

Evonik Sanzheng Joint Venture Builds Cyanuric Chloride Plant in China

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- €24 million investment in Chongqing secures strong market position

Evonik Industries is systematically consolidating its already strong position in the world market for cyanuric chloride, an intermediate used in agricultural applications and in the textile, paper and plastics industries. The cornerstone for a new plant was laid today in Chongqing Industrial Park, Western China, with the participation of representatives of the relevant Chinese regulatory authorities. Construction is scheduled for completion by the end of 2008. About 280 employees will work in the plant. With the construction of the new plant, the existing capacity in China will be doubled and will then reach 60,000 metric tons. Dr. Klaus Engel, a member of Evonik's Executive Board with responsibility for the Chemicals Business Area, said: "This new plant of ours will strengthen our position in a highly competitive environment. From 2009 onward one of the focuses of our cyanuric chloride business will lie in the China region, with its dynamic growth. So it's particularly important for us to produce locally, and therefore be closer to the customer."

Responsibility for the project lies with the joint venture Degussa Sanzheng (Yingkou) Fine Chemicals Co., Ltd., which was established in Yingkou, Northeastern China, in mid-2005. Cyanuric chloride (CYC) and its derivatives have been produced there since the 1980s. Under the joint venture, the capacity was expanded to about 30,000 metric tons in Yingkou. Evonik has a 65 percent stake in the joint venture, the remainder being held by Liu Zhixun, principal stakeholder and Deputy General Manager of Degussa Sanzheng (Yingkou) Fine Chemicals (YSFC) in Northern China. YSFC is a well-known CYC producer with extensive market experience in China and Asia.

The approximately 650 employees of the joint venture generated sales of about €46 million in 2006, mainly in the Asia region. With annual growth rates exceeding 7 percent, China is a particularly attractive market for CYC. In addition to the plant in Yingkou (Northeastern China), Evonik

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currently also produces cyanuric chloride at the German sites of Wesseling (North Rhine–Westphalia) and Münchsmünster (Bavaria).

The reasons for the choice of Chongqing Industrial Park, which lies in the western part of the country, are its excellent supply of raw materials and good industrial infrastructure. The project will involve intensive exchange of know-how between Chinese and German experts. Strict cost management and Chinese engineering will ensure that project investments will be kept relatively low. At the same time, safety will meet high Evonik standards.

The new production facility is the latest in a continuing series of major investments by Evonik Industries in China. The Group has been producing specialty chemical products there since the early 1990s, and trade ties of various kinds go back even further. The Group now owns 18 companies in China, with production sites in more than ten cities. The product range includes precipitated silica, carbon black, rubber silanes, amino acids, polyurethane foam additives, coating polyesters, pigment pastes, color tinting systems, high-performance polymers, and initiators for polymer production.

In fiscal 2006, about 4,000 employees in the China region generated sales of €460 million, a 60 percent increase over the previous year's sales of €288 million.

Company information

Evonik Industries is the creative industrial group from Germany which operates in three business areas: Chemicals, Energy and Real Estate. Evonik is a global leader in specialty chemicals, an expert in power generation from hard coal and renewable energies, and one of the largest private residential real estate companies in Germany. Our strengths are creativity, specialization, continuous self-renewal, and reliability. Evonik is active in over 100 countries around the world. In its fiscal year 2006 more than 43,000 employees generated sales of about Euro 14.8 billion and an operating profit (EBIT) of over Euro 1.2 billion.

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