

Evonik in South Korea

South Korea has developed rapidly since the 1960s and is now one of the world's major economies and a dynamic hub in East Asia. The country has roughly 50 million inhabitants and its gross domestic product (GDP) was around US\$850 billion in 2008. It is a technology leader in many market segments, such as flat screens and computer chips. Shipbuilding, the chemical and automotive industries and mechanical and plant engineering are also important. South Korea has a strong focus on the technologies of the future and the importance attached to education and research places it among the world leaders. The country has an export quota of around 40 percent, so it has been particularly exposed to the global economic crisis but counteraction taken by the government since last fall is already starting to bear fruit and the country reported slight GDP growth in the first quarter of 2009.

Evonik's Chemicals Business Area has operated in South Korea since the mid-1980s and has a number of production facilities in the country. The local sales company is Evonik Degussa Korea Ltd., which is based in Bupyeong near Seoul. Evonik had around 250 employees in South Korea in 2008 and consolidated sales were nearly €280 million.

Evonik's best-selling products in South Korea are rubber and pigment blacks, which are produced in Bupyeong and Yosu, and have to meet high specifications. Our customers use rubber blacks as reinforcing fillers in auto tires and as components in technical rubber blends for a wide variety of applications from household appliances to the aerospace sector. The end-markets for pigment blacks are the coatings, printing inks and plastics industries. Evonik ranks second in the world in rubber blacks and is the global market leader in pigment blacks.

In South Korea, Evonik is also extremely well positioned in the high-growth hydrogen peroxide market. Since summer 2008 the South Korean company SKC has been producing propylene oxide in Ulsan using the innovative HPPO (Hydrogen Peroxide for Propylene Oxide) process developed by Evonik in collaboration with the engineering company Uhde. Propylene oxide is a starting product for polyurethane, which is used for example to manufacture taps and cushioning for autos. The world's first HPPO facility, which operates under license from Evonik and Uhde, has a capacity of 100,000 metric tons p.a. The hydrogen peroxide required for this process is supplied "over-the-fence" by the Evonik Headwaters joint venture, which acquired the neighboring hydrogen peroxide facility from Kemira for this purpose about two years ago. Capacity has been more than doubled since then. HPPO production in Ulsan is an outstanding example of how innovative processes are used to position us successfully in new markets. Evonik's total annual production capacity for hydrogen peroxide, an environment-friendly bleaching and oxidation agent, is about 600,000 metric tons.

Given the excellent infrastructure and attractiveness of South Korea, we see enormous potential to expand our business in this market.