

Consolidated interim financial statements of Evonik Industries AG, Essen as of September 30, 2009

Interim financial statements for the Evonik Group

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Income statement for the Evonik Group

in € million	3rd quarter		1st nine months	
	2009	2008	2009	2008
Sales	3,309	4,138	9,590	12,071
Cost of sales	-2,403	-3,232	-7,263	-9,254
Gross profit on sales	906	906	2,327	2,817
Selling expenses	-264	-308	-777	-913
Research and development expenses	-66	-76	-213	-228
General administrative expenses	-151	-180	-473	-537
Other operating income	131	128	642	737
Other operating expenses	-241	-245	-820	-821
Income before financial result and income taxes, continuing operations	315	225	686	1,055
Interest income	2	-12	27	22
Interest expense	-117	-114	-389	-419
Result from investments recognized at equity	16	19	41	54
Other financial income/expense	2	3	8	13
Financial result	-97	-104	-313	-330
Income before income taxes, continuing operations	218	121	373	725
Income taxes	-29	-33	-108	-216
Income after taxes, continuing operations	189	88	265	509
Income after taxes, discontinued operations	-	7	-4	150
Income after taxes	189	95	261	659
thereof attributable to				
Non-controlling interests	21	23	50	67
Shareholders of Evonik Industries AG (net income)	168	72	211	592
Earnings per share (basic and diluted) in €	+0.36	+0.15	+0.45	+1.27

Prior-year figures restated

Statement of comprehensive income for the Evonik Group

in € million	3rd quarter		1st nine months	
	2009	2008	2009	2008
Income after taxes	189	95	261	659
thereof attributable to				
Non-controlling interests	21	23	50	67
Shareholders of Evonik Industries AG (net income)	168	72	211	592
Unrealized gains/losses on available-for-sale-securities	5	-11	-1	-10
Unrealized gains/losses on hedging instruments	10	-76	86	-54
Revaluation surplus for acquisitions in stages	-	-	-	-
Currency translation adjustment	-95	209	-49	-9
Deferred taxes	-3	27	-23	22
Other comprehensive income	-83	149	13	-51
thereof attributable to				
Non-controlling interests	-15	26	-22	18
Shareholders of Evonik Industries AG	-68	123	35	-69
Total comprehensive income	106	244	274	608
thereof attributable to				
Non-controlling interests	6	49	28	85
Shareholders of Evonik Industries AG	100	195	246	523

Prior-year figures restated

Balance sheet for the Evonik Group

in € million	Sep. 30, 2009	Dec. 31, 2008
Intangible assets	3,976	4,086
Property, plant and equipment	5,597	5,696
Investment property	1,551	1,502
Investments recognized at equity	591	604
Financial assets	1,178	1,385
Deferred tax assets	393	364
Other income tax assets	37	36
Other receivables	57	73
Non-current assets	13,380	13,746
Inventories	1,752	2,196
Other income tax assets	142	130
Trade accounts receivable	1,989	2,572
Other receivables	376	399
Financial assets	333	330
Cash and cash equivalents	494	536
	5,086	6,163
Assets held for sale	145	206
Current assets	5,231	6,369
Total assets	18,611	20,115
Issued capital	466	466
Reserves	4,171	4,208
Equity attributable to shareholders of Evonik Industries AG	4,637	4,674
Equity attributable to non-controlling interests	493	481
Total equity	5,130	5,155
Provisions for pensions and other post-employment benefits	3,980	3,953
Other provisions	1,043	1,064
Deferred tax liabilities	670	687
Other income tax liabilities	84	120
Financial liabilities	3,836	4,394
Other payables	364	384
Non-current liabilities	9,977	10,602
Other provisions	963	1,272
Other income tax liabilities	222	197
Financial liabilities	936	1,008
Trade accounts payable	887	1,463
Other payables	415	332
	3,423	4,272
Liabilities associated with assets held for sale	81	86
Current liabilities	3,504	4,358
Total equity and liabilities	18,611	20,115

Prior-year figures restated

Statement of changes in equity for the Evonik Group

in € million	Issued capital	Reserves		Attributable to share-holders of Evonik Industries AG	Attributable to non-controlling interests	Total equity	
		Capital reserve	Accumulated income/loss after taxes				Accumulated other comprehensive income
as of December 31, 2007	466	1,165	3,324	-311	4,644	437	5,081
Adjustments according to IAS 8			-43		-43		-43
as of January 1, 2008	466	1,165	3,281	-311	4,601	437	5,038
Capital increases/decreases					0	8	8
Dividend distribution					0	-39	-39
Total comprehensive income			592	-69	523	85	608
Other changes				-2	-2	-16	-18
as of September 30, 2008	466	1,165	3,873	-382	5,122	475	5,597
as of January 1, 2009	466	1,165	3,562	-519	4,674	481	5,155
Capital increases/decreases					0	6	6
Dividend distribution			-280		-280	-24	-304
Total comprehensive income			211	35	246	28	274
Other changes			1	-4	-3	2	-1
as of September 30, 2009	466	1,165	3,494	-488	4,637	493	5,130

Prior-year figures restated

Cash flow statement for the Evonik Group

in € million	3rd quarter		1st nine months	
	2009	2008	2009	2008
Income before financial result and income taxes, continuing operations	315	225	686	1,055
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	251	263	665	672
Gains/losses on disposal of non-current assets	-8	-3	-15	-110
Other non-cash income/expense	-	-	-	35
Change in inventories	44	-242	439	-425
Change in trade accounts receivable	-117	-123	553	-414
Change in trade accounts payable and current advance payments received from customers	95	-59	-514	82
Change in provisions for pensions and other post-employment benefits	-67	-60	-153	-146
Change in other provisions	14	94	-328	-73
Change in miscellaneous assets/liabilities	49	141	156	-92
Cash outflows for interest	-97	-36	-185	-129
Cash inflows from interest	77	4	82	10
Cash inflows from dividends	2	6	62	37
Cash outflows for income taxes	-108	-59	-189	-176
Cash flow from operating activities, continuing operations	450	151	1,259	326
Cash flow from operating activities, discontinued operations	-	-1	-	7
Cash flow from operating activities	450	150	1,259	333
Cash outflows for investments in intangible assets, property, plant and equipment, investment property	-209	-259	-512	-701
Cash outflows for investments in shareholdings	-4	-18	-12	-58
Cash inflows from divestments of intangible assets, property, plant and equipment, investment property	10	26	52	116
Cash inflows from divestments of shareholdings	2	8	29	298
Cash inflows/outflows relating to securities, deposits and loans	8	4	8	256
Cash flow from investing activities	-193	-239	-435	-89
Cash inflows/outflows relating to capital contributions	-	7	6	8
Cash outflows for payments to non-controlling interests 1)	-3	-6	-15	-39
Cash outflows for dividends/profit transfer for prior year 2)	-280	-	-280	-345
Cash inflows from the addition of financial liabilities	122	98	376	381
Cash outflows for repayment of financial liabilities	-45	35	-939	-130
Cash flow from financing activities	-206	134	-852	-125
Change in cash and cash equivalents	51	45	-28	119
Cash and cash equivalents as of January 1	452	407	542	349
Change in cash and cash equivalents	51	45	-28	119
Changes in exchange rates and other changes in cash and cash equivalents	-10	23	-14	8
Cash and cash equivalents as of September 30	493	475	500	476
Cash and cash equivalents included in assets held for sale	1	-	-6	-1
Cash and cash equivalents as reported on the balance sheet as of September 30	494	475	494	475

Prior-year figures restated

1) In 2009, € 9 million of dividends to non-controlling interests were not paid out (2008: paid out in full)

2) Profit transfer for prior year without tax charge (stand-alone view) - - - -342

(1) Segment report for the Evonik Group

Operating segments

in € million	Chemicals		Energy		Real Estate		Total reportable segments		Corporate, other operations, consolidation		Total Group (continuing operations)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External sales	7,151	8,955	2,014	2,583	279	271	9,444	11,809	146	262	9,590	12,071
Internal sales	99	92	156	178	-	1	255	271	-255	-271	-	-
Total sales	7,250	9,047	2,170	2,761	279	272	9,699	12,080	-109	-9	9,590	12,071
EBITDA (before non-operating result)	1,133	1,366	299	451	133	161	1,565	1,978	-97	-164	1,468	1,814
EBITDA margin (in %)	15.8%	15.3%	14.8%	17.5%	47.7%	59.4%	16.6%	16.7%			15.3%	15.0%
EBIT (before non-operating result)	667	877	222	377	98	129	987	1,383	-114	-183	873	1,200
Operating income	565	806	207	443	98	129	870	1,378	-135	-256	735	1,122
Capital employed (as of September 30)	8,844	9,659	3,467	3,415	1,858	1,756	14,169	14,830	42	10	14,211	14,840
Capital expenditures	303	421	172	229	41	31	516	681	6	8	522	689
Additions to financial assets	11	45	4	89	-	-	15	134	12	-65	27	69
Employees (as of September 30)	31,039	32,593	4,779	4,681	427	446	36,245	37,720	3,820	3,949	40,065	41,669

Regions

in € million	Germany		Rest of Europe		North America		Asia		Central and South America		Other		Total Group (continuing operations)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External sales	3,543	4,736	2,259	2,934	1,434	1,748	1,779	2,028	399	440	176	185	9,590	12,071
Goodwill 1)	2,088	2,085	547	554	281	288	214	202	24	25	21	21	3,175	3,175
Other intangible assets, property, plant and equipment, investment property 1)	5,997	5,967	578	719	553	665	704	600	96	95	21	23	7,949	8,069
Capital expenditures	352	462	43	41	29	52	92	130	3	2	3	2	522	689
Additions to financial assets	23	29	3	15	-	-	-	25	-	-	1	-	27	69
Employees (as of September 30)	26,744	27,369	3,580	3,933	3,493	3,771	5,552	5,891	463	462	233	243	40,065	41,669

Prior-year figures restated

1) Non-current assets according to IFRS 8.33 b)

(2) General information

Evonik Industries AG is an international corporation based in Germany operating in the Chemicals, Energy and Real Estate Business Areas. Evonik Industries AG is a subsidiary of RAG-Stiftung, Essen (Germany), which directly and indirectly holds 74.99 percent of the shares in Evonik Industries AG. Therefore, 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 present condensed and consolidated interim financial statements (“consolidated interim financial statements”) for 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 315a Paragraph 3 of the German Commercial Code using the International Financial Reporting Standards (IFRS) and comply with these standards. The IFRS comprise the International Financial Reporting Standards and International Accounting Standards (IAS) adopted by the International Accounting Standards Board (IASB), London (UK) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union.

The consolidated interim financial statements cover the period from January 1 to September 30, 2009 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, 2008, which should be referred to for further information.

(3) Accounting policies

The accounting and consolidation principles applied in these interim financial statements are the same as those used for the consolidated financial statements as of December 31, 2008. Exceptions are set out below.

The IASB has revised or issued a number of standards and interpretations that became mandatory for the first time in fiscal 2009 after adoption into European law. The principal impact of these on the consolidated interim financial statements comprised the retroactive application of IFRIC 14 “IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” and the change in the presentation of components of the financial statements prescribed by IAS 1 “Presentation of Financial Statements (revised 2007): A Revised Presentation”.

Further, as from fiscal 2009 the income statement is prepared using the cost of sales method instead of the total cost method. The Executive Board of Evonik Industries AG is of the opinion that it provides more relevant data by adopting this more customary international presentation.

(4) Notes on business performance

The economic crisis has had a significant impact on Evonik's operating performance. Although demand in the Chemicals Business Area was significantly better in the third quarter of 2009 than in the first half of the year, volume sales were still down year-on-year. Overall, Group sales slipped 21 percent to €9,590 million in the first nine months of 2009. The Chemicals Business Area reported sales of €7,151 million, a year-on-year drop of 20 percent despite the upturn in demand in the third quarter. Lower volumes accounted for 17 percentage points of the decline and lower selling prices for 5 percentage points. Changes in the scope of consolidation trimmed sales by 1 percentage point while exchange rate movements boosted sales by 3 percentage points. In the Energy Business Area sales fell 22 percent to €2,014 million due to lower coal prices and trading volumes. The Real Estate Business Area contributed sales of €279 million versus €271 million in the same period of 2008.

Prompt action to raise efficiency and cut costs made a major contribution to safeguarding earnings in the third quarter. EBITDA (operating result before depreciation, amortization, impairment losses/reversals of impairment losses and non-operating result) rose 18 percent to €629 million in the third quarter. In the first nine months, EBITDA was €1,468 million, a drop of 19 percent year-on-year. The volume-driven decline in earnings was partially offset by effective cost-savings and lower raw material prices. The Chemicals Business Area benefited from a perceptible improvement in demand in the third quarter compared with the weak start to the year, especially in Asia and Europe. However, business remained sluggish in North America. EBITDA slipped 17 percent year-on-year to €1,133 million in the first nine months. The Energy Business Area's EBITDA was €299 million, down 34 percent compared with the first nine months of the previous year. This was caused principally by the Coal Business Line (formerly Trading), which reported a substantial loss of €53 million, compared with positive earnings of €25 million in the first nine months of 2008. The reasons were a sharp drop in coal prices in the first half of 2009, combined with high inventories which had been built up when coal prices were higher. The Real Estate Business Area generated EBITDA of €133 million, below the year-back level of €161 million, which contained one-off income from the divestment of commercial property. Corporate/other activities mainly comprises the cross-site services provided by the Shared Service Center and the Corporate Center. EBITDA was minus €97 million, compared with minus €164 million a year previously.

To calculate the earnings attributable to shareholders of Evonik Industries AG from EBITDA, depreciation, amortization and impairment losses have to be taken into account. These amounted to €595 million and were thus slightly lower than in the same period of 2008. EBIT (before the non-operating result) contracted by 27 percent to €873 million. The non-operating loss of €138 million contains non-operating expenses, principally for impairment write-downs, the sale of the NCN chemicals business, an expected one-off contribution to the German pension benefit guarantee fund and the "On Track" efficiency improvement program. The prior-year loss of €78 million mainly included expenses for the agreed shutdown of sites, restructuring of the Group and antitrust proceedings, as well as income from the sale of non-core businesses. Net interest expense declined to €362 million, principally due to lower interest on borrowing. Income before income taxes for the continuing operations was €373 million, 49 percent lower than in the prior-year period. Income before income taxes for the discontinued operations was minus €5 million and comprised post-divestment expenses relating to former non-core activities. The prior-year figure of €170 million mainly included current income and proceeds from the divestment of the tar refining activities (RÜTGERS Chemicals) and the initiators business. Overall, income

before income taxes was €368 million, down 59 percent from the previous year's high level of €895 million, which was boosted by gains from the divestment of non-core activities. The income tax rate was 29 percent and thus almost in line with expected Group tax rate. In the prior-year period, the income tax rate was only 27 percent, mainly due to tax-exempt proceeds from divestments. Income after taxes and non-controlling interests slipped 64 percent year-on-year to €211 million.

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

in € million	1st nine months	
	2009	2008
EBITDA (before non-operating result)	1,468	1,814
Depreciation, amortization, impairment losses/reversal of impairment losses	-595	-614
EBIT (before non-operating result)	873	1,200
Non-operating result, continuing activities	-138	-78
Net interest expense	-362	-397
Income before income taxes, continuing operations	373	725
Income before income taxes, discontinued operations	-5	170
Income before income taxes (total)	368	895
Income taxes, continuing operations	-108	-216
Income taxes, discontinued operations	1	-20
Income after taxes	261	659
Non-controlling interests	-50	-67
Shareholders of Evonik Industries AG	211	592

Total assets declined by €1.5 billion from the position as of December 31, 2008 to €18.6 billion as of September 30, 2009. While there was a slight reduction of €0.4 billion in non-current assets to €13.4 billion, current assets decreased by €1.1 billion to €5.2 billion. This was mainly due to the systematic reduction in working capital: Inventories declined by €0.4 billion to €1.8 billion while trade accounts receivable declined by €0.6 billion to €2.0 billion. Equity shrank slightly to €5,130 million. Thanks to the reduction in total assets, the equity ratio improved to 27.6 percent, up from 25.6 percent at year-end 2008.

Action taken to secure earnings and liquidity have had a clear impact: The cash flow from operating activities improved substantially from €333 million to €1,259 million. The main factor here was an appreciable reduction in net working capital, which increased noticeably in the same period of 2008 in the wake of the emergent economic crisis. The cash flow was sufficient to fund outflows for investing activities, pay the dividend of €280 million for fiscal 2008 and scale back net financial debt to €4,085 million, a reduction of €498 million compared with year-end 2008.

(5) Notes on the segment report

The reporting based on operating segments reflects the Group's internal organizational and reporting structure. Evonik's three business areas are classified as reportable segments in compliance with IFRS 8 "Operating Segments". The operating activities are bundled in business units within these business areas.

The table provides a reconciliation from the total operating income of the reportable segments to income before income taxes from the continuing operations:

in € million	1st nine months	
	2009	2008
Total operating income, reportable segments	870	1,378
Total operating income, other operations	31	-2
Corporate Center and corporate activities	-162	-245
Consolidation	-4	-9
= Total operating income corporate, other operations, consolidation	-135	-256
= Total operating income, Group, continuing operations	735	1,122
Net interest expense	-362	-397
Income before income taxes, continuing operations	373	725

(6) Other disclosures

(6.1) Related parties

The Group delivered goods and services to, among others, fellow subsidiaries of RAG-Stiftung. In the reporting period, the volume of such transactions declined to €39 million (9M 2008: €118 million). Receivables were €28 million as of September 30, 2009 (December 31, 2008: €201 million). Goods and services sourced from fellow subsidiaries amounted to €219 million (9M 2008: €300 million).

(6.2) Contingent liabilities

Contingent liabilities declined by €93 million to €281 million as of the reporting date:

in € million	Sept. 30, 2009	Dec. 31, 2008
Guarantee obligations	35	44
Obligations under warranties and indemnity guarantees	246	330
	281	374

(6.3) Events after the reporting date

At the start of October 2009 Evonik placed a corporate bond on the capital market to further secure its mid-term financing: issue volume €750 million, maturity 5 years, coupon 7.000 percent p.a., issue price 99.489 percent. This is equivalent to a yield of 7.125 percent.

In October 2009 Evonik also signed an agreement to acquire the Tippecanoe site in Lafayette (Indiana/USA) from Eli Lilly and Company, Indianapolis (Indiana/USA). The site has a workforce of 700 producing active ingredients and intermediates for the pharmaceuticals industry. It was agreed not to disclose details of the purchase price. The transaction is expected to be closed at year-end.

Further, Evonik completed the divestment of its NCN chemicals business. Following the approval of antitrust and other authorities, the transaction was closed on October 27, 2009. The purchaser is the Luxembourg financial investor BluO. The cash purchase price less debt was around €79 million.

Essen, November 5, 2009

Evonik Industries AG

The Executive Board

Dr. Engel

Blauth

Dr. Colberg