Press release

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Evonik continues to grow despite difficult business conditions

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- Dr. Werner Müller, Chairman of the Executive Board of Evonik Industries AG:
  "Evonik posted another good performance in the first half."
- Sales grew 11 percent to €7.9 billion
- EBIT rose by a substantial 17 percent to €869 million
- Outlook for the full year slightly raised

Essen. "Evonik posted another good performance in the first half of this year despite adverse global economic trends," reports Dr. Werner Müller, Chairman of the Executive Board of Evonik Industries AG, which today published its results for the first half of 2008. The Essen-based industrial group reported double-digit sales and earnings growth despite the challenges resulting from the US financial crisis, higher raw material prices and the weakness of the US dollar. The group's operating performance was particularly strong. "The good figures underscore the strength of our portfolio. Our three business areas are very resilient," said Müller.

The Evonik Group grew **sales** 11 percent year-on-year to €7,926 million between January and June 2008 (H1 2007: €7,166 million). **EBIT** (earnings before interest, income taxes and exceptional items) rose even faster than sales in the first six months of 2008. The significant rise of 17 percent to €869 million (H1 2007: €742 million) was driven by higher earnings from all three business areas.
Overall, the pleasing rise in operating earnings led to **net income** of €522 million. The prior-year figure of €715 million was boosted by substantial one-off factors, especially gains from the divestment of the mining technology company DBT.

Higher sales in all three business areas

The Chemicals Business Area reported organic growth of 12 percent, with 8 percentage points coming from higher prices and 4 percentage points from increased volumes. After adjustment for exchange rate movements (minus 4 percentage points) and changes in the scope of consolidation (plus 3 percentage points), this business area's sales increased 11 percent to €5,873 million. In the Energy Business Area sales increased by 16 percent to €1,713 million (H1 2007: €1,472 million), principally because of higher coal prices, which were passed on to customers. The Real Estate Business Area lifted sales 4 percent to €170 million (H1 2007: €164 million).

Strong rise in EBIT in all business areas

In the Chemicals Business Area EBIT rose by a substantial 17 percent to €608 million (H1 2007: €522 million), principally due to far higher demand, increased capacity utilization and effective restructuring in recent years. The strength of the euro had a negative impact. The clear improvement in some selling prices was negated by another sharp rise in raw material and energy costs. The internal raw material cost index, which shows the change in the price of major raw materials in the Chemicals Business Area, rose by 19 percent in the first six months compared with the same period of the previous year. Energy costs increased by 11 percent.

The Energy Business Area increased EBIT by 13 percent to €301 million (H1 2007: €267 million). The main factors here were higher profit from foreign power plants, improved earnings from free market sales of power generated by German power plants and a rise in earnings from coal trading. On the other hand, the upward trend was held back by exchange rates.

The Real Estate Business Area lifted EBIT to €86 million, a considerable rise compared with the year-back figure of €39 million. This was primarily due to earnings from THS, which has been included in the financial statements at equity since December 2007, and gains from

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sales of commercial property business which were agreed last year and took place in the first quarter of this year.

High investment

The cash flow from operating activities for the continuing operations came to €175 million in the first half of 2008, well below the prior-year figure of €407 million. The decline was mainly due to a perceptible increase in net working capital and higher income tax payments. Capital expenditures for intangible assets, property, plant, equipment and investment property totaled €437 million, which was 8 percent above the year-back level of €406 million and also above depreciation, which amounted to €411 million in the first six months of this year (H1 2007: €423 million). Net financial debt was reduced to €4.4 billion, down €0.3 billion compared with year-end 2007.

Outlook for 2008 slightly raised

Evonik expects operating conditions to remain challenging in the second half of this year as a result of high energy and raw material prices, rising inflationary tendencies and adverse effects stemming from the strength of the euro. In addition, the global financial crisis could adversely affect the real economy. Despite this, Evonik has raised its guidance slightly in the light of its good performance in the first six months. Sales growth is now expected to be in the high single-digit range. The company is also projecting a slight rise in EBIT compared with the prior year, which was boosted by one-off factors.

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Evonik Group: Income statement (excerpt)

(in € million)	H1/2008	H1/2007	Change in %
Sales	7,926	7,166	11
EBITDA	1,275	1,164	10
EBIT	869	742	17
Non-operating result, continuing operations	2	-169	
= Operating income	**871**	**573**	**52**
Net interest expense	-264	-236	
= Income before income taxes, continuing operations	**607**	**337**	**80**
Income before income taxes, discontinued operations	166	546	
= Income before income taxes (total)	**773**	**883**	**-12**
Income taxes, continuing operations	-184	-65	
Income taxes, discontinued operations	-23	-43	
= Income after taxes	**566**	**775**	**-27**
Minority interests	-44	-60	
= Net income	**522**	**715**	**-27**

Segment information

January to June	Sales			EBIT		
	2008 € million	2007 € million	Change in %	2008 € million	2007 € million	Change in %
Technology Specialties	2,749	2,326	18	268	242	11
Consumer Solutions	1,549	1,436	8	189	115	64
Specialty Materials	1,575	1,543	2	151	165	-8
Chemical Segments	**5,873**	**5,305**	**11**	**608**	**522**	**17**
Energy	1,713	1,472	16	301	267	13
Real Estate	170	164	4	86	39	119
Segments	**7,756**	**6,941**	**12**	**995**	**828**	**20**
Others	170	225	-24	-126	-86	-46
Evonik Group	**7,926**	**7,166**	**11**	**869**	**742**	**17**

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Technology Specialties

Sales increased 18 percent to €2,749 million in the Technology Specialties segment. This was principally due to a significant improvement in prices and perceptible volume growth, while the strength of the euro held back growth. Further 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. EBIT rose 11 percent to EUR 268 million. The Industrial Chemicals Business Unit benefited from a clear rise in demand and improved margins, which enabled it to raise earnings. By contrast, the price increases in the Inorganic Materials Business Unit were not sufficient to offset the rise in raw material and energy costs. At the same time, the weaker exchange rates for the US dollar and yen had a downside effect. However, earnings in the Inorganic Materials Business Unit only slipped slightly thanks to the sharp rise in demand.

Consumer Solutions

A considerable rise in selling prices combined with higher demand lifted sales in the Consumer Solutions segment by 8 percent to €1,549 million. However, sales growth was held back by the weak US dollar and yen exchange rates. EBIT climbed 64 percent to €189 million, driven mainly by the excellent development of the feed additive DL-methionine. Earnings in the Health & Nutrition Business Unit were therefore considerably higher than in the previous year. By contrast, earnings in the Consumer Specialties Business Unit were hampered by far higher raw material costs and EBIT was lower than in the previous year. The situation remained difficult in Superabsorbents where the sharp rise in raw material costs was compounded by considerable pressure from overcapacities.

Specialty Materials

The Specialty Materials segment grew sales 2 percent to €1,575 million. Earnings were depressed by the strength of the euro and a further rise in raw material costs, which could not be recouped in full by raising prices. However, thanks to the overall improvement in demand EBIT only dropped 8 percent year-on-year to €151 million. Earnings were down slightly in the Coatings & Additives Business Unit. In the Performance Polymers Business Unit, the downside effects of raw material costs and

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exchange rate movements were partially offset by cost savings but EBIT was nevertheless below the year-back level.

Energy

Sales rose 16 percent to €1,713 million in the Energy segment, principally as a result of higher coal prices and the resultant rise in the price of electricity. EBIT climbed 13 percent to €301 million. In the Power Business Line EBIT was considerably higher than a year earlier. The German power plants benefited from higher income from electricity sold on the free market and the foreign power plants reported higher earnings due to the rise in coal prices and the resultant rise in electricity prices. In the Renewable Energies Business Line EBIT decreased year-on-year, as expected, following the divestment of non-core operations. The Trading Business Line lifted sales 23 percent to €540 million thanks to higher coal prices. EBIT was €32 million, compared with €19 million in the first six months of 2007.

Real Estate

Sales advanced 4 percent to €170 million in the Real Estate segment, mainly because of higher sales from property development activities. EBIT increased €47 million year-on-year to €86 million. This clear improvement was driven by two main factors: income realized in the first quarter from commercial property sales agreed in fiscal 2007, and THS. This company has been included in the financial statements at equity since December 2007 and therefore impacted the first-half figures for the first time. Property management activities increased earnings, mainly as a result of lower maintenance expenses. The property development business reported significantly higher earnings as far more residential units were transferred to new owners than in the first six months of the previous year.

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Employees by segment

	2008-06-30	2007-12-31
Technology Specialties	15,699	15,932
Consumer Solutions	7,895	7,969
Specialty Materials	8,443	8,384
Energy	4,675	4,629
Real Estate	438	457
Others	3,904	4,179
Continuing operations	**41,054**	**41,550**
Discontinued operations	567	1,507
Evonik Group	**41,621**	**43,057**

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 (EBIT) of more than €1.3 billion.

Disclaimer

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