Consolidated interim financial statements of Evonik Industries AG, Essen, as of June 30, 2011

Contents

Income statement for the Evonik Group

in € million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010
Sales	3,821	3,397	7,577	6,477
Cost of sales	−2,683	−2,381	−5,285	−4,562
Gross profit on sales	**1,138**	**1,016**	**2,292**	**1,915**
Selling expenses	−328	−300	−639	−566
Research and development expenses	−96	−79	−184	−155
General administrative expenses	−166	−147	−328	−282
Other operating income	29	360	512	580
Other operating expenses	−170	−516	−579	−750
Income before financial result and income taxes, continuing operations	**407**	**334**	**1,074**	**742**
Interest income	6	11	14	14
Interest expense	−103	−114	−205	−220
Result from investments recognized at equity	−49	12	−34	25
Other financial income	3	1	3	2
Financial result	**−143**	**−90**	**−222**	**−179**
Income before income taxes, continuing operations	**264**	**244**	**852**	**563**
Income taxes	−85	−36	−231	−126
Income after taxes, continuing operations	**179**	**208**	**621**	**437**
Income after taxes, discontinued operations	−80	47	−80	126
Income after taxes	**99**	**255**	**541**	**563**
thereof attributable to				
Non-controlling interests	5	15	16	33
Shareholders of Evonik Industries AG (net income)	94	240	525	530
Earnings per share in € (basic and diluted)	**+0.20**	**+0.52**	**+1.13**	**+1.14**

Prior-year figures restated.

Statement of comprehensive income for the Evonik Group

	2nd quarter		1st half	
in € million	**2011**	2010	**2011**	2010
Income after taxes	**99**	**255**	**541**	**563**
thereof attributable to				
Non-controlling interests	5	15	16	33
Shareholders of Evonik Industries AG (net income)	94	240	525	530
Unrealized gains/losses on available-for-sale-securities	–	-10	–	-6
Gains/losses on hedging instruments	1	-98	65	-164
Currency translation adjustment	-16	294	-180	479
Deferred taxes	–	27	-19	44
Other comprehensive income after taxes	**-15**	**213**	**-134**	**353**
thereof attributable to				
Non-controlling interests	–	36	-26	56
Shareholders of Evonik Industries AG	-15	177	-108	297
Total comprehensive income	**84**	**468**	**407**	**916**
thereof attributable to				
Non-controlling interests	5	51	-10	89
Shareholders of Evonik Industries AG	79	417	417	827

Balance sheet for the Evonik Group

in € million	June 30, 2011	Dec. 31, 2010
Intangible assets	3,186	3,486
Property, plant and equipment	4,030	4,455
Investment property	1,522	1,528
Investments recognized at equity	940	562
Financial assets	255	108
Deferred tax assets	403	518
Other income tax assets	25	23
Other receivables	32	59
Non-current assets	**10,393**	**10,739**
Inventories	1,597	1,585
Other income tax assets	55	47
Trade accounts receivable	1,851	1,826
Other receivables	319	257
Financial assets	179	484
Cash and cash equivalents	1,463	1,103
	5,464	**5,302**
Assets held for sale	1,548	4,502
Current assets	**7,012**	**9,804**
Total assets	**17,405**	**20,543**
Issued capital	466	466
Reserves	4,954	4,910
Equity attributable to shareholders of Evonik Industries AG	**5,420**	**5,376**
Equity attributable to non-controlling interests	97	593
Total equity	**5,517**	**5,969**
Provisions for pensions and other post-employment benefits	3,256	3,279
Other provisions	983	956
Deferred tax liabilities	483	502
Other income tax liabilities	11	70
Financial liabilities	2,872	2,915
Other payables	383	405
Non-current liabilities	**7,988**	**8,127**
Other provisions	1,173	1,467
Other income tax liabilities	312	345
Financial liabilities	451	307
Trade accounts payable	1,018	1,088
Other payables	301	273
	3,255	**3,480**
Liabilities associated with assets held for sale	645	2,967
Current liabilities	**3,900**	**6,447**
Total equity and liabilities	**17,405**	**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 share-holders 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	–	–	–	–	–	6	6
Dividend distribution	–	–	–320	–	–320	–21	–341
Income after taxes	–	–	530	–	530	33	563
Other comprehensive income after taxes	–	–	–	297	297	56	353
Total comprehensive income	–	–	530	297	827	89	916
Other changes	–	–	1	–2	–1	11	10
As of June 30, 2010	466	1,165	3,736	–133	5,234	571	5,805
As of January 1, 2011	466	1,165	3,948	–203	5,376	593	5,969
Capital increases/decreases	–	–	–	–	–	6	6
Dividend distribution	–	–	–400	–	–400	–12	–412
Changes in ownership interests in subsidiaries without loss of control	–	–	–1	–	–1	–1	–2
Income after taxes	–	–	525	–	525	16	541
Other comprehensive income after taxes	–	–	–	–108	–108	–26	–134
Total comprehensive income	–	–	525	–108	417	–10	407
Other changes	–	–	6	22	28	–479	–451
As of June 30, 2011	466	1,165	4,078	–289	5,420	97	5,517

Cash flow statement for the Evonik Group

in € million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010
Income before financial result and income taxes, continuing operations	407	334	1,074	742
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	202	186	366	356
Gains/losses on disposal of non-current assets	-4	-3	-10	-10
Change in inventories	-186	-25	-276	-73
Change in trade accounts receivable	-38	-124	-329	-359
Change in trade accounts payable and current advance payments received from customers	13	55	38	52
Change in provisions for pensions and other post-employment benefits	-39	13	-83	-27
Change in other provisions	-180	-74	-120	1
Change in miscellaneous assets/liabilities	57	-3	-80	32
Cash outflows for interest	-15	-31	-36	-44
Cash inflows from interest	4	2	10	25
Cash inflows from dividends	25	25	48	42
Cash inflows/outflows for income taxes	-118	-78	-202	-49
Cash flow from operating activities, continuing operations	**128**	**277**	**400**	**688**
Cash flow from operating activities, discontinued operations	-38	103	-93	222
Cash flow from operating activities	**90**	**380**	**307**	**910**
Cash outflows for investments in intangible assets, property, plant and equipment, investment property	-162	-170	-335	-283
Cash outflows for investments in shareholdings	-54	-6	-77	-34
Cash inflows from divestments of intangible assets, property, plant and equipment, investment property	15	12	22	26
Cash inflows from divestments of shareholdings	–	17	206	22
Cash inflows/outflows relating to securities, deposits and loans	213	–	377	-1
Cash flow from investing activities	**12**	**-147**	**193**	**-270**
(thereof discontinued operations)	–	(-47)	(14)	(-92)
Cash inflows/outflows relating to capital contributions	1	6	6	6
Cash outflows for dividends to shareholders of Evonik Industries AG	-400	-320	-400	-320
Cash outflows for dividends to non-controlling interests	-7	-3	-12	-21
Cash inflows/outflows from changes in ownership interests in subsidiaries without loss of control	–	–	-1	–
Cash inflows from the addition of financial liabilities	60	78	173	232
Cash outflows for repayment of financial liabilities	-38	-82	-123	-135
Cash flow from financing activities	**-384**	**-321**	**-357**	**-238**
(thereof discontinued operations)	–	(-16)	(-8)	(-36)
Change in cash and cash equivalents	**-282**	**-88**	**143**	**402**

Cash and cash equivalents as of April 1/January 1	**1,752**	**1,407**	**1,351**	**885**
Change in cash and cash equivalents	-282	-88	143	402
Changes in exchange rates and other changes in cash and cash equivalents	-1	40	-25	72
Cash and cash equivalents as of June 30	**1,469**	**1,359**	**1,469**	**1,359**
Cash and cash equivalents included in assets held for sale	-6	–	-6	–
Cash and cash equivalents as reported on the balance sheet as of June 30	**1,463**	**1,359**	**1,463**	**1,359**

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	1,977	1,749	2,376	2,085	2,493	2,022	475	385	198	188	58	48	**7,577**	6,477
Internal sales	37	32	30	27	52	44	732	660	–	–	-851	-763	**–**	–
Total sales	2,014	1,781	2,406	2,112	2,545	2,066	1,207	1,045	198	188	-793	-715	**7,577**	6,477
EBITDA (before non-operating result)	536	474	467	400	477	311	88	93	113	91	-184	-118	**1,497**	1,251
EBITDA margin in %	27.1	27.1	19.7	19.2	19.1	15.4	18.5	24.2	57.1	48.4			**19.8**	19.3
EBIT (before non-operating result)	473	412	391	316	397	237	47	55	89	66	-233	-178	**1,164**	908
Capital expenditures	62	38	79	73	68	41	26	30	21	14	43	11	**299**	207
Additions to financial assets	64	1	10	–	–	4	–	–	3	–	3	7	**80**	12
Employees as of June 30	6,235	6,276	7,971	7,782	6,730	6,631	10,238	10,491	1,113	1,055	1,847	1,700	**34,134**	33,935

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	1,925	1,702	2,227	1,772	1,540	1,317	1,390	1,232	333	314	162	140	**7,577**	6,477
Goodwill as of June 30 [1]	1,586	1,717	539	541	232	253	253	336	24	29	20	23	**2,654**	2,899
Other intangible assets, property, plant and equipment, investment property as of June 30 [1]	4,285	4,543	513	560	756	776	467	640	41	108	22	28	**6,084**	6,655
Capital expenditures	170	103	30	35	57	42	39	20	2	4	1	3	**299**	207
Additions to financial assets	77	5	–	6	2	–	1	1	–	–	–	–	**80**	12
Employees as of June 30	21,809	21,603	3,029	3,014	4,592	4,685	4,113	4,056	345	345	246	232	**34,134**	33,935

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 with a strategic focus on specialty chemicals 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 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), Gadebusch (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 IFRS 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 June 30, 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. With the exception of the revised standard IAS 24 Related Party Disclosures, see Note (8), 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 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 €195 million each as a result of a change in the presentation of income and expenses relating to currency translation differences.

(5) Changes in the Group

(5.1) Scope of consolidation

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	2	1	3
Other companies consolidated for the first time	1	6	7
Divestments	-29	-16	-45
Other companies deconsolidated	-1	-2	-3
As of June 30, 2011	71	128	199
Investments recognized at equity			
As of December 31, 2010	9	7	16
Acquisitions	–	–	–
Other investments included at equity for the first time	2	–	2
Divestments	–	–	–
Companies classified as held for sale pursuant to IFRS 5	-1	–	-1
Other companies deconsolidated	–	-2	-2
As of June 30, 2011	10	5	15
	81	133	214

(5.2) Acquisitions and divestments

This section provides a more detailed overview of the changes in the scope of consolidation in the reporting period, divided into acquisitions and divestments.

Acquisitions

Evonik acquired the Resomer® business from the Boehringer Ingelheim Group, Ingelheim (Germany) with legal effect from February 28, 2011. This business comprises standard and custom-tailored polymer products for use in medical applications and the production of pharmaceutical formulations, and is being integrated into the Consumer, Health & Nutrition segment.

With legal effect from May 12, 2011 Evonik acquired the shares in the hanse chemie Group from a group of sellers. hanse chemie supplies silicone chemicals for special applications. Most of the business will be integrated into the Consumer, Health & Nutrition segment.

The total purchase price for both of these comparatively small acquisitions was around €72 million. First-time consolidation of these activities comprised the recognition of assets amounting to around €46 million, liabilities of €14 million and goodwill of €40 million. The purchase price allocation for the hanse chemie Group has not yet been completed.

Divestments

All subsidiaries divested in the present fiscal year relate to the divestment of STEAG GmbH (STEAG; formerly Evonik Steag GmbH), Essen (Germany), and its subsidiaries.
The purchase and sale agreement concluded on December 17/18, 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 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 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 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.

(5.3) Assets held for sale and the related liabilities

In addition to the divestments outlined in Note (5.2), the Executive Board of Evonik Industries AG has decided to divest further business operations. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations sets out the valuation and accounting principles to be used for such operations and their presentation in the consolidated financial statements.

Following divestment of a major part of the energy business, two smaller companies (parent and subsidiary) remained in the Group. An agreement to sell some of the shares in these companies was signed with RAG Beteiligungs-GmbH, Herne (Germany) on July 12, 2011. As a result, Evonik will lose the controlling majority in both of these companies. At the same time it was agreed that the remaining stake would be transferred for a fixed price as of January 1, 2013.

On April 16, 2011 Evonik signed an agreement to sell the carbon black business to Kinove German Bidco GmbH, Frankfurt am Main (Germany). The purchaser is an investment company owned by investment funds managed and advised by Rhône Capital (New York, USA) and Triton Partners (Jersey, Channel Islands). The agreed transaction comprises the assets and liabilities of 11 carbon black companies in Europe, North America, Asia, Brazil, and South Africa. A small part of this business still has to be carved out and is to transferred at a later date. As of June 30, 2011 the carbon black business was still part of the Resource Efficiency segment. Including obligations to be assumed, the value of this transaction is more than €900 million.

In addition, the business with plastic additives and plastisols and a company in China are classified as held for sale.

In this connection, the following assets and liabilities were reclassified on the balance sheet:

in € million	Assets		Liabilities	
	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010
Remaining activities / former Energy Business Area	411	4,502	–341	–2,967
Carbon black business	1,116	–	–302	–
Other	21	–	–2	–
	1,548	4,502	–645	–2,967

(6) Notes on business performance

(6.1) Earnings position

Thanks to a strong operating performance, the first half of 2011 was very successful for Evonik. Continued high demand from all regions and improved selling prices lifted sales 17 percent to €7,577 million. Higher volumes accounted for 5 percentage points of this rise, an increase in selling prices for 11 percentage points and other effects for 2 percentage points, while currency effects trimmed sales by 1 percentage point.

Earnings before interest, taxes, depreciation, amortization and the non-operating result (EBITDA) rose 20 percent to €1,497 million, driven by the good volume trend and a considerable improvement in margins. The EBITDA margin therefore increased to 19.8 percent, up from 19.3 percent in the first half of 2010.

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

in € million	1st half 2011	1st half 2010
EBITDA (before non-operating result)	**1,497**	**1,251**
Depreciation, amortization, impairment losses/reversals of impairment losses	–333	–343
EBIT (before non-operating result)	**1,164**	**908**
Non-operating result, continuing operations	–121	–139
Net interest expense	–191	–206
Income before income taxes, continuing operations	**852**	**563**
Income before income taxes, discontinued operations	–46	189
Income before income taxes (total)	**806**	**752**
Income taxes, continuing operations	–231	–126
Income taxes, discontinued operations	–34	–63
Income after taxes	**541**	**563**
Non-controlling interests	–16	–33
Shareholders of Evonik Industries AG (net income)	**525**	**530**

Earnings before interest, taxes and the non-operating result (EBIT) improved 28 percent to €1,164 million, This was principally attributable to the three chemicals segments, which posted significantly higher operating results than in the previous year as a result of the good volume trend, high capacity utilization and improved margins.

The non-operating loss of €121 million mainly comprised impairment losses in connection with the divestment of the carbon black business, and the 49 percent stake in STEAG, which is included at equity. Most of the non-operating expenses were incurred in the second quarter of 2011. The counter item is income relating to the put and call options for the agreed divestment of the remaining 49 percent stake in STEAG.

in € million	1st half 2011	1st half 2010
Restructuring	–9	–55
Impairment losses/reversal of impairment losses	–148	–3
Acquisition/divestment of shareholdings	–	–3
Other	36	–78
Non-operating result, continuing operations	**–121**	**–139**

Net interest expense improved to minus €191 million. Income before income taxes from the continuing operations rose 51 percent to €852 million. Income before income taxes from the discontinued operations was minus €46 million and mainly related to the former Energy Business Area. It principally comprised expenses in connection with the divestment of the 51 percent stake in STEAG. Most of these expenses were incurred in the second quarter of 2011. The previous year's figure of €189 million mainly comprised operating income from the former Energy Business Area. Overall, income before income taxes rose 7 percent to €806 million. The income tax rate was 33 percent, above the expected Group tax rate of 30 percent due to the taxation of hidden reserves and non-deductible expenses relating to divestments, offset to some extent by tax income relating to other periods. Despite one-off expenses in connection with the divestment of the energy business and the carbon black activities, net income was €525 million, virtually unchanged from the year-back level which contained a sizeable earnings contribution from the former Energy Business Area.

(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 was €1,748 million and thus on a par with year-end 2010 despite the payment of the dividend for 2010 in the second quarter and considerable investment activity.

Net financial debt is calculated as follows:

in € million	June 30, 2011	Dec. 31, 2011
Non-current financial liabilities	-2,811	-2,913
Current financial liabilities	-420	-260
Financial liabilities	**-3,231**	**-3,173**
Cash and cash equivalents	1,463	1,103
Current securities	14	388
Other financial assets	6	5
Financial assets	**1,483**	**1,496**
Net financial debt	**-1,748**	**-1,677**

The cash flow from operating activities in the continuing operations declined to €400 million in the first half of 2011, down from the prior-year figure of €688 million. This was due to an increase in net working capital resulting from the positive business trend and to higher income tax payments. The cash flow from operating activities in the discontinued operations comprised an outflow of €93 million, compared with an inflow of €222 million in the first half of the previous year. Overall, the cash flow from operating activities declined by €603 million to €307 million.

The cash flow from investing activities improved from an outflow of €270 million to an inflow of €193 million. The cash outflow for investing activities, mainly investment in property, plant and equipment, increased to €335 million (H1 2010: €283 million). This was countered by cash inflows from the sale of securities and shareholdings.

(6.3) Asset structure

The balance sheet was significantly affected by the divestment of the energy and carbon black businesses. Total assets declined by €3.1 billion to €17.4 billion. The principal influence here was the deconsolidation of STEAG which, together with its subsidiaries, was classified as assets held for sale at year-end 2010. As of June 30, 2011, the carbon black business and further smaller activities amounting to €1.1 billion overall were reclassified to this item, see Note (5.3). Overall, assets held for sale decreased by €3.0 billion to €1.5 billion. Current assets contracted by €2.8 billion to €7.0 billion. Non-current assets increased by €0.3 billion to €10.4 billion. The reclassification of the carbon black assets was countered by the addition of the remaining 49 percent stake in STEAG, which is included at equity.

Equity decreased by €0.5 billion to €5.5 billion. This was attributable to non-controlling interests, which declined by €0.5 billion to €0.1 billion as a result of the deconsolidation of the STEAG companies. The equity ratio improved from 29.1 percent to 31.7 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.

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

The Resource Efficiency segment brings together 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 and the efficiency of internal management.

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 and deconsolidated in the present reporting period, 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:

in € million	1st half 2011	1st half 2010
EBIT, continuing reporting segments	**1,397**	**1,086**
EBIT, other operating activities	-17	3
EBIT, Corporate Center and corporate activities	-193	-130
Consolidation	-23	-51
EBIT, Corporate, other activities, consolidation	**-233**	**-178**
Group EBIT	**1,164**	**908**
Non-operating result	-121	-139
Net interest expense	-191	-206
Income before income taxes, continuing operations	**852**	**563**

An annex to these Notes contains the segment data for fiscal 2008, 2009 and 2010 in the new reporting structure. The purpose is to provide users of these financial statements with useful information covering a longer comparative period.

(8) Related parties

In addition to the subsidiaries included in the consolidated financial statements, the Group maintains relationships with related parties. Related parties include, among others, RAG-Stiftung and Gabriel Acquisitions, as owners of Evonik Industries AG. Under the revised standard IAS 24 Related Party Disclosures, for fiscal 2011 for the first time the following are classified as related parties: the Federal Republic of Germany and the federal states of North-Rhine Westphalia and the Saarland. They are able to exercise a significant influence on RAG-Stiftung through their membership of the Board of Trustees of RAG-Stiftung (see also www.rag-stiftung.de). 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, loans from public-sector banks to finance subsidized housing, and investments in their securities.

(9) Events after the reporting date

The divestment of the carbon black activities was closed on July 29, 2011, and on July 31, 2011 an agreement on the divestment of the remaining energy activities took effect, leading to deconsolidation of these companies, see Note (5.3).

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

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

Annex: Multi-year comparison based on new segment structure; fiscal years 2008–2010

Operating segments

in € million	Reporting segments																Reporting segments (continuing operations)			Corporate, other operations, consolidation			**Total Group** (continuing operations)			Reporting segment: Energy (discontinued operations)	
	Consumer, Health & Nutrition			Resource Efficiency			Specialty Materials			Services			Real Estate			Energy											
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009
External sales	3,677	3,004	3,022	4,195	3,181	3,828	4,117	3,125	4,229	801	714	895	402	396	391	3,399	13,192	10,420	15,764	108	98	109	**13,300**	**10,518**	**15,873**	2,762	2,558
Internal sales	65	51	69	55	44	63	92	77	96	1,389	1,218	1,289	2	1	1	87	1,603	1,391	1,605	−1,603	−1,391	−1,605	**–**	**–**	**–**	47	57
Total sales	3,742	3,055	3,091	4,250	3,225	3,891	4,209	3,202	4,325	2,190	1,932	2,184	404	397	392	3,486	14,795	11,811	17,369	−1,495	−1,293	−1,496	**13,300**	**10,518**	**15,873**	2,809	2,615
EBITDA (before non-operating result)	985	807	602	746	463	558	626	311	472	106	149	118	190	184	222	517	2,653	1,914	2,489	−288	−307	−324	**2,365**	**1,607**	**2,165**	525	418
EBITDA margin in %	26.8	26.9	19.9	17.8	14.6	14.6	15.2	10.0	11.2	13.2	20.9	13.2	47.3	46.5	56.8	15.2	20.1	18.4	15.8				**17.8**	**15.3**	**13.6**	19.0	16.3
EBIT (before non-operating result)	853	675	466	569	264	375	469	162	326	28	76	46	140	134	166	415	2,059	1,311	1,794	−420	−443	−496	**1,639**	**868**	**1,298**	435	326
Capital expenditures	109	97	137	247	162	208	132	154	279	79	81	113	41	59	89	328	608	553	1,154	44	16	6	**652**	**569**	**1,160**	163	280
Additions to financial assets	1	0	26	1	8	9	6	3	0	0	0	0	20	0	12	19	28	11	66	8	17	83	**36**	**28**	**149**	31	14
Employees as of December 31	6,326	6,112	6,263	7,874	7,716	7,987	6,789	6,800	8,269	10,616	10,600	10,897	1,098	1,056	974	4,702	32,703	32,284	39,092	1,704	1,577	1,675	**34,407**	**33,861**	**40,767**	4,916	4,820

Regions

in € million	Germany			Rest of Europe			Asia			North America			Central and South America			Other			**Total Group** (continuing operations)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
External sales	3,445	2,988	6,310	3,713	2,942	3,751	2,670	1,971	2,664	2,521	1,886	2,306	657	499	589	294	232	253	**13,300**	**10,518**	**15,873**
Goodwill as of December 31 [1]	1,717	1,704	2,087	540	538	546	252	214	224	308	286	297	26	24	25	21	20	21	**2,864**	**2,786**	**3,200**
Other intangible assets, property, plant and equipment, investment property as of December 31 [1]	4,457	4,651	6,052	568	565	634	845	651	686	587	545	617	107	95	80	41	24	15	**6,605**	**6,531**	**8,084**
Capital expenditures	315	307	766	86	77	76	169	137	221	69	40	87	7	3	5	6	5	5	**652**	**569**	**1,160**
Additions to financial assets	29	20	107	6	5	16	0	1	26	1	2	0	0	0	0	0	0	0	**36**	**28**	**149**
Employees as of December 31	21,894	21,686	27,114	3,010	3,159	3,682	4,865	5,000	5,542	4,064	3,442	3,723	336	336	466	238	238	240	**34,407**	**33,861**	**40,767**

Prior-year figures restated.

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

Credits

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