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LANXESS and Saudi Aramco create world-leading joint venture for synthetic rubber

- The world's largest producer of synthetic rubber and the world's largest oil and energy producer enter strategic alliance
- LANXESS and Saudi Aramco will each hold a 50 percent interest in the joint venture
- Joint venture valued at EUR 2.75 billion
- Zachert comments: "This will create one of the world's best positioned synthetic rubber companies. LANXESS will return to growth considerably sooner than expected."
- LANXESS plans to leverage the deal for growth, debt reduction and share buy backs



Cologne - The specialty chemicals company LANXESS and Saudi Aramco plan to establish a joint venture for synthetic rubber detailed in an agreement signed today. LANXESS and Saudi Aramco subsidiary, Aramco Overseas Company, will each hold a 50 percent interest in the joint venture, with annual sales of approximately three billion Euro in 2014. Saudi Aramco is to pay approx. EUR 1.2 billion in cash for its 50 percent share after deducting debt and other financial liabilities. The total joint venture is valued at EUR 2.75 billion.

The transaction still requires the approval of the relevant antitrust authorities and is expected to be completed in the first half of 2016.

LANXESS will contribute its synthetic rubber business to the new joint venture. This will include the Tire & Specialty Rubbers (TSR) and the High Performance Elastomers (HPE) business units, their 20 production facilities in nine countries and some 3,700 employees and additional support staff. The high-performance rubbers manufactured by LANXESS are mainly used in the production of tires and technical applications such as hoses, belts and seals. The main customers include the automotive and tire industries but the products are also used in the construction industry and by oil and gas companies.

Saudi Aramco will provide the joint venture with competitive and reliable access to strategic raw materials over the medium term.

The joint venture brings together the world's largest producer of synthetic rubber and the world's largest oil and energy producer to form a far-reaching strategic partnership. "This alliance will enable us to give the rubber business a very strong competitive position and the best possible future perspectives", said LANXESS CEO Matthias Zachert. "Together in the future we can produce synthetic rubber in an integrated value chain from the oil field to the end product, thus establishing one of the best positioned suppliers in the world market. In this way, we will be able to offer our customers even greater reliability than before."

Abdulrahman Al-Wuhaib, Senior Vice President Downstream, Saudi Aramco said: "Through the joint venture agreement we are investing in a world-class synthetic rubber and elastomer products capability that already supplies many of the world's largest tire and automotive-parts manufacturing customers. In addition to creating a new revenue stream for Saudi Aramco, the agreement will spur economic growth and diversification opportunities for the Kingdom of Saudi Arabia and the Middle East region in high-volume sectors, such as tire and auto-parts manufacturing, that are dependent on higher-margin, value-added chemicals products."

The new joint venture will be managed by a holding company headquartered in the Netherlands. The CEO will be appointed by LANXESS and the CFO will be appointed by Aramco Overseas Company. Each company will have equal representation on the JV's board of directors. LANXESS will consolidate the JV's financials.

With the creation of this joint venture, LANXESS is implementing the third stage of its three-phase realignment program. "We have established a completely new strategic starting point for our company in just over a year", said Zachert. "Not only have we streamlined our administrative functions and already made many of our production structures and processes more efficient but with this joint venture in the rubber business we are delivering on the most important phase of our realignment – with the best partner possible and in a very short period of time. The resulting financial headroom will allow us to return to growth considerably sooner than expected."

LANXESS plans to use around EUR 400 million of the proceeds from the transaction to invest in the growth of the well-positioned and less cyclical segments Advanced Intermediates and Performance Chemicals. Another roughly EUR 400 million is earmarked for a further reduction of its financial debt position and around EUR 200 million are planned to be used for a share buyback program.

Information Saudi Aramco: www.saudiaramco.com.

LANXESS is a leading specialty chemicals company with sales of EUR 8.0 billion in 2014 and about 16,300 employees in 29 countries. The company is currently represented at 52 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals. LANXESS is a member of the leading sustainability indices Dow Jones Sustainability Index (DJSI World) and FTSE4Good.

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