

LANXESS Q2 2016 Financial Summary for Investors and Analysts

Summary Q2 2016

- **Business strength of New LANXESS becomes evident**
- ARLANXEO started on April 1, 2016
- Acquisition of Chemours' Clean and Disinfect specialties business to close soon
- Strong performance of New LANXESS: Higher volumes, improved mix and accelerated savings
- Persistently challenging competitive situation for synthetic rubber
- EBITDA pre increased by 8.5% to €293 m (Q2 2015: €270 m)
- EBITDA margin pre at 15.1% after 12.8% in the prior-year quarter
- LANXESS now with net financial debt close to zero (€198 m)
- **Outlook raised: Due to a strong operational performance expected in H2 for New LANXESS' segments and accelerated savings, LANXESS now expects EBITDA pre for 2016 between EUR 930 m and EUR 970 m**

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Overview Financials

Q2 2016 Financial overview:

- **Higher profitability and significant net debt reduction**
- Lower sales (-8%) due to lower selling prices (-7%) mainly on lower raw material prices partly mitigated by higher volumes (+1%)
- All segments of New LANXESS contributed to higher volumes; ARLANXEO with high prior-year base and a supplier's force majeure
- EBITDA pre and margin, both increased mainly on higher volumes, improved utilization / streamlined idle costs and positive FX effects (lower hedging expenses and favorable emerging markets' currencies)
- EPS pre growth (+14%) despite non-controlling interests allocated to Saudi Aramco
- Net debt (after deduction of current financial assets) significantly reduced after receipt of ~€1.2 bn (€198 m vs. €1,216 m at end of March 2016)

Q2 2016 Balance sheet:

- **Balance sheet rock solid – Closing of ARLANXEO reflected in some KPIs**
- Total assets significantly up with €1.2 bn cash-in for 50% ARLANXEO share and respective increase in equity for non-controlling interest
- Equity ratio increased respectively to 41% from 32% at year-end 2015
- Pension provision increased due to reduced discount rates (mainly Germany; now 1.75%) partly offset by €200 m pension funding
- Technically negative impact on ROCE due to balance sheet extension

Q2 2016 Cash flow statement:

- **Strong cash conversion**
- Operating cash flow of €180 m (Q2 2015: € 119 m)
- Cash-in for 50% ARLANXEO share reflected in:
 - Investing cash flow: reflects ~€710 m investment into current financial assets
 - Financing cash flow: includes €1.2 bn cash-in from Saudi Aramco
- €200 m funding for German pension assets (CTA) included in investing cash flow

Q2 2016 Business Overview

Advanced Intermediates

- **A resilient and profitable business**
- Sales deviation yoy: Price -6%, Volume +2%, Currency -1%, Portfolio 0% (approximate numbers)
- Lower selling prices due to lower raw material prices (e.g. benzene, toluene)
- BU All with positive volume development driven by nearly all end markets; compared to a low base (unplanned maintenance in Q2 2015)
- BU SGO partly compensated for softer agro business with higher volumes in fine chemicals
- EBITDA pre of €88 m (Q2 2015: €80 m) with strong margins of 20%

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Performance Chemicals

- **Volume and product mix improvements**
- Sales deviation yoy: Price -3%, Volume +3%, Currency -1%, Portfolio 0% (approximate numbers)
- Lower selling prices driven by lower raw material costs
- Higher volumes in almost all BUs drove EBITDA increase: Visibly higher volumes in biocides for beverages, leather chemicals and products for water purification
- EBITDA pre of €114 m (Q2 2015: €110 m) advanced through improved utilization and favorable development of emerging markets' currencies
- EBITDA pre margin of 21%

High Performance Materials

- **Strategic shift towards compounds yields results**
- Sales deviation yoy: Price -9%, Volume +4%, Currency -1%, Portfolio 0% (approximate numbers)
- Lower selling price level reflects lower input prices throughout the value chain
- Higher volumes in compounds improved profit and margin
- Strong backward integration at high utilization rates supported EBITDA pre of €45 m (Q2 2015: €33 m) and improved margins to 16%
- Better product mix paying off: Shift towards compounds away from intermediates with continued good demand for compounds in almost all regions

ARLANXEO

- **Acting well in a challenging environment**
- Sales deviation yoy: Price -10%, Volume -2%, Currency -2%, Portfolio 0% (approximate numbers)
- Negative price / input cost effect due to market price pressure in butyl rubber and EPDM
- Improved product mix in rubber for tires supported margins
- Lower volumes overall, mainly due to a supplier's force majeure (SGP) in BU TSR and prolonged CR shutdown
- Emerging markets' currencies benefited EBITDA
- EBITDA pre decreased to €95 m (Q2 2015: €116 m)
- EBITDA pre margin of 14%

Outlook 2016:

Due to a strong operational performance expected in H2 for New LANXESS' segments and accelerated savings, LANXESS now expects EBITDA pre for 2016 between EUR 930 m and EUR 970 m

Segment Outlook

- **Advanced Intermediates:**
 - Highly diversified mix of customer industries
 - Demand of agro chemical industry to remain soft
- **Performance Chemicals:**
 - 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 engineering plastic applications

→ New LANXESS H2 2016 expected **above** prior year

- **ARLANXEO:**
 - Margin pressure expected to increase in the second half of the year, largely resulting from additional rubber capacities entering the market

→ ARLANXEO H2 2016 expected **below** prior year

Housekeeping items for consideration

Additional financial expectations

- Capex 2016: ~€450 m (thereof ~€150 m ARLANXEO)
- Operational D&A 2016: ~€460 m (thereof ~€220 m ARLANXEO)
- Reconciliation 2016: underlying expenses of ~€150 m EBITDA pre
- Annual tax rate:
 - 2016: around 2015 level
 - mid-term: 30-35% (for New LANXESS)

Cologne, August 10th, 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.

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Financial Overview Q2 2016

in € million

	LANXESS			Advanced Intermed.			Performance Chem.			High Perform. Materials			ARLANXEO			Others/ Cons.		
	Q2/2015	Q2/2016	Chg. in %	Q2/2015	Q2/2016	Chg. in %	Q2/2015	Q2/2016	Chg. in %	Q2/2015	Q2/2016	Chg. in %	Q2/2015	Q2/2016	Chg. in %	Q2/2015	Q2/2016	Chg. in %
Sales	2,105	1,943	-8%	468	443	-5%	553	543	-2%	292	275	-6%	780	670	-14%	12	12	0%
Price*			-7%			-6%			-3%			-9%			-10%			0%
Volume*			1%			2%			3%			4%			-2%			0%
Currency*			-1%			-1%			-1%			-1%			-2%			0%
Portfolio*			0%			0%			0%			0%			0%			0%
EBIT	177	176	-1%	51	63	24%	83	91	10%	41	34	-17%	86	41	-52%	-84	-53	37%
Deprec. & amortizat.	119	115	-3%	27	25	-7%	21	23	10%	13	11	-15%	54	54	0%	4	2	-50%
EBITDA	296	291	-2%	78	88	13%	104	114	10%	54	45	-17%	140	95	-32%	-80	-51	36%
exceptionals in EBITDA	-26	2	n.m.	2	0	-100%	6	0	-100%	-21	0	-100%	-24	0	n.m.	11	2	-82%
EBITDA pre excep.	270	293	9%	80	88	10%	110	114	4%	33	45	36%	116	95	-18%	-69	-49	29%
normalized D&A	117	115	-2%	27	25	-7%	21	23	10%	12	11	-8%	53	54	2%	4	2	-50%
EBIT pre excep.	153	178	16%	53	63	19%	89	91	2%	21	34	62%	63	41	-35%	-73	-51	30%
exceptionals in EBIT	-24	2	n.m.	2	0	-100%	6	0	-100%	-20	0	-100%	-23	0	n.m.	11	2	-82%
Capex	73	73	0%	18	22	22%	24	22	-8%	7	4	-43%	23	24	4%	1	1	0%
Net financial debt**	1,211	198	-84%															

* approximate numbers

**previous year value as per Dec. 31; after deduction of current financial assets

Financial Overview H1 2016

in € million

	LANXESS			Advanced Intermed.			Performance Chem.			High Perform. Materials			ARLANXEO			Others/ Cons.		
	HJ/2015	HJ/2016	Chg. in %	HJ/2015	HJ/2016	Chg. in %	HJ/2015	HJ/2016	Chg. in %	HJ/2015	HJ/2016	Chg. in %	HJ/2015	HJ/2016	Chg. in %	HJ/2015	HJ/2016	Chg. in %
Sales	4,143	3,863	-7%	946	906	-4%	1,086	1,076	-1%	584	548	-6%	1,503	1,310	-13%	24	23	-4%
Price*			-8%			-7%			-2%			-8%			-12%			0%
Volume*			1%			3%			2%			2%			-1%			-4%
Currency*			0%			0%			-1%			-1%			0%			0%
Portfolio*			0%			0%			0%			0%			0%			0%
EBIT	240	307	28%	121	127	5%	147	167	14%	55	61	11%	90	98	9%	-173	-146	16%
Deprec. & amortizat.	234	235	0%	50	50	0%	42	45	7%	23	22	-4%	111	110	-1%	8	8	0%
EBITDA	474	542	14%	171	177	4%	189	212	12%	78	83	6%	201	208	3%	-165	-138	16%
exceptionals in EBITDA	25	13	-48%	1	0	-100%	8	0	-100%	-20	0	n.m.	12	0	-100%	24	13	-46%
EBITDA pre excep.	499	555	11%	172	177	3%	197	212	8%	58	83	43%	213	208	-2%	-141	-125	11%
normalized D&A	223	235	5%	50	50	0%	42	45	7%	22	22	0%	101	110	9%	8	8	0%
EBIT pre excep.	276	320	16%	122	127	4%	155	167	8%	36	61	69%	112	98	-13%	-149	-133	11%
exceptionals in EBIT	36	13	-64%	1	0	-100%	8	0	-100%	-19	0	n.m.	22	0	-100%	24	13	-46%
Capex	129	122	-5%	28	31	11%	41	38	-7%	11	9	-18%	43	40	-7%	6	4	-33%
Net financial debt**	1,211	198	-84%															

* approximate numbers

**previous year value as per Dec. 31; after deduction of current financial assets

Income Statement Q2 / H1 2016

in € million	Q2/2015	Q2/2016	Chg. in %	HJ/2015	HJ/2016	Chg. in %
Sales	2,105	1,943	-8%	4,143	3,863	-7%
Cost of sales	-1,620	-1,466	10%	-3,215	-2,925	9%
Gross profit	485	477	-2%	928	938	1%
Selling expenses	-200	-191	5%	-383	-385	-1%
Research and development expenses	-34	-32	6%	-66	-62	6%
General administration expenses	-68	-73	-7%	-132	-145	-10%
Other operating income	71	36	-49%	94	80	-15%
Other operating expenses	-77	-41	47%	-201	-119	41%
Operating result (EBIT)	177	176	-1%	240	307	28%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	0	2	>100%	1	3	>100%
Interest expense	-18	-18	0%	-34	-36	-6%
Other financial income and expense	-15	-13	13%	-29	-33	-14%
Financial result	-33	-29	12%	-62	-66	-6%
Income before income taxes	144	147	2%	178	241	35%
Income taxes	-57	-64	-12%	-70	-105	-50%
Income after income taxes	87	83	-5%	108	136	26%
of which attributable to non-controlling interests	0	8	>100%	-1	8	<i>n.m.</i>
Net income (attributable to LANXESS AG stockholders)	87	75	-14%	109	128	17%
EPS (in €)	0.95	0.82	-14%	1.19	1.40	18%
EPS pre exceptionals (in €)	0.73	0.83	14%	1.39	1.50	8%

Cash Flow Statement Q2 / H1 2016

in € million	Q2/2015	Q2/2016	HJ/2015	HJ/2016
Income before income taxes	144	147	178	241
Depreciation and amortization	119	115	234	235
Gains on disposals of intangible assets and property, plant and equipment	-42	0	-42	0
Financial losses	17	16	32	33
Income taxes paid	-18	-19	-23	-61
Changes in inventories	-22	29	7	19
Changes in trade receivables	13	-10	-145	-148
Changes in trade payables	6	-26	15	-96
Changes in other assets and liabilities	-98	-72	-104	5
Net cash provided by operating activities	119	180	152	228
Cash outflows for purchase of intangible assets and property, plant and equipment	-73	-73	-129	-122
Cash inflows from sales of intangible assets and property, plant and equipment	43	1	44	5
Cash outflows for financial assets	-121	-711	-128	-611
Interest and dividends received	0	2	1	3
Cash outflows for external financing of pension obligations (CTA)	0	-200	0	-200
Net cash used in investing activities	-151	-981	-212	-925
Proceeds from borrowings	10	21	53	41
Repayments of borrowings	-44	-12	-131	-163
Interest paid and other financial disbursements	-34	-33	-42	-39
Dividend payments	-46	-55	-46	-55
Cash inflows from non-controlling interests	9	1,194	9	1,194
Net cash provided (used in) financing activities	-105	1,115	-157	978
Change in cash and cash equivalents from business activities	-137	314	-217	281
Cash and cash equivalents at beginning of period	344	333	418	366
Exchange differences and other changes in cash and cash equivalents	-3	3	3	3
Cash and cash equivalents at end of period	204	650	204	650

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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