



# LANXESS – Q2 2017 results

## Performing in the new LANXESS structure

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**LANXESS**  
Energizing Chemistry

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## Agenda

- **Executive summary Q2 2017**
- Business and financial details Q2 2017
- Back-up

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## Q2 2017 operational highlights: Good business performance – Chemtura integration fully on track

### Operational highlights

- ⊕ First contribution of former Chemtura business
  - integration on track
  - first synergies implemented
- ⊕ Increased prices + slightly higher volumes despite strong Q1 (pre-buying)
- ⊕ Successful management of high raw material volatility
- ⊖ Agro weakness continues




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## Q2 2017 financial highlights: Strong financials

Financial highlights	
▪	EBITDA pre increase to €367 m
▪	EBITDA pre margin at 14.6%
▪	Substantial increase of EPS pre to €1.54
▪	Net income burdened by restructuring expenses (BU LEA) and Chemtura related one offs (esp. PPA effects)
▪	Net financial debt increases to €2.5 bn due to Chemtura acquisition (€2.4 bn)



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## Q2 2017 financial overview: a strong quarter in a dynamic environment

[€ m]	Q2 2016	Q2 2017	yoy in %
Sales	1,943	2,522	30%
EBITDA pre	293	367	25%
margin	15.1%	14.6%	
EPS	0.82	0.04	-95%
EPS pre*	0.88	1.54	75%
Capex	73	105	44%
[€ m]	31.12.2016	30.06.2017	Δ %
Net financial debt**	269	2,537	>100%
Net working capital	1,628	2,189	34%
ROCE***	6.9%	8.8%	

- Substantial sales increase driven by Chemtura and higher prices (raw material price pass-through)
- EBITDA pre reflects portfolio effects and positive price / raw material cost spread
- Net financial debt up due to ~€2.4 bn Chemtura acquisition
- Higher net working capital due to acquired businesses and substantially higher raw material prices.

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

\*\* after deduction of current financial assets in 2016

6 \*\*\* 2017 calculated incl. Chemtura EBITpre pro forma based on 2016 earnings

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## Q2 2017 segment performance part 1: Price pass-through and positive portfolio effects

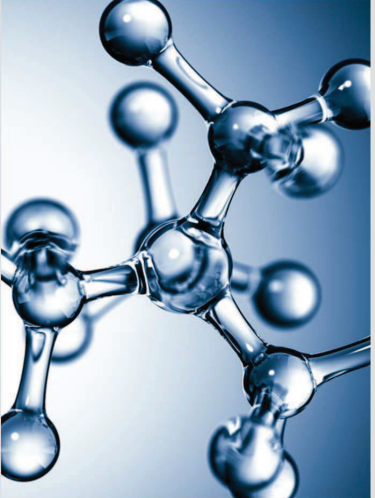
Advanced Intermediates				Specialty Additives				Performance Chemicals			
Price	Volume	FX	Portfolio	Price	Volume	FX	Portfolio	Price	Volume	FX	Portfolio
+5%	+1%	+1%	+7%	+1%	+4%	+1%	+101%	+4%	-1%	+2%	+7%
Total			<b>+14%</b>	Total			<b>+107%</b>	Total			<b>+11%</b>
<ul style="list-style-type: none"> <li>Overall very strong performance despite worsening agro business, which impacts BU SGO</li> <li>EBITDA benefits from catch up on raw material cost pass-through, partly mitigated by freight and energy costs</li> </ul>				<ul style="list-style-type: none"> <li>Sales and earnings expansion predominantly driven by Chemtura acquisition</li> <li>BU ADD with comparably stable price and volumes, BU RCH records strong volume growth</li> </ul>				<ul style="list-style-type: none"> <li>Higher prices in nearly all BUs</li> <li>Volume increases in BU MPP while BU IPG recorded lower volumes with higher prices</li> <li>EBITDA increase reflects also contribution of Chemours' Clean &amp; Disinfect business</li> </ul>			
[€ m]		Q2'16	Q2'17	[€ m]		Q2'16	Q2'17	[€ m]		Q2'16	Q2'17
Sales		443	505	Sales		213	440	Sales		330	367
EBITDA pre		88	97	EBITDA pre		45	75	EBITDA pre		69	80
Margin		20%	19%	Margin		21%	17%	Margin		21%	22%

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## Q2 2017 segment performance part 2: Strong earnings development in Engineering Materials

Engineering Materials				ARLANXEO			
Price	Volume	FX	Portfolio	Price	Volume	FX	Portfolio
+8%	+6%	-	+18%	+23%	-	+2%	-
Total			<b>+31%</b>	Total			<b>+25%</b>
<ul style="list-style-type: none"> <li>Strong operational performance and acquisition driven sales and EBITDA expansion</li> <li>Prices increase as higher raw material costs were passed on</li> <li>EBITDA improves on continued high capacity utilization, portfolio effect</li> </ul>				<ul style="list-style-type: none"> <li>Substantial price effect from raw material cost pass-through</li> <li>Continued good underlying demand in both BUs. Some lower volumes in BU TSR due to planned turnaround</li> <li>EBITDA burdened by low double digit write-off (mainly butadiene related)</li> </ul>			
[€ m]		Q2'16	Q2'17	[€ m]		Q2'16	Q2'17
Sales		275	361	Sales		670	835
EBITDA pre		45	72	EBITDA pre		95	92
Margin		16%	20%	Margin		14%	11%



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## FY 2017 on track – EBITDA guidance confirmed

<b>Macro economics</b>	<ul style="list-style-type: none"><li>▪ Persisting macroeconomic, geopolitical risks</li><li>▪ Agro chemicals demand modestly weaker than expected; while all other industries remain stable</li><li>▪ Asia Pacific continues to be the most attractively growing region</li></ul>	
<b>FY 2017</b>	<ul style="list-style-type: none"><li>▪ Business dynamics solid, while growth expectations for H2 are softer due to the high comparable base in H2 2016</li><li>▪ <b>FY EBITDA pre between €1,225 m – €1,300 m</b></li></ul>	

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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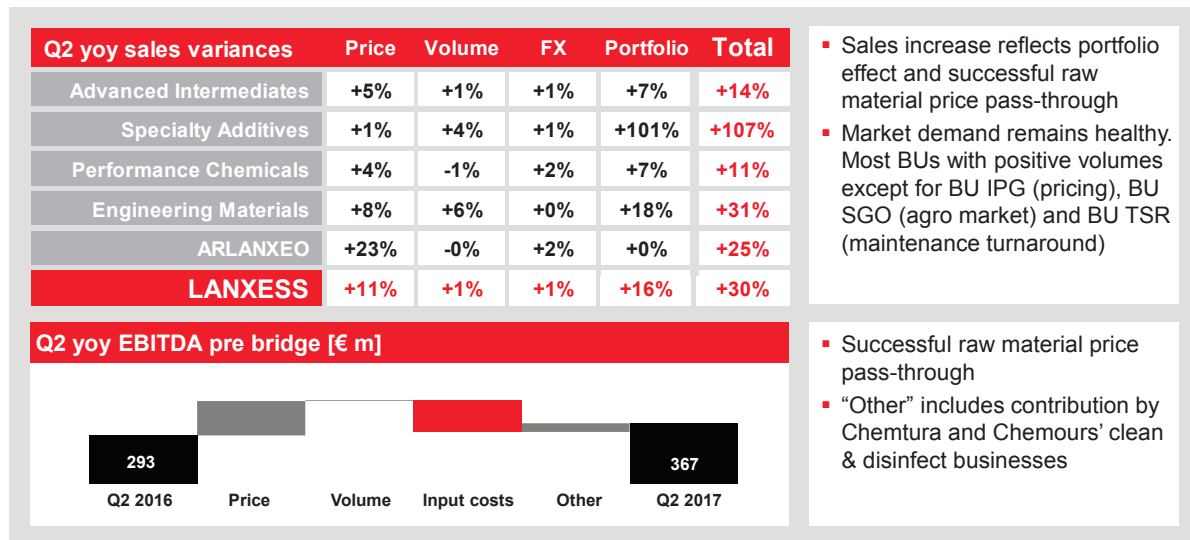
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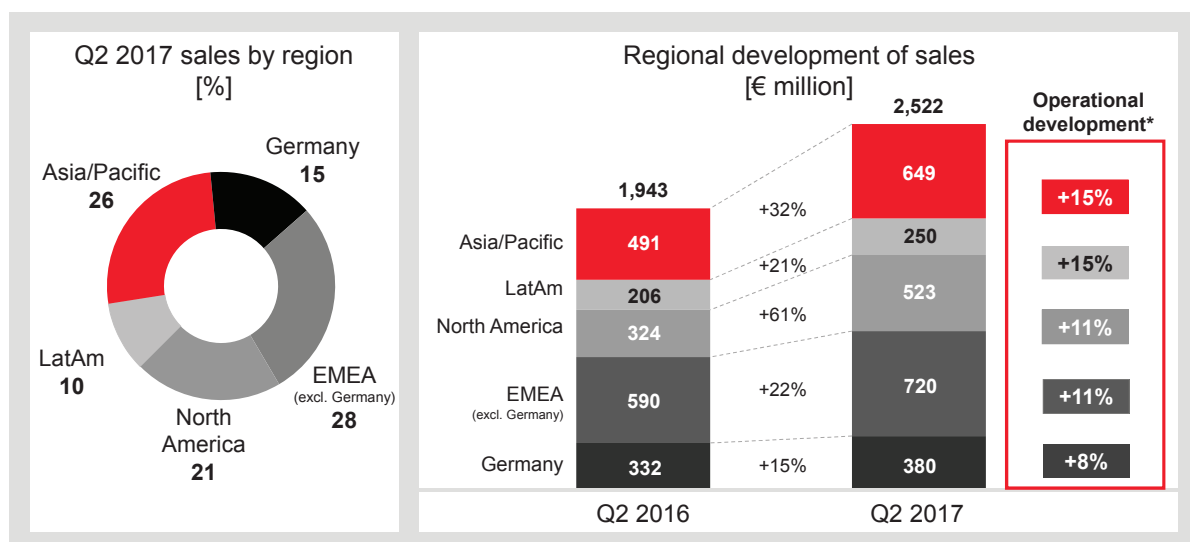
## Q2 2017: Strong results with nice contribution by Chemtura acquisition



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## Q2 2017: Strong growth across all regions



\* Currency and portfolio adjusted

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## Q2 2017: Visible positive effect from Chemtura acquisition

[€ m]	Q2 2016	Q2 2017	yoy in %	
Sales	1,943 (100%)	2,522 (100%)	30%	<ul style="list-style-type: none"> <li>Chemtura is major driver of deviations in all line items</li> <li>Sales increase on higher prices (raw material price pass-through) and portfolio</li> <li>Cost of sales also reflect higher raw material and energy costs</li> <li>Strong operational performance visible in EBITDA and EPS pre</li> <li>EBIT and Net Income affected by restructuring expenses and Chemtura related one offs (esp. PPA effect)</li> </ul>
Cost of sales	-1,466 (-75%)	-1,956 (-78%)	-33%	
Selling	-191 (-10%)	-238 (-9%)	-25%	
G&A	-73 (-4%)	-95 (-4%)	-30%	
R&D	-32 (-2%)	-38 (-2%)	-19%	
<b>EBIT</b>	<b>176 (9%)</b>	<b>62 (2%)</b>	<b>-65%</b>	
Non-controlling interests	8 (0%)	11 (0%)	38%	
<b>Net Income</b>	<b>75 (4%)</b>	<b>3 (0%)</b>	<b>-96%</b>	
<b>EPS pre*</b>	<b>0.88</b>	<b>1.54</b>	<b>75%</b>	
EBITDA	291 (15%)	227 (9%)	-22%	
thereof exceptionals	-2 (0%)	-140 (-6%)	>100%	
<b>EBITDA pre exceptionals</b>	<b>293 (15%)</b>	<b>367 (15%)</b>	<b>25%</b>	


**Substantial increase in EPS pre**

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

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

[€ m]	Q2 2016	Q2 2017	Δ	H1 2016	H1 2017	Δ	
<b>Sales</b>	<b>443</b>	<b>505</b>	<b>14%</b>	<b>906</b>	<b>1,023</b>	<b>13%</b>	
EBIT	63	65	3%	127	130	2%	
Depr./Amort.	25	29	16%	50	55	10%	
<b>EBITDA pre exceptionals</b>	<b>88</b>	<b>97</b>	<b>10%</b>	<b>177</b>	<b>188</b>	<b>6%</b>	
Margin	19.9%	19.2%		19.5%	18.4%		
Capex	22	33	50%	31	49	58%	

**Q2 sales bridge yoy [€ m]**

+5%    +1%    +1%    +7%

443

Price

Volume

Currency

Portfolio

505

(approximate numbers)

Q2 2016    Price    Volume    Currency    Portfolio    Q2 2017

**Q2 yoy effects**

- BU All with strong raw material-driven price increase and Chemtura Organometallics business contribution
- Volume growth in BU All held back by maintenance turnaround
- Weak agro chemical demand dampens BU SGO
- EBITDA benefits from catch up on raw material cost pass-through, partly mitigated by freight and energy costs

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## Specialty Additives: Results driven by portfolio effect

Q2 2016	Q2 2017	Δ	H1 2016	H1 2017	Δ
<b>213</b>	<b>440</b>	<b>&gt;100%</b>	<b>434</b>	<b>679</b>	<b>56%</b>
37	-8	<-100%	72	29	-60%
8	32	>100%	15	39	>100%
<b>45</b>	<b>75</b>	<b>67%</b>	<b>87</b>	<b>119</b>	<b>37%</b>
21.1%	17.0%		20.0%	17.5%	
8	16	100%	13	23	77%

Q2 sales bridge yoy [€ m]					
	+1%	+4%	+1%	+101%	
213					440
Q2 2016	Price	Volume	Currency	Portfolio	Q2 2017

Q2 yoy effects		
▪	Major sales and earnings driver: Chemtura portfolio effect	
▪	BU ADD with comparably stable price and volumes, BU RCH records strong volume growth	
▪	EBITDA margin burdened by higher freight and energy costs, comparing to strong base	

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## Performance Chemicals: Solid results

Q2 2016	Q2 2017	Δ	H1 2016	H1 2017	Δ
<b>330</b>	<b>367</b>	<b>11%</b>	<b>642</b>	<b>735</b>	<b>14%</b>
54	-9	<-100%	95	31	-67%
15	25	67%	30	44	47%
<b>69</b>	<b>80</b>	<b>16%</b>	<b>125</b>	<b>139</b>	<b>11%</b>
20.9%	21.8%		19.5%	18.9%	
14	15	7%	25	26	4%

Q2 sales bridge yoy [€ m]					
	+4%	-1%	+2%	+7%	
330					367
Q2 2016	Price	Volume	Currency	Portfolio	Q2 2017

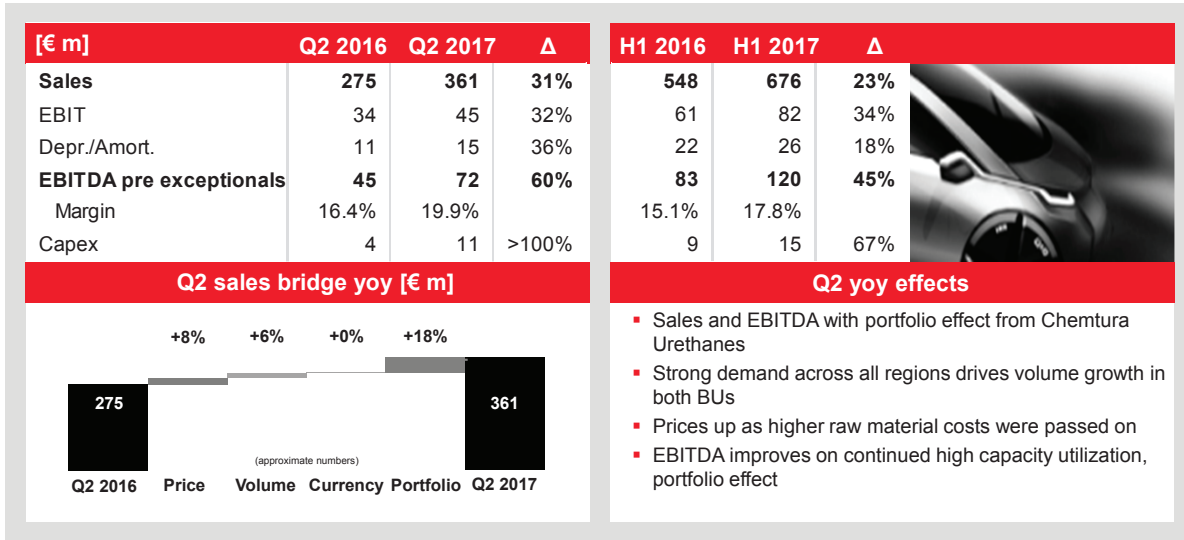
Q2 yoy effects		
▪	Higher prices in nearly all BUs	
▪	Volume increases in BU MPP while BU IPG recorded lower volumes with higher prices	
▪	EBITDA increase also reflects contribution of Chemours' Clean & Disinfect business	

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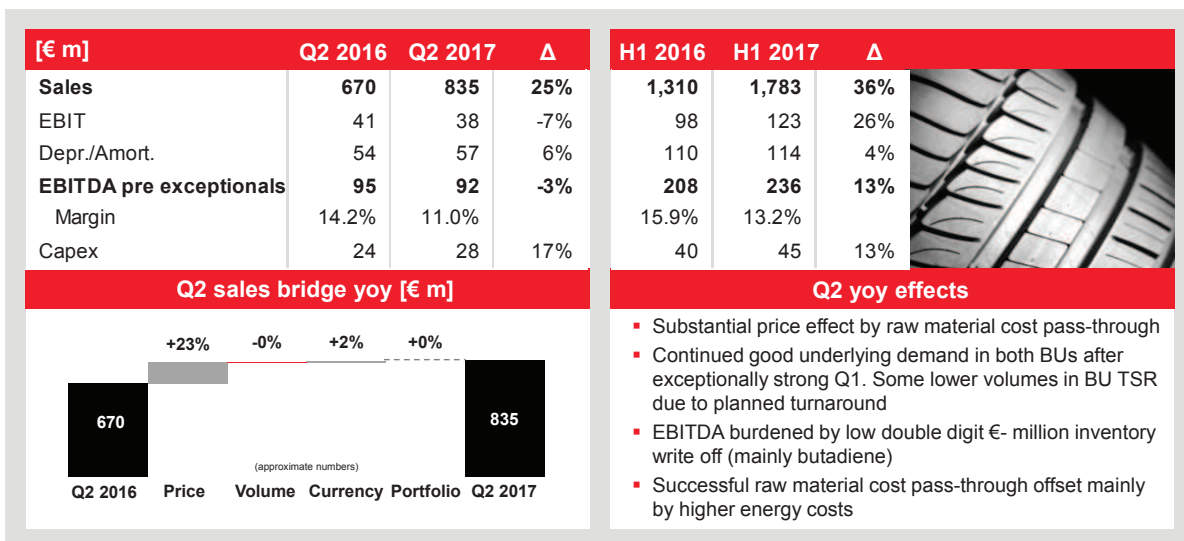
## Engineering Materials: Strong volumes and better mix drive earnings



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## ARLANXEO: Business continues to cope with challenging environment



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## Q2 2017: Cash flow reflects first consolidation of acquired businesses

€ m	Q2 2016	Q2 2017	
Profit before tax	147	61	<ul style="list-style-type: none"> <li>Profit before tax declines due to substantial one-off restructuring and PPA (inventory step-up)</li> <li>Financial (gain) losses mainly contains reclassification of Currenta dividend to invest. CF</li> <li>Changes in other assets and liabilities includes provisioning for restructuring offset by variable compensation payout</li> <li>Working capital: PPA effect offsetting operational outflow</li> </ul>
Depreciation & amortization	115	165	
Financial (gain) losses	16	-22	
Income taxes paid	-19	-28	
Changes in other assets and liabilities	-72	-42	
<b>Operating cash flow before changes in WC</b>	<b>187</b>	<b>134</b>	
Changes in working capital	-7	22	
<b>Operating cash flow</b>	<b>180</b>	<b>156</b>	
<b>Investing cash flow</b>	<b>-981</b>	<b>289</b>	
Thereof capex	-73	-105	
<b>Financing cash flow</b>	<b>1,115</b>	<b>-69</b>	<p><b>Operating CF below prior year due to transaction related cash-outs</b></p>

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## Main balance sheet KPIs mirror acquisition

€ m	Dec 2016	Jun 2017	
<b>Total assets</b>	<b>9,877</b>	<b>10,912</b>	<ul style="list-style-type: none"> <li>Total assets increase due to Chemtura consolidation</li> <li>Equity ratio remains solidly above 30%</li> <li>Net financial debt increases due to payment for Chemtura, assumed debt and dividend payment</li> <li>Higher net working capital after M&amp;A and substantially higher raw material prices</li> <li>Pension provisions mainly reflect Chemtura acquisition</li> </ul>
Equity (incl. Non-controlling interest)	3,728	3,579	
<b>Equity ratio</b>	<b>38%</b>	<b>33%</b>	
<b>Net financial debt</b> (after deduction of current financial assets)	<b>269</b>	<b>2,537</b>	
Near cash, cash & cash equivalents	395	759	
<b>Pension provisions</b>	<b>1,249</b>	<b>1,416</b>	
<b>ROCE<sup>1</sup></b>	<b>6.9%</b>	<b>8.8%</b>	
<b>Net working capital</b>	<b>1,628</b>	<b>2,189</b>	
DSI (in days) <sup>2</sup>	67	62	
DSO (in days) <sup>3</sup>	51	50	

<sup>1</sup> Based on last twelve months for EBIT pre, 2017 calculated incl. Chemtura EBIT pre pro forma based on 2016 earnings

<sup>2</sup> Days sales of inventory calculated from quarterly sales

<sup>3</sup> Days of sales outstanding calculated from quarterly sales

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## Balance sheet remains solid

[€ m]	Dec 2016	Jun 2017		Dec 2016	Jun 2017
<b>Non-current assets</b>	<b>4,519</b>	<b>6,558</b>	<b>Stockholders' equity</b>	<b>3,728</b>	<b>3,579</b>
Intangible assets	494	1,813	attrib. to non-contr. interests	1,176	1,161
Property, plant & equipment	3,519	4,100	<b>Non-current liabilities</b>	<b>4,516</b>	<b>5,020</b>
Equity investments	0	0	Pension & post empl. provis.	1,249	1,416
Other investments	12	13	Other provisions	319	517
Other financial assets	19	20	Other financial liabilities	2,734	2,734
Deferred taxes	442	439	Tax liabilities	31	107
Other non-current assets	33	173	Other liabilities	93	116
			Deferred taxes	83	125
<b>Current assets</b>	<b>5,358</b>	<b>4,354</b>	<b>Current liabilities</b>	<b>1,633</b>	<b>2,313</b>
Inventories	1,429	1,733	Other provisions	406	474
Trade account receivables	1,088	1,389	Other financial liabilities	78	592
Other current financial assets	2,130	4	Trade accounts payable	889	933
Other current assets	316	469	Tax liabilities	44	73
Near cash assets	40	0	Other liabilities	216	241
Cash and cash equivalents	355	759			
<b>Total assets</b>	<b>9,877</b>	<b>10,912</b>	<b>Total equity &amp; liabilities</b>	<b>9,877</b>	<b>10,912</b>

▪ Change in "Other current financial assets" reflects the acquisition of Chemtura

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## Appendix

### Housekeeping items

#### Additional financial expectations

- 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)

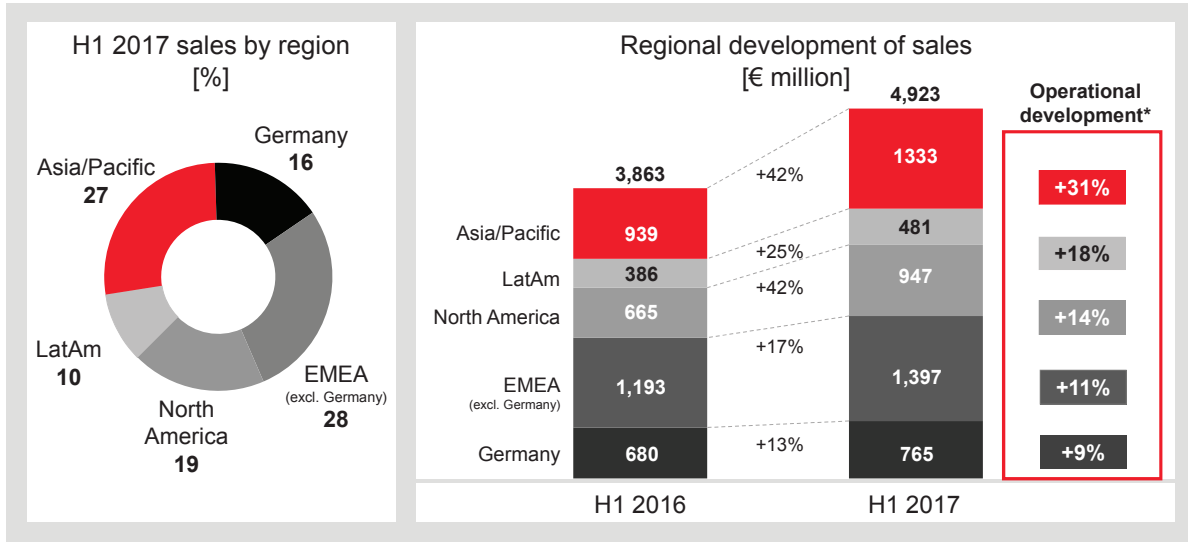


Please note:

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

At USD/EUR 1.10

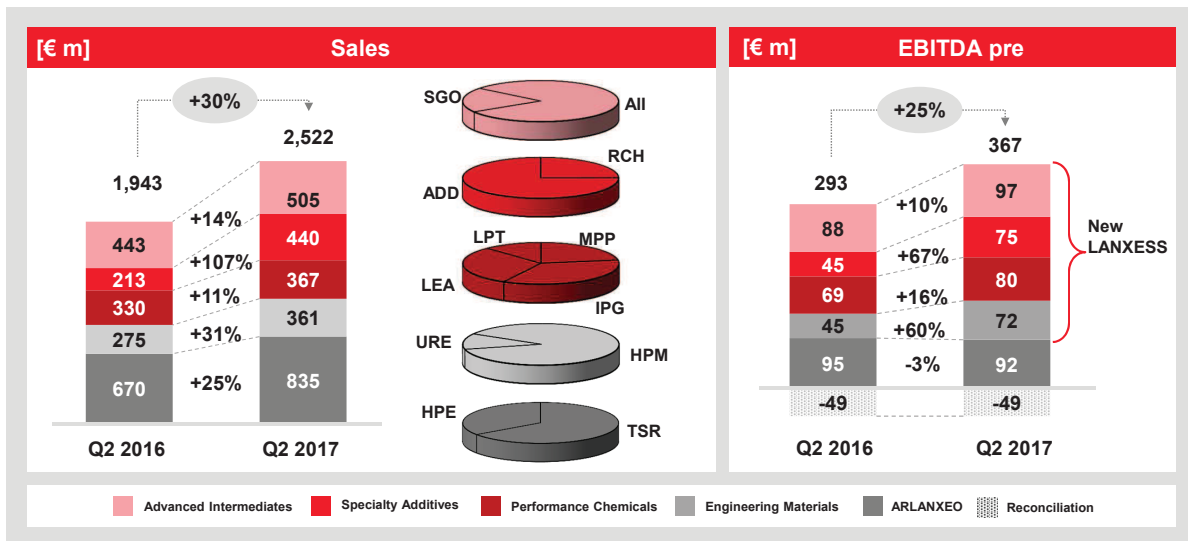
# H1 2017: Substantial growth across all regions



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# Q2 2017: Strong operational and M&A driven increase in sales and EBITDA

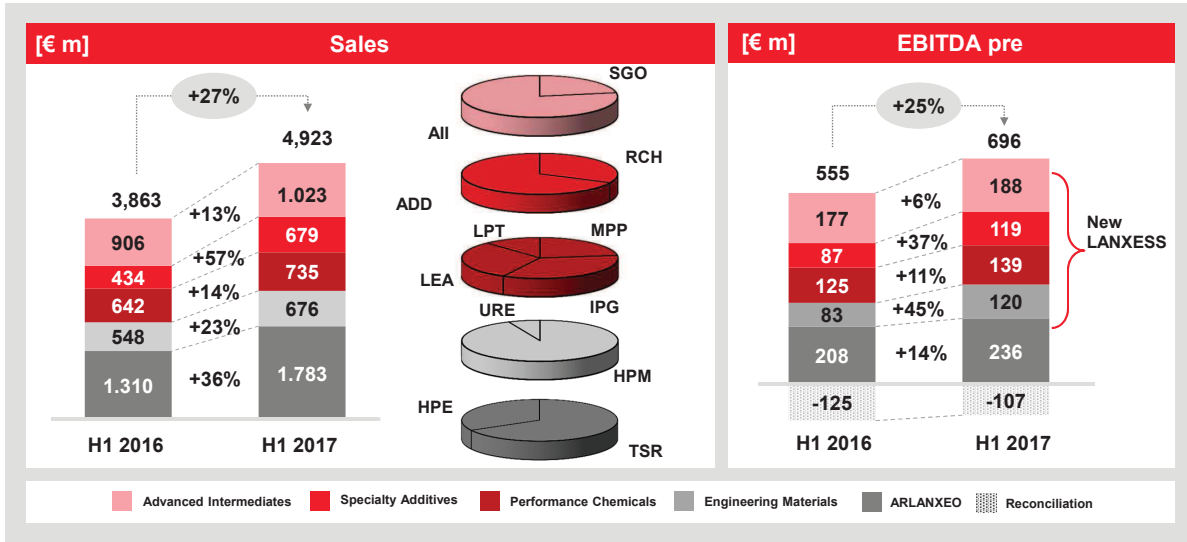


Total group sales including reconciliation

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# H1 2017: Strong increase in Sales and EBITDA driven by acquisition of Chemtura

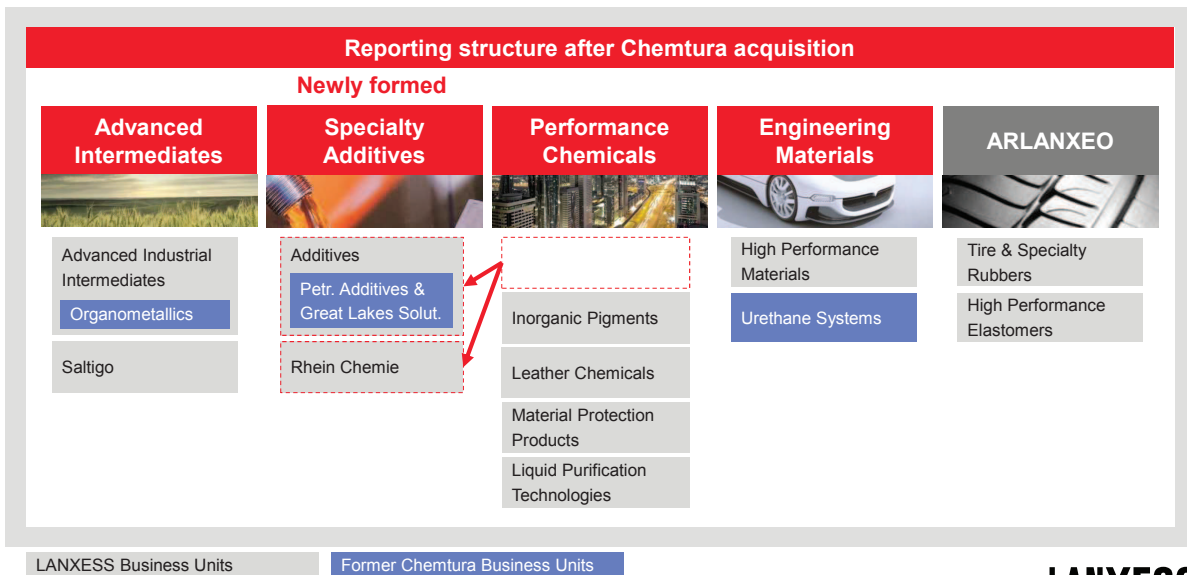


Total group sales including reconciliation



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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 ~€5 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**

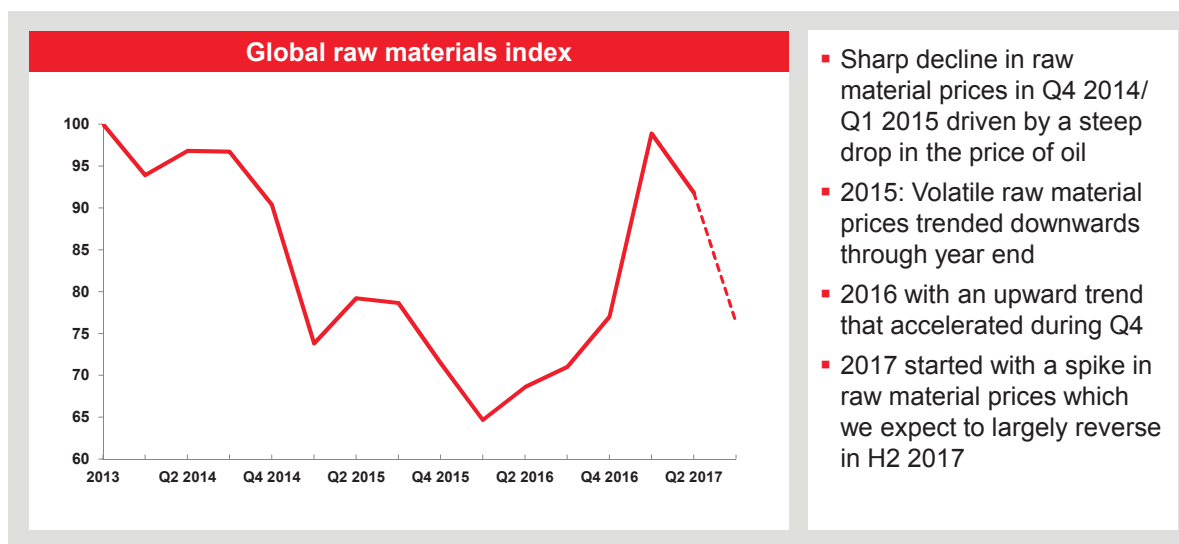
	2016	2017	2018	2019	2020	Total
[€ m] Expense (one-time costs)*		~70	~30	~20	~20	~140
[€ m] Capex		~30	~10	~10		~50
[€ m] Synergies		~25	~25	~35	~15	~100

\* Excluding ~€80 m transaction related cash-outs

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## High volatility in raw material prices



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## Overview exceptional items H1 2017

[€ m]	Q2 2016		Q2 2017		H1 2016		H1 2017	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	0	0	3	0	0	0	3	0
Specialty Additives	0	0	57	6	0	0	57	6
Performance Chemicals	0	0	70	6	0	0	70	6
Engineering Materials	0	0	13	1	0	0	13	1
ARLANXEO	0	0	-3	0	0	0	-1	0
Reconciliation	2	0	13	0	13	0	23	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>153</b>	<b>13</b>	<b>13</b>	<b>0</b>	<b>165</b>	<b>13</b>

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# Upcoming events 2017/2018

Proactive capital market communication		
▪ <b>Meeting the Management 2017</b>	<b>September 6</b>	<b>Cologne</b>
▪ SdK Börsentag Hannover	September 13	Hanover
▪ 6 <sup>th</sup> Annual Goldman Sachs & Berenberg German Corp. Conference	September 18/19	Munich
▪ Baader Investment Conference 2017	September 18/19	Munich
▪ <b>Q3 results 2017</b>	<b>November 15</b>	
▪ Deutsches Eigenkapitalforum 2017	November 28	Frankfurt
▪ Berenberg European Corporate Conference	December 4	Pennyhill
▪ <b>Annual General Meeting 2018</b>	<b>May 15</b>	

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