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A very successful 2016 and a strong start to 2017

EBITDA pre exceptionals in fiscal 2016 increases by 12.4 percent to EUR 995 million

EBITDA margin pre exceptionals improves from 11.2 to 12.9 percent

Net income increases by 16.4 percent to EUR 192 million

Volumes grow in all segments

Proposed dividend for 2016 at EUR 0.70 per share; an increase of 17 percent

Strong first quarter 2017 expected: approximately 20 percent increase in EBITDA pre exceptionals

Guidance for the full year 2017: EBITDA pre exceptionals slightly above the prior-year level

Preparations for planned Chemtura acquisition progressing well



In fiscal 2016, specialty chemicals company LANXESS successfully advanced its transformation, underscoring this with strong performance data.

EBITDA pre exceptionals increased by 12.4 percent to EUR 995 million, compared with EUR 885 million a year earlier. The main drivers of this positive

development were higher volumes in all segments, the associated increase in capacity utilization and cost savings resulting from the improved competitiveness of plants and processes. The EBITDA pre exceptionals was therefore at the upper end of the recent guidance range of EUR 960 million to EUR 1 billion. The Group's EBITDA margin pre exceptionals improved from 11.2 percent to 12.9 percent. Net income also increased by a substantial 16.4 percent to EUR 192 million from EUR 165 million. Sales declined slightly, from EUR 7.9 billion in 2015 to EUR 7.7 billion, primarily due to the adjustment in selling prices to reflect lower raw material costs.

Also in 2016, the company made a number of important strategic decisions and realigned its portfolio. ARLANXEO, a joint venture with Saudi Aramco for the synthetic rubber business, started operating on April 1. At the end of August, LANXESS closed the acquisition of the Clean & Disinfect business of U.S. chemical company Chemours. In September, LANXESS announced the acquisition of U.S. specialty chemicals company Chemtura, a leading supplier of flame retardant and lubricant additives. Both acquisitions strengthen LANXESS's position in high-margin specialty chemicals markets.

"LANXESS is back on track for success. We have achieved key milestones in our reorganization to make LANXESS a more stable and profitable enterprise and we have progressed a good way on our course of growth. This is reflected in our very positive business data for 2016," said Matthias Zachert, Chairman of the Board of Management of LANXESS AG. "We aim to continue on this growth path, above all through the planned acquisition of Chemtura, and to further increase our operational strength."

Substantially improved balance sheet

At the end of the past fiscal year, net financial liabilities fell very substantially from EUR 1.2 billion to EUR 269 million. This was mainly due to the proceeds from the joint venture with Saudi Aramco. In 2016, capital expenditures amounted to EUR 439 million, which was more or less level with the prior-year figure of EUR 434 million. The company is planning capital expenditures of some EUR 450 million to EUR 500 million for 2017.

“We again significantly strengthened our balance sheet in 2016 and are continuing along this path of financial stability. We secured the financing for the planned acquisition of Chemtura quickly and at attractive conditions, while at the same time maintaining our investment-grade rating,” explained Michael Pontzen, Chief Financial Officer of LANXESS AG.

The financing for the planned acquisition of Chemtura, which has an enterprise value of approximately EUR 2.4 billion, is provided mainly by two corporate bonds, a hybrid bond and existing liquidity. Already in 2016, LANXESS was able to place all three bonds - each with a volume of EUR 500 million.

Planned acquisition of Chemtura on schedule

The planned acquisition of Chemtura is a crucial step on LANXESS's growth path and continues to progress on schedule. At the start of March, the authorities in South Korea approved the acquisition as antitrust authorities in the United States and Brazil did before. In early February 2017, Chemtura's shareholders had voted by a large majority in favor of the planned merger. LANXESS expects to receive all remaining regulatory clearances and to close the transaction by mid-2017.

Higher dividend proposed for 2016

The company's good business performance in 2016 should be reflected in a higher dividend again. The Board of Management and the Supervisory Board will be proposing to the Annual Stockholders' Meeting on May 26, 2017, a dividend increase of 17 percent compared with the prior year to EUR 0.70. This would result in a total dividend payout of around EUR 64 million.

Business development by segment

Sales of the **Advanced Intermediates** segment in 2016 were around EUR 1.74 billion, 4.6 percent below the prior-year figure of EUR 1.83 billion. On account of the anticipated

decline in demand in the agrochemicals industry in the fourth quarter, EBITDA pre exceptionals decreased by a slight 3.8 percent to EUR 326 million, down from a very strong prior-year figure of EUR 339 million. Nevertheless, the EBITDA margin pre exceptionals was slightly up on the prior year, from 18.6 percent to 18.7 percent.

Sales in the **Performance Chemicals** segment improved by 2.7 percent from some EUR 2.09 billion to around EUR 2.14 billion. EBITDA pre exceptionals advanced by a substantial 14.7 percent from the prior-year level of EUR 326 million, to EUR 374 million. This improvement in earnings was mainly attributable to strong volume growth and better capacity utilization. The EBITDA margin pre exceptionals improved accordingly to 17.5 percent, compared with 15.6 percent in 2015.

In the **High Performance Materials** segment, sales declined by a slight 2.7 percent, from EUR 1.09 billion to EUR 1.06 billion. However, EBITDA pre exceptionals advanced by around 43 percent to EUR 159 million, which was substantially higher than the prior-year level of EUR 111 million. The main drivers here were higher volumes in more profitable product groups and higher capacity utilization. The EBITDA margin pre exceptionals grew respectively to 15.1 percent, compared with 10.2 percent in 2015.

Given a persistently difficult competitive environment, sales in the **ARLANXEO** segment decreased by 5.2 percent to EUR 2.71 billion, from EUR 2.86 billion a year earlier. Despite the positive development of volumes, EBITDA pre exceptionals was 4.6 percent below the prior-year level of EUR 391 million, at EUR 373 million. In a still challenging competitive environment, the effect of reduced selling prices outweighed the cost relief resulting from lower raw material prices. The EBITDA margin pre exceptionals of 13.8 percent was virtually level with the prior-year figure of 13.7 percent.

Outlook for 2017

The good development seen in 2016 has continued into 2017. LANXESS had a very good start to the new fiscal year and is expecting EBITDA pre exceptionals between EUR 300 million and EUR 320 million for the first quarter of 2017. This would represent an increase in earnings of around 20 percent compared with the prior-year quarter (EUR 262 million).

For the full year 2017, LANXESS expects a slight increase in EBITDA pre exceptionals compared with 2016. Successful closing of the planned acquisition of Chemtura would generate an additional earnings contribution that LANXESS has not yet included in its current guidance for 2017.

Traditionally, the company specifies its guidance when it announces its first-quarter data. The quarterly statement will be published on May 11, 2017.

Financial data for the full year/Q4 2016

(Figures in EUR million)

	Full year 2015	Full year 2016	Change in percent	Q4 2015	Q4 2016	Change in percent
Sales	7,902	7,699	-2.6	1,806	1,915	6.0
EBITDA pre exceptional	885	995	12.4	151	183	21.2
EBITDA margin pre exceptional (percent)	11.2	12.9		8.4	9.6	
Net income	165	192	16.4	15	2	-86.7

Forward-Looking Statements

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LANXESS is a leading specialty chemicals company with sales of EUR 7.7 billion in 2016 and about 16,700 employees in 25 countries. The company is currently represented at 54 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of chemical intermediates, specialty chemicals and plastics. Through ARLANXEO, the joint venture with Saudi Aramco, LANXESS is also a leading supplier of synthetic rubber. LANXESS is listed in the leading sustainability indices Dow Jones Sustainability Index (DJSI World) and FTSE4Good.

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