LANXESS Capital Markets Day 2010 – Continued growth from a financial perspective

Matthias Zachert, CFO
Duesseldorf, September 16, 2010
Agenda

- The financial view: first chapter of transformation
- External megatrend growth drivers – internal growth projects
- Excursion – addressing some of the capital markets’ FAQs

LANXESS has been transformed to a different company today

<table>
<thead>
<tr>
<th>Performance</th>
<th>Organic investment</th>
<th>External growth</th>
<th>Summary &amp; conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA pre [€ m]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>447</td>
<td>~800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>2010e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax rate [%]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;35</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>2010e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS [€]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-0.16</td>
<td>~4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>2010e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flow* [€ m]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67</td>
<td>~390</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Cash flow before changes in working capital less capex, based on LTM as of June 30, 2010
LANXESS performance metrics reflect a successful transformation

<table>
<thead>
<tr>
<th>Performance</th>
<th>Organic investment</th>
<th>External growth</th>
<th>Summary &amp; conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productivity</strong>¹ [€ thousands]</td>
<td><strong>ROE</strong>² [%]</td>
<td><strong>ROA</strong>² [%]</td>
<td></td>
</tr>
<tr>
<td>23 2004</td>
<td>~55 2010e</td>
<td>1.6 2004</td>
<td>~19 2010</td>
</tr>
<tr>
<td>5.4 2004</td>
<td>~14 2010</td>
<td>0.5 2004</td>
<td>~6 2010</td>
</tr>
</tbody>
</table>

¹ Productivity in EBITDA pre exceptionals per employee; ² Based on LTM as of June 30, 2010

LANXESS performance metrics reflect a successful transformation.

Financial criteria for internal resource allocation ensure excellent returns

<table>
<thead>
<tr>
<th>Performance</th>
<th>Organic investment</th>
<th>External growth</th>
<th>Summary &amp; conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic growth</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial investment criteria for decision making on CAPEX:
- NPV calculation, applying company WACC
  - plus risk premium of ~1.5%
  - plus country-specific risk premium
- Aggressive payback period required
- Every project should improve the total company’s ROCE

Every organic investment is thoroughly evaluated.
Strict CAPEX allocation criteria ensure continuous improvement of profitability

<table>
<thead>
<tr>
<th>Performance</th>
<th>Organic investment</th>
<th>External growth</th>
<th>Summary &amp; conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPEX split by profitability of BUs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[€ m]</td>
<td>[EBITDA* margin]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>~15%</td>
<td>~25%</td>
<td>~40%</td>
<td>~55%</td>
</tr>
<tr>
<td>10-15%</td>
<td>~20%</td>
<td>~30%</td>
<td>~40%</td>
</tr>
<tr>
<td>5-10%</td>
<td>~35%</td>
<td>~25%</td>
<td>~5%</td>
</tr>
<tr>
<td>&lt; 5%</td>
<td>~20%</td>
<td>~20%</td>
<td></td>
</tr>
</tbody>
</table>

* Based on average CAPEX and average EBITDA*pre margins by BU for respective time frame

CAPEX by type

<table>
<thead>
<tr>
<th>2004</th>
<th>2005-2009*</th>
<th>2010-2012e*</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>60%</td>
<td>30%</td>
</tr>
<tr>
<td>70%</td>
<td>30%</td>
<td>70%</td>
</tr>
</tbody>
</table>

ROCE of historic CAPEX above 25%

Organic investments have yielded results

<table>
<thead>
<tr>
<th>Performance</th>
<th>Organic investment</th>
<th>External growth</th>
<th>Summary &amp; conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistics on 2005 to 2009 expansion CAPEX*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equivalents of €100 m CAPEX</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>~€270 m</td>
<td>~€30 m</td>
<td></td>
</tr>
<tr>
<td>EBITDA pre</td>
<td>~€100 m</td>
<td>~€30 m</td>
<td></td>
</tr>
<tr>
<td>EBITDA pre margin</td>
<td>~30-40%</td>
<td>~30-50%</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>~30-50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>~€0.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Major projects gone live, profitability in average year

- Thorough evaluation of organic investments
- Each million spent, improves the group’s performance

Value driven investment process
Increasing strength in Asia and Latin America

- Strengthening presence in emerging markets
- Shift towards Asia and Latin America
- Improving natural hedge and benefiting from factor cost advantages

Optimized regional asset base

* 2004 assets by region net of divestments

Portfolio transformation towards higher earnings growth

- Reinforcing higher profitability and leadership, lowering cyclicalility

Transforming LANXESS

- Shedding lower margins, weak leadership positions and higher cyclicalility
LANXESS: value adding acquisitions with focus on BRIC

<table>
<thead>
<tr>
<th>Acquisitions</th>
<th>EBITDA(^1) multiples</th>
<th>Earnings accretion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ex ante</td>
<td>ex post(^2)</td>
</tr>
<tr>
<td>Petroflex</td>
<td>~7.5</td>
<td>~3.1</td>
</tr>
<tr>
<td>Gwalior</td>
<td>~7.5</td>
<td>~6.9</td>
</tr>
<tr>
<td>Others(^3)</td>
<td>~3.8</td>
<td>~3.2</td>
</tr>
</tbody>
</table>

Positive development of past acquisitions provides comfort

LANXESS is committed to its investment grade policy

- Five acquisitions
- Total annual sales ~€600 m
- Acquired businesses achieved average EBITDA pre margins of 14-18%

Continuous business improvement leads to strong EBITDA growth rate average

<table>
<thead>
<tr>
<th>Performance</th>
<th>Organic investment</th>
<th>External growth</th>
<th>Summary &amp; conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous process of business improvement</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14.9% average EBITDA growth rate\(^*\)

Current setup: EBITDA potential €600-800 m over the cycle

- Continuous business improvements have yielded results
- Currently announced investments will increase earnings potential

Six year track record with solid growth

All references to EBITDA are pre exceptionals; \(^*\) Arithmetic average

\(^1\) EBITDA pre exceptionals; \(^2\) After synergies or one year after transaction; \(^3\) Main contributor Chrome International South Africa (CISA)
Organic growth trend above five percent annually

**Portfolio adjusted sales* evolution**

- 2004 to 2008 CAGR sales growth above 5%
- Sales adjusted:
  - Removal of acquisitions
  - Removal of divestments

* CAGR calculation on 2004 to 2008 sales net of acquisitions and divestments

LANXESS is on the track of rising profitability – metrics will continue to improve

- Productivity well increased over past years
- Stronger portfolio leads to higher margins
- LANXESS is committed to continue this trend

LANXESS will gain in absolute EBITDA strength

**Extrapolation – from past to future growth**

<table>
<thead>
<tr>
<th>Profitability metrics</th>
<th>Year</th>
<th>Extrapolation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2010e</td>
</tr>
<tr>
<td>Sales(^1)</td>
<td>€6.8 bn</td>
<td>~€6.8-7.1 bn</td>
</tr>
<tr>
<td>EBITDA pre</td>
<td>€447 m</td>
<td>~€800 m</td>
</tr>
<tr>
<td>Margin(^2)</td>
<td>6.6%</td>
<td>~12%</td>
</tr>
</tbody>
</table>

\(^1\) 2004 sales value net of divested businesses; \(^2\) EBITDA pre exceptionals
Agenda

- The financial view: first chapter of transformation
- External megatrend growth drivers – internal growth projects
- Excursion – addressing some of the capital markets’ FAQs

LANXESS achieves sustainable growth by serving the world’s megatrends

<table>
<thead>
<tr>
<th>Performance Polymers</th>
<th>Advanced Intermediates</th>
<th>Performance Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Megatrend Mobility</strong></td>
<td><strong>Megatrend Agriculture</strong></td>
<td><strong>Megatrend Urbanization</strong></td>
</tr>
<tr>
<td>- Globalization pushes trade worldwide</td>
<td>- Growing world population</td>
<td>- Need for resource efficiency</td>
</tr>
<tr>
<td>- Individualization drives consumer demand</td>
<td>- Increasing crop demand (nutrition, feed)</td>
<td>- Energy</td>
</tr>
<tr>
<td>- Rapid growth rates for mobility related products in emerging markets</td>
<td>- Expanded production of renewable resources</td>
<td>- Raw materials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Water</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Need to explore alternative sources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Trend to environmental awareness</td>
</tr>
</tbody>
</table>
Strengthening butyl with a world-scale production facility in Singapore and smart debottlenecking in Belgium

**Facts**
- Greenfield BTR plant, Singapore, ~200 employees
- Capacity: 100 kt/a
- Start of production: Q1 2013
- Debottlenecking in Belgium, capacity increase 14 kt/a

**Market perspective**
- Market growth stronger than GDP growth
- Supply / demand balanced to tight
- New world-scale plant needed every ~3 years

**Rationale**
- Strengthening market position among top leaders
- Most competitive BTR site
- Ideal infrastructure / raw material supply
- Attractive tax regime
- Improving natural hedge against FX fluctuations

---

**BU PBR – debottlenecking for Nd-PBR as efficient option to expand into a growing market**

**Facts**
- Debottlenecking of ~50 kt Nd-PBR in Cabo, Brazil; Dormagen, Germany and Orange, USA
- Capacities on stream between Q1 2011 and Q1 2012
- Project CAPEX: ~€20 m only

**Market perspective**
- Market growth ~10%
- Supply / demand balanced to tight

**Rationale**
- Nd-PBR as global standard for high-performance tires
- Underpins LANXESS leading position in merchant rubber market
- Attractive payback time of investment <5 years

---

*ROCE in average profitability year*
BU SCP – Investing in upstream-integration to strengthen focus on high-tech plastics end-compounds

**Facts**
- Investments in compounding in Wuxi, China and Jhagadia, India
- Caprolactam and KA-oil in Antwerp, Belgium
- Capacities on stream in 2011
- Total CAPEX of projects: ~€50 m

**Market perspective**
- Market growth of high-tech plastics expected >6%
- Supply / demand balanced to tight

**Rationale**
- Expansion of upstream-integration secures efficient raw material supply
- Expansion of compounding in India and China serves rapidly growing demand

---

Capacity expansion and backward-integration further improves profitability of BU BAC

**Facts**
- Expansion of Chlorotoluenes and derivatives in Leverkusen, Germany
  - Additional 42 kt from Q2 2010 on
- New Formalin plant in Uerdingen, Germany
  - Additional 150 kt from Q4 2011 on

**Market perspective**
- Chlorotoluenes and derivatives markets offering opportunities for organic growth and market share increase

**Rationale**
- Aromatic network offers sustained cost advantage, also compared to Chinese competitors
- New Formalin plant to become independent from suppliers

---

*ROCE in average profitability year*
LANXESS strengthens its position in India with an investment project for attractive ion exchange resin business

### Performance Polymers

#### Facts
- Investments in
  - new plant in Jhagadia, India
  - new facility in Bitterfeld, Germany
- New capacities from India on stream end of 2010, new products from Bitterfeld end of 2011

#### Market perspective
- Attractive market growth rates
- New capacities in low-cost country with infrastructure

#### Rationale
- Population growth in Asia
- Increasing urbanization
- Rising energy consumption

---

ION – The clean water enabler

<table>
<thead>
<tr>
<th>CAPEX</th>
<th>Expected sales</th>
<th>Sales multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>~€60 m</td>
<td>~€60 m</td>
<td>~1.0x</td>
</tr>
</tbody>
</table>

Project ROCE*: above group average

---

Several smaller investments complement portfolio growth

### Performance Polymers

#### Facts
- TRP / TSR JV in China for highly cost-efficient NBR
- SGO Leverkusen expansion of facility for active ingredients and intermediates in cooperation with Syngenta
- RCH Russian expansion of rubber additives and release agents

#### Market perspective
- TRP serves Chinese NBR market with double-digit growth
- SGO serves agricultural megatrend: population growth by 2050 by 2 bn
- RCH enters new regional market

#### Rationale
- Investments in growth regions, close to customers
- Attractive investment returns

---

TRP, SGO, RCH and further projects

<table>
<thead>
<tr>
<th>CAPEX</th>
<th>Expected sales</th>
<th>Sales multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>~€25 m</td>
<td>~€125 m</td>
<td>~0.2x</td>
</tr>
</tbody>
</table>

Project ROCE*: above group average

---

* ROCE in average profitability year
In 2015 LANXESS will strive for an EBITDA of ~€1.4 billion

![New EBITDA target bridge [€ m]](image)

- 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

---

**Agenda**

- The financial view: first chapter of transformation
- External megatrend growth drivers – internal growth projects
- **Excursion – addressing some of the capital markets’ FAQs**
  - Total raw material bill and butadiene availability
  - Pensions
  - Hedging
LANXESS runs a global sourcing strategy in order to ensure availability of raw materials at best prices

Top 12 raw materials make up >50% of total bill

- 1,3-Butadiene
- Cyclohexane
- Isobutylene
- Toluene
- Caustic soda
- Ammonia
- Styrene monomer
- Chlorine
- Crude raffinate II
- Cyclohexanon
- Ethylene
- Benzene

Total raw material expenses in 2009: ~€1.7 bn (2008: ~€2.6 bn)

Centrally managed global procurement

- Ensures reliable supply of materials and services
- >60% of orders handled through e-procurement
- Petrochemical raw materials with top priority
- Supplied by all major petrochemical companies

LANXESS is globally the largest merchant butadiene buyer – purchasing power secures supply

LANXESS represents high single digit % of global butadiene demand

[kt]

~7% of demand
~10% of demand
~50% of demand

Reliable sourcing

- Butadiene as a raw material is generally tight in supply
- LANXESS global sourcing and purchasing power ensures reliable supply
- Multi-supplier strategy gives additional comfort

Source: ICIS Cracker Report with McKinsey LANXESS Model
LANXESS products are at the high-value end: strong position in tight butadiene market

Butadiene related business hierarchy

Global butadiene demand split by product 2009

Butadiene consumption hierarchy supports LANXESS supply position:
- Butadiene suppliers are committed to LANXESS by long-term contracts
- ABS / SBL are under pressure due to butadiene cost situation

LANXESS funding status has increased over the last few years

Clear improvement of funded status

<table>
<thead>
<tr>
<th>Year</th>
<th>Def. benefit obligation</th>
<th>External assets</th>
<th>Underfunding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,073</td>
<td>396</td>
<td>677</td>
</tr>
<tr>
<td>2009</td>
<td>1,231</td>
<td>879</td>
<td>352</td>
</tr>
</tbody>
</table>

Funding: ~37% to ~71%

- Significant improvement of funding ratio: ~71% achieved
- German CTA established in 2007
- Conservatively managed pension assets
- Ongoing monitoring and optimization of pension structure
No question mark on pensions

<table>
<thead>
<tr>
<th>Pension returns</th>
<th>Expected return on pension assets has increased due to the acquisition of Petroflex in Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension liabilities</td>
<td>Liability discount rates have increased due to the addition of Petroflex in Brazil</td>
</tr>
<tr>
<td>CTA (Germany)</td>
<td>Voluntary funding of CTA since 2007 by a total amount of €90 m</td>
</tr>
<tr>
<td>Asset structure</td>
<td>More conservative ratio of equity to debt: From ~70/30 to ~30/70</td>
</tr>
<tr>
<td>Pension plan model</td>
<td>Deliberate change from defined benefit to defined contribution plans (country by country)</td>
</tr>
</tbody>
</table>

Decreasing interest rates triggered increasing pension liabilities in 2010 (non-cash)

Conservative centralized risk management at LANXESS successfully reduces volatility in cash flows and earnings

<table>
<thead>
<tr>
<th>Risk exposure</th>
<th>Impact</th>
<th>Risk Management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currencies</td>
<td>High</td>
<td>- Booked exposure: 100% hedging of risk exposures resulting from booked liabilities and receivables in foreign currencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Planned exposure: currency risks on anticipated future operating cash flows are hedged for up to 3 future years on a rolling basis within %-bands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Instruments: forwards, cost options</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Planned annual USD exposure: ~€1 bn</td>
</tr>
<tr>
<td>Interest rates</td>
<td>Low</td>
<td>- Currently no interest rate hedging – comfortable portion of fixed rate financing provides high certainty of interest cost and cash flows</td>
</tr>
<tr>
<td>Others</td>
<td>Low</td>
<td>- Operational energy and commodity price risks are hedged on a case by case basis as appropriate and feasible</td>
</tr>
</tbody>
</table>

“High Impact” currency risk is actively and conservatively managed
LANXESS is confident on its business way forward

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business growth</td>
<td>Highly efficient organic and external projects</td>
</tr>
<tr>
<td>Financial discipline</td>
<td>Track record of prudent capital allocation will be continued</td>
</tr>
<tr>
<td>Capital market orientation</td>
<td>LANXESS listens to the markets’ needs and appreciates the feedback</td>
</tr>
</tbody>
</table>

Safe harbor statement

This presentation contains certain forward looking statements, including assumptions, opinions and views of the company or cited from third party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of the company to differ materially from the estimations expressed or implied herein. The company does not guarantee that the assumptions underlying such forward looking statements are free from errors nor do they accept any responsibility for the future accuracy of the opinions expressed in this presentation or the actual occurrence of the forecasted developments. No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of the company or any of its parent or subsidiary undertakings or any of such person’s officers, directors or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.