



# Q1 2016 Roadshow

## A good start to the year

Michael Pontzen, CFO

**LANXESS**  
Energizing Chemistry

# Safe harbor statement

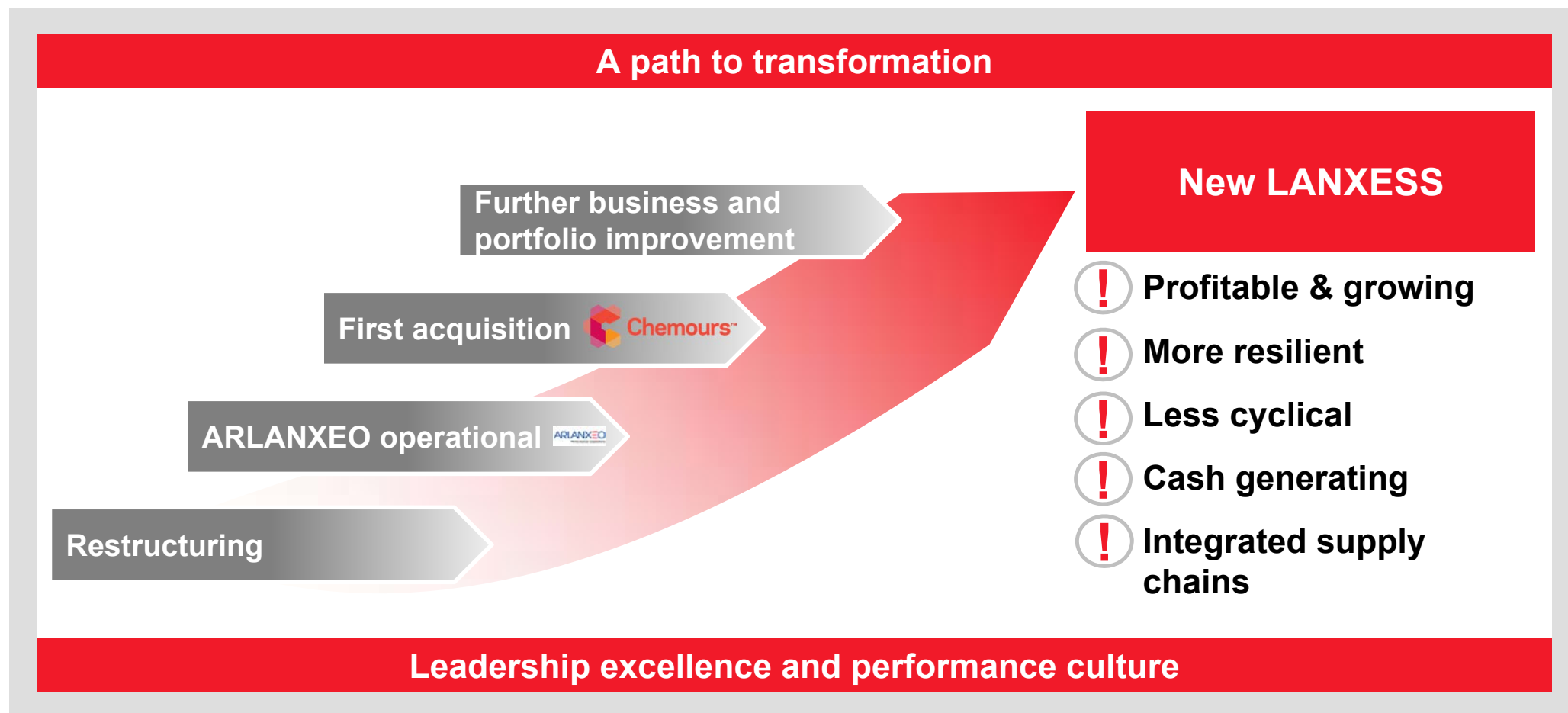
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# Agenda

- **LANXESS Equity Story**
- Executive summary Q1 2016 and outlook 2016
- Financial details Q1 2016
- Backup

# Growing a more resilient New LANXESS

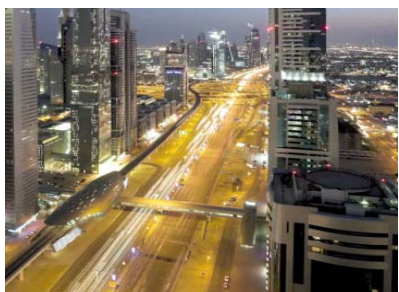


# LANXESS: Moving strategically into more resilient, less volatile businesses

**LANXESS AG**



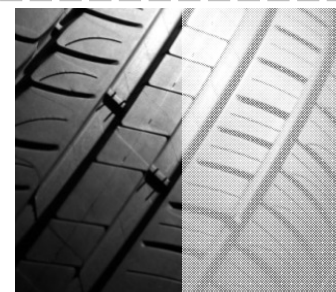
**Advanced Intermediates**



**Performance Chemicals**



**High Performance Materials**



**ARLANXEO joint venture for synthetic rubber**

50%  
owned by  
Saudi Aramco  
as of  
April 1, 2016\*

**The New LANXESS – Effectively diversified and less volatile businesses are the focus for future growth**

\* Full consolidation planned until 2019

Formerly Segment Performance Polymers  
(until 31.3.2016)

**LANXESS**

# LANXESS: A solid foundation to generate shareholder value

## Growth & resilience

- Sensible organic and external growth in diversified end markets
- Reducing margin volatility

## Sound financials

- Strong, solid balance sheet
- Reduced capex profile

## Shareholder return

- Shareholder return back in focus
- Targeting an appropriate stock market valuation





# Resilient and profitable businesses

Growth & resilience

Sound financials

Shareholder return

The new LANXESS provides a strong foundation for growth

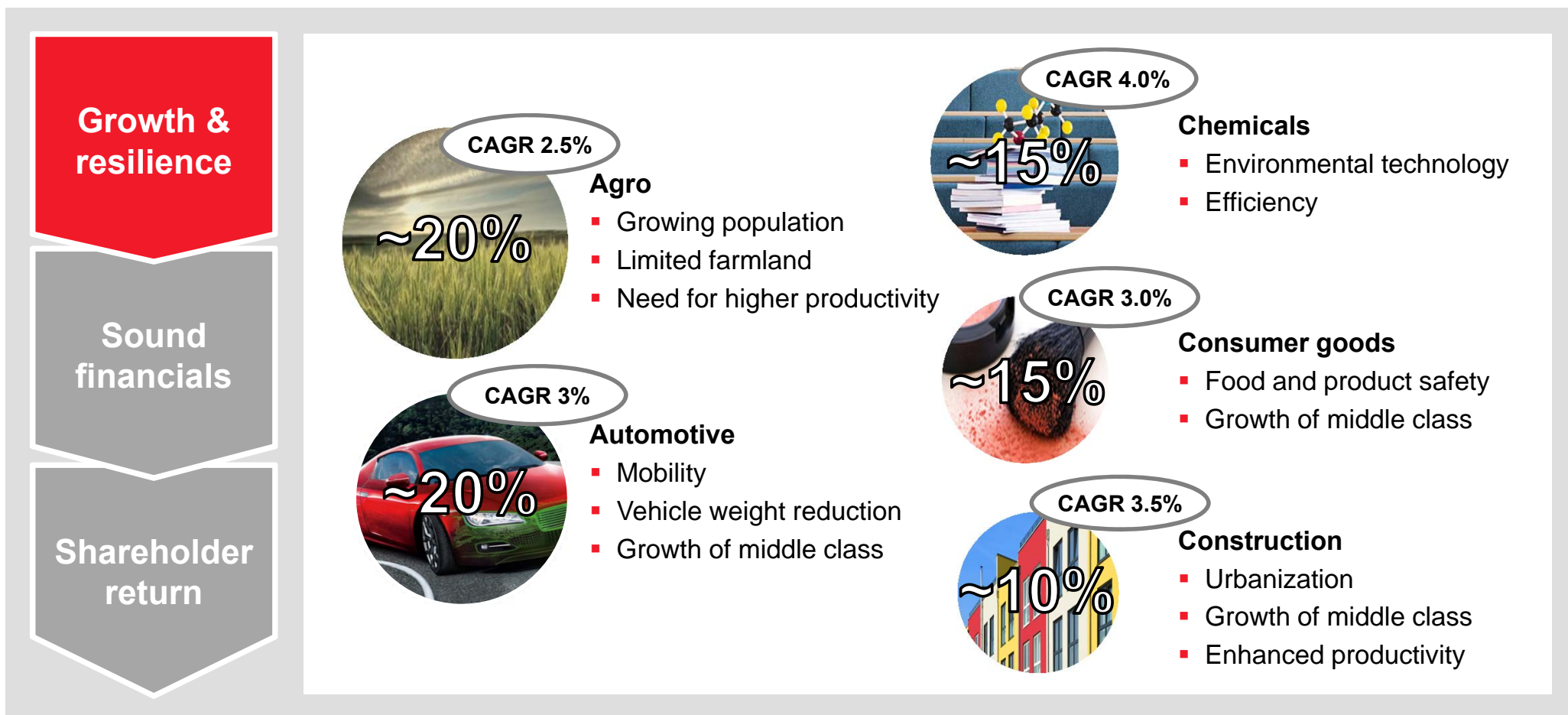
FY 2015	New LANXESS*			ARLANXEO*	Group
	Advanced Intermediates	Performance Chemicals	High Performance Materials		
ROCE	~15%			~5%	8.4%
EBITDA pre margin	€339 m 19%	€326 m 16%	€115 m 10%	€388 m 14%	€885 m 11%

EBITDA pre and margin for HPM and ARLANXEO are unaudited figures

\* Operational EBITDA pre without reconciliation or hedging expenses

**LANXESS**

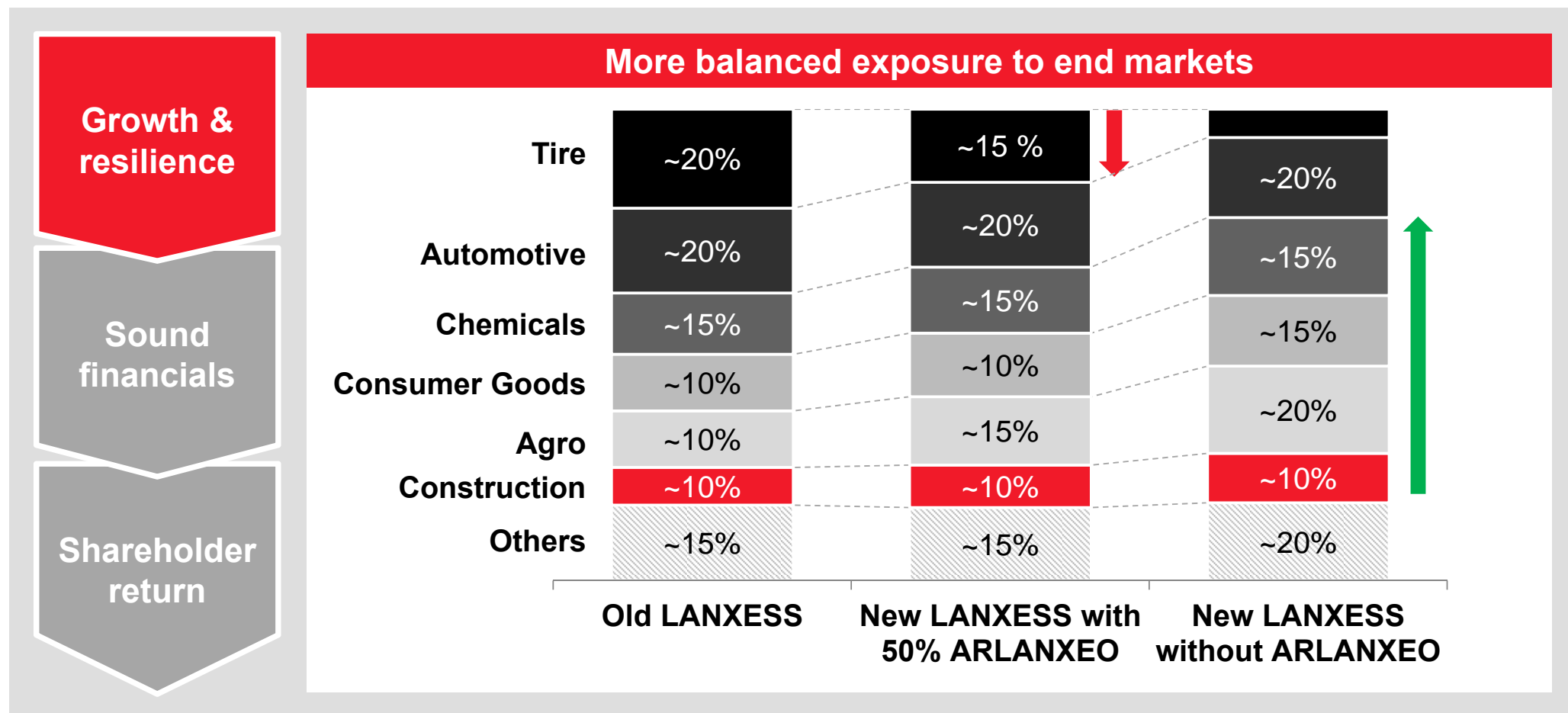
# The New LANXESS: Diversified end markets with good growth rates



Markets expressed as percentage share of total sales volume; the other ~20% is accounted for by “other” markets, which are growing at ~3%.  
 Estimates of 5-year CAGR are based on internal research.



# End market exposure changed visibly



# Advanced Intermediates: All and Saltigo as provider of high-quality and custom intermediates

**Growth & resilience**

**Sound financials**

**Shareholder return**

## Advanced Intermediates

- **Unique manufacturing processes**
- **Strong market positions**
- **Integrated asset structures**
- **Serving niche markets**

- Custom synthesis
- Focus on agro chemicals, pharma and fine chemicals
- Driven by need of efficiency in agriculture

**Lonza** | **Siegfried** | **CABB**

**SGO**



~ €1.8 bn Sales

**All**

- Broad range of high quality intermediates
- Driven by diverse end markets (e.g. agro, consumer, construction, automotive)

**BASF**  
The Chemical Company

**EASTMAN**



# Performance Chemicals: Attractive, solutions-oriented businesses

**Growth & resilience**

**Sound financials**

**Shareholder return**

- Strong market positions in niches
- Low importance of raw materials
- Strong application expertise in partly regulated markets
- Less capital intense
- Close relations with customers



## Performance Chemicals

- Water treatment, beverages
- Demand for drinking water
- Increasing awareness of water shortage



MITSUBISHI CHEMICAL

LPT

- Beverages
- Construction
- Urbanization

nutrinova



LONZA

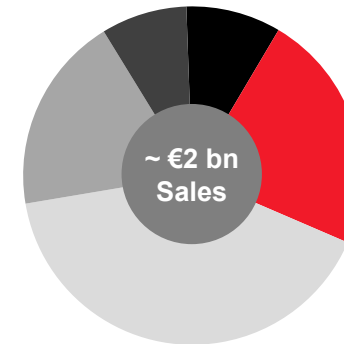
MPP

- Apparel, automotive
- Growing middle class
- Steel production

LEA



The Chemical Company



ADD

- Construction, paints & coatings
- Urbanization
- Growing demand for environmentally friendly production

IPG



SPECIALTIES

- Automotive, plastics, tire
- Mobility and urbanization
- Growing demand for green solutions



# High Performance Materials: High-end engineering know-know for all stages of advanced component development

Growth & resilience

Sound financials

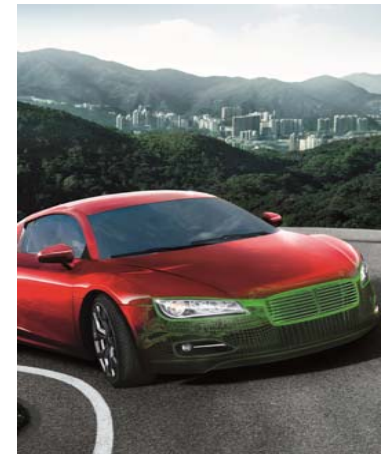
Shareholder return

## High Performance Materials

- One of the leading providers of engineering plastics
- Upstream integration in strategic raw materials
- Global production and R&D network

### End markets:

- Automotive industry
- Electric & electronics
- Construction



### Growth drivers:

- Vehicle weight reduction
- Growing demand for cars
- Growth of electrical & electronics industry

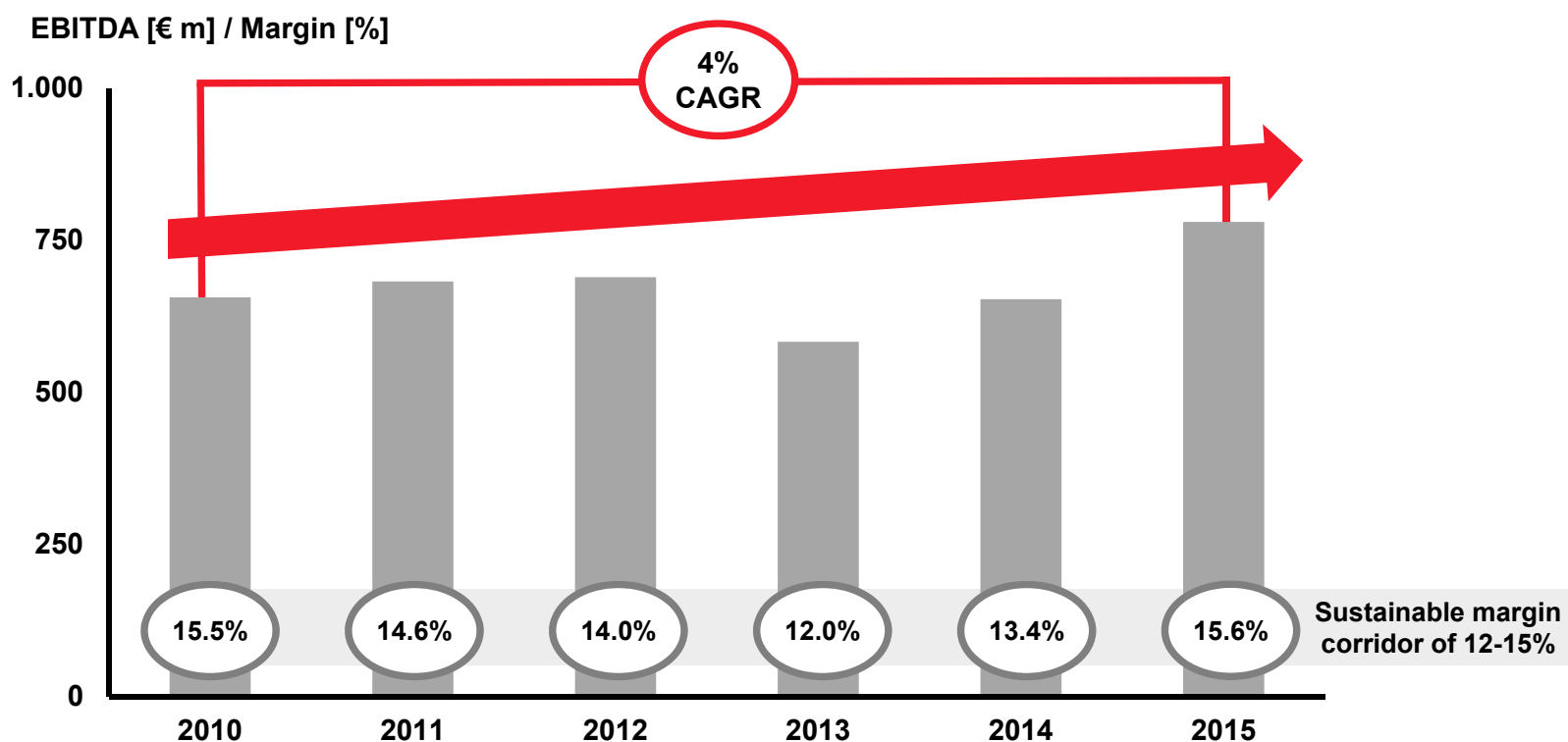
# New LANXESS: Sound and resilient business platforms

Growth & resilience

Sound financials

Shareholder return

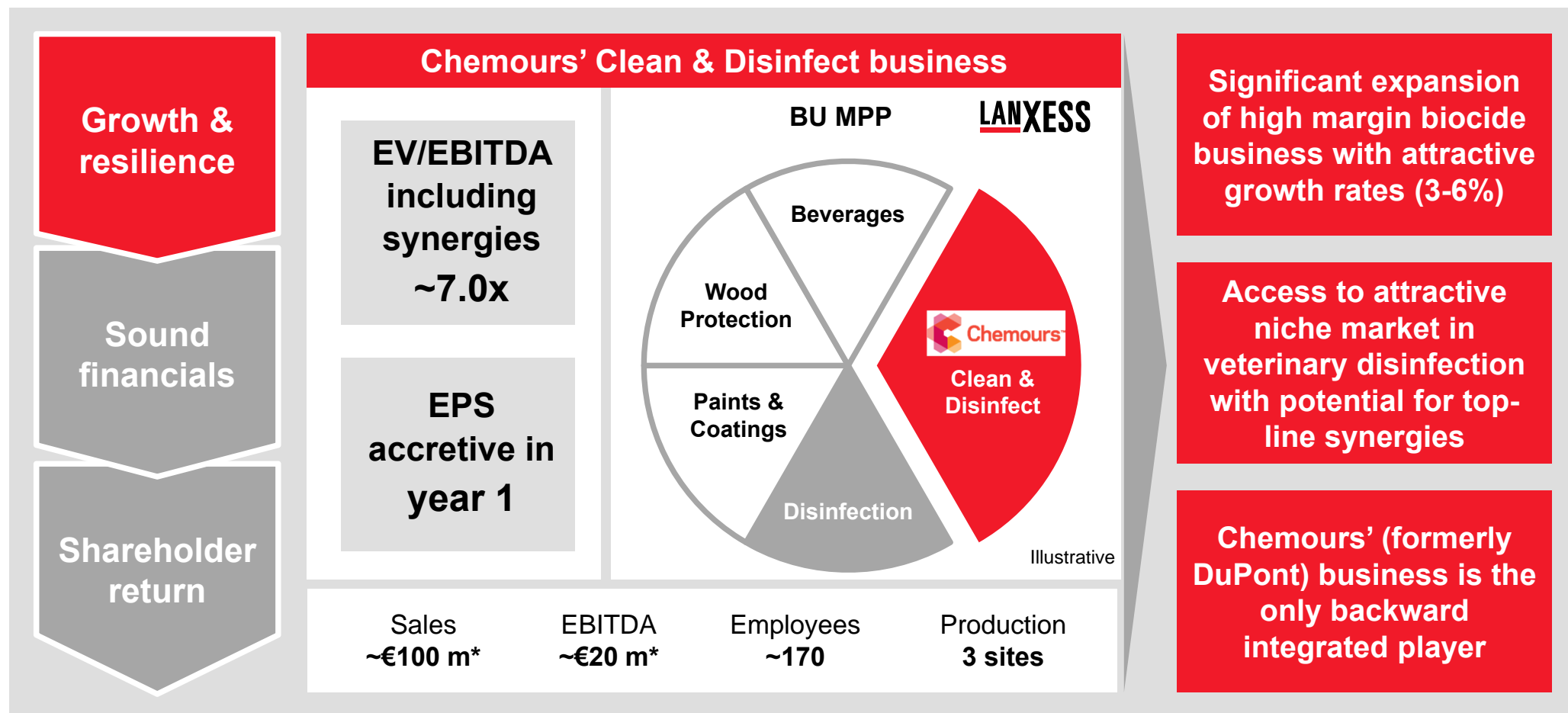
## Low margin volatility in New LANXESS' operative segments\*



All reference to EBITDA is EBITDA pre exceptionals

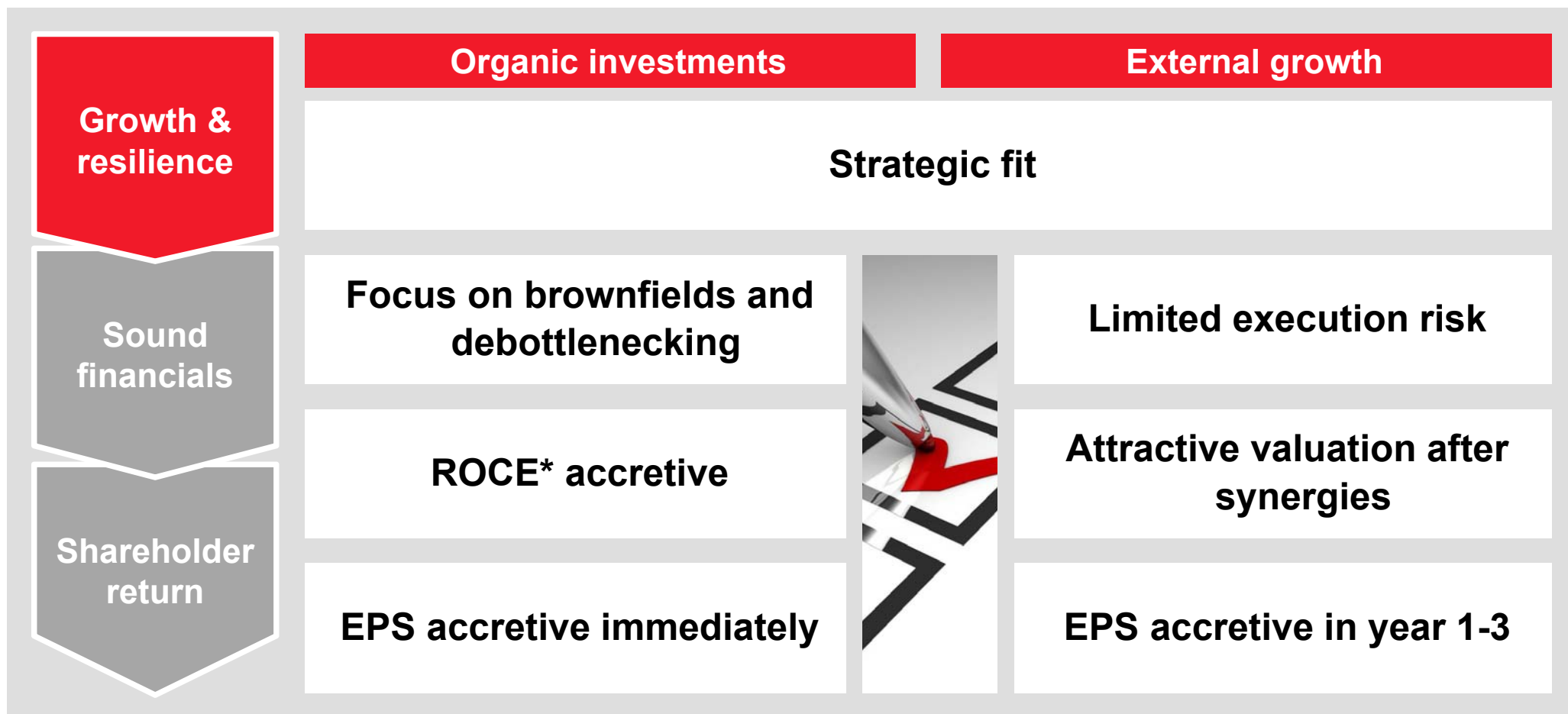
\* Excluding Reconciliation segment

# Swift action on growth strategy has already been taken in our Performance Chemicals segment



\* Financials FY 2015 pro forma pre exceptionals; FX: 1.10 USD/EUR

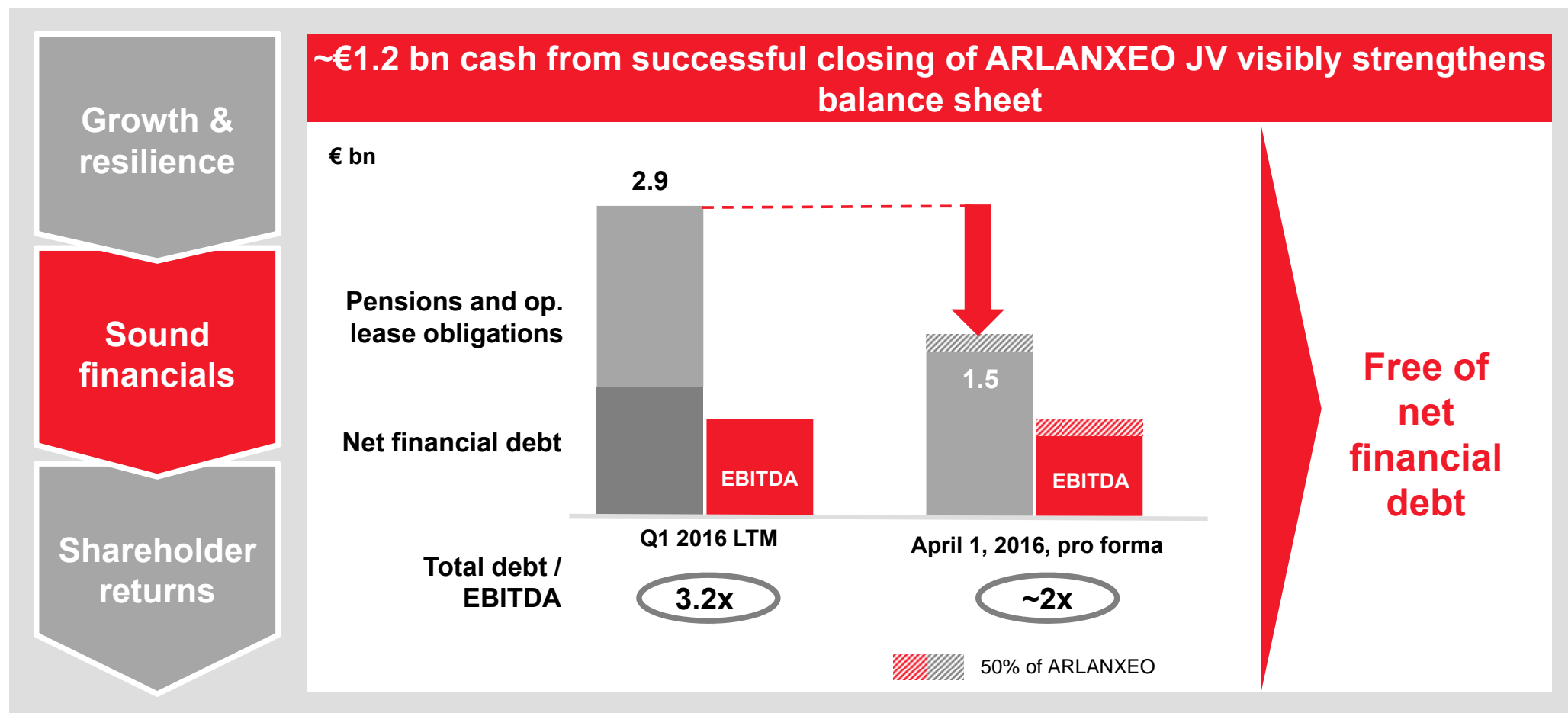
# Clear and strategic financial criteria for sensible growth



\* Refers to ROCE of "New LANXESS" through the cycle

EPS and ROCE accretion for organic investments: Once the new investment has reached its normal operating activity

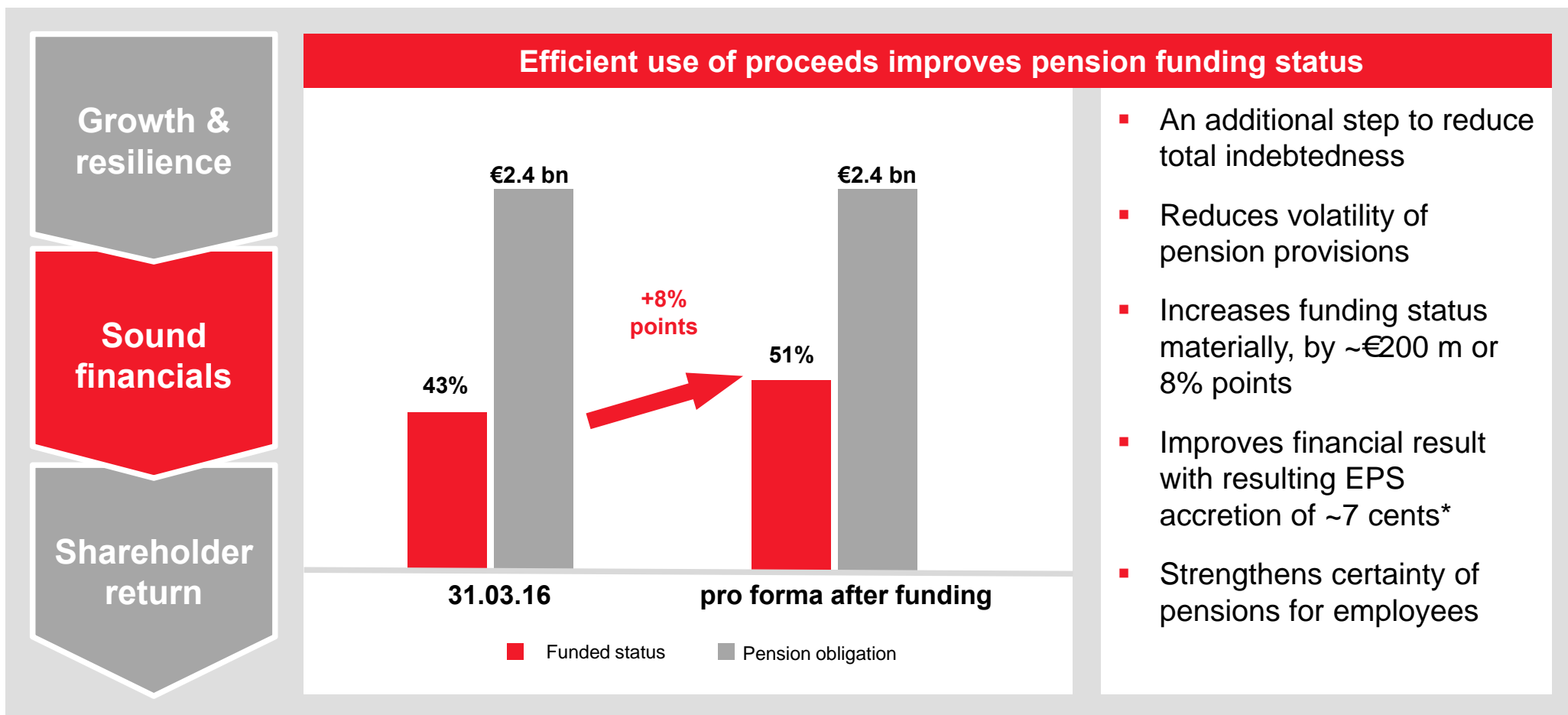
# LANXESS now has strong and sound balance sheet



All references to EBITDA are to EBITDA pre-exceptional items.

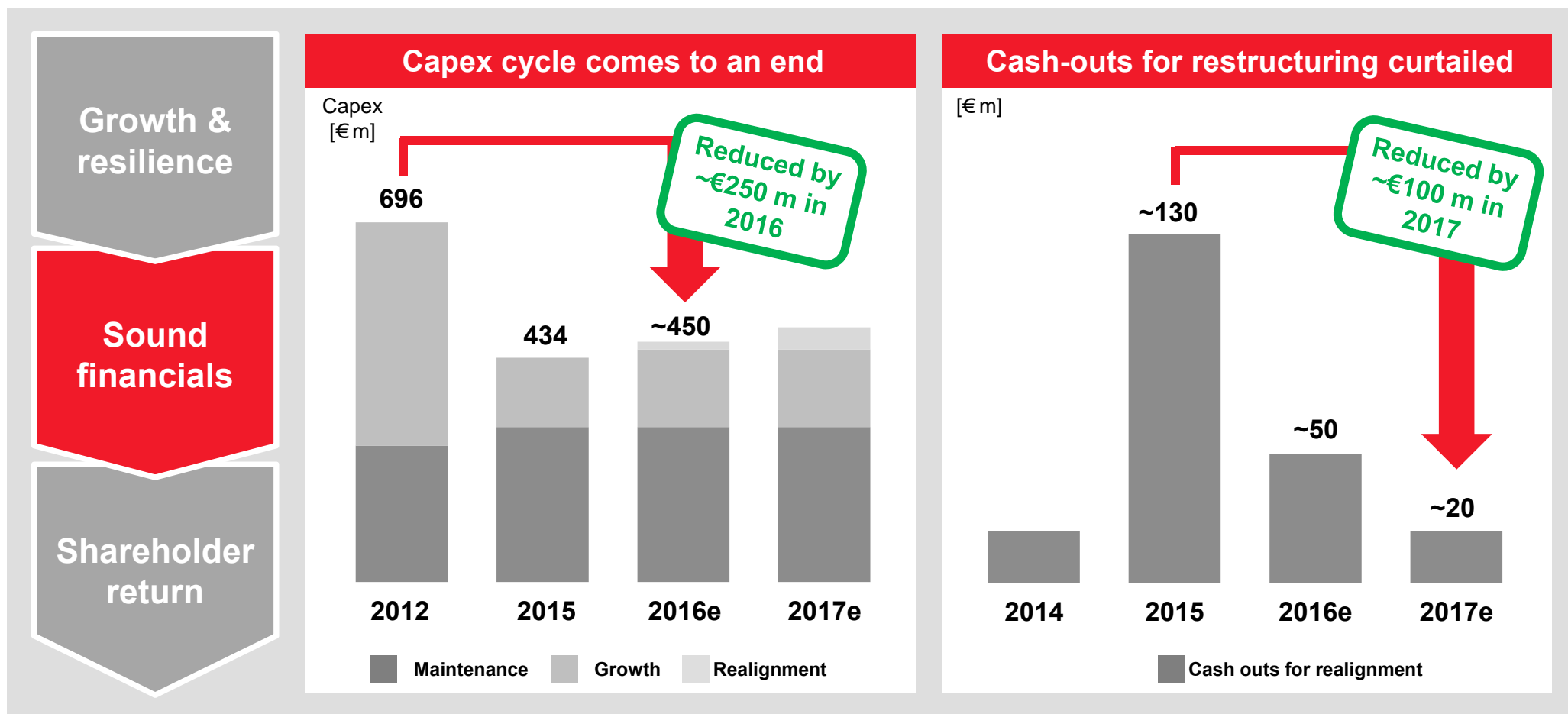


# Strengthening the balance sheet and increasing EPS through pension funding



\* Annualized impact of IFRS interest rate (31.12.2015) vs. a zero-interest deposit

# In parallel, LANXESS maintains a clear focus on cash



# Shareholder returns driven by several factors



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# Q1 2016 financial headlines

## Good Q1 2016 performance

[€ m]

EBITDA pre and margin

Net income

+14%

+>100%

229

262

22

53

11.2%

13.6%

Q1 2015

Q1 2016

Q1 2015

Q1 2016

High Performance Materials and Performance Chemicals showed strong improvement



# Q1 2016: A strong quarter resulting from volume growth and cost relief

## Sales and EBITDA pre Q1 2016

### Sales variances yoy

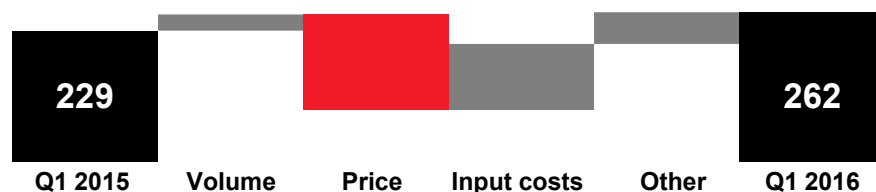
€1,920m (€2,038 m)



- Lower selling prices mainly due to lower raw material prices
- All segments contributed with higher volumes
- Some customers pre-buying due to rising raw material prices

### EBITDA pre

€262 m (€229 m)



- EBITDA pre increased due to volume growth, absence of one-time costs\* and support from FX
- Mitigating effect from market price pressure in rubber and absence of prior-year raw material tailwind for Advanced Intermediates

## Strong start to the year

\* ~€25 m total ramp-up cost in Q1 2015 for EPDM and Nd-PBR plants

## Q1 2016 financial overview: Good set of results

[€ m]	Q1 2015	Q1 2016	yoy in %
Sales	2,038	1,920	-5.8%
EBITDA pre except.	229	262	14.4%
margin	11.2%	13.6%	
EPS	0.24	0.58	>100%
EPS pre <sup>1</sup>	0.66	0.67	1.5%
Capex	56	49	-12.5%
[€ m]	31.12.2015	31.03.2016	Δ %
Net financial debt	1,211	1,216	0.4%
Net working capital	1,526	1,719	12.6%
ROCE	8.4%	8.9%	
Employees	16,225	16,606	2.3%

- Sales decreased due to lower selling prices partly offset by higher volumes
- EBITDA increased by ~14% due to higher volumes and the absence of one-time costs<sup>2</sup>
- Net financial debt stable, while working capital increased in a normal pattern
- Number of employees increased due to status change of external contractors to internal employees<sup>3</sup>

<sup>1</sup> Net of exceptionals, using the local tax rate applicable where the expenses were incurred

<sup>2</sup> Q1 2015 was burdened by ~€25 m ramp-up costs for new rubber plants in Asia

<sup>3</sup> Required by legal changes in China and South Africa

# Q1 2016: All businesses began the year with higher volumes

Advanced Intermediates				Performance Chemicals				High Performance Materials				ARLANXEO			
Price	Volume	Currency	Total	Price	Volume	Currency	Total	Price	Volume	Currency	Total	Price	Volume	Currency	Total
-8%	+5%	0%	<b>-3%</b>	-2%	+1%	0%	<b>0%</b>	-8%	+1%	0%	<b>-7%</b>	-14%	+1%	+1%	<b>-11%</b>
<ul style="list-style-type: none"> <li>Lower prices driven by lower raw material costs</li> <li>Both BUs made strong volume contribution</li> <li>EBITDA pre and margin strong; but last year's raw material tailwinds did not reoccur</li> </ul>				<ul style="list-style-type: none"> <li>Volume increase driven by BUs MPP, LPT and IPG</li> <li>EBITDA advanced through improved utilization</li> <li>Emerging market currencies supported EBITDA</li> </ul>				<ul style="list-style-type: none"> <li>Lower selling prices driven by lower raw material costs</li> <li>Good volume growth in compounds, consequently lower volumes in intermediates (caprolactam)</li> </ul>				<ul style="list-style-type: none"> <li>Lower selling prices driven by lower raw materials; pricing pressure remains</li> <li>Nice volume growth in butyl and Nd-PBR, while volumes in other rubbers declined</li> <li>EBITDA pre rose due to absence of one-time costs</li> </ul>			
[€ m]		Q1'15	Q1'16	[€ m]		Q1'15	Q1'16	[€ m]		Q1'15	Q1'16	[€ m]		Q1'15	Q1'16
Sales		478	<b>463</b>	Sales		533	<b>533</b>	Sales		292	<b>273</b>	Sales		723	<b>640</b>
EBITDA pre		92	<b>89</b>	EBITDA pre		87	<b>98</b>	EBITDA pre		25	<b>38</b>	EBITDA pre		97	<b>113</b>
Margin		19%	<b>19%</b>	Margin		16%	<b>18%</b>	Margin		9%	<b>14%</b>	Margin		13%	<b>18%</b>



# Macroeconomic outlook largely unchanged – FY guidance lifted as a result of the strong start to 2016

## New LANXESS

## ARLANXEO

### Advanced Intermediates

- Segment to perform above prior year
- Highly diversified mix of customer industries
- Agro customer industry to remain soft

### Performance Chemicals

- Segment to perform above prior year
- Two flagship businesses (IPG and ADD) to benefit from new capacities and newly established business platforms

### High Performance Materials

- Engineering plastics with strong projected development
- Growth to be driven by various end applications
- Europe and North America expected to be robust





- Macroeconomic weakness in emerging markets
- Margin pressures expected to increase in the second half of the year, largely resulting from new rubber capacity in the market

**FY 2016 EBITDA pre expected between €900 – 950 m due to a good first quarter**

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# Q1 2016: Good results in a challenging market environment

Q1 yoy sales variances		Price	Volume	Currency	Total
	Adv. Intermediates	-8%	+5%	0%	-3%
	Perf. Chemicals	-2%	+1%	0%	0%
	High Perf. Materials	-8%	+1%	0%	-7%
	ARLANXEO	-14%	+1%	+1%	-11%
<b>LANXESS</b>		<b>-8%</b>	<b>+2%</b>	<b>+1%</b>	<b>-6%</b>

- Lower selling prices mainly due to lower raw material prices
- Higher volumes in all segments
- Overall some customers pre-buying due to currently rising raw material prices

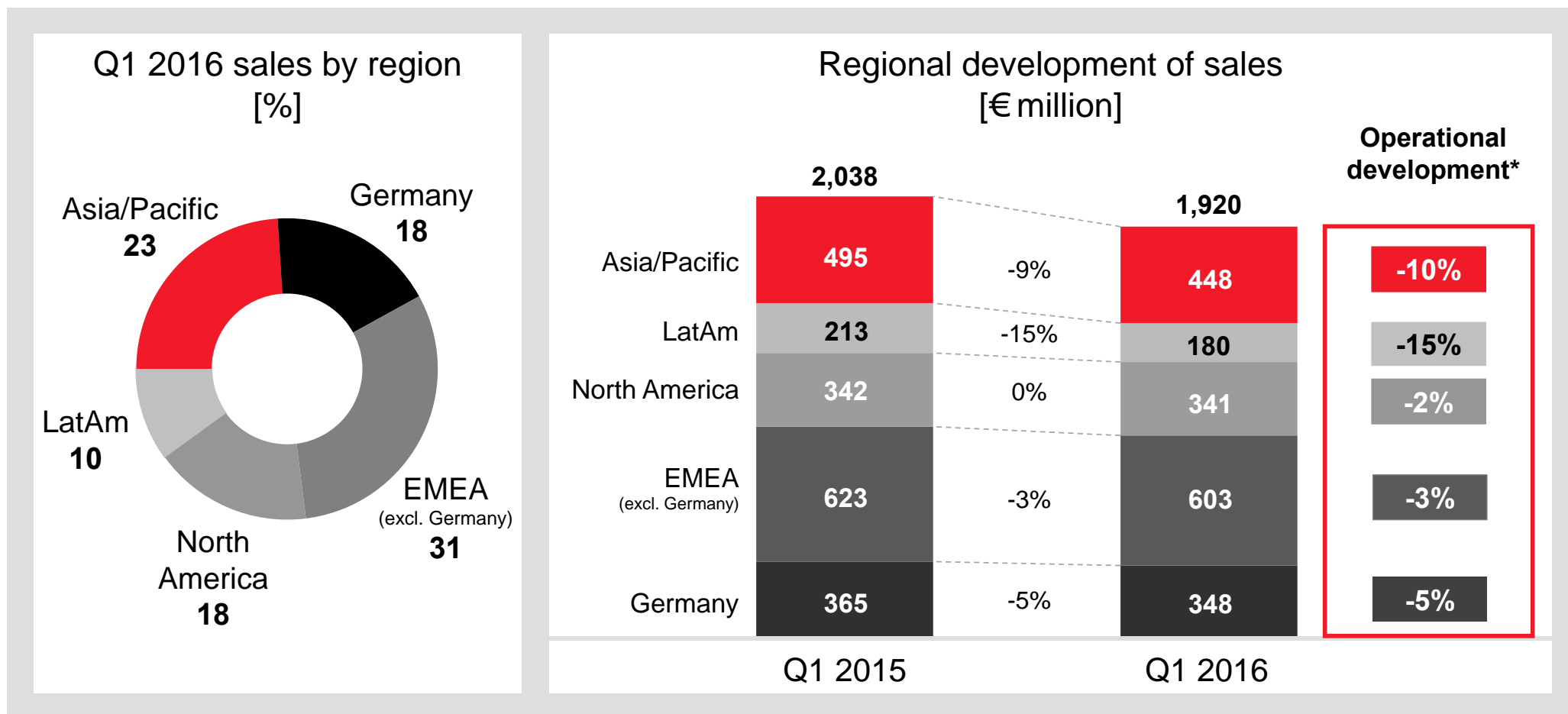
## Q1 yoy EBITDA pre bridge [€ m]



- EBITDA increased due to higher volumes, absence of one-time costs\* and FX support
- Mitigating effect from market price pressures in rubber and absence of last year's raw material tailwinds in Advanced Intermediates

\* ~€25 m total ramp-up costs in Q1 2015 for EPDM and Nd-PBR plants in Asia

# Q1 2016: All regions affected by lower selling prices – Latin America sole region with visibly lower volumes



\* Currency adjusted

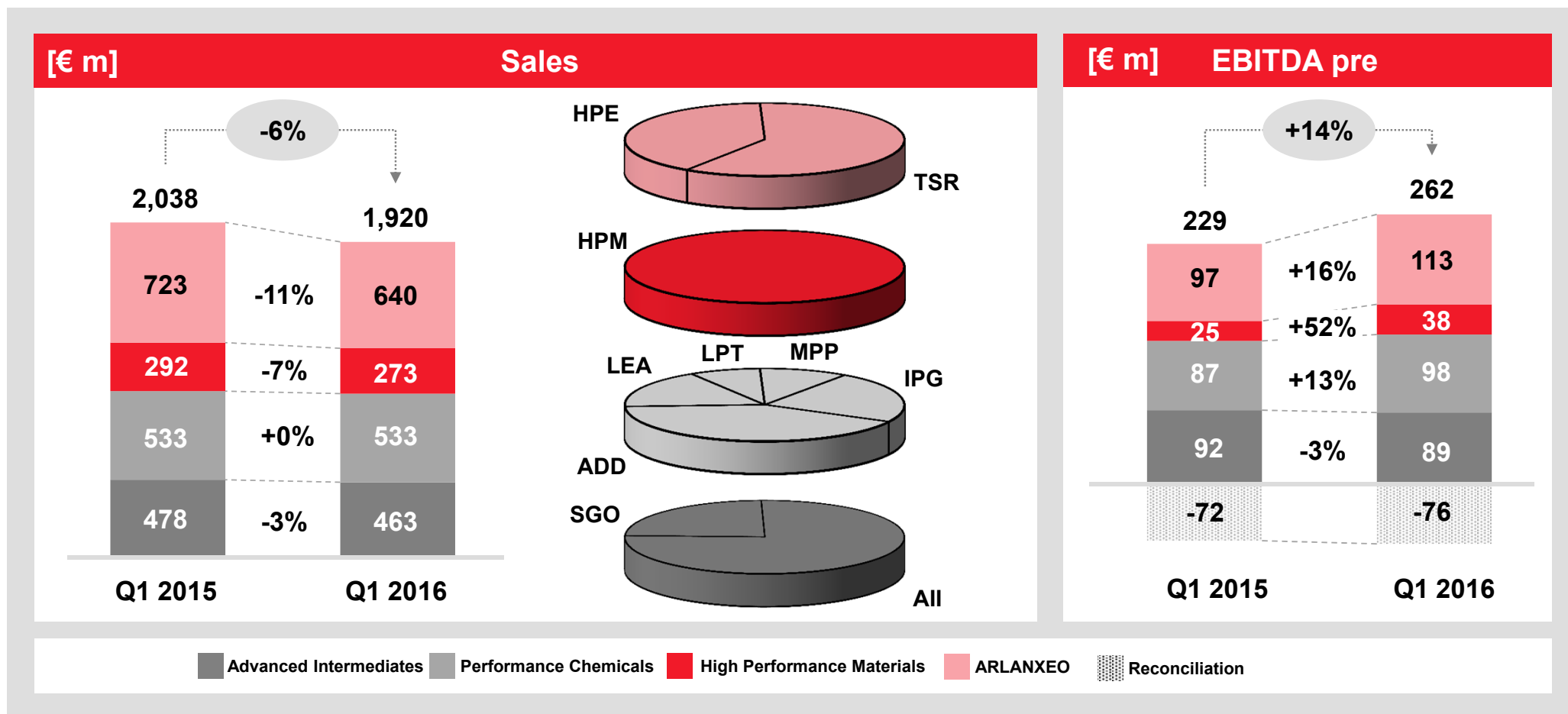
## Q1 2016 showing improved margins year-on-year

[€ m]	Q1 2015	Q1 2016	yoy in %	
Sales	2,038 (100%)	1,920 (100%)	-6%	<ul style="list-style-type: none"> <li>Cost of sales decreased disproportionately to sales mainly due to the absence of one-time costs (~€25 m ramp-up costs in Q1'15)</li> <li>Selling expenses increased due to higher freight and stock keeping costs</li> <li>Among others variable compensation weighed on overhead costs</li> <li>Lower exceptional items lifted EBIT and net income</li> </ul>
Cost of sales	-1,595 (78%)	-1,459 (76%)	9%	
Selling	-183 (9%)	-194 (10%)	-6%	
G&A	-64 (3%)	-72 (4%)	-13%	
R&D	-32 (2%)	-30 (2%)	6%	
<b>EBIT</b>	<b>63 (3%)</b>	<b>131 (7%)</b>	<b>&gt;100%</b>	
<b>Net Income</b>	<b>22 (1%)</b>	<b>53 (3%)</b>	<b>&gt;100%</b>	
<b>EPS</b>	<b>0.24</b>	<b>0.58</b>	<b>&gt;100%</b>	
EPS pre <sup>1</sup>	0.66	0.67	2%	
EBITDA	178 (9%)	251 (13%)	41%	
thereof exceptionals	-51 (3%)	-11 (1%)	-78%	
<b>EBITDA pre exceptionals</b>	<b>229 (11.2%)</b>	<b>262 (13.6%)</b>	<b>14%</b>	

**A good first quarter**

<sup>1</sup> Net of exceptional items, using the local tax rate applicable where the expenses were incurred

# Q1 2016: EBITDA increase driven by nearly all segments

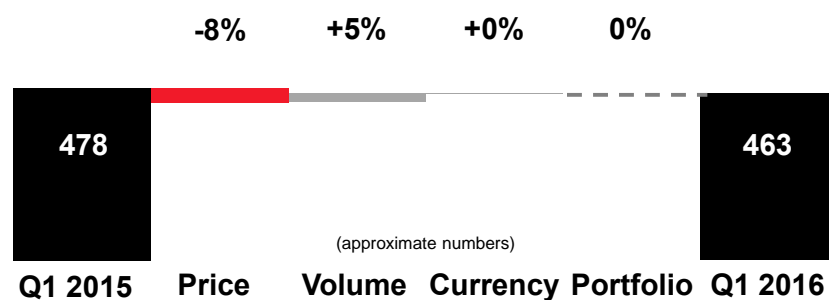


Total group sales and EBITDA pre figures include reconciliation

# Advanced Intermediates: Strong volume contributions and proven resilience

[€ m]	Q1 2015	Q1 2016	Δ
Sales	478	463	-3.1%
EBIT	70	64	-8.6%
Depr. / Amort.	23	25	8.7%
<b>EBITDA pre exceptionals</b>	<b>92</b>	<b>89</b>	<b>-3.3%</b>
Margin	19.2%	19.2%	
Capex	10	9	-10.0%

## Q1 sales bridge yoy [€ m]



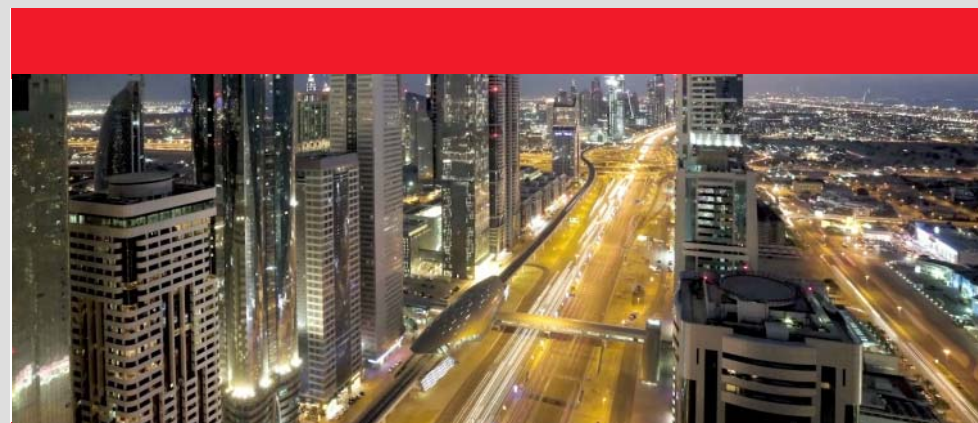
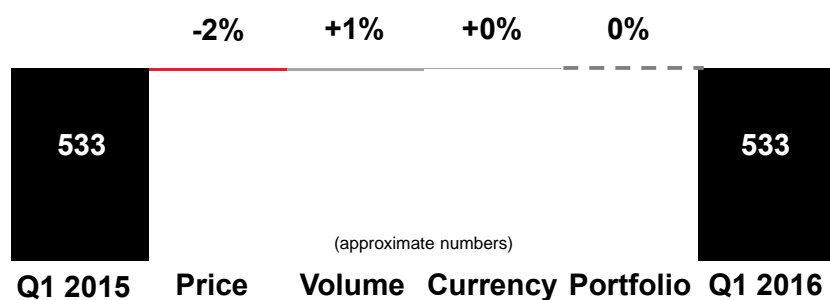
## Q1 yoy EBITDA pre effects

- + Volume growth in both business units driven by good demand across various end markets
- + Higher volumes lead to higher capacity utilization rates
- Lower selling prices due to lower raw material prices, tailwinds from lower raw material costs in Q1'15 did not reoccur
- D&A increases due to write-backs at the end of 2015, resulting in higher asset base

# Performance Chemicals: A diversified business benefits from improved utilization

[€ m]	Q1 2015	Q1 2016	Δ
Sales	533	533	0.0%
EBIT	64	76	18.8%
Depr. / Amort.	21	22	4.8%
<b>EBITDA pre exceptionals</b>	<b>87</b>	<b>98</b>	<b>12.6%</b>
Margin	16.3%	18.4%	
Capex	17	16	-5.9%

## Q1 sales bridge yoy [€ m]



## Q1 yoy EBITDA pre effects

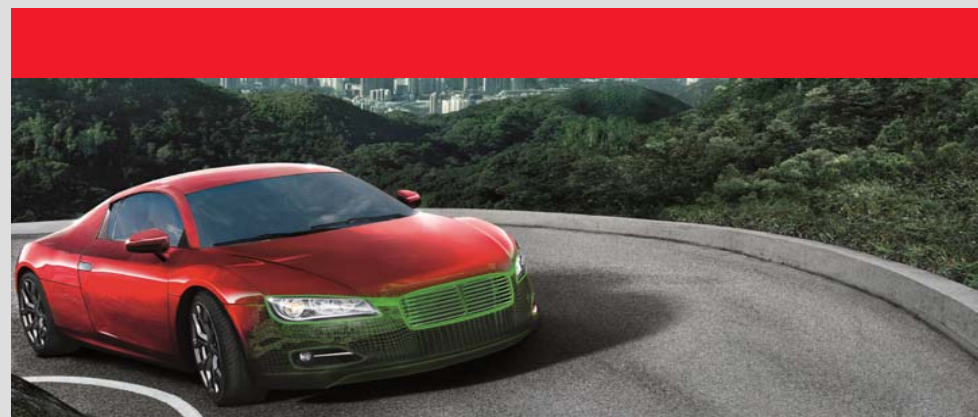
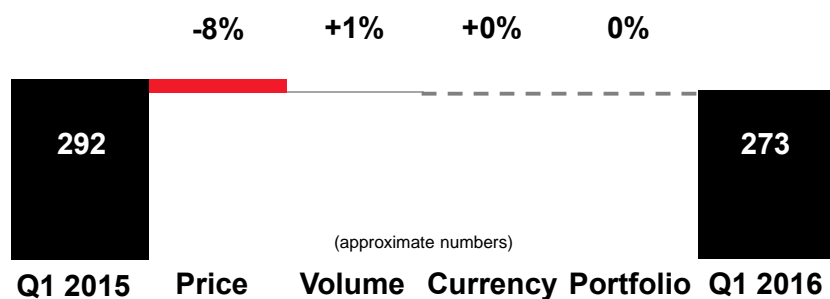
- + Selling prices almost unchanged amid volatile raw material prices
- + Improved profitability in BU LEA due to better utilization
- + Support from currency effects, especially in emerging markets
- Higher volumes leading to higher utilization
- Slightly lower volumes in BU ADD due to a distributor change



# High Performance Materials: Major performance improvement resulting from continuing shift to high-value-added business

[€ m]	Q1 2015	Q1 2016	Δ
Sales	292	273	-6.5%
EBIT	14	27	92.9%
Depr. / Amort.	10	11	10.0%
<b>EBITDA pre exceptionals</b>	<b>25</b>	<b>38</b>	<b>52.0%</b>
Margin	8.6%	13.9%	
Capex	4	5	25.0%

## Q1 sales bridge yoy [€ m]



## Q1 yoy EBITDA pre effects

- Good volume development: Product stream shifted towards polyamides and compounds with resulting reduced caprolactam exposure
- Balanced capacity model starts to pay off
- EBITDA improvement driven by downstream development into compounding business with strong backward integration

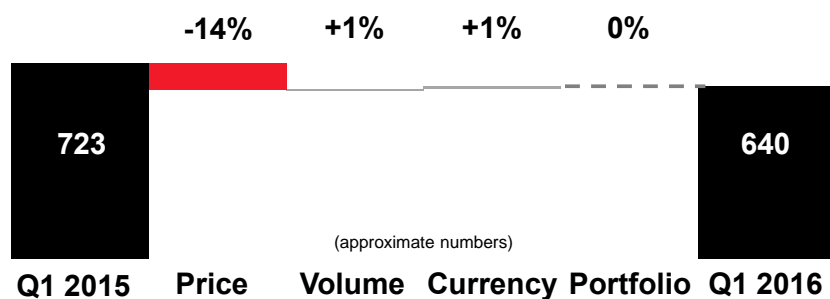


Preliminary unaudited figures

# ARLANXEO: A well-managed quarter in a persistently challenging market environment

[€ m]	Q1 2015	Q1 2016	Δ
Sales	723	640	-11.5%
EBIT	4	57	>100%
Depr. / Amort.	57	56	-1.8%
<b>EBITDA pre exceptionals</b>	<b>97</b>	<b>113</b>	<b>16.5%</b>
Margin	13.4%	17.7%	
Capex	20	16	-20.0%

## Q1 sales bridge yoy [€ m]



## Q1 yoy EBITDA pre effects

- + Good volume development in butyl and Nd-PBR, while volumes in other rubbers declined
- Absence of one-time costs (Q1 '15 ~€25 m; Asia plants)
- Support from emerging market currencies and US dollar
- Lower selling prices driven by lower raw material prices and margin pressures
- Supplier force majeure unresolved; expected to weigh down ARLANXEO in Q2 and Q3

Preliminary unaudited figures

## Q1 2016: Increase in working capital weighs on cash flow

[€ m]	Q1 2015	Q1 2016	
<b>Profit before tax</b>	<b>34</b>	<b>94</b>	
Depreciation & amortization	115	120	
Gain from sale of assets	0	0	
Result from investments (using equity method)	0	0	
Financial (gains) losses	15	17	
Cash tax payments/refunds	-5	-42	
Changes in other assets and liabilities	-6	77	
<b>Operating cash flow before changes in WC</b>	<b>153</b>	<b>266</b>	
Changes in working capital	-120	-218	
<b>Operating cash flow</b>	<b>33</b>	<b>48</b>	
<b>Investing cash flow</b>	<b>-61</b>	<b>56</b>	
thereof capex	-56	-49	
<b>Financing cash flow</b>	<b>-52</b>	<b>-137</b>	

- Swing in changes in other assets and liabilities mainly driven by FX effects from intercompany financing and recognition of bonus schemes
- Changes in working capital driven by higher receivables (higher sales in March '16 vs Dec '15) and lower payables
- Investing cash flow includes cash-in from disposal of near cash assets
- Financing cash flow reflects early repayment of financial liabilities\*

\* Early repayment of outstanding EIB tranche in January 2016

## Balance sheet remains solid

[€ m]	Dec 2015	Mar 2016
Total assets	7,219	7,140
Equity	2,323	2,294
<b>Equity ratio</b>	<b>32%</b>	<b>32%</b>
<b>Net financial debt</b>	<b>1,211</b>	<b>1,216</b>
Near cash, cash & cash equivalents	466	333
Pension provisions	1,215	1,375
<b>ROCE<sup>1</sup></b>	<b>8.4%</b>	<b>8.9%</b>
Net working capital	1,526	1,719
Net working capital/sales <sup>1</sup>	19%	22%
DIO (in days) <sup>2</sup>	84	83
DSO (in days) <sup>3</sup>	48	51

- Equity ratio remains strong
- Net financial debt stable despite increase in working capital; ~€1.2 bn of cash received on April 1, 2016<sup>4</sup>
- Pension provisions increased due to interest rate adjustments in Germany (from 3.0% to 2.5%)
- Net working capital increased, following normal yearly pattern; lower payables burden additionally

<sup>1</sup> Based on last twelve months for EBIT pre or sales

<sup>2</sup> Days of inventory outstanding calculated from quarterly COGS

<sup>3</sup> Days of sales outstanding calculated from quarterly sales

<sup>4</sup> On April 1, 2016, LANXESS placed 50% of its rubber business in a joint venture with Saudi Aramco, receiving in return ~€1.2 bn in cash

# Balance sheet solid

[€ m]	Dec'15	Mar'16		Dec'15	Mar'16
<b>Non-current assets</b>	<b>4,180</b>	<b>4,106</b>	<b>Stockholders' equity</b>	<b>2,323</b>	<b>2,294</b>
Intangible assets	300	289	<b>Non-current liabilities</b>	<b>2,936</b>	<b>3,067</b>
Property, plant & equipment	3,447	3,330	Pension & post empl. provis.	1,215	1,375
Equity investments	0	0	Other provisions	271	257
Other investments	12	11	Other financial liabilities	1,258	1,258
Other financial assets	21	20	Tax liabilities	19	19
Deferred taxes	361	411	Other liabilities	127	106
Other non-current assets	39	45	Deferred taxes	46	52
<b>Current assets</b>	<b>3,039</b>	<b>3,034</b>	<b>Current liabilities</b>	<b>1,960</b>	<b>1,779</b>
Inventories	1,349	1,339	Other provisions	411	484
Trade accounts receivable	956	1,082	Other financial liabilities	443	327
Other financial & current assets	268	280	Trade accounts payable	779	702
Near cash assets	100	0	Tax liabilities	85	89
Cash and cash equivalents	366	333	Other liabilities	242	177
<b>Total assets</b>	<b>7,219</b>	<b>7,140</b>	<b>Total equity &amp; liabilities</b>	<b>7,219</b>	<b>7,140</b>

- Increase in pension provisions driven by interest rate changes (mainly in Germany from 3.0% to 2.5%).
- Receivables increased due to higher business activity in March 2016 against December 2015.

# Agenda

- LANXESS Equity Story
- Executive summary Q1 2016 and outlook 2016
- Financial details Q1 2016
- **Backup**



**Backup**

# Housekeeping items

## Additional financial expectations

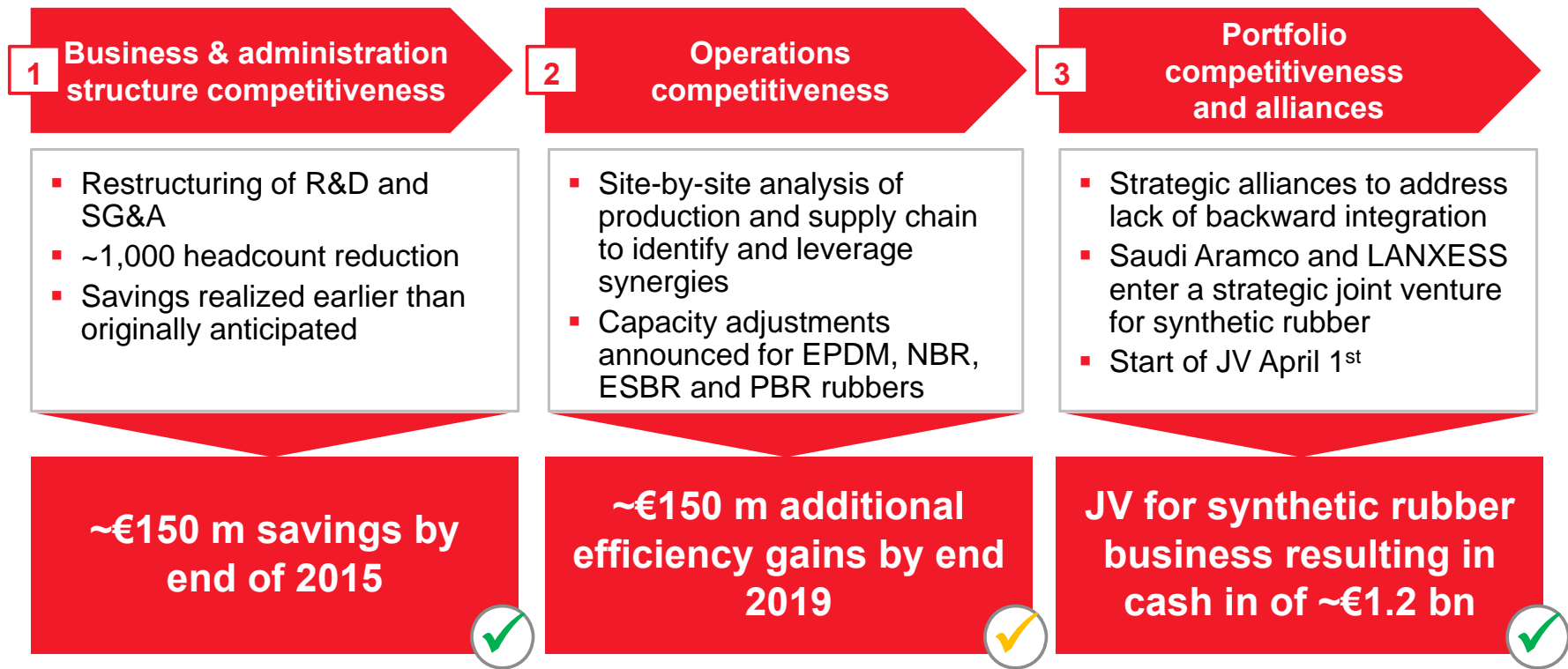
- Capex 2016: ~€450 m
- Operational D&A 2016: ~€450-460 m
- Reconciliation 2016: underlying expenses of ~€150 m EBITDA; additionally hedging expenses of ~€90 m in 2016\*
- Annual tax rate:
  - 2016: around 2015 level
  - mid-term: 30-35% (for New LANXESS)



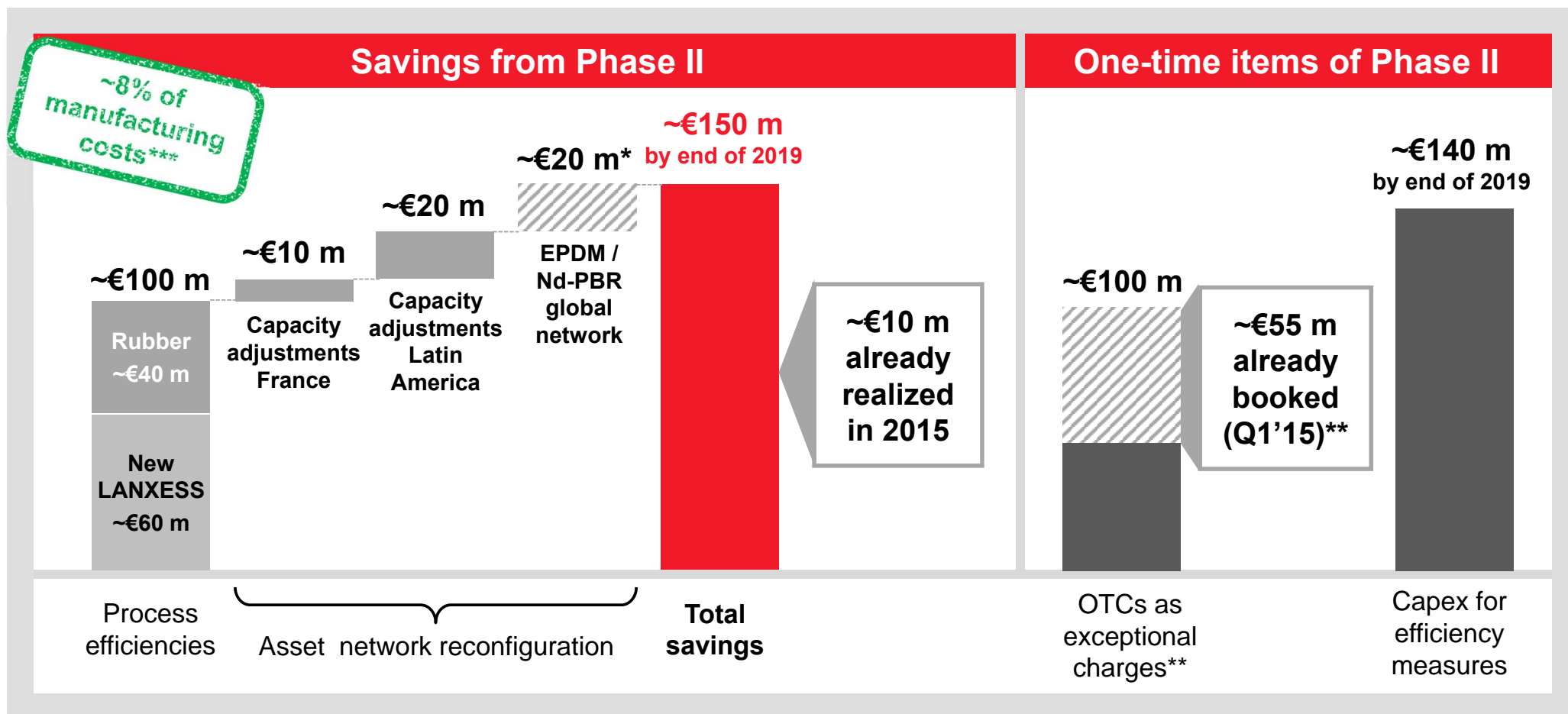
\* Based on an exchange rate of 1.10 USD/EUR



# 2015: LANXESS now on solid foundation: Transformation ahead of plan, management teams in place



# ~€150 m savings from Phase II – through process efficiencies and asset network reconfiguration



\* €20 m savings from the EPDM and Nd-PBR reconfiguration already communicated in March 2015

\*\* OTCs include ~€55 m already communicated and booked (Mar / Nd-PBR reconfiguration) / \*\*\* Cost base 2014 without depreciation and amortization

# Phase I savings realized faster than anticipated

## Faster execution of realignment program Phase I

<u>updated</u>	2014	2015	2016	Total
Headcount reduction	~ <u>425</u>	~ <u>475</u>	~100	~1,000
[€ m] Cash out	~20	~110	~20	~150
[€ m] P&L expense (OTC)	~ <u>110</u>	~ <u>40</u>	~ <u>0</u>	~150
[€ m] Cost reduction	~20	~100	~30	~150



Already realized  
by end of 2015

## Financial details on Phase II

### Detailed table to summarize financial impact of restructuring Phase II

	2015	2016	2017	2018	2019	Total
[€ m] P&L expense (OTC)	~60	~30	~10			~100
[€ m] Cash-out (OTC)	~5	~50	~20	~15		~90
[€ m] Capital Invest	by 2019					~140
[€ m] Cost reduction	~10	~20	~40	~40	~40	~150

Includes €20 m savings from the EPDM and Nd-PBR reconfiguration already communicated in March 2015 / OTCs include ~€55 m already communicated and booked in 2015 (Marl / Nd-PBR reconfiguration) / OTC = one-time-costs booked as exceptionals

# The JV with Saudi Aramco generally offers several ways of value creation

## Near-term strategic initiatives

Horizontal consolidation

R&D and technology-related investments

Investments in Saudi Arabia

After closing: 1 to 5 years

## Mid-term initiatives




### Integration of value chains:

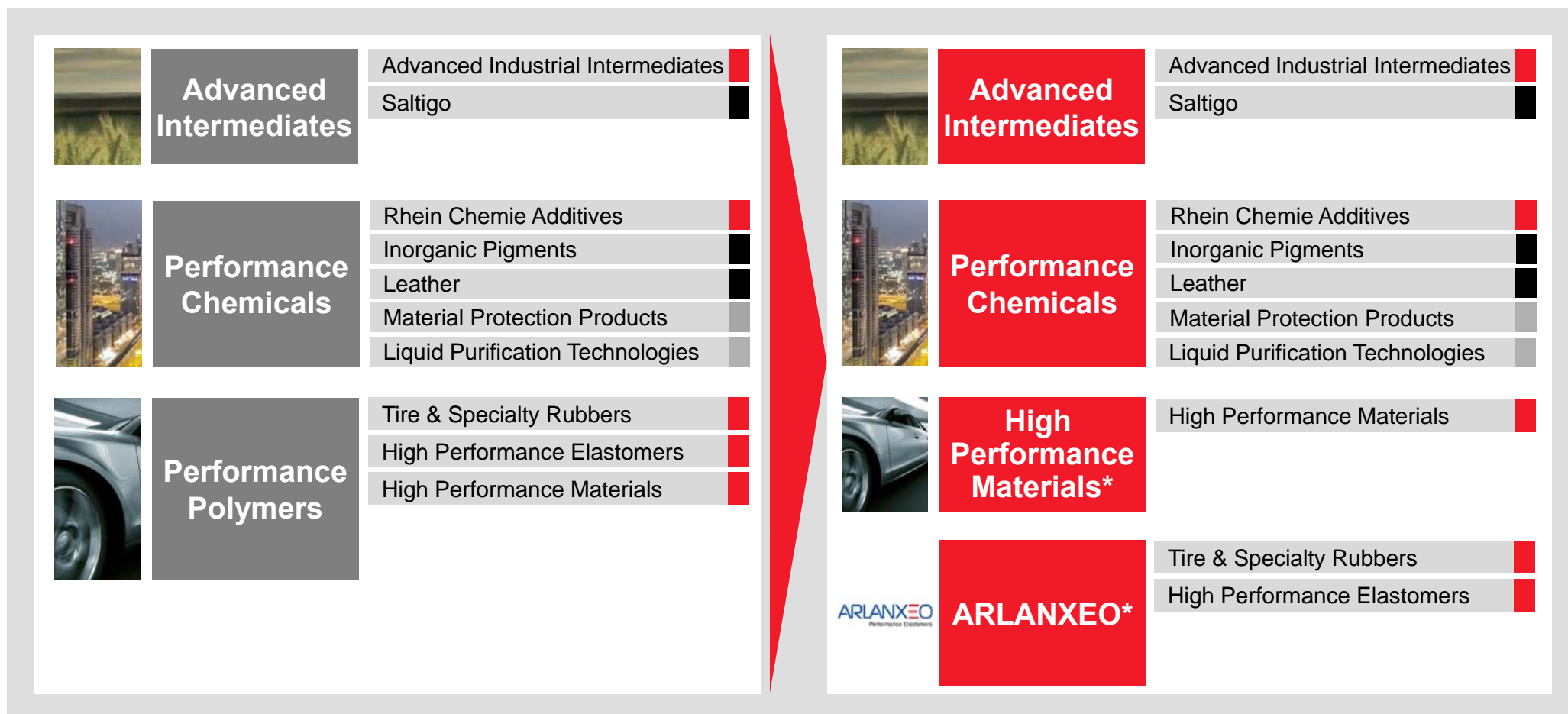
- **Building C4 extraction units**
- **Terminals for physical butadiene**
- **Tolling agreements**
  - Supply of naphtha to existing suppliers
- **Swap agreements**
  - Logistics and supply chains already in place
  - No transportation costs due to direct procurement

Time horizon 5 to 10 years

# New strategic focus: Building a more balanced and resilient company

Advanced Intermediates	Performance Chemicals	High Performance Materials	ARLANXEO Performance Elastomers
			
<ul style="list-style-type: none"><li>▪ Leading market positions and process technologies</li><li>▪ Efficient and strong production platform</li><li>▪ Highly diversified end markets</li></ul>	<ul style="list-style-type: none"><li>▪ Strong positioning in a broad range of niche markets</li><li>▪ Low importance of raw materials</li><li>▪ Acting as solution provider</li></ul>	<ul style="list-style-type: none"><li>▪ A leading producer of engineering plastics</li><li>▪ Balanced value chain with limited exposure to volatile markets</li></ul>	<ul style="list-style-type: none"><li>▪ Leading market positions with strong and diversified portfolio</li><li>▪ Broadest synthetic rubber platform with competitive advantage for future development</li></ul>
<b>Delivering chemical intermediates</b>	<b>Adding functionality, color or processability to products</b>	<b>High-tech plastics for a wide range of end markets</b>	<b>Highly competitive JV and global #1 for synthetic rubber</b>




# A lean business organization



\* Future reporting structure – ARLANXEO to be fully consolidated for the first three years

■ Sales: > €500 m   
 ■ Sales: €200 m – 500 m   
 ■ Sales: < €200 m

# New LANXESS: resilient, cash generating and well positioned in growing markets

Strong businesses	 Advanced Intermediates	 Performance Chemicals	 High Performance Materials
Resilience (EBITDA margin)	<ul style="list-style-type: none"> <li>Proven level of 15-18%</li> <li>Margin volatility of ~2-3% pts</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable at 13-16%</li> <li>Margin volatility of ~2-3% pts</li> </ul>	<ul style="list-style-type: none"> <li>Target margin &gt;10%, resilience moving forward with transformation of business</li> </ul>
Cash generation	<ul style="list-style-type: none"> <li>Attractive cash generation through technology leadership and efficient business set-up</li> </ul>	<ul style="list-style-type: none"> <li>Considerable cash generation based on good mix of solution focused businesses</li> </ul>	<ul style="list-style-type: none"> <li>Cash generation will improve with a more balanced value chain and shift to higher-margin businesses</li> </ul>
Growth	<ul style="list-style-type: none"> <li>Growth slightly above GDP</li> </ul>	<ul style="list-style-type: none"> <li>Growth with GDP</li> </ul>	<ul style="list-style-type: none"> <li>Growth above GDP</li> </ul>
<p style="text-align: center;"><b>Valuable businesses with resilience, cash generation and growth opportunities</b></p>			



# Corporate Responsibility well integrated - achieving goals sustainably

## Climate / Environmental goals

- Reduction of specific CO2 emission by 25%\* until 2025
- Reduction of specific energy consumptions by 25%\* until 2025
- Reduction of volatile organic compounds (NMVOC) emissions by 25%\* until 2025

## Procurement initiatives

- 'Supplier Code of Conduct' for supplier selection and rating
- 'Together for Sustainability' initiative for higher transparency in the supply chain (implementation of a global auditing program)

## Safety goals

- Xact: Global safety program to improve occupational, process and plant safety (since 2011)
- Global management system for optimization of transportation of (dangerous) goods

## Social initiatives and goals

- Global board initiative 'Diversity & Inclusion': raising the proportion of women in management to 20% by 2020
- Leverage water know-how: support of AMREF
- Education initiatives with local and global commitment



\* Base year: 2015; for CO2: Scope 1 and Scope 2 emissions

# ARLANXEO effects on LANXESS' income statement from Q2 2016 onwards

LANXESS to fully consolidate ARLANXEO for the first three years	
Sales	<p><b>No changes:</b></p> <ul style="list-style-type: none"> <li>ARLANXEO fully consolidated within LANXESS group for the first three years</li> <li>ARLANXEO comprises the BUs TSR and HPE</li> <li>No consolidation effects on margins</li> </ul>
Cost of sales	
Selling	
G&A	
R&D	
<b>EBIT / EBT / tax expenses</b>	<p><b>Changes in net income and EPS:</b></p> <ul style="list-style-type: none"> <li>50% of ARLANXEO's net income is attributable to non-controlling interest of Saudi Aramco</li> </ul>
./. Non-controlling interests	
<b>Net Income</b>	<p><b>No changes:</b></p> <ul style="list-style-type: none"> <li>No effects in EBITDA and EBITDA pre as ARLANXEO is fully consolidated</li> </ul>
<b>EPS</b>	
EBITDA	
thereof exceptionals	
<b>EBITDA pre exceptionals</b>	
<p><b>Group net income and EPS reflect participation of Saudi Aramco</b></p>	

# ARLANXEO effects on LANXESS' statement of cash flows from Q2 2016 onwards

## LANXESS to fully consolidate ARLANXEO for the first three years

<b>Profit before tax</b>
Depreciation & amortization
Gain from sale of assets
Result from investments (using equity method)
Financial (gains) losses
Cash tax payments/refunds
Changes in other assets and liabilities
<b>Operating cash flow before changes in WC</b>
Changes in working capital
<b>Operating cash flow</b>
<b>Investing cash flow</b>
thereof capex
<b>Financing cash flow</b>
thereof payouts/dividend to non-controlling interest

### No changes:

- Cash flow statement includes the full consolidated results of ARLANXEO; comprising the 50% owed by Saudi Aramco
- Capex figure includes 100% of ARLANXEO

### Potential changes:

- Dividends and similar payouts to Saudi Aramco will be shown in financing cash flow

Financing cash flow potentially affected by alliance with Saudi Aramco

# ARLANXEO effects on LANXESS' group balance sheet including full consolidation

## Non-current assets

Intangible assets  
 Property, plant & equipment  
 Equity investments  
 Other investments  
 Other financial assets  
 Deferred taxes  
 Other non-current assets

## Current assets

Inventories  
 Trade accounts receivable  
 Other financial & current assets  
 Near-cash assets  
 Cash and cash equivalents

## Total assets

## Stockholders' equity

Equity attributable to non-controlling interests

## Non-current liabilities

Pension & post empl. provis.  
 Other provisions  
 Other financial liabilities  
 Tax liabilities  
 Other liabilities  
 Deferred taxes

## Current liabilities

Other provisions  
 Other financial liabilities  
 Trade accounts payable  
 Tax liabilities  
 Other liabilities

## Total equity & liabilities

**Cash  
 received  
 from Saudi  
 Aramco**

**50% non-  
 controlling  
 interest of Saudi  
 Aramco in  
 ARLANXEO**

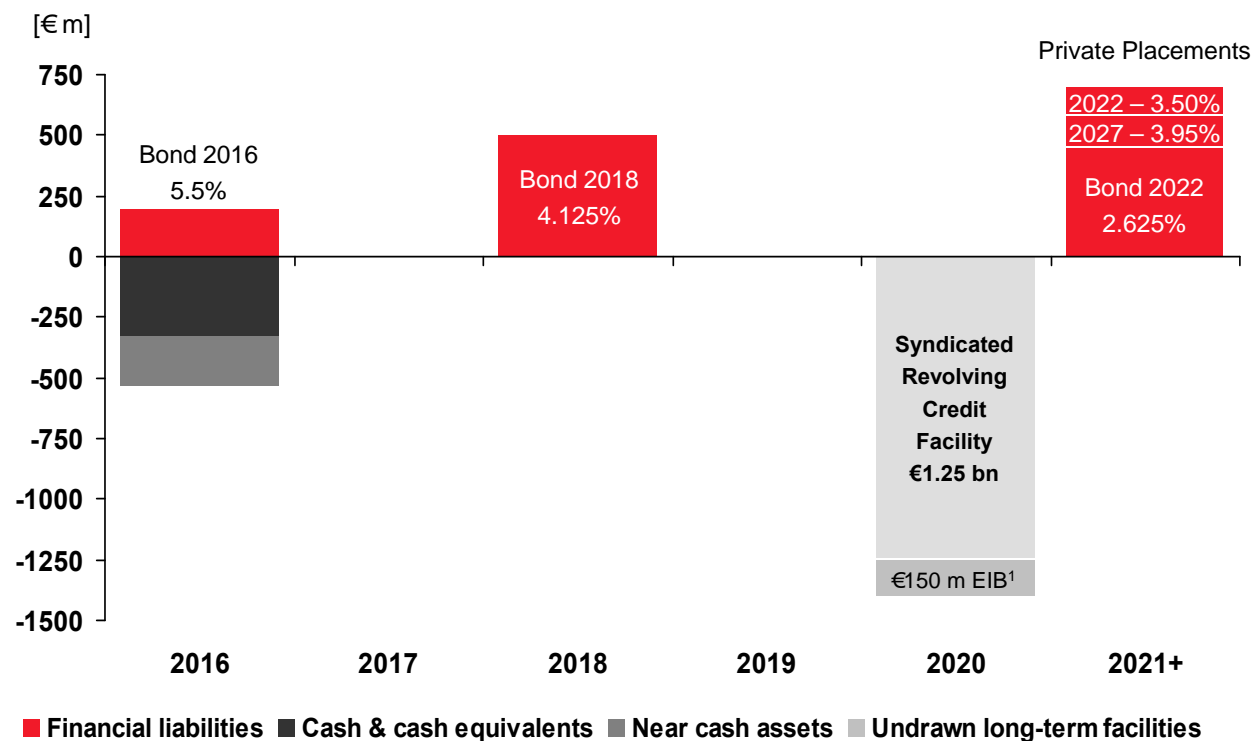
**Only minor changes in balance sheet due to full consolidation**

# A well managed and conservative maturity profile

## Long term financing secured

- Diversified financing sources
  - Bonds & Private placements
  - Syndicated credit facility
  - Bank facility
- All group financing executed without financial covenants
- No refinancing need in 2016 due to cash position and expected JV proceeds

## Liquidity and maturity profile as per March 2016

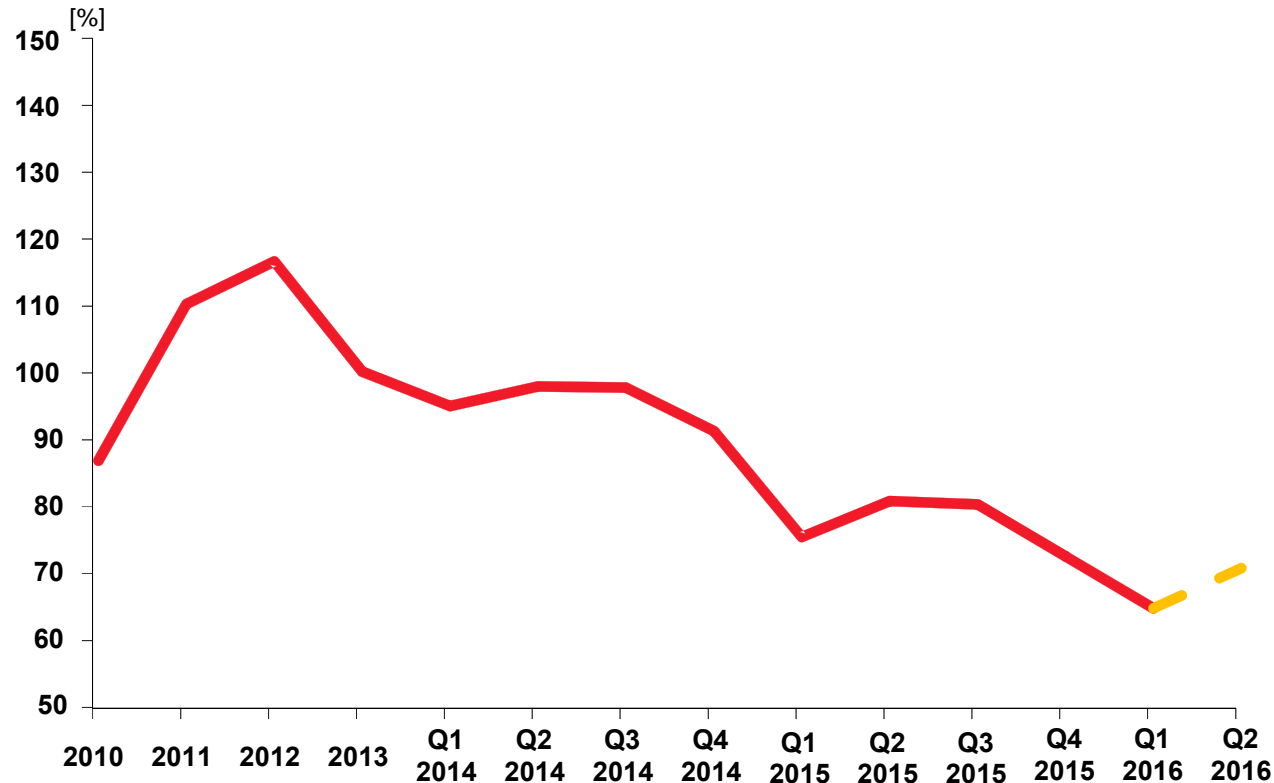


EIB = European Investment Bank

<sup>1</sup> Final maturity of EIB facility in case of utilization earliest in 2020; EIB facility currently undrawn

# High volatility in raw material prices

Global raw materials index\*



- Sharp decline in raw material prices in Q4 2014/ Q1 2015 driven by a steep drop in the price of oil
- Raw material prices remained volatile, trending downwards through year end 2015
- Q2 2016 expected to be marked by progressively higher raw material costs on average

\* Source: LANXESS, average 2013 = 100%

# Overview of exceptional items in Q1

[€ m]	Q1 2015		Q1 2016	
	Excep.	thereof D&A	Excep.	thereof D&A
Performance Polymers	46	9	0	0
Advanced Intermediates	-1	0	0	0
Performance Chemicals	2	0	0	0
Reconciliation	13	0	11	0
<b>Total</b>	<b>60</b>	<b>9</b>	<b>11</b>	<b>0</b>

# Abbreviations

## ARLANXEO

- TSR Tire & Specialty Rubbers
- HPE High Performance Elastomers

## Performance Chemicals

- ADD Rhein Chemie Additives
- IPG Inorganic Pigments
- LEA Leather
- MPP Material Protection Products
- LPT Liquid Purification Technologies

## Advanced Intermediates

- All Advanced Industrial Intermediates
- SGO Saltigo

## High Performance Materials

- HPM High Performance Materials



# Upcoming events 2016

## Proactive capital market communication

▪ <b>Annual General Meeting</b>	<b>May 20</b>	<b>Cologne</b>
▪ Deutsche Bank 7 <sup>th</sup> Annual dbAccess Asia Conference	May 24/25	Singapore
▪ dbAccess German, Swiss & Austrian Conference	June 8/9	Berlin
▪ Exane BNPP 18 <sup>th</sup> Europe CEO Conference	June 15	Paris
▪ <b>Q2 results 2016</b>	<b>August 10</b>	
▪ <b>Capital Markets Event “Meeting the Management”</b>	<b>September 8</b>	<b>Cologne</b>
▪ Goldman Sachs 5 <sup>th</sup> German Corporate Conference	September 19-21	Munich
▪ <b>Q3 results 2016</b>	<b>November 10</b>	
▪ Morgan Stanley Global Chemical Conference	November 14	Boston
▪ Deutsche Börse Eigenkapital Forum	November 21	Frankfurt

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