Press release

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A strong start to the year at Evonik

- Sales rose 11 percent to €3.9 billion
- EBIT improved 12 percent to €447 million
- Net income increased 16 percent year-on-year to €285 million

"Evonik is continuing its successful course. We did very well in the first quarter, enabling us to report excellent results," commented Dr. Werner Müller, Chairman of the Executive Board of Evonik Industries AG, when the key data for Evonik for the first three months of this year were published today.

Evonik's global operating business developed very well

Sales grew strongly in the first quarter of 2008, rising 11 percent year-on-year to €3,936 million (Q1 2007: €3,561 million). The Chemicals Business Area generated organic growth of 12 percent, with prices and volumes each contributing 6 percentage points. Adjusted for changes in the scope of consolidation (plus 3 percentage points) and exchange rate movements (minus 4 percentage points), this business area increased sales by a total of 11 percent. In the Energy Business Area sales climbed 14 percent, principally as a result of higher coal prices, which it was able to pass on to customers. The Real Estate Business Area lifted sales by 4 percent.

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Improvement in EBIT in all business areas

The increase in **EBIT** (earnings before interest, income taxes and exceptional items) was even more pronounced: it rose 12 percent to €447 million in the first three months of this year (Q1 2007: €399 million). All three business areas contributed higher earnings. "That proves two things. Firstly, that our Group structure comprising the Chemicals, Energy and Real Estate Business Areas provides stability, especially in relatively difficult times. That is a big advantage compared with many competitors, who do not have the same strategic breadth. And secondly, that our business areas have good prospects. Particularly in the markets of the future, we earn our money," stressed Dr. Werner Müller.

In the Chemicals Business Area, EBIT advanced 15 percent to €300 million (Q1 2007: €262 million). Downside factors here were the strength of the euro and the renewed sharp hike in raw material costs. However, they were more than offset by far higher demand, better capacity utilization, improved selling prices and the successful restructuring achieved in recent years.

EBIT climbed 8 percent to €169 million in the Energy Business Area, mainly because of higher earnings from power plants in Germany.

The Real Estate Business Area reported EBIT of €54 million, well above the prior-year's level of €16 million. The main reason for this—alongside pro rata earnings from THS, which was included for the first time—was the proceeds from commercial property sales which were agreed in the previous year and have now been closed. The previously announced exit from the commercial property business in order to focus entirely on residential real estate has therefore been nearly completed.

Non-operating earnings also developed well. **Net income** after income taxes and minority interests increased by 16 percent to €285 million in the first quarter of 2008 (Q1 2007: €246 million).

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Improved cash flow from operating activities—High investment in growth markets

Evonik's good performance in the first quarter of 2008 was also reflected in the cash flow from operating activities reported by the continuing operations. This amounted to €253 million, up 13 percent from the prior-year figure of €224 million. Evonik used this to fund the 4 percent increase in capital expenditures for intangible assets, property, plant, equipment and investment property, which totaled €226 million. That was above the prior-year's figure of €217 million and also exceeded depreciation, which came to €209 million in the first quarter of 2008 (Q1 2007: €213 million). The biggest individual projects are the erection of an innovative 750 Megawatt hard coal-fired power plant in Duisburg-Walsum (Germany) and the construction of an integrated facility to produce highly specialized polymers in Shanghai (China). In addition, Evonik was able to reduce net financial debt to €4.3 billion, €0.3 billion less than at year-end 2007.

Cautious optimism for fiscal 2008

Despite the very good start to the year, Evonik remains cautiously optimistic about the outlook for the year as a whole since the impact of the global financial crisis on the real economy, the strength of the euro and skyrocketing raw material prices cannot be forecast reliably. Dr. Müller: "We anticipate that full-year sales will be up slightly year-on-year. After adjustment for last year's one-off factors, EBIT should also be slightly higher."

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Evonik Group: Income statement (excerpt)

	(in € million)	Q1/2008	Q1/2007	Change in %
	Sales	3,936	3,561	11
	EBITDA	650	611	6
	EBIT	447	399	12
	Non-operating result, continuing operations	51	-8	
	= Operating income	**498**	**391**	**28**
	Net interest expense	-119	-118	
	= Income before income taxes, continuing operations	**379**	**273**	**39**
	Income before income taxes, discontinued operations	27	78	
	= Income before income taxes (total)	**406**	**351**	**16**
	Income taxes, continuing operations	-96	-43	
	Income taxes, discontinued operations	-10	-29	
	= Income after taxes	**300**	**279**	**8**
	Minority interests	-15	-33	
	= Net income	**285**	**246**	**16**

Positive trend in non-operating earnings as well

The **non-operating result** of €51 million reported for the first quarter of 2008 (Q1 2007: minus €8 million) mainly comprises proceeds from the divestment of non-core operations. Taking into account **net interest expense** of €119 million (Q1 2007: €118 million), **income before income taxes from continuing operations** improved 39 percent to €379 million (Q1 2007: €273 million).

Income before income taxes from the discontinued operations was €27 million and includes operating income from the tar refining and initiators businesses. The prior-year figure of €78 million also included the operating results of the mining technology and gas distribution activities, which were divested in 2007. **Income before income taxes**

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therefore improved in total by 16 percent to €406 million (Q1 2007: €351 million).

Tax-free proceeds from divestments and the reversal of tax provisions resulted in a low income tax rate of 26 percent.

Segment information

January to March	Sales			EBIT		
	2008 € million	2007 € million	Change in %	2008 € million	2007 € million	Change in %
Technology Specialties	1,358	1,151	18	125	121	3
Consumer Solutions	774	705	10	92	55	67
Specialty Materials	774	754	3	83	86	-3
Energy	862	755	14	169	156	8
Real Estate	80	77	4	54	16	247
Segments	**3,848**	**3,442**	**12**	**523**	**434**	**21**
Others	88	119	-25	-76	-35	-125
Evonik Group	**3,936**	**3,561**	**11**	**447**	**399**	**12**

Technology Specialties

Sales in the Technology Specialties segment increased 18 percent year-on-year to €1,358 million. This strong growth was driven by an appreciable rise in volumes and considerably higher selling prices. Further impetus came from the first-time consolidation of Degussa Engineered Carbons (DEC) in which we acquired the remaining shares in fall 2007. EBIT rose 3 percent to €125 million. Higher raw material prices and pressure from the strong euro were more than offset by substantial volume growth. The Industrial Chemicals Business Unit contributed an improvement in earnings. However, the earnings trend in the Inorganic Materials Business Unit was depressed by higher raw material costs and the low US dollar and yen exchange rates. Nevertheless, earnings only slipped slightly year-on-year thanks to higher demand.

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Consumer Solutions

In the Consumer Solutions segment sales increased 10 percent to €774 million. The key factors here were far higher demand and an increase in selling prices. At the same time, the rise in sales was held back by the low US dollar and yen exchange rates. EBIT increased 67 percent to €92 million, principally due to the very good development of the feed additive DL-methionine. The two business units posted very different trends. EBIT declined in the Consumer Specialties Business Unit owing to a perceptible rise in raw material costs and price and volume pressure on superabsorbents. The Health & Nutrition Business Unit reported a substantial improvement in EBIT, with the amino acid DL-methionine in particular benefiting from a very sharp rise in demand for poultry.

Specialty Materials

The Specialty Materials segment grew sales 3 percent year-on-year to €774 million. Earnings were adversely affected by the continued rise in raw material costs, which could not be recouped in full by raising prices. Further downward pressure came from the strength of the euro. Good demand led to EBIT of €83 million, a drop of 3 percent year-on-year. While the Coatings & Additives Business Unit lifted earnings slightly, earnings in the Performance Polymers Business Unit fell short of the previous year's level.

Energy

Sales were up 14 percent at EUR 862 million in the Energy segment. This was principally due to a significant increase in coal prices, which was passed on to customers. The weakness of the US dollar had a negative influence. EBIT rose 8 percent to €169 million. The Power Business Line lifted EBIT significantly compared with the previous year: The German power plants generated considerably higher earnings thanks to lower expenses, whereas earnings from the foreign power plants were clipped by the strength of the euro. EBIT was down year-on-year in the Renewable Energies Business Line as expected following the divestment of non-core operations. Thanks to the sharp rise in coal and freight prices the Trading Business Line grew sales 19 percent to €257 million

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(Q1 2007: €216 million). EBIT was €10 million as in the comparable period of the previous year.

Real Estate

Sales increased 4 percent to EUR 80 million in the Real Estate segment. EBIT was €54 million, well above the prior-year's level of €16 million. The hike in earnings was chiefly due to gains on commercial property sales which were agreed in fiscal 2007 and closed in the first quarter of this year. The improvement in earnings was also fuelled by lower maintenance expenses. For the first time, EBIT includes the pro rata earnings contribution of THS, which has been included in the financial statements at equity since December 2007.

Employees by segment

	Mar. 31, 2008	Dec. 31, 2007
Technology Specialties	15,754	15,932
Consumer Solutions	7,889	7,969
Specialty Materials	8,425	8,384
Energy	4,725	4,629
Real Estate	443	457
Others	3,835	4,179
Continuing operations	**41,071**	**41,550**
Discontinued operations	1,499	1,507
Evonik Group	**42,570**	**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

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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.

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