



# **LANXESS – Q2 2009 Results Conference Call**

**Earnings rebound,  
performance proven in downturn**

**Matthias Zachert, CFO**

**August 2009**

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## Agenda

- Highlights Q2 2009
- Business and financial review Q2 2009
- Outlook/Guidance

## Challenge09 fully on track and now expanded into 2012

### Strategy

- Challenge09 expanded – prolongation into 2012 with Challenge12
- Deferment of Singapore project, implementation of new technology
- Successful asset acquisitions of Gwalior Chemicals and Jiangsu Polyols in Q2

### Business

- Trough volume quarters behind us – substantial volume increase versus Q1, notably in Asia while all other regions improve only marginally versus Q1 depressed levels
- Product prices in line with raw material price deflation of ~ €200 m, contribution margin remains stable

### Financials

- EBITDA\* improves vs. Q1 2009 in spite of very low volumes / destocking to €112 m
- 9% EBITDA\* margin in a tough business environment
- Q2 with positive net income
- Focus on cash flow generation yielding strong result: reduced net debt

\* Pre exceptionals

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Chart-No. 4

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## Agenda

- Highlights Q2 2009
- Business and financial review Q2 2009
- Outlook/Guidance

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Chart-No. 5

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## Q2 2009 financial overview: Profitable in a recession

[€ m]	Q2 2008	Q1 2009	Q2 2009	yoy in %
Sales	1,765	1,054	1,238	-29.9%
EBITDA pre except. margin	223 12.6%	66 6.3%	112 9.0%	-49.8%
Net Income	55	-14	17	-69.1%
Capex*	66	52	57	-13.6%

- Sales – led by Asian momentum – increased 17% versus Q1, but remain 30% below previous year
- Sequential EBITDA pre improved substantially, leading to solid 9% margin in trough scenario
- Net income positive despite low level of underlying demand
- Strong cash-flow results in further cut-back of net debt
- Additional headcount reduction of ~280 employees compared to Q1 2009

[€ m]	31.12.2008	31.03.2009	30.06.2009	% vs. FY
Net Financial Debt	864	744	719	-16.8%
Net Working Capital	1,289	1,193	1,109	-14.0%
Employees	14,797	14,612	14,335	-3.1%

### Financial metrics robust in current recessionary environment

\*Net of projects financed by customers and finance lease

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Chart-No. 6

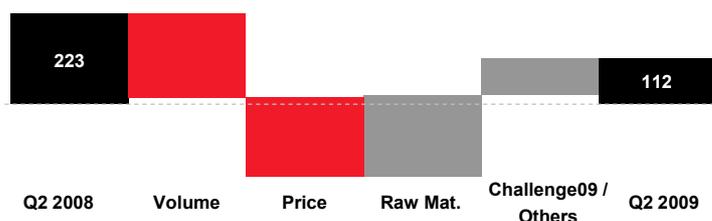
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## Product prices in line with raw material price deflation

Q2 yoy sales variances	Price	Volume	Currency	Total
Performance Polymers	-19%	-24%	5%	-38%
Advanced Intermediates	-8%	-7%	3%	-11%
Performance Chemicals	0%	-30%	4%	-26%
<b>LANXESS</b>	<b>-11%</b>	<b>-23%</b>	<b>4%</b>	<b>-30%</b>

- Declining demand combined with prices in line with raw materials resulting in reduced sales of 30%
- Strong volume rebound versus Q1, however 23% decrease versus previous year
- Positive currency effect in Q2

### EBITDA\* performance bridge [€ m]



- Savings yielded by the Challenge09 package of measures mitigate EBITDA\* effect of lower volumes
- Product prices in line with raw material price deflation of ~ €200 m

\* Pre exceptionals

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Chart-No. 7

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## 27% volume rebound quarter-on-quarter

Q2 qoq sales variances	Price	Volume	Currency	Total
Performance Polymers	-13%	39%	-2%	25%
Advanced Intermediates	-5%	15%	-1%	10%
Performance Chemicals	-4%	19%	-1%	14%
<b>LANXESS</b>	<b>-8%</b>	<b>27%</b>	<b>-1%</b>	<b>17%</b>

- Sales increased 17% versus Q1 due to a strong volume rebound especially in Performance Polymers
- Lower pricing with lag-effect, driven by raw material price decline
- Sequentially improved volumes show we have passed the trough

### Sales performance bridge [€ m]



\* Pre exceptionals

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Chart-No. 8

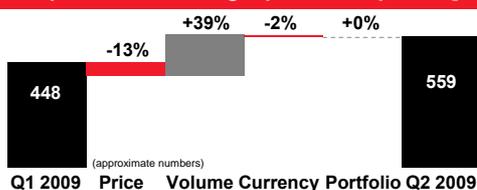
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## Performance Polymers: Improvement fueled by strong demand pick-up in Asia and absence of negative Q1 effects

[€m]	Q2 2008	Q1 2009	Q2 2009
<b>Sales</b>	<b>908</b>	<b>448</b>	<b>559</b>
EBIT	46	-24	18
Depr. / Amort.	32	32	33
EBITDA	78	8	51
<b>EBITDA pre exceptionals</b>	<b>127</b>	<b>8</b>	<b>52</b>
Margin	14.0%	1.8%	9.3%
<b>Capex*</b>	<b>32</b>	<b>28</b>	<b>28</b>

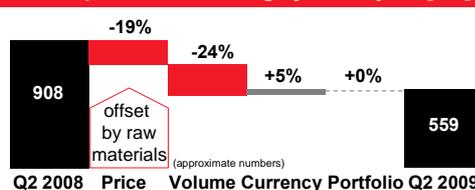
- Sales remain depressed yoy but improved sequentially: All BUS with better momentum versus Q1
- Selling prices declined on the basis of raw material indexed sales contracts and stronger Asian exposure (mainly in PBR)
- Selling price decline in balance with lower input costs
- SCP stable in intermediates but compounds still sluggish
- EBITDA pre and margin significantly improved mainly as negative Q1 effects level off and cost cutting is effective

### Sales performance bridge quarter on quarter [€m]



\*Net of finance lease

### Sales performance bridge year on year [€m]



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Chart-No. 9

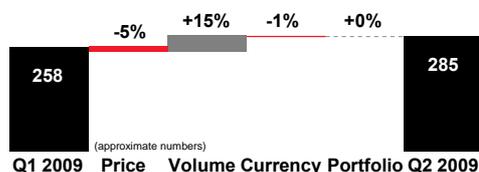
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## Advanced Intermediates: Solid business, but Q2 affected by seasonality and ongoing weak auto and construction

[€m]	Q2 2008	Q1 2009	Q2 2009
<b>Sales</b>	<b>320</b>	<b>258</b>	<b>285</b>
EBIT	39	35	27
Depr. / Amort.	10	11	11
EBITDA	49	46	38
<b>EBITDA pre exceptionals</b>	<b>49</b>	<b>46</b>	<b>38</b>
Margin	15.3%	17.8%	13.3%
<b>Capex*</b>	<b>15</b>	<b>9</b>	<b>8</b>

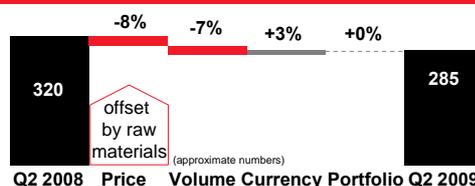
- Sales decline improved sequentially, however volumes remain lower than in 2008
- Declining raw material prices were supportive to the segment's performance even after expected selling price adjustments
- Underlying agro momentum remains strong esp. for SGO, however seasonally somewhat weaker (especially for herbicides in BAC)
- Volume losses in other BAC markets (automobile, construction) were less significant than in Q1 and mitigated by favorable SGO volumes

Sales performance bridge quarter on quarter [€m]



\*Net of projects financed by customers

Sales performance bridge year on year [€m]



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Chart-No. 10

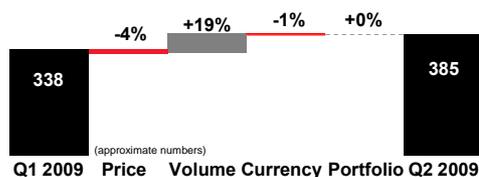
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## Performance Chemicals: Better volume momentum despite overall muted demand – Challenge09 mitigates

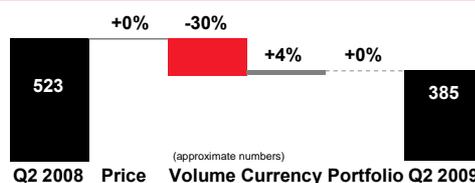
[€m]	Q2 2008	Q1 2009	Q2 2009
<b>Sales</b>	<b>523</b>	<b>338</b>	<b>385</b>
EBIT	57	21	29
Depr. / Amort.	20	17	16
EBITDA	77	38	45
<b>EBITDA pre exceptionals</b>	<b>78</b>	<b>39</b>	<b>44</b>
Margin	14.9%	11.5%	11.4%
<b>Capex</b>	<b>17</b>	<b>13</b>	<b>19</b>

- Sales of all BUs increased sequentially and prices remained stable year on year
- MPP, IPG and LEA are strongest contributors to sequential EBITDA improvement
- RUC and RCH continue to be burdened by weak auto industry
- IPG performed well in an ongoing difficult construction market
- Good pricing in Q2. Price decline expected in Q3, in line with raw-materials
- Only ~ €5 m inventory devaluation (mainly phosphor and cast iron borings)

Sales performance bridge quarter on quarter [€m]



Sales performance bridge year on year [€m]



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Chart-No. 11

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## Strong financial platform in a global economic crisis

[€ m]	Dec 31, 2008	Jun 30, 2009	Dec 31, 2008	Jun 30, 2009	
<b>Non-current Assets</b>	<b>2,169</b>	<b>2,219</b>	<b>Stockholders' Equity</b>	<b>1,339</b>	<b>1,375</b>
Intangible assets	145	159	thereof minority interest	16	16
Property, plant & equipment	1,646	1,714	<b>Non-current Liabilities</b>	<b>1,953</b>	<b>2,646</b>
Equity investments	42	23	Pension & post empl. provis.	498	544
Other investments	2	1	Other provisions	261	279
Other financial assets	72	39	Other financial liabilities	986	1,634
Deferred taxes	154	160	Tax liabilities	91	91
Other non-current assets	108	123	Other liabilities	76	54
			Deferred taxes	41	44
<b>Current Assets</b>	<b>2,423</b>	<b>2,766</b>	<b>Current Liabilities</b>	<b>1,300</b>	<b>964</b>
Inventories	1,048	821	Other provisions	395	310
Trade accounts receivable	725	679	Other financial liabilities	168	71
Other financial assets	155	145	Trade accounts payable	484	391
Other current assets	246	167	Tax liabilities	12	8
Liquid assets	249	954	Other liabilities	241	184
<b>Total Assets</b>	<b>4,592</b>	<b>4,985</b>	<b>Total Equity &amp; Liabilities</b>	<b>4,592</b>	<b>4,985</b>

### Strengthened liquidity position to be conservatively managed in H209

- Cash position to be invested in highly rated & liquid bank deposits, money market funds and / or government bonds (including ETFs)
- Increased investments in maturities > 90 days, leading to increasing financial asset position
- Possibility to use cash to selectively early repay bank debt

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Chart-No. 12

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## Strong operating cash flow

[€ m]	Q2 2008	Q2 2009
<b>Profit before Tax</b>	<b>82</b>	<b>22</b>
Depreciation & amortization	64	65
Gain from sale of assets	-8	-11
Result from equity investments	-8	-3
Financial (gains) losses	44	18
Cash tax payments / refunds	-26	22
Changes in other assets and liabilities	-20	-42
<b>Operating Cash Flow before changes in WC</b>	<b>128</b>	<b>71</b>
Changes in Working Capital	-46	86
<b>Operating Cash Flow</b>	<b>82</b>	<b>157</b>
<b>Investing Cash Flow</b>	<b>-192</b>	<b>-27</b>
thereof Capex	-66	-57
<b>Financing Cash Flow</b>	<b>-17</b>	<b>534</b>

- Strong operating cash flow despite lower profit before tax
- Cash inflow based on tight working capital management
- Changes in other assets and liabilities with higher cash outs for personnel-related programs
- 2008 investing cash flow reflects Petroflex, 2009 contains dividend from Currenta
- 2009 financing cash flow includes new €500 m bond maturing in 2014

### Strict working capital management delivers strong operating cash flow

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Chart-No. 13

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## Agenda

- Highlights Q2 2009
- Business and financial review Q2 2009
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## Macro view: The downturn appears to be bottoming out - risk of setbacks exists

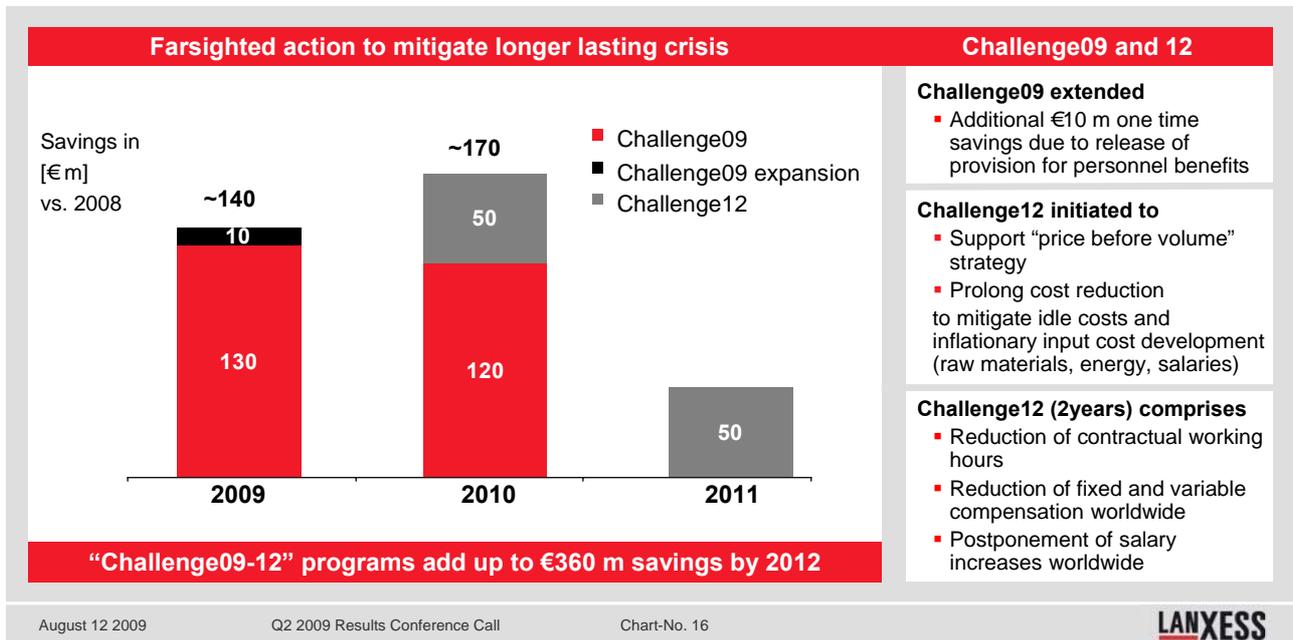
### View on LANXESS group level

- World-wide underlying demand has bottomed out, volume trough now also reached in LatAm, North America and Europe
- Asia maintaining its good momentum, other regions are expected to recover only slowly
- Destocking completed – restocking not yet visible
- Mitigating fast rising raw material prices (notably butadiene) will be a challenge in Q3
- Usual seasonal earnings pattern with sequentially weaker H2 (Advanced Intermediates & Performance Chemicals)

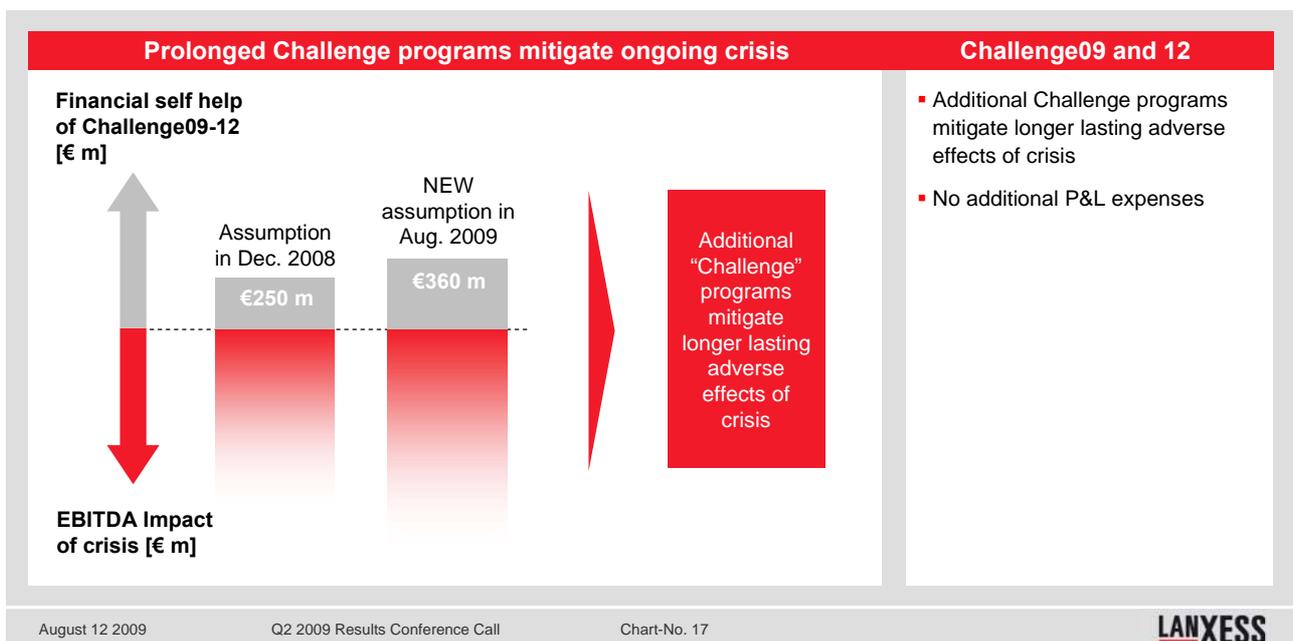
### Risk of setback for the economy remains



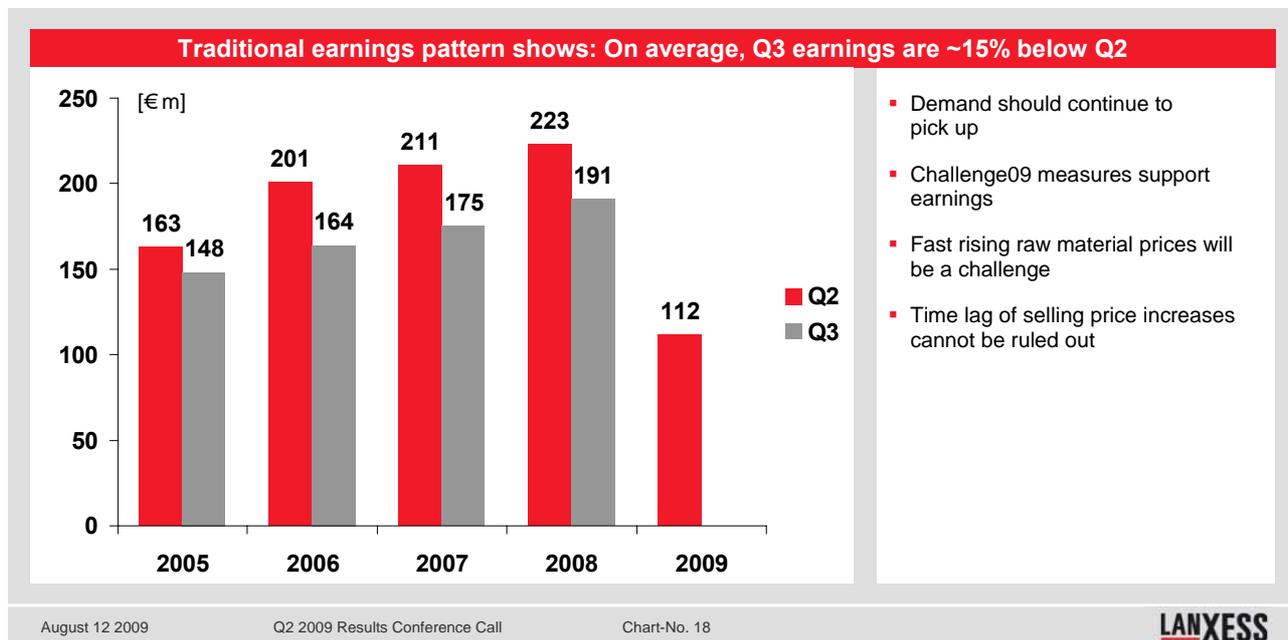
# Challenge09 expanded and Challenge12 initiated



# Additional savings to mitigate impact of ongoing crisis



## Q3 EBITDA is traditionally below Q2 due to seasonality



## Q3 guidance underpins that economic trough has been reached but environment will remain tough and volatile

### Guidance for Q3 2009

Based on previously mentioned assumptions, LANXESS expects Q3 EBITDA pre to be around Q2 level, thus offsetting the traditional earnings pattern

### Additional financial expectations for 2009

- Capex\*: reduced to ~€300 m
- D&A: ~€270 – 280 m
- Taxrate: reduced to ~25%
- Working Capital: moderate cash inflow for FY 2009
- Exceptionals: ~€40 m for FY 2009
- FX: U.S. dollar at 1.35-1.40 USD / EUR
- Hedging: ~50% at 1.30-1.40 USD / EUR

\* Without projects financed by customers



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Chart-No. 19

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# LANXESS

Energizing Chemistry



## Appendix

# Portfolio management allows for regrouping of LANXESS businesses along chemical segmentation



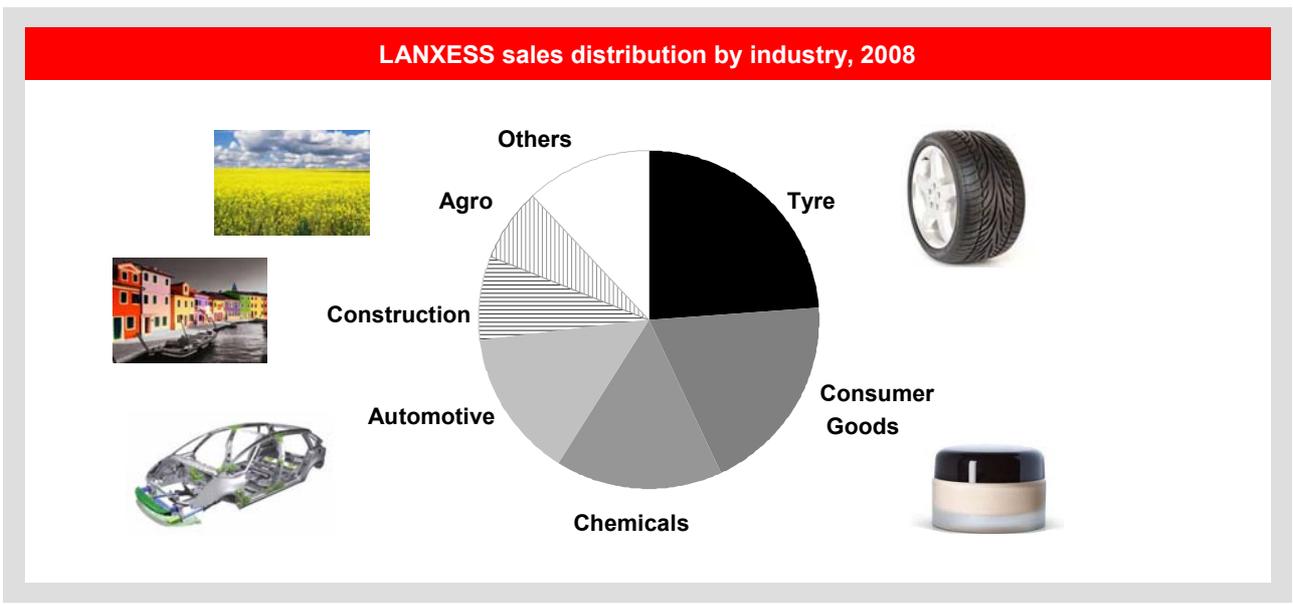
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Chart-No. 22



# LANXESS has a broad customer portfolio with varying demand patterns



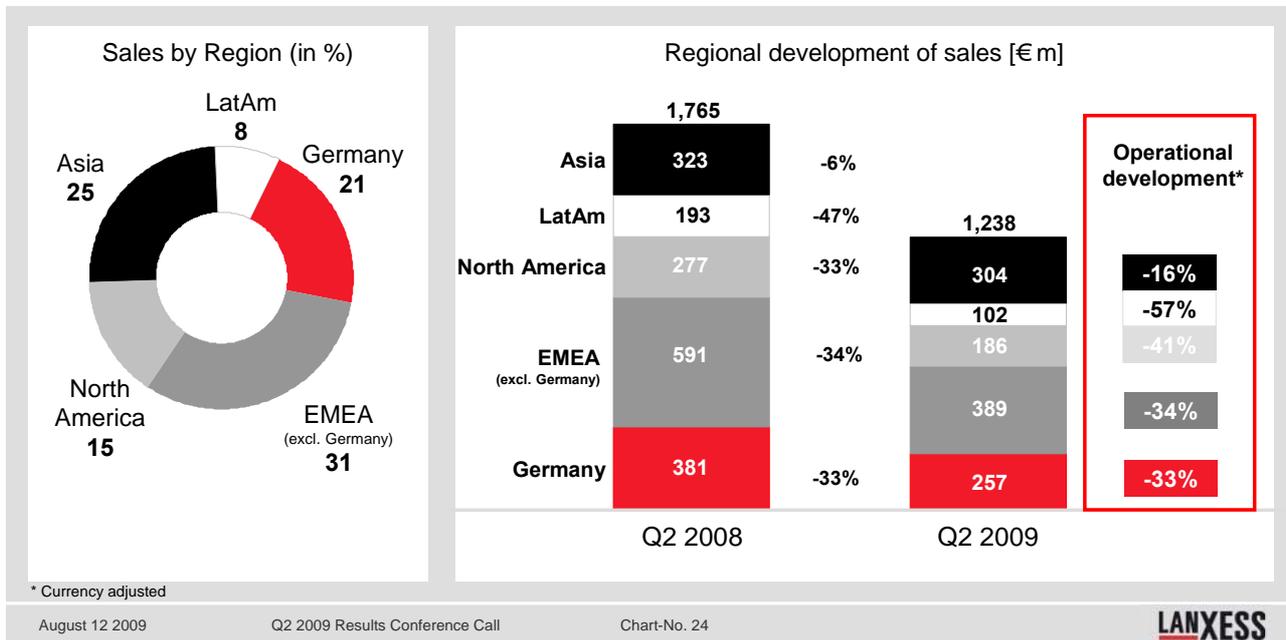
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Chart-No. 23



## Second quarter volume improvement substantially driven by Asia, while all other regions are still heavily impacted



## Well managed businesses deliver a positive net income

[€ m]	Q2 2008	Q1 2009	Q2 2009	yoy in %	
<b>Sales</b>	<b>1,765</b>	<b>1,054</b>	<b>1,238</b>	<b>-30%</b>	<ul style="list-style-type: none"> <li>Sales decline is based on lower prices (-11%) due to easing raw materials (~ €200 m); currency effects (+4%) slightly alleviate severe volume impact (-23%)</li> <li>Cost of sales contain ~ €5 m inventory devaluation</li> <li>Deviations in expense line items reflect lower business activity and cost saving efforts</li> <li>Sequential EBITDA* improvement as well as positive net income support the view that the trough has been reached</li> </ul>
Cost of sales	-1,343	-857	-977	-27%	
SG&A	-242	-174	-191	-21%	
R&D	-27	-24	-25	-7%	
Other op. income/expense	-37	0	-2	-95%	
thereof exceptionals	-43	-4	-7	-84%	
<b>EBIT</b>	<b>116</b>	<b>-1</b>	<b>43</b>	<b>-63%</b>	
<b>Net Income</b>	<b>55</b>	<b>-14</b>	<b>17</b>	<b>-69%</b>	
<b>EPS</b>	<b>0.66</b>	<b>-0.17</b>	<b>0.20</b>	<b>-70%</b>	
EBITDA	180	62	108	-40%	
thereof exceptionals	-43	-4	-4	-91%	
<b>EBITDA pre exceptionals</b>	<b>223</b>	<b>66</b>	<b>112</b>	<b>-50%</b>	

**Substantial sequential improvement**

\* Pre exceptionals

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## H1 2009 financial overview: Profitable in trough environment but still heavily impacted compared to previous year

[€ m]	H1 2008	H1 2009	yoy in %
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Sales	3,300	2,292	-30.5%
EBITDA pre except. margin	443 13.4%	178 7.8%	-59.8%
Net Income	159	3	-98.1%
Capex <sup>1</sup>	100	109	9.0%

- Sales decreased 31%, with positive currency effects only slightly mitigating negative impact from lower volumes and raw material driven selling price decline
- EBITDA\* well below previous year level but margin proves resilience in trough scenario

[€ m]	31.12.2008	30.06.2009	% vs. FY
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Net Financial Debt	864	719	-16.8%
Net Working Capital	1,289	1,109	-14.0%
Employees	14,797	14,335	-3.1%

- Net income positive despite very low level of underlying demand
- Net debt further reduced due to strong cash flow
- Further headcount reduction of ~460 employees

**Facing strong headwinds but profitable**

\*Pre exceptionals <sup>1</sup>Net of projects financed by customers and finance lease

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Chart-No. 26

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## P&L reflects strict cost management in tough environment

[€ m]	H1 2008	H1 2009	Δ in %
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Sales	3,300	2,292	-31%
Cost of sales	-2,501	-1,834	-27%
SG&A	-455	-365	-20%
R&D	-50	-49	-2%
Other op. income / expense	-33	-2	-94%
thereof exceptionals	-57	-11	-81%
EBIT	261	42	-84%
Net Income	159	3	-98%
EPS	1.91	0.04	-98%
EBITDA	389	170	-56%
thereof exceptionals	-54	-8	-85%
EBITDA pre exceptionals	443	178	-60%

- Prices declined 7% due to easing from raw materials; effects from currencies (+4%) as well as portfolio (+2%) slightly alleviate severe volume impact (-29%)
- Costs of sales contain ~ €45 m inventory devaluation
- Deviations in expense line items reflect lower business activity and cost saving efforts
- EBITDA\* substantially lower than previous year due to a very low level of underlying demand, inventory devaluation and destocking effects

**P&L tightly managed**

\*Pre exceptionals

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Chart-No. 27

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## Strong 2009 cash flow compares very favorably to 2008

[€ m]	H1 2008	H1 2009	
<b>Profit before Tax</b>	<b>224</b>	<b>1</b>	
Depreciation & amortization	128	128	
Gain from sale of assets	-12	-18	
Result from equity investments	-15	-5	
Financial (gains) losses	48	27	
Cash tax payments / refunds	-46	46	
Changes in other assets and liabilities	-23	-99	
<b>Operating Cash Flow before changes in WC</b>	<b>304</b>	<b>80</b>	<ul style="list-style-type: none"> <li>Strong operating cash flow despite lower profit before tax</li> <li>Cash inflow supported by tight working capital management</li> <li>Changes in other assets and liabilities with higher 2009 cash out for personnel-related programs as well as 2008 increase in restructuring provisions</li> <li>2008 investing cash flow reflects acquisition of Petroflex, 2009 contains dividend from Currenta</li> <li>2009 financing CF includes new €500 m bond maturing in 2014</li> </ul>
Changes in Working Capital	-177	199	
<b>Operating Cash Flow</b>	<b>127</b>	<b>279</b>	
<b>Investing Cash Flow</b>	<b>-242</b>	<b>-22</b>	
thereof Capex	-100	-109	
<b>Financing Cash Flow</b>	<b>109</b>	<b>438</b>	
<b>Disciplined working capital management</b>			

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Chart-No. 28

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## Exceptional items incurred in Q2 2008 and Q2 2009

[€ m]	Q2 2008		Q2 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	49	0	1	0
Advanced Intermediates	0	0	0	0
Performance Chemicals	2	1	-1	0
Reconciliation	-8	-1	7	3
<b>Total</b>	<b>43</b>	<b>0</b>	<b>7</b>	<b>3</b>

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Chart-No. 29

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## Exceptional items incurred in H1 2008 and H1 2009

[€ m]	H1 2008		H1 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	54	3	1	0
Advanced Intermediates	0	0	0	0
Performance Chemicals	5	1	0	0
Reconciliation	-2	-1	10	3
<b>Total</b>	<b>57</b>	<b>3</b>	<b>11</b>	<b>3</b>

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Chart-No. 30

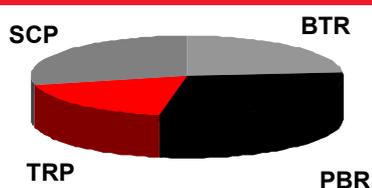
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## Performance Polymers: Low level of underlying demand, inventory devaluations and destocking impact performance

[€m]	H1 2008	H1 2009
<b>Sales</b>	<b>1,601</b>	<b>1,007</b>
EBIT	119	-6
Depr. / Amort.	61	65
EBITDA	180	59
<b>EBITDA pre exceptionals</b>	<b>231</b>	<b>60</b>
Margin	14.4%	6.0%
<b>Capex*</b>	<b>47</b>	<b>56</b>

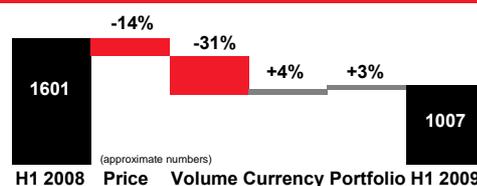
- Sales remain depressed yoy with positive currency and portfolio effects only mitigating price and volume declines
- Selling prices declined on the basis of raw material indexed sales contracts and stronger Asian exposure (mainly in PBR)
- Selling price decline in balance with lower input costs
- SCP stable in intermediates but compounds still sluggish
- EBITDA pre and margin well below previous year, also impacted by H1 inventory devaluation of ~ €35 m

### Sales by BU



\*Net of finance lease

### Sales performance bridge year on year [€m]



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Chart-No. 31

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## Advanced Intermediates: Solid business, but Q2 affected by seasonality and ongoing weak auto and construction

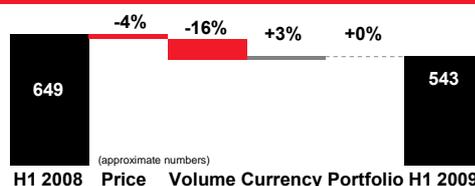
[€m]	H1 2008	H1 2009
<b>Sales</b>	<b>649</b>	<b>543</b>
EBIT	84	62
Depr. / Amort.	21	22
EBITDA	105	84
<b>EBITDA pre exceptionals</b>	<b>105</b>	<b>84</b>
Margin	16.2%	15.5%
<b>Capex*</b>	<b>20</b>	<b>17</b>

- Positive currency effect only mitigates price and volume decline
- Declining raw material prices were supportive to the segment's performance even after expected selling price adjustments
- Underlying agro momentum remains strong esp. for SGO, however seasonally somewhat weaker (especially for herbicides in BAC)
- Volume losses in other BAC markets (automobile, construction) mitigated by favorable SGO volumes

### Sales by BU



### Sales performance bridge year on year [€m]



\*Net of projects financed by customers

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Chart-No. 32

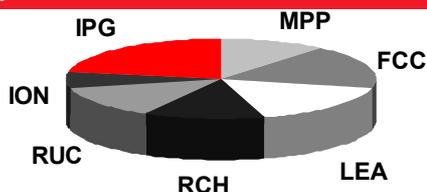
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## Performance Chemicals: Better volume momentum despite overall muted demand – Challenge09 mitigates

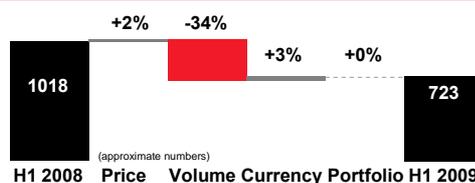
[€m]	H1 2008	H1 2009
<b>Sales</b>	<b>1,018</b>	<b>723</b>
EBIT	117	50
Depr. / Amort.	39	33
EBITDA	156	83
<b>EBITDA pre exceptionals</b>	<b>160</b>	<b>83</b>
Margin	15.7%	11.5%
<b>Capex</b>	<b>28</b>	<b>32</b>

- Sales were lower as positive price and currency effects could only mitigate strong volume decline
- MPP, IPG and LEA are strongest contributors to sequential EBITDA improvement
- RUC and RCH continue to be burdened by weak auto industry
- IPG performed well in an ongoing difficult construction market
- Good pricing in Q2. Price decline expected in Q3, in line with raw-materials
- €10 m inventory devaluation in H1 2009

### Sales by BU



### Sales performance bridge year on year [€m]



\*Pre exceptionals

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Chart-No. 33

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## FY 2009: Volume improvement and effective self-help measures give us confidence but uncertain economic conditions remain

### Performance Polymers

- Upside for BTR in Asia, PBR with some impetus from U.S. retreading business, potential replacement pickup could help
- SCP stable in intermediates but compounds still sluggish due to automotive exposure
- No significant re-stocking expected in Q3

### Advanced Intermediates

- Agrochemicals expected seasonally weaker in Q3 but overall with good contribution
- Normal seasonality of therefore sequentially weaker Q4 expected

### Performance Chemicals

- Positive end market development for LEA and IPG in Q3
- IPG with further sequential improvement expected in Q3
- RUC and RCH to benefit slightly from improved volumes
- No re-stocking effects expected
- Normal seasonal nature apparent (Q4 weaker: construction, automobile)

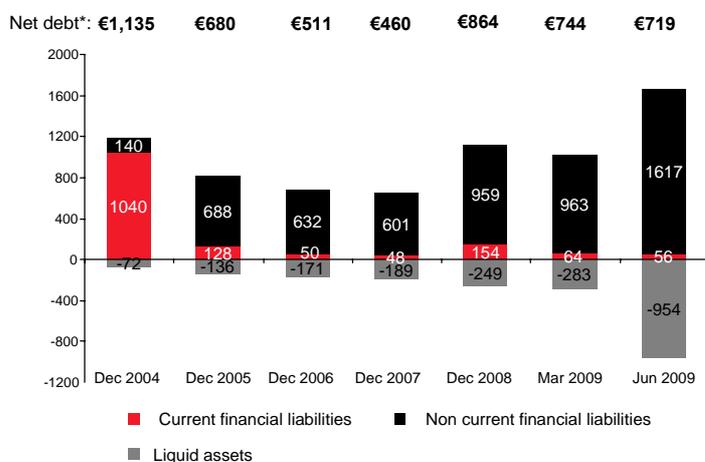
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Chart-No. 34

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



- Cash inflow from strong working capital management reduces net debt
- New €500 m bond as well as €130 m Schuldschein<sup>1</sup> increase both liquid assets and financial liabilities

**Net financial debt continuously managed**

\* Adjusted for liabilities for accrued interest, 2009 after deduction of €27 m in Q1 and €17 m in Q2 in specific exchange hedging of financial liabilities <sup>1</sup>english: promissory note

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Chart-No. 35

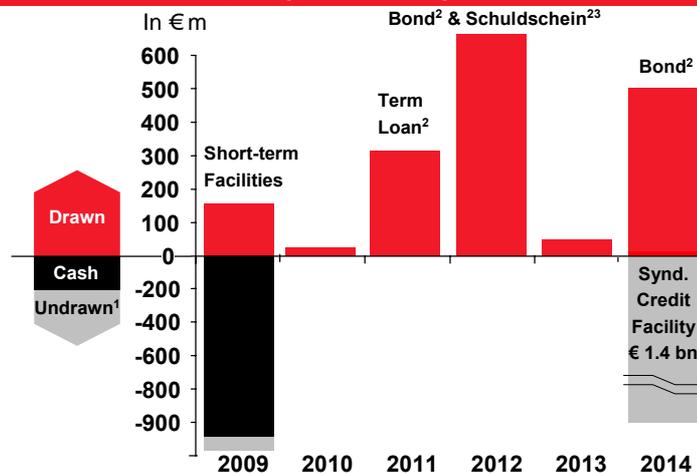
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## Maturity profile extended and strengthened by additional bond and Schuldschein<sup>3</sup>

### Strong cash position managed

- Cash position to be invested in highly rated & liquid bank deposits, money market funds and / or government bonds (including ETFs)
  - Increased investments in maturities > 90 days, leading to increasing financial asset position
  - Possibility to use cash to selectively early repay bank debt
  - Counterparty risks minimized by strict rating and concentration criterias
- 
- €130 m additional financing by Schuldschein<sup>3</sup> maturing in 2012

### Liquidity and maturity profile



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

<sup>1</sup>committed credit lines, <sup>2</sup>major instrument <sup>3</sup>english: promissory note

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Chart-No. 36

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## Rating-agencies confirm LANXESS' achievements

**STANDARD & POOR'S**

Standard&Poor's  
**BBB**

- Liquidity is strong
- Will manage investments and balance sheet in light of the currently difficult economic environment
- Has successfully restructured business activities

**Moody's Investors Service**

Moody's  
**Baa2**

- Lanxess Baa2 rating continues to reflect the issuer's adequate debt and cash flow metrics for the current rating category
- The group's strong liquidity profile remains highly supportive of the stable outlook

**FitchRatings**  
KNOW YOUR RISK

Fitch Ratings  
**BBB**

- Improved business risk, cost position and capital structure
- Product portfolio has moved up the value scale over the past four years
- Fitch takes comfort in Lanxess's strong liquidity

Source: Rating-Agencies

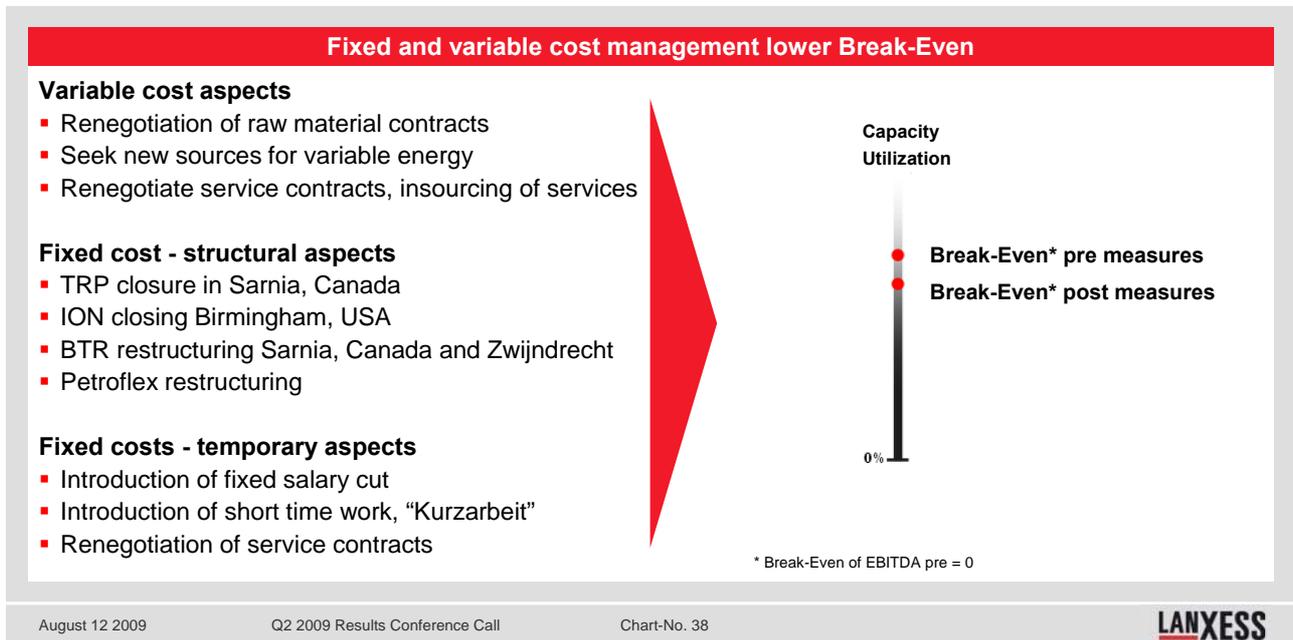
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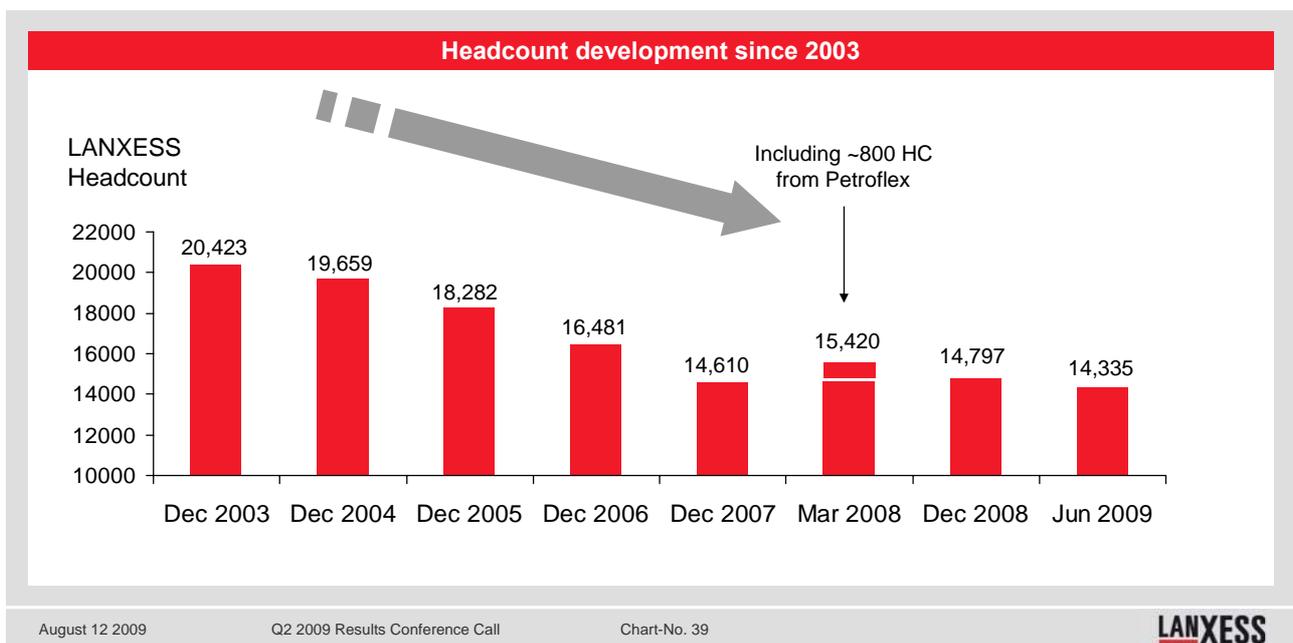
Chart-No. 37

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

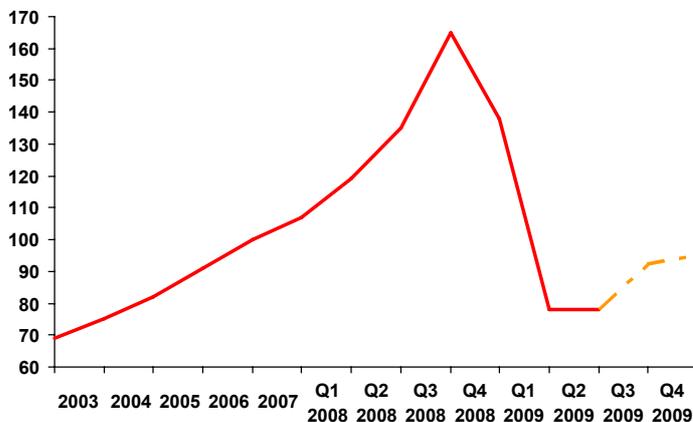


# Reduced headcount by ~280 employees vs. Q1 2009



## As raw materials are expected to rise, typical lag-effect for price pass-through cannot be excluded

Global raw materials index\* [%]



\* average 2006 = 100%

- In Q1 2009, raw materials decreased, lag-effect helped keeping selling prices stable
- In Q2 2009, raw materials stabilized at very low level as selling prices came down, following raw materials price decline in Q1
- In Q3 2009, rise in raw material prices probable, stable level in selling prices cannot be excluded due to time lag in price pass-through

Price pass-through with typical time-lag

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Chart-No. 40

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## Challenge09: specific measures in response to the crisis

### Flexible asset management (plant, site and global)

- 1 Adherence to price-before-volume strategy**
- 2 Temporary targeted cost reductions in specific areas based on**
  - reduction of energy, infrastructure services and logistics
  - adjustment of plant management and processes
  - reduction of service level throughout the group
  - global reduction of remuneration (+ flexible workforce deployment)

➔ More than 100 specific projects initiated

- 3 Major projects postponed (investments)**

Savings volume:  
€ 250 million in 2 years

Cash postponement:  
€ 100 million in 2009

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Chart-No. 41

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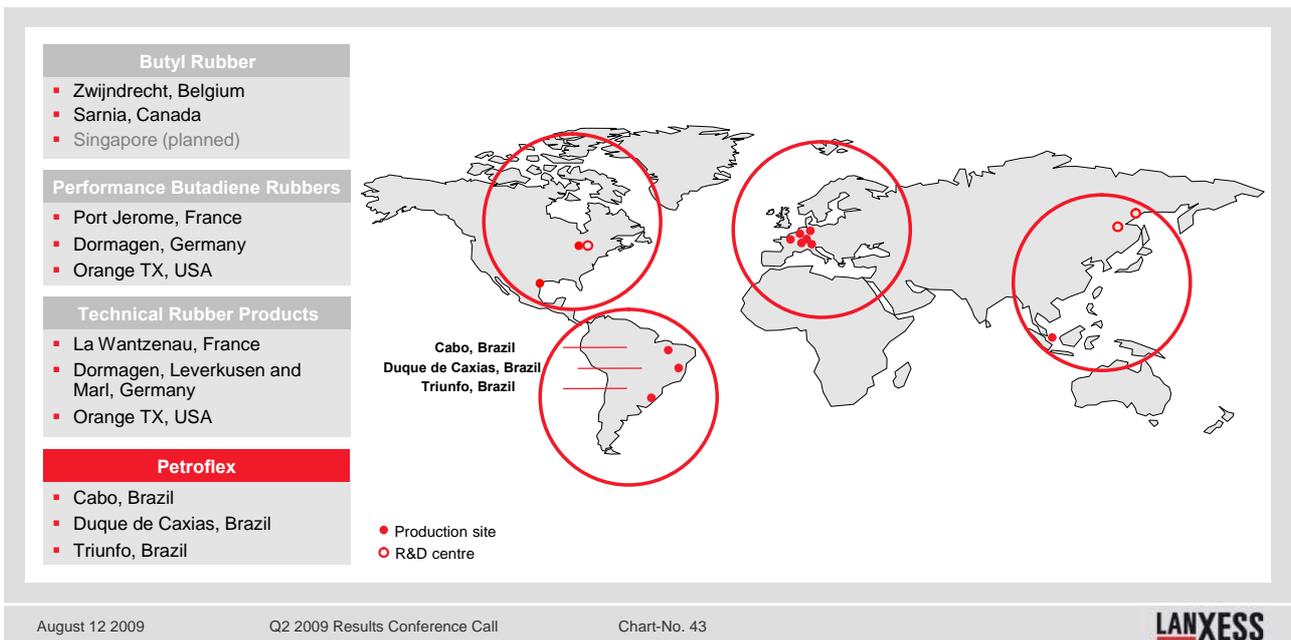
# Challenge09: substantial savings effective already 2009

In € m	2008	2009	2010	Σ 2009 2010	<b>Break down of cost savings 2009</b> <ul style="list-style-type: none"> <li>Reduction of remuneration ~€65 m</li> <li>Reduction of G&amp;A costs ~€20 m</li> <li>Additional projects ~€45 m                             <ul style="list-style-type: none"> <li>- Restructuring BUs BTR, TRP</li> <li>- Realignment of BU FCC</li> <li>- Streamlining of Petroflex</li> <li>- Consolidation of U.S. and Canadian admin organizations</li> </ul> </li> </ul>
Cost savings mitigating volume decline	45	130	120	<b>250</b>	
P&L Expenses/ one time costs*	-139	-40	-10	<b>-50</b>	
Estimated cash out	-80	-80	-20	<b>-100</b>	
<b>Cost savings mitigating volume decline</b>					

\*Restructuring/M&A

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# Serving global markets with world-wide rubber manufacturing network



# Is LANXESS a swing producer?

## Tyre manufacturers produce insufficient synthetic rubber for their captive use

Rubber producing capabilities of selected tyre manufacturers:

Importance in LANXESS portfolio		Michelin	Goodyear	Bridgestone	Continental	Pirelli	Hankook
major	<b>BTR</b>	none	none	none	none	none	none
major	<b>PBR<sup>1</sup></b>	little <sup>2</sup>	none	capable	none	none	none
minor	<b>S-SBR</b>	capable	capable	capable	none	none	none
major	<b>E-SBR</b>	little	capable	capable	none	none	none
major	<b>NBR</b>	none	none	none	none	none	none

<sup>1</sup> Nd-PBR <sup>2</sup> Know how present, licensing to others

## LANXESS is not a swing producer

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Chart-No. 44

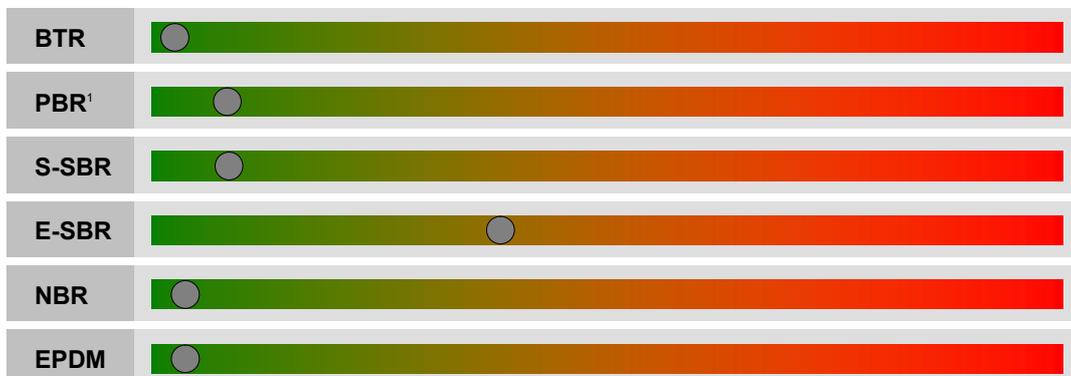
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# Does natural rubber cannibalize synthetic rubber?

## Risk of substitution

Low substitution risk

High substitution risk



<sup>1</sup> Nd-PBR

## Overall, very limited substitution possibility

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Chart-No. 45

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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

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