

LANXESS confident after strong final quarter 2009

- **Full-year sales 2009: EUR 5,057 million**
- **EBITDA pre exceptionals: EUR 465 million**
- **EBITDA margin pre exceptionals: 9.2 percent**
- **Net income: EUR 40 million**
- **“Challenge09-12”: EUR 170 million savings**
- **Proposed dividend 2009: EUR 0.50 per share**
- **Outlook: significant earnings improvement expected following good start to 2010**

Leverkusen – Specialty chemicals group LANXESS AG is confident for the business year 2010 after ending 2009 with a strong final quarter. This optimism is supported by the continuous positive development of the Asia/Pacific region as well as savings generated from group-wide “Challenge09-12” package of measures.

“We therefore expect a significant year-on-year improvement in earnings, even if there is currently no sign of a self-sustaining upswing,” said Axel C. Heitmann, Chairman of the Board of Management of LANXESS AG, presenting the company’s 2009 results in Cologne.

The company was, as expected, hit hard by the global downturn in 2009. Group sales fell by 23.1 percent year-on-year to EUR 5,057 million due to weak global demand. EBITDA pre exceptionals, at EUR 465 million, came in at the upper end of the adjusted target corridor of EUR 450 to 470 million. LANXESS posted EBITDA pre exceptionals of EUR 722 million in 2008. The EBITDA margin pre exceptionals for the full year was 9.2 percent compared to 11.0 percent in 2008. Net income amounted to EUR 40 million in comparison to EUR 183 million in 2008. The Group reduced costs by some EUR 170 million thanks to the “Challenge09-12” program in 2009.

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“Our results in the crisis year show that we passed the stress test,” added Heitmann.

Performance in the fourth quarter of 2009

The fourth quarter of 2009 ran counter to the usual seasonal trend at LANXESS. In the final weeks of the year, the rubber business in particular was buoyed by the positive development in Asia and strong demand for winter tires in Europe and North America. Overall the company recorded fourth-quarter sales of EUR 1,392 million, slightly above the third-quarter figure of EUR 1,373 million. Business declined by 4.8 percent compared with the final quarter of 2008.

EBITDA pre exceptionals in the fourth quarter of 2009 amounted to EUR 144 million – slightly ahead of the third quarter and well above the EUR 87 million achieved in the fourth quarter of 2008, which was dominated by the effects of the financial crisis. Net income for the quarter was EUR 14 million compared to EUR 23 million in the third quarter of 2009 and a EUR 32 million loss in the prior-year period.

Regional trends

The **Asia/Pacific** region was a major stabilizing factor in 2009, with sales down just 1.3 percent year-on-year to EUR 1,141 million. The region’s share of Group sales climbed from 17.6 to 22.6 percent, reflecting the company’s successful strategy in systematically seizing new growth opportunities in Asia.

Asia/Pacific is now the second most important region for LANXESS after **EMEA (excluding Germany)**, where business contracted by 29.3 percent year-on-year to EUR 1,557 million, equivalent to 30.8 percent of Group sales. Business in **Germany** was down by 25.2 percent year-on-year to EUR 1,063 million, or 21.0 percent of Group sales. With sales 27.3 percent below the previous year at EUR 781 million, **North America** accounted for 15.4 percent of Group sales. The **Latin America** region achieved sales of EUR 515 million, 28.9

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percent less than in the previous year, thus accounting for 10.2 percent of total Group sales.

LANXESS' growth strategy, which is focused on the **BRIC countries**, is paying off. Brazil, Russia, India and China together accounted for 20.1 percent of Group sales in 2009, up from 16.1 percent the year before. Their combined sales amounted to EUR 1,018 million.

Business performance by segment

The **Performance Polymers** segment saw sales drop markedly as a result of the worldwide economic crisis, although the upturn in demand in Asia in the second half cushioned the decline to some degree. Sales fell by 27.2 percent year-on-year to EUR 2,388 million. EBITDA pre exceptionals shrank by 39.5 percent to EUR 250 million, but the EBITDA margin stayed in the double-digit range at 10.5 percent.

Sales in the **Advanced Intermediates** segment receded by 15.7 percent year-on-year to EUR 1,104 million. Business with agrochemicals remained stable over the year and was a cornerstone of the segment's performance. Sales to automotive-related industries and pharmaceutical customers trended slightly downward. EBITDA pre exceptionals came in at EUR 154 million, down 17.2 percent on the year. The EBITDA margin was nearly level with the prior year at 13.9 percent.

In the **Performance Chemicals** segment, sales fell by 20.7 percent against the previous year to EUR 1,530 million. None of the business units could evade a year-on-year decline in volumes, those with a large proportion of their business in automotive-related sectors generally being hit the hardest. EBITDA pre exceptionals amounted to EUR 182 million in comparison to EUR 241 million a year ago. This yielded an 11.9 percent margin which, again, was nearly level with the prior year.

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Debt reduced

Net debt fell significantly to EUR 794 million (end 2008: EUR 864 million). This positive trend is attributable to the company's strict working capital management, rigorous capital discipline and a significant improvement in its operating cash flow of 14.8 percent to EUR 565 million. "As our key financial data show, we have come through the crisis very well," said Chief Financial Officer Matthias Zachert. At year-end, LANXESS had liquidity reserves of well over EUR 2 billion, compared with EUR 1.7 billion a year before.

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Unchanged dividend proposed

Despite the challenges faced in 2009, LANXESS plans to keep the dividend at the previous year's level. The Board of Management and the Supervisory Board will therefore propose to the Annual Stockholders' Meeting on May 28, 2010, that an unchanged dividend of EUR 0.50 per share be paid for 2009, giving a total payout of some EUR 42 million.

Outlook

LANXESS expects the economic landscape to show regional variations in its development in 2010, with Asia showing the most significant improvement. There are again increasing signs of stronger growth, mainly in China and India, especially in the rubber market. The economic climate in Latin America, and in particular Brazil, is also expected to brighten. In North America and Europe, however, there is persistent uncertainty regarding the future economic trend.

LANXESS expects raw material costs to rise again in 2010. Following the sharp decline in raw material prices, input costs began to rise again in the second quarter of 2009, and this trend has continued through the start of 2010. The company is consequently adhering to its price-before-volume strategy.

The gradual recovery, which varies in strength from one region to another, will continue, with seasonal earnings trends returning to normal. "The fourth quarter of 2009 and our good start to the new year give us grounds for confidence," said Heitmann. In light of the continuing risks to economic development, LANXESS will continue with the systematic and successful implementation of its global package of measures entitled "Challenge09-12" that is bolstering earnings. Savings of EUR 140 million are planned for 2010.

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Table (figures in EUR million), prior-year figures restated

	Full year 2009	Full year 2008	Change in %	Q4 2009	Q4 2008	Change in %
Sales	5,057	6,576	-23.1	1,392	1,462	-4.8
EBITDA pre exceptionals	465	722	-35.6	144	87	+65.5
EBITDA margin pre exceptionals	9.2%	11.0%		10.3%	6.0%	
Net income	40	183	-78.1	14	-32	n/a

LANXESS is a leading specialty chemicals company with sales of EUR 5.06 billion in 2009 and currently around 14,300 employees in 23 countries. The company is represented at 43 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals.

Leverkusen, March 17, 2010
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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.

News Release

Information for editors:

The latest news from LANXESS direct to your mobile phone: mobile.lanxess.com

All LANXESS news releases and their accompanying photos can be found at <http://corporate.lanxess.de/en/media/press-releases/>. Recent photos of the Board of Management and other LANXESS image material are available at http://fotos.lanxess.de/index_en.html. The latest TV footage, audiofiles and podcasts can be found at <http://corporate.lanxess.com/en/media/audio-video/>.

You can find further information concerning LANXESS chemistry in our WebMagazine at <http://webmagazine.lanxess.com>.

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