

LANXESS – Q3 2013 Results Conference Call

Taking action in a challenging environment

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Energizing Chemistry

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Agenda

- **Executive overview Q3 2013**
- Business and financial review Q3 2013
- Outlook/Guidance

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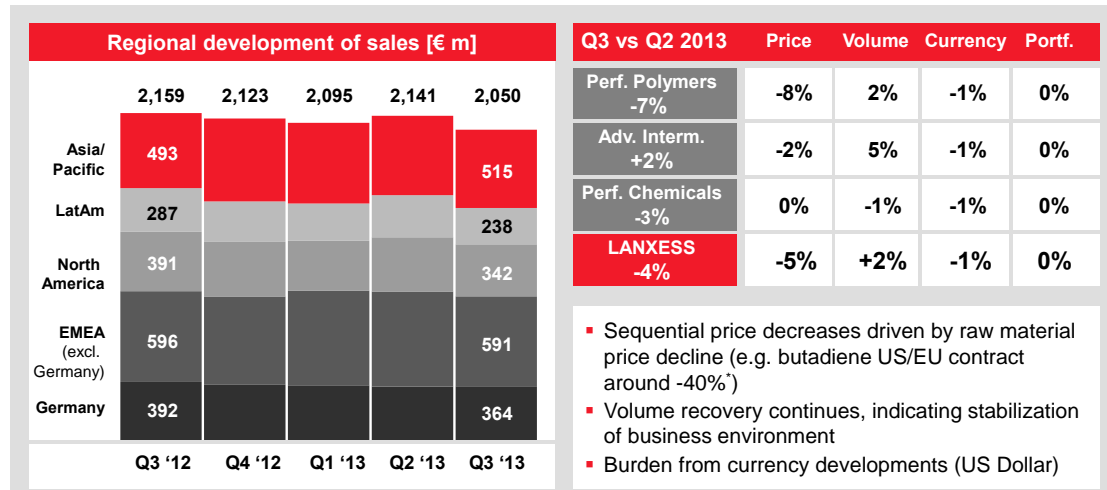
Q3 2013: LANXESS takes action – environment remains challenging

	<ul style="list-style-type: none">▪ Volume improvement underway in Performance Polymers; partly driven by restocking▪ Raw materials (especially butadiene) started to pick-up in Sep and Oct; sustainability of sequential increase to be proven▪ Advanced Intermediates and Performance Chemicals with comparably stable performance	 Stabilizing environment
	<ul style="list-style-type: none">▪ Tire markets and European OEM/automotive not recovered▪ Market prices remain at low levels▪ Profitability of Performance Polymers affected by consumption of inventories at high raw material prices	 Continued weak performance
	<ul style="list-style-type: none">▪ “Advance” program initiated with ~€100 m savings from 2015 onwards; already ~40% of exceptional items of total program booked until Sep 2013▪ Capex reduction to ~€600 m on track	 Managing temporary weakness

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Volumes start to recover, prices decrease raw-material driven

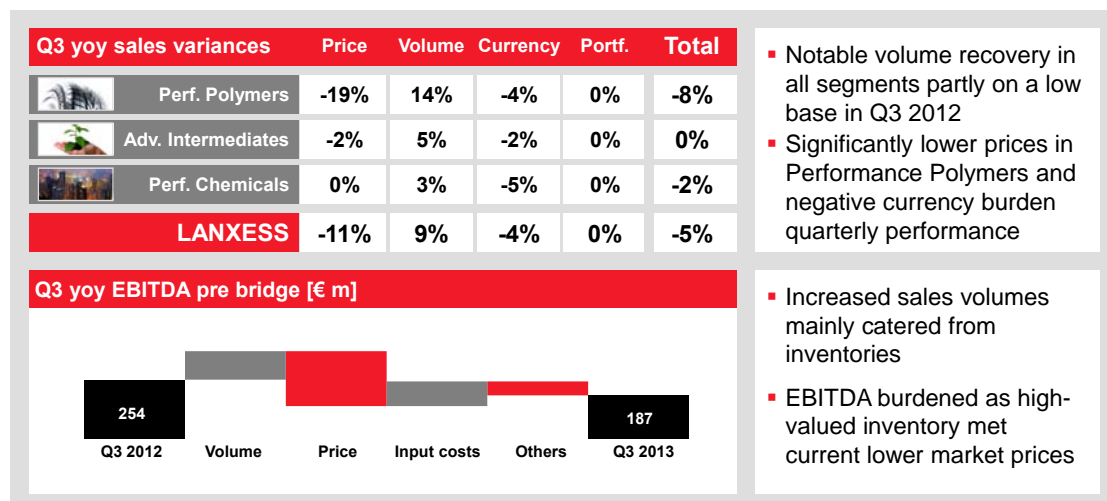


* ICIS: Monthly contract June vs September 2013 as well as average Q2 vs Q3 2013 development

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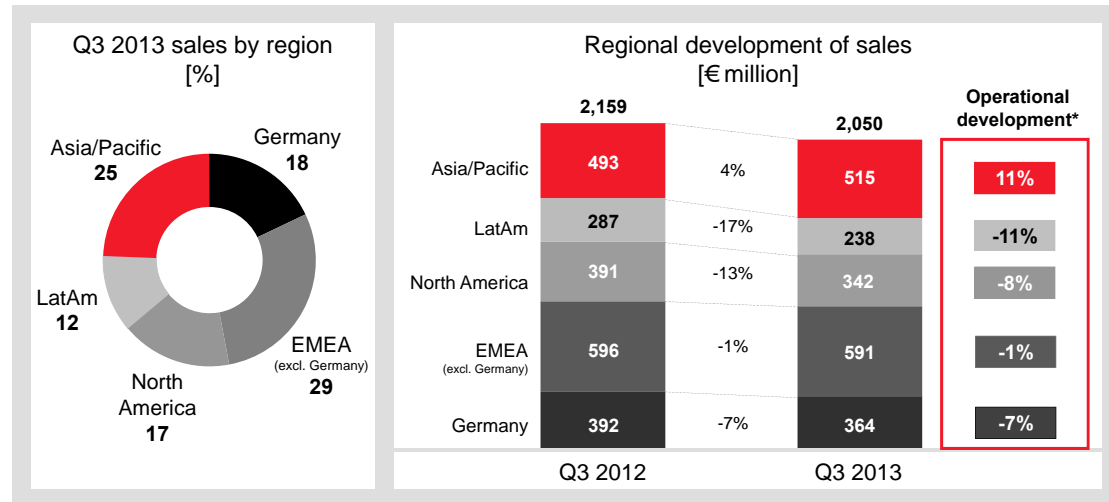
Q3 2013: Notable volume increases do not compensate lower price levels



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Q3 2013: Asia/Pacific with improved sales development – all other regions with price-induced declines



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Q3 2013 financial overview: Results still unsatisfactory

[€ m]	Q3 2012	Q2 2013	Q3 2013	yoy in %
Sales	2,159	2,141	2,050	-5.0%
EBITDA pre except.	254	198	187	-26.4%
margin	11.8%	9.2%	9.1%	
EPS	1.10	0.11	0.13	-88.0%
EPS pre ¹	1.14	0.42	0.32	-72.2%
Capex²	152	159	146	-3.9%
[€ m]	31.12.2012	30.06.2013	30.09.2013	% vs FY
Net financial debt	1,483	2,018	1,822	22.9%
Net working capital	1,849	2,082	1,873	1.3%
Employees	17,177	17,494	17,502	1.9%

Volume increase not reflected in earnings

- Sales decline on lower pricing and negative currency, while positive volumes mitigate (yoy and sequentially)
- EBITDA burdened by lower selling prices; inventory devaluation (~€10 m) additionally digested
- Exceptional items of €21 m mainly for "Advance" weigh on Q3 EPS
- Net debt decreases sequentially mainly due to working capital reduction

2012 restated due to IAS 19 (revised)

¹ Net of exceptionals and respective tax effects

² Net of capitalized borrowing costs and projects financed by customers

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Q3 2013: Weakness continues – countermeasures initiated

[€ m]	Q3 2012	Q3 2013	yoy in %
Sales	2,159 (100%)	2,050 (100%)	-5%
Cost of sales	-1,699 (79%)	-1,662 (81%)	-2%
Selling	-183 (8%)	-186 (9%)	2%
G&A	-80 (4%)	-76 (4%)	-5%
R&D	-49 (2%)	-43 (2%)	-12%
EBIT	155 (7%)	52 (3%)	-66%
Net Income	92 (4%)	11 (1%)	-88%
EPS	1.10	0.13	-88%
EPS pre ¹	1.14	0.32	-72%
EBITDA	250 (12%)	166 (8%)	-34%
thereof exceptionals	-4 (0%)	-21 (1%)	>100%
EBITDA pre exceptionals	254 (11.8%)	187 (9.1%)	-26%

Cost discipline and restructuring efforts start to become visible

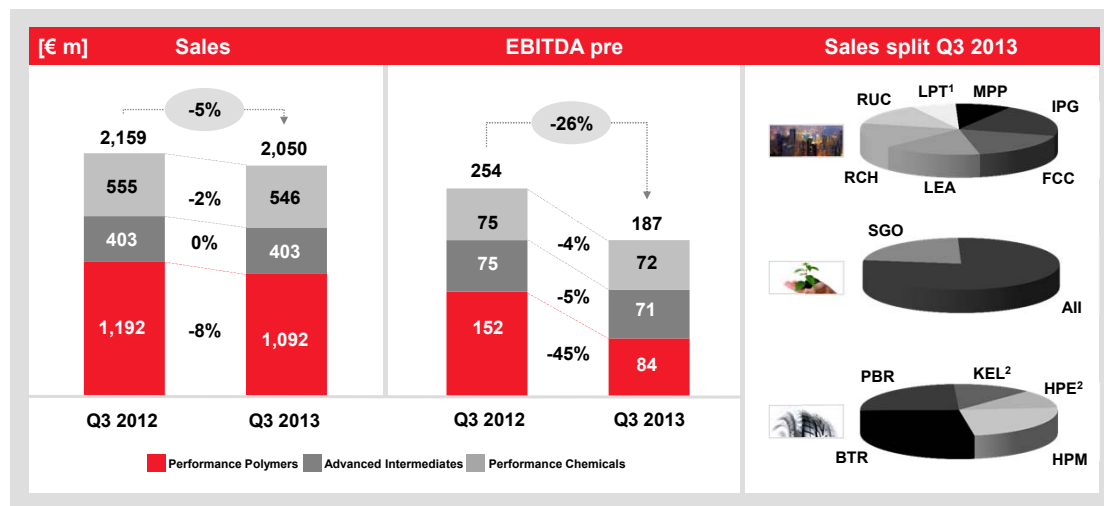
- Sales decline mainly on lower prices (-11%) and negative currency (-4%); volumes mitigate (+9%)
- COGS decrease under-proportionally to sales due to lower price levels mainly in Performance Polymers, risen D&A and inventory devaluation
- Overhead cost reduction reflects overall cost discipline
- Exceptional expenses from "Advance" reflected in earnings

2012 restated due to IAS 19 (revised)

¹ Net of exceptionals, using the country tax rate applicable where the expenses were incurred

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Q3 2013: Advanced Intermediates and Performance Chemicals comparably resilient



Total group sales and EBITDA pre figures include reconciliation

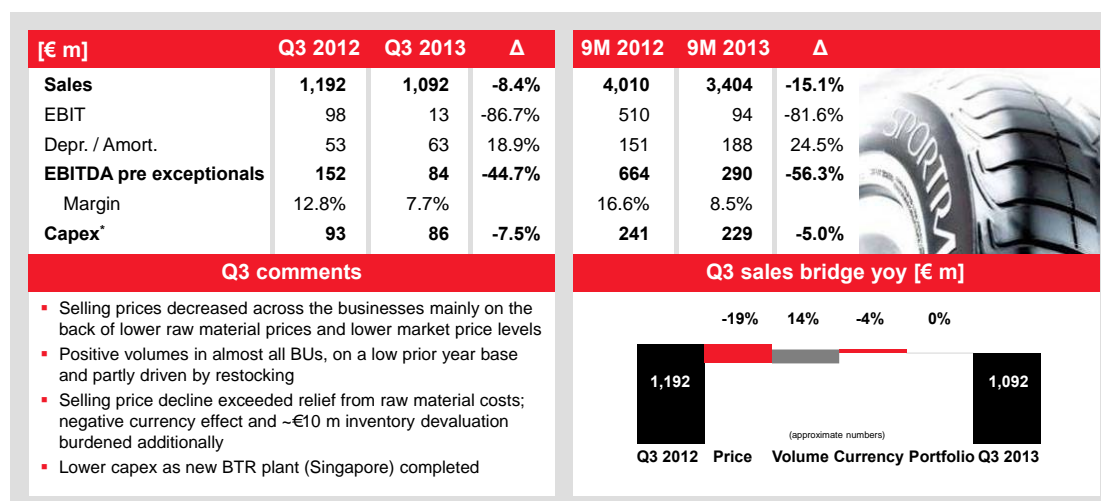
¹ As of April 1st 2013 BU ION (Ion Exchange Resins) renamed to BU LPT (Liquid Purification Technologies)

² As of January 1st 2013 BU TRP (Technical Rubber Products) split into BU KEL (Keltan Elastomers) and BU HPE (High Performance Elastomers)

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Performance Polymers: Volumes recovering – prices remain at low levels



* Net of capitalized borrowing costs and projects financed by customers

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Advanced Intermediates: Strong and stable agro business

[€ m]	Q3 2012	Q3 2013	Δ	9M 2012	9M 2013	Δ
Sales	403	403	0%	1,231	1,229	-0.2%
EBIT	58	51	-12.1%	174	164	-5.7%
Depr. / Amort.	17	20	17.6%	50	56	12.0%
EBITDA pre exceptional	75	71	-5.3%	224	216	-3.6%
Margin	18.6%	17.6%		18.2%	17.6%	
Capex*	22	28	27.3%	54	70	29.6%

Q3 comments			Q3 sales bridge yoy [€ m]		
<ul style="list-style-type: none"> Stable sales as positive volumes (both BUs with strong agro demand) offset negative price and currency effects BU All with good demand in flavor & fragrances Prices reflect lower raw material costs (e.g. benzene, toluene) Strong earnings and profitability on good utilization rates, however slightly burdened by headwinds from currency and some ramp-up costs for new cresol capacities Increased capex due to new dedicated projects in BU SGO 			<p>(approximate numbers)</p> <p>Q3 2012 Price Volume Currency Portfolio Q3 2013</p>		

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

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Performance Chemicals: Positive volumes and stable prices

[€ m]	Q3 2012	Q3 2013	Δ	9M 2012	9M 2013	Δ
Sales	555	546	-1.6%	1,698	1,627	-4.2%
EBIT	54	51	-5.6%	156	86	-44.9%
Depr. / Amort.	21	21	0%	65	70	7.7%
EBITDA pre exceptional	75	72	-4%	236	190	-19.5%
Margin	13.5%	13.2%		13.9%	11.7%	
Capex*	29	24	-17.2%	61	77	26.2%

Q3 comments			Q3 sales bridge yoy [€ m]		
<ul style="list-style-type: none"> Minor price movements across all businesses Volume developed positively in almost all BUs; BU LEA suffering from weak chrome ore business Headwind from currency effects across the segment Positive EBITDA development in BUs MPP (paints), RUC (accelerators) and LPT (water solutions); BU IPG (construction) with stable performance Capex decreases as CO₂ facility for BU LEA completed 			<p>(approximate numbers)</p> <p>Q3 2012 Price Volume Currency Portfolio Q3 2013</p>		

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

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Working capital reduction positively reflected in most KPIs

[€ m]	Dec 2012	Jun 2013	Sep 2013
Total assets/liabilities	7,519	7,268	7,111
Equity	2,330	2,198	2,147
Equity ratio	31%	30%	30%
Net financial debt	1,483	2,018	1,822
Net financial debt/EBITDA¹	1.21	2.33	2.28
Near cash, cash & cash equivalents	797	371	518
Pension provisions	893	921	917
ROCE¹	15.6%	8.4%	6.9%
Net working capital	1,849	2,082	1,873
Net working capital/sales¹	20%	24%	22%
DSI (in days) ²	65	64	61
DSO (in days) ²	47	51	50

- Net financial debt reduced mainly due to working capital management
- Further net financial debt reduction targeted for year-end
- Net financial debt/EBITDA ratio improves slightly
- Cash positions increase accordingly with working capital reduction
- All working capital ratios improved sequentially

¹ Based on last twelve months for EBIT, EBITDA or sales
² Days of sales inventory/Days of sales outstanding calculated on quarterly sales
 2012 restated due to IAS 19 (revised)

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Q3 2013: Working capital management supports free cash flow

[€ m]	Q3 2012	Q3 2013
Profit before tax	119	20
Depreciation & amortization	95	114
Gain from sale of assets	0	0
Result from equity investments	3	0
Financial (gains) losses	23	29
Cash tax payments/refunds	-41	3
Changes in other assets and liabilities	50	38
Operating cash flow before changes in WC & CTA	249	204
Changes in working capital	95	174
CTA funding*	0	0
Operating cash flow	344	378
Investing cash flow	-185	-215
thereof capex**	-152	-146
Financing cash flow	-91	-62

Operating cash flow on prior-year's level

- Profit before tax down due to weak operational performance
- D&A rises mainly as new plant for BTR (SG) now fully recognized in depreciation
- Tax refunds due to timing patterns and lower earnings
- Changes in working capital driven by cash inflow from reduced inventories
- Financing cash flow mirrors slight reduction of gross debt sequentially

* CTA (Contractual Trust Arrangement) funding formerly shown in investing cash flow
 ** Net of capitalized borrowing cost and finance lease
 2012 restated due to IAS 19 (revised)

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Expectation unchanged: No improvement in Q4 2013

Current macro view

- Demand has started to slightly improve from tire industry with some customers restocking in Europe and Americas
- Market prices for synthetic rubbers remain at low levels
- European OEM/automotive business still subdued
- Agro demand continues to be strong
- Upward movements in raw material prices visible (e.g. butadiene); uncertainties of near-term development remain

LANXESS manoeuvres through a tough year 2013

- Efficiency program "Advance" initiated and in implementation
- FY 2013 EBITDA pre guidance range narrowed: €710-760 m



All references to EBITDA are pre exceptionals

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Appendix

Housekeeping items for consideration

Additional financial expectations

- Capex 2013: reduced to ~€600 m
- D&A 2013: ~€420 - €440 m
- Reconciliation 2013: expected between €180-200 m
- Annual tax rate:
 - mid-term: ~22%
 - in 2013: mid-term guidance not meaningful due to low earnings; tax rate will be higher
- Hedging 2013: ~55% at 1.25 -1.35 USD/EUR
- Hedging 2014: ~40% at 1.25 -1.35 USD/EUR
- IAS 19 revised; impact in 2013:
 - operational result: low single-digit €million amount
 - financial result: low single-digit €million amount



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9M 2013 financial overview: Weak environment and one-time burdens characterize 9M 2013

[€ m]	9M 2012	9M 2013	yoy in %
Sales	6,971	6,286	-9.8%
EBITDA pre except.	984	559	-43.2%
margin	14.1%	8.9%	
EPS	5.50	0.54	-90.2%
EPS pre ¹	5.74	1.07	-84.8%
Capex²	381	398	4.5%
[€ m]	31.12.2012	30.09.2013	Δ %
Net financial debt	1,483	1,822	22.9%
Net working capital	1,849	1,873	1.3%
Employees	17,177	17,502	1.9%

- Sales decline mainly due to lower prices; currency effects strain additionally
- EBITDA and margin burdened by weak market environment from tire and OEM, overall higher idle costs, ramp-up costs (~€20 m) and inventory devaluation (~€20 m)
- EPS also includes ~€60 m exceptional items (efficiency program "Advance")
- Net financial debt rises due to low earnings

2012 restated due to IAS 19 (revised)

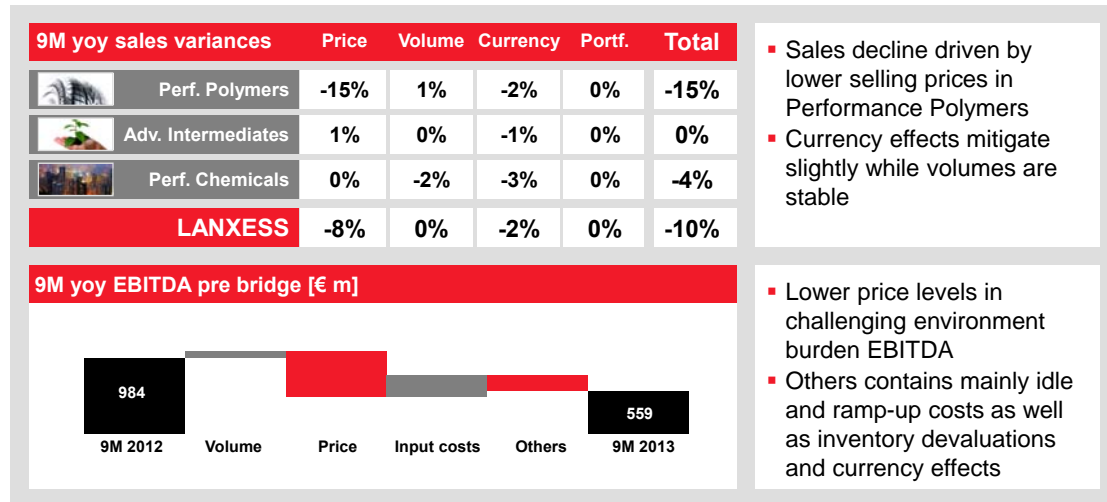
¹ Net of exceptionals, using the country tax rate applicable where the expenses were incurred

² Net of capitalized borrowing costs, projects financed by customers and finance lease

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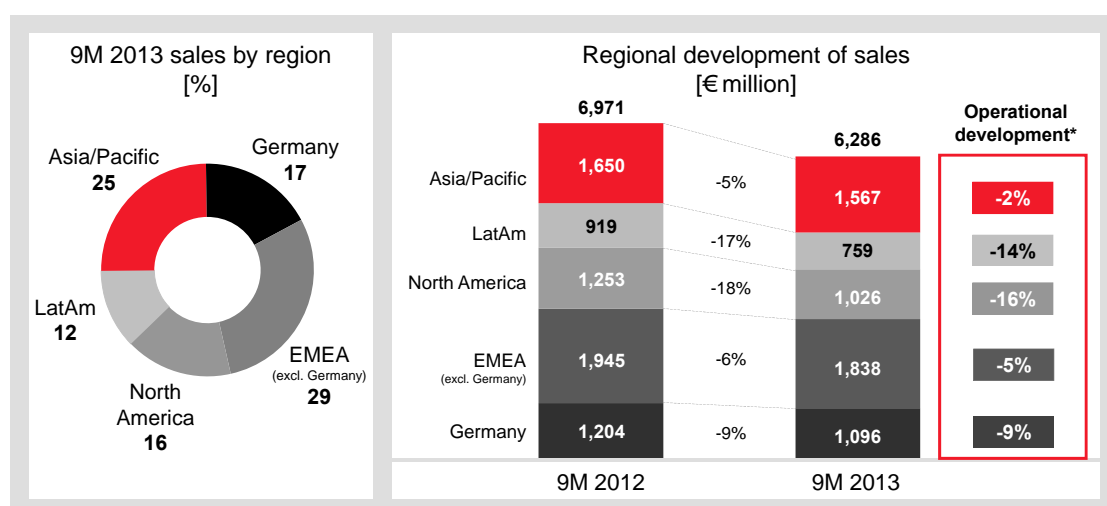
9M 2013: Lower price levels burden performance



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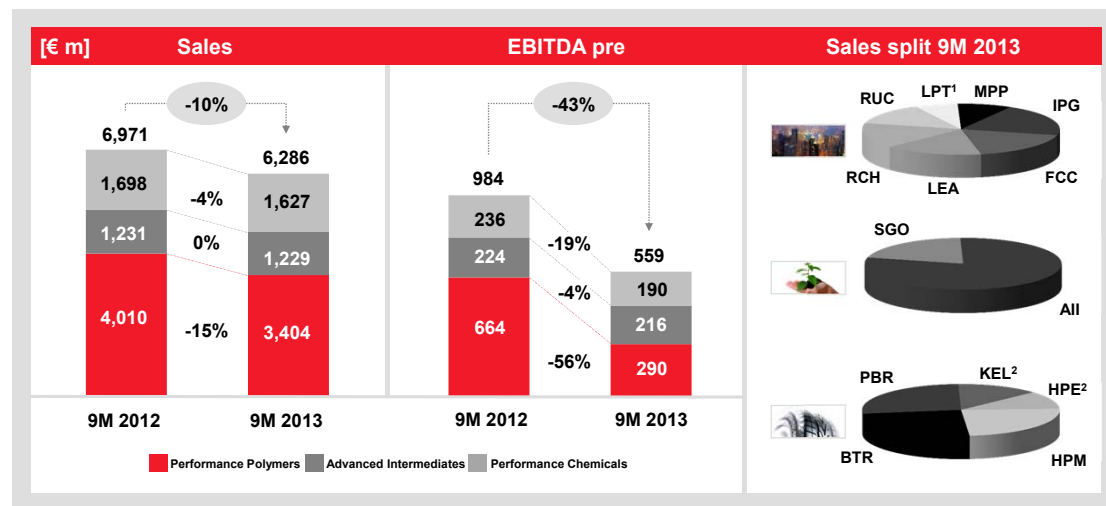
9M 2013: Sales in all regions decline due to lower price levels



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9M 2013: Advanced Intermediates proves resilience



Total group sales and EBITDA pre figures include reconciliation

¹ As of April 1st 2013 BU ION (Ion Exchange Resins) renamed to BU LPT (Liquid Purification Technologies)

² As of January 1st 2013 BU TRP (Technical Rubber Products) split into BU KEL (Keltan Elastomers) and BU HPE (High Performance Elastomers)

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9M 2013: Challenging times reflected in results

[€ m]	9M 2012	9M 2013	yoy in %	
Sales	6,971 (100%)	6,286 (100%)	-10%	<ul style="list-style-type: none"> Sales decline due to lower prices (-8%) and additional negative currency effects (-2%); volumes remain stable (0%) Lower price levels (mainly Performance Polymers) and higher idle costs lead to a drop in gross margin One-time costs of ~€30 m² also digested in 9M 2013 Exceptional expenses (€64 m) from "Advance" program reflected in earnings
Cost of sales	-5,329 (76%)	-5,098 (81%)	-4%	
Selling	-564 (8%)	-575 (9%)	2%	
G&A	-236 (3%)	-230 (4%)	-3%	
R&D	-147 (2%)	-134 (2%)	-9%	
EBIT	682 (10%)	169 (3%)	-75%	
Net Income	458 (7%)	45 (1%)	-90%	
EPS	5.50	0.54	-90%	
EPS pre ¹	5.74	1.07	-85%	
EBITDA	958 (14%)	501 (8%)	-48%	
thereof exceptionals	-26 (0%)	-58 (1%)	>100%	
EBITDA pre exceptionals	984 (14.1%)	559 (8.9%)	-43%	

2012 restated due to IAS 19 (revised)

¹ Net of exceptionals and respective tax effects

² Ramp-up BTR in Singapore (~€20 m) and KEL technology change in Geleen (~€10 m)

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9M 2013: Weak business performance reflected in cash flow

[€ m]	9M 2012	9M 2013	
Profit before tax	592	62	<ul style="list-style-type: none"> Profit before tax significantly down in line with weak EBITDA and increased D&A Changes in other assets and liabilities in 2013 related to variable compensation Increase in working capital notably lower in 2013 YTD due to active inventory management and lower raw material prices Investing cash flow mirrors inflow from near cash assets
Depreciation & amortization	276	332	
Gain from sale of assets	-1	-1	
Result from equity investments	-3	0	
Financial (gains) losses	71	82	
Cash tax payments/refunds	-90	-38	
Changes in other assets and liabilities	-82	-70	
Operating cash flow before changes in WC & CTA	763	367	
Changes in working capital	-339	-56	
CTA funding*	0	0	
Operating cash flow	424	311	
Investing cash flow	17	-164	
thereof capex**	-381	-398	
Financing cash flow	-316	-161	

* CTA (Contractual Trust Arrangement) funding formerly shown in investing cash flow
 ** Net of capitalized borrowing costs, projects financed by customers and finance lease

2012 restated due to IAS 19 (revised)

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Balance sheet

[€ m]	Dec'12	Jun'13	Sep'13		Dec'12	Jun'13	Sep'13
Non-current assets	3,747	3,820	3,752	Stockholders' equity	2,330	2,198	2,147
Intangible assets	390	388	372	Non-current liabilities	3,559	3,097	3,062
Property, plant & equipment	2,994	3,081	3,046	Pension & post empl. provis.	893	921	917
Equity investments	8	0	0	Other provisions	304	286	281
Other investments	18	14	14	Other financial liabilities	2,167	1,681	1,661
Other financial assets	8	7	11	Tax liabilities	35	35	36
Deferred taxes	211	213	199	Other liabilities	78	103	96
Other non-current assets	118	117	110	Deferred taxes	82	71	71
Current assets	3,772	3,448	3,359	Current liabilities	1,630	1,973	1,902
Inventories	1,527	1,527	1,388	Other provisions	440	366	367
Trade accounts receivable	1,117	1,212	1,136	Other financial liabilities	167	740	723
Other financial & current assets	331	338	317	Trade accounts payable	795	657	651
Near cash assets	411	97	150	Tax liabilities	45	27	24
Cash and cash equivalents	386	274	368	Other liabilities	183	183	137
Total assets	7,519	7,268	7,111	Total equity & liabilities	7,519	7,268	7,111




- Inventories decrease driven by both lower raw material costs and lower volumes
- €500 m bond due in April 2014 reclassified from non-current to current liabilities

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BBB rating since 2007

BBB / Baa2 ratings confirmed – outlook changed to “negative” in June/August

 BBB neg. outlook Confirmed on 27.06.2013 with change to “negative” outlook	 Baa2 neg. outlook Confirmed on 14.08.2013 with change to “negative” outlook	 BBB neg. outlook Confirmed on 15.08.2013 with change to “negative” outlook
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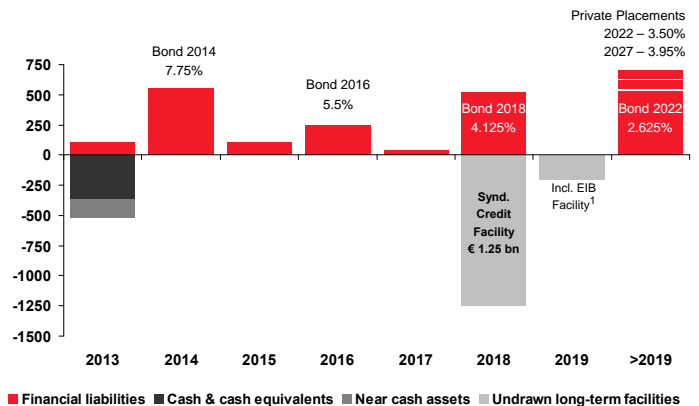
- BBB / Baa2 ratings with negative outlook as per latest publications in June/August 2013
- Rating agencies expect recovery of key credit protection ratios in 2014 for the current rating
- S&P has reflected uncertainty about a recovery in “negative” outlook (“... one-in-three chance that LANXESS won't be able to restore its credit metrics ... by 2014,...” (S&P))
- Moody's “negative” outlook reflects the “slower recovery of earnings in the Performance Polymers division” albeit LANXESS’ “strong business fundamentals and conservative financial management” (Moody's)

Rating agencies appreciate LANXESS' liquidity, prudent financial policy and management track-record

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A well managed and conservative maturity profile

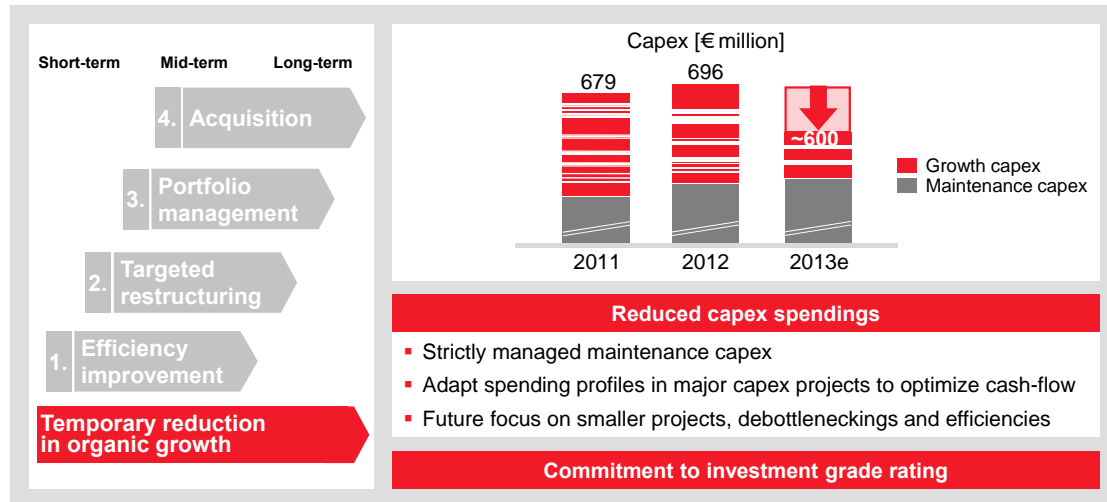
<p>Long term financing secured</p> <ul style="list-style-type: none"> ▪ Well balanced maturity profile ▪ Diversified financing sources <ul style="list-style-type: none"> – Bonds – Private placements – Syndicated credit facility – Development banks – Bilateral bank facilities ▪ Availability period of EIB¹ facility has been prolonged by one year ▪ All financing without financial covenants 	<p style="text-align: center;">Liquidity and maturity profile as per September 2013</p>  <p style="text-align: right;">Private Placements 2022 – 3.50% 2027 – 3.95%</p> <p style="text-align: center;">Bond 2014: 7.75% Bond 2016: 5.5% Bond 2018: 4.125% Bond 2022: 2.625%</p> <p style="text-align: center;">Synd. Credit Facility € 1.25 bn Incl. EIB Facility¹</p> <p style="text-align: center;">■ Financial liabilities ■ Cash & cash equivalents ■ Near cash assets ■ Undrawn long-term facilities</p>
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¹ European Investment Bank; in case of utilization in 2014 final maturity of EIB financing in 2019 at latest; EIB facility currently undrawn

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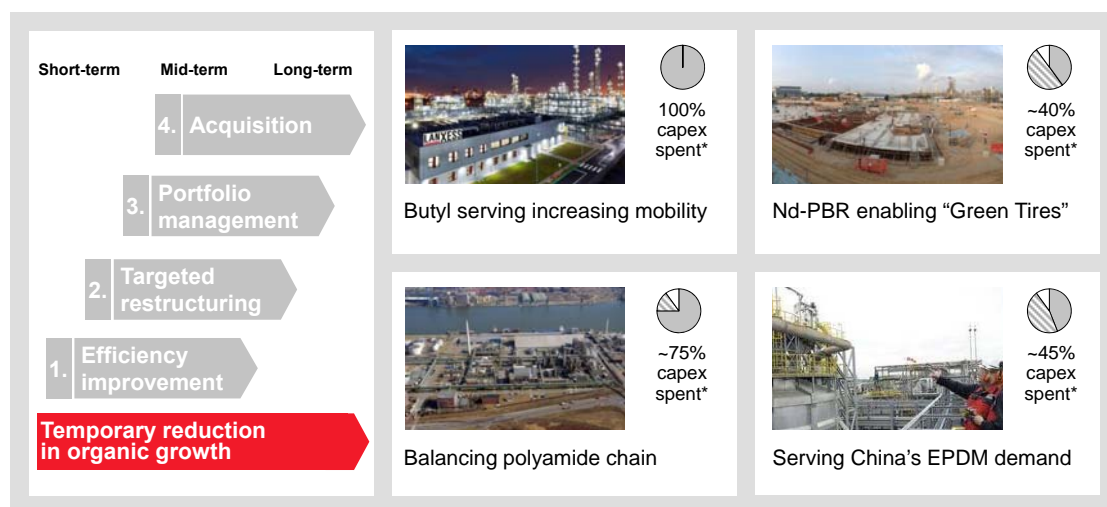
Significant capex reduction



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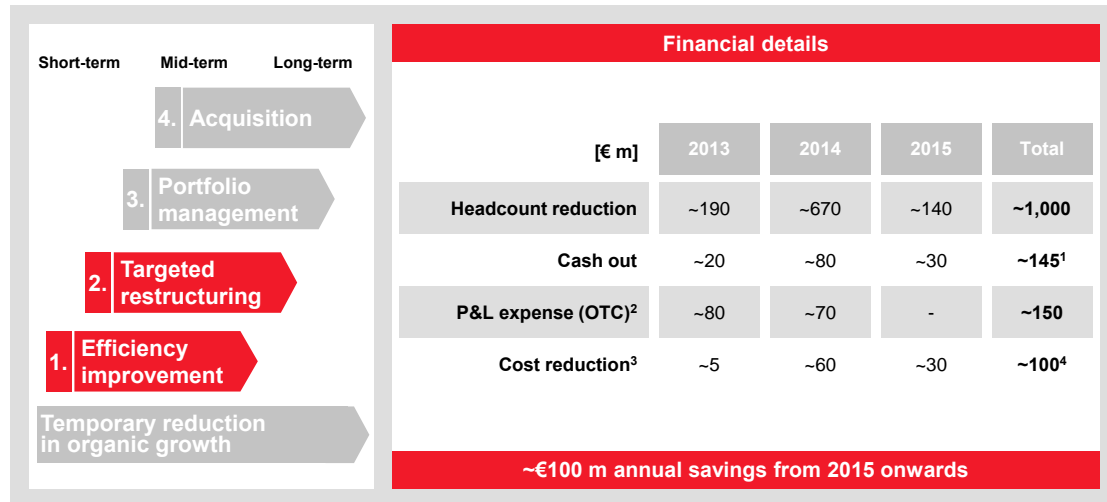
All strategic growth projects well on track



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Providing additional details on efficiency measures

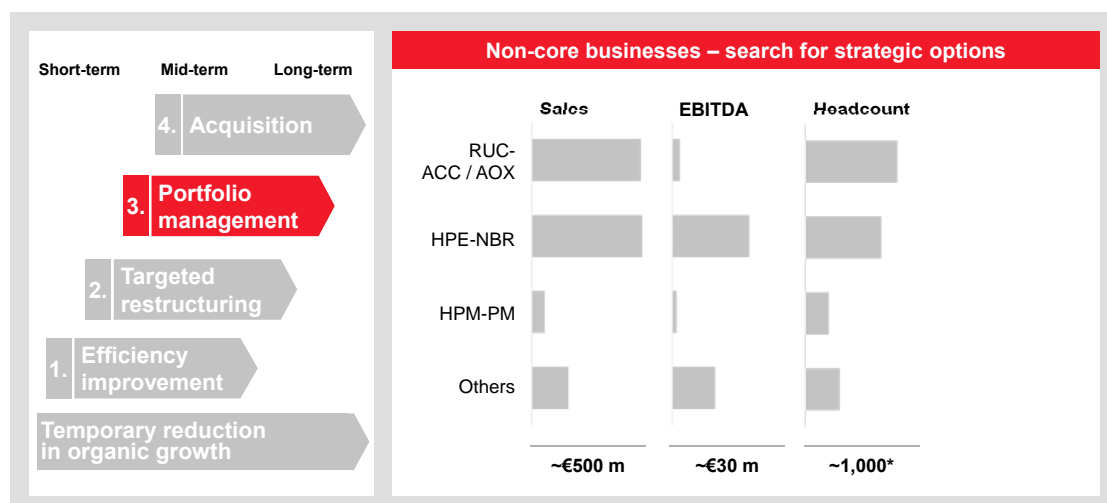


¹ Incl. ~€15 million for the years 2016-2019; ² P&L expense (OTC) booked as extraordinary; ³ Versus previous year; ⁴ Incl. €5 million for the years 2016-2019

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Strategic options for non-core businesses



All references to EBITDA are pre exceptional; ACC = Accelerators, AOX = Anti-Oxidants, NBR = Nitril-Butadien-Rubber, PM = Perlon Monofil;
* Headcount before restructuring

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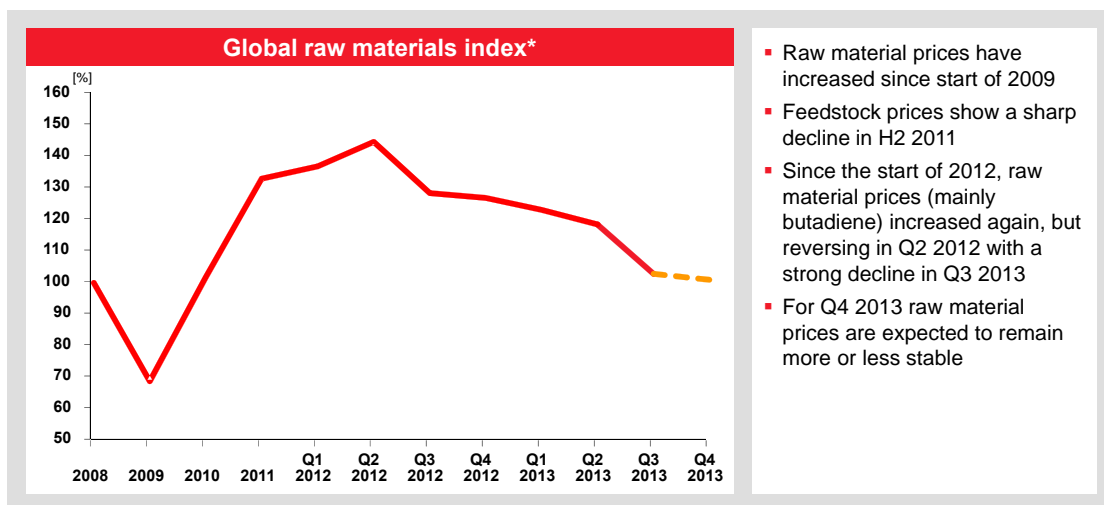
Premium products and technologies for global megatrends



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High volatility among raw materials



* Source: LANXESS, average 2008 = 100%

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Overview exceptional items Q3 and YTD

[€ m]	Q3 2012		Q3 2013		9M 2012		9M 2013	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Performance Polymers	1	0	8	0	3	0	8	0
Advanced Intermediates	0	0	0	0	0	0	-4	0
Performance Chemicals	0	0	0	0	17	2	40	6
Reconciliation	3	0	13	0	8	0	20	0
Total	4	0	21	0	28	2	64	6

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Abbreviations

Performance Polymers		Performance Chemicals	
▪ BTR	Butyl Rubber	▪ MPP	Material Protection Products
▪ PBR	Performance Butadiene Rubbers	▪ IPG	Inorganic Pigments
▪ KEL*	Keltan Elastomers	▪ FCC	Functional Chemicals
▪ HPE*	High Performance Elastomers	▪ LEA	Leather
▪ HPM	High Performance Materials	▪ RCH	Rhein Chemie
		▪ RUC	Rubber Chemicals
		▪ LPT**	Liquid Purification Technologies
Advanced Intermediates			
▪ All	Advanced Industrial Intermediates		
▪ SGO	Saltigo		

* As of January 1st 2013 BU TRP split into BU KEL (Keltan Elastomers) and BU HPE (High Performance Elastomers)

** As of April 1st 2013 BU ION (Ion Exchange Resins) renamed to BU LPT

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Upcoming events

2013/2014

▪ Deutsche Börse Deutsches Eigenkapitalforum	November 13	Frankfurt
▪ Morgan Stanley Annual Asia Pacific Summit	November 14	Singapore
▪ Morgan Stanley Global Chemicals Conference	November 14	Boston
▪ DZ Bank Equity Conference	November 18	Frankfurt
▪ HSBC Zurich Investors Conference 2013	November 28	Zurich
▪ Deutsche Bank German Corporate Conference	December 2/3	Tokyo
▪ BofA Merrill Lynch European Chemicals Conference	December 2/3	London
▪ Oddo Midcap Forum	January 9/10	Lyon
▪ Commerzbank German Investment Seminar	January 13/14	New York
▪ Kepler Cheuvreux German Corporate Conference	January 21/22	Frankfurt
▪ FY results 2013	March 20	
▪ Nomura Global Chemical Industry Leaders Conference	March 27/28	London
▪ Bankhaus Lampe Deutschland-Konferenz	April 3	Baden-Baden
▪ Natixis German Corporate Conference	April 10	Paris
▪ Q1 results 2014	May 8	
▪ AGM 2014	May 22	
▪ Q2 results 2014	August 6	
▪ Q3 results 2014	November 6	

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