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Barbara Müller
Corporate Press
Phone +49 201 177-3423
Fax +49 201 177-3030
barbara.mueller@evonik.com

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Key Financial Data January 1 to December 31, 2009 / Q4 2009

Evonik significantly exceeded forecast for 2009—A good start to 2010

- Fiscal 2009: Sales dropped 18 percent due to the economic situation; EBITDA only down slightly year-on-year (minus 6 percent)
- Dr. Klaus Engel, Chairman of the Executive Board: "We mastered the crisis year with a creditable performance."
- Record cash flow of €2.1 billion (2008: €0.4 billion)
- Net financial debt reduced by a massive €1.2 billion to around €3.4 billion
- Cost savings of over €500 million were well above target
- New corporate strategy paves the way for further profitable growth and sustained value creation
- Agreement to refrain from dismissals for operating reasons up to December 31, 2012
- Evonik: A good start to 2010

Essen. Evonik mastered the challenges well in 2009. "The Group successfully confronted the global financial crisis and its repercussions. The pleasing start to 2010 strengthens our confidence about the full year," said Dr. Klaus Engel, Chairman of the Executive Board of Evonik Industries AG at today's Financial Press Conference. "Following a difficult start to 2009, in the second half of the year we managed to make up for much of the sharp downturn in the operating result, principally through strict cost discipline and by raising efficiency," explained Dr. Engel. Rapid action to secure liquidity and earnings proved effective. Evonik reduced net working capital substantially and lifted cash flow significantly. Dr. Engel: "We reduced net financial debt massively, by a quarter. That is the most rapid reduction in debt in the past four years." In addition, a new corporate strategy has been adopted, paving the way to drive forward the Evonik Group with a focus on sustained, profitable growth.

Evonik Industries AG
Rellinghauser Strasse 1-11
45128 Essen
Germany
www.evonik.com

Chairman of the Supervisory Board
Wilhelm Bonse-Geuking
Management Board
Dr. Klaus Engel, Chairman
Ralf Blauth, Dr. Wolfgang Colberg

Registered Office: Essen
Register Court: Essen Local Court
Commercial Registry B 19474

Lower sales due to economic conditions—EBITDA only down slightly year-on-year thanks to cost savings

In 2009 **Group sales** slipped 18 percent year-on-year to €13.076 billion. However, **EBITDA** (earnings before interest, taxes, depreciation, amortization and the non-operating result) only slipped 6 percent to €2.025 billion year-on-year, compared with decline of 34 percent in the first six months. This performance was due to effective cost-cutting and a slight upturn in demand from the summer. Overall, the Group's **EBITDA margin** climbed to 15.5 percent in 2009, which was well above the previous year's level (13.6 percent).

The Group made a **non-operating loss** of €299 million in 2009, a clear improvement on the year-back figure (non-operating loss of €406 million). The **income before income taxes from the continuing operations** rose 14 percent to €412 million. **Income before income taxes from the discontinued operations** broke even in 2009. The corresponding figure (€134 million) for the previous year mainly comprised the proceeds from the divestment of the tar refining and initiators businesses. In 2009, **net income** was €240 million, below the year-back figure of €281 million, which had been boosted by the proceeds from divestments. Operationally, Evonik thus achieved a good performance in the midst of the global financial and economic crisis.

Despite the crisis that dominated 2009, Evonik once again earned a premium on its cost of capital. **ROCE** (return on capital employed) was 8.4 percent, which was above the relevant pre-tax cost of capital of 8 percent for the Group. ROCE was above the cost of capital in each of the three business areas—Chemicals, Energy and Real Estate.

Evonik substantially improved the **cash flow from operating activities** from €388 million in 2008 to €2.092 billion in 2009. A key factor here was the considerable reduction in net working capital, in other words, the short-term capital tied up in operations. The cash flow from operating activities was sufficient to reduce **net financial debt** by €1.152 billion (just over 25 percent) to €3.431 billion and finance investments.

In 2009 Evonik undertook all strategically important **capital expenditures**. Overall, these totaled €849 million. Thanks to the Group's flexible investment planning, Evonik was even able to utilize leeway to reduce these capital expenditures by around €300 million year-on-year.

Cost savings of over €500 million were well above target

Evonik took extensive and rapid action to cut costs and raise efficiency in 2009. The main aim was to improve earnings and liquidity in the short term. The action taken by Evonik and its employees was very successful: Savings exceeded €500 million, which was well above the short-term target of around €300 million. In the second half of the year the Group was therefore able to make up some of the shortfall in business. In addition, Evonik aims to achieve lasting cost savings of around €500 million p.a. from 2012. About a quarter of these have already been achieved and specific measures have been defined for 70 percent of the total.

Dr. Engel stressed the “tremendous performance” by the entire Evonik team last year. He said that it was thanks to all employees that Evonik could present financial figures that had “seemed unattainable in the first half of the year.” That is the result of a concerted effort by management and employees together with the Works Councils and the Mining, Chemical and Energy labor union (IG BCE). In Germany agreement has now been reached with the Works Councils and the IG BCE labor union that Evonik will refrain from dismissals for operational reasons up to December 31, 2012.

Group strategy paves the way for profitable growth

2009 was also characterized by a strategic realignment of the Group, with a fundamental refocusing geared to further profitable growth and sustained value creation. Following an extensive analysis, in December 2009 Evonik decided to concentrate on specialty chemicals in the future. The Group already ranks among the global leaders in this field. The aim is to enable the energy business to fully exploit its considerable growth potential in collaboration with one or more partners, while remaining part of the Evonik Group. In addition, Evonik plans to combine its real estate activities with those of THS GmbH, creating a strong residential real estate company with around 130,000 residential units. In the Chemicals Business Area Evonik is systematically focusing on high-margin business with attractive growth and earnings potential. Above all, the Group wants to benefit from global megatrends: resource efficiency, health and nutrition, and the globalization of technologies.

Performance of the business areas in 2009

Chemicals Business Area

The performance of the Chemicals Business Area varied greatly in 2009. Despite initial signs of an upturn, businesses focused on the automotive, construction and plastics industries were particularly badly affected by the crisis. By contrast, demand for products for the consumer goods, pharmaceuticals and animal feeds sectors was positive. This business area's sales contracted by 15 percent to €9.978 billion (2008: €11.762 billion). Thanks to extensive action to safeguard liquidity and earnings and cost savings, the year-on-year decline in EBITDA of 33 percent registered at mid-year had been almost entirely eliminated by year end. The Chemicals Business Area reported EBITDA of €1.602 billion in 2009, only 1 percent less than in 2008. ROCE improved to 10.3 percent (2008: 9.9 percent).

Clear signal for new international growth: In 2009 Evonik's new production complex for polymers, polymer preproducts and coating systems came on stream in Shanghai (China). Costing €250 million, this was the second-largest investment project ever undertaken by the business area. The products are used, for example, in LEDs for modern flat-screen displays.

Energy Business Area

In 2009 sales dropped 25 percent to €2.558 billion in the Energy Business Area, down from €3.399 billion in 2008. This was principally due to a considerable drop in the price of hard coal, which had peaked at US$220 per metric ton in 2008. In 2009 the price ranged between US$62 and US$81. Coal trading and demand for electricity also decreased due to the crisis in 2009. Nevertheless, Evonik succeeded in checking the decline in EBITDA thanks to cost savings. Accordingly, EBITDA slipped just 19 percent to €418 million, compared with €517 million in 2008. A major downside factor affecting earnings comprised considerable one-off impairment losses on coal inventories caused by the substantial drop in prices in the first half of 2009. ROCE was 9.7 percent compared with 13.2 percent in 2008.

Evonik's innovative 790 Megawatt hard-coal power plant in Duisburg-Walsum (Germany) will shortly come into service. Total investment in this plant ("Walsum 10") is €820 million. Following the successful pressure test in summer 2009, Europe's most advanced hard-coal power plant will be brought into service this year. Walsum 10 has efficiency of over 45 percent. At full load, it requires 20 percent less raw materials than other hard-coal power plants with the same rated power and thus emits 20 percent less CO_2.

Real Estate Business Area

The Real Estate Business Area posted a stable performance in 2009. Sales were €378 million compared with €375 million in the previous year. EBITDA slipped 16 percent to €183 million, down from €217 million in 2008. However, the 2008 figure was boosted by one-off income from the sale of commercial property. After adjustment for this, the percentage drop was in the low single-digit range. ROCE was 7.3 percent (2008: 9.2 percent).

This business area owns and manages around 60,000 residential units. It also has a 50 percent stake in THS, which owns more than 70,000 residential units. In 2009, Evonik's demand-based vacancy rate was 2.4 percent, which remains a very good letting situation by sector standards.

Research and development are still strong innovation drivers

Despite the economic crisis, the Evonik Group's R&D spending was €300 million in 2009 (2008: €311 million). This continued high level of expenditure underscores the especial significance that Evonik attaches to R&D as the basis for profitable future growth.

One special success story resulting from R&D is the development of proprietary technology for serial production of cells for large-scale lithium-ion batteries. In recent years, Evonik has invested around €100 million in this field. This storage technology, which uses high-performance SEPARION® separator membranes, is protected by extensive patents and was bundled under the brand name CERIO® in 2009. Evonik aims to be Europe's number 1 manufacturer of large-scale lithium-ion battery cells and components.

Business development in the fourth quarter of 2009

The improvement in demand registered in previous months continued in the fourth quarter of 2009. **Group sales** increased 5 percent compared with Q3 2009 to €3.486 billion. However, sales were 8 percent lower than in Q4 2008. This was mainly attributable to the Energy Business Area, where sales dropped 29 percent to €709 million, chiefly due to lower coal prices. In the Chemicals Business Area sales advanced 1 percent to €2.662 billion in the fourth quarter, driven principally by considerably higher demand, although selling prices declined. In the Real Estate Business Area sales decreased by 5 percent to €99 million.

The Group's **EBITDA** was €557 million in the fourth quarter of 2009, 59 percent above the year-back figure of €351 million. Alongside the upturn in demand in the Chemicals Business Area, this was driven principally by cost savings throughout the Group. In this business area EBITDA rose 88 percent to €435 million, mainly as a result of an improvement in margins and cost savings. In the Energy Business Area, EBITDA increased by 62 percent to €153 million, while in the Real Estate Business Area it slipped to €50 million year-on-year (Q4 2008: €56 million). The Evonik **Group's EBITDA margin** climbed to 16.0 percent in Q4 2009 (Q4 2008: 9.2 percent).

In the final quarter of 2009 **net income** was €29 million, compared with negative net income of €311 million in the fourth quarter of 2008.

In view of the good operating performance and successful action to safeguard liquidity, the **cash flow from operating activities** was €833 million in the fourth quarter of 2009, compared with only €55 million in the fourth quarter of 2008.

Outlook for 2010

Evonik is looking ahead to 2010 with confidence. The Group made a good start to the year. In January and February sales and all earnings indicators were well above the year-back figures, although volumes and sales were still lower than in 2008. The economic outlook for the present year is still dominated by uncertainty and a number of question marks remain. However, given the renewed upturn in volumes, Evonik expects sales in 2010 to be higher than in 2009. The aim is to hold EBITDA at least at last year's level. In view of the expected improvement in business, Evonik is planning to step up capital expenditures substantially compared with 2009.

Evonik Group: Excerpt from the Income Statement

(in € million)	Q4 2009	Q4 2008	Change in %	2009	2008	Change in %
Sales	3,486	3,802	-8	13,076	15,873	-18
EBITDA	557	351	59	2,025	2,165	-6
EBIT	321	98	228	1,194	1,298	-8
Non-operating result, continuing operations	-161	-328		-299	-406	
= Operating income	**160**	**-230**	**-**	**895**	**892**	**0**
Net interest expense	-121	-133		-483	-530	
= Income before income taxes, continuing operations	**39**	**-363**	**-**	**412**	**362**	**14**
Income before income taxes, discontinued operations	5	-36		0	134	
= Income before income taxes (total)	**44**	**-399**	**-**	**412**	**496**	**-17**
Income taxes	7	91		-100	-145	
= Income after taxes	**51**	**-308**	**-**	**312**	**351**	**- 11**
Non-controlling interests	22	3		**-72**	**-70**	
= Net income	**29**	**-311**	**-**	**240**	**281**	**-15**

Performance of the business areas

	Sales			EBITDA		
	Q4/2009 € million	Q4/2008 € million	Change in %	Q4/2009 € million	Q4/2008 € million	Change in %
Chemicals	2,662	2,626	1	435	232	88
Energy	709	997	-29	153	94	62
Real Estate	99	104	-5	50	56	-11
Other	16	75	-79	-81	-31	-161
Evonik Group	**3,486**	**3,802**	**-8**	**557**	**351**	**59**
	Sales			**EBITDA**		
	2009 € million	**2008 € million**	**Change. in %**	**2009 € million**	**2008 € million**	**Change in %**
Chemicals	9,978	11,762	-15	1,602	1,626	-1
Energy	2,558	3,399	-25	418	517	-19
Real Estate	378	375	1	183	217	-16
Other	162	337	-52	-178	-195	9
Evonik Group	**13,076**	**15,873**	**-18**	**2,025**	**2,165**	**-6**

Evonik Group: Employees by business area

	Dec. 31, 2009	Dec. 31, 2008
Chemicals	29,723	31,728
Energy	4,820	4,702
Real Estate	479	443
Other	3,659	3,894
Evonik Group	**38,681**	**40,767**

About Evonik
Evonik Industries is the creative industrial group from Germany. In our core business of specialty chemicals, we are a global leader. In addition, Evonik is an expert in power generation from hard coal and renewable energies, and one of the largest private residential real estate companies in Germany. Our company's performance is shaped by creativity, specialization, continuous self-renewal, and reliability.

Evonik is active in over 100 countries around the world. In its fiscal year 2009 about 39,000 employees generated sales of about €13.1 billion and an operating profit (EBITDA) of about €2.0 billion.

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