LANXESS Q1 2015 Financial Summary for Investors and Analysts

LANXESS AG
Investor Relations
Kennedyplatz 1
50569 Cologne
Germany

Oliver Stratmann, Head of Treasury and Investor Relations

Phone +49 221-8885-9611
Fax +49 221-8885-4944
Oliver.Stratmann@lanxess.com

Summary Q1 2015

- **Transformation on track - a good start to the year**
- Sales stable against prior-year quarter
- Realignment strengthens Group earning power; EBITDA pre exceptionals up by around 12%
- Positive effect from exchange rate developments
- Selling price adjustments due to lower raw material costs
- Persistently challenging competitive situation for synthetic rubber
- EBITDA margin pre exceptionals 11.2% vs. 10.0% for the prior-year quarter
- Net income level with the prior-year quarter despite higher exceptional charges
- Provisions for pensions and other post-employment obligations significantly higher
- Guidance for 2015 increased: EBITDA pre exceptionals of €820 million to €860 million expected for the full year

Overview Financials

Q1 2015 Financial overview

- **A good set of results**
- Sales steady, with lower prices offset by positive currency effects; volumes stable
- EBITDA improves due to savings, lower raw material prices exceeding reduced selling prices, and supportive currency effects
- Capex decreased following completion of large investments in Asia (Nd-PBR and EPDM)
- Net working capital increases due to currency and volumes (normal seasonal pattern)

Q1 2015 Balance sheet:

- **Balance sheet remains solid**
- Pension provisions increased with further reduction of discount rates (especially in Germany)
- Net working capital increased following a normal business pattern in any year (volume driven) and due to currency effects
- DSO increase reflects stronger business activity in March ‘15 vs December ‘14

Q1 2015 Cash flow statement:

- **Seasonal increase in working capital lower than in previous year**
- Profit before tax comparable to previous year
- Changes in working capital reflect increased business activity at beginning of any year
- Capex significantly lower after completing growth projects in Asia (Nd-PBR and EPDM)
- Financing cash flow includes repayment of CNH500 m bond (~€70 m)

Q1 2015 Business Overview

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Performance Polymers

- **Raw material price declines managed successfully – currency supports**
- Sales deviation yoy: Price -12%, Volume -1%, Currency 10%, Portfolio -1% (approximate numbers)
- Lower prices across all BUs reflect the strong decline in raw material prices, mainly driven by BU TSR
- Lower volumes in BU HPE (EPDM) partly offset by positive volumes in BU HPM (compounding); tire-related business stable (BU TSR)
- EBITDA and margin increase due to positive currency effects and management of raw material price pass-through, despite burden from ramp-up costs (~€25 m for EPDM and Nd-PBR)
- Capex clearly reduced after successful start-up of plants in Asia (Nd-PBR and EPDM)
- EBIT includes €46 m exceptional items in Q1 2015 compared to €9 m in Q1 2014

Advanced Intermediates

- **A very strong quarter – raw material price tailwinds persist**
- Sales deviation yoy: Price -7%, Volume 3%, Currency 5%, Portfolio 0% (approximate numbers)
- Lower prices, especially in BU AII, reflect raw material price declines (e.g., oil-derivatives such as benzene and toluene)
- Higher volumes in both BUs: for BU AII across a broad range of end markets and for BU SGO in agrochemicals
- EBITDA improved due to currency tailwinds and raw material price changes not yet fully reflected in top line
- Capex currently at lower level, led by BU AII (due to timing)

Performance Chemicals

- **Strong earnings**
- Sales deviation yoy: Price 0%, Volume -2%, Currency 9%, Portfolio 0% (approximate numbers)
- Prices remain stable, with offsetting effects across the BUs (slightly higher prices in BUs ADD and IPG, while BU LEA with expected lower prices in chrome ore)
- Strong volume momentum in BUs IPG (mainly construction in Europe) and LPT (ion exchange resins business), while other BUs show a moderate start
- EBITDA improvement driven by BU IPG and BU ADD due to new market approach and better product mix; FX tailwinds
- Capex higher mainly due to BU IPG investment in China (pigment red)

Outlook:

Environment remains challenging, but self-help and currency effects are providing support – LANXESS increases guidance for FY 2015

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Macro expectations 2015

- Tire production expected to grow somewhat less than in 2014, with expanded production in emerging markets and decreased production in EMEA. North America somewhat slower than expected
- Automobile sector to grow slightly faster than in 2014, fuelled by Asian demand – China expected to post lower, normalized growth rates
- Agrochemical demand expected to grow slower than in 2014 but will remain robust
- Construction industry expected to grow less in 2015 than in 2014; in particular, Latin America and Asia/Pacific will post slower growth rates
- US dollar expected to remain strong

LANXESS increases guidance for 2015

- FY 2015 EBITDA pre expected between €820-860 m*

Housekeeping items for consideration

Additional financial expectations

▪ Capex 2015:	~€450 m
▪ Capex 2016:	€400-450 m
▪ D&A 2015:	~€420-440 m
▪ Exceptional items 2015:	~€95 m from “Let’s LANXESS again” (Phase I and first measures from Phase II)
▪ Reconciliation 2015:	underlying expenses of ~-€160 m EBITDA, but additional hedging expenses of ~-€125 m in FY 2015*
▪ Annual tax rate:	- >30% in 2015 - mid-term, after realignment: ~22-25%
▪ Hedging 2015:	~50% at 1.25-1.40 USD/EUR
▪ Hedging 2016:	~30% at 1.15-1.35 USD/EUR

- Reminder: Restatement of 2014 due to re-organization of accelerators and antioxidants business from Performance Chemicals to Advanced Intermediates

* Based on an exchange rate USD/EUR of 1.10

Cologne, May 7th, 2015

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 2015

in € million	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q1 '14	Q1 '15	Chg. in %	Q1 '14	Q1 '15	Chg. in %	Q1 '14	Q1 '15	Chg. in %	Q1 '14	Q1 '15	Chg. in %	Q1 '14	Q1 '15	Chg. in %
Sales	**2,043**	**2,038**	*0%*	**1,063**	**1,015**	*-5%*	**473**	**478**	*1%*	**496**	**533**	*7%*	**11**	**12**	*9%*
Price*			*-8%*			*-12%*			*-7%*			*0%*			*0%*
Volume*			*0%*			*-1%*			*3%*			*-2%*			*9%*
Currency*			*9%*			*10%*			*5%*			*9%*			*0%*
Portfolio*			*0%*			*-1%*			*0%*			*0%*			*0%*
EBIT	**75**	**63**	*-16%*	**52**	**18**	*-65%*	**45**	**70**	*56%*	**41**	**64**	*56%*	**-63**	**-89**	*-41%*
Deprec. & amortizat.	103	115	*12%*	56	67	*20%*	23	23	*0%*	20	21	*5%*	4	4	*0%*
EBITDA	**178**	**178**	*0%*	**108**	**85**	*-21%*	**68**	**93**	*37%*	**61**	**85**	*39%*	**-59**	**-85**	*-44%*
exceptionals in EBITDA	27	51	*89%*	9	37	*>100%*	4	-1	*n.m.*	7	2	*-71%*	7	13	*86%*
EBITDA pre excep.	**205**	**229**	*12%*	**117**	**122**	*4%*	**72**	**92**	*28%*	**68**	**87**	*28%*	**-52**	**-72**	*-38%*
normalized D&A	103	106	*3%*	56	58	*4%*	23	23	*0%*	20	21	*5%*	4	4	*0%*
EBIT pre excep.	102	123	*21%*	61	64	*5%*	49	69	*41%*	48	66	*38%*	-56	-76	*-36%*
exceptionals in EBIT	27	60	*>100%*	9	46	*>100%*	4	-1	*n.m.*	7	2	*-71%*	7	13	*86%*
Capex	**108**	**56**	*-48%*	**76**	**24**	*-68%*	**20**	**10**	*-50%*	**9**	**17**	*89%*	**3**	**5**	*67%*
Net financial debt**	1,336	1,396	*4%*												

* approximate numbers

**previous year value as per Dec. 31

LANXESS
Energizing Chemistry

Income Statement Q1 2015

in € million	Q1 2014	Q1 2015	*Chg. in %*
Sales	2,043	2,038	*0%*
Cost of sales	-1,626	-1,595	*2%*
Gross profit	417	443	*6%*
Selling expenses	-186	-183	*2%*
Research and development expenses	-45	-32	*29%*
General administration expenses	-74	-64	*14%*
Other operating income	31	23	*-26%*
Other operating expenses	-68	-124	*-82%*
Operating result (EBIT)	**75**	**63**	*-16%*
Income from investments accounted for using the equity method	1	0	*-100%*
Interest income	1	1	*0%*
Interest expense	-25	-16	*36%*
Other financial income and expense	-14	-14	*0%*
Financial result	**-37**	**-29**	*22%*
Income before income taxes	**38**	**34**	*-11%*
Income taxes	-14	-13	*7%*
Income after income taxes	24	21	*-13%*
of which attributable to non-controlling interests	-1	-1	*0%*
Net income (attributable to LANXESS AG stockholders)	**25**	**22**	*-12%*
EPS (in €)	**0.30**	**0.24**	*-20%*
EPS pre exceptionals (in €)	0.53	0.66	*25%*

Abbreviations:

ADD	**Rhein Chemie Additives**
AII	**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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