

LANXESS accelerates profitable growth

- **New medium-term financial targets: Operating margin between 14 and 18 percent from 2021**
- **Further diversification and strict portfolio management**
- **Chemtura synergies and high-yielding organic growth projects as key drivers for profitability**
- **Group-wide digitalization initiative launched**
- **CEO Matthias Zachert: “We will reach our full potential in the coming years”**

Cologne – Specialty chemicals company LANXESS intends to accelerate measures for profitable growth. The company plans to further improve its stability and profitability over the next years and has set new medium-term financial targets accordingly. From 2021, the operating margin – measured in terms of EBITDA pre exceptional – is expected to be between 14 and 18 percent. In fiscal 2016 the margin was at 12.9 percent. At the same time, the Group is to become even more stable, with less volatility in the operating result. In terms of volume, LANXESS intends to consistently grow above global gross domestic product.

“LANXESS is back on solid footing and has embarked on a profitable growth path. In the coming years, we intend to reach our full potential and transform LANXESS into an even stronger company with a highly balanced and stable platform, increased profitability and, last but not least, a company team-culture based on dedication and motivation,” says Matthias Zachert, CEO of LANXESS AG.

In order to achieve these new targets, LANXESS will continue to develop its current portfolio based on clear criteria. The Group will only include business operations in its portfolio that can achieve leading market positions and generate attractive margins sustainably. Organic investments – around EUR 400 million between 2016 and 2020 – involve projects that generate an average return on capital employed (ROCE) of 20 percent on average. In comparison, Group

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ROCE was 6.9 percent for fiscal 2016. In addition, LANXESS is pursuing even greater regional and industry-based balancing to further reduce the effects of market volatilities. This includes an increased share of sales in growth markets such as Asia and North America and an expanded presence in attractive customer industries such as electrical/electronics or energy with innovative product applications.

A quarter of the Chemtura synergies to be achieved already in 2017

A key factor in achieving the new financial targets includes synergies stemming from the acquisition of Chemtura, which is the largest acquisition in the company's history. The company expects about EUR 100 million in annual cost savings by 2020. Cost savings for fiscal 2017 are already expected to amount to approx. EUR 25 million. An estimated EUR 140 million in associated one-time costs will be incurred for this.

Approximately half of the expected EUR 100 million in synergies are attributable to production and procurement. For instance, LANXESS will be expanding its "Manufacturing Excellence" initiative to the previous Chemtura production sites to further optimize their processes and technologies. Furthermore, the combined purchase volume of both companies for raw materials of about EUR 2.5 billion can be reduced by harmonizing supply contracts and increasing backward integration. Additional savings can be realized in the area of transportation and logistics. For example, the combined business units currently still operate more than 200 warehouses globally.

Around 30 percent of all synergies can be achieved in administration, primarily in North America. The costs and structures for the former Chemtura Board of Directors, the former headquarters in Philadelphia and the Chemtura stock exchange listing are no longer necessary. Furthermore, administrative locations in close proximity will be merged and duplicated functions eliminated. Altogether some 40

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projects have been initiated to standardize administration in North America. A further 20 percent of the synergies are expected to come from streamlining global marketing and sales structures.

Group-wide digitalization initiative

LANXESS is promoting its growth with a Group-wide digitalization initiative and has established a department with an initial 30 experts in this area. "Digitalization will bring sustainable change to processes and business models in the chemical industry and our customer industries. This offers us a multitude of opportunities, and requires a profound transformation within the company. We want to actively drive the digital transformation at LANXESS and capitalize on the potential of digitalization at the right time," explains Matthias Zachert. Key areas of the initiative include the digitalization of the value chain, the use of big data, the development of digital business models and embedding digital expertise among employees.

LANXESS is a leading specialty chemicals company with sales of EUR 7.7 billion in 2016 and about 19,200 employees in 25 countries. The company is currently represented at 75 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of chemical intermediates, additives, specialty chemicals and plastics. Through ARLANXEO, the joint venture with Saudi Aramco, LANXESS is also a leading supplier of synthetic rubber. LANXESS is listed in the leading sustainability indices Dow Jones Sustainability Index (DJSI World) and FTSE4Good.

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