

## Key Financial Data

January 1 – September 30, 2008

### Evonik reaffirms its outlook for 2008 in a challenging business environment

- Sales rose by a strong 13 percent
- EBITDA up 6 percent
- Stronger economic headwind anticipated

Evonik's operating business continued to develop well in the first nine months of this year. Sales rose 13 percent to €12,062 million between January and September 2008 (9M 2007: €10,696 million). The Chemicals Business Area reported organic growth of 13 percent as a result of higher selling prices (9 percentage points) and an increase in volumes (4 percentage points). However, growth impetus resulting from changes in the scope of consolidation (plus 3 percentage points) was canceled out by adverse exchange rate movements (minus 3 percentage points). Overall, this business area grew sales 13 percent to €8,955 million (9M 2007: €7,934 million). Sales advanced 18 percent to €2,583 million (9M 2007: €2,194 million) in the Energy Business Area, driven by a considerable rise in the price of coal and corresponding increases in the price charged for electricity. In the Real Estate Business Area sales edged up slightly to €261 million (9M 2007: €258 million).

### Higher earnings contributions from all three business areas

Operating income before depreciation, amortization and the non-operating result (EBITDA) developed well in the reporting period, rising 6 percent to €1,808 million (9M 2007: €1,705 million). All three business areas contributed to this.

The Chemicals Business Area lifted EBITDA 8 percent to €1,367 million thanks to higher volumes, improved capacity utilization and effective restructuring in recent years. The strength of the euro had a negative impact. Appreciable improvements in some selling prices offset the substantial rise in raw material and energy costs. The internal raw material cost index, which shows the change in the price of major raw

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materials in the Chemicals Business Area, rose by 22 percent year-on-year. Energy costs increased by 17 percent.

The Energy Business Area increased EBITDA by 5 percent to €451 million (9M 2007: €428 million). The upward trend was driven by higher earnings from foreign power plants, the power generating network in Germany and coal trading, but held back by the strength of the euro.

The Real Estate Business Area lifted EBITDA significantly from €112 million in the first nine months of 2007 to €151 million in the first nine months of 2008. This was attributable to earnings from THS, which has been included in the financial statements at equity since December 2007, and gains from sales of commercial properties which were agreed last year and took place in the first quarter of this year.

**EBIT** before the non-operating result increased 12 percent in the reporting period to €1,194 (9M 2007: €1,069 million) as depreciation and amortization were lower.

### **Pleasing net income**

Evonik recorded **net income** of €595 million in the first nine months of 2008. As expected, this was below the previous year's level of €951 million since this included high one-off proceeds from the divestment of the mining technology company DBT.

The **cash flow from operating activities** for the continuing operations was just €326 million at the end of the first nine months, well below the prior-year figure of €788 million. The main reasons for this were higher income tax payments and a significant increase in net working capital, caused in part by the sharp rise in raw material costs and higher sales.

**Investment** in property, plant and equipment totaled €689 million, which was slightly above the year-back level of €673 million and 11 percent above depreciation, which amounted to €622 million in the first nine months of this year (9M 2007: €637 million).

As of September 30, 2008, there was also a slight reduction in **net financial debt**, which decreased by €0.1 billion compared with year-end 2007 to €4.5 billion.

### **Outlook for 2008 reaffirmed**

The global financial markets crisis is already starting to dampen the real economy. Evonik anticipates that economic growth momentum will slow around the world and a recession seems very probable in North America. The growth forecasts for Germany and the euro zone have recently been revised downwards as well. The worst affected sectors at present are automotive and construction, which are important end-markets for Evonik.

Evonik expects the global economic downswing to have a perceptible effect in the fourth quarter of 2008, particularly in its Chemicals Business Area. Nevertheless, due to the good earnings situation in the first nine months, no change has been made to the guidance given after the first six months: Evonik expects year-on-year sales growth to be in the high single-digit percentage range, while EBITDA should rise slightly.

### Evonik Group: Excerpt from the Income Statement

(in € million)	Q1-Q3/ 2008	Q1-Q3/ 2007	Change in %
Sales	12,062	10,696	13
EBITDA	1,808	1,705	6
EBIT	1,194	1,069	12
Non-operating result, continuing operations	-78	-216	
= Operating income	1,116	853	31
Net interest expense	-386	-345	
= Income before income taxes, continuing operations	730	508	44
Income before income taxes, discontinued operations	169	556	
= Income before income taxes (total)	899	1,064	-16
Income taxes, continuing operations	-217	27	
Income taxes, discontinued operations	-19	-49	
= Income after taxes	663	1,042	-36
Minority interests	-68	-91	
= Net income	595	951	-37

### Segment Performance

January to September	Sales			EBITDA		
	2008 € million	2007 € million	Change in %	2008 € million	2007 € million	Change in %
Technology Specialties	4,195	3,445	22	594	555	7
Consumer Solutions	2,386	2,176	10	432	314	38
Specialty Materials	2,374	2,313	3	341	393	-13
<b>Chemical Segments</b>	<b>8,955</b>	<b>7,934</b>	<b>13</b>	<b>1,367</b>	<b>1,262</b>	<b>8</b>
Energy	2,583	2,194	18	451	428	5
Real Estate	261	258	1	151	112	35
<b>Segments</b>	<b>11,799</b>	<b>10,386</b>	<b>14</b>	<b>1,969</b>	<b>1,802</b>	<b>9</b>
Others	263	310	-16	-161	-97	-66
<b>Total</b>	<b>12,062</b>	<b>10,696</b>	<b>13</b>	<b>1,808</b>	<b>1,705</b>	<b>6</b>

#### Technology Specialties

The Technology Specialties segment grew sales 22 percent to €4,195 million, driven by a perceptible rise in demand and a strong improvement in prices. Further positive impetus came from the first-time consolidation of the US company Degussa Engineered

Carbons in which we acquired the remaining shares at the end of October 2007. EBITDA increased 7 percent to €594 million due to far higher volume sales. However, the improvement in selling prices was not sufficient to compensate for the increase in raw material costs. In the Industrial Chemicals Business Unit, EBITDA was above the year-back figure as a result of an appreciable improvement in demand and higher prices. Earnings slipped back in the Inorganic Materials Business Unit because price rises failed to keep pace with the renewed sharp hike in raw material and energy costs in the third quarter. Despite this, the dip in EBITDA was only slight thanks to higher volume sales.

### **Consumer Solutions**

Sales in the Consumer Solutions segment increased 10 percent year-on-year to €2,386 million. The main drivers here were clear price rises and higher volumes, but the strong euro exerted downward pressure. EBITDA was €432 million, 38 percent higher than in the prior-year period primarily because of another excellent performance by the feed additive DL-methionine. The Health & Nutrition Business Unit therefore reported a significant rise in EBITDA. By contrast, spiraling raw material costs led to a drop in EBITDA in the Consumer Specialties Business Unit.

### **Specialty Materials**

The Specialty Materials segment grew sales 3 percent year-on-year to €2,374 million. Higher demand and improved selling prices provided upward momentum but this was clipped by the strength of the euro. EBITDA slipped 13 percent year-on-year to €341 million. Earnings were mainly impacted by a sharp increase in raw material costs, which the segment was not able to recoup in full by raising selling prices. The strength of the euro also had an adverse effect. Despite higher demand, EBITDA declined in the Coatings & Additives Business Unit, principally because of the adverse effects of raw material costs and exchange rate movements. In the Performance Polymers Business Unit the sharp rise in raw material costs, the weakness of the US dollar and the economic downswing in the USA all had a negative impact, resulting in lower EBITDA.

### **Energy**

Sales rose 18 percent to €2,583 million in the Energy segment, principally as a result of higher coal prices and the resultant rise in the selling price of electricity. EBITDA advanced 5 percent to €451 million. EBITDA was considerably higher in the Power Business Line as earnings from the German power generating network increased and profits from the foreign power plants were boosted by higher electricity prices. In the Renewable Energies Business Line EBITDA decreased year-on-year, as expected, following the divestment of non-core operations. Sales grew 29 percent to €824 million in the Trading Business Line, principally because of higher coal prices, and EBITDA climbed 21 percent to €25 million.

### **Real Estate**

This segment's sales improved slightly to €261 million and EBITDA grew €39 million to €151 million. This clear improvement was driven by two main factors. In the first

quarter, income was realized from the sale of commercial premises agreed in fiscal 2007. Moreover, the inclusion of THS at equity since December 2007 impacted the nine-month figures for the first time.

### Evonik Group: Employees by segment

	Sep 30, 2008	Dec 31, 2007
Technology Specialties	15,973	15,932
Consumer Solutions	7,949	7,969
Specialty Materials	8,671	8,384
<b>Chemical Segments</b>	<b>32,593</b>	<b>32,285</b>
Energy	4,681	4,629
Real Estate	446	457
Others	3,949	4,179
<b>Continuing Operations</b>	<b>41,669</b>	<b>41,550</b>
Non-continuing Operations	246	1,507
<b>Evonik Group</b>	<b>41,915</b>	<b>43,057</b>

#### Company information

Evonik Industries is the creative industrial group from Germany which operates in three business areas: Chemicals, Energy and Real Estate. Evonik is a global leader in specialty chemicals, an expert in power generation from hard coal and renewable energies, and one of the largest private residential real estate companies in Germany. Our strengths are creativity, specialization, continuous self-renewal, and reliability. Evonik is active in over 100 countries around the world. In its fiscal year 2007 about 43,000 employees generated sales of about €14.4 billion and an operating profit (EBITDA) of more than €2.2 billion.

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