

### LANXESS earnings rebound in Q2 2009

- **Second quarter sales EUR 1.24 billion, up 17% vs. Q1**
- **Second quarter EBITDA pre exceptionals EUR 112 million, up 70% vs. Q1; guidance was EUR 100-120 million**
- **Net income positive at EUR 17 million**
- **Operating cash flow nearly doubles vs. previous year;**
- **net debt reduced**
- **EUR 360 million cost savings by 2012 through “Challenge09” and “Challenge12” packages**
- **Greater China sales increased by 7.8 percent year-on-year to EUR 167.5 million for the second quarter of 2009**

**Leverkusen** – LANXESS AG significantly increased earnings in the second quarter in comparison to the weak first quarter of 2009 despite the ongoing difficult economic conditions worldwide. The specialty chemicals company posted EBITDA pre exceptionals of EUR 112 million, in line with its published guidance of EUR 100-120 million. The operating earnings figure was down 50 percent year-on-year but rose 70 percent from the first quarter of 2009 due to substantial volume increases, notably in Asia, as well as savings yielded by the “Challenge09” package of measures. Another positive key metric for the second quarter was the EBITDA margin pre exceptionals at 9 percent, up from 6.3 percent in the first quarter of 2009.

Sales in the second quarter fell by 30 percent year-on-year to EUR 1.24 billion but rose 17 percent quarter-on-quarter due to a strong rebound in volumes, especially in Performance Polymers. Net income was positive at EUR 17 million after being negative for two consecutive quarters.

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LANXESS proved again in the second quarter that it is in a strong financial position by nearly doubling its operating cash flow to EUR 157 million from a year earlier and reducing net debt by 17 percent to EUR 719 million from the end of 2008. The improvement in operating cash flow was supported by a strict focus on working capital management.

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“LANXESS has achieved a solid result in the second quarter in view of the challenging environment for the chemical industry,” said Axel C. Heitmann, Chairman of the Board of Management of LANXESS AG. “Our earnings have benefited not only from a pick-up in demand but also from our decision to quickly implement a package of self-help measures to counter the crisis.”

### **Performance in Asia-Pacific Region**

Sales in the **Asia-Pacific** region rose 74 percent to EUR 304 million in the second quarter in comparison to a very weak first quarter, with strong contributions coming from China, South Korea and India. The sharp increase in sales in the second quarter implies the region’s share of Group sales has now risen to 25 percent.

Sales in all regions in the second quarter fell year-on-year by double-digit percentage amounts except for **Asia-Pacific**, which fell only by a single-digit percentage amount year-on-year.

### **Performance in Greater China**

LANXESS Greater China sales increased by 7.8 percent to EUR 167.5 million for the second quarter of 2009 compared to the same period of 2008. Adjusted for exchange-rate effects and divested or newly integrated businesses, it receded slightly by 3.6 percent. In comparison to the weak first quarter of 2009, sales almost doubled from EUR 84.8 million.

“While the global economic recession continues to dampen demand for LANXESS products, we did see some improvement in the second quarter compared with the beginning of the year,” said Martin Kraemer, CEO of LANXESS Greater China. “Growth in Greater China was mainly driven by the rubber business units and the Semi-Crystalline products business unit, aided by a recovery in the automotive industry and construction industries. Additional driving forces, one was the Ion Exchange Resins products business unit, which offers effective and innovative solutions for power plants, another the Material Protection Products business unit, which successfully launched the stabilizer Velcorin® to the Beverage Industry in China.”

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“We expect that the government stimulus package and domestic demand should keep China’s automotive industry growing through 2009 and 2010. To meet the needs of auto makers in China, the migration of global components makers to the country will continue, even through the economic slowdown. As we are one of the upstream suppliers, our sale performance will benefit from this trend.”

### **“Challenge09” and “Challenge12”**

In order to support future earnings and safeguard the company’s financial position, the LANXESS management has agreed with employee representatives and the IG BCE (the German Mining, Chemical and Energy Industry Union) to extend the “Challenge09” package of cost saving measures agreed upon at the start of this year and to introduce an additional package called “Challenge12”.

“Challenge09” mainly comprises a combination of technical process improvements and remuneration decreases for all employees at all managerial levels. In this way, the specialty chemicals company aimed to cut costs worldwide by about EUR 250 million in 2009 and in 2010.

LANXESS now aims to save worldwide EUR 360 million in total between 2009 and 2012 with “Challenge09-12”. The additional EUR 110

million in savings will be generated through flexible asset management as well as employees **foregoing remuneration**. These measures will not result in any additional expenses in the P&L.

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“Challenge12 gives us the necessary flexibility to counter the effects of the crisis also in the next 24 months. This means we are well equipped for the time when the upturn materialises,” said Heitmann.

### Outlook

Underlying economic demand appears to have now bottomed out also in Latin America, North America and Europe. Asia is maintaining good momentum and other regions will start to recover, albeit at a slower pace. Destocking among customers is now completed but a trend towards restocking is not yet visible.

Overall, the business environment remains tough and the potential for setbacks still exists which could hinder an economic recovery. Therefore, LANXESS will wait until the publication of the third quarter results on November 12 to give a detailed earnings outlook for the full year 2009. The previous guidance of sales and earnings being below last year’s level remains valid.

LANXESS, however, is targeting for the third quarter of 2009 an EBITDA pre exceptionals around the level of the second quarter of 2009. This is an ambitious target given the fact that the company’s key operating earnings number for the third quarter has been in the past always weaker – on average 15 percent – than the second quarter result. In addition, the third quarter includes the traditional summer lull.

“The combination of a pick-up in demand and our enlarged package of cost savings measures will ensure that LANXESS will emerge strengthened from the crisis,” said Heitmann.

**Q2 2009 Key Data**  
**(€ million, changes in percent)**

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	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Change vs. Q1</b>	<b>Q2 2008</b>	<b>Change vs. Q2</b>
Sales	1,238	1,054	+17.5	1,765	-29.9
EBITDA pre exceptionals	112	66	+69.7	223	-49.8
EBITDA margin pre exceptionals (%)	9.0	6.3		12.6	
Net income	17	-14		55	-69.1
Operating cash flow	157	122	+28.7	82	+91.5

LANXESS is a leader in specialty chemicals with sales in 2008 of EUR 6.58 billion and currently around 14,600 employees in 23 countries. The company is represented at 44 production sites worldwide. The core business of LANXESS is the development, manufacture and sale of plastics, rubber, intermediates and specialty chemicals.

**Information for editors:**

All LANXESS news releases and accompanying photo, video and audio material can be found on <http://www.lanxess.cn>.

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