



# LANXESS – Q3 2014 results

## A solid quarter supported by first savings

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## Agenda







### Executive summary Q3 2014 and outlook

Business and financial details Q3 2014

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## Key developments Q3 2014

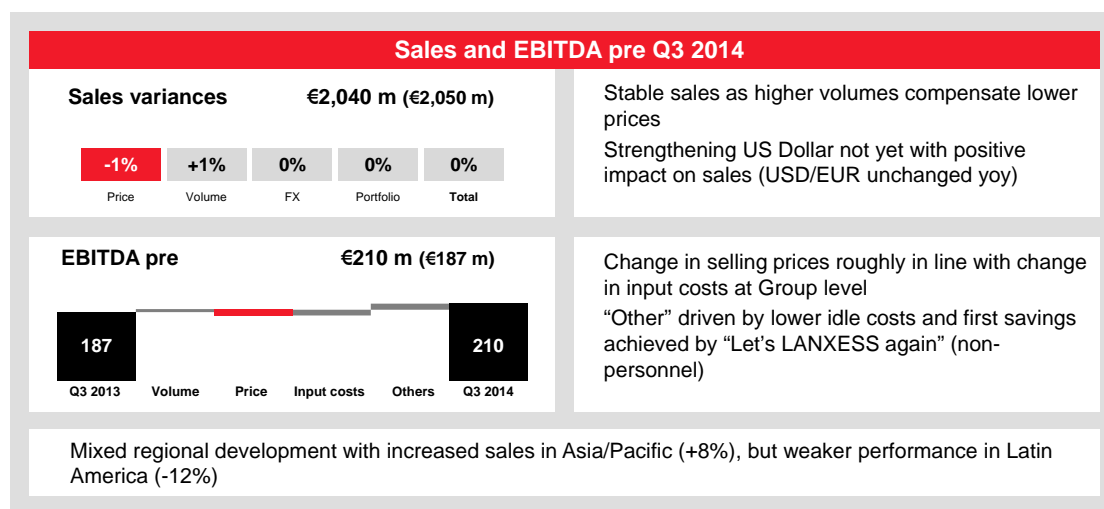
	Volumes and EBITDA in Advanced Intermediates and Performance Chemicals improve EBITDA supported by corporate cost reductions	 <b>EBITDA improvement across the Group</b>
	Lower selling price levels yoy in Performance Polymers Reduced volumes in Polymers against a high base; no market improvement visible yet	 <b>Polymers remain challenging</b>
	Realignment program well on track Implementation of realignment program underway ~€150 m annual savings phasing in from 2015 through 2016	 <b>“Let’s LANXESS again” in progress</b>

All references to EBITDA are pre exceptionals

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## Stable topline but improved bottom line from cost savings



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## Q3 2014 financial overview: Improved earnings mainly due to cost savings

[€ m]	Q3 2013	Q3 2014	yoy in %
Sales	2,050	2,040	-0.5%
EBITDA pre except. margin	187 9.1%	210 10.3%	12.3%
EPS	0.13	0.38	>100%
EPS pre*	0.34	0.59	73.5%
Capex	146	112	-23.3%
Free Cash Flow	232	89	-61.6%
[€ m]	31.12.2013	30.09.2014	%
Net financial debt	1,731	1,445	-16.5%
Net working capital	1,679	1,994	18.8%
ROCE	5.8%	7.7%	
Employees	17,343	16,717	-3.6%

Sales stable with slightly higher volumes offsetting slightly lower prices  
Visible first cost reductions support earnings increase  
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

\* Net of exceptionals, using the local tax rate applicable where the expenses were incurred

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## Q3 2014 yoy: All three segments add to bottom-line improvement

Performance Polymers					Advanced Intermediates					Performance Chemicals				
Price	Volume	Currency	Portfolio	Total	Price	Volume	Currency	Portfolio	Total	Price	Volume	Currency	Portfolio	Total
-2%	-2%	0%	-1%	-4%	-1%	+6%	0%	0%	+5%	+1%	+2%	0%	0%	+3%
<p>Lower prices at segment level due to continued weak environment; only BU PBR mitigates this effect with higher selling prices yoy (butadiene)            Volumes slightly down compared to a strong quarter in the previous year            Despite better utilization, earnings dampened by market price pressure</p>					<p>Lower prices driven by lower input costs (e.g., toluene)            Strong agro performance in Q3: higher volumes driven by BU SGO's custom manufacturing            EBITDA pre increases with higher volumes and respective lower idle costs</p>					<p>Slight price increases at segment level            Stronger volumes again in BU IPG (mainly resulting from construction in Europe) and BU LEA            EBITDA pre rises due to higher prices and volumes</p>				
[€ m]		Q3'13	Q3'14	[€ m]		Q3'13	Q3'14	[€ m]		Q3'13	Q3'14			
↑	Sales	1,092	1,045	↑	Sales	403	424	↑	Sales	546	561			
	EBITDA pre	84	93		EBITDA pre	71	74		EBITDA pre	72	76			
	Margin	8%	9%		Margin	18%	17%		Margin	13%	14%			

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## 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)

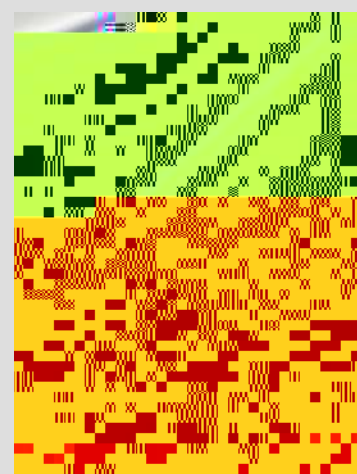
Agrochemicals demand expected to remain robust in 2014; 2015 will continue the growth trend, but with slower growth rates than 2014

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

### LANXESS expectations FY 2014 – confirmed

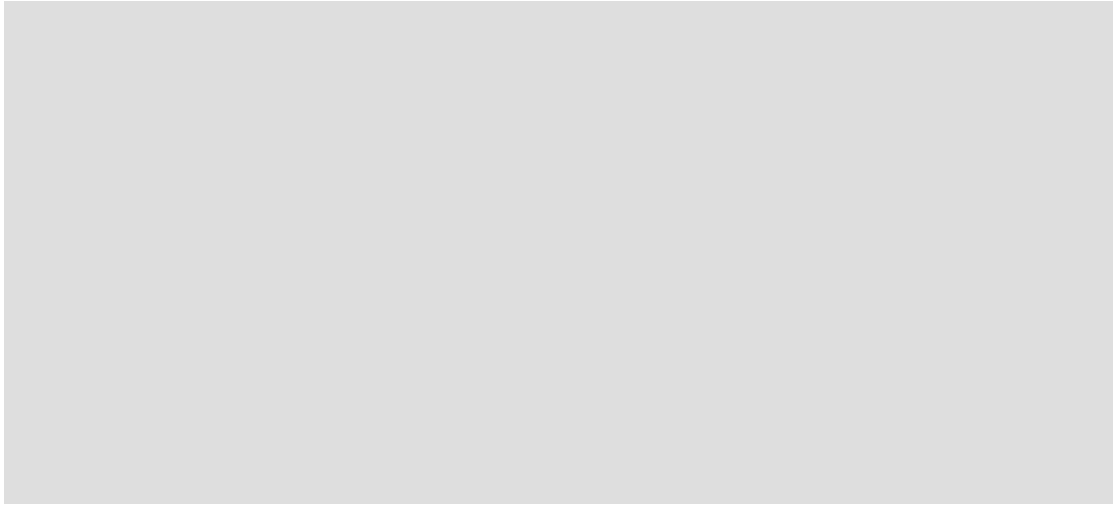
Confirmation of FY 2014 EBITDA pre guidance at €780-820 m (initial savings of ~€20 m from "Let's LANXESS again" mitigate some burdens for Q4)



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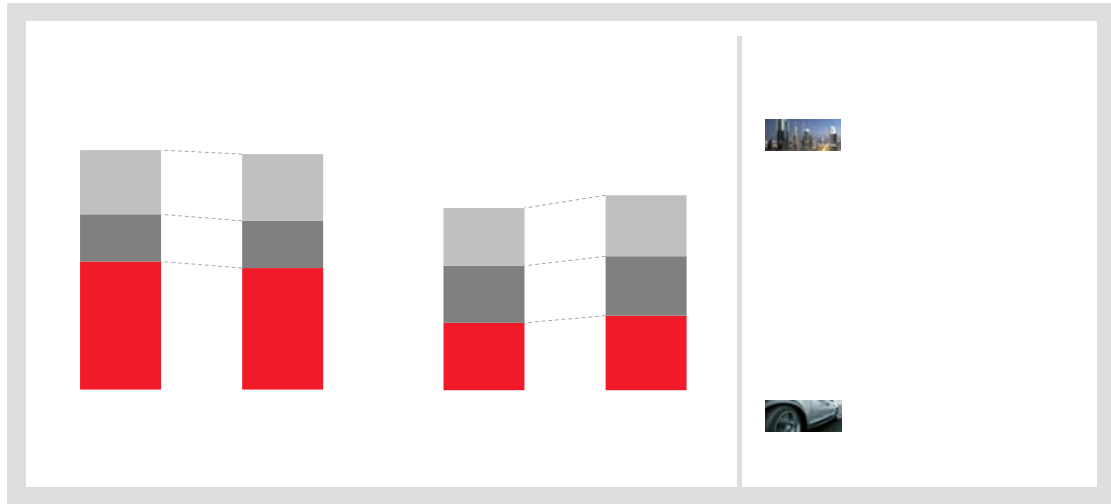
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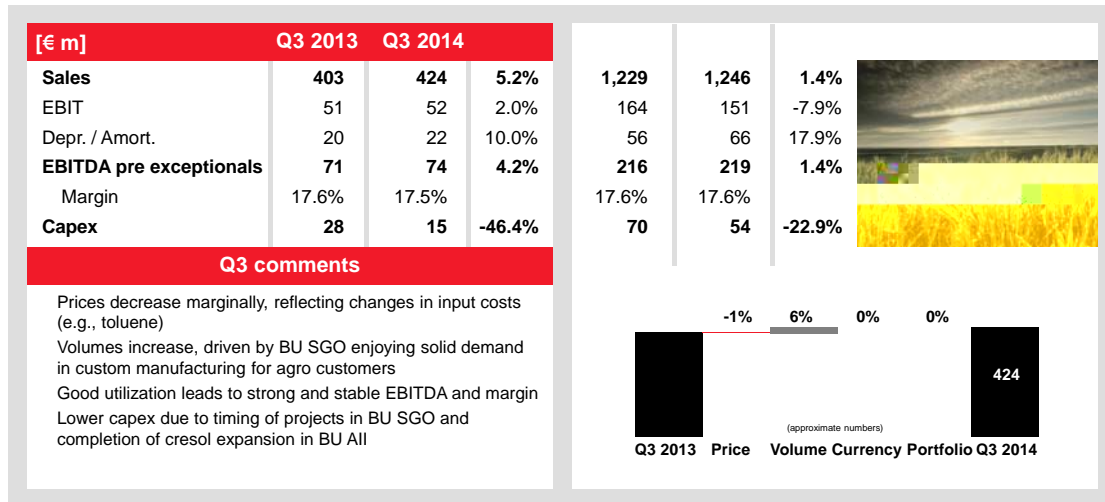


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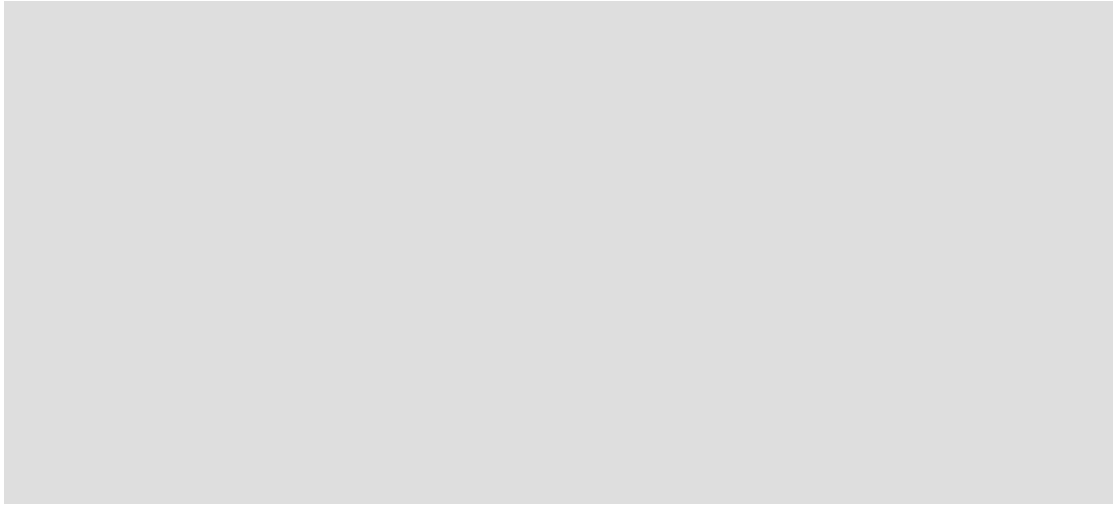
## Q3 2014: EBITDA improvement in every segment



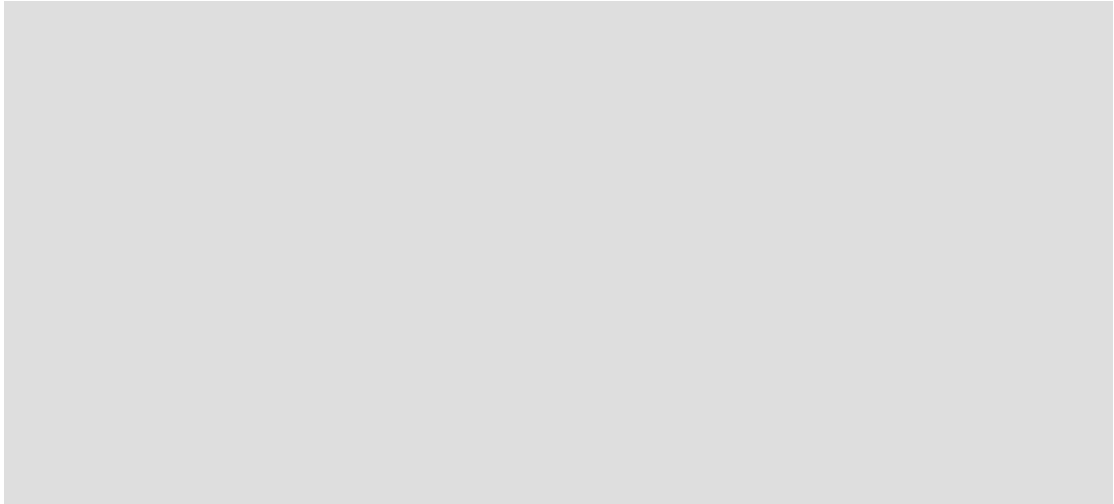
## Advanced Intermediates: Continued good performance







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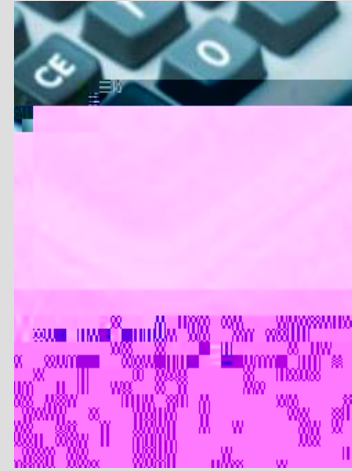
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## Housekeeping items for consideration

### 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 China:	~€10 m in Q4 2014 and Q1 2015 each
Ramp-up cost Nd-PBR Singapore:	~€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

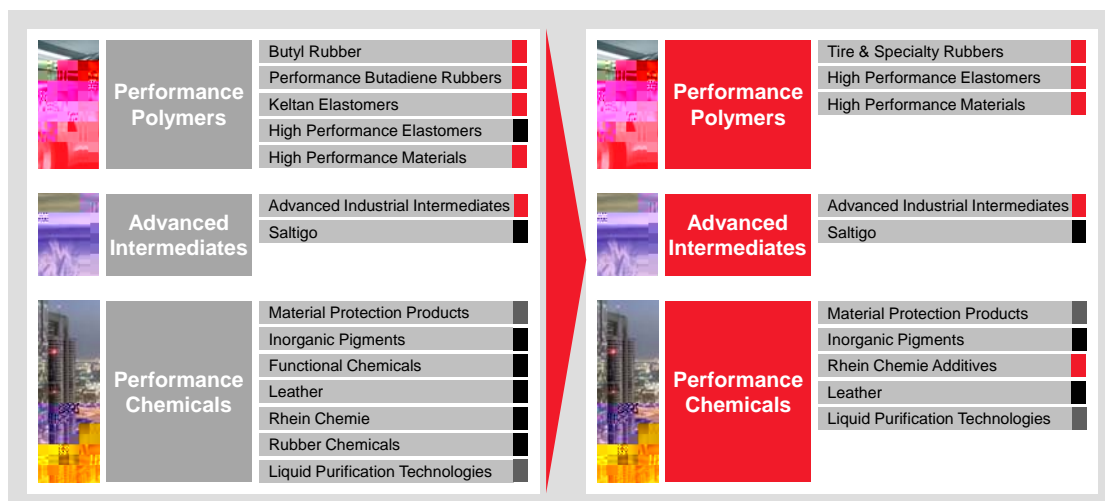
Thereof up to ~€100 m for "Let's LANXESS again"



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## New business set-up creates more efficient and effective market approach



Reporting structure as of January 1<sup>st</sup> 2015

■ Sales: > €500 m   ■ Sales: €200 m – 500 m   ■ Sales: < €200 m

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9M yoy sales variances	Price	Volume	Currency	Portf.	Total	
Perf. Polymers		2%	-2%			<p>Lower sales as positive volumes do not compensate lower prices and currency headwinds</p> <p>Positive volumes across all segments</p>
Adv. Intermediates		5%	-1%			
Perf. Chemicals		5%	-2%			
<b>LANXESS</b>		<b>3%</b>	<b>-2%</b>			
9M yoy EBITDA pre bridge [€ m]						
						<p>Price decline exceeds relief from raw-material cost; market price pressure</p> <p>Higher volumes, respectively lower idle costs and absence of one-time burdens support EBITDA</p>



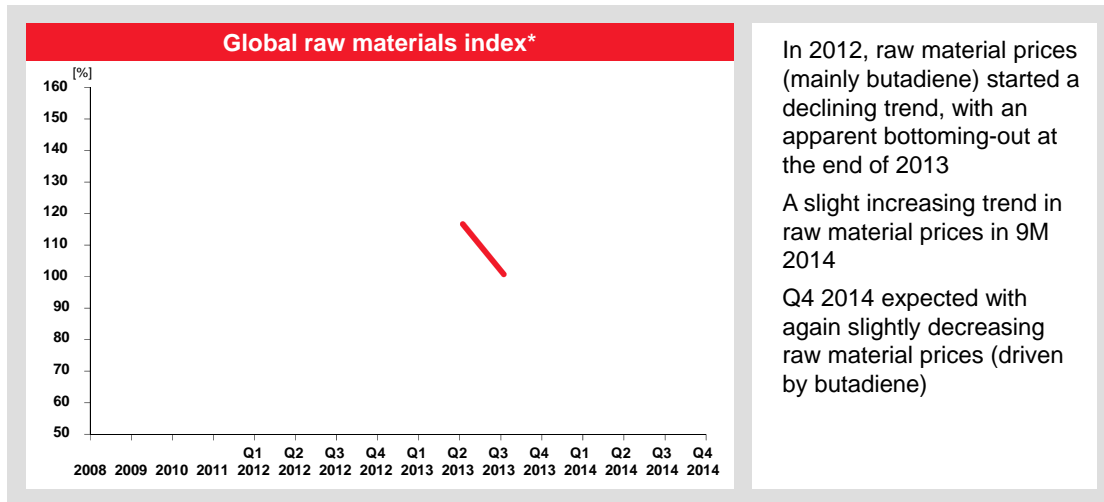


## Major projects expected to be on stream after 2014

<p><b>2013</b> (completed)</p>	<p>BU BTR Butyl (SGP), Q1 2013, new plant 100kt            BU HPE Chloroprene rubber (GER), H2 2013, debottlenecking +10%            BU All Dichlorobenzene (GER), Q1 2013, debottlenecking +15%</p>
<p><b>2014</b> (completed)</p>	<p>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%</p>
<p><b>2015 +</b></p>	<p><b>BU KEL EPDM (CHN), 2015, new plant 160kt</b>  <b>BU PBR Nd-PBR (SGP), H1 2015, new plant 140kt</b>            BU IPG Iron oxide red (CHN), Q1 2016, new plant 25kt            BU IPG Mixing &amp; milling (CHN), Q1 2016, new plant 70kt            BU HPM Compounding (US), early 2016, debottlenecking +20kt            BU PBR SSBR (BRA) conversion from ESR (110kt)*</p>

\* Expected for the label introduction in Brazil (2016); to be further evaluated

## High volatility in raw material prices



\* Source: LANXESS, average 2010 = 100%



## Abbreviations

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

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Morgan Stanley Global Chemicals Conference	November 11	Boston
Bank of America Merrill Lynch German Corporate Days 2014	November 17/18	Singapore
MainFirst Conference	November 18	Paris
Barclays European Select Conference	November 19	Zurich
Deutsche Bank Tokyo Investor		

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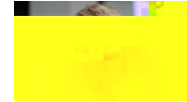
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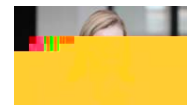
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