

LANXESS Q3 2012 Financial Summary for Investors and Analysts

- Challenging macroeconomic environment
- Sales down by 7.6% against the very strong prior-year quarter
- Declining raw material costs lead to price adjustments
- Scheduled maintenance shutdowns and weaker demand impact earnings
- EBITDA pre exceptionals decreases from €311 million to €255 million
- EBITDA margin 11.8% compared to 13.3% in the prior-year quarter
- Net income and earnings per share recede to €94 million and €1.13, respectively
- Net financial liabilities show a business-related increase since year end 2011 to €1,606 million, but shrink compared to the preceding quarter
- Guidance for 2012 confirmed: growth in EBITDA pre exceptionals compared to 2011 at the lower end of the 5% – 10% range
- New medium-term target: €1.8 billion EBITDA pre exceptionals in 2018

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Overview Financials

Q3 Financial Overview

- **Weaker quarter in line with expectations**
- Sales decrease on pricing and volumes, partly mitigated by positive currency and portfolio
- EBITDA and margin burdened by idle costs from lower volumes and maintenance
- EPS decrease reflects softer Q3 business environment, higher D&A and weaker financial result
- Net debt sequentially lower mainly due to reduced working capital
- **Q3 result reflects expected weakness**

Q3 Profit and Loss Statement:

- **Substantial summer weakness weighs on results**
- Sales decrease due to pricing (-7%) and lower volumes (-6%), partly offset by currency (+5%) and portfolio effects (+1%)
- COGS increase in relation to sales due to idle costs and maintenance expenses
- R&D expenses reflect focus on technology and innovation
- Decrease in EBITDA reflects lower demand of customer industries
- **Weaker performance mirrors softer demand**

Q3 2012 Balance Sheet:

- **Solid balance sheet**
- Net debt/EBITDA unchanged at ~1.4x
- Provisions for pensions again increased due to changes in discount rates (mainly in Germany)

Q3 2012 Cash flow statement:

- **Good cash flow on the basis of reduced working capital**
- Lower profit before tax due to weaker business environment in Q3 2012
- Cash tax payments increase on differing timing patterns in both periods
- Cash inflow from changes in working capital due to lower receivables
- Financing cash flow mirrors repayment of short term financial liabilities

Q3 Business Overview

Performance Polymers

- **Solid year-to-date growth despite weaker Q3**
- Sales deviation yoy: Price -12%, Volume -11%, Currency +6%, Portfolio 0% (approximate numbers)
- Selling prices decrease in line with lower input costs
- BU BTR with lower volumes mainly in Asia
- BU PBR resilient in HP rubbers, lower volumes in ESBR, especially in LATAM
- BU TRP weaker due to slow down in automotive industry
- BU HPM with European demand weakness while Asia and US mitigate; one-offs burden additionally
- Maintenance expenses and idle costs in all BUs additionally burden earnings and margin

Advanced Intermediates

- **Solid agro-driven growth**
- Sales deviation yoy: Price +4%, Volume +2%, Currency +4%, Portfolio 0% (approximate numbers)
- Pricing offsets raw material price increases (benzene, toluene)
- Positive volumes and FX add to strong performance
- BUs All and SGO with improved product mix due to good contribution from a strong and resilient agro business
- BU All with higher volumes in flavour & fragrances helps offset lower volumes in construction
- Consistent performance underlines resilience

Performance Chemicals

- **Stable performance in a demanding environment**
- Sales deviation yoy: Price -2%, Volume 0%, Currency +5%, Portfolio +2% (approximate numbers)
- A stable quarter with support from currency and portfolio
- BU IPG with good pricing and slightly higher volumes; construction in Asia positive, while Europe still weak
- BU LEA burdened by CO₂ supply instability, additionally decreasing chrome prices weigh on EBITDA
- BUs RUC and RCH with negative volumes due to pronounced summer weakness and customers destocking
- BU MPP with good pricing but lower volumes

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Business environment:

LANXESS actively manages demand fluctuations

Current macro view:

- Pronounced demand weakness during summer to continue through Q4
- No further worsening of economic environment expected
- Visibility remains low based on volatile and short-term order patterns
- Various customer industries with reduced demand; Megatrends remain intact
- Raw material prices expected to remain volatile mid-term

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LANXESS takes action:

- Countermeasures active to mitigate current weaker demand
- Flexible asset management as self-help
- Strict adherence to “price-before-volume” strategy key for the future
- Based on our macro view, we confirm EBITDA pre for FY 2012 at the lower end of 5 -10% growth

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Housekeeping items for consideration

Additional financial expectations for 2012

- Capex* 2012 : ~€650 - €700 m
- D&A : ~€350 - €370 m
- Tax rate - mid-term: ~22%
- short-term: depending on regional profit contribution and respective tax regimes – tax rate may increase
- Hedging 2012 : ~50% at 1.25-1.35 USD / EUR
- Hedging 2013 : ~30% at 1.25-1.35 USD / EUR
- Preparation costs Singapore** ~€10 m in Q4 2012
~€20 m in Q1 2013
- IAS 19 revised 2013 - operational result: negligible amount
- financial result: higher single-digit million € amount, depending on further development of interest rates in 2012

* Without projects financed by customers, finance leasing and capitalized borrowing costs

** Included in FY EBITDA pre guidance; start-up of BTR Singapore plant unchanged

Leverkusen, November 6, 2012

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 Q3 2012

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q3 '11	Q3 '12	Chg. in %	Q3 '11	Q3 '12	Chg. in %	Q3 '11	Q3 '12	Chg. in %	Q3 '11	Q3 '12	Chg. in %	Q3 '11	Q3 '12	Chg. in %
Sales	2336	2159	-8%	1433	1192	-17%	371	403	9%	523	555	6%	9	9	0%
Price*			-7%			-12%			4%			-2%			0%
Volume*			-6%			-11%			2%			0%			0%
Currency*			5%			6%			4%			5%			0%
Portfolio*			1%			0%			0%			2%			0%
EBIT	223	156	-30%	166	98	-41%	52	58	12%	55	54	-2%	-50	-54	-8%
Deprec. & amortizat.	83	95	14%	45	53	18%	16	17	6%	20	21	5%	2	4	100%
EBITDA	306	251	-18%	211	151	-28%	68	75	10%	75	75	0%	-48	-50	-4%
exceptionals in EBITDA	5	4	-20%	2	1	-50%	0	0	0%	0	0	0%	3	3	0%
EBITDA pre excep.	311	255	-18%	213	152	-29%	68	75	10%	75	75	0%	-45	-47	-4%
normalized D&A	83	95	14%	45	53	18%	16	17	6%	20	21	5%	2	4	100%
EBIT pre excep.	228	160	-30%	168	99	-41%	52	58	12%	55	54	-2%	-47	-51	-9%
exceptionals in EBIT	5	4	-20%	2	1	-50%	0	0	0%	0	0	0%	3	3	0%
Capex	148	152	3%	88	93	6%	26	22	-15%	31	29	-6%	3	8	>100%
Net financial debt**	1515	1606	6%												

* approximate numbers

**previous year value as per Dec. 31

Financial Overview 9M 2012

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	9M '11	9M '12	Chg. in %	9M '11	9M '12	Chg. in %	9M '11	9M '12	Chg. in %	9M '11	9M '12	Chg. in %	9M '11	9M '12	Chg. in %
Sales	6652	6971	5%	3798	4010	6%	1182	1231	4%	1640	1698	4%	32	32	0%
Price*			2%			2%			3%			1%			0%
Volume*			-5%			-6%			-1%			-4%			0%
Currency*			5%			6%			3%			4%			0%
Portfolio*			3%			5%			0%			3%			0%
EBIT	724	684	-6%	522	510	-2%	158	174	10%	203	156	-23%	-159	-156	2%
Deprec. & amortizat.	233	276	18%	117	151	29%	50	50	0%	57	65	14%	9	10	11%
EBITDA	957	960	0%	639	661	3%	208	224	8%	260	221	-15%	-150	-146	3%
exceptionals in EBITDA	15	26	73%	2	3	50%	0	0	0%	0	15	n.m.	13	8	-38%
EBITDA pre excep.	972	986	1%	641	664	4%	208	224	8%	260	236	-9%	-137	-138	-1%
normalized D&A	233	274	18%	117	151	29%	50	50	0%	57	63	11%	9	10	11%
EBIT pre excep.	739	712	-4%	524	513	-2%	158	174	10%	203	173	-15%	-146	-148	-1%
exceptionals in EBIT	15	28	87%	2	3	50%	0	0	0%	0	17	n.m.	13	8	-38%
Capex	325	381	17%	200	241	21%	59	54	-8%	59	61	3%	7	25	>100%
Net financial debt**	1515	1606	6%												

* approximate numbers

**previous year value as per Dec. 31

Income Statement Q3 2012 and 9M 2012

in € million	Q3 2011	Q3 2012	Chg. in %	9M 2011	9M 2012	Chg. in %
Sales	2336	2159	-8%	6652	6971	5%
Cost of sales	-1805	-1698	-6%	-5060	-5327	5%
Gross profit	531	461	-13%	1592	1644	3%
Selling expenses	-183	-183	0%	-540	-564	4%
Research and development expenses	-40	-49	23%	-105	-147	40%
General administration expenses	-77	-80	4%	-221	-236	7%
Other operating income	39	45	15%	140	129	-8%
Other operating expenses	-47	-38	-19%	-142	-142	0%
Operating result (EBIT)	223	156	-30%	724	684	-6%
Income from investments accounted for using the equity method	7	-3	n.m.	19	3	-84%
Interest income	5	1	-80%	10	5	-50%
Interest expense	-27	-25	-7%	-74	-76	3%
Other financial income and expense	-8	-7	-13%	-28	-17	-39%
Financial result	-23	-34	48%	-73	-85	-16%
Income before income taxes	200	122	-39%	651	599	-8%
Income taxes	-46	-28	-39%	-149	-135	-9%
Income after income taxes	154	94	-39%	502	464	-8%
of which attributable to non-controlling interests	0	0	n.m.	1	1	0%
of which attributable to LANXESS AG stockholders (net income)	154	94	-39%	501	463	-8%

Abbreviations:

All	Advanced Industrial Intermediates
BTR	Butyl Rubber
FCC	Functional Chemicals
HPM*	High-Performance Materials
ION	Ion Exchange Resins
IPG	Inorganic Pigments
LEA	Leather
MPP	Material Protection Products
PBR	Performance Butadiene Rubbers
RCH	RheinChemie
RUC	Rubber Chemicals
SGO	Saltigo
TRP	Technical Rubber Products

* Formerly Semi-Crystalline Products (SCP)

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