

LANXESS increases competitiveness

- **Annual savings of EUR 100 million from 2015**
- **Efficiency improvements and targeted restructuring**
- **Strategic options for non-core businesses**
- **Key capex projects on track**
- **Future acquisitions predominantly focused on Advanced Intermediates and Performance Chemicals segments**

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Cologne – LANXESS is countering the challenging business environment with a comprehensive efficiency program. Currently, it is foremost the synthetic rubber activities that are experiencing a temporary weakness in demand, increased competition in the market and volatile raw materials prices. As part of the “Advance” program, the company therefore plans to reduce costs and headcount, as well as optimize its portfolio.

“Due to the current situation we must now take action,” said LANXESS’ Chairman of the Board of Management, Axel C. Heitmann, at today’s Media Day. “We have a strong track record of managing our business in challenging economic environments. We will undertake all necessary steps in order to return to sustainable and profitable growth as soon as possible. We are seeing first signs of stability in the market but it is too early to say when and how quick a recovery will take hold.”

Heitmann confirmed the company’s full-year guidance for 2013 of EUR 700-800 million EBITDA pre exceptionals, excluding potential inventory devaluations.

Greater efficiency

As part of the “Advance” program, LANXESS is aiming to achieve about EUR 100 million in annual savings from 2015 onward through efficiency improvements and targeted restructuring. This will lead to a

headcount reduction of about 1,000 employees worldwide by the end of 2015.

The positions will be phased out through a voluntary separation program, which includes early retirement packages and severance pay. In addition, the variable compensation for the current business year will be reduced for those who are eligible. This includes the Board of Management. All measures are being coordinated with employee representatives.

Restructuring has already been implemented within the Rubber Chemicals business unit, which is closing a site in South Africa and downsizing its operations in Belgium. In addition, LANXESS will adjust its business operations globally to reflect the current market situation. The company will also continue with its proven flexible asset management strategy.

In total, some EUR 150 million in one-off charges will be booked in 2013 and 2014 to cover the “Advance” program.

Portfolio management

LANXESS will maintain its current structure of 14 business units under its three established segments. At the same time, the company is pursuing strategic options for specific non-core businesses.

These non-core activities have combined sales of roughly EUR 500 million, close to EUR 30 million in EBITDA pre exceptionals, and a headcount of roughly 1,000. The activities include the High Performance Materials (HPM) business unit’s Perlon-Monofil business line, Rubber Chemicals’ (RUC) accelerators and antioxidants business lines, and High Performance Elastomers’ (HPE) nitrile butadiene rubber business line. The affected sites are in Brunsbuettel and Dormagen, Germany, Kallo, Belgium, Bushy Park, USA, Jhagadia, India, La Wantzenau, France, and Nantong, China.

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All options for these sites will be considered in line with legal frameworks and local employee participation.

“Each of these businesses is well positioned in its market, but can develop better over time with a different partner,” said Heitmann.

As part of its portfolio management activities over the mid- to long term, LANXESS is predominantly targeting acquisitions that will strengthen its Advanced Intermediates and Performance Chemicals segments and thus further diversify the Group’s structure.

“Any potential additions to the company must present a clear strategic and cultural fit, as well as being accretive to key financial metrics,” said Heitmann.

Key capex projects

LANXESS will continue to give priority to organic growth. Capital expenditures have been reduced to roughly EUR 600 million this year, while at the same time key strategic projects are being implemented. In the future, the focus will be more on smaller projects and debottleneckings.

LANXESS is currently pushing ahead with three important investment projects serving the megatrend mobility. They are a neodymium polybutadiene rubber (Nd-PBR) plant in Singapore, an ethylene propylene diene monomer (EPDM) rubber plant in China and a polyamide plant in Belgium. Construction is progressing according to plan.

LANXESS believes the long-term growth fundamentals are intact despite the temporary weakness in demand. Heitmann: “We will continue to differentiate ourselves from our competitors as a result of our focus on high-performance products.”

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“Our investments in plants for high-performance rubbers and lightweight materials strengthen our position as one of the leading suppliers to the tire and automotive industries and will serve us very well when the markets recover,” said Heitmann. “They will also bring us closer to our mid-term earnings goal of EUR 1.8 billion EBITDA pre exceptionals in 2018.”

LANXESS is a leading specialty chemicals company with sales of EUR 9.1 billion in 2012 and roughly 17,500 employees in 31 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 FTSE4Good as well as the Carbon Disclosure Leadership Index (CDLI).

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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 <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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