Q3 2014 Roadshow

Tackling challenges with a strong team

Matthias Zachert, CEO

LANXESS
Energizing Chemistry

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Agenda

- **Executive summary Q3 2014 results**
- Efficiency and Excellence: “Let’s LANXESS again” realignment in detail
- Capital allocation & Growth: Building on a strengthened platform

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Key developments Q3 2014

+	▪ Volumes and EBITDA in Advanced Intermediates and Performance Chemicals improve ▪ EBITDA supported by corporate cost reductions	**EBITDA improvement across the Group**
-	▪ Lower selling price levels yoy in Performance Polymers ▪ Reduced volumes in Polymers against a high base; no market improvement visible yet	**Polymers remain challenging**
!	▪ Realignment program well on track ▪ Implementation of realignment program underway ▪ ~€150 m annual savings phasing in from 2015 through 2016	**“Let’s LANXESS again” in progress**

All references to EBITDA are pre exceptionals

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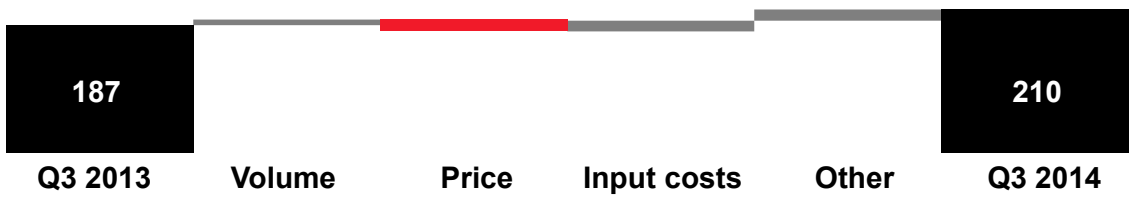
Q3 2014: Sales remain stable – EBITDA increase mainly due to cost savings

Q3 yoy sales variances	Price	Volume	Currency	Portf.	Total
Perf. Polymers	-2%	-2%	0%	-1%	-4%
Adv. Intermediates	-1%	6%	0%	0%	5%
Perf. Chemicals	1%	2%	0%	0%	3%
LANXESS	-1%	1%	0%	0%	0%

- Stable sales as higher volumes compensate for lower prices; no impact from currency
- Advanced Intermediates generates strong volumes in agro custom-manufacturing (BU SGO)

Q3 yoy EBITDA pre bridge [€ m]



- Change in selling prices roughly in line with change in input costs at Group level
- "Other" driven by lower idle costs and first savings achieved by "Let's LANXESS again" (non-personnel)

Q3 2014: Earnings improvement driven by cost savings

[€ m]	Q3 2013		Q3 2014		yoy in %
Sales	2,050	(100%)	2,040	(100%)	0%
Cost of sales	-1,662	(81%)	-1,639	(80%)	1%
Selling	-186	(9%)	-186	(9%)	0%
G&A	-76	(4%)	-62	(3%)	18%
R&D	-43	(2%)	-39	(2%)	9%
EBIT	**52**	**(3%)**	**83**	**(4%)**	**60%**
Net Income	**11**	**(1%)**	**35**	**(2%)**	**>100%**
EPS	**0.13**		**0.38**		**>100%**
EPS pre[1]	0.34		0.59		73%
EBITDA	166	(8%)	183	(9%)	10%
thereof exceptionals	-21	(1%)	-27	(0%)	29%
EBITDA pre exceptionals	**187**	**(9.1%)**	**210**	**(10.3%)**	**12%**

- Sales almost unchanged as higher volumes (+1%) offset lower prices (-1%)
- Overhead and R&D cost reductions reflect initial savings from realignment and ongoing cost discipline
- Earnings improve due to lower COGS (lower D&A and idle costs) and positive impact of reduced corporate expenses
- Increase in EPS reflects cost discipline

Earnings have increased nicely – but the business environment continues to be challenging

[1] Net of exceptionals, using the local tax rate applicable where the expenses were incurred

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Q3 2014 yoy: All three segments add to bottom-line improvement

Performance Polymers

Price	Volume	Currency	Portfolio	Total
-2%	-2%	0%	-1%	**-4%**

- Lower prices at segment level due to continued weak environment; only BU PBR mitigates this effect with higher selling prices yoy (butadiene)
- Volumes slightly down compared to a strong quarter in the previous year
- Despite better utilization, earnings dampened by market price pressure

[€ m]	Q3'13	Q3'14
Sales	1,092	1,045
EBITDA pre	84	93
Margin	8%	9%

Advanced Intermediates

Price	Volume	Currency	Portfolio	Total
-1%	+6%	0%	0%	**+5%**

- Lower prices driven by lower input costs (e.g., toluene)
- Strong agro performance in Q3: higher volumes driven by BU SGO's custom manufacturing
- EBITDA pre increases with higher volumes and respective lower idle costs

[€ m]	Q3'13	Q3'14
Sales	403	424
EBITDA pre	71	74
Margin	18%	17%

Performance Chemicals

Price	Volume	Currency	Portfolio	Total
+1%	+2%	0%	0%	**+3%**

- Slight price increases at segment level
- Stronger volumes again in BU IPG (mainly resulting from construction in Europe) and BU LEA
- EBITDA pre rises due to higher prices and volumes

[€ m]	Q3'13	Q3'14
Sales	546	561
EBITDA pre	72	76
Margin	13%	14%

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Q3 2014: Positive free cash flow

[€ m]	Q3 2013	Q3 2014
Profit before tax	**20**	**55**
Depreciation & amortization	114	100
Gain from sale of assets	0	0
Result from investments (using equity method)	0	-1
Financial (gains) losses	29	15
Cash tax payments/refunds	3	-36
Changes in other assets and liabilities	38	79
Operating cash flow before changes in WC	**204**	**212**
Changes in working capital	174	-11
Operating cash flow	**378**	**201**
Investing cash flow	**-215**	**-81**
thereof capex	-146	-112
Financing cash flow	**-62**	**-147**

- Profit before tax increased on better earnings
- D&A reduction reflects impairment at year-end 2013
- Changes in other assets and liabilities reflect provision building for personnel
- Minor changes in working capital in Q3 '14 compare to cash inflow in Q3 '13 mainly due to sharp decline of raw material prices and inventory reduction
- Capex expected to be heavily Q4-weighted

Higher earnings and lower capex provide support in Q3

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Business environment remains challenging – restructuring efforts provide first EBITDA support in 2014

Macro expectations 2014

- Tire industry growth higher than 2013 but below expectations; signs of customers destocking seen for Q4 2014
- Automotive industry offers slower growth than anticipated (especially in Latin America, Russia and India)
- Agrochemicals demand expected to remain robust in 2014; 2015 will continue the growth trend, but with slower growth rates than 2014
- Construction industry to grow more slowly than expected mainly against backdrop of developments in North America and Europe
- US dollar expected to remain strong in Q4 2014; political uncertainties remain a risk

LANXESS expectations FY 2014 – confirmed

- Confirmation of FY 2014 EBITDA pre guidance at €780-820 m (initial savings of ~€20 m from “Let’s LANXESS again” mitigate some burdens for Q4)

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- Executive summary Q3 2014 results
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- Capital allocation & Growth: Building on a strengthened platform

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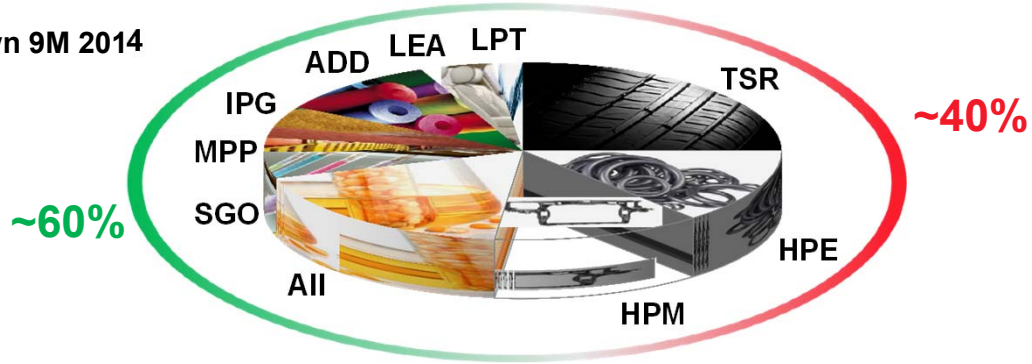
~60% of LANXESS well positioned
~40% in challenging situation – action needed

- ✓ Well positioned
- ✓ Solid, but operational improvements targeted
- ! Strategic focus to address weaknesses

Sales breakdown 9M 2014



	Good portfolio set-up	Challenging situation
Size & market positions	✓	✓
Asset base & end-market diversification	✓	✓
Cost structure & processes	✓	! Phase I-II
Supply / demand	✓	! Phase III
Backward integration	not needed	!

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Key success factors for LANXESS to regain positive momentum

Efficiency

- Strengthen business & administration competitiveness
- Increase cost efficiency
- Strengthen financial foundations and flexibility
- Reduce net debt; defend investment-grade rating

Excellence

- Achieve manufacturing competitiveness
- Improve commercial and supply chain competitiveness
- Strengthen portfolio competitiveness and alliances

Growth

Build on existing foundation for sustainable, long-term growth

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A clear priority to improve our efficiency and processes before we transition to growth

Efficiency	Excellence	Growth
2014	2015 / 2016	beyond
Costs	Processes & alliances	Organic & portfolio

"Let's LANXESS again"

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“Let’s LANXESS again” – a three-phase realignment program has been defined

Schematic

Competitiveness

1 Business & administration structure competitiveness

- Consolidate BUs and GFs with similar business models
- Improve customer and market focus and leverage synergies
- Develop leaner administrative structures by restructuring and adjusting business models

2 Operations competitiveness

- Manufacturing excellence:
  - Analyze and adjust asset base
  - Evaluate mothballings and site closures
  - Implementation of operational best practices
- Commercial & supply chain excellence

3 Portfolio competitiveness and alliances

- Evaluate portfolio options to better balance the company set-up
- Consider alliances to improve competitive access to raw material e.g., for rubber businesses
- Improve market access e.g., through marketing alliances

Leadership excellence and performance culture

No time wasted: Effective process of change management initiated in April 2014 remains on schedule

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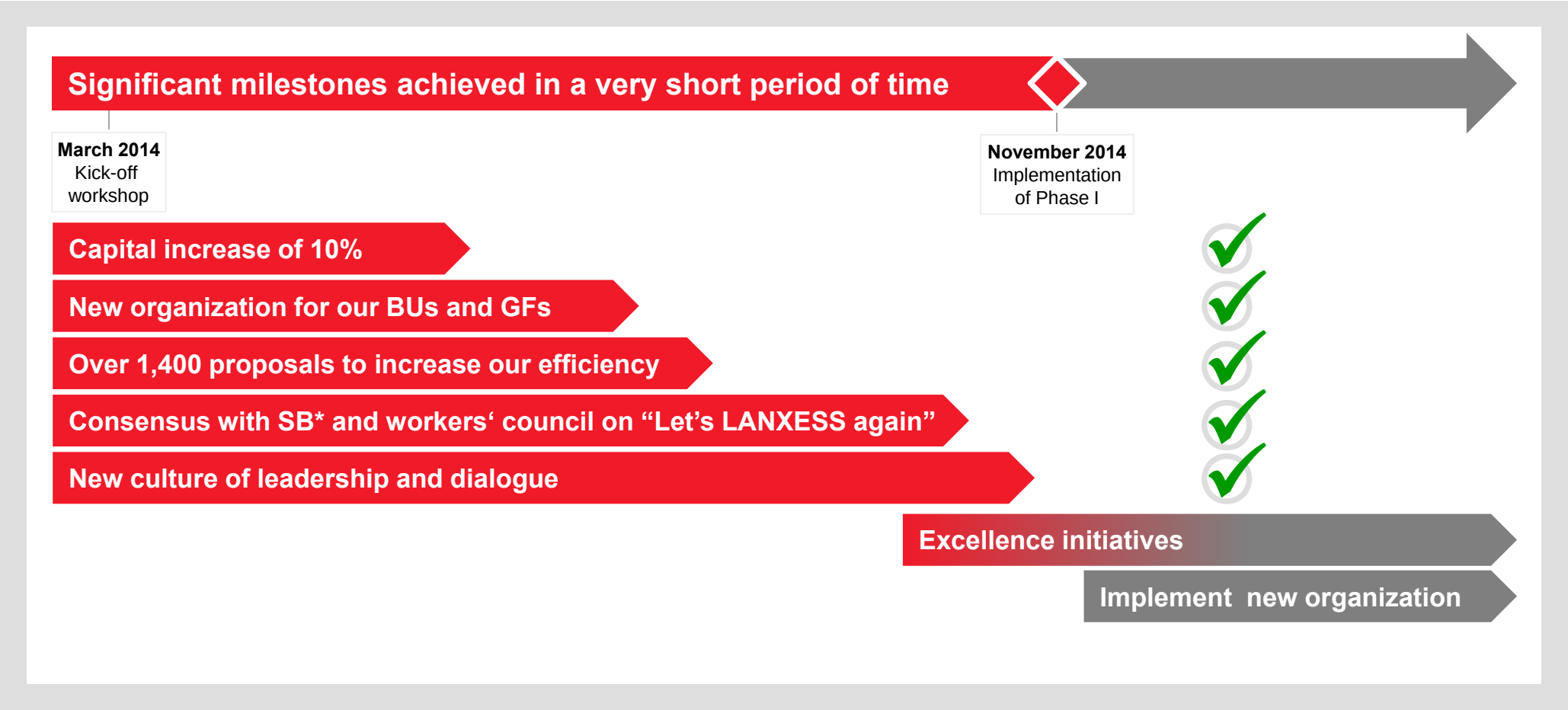
Realignment process: Delivering at a rapid pace



* Supervisory Board

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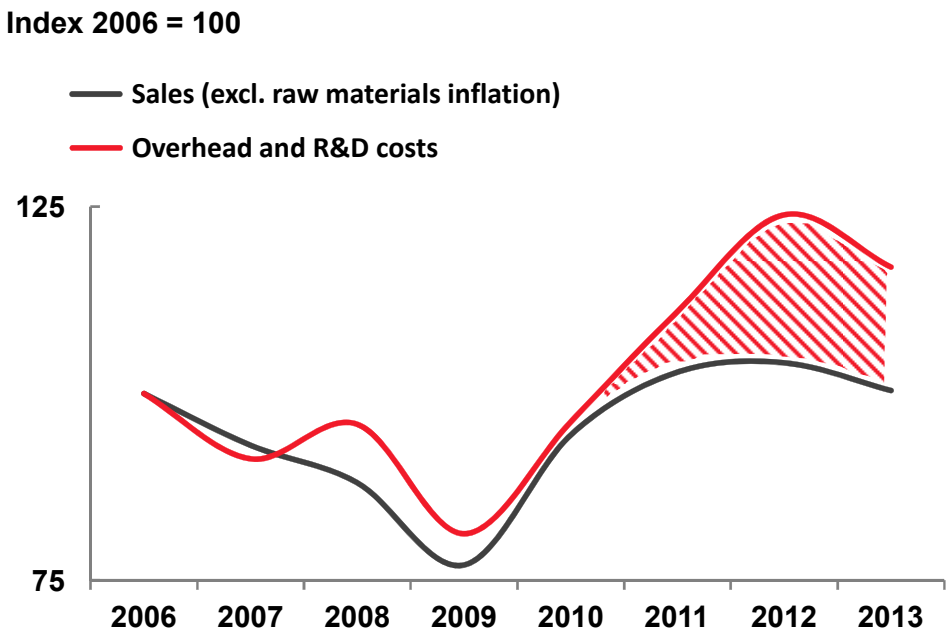
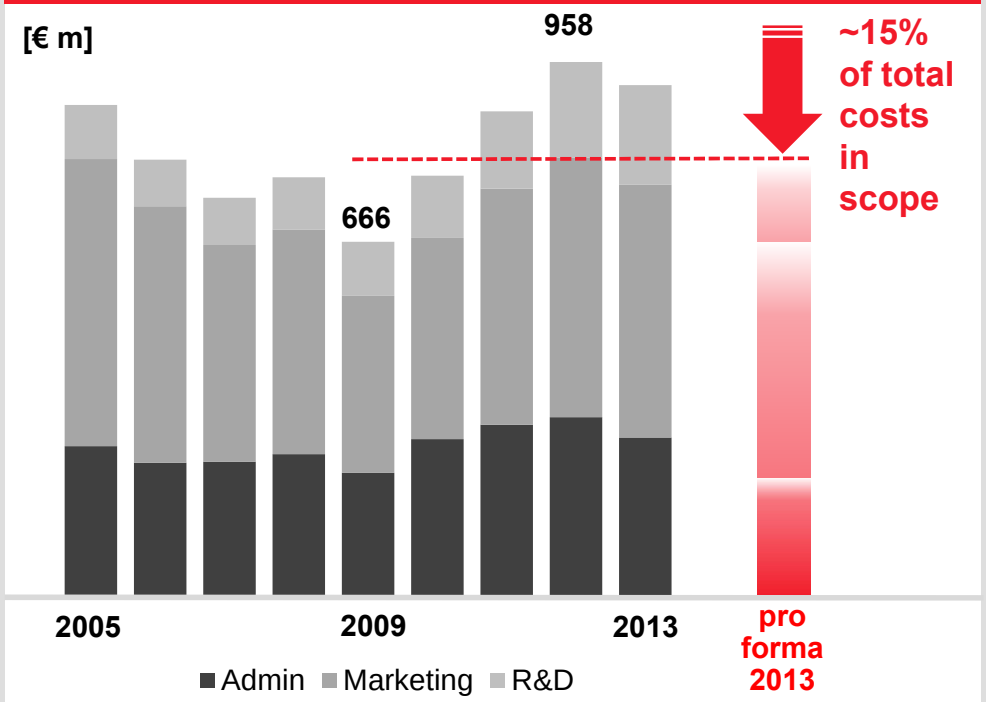
LANXESS plans to reduce costs to level of 2010/2011

Overhead and R&D costs outpaced growth



Reduction needed to regain competitiveness



Restructuring phase I – first step to achieving cost competitiveness

Based on annual reports

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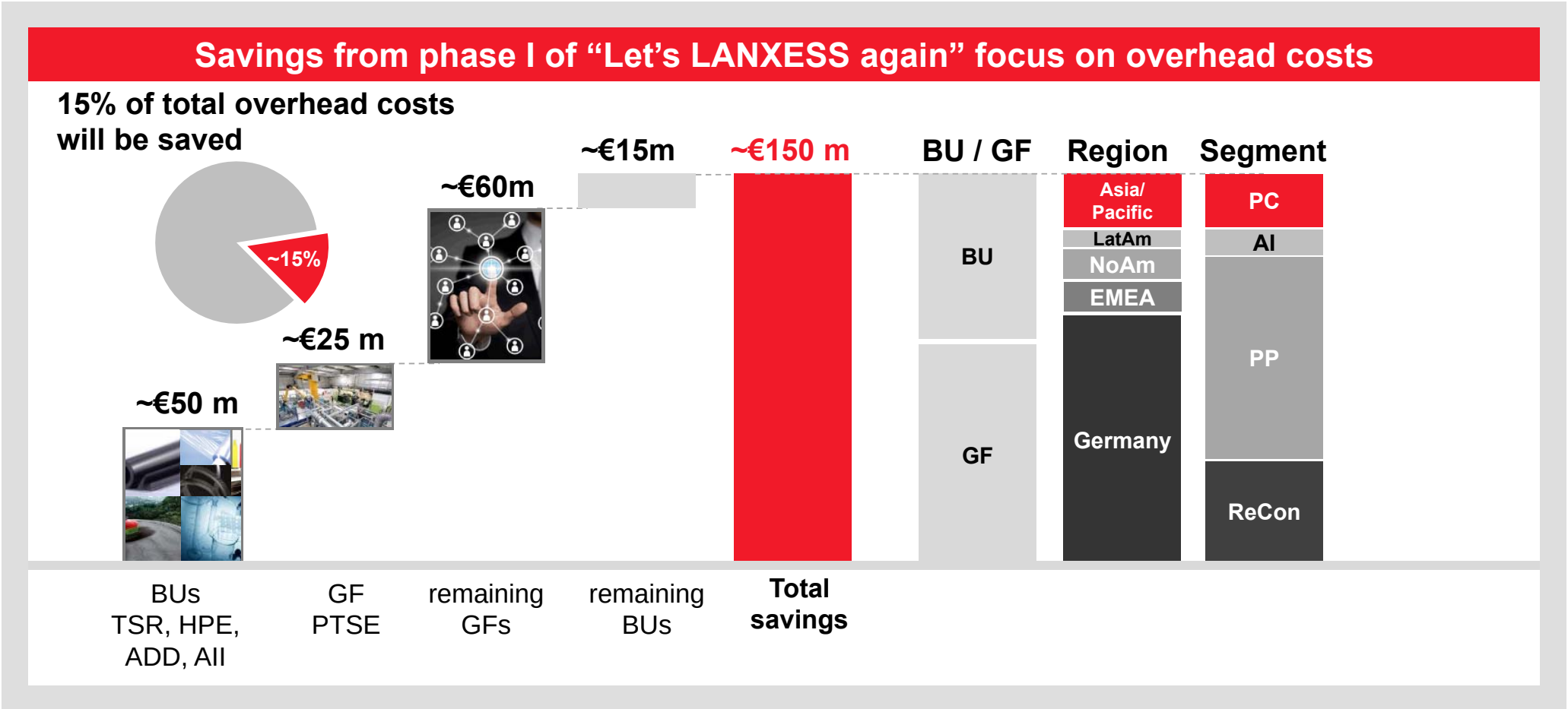
Phase I will lead to ~€150 m savings or ~15% of total overhead costs in scope



Savings through "Let's LANXESS again" vs December 31, 2013

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Phase I offers attractive OTC / savings ratio

Detailed table to summarize financial impact of restructuring phase

Phase I

		2014	2015	2016	Total
	Headcount reduction	~250	~650	~100	**~1,000**
[€ m]	**Cash out**	~20	~110	~20	**~150**
[€ m]	**P&L expense (OTC)**	~100	~40	~10	**~150**
[€ m]	**Cost reduction**	~20	~100	~30	**~150**

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Food for thought: Two new rubber plants will come on stream in H1 2015 and impact 2015 & 2016

2014 → 2015 / 2016

Nd-PBR

~€15 m
Ramp-up costs

Customer approbation

Idle costs

Additional competitor capacities

EPDM

~€20 m
Ramp-up costs

Customer approbation

Idle costs

Additional competitor capacities

Idle costs of ~€50 m (excl. ramp-up costs) due to additional capacities will affect both 2015 & 2016

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Phase II: Focus on operations competitiveness

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Initiatives for commercial & supply chain excellence and manufacturing excellence initiated

Applying best practices uniformly

Commercial & supply chain excellence

Scope

- Go-to-market strategy and responsibilities
- Supply chain management
- Governance model

Timeline

- Kickoff — Q4 2014
- Analysis — Q1 - Q2 2015
- Implementation — Q3 2015 - Q4 2016

Manufacturing excellence

Scope

- Implement culture of continuous improvement for manufacturing
- Optimize manufacturing processes / resources
- Addressing fixed and variable manufacturing costs

Timeline

- Kickoff — Q1 2015
- Analysis — Q2 - Q4 2015 (starting with pilots)
- Implementation — up to Q4 2016

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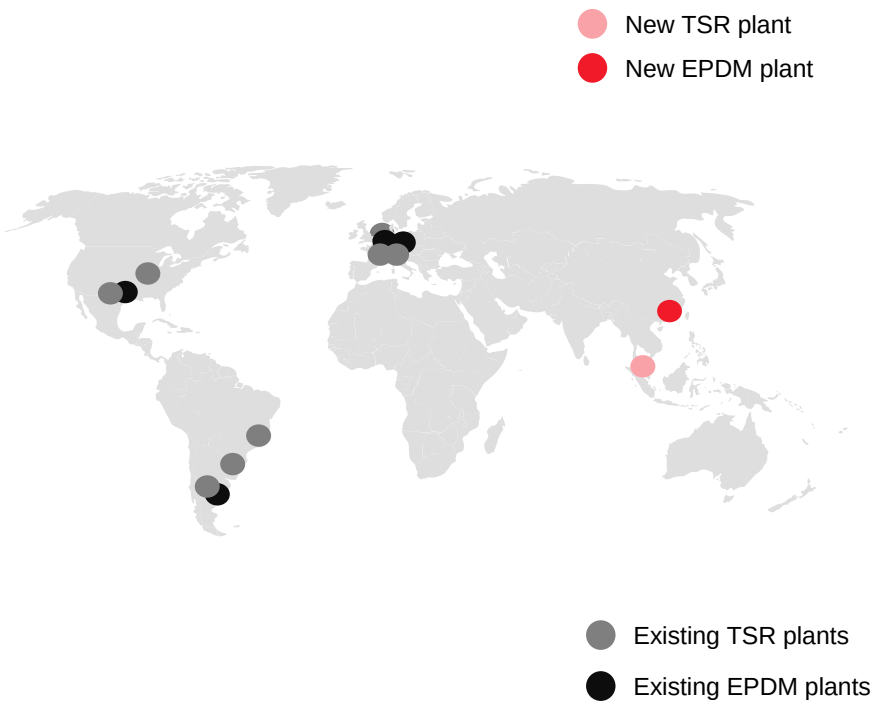
Phase II also comprises a comprehensive analysis of production platform

A number of complex issues to be analyzed



Analysis checklist

- Time to fill capacity
- Strategic customers
- Quality
- Legal issues, contracts
- Raw materials
- Smooth ramp-up
- Customer approbation
- Relocation of volumes

Evaluate closure / mothballing

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Phase III: Portfolio competitiveness and alliances to be studied in conjunction with phase II

Schematic

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Leadership excellence and performance culture

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Repositioning synthetic rubber through three-phase realignment program

Factors affecting sustainable profitability in synthetic rubber business

Demand

- Underlying trend of mobility intact
- Demand for replacement tires
- Trend towards fuel-efficiency (labelling)
- Miles driven up in U.S. since Q2'13

Growth rates*	
8%	Nd-PBR, SSBR
4%	Butyl, EPDM, Other PBRs ESBR
0%	

Profitability of LANXESS' synthetic rubber

Cost position & processes

- Uncompetitive cost bases
- Non-standardized & non-harmonized manufacturing processes

Addressed with phase I and II

Supply and backward integration

- Additional capacity will worsen the apparent oversupply (especially in EPDM and butyl)
- Around 20% overcapacity overall in all rubber grades already today
- No consolidation visible yet

Addressed with phase III

* CAGR 2014-2019; LANXESS estimates based on IHS Chemicals 2014

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- Executive summary Q3 2014 results
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- **Capital allocation & Growth: Building on a strengthened platform**

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Building on a strengthened platform

Efficiency

2014

Costs

Excellence

2015 / 2016

Processes & alliances

Growth

beyond

Organic & portfolio

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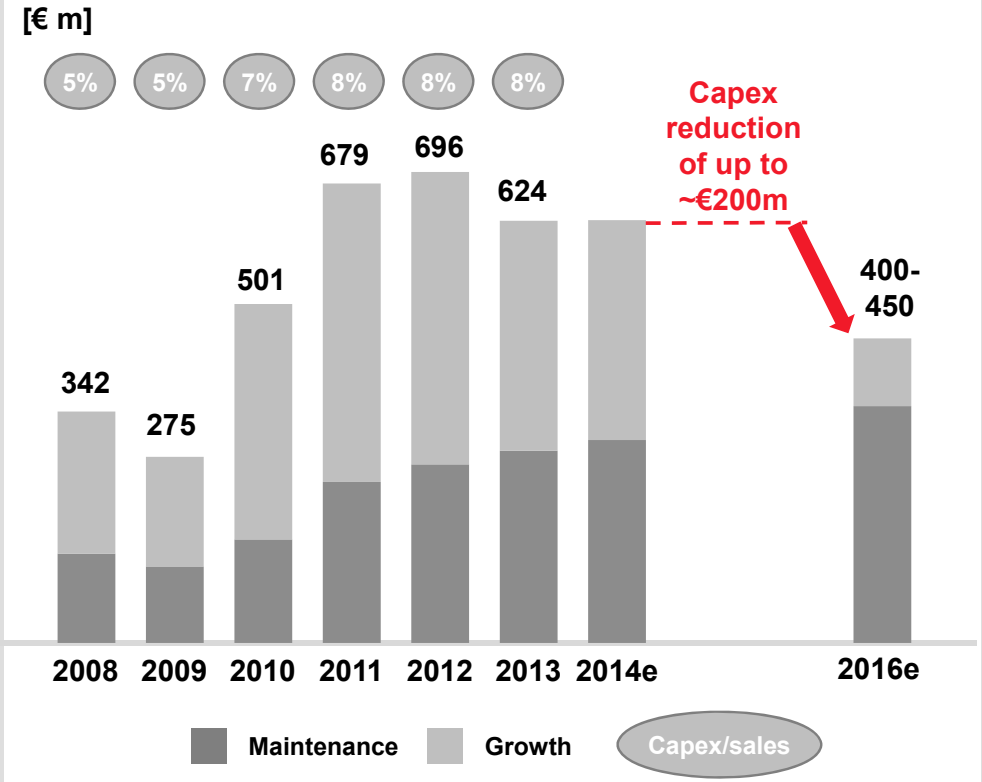
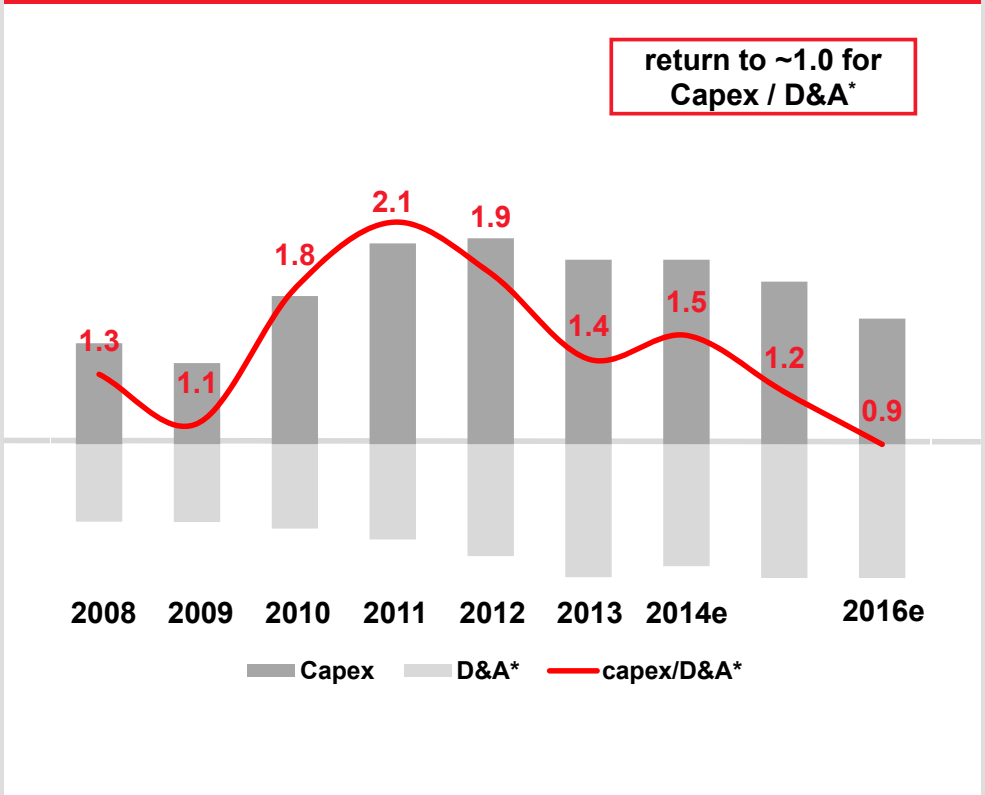
Capex cycle ends – new cash profile should enable future growth

Closing a heavy investment cycle…



… taking capex down to D&A* level



* before exceptional items

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Shifting gears towards growth beyond 2016 – new capital allocation priorities

Until 2016	Beyond 2016
1 Debt repayment	1 Portfolio management
2 Restructuring	2 Dividends
3 Growth	3 Organic growth
4 Dividends	4 Debt repayment
	5 Share buybacks

Dividends remain an important element

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The strategy: Targeting selective growth after the realignment process

Phase I:
- New organizational set-up
- Restructuring program implemented
- Financial platform improved

Phase II:
- Implementation of manufacturing and commercial & supply chain excellence
- Execution of potential changes in production platform

Phase III:
- Realization of opted alliances
- Balancing the company portfolio

Selective growth on strengthened platform

2014 → 2015 → 2016 → beyond

Onboarding of employees and new management team

-

Negotiations with employee representatives

Support EBITDA
- Cost reduction of ~€150 m
- Headcount reduction of ~1,000
- Improving supply situation (mothballing, plant closures)
- Improving raw material supply

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Selective growth for the future

2014 | 2015 | 2016 | beyond

Performance Polymers	Advanced Intermediates	Performance Chemicals
▪ Repositioning rubber business structurally ▪ Efficiency improvements ▪ Maintenance investments; only selective organic growth	▪ Debottlenecking, efficiency improvements and brownfield investments ▪ Consider adding further intermediate building blocks should M&A opportunities arise	▪ Consolidating businesses that target similar customer segments ▪ Further expansion of asset base in Asia to raise local standards ▪ Room for organic and M&A-driven growth worldwide

Strong positions – benefit from growing demand

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Value generation in focus again

Delivery on restructuring; savings of ~€150 m	by end of 2016
Cash generation to re-start	2016
Repositioning LANXESS for selective growth	beyond 2016

Applying our competencies: Dynamic, entrepreneurial and flexible

End of presentation

Q&A

Housekeeping items for consideration

Additional financial expectations	
▪ Capex 2014:	around previous year's level (2013: €624 m)
▪ Capex 2015:	€500-550 m
▪ Capex 2016:	€400-450 m
▪ D&A 2014:	~€400-420 m
▪ Inventory devaluation:	potentially necessary in Q4 2014, given decreasing butadiene price development
▪ Exceptional items 2014:	up to ~€80 m Q4 2014 up to ~€150* m FY 2014
▪ Reconciliation 2014:	~-€170 m EBITDA pre incl. ~€20 m savings from "Let's LANXESS again" already
▪ Ramp-up cost EPDM China:	~€10 m in Q4 2014 and Q1 2015 each
▪ Ramp-up cost Nd-PBR Singapore:	~€15 m in Q1 2015
▪ Annual tax rate:	- >30% in 2014 - mid-term: ~22-25%
▪ Hedging 2014:	~50% at 1.25 -1.40 USD/EUR
▪ Hedging 2015:	~35% at 1.25 -1.40 USD/EUR

Thereof up to ~€100 m for "Let's LANXESS again"

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New business set-up creates more efficient and effective market approach

Performance Polymers

- Butyl Rubber
- Performance Butadiene Rubbers
- Keltan Elastomers
- High Performance Elastomers
- High Performance Materials

Advanced Intermediates

- Advanced Industrial Intermediates
- Saltigo

Performance Chemicals

- Material Protection Products
- Inorganic Pigments
- Functional Chemicals
- Leather
- Rhein Chemie
- Rubber Chemicals
- Liquid Purification Technologies

Performance Polymers

- Tire & Specialty Rubbers
- High Performance Elastomers
- High Performance Materials

Advanced Intermediates

- Advanced Industrial Intermediates
- Saltigo

Performance Chemicals

- Material Protection Products
- Inorganic Pigments
- Rhein Chemie Additives
- Leather
- Liquid Purification Technologies

Reporting structure as of January 1st 2015

Sales: > €500 m | Sales: €200 m – 500 m | Sales: < €200 m

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European chemical sector challenged by structural factors

Higher raw material and energy costs	New technologies and new entrants	Modest growth rates and fewer export opportunities
▪ EU experiences feedstock cost dis-advantage vs. competitors ▪ German companies in particular suffer from high energy prices ▪ EU has higher labor costs than emerging countries and the U.S.	▪ State-owned competition from emerging countries motivated by self-sufficiency agenda rather than economic approach ▪ Shale gas boom in the U.S. and resulting investments will increase import pressures in Europe	▪ Competitors in emerging Asian countries (esp. China) have increasingly reduced their dependence on imports by building up their own capacities ▪ Middle Eastern and Chinese companies are moving into more complex, high-value-added products

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Meanwhile the European economy is still depressed by the sovereign debt crisis and resulting austerity measures

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Leadership in four key areas is essential

LEADERSHIP
in

Productivity	Standards	Innovation	Strategy & People
▪ Market share ▪ Economies of scale ▪ Leaner cost structures (cross-functional)	▪ Product reliability and service differentiate from new entrants ▪ "Green chemistry" gains in importance as global environmental awareness rises	▪ Ongoing process, product and technology innovations remain major differentiating factors for European chemical industry	▪ Old strategy models* remain intact; but adjustment needed during imbalances ▪ Soft factors gain in importance (leadership, values and openness to change)
!	✓	✓	!

Globalization and digitalization accelerate change
Anticipation of or quick adaption to change is key to remaining competitive

* Commodity vs specialty, big vs small, global vs local

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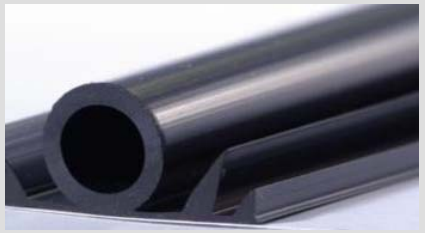
Business unit consolidation creates more efficient and effective market approach

	Tire & Specialty Rubbers	High Performance Elastomers	Rhein Chemie Additives	Advanced Industrial Intermediates
				
Composition	BTR, PBR → **TSR**	KEL, HPE → **HPE**	FCC, RCH, RUC (SC) → **ADD**	All, RUC (AOX/ACC) → **All**
Rationale	**Leaner business organization and more focused customer interactions**	**Focus on elastomers for technical applications in one lean unit**	**Leveraging market access as a single powerful supplier of additives**	**Combining two asset-driven businesses while applying All's best-practice approach globally**

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Business unit efficiency:
New organization and major restructuring efforts

Comprehensive measures will be implemented

Business Units TSR, HPE, ADD and All

- ✓ Streamlining of marketing & sales organization
- ✓ New distributor concept
- ✓ Reorganization of business unit support and administrative functions
- ✓ Consolidation of laboratories and technical functions

HC impact :	**~400**
OTCs:	**~€50 m**
Cost reduction:	**~€50 m**

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Group function PTSE*: Creating synergies by consolidating technology-oriented service functions

Measures resulting in a leaner and more efficient group function

Group function Production, Technology, Safety & Environment

- ✓ Consolidation of organizations (GFs INN, IEA and ASC)
- ✓ Decentralization of reactive maintenance
- ✓ Optimization of central maintenance organization
- ✓ Reduction of external research collaborations
- ✓ Reduction of various consultancy services

HC impact :	**~200**
OTCs:	**~€35 m**
Cost reduction:	**~€25 m**

*PTSE: Production, Technology, Safety & Environment
INN: Innovation & Technology, IEA: Industrial & Environmental Affairs, ASC: Aliseca

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Right-sizing of overhead functions

Measures will lead to considerable savings

Board Office, Corporate Communications and other administrative functions:

- ✓ Consolidation and visible restructuring of organizations
- ✓ Reduction of corporate marketing activities
- ✓ Reduction of sponsoring activities
- ✓ Reduction of consultancy services

HC impact :	**~250**
OTCs:	**~€30 m**
Cost reduction:	**~€60 m**

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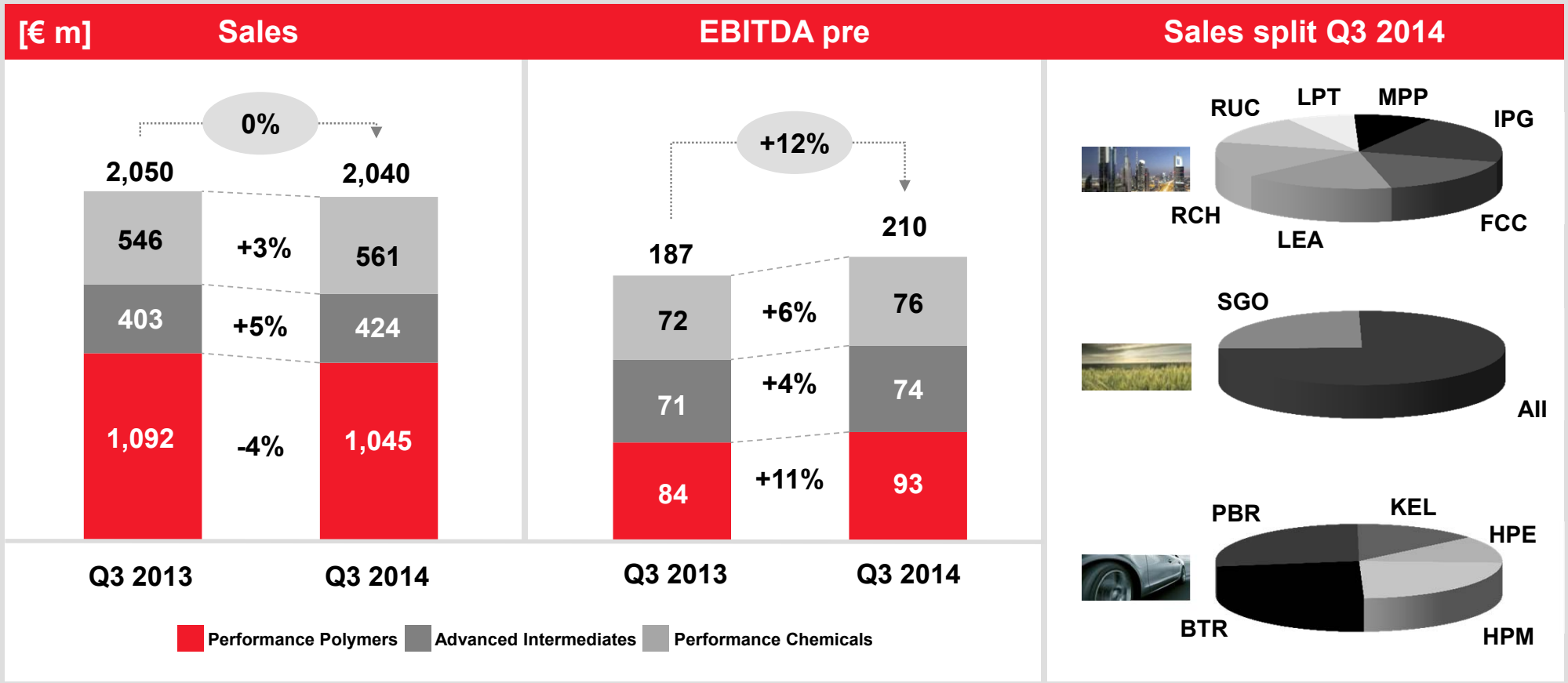
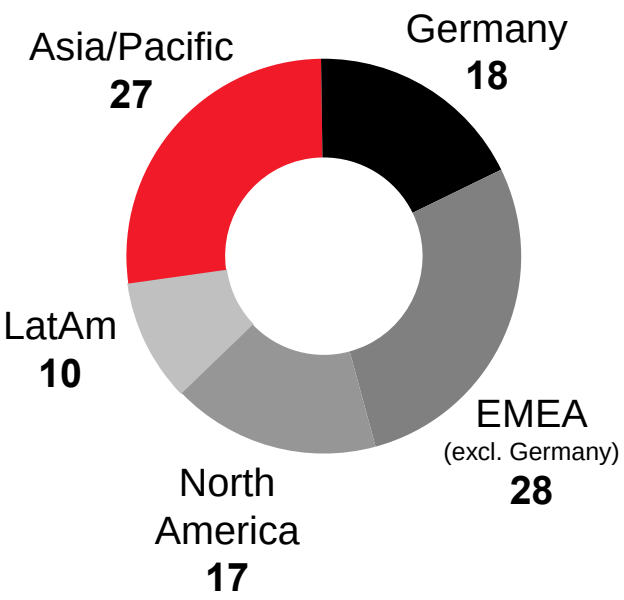
Q3 2014: EBITDA improvement in every segment



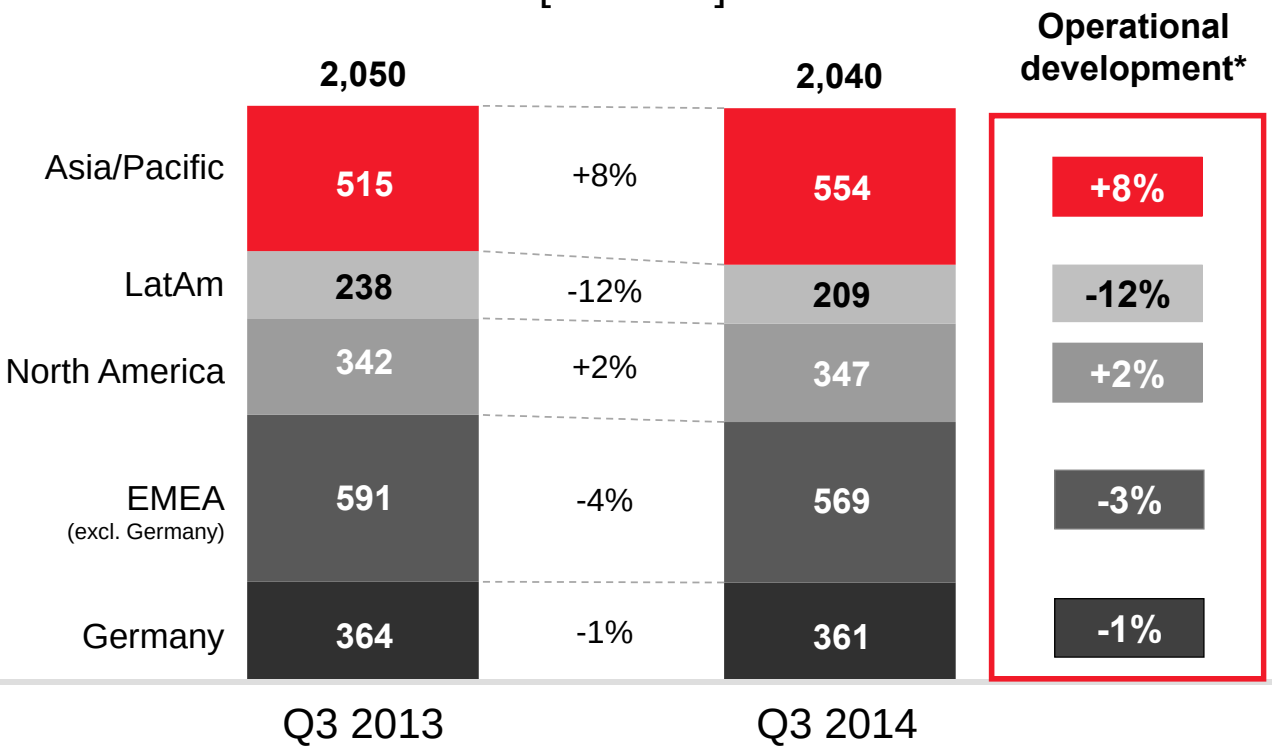
Total group sales and EBITDA pre figures include reconciliation

Q3 2014: Mixed development across the regions – Latin America burdened by lower volumes in standard rubbers

Q3 2014 sales by region
[%]



Regional development of sales
[€ million]



* Currency and portfolio adjusted

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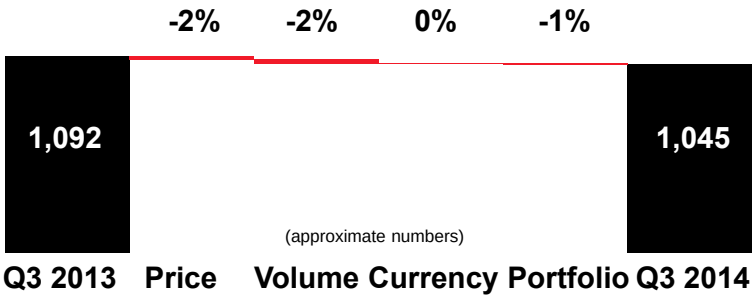
Performance Polymers: Business environment and performance remain subdued

[€ m]	Q3 2013	Q3 2014	Δ	9M 2013	9M 2014	Δ
Sales	**1,092**	**1,045**	**-4.3%**	**3,404**	**3,144**	**-7.6%**
EBIT	13	36	>100%	94	156	66.0%
Depr. / Amort.	63	52	-17.5%	188	159	-15.4%
EBITDA pre exceptionals	**84**	**93**	**10.7%**	**290**	**332**	**14.5%**
Margin	7.7%	8.9%		8.5%	10.6%	
Capex	**86**	**83**	**-3.5%**	**229**	**271**	**18.3%**

Q3 comments

- Lower prices at segment level due to continued weak environment, only BU PBR mitigates with higher selling prices yoy (raw-material related, butadiene)
- Volumes compare unfavourably to prior year's strong base; BU HPM burdened by maintenance shutdowns in caprolactam
- EBITDA held back by lower market prices of synthetic rubbers, despite better utilization and absence of inventory devaluation (~€10 m in Q3 2013)

Q3 sales bridge yoy [€ m]



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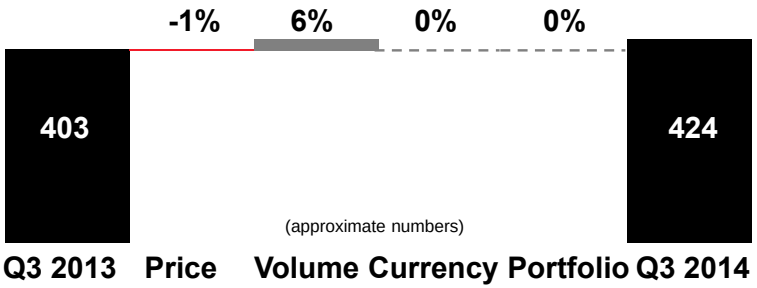
Advanced Intermediates: Continued good performance

[€ m]	Q3 2013	Q3 2014	Δ	9M 2013	9M 2014	Δ
Sales	**403**	**424**	**5.2%**	**1,229**	**1,246**	**1.4%**
EBIT	51	52	2.0%	164	151	-7.9%
Depr. / Amort.	20	22	10.0%	56	66	17.9%
EBITDA pre exceptionals	**71**	**74**	**4.2%**	**216**	**219**	**1.4%**
Margin	17.6%	17.5%		17.6%	17.6%	
Capex	**28**	**15**	**-46.4%**	**70**	**54**	**-22.9%**

Q3 comments

- Prices decrease marginally, reflecting changes in input costs (e.g., toluene)
- Volumes increase, driven by BU SGO enjoying solid demand in custom manufacturing for agro customers
- Good utilization leads to strong and stable EBITDA and margin
- Lower capex due to timing of projects in BU SGO and completion of cresol expansion in BU AII

Q3 sales bridge yoy [€ m]



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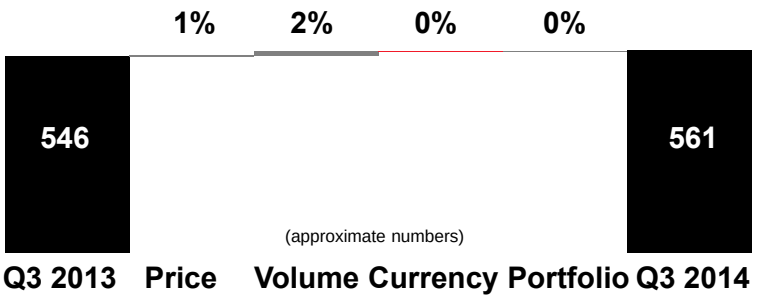
Performance Chemicals: A solid quarter of a well diversified segment

[€ m]	Q3 2013	Q3 2014	Δ	9M 2013	9M 2014	Δ
Sales	**546**	**561**	**2.7%**	**1,627**	**1,680**	**3.3%**
EBIT	51	51	0.0%	86	149	73.3%
Depr. / Amort.	21	21	0.0%	70	64	-8.6%
EBITDA pre exceptionals	**72**	**76**	**5.6%**	**190**	**230**	**21.1%**
Margin	13.2%	13.5%		11.7%	13.7%	
Capex	**24**	**8**	**-66.7%**	**77**	**36**	**-53.2%**

Q3 comments

- Price changes vary across BUs; some price increase seen in accelerators business (BU RUC)
- Volume increase driven by BU IPG (strong demand in construction, esp. Europe) and BU LEA (leather chemicals and chrome ore)
- EBITDA rises on higher prices and volumes
- Capex sharply down from previous year due to timing and project completions at various BUs (e.g., BUs RCH and LPT)

Q3 sales bridge yoy [€ m]



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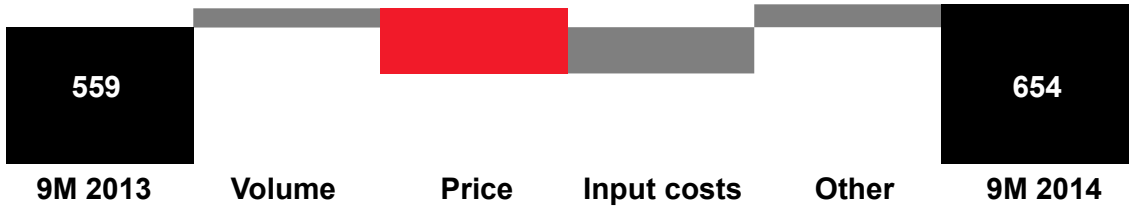
9M 2014: Improved earnings from volume increase and absence of one-time burdens in 2013

9M yoy sales variances	Price	Volume	Currency	Portf.	Total
Perf. Polymers	-7%	2%	-2%	0%	-8%
Adv. Intermediates	-3%	5%	-1%	0%	1%
Perf. Chemicals	0%	5%	-2%	0%	3%
LANXESS	-4%	3%	-2%	0%	-3%

- Lower sales as positive volumes do not compensate lower prices and currency headwinds
- Positive volumes across all segments

9M yoy EBITDA pre bridge [€ m]



- Price decline exceeds relief from raw-material cost; market price pressure
- Higher volumes, respectively lower idle costs and absence of one-time burdens support EBITDA

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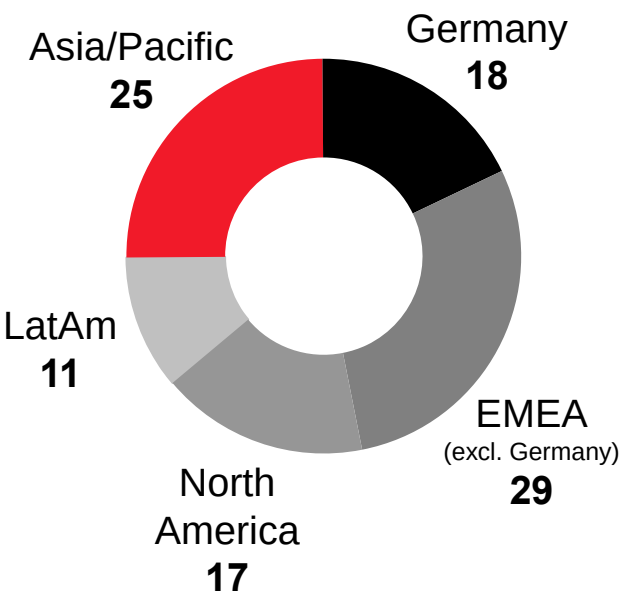
9M 2014: Weaker sales in Latin America due to weakness in standard rubbers

9M 2014 sales by region
[%]



Regional development of sales
[€ million]

	9M 2013		9M 2014	Operational development*
Asia/Pacific	1,567	-1%	1,544	+2%
LatAm	759	-15%	647	-12%
North America	1,026	-1%	1,017	+2%
EMEA (excl. Germany)	1,838	-3%	1,789	-2%
Germany	1,096	+1%	1,105	+1%
	6,286		6,102	

* Currency and portfolio adjusted

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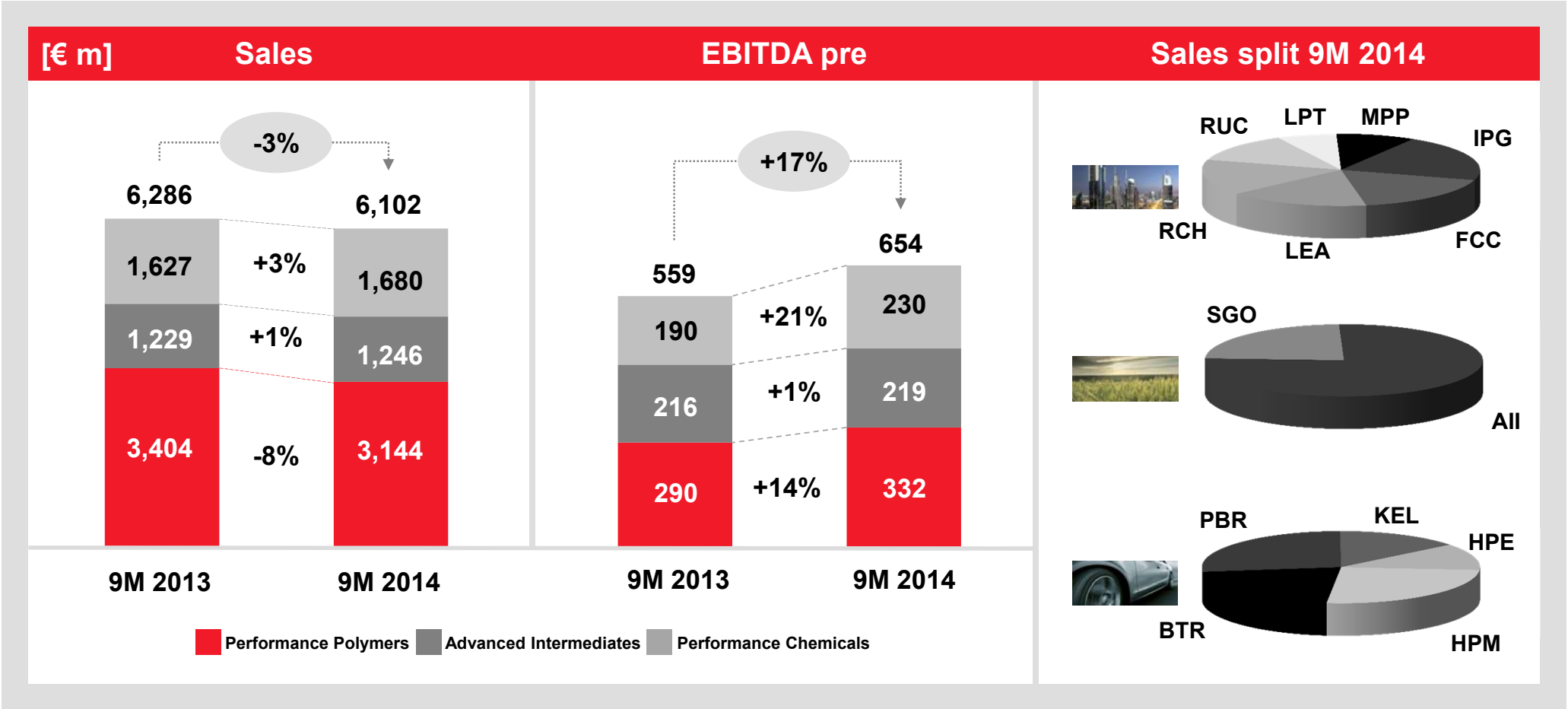
9M 2014: All segments with improved EBITDA



Total group sales and EBITDA pre figures include reconciliation

9M 2014: Muted operational performance but visible cost reductions

[€ m]	9M 2013		9M 2014		yoy in %
Sales	6,286	(100%)	6,102	(100%)	-3%
Cost of sales	-5,098	(81%)	-4,844	(79%)	5%
Selling	-575	(9%)	-560	(9%)	3%
G&A	-230	(4%)	-207	(3%)	10%
R&D	-134	(2%)	-124	(2%)	7%
EBIT	**169**	**(3%)**	**280**	**(5%)**	**66%**
Net Income	**45**	**(1%)**	**115**	**(2%)**	**>100%**
EPS	**0.54**		**1.31**		**>100%**
EPS pre[1]	1.10		1.91		81%
EBITDA	501	(8%)	582	(10%)	16%
thereof exceptionals	-58	(1%)	-72	(1%)	24%
EBITDA pre exceptionals	**559**	**(8.9%)**	**654**	**(10.7%)**	**17%**

- Sales decrease as lower prices (-4%) are not offset by higher volumes (+3%)
- Cost of sales show a disproportionately large decline due to the absence of one-time burdens (~€50 m) and reduced idle costs on better utilization
- Overhead line items reflect first savings from realignment and high cost discipline
- EBIT, net income and EPS supported by lower interest rates and reduced D&A[2]

Cost discipline supports earnings

[1] Net of exceptionals, using the local tax rate applicable where the expenses were incurred
[2] Impairment at year-end 2013

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9M 2014: Free cash flow break-even

[€ m]	9M 2013	9M 2014
Profit before tax	**62**	**187**
Depreciation & amortization	332	302
Gain from sale of assets	-1	0
Result from investments (using equity method)	0	-6
Financial (gains) losses	82	53
Cash tax payments/refunds	-38	-17
Changes in other assets and liabilities	-70	130
Operating cash flow before changes in WC	**367**	**649**
Changes in working capital	-56	-261
Operating cash flow	**311**	**388**
Investing cash flow	**-164**	**-496**
thereof capex	-398	-374
Financing cash flow	**-161**	**-47**

- Profit before tax increased due to better business performance
- D&A decrease reflects impact of year-end 2013 impairment
- Changes in other assets and liabilities reflect pay-out for var. compensation in 2013; 2014 with provisions for personnel
- Financing cash flow comprises €500 m bond repayment and funds from capital increase
- Investing cash flow also contains investment in near cash assets

Increase in working capital burdens

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Balance sheet strengthened – working capital expected to come down by year-end

[€ m]	Dec 2013	Sep 2014
Total assets	6,811	7,360
Equity	1,900	2,364
Equity ratio	**28%**	**32%**
Net financial debt	1,731	1,445
Net financial debt/EBITDA pre[1]	**2.36**	**1.74**
Near cash, cash & cash equivalents	533	516
Pension provisions	943	1,142
ROCE[1]	**5.8%**	**7.7%**
Net working capital	1,679	1,994
Net working capital/sales[1]	**20%**	**25%**
DSI (in days)[2]	58	67
DSO (in days)[2]	48	51

- Equity ratio improved after capital increase in May 2014
- Net financial debt reduced with proceeds from capital increase
- Pension provisions rise due to reduced interest rates mainly in Germany
- Net working capital increases driven by higher inventories mainly in H1 (preparation for Q4-loaded maintenance) and adverse currency effects

[1] Based on last twelve months for EBIT pre, EBITDA pre or sales
[2] Days of sales in inventories / Days of sales outstanding calculated on quarterly sales

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Balance sheet

[€ m]	Dec'13	Jun'14	Sep'14
Non-current assets	**3,592**	**3,717**	**3,905**
Intangible assets	323	319	321
Property, plant & equipment	2,903	3,000	3,139
Equity investments	12	17	18
Other investments	13	13	13
Other financial assets	11	13	12
Deferred taxes	254	283	330
Other non-current assets	76	72	72
Current assets	**3,219**	**3,479**	**3,455**
Inventories	1,299	1,477	1,527
Trade accounts receivable	1,070	1,152	1,155
Other financial & current assets	317	280	257
Near cash assets	106	269	241
Cash and cash equivalents	427	301	275
Total assets	**6,811**	**7,196**	**7,360**

	Dec'13	Jun'13	Sep'14
Stockholders' equity	**1,900**	**2,324**	**2,364**
Non-current liabilities	**3,029**	**3,281**	**3,374**
Pension & post empl. provis.	943	1,083	1,142
Other provisions	258	269	277
Other financial liabilities	1,649	1,774	1,780
Tax liabilities	49	39	33
Other liabilities	101	86	115
Deferred taxes	29	30	27
Current liabilities	**1,882**	**1,591**	**1,622**
Other provisions	355	387	430
Other financial liabilities	668	316	206
Trade accounts payable	690	694	688
Tax liabilities	21	60	68
Other liabilities	148	134	230
Total equity & liabilities	**6,811**	**7,196**	**7,360**

- Inventories higher in preparation for Q4 maintenance; adverse currency effects add to increase
- Increase in trade accounts receivable against year-end 2013 as sales in Sept 2014 higher than Dec 2013
- Risen stockholder's equity reflects 10% capital increase in May 2014
- Other financial liabilities decreased after repayment of €500m bond (7.75% coupon) in April 2014

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Major projects expected to be on stream after 2014

2013 (completed)	BU BTR	Butyl (SGP), Q1 2013, new plant 100kt
	BU HPE	Chloroprene rubber (GER), H2 2013, debottlenecking +10%
	BU AII	Dichlorobenzene (GER), Q1 2013, debottlenecking +15%
	BU AII	Cresols (GER), end of 2013, debottlenecking +20%
	BU LEA	Leather chemicals (CHN), H1 2013, up to 50kt
	BU LEA	CO_2 plant (ZA), Q4 2013, new plant
2014 (completed)	BU HPM	Polyamide (Belgium), Q3 2014, new plant 90kt
	BU HPM	Compounding (BRA), Q2 2014, new plant 20kt
	BU LPT	Ion exchange resins (GER), mid 2014, debottlenecking +33%
2015 +	**BU KEL**	**EPDM (CHN), 2015, new plant 160kt**
	BU PBR	**Nd-PBR (SGP), H1 2015, new plant 140kt**
	BU IPG	Iron oxide red (CHN), Q1 2016, new plant 25kt
	BU IPG	Mixing & milling (CHN), Q1 2016, new plant 70kt
	BU HPM	Compounding (US), early 2016, debottlenecking +20kt
	BU PBR	SSBR (BRA) conversion from ESBR (110kt)*

* Expected for the label introduction in Brazil (2016); to be further evaluated

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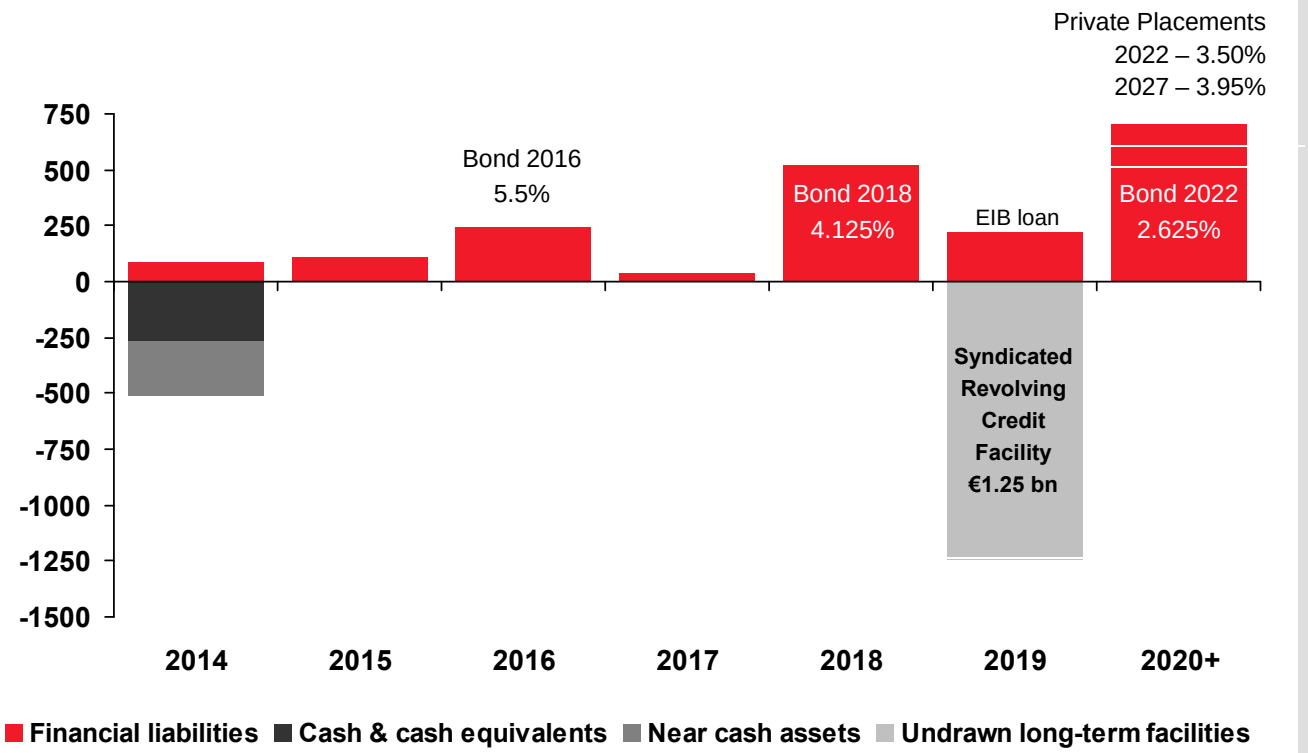
A well managed and conservative maturity profile

Long term financing secured

- Diversified financing sources
  - Bonds
  - Private placements
  - Syndicated credit facility
  - Development banks
  - Bilateral bank facilities
- Average €-funding interest rate below 4%
- All group financings without financial covenants

Liquidity and maturity profile as per September 2014



EIB = European Investment Bank

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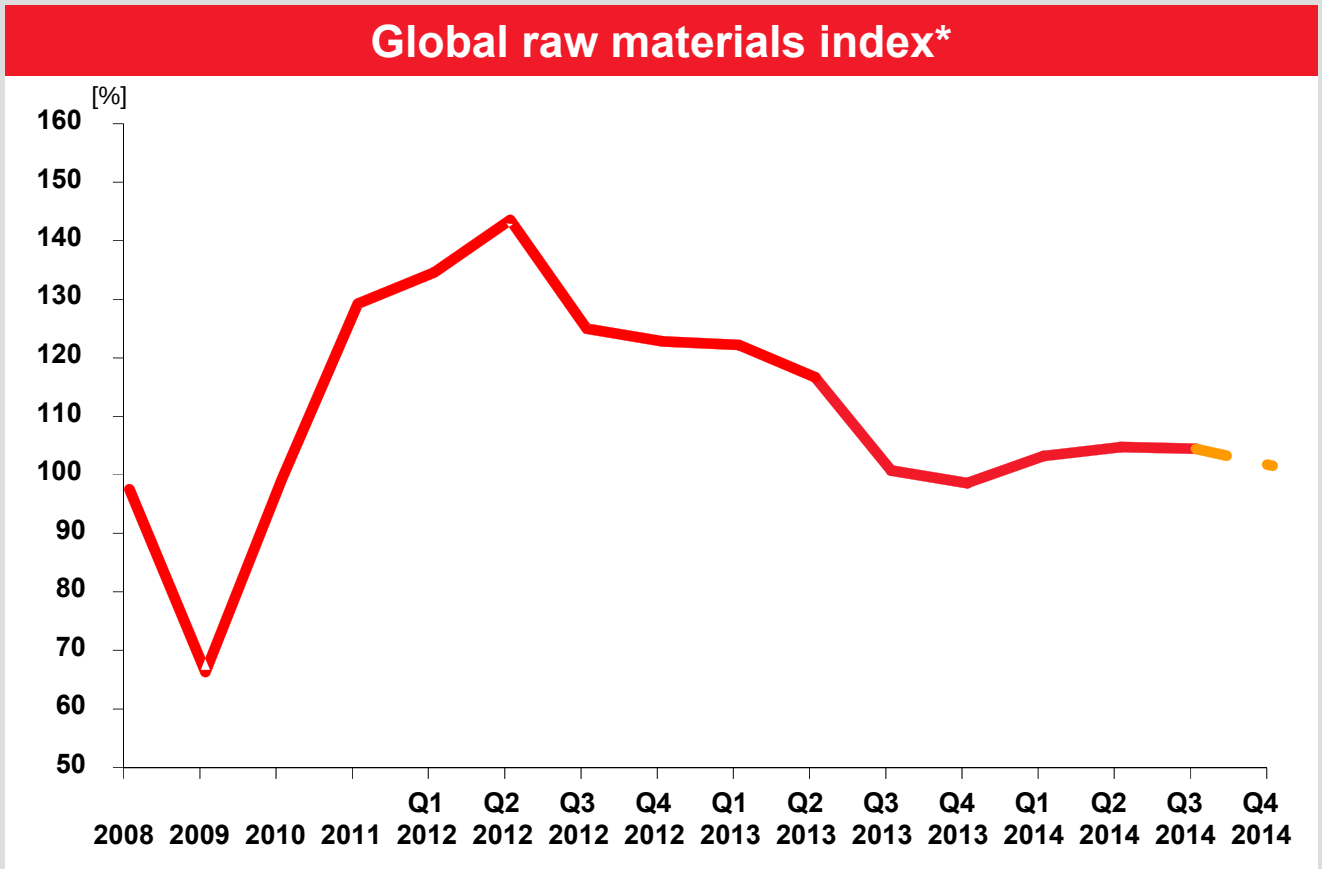
High volatility in raw material prices



- In 2012, raw material prices (mainly butadiene) started a declining trend, with an apparent bottoming-out at the end of 2013
- A slight increasing trend in raw material prices in 9M 2014
- Q4 2014 expected with again slightly decreasing raw material prices (driven by butadiene)

* Source: LANXESS, average 2010 = 100%

Overview exceptional items Q3 and YTD

[€ m]	Q3 2013		Q3 2014		9M 2013		9M 2014	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Performance Polymers	8	0	5	0	8	0	18	1
Advanced Intermediates	0	0	0	0	-4	0	2	0
Performance Chemicals	0	0	4	0	40	6	17	0
Reconciliation	13	0	18	0	20	0	36	0
Total	**21**	**0**	**27**	**0**	**64**	**6**	**73**	**1**

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Abbreviations

Performance Polymers

- BTR Butyl Rubber
- PBR Performance Butadiene Rubbers
- TSR Tire & Specialty Rubbers
- KEL Keltan Elastomers
- HPE High Performance Elastomers
- HPM High Performance Materials

Advanced Intermediates

- AII Advanced Industrial Intermediates
- SGO Saltigo

Performance Chemicals

- MPP Material Protection Products
- IPG Inorganic Pigments
- FCC Functional Chemicals
- RCH Rhein Chemie
- RUC Rubber Chemicals
- ADD Rhein Chemie Additives
- LEA Leather
- LPT Liquid Purification Technologies

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Upcoming events 2014 / 2015

Active capital market communication		
Morgan Stanley Global Chemicals Conference	November 11	Boston
Bank of America Merrill Lynch German Corporate Days 2014	November 17/18	Singapore
MainFirst Conference	November 18	Paris
Barclays European Select Conference	November 19	Zurich
Deutsche Bank Tokyo Investor Conference	November 25/26	Tokyo
Deutsches Eigenkapitalforum	November 26	Frankfurt
Bank of America Merrill Lynch European Chemicals Conference	December 2/3	London
HSBC Luxembourg Conference	December 4	Luxembourg
Citi European Credit Conference	December 4	London
Oddo Midcap Forum	January 8/9	Lyon
Commerzbank German Investment Seminar	January 12-14	New York
FY results 2014	**March 19**	
Q1 results 2015	**May 7**	
AGM 2015	**May 13**	**Cologne**
Q2 results 2015	**August 6**	
Q3 results 2015	**November 5**	

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