

## Evonik in Turkey

Turkey—the crossroads between East and West—is one of the world’s seventeen largest economies. In 2009 it had more than 70 million inhabitants and a gross domestic product (GDP) of over US\$600 billion. Following the global recession, which severely impacted the Turkish economy, the country is expected to return to a growth path in 2010. The prospects are good: A young and rapidly growing population and a dynamic private sector give the country enormous potential. Growth sectors are the construction, mechanical engineering, plastics, environmental technology and energy technology industries. The privatization of state-owned companies, which started in the late 1990s, looks set to continue. 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 base for exports to the fast-growing Asian markets.

Evonik’s Chemicals and Energy Business Areas have had a presence in Turkey for many years. The Group has around 400 employees in the country and generated consolidated sales of around €500 million there in 2009. The Energy Business Area accounted for more than three-quarters of this.

Evonik has long been a successful player on the international electricity market. Its strategy is to undertake highly profitable projects with a very limited risk profile. The coal-fired power plant in Iskenderun in the province of Adana in southern Turkey, which started operating in 2003, was a quantum leap forward in many respects. Evonik invested US\$1.5 billion in this power plant, which has totaled rated capacity of 1,320 MW. That was the biggest investment in our history and is still the biggest foreign investment ever made in Turkey. With its state-of-the-art environmental technology, including flue gas scrubbers, improved water quality and noise reduction measures, this plant makes an important contribution to environment protection. This is complemented by a constant environmental monitoring and management program. Residues from operation of the power plant such as fly ash and gypsum are marketed in Turkey and internationally.

Our engineers had to overcome special technical challenges in the construction of this power plant: The bay where Iskenderun is located is too shallow for large coal freighters to dock. A world’s largest floating transshipper for coal was therefore constructed two nautical miles off the coast. Almost 100 meters long and more than 50 meters high, it handles 30,000 metric tons of coal a day. 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 keeping with our strategy, we undertake such projects in collaboration with local partners and strive to hold a stake of 51 percent in the long term. Following the successful commissioning of Iskenderun, we therefore sold a 49 percent stake to the Turkish armed forces’ pension fund Oyak. Evonik remains in charge of operating the plant. A long-term offtake agreement has been concluded with the state-owned energy supplier TETAS, whose payments are guaranteed by the state.

In addition, Evonik aims to gain a foothold on the renewable energy market in Turkey. Together with project developer Germania Windpark GmbH, Rheine (Germany), it aims to build wind farms in the Asian area of Turkey. In fall 2009 we signed an agreement on joint development and subsequent operation of wind farms in Marmara, Adasi, Kikagac and Harbiye.

Superabsorbents are by far its most important business in Turkey, followed by silicas, feed additives and rubber blacks. Evonik ranks among the global market leaders in all these fields. We are the market and innovation leader in superabsorbents—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.

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 emulsion paints. Together with rubber silanes and rubber blacks, silicas are a major component in low rolling-resistance tires, which significantly reduce fuel consumption. Evonik is the only single-source supplier of all three key reinforcing components: carbon black, silica and silanes.

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

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