

Evonik in Central and South America

Central and South America is the fourth largest economic region in the world after North America, Asia and the European Union. The global economic downswing has flattened the boom seen in recent years, which was driven by consumer spending and strong demand from the emerging Asian economies for raw materials such as oil, silver, iron ore and copper. The region is also a major exporter of agricultural products and derivatives such as meat, sugar, soy beans and ethanol and a promising market for biotechnology. Central and South America has over 500 million inhabitants and the largest economy is Brazil, with GDP of US\$1.7 trillion in 2008.

Evonik's Chemicals Business Area has been doing business in Central and South America for more than 50 years. The sales organization for the entire region¹⁾ is Evonik Degussa Brasil Ltda. in São Paulo.

We have been producing hydrogen peroxide at our facility in Barro do Riacho in the state of Espírito Santo (Brazil) since 1997 and capacity was increased to 70,000 metric tons p.a. in 2007 as attractive market growth rates are forecast. Moreover, a new hydrogen peroxide plant is planned near Porto Alegre in southern Brazil. Brazil is one of the world's leading producers of short-fiber pulp for the paper industry, which is the most important end-market for hydrogen peroxide. Evonik has played a part in developing innovative production processes for hydrogen peroxide and is the world's second largest producer of this environment-friendly bleaching and oxidation agent with total capacity of around 600,000 metric tons p.a.

The tire and automotive industries in Central and South America are also growing steadily. In 2007 Brazil was the world's seventh largest producer of automobiles with output of around 3 million vehicles and more than 57 million tires. About a third of output was exported. Carbon black, a key starting product for various types of rubber products, is therefore another attractive growth market for Evonik in this region. Carbon black and silica silane components from Evonik reduce the abrasion of auto tires, increase their durability and ensure optimal grip on wet roads. In 2002 we opened a new carbon black facility with state-of-the-art production equipment in Paulinia, about 120 kilometers north-west of São Paulo. In 2007, capacity at this plant was doubled to 100,000 metric tons p.a. in response to the high growth momentum on the Brazilian market. Evonik has thus strengthened its global position as the second largest producer of carbon blacks with output of around 1.4 million metric tons p.a. So far we have invested €65 million in Paulinia. We also supply a variety of other high-quality products for the South American automotive market, including polyamide 12 for fuel hoses, and a wide range of raw materials and additives for coatings and colorants.

Brazil is the world's leading exporter of meat and the third largest producer of poultry products, making it an important market for our feed additives business: Evonik produces essential amino acids for animal feeds, especially for poultry. We are the only supplier in the world

¹⁾ Evonik defines the Central and South America region as: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay and Venezuela. Mexico is included in the North America region.

that markets all four major amino acids for animal feeds. Our activities include custom-tailored services covering all stages in the value-added chain, from the analysis of amino acids in feed components to quality control. We therefore have our own formulating laboratory in São Paulo as well as a sales office and application technology center.

Evonik produces the world's leading catalyst for biodiesel, a sector which is reporting double-digit global growth rates. We are currently building a 60,000 metric ton plant to produce alcoholates from sodium methylate at our site in Mobile (Alabama, USA). Alcoholates are used as catalysts in the manufacture of biodiesel. There are plans to build a production facility in Brazil to serve the South American market. This is scheduled to come on stream in 2010. So far, Evonik produces these alcoholates exclusively at its site in Lülisdorf (Germany).

Our site at Americana (São Paulo, Brazil) has been producing powdered precious metal catalysts for the South American crop protection and polymer industries since 1978. As one of the leading producers of corn and soybeans, Brazil is an attractive growth market for us. Chemical catalysts comprising a very finely powdered precious metal on a carrier are the "work-horses" of many manufacturing processes. Their significance is comparable to the robots used in the automotive sector. Evonik is one of the world's leading suppliers of such catalysts with a global production network. Alongside the facility in Americana, we have plants in Hanau-Wolfgang (Germany), Calvert City (USA) and Tsukuba (Japan).

Evonik's Energy Business Area has been a successful player on the international power plant market for many years. Its strategy is to carry out highly profitable projects with a limited risk profile in conjunction with local partners. Its long-term philosophy is therefore to hold a stake of no more than 51 percent in foreign power plants. The first major power plant planned, financed and built by Evonik in conjunction with local partners is also the most advanced hard-coal power plant in South America: Termopaipa IV in Paipa (Colombia). Investment in this 165 MW power plant totaled some US\$220 million. Since it came into operation in 1999, electricity from this power plant has been sold to the regional utility Empresa de Energía de Boyacá S.A. under a 20-year offtake agreement.

In Brazil Evonik and a local partner have also operated the Canoas 170 MW gas turbine power plant in Porto Alegre on behalf of Petrobras since 2002. This is one of the most advanced, efficient and environment-friendly power plants in South America. Moreover, its bivalent technology makes it extremely flexible. The power plant is at the end of the long gas pipeline from Bolivia and supplies power to neighboring Argentina as well as to the Porto Alegre region. A highly efficient off-gas recovery unit is to be installed in the coming years to allow operation as a combined gas and steam turbine power plant.

In 2008 Evonik signed a similar long-term agreement to operate a highly complex 480 MW power plant fired by blast furnace gas in Sepetiba near Rio de Janeiro. This will supply power to a blast furnace currently being built by a joint venture of ThyssenKrupp Steel and the world's largest iron ore supplier, Companhia Vale do Rio Doce (CVRD). This power plant, which will also supply 200 MW power to the public grid, sets new standards for gas recovery and energy efficiency in blast furnaces. Evonik designed the power plant and is providing support during the construction phase.

In recent years, Evonik has also been involved in a number of other projects in Argentina and training projects in Chile. The Group has thus established a strong market presence in the region and is well-positioned to participate in the dynamic growth of the South American electricity market.

As an all-round supplier, the Energy Business Area draws on its global expertise in engineering and consulting to provide turnkey solutions. It has 450 engineers with experience of the planning, erection and operation of power plants in more than 60 countries. Through these services we deepen our insight into different countries and markets, which we turn into new ideas for power plant projects. Our energy services in Central and South America are coordinated by our subsidiary Evonik Energy Services do Brasil Ltda. in Barra da Tijuca.

In 2008 Evonik increased consolidated sales in Central and South America by 20 percent to €589 million. Looking ahead to the future, we intend to step up our commitment to this attractive growth region, where we have around 500 employees.

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