News Release

LANXESS takes action against weak demand

- **Q1 sales decline by 12 percent to EUR 2.1 billion**
- **Q1 EBITDA pre exceptionals falls by 53 percent to EUR 174 million**
- **Q1 net income drops by 87 percent to EUR 25 million**
- **Agrochemicals business shows robust development**
- **Q2 forecast: EBITDA to improve sequentially, but below EUR 220 million**
- **Outlook for 2013: Pick-up in demand in second half of the year; EBITDA expected to be below EUR 1 billion**
- **Further measures planned to improve competitiveness**

Leverkusen – LANXESS posted lower earnings in the first quarter of 2013 as expected due to a weak market environment, particularly in the tire and automotive industries.

First-quarter sales were down by 12 percent year-on-year to EUR 2.1 billion, mainly due to lower volumes and fallen selling prices. EBITDA pre exceptionals moved back by 53 percent against the prior-year period to EUR 174 million and was thus within the target corridor of between EUR 160 million and EUR 180 million communicated in March. The operating result was diminished by scheduled one-time effects of about EUR 30 million for the start-up of the new butyl rubber plant in Singapore and the conversion to Keltan ACE technology at the EPDM rubber plant in Geleen, Netherlands.

The agrochemicals business as well as the company's strong position in the growth region of Asia proved to be stabilizing factors in the first quarter.

The Group's EBITDA margin fell from 15.5 percent to 8.3 percent. Net income receded by 87 percent year on year to EUR 25 million.

"We are not immune to a sharp drop in demand, but we are responding to it proactively as always," said LANXESS' Chairman of

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the Board of Management Axel C. Heitmann. At the start of the year, LANXESS already initiated temporary facility shutdowns in the Performance Polymers segment in line with its proven policy of flexible asset and cost management. Now additional measures are planned in the Performance Chemicals segment.

“These measures are not merely designed to achieve short-term savings. We aim to raise the competitiveness of our international sites in this segment for the medium and long term," said Heitmann.

LANXESS is also reducing its capital expenditure budget for 2013 to EUR 600 million from the previously planned level of EUR 650 million to EUR 700 million.

Financial data

As expected, net financial liabilities rose in the first quarter compared with the end of 2012, namely by 21 percent to roughly EUR 1.8 billion mainly as a result of the increase in working capital. Operating cash flow was negative at EUR 160 million due to the weak operating result coupled with the higher working capital.

“We currently see a rise in net debt in the first half of the year which is typical for us. Our financing position, however, is sound and remains secure for the long term. We are also exercising strict spending discipline,” commented LANXESS Chief Financial Officer Bernhard Duettmann.

Regional sales development

Sales declined by double-digit percentages in all regions except for **Asia-Pacific**, where sales remained roughly at the same level year-on-year at EUR 530 million. This region’s share of Group sales rose to 25 percent, from 23 percent in the prior-year quarter.

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EMEA (Europe excluding Germany, Middle East, Africa) was the strongest region, accounting for approximately 30 percent of sales compared to 29 percent in the previous year. Business there declined by 11 percent to EUR 623 million.

Germany's share of Group sales was nearly 18 percent, compared with 17 percent a year ago. Sales in Germany fell by 11 percent to EUR 370 million.

LANXESS generated some 15 percent of Group sales in the **North America** region against 18 percent in the same period of last year. Sales there receded by 23 percent to EUR 327 million. This decline is primarily due to the fact that raw materials were used for captive consumption instead of selling them externally.

Sales in **Latin America** fell by 19 percent to EUR 245 million. The region's share of Group sales was 12 percent, against 13 percent in the prior-year period.

In the five **BRICS countries** (Brazil, Russia, India, China and South Africa) sales dropped by 11 percent year-on-year to EUR 492 million. These countries accounted for 24 percent of Group sales, compared with 23 percent in the first quarter of 2012.

Business development in the segments

In the **Performance Polymers** segment, sales moved back by about 18 percent to EUR 1.1 billion. Here, a drop in selling prices as a result of lower raw material prices led to a negative price effect. In addition, volumes were down on account of lower demand from the automotive and tire industries. EBITDA pre exceptionals fell by 56 percent to EUR 112 million. Earnings were diminished due to the above-mentioned one-time effects of about EUR 30 million.

The **Advanced Intermediates** segment saw stable development in light of the sound demand for agrochemicals. Sales edged up 1 percent in the first quarter of 2013 to EUR 433 million. Higher prices for raw materials were passed on fully to the market. Compared with the strong prior-year period, however, volumes moved back as a result of weak demand from the construction and paint industry. EBITDA pre exceptionals rose by EUR 1 million against the prior-year quarter to EUR 71 million.

Sales in the **Performance Chemicals** segment decreased by 7 percent to EUR 520 million. Volumes declined as a result of the weak demand from the construction industry due to the long winter and from the business units linked to the tire industry. Selling prices were stable. EBITDA pre exceptionals, at EUR 51 million, was EUR 32 million below the prior-period figure.

Outlook

For the second quarter, LANXESS anticipates a slight improvement in business. “The weak demand from the tire and automotive industries persists, but customer destocking is slowing down. We currently anticipate EBITDA pre exceptionals in the second quarter to improve sequentially but to be below EUR 220 million,” said Heitmann. A mid-double-digit million euro amount of exceptional charges will be incurred for the additional measures.

Heitmann: “The market environment will remain weak and volatile with low visibility persisting. We nevertheless expect an economic improvement in the second half of this year. Asia, particularly China, will perform substantially better, whereas market conditions in Europe will remain difficult.” LANXESS predicts demand for agrochemicals to remain strong and anticipates a moderate recovery in the construction industry. The megatrends of mobility, agriculture, urbanization and water remain intact.

LANXESS now anticipates EBITDA pre exceptionals of below EUR 1 billion for the full year 2013 and confirms its mid-term EBITDA targets of EUR 1.4 billion and EUR 1.8 billion in 2014 and 2018, respectively.

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News Release

LANXESS
Energizing Chemistry

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Q1 2013 Key Data

(EUR million)

	Q1 2012	Q1 2013	Change in percent
Sales	2,388	2,095	-12.3
EBITDA pre exceptionals	369	174	-52.8
EBITDA margin pre exceptionals (percent)	15.5	8.3	
Net income	192*	25	-87.0
Earnings per share (€)	2.31*	0.30	-87.0

* restated according to the revised version of IAS 19

LANXESS is a leading specialty chemicals company with sales of EUR 9.1 billion in 2012 and roughly 17,400 employees in 31 countries. The company is currently represented at 50 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 FTSE4Good as well as the Carbon Disclosure Leadership Index (CDLI).

Leverkusen, May 8, 2013
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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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