

LANXESS Q1 2016 Financial Summary for Investors and Analysts

Summary Q1 2016

- **A good start to the year**
- LANXESS acquires Chemours Clean and Disinfect specialties business
- ARLANXEO strategic alliance established for synthetic rubber business on April 1, 2016
- Persistently challenging competitive situation for synthetic rubber
- Sales decline by 5.8% against the prior-year quarter, primarily due to the adjustment of selling prices reflecting lower raw material costs
- Volumes up yoy across all segments
- Some customers pre-buying due to rising raw material prices
- High capacity utilization, sound cost structure and exchange rate movements have positive effect on sales and earnings
- EBITDA pre increased by 14.4% to €262 m (Q1 2015: €229 m)
- EBITDA margin pre at 13.6% after 11.2% in the prior-year quarter
- Net income of €53 m against €22 m in the prior-year quarter
- Guidance for 2016 raised: EBITDA pre between €900 m and €950 m

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Page 1 of 6

Overview Financials

Q1 2016 Financial overview:

- **A strong quarter resulting from volume growth and cost relief**
- Sales decreased due to lower selling prices (-8%) partly offset by higher volumes (+2%)
- EBITDA pre increased by ~14% due to higher volumes and the absence of one-time costs (Q1 2015 was burdened by ~€25 m ramp-up costs for new rubber plants in Asia)
- Net financial debt stable (€1,216 m vs. €1,211 m at year end 2015)
- Number of employees increased due to status change of external contractors to internal employees

Q1 2016 Balance sheet:

- **Balance sheet solid**
- Equity ratio (32%) remains strong
- Net financial debt stable despite increase in working capital; ~€1.2 bn of cash received on April 1, 2016
- Pension provisions increased due to interest rate adjustments in Germany (from 3.0% to 2.5%)
- Net working capital increased, following normal yearly pattern; lower payables burden additionally

Q1 2016 Cash flow statement:

- **Increase in working capital weighs on cash flow**
- Swing in changes in other assets and liabilities mainly driven by FX effects from intercompany financing and recognition of bonus schemes
- Changes in working capital driven by higher receivables (higher sales in March 2016 vs. December 2015) and lower payables
- Investing cash flow includes cash-in from disposal of near cash assets
- Financing cash flow reflects early repayment of financial liabilities (early repayment of outstanding EIB tranche in January 2016)

Q1 2016 Business Overview

Advanced Intermediates

- **Strong volume contributions and proven resilience**
- Sales deviation yoy: Price -8%, Volume +5%, Currency 0%, Portfolio 0% (approximate numbers)
- Volume growth in both business units driven by good demand across various end markets
- Higher volumes lead to higher capacity utilization rates
- Lower selling prices due to lower raw material prices, tailwinds from lower raw material costs in Q1 2015 did not continue
- EBITDA pre of €89 m (Q1 2015: €92 m) with strong margins (19%)
- D&A increases due to write-backs at the end of 2015, resulting in higher asset base

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Performance Chemicals

- **A diversified business benefits from improved utilization**
- Sales deviation yoy: Price -2%, Volume +1%, Currency 0%, Portfolio 0% (approximate numbers)
- Selling prices almost unchanged amid volatile raw material prices
- Volume increase driven by BUs MPP, LPT and IPG
- Improved profitability in BU LEA due to better utilization
- Support from currency effects, especially in emerging markets
- Higher volumes leading to higher utilization
- Slightly lower volumes in BU ADD due to a distributor change
- EBITDA pre (€98 m vs. €87 m in Q1 2015) advanced through improved utilization; EBITDA pre margin of 18.4%

Page 2 of 6

High Performance Materials

- **Major performance improvement resulting from continuing shift to high-value-added business**
- Sales deviation yoy: Price -8%, Volume +1%, Currency 0%, Portfolio 0% (approximate numbers)
- Lower selling prices driven by lower raw material costs
- Good volume development: Product stream shifted towards polyamides and compounds with resulting reduced caprolactam exposure
- Balanced capacity model starts to pay off
- EBITDA pre (€38 m vs. €25 m in Q1 2015) improvement driven by downstream development into compounding business with strong backward integration

ARLANXEO

- **A well-managed quarter in a persistently challenging market environment**
- Sales deviation yoy: Price -14%, Volume +1%, Currency +1%, Portfolio 0% (approximate numbers)
- Good volume development in butyl and Nd-PBR, while volumes in other rubbers declined
- Lower selling prices driven by lower raw material prices and margin pressures
- Support from emerging market currencies and US dollar
- Supplier force majeure unresolved; expected to weigh down ARLANXEO in Q2 and Q3
- EBITDA pre rose to €113 m (Q1 2015: €97 m) due to absence of one-time costs (~€25 m for Asia plants)

Outlook 2016:

- **FY 2016 EBITDA pre expected between €900 – 950 m due to a good first quarter**
- Macroeconomic outlook largely unchanged

Segment Outlook

- **Advanced Intermediates:**
 - Segment to perform above prior year
 - Highly diversified mix of customer industries
 - Agro customer industry to remain soft
- **Performance Chemicals:**
 - Segment to perform above prior year
 - Two flagship businesses (IPG and ADD) to benefit from new capacities and newly established business platforms
- **High Performance Materials:**
 - Engineering plastics with strong projected development
 - Growth to be driven by various end applications
 - Europe and North America expected to be robust
- **ARLANXEO:**
 - Macroeconomic weakness in emerging markets
 - Margin pressures expected to increase in the second half of the year, largely resulting from new rubber capacity in the market

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Page 3 of 6

Housekeeping items for consideration

Additional financial expectations

- Capex 2016: ~€450 m
- Operational D&A 2016: ~€450-460 m
- Reconciliation 2016: underlying expenses of ~€150 m EBITDA, additionally hedging expenses of ~€90 m in FY 2016 (at USD/EUR of 1.10)
- Annual tax rate:
 - 2016: around 2015 level
 - mid-term: 30-35% (for New LANXESS)

Cologne, May 11th, 2016

Forward-Looking Statements

This news release contains forward-looking statements based on current assumptions and forecasts made by LANXESS AG management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Financial Overview Q1 2016

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q1/2015	Q1/2016	Chg. in %	Q1/2015	Q1/2016	Chg. in %	Q1/2015	Q1/2016	Chg. in %	Q1/2015	Q1/2016	Chg. in %	Q1/2015	Q1/2016	Chg. in %
Sales	2.038	1.920	-6%	1.015	913	-10%	478	463	-3%	533	533	0%	12	11	-8%
Price*			-8,2%			-11,8%			-8,1%			-1,5%			0,0%
Volume*			1,9%			0,9%			4,8%			1,3%			-8,3%
Currency*			0,5%			0,9%			0,2%			0,2%			0,0%
Portfolio*			0,0%			0,0%			0,0%			0,0%			0,0%
EBIT	63	131	>100%	18	84	>100%	70	64	-9%	64	76	19%	-89	-93	-4%
Deprec. & amortizat.	115	120	4%	67	67	0%	23	25	9%	21	22	5%	4	6	50%
EBITDA	178	251	41%	85	151	78%	93	89	-4%	85	98	15%	-85	-87	-2%
exceptionals in EBITDA	51	11	-78%	37	0	-100%	-1	0	n.m.	2	0	-100%	13	11	-15%
EBITDA pre excep.	229	262	14%	122	151	24%	92	89	-3%	87	98	13%	-72	-76	-6%
normalized D&A	106	120	13%	58	67	16%	23	25	9%	21	22	5%	4	6	50%
EBIT pre excep.	123	142	15%	64	84	31%	69	64	-7%	66	76	15%	-76	-82	-8%
exceptionals in EBIT	60	11	-82%	46	0	-100%	-1	0	n.m.	2	0	-100%	13	11	-15%
Capex	56	49	-13%	24	21	-13%	10	9	-10%	17	16	-6%	5	3	-40%
Net financial debt**	1.211	1.216	0%												

* approximate numbers

**previous year value as per Dec. 31

Income Statement Q1 2016

in € million	Q1/2015	Q1/2016	Chg. in %
Sales	2.038	1.920	-6%
Cost of sales	-1.595	-1.459	9%
Gross profit	443	461	4%
Selling expenses	-183	-194	-6%
Research and development expenses	-32	-30	6%
General administration expenses	-64	-72	-13%
Other operating income	23	44	91%
Other operating expenses	-124	-78	37%
Operating result (EBIT)	63	131	>100%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>
Interest income	1	1	0%
Interest expense	-16	-18	-13%
Other financial income and expense	-14	-20	-43%
Financial result	-29	-37	-28%
Income before income taxes	34	94	>100%
Income taxes	-13	-41	<-100%
Income after income taxes	21	53	>100%
of which attributable to non-controlling interests	-1	0	<i>n.m.</i>
Net income (attributable to LANXESS AG stockholders)	22	53	>100%
EPS (in €)	0,24	0,58	>100%
EPS pre exceptionals (in €)	0,66	0,67	2%

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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Page 6 of 6