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Good morning, ladies and gentlemen,

Together with my colleagues from the Executive Board, I would like to welcome you most warmly to the Financial Press Conference of Evonik Industries AG. Since this my first press conference as Chairman of the Executive Board, I would specifically like to extend my own personal welcome to you in that capacity.

Only last summer it was virtually impossible to predict how fast and forcefully the financial turmoil triggered by the US subprime crisis would develop into a global economic crisis. Even in fall 2008, it was widely expected that the sudden sharp downswing in the United States and Europe would be short-lived. Sadly, we are wiser today. So much so, in fact, that the word "crisis" seems to have a firm place in every article, commentary and day-to-day conversation. To make it quite clear from the start, I am not standing before you today as the exception to the rule. Nevertheless, I would like to point out that the minor key is not my personal style. Confidence is an important psychological element in overcoming the present economic crisis. That is equally true for Evonik Industries, whose performance in fiscal 2008 I will be outlining shortly.

A diversified portfolio provides stability in times of crisis

First, I would like to say a few words about the present economic situation. To put it in a nutshell, with very few exceptions, the situation is bleak in all sectors worldwide. However, it is also true that any crisis can play a useful role in forcing companies and markets to move forward, by triggering necessary cultural and structural changes and eliminating things that had been taken for granted. The present crisis offers precisely such opportunities for correction: we have to learn our lessons from it and draw new confidence.

- Today we know that global economic interdependency means that even major growth regions, especially in the Far East, cannot offset recessionary trends in the rest of the world on their own.
- We see that sustainable corporate management which takes account of the interests of all stakeholders is not a sentimental vision, but an important way of providing stability and safeguarding the future.
- Finally, as we see, the crisis has undermined the apparently boundless faith in the principle of "the more focused the better." A year ago, we said that Evonik was well-positioned because of its status as a conglomerate. Today, that view has been confirmed.

Naturally, the global economic crisis is hitting our company hard. That said, our three different business areas – Chemicals, Energy and Real Estate – ensure a degree of stability that is currently envied by many more focused companies. Our non-cyclical Energy and Real Estate businesses help cushion market-driven earnings downturns in our large Chemicals Business Area. And even within the Chemicals Business Area our operations are diversified: none of our end-markets accounts for more than 20 percent of total sales and our five largest customers only generate 10 percent of sales. Overall, our Chemicals sales of €11.5 billion come from very different markets, which we divide internally into twelve groups. Over 40 percent of sales are generated outside Europe. Consequently our portfolio is geographically diversi-

fied as well as containing a broad mixture of industries and end-customers. In the medium term that will help us overcome the present crisis.

In view of this, we are determined to ensure we emerge stronger at the end of this crisis. To achieve that, we need to continue to work hard to improve our competitiveness. I have only been in office for a short time, but I would like to assure you that I have no intention of simply bemoaning the poor state of the global economy and our markets. I am looking forward to the doubtless tough but also promising road ahead.

Sound financial indicators in 2008

Ladies and gentlemen,

Evonik is making good progress overall. Our key financials for 2008 show that our company can hold its own on the market, even when faced with increasingly difficult conditions.

- Operationally, Evonik made a successful start to 2008. Sales rose 10 percent to €15.87 billion (up from €14.44 billion in 2007). Despite increasingly difficult global business conditions and the impact of a further rise in raw material costs and the weakness of the US dollar, all business areas improved their earnings in the first ten months of the year. In fact, at the end of the first ten months the Evonik Group was heading for a new earnings record. However, from November 2008 the financial markets crisis led to a massive drop in demand for our chemicals. The roughly €100 million improvement in earnings in the Chemicals Business Area was thus more than negated in the last two months of the year. Thanks to our successful performance in the first ten months, the Evonik Group nevertheless achieved EBITDA of around €2.17 billion at year end. That was only about 3 percent lower than in the previous year (approximately €2.24 billion).
- For 2008 we had once again set ourselves the goal of exceeding our cost of capital and generating positive economic value added. We achieved that. The Group's return on capital employed (ROCE) was below the previous year's level of 9.7 percent. Nevertheless, it was 9.1 percent and thus well above the cost of capital of 8 percent. All three business areas earned a return above their cost of capital, bringing economic value added for the Evonik as a whole to €153 million.

Major challenges in 2009

The figures show that Evonik made good progress operationally in 2008 and that its three business areas position it well. That naturally helps us as we turn our attention to the tough months ahead. Doubtless you will not be surprised to hear that this year we will not be able to repeat last year's good performance.

The fourth quarter of 2008 was a foretaste of what we can expect in the coming months: a fairly rough ride. Present market information on the chemicals sector suggests that there is not yet any light at the end of the tunnel.

We will be publishing our results for the first quarter of this year in mid-May as usual. However, it is already clear that the general economic downswing is continuing to affect our Chemicals Business Area. At the end of 2008, demand on the markets served by the construction, plastics, electronics and automotive industries crashed virtually overnight. At the peak, our chemicals operations suffered a slump in orders of up to 50 percent in some market segments. I have already mentioned Evonik's balanced portfolio. That helps us in the present situation.

- Our residential real estate business has hardly been affected by the turmoil of recent months and continues to report a good performance.
- The Energy Business Area is also less exposed to the economic situation because its business model focuses on the long-term provision of power plant services. Despite a slight drop in demand from industry, earnings in this business area are still on track.
- Looking at our chemicals operations, the picture in the first two months of this year was mixed. Nevertheless, EBITDA was still clearly positive, even though it was well below the high level reported at the start of last year.

I am not saying that to make the situation look better than it is.

However, anyone who starts to think beyond the crisis while it is still raging has an advantage. And looking ahead to the future, I expect even those business operations that are currently facing economic difficulties to move back into profit once this historic slump in demand is over. I say that with confidence because of our good position as the technological and market leader in many segments.

Good examples are our carbon blacks, silicas and silanes for the tire industry – products that drive our performance. Evidently, while the automotive industry is in the doldrums sales of these products will remain negligible. But does that mean people's need for efficient transportation will cool in the longer term? Definitely not. And regardless whether the mobility of our world is driven by combustion engines, electric or hybrid drives in five, ten or 15 years time, the vehicles on the road will still need tires with silicas, silanes and carbon blacks from Evonik. Before the crisis we were the world leader in fillers for tires. That has not changed and we will remain the world leader after the crisis. It is certain that demand for a new generation of more efficient vehicles will lead to a sharp hike in our sales curve in this field. However, it is not yet possible to predict when that will be.

Although some forecasters anticipate that demand for chemicals will pick up in the second half of the year, that is far from certain at present. What we can say with some certainty today is that demand is currently stabilizing at a low level. Nevertheless, we cannot pin our hopes on that. Instead, we are continuing to face up to various economic scenarios and taking rapid and pragmatic action to ensure that the Group as a whole is and remains weather-proof.

Last year we stepped up restructuring – especially of our chemicals activities – and shut down unprofitable facilities in the United States, Europe and Asia.

In addition, we took prompt action to scale back production as the need arose last year, reduced credit balances on worktime accounts and unutilized vacation entitlements and introduced short-time working at some facilities from the start of 2009. Overall, that gives us the flexibility we need to respond rapidly to changing market conditions and demand.

Evidently, for the roughly 3,000 employees in Germany who are currently working short-time that entails clear cut-backs. But it also means that, despite the poor order situation, we have been able to maintain employment and know-how in the Group and will continue to do so. Wherever possible, we aim to utilize short-time working periods for training to upgrade skills. That should also help us emerge stronger at the end of the crisis.

Weatherproofing the company in times like these is bound to have an impact on our employees. As I have said, we have already taken some necessary action by shutting down unprofitable plants and introducing short-time working. Although action is required, we believe it is equally important to ensure a balance between operational costs and personnel expenses. We have therefore introduced a cost-saving program whose scope and dimensions go far beyond any of our previous programs. With a view to our mid-term goal of creating value, we aim to cut costs by around €500 million a year. Our aim is to achieve that by 2012. In the shorter term, we are planning savings of around €300 million in 2009, although some of these are one-off and thus by nature temporary. There is no alternative if we are to ensure that Evonik remains competitive and fit for the future, enabling us to safeguard employment in the long term. The cost-cutting program is driven by a Task Force which will be headed in future by Dr. Colberg, who is joining the Group as CFO on April 1, 2009. He takes over from Mr. Wagner who will be retiring at the end of April.

Measures planned for the near term include reducing travel expenses and cutting back on outsourcing and other operating expenses. Moreover, all employee groups will have to make a material contribution to overcoming the crisis, in addition to short-time working or by utilizing vacation entitlements and reducing credit balances on worktime accounts. In the past two weeks we have been discussing the exact modalities with representatives of the workforce and the German Mining Chemicals and Energy Industrial Union. We anticipate that we will reach an agreement with them by the end of this month.

Structural measures to reduce fixed costs focus principally on sustained optimization of structures and processes at our Corporate Center, and in our operational and service units. As you are aware, at the start of this year we reduced the Executive Board of Evonik Industries from seven members to three. At the same time, we shifted operational responsibility to units that are closer to the market. Now we are taking the next logical step. Since the responsibilities of the Executive Board are now divided among just three people and more responsibility has been delegated to our operating units, we no longer need nearly three hundred staff in the Corporate Center. Our aim is that it should concentrate on key strategic steering functions. Consequently, we will be reducing both the headcount and budget for outsourcing in the Corporate Center by around one third. We will also be conducting a thorough review of our Shared Services. We anticipate that additional savings will be achieved by

optimizing the infrastructure of the over 100 locations in our global organization and stepping up Group-wide initiatives such as Operational Excellence (OPEX). OPEX aims to identify scope to improve the efficiency of our facilities by reviewing the entire production process from the supply chain to end-production. The demonstrable success of such measures makes us optimistic for the future.

Codetermination gives us a competitive advantage

Supported by such measures, we will be tackling the doubtless difficult months ahead with confidence, accompanied by increased vigilance. A common understanding of our goals and considered and coordinated action by everyone involved remain important. We will therefore continue to take the necessary time to prepare decisions properly and put them into practice in consultation with our owners and representatives of the workforce.

The feedback from the latest Group-wide employee survey confirms that this is the right approach. Despite the ongoing restructuring of the Evonik Group, the Commitment Index for our employees improved by more than 10 percent to 61 points in just two years. That puts us above the global benchmark, only eighteen months after the introduction of our new corporate branding. That is a mark of trust and is of great benefit to us in the present situation. We need that support because we know that the months ahead will be testing times for our employees. We will take decisive and determined action. We will also dedicate the same decisiveness and determination to avoiding redundancies as a result of the business situation.

Focus on a sound financial basis

Liquidity management is a central issue at present. Our top priority is to ensure that the Group always has sufficient liquidity, even in these difficult times. Mr. Wagner will be outlining the broadly diversified structure of our financing. In view of the difficult economic situation, we want to broaden our operational leeway. To improve our operating cash flow this year we are therefore reducing our investment budget considerably, to around €300 million less than in 2008. In addition, we intend to reduce net working capital by a good €600 million.

Even so, we have allocated a sound investment volume of nearly €1 billion to our business areas this year. That will enable us to concentrate on selected strategic projects of importance for safety and the future.

R&D and megatrends are the basis for future growth

Germany's comparatively high energy, raw material and labor costs mean that it can only remain a competitive international base for industry in the long term if we uphold our innovative capability even in periods of crisis and strengthen research and development to generate growth and create value. I am firmly convinced that innovations and new products are more important than ever. They are the driving force we need to emerge stronger at the end of the crisis and continue to grow profitably. As the "creative industrial Group", 20 percent of sales in our Chemicals Business Area already come from products, processes and applica-

tions introduced in the past five years. We want to retain that innovative prowess in the future. We did a good deal of groundwork for that in 2008:

- We provided substantial R&D funding of €311 million for the Evonik group in 2008.
- We have steadily retained our position among the leading specialty chemicals companies in terms of the number of new patent applications submitted. Last year alone we submitted around 350 new patent applications, bringing the total number of patents granted or pending to over 20,000.
- Finally, we continued to spearhead the expansion of our strategic research by opening our third Science-to-Business Center (Eco2) in Marl. This research center is dedicated to improving energy efficiency. Here, scientists from a variety of disciplines, customers, and suppliers from all stages in the supply chain work together to translate promising ideas rapidly into commercial products.

Our three present S2B Centers, in the fields of energy efficiency, nanotronics and white biotechnology, should generate new leading-edge technologies with additional annual sales of around €1 billion a year by 2015.

Performance of the business areas

I would now like to take a more detailed look at the performance of our business areas:

The **Chemicals Business Area** grew **sales** by a further 9 percent to around €11.51 billion in 2008 (compared with €10.57 billion in 2007), despite the extremely difficult fourth quarter. This was principally attributable to higher selling prices, which enabled us to recoup at least part of the substantial hike in raw material prices. **EBITDA** was almost unchanged at €1.60 billion (compared with €1.61 billion in 2007). The **EBITDA margin** slipped to 13.9 percent (down from 15.2 percent in 2007) and **ROCE** declined slightly from 10.1 percent to 9.9 percent. Capital expenditures for property, plant and equipment increased by a substantial 17 percent to more than €700 million due to global capacity expansions.

Since the start of 2008 our chemicals operations have been grouped in six business units. More detailed information and figures can be found in our annual report.

In principle, all operations that supply to the automotive, construction, plastics and electronics industries have been badly hit by plummeting demand. As an example, I would like to look at our Inorganic Materials Business Unit, whose portfolio includes pigments for coatings and carbon blacks and silicas for the rubber and tire industry. This business unit has been particularly badly affected by the crisis in the automotive industry and exceptionally low demand in North America.

The situation is similar in the Performance Polymers Business Unit, where engineering polymers for the aviation, aerospace and construction sectors are negatively affected.

In the face of such a sharp drop in earnings, it is particularly pleasing that elsewhere in the Chemicals Business Area real progress was made despite the crisis. A case in point is the

Health & Nutrition Business Unit, which grew sales by 25 percent and doubled EBITDA to €450 million. This extremely gratifying earnings trend was driven mainly by high global demand for amino acids as feed additives, especially for poultry farming. In October 2008 we therefore increased our methionine capacity significantly to 350,000 metric tons p.a.: As planned we recommissioned a facility in Antwerp that had been temporarily been taken out of service.

Exclusive synthesis is another outstanding example. Here we have a special business model: we work as a partner for the pharmaceuticals industry on the development of custom-tailored molecules for various blockbusters – active ingredients for the treatment of Aids, hepatitis C and diabetes. Together with major pharmaceuticals companies, our technology helps fight the major diseases of our age. As one of the world's three largest producers, this ensures stable business even in the crisis, with earnings well above the cost of capital. In order to meet rising demand from this sector, we have increased our capacity in Europe and China.

In the **Energy Business Area**, we lifted **sales** 21 percent to over €3.65 billion last year (up from €3.02 billion in 2007). This was mainly due to far higher coal prices, which were reflected in an increase in the price obtained for the supply of power. **EBITDA** was €545 million, below the previous year's high level of €581 million. The reason for this was simple: the 2007 figure included the proceeds from the sale of a 34 percent stake in our power plant in the Philippines and the EBITDA of SOTEC, which was divested at the start of 2008. Since sales increased, the **EBITDA margin** dropped from 19.2 percent to 14.9 percent, while **ROCE** slipped from 15.3 percent to 13.1 percent. Capital expenditures increased 14 percent to €351 million.

Our Energy Business Area is proving fairly resistant to the economic trend because its business is concentrated on long-term supply and offtake agreements with major customers. Although demand for energy dropped slightly from November 2008 due to lower production by various industrial customers, looking ahead to the future we are only predicting a slight drop in demand.

It is therefore appropriate that our biggest single investment in 2009 is the construction of a 750 Megawatt power plant in Duisburg Walsum (Germany), which is scheduled to start operating in 2010. This new power plant will have net efficiency of over 45 percent – around five percentage points above the best current performance in Germany. Alongside our energy generation activities at a total of 14 power plants with installed capacity of nearly 10,000 Megawatts worldwide, renewable energies offer promising prospects for the future. In order to utilize our opportunities in this market, in 2008 embarked on further investment of €20 million: Construction work started on construction of a biomass plant in the Saarland region and a biogas plant in Lower Saxony.

Energy storage is becoming a more significant area of research at Evonik. One focus is on transferring our lithium-ion expertise, which is presently geared to the automotive sector, to new future-oriented concepts. For example, we are currently working on storing several megawatts of wind power and solar energy in large-scale batteries. That is a truly fascinating idea for the future.

Finally, our **Real Estate Business Area** is also proving stable and resistant to the economic trend: It is a very reliable cash-flow generator. Our strength lies in our regional focus, coupled with outstanding market insight. That also has benefits for our property management activities. We place value on sustainable development of our high-quality housing stock, in other words, smart, energy-saving housing concepts that minimize utility charges. This business area's **sales** were €375 million in 2008, 11 percent below the prior-year figure of €423 million due to lower sales of residential units. By contrast, **EBITDA** climbed 15 percent to €217 million (compared with €188 million in 2007). This was partly due to the first-time consolidation of equity-method income from THS. The **EBITDA margin** increased from 44.4 percent to 57.9 percent while **ROCE** improved from 8.3 percent to 9.2 percent.

Last year, modernization to improve energy efficiency accounted for one-third of this business area's capital expenditures of €87 million. We also stepped up our focus on "green" housing and embarked on the construction of new homes heated by geothermal energy. To round out our portfolio, we acquired roughly 600 residential units in Essen and Recklinghausen and raised our stake in Wohnbau Dinslaken GmbH from 21 percent to 35 percent.

Paving the way for sustained growth and value creation

Ladies and gentlemen,

A stable ownership base and common understanding of the long-term development of the company are vital to overcome the present economic crisis effectively. Evonik has both. In June 2008, our former sole shareholder RAG-Stiftung sold 25.01 percent of its shares in Evonik to the British financial investor CVC Capital Partners. Our owners support our strategy and aim to work with us to shape the successful development of Evonik. Their declared objective is to place at total of 74.9 percent of the shares in Evonik on the stock market in the medium term. We will be using the interim period to increase our competitiveness and sharpen our profile on the capital markets.

One goal is that after the crisis all our operations should be positioned among the leaders in their segments. Take our Real Estate Business Area as an example. Here we already rank among the regional and German leaders with around 60,000 residential units and a 50 percent stake in THS, which has 75,000 residential units. Our business model is successful. The stable cash flow position shows that it is effective and looking ahead we see considerable potential. Market forces will determine when the capital market could become relevant for these operations.

All in all, identifying and realizing potential for profitable growth and value creation in all of our business areas remains a key strategic objective for Evonik even in this crisis. We are also sticking to our goal of raising Evonik's equity value considerably in the coming years, although we know that in the present situation that will take longer than we had assumed last year. However, that has not altered our underlying objective: we aim to create sustained value for our customers, owners and employees. We will work hard to achieve that, giving priority to three areas:

- achieving a continuous improvement in our cost position and operational excellence
- enhancing our competitive position by increasing our proximity to the market and our customer focus
- utilizing our outstanding innovative and technology platforms to leverage further value-based growth throughout the world.

An idea of the future

To shape the post-crisis world, we need the confidence to believe in our own future. It may seem self-evident that an anticyclical approach is the key to business success. And yet, it appears to be a concept that many people find difficult to implement: there is a clear tendency to see things through rose-tinted spectacles in an upswing and sink into despondency in a downturn. Perhaps Evonik finds it easier because our corporate development has always been driven by cyclical change and deep structural transformation. At any rate, I am not afraid to look forward, even though there are still some daunting challenges ahead. Despite all the crisis – driven rhetoric one thing is clear: The underlying issues driving global economic development are unchanged and tackling them will become twice as urgent once the crisis is over.

The world needs new ideas. That means: ideas that drive forward solutions to the increasing scarcity of natural resources, climate change, the relationship between population growth and prosperity and the desire to remain “young” for longer in the wake of rising life expectancy. Evonik is the creative industrial Group that is tackling all of these issues, through pioneering products and innovative custom-tailored solutions. That is the heart of our idea of the future. And that is why our corporate activities are already aligned to major megatrends such as energy efficiency, health & wellness and globalization & demographic change.

Take lithium-ion technology as an example. The alliance we concluded with Daimler last December was a milestone for us. Serial production of electric and hybrid vehicles with our technology should start in two or three years. Daimler has taken a minority stake in the battery cell producer Li-Tec, in which Evonik has a majority stake. In addition, our future joint venture for the development and production of batteries and battery systems – Deutsche Accumotive GmbH & Co. KG – has now been established and is ready to start operating.

In future, Li-Tec will not simply supply batteries and battery cells for the Mercedes and Smart brands. It will also be open to business with other manufacturers. We are delighted to report that there is enormous interest in our technology. And there is plenty of potential as well: Current forecasts suggest that the market for safe and powerful lithium-ion batteries could top the €10 billion threshold in the next decade, with battery materials exceeding €4 billion. And we are in pole position with our technology, which has the sales potential to become a new independent business unit in the medium term.

Our photovoltaic activities are also doing very well. Here we have innovative technology for low-energy production of solar silicon. At the same time, we are proving very successful in the production of chlorosilanes and monosilanes, which are key components for the global

solar industry. We are increasing our capacity in Western Europe, for example, in Italy and France, and will be raising capacity in Asia in the future. Construction of a combined production facility for monosilanes and Aerosil is scheduled to start in Japan at the end of this year. This highlights the ongoing development of our innovative integrated silicon production as a technology platform to secure our market leadership and technological edge. Evonik has developed a technology that can be used to produce monosilane in the quality required for electronics—for use in thin-layer photovoltaic cells, flat screens and semi-conductors. That means we now have a foothold in all major silicon-based photovoltaic technologies. Market predictions show that we are talking about a real future market: the global market for monosilanes is expected to grow by an average of 20 percent a year up to 2020.

We are also proud of our Energy Business Area, whose engineers have a first-class reputation around the globe. Our reference projects in Turkey, Colombia and the Philippines open up good growth prospects for this business outside Germany.

Finally, we are delighted that our Real Estate Business Area has turned out to be an extremely stable and attractive asset, for which we still see substantial value creation potential.

Ladies and gentlemen,
Now you know why I am optimistic about Evonik's future.

Our cutting-edge technologies and market leadership, our balanced portfolio and innovative capability position the company well to master this unprecedented global recession and continue to grow profitably as we turn our attention to the future.

- We offer products that provide an answer to the megatrends of our time.
- We have a sound ownership base: Both RAG-Stiftung and CVC Capital Partners are interested in the sustained sound development of Evonik and provide constructive and systematic support.
- Lastly, our management and employees drive forward the Evonik Group with enormous commitment, first-rate expertise and hard work.

Given our sound base, I can say to you with confidence and conviction: Evonik has plenty of ideas about tomorrow's world. Evonik has an idea of the future. Some of our ideas are outlined in a new brochure we published today that presents ways of raising energy efficiency.

Thank you for listening. I would now like to hand over to Mr. Wagner who will provide further details at our financials.