

## LANXESS Q2 2017

### Financial Summary for Investors and Analysts

#### **Good business performance – Chemtura integration fully on track**

- Successful closing of the acquisition of U.S. company Chemtura with significant positive impact on sales and earnings
- New reporting segment: LANXESS reports on its global additives business as a separate segment
- Sales in all segments substantially up on prior-year quarter, rising by 29.8% overall to €2,522 m (Q2 2016: €1,943 m)
- EBITDA pre increased by 25.3% to €367 m (Q2 2016: €293 m)
- EBITDA pre margin at 14.6% after 15.1% in Q2 2016
- Net income and EPS held back in second quarter by exceptional charges
- EPS adjusted for exceptional items and amortization of intangible assets increase significantly to €1.54 in Q2 2017 (Q2 2016: €0.88)
- **Guidance for the full year 2017 confirmed: EBITDA pre between €1.225 bn and €1.3 bn expected**

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### Overview Financials

#### **Q2 2017 Financial overview:**

##### **A strong quarter in a dynamic environment**

- Substantial sales increase (+30%) driven by Chemtura and higher prices (+11%) (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)
- EBITDA pre increase of 25% to €367 m (Q2 2016: €293 m) reflecting portfolio effects and positive price/raw material cost spread
- Net income burdened by restructuring expenses (BU Leather) and Chemtura related one offs (esp. PPA effects)
- ROCE continuously improving due to business evolution including Chemtura (Q2 2017: 8.8% (calculated incl. Chemtura EBIT pre pro forma based on 2016 earnings) vs. 2016: 6.9%)

#### **Q2 2017 Balance sheet:**

##### **Main balance sheet KPIs mirror acquisition**

- Total assets increase to €10,912 m (Dec 2016: €9,877 m) due to Chemtura consolidation
- Equity ratio remains solidly above 30% (Q2 2017: 33% vs. Dec 2016: 38%)
- Net financial debt increases to €2,537 m (Dec 2016: €269 m) due to payment for Chemtura, assumed debt and dividend payment
- Higher net working capital due to acquired businesses and substantially higher raw material prices (Q2 2017: €2,189 vs. Dec 2016: €1,628 m)
- Pension provisions mainly reflect Chemtura acquisition (Q2 2017: €1,416 vs. Dec 2016: €1,249 m)

## Q2 2017 Cash flow statement:

### Operating cash flow below prior year due to transaction related cash-outs

- Operating Cash flow of €156 m (Q2 2016: €180 m) reflects first consolidation of acquired businesses
- Profit before tax declines to €61 m (Q2 2016: €147m) due to substantial one-off restructuring and PPA (inventory step-up)
- Financial (gain) losses mainly contains reclassification of Currenta dividend to investing cash flow
- Changes in other assets and liabilities includes provisioning for restructuring offset by variable compensation payout
- Working capital: PPA effect offsetting operational outflow

## Q2 2017 Business Overview

### Advanced Intermediates

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

- Sales deviation yoy: Price +5%, Volume +1%, Currency +1%, Portfolio +7% (approximate numbers)
- BU All:
  - Strong raw material-driven price increase and Chemtura Organometallics business contribution
  - Volume growth held back by maintenance turnaround
- BU SGO: Weak agro chemical demand dampens BU SGO
- EBITDA pre of €97 m (Q2 2016: €88 m) benefits from catch up on raw material cost pass-through, partly mitigated by freight and energy costs
- Margin of 19.2% in Q2 2017 (Q2 2016: 19.9%)

### Specialty Additives

#### Results driven by portfolio effect

- Sales deviation yoy: Price +1%, Volume +4%, Currency +1%, Portfolio +101% (approximate numbers)
- Major sales and earnings driver: Chemtura portfolio effect
- BU ADD with comparably stable price and volumes
- BU RCH records strong volume growth
- EBITDA pre of €75 m in Q2 2017 (Q2 2016: €45 m)
- Margin 17.0% in Q2 2017 (Q2 2016: 21.1%) burdened by higher freight and energy costs, comparing to strong base

### Performance Chemicals

#### Solid results

- Sales deviation yoy: Price +4%, Volume -1%, Currency +2%, Portfolio +7% (approximate numbers)
- Higher prices in nearly all BUs
- Volume increases in BU MPP while BU IPG recorded lower volumes with higher prices
- EBITDA pre increase to €80 m in Q2 2017 (Q2 2016: €69 m) also reflects contribution of Chemours' Clean & Disinfect business
- Margin of 21.8% in Q2 2017 (Q2 2016: 20.9%)

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## Engineering Materials

### Strong volumes and better mix drive earnings

- Sales deviation yoy: Price +8%, Volume +6%, Currency 0%, Portfolio +18% (approximate numbers)
- 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 pre improves to €72 m in Q2 2017 (Q2 2016: €45 m) on continued high capacity utilization, portfolio effect
- Margin of 19.9% in Q2 2017 (Q2 2016: 16.4%)

## ARLANXEO

### Business continues to cope with challenging environment

- Sales deviation yoy: Price +23%, Volume -0%, Currency +2%, Portfolio 0% (approximate numbers)
- Substantial price effect from 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
- Successful raw material cost pass-through offset mainly by higher energy costs
- EBITDA pre of €92 m in Q2 2017 (Q2 2016: €95 m) burdened by low double digit €- million inventory write off (mainly butadiene)
- Margin of 11.0% in Q2 2017 (Q2 2016: 14.2%)

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## Outlook 2017:

### FY 2017 on track – EBITDA guidance confirmed

- 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
- 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**

## Housekeeping items for consideration

### Additional financial information

- 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”

Cologne, August 10<sup>th</sup>, 2017

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## Financial Overview Q2 2017

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			ARLANXEO			Others/ Cons.		
	Q2/2016	Q2/2017	Chg. in %	Q2/2016	Q2/2017	Chg. in %	Q2/2016	Q2/2017	Chg. in %	Q2/2016	Q2/2017	Chg. in %	Q2/2016	Q2/2017	Chg. in %	Q2/2016	Q2/2017	Chg. in %	Q2/2016	Q2/2017	Chg. in %
<b>Sales</b>	1.943	2.522	30%	443	505	14%	213	440	>100%	330	367	11%	275	361	31%	670	835	25%	12	14	17%
Price*			10,8%			5,2%			0,5%			3,6%			8,0%			22,5%			0,0%
Volume*			1,3%			1,1%			3,8%			-1,2%			5,5%			-0,1%			16,7%
Currency*			1,3%			0,9%			0,9%			1,5%			0,0%			2,2%			0,0%
Portfolio*			16,4%			6,8%			101,4%			7,3%			17,8%			0,0%			0,0%
<b>EBIT</b>	176	62	-65%	63	65	3%	37	-8	n.m.	54	-9	n.m.	34	45	32%	41	38	-7%	-53	-69	-30%
Deprec. & amortizat.	115	165	43%	25	29	16%	8	32	>100%	15	25	67%	11	15	36%	54	57	6%	2	7	>100%
<b>EBITDA</b>	291	227	-22%	88	94	7%	45	24	-47%	69	16	-77%	45	60	33%	95	95	0%	-51	-62	-22%
exceptionals in EBITDA	2	140	>100%	0	3	>100%	0	51	n.m.	0	64	>100%	0	12	n.m.	0	-3	n.m.	2	13	>100%
<b>EBITDA pre excep.</b>	293	367	25%	88	97	10%	45	75	67%	69	80	16%	45	72	60%	95	92	-3%	-49	-49	0%
normalized D&A	115	152	32%	25	29	16%	8	26	>100%	15	19	27%	11	14	27%	54	57	6%	2	7	>100%
<b>EBIT pre excep.</b>	178	215	21%	63	68	8%	37	49	32%	54	61	13%	34	58	71%	41	35	-15%	-51	-56	-10%
exceptionals in EBIT	2	153	>100%	0	3	>100%	0	57	n.m.	0	70	>100%	0	13	n.m.	0	-3	n.m.	2	13	>100%
<b>Capex</b>	73	105	44%	22	33	50%	8	16	100%	14	15	7%	4	11	>100%	24	28	17%	1	2	100%
Net financial debt**	269	2.537	>100%																		

\* approximate numbers

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

## Financial Overview H1 2017

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			ARLANXEO			Others/ Cons.		
	HJ/2016	HJ/2017	Chg. in %	HJ/2016	HJ/2017	Chg. in %	HJ/2016	HJ/2017	Chg. in %	HJ/2016	HJ/2017	Chg. in %	HJ/2016	HJ/2017	Chg. in %	HJ/2016	HJ/2017	Chg. in %	HJ/2016	HJ/2017	Chg. in %
<b>Sales</b>	<b>3.863</b>	<b>4.923</b>	27%	<b>906</b>	<b>1.023</b>	13%	<b>434</b>	<b>679</b>	56%	<b>642</b>	<b>735</b>	14%	<b>548</b>	<b>676</b>	23%	<b>1.310</b>	<b>1.783</b>	36%	<b>23</b>	<b>27</b>	17%
Price*			10,8%			3,4%			0,0%			3,4%			6,6%			25,2%			0,0%
Volume*			5,9%			5,1%			5,5%			1,4%			7,3%			8,0%			17,4%
Currency*			1,7%			1,1%			1,2%			1,7%			0,6%			2,9%			0,0%
Portfolio*			9,0%			3,3%			49,8%			8,0%			8,9%			0,0%			0,0%
<b>EBIT</b>	<b>307</b>	<b>254</b>	-17%	<b>127</b>	<b>130</b>	2%	<b>72</b>	<b>29</b>	-60%	<b>95</b>	<b>31</b>	-67%	<b>61</b>	<b>82</b>	34%	<b>98</b>	<b>123</b>	26%	<b>-146</b>	<b>-141</b>	3%
Deprec. & amortizat.	235	289	23%	50	55	10%	15	39	>100%	30	44	47%	22	26	18%	110	114	4%	8	11	38%
<b>EBITDA</b>	<b>542</b>	<b>543</b>	0%	<b>177</b>	<b>185</b>	5%	<b>87</b>	<b>68</b>	-22%	<b>125</b>	<b>75</b>	-40%	<b>83</b>	<b>108</b>	30%	<b>208</b>	<b>237</b>	14%	<b>-138</b>	<b>-130</b>	6%
exceptionals in EBITDA	13	152	>100%	0	3	>100%	0	51	n.m.	0	64	>100%	0	12	n.m.	0	-1	n.m.	13	23	77%
<b>EBITDA pre excep.</b>	<b>555</b>	<b>695</b>	25%	<b>177</b>	<b>188</b>	6%	<b>87</b>	<b>119</b>	37%	<b>125</b>	<b>139</b>	11%	<b>83</b>	<b>120</b>	45%	<b>208</b>	<b>236</b>	13%	<b>-125</b>	<b>-107</b>	14%
normalized D&A	235	276	17%	50	55	10%	15	33	>100%	30	38	27%	22	25	14%	110	114	4%	8	11	38%
EBIT pre excep.	320	419	31%	127	133	5%	72	86	19%	95	101	6%	61	95	56%	98	122	24%	-133	-118	11%
exceptionals in EBIT	13	165	>100%	0	3	>100%	0	57	n.m.	0	70	>100%	0	13	n.m.	0	-1	n.m.	13	23	77%
<b>Capex</b>	<b>122</b>	<b>162</b>	33%	<b>31</b>	<b>49</b>	58%	<b>13</b>	<b>23</b>	77%	<b>25</b>	<b>26</b>	4%	<b>9</b>	<b>15</b>	67%	<b>40</b>	<b>45</b>	13%	<b>4</b>	<b>4</b>	0%
Net financial debt**	269	2.537	>100%																		

\* approximate numbers

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

## Income Statement Q2 / H1 2017

in € million	Q2/2016	Q2/2017	Chg. in %	HJ/2016	HJ/2017	Chg. in %
Sales	1.943	2.522	30%	3.863	4.923	27%
Cost of sales	-1.466	-1.956	-33%	-2.925	-3.811	-30%
Gross profit	477	566	19%	938	1.112	19%
Selling expenses	-191	-238	-25%	-385	-456	-18%
Research and development expenses	-32	-38	-19%	-62	-72	-16%
General administration expenses	-73	-95	-30%	-145	-167	-15%
Other operating income	36	58	61%	80	87	9%
Other operating expenses	-41	-191	<-100%	-119	-250	>-100%
<b>Operating result (EBIT)</b>	<b>176</b>	<b>62</b>	<b>-65%</b>	<b>307</b>	<b>254</b>	<b>-17%</b>
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	2	3	50%	3	4	33%
Interest expense	-18	-27	-50%	-36	-48	-33%
Other financial income and expense	-13	23	<i>n.m.</i>	-33	13	<i>n.m.</i>
<b>Financial result</b>	<b>-29</b>	<b>-1</b>	<b>97%</b>	<b>-66</b>	<b>-31</b>	<b>53%</b>
<b>Income before income taxes</b>	<b>147</b>	<b>61</b>	<b>-59%</b>	<b>241</b>	<b>223</b>	<b>-7%</b>
Income taxes	-64	-47	27%	-105	-106	-1%
Income after income taxes	83	14	-83%	136	117	-14%
of which attributable to non-controlling interests	8	11	38%	8	36	>100%
<b>Net income (attributable to LANXESS AG stockholders)</b>	<b>75</b>	<b>3</b>	<b>-96%</b>	<b>128</b>	<b>81</b>	<b>-37%</b>
<b>EPS (in €)</b>	<b>0,82</b>	<b>0,04</b>	<b>-95%</b>	<b>1,40</b>	<b>0,89</b>	<b>-36%</b>
EPS pre (€)*	0,88	1,54	75%	1,61	2,55	58%

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

## Cash Flow Statement Q2 / H1 2017

€ million	Q2 2016	Q2 2017	H1 2016	H1 2017
<b>Income before income taxes</b>	<b>147</b>	<b>61</b>	<b>241</b>	<b>223</b>
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	115	165	235	289
Gains on disposals of intangible assets and property, plant and equipment	–	0	–	0
Income from investments accounted for using the equity method	0	0	0	0
Financial losses (gains)	16	(22)	33	(2)
Income taxes paid	(19)	(28)	(61)	(93)
Changes in inventories	29	43	19	(21)
Changes in trade receivables	(10)	112	(148)	(136)
Changes in trade payables	(26)	(133)	(96)	(94)
Changes in other assets and liabilities	(72)	(42)	5	0
<b>Net cash provided by operating activities</b>	<b>180</b>	<b>156</b>	<b>228</b>	<b>166</b>
Cash outflows for purchases of intangible assets and property, plant and equipment	(73)	(105)	(122)	(162)
Cash outflows for financial assets	(711)	–	(711)	(110)
Cash inflows from financial assets	–	2,126	100	2,276
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	–	(1,782)	–	(1,782)
Cash inflows from sales of intangible assets and property, plant and equipment	1	1	5	1
Interest and dividends received	2	49	3	51
Cash outflows for external funding of pension obligations (CTAs)	(200)	–	(200)	–
<b>Net cash (used in) provided by investing activities</b>	<b>(981)</b>	<b>289</b>	<b>(925)</b>	<b>274</b>
Cash inflows from non-controlling interests	1,194	–	1,194	18
Proceeds from borrowings	21	47	41	91
Repayments of borrowings	(12)	(5)	(163)	(11)
Interest paid and other financial disbursements	(33)	(44)	(39)	(48)
Dividend payments	(55)	(67)	(55)	(67)
<b>Net cash provided by (used in) financing activities</b>	<b>1,115</b>	<b>(69)</b>	<b>978</b>	<b>(17)</b>
<b>Change in cash and cash equivalents from business activities</b>	<b>314</b>	<b>376</b>	<b>281</b>	<b>423</b>
Cash and cash equivalents at beginning of period	333	404	366	355
Exchange differences and other changes in cash and cash equivalents	3	(21)	3	(19)
<b>Cash and cash equivalents at end of period</b>	<b>650</b>	<b>759</b>	<b>650</b>	<b>759</b>



**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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