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

Contents

Income statement for the Evonik Group

in € million	3rd quarter 2012	3rd quarter 2011	1st nine months 2012	1st nine months 2011
Sales	3,421	3,633	10,356	11,210
Cost of sales	–2,377	–2,555	–7,232	–7,840
Gross profit on sales	**1,044**	**1,078**	**3,124**	**3,370**
Selling expenses	–313	–302	–928	–941
Research and development expenses	–97	–85	–281	–269
General administrative expenses	–164	–155	–489	–483
Other operating income	569	243	1,167	755
Other operating expenses	–426	–287	–1,051	–866
Income before financial result and income taxes, continuing operations	**613**	**492**	**1,542**	**1,566**
Interest income	11	19	24	33
Interest expense	–101	–115	–289	–320
Result from investments recognized at equity	11	97	47	63
Other financial income	–	–	3	3
Financial result	**–79**	**1**	**–215**	**–221**
Income before income taxes, continuing operations	**534**	**493**	**1,327**	**1,345**
Income taxes	–182	–153	–465	–384
Income after taxes, continuing operations	**352**	**340**	**862**	**961**
Income after taxes, discontinued operations	1	–	15	–80
Income after taxes	**353**	**340**	**877**	**881**
thereof attributable to				
Non-controlling interests	–2	2	–11	18
Shareholders of Evonik Industries AG (net income)	355	338	888	863
Earnings per share in € (basic and diluted)	**+0.76**	**+0.73**	**+1.91**	**+1.85**

Additional voluntary information:

in € million	3rd quarter 2012	3rd quarter 2011	1st nine months 2012	1st nine months 2011
Income before financial result and income taxes, continuing operations	**613**	**492**	**1,542**	**1,566**
Result from investments recognized at equity	11	97	47	63
Other financial income	–	–	3	3
EBIT	**624**	**589**	**1,592**	**1,632**
Adjustments *	–56	–1	25	120
Adjusted EBIT	**568**	**588**	**1,617**	**1,752**
Depreciation, amortization, impairment losses/reversal of impairment losses	163	161	480	494
Adjusted EBITDA	**731**	**749**	**2,097**	**2,246**

* See Note (6).

Statement of comprehensive income for the Evonik Group

in € million	3rd quarter 2012	3rd quarter 2011	1st nine months 2012	1st nine months 2011
Income after taxes	**353**	**340**	**877**	**881**
thereof attributable to				
Non-controlling interests	–2	2	–11	18
Shareholders of Evonik Industries AG (net income)	355	338	888	863
Unrealized gains/losses on available-for-sale-securities	4	–	8	–
Gains/losses on hedging instruments	64	–88	48	–57
Currency translation adjustment	–45	101	5	80
Deferred taxes	–20	25	–16	–4
Other comprehensive income after taxes	**3**	**38**	**45**	**19**
thereof attributable to				
Non-controlling interests	–1	3	2	68
Shareholders of Evonik Industries AG	4	35	43	–49
Total comprehensive income	**356**	**378**	**922**	**900**
thereof attributable to				
Non-controlling interests	–3	5	–9	86
Shareholders of Evonik Industries AG	359	373	931	814

Prior-year figures restated.

Balance sheet for the Evonik Group

in € million	Sept. 30, 2012	Dec. 31, 2011
Intangible assets	3,226	3,272
Property, plant and equipment	4,311	4,356
Investment property	1,537	1,545
Investments recognized at equity	1,091	1,057
Financial assets	222	255
Deferred tax assets	413	477
Other income tax assets	23	23
Other receivables	35	41
Non-current assets	**10,858**	**11,026**
Inventories	1,815	1,645
Other income tax assets	70	60
Trade accounts receivable	1,824	1,711
Other receivables	364	358
Financial assets	987	488
Cash and cash equivalents	1,275	1,609
	6,335	**5,871**
Assets held for sale	92	47
Current assets	**6,427**	**5,918**
Total assets	**17,285**	**16,944**
Issued capital	466	466
Reserves	6,020	5,515
Equity attributable to shareholders of Evonik Industries AG	**6,486**	**5,981**
Equity attributable to non-controlling interests	87	93
Total equity	**6,573**	**6,074**
Provisions for pensions and other post-employment benefits	2,798	2,805
Other provisions	948	1,014
Deferred tax liabilities	499	481
Other income tax liabilities	107	70
Financial liabilities	2,595	2,745
Other payables	278	369
Non-current liabilities	**7,225**	**7,484**
Other provisions	1,076	1,174
Other income tax liabilities	349	352
Financial liabilities	552	402
Trade accounts payable	1,105	1,086
Other payables	356	284
	3,438	**3,298**
Liabilities associated with assets held for sale	49	88
Current liabilities	**3,487**	**3,386**
Total equity and liabilities	**17,285**	**16,944**

Statement of changes in equity for the Evonik Group

in € million	Issued capital	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	–	–	–	–	–	15	15
Dividends	–	–	-400	–	-400	-13	-413
Ownership interests changes in subsidiaries without loss of control	–	–	-1	–	-1	-1	-2
Income after taxes	–	–	863	–	863	18	881
Other comprehensive income after taxes	–	–	–	-49	-49	68	19
Total comprehensive income	–	–	863	-49	814	86	900
Other changes	–	–	20	-18	2	-577	-575
As of September 30, 2011	466	1,165	4,430	-270	5,791	103	5,894
As of January 1, 2012	466	1,165	4,568	-218	5,981	93	6,074
Capital increases/decreases	–	–	–	–	–	15	15
Dividends	–	–	-425	–	-425	-10	-435
Ownership interests changes in subsidiaries without loss of control	–	–	-1	–	-1	–	-1
Income after taxes	–	–	888	–	888	-11	877
Other comprehensive income after taxes	–	–	–	43	43	2	45
Total comprehensive income	–	–	888	43	931	-9	922
Other changes	–	–	2	-2	–	-2	-2
As of September 30, 2012	466	1,165	5,032	-177	6,486	87	6,573

Prior-year figures restated.

Cash flow statement for the Evonik Group

in € million	3rd quarter 2012	3rd quarter 2011	1st nine months 2012	1st nine months 2011
Income before financial result and income taxes, continuing operations	613	492	1,542	1,566
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	264	172	653	538
Gains/losses on disposal of non-current assets	29	22	5	12
Change in inventories	-74	-75	-204	-351
Change in trade accounts receivable	128	35	-156	-294
Change in trade accounts payable and current advance payments received from customers	30	-61	23	-23
Change in provisions for pensions and other post-employment benefits	-56	-83	-133	-166
Change in other provisions	48	33	-159	-87
Change in miscellaneous assets/liabilities	-205	31	-244	-49
Cash outflows for interest	-18	-15	-47	-51
Cash inflows from interest	6	9	20	19
Cash inflows from dividends	3	6	63	54
Cash inflows/outflows for income taxes	-163	-47	-369	-249
Cash flow from operating activities, continuing operations	**605**	**519**	**994**	**919**
Cash flow from operating activities, discontinued operations	–	-33	–	-126
Cash flow from operating activities	**605**	**486**	**994**	**793**
Cash outflows for investments in intangible assets, property, plant and equipment, investment property	-280	-217	-671	-552
Cash outflows for investments in shareholdings	–	-1	-26	-78
Cash inflows from divestments of intangible assets, property, plant and equipment, investment property	19	24	52	46
Cash inflows/outflows from divestments of shareholdings	-4	839	-16	1,045
Cash inflows/outflows relating to securities, deposits and loans	-86	-460	-295	-83
Cash flow from investing activities	**-351**	**185**	**-956**	**378**
(thereof discontinued operations)	–	–	–	(14)
Cash inflows/outflows relating to capital contributions	10	9	15	15
Cash outflows for dividends to shareholders of Evonik Industries AG	–	–	-425	-400
Cash outflows for dividends to non-controlling interests	-4	-1	-7	-13
Cash inflows/outflows from changes in ownership interests in subsidiaries without loss of control	-1	–	-1	-1
Cash inflows from the addition of financial liabilities	45	19	223	192
Cash outflows for repayment of financial liabilities	-70	-140	-183	-263
Cash flow from financing activities	**-20**	**-113**	**-378**	**-470**
(thereof discontinued operations)	–	–	–	(-8)
Change in cash and cash equivalents	**234**	**558**	**-340**	**701**

Cash and cash equivalents as of July 1/January 1	**1,043**	**1,469**	**1,611**	**1,351**
Change in cash and cash equivalents	234	558	-340	701
Changes in exchange rates and other changes in cash and cash equivalents	-1	2	5	-23
Cash and cash equivalents as of September 30	**1,276**	**2,029**	**1,276**	**2,029**
Cash and cash equivalents included in assets held for sale	-1	-3	-1	-3
Cash and cash equivalents as on the balance sheet as of September 30	**1,275**	**2,026**	**1,275**	**2,026**

(1) Segment report for the Evonik Group

Operating segments – 1st nine months

	Reporting segments										Corporate, other operations, consolidation		Total Group (continuing operations)	
	Consumer, Health & Nutrition		Resource Efficiency		Specialty Materials		Services		Real Estate					
in € million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External sales	3,165	3,021	2,440	3,304	3,720	3,755	729	711	154	309	148	110	**10,356**	11,210
Internal sales	69	56	58	43	88	80	1,267	1,122	–	1	-1,482	-1,302	**–**	–
Total sales	3,234	3,077	2,498	3,347	3,808	3,835	1,996	1,833	154	310	-1,334	-1,192	**10,356**	11,210
Adjusted EBITDA	822	808	540	649	671	739	144	124	134	165	-214	-239	**2,097**	2,246
Adjusted EBITDA margin in %	26.0	26.7	22.1	19.6	18.0	19.7	19.8	17.4	87.3	53.4			**20.2**	**20.0**
Adjusted EBIT	728	715	432	535	557	621	75	63	99	129	-274	-311	**1,617**	1,752
Capital expenditures	195	104	107	116	214	114	51	46	34	36	74	78	**675**	494
Additions to financial assets	22	64	–	10	2	–	–	–	–	3	4	5	**28**	82
Employees as of September 30	6,801	6,336	5,804	6,386	6,747	6,865	11,901	10,945	614	1,135	2,064	1,875	**33,931**	33,542

Regions – 1st nine months

	Germany		Other European countries		North America		Central and South America		Asia-Pacific		Middle East, Africa		Total Group (continuing operations)	
in € million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External sales	2,544	2,894	3,211	3,405	1,851	1,951	633	630	1,879	2,039	238	291	**10,356**	11,210
Goodwill as of September 30 [1]	1,596	1,630	543	540	283	271	27	26	286	274	–	–	**2,735**	2,741
Other intangible assets, property, plant and equipment, investment property as of September 30 [1]	4,407	4,286	471	519	629	512	29	40	793	829	10	8	**6,339**	6,194
Capital expenditures	364	290	50	54	89	64	8	3	163	82	1	1	**675**	494
Employees as of September 30	22,023	21,927	2,765	2,832	3,793	3,743	429	412	4,815	4,536	106	92	**33,931**	33,542

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). 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., 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 September 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 September 30, 2012 are presented in euros. The reporting period is January 1 to September 30, 2012. 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 items 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. Under this method, actuarial gains and losses are only recognized to the extend that they exceed certain levels. In future, all actuarial gains and losses will have to be recognized immediately in other comprehensive income, which will increase the volatility of provisions and equity. The amendments 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 €125 million. €33 million of this was attributable to shareholders of Evonik Industries AG and €92 million was attributable to non-controlling interests. €169 million of the increase in other comprehensive income was due to currency translation adjustments, while minus €33 million related to losses on hedging instruments and minus €11 million 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 in the reporting period:

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	1	5	6
Divestments	-1	-3	-4
Intragroup mergers	-2	–	-2
Other companies deconsolidated	–	-9	-9
As of September 30, 2012	**66**	**108**	**174**
Investments 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 September 30, 2012	**11**	**7**	**18**
	77	**115**	**192**

(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	Sept. 30, 2012	Dec. 31, 2011
Intangible assets	2	–
Property, plant and equipment	52	9
Investment property	–	–
Investments recognized at equity	–	–
Financial assets	–	–
Deferred tax assets/other income tax assets	3	6
Inventories	12	9
Trade accounts receivable	20	18
Other receivables	2	4
Cash and cash equivalents	1	1
Assets held for sale	**92**	**47**
Provisions for pensions and other post-employment benefits	–	29
Other provisions	2	27
Deferred tax liabilities/other income tax liabilities	2	–
Financial liabilities	22	11
Trade accounts payable	13	3
Other liabilities	10	18
Liabilities associated with assets held for sale	**49**	**88**

A Chinese joint venture in the Specialty Materials segment was classified as held for sale as of June 30, 2012.

On September 4, 2012 a settlement was signed with MEMC Electronic Materials Inc., St. Peters (Delaware, USA) and MEMC Electronic Materials S.P.A., Novara (Italy), (MEMC). This includes the divestment of a production plant in Italy effective December 30, 2012. Consequently, as of September 30, 2012 this plant in the Resource Efficiency segment met the criteria set out in IFRS 5 for the first time and assets totaling some €41 million were reclassified as "held for sale" as of this date.
Further, 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 classified as "held for sale" 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 corresponded to the net value of the carrying amounts transferred and has already been settled. 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 nine months of 2012 was pleasing overall, but demand has weakened since the summer, especially in Europe. The resultant drop in volume sales (-2 percentage points) was not fully offset by the slight price increases (+1 percentage point), mainly to recoup higher raw material costs. Organic sales therefore slipped 1 percent. As a result of other effects totaling minus 9 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 only declined by 8 percent overall to €10,356 million.

Change in sales 9M 2012 vs. 9M 2011

Volumes	-2%
Prices	1%
Organic change in sales	-1%
Exchange rates	2%
Other effects (especially carbon black)	-9%
Total	**-8%**

The operating results fell short of the previous year's high level due to a dip in demand and the fact that the prior-year figures contained earnings from the carbon black business for seven months. Overall, adjusted EBITDA declined by 7 percent to €2,097 million, while adjusted EBIT fell 8 percent to €1,617 million. The adjusted EBITDA margin was 20.2 percent, in line with the very good level reported for the first nine months of 2011 (20.0 percent).

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

in € million	1st nine months 2012	2011
Adjusted EBITDA	**2,097**	**2,246**
Depreciation, amortization, impairment losses / reversal of impairment losses	–480	–494
Adjusted EBIT	**1,617**	**1,752**
Adjustments	–25	–120
Net interest expense	–265	–287
Income before income taxes, continuing operations	**1,327**	**1,345**
Income before income taxes, discontinued operations	16	–44
Income before income taxes (total)	**1,343**	**1,301**
Income taxes, continuing operations	–465	–384
Income taxes, discontinued operations	–1	–36
Income after taxes	**877**	**881**
Non-controlling interests	11	–18
Net income	**888**	**863**

On March 31, 2012 there was an explosion followed by a fire in a production facility at the Marl site in Germany in which two Evonik employees died. This production facility operated by the Specialty Materials segment produces CDT, a precursor for the production of polyamide 12, which is used in the manufacture of plastics. Evonik is doing its utmost to repair the facility, which it is expected to come back into service in the fourth quarter of 2012. Evonik assumes that, apart from a deductible, the financial damage resulting from the fire will be covered to a large extent by insurance. The insurance payments of around €130 million are mainly included in other operating income. In the reconciliation, the refunds from the business interruption insurance are included in the operating results, while payments from property insurance are included in adjustments.

Important agreements on restructuring the photovoltaic business were concluded in September 2012. In view of the persistently tough competitive situation in the photovoltaic market, Evonik concluded settlements with MEMC and with the Japanese companies TAIYO Nippon Sanso Corporation (TNSC), Tokyo (Japan) and TAIYO Nippon Sanso Silane Gas Service Co. Ltd., Tokyo (Japan), principally on the termination of long-term supply contracts. Under the settlement with MEMC, Evonik will receive around €70 million, in return for the waiver of all rights relating to the supply agreements and the transfer of the production plant in Merano (Italy) to MEMC. Under the settlement with TNSC on termination of a long-term supply contract for monosilane Evonik will receive around €200 million. The production plant in Yokkaichi (Japan) will be shut down and written down completely. The income from these settlements and all expenses relating to the restructuring of the photovoltaic business are included in other operating income, other operating expenses or adjustments. As a result of the sharp drop in demand from the photovoltaic industry, Evonik took impairment losses on the corresponding production plants operated by the Resource Efficiency segment in the fourth quarter of 2011 and the first quarter of 2012.

in € million	1st nine months 2012	2011
Restructuring	140	-15
Impairment losses / reversal of impairment losses	-178	-52
Acquisition / divestment of shareholdings	3	-29
Other	10	-24
Adjustments	**-25**	**-120**

The adjustments of minus €25 million include impairment losses and reversals of impairment losses totaling minus €178 million, mainly in connection with the production plant in Yokkaichi and other assets in the Resource Efficiency segment affected by the restructuring of the photovoltaic business. In addition, an impairment loss was recognized on a production plant in the Specialty Materials segment due to a permanent drop in demand. The €140 million recognized for restructuring mainly comprises the net effect of income from the settlement with TNSC and restructuring expenses for the photovoltaic business. It also contains expenses for ongoing corporate projects. Other mainly comprises the income from property insurance payments for the CDT plant and from the sale of a plot of land. It also contains an expense of €3 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 adjustments of minus €120 million principally comprised expenses and impairment losses in connection with divestments. This item also included expense of €8 million from the measurement of the put and call options.

Net interest expense was reduced to €265 million thanks to the drop in average net debt. Income before income taxes from continuing operations was €1,327 million and thus almost at the same level as in the previous year. Income before income taxes from the discontinued operations was €16 million and mainly comprised post-divestment income from non-core operations sold in prior periods. The prior-year figure of minus €44 million mainly comprised expenses in connection with the divestment of 51 percent of the shares in STEAG. Total income before income taxes improved 3 percent to €1,343 million. The income tax rate was 35 percent and thus 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 €11 million essentially comprised the pro rata losses made by a joint venture. The prior-year figure of €18 million mainly contained non-controlling interests relating to the former STEAG companies. Net income grew by 3 percent year-on-year to €888 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 €58 million in the reporting period, compared with a negative impact of €226 million a year earlier. Adjusted net income therefore dropped 13 percent to €946 million.

in € million	1st nine months 2012	2011
Net income	**888**	**863**
Adjustments	25	120
Taxes on adjustments	48	15
Adjustments attributable to non-controlling interests	–	11
Income after taxes, discontinued operations	–15	80
Adjusted net income	**946**	**1,089**

(6.2) Segment performance

The Consumer, Health & Nutrition segment posted organic sales growth as a result of higher volumes. Together with the slightly positive currency effects and the full consolidation of the hanse chemie Group, which was acquired in May 2011, sales rose by 5 percent to €3,165 million. Thanks to the good overall volume trend, there was a further slight improvement in the operating results compared with the good levels reported for the first nine months of 2011. Adjusted EBITDA increased 2 percent to €822 million, while adjusted EBIT rose 2 percent to €728 million. The EBITDA margin was 26.0 percent, slightly below the previous year's high level of 26.7 percent.

The Resource Efficiency segment reported a 26 percent drop in sales to €2,440 million, principally due to the divestment of the carbon black business at the end of July 2011 and the Colorants business at the end of April 2012. Positive currency effects had a counter-effect. Organic sales were slightly lower than in the prior-year period. Lower demand, especially from Europe, was largely offset by higher selling prices. The operating results declined due to a slight dip in demand and because earnings from the carbon black business were no longer included. Overall, adjusted EBITDA declined by 17 percent to €540 million, while adjusted EBIT fell 19 percent to €432 million. The adjusted EBITDA margin increased to 22.1 percent, up from 19.6 percent in the first nine months of 2011.

In the Specialty Materials segment sales were €3,720 million, 1 percent less than in the first nine months of 2011. The drop in organic sales was almost entirely offset by positive currency effects. The production shortfall caused by the fire at the CDT plant in Marl at the end of March 2012, combined with a reduction in demand, especially from Europe, resulted in a perceptible decline in volumes. By contrast, selling prices rose slightly. The operating results were below the previous year's very good level, mainly due to the decline in demand. By contrast, the earnings reduction caused by the production shortfall following the fire will be offset to a large extent by insurance reimbursements. Adjusted EBITDA decreased by 9 percent to €671 million, while adjusted EBIT fell 10 percent to €557 million. The adjusted EBITDA margin thus dropped from 19.7 percent in the first nine months of 2011 to 18.0 percent in the first nine months of 2012.

The Services segment's sales totaled €1,996 million. Internal sales with the chemicals segments and Corporate Center accounted for €1,267 million of the total. External sales rose 3 percent to €729 million. The operating results improved, principally thanks to higher earnings from Site Services: Adjusted EBITDA increased by 16 percent to €144 million, while adjusted EBIT rose 19 percent to €75 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 €154 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 19 percent to €134 million, while adjusted EBIT declined by 23 percent to €99 million.

(6.3) Financial condition

The net financial debt shown on the balance sheet was €990 million, an increase of €147 million compared with year-end 2011. The cash flow from operating activities was countered by particularly high capital expenditures.

Net financial debt is calculated as follows:

in € million	Sept. 30, 2012	Dec. 31, 2011
Non-current financial liabilities*	-2,505	-2,657
Current financial liabilities *	-518	-249
Financial debt	**-3,023**	**-2,906**
Cash and cash equivalents	1,275	1,609
Current securities	756	449
Other financial assets *	2	5
Financial assets	**2,033**	**2,063**
Net financial debt	**-990**	**-843**

* Excluding liabilities and receivables from derivatives.

The cash flow from operating activities in the continuing operations increased by €75 million to €994 million. This was mainly due to lower growth in net working capital, while higher income tax payments had a counter-effect. The cash outflow of €126 million for operating activities in the discontinued operations related to the former Energy Business Area. Overall, the cash flow from operating activities increased by €201 million to €994 million. The cash flow for investing activities comprised an outflow of €956 million, compared with an inflow of €378 million in the first nine months of 2011. Capital expenditures and investment in shareholdings amounted to €697 million (9M 2011: €630 million). In addition, €295 million was invested in securities, deposits and loans, which are held for short periods as part of the asset investment strategy (9M 2011: €83 million). The cash inflow in the first nine months of 2011 was mainly due to the proceeds from the divestment of shareholdings, principally the divestment of the carbon black business and 51 percent of the shares in STEAG, totaling €1,045 million.

(6.4) Asset structure

Total assets increased to €17.3 billion. Non-current assets declined slightly to €10.9 billion, partly as a consequence of impairment losses. Current assets rose by €0.5 billion to €6.4 billion. This was mainly due to financial assets, which include claims to payments under the settlement reached with TNSC. Inventories and trade accounts receivable also increased, while cash and cash equivalents declined as a result of the dividend payment.

Equity increased by €0.5 billion to €6.6 billion. The equity ratio improved from 35.8 percent to 38.0 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 nine months 2012	2011
Adjusted EBIT, continuing reporting segments	**1,891**	**2,063**
Adjusted EBIT, other operations	–35	–18
Adjusted EBIT, Corporate Center and corporate activities	–213	–257
Consolidation	–26	–36
Adjusted EBIT, Corporate, other operations, consolidation	**–274**	**–311**
Adjusted EBIT, Group	**1,617**	**1,752**
Adjustments	–25	–120
Net interest expense	–265	–287
Income before income taxes, continuing operations	**1,327**	**1,345**

(8) Contingent receivables and liabilities

Further insurance reimbursements are expected in connection with the fire at the CDT plant in Marl. The amount has not yet been finalized.

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:

Sales revenues of €106 million were recorded with the Vivawest Wohnen joint venture, see Note (5.3), from leasing the real estate to be managed by this company.

(10) Events after the reporting date

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

Essen, October 30, 2012

Evonik Industries AG

The Executive Board

Dr. Engel	Dr. Colberg	Dr. Haeberle
Wessel	Wohlhauser	Dr. Yu

Credits

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