LANXESS Capital Markets Day 2012
A strategy for continued growth

Axel C. Heitmann, CEO
New York, September 20, 2012

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Agenda

- Performance review
  - Platform for growth
  - Investment strategy
  - Goals

LANXESS – A successful growth story

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA [€ million]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>447</td>
</tr>
<tr>
<td>2005</td>
<td>581</td>
</tr>
<tr>
<td>2006</td>
<td>675</td>
</tr>
<tr>
<td>2007</td>
<td>719</td>
</tr>
<tr>
<td>2008</td>
<td>722</td>
</tr>
<tr>
<td>2009</td>
<td>465</td>
</tr>
<tr>
<td>2010</td>
<td>918</td>
</tr>
<tr>
<td>2011</td>
<td>1,146</td>
</tr>
</tbody>
</table>

* Pre exceptionals
Active portfolio transformation

- Assets representing around 25% of global sales were divested
- Acquisitions began only after completion of divestment program
- Series of small- to mid-sized, bolt-on acquisitions
- Portfolio optimization
  - to address global megatrends
  - to focus on premium products
  - to strengthen position in emerging markets

Transformation resulting in a better product mix

- Successful shift from lower- to higher-margin businesses
- Rigorous implementation of “price-before-volume” strategy
- Profitable growth is the key focus of LANXESS’ strategy
  - Targeted restructuring
  - Portfolio optimization
  - Strong focus on technology
  - Capex initiatives
  - Ongoing cost management
- Strict focus on profitable growth
Competitive asset base in mature markets – increasing footprint in emerging markets

- Significant investment in strong European asset base
- Investments serving emerging markets with premium products
- Additional capacity in emerging markets, enabling
  - greater proximity to customers
  - global production network
  - natural FX hedging

Global reach with a highly competitive asset base

Focus on emerging markets pays off

### Regional development of sales (€ million)

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>1,190</td>
<td>7,150</td>
<td>+68%</td>
</tr>
<tr>
<td>Latin America</td>
<td>1,928</td>
<td>2,494</td>
<td>+27%</td>
</tr>
<tr>
<td>North America</td>
<td>1,201</td>
<td>1,458</td>
<td>+22%</td>
</tr>
<tr>
<td>EMEA (excl. Germany)</td>
<td>2,566</td>
<td>2,138</td>
<td>-16%</td>
</tr>
<tr>
<td>Germany</td>
<td>1,538</td>
<td>1,569</td>
<td>+2%</td>
</tr>
</tbody>
</table>

### Sales in emerging markets (€ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,564</td>
<td>3,202</td>
</tr>
</tbody>
</table>

Share of sales in emerging markets

- 2005: 21.9%
- 2011: 36.5%

Total, 2005-2012e
Agenda

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The five elements of LANXESS’ successful strategy

- Premium products focused on megatrends
- “Price-before-volume”
- Flexible asset and cost management
- Global reach with focus on emerging markets
- Driven by innovation and technology
- Entrepreneurial and performance-oriented culture
Premium products focused on megatrends

**Mobility**
- Urbanization
- Agriculture
- Water

LANXESS serves growing automotive market

<table>
<thead>
<tr>
<th>Mobility Megatrend</th>
<th>LANXESS solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>World personal vehicle fleet [m units]</td>
<td>High-performance rubbers</td>
</tr>
<tr>
<td>951</td>
<td>1,157</td>
</tr>
<tr>
<td>2012</td>
<td>2017e</td>
</tr>
</tbody>
</table>

- Growing population
- Increasing prosperity in emerging markets

Source: LMC Automotive
High-tech products and solutions for “Green Mobility”

**Mobility Megatrend**

<table>
<thead>
<tr>
<th>EU objective to lower CO₂ emissions for new vehicles</th>
<th>EU tire label</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006: 160 g/km</td>
<td>2012: 120 g/km</td>
</tr>
</tbody>
</table>

- Legislative requirements
- Resource-efficient and climate-friendly vehicles

**LANXESS solutions**

- “Green Tires”
- Lightweight materials
- Biofuel additives
- Bio-based raw materials

Innovative solutions serve growing agricultural demand

**Agriculture Megatrend**

- Grain demand [bn tons]*
- CAGR = Compound annual growth rate (2008-2025)

**LANXESS solutions**

- Custom manufacturing
- Active ingredients for crop protection
- Ultra-modern, multi-purpose plants
- Agrochemical intermediates
- Highly integrated production (“Verbund”)
- World-scale production facilities

Source: USDA, Syngenta, LANXESS estimates; * Grain = Corn, soya, wheat and rice; ** CAGR = Compound annual growth rate (2008-2025)
Sustainable and efficient products for urban development

### Urbanization Megatrend

<table>
<thead>
<tr>
<th>Year</th>
<th>Population shift [bn]</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>2.53</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>1970</td>
<td>3.70</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>2011</td>
<td>6.97</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>2030e</td>
<td>8.32</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>2050e</td>
<td>9.31</td>
<td>67%</td>
<td>33%</td>
</tr>
</tbody>
</table>

- **Pigments**
- **Material protection products**
- **Technical rubber products**
- **Flame retardants**

**LANXESS solutions**

*Industrialization*
*Opportunities for education, housing and medical service*


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Water treatment solutions to meet the rising demand for water

### Water Megatrend

<table>
<thead>
<tr>
<th>Global water supply and demand [bn m³]</th>
<th>LANXESS solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing demand</td>
<td>Filter membranes</td>
</tr>
<tr>
<td>2030e demand</td>
<td>Ion exchange resins</td>
</tr>
<tr>
<td>4,500</td>
<td>Water treatment additives</td>
</tr>
<tr>
<td>6,300</td>
<td></td>
</tr>
<tr>
<td>Existing supply</td>
<td></td>
</tr>
<tr>
<td>4,200</td>
<td></td>
</tr>
</tbody>
</table>

*Increase in industrial and agricultural wastewater*
*Limited access to safe drinking water*

Source: 2030 Water Resources Group – Charting Our Water Future
Flexible asset and cost management

- **Technology**
  - Technical ability to operate plants at highly variable utilization rates
  - Leveraging global production networks

- **Business processes**
  - Maintenance management
  - Outsourcing (e.g. maintenance, administration)
  - Raw materials and energy management

- **Workforce**
  - Highly educated, motivated and skilled personnel
  - Flexible systems for short- and long-term hiring practices

“Price-before-volume” – Successful pricing strategy for more than seven years

- **Raw material effects sustainably balanced**
  - Change in input costs
  - Change in selling prices

- **Support**
  - 2005
  - 2006
  - 2007
  - 2008
  - 2009
  - 2010
  - 2011
  - H1
  - 2012

- **Effective pricing management**
  - Premium high-tech products
  - Flexible asset and cost management
  - Focused and experienced team
  - More than seven-year track record of managing volatile input costs
  - Determined to pass on increasing input costs in the future
Culture of innovation drives LANXESS growth

<table>
<thead>
<tr>
<th>Product innovations</th>
<th>Process innovations</th>
<th>Thinking outside the box</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D conducted in each business unit for maximum proximity to markets and customers</td>
<td>Process improvements to maintain competitive position</td>
<td>Bio-based alternatives to petrochemical raw materials</td>
</tr>
<tr>
<td>Corporate innovation focusing on new applications</td>
<td>New process design for core products, defining a best-in-class asset base</td>
<td>Global innovation network with universities, research institutes and suppliers/customers</td>
</tr>
</tbody>
</table>

Worldwide innovation centers

- **Germany**
  - Dormagen
  - Leverkusen
  - Krefeld-Uerdingen

- **China**
  - Qingdao
  - Wuxi

- **USA**
  - Pittsburgh

- **Canada**
  - London

LANXESS driven by entrepreneurial and performance culture

### Entrepreneurial culture
- Clear business unit design
  - High transparency, no overlap
  - Clear roles and responsibilities
  - Global accountability
- Fully accountable, entrepreneurial managers
- Internal competition for resources (capital, etc.)

### Performance culture
- Focus on business unit profitability
- Each business unit with individual targets:
  - EBITDA*
  - Working capital
  - Capex
- Aligned with short-term incentive program

* Pre exceptionals
Clear business unit design: Split of BU TRP into two independent businesses

New business unit design in Performance Polymers segment

<table>
<thead>
<tr>
<th>Technical Rubber Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keltan Elastomers</td>
</tr>
<tr>
<td>&gt;€500 m sales</td>
</tr>
<tr>
<td>600 employees*</td>
</tr>
<tr>
<td>Global market leader for EPDM rubber</td>
</tr>
<tr>
<td>Keltan®</td>
</tr>
<tr>
<td>High Performance Elastomers</td>
</tr>
<tr>
<td>&gt;€500 m sales</td>
</tr>
<tr>
<td>800 employees*</td>
</tr>
<tr>
<td>Focus on specialties and high-performance rubbers</td>
</tr>
</tbody>
</table>

With acquisition of Keltan® business from DSM, TRP became second largest business unit within LANXESS
- Constant increase of EPDM capacities
- Few overlap in customer segments
- Split of TRP to push growth in both businesses based on individual markets’ needs

New organization effective from January 1, 2013

* 100 employees from TRP will move to group function Innovation & Technology

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LANXESS has a disciplined dual-track growth strategy

Value-driven investment strategy

<table>
<thead>
<tr>
<th>Organic growth</th>
<th>Dual-track growth strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organic growth achieved via capex projects</td>
</tr>
<tr>
<td></td>
<td>Leveraging the growth potential of premium products</td>
</tr>
<tr>
<td></td>
<td>Significant contribution from M&amp;A</td>
</tr>
</tbody>
</table>

| External growth | Attractive returns from growth projects |
| Capital efficiency | Clear priorities in resource allocation |

Capex invested in maintenance and growth projects

<table>
<thead>
<tr>
<th>Organic growth</th>
<th>Capex [€ million]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>679</td>
</tr>
<tr>
<td></td>
<td>650-700</td>
</tr>
</tbody>
</table>

Growth capex

- Diversified: - Utilizing growth potential of all BUs
- Balanced: - Range of project sizes
- Debottlenecking, retrofitting and greenfield projects
- Flexible: - Independent projects
- Controls on spending in line with group performance

Maintenance capex

- Maintaining competitiveness of existing asset base
- Guidance: ~€260 m in 2012
Significant investments in attractive markets

**Organic growth**
- Nd-PBR Singapore
- EPDM China

**External growth**
- HPM globally
- Performance Chemicals

**Capital efficiency**

**Financial discipline**

Strategic criteria successfully applied

<table>
<thead>
<tr>
<th>Acquisitions</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CISA</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Petroflex</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
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<tr>
<td>Owalor</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Jiangsu</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Jinchun</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Jiangsu</td>
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<td>Danex</td>
<td>✔</td>
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<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>DSM Elastomers</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Unives MP</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>MP</td>
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<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TCB</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond-Laminates</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Size of bubbles represents relative sales volume; illustration

Cultural fit, LANXESS competencies applied and accretive

LANXESS
Acquisition of Bond-Laminates strengthens LANXESS’ technology position

**Organic growth**

**External growth**
- Acquisition strengthens LANXESS’ innovative product portfolio of lightweight materials to the automotive industry → LANXESS as solution provider for “Green Mobility”
- Key facts Bond-Laminates:
  - Production site in Brilon, Germany with 80 employees; sales of €16 m (2011)
  - Main customers: Automotive, sports and electronics industry
  - Established partnership with LANXESS since 2006

**Capital efficiency**
- Cultural fit, LANXESS competencies applied and accretive

**Financial discipline**
- Different types of projects with different returns and payback periods
- Investment projects chosen to improve group ROCE

**Attractive returns from investment pipeline**

**Payback periods by project type**
- Debottlenecking
- Retrofit
- Greenfield
- M&A

**ROCE development [%]**
- 2008: 15.4%
- 2011: 17.2%

Size of bubbles represents relative sales volume; illustration
Capital allocation priorities that ensure further growth

LANXESS aims to maintain a solid Investment Grade Rating

Successful business performance reflected in dividends

LANXESS aims to ensure that its stockholders benefit appropriately and sustainably from its business performance
LANXESS well on track to €1.4 bn EBITDA

Realized as of 2011
Announced projects
Additional organic and external growth

Ongoing activities: Product portfolio, pricing, efficiency increases (energy, etc.)

* Pre exceptionals
LANXESS’ €1.4 bn EBITDA goal will be achieved in 2014, ahead of schedule

LANXESS sets ambitious goals for growth
LANXESS will pursue its successful, established strategy

GOFOR €1.8 bn – Ambitious goal for 2018

EBITDA pre exceptionals 2018

~€1.8 billion