



Analyst Roundtable 2013

Differentiation and efficiency

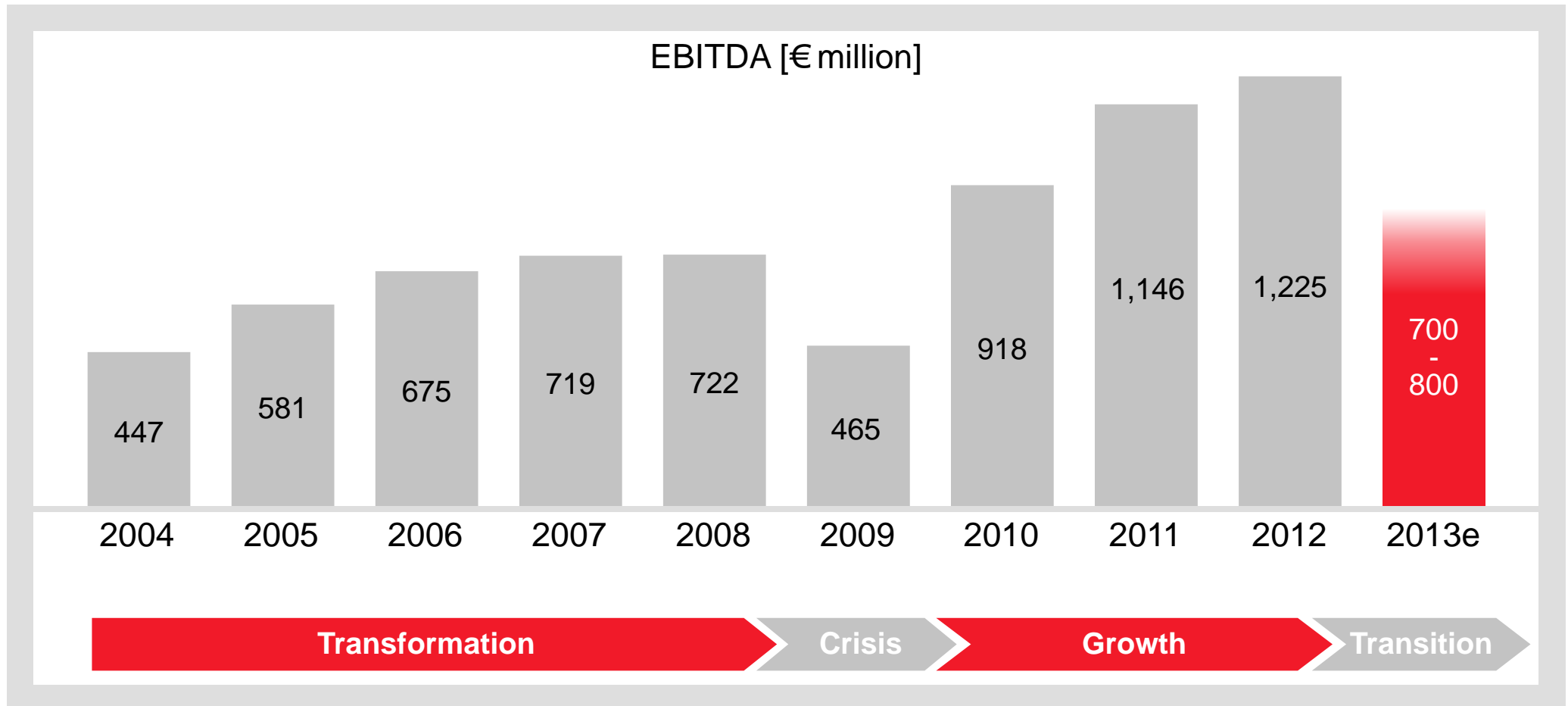
Axel C. Heitmann, CEO
Cologne, September 2013

LANXESS
Energizing Chemistry

Agenda

- **Strategy review**
- Current challenges
- The way forward
- Goal

LANXESS – successful transformation and profitable growth



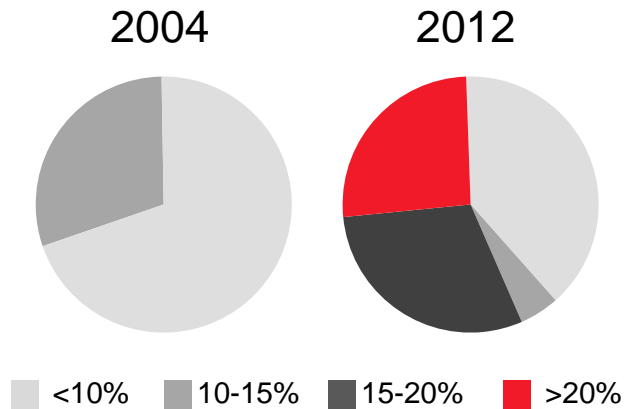
All references to EBITDA are pre exceptionals

LANXESS

Continuing business portfolio transformation

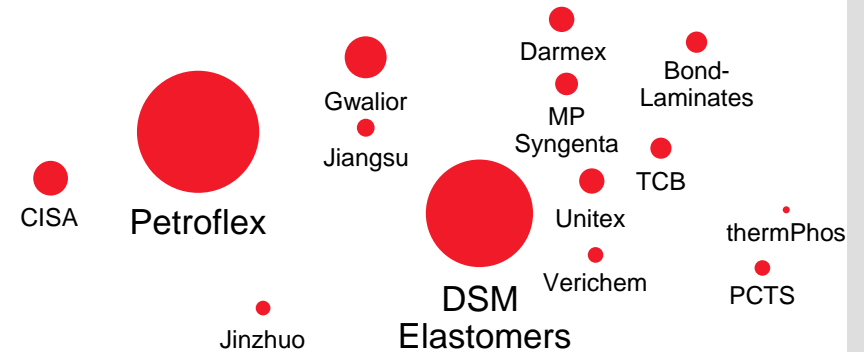
Product mix significantly improved

Sales split according to EBITDA margin



Focus on premium products with leading market positions

Acquisitions

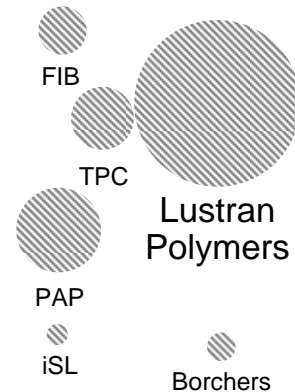


2005

2009

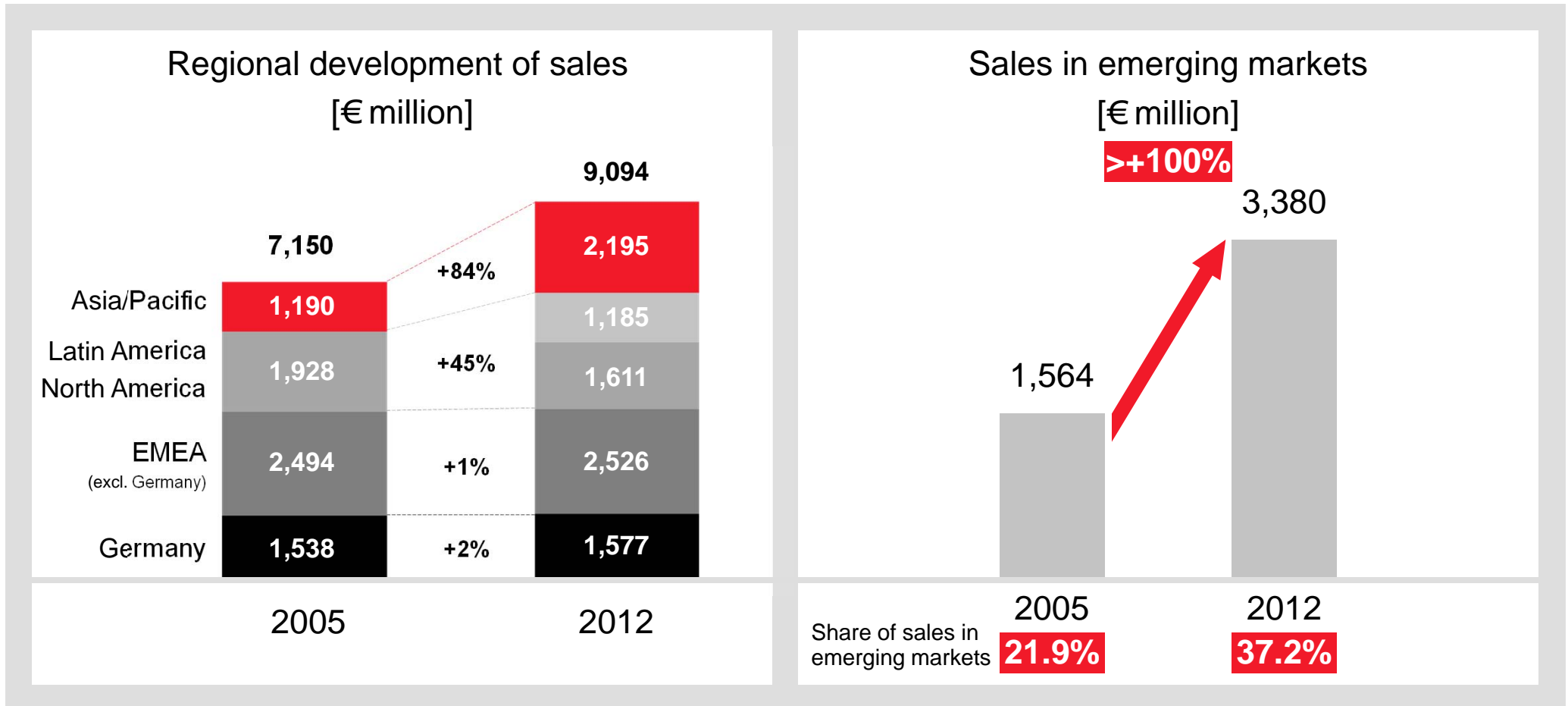
2013

Divestitures



All references to EBITDA are pre exceptionals

Increasing presence in emerging markets

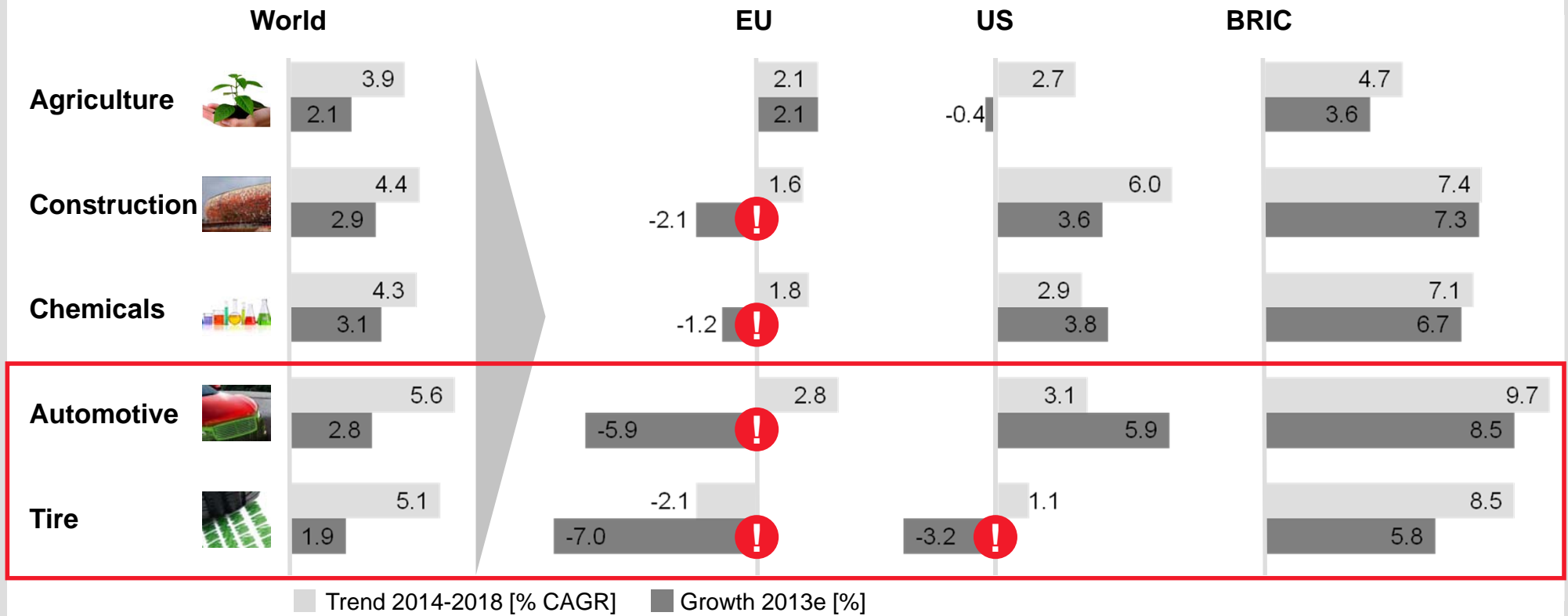


Agenda

- Strategy review
- **Current challenges**
- The way forward
- Goal

In 2013 key industries below growth trend

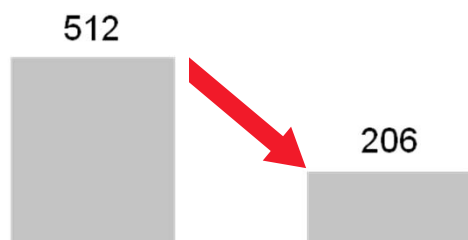
Development of production volumes



Source: IHS World Industry Service

Intermediates and Chemicals diversify group portfolio

Performance Polymers



H1 2012 [€m] H1 2013

EBITDA

18.2% margin 8.9%

Advanced Intermediates

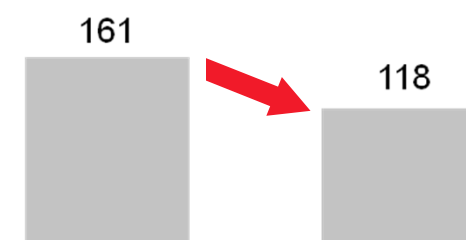


H1 2012 [€m] H1 2013

EBITDA

18.0% margin 17.6%

Performance Chemicals



H1 2012 [€m] H1 2013

EBITDA

14.1% margin 10.9%

All references to EBITDA are pre exceptionals

Intermediates with good margins in a steadily growing market

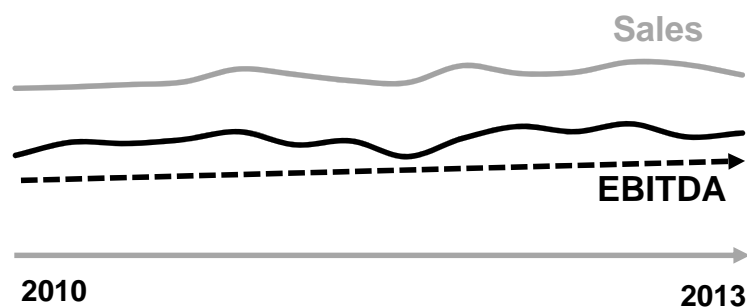
Performance Polymers

Advanced Intermediates

Performance Chemicals

Resilient quarterly earnings development

[€m]



- Clear market leadership: Either #1 or #2
- Strong cost position: World scale assets and high economies of scale
- Technology leadership: “Best in class” track record in custom manufacturing
- >100 products for a wide range of applications and industries with limited competitor overlap



Strong and stable business

All references to EBITDA are pre exceptionals

Chemical businesses with stable margins in various niches

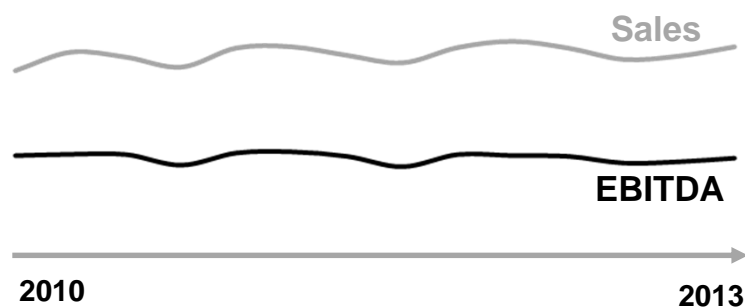
Performance Polymers

Advanced Intermediates

Performance Chemicals

Stable quarterly earnings development

[€m]



- Market leadership: #1 to #4 in niche markets
- Large diversity of end-markets leads to seasonal but stable business
- Providers of services and solutions; potential for differentiation
- Reach for leading market positions through product quality and innovative technologies

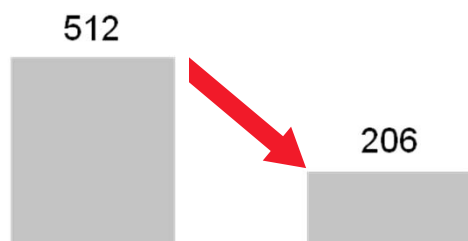


Stability driven by diversity – focus on niche markets and specialties

All references to EBITDA are pre exceptionals

Polymers affected by temporary decline in demand

Performance Polymers



H1 2012 [€m] H1 2013

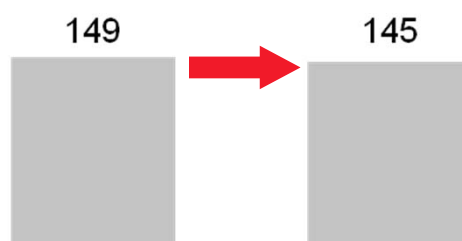
EBITDA

18.2%

margin

8.9%

Advanced Intermediates



H1 2012 [€m] H1 2013

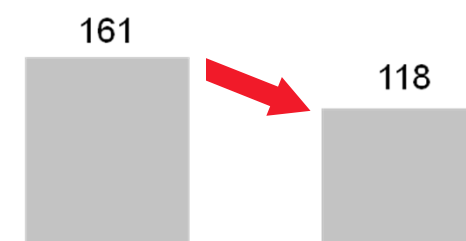
EBITDA

18.0%

margin

17.6%

Performance Chemicals



H1 2012 [€m] H1 2013

EBITDA

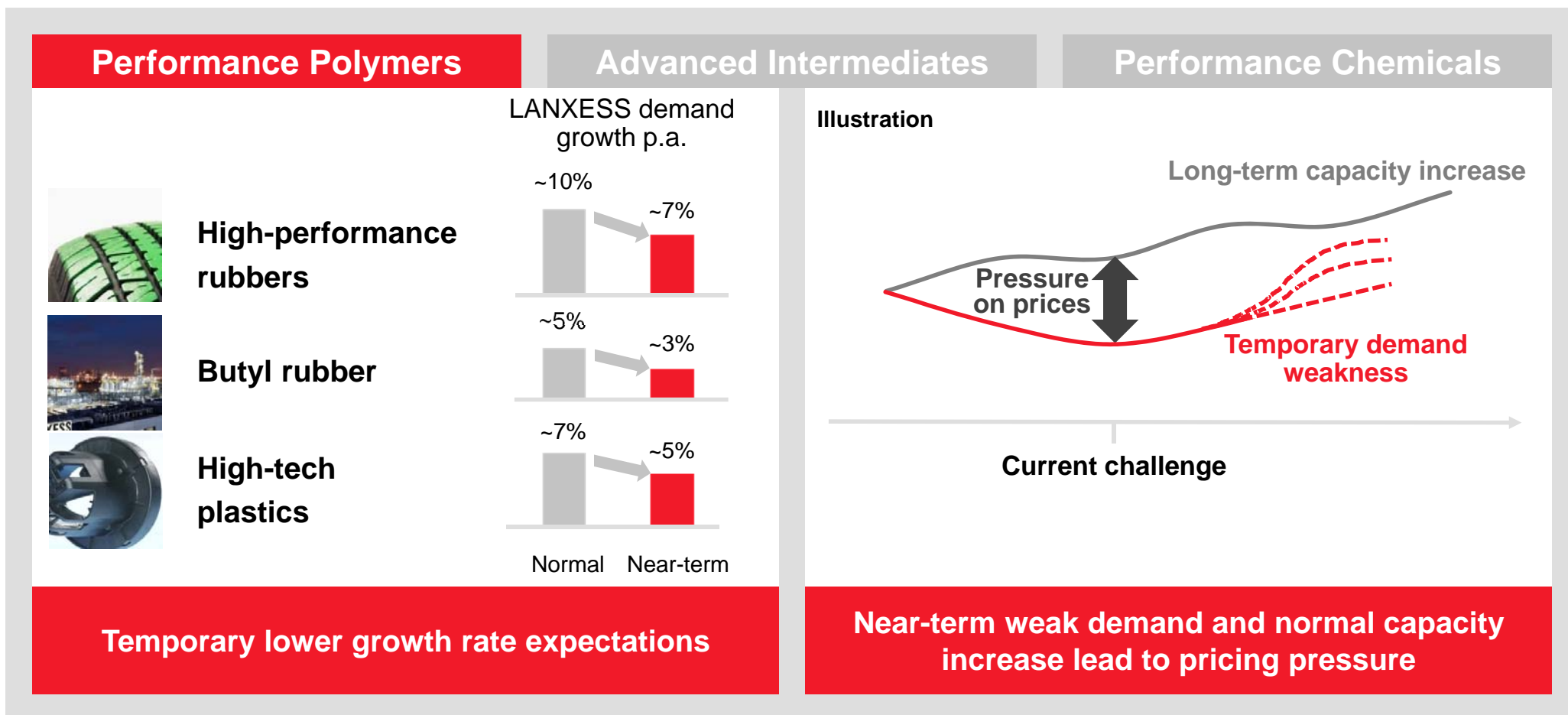
14.1%

margin

10.9%

All references to EBITDA are pre exceptionals

Temporary weak demand causes pricing pressure



LANXESS focuses on differentiated high-performance rubbers

High-performance market (Nd-PBR / SSBR)

Supply / demand

- Market size of around 2 m t
- “The problem of perception”:
nameplate > available > in use
 - Supply of around 2 m t capacity in use
 - Supply / demand more or less in balance in normal macro-economic environment

Market growth

- Robust global demand growth around 8% CAGR until 2018
- Growth of capacity of 8-9% CAGR until 2018

LANXESS strategy

- Core segment in which LANXESS grows overproportionately
- Truly global footprint with new asset in Singapore
- Product differentiation (differentiated Nd grades and functionalized SSBR grades)



LANXESS' performance rubbers target special applications

Performance market (Ti, Li, Ni, Co; w/o ESR)

Supply / demand

- Market size of about 2.6 m t
- Substantial overcapacity, esp. in Ni-PBR

Market growth

- Global demand growth at ~3.5% CAGR until 2018
- Capacity expansions of competitors up to ~5% CAGR until 2018

LANXESS strategy

- Reduction of exposure by shifting to high-performance grades (Nd-PBR, SSBR)
- Differentiation of product offering
 - Focus on Co and Li
 - Targeting special market segments like HIPS applications
 - Targeting special market segments like the robust segment of retreading
- Grade-flexible assets (e.g., Li vs. SSBR vs. Nd-PBR)



Shifting from standard grades to high-performance grades mitigates impact of overcapacities

Standard grade market (ESBR)

Supply / demand

- Global overcapacity for ESBR, esp. in Europe and North America, leading to low operation rates

Market growth

- Tire makers in emerging markets like Brazil require ESBR

LANXESS strategy

- Reduction of exposure through replacement of ESBR by SSBR by retrofitting existing capacity
- Continuous shift of production footprint towards higher performance materials in Brazil synchronized with market needs



Butyl rubber market recalibrating and remains attractive

Butyl rubber market (BTR)

Supply / demand

- Market size of above 1 m t, split into halo (2/3) and regular (1/3) butyl
- Coming from extreme tightness for years to some overcapacity (caused by debottlenecking, green field projects and new entrants)

Market growth

- Global demand growth at 3-4% – mostly driven by tire segment
- Expansions in regular and halo butyl ongoing
- Potential additional new entrants, but without visible activities until now

LANXESS strategy

- Differentiation by
 - strong geographical footprint
 - product offering (quality, reliability and proximity to customers)
 - production processes and
 - new applications (tire and non-tire)



LANXESS addresses EPDM market challenges with geographical diversification

Technical rubber market (EPDM)

Supply / demand

- Market size of 1-1.5 m t driven by a wide range of applications (e.g., automotive and construction) transitioning from a tight situation to overcapacity

Market growth

- Global demand growth slightly above GDP development, but below projected capacity expansions
- Major capacity expansions between 2013 and 2015 increasing overcapacity

LANXESS strategy

- Capitalizing on urbanization and mobility trend in China
- ACE technology
 - Product differentiation
 - Process differentiation
- New asset in China with latest technology
 - Proximity to fast growing market
 - Conversion cost advantage (ACE technology)



Differentiation is key for LANXESS

Products

- Quality
- Based on technology

Offering

- Technical service
- Reliability
- Proximity to customers

Assets

- Grade-flexibility
- Global presence

Markets

- Diversify in new applications

LANXESS keeps its focus on differentiation to outperform competitors by value and thus maintain our price premium



Innovations made by LANXESS enable differentiation

AA-rated concept tire

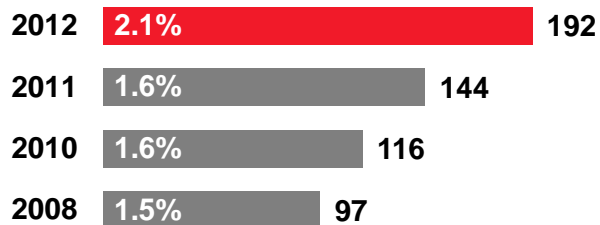


Butyl in treads

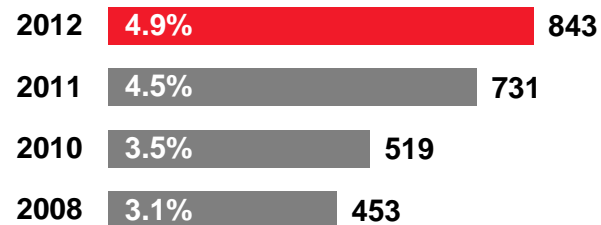


LANXESS constantly fuels innovation pipeline

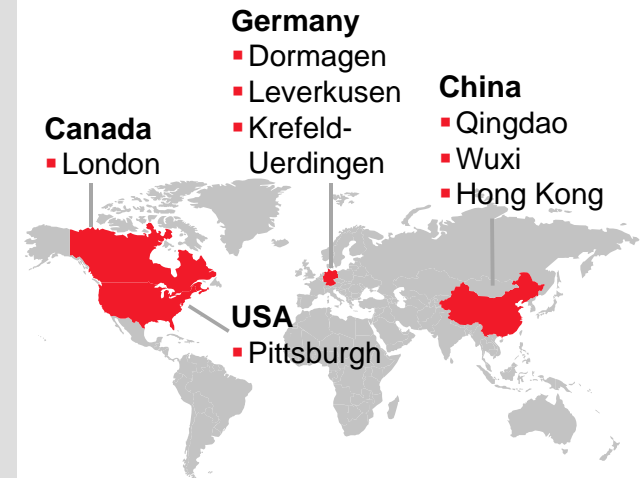
Innovation expenses [€m] / and % of total sales



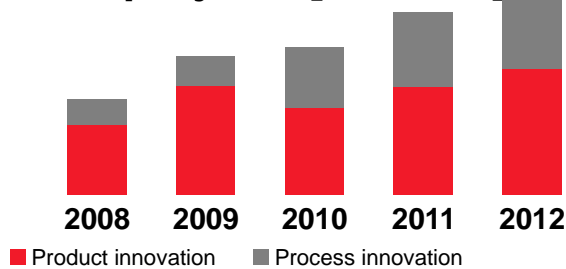
Innovation headcount / and % of total headcount



Worldwide innovation centers

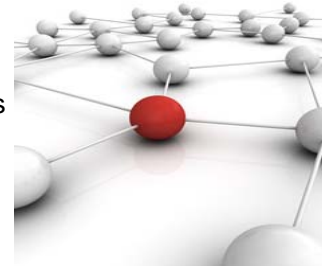


Development of innovation projects [Number]

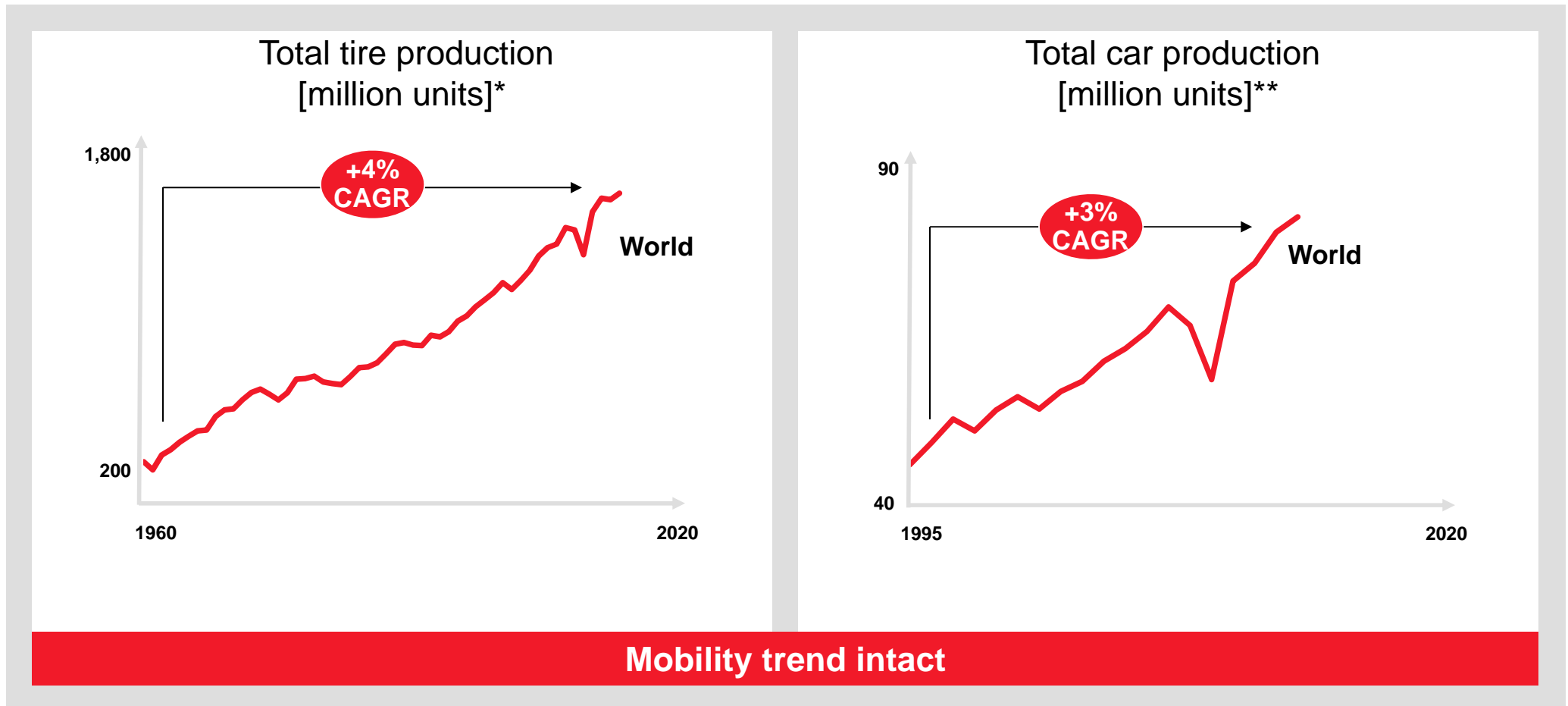


Innovation networks: 203 research partnerships

- 78 Universities
- 59 Research institutes
- 66 Suppliers / customers



LANXESS remains positive on the mobility trend



* Source: IRSG, LMC; ** Source: LMC Automotive

Agenda

- Strategy review
- Current challenges
- **The way forward**
- Goal

The core elements of LANXESS' strategy remain unchanged

Premium products focused on megatrends

“Price-before-volume”

Flexible asset and cost management

Global reach with focus on emerging markets

Driven by innovation and technology

Entrepreneurial and performance-oriented culture

Performance Polymers



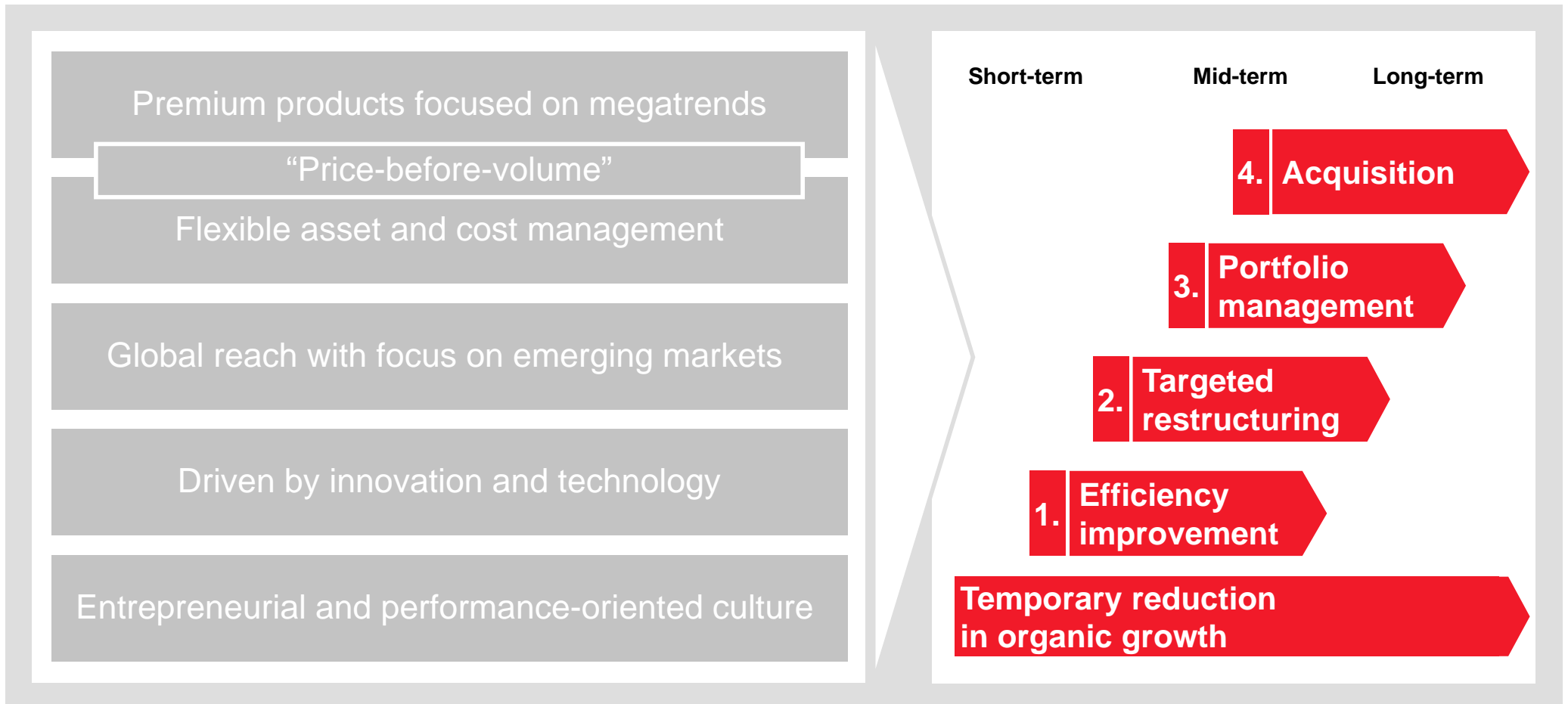
Advanced Intermediates



Performance Chemicals



Taking action



Significant capex reduction

Short-term Mid-term Long-term

4. Acquisition

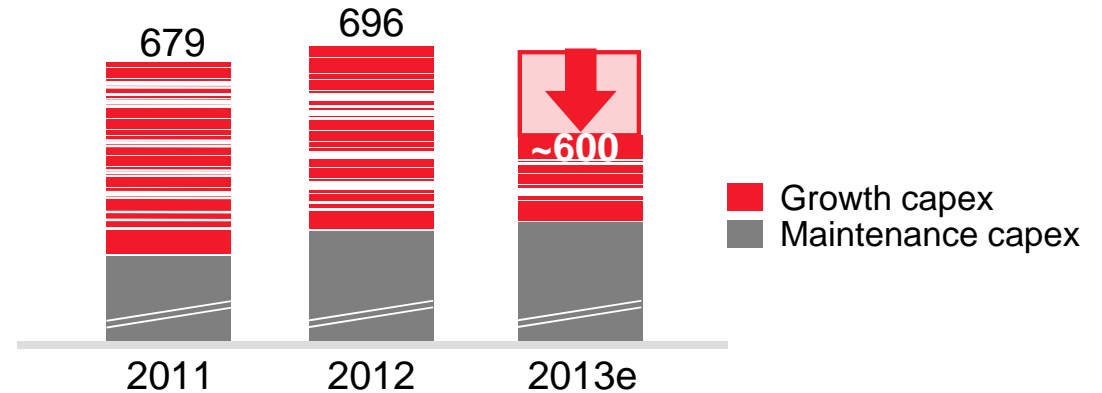
3. Portfolio management

2. Targeted restructuring

1. Efficiency improvement

Temporary reduction in organic growth

Capex [€ million]



Reduced capex spendings

- Strictly managed maintenance capex
- Adapt spending profiles in major capex projects to optimize cash-flow
- Future focus on smaller projects, debottleneckings and efficiencies

Commitment to investment grade rating

All strategic growth projects well on track

Short-term Mid-term Long-term

4. Acquisition

3. Portfolio management

2. Targeted restructuring

1. Efficiency improvement

Temporary reduction in organic growth



100% capex spent*

Butyl serving increasing mobility



~40% capex spent*

Nd-PBR enabling "Green Tires"



~75% capex spent*

Balancing polyamide chain



~45% capex spent*

Serving China's EPDM demand

* Expected share of realized capex by year-end 2013 in relation to total capex ■ spent ▨ committed

Structural realignments to increase efficiency

Short-term Mid-term Long-term

4. Acquisition

3. Portfolio management

2. Targeted restructuring

1. Efficiency improvement

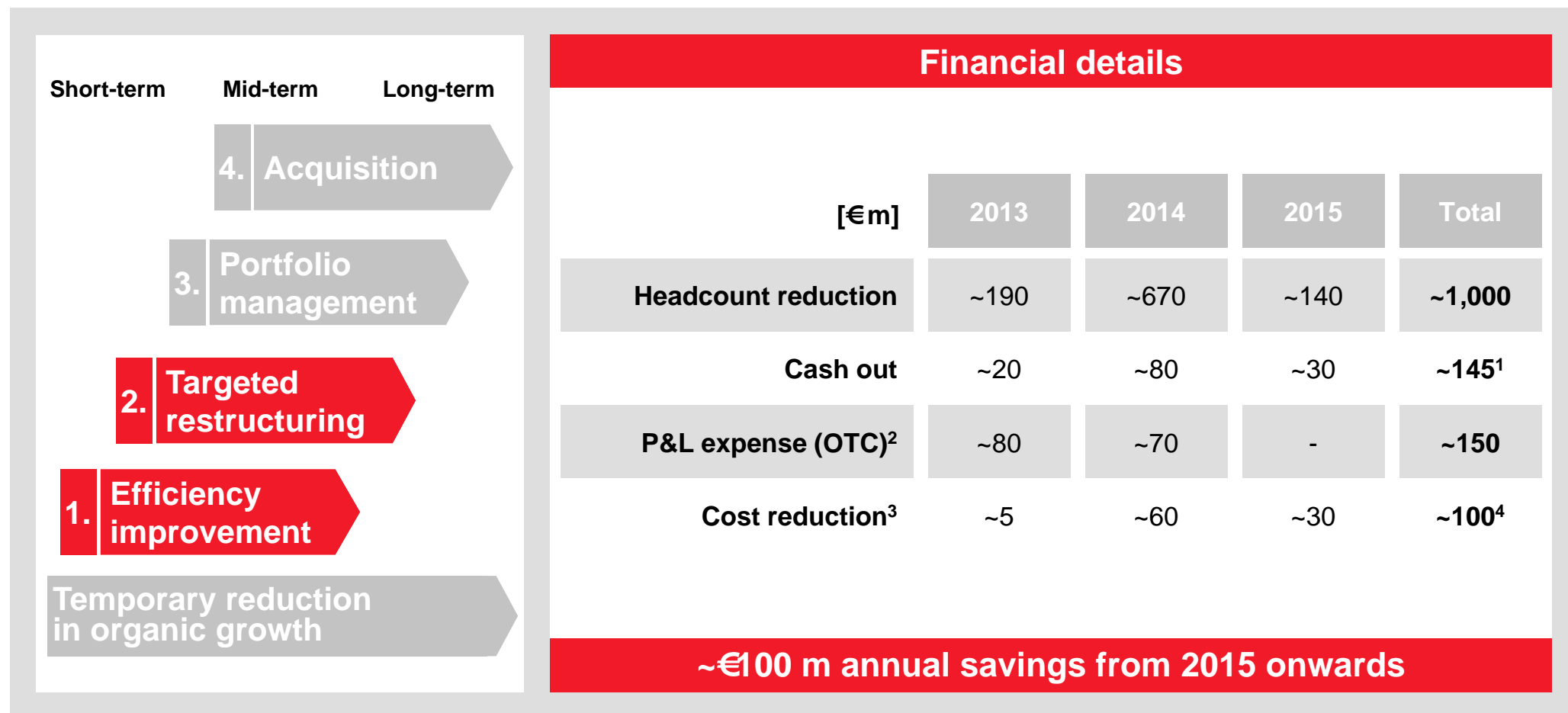
Temporary reduction in organic growth

“Advance” program

- Closure of non-competitive sites
- Restructuring of sites
- Downsizing of business operations
- Downsizing of administrative organizations worldwide
- Headcount reduction
(~1,000 people worldwide by end of 2015)

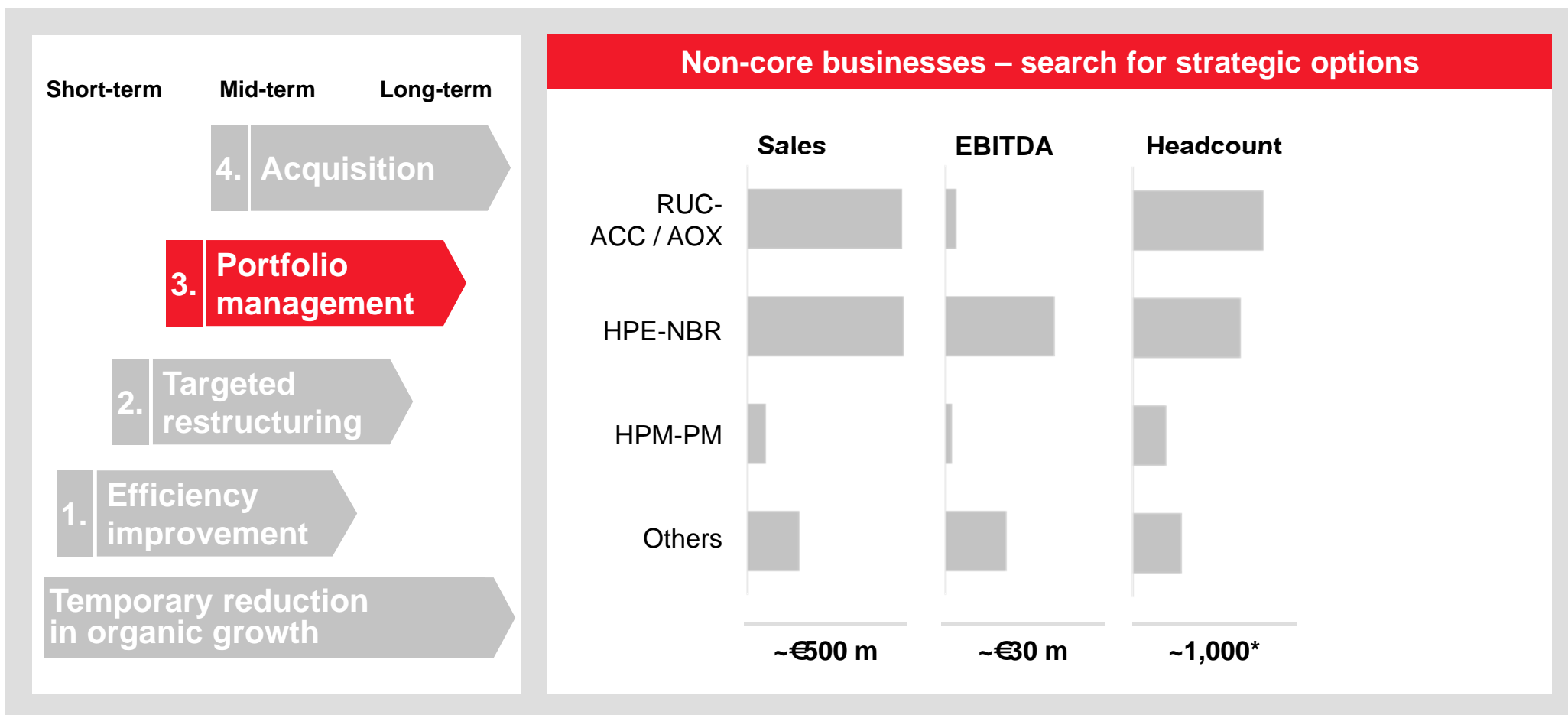
~€100 m annual savings from 2015 onwards

Providing additional details on efficiency measures



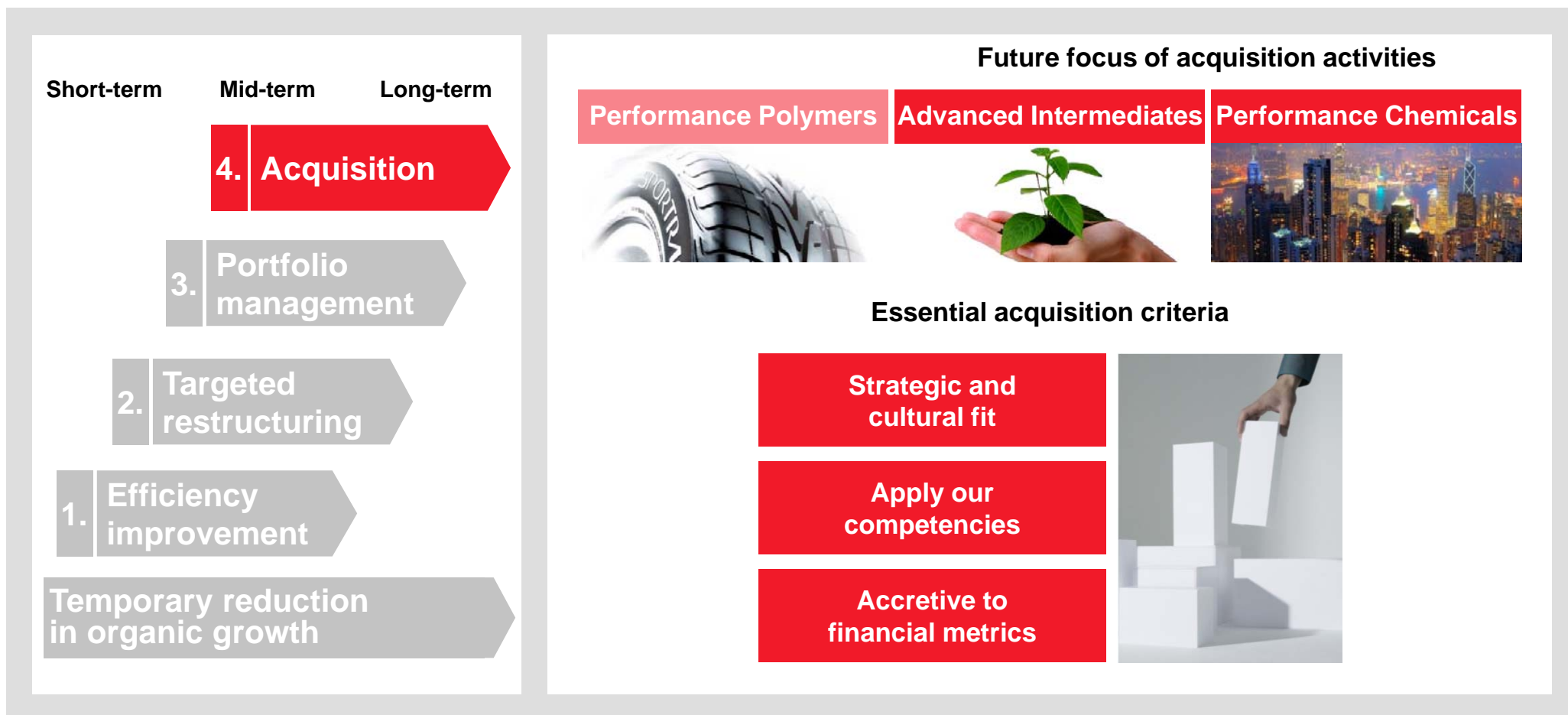
¹ Incl. ~€15 million for the years 2016-2019; ² P&L expense (OTC) booked as extraordinary; ³ Versus previous year; ⁴ Incl. €5 million for the years 2016-2019

Strategic options for non-core businesses



All references to EBITDA are pre exceptional; ACC = Accelerators, AOX = Anti-Oxidants, NBR = Nitril-Butadien-Rubber, PM = Perlon Monofil;
 * Headcount before restructuring

Acquisitions remain an important driver for growth



Agenda

- Strategy review
- Current challenges
- The way forward
- **Goal**

LANXESS takes action to remain on growth path

Differentiation

- Products
- Assets
- Geographical

Diversification

- Performance Polymers
- Advanced Intermediates
- Performance Chemicals

“Advance” program

- Cost savings
- Capex reduction
- Restructuring



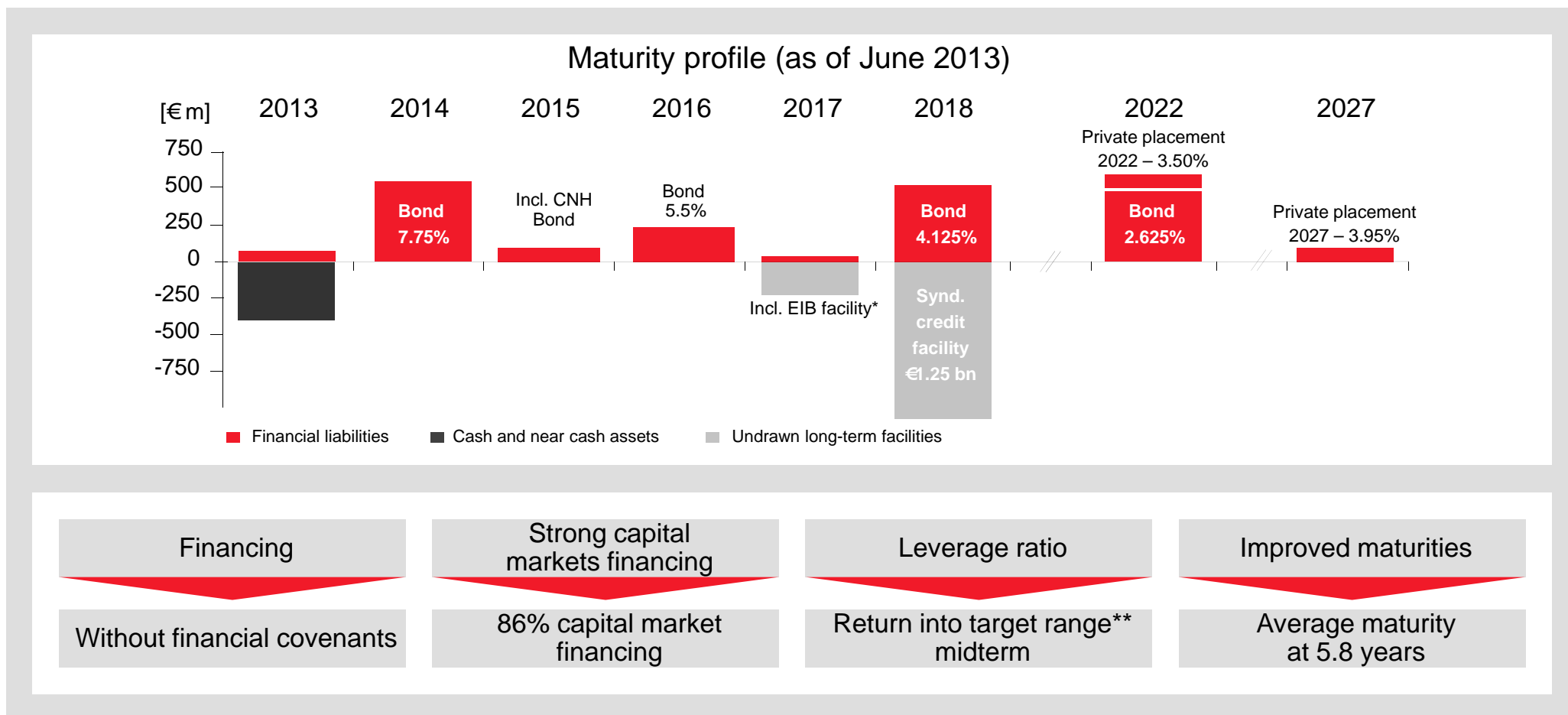
Striving for €1.8 bn EBITDA in 2018

All references to EBITDA are pre exceptionals

LANXESS

Energizing Chemistry

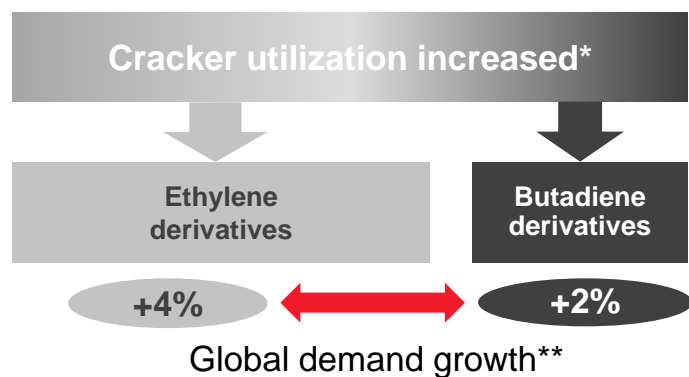
Long-term liquidity secured at attractive interest rates



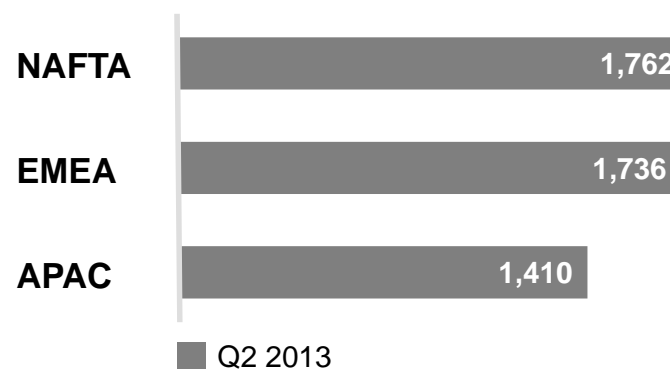
* European Investment Bank; final maturity of EIB financing in case of utilization in 2017 or later;

** Targeted range of leverage ratio: net financial debt / EBITDA pre 1.0x-1.5x

Butadiene oversupply in Asia caused price decline in Asia



Ø butadiene prices [\$/mt]



Advantage for Asian synthetic rubber producers

* Jan-Jul 2013 from 82% to 85%; ** Jan-Jul 2013; Source: IHS Chemicals

Contact details Investor Relations

**Oliver
Stratmann**



**Head of
Investor Relations**

Tel. : +49-221 8885 9611
Fax. : +49-214 30 959 49611
Mobile : +49-175 30 49611
Email : Oliver.Stratmann@lanxess.com

**Verena
Kehrenberg**



**Assistant
Investor Relations**

Tel. : +49-221 8885 3851
Fax. : +49-221 8885 4944
Mobile : +49-175 30 23851
Email : Verena.Kehrenberg@lanxess.com



LANXESS IR website

Tanja Satzer



**Private Investors /
AGM**

Tel. : +49-221 8885 3801
Fax. : +49-221 8885 4944
Mobile : +49-175 30 43801
Email : Tanja.Satzer@lanxess.com

Ulrike Weihs



**Institutional Investors /
Analysts**

Tel. : +49-221 8885 5458
Fax. : +49-221 8885 4944
Mobile : +49-175 30 50458
Email : Ulrike.Weihs@lanxess.com

Dirk Winkels



**Institutional Investors /
Analysts**

Tel. : +49-221 8885 8007
Fax. : +49-221 8885 4944
Mobile : +49-175 30 58007
Email : Dirk.Winkels@lanxess.com

Joachim Kunz



**Institutional Investors /
Analysts**

Tel. : +49-221 8885 2030
Fax. : +49-221 8885 4944
Mobile : +49-175 30 42030
Email : Joachim.Kunz@lanxess.com