Capital Markets Day 2015
The “New LANXESS” - focus on the financial perspective

Michael Pontzen, CFO
Cologne, November 6th 2015
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Agenda

- The “New LANXESS”: Businesses that provide resilience, cash generation and growth
- Financial principles to create value
Our businesses

Advanced Intermediates
Performance Chemicals
High Performance Materials
Our businesses: Resilient, cash generating and well positioned in growing markets
Advanced Intermediates: Diverse and growing end markets

Diverse and growing end markets

Applications

- Agro Market
  - Agro custom manufacturing
  - Plastics
  - Chemicals
  - Tires
  - Consumers
  - Construction
  - Automotive
  - Others

Sales split FY 2014

Index (2010 = 100%)

- CAGR ~3%

Source market development: IHS Global Insight 2015
Advanced Intermediates: Resilient and sound business platforms

**Resilient and crisis-proof business**

- **EBITDA (€ m) / Margin [%]**
- **CAGR 4%**
- **Sustainable margin corridor of 15-18%**

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin [%]</th>
<th>EBITDA [€m]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>16.6%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>15.8%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>16.2%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>15.2%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td>Q3 2015</td>
<td>18.1%</td>
<td></td>
</tr>
</tbody>
</table>

*All reference to EBITDA is EBITDA pre exceptionals*
Advanced Intermediates: Strong cash generation through asset efficiency and lean business set-up

Strong focus on cash generation

* before changes in working capital and M&A / all reference to EBITDA is EBITDA pre exceptionals
Performance Chemicals: Five solution-providing businesses with unique positions and diverse end market

**Diverse and growing end markets**

- Consumers
- Construction
- Paints and Coatings
- Water
- Plastic
- Latex Automotive
- Food & Beverages
- Metal
- Chemicals & Others

**Sales split FY 2014**

**Index (2010 = 100%)**

- CAGR ~3%
- Asia-Pacific
- North America
- Latin America
- EMEA
- World

Source market development: IHS Global Insight 2015
Performance Chemicals: Reliable performance with upside potential

Well balanced portfolio of solution provider businesses

EBITDA [€ m] / Margin [%]

2010 2011 2012 2013 2014 Q3 2015 LTM

15.3% 14.3% 14.1% 12.2% 13.5% 15.8%

Crisis in Southern Europe

 Improvement through restructuring

Sustainable margin corridor of 13-16%

all reference to EBITDA is EBITDA pre exceptionals
Performance Chemicals: Considerable cash generation based on good mix of solution focused businesses

*before changes in working capital and M&A / all reference to EBITDA is EBITDA pre exceptionals
High Performance Materials: Attractive growth in engineering plastics for automotive applications

Growing end markets

Global demand growth for engineering plastics*: ~5%
Growth for engineering plastics in automotive applications*: ~7%

Sales split FY 2014

High Performance Materials: Downstream investments will improve margins and facilitate future resilience

Working on margin improvement through cost efficiencies

all reference to EBITDA is EBITDA pre exceptionals
High Performance Materials: Downstream investments will improve margins and facilitate future resilience

- High exposure of ~40% to caprolactam merchant market

2005
High Performance Materials: Downstream investments will improve margins and facilitate future resilience

- Reduction of caprolactam merchant market exposure to <10%
- Build up of global compounding network

2015
High Performance Materials: Downstream investments will improve margins and facilitate future resilience

**Shift of business to higher-value-added markets**

- Majority of business in high tech compounds

2020

- Compounds
- Polyamide
- Caprolactam

**Growth**

- High
- Low

**Margin level**

- High
- Low
High Performance Materials: Investment strategy sets the stage for future improvement in cash generation

Investing in a balanced value chain

* before changes in working capital and M&A / all reference to EBITDA is EBITDA pre exceptionals
Capex spent with strong cash conversion potential

- Advanced Intermediates: ~€100–150 m
- Performance Chemicals: ~€100–150 m
- High Performance Materials: ~€50–100 m

Strong cash conversion
Our businesses: resilient, cash generating and well positioned in growing markets

<table>
<thead>
<tr>
<th>Strong businesses</th>
<th>Advanced Intermediates</th>
<th>Performance Chemicals</th>
<th>High Performance Materials</th>
</tr>
</thead>
</table>
| **Resilience (EBITDA margin)** | ▪ Proven level of 15-18%  
▪ Margin volatility of ~2-3% pts | ▪ Sustainable at 13-16%  
▪ Margin volatility of ~2-3% pts | ▪ Target margin >10%, resilience moving forward with transformation of business |
| **Cash generation** | ▪ Attractive cash generation through technology leadership and efficient business set-up | ▪ Considerable cash generation based on good mix of solution focused businesses | ▪ Cash generation will improve with a more balanced value chain and shift to higher-margin businesses |
| **Growth** | ▪ Growth slightly above GDP | ▪ Growth with GDP | ▪ Growth above GDP |

Valuable businesses with resilience, cash generation and growth opportunities
Agenda

- The “New LANXESS”: Businesses that provide resilience, cash generation and growth
- Financial principles to create value
CFO principles: Creating value by managing costs, focusing on cash generation and rigorously managing debt

Cost optimization
Cash control
Improve cash flow

Debt management
Foster growth with clear investment principles
Maintain investment grade rating

Strong team as foundation for success
Visible improvement of SG&A and R&D costs through our Phase I restructuring

Visible reduction in overheads despite inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>Admin</th>
<th>Marketing</th>
<th>R&amp;D</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>~960</td>
<td>~860</td>
<td></td>
</tr>
<tr>
<td>Q3 2015 LTM</td>
<td>~860</td>
<td>~860</td>
<td></td>
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</tbody>
</table>

Based on annual and interim reports

Overheads and sales in line again

Index 2006 = 100

~€150m savings fully realized by 2015

Restructuring savings

Sales (excl. raw materials inflation)
Overhead and R&D costs
~€150 m savings from Phase II – from process efficiencies and asset network reconfiguration

Savings from Phase II

- ~€100 m
  - Rubber
    - ~€40 m
  - New LANXESS
    - ~€60 m
- ~€10 m
  - Capacity adjustments
    - France
    - Latin America
- ~€20 m
  - EPDM / Nd-PBR global network
- ~€20 m*
  - by end of 2019

Total savings

One-time items of Phase II

- ~€100 m
  - ~€20 m* already realized in 2015
  - ~€55 m already booked (Q1’15)**
- ~€140 m* by end of 2019

Process efficiencies

Asset network reconfiguration

OTCs as exceptional charges**

Capex for efficiency measures

~8% of manufacturing costs***

* €20 m savings from the EPDM and Nd-PBR reconfiguration already communicated in March 2015
** OTCs include ~€55 m already communicated and booked (Marl / Nd-PBR reconfiguration)
*** Cost base 2014 without depreciation and amortization
Quantified savings of ~€400 m from efficiency programs

Cumulated savings from efficiency measures

* vs. 2013 / previous programs include Advance, cost base comparison Advance vs. 2012
Capex cycle ends – now cash control on capex established again

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex [€ m]</th>
<th>Growth</th>
<th>Maintenance</th>
<th>Capex guidance 2015 [€ m]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>696</td>
<td>~200</td>
<td>~430</td>
<td>500-550</td>
</tr>
<tr>
<td>2014</td>
<td>614</td>
<td>~430</td>
<td>~450</td>
<td>~450</td>
</tr>
<tr>
<td>2015e</td>
<td>2015e</td>
<td>~450</td>
<td>~450</td>
<td>&lt;450</td>
</tr>
<tr>
<td>2016e</td>
<td>2016e</td>
<td>430</td>
<td></td>
<td></td>
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Capex reduction of ~200 m

Capex continuously controlled and optimized
Looking into the details – controlling cash on all levels

**Tax rate**
- Mid term ~30%
- Potential of 22-25% based on earnings recovery in rubber

**Cash-outs for restructuring**
- Lowered by ~€100 m in 2017

**Working capital**

**Interest payments**
- Reduction of ~€75 m
Actively managing debt – prudent financial control

<table>
<thead>
<tr>
<th>Financial debt</th>
<th>Prudent financial control on risk management and financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity</td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td></td>
</tr>
<tr>
<td>Rating</td>
<td></td>
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</tbody>
</table>
Proceeds of ~€1.2 bn from JV will lead to improved financial profile and flexibility

Improved financial profile

<table>
<thead>
<tr>
<th></th>
<th>Q3 2015 LTM</th>
<th>pro forma after closing JV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net debt</td>
<td>3,014</td>
<td>1,814</td>
</tr>
<tr>
<td>EBITDA pre</td>
<td>888</td>
<td>888</td>
</tr>
<tr>
<td>Total debt / EBITDA pre</td>
<td>3.4x</td>
<td>2.0x</td>
</tr>
</tbody>
</table>

Credit outlook lifted to positive by Standard & Poor’s

“JV transaction, combined with continued prudent financial policy and improving operating performance, will likely reduce leverage […] with potential for rating upgrade over next 12 months […]”

“The joint venture is credit positive for Lanxess”

Clear commitment to investment grade rating

Significant reduction in total net financial debt

Total net debt includes: Net financial debt and pensions liabilities as of September 30th, 2015 / operating leases as of December 31st 2014
CFO financial principles to create value

Cost optimization
- Quantified savings of ~€400 m

Debt management
- Total net debt / EBITDA target 2–2.5x

Cash control
- Control cash-outs in capex, interests, restructuring, tax and working capital

Foster growth
- Fact based investment principles

Improve free cash flow

Maintain investment grade rating

Strong team as foundation for success

Fully realized by end of 2019

Realized in 2016
Appendix
## Financial details on Phase II

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

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>P&amp;L expense (OTC)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>~60</td>
<td>~30</td>
<td>~10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~100</td>
</tr>
<tr>
<td>[€ m]</td>
<td>Cash-out (OTC)</td>
<td>~5</td>
<td>~50</td>
<td>~20</td>
<td>~15</td>
<td></td>
<td>~90</td>
</tr>
<tr>
<td>[€ m]</td>
<td>Capital Invest</td>
<td></td>
<td></td>
<td>by 2019</td>
<td></td>
<td></td>
<td>~140</td>
</tr>
<tr>
<td>~10</td>
<td>~20</td>
<td>~40</td>
<td>~40</td>
<td>~40</td>
<td>~40</td>
<td></td>
<td>~150</td>
</tr>
</tbody>
</table>

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