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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 weights (-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**

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Page 1 of 7



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

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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**

Page 2 of 7

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

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

Page 3 of 7

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

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

Cologne, May 7, 2014



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Page 4 of 7



Financial Overview Q1 2014

in €million	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q1 '13	Q1 '14	Chg. in %	Q1 '13	Q1 '14	Chg. in %	Q1 '13	Q1 '14	Chg. in %	Q1 '13	Q1 '14	Chg. in %	Q1 '13	Q1 '14	Chg. in %
Sales	2.095	2.043	-2%	1.134	1.063	-6%	433	419	-3%	520	550	6%	8	11	38%
Price*			-7%			-12%			-4%			0%			0%
Volume*			7%			8%			2%			8%			38%
Currency*			-2%			-2%			-1%			-3%			0%
Portfolio*			0%			0%			0%			1%			0%
EBIT	67	75	12%	52	52	0%	54	48	-11%	29	38	31%	-68	-63	7%
Deprec. & amortizat.	102	103	1%	60	56	-7%	17	23	35%	21	20	-5%	4	4	0%
EBITDA	169	178	5%	112	108	-4%	71	71	0%	50	58	16%	-64	-59	8%
exceptionals in EBITDA	5	27	>100%	0	9	n.m.	0	1	n.m.	1	10	>100%	4	7	75%
EBITDA pre excep.	174	205	18%	112	117	4%	71	72	1%	51	68	33%	-60	-52	13%
normalized D&A	102	103	1%	60	56	-7%	17	23	35%	21	20	-5%	4	4	0%
EBIT pre excep.	72	102	42%	52	61	17%	54	49	-9%	30	48	60%	-64	-56	13%
exceptionals in EBIT	5	27	>100%	0	9	n.m.	0	1	n.m.	1	10	>100%	4	7	75%
Capex	93	108	16%	58	76	31%	19	19	0%	19	10	-47%	-3	3	n.m.
Net financial debt**	1.731	1.832	6%												

* approximate numbers

**previous year value as per Dec. 31



Income Statement Q1 2014

in € million	Q1 2013	Q1 2014	Chg. in %
Sales	2.095	2.043	-2%
Cost of sales	-1.700	-1.626	4%
Gross profit	395	417	6%
Selling expenses	-189	-186	2%
Research and development expenses	-48	-45	6%
General administration expenses	-79	-74	6%
Other operating income	30	31	3%
Other operating expenses	-42	-68	-62%
Operating result (EBIT)	67	75	12%
Income from investments accounted for using the equity method	0	1	<i>n.m.</i>
Interest income	1	1	0%
Interest expense	-26	-25	4%
Other financial income and expense	-11	-14	-27%
Financial result	-36	-37	-3%
Income before income taxes	31	38	23%
Income taxes	-7	-14	-100%
Income after income taxes	24	24	0%
of which attributable to non-controlling interests	-1	-1	0%
Net income (attributable to LANXESS AG stockholders)	25	25	0%
EPS (in €)	0,30	0,30	0%
EPS pre exceptionals (in €)	0,34	0,53	56%



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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