



## LANXESS Q3 2014 Financial Summary for Investors and Analysts

### Summary Q3 2014

- Sales stable against prior-year quarter (minus 0.5%)
- Lower selling prices diminish results
- Persistently difficult competitive situation for synthetic rubbers; good demand for agrochemicals
- EBITDA pre exceptionals up by 12.3% to €210 million
- EBITDA margin pre exceptionals 10.3% vs. 9.1% in the prior-year quarter
- Net income and earnings per share improve to €35 million and €0.38, respectively, against €11 million and €0.13 in prior-year quarter
- Guidance for 2014 confirmed: EBITDA pre exceptionals between €780 million and €820 million with initial savings mitigating some burdens in Q4
- Progress with Group-wide realignment

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## Overview Financials

### Q3 2014 Financial Overview

- **Earnings improvement driven by cost savings**
- 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
- Net financial debt improved after capital increase (Q2'14)
- Free cash flow lower due to strong base in Q3 2013 (inventory reduction)
- Net working capital increase due to higher inventories in preparation for Q4 maintenance
- **Earnings have increased nicely – but the business environment continues to be challenging**

### Q3 2014 Balance Sheet:

- **Balance sheet strengthened – working capital expected lower by year-end**
- Risen stockholder's equity and ratio reflect 10% capital increase in May 2014
- Pension provisions rise due to reduced interest rates mainly in Germany
- 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
- Other financial liabilities decreased after repayment of €500m bond (7.75% coupon) in April 2014



### Q3 2014 Cash flow statement:

- **Positive free cash flow**
- 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**

### Q3 2014 Business Overview

#### Performance Polymers

- **Business environment and performance remain subdued**
- Sales deviation yoy: Price -2%, Volume -2%, Currency 0%, Portfolio -1% (approximate numbers)
- 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)

#### Advanced Intermediates

- **Continued good performance**
- Sales deviation yoy: Price -1%, Volume +6%, Currency 0%, Portfolio 0% (approximate numbers)
- 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 All

#### Performance Chemicals

- **A solid quarter of a well diversified segment**
- Sales deviation yoy: Price +1%, Volume +2%, Currency 0%, Portfolio 0% (approximate numbers)
- 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)

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## Outlook:

### 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

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#### LANXESS expectations 2014

- 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)

### 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 (CN) : ~€10 m in Q4 2014 and Q1 2015 each
- Ramp-up cost Nd-PBR (SG): ~€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”

Cologne, November 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 Q3 2014

in € million	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q3 '13	Q3 '14	Chg. in %	Q3 '13	Q3 '14	Chg. in %	Q3 '13	Q3 '14	Chg. in %	Q3 '13	Q3 '14	Chg. in %	Q3 '13	Q3 '14	Chg. in %
<b>Sales</b>	<b>2.050</b>	<b>2.040</b>	0%	<b>1.092</b>	<b>1.045</b>	-4%	<b>403</b>	<b>424</b>	5%	<b>546</b>	<b>561</b>	3%	<b>9</b>	<b>10</b>	11%
Price*			-1%			-2%			-1%			1%			0%
Volume*			1%			-2%			6%			2%			11%
Currency*			0%			0%			0%			0%			0%
Portfolio*			0%			-1%			0%			0%			0%
<b>EBIT</b>	<b>52</b>	<b>83</b>	60%	<b>13</b>	<b>36</b>	>100%	<b>51</b>	<b>52</b>	2%	<b>51</b>	<b>51</b>	0%	<b>-63</b>	<b>-56</b>	11%
Deprec. & amortizat.	114	100	-12%	63	52	-17%	20	22	10%	21	21	0%	10	5	-50%
<b>EBITDA</b>	<b>166</b>	<b>183</b>	10%	<b>76</b>	<b>88</b>	16%	<b>71</b>	<b>74</b>	4%	<b>72</b>	<b>72</b>	0%	<b>-53</b>	<b>-51</b>	4%
exceptionals in EBITDA	21	27	29%	8	5	-38%	0	0	0%	0	4	n.m.	13	18	38%
<b>EBITDA pre excep.</b>	<b>187</b>	<b>210</b>	12%	<b>84</b>	<b>93</b>	11%	<b>71</b>	<b>74</b>	4%	<b>72</b>	<b>76</b>	6%	<b>-40</b>	<b>-33</b>	18%
normalized D&A	114	100	-12%	63	52	-17%	20	22	10%	21	21	0%	10	5	-50%
EBIT pre excep.	73	110	51%	21	41	95%	51	52	2%	51	55	8%	-50	-38	24%
exceptionals in EBIT	21	27	29%	8	5	-38%	0	0	0%	0	4	n.m.	13	18	38%
<b>Capex</b>	<b>146</b>	<b>112</b>	-23%	<b>86</b>	<b>83</b>	-3%	<b>28</b>	<b>15</b>	-46%	<b>24</b>	<b>8</b>	-67%	<b>8</b>	<b>6</b>	-25%
Net financial debt**	1.731	1.445	-17%												

\* approximate numbers

\*\*previous year value as per Dec. 31



## Financial Overview 9M 2014

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	9M 2013	9M 2014	Chg. in %	9M 2013	9M 2014	Chg. in %	9M 2013	9M 2014	Chg. in %	9M 2013	9M 2014	Chg. in %	9M 2013	9M 2014	Chg. in %
<b>Sales</b>	<b>6.286</b>	<b>6.102</b>	-3%	<b>3.404</b>	<b>3.144</b>	-8%	<b>1.229</b>	<b>1.246</b>	1%	<b>1.627</b>	<b>1.680</b>	3%	<b>26</b>	<b>32</b>	23%
Price*			-4%			-7%			-3%			0%			0%
Volume*			3%			2%			5%			5%			23%
Currency*			-2%			-2%			-1%			-2%			0%
Portfolio*			0%			0%			0%			1%			0%
<b>EBIT</b>	<b>169</b>	<b>280</b>	66%	<b>94</b>	<b>156</b>	66%	<b>164</b>	<b>151</b>	-8%	<b>86</b>	<b>149</b>	73%	<b>-175</b>	<b>-176</b>	-1%
Deprec. & amortizat.	332	302	-9%	188	159	-15%	56	66	18%	70	64	-9%	18	13	-28%
<b>EBITDA</b>	<b>501</b>	<b>582</b>	16%	<b>282</b>	<b>315</b>	12%	<b>220</b>	<b>217</b>	-1%	<b>156</b>	<b>213</b>	37%	<b>-157</b>	<b>-163</b>	-4%
exceptionals in EBITDA	58	72	24%	8	17	>100%	-4	2	n.m.	34	17	-50%	20	36	80%
<b>EBITDA pre excep.</b>	<b>559</b>	<b>654</b>	17%	<b>290</b>	<b>332</b>	14%	<b>216</b>	<b>219</b>	1%	<b>190</b>	<b>230</b>	21%	<b>-137</b>	<b>-127</b>	7%
normalized D&A	326	301	-8%	188	158	-16%	56	66	18%	64	64	0%	18	13	-28%
<b>EBIT pre excep.</b>	<b>233</b>	<b>353</b>	52%	<b>102</b>	<b>174</b>	71%	<b>160</b>	<b>153</b>	-4%	<b>126</b>	<b>166</b>	32%	<b>-155</b>	<b>-140</b>	10%
exceptionals in EBIT	64	73	14%	8	18	>100%	-4	2	n.m.	40	17	-58%	20	36	80%
<b>Capex</b>	<b>398</b>	<b>374</b>	-6%	<b>229</b>	<b>271</b>	18%	<b>70</b>	<b>54</b>	-23%	<b>77</b>	<b>36</b>	-53%	<b>22</b>	<b>13</b>	-41%
Net financial debt**	1.731	1.445	-17%												

\* approximate numbers

\*\*previous year value as per Dec. 31



## Income Statement Q3 and 9M 2014

in € million	Q3 2013	Q3 2014	Chg. in %	9M 2013	9M 2014	Chg. in %
Sales	2.050	2.040	0%	6.286	6.102	-3%
Cost of sales	-1.662	-1.639	1%	-5.098	-4.844	5%
Gross profit	388	401	3%	1.188	1.258	6%
Selling expenses	-186	-186	0%	-575	-560	3%
Research and development expenses	-43	-39	9%	-134	-124	7%
General administration expenses	-76	-62	18%	-230	-207	10%
Other operating income	18	30	67%	84	95	13%
Other operating expenses	-49	-61	-24%	-164	-182	-11%
<b>Operating result (EBIT)</b>	<b>52</b>	<b>83</b>	<b>60%</b>	<b>169</b>	<b>280</b>	<b>66%</b>
Income from investments accounted for using the equity method	0	1	<i>n.m.</i>	0	6	<i>n.m.</i>
Interest income	0	0	<i>n.m.</i>	1	2	100%
Interest expense	-28	-16	43%	-82	-57	30%
Other financial income and expense	-4	-13	<-100%	-26	-44	-69%
<b>Financial result</b>	<b>-32</b>	<b>-28</b>	<b>13%</b>	<b>-107</b>	<b>-93</b>	<b>13%</b>
<b>Income before income taxes</b>	<b>20</b>	<b>55</b>	<b>&gt;100%</b>	<b>62</b>	<b>187</b>	<b>&gt;100%</b>
Income taxes	-9	-20	<-100%	-19	-74	<-100%
Income after income taxes	11	35	>100%	43	113	>100%
of which attributable to non-controlling interests	0	0	<i>n.m.</i>	-2	-2	0%
<b>Net income (attributable to LANXESS AG stockholders)</b>	<b>11</b>	<b>35</b>	<b>&gt;100%</b>	<b>45</b>	<b>115</b>	<b>&gt;100%</b>
<b>EPS (in €)</b>	<b>0,13</b>	<b>0,38</b>	<b>&gt;100%</b>	<b>0,54</b>	<b>1,31</b>	<b>&gt;100%</b>
EPS pre exceptionals (in €)	0,34	0,59	74%	1,10	1,91	74%



**Abbreviations:**

<b>ADD</b>	<b>Rhein Chemie Additives</b>
<b>All</b>	<b>Advanced Industrial Intermediates</b>
<b>BTR</b>	<b>Butyl Rubber</b>
<b>FCC</b>	<b>Functional Chemicals</b>
<b>HPE</b>	<b>High Performance Elastomers</b>
<b>HPM</b>	<b>High-Performance Materials</b>
<b>IPG</b>	<b>Inorganic Pigments</b>
<b>KEL</b>	<b>Keltan Elastomers</b>
<b>LEA</b>	<b>Leather</b>
<b>LPT</b>	<b>Liquid Purification Technologies</b>
<b>MPP</b>	<b>Material Protection Products</b>
<b>PBR</b>	<b>Performance Butadiene Rubbers</b>
<b>RCH</b>	<b>Rhein Chemie</b>
<b>RUC</b>	<b>Rubber Chemicals</b>
<b>SGO</b>	<b>Saltigo</b>
<b>TSR</b>	<b>Tire &amp; Specialty Rubbers</b>

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