



# Q4 / FY 2015 Roadshow

A successful year in many respects

Investor Relations

**LANXESS**  
Energizing Chemistry

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# Agenda

- **Strategy summary**
- Executive summary Q4 2015 and outlook 2016
- Financial details Q4/FY 2015
- Backup

# 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



Targeting reduced volatility of 2-3% pts of EBITDA margin (peak to trough)

## 2015: LANXESS now on solid foundation



- New business structure successfully implemented
- New management board in place



- Phase 1: Administrative restructuring implemented one year ahead of plan



- Phase 2: Operations optimization in progress



- Phase 3: Strategic alliance for synthetic rubber with Saudi Aramco to start on April 1st, 2016



**Transformation program implemented  
ahead of schedule**



# Joint venture established on fast track: Starting April 1<sup>st</sup> 2016



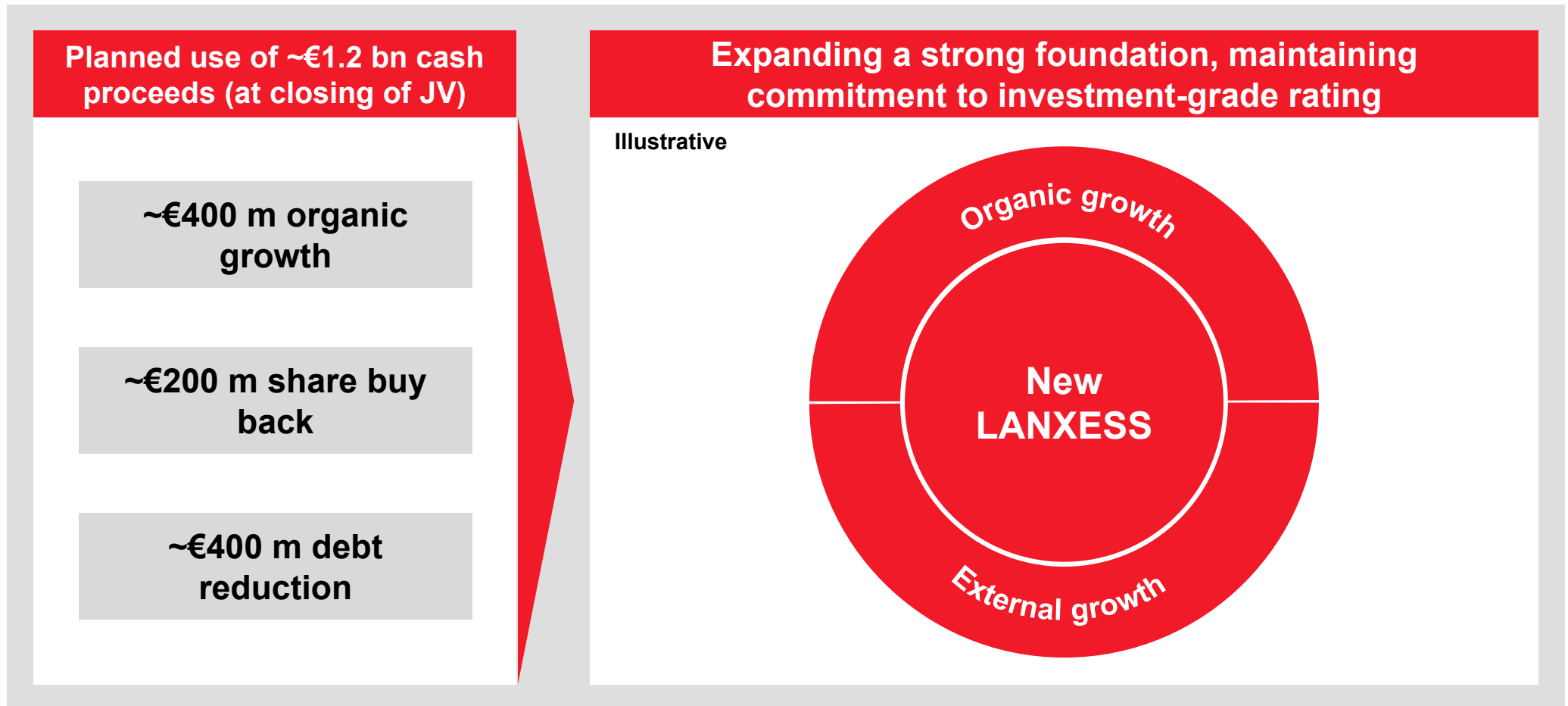
- August 2015: Start of carve-out process
- September 22<sup>nd</sup>, 2015: JV agreement signed by Saudi Aramco and LANXESS
- February 2016: Global communication of JV name  
Completion of anti-trust approval process
- April 1<sup>st</sup>, 2016: Go live of ARLANXEO

## LANXESS

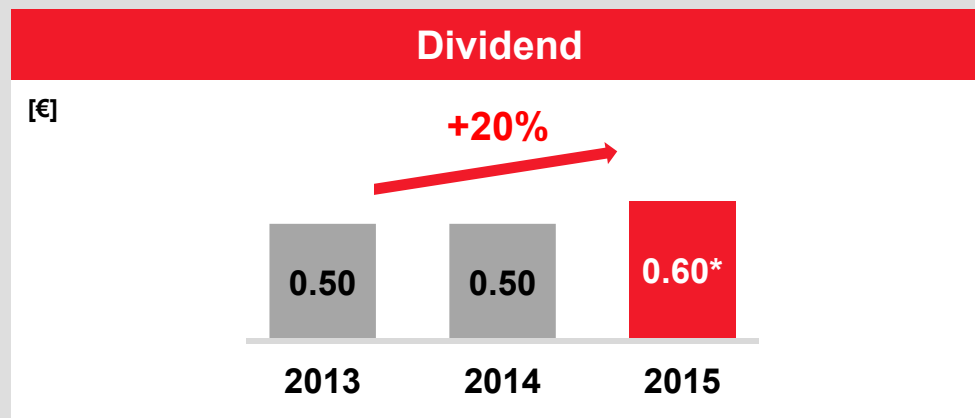
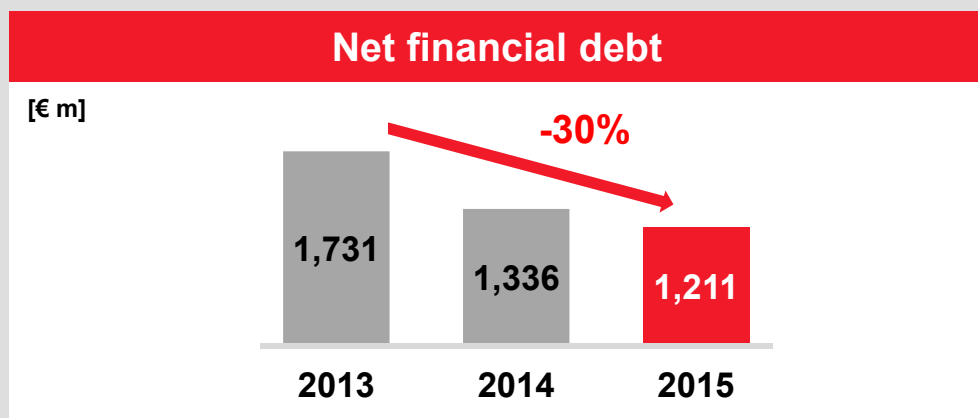
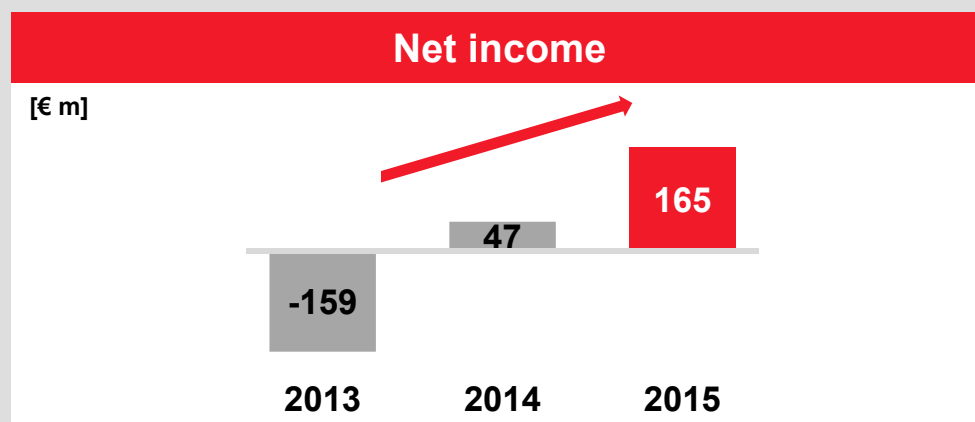
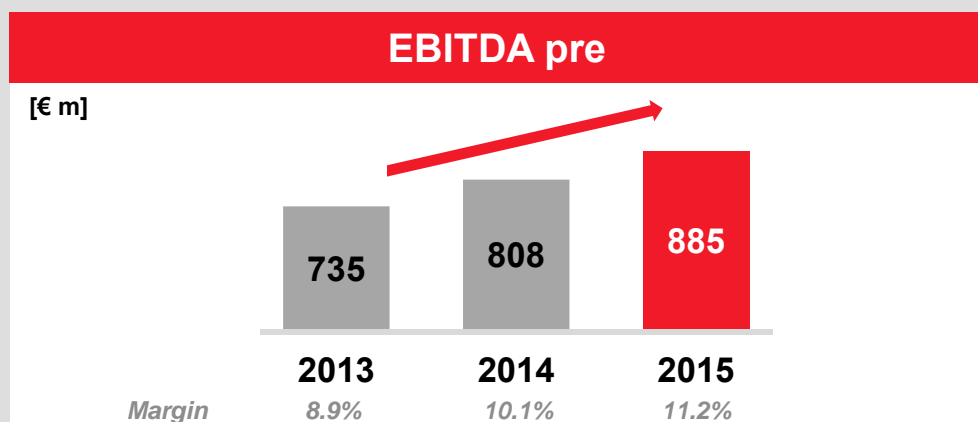
- Receipt of ~€1.2 bn
- Change from 3 to 4 reporting segments\*

\* Four reporting segments as of Q2 2016 onwards: Advanced Intermediates, Performance Chemicals, High Performance Materials and ARLANXEO

# 2016 and beyond: Growth backed by solid financials








# Financial highlights: Major improvement in profitability and greater financial strength



\* To be proposed at the Annual General Meeting on May 20, 2016.



# Business performance 2015 under future reporting structure

	New LANXESS			ARLANXEO	Group
	 Advanced Intermediates	 Performance Chemicals	 High Performance Materials		
EBITDA pre* margin	€339 m 19%	€326 m 16%	€115 m 10%	€388 m 14%	€885 m 11%
ROCE	~15%			~5%	8.4%

**A solid EBITDA contribution from all segments**

EBITDA pre and margin for HPM and ARLANXEO are unaudited figures; ROCE split is an approximation

\* For segments: Operational EBITDA pre without allocation of hedging expenses

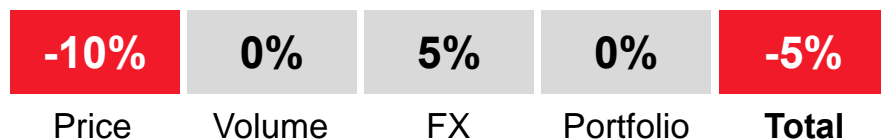
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# Q4 2015: Nearly stable earnings despite selling price decline

## Sales development Q4 2015

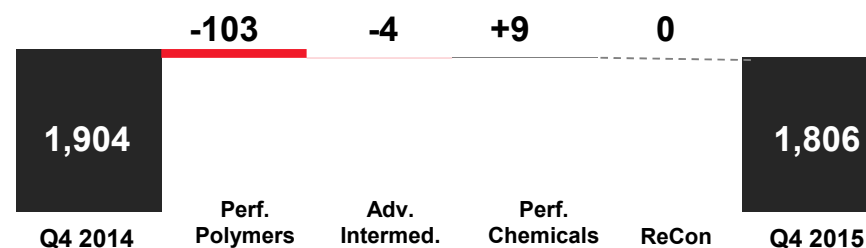
Sales variances yoy €1,806 m (€1,904 m)



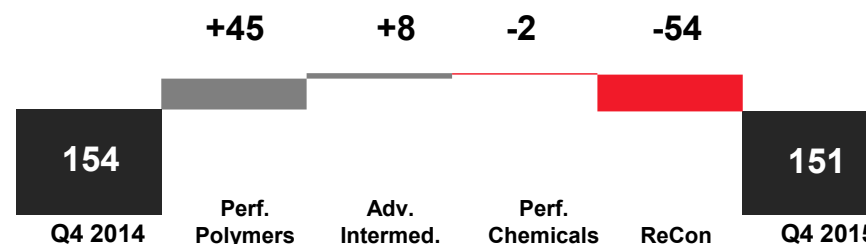
- Lower prices driven by lower raw material costs in both Performance Polymers and Advanced Intermediates
- Stable volumes in total, however with variations across the segments
- All businesses supported by a strong USD

## Business development Q4 2015

### Sales [€ m]



### EBITDA pre [€ m]



## Q4 2015 financial overview: Strong cash conversion in a generally weak fourth quarter

[€ m]	Q4 2014	Q4 2015	yoy in %
Sales	1,904	1,806	-5.1%
EBITDA pre except. margin	154 8.1%	151 8.4%	-1.9%
EPS	-0.74	0.16	>100%
EPS pre <sup>1</sup>	0.09	-0.16	<100%
Capex	240	205	-14.6%
Free Cash Flow <sup>2</sup>	169	145	-14.2%
[€ m]	31.12.2014	31.12.2015	Δ %
Net financial debt	1,336	1,211	-9.4%
Net working capital	1,600	1,526	-4.6%
ROCE	7.9%	8.4%	
Employees	16,584	16,225	-2.2%

- Lower sales with lower selling prices (driven by raw materials) mitigated by positive FX effect
- EBITDA decreases marginally, with slightly improved profitability
- Net financial debt clearly reduced, with contributions from positive free cash flow
- Number of employees down mainly due to realignment program

<sup>1</sup> Net of exceptionals, using the local tax rate applicable where the expenses were incurred


<sup>2</sup> Operating cash flow minus capex

# Q4 2015: A mixed picture reflecting typical seasonal pattern

## Performance Polymers

Price	Volume	Currency	Portfolio	Total
-14%	-2%	+6%	0%	<b>-10%</b>


- Lower selling prices based on decline in raw material prices and competitive pressure in synthetic rubber
- Lower volumes in synthetic rubber on weaker business in emerging markets; BU HPM with good volume contribution
- Significant savings and absence of one-time costs (~€25 m) outweigh idle costs from new assets

[€ m]	Q4'14	Q4'15
Sales	984	881
 EBITDA pre	60	105
Margin	6%	12%

## Advanced Intermediates

Price	Volume	Currency	Portfolio	Total
-11%	+7%	+3%	0%	<b>-1%</b>


- Lower selling prices reflect raw material pass-through
- Both BUs show higher volumes
- Strong USD has positive effect on top and bottom line
- EBITDA supported by good utilization

[€ m]	Q4'14	Q4'15
Sales	444	440
 EBITDA pre	83	91
Margin	19%	21%

## Performance Chemicals

Price	Volume	Currency	Portfolio	Total
-1%	-3%	+6%	0%	<b>+2%</b>

- Selling prices almost unchanged
- Lower volumes in most BUs, mainly due to weaker emerging markets
- Positive FX effects in all BUs and savings from realignment program support, while lower chrome ore prices weigh on EBITDA (BU LEA)

[€ m]	Q4'14	Q4'15
Sales	466	475
 EBITDA pre	45	43
Margin	10%	9%

Restatement of 2014 due to reorganization that shifted accelerators and antioxidants businesses from Performance Chemicals to Advanced Intermediates

# 2016: EBITDA pre seen at €880-930 m based on year-to-date performance – H2 expected to be softer

## Advanced Intermediates

- Due to strong end market diversification the business segment is expected to perform somewhat above prior year level
- Volumes in agro chemicals expected to be at previous year's level, despite softening agro end industry



## Performance Chemicals

- Broad and strong market positions enable the segment to at least balance macro economic challenges
- The two flagship businesses (BUs IPG and ADD) should benefit from new capacity and newly established business platform
- Niche businesses MPP and LPT with positive volume momentum



## BU HPM

- Engineering plastics should show positive development in 2016, driven by various applications (e.g., automotive, E&E)



## ARLANXEO

- Macroeconomic weakness in emerging markets expected
- New rubber capacities might lead to further margin pressure



**FY 2016 EBITDA pre now specified at €880-930 m**




**Q1 2016 expected at €240-260 m**

At USD/EUR of 1.10, reconciliation is expected to show ~€50 m less in hedging expenses in 2016 vs. 2015.

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# Q4 2015: A quarter affected by raw material-driven price reductions and pricing pressure in synthetic rubber

Q4 yoy sales variances		Price	Volume	Currency	Portf.	Total
	Perf. Polymers	-14%	-2%	6%	0%	-10%
	Adv. Intermediates	-11%	7%	3%	0%	-1%
	Perf. Chemicals	-1%	-3%	6%	0%	2%
<b>LANXESS</b>		<b>-10%</b>	<b>0%</b>	<b>5%</b>	<b>0%</b>	<b>-5%</b>

- Lower prices in Performance Polymers and Advanced Intermediates mainly due to lower raw material prices (oil derivatives)
- Strong volumes in Advanced Intermediates across businesses
- FX support for all segments

## Q4 yoy EBITDA pre bridge [€ m]






- Lower selling prices reflect raw material price decline and market price pressure in synthetic rubbers
- “Other” includes savings, positive FX effects and the absence of one-time items\*, partly offset by idle costs

\* Q4 2014 was dampened by one-time items that included ramp-up costs and inventory devaluation (totaling ~€25 m).



# FY 2015: A well-managed year – stable sales with increased earnings

FY yoy sales variances		Price	Volume	Currency	Portf.	Total
 Perf. Polymers	-15%	2%	9%	0%	-4%	
 Adv. Intermediates	-9%	3%	5%	0%	-1%	
 Perf. Chemicals	0%	-3%	8%	0%	5%	
<b>LANXESS</b>		<b>-10%</b>	<b>1%</b>	<b>8%</b>	<b>0%</b>	<b>-1%</b>

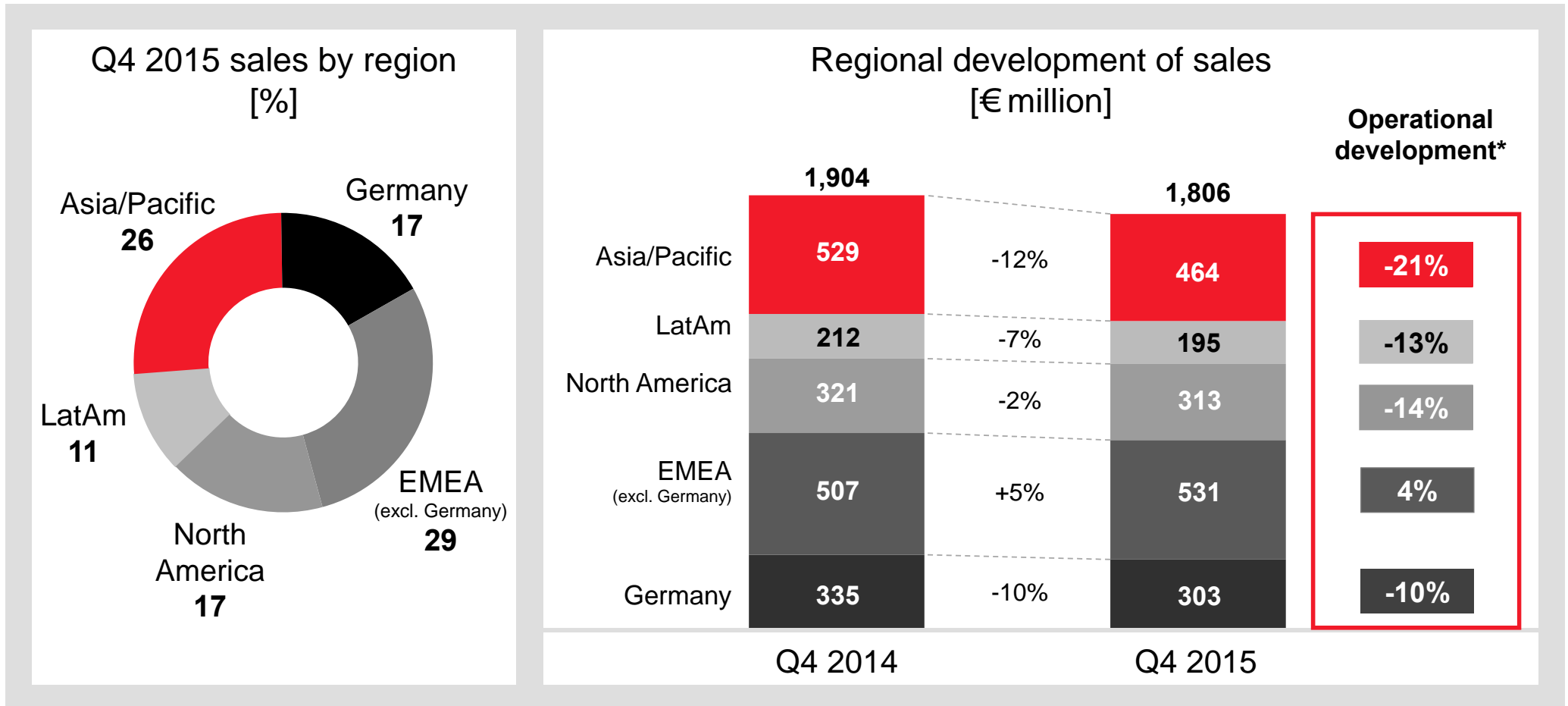
- Sales remain stable, with lower prices mainly offset by FX effects
- Lower prices due to significant decline in raw material costs (resulting from declining price of oil)

## FY yoy EBITDA pre bridge [€ m]



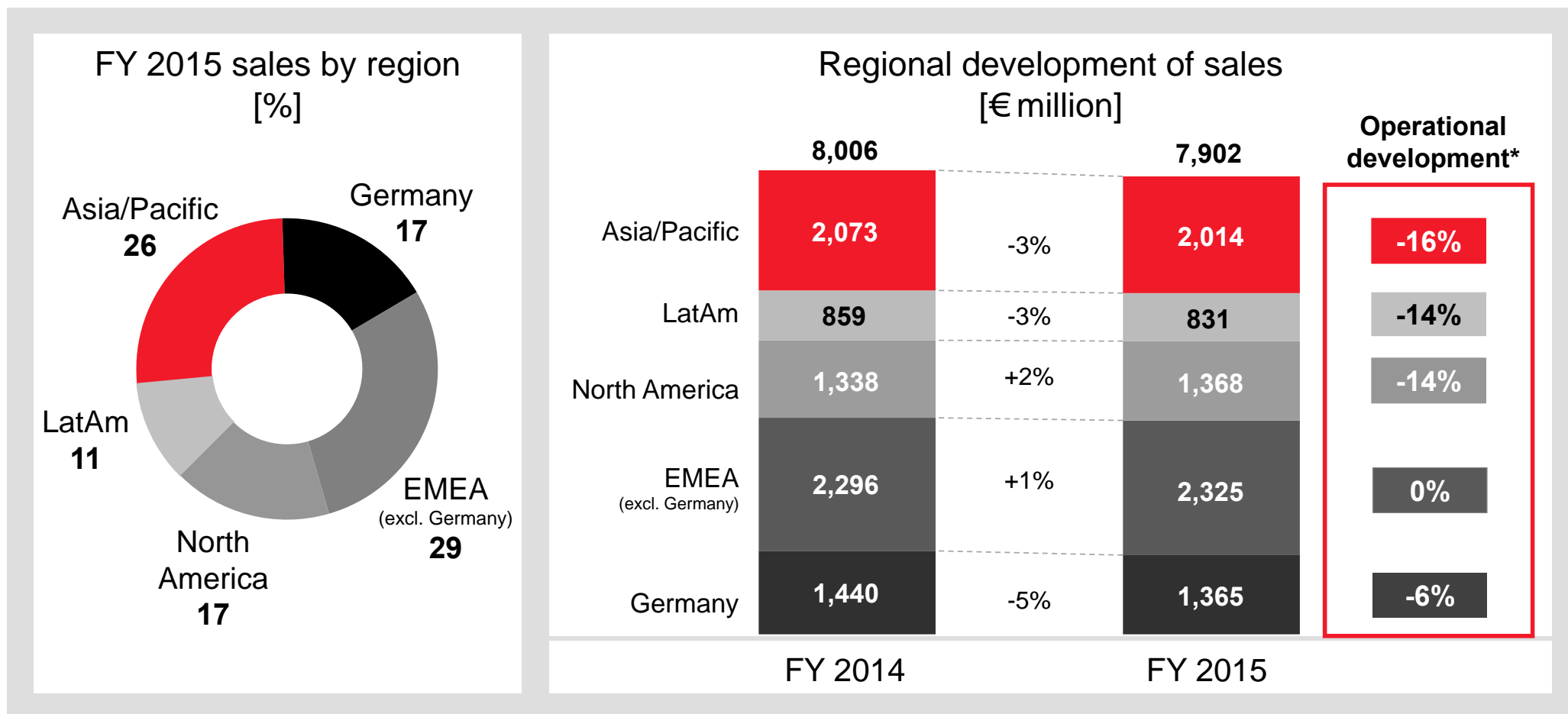
- Lower selling prices reflect lower input costs – a well-managed balance in a challenging environment
- “Other” includes cost savings and positive FX effect, however mitigated by idle costs

# Q4 2015: EMEA only region showing sales growth in Q4



\* Currency and portfolio adjusted

# FY 2015: Sales in all regions impacted by lower prices, driven by raw materials



\* Currency and portfolio adjusted

## Q4 2015: Earnings close to prior-year level

[€ m]	Q4 2014	Q4 2015	yoy in %	
Sales	1,904 (100%)	1,806 (100%)	-5%	<ul style="list-style-type: none"> <li>▪ Sales decline raw material driven, mitigated by positive FX effect</li> <li>▪ Cost of sales decrease disproportionately to top line due to FX effect, savings and the absence of one-time costs**</li> <li>▪ G&amp;A costs were dampened by provisions for variable compensation and extraordinary D&amp;A</li> <li>▪ Lower exceptional items improve EPS and net income</li> </ul>
Cost of sales	-1,574 (83%)	-1,441 (80%)	8%	
Selling	-182 (10%)	-186 (10%)	-2%	
G&A	-71 (4%)	-82 (5%)	-15%	
R&D	-36 (2%)	-32 (2%)	11%	
<b>EBIT</b>	<b>-62 (-3%)</b>	<b>71 (4%)</b>	<b>&gt;100%</b>	
<b>Net Income</b>	<b>-68 (-4%)</b>	<b>15 (1%)</b>	<b>&gt;100%</b>	
<b>EPS</b>	<b>-0.74</b>	<b>0.16</b>	<b>&gt;100%</b>	
EPS pre*	0.09	-0.16	<100%	
EBITDA	62 (3%)	141 (8%)	>100%	
thereof exceptionals	-92 (5%)	-10 (1%)	-89%	
<b>EBITDA pre exceptionals</b>	<b>154 (8.1%)</b>	<b>151 (8.4%)</b>	<b>-1.9%</b>	

**Fourth quarter profitability affected by typical seasonal pattern**

\* Net of exceptional items, using the local tax rate applicable where the expenses were incurred

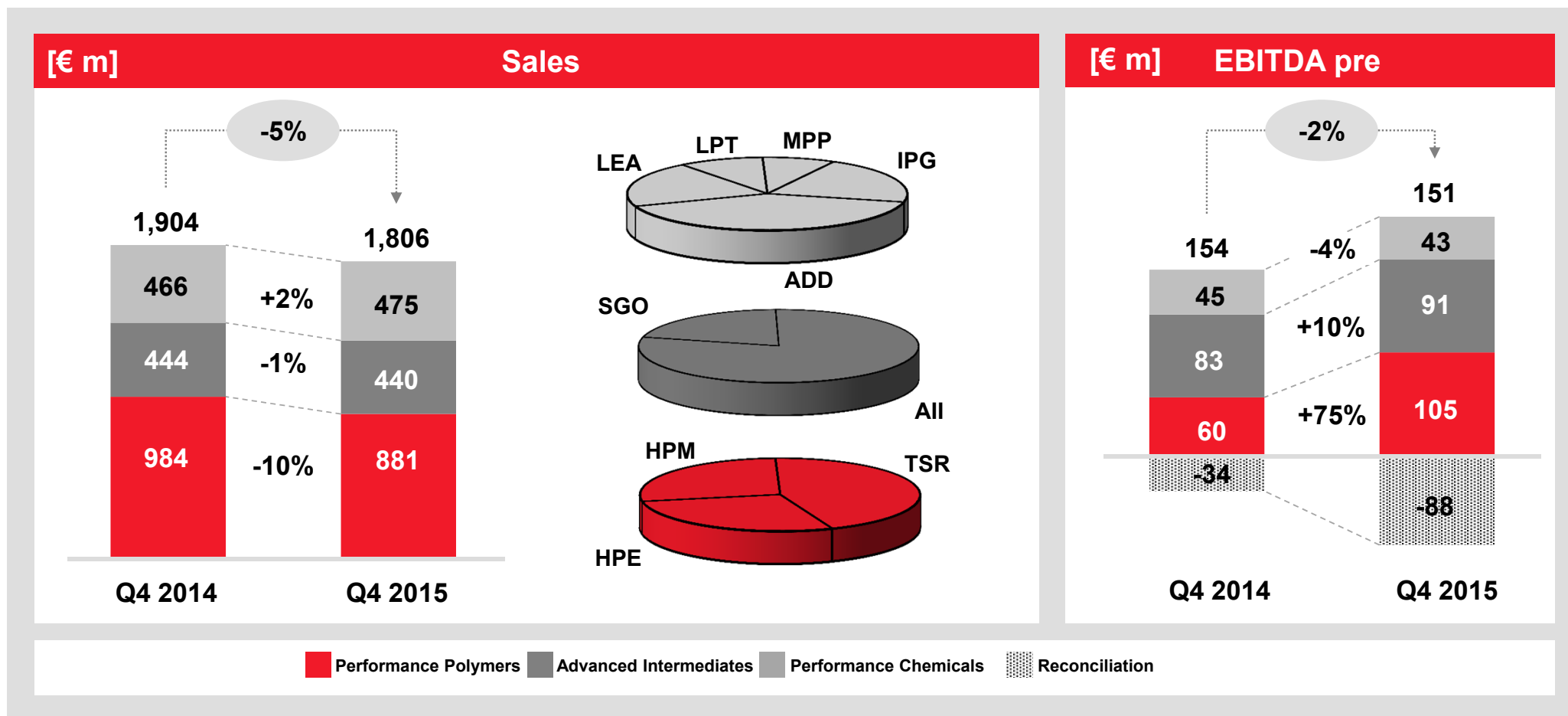
\*\* Q4 2014 was dampened by one-time items that included ramp-up costs and inventory devaluation (totaling ~€25 m)

## FY 2015: First year after start of realignment shows improvement

[€ m]	FY 2014	FY 2015	yoy in %	
Sales	8,006 (100%)	7,902 (100%)	-1%	<ul style="list-style-type: none"> <li>▪ Sales remain nearly stable as negative prices are offset by positive FX effects and volumes</li> <li>▪ Cost of sales decrease mainly due to lower raw material costs</li> <li>▪ Overhead costs base reduced, but selling costs were negatively impacted by FX effect and higher volumes, and G&amp;A by extraordinary D&amp;A</li> <li>▪ Higher profitability and reduced exceptional items support net income and EPS</li> <li>▪ EBITDA and margin improved</li> </ul>
Cost of sales	-6,418 (80%)	-6,154 (78%)	4%	
Selling	-742 (9%)	-759 (10%)	-2%	
G&A	-278 (3%)	-284 (4%)	-2%	
R&D	-160 (2%)	-130 (2%)	19%	
<b>EBIT</b>	<b>218 (3%)</b>	<b>415 (5%)</b>	<b>90%</b>	
<b>Net Income</b>	<b>47 (1%)</b>	<b>165 (2%)</b>	<b>&gt;100%</b>	
<b>EPS</b>	<b>0.53</b>	<b>1.80</b>	<b>&gt;100%</b>	
EPS pre <sup>1</sup>	1.98	1.80	-9%	
EBITDA	644 (8%)	833 (11%)	29%	
thereof exceptionals	-164 (2%)	-52 (1%)	-68%	
<b>EBITDA pre exceptionals</b>	<b>808 (10.1%)</b>	<b>885 (11.2%)</b>	<b>9.5%</b>	

<sup>1</sup> Net of exceptional items, using the local tax rate applicable where the expenses were incurred

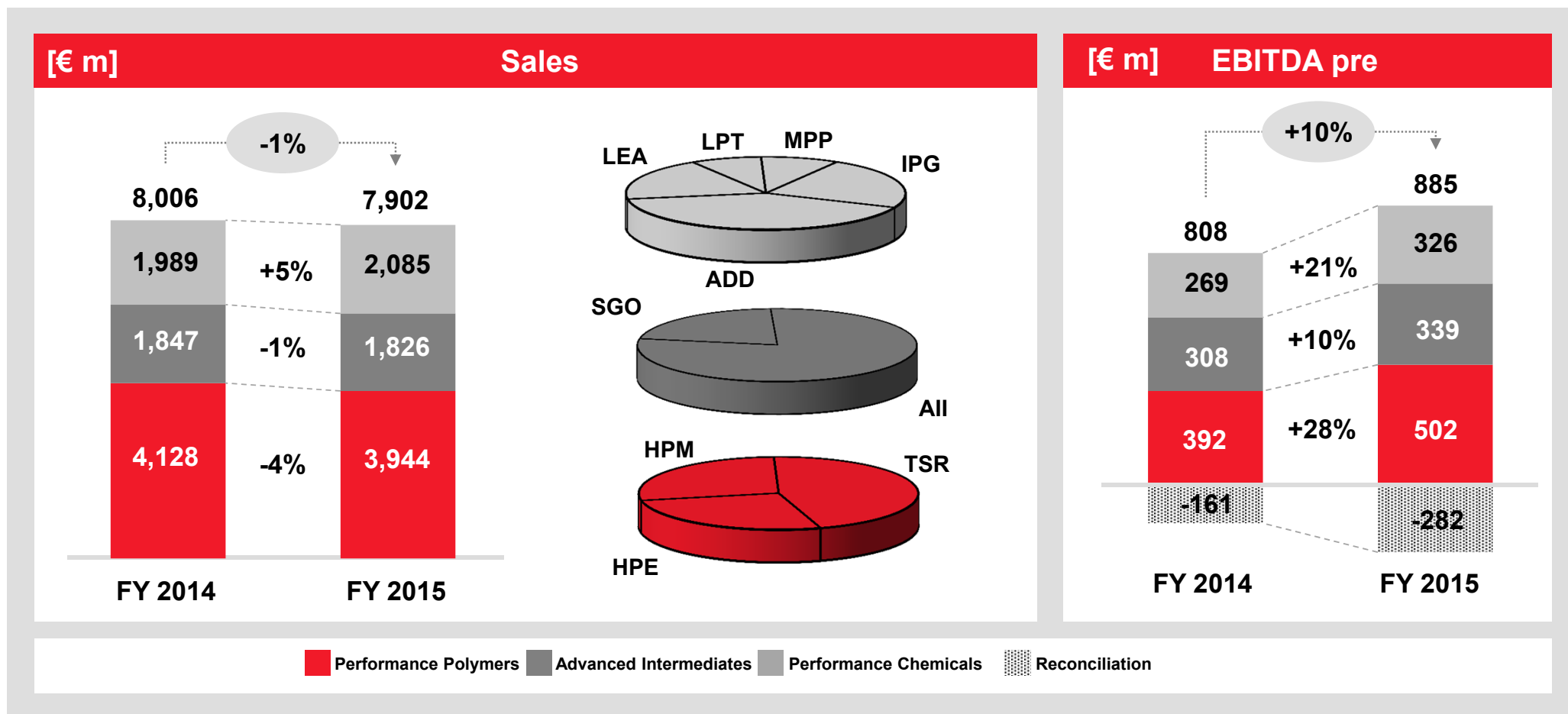
# Q4 2015: Good operational contribution, but higher corporate costs from hedging



Total group sales and EBITDA pre figures include reconciliation

Restatement of 2014 due to reorganization that shifted accelerators and antioxidants businesses from Performance Chemicals to Advanced Intermediates

# FY 2015: All segments contributed to EBITDA growth



Total group sales and EBITDA pre figures include reconciliation

Restatement of 2014 due to reorganization that shifted accelerators and antioxidants businesses from Performance Chemicals to Advanced Intermediates

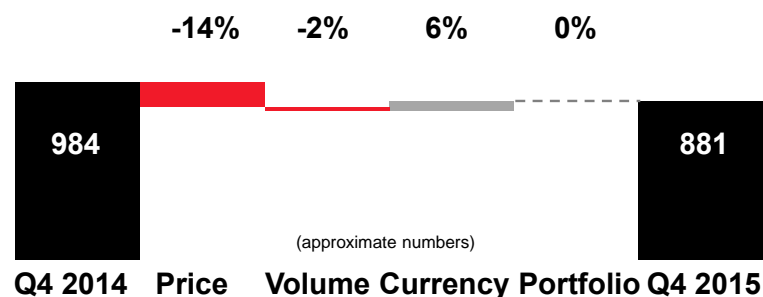
# Performance Polymers: Good results despite continuing challenges in synthetic rubber

[€ m]	Q4 2014	Q4 2015	Δ
Sales	984	881	-10.5%
EBIT	-36	74	>100%
Depr. / Amort.	72	30	-58.3%
<b>EBITDA pre exceptionals</b>	<b>60</b>	<b>105</b>	<b>75.0%</b>
Margin	6.1%	11.9%	
Capex	157	88	-43.9%

FY 2014	FY 2015	Δ
4,128	3,944	-4.5%
120	280*	>100%
231	227	-1.7%
<b>392</b>	<b>502</b>	<b>28.1%</b>
9.5%	12.7%	
428	184	-57.0%



## Q4 sales bridge yoy [€ m]



## Q4 yoy EBITDA pre effects

- + Significant savings and absence of one-time costs in Q4 '14 (~€25 m) outweigh idle costs from new assets in Asia
- + Good volume contribution in BU HPM
- Lower selling prices due to raw material price declines and competitive pressure in synthetic rubber
- Lower volumes in synthetic rubber due to weaker business in emerging markets
- EBIT/D&A included contrary exceptionals in '14 vs '15\*\*

\* Includes sale of assets (BU TSR) and spare infrastructure (BU HPM); ~€40 m in Q2 2015

\*\* Q4 2014 with depreciation of technology plant in Belgium (€19 m), Q4 2015 with write-back (€37 m)



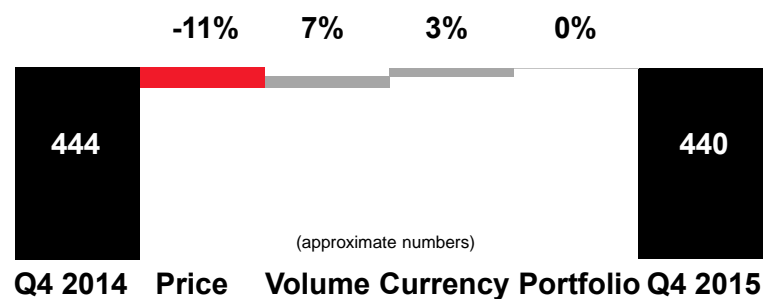
# Advanced Intermediates: A quarter marked by good volume concludes a very profitable year

[€ m]	Q4 2014	Q4 2015	Δ
Sales	444	440	-0.9%
EBIT*	52	85	63.5%
Depr. / Amort.	24	6	-75.0%
<b>EBITDA pre exceptionals</b>	<b>83</b>	<b>91</b>	<b>9.6%</b>
Margin	18.7%	20.7%	
Capex	34	37	8.8%

FY 2014	FY 2015	Δ
1,847	1,826	-1.1%
202	258	27.7%
93	80	-14.0%
<b>308</b>	<b>339</b>	<b>10.1%</b>
16.7%	18.6%	
90	87	-3.3%



## Q4 sales bridge yoy [€ m]



## Q4 yoy EBITDA pre effects

- Both BUs showed volume increases
- Strong USD had a positive effect on both BUs
- EBITDA was supported by good utilization in BU All and strong contribution from BU SGO (project-driven)
- Lower selling prices reflect pass-through of raw material prices
- EBIT/D&A in Q4 2015 include write-back of ~€19 m\*

Restatement of 2014 due to reorganization that shifted accelerators and antioxidants businesses from Performance Chemicals to Advanced Intermediates

\* due to successful implementation of accelerators and antioxidants business

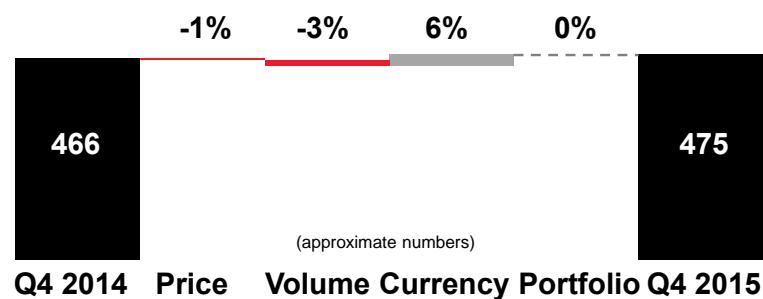
# Performance Chemicals: A strong year ends with a typical fourth quarter

[€ m]	Q4 2014	Q4 2015	Δ
Sales	466	475	1.9%
EBIT	6	15	>100%
Depr. / Amort.	21	23	9.5%
<b>EBITDA pre exceptionals</b>	<b>45</b>	<b>43</b>	<b>-4.4%</b>
Margin	9.7%	9.1%	
Capex	37	65	75.7%

	FY 2014	FY 2015	Δ
	1,989	2,085	4.8%
	156	225	44.2%
	82	88	7.3%
	<b>269</b>	<b>326</b>	<b>21.2%</b>
	13.5%	15.6%	
	71	139	95.8%



## Q4 sales bridge yoy [€ m]



## Q4 yoy EBITDA pre effects

- + Selling prices almost unchanged
- + Positive currency effects in all BUs
- Lower chrome ore prices weigh on earnings (BU LEA)
- Lower volumes in most BUs; mainly due to weaker emerging markets
- Capex increase driven by final payments for new plant in China (BU IPG)

Restatement of 2014 due to reorganization that shifted accelerators and antioxidants businesses from Performance Chemicals to Advanced Intermediates

## FY 2015 financial overview: Improvement in all key figures and good cash conversion

[€ m]	FY 2014	FY 2015	yoy in %
<b>Sales</b>	<b>8,006</b>	<b>7,902</b>	<b>-1.3%</b>
<b>EBITDA pre except.</b>	<b>808</b>	<b>885</b>	<b>9.5%</b>
margin	10.1%	11.2%	
<b>EPS</b>	<b>0.53</b>	<b>1.80</b>	<b>&gt;100%</b>
EPS pre <sup>1</sup>	1.98	1.80	-9.1%
<b>Capex</b>	<b>614</b>	<b>434</b>	<b>-29.3%</b>
<b>Free Cash Flow<sup>2</sup></b>	<b>183</b>	<b>258</b>	<b>41.0%</b>
[€ m]	31.12.2014	31.12.2015	Δ %
<b>Net financial debt</b>	<b>1,336</b>	<b>1,211</b>	<b>-9.4%</b>
<b>Net working capital</b>	<b>1,600</b>	<b>1,526</b>	<b>-4.6%</b>
<b>ROCE</b>	<b>7.9%</b>	<b>8.4%</b>	
<b>Employees</b>	<b>16,584</b>	<b>16,225</b>	<b>-2.2%</b>

- Sales nearly stable as lower selling prices (raw material pass-through) are largely offset by positive FX effect
- EBITDA increases due to cost savings, FX effect and slightly higher volumes
- Capex actively reduced; cycle of investment in synthetic rubber completed
- Net financial debt reduced on basis of free cash flow contribution

<sup>1</sup> Net of exceptionals, using the local tax rate applicable where the expenses were incurred

<sup>2</sup> Operating cash flow minus capex

## Q4 2015: Strong cash flow in a capex-intensive quarter

[€ m]	Q4 2014	Q4 2015	
<b>Profit before tax</b>	<b>-107</b>	<b>42</b>	
Depreciation & amortization	124	70	
Gain from sale of assets	-1	0	
Result from investments (using equity method)	4	0	
Financial (gains) losses	22	17	
Cash tax payments/refunds	-14	-28	
Changes in other assets and liabilities	-27	-5	
<b>Operating cash flow before changes in WC</b>	<b>1</b>	<b>96</b>	
Changes in working capital	408	254	
<b>Operating cash flow</b>	<b>409</b>	<b>350</b>	
<b>Investing cash flow</b>	<b>-91</b>	<b>-234</b>	
thereof capex	-240	-205	
<b>Financing cash flow</b>	<b>-175</b>	<b>-101</b>	

- D&A lower due to write-backs, more than compensating for the effect of an increased asset base (new plants in Asia)
- Changes in working capital had expected positive contribution (lower inventory volumes and impact of lower raw material costs)
- Investing cash flow in Q4 '15 was mainly driven by capex, while Q4 '14 included cash-in from sale of near cash assets

**Working capital reduction drove cash flow development in Q4**

# FY 2015: Improved free cash flow on higher earnings and lower capex

[€ m]	FY 2014	FY 2015	
<b>Profit before tax</b>	<b>80</b>	<b>288</b>	
Depreciation & amortization	426	418	
Gain from sale of assets	-1	-42	
Result from investments (using equity method)	-2	0	
Financial (gains) losses	75	66	
Cash tax payments/refunds	-31	-98	
Changes in other assets and liabilities	103	-33	
<b>Operating cash flow before changes in WC</b>	<b>650</b>	<b>599</b>	
Changes in working capital	147	93	
<b>Operating cash flow</b>	<b>797</b>	<b>692</b>	
<b>Investing cash flow</b>	<b>-587</b>	<b>-400</b>	
thereof capex	-614	-434	
<b>Financing cash flow</b>	<b>-222</b>	<b>-333</b>	

- Operational D&A higher, however increased asset base (new plants in Asia) offset by exceptional write-backs
- Changes in other assets and liabilities burden in '15 mainly due to effects from hedging of intercompany financing, variable compensation and restructuring
- Lower capex level and reduction of working capital contributed substantially to free cash flow

**Free cash flow increased from €183 m to €258 m\***

\* Operating cash flow minus capex

# Balance sheet further strengthened

[€ m]	Dec 2014	Dec 2015
Total assets	7,250	7,219
Equity	2,161	2,323
<b>Equity ratio</b>	<b>30%</b>	<b>32%</b>
<b>Net financial debt</b>	<b>1,336</b>	<b>1,211</b>
Near cash, cash & cash equivalents	518	466
Pension provisions	1,290	1,215
<b>ROCE<sup>1</sup></b>	<b>7.9%</b>	<b>8.4%</b>
Net working capital	1,600	1,526
Net working capital/sales <sup>1</sup>	20%	19%
DIO (in days) <sup>2</sup>	79	84
DSO (in days) <sup>3</sup>	48	48

- Total assets decrease slightly – primarily due to lower working capital
- Equity ratio up to 32%
- Net financial debt successfully reduced to ~€1.2 bn
- Pension provisions below year-end level 2014; driven by interest rate changes (mainly in Germany)
- Working capital to sales ratio at a good level

<sup>1</sup> Based on last twelve months for EBIT pre or sales

<sup>2</sup> Days of inventory outstanding calculated from quarterly COGS

<sup>3</sup> Days of sales outstanding calculated from quarterly sales

## Balance sheet strengthened

[€ m]	Dec'14	Jun'15	Dec'15		Dec'14	Jun'15	Dec '15
<b>Non-current assets</b>	<b>4,101</b>	<b>4,109</b>	<b>4,180</b>	<b>Stockholders' equity</b>	<b>2,161</b>	<b>2,288</b>	<b>2,323</b>
Intangible assets	320	313	300	<b>Non-current liabilities</b>	<b>3,447</b>	<b>3,503</b>	<b>2,936</b>
Property, plant & equipment	3,333	3,359	3,447	Pension & post empl. provis.	1,290	1,292	1,215
Equity investments	0	0	0	Other provisions	275	297	271
Other investments	13	13	12	Other financial liabilities	1,698	1,719	1,258
Other financial assets	11	6	21	Tax liabilities	25	26	19
Deferred taxes	380	381	361	Other liabilities	138	131	127
Other non-current assets	44	33	39	Deferred taxes	21	38	46
<b>Current assets</b>	<b>3,149</b>	<b>3,313</b>	<b>3,039</b>	<b>Current liabilities</b>	<b>1,642</b>	<b>1,631</b>	<b>1,960</b>
Inventories	1,384	1,411	1,349	Other provisions	350	382	411
Trade accounts receivable	1,015	1,183	956	Other financial liabilities	182	111	443
Other financial & current assets	232	287	268	Trade accounts payable	799	829	779
Near cash assets	100	228	100	Tax liabilities	44	53	85
Cash and cash equivalents	418	204	366	Other liabilities	267	256	242
<b>Total assets</b>	<b>7,250</b>	<b>7,422</b>	<b>7,219</b>	<b>Total equity &amp; liabilities</b>	<b>7,250</b>	<b>7,422</b>	<b>7,219</b>

- Lower working capital due to lower receivables and lower inventories
- Stockholders' equity increased with good net income contribution in 2015



**Backup**



# Housekeeping items

## Additional financial expectations

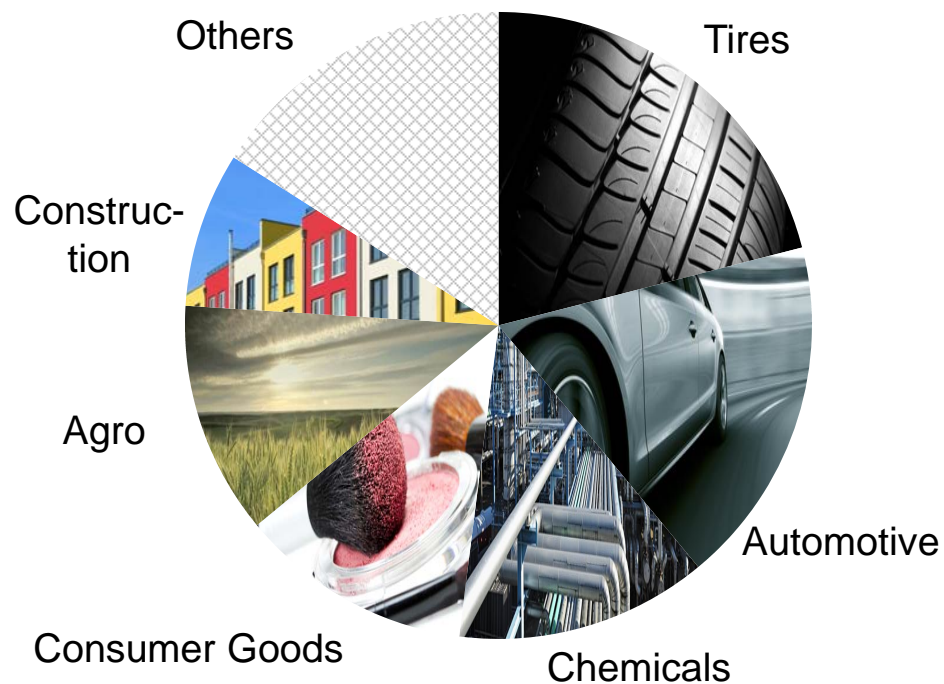
- Capex 2016: ~€450 m
- Operational D&A 2016: ~€450-460 m
- Reconciliation 2016: underlying expenses of ~€150 m EBITDA; additionally hedging expenses of ~€90 m in 2016\*
- Annual tax rate:
  - 2016: around 2015 level
  - mid-term: 30-35% (for New LANXESS)



\* Based on an exchange rate of 1.10 USD/EUR

# New LANXESS well diversified

LANXESS group - sales by industry 2015



New LANXESS sales by industry 2015

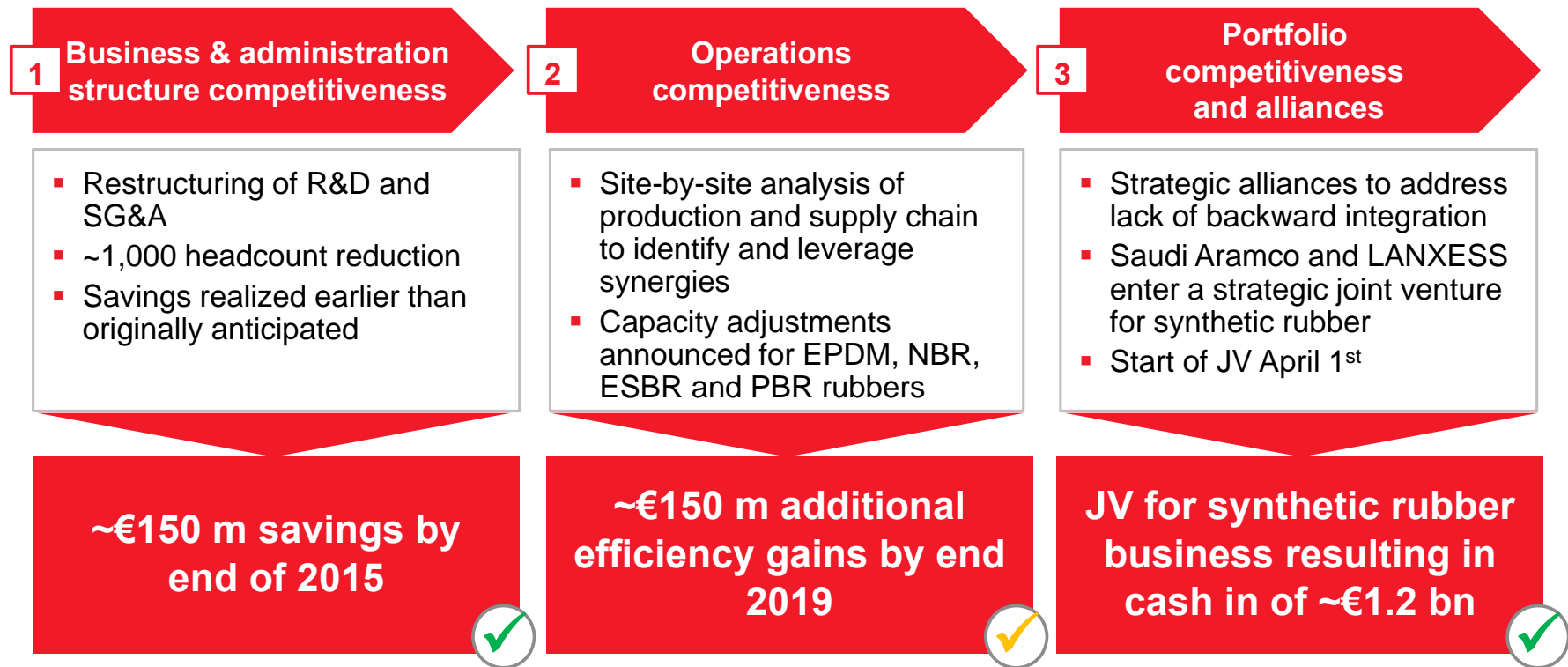


ARLANXEO sales by industry 2015

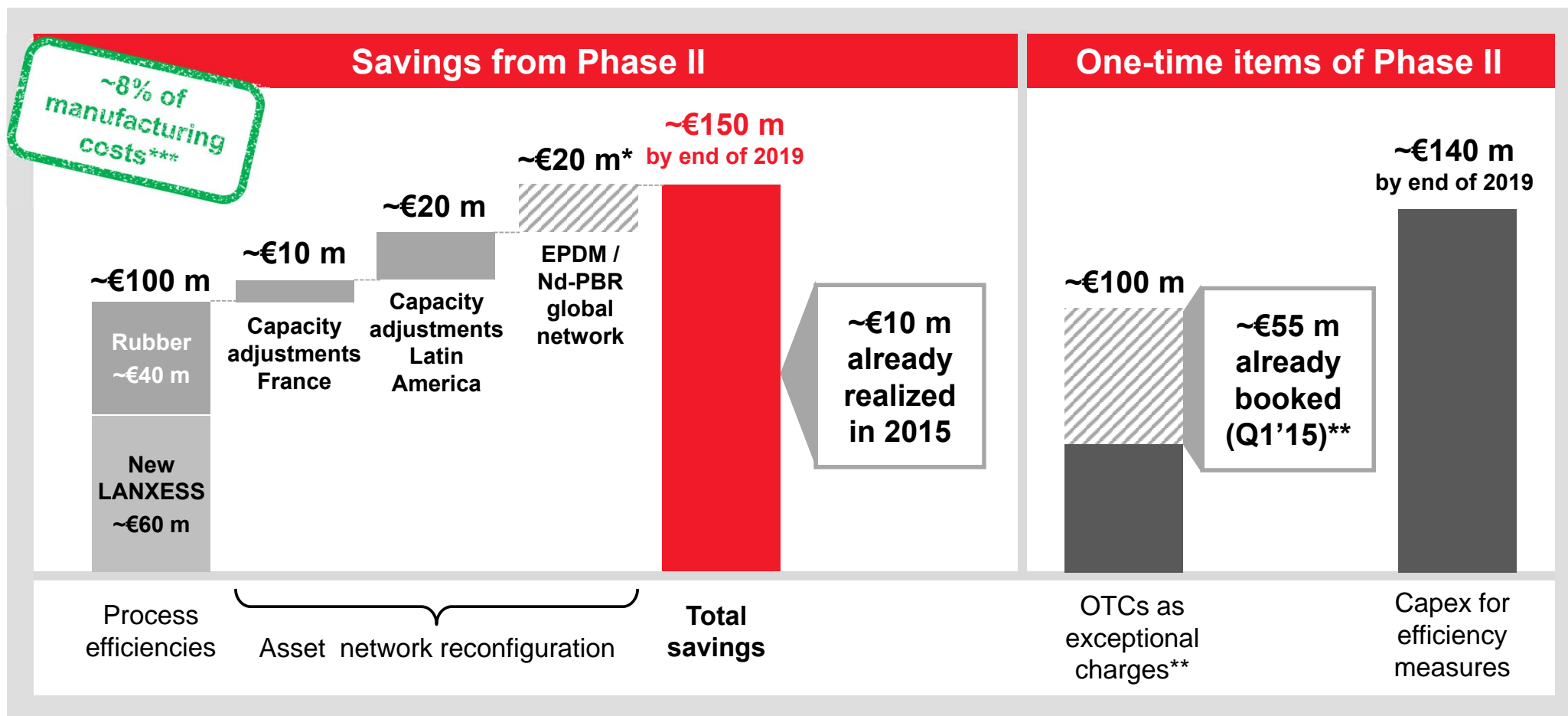


\* Amongst other consumer, chemicals, construction

# 2015: LANXESS now on solid foundation: Transformation ahead of plan, management teams in place



# ~€150 m savings from Phase II – through process efficiencies and asset network reconfiguration



\* €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

# Phase I savings realized faster than anticipated

## Faster execution of realignment program Phase I

<u>updated</u>	2014	2015	2016	Total
Headcount reduction	~ <u>425</u>	~ <u>475</u>	~100	~1,000
[€ m] Cash out	~20	~110	~20	~150
[€ m] P&L expense (OTC)	~ <u>110</u>	~ <u>40</u>	~ <u>0</u>	~150
[€ m] Cost reduction	~20	~100	~30	~150

Already realized by end of 2015

## Financial details on Phase II

Detailed table to summarize financial impact of restructuring Phase II

	2015	2016	2017	2018	2019	Total
[€ m] P&L expense (OTC)	~60	~30	~10			~100
[€ m] Cash-out (OTC)	~5	~50	~20	~15		~90
[€ m] Capital Invest	by 2019					~140
[€ m] Cost reduction	~10	~20	~40	~40	~40	~150

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

# Saudi Aramco and LANXESS form a highly competitive 50:50 joint venture

## Combination of two powerful partners

aramco



- World's largest integrated energy enterprise
- Backward integration into feedstock for synthetic rubber
- Strategic commitment to further develop value chain downstream

**#1 in feedstock**



**LANXESS**

- Leading market and technology positions in synthetic rubber
- Well invested asset base
- Broadest product portfolio with leading brands and quality

**#1 in synthetic rubber**

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

## Near-term strategic initiatives

Horizontal consolidation

R&D and technology-related investments

Investments in Saudi Arabia

After closing: 1 to 5 years

## Mid-term initiatives



### Integration of value chains:

- **Building C4 extraction units**
- **Terminals for physical butadiene**
- **Tolling agreements**
  - Supply of naphtha to existing suppliers
- **Swap agreements**
  - Logistics and supply chains already in place
  - No transportation costs due to direct procurement

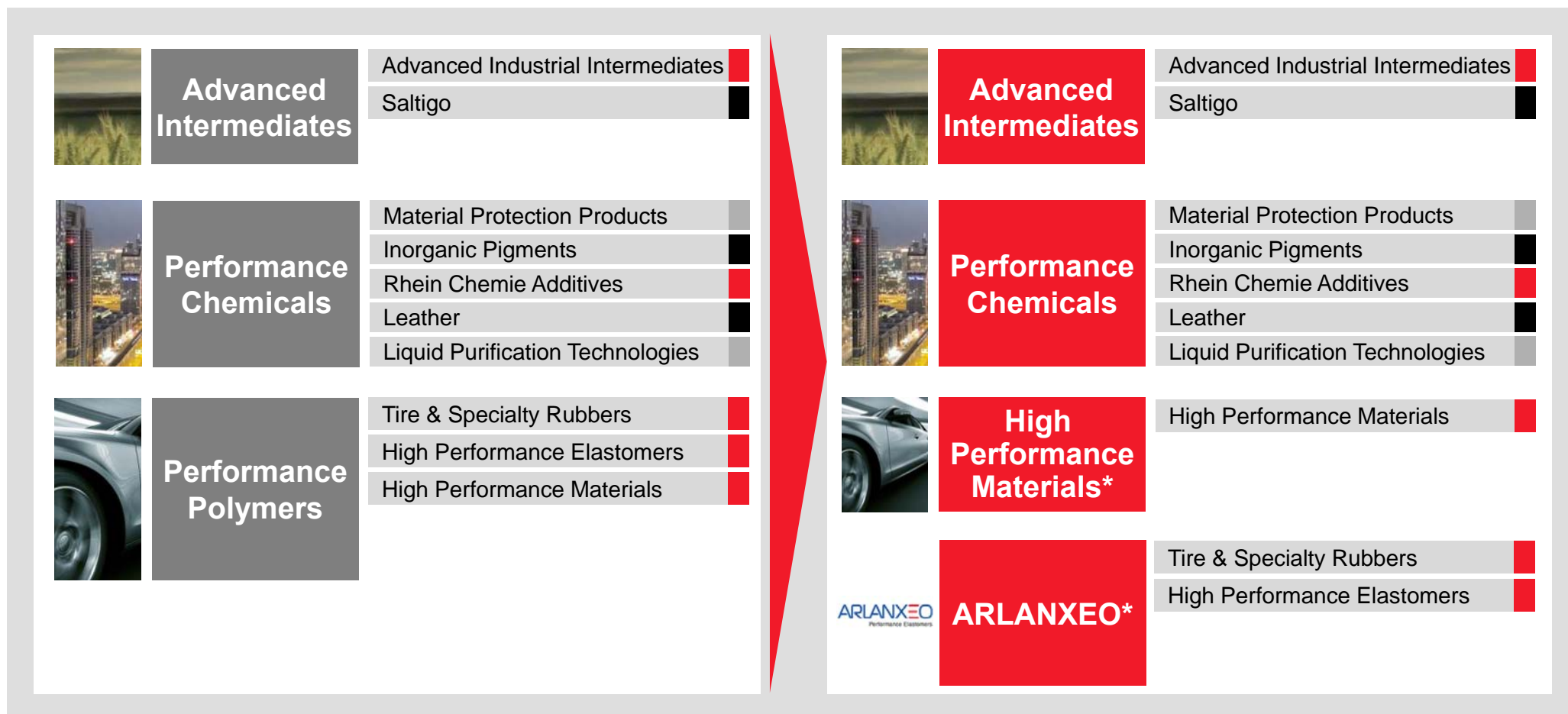
Time horizon 5 to 10 years



# New strategic focus: Building a more balanced and resilient company

<p><b>Advanced Intermediates</b></p>  <ul style="list-style-type: none"><li>▪ Leading market positions and process technologies</li><li>▪ Efficient and strong production platform</li><li>▪ Highly diversified end markets</li></ul>	<p><b>Performance Chemicals</b></p>  <ul style="list-style-type: none"><li>▪ Strong positioning in a broad range of niche markets</li><li>▪ Low importance of raw materials</li><li>▪ Acting as solution provider</li></ul>	<p><b>High Performance Materials</b></p>  <ul style="list-style-type: none"><li>▪ A leading producer of engineering plastics</li><li>▪ Balanced value chain with limited exposure to volatile markets</li></ul>	<p><b>ARLANXEO</b> Performance Elastomers</p>  <ul style="list-style-type: none"><li>▪ Leading market positions with strong and diversified portfolio</li><li>▪ Broadest synthetic rubber platform with competitive advantage for future development</li></ul>
<p><b>Delivering chemical intermediates</b></p>	<p><b>Adding functionality, color or processability to products</b></p>	<p><b>High-tech plastics for a wide range of end markets</b></p>	<p><b>Highly competitive JV and global #1 for synthetic rubber</b></p>




# A lean business organization



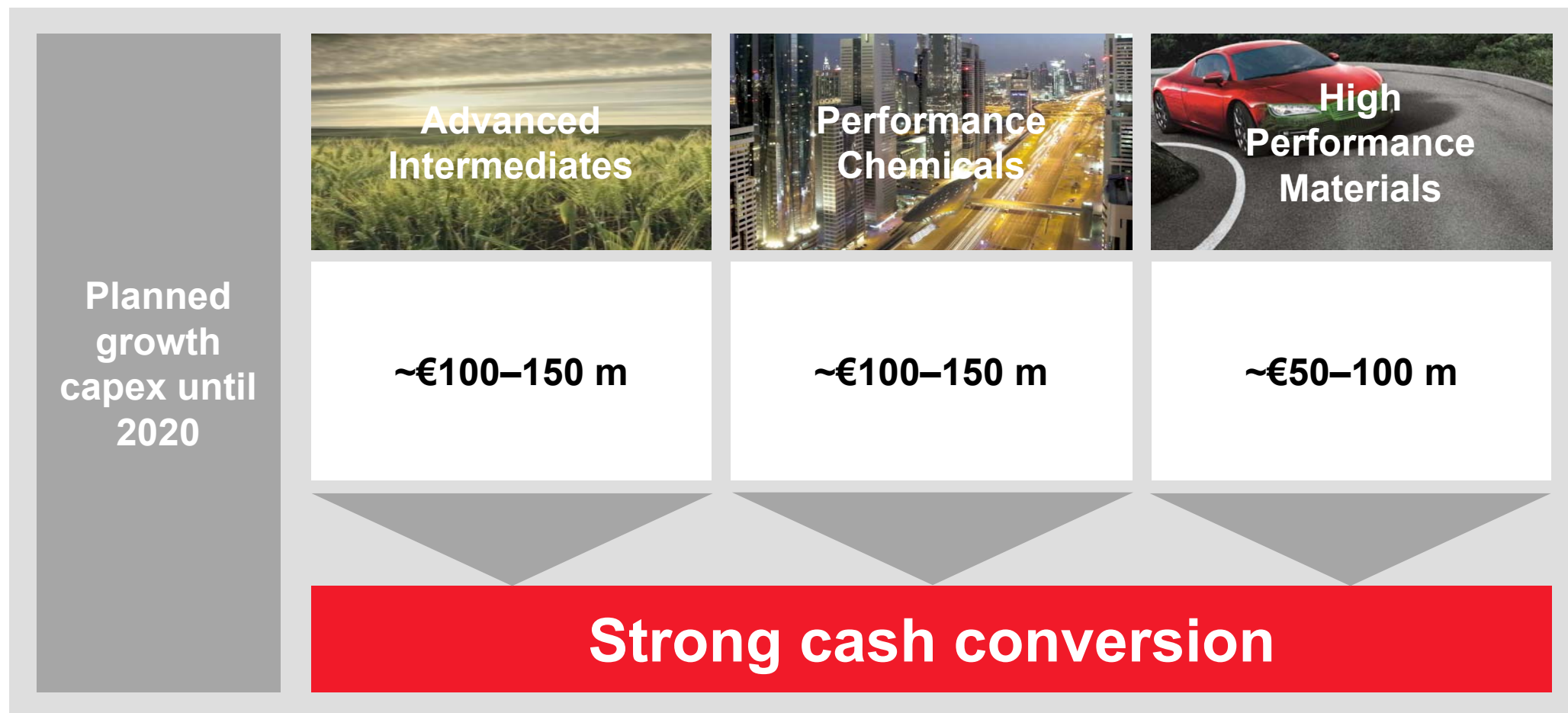
\* Future reporting structure as of Q2 2016 – ARLANXEO to be fully consolidated for the first three years

■ Sales: > €500 m   
 ■ Sales: €200 m – 500 m   
 ■ Sales: < €200 m

# New LANXESS: resilient, cash generating and well positioned in growing markets

Strong businesses	 Advanced Intermediates	 Performance Chemicals	 High Performance Materials
Resilience (EBITDA margin)	<ul style="list-style-type: none"> <li>Proven level of 15-18%</li> <li>Margin volatility of ~2-3% pts</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable at 13-16%</li> <li>Margin volatility of ~2-3% pts</li> </ul>	<ul style="list-style-type: none"> <li>Target margin &gt;10%, resilience moving forward with transformation of business</li> </ul>
Cash generation	<ul style="list-style-type: none"> <li>Attractive cash generation through technology leadership and efficient business set-up</li> </ul>	<ul style="list-style-type: none"> <li>Considerable cash generation based on good mix of solution focused businesses</li> </ul>	<ul style="list-style-type: none"> <li>Cash generation will improve with a more balanced value chain and shift to higher-margin businesses</li> </ul>
Growth	<ul style="list-style-type: none"> <li>Growth slightly above GDP</li> </ul>	<ul style="list-style-type: none"> <li>Growth with GDP</li> </ul>	<ul style="list-style-type: none"> <li>Growth above GDP</li> </ul>
<p style="text-align: center;"><b>Valuable businesses with resilience, cash generation and growth opportunities</b></p>			

# Capex spent with strong cash conversion potential



# Saltigo – First investment in LANXESS' transformation process

## Saltigo



### Custom manufacturing, in particular agro, nicely growing

- General agro market growth expected at ~3% p.a. for next 10 years
- Saltigo growing above market



- Existing production assets well utilized
- Projects currently in evaluation phase would fill additional capacity fast

**Further capacities required to support growth of world-scale customers**

### Investing in highly competitive multi-purpose production facilities

- Brownfield investment in two new production lines within existing asset park in Leverkusen (GER)
- Capex: ~€60 m
- Start-up planned by end of 2017

**Investment with attractive return and EBITDA contribution**

# Corporate Responsibility well integrated - achieving goals sustainably

## Climate / Environmental goals

- Reduction of specific CO2 emission by 25%\* until 2025
- Reduction of specific energy consumptions by 25%\* until 2025
- Reduction of volatile organic compounds (NMVOC) emissions by 25%\* until 2025

## Procurement initiatives

- 'Supplier Code of Conduct' for supplier selection and rating
- 'Together for Sustainability' initiative for higher transparency in the supply chain (implementation of a global auditing program)

## Safety goals

- Xact: Global safety program to improve occupational, process and plant safety (since 2011)
- Global management system for optimization of transportation of (dangerous) goods

## Social initiatives and goals

- Global board initiative 'Diversity & Inclusion': raising the proportion of women in management to 20% by 2020
- Leverage water know-how: support of AMREF
- Education initiatives with local and global commitment



\* Base year: 2015; for CO2: Scope 1 and Scope 2 emissions

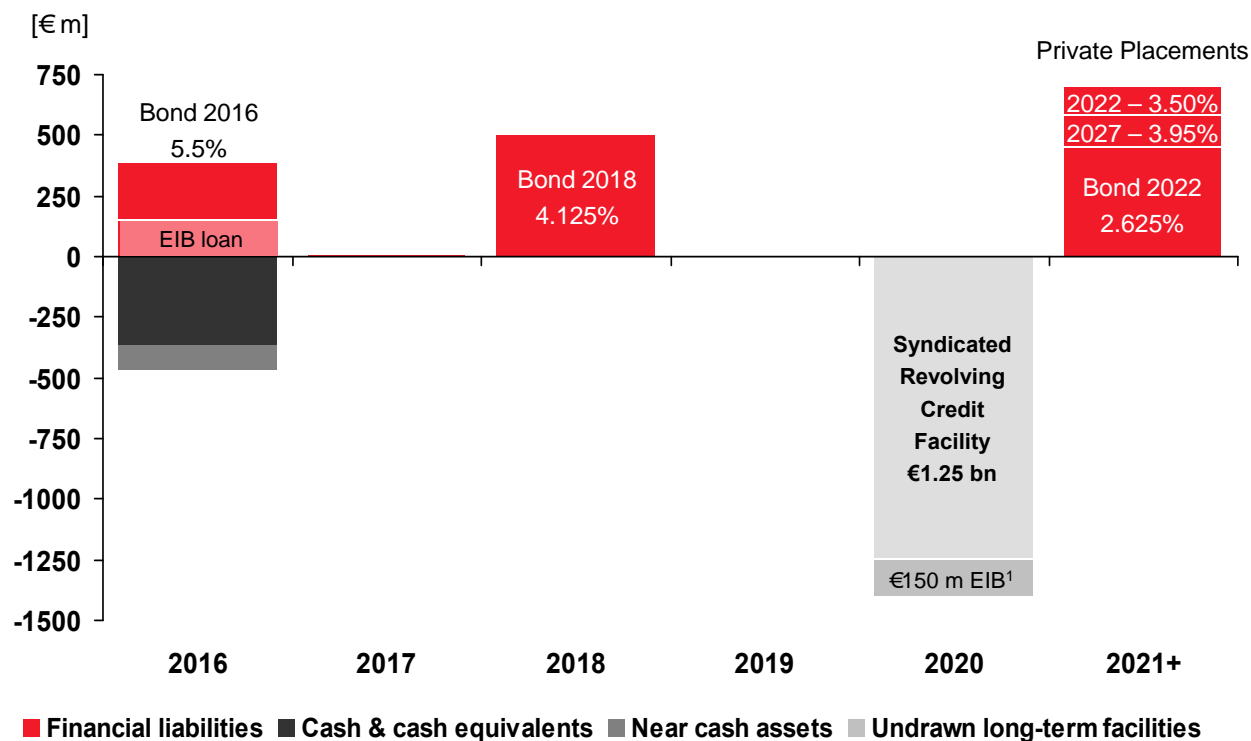


# A well-managed and conservative maturity profile

## Long term financing secured

- Diversified financing sources
  - Bonds & private placements
  - Syndicated credit facility
  - Bank facilities
- Outstanding tranche of EIB loan now repaid (January 2016)
- All group financing executed without financial covenants
- No refinancing needed in 2016 due to cash position and JV proceeds

## Liquidity and maturity profile as of December 2015

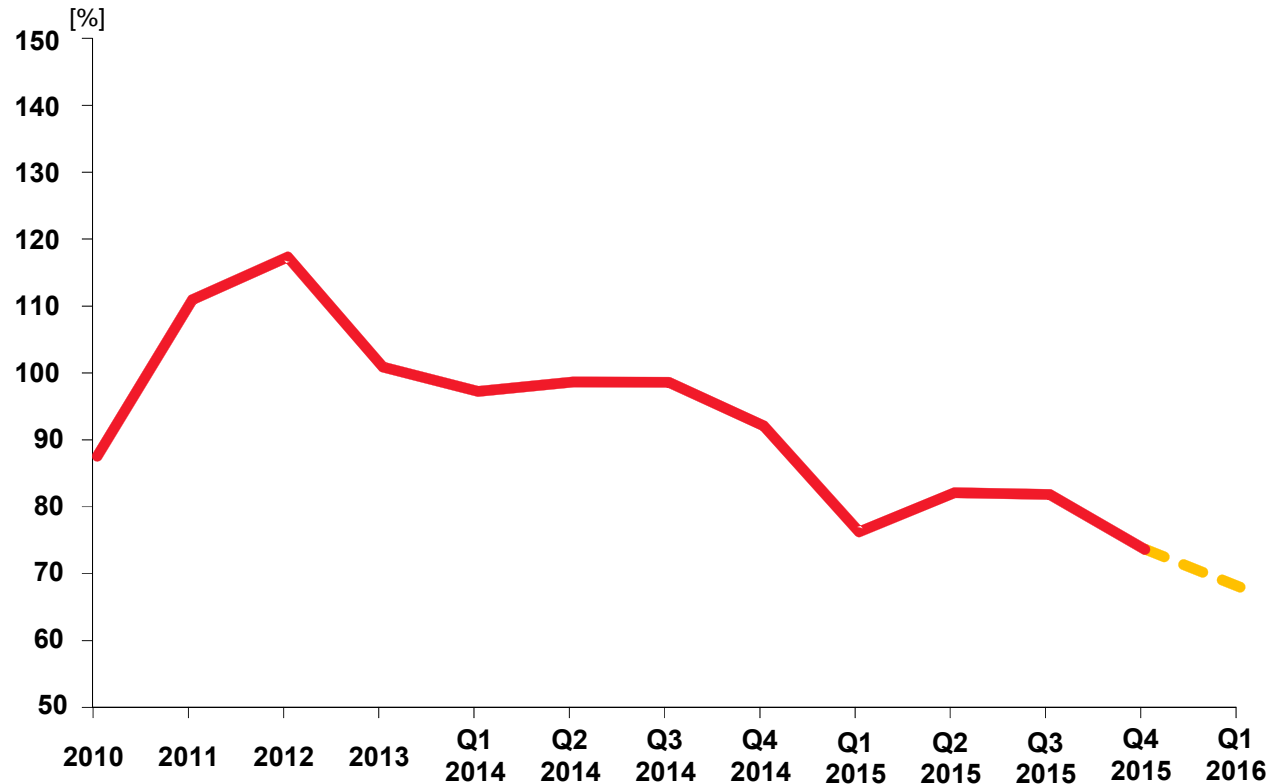


EIB = European Investment Bank

<sup>1</sup> Final maturity of EIB facility in case of utilization earliest in 2020; EIB facility currently undrawn

# High volatility in raw material prices

Global raw materials index\*



- Sharp decline in raw material prices in Q4 2014/ Q1 2015 driven by a steep decline in the price of oil
- Raw material price remained volatile, trending downwards towards year end
- Q1 2016 expected with further decrease in raw material prices

\* Source: LANXESS, average 2013 = 100%



# Overview exceptional items Q4 and YTD

[€ m]	Q4 2014		Q4 2015		FY 2014		FY 2015	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Performance Polymers	43	19	-36	-37	61	20	-31	-26
Advanced Intermediates	7	0	-19	-19	13	0	-18	-19
Performance Chemicals	18	0	5	0	31	0	13	0
Reconciliation	43	0	4	0	79	0	43	0
<b>Total</b>	<b>111</b>	<b>19</b>	<b>-46</b>	<b>-56</b>	<b>184</b>	<b>20</b>	<b>7</b>	<b>-45</b>

Exceptional items in 2015 include write-backs of €56 m

# Abbreviations

## Performance Polymers

- TSR Tire & Specialty Rubbers
- HPE High Performance Elastomers
- HPM High Performance Materials

## Performance Chemicals

- ADD Rhein Chemie Additives
- IPG Inorganic Pigments
- LEA Leather
- MPP Material Protection Products
- LPT Liquid Purification Technologies

## Advanced Intermediates

- All Advanced Industrial Intermediates
- SGO Saltigo

# Upcoming events 2016

## Proactive capital market communication

▪ Goldman Sachs Chemicals Vision Conference	March 18	London
▪ MainFirst Corporate Conference	April 7	Copenhagen
▪ Exane BNP 11 <sup>th</sup> Basic Materials Conference	April 7	London
▪ <b>Q1 results 2016</b>	<b>May 11</b>	
▪ <b>Annual General Meeting</b>	<b>May 20</b>	<b>Cologne</b>
▪ Deutsche Bank 7 <sup>th</sup> Annual dbAccess Asia Conference	May 24/25	Singapore
▪ dbAccess German, Swiss & Austrian Conference	June 8/9	Berlin
▪ Exane BNPP 18 <sup>th</sup> Europe CEO Conference	June 15	Paris
▪ <b>Q2 results 2016</b>	<b>August 10</b>	
▪ <b>Capital Markets Event “Meeting the Management”</b>	<b>September 8</b>	<b>Cologne</b>
▪ <b>Q3 results 2016</b>	<b>November 10</b>	
▪ Morgan Stanley Global Chemical Conference	November 14	Boston
▪ Deutsche Börse Eigenkapital Forum	November 21	Frankfurt

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