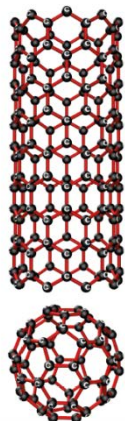


QUALITY WORKS.



# Q2 2017 Roadshow

## The road ahead – expanding our strengths

Michael Pontzen, CFO

**LANXESS**  
Energizing Chemistry

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# Agenda

- **Expanding our strengths**
- Q2 2017 and guidance – Performing in the new LANXESS structure
- Backup

# A rapidly changing world – Our answer: Energizing chemistry!

What it takes to be successful in a changing environment

Agility

Courage & team spirit

**Mindset**

**Balance**

Markets

Industries

**LANXESS**

Lean structures

Entrepreneurial organization

**Speed**

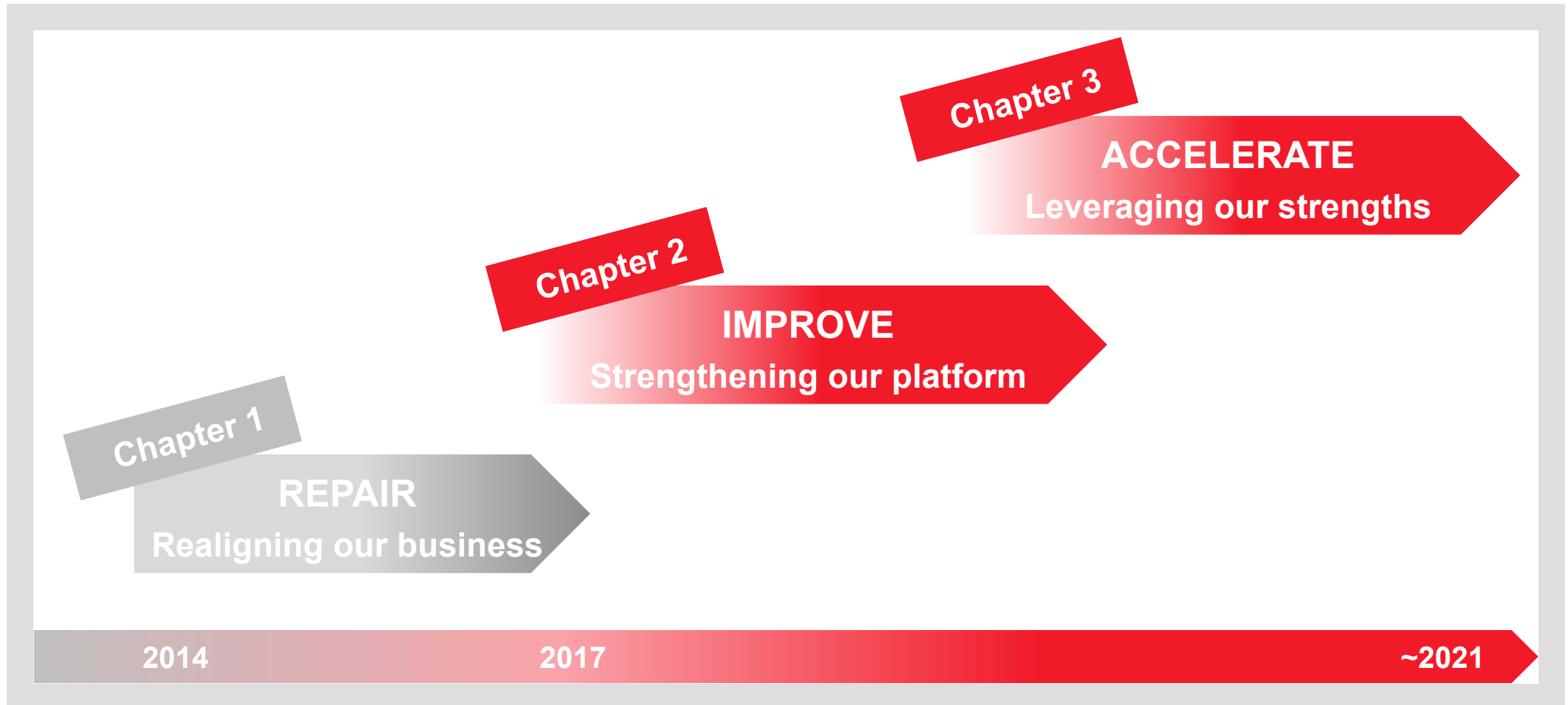
**Leadership**

Markets

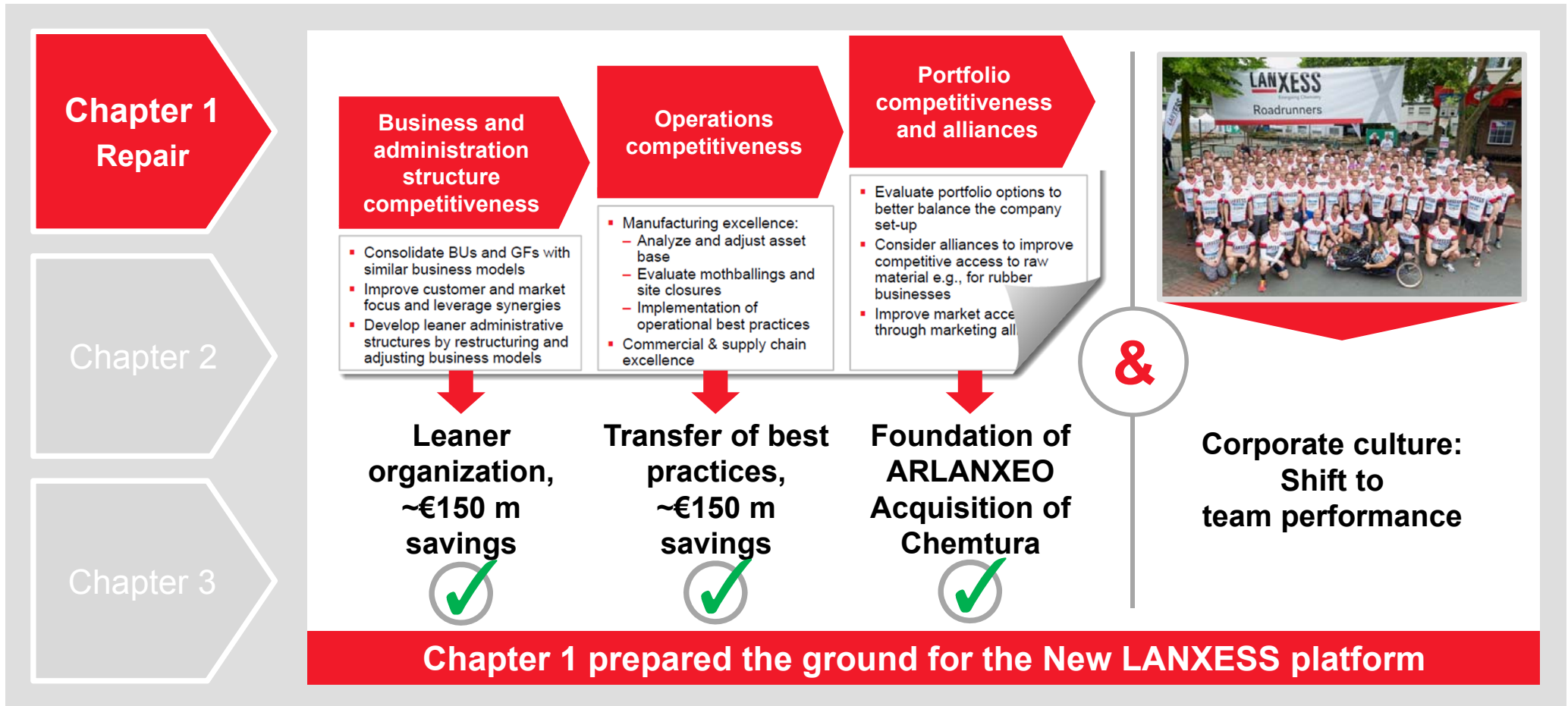
Technology & innovation

A strong team and corporate culture make the difference

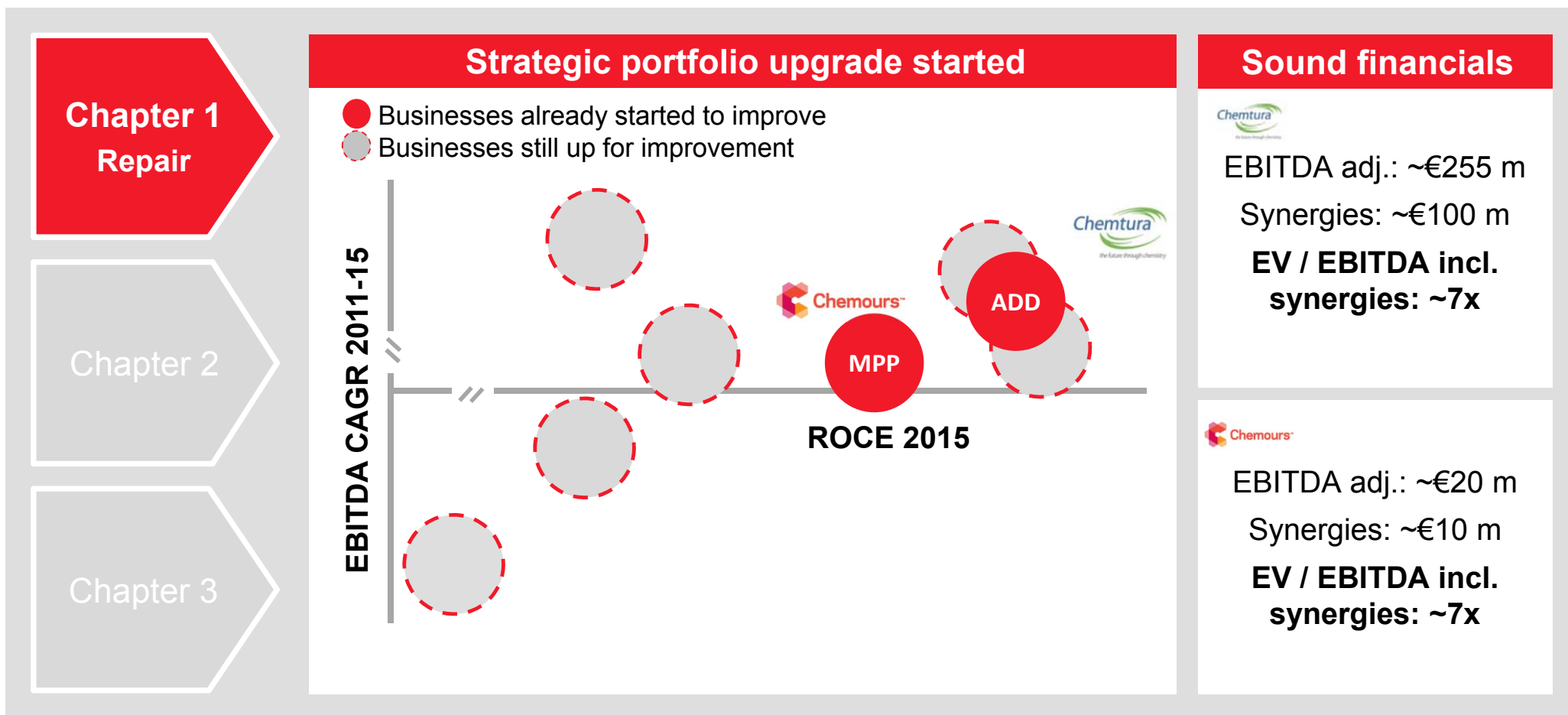
# Our journey: Shaping New LANXESS – a story in three chapters



# Recap Chapter 1: Rebuilding a competitive platform

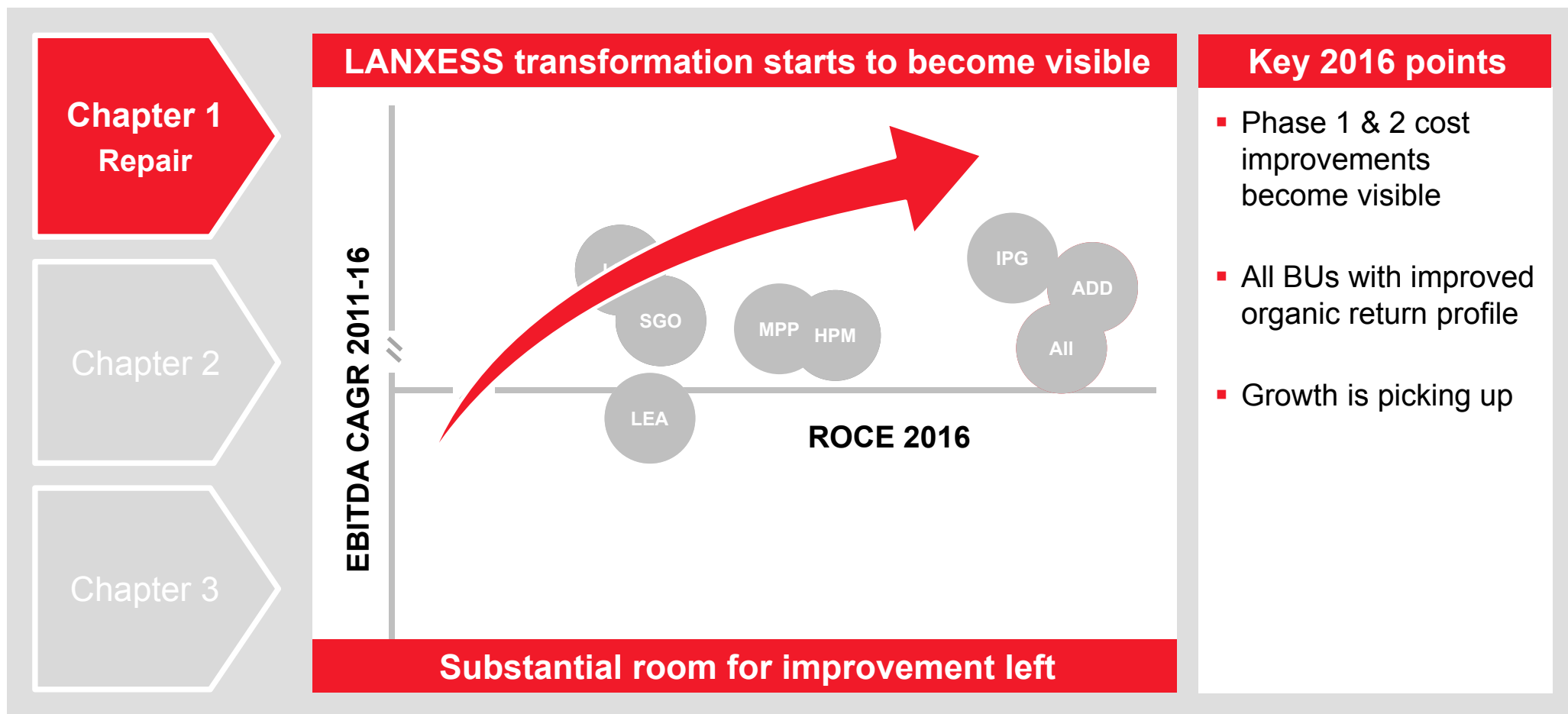


# Some value accretive portfolio modifications already addressed



Chemtura sales and EBITDA adjusted are based on FY 2016; USD / EUR 1.10

# Restructuring and change of strategy yields first positive results





# But it takes more time to change a company fundamentally

## Chapter 1 Repair

## Chapter 2

## Chapter 3

- Industry balance and market set-up need further improvement
- Leadership positions in many business units achieved but substantial catch-up still to be done
- Margin and profitability level has visibly improved but still lagging behind industry standards



# Chemtura integration: €100 m of synergies by 2020

Cost management

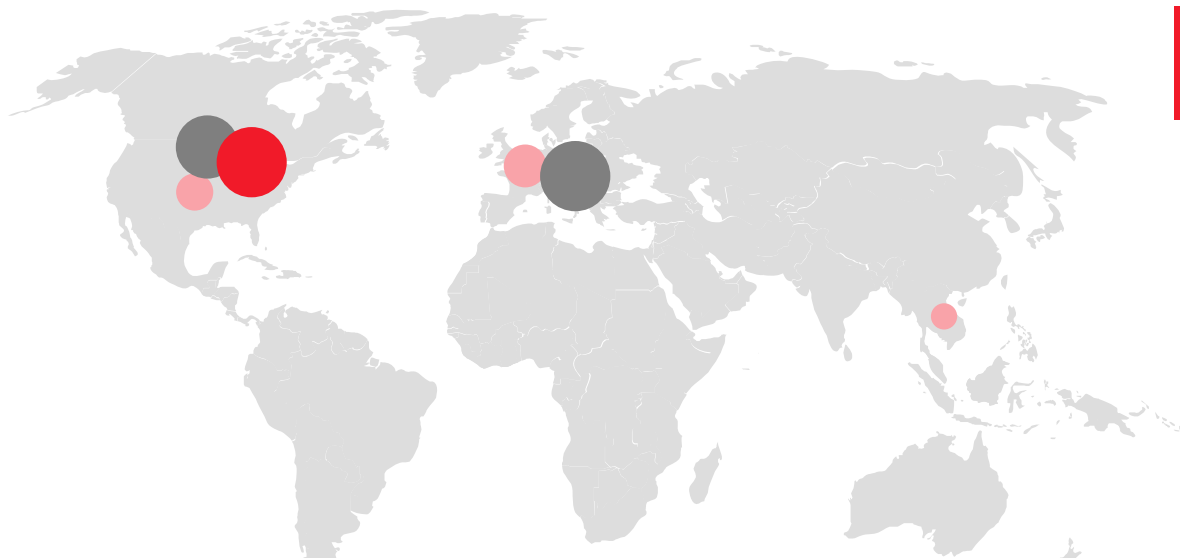
Organic investments

Portfolio management

Chapter 1

Chapter 2  
Improve

Chapter 3



- Organizational streamlining
- Leveraging new regional strengths

**€100 m synergy  
breakdown:**

Corporate /  
country costs

~€30 m

Marketing and sales

~€20 m

Production and  
procurement set-up

~€50 m

**Topline synergies provide additional comfort**

# Organic investments will improve company ROCE

Cost management

Organic investments

Portfolio management

Chapter 1

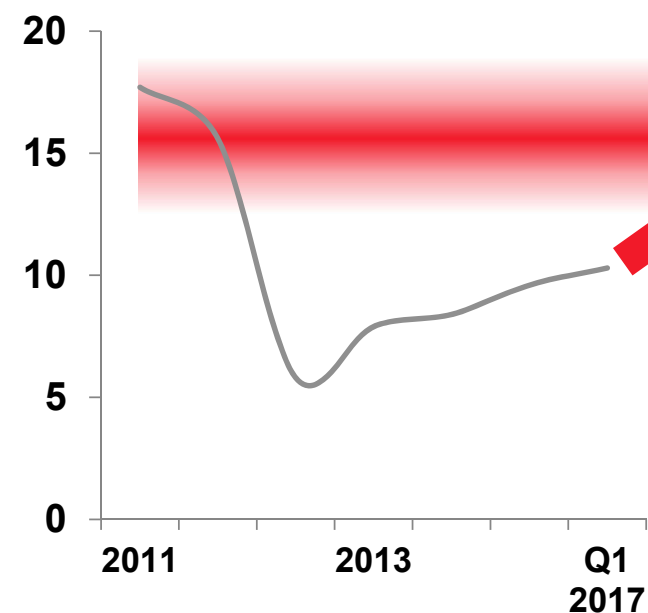
Chapter 2  
Improve

Chapter 3

- €100 m Debottleneckings, BU All
- €60 m Debottleneckings, BU SGO, custom manufacturing
- €60 m Greenfield, BU IPG
- €50-100 m Debottleneckings, BU HPM, global compounding hubs
- €50 m Debottleneckings in remaining BUs in Performance Chemicals
- €50-100 m Investments in Specialty Additives

**~€400 m capex until 2020 at  
ROCE of ~20%**

% ROCE



**Target: Increase ROCE to former levels**

# Portfolio optimizing with clear criteria

Cost management

Organic investments

Portfolio management

Chapter 1

Chapter 2  
Improve

Chapter 3

**Profitability**

**Resilience**

**Acquisition /  
divestment**

**Market and  
technology  
leadership**

**Value creation**


# Chapter 3: More balanced and stronger platform along three key dimensions

Chapter 1


Chapter 2

**Chapter 3  
Accelerate**

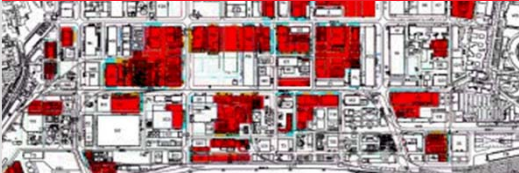
**Regional platform**



**Industrial platform**




**Market positions**



**Balancing the ground for further growth**

- Regionally balanced platform with no pronounced dependencies
- Diversified industrial platform mitigates impact from any individual industry's volatility
- Market positions in every business at least among leading players to keep or improve profitability level



**Solid growth**

**Chapter 3 will establish an even stronger platform**

# Vulnerability to single trends will be minimized

Chapter 1

Chapter 2

**Chapter 3**  
**Accelerate**

**Peak to trough EBITDA margin volatility not to exceed 2-3%pts**

Illustrative: Margin volatility



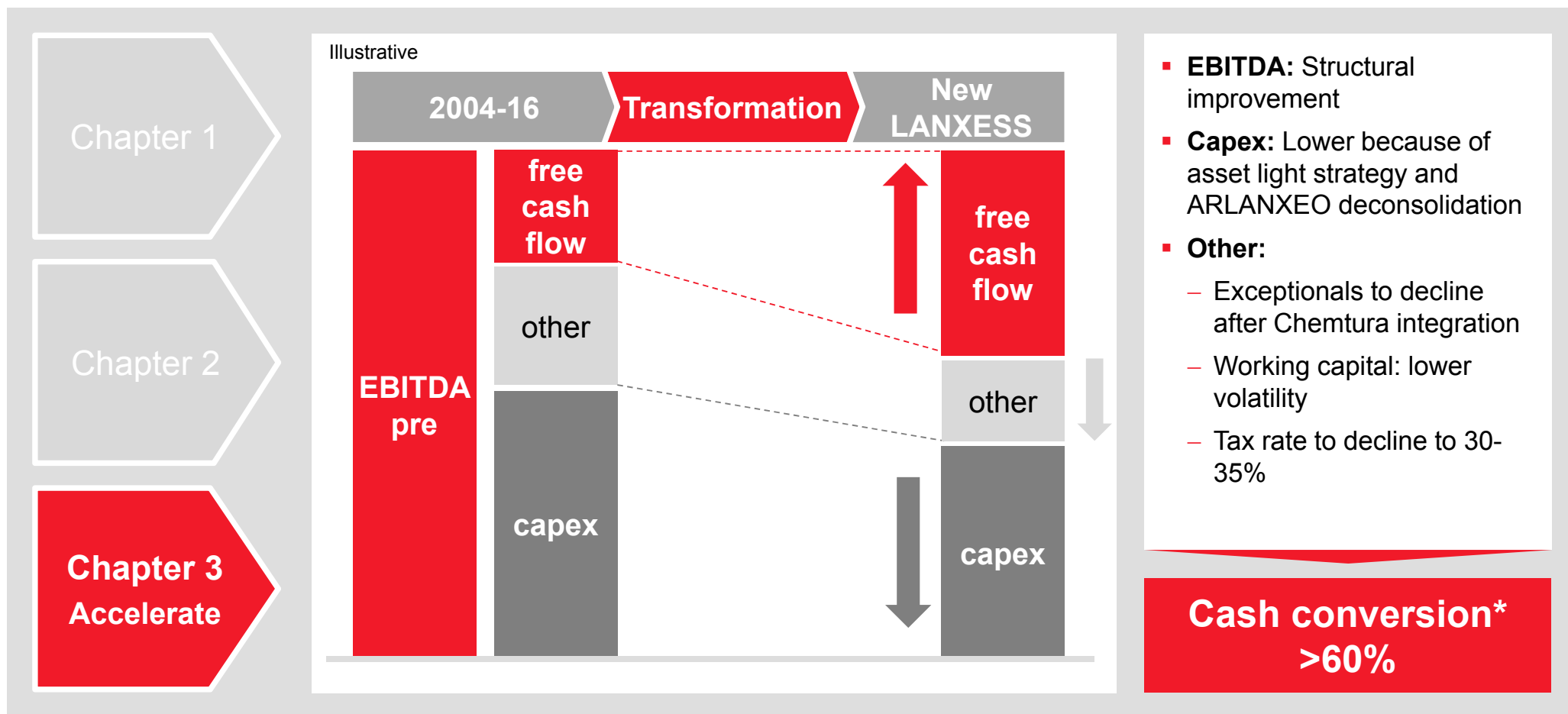
- Former dependency on few cyclical businesses
- Lack of cushioning interference of cyclical swings



- Improved balance of portfolio, regions and industries
- Cyclicalities scaled back

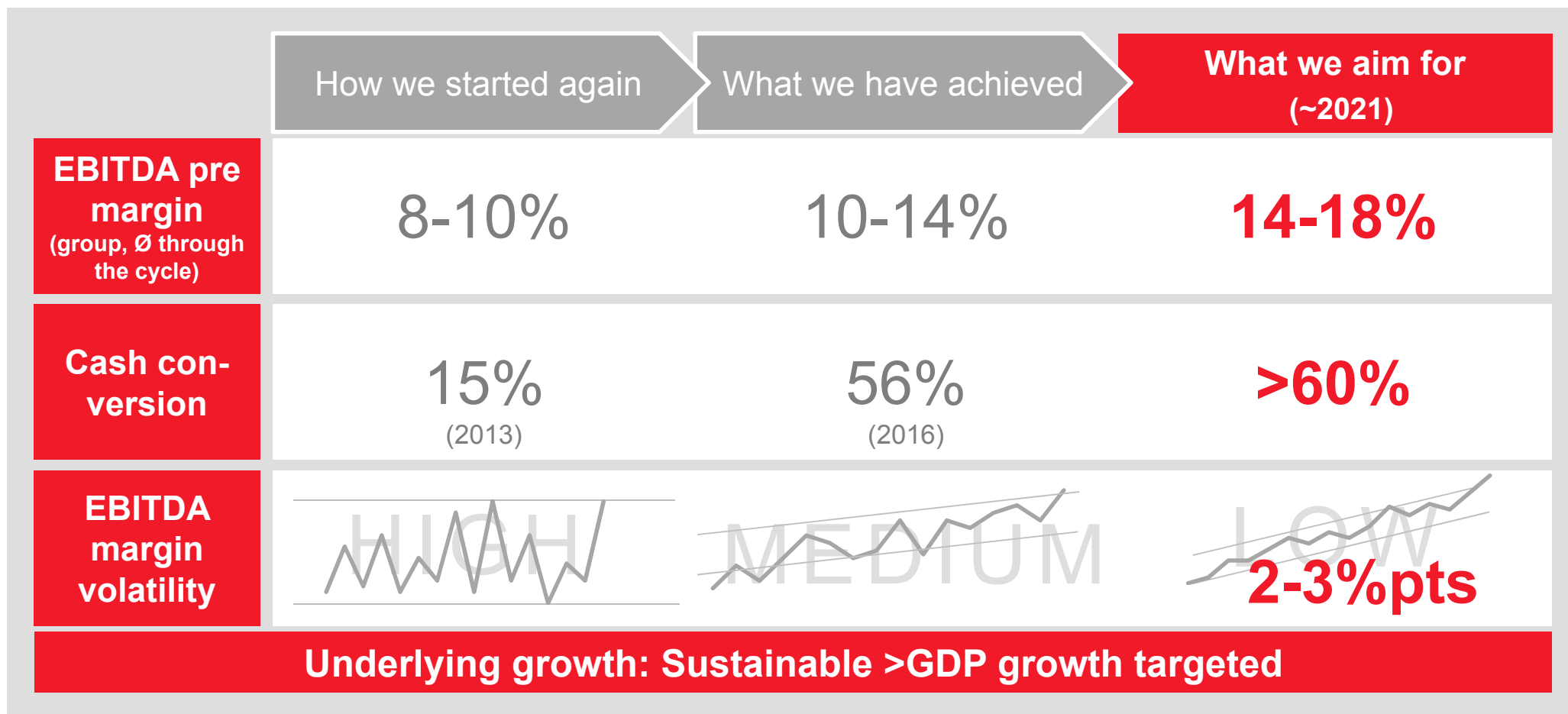
**Use of entire toolbox to improve resilience**

# LANXESS free cash flow and cash conversion rate to improve



\* Calculated as (EBITDA pre – capex) / EBITDA pre

# Chapter 3: Ambitious financial goals – substantially higher margins with significantly lower volatility



Cash conversion: (EBITDA pre – capex) / EBITDA pre



# The destination of our journey: A company with convincing characteristics

## Business platform

- Nicely balanced: Regionally and industrially, thus less cyclical
- Leading market and technology positions

## Financial profile

- Resilient cash conversion
- Investment grade rating

## Cultural profile

- Enthusiasm for what we do
- Performance team culture as basis for the next steps after 2021



# Agenda

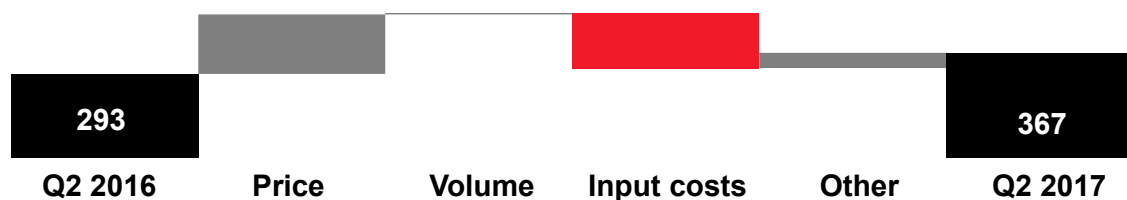
- Expanding our strengths
- **Q2 2017 and guidance – Performing in the new LANXESS structure**
- Backup

# Q2 2017: Strong results with nice contribution by Chemtura acquisition

Q2 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	+5%	+1%	+1%	+7%	+14%
Specialty Additives	+1%	+4%	+1%	+101%	+107%
Performance Chemicals	+4%	-1%	+2%	+7%	+11%
Engineering Materials	+8%	+6%	+0%	+18%	+31%
ARLANXEO	+23%	-0%	+2%	+0%	+25%
<b>LANXESS</b>	<b>+11%</b>	<b>+1%</b>	<b>+1%</b>	<b>+16%</b>	<b>+30%</b>

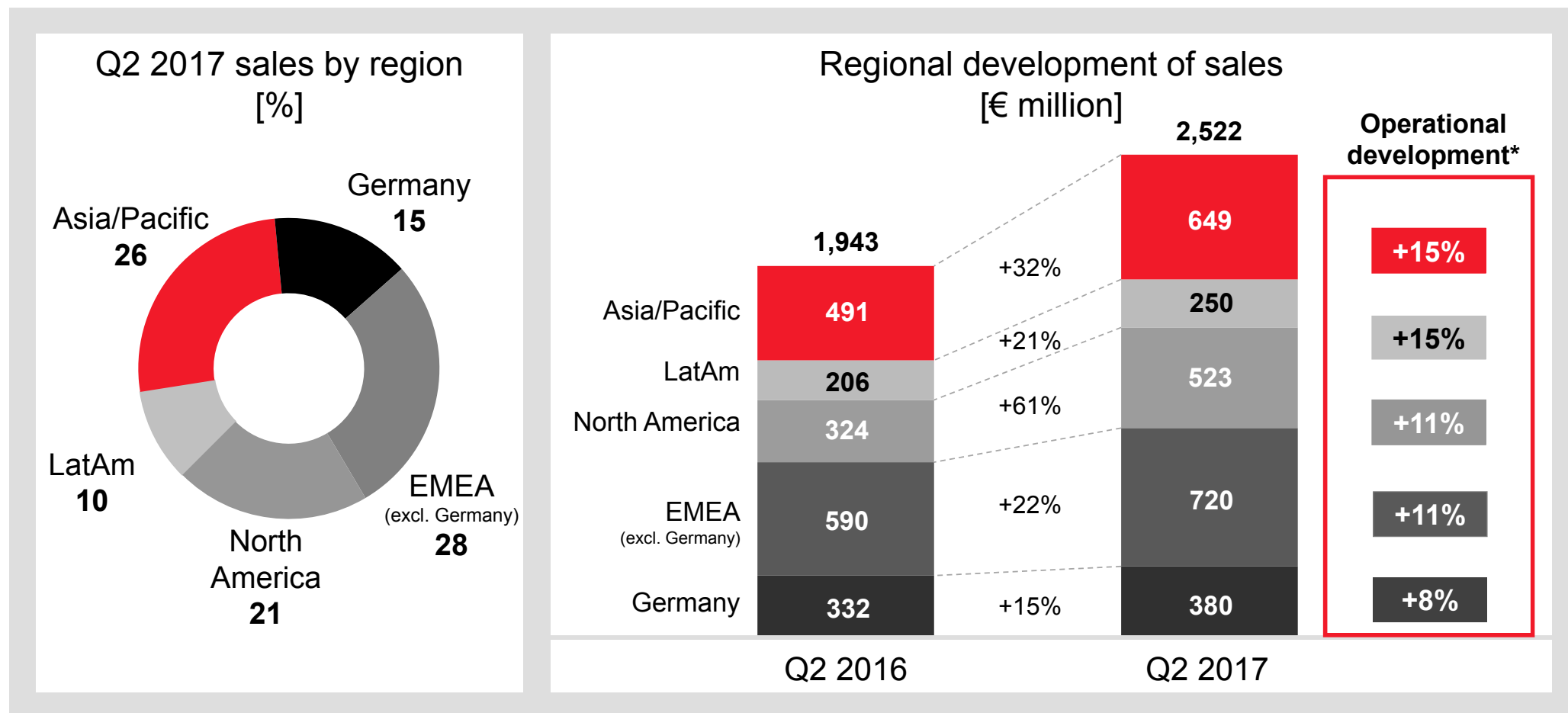
- Sales increase reflects portfolio effect and successful raw material price pass-through
- Market demand remains healthy. Most BUs with positive volumes except for BU IPG (pricing), BU SGO (agro market) and BU TSR (maintenance turnaround)

## Q2 yoy EBITDA pre bridge [€ m]



- Successful raw material price pass-through
- “Other” includes contribution by Chemtura and Chemours’ clean & disinfect businesses

# Q2 2017: Strong growth across all regions



\* Currency and portfolio adjusted

## Q2 2017: Visible positive effect from Chemtura acquisition

[€ m]	Q2 2016		Q2 2017		yoy in %	
Sales	1,943	(100%)	2,522	(100%)	30%	<ul style="list-style-type: none"> <li>Chemtura is major driver of deviations in all line items</li> <li>Sales increase on higher prices (raw material price pass-through) and portfolio</li> <li>Cost of sales also reflect higher raw material and energy costs</li> <li>Strong operational performance visible in EBITDA and EPS pre</li> <li>EBIT and Net Income affected by restructuring expenses and Chemtura related one offs (esp. PPA effect)</li> </ul>
Cost of sales	-1,466	(-75%)	-1,956	(-78%)	-33%	
Selling	-191	(-10%)	-238	(-9%)	-25%	
G&A	-73	(-4%)	-95	(-4%)	-30%	
R&D	-32	(-2%)	-38	(-2%)	-19%	
<b>EBIT</b>	<b>176</b>	<b>(9%)</b>	<b>62</b>	<b>(2%)</b>	<b>-65%</b>	
Non-controlling interests	8	(0%)	11	(0%)	38%	
<b>Net Income</b>	<b>75</b>	<b>(4%)</b>	<b>3</b>	<b>(0%)</b>	<b>-96%</b>	
<b>EPS pre*</b>	<b>0.88</b>		<b>1.54</b>		<b>75%</b>	
EBITDA	291	(15%)	227	(9%)	-22%	
thereof exceptionals	-2	(0%)	-140	(-6%)	>100%	
<b>EBITDA pre exceptionals</b>	<b>293</b>	<b>(15%)</b>	<b>367</b>	<b>(15%)</b>	<b>25%</b>	

**Substantial increase in EPS pre**

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

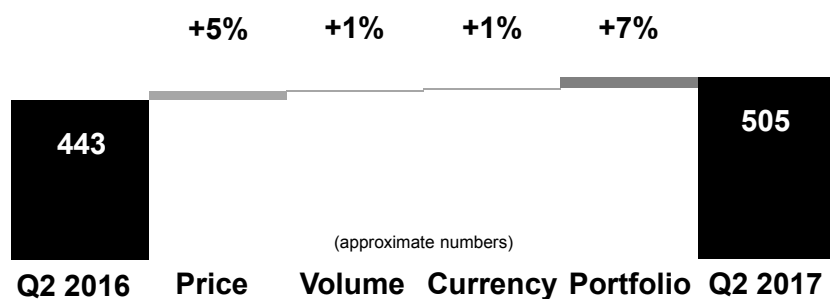
# Advanced Intermediates: Catch-up in raw material cost pass-through drives earnings

[€ m]	Q2 2016	Q2 2017	Δ
Sales	443	505	14%
EBIT	63	65	3%
Depr./Amort.	25	29	16%
<b>EBITDA pre exceptionals</b>	<b>88</b>	<b>97</b>	<b>10%</b>
Margin	19.9%	19.2%	
Capex	22	33	50%

H1 2016	H1 2017	Δ
906	1,023	13%
127	130	2%
50	55	10%
<b>177</b>	<b>188</b>	<b>6%</b>
19.5%	18.4%	
31	49	58%



## Q2 sales bridge yoy [€ m]




## Q2 yoy effects

- BU All with strong raw material-driven price increase and Chemtura Organometallics business contribution
- Volume growth in BU All held back by maintenance turnaround
- Weak agro chemical demand dampens BU SGO
- EBITDA benefits from catch up on raw material cost pass-through, partly mitigated by freight and energy costs

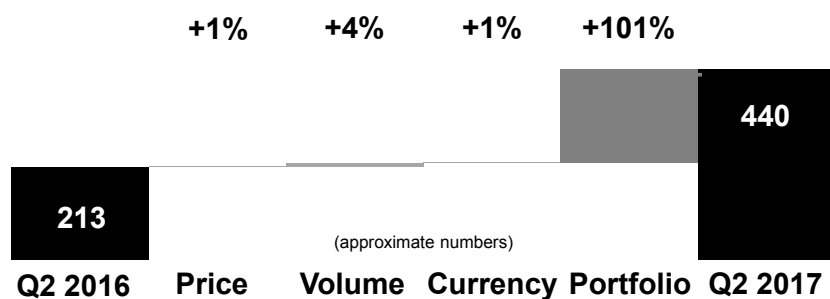
# Specialty Additives: Results driven by portfolio effect

[€ m]	Q2 2016	Q2 2017	Δ
<b>Sales</b>	<b>213</b>	<b>440</b>	<b>&gt;100%</b>
EBIT	37	-8	<-100%
Depr./Amort.	8	32	>100%
<b>EBITDA pre exceptionals</b>	<b>45</b>	<b>75</b>	<b>67%</b>
Margin	21.1%	17.0%	
Capex	8	16	100%

	H1 2016	H1 2017	Δ
	<b>434</b>	<b>679</b>	<b>56%</b>
	72	29	-60%
	15	39	>100%
	<b>87</b>	<b>119</b>	<b>37%</b>
	20.0%	17.5%	
	13	23	77%



## Q2 sales bridge yoy [€ m]



## Q2 yoy effects

- Major sales and earnings driver: Chemtura portfolio effect
- BU ADD with comparably stable price and volumes, BU RCH records strong volume growth
- EBITDA margin burdened by higher freight and energy costs, comparing to strong base

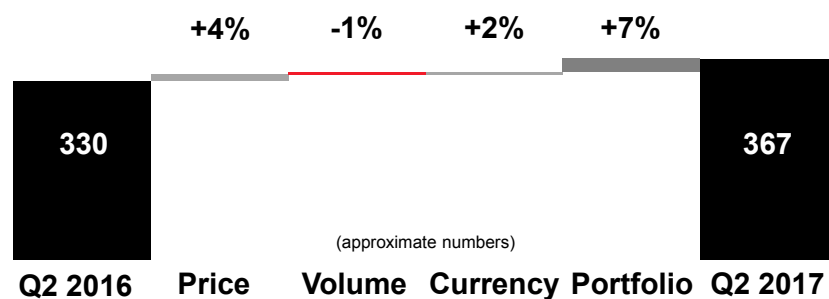
# Performance Chemicals: Solid results

[€ m]	Q2 2016	Q2 2017	Δ
<b>Sales</b>	<b>330</b>	<b>367</b>	<b>11%</b>
EBIT	54	-9	<-100%
Depr./Amort.	15	25	67%
<b>EBITDA pre exceptionals</b>	<b>69</b>	<b>80</b>	<b>16%</b>
Margin	20.9%	21.8%	
Capex	14	15	7%

	H1 2016	H1 2017	Δ
<b>Sales</b>	<b>642</b>	<b>735</b>	<b>14%</b>
EBIT	95	31	-67%
Depr./Amort.	30	44	47%
<b>EBITDA pre exceptionals</b>	<b>125</b>	<b>139</b>	<b>11%</b>
Margin	19.5%	18.9%	
Capex	25	26	4%



## Q2 sales bridge yoy [€ m]



## Q2 yoy effects

- Higher prices in nearly all BUs
- Volume increases in BU MPP while BU IPG recorded lower volumes with higher prices
- EBITDA increase also reflects contribution of Chemours' Clean & Disinfect business



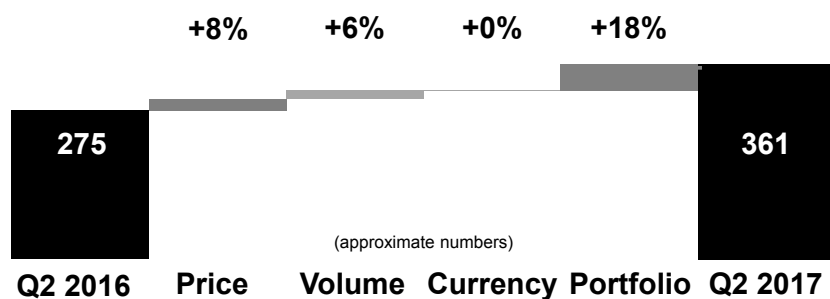
# Engineering Materials: Strong volumes and better mix drive earnings

[€ m]	Q2 2016	Q2 2017	Δ
Sales	275	361	31%
EBIT	34	45	32%
Depr./Amort.	11	15	36%
<b>EBITDA pre exceptionals</b>	<b>45</b>	<b>72</b>	<b>60%</b>
Margin	16.4%	19.9%	
Capex	4	11	>100%

	H1 2016	H1 2017	Δ
Sales	548	676	23%
EBIT	61	82	34%
Depr./Amort.	22	26	18%
<b>EBITDA pre exceptionals</b>	<b>83</b>	<b>120</b>	<b>45%</b>
Margin	15.1%	17.8%	
Capex	9	15	67%



## Q2 sales bridge yoy [€ m]



## Q2 yoy effects

- Sales and EBITDA with portfolio effect from Chemtura Urethanes
- Strong demand across all regions drives volume growth in both BUs
- Prices up as higher raw material costs were passed on
- EBITDA improves on continued high capacity utilization, portfolio effect

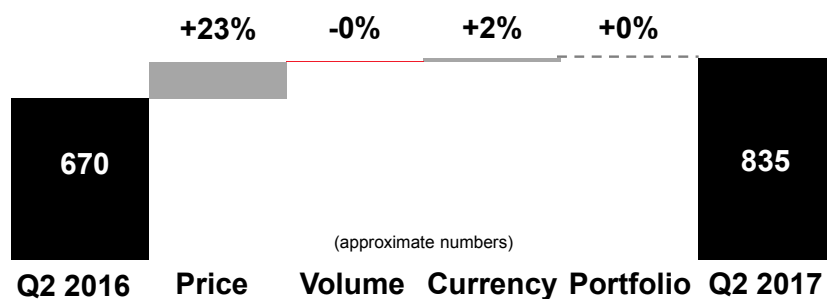
# ARLANXEO: Business continues to cope with challenging environment

[€ m]	Q2 2016	Q2 2017	Δ
<b>Sales</b>	<b>670</b>	<b>835</b>	<b>25%</b>
EBIT	41	38	-7%
Depr./Amort.	54	57	6%
<b>EBITDA pre exceptionals</b>	<b>95</b>	<b>92</b>	<b>-3%</b>
Margin	14.2%	11.0%	
Capex	24	28	17%

	H1 2016	H1 2017	Δ
	<b>1,310</b>	<b>1,783</b>	<b>36%</b>
	98	123	26%
	110	114	4%
	<b>208</b>	<b>236</b>	<b>13%</b>
	15.9%	13.2%	
	40	45	13%



## Q2 sales bridge yoy [€ m]



## Q2 yoy effects

- Substantial price effect by raw material cost pass-through
- Continued good underlying demand in both BUs after exceptionally strong Q1. Some lower volumes in BU TSR due to planned turnaround
- EBITDA burdened by low double digit €- million inventory write off (mainly butadiene)
- Successful raw material cost pass-through offset mainly by higher energy costs

## Q2 2017: Cash flow reflects first consolidation of acquired businesses

[€ m]	Q2 2016	Q2 2017
<b>Profit before tax</b>	<b>147</b>	<b>61</b>
Depreciation & amortization	115	165
Financial (gain) losses	16	-22
Income taxes paid	-19	-28
Changes in other assets and liabilities	-72	-42
<b>Operating cash flow before changes in WC</b>	<b>187</b>	<b>134</b>
Changes in working capital	-7	22
<b>Operating cash flow</b>	<b>180</b>	<b>156</b>
<b>Investing cash flow</b>	<b>-981</b>	<b>289</b>
Thereof capex	-73	-105
<b>Financing cash flow</b>	<b>1,115</b>	<b>-69</b>

- Profit before tax declines due to substantial one-off restructuring and PPA (inventory step-up)
- Financial (gain) losses mainly contains reclassification of Currenta dividend to invest. CF
- Changes in other assets and liabilities includes provisioning for restructuring offset by variable compensation payout
- Working capital: PPA effect offsetting operational outflow

**Operating CF below prior year due to transaction related cash-outs**

# Main balance sheet KPIs mirror acquisition

[€ m]	Dec 2016	Jun 2017
<b>Total assets</b>	<b>9,877</b>	<b>10,912</b>
Equity (incl. Non-controlling interest)	3,728	3,579
<b>Equity ratio</b>	<b>38%</b>	<b>33%</b>
<b>Net financial debt</b> (after deduction of current financial assets)	<b>269</b>	<b>2,537</b>
Near cash, cash & cash equivalents	395	759
<b>Pension provisions</b>	<b>1,249</b>	<b>1,416</b>
<b>ROCE<sup>1</sup></b>	<b>6.9%</b>	<b>8.8%</b>
<b>Net working capital</b>	<b>1,628</b>	<b>2,189</b>
DSI (in days) <sup>2</sup>	67	62
DSO (in days) <sup>3</sup>	51	50

- Total assets increase due to Chemtura consolidation
- Equity ratio remains solidly above 30%
- Net financial debt increases due to payment for Chemtura, assumed debt and dividend payment
- Higher net working capital after M&A and substantially higher raw material prices
- Pension provisions mainly reflect Chemtura acquisition

<sup>1</sup> Based on last twelve months for EBIT pre, 2017 calculated incl. Chemtura EBIT pre pro forma based on 2016 earnings

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

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

# FY 2017 on track – EBITDA guidance confirmed

## Macro economics

- Persisting macroeconomic, geopolitical risks
- Agro chemicals demand modestly weaker than expected; while all other industries remain stable
- Asia Pacific continues to be the most attractively growing region

## FY 2017

- Business dynamics solid, while growth expectations for H2 are softer due to the high comparable base in H2 2016
- **FY EBITDA pre between €1,225 m – €1,300 m**



FY 2017 EBITDA pre guidance includes contribution from the Chemtura acquisition as of April 21, 2017.

Inventory effects from PPA are treated as exceptional items

At USD/EUR 1.10

# Agenda

- Expanding our strengths
- Q2 2017 and guidance – Performing in the new LANXESS structure
- **Backup**



**Backup**

# Housekeeping items

## Additional financial expectations

- Capex 2017: ~€550-600 m (thereof ~€150 m ARLANXEO)
- Operational D&A 2017: ~€580-590 m (thereof ~€220 m ARLANXEO)
- Reconciliation 2017: ~-€190 m EBITDA pre incl. hedging
- Tax rate: Mid-term: 30-35% (for New LANXESS)



Please note:

- From Q2 2018 onwards, ARLANXEO will be shown as “discontinued operations”
- From Q2 2019 onwards, ARLANXEO will be accounted for “at equity”

At USD/EUR 1.10

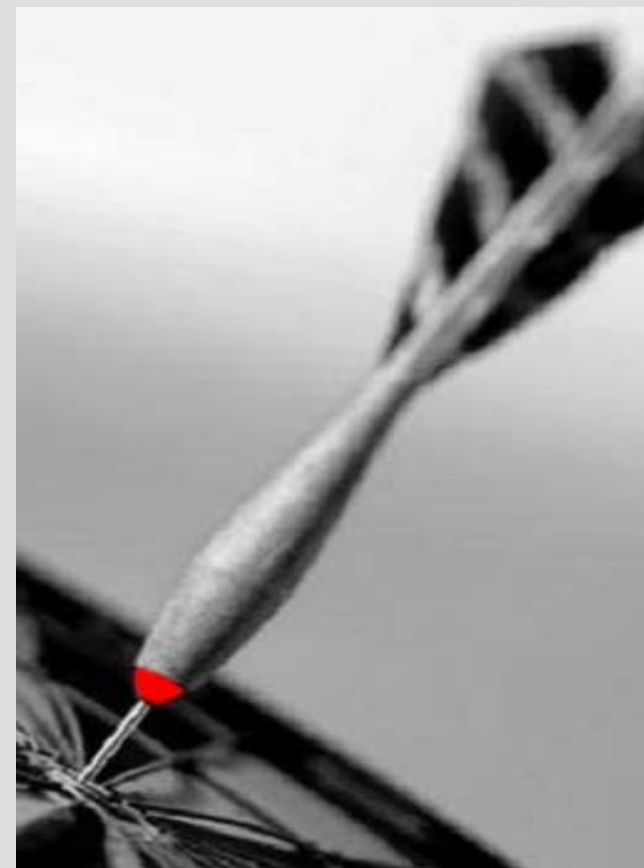


# ARLANXEO deconsolidation will lead to a substantial reduction of currency risk

## Substantially reduced FX sensitivity

- Chemtura consolidated since 21 April 2017
- ARLANXEO reported as disc. operations from 01 April 2018

**1ct change in the USD/EUR rate impacts EBITDA  
by ~€7 m before hedging  
(was ~€9 m before)**



## 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

# Bottom-up analysis confirm former synergy targets

## Implementation of synergies on track

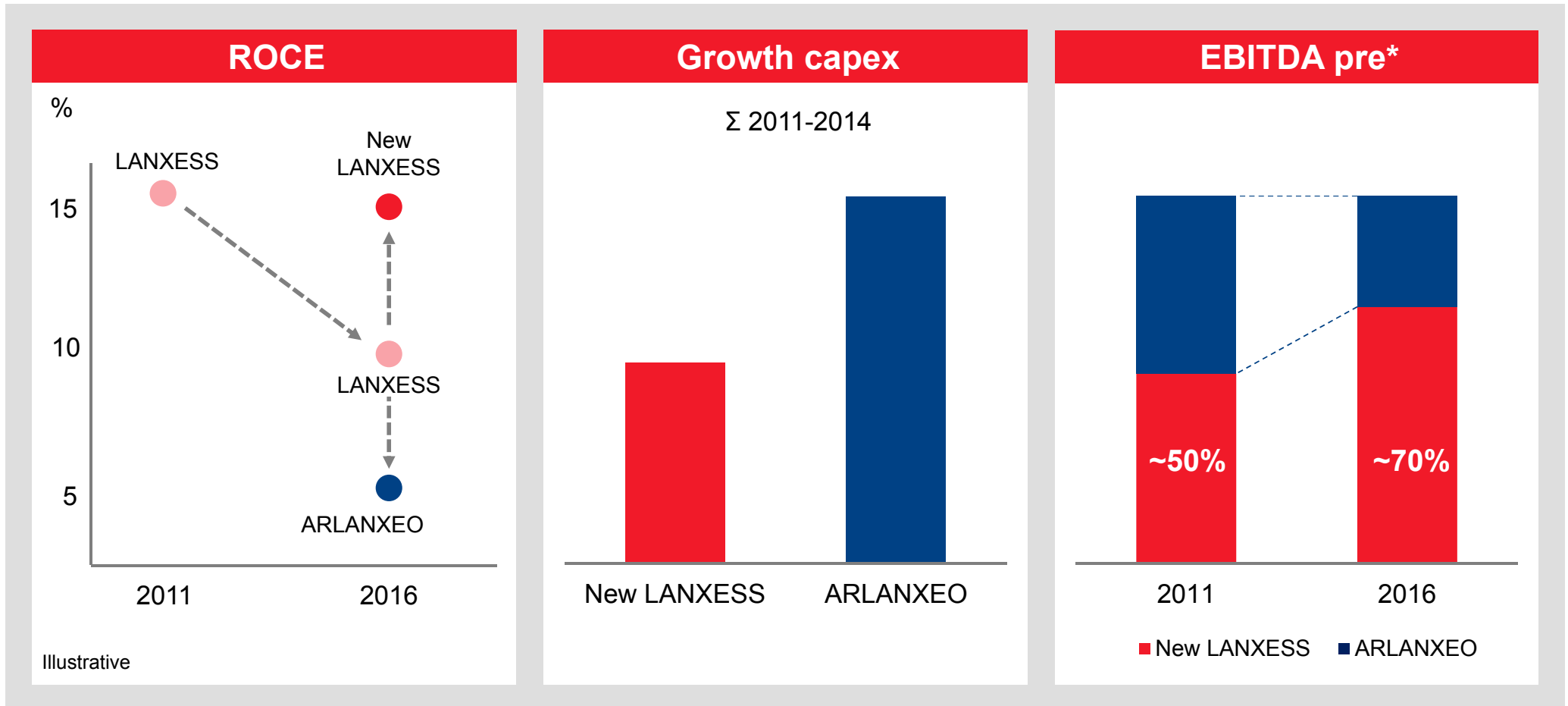
[€ m]	2017	2018	2019	2020	Total	
<b>Synergies</b>	~25	~25	~35	~15	~100	
<b>Expense (one-time costs)*</b>	~50	~50	~20	~20	~140	
<b>Cash out*</b>	~30	~40	~40	~30	~140	
<b>Capex</b>	~30	~10	~10		~50	

## Previous assumptions

- **Synergies confirmed**
  - €100 m of “hard” costs
  - Top line synergies not included
- ~€50 m capex for asset improvements
- ~€140 m one time costs
- ~€80 m transaction related cash outs, mostly in 2017

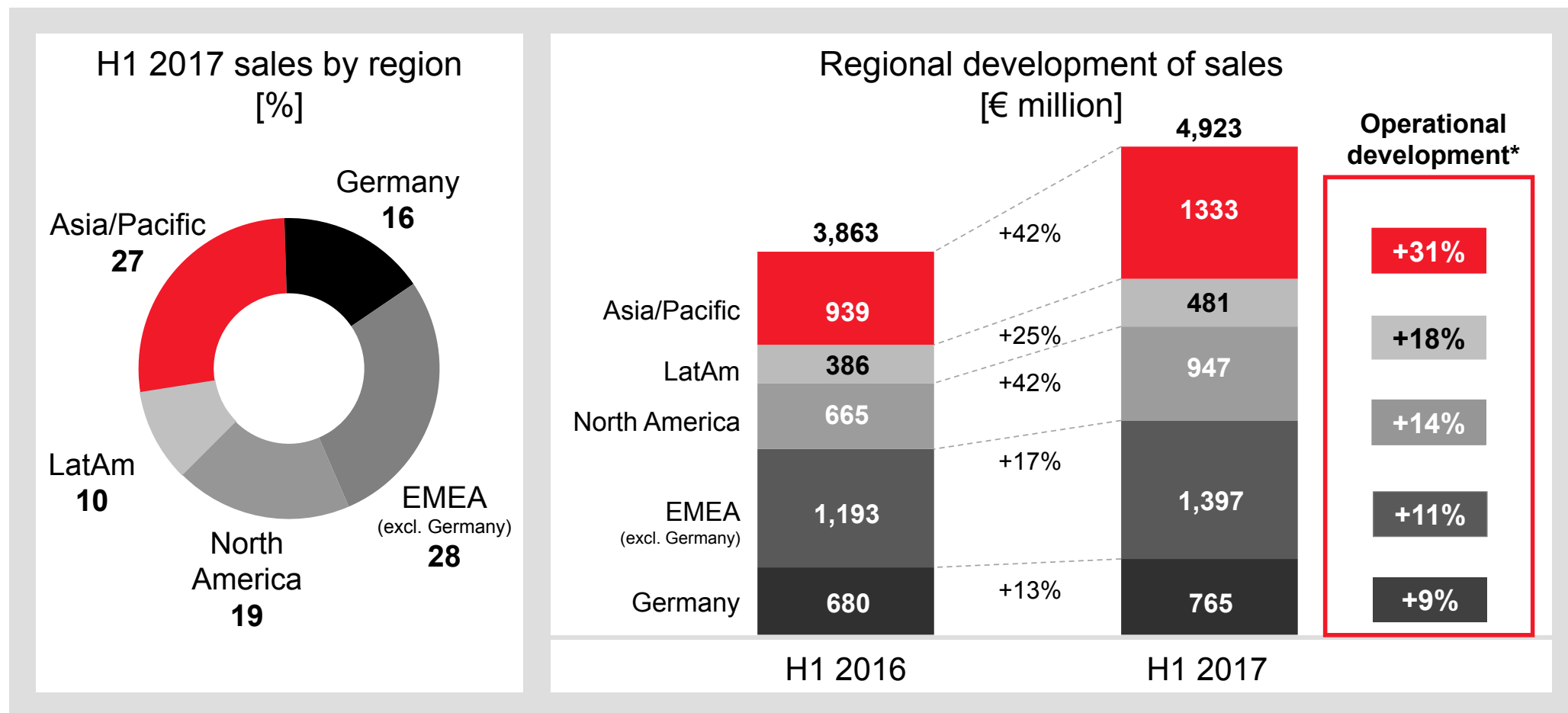
\* excluding ~€80 m transaction related charges

# Growth capex in New LANXESS were value enhancing



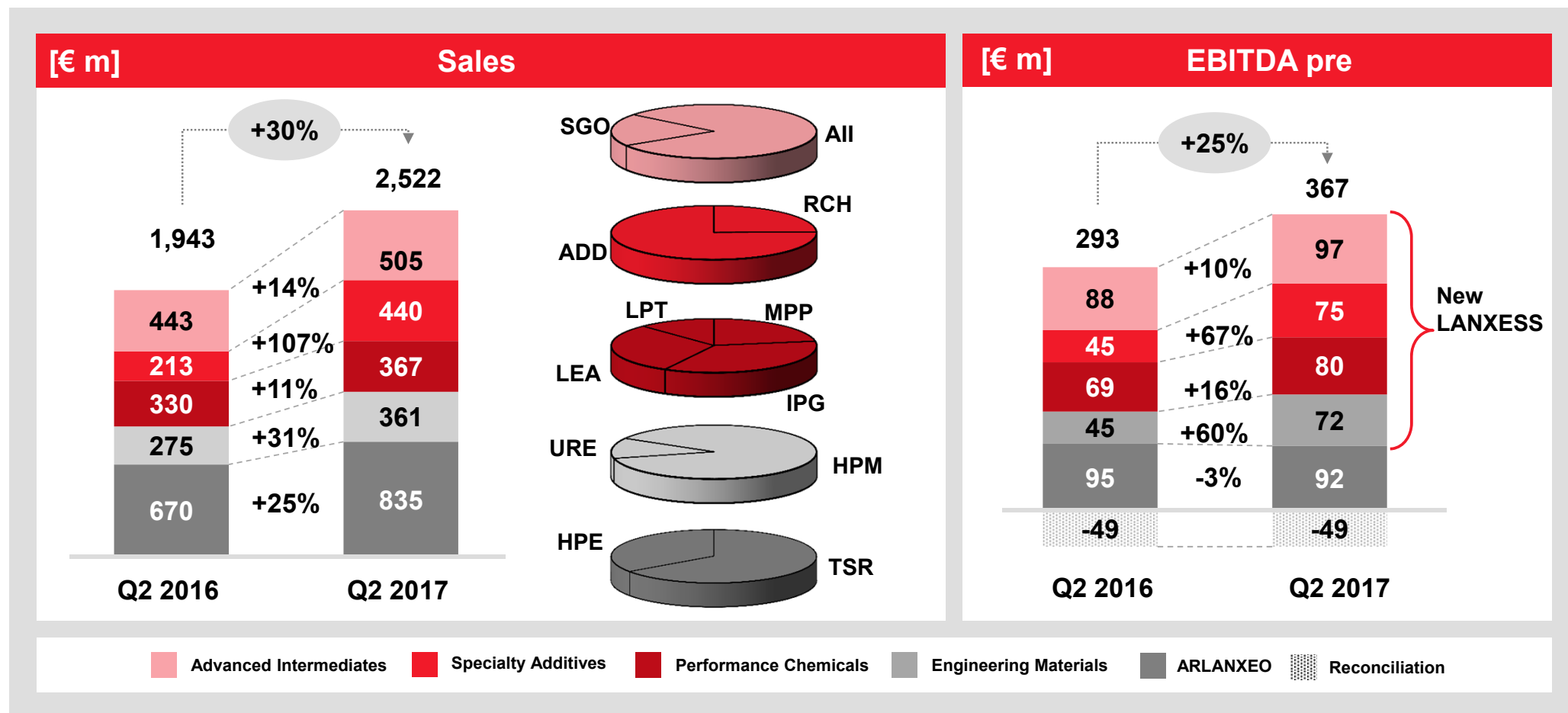
\* Sum of business units

# H1 2017: Substantial growth across all regions



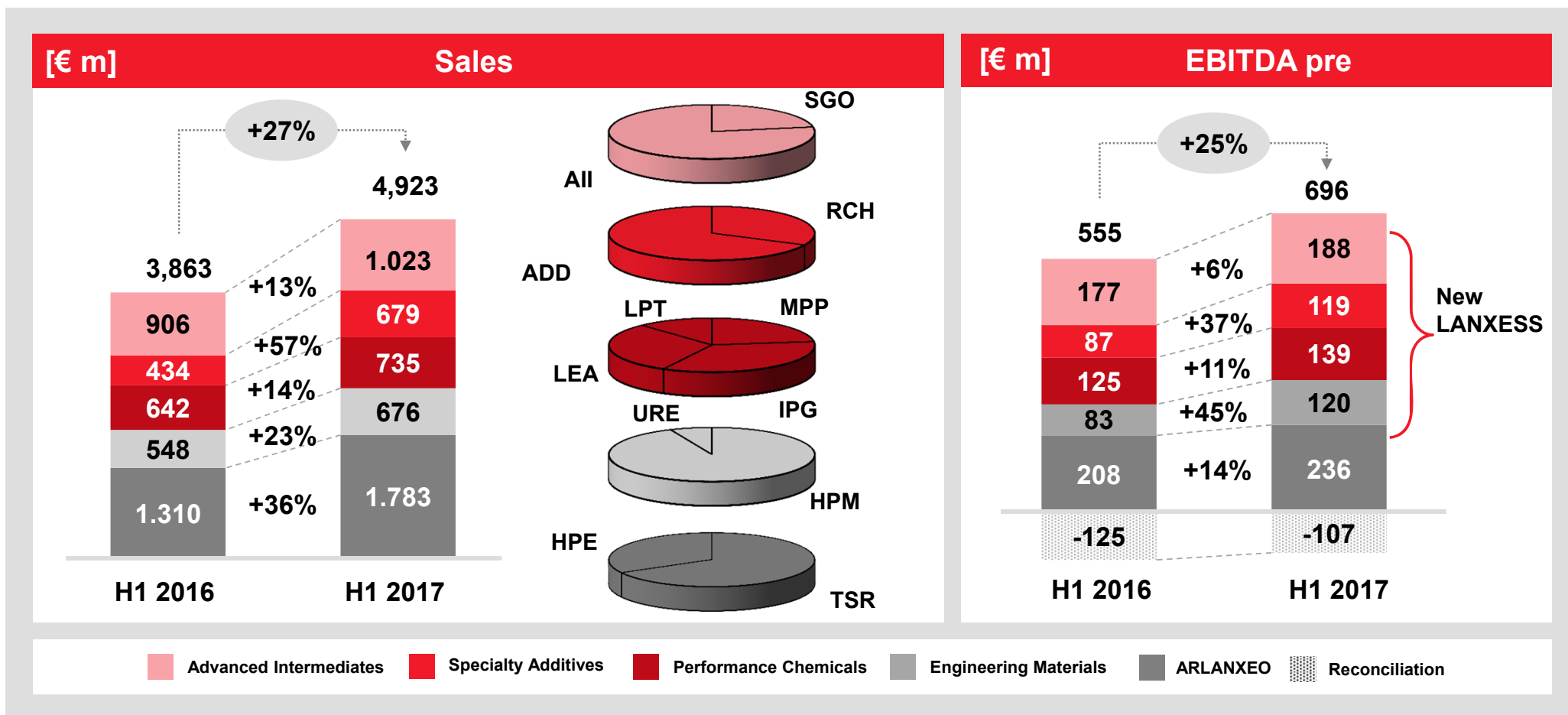
\* Currency and portfolio adjusted

# Q2 2017: Strong operational and M&A driven increase in sales and EBITDA



Total group sales including reconciliation

# H1 2017: Strong increase in Sales and EBITDA driven by acquisition of Chemtura



Total group sales including reconciliation






## Balance sheet remains solid

[€ m]	Dec 2016	Jun 2017		Dec 2016	Jun 2017
<b>Non-current assets</b>	<b>4,519</b>	<b>6,558</b>	<b>Stockholders' equity</b>	<b>3,728</b>	<b>3,579</b>
Intangible assets	494	1,813	attrib. to non-contr. interests	1,176	1,161
Property, plant & equipment	3,519	4,100	<b>Non-current liabilities</b>	<b>4,516</b>	<b>5,020</b>
Equity investments	0	0	Pension & post empl. provis.	1,249	1,416
Other investments	12	13	Other provisions	319	517
Other financial assets	19	20	Other financial liabilities	2,734	2,734
Deferred taxes	442	439	Tax liabilities	31	107
Other non-current assets	33	173	Other liabilities	93	116
			Deferred taxes	83	125
<b>Current assets</b>	<b>5,358</b>	<b>4,354</b>	<b>Current liabilities</b>	<b>1,633</b>	<b>2,313</b>
Inventories	1,429	1,733	Other provisions	406	474
Trade account receivables	1,088	1,389	Other financial liabilities	78	592
Other current financial assets	2,130	4	Trade accounts payable	889	933
Other current assets	316	469	Tax liabilities	44	73
Near cash assets	40	0	Other liabilities	216	241
Cash and cash equivalents	355	759			
<b>Total assets</b>	<b>9,877</b>	<b>10,912</b>	<b>Total equity &amp; liabilities</b>	<b>9,877</b>	<b>10,912</b>

- Change in “Other current financial assets” reflects the acquisition of Chemtura



# 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%**

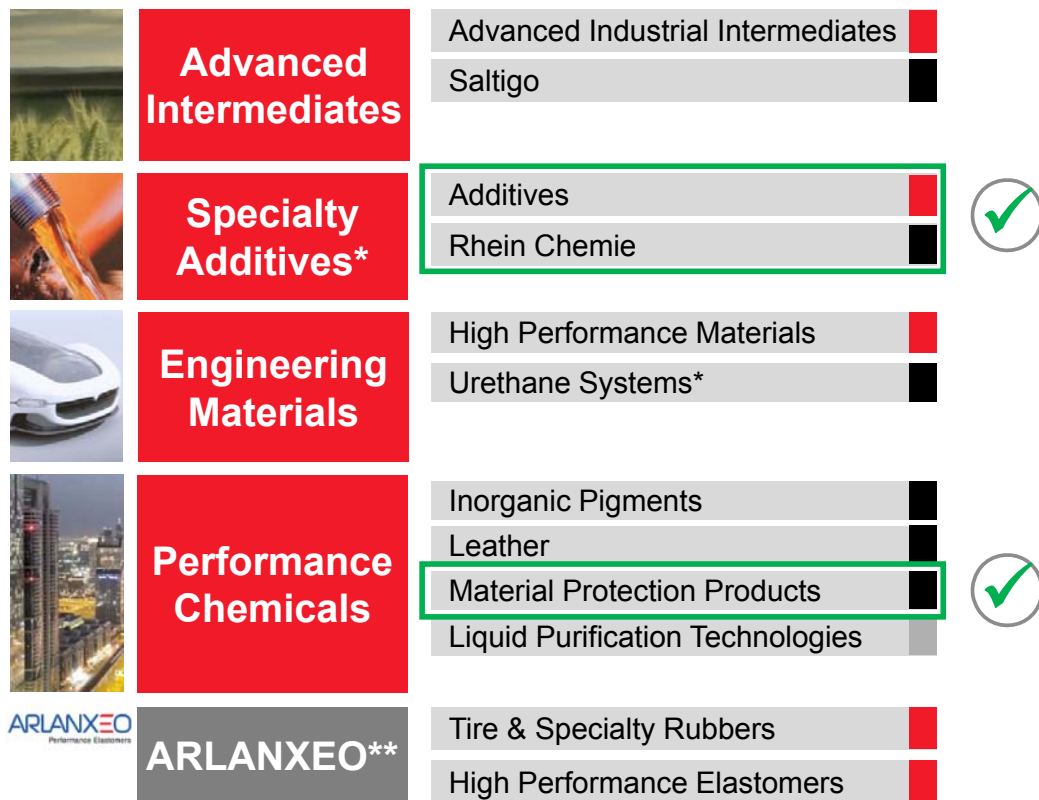
**A solid EBITDA contribution from all segments**

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

# 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

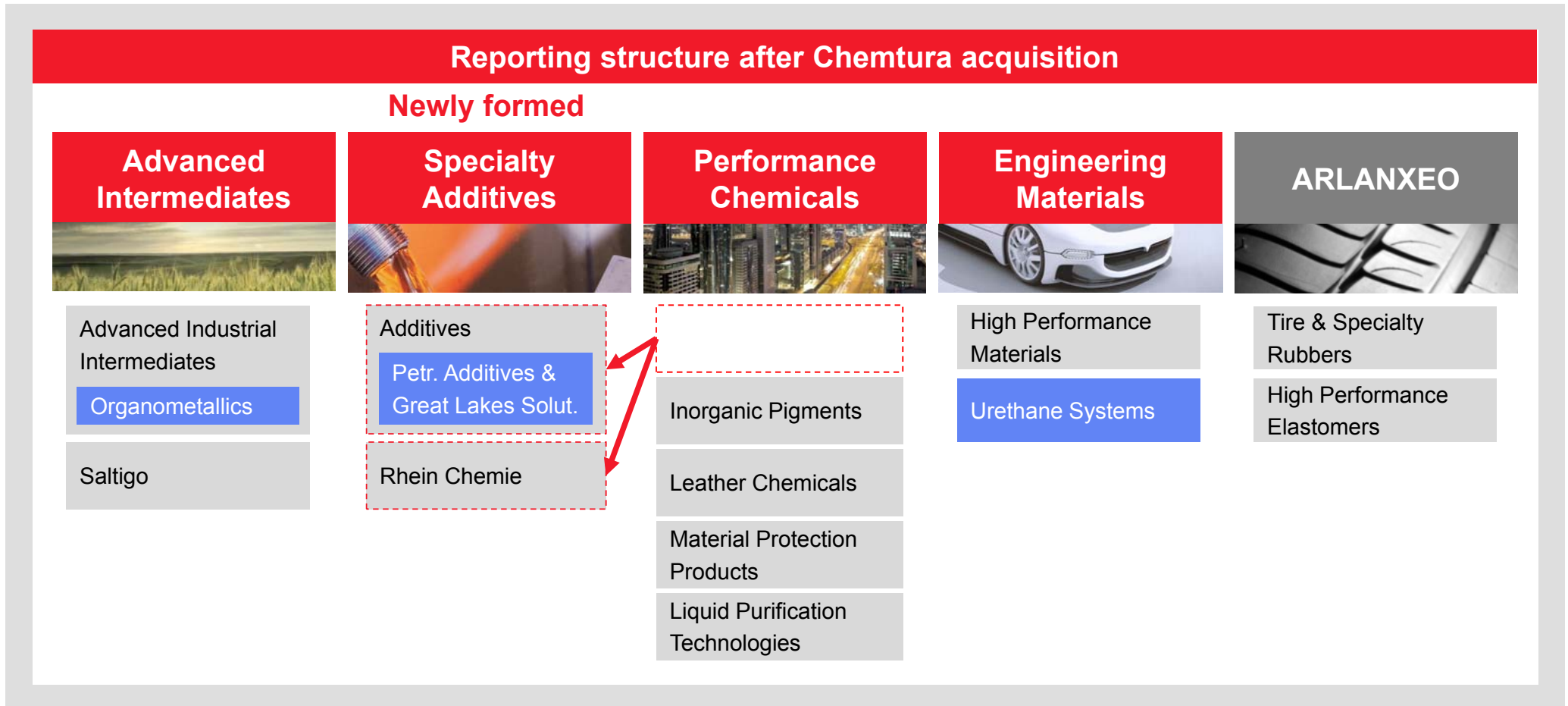
**Ongoing implementation**

\* Reporting segment after 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

# LANXESS has formed five strong segments



LANXESS Business Units

Former Chemtura Business Units

**LANXESS**

# Chemtura impact: Financial indications

## Chemtura 2016 – US GAAP based

▪ Sales:	\$1,654 m	[~€1,504 m]
▪ EBITDA adj.*	\$282 m	[~€256 m]
▪ Capex 2016:	\$88 m	[~€80 m]
▪ D&A 2016:	\$85 m	[~€77 m]
▪ Net financial debt	\$256 m	[~€233 m]

## 2017

- EBITDA contribution for 2/3 of the year
- Detailed financial information for 2017 to follow with Q2 2017 reporting
- Detailed bottom-up analysis has started

## First indicative considerations after closing

- Inventory step-up: ~-€60 m, mainly in Q2 2017 (treated as exceptional)
- Additional impact on D&A due to purchase price allocation:
  - 2017: ~€40 m
  - 2018ff p.a.: ~€60 m

All Euro figures translated at USD/EUR 1.10

\* Excluding Chemtura's agro business

# 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 April 2017

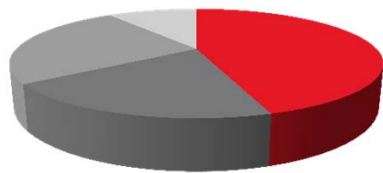
Sales and EBITDA are based on Q2 2016 LTM, USD/EUR 1.10

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



## A global, specialty chemical company\*

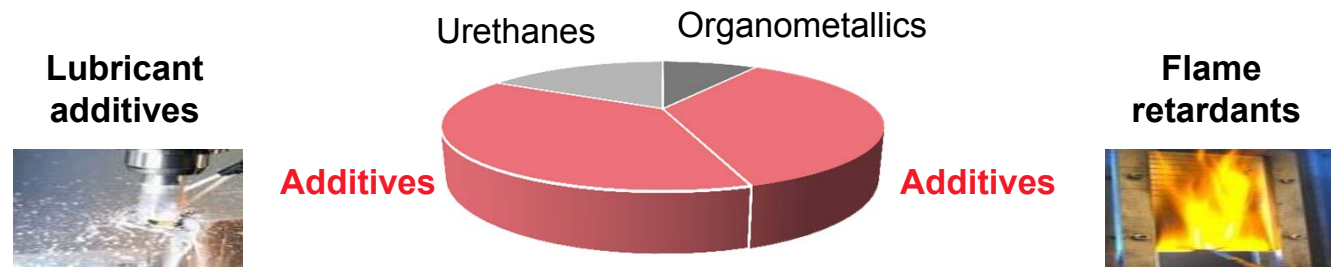
- Sales ~€1.5 bn
- EBITDA pre ~€245 m
- ~2,500 employees
- 20 sites in 11 countries



■ 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)

# Reporting treatment of ARLANXEO with significant impact on LANXESS' financial shape



5 year lock-up period negotiated between Saudi Aramco and LANXESS

3 years casting vote at LANXESS



01.04.2016

31.03.2018

31.03.2019

31.03.2021

100% consolidation

Discontinued operations

At equity consolidation

# ARLANXEO effects on LANXESS' income statement, P&L and cash flow

## Discontinued operations from Q2 2018

### P&L:

- P&L down to after tax income will stop reflecting ARLANXEO
- 100% of ARLANXEO net income\* will be shown as "income from discontinued operations"
- 50% of ARLANXEO net income is then attributable to "non-controlling interest"

### Balance sheet:

- ARLANXEO assets will be bundled in one position "assets -" and "liabilities from discontinued operations"

### Cash Flow:

- Operating / investing / financing cash flow will each be split in "continuing" and "discontinued" portion either in the statement or in the notes

## At equity consolidation from Q2 2019

### P&L:


- LANXESS will account for its 50% ARLANXEO stake at equity

### Balance sheet:

- ARLANXEO's assets & liabilities and Aramco's equity share leave LANXESS' balance sheet
- 50% of ARLANXEO stake will be reflected in "investments accounted for using the equity method"

### Cash Flow:

- In case dividends are paid from ARLANXEO to both parents, this will be shown in investing cash flow

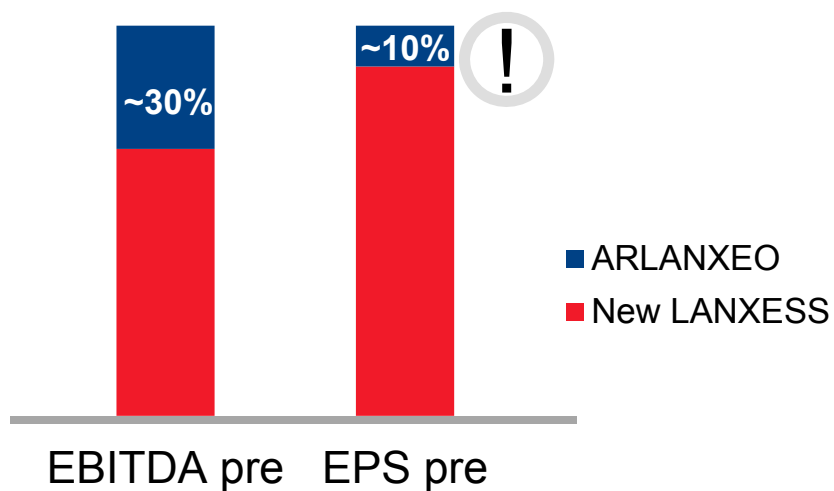
 \* IFRS 5: Non-current assets shall not be depreciated/amortized when shown as discontinued operations



# ARLANXEO with marginal contribution to EPS – New LANXESS tax rate reduced after deconsolidation

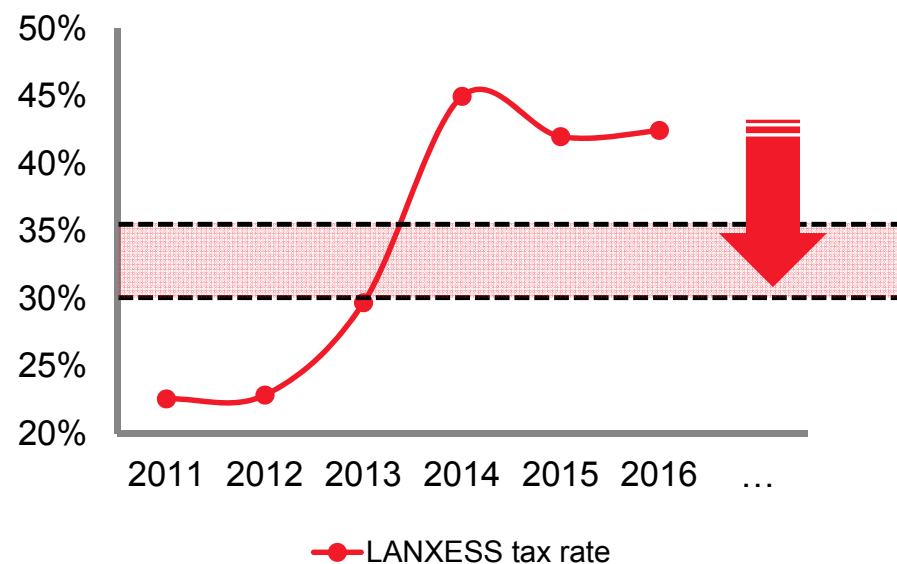
## Minor ARLANXEO contribution to EPS

H2 2017 LTM



High ARLANXEO D&A after heavy investment cycle

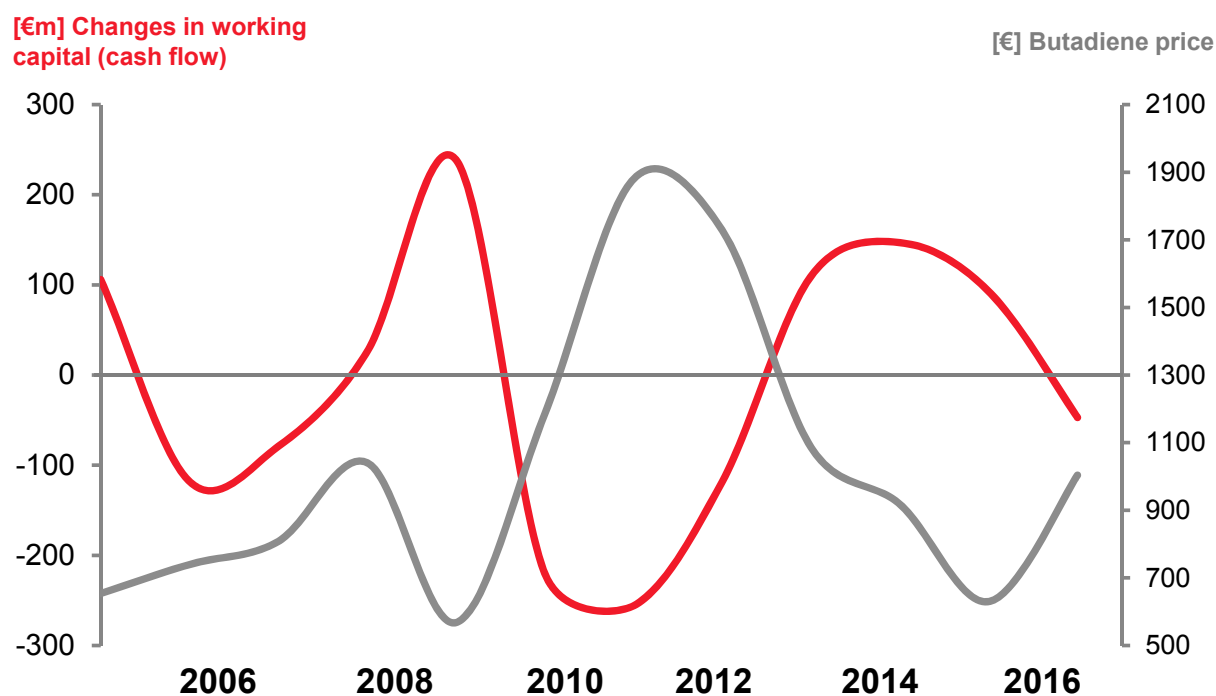
## Tax rate of New LANXESS will be at 30-35%



High ARLANXEO tax rate due to unfavorable regional distribution of earnings

# Volatility of working capital will be significantly reduced after deconsolidation of ARLANXEO

## ARLANXEO significantly impacted free cash flow in the past



- Butadiene, one of the main raw materials for ARLANXEO, with strong volatility
- Butadiene volatility main driver for working capital changes in the past

**Volatility of working capital will be significantly reduced**

# 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

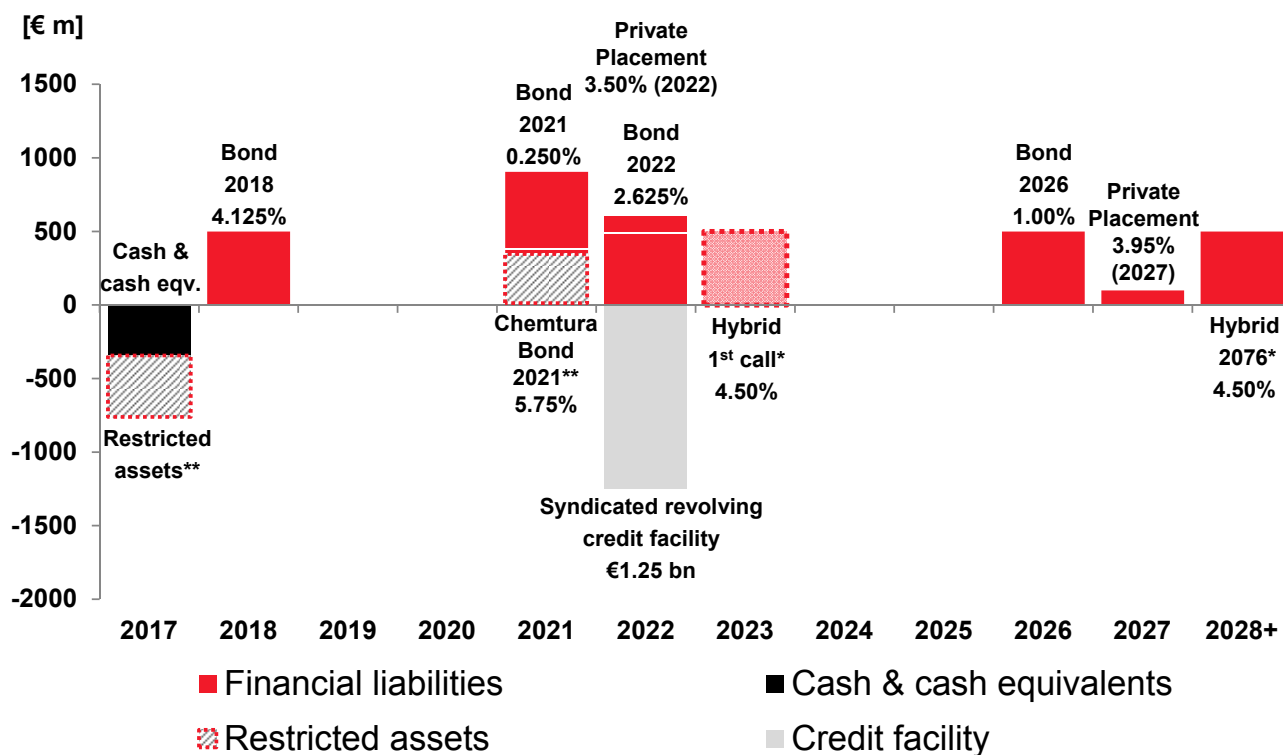
<sup>3</sup> Non methane volatile organic compounds; <sup>4</sup> African Medical and Research Foundation

# Maturity profile actively managed and well balanced

## Long-term financing secured

- Liquidity position normalized with closing of Chemtura acquisition on 21st April 2017
- Diversified financing sources
  - Bonds & private placements
  - Syndicated credit facility
- Chemtura Bond early redeemed on 15th July 2017
- Average interest rate of financial liabilities <3%
- All group financing executed without financial covenants

## Liquidity and maturity profile as per June 2017

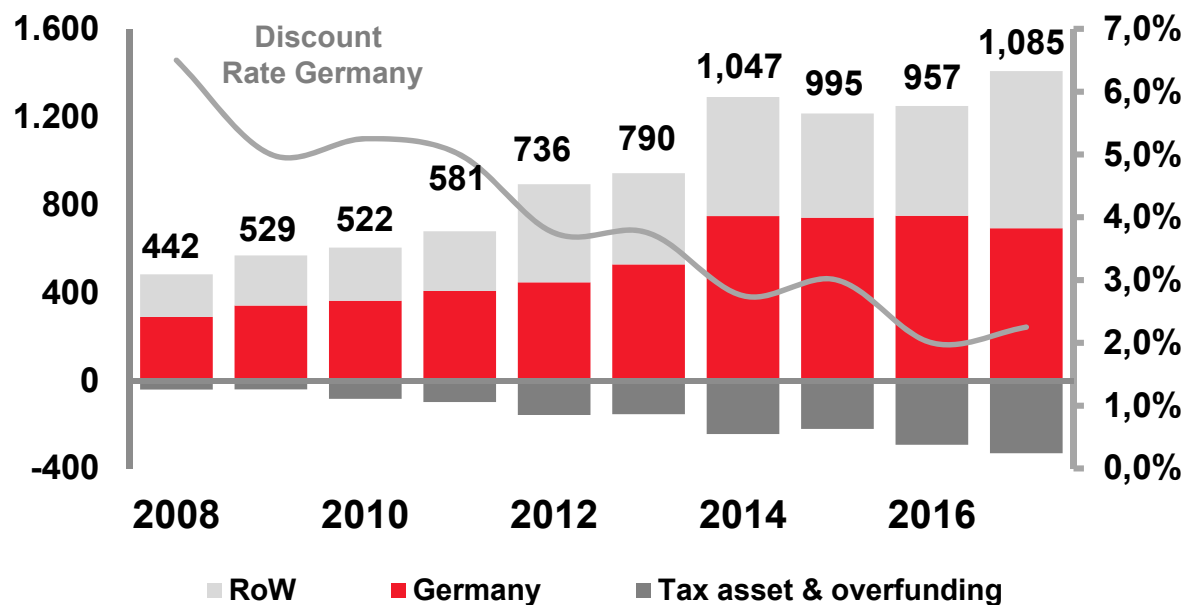


\* Hybrid bond with contractual maturity date in 2076 has a first optional call date in 2023

\*\* Restricted assets held for early redemption of Chemtura Bond on 15th July 2017

# A word on pensions: Mind the assets

**Pension provision less deferred tax asset [€m]**



**At 4% discount rate gross pension provision declines to €1.0bn**

**Pension Provision**  **applicable tax rate**  
**€1,416 m**

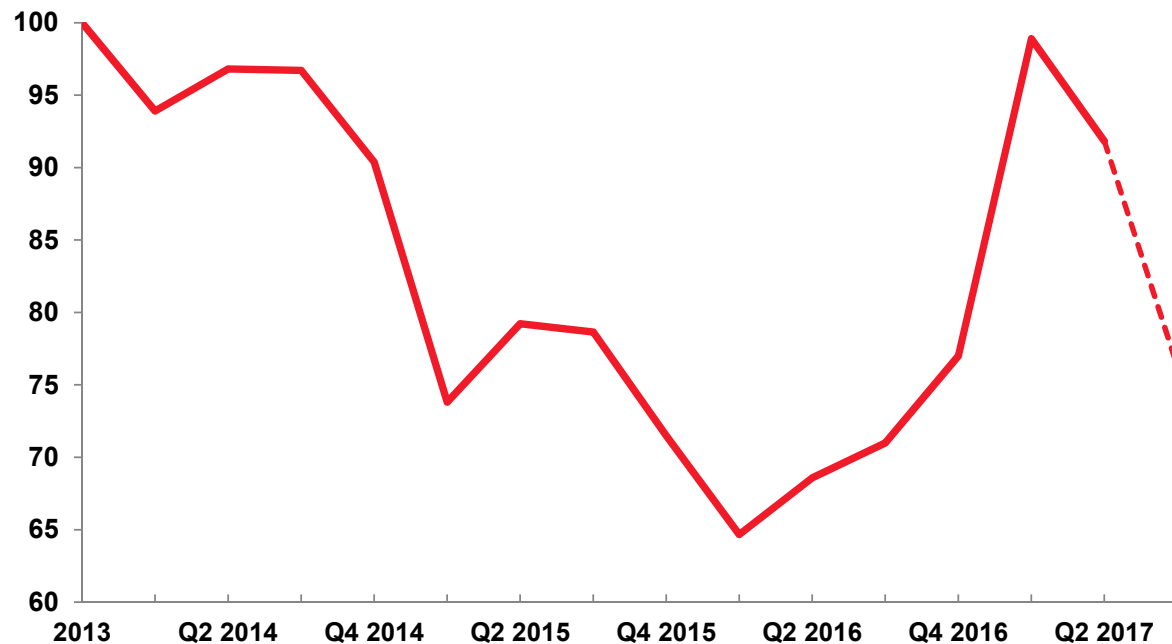
**Tax asset of €272 m and plan asset of €60 m\***  
**~€3.60 / share**

**Pension provision net of tax and plan assets**  
**€1,085 m**

\*as per 30 June 2017

# 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
- 2015: Volatile raw material prices trended downwards through year end
- 2016 with an upward trend that accelerated during Q4
- 2017 started with a spike in raw material prices which we expect to largely reverse in H2 2017

LANXESS excluding Chemtura businesses, average 2013 = 100%,

# Overview exceptional items H1 2017

[€ m]	Q2 2016		Q2 2017		H1 2016		H1 2017	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	0	0	3	0	0	0	3	0
Specialty Additives	0	0	57	6	0	0	57	6
Performance Chemicals	0	0	70	6	0	0	70	6
Engineering Materials	0	0	13	1	0	0	13	1
ARLANXEO	0	0	-3	0	0	0	-1	0
Reconciliation	2	0	13	0	13	0	23	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>153</b>	<b>13</b>	<b>13</b>	<b>0</b>	<b>165</b>	<b>13</b>

# Abbreviations

## Advanced Intermediates

- All Advanced Industrial Intermediates
- SGO Saltigo

## Performance Chemicals

- IPG Inorganic Pigments
- LEA Leather
- MPP Material Protection Products
- LPT Liquid Purification Technologies

## Specialty Additives

- ADD Additives\*
- RCH Rhein Chemie

## Engineering Materials

- HPM High Performance Materials
- URE Urethane Systems

## ARLANXEO\*

- TSR Tire & Specialty Rubbers
- HPE High Performance Elastomers

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



# Upcoming events 2017/2018

## Proactive capital market communication

- |  |                    |                |
|--|--------------------|----------------|
| ▪ SdK Börsentag Hannover                                       | September 13       | Hanover        |
| ▪ 6th Annual Goldman Sachs & Berenberg German Corp. Conference | September 18/19    | Munich         |
| ▪ Baader Investment Conference 2017                            | September 18/19    | Munich         |
| ▪ <b>Q3 2017 results</b>                                       | <b>November 15</b> |                |
| ▪ Deutsches Eigenkapitalforum 2017                             | November 28        | Frankfurt      |
| ▪ Berenberg European Corporate Conference                      | December 4         | Pennyhill      |
| ▪ <b>FY 2017 results</b>                                       | <b>March 15</b>    |                |
| ▪ <b>Q1 2018 results</b>                                       | <b>May 9</b>       |                |
| ▪ <b>Annual General Meeting 2018</b>                           | <b>May 15</b>      | <b>Cologne</b> |
| ▪ <b>Q2 2018 results</b>                                       | <b>August 1</b>    |                |
| ▪ <b>Q3 2018 results</b>                                       | <b>November 8</b>  |                |

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