

## LANXESS Q3 2017 Financial Summary for Investors and Analysts

### Q3 2017 Overview

#### Another strong quarter – Growing organically and inorganically

	Δ		Q3 2017	Q3 2016	Comments
<b>Sales</b>	+25%	↑	€2,404 m	€1,921 m	Chemtura, higher volumes and prices, mitigated by FX
<b>EBITDA pre</b>	+35%	↑	€347 m	€257 m	Chemtura, higher volumes
<b>Net Income</b>	-11%	↓	€55 m	€62 m	Held back by exceptional charges
<b>EPS pre</b>	+37%	↑	€1.15	€0.84	Chemtura, higher volumes; reflecting first results of realignment
<b>Net financial debt</b>	-10%	↓	<b>Sept 2017</b> €2,277 m	<b>June 2017</b> €2,537 m	Positive free cash flow YTD, deleveraging ahead of plan
<b>Guidance for 2017:</b>	<b>EBITDA pre exceptionals between €1,250 m and €1,300 m</b>				

#### LANXESS AG

Investor Relations  
Kennedyplatz 1  
50569 Cologne  
Germany

Ulrike Rockel  
Head of Investor Relations

Phone +49 221-8885-5458  
Fax +49 221-8885-4944  
ulrike.rockel@lanxess.com

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### Overview Financials

#### Q3 2017 Balance sheet:

##### Balance sheet mirrors Chemtura acquisition

- Total assets increase to €10,365 m driven by Chemtura acquisition in April 2017 (Dec 2016: €9,877 m)
- Equity down to €3,496 due to FX translation effects (Dec 2016: €3,728 m)
- Equity ratio remains solidly above 30% (Q3 2017: 34% vs. Dec 2016: 38%)
- Net financial debt up to €2,277 m vs PY (Dec 2016: €269 m) due to Chemtura acquisition worth €2.4 bn in Q2, mitigated by positive free cash flow YTD; deleveraging ahead of plan
- ROCE improvement on the back of realignment efforts to 9.9% vs. 6.9%
- Net working capital acquisition-driven up to €2,136 m (Dec 2016: 1,628 m)
- Increase in pension provisions mainly due to Chemtura acquisition (Sept 2017: €1,506 vs. Dec 2016: €1,249 m)

#### Q3 2017 Cash flow statement:

##### Good cash flow generation

- Profit before tax of €91 m (Q3 2016: €100 m) burdened by exceptional items for realignment
- D&A of €184 m higher due to portfolio effects and exceptional D&A (Q3 2016: €119 m)
- Changes in other assets and liabilities driven by provision building for realignment and variable compensation (Q3 2017: €118 m vs. Q3 2016: €91m)
- Financing cash flow reflects early redemption of Chemtura bond (US\$450 m, coupon of 5.75%) (Q3 2017: - €484 m vs. Q3 2016: - €264 m)
- Free cash flow of €244 m (Q3 2016: €198 m)

## Q3 2017 Business Overview

### Advanced Intermediates

#### Reliable contributor due to strong end market balance

- Sales deviation yoy: Price +5%, Volume -1%, Currency -2%, Portfolio +9% (approximate numbers)
- Higher prices driven by BU All, passing-on higher input costs
- Good demand in BU All's broad product portfolio is offset by agro-driven volume decline in BU SGO
- Portfolio effect comprises organometallics business with dilutive EBITDA pre contribution
- Overall segment contributes stable and reliable EBITDA pre of €87 m (Q3 2016: €83 m)
- EBITDA pre margin of 19.1% in Q3 2017 (Q3 2016: 18.2%)

### Specialty Additives

#### Larger business platform due to acquisition of additives business – integration progressing well

- Sales deviation yoy: Price +2%, Volume +1%, Currency -2%, Portfolio +123% (approximate numbers)
- Slightly higher prices in BU ADD
- Volume increase mainly in BU RCH (stricter environmental regulations in China supportive for LANXESS businesses)
- EBIT (Q3 2017: €1 m vs. Q3 2016: €29 m) burdened by one-time charges for consolidation of production platform (Ankerweg site, NL)
- Higher EBITDA pre of €77 m due to Chemtura acquisition (Q3 2016: €35 m)
- EBITDA pre margin of 16.1% reflects pass-through of higher raw material costs in lubricants (Q3 2016: 16.4%)
- Weak U.S. dollar weighs on EBITDA pre and margin

### Performance Chemicals

#### Continued good performance across all businesses

- Sales deviation yoy: Price +4%, Volume +5%, Currency -4%, Portfolio +5% (approximate numbers)
- Higher prices driven by BUs IPG and LEA
- Volume increase in all BUs; BU LPT delivers a strong quarter of volume expansion
- Especially BU MPP shows its structural upgrade after the successful Chemours integration
- EBITDA pre increase to €65 m in Q3 2017 (Q3 2016: €56 m)
- EBITDA pre margin of 17.9% in Q3 2017 (Q3 2016: 17.1%)

### Engineering Materials

#### Strong results with lightweight materials

- Sales deviation yoy: Price +9%, Volume +7%, Currency -2%, Portfolio +23% (approximate numbers)
- BU HPM successfully passed on higher raw material prices
- Strategic shift to higher value-add compounds with visible contribution and strong backward integration yielding results
- Acquired high margin urethane systems with good contribution
- EBITDA pre improved to €64 m in Q3 2017 (Q3 2016: €42 m)
- EBITDA pre margin of 18.2% in Q3 2017 (Q3 2016: 16.3%)

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## ARLANXEO

### Challenging raw material volatilities

- Sales deviation yoy: Price +7%, Volume +3%, Currency -4%, Portfolio 0% (approximate numbers)
- Successful management of raw material cost pass-through; challenging market environment persists
- Higher volumes mainly driven by BU TSR despite a high comparable base
- EBITDA pre burdened by weak U.S. dollar, unplanned shutdown (hurricanes, U.S.) and substantial raw material volatility (butadiene)
- EBITDA pre of €76 m in Q3 2017 (Q3 2016: €91 m)
- EBITDA pre margin of 10.6% in Q3 2017 (Q3 2016: 13.5%)

## Outlook 2017:

### FY 2017 on track – EBITDA guidance narrowed

**Despite challenges, 2017 will be the most successful year in LANXESS' history**

#### Q4 2017

- BU Saltigo with subdued performance due to continued agro weakness
- U.S. dollar expected to remain weak which will burden all segments
- BU HPM with major turnaround (Antwerp)

#### FY 2017

- FY EBITDA pre bandwidth narrowed and mid-point lifted despite various challenges (e.g., FX, agro weakness)
- **FY EBITDA pre now expected between €1,250 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:  | ~€170 m EBITDA pre incl. hedging   |
| ▪ Tax rate:             | Mid-term: 30-35% (for New LANXESS)   |
| ▪ FX sensitivity:       | Including Chemtura, excl. ARLANXEO:<br>1 cent change of USD/EUR ~€7 m EBITDA pre impact before hedging |

Please note:

- From Q2 2018 onwards, ARLANXEO will be shown as “discontinued operations” with a restatement of FY 2017 and FY 2018 end of June 2018
- From Q2 2019 onwards, ARLANXEO will be accounted for “at equity”
- IFRS 16 will be applied from January 1<sup>st</sup> 2019 onwards

Cologne, November 15<sup>th</sup>, 2017

### Forward-Looking Statements

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**LANXESS AG**  
Investor Relations  
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Germany

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## Financial Overview Q3 2017

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			ARLANXEO			Others/ Cons.		
	Q3/2016	Q3/2017	Chg. in %	Q3/2016	Q3/2017	Chg. in %	Q3/2016	Q3/2017	Chg. in %	Q3/2016	Q3/2017	Chg. in %	Q3/2016	Q3/2017	Chg. in %	Q3/2016	Q3/2017	Chg. in %	Q3/2016	Q3/2017	Chg. in %
<b>Sales</b>	<b>1,921</b>	<b>2,404</b>	25%	<b>435</b>	<b>479</b>	10%	<b>213</b>	<b>478</b>	>100%	<b>328</b>	<b>364</b>	11%	<b>257</b>	<b>351</b>	37%	<b>675</b>	<b>717</b>	6%	<b>13</b>	<b>15</b>	
Price*			6%			5%			2%			4%			9%			7%			
Volume*			3%			-1%			1%			6%			7%			3%			
Currency*			-3%			-2%			-2%			-4%			-2%			-4%			
Portfolio*			20%			9%			124%			6%			23%			0%			
<b>EBIT</b>	<b>122</b>	<b>131</b>	7%	<b>57</b>	<b>56</b>	-2%	<b>29</b>	<b>1</b>	-97%	<b>39</b>	<b>46</b>	18%	<b>31</b>	<b>50</b>	61%	<b>36</b>	<b>21</b>	-42%	<b>-70</b>	<b>-43</b>	
Deprec. & amortizat.	119	184	55%	26	31	19%	6	59	>100%	17	19	12%	11	14	27%	55	55	0%	4	6	
<b>EBITDA</b>	<b>241</b>	<b>315</b>	31%	<b>83</b>	<b>87</b>	5%	<b>35</b>	<b>60</b>	71%	<b>56</b>	<b>65</b>	16%	<b>42</b>	<b>64</b>	52%	<b>91</b>	<b>76</b>	-16%	<b>-66</b>	<b>-37</b>	
exceptionals in EBITDA	16	32	100%	0	0	0%	0	17	n.m.	0	0	0%	0	0	n.m.	0	0	0%	16	15	
<b>EBITDA pre excep.</b>	<b>257</b>	<b>347</b>	35%	<b>83</b>	<b>87</b>	5%	<b>35</b>	<b>77</b>	>100%	<b>56</b>	<b>65</b>	16%	<b>42</b>	<b>64</b>	52%	<b>91</b>	<b>76</b>	-16%	<b>-50</b>	<b>-22</b>	
normalized D&A	119	155	30%	26	31	19%	6	30	>100%	17	19	12%	11	14	27%	55	55	0%	4	6	
EBIT pre excep.	138	192	39%	57	56	-2%	29	47	62%	39	46	18%	31	50	61%	36	21	-42%	-54	-28	
exceptionals in EBIT	16	61	>100%	0	0	0%	0	46	n.m.	0	0	0%	0	0	n.m.	0	0	0%	16	15	
<b>Capex</b>	<b>106</b>	<b>125</b>	18%	<b>30</b>	<b>35</b>	17%	<b>12</b>	<b>20</b>	67%	<b>20</b>	<b>15</b>	-25%	<b>6</b>	<b>11</b>	83%	<b>32</b>	<b>39</b>	22%	<b>6</b>	<b>5</b>	
Net financial debt**	269	2,277	>100%																		

\* approximate numbers

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

## Financial Overview 9M 2017

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			ARLANXEO			Others/ Cons.		
	9M/2016	9M/2017	Chg. in %	9M/2016	9M/2017	Chg. in %	9M/2016	9M/2017	Chg. in %	9M/2016	9M/2017	Chg. in %	9M/2016	9M/2017	Chg. in %	9M/2016	9M/2017	Chg. in %	9M/2016	9M/2017	Chg. in %
<b>Sales</b>	<b>5,784</b>	<b>7,327</b>	27%	<b>1,341</b>	<b>1,502</b>	12%	<b>647</b>	<b>1,157</b>	79%	<b>970</b>	<b>1,099</b>	13%	<b>805</b>	<b>1,027</b>	28%	<b>1,985</b>	<b>2,500</b>	26%	<b>36</b>	<b>42</b>	17%
Price*			9%			4%			1%			4%			7%			19%			0%
Volume*			5%			3%			4%			3%			7%			6%			17%
Currency*			0%			0%			0%			0%			0%			1%			0%
Portfolio*			13%			5%			74%			7%			13%			0%			0%
<b>EBIT</b>	<b>429</b>	<b>385</b>	-10%	<b>184</b>	<b>186</b>	1%	<b>101</b>	<b>30</b>	-70%	<b>134</b>	<b>77</b>	-43%	<b>92</b>	<b>132</b>	43%	<b>134</b>	<b>144</b>	7%	<b>-216</b>	<b>-184</b>	15%
Deprec. & amortizat.	354	473	34%	76	86	13%	21	98	>100%	47	63	34%	33	40	21%	165	169	2%	12	17	42%
<b>EBITDA</b>	<b>783</b>	<b>858</b>	10%	<b>260</b>	<b>272</b>	5%	<b>122</b>	<b>128</b>	5%	<b>181</b>	<b>140</b>	-23%	<b>125</b>	<b>172</b>	38%	<b>299</b>	<b>313</b>	5%	<b>-204</b>	<b>-167</b>	18%
exceptionals in EBITDA	29	184	>100%	0	3	>100%	0	68	n.m.	0	64	>100%	0	12	n.m.	0	-1	n.m.	29	38	31%
<b>EBITDA pre excep.</b>	<b>812</b>	<b>1,042</b>	28%	<b>260</b>	<b>275</b>	6%	<b>122</b>	<b>196</b>	61%	<b>181</b>	<b>204</b>	13%	<b>125</b>	<b>184</b>	47%	<b>299</b>	<b>312</b>	4%	<b>-175</b>	<b>-129</b>	26%
normalized D&A	354	431	22%	76	86	13%	21	63	>100%	47	57	21%	33	39	18%	165	169	2%	12	17	42%
EBIT pre excep.	458	611	33%	184	189	3%	101	133	32%	134	147	10%	92	145	58%	134	143	7%	-187	-146	22%
exceptionals in EBIT	29	226	>100%	0	3	>100%	0	103	n.m.	0	70	>100%	0	13	n.m.	0	-1	n.m.	29	38	31%
<b>Capex</b>	<b>228</b>	<b>287</b>	26%	<b>61</b>	<b>84</b>	38%	<b>25</b>	<b>43</b>	72%	<b>45</b>	<b>41</b>	-9%	<b>15</b>	<b>26</b>	73%	<b>72</b>	<b>84</b>	17%	<b>10</b>	<b>9</b>	-10%
Net financial debt**	269	2,277	>100%																		

\* approximate numbers

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

## Income Statement Q3 / 9M 2017

in € million	Q3/2016	Q3/2017	Chg. in %	9M/2016	9M/2017	Chg. in %
Sales	1,921	2,404	25%	5,784	7,327	27%
Cost of sales	-1,475	-1,853	-26%	-4,400	-5,664	-29%
Gross profit	446	551	24%	1,384	1,663	20%
Selling expenses	-192	-241	-26%	-577	-697	-21%
Research and development expenses	-34	-40	-18%	-96	-112	-17%
General administration expenses	-67	-92	-37%	-212	-259	-22%
Other operating income	25	43	72%	105	130	24%
Other operating expenses	-56	-90	-61%	-175	-340	-94%
<b>Operating result (EBIT)</b>	<b>122</b>	<b>131</b>	<b>7%</b>	<b>429</b>	<b>385</b>	<b>-10%</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	2	0%	5	6	20%
Interest expense	-18	-22	-22%	-54	-70	-30%
Other financial income and expense	-6	-20	<-100%	-39	-7	82%
<b>Financial result</b>	<b>-22</b>	<b>-40</b>	<b>-82%</b>	<b>-88</b>	<b>-71</b>	<b>19%</b>
<b>Income before income taxes</b>	<b>100</b>	<b>91</b>	<b>-9%</b>	<b>341</b>	<b>314</b>	<b>-8%</b>
Income taxes	-40	-35	13%	-145	-141	3%
Income after income taxes	60	56	-7%	196	173	-12%
of which attributable to non-controlling interests	-2	1	<i>n.m.</i>	6	37	>100%
<b>Net income (attributable to LANXESS AG stockholders)</b>	<b>62</b>	<b>55</b>	<b>-11%</b>	<b>190</b>	<b>136</b>	<b>-28%</b>
<b>EPS (in €)</b>	<b>0.68</b>	<b>0.60</b>	<b>-12%</b>	<b>2.08</b>	<b>1.49</b>	<b>-28%</b>
Earnings per share pre (net of exceptionals and amortization of intangible assets as well as attributable tax effects)	0.84	1.15	37%	2.45	3.70	51%

## Cash Flow Statement Q3 / 9M 2017

€ million	Q3 2016	Q3 2017	9M 2016	9M 2017
<b>Income before income taxes</b>	<b>100</b>	<b>91</b>	<b>341</b>	<b>314</b>
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	119	184	354	473
Financial losses (gains)	9	20	42	18
Income taxes paid	(37)	(59)	(98)	(152)
Changes in inventories	(58)	12	(39)	(9)
Changes in trade receivables	35	23	(113)	(113)
Changes in trade payables	45	(20)	(51)	(114)
Changes in other assets and liabilities	91	118	96	118
<b>Net cash provided by operating activities</b>	<b>304</b>	<b>369</b>	<b>532</b>	<b>535</b>
Cash outflows for purchases of intangible assets and property, plant and equipment	(106)	(125)	(228)	(287)
Cash inflows from sales of intangible assets and property, plant and equipment	2	–	7	1
Cash outflows for financial assets	–	–	(711)	(110)
Cash inflows from financial assets	130	–	230	2,276
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(198)	–	(198)	(1,782)
Interest and dividends received	2	6	5	57
Cash outflows for external funding of pension obligations (CTAs)	–	–	(200)	–
<b>Net cash (used in) provided by investing activities</b>	<b>(170)</b>	<b>(119)</b>	<b>(1,095)</b>	<b>155</b>
Cash inflows from non-controlling interests	–	–	1,194	18
Proceeds from borrowings	3	14	44	105
Repayments of borrowings	(252)	(482)	(415)	(493)
Interest paid and other financial disbursements	(15)	(16)	(54)	(64)
Dividend payments	–	–	(55)	(67)
<b>Net cash (used in) provided by financing activities</b>	<b>(264)</b>	<b>(484)</b>	<b>714</b>	<b>(501)</b>
<b>Change in cash and cash equivalents from business activities</b>	<b>(130)</b>	<b>(234)</b>	<b>151</b>	<b>189</b>
Cash and cash equivalents at beginning of period	650	759	366	355
Exchange differences and other changes in cash and cash equivalents	1	11	4	(8)
<b>Cash and cash equivalents at end of period</b>	<b>521</b>	<b>536</b>	<b>521</b>	<b>536</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**

**LANXESS AG**  
Investor Relations  
Kennedyplatz 1  
50569 Cologne  
Germany

Ulrike Rockel  
Head of Investor Relations

Phone +49 221-8885-5458  
Fax +49 221-8885-4944  
ulrike.rockel@lanxess.com

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