30	4.10
Future salary increases	2.53	2.53	2.50	2.50
Future pension increases	1.69	2.16	1.60	2.10
Healthcare cost trend	5.94	7.35	–	–

The **discount rate** for **Germany** and the **euro zone countries** is extrapolated from a yield structure curve derived from AA-rated corporate bonds denominated in euros and, where there are no market data available, a yield curve for zero-coupon German government bonds, taking into account a risk premium for euro-denominated AA-rated corporate bonds. The data on AA-rated euro-denominated corporate bonds are based on bonds with an AA rating from at least one of the major rating agencies. The yield structure curve derived from AA-rated euro-denominated corporate bonds is used to determine the present value of the cash flows from company pension obligations. The discount rate comprises the rounded constant interest rate that results in the same present value when applied to the cash flow.

Analogous methods are used to determine the discount rates for the pension plans in the **USA** and the **UK.** As of December 31, 2022, the discount rate was 5.50 percent for the USA (2021: 2.79 percent) and 4.81 percent for the UK (2021: 1.81 percent).

In Germany, valuation is based on the **biometric data** in the 2018 G mortality tables published by Klaus Heubeck. For the companies in the UK, the S2PXA tables are used, and for the USA the MP-2021 mortality projection scales are used.

Change in the present value of the defined benefit obligation T90

in € million	2021	2022
Present value of the defined benefit obligation as of January 1	**12,962**	**12,162**
Current service cost	224	192
Interest cost	125	165
Employee contributions	40	41
Actuarial gains (–) and losses (+) (remeasurement component)	–798	–3,602
of which based on financial assumptions	–774	–3,874
of which based on demographic assumptions	–	–3
of which changes in the past fiscal year	–24	275
Benefits paid	–476	–497
Past service cost	5	1
Changes at the companies	4	–7
Reclassification pursuant to IFRS 5	–	–118
Gain/loss from settlement	–2	–
Payments for settlement of plans	–	–
Currency translation	78	7
Present value of the defined benefit obligation as of December 31	**12,162**	**8,344**

The weighted term of the obligations is 13.4 years (2021: 17.4 years).

Breakdown of the present value of the defined benefit obligation T91

in € million	2021	2022
Unfunded plans	347	238
Partially or fully funded plans	11,731	8,034
Healthcare benefit obligations	84	72
Present value of the defined benefit obligation as of December 31	**12,162**	**8,344**

The valuation of pension provisions is subject, among other things, to assumptions about discount rates, expected future salary and pension increases, the cost trend for healthcare, and mortality tables. The actual data may differ from these assumptions as a result of changes in economic or market conditions.

Sensitivity analyses: effects of changes in parameters on the defined benefit obligation T92

	Reduction of 1 percentage point		Increase of 1 percentage point	
in € million	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021	**Dec. 31, 2022**
Group-wide discount rate	2,409	1,214	–1,820	–965
Future salary increases	–85	–41	92	41
Future pension increases	–936	–535	1,124	632
Healthcare cost trend	–7	–5	9	6

Assuming all other parameters remain unchanged, a reduction of 20 percent in mortality in the retirement phase would increase the defined benefit obligation by €559 million (2021: €968 million).

Change in the fair value of plan assets T93

in € million	2021	2022
Fair value of plan assets as of January 1	**8,351**	**8,399**
Interest income from plan assets	82	115
Employer contributions	149	157
Employee contributions	8	8
Income from assets excluding interest income from plan assets (remeasurement component)	193	–1,132
Other administrative expense	–4	–5
Benefits paid	–445	–404
Payments for settlement of plans	–	–
Changes at the companies	–	–5
Reclassification pursuant to IFRS 5	–	–100
Currency translation	65	–2
Fair value of plan assets as of December 31	**8,399**	**7,031**

Breakdown of the fair value of plan assets T94

	Dec. 31, 2021		Dec. 31, 2022	
	in € million	in %	in € million	in %
Cash/balances with banks	227	2.7	309	4.4
Shares—active market	1,218	14.5	1,005	14.3
Government bonds—active market	563	6.7	204	2.9
Corporate bonds—active market	1,974	23.5	1,478	21.0
Corporate bonds—no active market	470	5.6	337	4.8
Other bonds—active market	630	7.5	668	9.5
Real estate (direct and indirect investments)—active market	17	0.2	28	0.4
Real estate (direct and indirect investments)—no active market	1,176	14.0	942	13.4
Alternative investments (infrastructure/hedge funds/commodities)—active market[a]	386	4.6	281	4.0
Alternative investments (infrastructure/hedge funds/commodities)—no active market[a]	1,058	12.6	1,322	18.8
Other—active market	50	0.6	42	0.6
Other—no active market	630	7.5	415	5.9
Total	**8,399**	**100.0**	**7,031**	**100.0**

[a] Prior-year figures restated.

As a consequence of the infrastructure investments by the pension fund, the portfolio of alternative investments has increasingly shifted in the area where there is no active market. In 2022, as in 2021, none of the other assets included in the plan assets were used by the company.

Change in the asset ceiling T95

in € million	2021	2022
Asset ceiling as of January 1	**7**	**3**
Interest expense on the unrecognized portion of plan assets	–	–
Changes in asset ceiling, excluding interest expense (remeasurement component)	–4	44
Changes at the companies	–	–
Reclassification pursuant to IFRS 5	–	–2
Currency translation	–	–
Asset ceiling as of December 31	**3**	**45**

The change in the asset ceiling for plan assets is due to overfunding at the pension fund in Germany.

Change in the net defined benefit liability T96

in € million	Dec. 31, 2021	Dec. 31, 2022
Net defined benefit liability as of January 1	**4,618**	**3,766**
Current service cost	224	192
Past service cost	5	1
Gain/loss from settlement	–2	–
Net interest cost	43	50
Employee contributions	32	33
Other administrative expense	4	5
Changes recognized in OCI (remeasurement)	–995	–2,426
Benefits paid	–31	–93
Employer contributions	–149	–157
Changes at the companies	4	–2
Reclassification pursuant to IFRS 5	–	–20
Currency translation	13	9
Net defined benefit liability as of December 31	**3,766**	**1,358**
Assets from overfunded plans as of December 31	**–**	**1**
Pension provisions as of December 31	**3,766**	**1,359**

The assets from overfunded plans come from various pension plans outside Germany. They are recognized on the balance sheet under non-financial assets, see note 6.8 p.155.

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

Expected change in net benefit payments T97

in € million	Prior year	Reporting period
2022	242	–
2023	253	262
2024	256	271
2025	259	273
2026	261	274
2027	–	278

The presentation of future net benefit payments does not include any pension reimbursements by Evonik Pensionstreuhand e.V. in the reporting period because it is up to the companies to decide whether to claim such reimbursements for the respective fiscal year. Employer contributions of €152 million are expected to be incurred for the following year (2021: €148 million).

The **net interest** cost is included in the financial result; see note 5.6 p.142f. The other pension amounts are allocated to the functional areas as personnel expense (pension expenses).

A breakdown of overall **personnel expense** is given in note 10.2 p.201. Foreign subsidiaries paid a total of €34 million (2021: €28 million) into defined contribution plans, which are also included in personnel expense (pension expenses). Further, €138 million (2021: €139 million) were paid into defined contribution state plans (statutory pension insurance) in Germany and abroad. This is also reported in personnel expense (expenses for social security contributions).

For details of the **deferred tax assets** relating to pension provisions, see note 6.14 p.166ff., deferred taxes, other income taxes.

6.11 Other provisions

Other provisions are liabilities of uncertain timing or amount. They are established to cover a present legal or constructive obligation to third parties, based on past events, that will probably lead to a cash outflow. In addition, it must be possible to reliably estimate the level of the obligation. Provisions are based on the probable settlement obligations and take account of future cost increases. Non-current provisions are discounted. Reversals of provisions are recognized as income in the functional areas where the original expense for the provision was recognized.

The determination of other provisions, especially provisions for legal risks, recultivation, environmental protection, and restructuring, is naturally exposed to significant estimation uncertainties regarding the level and timing of the obligation. In some cases, the company has to make assumptions about the probability of occurrence or future trends, such as the costs to be recognized for the obligation, on the basis of experience. In particular, the level of non-current provisions depends to a large extent on the selection and development of the market-oriented discount rates. The Evonik Group uses different interest rates for different currencies and terms to maturity.

Other provisions T98

	Dec. 31, 2021		Dec. 31, 2022	
in € million	Total	thereof non-current	Total	thereof non-current
Personnel-related	795	230	586	203
Recultivation and environmental protection	310	264	264	216
Restructuring	57	32	51	35
Sales and procurement	62	4	30	1
Other taxes and interest on taxes	62	26	43	27
Other obligations	263	101	300	60
Other provisions	**1,549**	**657**	**1,274**	**542**

Overall, the other provisions were €275 million lower than in 2021. This was mainly attributable to the development of personnel-related provisions. It is expected that more than half of the total provisions will be utilized in 2023.

Change in other provisions T99

in € million	Personnel-related	Recultivation, environmental protection	Restructuring	Sales, procurement	Other taxes, interest on taxes	Other obligations	Total
As of January 1, 2022	**795**	**310**	**57**	**62**	**62**	**263**	**1,549**
Additions	348	39	29	20	1	134	571
Utilization	–495	–27	–20	–21	–3	–60	–626
Reversal	–21	–4	–12	–26	–17	–41	–121
Unwinding of discounting/interest rate changes	–24	–56	–3	–	–	–4	–87
Reclassification pursuant to IFRS 5	–15	–	–1	–	–	–	–16
Other	–2	2	1	–5	–	8	4
As of December 31, 2022	**586**	**264**	**51**	**30**	**43**	**300**	**1,274**

Personnel-related provisions are established for many different reasons and include bonus payments and variable remuneration, including long-term incentive plans. These are performance-related remuneration plans for Evonik's executives and members of the executive board. The resulting obligations are settled in cash and expensed in accordance with IFRS 2 Share-based Payment (see note 9.3 p.177 f.). Further personnel-related provisions are established for statutory and in-house early retirement arrangements, lifetime working arrangements, and anniversary bonuses. About half of non-current personnel-related provisions will result in payments after the end of 2027.

Provisions for recultivation and environmental protection are established on the basis of laws, contracts, and regulatory requirements. They cover soil reclamation obligations, water protection, the recultivation of landfills, and site decontamination obligations. Around two-thirds of the non-current provisions will result in payments after the end of 2027.

Restructuring provisions are only established if constructive obligations exist on the basis of a formal, detailed plan, and those affected have been given justifiable expectations that the restructuring will be carried out. Such measures comprise programs that are planned and controlled by the company and will materially alter one of the company's areas of business activity or the way in which a business activity is carried out. Restructuring provisions may only be established for costs that are directly attributable to the restructuring program. They include severance packages, redundancy and early retirement arrangements, expenses for the termination of contracts, dismantling and soil reclamation expenses, rents for unused facilities, and all other shutdown and wind-up expenses. As of the reporting date, this item included provisions for programs to optimize the sales and administrative functions. The non-current portion of all restructuring provisions will be utilized by the end of 2027.

The **provisions for sales and procurement** mainly relate to guarantee obligations and contracts where the unavoidable costs of performing the contractual obligation exceed the expected economic benefits. The non-current portion will be utilized by the end of 2027.

Provisions for other taxes and interest on taxes mainly comprise property tax, value-added tax, and interest obligations relating to all types of taxes. The non-current portion will be almost completely utilized by the end of 2027.

Provisions for other obligations comprise provisions for a variety of obligations that cannot be allocated to the above categories. These include provisions for legal disputes, administrative proceedings or fines, liability risks, guarantee claims relating to divestments, and dismantling obligations. Further, this item includes provisions for legal and consultancy expenses, audit fees, and changes in public law regulations, for example, in connection with European emissions trading. The provisions for other obligations contain €45 million (2021: €8 million) for the obligation to surrender emission allowances. Around three-quarters of the non-current provisions for other obligations will result in payments up to the end of 2027. Expected reimbursements of €21 million (2021: €6 million), where receipt is virtually certain when the obligation is settled, are disclosed in miscellaneous other non-financial assets.

As in the previous year, there were no **provisions relating to relevant legal risks,** which would be allocated to the various categories of provisions based on type.

6.12 Financial liabilities

Financial liabilities T100

	Dec. 31, 2021		Dec. 31, 2022	
in € million	Total	thereof non-current	Total	thereof non-current
Trade accounts payable	**2,022**	**–**	**1,735**	**–**
Bonds	2,992	2,992	2,947	2,947
Liabilities to banks	46	7	71	33
Schuldschein loans	–	–	252	250
Loans from non-banks	16	5	12	4
Lease liabilities	590	474	947	811
Liabilities from derivatives	181	4	172	43
Liabilities from rebate and bonus agreements	68	–	57	–
Miscellaneous other financial liabilities	115	49	88	29
Other financial liabilities	**4,008**	**3,531**	**4,546**	**4,117**
Financial liabilities	**6,030**	**3,531**	**6,281**	**4,117**

The bond due in January 2023, which had a nominal value of €750 million, was fully redeemed in October 2022 by exercising a repayment right contained in the bond terms. To refinance this bond, in May 2022, Evonik Industries AG issued a green bond with a nominal value of €750 million and a tenor of 5 years and 4 months. The issue price was 99.386 percent, and the annual coupon is 2.25 percent.

Bonds issued by Evonik Industries AG T101

			Carrying amount		Stock market value	
in € million	Interest coupon in %	Nominal value	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Bond 2015/2023[a]	1,000	750	749	–	758	–
Bond 2016/2024	0,375	750	750	750	757	715
Bond 2016/2028	0,750	500	500	500	510	426
Bond 2020/2025	0,625	500	498	457	508	461
Hybrid bond 2021/2081[b]	1,375	500	495	496	498	408
Bond 2022/2027	2,250	750	–	744	–	699
Total		**3,750**	**2,992**	**2,947**	**3,031**	**2,709**

[a] The bond was fully redeemed prematurely in October 2022.
[b] The formal tenor of the bond is 60 years, and Evonik has an initial redemption right in 2026.

In August 2022, **Schuldschein loans** with a nominal value of €250 million and a tenor of three, four, and seven years were issued in several fixed and variable interest tranches.

The accrual of €12 million (2021: €16 million) for payment of the coupon on the bonds is recognized in current **loans from non-banks.**

The **lease liabilities** contain the present value of future lease payments. Further information on lease liabilities can be found in notes 9.2 p.175ff. and 9.4 p.179ff.

Liabilities from derivatives T102

in € million	Dec. 31, 2021	Dec. 31, 2022
Liabilities from interest rate swaps	–	42
Liabilities from forward exchange contracts, currency options, and currency swaps	121	85
Liabilities from commodity derivatives	60	45
Total	**181**	**172**

The **miscellaneous other financial liabilities** contain liabilities to partners in joint operations totaling €48 million (2021: €50 million).

6.13 Other non-financial liabilities

Other non-financial liabilities T103

in € million	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current
Contract liabilities from contracts with customers	210	100	213	111
Deferred income	78	39	47	35
Liabilities relating to other taxes	165	–	269	36
Liabilities to employees	2	–	26	–
Miscellaneous other non-financial liabilities	78	4	128	–
Other non-financial liabilities	**533**	**143**	**683**	**182**

Contract liabilities from contracts with customers mainly result from prepayments received from customers that are declared as distinct performance obligations. Revenues are only recognized when the corresponding performance obligation is satisfied.

Revenue recognition relating to contract liabilities arising from contracts with customers totaling –€194 million (2021: –€114 million) includes contract liabilities of €70 million (2021: €11 million) established in prior years and contract liabilities of €124 million (2021: €103 million) recognized in 2022.

Development of contract liabilities from contracts with customers T104

in € million	2021	2022
As of January 1	**177**	**210**
Currency translation	5	2
Additions	183	203
Reclassification	3	–1
Refunds	–44	–7
Revenue recognition	–114	–194
As of December 31	**210**	**213**

The **miscellaneous other non-financial liabilities** mainly comprise liabilities to the public sector and liabilities from insurance contracts.

6.14 Deferred taxes, other income taxes

Deferred tax assets and liabilities are established for temporary valuation and recognition differences between the assets and liabilities recognized in the balance sheets prepared for tax purposes and those prepared in accordance with IFRS. Tax-deductible loss carryforwards that will probably be utilized in the future are capitalized at the amount of the deferred tax asset, taking into account whether they can be carried forward for a limited or unlimited period.

The **recognition of deferred tax assets** at companies with tax-deductible loss carryforwards is based on current planning calculations, which are normally for a five-year period, and the availability of sufficient temporary tax differences. Deferred tax assets are recognized where it is probable that future taxable income will be generated, which can cover these temporary differences. If these expectations are not met, an impairment loss must be recognized in income for the deferred tax assets.

Deferred taxes are calculated on the basis of the tax rates applicable on the date when temporary differences are likely to be reversed. Deferred tax assets and liabilities are netted if the company is permitted to net other income tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes in the same tax jurisdiction.

Other income taxes for the reporting period and previous periods are recognized on the basis of the expected payment or refund. They are calculated using the company-specific tax rates applicable on the reporting date.

Group companies are liable to pay income tax in many countries around the world. When evaluating global income tax assets and liabilities, there may be some uncertainty relating, in particular, to the interpretation of tax regulations. It cannot be ruled out that the fiscal authorities will take a different view on the correct interpretation of tax regulations. Changes in assumptions regarding the correct interpretation of tax regulations, for example, as a result of changes in legal decisions, are reflected in the recognition of uncertain income tax assets and liabilities for the corresponding fiscal year. Uncertain tax assets and liabilities are recognized as soon as their probability of occurrence is more than 50 percent. Uncertain income tax positions are recognized on the basis of their most likely amount or expected amount, depending on which of these amounts better reflects the situation if the uncertainty materializes.

Deferred taxes and other income taxes reported on the balance sheet T105

in € million	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current
Deferred tax assets	1,755	1,755	890	890
Other income tax assets	215	16	117	19
Deferred tax liabilities	628	628	661	661
Other income tax liabilities	406	195	435	246

In accordance with IAS 1 Presentation of Financial Statements, the current elements of deferred taxes are reported on the balance sheet under non-current assets and liabilities.

Deferred taxes by balance sheet item T106

	Dec. 31, 2021			Dec. 31, 2022		
in € million	Deferred tax assets	Deferred tax liabilities	thereof recognized in profit or loss	Deferred tax assets	Deferred tax liabilities	thereof recognized in profit or loss
Intangible assets	184	262	−77	178	286	−108
Property, plant and equipment	25	345	−321	35	327	−291
Right-of-use assets	–	148	−148	–	254	−254
Financial assets	901	46	764	921	71	759
Inventories	82	3	79	100	2	99
Other assets	46	24	23	62	38	23
Provisions	1,415	845	−647	606	971	−744
Other liabilities	230	69	160	338	60	275
Special tax allowance reserves (based on local law)	–	38	−38	–	33	−33
Loss carryforwards	39	–	39	41	–	41
Tax credits	1	–	1	1	–	1
Other	2	18	−16	2	13	−11
Deferred taxes (gross)	**2,925**	**1,798**	**−181**	**2,284**	**2,055**	**−243**
Netting	−1,170	−1,170	–	−1,394	−1,394	–
Deferred taxes (net)	**1,755**	**628**	**−181**	**890**	**661**	**−243**

€459 million of the deferred tax assets (2021: €1,286 million) relate to the pension provisions recognized on the balance sheet. Other liabilities of €247 million (2021: €143 million) are deferred tax assets relating to lease liabilities. The deferred tax liabilities recognized in "Other" are mainly deferred taxes relating to subsidiaries.

No deferred tax assets were recognized on **temporary differences** of €80 million (2021: €47 million) because it is not probable that there will be sufficient future taxable income to enable them to be realized. The taxable temporary differences relating to shares in subsidiaries for which no deferred taxes were recognized amounted to €322 million (2021: €268 million). Evonik is in a position to manage the timing of the reversal of temporary differences and reversal is not expected in the foreseeable future.

In addition to **tax loss carryforwards** for which deferred taxes were recognized, there were tax loss carryforwards that were not utilizable and for which no deferred taxes were recognized.

Tax loss carryforwards by expiration date T107

	Corporation taxes (German and foreign)		Local taxes (German and foreign)		Tax credits (foreign)	
in € million	2021	**2022**	2021	**2022**	2021	**2022**
Up to 1 year	19	–	–	–	–	–
More than 1 and up to 5 years	3	9	–	–	–	–
More than 5 and up to 10 years	5	–	–	–	–	–
Unlimited	290	271	107	128	7	7
Total	**317**	**280**	**107**	**128**	**7**	**7**

7. Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Evonik Group in the reporting period. The cash flows are classified by operating, investing, and financing activities. The net cash flow from discontinued operations that is attributable to third parties is shown separately. The impact of changes in the scope of consolidation has been eliminated.

The **cash flow from operating activities** is calculated using the indirect method. Income before financial result and income taxes, continuing operations, is adjusted for the effects of non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are calculated and added to the result. Cash inflows from dividends are also allocated to the cash flow from operating activities.

The **cash flow from investing activities** is derived from the cash inflows and outflows relating to investment in/divestment of intangible assets, property, plant and equipment, obtaining or losing control over businesses, and investment in/divestment of other shareholdings. Cash inflows and outflows relating to securities, deposits, and loans and cash inflows from interest are also used to calculate the cash flow from investing activities.

The **cash flow from financing activities** is derived from cash inflows and outflows relating to financial liabilities, the purchase and sale of treasury shares, and other cash inflows and outflows in connection with financial transactions. Cash outflows for interest and dividend payments are also included in the cash flow from financing activities.

Cash and cash equivalents include both the cash and cash equivalents shown on the balance sheet and, where applicable, cash and cash equivalents included in assets held for sale. Cash and cash equivalents comprise balances with banks, checks, and cash. This item also includes highly liquid financial instruments with a maturity, calculated as of the date of purchase, of no more than three months, provided that they can be converted into cash and cash equivalents at any time and are only subject to negligible fluctuations in value. They are measured at fair value.

The **cash outflows to obtain control of businesses** recognized in 2022 relate to acquisitions in prior periods. In the previous year, the cash outflows to obtain control of businesses included, among other things, the gross purchase prices for ownership interests in subsidiaries consolidated for the first time. The acquisitions made in 2021 included cash and cash equivalents of €5 million.

The **cash inflows relating to the loss of control over businesses** comprise gross selling prices of €109 million (2021: none) less the transfer of cash and cash equivalents of €12 million (2021: none). They relate to the divestment of the TAA derivatives business and further, smaller sales in fiscal 2022.

Cash inflows/outflows relating to securities, deposits, and loans mainly comprise items with a high rate of turnover, large denominations, and short maturities. They are therefore presented on a net basis.

The following table presents a reconciliation of the **change in liabilities from financing activities** to the cash flows from financing activities presented in the cash flow statement. In addition to financial debt (financial liabilities excluding derivatives and excluding rebate and bonus agreements), the table includes those derivatives that relate to financing.

The column headed "Other cash flows from financing activities" contains cash outflows for interest and other amounts that are contained in the line item "Cash inflows/outflows in connection with financial transactions" in the cash flow statement. The line item "Cash outflows for interest" in the cash flow statement also contains interest payments that are not related to financial debt or derivatives relating to financing.

The column headed "Other" contains both changes in cash flows outside the cash flow from financing activities and other changes in financial debt that have no impact on cash flows, mainly the unwinding of discounting and the capitalization of assets.

Reconciliation to financial debt 2022 T108

		Cash inflows/outflows from financing activities			Changes with no impact on cash flows						
in € million	**As of Jan. 1**	Addition of financial liabilities	Repayment of financial liabilities	Other cash flows from financing activities	Changes in the scope of consolidation	Currency translation	Reclassification pursuant to IFRS 5	Lease liabilities (additions/contract modifications)	Recognized at fair value	Other	**As of Dec. 31**
Bonds	2,992	744	−743	−42	–	–	–	–	−42	38	2,947
Commercial paper	–	555	−555	–	–	–	–	–	–	–	–
Liabilities to banks	46	84	−83	−8	–	–	–	–	–	32	71
Schuldschein loans	–	250	–	–	–	–	–	–	–	2	252
Loans from non-banks	16	–	−1	–	–	–	–	–	–	−3	12
Lease liabilities	590	–	−167	−18	−1	8	−2	516	–	21	947
Miscellaneous other financial liabilities	115	16	−28	−3	–	2	–	–	–	−14	88
Financial debt	**3,759**	**1,649**	**−1,577**	**−71**	**−1**	**10**	**−2**	**516**	**−42**	**76**	**4,317**
Receivables/liabilities from financing-related derivatives	41	–	–	−100	–	–	–	–	105	1	47
Total	**3,800**	**1,649**	**−1,577**	**−171**	**−1**	**10**	**−2**	**516**	**63**	**77**	**4,364**

Reconciliation to financial debt 2021

T109

in € million	As of Jan. 1	Cash inflows/outflows from financing activities: Addition of financial liabilities	Repayment of financial liabilities	Other cash flows from financing activities	Changes with no impact on cash flows: Changes in the scope of consolidation	Currency translation	Reclassification pursuant to IFRS 5	Lease liabilities (additions/contract modifications)	Recognized at fair value	Other	As of Dec. 31
Bonds	2,986	495	–493	–47	–	–	–	–	–	51	2,992
Commercial paper	45	–	–45	–	–	–	–	–	–	–	–
Liabilities to banks	142	129	–238	–6	1	–2	–	–	–	20	46
Schuldschein loans	–	–	–	–	–	–	–	–	–	–	–
Loans from non-banks	12	5	–6	–1	1	–	–	–	–	5	16
Lease liabilities	653	–	–141	–14	3	11	–	63	–	15	590
Miscellaneous other financial liabilities	94	26	–25	–2	–	5	–	–	–	17	115
Financial debt	**3,932**	**655**	**–948**	**–70**	**5**	**14**	**–**	**63**	**–**	**108**	**3,759**
Receivables/liabilities from financing-related derivatives	–87	–	–	84	–	–	–	–	41	3	41
Total	**3,845**	**655**	**–948**	**14**	**5**	**14**	**–**	**63**	**41**	**111**	**3,800**

8. Notes to the segment report

8.1 Reporting based on operating segments

The reporting based on operating segments reflects the internal reporting and management structure of the Evonik Group (management approach). The external financial reporting standards are applied, see note 3 p. 130 ff., together with the accounting policies described in the other notes, with the exception of intragroup leasing transactions, which are still recognized by the segments as income or expense.

The executive board of Evonik Industries AG decides on the allocation of resources and evaluates the earnings power of the Evonik Group's operations on the basis of the following **reporting segments,** which reflect the core operating business (subsequently referred to as divisions or segments):
- Specialty Additives
- Nutrition & Care
- Smart Materials
- Performance Materials
- Technology & Infrastructure.

The **Specialty Additives** division combines high-performance additives based on versatile silicones and the crosslinkers business. An important part of this business comprises specialty additives and system solutions for high-quality consumer goods and specialized industrial applications. Among other things, they help make coatings tougher and more sustainable and improve automotive and industrial lubricants. Key success factors are high innovative capability, integrated technology platforms, and strategic partnerships. Specialty Additives has an excellent knowledge of interfacial chemistry for industrial applications and, above all, formulation expertise for customer-specific applications that improve the performance of products for the coatings, mobility, infrastructure, and consumer goods markets. This division's specialties therefore improve the quality, durability, and energy-saving performance of end-products.

The objective of the **Nutrition & Care** division is to improve health and quality of life. Its end-markets are personal care, cosmetics, medical products, systems for the release of pharmaceutical active ingredients, and sustainable animal nutrition and livestock farming concepts. The strength of the Nutrition & Care division is the shared use of technology platforms such as biotechnology, particle design, and highly complex chemical syntheses. On this basis, Nutrition & Care develops excellent active ingredients for custom-tailored system solutions in collaboration with its customers. The precondition for this is an in-depth understanding of complex systems such as human skin, the gut, and the human body. System solutions from Nutrition & Care are created by combining high-performance active ingredients with formulating and applications expertise. Close and intensive customer relationships and a knowledge of the entire value chain guarantee the innovative capability of the Nutrition & Care division.

The **Smart Materials** division includes business with innovative materials that enable resource-saving solutions and replace conventional materials. It continuously refines its products and finds custom-tailored solutions to meet its customers' needs, with a focus on improving resource efficiency and sustainability. Smart Materials relies on strong technology platforms: inorganic materials with innovative properties such as silica, silanes, peroxides, and specialty catalysts, high-tech polymers such as polyamide 12, polyimide, specialty polybutadiene, polyester, and their compounds, composites, formulations for 3D printing inks, and membranes. In this way, Smart Materials helps people lead a better and more sustainable life. Thanks to its unique combination of innovative capability, responsibility, and proximity to customers, this division is exploring new routes to a smart and sustainable future, together with its customers and partners.

The high-volume businesses in our **Performance Materials** division have many things in common: long-term customer relationships characterized by strong loyalty based on quality, efficiency, and reliability, and lean organizational structures geared to continuous process optimization. This division mainly produces intermediates for automotive applications, flooring, biodiesel, and hygiene applications. It works to safeguard the future of its businesses by stepping up its focus on attractive end-markets, developing its integrated structures and technologies, and increasing the proportion of specialties. Other focal areas are selected sustainability activities such as reducing CO_2 and the use of biogenic raw materials. The division's main products include butene-1, DINP, isononanol, cyanuric chloride, alkoxides, and superabsorbents, which rank among the market leaders in many areas.

The **Technology & Infrastructure** division bundles expertise in chemical production and is a driver of production-related innovation and digitalization. This division offers all services required throughout the entire life cycle of chemical production facilities, from process development through construction, operation, and maintenance to dismantling. It supplies energy and other media to chemical production plants and manages integrated structures along the supply chain as well as the logistics network and the sites.

Various activities of the Evonik Group are reported in **enabling functions, other activities, consolidation.** Business activities that cannot be allocated to any of the reporting segments are recognized as other activities. Enabling functions and consolidation comprise the functions that support the executive board and the operating divisions and intersegment consolidation effects. The enabling functions provide services such as strategy, innovation, sustainability, finance, IT, central procurement, legal, human resources, communication, and internal reinsurance for the Evonik Group.

Composition of enabling functions, other activities, consolidation T110

	Other activities		Enabling functions, consolidation		Enabling functions, other activities, consolidation	
in € million	2021	2022	2021	2022	2021	2022
External sales	22	21	39	45	61	66
Internal sales	4	4	–1,723	–2,021	–1,719	–2,017
Total sales	26	25	–1,684	–1,976	–1,658	–1,951
Adjusted EBITDA	–27	–43	–291	–269	–318	–312
Adjusted EBIT	–42	–57	–359	–339	–401	–396
Capital employed (annual average)	–67	–76	132	158	65	82
Depreciation and amortization	–15	–13	–68	–69	–83	–82
Impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	–	–2	–	–2
Capital expenditures	1	1	66	60	67	61
Financial investments	–	1	18	27	18	28
No. of employees as of December 31	–	–	6,000	6,186	6,000	6,186

8.2 Reporting based on regions

For this purpose, countries and country groups are aggregated into regions. The reporting based on regions is outlined in more detail in note 8.3 p. 172 ff.

8.3 Notes to the segment data

External sales reflect the segments' sales with parties outside the Evonik Group. Sales generated between the segments are internal sales and are cross-charged at market prices or using the cost-plus method.

Reconciliation of the sales of all reporting segments to Group sales T111

in € million	2021	2022
Sales, reporting segments	16,613	20,439
Total sales, other activities	26	25
Enabling functions, consolidation, less discontinued operations	–1,684	–1,976
External sales of the Evonik Group	**14,955**	**18,488**

External sales by country (location of customer) T112

in € million	2021	2022
USA	3,049	3,800
Germany	2,469	2,904
China	1,301	1,397
Switzerland	743	798
Netherlands	623	772
Brazil	422	594
Luxembourg	73	565
UK	410	531
Japan	508	524
France	422	500
Other countries	4,935	5,103
External sales of the Evonik Group	**14,955**	**18,488**

The **result from investments recognized at equity** corresponds to the result for these investments as reported in the income statement; see note 5.4 p. 140.

The executive board of Evonik Industries AG uses **adjusted EBITDA** as the main parameter to measure operating performance. Adjusted EBITDA is the main earnings parameter that can be influenced by the segment management. It comprises earnings before financial result, income taxes, adjusted for depreciation, amortization, and impairment losses/reversal of impairment losses not already included in the adjustments.

Reconciliation from adjusted EBITDA of the reporting segments to income before income taxes, continuing operations T113

in € million	2021	2022
Adjusted EBITDA, reporting segments	2,701	2,802
Adjusted EBITDA, other activities	−27	−43
Adjusted EBITDA enabling functions, consolidation, less discontinued operations	−291	−269
Adjusted EBITDA	**2,383**	**2,490**
Depreciation and amortization	−1,023	−1,100
Impairment losses/reversal of impairment losses	−57	−465
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	35	425
Adjusted depreciation, amortization, and impairment losses	−1,045	−1,140
Adjusted EBIT	**1,338**	**1,350**
Adjustments	−165	−408
Financial result	−88	−19
Income before income taxes, continuing operations	**1,085**	**923**

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

Adjusted EBIT comprises earnings before financial result and income taxes, after adjustments. It is used to calculate the internal management parameter return on capital employed (ROCE).

The **adjustments** include income and expense items that, due to their nature or amount, are not attributable to the typical operating business.

Adjustments 2022 T114

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	Total
Restructuring	−82	1	−24	–	−10	–	−115
Impairment losses/reversal of impairment losses	−33	–	–	–	−301	–	−334
Acquisition/divestment of shareholdings	−2	–	–	54	−12	–	40
Other	22	–	–	5	−26	–	1
Adjustments	**−95**	**1**	**−24**	**59**	**−349**	**–**	**−408**

Adjustments 2021 T115

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	Total
Restructuring	−11	−3	−7	1	–	–	−20
Impairment losses/reversal of impairment losses	−27	–	–	–	–	–	−27
Acquisition/divestment of shareholdings	−6	–	1	–	−8	–	−13
Other	−35	–	–	21	−88	−3	−105
Adjustments	**−79**	**−3**	**−6**	**22**	**−96**	**−3**	**−165**

Capital employed comprises the net assets required by the reporting segments for their operations and is allocated among the reporting segments using uniform group-wide rules. It is calculated by determining the total of intangible assets, property, plant and equipment, investments, inventories, trade accounts receivable, and other non-interest-bearing assets. The sum of interest-free provisions, trade accounts payable, and other interest-free liabilities is then deducted from this.

Reconciliation to capital employed

T116

in € million	Amounts recognized on the balance sheet	Capital employed		Amounts recognized on the balance sheet	Capital employed	
	Dec. 31, 2021	Dec. 31, 2021	Average 2021	**Dec. 31, 2022**	**Dec. 31, 2022**	**Average 2022**
Goodwill	4,785	4,785	4,659	4,568	4,568	4,847
Other intangible assets	1,260	1,260	1,298	1,142	1,142	1,223
Property, plant and equipment	6,963	6,963	6,707	6,962	6,962	7,042
Right-of-use assets	608	608	640	972	972	768
Investments recognized at equity	81	81	79	88	88	83
Other financial assets	1,152	74	52	1,022	108	88
Deferred taxes	1,755	–	–	890	–	–
Other income tax assets	215	–	–	117	–	–
Other non-financial assets	507	506	446	610	608	603
Inventories	2,548	2,548	2,170	2,820	2,820	2,992
Trade accounts receivable	1,954	1,954	1,761	1,898	1,898	2,201
Cash and cash equivalents	456	–	–	645	–	–
Assets held for sale	–	–	–	76	74	32
Total assets	**22,284**	**18,779**	**17,812**	**21,810**	**19,240**	**19,879**
Provisions for pensions and other post-employment benefits	–3,766	–	–	–1,359	–	–
Other provisions	–1,549	–892	–773	–1,274	–732	–801
Other financial liabilities	–4,008	–185	–95	–4,546	–137	–195
Deferred taxes	–628	–	–	–661	–	–
Other income tax liabilities	–406	–	–	–435	–	–
Other non-financial liabilities	–533	–532	–573	–683	–683	–665
Trade accounts payable	–2,022	–2,022	–1,572	–1,735	–1,735	–2,017
Liabilities associated with assets held for sale	–	–	–	–61	–37	–9
Total liabilities	**–12,912**	**–3,631**	**–3,013**	**–10,754**	**–3,324**	**–3,687**
Capital employed		**15,148**	**14,799**		**15,916**	**16,192**

The **return on capital employed (ROCE)** is another internal management parameter used by the Evonik Group. ROCE is calculated from the ratio of adjusted EBIT to capital employed. To smooth the closing date effect, the calculation uses average capital employed in the reporting period.

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

Impairment losses/reversal of impairment losses pursuant to IAS 36 reflect unplanned changes in the carrying amounts of intangible assets, property, plant and equipment, and right-of-use assets.

Capital expenditures comprise additions to intangible assets (excluding goodwill from capital consolidation), property, plant and equipment in the reporting period. Additions resulting from changes in the scope of consolidation are not taken into account. Capital expenditures by region are based on the location of the subsidiaries.

Additions to investments recognized at equity, other investments, non-current loans, and non-current securities and similar claims made in the reporting period are recognized as **financial investments.** The acquisition of subsidiaries is shown as an addition to financial investments in the year of acquisition (including goodwill from capital consolidation).

The **headcount** is taken on the reporting date. It shows the number of employees. Part-time employees are included as absolute figures. The headcount by region is based on the location of the subsidiaries.

Goodwill, other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and non-current other non-financial assets are segmented by the location of the subsidiaries. Together, these assets comprise the **non-current assets in accordance with IFRS 8** Operating Segments.

Breakdown of non-current assets by country T117

in € million	Dec. 31, 2021	Dec. 31, 2022
Germany	5,562	5,749
USA	4,096	4,214
Singapore	995	969
Belgium	697	667
China	560	476
Other countries	1,912	1,721
Non-current assets	**13,822**	**13,796**

9. Other disclosures

9.1 Capitalized borrowing costs

Borrowing costs of €10 million (2021: €9 million) that could be allocated directly to the acquisition, construction, or production of a qualifying asset were capitalized. The average underlying cost of financing was 1.2 percent, as in 2021.

9.2 Additional information on leases

A lease comprises an agreement that transfers the right to use an asset for a certain period in return for one or more payments. As a lessee, the Evonik Group mainly leases assets required for business operations (see also note 6.3 p. 149 f.).

IFRS 16 Leases specifies that, in principle, **lessees** must recognize all leases on the balance sheet at present value in the form of a right-of-use asset and a lease liability. The right-of-use asset is normally depreciated over the term of the lease using the straight-line method and the carrying amount of the lease liability is increased at amortized costs using the effective interest method. The right-of-use asset is subject to an impairment test pursuant to IAS 36.

The incremental borrowing rate is normally used to determine the present value of lease liabilities and the subsequent addition of accrued interest. The incremental borrowing rate is based on discount rates, taking into account the contract currency, lease term, the creditworthiness of the lessee, and, depending on the classification of the right-of-use, the economic circumstances of the lease. The lease liabilities are recognized in other financial liabilities.

As lessee, Evonik applies the practical expedients for short-term leases and leases for low-value assets. These are not recognized on the balance sheet in accordance with IFRS 16; instead, lease expense is still recognized in the income statement (IFRS 16.5). Furthermore, Evonik does not apply the standard to leases for intangible assets (IFRS 16.4).

In addition, for the following classes of assets, lease and non-lease components are combined (IFRS 16.15): power plants, ships, and storage tanks.

Lessors are still required to classify leases as finance or operating leases, based on the ratio of the opportunities and risks transferred.

In the case of finance leases, the underlying asset is derecognized from the balance sheet and a finance lease receivable is recognized.

In the case of operating leases, the underlying asset is still recognized on the balance sheet, and the lease payments received are recognized in the income statement as revenue from operating leases.

Amounts recognized for lessee transactions T118

in € million	2021	2022
Right-of-use assets as of December 31[a]	608	972
Lease liabilities as of December 31[b]	590	947
Depreciation and impairment losses[a]	141	151
Interest expense	14	17
Expenses for short-term leases	12	17
Expenses for leases for assets of low value	3	3
Expenses for variable lease payments based on use	7	3
Revenue from subleasing	9	9
Total cash outflows for leases	176	204

[a] See note 6.3 p.149 f.
[b] See notes 6.12 p.165 and 9.4 p.179 ff.

As **lessee,** Evonik rents and leases assets required for its operations. Most of these are peripheral to production or, as in the case of administrative buildings, for example, have only a slight connection with production. The material right-of-use assets relate to land and land rights (14 percent), buildings (14 percent), power plants (35 percent), and storage tanks (20 percent). For information on lease terms, see note 6.3 p.149 f.

As lessee, Evonik recognizes lease payments that are reasonably certain on the balance sheet as lease liabilities. In addition, there may be further cash outflows for leases where recognition on the balance sheet is not permitted, for example, variable lease payments based on use, payments for pending lease contracts, and extension options, where it is not reasonably certain that they will be exercised.

In the Evonik Group, variable lease payments based on use are not material.

As of December 31, 2022, Evonik did not have any material pending lease contracts that had already been signed but will only be recognized for the first time after the reporting date. The material pending lease contracts in the previous year related to the leasing of new gas and steam turbine power plants and a warehouse facility. Around €348 million was capitalized for these leases in 2021.

Some leases contain extension and/or termination options. These give Evonik the flexibility to adjust its lease portfolio to changing business requirements. There is considerable discretion involved in assessing the probability of exercise of such options. Considering all facts and circumstances, Evonik only regards the options as exercisable if there is a high probability that they will be exercised. Exercise of the options is reassessed if the facts and circumstances change. Until then, Evonik regards the liability recognized on the balance sheet as the best indicator of future cash outflows. For a detailed presentation of cash outflows for leases, see note 9.4.4 p. 189 ff.

Evonik does not have any material off-balance-sheet residual value guarantees that could result in possible cash outflows in the future.

Furthermore, there are no clauses in lease agreements that impose restrictions on Evonik or require it to achieve certain financial covenants.

There are no material sale-and-leaseback transactions.

As **lessor,** Evonik is not exposed to any residual risks relating to the assets underlying finance leases.

Amounts recognized for lessor transactions T119

in € million	2021	2022
Assets under operating leases	18	16
Receivables from finance leases[a]	–	–
Revenue (operating leases)	18	16
thereof revenue from variable lease payments that are based on usage of the leased asset	1	1

[a] See notes 6.6 p. 154 and 9.4 p. 179 ff.

Maturity structure of future lease payments (lessor; operating leases) T120

in € million	2021	2022
Due within 1 year	13	12
Due in more than 1 and up to 2 years	7	7
Due in more than 2 and up to 3 years	6	6
Due in more than 3 and up to 4 years	5	5
Due in more than 4 and up to 5 years	4	4
Due in more than 5 years	136	119
Total	**171**	**153**

9.3 Performance-related remuneration

Evonik's remuneration system comprises a basic salary, annual short-term incentive payments and, as a long-term component, the long-term incentive (LTI) plans for members of the executive board and other executives.

It comprises share-based payments with cash settlement. The plans are valued on the reporting date using a Monte Carlo simulation, which models exercise patterns. The LTI plans result in personnel expense, which is distributed over the term of each tranche.

Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals Index^{SM}. Based on the contractually agreed target amount, which is defined in euros, a number of virtual shares is calculated using the share price at the start of the performance period. This is based on the price on the last 60 trading days before the start of the performance period. The performance period starts on January 1 of the grant year and runs for four years. At the end of the performance period, the starting price of Evonik shares is viewed against the average share price at the end of the performance period. This is compared with the performance of the benchmark index (total shareholder return). If the relative performance is below 70 percentage points, the relative performance factor is deemed to be zero. If the relative performance is above 130 percentage points, the performance factor is set at 130. The payment is calculated by multiplying the relative performance by the number of virtual shares allocated and the average price of Evonik shares at the end of the performance period.

For LTI tranches up to and including 2018, there is a one-time option to extend the tranche for a further year at the end of the performance period. Partial exercise at the end of the original performance period is not permitted. The upper limit for these payments is set at 300 percent of the individual target amount.

Since 2019, the intrinsic value of the LTI has no longer been measured at the end of the performance period; instead, it is measured at the end of each year in the four-year performance period. In line with previous practice, the starting price of Evonik shares is viewed against the average share price at the end of each year of the performance period, plus any dividends per share actually paid in this period. This is then compared with the performance of the benchmark index (total shareholder return). At the end of the performance period, the overall performance is calculated as the average of the performance in each year. There is no longer an option to extend the performance period.

For exercise periods from 2023, the supervisory board of Evonik Industries AG has decided to set the relative performance threshold for the executive board of Evonik Industries AG and Evonik Group executives at 0 percent instead of 70 percent, as permitted by the remuneration system. Without this adjustment, the value of the 2018 tranche would be reduced to zero; there would also be a significant loss of value of the tranches 2019 through 2022. Consequently, the remuneration of the executive board members and other executives could not be commensurate with their tasks and performance.

LTI plan for executive board members—Tranches 2017 through 2022 T121

		2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche	2022 tranche
Grant date		Jun. 7, 2017	May 15, 2018	Jul. 2, 2019	May 27, 2020	May 10, 2021	May 16, 2022
No. of virtual shares granted		108,283	119,846	181,784	184,232	192,627	167,266
No. of virtual shares forfeited		108,283	–	–	–	–	–
No. of virtual shares exercised		–	–	–	–	–	–
No. of virtual shares as of December 31, 2022		–	119,846	181,784	184,232	192,627	167,266
Performance period	From—to	Jan. 1, 2017—Dec. 31, 2021[a]	Jan. 1, 2018—Dec. 31, 2022[a]	Jan. 1, 2019—Dec. 31, 2022	Jan. 1, 2020—Dec. 31, 2023	Jan. 1, 2020—Dec. 31, 2024	Jan. 1, 2022—Dec. 31, 2025
Expense (+)/income (–) for the period	in €'000	–	1,080	1,388	456	383	553
Carrying amount of provision	in €'000	–	1,080	3,092	2,229	1,550	553

[a] Extension option utilized in some cases.

LTI plan for executives—Tranches 2017 to 2022 T122

		2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche	2022 tranche
Grant date		Jun. 6, 2017	May 11, 2018	Jul. 2, 2019	May 25, 2020	May 6, 2021	May 11, 2022
No. of virtual shares granted		523,169	460,694	532,476	476,182	489,032	420,342
No. of virtual shares forfeited		523,169	73,612	50,041	4,952	4,142	–
No. of virtual shares exercised		–	–	–	–	–	–
No. of virtual shares as of December 31, 2022		–	387,082	482,435	471,230	484,890	420,342
Performance period	From—to	Jan. 1, 2017—Dec. 31, 2021[a]	Jan. 1, 2018—Dec. 31, 2022[a]	Jan. 1, 2019—Dec. 31, 2022	Jan. 1, 2020—Dec. 31, 2023	Jan. 1, 2021—Dec. 31, 2024	Jan. 1, 2022—Dec. 31, 2025
Expense (+)/income (–) for the period	in €'000	–	3,488	3,665	1,139	939	1,390
Carrying amount of provision	in €'000	–	3,488	8,206	5,701	3,901	1,390

[a] Extension option utilized in some cases.

As of December 31, 2022, total provisions for share-based payment amounted to €31.2 million (2021: €16.7 million). In 2022, the total expense for share-based payment was €14.5 million (2021: €0.9 million).

9.4 Additional information on financial instruments

Derivative and non-derivative financial instruments comprise contractually agreed rights and obligations resulting in an inflow or outflow of financial assets or the issue of equity instruments. Derivative financial instruments are used to hedge the risk of changes in exchange rates, the price of commodities, and interest rates. Derivatives are recognized on the balance sheet either on a stand-alone basis or as part of a hedging relationship with the corresponding hedged items (hedge accounting). While all financial derivatives are part of an economic hedging relationship, hedge accounting is only applied to a portion of these hedging relationships (see note 9.4.4 p. 189 ff.).

Non-derivative financial assets are **initially recognized** at the settlement date, while derivatives are recognized on the trading date.

Financial assets are **derecognized** when the contractual rights to receive payments lapse or are transferred, and Evonik has transferred substantially all opportunities and risks associated with ownership. Financial liabilities are derecognized when the obligation has been settled or canceled or has expired.

Financial instruments are **initially measured** at fair value plus any directly attributable transaction costs. As an exception to this, trade accounts receivable without significant financing components are measured at the transaction price in accordance with the provisions of IFRS 15. Transaction costs for financial instruments assigned to the category at fair value through profit or loss are recognized directly in the income statement.

The **fair value** is the amount that would be received or paid for the sale of a financial asset or the transfer of a financial liability in an orderly transaction between market participants at the measurement date. It is therefore an exit price based on a hypothetical transaction on the measurement date. The fair value is determined on the basis of the three-level hierarchy set out in IFRS 13. Where available, it is determined from the quoted prices for identical financial assets or liabilities in an active market without adjustment (level 1). If such data are not available, measurement based on directly or indirectly observable inputs is used (level 2). In all other cases, valuation methods that are not based on observable market data are used (level 3). Where input factors from different levels are used, the level applicable for the lowest material input factor is determined, and the overall fair value is assigned to this level. If there are indications on initial recognition of a financial instrument that the fair value does not correspond to the transaction price and, for subsequent measurement, not all input factors are observable, the day one gain or loss between fair value and the transaction price for the financial instrument is accrued because it does not form part of the fair value. The accrued amount is released to profit or loss over the contract term. The day one gain or loss is recognized on the balance sheet together with the associated financial instrument.

Subsequent measurement of financial instruments is based on their **valuation category. Financial assets** are allocated to the categories on the basis of the business model used by the company to manage the respective financial assets and the characteristics of the contractual cash flows from the financial instrument. The category **at amortized cost** comprises financial assets whose contractual terms solely comprise cash flows that are payments of principal and interest on the principal amount outstanding and that are held within a "hold" business model. These financial assets are measured using the effective interest rate method and are subject to the impairment rules for expected credit losses. The category **at fair value through OCI** contains debt instruments that are allocated to the business model "held for sale" and have been irrevocably designated in this category on a voluntary basis. While the amounts recognized in other comprehensive income for debt instruments in this category are reclassified to profit or loss when the financial instruments are disposed of, the equity instruments in this category are not reclassified. The category **at fair value through profit or loss** contains those financial instruments whose contractual terms do not solely comprise cash flows from payments of principal and interest on the principal amount outstanding and debt instruments that are allocated to the business model "hold" or "held for sale". This category also includes assets resulting from stand-alone derivatives.

If the business model for financial assets is altered, they are **reclassified** prospectively to the appropriate valuation category. The effect of reclassification on the balance sheet and statement of comprehensive income depends on the valuation categories affected.

Non-derivative **financial liabilities** are allocated to the category **at amortized cost** and are measured using the effective interest method.

By contrast, financial liabilities from stand-alone derivatives are allocated to the category **at fair value through profit or loss.**

Voluntary designation at fair value through profit or loss **(fair value option)** is not currently used for either financial assets or financial liabilities.

Exemptions from the allocation of financial instruments to the IFRS 9 categories apply in the following cases: Derivatives included in hedge accounting are **not allocated to any of the valuation categories.** They are carried at fair value. However, the treatment of changes in their fair value is based on the special rules for hedge accounting in IFRS 9. Receivables from finance leases, which are recognized in miscellaneous other financial assets, and lease liabilities, which are recognized in other financial liabilities, are not allocated to any category because **measurement is outside the scope of IFRS 9.** They are measured in accordance with IFRS 16. Also outside the scope of IFRS 9 are liabilities from rebate and bonus agreements, which have to be measured in accordance with IFRS 15 and recognized in other financial liabilities, and ownership interests in non-consolidated subsidiaries that are—individually and in aggregate—immaterial and are measured at cost.

The **notional value** of interest rate swaps is the principal on which the swap agreement is based, while the notional value of the cross-currency interest rate swaps, forward exchange contracts, currency options, and currency swaps is the hedged foreign exchange amount translated into euros. The notional value of the commodity derivatives is the hedged procurement cost translated into euros.

9.4.1 Disclosures on the carrying amounts and fair values of financial instruments

Carrying amounts and fair values of financial assets as of December 31, 2022 T123

	Carrying amounts by IFRS 9 valuation category						
in € million	At fair value through OCI	At amortized cost	At fair value through profit or loss	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts receivable	–	**1,898**	–	–	–	**1,898**	**1,898**
Cash and cash equivalents	–	**645**	–	–	–	**645**	**645**
Other investments	326	–	–	–	21	347	326
Loans	–	51	6	–	–	57	57
Securities and similar claims	–	–	462	–	–	462	462
Receivables from derivatives	–	–	126	22	–59	89	148
Miscellaneous other financial assets	–	67	–	–	–	67	67
Other financial assets	**326**	**118**	**594**	**22**	**–38**	**1,022**	**1,060**
Financial assets	**326**	**2,661**	**594**	**22**	**–38**	**3,565**	**3,603**

Carrying amounts and fair values of financial assets as of December 31, 2021

T124

	Carrying amounts by IFRS 9 valuation category						
in € million	At fair value through OCI	At amortized cost	At fair value through profit or loss	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts receivable	**29**	**1,925**	**–**	**–**	**–**	**1,954**	**1,954**
Cash and cash equivalents	**–**	**456**	**–**	**–**	**–**	**456**	**456**
Other investments	502	–	–	–	13	515	502
Loans	–	39	12	–	–	51	51
Securities and similar claims	–	–	489	–	–	489	489
Receivables from derivatives	–	–	66	4	–	70	70
Miscellaneous other financial assets	–	27	–	–	–	27	27
Other financial assets	**502**	**66**	**567**	**4**	**13**	**1,152**	**1,139**
Financial assets	**531**	**2,447**	**567**	**4**	**13**	**3,562**	**3,549**

The column "at fair value through OCI" contains both debt instruments, where the amounts recognized in OCI are subsequently reclassified, and equity instruments, where amounts are not reclassified.

In the previous year, the debt instruments were bank acceptance drafts that were used as a means of payment in China and which Evonik either held to maturity or sold to a bank at a discount before they matured. In view of the operational nature of these financial instruments, we recognized them in trade accounts receivable. In February 2022, it was decided that bank acceptance drafts would always be held to maturity. Therefore, recognition in the valuation category "at amortized cost" is appropriate from this date. The carrying amount at the date of reclassification was €35 million.

For receivables from derivatives, the category "not measured in accordance with IFRS 9" is used for the day one gain or loss relating to a power purchase agreement (PPA). As of the date of conclusion, the fair value of the PPA determined using a valuation model (level 3) was €59 million above the transaction value. This day one gain is recognized on the balance sheet in financial assets, together with the fair value, and released to other operating income on a straight-line basis over the term of the agreement. Subsequent measurement of the fair value using the valuation model is recognized in either other operating income or other operating expense, depending on the change in value.

Carrying amounts and fair values of financial liabilities as of December 31, 2022

T125

	Carrying amounts by IFRS 9 valuation category					
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts payable	–	**1,735**	–	–	**1,735**	**1,735**
Bonds	–	2,947	–	–	2,947	2,709
Liabilities to banks	–	71	–	–	71	67
Schuldschein loans	–	252	–	–	252	247
Loans from non-banks	–	12	–	–	12	12
Lease liabilities	–	–	–	947	947	–
Liabilities from derivatives	64	–	108	–	172	172
Liabilities from rebate and bonus agreements	–	–	–	57	57	–
Miscellaneous other financial liabilities	–	88	–	–	88	88
Other financial liabilities	**64**	**3,370**	**108**	**1,004**	**4,546**	**3,295**
Financial liabilities	**64**	**5,105**	**108**	**1,004**	**6,281**	**5,030**

Carrying amounts and fair values of financial liabilities as of December 31, 2021

T126

	Carrying amounts by IFRS 9 valuation category					
in € million	At fair value through profit or loss	At amortized cost	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts payable	–	**2,022**	–	–	**2,022**	**2,022**
Bonds	–	2,992	–	–	2,992	3,031
Liabilities to banks	–	46	–	–	46	47
Schuldschein loans	–	–	–	–	–	–
Loans from non-banks	–	16	–	–	16	16
Lease liabilities	–	–	–	590	590	–
Liabilities from derivatives	124	–	57	–	181	181
Liabilities from rebate and bonus agreements	–	–	–	68	68	–
Miscellaneous other financial liabilities	–	115	–	–	115	113
Other financial liabilities	**124**	**3,169**	**57**	**658**	**4,008**	**3,388**
Financial liabilities	**124**	**5,191**	**57**	**658**	**6,030**	**5,410**

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

Financial instruments recognized at fair value T127

in € million	Level	Description	Valuation method	Material non-observable inputs	2021	2022
Trade accounts receivable	Level 3	Bank acceptance drafts	Discount on the nominal value of the respective transaction	Discount rate	29	–
Other investments	Level 1	Borussia Dortmund GmbH & Co. KGaA	Present stock market price	–	39	34
	Level 1	Other listed equity instruments	Present stock market price	–	–	2
	Level 3	Vivawest GmbH	Discounted cash flow method (see below)	Cost of capital and growth	408	219
	Level 3	Unlisted equity instruments	Observable prices from equity refinancing, and discounted cash flow and multiples methods	Cost of capital and growth-adjusted market multipliers	55	71
Loans	Level 3	Convertible bonds	Nominal value of the bonds; where material, a conversion right is taken into account	Quoted market price	12	6
Securities and similar claims	Level 1	Short-term money market instruments	Present stock market price	–	446	413
	Level 3	Unlisted investment funds	Net asset values provided by investment fund companies, which are determined using internationally recognized valuation guidelines	Cost of capital and growth Market multipliers Cash flow forecasts	43	49
Receivables from derivatives	Level 2	Currency and commodity derivatives	Discounted cash flow method based on exchange rates at the European Central Bank, observable yield structure curves, exchange rate volatilities, commodity prices, and credit default premiums	–	70	74
	Level 3	Commodity derivatives	Discounted cash flow method based on future commodity price trends	Development of energy prices Volume assessments Quality factors	–	74
Liabilities from derivatives	Level 2	Currency and commodity derivatives	Discounted cash flow method based on exchange rates at the European Central Bank, observable yield structure curves, exchange rate volatilities, commodity prices, and credit default premiums	–	−181	−172

Prior-year figures restated.

For the shares in **Borussia Dortmund GmbH & Co. KGaA,** a rise or fall of 10 percent in the share price would result in an increase or decrease in the other equity components of €3 million (2021: €4 million).

For the 7.5 percent shareholding in **Vivawest GmbH,** an increase in the cost of capital accompanied by a drop in sales growth of 10 percent in each case would reduce the fair value by €168 million (2021: €176 million). A reduction in the cost of capital accompanied by an increase in sales growth of 10 percent in each case would increase the fair value by €250 million (2021: €349 million).

The other **unlisted equity instruments** comprise a mid-double-digit number of investments whose individual fair values are immaterial in a range of €0 million to €8 million. €65 million of this amount (2021: €45 million) comprises equity investments resulting from venture capital activities.

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.

Similarly, a 10 percent relative change in the input factors for the **convertible bonds,** the **unlisted investment funds,** and the **trade accounts receivable** does not result in a material change in the fair values.

The stock market listing of an investment resulted in transfer of the fair value from level 3 to level 1.

Fair value of level 3: Reconciliation from the opening to the closing balances T128

in € million	Other investments	Loans	Securities and similar claims	Trade accounts receivable	Receivables from derivatives	Total
As of January 1, 2021	**507**	**12**	**28**	**–**	**–**	**547**
Additions/disposals	8	–	2	29	–	39
Recognized in other comprehensive income for the period	–52	–	–	–	–	–52
Recognized in other financial income/expense for the period	–	–	13	–	–	13
As of December 31, 2021	**463**	**12**	**43**	**29**	**–**	**547**
Additions/disposals	20	–6	6	–29	59	50
Recognized in other comprehensive income for the period	–191	–	–	–	–	–191
Recognized in other financial income/expense for the period	–	–	–	–	–	–
Recognized in cost of production for the period	–	–	–	–	15	15
Transfer from level 3 to level 1	–2	–	–	–	–	–2
As of December 31, 2022	**290**	**6**	**49**	**–**	**74**	**419**

Prior-year figures restated.

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, and loans from non-banks, 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 miscellaneous 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.

9.4.2 Results of financial instruments

Net result by valuation category 2022 T129

in € million	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through OCI	Financial assets and liabilities at fair value through profit or loss	Total
Proceeds from disposals	–4	–	–	–	–4
Result from measurement at fair value	–	–	–	19	19
Result from currency hedging	–	–	–	–71	–71
Result from currency translation of monetary assets and liabilities	26	–	–	–	26
Impairment losses/reversal of impairment losses	3	–	–	–	3
Interest income	13	–	–	4	17
Interest expense	–	–41	–	–1	–42
Result from securities and other investments[a]	–	–	12	–6	6
Total	**38**	**–41**	**12**	**–55**	**–46**

[a] In 2022, dividends of €12 million were received from other investments. They do not contain any dividends received from other investments divested during the fiscal year.

Net result by valuation category 2021 T130

in € million	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through OCI	Financial assets and liabilities at fair value through profit or loss	Total
Proceeds from disposals	−4	–	–	–	−4
Result from measurement at fair value	–	–	–	−10	−10
Result from currency hedging	–	–	–	26	26
Result from currency translation of monetary assets and liabilities	−42	–	–	–	−42
Impairment losses/ reversal of impairment losses	−2	–	–	–	−2
Interest income	6	–	–	4	10
Interest expense	–	−45	–	−5	−50
Result from securities and other investments[a]	–	–	10	−2	8
Total	**−42**	**−45**	**10**	**13**	**−64**

[a] In 2021, dividends of €10 million were received from other investments. They do not contain any dividends received from other investments divested during the fiscal year.

Income from currency hedging and income from the currency translation of operating monetary assets and liabilities do not contain the results from financial derivatives for which hedge accounting is applied. As in 2021, net interest expense did not include any interest income on the impaired portion of financial assets or trade accounts receivable.

9.4.3 Hedge accounting

Derivatives used as hedging instruments and the corresponding hedged items form a hedging relationship. Hedge accounting requires, in particular, extensive documentation of the hedging relationship and its effectiveness. The effectiveness of the hedging relationship is determined prospectively. It takes account of the economic relationship between the hedged item and the hedging instrument, and the credit risk. A derivative no longer qualifies for hedge accounting if these conditions are not fulfilled. While hedging instruments with a positive fair value are contained in the balance sheet item other financial assets, those with a negative fair value are recognized in other financial liabilities. The cost of hedging is shown in the other equity components from hedging instruments.

The purpose of **cash flow hedges** (CFH) is to minimize the risk of volatility of future cash flows. This risk may result from a recognized asset or liability or a forecast transaction that is considered highly probable. The effective portion of changes in the fair value of a hedging instrument is recognized in other comprehensive income, and the ineffective portion of the change in value is recognized in the income statement. The ineffective portion of hedges is recognized in other operating income or expense if the hedges relate to forecast sales in foreign currencies or to forecast purchases of raw materials, in other financial income/expense if they relate to intragroup loans in foreign currencies and planned acquisitions, and in interest expense if they relate to the interest rate risk. Possible ineffectiveness may result from significant changes in the default risk of Evonik or the counterparty to the derivatives transaction, irrespective of the risk category. Amounts recognized in other comprehensive income in the statement of comprehensive income are reclassified to the income statement as soon as the hedged item has an impact on the income statement. In the case of interest rate hedges, such amounts are included in net interest income or expense, while in the case of currency hedges for forecast sales in foreign currencies, they are included in sales revenues, and hedges on the procurement of goods are included directly in the cost of sales. If the hedged future transaction comprises a non-financial asset or a non-financial liability, the gain or loss previously recognized in other comprehensive income is included in the cost of acquisition of the asset or liability when it is initially recognized. Hedge accounting must also be halted if the forecast transaction is no longer expected. The amount recognized in other comprehensive income is reclassified to the income statement.

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

The purpose of **fair value hedges** (FVH) is to hedge the fair value of assets or liabilities reflected on the balance sheet. Both changes in the fair value of the hedging instrument and changes in the value of the hedged item are recognized in the income statement. In view of this method, changes in the value of the hedged item and the hedge cancel each other out in the income statement.

The effectiveness of the hedging relationships is determined using the dollar offset method, critical term match, the hypothetical derivatives method, and regression analysis.

The principal hedging transactions for which hedge accounting was applied in the reporting period are outlined below:

Forward exchange contracts, currency options, and currency swaps are used as cash flow hedges to hedge **forecast foreign currency sales** against exchange rate movements. Only part of the forecast foreign currency sales is hedged. The currency component is designated using the spot-to-spot method, while the forward components and the foreign currency basis spreads are managed as hedging costs. The effective portions of these components are recognized in other equity components. A direct hedging relationship is used, and the economic relationship is reviewed by comparing the notional values of the hedging instruments and the hedged items. Ineffectiveness may occur if the notional value of the hedging instruments and hedged items do not correspond or their maturities differ. A maturity mismatch may be caused by the fact that the hedging instruments expire as of the date of revenue recognition, while the hypothetical derivative that reflects the characteristics of the hedged item and is used to measure effectiveness expires as of the expected date of payment. As in the previous year, the resulting ineffectiveness was not material. The following weighted average hedging rates for the major currency pairs are derived from hedging of the currency risk:

Hedging of currency risk T131

	Average hedging rate		Average exchange rate	Closing rates
	Maturing in 2023	Maturing in 2024	2022	Dec. 31, 2022
EUR/USD	1.08	1.03	1.06	1.07
EUR/CNH[a]	7.34	7.19	7.08	7.36

[a] CNH is the technical market designation for renminbi that are tradable and deliverable outside the territory of China.

Forward exchange contracts and currency swaps are used as **net investment hedges** to hedge subsidiaries in the UK against **foreign currency risks** on a rolling basis. In addition, there is a hedge of a net investment that has ended but will only be reclassified when the hedged company is divested.

To hedge the **risk of changes in interest rates,** Evonik generally uses cash flow hedges and fair value hedges. An interest rate swap, which matures in 2025, was concluded in the reporting period to swap a fixed interest rate for a variable rate.

The **price risk relating to forecast purchases of raw materials** is hedged using gas and coal commodity swaps recognized as cash flow hedges.

Derivative financial instruments as of December 31, 2022 T132

	Notional value, total		Carrying amount	
in € million	**Total**	thereof non-current	Receivables from derivatives	Liabilities from derivatives
Currency risks				
Forward exchange contracts, currency options, and currency swaps	5,818	302	68	85
thereof cash flow hedges	1,629	292	20	29
thereof hedges of a net investment	24	–	1	–
Total	**5,818**	**302**	**68**	**85**
Interest rate risks				
Interest rate swaps	500	500	–	42
thereof fair value hedges	500	500	–	42
Total	**500**	**500**	**–**	**42**
Commodity price risks				
Power derivatives[a, b]	685	676	79	8
Gas derivatives[c]	8	2	1	1
thereof cash flow hedges	8	2	1	1
Coal derivatives[d]	93	–	–	36
thereof cash flow hedges	93	–	–	36
Total	**786**	**678**	**80**	**45**

[a] The receivables from power derivatives do not include the day one gain on a power purchase agreement.
[b] Hedged volume of power derivatives 6,679 thousand MWh (of which non-current: 6,582 thousand MWh) not included in hedge accounting.
[c] Hedged volume of gas derivatives 55 million m³ (of which non-current: 26 million m³).
[d] Hedged volume of coal derivatives 318 thousand metric tons (of which non-current: none).

Derivative financial instruments as of December 31, 2021 T133

	Notional value, total		Carrying amount	
in € million	**Total**	thereof non-current	Receivables from derivatives	Liabilities from derivatives
Currency risks				
Forward exchange contracts, currency options, and currency swaps	4,749	319	29	121
thereof cash flow hedges	1,212	208	3	56
thereof hedges of a net investment	76	–	–	1
Total	**4,749**	**319**	**29**	**121**
Interest rate risks				
Interest rate swaps	–	–	–	–
thereof fair value hedges	–	–	–	–
Total	**–**	**–**	**–**	**–**
Commodity price risks				
Power derivatives[a]	61	6	40	59
Gas derivatives[b]	3	1	1	–
thereof cash flow hedges	3	1	1	–
Coal derivatives[c]	7	–	–	1
thereof cash flow hedges	7	–	–	1
Total	**71**	**7**	**41**	**60**

[a] Hedged volume of power derivatives 837 thousand MWh (of which non-current: 70 thousand MWh) not included in hedge accounting.
[b] Hedged volume of gas derivatives 29 million m³ (of which non-current: 9 million m³).
[c] Hedged volume of coal derivatives 52 thousand metric tons (of which non-current: none).

The costs of hedging result from changes in the forward components that are not designated and from foreign currency basis spreads. There were no material effects from changes in the time value of currency options transactions in the reporting period. There were no hedging costs for the hedged items realized over time. In 2021 and 2022, there were no reclassifications due to the early termination of a hedging relationship. Excluding deferred taxes, the other equity components from hedging instruments for designated risk components and other equity components for the cost of hedging pursuant to IFRS 9 changed as follows:

Development of other equity components (before taxes) from cash flow hedges T134

	Designated risk components			Cost of hedging	
in € million	Currency hedges	Commodity price hedges	**Total**	Hedged item realized at a point in time	**Total**
As of January 1, 2021	**67**	**2**	**69**	**–10**	**–10**
Gains/losses from effective hedging relationships recognized in OCI	–75	1	–74	–11	–11
Reclassification to the income statement due to realization of the hedged item	–34	–2	–36	15	15
Offset against cost of acquisition	–	–	–	–	–
As of December 31, 2021	**–42**	**1**	**–41**	**–6**	**–6**
Gains/losses from effective hedging relationships recognized in OCI	–35	–58	–93	–15	–15
Reclassification to the income statement due to realization of the hedged item	87	–	87	13	13
Offset against cost of acquisition	–6	21	15	–	–
As of December 31, 2022	**4**	**–36**	**–32**	**–8**	**–8**

As in the previous year, the other equity components from cash flow hedges do not include any hedging relationships that have ended.

Development of other equity components (before taxes) from net investment hedges T135

in € million	Designated risk components
As of January 1, 2021	**–1**
Gains/losses from effective hedging relationships recognized in OCI	–5
As of December 31, 2021	**–6**
Gains/losses from effective hedging relationships recognized in OCI	4
As of December 31, 2022	**–2**

€3 million (2021: €3 million) of the other equity components from net investment hedges relate to the early termination of hedging relationships.

An interest rate swap with a notional value of €500 million is used to hedge the interest rate risk of a fair value hedge. The carrying amount of the hedged item is a financial liability.

Fair value hedges recognized on the balance sheet T136

	Interest rate hedges	
in € million	2021	**2022**
Carrying amount of the hedged items on the balance sheet	–	42
Cumulative fair value adjustment of active hedging relationships	–	–42

To present the effectiveness of designated hedging relationships, the following table compares the changes in the fair value of the designated hedged items with the designated hedging instruments. No ineffective portions were recognized in profit or loss for any of the hedging relationships.

Effectiveness of the hedging relationships 2022 T137

in € million	Currency hedges	Interest rate hedges	Commodity price hedges
Change in the value of the hedged item	–52	–	58
Change in the designated value of the hedging instrument	52	–	–58
Cash flow hedges	**–**	**–**	**–**
Change in the value of the hedged item	–4	–	–
Change in the designated value of the hedging instrument	4	–	–
Hedge of a net investment	**–**	**–**	**–**
Change in the value of the hedged item	–	42	–
Change in the designated value of the hedging instrument	–	–42	–
Fair value hedges	**–**	**–**	**–**

Effectiveness of the hedging relationships 2021 T138

in € million	Currency hedges	Interest rate hedges	Commodity price hedges
Change in the value of the hedged item	113	–	1
Change in the designated value of the hedging instrument	−113	–	−1
Cash flow hedges	–	–	–
Change in the value of the hedged item	5	–	–
Change in the designated value of the hedging instrument	−5	–	–
Hedge of a net investment	–	–	–
Change in the value of the hedged item	–	–	–
Change in the designated value of the hedging instrument	–	–	–
Fair value hedges	–	–	–

9.4.4 Notes on financial risk management

As an international company, Evonik is exposed to financial risks in the normal course of business. A major objective of corporate policy is to minimize the impact of market, liquidity, and default risks on both the value of the company and profitability in order to check adverse fluctuations in cash flows and earnings without forgoing the opportunity to benefit from positive market trends. For this purpose, a systematic financial and risk management system has been established. Interest rate and exchange rate risks are managed centrally by the Finance function of Evonik Industries AG, while commodity risks are managed by the divisions in accordance with established corporate policies.

The financial derivatives contracts used by Evonik are entered into exclusively in connection with a corresponding underlying transaction (hedged item) relating to normal operating business, which provides a risk profile directly opposite to that of the hedge. The instruments used are customary products found on the market. For the management of interest rates and exchange rates, they comprise currency swaps, forward exchange contracts, currency options, cross-currency interest rate swaps, and interest rate swaps. Commodity swaps are used to hedge the risk of fluctuations in the price of coal, natural gas, and electricity. The procurement of emission allowances to meet obligations pursuant to section 6 of the German Greenhouse Gas Emissions Trading Act (TEHG) can be optimized using emission allowance and emission reduction transactions based on swaps and futures.

Overview of financial risks T139

Risk	Exposure arising from	Measurement	Management
Market risk—foreign exchange	Off-balance-sheet transactions (firmly agreed or forecast) Recognized financial assets and liabilities denominated in currencies other than the company's functional currency	Cash flow forecasting; Sensitivity analyses	Forward exchange contracts; Currency options; Currency swaps; Cross-currency interest rate swaps
Market risk—risk of changes in variable interest rates	Non-current loans/bonds with variable interest rates	Sensitivity analyses	Interest rate swaps
Market risk—risk of changes in fixed interest rates	Non-current loans/bonds with fixed interest rates	Sensitivity analyses	Interest rate swaps
Market risk—impairment risk	Investments in equity instruments	Sensitivity analyses	Observation and portfolio decisions
Market risk—commodity risk	Purchase and sale of raw materials	Sensitivity analyses	Price escalation clauses; Swaps
Liquidity risk	Unplanned liquidity requirements	Rolling cash flow forecasts	Cash and cash equivalents, availability of committed credit lines
Default risk	Cash and cash equivalents, trade accounts receivable, derivative financial instruments, debt instruments, and contract assets	Analysis of residual maturity; Credit scoring/ratings	Diversification of bank deposits; Credit lines and letters of credit; Credit insurance; Investment guidelines for debt instruments

9.4.4.1 Market risk

Exchange rate risks relate to both the sourcing of raw materials and the sale of end-products in currencies other than the functional currency of the company concerned. One aim of currency risk management is to protect the company's operating business from fluctuations in earnings and cash flows resulting from changes in exchange rates. The opposite effects arising from procurement and sales activities are taken into account. Another objective of currency risk management is to eliminate the currency risk relating to financing transactions that are not denominated in the functional currency of the respective Group companies.

In the **management of currency risks,** Evonik distinguishes between risk positions recognized on the balance sheet and off-balance-sheet (i.e., firmly agreed or forecast) exposures. For currency hedging of current risk positions on the balance sheet, Evonik uses a portfolio approach where the hedged items and hedging instruments are accounted for separately. By contrast, micro-hedging is applied for non-current loans and exposures arising from firmly agreed or forecast transactions. The hedging instrument and related hedged item are then designated in a formal hedge relationship (cash flow hedge accounting or net investment hedge accounting). This synchronizes the earnings impact of the hedging instruments with hedged items that can only be recognized on the balance sheet at a later date. In the case of hedges on loans, it allows the distribution of the cost of hedging on a straight-line basis over the term of hedging relationship. In individual cases, there may be a shift in the timing of the hedged item in forecast transactions. In this case, the hedging strategy is maintained unchanged, the amount exposed to the risk is updated, and the hedging transactions are adjusted.

In the **portfolio approach,** the net risk position in each foreign currency is determined for each company in the Evonik Group and then hedged via intragroup investment or borrowing via the cash pool. The net risk positions on cash pool balances at Group level are hedged on the market on a currency-by-currency basis using external derivatives. Gross income and expenses from currency translation of operating monetary assets and liabilities are netted; so are gross income and expenses from the corresponding operational currency hedging. The net result from the translation of operating monetary assets and liabilities and the net result of operational currency hedging calculated in this way are recognized in other operating income or other operating expense as appropriate. Gross income and expenses from the currency translation of financing-related risk positions and financing-related currency hedging are netted analogously. The resulting net results for currency translation and currency hedging are recognized in other financial income/expense. The net presentation of the results reflects both the management of risk positions in the Evonik Group and the economic substance.

Due to the application of hedge accounting for **micro-hedging** of foreign currency balance sheet exposure (for example, financing-related currency hedging of non-current loans through cross-currency interest rate swaps) and the hedging of forecast or firmly agreed foreign currency cash flows (for example, hedging of forecast sales revenues), their hedge results are only reflected in profit or loss in any ineffective portions that are excluded from the hedge accounting relationship. By contrast, the effective results of micro-hedges reflected in cash flow hedge accounting and the cost of hedging (forward components, time value of options, and foreign currency basis spreads) are recognized in other equity components until the hedged transaction is realized. Subsequently, they are transferred to sales if they were used as a sales hedge, to inventories or the cost of sales if they were used to hedge cost risks relating to procurement, or to the initial carrying balance of property, plant and equipment if the purpose was to hedge the foreign currency risk relating to the procurement of assets of this type. In the case of currency hedges for loans for which cash flow hedge accounting is applied, the effective portion of the hedge is transferred from other equity components to offset the net result of currency translation of monetary assets and liabilities triggered by the hedged item (see also note 6.9 p.155ff. (Other equity components)). In addition, the currency risks relating to net investments in foreign operations are hedged and included in hedge accounting as hedges of a net investment.

The aim of **interest rate management** is to protect net income from the negative effects of fluctuations in market interest rates and the resulting changes in fair values or cash flows. Interest rate risk is generally managed using derivative and non-derivative financial instruments. The aim is to achieve an appropriate ratio of fixed rates (with interest rates fixed for more than one year) and variable rates (terms of less than one year), taking costs and risks into account. In the reporting period, 100 percent (2021: 99 percent) of the instruments recognized as financial assets were variable-interest instruments. At year-end 2022, 88 percent (2021: 99 percent) of financial instruments recognized in other financial liabilities were fixed-interest instruments. The bonds and money market paper recognized in securities and similar claims entail interest rate risks. These are minimized by a short investment horizon. The average interest rate duration is one year.

Several scenario analyses were carried out to **measure exchange rate and interest rate risk** as of December 31, 2022. The most important currencies for Evonik are the US dollar (USD) and the Chinese renminbi yuan (CNY/CNH). CNH is the technical market designation for renminbi that are tradable and deliverable outside the territory of China. A sensitivity analysis was performed for these currencies as of December 31, 2022 by modeling a change of 5 percent and 10 percent in the exchange rate relative to all other currencies to simulate the possible loss of value of derivative and non-derivative financial instruments in the event of the appreciation or depreciation of these currencies. The percentage standard deviation of changes in exchange rates versus the euro in 2022 was 10.2 percent for the USD (2021: 5.2 percent) and 8.4 percent for the CNY/CNH (2021: 4.6 percent). The exposure is the net nominal amount of derivative and non-derivative financial instruments subject to exchange rate risks. Counteritems within a currency are netted.

Exchange rate sensitivity analysis T140

	Dec. 31, 2021					Dec. 31, 2022				
		Impact on income before income taxes		Impact on other comprehensive income before taxes			Impact on income before income taxes		Impact on other comprehensive income before taxes	
in € million	Exposure	+5%	+10%	+5%	+10%	Exposure	+5%	+10%	+5%	+10%
USD	419	5	10	−41	−81	458	−4	−8	−36	−72
CNY	178	–	–	−16	−33	141	−2	−4	−13	−26

Several scenario analyses were carried out to measure interest rate risk as of December 31, 2022. These analyzed shifts of 50 and 100 basis points in the EUR yield curve due to changes in EUR interest rates to simulate the possible impact on earnings and equity of a loss of value of derivative and non-derivative financial instruments.

Interest rate sensitivity analysis T141

	Dec. 31, 2021					Dec. 31, 2022				
		Impact on income before income taxes		Impact on other comprehensive income before taxes			Impact on income before income taxes		Impact on other comprehensive income before taxes	
in € million	Exposure	+50 BP	+100 BP	+50 BP	+100 BP	Exposure	+50 BP	+100 BP	+50 BP	+100 BP
EUR	466	−3	−6	–	–	412	−2	−4	–	–

BP = basis points (1 basis point corresponds to 0.01 percent).

Impairment risks relating to exchange-listed equity instruments result from company-specific data of individual funds and listed companies and from the general risk of possible negative developments on the equity market. For unlisted equity instruments, the risk results from company-specific aspects and the general economic situation. The risk is measured using sensitivity analysis, and risk management comprises constant observation and the related portfolio decisions.

Commodity risks result from changes in the market prices for the purchase and sale of raw materials. Raw materials were purchased principally to meet in-house demand. Other factors of importance for Evonik's risk position are the availability and price of relevant raw materials, starting products, and intermediates. In particular, raw material prices of significance to the Evonik Group are dependent on exchange rates and the price of crude oil. Commodity management, which is the responsibility of the divisions, involves identifying procurement risks and defining effective measures to minimize them. For example, price escalation clauses and swaps are used to reduce price volatility. Pricing and procurement risks are reduced through worldwide procurement and optimized processes to ensure immediate sourcing of additional raw material requirements. Further, the use of alternative raw materials is examined for various production processes, and Evonik is working on the development of alternative production technologies. Evonik has firmly agreed transactions relating to its own electricity generation and power requirements. Recognition of these transactions is mandatory. The amounts to be recognized in the corresponding balance sheet items were determined principally by the development of electricity prices in 2022. If the price had been 10 percent higher or lower, this would have resulted in a corresponding reduction or increase in income before income taxes of €48 million (2021: €16 million). This would not have had any impact on other equity components. Financial derivatives were also used to hedge the procurement price risks relating to natural gas and coal. As of the reporting date, the average hedging rate for natural gas was €0.15 per cubic meter, and for coal it was €292.03 per metric ton. If the price of natural gas and coal had been 10 percent higher or lower, this would have resulted in a corresponding increase or reduction of €5 million (2021: €1 million) in the value of the commodity derivatives on other equity components in 2022. As in 2021, the impact on income before income taxes would have been immaterial.

9.4.4.2 Liquidity risk

Liquidity risk is managed through business planning to ensure that the funds required to finance the current operating business and current and future investments at all companies in the Evonik Group are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments, and other financial activities are derived from a financing status and liquidity planning, which form part of liquidity risk management. Liquidity is pooled in a central cash management pool where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements. Evonik is aware that a small number of its suppliers participate in factoring programs, where they sell their receivables from Evonik to financial partners. The programs do not result in a material change in the amount or terms of the obligations, nor do they result in any change in the classification and presentation of the liabilities to the suppliers or the cash flows. In view of the low level of participation by suppliers in such factoring programs relative to total liabilities to suppliers, Evonik's highly diversified supplier base, high level of cash and cash equivalents, current securities, firmly committed credit lines, and its solid investment rating, the resulting liquidity risk for Evonik is deemed to be very low.

As of December 31, 2022, Evonik had cash and cash equivalents amounting to €645 million and current securities totaling €413 million. In addition, Evonik has a €1.75 billion syndicated revolving credit facility as a central source of liquidity. The credit facility, which originally ran until June 2024, was refinanced with a syndicate of 16 core banks in November. The amount of this credit facility is unchanged, and it runs for five years with two options to extend it by one year in each case, so it ends at the latest in November 2029. The syndicated credit facility represents a long-term liquidity reserve for the Evonik Group and was not drawn at any time in fiscal 2022. It does not contain any covenants requiring Evonik to meet certain financial ratios. In addition, the bilateral revolving credit facilities were increased to €800 million. These had not been drawn as of December 31, 2022. They are available alongside the syndicated credit facility as an additional liquidity reserve for Evonik Industries AG.

The table shows the remaining maturity of the non-derivative financial instruments based on the agreed dates for interest and redemption payments.

Payments for non-derivative financial instruments by residual maturity as of December 31, 2022 T142

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 and up to 5 years	More than 5 years	Total
Trade accounts payable	**1,735**	–	–	–	**1,735**
Bonds	25	1,314	1,298	504	3,141
Liabilities to banks	38	19	–	19	76
Schuldschein loans	5	85	100	84	274
Loans from non-banks	8	4	–	–	12
Lease liabilities	177	267	176	543	1,163
Miscellaneous other financial liabilities	60	29	–	–	89
Other financial liabilities	**313**	**1,718**	**1,574**	**1,150**	**4,755**

Payments for non-derivative financial instruments by residual maturity as of December 31, 2021 T143

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 and up to 5 years	More than 5 years	Total
Trade accounts payable	**2,022**	–	–	–	**2,022**
Bonds	12	1,541	1,024	508	3,085
Liabilities to banks	39	17	10	–	66
Schuldschein loans	–	–	–	–	–
Loans from non-banks	12	–	–	4	16
Lease liabilities	133	193	122	275	723
Miscellaneous other financial liabilities	67	49	–	–	116
Other financial liabilities	**263**	**1,800**	**1,156**	**787**	**4,006**

A disclosure on the maturity of existing financial guarantees can be found in the section on risk of default p. 194 ff. below. The Evonik Group met all payment terms agreed for its financial liabilities.

The breakdown of the sum of interest and redemption payments by maturity in the following table relates to derivative financial instruments with positive and negative fair values. The table shows the net value of cash inflows and outflows. Since netting was not agreed for forward exchange contracts, currency swaps, interest rate swaps, or cross-currency interest rate swaps, they are presented as gross amounts:

Payments relating to derivative financial instruments by remaining maturity as of December 31, 2022 T144

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Forward exchange contracts, currency options, and currency swaps	58	2	–	60
thereof cash inflows	2,359	83	–	2,442
thereof cash outflows	–2,301	–81	–	–2,382
Commodity derivatives	6	–	74	80
Receivables from derivatives	**64**	**2**	**74**	**140**
Interest rate swaps	–15	–28	–	–43
Forward exchange contracts, currency options, and currency swaps	–81	–	–	–81
thereof cash inflows	2,633	57	–	2,690
thereof cash outflows	–2,714	–57	–	–2,771
Commodity derivatives	–45	–	–	–45
Liabilities from derivatives	**–141**	**–28**	**–**	**–169**

Payments relating to derivative financial instruments by remaining maturity as of December 31, 2021 T145

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Forward exchange contracts, currency options, and currency swaps	31	–1	–	30
thereof cash inflows	1,611	113	–	1,724
thereof cash outflows	–1,580	–114	–	–1,694
Commodity derivatives	39	2	–	41
Receivables from derivatives	**70**	**1**	**–**	**71**
Interest rate swaps	–	–	–	–
Forward exchange contracts, currency options, and currency swaps	–132	–7	–	–139
thereof cash inflows	2,834	206	–	3,040
thereof cash outflows	–2,966	–213	–	–3,179
Commodity derivatives	–59	–1	–	–60
Liabilities from derivatives	**–191**	**–8**	**–**	**–199**

9.4.4.3 Default risk

The default risk (credit risk) is managed at Group level. Three categories are defined for credit risk management, each of which is treated separately on the basis of its specific features. The categories are financial counterparties (generally banks but also other financial institutions and industrial counterparties, insofar as derivatives transactions are concluded with them), other counterparties (mainly debtors and creditors), and countries. Credit risks are defined generally as a potential threat to earnings power and/or corporate value resulting from a deterioration of the respective contractual counterparty. More precisely, it means defaulting on payments as a result of financial difficulties/insolvency by the counterparty. On principle, Evonik does not hold any purchased or originated credit-impaired financial assets. To monitor any risk concentrations, the individual risk limits are set for business partners on the basis of internal and external ratings. The expected future development of the potential default risk of each category is taken into account in the definition and monitoring of the risk categories.

The credit risk of **financial counterparties** also includes additional earnings and value effects, which may be either direct (for example, a security held by a counterparty loses value as a result of a rating downgrade) or indirect due to a deterioration in the credit rating (for example, reduction in the probability that a counterparty will be able to fulfill a future obligation to Evonik—for example, from a guarantee bond or a loan commitment—in the manner originally agreed). In addition, a specific limit is set for financial counterparties for each type of risk (money market, capital market, and derivatives). Maximum limits for each contracting party are set on the basis of the creditworthiness analyses. These are predominantly based on ratings and our own internal credit analysis. In addition, the development of the price of a CDS (credit default swap) and equity prices (where available) is analyzed. Country limits are set for the money and capital markets to ensure diversification of country risks.

In the case of **debtors, creditors, and other counterparties,** credit risk management also covers possible damage from orders that have been placed but not yet fulfilled and further potential damage to Evonik resulting from non-performance of a counterparty's supply, service, or other obligation. An internal limit system is used for risk assessment and monitoring. Political risk (country risk) is also taken into account for export orders so that the overall risk assessment takes account of both political and economic risk factors. Based on this analysis, a maximum default risk is set for the contracting party. The credit standing of contracting parties is updated constantly via ratings or scoring processes. The internal credit scoring model used for this comprises six risk categories (1 = high creditworthiness; 6 = low creditworthiness).

Scoring model for credit default risk T146

Risk category	Attributes
1 = high creditworthiness	• Very good payment profile in the past year • Long-term business relationships • Countries with good to very good economic and political risk assessments
2 = good creditworthiness	• Good payment profile in the past year • Business relationships over several months • Countries with good economic and political risk assessments
3 = medium creditworthiness	• Payments are made regularly • Relatively new business relationships • Countries with weaker economic and political prospects
4–6 = low creditworthiness	• Payments are sometimes unpunctual • Countries with economic and political risks

Evonik applies the **IFRS 9 impairment model for expected credit losses** as follows: For financial assets that are subject to the impairment rules of IFRS 9, loss allowances are recognized for expected credit losses. At Evonik, these include loans carried at amortized cost, miscellaneous other financial assets, which are subject to the general impairment approach, and trade accounts receivable, receivables from finance leases, and contract assets (with and without financing components), for which the simplified approach using an impairment matrix is applied.

As a matter of principle, Evonik only places investments with financial counterparties with an investment grade rating. A low default risk **(level 1 of the general approach)** is assumed for financial counterparties that have an investment grade rating (at least Baa3 from Moody's or BBB– from Standard & Poor's or Fitch). Other instruments are considered to have a low risk of default if the risk of non-performance is low, and the issuer is able to meet its contractual payment obligations at all times. The 12-month expected credit loss is calculated on the basis of the probability of default for each CDS as of the reporting date, and a group-wide LGD (loss given default) of 40 percent is assumed. Forward-looking information is implicitly included in the CDS. The exposure at default (EAD) is the nominal value. A review of whether there has been a significant increase in the default risk since the last assessment **(level 2 of the general approach)** must be made at least quarterly. Transfer to level 2 takes place if payment is 30 days overdue. Unless there were indicators of an impairment of creditworthiness at an earlier period **(level 3 of the general approach)**, impairment is generally assumed when payments are more than 90 days overdue. Financial assets that are significantly overdue, possibly by more than 90 days as a result of the customer structure, or where insolvency or similar proceedings have been initiated against the debtor, are tested individually for impairment.

The **impairment matrix used in the simplified approach** is based on the lifetime expected credit losses. It takes account of all components of receivables that are exposed to a risk, except where they are subject to an individual loss allowance. The matrix has a two-step structure. Components of receivables that are not exposed to credit losses (especially any value-added tax or sales tax and receivables covered by credit insurance) are disregarded when calculating the loss allowance. In the first step (ECL1), for all receivables deemed to be at risk, the expected credit loss is determined for all customers on the basis of the customer risk category. In a second step, for all customers in risk categories 4–6, an additional loss allowance is calculated on the basis of a past-due analysis (ECL2). The expected loss ratios depend on actual days overdue based on the payment profiles for sales in the past five years and the corresponding defaults in the same period. The historical loss ratios are adjusted to reflect current and future-oriented information on macroeconomic factors that affect the ability of customers to settle receivables. The determination of loss allowances for receivables from finance leases and contract assets is analogous to the procedure for trade accounts receivable, based on common risk characteristics and number of days overdue, because they essentially have the same risk characteristics and expected loss ratios as trade accounts receivable. Therefore, the expected loss ratios for trade accounts receivable represent an appropriate approximation for contract assets and receivables from finance leases.

In principle, cash and cash equivalents are also subject to the impairment provisions of IFRS 9. However, since they are due daily, impairment losses are normally immaterial.

As of December 31, 2022, the **general approach** was applied for loans amounting to €51 million (2021: €39 million) and miscellaneous other financial assets of €61 million (2021: €29 million), which are measured at amortized cost. Of these, loans amounting to €34 million and miscellaneous other financial assets totaling €8 million have an investment grade rating. Miscellaneous other financial assets totaling €53 million do not have an external rating. Analogously to the previous year, all loans and other financial assets have a low absolute default risk, so they were allocated to level 1, for which only the 12-month expected credit loss is calculated. No significant increase in the credit risk was identified in fiscal 2022. As of December 31, 2022, the allocation to level 1 was therefore unchanged for both loans and miscellaneous other financial assets. Calculation of the 12-month expected credit loss did not result in a material impairment in the reporting period. There were no overdue items.

As of December 31, 2022, the **simplified approach** was used for trade accounts receivable totaling €1,898 million (2021: €1,954 million) and contract assets totaling €7 million (2021: €12 million). The loss allowances for receivables from finance leases and contract assets calculated on this basis and the change in these loss allowances are not material.

Loss allowances for financial assets—simplified approach (loss allowance matrix) T147

in € million	Trade accounts receivable
As of January 1, 2021	**6**
Change	1
As of December 31, 2021	**7**
Change	-3
As of December 31, 2022	**4**

Credit loss matrix for trade accounts receivable as of December 31, 2022 T148

	Low default risk			High default risk	
in € million	Risk category 1	Risk category 2	Risk category 3	Risk category 4–6	**Total**
Credit default rate in %	–	–	–	1.0	–
Gross carrying amount	91	382	432	412	1,317
Expected credit losses (risk provisioning)	–	–	–	4	4
thereof based on credit risk attributes	–	–	–	2	2
thereof 1–180 days past-due	–	–	–	1	1
thereof 181–365 days past-due	–	–	–	–	–
thereof > 365 days past-due	–	–	–	1	1

For receivables in categories 1–3, the lifetime expected credit losses based on credit risk criteria were less than €0.3 million. Therefore, they are not shown separately in the table.

Credit loss matrix for trade accounts receivable as of December 31, 2021 T149

	Low default risk			High default risk	
in € million	Risk category 1	Risk category 2	Risk category 3	Risk category 4–6	**Total**
Credit default rate in %	–	–	–	1.0	–
Gross carrying amount	101	304	498	465	1,368
Expected credit losses (risk provisioning)	–	–	–	6	7
thereof based on credit risk attributes	–	–	–	3	4
thereof 1–180 days past-due	–	–	–	1	1
thereof 181–365 days past-due	–	–	–	–	–
thereof > 365 days past-due	–	–	–	2	2

Loss allowances for financial assets that have to be tested individually for impairment T150

in € million	Trade accounts receivable
As of January 1, 2021	**6**
Additions	5
Utilization	–2
Reversal	–1
As of December 31, 2021	**8**
Additions	2
Utilization	–3
Reversal	–2
As of December 31, 2022	**5**

In the reporting period, no write-downs were made on financial assets where the amount was still outstanding under contract law, and the receivables were still subject to enforcement proceedings. Receivables are only derecognized when, based on an appropriate assessment, realization is no longer expected. This is the case, in particular, when insolvency proceedings in respect of the debt have been completed.

At year-end 2022, trade accounts receivable totaling €400 million (2021: €372 million) were covered by credit insurance (after factoring out the deductible). The maximum default risk was €1,498 million (2021: €1,582 million). As of the reporting date, no collateral had been received for any further financial assets subject to the scope of the impairment model. Their maximum default risk is therefore their carrying amount. As in the previous year, no terms were renegotiated for non-current loans or trade accounts receivable not yet due.

All further financial assets that are not subject to the IFRS 9 impairment model are carried at fair value through profit or loss. The default risk of these instruments is therefore their carrying amount. There is no default risk relating to the other investments because they are equity instruments.

Owing to the diversity of business and the large number of customers and financial counterparties, there were no significant cluster risks.

The **default risk on financial derivatives** is equivalent to their positive fair value. This risk is minimized by setting high standards for the creditworthiness of counterparties. Only common instruments found on the market with sufficient liquidity are used. Consequently, no material risk of default is expected in this field. Evonik concludes master netting arrangements and similar agreements for financial derivatives on a limited scale. These mainly come into effect in the event of the insolvency of a counterparty. The resulting net positions of receivables and liabilities from derivatives are presented in the following tables:

Offsetting rights for financial assets and liabilities as of December 31, 2022 T151

	Amounts set off			Amounts not set off		
in € million	Gross amount	Netting	**Net amount recognized**	Affected by enforceable master netting arrangements	Amounts related to financial collateral	**Potential net amount**
Receivables from derivatives	68	–	68	50	–	18
Liabilities from derivatives	127	–	127	50	–	77

Offsetting rights for financial assets and liabilities as of December 31, 2021 T152

	Amounts set off			Amounts not set off		
in € million	Gross amount	Netting	**Net amount recognized**	Affected by enforceable master netting arrangements	Amounts related to financial collateral	**Potential net amount**
Receivables from derivatives	27	–	27	26	–	1
Liabilities from derivatives	120	–	120	26	–	94

Further, there is a default risk relating to the granting of financial guarantees, see note 9.5 p. 198 f.
At present, there is no indication that these financial guarantees will result in a loss.

9.5 Related parties

In addition to the subsidiaries included in the consolidated financial statements, the Evonik Group maintains relationships with related parties.

Related parties comprise RAG-Stiftung, Essen (Germany), as a shareholder of Evonik Industries AG, due to its controlling influence, fellow subsidiaries of Evonik owned by RAG-Stiftung, and associates and joint ventures of Evonik. Subsidiaries that are not consolidated on materiality grounds are also deemed to be related parties. Post-employment benefit plans for employees are also regarded as related parties. Transactions with these post-employment benefit plans relate to occupational pension plans. For further information, see note 6.10 p.158ff. In addition, the Evonik Group provides services for these plans. These transactions are presented in the table below.

The dividend for fiscal 2021 was paid following the resolution adopted by the annual shareholders' meeting on May 25, 2022. RAG-Stiftung, Essen (Germany) received €307 million (2021: €305 million). In 2022, Evonik received dividends of €6 million (2021: €10 million) from associates and joint ventures.

The current contingent liabilities shown in the joint ventures column as of December 31, 2022 comprises €30 million resulting from a guarantee granted to secure a loan for the joint venture Saudi Acrylic Polymers Company, Ltd., Jubail (Saudi Arabia). This represents the maximum default risk.

Business relations with related parties T153

	RAG-Stiftung		Fellow subsidiaries		Subsidiaries		Joint ventures		Associates		Post-employment benefit plans	
in € million	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Goods and services supplied	1	2	2	2	17	20	29	28	4	4	7	7
Goods and services received	–	–	–1	–1	–	–	–	–8	–1	–1	–	–
Other income	–	–	–	–	–	–	7	3	3	3	–	–
Receivables as of December 31	–	–	–	–	9	9	6	4	1	1	–	–
Liabilities as of December 31	–	–	–	–	–1	–	–23	–36	–1	–	–	–
Contingent liabilities as of December 31	–	–	–	–	–	–2	–29	–30	–	–	–	–

The Federal Republic of Germany and the federal states of North Rhine-Westphalia and Saarland are also classified as **related parties** as they are able to exercise a significant influence on RAG-Stiftung through their membership of the board of trustees of RAG-Stiftung.

Transactions effected between Evonik and these federal and state governments and their subsidiaries or joint ventures in the reporting period comprised generally available government grants. Further, customary business relationships were maintained with the Deutsche Bahn Group and the Deutsche Telekom Group, as well as immaterial business relationships with the Duisport Group. As a consequence of the nationalization of Uniper SE, Düsseldorf (Germany) and SEFE Securing Energy for Europe GmbH (formerly Gazprom Germania GmbH), Berlin (Germany), these companies are also classified as related parties. Evonik concludes forward electricity and natural gas transactions with these companies.

Individuals defined as related parties include members of the management who are directly or indirectly responsible for corporate planning, management, and oversight, and members of their families. At Evonik, these parties comprise members of the executive board and supervisory board of Evonik Industries AG, members of the executive board and board of trustees of RAG-Stiftung, and other management members who hold key positions in the Evonik Group and at RAG-Stiftung.

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments. As of December 31, 2022, there were provisions of €3,043 thousand (2021: €5,625 thousand) for short-term performance-related remuneration of members of the executive board, and €1,804 thousand (2021: €2,820 thousand) for other management members.

As of December 31, 2022, provisions for share-based payments amounted to €8,504 thousand (2021: €4,643 thousand) for members of the executive board and €1,424 thousand (2021: €1,137 thousand) for other management members. The share-based payments are expenses incurred in 2022 for LTI tranches from 2018 to 2022.

The present value of pension obligations (defined benefit obligations) was €20,705 thousand (2021: €30,403 thousand) for the executive board and €12,013 thousand (2021: €13,546 thousand) for other members of the management. Further, the employee representatives elected to the supervisory board of Evonik Industries AG continued to receive the regular salary agreed in their employment contract.

Remuneration paid to related parties T154

	Executive Board of Evonik Industries AG		Supervisory Board of Evonik Industries AG		Other management members		**Total**	
in €'000	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Short-term remuneration	10,341	7,239	3,466	3,466	4,956	4,246	18,763	14,931
Share-based payment	574	3,861	–	–	317	701	891	4,562
Current service cost for pensions and other post-employment benefits	3,038	2,735	–	–	460	439	3,498	3,174
Termination benefits	–	–	–	–	–	–	–	–

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

9.6 Contingent liabilities, contingent receivables, and other financial commitments

Contingent liabilities, except for those recognized in connection with a business combination, are possible or present obligations arising from past events where an outflow of resources is not improbable but which are not recognized on the balance sheet.

Contingent liabilities T155

in € million	2021	**2022**
Guarantee and warranty obligations	48	58
Obligations to make contributions to the fund assets of corporate venture capital investments	26	20
Total	**74**	**78**

The **guarantee and warranty obligations** include guarantees of €30 million in favor of joint ventures, see note 9.5 p.198f., and indemnity obligations of €7 million in connection with divestments.

Through its corporate venture capital activities, the Evonik Group also invests indirectly in specialized technology funds. Evonik holds between 0.66 percent and 24.98 percent of the respective (sub-) fund assets and recognizes them in financial assets as securities and similar claims with a total carrying amount of €49 million (2021: €43 million). As a result of contractual agreements, the **corporate venture capital activities have obligations to make payments into the fund assets** at the request of the fund management companies. The maximum default risk arising from these investments is the sum of the carrying amounts on the balance sheet and the outstanding payment obligations. As in 2021, it is €69 million. There is no intention of providing further financial or other support.

There were no **contingent receivables** as of December 31, 2022.

Other financial commitments result from non-onerous executory contracts, continuous obligations, statutory requirements, and other commercial obligations that are not already included in the liabilities shown on the balance sheet or in contingent liabilities.

Other financial obligations T156

in € million	2021	2022
Obligations to acquire property, plant and equipment	309	242
Miscellaneous other financial obligations	1,000	2,206
Total	**1,309**	**2,448**

Prior-year figures restated.

The **miscellaneous other financial obligations** mainly result from long-term agreements for the sourcing of energy and raw materials. The increase is principally due to the long-term power purchase agreement (PPA) signed with EnBW in 2022. EnBW will supply green energy to Evonik from the He Dreiht offshore wind farm for 15 years.

9.7 Events after the reporting date

No material events have occurred since the reporting date.

10. Disclosures in compliance with German legislation

10.1 Information on shareholdings pursuant to section 313 paragraph 2 of the German Commercial Code (HGB)

The overview of all companies included in the consolidated financial statements and full details of the shareholdings in accordance with section 313 paragraph 2 of the German Commercial Code (HGB), along with details of the subsidiaries that are exempt from the obligation to prepare and publish financial statements, forms part of the audited consolidated financial statements submitted to the electronic Federal Gazette (Bundesanzeiger). The complete list of shareholdings is also available on the internet. **www.evonik.com/list-of-shareholdings**

Evonik holds more than 5 percent of the voting rights in the following stock corporations:

Disclosure pursuant to section 313 paragraph 2 nos. 4 and 5 of the German Commercial Code (HGB) T157

	Shareholding in %		Income after taxes		Equity	
in € million	2021	2022	2021	2022	2021	2022
Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany)	9.83	8.19	–77	–35	258	309
Vivawest GmbH, Essen (Germany)[a]	15.00	15.00	80	102	1,721	1,813

[a] Based on their nature as plan assets, shares amounting to 7.5 percent of this shareholding (2021: 7.5 percent) are measured at fair value in accordance with IAS 19. The disclosures on income after taxes and equity relate to the consolidated financial statements of Vivawest GmbH.

10.2 Personnel expense and number of employees pursuant to section 314 paragraph 1 no. 4 of the German Commercial Code (HGB)

Personnel expense T158

in € million	2021	2022
Wages and salaries	2,668	2,745
Social security contributions	409	451
Pension expenses	255	227
Other personnel expense	76	64
Total	**3,408**	**3,487**

Wages and salaries also include expenses related to restructuring. The net interest expense for pension provisions is shown in the financial result; see note 5.6 p.142 f.

Headcount (annual average) T159

No. of employees	2021	2022
Specialty Additives	3,685	3,764
Nutrition & Care	5,345	5,609
Smart Materials	7,767	7,865
Performance Materials	1,854	2,007
Technology & Infrastructure	8,323	8,130
Enabling functions, other activities	5,826	6,080
Total	**32,800**	**33,455**

The companies included in the consolidated financial statements on a pro rata basis do not have any employees.

10.3 Remuneration of the executive board and supervisory board pursuant to section 314 paragraph 1 no. 6 of the German Commercial Code (HGB)

Remuneration paid to the members of the **executive board of Evonik Industries AG** for their work in 2022 amounted to €10,896 thousand (2021: €15,746 thousand). In 2022, provisions of €158 thousand for bonus payments to the executive board for the previous year were reversed. Further details, including an individual breakdown of remuneration, can be found in the remuneration report. www.evonik.com/remuneration-report

Total remuneration of **former members of the executive board and their surviving dependents** was €3,141 thousand in 2022 (2021: €2,898 thousand). As of the reporting date, the present value of pension obligations (defined benefit obligations) for former members of the executive board and their surviving dependents amounted to €59,999 thousand (2021: €83,390 thousand).

The remuneration of the **supervisory board** for 2022 totaled €3,446 thousand (2021: €3,466 thousand).

10.4 Declaration of conformity with the German Corporate Governance Code

In December 2022, the executive board and supervisory board of Evonik Industries AG submitted the declaration of conformity required by section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the public on the company's website. https://corporate.evonik.de/en/investor-relations/corporate-governance/german-corporate-governance-code

10.5 Auditor's fees pursuant to section 314 paragraph 1 no. 9 of the German Commercial Code (HGB)

The following table presents the total fees charged to the Evonik Group for the services of the auditor KPMG AG Wirtschaftsprüfungsgesellschaft and companies in the global KPMG group for fiscal 2022 and 2021:

Auditor's fees T160

	Germany		Other countries		Total fees	
in € million	2021	**2022**	2021	**2022**	2021	**2022**
Auditing of financial statements	2.6	3.6	2.9	2.9	5.5	6.5
Other audit-related services	0.9	1.6	0.2	0.3	1.1	1.9
Tax consultation services	0.1	–	0.3	–	0.4	–
Other services	0.1	0.1	0.1	–	0.2	0.1
Total	**3.7**	**5.3**	**3.5**	**3.2**	**7.2**	**8.5**

The fees charged for auditing financial statements mainly comprised expenses for the statutory audit of the separate and consolidated financial statements of Evonik Industries AG and its German and foreign subsidiaries, the closely related audit of information systems and processes, and audit-related support in connection with changes in the structure of the Evonik Group. The other audit services mainly comprise services in connection with reviews of interim financial statements, the review of sustainability-related disclosures and non-financial reporting, ISO certification, emissions reporting, and other regulatory and statutory requirements. The tax consultation services in 2021 related, in particular, to support in the preparation of tax declarations and communication with fiscal authorities. The other services principally comprise advisory services in connection with the implementation of regulatory requirements and other project-related consulting services.

10.6 Date of preparation of the financial statements

The executive board of Evonik Industries AG prepared the consolidated financial statements at its meeting on February 17, 2023 and approved them for publication. The consolidated financial statements will be submitted to the audit committee at its meeting on February 24, 2023 for a preliminary examination and to the supervisory board for approval at its meeting on March 1, 2023.

Essen, February 17, 2023

Evonik Industries AG
The Executive Board

Kullmann   Dr. Schwager

Wessel   Wolf

SUPPLEMENTARY INFORMATION

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Evonik Group, and the management report for the Group, which is combined with the management report of Evonik Industries AG, includes a fair review of the development and performance of the business and the position of the Evonik Group, together with a description of the material opportunities and risks associated with the expected development of the Evonik Group.

Essen, February 17, 2023

Evonik Industries AG
The Executive Board

Kullmann	Dr. Schwager
Wessel	Wolf

Independent Auditor's Report

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

To Evonik Industries AG, Essen

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Evonik Industries AG, Essen, and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Evonik Industries AG for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

The combined management report contains cross-references marked as unaudited, which are not required by law. In accordance with German legal requirements, we have not audited the content of these cross-references or the information to which they refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report. The combined management report contains cross-references marked as unaudited that are not required by law. Our audit opinion does not extend to these cross-references or to the information to which they refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs).] Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to note 6.5 to the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Information on the amount of goodwill is provided in note 6.1.

THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 4,568 million as of December 31, 2022, and at 21% of total assets accounts for a substantial share of assets.

Goodwill is tested for impairment annually at the level of the operating segments, irrespective of events. If impairment triggers arise during the financial year, an event-driven goodwill impairment test is also carried out during the year. For goodwill impairment testing, the carrying amount is compared with the recoverable amount of the respective operating segment. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs to sell and value in use of the operating segment. Goodwill was tested for impairment as of September 30, 2022. The decline in market capitalization led to indications of an impairment as of this reporting date. The impairment test as of September 30, 2022, did not result in any impairment of goodwill.

In the fourth quarter of 2022, the expected future cash flows of the Performance Materials business segment were adjusted downward due to developments on the European energy market. As a result, the goodwill of this business segment was tested for impairment as of December 31, 2022. As a result of the impairment tests performed, the goodwill of the Performance Materials business segment was fully impaired by EUR 301 million.

Impairment testing of goodwill is complex and based on a number of assumptions requiring judgment. These include the expected business and earnings performance of the operating segments for the next five years, the assumed long-term growth rates and the discount rate used.

There is the risk for the consolidated financial statements that impairment existing as of the reporting date was not identified. There is also the risk that the disclosures in the notes related to goodwill impairment testing are not appropriate.

OUR AUDIT APPROACH

With the involvement of our valuation experts, we also assessed the appropriateness of the key assumptions and calculation method of the Company. To this end, we discussed the expected development of business and earnings as well as the assumed long-term growth rates with those responsible for planning. We also performed reconciliations with the 2023 budget prepared by management and submitted to the Supervisory Board for approval, as well as the medium-term planning up to and including 2025. In addition, we assessed the consistency of assumptions with external market assessments.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation method used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of the existing forecast uncertainty and the earlier deadline selected for event-independent impairment testing, we examined the effects of possible changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate.

OUR OBSERVATIONS

The calculation method used for impairment testing of goodwill is appropriate and in line with the applicable accounting policies. The Company's assumptions and data used for measurement are appropriate overall. The disclosures in the notes related to goodwill impairment testing are appropriate.

Impairment of property, plant and equipment

Please refer to note 6.5 in the notes to the financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the value of property, plant and equipment can be found under note 6.2.

THE FINANCIAL STATEMENT RISK

Property, plant and equipment amounted to EUR 6,962 as of December 31, 2022, and at 32% of total assets accounts for a considerable share of the assets.

If there is objective evidence of impairment of property, plant and equipment, the Company determines the recoverable amount and compares this amount with the respective carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is determined using the discounted cash flow method. The calculation of the recoverable amount is carried out regularly on the level of cash-generating units.

Impairment testing of property, plant and equipment is complex and based on a range of assumptions that require judgment. This is particularly the case for estimated future cash flows, the discount rates used as well as the assessment of whether there are indications of impairment.

As a result of the decline in market capitalization below the net assets of Evonik Industries AG, the value of property, plant and equipment was tested for impairment on an ad hoc basis as at September 30, 2022. As a result of the impairment test, an impairment loss of EUR 110 million was recognized. The impairment test of the business segment Performance Materials as of December 31, 2022, did not result in any impairment of property, plant and equipment. In total, impairment losses of EUR 148 million were recognized on property, plant and equipment in the financial year.

There is the risk for the consolidated financial statements that the existing impairment loss is not recognized in the amount required. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

We obtained an understanding of the Company's process for the identification of indications of impairment as well as for the determination of recoverable amounts based on explanations provided by accounting staff as well as an assessment of the in-house policies. We analyzed the indications of impairment identified by the Company and, on the basis of information obtained within the scope of our audit, assessed whether there are any indications of further impairment not identified by the Company.

With the involvement of our valuation experts, we assessed the computational accuracy and IFRS compliance of the Company's valuation methods and the appropriateness of significant assumptions made therein. In addition, we also discussed the expected cash inflows with those responsible for planning. By reconciling the projected earnings contributions prepared at the level of the cash-generating units to the 2023 budget prepared by management and submitted to the Supervisory Board for approval and the medium-term planning up to and including 2025, we assessed their internal consistency.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation method used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of forecast uncertainty, we also assessed the impact of reasonably possible changes in [the discount rate] and [the expected cash flows] on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's measurements.

Finally, we assessed whether the disclosures in the notes on the impairment of property, plant and equipment are appropriate.

OUR OPINIONS

The approach, including the measurement method, used for impairment testing of property, plant and equipment is consistent with the accounting policies. The assumptions and data used by the Company are appropriate. The related disclosures in the notes are appropriate.

Measurement of pension obligations and plan assets

Information on the accounting policies applied, the assumptions used and the amount of pension obligations and plan assets is presented in note 6.10 to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

As of December 31, 2022, the provisions for employee benefits and similar obligations amounted to EUR 1,359 million. This is the net balance of the present value of the pension obligations of EUR 8,344 million and the fair value of plan assets of EUR 7,031 million and after taking into account the effect of the asset ceiling of EUR 46 million. The majority relates to pension commitments in Germany, the USA and United Kingdom.

Pension obligations (defined benefit obligations) are measured using the projected unit credit method in accordance with IAS 19, which requires assumptions in particular on long-term salary and pension growth and average life expectancy. The discount rate as of the reporting date is derived from the yield on high-grade, currency-matched corporate bonds with maturities that match the expected maturities of the obligations. Changes to these measurement assumptions are recognized directly in equity as actuarial gains or losses. The actuarial determination of pension obligations therefore requires a range of judgments. Plan assets are measured at fair value. This includes assets for which the fair value can be determined based on prices quoted on an active market, is directly or indirectly observable or can be determined using a valuation technique. Measurement of the fair value of assets for which there is no active market is subject to estimation uncertainties or judgments.

There is the risk for the consolidated financial statements that the pension obligations or plan assets have been measured inaccurately. There is also the risk that the disclosures in the notes relating to measurement are not appropriate.

OUR AUDIT APPROACH

Based on our understanding of the process, we have evaluated the establishment and design of identified internal controls for the transmission of information relevant to measurement to the actuaries engaged by Evonik.

With the involvement of our actuaries, we assessed the actuarial reports obtained by Evonik as well as the professional qualifications of the external experts. Our audit procedures also included evaluating the appropriateness of the valuation method applied and assumptions made. In addition, we verified the computational accuracy of the resulting obligations based on a deliberate selection of pension commitments.

We obtained a basic overview of the process of measuring the fair values of plan assets including the controls set up for this purpose.

For auditing the fair values of interest-bearing investments, we made our own calculations with the involvement of our valuation experts for a risk-based deliberate selection and compared these values with the values determined by the Company. For non-interest-bearing investments, we verified whether the unit prices determined by the investment management companies are appropriate.

For auditing the fair value of the corporate share in Vivawest GmbH, Essen, included in the plan assets, we assessed the appropriateness of the calculation method and plausibility of main planning assumptions based on industry-specific market expectations. With regard to the discount rate determined, we have performed both a substantive assessment of the individual assumptions and data on the basis of available market data and a critical overall assessment in comparison with other companies in the real estate sector.

We also assessed whether the related disclosures in the notes are appropriate.

OUR OBSERVATIONS

The calculation method used for the pension obligations is appropriate and consistent with the accounting policies to be applied. The assumptions and data used for measurement of the pension obligations and plan assets are appropriate overall. The related disclosures in the notes are appropriate.

Other Information

Management and the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the integrated combined non-financial statement, included in section 5 "Sustainability" of the combined management report,
- the corporate governance statement included in the corresponding section of the combined management report.

The other information also includes:

- the parts of the financial report other than the report of the Supervisory Board obtained before the date of the auditor's report,
- the report of the supervisory board expected to be available to us after the date of the auditor's report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with our engagement, we have performed a separate audit of the non-financial statements. With regard to the nature, scope and results of this audit, we refer to our audit opinion dated 21 February 2023.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "evonik-2022-12-31-de.zip" (SHA256-Hashwert: 568b2629dc26c8a22226b6ebf193eb56233ff0a0b3a269d-71ab9aca5861750a0) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor at the annual general meeting on 25 May 2022. We were engaged by the supervisory board on 18 October 2022. We have been the group auditor of Evonik Industries AG since financial year 2021.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Thorsten Hain.

Essen, 21 February 2023
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

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