

# Q1 16



## LANXESS – Q1 2016 results

A good start to the year

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## Agenda

- Executive summary Q1 2016 and outlook
- Business and financial details Q1 2016
- Back-up

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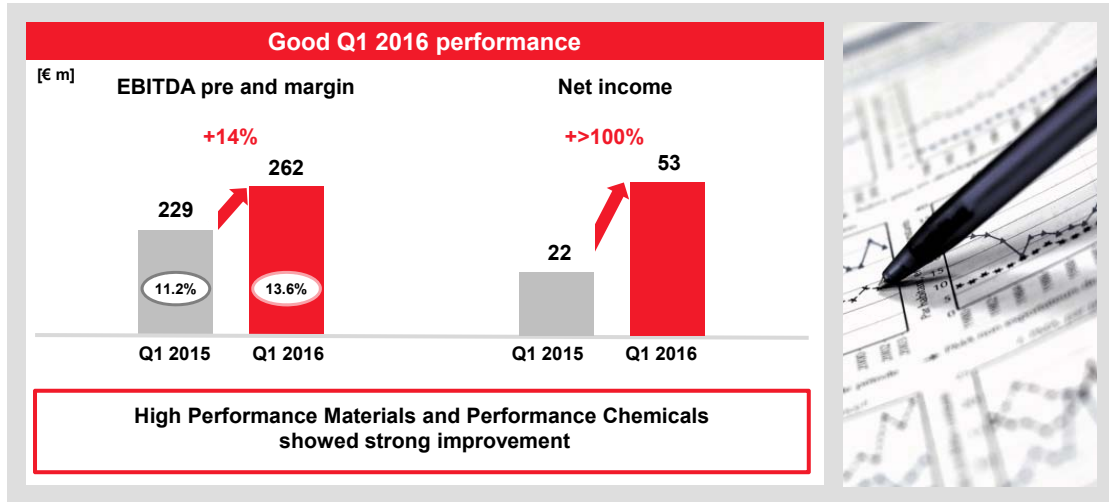
## Growing a more resilient New LANXESS



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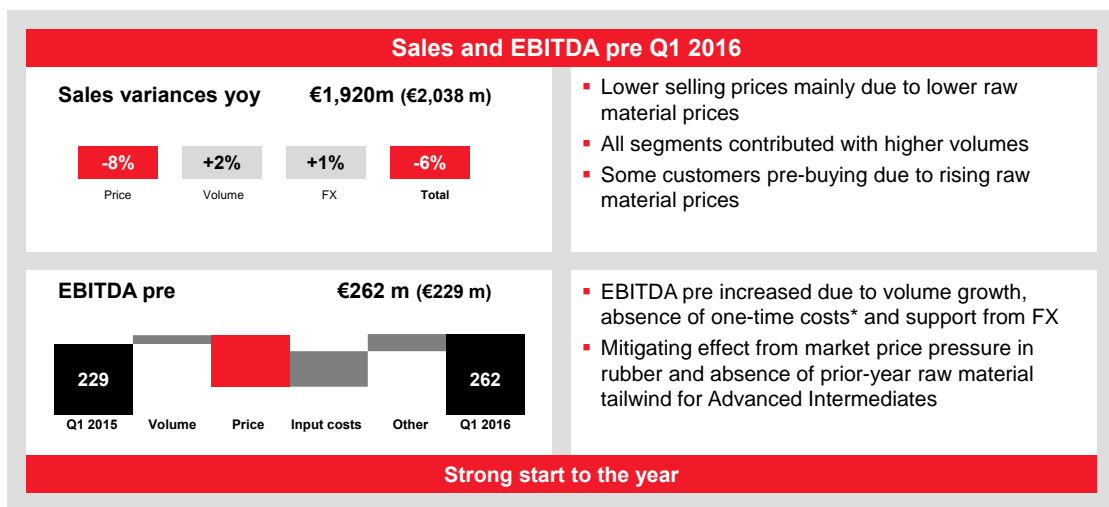
## Q1 2016 financial headlines



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## Q1 2016: A strong quarter resulting from volume growth and cost relief



\* -€25 m total ramp-up cost in Q1 2015 for EPDM and Nd-PBR plants

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## Q1 2016 financial overview: Good set of results

| [€ m]                     | Q1 2015      | Q1 2016      | yoy in %        |
|---------------------------|--------------|--------------|-----------------|
| <b>Sales</b>              | <b>2,038</b> | <b>1,920</b> | <b>-5.8%</b>    |
| <b>EBITDA pre except.</b> | <b>229</b>   | <b>262</b>   | <b>14.4%</b>    |
| margin                    | 11.2%        | 13.6%        |                 |
| <b>EPS</b>                | <b>0.24</b>  | <b>0.58</b>  | <b>&gt;100%</b> |
| EPS pre <sup>1</sup>      | 0.66         | 0.67         | 1.5%            |
| <b>Capex</b>              | <b>56</b>    | <b>49</b>    | <b>-12.5%</b>   |

| [€ m]                      | 31.12.2015    | 31.03.2016    | Δ %          |
|----------------------------|---------------|---------------|--------------|
| <b>Net financial debt</b>  | <b>1,211</b>  | <b>1,216</b>  | <b>0.4%</b>  |
| <b>Net working capital</b> | <b>1,526</b>  | <b>1,719</b>  | <b>12.6%</b> |
| <b>ROCE</b>                | <b>8.4%</b>   | <b>8.9%</b>   |              |
| <b>Employees</b>           | <b>16,225</b> | <b>16,606</b> | <b>2.3%</b>  |

- Sales decreased due to lower selling prices partly offset by higher volumes
- EBITDA increased by ~14% due to higher volumes and the absence of one-time costs<sup>2</sup>
- Net financial debt stable, while working capital increased in a normal pattern
- Number of employees increased due to status change of external contractors to internal employees<sup>3</sup>

<sup>1</sup> Net of exceptionals, using the local tax rate applicable where the expenses were incurred

<sup>2</sup> Q1 2015 was burdened by -€25 m ramp-up costs for new rubber plants in Asia

<sup>3</sup> Required by legal changes in China and South Africa

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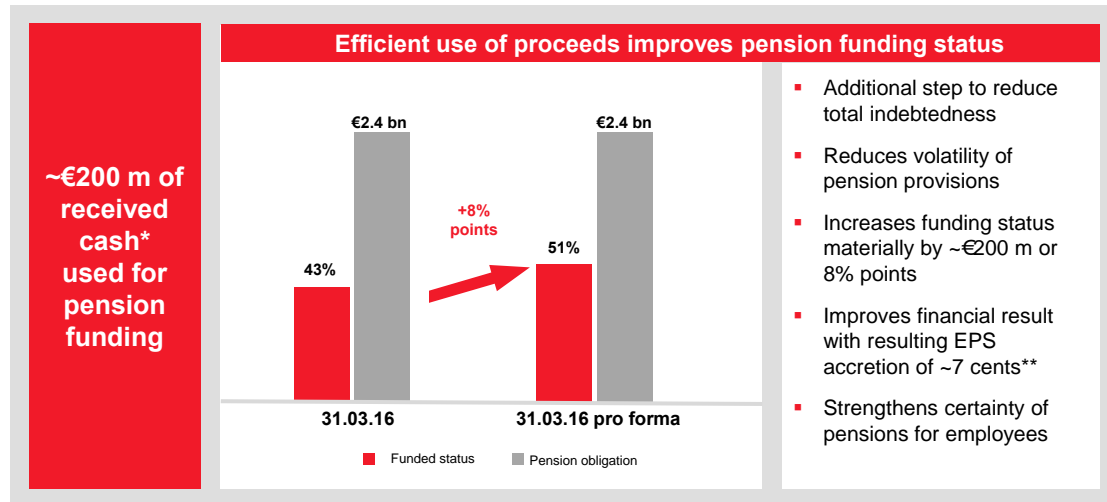
## Q1 2016: All businesses began the year with higher volumes

| Advanced Intermediates  |        |            |            |  | Performance Chemicals   |        |            |           |  | High Performance Materials  |        |            |            |  | ARLANXEO  |        |            |             |  |
|---|--------|------------|------------|--|---|--------|------------|-----------|--|---|--------|------------|------------|--|---|--------|------------|-------------|--|
| Price   | Volume | Currency   | Total      |  | Price   | Volume | Currency   | Total     |  | Price   | Volume | Currency   | Total      |  | Price   | Volume | Currency   | Total       |  |
| -8%   | +5%    | 0%         | <b>-3%</b> |  | -2%   | +1%    | 0%         | <b>0%</b> |  | -8%   | +1%    | 0%         | <b>-7%</b> |  | -14%  | +1%    | +1%        | <b>-11%</b> |  |
| <ul style="list-style-type: none"> <li>▪ Lower prices driven by lower raw material costs</li> <li>▪ Both BUs made strong volume contribution</li> <li>▪ EBITDA pre and margin strong; but last year's raw material tailwinds did not reoccur</li> </ul> |        |            |            |  | <ul style="list-style-type: none"> <li>▪ Volume increase driven by BUs MPP, LPT and IPG</li> <li>▪ EBITDA advanced through improved utilization</li> <li>▪ Emerging market currencies supported EBITDA</li> </ul> |        |            |           |  | <ul style="list-style-type: none"> <li>▪ Lower selling prices driven by lower raw material costs</li> <li>▪ Good volume growth in compounds, consequently lower volumes in intermediates (caprolactam)</li> </ul> |        |            |            |  | <ul style="list-style-type: none"> <li>▪ Lower selling prices driven by lower raw materials; pricing pressure remains</li> <li>▪ Nice volume growth in butyl and Nd-PBR, while volumes in other rubbers declined</li> <li>▪ EBITDA pre rose due to absence of one-time costs</li> </ul> |        |            |             |  |
| [€ m]   | Q1'15  | Q1'16      |            |  | [€ m]   | Q1'15  | Q1'16      |           |  | [€ m]   | Q1'15  | Q1'16      |            |  | [€ m]   | Q1'15  | Q1'16      |             |  |
| Sales   | 478    | <b>463</b> |            |  | Sales   | 533    | <b>533</b> |           |  | Sales   | 292    | <b>273</b> |            |  | Sales   | 723    | <b>640</b> |             |  |
| EBITDA pre  | 92     | <b>89</b>  |            |  | EBITDA pre  | 87     | <b>98</b>  |           |  | EBITDA pre  | 25     | <b>38</b>  |            |  | EBITDA pre  | 97     | <b>113</b> |             |  |
| Margin  | 19%    | <b>19%</b> |            |  | Margin  | 16%    | <b>18%</b> |           |  | Margin  | 9%     | <b>14%</b> |            |  | Margin  | 13%    | <b>18%</b> |             |  |

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## Strengthening the balance sheet and increasing EPS through pension funding

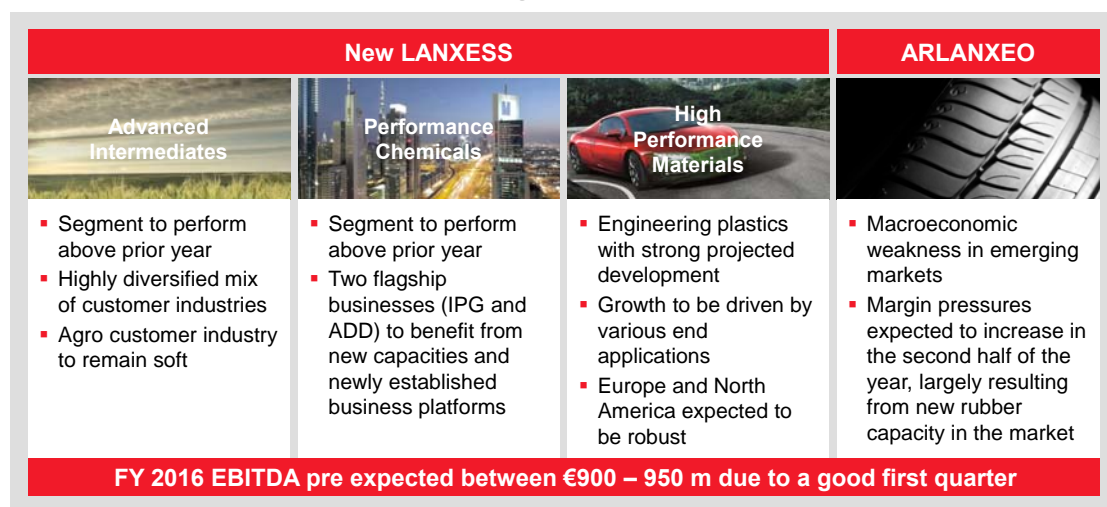


\* LANXESS received ~€1.2 bn in cash on April 1, 2016, for placing 50% of its rubber business in a joint venture with Saudi Aramco  
 \*\* Annualized impact of IFRS interest rate (31.12.2015) vs. a zero-interest deposit

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## Macroeconomic outlook largely unchanged – FY guidance lifted as a result of the strong start to 2016



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## Q1 2016: Good results in a challenging market environment

| Q1 yoy sales variances  |                      | Price      | Volume     | Currency   | Total      |
|---|----------------------|------------|------------|------------|------------|
|  | Adv. Intermediates   | -8%        | +5%        | 0%         | -3%        |
|  | Perf. Chemicals      | -2%        | +1%        | 0%         | 0%         |
|  | High Perf. Materials | -8%        | +1%        | 0%         | -7%        |
|  | ARLANXEO             | -14%       | +1%        | +1%        | -11%       |
| <b>LANXESS</b>  |                      | <b>-8%</b> | <b>+2%</b> | <b>+1%</b> | <b>-6%</b> |

- Lower selling prices mainly due to lower raw material prices
- Higher volumes in all segments
- Overall some customers pre-buying due to currently rising raw material prices

### Q1 yoy EBITDA pre bridge [€ m]



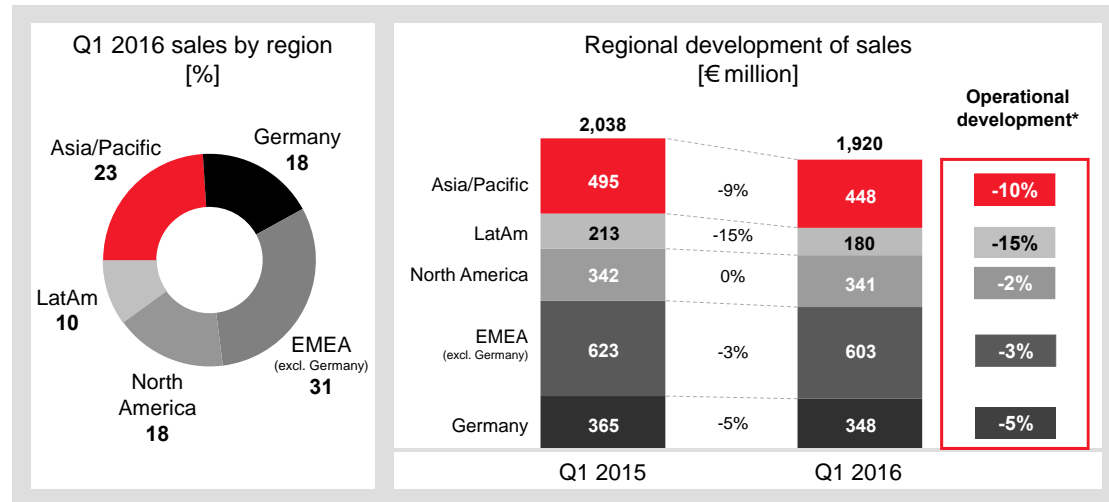
- EBITDA increased due to higher volumes, absence of one-time costs\* and FX support
- Mitigating effect from market price pressures in rubber and absence of last year's raw material tailwinds in Advanced Intermediates

\* -€25 m total ramp-up costs in Q1 2015 for EPDM and Nd-PBR plants in Asia

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## Q1 2016: All regions affected by lower selling prices – Latin America sole region with visibly lower volumes



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## Q1 2016 showing improved margins year-on-year

| [€ m]                          | Q1 2015            | Q1 2016            | yoy in %        |   |
|--------------------------------|--------------------|--------------------|-----------------|---|
| Sales                          | 2,038 (100%)       | 1,920 (100%)       | -6%             | <ul style="list-style-type: none"> <li>Cost of sales decreased disproportionately to sales mainly due to the absence of one-time costs (~€25 m ramp-up costs in Q1'15)</li> <li>Selling expenses increased due to higher freight and stock keeping costs</li> <li>Among others variable compensation weighed on overhead costs</li> <li>Lower exceptional items lifted EBIT and net income</li> </ul> |
| Cost of sales                  | -1,595 (78%)       | -1,459 (76%)       | 9%              |   |
| Selling                        | -183 (9%)          | -194 (10%)         | -6%             |   |
| G&A                            | -64 (3%)           | -72 (4%)           | -13%            |   |
| R&D                            | -32 (2%)           | -30 (2%)           | 6%              |   |
| <b>EBIT</b>                    | <b>63 (3%)</b>     | <b>131 (7%)</b>    | <b>&gt;100%</b> |   |
| <b>Net Income</b>              | <b>22 (1%)</b>     | <b>53 (3%)</b>     | <b>&gt;100%</b> |   |
| <b>EPS</b>                     | <b>0.24</b>        | <b>0.58</b>        | <b>&gt;100%</b> |   |
| EPS pre <sup>1</sup>           | 0.66               | 0.67               | 2%              |   |
| EBITDA                         | 178 (9%)           | 251 (13%)          | 41%             |   |
| thereof exceptionals           | -51 (3%)           | -11 (1%)           | -78%            |   |
| <b>EBITDA pre exceptionals</b> | <b>229 (11.2%)</b> | <b>262 (13.6%)</b> | <b>14%</b>      |   |

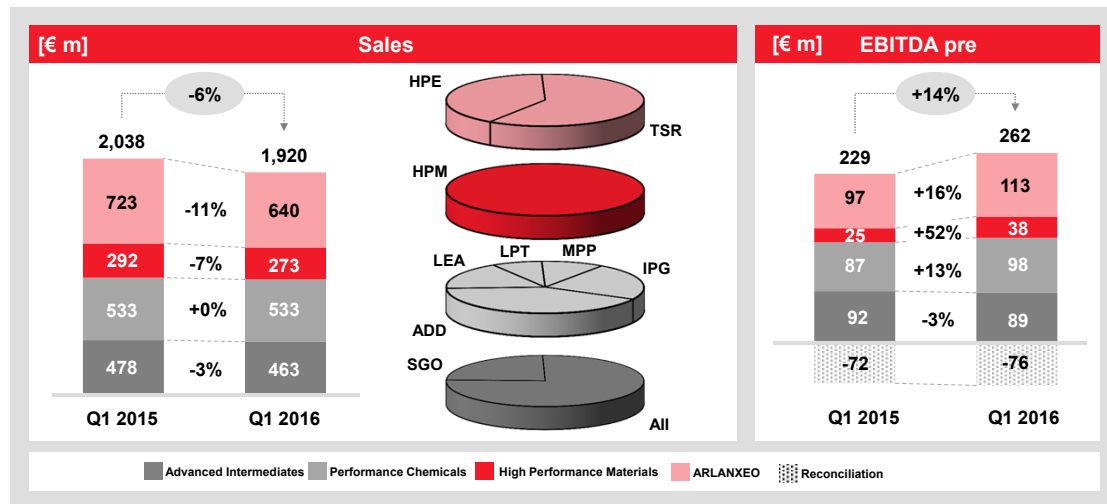
**A good first quarter**

<sup>1</sup> Net of exceptional items, using the local tax rate applicable where the expenses were incurred

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## Q1 2016: EBITDA increase driven by nearly all segments

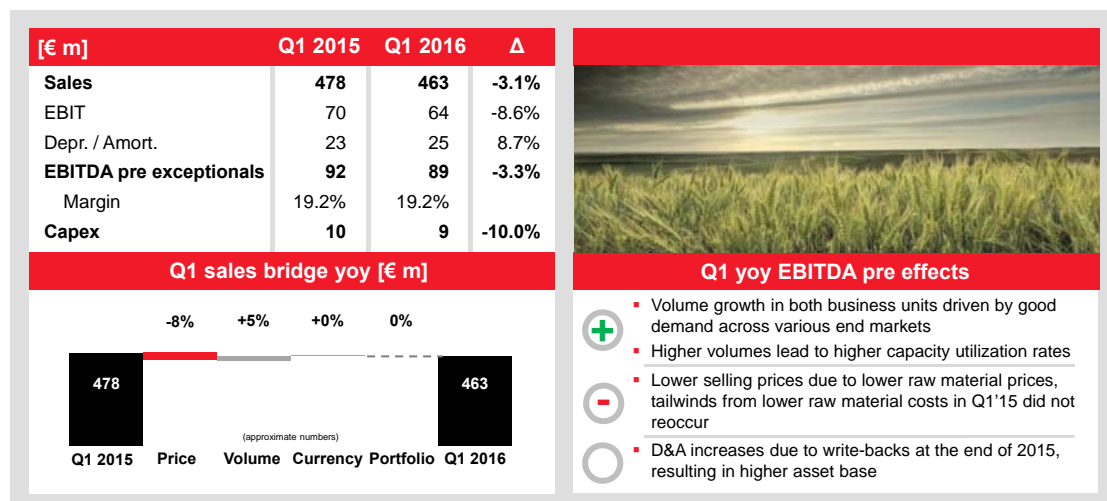


Total group sales and EBITDA pre figures include reconciliation

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## Advanced Intermediates: Strong volume contributions and proven resilience

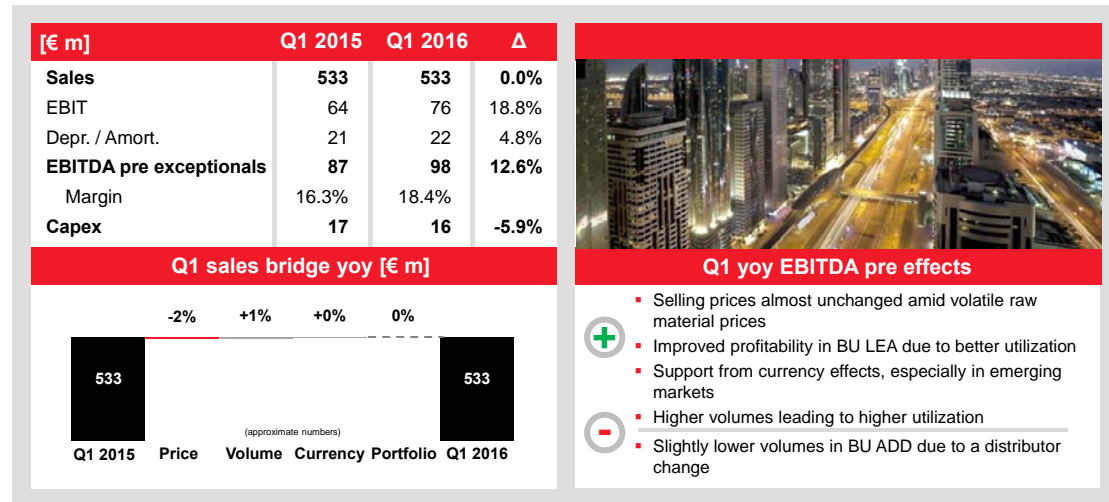


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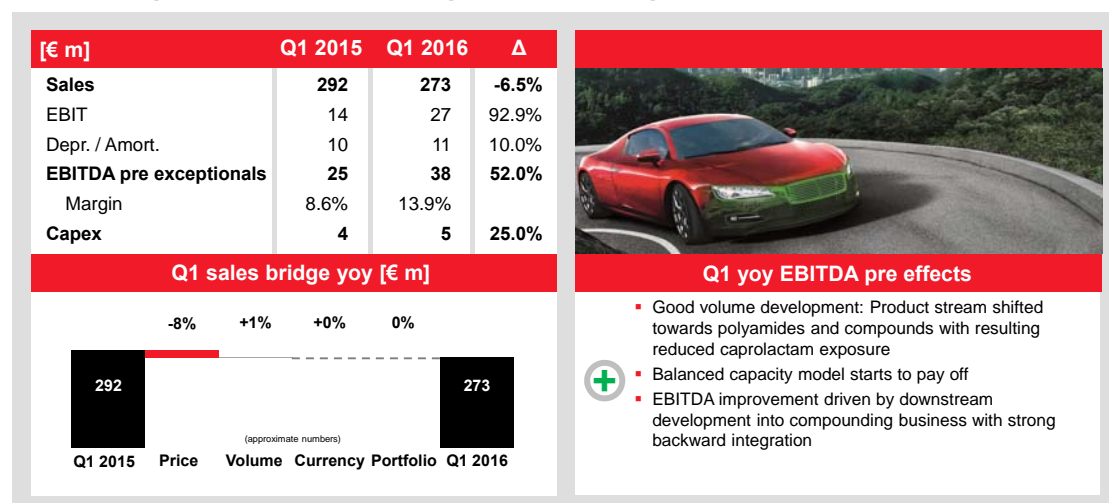
## Performance Chemicals: A diversified business benefits from improved utilization



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## High Performance Materials: Major performance improvement resulting from continuing shift to high-value-added business

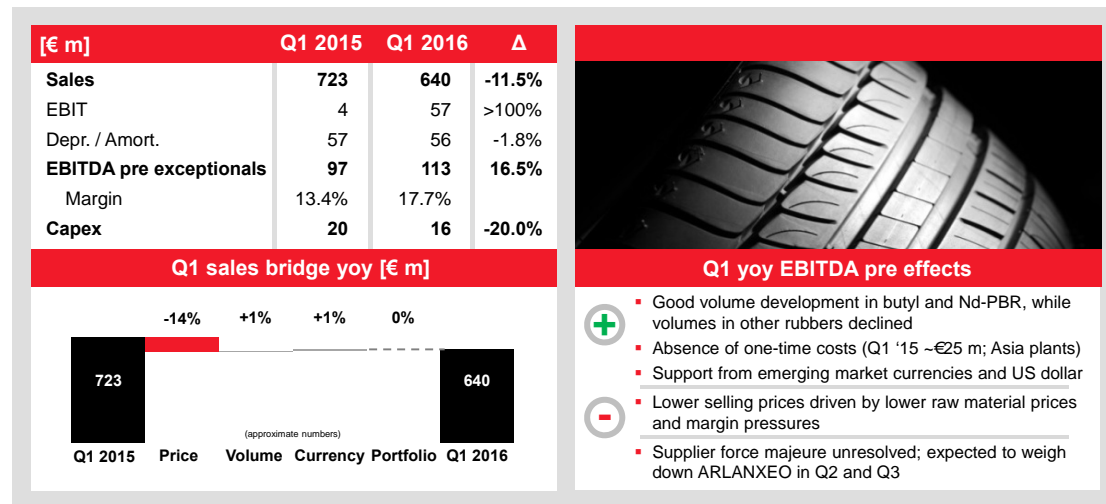


Preliminary unaudited figures

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## ARLANXEO: A well-managed quarter in a persistently challenging market environment



Preliminary unaudited figures

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## Q1 2016: Increase in working capital weighs on cash flow

| [€ m]   | Q1 2015    | Q1 2016     |
|---|------------|-------------|
| <b>Profit before tax</b>                        | <b>34</b>  | <b>94</b>   |
| Depreciation & amortization                     | 115        | 120         |
| Gain from sale of assets                        | 0          | 0           |
| Result from investments (using equity method)   | 0          | 0           |
| Financial (gains) losses                        | 15         | 17          |
| Cash tax payments/refunds                       | -5         | -42         |
| Changes in other assets and liabilities         | -6         | 77          |
| <b>Operating cash flow before changes in WC</b> | <b>153</b> | <b>266</b>  |
| Changes in working capital                      | -120       | -218        |
| <b>Operating cash flow</b>                      | <b>33</b>  | <b>48</b>   |
| <b>Investing cash flow</b>                      | <b>-61</b> | <b>56</b>   |
| thereof capex                                   | -56        | -49         |
| <b>Financing cash flow</b>                      | <b>-52</b> | <b>-137</b> |

- 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 '16 vs Dec '15) 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

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## Balance sheet remains solid

| [€ m]                                  | Dec 2015     | Mar 2016     |
|--|--------------|--------------|
| Total assets                           | 7,219        | 7,140        |
| Equity                                 | 2,323        | 2,294        |
| <b>Equity ratio</b>                    | <b>32%</b>   | <b>32%</b>   |
| <b>Net financial debt</b>              | <b>1,211</b> | <b>1,216</b> |
| Near cash, cash & cash equivalents     | 466          | 333          |
| Pension provisions                     | 1,215        | 1,375        |
| <b>ROCE<sup>1</sup></b>                | <b>8.4%</b>  | <b>8.9%</b>  |
| Net working capital                    | 1,526        | 1,719        |
| Net working capital/sales <sup>1</sup> | 19%          | 22%          |
| DIO (in days) <sup>2</sup>             | 84           | 83           |
| DSO (in days) <sup>3</sup>             | 48           | 51           |

- Equity ratio remains strong
- Net financial debt stable despite increase in working capital; ~€1.2 bn of cash received on April 1, 2016<sup>4</sup>
- 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

<sup>1</sup> Based on last twelve months for EBIT pre or sales

<sup>2</sup> Days of inventory outstanding calculated from quarterly COGS

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

<sup>4</sup> On April 1, 2016, LANXESS placed 50% of its rubber business in a joint venture with Saudi Aramco, receiving in return ~€1.2 bn in cash

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## Balance sheet solid

| [€ m]                            | Dec'15       | Mar'16       | Dec'15                                | Mar'16       |
|----------------------------------|--------------|--------------|---------------------------------------|--------------|
| <b>Non-current assets</b>        | <b>4,180</b> | <b>4,106</b> | <b>Stockholders' equity</b>           | <b>2,323</b> |
| Intangible assets                | 300          | 289          | <b>Non-current liabilities</b>        | <b>2,936</b> |
| Property, plant & equipment      | 3,447        | 3,330        | Pension & post empl. provis.          | 1,215        |
| Equity investments               | 0            | 0            | Other provisions                      | 271          |
| Other investments                | 12           | 11           | Other financial liabilities           | 1,258        |
| Other financial assets           | 21           | 20           | Tax liabilities                       | 19           |
| Deferred taxes                   | 361          | 411          | Other liabilities                     | 127          |
| Other non-current assets         | 39           | 45           | Deferred taxes                        | 46           |
| <b>Current assets</b>            | <b>3,039</b> | <b>3,034</b> | <b>Current liabilities</b>            | <b>1,960</b> |
| Inventories                      | 1,349        | 1,339        | Other provisions                      | 411          |
| Trade accounts receivable        | 956          | 1,082        | Other financial liabilities           | 443          |
| Other financial & current assets | 268          | 280          | Trade accounts payable                | 779          |
| Near cash assets                 | 100          | 0            | Tax liabilities                       | 85           |
| Cash and cash equivalents        | 366          | 333          | Other liabilities                     | 242          |
| <b>Total assets</b>              | <b>7,219</b> | <b>7,140</b> | <b>Total equity &amp; liabilities</b> | <b>7,219</b> |

- Increase in pension provisions driven by interest rate changes (mainly in Germany from 3.0% to 2.5%).
- Receivables increased due to higher business activity in March 2016 against December 2015.

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**Appendix**

## Housekeeping items

### 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 2016\*
- Annual tax rate:
  - 2016: around 2015 level
  - mid-term: 30-35% (for New LANXESS)



\* Based on an exchange rate of 1.10 USD/EUR

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## LANXESS: Moving strategically into more resilient, less volatile businesses

### LANXESS AG



**Advanced Intermediates**



**Performance Chemicals**



**High Performance Materials**



**ARLANXEO joint venture for synthetic rubber**

50% owned by Saudi Aramco as of April 1, 2016\*

**The New LANXESS – Effectively diversified and less volatile businesses are the focus for future growth**

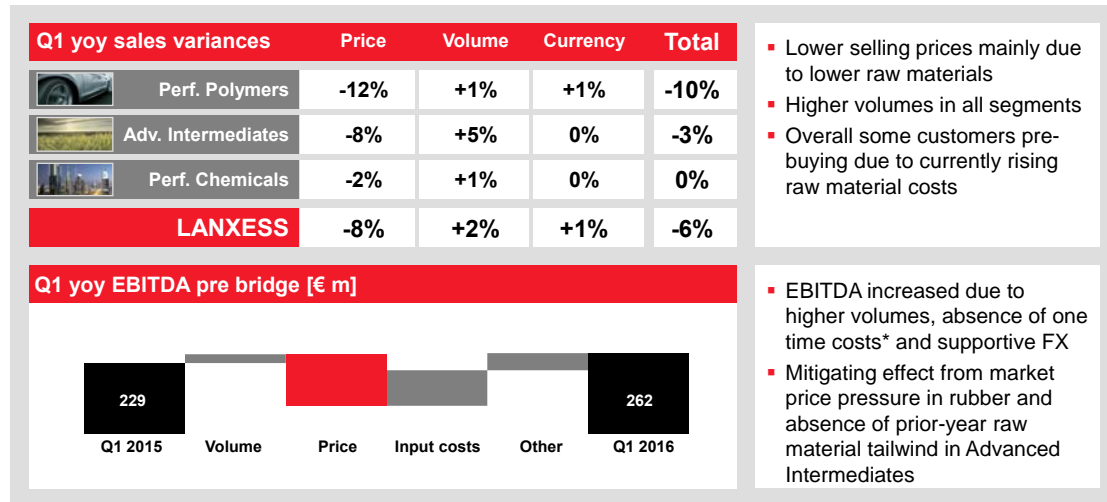
\* Full consolidation planned until 2019

Formerly Segment Performance Polymers (until 31.3.2016)

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## Q1 2016: Good results in a challenging market environment

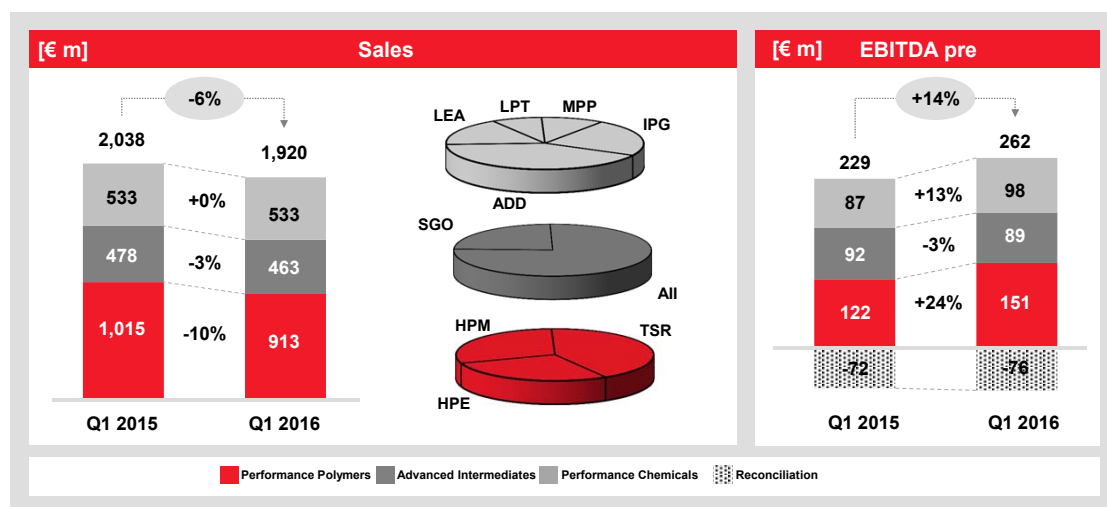


\* -€25 m total ramp-up costs in Q1 2015 for EPDM and Nd-PBR plants in Asia

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## Q1 2016: EBITDA increase driven by Performance Polymers and Performance Chemicals

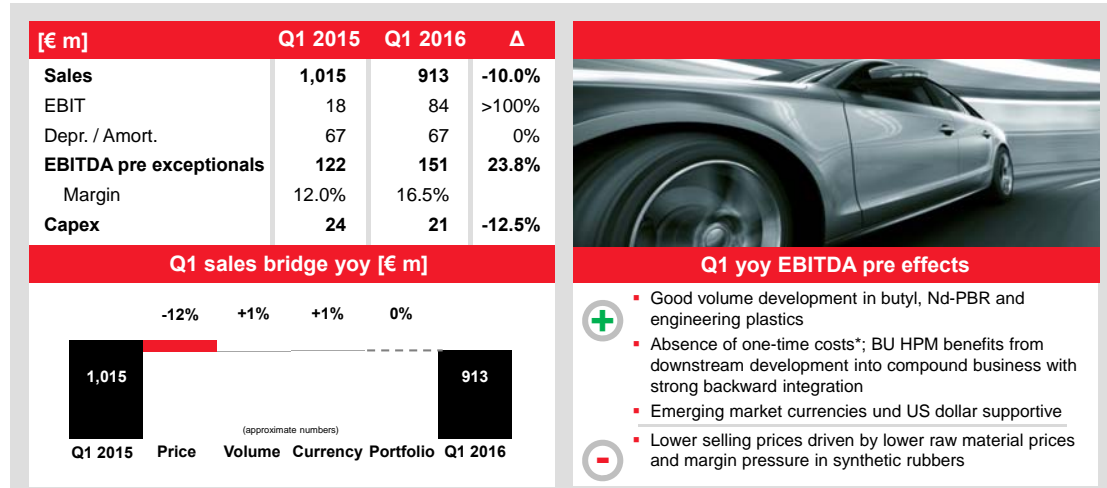


Total group sales and EBITDA pre figures include reconciliation

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## Performance Polymers: A well managed quarter in a persistently challenging market environment

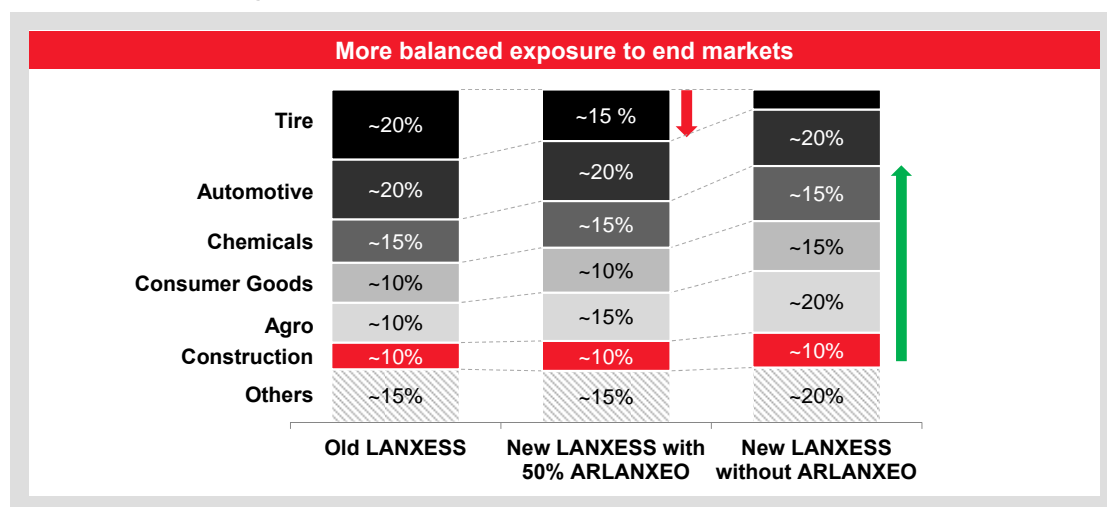


\* -€25 m for new plants in Asia (EPDM and Nd-PBR) in Q1 2015

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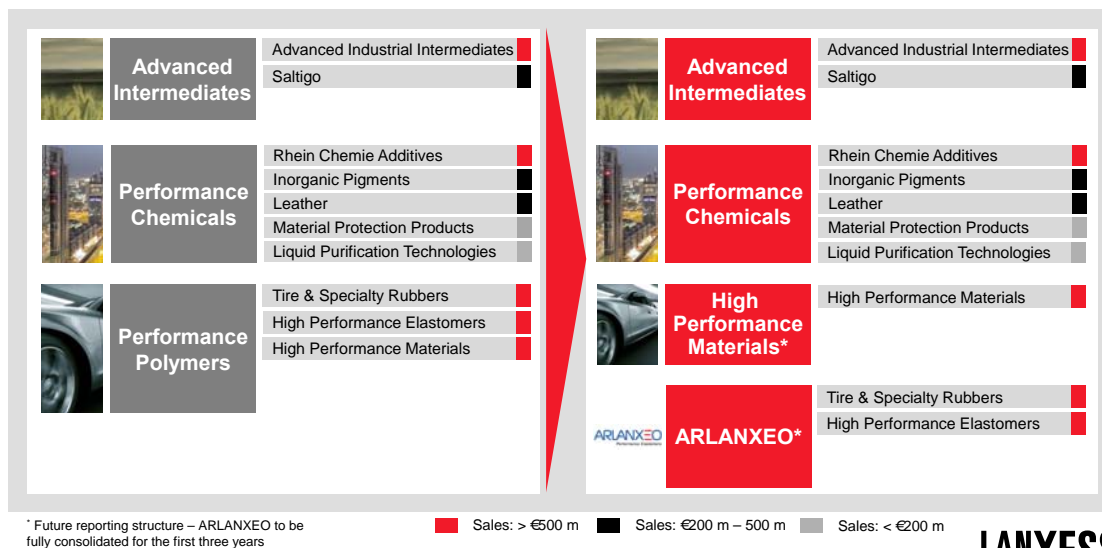
## The New LANXESS: Diversified end markets and less exposure to cyclical businesses



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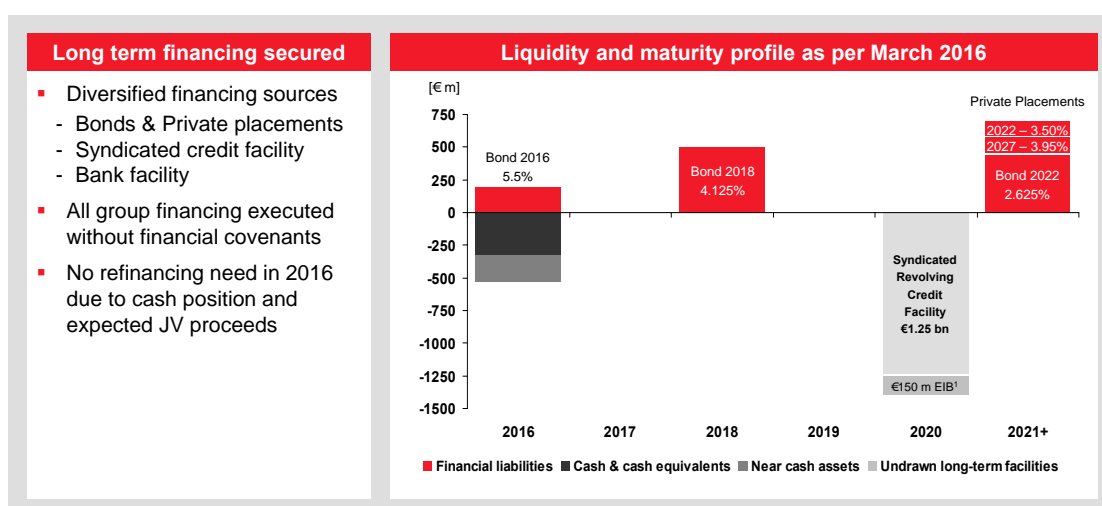
## A lean business organization



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## A well managed and conservative maturity profile



EIB = European Investment Bank

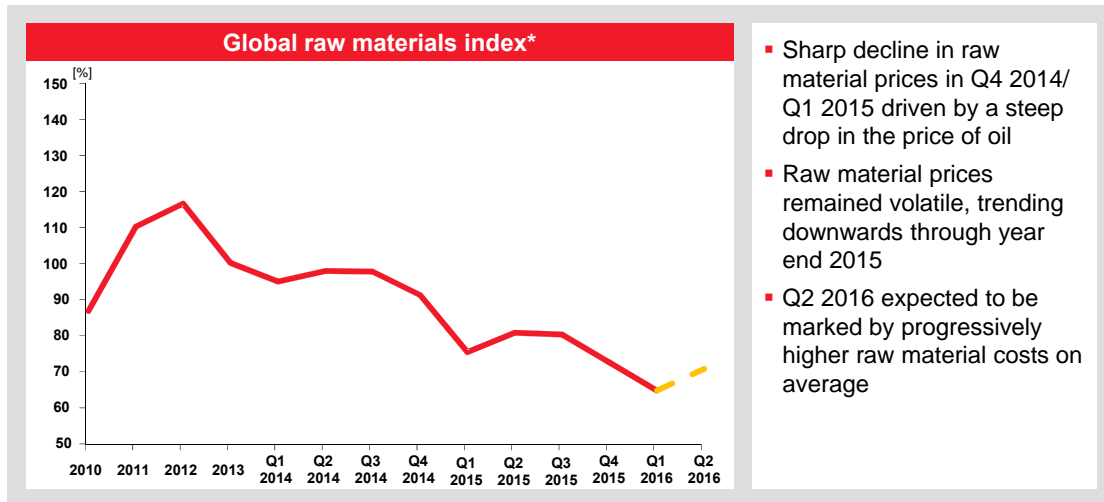
<sup>1</sup> Final maturity of EIB facility in case of utilization earliest in 2020; EIB facility currently undrawn

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## High volatility in raw material prices



\* Source: LANXESS, average 2013 = 100%

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## Overview of exceptional items in Q1

| [€ m]                  | Q1 2015   |             | Q1 2016   |             |
|------------------------|-----------|-------------|-----------|-------------|
|                        | Excep.    | thereof D&A | Excep.    | thereof D&A |
| Performance Polymers   | 46        | 9           | 0         | 0           |
| Advanced Intermediates | -1        | 0           | 0         | 0           |
| Performance Chemicals  | 2         | 0           | 0         | 0           |
| Reconciliation         | 13        | 0           | 11        | 0           |
| <b>Total</b>           | <b>60</b> | <b>9</b>    | <b>11</b> | <b>0</b>    |

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## Abbreviations

| ARLANXEO               |                                   | Performance Chemicals      |                                  |
|------------------------|-----------------------------------|----------------------------|----------------------------------|
| ▪ TSR                  | Tire & Specialty Rubbers          | ▪ ADD                      | Rhein Chemie Additives           |
| ▪ HPE                  | High Performance Elastomers       | ▪ IPG                      | Inorganic Pigments               |
|                        |                                   | ▪ LEA                      | Leather                          |
|                        |                                   | ▪ MPP                      | Material Protection Products     |
|                        |                                   | ▪ LPT                      | Liquid Purification Technologies |
| Advanced Intermediates |                                   | High Performance Materials |                                  |
| ▪ All                  | Advanced Industrial Intermediates | ▪ HPM                      | High Performance Materials       |
| ▪ SGO                  | Saltigo                           |                            |                                  |

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## Upcoming events 2016

| Proactive capital market communication                          |                    |                |
|---|--------------------|----------------|
| ▪ <b>Annual General Meeting</b>                                 | <b>May 20</b>      | <b>Cologne</b> |
| ▪ Deutsche Bank 7 <sup>th</sup> Annual dbAccess Asia Conference | May 24/25          | Singapore      |
| ▪ dbAccess German, Swiss & Austrian Conference                  | June 8/9           | Berlin         |
| ▪ Exane BNPP 18 <sup>th</sup> Europe CEO Conference             | June 15            | Paris          |
| ▪ <b>Q2 results 2016</b>  | <b>August 10</b>   |                |
| ▪ <b>Capital Markets Event "Meeting the Management"</b>         | <b>September 8</b> | <b>Cologne</b> |
| ▪ Goldman Sachs 5 <sup>th</sup> German Corporate Conference     | September 19-21    | Munich         |
| ▪ <b>Q3 results 2016</b>  | <b>November 10</b> |                |
| ▪ Morgan Stanley Global Chemical Conference                     | November 14        | Boston         |
| ▪ Deutsche Börse Eigenkapital Forum                             | November 21        | Frankfurt      |

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