Meeting the Management 2017
Structurally improving the financial profile

Michael Pontzen, CFO
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Transformation of the financial profile

- Recap from a financial perspective
- Financial improvements to come
- Deconsolidation of ARLANXEO
2015 starting point: Dedicated value maximizing strategy for each business unit

Strong portfolio with potential to improve

Strategic path

1. Keep financial profile but gain size
2. Catch-up on return and grow
3. Turnaround / partnerships
Restructuring and change of strategy yields first positive results

LANXESS transformation starts to become visible

Key 2016 points

- Phase 1 & 2 cost improvements become visible
- All BUs with improved organic return profile
- Growth is picking up
Transformation of the financial profile

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Transformation of the financial profile

- Recap from a financial perspective

- Financial improvements to come
  - Attractive organic investments
  - Integration of Chemtura
  - Cash conversion improvement

- Deconsolidation of ARLANXEO
Growth capex in New LANXESS were value enhancing

- **ROCE**
- **Growth capex**
- **EBITDA pre***

* Sum of business units
Value creating investments are going to continue

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>~€150 m</td>
<td>€50 – 100 m</td>
<td>€50 – 100 m</td>
<td>€50 – 100 m</td>
<td>€50 – 100 m</td>
</tr>
<tr>
<td>Focus on brownfield investments to strengthen “Verbund” platform and reinforce cost advantage</td>
<td>Investing in technology and process upgrades and product development</td>
<td>Investment in application technology and customer solutions</td>
<td>Expansion of low capital intense downstream assets to further improve product mix</td>
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Total capex of ~€400 m with expected Ø ROCE ~20%
BU All: Brownfield expansion of existing manufacturing platform with highly attractive returns

- Focus on brownfield investments
- Focus on continued technology upgrades and debottlenecking
- Further dilution of fixed costs
- Further improving excellent cost position

Sensible debottleneckings to serve market growth

<table>
<thead>
<tr>
<th>Capex</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aromatic Network 1</td>
<td>~25</td>
<td>~20</td>
<td>~35</td>
<td>~20</td>
<td>...</td>
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<tr>
<td>Aromatic Network 2</td>
<td></td>
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<tr>
<td>Benzyl Prod. &amp; Inorganic Acids</td>
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<td></td>
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<tr>
<td>Antioxidants &amp; Accelerators</td>
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<tr>
<td>Polyols &amp; Oxidation Products</td>
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</tbody>
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Total capex ~€100 m with Ø ROCE ~20%

Support volume growth
BU HPM: Low capex intensity of downstream investments will further support the “balanced capacity model”

Expanding global compounding network inline with demand

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex</td>
<td>~10</td>
<td>~25</td>
<td>~25</td>
<td>~5</td>
<td></td>
</tr>
<tr>
<td>Project 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Project 2</td>
<td></td>
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<tr>
<td>Project 3</td>
<td></td>
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<td>...</td>
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Total capex €50 – 100 m with Ø ROCE ~20%

Value investments

- Capacity split
- Mix improvement
- More stable and attractive returns

Construction  Ramp-up / production
Actual utilization rates offer additional headroom

Increased profitability at stable utilization rates

- Rising share of EBITDA pre from New LANXESS businesses fueled margin improvement
- No indication of peak utilization rates
- Capex of the past allows to serve expected volume growth
- Growth capex adds to margin improvement

Potential for further increase in utilization rates and upside in financial performance
Transformation of the financial profile

- Recap from a financial perspective

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  - Attractive organic investments
  - Integration of Chemtura
  - Cash conversion improvement

- Deconsolidation of ARLANXEO
Bottom-up analysis confirm former synergy targets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td><strong>Synergies</strong></td>
<td>~25</td>
<td>~25</td>
<td>~35</td>
<td>~15</td>
<td>~100</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td>~50</td>
<td>~50</td>
<td>~20</td>
<td>~20</td>
<td>~140</td>
</tr>
<tr>
<td><strong>Cash out</strong></td>
<td>~30</td>
<td>~40</td>
<td>~40</td>
<td>~30</td>
<td>~140</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>~30</td>
<td>~10</td>
<td>~10</td>
<td></td>
<td>~50</td>
</tr>
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**Previous assumptions**

- Synergies confirmed
  - ~€100 m of “hard” costs
  - Top line synergies not included
- ~€50 m capex for asset improvements
- ~€140 m one time costs
- ~€80 m transaction related cash outs, mostly in 2017

* excluding ~€80 m transaction related charges
Chemtura Synergies: Contribution from all cost categories

Synergies in all functions

- Administration: ~30%
- Production & procurement: ~50%
- Marketing & sales: ~20%
Synergy example I: Integration of admin organization

<table>
<thead>
<tr>
<th>Corporate center</th>
<th>General administration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Facts</strong></td>
<td><strong>Facts</strong></td>
</tr>
<tr>
<td>▪ Chemtura had a corporate center of a listed company</td>
<td>▪ E.g. two US administration organizations</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td><strong>Implementation</strong></td>
</tr>
<tr>
<td>▪ 34 projects have been identified; e.g.:</td>
<td>▪ 60 projects have been identified; e.g.:</td>
</tr>
<tr>
<td>– Board of management, governance functions</td>
<td>– Eliminate double functions &amp; integrate IT systems, optimize cost of insurance coverage</td>
</tr>
<tr>
<td>– Fees (e.g. audit, rating, listing)</td>
<td>– Combine office locations in close regional proximity</td>
</tr>
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~€10-15 m synergies in 2017-2018

~€10-15 m synergies 2017-2019; ~€5-10 m capex
**Synergy example II: Integration of procurement and logistics activities**

<table>
<thead>
<tr>
<th>Direct material sourcing</th>
<th>Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Facts</strong></td>
<td><strong>Facts</strong></td>
</tr>
<tr>
<td>“New LANXESS” raw material purchase volume amounts to ~€2.5 bn</td>
<td>Both companies operate ~200 warehouses globally</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rationale</strong></td>
<td><strong>Rationale</strong></td>
</tr>
<tr>
<td>Use purchasing power of enlarged organization and harmonize contract prices</td>
<td>Chemtura had outsourced most logistic operations to third parties thereby losing critical know-how</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td><strong>Implementation</strong></td>
</tr>
<tr>
<td>36 projects have been identified:</td>
<td>38 projects have been identified</td>
</tr>
<tr>
<td>- Harmonizing contracts with joint suppliers</td>
<td>- Cutting sea and land based transport costs by using LANXESS’ freight rates</td>
</tr>
<tr>
<td>- Bundling of volumes and use of price arbitrage</td>
<td>- Bundling of warehouses and optimizing set-up</td>
</tr>
<tr>
<td>- Insourcing of e.g. maleic anhydride, bromine etc.</td>
<td></td>
</tr>
<tr>
<td>~€10-15 m synergies in 2018/2019</td>
<td>~€5-10 m synergies 2017-2019; ~€5-10 m capex</td>
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LANXESS free cash flow and cash conversion rate to improve

- **EBITDA**: Structural improvement
- **Capex**: Lower because of asset light strategy and ARLANXEO deconsolidation
- **Other**:
  - Exceptionals to decline after Chemtura integration
  - Working capital: lower volatility
  - Tax rate to decline to 30-35%

Cash conversion*  
>60%

* Calculated as (EBITDA pre – capex) / EBITDA pre
LANXESS financial profile will transform

New LANXESS will be fundamentally changed

- Regional platform
- Industrial platform
- Market positions

EBITDA pre margin
14–18%
(through the cycle)

Cash conversion* >60%

Lower volatility of earnings

* Calculated as (EBITDA pre – capex) / EBITDA pre
Transformation of the financial profile

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ARLANXEO with marginal contribution to EPS – New LANXESS tax rate reduced after deconsolidation

- Minor ARLANXEO contribution to EPS
  - H1 2017 LTM
    - EBITDA pre: ~30%
    - EPS pre: ~10%

- Tax rate of New LANXESS will be at 30-35%
  - LANXESS tax rate

- High ARLANXEO D&A after heavy investment cycle
- High ARLANXEO tax rate due to unfavorable regional distribution of earnings
ARLANXEO deconsolidation will lead to a substantial reduction of currency risk

- Chemtura consolidated since 21 April 2017
- ARLANXEO reported as disc. operations from 01 April 2018

1ct change in the USD/EUR rate impacts EBITDA by ~€7 m before hedging
   (was ~€9 m before)
Volatility of working capital will be significantly reduced after deconsolidation of ARLANXEO

ARLANXEO significantly impacted free cash flow in the past

Butadiene, one of the main raw materials for ARLANXEO, with strong volatility

- Butadiene volatility main driver for working capital changes in the past

Volatility of working capital will be significantly reduced
LANXESS transformation will lead to an improved financial profile

- Strategy implementation with deep financial mindset
- Integration benefit and financially highly attractive organic growth projects drive profitability
- Continued focus on increasing free cash flow generation, paired with less volatility
- LANXESS is committed to a solid investment grade rating