

# Daimler, Evonik mull selling battery JV

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Germany's Daimler AG and specialty chemicals maker Evonik Industries AG are weighing a sale of their once-celebrated but unprofitable battery joint venture Li-Tec, in a transaction owners hope could fetch as much as 1 billion euros (\$1.32 billion).

Luxury car maker Daimler, which owns 49.9% of Li-Tec and Evonik, which holds the rest, are considering selling the Dresden-based company after an initial plan to get a third owner on board failed and expectations of a mega-trend have faded, several people familiar with the matter said. Industry sources suggest the joint venture could be a good fit for Asian battery specialists.

These would find it easier to sell the batteries to more car makers than just Daimler, which uses the lithium-ion batteries in an electric version of its Smart car.

Daimler said in a statement: "We are looking at different options to give Li-Tec a better long-term grounding in the very competitive global market for battery cells. We haven't made a final decision."

Evonik declined to comment.

Amid great fanfare in 2008, Daimler began a strategic partnership with Evonik to develop electronic car batteries, hailing it as "the entry into a billion-euro market" and proclaiming the goal to become the "number one in lithium-ion battery technology in Europe."

The companies started two joint ventures. One was to produce lithium-ion cells, dubbed Li-Tec, with Daimler taking a 49.9% stake and Evonik the rest. The other, Deutsche Accumotive GmbH & Co. KG, was to develop and produce battery systems for cars, with Daimler holding 90% and Evonik taking a 10% stake.

According to the plan, if Li-Tec achieved a breakthrough, the company was to sell the batteries to other car makers as well. But Li-Tec has been in the red since its inception. In 2011, the company posted a loss of EUR26.2 million, two-thirds wider than in the year prior. Li-Tec has said it expects an operative loss also for 2012 and 2013. Bankers therefore expect Daimler and Evonik to fetch less than the EUR1 billion price tag they hope for.

The high-flying hopes for massive use of electrically fueled automobiles haven't materialized. Sales haven't taken off, with electronic cars plagued with problems such as the high price of batteries, and therefore high car prices, low-distance reliability as well as a lack of charging infrastructure.

A real breakthrough for electric-only cars would require battery capacities to double or triple according to industry experts, who suggest that hybrid technologies, a combination of battery and gasoline-powered engines, are more likely to achieve a substantial market share within the next few years.

Other battery developers' efforts have also fizzled. Robert Bosch GMBH, Europe's largest maker of car parts by revenue, for example last September sold its 50% stake in the electric battery maker SB LiMotive Co Ltd to its partner Samsung SDI Co. Ltd. Bosch at the time said it is open for other future electric car battery joint ventures. An Israeli start-up by former SAP AG manager Shai Agassi filed for insolvency at end-May.

Other car makers are cooperating with rivals or non-car companies. BMW AG is cooperating with Toyota Motors Corp. (TM), while Daimler is developing electric engines with Bosch, and Germany's Continental AG teamed up with South Korean energy and petrochemical company SK Innovation Co. Ltd.

SOURCE Dow Jones