LANXESS Q1 2017
Financial Summary for Investors and Analysts

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Summary Q1 2017

Despite challenges, 2017 should be the strongest year ever

- LANXESS successfully closes the acquisition of Chemtura on April 21, 2017
- Strong start to fiscal year 2017
- Significant sales growth of 25% to €2.4 bn in Q1 2017 (Q1 2016: €1.92 bn)
- Substantial increase in volumes across all segments
- EBITDA pre exceptionals increases by 25% to €328 m in Q1 2017 (Q1 2016: €262 m)
- EBITDA pre margin slightly above the prior-year level at 13.7% (Q1 2016: 13.6%)
- Net income improves by 47% to €78 m (Q1 2016: €53 m)
- EPS pre increase by 38% from €0.73 to €1.01
- Guidance for the full year 2017 raised: **EBITDA pre between €1.225 bn and €1.3 bn (including the impact of Chemtura acquisition)** expected

Overview Financials

Q1 2017 Financial overview:

A successful start to the year

- Substantial increase in sales (+25%) driven by higher prices (+11%) (raw material price pass-through) and volumes (+11%)
- Sales increase reflects strong Asian demand as well as pre-buying effects
- Performance Chemicals benefits from Chemours acquisition
- EBITDA pre increase by 25% to €328m (Q1 2016: €262 m) on strong volume growth; relatively weak comparable base
- Net working capital increases mainly on higher receivables
- ROCE improves steadily due to business evolution (Q1 2017: 10.3% vs. year-end 2016: 9.6%)

Q1 2017 Balance sheet:

Strong balance sheet

- Total assets increase mainly due to higher receivables from strong business momentum
- Equity ratio remains strong (Q1 2017: 37% vs. year-end 2016: 38%)
- Financial liabilities include three bonds totaling €1.5 bn that were issued to finance the Chemtura acquisition
- Other current financial assets include proceeds of these bonds plus part of the €1.2 bn cash received from Saudi Aramco for 50% in ARLANXEO
- Low net financial debt (as of March 31, 2017: €298 m) does not yet reflect payment for Chemtura acquisition

Q1 2017 Cash flow statement:

Cash flow mitigated by inflated working capital

- 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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Q1 2017 Business Overview

Advanced Intermediates

Reliable and stable earnings generator

- Sales deviation yoy: Price +2%, Volume +9%, Currency +1%, Portfolio 0% (approximate numbers)
- BU AII sales with raw material-driven price increases (e.g. benzene)
- Strong volumes in both BUs:
  - BU AII with strong demand across all end markets
  - BU SGO due to different timing patterns yoy in custom manufacturing
- EBITDA pre increase held back by lagging raw material price pass-through and higher energy costs
- EBITDA pre of €91 m in Q1 2017 (Q1 2016: €89 m)
- Margin of 17.6% in Q1 2017.(Q1 2016: 19.2%)
- Higher capex due to investments in BU SGO

Performance Chemicals

Continued improvement

- Sales deviation yoy: Price +2%, Volume +5%, Currency +2%, Portfolio +5% (approximate numbers)
- Higher or stable prices in all business units
- Volume increases due to strong demand in BUs ADD (additives), MPP (biocides) and LEA (organic leather chemicals and chrome chemicals)
- EBITDA pre benefits from higher volumes and contribution from acquisition of Chemours Clean & Disinfect business
- Some burden from currencies and energy prices
- EBITDA pre increase by 5% to €103 m (Q1 2016: €98 m)
- Margin of 17.0% in Q1 2017 (Q1 2016: 18.4%)

High Performance Materials

Engineering compounds drive volumes

- Sales deviation yoy: Price +5%, Volume +9%, Currency +1%, Portfolio 0% (approximate numbers)
- Successfully passed-on higher raw material prices (cyclohexane)
- Strong volume increase across all product groups and regions
- Visible increase in high-tech compounds
- EBITDA pre improvement on better product mix and very good utilization rates
- EBITDA pre increase by 26% to €48 m in Q1 2017 (Q1 2016: €38 m)
- Margin up to 15.2% in Q1 2107 (Q1 2016: 13.9%)

ARLANXEO

Temporary strong demand with record sales in March

- Sales deviation yoy: Price +28%, Volume +17%, Currency +4%, Portfolio 0% (approximate numbers)
- Significant price increase driven by BU TSR: successful pass-through of higher raw material prices (butadiene)
- Substantially higher volumes in both BUs with strong demand from Asia, also due to pre-buying
- EBITDA pre increases visibly due to higher volumes, efficient use of global production network and some currency support
- Competitive pressure in EPDM persists
- EBITDA pre up by 27% to €144 m (Q1 2016: €113 m)
- Margin of 15.2% in Q1 2017 (Q1 2016: 17.7%)

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Outlook 2017:

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

- 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 bn – €1.3 bn (including Chemtura)**

Housekeeping items for consideration (excluding Chemtura)
Additional financial information

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

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]

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

2017 implications of Chemtura:

- 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 Chemtura

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

Cologne, May 11th, 2017

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Financial Overview Q1 2017

in € million	LANXESS Q1/2016	LANXESS Q1/2017	LANXESS Chg. in %	Advanced Intermed. Q1/2016	Advanced Intermed. Q1/2017	Advanced Intermed. Chg. in %	Performance Chem. Q1/2016	Performance Chem. Q1/2017	Performance Chem. Chg. in %	High Perform. Materials Q1/2016	High Perform. Materials Q1/2017	High Perform. Materials Chg. in %	ARLANXEO Q1/2016	ARLANXEO Q1/2017	ARLANXEO Chg. in %	Others/ Cons. Q1/2016	Others/ Cons. Q1/2017	Others/ Cons. Chg. in %
Sales	**1.920**	**2.401**	*25%*	**463**	**518**	*12%*	**533**	**607**	*14%*	**273**	**315**	*15%*	**640**	**948**	*48%*	**11**	**13**	*18%*
Price*			*11,0%*			*1,7%*			*1,7%*			*5,1%*			*28,0%*			*0,0%*
Volume*			*10,6%*			*8,9%*			*5,4%*			*9,2%*			*16,5%*			*18,2%*
Currency*			*2,1%*			*1,3%*			*1,7%*			*1,1%*			*3,6%*			*0,0%*
Portfolio*			*1,4%*			*0,0%*			*5,1%*			*0,0%*			*0,0%*			*0,0%*
EBIT	**131**	**192**	*47%*	**64**	**65**	*2%*	**76**	**77**	*1%*	**27**	**37**	*37%*	**57**	**85**	*49%*	**-93**	**-72**	*23%*
Deprec. & amortizat.	120	124	*3%*	25	26	*4%*	22	26	*18%*	11	11	*0%*	56	57	*2%*	6	4	*-33%*
EBITDA	**251**	**316**	*26%*	**89**	**91**	*2%*	**98**	**103**	*5%*	**38**	**48**	*26%*	**113**	**142**	*26%*	**-87**	**-68**	*22%*
exceptionals in EBITDA	11	12	*9%*	0	0	*0%*	0	0	*0%*	0	0	*0%*	0	2	*n.m.*	11	10	*-9%*
EBITDA pre excep.	**262**	**328**	*25%*	**89**	**91**	*2%*	**98**	**103**	*5%*	**38**	**48**	*26%*	**113**	**144**	*27%*	**-76**	**-58**	*24%*
normalized D&A	120	124	*3%*	25	26	*4%*	22	26	*18%*	11	11	*0%*	56	57	*2%*	6	4	*-33%*
EBIT pre excep.	142	204	*44%*	64	65	*2%*	76	77	*1%*	27	37	*37%*	57	87	*53%*	-82	-62	*24%*
exceptionals in EBIT	11	12	*9%*	0	0	*0%*	0	0	*0%*	0	0	*0%*	0	2	*n.m.*	11	10	*-9%*
Capex	**49**	**57**	*16%*	**9**	**16**	*78%*	**16**	**18**	*13%*	**5**	**4**	*-20%*	**16**	**17**	*6%*	**3**	**2**	*-33%*
Net financial debt**	269	298	*11%*															

* approximate numbers

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

Income Statement Q1 2017

in € million	Q1/2016	Q1/2017	*Chg. in %*
Sales	1.920	2.401	*25%*
Cost of sales	-1.459	-1.855	*-27%*
Gross profit	461	546	*18%*
Selling expenses	-194	-218	*-12%*
Research and development expenses	-30	-34	*-13%*
General administration expenses	-72	-72	*0%*
Other operating income	44	29	*-34%*
Other operating expenses	-78	-59	*24%*
Operating result (EBIT)	**131**	**192**	*47%*
Income from investments accounted for using the equity method	0	0	*n.m.*
Interest income	1	1	*0%*
Interest expense	-18	-21	*-17%*
Other financial income and expense	-20	-10	*50%*
Financial result	**-37**	**-30**	*19%*
Income before income taxes	**94**	**162**	*72%*
Income taxes	-41	-59	*-44%*
Income after income taxes	53	103	*94%*
of which attributable to non-controlling interests	0	25	*>100%*
Net income (attributable to LANXESS AG stockholders)	**53**	**78**	*47%*
EPS (in €)	**0,58**	**0,85**	*47%*
EPS pre (€)*	0,73	1,01	*38%*

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

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Cash Flow Statement Q1 2017

€ million	Q1 2016	Q1 2017
Income before income taxes	**94**	**162**
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	120	124
Gains on disposals of intangible assets and property, plant and equipment	–	0
Income from investments accounted for using the equity method	0	0
Financial losses	17	20
Income taxes paid	(42)	(65)
Changes in inventories	(10)	(64)
Changes in trade receivables	(138)	(248)
Changes in trade payables	(70)	39
Changes in other assets and liabilities	77	42
Net cash provided by operating activities	**48**	**10**
Cash outflows for purchases of intangible assets and property, plant and equipment	(49)	(57)
Cash outflows for financial assets	–	(110)
Cash inflows from financial assets	100	150
Cash inflows from sales of intangible assets and property, plant and equipment	4	0
Interest and dividends received	1	2
Net cash provided by (used in) investing activities	**56**	**(15)**
Cash inflows from non-controlling interests	0	18
Proceeds from borrowings	20	44
Repayments of borrowings	(151)	(6)
Interest paid and other financial disbursements	(6)	(4)
Net cash (used in) provided by financing activities	**(137)**	**52**
Change in cash and cash equivalents from business activities	**(33)**	**47**
Cash and cash equivalents at beginning of period	366	355
Exchange differences and other changes in cash and cash equivalents	–	2
Cash and cash equivalents at end of period	**333**	**404**

Abbreviations:

ADD	**Rhein Chemie Additives**
AII	**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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