Capital Markets Day 2015
Shaping the “New LANXESS”

Matthias Zachert, CEO
Cologne, November 6th 2015

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Agenda

- The accomplishments of a strong team
  - What we changed in the last year and a half
  - Update on realignment program: Moving ahead successfully
- Industry trends and their implications for LANXESS
- Building the “New LANXESS”: Focus on resilience, cash generation and growth

Our core competencies – revitalizing the basics in order to reshape our company

- Leadership positions
  - Most businesses characterized by leading market positions
  - Strong global customer relationships

- “Good operators”
  - Proven track record of transformation
    - Portfolio
    - Costs
    - Change management
  - Strong asset managers

- Professionalism
  - Global state-of-the-art production: safe, reliable and compliant
  - Globally competitive platform

- Performance Culture
  - Thinking outside the box and acting fast
  - Team approach
  - Keeping it simple
  - Taking ownership
  - Seeking for pragmatic and sustainable solutions

A strong base
Significant changes in the leadership team – a prerequisite to successful progress

Ownership and entrepreneurship again clearly reflected in remuneration program

**Variable compensation**

- **Profitability**: Variable compensation linked to EBITDA performance in a given year; relevant to all eligible employees
- **Cash hurdles**: Management’s compensation linked to cash hurdles
- **Value**: Share price performance over a period of several years relevant to every employee participating in share program
- **Safety**: Several safety KPIs introduced
Two new world-scale plants ramped up successfully

EPDM in China – a global footprint established for LANXESS

Nd-PBR in Singapore – close to our customers in key growth regions

First in-spec material produced, now in approbation phase with customers

Supporting long-term growth of automotive industry, particularly in China

Serving the trend of sustainable mobility with Nd-PBR, a state-of-the-art synthetic rubber for fuel-efficient tires

160kt p.a. nameplate capacity

140kt p.a. nameplate capacity

We launched our three phase realignment program

Phase I
Business & administration competitiveness

Phase II
Operations competitiveness

Phase III
Portfolio competitiveness
And we improved our business performance and financial profile

<table>
<thead>
<tr>
<th></th>
<th>EBITDA</th>
<th>Net income</th>
<th>Net financial debt</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[€ m]</td>
<td>[€ m]</td>
<td>[€ m]</td>
</tr>
<tr>
<td>2013</td>
<td>735</td>
<td>-159</td>
<td>1,731</td>
</tr>
<tr>
<td>2014</td>
<td>808</td>
<td>47</td>
<td>1,336</td>
</tr>
<tr>
<td>2015</td>
<td>860-900*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All segments contributed to positive development
Business performance and completion of realignment reflected in improvement
Capex reduction, working capital management and debt reduction in evidence

Reference to EBITDA is pre exceptional items
* Based on an exchange rate of 1.10 USD/EUR and on the absence of raw material driven inventory devaluations

We are LANXESS again!

Creating a strong, resilient and profitable company

Head, heart and guts to form the “New LANXESS”

A strong team

A strong performance culture and the commitment of every employee to profitably grow our business

We energize chemistry
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Phase I: Optimization of overhead cost structure to be completed already by end of 2015

1. Business & administration
   - Structure competitiveness
   - Reorganization of business units (from 14 to 10)
   - Reorganization of group functions (from 16 to 12)
   - Right-sizing corporate costs

2. Operations competitiveness

3. Portfolio competitiveness and alliances

- Headcount reduction of ~1,000
- Cost reduction of ~€150 m
- ~€150 m one time costs

~€150 m savings will be achieved by end of 2015, ahead of plan
Phase II: Optimization of production platform with significant reduction in manufacturing cash costs

1. Business & administration structure competitiveness
   - Site-by-site analysis of production and supply chain to identify and leverage synergies
   - ~80% of total manufacturing cash costs in scope

2. Operations competitiveness
   - ~€20 m cost savings already announced (March 2015)
   - ~€70 m additional cost savings in rubber plants
   - ~€60 m additional cost savings in non-rubber plants
   - Closures or mothballing in response to imbalances in supply and demand
   - Additional ~€150 m savings target by end of 2019

3. Portfolio competitiveness and alliances
   - Reorganization of Nd-PBR production network with core production sites for each region
   - Intended closure of EPDM plant in Germany by end of Q1 2016
   - Among others, capacity reduction from 190kt to 80kt in Caxias (ESBR); cutting ~1/3 of LANXESS’ ESBR capacity in Latin America
   - Closure of two reactor and four drying lines
   - ~30kt volume transfer to Triunfo
   - Efficiency measure for NBR in La Wantzenau
   - Capacity reduction from 100kt to 80kt

Measures to strengthen competitiveness in synthetic rubber

Adjusting Nd-PBR and EPDM production
- Reorganization of Nd-PBR production network with core production sites for each region
- Intended closure of EPDM plant in Germany by end of Q1 2016

Capacity adjustments in Latin America
- Among others, capacity reduction from 190kt to 80kt in Caxias (ESBR); cutting ~1/3 of LANXESS’ ESBR capacity in Latin America
  - Closure of two reactor and four drying lines
  - ~30kt volume transfer to Triunfo

Capacity adjustments in France
- Efficiency measure for NBR in La Wantzenau
- Capacity reduction from 100kt to 80kt

~€20 m savings by beginning of 2017
Up to ~€20 m savings by 2018/2019
~€10 m savings by end of 2019 onwards
Significant additional savings from efficiency measures

- 50 plants in project scope
- Scope: plants with manufacturing cash costs >€25 m
- Included plants represent ~80% of total manufacturing cash costs
- Process improvements identified for main cost drivers:
  - Energy ~€20 m
  - Raw material ~€25 m
  - Waste & logistics ~€10 m
  - Maintenance ~€30 m
  - Personnel ~€15 m
- ~€60 m savings by end of 2019 onwards

Phase III: Strategic partnership in synthetic rubber to achieve sustainable competitiveness

- Saudi Aramco and LANXESS enter a strategic joint venture
- Saudi Aramco as the largest player in the energy and feedstock sector, teams up with LANXESS, the leading synthetic rubber producer
- Saudi Aramco to supply strategic raw materials to the JV in the mid- to long-term
- €1.2 bn cash proceeds for LANXESS’ transformation
A changing industry

Today

Synthetic rubber* capacity

Backward integration

Expectations for the future

- Consolidated market
- All players characterized by backward or forward integration

* Butyl, SSBR, ESBR, Nat-Co, Li, PBMA, EPM, EPM, HNBR, CR, EVAF

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
Joint Venture between LANXESS and Saudi Aramco to tackle the challenges of the next years

Market characteristics over the next three years suggest tough challenges:
- Oversupply in most rubber grades
- Ongoing price pressures
- Consolidation

Challenges can be overcome by a strong entity. Joint venture intends to participate in consolidation. Synthetic rubber market expected to be balanced again from 2019 onwards.

Successful progress in realignment program

1. Business & administration structure competitiveness
   - Restructuring of R&D and SG&A
   - ~1,000 headcount reduction

2. Operations competitiveness
   - Site-by-site analysis of production and supply chain to identify and leverage synergies

3. Portfolio competitiveness and alliances
   - Strategic alliances to address lack of backward integration
   - Saudi Aramco and LANXESS enter a strategic joint venture for synthetic rubber

~€150 m savings by end of 2015
~€150 m additional efficiency gains by end 2019
JV for synthetic rubber business resulting in cash in of €1.2 bn
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Industry trend 1: Competitive raw material prices and continuous cost improvement will become more decisive

<table>
<thead>
<tr>
<th>High dependency on raw materials and energies</th>
<th>Access to competitive feedstock prices and energy costs will have increasing impact in the future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product cost split down for synthetic rubber products</td>
<td>Feedstock markets characterized by limited competition will threaten non-integrated players</td>
</tr>
<tr>
<td>Energy</td>
<td>~15%</td>
</tr>
<tr>
<td>Raw materials</td>
<td>~60%</td>
</tr>
<tr>
<td>~75% of product costs are driven by raw materials and energy</td>
<td>LANXESS will focus on markets where feedstocks and energy are less decisive</td>
</tr>
</tbody>
</table>

- Raw materials
- Energy
- Maintenance
- Personnel
- D&A

2015
Industry trend 2: Squeezing of European chemical producers as a result of feedstock disadvantages and eroding exports

- US will reduce imports and become a limited exporter
- Middle East will increase export of downstream products
- China thrives for greater self-sufficiency to reduce imports
- Europe will suffer eroding exports and import pressure

LANXESS will focus on mid-sized markets where we enjoy leadership positions

Industry trend 3: China will remain the key growth market for the chemical industry

- China aims for greater self-sufficiency
- Building up of entire value chains with national and international players

LANXESS will further expand its position in China
Industry trend 4: Innovation will become more focused on the development of applications and processes

- Increasing regulatory hurdles and related costs
- World will rely on proven safe chemicals
- Fewer new molecules with industrial relevance

LANXESS will focus on application and process innovation to differentiate itself

Industry trend 5: Compliance with environmental standards will become the license to operate in emerging markets

- Tougher regulations and higher related costs
- Compliance with environmental standards is a differentiator today, but will become a license to operate
- Level playing field to provide opportunities for LANXESS
- Global convergence of standards

LANXESS will continue to operate environmentally responsible
Based on these trends, we conclude the following consequences for our businesses

<table>
<thead>
<tr>
<th>LANXESS</th>
<th>Feedstocks</th>
<th>Reducing exposure to volatile raw materials (C2, C3 and C4)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Costs</td>
<td>Striving for continuous process and cost optimization</td>
</tr>
<tr>
<td></td>
<td>Value chains</td>
<td>Building integrated value chains with balanced capacities and diversity in markets and regions</td>
</tr>
<tr>
<td></td>
<td>Growth</td>
<td>Leveraging growth in China, South East Asia and the US in a sustainable manner</td>
</tr>
<tr>
<td></td>
<td>Asset network</td>
<td>Strengthening the competitiveness of existing „Verbund“ sites</td>
</tr>
<tr>
<td></td>
<td>Markets</td>
<td>Focusing more on mid-sized markets with high contribution margins</td>
</tr>
</tbody>
</table>

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Our businesses

Advanced Intermediates

Performance Chemicals

High Performance Materials

Characteristics shared by our businesses

Resilience

Cash generation

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

- **Advanced Intermediates**
  - Leading market positions and process technologies
  - Efficient and strong production platform
  - Highly diversified end markets

- **Performance Chemicals**
  - Strong positioning in a broad range of niche markets
  - Low importance of raw materials
  - Acting as solution provider

- **High Performance Materials**
  - A leading producer of engineering plastics
  - Balanced value chain with limited exposure to volatile markets

Delivering chemical intermediates
Adding functionality, color or processability to products
High-tech plastics for a wide range of end markets

Advanced Industrial Intermediates: Investing in asset network to strengthen international competitiveness

- **Advanced Industrial Intermediates**
  
<table>
<thead>
<tr>
<th>2005</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales split by region</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Strategic approach:**
  - Emphasizing brownfield sites and debottlenecking
  - Continuing to invest in process innovation
  - Prepared for consolidation in the chemical intermediate industry

~€50-75 m in funds allocated for organic growth
Saltigo: Growing the international side of a strong custom manufacturing business

<table>
<thead>
<tr>
<th>Year</th>
<th>Pharma, specialty and agro chemical producer</th>
<th>A strong European player in agro chemicals</th>
<th>A strong global player</th>
<th>All key agro chemical companies in customer portfolio</th>
<th>Process and technology leader</th>
<th>Greatest possible customer proximity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Dependent on one big customer</td>
<td>Major big agrochemical companies in customer portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>Restructuring case</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Strategic approach:
- Investing organically
- Growing internationally

~€50-75 m in funds allocated for organic growth

Saltigo – First investment in LANXESS’ transformation process

Custom manufacturing, in particular agro, nicely growing
- General agro market growth expected at ~3% p.a. for next 10 years
- Saltigo growing above market

Investing in highly competitive multi-purpose production facilities
- Brownfield investment in two new production lines within existing asset park in Leverkusen (GER)
- Capex: ~€60 m
- Start-up planned by end of 2017

Further capacities required to support growth of world-scale customers
- Investment with attractive return and EBITDA contribution
**Advanced Intermediates segment: Weatherproof stability through diversity**

**Resilience**
- Strong leadership positions in mid-sized markets
- Broad range of products and end markets
- Ability to balance production with demand

**Cash generation**
- Reliable asset network with good utilization rates
- Comparably small size of individual capex measures

**Growth**
- Potential to gradually grow organically; end markets growing sustainably at 3-4% p.a.
- Prepared for growth at both BUs with goal of broadening global production platform

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**Additives: Growing on the basis of a strong new platform**

**Strategic approach:**
- Growing in attractive additives markets (~4% growth p.a.)
- Full use of global integrated platform and economies of scale
- Organic growth in North America and Asia

**External growth opportunities to actively participate in industry consolidation**
Inorganic Pigments: A global market leader that will continue to accelerate

- Three market players
- Very fragmented competition from China

LANXESS is the only meaningful Western player
Consolidation in China has begun

Strategic approach:
- Thriving for sustainable global leadership
- Best in class: safety, technology and cost standards

Organically driving market consolidation

Leather: Market consolidation in progress in favor of a few globally competitive players

- A very fragmented market
- A more consolidated market

LANXESS: The only backward integrated producer of leather chemicals – open to partnerships
**BU MPP and LPT: Hidden potentials**

<table>
<thead>
<tr>
<th>Material Protection Products</th>
<th>2005</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BU MPP:</strong> Unique expertise as a biocide producer</td>
<td>Regional player in biocide business</td>
<td>International player in biocide business</td>
<td>Strategic approach: Increasing critical mass as international player</td>
</tr>
<tr>
<td></td>
<td>High competency in marketing biocides (regulated markets)</td>
<td>Building on regulatory IP and knowledge</td>
<td></td>
</tr>
<tr>
<td><strong>BU LPT:</strong> Clean water becoming a high-valued good</td>
<td>Established player in ion exchange resins</td>
<td>International player in ion exchange resins</td>
<td>Strategic approach: Building on the powerful trend: need for clean water</td>
</tr>
<tr>
<td></td>
<td>Successful entry into membrane business</td>
<td>Growing globally (Asia and North America)</td>
<td></td>
</tr>
<tr>
<td><em>Prepared to increase critical mass</em></td>
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</tbody>
</table>

**Performance Chemicals segment: Specialist and solution provider to a wide range of markets**

<table>
<thead>
<tr>
<th>Performance Chemicals</th>
<th>Resilience</th>
<th>Cash generation</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A selection of mid-sized end markets with leading market positions</td>
<td>Flagship business units IPG and ADD marked by strong and stable cash generation</td>
<td>Environmentally friendly production fosters growth</td>
</tr>
<tr>
<td></td>
<td>Diversity of businesses and end markets naturally leads to resilience in segment</td>
<td></td>
<td>Stable growth rates across the segment with exceptionally high growth potential in water purification business</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Open for partnerships at BU LEA, potential to grow organically and externally at BUs MPP and LPT</td>
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<td></td>
<td></td>
<td></td>
<td>~€100-150 m in funds allocated for organic growth</td>
</tr>
</tbody>
</table>
High Performance Materials: A fully balanced and competitive player by 2020

Strategic approach:
- 100% integrated with a more competitive value chain
- Used in differentiated and technology-driven applications
- Presented with global application support centers to ensure customer proximity
- Optimized European production platform
- Participation in industry consolidation and readiness to broaden product portfolio

~€50-100 m in funds allocated for organic growth

A strong player in engineering plastics

- Diversified market exposure in industries such as automotive, E&E, construction, sports & leisure
- Focus on high-end light-weight materials with limited exposure to volatile merchant markets

- Value chain balanced with completion of new polyamide plant in Belgium – focus on high-performance compounds

- Lightweight materials in niche applications with growth rates of ~7% (CAGR 2015-2020)
- Potential to grow organically or externally
The “New LANXESS”

- Clear strategic focus
  - Growing our businesses in mid-sized markets with focus on resilience and cash generation
  - Focus on businesses that are less dependent on raw materials

- Strong foundation
  - Leading market positions
  - High technical standards and unique expertise
  - A dynamic team with a performance culture driving entrepreneurship

- Delivering quality
  - A high level of quality: products, processes, businesses and employees

Growing with clear focus

Shaping a more balanced and resilient “New LANXESS”

Targeting reduced volatility of 2-3% pts of EBITDA margin (peak to trough)
End of presentation