

### **LANXESS narrows full-year guidance range in a challenging market environment**

- **EBITDA pre exceptionals in 2013: between EUR 710 million and EUR 760 million**
- **Q3 with volume growth in all segments; continued pressure on prices**
- **Q3 sales decline by 5 percent year-on-year to EUR 2.1 billion**
- **Q3 EBITDA 26 percent lower at EUR 187 million**
- **Q3 net income drops by 88 percent to EUR 11 million**
- **Sales expand in Asia-Pacific**
- **Agrochemicals business remains stable**

**Cologne** – In an economic environment marked by continuing uncertainty, specialty chemicals Group LANXESS has narrowed its guidance range for the full year 2013: EBITDA pre exceptionals is expected to be between EUR 710 million and EUR 760 million, within the previously communicated corridor of EUR 700 million to EUR 800 million.

In the third quarter of 2013, the company posted a 9 percent volume increase year-on-year, with all segments contributing. However, this increase did not entirely offset the 11 percent overall price decline. Prices fell particularly in the rubber businesses belonging to the segment Performance Polymers. Negative currency effects, mainly related to the weakness of the U.S. Dollar, also had an impact. Group sales fell by 5 percent overall compared with the prior-year quarter to EUR 2.1 billion.

Apart from the gradual increase in volumes in all segments, the ongoing strong demand for agrochemicals and positive sales development in the Asia-Pacific region also had a stabilizing effect on quarterly results.

"Some of our customers have started restocking their inventories. This is highlighted by the year-on-year and quarter-on-quarter volume

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increases," said Axel C. Heitmann, Chairman of the Board of Management of LANXESS AG. "But, in our view, it is still too early to speak of a general recovery of the business."

EBITDA pre exceptionals receded by 26 percent year-on-year to EUR 187 million. This was largely due to lower selling prices and inventory reduction. In addition, there was a burden of around EUR 10 million in the form of inventory devaluations. The EBITDA margin pre exceptionals declined to 9.1 percent from 11.8 percent. Net income fell by 88 percent to EUR 11 million due to higher depreciation and amortization as well as exceptional charges of roughly EUR 20 million for the efficiency program "Advance".

Operating cash flow improved to EUR 378 million in the third quarter of 2013 from EUR 344 million a year earlier due to a reduction in working capital. Net financial liabilities decreased to around EUR 1.8 billion from the end of the second quarter due to strict working capital management. "We aim to further reduce net financial liabilities by year end," said LANXESS Chief Financial Officer Bernhard Duettmann.

### **Business development by region**

Third-quarter sales in the **Asia-Pacific** region, accounting for 25 percent of Group sales, rose by nearly 5 percent compared with the prior-year period to EUR 515 million. This was largely attributable to growth in China, where sales climbed by nearly 21 percent.

Sales in the **EMEA (excluding Germany)** region, representing 29 percent of Group sales, were stable at approximately EUR 591 million.

In **Germany**, LANXESS recorded sales of EUR 364 million, which was almost 7 percent below the prior-year quarter. The country accounted for 18 percent of Group sales.

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LANXESS generated 17 percent of Group sales in **North America**. Sales there fell by nearly 13 percent to EUR 342 million.

Sales in **Latin America**, at EUR 238 million, were roughly 17 percent below the level of the prior-year period. The region's share of Group sales was 12 percent.

Third quarter sales in the **BRICS** countries (Brazil, Russia, India, China and South Africa) increased by just under 3 percent overall to EUR 497 million. These countries accounted for 24 percent of Group sales.

### **Business development by segment**

Volumes in the **Performance Polymers** segment advanced by a substantial 14 percent against the prior-year quarter, with a particularly strong increase in Asia. A persistently difficult market environment and lower prices for raw materials, especially butadiene, led to a 19 percent decrease in selling prices. Sales, which were also hampered by negative currency effects, fell by 8 percent to EUR 1.1 billion.

EBITDA pre exceptionals receded by 45 percent to EUR 84 million, also reflecting some EUR 10 million in inventory devaluations as well as targeted destocking.

Sales in the **Advanced Intermediates** segment were flat with the prior-year period at EUR 403 million. Both business units – Advanced Industrial Intermediates and Saltigo – benefited from continuing good demand for products used in the agrochemicals and in the flavors and fragrances industries. Volumes rose by nearly 5 percent, while selling prices were reduced by about 3 percent in light of a drop in raw material prices. Exchange rates also had a negative effect on sales.

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EBITDA pre exceptionals moved back by around 5 percent against the prior-year quarter to EUR 71 million. This was partly due to adverse currency effects as well as some start-up costs for new capacities at the cresol plant in Leverkusen.

In the **Performance Chemicals** segment, third quarter sales slightly decreased by about 2 percent year-on-year to EUR 546 million. Selling prices were level year on year. Growth of 3 percent in volumes could not compensate for negative currency effects of about 5 percent. Business with water treatment products, rubber chemicals and material protection products for the paints and coatings industry developed well.

EBITDA pre exceptionals in the segment declined by 4 percent year on year to EUR 72 million.

### Outlook

LANXESS expects the modest economic momentum to persist in the fourth quarter, with the emerging economies continuing to provide only limited impetus. In Europe, although the situation is expected to ease, the company does not yet anticipate lasting stability. Growth in the United States is likely to remain moderate due to the ongoing budget uncertainty.

LANXESS expects the market environment to remain difficult, especially for the automotive and tire industries. Automobile production will probably show only a slight increase in the remaining months of 2013, driven mainly by demand in the U.S. and China. The tire industry remains likely to see only a modest recovery.

For the construction sector, the company predicts an improved fourth-quarter performance only in the U.S. and China, while the European construction industry should bottom out. LANXESS continues to expect good demand in its agrochemicals business.

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To address the challenging economic situation, the company has begun implementing the efficiency improvement program "Advance", which was announced in September. The program comprises cost savings, a global headcount reduction of about 1,000 by the end of 2015 and portfolio adjustments. In total, some EUR 150 million in exceptional charges will be booked in 2013 and 2014 to cover the program, thereof EUR 80 million in the current financial year. LANXESS expects "Advance" to generate annual savings of roughly EUR 100 million from 2015 onward.

## Q3 2013 Key Data

(EUR million)

	Q3 2012	Q3 2013	Change in percent
Sales	2,159	2,050	-5.0
EBITDA pre exceptionals	254*	187	-26.4
EBITDA margin pre exceptionals (percent)	11.8	9.1	
Net income	92*	11	-88.0
Earnings per share (€)	1.10*	0.13	-88.0

\* 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 17,500 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

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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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