

LANXESS FY/Q4 2016

Financial Summary for Investors and Analysts

Summary FY 2016

Transformation gains traction

- Significant strategic evolution of the company with the establishment of ARLANXEO
- Integration of Chemours' Clean and Disinfect business successfully completed
- Persistently challenging competitive situation for synthetic rubber
- Sales decline by 2.6 % against prior year, largely due to raw material prices
- Volumes increase by 3.7 % year on year
- EBITDA pre exceptionals up 12.4 % to €995 million
- Substantial improvement of EBITDA margin pre exceptionals to 12.9 % after 11.2 % in 2015
- EPS pre increased from €2.03 to €2.69
- Dividend proposal of 0.70€ per share (to be proposed at the Annual General Meeting on May 26, 2017)
- Guidance FY 2017: EBITDA pre expected slightly above previous year (excluding Chemtura)
- Guidance Q1 2017: EBITDA pre expected ~20% above prior year; in a bandwidth of €300-320 m

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Page 1 of 9

Overview Financials

Q4 2016 Financial overview:

Improvement in operating performance continues

- Higher sales (+6%) mainly due to strong volume growth (+8%)
- EBITDA pre improved by 21% to €183 m (vs €151 m in Q4 2015) on higher volumes with good capacity utilization
- Successful integration of Chemours' Clean & Disinfect business
- Attractive financing for Chemtura acquisition secured
- Weak agro markets affect BU Saltigo as expected
- Persisting competitive price pressure in EPDM rubber
- Net working capital increased due to higher business activity in Q4 2016

Q4 2016 Balance sheet:

Substantially improved and prepared for Chemtura acquisition

- Total assets higher with ARLANXEO-related increase in equity for non-controlling interest and financing (€1.5 bn newly issued bonds) 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 (€269 m)
- ROCE increased to ~9.6% (adjusted for current financial assets) from 8.4% in prior year

Q4 2016 Cash flow statement:

Strong business activity offset by one-time effects

- 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 and investment of €1.5 bn in preparation of Chemtura acquisition

Q4 2016 Business Overview

Advanced Intermediates

Agro weakness impacted Q4 as expected

- Sales deviation yoy: Price -3%, Volume -6%, Currency 0%, Portfolio 0% (approximate numbers)
- 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 of €66 m in Q4 2016 (Q4 2015: €91m)
- Margin decreased from 20.7% in Q4 2015 to 16.5% in Q4 2016
- 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

- Sales deviation yoy: Price -1%, Volume +7%, Currency +1%, Portfolio +4% (approximate numbers)
- Minor price effects across all BUs
- Strong volume growth in nearly all BUs supported by less pronounced seasonality
- EBITDA pre increases to €71 m (Q4 2015: €43 m)
- Margin up to 13.5% in Q4 2016 vs. 9.1% in Q4 2015
- 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

- Sales deviation yoy: Price -8%, Volume +13%, Currency 0%, Portfolio 0% (approximate numbers)
- Lower selling prices reflect raw material cost changes
- Strong volume growth in engineering plastics due to high automotive demand mainly in Asia
- EBITDA pre increases to €34 m in Q4 2016 (Q4 2015: €21 m)
- Margin of 13.5% in Q4 2016 after 8.8% in Q4 2015
- EBITDA 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

- Sales deviation yoy: Price -3%, Volume +15%, Currency +1%, Portfolio 0% (approximate numbers)
- 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

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Page 2 of 9

- EBITDA pre declines to €74 m as price/cost squeeze overcompensates positive volume effect (Q4 2015: €84 m)
- Margin of 10.2% down from 13.1% in Q4 2015
- Depreciation back at normal level (Q4 2015 incl. €37 m write-back)

Outlook 2017:

- Strong start to the year
- Q1 2017 EBITDA pre expected ~20% above prior year (in a bandwidth of €300-320 m)
- FY 2017 EBITDA pre expected slightly above previous year – Chemtura comes on top

Housekeeping items for consideration Additional financial information

- Capex 2017: ~€450-500 m (thereof ~€150 m ARLANXEO)
- Operational D&A 2017: ~€480 m (thereof ~€220 m ARLANXEO)
- Reconciliation 2016: underlying exp. of ~€160 m EBITDA pre additionally ~€10 m hedging exp. expected
- Tax rate: mid-term: 30-35% (for New LANXESS)

Cologne, March 16th, 2017

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Page 3 of 9

Financial Overview Q4 2016

in € million	LANXESS			Advanced Intermed.			Performance Chem.			High Perform. Materials			ARLANXEO			Others/ Cons.		
	Q4/2015	Q4/2016	Chg. in %	Q4/2015	Q4/2016	Chg. in %	Q4/2015	Q4/2016	Chg. in %	Q4/2015	Q4/2016	Chg. in %	Q4/2015	Q4/2016	Chg. in %	Q4/2015	Q4/2016	Chg. in %
Sales	1.806	1.915	6%	440	401	-9%	475	525	11%	238	251	5%	643	725	13%	10	13	30%
Price*			-3%			-3%			-1%			-8%			-3%			0%
Volume*			8%			-6%			7%			13%			15%			30%
Currency*			1%			0%			1%			0%			1%			0%
Portfolio*			1%			0%			4%			0%			0%			0%
EBIT	71	35	-51%	85	39	-54%	15	42	>100%	9	22	>100%	65	21	-68%	-103	-89	14%
Deprec. & amortizat.	70	127	81%	6	29	>100%	23	26	13%	12	12	0%	18	55	>100%	11	5	-55%
EBITDA	141	162	15%	91	68	-25%	38	68	79%	21	34	62%	83	76	-8%	-92	-84	9%
exceptionals in EBITDA	10	21	>100%	0	-2	n.m.	5	3	-40%	0	0	0%	1	-2	n.m.	4	22	>100%
EBITDA pre excep.	151	183	21%	91	66	-27%	43	71	65%	21	34	62%	84	74	-12%	-88	-62	30%
normalized D&A	126	127	1%	25	29	16%	23	26	13%	12	12	0%	55	55	0%	11	5	-55%
EBIT pre excep.	25	56	>100%	66	37	-44%	20	45	>100%	9	22	>100%	29	19	-34%	-99	-67	32%
exceptionals in EBIT	-46	21	n.m.	-19	-2	89%	5	3	-40%	0	0	0%	-36	-2	94%	4	22	>100%
Capex	205	211	3%	37	62	68%	65	48	-26%	24	31	29%	64	66	3%	15	4	-73%
Net financial debt**	1.211	269	-78%															

* approximate numbers

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

Financial Overview FY 2016

in € million	LANXESS			Advanced Intermed.			Performance Chem.			High Perform. Materials			ARLANXEO			Others/ Cons.		
	12M/2015	12M/2016	Chg. in %	12M/2015	12M/2016	Chg. in %	12M/2015	12M/2016	Chg. in %	12M/2015	12M/2016	Chg. in %	12M/2015	12M/2016	Chg. in %	12M/2015	12M/2016	Chg. in %
Sales	7.902	7.699	-3%	1.826	1.742	-5%	2.085	2.142	3%	1.085	1.056	-3%	2.859	2.710	-5%	47	49	4%
Price*			-6%			-6%			-2%			-8%			-9%			0%
Volume*			4%			2%			4%			6%			4%			4%
Currency*			0%			0%			0%			0%			0%			0%
Portfolio*			0%			0%			1%			0%			0%			0%
EBIT	415	464	12%	258	223	-14%	225	277	23%	85	114	34%	195	155	-21%	-348	-305	12%
Deprec. & amortizat.	418	481	15%	80	105	31%	88	94	7%	46	45	-2%	181	220	22%	23	17	-26%
EBITDA	833	945	13%	338	328	-3%	313	371	19%	131	159	21%	376	375	0%	-325	-288	11%
exceptionals in EBITDA	52	50	-4%	1	-2	n.m.	13	3	-77%	-20	0	n.m.	15	-2	n.m.	43	51	19%
EBITDA pre excep.	885	995	12%	339	326	-4%	326	374	15%	111	159	43%	391	373	-5%	-282	-237	16%
normalized D&A	463	481	4%	99	105	6%	88	94	7%	45	45	0%	208	220	6%	23	17	-26%
EBIT pre excep.	422	514	22%	240	221	-8%	238	280	18%	66	114	73%	183	153	-16%	-305	-254	17%
exceptionals in EBIT	7	50	>100%	-18	-2	n.m.	13	3	-77%	-19	0	n.m.	-12	-2	n.m.	43	51	19%
Capex	434	439	1%	87	123	41%	139	118	-15%	39	46	18%	145	138	-5%	24	14	-42%
Net financial debt**	1.211	269	-78%															

* approximate numbers

**previous year value as per Dec. 31

Income Statement Q4 / FY 2016

in € million	Q4/2015	Q4/2016	Chg. in %	2015	2016	Chg. in %
Sales	1.806	1.915	6%	7.902	7.699	-3%
Cost of sales	-1.441	-1.545	-7%	-6.154	-5.945	3%
Gross profit	365	370	1%	1.748	1.754	0%
Selling expenses	-186	-204	-10%	-759	-781	-3%
Research and development expenses	-32	-35	-9%	-130	-131	-1%
General administration expenses	-82	-91	-11%	-284	-303	-7%
Other operating income	79	42	-47%	207	147	-29%
Other operating expenses	-73	-47	36%	-367	-222	40%
Operating result (EBIT)	71	35	-51%	415	464	12%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	1	4	>100%	4	9	>100%
Interest expense	-18	-18	0%	-70	-72	-3%
Other financial income and expense	-12	-23	-92%	-61	-62	-2%
Financial result	-29	-37	-28%	-127	-125	2%
Income before income taxes	42	-2	<i>n.m.</i>	288	339	18%
Income taxes	-24	1	<i>n.m.</i>	-121	-144	-19%
Income after income taxes	18	-1	<i>n.m.</i>	167	195	17%
of which attributable to non-controlling interests	3	-3	<i>n.m.</i>	2	3	50%
Net income (attributable to LANXESS AG stockholders)	15	2	-87%	165	192	16%
EPS (in €)	0,16	0,02	-88%	1,80	2,10	17%
EPS pre (in €)*	-0,11	0,24	<i>n.m.</i>	2,03	2,69	33%

* calculated from the earnings per share before exceptional items and amortization of intangible assets as well as attributable tax effects

Cash Flow Statement Q4 / FY 2016

€ million	Q4 2015	Q4 2016	FY 2015	FY 2016
Income before income taxes	42	-2	288	339
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	70	127	418	481
Gains on disposals of intangible assets and property, plant and equipment	0	0	-42	0
Income from investments accounted for using the equity method	0	0	0	0
Financial losses	17	14	66	56
Income taxes paid	-28	-86	-98	-184
Changes in inventories	82	-6	55	-45
Changes in trade receivables	116	17	64	-96
Changes in trade payables	56	145	-26	94
Changes in other assets and liabilities	-5	-52	-33	44
Net cash provided by operating activities	350	157	692	689
Cash outflows for purchases of intangible assets and property, plant and equipment	-205	-211	-434	-439
Cash outflows for financial assets	-25	-1,540	-11	-2,125
Cash inflows from financial assets	-	-38	-	66
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	-	-	-	-198
Cash inflows from sales of intangible assets and property, plant and equipment	-	-	45	7
Interest and dividends received	-4	5	-	10
Cash outflows for external financing of pension obligations (CTA)	-	-	-	-200
Net cash used in investing activities	-234	-1,784	-400	-2,879
Cash inflows from non-controlling interests	-	-	9	1,194
Proceeds from borrowings	2	1,485	78	1,529
Repayments of borrowings	-85	-7	-298	-422
Interest paid and other financial disbursements	-18	-19	-76	-73
Dividend payments	0	0	-46	-55
Net cash provided by (used in) financing activities	-101	1,459	-333	2,173
Change in cash and cash equivalents from business activities	15	-168	-41	-17
Cash and cash equivalents as of January 1	350	521	418	366
Exchange differences and other changes in cash and cash equivalents	1	2	-11	6
Cash and cash equivalents as of December 31	366	355	366	355

Abbreviations:

ADD Rhein Chemie 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
SGO Saltigo
TSR Tire & Specialty Rubbers

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