



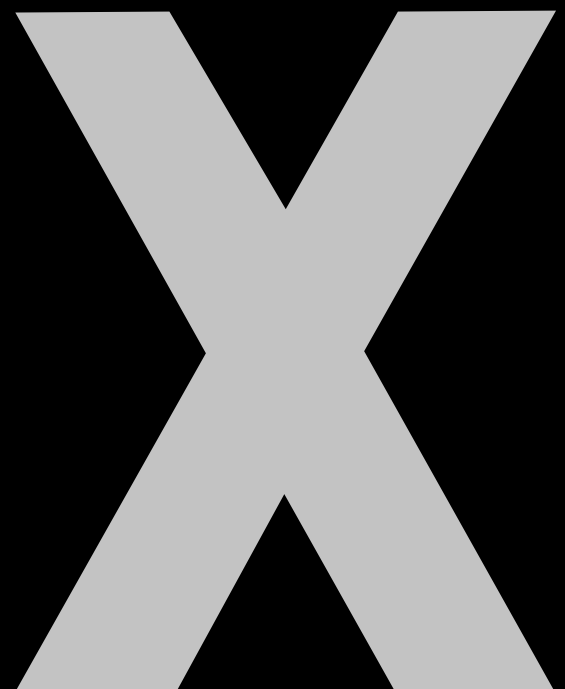
# LANXESS – Q3 2009

**Improved demand and effective self-help measures**

**Merrill Lynch EMEA Small/Mid Cap Conference**

**Matthias Zachert**  
Chief Financial Officer

New York, November 17, 2009



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Chart 2

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## Agenda

- Highlights and market update Q3 2009
- Business and financial review Q3 2009
- Outlook/Guidance

Chart 3

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## Improved demand in combination with flexible asset and cost management deliver results in challenging environment

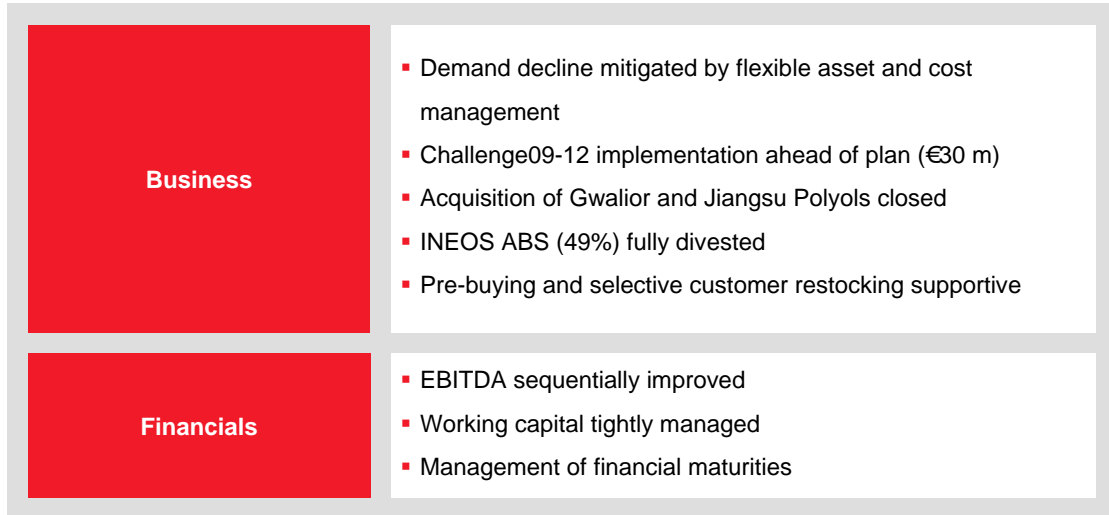
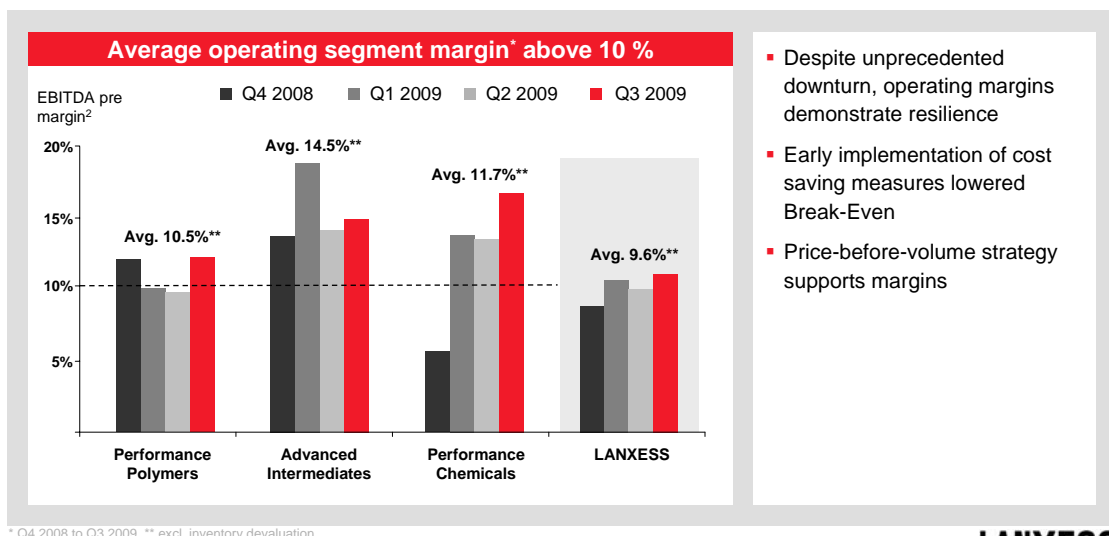


Chart 4

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## Resilience shown in recession scenario



\* Q4 2008 to Q3 2009, \*\* excl. inventory devaluation

Chart 5

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## Agenda

- Highlights and market update Q3 2009
- Business and financial review Q3 2009
- Outlook/Guidance

Chart 6

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## Q3 2009 financial overview: sequential earnings improvement

[€m]	Q3 2008	Q2 2009	Q3 2009	yoy in %	
<b>Sales</b>	1,814	1,238	1,373	-24.3%	<ul style="list-style-type: none"> <li>▪ Sales increased 11% vs. Q2 driven by Asian momentum (China), but remain 24% below previous year</li> <li>▪ EBITDA sequentially improved, flexible asset and cost management deliver margin around 2008 level</li> <li>▪ Capex under strict control</li> <li>▪ Net debt slightly up due to acquisitions</li> <li>▪ Working capital stable</li> </ul>
<b>EBITDA pre except. margin</b>	192 10.6%	112 9.0%	143 10.4%	-25.5%	
<b>Net Income</b>	56	17	23	-58.9%	
<b>Capex*</b>	69	57	52	-24.6%	
[€m]	31.12.2008	30.06.2009	30.09.2009	% vs. FY	
<b>Net Financial Debt</b>	864	719	779	-9.8%	
<b>Net Working Capital</b>	1,289	1,109	1,134	-12.0%	
<b>Employees</b>	14,797	14,335	14,604	-1.3%	
<b>Continuous tight management of businesses delivers improved metrics</b>					

\* Net of projects financed by customers and finance lease

Chart 7

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## Price before volume intact – input cost pass-through with slight time lag

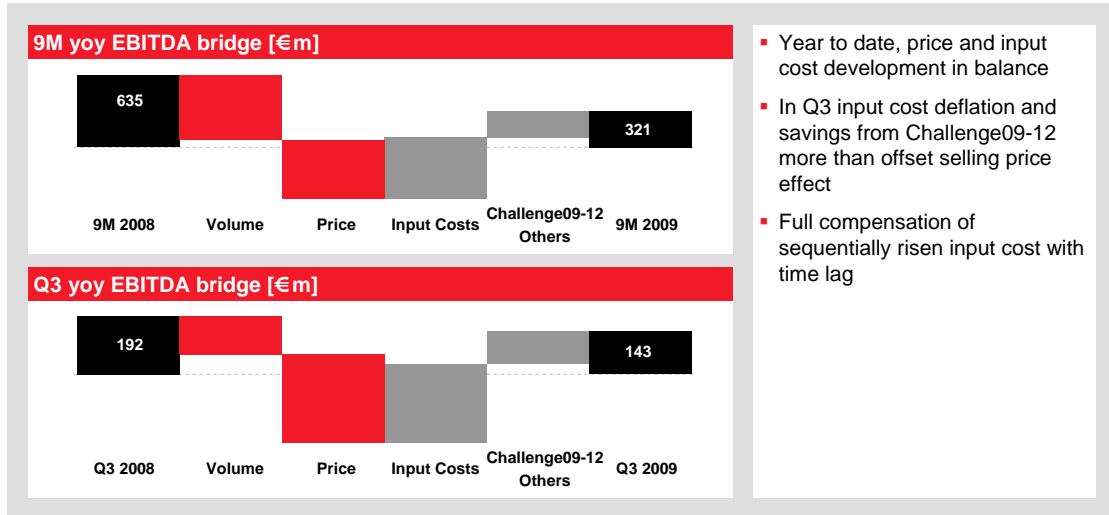


Chart 8

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## Asian business substantially expanding in 2009

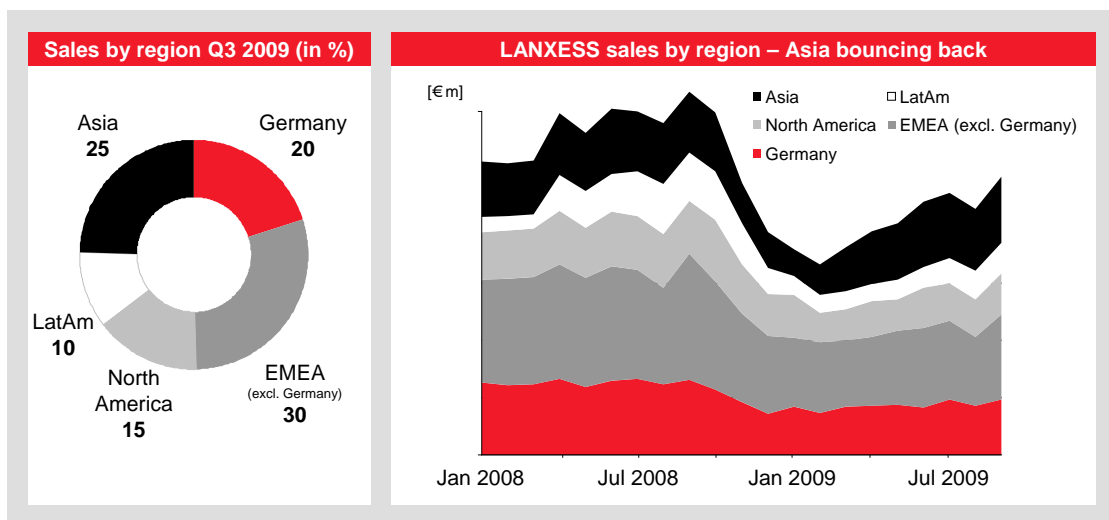


Chart 9

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## Cost structure fully aligned to current demand level

[€m]	Q3 2008	Q3 2009	yoy in %
<b>Sales</b>	<b>1,814 (100%)</b>	<b>1,373 (100%)</b>	<b>-24%</b>
Cost of sales	-1,409 (78%)	-1,050 (76%)	-25%
Selling	-180 (10%)	-135 (10%)	-25%
G&A	-69 (4%)	-57 (4%)	-17%
R&D	-25 (1%)	-26 (2%)	+4%
<b>EBIT</b>	<b>108 (6%)</b>	<b>64 (5%)</b>	<b>-41%</b>
<b>Net Income</b>	<b>56 (3%)</b>	<b>23 (2%)</b>	<b>-59%</b>
<b>EPS</b>	<b>0.67 (0%)</b>	<b>0.28 (0%)</b>	<b>-58%</b>
EBITDA	183 (10%)	130 (9%)	-29%
thereof exceptionals	-9 (0%)	-13 (1%)	+44%
<b>EBITDA pre exceptionals</b>	<b>192 (11%)</b>	<b>143 (10%)</b>	<b>-26%</b>

**Continued sequential improvement**

- Sales decline yoy on lower prices (-16%) due to easing input costs and volume impact (-11%), slightly offset by currency effects (+3%)
- Cost of sales, selling and G&A expenses clearly show effects of flexible asset and cost management with accelerated implementation of restructuring and Challenge programs
- Sequential EBITDA\* improvement against typical seasonal pattern

2008 data adjusted for change in pension accounting  
\* Pre exceptionals

Chart 10

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## Performance Polymers: volume and price increase in tandem highlights strength of businesses

[€m]	Q3 2008	Q2 2009	Q3 2009
<b>Sales</b>	<b>938</b>	<b>559</b>	<b>656</b>
EBIT	83	18	32
Depr. / Amort.	42	33	34
EBITDA	125	51	66
<b>EBITDA pre exceptionals</b>	<b>127</b>	<b>52</b>	<b>76</b>
Margin	13.5%	9.3%	11.6%
Capex	37	28	25

**Sales bridge quarter on quarter [€m]**

(approximate numbers)

Q2 2009 Price Volume Currency Portfolio Q3 2009

**Sales bridge year on year [€m]**

(approximate numbers)

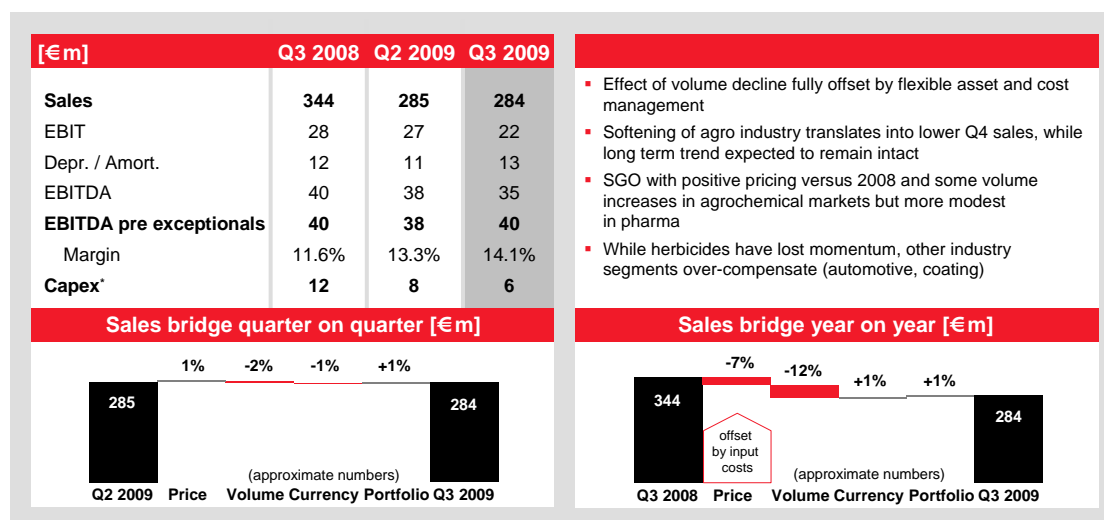
Q3 2008 Price Volume Currency Portfolio Q3 2009

- Sales rebound versus Q2: rise of volumes and prices in tandem
- Stronger than expected September due to pick up of demand for winter tyres (PBR) and some pre-buying (BTR) after announced price increases
- BTR with solid volumes at PY level, due to Asian demand and a strong September
- EBITDA & margin significantly improved - effective cost management

Chart 11

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## Advanced Intermediates: stable performance



\* Net of projects financed by customers

Chart 12

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## Performance Chemicals: earnings above previous year

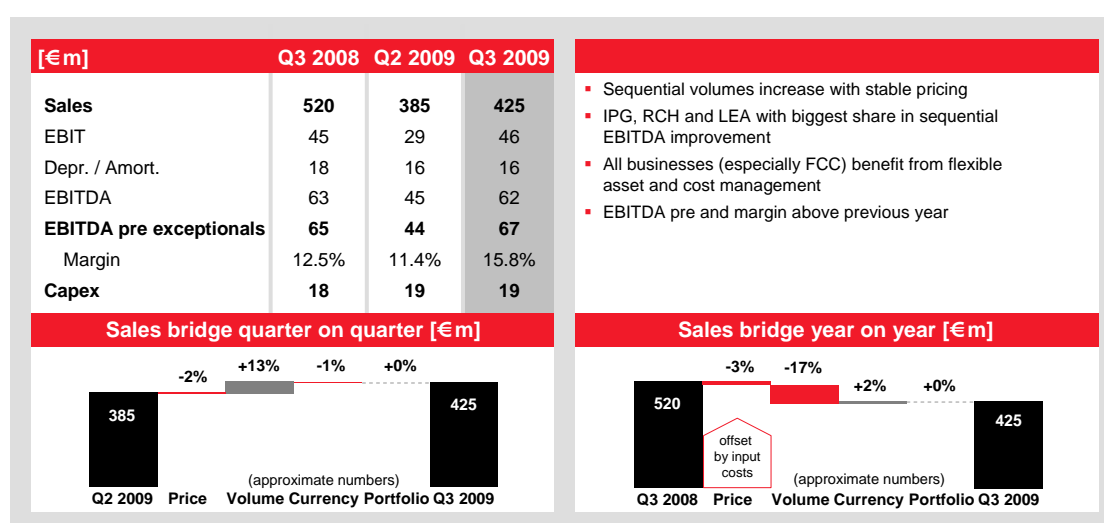


Chart 13

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## Solid financing and good working capital management

[€ m]	Dec 31, 2008	Sep 30, 2009	Dec 31, 2008	Sep 30, 2009	
<b>Non-current Assets</b>	<b>2,169</b>	<b>2,357</b>	<b>Stockholders' Equity</b>	<b>1,339</b>	<b>1,424</b>
Intangible assets	145	192	thereof minority interest	16	16
Property, plant & equipment	1,646	1,763	<b>Non-current Liabilities</b>	<b>1,953</b>	<b>2,665</b>
Equity investments	42	29	Pension & post empl. provis.	498	570
Other investments	2	1	Other provisions	261	328
Other financial assets	72	87	Other financial liabilities	986	1,567
Deferred taxes	154	164	Tax liabilities	91	92
Other non-current assets	108	121	Other liabilities	76	65
<b>Current Assets</b>	<b>2,423</b>	<b>2,765</b>	Deferred taxes	41	43
Inventories	1,048	819	<b>Current Liabilities</b>	<b>1,300</b>	<b>1,033</b>
Trade accounts receivable	725	750	Other provisions	395	321
Other financial assets	155	143	Other financial liabilities	168	128
Other current assets	246	180	Trade accounts payable	484	435
Near cash assets	0	417	Tax liabilities	12	23
Liquid assets	249	456	Other liabilities	241	126
<b>Total Assets</b>	<b>4,592</b>	<b>5,122</b>	<b>Total Equity &amp; Liabilities</b>	<b>4,592</b>	<b>5,122</b>

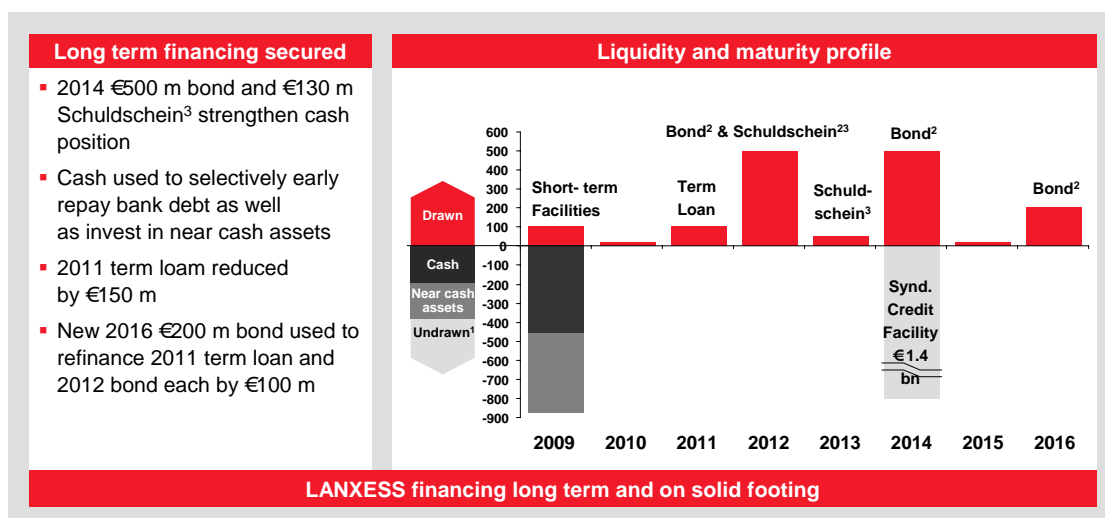
**Cash position invested in highly rated and liquid money market funds**

- Increase in pension provisions due to regionally lower discount rates
- Investment in INEOS ABS deconsolidated

Chart 14

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## New bond further improved maturity profile



1 Committed credit lines,  
2 Major instrument  
3 English: promissory note

Chart 15

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## Strong operating cash flow above 2008

[€ m]	9M 2008	9M 2009	
<b>Profit before Tax*</b>	<b>303</b>	<b>33</b>	
Depreciation & amortization	203	194	
Gain from sale of assets	-13	-18	
Result from equity investments*	-18	-12	
Financial (gains) losses	56	49	
Cash tax payments / refunds	-78	53	
Changes in other assets and liabilities*	92	-54	
<b>Operating Cash Flow before changes in WC</b>	<b>545</b>	<b>245</b>	
Changes in Working Capital	-236	187	
<b>Operating Cash Flow</b>	<b>309</b>	<b>432</b>	
<b>Investing Cash Flow</b>	<b>-345</b>	<b>-651</b>	
thereof Capex**	-169	-161	
<b>Financing Cash Flow</b>	<b>91</b>	<b>415</b>	

- Healthy cash inflow driven by working capital management
- Cash tax refunds due to collection of pre-paid taxes
- Other assets and liabilities reflect restructuring cash-out in 2009 (expenses in 2008) and higher payments for personnel commitments
- Investing cash flow 2009 incl. investment in liquid assets
- Financing cash flow 2009 reflects €500 m 2014 bond

**Professional working capital management delivers strong operating cash flow**

\* 2008 restated, change in pension accounting

\*\* 2008 restated, net of projects financed by customers and finance lease

Chart 16

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## Agenda

- Highlights and market update Q3 2009
- Business and financial review Q3 2009
- Outlook/Guidance

Chart 17

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## Macro view: signs of economic improvement with risk of setbacks

View on LANXESS group level	
Risk of setback remains	<ul style="list-style-type: none"> <li>▪ Global markets have stabilized, growth momentum mainly in Asia (especially China)</li> <li>▪ Other regions are expected to continue slow recovery over a longer period of time</li> <li>▪ Customers will manage inventories tightly in Q4</li> <li>▪ Some pre-buying in Q3 potentially burdening Q4</li> <li>▪ Seasonal earnings pattern affects Q4</li> <li>▪ Flexible asset and cost management effective to mitigate lower utilization</li> </ul>





Chart 18

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## FY guidance reflects better Q3 performance and LANXESS self-help measures

Guidance for FY 2009	
Additional financial expectations for 2009	<p>Based on previously mentioned assumptions, LANXESS expects FY EBITDApre of €400 m - €420 m</p> <ul style="list-style-type: none"> <li>▪ Capex*: ~€300 m</li> <li>▪ D&amp;A: ~€270 – €280 m</li> <li>▪ Tax rate: sustainable at ~25%</li> <li>▪ Working Capital: moderate cash inflow for FY 2009</li> <li>▪ Exceptionals: ~€40 m for FY 2009</li> <li>▪ FX: FY avg. U.S. dollar at 1.35-1.40 USD / EUR</li> <li>▪ Hedging: ~50% at 1.30-1.40 USD / EUR</li> </ul>



\* Without projects financed by customers

Chart 19

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# LANXESS

Energizing Chemistry



**Appendix**

## LANXESS – A leading specialty chemicals company based on three powerful segments



\* pre exceptionals

Chart 22

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



Chart 23

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## LANXESS has a broad customer portfolio with varying demand patterns

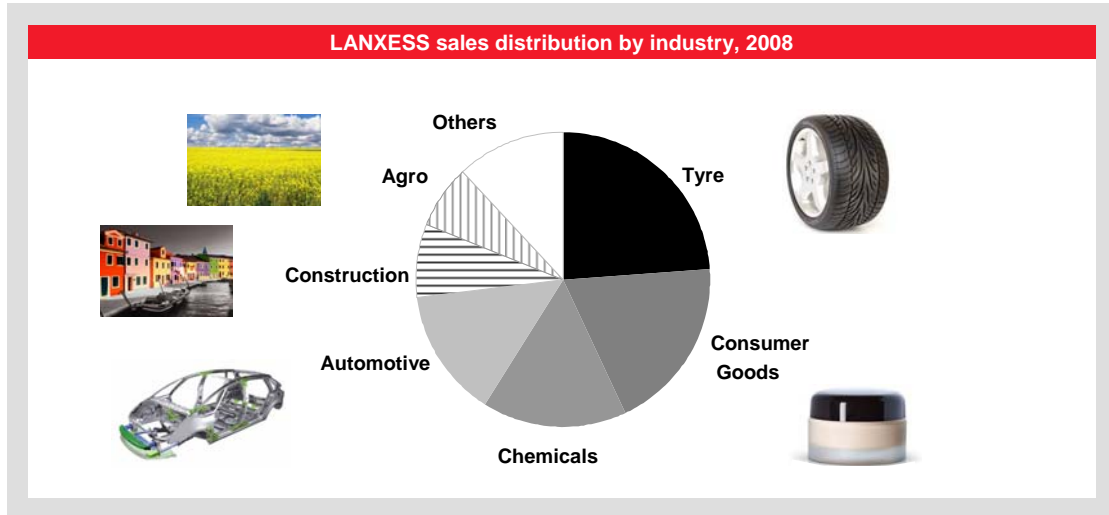
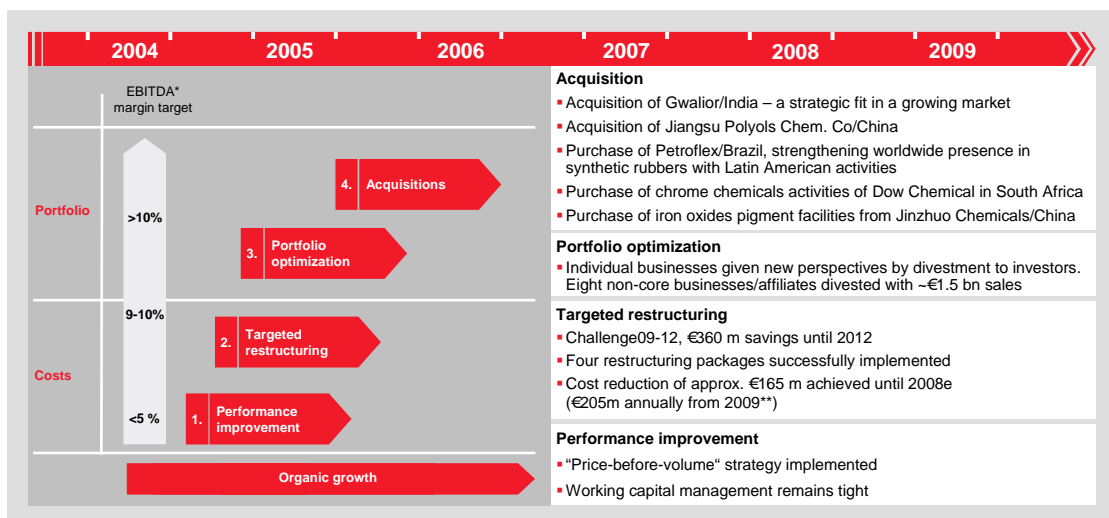


Chart 24

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## Consistent delivery as four-phase strategy is implemented



\* pre exceptionals \*\* adjusted for impact of Lustran Polymers exit

Chart 25

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

	Leadership Position	Cyclicality	Profitability Expectation	Business Driver
<b>Fibers</b>	Weak	High	Low	Market shifting to Asia
<b>Paper</b>	Moderate	Moderate	Medium	High industry consolidation
<b>Textile Processing Chem.</b>	Weak	Moderate	Medium	Market shifting to Asia
<b>Lustran Polymers</b>	Good	High	Low	Overcapacities, Commoditization
<b>CISA</b>	Good	Low	High	Upstream Integration
<b>Petroflex</b>	Good	Low	High	Global mobility trends
<b>Jinzhuo Chemicals (IPG)</b>	Good	Moderate	High	Expansion of Asian exposure
<b>Gwalior Chemicals (BAC)</b>	Good	Low	High	Strengthening global position
<b>Jiangsu Polyols (BAC)</b>	Good	Low	High	Expansion of Asian exposure

Chart 26

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## LANXESS – Improvement trend of financials, based on strategy implementation

In €m	2004	2005	2006	2007	2008
EBITDA <sup>*</sup>	447	581	675	719	721
Net financial debt	1,135	680	511	460	864
Net fin. debt / EBITDA <sup>*</sup>	2.5x	1.2x	0.8x	0.6x	1.2x
Gearing	101%	54%	36%	30%	61%
Underlying EPS <sup>**</sup>	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**

<sup>\*</sup> pre exceptionals <sup>\*\*</sup> EPS pre exceptionals, based on actual taxrate <sup>\*\*\*</sup> as of 30.09.09

Chart 27

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## Challenge09 proceeding ahead of plan, €30 m savings accelerated from 2010

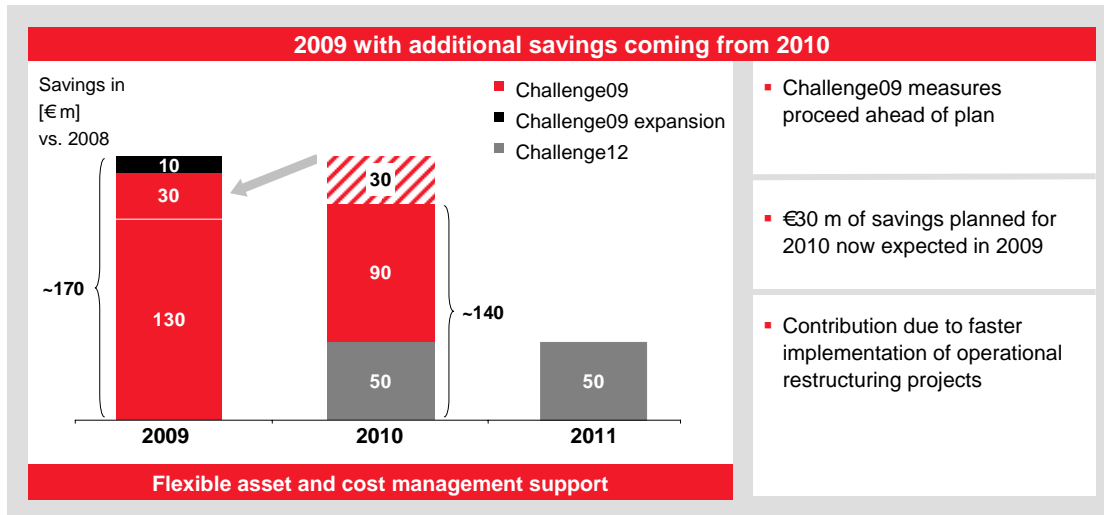
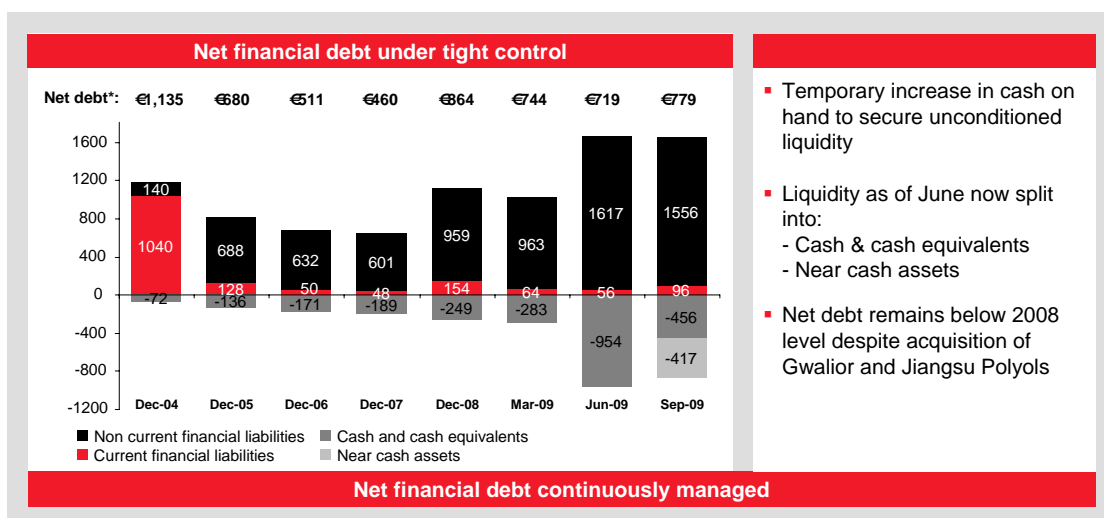


Chart 28

**LANXESS**

## Net financial debt increased due to financing of acquisitions

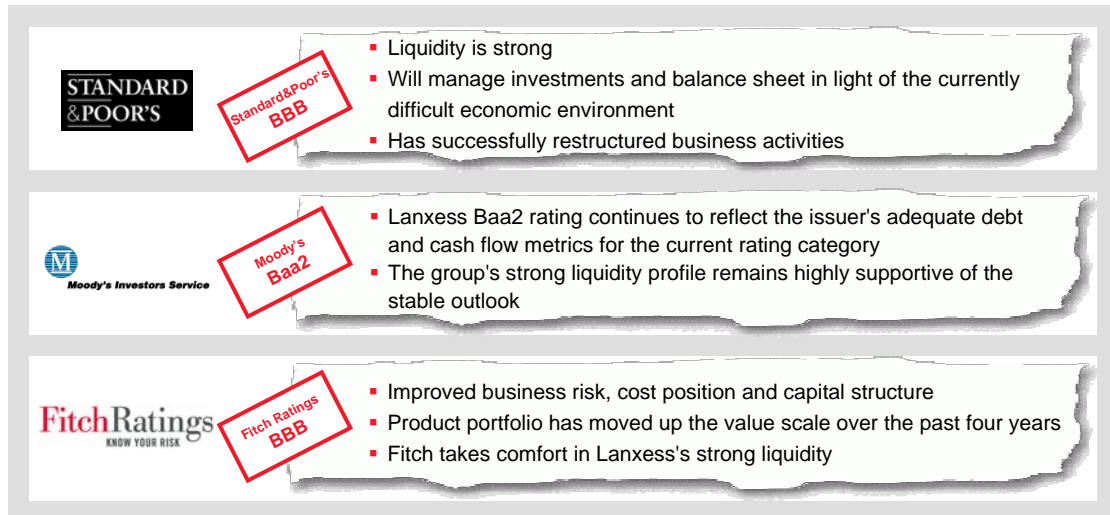


\* Adjusted for liabilities for accrued interest and specific exchange hedging of financial liabilities; in Sep-2009, non current financial liabilities adjusted by €11 m and current financial liabilities adjusted by €32 m

Chart 29

**LANXESS**

## Rating-agencies confirm LANXESS' achievements

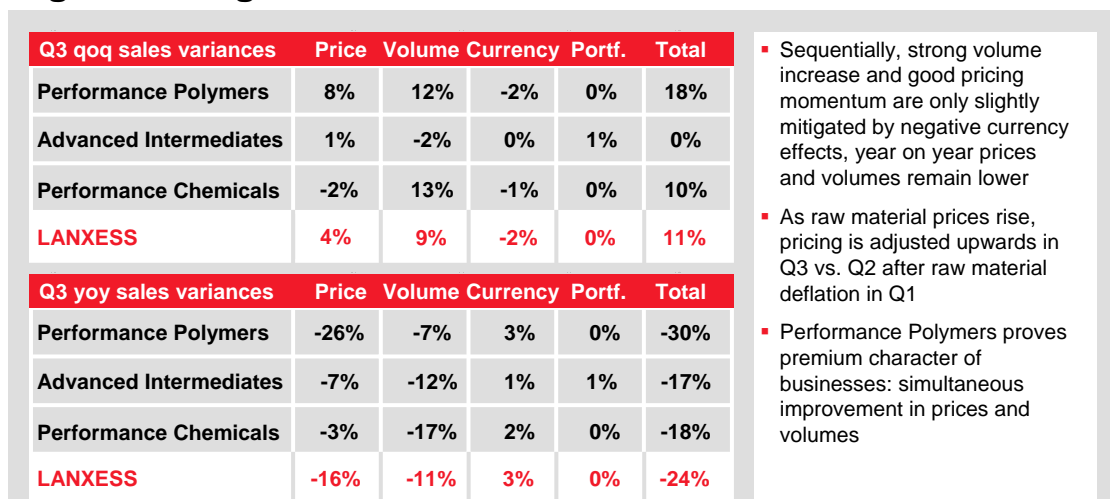


Source: Rating-Agencies

Chart 30

**LANXESS**

## Price before volume intact – input cost pass-through with slight time lag



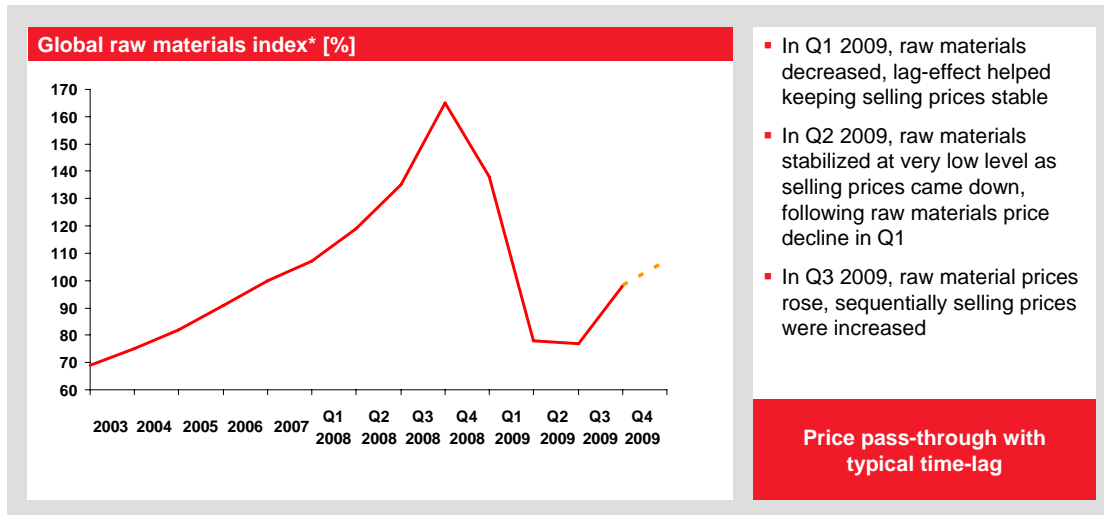
\* Pre exceptionals

Chart 31

**LANXESS**



## Raw materials are expected to rise again as of Q3



\* Source: LANXESS, average 2006 = 100%

Chart 32

**LANXESS**

## 9M 2009 financial overview: Successful through the economic downturn

[€m]	9M 2008	9M 2009	yoy in %	
<b>Sales</b>	5,114	3,665	-28.3%	<ul style="list-style-type: none"> <li>Currency and portfolio effects mitigate negative impact from lower volumes and raw material driven selling price declines, leading to sales decrease of 28%</li> <li>Solid EBITDA and margin prove resilience of businesses and tight cost management</li> <li>Net income positive despite very low level of underlying demand</li> <li>Net debt still below level of FY 2008 despite acquisitions</li> <li>Incl. acquisitions, headcount reduced by ~200 versus FY 08</li> </ul>
<b>EBITDA pre except. margin</b>	635 12.4%	321 8.8%	-49.4%	
<b>Net Income</b>	215	26	-87.9%	
<b>Capex*</b>	169	161	-4.7%	
[€m]	31.12.2008	30.09.2009	yoy in %	
<b>Net Financial Debt</b>	864	779	-9.8%	
<b>Net Working Capital</b>	1,289	1,134	-12.0%	
<b>Employees</b>	14,797	14,604	-1.3%	

**Financial metrics robust in recessionary environment**

\* Net of projects financed by customers and finance lease

Chart 33

**LANXESS**

## Cost base tightly managed

[€ m]	9M 2008	9M 2009	yoy in %	
<b>Sales</b>	<b>5,114</b>	<b>3,665</b>	<b>-28%</b>	<ul style="list-style-type: none"> <li>Positive currency (+3%) and portfolio (+1%) effects only mitigate severe decline in price (-10%) and volume (-22%)</li> <li>Costs of sales contain ~ €45 m inventory devaluation</li> <li>R&amp;D kept at high PY level, deviations in other expense line items reflect cost saving efforts and lower business activity</li> <li>EBITDA lower than in 2008, but resilient in light of world-wide recession, inventory devaluation and destocking effects</li> </ul>
Cost of sales	-3,910	-2,884	-26%	
SG&A	-704	-557	-21%	
R&D	-75	-75	0%	
Other op. income/expense	-56	-43	-23%	
thereof exceptionals	+69	+24	-65%	
<b>EBIT</b>	<b>369</b>	<b>106</b>	<b>-71%</b>	
<b>Net Income</b>	<b>215</b>	<b>26</b>	<b>-88%</b>	
<b>EPS</b>	<b>2.58</b>	<b>0.31</b>	<b>-88%</b>	
EBITDA	572	300	-48%	
thereof exceptionals	-63	-21	-67%	
<b>EBITDA pre exceptionals</b>	<b>635</b>	<b>321</b>	<b>-49%</b>	

**Resilient through the recession**

2008 data adjusted for change in pension accounting  
\* Pre exceptionals

Chart 34

**LANXESS**

## Performance Polymers: year on year comparison starts to ease

[€ m]	9M 2008	9M 2009	
<b>Sales</b>	<b>2,539</b>	<b>1,663</b>	<ul style="list-style-type: none"> <li>Positive currency and portfolio effects only mitigate price and volume declines</li> <li>Selling prices declined on the basis of raw material indexed sales contracts (Butadiene) and stronger Asian exposure</li> <li>9M volume decline mitigated by slight restocking in Q3, replacement tyres remain soft</li> <li>Selling price decline mitigated by lower input costs</li> <li>EBITDA pre and margin below previous year, also impacted by inventory devaluation in H1 of ~ €35 m</li> </ul>
EBIT	202	26	
Depr. / Amort.	103	99	
EBITDA	305	125	
<b>EBITDA pre exceptionals</b>	<b>358</b>	<b>136</b>	
Margin	14.1%	8.2%	
<b>Capex*</b>	<b>84</b>	<b>81</b>	

**Sales by BU**

**Sales bridge year on year [€ m]**

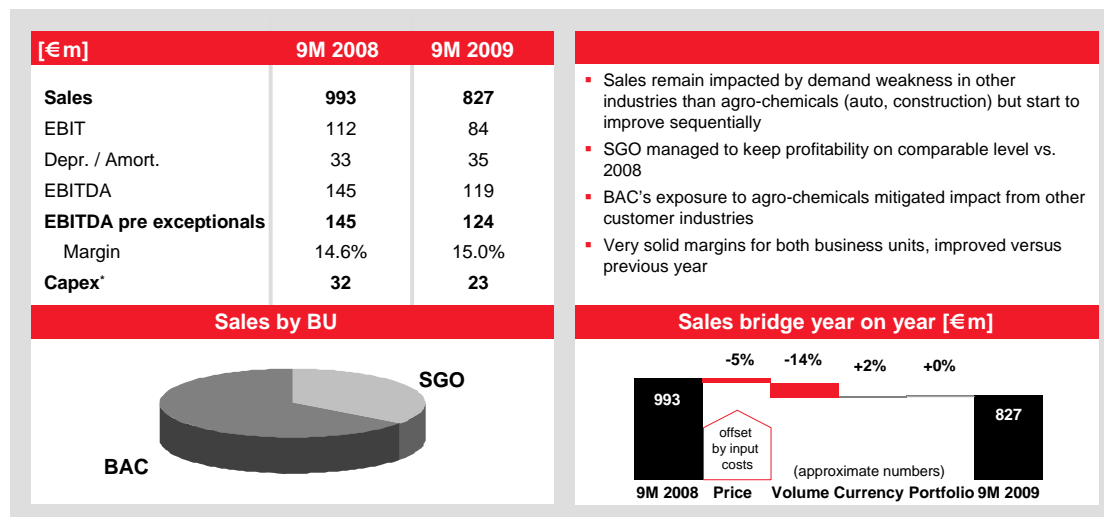
(approximate numbers)

\* Net of finance lease

Chart 35

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## Advanced Intermediates: nine months of evidence of resilience under difficult economic circumstances



\* Net of projects financed by customers

Chart 36

**LANXESS**

## Performance Chemicals: Diversified portfolio provides stability across the cycle

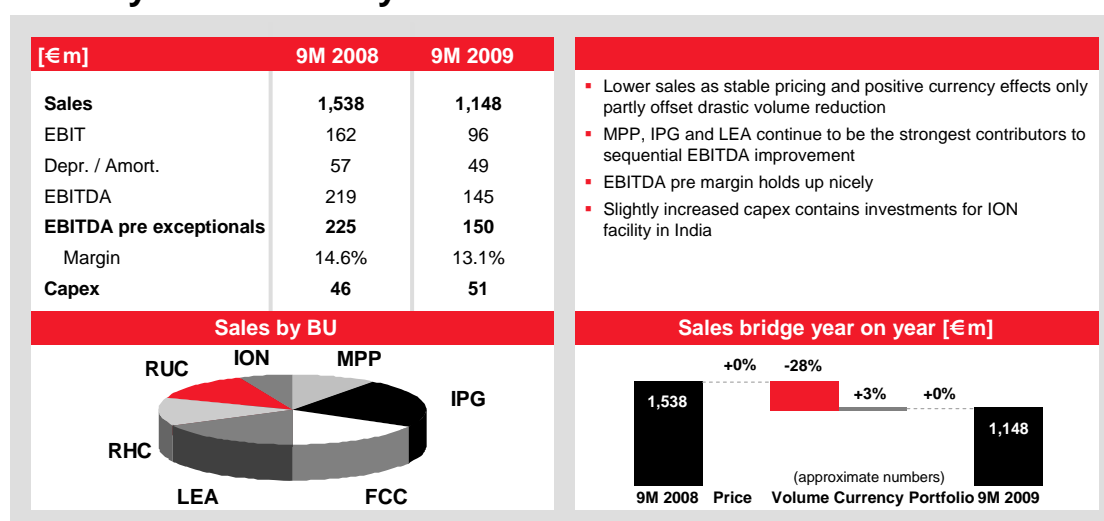


Chart 37

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## Strong operating cash flow

[€ m]	Q3 2008	Q3 2009	
<b>Profit before Tax</b>	<b>79</b>	<b>32</b>	
Depreciation & amortization	75	66	
Gain from sale of assets	-1	0	
Result from equity investments	-3	-7	
Financial (gains) losses	8	22	
Cash tax payments / refunds	-32	7	
Changes in other assets and liabilities	115	45	
<b>Operating Cash Flow before changes in WC</b>	<b>241</b>	<b>165</b>	<ul style="list-style-type: none"> <li>Operating cash flow only slightly below previous year despite lower profit before tax</li> </ul>
Changes in Working Capital	-59	-12	<ul style="list-style-type: none"> <li>Changes in other assets and liabilities due to higher restructuring expenses in 2008</li> </ul>
<b>Operating Cash Flow</b>	<b>182</b>	<b>153</b>	<ul style="list-style-type: none"> <li>Inflationary raw material prices lead to slight cash outflow from working capital</li> </ul>
<b>Investing Cash Flow</b>	<b>-103</b>	<b>-629</b>	<ul style="list-style-type: none"> <li>Increase in financial losses due to financing of new bonds</li> </ul>
thereof Capex	-69	-52	<ul style="list-style-type: none"> <li>'09 investing cash flow contains investment in near cash assets</li> </ul>
<b>Financing Cash Flow</b>	<b>-18</b>	<b>-23</b>	

**Cash flow tightly managed despite inflationary raw material pricing**

Chart 38

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## Exceptional items incurred in Q3 2008 and Q3 2009

[€ m]	Q3 2008		Q3 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	5	3	10	0
Advanced Intermediates	0	0	5	0
Performance Chemicals	2	0	5	0
Reconciliation	5	0	-7	0
<b>Total</b>	<b>12</b>	<b>3</b>	<b>13</b>	<b>0</b>

Chart 39

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## Exceptional items incurred in 9M 2008 and 9M 2009

[€m]	9M 2008		9M 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	59	6	11	0
Advanced Intermediates	0	0	5	0
Performance Chemicals	7	1	5	0
Reconciliation	3	-1	3	3
<b>Total</b>	<b>69</b>	<b>6</b>	<b>24</b>	<b>3</b>

Chart 40

**LANXESS**

## Serving global markets with world-wide rubber manufacturing network

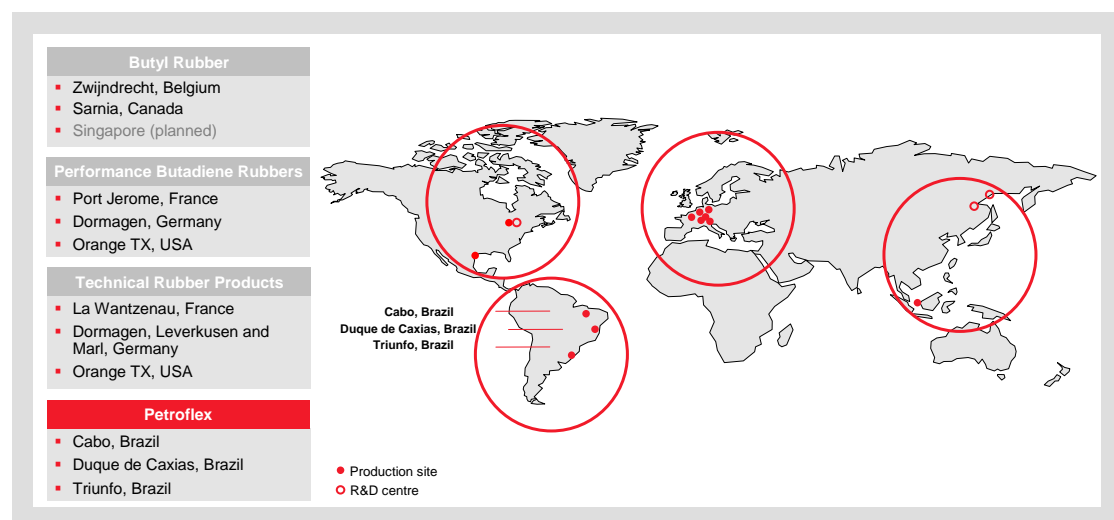
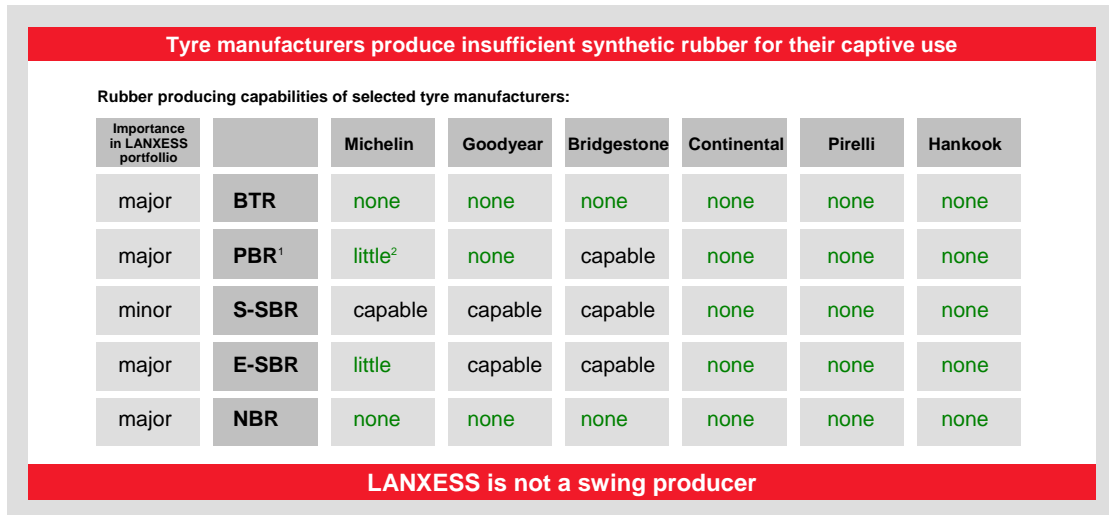


Chart 41

**LANXESS**

## Is LANXESS a swing producer?

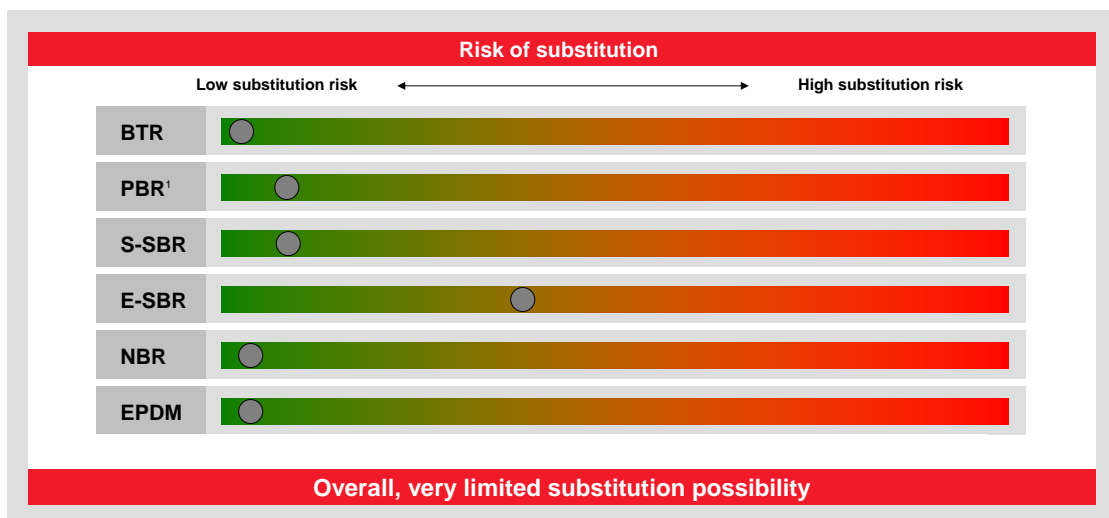


<sup>1</sup> Nd-PBR <sup>2</sup> Know how present, licensing to others

Chart 42

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## Does natural rubber cannibalize synthetic rubber?



<sup>1</sup> Nd-PBR

Chart 43

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## Abbreviations

Performance Polymers	Advanced Intermediates
<ul style="list-style-type: none"><li>▪ BTR Butyl Rubber</li><li>▪ PBR Performance Butadiene Rubbers</li><li>▪ TRP Technical Rubber Products</li><li>▪ SCP Semi-Crystalline Products</li></ul>	<ul style="list-style-type: none"><li>▪ BAC Basic Chemicals</li><li>▪ SGO Saltigo</li></ul>
Performance Chemicals	
<ul style="list-style-type: none"><li>▪ MPP Material Protection Products</li><li>▪ IPG Inorganic Pigments</li><li>▪ FCC Functional Chemicals</li><li>▪ LEA Leather</li><li>▪ RCH Rhein Chemie</li><li>▪ RUC Rubber Chemicals</li><li>▪ ION Ion Exchange Resins</li></ul>	

Chart 44

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