



## **LANXESS Capital Markets Day 2012**

### **Ambitious growth strategy based on financial stability**

Bernhard Duettmann, CFO

New York, September 20, 2012

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Energizing Chemistry

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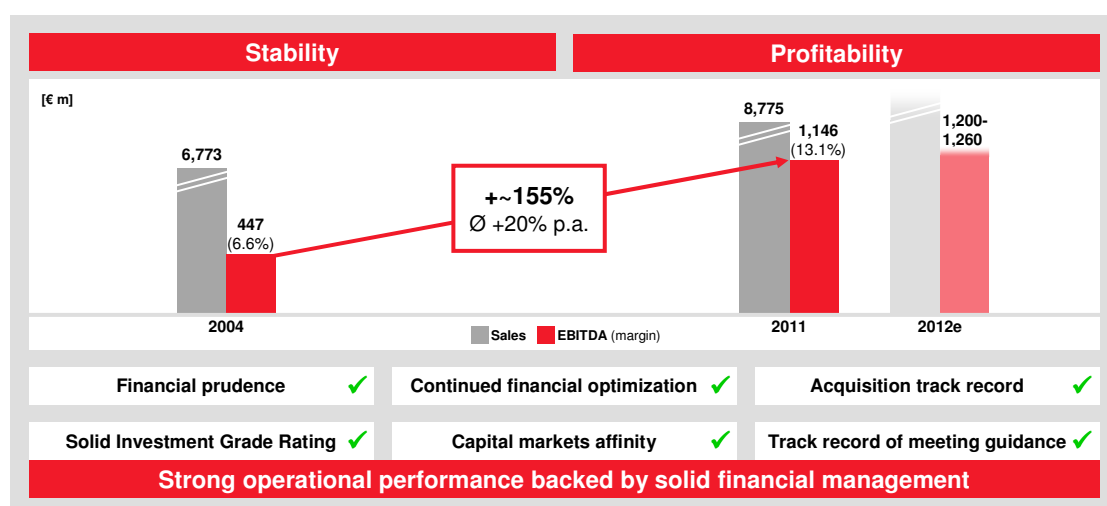
## Agenda

- **Managing stability and profitability**
- Project details and financials on growth trajectory

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## LANXESS more than doubled EBITDA since 2004

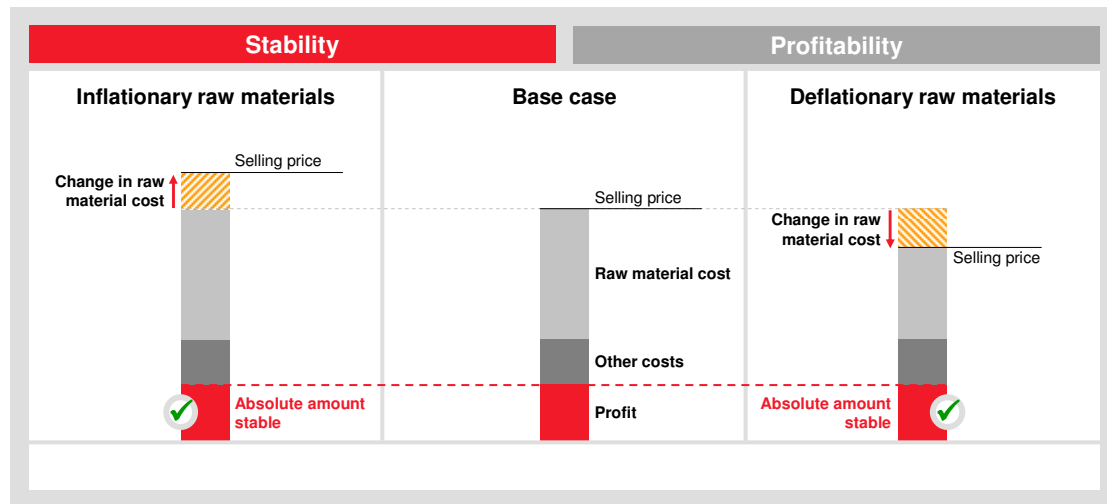


All references to EBITDA are pre exceptional

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## Price setting offsets raw material volatility

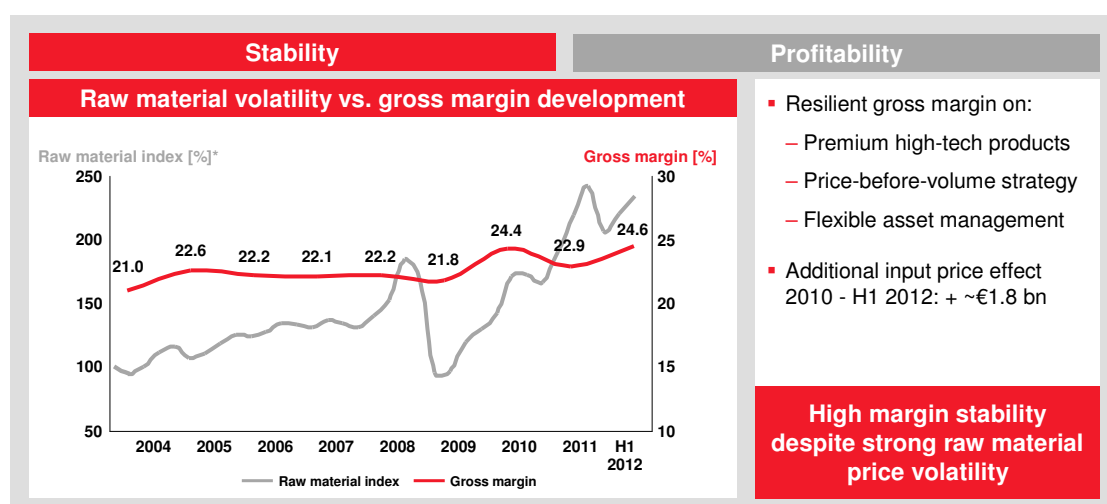


Illustration

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## LANXESS successfully manages raw material volatilities

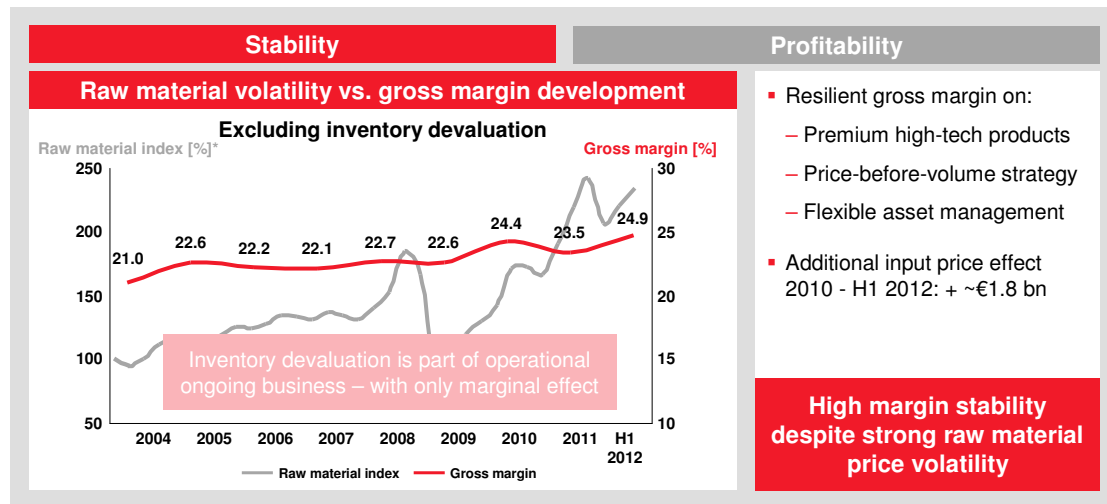


All references to EBITDA are pre exceptional; \* Source: LANXESS; Dec 31, 2003=100%

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## LANXESS successfully manages raw material volatilities

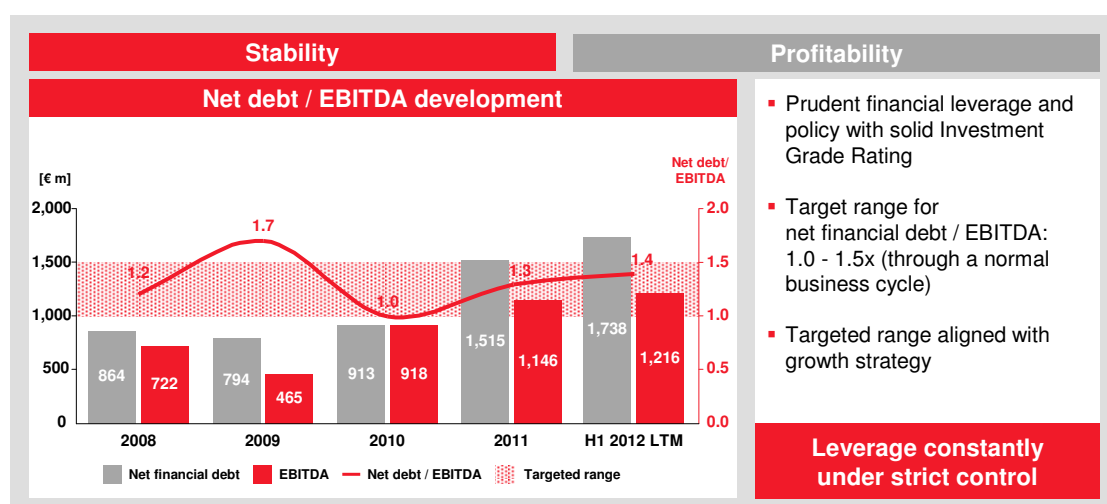


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## LANXESS remains committed to prudent financial policy

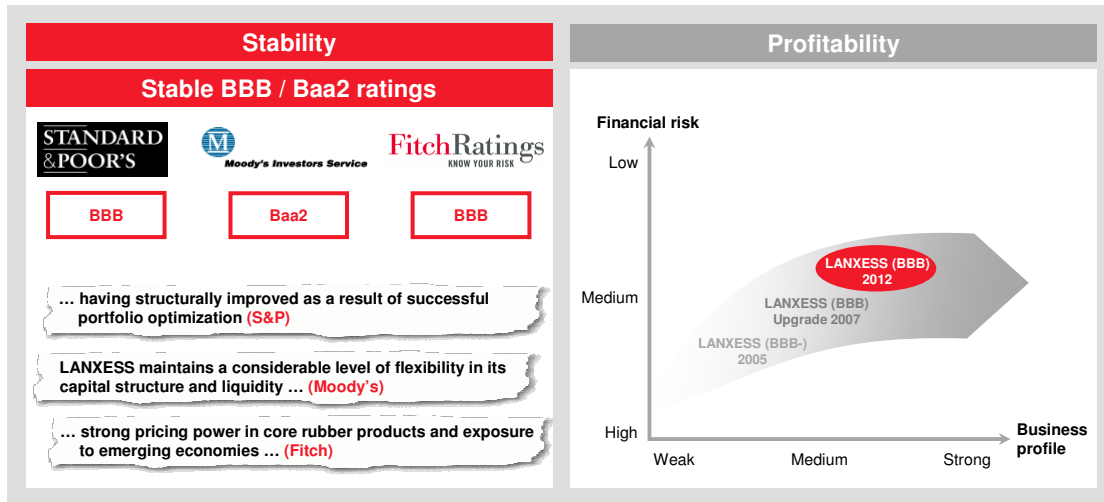


All references to EBITDA are pre exceptional; all references to net debt refer to net financial debt

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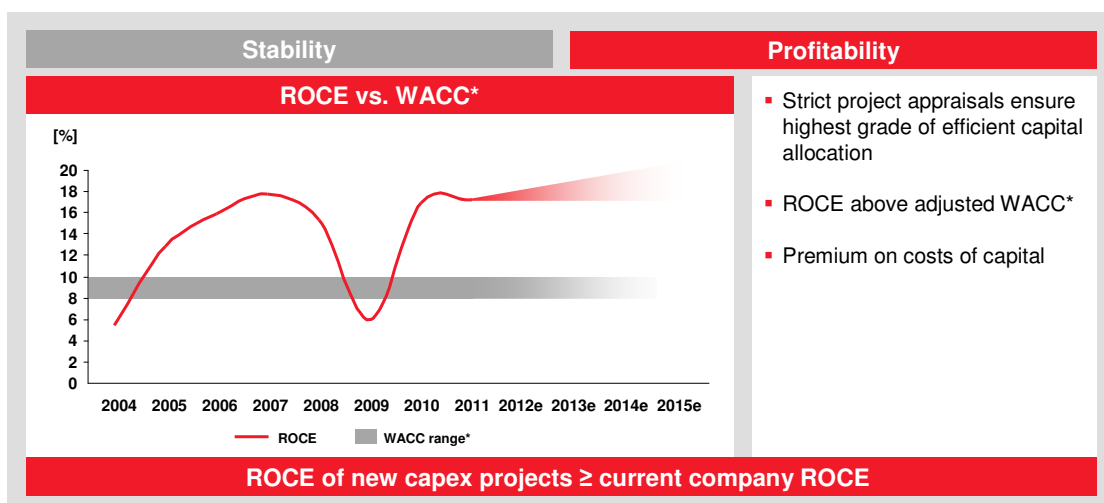
## Stable BBB rating since 2007 – rating agencies highlight strong market positions and sound financial profile



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## Sustainable ROCE level above cost of capital

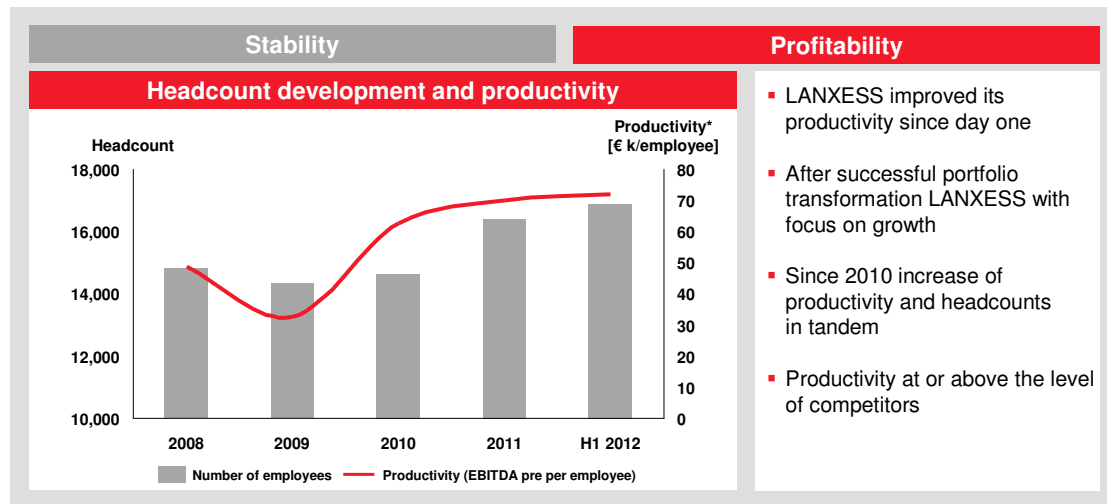


\* WACC (weighted average cost of capital) before tax reduction

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## Increase in productivity also in growth mode

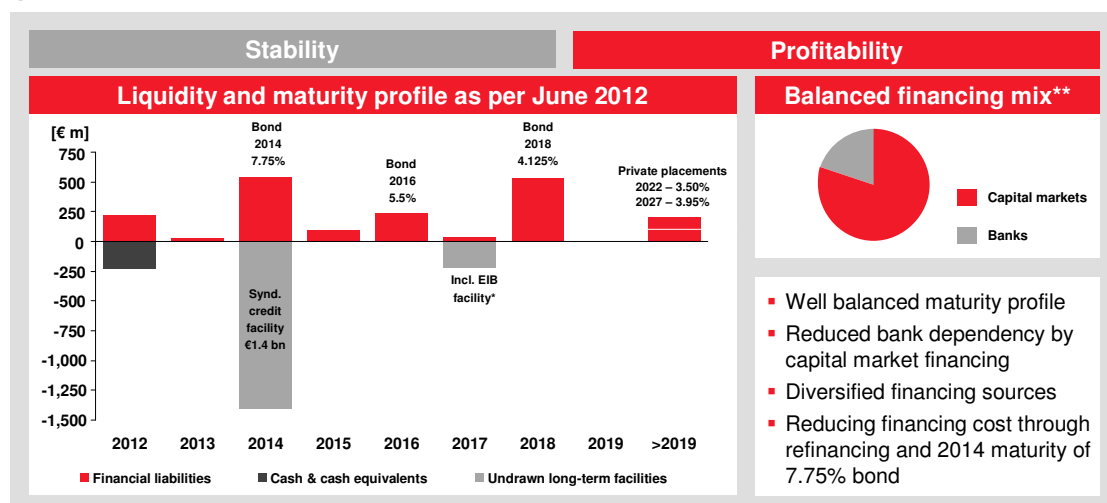


\* Productivity in EBITDA pre exceptionals per employee; EBITDA LTM for H1 2012

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## Well managed maturity profile provides sound basis for growth



\* European Investment Bank; final maturity of EIB financing in case of utilization in 2017 or later; EIB facility currently undrawn  
 \*\* As of end of June 2012

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## Tax rate continuously improved

Stability	Profitability
<ul style="list-style-type: none"><li>▪ Portfolio optimization<ul style="list-style-type: none"><li>– Divestitures of businesses reduced income share in high-tax regions</li><li>– Favorable acquisitions</li></ul></li> <li>▪ Current tax guidance of ~22%<ul style="list-style-type: none"><li>– More balanced country mix</li><li>– Investments in emerging markets with more favorable tax regime</li></ul></li></ul>	
<b>Stable tax rate with slightly positive trend after 2013</b>	

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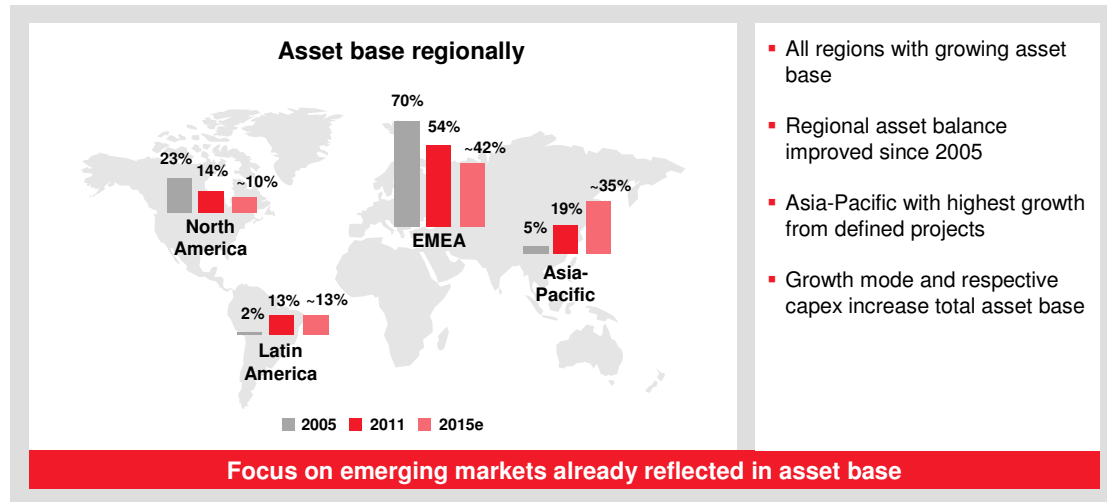
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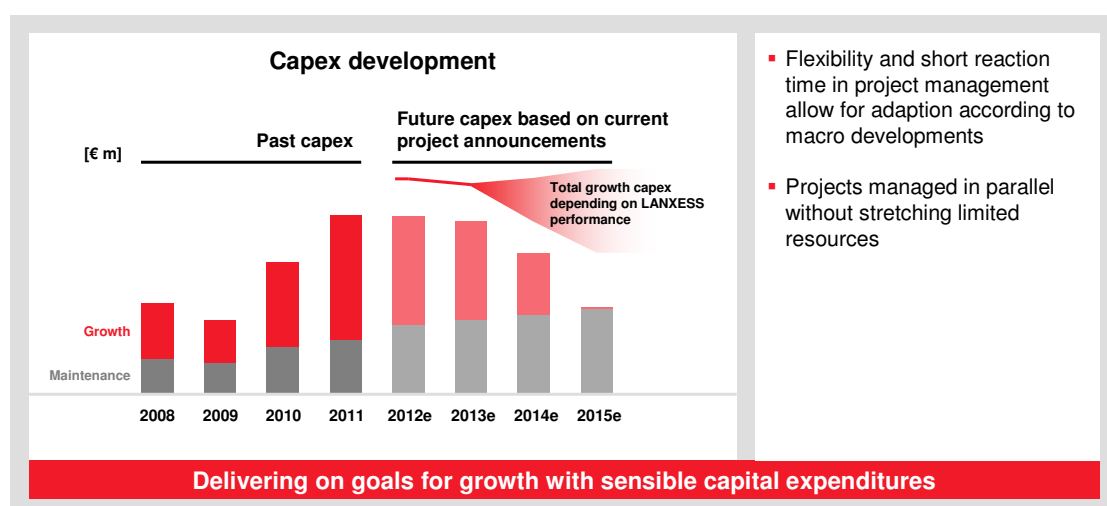
## Growth projects are also adding to regional diversification



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## Strict capex management in line with LANXESS performance

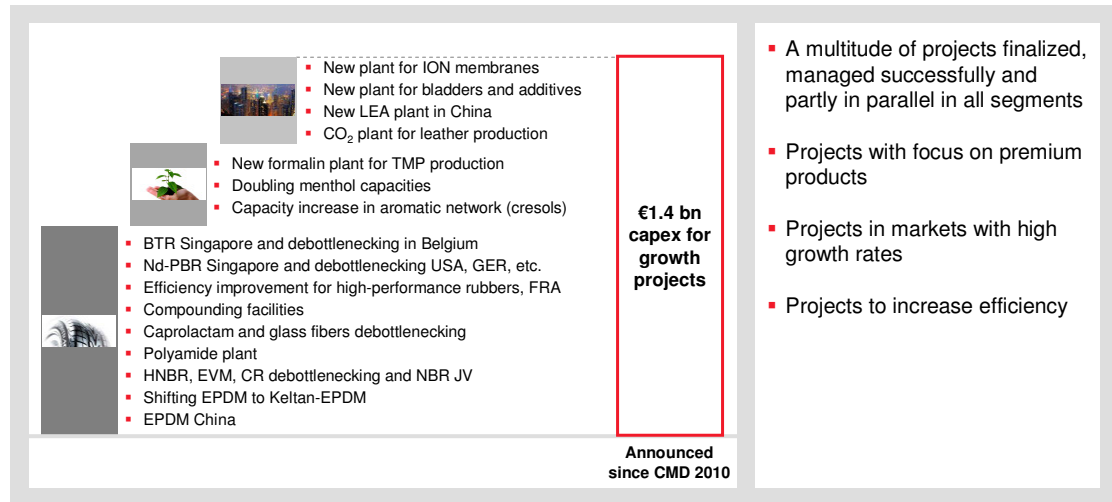


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## Growth projects thoroughly chosen – highly lucrative and well on their way

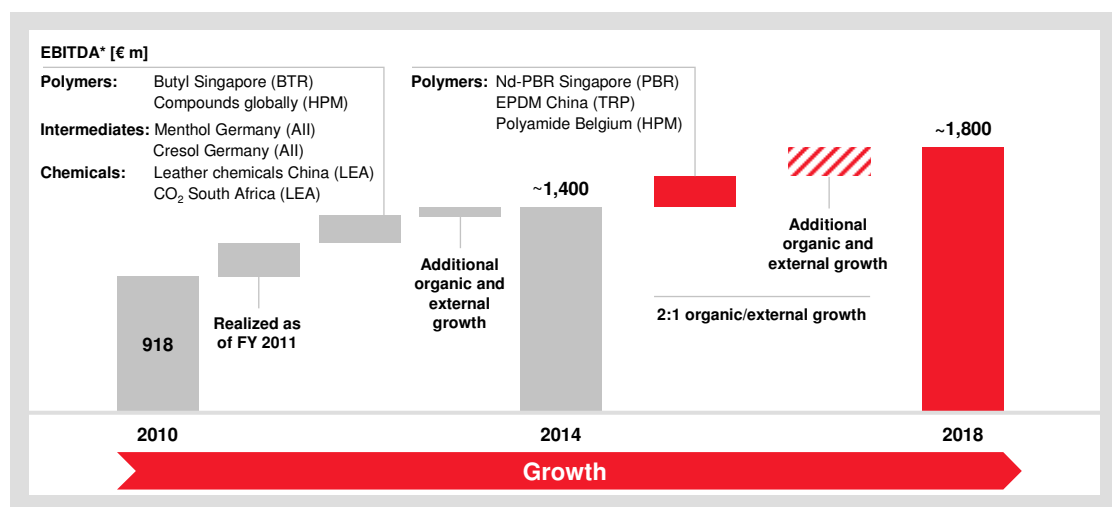


Illustration, selected projects

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## EBITDA: Growth trajectory continues with mid-term goal of ~€1.8 bn in 2018



\* Pre exceptionals

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## BU PBR: “Green Mobility” trend requires investment in high-performance Nd-PBR



Capex	~€200 m
Sales*	~€300 - 350 m
Sales multiple	~0.7 - 0.6x
ROCE	>company ROCE

### Key facts

- Nd-PBR production facility in Singapore
- Start-up: H1 2015
- Capex: ~€200 m
- Capacity: 140kt/a
- Greenfield in direct neighborhood to butyl facility
- Main raw material (butadiene) secured via PCS\*\*

### Rationale

- Mobility and “Green Tires” drive demand; CAGR 2020 ~10% for high-performance rubbers
- Tire labeling supports; providing transparency to customers
- Leading market position strengthened with first world-scale plant in Asia
- Infrastructure synergies with adjacent butyl plant

\* As of 2017

\*\* PCS: Petrochemical Corporation of Singapore (Private) Limited

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## BU TRP: Providing EPDM for the fastest growing region



Capex	~€235 m
Sales*	~€400 m
Sales multiple	~0.6x
ROCE	>company ROCE

### Key facts

- EPDM plant in Changzhou, China
- Start-up: 2015
- Capex: €235 m
- Capacity: 160kt/a
- Most competitive Greenfield with ACE technology

### Rationale


- Focus on premium applications (automotive, mechanical rubber goods, plastic modification); market growth >GDP
- Chinese S/D balance projects a mid-term structural undersupply; targeted Chinese EPDM self-sufficiency of ~70% in current 5-year-plan
- Strong market position after Keltan-EPDM acquisition
- Differentiation of EPDM products by technology

\* Once fully operational

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## BU HPM: Catering mobility trend with premium lightweight material from integrated value chain



<b>Capex</b>	€125 m
<b>Sales*</b>	~€200 m
<b>Sales multiple</b>	~0.6x
<b>ROCE</b>	>company ROCE

**Key facts**

- New polymerization plant in Antwerp
- New compounding facilities in Brazil, India and USA, expansion in China
- Start-up: Polymerization Q1 2014, compounding 2012-mid 2013
- Capex: €125 m in total
- Capacity: Polymerization 90kt/a, compounding 80kt/a

**Rationale**

- Enlarging value chain towards high-tech plastics
- Mobility and focus on weight reduction; CAGR 2017 ~7% for high-tech plastics
- Secured polyamide from Belgian plant to supply expanded global compounding activities


\* As of 2016

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## BUs All and LEA: Strengthening market position in niche markets

**Menthol and cresol in BU All**




<b>Capex</b>	~€40 m
<b>Sales*</b>	~€40 m
<b>Sales multiple</b>	~1.0x
<b>ROCE</b>	>company ROCE

**Key facts and rationale**

- Doubling menthol capacities in Germany
- Debottlenecking cresol production in aromatic network in Germany (+20% capacity mid 2013)
- Capex: ~€40 m in total
- High-quality intermediates for agrochemical applications, consumer markets as well as resins and flame retardants
- Strengthening market position in growing niche markets

**Leather chemicals and CO<sub>2</sub> supply in BU LEA**



<b>Capex</b>	€70 m
<b>Sales**</b>	~€20 m
<b>Sales multiple</b>	~3.5x
<b>ROCE</b>	>company ROCE

**Key facts and rationale**

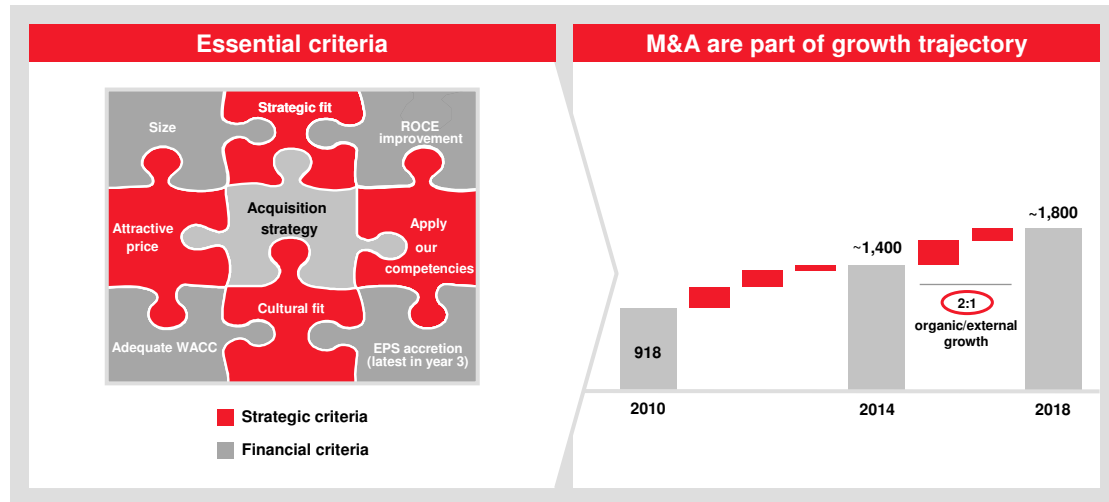
- New leather plant in Changzhou, China, 50kt/a
  - Serving the growing Asian market as local producer
  - Start-up: H1 2013
- New CO<sub>2</sub> facility in New Castle, South Africa
  - Securing CO<sub>2</sub> supply in South Africa; reasonable backward-integration
  - Start-up: H2 2013

\* As of 2014; \*\* As of 2015

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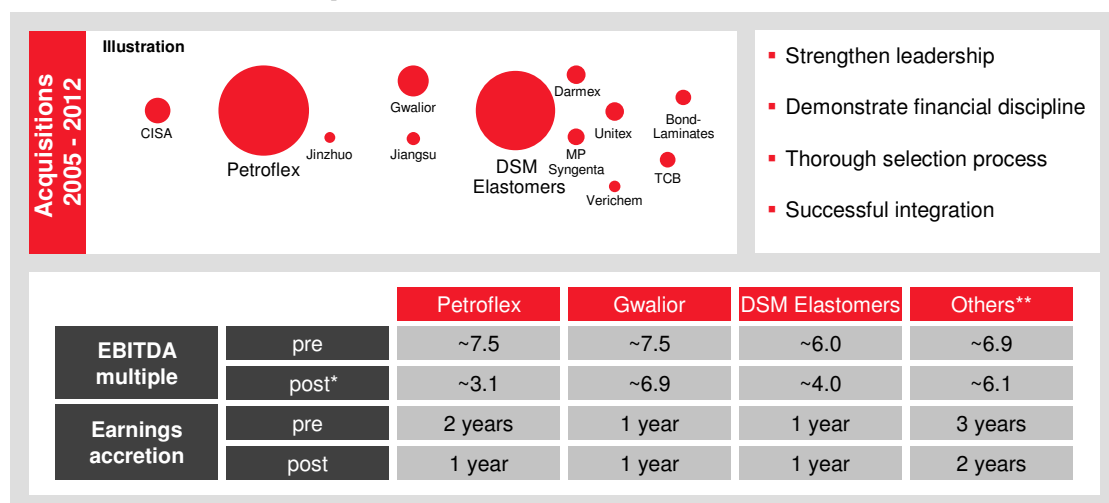
## Thorough selection and execution of M&A projects based on strict criteria



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## All acquisitions successfully integrated with improved EV / EBITDA multiple

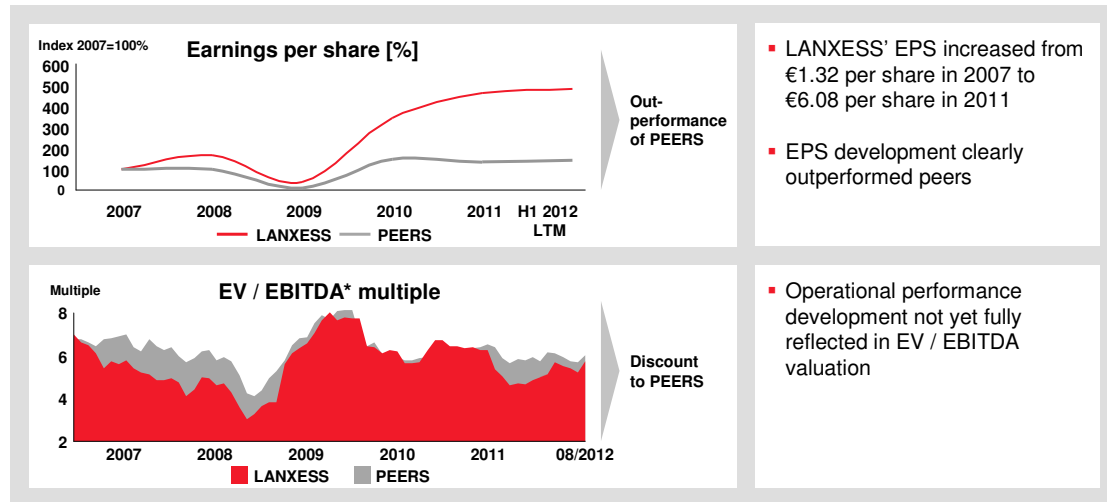


\* After synergies or one year of transaction  
 \*\* Main contributors Darmex (RCH), Syngenta (MPP), CISA (LEA)

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## EPS improvement not fully reflected in company's valuation



Peers: Arkema, Clariant, BASF, DOW, DuPont, DSM, Huntsman  
 \* Source: Thomson Reuters

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## LANXESS is well positioned – projecting future profits

<b>Managing raw material volatilities</b>	LANXESS offsets raw material volatilities with a track record of almost eight years
<b>In growth mode</b>	Track record of capex projects and M&A to be translated into the future
<b>Sound financials</b>	Portfolio optimization and financial discipline

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