LANXESS – Q1 2009 Results Conference Call

Taking action in a tough environment

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Agenda

- Highlights Q1 2009
- Business and financial review Q1 2009
- Outlook/Guidance

Highlights Q1 2009

Q1 2009

Price before volume strategy remains intact

Challenge09: further flexibilization of fixed cost structure effective

EBITDA* impacted by inventory devaluation and destocking

Strong cash flow management leads to net debt reduction vs. year end of €120 m

Successful placement of €500 m benchmark bond

* Pre exceptionals

First quarter substantially impacted by lower demand and accelerated by customers destocking

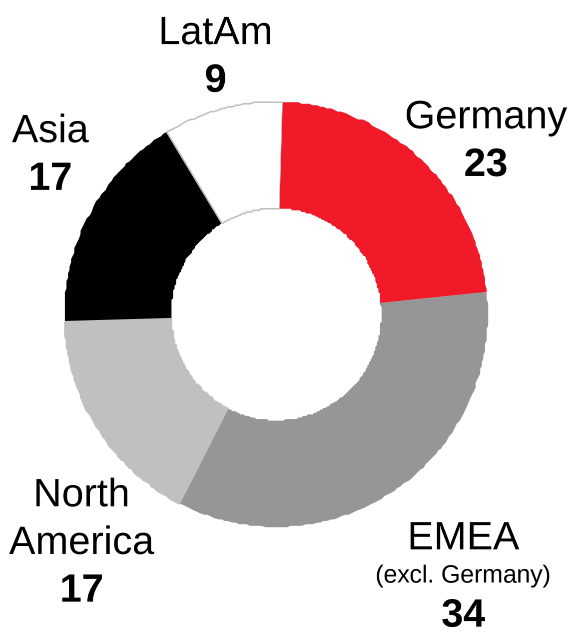
Q1 Sales variances	Price	Volume	Currency	Portfolio
Performance Polymers	-7%	-40%	+4%	+8%
Advanced Intermediates	0%	-24%	+2%	0%
Performance Chemicals	+4%	-38%	+3%	0%
LANXESS	-2%	-36%	+3%	+4%

Sales

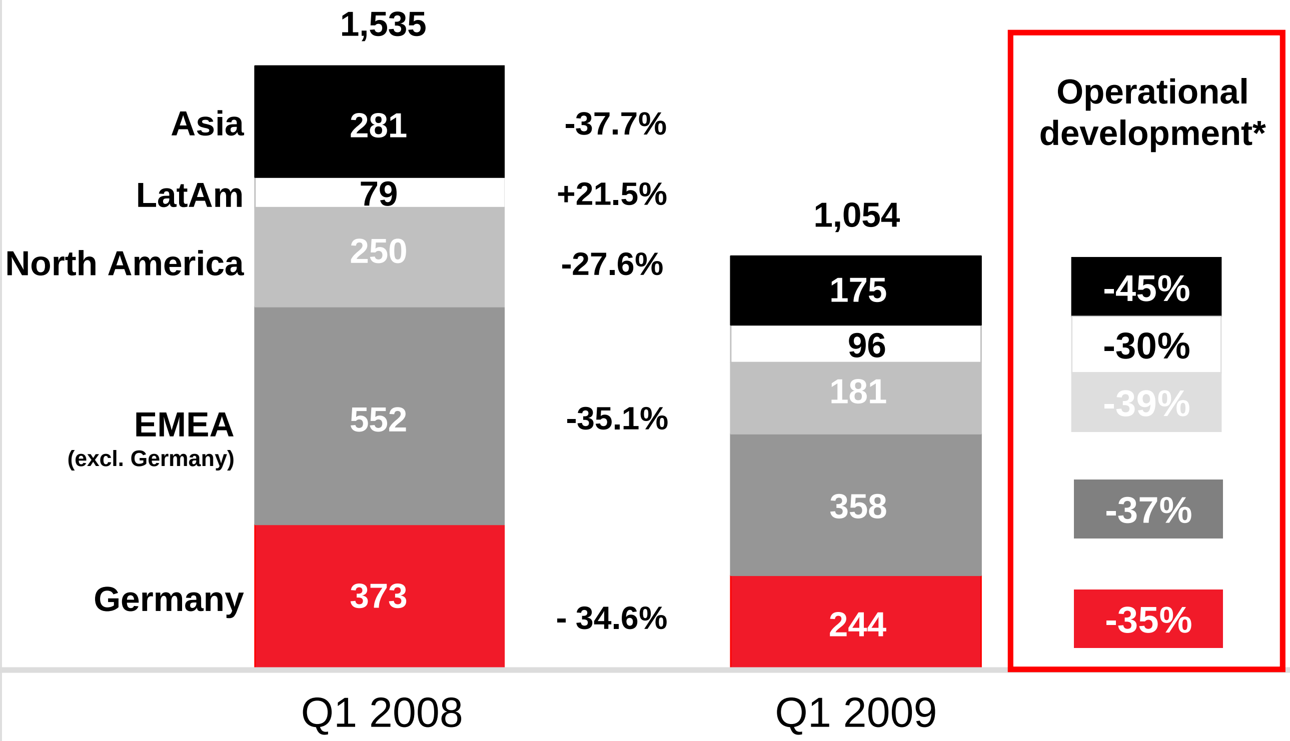
- Sales decreased 31%, with currency and portfolio effects slightly mitigating drastic volume impact
- Prices stable in Advanced Intermediates, increased in Performance Chemicals

Drastic sales decline in all regions, Petroflex supports LatAm

Sales by Region (in %)



Regional development of sales (€ m)



* Portfolio- and currency adjusted

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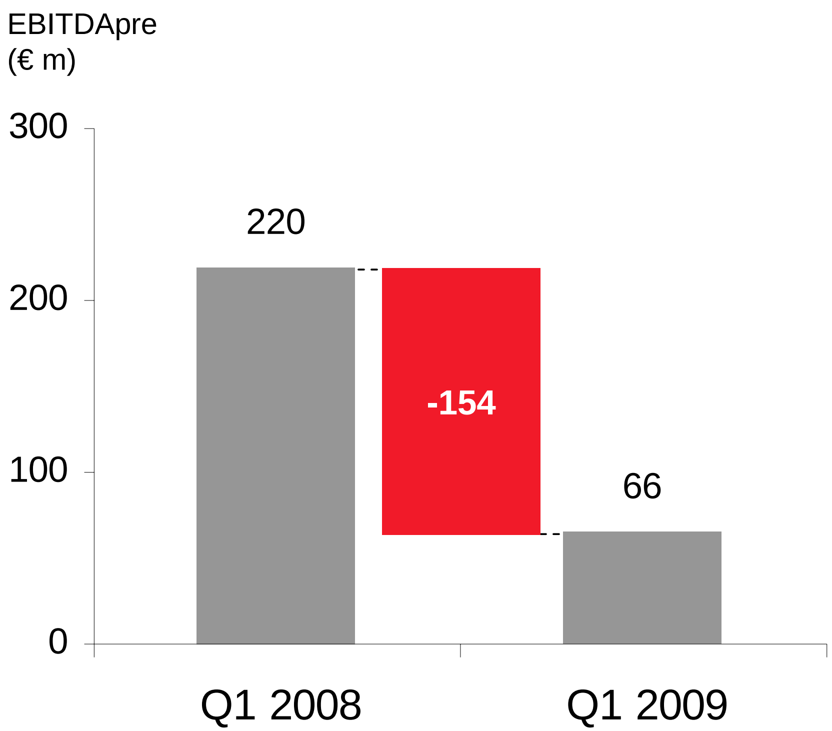
Three major burdens impact chemical industry in Q1

LANXESS EBITDA* Q1 2009 severely affected



- Inventory write-offs
- Ongoing high raw material prices
- Customers destocking, awaiting lower raw material prices

- Continuing macroeconomic recession with significantly lower levels of demand

Chemical industry as well as LANXESS overproportionally impacted in Q1 2009

* Pre exceptionals

Q1 2009 financial overview: business tightly managed in a recessionary environment

(€ m)	Q1 2008	Q1 2009	Δ in %
Sales	**1,535**	**1,054**	**-31.3%**
EBITDA pre except.	**220**	**66**	**-70.0%**
margin	14.3%	6.3%	
Net Income	**104**	**-14**	**n.a.**
Capex	**34**	**52**	**52.9%**

(€ m)	31.12.2008	31.03.2009	Δ in %
Net Financial Debt	**864**	**744**	**-13.9%**
Net Working Capital	**1,289**	**1,193**	**-7.4%**
Employees	**14,797**	**14,612**	**-1.3%**

- Sales decreased 31%, with currency and portfolio effects mitigating price and volume impact
- EBITDA* impacted by ~€40 m inventory devaluation, destocking and a very low underlying level of demand
- Capex increased due to hurricane IKE and Petroflex consolidation
- Net working capital and net debt reduction show commitment to conserving cash
- Headcount reduced, efficiency measures start to yield results

Very strict and prompt management of cost base, working capital and debt

* Pre exceptionals

P&L reflects strict cost management in a tough environment

(€ m)	Q1 2008	Q1 2009	∆ in %
Sales	**1,535**	**1,054**	**-31%**
Cost of sales	-1,158	-857	-26%
SG&A	-213	-174	-18%
R&D	-23	-24	4%
Other op. income / expense	4	0	-100%
thereof exceptionals	-14	-4	-71%
EBIT	**145**	**-1**	**n.a.**
Net Income[2]	**104**	**-14**	**n.a.**
EPS[2]	**1.25**	**-0.17**	**n.a.**
EBITDA	209	62	-70%
thereof exceptionals	-11	-4	-64%
EBITDA pre exceptionals	**220**	**66**	**-70%**

- Price decreases of only 2% while raw material prices declined more; favorable portfolio (+4%) and currency effects (+3%) slightly alleviate severe volume impact (-36%)
- Despite consolidation of LANXESS Elastômeros do Brasil SG&A reduced, also proving effects of cost cutting measures
- EBITDA[1] at much lower level, impacted by inventory devaluation (~€40 m), destocking and a very low underlying level of demand

[1] Pre exceptionals [2] '08 restated for change in pension accounting

Cost management an upside but sales decline clearly impacting result

Challenge09 – fast and effective response to demand crisis

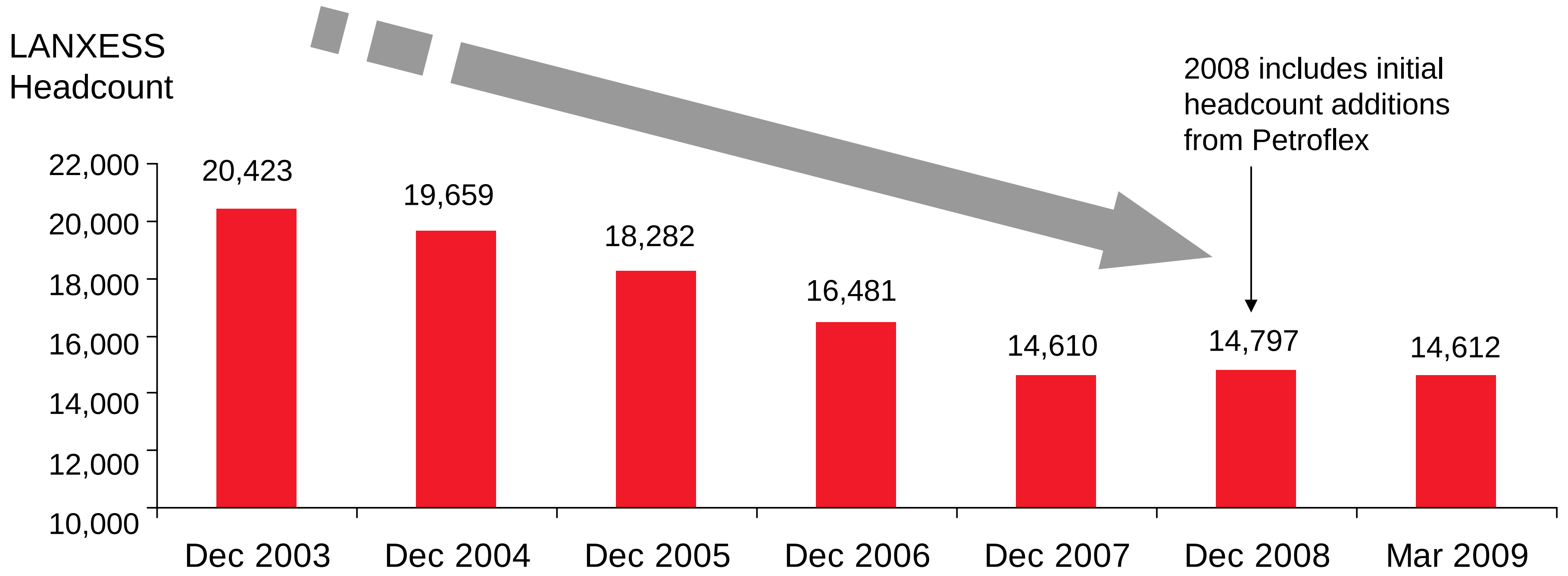
Status update

- Reduction of remuneration now in effect since March 1 2009
- Structural cost saving projects in BTR, TRP and realignment of FCC proceed well
- Streamlining of Petroflex is continuing
- Consolidation of U.S. and Canadian admin organizations progressing well
- In past three months, headcount reduced by ~200
- SG&A costs reduced by 18% versus previous year

Significant cost reduction with flexible asset management

Ongoing productivity increase

Headcount development since 2003



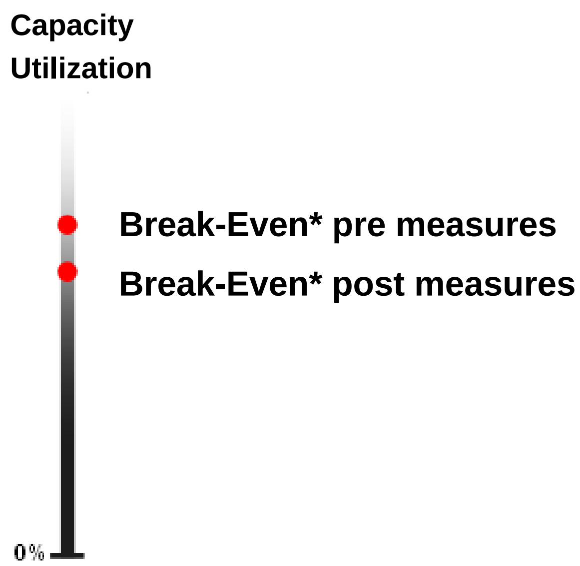
LANXESS Break-Even* now at around 10% points lower capacity utilization

Fixed and variable cost management lower Break-Even

Variable cost aspects
- Renegotiation of raw material contracts
- Seek new sources for variable energy
- Renegotiate service contracts, insourcing of services

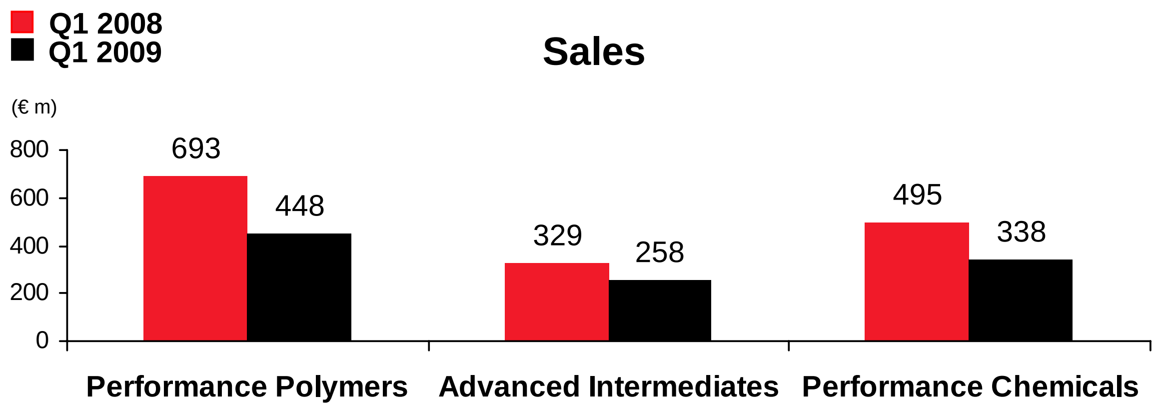
Fixed cost - structural aspects
- TRP closure in Sarnia, Canada
- ION closing Birmingham, USA
- BTR restructuring Sarnia, Canada and Zwijndrecht
- Petroflex restructuring

Fixed costs - temporary aspects
- Introduction of fixed salary cut
- Introduction of short time work, “Kurzarbeit”
- Renegotiation of service contracts

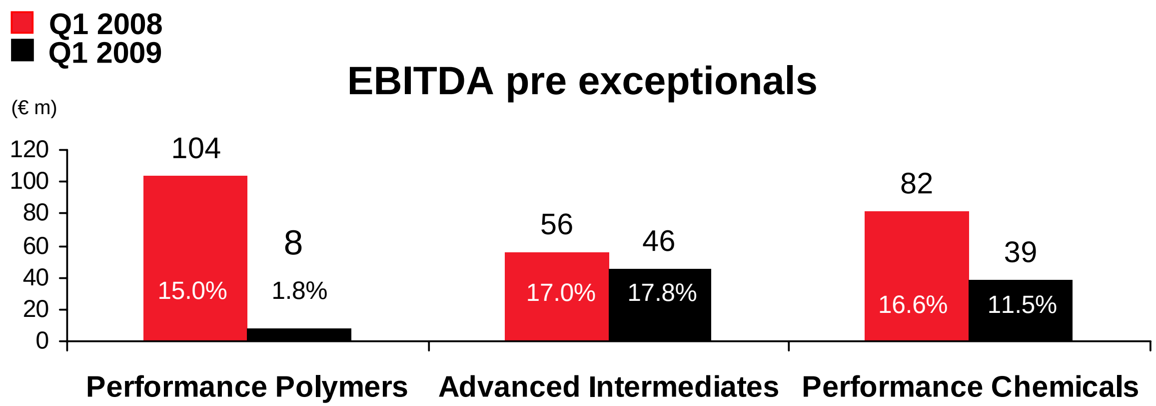


* Break-Even of EBITDA pre = 0

Advanced Intermediates relatively resilient while other segments were severely impacted



- Performance Polymers and Performance Chemicals deteriorated severely compared to last year's level due to substantial volume declines driven by customer destocking, exposure to automobile OEMs and low underlying demand
- Sales in Advanced Intermediates comparably stable due to agrochemical resilience



- EBITDA* overall below last year's level due to continued destocking, inventory write offs and substantial decline in demand
- Advanced Intermediates demonstrates its resilience with an increased margin due to strong agrochemical exposure

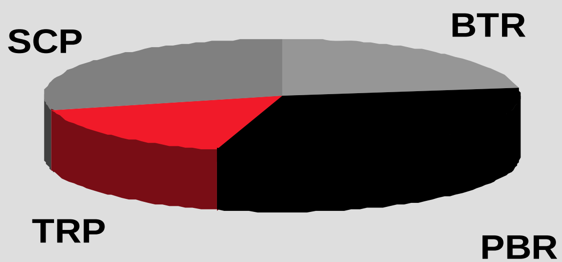
* Pre exceptionals

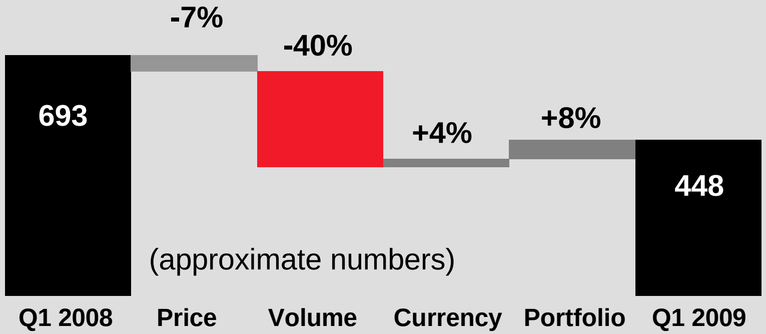
Performance Polymers: slump of volumes, destocking, idle costs and inventory devaluation weigh on performance

(€ m)	Q1 2008	Q1 2009
Sales	**693**	**448**
EBIT	73	-24
Depr. / Amort.	29	32
EBITDA	102	8
EBITDA pre except.	**104**	**8**
Margin	15.0%	1.8%
Capex	**15**	**28**

- Sales decreased, supporting currencies & portfolio only mitigated lower pricing and severe volume reduction
- BTR, TRP with continued high pricing at previous year's level, benefiting from lower raw material prices; PBR price decline in line with raw materials but SCP impacted
- Significant volume declines in all BUs, especially TRP
- Inventory write-downs, high idle costs, ongoing destocking and underlying volume decline impact performance
- ~€35 m inventory devaluation mainly in PBR, TRP (Butadiene)
- Capex increase mainly due to hurricane IKE

Sales by BU:



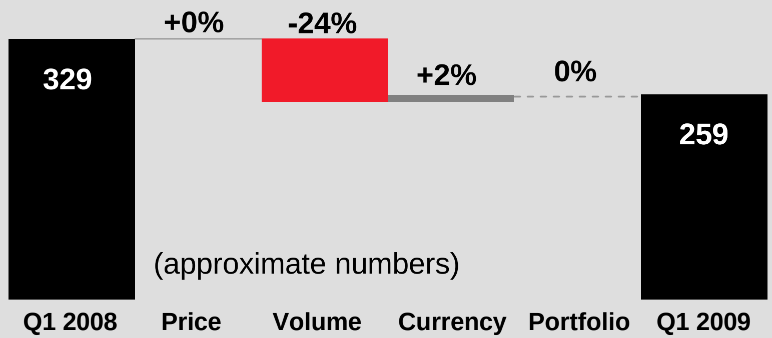


Advanced Intermediates: relative stability remains in most markets

(€ m)	Q1 2008	Q1 2009
Sales	**329**	**258**
EBIT	45	35
Depr. / Amort.	11	11
EBITDA	56	46
EBITDA pre except.	**56**	**46**
Margin	17.0%	17.8%
Capex*	**5**	**9**

- Lower sales as stable pricing and positive currency effects only mitigated volume decline
- BAC indexed selling prices lag raw material downward trend. Still stable volumes from agro but softening in markets for construction and paints
- SGO with slightly lower volumes in pharma and specialties but solid pricing fueled by continuous demand from agro
- Advanced Intermediates benefited from raw material deflation

Sales by BU:



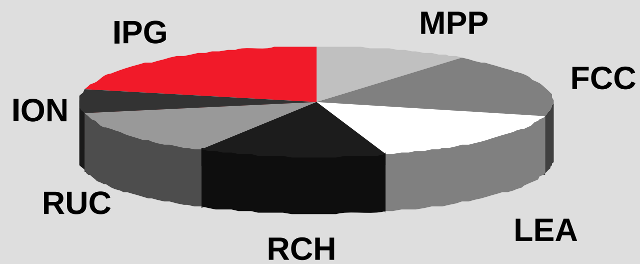
* 2008 restated, excluding projects financed by customers

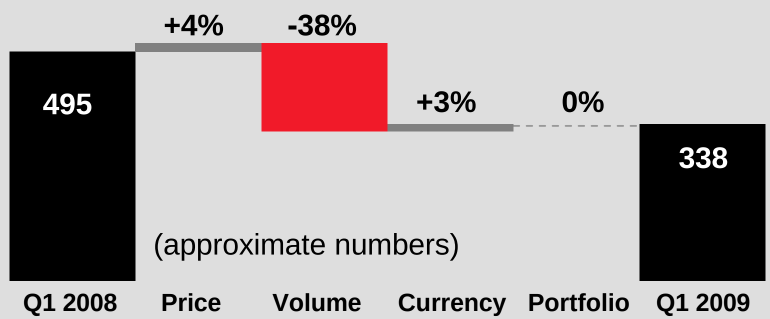
Performance Chemicals: price and cost management

(€ m)	Q1 2008	Q1 2009
Sales	**495**	**338**
EBIT	60	21
Depr. / Amort.	19	17
EBITDA	79	38
EBITDA pre except.	**82**	**39**
Margin	16.6%	11.5%
Capex	**11**	**13**

- Sales reduced, with price increases and positive currencies only mitigating severe volume decline
- Business units LEA, IPG and FCC benefiting from pricing
- RUC, RCH volume-wise impacted most due to huge exposure to automotive OEM business
- EBITDA* down on substantial volume decline and ~€5 m inventory write-off
- EBITDA* margin nevertheless still double digit

Sales by BU:





* Pre exceptionals

Balance Sheet: working capital tightly managed, net financial debt reduced

(€ m)	Dec 31, 2008	Mar 31, 2009
Non-current Assets	**2,169**	**2,184**
Intangible assets	145	150
Property, plant & equipment	1,646	1,659
Equity investments*	42	44
Other investments	2	1
Other financial assets	72	69
Deferred taxes*	154	176
Other non-current assets*	108	85
Current Assets	**2,423**	**2,182**
Inventories	1,048	945
Trade accounts receivable	725	613
Other financial assets	155	145
Other current assets	246	196
Liquid assets	249	283
Total Assets	**4,592**	**4,366**

	Dec 31, 2008	Mar 31, 2009
Stockholders' Equity*	**1,339**	**1,314**
thereof minority interest	16	16
Non-current Liabilities	**1,953**	**1,976**
Pension & post empl. provis.*	498	510
Other provisions	261	264
Other financial liabilities	986	983
Tax liabilities	91	93
Other liabilities	76	82
Deferred taxes*	41	44
Current Liabilities	**1,300**	**1,076**
Other provisions	395	381
Other financial liabilities	168	87
Trade accounts payable	484	365
Tax liabilities	12	8
Other liabilities	241	235
Total Equity & Liabilities	**4,592**	**4,366**

Strong financial backbone in turbulent markets

* 2008 restated

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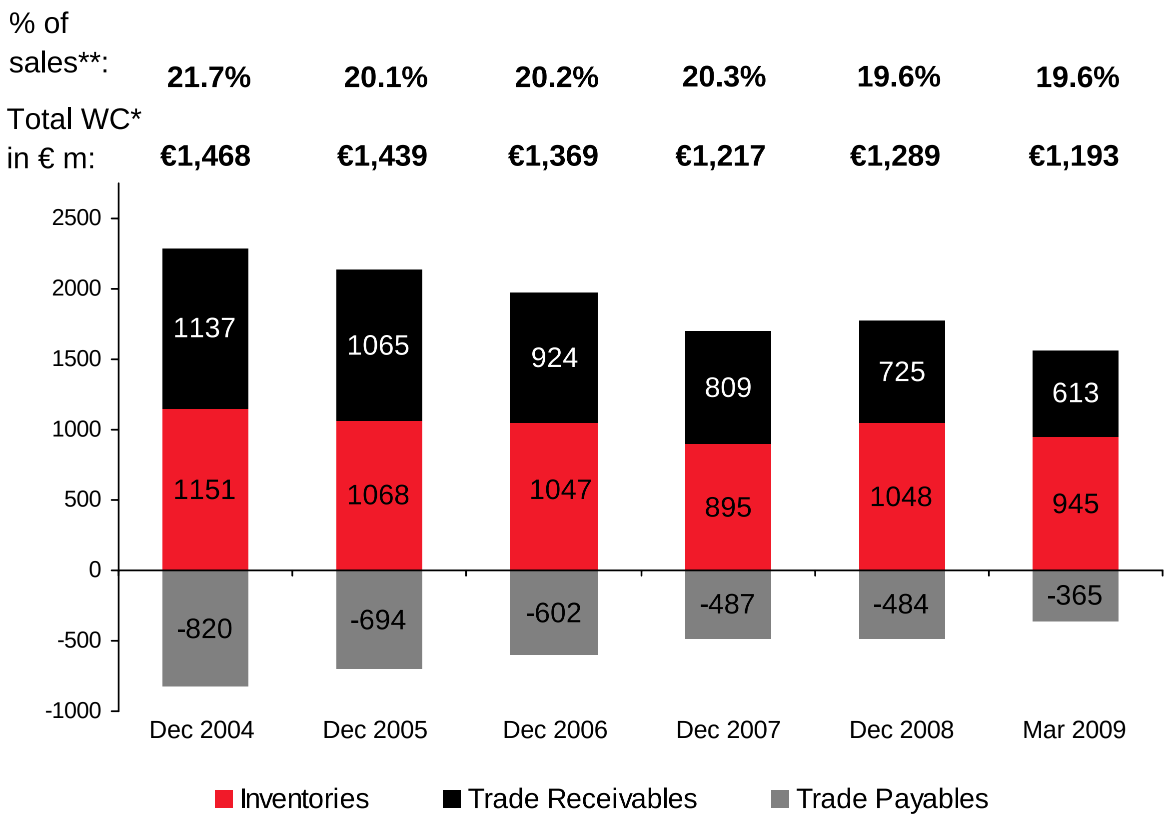
Special focus on working capital management



- **Inventory:** Sequential decrease in past three quarters due to LANXESS de-stocking, devaluation and lower raw material prices
- **Receivables:** Very tight management and receivable collection, no major customer defaults
- Strict cash flow management remains in focus

Tight Working Capital management in place

* Working Capital: inventory plus trade accounts receivable less trade accounts payable; ** As % of sales on the basis of last 4 quarters' sales; '06 and '07 adjusted for portfolio changes

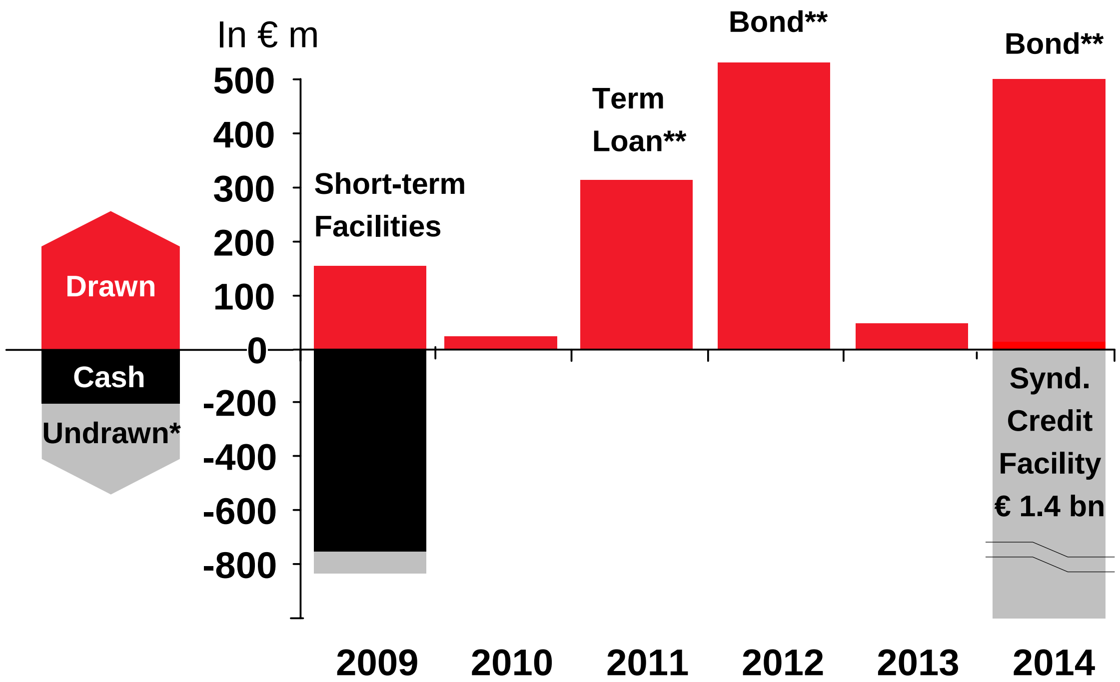
New bond further improves solid financing and balanced maturity profile

New EUR Bond – Quick facts

Rationale: A window of opportunity was seized to lock-in liquidity, further diversify the maturity profile and reduce dependency on banks

- Volume: €500 m
- Maturity: April 2014
- Covenant: No financial covenant; Change of Control clause
- Coupon: 7.75%

Liquidity and maturity profile



In times of crisis, access to unconditioned liquidity is a valuable asset in its own right

* committed credit lines, **major instrument

Strong operating cash flow

(€ m)	Q1 2008	Q1 2009
Profit before Tax	**142**	**-21**
Depreciation & amortization	64	63
Gain from sale of assets	-4	-7
Result from investment in associate	-7	-2
Financial (gains) losses	4	9
Cash tax payments / refunds	-20	24
Changes in other assets and liabilities	-3	-57
Operating Cash Flow before changes in WC	**176**	**9**
Changes in Working Capital	-131	113
Operating Cash Flow	**45**	**122**
Investing Cash Flow	**-50**	**5**
thereof Capex	**-34**	**-52**
Financing Cash Flow	**126**	**-96**

- Q1 2009 profit before tax mainly burdened by volume decline and inventory devaluation
- Cash inflow from working capital due to destocking and receivables management
- Changes in other assets and liabilities contain cash outs relating to restructuring and non cash effect from hedging / derivatives

Strong working capital management

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Business trading outlook 2009

Performance Polymers	▪ Destocking expected to further decline in Q2 ▪ Restocking probable from Q3 onwards ▪ Only minor inventory devaluation expected in Q2
Advanced Intermediates	▪ Resilience of agrochemicals expected to persist ▪ Other customer industries exposed to cyclical downturn, LANXESS however manages to compensate through leading market positions ▪ Start-up of selected pharma projects delayed in 2009
Performance Chemicals	▪ No inventory devaluation expected in Q2 ▪ Going forward positive end market development for leather and pigments ▪ In Q2, no improvement from automotives: Idle costs, digital approach ▪ Normal seasonal nature partly apparent

Demand in Q2 expected to gradually improve from low Q1 level

Unfavourable effects are expected to level off

- Positive developments:
  - Only minor additional inventory write-offs in Q2 (~€10 m)
  - Gradual demand recovery mainly from Asia
  - Reduced customer destocking
  - Challenge09 yielding results
- Negative developments:
  - Idle capacity costs burdening (mitigated by digital approach)
  - Selling price reductions (indexed contracts) with time lag

- Foreign currency: U.S. dollar at 1.30-1.35 USD / EUR
- Hedging: ~50% at 1.30-1.40 USD / EUR

Q2 guidance provides some comfort

Guidance: Q2 EBITDA considerably better than Q1

Based on previously mentioned assumptions, LANXESS expects Q2 EBITDA pre exceptionals to be between €100 and €120 million

Additional financial expectations for 2009

- Capex*: reduced to ~€300 m
- D&A: ~€270 – 280 m
- Taxrate: reduced to ~25%
- Working Capital: moderate cash inflow in the course of 2009

* Without projects financed by customers

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Energizing Chemistry

Appendix

Exceptional items incurred in Q1 2008 and Q1 2009

(€ m)	Q1 2008		Q1 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	5	3	0	0
Advanced Intermediates	0	0	0	0
Performance Chemicals	3	0	1	0
Reconciliation	6	0	3	0
Total	**14**	**3**	**4**	**0**

Change of pension accounting of Defined Benefit Plans as of 2009 (switch from Corridor to SoRIE method)

Corridor method

- The portion of unrecognized gains and losses which exceeds 10% of the higher amount of DBO or plan assets is amortized through the P&L (over average remaining period of service) as provision on balance sheet
- Therefore deferred recognition of actuarial gains and losses exceeding the corridor
- No adjustment of shareholders' equity due to change in assumptions or asset performance
- Funded status only disclosed in annual notes

SoRIE

- SoRIE = Statement of Recognized Income & Expense
- Allocation of actuarial gains and losses to other comprehensive income in shareholder's equity
- Adjustment of shareholders' equity due to change in assumptions or asset performance
- Funded status is equal to net of pension provision and pension asset

Effects of switch to SoRIE on Balance Sheet…

(€ m)	Dec 31, 2008		Dec 31, 2008 restated	Mar 31, 2009
Non-current Assets	**2,228**		**2,169**	**2,184**
Intangible assets	145		145	150
Property, plant & equipment	1,646		1,646	1,659
Equity investments	49	-7	42	44
Other investments	2		2	1
Other financial assets	72		72	69
Deferred taxes	137	17	154	176
Other non-current assets	177	-69	108	85
Current Assets	**2,423**		**2,423**	**2,182**
Inventories	1,048		1,048	945
Trade accounts receivable	725		725	613
Other financial assets	155		155	145
Other current assets	246		246	196
Liquid assets	249		249	283
Total Assets	**4,651**	-59	**4,592**	**4,366**

(€ m)	Dec 31, 2008		Dec 31, 2008 restated	Mar 31, 2009
Stockholders' Equity	**1,407**	-68	**1,339**	**1,314**
thereof minority interest	16		16	16
Non-current Liabilities	**1,944**		**1,953**	**1,976**
Pension & post empl. provis.	483	15	498	510
Other provisions	261		261	264
Other financial liabilities	986		986	983
Tax liabilities	91		91	93
Other liabilities	76		76	82
Deferred taxes	47	-6	41	44
Current Liabilities	**1,300**		**1,300**	**1,076**
Other provisions	395		395	381
Other financial liabilities	168		168	87
Trade accounts payable	484		484	365
Tax liabilities	12		12	8
Other liabilities	241		241	235
Total Equity & Liabilities	**4,651**	-59	**4,592**	**4,366**

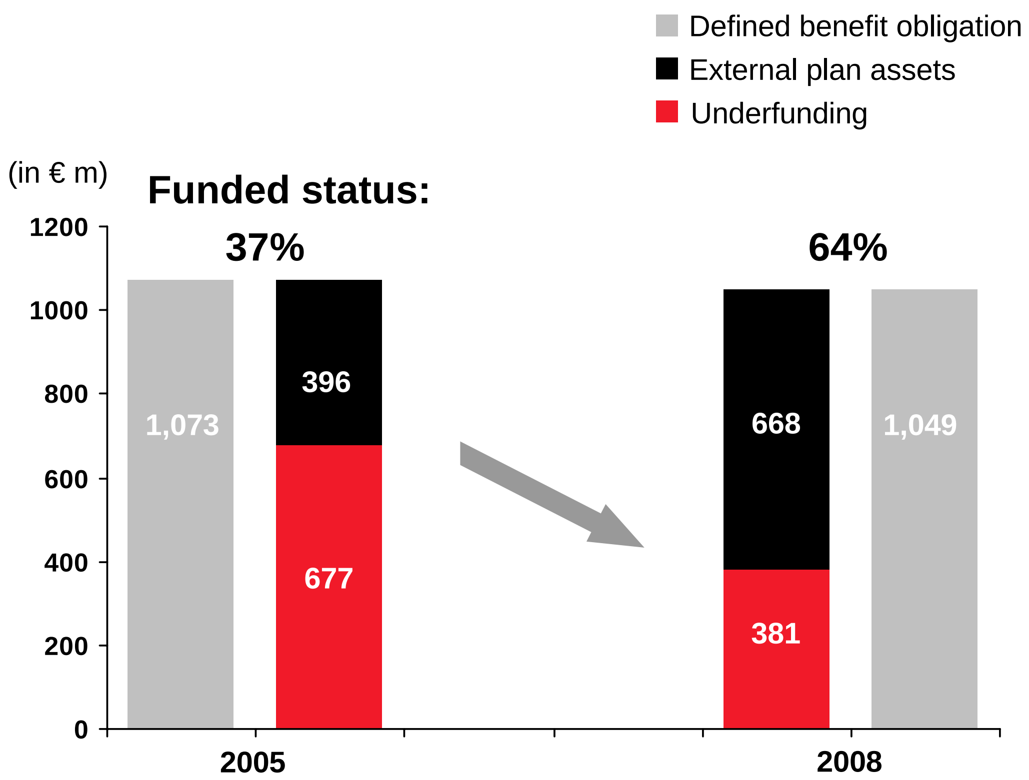
Strong financial backbone in turbulent markets

…as well as on P&L and on Cash Flow

	Q1 08 restatement	Estimated effects for ‘09
P&L	▪ EBIT unchanged ▪ Impact on Net Income: € 1 m ▪ EPS improvement by 0,02 € to 1,25 € per share	▪ Expenses avoidance: Impact on EBIT: ~ € 1,5m Impact on financial result: ~ € 7m
Cash Flow	▪ Operating, financing and investing cash flow remain unchanged	▪ No impact on cash flow

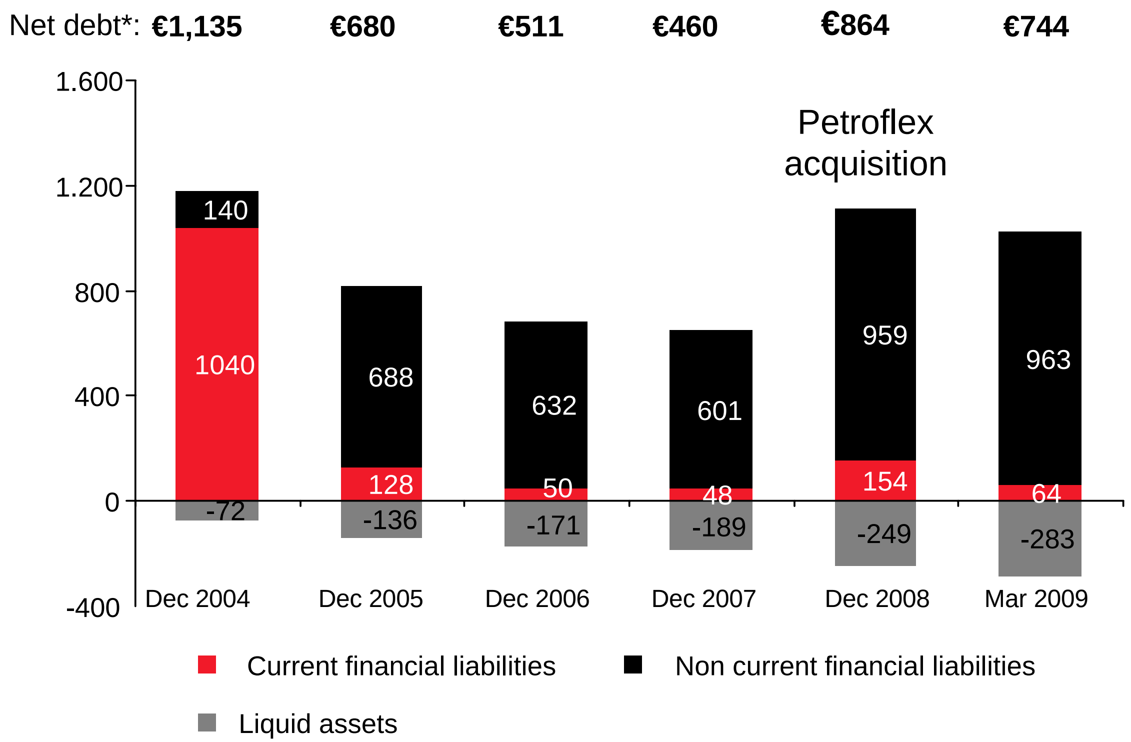
Pension underfunding – minor issue for LANXESS

Clear improvement of funded status



- Significant improvements of funded status by ~ € 300 m since 2005 to only € 381 m (funding ratio of ~ 65% achieved)
  - Start up of CTA in 2007
  - Well managed pension schemes
- Allocation of plan assets as of December 2008:
  - Only ~25% remain in equities, more than 66% in fixed-income securities
  - Shift of equity to fixed income finalized in Q2 2008

Cash is king: tight working capital management strengthens cash flow, reduces net debt



- Cash flow strengthened by inflows from working capital and spending discipline
- Conservative increase of cash position

Cash conservation reduces net financial debt

* Adjusted for liabilities for accrued interest, 2009 after deduction of €27 million in specific exchange hedging of financial liabilities

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

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