Consolidated interim financial statements of Evonik Industries AG, Essen, as of June 30, 2012

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Income statement for the Evonik Group

in € million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011
Sales	3,479	3,821	6,935	7,577
Cost of sales	–2,478	–2,683	–4,855	–5,285
Gross profit on sales	**1,001**	**1,138**	**2,080**	**2,292**
Selling expenses	–312	–319	–615	–639
Research and development expenses	–92	–96	–184	–184
General administrative expenses	–166	–175	–325	–328
Other operating income	322	29	598	512
Other operating expenses	–275	–170	–625	–579
Income before financial result and income taxes, continuing operations	**478**	**407**	**929**	**1,074**
Interest income	6	6	13	14
Interest expense	–92	–103	–188	–205
Result from investments recognized at equity	18	–49	36	–34
Other financial income	3	3	3	3
Financial result	**–65**	**–143**	**–136**	**–222**
Income before income taxes, continuing operations	**413**	**264**	**793**	**852**
Income taxes	–168	–85	–283	–231
Income after taxes, continuing operations	**245**	**179**	**510**	**621**
Income after taxes, discontinued operations	13	–80	14	–80
Income after taxes	**258**	**99**	**524**	**541**
thereof attributable to				
Non-controlling interests	–6	5	–9	16
Shareholders of Evonik Industries AG (net income)	264	94	533	525
Earnings per share in € (basic and diluted)	**+0.57**	**+0.20**	**+1.14**	**+1.13**

Prior-year figures restated.

Additional voluntary information:

in € million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011
Income before financial result and income taxes, continuing operations	**478**	**407**	**929**	**1,074**
Result from investments recognized at equity	18	–49	36	–34
Other financial income	3	3	3	3
EBIT	**499**	**361**	**968**	**1,043**
Adjustments *	17	199	81	121
Adjusted EBIT	**516**	**560**	**1,049**	**1,164**
Depreciation, amortization, impairment losses/reversal of impairment losses	158	166	317	333
Adjusted EBITDA	**674**	**726**	**1,366**	**1,497**

* See Note (6).

Statement of comprehensive income for the Evonik Group

	2nd quarter		1st half	
in € million	2012	2011	2012	2011
Income after taxes	**258**	**99**	**524**	**541**
thereof attributable to				
Non-controlling interests	-6	5	-9	16
Shareholders of Evonik Industries AG (net income)	264	94	533	525
Unrealized gains/losses on available-for-sale-securities	–	–	4	–
Gains/losses on hedging instruments	-52	1	-16	31
Currency translation adjustment	109	-16	50	-21
Deferred taxes	15	–	4	-29
Other comprehensive income after taxes	**72**	**-15**	**42**	**-19**
thereof attributable to				
Non-controlling interests	4	–	3	65
Shareholders of Evonik Industries AG	68	-15	39	-84
Total comprehensive income	**330**	**84**	**566**	**522**
thereof attributable to				
Non-controlling interests	-2	5	-6	81
Shareholders of Evonik Industries AG	332	79	572	441

Prior-year figures restated.

Balance sheet for the Evonik Group

in € million	June 30, 2012	Dec. 31, 2011
Intangible assets	3,239	3,272
Property, plant and equipment	4,391	4,356
Investment property	1,529	1,545
Investments recognized at equity	1,079	1,057
Financial assets	219	255
Deferred tax assets	461	477
Other income tax assets	25	23
Other receivables	39	41
Non-current assets	**10,982**	**11,026**
Inventories	1,758	1,645
Other income tax assets	67	60
Trade accounts receivable	1,960	1,711
Other receivables	414	358
Financial assets	715	488
Cash and cash equivalents	1,041	1,609
	5,955	**5,871**
Assets held for sale	52	47
Current assets	**6,007**	**5,918**
Total assets	**16,989**	**16,944**
Issued capital	466	466
Reserves	5,662	5,515
Equity attributable to shareholders of Evonik Industries AG	**6,128**	**5,981**
Equity attributable to non-controlling interests	82	93
Total equity	**6,210**	**6,074**
Provisions for pensions and other post-employment benefits	2,814	2,805
Other provisions	968	1,014
Deferred tax liabilities	502	481
Other income tax liabilities	69	70
Financial liabilities	2,666	2,745
Other payables	328	369
Non-current liabilities	**7,347**	**7,484**
Other provisions	1,005	1,174
Other income tax liabilities	389	352
Financial liabilities	532	402
Trade accounts payable	1,079	1,086
Other payables	379	284
	3,384	**3,298**
Liabilities associated with assets held for sale	48	88
Current liabilities	**3,432**	**3,386**
Total equity and liabilities	**16,989**	**16,944**

Statement of changes in equity for the Evonik Group

in € million	Issued capital	Reserves: Capital reserve	Reserves: Accumulated income	Reserves: Accumulated other comprehensive income	Attributable to shareholders of Evonik Industries AG	Attributable to non-controlling interests	Total equity
As of January 1, 2011	466	1,165	3,948	–203	5,376	593	5,969
Capital increases/decreases	–	–	–	–	–	6	6
Dividends	–	–	–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	–	–	–	–84	–84	65	–19
Total comprehensive income	–	–	525	–84	441	81	522
Other changes	–	–	6	–2	4	–570	–566
As of June 30, 2011	466	1,165	4,078	–289	5,420	97	5,517
As of January 1, 2012	466	1,165	4,568	–218	5,981	93	6,074
Capital increases/decreases	–	–	–	–	–	5	5
Dividends	–	–	–425	–	–425	–8	–433
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	–	–
Income after taxes	–	–	533	–	533	–9	524
Other comprehensive income after taxes	–	–	–	39	39	3	42
Total comprehensive income	–	–	533	39	572	–6	566
Other changes	–	–	1	–1	–	–2	–2
As of June 30, 2012	466	1,165	4,677	–180	6,128	82	6,210

Prior-year figures restated.

Cash flow statement for the Evonik Group

	2nd quarter		1st half	
in € million	**2012**	2011	**2012**	2011
Income before financial result and income taxes, continuing operations	478	407	929	1,074
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	161	202	389	366
Gains/losses on disposal of non-current assets	–13	–4	–24	–10
Change in inventories	–78	–186	–130	–276
Change in trade accounts receivable	–101	–38	–284	–329
Change in trade accounts payable and current advance payments received from customers	–7	13	–7	38
Change in provisions for pensions and other post-employment benefits	–39	–39	–77	–83
Change in other provisions	–267	–180	–207	–120
Change in miscellaneous assets/liabilities	–28	57	–39	–80
Cash outflows for interest	–12	–15	–29	–36
Cash inflows from interest	5	4	14	10
Cash inflows from dividends	36	25	60	48
Cash inflows/outflows for income taxes	–129	–118	–206	–202
Cash flow from operating activities, continuing operations	**6**	**128**	**389**	**400**
Cash flow from operating activities, discontinued operations	–	–38	–	–93
Cash flow from operating activities	**6**	**90**	**389**	**307**
Cash outflows for investments in intangible assets, property, plant and equipment, investment property	–221	–162	–391	–335
Cash outflows for investments in shareholdings	–25	–54	–26	–77
Cash inflows from divestments of intangible assets, property, plant and equipment, investment property	14	15	33	22
Cash inflows/outflows from divestments of shareholdings	–3	–	–12	206
Cash inflows/outflows relating to securities, deposits and loans	–224	213	–209	377
Cash flow from investing activities	**–459**	**12**	**–605**	**193**
(thereof discontinued operations)	–	–	–	(14)
Cash inflows/outflows relating to capital contributions	3	1	5	6
Cash outflows for dividends to shareholders of Evonik Industries AG	–425	–400	–425	–400
Cash outflows for dividends to non-controlling interests	–1	–7	–3	–12
Cash inflows/outflows from changes in ownership interests in subsidiaries without loss of control	–	–	–	–1
Cash inflows from the addition of financial liabilities	60	60	178	173
Cash outflows for repayment of financial liabilities	–40	–38	–113	–123
Cash flow from financing activities	**–403**	**–384**	**–358**	**–357**
(thereof discontinued operations)	–	–	–	(–8)
Change in cash and cash equivalents	**–856**	**–282**	**–574**	**143**

Cash and cash equivalents as of April 1/January 1	**1,892**	**1,752**	**1,611**	**1,351**
Change in cash and cash equivalents	–856	–282	–574	143
Changes in exchange rates and other changes in cash and cash equivalents	7	–1	6	–25
Cash and cash equivalents as of June 30	**1,043**	**1,469**	**1,043**	**1,469**
Cash and cash equivalents included in assets held for sale	–2	–6	–2	–6
Cash and cash equivalents as on the balance sheet as of June 30	**1,041**	**1,463**	**1,041**	**1,463**

(1) Segment report for the Evonik Group

Operating segments – 1st half

in Millionen €	Reporting segments: Consumer, Health & Nutrition 2012	Consumer, Health & Nutrition 2011	Resource Efficiency 2012	Resource Efficiency 2011	Specialty Materials 2012	Specialty Materials 2011	Services 2012	Services 2011	Real Estate 2012	Real Estate 2011	Corporate, other operations, consolidation 2012	Corporate, other operations, consolidation 2011	Total Group (continuing operations) 2012	Total Group (continuing operations) 2011
External sales	2,086	1,977	1,651	2,376	2,503	2,493	501	475	100	198	94	58	**6,935**	7,577
Internal sales	41	37	34	30	60	52	857	732	–	–	–992	–851	**–**	–
Total sales	2,127	2,014	1,685	2,406	2,563	2,545	1,358	1,207	100	198	–898	–793	**6,935**	7,577
Adjusted EBITDA	543	536	340	467	452	477	97	88	87	113	–153	–184	**1,366**	1,497
Adjusted EBITDA margin in %	26.0	27.1	20.6	19.7	18.1	19.1	19.4	18.5	87.0	57.1			**19.7**	**19.8**
Adjusted EBIT	481	473	266	391	375	397	54	47	64	89	–191	–233	**1,049**	1,164
Capital expenditures	114	62	64	79	121	68	30	26	13	21	49	43	**391**	299
Additions to financial assets	24	64	–	10	–	–	–	–	–	3	2	3	**26**	80
Employees as of June 30	6,698	6,235	5,744	7,971	6,686	6,730	11,516	10,238	601	1,113	2,004	1,847	**33,249**	34,134

Regions – 1st half

in Millionen €		Germany 2012	Germany 2011	Other European countries 2012	Other European countries 2011	North America 2012	North America 2011	Central and South America 2012	Central and South America 2011	Asia-Pacific 2012	Asia-Pacific 2011	Middle East, Africa 2012	Middle East, Africa 2011	Total Group (continuing operations) 2012	Total Group (continuing operations) 2011
External sales		1,720	1,925	2,139	2,330	1,271	1,299	417	425	1,235	1,394	153	204	**6,935**	7,577
Goodwill as of June 30	1)	1,596	1,586	542	539	291	253	28	24	288	251	–	1	**2,745**	2,654
Other intangible assets, property, plant and equipment, investment property as of June 30	1)	4,344	4,285	524	520	632	464	44	44	862	762	8	9	**6,414**	6,084
Capital expenditures		208	170	32	33	59	39	5	2	86	54	1	1	**391**	299
Additions to financial assets		3	77	–	–	–	1	–	–	–	2	23	–	**26**	80
Employees as of June 30		21,483	21,809	2,751	3,098	3,796	4,006	428	452	4,685	4,597	106	172	**33,249**	34,134

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. It also has investments in residential real estate and the energy sector.

Evonik Industries AG is a subsidiary of RAG-Stiftung, Essen (Germany), which holds 74.99 percent of the shares in Evonik Industries. 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 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. (CVC), 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) as of June 30, 2012 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 standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB), London (UK) and the interpretations (IFRIC, SIC) of the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

The consolidated interim financial statements as of June 30, 2012 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, 2011, 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, 2011. 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 2012 do not significantly impact the consolidated financial statements or are not relevant for the consolidated financial statements:

- The amendments to IFRS 7 Financial Instruments: Disclosures concerning supplementary disclosure requirements for the transfer of financial assets.

In addition, in June 2012 two further standards were adopted into law by the European Union. These will become mandatory for the first time in fiscal 2013. These two standards will impact the consolidated financial statements as follows:

- The amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income mainly affect the presentation of other comprehensive income after taxes.
- The amendments to IAS 19 Employee Benefits relate to the recognition and measurement of expense for defined benefit pension plans and termination benefits. Among other things, from fiscal 2013 the corridor method currently used by Evonik will no longer be applicable. This will increase the volatility of provisions and equity without impacting income. It will also increase the disclosure requirements on employee benefits. Further implications for the consolidated financial statements are currently being examined.

(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:

The presentation of deconsolidation effects in other comprehensive income has been altered in the statement of comprehensive income and the statement of changes in equity. This increased other comprehensive income after taxes by €115 million. €24 million of this was attributable to shareholders of Evonik Industries AG and €91 million was attributable to non-controlling interests. €159 million of the increase in other comprehensive income was due to currency translation adjustments, while minus €34 million related to losses on hedging instruments and minus €10 related to deferred taxes.

In the segment report, slight adjustments to the regional reporting structure resulted in restatement of the prior-year figures, see Note (7).

(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, 2011	**68**	**115**	**183**
Acquisitions	–	–	–
Other companies consolidated for the first time	–	4	4
Divestments	–1	–3	–4
Intragroup mergers	–1	–	–1
Other companies deconsolidated	–	–2	–2
As of Junne 30, 2012	**66**	**114**	**180**
Companies recognized at equity			
As of December 31, 2011	**11**	**5**	**16**
Acquisitions	–	–	–
Other companies recognized at equity for the first time	–	2	2
Divestments	–	–	–
Other companies deconsolidated	–	–	–
As of June 30, 2012	**11**	**7**	**18**
	77	**121**	**198**

(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

No acquisitions were made in the reporting period.

Divestments

On March 5, 2012 Evonik signed an agreement to divest its global Colorants business to a subsidiary of Arsenal Capital Management LP, New York (New York, USA). The transaction was closed on April 30, 2012. It comprised the assets and liabilities of companies located in the USA, Canada, Brazil, Australia, China, Malaysia and the Netherlands. Three subsidiaries were deconsolidated as a result of this divestment.
Until then, the Colorants business was part of the Resource Efficiency segment. It was agreed not to disclose the financial terms of the transaction.

(5.3) Assets held for sale and discontinued operations

In addition to the divestments outlined in Note (5.2), the Executive Board of Evonik Industries AG has decided to divest various business operations. Where these divestment processes have not yet been completed, the businesses are still included in the consolidated financial statements. 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.

The following table shows the main impact on the balance sheet. None of the businesses presented here meets the criteria for classification as discontinued operations.

Balance sheet in € million	June 30, 2012	Dec. 31, 2011
Intangible assets	2	–
Property, plant and equipment	10	9
Investment property	–	–
Investments recognized at equity	–	–
Financial assets	–	–
Deferred tax assets/other income tax assets	3	6
Inventories	10	9
Trade accounts receivable	23	18
Other receivables	2	4
Cash and cash equivalents	2	1
Assets held for sale	**52**	**47**
Provisions for pensions and other post-employment benefits	–	29
Other provisions	3	27
Deferred tax liabilities/other income tax liabilities	2	–
Financial liabilities	30	11
Trade accounts payable	10	3
Other payables	3	18
Liabilities associated with assets held for sale	**48**	**88**

A Chinese joint venture in the Specialty Materials segment was classified as held for sale for the first time as of June 30, 2012. As on December 31, 2011, assets held for sale also include those parts of the carbon black business that are to be sold separately.
The property management business of Evonik Wohnen GmbH (Evonik Wohnen), Essen (Germany), which was included here as of December 31, 2011, was transferred to Vivawest Wohnen GmbH (Vivawest Wohnen), Essen (Germany), on January 1, 2012. Vivawest Wohnen is a joint venture of Evonik and THS. Assets of €3 million and liabilities of €72 million were transferred to this company on this date. The resultant payment obligation basically corresponds to the net value of the carrying amounts transferred and was settled by June 30, 2012. The property management business was part of the Real Estate segment until its transfer. The impact of the transfer on this segment's financial indicators is outlined in Note (7).

Post-divestment income and expenses resulted from past transactions relating to businesses previously classified as discontinued operations.

(6) Notes on business performance

In line with the terminology used by peers, from the start of 2012 the non-operating result, EBITDA (before non-operating result) and EBIT (before non-operating result) were changed to adjustments, adjusted EBITDA and adjusted EBIT, without altering the composition of these items. In addition, further adjusted indicators are calculated, including adjusted net income.

(6.1) Earnings position

The Evonik Group's operating performance in the first half of 2012 was pleasing, although a slight deterioration in demand was registered in some areas of business towards the end of the second quarter, especially in Europe. Sales totaled €6,935 million in the first six months. This represents flat organic sales growth compared with the previous year: Higher selling prices (+2 percentage points) offset lower volumes (-2 percentage points). As a result of other effects totaling minus 10 percentage points—principally due to the deconsolidation of the carbon black business following its divestment in July 2011—and positive currency effects (+2 percentage points), sales declined by 8 percent overall.

Change in sales H1 2012 vs. H1 2011

Volumes	-2%
Prices	2%
Exchange rates	2%
Other effects (especially carbon black)	-10%
Total	**-8%**

The operating results were below previous year's high level due to a slight dip in demand and the fact that the prior-year figures still contained earnings from the carbon black business. Overall, adjusted EBITDA slipped 9 percent to €1,366 million, while adjusted EBIT declined 10 percent to €1,049 million. The adjusted EBITDA margin was 19.7 percent, in line with the very good level reported for the first half of 2011 (19.8 percent).

The following table contains a reconciliation from adjusted EBITDA to net income:

in € million	1st half 2012	2011
Adjusted EBITDA	**1,366**	**1,497**
Depreciation, amortization, impairment losses / reversal of impairment losses	-317	-333
Adjusted EBIT	**1,049**	**1,164**
Adjustments	-81	-121
Net interest expense	-175	-191
Income before income taxes, continuing operations	**793**	**852**
Income before income taxes, discontinued operations	14	-46
Income before income taxes (total)	**807**	**806**
Income taxes, continuing operations	-283	-231
Income taxes, discontinued operations	–	-34
Income after taxes	**524**	**541**
Non-controlling interests	9	-16
Net income	**533**	**525**

The adjustments totaling minus €81 million mainly comprised impairment losses on assets at a production site in the Resource Efficiency segment as a result of the tough competitive situation in the photovoltaics industry. The principal component of restructuring is expenses for ongoing corporate projects. Other mainly comprises an expense of €7 million in connection with the recognition of the put and call options for the remaining shares in STEAG GmbH (STEAG). These options are remeasured every quarter. The prior-year figure of minus €121 million principally comprised expenses and impairment losses in connection with divestments. It also included income of €42 million from the measurement of the put and call options.

in € million	1st half 2012	2011
Restructuring	-6	-9
Impairment losses / reversal of impairment losses	-72	-119
Acquisition / divestment of shareholdings	4	-29
Other	-7	36
Adjustments	**-81**	**-121**

Prior-year figures restated.

Net interest expense was reduced to €175 million thanks to lower interest expense on financial liabilities. Income before income taxes from continuing operations declined by 7 percent to €793 million. Income before income taxes from the discontinued operations was €14 million and mainly comprised post-divestment income from non-core operations sold in prior periods. The prior-year figure of minus €46 million mainly comprised expenses in connection with the divestment of 51 percent of the shares in STEAG. Total income before income taxes was €807 million, around the previous year's figure. The income tax rate was 35 percent, which was above the expected Group tax rate of 30 percent, mainly due to current losses and impairment losses that are not tax-deductible. The non-controlling interests of minus €9 million essentially comprised the pro rata losses made by a joint venture. The prior-year figure of €16 million mainly contained non-controlling interests relating to the former STEAG companies. Net income grew by 2 percent year-on-year to €533 million. Since adjusted net income should reflect the development of operating earnings, the impact of adjustments and of discontinued operations is reversed in this item. This had a negative impact of €69 million in the reporting period, compared with a negative impact of €240 million a year earlier. Adjusted net income therefore dropped 21 percent to €602 million.

	1st half	
in € million	**2012**	2011
Net income	**533**	**525**
Adjustments	81	121
Taxes on adjustments	2	26
Adjustments attributable to non-controlling interests	–	13
Income after taxes, discontinued operations	-14	80
Adjusted net income	**602**	**765**

(6.2) Segment performance

The Consumer, Health & Nutrition segment grew sales 6 percent year-on-year to €2,086 million as a result of slightly higher volumes and selling prices, and positive currency effects. The operating results were slightly above the very good level reported for the first half of 2011: Adjusted EBITDA increased by 1 percent to €543 million, while adjusted EBIT rose 2 percent to €481 million. The EBITDA margin was 26.0 percent, below the previous year's level of 27.1 percent.

The Resource Efficiency segment reported a 31 percent drop in sales to €1,651 million, mainly due to the divestment of the carbon black business at the end of July 2011. Disregarding the carbon black business, sales slipped 2 percent, principally because volumes were lower. The operating results declined due to a dip in demand and because earnings from the carbon black business were no longer included. Overall, adjusted EBITDA declined by 27 percent to €340 million, while adjusted EBIT dropped 32 percent to €266 million. The adjusted EBITDA margin rose to 20.6 percent, up from 19.7 percent in H1 2011. Here it should be noted that the figures for the first half of 2011 still included the carbon black business, where the adjusted EBITDA margin was below-average.

In the Specialty Materials segment sales were virtually unchanged year-on-year at €2,503 million. The production shortfall caused by the fire at the CDT plant in Marl, combined with a reduction in demand, especially from Europe, resulted in lower volumes than in the first half of 2011, but this was offset by higher selling prices and positive currency effects. In the operating results, the drop in earnings resulting from the fire was essentially offset by insurance. Most of the insurance payments are included in other operating income. Due to the decline in demand, the operating results were below the previous year's very good level: Adjusted EBITDA fell 5 percent to €452 million, while adjusted EBIT declined by 6 percent to €375 million. The adjusted EBITDA margin therefore dropped from 19.1 percent in H1 2011 to 18.1 percent in H1 2012.

The Services segment's sales totaled €1,358 million. Internal sales with the chemicals segments and Corporate Center accounted for €857 million of the total. External sales rose 6 percent to €501 million. The operating results improved, principally thanks to higher earnings from Site Services: Adjusted EBITDA increased by 11 percent to €97 million, while adjusted EBIT was up 15 percent at €54 million.

Since January 1, 2012, the operational management of the Real Estate segment's property holdings has been assigned to Vivawest Wohnen GmbH, a joint venture with THS. To this end, leasing agreements were concluded between Vivawest Wohnen (lessee) and the companies that own the real estate (lessors). Since Vivawest Wohnen is included at equity, sales from rental business are no longer recognized. Instead, the rental revenues of the fully consolidated owners are recognized after deducting the attributable management expenses. Sales therefore declined by about 50 percent to €100 million. The operating results were lower than in the previous year, when they included a one-off effect of €20 million from the revaluation of deferred tax assets in the at-equity earnings of THS. As a consequence, adjusted EBITDA decreased by 23 percent to €87 million, while adjusted EBIT declined by 28 percent to €64 million.

(6.3) Financial condition

The net financial debt shown on the balance sheet was €1,302 million, an increase of €459 million compared with year-end 2011. This was principally due to high capital expenditures and the dividend of €425 million for 2011, which was paid in April 2012. The cash flow from operating activities had a counter-effect.

Net financial debt is calculated as follows:

in € million	June 30, 2012	Dec. 31, 2011
Non-current financial liabilities *	-2,575	-2,657
Currrent financial liabilities *	-435	-249
Financial debt	**-3,010**	**-2,906**
Cash and cash equivalents	1,041	1,609
Current securities	665	449
Other financial assets *	2	5
Financial assets	**1,708**	**2,063**
Net financial debt	**-1,302**	**-843**

* Excluding liabilities and receivables from derivatives.

The cash flow from operating activities in the continuing operations amounted to €389 million, which was almost the same as a year earlier (€400 million). In the previous year, the cash outflow from operating activities in the discontinued operations of €93 million related to the former Energy Business Area. Overall, the cash flow from operating activities increased by €82 million to €389 million.
The cash flow for investing activities comprised an outflow of €605 million, compared with an inflow of €193 million in the first half of 2011. Capital expenditures and investment in shareholdings amounted to €417 million (H1 2011: €412 million). The cash inflow in the first half of 2011 was mainly due to the proceeds from the divestment of shareholdings, principally the divestment of 51 percent of the shares in STEAG, which totaled €206 million, and to securities, deposits and loans amounting to €377 million, which were held for

short periods as part of the asset investment strategy. By contrast, in the first half of 2012 €209 million was invested in securities, deposits and loans.

(6.4) Asset structure

Total assets increased slightly to €17.0 billion. Non-current assets were unchanged at €11.0 billion. Current assets rose slightly to €6.0 billion, mainly because inventories and trade accounts receivable increased, while cash and cash equivalents declined, principally as a result of the dividend payment.

Equity increased by €0.1 billion to €6.2 billion. The equity ratio improved from 35.8 percent to 36.6 percent.

(7) Notes on the segment report

The Executive Board of Evonik Industries AG decides on the allocation of resources and evaluates the earnings power of the Group's operations on the basis of the operating segments described below (subsequently referred to as segments). The operating activities are divided into business units within the segments. The reporting based on segments reflects the Group’s internal organizational and reporting structure (management approach).

In accordance with its strategic focus on specialty chemicals and to align the regional allocation of companies and business operations to its peers, the Executive Board of Evonik Industries AG has taken the following decisions that affect the segment reporting:

- The Real Estate segment, which Evonik intends to divest entirely in the medium term, comprises Evonik's portfolio of residential real estate and its 50 percent stake in THS. Effective January 1, 2012, Evonik and THS bundled the management of their residential properties in the Vivawest Wohnen joint venture, see Note (5.3). As a consequence, some of the sales revenues previously generated by the Real Estate segment and the associated material expenses are no longer recognized by this segment. They are now reported by the Vivawest Wohnen joint venture, which is included in the consolidated financial statements at equity. This has not significantly affected the earnings KPIs.

- At the start of 2012 Evonik made a few slight adjustments to its regional reporting structure. Some regions have been renamed and a few countries have been allocated to different regions. The prior-year figures have been restated accordingly.

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

in € million	1st half 2012	1st half 2011
Adjusted EBIT, continuing reporting segments	1,240	1,397
Adjusted EBIT, other operations	–23	–17
Adjusted EBIT, Corporate Center and corporate activities	–152	–193
Consolidation	–16	–23
Adjusted EBIT, Corporate, other operations, consolidation	–191	–233
Adjusted EBIT, Group	1,049	1,164
Adjustments	–81	–121
Net interest expense	–175	–191
Income before income taxes, continuing operations	793	852

(8) Contingent receivables and liabilities

Further insurance reimbursements are expected in connection with the fire at the CDT plant in Marl.

There has not been any material change in contingent liabilities since the annual financial statements as of December 31, 2011.

(9) Related parties

The principal new transactions with related parties that have taken place since December 31, 2011 are as follows:

On the reporting date, the Group had liabilities from financial relations with the Vivawest Wohnen joint venture, see Note (5.3), totaling €40 million and other receivables of €10 million.
In addition, sales revenues of €69 million were recorded from leasing the real estate to be managed to Vivawest Wohnen.

(10) Events after the reporting date

No material events have occurred since the end of the first half of 2012.

Essen, July 30, 2012
Evonik Industries AG
The Executive Board

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Wessel	Wohlhauser	Dr. Yu

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