



Capital Markets Day 2015

Shaping the “New LANXESS”

Matthias Zachert, CEO
Cologne, November 6th 2015

LANXESS
Energizing Chemistry

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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

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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

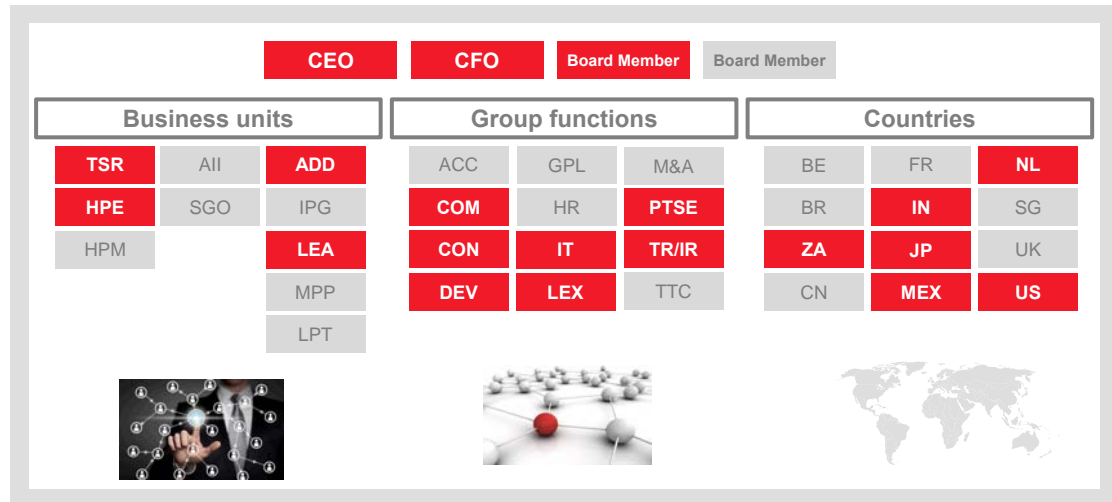


A strong base

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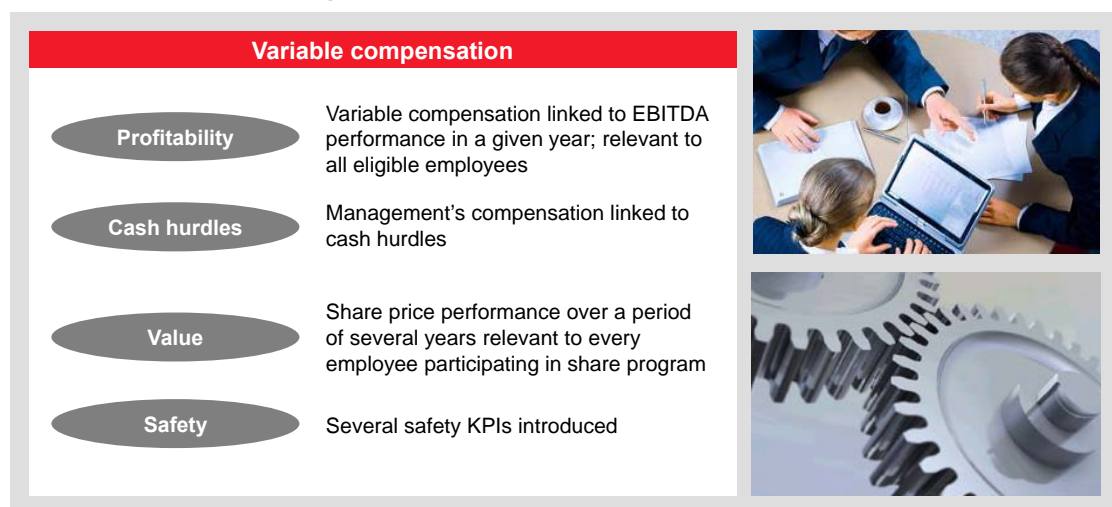
Significant changes in the leadership team – a prerequisite to successful progress



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Ownership and entrepreneurship again clearly reflected in remuneration program



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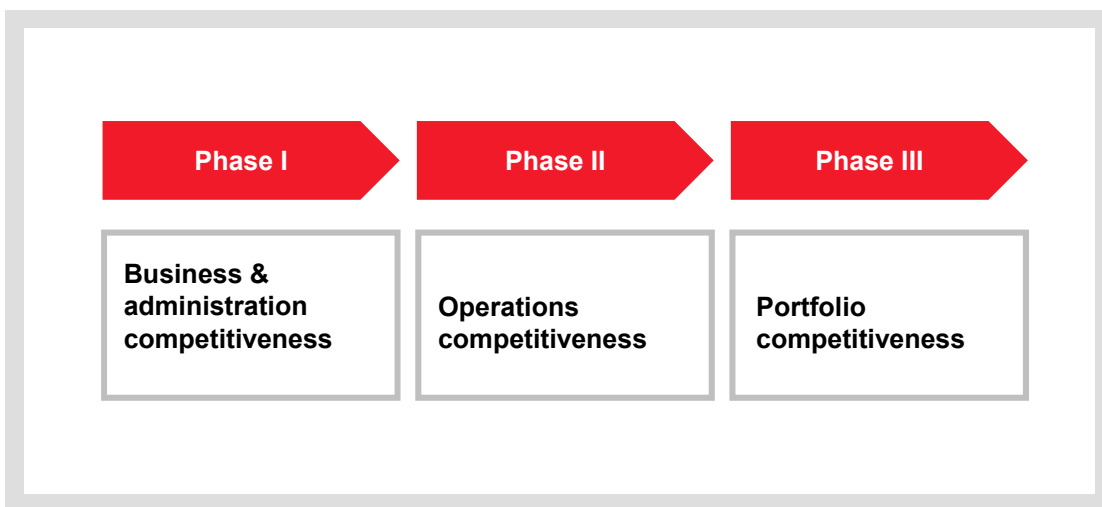
Two new world-scale plants ramped up successfully

<p>EPDM in China – a global footprint established for LANXESS</p> <p>160kt p.a. nameplate capacity</p>  <p>First in-spec material produced, now in approbation phase with customers</p> <p>Supporting long-term growth of automotive industry, particularly in China</p>	<p>Nd-PBR in Singapore – close to our customers in key growth regions</p> <p>140kt p.a. nameplate capacity</p>  <p>Serving the trend of sustainable mobility with Nd-PBR, a state-of-the-art synthetic rubber for fuel-efficient tires</p>
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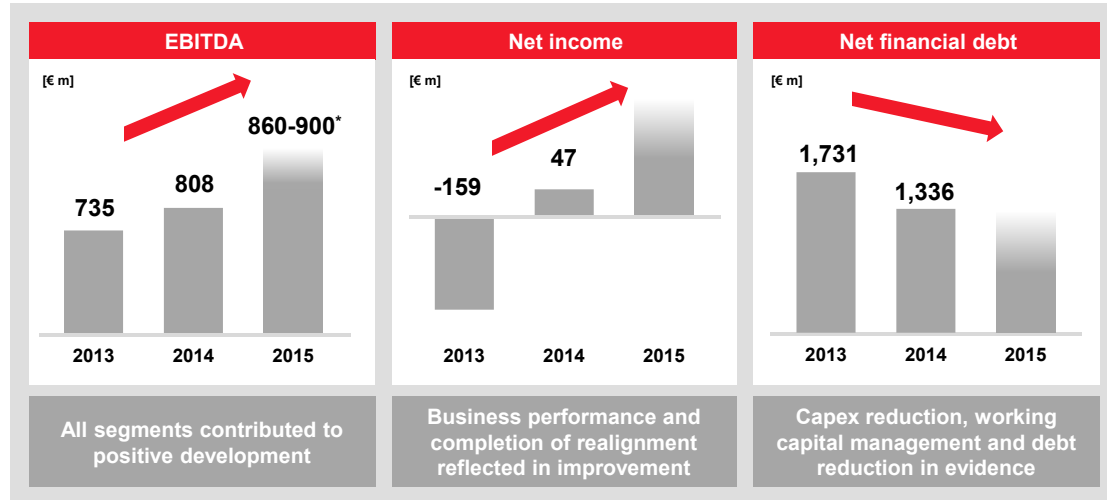
We launched our three phase realignment program



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And we improved our business performance and financial profile



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!

<p>Creating a strong, resilient and profitable company</p>	<p>Head, heart and guts to form the "New LANXESS"</p>	
<p>A strong team</p>	<p>A strong performance culture and the commitment of every employee to profitably grow our business</p>	
<p>We energize chemistry</p>		



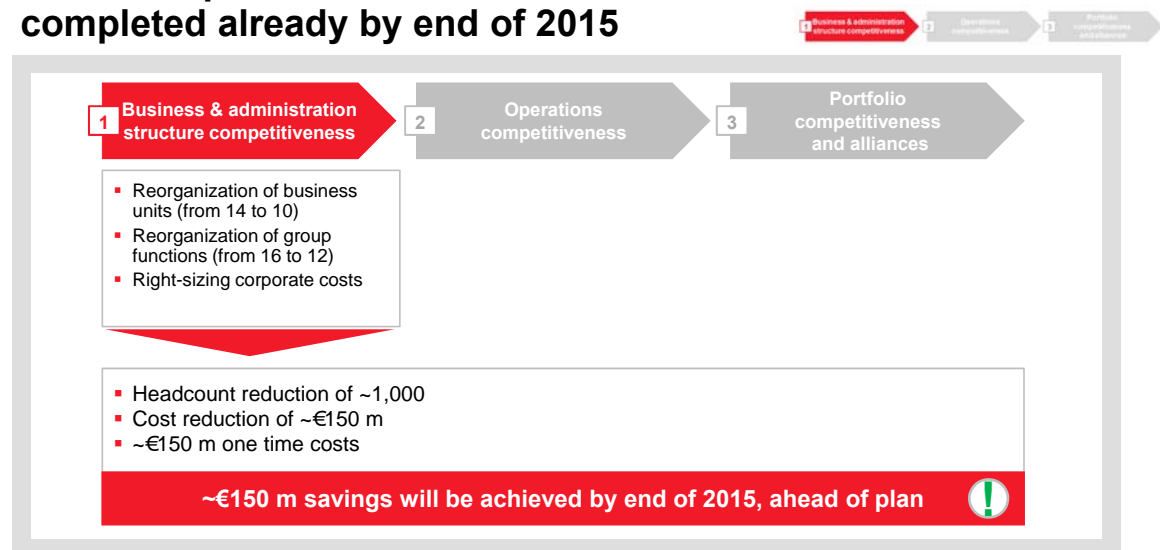
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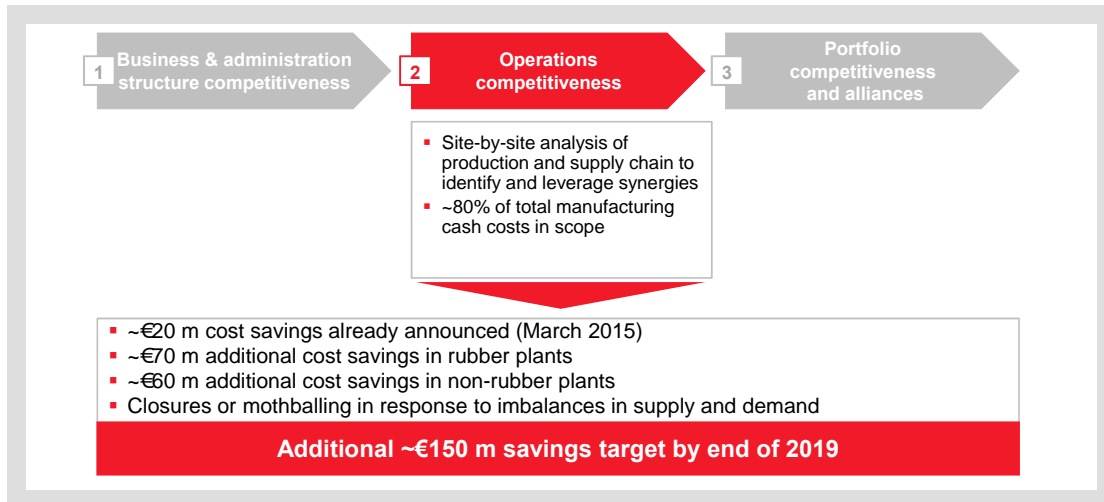
Phase I: Optimization of overhead cost structure to be completed already by end of 2015



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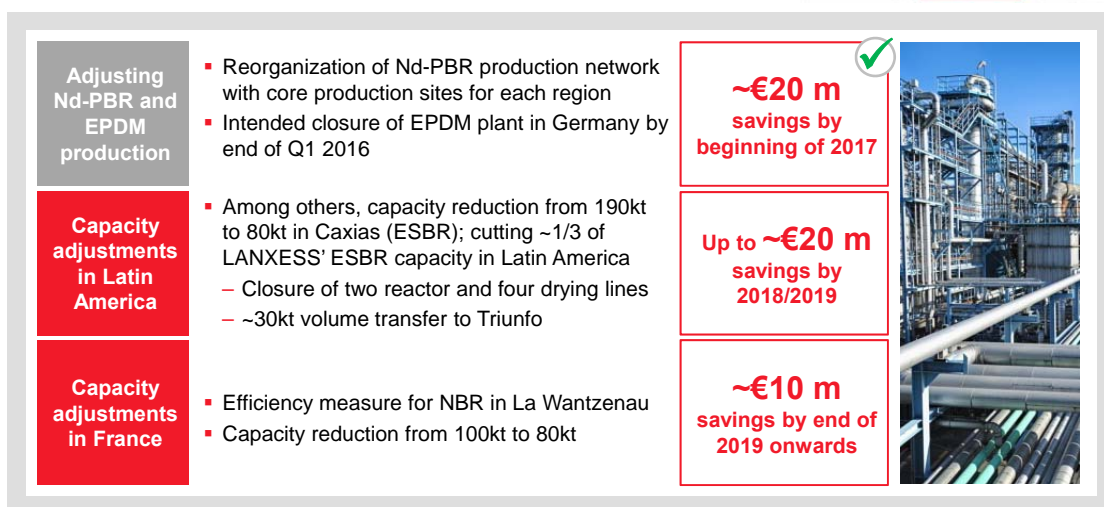
Phase II: Optimization of production platform with significant reduction in manufacturing cash costs



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Measures to strengthen competitiveness in synthetic rubber



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Significant additional savings from efficiency measures



Efficiency measures in rubber plants

- ~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	Σ ~€100 m
➤ Maintenance	~€30 m	
➤ Personnel	~€15 m	

~€40 m savings by end of 2019 onwards

~€60 m savings by end of 2019 onwards

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



1 Business & administration structure competitiveness

2 Operations competitiveness

3 Portfolio competitiveness and alliances

- Strategic alliances to solve lack of backward integration

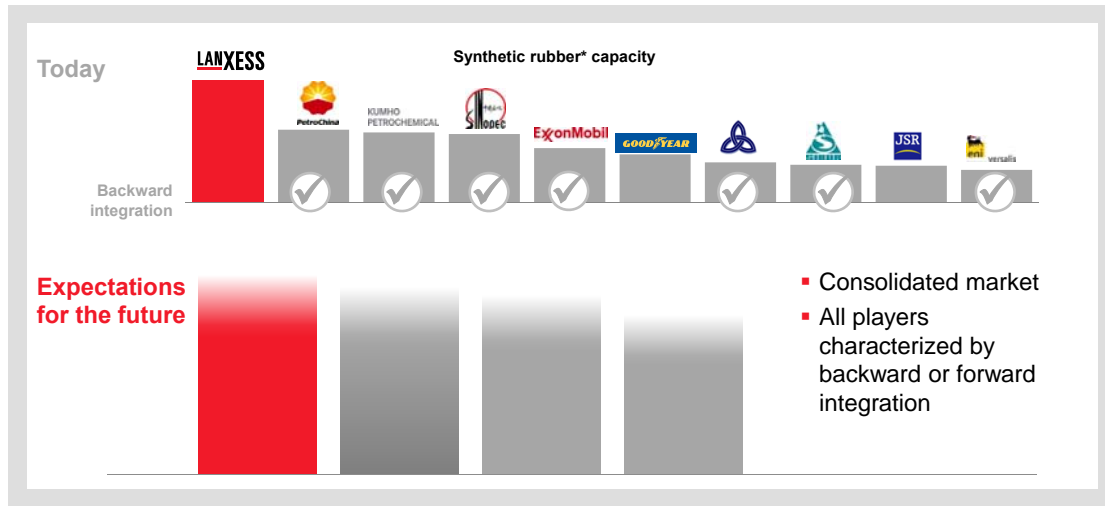
- Saudi Aramco and LANXESS enter a strategic joint venture
- Saudi Aramco as the largest player in the energy and feedstock sector, teams up with LANXESS, the leading synthetic rubber producer
- Saudi Aramco to supply strategic raw materials to the JV in the mid- to long-term

€1.2 bn cash proceeds for LANXESS' transformation

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A changing industry

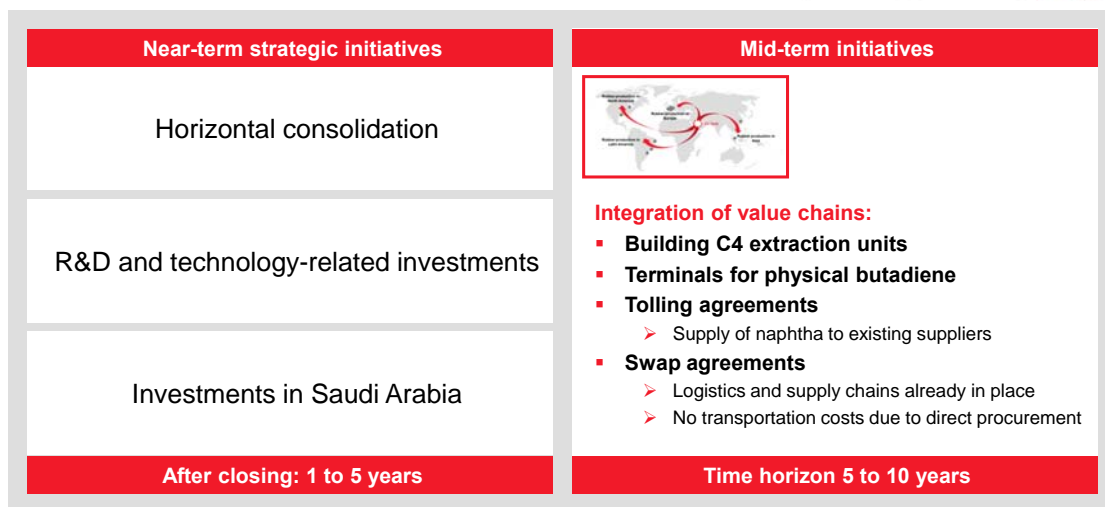


* Butyl, SBR, ESR, Nd- Co-, Li-, PBR, EPDM, (H)NBR, CR, EVM

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The JV with Saudi Aramco generally offers several ways of value creation



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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

~€150 m savings by end of 2015



2 Operations competitiveness

- Site-by-site analysis of production and supply chain to identify and leverage synergies

~€150 m additional efficiency gains by end 2019



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

JV for synthetic rubber business resulting in cash in of €1.2 bn



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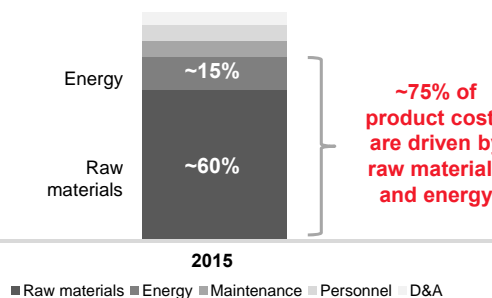
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Industry trend 1: Competitive raw material prices and continuous cost improvement will become more decisive

High dependency on raw materials and energies

Product cost split down for synthetic rubber products



- Access to competitive feedstock prices and energy costs will have increasing impact in the future
- Feedstock markets characterized by limited competition will threaten non-integrated players

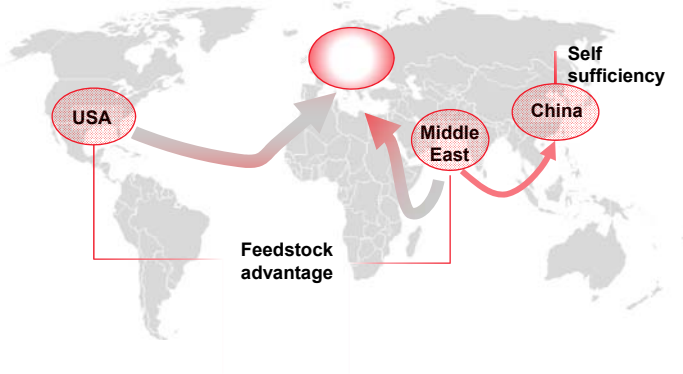
LANXESS will focus on markets where feedstocks and energy are less decisive

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

Europe is being squeezed between import pressures and declining export potentials



- 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

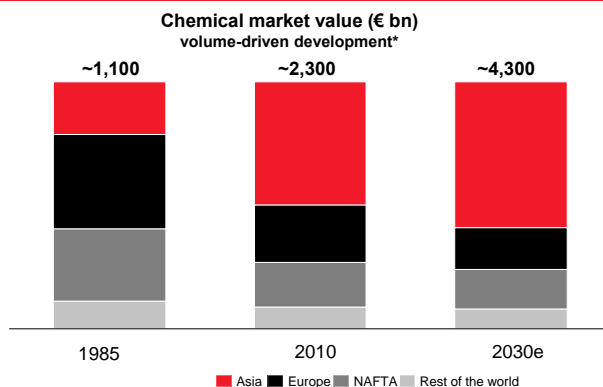
Sources: CMAI; Shell, Chemical Week; A.T. Kearney; Chemical industry vision 2030 05/2012

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

In 2030, China will represent ~40% of chemical demand vs. only ~15% in Europe



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

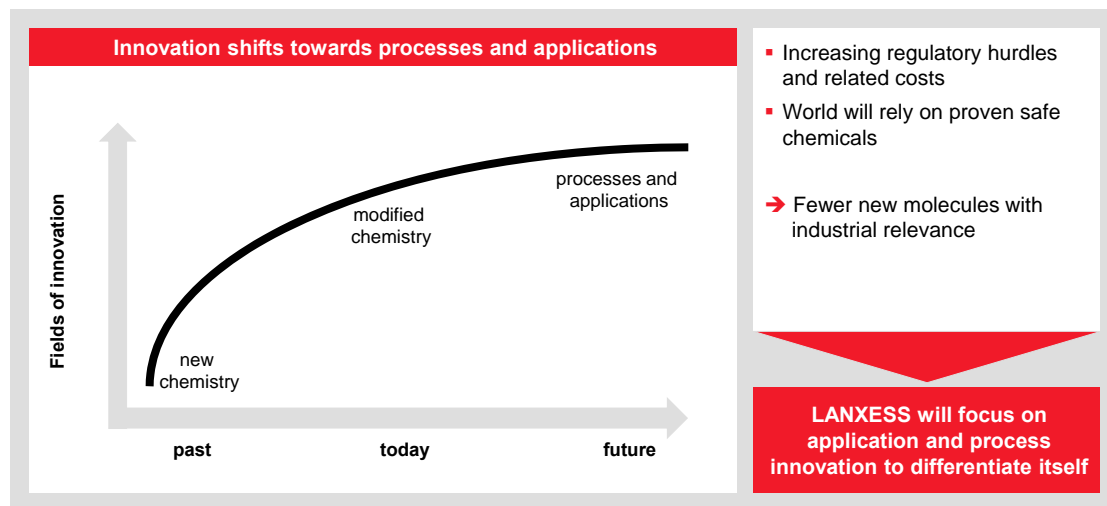
LANXESS will further expand its position in China

Sources: IHS
* Inflation adjusted at 2010 prices

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Industry trend 4: Innovation will become more focused on the development of applications and processes



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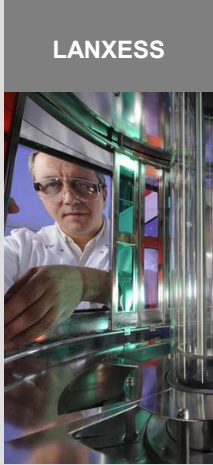
Industry trend 5: Compliance with environmental standards will become the license to operate in emerging markets



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Based on these trends, we conclude the following consequences for our businesses

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

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Our businesses



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Characteristics shared by our businesses



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New strategic focus: Building a more balanced and resilient company


Advanced Intermediates	Performance Chemicals	High Performance Materials
		
<ul style="list-style-type: none"> ▪ Leading market positions and process technologies ▪ Efficient and strong production platform ▪ Highly diversified end markets 	<ul style="list-style-type: none"> ▪ Strong positioning in a broad range of niche markets ▪ Low importance of raw materials ▪ Acting as solution provider 	<ul style="list-style-type: none"> ▪ 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

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

Advanced Industrial Intermediates



2005
2015
2020

Sales split by region



EMEA
 Americas
 Asia/Pacific

Strategic approach:

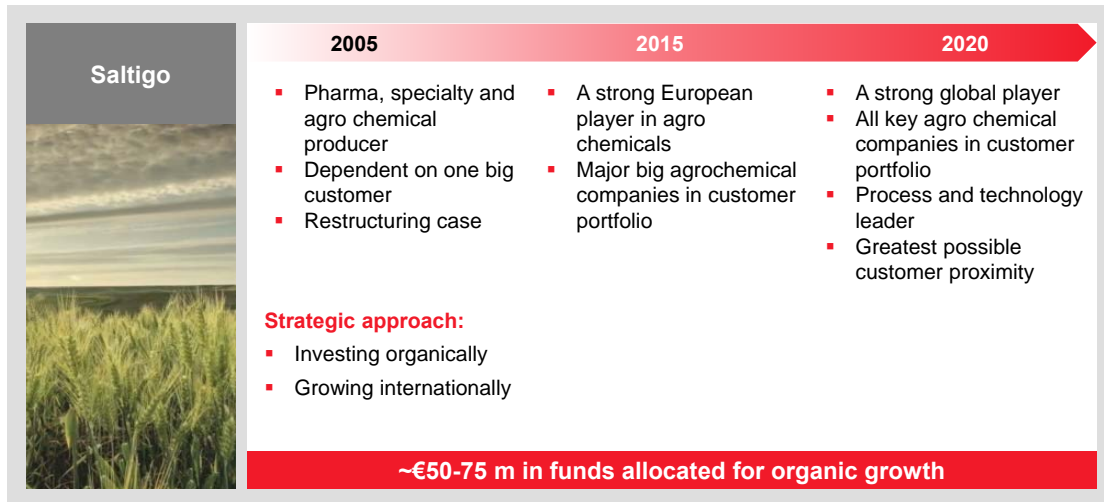
- Emphasizing brownfield sites and debottlenecking
- Continuing to invest in process innovation
- Prepared for consolidation in the chemical intermediate industry

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

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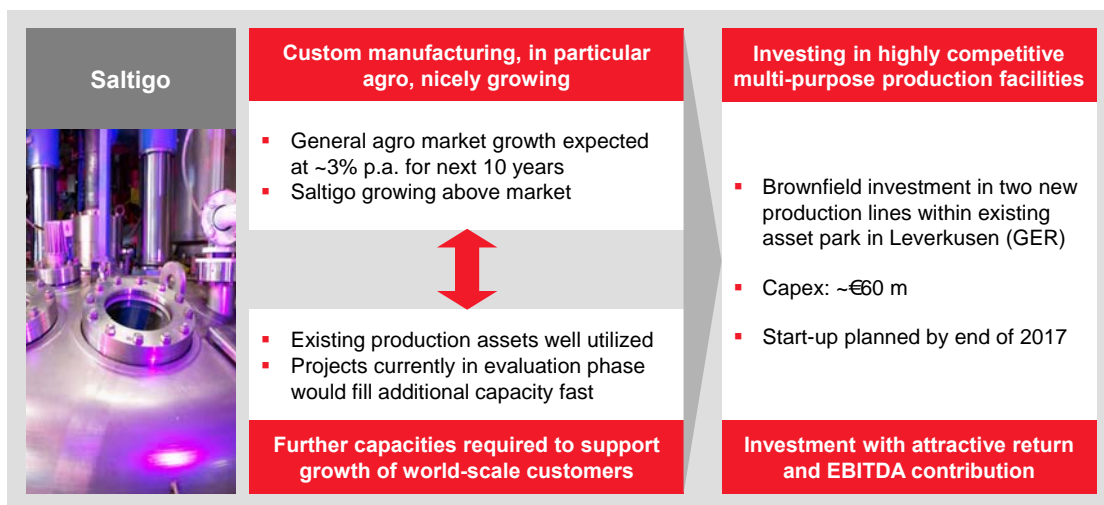
Saltigo: Growing the international side of a strong custom manufacturing business



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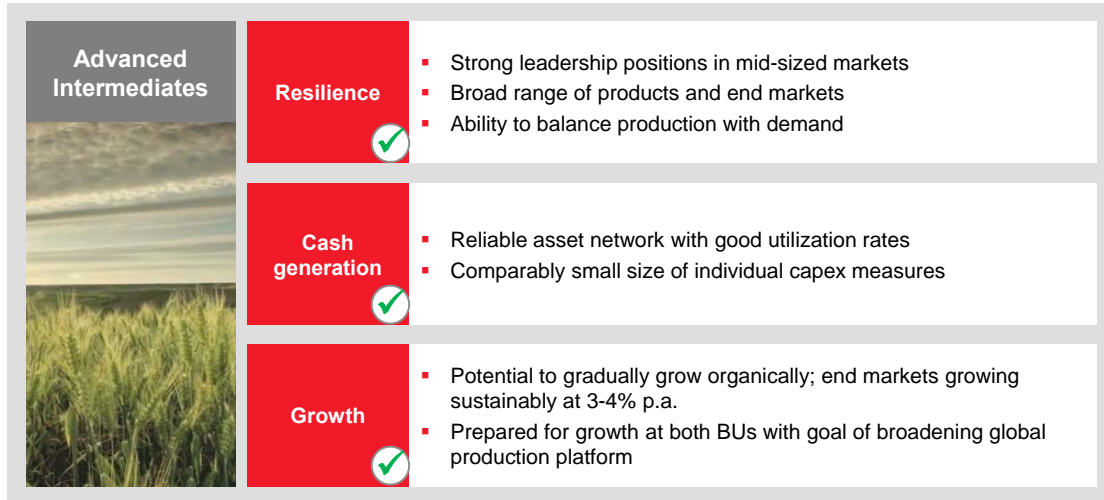
Saltigo – First investment in LANXESS' transformation process



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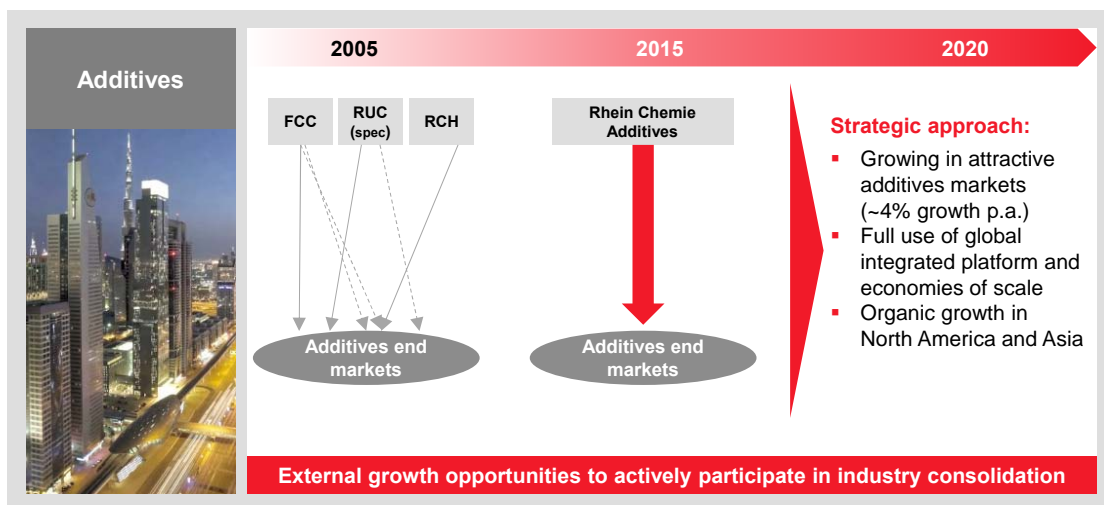
Advanced Intermediates segment: Weatherproof stability through diversity



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Additives: Growing on the basis of a strong new platform



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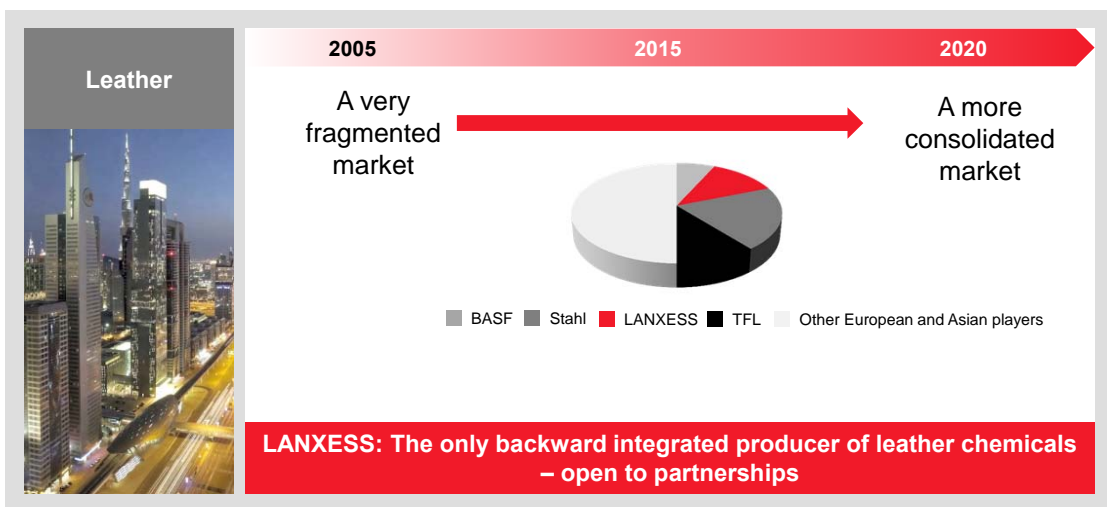
Inorganic Pigments: A global market leader that will continue to accelerate



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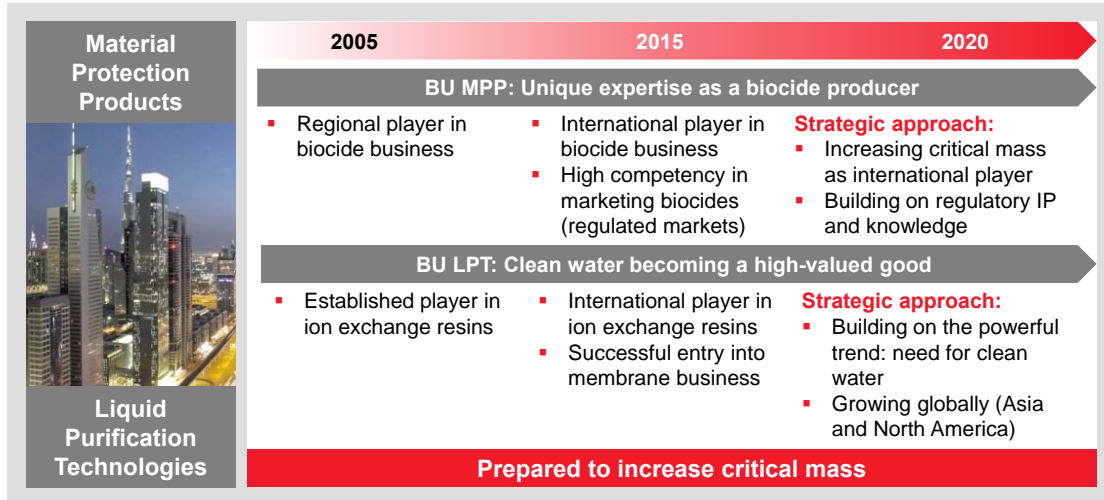
Leather: Market consolidation in progress in favor of a few globally competitive players



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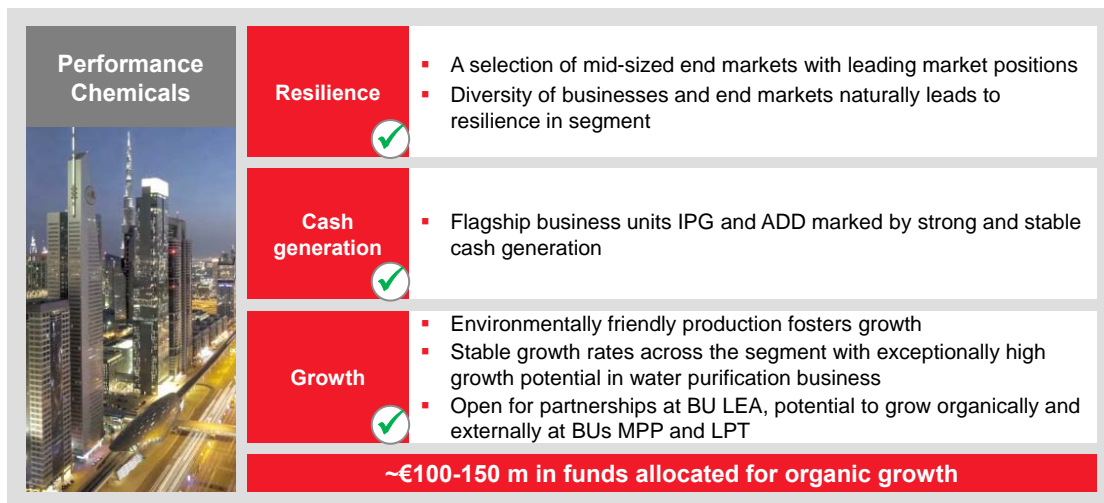
BU MPP and LPT: Hidden potentials



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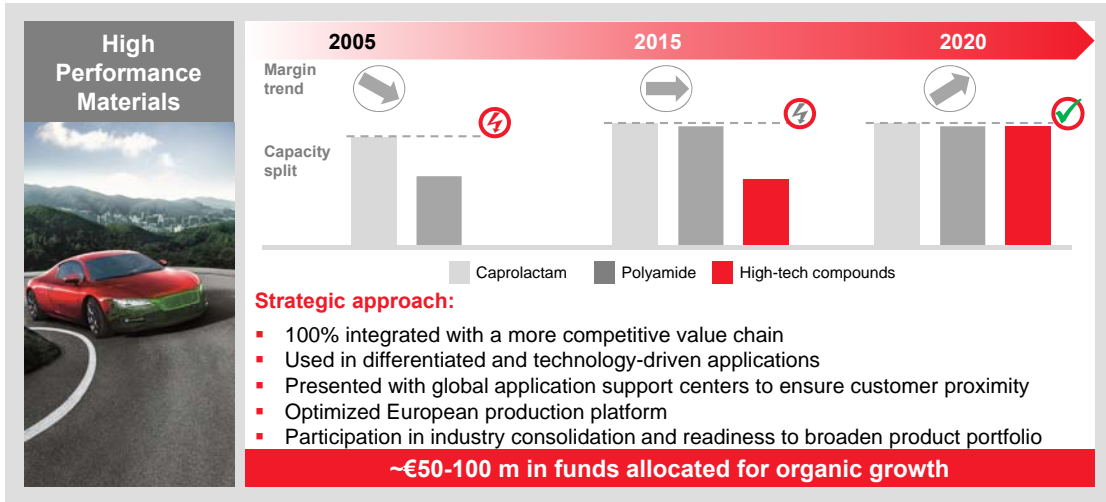
Performance Chemicals segment: Specialist and solution provider to a wide range of markets



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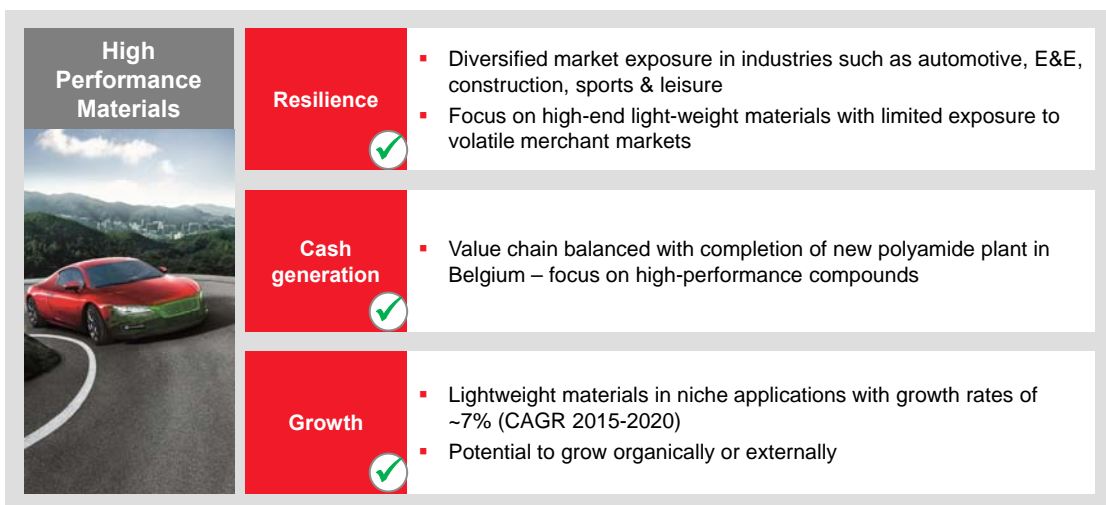
High Performance Materials: A fully balanced and competitive player by 2020



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A strong player in engineering plastics



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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



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Growing with clear focus



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End of presentation