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High Performance Materials:
“A Strong Player in Engineering Plastics”

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Good morning, everyone.

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K Fair is the world's biggest and best trade fair for plastics and rubber, and it is – without a doubt – our sector's most anticipated event of 2016.

As Dr. Fink noted, our new motto is "Quality works" ... and everyone at my High Performance Materials business unit is keen to show the industry how we have put these words into action.

Thanks to some recent organizational changes, HPM now makes up its own segment at LANXESS, and at present we account for roughly one-eighth of the company's total sales.

We employ 1,500 people, and they are all highly dedicated to providing our roughly 600 clients with the engineering plastics ... thermoplastic composites ... and advanced product and application development services that they need to compete and win in their respective markets.

The success of our four leading brands – Durethan, Pocan, Tepex and HiAnt – has made LANXESS into one of the world's top suppliers of performance materials. Our growth continues to be powered by strong demand from the automotive and the electrical and electronic sectors.

The advanced products we manufacture are essential for a broad range of applications. From car parts ... to construction and packaging materials ... to sports and leisure equipment ... HPM is the preferred partner and solution provider for players in key industrial sectors.

While more than two-thirds of our sales are to clients in Europe, the Middle East and Africa ... we are on the move throughout the world ... particularly in North America and Asia.

Our work to expand the scope of HPM's activities in these two regions dovetails with the overall strategy of LANXESS to focus sharply on the world's most dynamic markets.

Certainly we are perfectly positioned to execute such a strategy.

Our global compounding network spans four continents, as does our network of product and application development centers.

In combination with our European sites for upstream integration, this impressive array of strategically placed assets makes HPM one of the world's most reliable suppliers of engineering plastics.

It also enables us to stay in tune with our customers and the markets they serve.

All of us at HPM have a passion for innovation ... and we channel that passion into the customized services and other activities we undertake on behalf of our clients.

Customers have also come to view HPM as a trusted partner, because the quality of our materials is guaranteed by our uniform production standards. And our capacity to deliver on time is assured by our geographic reach and our backward integration.

The efficient value chain we have built at HPM – together with the high-quality products and excellence in process engineering that define our business unit – distinguishes us from the competition.

We are in control of every aspect of our production process, from raw materials ... to intermediates ... to finished engineering plastics and advanced composites.

Despite the remarkable level of control we enjoy, sometimes we feel like our real job takes place not at our production facilities, but rather in our design studios.

I say this because we place a heavy emphasis on putting our engineering expertise to work for our customers. In fact, these services are so critical to the work we do, we have given them their own brand – HiAnt.

From component design and material selection ... through functional engineering and mold design ... all the way to technical assistance on production processes, our HiAnt engineers work side-by-side with our customers.

Our goal is to help them develop top-quality, cost-effective component solutions that are optimized for every conceivable requirement.

Some of our best work has been done in partnership with the automotive and the electrical and electronic industries, who have truly tapped into the full innovative potential of the materials we manufacture.

For the automotive industry, HPM has emerged as a strong development partner.

From lightweight technologies ... and cutting-edge under-the-hood applications ... to alternative powertrains ... exteriors and interiors ... and automotive E&E applications ... HPM is enabling today's automotive designers to conceive and construct the cars of the future.

Our materials give today's designers greater freedom and make it possible to bring innovative new vehicles to market faster than ever before. They enable high-tech performance upgrades and increased fuel-efficiency ... reduced CO₂ emissions, e-mobility ... and reduced production costs.

One material that we are particularly proud of is Tepex, a semi-finished product made by our subsidiary, Bond-Laminates. These continuous-fiber-reinforced high-performance composite sheets continue to make waves in the field of lightweight materials for the automotive industry.

I am pleased to say that more and more manufacturers have “seen the light” ... and that large automotive series applications for Tepex are currently in the works.

Tepex is – without a doubt – a proven performer.

Tepex has been used for the mass production of a van battery console since 2015. The console is fabricated in a direct long-fiber thermoplastic process from a polypropylene compression molding compound. This is reinforced with long glass fibers and an overlay made of Tepex dynalite.

In this application, Tepex is being used to replace an insert that previously relied on a consolidated hybrid yarn fabric made of glass and polypropylene fibers. The decision to switch to Tepex was motivated by new and more demanding crash test standards for this component.

The stiffness, strength and toughness of Tepex dynalite at a wide range of temperatures made it the right material for the job.

Just this year, a large German car manufacturer has begun using Tepex dynalite for the mass production of underfloor protection panels.

In this application, the panel is made in a one-step thermoforming process. The polypropylene-based, low-weight, reinforced thermoplastics – which are used to manufacture underbody panels due to their sound-absorbing properties – are significantly stiffened with Tepex surface layers.

The end result is a component that can easily withstand the mechanical loads associated with operating an automobile even under extreme conditions – on- and off-road.

One of the key lessons to take away from these examples is that it is remarkably simple to integrate Tepex into any existing automotive production facility. We expect to see it used by more companies for a wider range of applications in the near future.

Another of HPM's leading products – Durethan polyamide 6 – has proven itself as a cost-effective alternative to polyamide 6.6 for the manufacture of engine oil pans.

Used in the series production of oil pans for the Porsche 911 Carrera and Daimler trucks as well as for the Audi S-Tronic gear box oil sump, among other applications, Durethan PA6 is remarkably resistant to engine and gear oil, even at high temperatures.

Our HiAnt engineering service provided critical support in the development of this application.

HiAnt conducted digital simulations of the injection molding process ... of the behavior of the component, e.g., when impacted by stones ... and of the stiffness of the flanges, among other tests.

We are also doing a tremendous amount of work with the E&E industry ... and are proud of how we support these customers in every phase of their plastic component development processes.

We consider it our business to stay abreast of the latest E&E trends ... and to innovate as necessary to help our clients stay a step ahead of the pack.

For instance, in response to the trend towards greater safety and reliability, we offer a wide range of flame-retardant grades both with and without halogens ... and we provide clients with extensive technical services to use them effectively.

We also routinely conduct additional tests on materials to help them secure UL Yellow Cards or VDE certification marks, assess mechanical or electrical values, or coordinate fire tests.

Miniaturization represents another important market trend, and our solutions are helping clients reduce the overall size of their products while increasing the density of their electronics packages.

And of course, safe and reliable products have never gone out of style. We help manufacturers design and deliver products that not only meet increasingly stringent fire standards, but also serve new application areas, such as e-mobility.

HPM is also helping the lighting industry to develop new LED lighting concepts. Using computer simulation tools, our HiAnt engineers can help clients complete most of their development work virtually ... saving them both time and money.

I still need to tell you about another one of our main products – PBT, which we market under the Pocan brand. So let's take a quick look at our Pocan AF 41x0 series, which is effectively a "Swiss Army knife" for a very wide range of automotive E&E and e-mobility applications.

This material offers a unique combination of properties and has a well-balanced performance profile.

It provides low warpage ... has excellent flame-retardant characteristics ... qualifies for an extensive range of certificates ... and it is very easy to process.

That is why this series has been used for so many applications by the automotive E&E and e-mobility sectors – including battery control units, battery housings and frames, and connectors.

Pocan is stiff in use, but flows easily in processing, making it ideal for E&E applications.

At HPM, we are always thinking about new ways to energize the consumer electronics industry.

A great example of this is the new and efficient one-step process we have developed for the in-mold decoration of thermoplastic composites.

We have been working in partnership with the Leonhard Kurz Stiftung & Company – a worldwide leader in hot stamping and coating technologies – and Engel Austria – the world’s largest manufacturer of plastics injection molding machines. The new process allows for components to be formed, injection molded and decorated in one shot, in one tool and within one minute.

This results in components that offer remarkably robust surfaces ... extraordinary freedom for designers ... and no need for any painting.

And because this process is highly automated and efficient, it saves manufacturers time, money, and effort. What more could anyone ask for?

Perfect for electrical housings for notebooks, tablets and smartphones – among other devices – the process can deliver incredibly strong and stiff parts with extremely low wall thicknesses.

Another example of how our products are used by the E&E industry can be seen here, in the shaft carrier for an amazing and versatile kitchen appliance that, like Pocan, really can do it all.

This shaft carrier was developed with the support of our HiAnt team and is made out of Pohan C3230 XF, which boasts a high mechanical load capacity. It is easy-flowing, has low warpage, good surface quality ... and good resistance to various chemicals.

I believe this serves as the perfect example of what we strive to achieve every day at HPM – the right material ... backed by the right engineering team ... being used to create innovative new products.

So let me summarize why I think HPM is a top competitor in the engineering plastics market:

We offer our customers an exceptional range of high-performance materials and high-end engineering expertise.

Our in-depth knowledge of the downstream sectors we serve – in combination with the partnerships we build with our customers – makes many innovative, top-quality applications possible.

The smart solutions we offer not only perform at an extremely high level, but can also be implemented in a very cost-effective manner.

And lastly, our business unit's structure and organization are rock solid. We are fully integrated ... our value chain is extremely competitive ... and we have a strong presence in key markets across the world.

I am very pleased to have had this opportunity to introduce to you the work we are doing at HPM. And I am looking forward to October, when K Fair swings into full action.

Thank you for your time.

Forward-Looking Statements.

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