



# FY 2016 Roadshow

## Transformation gains traction

Michael Pontzen, CFO



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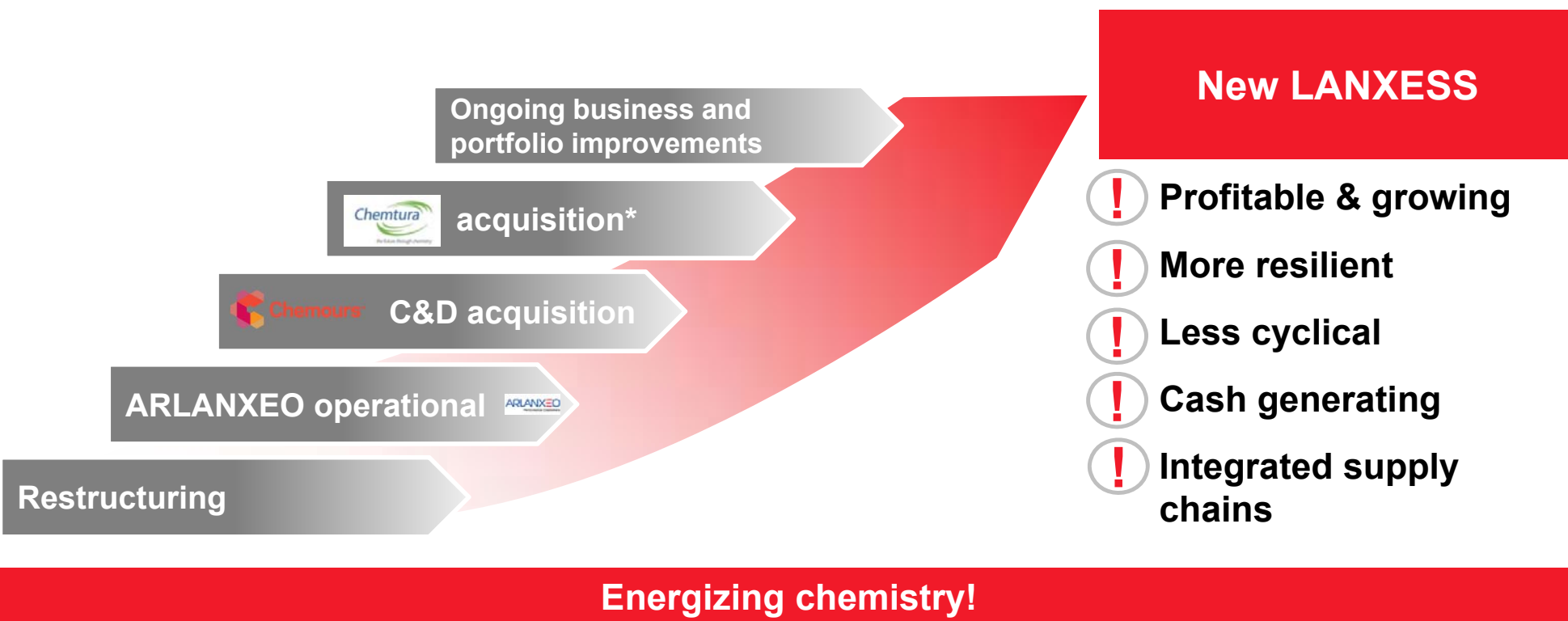
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# Agenda

- **Building a more resilient New LANXESS**
- Q4 2016 and guidance – Transformation gains traction
- Backup

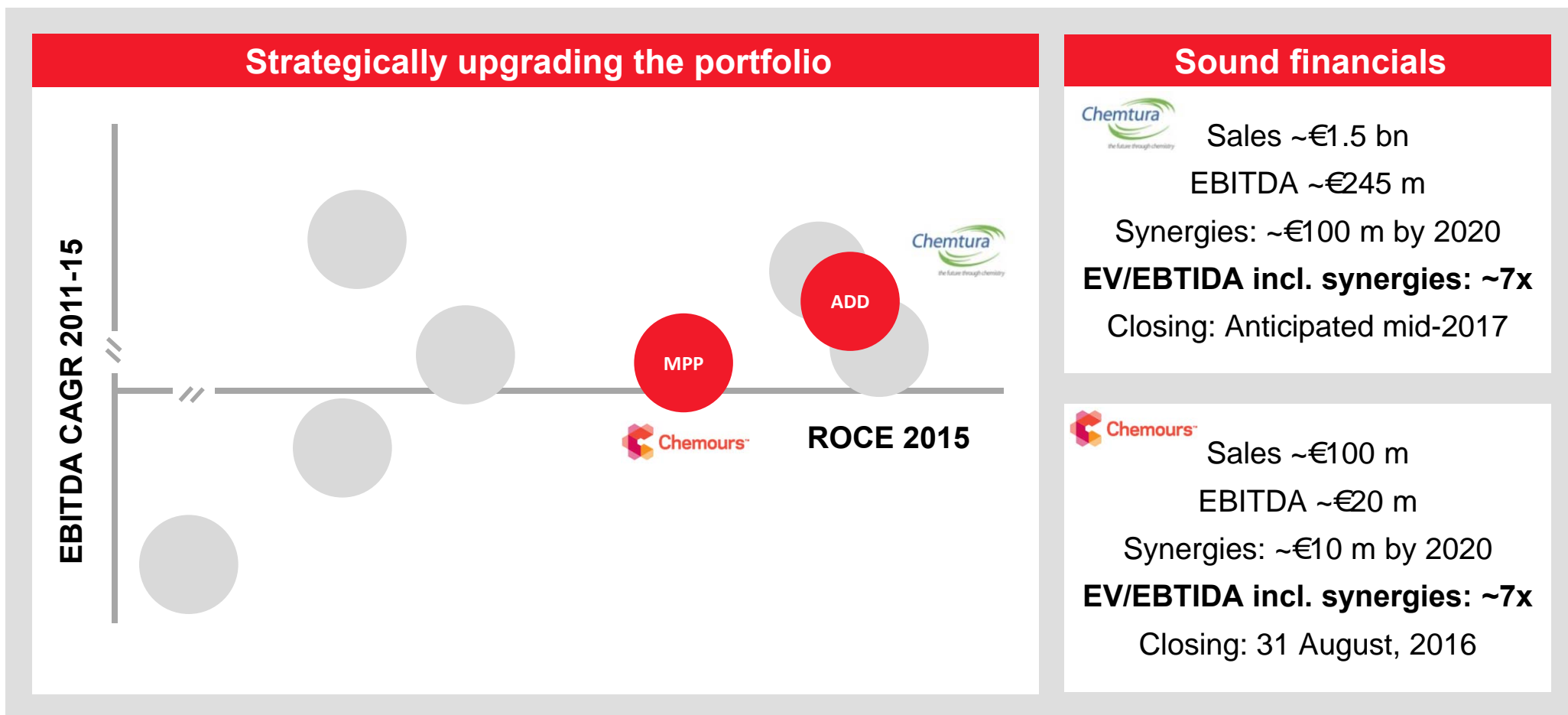
# On track to change the company into the New LANXESS

## Our path towards the New LANXESS



\* Closing expected mid-2017

# 2 out of 8 business units have already been upgraded through strategic portfolio management

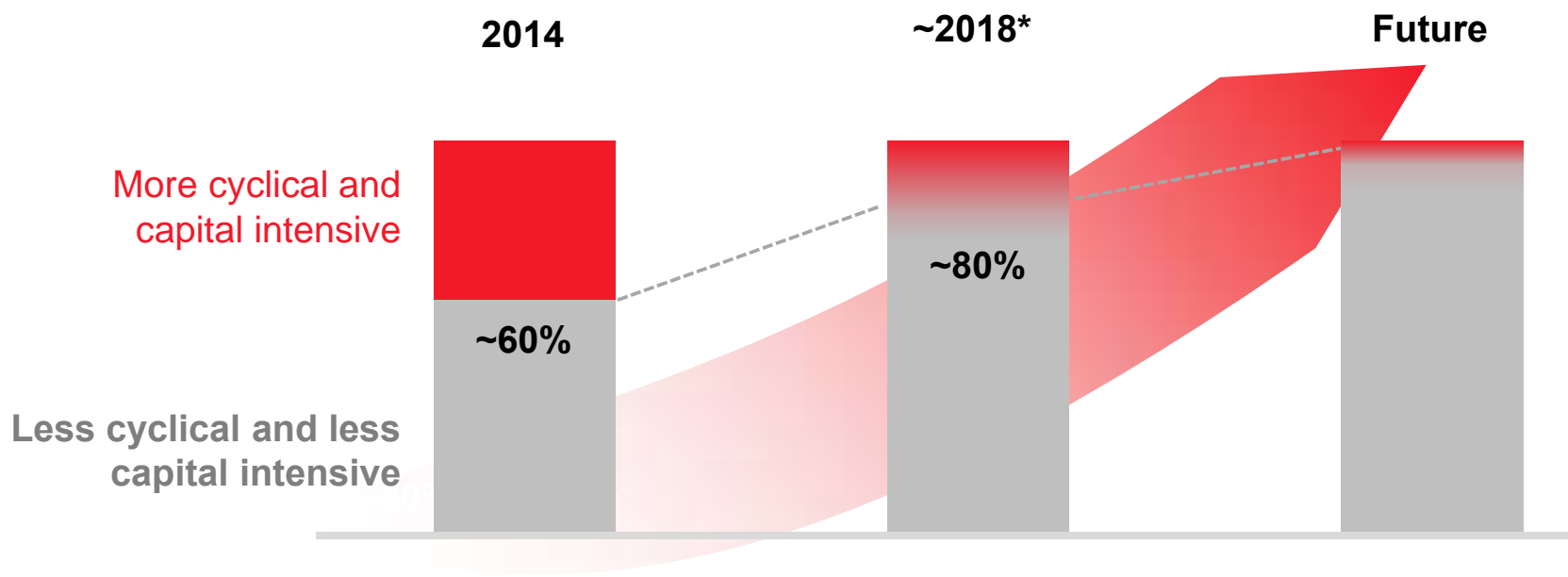


Sales and EBITDA are based on Q2 2016 LTM, USD/EUR 1.10

# Progressing strategic shift to lower cyclicity paired with higher cash generation

## Significant improvement of portfolio set-up

EBITDA pre contribution





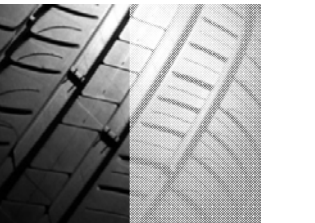


## LANXESS turns into a more stable and less cyclical company

\* Indicative, including Chemtura - Closing of Chemtura transaction anticipated mid-2017

# A more diversified and balanced portfolio

## Well balanced business set-up

<p><b>Sales [€]</b></p>	<p>~2.0 bn</p> <p><b>Advanced Intermediates</b></p> 	<p>~2.0 bn</p> <p><b>Specialty Additives**</b></p> 	<p>~1.5 bn</p> <p><b>Engineering Materials</b></p> 	<p>~1.5 bn</p> <p><b>Performance Chemicals</b></p> 	<p>~3 bn</p> <p><b>ARLANXEO*</b> joint venture for synthetic rubber</p> 
<p><b>Key strategic rationale</b></p>	<p>Building a global and resilient intermediates player</p>	<p>Creating a major, global additives business</p>	<p>Building an integrated engineering plastics player</p>	<p>Building a specialty division</p>	<p>Market leading in production and marketing of synthetic rubber</p>

\* ARLANXEO to be fully consolidated for the first three years (as of April 1, 2016)

\*\* Future reporting structure after closing of Chemtura acquisition

# A better end market exposure

## LANXESS in 2015

End market split by sales



## New LANXESS ~2017

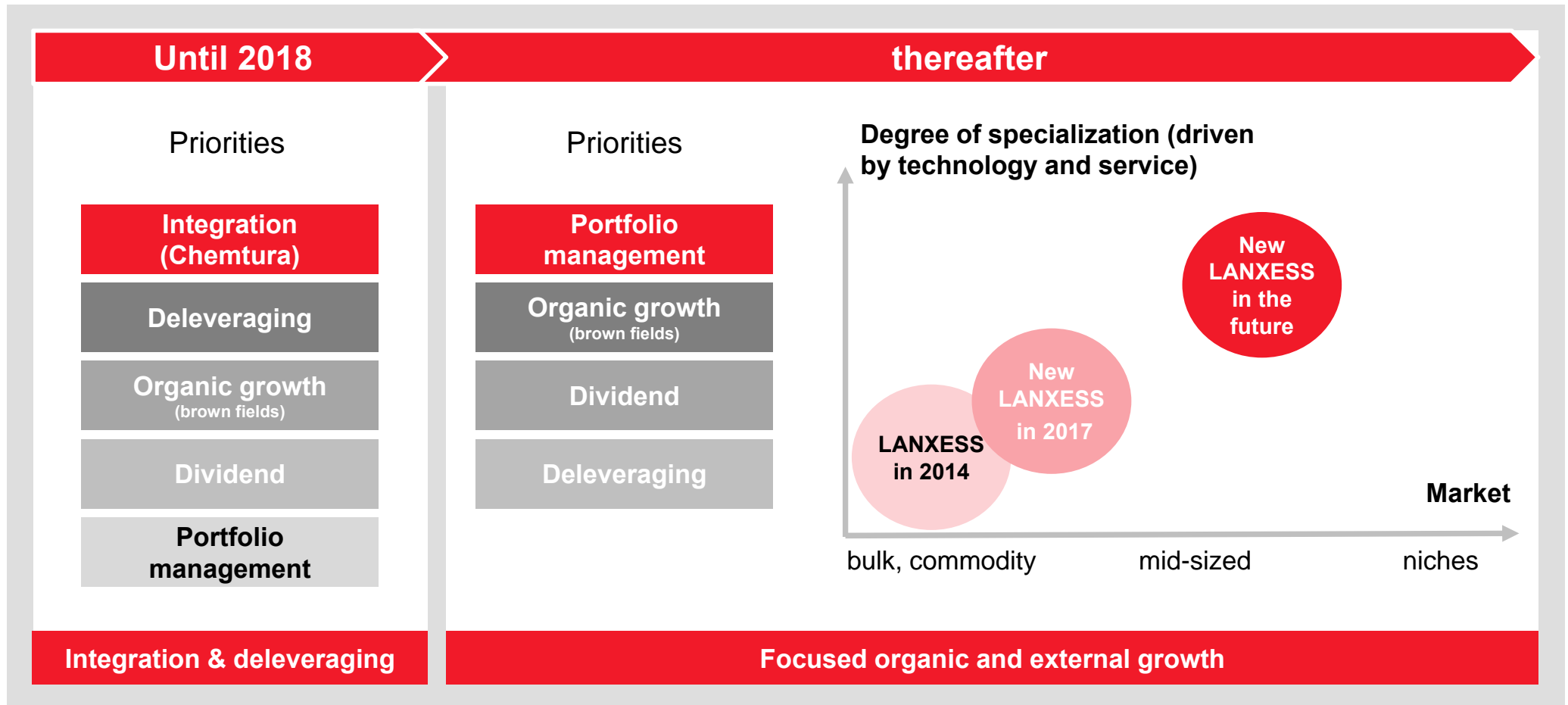
End market split by sales excl. ARLANXEO and incl. Chemtura



**More diversified and resilient**



# Progressing very focused



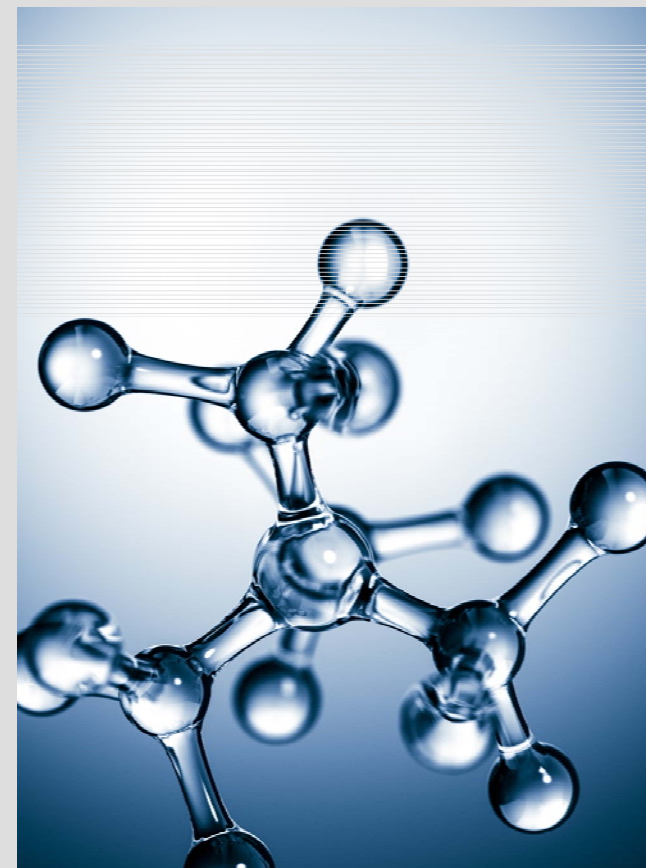
# Building on our core strength

**New LANXESS with strong foundation**

**Clear and prudent criteria for growth**

**Attractive organic and inorganic growth opportunities**





**Building a more resilient and cash generating company**



# Agenda

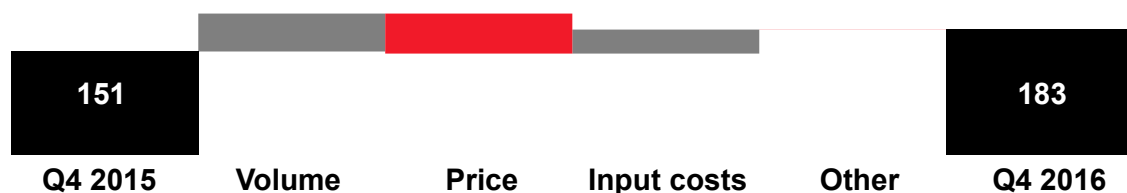
- Building a more resilient New LANXESS
- **Q4 2016 and guidance – Transformation gains traction**
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# Q4 2016: Volume driven earnings growth

Q4 yoy sales variances		Price	Volume	Currency	Portfolio	Total
	Adv. Intermediates	-3%	-6%	0%	-	-9%
	Perf. Chemicals	-1%	+7%	1%	+4%	+11%
	High Perf. Materials	-8%	+13%	0%	-	+5%
	ARLANXEO	-3%	+15%	1%	-	+13%
<b>LANXESS</b>		<b>-3%</b>	<b>+8%</b>	<b>+1%</b>	<b>+1%</b>	<b>+6%</b>

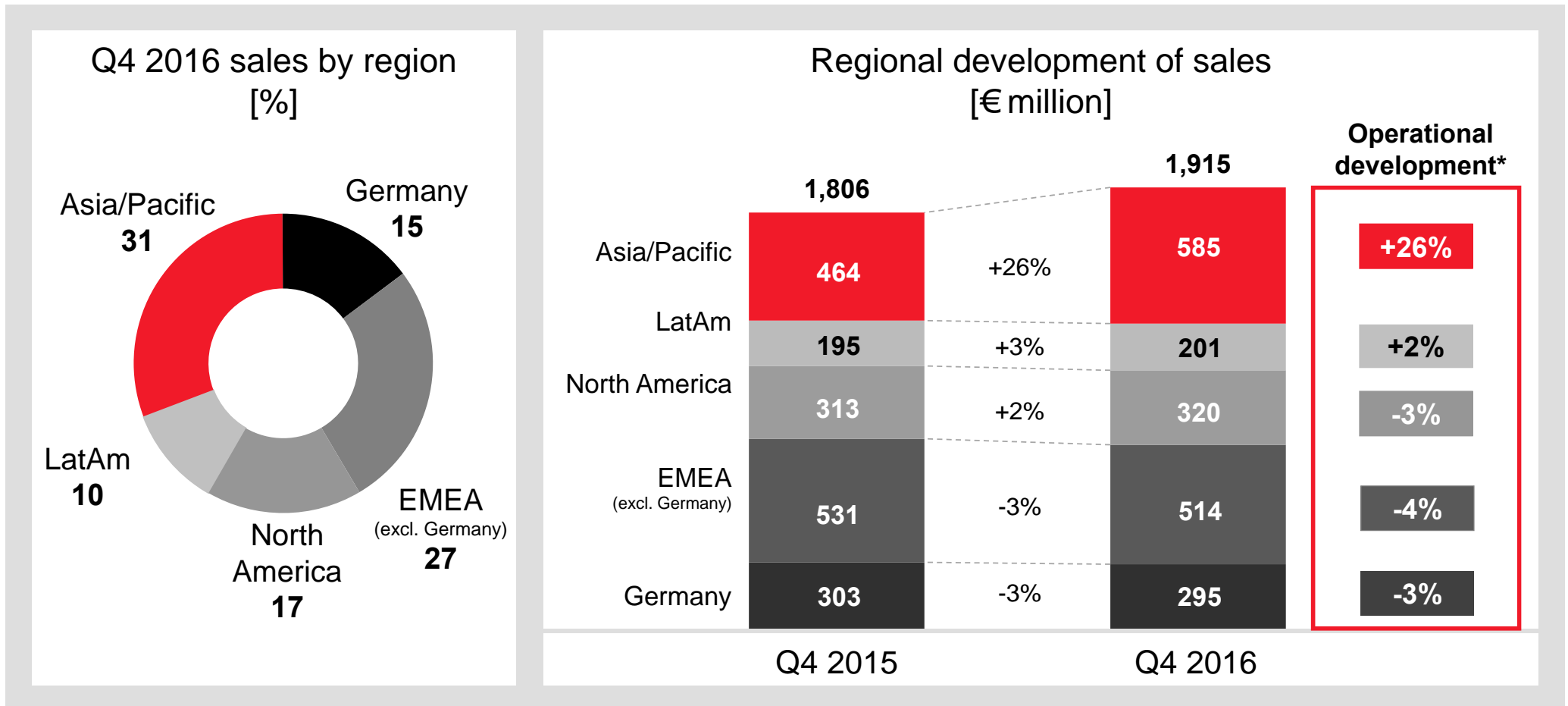
- Lower prices reflect mainly raw material cost pass-through
- Higher volumes due to unforeseen strong demand in Asia; weak agro markets impact Adv. Intermediates
- Positive portfolio effect from Chemours C&D acquisition

## Q4 yoy EBITDA pre bridge [€ m]



- Significant volume contribution
- Price/cost squeeze predominantly in some rubber grades in ARLANXEO
- “Other”: positive FX effects partly offset by ARLANXEO dissynergies and long-term variable compensation

# Q4 2016: Region Asia/Pacific with very strong sales increase



\* Currency and portfolio adjusted

## Q4 2016: Solid operating performance

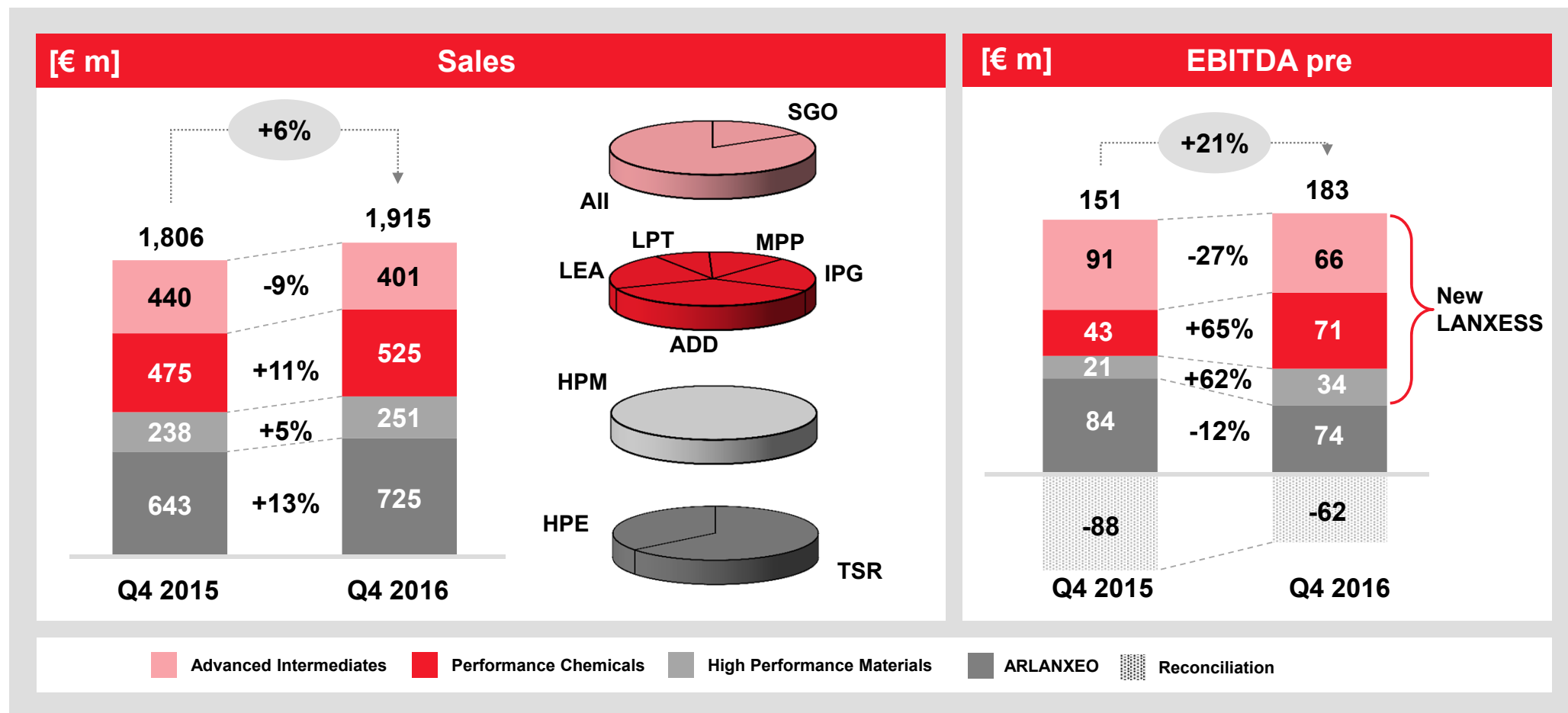
[€ m]	Q4 2015		Q4 2016		yoy in %	
Sales	1,806	(100%)	1,915	(100%)	6%	<ul style="list-style-type: none"> <li>▪ Sales increase mainly on strong volumes</li> <li>▪ Cost of sales increase; however stable gross margin with higher capacity utilization and savings compensating for price pressure in some rubber types</li> <li>▪ Selling expenses rise with volume increase; overhead line items impacted among others** by portfolio effects</li> <li>▪ EBIT declined due to absence of positive one-offs (€56 m write-backs in Q4`15)</li> </ul>
Cost of sales	-1,441	(80%)	-1,545	(81%)	-7%	
Selling	-186	(10%)	-204	(11%)	-10%	
G&A	-82	(5%)	-91	(5%)	-11%	
R&D	-32	(2%)	-35	(2%)	-9%	
<b>EBIT</b>	<b>71</b>	<b>(4%)</b>	<b>35</b>	<b>(2%)</b>	<b>-51%</b>	
Non-controlling interests	3		-3	(0%)	<-100%	
<b>Net Income</b>	<b>15</b>	<b>(1%)</b>	<b>2</b>	<b>(0%)</b>	<b>-87%</b>	
<b>EPS pre*</b>	<b>-0.11</b>		<b>0.24</b>		<b>&gt;100 %</b>	
EBITDA	141	(8%)	162	(8%)	15%	
thereof exceptionals	-10	(1%)	-21	(1%)	>100%	
<b>EBITDA pre exceptionals</b>	<b>151</b>	<b>(8.4%)</b>	<b>183</b>	<b>(9.6%)</b>	<b>21%</b>	

**Volume increase drives EBITDA**

\* net of exceptionals and amortization of intangible assets as well as attributable tax effects

\*\* ARLANXEO dissynergies and long-term compensation

# Q4 2016: A mixed picture



Total group sales including reconciliation

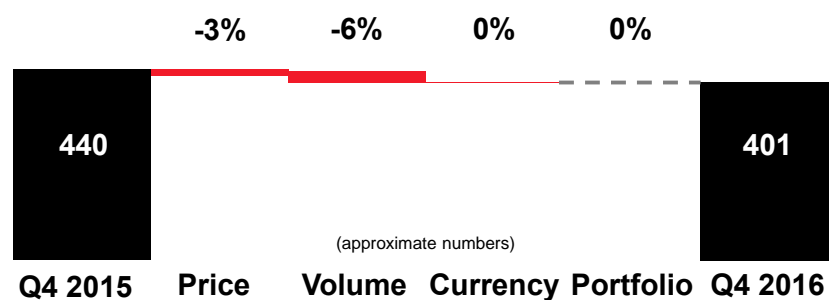
# Advanced Intermediates: Agro weakness impacted Q4 as expected

[€ m]	Q4 2015	Q4 2016	Δ
Sales	440	401	-8.9%
EBIT	85	39	-54.1%
Depr. / Amort.	6	29	>100%
<b>EBITDA pre exceptionals</b>	<b>91</b>	<b>66</b>	<b>-27.5%</b>
Margin	20.7%	16.5%	
Capex	37	62	67.6%

FY 2015	FY 2016	Δ
1,826	1,742	-4.6%
258	223	-13.6%
80	105	31.3%
<b>339</b>	<b>326</b>	<b>-3.8%</b>
18.6%	18.7%	
87	123	41.4%



## Q4 sales bridge yoy [€ m]



## Q4 yoy effects

- Pricing reflects raw material costs pass-through
- Volumes significantly lower mainly due to high prior-year base; BU SGO with weak demand from agro customers
- EBITDA pre impacted by lower volumes; unusually high prior-year base
- Capex increased due to growth investment in BU Saltigo
- Depreciation back at normal level (Q4 2015 incl. €19 m write-back)



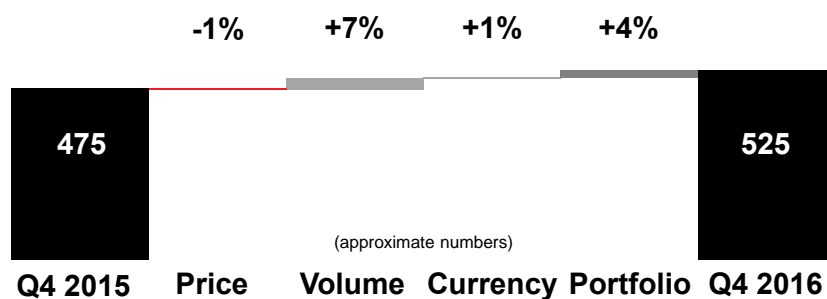
# Performance Chemicals: Strong volume growth in Q4

[€ m]	Q4 2015	Q4 2016	Δ
Sales	475	525	10.5%
EBIT	15	42	>100%
Depr. / Amort.	23	26	13.0%
<b>EBITDA pre exceptionals</b>	<b>43</b>	<b>71</b>	<b>65.1%</b>
Margin	9.1%	13.5%	
Capex	65	48	-26.2%

	FY 2015	FY 2016	Δ
Sales	2,085	2,142	2.7%
EBIT	225	277	23.1%
Depr. / Amort.	88	94	6.8%
<b>EBITDA pre exceptionals</b>	<b>326</b>	<b>374</b>	<b>14.7%</b>
Margin	15.6%	17.5%	
Capex	139	118	-15.1%



## Q4 sales bridge yoy [€ m]



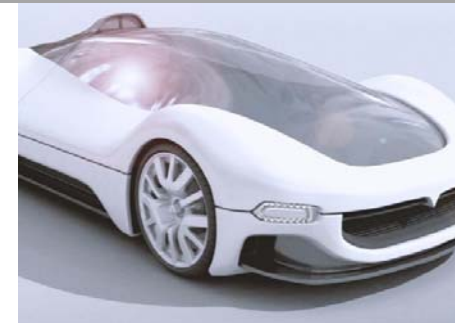
## Q4 yoy effects

- Minor price effects across all BUs
- Strong volume growth in nearly all BUs supported by less pronounced seasonality
- EBITDA pre and margin benefitted from volume growth, lower idle costs and better product mix
- Capex reduced from 2015 level (BU IPG China greenfield investment completed)

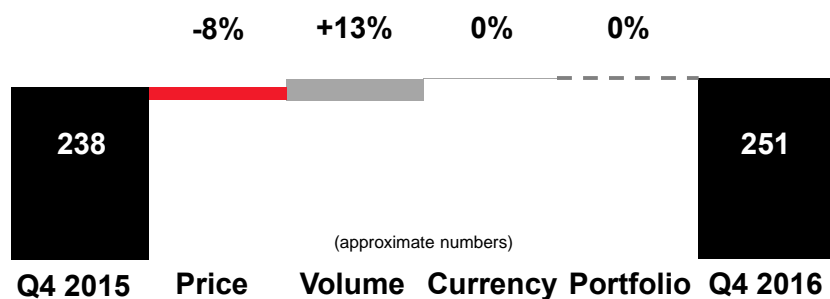
# High Performance Materials: Higher volumes and improved product mix drive earnings

[€ m]	Q4 2015	Q4 2016	Δ
Sales	238	251	5.5%
EBIT	9	22	>100%
Depr. / Amort.	12	12	0.0%
<b>EBITDA pre exceptionals</b>	<b>21</b>	<b>34</b>	<b>61.9%</b>
Margin	8.8%	13.5%	
Capex	24	31	29.2%

	FY 2015	FY 2016	Δ
Sales	1,085	1,056	-2.7%
EBIT	85	114	34.1%
Depr. / Amort.	46	45	-2.2%
<b>EBITDA pre exceptionals</b>	<b>111</b>	<b>159</b>	<b>43.2%</b>
Margin	10.2%	15.1%	
Capex	39	46	17.9%



## Q4 sales bridge yoy [€ m]



## Q4 yoy effects

- Lower selling prices reflect raw material cost changes
- Strong volume growth in engineering plastics due to high automotive demand mainly in Asia
- EBITDA pre benefits from strong volume increase (ramp up of new compounding facility in Gastonia, US) and positive product mix effect
- Capex increase reflects investments in efficiency enhancing measures

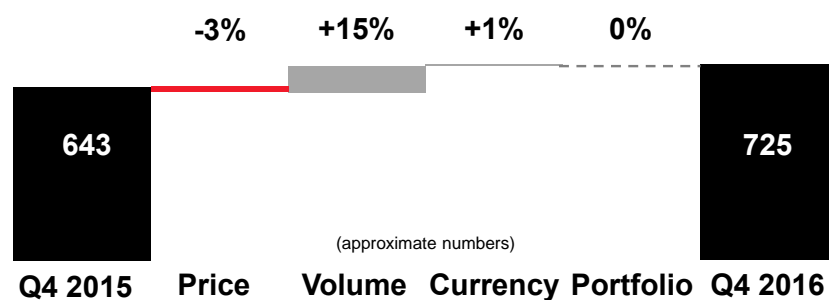
# ARLANXEO: Substantial volume growth but continuing margin pressure

[€ m]	Q4 2015	Q4 2016	Δ
Sales	643	725	12.8%
EBIT	65	21	-67.7%
Depr. / Amort.	18	55	>100%
<b>EBITDA pre exceptionals</b>	<b>84</b>	<b>74</b>	<b>-11.9%</b>
Margin	13.1%	10.2%	
Capex	64	66	+3.1%

	FY 2015	FY 2016	Δ
	2,859	2,710	-5.2%
	195	155	-20.5%
	181	220	21.5%
	<b>391</b>	<b>373</b>	<b>-4.6%</b>
	13.7%	13.8%	
	<b>145</b>	<b>138</b>	<b>-4.8%</b>



## Q4 sales bridge yoy [€ m]



## Q4 yoy effects

- Lower selling prices due to persistent competitive price pressure in EPDM and butyl
- Substantial volume growth in both BUs on the back of strong demand in Asia
- EBITDA pre declines as price/cost squeeze over compensates positive volume effect
- Depreciation back at normal level (Q4 2015 incl. €37 m write-back)

## Q4 2016: Strong business activity offset by one-time effects

[€ m]	Q4 2015	Q4 2016
<b>Profit before tax</b>	<b>42</b>	<b>-2</b>
Depreciation & amortization	70	127
Financial (gains) losses	17	14
Cash tax payments/refunds	-28	-86
Changes in other assets and liabilities	-5	-52
<b>Operating cash flow before changes in WC</b>	<b>96</b>	<b>1</b>
Changes in working capital	254	156
<b>Operating cash flow</b>	<b>350</b>	<b>157</b>
<b>Investing cash flow</b>	<b>-234</b>	<b>-1,784</b>
Thereof capex	-205	-211
<b>Financing cash flow</b>	<b>-101</b>	<b>1,459</b>

- Depreciation back at normal level (Q4 '15 contained €56 m write-backs)
- Higher cash taxes due to timing pattern
- Changes in other assets and liabilities mainly due to hedging of intercompany financing
- Working capital release driven by higher payables following risen raw material prices
- Investing and financing cash flow mainly reflect issuance of new bonds (€1.5 bn in preparation of Chemtura acquisition)

# Balance sheet – Substantially improved and prepared for Chemtura acquisition

[€ m]	Dec 2015	Dec 2016
Total assets	7,219	9,877
Equity (incl. non-controlling interest)	2,323	3,728
<b>Equity ratio</b>	<b>32%</b>	<b>38%</b>
<b>Net financial debt</b> (after deduction of current financial assets)	<b>1,211</b>	<b>269</b>
Near cash, cash & cash equivalents	466	395
Pension provisions	1,215	1,249
<b>ROCE<sup>1</sup></b>	<b>8.4%</b>	<b>9.6%<sup>4</sup></b>
Net working capital	1,526	1,628
DSI (in days) <sup>2</sup>	67	67
DSO (in days) <sup>3</sup>	48	51

- Total assets higher with ARLANXEO-related increase in equity for non-controlling interest<sup>5</sup> and financing in preparation of Chemtura acquisition
- Stable pension provisions despite lower discount rate (2.0% from 3.0% year end '15) due to €200 m funding in Q2 '16
- Rock solid balance sheet with very low net financial debt
- ROCE increased to ~9.6%<sup>4</sup>
- DSO increase reflects strong Q4 volume growth

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

<sup>2</sup> Days sales of inventory calculated from quarterly sales

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

<sup>4</sup> Adjusted for current financial assets

<sup>5</sup> On April 1, 2016, LANXESS placed 50% of its rubber business in a joint venture with Saudi Aramco, receiving in return ~€1.2 bn in cash

# Strong start to the year: Q1 2017 EBITDA pre expected ~20% above prior year

## Macro economics 2017

Similar trading pattern expected as in 2016

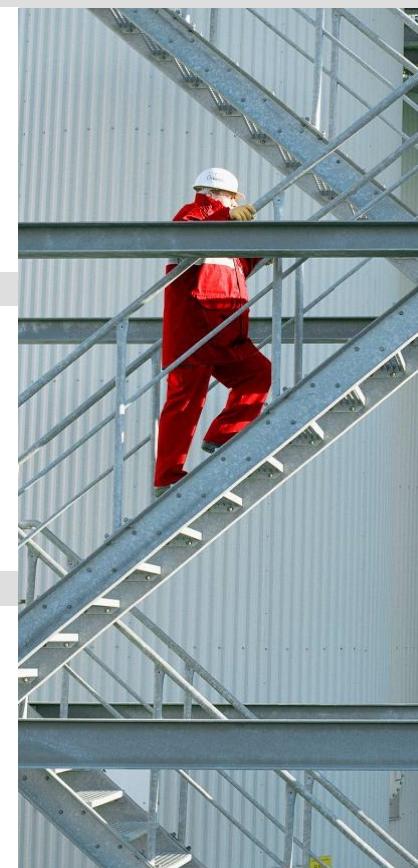
- U.S. and Europe with moderate growth
- Asia (especially China) expected to grow as strong as in 2016
- Latin America sees improvement against prior year

## LANXESS FY 2017

- EBITDA pre expected slightly above previous year  
– Chemtura comes on top

## LANXESS Q1 2017

- Q1 '17 EBITDA pre seen in a bandwidth of ~€300-320 m



All data excludes the contribution from the Chemtura acquisition; acquisition is subject to approval of relevant authorities  
At USD/EUR 1.10

# Agenda

- Building a more resilient New LANXESS
- Q4 2016 and guidance – Transformation gains traction
- **Backup**



**Backup**



# Housekeeping items

## Additional financial expectations

- Capex 2017: ~€450-500 m (thereof ~€150 m ARLANXEO)
- Operational D&A 2017: ~€480 m (thereof ~€220 m ARLANXEO)
- Reconciliation 2017: underlying exp. of ~€160 m EBITDA pre additionally hedging exp. expected ~€10 m
- Tax rate: mid-term: 30-35% (for New LANXESS)
- Dividend policy: Aiming for a rising or at least stable dividend



All data excludes the contribution from the Chemtura acquisition  
At USD/EUR 1.10

## Phase II: progressing faster – ~€20 m savings pulled forward from 2017 to 2016

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

~€20 m

Thereof ~€20 m  
already realized  
in 2016

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

# Details on synergies and one-time costs of Chemtura acquisition

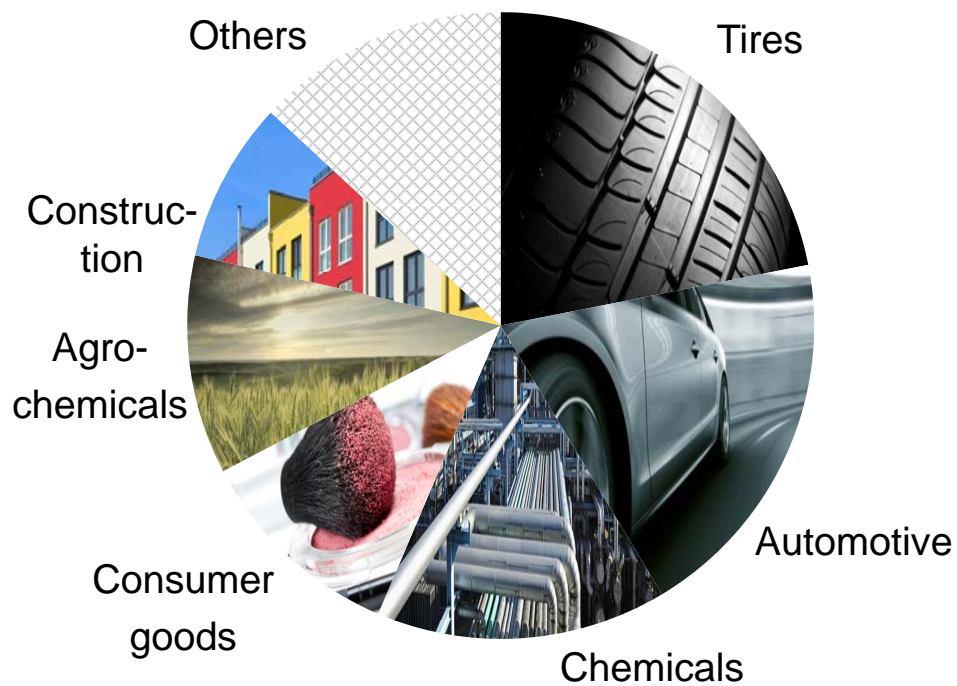
## Preliminary implementation schedule of Chemtura acquisition

	2016	2017	2018	2019	2020	Total
[€ m] Expense (one-time costs)*		~70	~30	~20	~20	~140
[€ m] Capex		~30	~10	~10		~50
[€ m] Synergies		~25	~25	~35	~15	~100

\* excluding ~€80 m transaction related costs (including cost of planned refinancing of target debt), which are considered in purchase price

# New LANXESS well diversified

LANXESS group - sales by industry 2016



New LANXESS sales by industry 2016








ARLANXEO sales by industry 2016



\* Amongst other consumer, chemicals, construction

# New LANXESS with strong ROCE

FY 2016	New LANXESS			ARLANXEO	Group
	 Advanced Intermediates	 Performance Chemicals			
EBITDA pre* margin	€326 m 19%	€374 m 17%	€159m 15%	€373 m 14%	€995 m 13%
ROCE	~15%			~5%	9.6%**

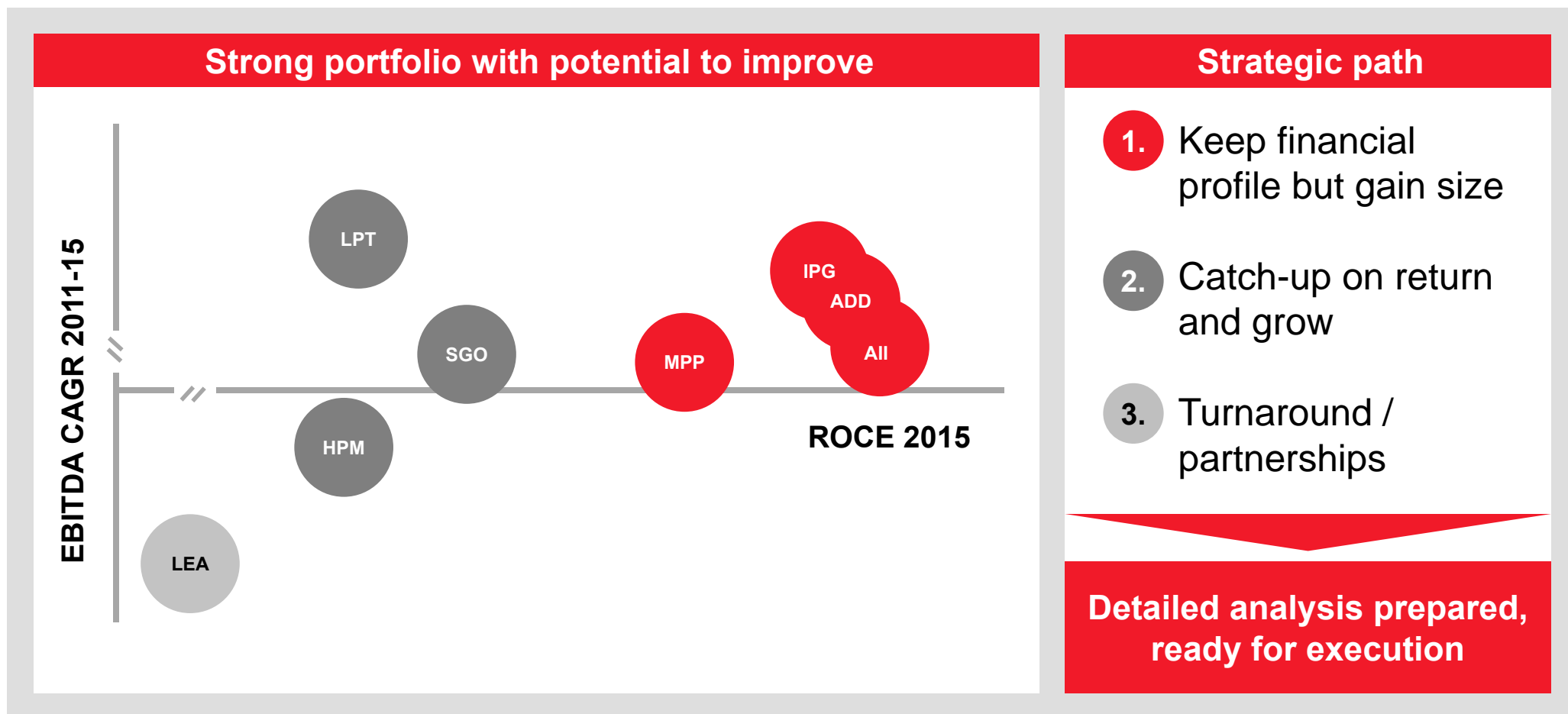
**A solid EBITDA contribution from all segments**

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

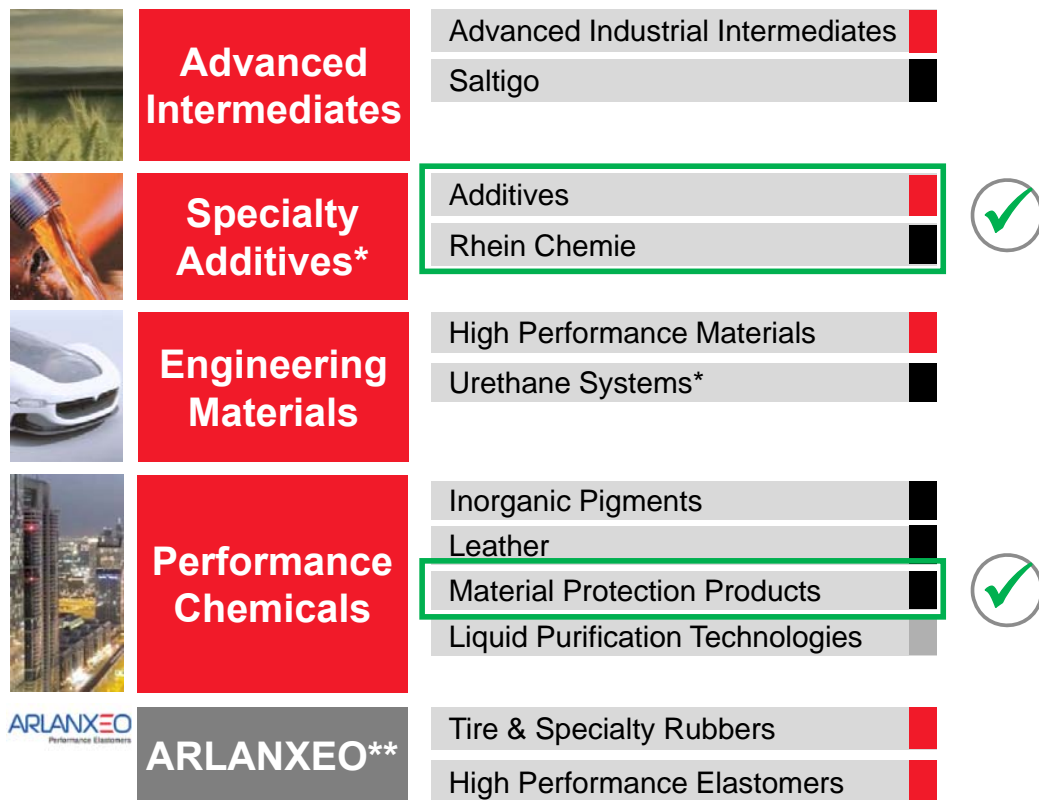
\* For segments: Operational EBITDA pre without allocation of hedging expenses

\*\* Adjusted for current financial assets

# Dedicated value maximizing strategy for each business unit



# Further potential for portfolio optimization



- First steps of portfolio optimization have been initiated in parts of LANXESS' portfolio
- Strategic directive for further portfolio optimization is already set

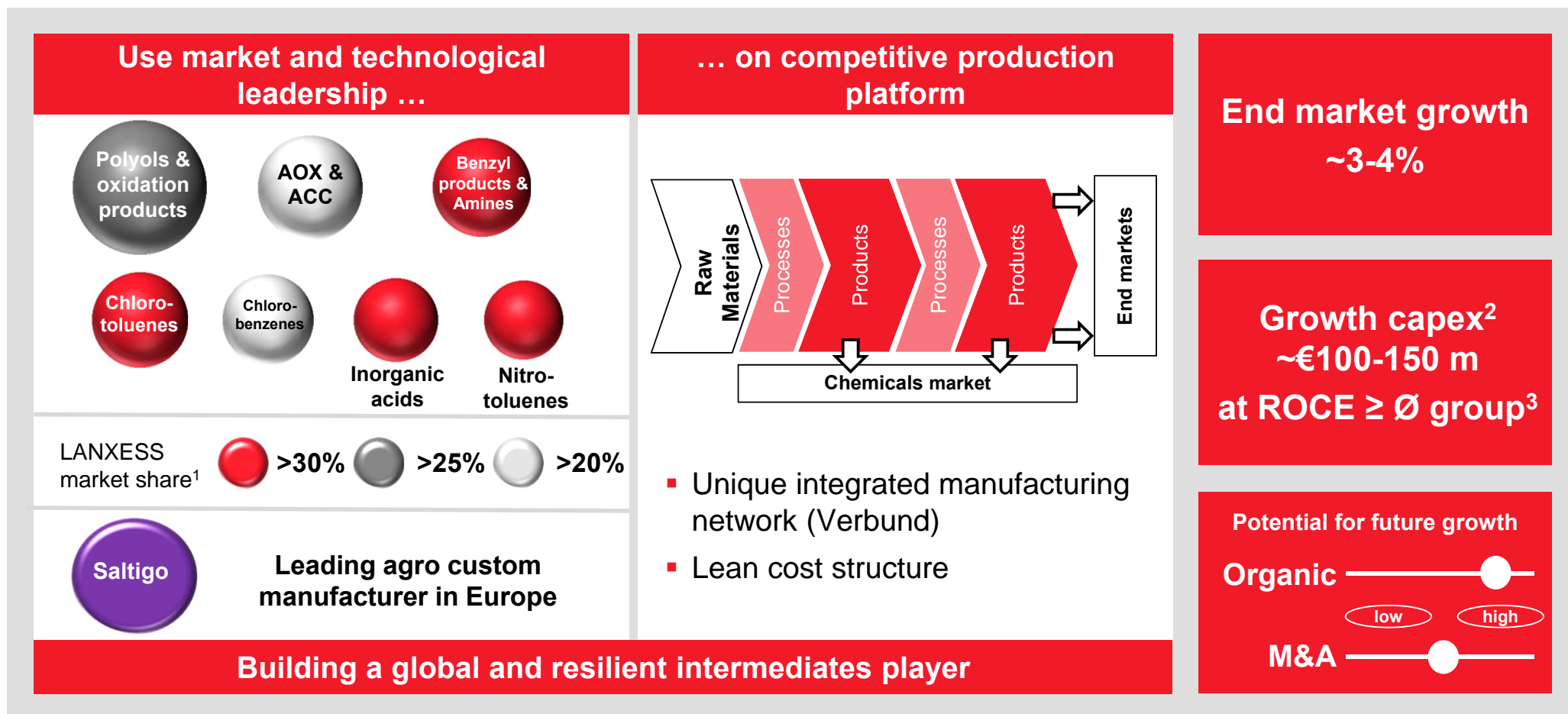
**Ongoing implementation**

\* Future reporting segment after planned acquisition of Chemtura

\*\* ARLANXEO fully consolidated by LANXESS for the first three years (as of April 1, 2016)

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

# Advanced Intermediates: Efficient, resilient, expandable



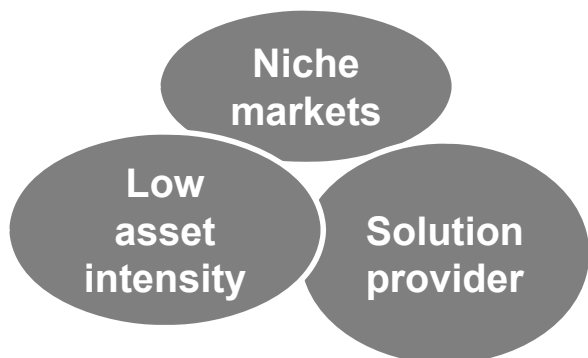
Bubble sizes represents sales

<sup>1</sup> By capacity; <sup>2</sup> Growth capex for the years 2016-2020; <sup>3</sup> Refers to New LANXESS



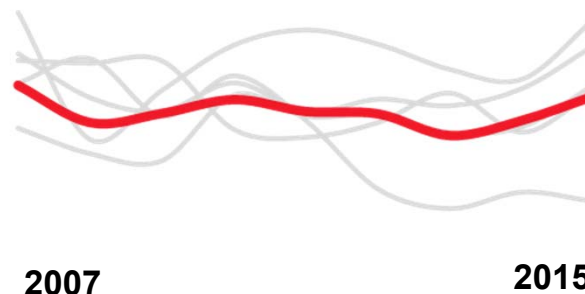
# Performance Chemicals: Making them shine

Leverage technology positions...



... and upgrade product mix further

Segment & BUs EBITDA margin



End market growth  
~3%

Growth capex\*  
~€100-150 m  
at ROCE ≥ Ø group\*\*

Additives



Pigments



Biocides



Leather



Water



Building a specialty division through organic and external growth

Potential for future growth

Organic

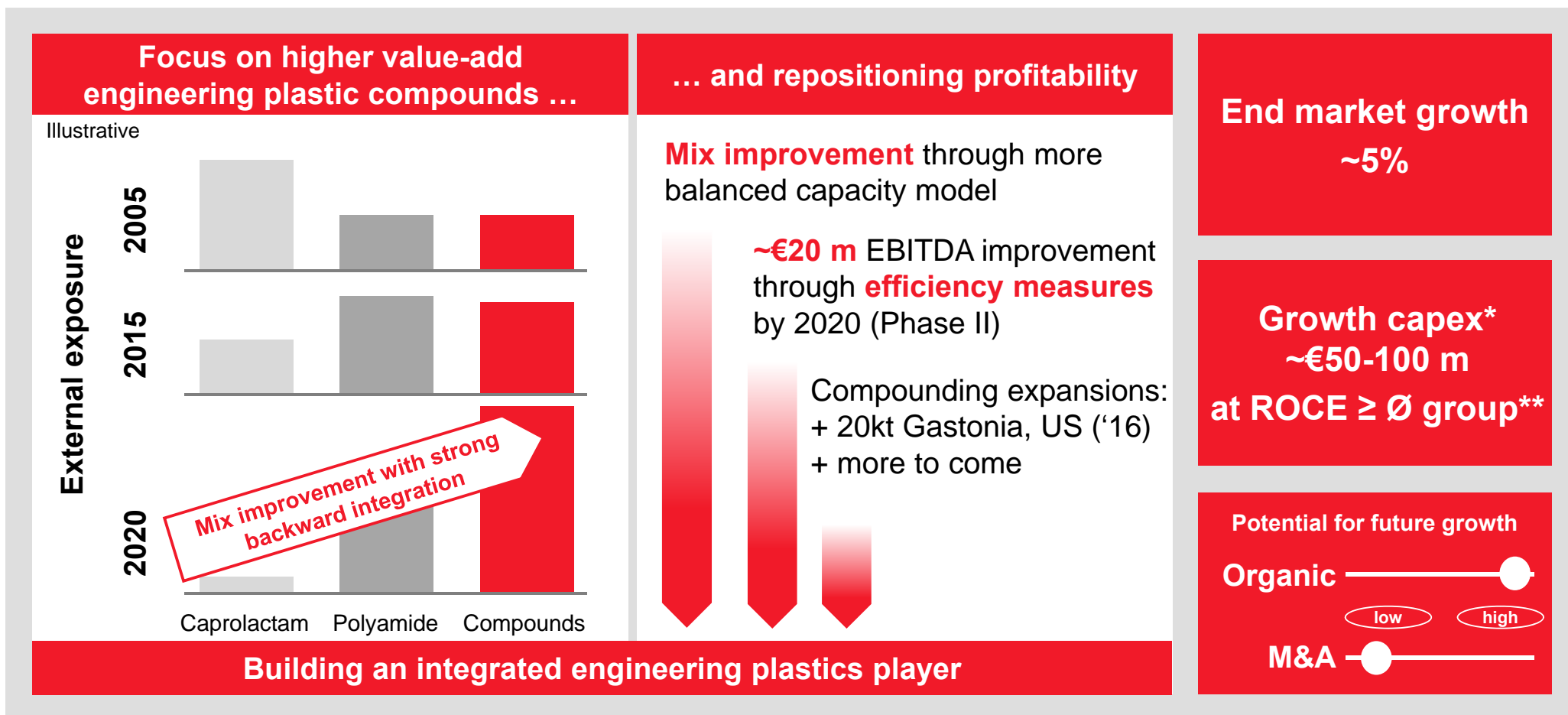
low high

M&A

\* Growth capex for the years 2016-2020

\*\* Refers to New LANXESS

# High Performance Materials: It's growth and mix



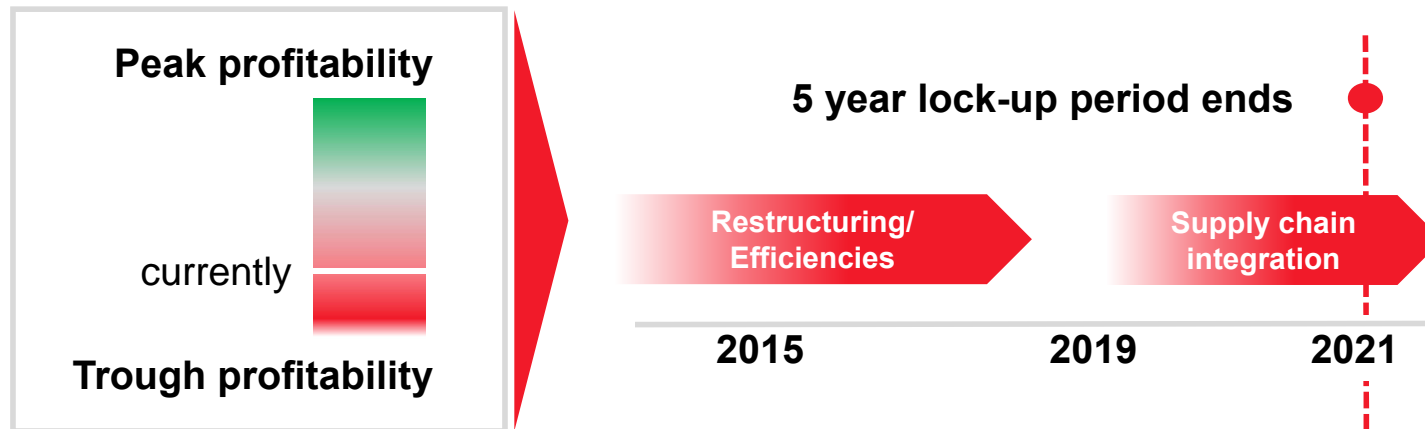
\* Growth capex for the years 2016-2020

\*\* Refers to New LANXESS

# And finally a few thoughts on ARLANXEO

## Excellent position through the strength of both partners

- Leadership position in most rubber types with global reach
- Leadership in quality and technology
- Improvement of production costs (restructuring and implementation of efficiency measures)
- Improvement of raw material access by building and integrating supply chains



End market growth  
~3-4%

Well invested asset  
base

Potential for future growth

Organic

M&A

low high

# Acquisition of Chemtura: Establishing a major global additives player



**A global, specialty chemical company  
operating in the attractive field of additives**

**Lubricant additives**



**Flame retardants**



- Sales ~€1.5 bn
- EBITDA adj. ~€245 m
- ~2,500 employees
- 20 sites in 11 countries

## **Rationale of acquisition:**

- Complementary additive businesses with significant synergies (~€100 m)
- Strengthening global presence and end market diversification
- Strengthening business risk profile

- Equity value ~€1.9 bn (\$33.50 per share)
- Net financial debt and pensions ~€500 m  
→ Enterprise value of ~€2.4 bn

**EV/EBITDA ~7x  
including synergies**

- Closing anticipated mid-2017

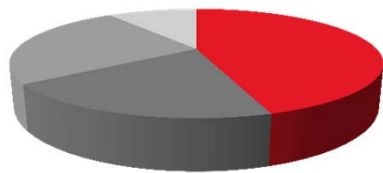
Sales and EBITDA are based on Q2 2016 LTM, USD/EUR 1.10

# Chemtura has a growing and profitable additives business with a strong US footprint



## A global, specialty chemical company\*

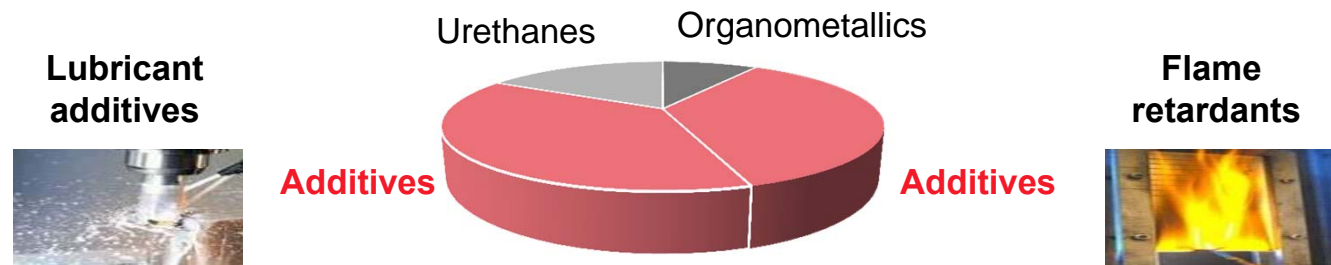
- Sales ~€1.5 bn
- EBITDA pre ~€245 m
- ~2,500 employees
- 20 sites in 11 countries



■ North America    ■ Europe  
■ Asia                    ■ Latin America

## Well established in lubricant additives and flame retardants

Sales split



## Key customer bases growing\*\*

Building & construction



~3.0%

Electrical & Electronics



~5.5%

Energy



~2.0%

Transportation



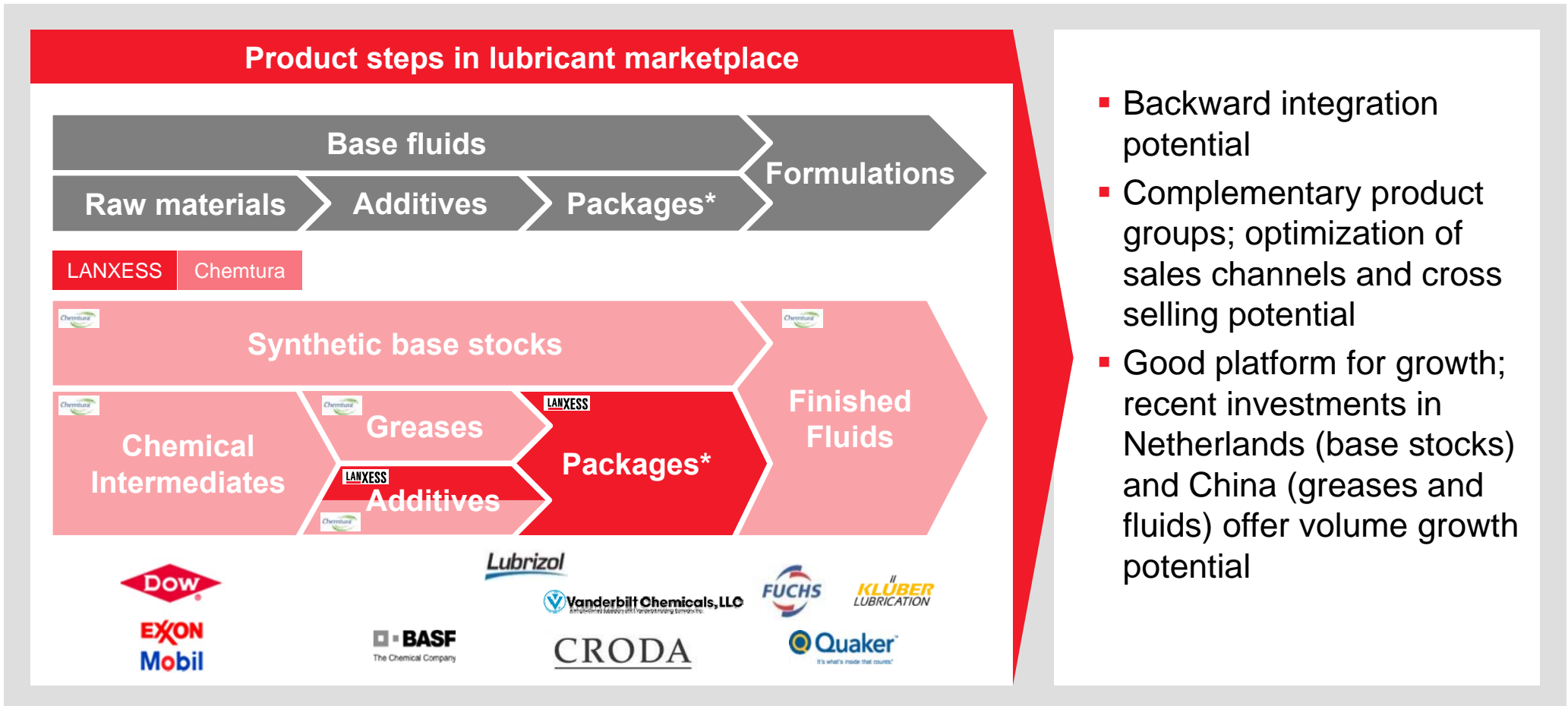
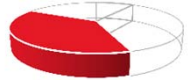
~3.5%

Sales and EBITDA are based on Q2 2016 LTM, USD/EUR 1.10

\* Listed at NYSE, Headquarters: Philadelphia, PA (US)

\*\*CAGR: 2016-2020 (based on IHS)

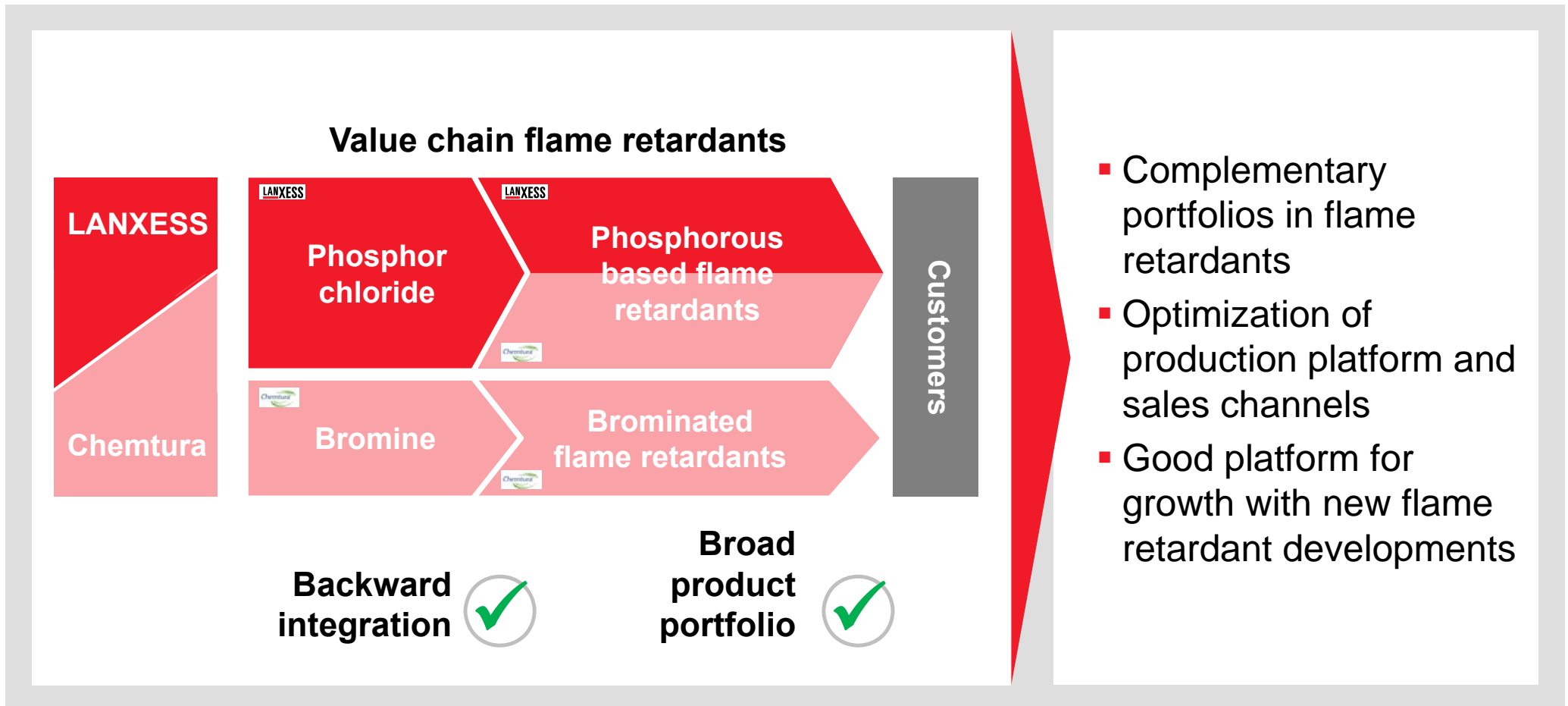
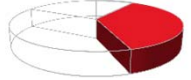
# Strengthened integrated value chain in lubricants and lubricant additives



- Backward integration potential
- Complementary product groups; optimization of sales channels and cross selling potential
- Good platform for growth; recent investments in Netherlands (base stocks) and China (greases and fluids) offer volume growth potential

\* Packages: technical term for formulations / mixtures of different additive components

# A strong platform and value proposition in the flame retardants business will be created



# Acquisition of highly attractive biocide and customer solution business – perfect fit for our BU Material Protection Products

## Chemours' Clean & Disinfect business

### Virkon™

- Globally #1 powder veterinary disinfectant
- Target market ~€500 m

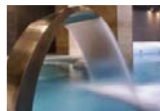
### Oxone™

- Globally #1 in monopersulfate
- Key ingredient for Virkon™ and sales in adjacent industries (e.g. pool & spa)

**Chlorine Dioxide** business for industrial water treatment



Animal health



Pool & spa



Human health



Electronics

Sales  
~€100 m\*

EBITDA  
~€20 m\*

Employees  
~170

Production  
3 sites

Significant expansion of high margin biocide business with attractive growth rates (3-6%)

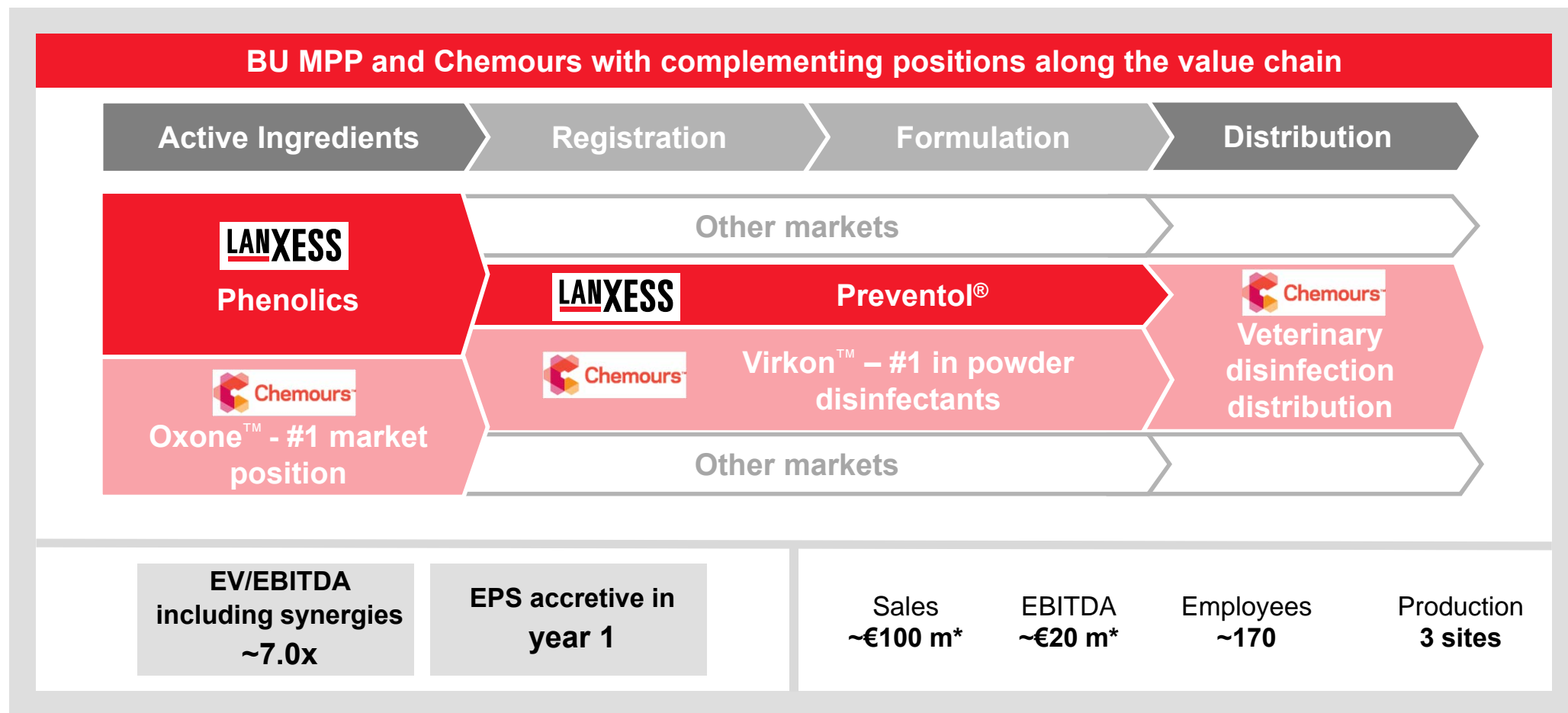
Market access into attractive niche veterinary disinfection market with potential of top-line synergies

Chemours' (formerly DuPont) business is the only backward integrated player

\* Financials FY 2015 pro forma pre exceptionals; FX: 1.10 USD/EUR







# Swift action on growth strategy has already been taken in our Performance Chemicals segment



\* Financials FY 2015 pro forma pre exceptionals; FX: 1.10 USD/EUR

# FY 2016: Strong volume contribution in top and bottom line

FY yoy sales variances		Price	Volume	Currency	Portfolio	Total
	Adv. Intermediates	-6%	+2%	0%	-	-5%
	Perf. Chemicals	-2%	+4%	0%	+1%	+3%
	High Perf. Materials	-8%	+6%	0%	-	-3%
	ARLANXEO	-9%	+4%	0%	-	-5%
<b>LANXESS</b>		<b>-6%</b>	<b>+4%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>

- Lower selling prices in all segments reflect a lower raw material price level
- All segments record good volume growth
- Minor portfolio effect from Chemours C&D acquisition (August 2016)

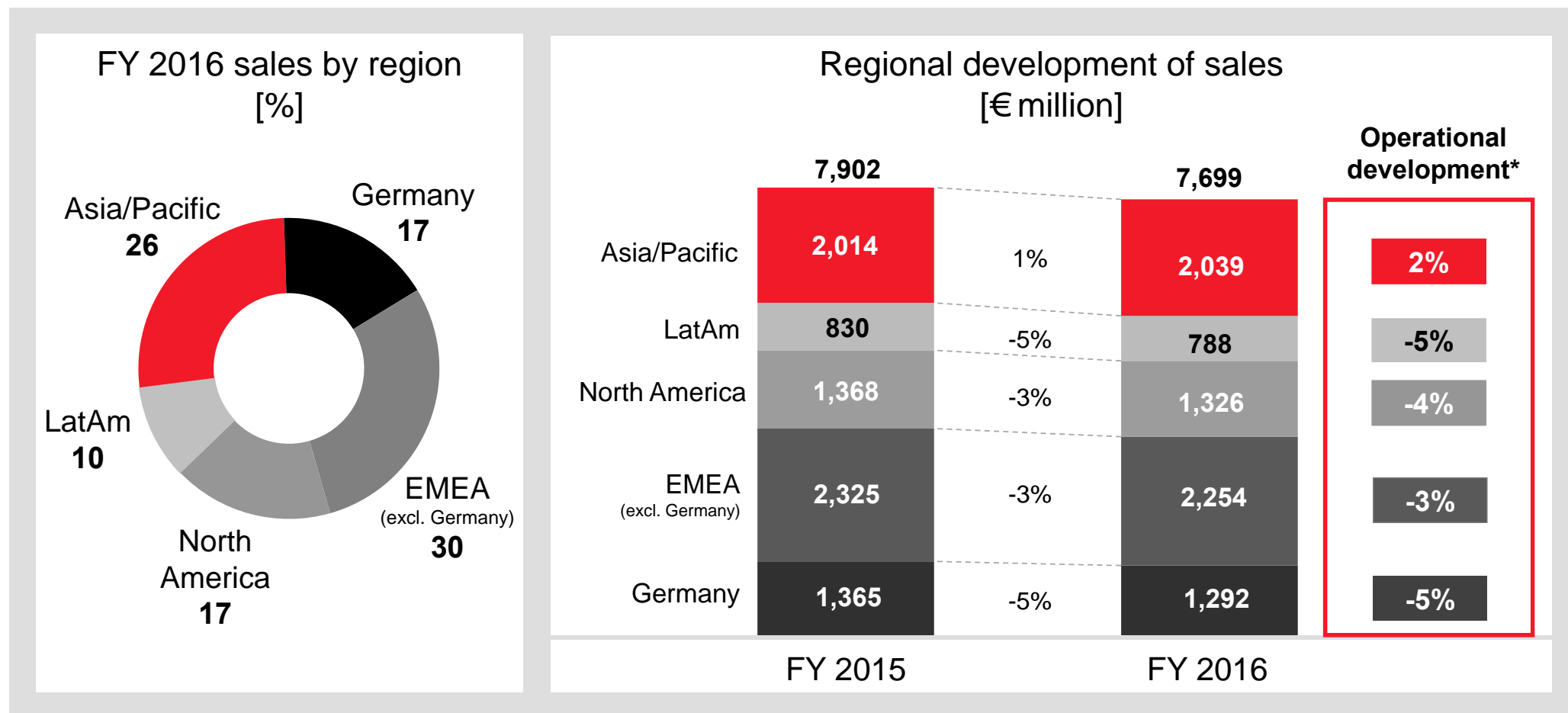
## FY yoy EBITDA pre bridge [€ m]



- Volume increase contributed substantially to EBITDA growth
- Price/cost squeeze largely due to market price pressure at ARLANXEO
- FX\* benefits, lower idle costs and savings reflected in "Other"

\* Mainly lower hedging expenses

# FY 2016: Volume growth in all regions but Latin America – lower prices in all regions (raw material price pass-through)



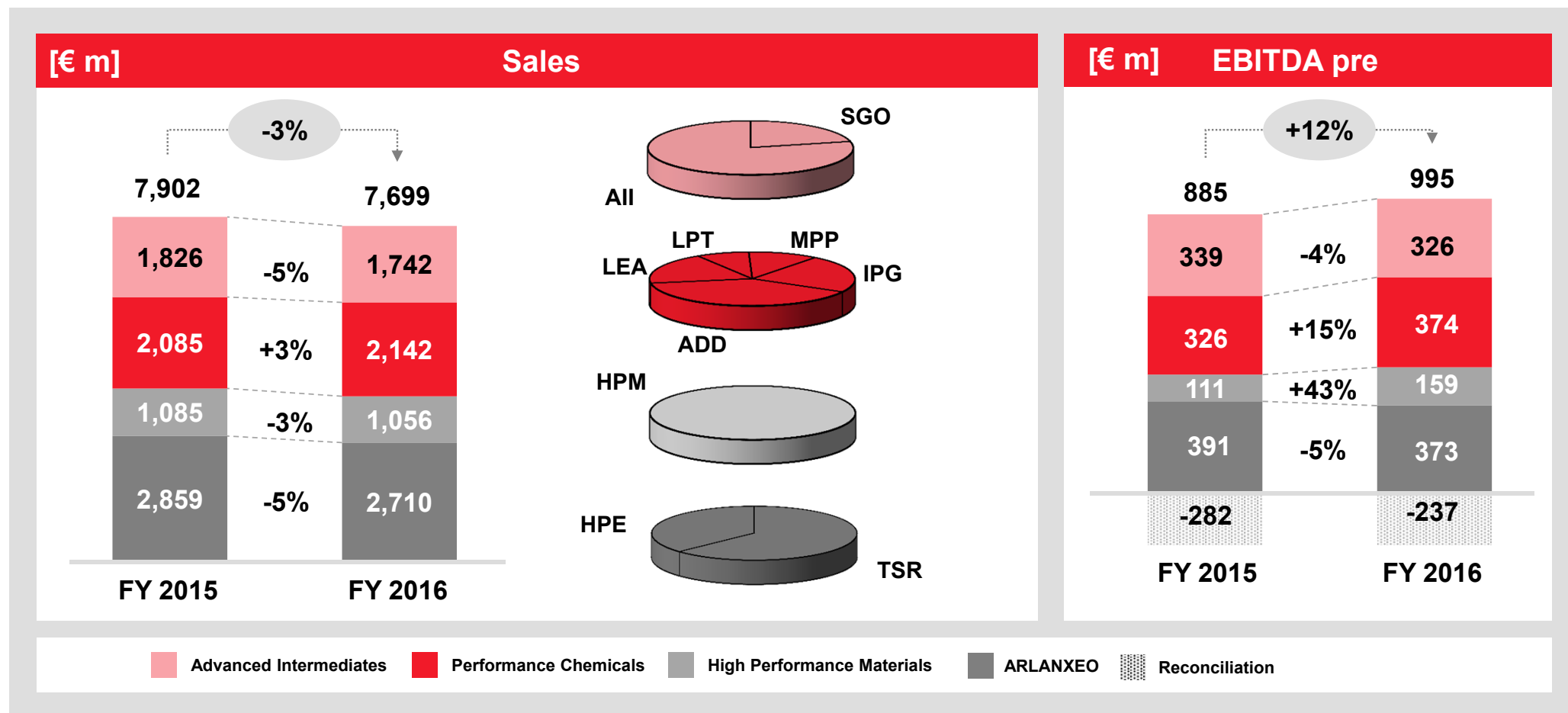
\* Currency and portfolio adjusted

## FY 2016: Strong earnings improvement

[€ m]	FY 2015	FY 2016	yoy in %	
Sales	7,902 (100%)	7,699 (100%)	-3%	<ul style="list-style-type: none"> <li>▪ Lower sales as lower selling prices more than offset higher volumes</li> <li>▪ Cost of sales reflect lower raw material price level, lower idle costs and cost savings</li> <li>▪ G&amp;A influenced by dissynergies from ARLANXEO</li> <li>▪ Net income increases in line with improved operations, despite the absence of positive one-off items enjoyed in 2015</li> </ul>
Cost of sales	-6,154 (78%)	-5,945 (77%)	3%	
Selling	-759 (10%)	-781 (10%)	-3%	
G&A	-284 (4%)	-303 (4%)	-7%	
R&D	-130 (2%)	-131 (2%)	-1%	
<b>EBIT</b>	<b>415 (5%)</b>	<b>464 (6%)</b>	<b>12%</b>	
Non-controlling interests	2 (0)	3 (0%)	50%	
<b>Net Income</b>	<b>165 (2%)</b>	<b>192 (2%)</b>	<b>16%</b>	
<b>EPS pre*</b>	<b>2.03</b>	<b>2.69</b>	<b>33%</b>	
EBITDA	833 (11%)	945 (12%)	13%	
thereof exceptionals	-52 (1%)	-50 (1%)	-4%	
<b>EBITDA pre exceptionals</b>	<b>885 (11.2%)</b>	<b>995 (12.9%)</b>	<b>12%</b>	

\* net of exceptionals and amortization of intangible assets as well as attributable tax effects

# FY 2016: New LANXESS businesses drive earnings growth



Total group sales include reconciliation

# FY 2016: Stable operating and free cash flow

[€ m]	FY 2015	FY 2016
<b>Profit before tax</b>	<b>288</b>	<b>339</b>
Depreciation & amortization	418	481
Gain from sale of assets	-42	0
Financial (gains) losses	66	56
Cash tax payments/refunds	-98	-184
Changes in other assets and liabilities	-33	44
<b>Operating cash flow before changes in WC</b>	<b>599</b>	<b>736</b>
Changes in working capital	93	-47
<b>Operating cash flow</b>	<b>692</b>	<b>689</b>
<b>Investing cash flow</b>	<b>-400</b>	<b>-2,879</b>
Thereof capex	-434	-439
Thereof cash inflows from/cash outflows for financial assets	-11	-2,125
Thereof CTA* funding & Chemours C&D acquisition	0	-398
<b>Financing cash flow</b>	<b>-333</b>	<b>2,173</b>

- Depreciation back at normal level versus low 2015 level (contained €56 m write-backs)
- Higher working capital as strong volumes at year end pushed up receivables and inventories
- Investing cash flow marked by re-investment of ARLANXEO cash-in\*\* and bond proceeds (€1.5 bn for Chemtura acquisition) into financial assets
- Financing cash flow also reflects ARLANXEO cash-in and bond issuance

\* CTA: Contractual Trust Arrangement

\*\* Closing of ARLANXEO on April 1, 2016, leading to cash-in of ~€1.2 bn

# Balance sheet extended due to ARLANXEO and preparation of Chemtura financing

[€ m]	Dec'15	Dec'16		Dec'15	Dec'16
<b>Non-current assets</b>	<b>4,180</b>	<b>4,519</b>	<b>Stockholders' equity</b>	<b>2,323</b>	<b>3,728</b>
Intangible assets	300	494	attrib. to non-contr. interests	13	1,176
Property, plant & equipment	3,447	3,519	<b>Non-current liabilities</b>	<b>2,936</b>	<b>4,516</b>
Equity investments	0	0	Pension & post empl. provis.	1,215	1,249
Other investments	12	12	Other provisions	271	319
Other financial assets	21	19	Other financial liabilities	1,258	2,734
Deferred taxes	361	442	Tax liabilities	19	31
Other non-current assets	39	33	Other liabilities	127	100
			Deferred taxes	46	83
<b>Current assets</b>	<b>3,039</b>	<b>5,358</b>	<b>Current liabilities</b>	<b>1,960</b>	<b>1,633</b>
Inventories	1,349	1,429	Other provisions	411	406
Trade accounts receivable	956	1,088	Other financial liabilities	443	78
Other current financial assets	4	2,130	Trade accounts payable	779	889
Other current assets	264	316	Tax liabilities	85	44
Near cash assets	100	40	Other liabilities	242	216
Cash and cash equivalents	366	355			
<b>Total assets</b>	<b>7,219</b>	<b>9,877</b>	<b>Total equity &amp; liabilities</b>	<b>7,219</b>	<b>9,877</b>

- Other current financial assets include the proceeds of new bonds and part of the €1.2 bn cash received from Saudi Aramco for 50% in ARLANXEO JV; 50% share of Saudi Aramco in ARLANXEO reflected in non-controlling interests
- Increase in financial liabilities due to €1.5bn of new bonds (financing of the planned Chemtura acquisition)

# Corporate Responsibility well integrated - achieving goals sustainably

## Climate / Environmental goals

- Reduction of specific CO<sub>2</sub> emission by 25%<sup>1</sup> until 2025
- Reduction of specific energy consumptions by 25%<sup>1</sup> until 2025
- Reduction of volatile organic compounds (NMVOC<sup>3</sup>) emissions by 25%<sup>1</sup> until 2025

## Procurement initiatives

- 'Supplier Code of Conduct' for supplier selection and rating
- 'Together for Sustainability' initiative<sup>2</sup> 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<sup>4</sup>
- Education initiatives with local and global commitment



<sup>1</sup> Base year: 2015; for CO<sub>2</sub>: Scope 1 and Scope 2 emissions

<sup>2</sup> Members: BASF, Bayer, Evonik, Henkel, LANXESS, Akzo Nobel, Solvay

<sup>3</sup> Non methane volatile organic compounds; <sup>4</sup> African Medical and Research Foundation

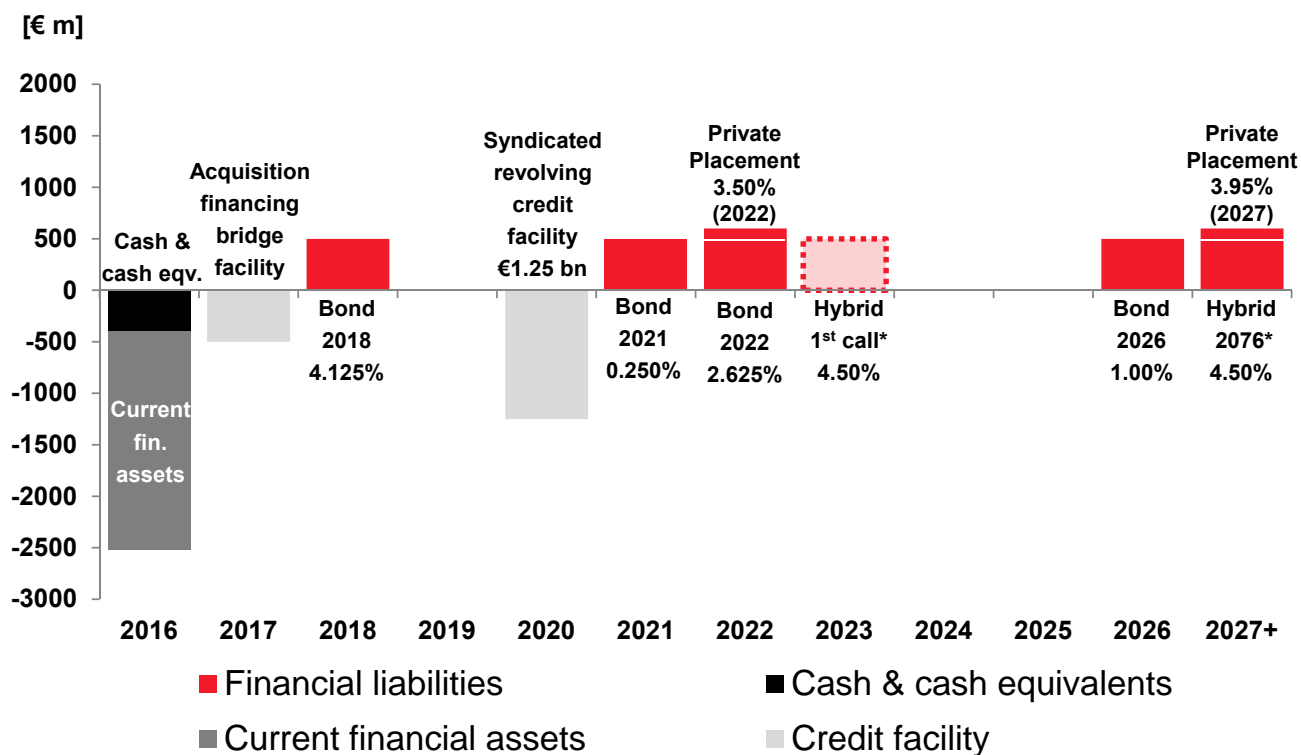


# Maturity profile actively managed and well balanced through recent capital market transactions

## Long-term financing secured

- Financing of Chemtura acquisition secured by recent €1.5 bn bond issuance
- Cash and financial assets of €2.5 bn and undrawn credit lines secure liquidity for Chemtura transaction
- Diversified financing sources
  - Bonds & private placements
  - Syndicated credit facility
- Average interest rate of financial liabilities <3%
- All group financing executed without financial covenants

## Liquidity and maturity profile as per December 2016



\* Hybrid bond with contractual maturity date in 2076 has a first optional call date in 2023

# 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 drop in the price of oil
- Raw material prices remained volatile, trending downwards through year end 2015
- 2016 with an upward trend that accelerated during Q4
- 2017 to start with an acceleration in raw material prices

\* Source: LANXESS, average 2013 = 100%

# Overview exceptional items Q4 and FY

[€ m]	Q4 2015		Q4 2016		FY 2015		FY 2016	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	-19	-19	-2	0	-18	-19	-2	0
Performance Chemicals	5	0	3	0	13	0	3	0
High Performance Materials	0	0	0	0	-19	1	0	0
ARLANXEO	-36	-37	-2	0	-12	-27	-2	0
Reconciliation	4	0	22	0	43	0	51	0
<b>Total</b>	<b>-46</b>	<b>-56</b>	<b>21</b>	<b>0</b>	<b>7</b>	<b>-45</b>	<b>50</b>	<b>0</b>

# Abbreviations

## ARLANXEO

- TSR Tire & Specialty Rubbers
- HPE High Performance Elastomers

## 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

## High Performance Materials

- HPM High Performance Materials

# Upcoming events 2017

## Proactive capital market communication

▪ UBS Chemicals Field Trip	March 22	Cologne
▪ MainFirst Corporate Conference Copenhagen	March 30	Copenhagen
▪ Raymond James Chemical Leaders Conference 2017	March 30	London
▪ <b>Q1 results 2017</b>	<b>May 11</b>	
▪ Citi's Inaugural Chemicals Conference	May 16	London
▪ <b>Annual General Meeting</b>	<b>May 26</b>	<b>Cologne</b>
▪ Société Générale Nice Conference 2017	June 1/2	Nice
▪ Deutsche Bank dbAccess Berlin Conference	June 22/23	Berlin
▪ Morgan Stanley Cannon Ball Run	June 27	Cologne
▪ Exane BNP 19 <sup>th</sup> European CEO Conference	June 13/14	Paris
▪ mBank Chemicals Day 2017	June 20	Warsaw
▪ <b>Meeting the Management 2017</b>	<b>September 6</b>	<b>Cologne</b>
▪ <b>Q2 results 2017</b>	<b>August 10</b>	
▪ <b>Q3 results 2017</b>	<b>November 9</b>	

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