

## Profile of Evonik

Evonik is a modern industrial group based in Germany with operations throughout the world. Our Chemicals, Energy and Real Estate Business Areas are systematically building on their position at the forefront of their markets. Our strengths are creativity, specialization, continual self-renewal and reliability. We gain a foothold in future markets by providing key answers to the economic mega-trends: energy efficiency, health & wellness and globalization & demographic change. Evonik is managed in accordance with the clear principles of modern value management, focusing on profitable growth and value creation.

Our operations are grouped in eight business units which are assigned to five reporting segments: Technology Specialties, Consumer Solutions, Specialty Materials, Energy and Real Estate. The business units act as entrepreneurs within the enterprise and report directly to the Executive Board. The Corporate Center in Essen (Germany) is responsible for strategic management of the Group. The business units and Corporate Center are supported by a Shared Service Center, which provides Group-wide services such as procurement and payroll accounting.

Our portfolio comprises three profitable business areas positioned in attractive markets. At the same time, they offer a high degree of stability and thus reduce risk. Active portfolio management, accompanied by efficient capital allocation, has top priority for the Evonik Group: we only invest in businesses with sustained and profitable growth prospects. Businesses that do not meet our profitability requirements and are not expected to do so in the future will be divested.

The Chemicals Business Area operates in attractive areas of specialty chemicals, a field in which it ranks among the top global players. More than 80 percent of sales already come from activities where we are among the market leaders and we are systematically increasing this position. To achieve that, we concentrate on steadily improving our market and customer focus as well as our operational excellence, establishing an even stronger presence in attractive growth regions and focusing on the impetus generated by our innovations. We are currently building a large integrated facility for the production of highly specialized polymers for the Asian market. In the mid term, we also intend to strengthen our good position in the growing photovoltaics market through investment running into triple-digit millions of euros. Key steps paving the way for growth in recent years were the establishment of the world's largest DL-methionine production facility in Antwerp (Belgium) and expanding our isophorone chemicals line in Herne (Germany) and our carbon black activities in Brazil. Moreover, we are developing technologies for the future. These include innovative processes to manufacture polycrystalline silicon for the solar industry and propylene oxide as a precursor for polyurethanes. Market-focused research and development (R&D) will drive profitable growth in the Chemicals Business Area in the future. Our innovative strength is illustrated impressively at 35 sites around the world, where we have around 2,300 R&D employees. R&D spending was again over €300 million in 2007. Products, applications and processes developed in the past five years account for over 20 percent of sales.

The core competencies of the Energy Business Area are planning, financing, building and operating highly efficient fossil-fuel power stations. As a grid-independent power generator, we operate nine coal-fired power plants and two refinery power plants in Germany. Internationally Evonik has major coal-fired power plants in Columbia, Turkey and the Philippines. Rated output is over 9,500 Megawatts (MW), including around 7,900 MW in Germany. Long-term off-take contracts with key account customers ensure a sustained return on investment and stable income streams. As the first company in Europe, we are currently building a 750 MW power station fuelled by hard coal in Duisburg-Walsum, Germany, which will have net efficiency of over 45 percent—more than five percent above the best current value in Germany and at the forefront of international efficiency on a comparable basis. Providing “Clean Competitive Energy from Coal”, this power station will use 15 percent less fuel and emit 15 percent less carbon dioxide (CO<sub>2</sub>) than the average coal-fired power station in Germany. Evonik also ranks at the forefront of the German market in the disposal and reprocessing of power plant residues. We are well-positioned in the fast-growing future market for renewable energies and one of the German market leaders in mine gas, biomass and geothermal energy. Evonik also utilizes its expertise in mine gas in international climate protection projects to gain access to further emissions trading allowances.

The Real Estate Business Area manages a portfolio of around 60,000 company-owned residential units concentrated in the federal state of North Rhine-Westphalia. It also has a 50 percent stake in THS GmbH, which owns more than 75,000 residential units. Evonik is thus one of the leading private-sector housing companies in Germany. Business focuses on letting housing to private households, which essentially generates regular and stable cash flows. We come out above the sector average on the key quality indicators in this market: vacancy rates and tenant fluctuation. Ongoing development of the portfolio and intelligent housing concepts covering the entire lifecycle of properties are very important to us. That includes, for example, modernizing residential units to create low-energy buildings. Our business model is rounded out by selected property development activities on company-owned land to upgrade districts. Property development plans comprise the construction and sale of up to 200 units p.a.

In 2007, the Evonik Group had around 43,000 employees and sales of €14.4 billion, 60 percent of which was generated outside Germany. The operating result (EBIT) was €1.3 billion. Consequently, we reported a return on capital employed (ROCE) of 9.5 percent in 2007, which was well above our cost of capital of 8 percent. The cash flow from operating activities was €1.2 billion. Capital expenditures for intangible assets, property, plant, equipment and investment property of around €4.0 billion are planned for 2008–2010.

As well as being commercially successful our goal is to take ecological and social responsibility. We therefore accord special importance to transparent reporting, including meaningful segment data, business-unit-specific indicators and extensive financial indicators. We provide detailed information on our financial, ecological and social performance in our annual report.

May 20, 2008