

LANXESS India shows impressive growth in Q2

- **Q2 revenues grow by 43.5 % and due to an excellent Q1 performance, showing a y-o-y growth of 42.2%**
- **Operations of ION exchange resins plant in Jhagadia, Gujarat to commence shortly**

Mumbai, 11th August, 2010: LANXESS declared its Q2 results today. With the newly acquired Basic Chemicals business fully integrated, successful commencement of production of the Rubber Chemicals plant in Jhagadia and startup of the green field ION Exchange resins plant at Jhagadia commencing very shortly, the business outlook for LANXESS in India is promising.

Overall, LANXESS achieved significantly better-than-expected results in the second quarter of 2010 due to its strategic positioning in the emerging markets. As a result, the specialty chemicals company has raised its earnings forecast for the business year 2010. It now expects EBITDA pre exceptionals of roughly EUR 800 million for the full year after previously forecasting EUR 650-700 million in May 2010.

LANXESS more than doubled EBITDA pre exceptionals year-on-year to EUR 269 million in the second quarter. Earnings were primarily driven by ongoing strong demand for synthetic rubber in Asia and notably Latin America. EBITDA margin pre exceptionals - another key performance indicator - rose to 14.7 percent from 9.0 percent a year ago. The average capacity utilization rate of the company's plants stood at more than 85 percent in the second quarter.

"The strong results clearly underline that LANXESS is benefiting from its strategy to focus on premium products serving mega-trends such as mobility in the emerging markets," said Axel C. Heitmann, Chairman of the Board of Management of LANXESS AG.

Dr. Joerg Strassburger, Managing Director and Country Representative of LANXESS India, said: "LANXESS India has continued to show robust growth this quarter and has duly met our expectations. The first half of 2010 has shown an impressive growth in revenues at 88%. India will continue to be a growth driver for LANXESS and with the upcoming ION plant opening in December this year, we are very optimistic about the projected growth trajectory in India".

LANXESS' top ten sales products in the second quarter were from the company's synthetic rubber and high-tech plastic business units, which mainly serve the tire and automotive industries.

Sales increased 48 percent year-on-year to EUR 1.83 billion due to higher volumes in key customer industries and positive currency effects in the form of a weaker Euro against the US-Dollar and Brazilian Real. Higher raw material costs were fully passed on to customers through product price increases. The company posted a net profit of EUR 131

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million in the second quarter in comparison to EUR 17 million a year earlier.

Net debt at the end of the second quarter 2010 rose to EUR 955 million from EUR 794 million from the end of 2009 due to dividend payments and an increase in net working capital. This increase was in line with stronger business activity in general. Operating cash flow before changes in working capital rose to EUR 203 million from EUR 71 million a year earlier.

Performance by region

Latin America recorded the strongest year-on-year growth in the second quarter, with sales more than doubling to EUR 245 million. This was driven primarily by the strong performance of the Performance Butadiene Rubbers business unit in Brazil. The region represented 13 percent of group sales.

Sales in **Asia-Pacific** rose 36 percent year-on-year to EUR 414 million and represented 23 percent of group sales. All segments showed strong growth in the second quarter.

EMEA (Europe, Middle East, Africa, excluding Germany) remained the largest sales region in the second quarter, with 29 percent of group sales. The region increased top-line growth by 37 percent to EUR 531 million, driven by the Performance Polymers and Performance Chemicals segments. Sales in **Germany** rose 27 percent to EUR 325 million in the second quarter, representing 18 percent of group sales.

In **North America**, sales grew by 68 percent to EUR 313 million and represented 17 percent of group sales. The Butyl Rubber and Performance Butadiene Rubbers business units were the strongest contributors here.

The **BRIC countries (Brazil, Russia, India, and China)** represented 23 percent of group sales in the second quarter, in comparison to 21 percent and 18 percent in the corresponding quarters in 2009 and 2008.

Performance by segment

Sales of the **Performance Polymers** segment rose 71 percent year-on-year to EUR 958 million in the second quarter, driven by price increases and strong demand in Asia and notably Latin America. The segment's EBITDA pre exceptionals jumped to EUR 171 million from EUR 52 million a year earlier, with all business units benefiting from the recovery in the tire replacement and OEM industries.

In order to meet rising demand in these industries, LANXESS recently announced it will expand the production capacity of its butyl rubber plant by 10 percent in Zwijndrecht, Belgium, until mid-2012. In addition, the company will start the construction of new compounding facilities for engineering plastics in Jhagadia, India, this fall.

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Second quarter sales in the **Advanced Intermediates** segment rose 14 percent year-on-year to EUR 324 million, supported by price increases as well as the integration of acquired basic chemical activities in India and China. EBITDA pre exceptionals rose 58 percent year-on-year to EUR 60 million. An upturn in demand in the construction, automobile, as well as dyes and coatings industries was clearly evident in the second quarter. The trading environment for the agrochemical and pharmaceutical industries remained weak.

Sales of the **Performance Chemicals** segment rose 40 percent year-on-year to EUR 537 million in the second quarter, with all seven business units showing volume improvements. EBITDA pre exceptionals rose 91 percent year-on-year to EUR 84 million. The strongest contributor to operating earnings was the Leather business unit, which registered a significant increase in demand for its products from the clothing, furniture and automotive industries.

‘Challenge09-12’

Due to the company's positive business development, LANXESS will partly put on hold its ‘Challenge09-12’ package of global measures, which were introduced to mitigate the effects of the economic crisis.

More than 6,000 German non-managerial employees will once again receive the full amount of their Christmas allowance, to be paid out in November 2010. In addition, it was agreed with employee representatives and the IG BCE (the German Mining, Chemical and Energy Industry Union) to return the majority of non-managerial employees in Germany to a full-working week as of January 1, 2011, and make a one-off payment in April 2011.

The reductions in the variable salary of the managerial employees, as well as the Board of Management, will not be fully enforced.

“I would like to personally thank our global team for their tremendous efforts. Thanks to our united approach we were able to avoid enforced redundancies and have emerged strengthened from the crisis,” said Heitmann. “Now it’s time to revoke the financial cutbacks that were implemented.”

Nevertheless, LANXESS will not completely abandon its flexible cost structures. Tough trading conditions still exist in several of the business units and countries.

Outlook

“The global economy continues on its path to recovery, with the emerging markets leading the way,” said Heitmann. “Assuming this recovery will continue, we expect to achieve EBITDA pre exceptionals of roughly EUR

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800 million for 2010, thus exceeding our strong 2008 result.”

Heitmann added that the trading environment in the current third quarter to the end of September 2010 remains positive and the company does not expect a pronounced summer lull.

Nevertheless, the potential for setbacks remains in the form of rising raw material prices, a volatile Euro currency, the end of government-backed stimulus packages and the consolidation of national budgets.

In addition to its raised earnings forecast, LANXESS has also lifted its capital expenditure guidance for 2010 to EUR 450-470 million from EUR 400-430 million in order to reflect the current number of investments being made by the company in the emerging markets.

Q2 2010 Key Data

(EUR million)

	Q2 2009	Q2 2010	Change %
Sales	1,238	1,828	48
EBITDA pre exceptionals	112	269	>100
EBITDA margin pre exceptionals (percent)	9.0	14.7	
Net income	17	131	>100
Earnings per share (EPS)	0.20	1.57	>100

LANXESS is a leading specialty chemicals company with sales of EUR 5.06 billion in 2009 and currently around 14,400 employees in 23 countries. The company is represented at 42 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals.

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.

Information for editors:

The following information will be online today at www.lanxess.com:

- 1) From approx. 7:30 a.m. CET, **LANXESS' interim report for the second quarter of 2010** for viewing or download.
- 2) From approx. 10:00 a.m. CET, live audiocast of the speech by Axel C. Heitmann, Chairman of the Board of Management.
- 3) From approx. 10:15 a.m. CET, text of the speech available for download.

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LANXESS will hold its **Media Day 2010** in Düsseldorf on **September 15, 2010**. All information concerning the event will be available on www.lanxess.com.

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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