



LANXESS Q2 2013 Financial Summary for Investors and Analysts

Summary Q2 2013

- Persistently difficult market environment
- Group sales down by 11.7%
- Selling price adjustments due to falling raw material costs
- Sales volumes below prior year
- Agrochemicals business remains good
- EBITDA pre exceptionals down from €361 million to €198 million
- EBITDA margin 9.2% vs. 14.9% for same period of last year
- Net income and earnings per share down sharply to €9 million and €0.11, respectively
- Net financial liabilities higher at €2,018 million
- Efficiency improvement measures initiated at some sites internationally
- Outlook 2013: no improvement in demand; EBITDA pre exceptionals expected to come in below €1 billion between €700 million and €800 million
- Planned capital expenditures for 2013 still at revised €600 million

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Overview Financials

Q2 Financial Overview

- **Substantial earnings decline on lower prices and volumes**
- Sales decline mainly on lower prices (-9%); volumes also declined (-2%) and slightly negative currency (-1%)
- Selling costs increase due to higher storage costs and increased sales force
- R&D lower on different project patterns and tight cost regime
- EBITDA pre impacted by weak tire and OEM related businesses and higher idle costs due to lower utilization rates
- EBIT additionally burdened by €38 m exceptional items for efficiency measures at international sites in Performance Chemicals
- ~€10 m inventory devaluation additionally digested in earnings

Q2 2013 Balance Sheet:

- **Seasonal debt increase mitigated by cash inflow from working capital**
- Total assets/liabilities decrease sequentially on lower working capital and reduced near cash assets
- Stable equity ratio
- Net financial debt with seasonal increase in Q2 due to payments of interest, dividends and variable compensation; intended reduction by year-end
- Net debt/EBITDA with corresponding increase
- Net working capital sequentially reduced with improved ratios; ongoing focus on reduction



Q2 2013 Cash flow statement:

- **Business performance reflected in weak operating cash flow**
- Profit before tax significantly down in line with weak EBITDA and increased D&A
- Cash tax payments decrease as profit before tax is lower
- Changes in other assets and liabilities relate to variable compensation; Q2 2012 contained cash-outs related to hedging
- Investing cash flow in Q2 2012 mirrors inflow from financial assets

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Q2 2013 Business Overview

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Performance Polymers

- **Pressure on profitability in current weak environment**
- Sales deviation yoy: Price -16%, Volume -1%, Currency -1%, Portfolio 0% (approximate numbers)
- Price decline mainly raw material-driven for standard grades (noticeable price pressure for butadiene-based products due to lower prices in Asia); additional price flexibility across all BUs
- Volumes decline in most BUs due to persisting weakness of tire and OEM/automotive business; BU HPM with positive volumes from high-tech plastics
- EBITDA reflects lower pricing, additionally burdened by idle costs (lower utilization rates) and inventory devaluation of ~€10 m (mainly butadiene)

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Advanced Intermediates

- **Strength and resilience proven again**
- Sales deviation yoy: Price +2%, Volume -2%, Currency -1%, Portfolio 0% (approximate numbers)
- BU All and SGO with increased pricing to pass through higher raw material costs (mainly benzene)
- Strong demand from agro (in both BUs) and flavor & fragrances cannot compensate weak demand from automotive and paints industry
- EBITDA strong and resilient despite slightly lower capacity utilization and related idle-costs
- Higher capex due to debottlenecking in BU All and projects in BU SGO

Performance Chemicals

- **Mixed performance in challenging environment**
- Sales deviation yoy: Price 0%, Volume -3%, Currency -2%, Portfolio 0% (approximate numbers)
- Stable prices across the segment
- BU IPG and LPT with positive volumes; however volume declines in remaining BUs (mainly BU LEA with insufficient CO₂ availability and down-times in chrome ore mine)
- EBIT burdened by €39 m exceptional items to improve competitiveness across international sites
- EBITDA decline driven by BU LEA, RUC (antioxidants & accelerators), FCC (colorants & plasticisers) and overall higher idle costs



Outlook:

No improvement in H2 2013 – therefore 2014 EBITDA €1.4 bn target no longer realistic

Current macro view – uncertainties persist

- Customer demand remains at low levels for OEM and tire related businesses, raw material-induced decreases of sales prices (mainly butadiene)
- Agro demand continues to be healthy
- Customer destocking ongoing in Asia, combined with low end-market demand and only slight growth in the U.S., Europe remains weak

LANXESS expects a tough year 2013

- Flexible asset and cost management implemented, additional measures and strategy update in preparation – details to be published in September
- We continue to see EBITDA pre below €1 bn in FY 2013
- FY 2013 EBITDA pre is expected between €700-800 m
 - No improvement in H2 vs H1
 - Absence of H1 one-time burdens in H2 likely to be offset by seasonality
- In the current environment, EBITDA pre target of €1.4 bn in 2014 no longer appears realistic, even taking into account an expected upturn in demand next year
- EBITDA pre target of €1.8 bn in 2018 more challenging

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Housekeeping items for consideration

Additional financial expectations for 2013

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|---------------------------------|--|
| ▪ Capex* 2013 | reduced to ~€600 m |
| ▪ D&A 2013 | ~€420 - €440 m |
| ▪ Reconciliation 2013 | ~€200 m mainly as R&D activities are centralized |
| ▪ Tax rate | - mid-term: ~22%
- short-term: depending on regional profit contribution and respective tax regimes – tax rate may increase |
| ▪ Hedging 2013 | ~55% at 1.25-1.35 USD/EUR |
| ▪ Hedging 2014 | ~35% at 1.25-1.35 USD/EUR |
| ▪ IAS 19 revised, impact 2013 | - operational result: low single-digit million € amount
- financial result: low single-digit million € amount |
| ▪ Inventory devaluation Q3 2013 | Further downward trend in butadiene prices might cause future devaluation pressure |

* Without projects financed by customers, finance leasing and capitalized borrowing costs

Köln, August 6, 2013

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 Q2 2013

in € million	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q2 '12	Q2 '13	Chg. in %	Q2 '12	Q2 '13	Chg. in %	Q2 '12	Q2 '13	Chg. in %	Q2 '12	Q2 '13	Chg. in %	Q2 '12	Q2 '13	Chg. in %
Sales	2.424	2.141	-12%	1.427	1.178	-17%	399	393	-2%	585	561	-4%	13	9	-31%
Price*			-9%			-16%			2%			0%			0%
Volume*			-2%			-1%			-2%			-3%			-31%
Currency*			-1%			-1%			-1%			-2%			0%
Portfolio*			0%			0%			0%			0%			0%
EBIT	250	50	-80%	206	29	-86%	62	59	-5%	40	6	-85%	-58	-44	24%
Deprec. & amortizat.	93	116	25%	50	65	30%	17	19	12%	23	28	22%	3	4	33%
EBITDA	343	166	-52%	256	94	-63%	79	78	-1%	63	34	-46%	-55	-40	27%
exceptionals in EBITDA	18	32	78%	1	0	-100%	0	-4	n.m.	15	33	>100%	2	3	50%
EBITDA pre excep.	361	198	-45%	257	94	-63%	79	74	-6%	78	67	-14%	-53	-37	30%
normalized D&A	91	110	21%	50	65	30%	17	19	12%	21	22	5%	3	4	33%
EBIT pre excep.	270	88	-67%	207	29	-86%	62	55	-11%	57	45	-21%	-56	-41	27%
exceptionals in EBIT	20	38	90%	1	0	-100%	0	-4	n.m.	17	39	>100%	2	3	50%
Capex	137	159	16%	85	85	0%	17	23	35%	21	34	62%	14	17	21%
Net financial debt**	1.483	2.018	36%												

* approximate numbers

**previous year value as per Dec. 31



Financial Overview H1 2013

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	H1 2012	H1 2013	Chg. in %	H1 2012	H1 2013	Chg. in %	H1 2012	H1 2013	Chg. in %	H1 2012	H1 2013	Chg. in %	H1 2012	H1 2013	Chg. in %
Sales	4.812	4.236	-12%	2.818	2.312	-18%	828	826	0%	1.143	1.081	-5%	23	17	-26%
Price*			-7%			-13%			3%			0%			0%
Volume*			-4%			-4%			-3%			-4%			-26%
Currency*			-1%			-1%			-1%			-2%			0%
Portfolio*			0%			0%			0%			0%			0%
EBIT	527	117	-78%	412	81	-80%	116	113	-3%	102	35	-66%	-103	-112	-9%
Deprec. & amortizat.	181	218	20%	98	125	28%	33	36	9%	44	49	11%	6	8	33%
EBITDA	708	335	-53%	510	206	-60%	149	149	0%	146	84	-42%	-97	-104	-7%
exceptionals in EBITDA	22	37	68%	2	0	n.m.	0	-4	n.m.	15	34	>100%	5	7	40%
EBITDA pre excep.	730	372	-49%	512	206	-60%	149	145	-3%	161	118	-27%	-92	-97	-5%
normalized D&A	179	212	18%	98	125	28%	33	36	9%	42	43	2%	6	8	33%
EBIT pre excep.	551	160	-71%	414	81	-80%	116	109	-6%	119	75	-37%	-98	-105	-7%
exceptionals in EBIT	24	43	79%	2	0	n.m.	0	-4	n.m.	17	40	>100%	5	7	40%
Capex	229	252	10%	148	143	-3%	32	42	31%	32	53	66%	17	14	-18%
Net financial debt**	1.483	2.018	36%												

* approximate numbers

**previous year value as per Dec. 31



in € million	Q2 2012	Q2 2013	Chg. in %	H1 2011	H1 2012	Chg. in %
Sales	2.424	2.141	-12%	4.812	4.236	-12%
Cost of sales	-1.834	-1.736	-5%	-3.630	-3.436	-5%
Gross profit	590	405	-31%	1.182	800	-32%
Selling expenses	-195	-200	3%	-381	-389	2%
Research and development expenses	-53	-43	-19%	-98	-91	-7%
General administration expenses	-84	-75	-11%	-156	-154	-1%
Other operating income	50	36	-28%	84	66	-21%
Other operating expenses	-58	-73	26%	-104	-115	11%
Operating result (EBIT)	250	50	-80%	527	117	-78%
Income from investments accounted for using the equity method	3	0	-100%	6	0	-100%
Interest income	2	0	-100%	4	1	-75%
Interest expense	-26	-28	8%	-51	-54	6%
Other financial income and expense	-3	-11	>-100%	-13	-22	69%
Financial result	-24	-39	63%	-54	-75	39%
Income before income taxes	226	11	-95%	473	42	-91%
Income taxes	-51	-3	-94%	-106	-10	-91%
Income after income taxes	175	8	-95%	367	32	-91%
of which attributable to non-controlling interests	1	-1	n.m.	1	-2	n.m.
of which attributable to LANXESS AG stockholders (net income)	174	9	-95%	366	34	-91%



Abbreviations:

All Advanced Industrial Intermediates
BTR Butyl Rubber
FCC Functional Chemicals
HPE* High Performance Elastomers
HPM High-Performance Materials
IPG Inorganic Pigments
KEL* Keltan Elastomers
LEA Leather
LPT** Liquid Purification Technologies
MPP Material Protection Products
PBR Performance Butadiene Rubbers
RCH RheinChemie
RUC Rubber Chemicals
SGO Saltigo

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* As of January 1st 2013 BU TRP split into BU KEL (Keltan Elastomers) and BU HPE (High Performance Materials)

** As of April 1st 2013 BU ION (Ion Exchange Resins) renamed to BU LTP (Liquid Purification Technologies)