Press release

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2010 was an outstanding year for Evonik – On course for further profitable growth

- Klaus Engel, Chairman of the Executive Board: "2010 was an outstanding year for us. Evonik is more profitable than ever before."
- Strong operating performance in 2010:
  Group sales grew 26 percent to €13.3 billion, EBITDA increased 47 percent to around €2.4 billion, EBIT rose 89 percent to over €1.6 billion.
- Chemicals reported a record performance
- Net income tripled to €734 million
- Cash flow from continuing activities increased by about €200 million to around €1.6 billion
- Further reduction in net financial debt—considerable improvement in financial profile
- Capital expenditures increased—research stepped up
- Progress with strategic focus on specialty chemicals
- Additional Executive Board members appointed for chemicals business
- A very good start to fiscal 2011:
  Engel: "Our operating business has made a convincing start to the year."

Essen. "2010 was an outstanding year for us. Evonik is more profitable than ever before," commented Klaus Engel, Chairman of the Executive Board of Evonik Industries AG, at today's financial press conference. The Group's core chemicals business reported by far the best performance in its history. In order to realize its focus on specialty chemicals, at the end of 2010 Evonik agreed to sell a majority stake in its energy business to a consortium of municipal utilities in Germany's Rhine-Ruhr region. As a result, the Energy Business Area has been reclassified to discontinued operations. In addition, further progress was made in amalgamating the residential real estate companies Evonik Immobilien GmbH and THS GmbH. "Our refocusing has almost been completed. In the future, the name Evonik will be synonymous with global leadership in specialty chemicals," said Engel. The focus is on the most important global megatrends. "We want to grow and increase our profitability further.

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To achieve that, in future the management of Evonik will be geared to making us faster, leaner and more flexible, with an even stronger market focus," said Engel. The chemicals operations are therefore to be linked more closely to the Executive Board, which is being increased to six members effective April 1, 2011. In the future, Patrik Wohlhauser (46) will be the Executive Board member responsible for the Consumer, Health & Nutrition segment, Dr. Thomas Haeberle (54) will be responsible for the Resource Efficiency segment and Dr. Dahai Yu (49) for the Specialty Materials segment. "Evonik therefore has a strong and established management team to tackle the upcoming challenges," said Engel.

With an EBITDA margin of 18.3 percent, Evonik's core chemicals business ranks among the sector leaders as of 2010. "We want to remain among the best in class in the future as well," said Engel. The Group has therefore embarked on key strategic investment projects. It is planning to invest €500 million in a new methionine facility in Singapore, which is scheduled to start producing feed additives in 2014. In addition, capacity for precipitated silicas in Asia and Europe is to be increased by 25 percent by 2014. Further, Evonik is planning to build a new facility for isophorone chemicals, preferably in Asia, to come on stream in 2013. The Group already ranks among the global market leaders in all three of these businesses and now aims to strengthen them selectively in the relevant growth markets.

Group sales and earnings considerably higher than last year

Following a considerable upturn in business in the second half of 2009, the positive trend continued with increased momentum throughout 2010, driven principally by higher demand from Asia and Europe. Group **sales** advanced 26 percent to €13,300 million. Strong demand, high capacity utilization and improved margins lifted earnings before interest, taxes, depreciation, amortization and the non-operating result (**EBITDA**) 47 percent to €2,365 million. The Group's **EBITDA margin** improved from 15.3 percent to 17.8 percent. In the Chemicals Business Area in particular, the EBITDA margin grew strongly to 18.3 percent (2009: 16.1 percent). Earnings before interest, taxes and the non-operating result (**EBIT**) surged 89 percent to €1,639 million.

The **non-operating loss** of €236 million mainly comprised expenses for restructuring, impairment losses, pensions and environmental protection. **Income before income taxes from the continuing operations** rose substantially from €189 million to €975 million. **Income before income taxes from the discontinued operations** came to €73 million. This mainly includes operating earnings from the Energy Business Area and one-off expenses connected with the divestment of this business. The previous year's figure of €223 million mainly contains earnings from the Energy Business Area's operations. Overall, Evonik tripled **net income** to €734 million in 2010 (2009: €240 million).

Considerable improvement in financial profile

Evonik's return on capital employed (**ROCE**) improved considerably year-on-year to 15.0 percent (2009: 7.7 percent). That was well above the cost of capital of 9.5 percent before taxes.

Thanks to the very good operating performance, Evonik lifted the **cash flow from operating activities in the continuing operations** by €182 million to €1,571 million. Including the cash flow from discontinued operations, the **cash flow from operating activities** was €2,075 million, and thus around the previous year's high level. **Capital expenditures** rose 15 percent to €652 million. Evonik used the cash flow to fund investments, the dividend payment of €320 million for 2009, and a contractual trust arrangement (CTA) for some of its unfunded pension commitments. Furthermore, it was used to further reduce **net financial debt**. On a like-for-like basis (including the Energy Business Area) net financial debt was scaled back from €3.4 billion to €2.7 billion. After deducting the Energy Business Area's net financial debt of €1.0 billion as of December 31, 2010, the Evonik Group's net financial debt was around €1.7 billion.

Evonik rated for the first time by credit rating agencies

Rating by the Standard & Poor's and Moody's rating agencies in fall 2010 has further improved Evonik's access to the capital markets. The present ratings are only just below investment grade: As of year-end 2010 Standard & Poor's rating was BB+, positive outlook, while Moody's rating was Ba1, positive outlook, mainly as a reflection of the focus on specialty chemicals.

Progress with strategic focus on specialty chemicals

Evonik systematically drove forward its focus on specialty chemicals in 2010. "We are delighted that our energy business has found a new, competent and reliable majority owner in the Rhein-Ruhr consortium of municipal utilities and that we have concluded a firm agreement to divest all activities in this field to the consortium in five years at the latest," said Engel. This will give the energy activities bundled at Evonik Steag GmbH the opportunity to fully utilize their growth potential.

Good progress is also being made in the amalgamation of Evonik Immobilien GmbH and THS GmbH. Since the start of 2011 both companies have been managed by the same management team. "We are pursuing a sustainable business model for the future company that balances economic efficiency with our responsibility for tenants, employees and the region," stressed the Chairman of Evonik's Executive Board. "As part of our concentration on specialty chemicals, we will be examining selling shares in the new company in the medium term. Potential future owners would have to have a long-term investment horizon that supports our real estate activities' sustainable business model."

Program to raise efficiency is making very good headway

In response to the economic crisis, Evonik introduced the "On Track" efficiency enhancement program at the start of 2009. To bring a lasting improvement in competitiveness, the Group aims to achieve a sustained reduction in costs of €500 million p.a. from 2012. All key cost items were analyzed and structures and processes were examined with a view to attaining this goal. By the end of 2010, specific measures had been defined to meet all target savings and over three quarters of the savings (almost €400 million) had already been achieved.

Research and development

Evonik increased research and development spending by 13 percent to €338 million in 2010 (2009: €300 million). Around 60 percent of this was spent on the development of new products and new technology platforms. In October 2010, Evonik also embarked on preparations for a new project house, which is scheduled to start operating in Taiwan in

April 2011. The Advanced Project House Light & Electronics will focus on the optoelectronics industry, and thus on a market with extremely fast innovation cycles. This is the Group's first project house outside Germany and provides an additional hub for customers in the high-growth Asia region. Project houses are assigned to strategic research, which Evonik expects to generate additional sales of €600 million p.a. from 2015.

Performance of the business areas in 2010

Chemicals Business Area

Excellent earnings performance

The Chemicals Business Area grew **sales** by a strong 29 percent to €12,867 million (2009: €9,978 million). This was driven mainly by volumes and prices. In most business units demand was back at or even above the level seen in the first half of 2008, before the recession. As a result, many production facilities operated at full capacity. The effective action to cut costs and raise efficiency, together with a substantial rise in volumes, high capacity utilization, and increased margins boosted both EBITDA and EBIT to record levels. Earnings in all business units were well above the pre-recession level. **EBITDA** grew 47 percent year-on-year to €2,357 million while **EBIT** surged 83 percent to €1,702 million.

Outstanding profitability indicators

The Chemicals Business Area raised its **EBITDA margin** considerably from 16.1 percent to 18.3 percent, which is a very good level for this sector. It also reported a very significant increase in **ROCE** from 9.9 percent to 18.4 percent thanks to the substantial improvement in earnings.

Focusing on the core business

Evonik is systematically driving forward its focus on its core business and divesting operations that do not fit in with its strategic growth profile or have limited growth potential within the Group. Preparations to divest the carbon blacks business started in the fourth quarter of 2010. In addition, the Group wants to divest the colorants activities in the mid term. The aim is to find a new ownership structure for each of these businesses that opens up new opportunities for them.

Real Estate Business Area

An improvement in earnings

The Real Estate Business Area grew **sales** 2 percent to €402 million. **EBITDA** was €190 million, 3 percent above the prior-year figure, and the **EBITDA margin** rose from 46.5 percent to 47.3 percent. **EBIT** advanced 5 percent to €140 million, principally due to an improvement in the property management result and higher income from portfolio management. **ROCE** increased to 7.7 percent (2009: 7.3 percent).

Discontinued operations: Energy Business Area[1]

Far higher earnings

The Energy Business Area increased **sales** by 8 percent to €2,762 million. This was due to higher volume sales, the stronger US dollar exchange rate, and the higher price of hard coal. **EBITDA** rose 26 percent to €525 million. The **EBITDA margin** increased from 16.3 percent to 19.0 percent and **EBIT** was 33 percent higher at €435 million. **ROCE** increased considerably from 9.7 percent to 13.1 percent thanks to the improvement in earnings.

Business development in the fourth quarter of 2010

The Evonik Group continued its very good business performance in the fourth quarter of 2010. **Sales** were €3,390 million, up 22 percent from the fourth quarter of 2009. In the Chemicals Business Area sales climbed 23 percent to €3,274 million as a result of higher volumes and improved selling prices. In the Real Estate Business Area sales advanced 4 percent to €122 million.

The Group's **EBITDA** was €478 million in the fourth quarter of 2010, 18 percent above the year-back figure of €404 million. The Chemicals

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[1] The figures given here are not included in the corresponding figures fort he Group

Business Area lifted EBITDA 11 percent to €483 million (Q4 2009: €435 million). The Real Estate Business Area reported a slight improvement of €1 million, bringing EBITDA to €52 million.

Despite the good operational trend in the chemicals business, **net income** of the Evonik Group was minus €56 million, compared with €29 million in Q4 2009. The figures for the fourth quarter of 2010 contain non-cash one-off expenses of €251 million in connection with the divestment of the energy business. These relate to advance recognition of a deconsolidation effect and provisions for possible post-divestment guarantee claims.

Discontinued operations[1]

Higher volumes and rising coal prices lifted sales in the Energy Business Area 11 percent to €785 million in the fourth quarter of 2010. By contrast, EBITDA declined by 11 percent to €136 million (2009: €153 million).

Outlook for 2011: another very good operating result expected

Although the ongoing risks arising from the high government debt in many economies and the political unrest in Arab countries mean there are still uncertainties regarding the economic development in 2011, overall Evonik expects demand for its products to continue to rise, especially in the growth regions. Adverse factors could come from the continued rise in raw material costs. Overall, the Group expects sales to increase slightly and that the operating results (EBITDA and EBIT) will remain at the record levels reported for 2010.

Capital expenditures will rise considerably in the coming years as a result of the Group's growth strategy and the related investments. They will be fully financed out of the cash flow.

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[1] The figures given here are not included in the corresponding figures fort he Group

Evonik Group: Income statement (overview)

(in € million)	Q4 2010	Q4 2009	Change in %	2010	2009	Change in %
Sales	3,390	2,776	22	13,300	10,518	26
EBITDA	478	404	18	2,365	1,607	47
EBIT	276	193	43	1,639	868	89
Non-operating result, continuing operations	-78	-159		-236	-282	
Net interest expense	-102	-100		-428	-397	
= Income before income taxes, continuing operations	**96**	**-66**	**-**	**975**	**189**	**416**
= Income before income taxes, discontinued operations	-164	110		73	223	
= Income before income taxes (total)	**-68**	**44**	**-**	**1,048**	**412**	**154**
Income taxes	25	7		-255	-100	
= Income after taxes	**-43**	**51**	**-**	**793**	**312**	**154**
Non-controlling interests	-13	-22		-59	-72	
= Net income	**-56**	**29**	**-**	**734**	**240**	**206**

Prior-year figures restated

Performance of the business areas

	Sales			EBITDA		
	Q4 2010 € million	Q4 2009 € million	Change in %	Q4 2010 € million	Q4 2009 € million	Change in %
Chemicals	3,274	2,662	23	483	435	11
Real Estate	122	117	4	52	51	2
Other	-6	-3	-	-57	-82	-
Evonik Group	3,390	2,776	22	478	404	18
For information: Energy	785	709	11	136	153	-11
	Sales			**EBITDA**		
	2010 € million	2009 € million	Change in %	2010 € million	2009 € million	Change in %
Chemicals	12,867	9,978	29	2,357	1,602	47
Real Estate	402	396	2	190	184	3
Other	31	144	-78	-182	-179	-
Evonik Group	13,300	10,518	26	2,365	1,607	47
For information: Energy	2,762	2,558	8	525	418	26

Prior-year figures restated

Evonik Group: Employees by business area

	Dec. 31, 2010	Dec. 31, 2009
Chemicals	31,061	30,318
Real Estate	1,098	1,056
Other	2,248	2,487
Continuing operations	34,407	33,861
Discontinued operations (Energy)	4,916	4,820
Evonik	39,323	38,681

About Evonik
Evonik is the creative industrial group from Germany. In our core business of specialty chemicals, we are a global leader. In addition, it has energy and residential real estate operations. Our performance is shaped by creativity, specialization, reliability and continuous self-renewal.

Evonik is active in over 100 countries around the world. In fiscal 2010 more than 34,000 employees generated sales of around €13.3 billion and an operating profit (EBIDA) of about €2.4 billion.