



LANXESS – UBS Best of Germany Conference

Earnings rebound, performance proven in downturn

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September 2009

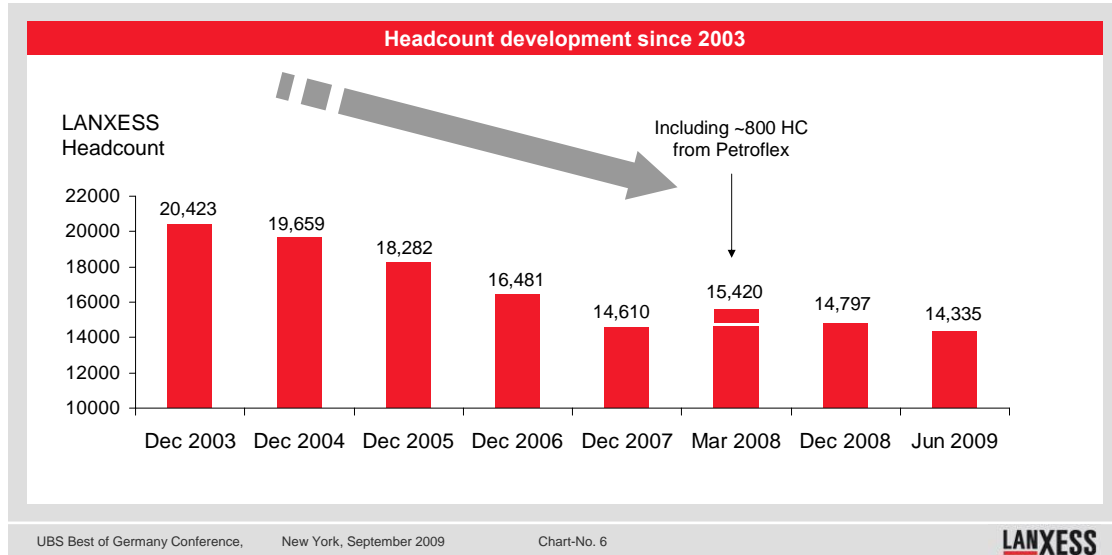
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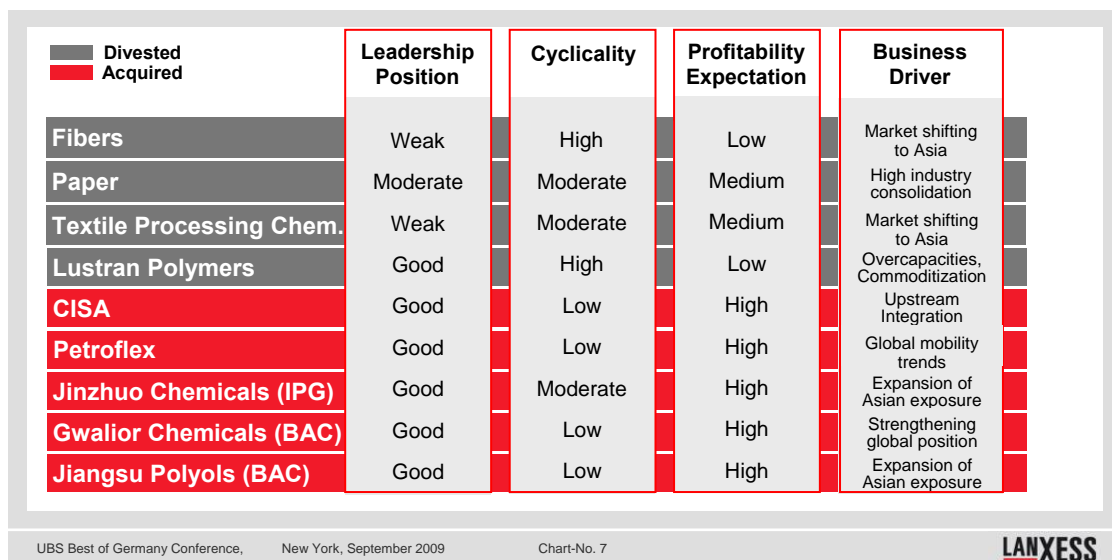
Agenda

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

Reduced headcount by ~280 employees vs. Q1 2009



Portfolio management has continuously strengthened the company - €1.5 bn of sales divested



LANXESS – Improvement trend of financials, based on strategy implementation

In € m	2004	2005	2006	2007	2008
EBITDA*	447	581	675	719	721
Net financial debt	1,135	680	511	460	864
Net fin. debt / EBITDA*	2.5x	1.2x	0.8x	0.6x	1.2x
Gearing	101%	54%	36%	30%	61%
Underlying EPS**	0.65	1.19	2.69	3.36	3.30
ROCE	5.4%	12.9%	15.9%	17.7%	15.0%

Financial metrics continuously improved

* Pre exceptionals; **EPS pre exceptionals, based on actual taxrate

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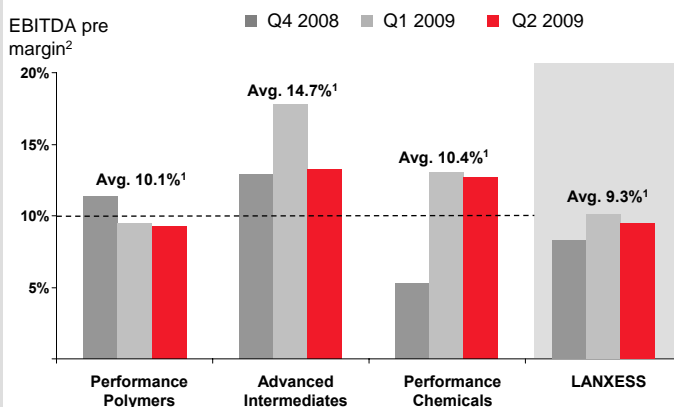
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Chart-No. 8

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Resilience shown in recession scenario

Average operating segment margin¹ remains above 10 %



¹ Q4 2008 to Q2 2009, ² excl. inventory devaluation

- Despite unprecedented downturn, operating margins demonstrate resilience
- Early implementation of cost saving measures lowered Break-Even
- Price-before-volume strategy supports margins

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Chart-No. 9

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- Strategy Update
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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. 12

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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%	<ul style="list-style-type: none"> ▪ 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
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%	
[€ m]	31.12.2008	31.03.2009	30.06.2009	% vs. FY	
Net Financial Debt	864	744	719	-16.8%	<ul style="list-style-type: none"> ▪ Strong cash-flow results in further cut-back of net debt ▪ Additional headcount reduction of ~280 employees compared to Q1 2009
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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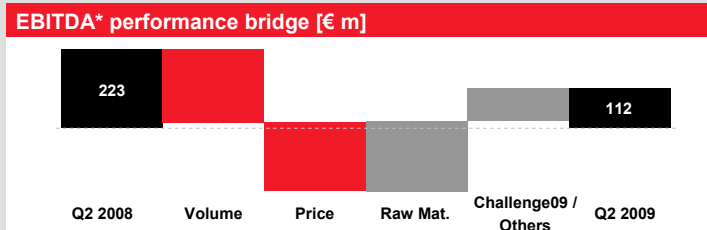
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Product prices in line with raw material price deflation

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%
LANXESS	-11%	-23%	4%	-30%

- 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



- 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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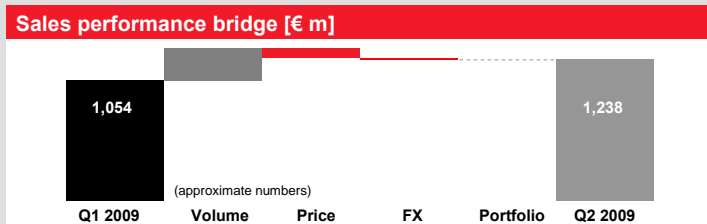
Chart-No. 14

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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%
LANXESS	-8%	27%	-1%	17%

- 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



* Pre exceptionals

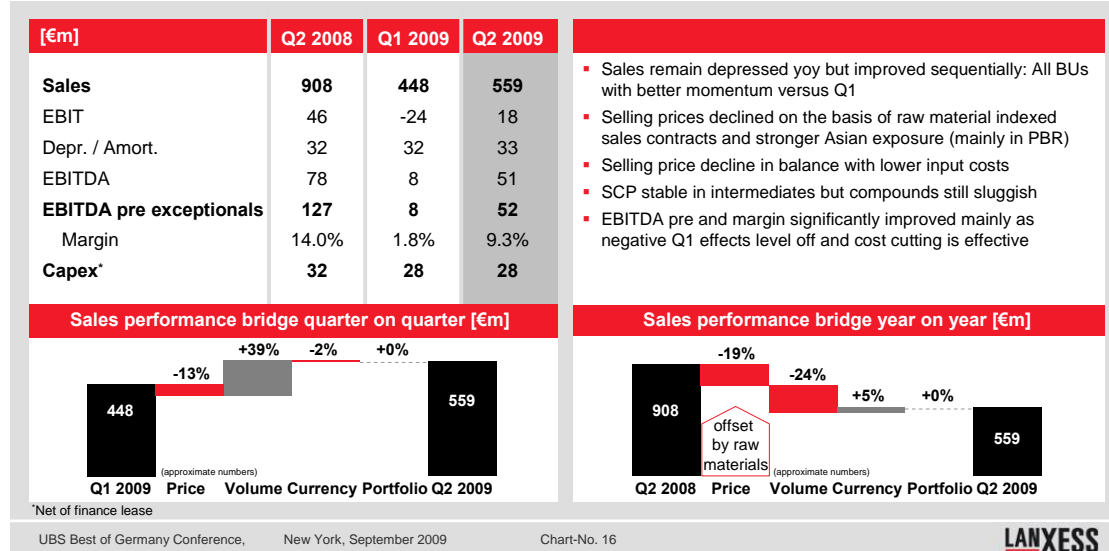
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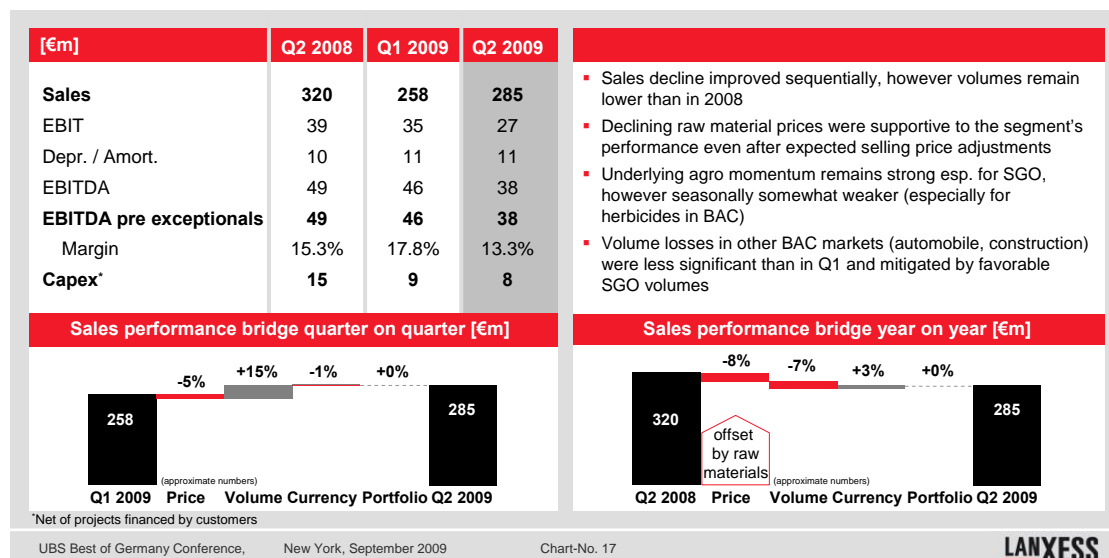
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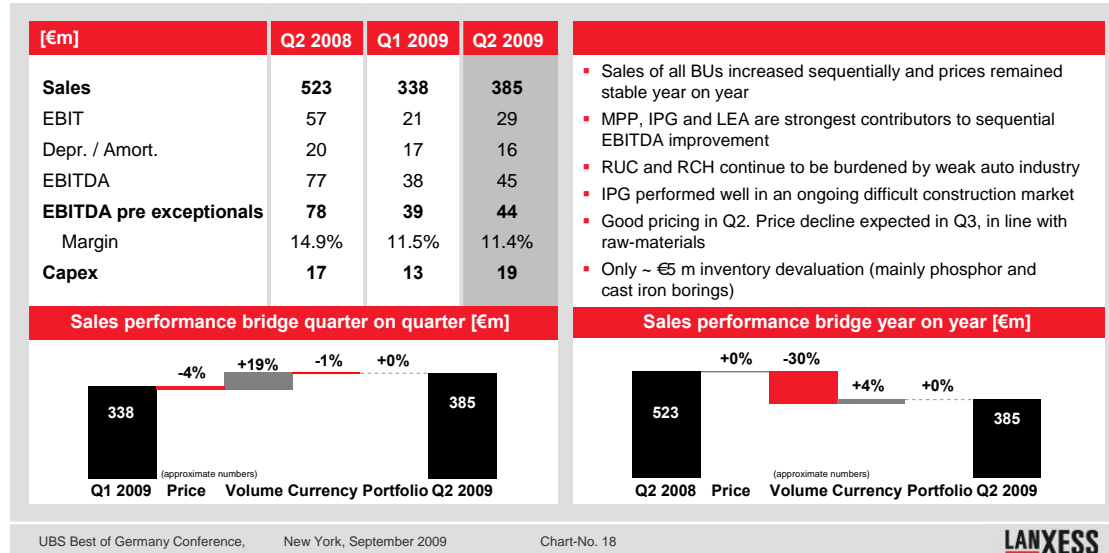
Performance Polymers: Improvement fueled by strong demand pick-up in Asia and absence of negative Q1 effects



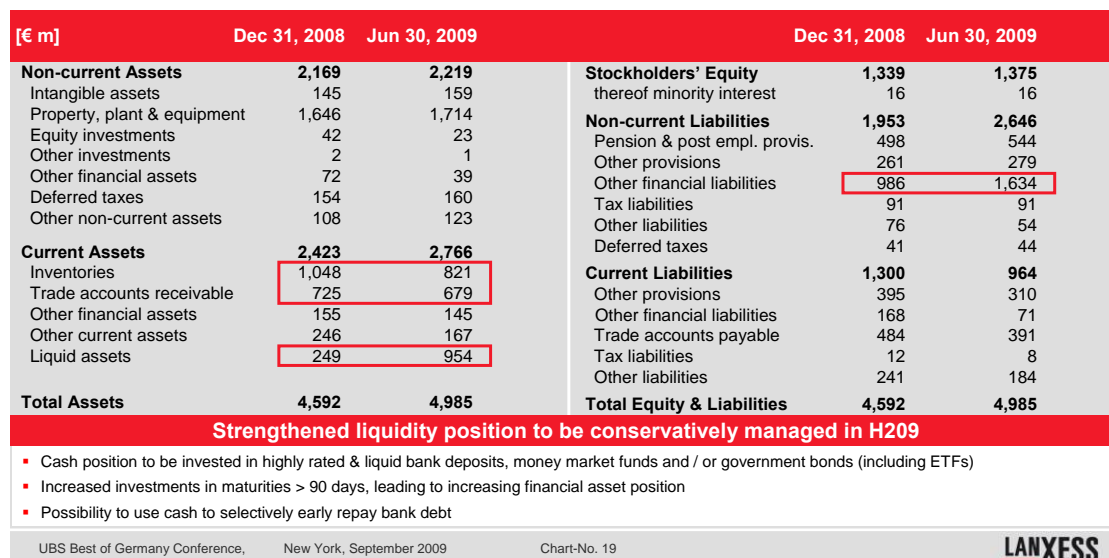
Advanced Intermediates: Solid business, but Q2 affected by seasonality and ongoing weak auto and construction



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



Strong financial platform in a global economic crisis



Strong operating cash flow

[€ m]	Q2 2008	Q2 2009	
Profit before Tax	82	22	
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	
Operating Cash Flow before changes in WC	128	71	
Changes in Working Capital	-46	86	
Operating Cash Flow	82	157	
Investing Cash Flow	-192	-27	
thereof Capex	-66	-57	
Financing Cash Flow	-17	534	
Strict working capital management delivers strong operating cash flow			

- 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

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Chart-No. 20

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Chart-No. 21

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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

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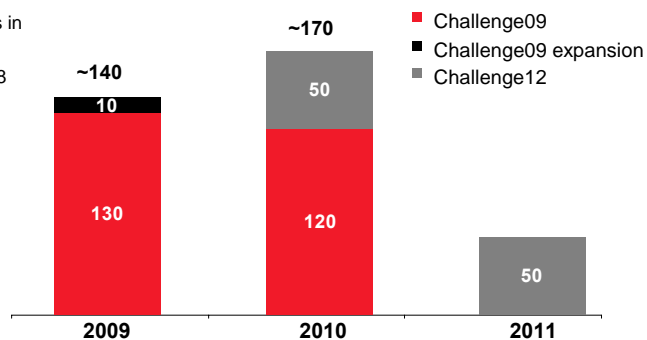
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Challenge09 expanded and Challenge12 initiated

Farsighted action to mitigate longer lasting crisis

Savings in
[€m]
vs. 2008



“Challenge09-12” programs add up to €360 m savings by 2012

Challenge09 and 12

Challenge09 extended

- Additional €10 m one time savings due to release of provision for personnel benefits

Challenge12 initiated to

- Support “price before volume” strategy
- Prolong cost reduction to mitigate idle costs and inflationary input cost development (raw materials, energy, salaries)

Challenge12 (2years) comprises

- Reduction of contractual working hours
- Reduction of fixed and variable compensation worldwide
- Postponement of salary increases worldwide

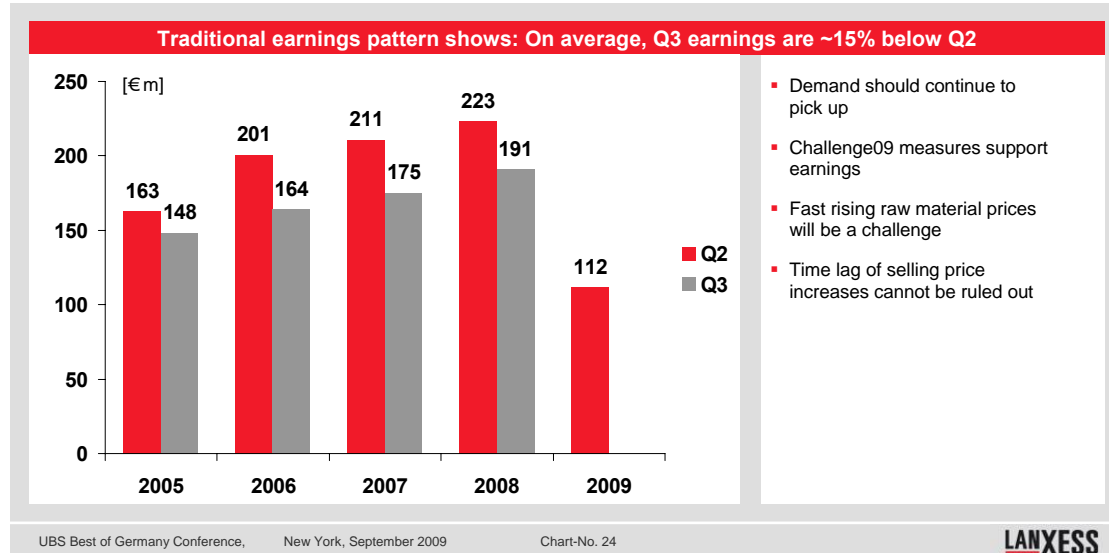
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Chart-No. 23

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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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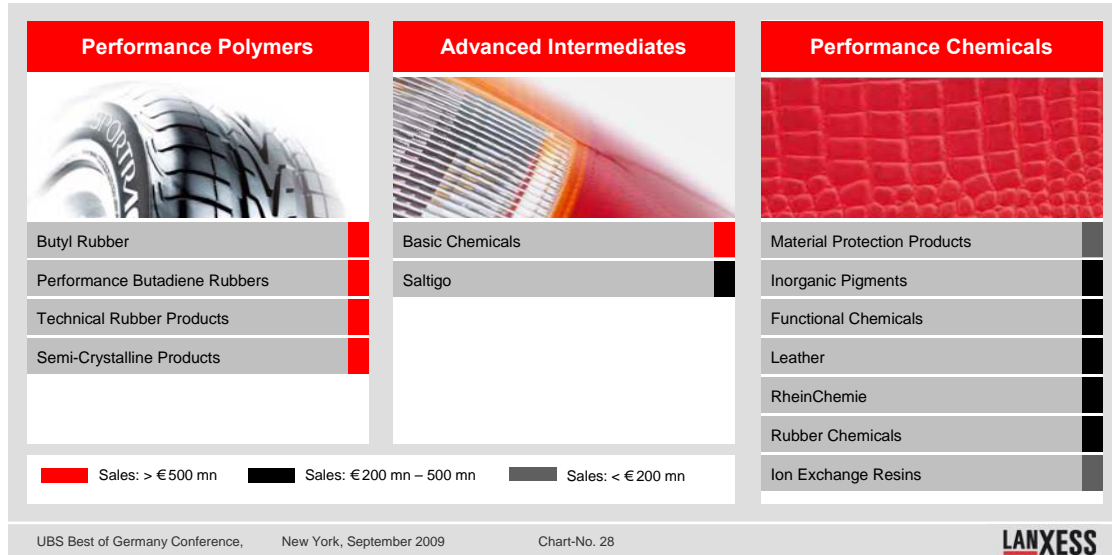
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Energizing Chemistry

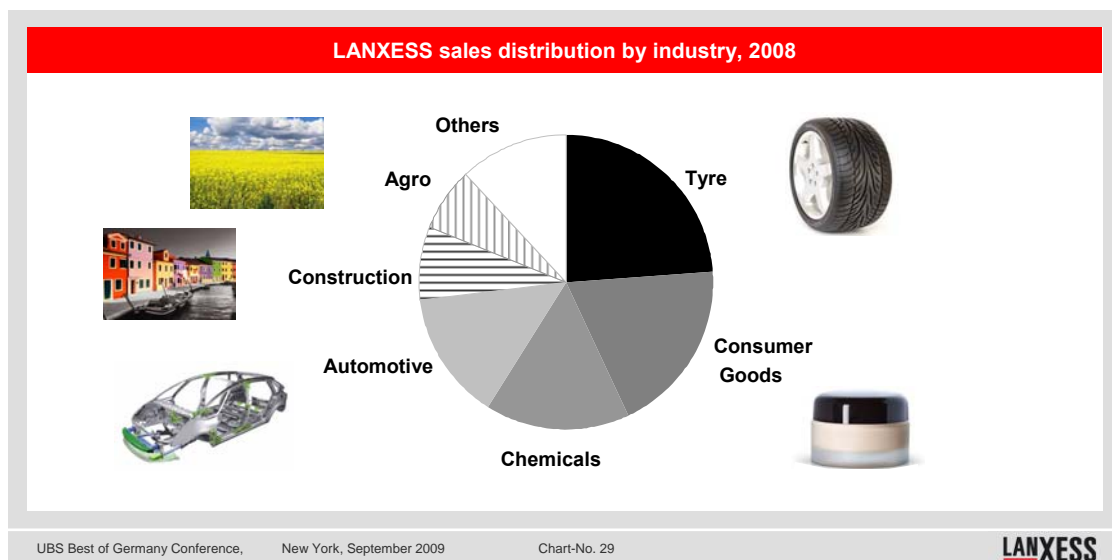


Appendix

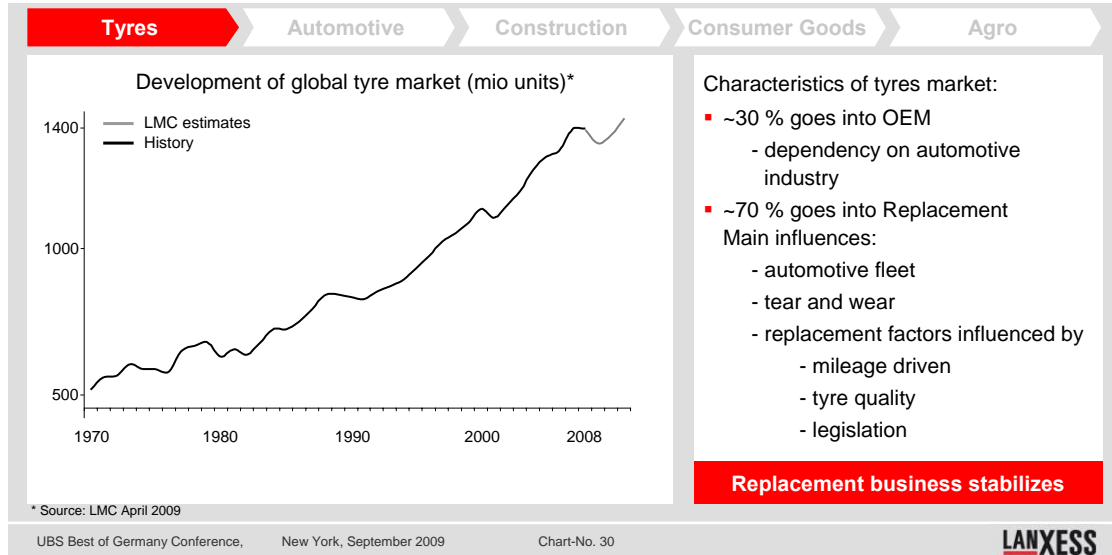
Portfolio management allows for regrouping of LANXESS businesses along chemical segmentation



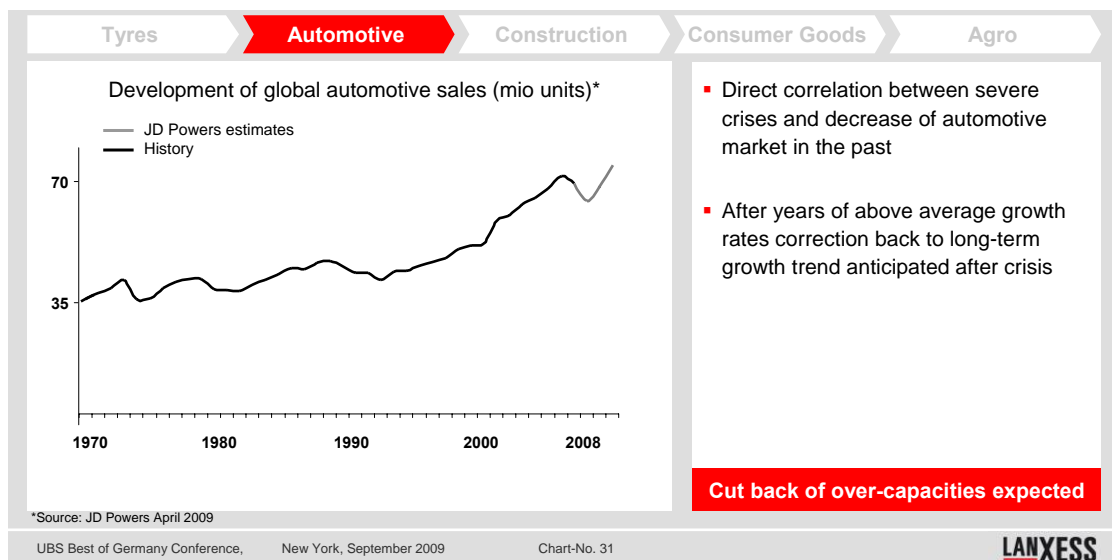
LANXESS has a broad customer portfolio with varying demand patterns



Long term trend of growing tyre demand remains in tact



2009 automotive sales are broadly expected to drop by ~ 20%



LANXESS amplifies and broadens its product portfolio: Acquisition of Gwalior Chemicals in India

Gwalior Chemical Industries Ltd.

- Stock-listed basic and specialty chemicals company; founded in 1978
- Permanent employees: approx. 400
- Gwalior Chemical Industries produces building blocks for the agro- and pharma industry, esp.
 - Sulphur Chlorides and
 - Benzyl products
- Integration into LANXESS India Private Ltd.



Gwalior	LANXESS	
Thionyl Chloride		Sulphur Chlorides
Sulphuryl Chloride		
Sulphur dichloride		Benzyl Products
Benzyl alcohol		
Benzyl chloride		
Benzaldehyde		
Benzyl acetate		
Benzyl benzoate		Others
Cinnamic aldehyde		
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Strengthening and complementing the product and customer portfolio for BU BAC

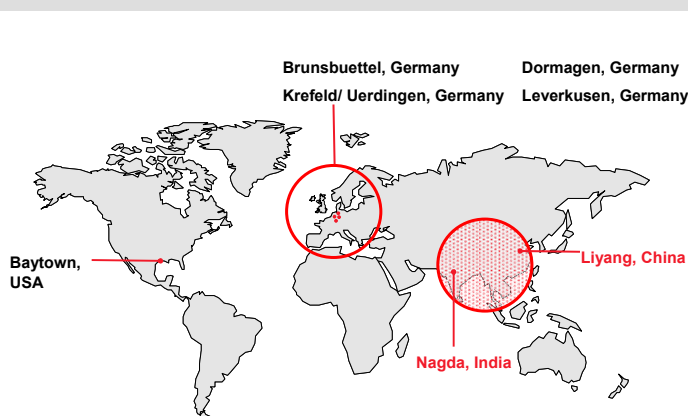
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Chart-No. 32

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In addition LANXESS strengthens its position in China via another selective acquisition



Jiangsu Polyols Chem. Co

- Acquisition of production assets in the polyols business (TMP*)
- Young company, founded in 2006
- Products mainly for lubricants, paints and coatings

* Trimethylolpropane

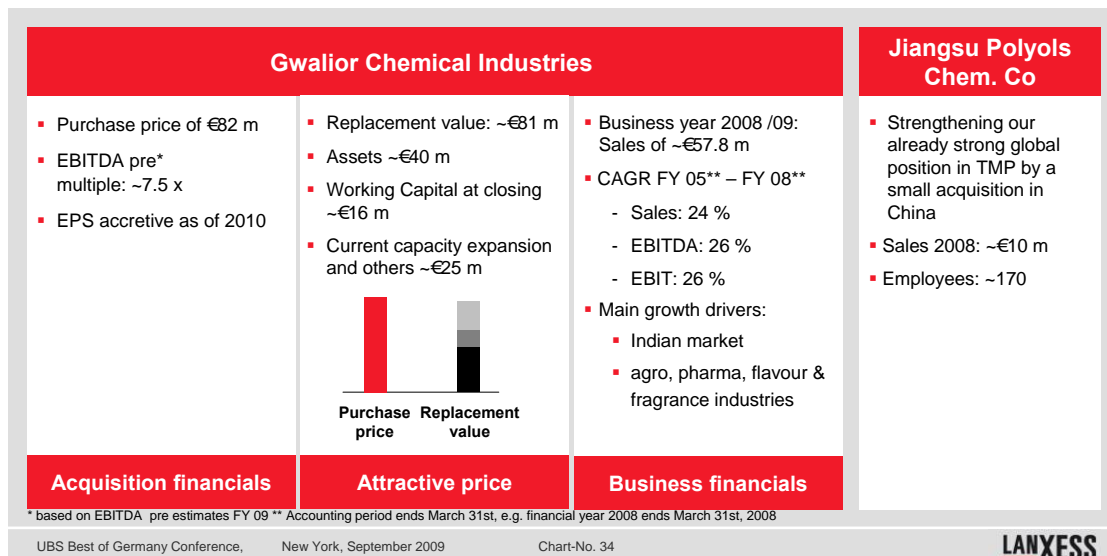
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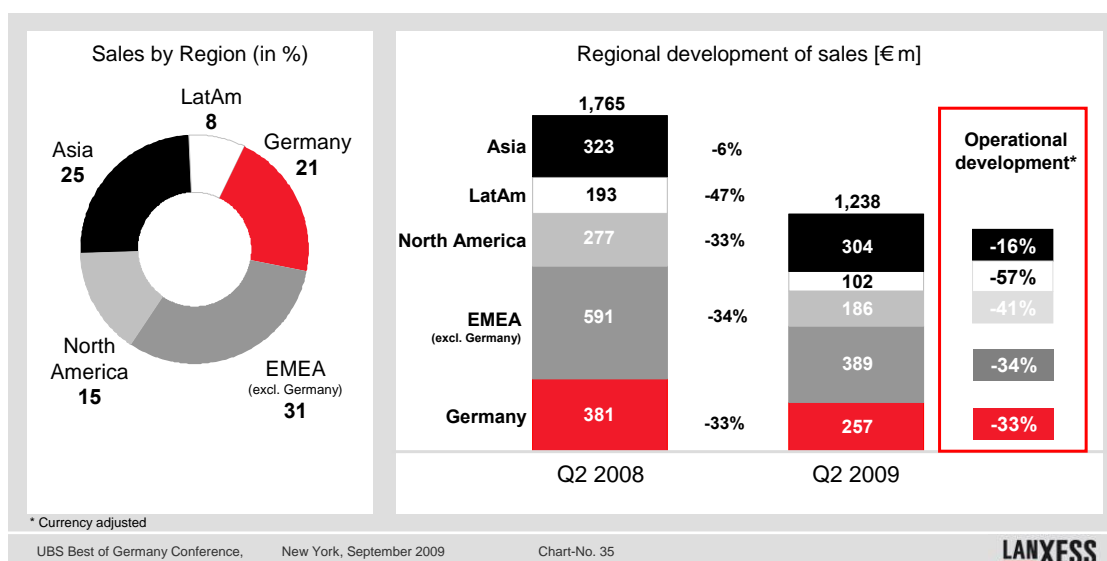
Chart-No. 33

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Attractive financial terms for Acquisition of Gwalior



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 %	
Sales	1,765	1,054	1,238	-30%	<ul style="list-style-type: none"> Sales decline is based on lower prices (-11%) due to easing raw materials (~ €200 m); currency effects (+4%) slightly alleviate severe volume impact (-23%) Cost of sales contain ~ €5 m inventory devaluation Deviations in expense line items reflect lower business activity and cost saving efforts Sequential EBITDA* improvement as well as positive net income support the view that the trough has been reached
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%	
EBIT	116	-1	43	-63%	
Net Income	55	-14	17	-69%	
EPS	0.66	-0.17	0.20	-70%	
EBITDA	180	62	108	-40%	
thereof exceptionals	-43	-4	-4	-91%	
EBITDA pre exceptionals	223	66	112	-50%	

Substantial sequential improvement

* Pre exceptionals

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Chart-No. 36

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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 %	
Sales	3,300	2,292	-30.5%	<ul style="list-style-type: none"> 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
EBITDA pre except. margin	443 13.4%	178 7.8%	-59.8%	
Net Income	159	3	-98.1%	
Capex¹	100	109	9.0%	
[€ m]	31.12.2008	30.06.2009	% vs. FY	
Net Financial Debt	864	719	-16.8%	<ul style="list-style-type: none"> 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
Net Working Capital	1,289	1,109	-14.0%	
Employees	14,797	14,335	-3.1%	

Facing strong headwinds but profitable

* Pre exceptionals ¹Net of projects financed by customers and finance lease

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Chart-No. 37

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P&L reflects strict cost management in tough environment

[€ m]	H1 2008	H1 2009	Δ in %	
Sales	3,300	2,292	-31%	<ul style="list-style-type: none"> 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
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%	

P&L tightly managed

* Pre exceptionals

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Chart-No. 38

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Strong 2009 cash flow compares very favorably to 2008

[€ m]	H1 2008	H1 2009	
Profit before Tax	224	1	<ul style="list-style-type: none"> Strong operating cash flow despite lower profit before tax Cash inflow supported by tight working capital management Changes in other assets and liabilities with higher 2009 cash out for personnel-related programs as well as 2008 increase in restructuring provisions 2008 investing cash flow reflects acquisition of Petroflex, 2009 contains dividend from Currenta 2009 financing CF includes new €500 m bond maturing in 2014
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	
Operating Cash Flow before changes in WC	304	80	
Changes in Working Capital	-177	199	
Operating Cash Flow	127	279	
Investing Cash Flow	-242	-22	
thereof Capex	-100	-109	
Financing Cash Flow	109	438	

Disciplined working capital management

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Chart-No. 39

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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
Total	43	0	7	3

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Chart-No. 40

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Exceptional items incurred in H1 2008 and H1 2009

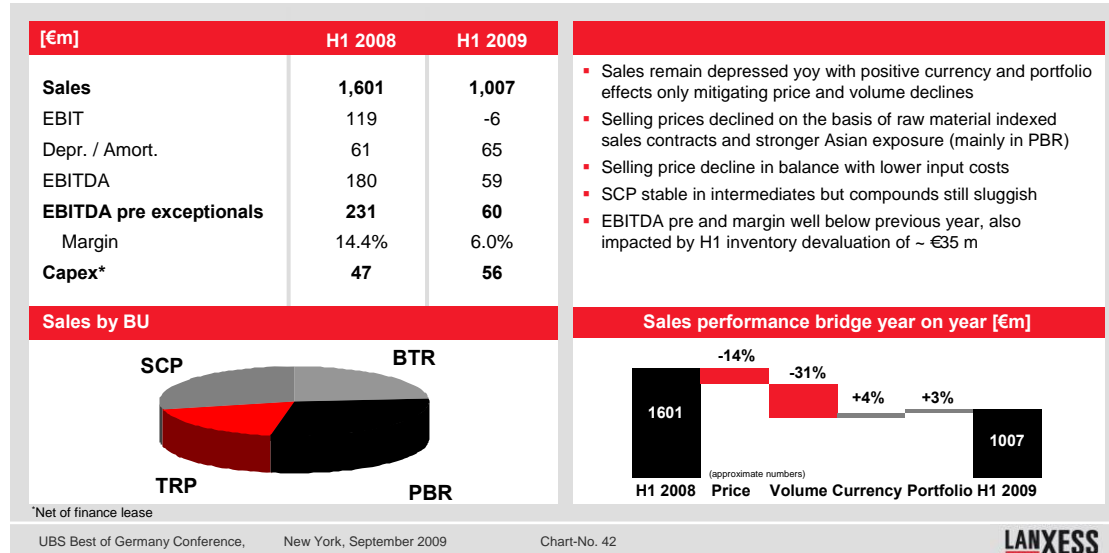
[€ m]	H1 2008		H1 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	54	3	1	0
Advanced Intermediates	0	0	0	0
Performance Chemicals	5	1	0	0
Reconciliation	-2	-1	10	3
Total	57	3	11	3

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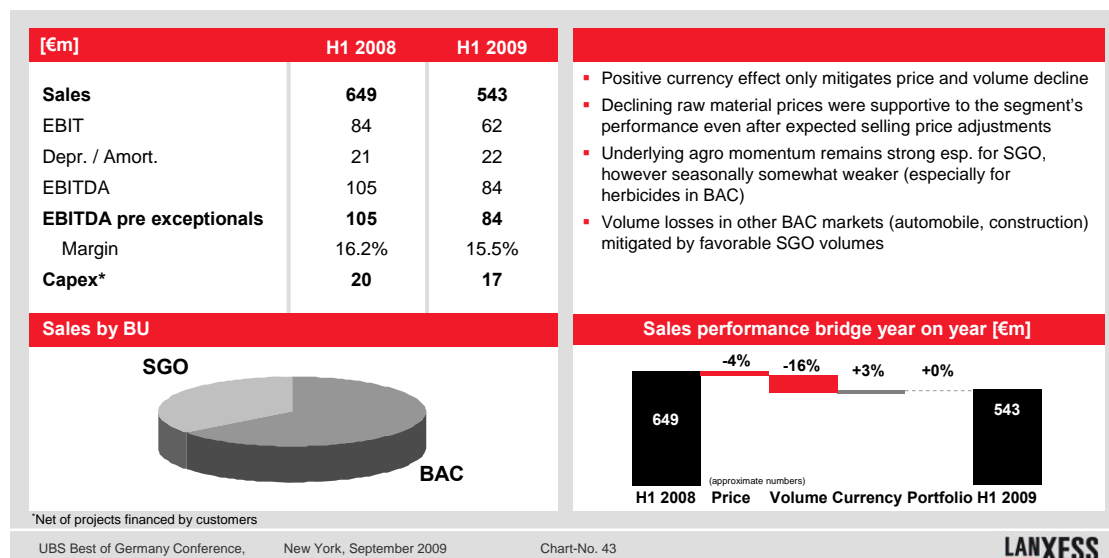
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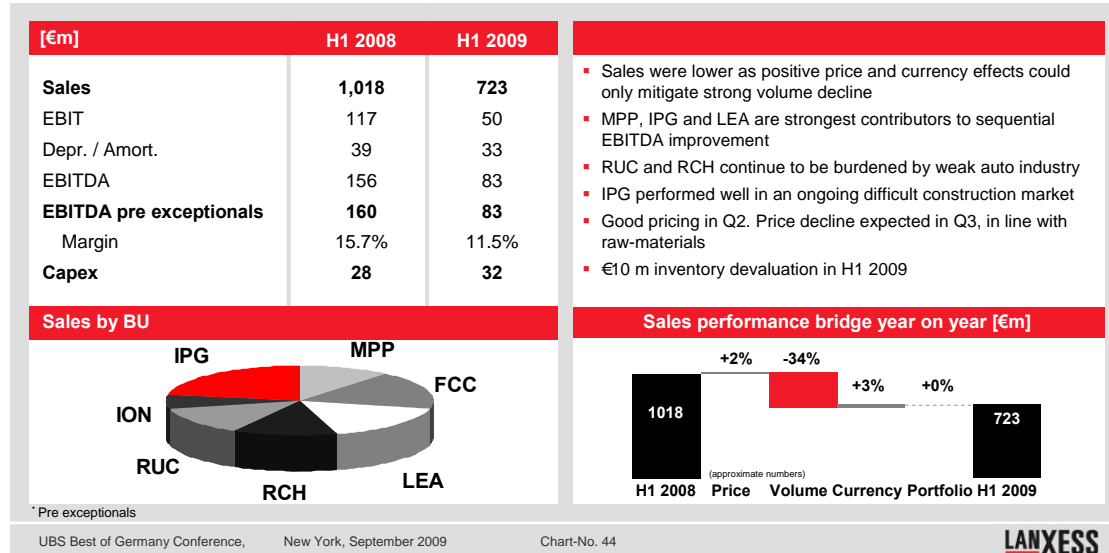
Performance Polymers: Low level of underlying demand, inventory devaluations and destocking impact performance



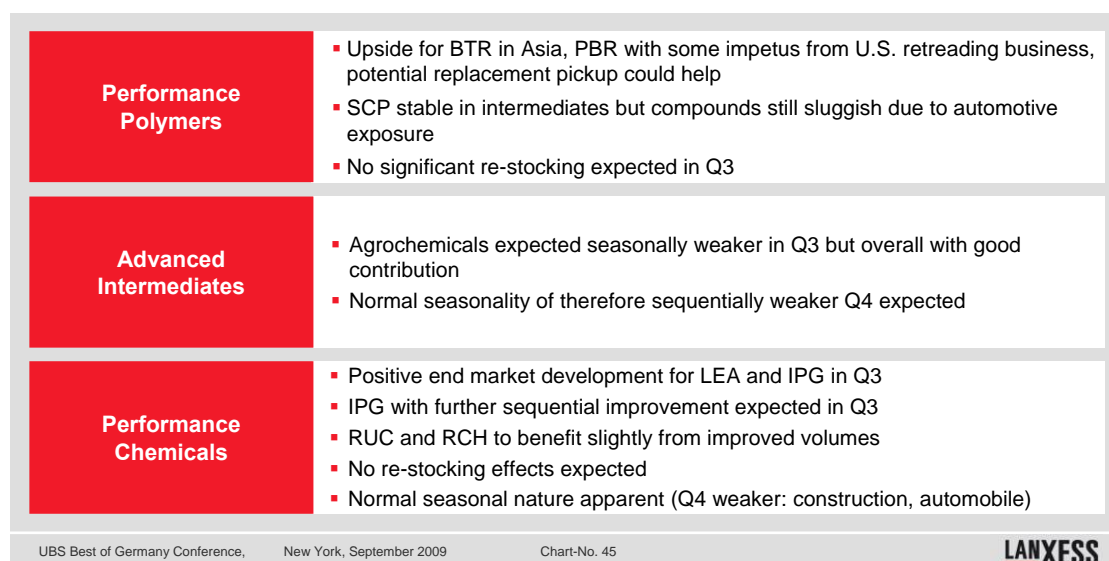
Advanced Intermediates: Solid business, but Q2 affected by seasonality and ongoing weak auto and construction



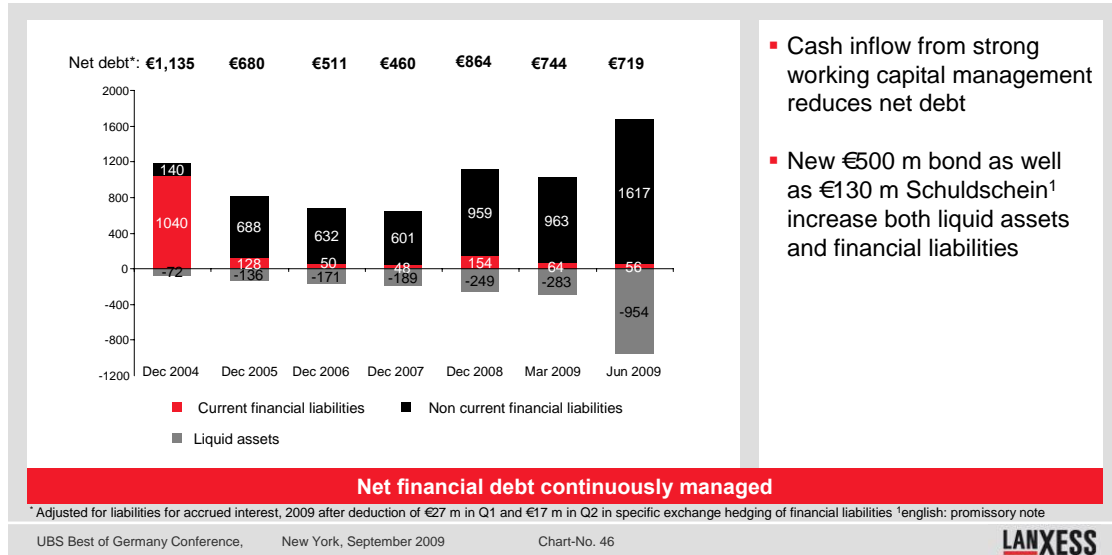
Performance Chemicals: Better volume momentum despite overall muted demand – Challenge09 mitigates



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

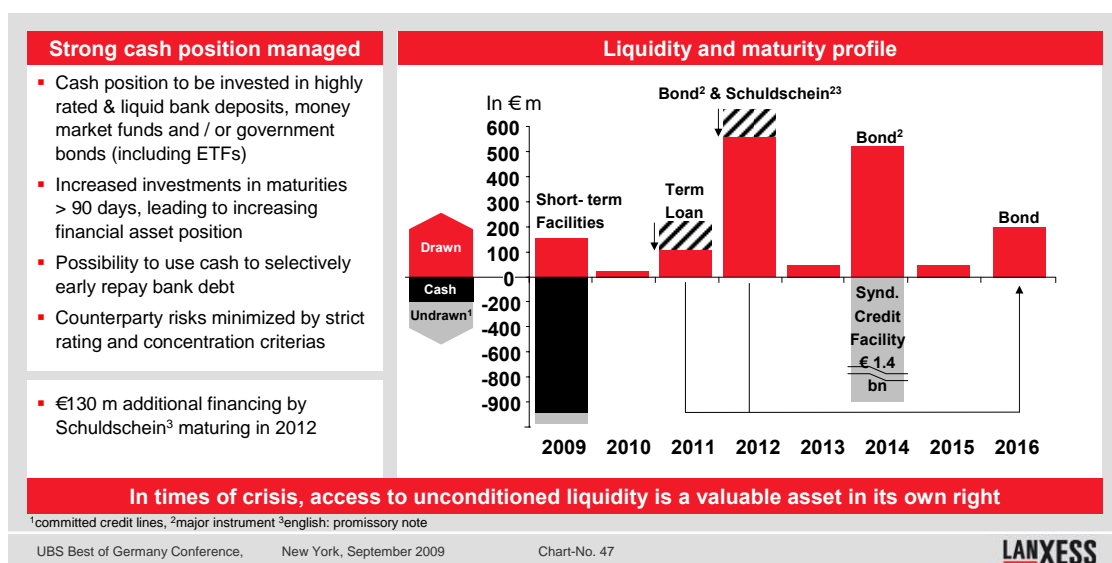


Cash is king: Tight working capital management strengthens cash flow, reduces net debt



- Cash inflow from strong working capital management reduces net debt
- New €500 m bond as well as €130 m Schuldschein¹ increase both liquid assets and financial liabilities

Maturity profile extended and strengthened



Rating-agencies confirm LANXESS' achievements

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 **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

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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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 Zwiindrecht
- Petroflex restructuring

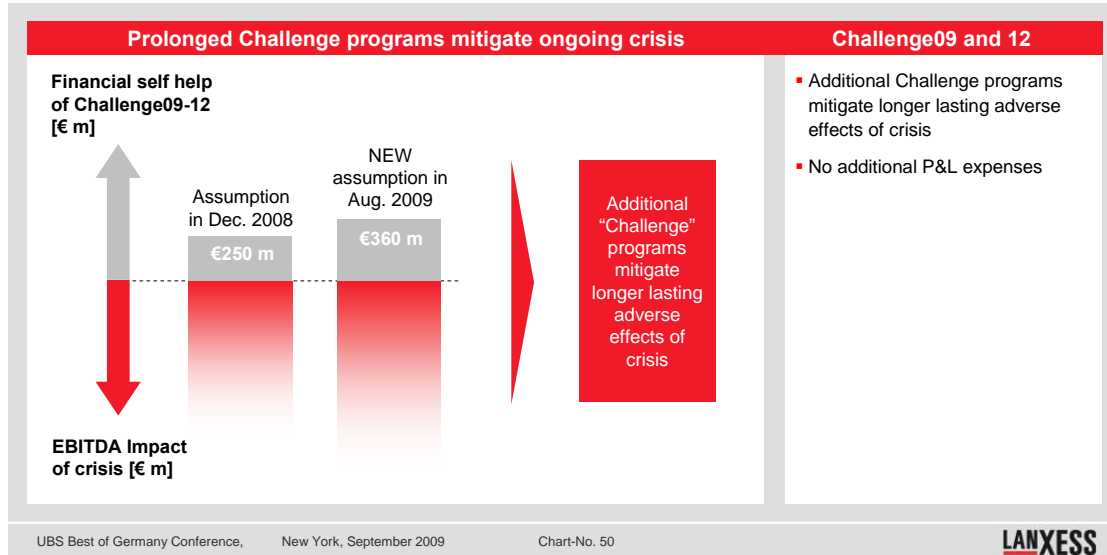
Fixed costs - temporary aspects

- Introduction of fixed salary cut
- Introduction of short time work, "Kurzarbeit"
- Renegotiation of service contracts

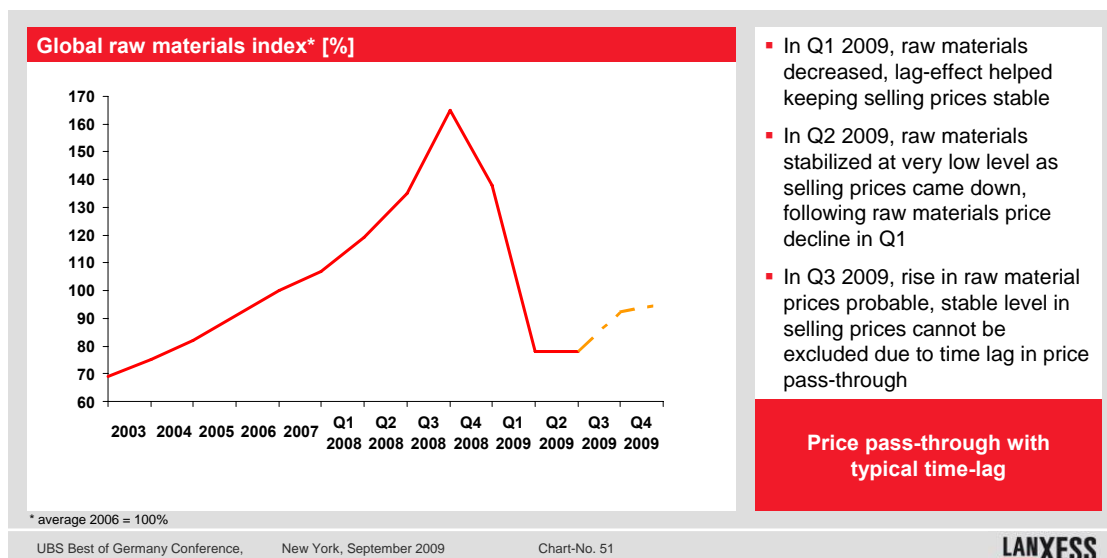
* Break-Even of EBITDA pre = 0



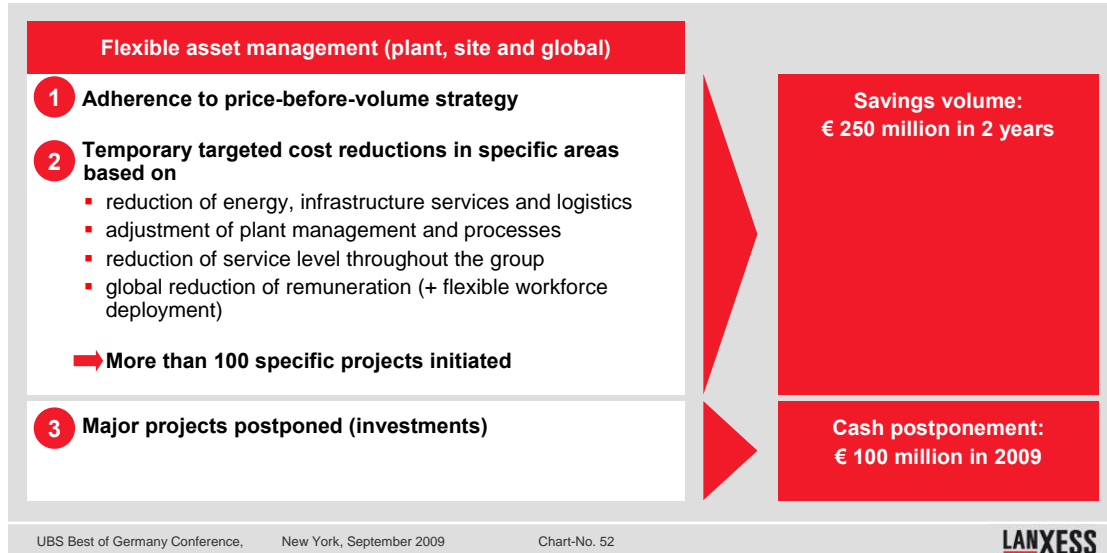
Additional savings to mitigate impact of ongoing crisis



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



Challenge09: specific measures in response to the crisis



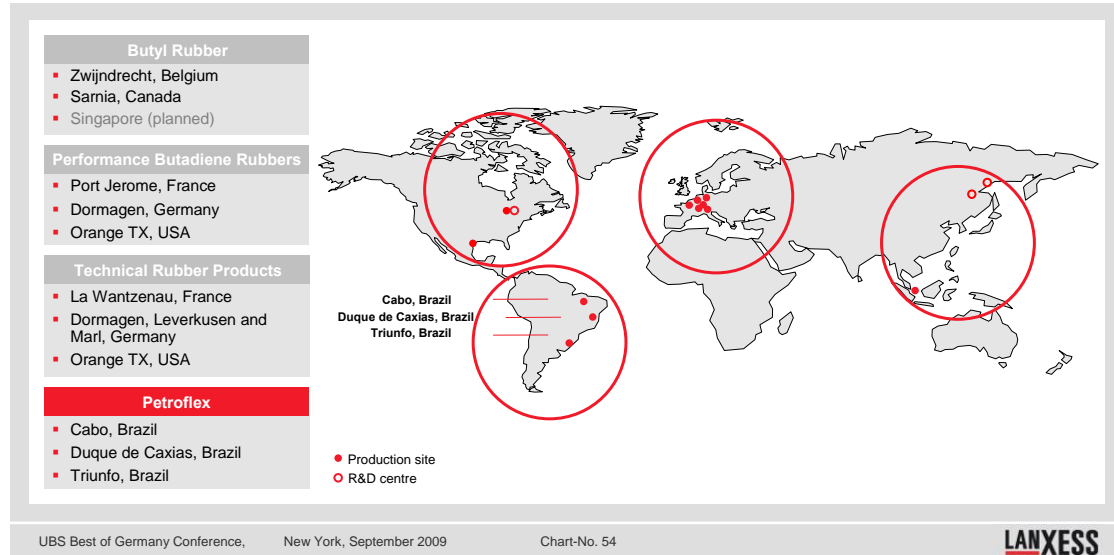
Challenge09: substantial savings effective already 2009

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

*Restructuring/M&A

UBS Best of Germany Conference, New York, September 2009 Chart-No. 53 **LANXESS**

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	BTR	none	none	none	none	none	none
major	PBR¹	little ²	none	capable	none	none	none
minor	S-SBR	capable	capable	capable	none	none	none
major	E-SBR	little	capable	capable	none	none	none
major	NBR	none	none	none	none	none	none

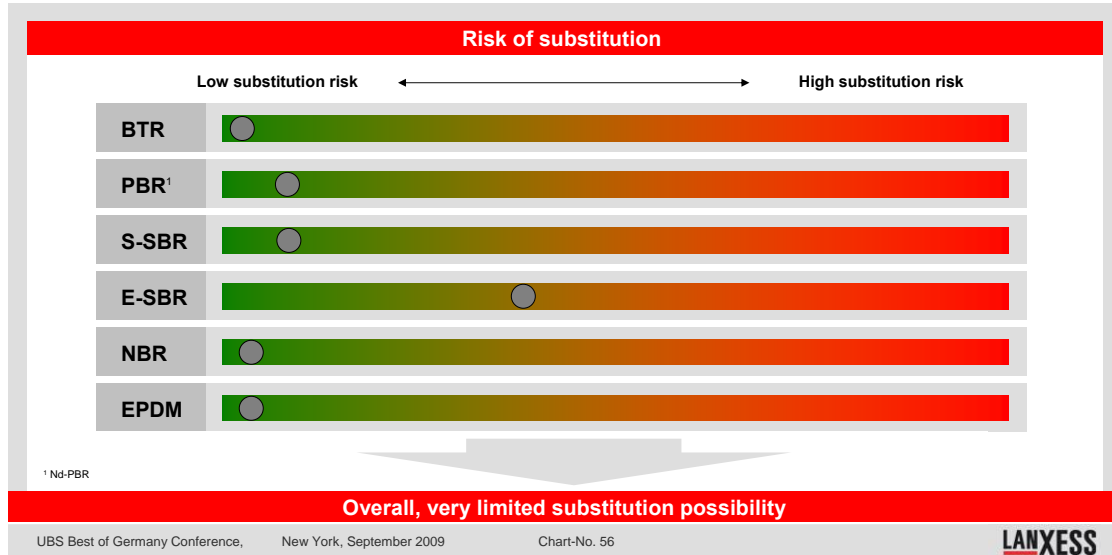
¹ Nd-PBR ² Know how present, licensing to others

LANXESS is not a swing producer

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LANXESS

Does natural rubber cannibalize synthetic rubber?



Abbreviations

Performance Polymers		Advanced Intermediates	
BTR	Butyl Rubber	BAC	Basic Chemicals
PBR	Performance Butadiene Rubbers	SGO	Saltigo
TRP	Technical Rubber Products		
SCP	Semi-Crystalline Products		
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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