



LANXESS Capital Markets Day 2010 – Continued growth from a financial perspective

Matthias Zachert, CFO

Duesseldorf, September 16, 2010

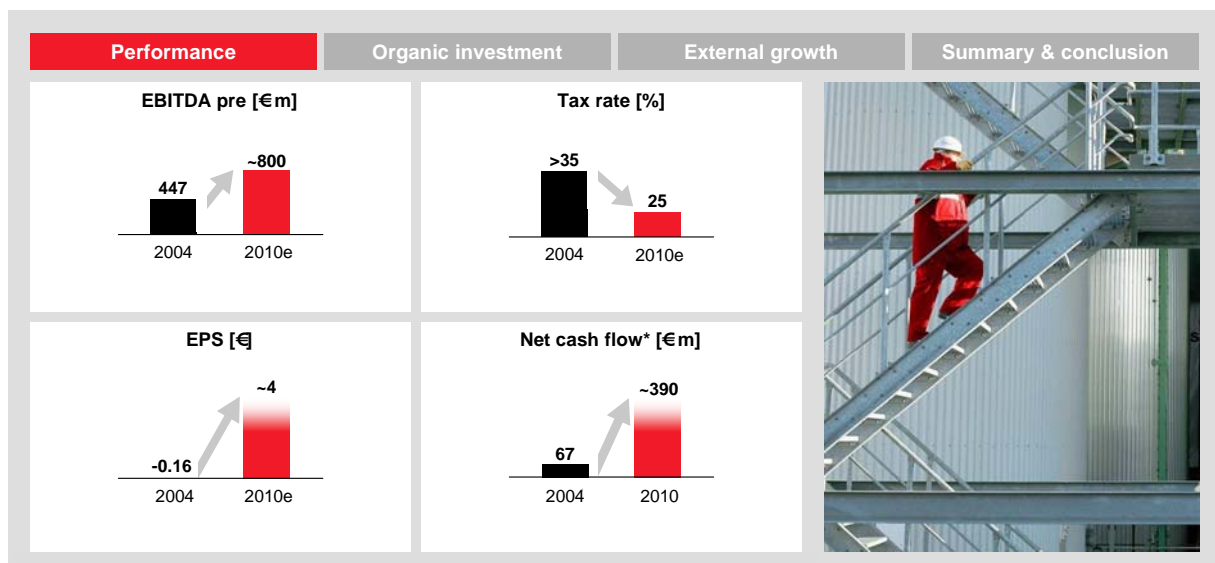
Agenda

- **The financial view: first chapter of transformation**
- External megatrend growth drivers – internal growth projects
- Excursion – addressing some of the capital markets' FAQs

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LANXESS has been transformed to a different company today

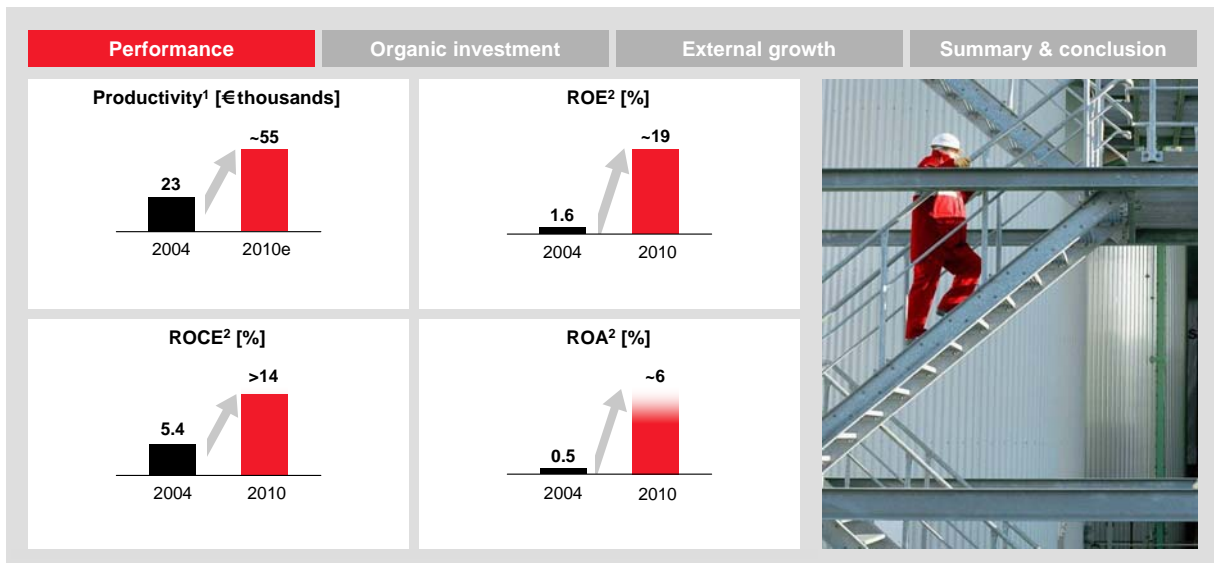


* Cash flow before changes in working capital less capex, based on LTM as of June 30, 2010

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LANXESS performance metrics reflect a successful transformation

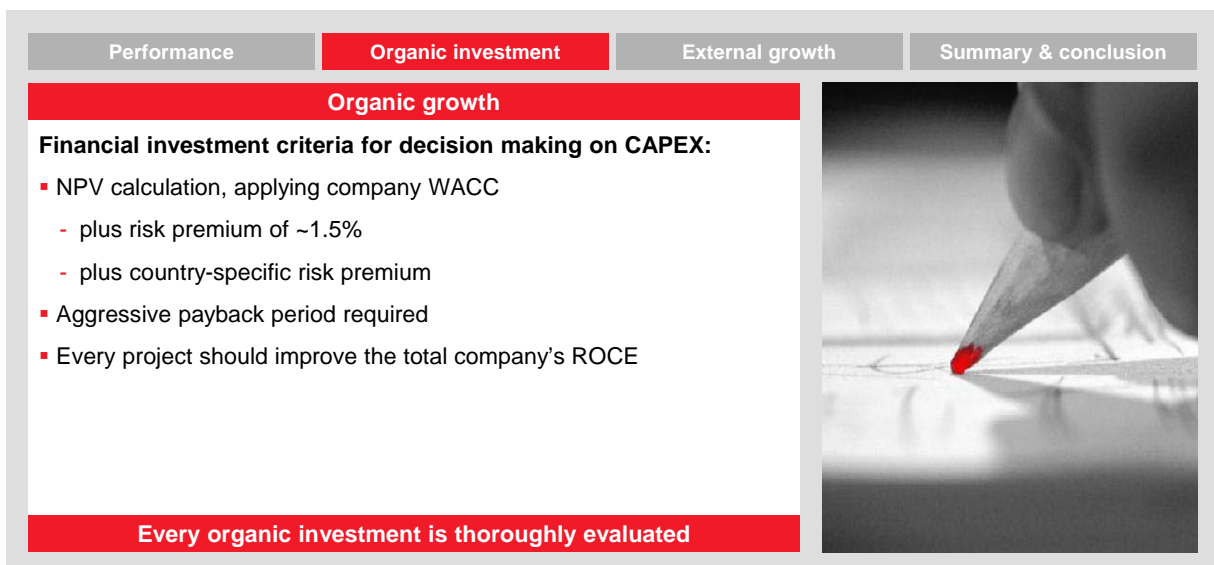


¹ Productivity in EBITDA pre exceptionals per employee; ² Based on LTM as of June 30, 2010

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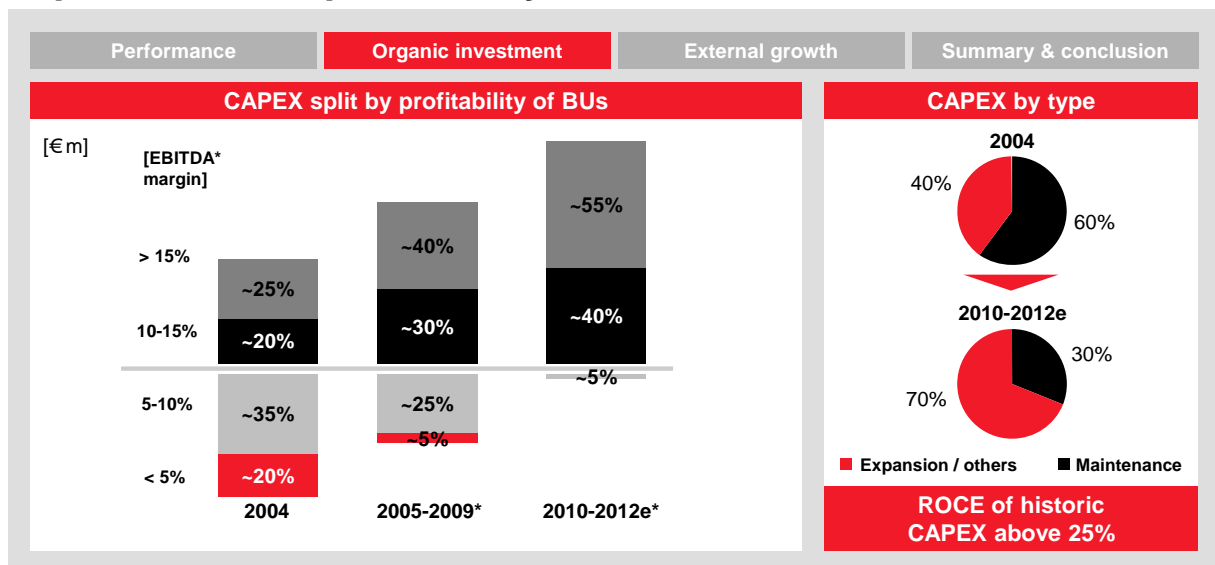
Financial criteria for internal resource allocation ensure excellent returns



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Strict CAPEX allocation criteria ensure continuous improvement of profitability

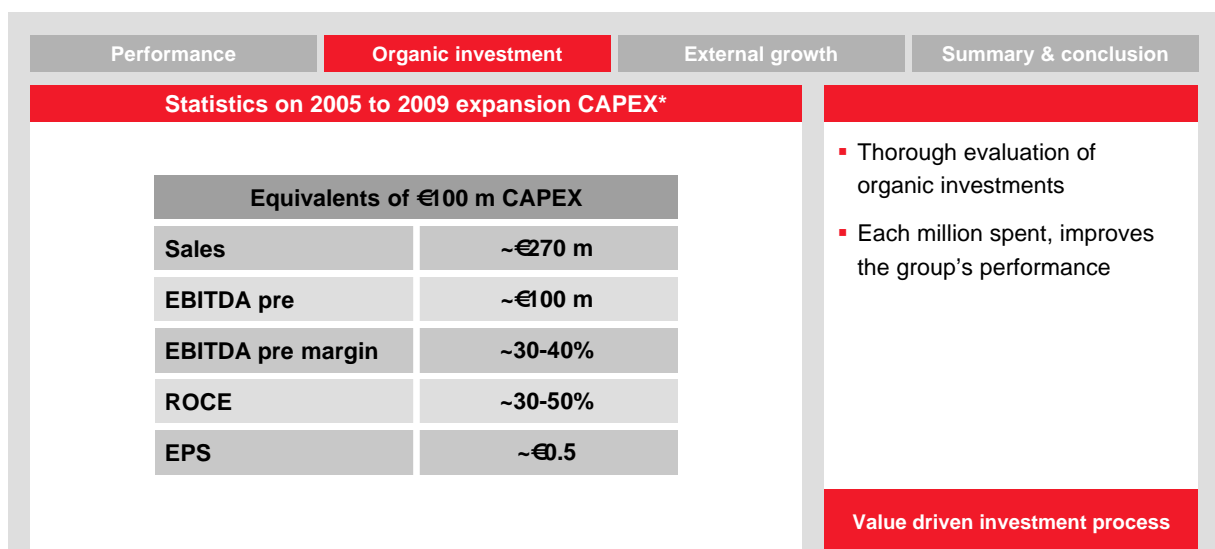


* Based on average CAPEX and average EBITDApre margins by BU for respective time frame

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Organic investments have yielded results

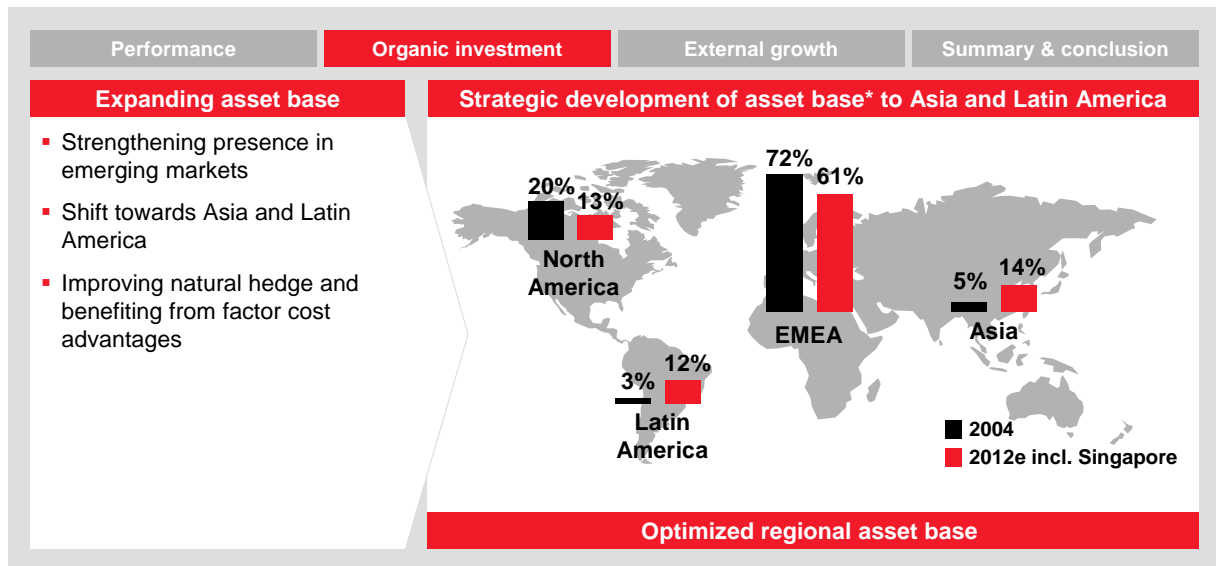


* Major projects gone live, profitability in average year

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Increasing strength in Asia and Latin America

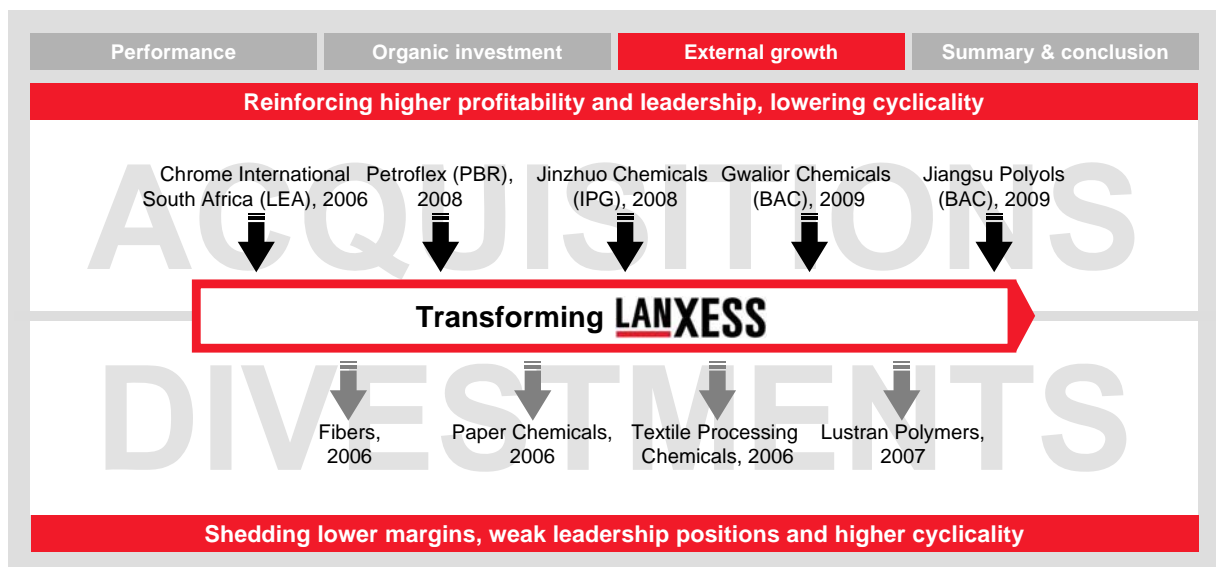


* 2004 assets by region net of divestments

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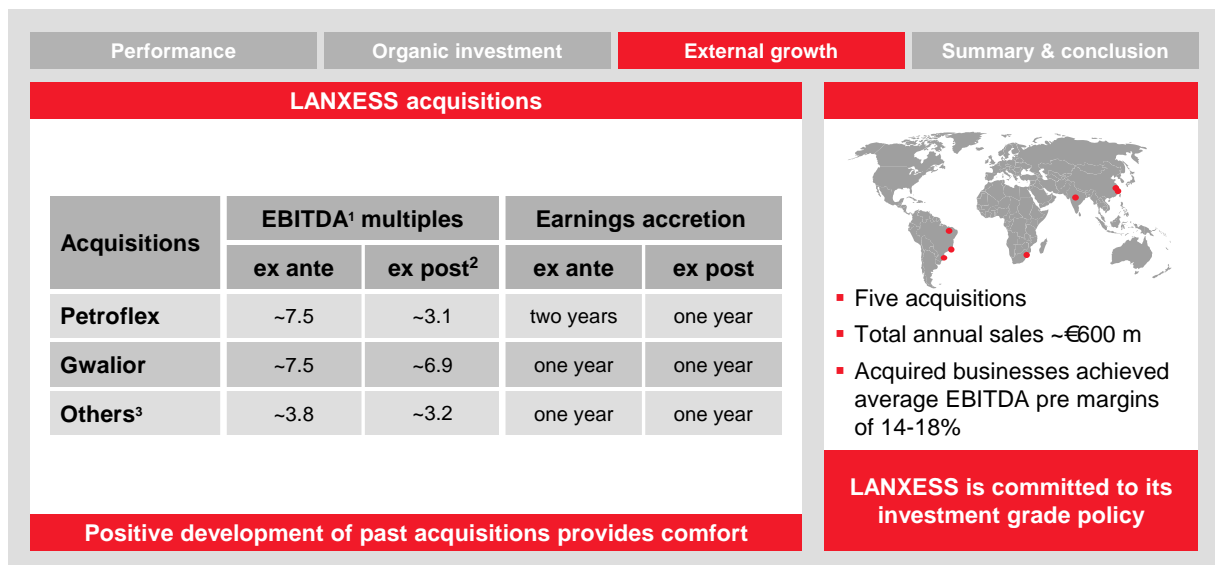
Portfolio transformation towards higher earnings growth



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LANXESS: value adding acquisitions with focus on BRIC

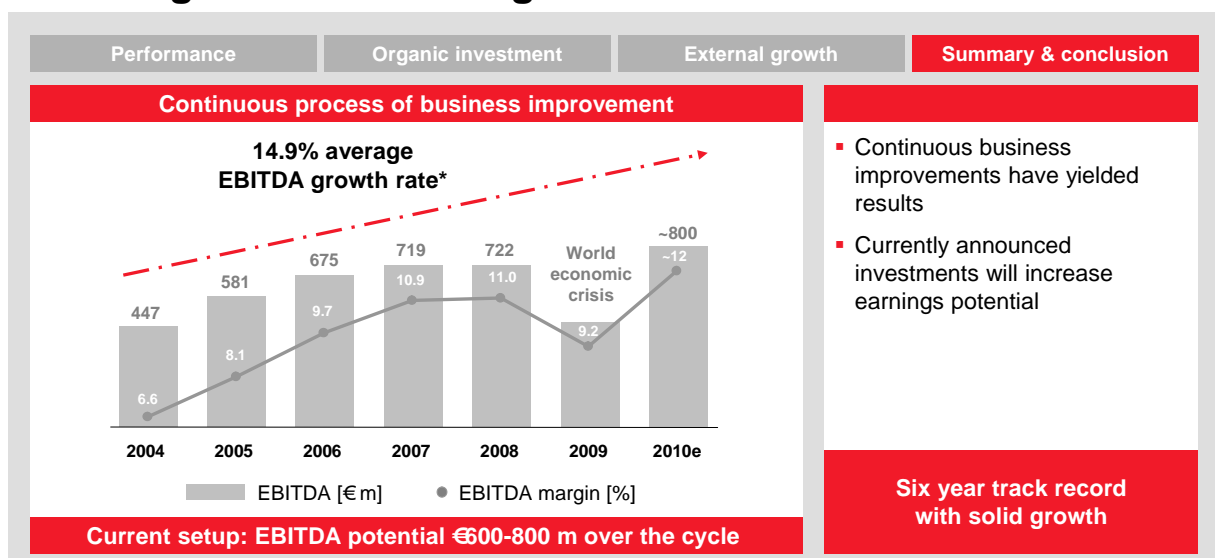


¹ EBITDA pre exceptionals; ² After synergies or one year after transaction; ³ Main contributor Chrome International South Africa (CISA)

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Continuous business improvement leads to strong EBITDA growth rate average

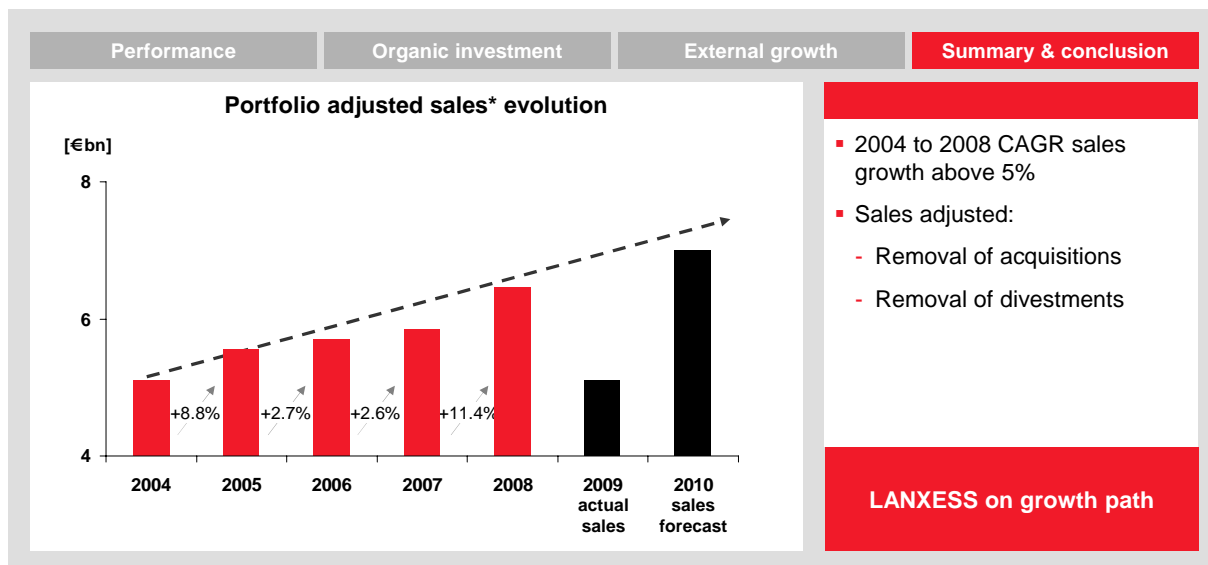


All references to EBITDA are pre exceptionals; * Arithmetic average

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Organic growth trend above five percent annually

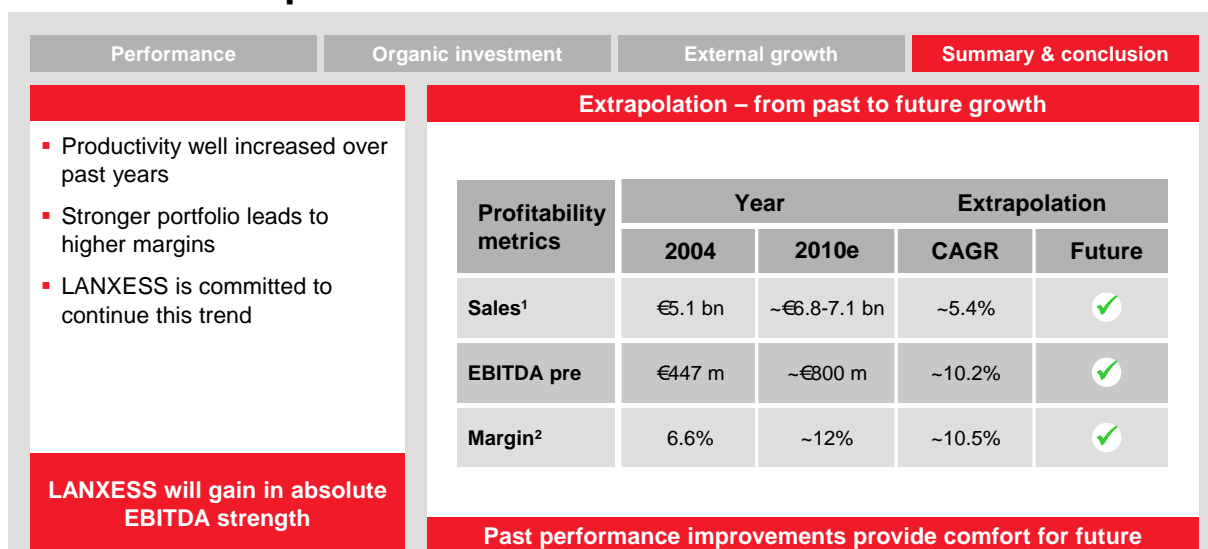


* CAGR calculation on 2004 to 2008 sales net of acquisitions and divestments

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LANXESS is on the track of rising profitability – metrics will continue to improve



¹ 2004 sales value net of divested businesses; ² EBITDA pre exceptionals

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Agenda

- The financial view: first chapter of transformation
- **External megatrend growth drivers – internal growth projects**
- Excursion – addressing some of the capital markets' FAQs

LANXESS achieves sustainable growth by serving the world's megatrends

Performance Polymers	Advanced Intermediates	Performance Chemicals	
Megatrend Mobility	Megatrend Agriculture	Megatrend Urbanization	Megatrend Water
<ul style="list-style-type: none"> ▪ Globalization pushes trade worldwide ▪ Individualization drives consumer demand ▪ Rapid growth rates for mobility related products in emerging markets 	<ul style="list-style-type: none"> ▪ Growing world population ▪ Increasing crop demand (nutrition, feed) ▪ Expanded production of renewable resources 	<ul style="list-style-type: none"> ▪ Need for resource efficiency <ul style="list-style-type: none"> - Energy - Raw materials - Water ▪ Need to explore alternative sources ▪ Trend to environmental awareness 	

Strengthening butyl with a world-scale production facility in Singapore and smart debottlenecking in Belgium

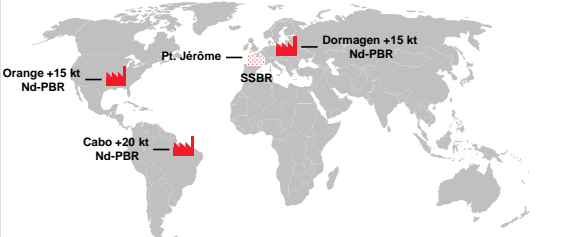

Performance Polymers	Advanced Intermediates	Performance Chemicals									
<p>Facts</p> <ul style="list-style-type: none"> Greenfield BTR plant, Singapore, ~200 employees Capacity: 100 kt/a Start of production: Q1 2013 Debottlenecking in Belgium, capacity increase 14 kt/a <p>Market perspective</p> <ul style="list-style-type: none"> Market growth stronger than GDP growth Supply / demand balanced to tight New world-scale plant needed every ~3 years <p>Rationale</p> <ul style="list-style-type: none"> Strengthening market position among top leaders Most competitive BTR site Ideal infrastructure / raw material supply Attractive tax regime Improving natural hedge against FX fluctuations 	<p style="background-color: #e91e63; color: white; padding: 5px;">BTR greenfield plant and debottlenecking</p>  <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>CAPEX</th> <th>Expected sales</th> <th>Sales multiple</th> </tr> </thead> <tbody> <tr> <td>~€420 m</td> <td>>€330 m</td> <td>1.3x</td> </tr> <tr> <td>Project ROCE*</td> <td colspan="2">above group average</td> </tr> </tbody> </table> 		CAPEX	Expected sales	Sales multiple	~€420 m	>€330 m	1.3x	Project ROCE*	above group average	
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~€420 m	>€330 m	1.3x									
Project ROCE*	above group average										

* ROCE in average profitability year

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BU PBR – debottlenecking for Nd-PBR as efficient option to expand into a growing market

Performance Polymers	Advanced Intermediates	Performance Chemicals									
<p>Facts</p> <ul style="list-style-type: none"> Debottlenecking of ~50 kt Nd-PBR in Cabo, Brazil; Dormagen, Germany and Orange, USA Capacities on stream between Q1 2011 and Q1 2012 Project CAPEX: ~€20 m only <p>Market perspective</p> <ul style="list-style-type: none"> Market growth ~10% Supply / demand balanced to tight <p>Rationale</p> <ul style="list-style-type: none"> Nd-PBR as global standard for high-performance tires Underpins LANXESS leading position in merchant rubber market Attractive payback time of investment <5 years 	<p style="background-color: #e91e63; color: white; padding: 5px;">Debottlenecking of Nd-PBR</p>  <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>CAPEX</th> <th>Expected sales</th> <th>Sales multiple</th> </tr> </thead> <tbody> <tr> <td>~€20 m</td> <td>~€70 m</td> <td>~0.3x</td> </tr> <tr> <td>Project ROCE*</td> <td colspan="2">above group average</td> </tr> </tbody> </table> 		CAPEX	Expected sales	Sales multiple	~€20 m	~€70 m	~0.3x	Project ROCE*	above group average	
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* ROCE in average profitability year

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BU SCP – Investing in upstream-integration to strengthen focus on high-tech plastics end-compounds



Performance Polymers	Advanced Intermediates	Performance Chemicals									
<p>Facts</p> <ul style="list-style-type: none"> Investments in <ul style="list-style-type: none"> compounding in Wuxi, China and Jhagadia, India caprolactam and KA-oil in Antwerp, Belgium Capacities on stream in 2011 Total CAPEX of projects: ~€50 m <p>Market perspective</p> <ul style="list-style-type: none"> Market growth of high-tech plastics expected >6% Supply / demand balanced to tight <p>Rationale</p> <ul style="list-style-type: none"> Expansion of upstream-integration secures efficient raw material supply Expansion of compounding in India and China serves rapidly growing demand 	<p>SCP investments into growth</p>  <table border="1"> <thead> <tr> <th>CAPEX</th> <th>Expected sales</th> <th>Sales multiple</th> </tr> </thead> <tbody> <tr> <td>~€50 m</td> <td>~€80 m</td> <td>~0.6x</td> </tr> <tr> <td>Project ROCE*</td> <td colspan="2">above group average</td> </tr> </tbody> </table> 		CAPEX	Expected sales	Sales multiple	~€50 m	~€80 m	~0.6x	Project ROCE*	above group average	
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* ROCE in average profitability year

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Capacity expansion and backward-integration further improves profitability of BU BAC



Performance Polymers	Advanced Intermediates	Performance Chemicals									
<p>Facts</p> <ul style="list-style-type: none"> Expansion of Chlorotoluenes and derivatives in Leverkusen, Germany <ul style="list-style-type: none"> Additional 42 kt from Q2 2010 on New Formalin plant in Uerdingen, Germany <ul style="list-style-type: none"> Additional 150 kt from Q4 2011 on <p>Market perspective</p> <ul style="list-style-type: none"> Chlorotoluenes and derivatives markets offering opportunities for organic growth and market share increase <p>Rationale</p> <ul style="list-style-type: none"> Aromatic network offers sustained cost advantage, also compared to Chinese competitors New Formalin plant to become independent from suppliers 	<p>BAC: global competitiveness</p>  <table border="1"> <thead> <tr> <th>CAPEX</th> <th>Expected sales</th> <th>Sales multiple</th> </tr> </thead> <tbody> <tr> <td>~€50 m</td> <td>~€50 m</td> <td>~1.0x</td> </tr> <tr> <td>Project ROCE*</td> <td colspan="2">above group average</td> </tr> </tbody> </table> 		CAPEX	Expected sales	Sales multiple	~€50 m	~€50 m	~1.0x	Project ROCE*	above group average	
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* ROCE in average profitability year

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LANXESS strengthens its position in India with an investment project for attractive ion exchange resin business



Performance Polymers	Advanced Intermediates	Performance Chemicals									
<p>Facts</p> <ul style="list-style-type: none"> Investments in <ul style="list-style-type: none"> - new plant in Jhagadia, India - new facility in Bitterfeld, Germany New capacities from India on stream end of 2010, new products from Bitterfeld end of 2011 <p>Market perspective</p> <ul style="list-style-type: none"> Attractive market growth rates New capacities in low-cost country with infrastructure <p>Rationale</p> <ul style="list-style-type: none"> Population growth in Asia Increasing urbanization Rising energy consumption <p>Purification of available water is mandatory to satisfy future demand</p>		<p>ION – The clean water enabler</p>  <table border="1"> <thead> <tr> <th>CAPEX</th> <th>Expected sales</th> <th>Sales multiple</th> </tr> </thead> <tbody> <tr> <td>~€60 m</td> <td>~€60 m</td> <td>~1.0x</td> </tr> <tr> <td>Project ROCE*</td> <td colspan="2">above group average</td> </tr> </tbody> </table> 	CAPEX	Expected sales	Sales multiple	~€60 m	~€60 m	~1.0x	Project ROCE*	above group average	
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* ROCE in average profitability year

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Several smaller investments complement portfolio growth

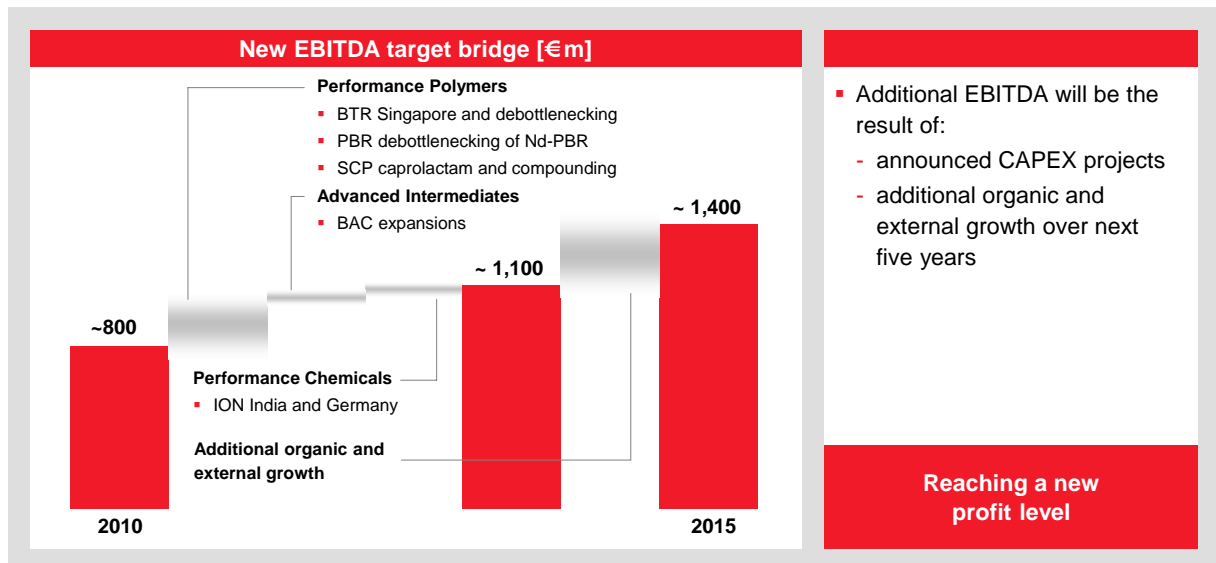
Performance Polymers	Advanced Intermediates	Performance Chemicals									
<p>Facts</p> <ul style="list-style-type: none"> TRP / TSR JV in China for highly cost-efficient NBR SGO Leverkusen expansion of facility for active ingredients and intermediates in cooperation with Syngenta RCH Russian expansion of rubber additives and release agents <p>Market perspective</p> <ul style="list-style-type: none"> TRP serves Chinese NBR market with double-digit growth SGO serves agricultural megatrend: population growth by 2050 by 2 bn RCH enters new regional market <p>Rationale</p> <ul style="list-style-type: none"> Investments in growth regions, close to customers Attractive investment returns 		<p>TRP, SGO, RCH and further projects</p>  <table border="1"> <thead> <tr> <th>CAPEX</th> <th>Expected sales</th> <th>Sales multiple</th> </tr> </thead> <tbody> <tr> <td>~€25 m</td> <td>~€125 m</td> <td>~0.2x</td> </tr> <tr> <td>Project ROCE*</td> <td colspan="2">above group average</td> </tr> </tbody> </table> 	CAPEX	Expected sales	Sales multiple	~€25 m	~€125 m	~0.2x	Project ROCE*	above group average	
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* ROCE in average profitability year

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In 2015 LANXESS will strive for an EBITDA of ~€1.4 billion



References to EBITDA are pre exceptionals; projects are exemplary

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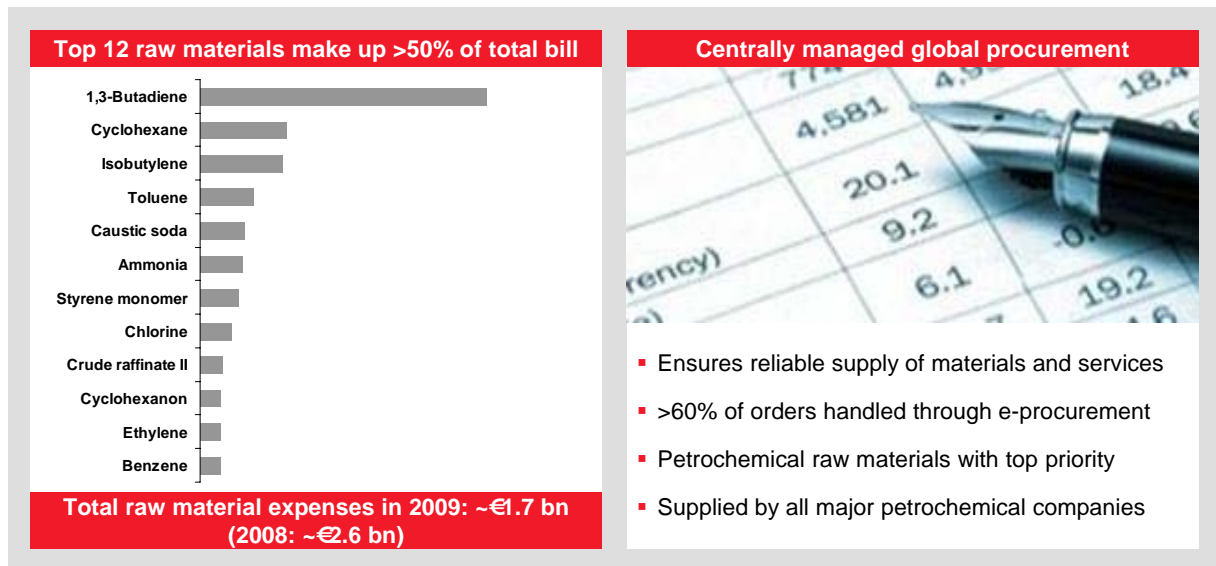
Agenda

- The financial view: first chapter of transformation
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- **Excursion – addressing some of the capital markets' FAQs**
 - **Total raw material bill and butadiene availability**
 - **Pensions**
 - **Hedging**

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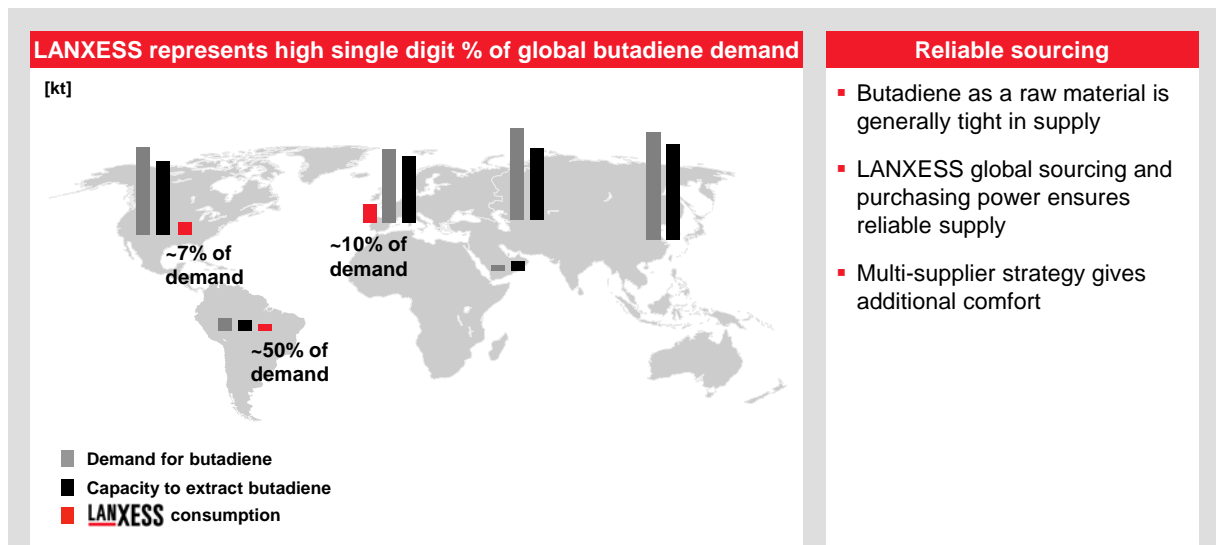
LANXESS runs a global sourcing strategy in order to ensure availability of raw materials at best prices



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LANXESS is globally the largest merchant butadiene buyer – purchasing power secures supply

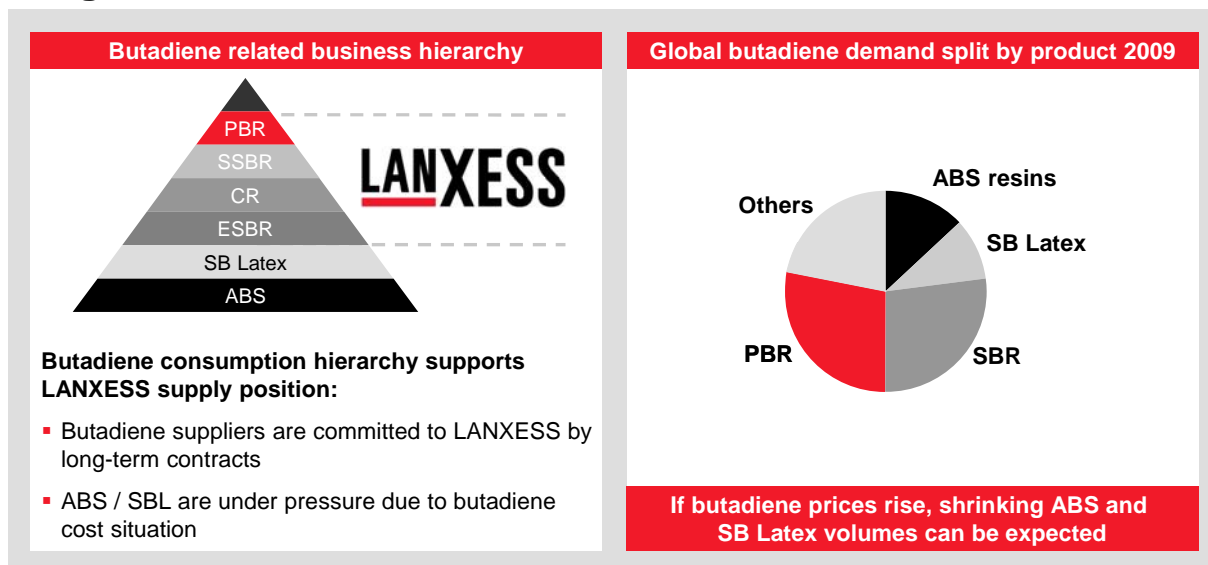


Source: ICIS Cracker Report with McKinsey LANXESS Model

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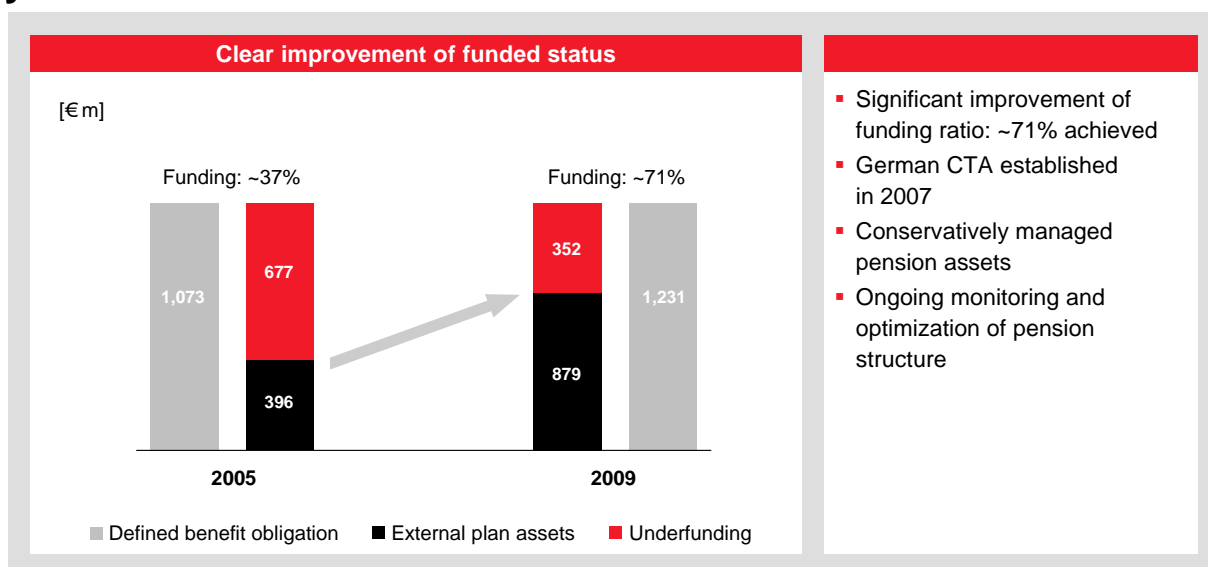
LANXESS products are at the high-value end: strong position in tight butadiene market



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LANXESS funding status has increased over the last few years




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No question mark on pensions

Pension returns	Expected return on pension assets has increased due to the acquisition of Petroflex in Brazil
Pension liabilities	Liability discount rates have increased due to the addition of Petroflex in Brazil
CTA (Germany)	Voluntary funding of CTA since 2007 by a total amount of €90 m
Asset structure	More conservative ratio of equity to debt: From ~70/30 to ~30/70
Pension plan model	Deliberate change from defined benefit to defined contribution plans (country by country)




Decreasing interest rates triggered increasing pension liabilities in 2010 (non-cash)

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Conservative centralized risk management at LANXESS successfully reduces volatility in cash flows and earnings

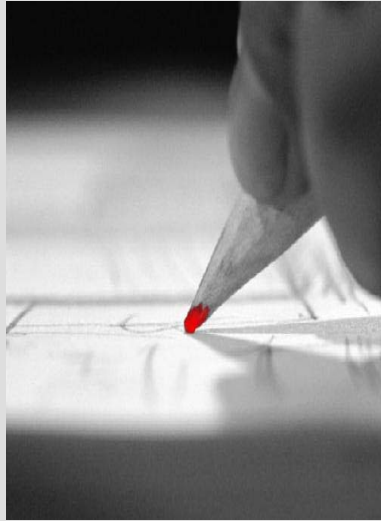
Risk exposure	Impact	Risk Management activities
Currencies	High	<ul style="list-style-type: none"> ▪ Booked exposure: 100% hedging of risk exposures resulting from booked liabilities and receivables in foreign currencies ▪ Planned exposure: currency risks on anticipated future operating cash flows are hedged for up to 3 future years on a rolling basis within %-bands <div style="text-align: center; margin: 5px 0;">  </div> <ul style="list-style-type: none"> ▪ Instruments: forwards, cost options ▪ Planned annual USD exposure: ~€1 bn
Interest rates	Low	<ul style="list-style-type: none"> ▪ Currently no interest rate hedging – comfortable portion of fixed rate financing provides high certainty of interest cost and cash flows
Others	Low	<ul style="list-style-type: none"> ▪ Operational energy and commodity price risks are hedged on a case by case basis as appropriate and feasible

“High Impact” currency risk is actively and conservatively managed

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LANXESS is confident on its business way forward

Business growth	Highly efficient organic and external projects	
Financial discipline	Track record of prudent capital allocation will be continued	
Capital market orientation	LANXESS listens to the markets' needs and appreciates the feedback	

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