

# AT A GLANCE

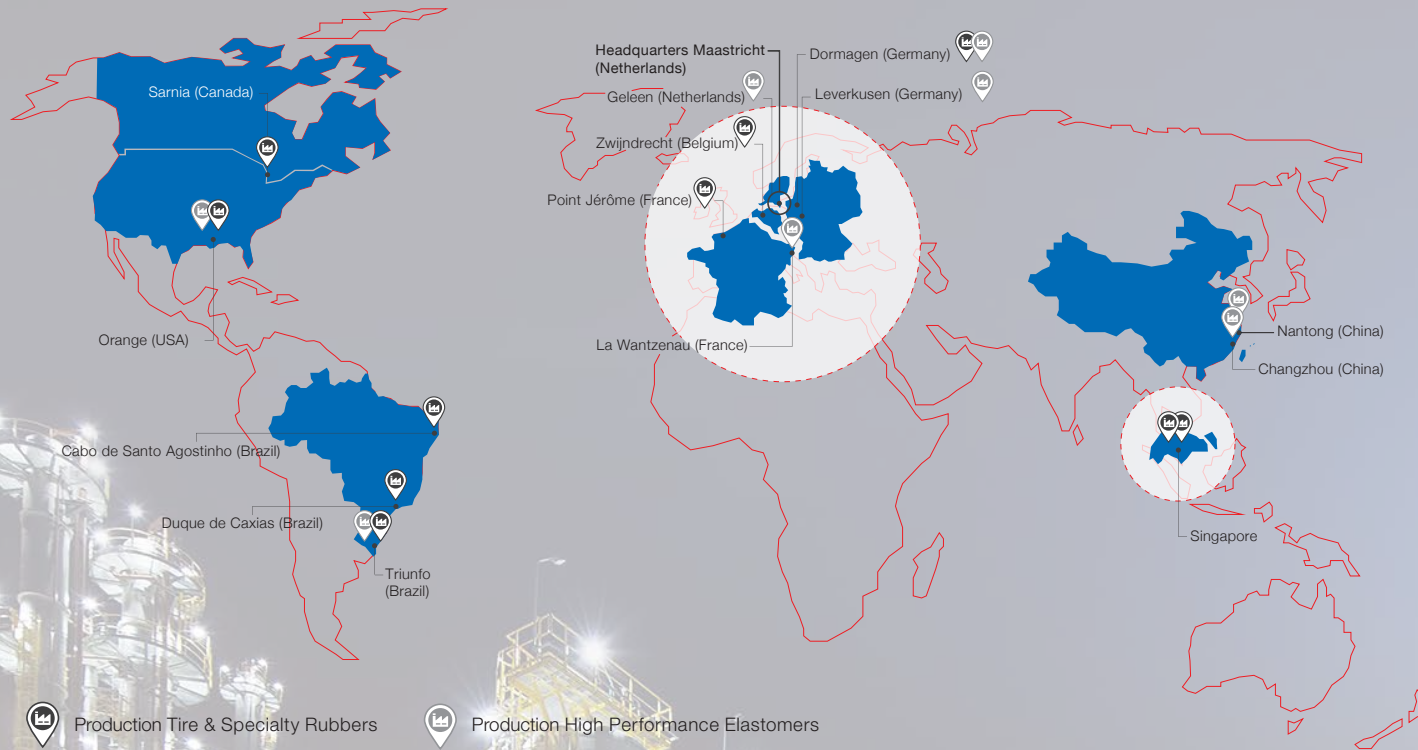
## 2017/2018



# ABOUT ARLANXEO

ARLANXEO is a world-leading synthetic elastomers producer, supplying customers on all continents with premium products from its 20 production sites in nine countries. Our core business is the development, manufacturing and marketing of high-performance rubber for use in the automotive, tire, electrical, construction, and oil and gas industries, among others. Our business operations are divided between two business units: High Performance Elastomers and Tire & Specialty Rubbers.

ARLANXEO was established in April 2016 as a joint venture of LANXESS – a specialty chemicals company with worldwide reach based in Cologne, Germany – and Saudi Aramco – a fully integrated, global petroleum and chemicals enterprise, headquartered in Dhahran, Saudi Arabia. The two partners each hold a 50-percent interest in the joint venture, which is based in Maastricht, Netherlands. The management team comprises representatives of both shareholders, with each member having decades of experience in the chemical industry.



## THE MANAGEMENT

<p><b>JORGE NOGUEIRA</b> Chief Executive Officer (CEO)</p>	<p><b>ALI BA-BAIDHAN</b> Chief Financial Officer (CFO)</p>	<p><b>CHRISTIAN WIDDERSHOVEN</b> Member of the Executive Board</p>	<p><b>FAYEZ ALSHAREF</b> Chief Procurement Officer (CPO)</p>
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## FACTS AND FIGURES 2016/2017\*

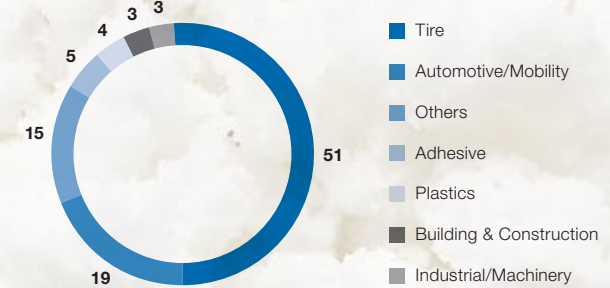
<p>PRODUCTION SITES</p> <p><b>20</b></p>	<p>EMPLOYEES</p> <p><b>~ 3,800</b></p>	<p>CUSTOMERS</p> <p><b>&gt; 1,000</b></p>	<p>SALES</p> <p>€ <b>3.2</b> billion</p>	<p>EBITDA PRE EXCEPTIONALS</p> <p>€ <b>385</b> million</p>	<p>CASH OUTFLOWS FOR CAPITAL EXPENDITURES</p> <p>€ <b>149</b> million</p>
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\* The business figures of ARLANXEO are disclosed in the annual report as well as in the interim reports of the LANXESS Group.

# OUR BUSINESS UNITS

## NET SALES OF BUSINESS UNITS BY INDUSTRIES 2016

in %



### High Performance Elastomers: strong brands for diverse applications

Our High Performance Elastomers (HPE) business unit offers its customers a broad portfolio of technical rubber products. As one of the leading suppliers of high-performance elastomers to the rubber processing industry, HPE markets materials with a wide range of industrial applications, for instance as functional

parts in the automotive and cable industries, as modifiers for plastic and adhesive raw materials, or in the field of gas/oil exploration and drilling. The business unit holds leading positions in all its respective markets. Some 800 customers around the world put their trust in our established brands.

**Baymod® L** **Baymod® N** **Baypren®** **Baypren® ALX**

**Keltan®** **Keltan® Eco** **Krynac®** **Levamelt®** **Levapren®**

**Perbunan®** **Therban®**

### Tire & Specialty Rubbers: key contributions to modern mobility

Our Tire & Specialty Rubbers (TSR) business unit produces and markets a broad range of versatile rubber products primarily for applications in tire production. They are used, for example, in tire liners (airtight layers) as well as for the treads, side walls and other tire components. Rubber products from TSR increasingly are finding their way into other fields of application, such as chewing gum, sports and golf balls, yogurt

tubs and flip-flops. TSR is ranked among the top suppliers in its markets. The business unit is the key player worldwide in synthetic rubber products for the tire industry. Products from TSR are marketed under two brands to over 250 customers around the globe: X\_Butyl® stands for premium butyl rubber products; Buna® for a wide range of modern butadiene rubber products.

**Buna®** **Buna® CB** **Buna® Nd EZ** **Buna® SE**

**Buna® SL** **Buna® VSL** **X Butyl®**



Baypren® makes products such as wetsuits resistant to saltwater and UV radiation.



Keltan® Eco, the first EPDM rubber with up to 70% bio-based content, is used to manufacture products such as high-quality seals.



Low-maintenance and durable: drive belts made from Therban® keep e-bikes moving.



Levapren®, Krynac® and Buna® ensure good grip and low wear and tear in sports shoe soles.



The high elasticity of Buna® CB helps golf balls travel further; its high reversion resistance keeps the balls in shape.



Optimized rolling resistance, excellent grip and long service life: Buna® and Butyl® ensure top performance from car tires.



Caps made from Bromobutyl and Chlorobutyl protect medical products from external contamination.

# STRATEGY

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Our mission is to be the leading global supplier of performance elastomers, with the most competitive and innovative range of products, the leading technology and process competence and close proximity to customers. We can pursue this goal from a position of strength in many respects.

With LANXESS and Saudi Aramco, we know we are backed by two **strong shareholders**, who together have built the foundation for a powerful, highly backward-integrated value chain that even includes crude oil as the starting material for synthetic rubber. Over the next years, we will strive to successively tap into all these potentials.

Our **production network** extends over four continents and supports not only high supply reliability, but also the required proximity to our customers, most of whom are also globally active. We produce efficiently, flexibly and sustainably in our modern world-scale facilities. In recent years, we have also built up a high-tech and thus highly competitive manufacturing infrastructure in Asia, the largest market for our products.

We also are a global leader in **technology competence**, which is a key success factor for us in not one, but two dimensions: first, it enables us to act not only as a simple product supplier, but also as a solutions provider and innovation partner – a combination of services that customers increasingly are demanding from their suppliers. Second, we succeed time and again in significantly optimizing our own production processes in terms of energy efficiency, resource consumption and the quality of our rubber products.

It therefore is no surprise that the name ARLANXEO stands worldwide for excellent **product and service quality**, which many of our customers have appreciated for decades.

Long-standing, collaborative customer relationships will continue in the future to form the solid foundation of our economic success. In our strongly competitive market environment, characterized in several product groups by excess capacities, our focus on quality products should enable us to generate adequate margins to maintain or further enhance our strong market position.

# OUR STRONG BASE FOR FUTURE SUCCESS

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Leading global market positions in synthetic elastomers

Global manufacturing presence

Strong and committed shareholders

World class employees

Leading in quality and technology

Most comprehensive product portfolio featuring leading brands

Building of highly integrated supply chains

# EMPLOYEES

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Some 3,800 people work for our company worldwide. They all share a desire to make ARLANXEO the world's leading supplier of performance elastomers. We consider their competence, commitment and customer orientation to be among the main pillars of our success. We promote a team-oriented, open corporate culture centered on three aspects:

## 1. Everything we do, we do safely or not at all

ARLANXEO invests continuously in a safe work environment that protects the health of its employees. This is why we strive to improve our recordable incident rate (RIR) as every single incident is one too many. It therefore is our express goal to work our way toward becoming one of the leaders in occupational safety and health in our industry. Each and every employee is called upon daily to do their part in making ARLANXEO a safe place to work.

## 2. We cultivate and exploit the pooled competence in our organization

We are firmly convinced that the best decisions are made by those most familiar with an issue or problem. Instead of a management culture shaped by "top-down" requirements and decision-making, we call for personal responsibility, teamwork and an open, company-wide exchange.

## 3. We listen and learn from our partners

We will continue in the future to encounter major challenges in our markets. We can only master them if we listen closely to our stakeholders and continuously improve our understanding of their needs.

Our strategy is geared to recruiting the most talented employees for ARLANXEO, developing their personal potential to the fullest and binding them in this way to the company long-term. Our employees have access to diverse continuing education programs: on-the-job and in classical training courses and seminars. Annual human resources conferences held regionally and globally help significantly to ensure that every position at ARLANXEO is filled with the most well-suited employee.

# RESEARCH AND DEVELOPMENT

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The history of synthetic rubber is inseparably linked to the history of ARLANXEO: the material was invented by our company over 100 years ago. Today, too, ARLANXEO stands for innovative force and technology competence in the field of performance elastomers. Our research and development activities are closely aligned to the needs of our customers and markets. With our network of eight R&D centers and four applications laboratories, we can support customers locally in all key markets and maintain a close exchange with the production sites. The latest additions include a new testing laboratory at our site in Changzhou – the most high-tech of its kind in China.

## Tire & Specialty Rubbers

In the tire segment, the number one priority is improving product characteristics. In close cooperation with our customers, we develop new grades of rubber with the goal of further extending tire service life in combination with better wet grip and lower rolling resistance – and thus optimizing vehicle safety and fuel efficiency. In 2017, we introduced new solution styrene-butadiene rubber grades with these improved properties to the market. We had also previously introduced a new class of neodymium-butadiene rubber under the brand name Buna® EZ, one advantage of which is its easier processing. Another future-oriented project is the development of a technology that sustains the air pressure in a tire, even after it has been punctured by a foreign body such as a screw or nail, by automatically closing the opening. By using self-healing tires, the relatively heavy spare tire in a vehicle could be eliminated. Tire tests currently are being set up on customer premises to test the self-healing technology.

There is also demand for increasingly high-performance specialty rubber grades from our customers outside the tire industry. Current R&D projects focus, for instance, on developing butadiene rubber grades for the production of styrene plastics. In end products such as suitcases or yogurt tubs, they help to achieve higher color brilliance and consistency and can thus maintain the original condition of a product for a significantly longer period of time.

## High Performance Elastomers

HPE is researching new fields of application for our synthetic elastomers, among other things. For example, our Keltan® products can now also be used to fabricate vibration dampers and bearings subject to dynamic load in motor vehicles. Their advantages: higher temperature resistance and a longer service life than the same parts previously made of natural rubber. Innovative new developments include binders for electrode components made of our highly temperature-resistant Therban® HNBR rubber. As a main part of the cathodes in the latest-generation lithium-ion batteries, they help to significantly extend the battery life cycle.

Our R&D department is also working continuously to advance our production processes. One example is our New Finishing technology for our chloroprene rubber production facility in Dormagen, Germany, which in 2016 enabled us to manufacture significant quantities of our Baypren® product under resource-saving conditions, i.e. with less water and energy.

# CORPORATE RESPONSIBILITY

As a company in the chemical industry, ARLANXEO can make key contributions to improving the quality of life for people all over the world and to overcoming social challenges, such as climate change. However, our business activities also put us under obligation to our employees, the users of our products, our shareholders, the environment and the local communities around the globe to which we belong. We are committed to a strategy that best balances economic, ecological and social interests.

In terms of sustainability, synthetic rubber is unquestionably a relevant product, because its main raw materials are based on crude oil and the manufacturing processes are often

energy-intensive. Therefore, one important goal in the framework of our sustainability commitment is to continuously improve the ecological footprint of our performance elastomers. This includes especially measures to improve energy and resource efficiency in the production process.

However, our products can make a far greater contribution to sustainable development during their use. For example, as a major component in modern tires, they help to significantly reduce the rolling resistance of motor vehicles and thus also their fuel consumption, without compro-

missing on the safety of the tires. We also have the right elastomers in our product portfolio for meeting the special demands of electric mobility. Used in cable sheathing and floor coverings, our products can even save lives, because they generate significantly less toxic fumes than conventional rubber products in the event of a fire.

As a joint venture of LANXESS and Saudi Aramco, ARLANXEO is still integrated in the sustainability management processes of its partner LANXESS. This includes our commitment to the UN Global Compact and the Responsible Care® Global Charter, as well as the integration of our sites in the global matrix certificate issued under the international ISO 9001 and ISO 14001 standards for quality and environmental management. Furthermore, our German sites have ISO 50001 certification for energy management.

We also fulfill our responsibility for sustainability along the supply chain by participating in the Together for Sustainability program. It unites 19 leading companies in the chemical industry, all of which share the goal of developing and implementing a joint auditing program for their suppliers. The program shifts the focus specifically to human rights, avoiding child labor, labor standards, occupational safety and health, environmental protection and business ethics. Members of the initiative share all evaluation results and audit reports.

## KICKOFF FOR GOAL ZERO



Occupational safety is priority number one at ARLANXEO. Our new Goal Zero safety initiative is designed to move the company closer to its big goal: zero incidents. This initiative expands our existing safety program to include areas such as accident investigation, the management of external companies, safety dialogs, the identification of unsafe conditions, operational risk assessment, inspec-

tion of hazardous forms of energy, safe maintenance procedures and work permit procedures. Following an initial analysis of the current situation at the Tire & Specialty Rubbers plants, we rolled out the initiative worldwide in both business units. It is about more than just new processes; it's also about greater ownership and obligation on the part of our employees.

**ARLANXEO Holding B.V.**

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