News Release

LANXESS improves earnings in fiscal 2014 and drives realignment forward rapidly

- **EBITDA pre exceptionals up nearly 10 percent to EUR 808 million**
- **Net income improved to EUR 47 million**
- **Proposed dividend stable at EUR 0.50 per share**
- **Net financial liabilities reduced by around EUR 400 million**
- **Optimization of rubber production networks initiated: stop of EPDM rubber production in Marl intended for the end of 2015**
- **EBITDA pre exceptionals expected for Q1 2015 between EUR 210 million and EUR 230 million**
- **CEO Matthias Zachert: "LANXESS' realignment is on course"**

Cologne – In fiscal 2014, specialty chemicals group LANXESS substantially improved its operating result and net income in a challenging market and competitive environment. While sales declined slightly by 3.5 percent to around EUR 8 billion, EBITDA pre exceptionals increased by 9.9 percent to EUR 808 million. Net income improved by EUR 206 million to EUR 47 million – despite exceptional charges related to the company's realignment program. At the same time, LANXESS significantly reduced its net indebtedness and tangibly increased operating cash flow.

"Particularly against the background of the persistently challenging business situation, the substantial improvement in earnings is gratifying. The figures also reflect the first benefits from our realignment program, which we are implementing on schedule," said Matthias Zachert, Chairman of the Board of Management of LANXESS AG. "Nevertheless, a great deal of work still lies ahead of us if LANXESS is to return to the path of long-term success. In the current fiscal year, we will continue to systematically implement our program and set the course for LANXESS' future."

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Three-phase realignment program progressing on schedule

In August 2014, LANXESS presented a three-phase realignment program. The first phase, focused on improving the competitiveness of the company's business and administrative structure, including a reduction of around 1,000 positions worldwide, has largely been completed. The reduction of around 500 positions in Germany mainly affected administrative functions and was achieved without dismissals for operational reasons. A further 500 positions are being reduced outside Germany. To date, solutions have been found for about 70 percent of the employees affected. From the end of 2015, LANXESS will achieve savings of around EUR 120 million due to the first-phase measures, rising to EUR 150 million annually from the end of 2016.

The company has also initiated the first measures from the second phase, which is aimed at improving operational competitiveness. In light of current market overcapacities for synthetic rubbers, LANXESS is optimizing its production networks for ethylene propylene diene monomer (EPDM) rubber and neodymium-based performance butadiene rubber (Nd-PBR).

The company intends to stop EPDM rubber production at its Marl, Germany, site at the end of 2015. Within LANXESS' EPDM production network, the Marl facility is the least competitive due to economy of scale limitations and comparatively high energy and raw material costs.

The workforce in Marl currently totals around 120 people. LANXESS will be entering into negotiations with employee representatives without delay in order to find mutually acceptable solutions for these employees.

During the course of 2016, LANXESS will be focusing Nd-PBR production at its sites in Dormagen, Germany, and Singapore. The Nd-PBR facilities at the sites in Orange, United States, and Cabo de Santo Agostinho, Brazil, will then exclusively serve the respective

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region. The capacities thus freed up at the facilities in Port-Jérôme, France, and Orange, will be used in the future to manufacture other butadiene rubber grades. In addition, LANXESS reduces the capacity to use for butadiene rubbers in Orange as part of its flexible asset management, operating only three out of four production lines simultaneously.

Following the reorganization, LANXESS would have one production facility each for EPDM and Nd-PBR rubber in North America, Latin America, Asia and Europe.

The company anticipates a reduction of around 140 positions as well as exceptional charges of some EUR 55 million for the reorganization of its production networks for EPDM and Nd-PBR. From the end of 2016, it expects to achieve annual savings of around EUR 20 million.

Further measures in the second phase of the realignment are currently under development, including the optimization of sales and supply chains and of production processes and facilities. The results of these activities should be visible in the second half of 2015.

The third phase of the program is aimed at improving the competitiveness of the business portfolio, particularly through cooperations in the rubber business. LANXESS is currently in talks with potential partners and will possibly report on these in the second half of 2015.

Financial data 2014: improved earnings and a strengthened balance sheet

In fiscal 2014, Group sales fell by 3.5 percent year-on-year to around EUR 8 billion. This was due above all to lower selling prices, primarily in the Performance Polymers segment. A slight increase in sales volumes at the Group level was insufficient to offset this decline.

EBITDA pre exceptionals increased by 9.9 percent year-on-year to EUR 808 million, according to the preliminary figures published at the

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end of January 2015. All segments contributed to the earnings increase. This positive performance – despite lower selling prices – was attributable above all to a reduced cost basis, improved capacity utilization and favorable exchange rate effects. The Group's EBITDA margin pre exceptionals improved from 8.9 percent to 10.1 percent.

The LANXESS Group posted net income of EUR 47 million, an increase of EUR 206 million year-on-year. The main reason for this improvement were lower impairment charges. Exceptional charges of around EUR 180 million – mainly related to the realignment program – had an opposing effect. Earnings per share were EUR 0.53 after minus EUR 1.91 in 2013.

As previously announced, the Board of Management and the Supervisory Board will propose a dividend of EUR 0.50 per share to the Annual Stockholders' Meeting on May 13, 2015. This would result in a total dividend payout of around EUR 46 million. LANXESS also paid a dividend of EUR 0.50 per share for 2013.

In the past fiscal year, capital expenditures amounted to EUR 614 million, slightly below the prior-year level of EUR 624 million. "Already during the current fiscal year, we intend to substantially reduce our capital expenditures to around EUR 450 million. For 2016, we plan to achieve a level between EUR 400 million and EUR 450 million," said Bernhard Düttmann, Chief Financial Officer of LANXESS AG.

In comparison with the prior year, operating cash flow increased by EUR 156 million to EUR 797 million. This was due to business-related reasons and the decline in working capital. Despite higher capital expenditures, net financial liabilities decreased to around EUR 1.3 billion as of December 31, 2014, from EUR 1.7 billion at year-end 2013. The main reasons for this were the capital increase in May 2014 and strict working capital management.

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Business development by segment

Sales of the **Performance Polymers** segment in fiscal 2014 declined year-on-year by 8.0 percent to around EUR 4.1 billion. This was primarily due to price declines in all business units resulting from lower raw material costs and the persistently challenging market environment as well as slightly lower sales volumes. Viewed over the year as a whole, exchange rates also had a slightly negative effect on sales.

EBITDA pre exceptionals of the segment was just about 1 percent ahead of the prior year at EUR 392 million. The significantly lower cost basis in particular and positive currency effects contributed to the improvement in earnings. Lower selling prices and a decrease in volumes had a negative impact. The segment’s operating result was burdened by factors such as ramp-up costs for the EPDM rubber plant in China and write-downs on inventories in the fourth quarter.

The **Advanced Intermediates** segment recorded sales of around EUR 1.6 billion in 2014, more or less level with the prior year. Higher sales volumes compensated for selling price adjustments necessitated by raw material price developments. In particular, the demand for agrochemicals represented a positive development.

EBITDA pre exceptionals of the segment advanced by 5.9 percent to EUR 303 million. Earnings were improved particularly by higher volumes and a decline in raw material costs but held back by selling price adjustments.

Sales in the **Performance Chemicals** segment rose by 2.9 percent in 2014, to around EUR 2.2 billion. This was due to increased sales volumes and marginally higher selling prices, which more than compensated for slightly negative currency effects.

Year-on-year, EBITDA pre exceptionals of the segment advanced by 18.6 percent to EUR 274 million. Higher sales volumes, positive currency effects, increased prices and relief due to lower raw material costs were the main reasons for this development. However, earnings were held back by higher production costs.

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Outlook 2015

For fiscal 2015, LANXESS is assuming a persistently challenging competitive environment, especially for synthetic rubbers. While the company anticipates a slight year-on-year improvement in demand from the automotive and tire industries for the Performance Polymers segment, it believes that price pressures will continue to impact EPDM and butyl rubber especially. LANXESS is assuming continued positive development for the business for lightweight plastics.

For the current fiscal year, LANXESS expects good demand from the key customer industries served by the Advanced Intermediates segment. However, rather slower growth is predicted for agrochemical products. LANXESS anticipates a slight improvement in the demand situation for the Performance Chemicals segment.

With the U.S. dollar expected to remain strong and continue its volatile development, it will likely deliver positive momentum overall for business. LANXESS also expects volatility in raw material prices.

For the first quarter of 2015, LANXESS expects EBITDA pre exceptionals to improve against the prior-year quarter to between EUR 210 million and EUR 230 million. This takes into account ramp-up costs totaling EUR 25 million for the EPDM rubber plant in Changzhou, China, and the Nd-PBR rubber plant in Singapore.

For the full year 2015, which will continue to be dominated by the company’s realignment, LANXESS anticipates EBITDA pre exceptionals at around the same level as the previous year. This forecast incorporates the projected cost savings from the realignment program, the aforementioned ramp-up costs and idle costs for the new plants in Asia. Overall, the company expects idle costs of around EUR 100 million in 2015 and 2016.

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As in previous years, LANXESS will provide a more precise outlook for the current year when it publishes its first-quarter report on May 7, 2015.

Financial data for the full year 2014

(figures in EUR million)

	Full year 2013	**Full year 2014**	**Change in percent**	**Q4 2013**	**Q4 2014**	**Change in percent**
Sales	8,300	8,006	-3.5	2,014	1,904	-5.5
EBITDA pre exceptionals	735	808	9.9	176	154	-12.5
EBITDA margin pre exceptionals (percent)	8.9	10.1		8.7	8.1	
Net income (loss)	-159	47	>100	-204	-68	66.7
Earnings per share (EUR)	-1.91	0.53	>100	-2.45	-0.74	69.8

LANXESS is a leading specialty chemicals company with sales of EUR 8.0 billion in 2014 and about 16,600 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.

Cologne, March 19, 2015
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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.

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News Release

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