

Scientific Colloquium
100 Years Synthetic Rubber
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LANXESS AG

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Speech by

Dr. Axel C. Heitmann,

Chairman of the Board of Management

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Speakers,
representatives from the worlds of politics, business and the media,
colleagues,
ladies and gentlemen,

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I would like to welcome all of you here in the Gürzenich Banqueting Hall in Cologne to the anniversary celebration of the discovery synthetic rubber and to the Scientific Colloquium held on the occasion of the first World Rubber Day.

Welcome on behalf of LANXESS.

What has made synthetic rubber successful in the past? What is rubber's importance today as a precursor to other industrial applications? And what development and production potential can be harnessed in the future? We will be discussing these and other issues today.

I am delighted that each one of you has taken the time to join us here today. Organizing this event and being with you has been a pleasure. We feel that synthetic rubber is worthy of this attention and this forum.

After all, it is by no means a given that a product invented one hundred years ago remains so relevant and successful today. Nor is it a matter of course that a company can be so successful with such a product. LANXESS, ladies and gentlemen, currently generates some 50 percent of its sales from synthetic rubber products. LANXESS is the market leader in many areas of application. We build on the diversity and outstanding chemical properties of this material, clear in the knowledge that we have only just begun to unlock the secrets that this wonder material offers both to science and to supporting jobs here in Germany.

I am delighted that so many leading experts have joined us and are participating in today's events, and I would like to thank each of you for your willingness to make a valuable contribution to this scientific dialog. This is sure to be an informative and successful day for everyone.

Yet without the patience and creativity of the brilliant chemist Fritz Hofmann, we probably wouldn't be sitting here today. We wouldn't be able to join together in celebration of synthetic rubber's 100-year success story and in contemplating the future.

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A single inventive mind in a company capable of making pioneering discoveries through determination, intuition and skill – is this really all you need for such a success story?

On the one hand, yes! Chemical companies in particular still need unique, creative minds and ingenious inventors – just as they did in the past.

But on the other hand, no! After all, another important ingredient in every success story is an environment where creativity and scientific curiosity can be given free rein. And to do this, a company needs to have the right strategy and set the right priorities!

This was exactly the kind of impetus that Professor Hofmann had for inventing the process to produce the first synthetic rubber – the opening salvo, as it were.

The fact that Elberfelder Farbenfabriken received the patent for production of the first synthetic rubber on September 12, 1909, exactly one hundred years ago today, was due primarily to the extremely strategic and shrewd corporate policy of the management team in the years beforehand.

The Board of Directors of Elberfelder Farbenfabriken at that time already had what today might be called “a keen eye for potential”. In other words, the company's management consciously created a climate for innovation – you could call it a culture of innovation. And this culture created the ideal impetus. Among other things, the mission to invent a process to produce synthetic rubber was linked to an incentive payment. Hofmann was to receive 20,000 marks if he succeeded in producing synthetic rubber. And well – in the end, he managed to do just that!

And what's more, things didn't stop with this initial pioneering invention by Hofmann. His successors also ensured that, within a few years, more and more synthetic rubbers came to market with even more useful properties. For example, chemists Walter Bock and Eduard Tschunkur attracted major interest with their invention in 1936. Adding the "styrene rubber" Buna S to car tire treads made them last much longer than before.

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The list of the different types of synthetic rubber exhibiting a wide range of properties is growing all the time. It now includes many names which, from a chemist's perspective, I have to say are illustrious – such as weather-resistant Perbunan C, flame-retardant Levapren or – the newest member of the synthetic polymer family – oil-resistant Therban. They all feature in a wide array of products, ranging from cables and hoses, car engines and adhesives to sportswear and chewing gum.

Synthetic rubber is a development whose importance for modern society, technology and the environment can hardly be overstated. Over the past decades it has facilitated countless innovations – in automotive engineering, energy generation, medicine, sports and even the aerospace industry. You may not see it, but it is there more often than you think!

As one of the world's largest manufacturers of synthetic rubber, LANXESS is pursuing the course Hofmann embarked on with his invention and we will continue to do so in the future.

There is no doubt that synthetic rubber is the most important product for LANXESS today. We now offer well over 100 different grades of synthetic rubber for a wide range of uses and are working hard on new applications and products.

At LANXESS we don't just boast the widest product range for synthetic rubber – we have also earned a reputation as a technology leader and a powerful driving force in the industry.

One thing is clear: To make sure we retain our leading edge and to ensure the company is in a position to continue developing new solutions, what we need first and foremost is a stable culture of innovation and ongoing investment in research and development. That is why we have been continuously expanding and driving our research forward in the area of innovation. Last year's business development reflects this commitment. For example, we:

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- increased our expenditure on research and development to roughly EUR 100 million – up approximately 10 percent from the prior year. By far the largest share of our research budget – roughly 60 percent – was invested in our Saltigo, Butyl Rubber, Semi-Crystalline Products and Technical Rubber Products business units. To ensure we live up to our pledge to continue conducting high-quality research and development in the future, we are increasing our spending in this area by a further 10 percent over 2008.
- At the end of 2008, LANXESS employed more than 450 people in the research and development departments of the individual business units and at its global research facilities – 11 percent more than the previous year.
- And, in 2008, LANXESS had approximately 110 research projects in the pipeline, 80 of which were focused on developing new products and improving existing ones.

LANXESS is continuing the important work on the future of synthetic rubber. This is true all over the world, but notably in the promising emerging economies, where growth continues to be strong. For example, from 2014 onward, we will be operating the largest butyl rubber production plant in the Asian market at the Jurong Island Chemical Park in Singapore. Also, back in 2008, we opened a center for rubber research in Qingdao, China.

LANXESS is conscious of its amazing legacy and the obligations this brings. And this continues to motivate us. We intend to write further chapters in the success story of synthetic rubber, a material that already has a rich tradition.

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- And first – with butyl rubber! We expect global sales of synthetic rubbers to increase by an average 2.5 to 3 percent each year, with demand for butyl rubber enjoying particularly strong growth. This is because 85 percent of global production is destined for the tire industry. In countries such as China and India and in regions such as South America, Eastern Europe and South-East Asia with their increasing transportation and mobility needs, demand for cars and commercial vehicles is growing – and with it the need for tires.
- Second, with modified SSBR rubbers. As additives in tire treads and sidewalls, these rubbers enhance tire-wet grip. They also help cut rolling resistance and tire abrasion. And today these are valuable properties, given the trend toward green chemistry.
- Third, with Therban[®], our latest special-purpose rubber. This is a hydrogenated nitrile rubber that is much more resistant to aging than its predecessors. Its oil resistance also makes it ideal for use in belts and hoses in car engine compartments and for pumps and drilling equipment. This is an important benefit for the oil production industry, for example.
- Fourth, with Nanoprene[®] and future-oriented nanotechnology. Tires with treads containing Nanoprene nanoparticles already exhibit much better road grip coupled with improved abrasion resistance.
- And fifth, we see enormous potential for our products in the field of alternative energies notably in wind and solar power. Wind turbines need heat and ozone-resistant shock absorbers made from materials such as Therban[®]. And photovoltaic installations increasingly require heat and ozone-resistant Levapren films.

Ladies and gentlemen, all this proves that, even after 100 years, the potential of synthetic rubber is far from exhausted:

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- We are still able to develop rubbers with even better performance, modify them and adapt them to new applications and customer needs. And that's precisely what we're doing.
- We are still in a position to further optimize production processes and develop a wide range of chemicals and catalysts. And that's precisely what we're doing.
- And in the future, we can continue to unlock new properties in these elastomer materials with their very diverse origins. And that's precisely what we're doing.

That's why today, at LANXESS we can confidently and – dare I say – proudly look forward to more years and, indeed, decades of success in the development of high-performance synthetic rubbers.

Today, together, we are taking a step into the future at the Scientific Colloquium "100 Years of Synthetic Rubber" on the occasion of the first World Rubber Day. I hope that you will all reap the benefits of an interesting and informative day.

Today, this success story has been going on for exactly 100 years. But one thing is for sure – it's far from over!

Thank you for your attention.

Forward-Looking Statements

This speech 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.