

**Interim Report**

January 1 to March 31, 2015



## LANXESS Group Key Data

€ million	Q1 2014	Q1 2015	Change %
Sales	2,043	2,038	(0.2)
EBITDA pre exceptionals	205	229	11.7
EBITDA margin pre exceptionals	10.0%	11.2%	
EBITDA	178	178	0.0
EBIT pre exceptionals	102	123	20.6
EBIT	75	63	(16.0)
EBIT margin	3.7%	3.1%	
Net income	25	22	(12.0)
Earnings per share (€)	0.30	0.24	(20.0)
ROCE	6.2%	8.0%	
Cash flow from operating activities	9	33	> 100
Depreciation and amortization	103	115	11.7
Cash outflows for capital expenditures	108	56	(48.1)
Total assets	7,250 <sup>1)</sup>	7,678	5.9
Equity (including non-controlling interests)	2,161 <sup>1)</sup>	2,065	(4.4)
Equity ratio	29.8% <sup>1)</sup>	26.9%	
Net financial liabilities	1,336 <sup>1)</sup>	1,396	4.5
Employees (as of March 31)	16,584 <sup>1)</sup>	16,347	(1.4)

1) previous year as of December 31, 2014

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# Key Issues

## Q1 2015

### LANXESS improves earnings in fiscal 2014

LANXESS substantially improved its operating result in a challenging market and competitive environment. Although sales were down slightly by 3.5% to €8 billion, EBITDA pre exceptionals increased by 9.9% to €808 million. Net income improved by €206 million to €47 million – despite exceptional items associated with the realignment program. At the same time, LANXESS significantly reduced its net indebtedness and tangibly increased operating cash flow. Earnings per share were €0.53, against minus €1.91 the year before. It will be proposed to the Annual Stockholders' Meeting on May 13, 2015, that a dividend of €0.50 per share be paid for 2014. This would result in a total dividend payout of around €46 million. LANXESS also paid a dividend of €0.50 per share for 2013.



### Supervisory Board elections and new Chief Financial Officer

The Supervisory Board of LANXESS AG has resolved to propose Lawrence A. Rosen, member of the Board of Management of Deutsche Post AG, and Dr. Matthias Wolfgruber, Chairman of the Management Board of Altana AG, for election as members of the Supervisory Board to the Annual Stockholders' Meeting on May 13, 2015. Supervisory Board members Rainer Laufs and Robert J. Koehler will both be leaving the body upon expiration of their current terms of office.



The Supervisory Board also appointed Michael Pontzen as a member of the Board of Management effective April 1, 2015. He has assumed the role of Chief Financial Officer (CFO) at the specialty chemicals company. Pontzen previously headed the Corporate Controlling Group Function at LANXESS. He succeeded Dr. Bernhard Düttmann, who left the company on March 31, 2015, at his own request.

### New demonstration facility for processing Tepex

LANXESS subsidiary Bond-Laminates GmbH has started up a demonstration facility for processing Tepex continuous-fiber-reinforced thermoplastic composites at its site in Brilon, Germany. This enables Tepex to be both formed in a fully automated, near-series process

and also simultaneously formed and oversprayed in a hybrid molding process. The facility is aimed at familiarizing customers with the strengths of Tepex and how it is processed, as well as supporting them in the development of innovative lightweight components.

### LANXESS intends to stop Marl production by end of 2015

LANXESS is realigning its EPDM rubber business and intends to discontinue rubber production at the site in Marl, Germany, at the end of 2015. In this way, the company aims to strengthen its competitiveness in this area of the rubber business. The global market for synthetic rubber is presently characterized by significant overcapacities. Within LANXESS's EPDM production network, the Marl facility is the least competitive due to its relatively small capacity and comparatively high energy and raw material costs. LANXESS employs 119 people at the Marl site.

### New SSBR rubber products with enhanced performance

LANXESS's Tire & Specialty Rubbers (TSR) business unit has developed two new rubber grades as higher-performance alternatives to its standard Buna rubber products, which are widely used in the tire industry. The first product in the new Buna FX family is a functionalized SSBR grade which improves polymer/filler interaction in the tread mix and thus reduces the rolling resistance of tires. The grip has also been improved. The second new product expands the Buna VSL family and likewise improves grip without adversely affecting rolling resistance.

## LANXESS Stock

Our stock posted an encouraging performance in the first quarter of 2015. Following a turbulent year on the stock market in 2014, the price of our shares once again attained the €50 mark and made significant gains in the first three months of the year. Our stock was supported by a positive market environment and the publication of better-than-expected business results for 2014.

The European stock market indices climbed to new all-time highs in the first quarter, as the DAX reached a record level in January and further built on these gains in the months thereafter. In March it surpassed the 12,000 point threshold for the first time, closing the quarter just slightly below its new high at 11,966 points. Overall this represented a strong gain of 22.0% for the DAX in the first quarter after the index started the year below 10,000 points. The other German and European indices also registered extremely positive development in the reporting period. Our benchmark index Dow Jones STOXX 600 Chemicals<sup>SM</sup> closed at 958 points at the end of March and matched the considerable gain of the DAX on the quarter at 22.2%. The MSCI World Chemicals Index, which was also impacted by the mood on the U.S. markets due to its international composition, closed at 276 points on March 31, up 7.9% on the quarter.

The strongest impetus for the very good performance of the European stock markets came from the European Central Bank (ECB), which announced a bond purchasing program in January that began in March. The ECB will purchase government bonds and further securities with a total value of €60 billion per month through September 2016. An extension of the program also has not been ruled out. The stock markets were also buoyed in the first quarter by robust economic data and slightly improved growth forecasts for the eurozone in 2015. The crisis in Greece remained a major negative factor for the European stock markets in the opening months of 2015. Due to the

prevailing positive influences, however, this factor put the European stock markets under pressure only temporarily and did not have a lasting impact on the development of the major European indices. In the United States, on the other hand, markets were held back at times by weaker economic data and therefore did not match the market rally in Europe during the first quarter.

The value of our stock also increased substantially in the first quarter, as the share price rose by 29.0%. After starting the year below the €40 threshold and registering further declines in the first few weeks of 2015, our stock showed a clear increase from the end of January. LANXESS stock reached its high for the quarter in mid-March at €51.00 and closed on March 31 at €49.63, just under the €50 threshold. With this performance, the value of our stock grew at a faster rate from the end of January than the DAX and the benchmark indices Dow Jones STOXX 600 Chemicals<sup>SM</sup> and MSCI World Chemicals Index.

In addition to the very favorable stock market environment, the capital market responded positively to corporate newsflow in the reporting period. We reported better-than-expected Group earnings for 2014. Furthermore, the three-stage reorganization program is proceeding as planned and the first stage – which focuses on the competitiveness of the business and administrative structure – has nearly been completed already. Furthermore, the first steps have been implemented in connection with the second stage, which is aimed at improving operational competitiveness. LANXESS also announced that it would maintain its consistent dividend policy even in the current difficult times and will propose to this year's Annual Stockholders' Meeting on May 13 the payment of a dividend of €0.50 per share.

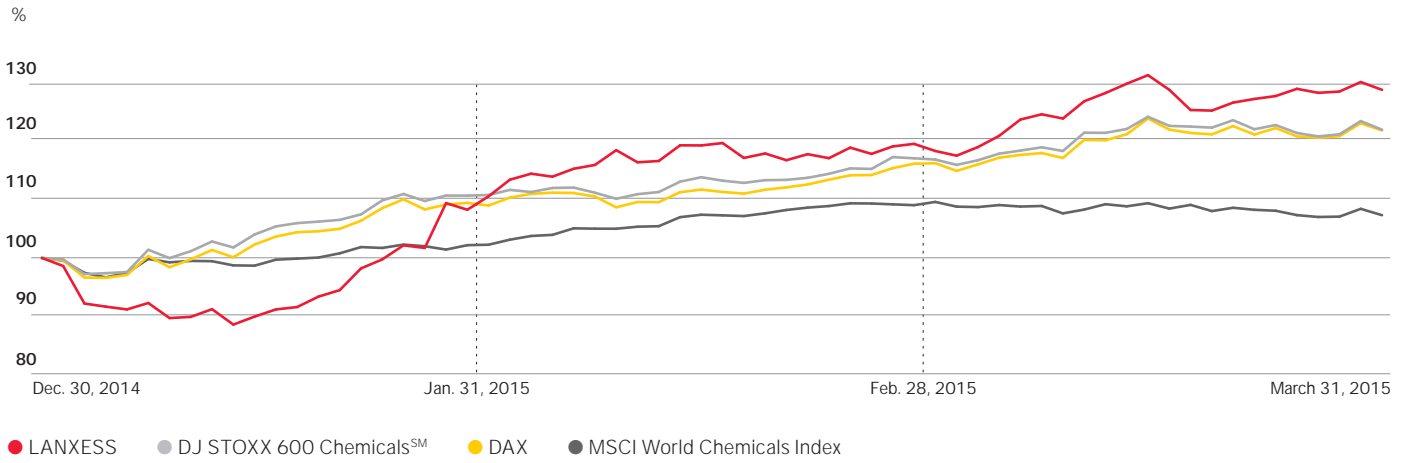
A summary of the development at LANXESS during the first quarter of 2015 is provided on page 1 of the report.

### LANXESS Stock

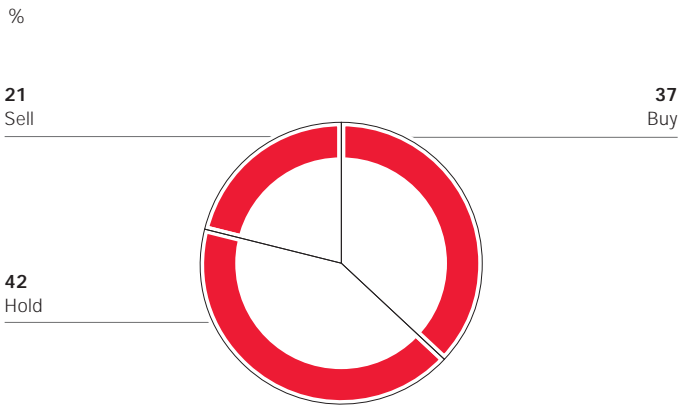
		Q4 2014	Q1 2015
Capital stock/no. of shares <sup>1)</sup>	€/no. of shares	91,522,936	91,522,936
Market capitalization <sup>1)</sup>	€ billion	3.51	4.54
High/low for the period	€	43.79/36.24	51.00/33.53
Closing price <sup>1)</sup>	€	38.46	49.63
Trading volume	million shares	60.900	62.838
Earnings per share	€	(0.74)	0.24

<sup>1)</sup> End of quarter: Q4: December 31, 2014, Q1: March 31, 2015

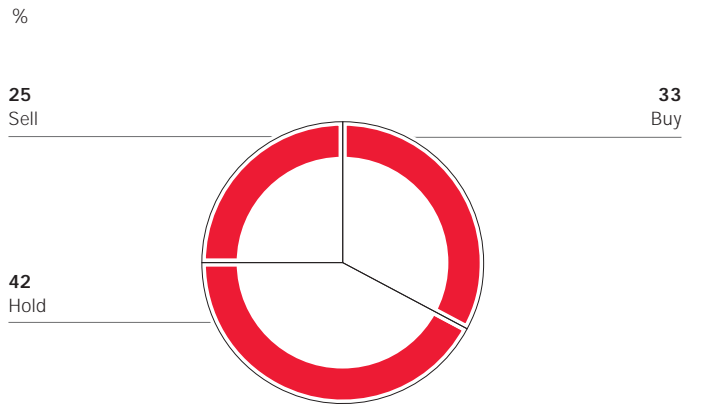
**Stock Performance vs. Indices**



**Analyst Recommendations as of January 31, 2015**



**Analyst Recommendations as of April 30, 2015**



# Interim Group Management Report

as of March 31, 2015

- Sales stable against prior-year quarter
- Realignment strengthens Group earning power; EBITDA pre exceptionals up by around 12%
- Positive effect from exchange rate developments
- Selling price adjustments due to lower raw material costs
- Persistently challenging competitive situation for synthetic rubber
- EBITDA margin pre exceptionals 11.2% vs. 10.0% for the prior-year quarter
- Net income level with the prior-year quarter despite higher exceptional charges
- Provisions for pensions and other post-employment obligations significantly higher
- Guidance for 2015: EBITDA pre exceptionals of between €820 million and €860 million expected for the full year

## Group structure

### Legal structure

LANXESS AG is the parent company of the LANXESS Group and functions largely as a management holding company. LANXESS Deutschland GmbH and LANXESS International Holding GmbH are wholly owned subsidiaries of LANXESS AG and in turn control the other subsidiaries and affiliates both in Germany and elsewhere.

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 68 of the Annual Report 2014.

### Changes to the Group portfolio

There were no changes in our Group portfolio in the first quarter of 2015. Details about the scope of consolidation are provided in the Notes to the Condensed Consolidated Interim Financial Statements as of March 31, 2015.

## Business and strategy

As part of the realignment of the LANXESS Group by means of the "Let's LANXESS again" program, we consolidated some of our business units effective January 1, 2015. The LANXESS Group continues to be structured in three segments but these now comprise a total of 10 business units, each of which conducts its own operations and has global profit responsibility. The Butyl Rubber and Performance Butadiene Rubbers business units were merged to form the Tire & Specialty Rubbers business unit. This decision was based on overlapping customer structures, regional commonalities in the established markets and changed conditions in the emerging economies. Furthermore, LANXESS consolidated the High Performance Elastomers and Keltan Elastomers business units in the High Performance Elastomers business unit. Here, too, there are substantial overlaps in customer structures. The specialty chemicals product line of the Rubber Chemicals business unit, the Functional Chemicals business unit and the Rhein Chemie business unit now comprise the new Rhein Chemie Additives business unit. By consolidating our additives business operations, we are seeking access to new markets and customers. Effective January 1, 2015, the antioxidants and accelerators product lines of the Rubber Chemicals business unit were integrated into the portfolio of the Advanced Industrial Intermediates business unit. To improve comparability, the prior-year figures have been restated wherever necessary. No changes were made to the Group's business organization or strategic alignment in the reporting period. The business units are supported by centralized services and by local organizations in the countries. Further details are given on pages 68 to 72 of the Annual Report 2014.

In the Asia-Pacific region, the new plants for our Tire & Specialty Rubbers and High Performance Elastomers business units were completed during the reporting period. Further information on this can be found in the "Financial condition and capital expenditures" section.

In connection with the optimization of the plant networks for rubbers, LANXESS intends to discontinue production of ethylene propylene diene monomer (EPDM) rubber at the site in Marl, Germany, as of the end of 2015. Within LANXESS's EPDM rubber production network, the Marl facility is the least competitive due to its relatively small capacity and comparatively high energy and raw material costs.

There were no further material changes to the production base, product portfolio or principal sales markets in the reporting period.

## Economic environment and business development

### Business conditions

**General economic situation** The continued economic upheaval in the eurozone as well as the ongoing crisis in Ukraine and the Middle East had a negative impact on global economic growth. Lower consumer prices which were driven by decreased oil prices did not provide a decisive positive impetus. Overall, the global economy grew by 2.3%. While development in the EMEA region remained subdued – despite positive effects from the change in the dollar against the euro – growth in the United States was held back by the appreciation of the dollar. Economic output in Latin America declined.

**Chemical industry** Chemical industry production expanded by 3.2% in the first three months of 2015, with the Chinese economic region and the NAFTA region as the main drivers of growth. Production volumes in the EMEA region were largely stagnant, while Latin America posted slight declines.

**Evolution of major user industries** Automotive production recorded an increase of 1.5% in the first quarter of 2015. The Chinese economic region and the NAFTA region contributed significantly to this development, while EMEA recorded hardly any growth. Production declined particularly in Eastern Europe and Latin America.

While the original equipment tire business mirrored the trend for automotive production in EMEA, the market for replacement tires and truck tires was weaker. The replacement tires market also registered a noticeable decline in the NAFTA region, while the trend in the Chinese economic region moved in the opposite direction. Latin America remained at the prior-year level.

Development in the construction industry varied by region. Industry in Asia registered solid growth, with China playing a key role, while development in EMEA stagnated and the NAFTA region posted a slight decline year on year.

In some cases, the production of agrochemicals increased significantly in Europe and China, while the NAFTA region saw a slight decline.

### Sales

Sales of the LANXESS Group in the first quarter of 2015 amounted to €2,038 million, which was nearly level with the prior-year period. Lower selling prices, which resulted from lower procurement prices for raw materials being passed on to customers, diminished sales by 8.0%, while volumes decreased slightly by 0.4%. Exchange rate developments increased sales by 8.5%. There was a slight negative portfolio effect from the sale of shares of Perlon-Monofil GmbH, Dormagen, Germany, in the previous year. Adjusted for the 8.2% balance of these currency and portfolio effects, sales showed an 8.4% decline based on prices and volumes.

#### Effects on Sales

%	Q1 2015
Price	(8.0)
Volume	(0.4)
Currency	8.5
Portfolio	(0.3)
	<b>(0.2)</b>

Our Performance Polymers segment recorded a 4.5% decline in sales against the prior-year quarter. Selling prices were down as a result of the lower procurement prices for raw materials being largely passed on to customers. Volumes were on a par overall compared with the prior-year period. Shifts in exchange rates had a positive impact on sales.

In our Advanced Intermediates segment, sales improved by 1.1%. Continued good demand for agrochemicals and in the other customer markets led to a positive effect from higher volumes that was more than offset by lower selling prices. This was mainly attributable to lower procurement prices for raw materials, which were partly passed on to customers in the form of selling price adjustments. The shift in exchange rates had a beneficial effect.

Sales in our Performance Chemicals segment increased by 7.5%. While selling prices were level year on year, volumes receded slightly. The Performance Chemicals segment also benefited from the positive effect of exchange rate development.

**Sales by Segment**

€ million	Q1 2014	Q1 2015	Change %	Proportion of Group sales %
Performance Polymers	1,063	1,015	(4.5)	49.7
Advanced Intermediates	473	478	1.1	23.5
Performance Chemicals	496	533	7.5	26.2
Reconciliation	11	12	9.1	0.6
	<b>2,043</b>	<b>2,038</b>	<b>(0.2)</b>	<b>100.0</b>

2014 figures restated

LANXESS posted an expansion in business in the North America and EMEA (excluding Germany) regions, while sales were down in the other regions.

**Order book status**

Most of our business is not subject to long-term agreements on fixed volumes or prices. Instead, our business is characterized by long-standing relationships with customers and revolving master agreements. Our activities are focused on demand-driven orders with relatively short lead times which do not provide a basis for forward-looking statements about our capacity utilization or volumes. Our business is managed primarily on the basis of regular Group-wide forecasts with respect to Group operating targets.

Any disclosure of the Group's order book status at a given reporting date therefore would not be indicative of the Group's short- or medium-term earning power. For this reason, no such disclosure is made in this report.

**Gross profit**

Compared with sales, the cost of sales showed a disproportionately large decline of 1.9% to €1,595 million. This cost relief was mainly attributable to lower raw material prices. On the other hand, manufacturing costs rose partly as a result of planned start-up costs for the new production plants, lower capacity utilization and associated higher idle capacity costs as well as exchange rate developments, particularly regarding the U.S. dollar.

Accordingly, gross profit rose by €26 million, or 6.2%, against the prior-year quarter, to €443 million. The gross profit margin rose from 20.4% to 21.7%. Shifts in exchange rates had a positive impact on the gross profit.

**EBITDA and operating result (EBIT)****EBITDA Pre Exceptionals by Segment**

€ million	Q1 2014	Q1 2015	Change %
Performance Polymers	117	122	4.3
Advanced Intermediates	72	92	27.8
Performance Chemicals	68	87	27.9
Reconciliation	(52)	(72)	(38.5)
	<b>205</b>	<b>229</b>	<b>11.7</b>

2014 figures restated

The operating result before depreciation and amortization (EBITDA) pre exceptionals rose in the first quarter of 2015 by €24 million, or 11.7%, to €229 million. The improvement in earnings was mainly attributable to lower raw material prices being passed along only partially to the market in the form of selling price adjustments. Exchange rate developments also had a positive effect. Selling expenses fell by 1.6% to €183 million. Research and development expenses, at €32 million, were down 28.9% year on year. General administration expenses amounted to €64 million, against €74 million in the first three months of 2014. The development of these functional costs already reflected cost savings achieved through the "Let's LANXESS again" program. The Group's EBITDA margin pre exceptionals rose to 11.2%, against 10.0% for the corresponding period of last year.

EBITDA pre exceptionals in our Performance Polymers segment advanced by €5 million, or 4.3%, in the first quarter, to €122 million. The cost relief from lower raw material prices and the favorable exchange rate developments more than offset the effect of lower selling prices, higher manufacturing costs and planned start-up costs. Earnings were also buoyed by a positive volume effect.



EBITDA pre exceptionals in the Advanced Intermediates segment, at €92 million, came in above the figure of €72 million in the prior-year period. Continued good demand for agrochemicals led to a positive volume effect. The net effect of lower procurement prices for raw materials and the adjustment of selling prices was positive. The trend was also supported by positive currency effects and higher capacity utilization compared with the prior-year period.

EBITDA pre exceptionals in the Performance Chemicals segment improved substantially to €87 million, up €19 million against the same period of the previous year. The rise in earnings resulted particularly from lower procurement prices for raw materials, a decline in manufacturing costs and favorable currency effects. The adjustment of selling prices and the development of volumes did not have a significant impact.

The Group's operating result (EBIT) for the first quarter came in at €63 million, against €75 million for the prior-year period. Depreciation and amortization, at €115 million, was above the first quarter of 2014. The exceptional charges included in other operating expenses totaled €60 million, of which €51 million impacted EBITDA. They related mainly to expenses connected with the intended stop to EPDM rubber production in Marl and measures taken as part of the "Let's LANXESS again" program. Exceptional charges in the prior-year quarter came to €27 million, with the entire amount impacting EBITDA.

The reconciliation of EBITDA pre exceptionals to the operating result (EBIT) was as follows:

#### Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q1 2014	Q1 2015	Change %
<b>EBITDA pre exceptionals</b>	<b>205</b>	<b>229</b>	<b>11.7</b>
Depreciation and amortization	(103)	(115)	(11.7)
Exceptional items in EBITDA	(27)	(51)	(88.9)
<b>Operating result (EBIT)</b>	<b>75</b>	<b>63</b>	<b>(16.0)</b>

## Financial result

The financial result for the first quarter of 2015 was minus €29 million, compared with minus €37 million for the prior-year period. The €9 million decline in interest expense against the prior-year quarter had a favorable effect. The earnings contribution from investments accounted for using the equity method came to €0 million in the reporting period, against €1 million in the prior-year quarter. The balance of other financial income and expense items, which was mainly determined by the interest cost for provisions, especially pensions and other post-employment benefit obligations, was level year on year at minus €14 million.

## Income before income taxes

First-quarter income before income taxes declined by €4 million to €34 million. The effective tax rate was 38.2%, compared with 36.8% for the prior-year quarter.

## Net income/Earnings per share/ Earnings per share pre exceptionals

Net income for the reporting period was down €3 million year on year at €22 million. Non-controlling interests accounted for a loss of €1 million as in the prior-year quarter.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares in circulation during the reporting year. The number of shares in circulation rose by the shares issued for the capital increase in May 2014. Earnings per share were €0.24 in the first quarter of 2015, which was below the figure of €0.30 for the prior-year quarter.

Earnings per share pre exceptionals came in at €0.66, against €0.53 in the prior-year period. This value was calculated by adjusting earnings per share for exceptional items and the attributable tax effects. Exceptional items in the reporting period came to €60 million, against €27 million in the prior-year quarter.

## Business development by region

Global sales development was characterized by lower selling prices that were attributable to a decline in procurement prices for key raw materials worldwide.

### Sales by Market

	Q1 2014		Q1 2015		Change
	€ million	%	€ million	%	
EMEA (excluding Germany)	618	30.2	623	30.6	0.8
Germany	381	18.6	365	17.9	(4.2)
North America	331	16.2	342	16.8	3.3
Latin America	217	10.6	213	10.4	(1.8)
Asia-Pacific	496	24.3	495	24.3	(0.2)
	<b>2,043</b>	<b>100.0</b>	<b>2,038</b>	<b>100.0</b>	<b>(0.2)</b>

Sales in the EMEA (excluding Germany) region in the first quarter of 2015 were €623 million, up 0.8% from the prior-year period. Adjusted for currency effects and for minor portfolio effects from the divestiture of the company's interest in Perlon-Monofil GmbH, Dormagen, Germany, sales declined by 0.2% in the first quarter of 2014. Our Advanced Intermediates segment raised sales in the region by a low-single-digit percentage, while sales in the Performance Polymers segment were down by a low-single-digit percentage. Sales in the Performance Chemicals segment were level year on year. Demand developed positively in some countries, especially Belgium, the Netherlands and Switzerland, while business declined in others, particularly Italy, Ireland and Poland.

With a 30.6% share of total sales, after 30.2% in the prior-year quarter, the EMEA (excluding Germany) region remained the largest of the LANXESS Group's regions in terms of sales.

Sales in Germany fell by 4.2% in the first quarter of 2015 to €365 million. There were no material portfolio effects. Sales in our Performance Chemicals segment increased by a low-single-digit percentage, while our Performance Polymers and Advanced Intermediates segments registered high- and mid-single-digit percentage declines, respectively.

Germany's share of Group sales came to 17.9% for the quarter, against 18.6% for the same period a year ago.

Sales in the North America region advanced by €11 million, or 3.3%, in the first quarter of 2015, to €342 million. Adjusted for positive currency changes and minor portfolio effects, sales decreased by 14.2%. This development was driven by the business performance in the Performance Polymers and Advanced Intermediates segments, which posted double-digit and high-single-digit sales declines, respectively. Sales in the Performance Chemicals segment were level year on year, however.

North America's share of Group sales rose to 16.8% in the first quarter of 2015, against 16.2% in the prior-year period.

Sales in the Latin America region receded in the first quarter of 2015 by €4 million, or 1.8%, against the prior-year period, to €213 million. After adjusting for positive exchange rate effects, business was down by 15.5%. This decrease was due mainly to the development of business in the Performance Polymers segment, where sales fell by a low-double-digit percentage. The positive business performance in the Advanced Intermediates segment more than offset the adverse sales development in the Performance Chemicals segment. The development in this region was largely attributable to Brazil.

The Latin America region's share of Group sales came to 10.4% for the quarter, against 10.6% for the same period a year ago.

Sales in the Asia-Pacific region were nearly level with the prior-year quarter, at €495 million. After adjusting for currency changes and minor portfolio effects, sales fell by 15.5%. The Performance Polymers and Advanced Intermediates segments saw sales decline by low-double-digit percentages, while sales of Performance Chemicals were down by a high-single-digit percentage. Singapore, Taiwan and South Korea accounted for a major share of the operational sales development in this region. In Thailand and India in particular, however, we recorded higher sales.

The Asia-Pacific region's share of Group sales in the first quarter of 2015 was level with the prior-year period at 24.3%.

## Segment information

### Performance Polymers

	Q1 2014		Q1 2015		Change
	€ million	Margin %	€ million	Margin %	
Sales	1,063		1,015		(4.5)
EBITDA pre exceptionals	117	11.0	122	12.0	4.3
EBITDA	108	10.2	85	8.4	(21.3)
Operating result (EBIT) pre exceptionals	61	5.7	64	6.3	4.9
Operating result (EBIT)	52	4.9	18	1.8	(65.4)
Cash outflows for capital expenditures	76		24		(68.4)
Depreciation and amortization	56		67		19.6
Employees as of March 31 (previous year: as of Dec. 31) <sup>1)</sup>	5,240		5,170		(1.3)

1) 2014 figure restated

Sales in our Performance Polymers segment declined by 4.5% in the first three months of 2015, to €1,015 million. Business was significantly impacted by a negative price effect of 12.4%. This was attributable in particular to lower procurement prices for raw materials being largely passed on to customers in the form of lower selling prices. A 1.3% decline in volumes added to this development. On the other hand, there was a favorable currency effect of 9.8%. There were no material portfolio effects.

All business units in this segment were impacted by lower selling prices. The High Performance Materials business unit registered positive volume development, while volumes in the High Performance Elastomers business unit declined. Volumes in the Tire & Specialty Rubbers business unit were stable. Shifts in exchange rates had a positive effect in all of the segment's business units. Sales receded in all regions, even in view of the lower raw material prices.

EBITDA pre exceptionals in the Performance Polymers segment rose by €5 million to €122 million. The positive impact of cost relief from lower procurement prices for raw materials more than offset the effect of the lower selling prices. Earnings were also lifted by favorable currency effects and a positive volume effect but diminished by increases in manufacturing costs that partly resulted from start-up costs. There were no significant portfolio effects at the segment level. The EBITDA margin came in at 12.0% for the first quarter, against 11.0% for the prior-year period.

Exceptional charges in this segment amounted to €46 million, €37 million of which impacted EBITDA. The exceptional items in EBITDA mainly comprised expenses related to the planned discontinuation of EPDM rubber production at the Marl site. The exceptional items that did not impact EBITDA pertained to write-downs associated with the planned discontinuation of production. Exceptional items in the prior-year period amounted to €9 million, which fully impacted EBITDA.

### Advanced Intermediates

	Q1 2014		Q1 2015		Change
	€ million	Margin %	€ million	Margin %	
Sales	473		478		1.1
EBITDA pre exceptionals	72	15.2	92	19.2	27.8
EBITDA	68	14.4	93	19.5	36.8
Operating result (EBIT) pre exceptionals	49	10.4	69	14.4	40.8
Operating result (EBIT)	45	9.5	70	14.6	55.6
Cash outflows for capital expenditures	20		10		(50.0)
Depreciation and amortization	23		23		0.0
Employees as of March 31 (previous year: as of Dec. 31)	3,312		3,312		0.0

2014 figures restated

Sales in our Advanced Intermediates segment rose by 1.1% in the first quarter of 2015, to €478 million. Selling price adjustments, caused by cost relief from lower procurement prices for raw materials being partially passed along to the market, resulted in a negative price effect of 6.9%, while volumes were up by 2.7% against the prior-year quarter. Exchange rates had a positive effect of 5.3%.

Selling prices in both of the segment's business units were below the level of the prior-year quarter, mainly on account of raw material prices, while volumes advanced. Demand for agrochemicals and in the other sales markets was encouraging. Exchange rate developments had an especially favorable effect on the Advanced Industrial Intermediates business unit. Business declined in Germany and Asia-Pacific but developed positively in the other regions.

EBITDA pre exceptionals in the Advanced Intermediates segment rose by a substantial €20 million against the prior-year quarter to €92 million. The decline in raw material costs led only to a partial adjustment in selling prices. Moreover, an expansion of volumes and positive currency effects resulted in an improvement in earnings at the segment level despite higher manufacturing costs. The EBITDA margin improved against the prior-year period, from 15.2% to 19.2%.

Exceptional items in the reporting period were positive at €1 million and fully impacted EBITDA. Exceptional charges in the same period of the previous year were €4 million, the full amount of which impacted EBITDA.

#### Performance Chemicals

	Q1 2014		Q1 2015		Change
	€ million	Margin %	€ million	Margin %	
Sales	496		533		7.5
EBITDA pre exceptionals	68	13.7	87	16.3	27.9
EBITDA	61	12.3	85	15.9	39.3
Operating result (EBIT) pre exceptionals	48	9.7	66	12.4	37.5
Operating result (EBIT)	41	8.3	64	12.0	56.1
Cash outflows for capital expenditures	9		17		88.9
Depreciation and amortization	20		21		5.0
Employees as of March 31 (previous year: as of Dec. 31)	5,318		5,196		(2.3)

2014 figures restated

Sales in our Performance Chemicals segment rose by 7.5% in the reporting period, to €533 million. Lower volumes reduced sales by 1.5%, while selling prices nearly matched the prior-year period. Shifts in exchange rates had a positive effect of 9.1%.

Volumes at the segment level were down from the prior-year period, while selling prices were level, with developments varying by business unit. The Inorganic Pigments and Liquid Purification Technologies business units posted volume gains, while a slight decline in selling prices negatively impacted the chrome ore activities of our Leather business unit in particular. All business units in this segment benefited from the favorable exchange rate development. The segment posted higher sales in all regions.

EBITDA pre exceptionals advanced by a substantial €19 million from the prior-year level of €68 million, to €87 million. This increase was mainly due to the development of raw material procurement prices, with selling prices remaining virtually stable, as well as manufacturing costs. Earnings were buoyed by positive currency effects. The volume development did not have a significant impact. The segment's EBITDA margin improved from 13.7% to 16.3%.

The €2 million in exceptional items for the quarter fully impacted EBITDA. These charges were mainly taken in connection with the "Let's LANXESS again" program. In the prior-year period, exceptional charges amounted to €7 million, which also fully impacted EBITDA.

#### Reconciliation

	Q1 2014		Q1 2015		Change
	€ million		€ million		
Sales	11		12		9.1
EBITDA pre exceptionals	(52)		(72)		(38.5)
EBITDA	(59)		(85)		(44.1)
Operating result (EBIT) pre exceptionals	(56)		(76)		(35.7)
Operating result (EBIT)	(63)		(89)		(41.3)
Cash outflows for capital expenditures	3		5		66.7
Depreciation and amortization	4		4		0.0
Employees as of March 31 (previous year: as of Dec. 31) <sup>1)</sup>	2,714		2,669		(1.7)

1) 2014 figure restated

EBITDA pre exceptionals for the reconciliation came to minus €72 million, against minus €52 million in the prior-year quarter. This change was mainly due to currency hedging losses. The €13 million in exceptional charges reported in the reconciliation, which fully impacted EBITDA, related primarily to measures undertaken in connection with "Let's LANXESS again" and to expenses for the design and implementation of IT projects. In the prior-year period, exceptional charges amounted to €7 million, which also fully impacted EBITDA.

## Statement of financial position and financial condition

### Structure of the statement of financial position

Total assets of the LANXESS Group as of March 31, 2015 amounted to €7,678 million, up €428 million, or 5.9%, from €7,250 million on December 31, 2014. This development was mainly attributable to the increase in working capital, additions to property, plant and equipment, and higher deferred tax assets. At the end of the first quarter, the equity ratio was 26.9%, against 29.8% at the end of 2014.

Non-current assets rose by €247 million to €4,348 million, with intangible assets and property, plant and equipment increasing by €137 million to €3,790 million. Following the completion of the investment in the Asia-Pacific region, cash outflows for capital expenditures were €56 million in the first quarter of 2015, against €108 million in the same period of the previous year. Depreciation and amortization in the first three months of 2015 totaled €115 million, which was €12 million above the prior-year figure of €103 million. Deferred tax assets increased from €380 million to €501 million, mainly on account of changes to provisions for pensions and other post-employment obligations. The ratio of non-current assets to total assets was 56.6%, which was level with December 31, 2014.

Current assets rose by €181 million, or 5.7%, compared with December 31, 2014, to €3,330 million. The increase of €30 million, or 2.2%, in inventories to €1,414 million resulted from higher volumes and exchange rate developments. The lower prices for certain key raw materials partly offset the increase in inventories. Due partly to currency effects, trade receivables were €198 million, or 19.5%, higher at €1,213 million. Cash and cash equivalents decreased by €74 million to €344 million. The ratio of current assets to total assets was flat with December 31, 2014, at 43.4%.

The LANXESS Group has significant internally generated intangible assets that are not reflected in the statement of financial position in light of accounting rules. These include the brand equity of LANXESS and the value of the Group's other brands. A variety of measures was deployed in the reporting period to continually enhance these assets and help maintain the sound positions our business units hold in their respective markets.

Our established relationships with customers and suppliers also constitute a significant intangible asset. These long-standing, trust-based partnerships with customers and suppliers, underpinned by

consistent service quality, enable us to compete successfully even in a more challenging business environment. Our competence in technology and innovation, also a valuable asset, is rooted in our specific knowledge in the areas of research and development and custom manufacturing. It enables us to generate significant added value for our customers.

The know-how and experience of our employees are crucial factors for our corporate success. In addition, we have sophisticated production and business processes that create competitive advantages for us in the relevant markets.

Equity amounted to €2,065 million against €2,161 million on December 31, 2014. The change resulted mainly from the negative total comprehensive income in the reporting period. The ratio of equity to the Group's total assets was 26.9% as of March 31, 2015, compared with 29.8% as of December 31, 2014.

Non-current liabilities grew by €330 million to €3,777 million as of March 31, 2015. Provisions for pensions and other post-employment benefits rose by €245 million compared with the end of 2014, to €1,535 million. The increase was mainly the result of the change in the interest rates used for measurement, in particular a decrease in the interest rate used to discount German pension obligations. Non-current derivative liabilities were €61 million, compared with €20 million on December 31, 2014. Other non-current financial liabilities amounted to €1,731 million, up by €33 million from the end of 2014. The ratio of non-current liabilities to total assets was 49.2%, up from 47.6% as of December 31, 2014.

Current liabilities came to €1,836 million, up by €194 million, or 11.8%, from December 31, 2014. This increase mainly resulted from the €105 million rise in current derivative liabilities to €206 million due to the devaluation of the euro against certain contract currencies. Other current provisions increased by €74 million to €424 million, partly because of allocations to personnel and restructuring provisions in connection with the planned discontinuation of production at the Marl site. Trade payables rose by €34 million to €833 million, largely on account of currency effects. The ratio of current liabilities to total assets was 23.9% as of March 31, 2015, against 22.6% at the end of 2014.

## Financial condition and capital expenditures

**Changes in the statement of cash flows** In the first three months of 2015 there was a net cash inflow of €33 million from operating activities, against €9 million in the prior-year period. With income before income taxes amounting to €34 million, the increase in net working capital compared to December 31, 2014 resulted in a cash outflow of €120 million. In the prior-year period, income before income taxes was €38 million and the cash outflow from the increase in net working capital amounted to €208 million. The increase in net working capital in the reporting period was mainly due to higher trade receivables. The growth in inventories had the opposite effect.

There was a €61 million net cash outflow from investing activities in the first three months of 2015, compared with an outflow of €122 million in the same period a year ago. The cash outflow in the reporting period was mainly attributable to capital expenditures for intangible assets and property, plant and equipment totaling €56 million, against €108 million in the prior-year quarter.

Net cash used in financing activities came to €52 million, compared with net cash of €89 million provided by financing activities in the first three months of 2014. The cash inflow of €43 million in proceeds from new borrowings was more than offset by outflows of €87 million for the repayment of financial liabilities.

**Financing and liquidity** The principles and objectives of financial management discussed on page 95 of the Annual Report 2014 remained valid during the first quarter of 2015. They are centered on a conservative financial policy built on long-term, secured financing.

Cash and cash equivalents decreased by €74 million compared with the end of 2014, to €344 million. Units of money market funds that can be sold at any time, which are reported in near-cash assets, increased from €100 million at the end of 2014 to €107 million. The Group's liquidity position thus remains sound.

Net financial liabilities totaled €1,396 million as of March 31, 2015, compared with €1,336 million as of December 31, 2014.

Net Financial Liabilities		
€ million	Dec. 31, 2014	March 31, 2015
Non-current financial liabilities	1,698	1,731
Current financial liabilities	182	154
less:		
Liabilities for accrued interest	(26)	(38)
Cash and cash equivalents	(418)	(344)
Near-cash assets	(100)	(107)
	<b>1,336</b>	<b>1,396</b>

**Financing instruments off the statement of financial position** As of March 31, 2015, we had no material financing items that were not reported in the statement of financial position, such as factoring, asset-backed structures or sale-and-lease-back transactions.

**Significant capital expenditure projects** Capital expenditures in the Performance Polymers segment included, among other projects, the construction of a new production facility for neodymium-based performance butadiene rubber (Nd-PBR) for our Tire & Specialty Rubbers business unit in Singapore. This facility is designed for an annual capacity of 140,000 tons and came on stream in the reporting period. In Changzhou, China, the High Performance Elastomers business unit successfully completed the construction of a production plant for synthetic ethylene propylene diene rubber (EPDM) and commissioned the facility at the end of the first quarter. In the coming months, LANXESS will operate this plant on a trial basis and implement the necessary approval processes together with customers. The facility has an annual capacity of up to 160,000 tons. The High Performance Materials business unit is adding a second production line to its high-tech plastics plant in Gastonia, United States. This new compounding facility will double the capacity from currently 20,000 tons to 40,000 tons per year. Production is scheduled to start at the beginning of 2016.

The Performance Chemicals segment's Inorganic Pigments business unit is currently building a new facility for iron oxide red pigments in Ningbo, China, designed for an initial annual capacity of 25,000 tons. This plant will be expanded to include a mixing and milling facility for inorganic pigments with a capacity of 70,000 tons per year that will also be able to process raw pigments from other LANXESS sites for the Asian market. The entire plant complex is scheduled for completion in the fourth quarter of 2015 and the start-up of production for the first quarter of 2016.

## Opportunities, risks and future perspectives

### Future perspectives

We expect the global economy to grow slightly in 2015 as a whole. In line with our current estimates, growth is likely to remain on a par with the prior-year level of 2.4%. We consider the impact on the eurozone of the ongoing crisis in Greece and the conflict in Ukraine to be the major risk factors for economic development.

We currently foresee the following developments in the various regions: We continue to anticipate robust growth in the NAFTA region. We expect growth in the EMEA region in 2015 that, however, could be somewhat more strongly impacted by the aforementioned risk factors than previously assumed. In our view, Asia-Pacific should register the highest growth rate of all regions. China will continue to develop positively, albeit with a reduced pace of growth year on year.

In the chemical industry, we predict growth that is in line overall with the expectations detailed in the Annual Report. With the exception of China, the Asia-Pacific region will likely post weaker growth than previously assumed. For Latin America we also anticipate growth to be slower than before due to the difficult economic situation overall. By contrast, EMEA should develop positively in line with the original forecast.

In our customer industries, we currently expect growth of the global automotive production to be weaker than anticipated at year-end 2014. In the Asia-Pacific region, we foresee a slight decline in production, as the previously high rate of growth in China is likely to normalize. We believe that NAFTA will continue to register robust growth, although the rate of expansion will probably be somewhat below the original assumption. In EMEA, the Ukraine conflict in particular is leading to considerably lower growth assumptions.

Global production in the tire industry is still predicted to grow somewhat more slowly than in the previous year. In the Asia-Pacific region, China will remain the focus of expansion. We now expect weaker development in the NAFTA region, while the pace of expansion is likely to increase in Latin America. However, the positive development for replacement tires will likely be in line with the previous year.

For the construction industry, we expect growth to be somewhat slower than anticipated at year-end 2014. The construction industry in Latin America is weakening in the wake of negative economic developments, while expansion in the NAFTA region is predicted to be moderate compared with the previous year. Growth in EMEA is predicted to remain within the range of the expectations given in the Annual Report, while expansion in the Asia-Pacific region will likely be weaker than previously assumed.

Global development of the agrochemicals market is expected to be lower than originally assumed due to reduced growth in the NAFTA and Asia-Pacific regions. In the EMEA region, improved growth assumptions in Western Europe will likely be largely offset by negative forecasts for the Eastern European markets. We assume subdued growth for Asia-Pacific.

With respect to our business development, we believe the challenging competitive environment for our synthetic rubber businesses, with their close links to the automotive and tire industries, will continue for the rest of the year. We predict that the price pressure for these businesses will persist and therefore continue to expect restrained development for our Performance Polymers segment.

For the Advanced Intermediates segment, we expect continuing good demand in the coming quarters for our products for the agrochemical industry and from other industries, and therefore continue to anticipate solid business development in this area.

We continue to expect a slight improvement in the demand situation for the Performance Chemicals segment in 2015 overall. According to our expectations, our business with inorganic pigments for the construction industry will develop favorably. Furthermore, the Rhein Chemie Additives business unit should register stable development overall. We assume continued price pressure for chrome ore products in our Leather business unit. We anticipate ongoing strong demand for the products of our Liquid Purification Technologies business unit.

The U.S. dollar will remain the key currency for our globally aligned business. We therefore anticipate that the continued strength of the U.S. dollar will have a positive effect on our business in 2015.

We expect the following exceptional charges from the ongoing three-phase realignment program "Let's LANXESS again":

For the first phase of the program, which is aimed at increasing the efficiency of business and administrative structures, we have planned total exceptional charges of €150 million through 2016. We anticipate exceptional charges of approximately €40 million in 2015, compared with about €110 million in 2014. In the second phase of the program, we expect exceptional charges of approximately €55 million in 2015 for the planned realignment of production for EPDM and Nd-PBR rubber. We expect the first two phases of this program to result in exceptional charges of about €95 million in 2015.

The anticipated cost reductions from the implementation of the first phase are predicted to have a favorable impact on our operating result this year.

We are increasing the guidance we published in March and expect EBITDA pre exceptionals of between €820 million and €860 million for the full year 2015. This takes account of the anticipated cost savings from the realignment initiated in 2014.

With the start-up of our two large EPDM and Nd-PBR rubber production facilities in Asia, we have concluded our major capital expenditures and do not anticipate further investment on this scale in the coming years. In the future, our capital expenditures will instead be increasingly directed toward the maintenance of existing production facilities as well as efficiency improvements and the expansion of existing plants. We are currently projecting cash outflows for capital expenditures of about €450 million for 2015.

Further information on this topic is given in the combined management report for LANXESS AG and the LANXESS Group on pages 114 to 115 of the Annual Report 2014.

### Significant opportunities and risks

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2014. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group on pages 115 to 125 of the Annual Report 2014. Based on an overall evaluation of risk management information, the Board of Management at the present time cannot identify any sufficiently likely risks or risk combinations that would jeopardize the continued existence of LANXESS.

### Events after the end of the reporting period

No events of special significance took place after March 31, 2015 that are expected to materially affect the financial position or results of operations of the LANXESS Group.



# Condensed Consolidated Interim Financial Statements

as of March 31, 2015

## LANXESS Group Statement of Financial Position

€ million	Dec. 31, 2014	March 31, 2015
<b>ASSETS</b>		
Intangible assets	320	322
Property, plant and equipment	3,333	3,468
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	13	13
Non-current derivative assets	5	3
Other non-current financial assets	11	7
Non-current income tax receivables	6	1
Deferred taxes	380	501
Other non-current assets	33	33
<b>Non-current assets</b>	<b>4,101</b>	<b>4,348</b>
Inventories	1,384	1,414
Trade receivables	1,015	1,213
Cash and cash equivalents	418	344
Near-cash assets	100	107
Current derivative assets	14	12
Other current financial assets	5	8
Current income tax receivables	28	24
Other current assets	185	208
<b>Current assets</b>	<b>3,149</b>	<b>3,330</b>
<b>Total assets</b>	<b>7,250</b>	<b>7,678</b>
<b>EQUITY AND LIABILITIES</b>		
Capital stock and capital reserves	1,317	1,317
Other reserves	1,253	1,141
Net income	47	22
Other equity components	(458)	(416)
Equity attributable to non-controlling interests	2	1
<b>Equity</b>	<b>2,161</b>	<b>2,065</b>
Provisions for pensions and other post-employment benefits	1,290	1,535
Other non-current provisions	275	295
Non-current derivative liabilities	20	61
Other non-current financial liabilities	1,698	1,731
Non-current income tax liabilities	25	27
Other non-current liabilities	118	104
Deferred taxes	21	24
<b>Non-current liabilities</b>	<b>3,447</b>	<b>3,777</b>
Other current provisions	350	424
Trade payables	799	833
Current derivative liabilities	101	206
Other current financial liabilities	182	154
Current income tax liabilities	44	51
Other current liabilities	166	168
<b>Current liabilities</b>	<b>1,642</b>	<b>1,836</b>
<b>Total equity and liabilities</b>	<b>7,250</b>	<b>7,678</b>

## LANXESS Group Income Statement

€ million	Q1 2014	Q1 2015
<b>Sales</b>	<b>2,043</b>	<b>2,038</b>
Cost of sales	(1,626)	(1,595)
<b>Gross profit</b>	<b>417</b>	<b>443</b>
Selling expenses	(186)	(183)
Research and development expenses	(45)	(32)
General administration expenses	(74)	(64)
Other operating income	31	23
Other operating expenses	(68)	(124)
<b>Operating result (EBIT)</b>	<b>75</b>	<b>63</b>
Income from investments accounted for using the equity method	1	0
Interest income	1	1
Interest expense	(25)	(16)
Other financial income and expense	(14)	(14)
<b>Financial result</b>	<b>(37)</b>	<b>(29)</b>
<b>Income before income taxes</b>	<b>38</b>	<b>34</b>
Income taxes	(14)	(13)
<b>Income after income taxes</b>	<b>24</b>	<b>21</b>
of which attributable to non-controlling interests	(1)	(1)
of which attributable to LANXESS AG stockholders (net income)	25	22
<b>Earnings per share (undiluted/diluted) (€)</b>	<b>0.30</b>	<b>0.24</b>

## LANXESS Group Statement of Comprehensive Income

€ million	Q1 2014	Q1 2015
<b>Income after income taxes</b>	<b>24</b>	<b>21</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurements of the net defined benefit liability for post-employment benefit plans	(47)	(234)
Income taxes	15	75
	<b>(32)</b>	<b>(159)</b>
<b>Items that may be reclassified subsequently to profit or loss if specific conditions are met</b>		
Exchange differences on translation of operations outside the eurozone	(4)	122
Financial instruments	7	(113)
Income taxes	(3)	33
	<b>0</b>	<b>42</b>
<b>Other comprehensive income, net of income tax</b>	<b>(32)</b>	<b>(117)</b>
<b>Total comprehensive income</b>	<b>(8)</b>	<b>(96)</b>
of which attributable to non-controlling interests	(1)	(1)
of which attributable to LANXESS AG stockholders	(7)	(95)

## LANXESS Group Statement of Changes in Equity

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components		Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
<b>Dec. 31, 2013</b>	<b>83</b>	<b>806</b>	<b>1,690</b>	<b>(159)</b>	<b>(529)</b>	<b>4</b>	<b>1,895</b>	<b>5</b>	<b>1,900</b>
Allocations to retained earnings			(159)	159			0		0
Total comprehensive income			(32)	25	(4)	4	(7)	(1)	(8)
Income after income taxes				25			25	(1)	24
Other comprehensive income, net of income tax			(32)		(4)	4	(32)	0	(32)
<b>March 31, 2014</b>	<b>83</b>	<b>806</b>	<b>1,499</b>	<b>25</b>	<b>(533)</b>	<b>8</b>	<b>1,888</b>	<b>4</b>	<b>1,892</b>
<b>Dec. 31, 2014</b>	<b>91</b>	<b>1,226</b>	<b>1,253</b>	<b>47</b>	<b>(407)</b>	<b>(51)</b>	<b>2,159</b>	<b>2</b>	<b>2,161</b>
Allocations to retained earnings			47	(47)			0		0
Total comprehensive income			(159)	22	122	(80)	(95)	(1)	(96)
Income after income taxes				22			22	(1)	21
Other comprehensive income, net of income tax			(159)		122	(80)	(117)	0	(117)
<b>March 31, 2015</b>	<b>91</b>	<b>1,226</b>	<b>1,141</b>	<b>22</b>	<b>(285)</b>	<b>(131)</b>	<b>2,064</b>	<b>1</b>	<b>2,065</b>

LANXESS Group **Statement of Cash Flows**

€ million	Q1 2014	Q1 2015
<b>Income before income taxes</b>	<b>38</b>	<b>34</b>
Depreciation and amortization	103	115
Income from investments accounted for using the equity method	(1)	0
Financial losses	25	15
Income taxes paid/refunded	10	(5)
Changes in inventories	(69)	29
Changes in trade receivables	(108)	(158)
Changes in trade payables	(31)	9
Changes in other assets and liabilities	42	(6)
<b>Net cash provided by operating activities</b>	<b>9</b>	<b>33</b>
Cash outflows for purchases of intangible assets, property, plant and equipment	(108)	(56)
Cash outflows for financial assets	(17)	(7)
Cash inflows from sales of intangible assets, property, plant and equipment	0	1
Cash inflows from divestments of subsidiaries and other businesses, less divested cash and cash equivalents	3	0
Interest and dividends received	0	1
<b>Net cash used in investing activities</b>	<b>(122)</b>	<b>(61)</b>
Proceeds from borrowings	116	43
Repayments of borrowings	(20)	(87)
Interest paid and other financial disbursements	(7)	(8)
<b>Net cash provided by (used in) financing activities</b>	<b>89</b>	<b>(52)</b>
<b>Change in cash and cash equivalents from business activities</b>	<b>(24)</b>	<b>(80)</b>
Cash and cash equivalents at beginning of period	427	418
Other changes in cash and cash equivalents	2	6
<b>Cash and cash equivalents at end of period</b>	<b>405</b>	<b>344</b>

## Segment and Region Data

### Key Data by Segment

€ million	Performance Polymers		Advanced Intermediates		Performance Chemicals		Reconciliation		LANXESS	
	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015
External sales	1,063	1,015	473	478	496	533	11	12	2,043	2,038
Inter-segment sales	0	0	14	10	2	2	(16)	(12)	0	0
Segment/Group sales	1,063	1,015	487	488	498	535	(5)	0	2,043	2,038
Segment result/EBITDA pre exceptionals	117	122	72	92	68	87	(52)	(72)	205	229
EBITDA margin pre exceptionals (%)	11.0	12.0	15.2	19.2	13.7	16.3			10.0	11.2
EBITDA	108	85	68	93	61	85	(59)	(85)	178	178
EBIT pre exceptionals	61	64	49	69	48	66	(56)	(76)	102	123
EBIT	52	18	45	70	41	64	(63)	(89)	75	63
Segment capital expenditures	80	28	21	13	10	18	3	4	114	63
Depreciation and amortization	56	67	23	23	20	21	4	4	103	115
Employees as of March 31 (previous year: as of Dec. 31)	5,240	5,170	3,312	3,312	5,318	5,196	2,714	2,669	16,584	16,347

2014 figures restated

### Key Data by Region

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015
Sales by market	618	623	381	365	331	342	217	213	496	495	2,043	2,038
Proportion of Group sales (%)	30.2	30.6	18.6	17.9	16.2	16.8	10.6	10.4	24.3	24.3	100.0	100.0
Employees as of March 31 (previous year: as of Dec. 31)	3,267	3,250	7,747	7,591	1,371	1,336	1,467	1,466	2,732	2,704	16,584	16,347

# Notes to the Condensed Consolidated Interim Financial Statements

as of March 31, 2015

## Recognition and valuation principles

The unaudited, condensed consolidated interim financial statements as of March 31, 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Accounting Standards Board (IASB) applicable to interim financial reporting, required to be applied in the European Union. The standards and interpretations already mandatory as of January 1, 2015 were observed in preparing the interim financial statements.

In compliance with IAS 34, the company opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2014, particularly with respect to the recognition and valuation principles applied.

Preparation of the consolidated interim financial statements requires that assumptions and estimates be made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods broadly consistent with those applied in the consolidated financial statements for 2014. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

The present interim financial statements do not contain any items that are considered unusual because of their nature, scope or frequency and have had a significant impact on the assets, liabilities, equity, results for the period or cash flows.

The business of the LANXESS Group as a whole is not subject to pronounced seasonality. However, in light of the business activities of the individual segments, sales and earnings tend to be stronger in the first half of the year. For example, volumes of agrochemical products in the Advanced Intermediates segment tend to be higher in the first six months of the year because of the growing seasons. The businesses with products for the construction industry in the Advanced Intermediates and Performance Chemicals segments are also seasonal in that sales are higher in the summer than in the winter months, when construction activity is lower.

## Changes in the scope of consolidation

The consolidated interim financial statements of the LANXESS Group include the parent company LANXESS AG along with all of its domestic and foreign subsidiaries.

	EMEA (excl. Germany)	Germany	North America	Latin America	Asia-Pacific	Total
<b>Fully consolidated companies (incl. parent company)</b>						
Jan. 1, 2015	23	11	5	5	18	62
Mergers	(1)				(1)	(2)
<b>March 31, 2015</b>	<b>22</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>17</b>	<b>60</b>
<b>Consolidated associates and jointly controlled entities</b>						
Jan. 1, 2015		2				2
Changes						0
<b>March 31, 2015</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Non-consolidated companies</b>						
Jan. 1, 2015	2	2	1	3	1	9
Changes						0
<b>March 31, 2015</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>9</b>
<b>Total</b>						
Jan. 1, 2015	25	15	6	8	19	73
Mergers	(1)				(1)	(2)
<b>March 31, 2015</b>	<b>24</b>	<b>15</b>	<b>6</b>	<b>8</b>	<b>18</b>	<b>71</b>

In addition, two structured entities in the EMEA (excluding Germany) region are included in the consolidated interim financial statements.

LANXESS Chemicals, S.L., Barcelona, Spain, was merged with LANXESS Holding Hispania, S.L., Barcelona, Spain, which was renamed LANXESS Chemicals S.L., Barcelona, Spain. In addition, Rhein Chemie Japan Ltd., Tokyo, Japan, was merged with LANXESS K.K., Tokyo, Japan.

## Earnings per share

Earnings per share for the first quarter of 2014 and 2015 were calculated on the basis of the number of shares in circulation during each reporting period. They are derived solely from continuing operations. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2014.

### Earnings per Share

	Q1 2014	Q1 2015	Change %
Net income (€ million)	25	22	(12.0)
Number of outstanding shares	83,202,670	91,522,936	10.0
<b>Earnings per share in € (undiluted/diluted)</b>	<b>0.30</b>	<b>0.24</b>	<b>(20.0)</b>

## Fair value measurement

The following table shows the volumes of assets and liabilities that were measured at fair value on a recurring basis as of the end of the reporting period and the levels of the fair value hierarchy into which the inputs used in valuation techniques were categorized.

### Assets and Liabilities Measured at Fair Value

€ million	Dec. 31, 2014		
	Level 1	Level 2	Level 3
<b>Non-current assets</b>			
Investments in other affiliated companies	3	-	-
Non-current derivative assets	-	5	-
Other non-current financial assets	-	1	-
<b>Current assets</b>			
Near-cash assets	100	-	-
Current derivative assets	-	14	-
Other current financial assets	0	-	-
<b>Non-current liabilities</b>			
Non-current derivative liabilities	-	20	-
<b>Current liabilities</b>			
Current derivative liabilities	-	101	-

### Assets and Liabilities Measured at Fair Value

€ million	March 31, 2015		
	Level 1	Level 2	Level 3
<b>Non-current assets</b>			
Investments in other affiliated companies	3	-	-
Non-current derivative assets	-	3	-
Other non-current financial assets	-	1	-
<b>Current assets</b>			
Near-cash assets	107	-	-
Current derivative assets	-	12	-
Other current financial assets	0	-	-
<b>Non-current liabilities</b>			
Non-current derivative liabilities	-	61	-
<b>Current liabilities</b>			
Current derivative liabilities	-	206	-

According to the fair value measurement hierarchy, quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date are given the highest priority (Level 1). Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, are assigned to Level 2. Unobservable inputs for the asset or liability are given the lowest priority (Level 3).

The investments in other affiliated companies measured at fair value pertain to shares in the listed companies Gevo Inc., Englewood, United States, and BioAmber Inc., Minneapolis, United States. As at year-end 2014, the item "Investments in other affiliated companies" in the statement of financial position also includes €10 million in non-listed equity instruments, whose fair values at the end of the reporting period could not be reliably measured and which are therefore recognized at cost. There are currently no plans to dispose of these investments.

Most of the derivative financial instruments used by LANXESS are traded in an active, liquid market. The fair values as of the end of the reporting period pertain exclusively to forward exchange contracts and are derived from their trading or listed prices using the "forward method." Where no market price is available, values are determined using recognized capital market pricing methods based on observable market data. In determining the fair values, adjustments for LANXESS's own credit risk and counterparty credit risk are made on the basis of the respective net positions.

The near-cash assets include units of money market funds that can be sold at any time and are expected to be realized within twelve months after the end of the reporting period.



In the case of financial instruments accounted for using valuation principles other than fair value measurement, the fair value – where this can be reliably determined – is normally the carrying amount. The carrying amount of the bonds, at €1,391 million, differed significantly from their fair value, which was €1,578 million as of March 31, 2015. The carrying amounts of the bonds as of December 31, 2014 was €1,456 million and their fair value €1,630 million. Fair value measurement of the bonds is allocated to Level 1 of the hierarchy. However, as of March 31, 2015, two bonds with a fair value of €252 million are allocated to Level 2 as there is no liquid market for them. As of December 31, 2014, three bonds with a fair value of €311 million are allocated to Level 2 of the hierarchy. The fair value of liabilities allocated to Level 2 is calculated using discounted cash flows and taking account of observed market interest rates.

Additional information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as of December 31, 2014.

## Segment reporting

The reconciliation of EBITDA pre exceptionals of the operating segments to income before income taxes is presented in the following table:

Reconciliation of Segment Result		
€ million	Q1 2014	Q1 2015
<b>Total of segment results</b>	<b>257</b>	<b>301</b>
Depreciation and amortization	(103)	(115)
Other/consolidation	(52)	(72)
Exceptional items affecting EBITDA	(27)	(51)
Net interest expense	(24)	(15)
Income from investments accounted for using the equity method	1	0
Other financial income and expense	(14)	(14)
<b>Income before income taxes</b>	<b>38</b>	<b>34</b>

As part of the global realignment, Group structures were reorganized. Prior-year figures have been restated accordingly.

## Changes on the Board of Management

In the first quarter of 2015, the Supervisory Board of LANXESS AG resolved to appoint Michael Pontzen as a member of the Board of Management of LANXESS AG effective April 1, 2015. Mr. Pontzen takes over as Chief Financial Officer (CFO) from Dr. Bernhard Düttmann, who left the company on March 31, 2015.

## Related parties

In the course of its operations, the LANXESS Group sources materials, inventories and services from a large number of business partners around the world. These include companies in which LANXESS AG has a direct or indirect interest. Transactions with these companies are carried out on an arm's-length basis.

Transactions with Currenta GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, and its subsidiaries mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics, totaling €111 million in the first quarter of 2015 (Q1 2014: €114 million). Receivables of €3 million and payables of €139 million existed as of March 31, 2015 as a result of these transactions (December 31, 2014: €3 million and €114 million, respectively). There were also payment obligations to Currenta GmbH & Co. OHG and its subsidiaries amounting to €1 million (December 31, 2014: €1 million) under operating leases and obligations of €6 million (December 31, 2014: €4 million) under purchase agreements.

No material business transactions were undertaken with other related parties. As in the previous year, no loans were granted to members of the Board of Management or the Supervisory Board in the first three months of 2015.

## Employees

The LANXESS Group had 16,347 employees worldwide as of March 31, 2014, which was 237 fewer than on December 31, 2014 (16,584). The decrease was mainly attributable to the "Let's LANXESS again" program.

The number of employees in the EMEA (excluding Germany) region rose by 17 to 3,250. Headcount in Germany came to 7,591, against 7,747 as of December 31, 2014. The workforce in North America decreased by 35 to 1,336. In Latin America, headcount decreased slightly compared to December 31, 2014, from 1,467 to 1,466. The number of employees in the Asia-Pacific region fell by 28 from 2,732 to 2,704.

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in line with generally accepted accounting standards, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Cologne, April 24, 2015

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert

Michael Pontzen

Dr. Rainier van Roessel

Financial Calendar 2015

**May 13**

Annual Stockholders' Meeting, Cologne

**August 6**

Interim Report H1 2015

**November 5**

Interim Report Q3 2015

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if you have any questions or comments.

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