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Evonik Industries AG

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– Text as prepared for spoken delivery –

Ladies and gentlemen,

It is a pleasure to welcome you all to Evonik's R&D press briefing here in Essen. Some of you may remember me from my previous position. I joined the Executive Board of Evonik Industries on September 1, 2017. As deputy chairman of the Executive Board, I am responsible for the areas of chemicals and innovation. Although I have worked in the chemical industry for many years, this currently makes me the new guy for new things at Evonik.

Everyone has ideas, and many people have good ideas, but that's not enough. To achieve economic success, companies must be able to put their best ideas into practice and market them effectively. That's when they turn into innovations. Good innovations move us forward. They deliver measurable success, ensure earnings, and secure tomorrow's jobs. That's why they are an essential item on the strategic agenda of Evonik. We intend to put a great deal of energy and all of our competencies into innovation, always staying at the cutting edge and in close proximity to customers. I sincerely look forward to accomplishing this task.

Ladies and gentlemen,

"Power to create" is part of the Evonik brand and is also our performance pledge. I like this approach a lot because it reflects precisely what we need most in Evonik: modern, contemporary innovative power. It generates new applications, new products, new solutions – bespoke models for our customers, or partly even developed together with them.

Research and development is not an end in itself. We research and develop for our customers, with our customers, and for the benefit of our customers. And accordingly, for our own benefit as well because new products generate new business and therefore, growth.

Ladies and gentlemen,

Innovation that consistently focuses on customer requirements is the key to our development in the short, intermediate and long term. New products and applications currently make up ten percent of our sales, but that is not enough. Evonik must improve this share. In the intermediate term, we want to increase this figure to sixteen percent.

Over the past few weeks, I have verified that Evonik has optimum conditions for innovation. Our innovation pipeline is well filled. It comprises a balanced mix of new business options as well as projects to secure and expand the perspective of existing businesses. The value of this pipeline has increased by approximately a third over the past five years. How do we know this? By adding up the net cash value of business plans for the projects in the pipeline.

We intend to quickly implement these business plans, but it will require greater effectiveness and efficiency in research and development, in collaborating with our customers, and in launching new products. That is the best approach to ensure that our innovation projects reach customers in a faster, more targeted way and generate additional revenue for Evonik.

Evonik's R&D expenses will remain at a high level with over €400 million per year. This corresponds to an R&D ratio of around 3 percent for the entire Group. If we invest these funds efficiently and specifically, this is money well spent. Around ninety percent of our research activities occur in our operative units, in the segments, and accordingly, close to customers.

In the case of joint product and solution innovations with our customers, we will give preference to R&D in businesses that have particular growth potential in the future. The R&D ratio in these businesses is already between four and six percent.

I experienced Evonik's power to create in my first meetings with employees. They work with enthusiasm and commitment to pursue topics that, driven by innovation, will generate additional new business in the future. This commitment is well embedded in our corporate strategy. New business will be generated by six innovation growth fields. We expect some €1 billion of additional sales from these innovation growth fields by the year 2025.

Let us take the example of sustainable nutrition: We are establishing further products and services for sustainable nutrition in animal farming and for humans. We do this, for example, by linking modern digital technologies with our knowledge and our experience in healthy animal nutrition. This benefits animals, farmers and consumers alike. You will be able to gain a first impression of what we are planning later on in Mr. Pelzer's presentation about the digitalization of chicken farming.

Another innovation growth field focuses on membranes. We consistently build up our SEPURAN® technology for efficient gas separation with additional applications to open up attractive markets. Our Austrian site in Schörfling is scheduled to open an expanded operational complex late this year. It will focus on producing membrane modules for efficient nitrogen extraction. Another membrane for natural gas processing will supplement the innovative product portfolio next year. The two gases, natural gas and nitrogen, make up more than 80 percent of the entire gas separation market.

Mr. Küsthardt will discuss the six innovation growth fields, of which I have just outlined two, in greater detail later on. However, there is one point I would like to emphasize in advance: All of them are backed up by a clear strategy, with business objectives, market goals and business models. These six innovation-driven areas are an important part of our growth agenda. We want them to make a tangible contribution towards increasing sales resulting from new products and applications.

Ladies and gentlemen,

Evonik places its customers at the focus of its innovation efforts. This is what we concentrate on. We want to be ready to respond to our customers' requirements tomorrow and beyond. That is the reason why we keep expanding our horizons beyond our current business. Our strategic innovation unit Creavis is responsible for the exploration of new high-tech systems. Our own Digital GmbH develops and tests digital technologies for Evonik. Again, the focus is on customers, new business models, solutions and services. Digital transformation of the chemical industry will be an important engine for innovations in our own industry and particularly in our customers' industries.

As you can see, we are working on exciting topics with great potential for the future. Evonik's range of topics is not just large, but also colorful. I invite you to gather your own impressions in the course of the next few hours.