



# LANXESS – FY 2010 Results Conference Call

**Driving growth**

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Chart 2

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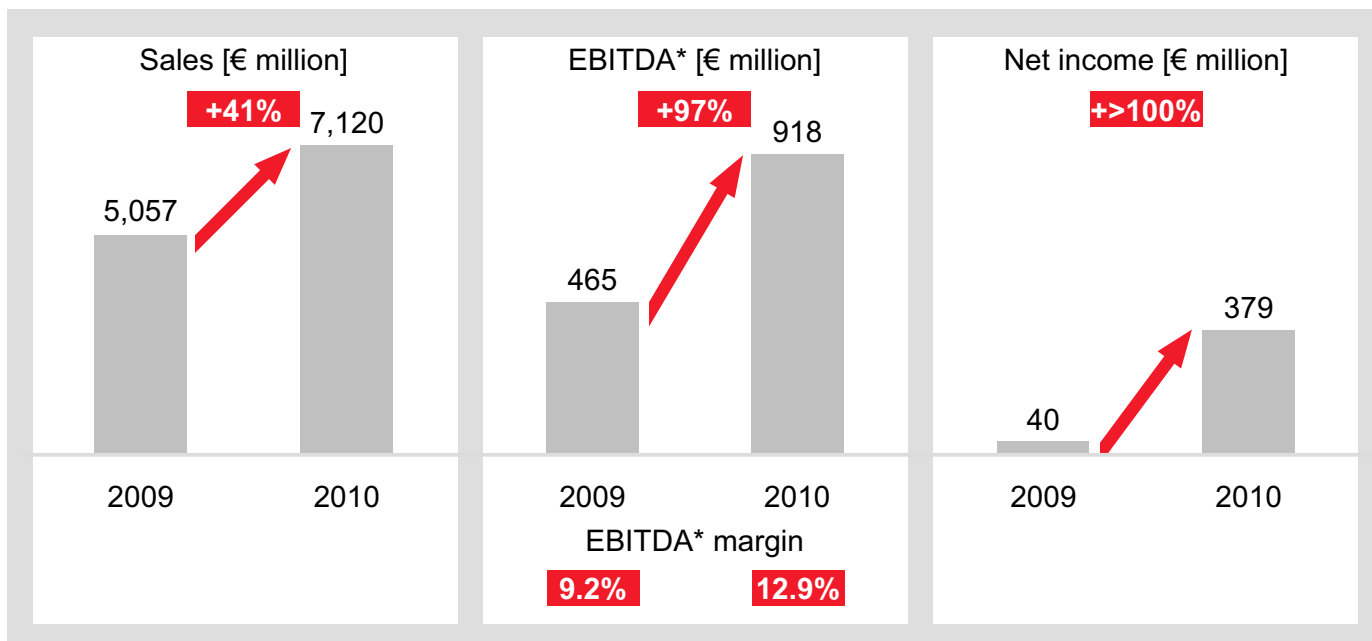
## Agenda

- Executive overview and strategy summary FY 2010
- Business and financial review FY 2010
- Outlook

Chart 3

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# LANXESS on a path of growth

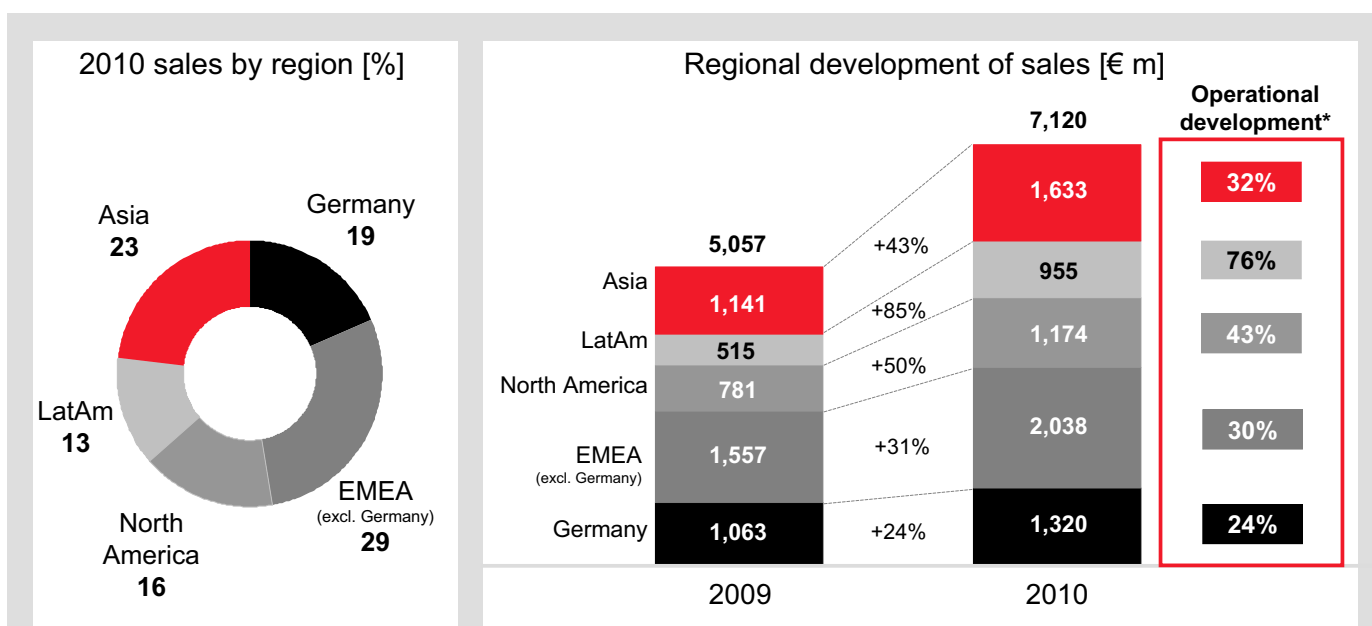


\* pre exceptionals

Chart 4



# Strongest growth in Latin America



\* currency and portfolio adjusted

Chart 5



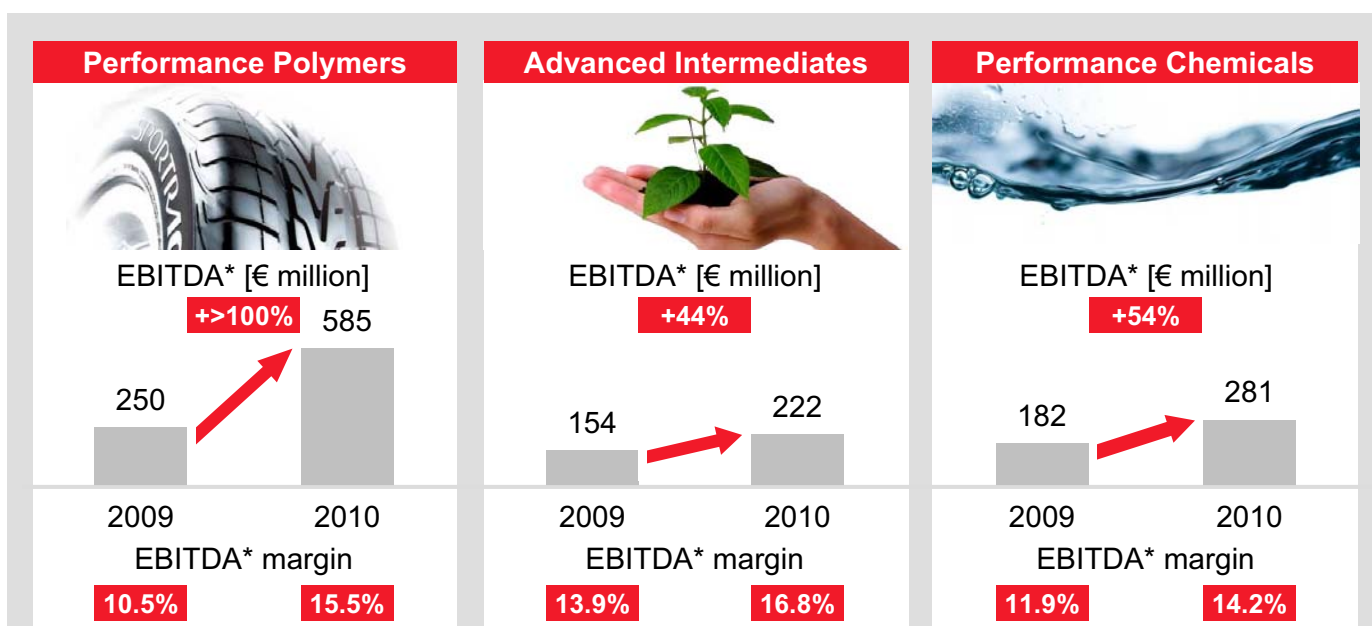
# Premium products and technologies for global megatrends



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Chart 6

## Significant growth in all three segments

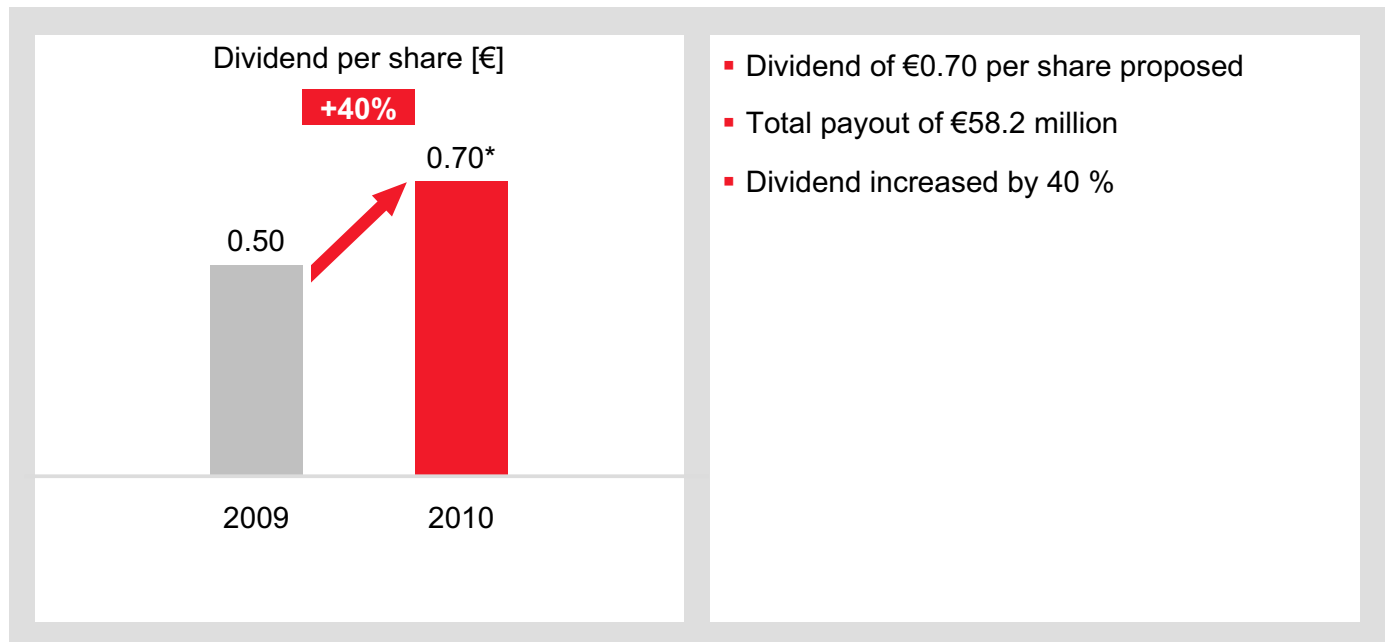


\* pre exceptionals

Chart 7

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## Success in 2010 allows dividend increase



\* proposal to the Annual Stockholders' Meeting

Chart 8

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## Targeted investment in growth markets

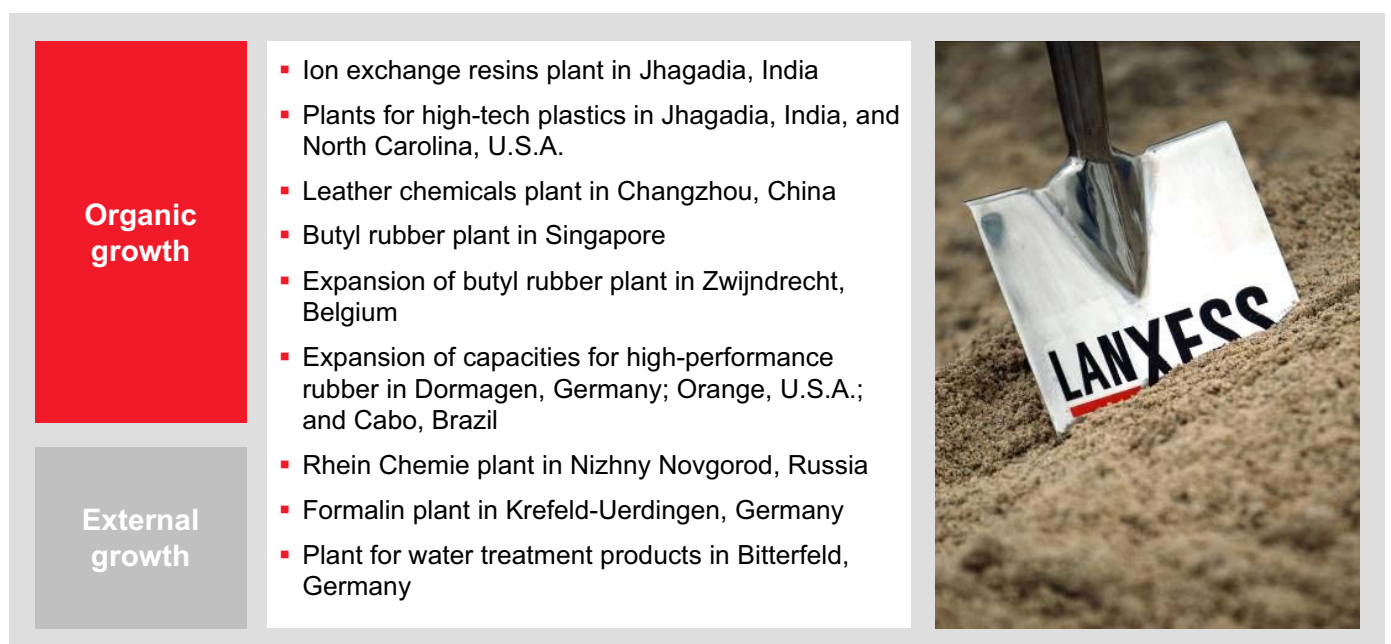


Chart 9

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## Growth through small and mid-size acquisitions

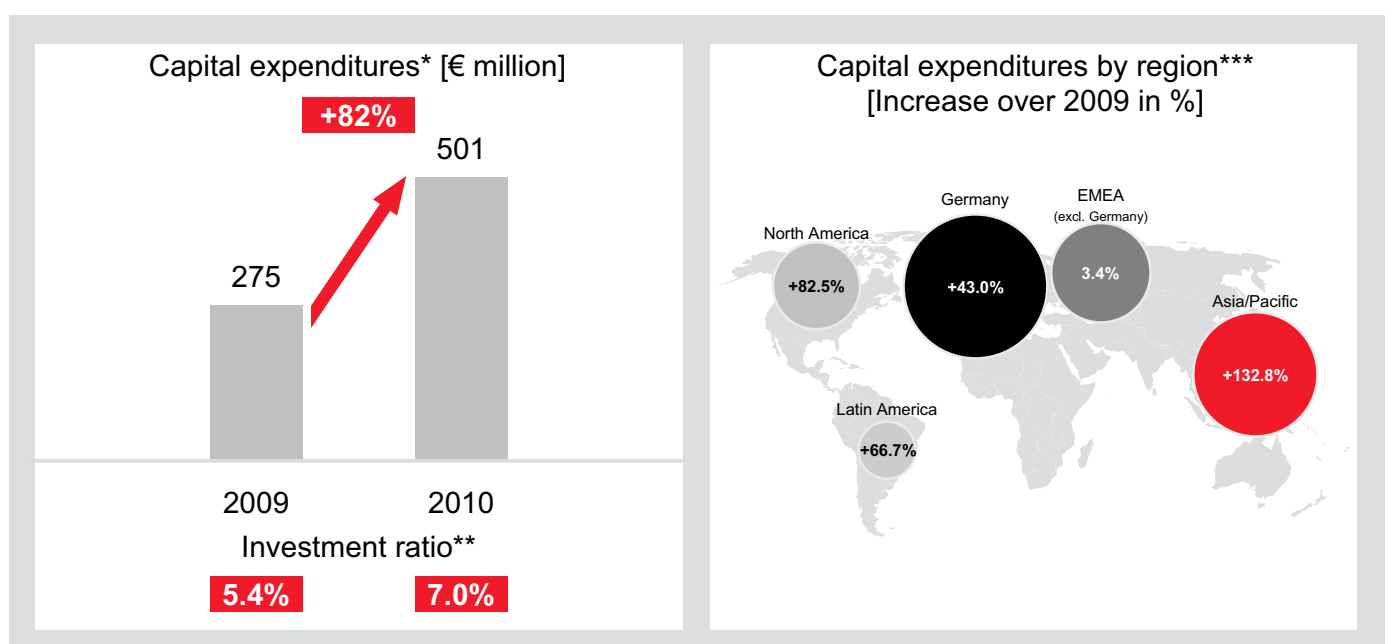


\* end of antitrust assessment expected Q2, 2011

Chart 10

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## Considerable increase in investment, especially in Asia



\* net of projects financed by customers and finance lease; \*\* proportion of sales; \*\*\* circle size indicates level of investment

Chart 11

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## Research and development activities safeguard long-term success

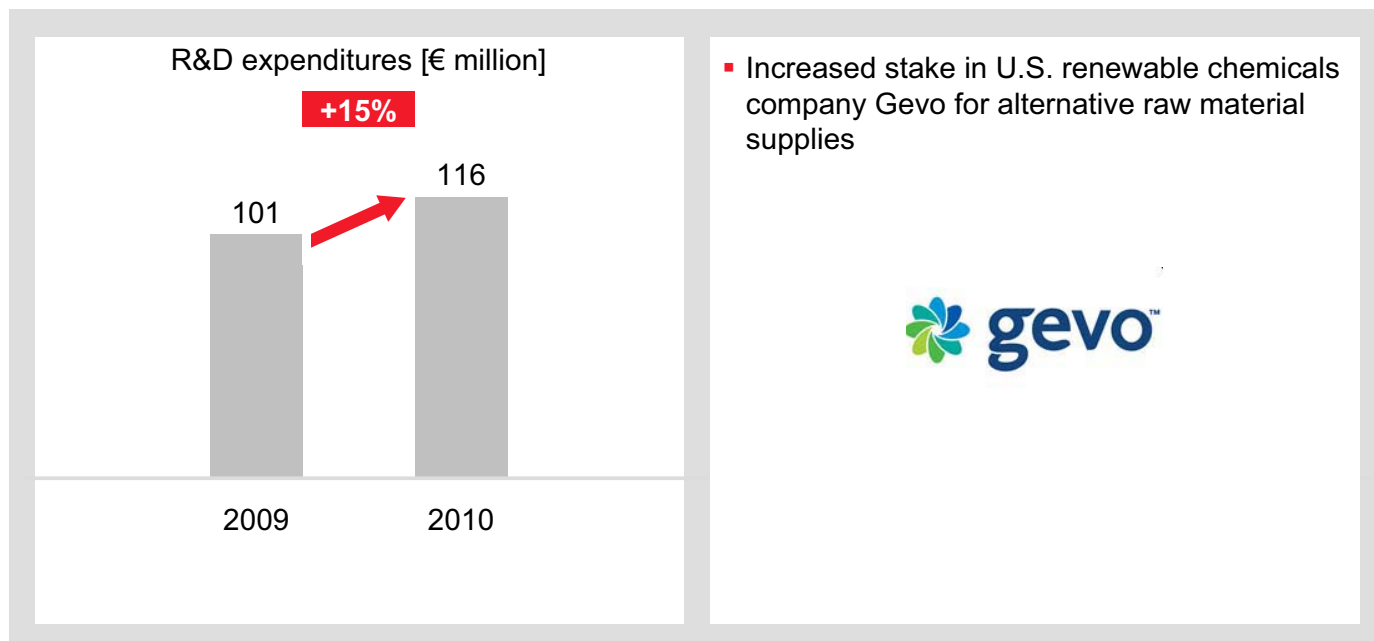


Chart 12

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## Agenda

- Executive overview and strategy summary FY 2010
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Chart 13

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## Substantial bottom line reflects operational strength

[€ m]	FY 2009	FY 2010	yoy in %	
Sales	5,057	7,120	40.8%	<ul style="list-style-type: none"> <li>Sales growth fueled by notable volume and price increases in tandem</li> <li>Solid margin despite maintenance activities and one-off payment to employees</li> <li>Net income substantially improved</li> <li>Working capital higher due to significantly increased business activity</li> <li>Headcount increase in line with growth initiatives</li> </ul>
EBITDA pre except. margin	465 9.2%	918 12.9%	97.4%	
Net Income	40	379	>100%	
EPS	0.48	4.56	>100%	
[€ m]	31.12.2009	31.12.2010	yoy in %	
Net Financial Debt	794	913	15.0%	
Net Working Capital	1,096	1,372	25.2%	
Employees	14,338	14,648	2.2%	

**LANXESS on the growth track**

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Chart 14

## Strong price and volume momentum drives 41% sales growth

FY yoy sales variances	Price	Volume	Currency	Portf.	Total	
Performance Polymers	25%	29%	5%	0%	58%	<ul style="list-style-type: none"> <li>Operational sales growth of 36% driven by end market recovery</li> <li>Positive currency (mainly BRL and USD) as well as portfolio effects support top line growth further</li> </ul>
Advanced Intermediates	5%	9%	2%	4%	20%	
Performance Chemicals	2%	23%	4%	0%	29%	
<b>LANXESS</b>	<b>13%</b>	<b>22%</b>	<b>4%</b>	<b>1%</b>	<b>41%</b>	

FY yoy EBITDA bridge [€ m]					
FY 2009	Volume	Price	Input Costs	Others	FY 2010
465					918

<ul style="list-style-type: none"> <li>Volume and price increase in tandem, price offsets rising input costs</li> <li>Others contains currency benefit, overcompensated by lower savings and one-off payment to employees</li> </ul>
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Chart 15



## Outstanding Q4 performance fueled by strong demand

[€ m]	Q4 2009	Q4 2010	yoy in %	
<b>Sales</b>	<b>1,392 (100%)</b>	<b>1,832 (100%)</b>	<b>32%</b>	<ul style="list-style-type: none"> <li>▪ Solid double digit sales increase due to positive volume development (+15%) paired with raw material driven price increase (+11%) and supporting currency trend (+6%)</li> <li>▪ Relative cost base remains stable as absolute business activity continues to increase</li> <li>▪ Visible recovery of net income</li> <li>▪ Significant EBITDA* increase despite one-off payment (€20 m) and termination of Challenge program</li> </ul>
Cost of sales	-1,072 (77%)	-1,421 (78%)	33%	
Selling	-144 (10%)	-176 (10%)	22%	
G&A	-64 (5%)	-101 (6%)	58%	
R&D	-26 (2%)	-27 (2%)	4%	
<b>EBIT</b>	<b>43 (3%)</b>	<b>78 (4%)</b>	<b>81%</b>	
<b>Net Income</b>	<b>14 (1%)</b>	<b>26 (1%)</b>	<b>86%</b>	
<b>EPS</b>	<b>0.17</b>	<b>0.32</b>	<b>86%</b>	
EBITDA	122 (9%)	157 (9%)	29%	
thereof exceptionals	-22 (2%)	-15 (1%)	-32%	
<b>EBITDA pre exceptionals</b>	<b>144 (10%)</b>	<b>172 (9%)</b>	<b>19%</b>	

**Strong price and volume development drives earnings**

\* pre exceptionals

Chart 16

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## Performance Polymers: solid volume and price increases

[€ m]	Q4 2009	Q4 2010	
<b>Sales</b>	<b>725</b>	<b>1,010</b>	<ul style="list-style-type: none"> <li>▪ Price increases in all BUs - offsetting raw material price hikes</li> <li>▪ Every BU achieves double digit percent volume increases</li> <li>▪ Planned maintenance turnarounds in BTR, PBR and TRP with related cost and margin impact</li> <li>▪ SCP with continuous strong business momentum for high-tech plastics</li> <li>▪ One-off payment to workforce affects absolute EBITDA and margin in Q4</li> <li>▪ Planned Capex increase with progressing Singapore investment project</li> </ul>
EBIT	79	95	
Depr. / Amort.	38	35	
EBITDA	117	130	
<b>EBITDA pre exceptionals</b>	<b>114</b>	<b>126</b>	
Margin	15.7%	12.5%	
<b>Capex</b>	<b>52</b>	<b>196</b>	

**Sales by BU**

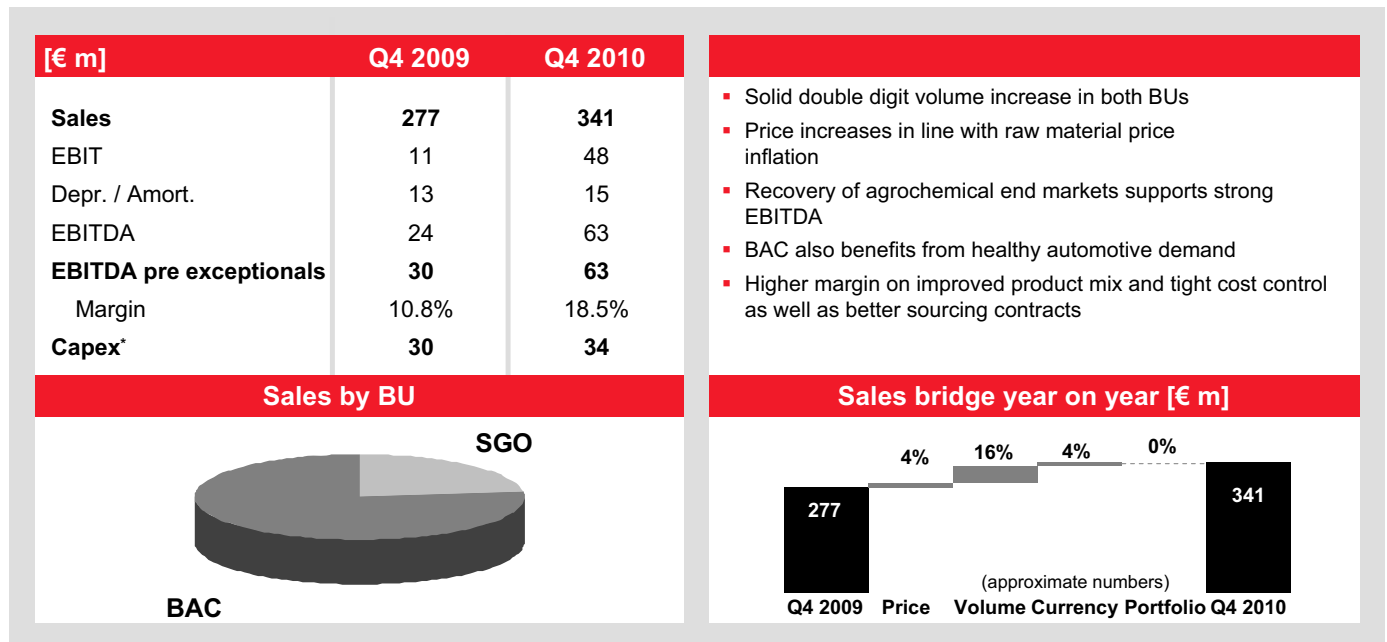
**Sales bridge year on year [€ m]**

(approximate numbers)

Chart 17

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## Advanced Intermediates: improving demand from agrochemical end markets drives margin



\* net of projects financed by customers

Chart 18

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## Performance Chemicals: Q4 with usual seasonality

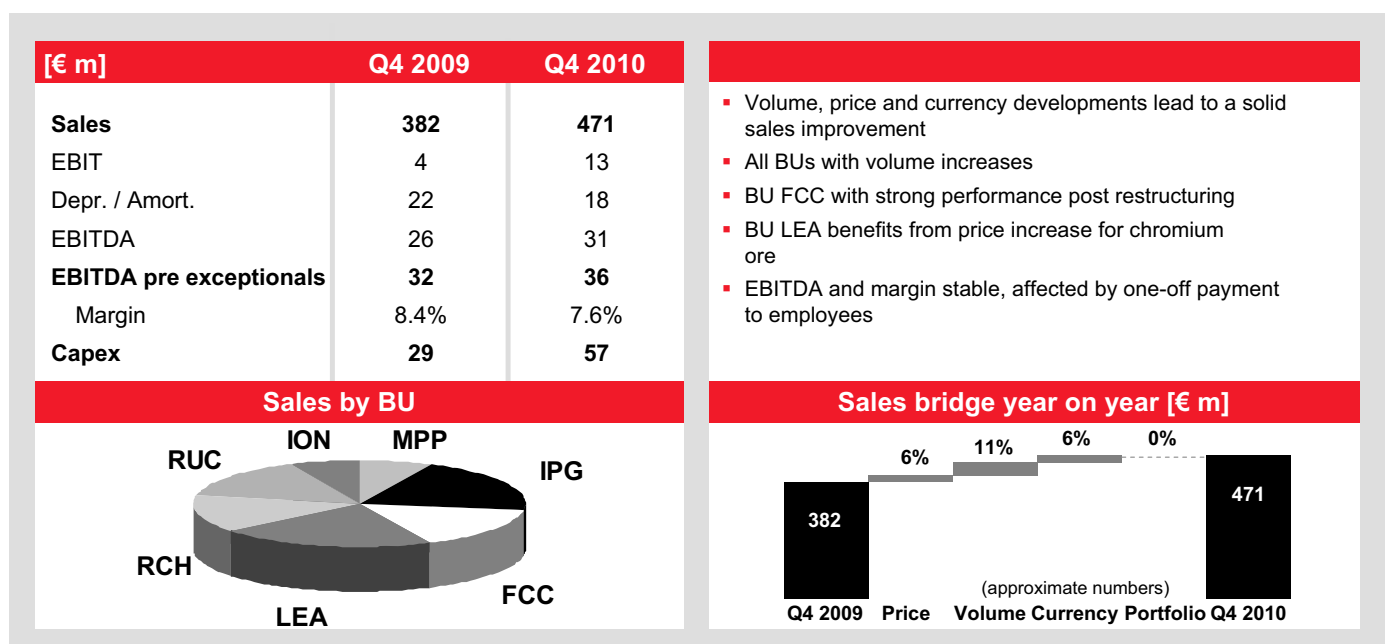


Chart 19

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## Strong balance sheet – amid increasing investing activity and CTA funding

[€ m]	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010
<b>Non-current Assets</b>	<b>2,382</b>	<b>2,738</b>	<b>Stockholders' Equity</b>	<b>1,445</b>
Intangible assets	196	226	<b>Non-current Liabilities</b>	<b>2,504</b>
Property, plant & equipment	1,809	2,131	Pension & post empl. provis.	569
Equity investments	26	13	Other provisions	307
Other investments	1	8	Other financial liabilities	1,462
Other financial assets	79	74	Tax liabilities	47
Deferred taxes	163	170	Other liabilities	81
Other non-current assets	108	116	Deferred taxes	38
<b>Current Assets</b>	<b>2,686</b>	<b>2,928</b>	<b>Current Liabilities</b>	<b>1,119</b>
Inventories	849	1,094	Other provisions	352
Trade accounts receivable	733	942	Other financial liabilities	94
Other financial & current assets	389	368	Trade accounts payable	486
Near cash assets	402	364	Tax liabilities	52
Cash and cash equivalents	313	160	Other liabilities	135
<b>Total Assets</b>	<b>5,068</b>	<b>5,666</b>	<b>Total Equity &amp; Liabilities</b>	<b>5,068</b>

### Currency development main reason for balance sheet deviations

- Further CTA funding (€75 m) and pension discount rate decrease in Germany (5.50% to 5.25%)
- Working capital development in line with increasing business activity, DSI / DSO metrics at solid levels

Chart 20

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## Strong cash flow finances working capital increase and substantial Capex projects

[€ m]	FY 2009	FY 2010
<b>Profit before Tax</b>	<b>32</b>	<b>493</b>
Depreciation & amortization	273	283
Gain from sale of assets	-18	0
Result from equity investments	-8	-16
Financial (gains) losses	71	83
Cash tax payments / refunds	0	-114
Changes in other assets and liabilities	-24	-4
<b>Operating Cash Flow before changes in WC</b>	<b>326</b>	<b>725</b>
Changes in Working Capital	239	-220
<b>Operating Cash Flow</b>	<b>565</b>	<b>505</b>
<b>Investing Cash Flow</b>	<b>-771</b>	<b>-450</b>
thereof Capex*	-275	-501
<b>Financing Cash Flow</b>	<b>258</b>	<b>-214</b>

- Profit before tax above previous year due to end market recovery
- Cash-outs for tax payments on higher profit before tax
- Working capital outflow in line with 2010 sales recovery
- 2009 investing cash flow contains investment in near cash assets, 2010 contains Capex for Singapore project as well as €75 m CTA funding

### Strong end market demand leads to good cash generation

\* net of projects financed by customers and finance lease

Chart 21

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Chart 22

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## Positive business trading outlook for 2011




<b>Performance Polymers</b>	<ul style="list-style-type: none"><li>▪ Strong demand momentum from tires and high-tech plastics expected to be ongoing in 2011; but with lower growth rates</li><li>▪ Further price increases are necessary as input costs rise</li><li>▪ Organic growth: SCP (Jhagadia, IN), PBR (Dormagen, GER, Port Jérôme, FR and Orange, US)</li></ul>	
<b>Advanced Intermediates</b>	<ul style="list-style-type: none"><li>▪ Demand from agrochemical customers returns - favorable effects for SGO and BAC expected</li><li>▪ Selling price increases necessary on the back of rising benzene input costs</li><li>▪ Organic growth: BAC (Uerdingen, GER)</li></ul>	
<b>Performance Chemicals</b>	<ul style="list-style-type: none"><li>▪ Construction industry with gradual recovery in Europe, US</li><li>▪ Automobile industry seen with continuous growth (customers of RUC, RCH)</li><li>▪ Organic growth: ION (Jhagadia, IN), IPG (Shanghai, CN and Porto Feliz, BR), RCH (N. Novgorod, RU)</li></ul>	

Chart 23

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## Outlook with confidence



Chart 24

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Energizing Chemistry



## Appendix

### 2011 financial expectations

#### Additional financial expectations for 2011

- Capex : ~€550-600 m
- D&A : ~€280 – €300 m
- Tax rate : 20 to 25%
- Hedging 2011 : ~40% at 1.30-1.40 USD / EUR
- Foreign currency : U.S. dollar at ~1.40 USD / EUR
- Exceptionals and cash outs : minor for ongoing businesses



## Strongest growth in Latin America

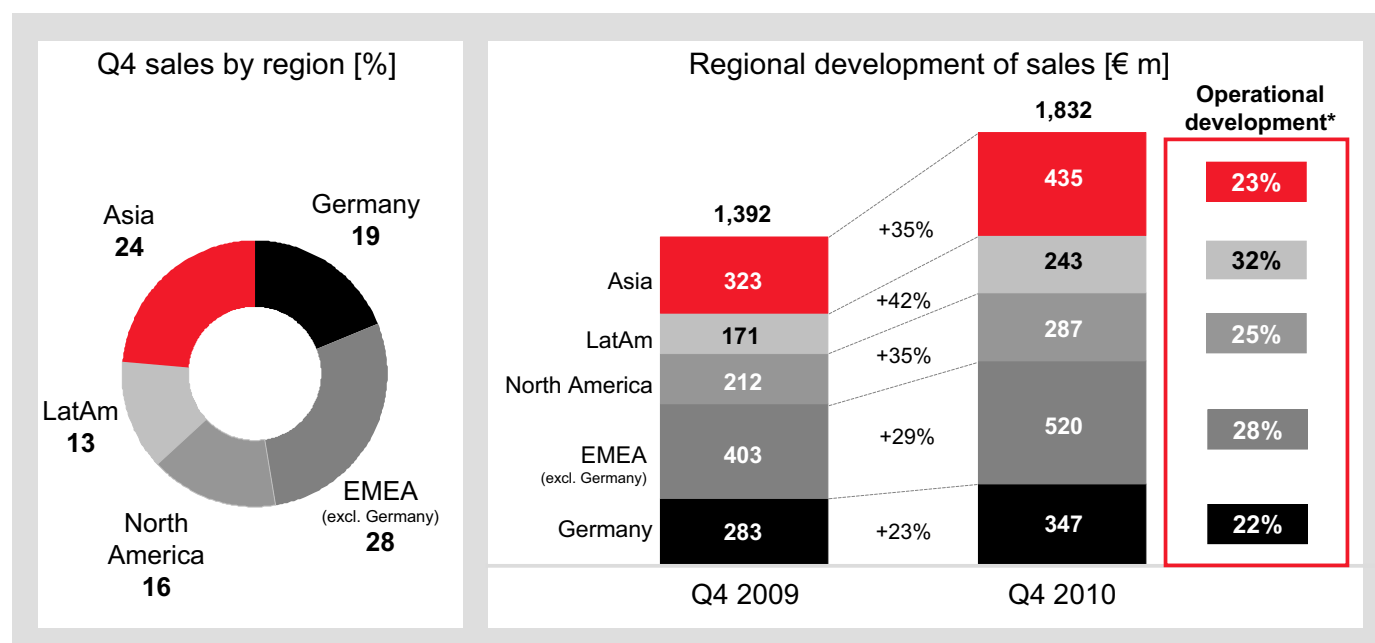


Chart 28

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## Q4 2010 financial overview: solid Q4 with return to normal seasonality

[€ m]	Q4 2009	Q3 2010	Q4 2010	yoy in %	
Sales	1,392	1,847	1,832	31.6%	<ul style="list-style-type: none"> <li>Volume, price and currency increase vs PY leads to Q4 sales on Q3 level</li> <li>EBITDA increase vs PY but softer sequentially due to normal seasonality and Q4 one-off payment to employees</li> </ul>
EBITDA pre except. margin	144 10.3%	244 13.2%	172 9.4%	19.4%	
Net Income	14	118	26	85.7%	
Capex*	114	107	295	>100%	
[€ m]	31.12.2009	30.09.2010	31.12.2010	% vs. FY	<ul style="list-style-type: none"> <li>Capex increases due to BTR and ION investments as well as year end maintenance turnarounds</li> <li>Working Capital increases yoy due to risen business activity, currency and price effects</li> </ul>
Net Financial Debt	794	865	913	15.0%	
Net Working Capital	1,096	1,485	1,372	25.2%	
Employees	14,338	14,539	14,648	2.2%	
<b>Solid Q4, despite one-off payment, maintenance and absence of savings</b>					

\* net of projects financed by customers and finance lease

Chart 29

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## Strong demand meets a flexible and adjusted cost structure

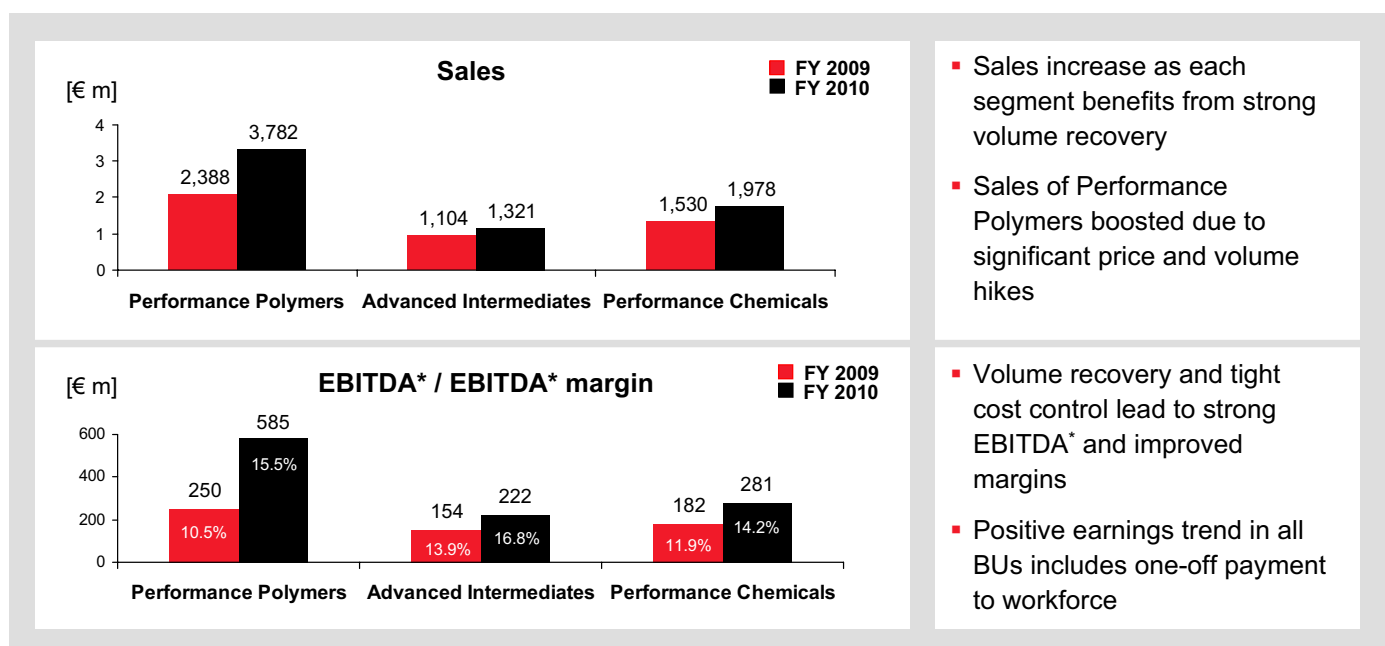
[€ m]	FY 2009	FY 2010	yoy in %	
<b>Sales</b>	<b>5,057 (100%)</b>	<b>7,120 (100%)</b>	<b>41%</b>	<ul style="list-style-type: none"> <li>Strong sales increase due to significant volume (+22%) and good pricing (+13%) as well as supporting currency (+4%) and portfolio (+1%) effects</li> </ul>
Cost of sales	-3,956 (78%)	-5,381 (76%)	36%	
Selling	-530 (11%)	-646 (9%)	22%	
G&A	-235 (5%)	-298 (4%)	27%	<ul style="list-style-type: none"> <li>Operational expenses increase with risen business activity but disproportionately to sales</li> </ul>
R&D	-101 (2%)	-116 (2%)	15%	
<b>EBIT</b>	<b>149 (3%)</b>	<b>607 (9%)</b>	<b>&gt;100%</b>	<ul style="list-style-type: none"> <li>Strong EBITDA pre due to ongoing demand recovery as well as flexible and adjusted cost base, held back somewhat by one-off compensation payment</li> </ul>
<b>Net income</b>	<b>40 (1%)</b>	<b>379 (5%)</b>	<b>&gt;100%</b>	
<b>EPS</b>	<b>0.48</b>	<b>4.56</b>	<b>&gt;100%</b>	
EBITDA	422 (8%)	890 (13%)	>100%	
thereof exceptionals	-43 (1%)	-28 (0%)	-35%	
<b>EBITDA pre exceptionals</b>	<b>465 (9%)</b>	<b>918 (13%)</b>	<b>97%</b>	

**A year of solid EBITDA generation, benefitting from ongoing recovery**

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Chart 30

## On growth track, segment by segment



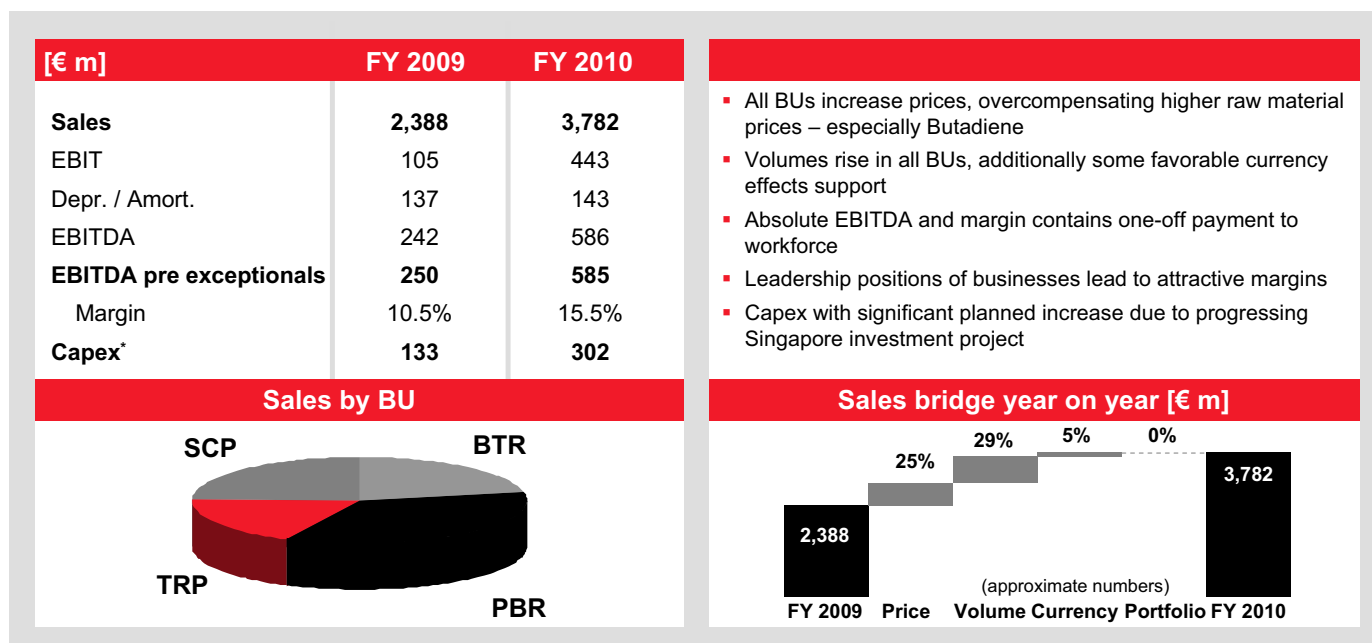
\* pre exceptionals

Chart 31

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## Performance Polymers: a year of recovery

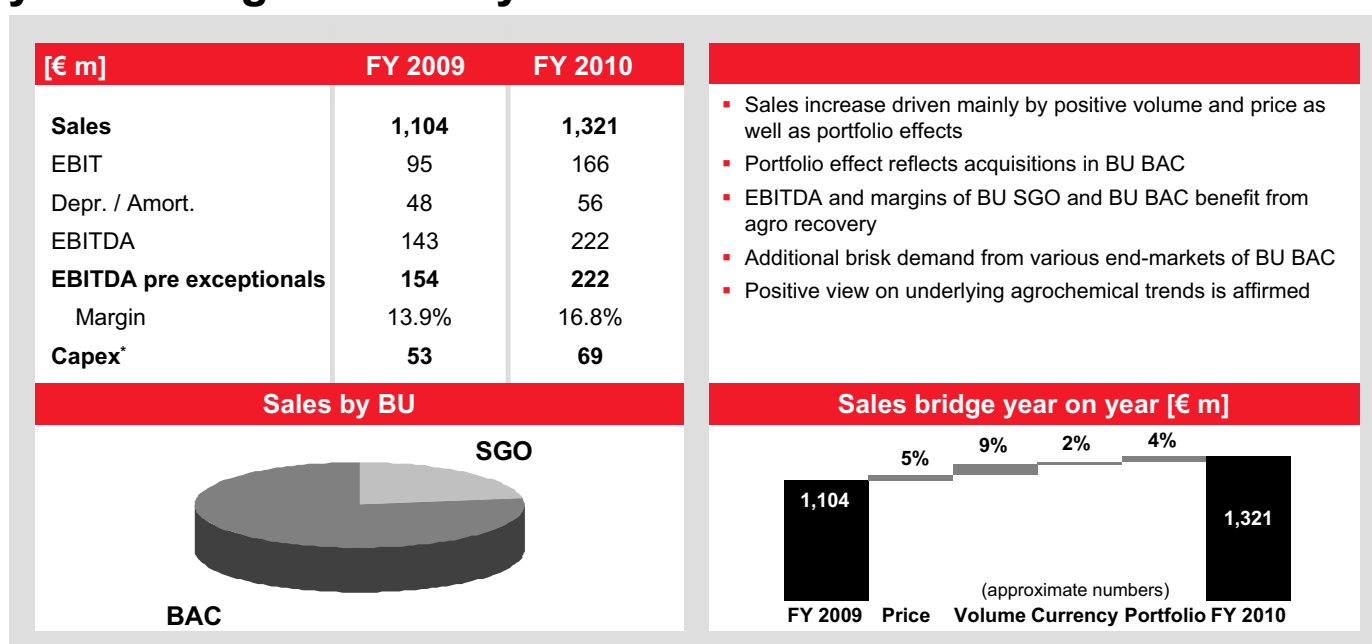


\* net of finance lease

Chart 32

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## Advanced Intermediates: strong performance boosted by year-end agro recovery



\* net of projects financed by customers

Chart 33

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# Performance Chemicals: volume-driven recovery of specialty chemicals

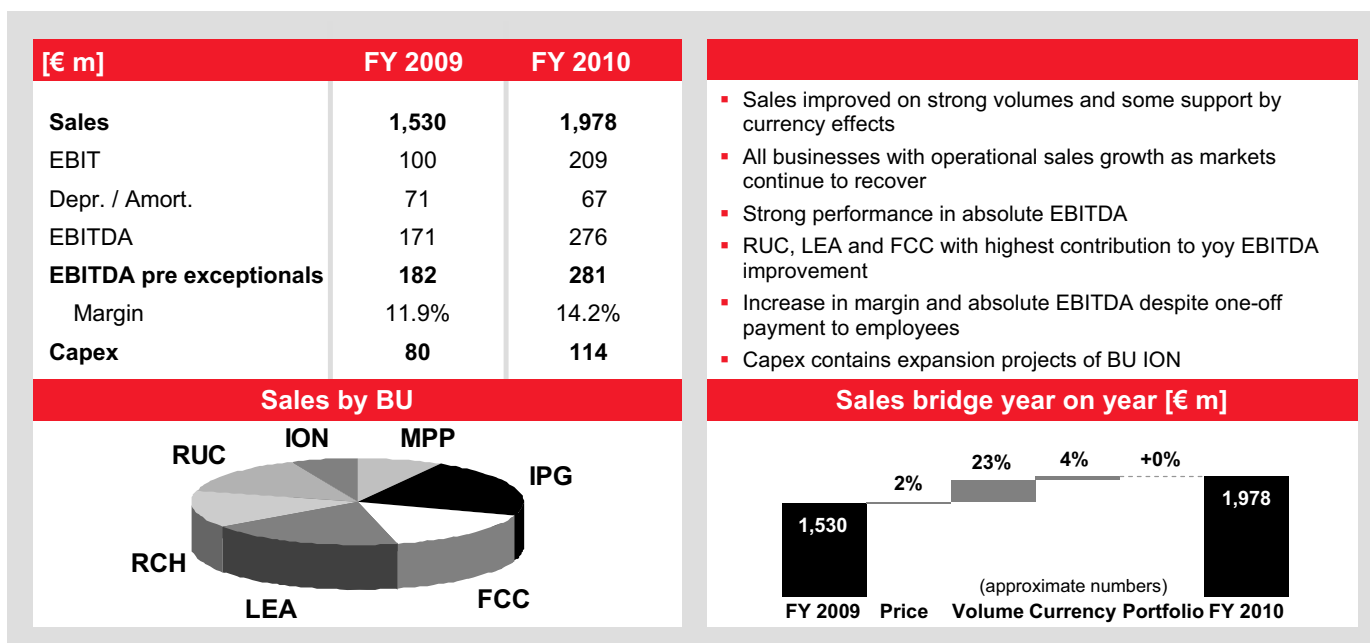


Chart 34



# Raw material induced price increases passed on, “Price before volume” strategy plays out

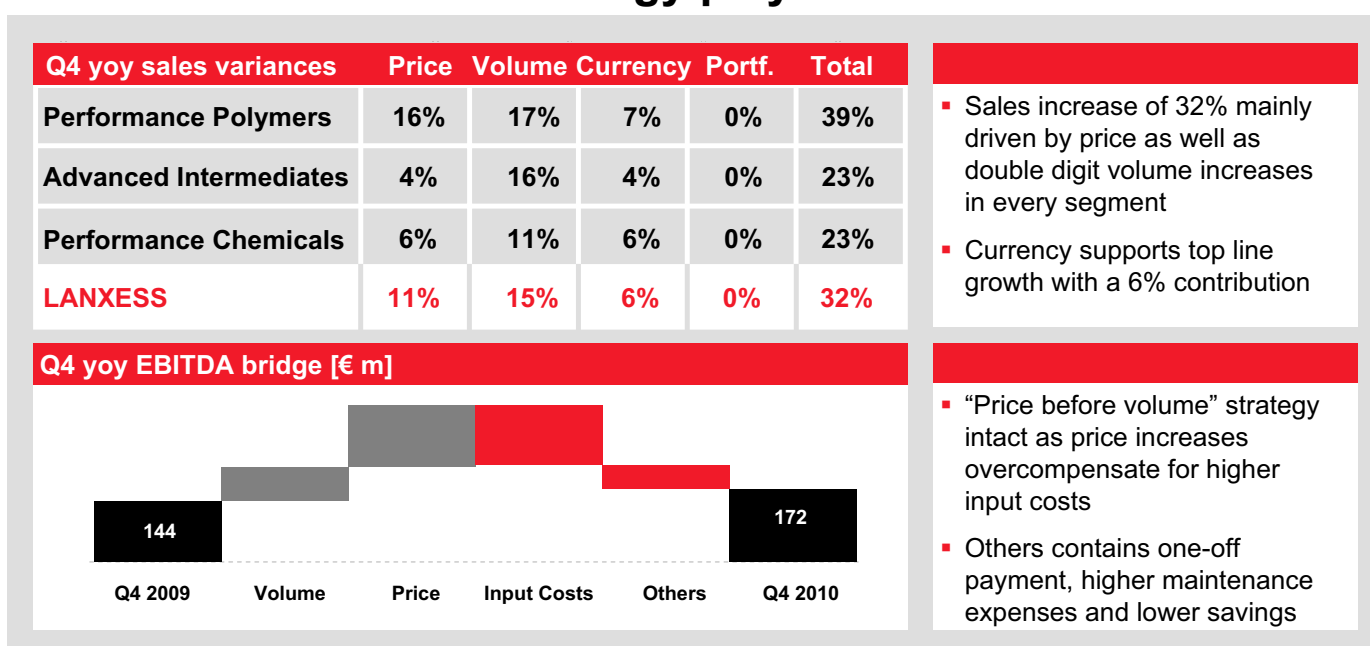


Chart 35



## No major refinancing needs until 2012

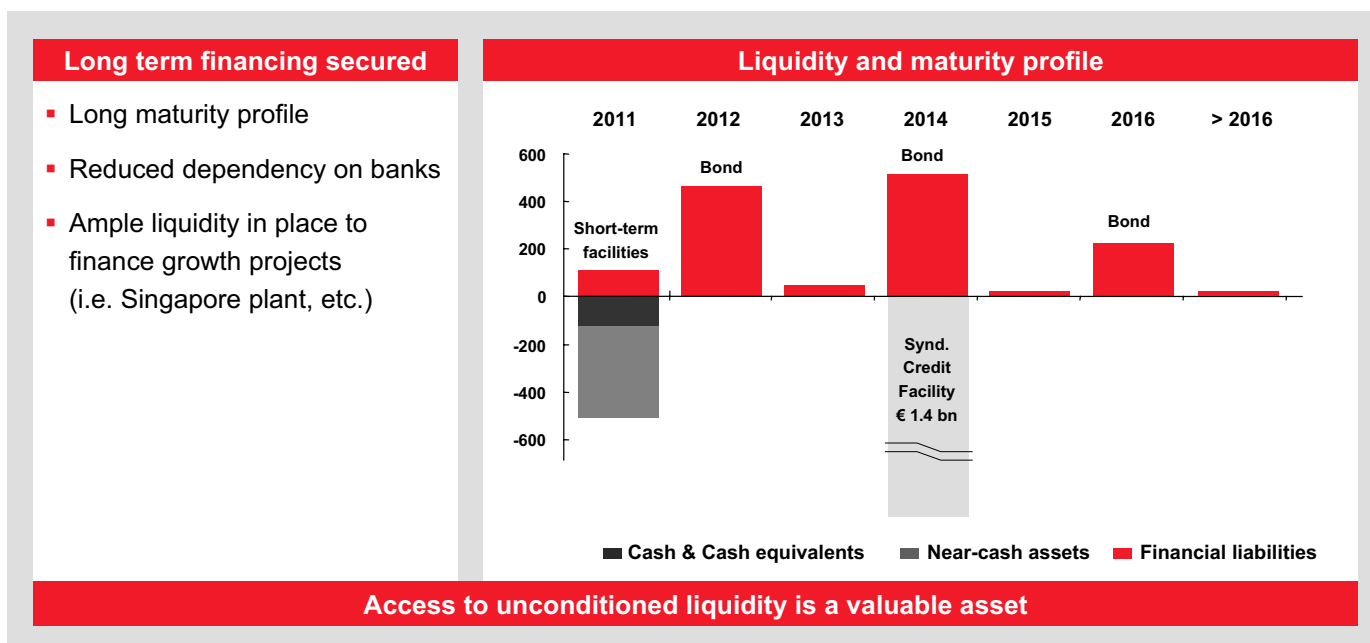
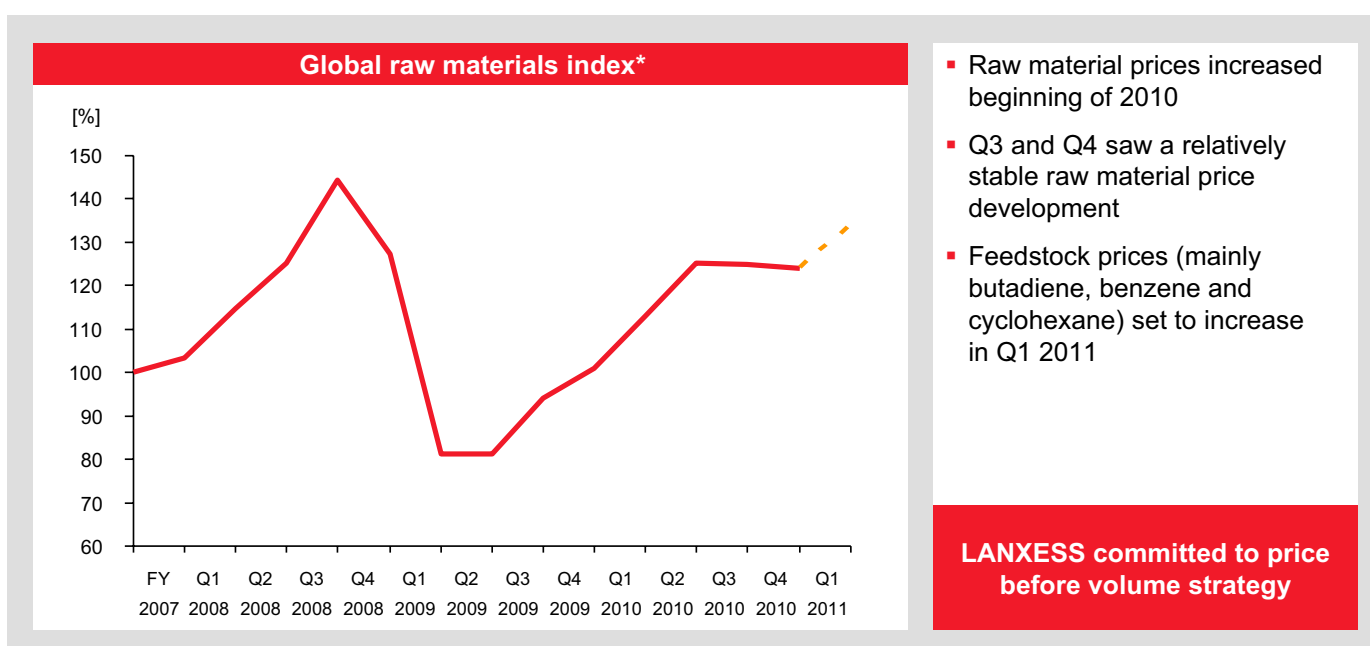


Chart 36

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## Raw material prices expected to increase

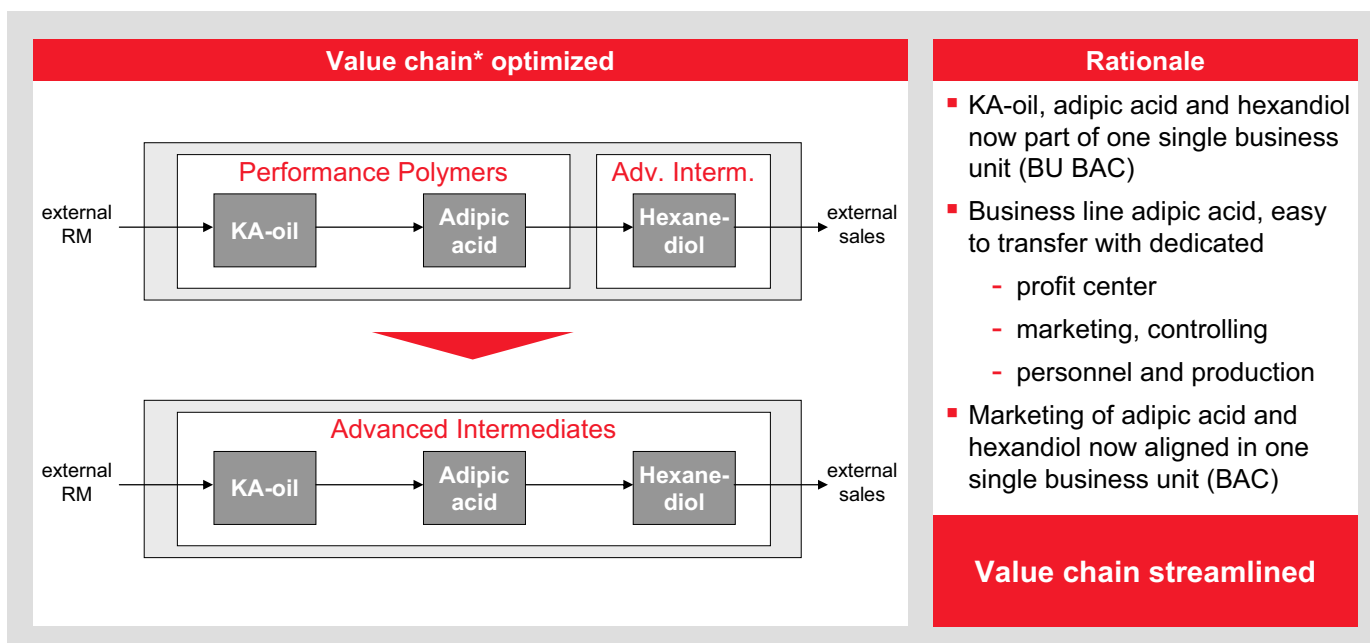


\* source: LANXESS, average 2006 = 100%

Chart 37

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



\* simplified illustration

Chart 38



## Exceptional items incurred in Q4 2009 and Q4 2010

[€ m]	Q4 2009		Q4 2010	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	-2	1	-4	0
Advanced Intermediates	6	0	0	0
Performance Chemicals	12	6	5	0
Reconciliation	15	2	14	0
<b>Total</b>	<b>31</b>	<b>9</b>	<b>15</b>	<b>0</b>

Chart 39



## Exceptional items incurred in FY 2009 and FY 2010

[€ m]	FY 2009		FY 2010	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	9	1	-1	0
Advanced Intermediates	11	0	0	0
Performance Chemicals	17	6	5	0
Reconciliation	18	5	24	0
<b>Total</b>	<b>55</b>	<b>12</b>	<b>28</b>	<b>0</b>

Chart 40

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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

Chart 41

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# Upcoming events 2011

## Upcoming events

- Q1 Results 2011 May 11, 2011
- Annual Stockholders' Meeting May 18, 2011
- Q2 Results 2011 August 11, 2011
- Q3 Results 2011 November 10, 2011

Chart 42

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