LANXESS Q1 2014 Financial Summary for Investors and Analysts

LANXESS currently in process of a 10% capital increase
- Support necessary restructuring measures
- Improve financial position to avoid further balance sheet stretch and to protect investment grade
- Strengthen future development

Summary Q1 2014
- Group sales down by 2.5% against prior-year quarter
- Volumes ahead of the prior-year period in all segments, while prices are below previous year’s level (driven by Performance Polymers)
- Persistently challenging market environment for synthetic rubber; continued favorable trend in the agrochemicals business; positive impetus from the construction industry
- EBITDA pre exceptionals up by 17.8% to €205 million
- EBITDA margin pre exceptionals 10.0% vs. 8.3% for the prior-year quarter
- Net income and earnings per share level with previous year at €25 million and €0.30, respectively
- Earnings held back by lower selling prices
- Net financial liabilities higher at €1,832 million on seasonally higher working capital
- Guidance for 2014: year-on-year earnings improvement; EBITDA pre exceptionals €220 million to €240 million in the second quarter, €770 million to €830 million for the full year 2014

Overview Financials

Q1 2014 Financial Overview
- EBITDA increase, but operational performance not satisfactory
- Sales decline as volumes (+7%) offset prices (-7%) and currency weighs (-2%)
- Cost of sales showed disproportionately large decline due to the absence of prior-year one-time burdens (~€30 m from ramp-up costs in BU BTR and technology change in BU KEL)
- “Advance” measures and savings reflected in overhead cost decline
- Operational performance burdened by strike
- Profitability increase mainly due to absence of one-time effects
Q1 2014 Balance Sheet:
- Financial metrics stretched but measures initiated
  - Net financial debt increased sequentially due to seasonal increase in working capital
  - Cash & cash equivalents available to fund redemption of €500 m bond (7.75% coupon) in April 2014
  - Pensions increase mainly due to lower interest rates in Germany
  - Net working capital increases mainly due to higher receivables (higher sales in Mar’14 vs Dec’13)
  - DSI (60 days) and DSO (52 days) at moderate levels

Q1 2014 Cash flow statement:
- Working capital increase bites into operating cash-flow
  - Profit before tax on previous year’s low level
  - D&A nearly unchanged as impairments at year-end 2013 offset D&A from new assets
  - Change of cash taxes due to timing of payments
  - Changes in other assets and liabilities reflects cash-neutral provision building for “Advance” and personnel costs
  - Increase in working capital funded by operating cash flow
  - Negative free cash-flow due to weak business performance

Q1 2014 Business Overview

Performance Polymers
- Slight EBITDA improvement
  - Sales deviation yoy: Price -12%, Volume +8%, Currency -2%, Portfolio 0% (approximate numbers)
  - Lower selling prices mainly raw material-driven (e.g. butadiene, ethylene)
  - Positive volumes nearly across all BUs
  - BUs HPE and HPM show solid EBITDA improvement, whilst BU BTR negatively impacted by strike and BU KEL faces ongoing price pressure
  - D&A at lower levels after impairment of BUs KEL and HPE
  - Capex increase driven by BU PBR (SG) and BU KEL (CN)

Advanced Intermediates
- Good diversification delivers resilient performance / margins
  - Sales deviation yoy: Price -4%, Volume +2%, Currency -1%, Portfolio 0% (approximate numbers)
  - Lower selling prices in line with lower raw material prices (mainly toluene in BU All)
  - Higher volumes driven by strong agro business in both BUs
  - EBITDA and profitability at high level stemming from good utilization and exposure to diversified customer industries; some currency headwind
  - D&A increases from a higher asset base in both business units
Performance Chemicals

- **Good contribution from almost all business units**
- Sales deviation yoy: Price 0%, Volume +8%, Currency -3%, Portfolio +1% (approximate numbers)
- Prices remain broadly stable
- Volume increase in all BUs: BU IPG with strongest contribution (good construction business; mild winter in Europe) and BUs RCH and RUC strong, however compared to low base
- Positive EBITDA development across the segment; strong increase from construction-related business and reliable operations in BU LEA (CO₂ supply secured)
- Capex declines mainly as investments in BU LEA are finalized

Outlook:

LANXESS’ process for improvements started, but results will take time

**Macro expectations 2014**

- Tire industry (especially Europe) to develop better than 2013 trough, whilst Q1 growth rate will not be maintained throughout the year
- Automotive industry with slightly improved environment in Europe and the US, while Asia/Pacific will continue to show stable growth rates
- Agro chemicals with ongoing good demand
- Construction industry expected to grow more dynamically especially in North America and Asia/Pacific – Europe with improved prospects
- US Dollar expected volatile in 2014; political uncertainties remain a risk

**LANXESS expectations 2014**

- For Q2 2014 we see EBITDA pre between €220-240 m
- For FY 2014 we expect an improved EBITDA pre in the bandwidth of €770-830 m

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
- Annual tax rate: - mid-term: In normalized business environment and after completion of efficiency program ~22-25% - 2014: tax rate will be higher
- Hedging 2014: ~45% at 1.25 -1.40 USD/EUR
- Hedging 2015: ~20% at 1.25 -1.40 USD/EUR

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

Cologne, May 7, 2014
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### Financial Overview Q1 2014

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<thead>
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<tbody>
<tr>
<td></td>
<td>Q1 ’13</td>
<td>Q1 ’14 Chg. in %</td>
<td>Q1 ’13</td>
<td>Q1 ’14 Chg. in %</td>
<td>Q1 ’13</td>
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<tr>
<td>Sales</td>
<td>2,095</td>
<td>-2%</td>
<td>1,134</td>
<td>-6%</td>
<td>433</td>
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<tr>
<td>Price*</td>
<td></td>
<td>-7%</td>
<td></td>
<td></td>
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<tr>
<td>Volume*</td>
<td></td>
<td>7%</td>
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<td>Currency*</td>
<td></td>
<td>-2%</td>
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<td></td>
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<tr>
<td>Portfolio*</td>
<td></td>
<td>0%</td>
<td></td>
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<tr>
<td>EBIT</td>
<td>67</td>
<td>12%</td>
<td>52</td>
<td>0%</td>
<td>54</td>
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<tr>
<td>Deprec. &amp; amortiz.</td>
<td>102</td>
<td>1%</td>
<td>60</td>
<td>-7%</td>
<td>17</td>
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<tr>
<td>EBITDA</td>
<td>169</td>
<td>5%</td>
<td>112</td>
<td>-4%</td>
<td>71</td>
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<tr>
<td>exceptionals in EBITDA</td>
<td>5</td>
<td>27 &gt;100%</td>
<td>0</td>
<td>0 %</td>
<td>n.m.</td>
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<tr>
<td>EBITDA pre excep.</td>
<td>174</td>
<td>18%</td>
<td>112</td>
<td>4%</td>
<td>71</td>
</tr>
<tr>
<td>normalized D&amp;A</td>
<td>102</td>
<td>1%</td>
<td>60</td>
<td>-7%</td>
<td>17</td>
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<tr>
<td>EBIT pre excep.</td>
<td>72</td>
<td>42%</td>
<td>52</td>
<td>17%</td>
<td>54</td>
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<tr>
<td>exceptionals in EBIT</td>
<td>5</td>
<td>27 &gt;100%</td>
<td>0</td>
<td>0 %</td>
<td>n.m.</td>
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<tr>
<td>Capex</td>
<td>93</td>
<td>16%</td>
<td>58</td>
<td>31%</td>
<td>19</td>
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<tr>
<td>Net financial debt**</td>
<td>1,731</td>
<td>6%</td>
<td>76</td>
<td></td>
<td>19</td>
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* approximate numbers
**previous year value as per Dec. 31
## Income Statement Q1 2014

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Chg. in %</th>
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<tr>
<td>Sales</td>
<td>2,095</td>
<td>2,043</td>
<td>-2%</td>
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<tr>
<td>Cost of sales</td>
<td>-1,700</td>
<td>-1,626</td>
<td>4%</td>
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<tr>
<td>Gross profit</td>
<td>395</td>
<td>417</td>
<td>6%</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>-189</td>
<td>-186</td>
<td>2%</td>
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<tr>
<td>Research and development expenses</td>
<td>-48</td>
<td>-45</td>
<td>6%</td>
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<tr>
<td>General administration expenses</td>
<td>-79</td>
<td>-74</td>
<td>6%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>30</td>
<td>31</td>
<td>3%</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>-42</td>
<td>-68</td>
<td>-62%</td>
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<tr>
<td>Operating result (EBIT)</td>
<td>67</td>
<td>75</td>
<td>12%</td>
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<tr>
<td>Income from investments accounted for using the equity method</td>
<td>0</td>
<td>1</td>
<td>n.m.</td>
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<tr>
<td>Interest income</td>
<td>1</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-26</td>
<td>-25</td>
<td>4%</td>
</tr>
<tr>
<td>Other financial income and expense</td>
<td>-11</td>
<td>-14</td>
<td>-27%</td>
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<tr>
<td>Financial result</td>
<td>-36</td>
<td>-37</td>
<td>-3%</td>
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<tr>
<td>Income before income taxes</td>
<td>31</td>
<td>38</td>
<td>23%</td>
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<tr>
<td>Income taxes</td>
<td>-7</td>
<td>-14</td>
<td>-100%</td>
</tr>
<tr>
<td>Income after income taxes</td>
<td>24</td>
<td>24</td>
<td>0%</td>
</tr>
<tr>
<td>of which attributable to non-controlling interests</td>
<td>-1</td>
<td>-1</td>
<td>0%</td>
</tr>
<tr>
<td>Net income (attributable to LANXESS AG stockholders)</td>
<td>25</td>
<td>25</td>
<td>0%</td>
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<tr>
<td>EPS (in €)</td>
<td>0,30</td>
<td>0,30</td>
<td>0%</td>
</tr>
<tr>
<td>EPS pre exceptionals (in €)</td>
<td>0,34</td>
<td>0,53</td>
<td>56%</td>
</tr>
</tbody>
</table>
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