

## **Fine Chemicals: Degussa and Lynchem establish a joint venture for exclusive synthesis in China**

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Dusseldorf (ots) -

Degussa AG of Dusseldorf, Germany, and Lynchem Co., Ltd., Dalian, Liaoning Province, China ("Lynchem"), have signed a contract to establish a joint venture. The goal of the new company is to enhance Degussa's and Lynchem's manufacturing asset base for the production of custom-manufactured fine chemicals and to provide the customer base of Degussa and Lynchem with more competitive solutions. Degussa (China) Co., Ltd., Beijing, an affiliate of Degussa AG, will acquire 51 percent of Lynchem. The remaining 49 percent will be held by the current owners. Closing of the transaction is expected before the end of 2006, and will be subject to governmental and antitrust authority approvals. The new company will operate under the name of Degussa Lynchem Co., Ltd.

The joint venture will be a cornerstone for the implementation of the Asia strategy of Degussa's Exclusive Synthesis & Catalysts Business Unit. It will combine Lynchem's track record in the efficient production of custom-made fine chemicals with Degussa's strength as a market leader in technology development as well as for good manufacturing practice (GMP) intermediates and active pharmaceutical ingredients (APIs) for the pharmaceutical industry. Degussa will become the first European supplier to implement the concept of horizontal integration in the custom-manufacturing market. This will allow cost competitive manufacturing of on-patent intermediate and API steps, off-patent APIs and other special chemicals in the Chinese joint venture. At the same time, the customers will benefit from Degussa's extensive portfolio of leading technologies available at its European sites and Degussa's track record of compliance with all regulatory and intellectual property requirements for on-patent intermediates and APIs.

Degussa Lynchem will be fully integrated into Degussa's global production infrastructure and marketing network, and will continue the commitment to Lynchem's existing customers and projects. This will ensure that all customers will be provided with better services and solutions, but served from one key contact.

"This transaction is a decisive step in the continued development of our fine chemicals activities, which represent one of our important core business areas," states Dr. Alfred Oberholz, Deputy Chairman of the Management Board of Degussa AG. Dr. Rudolf Hanko, Head of Degussa's Exclusive Synthesis Business Line, remarks: "Customers have been waiting for the opportunity to get the best of both regions from a single supplier. In forming the joint venture with Lynchem we are combining with a leading force in the Chinese custom-manufacturing industry".

Mr. Yuncai Wang, founder and majority shareholder of Lynchem, comments: "Lynchem has been a pioneer in promoting and developing in China the custom-manufacturing of intermediates and GMP regulated products for the world markets. The partnership with Degussa, well known as a leading player in exclusive synthesis, will result in a competitive advantage for the new joint venture. We are pleased to have attracted such a strong partner."

Lynchem is a leading Chinese fine chemicals custom-manufacturing company of 1,200 employees with a 50 hectare facility in Dalian/Liaoning Province and sales of 35 million euros in 2005. The company was established in 1995, has a reactor capacity of more than 800 cubic meters and exports over 95 percent of its products to leading pharmaceutical, agrochemical and other highly specialized customers in Europe, North America and Japan.

With sales of 335 million euros in 2005, Degussa's Exclusive Synthesis & Catalysts Business Unit focuses on the custom manufacturing of chemical catalysts, advanced pharmaceutical intermediates and active pharmaceutical ingredients. Through its global network of sites and R&D facilities, the business unit offers seamless services ranging from synthesis development on lab-scale to commercial production in its different USFDA approved facilities. It is also a leading supplier of catalytic system solutions, offering a broad portfolio of catalysts as well as all-round services for the

life science, fine chemicals, industrial chemicals, intermediates and polymer industries.

Editorial note:

A press briefing will be held in this connection at 12 p.m. noon on Wednesday, June 21, 2006, at the Degussa building at Weißfrauenstrasse 9 in Frankfurt.

The participants will include Dr. Alfred Oberholz, Deputy Chairman of the Management Board, and Patrik Wohlhauser, Head of the Exclusive Synthesis & Catalysts Business Unit.

Degussa is the global market leader in specialty chemicals. Our business is creating essentials-innovative products and system solutions that make indispensable contributions to our customers' success. In fiscal 2005 around 44,000 employees worldwide generated sales of 11.8 billion euros and operating profits (EBIT) of 940 million euros.

Contact:

Hannelore Gantzer  
Spokeswoman  
Corporate Communications  
T +49-211-65041-368  
F +49-211-65041-527  
[hannelore.gantzer@degussa.com](mailto:hannelore.gantzer@degussa.com)

Wei Song  
Secretary of the Board  
T +86-411-8724-2904  
F +86-411-8724 2604  
[wei.song@lynchem.com](mailto:wei.song@lynchem.com)

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