Press release

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Pleasing operating performance is continuing—
Evonik still doing well despite the economic slowdown

- Klaus Engel, Chairman of the Executive Board: "We are still doing well in difficult conditions."
- Pleasing operating performance in the first nine months of 2012:
  - Sales were €10.4 billion and organically virtually stable—8 percent decline year-on-year mainly due to divestment of the carbon black business
  - Adjusted EBITDA and adjusted EBIT were again very high at €2,097 million and €1,617 million respectively
  - Adjusted EBITDA margin improved slightly to 20.2 percent
- Net income rose 3 percent to €888 million
- Capital expenditures increased 37 percent—groundbreaking ceremony held in Singapore for biggest single specialty chemicals investment to date
- Outlook[*)] confirmed: Sales expected to be slightly higher in fiscal 2012, while the operating results should be in line with or slightly above the excellent 2011 level

Essen. "Evonik is still doing well, even in the difficult conditions," commented Klaus Engel, Chairman of the Executive Board of Evonik Industries AG today, when the Group published its key financial figures for the third quarter and first nine months of 2012. After adjustment for the impact of the carbon black business, which was divested in July 2011, at the end of the first nine months of 2012 both sales and the operating results were almost in line with the record levels reported for the same period of 2011. However, the global economic framework is challenging and demand has weakened since the summer, especially in Europe. "Nevertheless, we remain confident about our specialty

*) The comparative figures for 2011 exclude the carbon black business

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chemicals business," said Engel. By the end of the third quarter, Evonik had made good progress with the On Track 2.0 efficiency enhancement program introduced in spring 2012. "We will continue to systematically work towards our goal of sustained annual cost savings of around €500 million by the end of 2016. Our ambitious growth targets and the combination of strict cost management and a further improvement in efficiency are two sides of the same coin," stressed Engel.

Business performance in the first nine months of 2012

Evonik's operating performance in the first nine months of 2012 was good although demand has slowed since the end of the second quarter, especially in Europe.

Sales were €10,356 million and organically virtually stable. The 2 percentage point drop in volumes was partly offset by price rises (+1 percentage point). As a result of other effects totaling minus 9 percentage points—principally due to the deconsolidation of the carbon black business—and positive currency effects (+2 percentage points), overall sales were 8 percent lower than in the first nine months of 2011 (€11,210 million).

Adjusted **EBITDA** was €2,097 million, 7 percent lower than in the first nine months of 2011 (€2,246 million), when the figure still included an earnings contribution from the carbon black business. The adjusted **EBITDA margin** was 20.2 percent, slightly above the very good level reported for the first nine months of 2011 (20.0 percent). Adjusted **EBIT** dropped 8 percent to €1,617 million (9M 2011: €1,752 million).

The **adjustments** totaling minus €25 million mainly related to restructuring of the photovoltaic business as a result of tough competition in this sector. **Income before income taxes in the continuing operations** was €1,327 million, almost in line with the prior-year level of €1,345 million. **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. **Net income** grew 3 percent to € 888 million (9M 2011: €863 million). After adjustment for non-operating effects, net income was €946 million, 13 percent lower than in the first nine months of 2011 (€1,089 million), when the

comparable figure still included an earnings contribution from the carbon black business.
The **cash flow from operating activities in the continuing operations** increased by €75 million to €994 million, principally due to lower growth in net working capital. Capital expenditures increased 37 percent year-on-year to €675 million (9M 2011: €494 million). **Net financial debt** increased by €147 million compared with year-end 2011 to €990 million, mainly as a result of the increase in investments.

Growth projects progressing fast

Evonik made rapid progress with its ambitious growth strategy in the first nine months of this year. It aims to raise sales in **Asia** to €4 billion by 2016. Various investment projects amounting to triple-digit millions of euros have been initiated this year to realize this goal. The biggest investment project is construction of a world-scale facility for the feed additive DL-methionine in Singapore. In August 2012 Evonik held the groundbreaking ceremony for this over €500 million project, its biggest individual investment in specialty chemicals to date. In addition, groundbreaking ceremonies were held for a new hydrogen peroxide plant and a new isophorone production facility in China and for a new production plant in Marl (Germany) to produce liquid polybutadiene, which will be marketed as POLYVEST® HT. At Evonik's site in Mobile (Alabama, **USA**), basic planning for a methyl methacrylate (MMA) production facility has started. From 2015 Evonik plans to produce MMA there using a completely new, highly efficient and environment-friendly process. Evonik intends to lift sales in **South America** above the €1 billion threshold by 2016. Around €200 million has already been earmarked for new plants in Brazil and Argentina. These will produce starting products for cosmetics, catalysts for biodiesel and the amino acid feed additive Biolys®. **Biotechnology** is one of Evonik's growth drivers. Biolys® is produced by fermentation, in other words, using a biotechnological process. Capacity for this product has been increased in Blair (USA) and start-up is planned for 2012. Sales of products manufactured using biotechnological methods are expected to rise to €1 billion by 2020 in the Health & Nutrition Business Unit alone.

Operating results remained high in Q3 2012

The Evonik Group's operating performance was also good in the third quarter of 2012, even though the slowdown of demand registered at the end of the second quarter, especially in Europe, continued. After adjustment for the carbon black business, which was divested in July 2011, sales and the operating results were only slightly below the very good prior-year figures.

Group sales dropped 6 percent to €3,421 million in Q3 2012 (Q3 2011: €3,633 million), partly due to the deconsolidation of the carbon black business. Organic sales declined 2 percent year-on-year, with volumes down slightly (-2 percentage points) while selling prices were stable. Adjusted **EBITDA** slipped 2 percent to €731 million (Q3 2011: €749 million). The adjusted **EBITDA margin** was very high at 21.4 percent (Q3 2011: 20.6 percent). Adjusted **EBIT** slipped 3 percent to €568 million (Q3 2011: €588 million). **Net income** increased 5 percent to €355 million (Q3 2011: €338 million). After adjustment for non-operating effects, net income increased 6 percent to €344 million (Q3 2011: €324 million).

Performance of the segments in the first nine months of 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.

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 5 percent to €3,165 million. Thanks to the good overall volume trend, there was a further improvement in the operating results compared with the good levels reported for the first nine months of 2011. Adjusted **EBITDA** was 2 percent higher at €822 million (9M 2011: €808 million) and adjusted **EBIT** increased 2 percent to €728 million (9M 2011: €715 million).

The adjusted EBITDA margin was 26.0 percent, slightly below the previous year's high level of 26.7 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.

This segment's **sales** dropped 26 percent to €2,440 million (9M 2011: €3,304 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 previous year. Lower demand, especially from Europe, was largely offset by higher selling prices. The operating results declined mainly due to the fact that earnings from the carbon black business were no longer included and to a slight dip in demand. Overall, adjusted **EBITDA** declined by 17 percent to €540 million (9M 2011: €649 million) and adjusted **EBIT** fell 19 percent to €432 million (9M 2011: €535 million). The adjusted **EBITDA margin** increased to 22.1 percent, up from 19.6 percent in the first nine months of 2011.

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.

In the Specialty Materials segment **sales** were €3,720 million, 1 percent less than in the first nine months of 2011 (€3,755 million). 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. At the same time, 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 has been offset to a large extent by insurance reimbursements.

Adjusted **EBITDA** dropped 9 percent to €671 million (9M 2011: €739 million) and adjusted **EBIT** slipped 10 percent to €557 million (9M 2011: €621 million). The adjusted EBITDA margin therefore dropped from 19.7 percent in the first nine months of 2011 to 18.0 percent in the first nine months of 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.

The Services segment's **sales totaled** €1,996 million. Internal sales accounted for €1,267 million of the total. External sales advanced 3 percent to €729 million. Adjusted **EBITDA** increased by 16 percent to €144 million, while adjusted **EBIT** rose 19 percent to €75 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.

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 of Evonik and THS. 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 included 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 to €154 million. The operating results were lower than in the previous year, when they were boosted by 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** fell 19 percent to €134 million (9M 2011: €165 million) and adjusted **EBIT** dropped 23 percent to €99 million (9M 2011: €129 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 the financial results until its divestment at the end of July 2011. To improve comparability, the outlook is based on figures after stripping out the carbon black business.

The slight slowdown in global economic growth will probably continue in the fourth quarter. The risks relating to the European sovereign debt crisis are continuing unabated and could adversely affect the economic situation in Europe. In addition, growth prospects have deteriorated in some emerging markets. Overall, Evonik expects global economic growth to be lower than in 2011.

Although the risks are increasing, Evonik is still optimistic about its specialty chemicals business. 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)	Q3 2012	Q3 2011[1)]	Change in %	9M 2012	9M 2011[1)]	Change in %
Sales	3,421	3,633	-6	10,356	11,210	-8
Adjusted EBITDA	731	749	-2	2,097	2,246	-7
Adjusted EBIT	568	588	-3	1,617	1,752	-8
Adjustments	56	1		-25	-120	
Net interest expense	-90	-96		-265	-287	
= Income before income taxes, continuing operations	534	493	8	1,327	1,345	-1
= Income before income taxes, discontinued operations	2	2		16	-44	
= Income before income taxes (total)	536	495	8	1,343	1,301	3
Income taxes	-183	-155		-466	-420	
= Income after taxes	353	340	4	877	881	0
Non-controlling interests	2	-2		11	-18	
= Net income	355	338	5	888	863	3
Adjusted net income	344	324	6	946	1,089	-13

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

Segment performance

	Sales			Adjusted EBITDA		
	Q3 2012 € million	Q3 2011[1)] € million	Change in %	Q3 2012 € million	Q3 2011[1)] € million	Change in %
Consumer, Health & Nutrition	1,079	1,044	3	279	272	3
Resource Efficiency	789	928	-15	200	182	9
Specialty Materials	1,217	1,262	-3	219	262	-16
Services	228	236	-4	47	36	29
Real Estate	54	111	-52	47	52	-10
Other operations	54	52	4	-61	-55	
Group	3,421	3,633	-6	731	749	-2
	Sales			Adjusted EBITDA		
	9M 2012 € million	9M 2011[1)] € million	Change in %	9M 2012 € million	9M 2011[1)] € million	Change in %
Consumer, Health & Nutrition	3,165	3,021	5	822	808	2
Resource Efficiency	2,440	3,304	-26	540	649	-17
Specialty Materials	3,720	3,755	-1	671	739	-9
Services	729	711	3	144	124	16
Real Estate	154	309	-50	134	165	-19
Other operations	148	110	35	-241	-239	
Group	10,356	11,210	-8	2,097	2,246	-7

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

Employees by segment

	Sept. 30, 2012	Dec. 31, 2011
Consumer, Health & Nutrition	6,801	6,384
Resource Efficiency	5,804	6,381
Specialty Materials	6,747	6,846
Services	11,901	10,946
Real Estate	614	1,135
Other operations	2,064	1,864
Evonik	33,931	33,556

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