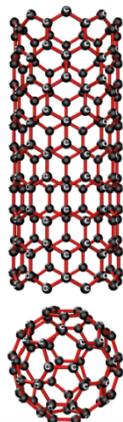


QUALITY WORKS.



# Meeting the Management 2017

## The road ahead – expanding our strengths

Matthias Zachert, CEO

**LANXESS**  
Energizing Chemistry

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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**

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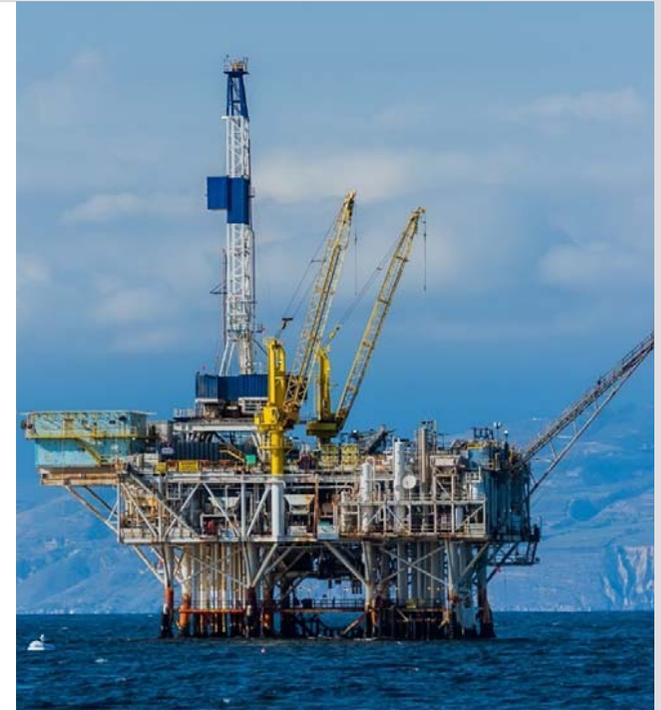
# Our environment: The world is changing rapidly...



**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

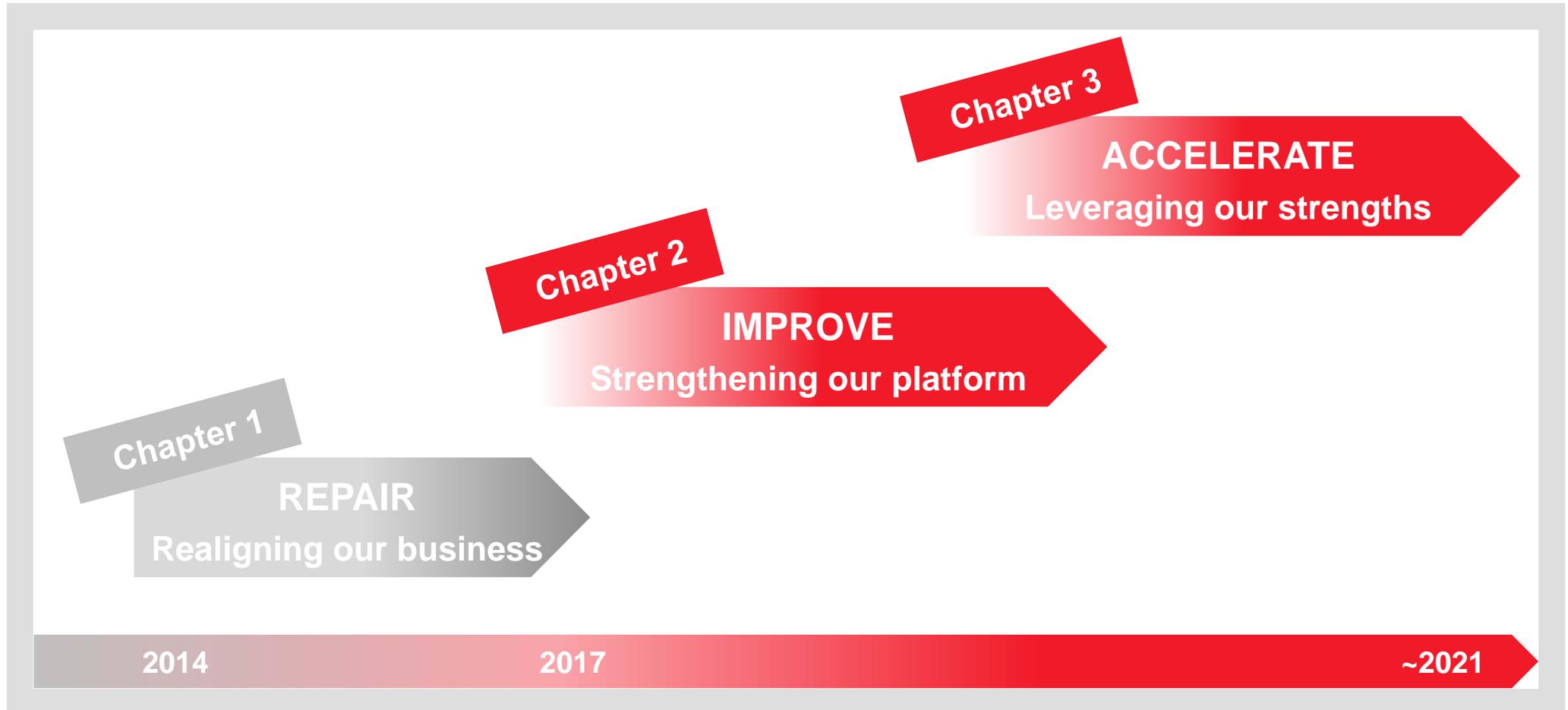
# Our answer: Energizing chemistry!



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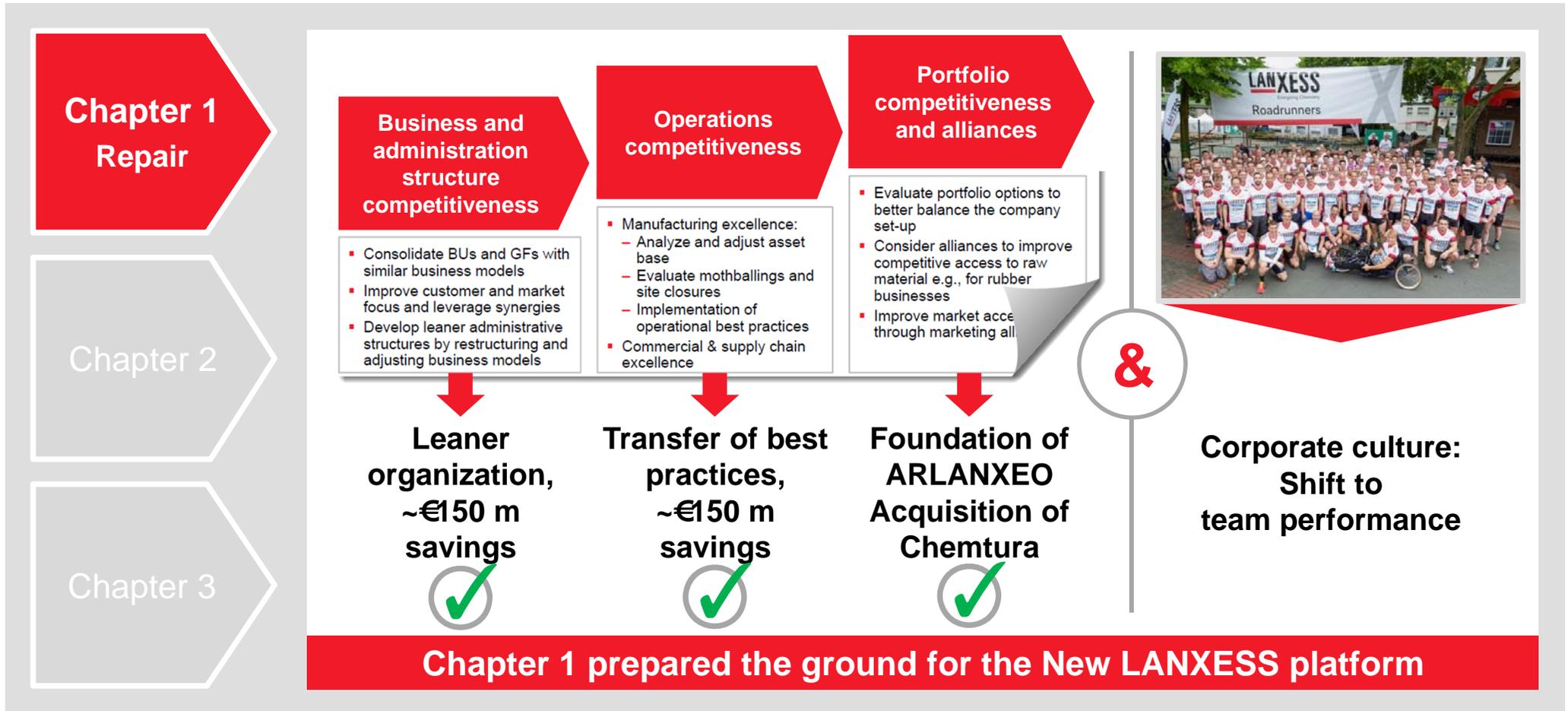
# Our journey: Shaping New LANXESS – a story in three chapters



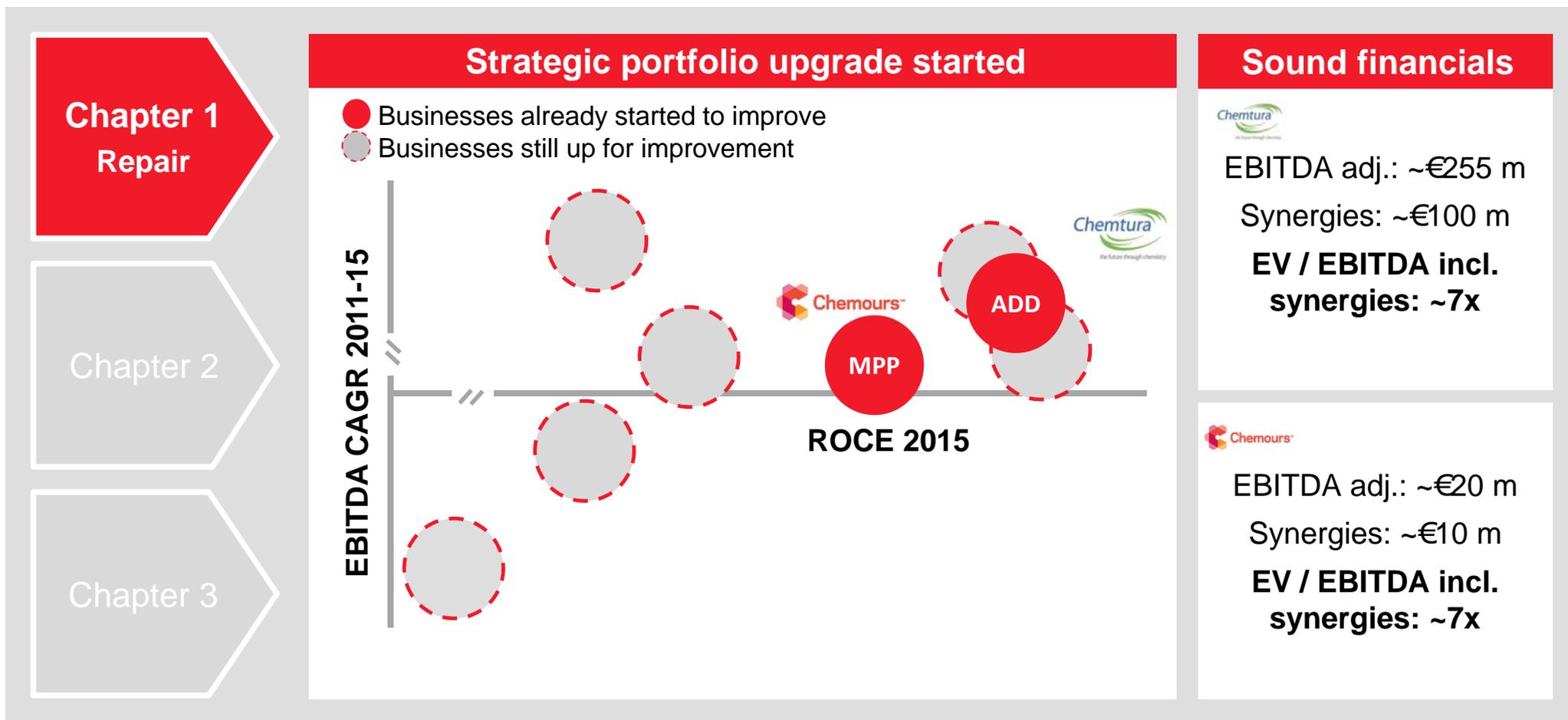
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# Recap Chapter 1: Rebuilding a competitive platform

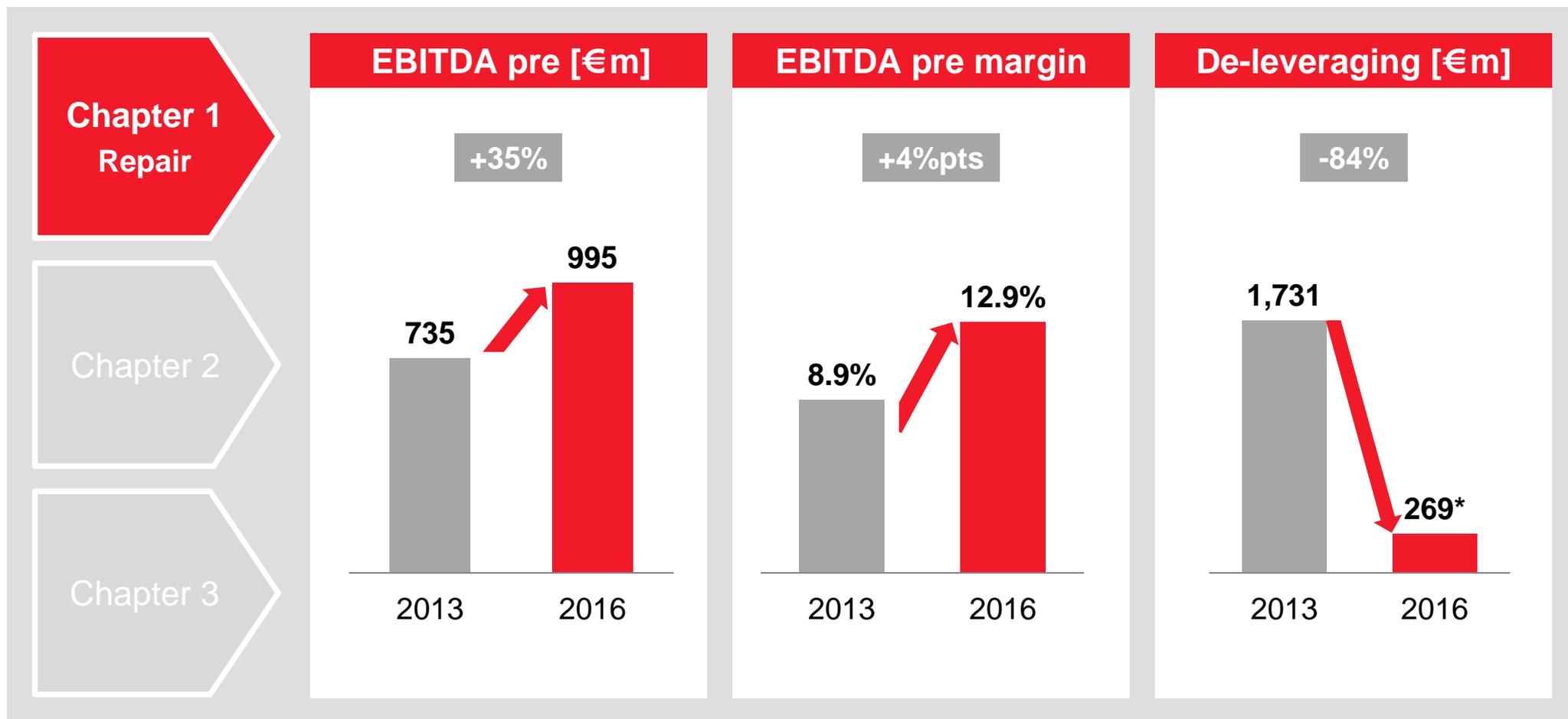


# Some value accretive portfolio modifications already addressed



Chemtura sales and EBITDA adjusted are based on FY 2016; USD / EUR 1.10

# Financials substantially improved



\* 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

## Chapter 1 Repair

## Chapter 2

## Chapter 3

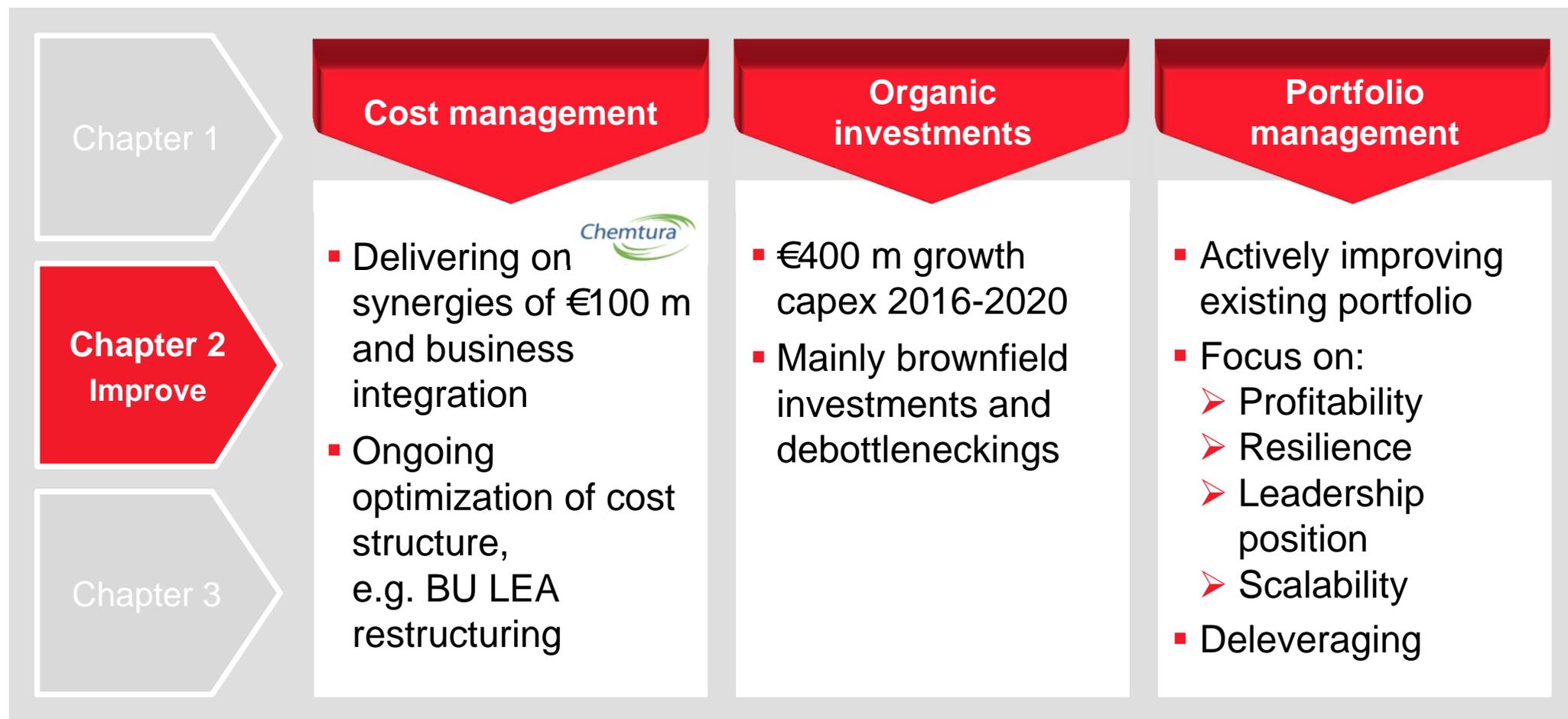
- Industry balance and market set-up need further improvement
- Leadership positions in many business units achieved but substantial catch-up still to be done
- Margin and profitability level has visibly improved but still lagging behind industry standards



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## Chapter 2: Strengthening the platform – key priorities



# Chemtura integration: €100 m of synergies by 2020

Cost management

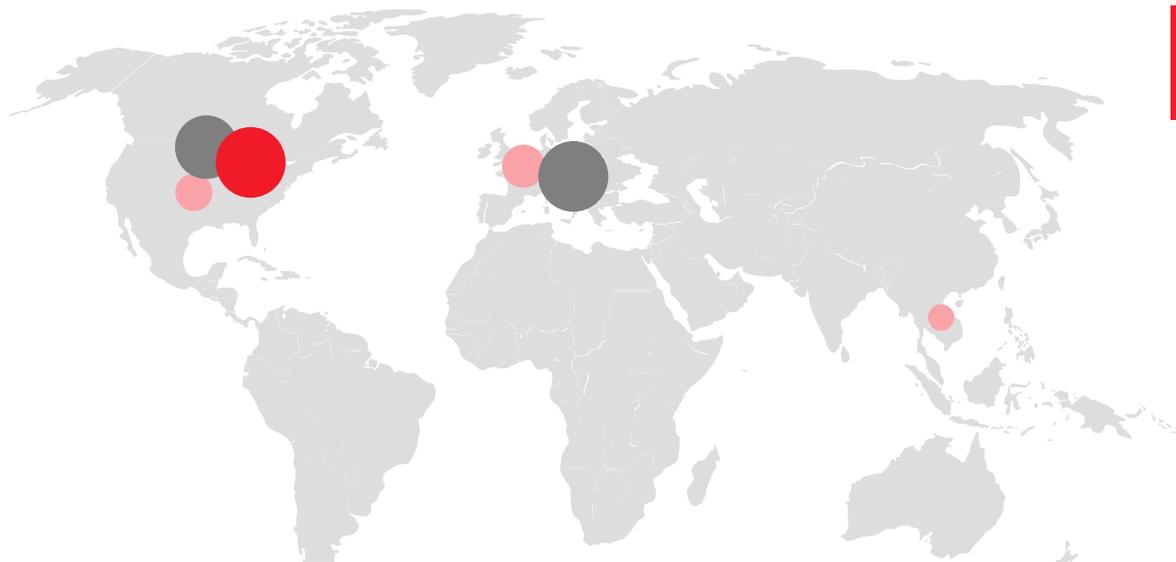
Organic investments

Portfolio management

Chapter 1

Chapter 2  
Improve

Chapter 3



- Organizational streamlining
- Leveraging new regional strengths

€100 m synergy  
breakdown:

Corporate /  
country costs

~€30 m

Marketing and sales

~€20 m

Production and  
procurement set-up

~€50 m

Topline synergies provide additional comfort

# Attractive organic growth projects

Cost management

Organic investments

Portfolio management

Chapter 1

Chapter 2  
Improve

Chapter 3

- €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

Cost management

Organic investments

Portfolio management

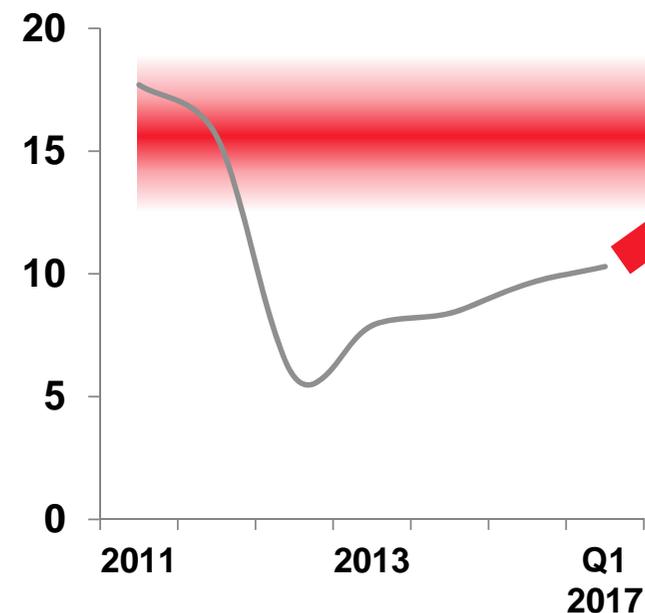
Chapter 1

Chapter 2  
Improve

Chapter 3

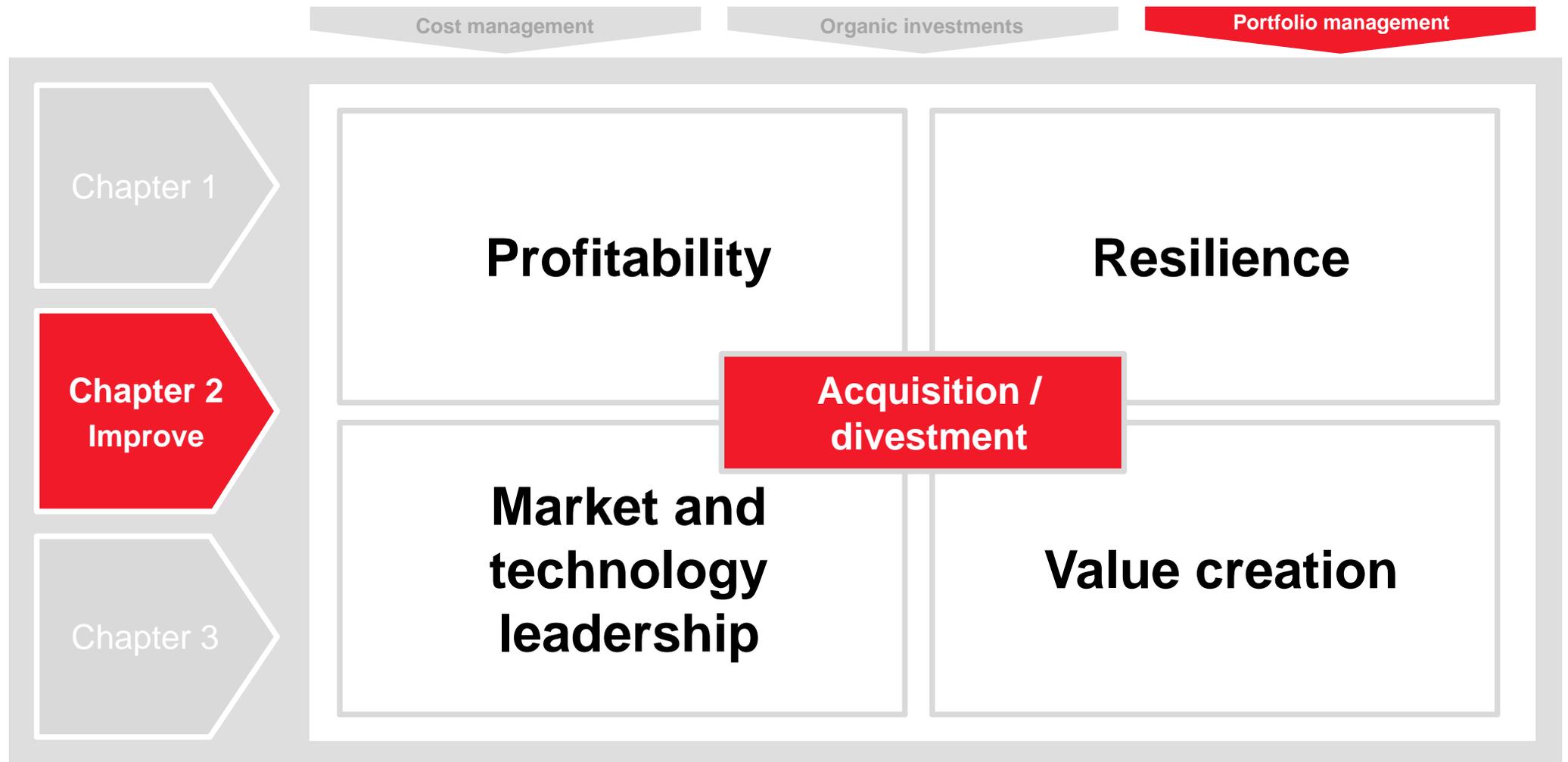
- Focus on debottleneckings and brownfield investments
- Leverage scale
- Focus on business with low capital intensity

% ROCE



Target: Increase ROCE to former levels

# Portfolio optimizing with clear criteria



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

Chapter 1

Chapter 2

**Chapter 3  
Accelerate**

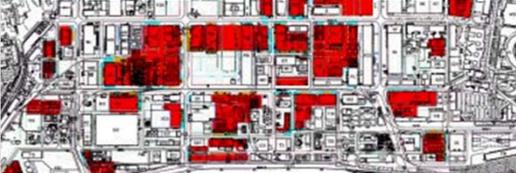
**Regional platform**



**Industrial platform**

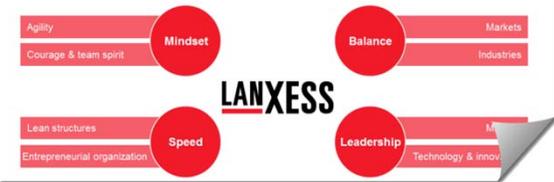


**Market positions**



**Balancing the ground for further growth**

- 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



**Solid growth**

**Chapter 3 will establish an even stronger platform**

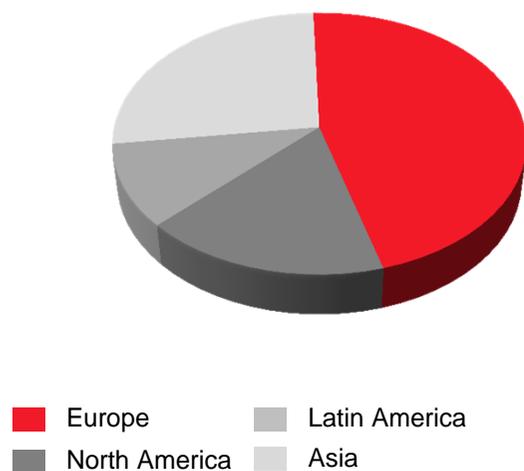
# Chapter 3: Regional platform established

Chapter 1

Chapter 2

**Chapter 3**  
Accelerate

**2016**  
Sales by destination

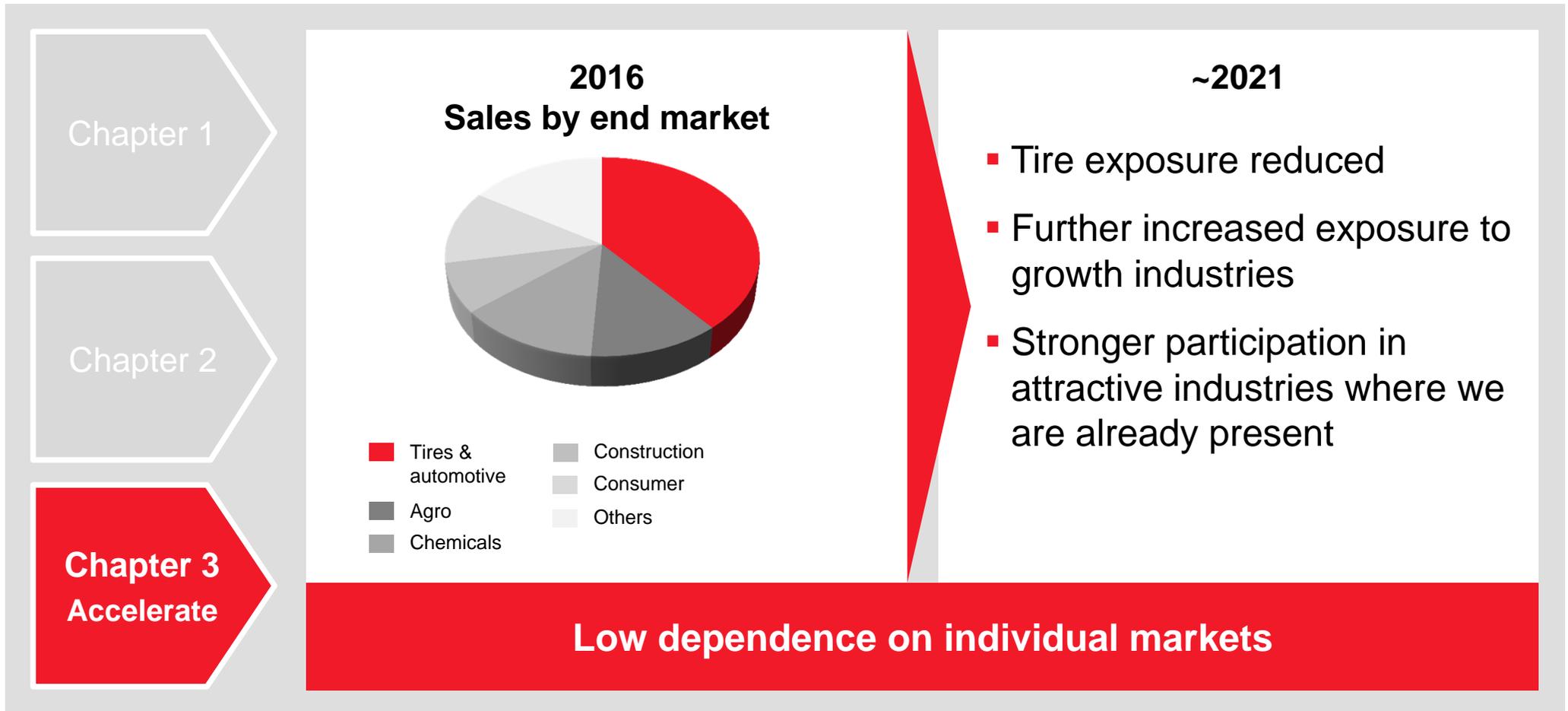


**~2021**

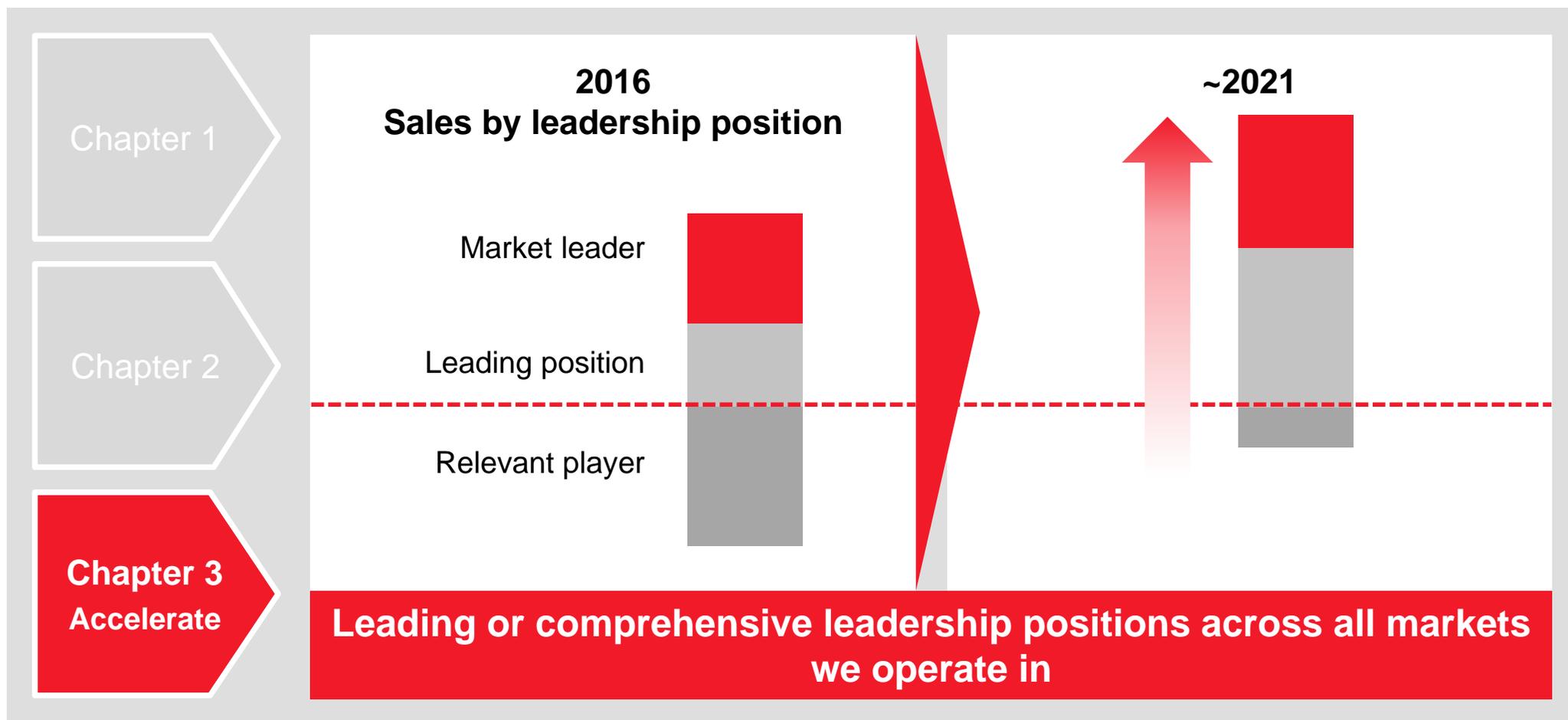
- More regionally balanced:
  - On group level
  - On individual business unit level
- Increased exposure to growing regions (e.g. North America and Asia)

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

# Chapter 3: Industrial platform established



# Chapter 3: Market positions improved



# Vulnerability to single trends will be minimized

Chapter 1

Chapter 2

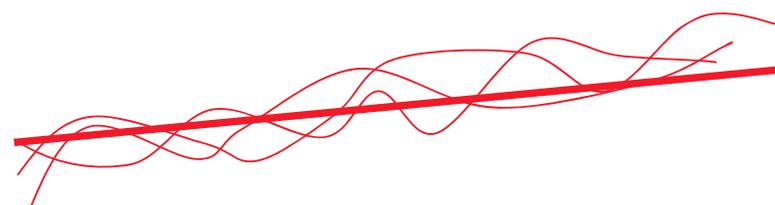
**Chapter 3**  
**Accelerate**

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

Illustrative: Margin volatility



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



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

**Use of entire toolbox to improve resilience**

# Chapter 3: Building a superior platform

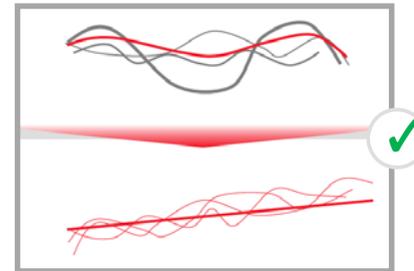
Chapter 1

Chapter 2

**Chapter 3**  
**Accelerate**

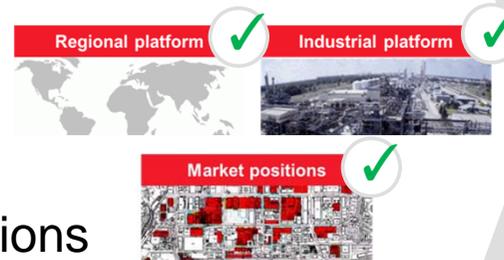
## Financial profile

- Solid profitability
- Sound cash generation
- Low cyclicalty



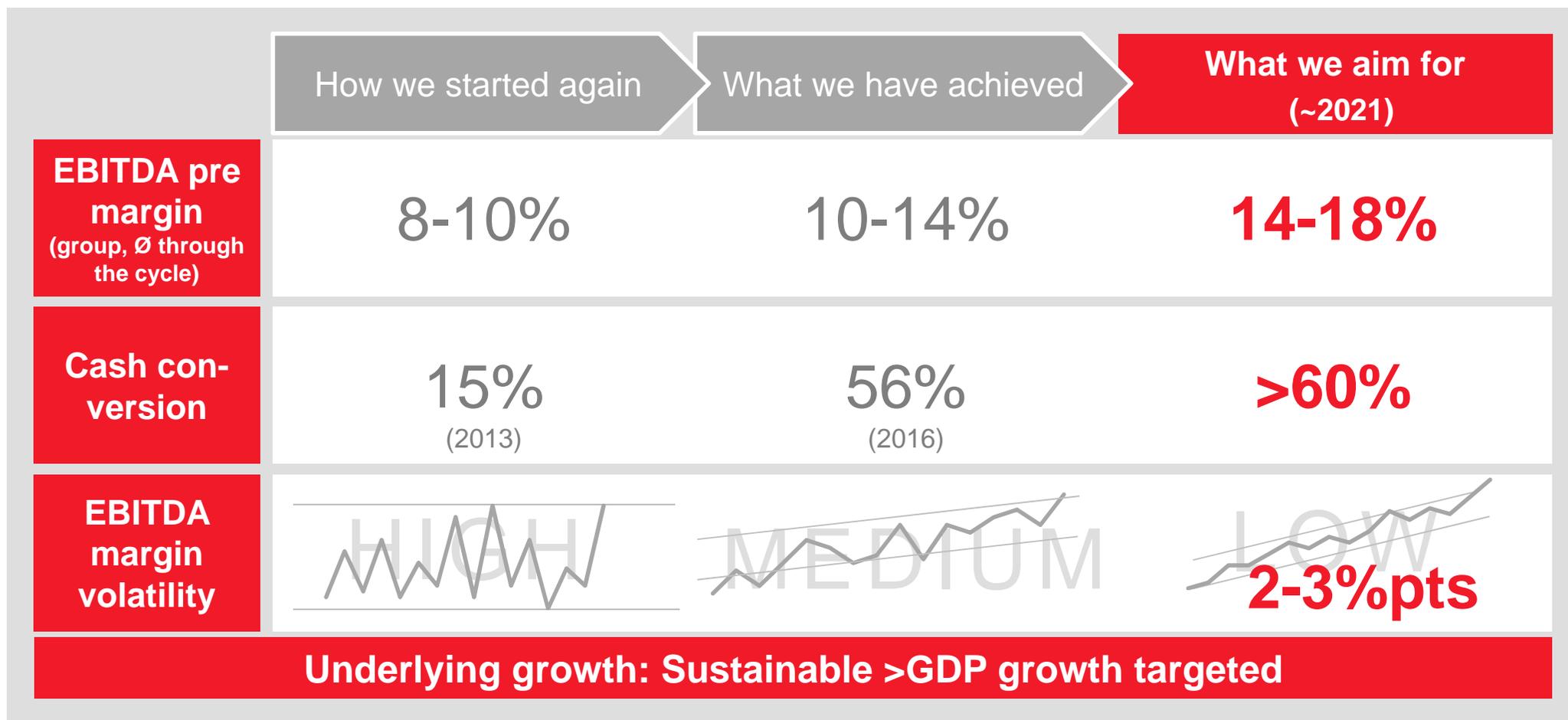
## Business platform

- 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



Cash conversion: (EBITDA pre – capex) / EBITDA pre

# The destination of our journey: A company with convincing characteristics

## Business platform

- Nicely balanced: Regionally and industrially, thus less cyclical
- Leading market and technology positions

## Financial profile

- Resilient cash conversion
- Investment grade rating

## Cultural profile

- Enthusiasm for what we do
- Performance team culture as basis for the next steps after 2021





**... to be continued.**