



LANXESS Q2 2014 Financial Summary for Investors and Analysts

Summary Q2 2014

- Group sales decrease by 5.7% against the prior-year quarter
- Earnings held back by lower selling prices
- Persistently difficult competitive situation for synthetic rubbers; good demand for agrochemicals
- EBITDA pre exceptionals up by 20.7% to €239 million
- EBITDA margin pre exceptionals 11.8% vs. 9.2% for the prior-year quarter
- Net income and earnings per share improve substantially to €55 million and €0.63, respectively, against €9 million and €0.11 in prior-year quarter
- Guidance for 2014 narrowed: EBITDA pre exceptionals between €780 million and €820 million
- Group-wide realignment initiated; details to be provided during the second half of the year
- Capital markets day now scheduled for November 6th 2014

LANXESS AG

Investor Relations
Kennedyplatz 1
50569 Cologne
Germany

Oliver Stratmann, Head of IR

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

Page 1 of 7

Overview Financials

Q2 2014 Financial Overview

- **Earnings improve but remain at moderate levels**
- Sales decrease due to price declines (-5%) and currency burden (-3%), mitigated by slight volume increase (+2%)
- Overhead costs lower due to high cost discipline
- EBITDA pre performance is held back by effect from strike in Belgium (BU BTR)
- EPS increase on improved operating earnings, lower exceptional items and lower interest rates
- Net working capital higher on volume-driven inventory increase (preparation for H2 maintenance shut-downs)
- Net financial debt reduction reflects capital increase
- **Cost discipline and lower idle costs drive profit improvement**

Q2 2014 Balance Sheet:

- **Financials start to gradually move into the right direction**
- Total assets increase due to capital increase in May 2014 and higher working capital
- Equity ratio and net financial debt/EBITDA nicely improve with successful capital increase
- Pension provisions increase mainly due to lower interest rates
- Other financial liabilities clearly reduced with €500 m bond repayment in April 2014
- Net working capital rises on higher inventories (in preparation for maintenance in H2) and higher receivables



Q2 2014 Cash flow statement:

- **Improved operating cash flow**
- Profit before tax increased from improved business performance
- D&A decreased after impairments at year end 2013
- Changes in other assets and liabilities mainly reflect lower variable compensation payouts
- Investing cash flow mirrors investment in near cash assets
- Financing cash flow contains €500 m bond repayment and inflowing funds from capital increase
- **Free cash flow turns positive**

Q2 2014 Business Overview

Performance Polymers

- **Market conditions remain tough – improved utilization rates drive earnings**
- Sales deviation yoy: Price -7%, Volume -1%, Currency -3%, Portfolio -1% (approximate numbers)
- Prices decline raw-material induced (butadiene) and from competitive pressure in EPDM (BU KEL) and Butyl (BU BTR)
- Volumes decline in almost all rubber units, additionally negatively impacted by strike in Belgium; volumes in PA compounds increase, continuing BU HPM's growth path
- EBITDA improves on higher utilization rates and absence of inventory devaluation (~€10 m in Q2 2013)
- D&A decreases due to impairments at year end 2013

Advanced Intermediates

- **Again rock solid performance**
- Sales deviation yoy: Price -3%, Volume +8%, Currency -2%, Portfolio 0% (approximate numbers)
- Selling price decline driven by raw-material prices (mainly toluene)
- Volumes rise in BU All in aromatic network (e.g. debottlenecking in cresol and benzyl products (agro demand driven)
- BU SGO with positive volumes from new agro projects
- EBITDA pre performance held back by maintenance expenses and some currency effects

Performance Chemicals

- **Another quarter of improved earnings**
- Sales deviation yoy: Price 0%, Volume +4%, Currency -3%, Portfolio +0% (approximate numbers)
- Prices remain stable amid some input cost relief
- Volumes driven by BU LEA (stable production in chrome ore) and BU MPP with good demand for biocides in paints
- EBITDA improvement driven by BU LEA and BU RUC (restructuring yielding results and recovering accelerators-business due to environmental aspects in China)
- BU IPG (construction) with consistent strong contribution
- Capex lower as projects are finalized in BUs LEA and RCH

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Page 2 of 7



Outlook:

Almost unchanged outlook for most industries FY 2014 guidance narrowed

Macro expectations 2014

- Tire industry growth higher than 2013 but less than expected; good replacement tire demand but weaker than expected OEM businesses
- Automotive industry with slower growth than anticipated (especially Latin America and Asia)
- Agro chemicals demand remains robust
- Construction industry expected to grow yoy with regionally different impetus; US robust
- US Dollar expected volatile in 2014; political uncertainties remain a risk

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LANXESS expectations 2014

- Guidance narrowed: For FY 2014 we expect an improved EBITDA pre in the bandwidth of €780-820 m; H2 burdened by maintenance in several BUs and ramp-up costs for EPDM in China (included in guidance)

Page 3 of 7

Housekeeping items for consideration Additional financial expectations

- Capex* 2014: around previous year's level (2013: €624 m)
- Capex* 2015: clearly <€600 m
- Capex* 2016: €400-450 m
- D&A 2014: ~€400-420 m
- Reconciliation 2014: ~€190 m
- Ramp-up cost EPDM: ~€10 m in Q4 2014
- Updated: Annual tax rate: - due to the current weakness of the rubber businesses and regionally different tax rates, we now expect a tax rate >30% in 2014
- mid-term: In normalized business environment and after completion of realignment program ~22-25%
- Hedging 2014: ~50% at 1.25 -1.40 USD/EUR
- Hedging 2015: ~25% at 1.25 -1.40 USD/EUR

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

Cologne, August 6, 2014

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 2014

in € million	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q2 '13	Q2 '14	Chg. in %	Q2 '13	Q2 '14	Chg. in %	Q2 '13	Q2 '14	Chg. in %	Q2 '13	Q2 '14	Chg. in %	Q2 '13	Q2 '14	Chg. in %
Sales	2.141	2.019	-6%	1.178	1.036	-12%	393	403	3%	561	569	1%	9	11	22%
Price*			-5%			-7%			-3%			0%			0%
Volume*			2%			-1%			8%			4%			22%
Currency*			-3%			-3%			-2%			-3%			0%
Portfolio*			0%			-1%			0%			0%			0%
EBIT	50	122	>100%	29	68	>100%	59	51	-14%	6	60	>100%	-44	-57	-30%
Deprec. & amortizat.	116	99	-15%	65	51	-22%	19	21	11%	28	23	-18%	4	4	0%
EBITDA	166	221	33%	94	119	27%	78	72	-8%	34	83	>100%	-40	-53	-33%
exceptionals in EBITDA	32	18	-44%	0	3	n.m.	-4	1	n.m.	33	3	-91%	3	11	>100%
EBITDA pre excep.	198	239	21%	94	122	30%	74	73	-1%	67	86	28%	-37	-42	-14%
normalized D&A	110	98	-11%	65	50	-23%	19	21	11%	22	23	5%	4	4	0%
EBIT pre excep.	88	141	60%	29	72	>100%	55	52	-5%	45	63	40%	-41	-46	-12%
exceptionals in EBIT	38	19	-50%	0	4	n.m.	-4	1	n.m.	39	3	-92%	3	11	>100%
Capex	159	154	-3%	85	112	32%	23	20	-13%	34	18	-47%	17	4	-76%
Net financial debt**	1.731	1.495	-14%												

* approximate numbers

**previous year value as per Dec. 31



Financial Overview H1 2014

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	H1 2013	H1 2014	Chg. in %	H1 2013	H1 2014	Chg. in %	H1 2013	H1 2014	Chg. in %	H1 2013	H1 2014	Chg. in %	H1 2013	H1 2014	Chg. in %
Sales	4.236	4.062	-4%	2.312	2.099	-9%	826	822	0%	1.081	1.119	4%	17	22	29%
Price*			-6%			-10%			-4%			0%			0%
Volume*			4%			3%			5%			6%			29%
Currency*			-2%			-3%			-2%			-3%			0%
Portfolio*			0%			0%			0%			1%			0%
EBIT	117	197	68%	81	120	48%	113	99	-12%	35	98	>100%	-112	-120	-7%
Deprec. & amortizat.	218	202	-7%	125	107	-14%	36	44	22%	49	43	-12%	8	8	0%
EBITDA	335	399	19%	206	227	10%	149	143	-4%	84	141	68%	-104	-112	-8%
exceptionals in EBITDA	37	45	22%	0	12	n.m.	-4	2	n.m.	34	13	-62%	7	18	>100%
EBITDA pre excep.	372	444	19%	206	239	16%	145	145	0%	118	154	31%	-97	-94	3%
normalized D&A	212	201	-5%	125	106	-15%	36	44	22%	43	43	0%	8	8	0%
EBIT pre excep.	160	243	52%	81	133	64%	109	101	-7%	75	111	48%	-105	-102	3%
exceptionals in EBIT	43	46	7%	0	13	n.m.	-4	2	n.m.	40	13	-68%	7	18	>100%
Capex	252	262	4%	143	188	31%	42	39	-7%	53	28	-47%	14	7	-50%
Net financial debt**	1.731	1.495	-14%												

* approximate numbers

**previous year value as per Dec. 31



Income Statement Q2 2014

in € million	Q2 2013	Q2 2014	Chg. in %	H1 2013	H1 2014	Chg. in %
Sales	2.141	2.019	-6%	4.236	4.062	-4%
Cost of sales	-1.736	-1.579	9%	-3.436	-3.205	7%
Gross profit	405	440	9%	800	857	7%
Selling expenses	-200	-188	6%	-389	-374	4%
Research and development expenses	-43	-40	7%	-91	-85	7%
General administration expenses	-75	-71	5%	-154	-145	6%
Other operating income	36	34	-6%	66	65	-2%
Other operating expenses	-73	-53	27%	-115	-121	-5%
Operating result (EBIT)	50	122	>100%	117	197	68%
Income from investments accounted for using the equity method	0	4	<i>n.m.</i>	0	5	<i>n.m.</i>
Interest income	0	1	<i>n.m.</i>	1	2	100%
Interest expense	-28	-16	43%	-54	-41	24%
Other financial income and expense	-11	-17	-55%	-22	-31	-41%
Financial result	-39	-28	28%	-75	-65	13%
Income before income taxes	11	94	>100%	42	132	>100%
Income taxes	-3	-40	>-100%	-10	-54	<-100%
Income after income taxes	8	54	>100%	32	78	>100%
of which attributable to non-controlling interests	-1	-1	0%	-2	-2	0%
Net income (attributable to LANXESS AG stockholders)	9	55	>100%	34	80	>100%
EPS (in €)	0,11	0,63	>100%	0,41	0,93	>100%
EPS pre exceptionals (in €)	0,42	0,79	88%	0,76	1,32	74%



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	Rhein Chemie
RUC	Rubber Chemicals
SGO	Saltigo

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