Q1

LANXESS – Conference Call
Q1 2014 results and equity increase to support re-alignment

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Energizing Chemistry

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Agenda

- LANXESS’ development – a strong and successful basis
- Where we are today / way forward
- Q1 results
- Outlook

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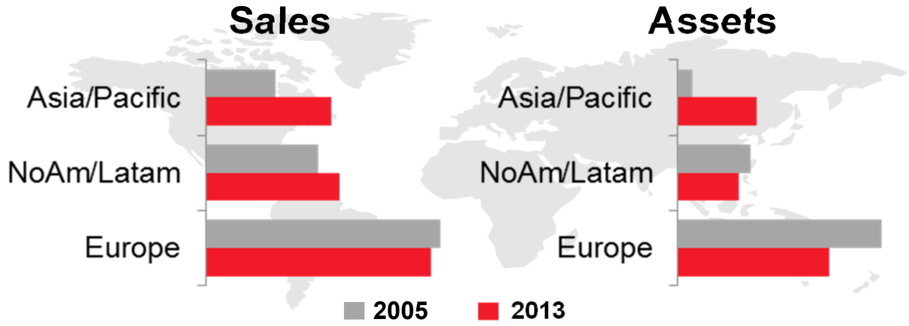
LANXESS – a strong and successful history

From a “NewCo” to a chemical brand

- Transformation from an unwanted child into an established chemical player
- Successful development rewarded and reflected externally (first share price @ 15.75€)

DAX

Increasing global footprint



Strong business leaderships

- Quality, technology and process leadership in many products across the company
- Strong market positions (#1-4 in most business units)



Good financial strength for most of the years

- Investment grade rating since spin-off
- Strong maturity profile with long term financing

STANDARD & POOR'S	Moody's Investors Service	FitchRatings
BBB neg. outlook	Baa2 neg. outlook	BBB neg. outlook

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Strong fundamentals face apparent challenges

Strong fundamentals

- **Performance Polymers** as the inventor of synthetic rubber with global presence across different rubber products
- **Advance Intermediates** with a strong cost leadership in a consolidated market
- **Performance Chemicals** delivering additives and services in niches with solid margins

\+ ↔ -

Apparent challenges

- **Imbalanced business portfolio** dominated by rubber for tire and automotive industries
- **Mid-term Supply/Demand imbalance** for some synthetic rubbers products, whilst new LANXESS world scale plants come on stream
- **Less competitive cost structure**
- **Foundation for healthy growth** is weakened (competitive landscape, increased indebteness)

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S/D balances in the rubber industry mid-term unfavorable

Leading market positions …

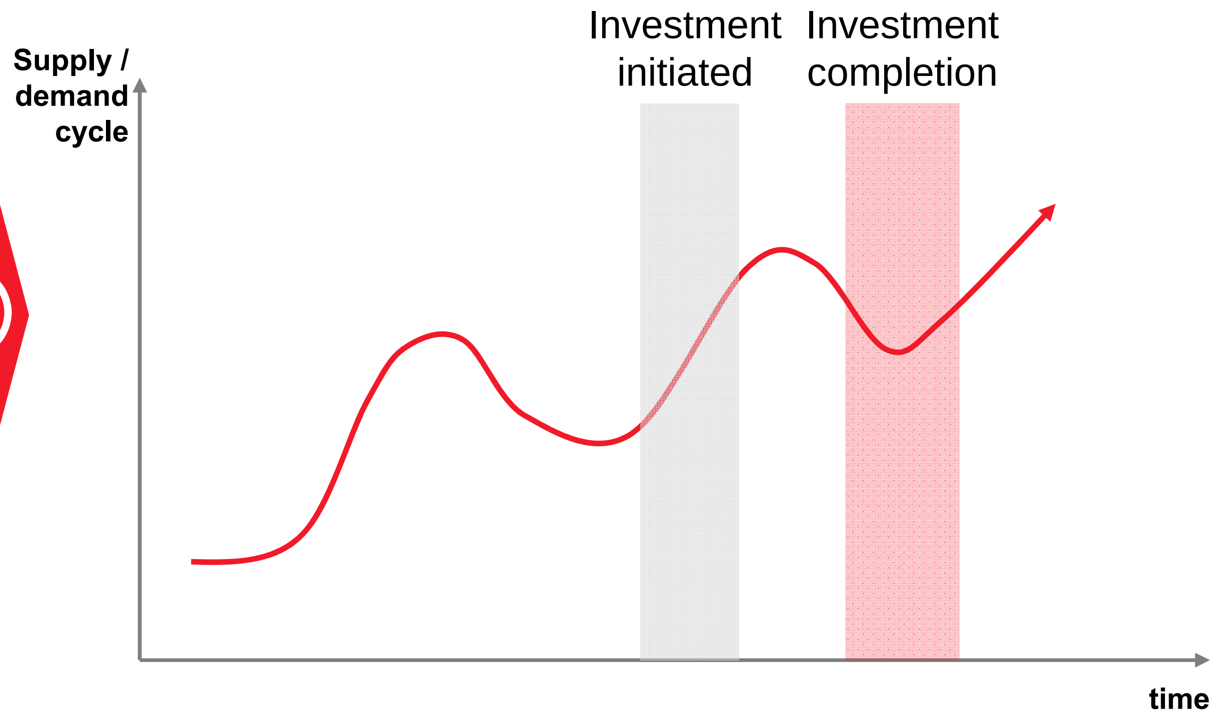
Halo Butyl
- LANXESS globally #2 of 3 established players

Nd-PBR
- LANXESS leading player in quality and technology
- Globally #1 (of total ~7 established players)

SSBR
- Amongst the leading players with high quality

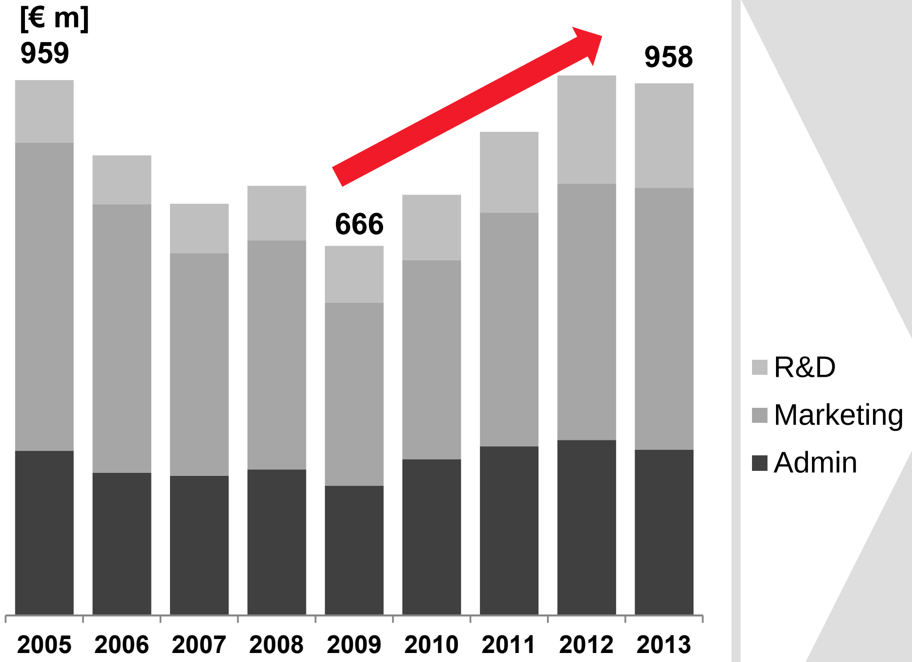
EPDM
- LANXESS globally #1 (ACE technology)

… but investments were made in an up-cycle move



We have returned to an uncompetitive cost structure

Overhead Cost inflation



Overhead Costs 2013

- Overhead costs have substantially increased since 2009
- We are at "pre-restructuring levels" of 2005
- Cost structure has become inappropriate for the type of businesses we have
- R&D alone has risen by ~110% since 2007

We have to get back to cost competitive structures again

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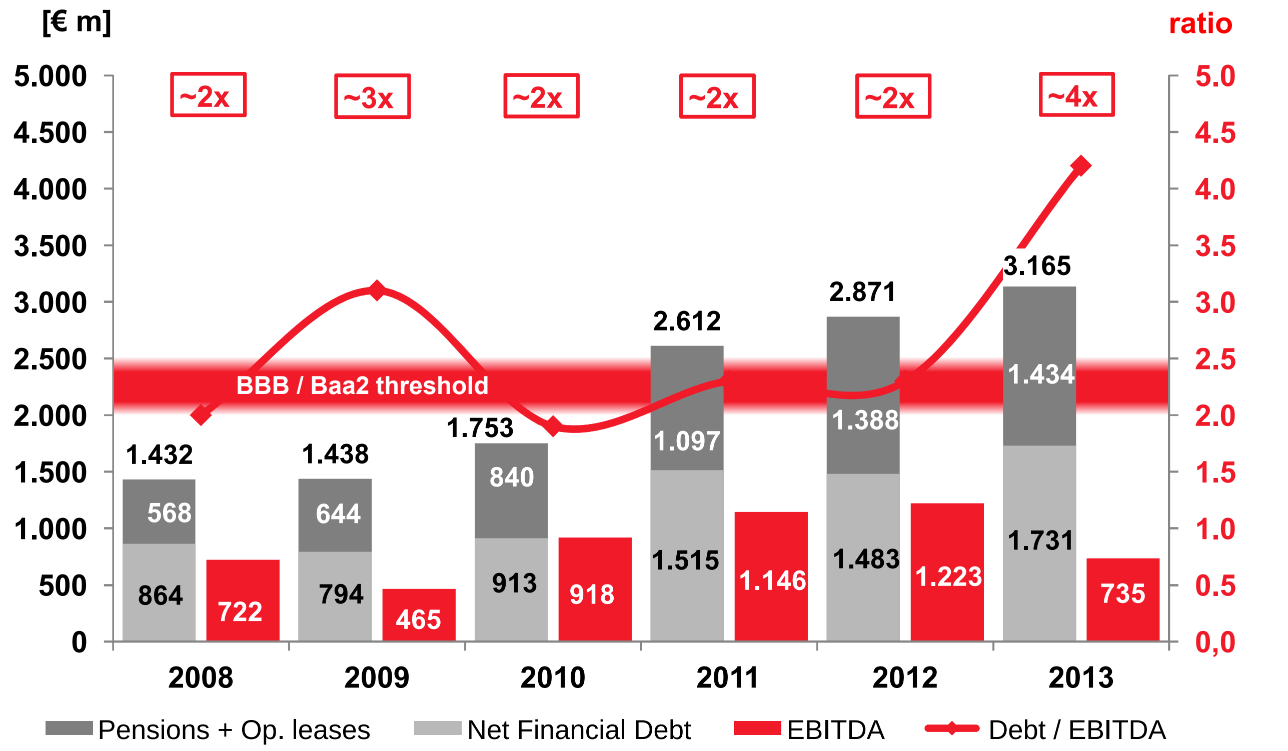
LANXESS Debt / EBITDA ratio is currently too high

Debt / EBITDA



Deterioration is actively addressed by a set of measures:

- Back to capex discipline
- Cost savings program to be initiated
- Portfolio measures to be considered

Committed to our investment grade rating

All references to EBITDA are pre exceptionals; all reference to Debt: Debt = financial debt – cash + pensions + oper. leases
pensions are provisions on balance sheet, operating leases are included with amount of minimum future payments

Rationale: Capital increase of 10% to fund restructuring and to avoid further stretch of balance sheet

Investors participate in improvement trajectory

- Support necessary restructuring measures
- Improve financial position to protect investment grade
- Strengthen future development

Investors buy a business with a solid basis and growth prospects

- Prudent management with strong track-record
- Future growth potential based on
  - Regionally diversified assets to serve long-term growth trends
  - Broad customer and end market base

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Capital increase is embedded into further measures to improve performance and to strengthen the balance sheet

“Let’s LANXESS again” - program

Overhead competitiveness	▪ “Right-size” corporate structures ▪ Improve decision-making processes
Business unit competitiveness	▪ Challenge existing structures ▪ Improve approach to markets / customers
Production competitiveness	▪ Analyse profitability of sites ▪ Evaluate mothballings ▪ Evaluate site closures
Portfolio competitiveness	▪ Evaluate portfolio options to improve the rubber and balance the company set-up

Former strong LANXESS culture to be re-vitalized

“Advance” HR measures concluded in line with expectations

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A mixed quarter as expected – "Let's LANXESS again" kick-off

+	▪ Earnings improvement in Advanced Intermediates and Performance Chemicals ▪ Good volume development in Performance Polymers and Performance Chemicals, however partly comparing to a low base	**Intermediates and Chemicals balance …**
-	▪ Margin levels in some synthetic rubbers were lower yoy and sequentially (driven by BUs KEL and BTR) ▪ Butadiene pricing again with regional imbalance (advantage for Asian rubber producers), pointing to challenges in Q2 2014 ▪ Strike in Butyl plant (Antwerp, BE) until end of April leads to idle costs and missed business	**… continuing challenges in Polymers**
!	▪ Capital increase to fund restructuring and strengthen financials ▪ New "Let's LANXESS again" program set up to improve performance	**Initiating improvements**

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Q1 2014: Positive volumes, but price levels in Performance Polymers remain subdued

Q1 yoy sales variances	Price	Volume	Currency	Portf.	Total
Perf. Polymers	-12%	8%	-2%	0%	-6%
Adv. Intermediates	-4%	2%	-1%	0%	-3%
Perf. Chemicals	0%	8%	-3%	1%	6%
LANXESS	-7%	7%	-2%	0%	-2%

- Higher volumes are offset by lower prices; some headwind from currency
- Volumes increase in all segments, however partly comparing to a low base

Q1 yoy EBITDA pre bridge [€ m]

- Selling price decline exceeds input cost relief; driven by BUs KEL und BTR
- Others mainly reflects the absence of ramp-up costs
- Strike costs burden is part of operational business

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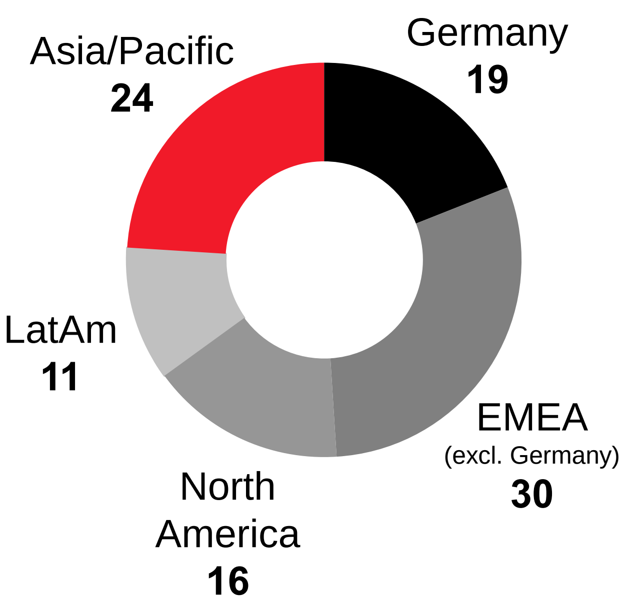
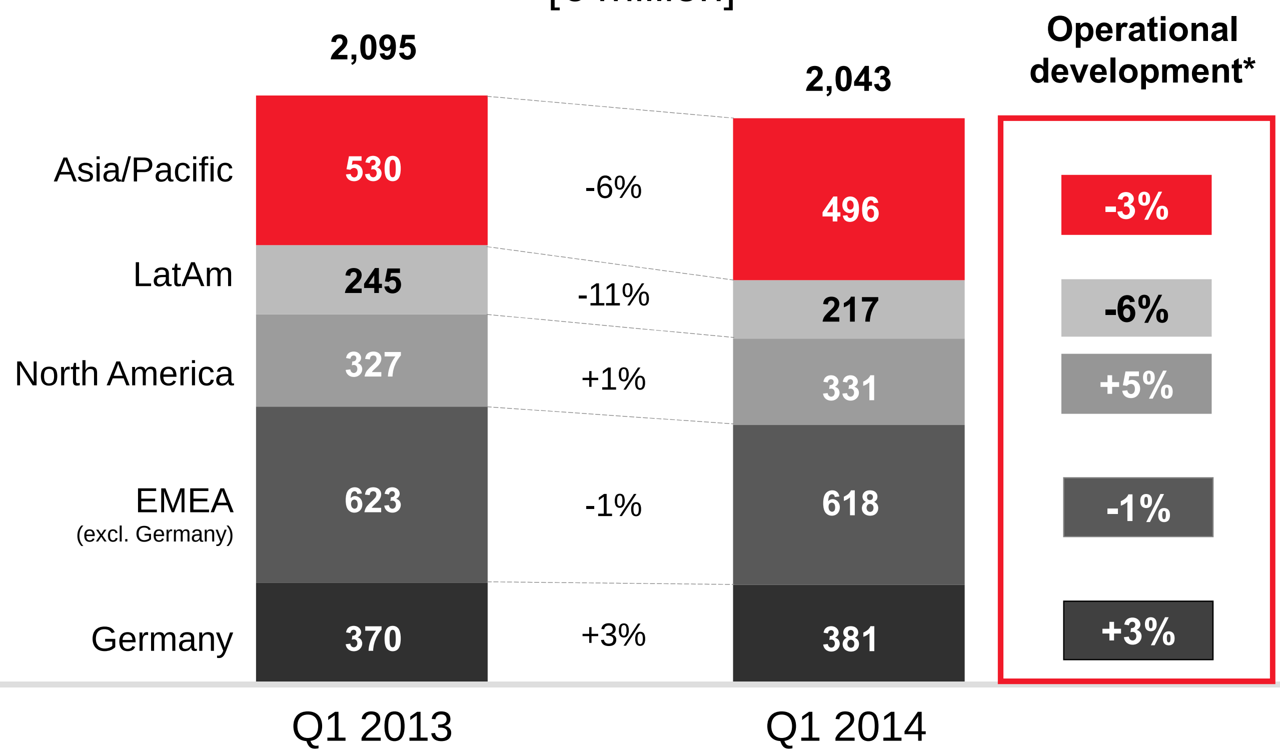
Q1 2014: Emerging market sales decline mainly on account of Performance Polymers

Q1 2014 sales by region
[%]



Regional development of sales
[€ million]



* Currency and portfolio adjusted

Q1 2014 financial overview: Earnings improvement – however at low levels

[€ m]	Q1 2013	Q1 2014	yoy in %
Sales	**2,095**	**2,043**	**-2.5%**
EBITDA pre except.	**174**	**205**	**17.8%**
margin	8.3%	10.0%	
EPS	**0.30**	**0.30**	**0.0%**
EPS pre[1]	0.34	0.53	55.9%
Capex[2]	**93**	**108**	**16.1%**
[€ m]	**31.12.2013**	**31.03.2014**	**Δ %**
Net financial debt	**1,731**	**1,832**	**5.8%**
Net working capital	**1,679**	**1,880**	**12.0%**
Employees	**17,343**	**17,039**	**-1.8%**

- Sales decline as higher volumes fully offset lower prices, while negative currency effects burden additionally
- EBITDA and margin improve mainly due to the absence of one-time burdens
- EPS increase held back by exceptional items from “Advance” efficiency program
- Net financial debt development driven by seasonal working capital increase
- Headcount reduction mainly due to “Advance” program

[1] Net of exceptionals, using the local tax rate applicable where the expenses were incurred
[2] Net of capitalized borrowing costs, projects financed by customers and finance lease

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Q1 2014: EBITDA increase, but operational performance not satisfactory

[€ m]	Q1 2013		Q1 2014		yoy in %
Sales	2,095	(100%)	2,043	(100%)	-2%
Cost of sales	-1,700	(81%)	-1,626	(80%)	4%
Selling	-189	(9%)	-186	(9%)	2%
G&A	-79	(4%)	-74	(4%)	6%
R&D	-48	(2%)	-45	(2%)	6%
EBIT	**67**	**(3%)**	**75**	**(4%)**	**12%**
Net Income	**25**	**(1%)**	**25**	**(1%)**	**0%**
EPS	**0.30**		**0.30**		**0%**
EPS pre[1]	0.34		0.53		56%
EBITDA	169	(8%)	178	(9%)	5%
thereof exceptionals	-5	(0%)	-27	(1%)	<-100%
EBITDA pre exceptionals	**174**	**(8.3%)**	**205**	**(10.0%)**	**18%**

- Sales declined as volumes (+7%) offset prices (-7%) and currency weighs (-2%)
- Cost of sales showed a 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

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

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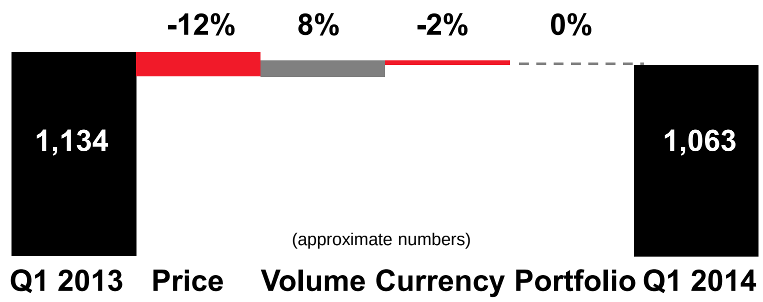
Performance Polymers: Slight EBITDA improvement

[€ m]	Q1 2013	Q1 2014	Δ
Sales	**1,134**	**1,063**	**-6.3%**
EBIT	52	52	0.0%
Depr. / Amort.	60	56	-6.7%
EBITDA pre exceptionals	**112**	**117**	**4.5%**
Margin	9.9%	11.0%	
Capex*	**58**	**76**	**31.0%**

Q1 comments

- Lower selling prices mainly raw material-driven (e.g. butadiene, ethylene)
- Positive volumes across nearly 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)

Q1 sales bridge yoy [€ m]



* Net of capitalized borrowing, costs projects financed by customers and finance lease

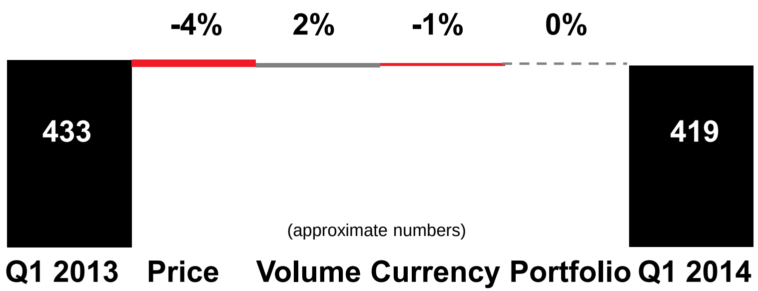
Advanced Intermediates: Good diversification delivers resilient performance / margins

[€ m]	Q1 2013	Q1 2014	Δ
Sales	**433**	**419**	**-3.2%**
EBIT	54	48	-11.1%
Depr. / Amort.	17	23	35.3%
EBITDA pre exceptionals	**71**	**72**	**1.4%**
Margin	16.4%	17.2%	
Capex*	**19**	**19**	**0.0%**

Q1 comments

- Lower selling prices in line with lower raw material prices (mainly toluene in BU AII)
- 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

Q1 sales bridge yoy [€ m]



* Net of capitalized borrowing costs, projects financed by customers and finance lease

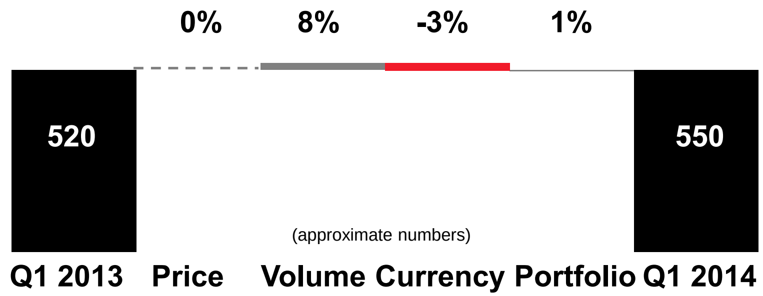
Performance Chemicals: Good contribution from almost all business units

[€ m]	Q1 2013	Q1 2014	Δ
Sales	**520**	**550**	**5.8%**
EBIT	29	38	31.0%
Depr. / Amort.	21	20	-4.8%
EBITDA pre exceptionals	**51**	**68**	**33.3%**
Margin	9.8%	12.4%	
Capex*	**19**	**10**	**-47.4%**

Q1 comments

- 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 (CO_2 supply secured)
- Capex declines mainly as investments in BU LEA are finalized

Q1 sales bridge yoy [€ m]



* Net of capitalized borrowing costs, projects financed by customers and finance lease

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Financial metrics stretched but measures initiated

[€ m]	Dec 13	Mar 14
Total assets	6,811	6,998
Equity	1,900	1,892
Equity ratio	**28%**	**27%**
Net financial debt	1,731	1,832
Net financial debt/EBITDA pre[1]	**2.36**	**2.39**
Near cash, cash & cash equivalents	533	528
Pension provisions	943	1,004
ROCE[1]	**5.8%**	**6.2%**
Net working capital	1,679	1,880
Net working capital/sales[1]	**20%**	**23%**
DSI (in days)[2]	58	60
DSO (in days)[2]	48	52

- Net financial debt increased sequentially due to higher 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
- Net working capital increases mainly due to higher receivables (higher sales in Mar’14 vs Dec’13)
- DSI and DSO at moderate levels

[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
[3] Targeted range for net financial debt / EBITDA pre of 1.0x – 1.5x through a normal business cycle

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Q1 2014: Working capital increase bites into operating cash-flow

[€ m]	Q1 2013	Q1 2014
Profit before tax	**31**	**38**
Depreciation & amortization	102	103
Gain from sale of assets	0	-1
Result from investments (using equity method)	0	0
Financial (gains) losses	25	25
Cash tax payments/refunds	-34	10
Changes in other assets and liabilities	1	42
Operating cash flow before changes in WC	**125**	**217**
Changes in working capital	-285	-208
Operating cash flow	**-160**	**9**
Investing cash flow	**144**	**-122**
thereof capex*	-93	-108
Financing cash flow	**-19**	**89**

- 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

* Net of capitalized borrowing costs, projects financed by customers and finance lease

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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

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Appendix

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: Hedging 2015:	~45% at 1.25 -1.40 USD/EUR ~20% at 1.25 -1.40 USD/EUR

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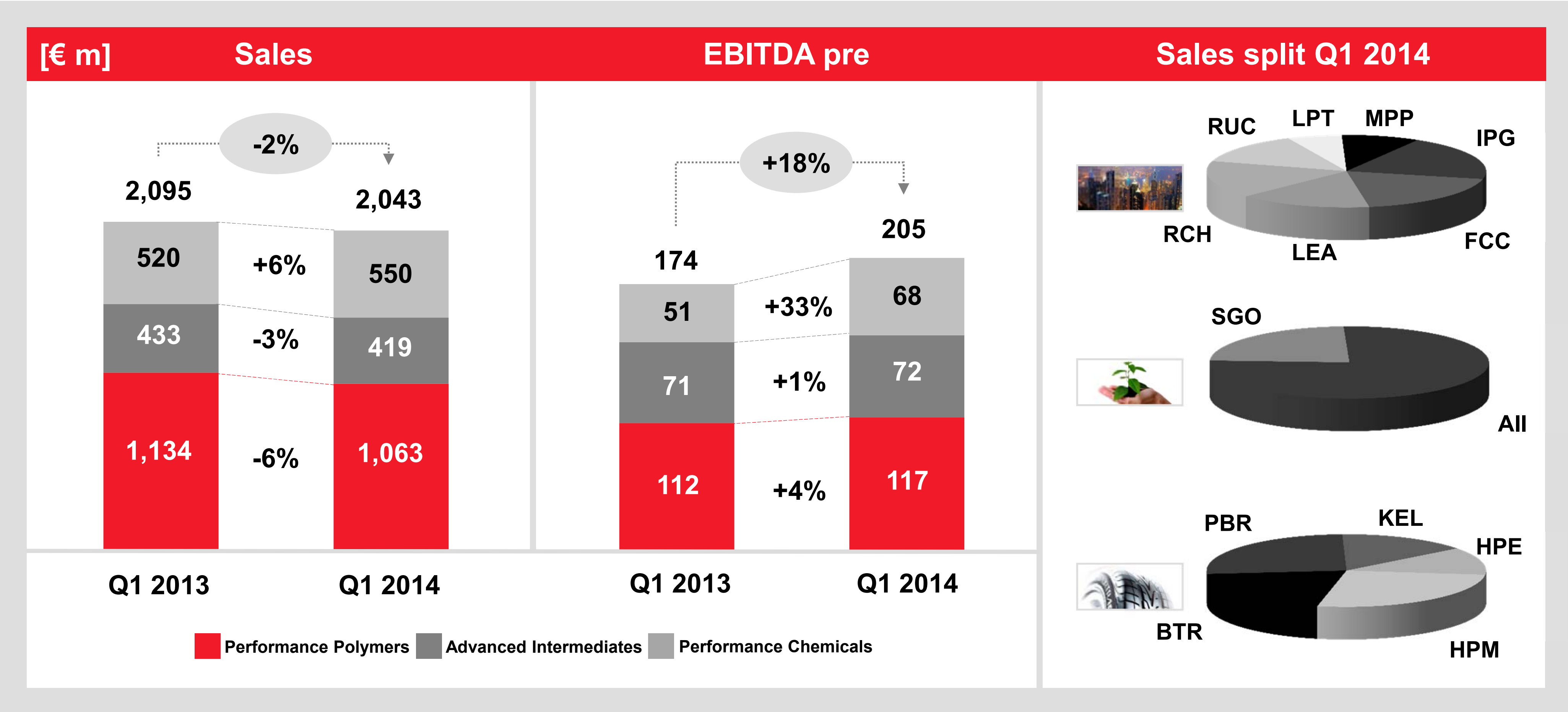
Q1 2014: EBITDA increase in all segments



Total group sales and EBITDA pre figures include reconciliation

Balance sheet

[€ m]	Jun'13	Dec'13	Mar'14
Non-current assets	**3,820**	**3,592**	**3,604**
Intangible assets	388	323	318
Property, plant & equipment	3,081	2,903	2,910
Equity investments	0	12	13
Other investments	14	13	14
Other financial assets	7	11	11
Deferred taxes	213	254	268
Other non-current assets	117	76	70
Current assets	**3,448**	**3,219**	**3.394**
Inventories	1,527	1,299	1,363
Trade accounts receivable	1,212	1,070	1,176
Other financial & current assets	338	317	327
Near cash assets	97	106	123
Cash and cash equivalents	274	427	405
Total assets	**7,268**	**6,811**	**6,998**

	Jun'13	Dec'13	Mar'14
Stockholders' equity	**2,198**	**1,900**	**1,892**
Non-current liabilities	**3,097**	**3,029**	**2,998**
Pension & post empl. provis.	921	943	1,004
Other provisions	286	258	267
Other financial liabilities	1,681	1,649	1,578
Tax liabilities	35	49	30
Other liabilities	103	101	90
Deferred taxes	71	29	29
Current liabilities	**1,973**	**1,882**	**2,108**
Other provisions	366	355	381
Other financial liabilities	740	668	858
Trade accounts payable	657	690	659
Tax liabilities	27	21	49
Other liabilities	183	148	161
Total equity & liabilities	**7,268**	**6,811**	**6,998**

- Receivables and inventories higher due to increasing business activity
- Pensions provisions increase mainly in Germany (interest rate reduction)
- Current liabilities increase due to reclassification of Renminbi bond* (from non-current to current)

* Chinese dim-sum bond (CHN500 m) matures in February 2015

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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	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 PBR**	**Nd-PBR (SGP), H1 2015, new plant 140kt**
	BU KEL	**EPDM (CHN), 2015, new plant 160kt**
	BU PBR	SSBR (BRA) conversion from ESBR (110kt)*
	BU IPG	Iron oxide red (CHN), Q1 2016, new plant 25kt

* Expected for the label introduction in Brazil (2016)

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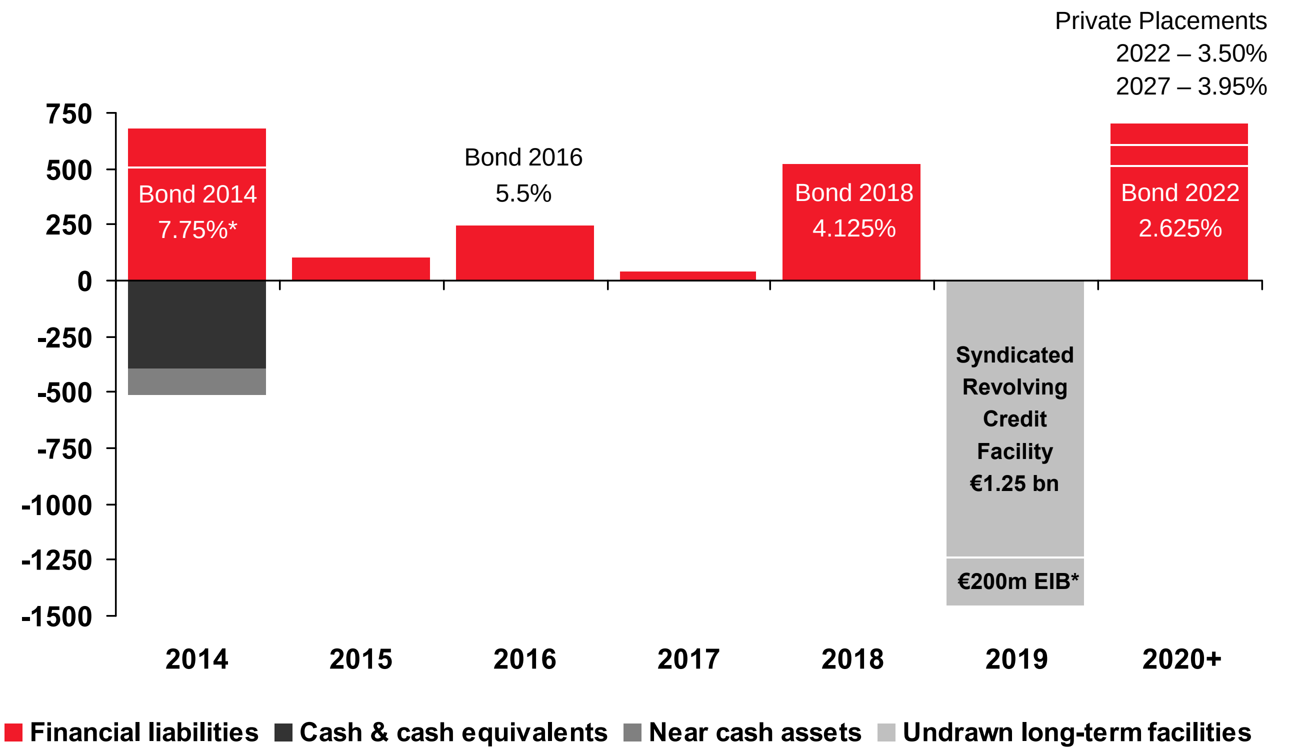
A well managed and conservative maturity profile

Long term financing secured

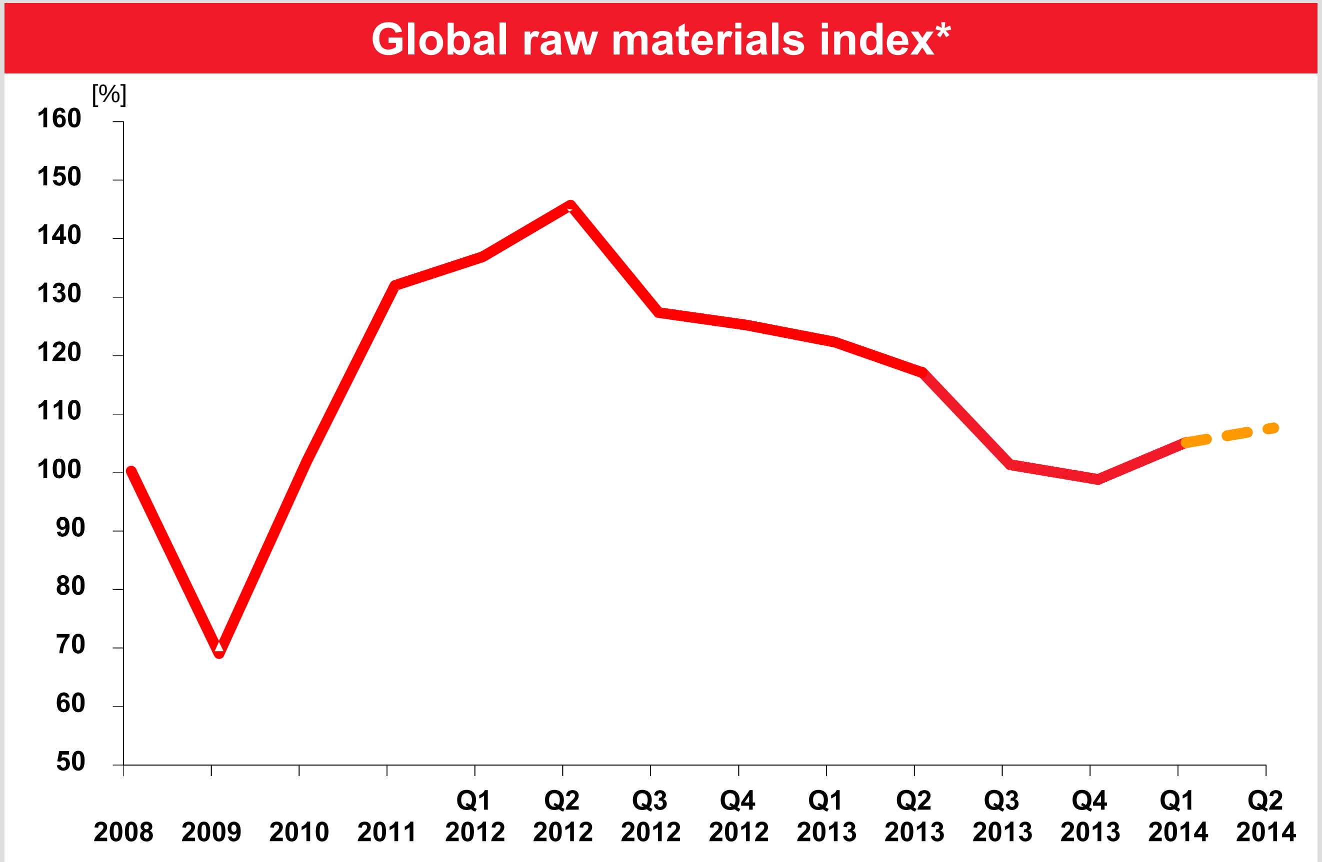
- Diversified financing sources
  - Bonds
  - Private placements
  - Syndicated credit facility
  - Development banks
  - Bilateral bank facilities
- €500 m bond maturity in April 2014 was funded by cash and €200 m EIB facility
- Average €-funding interest rate below 4% after April bond redemption
- All group financings without financial covenants

Liquidity and maturity profile as per March 2014



EIB = European Investment Bank; * €500 m bond repaid in April 2014 and refinanced by cash and draw down of €200 m EIB credit facility

High volatility in raw material prices



- In 2012, raw material prices (mainly butadiene) started a declining trend, with an apparent bottom end of 2013
- Since Q1 2014 raw materials show a slight upward-trend (driven by butadiene)

* Source: LANXESS, average 2008 = 100%

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Premium products and technologies for global megatrends

Mobility

Urbanization

Agriculture

Water

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Overview exceptional items

[€ m]	Q1 2013		Q1 2014	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	0	0	9	0
Advanced Intermediates	0	0	1	0
Performance Chemicals	1	0	10	0
Reconciliation	4	0	7	0
Total	**5**	**0**	**27**	**0**

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Abbreviations

Performance Polymers

- BTR Butyl Rubber
- PBR Performance Butadiene Rubbers
- KEL Keltan Elastomers
- HPE High Performance Elastomers
- HPM High Performance Materials

Performance Chemicals

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

Advanced Intermediates

- AII Advanced Industrial Intermediates
- SGO Saltigo

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Upcoming events 2014

Active capital market communication		
Deutsche Bank 5th Annual Asia Conference 2014	May 21	Singapore
AGM 2014	**May 22**	
Oddo Canada Forum	May 27/28	Montreal/Toronto
Equita European Conference	June 3	Milan
Deutsche Bank German, Swiss & Austrian Conference 2014	June 12/13	Berlin
Q2 results 2014	**August 6**	
Jefferies 10th Annual Industrials Conference 2014	August 12/13	New York
Capital Markets Day	**September 18**	**Cologne**
Berenberg Goldman Sachs German Corporate Conference 2014	September 22-24	Munich
Baader Investment Conference	September 25	Munich
Berenberg Specialty Chemicals & Food Ingredients Conference 2014	Sept 30/Oct 1	London
Q3 results 2014	**November 6**	
Bank of America Merrill Lynch German Corporate Days 2014	November 18	Singapore
MainFirst Conference	November 18	Paris
HSBC Conference	November 27	Zurich

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