

LANXESS FY 2011 Financial Summary

- **Sales increase by 23%**
- **Substantial increase in raw material prices offset**
- **EBITDA at €1.146 bn with 25% yoy growth**
- **Value generation with company ROCE at 17.2%**
- **All organic growth projects on schedule**
- **Five value-adding acquisitions successfully completed**
- **Well on track for 2015 €1.4 bn EBITDA target**
- **Dividend of €0.85 per share proposed (increase of 21%)**

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Overview Financials

FY Financial Overview

- **A year of substantial profit increase**
- “Price-before-volume” strategy supports EBITDA
- Capex above guidance due to acceleration of projects, maintenance and purchase of intangible assets (parts of a business e.g. product formulations, customer lists)
- Net debt rises on growth projects, acquisitions and working capital
- Working capital increase driven by raw material inflation and portfolio
- Headcount increase due to R&D, organic and external growth

Q4 Profit and Loss Statement:

- **Stable EBITDA pre in Q4 compares to strong 2010 base**
- Solid sales increase due to strong pricing (+13%), portfolio effects (+10%) and slight support by currency (+1%), burdened by volume decrease (-8%) due to customer destocking
- ~€35 m inventory devaluation weigh on gross margin and earnings
- Exceptionals increase due to pharma realignment in SGO (~€20 m)

FY 2011 Balance Sheet:

- **Solid balance sheet amid increasing business activity**
- Working capital development in line with increased raw material prices, portfolio effects and higher business activity
- Inventory reduction visible from September to December 2011
- Net debt to EBITDA ratio at comfortable ~1.3x

FY Cash flow Statement:

- **Strong business platform generates excellent operating cash flow**
- Increased business performance leads to higher profit before tax
- Grown asset base drives D&A
- Higher cash outflow for working capital due to raw material inflation
- Capex acceleration, extended maintenance and acquisitions increase investing cash flow
- Growth mode reflected in 2011 cash flow

Q4 Business Overview

Performance Polymers

- **Excellent EBITDA performance despite challenging environment in Q4**
- Sales deviation yoy: Price +19%, Volume -9%, Currency +1%, Portfolio +17% (approximate numbers)
- Sales increase due to strong pricing and portfolio contribution, mitigated by volume decreases (customer destocking)
- Higher prices in all BUs offset input cost inflation yoy
- BUs BTR, PBR and SCP with maintenance and customer destocking leading to respective volume decline
- Inventory devaluation (Butadiene) mainly in BU PBR weighs on segment margin
- Capex increase reflects growth plans as selected projects were accelerated

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Advanced Intermediates

- **Solid quarter of a resilient business**
- Sales deviation yoy: Price +6%, Volume -7%, Currency 0%, Portfolio 0% (approximate numbers)
- Stable sales as higher prices balance lower volumes
- Pricing again offsets higher raw material costs
- Ongoing strong demand from agro business in both Bus while other end markets softened (e.g. paints and coatings)
- Realignment initiated in business line Pharma of BU SGO; exceptional expenses of ~€20 m weigh on EBIT
- Menthol expansion and softening in polyols (BU All) lead to increased idle costs and burden margin
- Capex increase due to organic growth (e.g. Formalin plant)

Performance Chemicals

- **Weak construction business burdens EBITDA**
- Sales deviation yoy: Price +5%, Volume -5%, Currency 0%, Portfolio +4% (approximate numbers)
- Higher sales due to higher price level and portfolio contribution; partly offset by lower volumes (customer destocking)
- Higher raw material prices successfully passed on
- Volume increase in BU ION from new plant in India
- BU IPG (construction) and BU LEA (supplier's outage) with strongest EBITDA declines
- Lower capacity utilization leads to higher idle costs and weighs on margins

Business environment:

Current macro view:

- Growth in emerging markets remains at solid levels
- Megatrend Green Mobility with increasing importance
- Solid agro end market trend to continue
- Gradual recovery of construction market expected
- Ongoing uncertainties: high national deficits, volatile FX, raw material price volatility and some cautiousness among European customers

LANXESS well positioned for growth:

- Several capacity expansions to come on stream
- Tire labeling regulation in EU and South Korea as of end 2012
- Promising start in 2012 – Q1 EBITDA pre expected above Q1 2011 (€330-350m)

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Business guidance:

Performance Polymers:

- Customers order more cautious, however, demand for Butyl rubber strong in Q1
- Increasing demand for high-performance rubber
- Strong contribution from EPDM
- Solid start to the year in high-tech plastics

Advanced Intermediates

- Strong agro demand trend expected to continue in both BUs with usual seasonality after solid start to the year
- Realignment of SGO's pharma business in 2012

Performance Chemicals

- Ongoing weak demand for colorants in E&E
- Strong demand in Ion Exchange Resins and start of membrane production to support 2012 performance
- Moderate improvement of construction market expected

LANXESS is confident for 2012

Housekeeping items:

Additional financial expectations for 2012

- Capex* 2012 : ~€600 m
- D&A : ~€330 – €350 m
- Tax rate : ~22%
- Hedging 2012 : ~40% at 1.30-1.40 USD / EUR
- Hedging 2013 : ~15% at 1.30-1.40 USD / EUR

*without projects financed by customers and capitalized borrowing costs

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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.

Financial Overview Q4 2011

in €million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q4 '10	Q4 '11	Chg. in %	Q4 '10	Q4 '11	Chg. in %	Q4 '10	Q4 '11	Chg. in %	Q4 '10	Q4 '11	Chg. in %	Q4 '10	Q4 '11	Chg. in %
Sales	1832	2123	16%	985	1261	28%	366	363	-1%	471	490	4%	10	9	-10%
Price*			13%			19%			6%			5%			0%
Volume*			-8%			-9%			-7%			-5%			-20%
Currency*			1%			1%			0%			0%			10%
Portfolio*			10%			17%			0%			4%			0%
EBIT	78	52	-33%	89	76	-15%	54	17	-69%	13	8	-38%	-78	-49	37%
Deprec. & amortizat.	79	92	16%	35	44	26%	15	20	33%	18	21	17%	11	7	-36%
EBITDA	157	144	-8%	124	120	-3%	69	37	-46%	31	29	-6%	-67	-42	37%
exceptionals in EBITDA	15	30	100%	-4	7	n.m.	0	19	n.m.	5	0	-100%	14	4	-71%
EBITDA pre excep.	172	174	1%	120	127	6%	69	56	-19%	36	29	-19%	-53	-38	28%
normalized D&A	79	87	10%	35	44	26%	15	16	7%	18	21	17%	11	6	-45%
EBIT pre excep.	93	87	-6%	85	83	-2%	54	40	-26%	18	8	-56%	-64	-44	31%
exceptionals in EBIT	15	35	>100%	-4	7	n.m.	0	23	n.m.	5	0	n.m.	14	5	-64%
Capex	295	354	20%	194	237	22%	36	48	33%	57	53	-7%	8	16	100%
Net financial debt**	913	1515	66%												

* approximate numbers

Financial Overview FY 2011

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	FY '10	FY '11	Chg. in %	FY '10	FY '11	Chg. in %	FY '10	FY '11	Chg. in %	FY '10	FY '11	Chg. in %	FY '10	FY '11	Chg. in %
Sales	7120	8775	23%	3692	5059	37%	1411	1545	9%	1978	2130	8%	39	41	5%
Price*			17%			27%			8%			7%			0%
Volume*			3%			4%			3%			0%			5%
Currency*			-3%			-4%			-2%			-2%			0%
Portfolio*			6%			11%			0%			2%			0%
EBIT	607	776	28%	408	598	47%	201	175	-13%	209	211	1%	-211	-208	1%
Deprec. & amortizat.	283	325	15%	141	161	14%	58	70	21%	67	78	16%	17	16	-6%
EBITDA	890	1101	24%	549	759	38%	259	245	-5%	276	289	5%	-194	-192	1%
exceptionals in EBITDA	28	45	61%	-1	9	n.m.	0	19	0%	5	0	n.m.	24	17	-29%
EBITDA pre excep.	918	1146	25%	548	768	40%	259	264	2%	281	289	3%	-170	-175	-3%
normalized D&A	283	320	13%	141	161	14%	58	66	14%	67	78	16%	17	15	-12%
EBIT pre excep.	635	826	30%	407	607	49%	201	198	-1%	214	211	-1%	-187	-190	-2%
exceptionals in EBIT	28	50	79%	-1	9	n.m.	0	23	n.m.	5	0	n.m.	24	18	-25%
Capex	501	679	36%	298	437	47%	73	107	47%	114	112	-2%	16	23	44%
Net financial debt**	913	1515	66%												

* approximate numbers

Income Statement Q4 and FY 2011

in €million	Q4 2010	Q4 2011	Chg. in %	FY 2010	FY 2011	Chg. in %
Sales	1832	2123	16%	7120	8775	23%
Cost of sales	-1421	-1705	20%	-5381	-6765	26%
Gross profit	411	418	2%	1739	2010	16%
Selling expenses	-176	-192	9%	-646	-732	13%
Research and development expenses	-27	-39	44%	-116	-144	24%
General administration expenses	-101	-104	3%	-298	-325	9%
Other operating income	51	39	-24%	189	179	-5%
Other operating expenses	-80	-70	-13%	-261	-212	-19%
Operating result (EBIT)	78	52	-33%	607	776	28%
Income from investments accounted for using the equity method	-7	-12	-71%	16	7	-56%
Interest income	2	1	-50%	10	11	10%
Interest expense	-20	-30	50%	-93	-104	12%
Other financial income and expense	-21	-7	67%	-47	-35	-26%
Financial result	-46	-48	-4%	-114	-121	-6%
Income before income taxes	32	4	-88%	493	655	33%
Income taxes	-6	1	n.m.	-112	-148	-32%
Income after income taxes	26	5	-81%	381	507	33%
of which attributable to non-controlling interests	0	0	n.m.	2	1	-50%
of which attributable to LANXESS AG stockholders (net income)	26	5	-81%	379	506	34%

Abbreviations:

All	Advanced Industrial Intermediates*
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

* Formerly known as Basic Chemicals (BAC)

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