

LANXESS growth story to continue

- **2010 Sales EUR 7.1 billion, up 41% yr-on-yr**
- **EBITDA pre exceptionals EUR 918 million, up 97% yr-on-yr**
- **Net income EUR 379 million vs. EUR 40 million yr-earlier**
- **Proposed dividend: EUR 0.70 per share, up 40% yr-on-yr**
- **Outlook 2011: Sales and EBITDA pre exceptionals to increase yr-on-yr**
- **'GOFOR1.4' initiative on track**

Leverkusen – LANXESS achieved an outstanding set of results in 2010 due to its strategic set-up and the general recovery in business. Sales in 2010 rose 41 percent year-on-year to EUR 7.1 billion, driven by strong volume growth and price increases. EBITDA pre exceptionals nearly doubled to EUR 918 million. LANXESS had forecast about EUR 900 million EBITDA pre exceptionals for 2010. The EBITDA margin pre exceptionals for the full year was 12.9 percent compared to 9.2 percent in 2009. Net income rose nearly tenfold to EUR 379 million.

“Our growth story is set to continue after an outstanding 2010 and an excellent start to 2011,” said Chief Executive Officer Axel C. Heitmann at today’s annual press conference in Düsseldorf.” Growth will be driven by our focus on emerging markets and premium products serving the global megatrends mobility, urbanization, agriculture and water.”

Strong Fourth Quarter 2010

LANXESS was able to lift sales and earnings in the fourth quarter 2010 in comparison to a very strong quarter a year ago. Sales rose 32 percent year-on-year to EUR 1.8 billion as all three business segments benefited from higher volumes, pricing and currency effects. The synthetic rubber activities of the **Performance Polymers** segment benefited from the German government’s legislation to

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make the use of winter or all-season tires compulsory in the winter months of the year.

Group EBITDA pre exceptionals rose 19 percent year-on-year to EUR 172 million. **Advanced Intermediates** delivered the strongest growth in the fourth quarter, supported by a recovery in the agrochemical end market.

The company's EBITDA margin pre exceptionals declined slightly to 9.4 percent due to planned maintenance turnarounds in the synthetic rubber businesses and one-off payments made to employees. Net income in the fourth quarter rose 86 percent year-on-year to EUR 26 million.

Booming Business in Emerging Markets

The **Latin America** region showed the strongest growth in 2010, with sales rising 85 percent year-on-year to EUR 955 million. It accounted for 13 percent of group sales. The main growth driver was the company's **Performance Polymers** segment in Brazil.

Sales in the **Asia/Pacific** region rose 43 percent year-on-year to EUR 1.6 billion, accounting for 23 percent of group sales. The segment **Advanced Intermediates** showed the strongest growth, boosted by the acquired Basic Chemicals companies in India and China.

EMEA (Europe excluding Germany, Middle East, Africa) remained the group's largest region. Sales rose 31 percent year-on-year to EUR 2.0 billion and accounted for 29 percent of group sales. The growth driver was above all the **Performance Polymers** segment. Russian, Turkey and South Africa were the countries with the strongest sales growth in percentage terms in 2010.

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Sales in the four **BRIC countries (Brazil, Russia, India, China)** rose 60 percent year-on-year to EUR 1.6 billion and represented 23 percent of group sales in 2010 in comparison to 20 percent in 2009.

North America saw sales rise 50 percent year-on-year to EUR 1.2 billion in 2010, accounting for 16 percent of group sales. The company's **Performance Polymers** segment increased sales by more than 50 percent in the region.

Sales in **Germany** rose by 24 percent year-on-year to EUR 1.3 billion, accounting for 19 percent of group sales. **Performance Polymers** and **Performance Chemicals** recorded double-digit sales growth.

Megatrends driving growth in all segments

Performance Polymers was the company's largest segment in 2010, with sales rising 58 percent year-on-year to EUR 3.8 billion. Top-line growth was driven by volume and price increases. The segment's EBITDA pre exceptionals more than doubled to EUR 585 million. The Butyl Rubber and Performance Butadiene Rubbers businesses benefited from the recovery in the tire replacement and OEM market. The Technical Rubber Products and Semi-Crystalline Products businesses performed strongly due to the general upturn in demand and increased marketing activities.

Sales in the **Advanced Intermediates** segment rose 20 percent year-on-year to EUR 1.3 billion in 2010. This increase was due to volume and price increases, as well as the integration of the acquired Basic Chemicals companies in India and China. EBITDA pre exceptionals rose 44 percent year-on-year to EUR 222 million. Basic Chemicals and Saltigo both saw a recovery in the agrochemical end markets towards the end of the year. Basic Chemicals also profited throughout the year from its exposure to the recovering automotive sector.

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Sales of the **Performance Chemicals** segment rose 29 percent year-on-year to EUR 2.0 billion in 2010, with all seven businesses showing strong volume improvements. The businesses with exposure to the automotive industry showed the largest volume improvements. EBITDA pre exceptionals rose 54 percent year-on-year to EUR 281 million. The Leather and Functional Chemicals businesses improved earnings the most in 2010. Leather benefited from its exposure to the clothing, furniture and automotive sectors.

Financially solid

Due to its strong business performance in 2010, which resulted in a strong cash-flow and solid balance sheet, LANXESS was able to drive forward its growth strategy. Capital expenditures rose 82 percent year-on-year to EUR 501 million and research and development expenditures rose 15 percent to EUR 116 million.

Operating cash-flow before changes in working capital more than doubled to EUR 725 million in 2010, while net debt only rose 15 percent year-on-year to EUR 913 million.

LANXESS has earmarked EUR 550-600 million for capital expenditures in 2011, with a large amount reserved for the company's butyl rubber plant in Singapore.

"In view of LANXESS' solid balance sheet and the existing financing structures, the company's investment plans can be implemented without any difficulties," said chief financial officer Matthias Zachert.

Proposed dividend increase

"Our strong performance in 2010 is reflected in our dividend proposal of EUR 0.70 per share, which is an increase of 40 percent compared to 2009," said Heitmann. The proposal must be approved by the Annual Shareholders Meeting on May 18, 2011, in Cologne. The dividend proposal represents a total payout of some EUR 58 million.

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Global workforce grows

The company's global workforce rose by 310 to 14,648 at the end of 2010, clearly mirroring the company's growth strategy. The majority of new employees were hired in the **Asia/Pacific** region.

As a result of the outstanding performance in 2010, the company's employees worldwide received a one-off payment of EUR 20 million at the end of the year. The payment was in recognition of the contribution made by the workforce during the crisis year of 2009.

'GOFOR1.4'

In September 2010, LANXESS set itself the goal to increase EBITDA pre exceptionals to roughly EUR 1.4 billion in 2015 through a dual-track strategy of organic and external growth. The 'GOFOR1.4' initiative comprises a large number of projects. For example:

- Expansion of high-performance synthetic rubber plants in Germany, USA and Brazil
- A new plant for ion exchange resins in Jhagadia, India
- A new plant for leather chemicals in Changzhou, China
- New production facilities for high-tech plastics in North Carolina, USA, and Jhagadia, India.
- A new formalin plant in Krefeld-Uerdingen, Germany
- Acquisition of DSM Elastomers, which produces the synthetic rubber ethylene propylene diene monomer (EPDM)
- Acquisition of Latin America-based Darmex – a leading manufacturer of release agents and curing bladders for the tire industry
- Acquisition of Syngenta's material protection business

"As you can see, we are clearly on track to achieve our ambitious mid-term earnings target," said Heitmann.

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Confident Outlook

LANXESS is confident about its prospects for 2011. Sales and EBITDA pre exceptionals are expected to be higher than the 2010 results. The global economy and the chemical industry will continue to grow, albeit at a slower rate than in 2010. The emerging markets in **Asia/Pacific** and **Latin America** will show the strongest growth rates.

Performance Polymers will grow due to positive demand for tires and high-tech plastics. **Advanced Intermediates** will benefit from the improved business environment for agrochemicals. **Performance Chemicals** will profit from the gradual recovery in the construction industry in Europe and the U.S., as well as the ongoing growth in the automotive sector. All three segments will also grow as additional capacities come on stream.

For 2011, the company expects an average exchange rate of USD 1.40 per EUR. In addition, it expects higher energy and raw material costs. The potential for setbacks remains in the form of geopolitical unrest and the high levels of national debt of many countries.

Table (figures in EUR million)

	Full year 2010	Full year 2009	Change in %	Q4 2010	Q4 2009	Change in %
Sales	7,120	5,057	+41	1,832	1,392	+32
EBITDA pre exceptionals	918	465	+97	172	144	+19
EBITDA margin pre exceptionals	12.9%	9.2%		9.4%	10.3%	
Net income	379	40	>100	26	14	+86
Earnings per share (EPS)	€4.56	€0.48	>100	€0.32	€0.17	+86

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News Release

LANXESS is a leading specialty chemicals company with sales of EUR 7.1 billion in 2010 and currently around 14,850 employees in 24 countries. The company is represented at 45 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals.

Leverkusen, March 17, 2011
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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:

All LANXESS news releases and their accompanying photos can be found at <http://press.lanxess.com>. Recent photos of the Board of Management and other LANXESS image material are available at <http://photos.lanxess.com>. 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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