

LANXESS: Realignment taking effect

- **Sales in the first three months 2015 nearly stable at EUR 2.038 billion**
- **EBITDA pre exceptionals up nearly 12 percent in the first quarter of 2015 to EUR 229 million**
- **First-quarter net income came in at EUR 22 million**
- **Guidance for 2015 increased: EBITDA pre exceptionals expected to be between EUR 820 million and EUR 860 million**

Cologne – Specialty chemicals group LANXESS got off to a good start to 2015 in a persistently challenging market and competitive environment. EBITDA pre exceptionals climbed by a substantial 11.7 percent in the first quarter to EUR 229 million, compared with EUR 205 million in the first quarter of 2014. This was at the upper end of the EUR 210 million to EUR 230 million range forecasted in March. This increase was mainly attributable to lower raw material costs and to currency effects, especially the strong U.S. dollar. There was also a positive effect from cost savings related to the realignment, such as the in parts considerable reduction in administrative and selling costs. The EBITDA margin pre exceptionals was 11.2 percent, against 10.0 percent in the prior-year quarter.

Sales were nearly stable at roughly EUR 2 billion, with lower selling prices, which were necessitated by raw material price developments, more or less offset by positive currency effects. Net income came in at EUR 22 million, compared with EUR 25 million in the same period of the previous year, reflecting costs and exceptional charges for realignment measures. Earnings per share declined to EUR 0.24, from EUR 0.30 in the prior-year period.

“The good results in the first quarter show that we are on the right track. The positive development in our businesses is driven by external effects as well as increasingly by our realignment measures,” said LANXESS CEO Matthias Zachert. “We expect this

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favorable trend to persist in the course of the year. Hence, we increase our guidance for full year 2015 and expect EBITDA pre exceptionals to come in between EUR 820 million and EUR 860 million." In March, the group had announced that it anticipates EBITDA pre exceptionals at around the same level as the previous year. In 2014, EBITDA pre exceptionals was EUR 808 million.

Realignment remains fully on schedule

The three-phase realignment program initiated by LANXESS last year continues to progress rapidly. The cost savings anticipated for this quarter materialized, for instance regarding administrative and selling cost reductions.

The company had already announced the first measures of the second phase, which is aimed at improving operational competitiveness. For example, LANXESS will realign its production networks for ethylene propylene diene monomer rubber (EPDM) and neodymium-based performance butadiene rubber (Nd-PBR).

The third phase will focus on improving the competitiveness of the business portfolio, especially through cooperations in the rubber business. LANXESS is currently in talks with potential partners and will report on further steps in the second half of 2015.

Financial data: sharp reduction in capital spending

Net financial liabilities rose slightly by EUR 60 million between year-end 2014 and the end of the first quarter, to approximately EUR 1.4 billion. This resulted from the seasonal increase in working capital, as inventories were built up at the beginning of the year and trade receivables increased.

In the first three months of 2015, there was a net cash inflow of EUR 33 million from operating activities compared with EUR 9 million in the prior-year period.

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Capital expenditures fell from EUR 108 million to EUR 56 million in the first quarter. “This very sharp decline was due to the fact that we completed and commissioned our two new plants in Asia,” explained LANXESS CFO Michael Pontzen. The new Nd-PBR rubber plant in Singapore and the EPDM rubber facility in Changzhou, China, will be gradually ramped up following the completion of the trial phase.

Business development by segment

The **Performance Polymers** segment saw sales decline by 4.5 percent in the first three months of 2015, to approximately EUR 1 billion. This development was attributable in particular to lower selling prices in all business units, which were necessitated by raw material price developments. EBITDA pre exceptionals of the segment climbed by 4.3 percent to EUR 122 million despite start-up costs of some EUR 25 million for the two new plants in Asia. There was a positive impact on earnings from currency effects and lower raw material prices.

Sales in the **Advanced Intermediates** segment climbed by 1.1 percent to EUR 478 million. In both business units of the segment, Saltigo and Advanced Industrial Intermediates, selling prices were down against the prior-year quarter due particularly to the development of raw material prices. The expansion in volumes reflected a gratifying demand trend for agrochemicals in the Saltigo business unit. The Advanced Industrial Intermediates business unit registered an increase in volumes in nearly all markets. EBITDA pre exceptionals of the segment, at EUR 92 million, was up substantially over the prior-year level of EUR 72 million. The business also benefited from the favorable development of raw material prices.

The **Performance Chemicals** segment substantially improved sales by 7.5 percent in the first quarter to EUR 553 million. Sales of inorganic pigments and additives developed especially positively. In this connection, the bundling of LANXESS additives businesses within the Rhein Chemie Additives (ADD) business unit formed at the

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beginning of the year is increasingly paying off. EBITDA pre exceptionals of the segment climbed by about 28 percent to EUR 87 million.

Q1 2015 financial data

(figures in EUR million)

	Q1 2014	Q1 2015	Change in percent
Sales	2,043	2,038	-0.2
EBITDA pre exceptionals	205	229	11.7
EBITDA margin pre exceptionals (percent)	10.0	11.2	
Net income	25	22	-12.0
Earnings per share (EUR)	0.30	0.24	-20.0

LANXESS is a leading specialty chemicals company with sales of EUR 8.0 billion in 2014 and about 16,300 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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Forward-Looking Statements.

This news release may contain forward-looking statements based on current assumptions and forecasts made by LANXESS AG management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Information for editors:

All LANXESS news releases and their accompanying photos can be found at

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News Release

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