



LANXESS – Q1 2017 results

Despite challenges, 2017 should be the strongest year ever

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LANXESS
Energizing Chemistry

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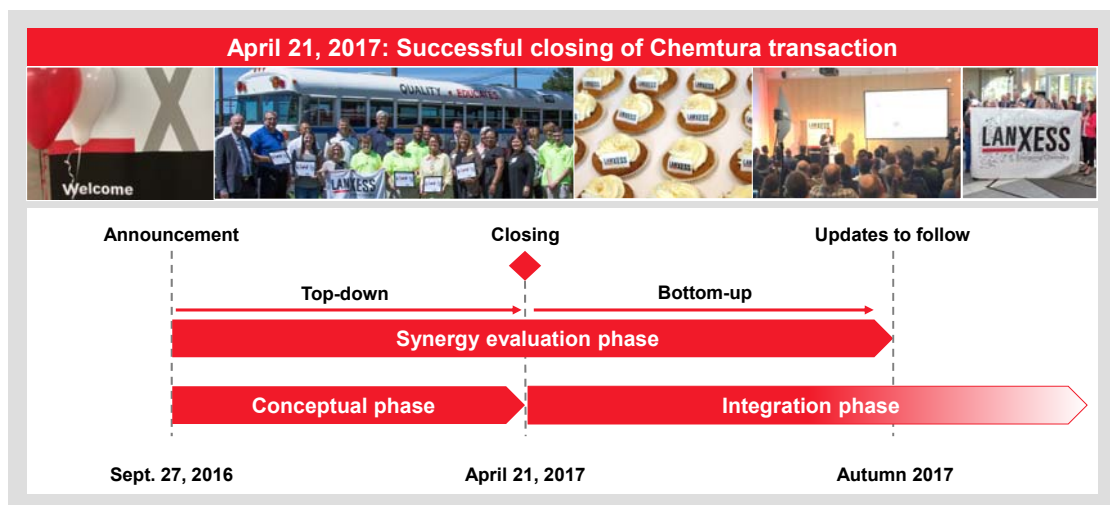
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- Executive summary Q1 2017
- Business and financial details Q1 2017
- Back-up

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Successful closing of Chemtura acquisition ahead of plan



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Q1 2017 highlights: Strong volumes and successful management of raw material volatility

Operational highlights	Financial highlights
<ul style="list-style-type: none"> + All segments with strong growth (+11% volume) + Significant volatility in raw material prices successfully passed on (+11% prices) + All segments with improved EBITDA pre + ARLANXEO makes successful use of global production network 	<ul style="list-style-type: none"> ▪ EBITDA pre increase of 25% ▪ EBITDA pre margin of 13.7%, slightly above prior year, despite higher raw material prices ▪ EPS pre increase of 38% ▪ Net financial debt at €298 m despite strong working capital increase (raws)
	

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Q1 2017 financial overview: A successful start to the year

[€ m]	Q1 2016	Q1 2017	yoy in %
Sales	1,920	2,401	25%
EBITDA pre	262	328	25%
margin	13.6%	13.7%	
EPS	0.58	0.85	47%
EPS pre*	0.73	1.01	38%
Capex	49	57	16%
[€ m]	31.12.2016	31.03.2017	Δ %
Net financial debt**	269	298	11%
Net working capital	1,628	1,905	17%
ROCE**	9.6%	10.3%	

- Substantial increase in sales driven by higher prices (raw material price pass-through) and volumes
- EBITDA pre rises on strong volume growth; relatively weak comparable base
- Low net financial debt does not yet reflect payment for Chemtura acquisition
- Net working capital increases mainly on higher receivables
- ROCE improves steadily due to business evolution

* net of exceptionals and amortization of intangible assets as well as attributable tax effects
 ** after deduction of current financial assets

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Q1 2017: Strong volumes fuel EBITDA growth in all segments

Advanced Intermediates				Performance Chemicals				High Performance Materials				ARLANXEO			
Price	Volume	FX	Portfolio	Price	Volume	FX	Portfolio	Price	Volume	FX	Portfolio	Price	Volume	FX	Portfolio
+2%	+9%	+1%	-	+2%	+5%	+2%	+5%	+5%	+9%	+1%	-	+28%	+17%	+4%	-
Total			+12%	Total			+14%	Total			+15%	Total			+48%
<ul style="list-style-type: none"> Strong volumes in both BUs EBITDA pre increase held back by lagging raw material price pass-through and higher energy costs 				<ul style="list-style-type: none"> Volume increases: BUs ADD (additives), MPP (biocides) and LEA (organic leather chemicals & chro. chemicals) EBITDA pre benefits from volumes and M&A, while mitigated by cost increase due to currencies and energy prices 				<ul style="list-style-type: none"> Successfully passed-on higher raw material prices Visible increase in high-tech compounds EBITDA pre improvement on better product mix and higher utilization rates 				<ul style="list-style-type: none"> Pass-through of significantly higher raw material prices Substantially higher volumes due to strong demand from Asia; also due to pre-buying EBITDA pre rises on higher volumes, efficient use of global production network and some FX support 			
[€ m]		Q1'16	Q1'17	[€ m]		Q1'16	Q1'17	[€ m]		Q1'16	Q1'17	[€ m]		Q1'16	Q1'17
Sales		463	518	Sales		533	607	Sales		273	315	Sales		640	948
EBITDA pre		89	91	EBITDA pre		98	103	EBITDA pre		38	48	EBITDA pre		113	144
Margin		19%	18%	Margin		18%	17%	Margin		14%	15%	Margin		18%	15%

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2017 should be the strongest year ever, despite several challenges that still need to be tackled

Macro economics	<ul style="list-style-type: none"> Europe and North America should grow similar to prior year Asia/Pacific with improved growth rates against 2016: Very strong at the beginning of the year, but fading towards H2 2017 Latin America should turn positive in 2017 (driven by Brazil)
FY 2017	<ul style="list-style-type: none"> Major maintenance shutdowns in Q2 (ARLANXEO) and Q4 (BU HPM) Strong start to the year, however with some pre-buying in Asia Despite raw material price volatility, business dynamics remain healthy in Q2 Growth rates expected to soften in H2 (seasonality and high comparables) FY 2017 EBITDA pre expected 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

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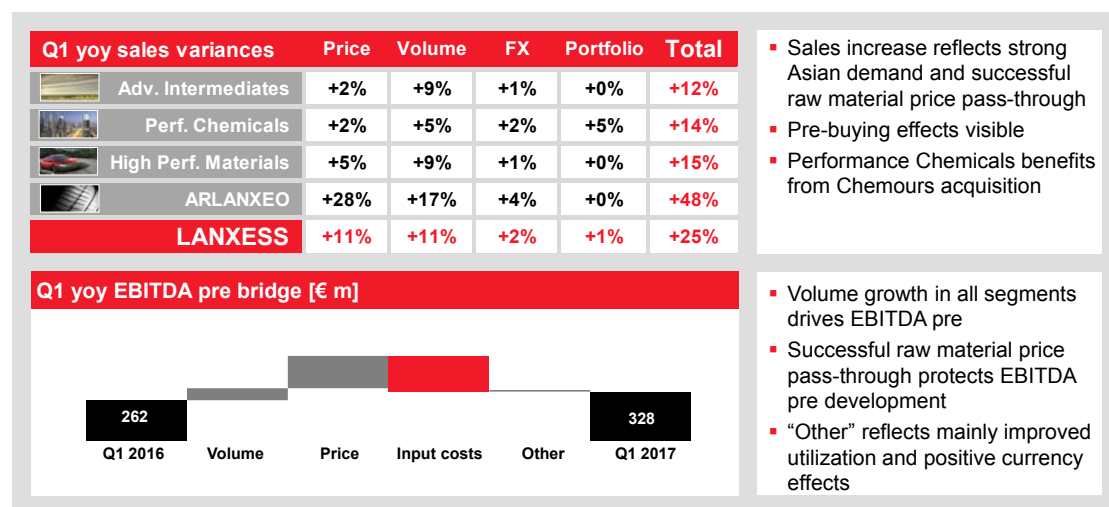
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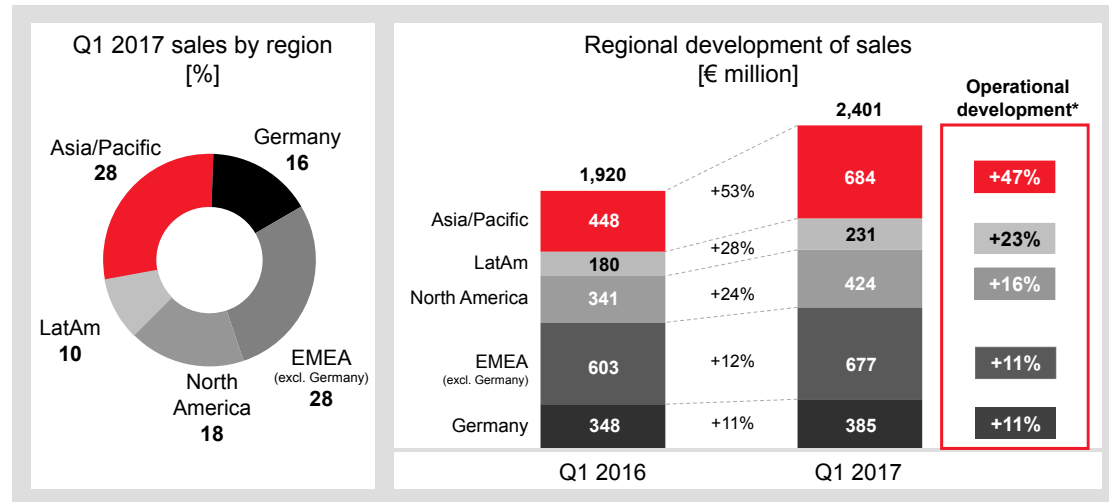
Q1 2017: Strong volumes and successful management of raw material price increases



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Q1 2017: Higher prices and volumes in all regions



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Q1 2017: Visible increase in top and bottom line

[€ m]	Q1 2016	Q1 2017	yoy in %	
Sales	1,920 (100%)	2,401 (100%)	25%	<ul style="list-style-type: none"> Sales increase with strong volumes and higher prices (raw material price pass-through) Cost of sales driven by higher input prices and volumes; the latter also drives selling expenses Strong operational performance reflected in all earnings figures EBITDA pre margin slightly above prior-year level despite inflation in top line
Cost of sales	-1,459 (-76%)	-1,855 (-77%)	-27%	
Selling	-194 (-10%)	-218 (-9%)	-12%	
G&A	-72 (-4%)	-72 (-3%)	0%	
R&D	-30 (-2%)	-34 (-1%)	-13%	
EBIT	131 (7%)	192 (8%)	47%	
Non-controlling interests	0 (0%)	25 (1%)	>100%	
Net Income	53 (3%)	78 (3%)	47%	
EPS pre*	0.73	1.01	38%	
EBITDA	251 (13%)	316 (13%)	26%	
thereof exceptionals	-11 (-1%)	-12 (0%)	-9%	
EBITDA pre exceptionals	262 (14%)	328 (14%)	25%	

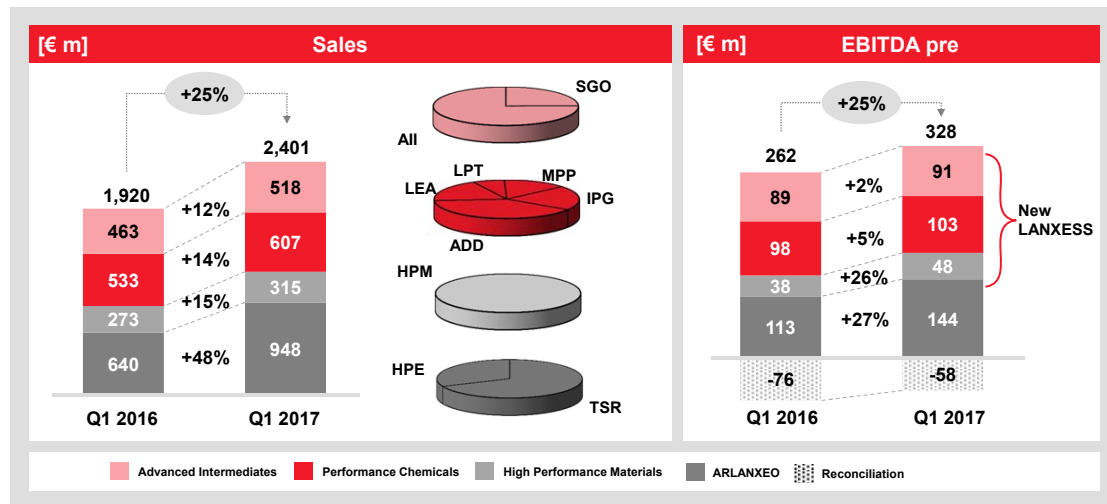
Strong volume growth and raw material price volatility under control

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

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Q1 2017: Strong increases in sales and EBITDA pre

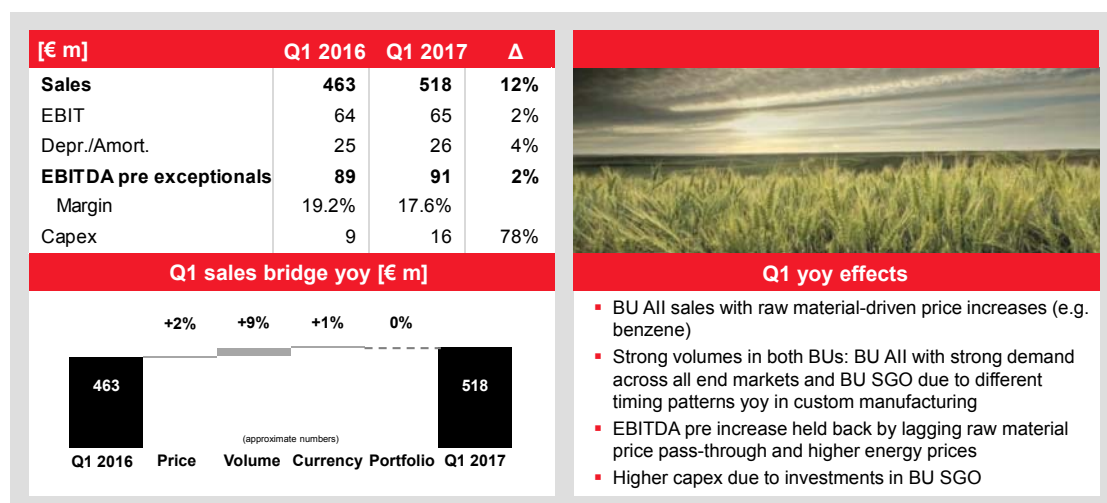


Total group sales including reconciliation

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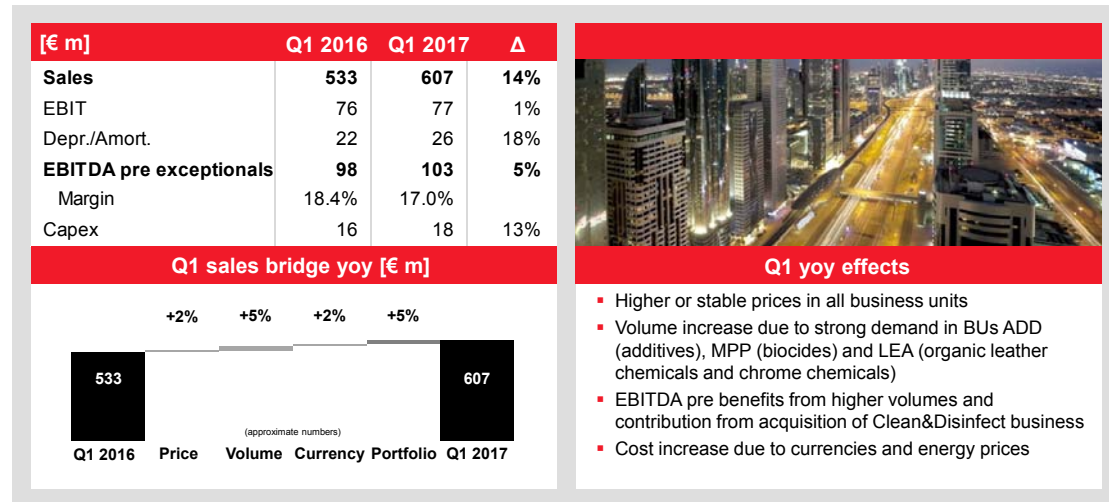
Advanced Intermediates: Reliable, stable earnings generator



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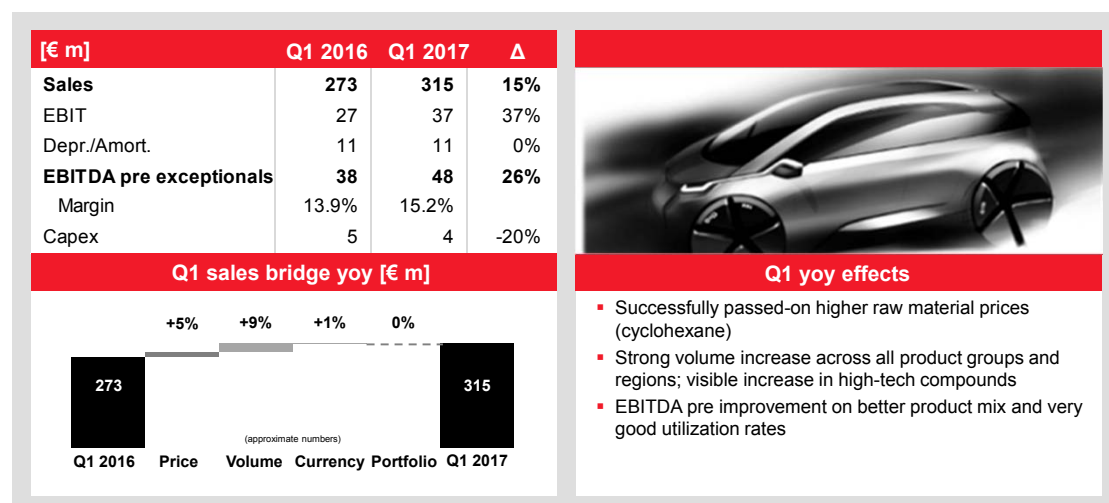
Performance Chemicals: Continued improvement



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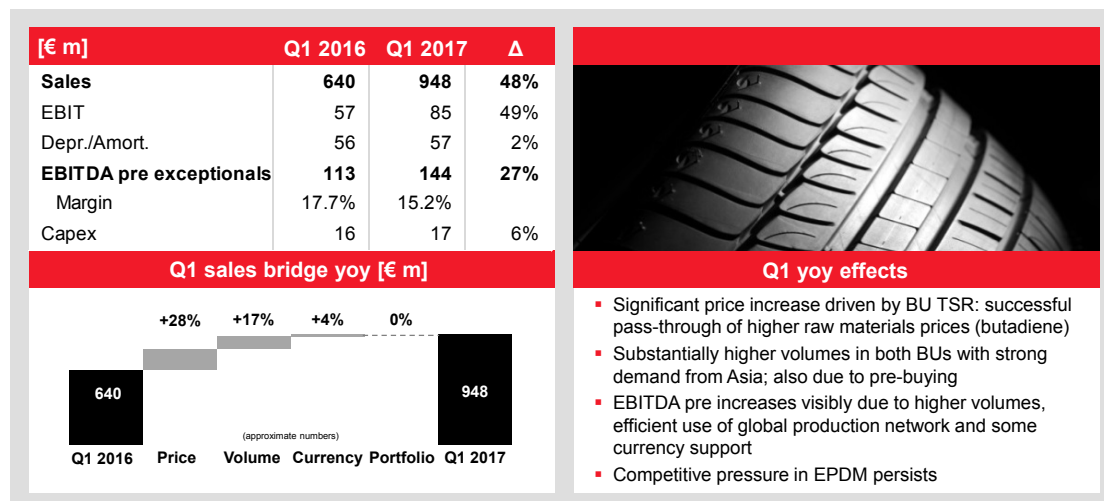
High Performance Materials: Engineering compounds drive volumes



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ARLANXEO: Temporary strong demand with record sales in March



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Q1 2017: Cash flow mitigated by inflated working capital

[€ m]	Q1 2016	Q1 2017
Profit before tax	94	162
Depreciation & amortization	120	124
Financial (gain) losses	17	20
Income taxes paid	-42	-65
Changes in other assets and liabilities	77	42
Operating cash flow before changes in WC	266	283
Changes in working capital	-218	-273
Operating cash flow	48	10
Investing cash flow	56	-15
Thereof capex	-49	-57
Financing cash flow	-137	52

▪	Profit before tax higher on strong business performance
▪	Higher cash taxes due to improved results and some timing effects
▪	Changes in other assets and liabilities mainly reflect personnel-related provision building
▪	Working capital: normal seasonal pattern; however significantly higher raw material prices vs. year end and higher receivables due to strong volumes sold

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Strong balance sheet

[€ m]	Dec 2016	Mar 2017
Total assets	9,877	10,202
Equity (incl. Non-controlling interest)	3,728	3,816
Equity ratio	38%	37%
Net financial debt (after deduction of current financial assets)	269	298
Near cash, cash & cash equivalents	395	494
Pension provisions	1,249	1,300
ROCE¹	9.6%	10.3%
Net working capital	1,628	1,905
DSI (in days) ²	67	56
DSO (in days) ³	51	50

- Total assets increase mainly due to higher receivables from strong business momentum
- Equity ratio remains strong
- Net financial debt at low level; LANXESS well prepared for Chemtura acquisition
- Net working capital increases due to significant increase of raw material prices; a reduction of inventory volume mitigates

¹ Based on last twelve months for EBIT pre after deduction of current financial assets

² Days sales of inventory calculated from quarterly sales

³ Days of sales outstanding calculated from quarterly sales

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Total assets extended mainly due to an increase in receivables

[€ m]	Dec 2016	Mar 2017	Dec 2016	Mar 2017	
Non-current assets	4,519	4,487	Stockholders' equity	3,728	3,816
Intangible assets	494	490	attrib. to non-contr. interests	1,176	1,203
Property, plant & equipment	3,519	3,456	Non-current liabilities	4,516	4,586
Equity investments	0	0	Pension & post empl. provis.	1,249	1,300
Other investments	12	11	Other provisions	319	336
Other financial assets	19	19	Other financial liabilities	2,734	2,733
Deferred taxes	442	478	Tax liabilities	31	31
Other non-current assets	33	33	Other liabilities	100	97
			Deferred taxes	83	89
Current assets	5,358	5,715	Current liabilities	1,633	1,800
Inventories	1,429	1,494	Other provisions	406	487
Trade account receivables	1,088	1,338	Other financial liabilities	78	135
Other current financial assets	2,130	2,039	Trade accounts payable	889	927
Other current assets	316	350	Tax liabilities	44	57
Near cash assets	40	90	Other liabilities	216	194
Cash and cash equivalents	355	404			
Total assets	9,877	10,202	Total equity & liabilities	9,877	10,202

- Financial liabilities include three bonds totaling €1.5 bn that were issued to finance the Chemtura acquisition
- Other current financial assets include the proceeds of these bonds plus part of the €1.2 bn cash received from Saudi Aramco for 50% in ARLANXEO

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Appendix

Housekeeping items excluding Chemtura

Additional financial expectations excluding Chemtura	
▪ Capex 2017:	~€450-500 m (thereof ~€150 m ARLANXEO)
▪ Operational D&A 2017:	~€480 m (thereof ~€220 m ARLANXEO)
▪ Reconciliation 2017:	~€170 m EBITDA pre incl. hedging
▪ Tax rate:	Mid-term: 30-35% (for New LANXESS)
▪ Dividend policy:	Aiming for a rising or at least stable dividend



Please note:

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

All data excludes the contribution from the Chemtura acquisition as of April 21, 2017
At USD/EUR 1.10

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Chemtura impact: Financial indications

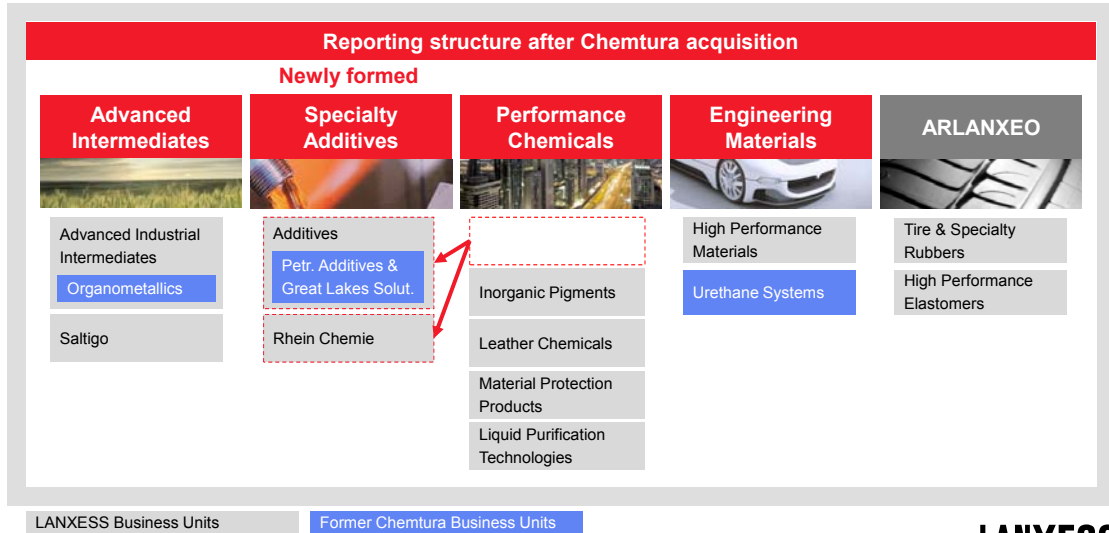
Chemtura 2016 – US GAAP based	First indicative considerations after closing
<ul style="list-style-type: none"> ▪ Sales: \$1,654 m [~€1,504 m] ▪ EBITDA adj.* \$282 m [~€256 m] ▪ Capex 2016: \$88 m [~€80 m] ▪ D&A 2016: \$85 m [~€77 m] ▪ Net financial debt \$256 m [~€233 m] 	<ul style="list-style-type: none"> ▪ Inventory step-up: ~€60 m, mainly in Q2 2017 (treated as exceptional) ▪ Additional impact on D&A due to purchase price allocation: <ul style="list-style-type: none"> — 2017: ~€40 m — 2018ff p.a.: ~€60 m
2017	
<ul style="list-style-type: none"> ▪ 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 	

All Euro figures translated at USD/EUR 1.10
* Excluding Chemtura's agro business

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LANXESS has formed five strong segments



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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

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

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Details on synergies and one-time costs of Chemtura acquisition

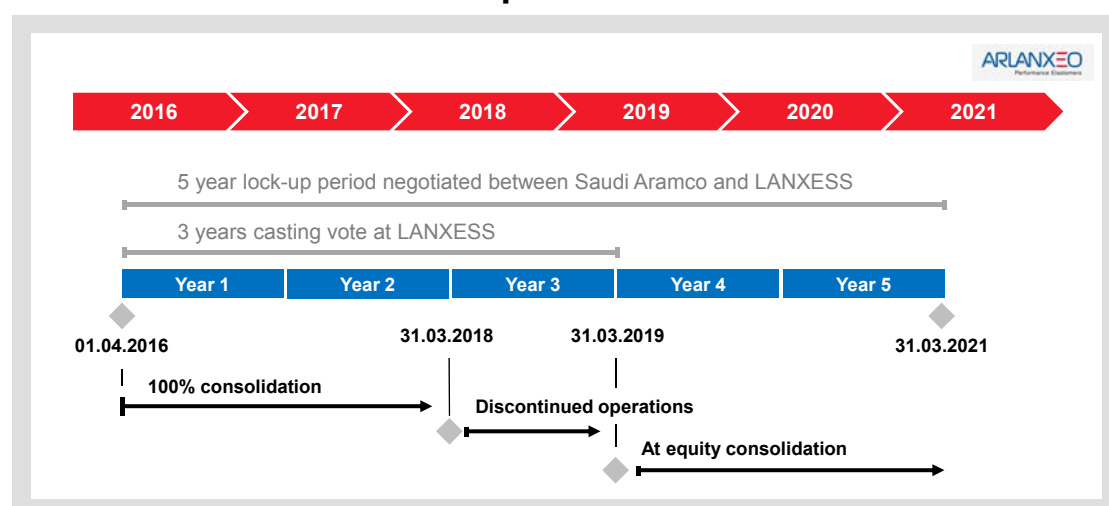
Preliminary implementation schedule of Chemtura acquisition						
	2016	2017	2018	2019	2020	Total
[€ m] Expense (one-time costs)*		~70	~30	~20	~20	~140
[€ m] Capex		~30	~10	~10		~50
[€ m] Synergies		~25	~25	~35	~15	~100

* Excluding ~€80 m transaction related cash-outs

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



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






Discontinued operations from Q2 2018	At equity consolidation from Q2 2019
<p>P&L:</p> <ul style="list-style-type: none"> 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" <p>Balance sheet:</p> <ul style="list-style-type: none"> ARLANXEO assets will be bundled in one position "assets -" and "liabilities from discontinued operations" <p>Cash Flow:</p> <ul style="list-style-type: none"> Operating / investing / financing cash flow will each be split in "continuing" and "discontinued" portion either in the statement or in the notes 	<p>P&L:</p> <ul style="list-style-type: none"> LANXESS will account for its 50% ARLANXEO stake at equity <p>Balance sheet:</p> <ul style="list-style-type: none"> 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" <p>Cash Flow:</p> <ul style="list-style-type: none"> 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

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A more diversified and balanced portfolio

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

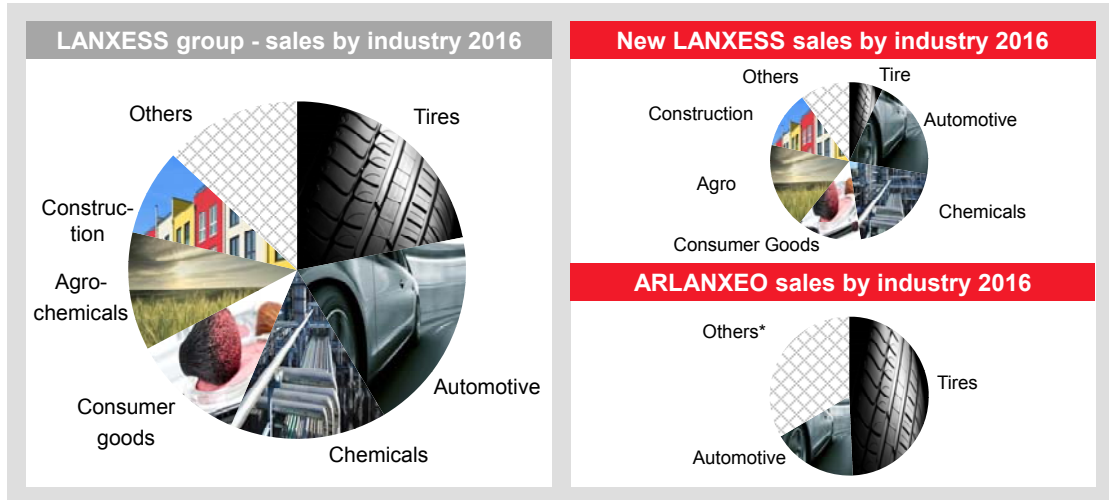
* ARLANXEO to be fully consolidated for the first three years (as of April 1, 2016)

** Reporting structure after closing of Chemtura acquisition

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New LANXESS well diversified

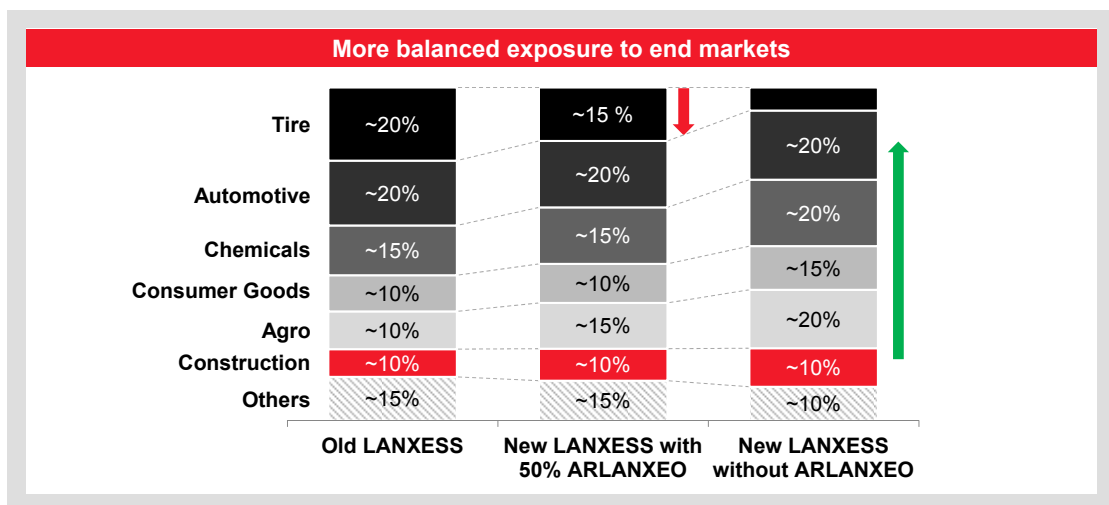


* Amongst other consumer, chemicals, construction

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The New LANXESS: Diversified end markets and less exposure to cyclical businesses

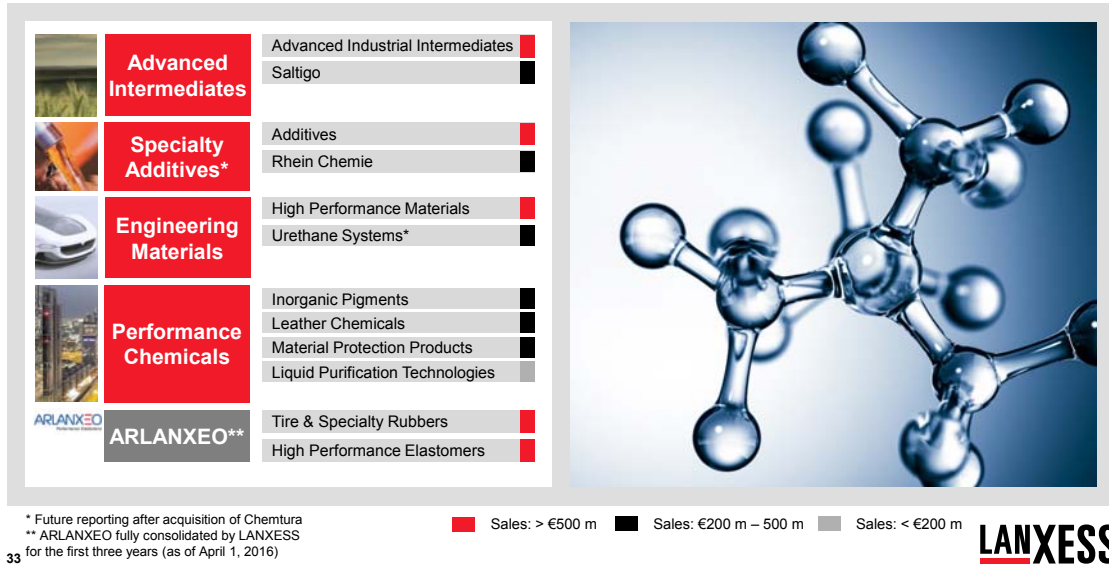


Based on FY 2016 sales

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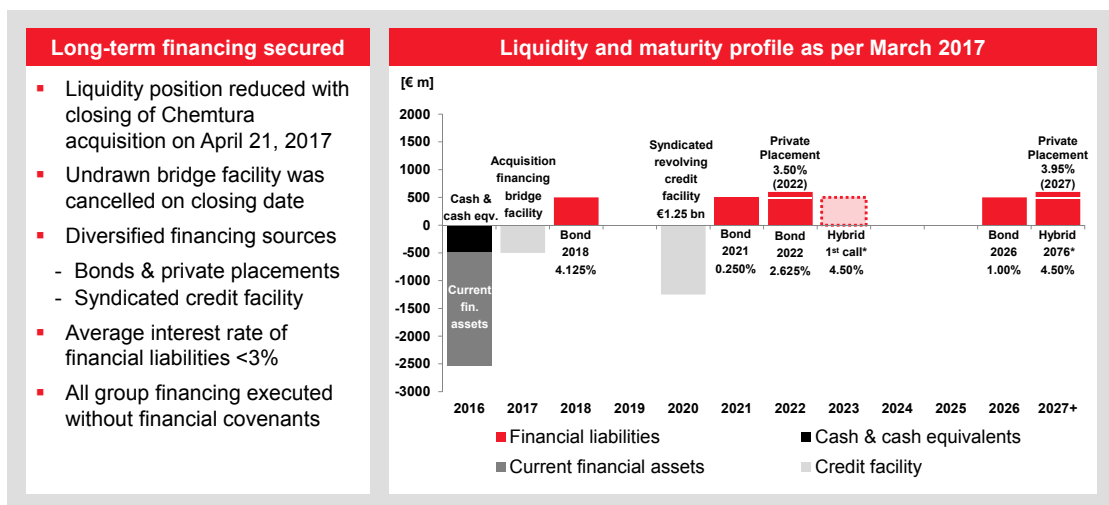
Well diversified business structure



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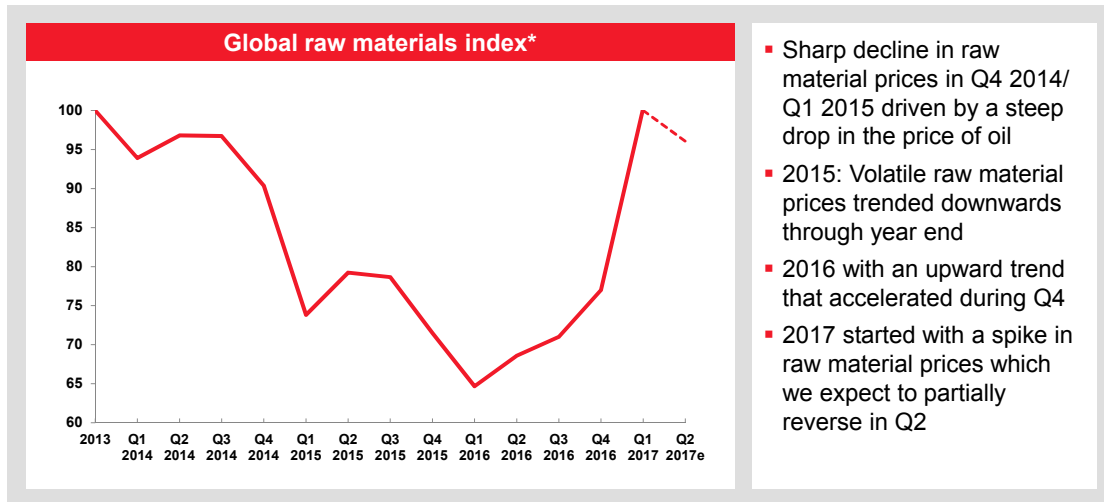
Maturity profile actively managed and well balanced



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High volatility in raw material prices



* Source: LANXESS, average 2013 = 100%

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Overview exceptional items Q1 2017

[€ m]	Q1 2016		Q1 2017	
	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	0	0	0	0
Performance Chemicals	0	0	0	0
High Performance Materials	0	0	0	0
ARLANXEO	0	0	2	0
Reconciliation	11	0	10	0
Total	11	0	12	0

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Upcoming events 2017

Proactive capital market communication		
▪ Citi's Inaugural Chemicals Conference	May 16	London
▪ Annual General Meeting	May 26	Cologne
▪ 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 th European CEO Conference	June 13	Paris
▪ mBank Chemicals Day 2017	June 20	Warsaw
▪ Credit Suisse Global Chemicals and Agriculture Conference	June 20	London
▪ Q2 results 2017	August 10	
▪ Meeting the Management 2017	September 6	Cologne
▪ SdK Börsentag Hannover	September 13	Hanover
▪ 6 th Annual Goldman Sachs & Berenberg German Corp. Conference	September 18/19	Munich
▪ Baader Investment Conference 2017	September 18-20	Munich
▪ Q3 results 2017	November 9	
▪ Berenberg European Corporate Conference	December 4	Pennyhill

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Abbreviations







<p>Advanced Intermediates</p> <ul style="list-style-type: none"> ▪ All Advanced Industrial Intermediates ▪ SGO Saltigo 	<p>High Performance Materials (in future: Engineering Materials)</p> <ul style="list-style-type: none"> ▪ HPM High Performance Materials ▪ URE Urethane Systems*
<p>Performance Chemicals</p> <ul style="list-style-type: none"> ▪ IPG Inorganic Pigments ▪ LEA Leather ▪ MPP Material Protection Products ▪ LPT Liquid Purification Technologies 	<p>ARLANXEO**</p> <ul style="list-style-type: none"> ▪ TSR Tire & Specialty Rubbers ▪ HPE High Performance Elastomers
<p>Specialty Additives*</p> <ul style="list-style-type: none"> ▪ ADD Additives* ▪ RCH Rhein Chemie 	

* Future reporting structure after closing of Chemtura acquisition on April 21, 2017
 ** ARLANXEO to be fully consolidated for the first three years (as of April 1, 2016)

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