

LANXESS Q4 / FY 2017 – LANXESS delivers Financial Summary for Investors and Analysts

FY 2017 Overview

	Δ		FY 2017	FY 2016	Comments
Sales	+26%	↑	€9,664 m	€7,699 m	Acquired Chemtura businesses, increase in selling prices driven by raw material prices and sales volumes
EBITDA pre margin	+30% +0.4 pp.	↑	€1,290 m 13.3%	€995 m 12.9%	Chemtura, higher volumes, better utilization
Net Income	-55%	↓	€87 m	€192 m	Impacted by exceptional charges (integration costs, U.S. tax reform)
EPS pre	+54%	↑	€4.14	€2.69	
ROCE	+2.4 pp.	↑	9.3%	6.9%	Investment of cash for acquisition
Net financial debt	>+100%	↑	Dec 2017 €2,252 m	Dec 2016 €269 m	Net financial debt increase due to Chemtura acquisition, mitigated by good free cash flow
Dividend	Increase of 14% to 0.80€ per share proposed				

LANXESS AG
Investor Relations
Kennedyplatz 1
50569 Cologne
Germany

André Simon
Head of Investor Relations

Phone +49 221-8885-3494
Fax +49 221-8885-4944
andre.simon@lanxess.com

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Overview Financials

Q4 2017 Financial overview

Strong volume growth on top of portfolio effect

- Sales deviation yoy: Price +4%, Volume +6%, Currency -5%, Portfolio +17% (approximate numbers)
- Sales increase by 22% to €2,337 m (Q4 2017: €1,915m)
- Substantial EBITDA pre improvement of 36% to €248 m (Q4 2017: €183 m) driven by higher volumes, Chemtura acquisition and synergies
- One-time tax expense caused by U.S. tax reform burdened net income and EPS by one-time effect from U.S. tax reform

Q4 2017 Business Overview

Advanced Intermediates

Solid volume growth, however burdened by one-time effects

- Sales deviation yoy: Price +7%, Volume +5%, Currency -3%, Portfolio +9% (approximate numbers)
- Solid volume development in BU All
- Ongoing weak demand from agro customers
- Organometallics with dilutive effect and multiple unplanned outages weigh on EBITDA pre and margin
- Negative FX impact on sales and EBITDA pre
- EBITDA pre of €60 m (Q4 2016: €66 m)
- EBITDA pre margin of 12.8% in Q4 2017 (Q4 2016: 16.5%)

Specialty Additives

Operational integration of Chemtura business completed

- Sales deviation yoy: Price -1%, Volume +12%, Currency -5%, Portfolio +124% (approximate numbers)
- Sales and EBITDA pre increase driven by acquired additives business
- Strong underlying volumes in both BU ADD and BU RCH
- FX negatively impacts sales and EBITDA
- Higher EBITDA pre of €71 m due to Chemtura acquisition (Q4 2016: €29 m)
- EBITDA pre margin improvement of 15.9% (Q4 2016: 14.9%) driven by former Chemtura business (portfolio effect) despite only partial price pass-through of higher raw material costs in lubricants

Performance Chemicals

Positioning of all business units further improved

- Sales deviation yoy: Price +2%, Volume +7%, Currency -5%, Portfolio -2% (approximate numbers)
- Volume increase in all BUs; strongest growth in BUs MPP and LPT
- Divestiture of chlorine dioxide business shown in portfolio effect
- EBITDA and margin driven by strong volume and higher utilization, partly offset by currency effects
- EBITDA pre increase to €48 m in Q4 2017 (Q4 2016: €42 m)
- EBITDA pre margin of 14.2% in Q4 2017 (Q4 2016: 12.7%)

Engineering Materials

Stable results despite major turnaround

- Sales deviation yoy: Price +10%, Volume +5%, Currency -3%, Portfolio +23% (approximate numbers)
- Good volume growth; price adjustments due to higher raw material prices
- Portfolio effect driven by acquired urethane business
- Urethane business negatively impacted by high raw material prices (MDI / TDI shortage)
- EBITDA pre at BU HPM burdened by major capro turnaround in Antwerp
- Weak U.S. dollar negatively impacts EBITDA pre
- EBITDA pre of €35 m in Q4 2017 (Q4 2016: €34 m)
- EBITDA margin of 10.3% in Q4 2017 (Q4 2016: 13.5%)

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ARLANXEO

Good quarter despite ongoing raw material volatilities and negative FX effects

- Sales deviation yoy: Price +3%, Volume +4%, Currency -7%, Portfolio 0% (approximate numbers)
- Successful management of raw material cost pass-through
- Volume growth driven by BU TSR in Latin America, Europe and China
- Pressure on EPDM margins (BU HPE) remains
- Stable earnings despite weak U.S. dollar
- EBITDA pre of €73 m in Q4 2017 (Q4 2016: €74 m)
- EBITDA pre margin of 10.0% in Q4 2017 (Q4 2016: 10.2%)

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Outlook 2018: Ongoing positive macro trends expected, however with intense U.S. dollar headwind

MACRO ECONOMIC TRENDS 2018

- North America with continued growth
- Europe further improving
- Asia continues solid growth momentum
- Growth in Latin America expected to improve

LANXESS FY 2018

- ARLANXEO to be shown as discontinued operations, not included in sales and EBITDA
- New LANXESS EBITDA pre FY2018 expected slightly above previous year (~€ 925 m), including substantial FX burden around current EUR / USD levels

LANXESS Q1 2018

- First Q1 contribution of Chemtura
- Good start to Q1

Housekeeping items for consideration

Additional financial information

- Capex 2018: ~€430-470 m
- Operational D&A 2018: ~€400 m
- Reconciliation segment 2018: Around previous year level (~€150 m)
- Tax rate: Lower end of 30-35%
- FX sensitivity: 1 cent change of USD/EUR ~€7 m EBITDA pre impact before hedging
- LLA-Phase II savings: Around €20 m in 2018 and 2019 each

Please note:

- As of Q2 2018: ARLANXEO as “discontinued operations” with a restatement of 2017 and 2018 YTD figures
- As of Q2 2019: ARLANXEO accounted for “at equity”
IFRS 15 will be applied from January 1st 2018 onwards, no material impact on results expected

Cologne, March 15th, 2018

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Financial Overview Q4 2017

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			ARLANXEO			Others/ Cons.		
	Q4/2016	Q4/2017	Chg. in %	Q4/2016	Q4/2017	Chg. in %	Q4/2016	Q4/2017	Chg. in %	Q4/2016	Q4/2017	Chg. in %	Q4/2016	Q4/2017	Chg. in %	Q4/2016	Q4/2017	Chg. in %	Q4/2016	Q4/2017	Chg. in %
Sales	1,915	2,337	22%	401	468	17%	194	447	>100%	331	339	2%	251	339	35%	725	730	1%	13	14	8%
Price*			4.1%			6.5%			-0.5%			2.1%			10.0%			3.0%			0.0%
Volume*			5.8%			4.7%			12.4%			7.2%			4.8%			4.4%			7.7%
Currency*			-5.0%			-3.0%			-5.2%			-5.4%			-2.8%			-6.7%			0.0%
Portfolio*			17.1%			8.5%			123.7%			-1.5%			23.1%			0.0%			0.0%
EBIT	35	49	40%	39	25	-36%	22	26	18%	20	31	55%	22	19	-14%	21	15	-29%	-89	-67	25%
Deprec. & amortizat.	127	165	30%	29	31	7%	7	38	>100%	19	19	0%	12	16	33%	55	58	5%	5	3	-40%
EBITDA	162	214	32%	68	56	-18%	29	64	>100%	39	50	28%	34	35	3%	76	73	-4%	-84	-64	24%
exceptionals in EBITDA	21	34	62%	-2	4	n.m.	0	7	n.m.	3	-2	n.m.	0	0	n.m.	-2	0	n.m.	22	25	14%
EBITDA pre excep.	183	248	36%	66	60	-9%	29	71	>100%	42	48	14%	34	35	3%	74	73	-1%	-62	-39	37%
normalized D&A	127	164	29%	29	31	7%	7	37	>100%	19	19	0%	12	16	33%	55	58	5%	5	3	-40%
EBIT pre excep.	56	84	50%	37	29	-22%	22	34	55%	23	29	26%	22	19	-14%	19	15	-21%	-67	-42	37%
exceptionals in EBIT	21	35	67%	-2	4	n.m.	0	8	n.m.	3	-2	n.m.	0	0	n.m.	-2	0	n.m.	22	25	14%
Capex	211	260	23%	62	62	0%	17	40	>100%	31	33	6%	31	42	35%	66	65	-2%	4	18	>100%
Net financial debt**	269	2,252	>100%																		

* approximate numbers

**previous year value as per Dec. 31; previous year after deducting Treasury financial assets

Financial Overview FY 2017

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			ARLANXEO			Others/ Cons.		
	2016	2017	Chg. in %	2016	2017	Chg. in %	2016	2017	Chg. in %	2016	2017	Chg. in %	2016	2017	Chg. in %	2016	2017	Chg. in %	2016	2017	Chg. in %
Sales	7,699	9,664	26%	1,742	1,970	13%	841	1,604	91%	1,301	1,438	11%	1,056	1,366	29%	2,710	3,230	19%	49	56	14%
Price*			7.9%			4.5%			0.3%			3.2%			8.0%			14.7%			0.0%
Volume*			5.1%			3.4%			6.1%			3.9%			6.6%			5.9%			14.3%
Currency*			-1.1%			-0.6%			-1.2%			-1.5%			-0.9%			-1.4%			0.0%
Portfolio*			13.6%			5.8%			85.5%			4.9%			15.7%			0.0%			0.0%
EBIT	464	434	-6%	223	211	-5%	123	56	-54%	154	108	-30%	114	151	32%	155	159	3%	-305	-251	18%
Deprec. & amortizat.	481	638	33%	105	117	11%	28	136	>100%	66	82	24%	45	56	24%	220	227	3%	17	20	18%
EBITDA	945	1,072	13%	328	328	0%	151	192	27%	220	190	-14%	159	207	30%	375	386	3%	-288	-231	20%
exceptionals in EBITDA	50	218	>100%	-2	7	n.m.	0	75	n.m.	3	62	>100%	0	12	n.m.	-2	-1	n.m.	51	63	24%
EBITDA pre excep.	995	1,290	30%	326	335	3%	151	267	77%	223	252	13%	159	219	38%	373	385	3%	-237	-168	29%
normalized D&A	481	595	24%	105	117	11%	28	100	>100%	66	76	15%	45	55	22%	220	227	3%	17	20	18%
EBIT pre excep.	514	695	35%	221	218	-1%	123	167	36%	157	176	12%	114	164	44%	153	158	3%	-254	-188	26%
exceptionals in EBIT	50	261	>100%	-2	7	n.m.	0	111	n.m.	3	68	>100%	0	13	n.m.	-2	-1	n.m.	51	63	24%
Capex	439	547	25%	123	146	19%	42	83	98%	76	74	-3%	46	68	48%	138	149	8%	14	27	93%
Net financial debt**	269	2,252	>100%																		

* approximate numbers

**previous year value as per Dec. 31; previous year after deducting Treasury financial assets

Income Statement Q4 / FY 2017

in € million	Q4/2016	Q4/2017	Chg. in %	2016	2017	Chg. in %
Sales	1,915	2,337	22%	7,699	9,664	26%
Cost of sales	-1,545	-1,855	-20%	-5,945	-7,519	-26%
Gross profit	370	482	30%	1,754	2,145	22%
Selling expenses	-204	-256	-25%	-781	-953	-22%
Research and development expenses	-35	-33	6%	-131	-145	-11%
General administration expenses	-91	-123	-35%	-303	-382	-26%
Other operating income	42	49	17%	147	179	22%
Other operating expenses	-47	-70	-49%	-222	-410	-85%
Operating result (EBIT)	35	49	40%	464	434	-6%
Income from investments accounted for using the equity method	0	0	-100%	0	0	-100%
Interest income	4	2	-50%	9	8	-11%
Interest expense	-18	-23	-28%	-72	-93	-29%
Other financial income and expense	-23	-17	26%	-62	-24	61%
Financial result	-37	-38	-3%	-125	-109	13%
Income before income taxes	-2	11	<i>n.m.</i>	339	325	-4%
Income taxes	1	-60	<i>n.m.</i>	-144	-201	-40%
Income after income taxes	-1	-49	<-100%	195	124	-36%
of which attributable to non-controlling interests	-3	0	<i>n.m.</i>	3	37	>100%
Net income (attributable to LANXESS AG stockholders)	2	-49	<i>n.m.</i>	192	87	-55%
EPS (in €)	0.02	-0.54	<i>n.m.</i>	2.10	0.95	-55%
Ergebnis je Aktie vor Sondereinflüssen und Abschreibungen auf immaterielle Vermögenswerte (€)	0.24	0.44	83%	2.69	4.14	54%

Cash Flow Statement Q4 / FY 2017

€ million	Q4 2016	Q4 2017	FY 2016	FY 2017	Comments
Income before income taxes	-2	11	339	325	
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	127	165	481	638	Q4: D&A higher due to portfolio effects
Gains on disposals of intangible assets and property, plant and equipment	0	1	0	1	
Financial losses (gains)	14	21	56	39	
Income taxes paid	-86	-31	-184	-183	
Changes in inventories	-6	-6	-45	-15	
Changes in trade receivables	-45	-12	-96	-101	Q4: Change in working capital driven by higher payables and seasonally lower stocks
Changes in trade payables	145	158	94	44	
Changes in other assets and liabilities	-52	2	44	120	Q4: Driven by provisions for variable compensation and restructuring
Net cash provided by operating activities	157	333	689	868	
Cash outflows for purchases of intangible assets and property, plant and equipment	-211	-260	-439	-547	
Cash inflows for purchases of intangible assets and property, plant and equipment	0	1	-7	2	
Cash outflows for financial assets	-1,414	0	-2,125	-110	
Cash inflows from financial assets	-164	-50	66	2,226	
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	0	-21	-198	-1,803	
Cash inflows from sales of intangible assets and property, plant and equipment	0	9	0	9	
Interest and dividends received	5	-1	10	56	
Cash outflows for external funding of pension obligations (CTAs)	0	(0)	-200	0	
Net cash (used in) provided by investing activities	-1,784	-322	-2,879	-167	Q4: Reflects acquisition finance in 2016
Cash inflows from non-controlling interests	0	0	1,194	18	
Proceeds from borrowings	1,485	43	1,529	148	
Repayments of borrowings	-7	-30	-422	-523	
Interest paid and other financial disbursements	-19	-20	-73	-84	
Dividend payments	0	0	-55	-67	
Net cash provided by (used in) financing activities	1,459	-7	2,173	-508	Q4: Reflects acquisition finance in 2016
Change in cash and cash equivalents from business activities	-134	4	-17	193	
Cash and cash equivalents at beginning of period	0	0	366	355	
Exchange differences and other changes in cash and cash equivalents	2	-2	6	-10	
Cash and cash equivalents at end of period	-166	2	355	538	

Abbreviations:

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

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