LANXESS Q2 2009 Financial Summary for Investors and Analysts

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- **EBITDA pre exceptionals improves vs. Q1 2009 to €112 m**
- **Substantial volume pick up Q2 vs Q1, however, still in trough environment**
- **World-wide underlying demand has bottomed out, volume trough now also reached in LatAm, North America and Europe**
- **9% EBITDA pre exceptionals margin in a tough business environment**
- **Q2 with positive net income**
- **Product prices in line with raw material price deflation of ~ €200 m, contribution margin remains stable**
- **Focus on cash flow generation yielding strong result: reduced net debt to €719 m**
- **Challenge09 expanded and Challenge12 initiated**

Overview Financials

Q2 Profit and Loss Statement:

- Sales decline is based on lower prices (-11%) due to easing raw materials (~ €200 m); currency effects (+4%) slightly alleviate severe volume impact (-23%) (approximate numbers)
- Cost of sales contain ~ €5 m inventory devaluation
- Deviations in expense line items reflect lower business activity and cost saving efforts
- EBITDA pre exceptionals improvement in a difficult environment reached

Q2 Balance Sheet:

- Decrease in Working Capital vs. year-end 2008
  - Inventory: decrease in Q2 vs. 2008 due to lower raw material prices and tight management
  - Receivables: decreased due to very tight monitoring and receivable collection, no major customer defaults
- Net debt decreased due to strict working capital and cash flow management
- Financing and liquidity situation is comfortable. Majority of drawn debts are long term and without financial covenants
  - Second €500 m Eurobond maturing April 2014 with coupon of 7.75% further improves solid financing and balanced maturity profile
  - €500 m Eurobond maturing June 2012 without financial covenant (only change of control clause) at annual coupon of 4.125%
  - €130 m additional financing by “Schuldschein” maturing in 2012
  - Strong cash position of ~ €950 m to be invested in highly rated & liquid bank deposits, money market funds and / or government bonds (including ETFs), leading to increasing financial asset position
  - Possibility to use cash to selectively early repay bank debt

LANXESS Energizing Chemistry

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Q2 Cash flow Statement:

- Strong operating cash flow despite lower profit before tax
- Cash inflow based on tight working capital management
- Changes in other assets and liabilities with higher cash outs for personnel-related programs
- 2008 investing cash flow reflects Petroflex, 2009 contains dividend from Currenta
- 2009 financing cash flow includes new €500 m Eurobond maturing in 2014

Q2 Business Overview

Performance Polymers

- **Improvement fueled by strong demand pick-up in Asia and absence of negative Q1 effects**
- Sales Deviation: Price: -19%, Volume -24%, Currency +5%, (approximate numbers)
- Sales remain depressed yoy but improved sequentially: All BUs with better momentum versus Q1
- Selling prices declined on the basis of raw material indexed sales contracts and stronger Asian exposure (mainly in PBR)
- Selling price decline in balance with lower input costs
- SCP stable in intermediates but compounds still sluggish
- EBITDA pre and margin significantly improved mainly as negative Q1 effects level off and cost cutting is effective

Advanced Intermediates

- **Solid business, but Q2 affected by seasonality and ongoing weak auto and construction**
- Sales Deviation: Price: -8%, Volume -7%, Currency +3% (approximate numbers)
- Sales decline improved sequentially, however volumes remain lower than in 2008
- Declining raw material prices were supportive to the segment's performance even after expected selling price adjustments
- Underlying agro momentum remains strong esp. for SGO, however seasonally somewhat weaker (especially for herbicides in BAC)
- Volume losses in other markets (automobile, construction) were less significant than in Q1 and mitigated by favorable SGO volumes

Performance Chemicals

- **Better volume momentum despite overall muted demand – Challenge09 mitigates**
- Sales Deviation: Price: 0%, Volume -30%, Currency +4% (approximate numbers)
- Sales of all BUs increased sequentially and prices remained stable year on year
- MPP, IPG and LEA are strongest contributors to sequential EBITDA improvement
- RUC and RCH continue to be burdened by weak auto industry
- IPG performed well in an ongoing difficult construction market
- Good pricing in Q2. Price decline expected in Q3, in line with raw-materials
- Only ~ €5 m inventory devaluation (mainly phosphor and cast iron borings)

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Outlook and guidance

Outlook:

- **The downturn appears to be bottoming out - risk of setbacks exists**
- World-wide underlying demand has bottomed out, volume trough now also reached in LatAm, North America and Europe
- Asia maintaining its good momentum,
  other regions are expected to recover only slowly
- Destocking completed – restocking not yet visible
- Mitigating fast rising raw material prices (notably butadiene)
  will be a challenge in Q3
- Usual seasonal earnings pattern with sequentially weaker H2 (Advanced Intermediates & Performance Chemicals)

Guidance:

- Q3 EBITDA pre exceptionals is traditionally below Q2 due to seasonality
- Based on previously mentioned assumptions, LANXESS expects Q3 EBITDA pre to be around Q2 level, thus offsetting the traditional earnings pattern
- Capex* : reduced to ~€300 m
- D&A : ~€270 – 280 m
- Taxrate : reduced to ~25%
- Working Capital: moderate cash inflow for FY 2009
- Exceptionals : ~€40 m for FY 2009
- FX : U.S. dollar at 1.35-1.40 USD / EUR
- Hedging : ~50% at 1.30-1.40 USD / EUR

  *without projects financed by customers

Challenge09 expanded and Challenge12 initiated:

- Farsighted action to mitigate longer lasting crisis
- Challenge09 extended
  - Additional €10 m one time savings due to release of provision for personnel benefits
- Challenge12 initiated to
  - Support “price before volume” strategy
  - Prolong cost reduction to mitigate idle costs and inflationary input cost development (raw materials, energy, salaries)
- Challenge12 (2years) comprises
  - Reduction of contractual working hours
  - Reduction of fixed and variable compensation worldwide
  - Postponement of salary increases worldwide
- “Challenge09 and 12” programs add up to €360 m savings by 2012

Leverkusen, August 12, 2009

Forward-Looking Statements

This news release contains 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.

LANXESS
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Financial Overview Q2 2009

in € million	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q2 '08	Q2 '09	Chg. in %	Q2 '08	Q2 '09	Chg. in %	Q2 '08	Q2 '09	Chg. in %	Q2 '08	Q2 '09	Chg. in %	Q2 '08	Q2 '09	Chg. in %
Sales	1765	1238	-30%	908	559	-38%	320	285	-11%	523	385	-26%	14	9	-36%
Price*			-11%			-19%			-8%			0%			n.m.
Volume*			-23%			-24%			-7%			-30%			n.m.
Currency*			4%			5%			3%			4%			n.m.
Portfolio*			0%			0%			0%			0%			n.m.
EBIT	116	43	-63%	46	18	-61%	39	27	-31%	57	29	-49%	-26	-31	n.m.
Deprec. & amortizat.	64	65	2%	32	33	3%	10	11	10%	20	16	-20%	2	5	>100%
EBITDA	180	108	-40%	78	51	-35%	49	38	-22%	77	45	-42%	-24	-26	n.m.
exceptionals in EBITDA	43	4	-91%	49	1	-98%	0	0	0%	1	-1	n.m.	-7	4	n.m.
EBITDA pre excep.	223	112	-50%	127	52	-59%	49	38	-22%	78	44	-44%	-31	-22	n.m.
normalized D&A	64	62	-3%	32	33	3%	10	11	10%	19	16	-16%	3	2	-33%
EBIT pre excep.	159	50	-69%	95	19	-80%	39	27	-31%	59	28	-53%	-34	-24	n.m.
exceptionals in EBIT	43	7	-84%	49	1	n.m.	0	0	0%	2	-1	n.m.	-8	7	n.m.
Capex	66	57	-14%	32	28	-13%	15	8	-47%	17	19	12%	2	2	0%
Net financial debt	864**	719	-17%												

* approximate numbers

**per Dec. 31

Financial Overview H1 2009

in € million	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	H1 '08	H1 '09	Chg. in %	H1 '08	H1 '09	Chg. in %	H1 '08	H1 '09	Chg. in %	H1 '08	H1 '09	Chg. in %	H1 '08	H1 '09	Chg. in %
Sales	3300	2292	-31%	1601	1007	-37%	649	543	-16%	1018	723	-29%	32	19	-41%
Price*			-7%			-14%			-4%			2%			n.m.
Volume*			-29%			-31%			-16%			-34%			n.m.
Currency*			4%			4%			3%			3%			n.m.
Portfolio*			2%			3%			0%			0%			n.m.
EBIT	261	42	-84%	119	-6	n.m.	84	62	-26%	117	50	-57%	-59	-64	n.m.
Deprec. & amortizat.	128	128	0%	61	65	7%	21	22	5%	39	33	-15%	7	8	14%
EBITDA	389	170	-56%	180	59	-67%	105	84	-20%	156	83	-47%	-52	-56	n.m.
exceptionals in EBITDA	54	8	-85%	51	1	-98%	0	0	0%	4	0	n.m.	-1	7	n.m.
EBITDA pre excep.	443	178	-60%	231	60	-74%	105	84	-20%	160	83	-48%	-53	-49	n.m.
normalized D&A	125	125	0%	58	65	12%	21	22	5%	38	33	-13%	8	5	-38%
EBIT pre excep.	318	53	-83%	173	-5	n.m.	84	62	-26%	122	50	-59%	-61	-54	n.m.
exceptionals in EBIT	57	11	-81%	54	1	-98%	0	0	0%	5	0	n.m.	-2	10	n.m.
Capex	100	109	9%	47	56	19%	20	17	-15%	28	32	14%	5	4	-20%
Net financial debt	864**	719	-17%												

* approximate numbers

**per Dec. 31

BAC	**Basic Chemicals**
BTR	**Butyl Rubber**
FCC	**Functional Chemicals**
ION	**Ion Exchange Resins**
IPG	**Inorganic Pigments**
LEA	**Leather**
MPP	**Material Protection Products**
PBR	**Performance Butadiene Rubbers**
RCH	**RheinChemie**
RUC	**Rubber Chemicals**
SCP	**Semi-Crystalline Products**
SGO	**Saltigo**
TRP	**Technical Rubber Products**

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