

### **LANXESS records solid third quarter 2014 and implements first phase of realignment**

- **Annual savings of EUR 150 million from the end of 2016**
- **Planned reduction of approximately 1,000 positions worldwide by the end of 2016**
- **Exceptional charges of EUR 150 million through the end of 2016**
- **Q3 sales on the level of the prior year at EUR 2.04 billion**
- **Q3 EBITDA pre exceptionals up 12.3 percent to EUR 210 million**
- **Q3 net income improved to EUR 35 million**
- **Guidance for full year 2014 confirmed: EBITDA in the range of EUR 780 million to EUR 820 million**

**Cologne** – The specialty chemicals company LANXESS is making rapid progress with its three-phase realignment program. With the implementation of the first phase, aimed at improving the competitiveness of the business and administrative structure, the Group plans to make total annual savings of EUR 150 million as of the end of 2016. LANXESS already expects savings of about EUR 20 million in the current year.

The first phase of the realignment will result in a reduction of total headcount by about 1,000 positions worldwide by the end of 2016 – roughly half of which will be in Germany. The affected jobs will be mainly in the administrative and service units, marketing and sales, as well as in research and development. The headcount reduction will result in exceptional charges of EUR 150 million being incurred through the end of 2016 – including around EUR 100 million already in 2014.

"The realignment lays the foundation for LANXESS to return to sustainable growth in the mid-term. Downsizing the workforce is a necessary measure to improve our competitiveness," said Matthias Zachert, Chairman of the Board of Management of LANXESS AG.

#### **LANXESS AG**

Contact:  
Corporate Communications  
Financial and Business Media  
Relations  
50569 Köln  
Germany

Ingo Drechsler  
Phone +49 221 8885-3790  
Fax +49 221 8885-4994  
ingo.drechsler@lanxess.com

Rudolf Eickeler  
Phone: +49 221 8885-4483  
Fax +49 221 8885-5691  
rudolf.eickeler@lanxess.com

Daniela Eltrop  
Phone: +49 221 8885-4010  
Fax +49 221 8885-5691  
daniela.eltrop@lanxess.com

Sandra Wiesner  
Phone: +49 221 8885-6251  
Fax +49 221 8885-5691  
sandra.wiesner@lanxess.com

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The Group has agreed with the employee representatives on a severance program in order to implement the personnel measures at its German sites. The affected employees will be offered severance payments, advisory services and support in finding new jobs outside of LANXESS.

"These job reductions are tough. However, we have reached a fair agreement with the employee representatives in Germany after a series of constructive negotiations," said Rainier van Roessel, Member of the Board of Management and Labor Relations Director of LANXESS AG.

As of today, solutions have already been found for more than half of the roughly 500 employees affected in Germany. If the targeted number of job cuts has not been fully achieved when the severance program expires in a few weeks' time, the Group cannot currently rule out dismissals for operational reasons.

At its sites outside of Germany, too, the Group will implement the headcount reduction responsibly under country-specific arrangements.

### **Three-phase realignment**

At the beginning of November 2014, LANXESS initiated the second phase of the realignment program, which is aimed at increasing its operational competitiveness. This phase focuses on the optimization of sales and supply chains and of production processes and facilities. The relevant measures will be implemented in 2015 and 2016.

The third phase of the program, which is aimed at improving the competitiveness of the business portfolio, will focus on horizontal and vertical cooperations in the rubber business. This phase is also to be implemented in 2015 and 2016.

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"As of 2016, we will fully benefit from the savings made as a result of the realignment," said Zachert. "We can then start thinking cautiously about growth again – with the focus on our Advanced Intermediates and Performance Chemicals segments."

### Solid third quarter 2014

Sales in the third quarter of 2014 were on the level of the prior-year quarter, at EUR 2.04 billion, with marginally higher volumes compensating slightly lower prices. EBITDA pre exceptionals rose by 12.3 percent from EUR 187 million in the prior-year quarter to EUR 210 million. The increase was attributable among others to savings in administration, higher plant utilization rates and the absence of inventory write-downs. The EBITDA margin pre exceptionals improved accordingly to 10.3 percent, compared with 9.1 percent in the prior-year period. All three segments contributed to the earnings increase. Net income rose to EUR 35 million in the reporting period, against EUR 11 million in the prior-year quarter.

Net financial liabilities declined, mainly on account of the capital increase, to around EUR 1.4 billion, compared with EUR 1.7 billion at the end of 2013.

### Business development by segment

Almost all business units in the **Performance Polymers** segment were affected by falling prices and lower volumes. Overall, sales declined by 4.3 percent compared with the prior-year quarter, to EUR 1.05 billion. Earnings were improved by lower manufacturing costs, reduced spending on research and development and the absence of inventory write-downs. EBITDA pre exceptionals of the segment advanced by 10.7 percent to EUR 93 million.

Sales in the **Advanced Intermediates** segment rose in the third quarter by 5.2 percent to EUR 424 million. This increase was mainly driven by continued strong demand for agrochemicals. EBITDA pre

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exceptionals of the segment moved ahead by 4.2 percent to EUR 74 million.

Sales in the **Performance Chemicals** segment advanced by 2.7 percent to EUR 561 million, with the Leather and Inorganic Pigments business units benefiting from an increase in volumes. EBITDA pre exceptionals rose by 5.6 percent to EUR 76 million particularly as a result of higher prices and volumes.

### Outlook

LANXESS confirms its guidance for the full year 2014 and continues to expect EBITDA pre exceptionals in the range of EUR 780 million to EUR 820 million. Initial savings of EUR 20 million generated from the realignment program will mitigate some burdens expected in the fourth quarter.

### Q3 2014 Key Financial Data

(Figures in EUR million)

	Q3 2013	Q3 2014	Change in percent
Sales	2,050	2,040	-0.5
EBITDA pre exceptionals	187	210	12.3
EBITDA margin pre exceptionals (percent)	9.1	10.3	
Net income	11	35	>100
Earnings per share	0.13	0.38	>100

LANXESS is a leading specialty chemicals company with sales of EUR 8.3 billion in 2013 and about 16,700 employees in 29 countries. The company is currently represented at 52 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals. LANXESS is a member of the leading sustainability indices Dow Jones Sustainability Index (DJSI World and DJSI Europe) and FTSE4Good.

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## News Release

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### **Information for editors:**

All LANXESS news releases and their accompanying photos can be found at <http://press.lanxess.com>. Recent photos of the Board of Management and other LANXESS image material are available at <http://photos.lanxess.com>. The latest TV footage, audiofiles and podcasts can be found at <http://multimedia.lanxess.com>.

You can find further information concerning LANXESS chemistry in our WebMagazine at <http://webmagazine.lanxess.com>.

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