



# Continue taking advantage of dynamic growth

Interview with Jan Rinnert, Chairman of the Board of Management of Heraeus Holding GmbH, about the development of the Heraeus Group during 2017 and the challenges of the current financial year.

## Mr. Rinnert, how do you rate the development and performance of Heraeus during 2017?

**Jan Rinnert:** I am pleased with the development of Heraeus Group businesses during the past year. We show growth in all our fields of activity, with gains in sales as well as in earnings. We were able to boost revenues, adjusted for precious metals and their price effects (revenue excluding precious metals), by nine percent, and even by 11 percent after adjusting for exchange rates. I would like to emphasize that all of the Group's business units contributed to this positive outcome.

## What are the reasons for the good growth during the past year?

**Jan Rinnert:** Certainly, we were able to participate in the generally favorable global economic climate. In addition, there are also a number of internal reasons for the positive development: For one, we are profiting from the extensive changes we have initiated within the company in recent years. Our business units have further developed both organizationally and functionally, and they are cultivating their respective markets better. At the same time, our excellence programs are taking hold at various levels of the Group. They are yielding improvements at the revenue and financial performance levels and creating a better and more effective work environment for our employees. Furthermore, we have strongly emphasized the topic of leadership in a changing marketplace and competitive environment. We have also made very good progress when it comes to innovation. In addition to increasing our successes in this area, we aim to establish a new, market-oriented culture of innovation. We will continue on this path with the same intensity in the years ahead.

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## With the acquisition of Argor-Heraeus in 2017, Heraeus has further expanded its position as the world's leading precious metal provider. How important will mergers and acquisitions be in the years ahead?

**Jan Rinnert:** The outright acquisition of Argor-Heraeus has made our industrial precious metal services number one in the world. The trading, processing and recycling of precious metals have always ranked among the core businesses of Heraeus. In the acquisition of Argor-Heraeus, the complementarity in expertise, regional orientation and technologies was important for us. Now it's a matter of fully leveraging the potential of this acquisition in the years ahead.

Acquisitions will also help us further strengthen and expand our businesses in the coming years. Where we can purchase expertise in order to develop new technologies and business areas that fit with our activities, we will continue to do so. Patents or access to customers can also make a target interesting to us. One example of this is our acquisition last year of the Biotectix company for our medical components business. We currently have our sights on a greater number of potential acquisition candidates in all of the markets that are relevant for us.

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At the same time, we are constantly examining the direction of development for our existing businesses. Even in the past, we have separated from parts of the company if we no longer saw prospects for their development with us. We took just such a step last year, for example, by selling the Heraeus sputter target businesses to the US-based technology company Materion. Thus, I consider the aspect of divestment to be equally important. In my view, the combination of these two elements constitutes good portfolio management.

**The further development of innovation work was likewise a major topic in the past year. With its new innovation center, Heraeus has created a visible beacon in this regard.**

**Jan Rinnert:** We are delighted that the work on the new fiftyONE innovation center was completed at the end of last year. The first researchers and developers have already moved in, and their feedback is very positive. This is important, because what mattered to us was not so much a new building, but far more a new kind of collaboration and culture of innovation. In this day and age, innovation can

no longer happen only in the silo of your own business area. We intend to create a new culture that is more dynamic, more interdisciplinary and more attuned to our customer needs. The building is just the scaffolding for this. We deliberately laid it out so that people there communicate and work across departments. The open office concept, paperless work to facilitate sharing research results, and a market-oriented division into what we call areas of expertise are intended to support this new culture. The inviting, open work environment ultimately supports our intention to make research work much more market-oriented.

**What are your expectations, then, in regard to innovation work?**

**Jan Rinnert:** Innovation is the lifeblood of our economic development. For that reason, in the past year we have invested 140 million euros in research and development, and we will maintain this pace. Naturally, this results in expectations at many levels. However, these can be met. In 2018, we will bring more than 40 new products to market. In addition, we will work on new projects in the coming years. By the year 2020, these new products should make a meaningful contribution to our growth.

**What role does the topic of digital transformation play for Heraeus?**

**Jan Rinnert:** The digital transformation is one of the most important developments in the years ahead, and of course it also has a corresponding influence on the development of Heraeus. We want to participate in these opportunities and possibilities. At the same time, we must ensure that we adapt our business models to the challenges of the digital transformation and do not run the risk of losing markets and customer relationships as a result of disruptive ideas. For the industry and thus for Heraeus, the digital transformation means doing a better job of understanding, analyzing and flexibly adapting to our customer needs. This applies to every area of the company, from innovation to the supply chain, marketing and sales, as well as the administrative areas. In the past year, we have

already carried out around 150 digital projects in all areas of the company and divided them into four workgroups by content. The members of these workgroups contribute a wide variety of skills and work closely together. At the same time, we must create the technical infrastructure to carry out the projects. However, one of the greatest challenges of the digital transformation also lies in identifying talented individuals. We have a great workforce, and we can be proud of it. At the same time, we also know that we must integrate new skills into our company, and that we are in fierce competition with other companies. The job market is highly competitive, and this is even more the case when it comes to digitalization experts. Here, the strong Heraeus brand helps us quite a bit.

**How important are regions such as the USA and Asia for Heraeus going forward?**

**Jan Rinnert:** We generate one quarter of our product revenues in the USA and more than 40 percent in Asia, and have done so for years. Therefore, we will continue to invest heavily in expanding our activities in these markets. Furthermore, our activities in and for China remain very important. China will continue to grow, as is impressively demonstrated with programs such as the Belt and Road Initiative or Made in China 2025. We view these developments as major opportunities for growth. There's a good reason for our investment in the world's most modern precious metal factory in Nanjing. We intend to participate in precious metal processing and recycling in the Chinese market once we open it this year. Our activity in China goes back more than 40 years. This gives us a good starting position that we will actively use in all our businesses. Furthermore, we want to participate in very attractive growth options in the USA as well. Medical technology, the electronics and semiconductor industry, and other segments are important for us there. And other regions such as India, the countries of the ASEAN group, and South and Central America likewise offer outstanding potential for growth. Our great proximity to customers, as well as our ability to hold our own in international business with our products and solutions, likewise particularly depend on the high quality of our employees on site.

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**Mr. Rinnert, one last question. What will be particularly important in financial year 2018?**

**Jan Rinnert:** We were able to further develop Heraeus in financial year 2017 and have carried this dynamic growth into the current financial year. We must continue to make use of this development. Highly qualified and talented employees are an important factor in this success. We actively promote talented individuals from our own ranks and develop them at the global level. At the same time, our excellent training programs establish the foundation for the continual development of qualified specialists. Good leadership is an important component for the company's success. Our leadership model, which applies for all managers and employees at Heraeus, supports us and gives us a uniform view of the topic. Only with good leaders can we continue to advance all aspects of the transformation. And our goal remains the same: To continue the excellence programs in all areas, to make further progress in the new innovation effort, and to consistently develop the digital transformation initiatives that are now underway.