



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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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:



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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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

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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)

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Cologne, March 16th, 2017

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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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