



LANXESS at the Core of the Chemical Industry

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Chairman of the Board of Management

2nd LANXESS Capital Markets Day
London, September 17 / 18, 2007

Agenda



Strength

LANXESS – Continuous transformation delivers strong performance



Core Competence

LANXESS acts at the core of the chemical industry



Value Creation

LANXESS strongly focuses on value creation



Ambition

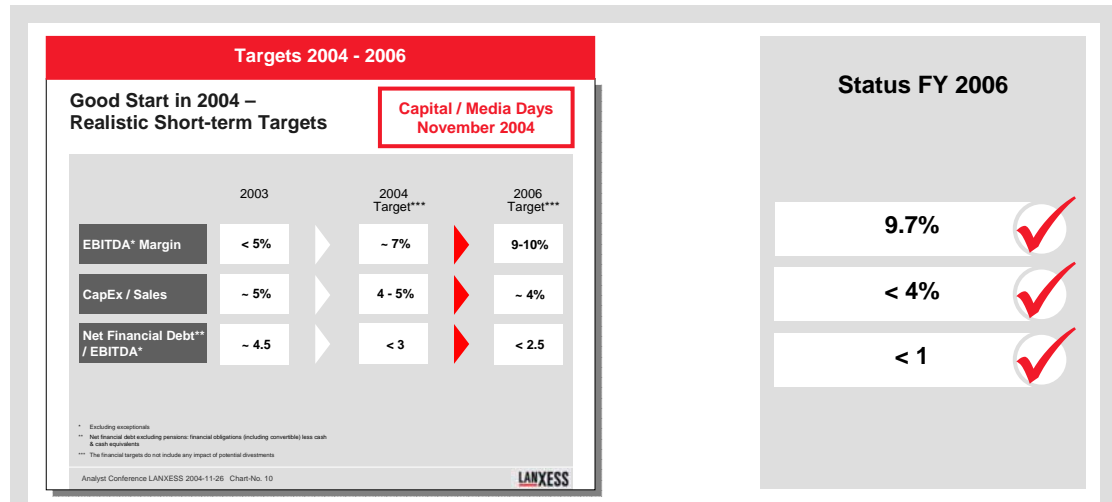
LANXESS' clear ambition will lead to a successful future



Strength

LANXESS – Continuous transformation delivers strong performance

LANXESS delivered on ambitious targets



* EBITDA pre exceptional
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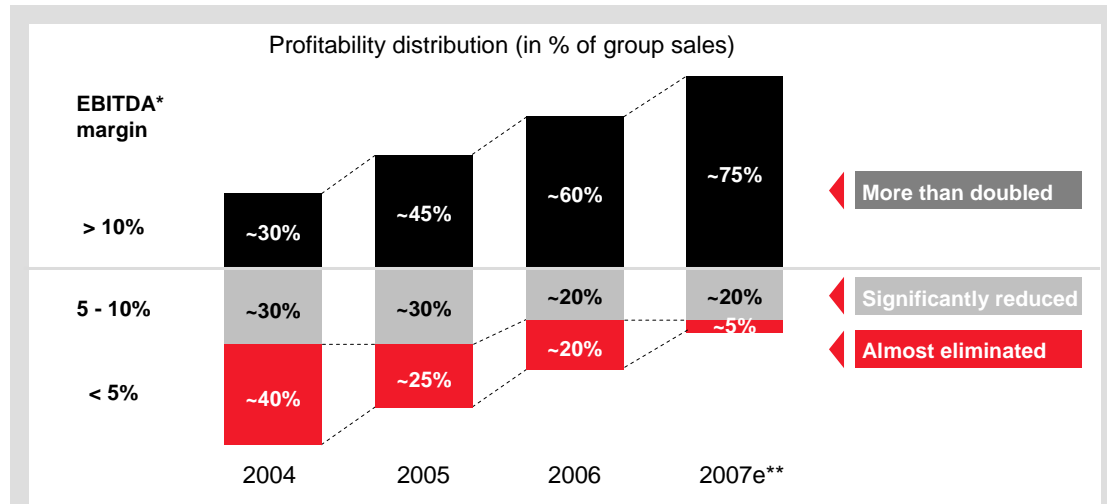
LANXESS well on its way to achieve targets in 2009



* EBITDA pre exceptional; excl. BU LUP Q4/2007
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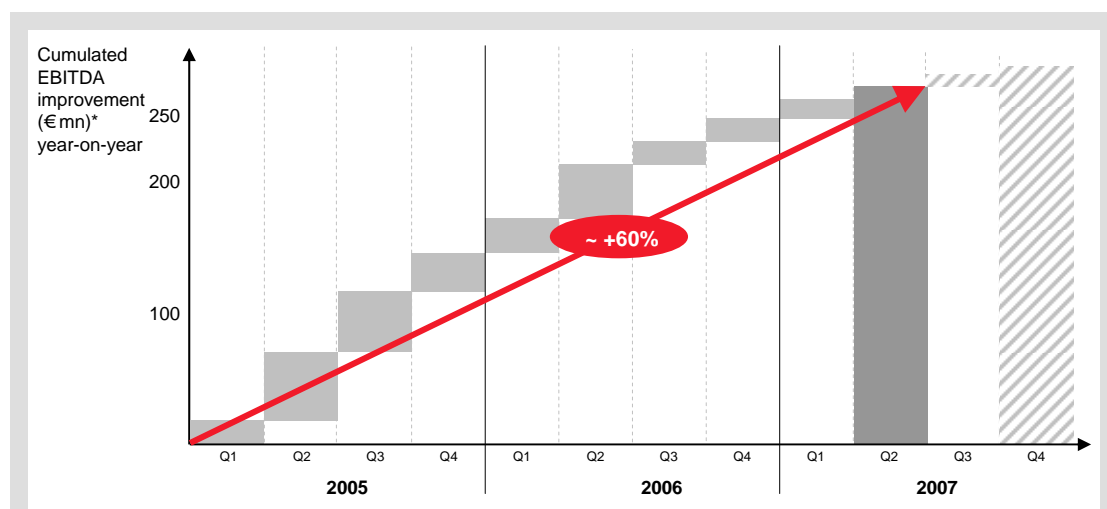
Structural improvements across the entire company



* EBITDA pre exceptional; ** excl. BU LUP Q4 2007
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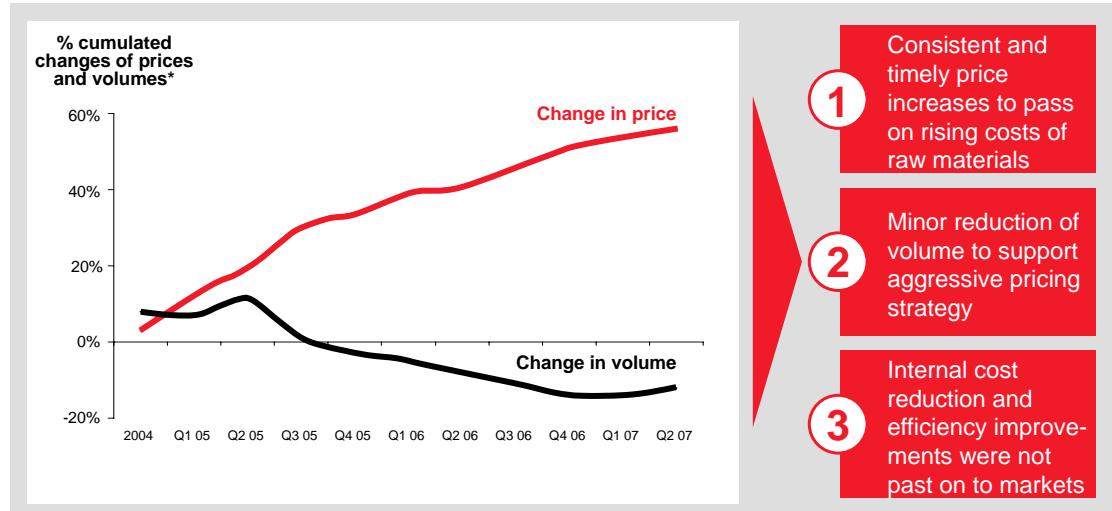
Ten successive quarters of EBITDA improvement



* EBITDA pre exceptional
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“Price-before-Volume” strategy fueled increased profitability

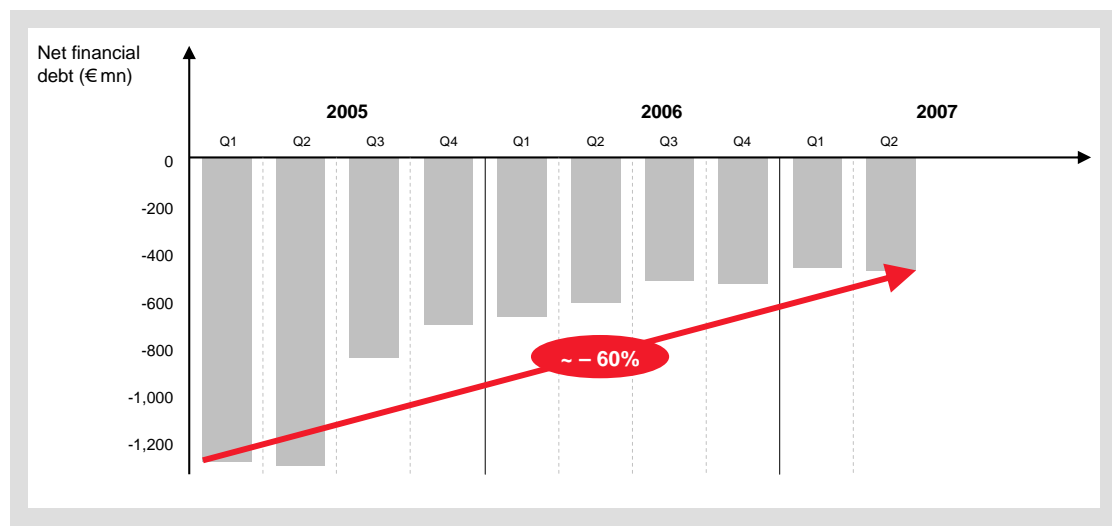


- 1** Consistent and timely price increases to pass on rising costs of raw materials
- 2** Minor reduction of volume to support aggressive pricing strategy
- 3** Internal cost reduction and efficiency improvements were not past on to markets

* Cumulated price and volume changes vs. 2003
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Net financial debt reduced by more than 60%



~ -60%

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Portfolio management has continuously strengthened the company

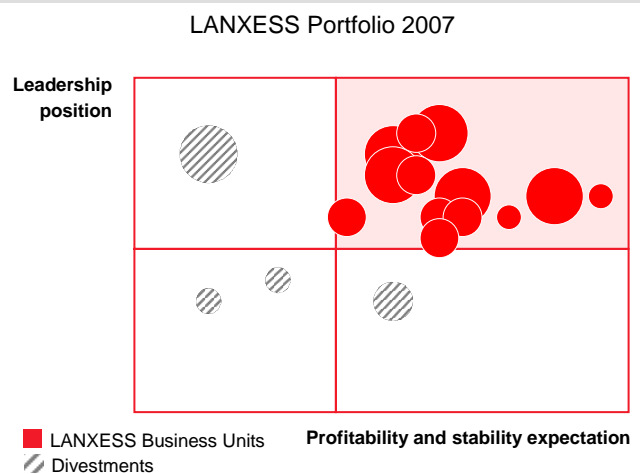
	Leadership Position	Cyclicality	Profitability Expectation	Business Driver
Fibers	weak	high	low	Market shifting to Asia
Paper	moderate	moderate	medium	High industry consolidation
Textile Processing Chemicals	weak	moderate	medium	Market shifting to Asia
Lustran Polymers	good	high	low	Overcapacities, Commoditization
CISA	good	low	high	Upstream integration

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Building a strong portfolio with leadership businesses

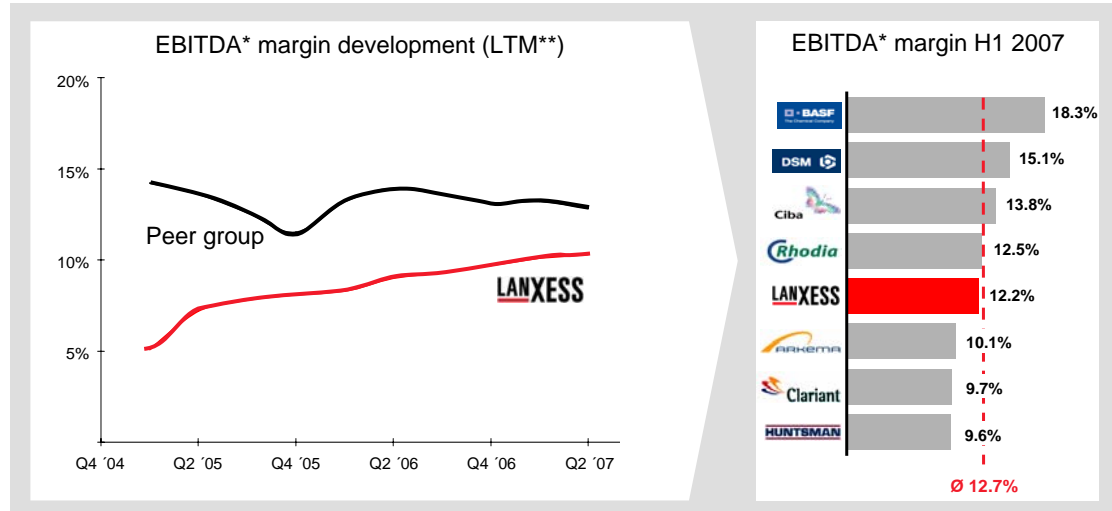
- 13 Business Units seriously restructured and repositioned
- BUs moving into leadership positions in their markets
- Strategic divestments of four Business Units:
 - Fibers
 - Paper
 - Textile Processing Chemicals
 - Lustran Polymers



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LANXESS is closing the profitability gap to peers



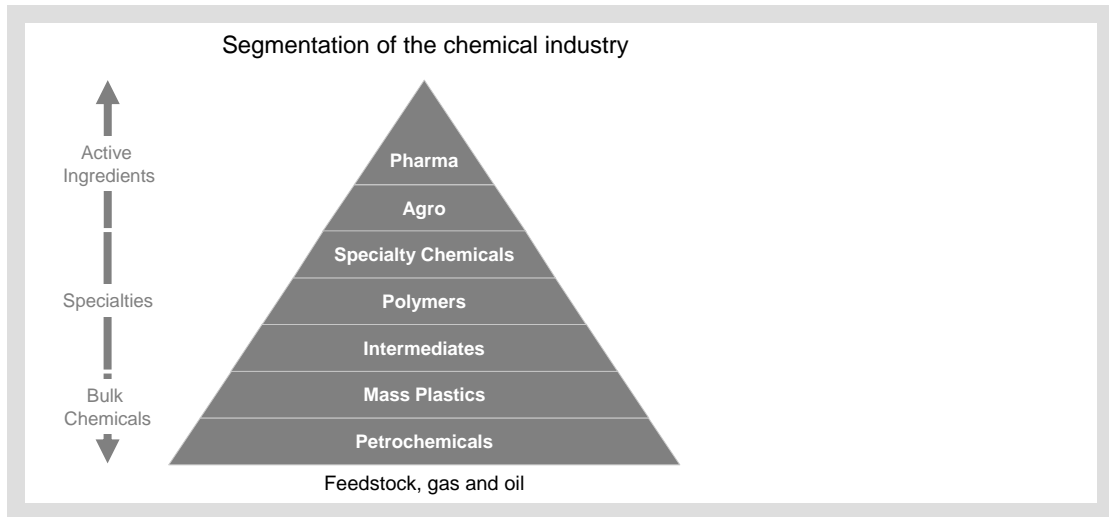
* EBITDA pre exceptional; ** Last twelve months
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Core Competence

LANXESS acts at the core of the chemical industry

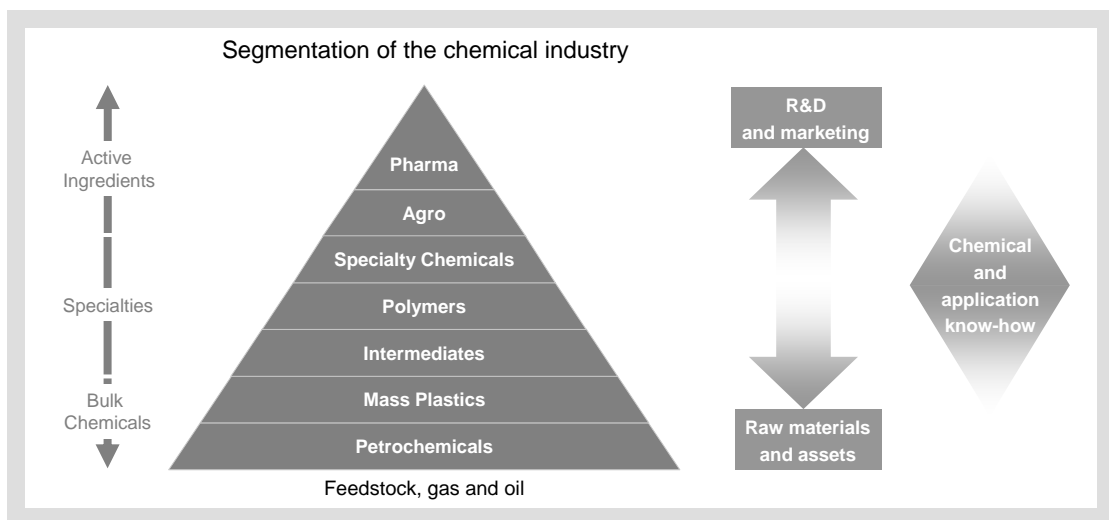
The chemical industry covers a wide range



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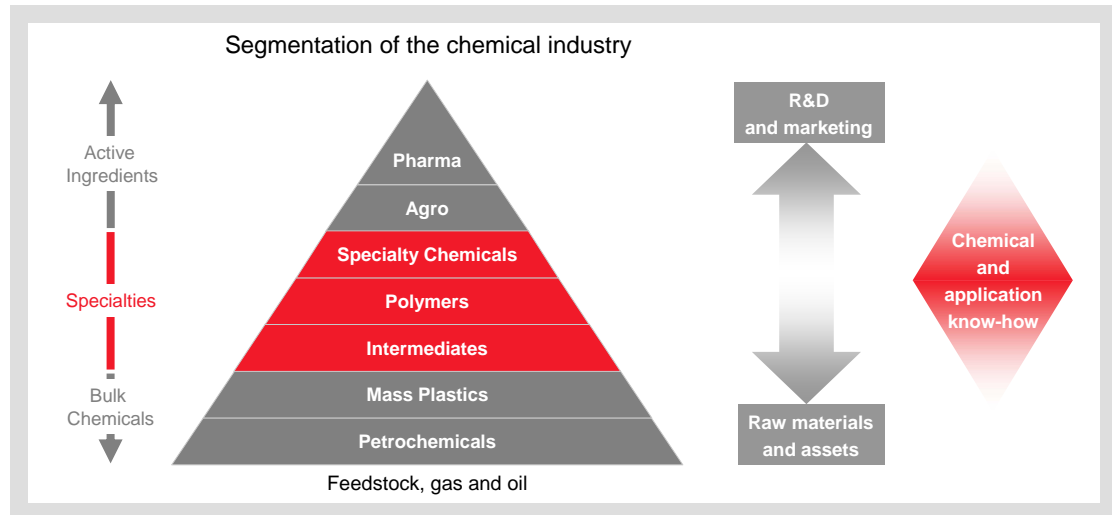
Different drivers for the different layers of the pyramid



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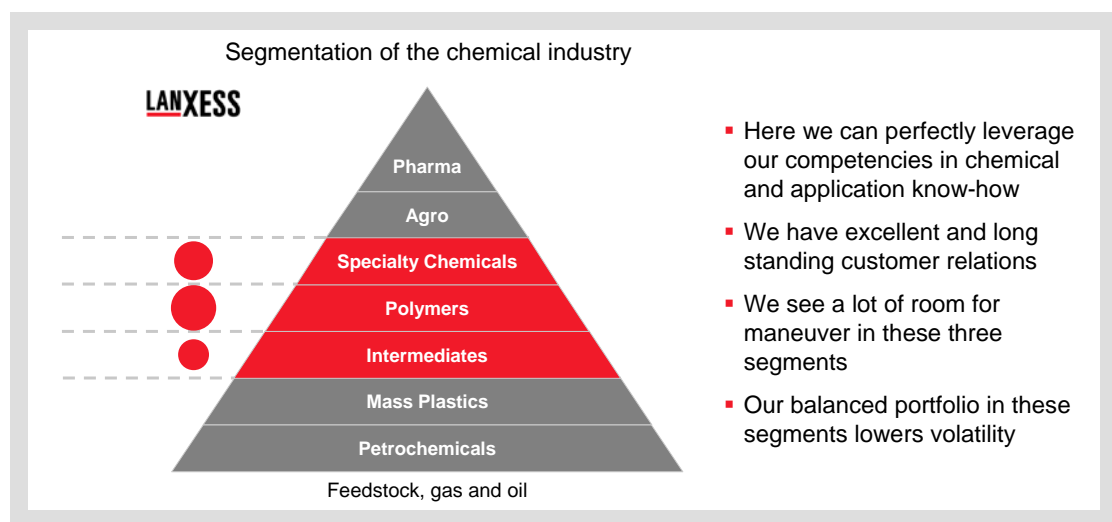
Chemical and application know-how are key at the core of the chemical industry



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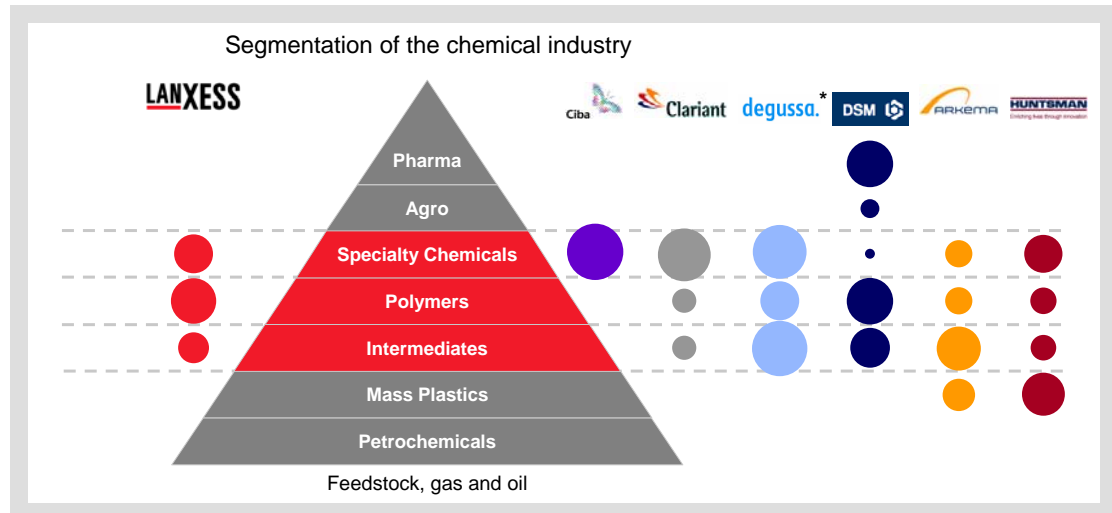
LANXESS focuses on the core of the chemical industry



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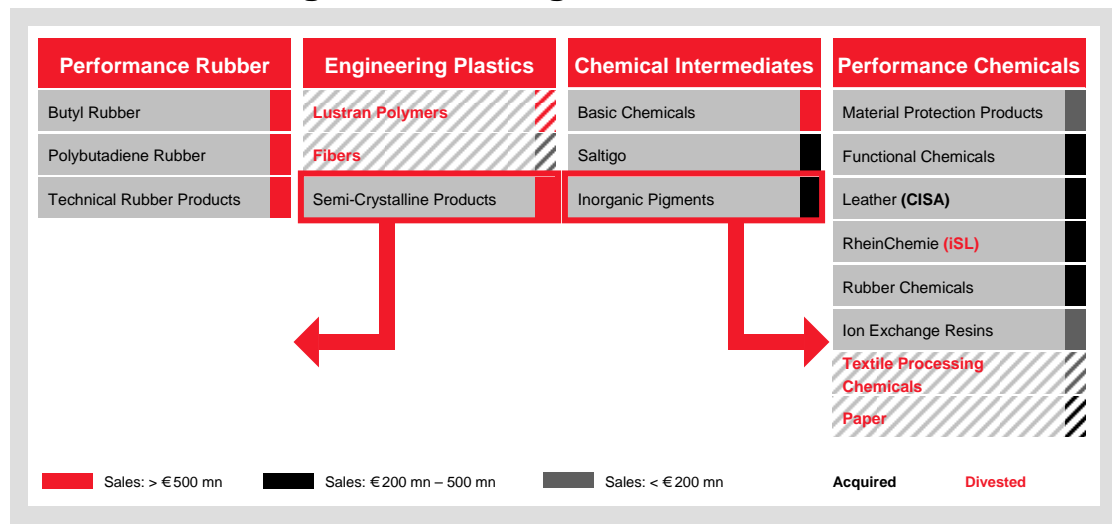
LANXESS ranks among the leading companies at the core of the chemical industry



* Since 2007-09-12 a division of Evonik Industries
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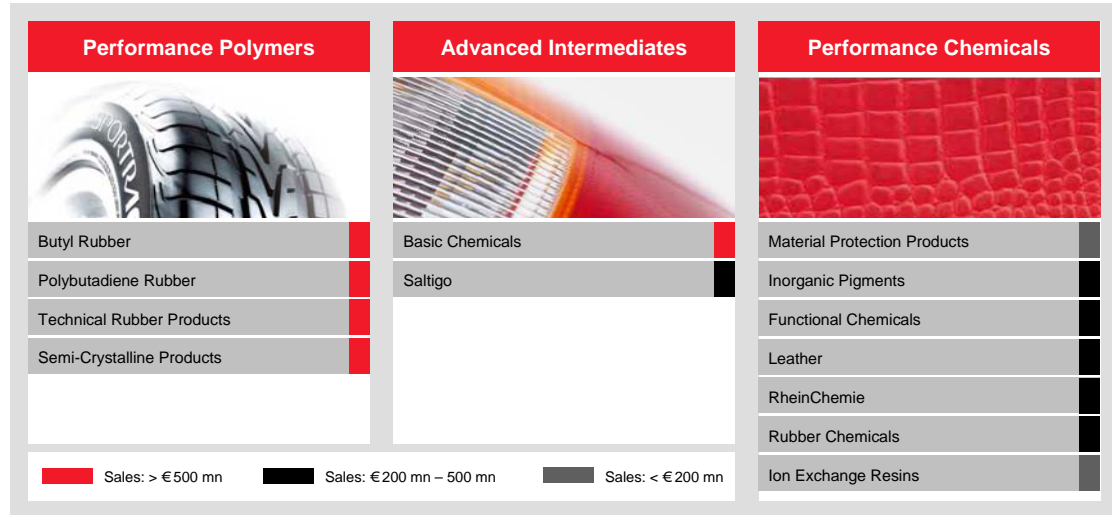
Portfolio management allows for regrouping of LANXESS businesses along chemical segmentation



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Portfolio management allows for regrouping of LANXESS businesses along chemical segmentation



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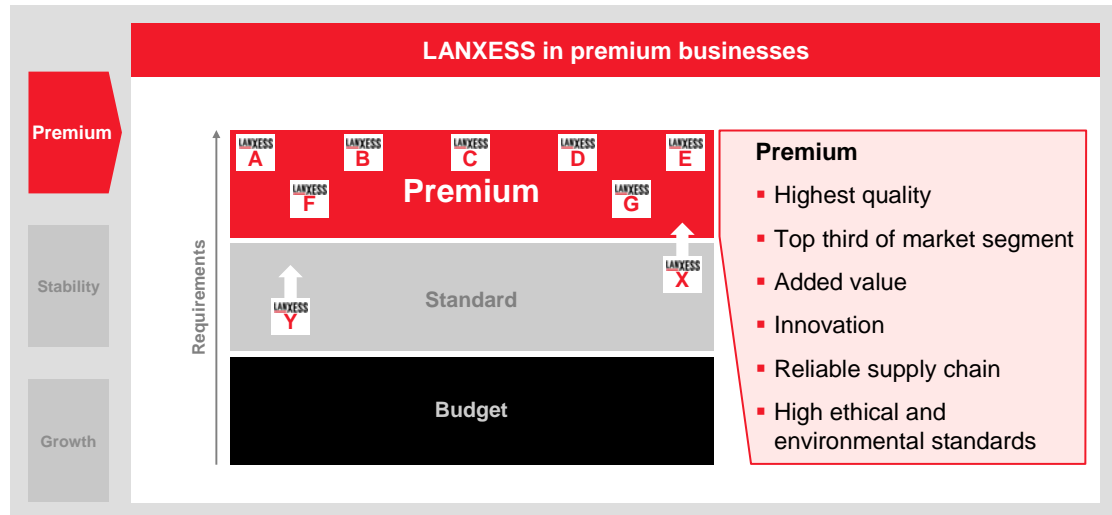
In each individual segment LANXESS focuses on premium, stable and growing businesses



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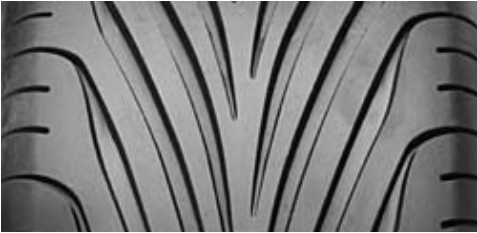

LANXESS serves demanding customer needs



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Performance Polymers a supplier of high-tech polymers

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	<p>Synthetic Rubber</p> <ul style="list-style-type: none"> ▪ Focus on high-end synthetic Rubber grades: SSB, Nd-BR, Halobutyl Rubber, HNBR ▪ New product generations of SSB and Halobutyl Rubber developed and patented by LANXESS ▪ Preferred development partner for leading tire manufacturers 		<p>Polyamide Engineering Plastics</p> <ul style="list-style-type: none"> ▪ Unique Polyamide / Metal Hybrid-technology developed and patented by LANXESS: Bonding of steel and plastics to combine the benefits of both ▪ LANXESS innovative Polyamide / Glass Fiber Compounds used for major design elements of premium cars
Stability			
Growth			

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Advanced Intermediates with top quality products and an excellent supply chain

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	<p>Basic Chemicals</p> <ul style="list-style-type: none"> Leading supplier of premium Intermediates for highest quality and specification demands Excellent supply chain reliability and long-term product consistency 	<p>Custom Manufacturing</p> <ul style="list-style-type: none"> Saltigo's business is focused on custom manufacturing of IP protected high value products Saltigo is a preferred supplier and development partner of global leaders of pharmaceutical and agrochemical companies 	
Stability			
Growth			

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Performance Chemicals businesses driven by providing solutions to customers

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	<p>Innovative Materials</p> <ul style="list-style-type: none"> Monodispers macroporous Lewatit® resins for water treatment applications (Ion Exchange Resins) High performance pigments for paints with unique dispersibility (Inorganic Pigments) Modern biocide actives for ecological wood protection applications (Material Protection Products) 	<p>Solution Engineering</p> <ul style="list-style-type: none"> Solution engineering approach for RheinChemie, Material Protection Products, Functional Chemicals and Leather Long-term customer intimacy and application know-how as key success factors 	
Stability			
Growth			

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LANXESS serves healthy markets in a disciplined manner

LANXESS in stable businesses	
Premium	Demand <ul style="list-style-type: none"> Continuous strong global demand for chemical products Regional softening / slow down of growth dynamics in NAFTA offset by strong growth in Asia and robust development in Europe
Stability	Supply <ul style="list-style-type: none"> Chemical Industry with strong commitment to value driven capacity expansion in past years
	LANXESS <ul style="list-style-type: none"> Technology / Assets / Products <ul style="list-style-type: none"> More flexible asset structures High entry barriers (technology and patent positions) Diversified customer base with top market positions Global set-up with regional flexibility Management <ul style="list-style-type: none"> Transparency and performance culture Relentless improvement of cost structures in combination with value pricing Disciplined capacity management (expansion / mothballing and closure)
Growth	

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Performance Polymers with favorable supply / demand for years

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	Balanced supply / demand situation		
Stability	Demand <ul style="list-style-type: none"> Steady growth in line with GDP Trend towards increased mobility supports tire and automotive industry growth 		
	Supply <ul style="list-style-type: none"> Industry more disciplined and value driven No large capacity extension; capacity increase in line with demand 		
Growth	LANXESS <ul style="list-style-type: none"> Flexibilization of asset structures (PBR) Increase captive conversion of Caprolactam to Polyamide (SCP) Operational Excellence Initiative in all units Selective debottlenecking in SCP, BTR, TRP 		

Polybutadiene Rubber

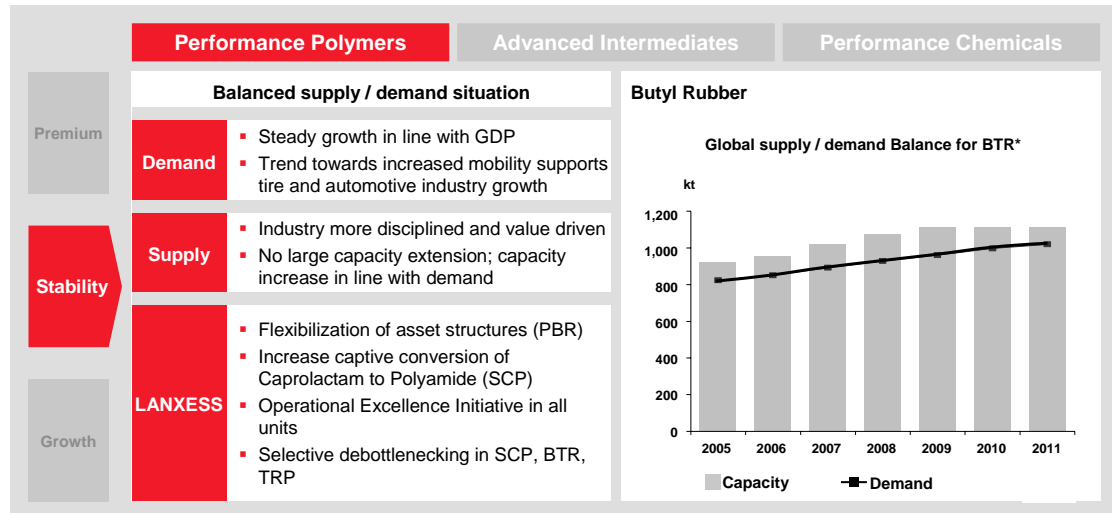
Global supply / demand Balance for PBR*

Year	Capacity (kt)	Demand (kt)
2005	~3,200	~2,500
2006	~3,300	~2,600
2007	~3,400	~2,700
2008	~3,400	~2,800
2009	~3,500	~2,900
2010	~3,600	~3,000
2011	~3,700	~3,100

* Source: CMAI
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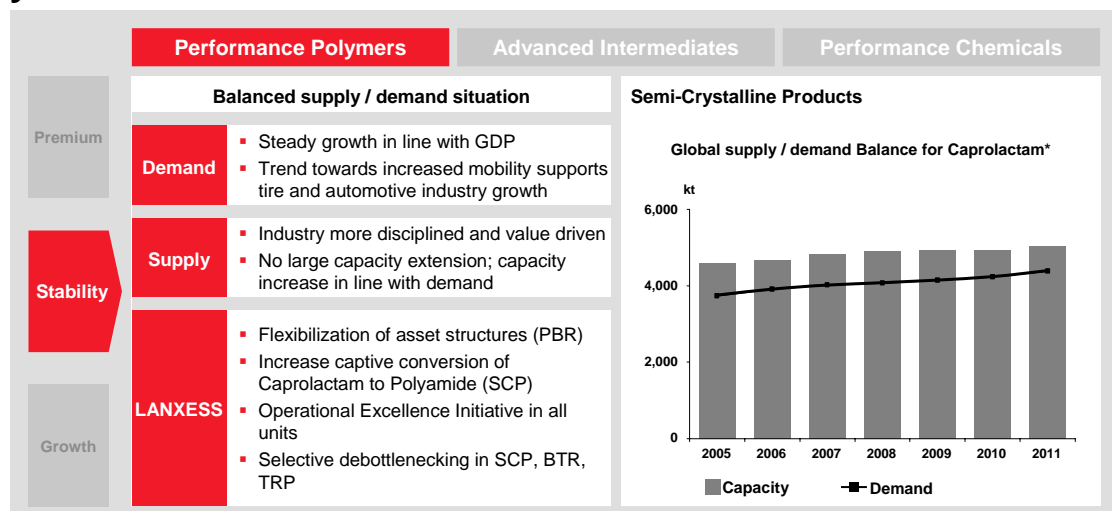
Performance Polymers with favorable supply / demand for years



* Source: CMAI
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Performance Polymers with favorable supply / demand for years



* Source: CMAI
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Advanced Intermediates are well positioned and will not face significant cyclicality

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	Competitive Verbund structures and niche markets		Basic Chemicals
Stability	Demand	<ul style="list-style-type: none"> Diversified and attractive niche markets Trend for outsourcing of chemical production 	<ul style="list-style-type: none"> Basic Chemicals sells 80% of its products in diversified niche markets and realizes cost advantages through Verbund structures, e.g. the unique "Aromatenverbund"
	Supply	<ul style="list-style-type: none"> Consolidation in Americas and Europe Emerging players with escalating costs due to increasing environmental and tax regulations 	
Growth	LANXESS		
		<ul style="list-style-type: none"> World scale plants, competitive "Verbund" structures on integrated sites Continuous productivity increase Process improvements and automatization Optimize market position through profitable volume gains 	

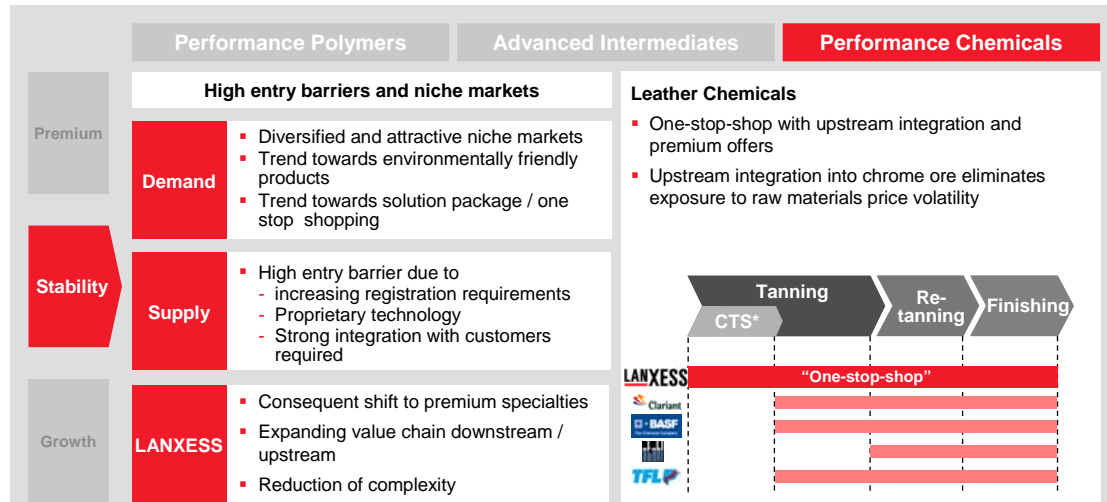
"Aromatenverbund"

Performance Chemicals with highly stable positions due to technology, registration and upstream integration

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	High entry barriers and niche markets		Material Protection Products
Stability	Demand	<ul style="list-style-type: none"> Diversified and attractive niche markets Trend towards environmentally friendly products Trend towards solution package / one stop shopping 	<ul style="list-style-type: none"> Comprehensive portfolio of intellectual property of next generation biocides, active ingredients and formulations Strong competence in registration in increasingly regulated global markets
	Supply	<ul style="list-style-type: none"> High entry barrier due to <ul style="list-style-type: none"> - Increasing registration requirements - Proprietary technology - Strong integration with customers required 	
Growth	LANXESS		
		<ul style="list-style-type: none"> Consequent shift to premium specialties Expanding value chain downstream / upstream Reduction of complexity 	

Three layer business model

Performance Chemicals with highly stable positions due to technology, registration and upstream integration



* CTS: Chrome Tanning Salts
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Cost competitiveness by continuous restructuring and optimization is a must in all areas



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LANXESS will grow by utilizing favorable trends

LANXESS in growth businesses

Premium

Stability

Growth

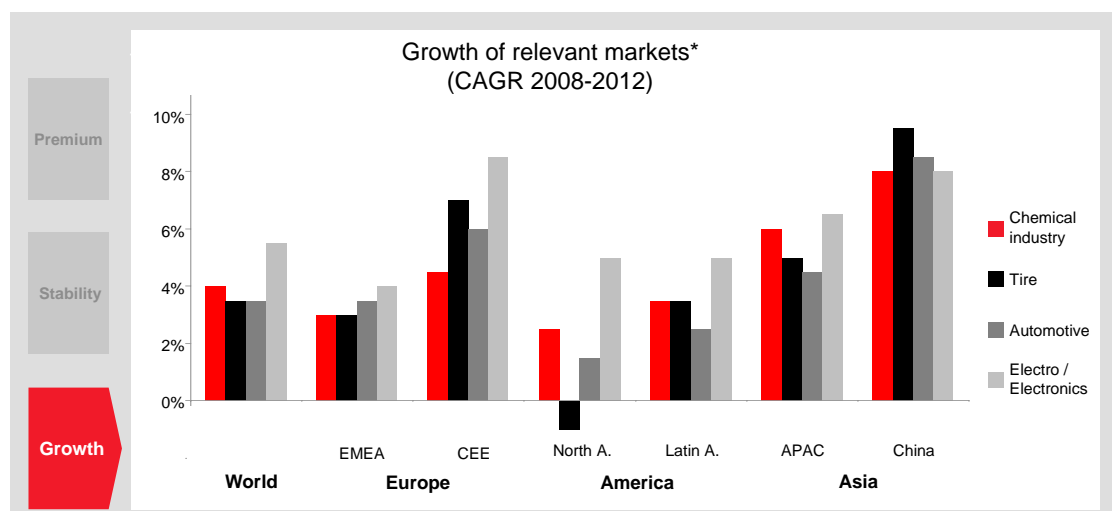
Markets/ Trends

- Continuous strong global demand for chemical products
- Relevant markets and customer industries grow between 2-10%
- Major trends like mobility, sustainable development and safety support mid-term prosperous outlook

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- Participation in market growth by
 - Investments, especially in Asia
 - Shift of product portfolio towards next generation premium products
- Growth through consolidation by absorbing volumes from captive producers and drop-outs
- Organic growth with new product developments and innovation

LANXESS serves markets with growth expectations



LANXESS utilizes trends towards high performance polymers

	Performance Polymers	Advanced Intermediates	Performance Chemicals																
Premium	Trends with attractive growth options																		
Stability	Market/Trends <ul style="list-style-type: none"> Increasing mobility fuels major markets above GDP Asia grows significantly above world average Environmental and safety trends favor high-tech polymer products 	Tire Industry* <ul style="list-style-type: none"> Strong underlying global trend towards high-performance tires and radialization 																	
Growth	LANXESS <ul style="list-style-type: none"> Focus on profitable high-tech applications Growing presence in Asia Debottlenecking plants (US and EU) Increase R&D 	<table border="1"> <caption>Tire Industry Production (units)</caption> <thead> <tr> <th>Year</th> <th>GP tires [units]</th> <th>Performance and high-performance tires [units]</th> <th>Total [units]</th> </tr> </thead> <tbody> <tr> <td>2000</td> <td>~150 mn</td> <td>~100 mn</td> <td>~250 mn</td> </tr> <tr> <td>2005</td> <td>~180 mn</td> <td>~240 mn</td> <td>~420 mn</td> </tr> <tr> <td>2010</td> <td>~200 mn</td> <td>~410 mn</td> <td>~610 mn</td> </tr> </tbody> </table>		Year	GP tires [units]	Performance and high-performance tires [units]	Total [units]	2000	~150 mn	~100 mn	~250 mn	2005	~180 mn	~240 mn	~420 mn	2010	~200 mn	~410 mn	~610 mn
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2010	~200 mn	~410 mn	~610 mn																

* Source: Michelin fact book 2005; GP=General Purpose
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LANXESS utilizes trends towards high performance polymers

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	Trends with attractive growth options		
Stability	Market/Trends <ul style="list-style-type: none"> Increasing mobility fuels major markets above GDP Asia grows significantly above world average Environmental and safety trends favor high-tech polymer products 	New Butyl Rubber plant in Asia <ul style="list-style-type: none"> Evaluation of three sites in Asia € 400 mn investment World-scale plant with latest technology To be decided in Q4/2007 	
Growth	LANXESS <ul style="list-style-type: none"> Focus on profitable high-tech applications Growing presence in Asia Debottlenecking plants (US and EU) Increase R&D 		



LANXESS utilizes trends towards high performance polymers

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Premium	Trends with attractive growth options														
Stability	Market/Trends <ul style="list-style-type: none"> Increasing mobility fuels major markets above GDP Asia grows significantly above world average Environmental and safety trends favor high-tech polymer products 	Engineering Plastics <ul style="list-style-type: none"> Expected annual global market growth by volume ~ 5% (2005-2010) 													
Growth	LANXESS <ul style="list-style-type: none"> Focus on profitable high-tech applications Growing presence in Asia Debottlenecking plants (US and EU) Increase R&D 	Demand for compounds based on Polyamide and PBT* <table border="1"> <caption>Demand for compounds based on Polyamide and PBT* (CAGR)</caption> <thead> <tr> <th>Region</th> <th>2005 CAGR</th> <th>2010 CAGR</th> </tr> </thead> <tbody> <tr> <td>Asia</td> <td>7%</td> <td>7%</td> </tr> <tr> <td>Americas</td> <td>4%</td> <td>4%</td> </tr> <tr> <td>EMEA</td> <td>4%</td> <td>4%</td> </tr> </tbody> </table>		Region	2005 CAGR	2010 CAGR	Asia	7%	7%	Americas	4%	4%	EMEA	4%	4%
Region	2005 CAGR	2010 CAGR													
Asia	7%	7%													
Americas	4%	4%													
EMEA	4%	4%													

* Source: PCI 2005, Top right 2005
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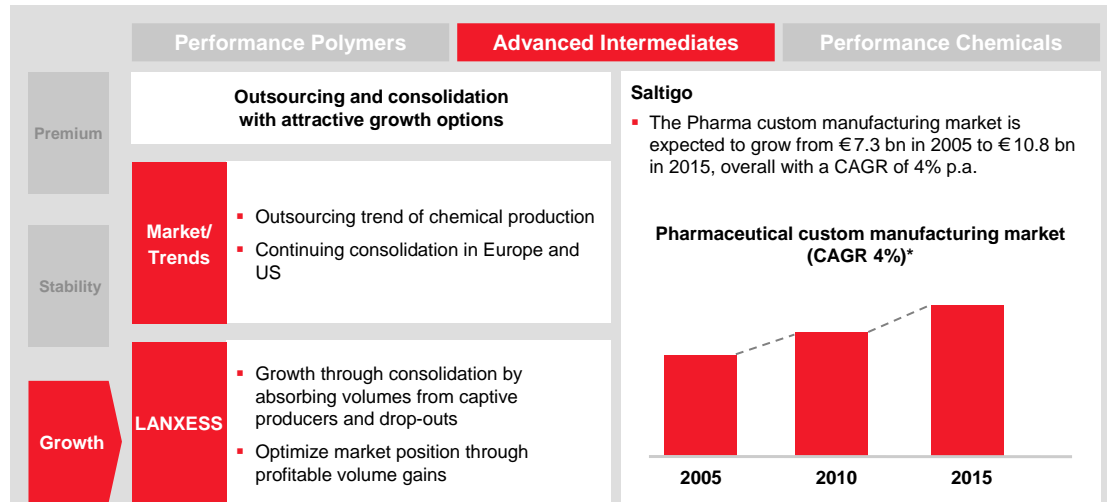
LANXESS utilizes trends towards high performance polymers

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Premium	Trends with attractive growth options		
Stability	Market/Trends <ul style="list-style-type: none"> Increasing mobility fuels major markets above GDP Asia grows significantly above world average Environmental and safety trends favor high-tech polymer products 	Additional compounding facilities in Asia <ul style="list-style-type: none"> New global R&D Center in Wuxi, China New compounding line in Wuxi, China 2nd line on stream in Q4/2007 3rd line in planning stages 	
Growth	LANXESS <ul style="list-style-type: none"> Focus on profitable high-tech applications Growing presence in Asia Debottlenecking plants (US and EU) Increase R&D 		

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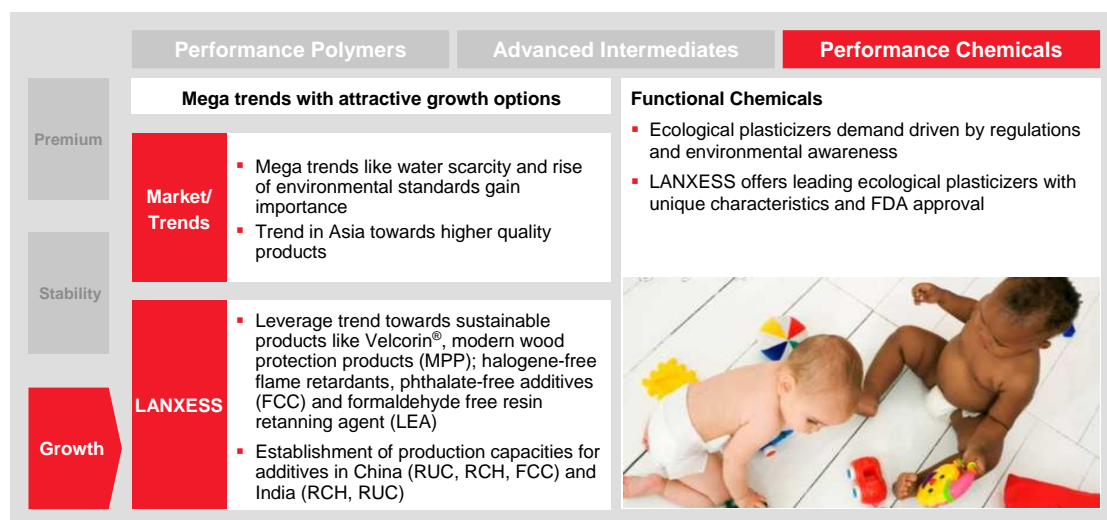
Advanced Intermediates aim at market share increases by becoming favorite supplier



* Source: LANXESS estimates
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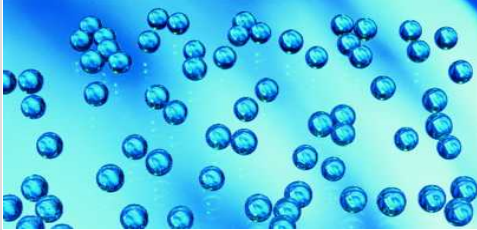
Performance Chemicals will profit from mega trends like water treatment and rise of environmental standards



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Performance Chemicals will profit from mega trends like water treatment and rise of environmental standards

	Performance Polymers	Advanced Intermediates	Performance Chemicals
Premium	Mega trends with attractive growth options		New Ion Exchange Resins plant in Asia <ul style="list-style-type: none"> Mega trend "clean water" ensures long-term growth for ION ION invests €30 mn in growth markets through new plant in India 
Stability	Market/Trends <ul style="list-style-type: none"> Mega trends like water scarcity and rise of environmental standards gain importance Trend in Asia towards higher quality products 		
Growth	LANXESS <ul style="list-style-type: none"> Leverage trend towards sustainable products like Velcorin®, modern wood protection products (MPP); halogene-free flame retardants, phthalate-free additives (FCC) and formaldehyde free resin retanning agent (LEA) Establishment of production capacities for additives in China (RUC, RCH, FCC) and India (RCH, RUC) 		

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LANXESS focuses on premium, stable and growing businesses

Premium	Focusing on premium businesses in all three segments
Stability	Positioned to succeed in a highly competitive environment
Growth	Growing profitably in line with global GDP*

*Volume growth
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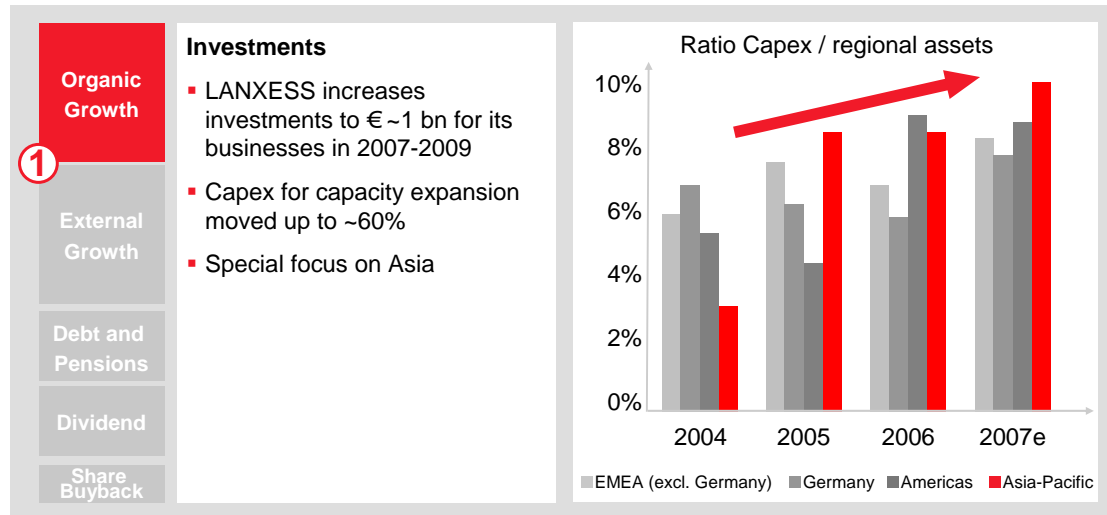
Value Creation

LANXESS strongly focuses on value creation

Clear priorities to create more value

①	Organic Growth	<ul style="list-style-type: none">▪ Best option for creating value
	External Growth	<ul style="list-style-type: none">▪ Stringent application of our valuation criteria
②	Debt and Pensions	<ul style="list-style-type: none">▪ Further debt reduction is currently not an option▪ Moderate pension funding is ongoing
	Dividend	<ul style="list-style-type: none">▪ Increase as profitability rises
③	Share Buyback	<ul style="list-style-type: none">▪ Considered an instrument of low priority

Organic growth through investments of ~1 billion Euro



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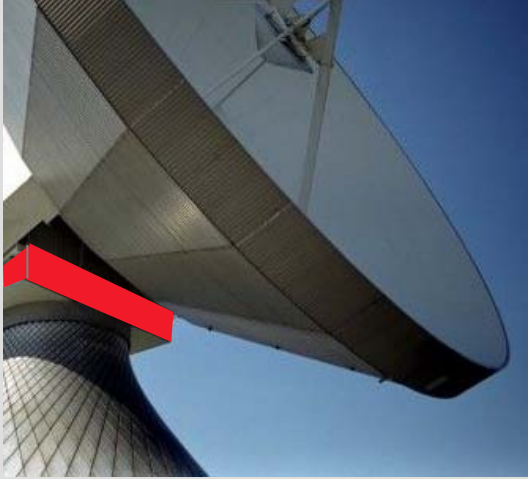
Asia continues to be a top focus area



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Screening for appropriate acquisition opportunities ongoing

Organic Growth	Screening <ul style="list-style-type: none"> Teams of internal and external experts Application of strict value criteria Entering bidding processes and negotiations 	
1 External Growth		
Debt and Pensions		
Dividend		
Share Buyback		

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Acquisition goal is to create value, not size

Organic Growth	Essential criteria <ul style="list-style-type: none"> Strategic fit Cultural fit Apply our competencies Meet financial criteria – EPS accretion after 3 years latest 	Acquisition size		
1 External Growth		Large	Mid-sized	Small
Debt and Pensions				
Dividend				
Share Buyback				
				
				
	Low relevance		High relevance	

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Current focus is on strengthening existing businesses

Organic Growth	Type of acquisition target Small to mid-sized business to <ul style="list-style-type: none"> strengthen our existing business units or to add a new business to our portfolio A company or part of a conglomerate that <ul style="list-style-type: none"> has the potential to be turned around or leverages our competencies on a broader platform 	Debt and Pensions
1 External Growth		Dividend
Debt and Pensions		Share Buyback
Dividend		Share Buyback
Share Buyback		Share Buyback




Status

Currently no value creating large-size acquisition option that fits our criteria

Focus


Strengthening of existing businesses

Balance sheet has reached strong status

Organic Growth	Debt <ul style="list-style-type: none"> Debt reduction is no option as of today. Current debt level already gives comfort to finance growth options Rating improved to BBB / Baa2 <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>✓</p> </div> <div style="text-align: center;">  <p>✓</p> </div> <div style="text-align: center;">  <p>✓</p> </div> </div>	Debt and Pensions
External Growth		Dividend
Debt and Pensions		Share Buyback
2		Share Buyback
Share Buyback		Share Buyback

- Favorable financing conditions
- Broadening of investor base


Dividend increase as profitability rises

Organic Growth	Dividend	
External Growth	<ul style="list-style-type: none">Objective: to further increase dividendLANXESS' dividend to be increased as profitability rises	
Debt and Pensions		
2 Dividend		
Share Buyback		

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Share buyback considered an instrument of low priority

Organic Growth	Share Buyback	
External Growth	<ul style="list-style-type: none">Buyback of shares of €50 mn in the third quarter of 2007. Shares retired to decrease share capitalShare buyback considered an instrument of low priority	
Debt and Pensions		
Dividend		
3 Share Buyback		

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Ambition


LANXESS' clear ambition will lead to a successful future

LANXESS will meet its ambitious targets faster than planned

<p>EBITDA* margin: Peer group profitability</p>	<p>2008 2009</p>	
<p>No business < 5% EBITDA* margin</p>	<p>2008 2009</p>	
<p>Investment grade rating</p>	<p>Ongoing</p>	

* EBITDA figures pre exceptionals; excluding acquisitions
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LANXESS – a premium supplier at the core of the chemical industry creating further value

Chemicals at the Core	Leveraging chemical and application know-how	
Premium Businesses	Ensuring stability and growth	
Value Creation	Always meeting strict value criteria	

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Energizing Chemistry

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