Capital Markets Day 2014
Tackling challenges with a strong team

Matthias Zachert, CEO
Bernhard Duettmann, CFO

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### Agenda

- **Executive summary Q3 2014 results**
  - The chemical industry – and current challenges for LANXESS
  - Efficiency and excellence: “Let’s LANXESS again” realignment in detail
    - Efficiency: Phase I – actions in detail
    - Excellence: Phases II & III – plans
  - Growth: Building on a strengthened platform
    - Capital allocation
    - Strategy for growth going forward

### Key developments Q3 2014

<table>
<thead>
<tr>
<th>Positive (+)</th>
<th>Negative (-)</th>
<th>Important (!)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes and EBITDA in Advanced Intermediates and Performance Chemicals improve</td>
<td>Lower selling price levels yoy in Performance Polymers</td>
<td>Realignment program well on track</td>
</tr>
<tr>
<td>EBITDA supported by corporate cost reductions</td>
<td>Reduced volumes in Polymers against a high base; no market improvement visible yet</td>
<td>Implementation of realignment program underway</td>
</tr>
<tr>
<td><strong>EBITDA improvement across the Group</strong></td>
<td><strong>Polymers remain challenging</strong></td>
<td><strong>“Let’s LANXESS again” in progress</strong></td>
</tr>
</tbody>
</table>

All references to EBITDA are pre exceptionals
Q3 2014: Sales remain stable – EBITDA increase mainly due to cost savings

<table>
<thead>
<tr>
<th>Q3 yoy sales variances</th>
<th>Price</th>
<th>Volume</th>
<th>Currency</th>
<th>Portf.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perf. Polymers</td>
<td>-2%</td>
<td>-2%</td>
<td>0%</td>
<td>-1%</td>
<td>-4%</td>
</tr>
<tr>
<td>Adv. Intermediates</td>
<td>-1%</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Perf. Chemicals</td>
<td>1%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>LANXESS</td>
<td>-1%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

- Stable sales as higher volumes compensate for lower prices; no impact from currency
- Advanced Intermediates generates strong volumes in agro custom-manufacturing (BU SGO)
- Change in selling prices roughly in line with change in input costs at Group level
- “Other” driven by lower idle costs and first savings achieved by “Let’s LANXESS again” (non-personnel)

Q3 yoy EBITDA pre bridge [€ m]

<table>
<thead>
<tr>
<th>Q3 2013</th>
<th>Volume</th>
<th>Price</th>
<th>Input costs</th>
<th>Other</th>
<th>Q3 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>187</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>210</td>
</tr>
</tbody>
</table>

Q3 2014: Earnings improvement driven by cost savings

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Q3 2013</th>
<th>Q3 2014</th>
<th>yoy in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,050 (100%)</td>
<td>2,040 (100%)</td>
<td>0%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-1,662 (81%)</td>
<td>-1,639 (80%)</td>
<td>1%</td>
</tr>
<tr>
<td>Selling</td>
<td>-186 (9%)</td>
<td>-186 (9%)</td>
<td>0%</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>-76 (4%)</td>
<td>-62 (3%)</td>
<td>18%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>-43 (2%)</td>
<td>-39 (2%)</td>
<td>9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>52 (3%)</td>
<td>83 (4%)</td>
<td>60%</td>
</tr>
<tr>
<td>Net Income</td>
<td>11 (1%)</td>
<td>35 (2%)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>EPS</td>
<td>0.13</td>
<td>0.38</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>EPS pre1</td>
<td>0.34</td>
<td>0.59</td>
<td>73%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>166 (8%)</td>
<td>183 (9%)</td>
<td>10%</td>
</tr>
<tr>
<td>thereof exceptions</td>
<td>-21 (1%)</td>
<td>-27 (0%)</td>
<td>29%</td>
</tr>
<tr>
<td>EBITDA pre exceptions</td>
<td>187 (9.1%)</td>
<td>210 (10.3%)</td>
<td>12%</td>
</tr>
</tbody>
</table>

- Sales almost unchanged as higher volumes (+1%) offset lower prices (-1%)
- Overhead and R&D cost reductions reflect initial savings from realignment and ongoing cost discipline
- Earnings improve due to lower COGS (lower D&A and idle costs) and positive impact of reduced corporate expenses
- Increase in EPS reflects cost discipline

Earnings have increased nicely – but the business environment continues to be challenging

1 Net of exceptionals, using the local tax rate applicable where the expenses were incurred
Performance Polymers: Business environment and performance remain subdued

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Q3 2013</th>
<th>Q3 2014</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,092</td>
<td>1,045</td>
<td>-4.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>13</td>
<td>36</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Depr. / Amort.</td>
<td>63</td>
<td>52</td>
<td>-17.5%</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>84</td>
<td>93</td>
<td>10.7%</td>
</tr>
<tr>
<td>Margin</td>
<td>7.7%</td>
<td>8.9%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Capex</td>
<td>86</td>
<td>83</td>
<td>-3.5%</td>
</tr>
</tbody>
</table>

Q3 comments
- Lower prices at segment level due to continued weak environment, only BU PBR mitigates with higher selling prices yoy (raw-material related, butadiene)
- Volumes compare unfavourably to prior year’s strong base; BU HPM burdened by maintenance shutdowns in caprolactam
- EBITDA held back by lower market prices of synthetic rubbers, despite better utilization and absence of inventory devaluation (~€10 m in Q3 2013)

Advanced Intermediates: Continued good performance

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Q3 2013</th>
<th>Q3 2014</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>403</td>
<td>424</td>
<td>5.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>51</td>
<td>52</td>
<td>2.0%</td>
</tr>
<tr>
<td>Depr. / Amort.</td>
<td>20</td>
<td>22</td>
<td>10.0%</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>71</td>
<td>74</td>
<td>4.2%</td>
</tr>
<tr>
<td>Margin</td>
<td>17.6%</td>
<td>17.5%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Capex</td>
<td>28</td>
<td>15</td>
<td>-46.4%</td>
</tr>
</tbody>
</table>

Q3 comments
- Prices decrease marginally, reflecting changes in input costs (e.g., toluene)
- Volumes increase, driven by BU SGO enjoying solid demand in custom manufacturing for agro customers
- Good utilization leads to strong and stable EBITDA and margin
- Lower capex due to timing of projects in BU SGO and completion of cresol expansion in BU All
**Performance Chemicals: A solid quarter of a well diversified segment**

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Q3 2013</th>
<th>Q3 2014</th>
<th>∆</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>546</td>
<td>561</td>
<td>2.7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>51</td>
<td>51</td>
<td>0.0%</td>
</tr>
<tr>
<td>Depr. / Amort.</td>
<td>21</td>
<td>21</td>
<td>0.0%</td>
</tr>
<tr>
<td>EBITDA pre exceptions</td>
<td>72</td>
<td>76</td>
<td>5.6%</td>
</tr>
<tr>
<td>Margin</td>
<td>13.2%</td>
<td>13.5%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Capex</td>
<td>24</td>
<td>8</td>
<td>-66.7%</td>
</tr>
</tbody>
</table>

**Q3 comments**
- Price changes vary across BUs; some price increase seen in accelerators business (BU RUC)
- Volume increase driven by BU IPG (strong demand in construction, esp. Europe) and BU LEA (leather chemicals and chrome ore)
- EBITDA rises on higher prices and volumes
- Capex sharply down from previous year due to timing and project completions at various BUs (e.g., BUs RCH and LPT)

**Balance sheet strengthened – working capital expected to come down by year-end**

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Dec 2013</th>
<th>Sep 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>6,811</td>
<td>7,360</td>
</tr>
<tr>
<td>Equity</td>
<td>1,900</td>
<td>2,364</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>1,731</td>
<td>1,445</td>
</tr>
<tr>
<td>Net financial debt/EBITDA pre¹</td>
<td>2.36</td>
<td>1.74</td>
</tr>
<tr>
<td>Near cash, cash &amp; cash equivalents</td>
<td>533</td>
<td>516</td>
</tr>
<tr>
<td>Pension provisions</td>
<td>943</td>
<td>1,142</td>
</tr>
<tr>
<td><strong>ROCE¹</strong></td>
<td>5.8%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Net working capital</td>
<td>1,679</td>
<td>1,994</td>
</tr>
<tr>
<td>Net working capital/sales¹</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>DSI (in days)²</td>
<td>58</td>
<td>67</td>
</tr>
<tr>
<td>DSO (in days)²</td>
<td>48</td>
<td>51</td>
</tr>
</tbody>
</table>

- Equity ratio improved after capital increase in May 2014
- Net financial debt reduced with proceeds from capital increase
- Pension provisions rise due to reduced interest rates mainly in Germany
- Net working capital increases driven by higher inventories mainly in H1 (preparation for Q4-loaded maintenance) and adverse currency effects

1 Based on last twelve months for EBIT pre, EBITDA pre or sales
2 Days of sales in inventories / Days of sales outstanding calculated on quarterly sales
Q3 2014: Positive free cash flow

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Q3 2013</th>
<th>Q3 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>20</td>
<td>55</td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>114</td>
<td>100</td>
</tr>
<tr>
<td>Gain from sale of assets</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Result from investments (using equity method)</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>Financial (gains) losses</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td>Cash tax payments/refunds</td>
<td>3</td>
<td>-36</td>
</tr>
<tr>
<td>Changes in other assets and liabilities</td>
<td>38</td>
<td>79</td>
</tr>
<tr>
<td>Operating cash flow before changes in WC</td>
<td>204</td>
<td>212</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>174</td>
<td>-11</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>378</td>
<td>201</td>
</tr>
<tr>
<td>Investing cash flow</td>
<td>-215</td>
<td>-81</td>
</tr>
<tr>
<td>thereof capex</td>
<td>-146</td>
<td>-112</td>
</tr>
<tr>
<td>Financing cash flow</td>
<td>-62</td>
<td>-147</td>
</tr>
</tbody>
</table>

- Profit before tax increased on better earnings
- D&A reduction reflects impairment at year-end 2013
- Changes in other assets and liabilities reflect provision building for personnel
- Minor changes in working capital in Q3 ’14 compared to cash inflow in Q3 ’13 mainly due to sharp decline of raw material prices and inventory reduction
- Capex expected to be heavily Q4-weighted

Higher earnings and lower capex provide support in Q3

Business environment remains challenging – restructuring efforts provide first EBITDA support in 2014

Macro expectations 2014
- Tire industry growth higher than 2013 but below expectations; signs of customers destocking seen for Q4 2014
- Automotive industry offers slower growth than anticipated (especially in Latin America, Russia and India)
- Agrochemicals demand expected to remain robust in 2014; 2015 will continue the growth trend, but with slower growth rates than 2014
- Construction industry to grow more slowly than expected mainly against backdrop of developments in North America and Europe
- US dollar expected to remain strong in Q4 2014; political uncertainties remain a risk

LANXESS expectations FY 2014 – confirmed
- Confirmation of FY 2014 EBITDA pre guidance at €780-820 m (initial savings of ~€20 m from “Let’s LANXESS again” mitigate some burdens for Q4)
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European chemical sector challenged by structural factors

<table>
<thead>
<tr>
<th>Higher raw material and energy costs</th>
<th>New technologies and new entrants</th>
<th>Modest growth rates and fewer export opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• EU experiences feedstock cost disadvantage vs. competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• German companies in particular suffer from high energy prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• EU has higher labor costs than emerging countries and the U.S.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• State-owned competition from emerging countries motivated by self-sufficiency agenda rather than economic approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Shale gas boom in the U.S. and resulting investments will increase import pressures in Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Competitors in emerging Asian countries (esp. China) have increasingly reduced their dependence on imports by building up their own capacities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Middle Eastern and Chinese companies are moving into more complex, high-value-added products</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Meanwhile the European economy is still depressed by the sovereign debt crisis and resulting austerity measures
Leadership in four key areas is essential

Globalization and digitalization accelerate change
Anticipation of or quick adaption to change is key to remaining competitive

* Commodity vs specialty, big vs small, global vs local

Key success factors for LANXESS to regain positive momentum

Efficiency
- Strengthen business & administration competitiveness
- Increase cost efficiency
- Strengthen financial foundations and flexibility
- Reduce net debt; defend investment-grade rating

Excellence
- Achieve manufacturing competitiveness
- Improve commercial and supply chain competitiveness
- Strengthen portfolio competitiveness and alliances

Growth
Build on existing foundation for sustainable, long-term growth
A clear priority to improve our efficiency and processes before we transition to growth

Efficiency

Excellence

Growth

2014

2015 / 2016

“Let’s LANXESS again”

Costs

Processes & alliances

Organic & portfolio

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Efficiency and excellence are the current focus

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"Let’s LANXESS again" – a three-phase realignment program has been defined

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Leadership excellence and performance culture

No time wasted: Effective process of change management initiated in April 2014 remains on schedule
Realignment process: Delivering at a rapid pace

Significant milestones achieved in a very short period of time

- March 2014
  - Kick-off workshop
- Capital increase of 10%
- New organization for our BUs and GFs
- Over 1,400 proposals to increase our efficiency
- Consensus with SB* and workers’ council on “Let’s LANXESS again”
- New culture of leadership and dialogue

November 2014
- Implementation of Phase I
- Implement new organization

* Supervisory Board

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### Business unit consolidation creates more efficient and effective market approach

<table>
<thead>
<tr>
<th>Composition</th>
<th>Tire &amp; Specialty Rubbers</th>
<th>High Performance Elastomers</th>
<th>Rhein Chemie Additives</th>
<th>Advanced Industrial Intermediates</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTR</td>
<td>KEL</td>
<td>FCC</td>
<td>All</td>
<td>RUC (AOX/ACC)</td>
</tr>
<tr>
<td>PBR</td>
<td>HPE</td>
<td>RCH</td>
<td>All</td>
<td>RUC (SC)</td>
</tr>
<tr>
<td>TSR</td>
<td>HPE</td>
<td>ADD</td>
<td>All</td>
<td></td>
</tr>
</tbody>
</table>

**Rationale**

- **Leaner business organization and more focused customer interactions**
- **Focus on elastomers for technical applications in one lean unit**
- **Leveraging market access as a single powerful supplier of additives**
- **Combining two asset-driven businesses while applying AII’s best-practice approach globally**

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### A leaner business organization

<table>
<thead>
<tr>
<th>Performance Polymers</th>
<th>Performance Polymers</th>
<th>Advanced Intermediates</th>
<th>Advanced Intermediates</th>
<th>Performance Chemicals</th>
<th>Performance Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butyl Rubber</td>
<td>Performance Butadiene Rubbers</td>
<td>Advanced Industrial Intermediates</td>
<td>Saltigo</td>
<td>Material Protection Products</td>
<td>Material Protection Products</td>
</tr>
<tr>
<td></td>
<td>Keltan Elastomers</td>
<td></td>
<td></td>
<td>Inorganic Pigments</td>
<td>Inorganic Pigments</td>
</tr>
<tr>
<td></td>
<td>High Performance Elastomers</td>
<td></td>
<td></td>
<td>Functional Chemicals</td>
<td>Functional Chemicals</td>
</tr>
<tr>
<td></td>
<td>High Performance Materials</td>
<td></td>
<td></td>
<td>Leather</td>
<td>Leather</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rhein Chemie Additives</td>
<td>Rhein Chemie Additives</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rubber Chemicals</td>
<td>Rubber Chemicals</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Liquid Purification Technologies</td>
<td>Liquid Purification Technologies</td>
</tr>
</tbody>
</table>

New reporting structure as of January 1st 2015

Sales: > €500 m Black: Sales: €200 m – 500 m Grey: Sales: < €200 m
Building a strong leadership team

Who are the new heads?

BU TSR: Jorge Nogueira, Argentinian
- Studies in chemical and process engineering
- Dow, Rhône-Poulenc, Petroflex
- With LANXESS since 2007; currently head of BU BTR/PBR

BU HPE: Jan Paul de Vries, Dutch
- MBA, Bachelor in chemical engineering
- DSM
- With LANXESS since 2011; currently head of BU HPE/KEL

BU ADD: Anno Borkowsky, German
- PhD in chemistry
- Bayer and Rhein Chemie
- With LANXESS since spin-off; currently head of BU RCH/FCC

GF PTSE*: Par Singh, Indian-American
- Studies in chemical engineering
- Basell and LyondellBasell
- With LANXESS since 2013; currently head of GF INN

*GF PTSE: Group function Production, Technology, Safety & Environment

LANXESS plans to reduce costs to level of 2010/2011

Overhead and R&D costs outpaced growth

Reduction needed to regain competitiveness

Restructuring phase I – first step to achieving cost competitiveness

Based on annual reports
Business unit efficiency: New organization and major restructuring efforts

Comprehensive measures will be implemented

- Streamlining of marketing & sales organization
- New distributor concept
- Reorganization of business unit support and administrative functions
- Consolidation of laboratories and technical functions

Business Units TSR, HPE, ADD and AII

HC impact: ~400
OTCs: ~€50 m
Cost reduction: ~€50 m

Group function PTSE*: Creating synergies by consolidating technology-oriented service functions

Measures resulting in a leaner and more efficient group function

- Consolidation of organizations (GFs INN, IEA and ASC)
- Decentralization of reactive maintenance
- Optimization of central maintenance organization
- Reduction of external research collaborations
- Reduction of various consultancy services

Group function Production, Technology, Safety & Environment

HC impact: ~200
OTCs: ~€35 m
Cost reduction: ~€25 m

*PTSE: Production, Technology, Safety & Environment
INN: Innovation & Technology, IEA: Industrial & Environmental Affairs, ASC: Alasea
Right-sizing of overhead functions

Measures will lead to considerable savings

Board Office, Corporate Communications and other administrative functions:

- Consolidation and visible restructuring of organizations
- Reduction of corporate marketing activities
- Reduction of sponsoring activities
- Reduction of consultancy services

HC impact: ~250
OTCs: ~€30 m
Cost reduction: ~€60 m

Phase I will lead to ~€150 m savings or ~15% of total overhead costs in scope

Savings from phase I of “Let’s LANXESS again” focus on overhead costs

15% of total overhead costs will be saved

~€50 m
~€25 m
~€60 m
~€15 m
~€150 m

BU / GF
Region
Segment

BU
GF
NoAm
EMEA
Germany
PP
ReCon

Savings through “Let’s LANXESS again” vs December 31, 2013
Realignment involves headcount reduction

- Headcount reduction of ~1,000 as part of the “Let’s LANXESS again” restructuring program; of which ~50% in Germany

**Germany:**
- Agreement with workers’ council about separation program reached
- Headcount reduction with focus on administrative functions

**Other countries:**
- Country-specific solutions with local employee representatives

---

*Headcount reduction through “Let’s LANXESS again” vs December 31, 2013*

---

Phase I offers attractive OTC / savings ratio

**Detailed table to summarize financial impact of restructuring phase**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount reduction</td>
<td>~250</td>
<td>~650</td>
<td>~100</td>
<td>~1,000</td>
</tr>
<tr>
<td>Cash out (€ m)</td>
<td>~20</td>
<td>~110</td>
<td>~20</td>
<td>~150</td>
</tr>
<tr>
<td>P&amp;L expense (OTC)</td>
<td>~100</td>
<td>~40</td>
<td>~10</td>
<td>~150</td>
</tr>
<tr>
<td>Cost reduction (€ m)</td>
<td>~20</td>
<td>~100</td>
<td>~30</td>
<td>~150</td>
</tr>
</tbody>
</table>
Food for thought: Two new rubber plants will come on stream in H1 2015 and impact 2015 & 2016

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015 / 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nd-PBR</td>
<td></td>
<td>~€15 m</td>
</tr>
<tr>
<td></td>
<td>Customer approbation</td>
<td>Idle costs</td>
</tr>
<tr>
<td></td>
<td>Ramp-up costs</td>
<td>Additional competitor capacities</td>
</tr>
<tr>
<td>EPDM</td>
<td>~€20 m</td>
<td>Customer approbation</td>
</tr>
<tr>
<td></td>
<td>Ramp-up costs</td>
<td>Additional competitor capacities</td>
</tr>
</tbody>
</table>

Idle costs of ~€50 m (excl. ramp-up costs) due to additional capacities will affect both 2015 & 2016

Agenda

- Executive summary Q3 2014 results
- The chemical industry – and current challenges for LANXESS
- Efficiency and excellence: “Let’s LANXESS again” realignment in detail
  - Efficiency: Phase I – actions in detail
  - **Excellence: Phases II & III – plans**
- Growth: Building on a strengthened platform
  - Capital allocation
  - Strategy for growth going forward
~60% of LANXESS well positioned
~40% in challenging situation – action needed

Sales breakdown 9M 2014

Good portfolio set-up
Challenging situation

- Size & market positions
  - ✔ Well positioned
  - ✔ Solid, but operational improvements targeted
  - ⚠ Strategic focus to address weaknesses

- Asset base & end-market diversification
  - ✔

- Cost structure & processes
  - ✔

- Supply / demand
  - ✔

- Backward integration
  - not needed

Phase II: Focus on operations competitiveness

- Schematic
  1 Business & administration structure competitiveness
  2 Operations competitiveness
  3 Portfolio competitiveness and alliances

- Competitiveness
  - ✔ Consolidate BUs and GFs with similar business models
  - ✔ Improve customer and market focus and leverage synergies
  - ✗ Develop leaner administrative structures by restructuring and adjusting business models

- Operations competitiveness
  - ✔ Manufacturing excellence:
    - Analyze and adjust asset base
    - Evaluate mothballings and site closures
    - Implementation of operational best practices
  - ✔ Commercial & supply chain excellence

- Portfolio competitiveness and alliances
  - ✔ Evaluate portfolio options to better balance the company set-up
  - ✔ Consider alliances to improve competitive access to raw material e.g., for rubber businesses
  - ✔ Improve market access e.g., through marketing alliances

Leadership excellence and performance culture

No time wasted: Effective process of change management initiated in April 2014 remains on schedule
## Initiatives for commercial & supply chain excellence and manufacturing excellence initiated

<table>
<thead>
<tr>
<th>Scope</th>
<th>Commercial &amp; supply chain excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Go-to-market strategy and responsibilities</td>
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<tr>
<td></td>
<td>Supply chain management</td>
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<td></td>
<td>Governance model</td>
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<tr>
<td>Timeline</td>
<td>Q4 2014</td>
</tr>
<tr>
<td></td>
<td>Analysis</td>
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<tr>
<td></td>
<td>Implementation</td>
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</table>

<table>
<thead>
<tr>
<th>Scope</th>
<th>Manufacturing excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Implement culture of continuous improvement for manufacturing</td>
</tr>
<tr>
<td></td>
<td>Optimize manufacturing processes / resources</td>
</tr>
<tr>
<td></td>
<td>Addressing fixed and variable manufacturing costs</td>
</tr>
<tr>
<td>Timeline</td>
<td>Q1 2015</td>
</tr>
<tr>
<td></td>
<td>Analysis</td>
</tr>
<tr>
<td></td>
<td>Implementation</td>
</tr>
</tbody>
</table>

## Phase II also comprises a comprehensive analysis of production platform

### A number of complex issues to be analyzed

- Time to fill capacity
- Strategic customers
- Quality
- Legal issues, contracts
- Raw materials
- Smooth ramp-up
- Customer approbation
- Relocation of volumes

### Analysis checklist

- Evaluate closure / mothballing
Phase III: Portfolio competitiveness and alliances to be studied in conjunction with phase II

Leadership excellence and performance culture

1. Business & administration structure competitiveness
   - Consolidate BUs and GFs with similar business models
   - Improve customer and market focus and leverage synergies
   - Develop leaner administrative structures by restructurings and adjusting business models

2. Operations competitiveness
   - Manufacturing excellence:
     - Analyze and adjust asset base
     - Evaluate mothballings and site closures
     - Implementation of operational best practices
   - Commercial & supply chain excellence

3. Portfolio competitiveness and alliances
   - Evaluate portfolio options to better balance the company set-up
   - Consider alliances to improve competitive access to raw material e.g., for rubber businesses
   - Improve market access e.g., through marketing alliances

No time wasted: Effective process of change management initiated in April 2014 remains on schedule

Horizontal cooperation could enable portfolio optimization

Example of horizontal cooperation

- Synthetic rubber producer
- Joint Venture
- LANXESS

Resulting advantages to both partners
- Complementary portfolios
- Greater flexibility of regional asset set-up
- Optimization of cost curves, quality and technologies
- Synergies in all functional areas
- Ability to overcome potential market barriers
- Additional applications and a broader R&D platform

Shared risks and rewards
Vertical cooperation could improve cost position

**Example of vertical cooperation**

- **Petrochemical Company**
  - Secured cracker derivatives off-take (long-term)
  - Secured access to raw materials (long-term)

**Resulting advantages to petrochemical Company**
- Secured offtake from a reliable customer
- Predictable revenues
- Diversification by means of “virtual” forward-integration
- More balanced cash flow
- Reduced volatility of profits

**Resulting advantages to LANXESS**
- Secured raw material supply in case of tightening markets
- “Virtual” backward integration
- More balanced cash flow
- Reduced volatility of profits

---

**The detailed and comprehensive analysis of phase III will take time**

- In-depth analysis of LANXESS platform
- Rough screening of a variety of potential partners to improve situation of supply or cost position
- Detailed analysis of a selection of potential partners
- Evaluation of advantages and disadvantages to both parties
- Initiation of first talks to identify interest level and cultural compatibility on both sides
- Bilateral due diligence
- Full and comprehensive evaluation of alliances
- Comprehensive negotiations

**New developments will be communicated in the course of 2015**
Repositioning synthetic rubber through three-phase realignment program

Factors affecting sustainable profitability in synthetic rubber business

**Demand**
- Underlying trend of mobility intact
- Demand for replacement tires
- Trend towards fuel-efficiency (labelling)
- Miles driven up in U.S. since Q2’13

**Supply and backward integration**
- Additional capacity will worsen the apparent oversupply (especially in EPDM and butyl)
- Around 20% overcapacity overall in all rubber grades already today
- No consolidation visible yet

**Cost position & processes**
- Uncompetitive cost bases
- Non-standardized & non-harmonized manufacturing processes

Profitability of LANXESS' synthetic rubber

Growth rates

- Nd-PBR, SSBR: 8%
- Butyl, EPDM, Other PBRs, ESBR: 4%
- Other: 0%

Cost position addressed with phase I and II

Clear targets for efficiency and excellence

**Efficiency**

- Strive for selective growth with reasonable investments
- Investment-grade focus
- Strengthen the company in less cyclical markets

**Excellence**

**Targets 2016**

- Total net debt / EBITDA: ~2.0 - 2.5
- ~€150 m cost reduction
- Establish platform for growth

* CAGR 2014-2019; LANXESS estimates based on IHS Chemicals 2014

Definition total net debt: financial debt – cash + pensions – operating leases
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  - Strategy for growth going forward

Building on a strengthened platform

<table>
<thead>
<tr>
<th>Efficiency</th>
<th>Excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>Processes &amp; alliances</td>
</tr>
<tr>
<td>2014</td>
<td>2015 / 2016</td>
</tr>
</tbody>
</table>

Growth

Organic & portfolio

beyond
Capex cycle ends – new cash profile should enable future growth

Closing a heavy investment cycle...

... taking capex down to D&A* level

Growth

Maintenance

Capex reduction of up to €200m

return to ~1.0 for Capex / D&A*

Capex cycle ends – new cash profile should enable future growth

Clear focus – returning to positive cash generation

* before exceptional items

* Operating cash flow – capex – M&A – interest & dividends
Shifting gears towards growth beyond 2016 – new capital allocation priorities

**Until 2016**
1. Debt repayment
2. Restructuring
3. Growth
4. Dividends

**Beyond 2016**
1. Portfolio management
2. Dividends
3. Organic growth
4. Debt repayment
5. Share buybacks

Dividends remain an important element

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  - Capital allocation
  - **Strategy for growth going forward**
The strategy: Targeting selective growth after the realignment process

**Phase I:**
- New organizational set-up
- Restructuring program implemented
- Financial platform improved

**Phase II:**
- Implementation of manufacturing and commercial & supply chain excellence
- Execution of potential changes in production platform

**Phase III:**
- Realization of opted alliances
- Balancing the company portfolio

**Support EBITDA:**
- Cost reduction of ~€150 m
- Headcount reduction of ~1,000
- Improving supply situation (mothballing, plant closures)
- Improving raw material supply

**Onboarding of employees and new management team**
- Negotiations with employee representatives

**2014**
- Selective growth on strengthened platform

**2015**
- Onboarding of employees and new management team
- Negotiations with employee representatives

**2016**
- Selective growth on strengthened platform
- Onboarding of employees and new management team
- Negotiations with employee representatives

**beyond**
- Onboarding of employees and new management team
- Negotiations with employee representatives

---

Time to harvest former investments in Performance Polymers

**2014**
- Performance Polymers

**2015**
- Advanced Intermediates
- Performance Polymers

**2016**
- Advanced Intermediates
- Performance Polymers

**beyond**
- Performance Polymers
- Advanced Intermediates
- Performance Polymers

**Foundation**
- Strong market positions
- Benefit from global asset base
- Positive demand development
- Good technologies

**Future growth**
- Repositioning rubber business structurally
- Efficiency improvements
- Maintenance investments; only selective organic growth

**Strong position in rubber markets – benefit from growing demand**
Future focus on growth of attractive markets for Advanced Intermediates

- **Foundation**
  - Consolidated markets, strong market positions and limited competitor overlap
  - Custom-manufacturer with excellent track record
  - Barriers of entry
  - Diversified portfolio coupled with an efficient production base; high economies of scale

- **Future growth**
  - Debottlenecking, efficiency improvements and brownfield investments
  - Consider adding further intermediate building blocks should M&A opportunities arise

Strong division – expand further in line with GDP growth

Future focus on growth also in diversified markets for Performance Chemicals

- **Foundation**
  - Well positioned in diversified and steadily growing markets, partly in niche markets
  - Collection of attractive niche businesses, defensive (barriers of entry), competitive in quality

- **Future growth**
  - Consolidating businesses that target similar customer segments
  - Further expansion of asset base in Asia to raise local standards
  - Room for organic and M&A-driven growth worldwide

Reasonable growth – enlarge global footprint – profitability improvement potential
# Value generation in focus again

<table>
<thead>
<tr>
<th>Event</th>
<th>Timeline</th>
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<tbody>
<tr>
<td>Delivery on restructuring; savings of ~€150 m</td>
<td>by end of 2016</td>
</tr>
<tr>
<td>Cash generation to re-start</td>
<td>2016</td>
</tr>
<tr>
<td>Repositioning LANXESS for selective growth</td>
<td>beyond 2016</td>
</tr>
</tbody>
</table>

Applying our competencies: Dynamic, entrepreneurial and flexible

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**End of presentation**

**Q&A**
<table>
<thead>
<tr>
<th>Abbreviations</th>
<th>Performance Polymers</th>
<th>Performance Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BTR            Butyl Rubber</td>
<td>MPP        Material Protection Products</td>
</tr>
<tr>
<td></td>
<td>PBR            Performance Butadiene Rubbers</td>
<td>IPG        Inorganic Pigments</td>
</tr>
<tr>
<td></td>
<td>TSR            Tire &amp; Specialty Rubbers</td>
<td>FCC        Functional Chemicals</td>
</tr>
<tr>
<td></td>
<td>KEL            Keltan Elastomers</td>
<td>RCH        Rhein Chemie</td>
</tr>
<tr>
<td></td>
<td>HPE            High Performance Elastomers</td>
<td>RUC        Rubber Chemicals</td>
</tr>
<tr>
<td></td>
<td>HPM            High Performance Materials</td>
<td>ADD        Rhein Chemie Additives</td>
</tr>
<tr>
<td></td>
<td>Advanced Intermediates</td>
<td>LEA        Leather</td>
</tr>
<tr>
<td></td>
<td>Advanced Industrial Intermediates</td>
<td>LPT        Liquid Purification Technologies</td>
</tr>
<tr>
<td></td>
<td>Saltigo</td>
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