



# LANXESS – Nomura Chemicals Conference 2010

**Well positioned for the future**

**Matthias Zachert**

Chief Financial Officer

18th March, 2010

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Chart 2

**LANXESS**

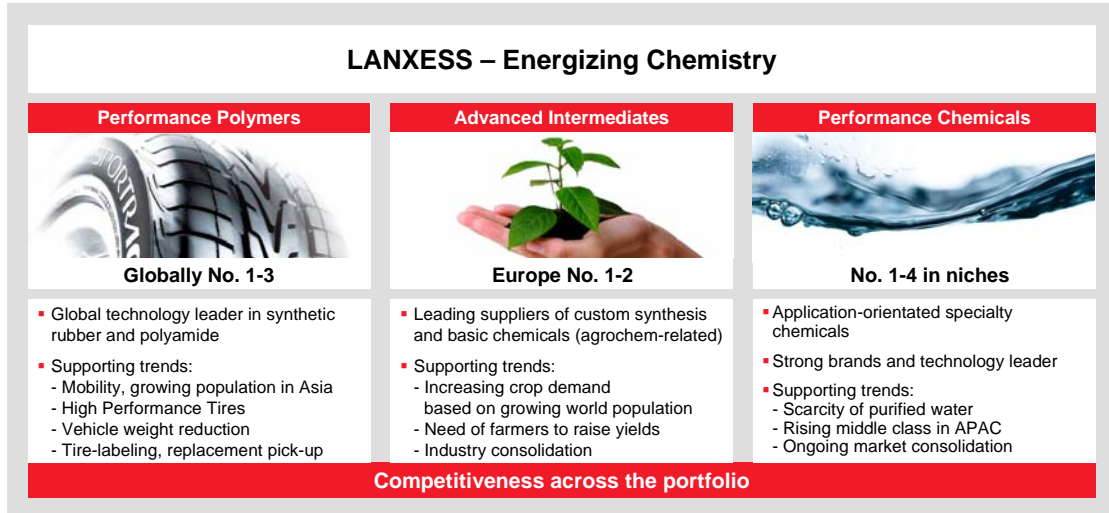
## Agenda

- Executive overview FY 2009
- Growth trends and LANXESS initiatives
  - Mobility and labeling
  - Water
- Business and financial review FY 2009
- Outlook

Chart 3

**LANXESS**

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

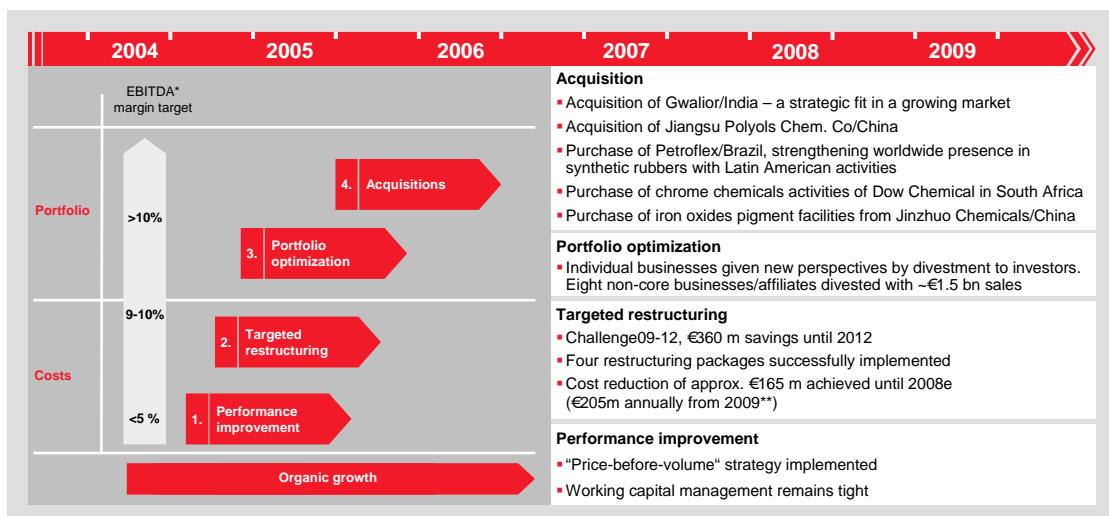


\* pre exceptionals

Chart 4

**LANXESS**

## Consistent delivery as four-phase strategy is implemented



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

Chart 5

**LANXESS**

## Excluding acquisitions, headcount reduced by ~1000 employees versus FY 2008

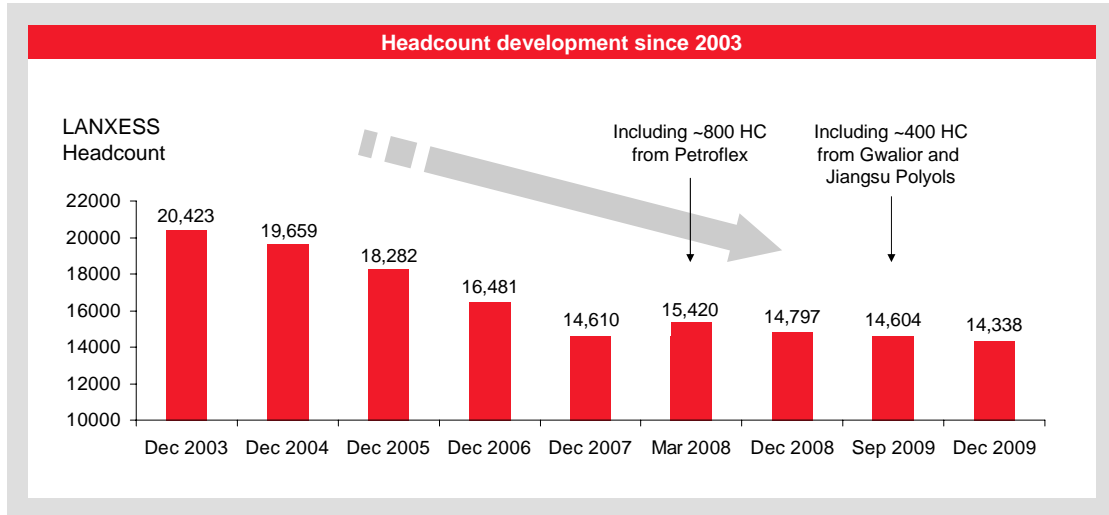


Chart 6

**LANXESS**

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

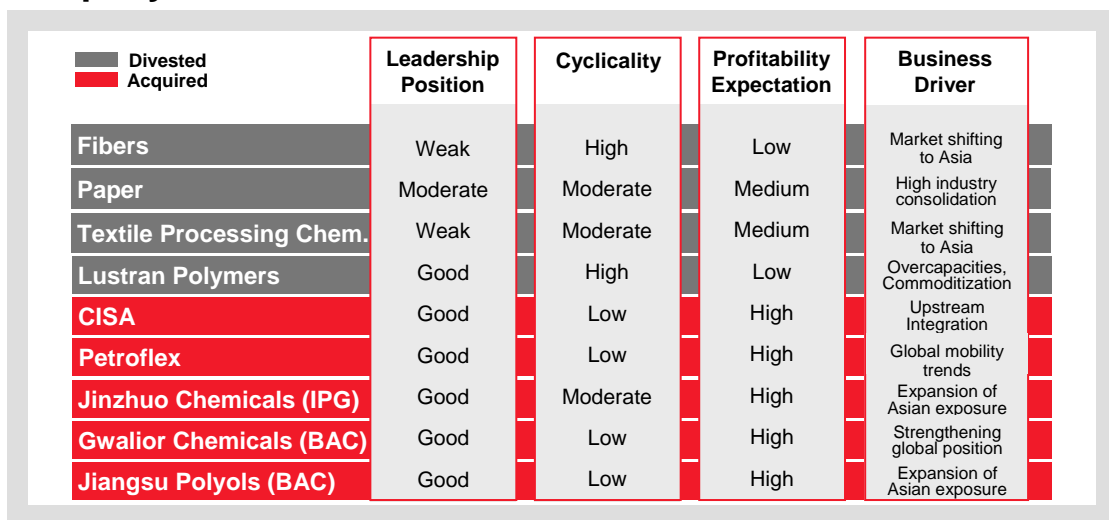


Chart 7

**LANXESS**

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

In €m	2003	2004	2005	2006	2007	2008	2009
EBITDA*	311	447	581	675	719	722	465
Net financial debt	1,299	1,135	680	511	460	864	794
Net fin. debt / EBITDA*	4.2x	2.5x	1.2x	0.8x	0.6x	1.2x	1.7x
Gearing	128%	101%	54%	36%	30%	65%	55%
Underlying EPS**	-2.2	0.65	1.19	2.69	3.36	3.44	1.31

Ready for the recovery

\* pre exceptionals \*\* EPS pre exceptionals, based on actual taxrate  
2008 data adjusted for change in pension accounting

Chart 8

**LANXESS**

## Powershift to BRIC – business substantially improving in 2009

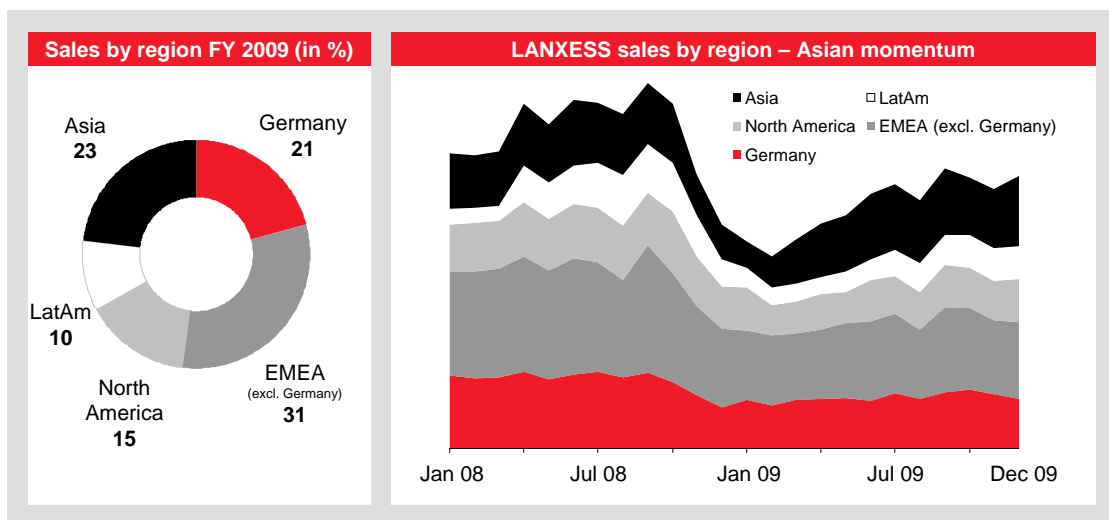


Chart 9

**LANXESS**

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Chart 10

**LANXESS**

## Mobility trend remains intact - global vehicle park continues to grow

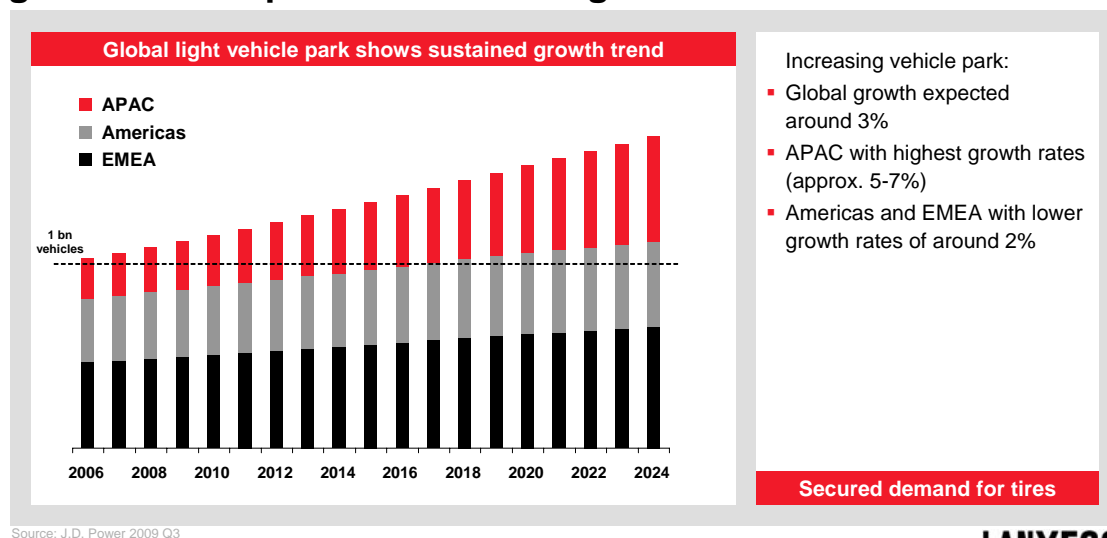
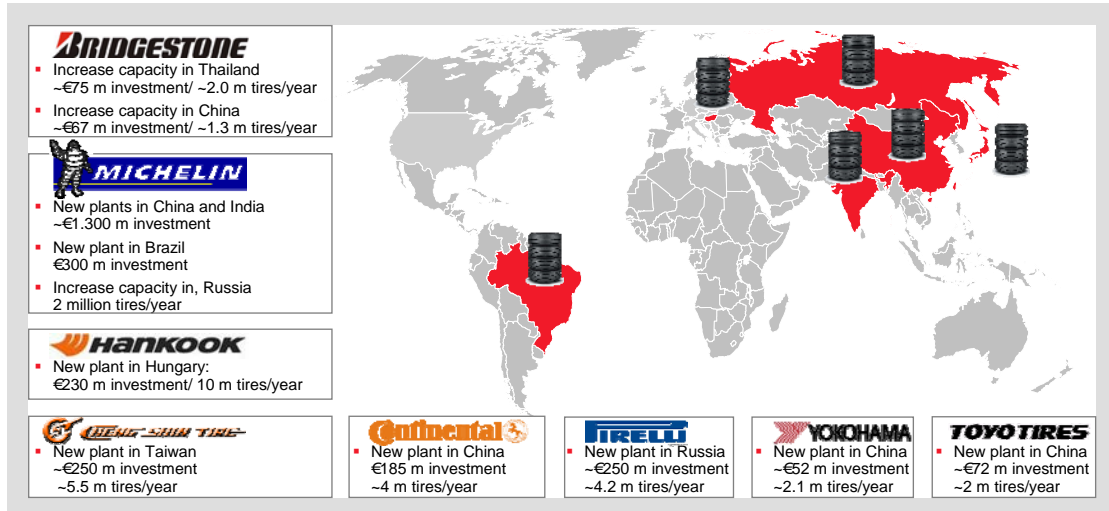


Chart 11

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## Planned capacity expansions of selected tire producers-companies focus on BRIC markets

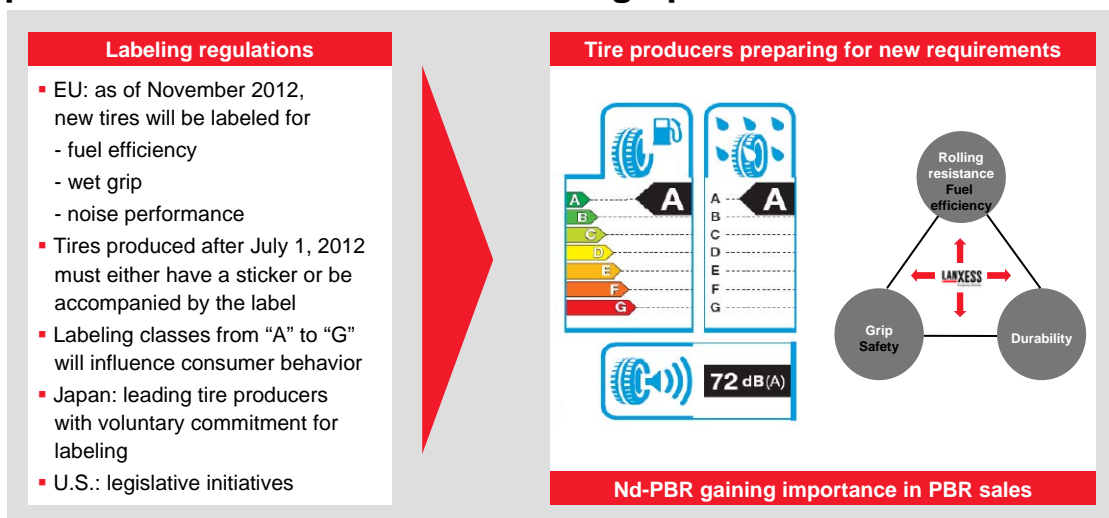


Source: Companies website, licensing to others

Chart 12

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## New EU tire legislation will increase transparency of tire performance and thus reinforce high performance tire trend



Source: Press release European Parliament

Chart 13

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## Strengthening our global butyl rubber business with a world scale production facility in Singapore

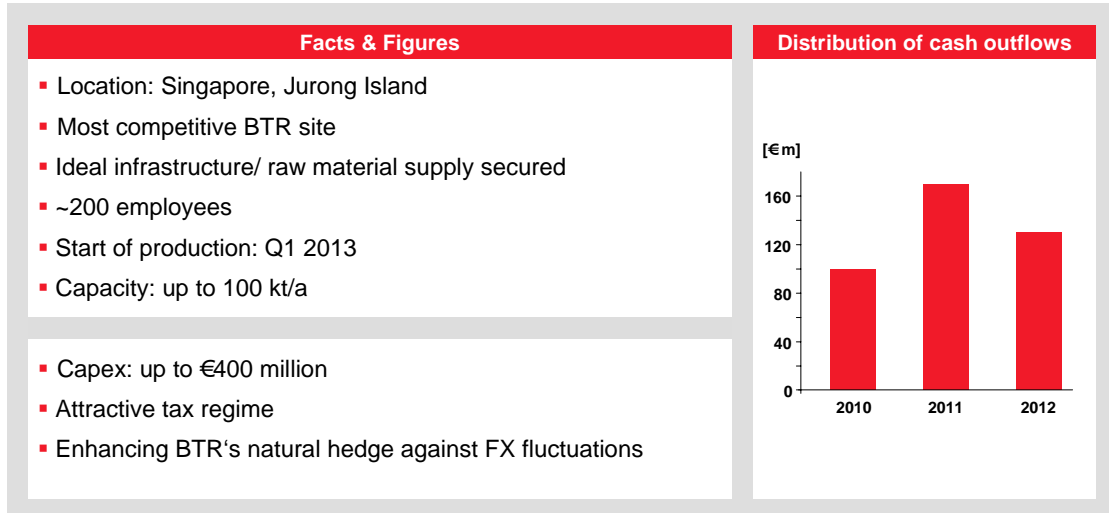
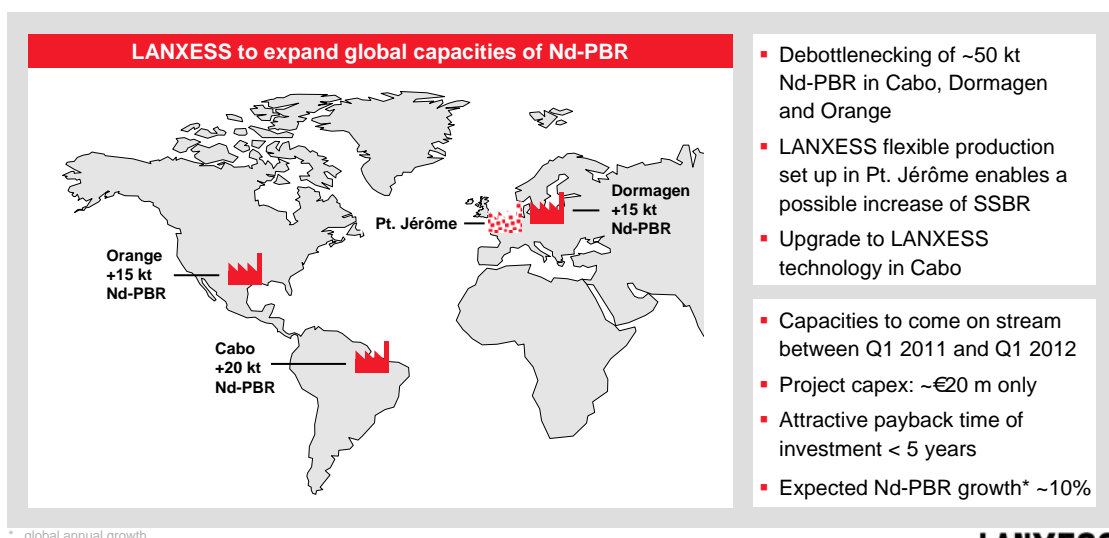


Chart 14

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## Optimization of PBR's world production network




\* global annual growth

Chart 15

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## Investing in mega trend “clean water” ensures long-term growth for ION

Growing demand trend for clean water	
<ul style="list-style-type: none"><li>Population growth in Asia</li><li>Increasing urbanization</li><li>Rising energy consumption</li></ul>	 <p>Purification of available water is mandatory to satisfy future demand</p>
New plant in Germany	New plant in India
<ul style="list-style-type: none"><li>€30 m investment in new ION facility in Bitterfeld</li><li>Pioneering of new membrane filtration technology</li><li>Creation of 200 jobs</li><li>First products to be launched in course of 2011</li></ul>	<ul style="list-style-type: none"><li>€30 m investment in new ION plant in Jaghadia</li><li>Construction well on schedule, completion in 2010</li><li>250 workers employed by LANXESS on site</li><li>Most modern plant of its kind in Asia</li></ul>



**Strong commitment to strategic water treatment business**

Chart 16

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Chart 17

**LANXESS**

## Solid performance in a tough year

[€ m]	FY 2008	FY 2009	yoy in %
<b>Sales</b>	<b>6,576</b>	<b>5,057</b>	<b>-23.1%</b>
<b>EBITDA pre except. margin</b>	<b>722</b> 11.0%	<b>465</b> 9.2%	<b>-35.6%</b>
<b>Net Income</b>	<b>183</b>	<b>40</b>	<b>-78.1%</b>
<b>Capex*</b>	<b>342</b>	<b>275</b>	<b>-19.6%</b>
[€ m]	31.12.2008	31.12.2009	yoy in %
<b>Net Financial Debt</b>	<b>864</b>	<b>794</b>	<b>-8.1%</b>
<b>Net Working Capital</b>	<b>1,289</b>	<b>1,096</b>	<b>-15.0%</b>
<b>Employees</b>	<b>14,797</b>	<b>14,338</b>	<b>-3.1%</b>

**Solid financials in a tough environment**

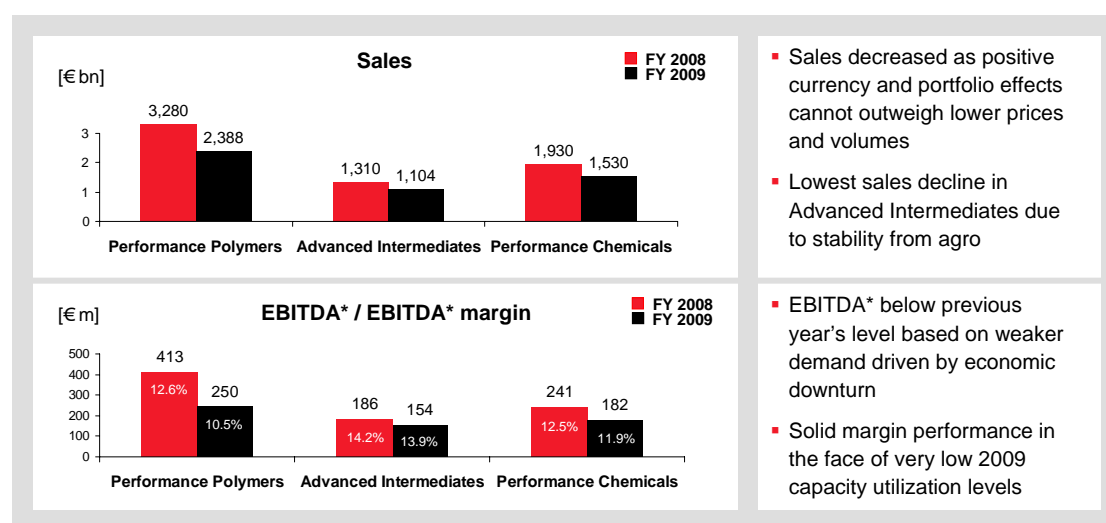
\* net of projects financed by customers and finance lease

Chart 18

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- Portfolio as well as currency effects only mitigate impact from lower volumes and raw material driven selling price declines
- Strength of businesses and improved cost base lead to solid absolute EBITDA and margin
- Positive net income despite crisis and exceptionals (€55 m)
- Successful operational management of working capital reduced net debt

## FY 2009 – LANXESS weathered the downturn



\* pre exceptionals

Chart 19

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- Sales decreased as positive currency and portfolio effects cannot outweigh lower prices and volumes
- Lowest sales decline in Advanced Intermediates due to stability from agro
- EBITDA\* below previous year's level based on weaker demand driven by economic downturn
- Solid margin performance in the face of very low 2009 capacity utilization levels

## Cost base adjusted to lower market demand

[€ m]	Q4 2008	Q4 2009	yoy in %	
<b>Sales</b>	<b>1,462 (100%)</b>	<b>1,392 (100%)</b>	<b>-5%</b>	<ul style="list-style-type: none"> <li>Sales decline as positive volume (+13%) and portfolio effects (+1%) are offset by negative currency development (-3%) and raw material driven price decline (-16%)</li> <li>Operational cost items clearly adjusted to lower capacity utilization</li> <li>Positive net income achieved</li> <li>On the basis of lower sales, EBITDA* improves vs. 2008 due to Challenge programs and flexible asset management</li> </ul>
Cost of sales	-1,205 (82%)	-1,072 (77%)	-11%	
Selling	-149 (10%)	-144 (10%)	-3%	
G&A	-75 (5%)	-64 (5%)	-15%	
R&D	-22 (2%)	-26 (2%)	+18%	
<b>EBIT</b>	<b>-46 (3%)</b>	<b>43 (3%)</b>	<b>n/a</b>	
<b>Net Income</b>	<b>-32 (2%)</b>	<b>14 (1%)</b>	<b>n/a</b>	
<b>EPS</b>	<b>-0.38</b>	<b>0.17</b>	<b>n/a</b>	
EBITDA	30 (2%)	122 (9%)	n/a	
thereof exceptionals	-57 (4%)	-22 (2%)	-61%	
<b>EBITDA pre exceptionals</b>	<b>87 (6%)</b>	<b>144 (10%)</b>	<b>+66%</b>	

**Q4 best quarter in 2009 on lower cost base and volume pickup**

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

Chart 20

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## Performance Polymers: sequential EBITDA improvement with solid margin

[€ m]	Q4 2008	Q3 2009	Q4 2009	
<b>Sales</b>	<b>741</b>	<b>656</b>	<b>725</b>	<ul style="list-style-type: none"> <li>Sales rebound vs. Q3: increase of both volumes and prices</li> <li>Rubber: Stronger than expected Q4 due to pick up in demand for winter <b>and</b> replacement tires (PBR) - BTR supply tight, sold out due to Asian momentum</li> <li>Flexible upstream integration in SCP allows higher utilization rates and more competitive cost base</li> <li>SCP: Improved Asian position, past investments pay off; weaker demand in Europe - mitigated by faster pickup in Asia</li> <li>EBITDA and margin improved, effective cost management paired with higher capacity utilization yield results</li> </ul>
EBIT	6	32	79	
Depr. / Amort.	36	34	38	
EBITDA	42	66	117	
<b>EBITDA pre exceptionals</b>	<b>55</b>	<b>76</b>	<b>114</b>	
Margin	7.4%	11.6%	15.7%	
Capex	94	25	52	

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

Q3 2009 Price Volume Currency Portfolio Q4 2009

(approximate numbers)

**Sales bridge year on year [€ m]**

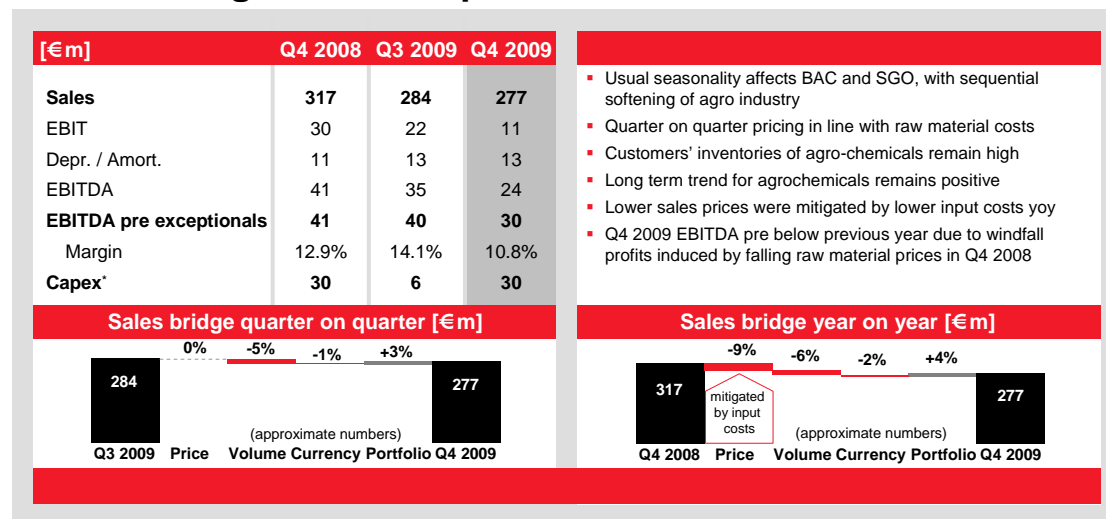
Q4 2008 Price Volume Currency Portfolio Q4 2009

(approximate numbers)

Chart 21

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## Advanced Intermediates: agro seasonality unfavorable – however long-term trend positive



\* net of projects financed by customers

Chart 22

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## Performance Chemicals: earnings doubled

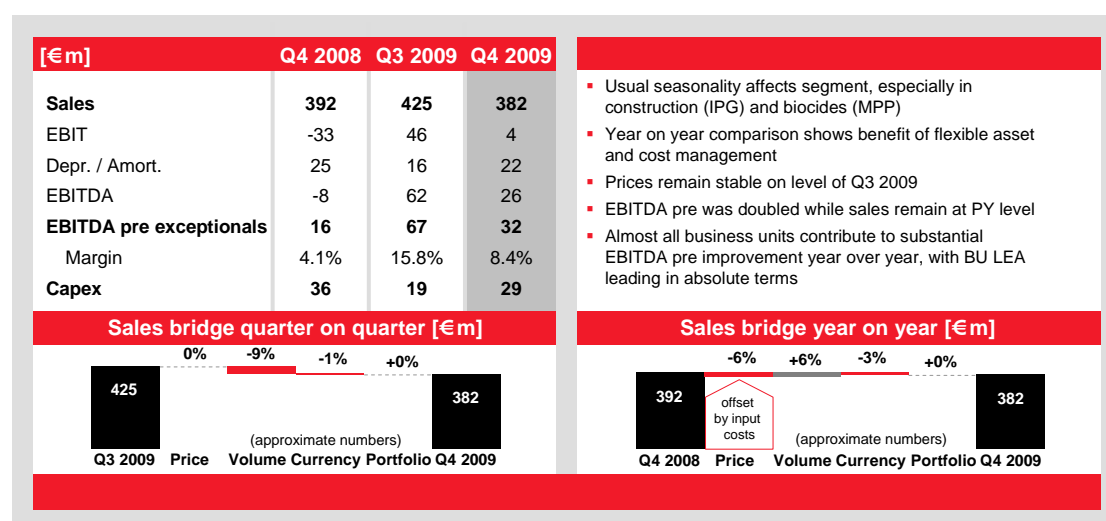
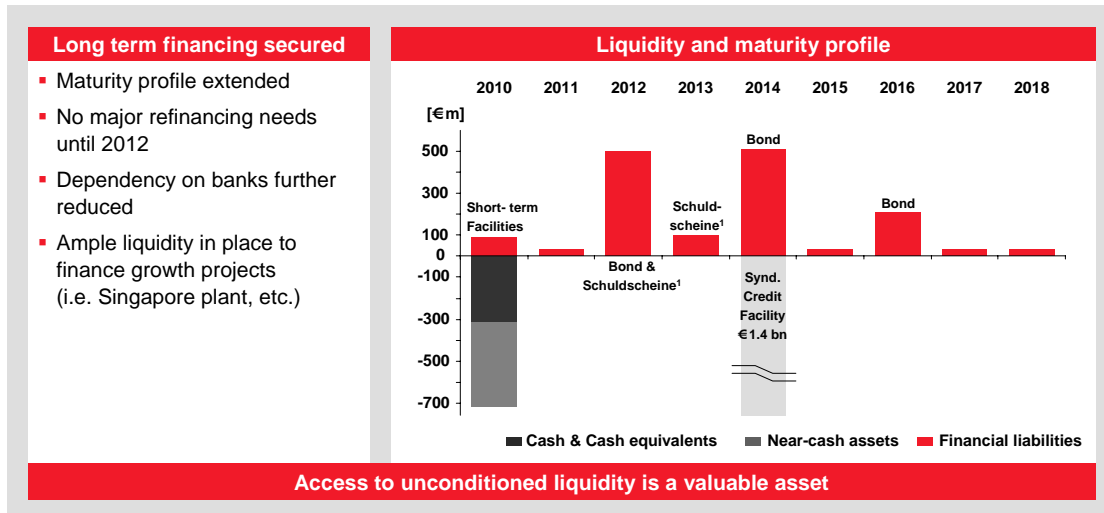


Chart 23

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## No major refinancing needs until 2012



<sup>1</sup> English: promissory notes

Chart 24

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Chart 25

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## Business outlook with confidence



Chart 26

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## LANXESS is well prepared and confident for 2010



Chart 27

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# LANXESS


Energizing Chemistry



**Appendix**

## 2010 financial expectations

Additional financial expectations for 2010	
▪ Capex*	: ~€400-430 m
▪ D&A	: ~€270 – €280 m
▪ Tax rate	: sustainable at ~25%
▪ Hedging 2010	: ~40% at 1.35-1.40 USD / EUR
2011	: ~25% at 1.35-1.40 USD / EUR
▪ Exceptionals	: ~€20 m P&L expenses / one time costs
▪ Cash outs	: ~€45 m for restructuring



\* without projects financed by customers

Chart 30

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## “Price before volume” strategy intact

FY yoy sales variances	Price	Volume	Currency	Portf.	Total
Performance Polymers	-20%	-11%	2%	2%	-27%
Advanced Intermediates	-6%	-12%	1%	1%	-16%
Performance Chemicals	-1%	-21%	1%	0%	-21%
<b>LANXESS</b>	<b>-11%</b>	<b>-15%</b>	<b>2%</b>	<b>1%</b>	<b>-23%</b>

- Sales decline of 23% caused by global economic recession
- Supportive currency and portfolio effects only mitigate drastic price and volume decline

FY yoy EBITDA bridge [€m]					
FY 2008	Volume	Price	Input Costs	Challenge09-12 Others	FY 2009
722					465

- “Price before volume” strategy intact as lower input costs offset price decline
- “Challenge programs” help substantially mitigate negative volume effect

Chart 31

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## Price before volume intact – input cost pass-through compensating previous time lag

Q4 qoq sales variances	Price	Volume	Currency	Portf.	Total
Performance Polymers	9%	3%	-1%	0%	11%
Advanced Intermediates	0%	-5%	-1%	3%	-3%
Performance Chemicals	0%	-9%	-1%	0%	-10%
<b>LANXESS</b>	<b>4%</b>	<b>-3%</b>	<b>-1%</b>	<b>1%</b>	<b>1%</b>

Q4 yoy sales variances	Price	Volume	Currency	Portf.	Total
Performance Polymers	-25%	26%	-3%	0%	-2%
Advanced Intermediates	-9%	-6%	-2%	4%	-13%
Performance Chemicals	-6%	6%	-3%	0%	-3%
<b>LANXESS</b>	<b>-16%</b>	<b>13%</b>	<b>-3%</b>	<b>1%</b>	<b>-5%</b>

- Sequentially, solid pricing and positive portfolio effects are only slightly mitigated by volume and currency effects
- Year on year prices remain lower but volumes pick up
- As raw material prices increase, pricing adjusted upwards Q4 vs. Q3, also compensating for previous slight lag effect
- Performance Polymers proves premium character of businesses: simultaneous improvement in prices and volumes

Chart 32

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## Q4 2009 financial overview: Pickup in demand offsets normal seasonality

[€m]	Q4 2008	Q3 2009	Q4 2009	yoy in %
Sales	1,462	1,373	1,392	-4.8%
EBITDA pre except. margin	87 6.0%	143 10.4%	144 10.3%	65.5%
Net Income	-32	23	14	n/a
Capex*	173	52	114	-34.1%

[€m]	31.12.2008	30.09.2009	31.12.2009	% vs. FY
Net Financial Debt	864	779	794	-8.1%
Net Working Capital	1,289	1,134	1,096	-15.0%
Employees	14,797	14,604	14,338	-3.1%

**Solid ending of a very tough year**

\* net of projects financed by customers and finance lease

Chart 33

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## Proactive cost and asset management during the crisis

[€ m]	FY 2008	FY 2009	yoy in %
<b>Sales</b>	<b>6,576</b>	<b>5,057</b>	<b>-23%</b>
Cost of sales	-5,115	-3,956	-23%
SG&A	-928	-765	-18%
R&D	-97	-101	+4%
Other op. income/expense	-113	-86	-24%
thereof exceptionals	139	55	-60%
<b>EBIT</b>	<b>323</b>	<b>149</b>	<b>-54%</b>
<b>Net Income</b>	<b>183</b>	<b>40</b>	<b>-78%</b>
<b>EPS</b>	<b>2.20</b>	<b>0.48</b>	<b>-78%</b>
EBITDA	602	422	-30%
thereof exceptionals	-120	-43	-64%
<b>EBITDA pre exceptionals</b>	<b>722</b>	<b>465</b>	<b>-36%</b>

**Heavily impacted by the recession**

- Positive currency (+2%) and portfolio (+1%) effects only mitigate volume (-15%) decline and raw materials driven price decline (-11%)
- R&D increased, deviations in other expense line items reflect cost saving efforts on lower business activity
- Solid EBITDA in context of world-wide recession and destocking effects in first half of 2009

2008 data adjusted for change in pension accounting

Chart 34

**LANXESS**

## Performance Polymers: solid margin in a tough environment

[€ m]	FY 2008	FY 2009
<b>Sales</b>	<b>3,280</b>	<b>2,388</b>
EBIT	208	105
Depr. / Amort.	139	137
EBITDA	347	242
<b>EBITDA pre exceptionals</b>	<b>413</b>	<b>250</b>
Margin	12.6%	10.5%
Capex*	178	133

**Sales by BU**

**Sales bridge year on year [€ m]**

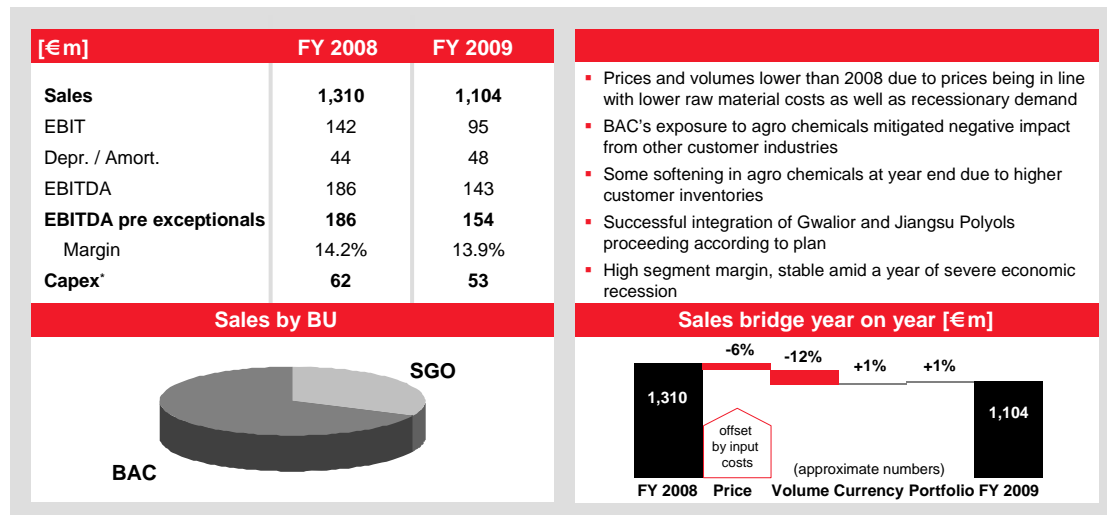
- Positive currency and portfolio effects only mitigate price and volume declines
- Decline in selling prices (raw material indexed), mitigated by lower input costs
- FY volume decline mitigated by stronger than expected demand pickup in December for winter and replacement tires
- EBITDA pre and margin strong but below previous year

\* net of finance lease

Chart 35

**LANXESS**

## Advanced Intermediates: cost structure lowered to successfully cope with volume decline



\* net of projects financed by customers

Chart 36

**LANXESS**

## Performance Chemicals: solid results in a crisis year

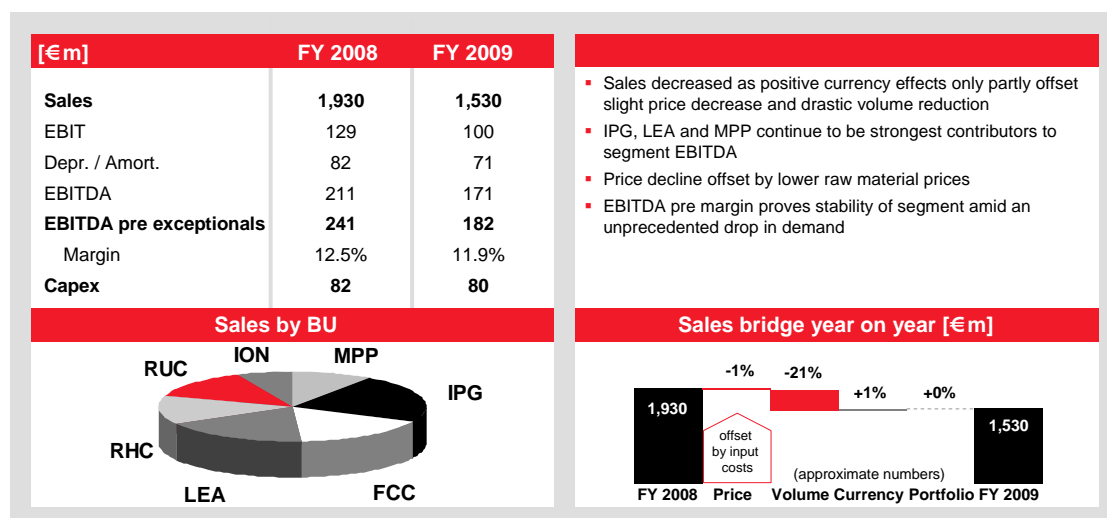


Chart 37

**LANXESS**

## Despite crisis - strong balance sheet maintained

[€m]	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009
<b>Non-current Assets</b>	<b>2,169</b>	<b>2,382</b>	<b>Stockholders' Equity</b>	<b>1,339</b>
Intangible assets	145	196	thereof minority interest	16
Property, plant & equipment	1,646	1,809	<b>Non-current Liabilities</b>	<b>1,953</b>
Equity investments	42	26	Pension & post empl. provis.	498
Other investments	2	1	Other provisions	261
Other financial assets	72	79	Other financial liabilities	986
Deferred taxes	154	163	Tax liabilities	91
Other non-current assets	108	108	Other liabilities	76
<b>Current Assets</b>	<b>2,423</b>	<b>2,686</b>	Deferred taxes	41
Inventories	1,048	849	<b>Current Liabilities</b>	<b>1,300</b>
Trade accounts receivable	725	733	Other provisions	395
Other financial assets	155	146	Other financial liabilities	168
Other current assets	246	243	Trade accounts payable	484
Near cash assets	0	402	Tax liabilities	12
Cash and cash equivalents	249	313	Other liabilities	241
<b>Total Assets</b>	<b>4,592</b>	<b>5,068</b>	<b>Total Equity &amp; Liabilities</b>	<b>4,592</b>
				<b>5,068</b>

**Near cash position invested in highly rated and liquid money market funds**

- Increase in pension provisions due to regionally lower discount rates
- INEOS JV divested

Chart 38

**LANXESS**

## Despite a tough year: solid operating cash flow

[€m]	FY 2008	FY 2009
<b>Profit before Tax*</b>	<b>246</b>	<b>32</b>
Depreciation & amortization	279	273
Gain from sale of assets	-15	-18
Result from equity investments*	-21	-8
Financial (gains) losses	71	71
Cash tax payments / refunds	-120	0
Changes in other assets and liabilities*	26	-24
<b>Operating Cash Flow before changes in WC</b>	<b>466</b>	<b>326</b>
Changes in Working Capital	26	239
<b>Operating Cash Flow</b>	<b>492</b>	<b>565</b>
<b>Investing Cash Flow</b>	<b>-543</b>	<b>-771</b>
thereof Capex**	-342	-275
<b>Financing Cash Flow</b>	<b>115</b>	<b>258</b>

**Flexible asset and cost management lead to solid cash flow**

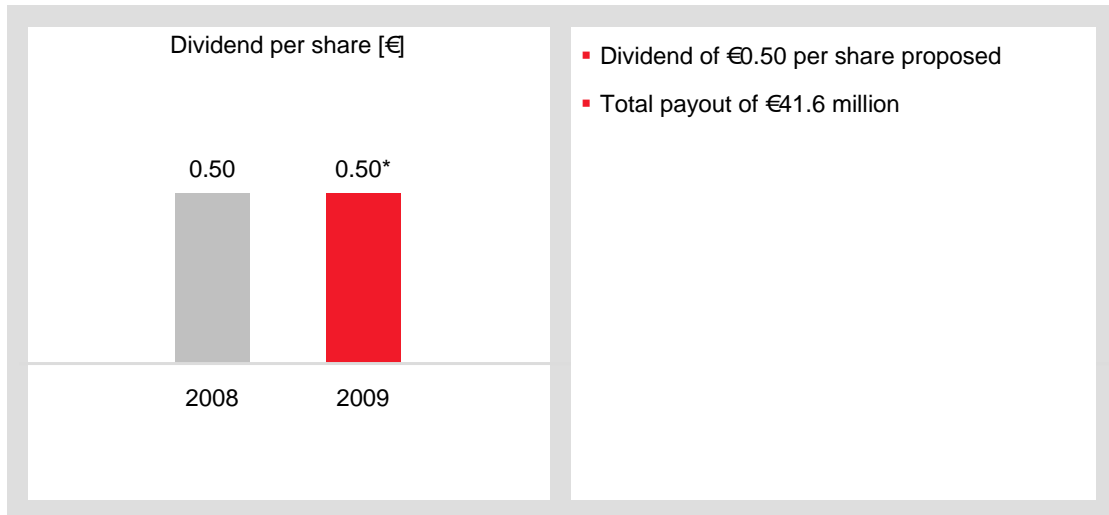
- Strong operational management of working capital supports solid cash flow
- Changes in other assets and liabilities reflect lower level of provisions for incentive programs in 2009 vs. 2008
- Investing cash flow contains 2009 investment in near cash assets as well as €30 m CTA funding

\* 2008 restated for change in pension accounting  
 \*\* net of projects financed by customers and finance lease

Chart 39

**LANXESS**

## Successful crisis management allows unchanged dividend

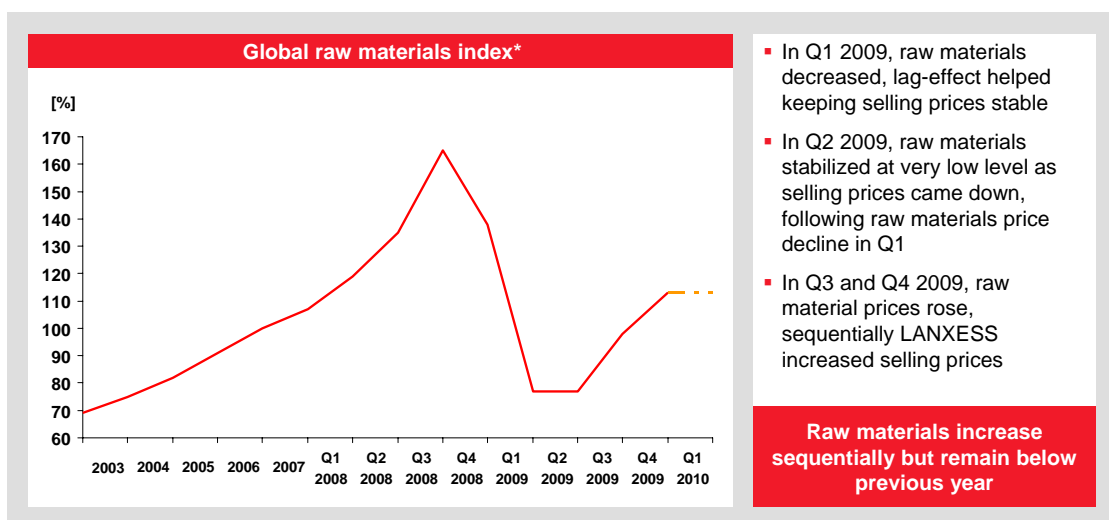


\* proposal to the Annual Stockholders' Meeting

Chart 40

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## Raw material prices continue their rise in Q4



\* source: LANXESS, average 2006 = 100%

Chart 41

**LANXESS**

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

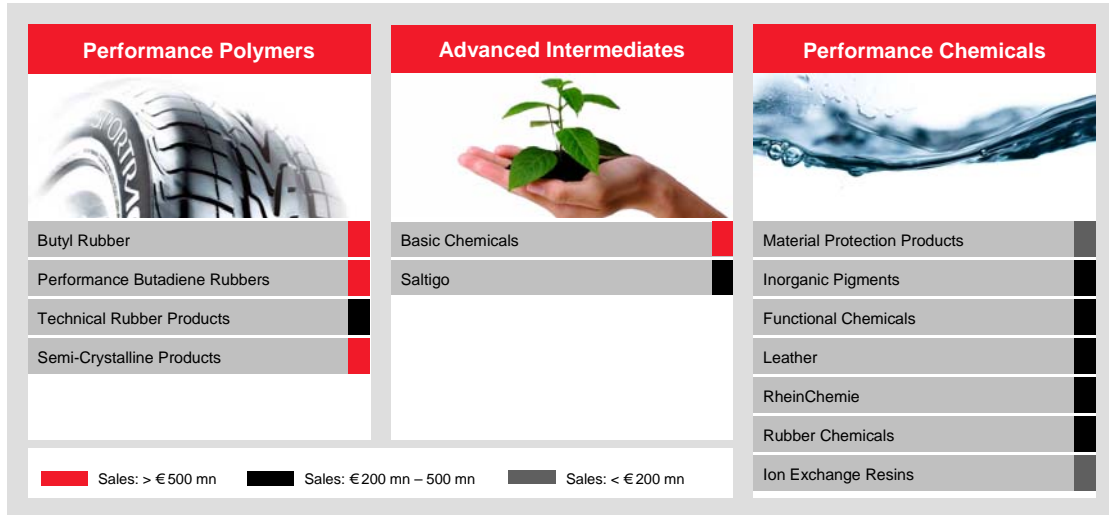


Chart 42

**LANXESS**

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

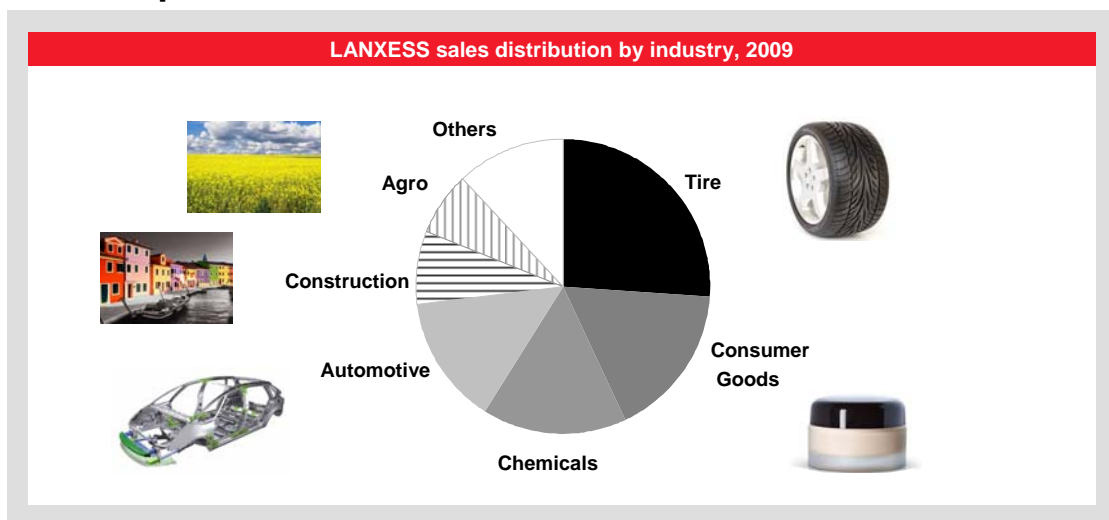


Chart 43

**LANXESS**

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

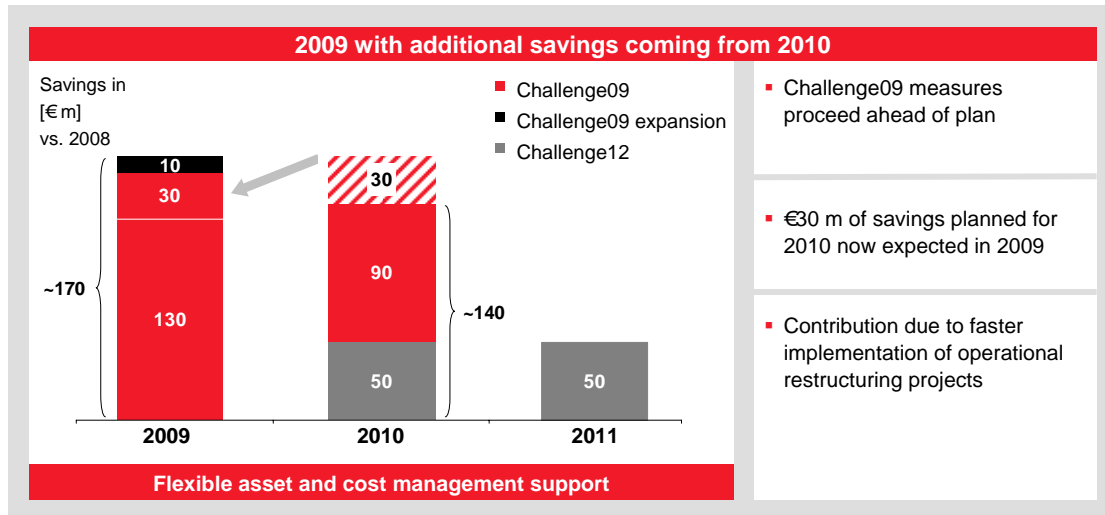
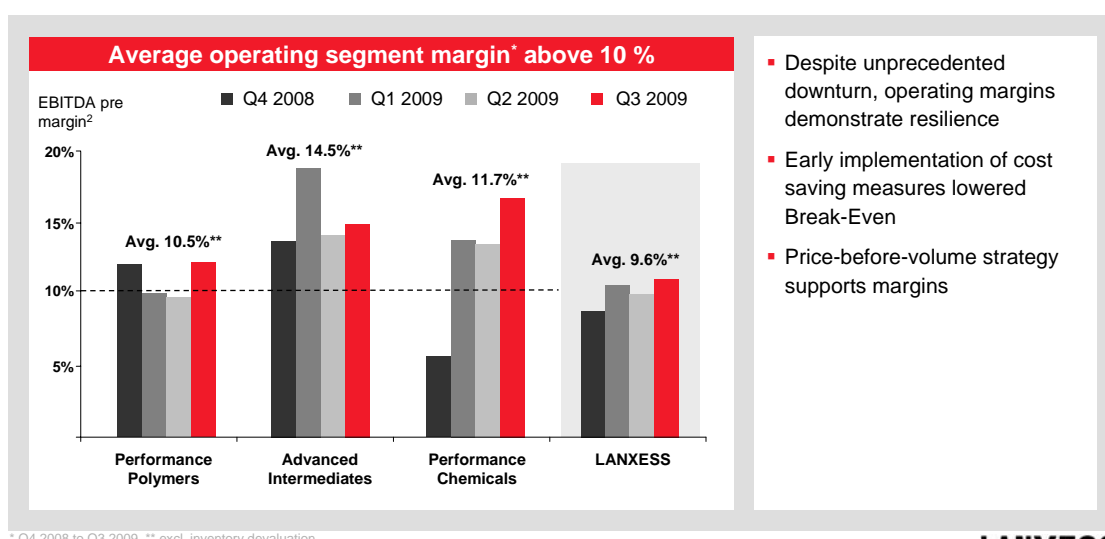


Chart 44

**LANXESS**

## Resilience shown in recession scenario



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

Chart 45

**LANXESS**

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

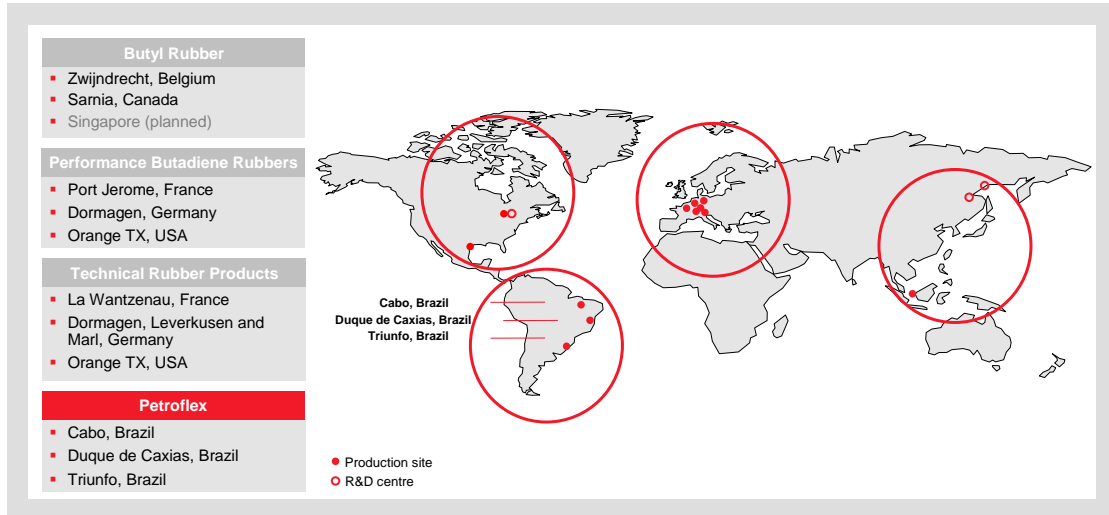
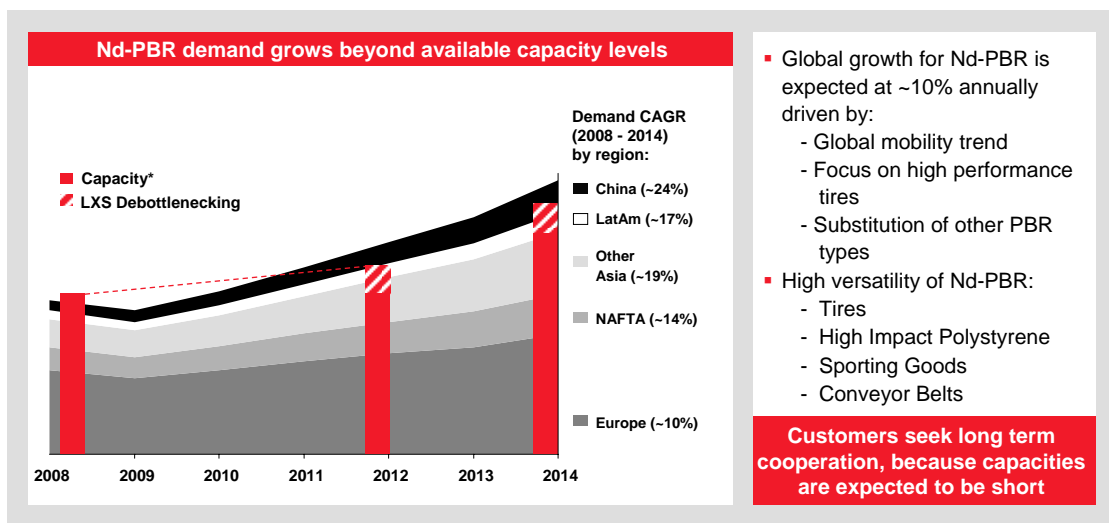


Chart 46

**LANXESS**

## Projected demand for Nd-PBR to exceed supply by 2014



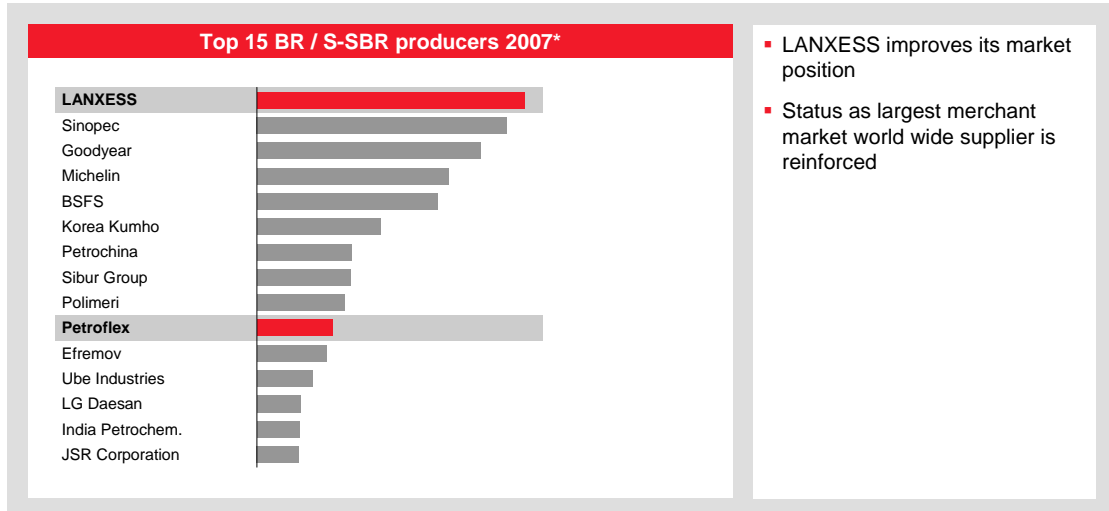
Source: LANXESS estimates; \* Real capacity = nameplate capacity with 85% utilization

Chart 47

**LANXESS**



## LANXESS and Petroflex team up for a real global BR / S-SBR supplier

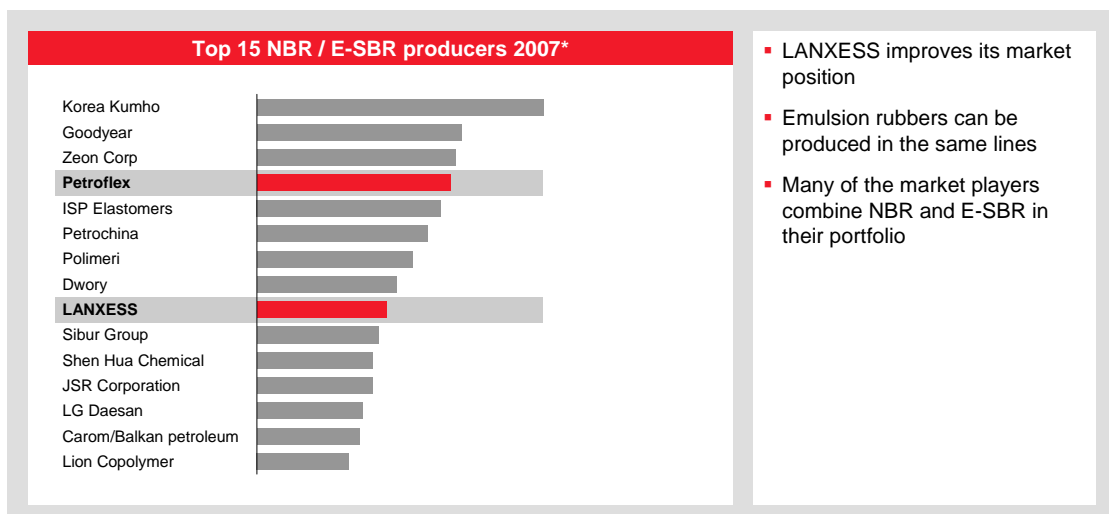


\* capacity in kt; source: IISRP (International institute of synthetic rubber producers, Inc)

Chart 48

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## LANXESS benefits from Petroflex additional emulsion rubber assets

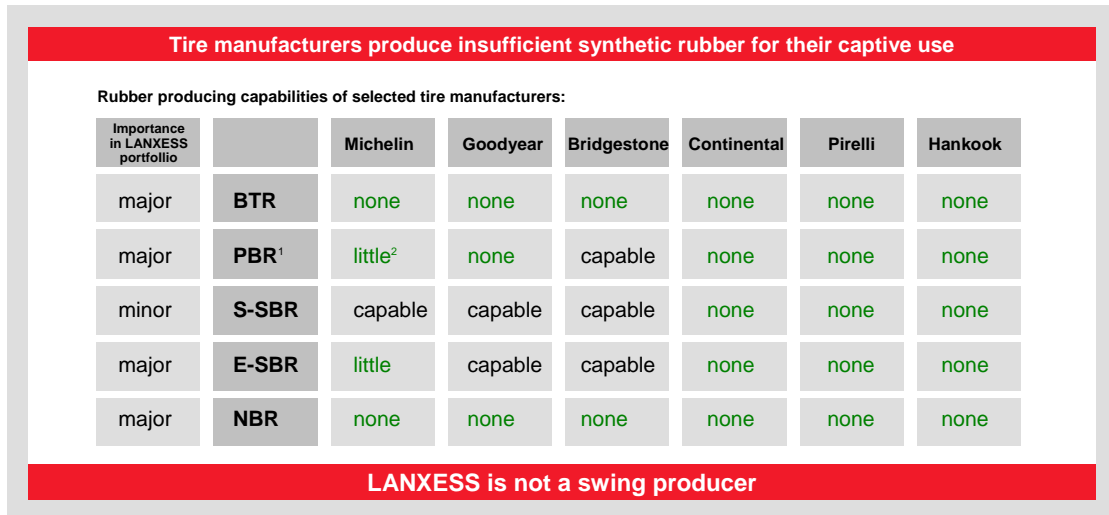


\* capacity in kt; source: IISRP (International institute of synthetic rubber producers, Inc)

Chart 49

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## Is LANXESS a swing producer?

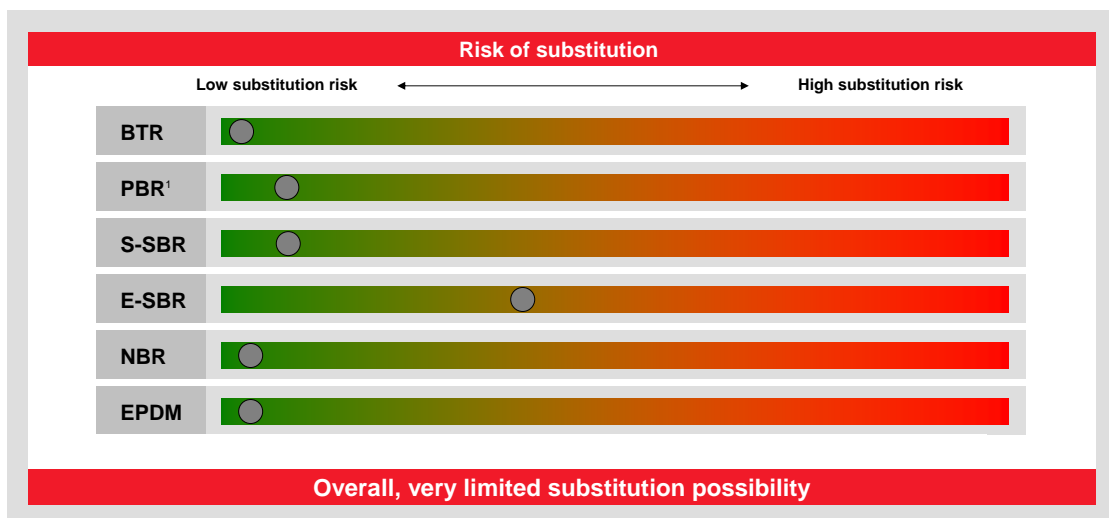


<sup>1</sup> Nd-PBR <sup>2</sup> Know how present, licensing to others

Chart 50

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## Does natural rubber cannibalize synthetic rubber?



<sup>1</sup> Nd-PBR

Chart 51

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## Similar tire labelings are being proposed in several countries

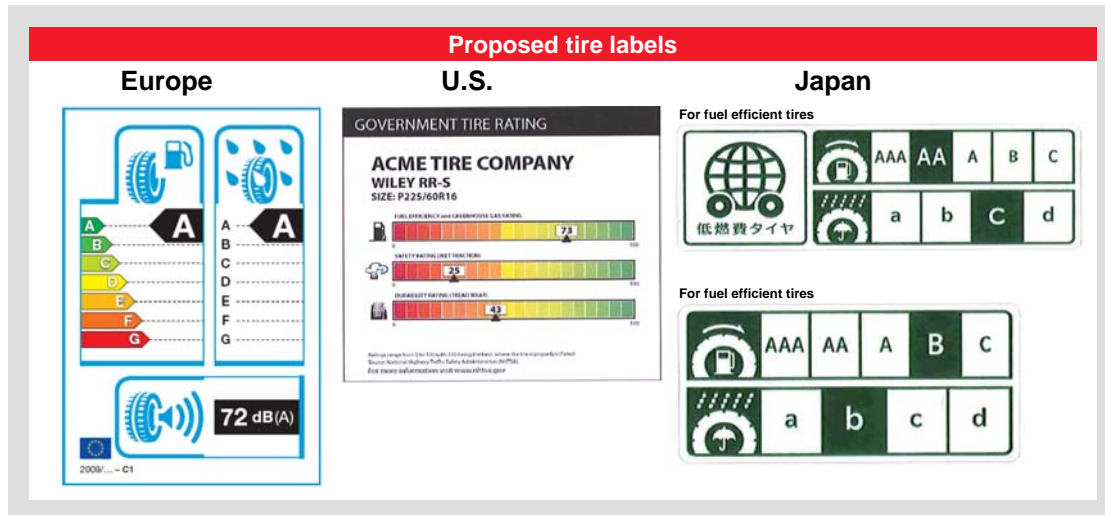


Chart 52

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## Exceptional items incurred in Q4 2008 and Q4 2009

[€m]	Q4 2008		Q4 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	18	5	-2	1
Advanced Intermediates	0	0	6	0
Performance Chemicals	31	7	12	6
Reconciliation	21	1	15	2
<b>Total</b>	<b>70</b>	<b>13</b>	<b>31</b>	<b>9</b>

Chart 53

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## Exceptional items incurred in FY 2008 and FY 2009

[€m]	FY 2008		FY 2009	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	77	11	9	1
Advanced Intermediates	0	0	11	0
Performance Chemicals	38	8	17	6
Reconciliation	24	0	18	5
<b>Total</b>	<b>139</b>	<b>19</b>	<b>55</b>	<b>12</b>

Chart 54

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## Abbreviations

<p><b>Performance Polymers</b></p> <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>	<p><b>Advanced Intermediates</b></p> <ul style="list-style-type: none"> <li>▪ BAC Basic Chemicals</li> <li>▪ SGO Saltigo</li> </ul>
<p><b>Performance Chemicals</b></p> <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 55

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## Upcoming events 2010

### Upcoming events

- Q1 Results 2010 May 11, 2010
- Annual Stockholders' Meeting May 28, 2010
- Q2 Results 2010 August 06, 2010
- Capital Markets Day September 15/16, 2010
- Q3 Results 2010 November 10, 2010

Chart 56

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## Contact detail Investor Relations

### **Oliver Stratmann**

Head of Investor Relations

Tel. : +49-214 30 49611  
Fax. : +49-214 30 959 49611  
Mobile : +49-175 30 49611  
Email : Oliver.Stratmann@lanxess.com



### **Verena Simiot**

Assistant Investor Relations

Tel. : +49-214 30 23851  
Fax. : +49-214 30 40944  
Mobile : +49-175 30 23851  
Email : Verena.Simiot@lanxess.com



### **Tanja Satzer**

Private Investors / AGM

Tel. : +49-214 30 43801  
Fax. : +49-214 30 959 43801  
Mobile : +49-175 30 43801  
Email : Tanja.Satzer@lanxess.com



### **Constantin Fest**

Institutional Investors / Analysts

Tel. : +49-214 30 71416  
Fax. : +49-214 30 40944  
Mobile : +49-175 30 71416  
Email : Constantin.Fest@lanxess.com



### **Joachim Kunz**

Institutional Investors / Analysts

Tel. : +49-214 30 42030  
Fax. : +49-214 30 40944  
Mobile : +49-175 30 42030  
Email : Joachim.Kunz@lanxess.com



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