

Evonik in Japan

Japan ranks alongside the USA, Europe, China and India as one of the world's leading economic regions. The Japanese economy is highly efficient. Its main strengths are international trade and research-based high-tech sectors. The country is a key strategic player on the Asian market: It has the greatest influence on regional market trends and sets global standards for technological developments. Japan's economic strength is largely driven by manufacturing industry. The country has roughly 130 million inhabitants and is currently going through the worst economic recession in the post-war era. GDP exceeded US\$4 trillion in 2008, but is expected to contract perceptibly in 2009 in the wake of the global economic crisis.

Evonik's roughly 350 employees in Japan generated consolidated sales of around €350 million in 2008. Our Chemical Business Area has been firmly established in Japan since the 1960s and maintained a variety of trade relations with the country before that. Silicas are a major focus of our business in Japan. These versatile products have a wide range of applications. They make coatings scratch-resistant, facilitate the production of fuel-saving tires with low rolling resistance, improve the flow properties of toothpaste and can also be used as polishing agents for microchips.

Evonik is the global leader in both fumed and precipitated silicas and has systematically strengthened its position on the attractive Japanese silicas market in recent years. In 2000, we raised our stake in our largest Japanese subsidiary, Nippon Aerosil Co., Ltd., from 50 percent to 80 percent; the remaining shares are held by Mitsubishi Materials Corporation. Nippon Aerosil's production site in Yokkaichi, about 400 km south of Tokyo, has been extended steadily since the start of this cooperation with Mitsubishi Materials in 1966. It now has around 180 employees who produce specialty chemicals for applications in the silicone, adhesives, colorants and lacquers, plastics and toners sectors. There is also a regional research and applications technology center for fumed silicas.

As a further step in our expansion strategy in 2003 we established DSL Japan Co., Ltd. with the Japanese company Shionogi & Co., Ltd. We have a 51 percent stake in this company, which manufactures and markets precipitated silicas, silica gels and matting agents. Evonik produces silicas at its sites in Yokkaichi and Akoh in Japan. We have a total of eight silica production sites in five countries in the Asia-Pacific region.

Evonik has also stepped up its coatings activities in Japan. In summer 2008 we opened the interdisciplinary Japan Coatings Laboratory for customer-specific development work in Tsukuba. Applications for coatings range from paints for walls and facades through lacquers for wood to marine and automotive coatings. We are therefore positioning ourselves as an innovative supplier of custom-tailored system solutions for Japanese coating manufacturers. We already have similar laboratories in Shanghai and Singapore. The coatings industry is an important market segment for Evonik and generates global sales of over €1 billion.

As part of our global production network, we have been producing catalysts in Tsukuba since the 1990s. The focus is on the Japanese market, but products are also supplied to other Asian countries such as China and Korea. Catalysts from Tsukuba are mainly used in the production of pharmaceuticals, fine chemicals and chemical intermediates.

Evonik also develops, processes and markets high-performance polymers in Japan, especially polyamide 12 products, in which we are a world leader. These are used, for example, in high-performance hoses for the automotive sector. Since 1970 Daicel-Evonik, a 50:50 joint venture with Daicel Chemical Industries, Ltd., has operated in this field.

In June 2008 experts from Evonik showcased our high-performance PEEK polymer—which we market as VESTAKEEP®—in composite fibers to leading Japanese managers in Tokyo and Osaka. PEEK is the official abbreviation specified in ISO 1043 for polyetherether ketone, an attractive niche product in the specialty chemicals sector. It is used in the automotive, electronics, aerospace and aviation industries, where conformance to exceptionally high mechanical, thermal and chemical specifications is required.

Evonik positioned itself early on in the high-growth market for lithium-ion battery components. Materials that improve the safety and performance of large-volume lithium-ion batteries are an important precondition for their use in modern electrical and hybrid vehicles. The global market for lithium-ion battery materials is growing at double-digit rates and will probably top the €4 billion mark in the coming decade. In 2005 Evonik and the Japanese company ENAX established the joint venture Evonik Degussa Enax (Anqiu) Power Lion Technologies Co., Ltd. in the Chinese province of Shandong. We thus acquired an exclusive global license to produce electrodes for lithium-ion batteries. Electrodes are produced under the brand name LITARION™ in Anqiu (China) for use at the ENAX sites in Tianjin near Beijing (China) and Yonezawa (Japan).

Alongside lithium-ion battery components and polyamide for fuel hoses, Evonik offers a wide range of other major products and applications for the modern automotive industry. Our expertise has repeatedly been presented in Tokyo, most recently to one of Japan's major automobile producers in February 2008. That has resulted in several joint development projects with Japanese companies, most of which aim to produce lighter weight vehicles and reduce CO₂ emissions. In 2007 over 11 million autos, buses and trucks were produced in Japan—more than in any other country.

The latest milestone in our strategy of strengthening our role in Japan focuses on photovoltaics. As the global market leader in chlorosilanes and a major producer of monosilanes, Evonik already produces key components for ultrapure polycrystalline solar silicon in Western Europe. We will be taking the first step into Asia in this field at the end of 2009 when construction of a combined production facility for monosilane and AEROSIL® fumed silica is due to start at our site in Yokkaichi. The new facility involves investment of around 125 million euros and start-up is scheduled for 2011. Our partner for this project is Taiyo Nippon Sanso Corporation, one of the world's largest gas distributors, which has served major customers in the electronics industry in Asia for many years. We have concluded a long-term supply agreement with this company for monosilane. The plan is to sell the additional AEROSIL® on

the growing Asian market. The new facility will use innovative technology developed by Evonik, enabling us to enter the production of electronic-grade monosilane for applications such as thin-layer photovoltaics, flat screens and semiconductors. This technology gives Evonik a foothold in all major silicon-based photovoltaic technologies and is a further major step towards strengthening our silicon production network.

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