

Evonik in Turkey

Turkey—the crossroads between East and West—is one of the world’s fifteen largest economies. In 2008 it had more than 70 million inhabitants and a gross domestic product (GDP) of around US\$800 billion. A young and rapidly growing population (65 percent of inhabitants are under 34) and a dynamic private sector give the country enormous potential. Growth sectors are the construction, automotive, mechanical engineering, plastics, environmental technology and energy technology industries. The privatization of state-owned companies, which started in the late 1990s, is continuing. Around half of Turkish exports are to the European Union, and Germany has been the country’s most important trading partner for many years. Turkey has also established itself as an attractive industrial location for exports to the fast-growing Asian markets.

Evonik’s Energy and Chemicals Business Areas have had a presence in Turkey for many years. The Group has 400 employees in the country and generated consolidated sales of around €650 million there in 2008. The Energy Business Area accounted for three-quarters of this.

Evonik has been a successful player on the international electricity market for many years. Its strategy is to undertake highly profitable projects with a very limited risk profile. The coal-fired power plant in Iskenderun, which started operating in 2003, was a quantum leap forward in many respects. Evonik invested US\$1.5 billion in Iskenderun, the biggest investment in its history and still the biggest single foreign investment ever made in Turkey. Moreover, Iskenderun is the biggest and most energy-efficient hard-coal power station in Turkey with rated power of 1,320 Megawatts. The electricity produced covers five percent of the country’s demand for power.

Our strategy is to work with strong local partners on our foreign power plant projects. Following the successful commissioning of Iskenderun, we sold a 49 percent stake to the Turkish company Oyak, the investment company of the Turkish army’s benevolent fund. Evonik remains the majority shareholder and is in charge of operating the plant.

Long-term offtake agreements with major customers—for the Iskenderun power plant, this is the Turkish state energy supplier TETAS—backed up by state guarantees and measures to limit exposure to political risks ensure a sustained return on investment and stable cash flows. The hard coal purchased on the world market for this power plant is shipped to Iskenderun by sea. In the shallow bay area Evonik has therefore built the world’s largest floating transshipper: almost 100 meters long and more than 50 meters high. Bulk coal freighters dock sideways, the coal is transferred to smaller ships by crane and then automatically unloaded via conveyor belts at the power plant’s own dock.

In addition to the Iskenderun plant, Evonik operates two other power plants outside Germany: in Paipa (Colombia) and on Mindanao (Philippines). The Energy Business Area is planning to extend its successful foreign activities.

The Chemicals Business Area already has a broad base in Turkey. Its main areas of business in this country are superabsorbents, rubber blacks, silicas and feed additives. Evonik is the global market leader in precipitated silicas and rubber silanes, the second biggest producer of carbon blacks for rubber and pigments, and one of the market and innovation leaders in superabsorbents.

To strengthen our market position in south-eastern Europe and the Middle East we took a 25 percent stake in the Turkish silica producer Egesil in Adapazari, near Izmit, in 2002. Two years later, we increased this to 51 percent. The main customers for silicas produced by Egesil are the tire industry and producers of technical rubber goods and disperse dyes. Together with rubber silanes and rubber blacks, silicas are a major component of low rolling-resistance tires, which significantly reduce fuel consumption. Evonik is the only single-source supplier of all three key reinforcing components for these tires: carbon black, silica and silanes.

Superabsorbents are crosslinked polymers produced from acrylic acid which form a gel that can absorb up to 300 times their weight in liquid and retain it even under pressure. These high-tech substances are used in diapers, incontinence products and feminine hygiene products. The Turkish market for these products is very attractive. Market penetration is only 50 percent and there are a large number of domestic producers as well as three global suppliers. 60 different brands of diapers are available in Turkey. Demand for the various qualities available varies depending on personal preference.

Evonik's Energy and Chemicals Business Areas have an excellent position in Turkey and are set for further growth in this attractive market.

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