LANXESS – Q1 2011 Roadshow

Excellent start 2011

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Agenda

- Strategy summary and executive overview Q1 2011
- Business and financial review Q1 2011
- Outlook/Guidance

Portfolio management strengthens the company

Divested
Acquired

	Year	Leadership Position	Cyclicality	Profitability Expectation
Fibers	2005	Weak	High	Low
Paper	2005	Moderate	Moderate	Medium
Textile Processing Chem.	2006	Weak	Moderate	Medium
Lustran Polymers	2007	Good	High	Low
CISA (LEA)	2006	Good	Low	High
Petroflex (PBR)	2007	Good	Low	High
Jinzhuo Chemicals (IPG)	2008	Good	Moderate	High
Gwalior Chemicals (BAC)	2009	Good	Low	High
Jiangsu Polyols (BAC)	2009	Good	Low	High
Darmex (RCH)	2011	Good	Low	High
Syngenta Mat. Prot. (MPP)	2011	Good	Low	High
DSM EPDM (TRP)	2011	Good	Moderate	High

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LANXESS acquired DSM Elastomers – strong financials and fast integration

Financial highlights

- Purchase price: €310 m (EV); ~6x EBITDA pre[1]
- Cash and debt free
- Financing out of existing liquidity

- 2010 sales: ~€380 m
- Employees: ~420

- Acquisition of DSM's EPDM business closed with economic effect on May 1st

EPDM - estimated production volume[2] [kt]

[1]on the basis of 2010 EBITDA; all figures pre purchase price allocation
Sources: LANXESS estimates based on CMAI and SRI, 2009, [2] Including captive use, 2009 numbers

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Darmex – Provider of tailor-made products for the tire industry

Darmex – Focusing on tire applications

Overview:

- Founded in 1971
- Privately owned company
- ~200 permanent employees worldwide
- Only global bladder producer able to also supply highly innovative release agents
- Strong footprint in emerging markets

Business:

- Sales: ~USD30 m in 2010
- ~70% of sales in growth regions
- CAGR ~5% p.a. - in line with global tire production

Product split

Sales distribution

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Acquisition of Syngenta's Material Protection business: high margin business with long-term access to Syngenta's R&D pipeline

Active ingredients registration value chain

- Upstream integration into active ingredients
- End uses: Wood protection, coatings, wallboard
- Sales 2010: ~€20 m
- EBITDA margin > segment level
- Business integrated into LANXESS MPP's Business Line Biocides
- IP protected business
- Exclusive first right of refusal contractually secured for future actives

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Organic growth through ongoing targeted investments

Growth projects

2011- 2013

Investment projects (scheduled to come on stream)

2011
SCP:
Add. compounding capacities, Wuxi, CN

Q1 2011 - Q1 2012
Nd-PBR:
Debottlenecking, Orange, US (completed)
Dormagen, GE, Port Jérôme, FR, & Cabo, BR

H1 2012
BAC:
New Formalin plant, Uerdingen, GE

Beginning 2012
SCP:
New compounding plant, Jhagadia, IN

SCP:
Increase capacities for PBT (JV with DuPont), Hamm-Uentrop, GE

2012 SCP:
New com-pounding plant, Gastonia, US

Q1 2013
BTR:
New world scale plant, Singapore

H1 2013
LEA:
New facility Changzhou, CN

2011 **2012** **2013**

Start 2011
RCH:
New plant for rubber additive, Dzerzhinsk, RU

Acquisition of selected parts of Flexsys' accelerators business

H2 2011
SCP:
Add. capacities for Capro (mainly captive use), Antwerp, BE

Q4 2011
ION:
New membrane plant, Bitterfeld, GE

H1 2012
TRP / TSR JV:
New NBR plant, Nantong, CN

Q1 2012/ Q4 2012
TRP:
New production capacities for HNBR in Leverkusen, GE and Orange, US

Q2 2012
BTR:
Debottlenecking, Antwerp, BE

Q3 2012
PBR:
Product mix optimization: More Nd-PBR Orange, US

H2 2012
TRP:
Debottlenecking of EVM, Dormagen, GE

End 2012:
TRP
New production capacities for CR in Dormagen, GE

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In 2015 LANXESS will strive for an EBITDA of ~€1.4 billion

New EBITDA target bridge [€ m]

- Additional EBITDA will be the result of:
  - announced CAPEX projects
  - additional organic and external growth over next five years

Reaching a new profit level

references to EBITDA are pre exceptionals; projects are exemplary
* as communicated at LANXESS capital markets day

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LANXESS with excellent start in 2011

Business	**Price increase offset sharply risen input costs** **Strong volume growth across all regions**	**Price before volume intact**
Growth	**Delivery on M&A:** - **Acquisition of DSM's EPDM business closed with economic effect on May 1st** - **Acquisition of Darmex (Argentina) and Syngenta's material protection business** **Investments (BTR, PBR, SCP, BAC, ION) fully on track**	**On track to achieve growth target 2015**
Guidance	**LANXESS expects 2011 earnings growth on EBITDA pre level yoy of 10-15%**	

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All segments manage price and volume increases in tandem

Q1 yoy sales variances	Price	Volume	Currency	Portf.	Total
Performance Polymers	22%	11%	1%	0%	35%
Advanced Intermediates	9%	12%	1%	0%	22%
Performance Chemicals	6%	13%	2%	1%	22%
LANXESS	15%	12%	1%	0%	29%

- Successful pricing initiatives across the board
- Double digit volume increase in each segment reflects strong demand in all end markets

Q1 yoy EBITDA bridge [€ m]

- Higher pricing offsets sharply rising input costs, “Price before volume” strategy intact
- Others reflects higher personnel expenses and absence of savings

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Strong growth across all regions

* currency and portfolio adjusted

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Q1 2011 financials: strong quarter despite raw material price inflation

[€ m]	Q1 2010	Q1 2011	yoy in %
Sales	**1,613**	**2,073**	**28.5%**
EBITDA pre except.	**233**	**322**	**38.2%**
margin	14.4%	15.5%	
EPS	**1.25**	**2.00**	**60.0%**
Capex*	**39**	**68**	**74.4%**

[€ m]	31.12.2010	31.03.2011	% vs. YE
Net Financial Debt	**913**	**937**	**2.6%**
Net Working Capital	**1,372**	**1,647**	**20.0%**
Employees	**14,648**	**15,115**	**3.2%**

- Sales increase due to pricing power and strong volumes reflecting excellent market positions and premium offerings
- Visible improvement of EBITDA and margin on successful price before volume strategy and higher capacity utilization
- Strong EPS performance
- Working capital increase in line with sales increase
- Headcount increase with capacity increase and M&A

Excellent start of the year on strong price and volume performance

* net of projects financed by customers and capitalized borrowing costs

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Strong demand and tight cost control yield an excellent quarter

[€ m]	Q1 2010		Q1 2011		yoy in %
Sales	**1,613**	**(100%)**	**2,073**	**(100%)**	**29%**
Cost of sales	-1,219	(76%)	-1,551	(75%)	27%
Selling	-142	(9%)	-170	(8%)	20%
G&A	-60	(4%)	-70	(3%)	17%
R&D	-24	(2%)	-31	(2%)	29%
EBIT	**164**	**(10%)**	**246**	**(12%)**	**50%**
Net Income	**104**	**(6%)**	**166**	**(8%)**	**60%**
EPS	**1.25**		**2.00**		**60%**
EBITDA	230	(14%)	317	(15%)	38%
thereof exceptionals	-3	(0%)	-5	(0%)	67%
EBITDA pre exceptionals	**233**	**(14%)**	**322**	**(16%)**	**38%**

- Sales increased 29% on the back of strong price (+15%) and volume (+12%) increases and some support from currencies (+1%)
- Slight reduction of relative operational cost base, absolute increase due to higher business activity
- EBITDA boosted due to strong pricing compensating raw material inflation as well as significant volume gains

Excellent start of the year

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Q1 2011 – Performance Polymers driving sales, EBITDA and margin increase

- All three segments post higher sales
- Performance Polymers with strongest increase

- Margins at solid levels across all segments
- Strong pricing and high capacity utilization

* pre exceptionals

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Performance Polymers: excellent start of the year

[€ m]	Q1 2010	Q1 2011
Sales	**806**	**1,084**
EBIT	96	165
Depr. / Amort.	34	34
EBITDA	130	199
EBITDA pre exceptionals	**131**	**199**
Margin	16.3%	18.4%
Capex*	**19**	**40**

- Price increases in all BUs, offsetting Butadiene- / Cyclohexane-driven raw material price increase
- BTR with ongoing strong demand, PBR with positive mix effect
- TRP rubbers NBR and EPDM with increased demand
- SCP supported by demand from automotive industry in Q1 ahead of maintenance and expansion activities in Q2
- EBITDA benefits from better utilization and pricing power
- No visible Japan related impact expected in Q2
- Planned Capex increase in following quarters for Singapore

Sales by BU

Sales bridge year on year [€ m]

* net of capitalized borrowing costs

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TRP offers a broad solution portfolio for many applications

- TRP part of Performance Polymers
- Production: Germany, France, U.S.
- Sales > €500 m, customers > 600
- Growth: mobility, urbanization, BRIC

- Specialty elastomers for rubber processing industry
- Used in automotive, engineering, construction, electronics, oil exploration and aviation industries

- Main competitors: Denka, DuPont, Exxon Mobil, JSR, Kumho, Polimeri and Zeon

Levapren®	Therban®	Krynac® Perbunan®	Buna® EP Keltan®	Baypren®
EVM characteristics:	HNBR characteristics:	NBR characteristics:	EPDM characteristics:	CR characteristics:
▪ Excellent FRNC* properties ▪ UV resistance ▪ Ozone resistance	▪ Based on Nobel Prize Technology ▪ Maximum media resistance	▪ Stability in oils, fats, fuels ▪ Good abrasion resistance ▪ Thermoplast modification for improved elasticity and oil & fuel resistance	▪ Ozone and heat resistant ▪ No water swell ▪ Outstanding electrical properties ▪ Low density: cost efficient	▪ Weather and ozone resistance ▪ Low gas permeability ▪ Excellent rubber to metal adhesion

TRP well positioned to benefit from megatrends mobility, urbanization and population growth in BRIC

* flame resistant non corrosive

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Advanced Intermediates: agro-business drives earnings

[€ m]	Q1 2010	Q1 2011
Sales	**342**	**416**
EBIT	43	59
Depr. / Amort.	14	16
EBITDA	57	75
EBITDA pre exceptionals	**57**	**75**
Margin	16.7%	18.0%
Capex*	**5**	**13**

- Price increases compensate significant raw material price inflation (Benzene)
- Overall strong volumes based on agro-related demand
- BAC with continued improvement of demand for agro precursors ahead of maintenance activities in Q2
- SGO: healthy end market demand for fungicide precursors especially in LATAM, improved capacity utilization for pharma
- EBITDA benefits from favorable product mix and increased capacity utilization
- Capex increase due to BAC investments

Sales by BU

Sales bridge year on year [€ m]

* net of projects financed by customers

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Performance Chemicals: strong volume and price performance

[€ m]	Q1 2010	Q1 2011
Sales	**455**	**556**
EBIT	62	72
Depr. / Amort.	16	18
EBITDA	78	90
EBITDA pre exceptionals	**78**	**90**
Margin	17.1%	16.2%
Capex	**14**	**14**

- Volume and price developments lead to stronger sales, raw materials offset by price increases
- RUC, FCC and RCH strongest contributors to volume increase
- IPG with highest price and input cost increase (ferrous raw materials)
- LEA benefits from chrome ore pricing, some impact from Japanese clients reducing production; Q2 maintenance flagged
- ION with a temporary burden from start-up costs in India
- Non-cash one time expenses due to a pension plan redesign in LATAM

Sales by BU

Sales bridge year on year [€ m]

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Strong financial backbone for growth

[€ m]	Dec 31, 2010	Mar 31, 2011
Non-current Assets	**2,738**	**2,719**
Intangible assets	226	238
Property, plant & equipment	2,131	2,086
Equity investments	13	17
Other investments	8	31
Other financial assets	74	71
Deferred taxes	170	144
Other non-current assets	116	132
Current Assets	**2,928**	**3,118**
Inventories	1,094	1,142
Trade accounts receivable	942	1,141
Other financial & current assets	368	341
Near cash assets	364	330
Cash and cash equivalents	160	164
Total Assets	**5,666**	**5,837**

	Dec 31, 2010	Mar 31, 2011
Stockholders' Equity	**1,761**	**1,917**
Non-current Liabilities	**2,454**	**2,445**
Pension & post empl. provis.	605	610
Other provisions	351	334
Other financial liabilities	1,302	1,309
Tax liabilities	50	49
Other liabilities	106	96
Deferred taxes	40	47
Current Liabilities	**1,451**	**1,475**
Other provisions	422	454
Other financial liabilities	176	181
Trade accounts payable	664	636
Tax liabilities	34	69
Other liabilities	155	135
Total Equity & Liabilities	**5,666**	**5,837**

Balance sheet comments

- FX effects on all balance sheet positions
- Other investments reflects investment in Gevo Inc.

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Strong operating cash generation

[€ m]	Q1 2010	Q1 2011
Profit before Tax	**144**	**219**
Depreciation & amortization	66	71
Gain from sale of assets	0	0
Result from equity investments	-4	-5
Financial losses	21	20
Cash tax payments / refunds	-18	4
Changes in other assets and liabilities	-2	28
Operating Cash Flow before changes in WC	**207**	**337**
Changes in Working Capital	-215	-301
Operating Cash Flow	**-8**	**36**
Investing Cash Flow	**-39**	**-19**
thereof Capex	-39	-68
Financing Cash Flow	**-57**	**-7**

- Cash flow fueled by demand momentum
- Working capital increase driven by higher receivables and inventories (volumes as well as raw material induced pricing)
- Investing cash flow: higher capex balanced by inflows from near cash assets

Strong operating cash flow before working capital

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LANXESS is optimistic for 2011 – earnings growth 10-15%

Current macro view

- Growth in emerging markets will continue
- Western markets develop at lower pace
- Macroeconomic challenges: geopolitical unrest, national deficits, US dollar weakness, potential impact after natural disasters in Japan

LANXESS in 2011

- On track to achieve €1.4 bn EBITDA* growth target in 2015
- Return to pre-crisis earnings seasonality expected
- Well positioned to grow in 2011, based on several growth projects and sound financials
- We expect earnings* growth year-on-year of 10-15%

* EBITDA pre exceptionals

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Energizing Chemistry

Appendix

2011 financial expectations

Additional financial expectations for 2011

- Capex : ~€550-600 m
- D&A : ~€300 – €320 m incl. acquisition
- Tax rate : 20 to 25%
- Hedging 2011 : ~40% at 1.30-1.40 USD / EUR
- Exceptionals : minor for ongoing businesses, excluding acquisitions

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Portfolio management allows for regrouping of LANXESS businesses along chemical segmentation

Performance Polymers

- Butyl Rubber
- Performance Butadiene Rubbers
- Technical Rubber Products
- Semi-Crystalline Products

Advanced Intermediates

- Basic Chemicals
- Saltigo

Performance Chemicals

- Material Protection Products
- Inorganic Pigments
- Functional Chemicals
- Leather
- RheinChemie
- Rubber Chemicals
- Ion Exchange Resins

Sales: > € 500 mn | Sales: € 200 mn – 500 mn | Sales: < € 200 mn

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LANXESS has a broad customer portfolio with varying demand patterns

LANXESS sales distribution by industry, 2010

Tire producers are reacting swiftly

MICHELIN

- USA: USD$11.3 m expansion of aviation tire capacity
- USD$2.2 b expansion in Brazil and India
- China: plus ~0.3 m car & truck tires/year

YOKOHAMA

- Russia: plus ~1.4 m car tires/year
- USA: plus ~3 m tires/year
- Philippines: plus ~6 m tires/year

nokian TYRES

- USD$347 m investment in Russia

SUMITOMO RUBBER GROUP

- China: plus ~11 m car tires/year

CHENG SHIN TIRE

- China: plus ~11 m car tires/year

TOYO TIRES

- China: plus ~2 m car & truck tires/year

GOODYEAR

- China: plus ~10.5 m tires/year
- USD$150 m expansion in USA

Continental

- Brazil: plus ~4.5 m car tires/year
  plus ~0.2 m truck tires/year
- Planning new tire plant in USA

HANKOOK

- China: plus ~11.5 m tires/year
- Indonesia: plus ~10 m tires/year

PIRELLI

- Mexico: plus ~5 m car & truck tires/year
- Brazil: plus ~40% increase tires/year

APOLLO TYRES LTD.

- India: plus ~2.2 m truck & bus tires/year
  plus ~2.9 m tires/year

NEXEN

- S. Korea: plus ~30 m tires/year

BRIDGESTONE

- China: plus ~1.5 m tires/year
- India: plus ~3.7 m car tires/year
  plus ~1.3 m truck tires/year
- Japan: Expansion of OTR tires

source: companies' websites. Investments / expansions covered from 2011 to 2020

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Similar tire labelings are being proposed in several countries

Tire labels

Europe

U.S.

Japan

For fuel efficient tires

For fuel efficient tires

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Is LANXESS a swing producer?

Tire manufacturers produce insufficient synthetic rubber for their captive use

Rubber producing capabilities of selected tire manufacturers:

Importance in LANXESS portfollio		Michelin	Goodyear	Bridgestone	Continental	Pirelli	Hankook
major	**BTR**	none	none	none	none	none	none
major	**PBR**[1]	little[2]	none	capable	none	none	none
minor	**S-SBR**	capable	capable	capable	none	none	none
major	**E-SBR**	little	capable	capable	none	none	none
major	**NBR**	none	none	none	none	none	none

LANXESS is not a swing producer

[1] Nd-PBR [2] know how present, licensing to others

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Does natural rubber cannibalize synthetic rubber?

[1] Nd-PBR

Strategic step to broaden global position as integrated service provider for tire producers

- RCH' and Darmex' product portfolios and regional production and sales split complement each other perfectly
- Release agents will be strengthened
- Bladders offer additional growth potential

Financial details

- EPS accretive in 2011
- Transaction will close as of January, 2011
- Financing of acquisition out of existing liquidity
- Purchase price not disclosed

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Segment change: transfer of Adipic acid from BU SCP to BU BAC

Value chain* optimized

Rationale

- KA-oil, adipic acid and hexandiol now part of one single business unit (BU BAC)
- Business line adipic acid, easy to transfer with dedicated
  - profit center
  - marketing, controlling
  - personnel and production
- Marketing of adipic acid and hexandiol now aligned in one single business unit (BAC)

Value chain streamlined

* simplified illustration

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Business line Adipic Acid shifted to BU BAC

Adipic Acid used captively and for external sales

In € m	Q1 2010
External sales	22
EBIT	**12**
D&A	1
EBITDA	**13**

- Adipic Acid sales split into:
  - External sales
  - Inter-BU sales
  - BU Captive use

- Business line Adipic Acid transferred from Performance Polymers to Advanced Intermediates
- Originally located in BU SCP, now part of BU BAC
- Restatement reflects transfer of financials from Performance Polymers and addition to Advanced Intermediates in Q1 2010

Transfer of Adipic Acid: Value chain streamlined

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Steep increase in raw material prices expected

Global raw materials index*

- Raw material prices increased beginning of 2010
- Q3 and Q4 ’10 with a relatively stable raw material price development
- Q1 saw feedstock prices (mainly butadiene, benzene and cyclohexane) rise, feedstocks set to increase even further in Q2

LANXESS committed to price before volume strategy

* source: LANXESS, average 2007 = 100%

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Exceptional items incurred in Q1 2010 and Q1 2011

[€ m]	Q1 2010		Q1 2011	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	1	0	0	0
Advanced Intermediates	0	0	0	0
Performance Chemicals	0	0	0	0
Reconciliation	2	0	5	0
Total	**3**	**0**	**5**	**0**

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Abbreviations

Performance Polymers

- BTR Butyl Rubber
- PBR Performance Butadiene Rubbers
- TRP Technical Rubber Products
- SCP Semi-Crystalline Products

Advanced Intermediates

- BAC Basic Chemicals
- SGO Saltigo

Performance Chemicals

- MPP Material Protection Products
- IPG Inorganic Pigments
- FCC Functional Chemicals
- LEA Leather
- RCH Rhein Chemie
- RUC Rubber Chemicals
- ION Ion Exchange Resins

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Upcoming events 2011

Upcoming events

▪ Annual Stockholders' Meeting	May 18, 2011
▪ Q2 Results 2011	August 11, 2011
▪ Analyst round table	September 22, 2011
▪ Q3 Results 2011	November 10, 2011

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