Consolidated interim financial statements of Evonik Industries AG, Essen, as of March 31, 2011

Contents

Income statement for the Evonik Group

in € million	1st quarter 2011	1st quarter 2010
Sales	3,756	3,080
Cost of sales	–2,602	–2,181
Gross profit on sales	**1,154**	**899**
Selling expenses	–311	–266
Research and development expenses	–88	–76
General administrative expenses	–162	–135
Other operating income	483	220
Other operating expenses	–409	–234
Income before financial result and income taxes, continuing operations	**667**	**408**
Interest income	8	3
Interest expense	–102	–106
Result from investments recognized at equity	15	13
Other financial income	–	1
Financial result	**–79**	**–89**
Income before income taxes, continuing operations	**588**	**319**
Income taxes	–146	–90
Income after taxes, continuing operations	**442**	**229**
Income after taxes, discontinued operations	–	79
Income after taxes	**442**	**308**
thereof attributable to		
Non-controlling interests	11	18
Shareholders of Evonik Industries AG (net income)	431	290
Earnings per share in € (basic and diluted)	**+0.92**	**+0.62**

Prior-year figures restated.

Statement of comprehensive income for the Evonik Group

in € million	1st quarter 2011	1st quarter 2010
Income after taxes	**442**	**308**
thereof attributable to		
Non-controlling interests	11	18
Shareholders of Evonik Industries AG (net income)	431	290
Unrealized gains/losses on available-for-sale-securities	–	4
Gains/losses on hedging instruments	64	-66
Currency translation adjustment	-164	185
Deferred taxes	-19	17
Other comprehensive income after taxes	**-119**	**140**
thereof attributable to		
Non-controlling interests	-26	20
Shareholders of Evonik Industries AG	-93	120
Total comprehensive income	**323**	**448**
thereof attributable to		
Non-controlling interests	-15	38
Shareholders of Evonik Industries AG	338	410

Balance sheet for the Evonik Group

in € million	March 31, 2011	Dec. 31, 2010
Intangible assets	3,427	3,486
Property, plant and equipment	4,355	4,455
Investment property	1,525	1,528
Investments recognized at equity	1,147	562
Financial assets	318	108
Deferred tax assets	452	518
Other income tax assets	23	23
Other receivables	48	59
Non-current assets	**11,295**	**10,739**
Inventories	1,636	1,585
Other income tax assets	52	47
Trade accounts receivable	2,079	1,826
Other receivables	342	257
Financial assets	382	484
Cash and cash equivalents	1,752	1,103
	6,243	**5,302**
Assets held for sale	348	4,502
Current assets	**6,591**	**9,804**
Total assets	**17,886**	**20,543**
Issued capital	466	466
Reserves	5,276	4,910
Equity attributable to shareholders of Evonik Industries AG	**5,742**	**5,376**
Equity attributable to non-controlling interests	100	593
Total equity	**5,842**	**5,969**
Provisions for pensions and other post-employment benefits	3,276	3,279
Other provisions	944	956
Deferred tax liabilities	496	502
Other income tax liabilities	76	70
Financial liabilities	3,049	2,915
Other payables	378	405
Non-current liabilities	**8,219**	**8,127**
Other provisions	1,434	1,467
Other income tax liabilities	367	345
Financial liabilities	312	307
Trade accounts payable	1,083	1,088
Other payables	316	273
	3,512	**3,480**
Liabilities associated with assets held for sale	313	2,967
Current liabilities	**3,825**	**6,447**
Total equity and liabilities	**17,886**	**20,543**

Statement of changes in equity for the Evonik Group

in € million	Issued capital	Reserves: Capital reserve	Reserves: Accumulated income/loss	Reserves: Accumulated other comprehensive income	Attributable to shareholders of Evonik Industries AG	Attributable to non-controlling interests	Total equity
As of January 1, 2010	466	1,165	3,525	–428	4,728	486	5,214
Capital increases/decreases	–	–	–	–	–	–	–
Dividend distribution	–	–	–	–	–	–18	–18
Income after taxes	–	–	290	–	290	18	308
Other comprehensive income after taxes	–	–	–	120	120	20	140
Total comprehensive income	–	–	290	120	410	38	448
Other changes	–	–	–	–1	–1	11	10
As of March 31, 2010	466	1,165	3,815	–309	5,137	517	5,654
As of January 1, 2011	466	1,165	3,948	–203	5,376	593	5,969
Capital increases/decreases	–	–	–	–	–	5	5
Dividend distribution	–	–	–	–	–	–5	–5
Changes in ownership interests in subsidiaries without loss of control	–	–	–1	–	–1	–1	–2
Income after taxes	–	–	431	–	431	11	442
Other comprehensive income after taxes	–	–	–	–93	–93	–26	–119
Total comprehensive income	–	–	431	–93	338	–15	323
Other changes	–	–	6	23	29	–477	–448
As of March 31, 2011	466	1,165	4,384	–273	5,742	100	5,842

Cash flow statement for the Evonik Group

in € million	1st quarter 2011	1st quarter 2010
Income before financial result and income taxes, continuing operations	667	408
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	164	170
Gains/losses on disposal of non-current assets	–6	–7
Change in inventories	–90	–48
Change in trade accounts receivable	–291	–235
Change in trade accounts payable and current advance payments received from customers	25	–3
Change in provisions for pensions and other post-employment benefits	–44	–40
Change in other provisions	60	75
Change in miscellaneous assets/liabilities	–137	35
Cash outflows for interest	–21	–13
Cash inflows from interest	6	23
Cash inflows from dividends	23	17
Cash inflows/outflows for income taxes	–84	29
Cash flow from operating activities, continuing operations	**272**	**411**
Cash flow from operating activities, discontinued operations	–55	119
Cash flow from operating activities	**217**	**530**
Cash outflows for investments in intangible assets, property, plant and equipment, investment property	–173	–113
Cash outflows for investments in shareholdings	–23	–28
Cash inflows from divestments of intangible assets, property, plant and equipment, investment property	7	14
Cash inflows from divestments of shareholdings	206	5
Cash inflows/outflows relating to securities, deposits and loans	164	–1
Cash flow from investing activities	**181**	**–123**
(thereof discontinued operations)	(14)	(–45)
Cash inflows/outflows relating to capital contributions	5	–
Cash outflows for dividends to non-controlling interests	–5	–18
Cash inflows/outflows from changes in ownership interests in subsidiaries without loss of control	–1	–
Cash inflows from the addition of financial liabilities	113	154
Cash outflows for repayment of financial liabilities	–85	–53
Cash flow from financing activities	**27**	**83**
(thereof discontinued operations)	(–8)	(–20)
Change in cash and cash equivalents	**425**	**490**

Cash and cash equivalents as of January 1	**1,351**	**885**
Change in cash and cash equivalents	425	490
Changes in exchange rates and other changes in cash and cash equivalents	–24	32
Cash and cash equivalents as reported on the balance sheet as of March 31	**1,752**	**1,407**

Prior-year figures restated.

(1) Segment report for the Evonik Group

Operating segments

in € million	Reporting segments										Corporate, other operations, consolidation		Total Group (continuing operations)	
	Consumer, Health & Nutrition		Resource Efficiency		Specialty Materials		Services		Real Estate					
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External sales	977	830	1,177	995	1,256	962	226	187	93	86	27	20	**3,756**	3,080
Internal sales	19	15	15	14	27	23	368	323	–	–	–429	–375	**–**	–
Total sales	996	845	1,192	1,009	1,283	985	594	510	93	86	–402	–355	**3,756**	3,080
EBITDA (before non-operating result)	282	233	232	181	257	136	50	60	43	42	–93	–57	**771**	595
EBITDA margin in %	28.9	28.1	19.7	18.2	20.5	14.1	22.1	32.1	46.2	48.8			**20.5**	19.3
EBIT (before non-operating result)	252	203	190	139	219	99	30	41	31	31	–118	–88	**604**	425
Capital expenditures	25	17	35	29	27	19	12	11	7	5	23	4	**129**	85
Additions to financial assets	20	1	–	–	–	5	–	–	2	–	2	6	**24**	12
Employees as of March 31	6,096	6,413	7,910	7,773	6,752	6,663	10,256	10,589	1,109	1,049	1,893	1,686	**34,016**	34,173

Regions

in € million	Germany		Rest of Europe		Asia		North America		Central and South America		Other		Total Group (continuing operations)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External sales	941	817	1,107	853	797	619	677	580	155	145	79	66	**3,756**	3,080
Goodwill as of March 31 [1]	1,717	1,717	539	538	236	224	290	306	25	26	20	21	**2,827**	2,832
Other intangible assets, property, plant and equipment, investment property as of March 31 [1]	4,430	4,608	558	562	801	695	552	593	102	100	37	25	**6,480**	6,583
Capital expenditures	76	43	11	16	22	15	18	8	1	2	1	1	**129**	85
Additions to financial assets	23	4	–	7	–	–	1	1	–	–	–	–	**24**	12
Employees as of March 31	21,800	21,669	3,035	3,089	4,507	4,782	4,085	4,059	343	341	246	233	**34,016**	34,173

Prior-year figures restated.

[1] Non-current assets according to IFRS 8.33 b.

(2) General information

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

A new corporate structure was introduced on April 1, 2011 and Mr. Patrik Wohlhauser, Dr. Thomas Haeberle and Dr. Dahai Yu were appointed as additional members of the Executive Board of Evonik Industries AG. For the current reporting period, the operating activities have been divided retroactively among five reporting segments—Consumer, Health & Nutrition, Resource Efficiency, Specialty Materials, Services and Real Estate (previously divided into the three business areas: Chemicals, Energy and Real Estate), see Notes (1) and (7). The majority of the former Energy Business Area was divested and deconsolidated in the present reporting period, see Note (5).

Evonik Industries AG is a subsidiary of RAG-Stiftung, Essen (Germany), which directly and indirectly holds 74.99 percent of its shares. As a subsidiary of RAG-Stiftung, Evonik Industries AG and its subsidiaries are included at equity in the annual consolidated financial statements prepared by RAG-Stiftung in accordance with the German Commercial Code (HGB). The remaining 25.01 percent of the shares in Evonik Industries AG are held by Gabriel Acquisitions GmbH (Gabriel Acquisitions), Cologne (Germany). Gabriel Acquisitions is an indirect subsidiary of funds established and advised by CVC Capital Partners (Luxembourg) S.à r.l., Luxembourg (Luxembourg).

The present condensed and consolidated interim financial statements ("consolidated interim financial statements") of Evonik Industries AG and its subsidiaries (referred to jointly as "Evonik" or the "Group") have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting, and in application of Section 315 a Paragraph 3 of the German Commercial Code (HGB) using the International Financial Reporting Standards (IFRS) and comply with these standards. The IFRS comprise the International Financial Reporting Standards and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), London (UK) and the interpretations (IFRIC, SIC) of the IFRS Interpretations Committee (IFRSIC), as adopted by the European Union.

The consolidated interim financial statements cover the period from January 1 to March 31, 2011 and are presented in euros. All amounts are stated in millions of euros (€ million) except where otherwise indicated. The basis for the consolidated interim financial statements comprises the consolidated financial statements for the Evonik Group as of December 31, 2010, which should be referred to for further information.

(3) Accounting policies

The accounting and consolidation principles applied in these consolidated interim financial statements are the same as those used for the consolidated financial statements as of December 31, 2010. Exceptions are set out below.

The IASB has amended or issued a number of standards and interpretations. These have to be officially adopted into European law by the European Union before they can be applied. The accounting standards that had to be applied for the first time in fiscal 2011 do not significantly impact the consolidated financial statements or are not relevant for the consolidated financial statements:

- The amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures
- The revised standard IAS 24 Related Party Disclosures
- The amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues
- The standards amended as part of the third annual improvements project (2010)
- IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- The new interpretation IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

(4) Restatement of prior-year figures

An enterprise may only change its recognition and valuation principles or the items stated in prior years if this is required due to a standard or interpretation or results in the disclosure of more relevant information in the financial statements. Such changes must generally also be presented retroactively for the prior period. For the present consolidated financial statements, the following prior-year figures have been restated:

Restatement due to the classification of the Energy Business Area as held for sale

The Energy Business Area was classified for the first time as held for sale as of December 31, 2010, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. In view of its importance for Evonik, this business area also met the criteria for classification as a discontinued operation. The prior-year figures have therefore been restated in the income statement and cash flow statement.

Further changes

In the segment report, changes in the reporting structure resulted in the restatement of prior-year figures, see Note (7). Restatement of the prior-year figures in the income statement increased other operating income and expenses by €31 million.

(5) Changes in the Group

The scope of consolidation changed as follows:

Number of companies	Germany	Other countries	Total
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2010	**98**	**139**	**237**
Acquisitions	–	–	–
Other companies consolidated for the first time	1	4	5
Divestments	-30	-16	-46
Other companies deconsolidated	–	-2	-2
As of March 31, 2011	**69**	**125**	**194**
Investments recognized at equity			
As of December 31, 2010	**9**	**7**	**16**
Acquisitions	–	–	–
Other investments included at equity for the first time	1	–	1
Divestments	–	–	–
Other companies deconsolidated	–	–	–
As of March 31, 2011	**10**	**7**	**17**
	79	**132**	**211**

Divestments

All subsidiaries divested in the present fiscal year relate to the divestment of Evonik Steag GmbH (Evonik Steag), Essen (Germany), and its subsidiaries.
The purchase and sale agreement concluded on December 18, 2010 between Evonik Industries AG, Essen (Germany) and RBV Verwaltungs-GmbH (RBV), Essen (Germany) as the sellers and KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG), Essen (Germany) as the buyer on the sale of 51 percent of shares in Evonik Steag took effect on March 2, 2011 when the terms agreed in the purchase and sale agreement were fulfilled. A provisional purchase price of €651 million was paid. Evonik's energy business, bundled in Evonik Steag, which was classified as a discontinued operation as of December 31, 2010, was divested as of this date.
The remaining 49 percent of the shares in Evonik Steag were remeasured at fair value as of this date and are included in the consolidated financial statements at equity.
An option agreement was also concluded in connection with the sale of the 51 percent stake. Under this agreement KSBG has an option to purchase the remaining 49 percent of shares (call option) between January 1, 2014 and December 31, 2017 while RBV has an option to sell the remaining 49 percent of the shares (put option) between January 1, 2016 and December 31, 2016.

(6) Notes on business performance

(6.1) Earnings position

Evonik made an excellent start to 2011. High demand from all regions lifted sales 22 percent to €3,756 million. 8 percentage points of this came from higher volumes, 11 percentage points from higher selling prices, 1 percentage point from currency effects and 2 percentage points from changes in the scope of consolidation. Earnings before interest, taxes, depreciation, amortization and the non-operating result (EBITDA) rose 30 percent to €771 million. The EBITDA margin increased from 19.3 percent to 20.5 percent.

The table shows the reconciliation from EBITDA to the income attributable to the shareholders of Evonik Industries AG:

in € million	1st quarter 2011	2010
EBITDA (before non-operating result)	**771**	**595**
Depreciation, amortization, impairment losses/reversal of impairment losses	-167	-170
EBIT (before non-operating result)	**604**	**425**
Non-operating result, continuing operations	78	-3
Net interest expense	-94	-103
Income before income taxes, continuing operations	**588**	**319**
Income before income taxes, discontinued operations	34	110
Income before income taxes (total)	**622**	**429**
Income taxes, continuing operations	-146	-90
Income taxes, discontinued operations	-34	-31
Income after taxes	**442**	**308**
Non-controlling interests	-11	-18
Shareholders of Evonik Industries AG (net income)	**431**	**290**

Earnings before interest, taxes and the non-operating result (EBIT) surged 42 percent to €604 million. Growth was mainly driven by the three chemicals segments, where higher volumes, better capacity utilization and improved margins resulted in operating results significantly above the previous year's level.

The non-operating result of €78 million principally comprised income of €84 million in connection with the first-time recognition of the put and call options for the agreed divestment of the remaining 49 percent of Evonik Steag. Until the divestment of the remaining stake, the counter item to this income will be an expense of the same amount.

in € million	1st quarter 2011	1st quarter 2010
Restructuring	-2	-5
Impairment losses/reversal of impairment losses	–	-1
Acquisition/divestment of shareholdings	84	6
Other	-4	-3
Non-operating result, continuing operations	**78**	**-3**

Net interest expense improved to minus €94 million. Income before income taxes from the continuing operations rose by 84 percent to €588 million. Income before income taxes from the discontinued operations totaled €34 million and mainly related to the former Energy Business Area. It comprised operating earnings from these operations and expenses in connection with their divestment. The previous year's figure mainly comprised operating income from the former Energy Business Area. The income tax rate of 29 percent was close to the expected Group tax rate of 30 percent. Income after taxes improved 44 percent to €442 million.

(6.2) Financial condition

Since January 1, 2011 net financial debt has been calculated without taking account of liabilities and receivables from derivatives. The prior-year figures have been restated accordingly.

Net financial debt declined in the first quarter of 2011, mainly because of the very good business performance and receipt of the selling price for the majority stake in Evonik Steag. The repayment of balances in the cash pool had a counter-effect. Overall, net financial debt declined by €444 million to €1,233 million.

Net financial debt is calculated as follows:

in € million	Mar. 31, 2011	Dec. 31, 2010
Non-current financial liabilities	-3,049	-2,915
Current financial liabilities	-166	-258
Financial liabilities	**-3,215**	**-3,173**
Cash and cash equivalents	1,752	1,103
Current securities	225	388
Other financial assets	5	5
Financial assets	**1,982**	**1,496**
Net financial debt	**-1,233**	**-1,677**

The cash flow from operating activities in the continuing operations declined by €139 million to €272 million. This was mainly due to higher income tax payments, while net working capital did not rise as fast as the significant hike in business. The cash flow from operating activities in the non-operating operations comprised an outflow of €55 million, compared with an inflow of €119 million in the first quarter of the previous year. Overall, the cash flow from operating activities declined by €313 million to €217 million.

The cash flow from investing activities improved from an outflow of €123 million to an inflow of €181 million. The cash outflow for investing activities, mainly investment in property, plant and equipment, increased substantially to €173 million (Q1 2010: €113 million). This was countered by cash inflows from the sale of securities and shareholdings. The selling price of €651 million obtained for Evonik Steag was reduced principally by the outflow of balances from the cash pool and of cash and cash equivalents.

(6.3) Asset structure

Total assets decreased by €2.7 billion to €17.9 billion. The principal influence here was the deconsolidation of Evonik Steag which, together with its subsidiaries, was classified as assets held for sale at year-end 2010. The remaining 49 percent stake in Evonik Steag was recognized as an addition to investments recognized at equity in March 2011. Accordingly, non-current assets increased by €0.5 billion to €11.3 billion. By contrast, current assets declined by €3.2 billion to €6.6 billion. In particular, assets held for sale declined from €4.2 billion to €0.3 billion due to the divestment of material parts of the energy business. Assets held for sale now comprise two smaller companies from the former Energy Business Area. An agreement on their divestment was signed with RAG-Beteiligungs-GmbH, Herne (Germany) on March 31, 2011. This agreement is contingent upon the fulfillment of certain conditions and thus had not taken effect as of the reporting date. As a result of the upturn in business, inventories, trade accounts receivable and cash and cash equivalents increased by nearly €1.0 billion.

Equity decreased by €0.1 billion to €5.8 billion. This was due to shares attributable to non-controlling interests, which declined by €0.5 billion to €0.1 billion as a result of the deconsolidation of Evonik Steag, while reserves increased by €0.4 billion thanks to the good business trend. The equity ratio improved from 29.1 percent to 32.7 percent.

(7) Notes on the segment report

The reporting based on operating segments reflects the Group's internal organizational and reporting structure (management approach). In accordance with its strategic focus on specialty chemicals, Evonik has restructured its reporting segments retroactively as of January 1, 2011. The prior-year figures have been restated accordingly. The operating activities are divided into business units within the reporting segments.

In future, the operating activities of Evonik's chemicals business will be bundled in three segments (previously: the Chemicals Business Area):

- Consumer, Health & Nutrition
- Resource Efficiency
- Specialty Materials.

All of Evonik's products and applications for the nutrition, health and consumer goods markets are grouped in the Consumer, Health & Nutrition segment. The segment comprises the Consumer Specialties and Health & Nutrition Business Units.

The Resource Efficiency segment brings together all products and applications geared to ensuring efficient use of natural raw materials and energy resources. The segment comprises the Inorganic Materials and Coatings & Additives Business Units.

The Specialty Materials segment comprises Evonik's product-based activities centering on polymer materials and their preproducts, and additives. The business units in this segment are Performance Polymers and Advanced Intermediates (previously Industrial Chemicals).

Evonik's specialty chemicals operations are grouped in this new segment structure on the basis of similar themes and long-term success factors. That improves their market muscle, the efficiency of internal management and transparency in the perception of the company by the capital markets.

As further operating activities, Evonik has the newly formed Services segment and the Real Estate segment (previously the Real Estate Business Area). The Services segment provides central services for the three chemicals segments and the Corporate Center and a smaller amount of services for third parties.

The majority of the former Energy Business Area was divested in the present reporting period so the business area was deconsolidated, see Note (5).

The table shows a reconciliation from EBIT for the continuing reporting segments to income before income taxes for the Group's continuing operations:

	1st quarter	
in € million	**2010**	**2009**
EBIT, continuing reporting segments	**722**	**513**
EBIT, other operating activities	-8	-1
EBIT, Corporate Center and corporate activities	-98	-63
Consolidation	-12	-24
EBIT Corporate, other activities, consolidation	**-118**	**-88**
Group EBIT	**604**	**425**
Non-operating result	78	-3
Net interest expense	-94	-103
Income before income taxes, continuing operations	**588**	**319**

(8) Events after the reporting date

On April 16, 2011 Evonik signed an agreement to divest its carbon black business to subsidiaries of the financial investor Rhone Capital LLC, New York (USA). The carbon black business comprises the assets and liabilities of 13 companies in Europe, North America, Brazil, Korea, China and South Africa and is presently part of the Resource Efficiency segment. Including obligations to be assumed, the value of this transaction is more than €900 million. This transaction is contingent upon the approval of the Supervisory Board of Evonik Industries AG and the antitrust authorities, and is expected to be closed during summer 2011.

Essen, May 3, 2011
Evonik Industries AG
The Executive Board

Dr. Engel	Blauth	Dr. Colberg
Dr. Haeberle	Wohlhauser	Dr. Yu

Credits

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