



LANXESS – FY 2015 results

A successful year in many respects

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LANXESS
Energizing Chemistry

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Agenda

- **Executive summary**
- Business and financial details Q4 2015
- Backup

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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



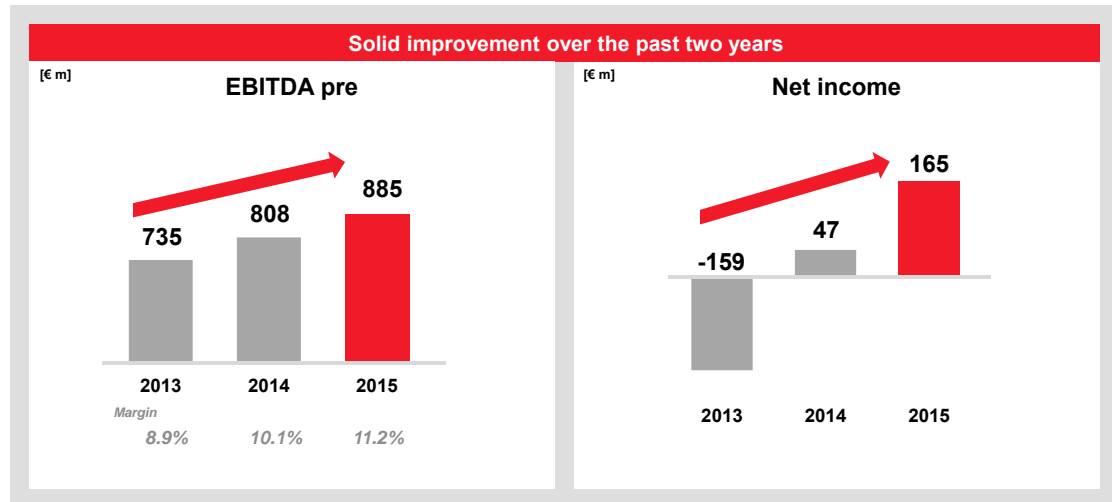
Transformation program implemented ahead of schedule



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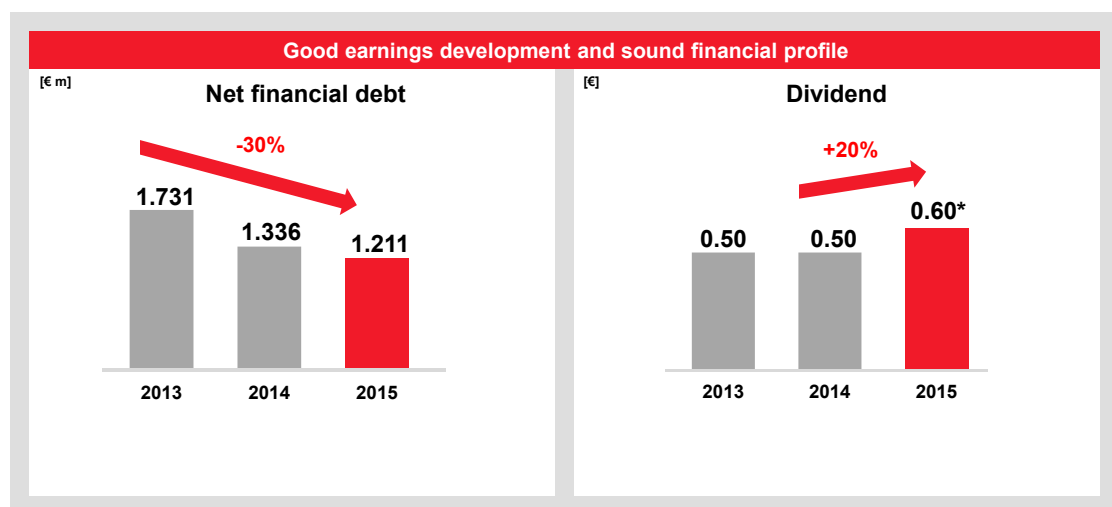
Financial highlights: Major improvement in profitability...



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... and greater financial strength



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

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Joint venture established on fast track: Starting April 1st 2016



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



- 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

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2016 and beyond: Growth backed by solid financials

Planned use of ~€1.2 bn cash proceeds (at closing of JV)

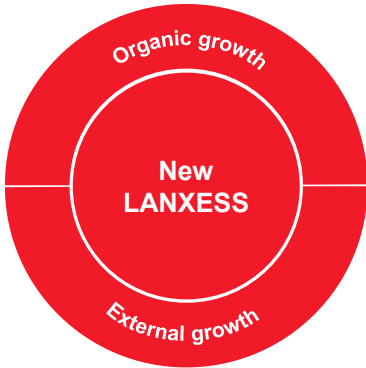
~€400 m organic growth

~€200 m share buy back

~€400 m debt reduction

Expanding a strong foundation, maintaining commitment to investment-grade rating

Illustrative



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

[€ m]	FY 2014	FY 2015	yoy in %
Sales	8,006	7,902	-1.3%
EBITDA pre except. margin	808 10.1%	885 11.2%	9.5%
EPS	0.53	1.80	>100%
EPS pre ¹	1.98	1.80	-9.1%
Capex	614	434	-29.3%
Free Cash Flow ²	183	258	41.0%

[€ 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%

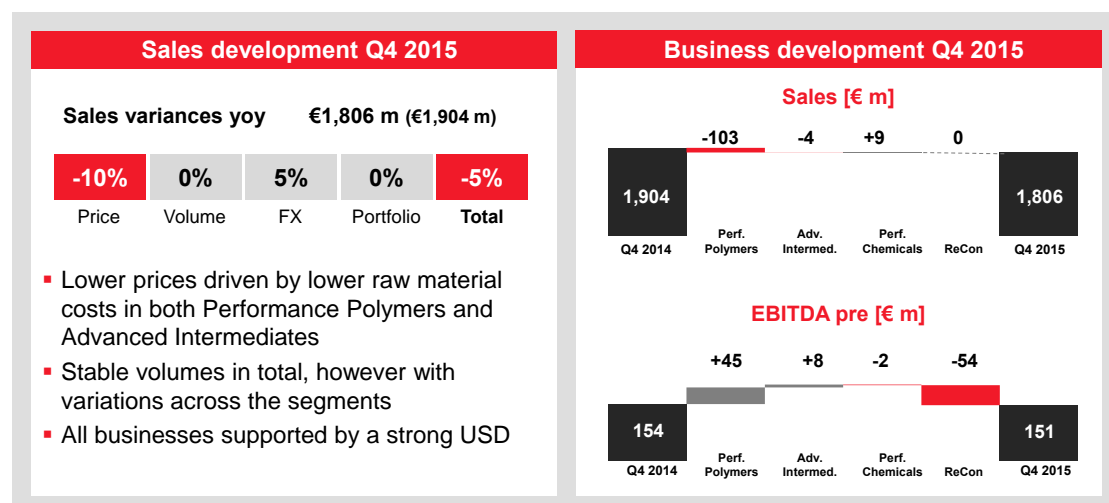
- Sales nearly stable as lower selling prices (raw material pass-through) are largely offset by positive FX effect
- EBITDA increases due to cost savings, FX effect and slightly higher volumes
- Capex actively reduced; cycle of investment in synthetic rubber completed
- Net financial debt reduced on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

¹ Net of exceptionals, using the local tax rate applicable where the expenses were incurred
² Operating cash flow minus capex

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Q4 2015: Nearly stable earnings despite selling price decline



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Q4 2015: A mixed picture reflecting typical seasonal pattern






Performance Polymers					Advanced Intermediates					Performance Chemicals				
Price	Volume	Currency	Portfolio	Total	Price	Volume	Currency	Portfolio	Total	Price	Volume	Currency	Portfolio	Total
-14%	-2%	+6%	0%	-10%	-11%	+7%	+3%	0%	-1%	-1%	-3%	+6%	0%	+2%
<ul style="list-style-type: none"> 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 					<ul style="list-style-type: none"> 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 					<ul style="list-style-type: none"> 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		[€ m]		Q4'14	Q4'15		[€ m]		Q4'14	Q4'15	
↑	Sales	984	881		↑	Sales	444	440		↔	Sales	466	475	
	EBITDA pre	60	105			EBITDA pre	83	91			EBITDA pre	45	43	
	Margin	6%	12%			Margin	19%	21%			Margin	10%	9%	

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

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Business performance 2015 in future reporting structure





	New LANXESS*			ARLANXEO*	Group
					
EBITDA pre margin	€339 m 19%	€326 m 16%	€115 m 10%	€388 m 14%	€885 m 11%
A solid contribution from all segments					

EBITDA pre and margin for HPM and ARLANXEO are unaudited figures
* Operational EBITDA pre without reconciliation and hedging expenses

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

Advanced Intermediates	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Engineering plastics should show positive development in 2016, driven by various applications (e.g., automotive, E&E) 	
ARLANXEO	<ul style="list-style-type: none"> 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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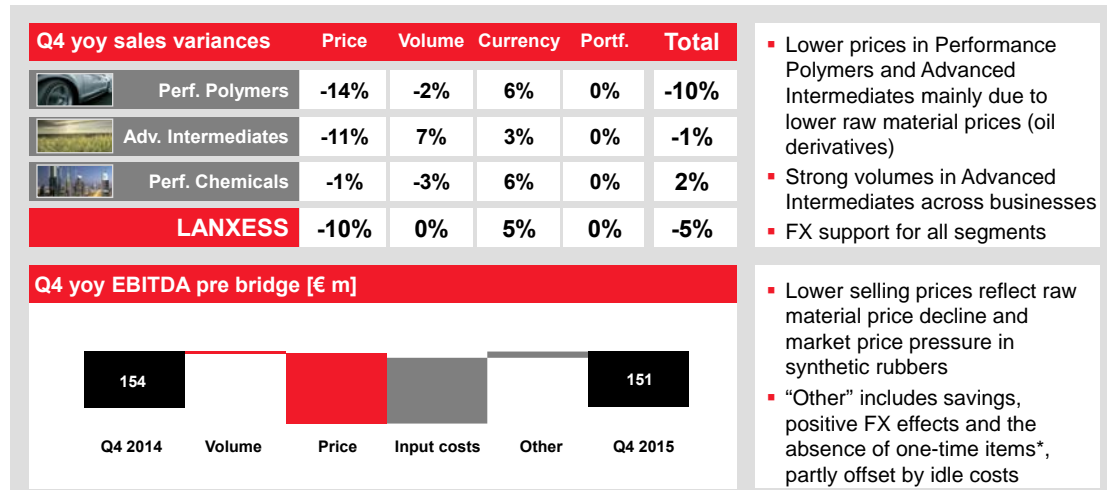
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Q4 2015: A quarter affected by raw material-driven price reductions and pricing pressure in synthetic rubber

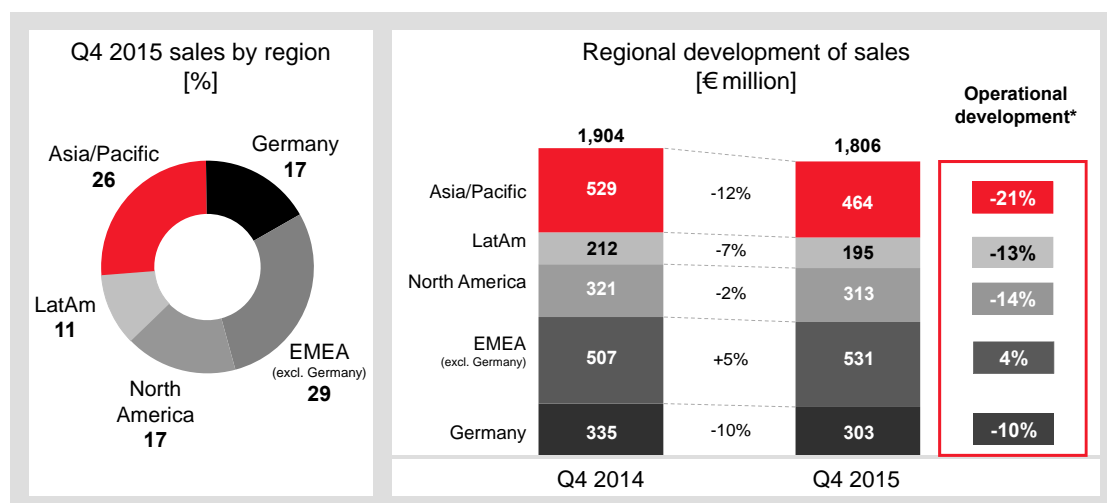


* Q4 2014 was dampened by one-time items that included ramp-up costs and inventory devaluation (totaling -€25 m).

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Q4 2015: EMEA only region showing sales growth in Q4



* Currency and portfolio adjusted

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Q4 2015: Earnings close to prior-year level

[€ m]	Q4 2014	Q4 2015	yoy in %
Sales	1,904 (100%)	1,806 (100%)	-5%
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%
EBIT	-62 (-3%)	71 (4%)	>100%
Net Income	-68 (-4%)	15 (1%)	>100%
EPS	-0.74	0.16	>100%
EPS pre*	0.09	-0.16	<100%
EBITDA	62 (3%)	141 (8%)	>100%
thereof exceptionals	-92 (5%)	-10 (1%)	-89%
EBITDA pre exceptionals	154 (8.1%)	151 (8.4%)	-1.9%

Fourth quarter profitability affected by typical seasonal pattern

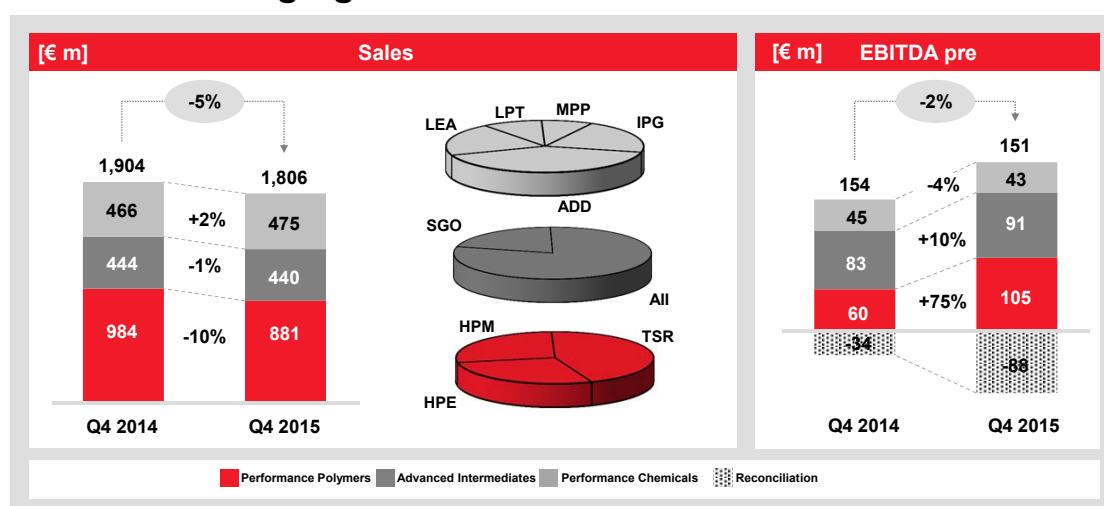
- Sales decline raw material driven, mitigated by positive FX effect
- Cost of sales decrease disproportionately to top line due to FX effect, savings and the absence of one-time costs**
- G&A costs were dampened by provisions for variable compensation and extraordinary D&A
- Lower exceptional items improve EPS and net income

* 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)

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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

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Performance Polymers: Good results despite continuing challenges in synthetic rubber

[€ m]	Q4 2014	Q4 2015	Δ	FY 2014	FY 2015	Δ
Sales	984	881	-10.5%	4,128	3,944	-4.5%
EBIT	-36	74	>100%	120	280*	>100%
Depr. / Amort.	72	30	-58.3%	231	227	-1.7%
EBITDA pre exceptionals	60	105	75.0%	392	502	28.1%
Margin	6.1%	11.9%		9.5%	12.7%	
Capex	157	88	-43.9%	428	184	-57.0%

Q4 sales bridge yoy [€ m]				
Q4 2014	Price	Volume	Currency	Portfolio
984	-14%	-2%	6%	0%

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)

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

[€ m]	Q4 2014	Q4 2015	Δ	FY 2014	FY 2015	Δ
Sales	444	440	-0.9%	1,847	1,826	-1.1%
EBIT*	52	85	63.5%	202	258	27.7%
Depr. / Amort.	24	6	-75.0%	93	80	-14.0%
EBITDA pre exceptionals	83	91	9.6%	308	339	10.1%
Margin	18.7%	20.7%		16.7%	18.6%	
Capex	34	37	8.8%	90	87	-3.3%

Q4 sales bridge yoy [€ m]				
Q4 2014	Price	Volume	Currency	Portfolio
444	-11%	7%	3%	0%

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

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

[€ m]	Q4 2014	Q4 2015	Δ	FY 2014	FY 2015	Δ
Sales	466	475	1.9%	1,989	2,085	4.8%
EBIT	6	15	>100%	156	225	44.2%
Depr. / Amort.	21	23	9.5%	82	88	7.3%
EBITDA pre exceptionals	45	43	-4.4%	269	326	21.2%
Margin	9.7%	9.1%		13.5%	15.6%	
Capex	37	65	75.7%	71	139	95.8%

Q4 sales bridge yoy [€ m]				
Q4 2014	Price	Volume	Currency	Portfolio
466	-1%	-3%	6%	0%
(approximate numbers)				
Q4 2015	475			

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

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

[€ m]	Q4 2014	Q4 2015
Profit before tax	-107	42
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
Operating cash flow before changes in WC	1	96
Changes in working capital	408	254
Operating cash flow	409	350
Investing cash flow	-91	-234
thereof capex	-240	-205
Financing cash flow	-175	-101

Working capital reduction drove cash flow development in Q4

- 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

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Balance sheet further strengthened

[€ m]	Dec 2014	Dec 2015
Total assets	7,250	7,219
Equity	2,161	2,323
Equity ratio	30%	32%
Net financial debt	1,336	1,211
Near cash, cash & cash equivalents	518	466
Pension provisions	1,290	1,215
ROCE¹	7.9%	8.4%
Net working capital	1,600	1,526
Net working capital/sales ¹	20%	19%
DIO (in days) ²	79	84
DSO (in days) ³	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

¹ Based on last twelve months for EBIT pre or sales

² Days of inventory outstanding calculated from quarterly COGS

³ Days of sales outstanding calculated from quarterly sales

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Appendix

Housekeeping items

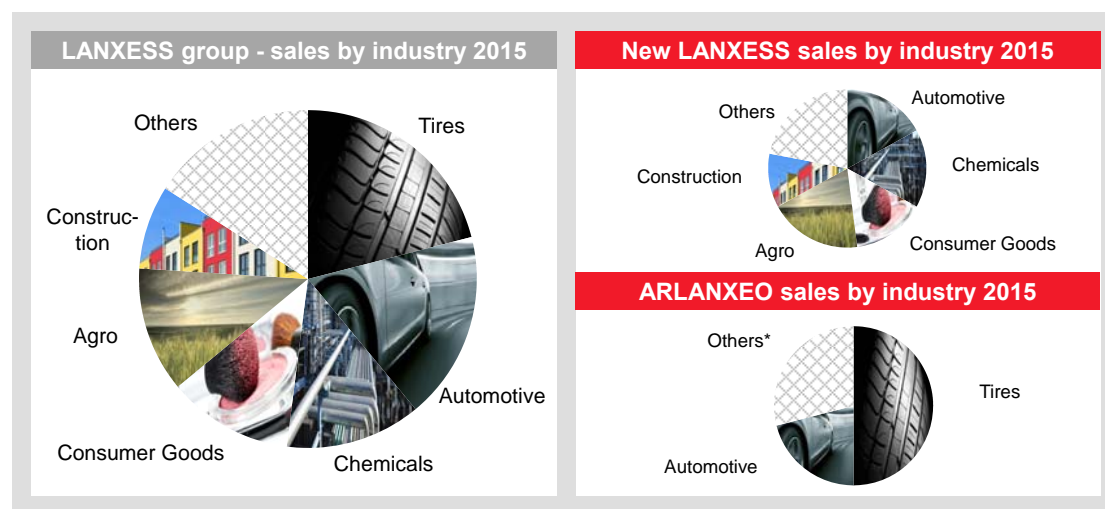
Additional financial expectations

- 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



* Amongst other consumer, chemicals, construction

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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 ¹	0.09	-0.16	<100%
Capex	240	205	-14.6%
Free Cash Flow ²	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%

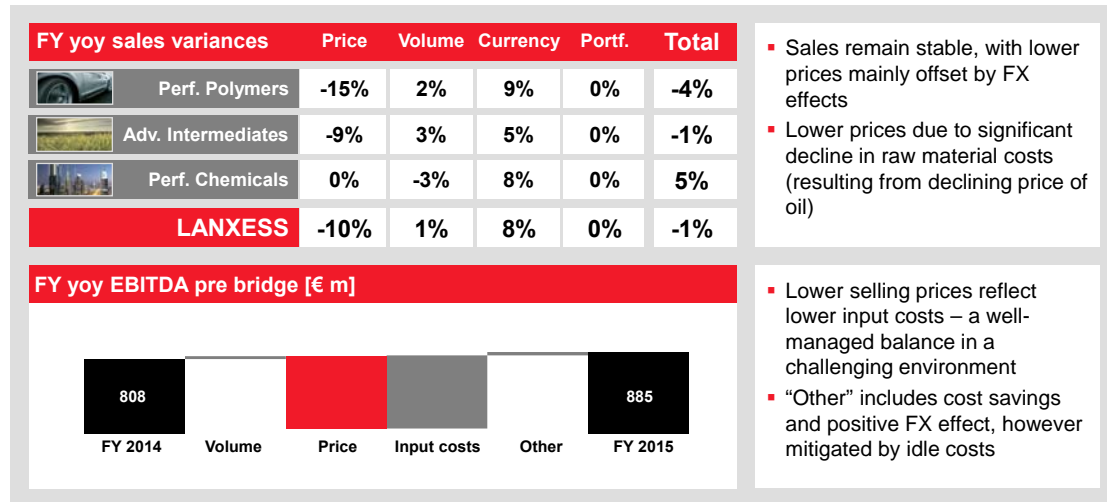
- Lower sales with lower selling prices (driven by raw materials) mitigated by positive FX effect
- EBITDA decreases marginally, with slightly improved profitability
- Net financial debt clearly reduced, with contributions from positive free cash flow
- Number of employees down mainly due to realignment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

¹ Net of exceptionals, using the local tax rate applicable where the expenses were incurred
² Operating cash flow minus capex

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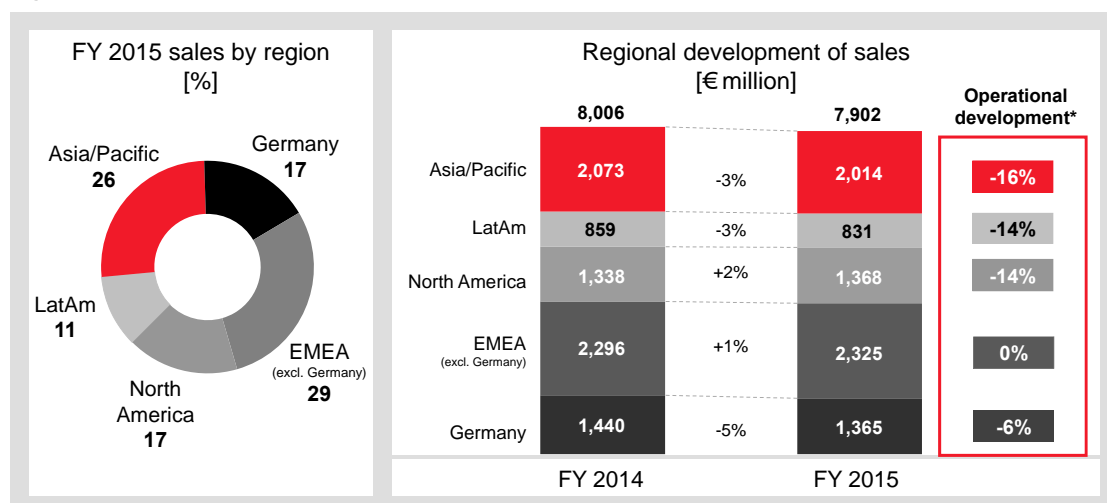
FY 2015: A well-managed year – stable sales with increased earnings



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

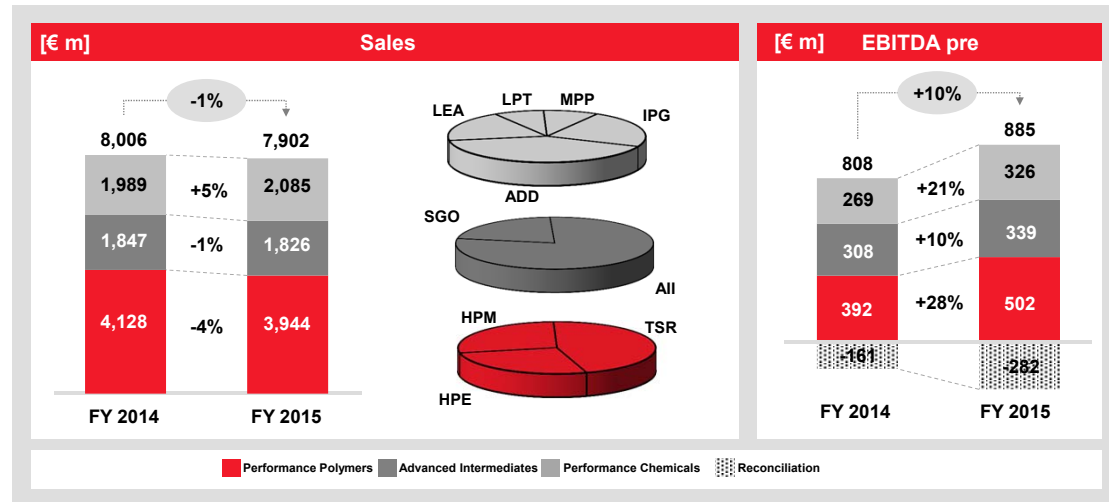


* Currency and portfolio adjusted

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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

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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"> Sales remain nearly stable as negative prices are offset by positive FX effects and volumes Cost of sales decrease mainly due to lower raw material costs Overhead costs base reduced, but selling costs were negatively impacted by FX effect and higher volumes, and G&A by extraordinary D&A Higher profitability and reduced exceptional items support net income and EPS EBITDA and margin improved
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%	
EBIT	218 (3%)	415 (5%)	90%	
Net Income	47 (1%)	165 (2%)	>100%	
EPS	0.53	1.80	>100%	
EPS pre ¹	1.98	1.80	-9%	
EBITDA	644 (8%)	833 (11%)	29%	
thereof exceptionals	-164 (2%)	-52 (1%)	-68%	
EBITDA pre exceptionals	808 (10.1%)	885 (11.2%)	9.5%	

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

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

[€ m]	FY 2014	FY 2015	
Profit before tax	80	288	
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	
Operating cash flow before changes in WC	650	599	
Changes in working capital	147	93	
Operating cash flow	797	692	
Investing cash flow	-587	-400	
thereof capex	-614	-434	
Financing cash flow	-222	-333	

- 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

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Balance sheet strengthened

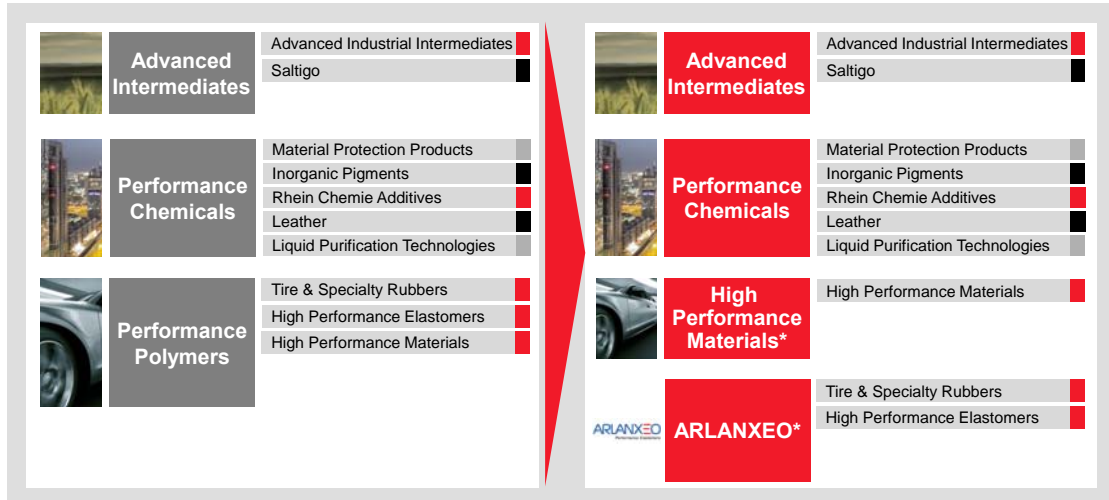
[€ m]	Dec'14	Jun'15	Dec'15		Dec'14	Jun'15	Dec'15
Non-current assets	4,101	4,109	4,180	Stockholders' equity	2,161	2,288	2,323
Intangible assets	320	313	300	Non-current liabilities	3,447	3,503	2,936
Property, plant & equipment	3,333	3,359	3,447	Pension & post empl. provis.	1,290	1,292	1,215
Equity investments	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
Current assets	3,149	3,313	3,039	Current liabilities	1,642	1,631	1,960
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
Total assets	7,250	7,422	7,219	Total equity & liabilities	7,250	7,422	7,219

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

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A lean business organization



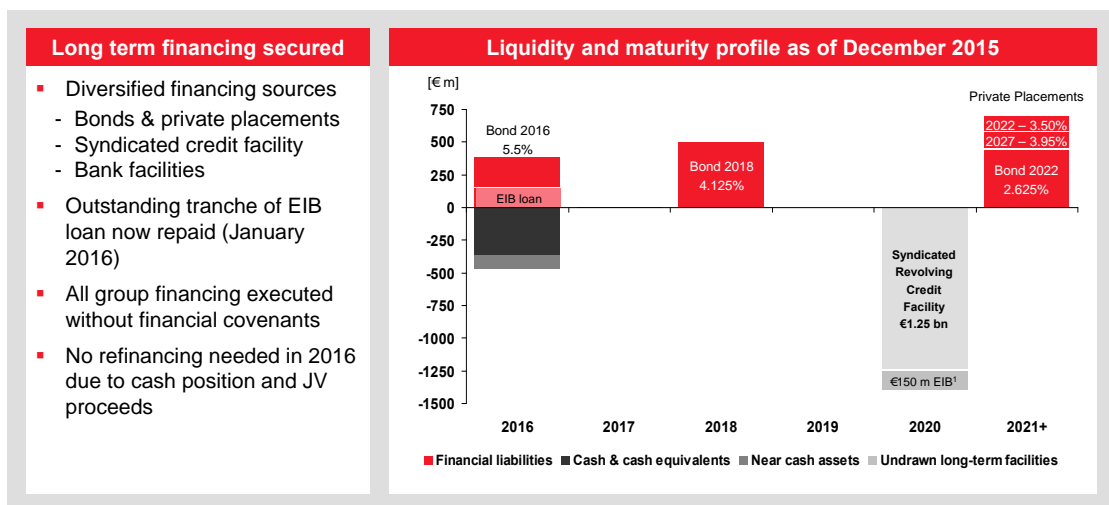
* Future reporting structure – ARLANXEO to be fully consolidated for the first three years

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

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A well-managed and conservative maturity profile



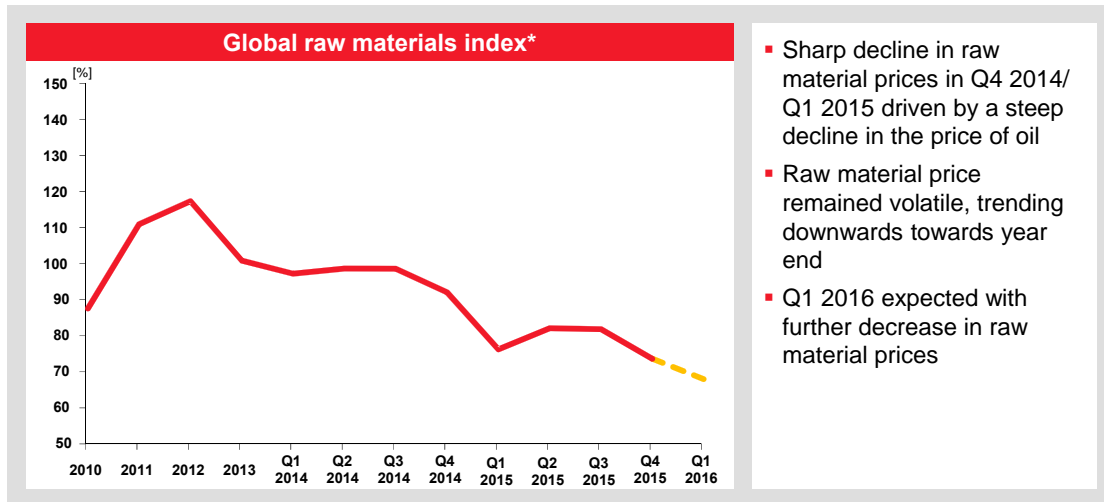
EIB = European Investment Bank

¹ Final maturity of EIB facility in case of utilization earliest in 2020; EIB facility currently undrawn

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High volatility in raw material prices



* Source: LANXESS, average 2013 = 100%

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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
Total	111	19	-46	-56	184	20	7	-45

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

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Abbreviations

Performance Polymers		Performance Chemicals	
▪ TSR	Tire & Specialty Rubbers	▪ ADD	Rhein Chemie Additives
▪ HPE	High Performance Elastomers	▪ IPG	Inorganic Pigments
▪ HPM	High Performance Materials	▪ LEA	Leather
		▪ MPP	Material Protection Products
		▪ LPT	Liquid Purification Technologies
Advanced Intermediates			
▪ All	Advanced Industrial Intermediates		
▪ SGO	Saltigo		

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Upcoming events 2016

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

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