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Key Financial Data first half / second quarter 2012

Pleasing operating performance—still optimistic about fiscal 2012

- Klaus Engel, Chairman of the Executive Board: "We are on course in waters that are getting rougher."
- Pleasing operating performance in H1 2012:
  - Organic sales remained stable at €6.9 billion – down 8 percent year-on-year due to divestment of the carbon black business
  - Adjusted EBITDA and adjusted EBIT were again high at €1,366 million and €1,049 million respectively
  - Adjusted EBITDA margin still very good at 19.7 percent
- Net income up slightly year-on-year at €533 million
- Capital expenditures increased 31 percent—growth projects driven forward
- Outlook for fiscal 2012 confirmed: Sales expected to be slightly higher, while the operating results should be in line with or slightly above the excellent 2011 level

Essen. "Our operating business is still doing well. We are on course in waters that are getting rougher," said Klaus Engel, Chairman of the Executive Board of Evonik Industries, today, when the company published its key financial data for the second quarter and first half of 2012. After adjustment for the impact of the carbon black business, which was divested in July 2011, the operating results almost reached the records posted in the first half of 2011, and sales were slightly above the year-back record. "Although business conditions are getting tougher and the risks are increasing, we are still optimistic about our specialty chemicals business. However, we do not need a further economic downtick," said Engel. "We will continue to systematically implement the measures initiated in spring 2012 as part of the On Track 2.0 efficiency enhancement program, and pursue our cost management and our growth targets," he stressed.

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Business performance in H1 2012

The operating performance was once again pleasing in H1 2012, although a slight deterioration in demand was registered in some areas of business towards the end of the second quarter, especially in Europe.

Organic sales were stable in the first half of 2012, with **Group sales** coming in at €6,935 million: the 2 percentage point drop in volumes was offset by higher selling prices (+2 percentage points). As a result of other effects totaling minus 10 percentage points—principally due to the deconsolidation of the carbon black business—and positive currency effects (2 percentage points), overall sales declined by 8 percent year-on-year (H1 2011: €7,577 million).

Adjusted **EBITDA**[1] came to €1,366 million. The 9 percent decrease compared with H1 2011 (€1,497 million) was attributable to the fact that earnings from the carbon black business were no longer included and to a slight dip in demand. 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). Adjusted **EBIT** dropped 10 percent to €1,049 million (H1 2011: €1,164 million).

The **adjustments** totaling minus €81 million mainly comprised impairment losses on assets in the Resource Efficiency segment as a result of the tough competitive situation in the photovoltaics industry. **Income before income taxes from the continuing operations** contracted 7 percent to €793 million (H1 2011: €852 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. **Net income** rose 2 percent year-on-year to €533 million (H1 2011: €525 million). After adjustment for non-operating effects, adjusted net income was €602 million, 21 percent lower than in H1 2011 (€765 million), when the comparable figure still included a significant earnings contribution from the carbon black business.

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). The decline in earnings was essentially offset by slower growth in net working capital. Capital expenditures grew by 31 percent year-on-year to €391 million (H1 2011: €299 million).

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1 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.

Net financial debt increased by €459 million compared with year-end 2011 to €1,302 million. 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.

Growth projects driven forward

Evonik drove forward key growth projects in the first half of 2012. The groundbreaking ceremony for a production plant for isophorone and isophorone diamine was held in Shanghai (China). Evonik will be investing over €100 million in this facility in the period to 2014. Isophorone and isophorone diamine are key components in the production of industrial flooring and rotor blades for wind turbines. Also in China, Evonik laid the foundation stone for a hydrogen peroxide plant in Jilin. The company's total investment in this plant will also be more than €100 million. Completion of this facility is planned for the turn of 2013/2014. At the beginning of August Evonik held a symbolic groundbreaking ceremony to mark the start of construction work on a new methionine complex in Singapore. The first world-scale facility for this feed additive in the growing Asian market, costing more than €500 million, is the biggest single investment in specialty chemicals to date. The company also plans to build new facilities for biotechnological production of the feed additive Biolys® in South America and Eastern Europe. In addition, the extension to the facility in Blair (USA) is scheduled for completion before the end of 2012. Total investment in Biolys® will be around €350 million. Further, Evonik has established a production and a marketing joint venture for superabsorbents in the fast-growing Middle East market.

Pleasing business trend continued in Q2 2012

Group sales dropped 9 percent to €3,479 million in Q2 2012 (Q2 2011: €3,821 million), principally due to the deconsolidation of the carbon black business, which was divested in July 2011. Organic sales were almost unchanged from the prior-year quarter, with slightly lower volumes (-1 percentage) and stable selling prices. The Group's adjusted **EBITDA** was €674 million. The 7 percent decline from Q2 2011 (€726 million) was almost entirely attributable to the earnings contribution from the carbon black activities, which are no longer included. The adjusted **EBITDA margin** remained at a very good level of 19.4 percent. Adjusted **EBIT** slipped 8 percent to €516 million (Q2 2011: €560 million).

Net income increased significantly year-on-year to €264 million (Q2 2011: €94 million). Here it should be noted that the prior-year figure was impacted by high one-off expenses in connection with divestments. After adjustment for these non-operating effects, net income slipped €131 million to €270 million.

Performance of the segments in H1 2012

Consumer, Health & Nutrition

The **Consumer, Health & Nutrition** segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and pharmaceutical sectors. This segment comprises the Consumer Specialties and Health & Nutrition Business Units.

Sales grew 6 percent year-on-year in H1 2012 to €2,086 million (H1 2011: €1,977 million), driven by slightly higher volumes and selling prices, and positive currency effects. The operating results posted a slight improvement on the good levels reported in the first half of 2011: Adjusted **EBITDA** was 1 percent higher at €543 million (H1 2011: €536 million) and adjusted **EBIT** rose 2 percent to €481 million (H1 2011: €473 million). The adjusted **EBITDA margin** was 26.0 percent and thus remained at a very high level (H1 2011: 27.1 percent).

Resource Efficiency

The **Resource Efficiency** segment provides solutions for environment-friendly and energy-efficient products. It comprises the Inorganic Materials and Coatings & Additives Business Units.

Sales fell 31 percent to €1,651 million in H1 2012 (H1 2011: €2,376 million). This was mainly due to the divestment of the carbon black business. Disregarding the carbon black business, sales slipped 2 percent, principally because volumes were lower. The operating results declined in H1 2012 due to the fact that earnings from the carbon black business were no longer included and to a dip in demand. Overall, adjusted **EBITDA** declined by 27 percent to €340 million (H1 2011: €467 million), while adjusted **EBIT** decreased 32 percent to €266 million (H1 2011: €391 million). The adjusted **EBITDA margin** increased to 20.6 percent, up from 19.7 percent in H1 2011. Here it should be noted that the adjusted EBITDA margin for the carbon black business, which was still included in the previous year, was below-average.

Specialty Materials

The heart of the **Specialty Materials** segment is the production of polymer materials and their preproducts, and additives. This segment comprises the Performance Polymers and Advanced Intermediates Business Units.

Sales were €2,503 million in H1 2012, slightly above the previous year's level of €2,493 million. Higher selling prices and positive currency effects offset the reduction in volumes resulting from lower demand and the production shortfall caused by the fire at the CDT plant in Marl (Germany). In the operating results, the reduction in earnings resulting from the fire are basically offset by insurance reimbursements. Due to the decline in demand, especially in Europe, the operating results were below the previous year's very good level: Adjusted **EBITDA** fell 5 percent to €452 million (H1 2011: €477 million) while adjusted **EBIT** was 6 percent lower at €375 million (H1 2011: €397 million). The adjusted **EBITDA margin** thus dropped from 19.1 percent in H1 2011 to 18.1 percent in H1 2012.

Services

The **Services** segment mainly provides central services for the specialty chemicals segments and the Corporate Center. This segment principally generates internal sales with the chemicals business, but also provides services for third parties to a small extent.

In H1 2012 the Services segment reported **total sales** of €1,358 million. Internal sales accounted for €857 million of the total. External sales rose 6 percent to €501 million. Adjusted **EBITDA** increased by 11 percent to €97 million, while adjusted **EBIT** was up 15 percent at €54 million.

Real Estate

The Real Estate segment, which Evonik plans to exit entirely in the medium term, focuses on letting homes to private households in the federal state of North Rhine-Westphalia.

Alongside Evonik's portfolio of residential real estate, this segment comprises a 50 percent stake in THS. In January 1, 2012, Evonik and THS bundled the operational management of their property holdings at the joint venture Vivawest Wohnen GmbH. As a result, some of the sales previously reported by this segment are no longer included. Since the start of the year, they have been recognized by the Vivawest Wohnen joint venture, which is recognized at equity, and are thus no longer contained in this segment's sales. This has not significantly affected the operating results.

Sales therefore dropped by about 50 percent year-on-year to €100 million in the first half of 2012 (H1 2011: €198 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 (H1 2011: €113 million), while adjusted **EBIT** declined by 28 percent to €64 million.

Outlook for fiscal 2012

When assessing the outlook for 2012 it should be noted that in 2011 the figures for the carbon black business were included in Evonik's financial results until its divestment at the end of July 2011. To improve comparability, Evonik's outlook is based on figures after stripping out the carbon black business.

The political and general economic uncertainty has increased: Evonik’s assessment is that the risks relating to the European sovereign debt crisis are now higher. First signs of a drop in demand are already evident in Europe. In addition, growth prospects have deteriorated in Europe and some emerging markets.

Despite this, Evonik remains optimistic about its specialty chemicals business. In view of the more demanding business conditions, the Group will continue to systematically implement the measures initiated under the On Track 2.0 efficiency enhancement program and pursue its cost management and growth targets. Overall, Evonik expects to report slightly higher sales for fiscal 2012. The operating results will probably be in line with or slightly above the excellent 2011 level.

Evonik Group: Excerpt from the income statement

(in € million)	Q2 2012	Q2 2011[1]	Change in %	H1 2012	H1 2011[1]	Change in %
Sales	3,479	3,821	-9	6,935	7,577	-8
Adjusted EBITDA	674	726	-7	1,366	1,497	-9
Adjusted EBIT	516	560	-8	1,049	1,164	-10
Adjustments	-17	-199		-81	-121	
Net interest expense	-86	-97		-175	-191	
= Income before income taxes, continuing operations	**413**	**264**	**56**	**793**	**852**	**-7**
= Income before income taxes, discontinued operations	13	-80		14	-46	
= Income before income taxes (total)	**426**	**184**	**131**	**807**	**806**	**0**
Income taxes	-168	-85		-283	-265	
= Income after taxes	**258**	**99**	**163**	**524**	**541**	**-3**
Non-controlling interests	6	-5		9	-16	
= Net income	**264**	**94**	**184**	**533**	**525**	**2**
Adjusted net income	**270**	**401**	**-33**	**602**	**765**	**-21**

[1] Including the carbon black business which was divested in July 2011.

Segment performance

	Sales			Adjusted EBITDA		
	Q2 2012 € million	Q2 2011 € million[1]	Change in %	Q2 2012 € million	Q2 2011 € million[1]	Change in %
Consumer, Health & Nutrition	1,031	1,000	3	257	254	1
Resource Efficiency	833	1,199	-31	174	235	-26
Specialty Materials	1,269	1,237	3	239	220	9
Services	245	249	-1	46	38	23
Real Estate	51	105	-52	46	70	-35
Other operations	50	31	55	-88	-91	
Group	3,479	3,821	-9	674	726	-7
	Sales			Adjusted EBITDA		
	H1 2012 € million	H1 2011 € million[1]	Change in %	H1 2012 € million	H1 2011 € million[1]	Change in %
Consumer, Health & Nutrition	2,086	1,977	6	543	536	1
Resource Efficiency	1,651	2,376	-31	340	467	-27
Specialty Materials	2,503	2,493	0	452	477	-5
Services	501	475	6	97	88	11
Real Estate	100	198	-50	87	113	-23
Other operations	94	58	59	-153	- 184	
Group	6,935	7,577	-8	1,366	1,497	-9

[1] Including the carbon black business which was divested in July 2011.

Employees by segment

	June 30, 2012	Dec. 31, 2011
Consumer, Health & Nutrition	6,698	6,384
Resource Efficiency	5,744	6,381
Specialty Materials	6,686	6,846
Services	11,516	10,946
Real Estate	601	1,135
Other operations	2,004	1,864
Evonik	**33,249**	**33,556**

Company information

Evonik, the creative industrial group from Germany, is one of the world leaders in specialty chemicals. Its activities focus on the key megatrends health, nutrition, resource efficiency and globalization. Profitable growth and a sustained increase in the value of the company form the heart of Evonik's corporate strategy. Evonik benefits specifically from its innovative prowess and integrated technology platforms.

Evonik is active in over 100 countries around the world. In fiscal 2011 more than 33,000 employees generated sales of around €14.5 billion and an operating profit (adjusted EBITDA) of about €2.8 billion.

Disclaimer