Meeting the Management 2017
The road ahead – expanding our strengths

Matthias Zachert, CEO
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Agenda

- Introduction: Environment, sector dynamics and key success factors
- The LANXESS journey: A story in three chapters
  - Recap Chapter 1: What we achieved so far
  - Chapter 2: What we now focus on
  - Chapter 3: What we are aiming for
Introduction: Environment, sector dynamics and key success factors

The LANXESS journey: A story in three chapters
- Recap Chapter 1: What we achieved so far
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Our environment: The world is changing rapidly…

Protectionism  Instability  Price volatility
... and the change is gaining pace!

Enhanced competition

Regulatory pressure
Our industry: Dramatic shift reflects fundamental changes

- Ongoing sector consolidation
- Accelerating globalization
- Increasing challenges – and opportunities – for midcap players
Our answer: Energizing chemistry!

What it takes to be successful in a changing environment

Mindset: Agility, Courage & team spirit
Balance: Markets, Industries
Speed: Lean structures, Entrepreneurial organization
Leadership: Markets, Technology & innovation

A strong team and corporate culture make the difference
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Our journey: Shaping New LANXESS – a story in three chapters

Chapter 1: REPAIR
Realigning our business

Chapter 2: IMPROVE
Strengthening our platform

Chapter 3: ACCELERATE
Leveraging our strengths

2014 2017 ~2021
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Recap Chapter 1: Rebuilding a competitive platform

Chapter 1 prepared the ground for the New LANXESS platform

**Business and administration structure competitiveness**
- Consolidate BU's and GF's 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 through marketing alliances

- Leaner organization, ~€150 m savings
- Transfer of best practices, ~€150 m savings
- Foundation of ARLANXEO
- Acquisition of Chemtura

Corporate culture: Shift to team performance
Some value accretive portfolio modifications already addressed

<table>
<thead>
<tr>
<th>Chapter 1</th>
<th>Repair</th>
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<tbody>
<tr>
<td><strong>Strategic portfolio upgrade started</strong></td>
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<tr>
<td>- Businesses already started to improve</td>
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<td>- Businesses still up for improvement</td>
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<table>
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<tr>
<th>Chapter 2</th>
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<tr>
<th>EBITDA CAGR 2011-15</th>
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<tr>
<td>ADD</td>
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<td>MPP</td>
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<th>ROCE 2015</th>
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<th>Sound financials</th>
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<tr>
<td>EBITDA adj.: ~€255 m</td>
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<tr>
<td>Synergies: ~€100 m</td>
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<td>EV / EBITDA incl. synergies: ~7x</td>
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<table>
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<tr>
<th>EBITDA adj.: ~€20 m</th>
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<tr>
<td>Synergies: ~€10 m</td>
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<tr>
<td>EV / EBITDA incl. synergies: ~7x</td>
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Chemtura sales and EBITDA adjusted are based on FY 2016; USD / EUR 1.10
Financials substantially improved

<table>
<thead>
<tr>
<th></th>
<th>EBITDA pre [€ m]</th>
<th>EBITDA pre margin</th>
<th>De-leveraging [€ m]</th>
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<tr>
<td></td>
<td>2013</td>
<td>2016</td>
<td>2013</td>
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<tr>
<td>+35%</td>
<td>735</td>
<td>995</td>
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<td></td>
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<td>8.9%</td>
<td>12.9%</td>
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<td>+4%pts</td>
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<tr>
<td>-84%</td>
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* Prior to acquisition of Chemtura; Net financial debt at ~€2.5 bn at 30 June 2017 after Chemtura acquisition
But it takes more time to change a company fundamentally

- Industry balance and market set-up need further improvement
- Leadership positions in many business units achieved but substantial catch-up still to be done
- Margin and profitability level has visibly improved but still lagging behind industry standards
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Chapter 2: Strengthening the platform – key priorities

Cost management
- Delivering on synergies of €100 m and business integration
- Ongoing optimization of cost structure, e.g. BU LEA restructuring

Organic investments
- €400 m growth capex 2016-2020
- Mainly brownfield investments and debottleneckings

Portfolio management
- Actively improving existing portfolio
- Focus on:
  - Profitability
  - Resilience
  - Leadership position
  - Scalability
- Deleveraging
Chemtura integration: €100 m of synergies by 2020

- Organizational streamlining
- Leveraging new regional strengths

Topline synergies provide additional comfort

€100 m synergy breakdown:
- Corporate / country costs: ~€30 m
- Marketing and sales: ~€20 m
- Production and procurement set-up: ~€50 m
Attractive organic growth projects

- €100 m Debottleneckings, BU All
- €60 m Debottleneckings, BU SGO, custom manufacturing
- €60 m Greenfield, BU IPG
- €50-100 m Debottleneckings, BU HPM, global compounding hubs
- €50 m Debottleneckings in remaining BUs in Performance Chemicals
- €50-100 m Investments in Specialty Additives

~€400 m capex until 2020 at ROCE of ~20%

Target on mid-sized and niche markets
Organic investments will improve company ROCE

- Focus on debottleneckings and brownfield investments
- Leverage scale
- Focus on business with low capital intensity

Target: Increase ROCE to former levels
Portfolio optimizing with clear criteria

Chapter 1

Cost management

Organic investments

Portfolio management

Chapter 2

Improve

Profitability

Resilience

Acquisition / divestment

Chapter 3

Market and technology leadership

Value creation

LANXESS
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Chapter 3: More balanced and stronger platform along three key dimensions

- Regionally balanced platform with no pronounced dependencies
- Diversified industrial platform mitigates impact from any individual industry’s volatility
- Market positions in every business at least among leading players to keep or improve profitability level

Chapter 3 will establish an even stronger platform
Chapter 3: Regional platform established

Growing the global platform on regional roots; less dependence on isolated regional adverse developments

- More regionally balanced:
  - On group level
  - On individual business unit level
- Increased exposure to growing regions
  (e.g. North America and Asia)
Chapter 3: Industrial platform established

2016 Sales by end market

- Tire exposure reduced
- Further increased exposure to growth industries
- Stronger participation in attractive industries where we are already present

Low dependence on individual markets
Chapter 3: Market positions improved

2016 Sales by leadership position

- Market leader
- Leading position
- Relevant player

~2021

Leading or comprehensive leadership positions across all markets we operate in
Vulnerability to single trends will be minimized

Peak to trough EBITDA margin volatility not to exceed 2-3%pts

- Former dependency on few cyclical businesses
- Lack of cushioning interference of cyclical swings

Illustrative: Margin volatility

- Improved balance of portfolio, regions and industries
- Cyclicality scaled back

Use of entire toolbox to improve resilience
Chapter 3: Building a superior platform

Financial profile
- Solid profitability
- Sound cash generation
- Low cyclicality

Business platform
- Regionally balanced
- Industrially balanced
- Leading market positions

Continued growth of a performance platform
### Chapter 3: Ambitious financial goals – substantially higher margins with significantly lower volatility

<table>
<thead>
<tr>
<th></th>
<th>How we started again</th>
<th>What we have achieved</th>
<th>What we aim for (~2021)</th>
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</thead>
<tbody>
<tr>
<td>EBITDA pre margin (group, Ø through the cycle)</td>
<td>8-10%</td>
<td>10-14%</td>
<td>14-18%</td>
</tr>
<tr>
<td>Cash conversion</td>
<td>15% (2013)</td>
<td>56% (2016)</td>
<td>&gt;60%</td>
</tr>
<tr>
<td>EBITDA margin volatility</td>
<td></td>
<td></td>
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<tr>
<td>Underlying growth: Sustainable &gt;GDP growth targeted</td>
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Cash conversion: (EBITDA pre – capex) / EBITDA pre
The destination of our journey: A company with convincing characteristics

<table>
<thead>
<tr>
<th>Business platform</th>
<th>Financial profile</th>
<th>Cultural profile</th>
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<tbody>
<tr>
<td>▪ Nicely balanced: Regionally and industrially, thus less cyclical</td>
<td>▪ Resilient cash conversion</td>
<td>▪ Enthusiasm for what we do</td>
</tr>
<tr>
<td>▪ Leading market and technology positions</td>
<td>▪ Investment grade rating</td>
<td>▪ Performance team culture as basis for the next steps after 2021</td>
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… to be continued.