

Evonik Industries AG

June 2017

Corporate Strategy

Tadashi Kanai

Three segments with differentiated management



Sales
€12,732 m

Adj. EBITDA
€2,165 m

Margin
17.0%

ROCE
14.0%



Nutrition & Care



Resource Efficiency



Performance Materials



Sales
€4,316 m



Adj. EBITDA / Margin
€1,006 m / 23.3%



Sales
€4,473 m



Adj. EBITDA / Margin
€977 m / 21.8%



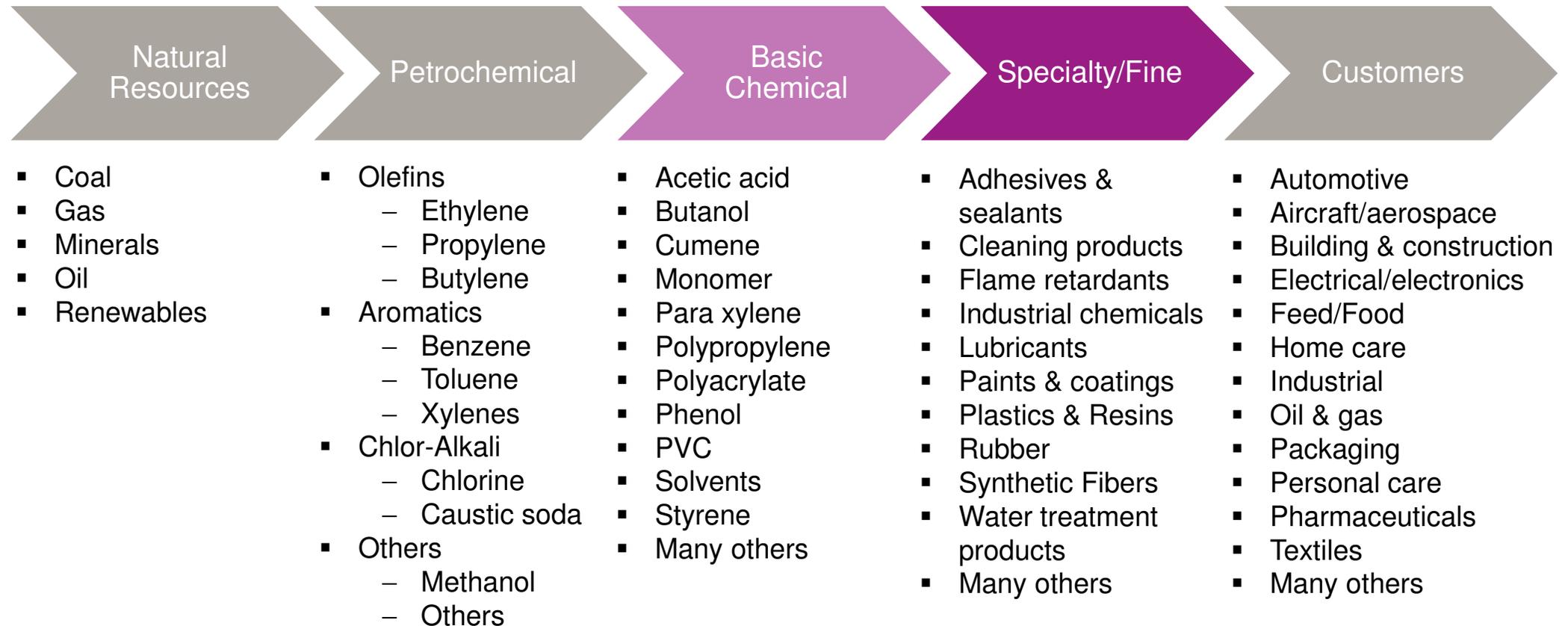
Sales
€3,245 m



Adj. EBITDA / Margin
€371 m / 11.4%

Source: Evonik company presentation June 2017, data as of fiscal year end 2016

Chemical Industry



Digitalization means creating, communicating, delivering, exchanging offerings that have value for customers.

Digital technologies are changing customer expectations, markets and competition in the chemical industry

- Data are available anywhere and anytime
- Digital connectivity creates end-to-end value chains
- Producers are losing margin as a result of the decoupling of product offerings and production assets



Technology companies such as Amazon, Google and Apple dominate data based businesses and are entering into other classic industrial areas.

Approaches to digital thinking and acting affect the entire company

Customer Centricity	Speed & Agility	Ecosystem	Competence
<p><i>“Think from customer’s perspective and get feedback”</i></p>	<p><i>“Build – measure – learn fast, get things done”</i></p>	<p><i>“Leverage external ecosystem to drive and accelerate digital”</i></p>	<p><i>“Gain new internal digital competencies”</i></p>
<ul style="list-style-type: none"> • Use data to better understand customer needs • Engage customers in co-creation of digital solutions • Put customer experience in focus 	<ul style="list-style-type: none"> • Deploy iterative approaches for tailored solutions (e.g. “Minimum Viable Product”) • Use agile, standard solutions • Decide, kick-start and execute fast 	<ul style="list-style-type: none"> • Access an ecosystem of digital players (e.g. start-ups, prototyping firms) • Leverage the ecosystem and “crowd” to develop digital innovations 	<ul style="list-style-type: none"> • Leverage existing digital competencies • Gain new digital skills for existing roles • Attract talent to build digital competence – where it counts
Digital Culture			
<p>“Flexible, cross-functional, start fast, fail fast attitude”</p>	<ul style="list-style-type: none"> • Cultivate multi-disciplinary teams • Encourage experiments, accept failure • Foster self-learning and iteration • Establish open, transparent collaboration 		

Digital thinking and acting is a twofold challenge

Strategic directions

Challenge

Approach

Examples

Business model
innovation

Exploring disruptive
business opportunities

„Business Prototyping“

PLEXIGLAS® & more
e-commerce platform

MEDOX® & more
e-commerce platform

External focus

Internal focus

Management of
customer touch points

Adapting existing
business and processes
to digital environment

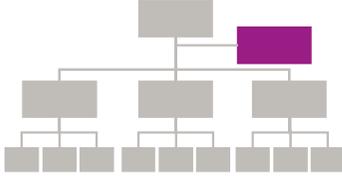
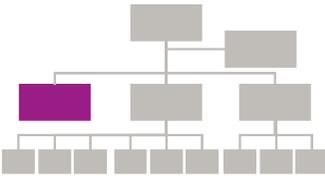
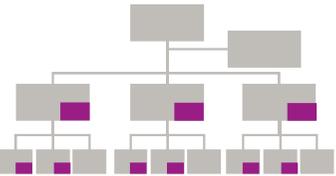
„Just do it“

Virtual applied technology
support for Coatings business

Management of
internal value creation

Remote monitoring of
plant operations

There are three basic archetypes for driving digitalization within the organization

	Digital Corporate Unit	Digital Business Unit	Embedded Units
Setup			
Aim	<ul style="list-style-type: none">• Digital initiative at the corporate level• Centralized strategy definition	<ul style="list-style-type: none">• Digital driven by self-contained 'digital' unit• Own P&L accountability and resources	<ul style="list-style-type: none">• Digital activities embedded in business or functional units• Strategy defined at business level

Evonik Digital is the link between the businesses & methods to foster the development of data driven business ideas

- “Shelter” for the incubation of digital businesses
 - User centricity through design thinking
 - Minimal viable product approaches (MVP) and iterative processes
 - Testing of new platforms without integration into Evonik SAP systems
 - “Speed before bureaucracy”
 - Opening up to third-party business
- Coordinated setup and expansion of partner network
- Systematic bundling of competencies
- Business concept from service provider to “BuildOwnOperate(Transfer)”

Don't draft a comprehensive digitalization strategy, but decide on priorities

Could digital technologies ...

- ... improve the way you generate value?
- ... change how you target the customer?
- ... affect the value proposition?
- ... enhance the enterprise capabilities?
- ... help to differentiate from the competition?





EVONIK

POWER TO CREATE