

LANXESS India on course to meet ambitious global targets

- **Global Sales rose by 23 percent to EUR 8,775 million**
- **Global Net income improved by 34 percent to EUR 506 million**
- **LANXESS India sales rose by around 32% to INR 1464.2 cr**
- **Performance butadiene rubbers and Rubber Chemicals emerged as growth drivers in India**

Mumbai, March 30, 2012. Specialty chemicals company LANXESS continued on a path of growth in 2011, with record sales and earnings figures. Thanks to the Group's price-before-volume strategy, successful acquisitions and focus on the emerging markets, sales climbed by 23 percent to EUR 8,775 million.

In India too, sales grew from INR 1090.5 cr in 2010 to INR 1464.2 cr in 2011, reflecting an impressive growth of around 32.3%. On this occasion, Mr. Venkatesh Sankaran, Executive Director and Chief Financial Officer, LANXESS India said, "We are delighted that we are achieving a consistently good growth in India, despite uncertain global economic conditions. In the Performance Polymers Segment, business units, Performance Butadiene Rubbers (PBR) has emerged the strongest, followed by Technical Rubber Products (TRP). High growth was also seen for Semi crystalline products (SCP). This is a very healthy indicator of the growing user industries such as automobiles, tires, electrical and electronics that has kept the demand buoyant. The Performance Chemicals segment, led by Rubber Chemicals (RUC) also grew remarkably well. This segment caters to a range of industries like leather, agro chemicals, pharmaceuticals, paints and coatings, industrial applications among others."

The growth of business units PBR, SCP and RUC confirms that the automobile industry in India continues to grow and will demand better performance and technology as the focus on fuel efficiency, safety

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and comfort increases.

Dr. Joerg Strassburger, Managing Director and Country Representative added, "Our global network, focused strategy and the growing market in India are contributing to our year-on-year success story here in India. We are optimistic that we will continue to post good rates of growth in an environment of opportunity."

Globally, EBITDA pre exceptionals improved by 25 percent to EUR 1,146 million, exceeding EUR 1 billion for the first time. The EBITDA margin pre exceptionals came in at 13.1 percent, compared with 12.9 percent the year before. Net income rose disproportionately compared with sales and EBITDA pre exceptionals, improving by one third from the previous year to EUR 506 million.

"Following last year's record earnings, LANXESS got off to a promising start in 2012. We expect to post EBITDA pre exceptionals of between EUR 330 million and EUR 350 million in the first quarter. That means we will exceed the record set in the same period of last year," said LANXESS CEO Axel C. Heitmann at the Annual Press Conference. "Our plans for continued growth are founded on innovations and technologies that serve the global megatrends, especially mobility – with the primary focus on solutions for sustainable mobility".

In 2011, LANXESS achieved sales of some EUR 1.5 billion – around 17 percent of total sales – with products and technologies for "Green Mobility." "We plan to boost this figure by 80 percent to about EUR 2.7 billion by 2015," said Heitmann.

Solid Q4 2011

In the fourth quarter of 2011, LANXESS improved sales by 16 percent compared with the very strong prior-year quarter, to EUR 2,123 million. EBITDA pre exceptionals came in at EUR 174 million, just above the prior-year level of EUR 172 million.

There was a slight decline in the EBITDA margin pre exceptionals, to 8.2 percent (Q4 2010: 9.4 percent) as a result of maintenance shut-downs at synthetic rubber production facilities, inventory write-downs of EUR 35 million linked to raw material prices, and destocking by customers. The Performance Polymers segment registered the strongest increase in EBITDA pre exceptionals. Impacted by exceptional charges of about EUR 20 million for a realignment of the Pharma business of the Saltigo business unit, net income in the traditionally weakest quarter of the year amounted to EUR 5 million, compared with EUR 26 million in the prior year.

Strong business development in the emerging markets

LANXESS posted double-digit sales gains in all regions in 2011. The strongest growth was achieved in **Latin America**, where sales advanced by 26 percent to EUR 1.2 billion. The region's share of Group sales rose to nearly 14 percent. The primary growth driver was the Performance Polymers segment in Brazil.

Sales in the **Asia-Pacific** region grew by 23 percent, passing EUR 2 billion for the first time. This region accounted for nearly 23 percent of Group sales. Here, too, the strongest growth occurred in the Performance Polymers segment.

In the five BRICS countries (Brazil, Russia, India, China and South Africa), sales climbed by 28 percent year on year to EUR 2.1 billion. This was 24 percent of Group sales – one percentage point more than in the previous year.

LANXESS achieved its highest regional sales of EUR 2.5 billion in the **EMEA** region (Europe excluding Germany, Middle East, Africa). This represents a 25 percent increase. EMEA's share of Group sales thus remained at 29 percent. The main growth drivers were the Performance Polymers and Advanced Intermediates segments.

In the **North America** region, business expanded by 24 percent to EUR 1.5 billion, accounting for 16 percent of Group sales, with a roughly 40 percent increase for the Performance Polymers segment.

In **Germany**, LANXESS increased sales by 19 percent to EUR 1.6 billion, which was 18 percent of Group sales. The Performance Polymers segment posted double-digit growth rates, while business in both the Performance Chemicals and the Advanced Intermediates segments expanded by high single-digit percentages.

Growth in all segments driven by megatrends

Performance Polymers posted the highest sales of all the segments, with revenues up by 37 percent to approximately EUR 5.1 billion. The Butyl Rubber and Performance Butadiene Rubbers business units benefited from strong market demand for original equipment and replacement tires. In the Technical Rubber Products and Semi-Crystalline Products business units, sales increased because of rising demand from automotive manufacturers. Sales of the Technical Rubber Products business unit grew by the largest percentage following the acquisition of the Keltan EPDM business. EBITDA pre exceptionals for the segment climbed by 40 percent to EUR 768 million.

Sales in the **Advanced Intermediates** segment rose by 9.5 percent in 2011 to EUR 1.5 billion, thanks mainly to the ongoing strong demand for agrochemicals. In the Saltigo business unit, volumes for fungicide intermediates increased, while volumes for pharmaceutical intermediates were down. EBITDA pre exceptionals rose by nearly 2 percent to EUR 264 million.

The **Performance Chemicals** segment improved sales by 7.7 percent in 2011 to EUR 2.1 billion. The Rubber Chemicals and Rhein Chemie business units, which generate a significant proportion of their sales with customers from automotive-related industries, saw

considerably higher volumes. Sales in the Inorganic Pigments business unit receded due to a drop in orders from the construction industry toward the end of the year. EBITDA pre exceptionals for the segment rose by nearly 3 percent to EUR 289 million.

Solid financial position

LANXESS continued to successfully implement its growth strategy in 2011 thanks to the good business development and the resulting strong operating cash flow and solid financial position. Cash outflows for capital expenditures climbed by 36 percent year on year to EUR 679 million, well above the prior-year level of EUR 501 million. Research and development expenses rose by approximately 24 percent to EUR 144 million.

For 2012, LANXESS is planning cash outflows of about EUR 600 million for capital expenditures. The research and development budget will increase by 40 percent year-on-year.

The operating cash flow developed very well in 2011. Despite the increase in working capital, this key number improved from EUR 430 million to EUR 672 million. Net financial debt rose from EUR 913 million to EUR 1,515 million.

"The main reasons for this increase were our acquisitions and higher capital expenditures," said LANXESS Chief Financial Officer Bernhard Düttmann. The ratio of net debt to EBITDA pre exceptionals rose only slightly from 1.0 to 1.3. "This figure is evidence of our sound financial management," Düttmann added.

Dividend increase proposed

"Our proposed dividend of EUR 0.85 per share reflects our good development in 2011. This corresponds to a 21 percent increase compared with 2010," said Heitmann. This proposal – equivalent to a total payout of about EUR 71 million – will be decided upon at the

company's Annual Stockholders' Meeting in Cologne on May 15, 2012.

Increase in global workforce

The number of people employed by LANXESS worldwide grew by 12 percent last year to a total of 16,390. This increase was mainly the result of acquisitions and new hires related to the company's growth strategy. More than 200 new positions were created in research and development alone, mainly in Germany. LANXESS currently employs over 730 scientists and engineers worldwide.

Confident for the business year 2012

In light of a promising start, LANXESS is confident about its business development in 2012, with solid growth expected in the emerging markets. The megatrend mobility will gain increasing importance. The company forecasts continuing solid development in agricultural end markets and also expects a gradual recovery in the construction industry.

Uncertainties remain, such as high levels of public debt, volatile exchange rates, fluctuating raw material prices and cautious ordering patterns by some European customers. As usual, the company will present a more detailed outlook for the current year, when it publishes its first-quarter report on May 9, 2012.

The Performance Polymers segment will again benefit in 2012 from the encouraging increase in demand for "Green Tires". This will be supported by the E.U. labeling directive, which comes into force in November 2012. LANXESS also sees further growth opportunities for high-tech plastics in light of the continuing trend toward substantially lower vehicle weight.

In the Advanced Intermediates segment, the company predicts that overall demand will remain positive in 2012, especially in the area of

agrochemicals. A gradual recovery in the construction industry in Europe and the United States, along with continuing stable demand in the automotive industry, will drive forward the development of Performance Chemicals.

New capacities coming on stream during the year will also contribute to growth in all three segments. Heitmann: "We are on course for further growth and well on the way to achieving our medium-term earnings target of EUR 1.4 billion in 2015."

Mumbai, March 30, 2012

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 financial position, 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:

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