



# Saudi Aramco and LANXESS to form a global synthetic rubber powerhouse

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# LANXESS back on track – delivering on realignment ahead of plan

Efficiency



2014

Costs 

Excellence



2015 / 2016

Processes & alliances 

Growth



beyond

Return to growth  
ahead of plan

# Saudi Aramco and LANXESS form a highly competitive 50:50 joint venture

## Combination of two powerful partners

aramco



- World's largest integrated energy enterprise
- Backward integration into feedstock for synthetic rubber
- Strategic commitment to further develop value chain downstream

**#1 in feedstock**



**LANXESS**

- Leading market and technology positions in synthetic rubber
- Well invested asset base
- Broadest product portfolio with leading brands and quality

**#1 in synthetic rubber**

# Striking rationale: Broadest synthetic rubber platform to partner with biggest raw material supplier

## Backward integration

- Competitive access to feedstock
- JV will solve lack of backward integration



## Reduction of volatility

- Reduction of volatility in cash flows will be achieved in the future



## Attractive valuation

- EV of stand-alone LANXESS' rubber business: €2.75 bn
- Financial obligations (e.g. debt, pensions) will be deducted from EV, resulting in cash proceeds of ~€1.2 bn for 50% share
- EV/EBITDA\* multiple of ~8.6x



## Growth upside

- JV partners agreed to use the platform for future organic investments (esp. in Saudi Arabia) and for further transaction opportunities (e.g. M&A)



\* Based on FY 2014 results

# A powerful partner: Saudi Aramco – the world's largest energy player extends its business downstream

## Company

- Headquarters: Dhahran, Kingdom of Saudi Arabia
- Employees: ~62,000 globally
- State-owned (100%)
- Represented in all major global energy markets

aramco



## Business

- World's largest integrated energy enterprise\* - producing 1 in 8 barrels of oil globally
- World's largest oil production capacity
- World scale integrated chemical complexes
- A world leading producer of natural gas



## Downstream commitment

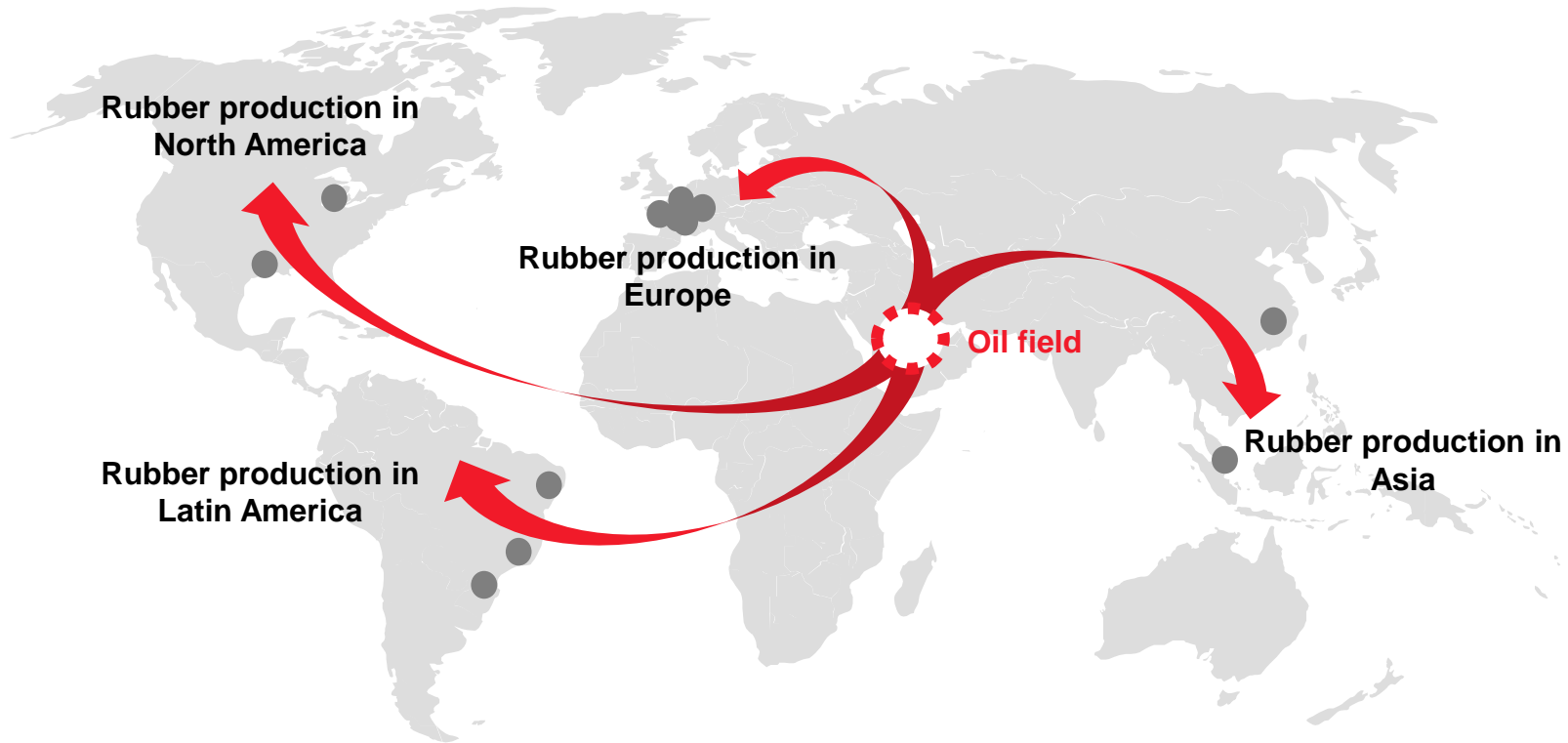
- Powerful partnerships to extend downstream business, e.g.:
  - SATORP (JV with Total) and further expansions
  - Sadara (JV with Dow): Naphtha based chemicals value chain (start up Q3 2015)
  - and further global projects



**Saudi Aramco targets to be the world's leading integrated energy and chemicals company by 2020**

\* Average crude production of 9.54 million barrels per day (bpd) – with recoverable crude oil & condensate reserves of 261.1 billions of barrels

# Value chains will be optimized together over the next 5-10 years



**Significant opportunities from backward integration**

# BUs Tire & Specialty Rubbers and High Performance Elastomers to be carved out into joint venture

## Scope of Joint Venture

**LANXESS**

Performance Polymers

Tire & Specialty Rubbers



High Performance Elastomers

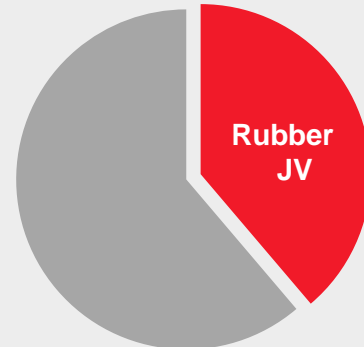


High Performance Materials

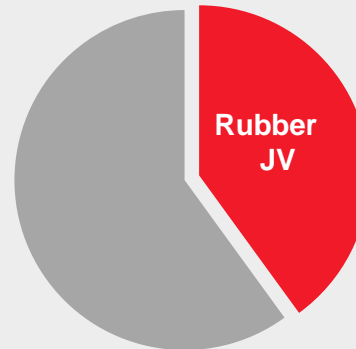
Advanced Intermediates

Performance Chemicals

Sales €3.1 bn\*



EBITDA pre ~€320 m\*



20 plants, 9 countries



Employees ~3,700\*\*



■ BUs TSR & HPE    ■ LANXESS without synthetic rubber business

\* FY 2014 for Business Units TSR & HPE including respective service functions; \*\* employees of Business Units TSR & HPE; concept for central services to TSR and HPE yet to be defined



# A leading global supplier of synthetic rubbers for a wide range of applications

## Tire & Specialty Rubbers (TSR)



Primarily used in inner liners, treads and sidewalls of modern, fuel-efficient tires as well as non-tire applications

**Butyl rubbers** ~400kt

**PBRs/SBRs** >1,000kt

## High Performance Elastomers (HPE)



For a wide range of technical applications (e.g. seals, hoses, profiles, cable sheathing, special films and adhesives)

**EPDM** ~450kt

**CR** >60kt

**(H)/NBR** >130kt

**EVM** ~15kt

\* PBR/SBR= Polybutadiene rubber / Styrene butadiene rubber, EPDM = Ethylene Propylene Diene Monomer, (H)NBR= (Hydrated) Nitrile butadiene rubber, CR= Chloroprene rubber, EVM= Ethylene vinyl acetate rubber

# Transaction details of Saudi Aramco's and LANXESS' joint venture

## Transaction details

### Set-up

- LANXESS contributes rubber business\* into JV
- Saudi Aramco will become supplier of strategic raw materials to the JV mid-term
- 5-year lock-up period
- Headquarters in the Netherlands
- CEO represented by LANXESS and CFO represented by Saudi Aramco

### Accounting

- LANXESS to fully consolidate for the first 3 years

### Closing

- Subject to antitrust approval
- Closing expected in H1 2016

\* BUs TSR and HPE and certain corporate functions

# Transaction financials: Food for thought on valuation

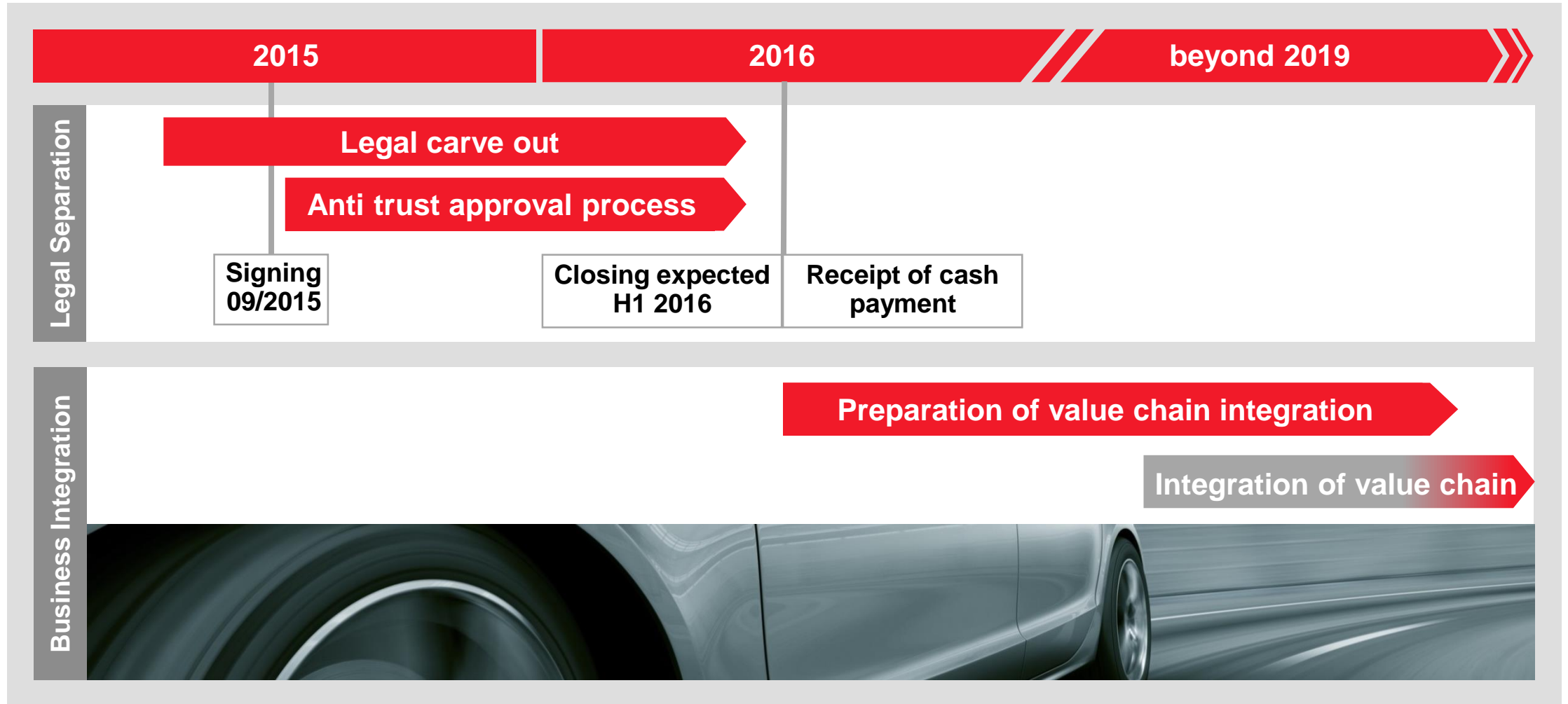
## Attractive valuation

- Total enterprise value of €2.75 bn (100%)
- LANXESS receives cash of ~€1.2 bn (for 50% after deduction of debt and pensions)

	Rubber	LANXESS
EV/EBITDA multiple 2014	~8.6x	~7.6x
EV/sales multiple 2014	~0.9x	~0.8x



# Swift and decisive execution for sustainable competitiveness



# Capital allocation will focus again on growth, debt reduction and shareholder return

Use of proceeds will be allocated to three pillars after receipt of cash

## Growth

- Investment in future growth
- Focus on segments Advanced Intermediates and Performance Chemicals



~€400 m

## Debt reduction

- Payback of maturing bond in 2016 (~€200 m; coupon 5.5%) and other financial obligations



~€400 m

## Share buy-back

- Buy-back program to be initiated



~€200 m

Use of proceeds in line with investment grade commitment

# Delivery on third phase of LANXESS realignment

**Rubber JV:  
Strengthened  
platform with strong  
partner**



**Stronger set-up to  
weather the next 2-3  
years**

**LANXESS:  
Acceleration of  
transformation**

- **more resilient**
- **less capital intensive**
- **more cash generative**
- **back to financial strength**

**Back to growth**



**End of presentation**