

LANXESS FY/Q4 2008 Financial Summary for Investors and Analysts

- EBITDA pre exceptionals up 0.3% to €21 m
- EBITDA margin pre exceptionals rises to 11%, at par with peer average
- Operational sales growth of 5.9% in fiscal 2008
- Selling price increases in all segments offset ~€400 m raw material cost inflation
- Net income of €171 million (€2.05 per share) after €112 million (€1.32 per share) in previous year
- Net financial debt at €64 million despite Petroflex acquisition
- Dividend of €0.50 to be proposed to the AGM for 2008
- Cost cutting initiatives started, expected to lead to ~€250 m cost savings by end of 2010, mitigating the volume decline

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Overview Financials

Q4 Profit and Loss Statement:

- Sales Deviation: Price: +10%, Volume -25%, Currency +5%, Portfolio +10% (approximate numbers)
- Sales remain almost unchanged as good pricing, portfolio and favourable currency effects offset drastic decline in volumes
- Despite consolidation of Petroflex and risen input costs, functional costs almost stable
- EBITDA burdened by continuously high input costs, drop in demand and inventory write off
- Net income reduced in light of further restructuring initiatives being started

FY Balance Sheet:

- Only slight increase in Working Capital vs. year-end 2007
 - Inventory: sequential decrease in Q4 due to lower raw material prices, destocking and devaluation
 - Receivables: very tight management and receivable collection, no major customer fall-outs
- Strict cash flow management remains in focus in Q1 and relief from lower inventory will be supportive
- Net debt increased due to acquisition of Petroflex
- Financing and liquidity situation is comfortable
 - €500m Eurobond maturing June 2012 without financial covenant (only change of control clause) at annual coupon of 4.125%
 - €1.4bn undrawn revolving credit facility maturing November 2014
 - Other financing and liquidity sources:
 - €249 cash position as of December 31, 2008
 - €250 m 3-year term loan for the Petroflex acquisition
 - new €100 m 10-year term loan

FY Cash flow Statement:

- Improved 2008 profit before tax - 2007 profit before tax burdened by expenses in connection with the divestment of BU LUP
- Operating cash flow for 2008 contains ~€80 m restructuring cash out
- Cash inflow from working capital due to destocking and receivables management
- Investing cash flow contains payment for acquisition of Petroflex
- Capex contains cash outs relating to hurricane Ike and SGO projects (financed by customers) of ~€15 m

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Q4 Business Overview

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Performance Polymers

- **A tough quarter driven by volume decline accelerated by customer de-stocking**
- Sales Deviation: Price: +13%, Volume -32%, Currency +6%, Portfolio +21% (approximate numbers)
- Sales increased as healthy pricing, supportive currency effects in all BUs, as well as portfolio (Petroflex), offset volume decrease
- All BUs managed to increase pricing, thus completely compensated a further increase in raw material prices
- On top of weaker demand, additional burden of customer de-stocking further decreased volumes
- Margin under pressure due to drastic volume decline, especially in SCP, TRP
- ~30 million EUR inventory write off reducing EBITDA pre mainly in PBR and TRP
- Higher Capex due to hurricane Ike and Petroflex

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Advanced Intermediates

- **Strongly benefiting from agro and pharma end markets**
- Sales Deviation: Price: +6%, Volume -6%, Currency +3% (approximate numbers)
- Slight increase in topline on the back of healthy pricing and currencies, successfully offsetting lower volumes
- Softer volumes in BAC are mitigated by stronger volumes in SGO
- SGO with continuously solid demand from agro as well as from precursors for the pharma industry
- Margin increase due to productivity improvements and strong pricing offsetting input cost increases
- Among others Capex increased due to SGO projects financed by customers (~€5 m)

Performance Chemicals

- **Customer industry shutdowns trigger weak Q4**
- Sales Deviation: Price: +9%, Volume -28%, Currency +5% (approximate numbers)
- Price increases and favorable currencies only mitigate volume collapse
- All BUs with price increases and volume declines, except MPP on stable level
- IPG with still relatively solid volumes due to order backlog from previous quarter
- Price increases overcompensated rise in raw materials but volume decline too significant, impacting margin; additionally burden of ~€5 m inventory write off
- BUs RUC, RCH and LEA were most notably impacted due to their exposure to customer industries such as automobile OEMs, construction and furniture

2009 Business environment and outlook

Macro-economic environment:

- Up to date we experienced a further weakening in nearly all markets driven by de-stocking and demand decline in end-industries
- Raw material prices continue their downward trend in Q1 2009
- Burden of inventory devaluation of ~€35 m in Q4 2008 of which the majority is in Performance Polymers, on PBR, TRP due to Butadiene exposure
- Further ~€50 m inventory devaluation expected for Q1 2009, as raw material prices continued to decrease

Outlook:

- 2009: no improvement in Q1
- Current business situation:
 - Business trend remains extremely weak
 - Especially hard hit: Performance Polymers
 - Less hit: Advanced Intermediates
- Operationally: Q1 2009 not above Q4 2008
- Inventory write-downs due to drop in raw material prices
- Cost reduction measures start to become effective
- Adopted measures to react in the crisis are expected to lead to ~€250 m cost savings by end of 2010, mitigating the volume decline

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Leverkusen, March 18, 2009

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 2008

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	Q4 07	Q4 08	Chg. in %	Q4 07	Q4 08	Chg. in %	Q4 07	Q4 08	Chg. in %	Q4 07	Q4 08	Chg. in %	Q4 07	Q4 08	Chg. in %
Sales	1465	1462	0%	684	741	8%	308	317	3%	456	392	-14%	17	12	-29%
Price*			10%			13%			6%			9%			0%
Volume*			-25%			-32%			-6%			-28%			-35%
Currency*			5%			6%			3%			5%			6%
Portfolio*			10%			21%			0%			0%			0%
EBIT	5	-46	n.m.	60	6	-90%	16	30	88%	14	-33	n.m.	-85	-49	n.m.
Deprec. & amortizat.	62	76	23%	27	36	33%	10	11	10%	23	25	9%	2	4	100%
EBITDA	67	30	-55%	87	42	-52%	26	41	58%	37	-8	n.m.	-83	-45	n.m.
exceptionals in EBITDA	47	57	21%	0	13	n.m.	0	0	0%	10	24	>100%	37	20	-46%
EBITDA pre excep.	114	87	-24%	87	55	-37%	26	41	58%	47	16	-66%	-46	-25	n.m.
normalized D&A	63	63	0%	27	31	15%	10	11	10%	21	18	-14%	5	3	-40%
EBIT pre excep.	51	24	-53%	60	24	-60%	16	30	88%	26	-2	n.m.	-51	-28	n.m.
exceptionals in EBIT	46	70	52%	0	18	n.m.	0	0	0%	12	31	>100%	34	21	-38%
Capex	114	176	54%	61	94	54%	22	33	50%	32	36	13%	-1	13	n.m.
Net financial debt	460**	864	88%												

* approximate numbers

**per Dec. 31



Financial Overview FY 2008

in € million

	LANXESS			Perf. Polymers			Advanced Intermed.			Performance Chem.			Others/ Cons.		
	FY 07	FY 08	Chg. in %	FY 07	FY 08	Chg. in %	FY 07	FY 08	Chg. in %	FY 07	FY 08	Chg. in %	FY 07	FY 08	Chg. in %
Sales	6608	6576	0%	2680	3280	22%	1204	1310	9%	1970	1930	-2%	754	56	-93%
Price*			9%			14%			5%			7%			0%
Volume*			-3%			-5%			6%			-6%			0%
Currency*			-3%			-4%			-2%			-3%			0%
Portfolio*			-4%			17%			0%			0%			-93%
EBIT	215	322	50%	273	208	-24%	137	142	4%	183	129	-30%	-378	-157	n.m.
Deprec. & amortizat.	298	279	-6%	103	139	35%	37	44	19%	88	82	-7%	70	14	-80%
EBITDA	513	601	17%	376	347	-8%	174	186	7%	271	211	-22%	-308	-143	n.m.
exceptionals in EBITDA	206	120	-42%	0	66	n.m.	0	0	n.m.	14	30	>100%	192	24	-88%
EBITDA pre excep.	719	721	0%	376	413	10%	174	186	7%	285	241	-15%	-116	-119	n.m.
normalized D&A	247	260	5%	103	128	24%	37	44	19%	86	74	-14%	21	14	-33%
EBIT pre excep.	472	461	-2%	273	285	4%	137	142	4%	199	167	-16%	-137	-133	n.m.
exceptionals in EBIT	257	139	-46%	0	77	n.m.	0	0	n.m.	16	38	>100%	241	24	-90%
Capex	284	356	25%	139	178	28%	52	76	46%	69	82	19%	24	20	-17%
Net financial debt	460**	864	88%												

* approximate numbers

**per Dec. 31

Abbreviations:

BAC	Basic Chemicals
BTR	Butyl Rubber
FCC	Functional Chemicals
ION	Ion Exchange Resins
IPG	Inorganic Pigments
LEA	Leather
LUP	Lustran Polymers
MPP	Material Protection Products
PBR	Performance Butadiene Rubbers
RCH	RheinChemie
RUC	Rubber Chemicals
SCP	Semi-Crystalline Products
SGO	Saltigo
TRP	Technical Rubber Products

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