



LANXESS – Q2 2012 Results Conference Call

Another strong quarter in an increasingly demanding year

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Agenda

- **Executive overview Q2 2012**
- Business and financial review Q2 2012
- Outlook / Guidance

Q2 2012: Delivering on guidance




Resilience	Increase in raw material prices year-on-year successfully offset; “Price-before-volume” strategy intact	 Strong EBITDA with stable margin
	Weakening demand in the course of Q2 managed; support from FX effects	
Growth	<ul style="list-style-type: none">▪ Successful start of NBR production in China (BU TRP)▪ Successful Formalin plant start-up serving LANXESS’ TMP production in Germany (BU All)▪ Groundbreaking of new polymerisation plant for global compounding network in Belgium, start-up Q1 2014 (BU HPM)	 Successfully implementing our growth strategy
	All acquisitions with positive contribution and integration well on track	

All references to EBITDA are pre exceptionals

Chart 4

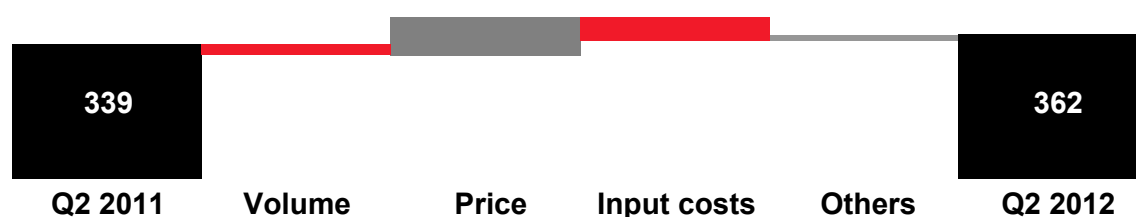
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Good results amid decreasing volumes

Q2 yoy sales variances		Price	Volume	Currency	Portf.	Total
	Perf. Polymers	6%	-6%	8%	3%	11%
	Adv. Intermediates	2%	-5%	3%	0%	1%
	Perf. Chemicals	1%	-4%	5%	3%	4%
LANXESS		4%	-5%	6%	3%	8%

- Overall sales increase driven by strong pricing, currency and portfolio
- Volumes down as some markets weaken, especially in Europe

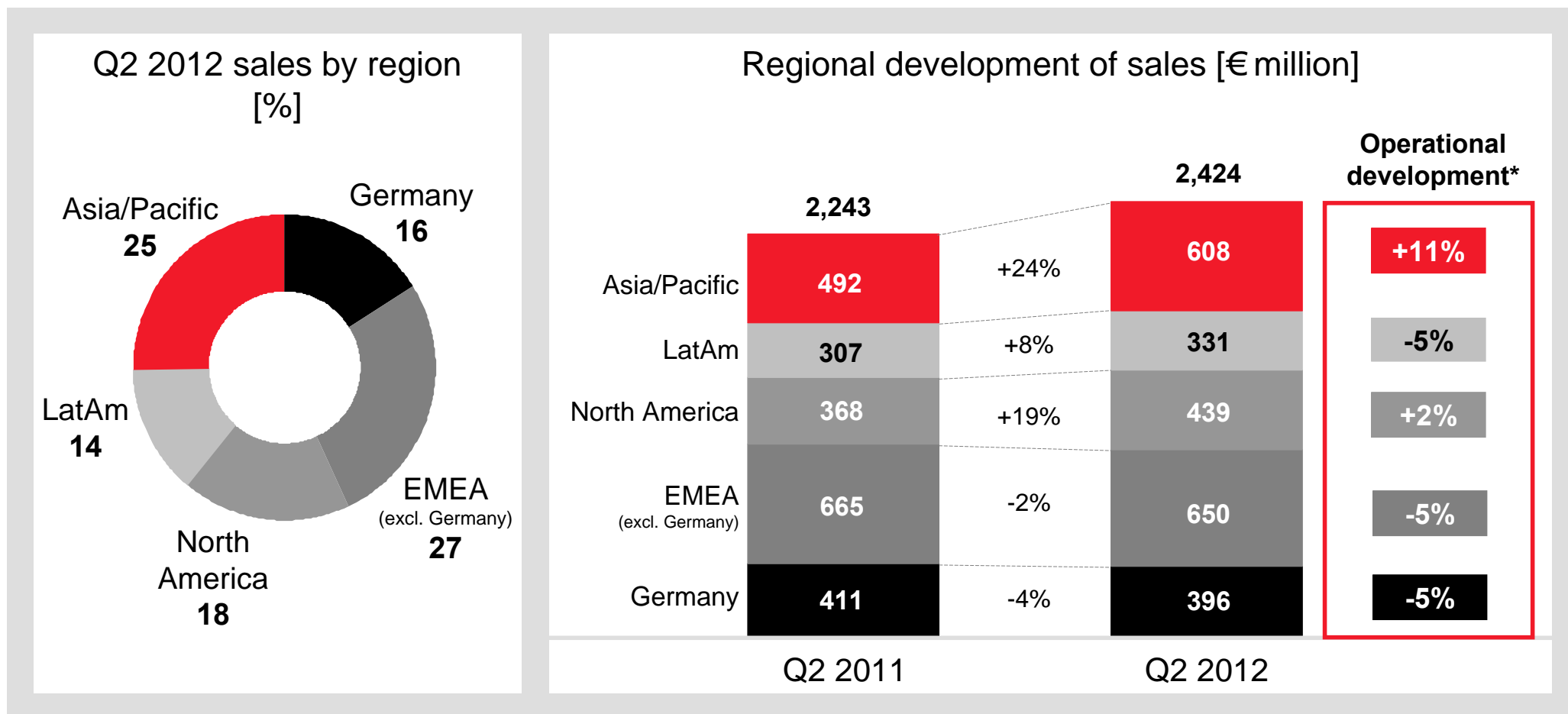
Q2 yoy EBITDA pre bridge [€ m]



- Higher prices offset input cost increases
- Favorable product mix
- Others contains portfolio and currency effects mitigated by volume-related idle costs

Chart 5

Strong presence in Asia drives growth in Q2



* Currency and portfolio adjusted

Chart 6

Agenda

- Executive overview Q2 2012
- **Business and financial review Q2 2012**
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Q2 2012 financial overview: Good results with stable margins

[€ m]	Q2 2011	Q2 2012	yoy in %
Sales	2,243	2,424	8.1%
EBITDA pre except. margin	339 15.1%	362 14.9%	6.8%
EPS	2.17	2.11	-2.8%
Capex*	109	137	25.7%
[€ m]	31.12.2011	30.06.2012	% vs. YE
Net financial debt	1,515	1,738	14.7%
Net working capital	1,766	2,203	20.6%
Employees	16,390	16,881	3.0%

- Sales up on pricing and portfolio with volume declines mitigated by currency effects
- “Price-before-volume” strategy intact, reflected in strong EBITDA and stable margin
- EPS lower due to exceptionals and risen D&A
- Capex increase in line with growth strategy
- Higher net debt driven by working capital increase, cash outs for dividends, interest and bonus payments

Q2 performance – further important step towards full-year guidance

* Net of capitalized borrowing costs and finance lease

Chart 8

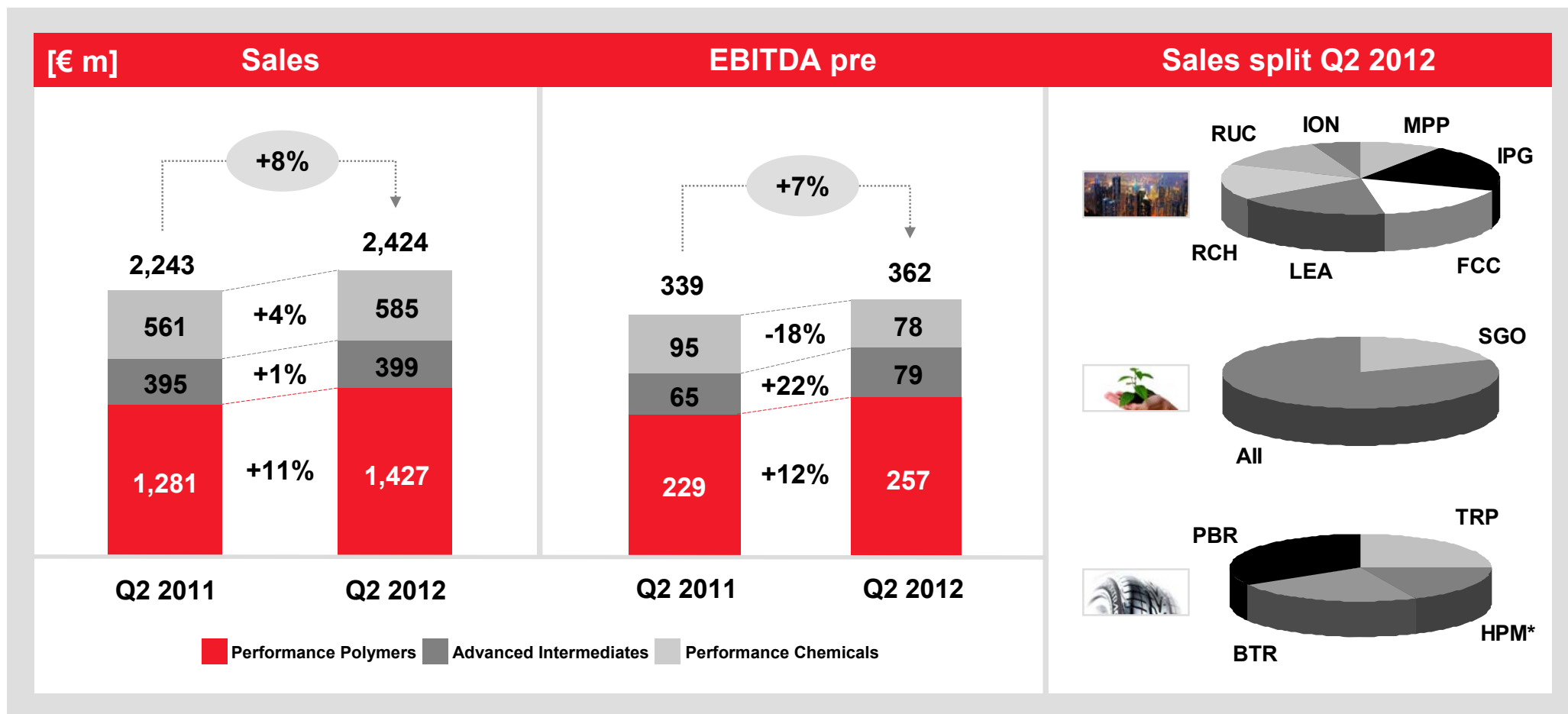
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Strong P&L amid slowing volumes

[€ m]	Q2 2011		Q2 2012		yoy in %	
Sales	2,243	(100%)	2,424	(100%)	8%	<ul style="list-style-type: none"> ▪ Sales increase due to pricing (+4%), currency (+6%) and portfolio effects (+3%), while lower volumes mitigate (-5%) ▪ Inventory devaluation of ~€15 m digested (raw material driven) ▪ G&A influenced by adverse currency effects and portfolio ▪ Planned increase in R&D reflects innovation efforts ▪ Strong results, despite burden of ~€20 m exceptionals mainly in BU RUC
Cost of sales	-1,704	(76%)	-1,833	(76%)	8%	
Selling	-187	(8%)	-195	(8%)	4%	
G&A	-74	(3%)	-84	(3%)	14%	
R&D	-34	(2%)	-53	(2%)	56%	
EBIT	255	(11%)	251	(10%)	-2%	
Net Income	181	(8%)	176	(7%)	-3%	
EPS	2.17		2.11		-3%	
EBITDA	334	(15%)	344	(14%)	3%	
thereof exceptionals	-5	(0%)	-18	(1%)	>100%	
EBITDA pre exceptionals	339	(15.1%)	362	(14.9%)	7%	

Strong strategic positioning reflected in financials

Q2 2012 performance driven by Polymers and Intermediates



* HPM (High Performance Materials) formerly named SCP (Semi-Crystalline Products)
 Total group sales and EBITDA pre figures include reconciliation

Performance Polymers: Strong results in an increasingly demanding environment

[€ m]	Q2 2011	Q2 2012	Δ
Sales	1,281	1,427	11.4%
EBIT	191	206	7.9%
Depr. / Amort.	38	50	31.6%
EBITDA pre exceptionals	229	257	12.2%
Margin	17.9%	18.0%	
Capex*	72	85	18.1%

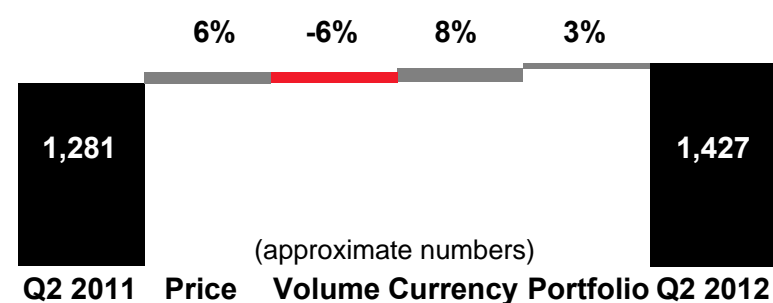
Q2 comments

- While operationally stable, segment benefits from positive currency and portfolio effects
- Inventory devaluation of ~€15 m digested in EBITDA
- BU BTR continued its strong performance
- BU PBR strong on HP-grades; standard grades weakening
- BU TRP benefits from portfolio**, but with weaker demand
- BU HPM with good contribution but marginally weaker demand for high-tech plastics, especially in Europe

H1 2011	H1 2012	Δ
2,365	2,818	19.2%
356	412	15.7%
72	98	36.1%
428	512	19.6%
18.1%	18.2%	
112	148	32.1%



Q2 sales bridge yoy [€ m]



* Net of capitalized borrowing costs

** Inventory step-up of ~€15 m in Q2 2011 resulting from Keltan-EPDM acquisition

Advanced Intermediates: Resilient agro business

[€ m]	Q2 2011	Q2 2012	Δ
Sales	395	399	1.0%
EBIT	47	62	31.9%
Depr. / Amort.	18	17	-5.6%
EBITDA pre exceptionals	65	79	21.5%
Margin	16.5%	19.8%	
Capex*	20	17	-15.0%

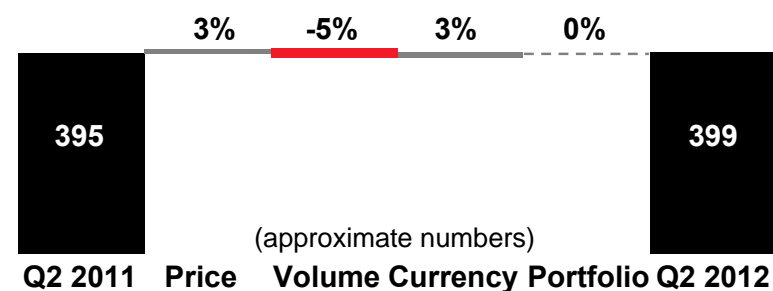
Q2 comments

- Strong currency and pricing effects offset lower volumes
- BU All with brisk demand from agro, more than offset by weakening demand in construction and coatings industry
- BU SGO equally benefits from megatrend agro
- Q2 performance benefits from differing timing of expenses (mainly maintenance) between quarters
- Quarterly margin fluctuation levels off in year-to-date comparison

	H1 2011	H1 2012	Δ
Sales	811	828	2.1%
EBIT	106	116	9.4%
Depr. / Amort.	34	33	-2.9%
EBITDA pre exceptionals	140	149	6.4%
Margin	17.3%	18.0%	
Capex*	33	32	-3.0%



Q2 sales bridge yoy [€ m]



* Net of capitalized borrowing costs and finance leases

Performance Chemicals: Reduced capacity utilisation burdens EBITDA

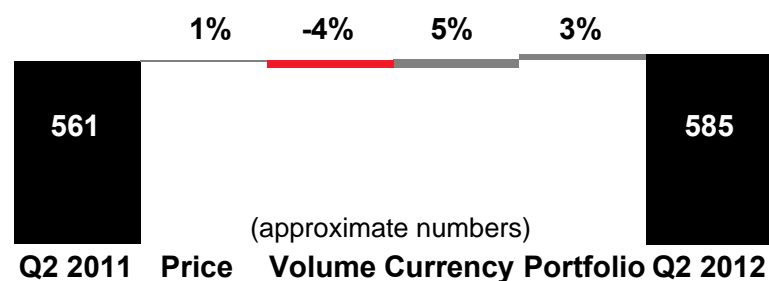
[€ m]	Q2 2011	Q2 2012	Δ
Sales	561	585	4.3%
EBIT	76	40	-47.4%
Depr. / Amort.	19	23	21.1%
EBITDA pre exceptionals	95	78	-17.9%
Margin	16.9%	13.3%	
Capex*	14	21	50.0%

Q2 comments

- Almost all BUs with maintenance turnarounds leading to lower utilisation beyond demand decline; respective idle costs burden
- BU IPG with lower demand in EMEA and Asia, but stable in NA, vs exceptionally strong Q2 2011
- BU LEA declines on lower chrome ore prices and CO₂ shortage
- Exceptionals of ~€20 m mainly due to realignment in BU RUC
- BU MPP result burdened by higher registration costs
- Capex up with new growth projects in BU LEA (ZA and China)

	H1 2011	H1 2012	Δ
Sales	1,117	1,143	2.3%
EBIT	148	102	-31.1%
Depr. / Amort.	37	44	18.9%
EBITDA pre exceptionals	185	161	-13.0%
Margin	16.6%	14.1%	
Capex*	28	32	14.3%

Q2 sales bridge yoy [€ m]



* Net of capitalized borrowing costs

Balance sheet reflects higher raw material prices and financing measures

[€ m]	Dec '11	Mar '12	Jun '12		Dec '11	Mar '12	Jun '12
Non-current assets	3,489	3,496	3,529	Stockholders' equity	2,074	2,225	2,259
Intangible assets	373	365	358	Non-current liabilities	2,715	2,824	3,071
Property, plant & equipment	2,679	2,676	2,752	Pension & post empl. provis.	679	750	799
Equity investments	12	15	16	Other provisions	331	313	309
Other investments	19	31	25	Other financial liabilities	1,465	1,535	1,729
Other financial assets	82	71	9	Tax liabilities	63	60	55
Deferred taxes	196	212	241	Other liabilities	102	88	100
Other non-current assets	128	126	128	Deferred taxes	75	78	79
Current assets	3,389	3,645	3,487	Current liabilities	2,089	2,092	1,686
Inventories	1,386	1,446	1,588	Other provisions	446	491	429
Trade accounts receivable	1,146	1,301	1,330	Other financial liabilities	633	604	267
Other financial & current assets	329	338	335	Trade accounts payable	766	755	715
Near cash assets	350	227	0	Tax liabilities	49	64	61
Cash and cash equivalents	178	333	234	Other liabilities	195	178	214
Total assets	6,878	7,141	7,016	Total equity & liabilities	6,878	7,141	7,016

- Increase in working capital to be reduced in H2 with upcoming maintenance turnarounds
- Net debt/EBITDA slightly up to ~1.4x driven by increase in working capital and payments for interest and dividends
- €402 m bond redemption in June 2012 reduces financial liabilities and near cash assets

Cash flow mirrors growth mode

	H1 2011	H1 2012	
Profit before tax	451	477	
Depreciation & amortization	150	181	
Gain from sale of assets	-2	-1	
Result from equity investments	-12	-6	
Financial (gains) losses	43	48	
Cash tax payments / refunds	-6	-49	
Changes in other assets and liabilities	-10	-136	
Operating cash flow before changes in WC & CTA	614	514	
Changes in working capital	-366	-434	
CTA funding ¹	0	0	
Operating cash flow	248	80	
Investing cash flow	-351	202	
thereof capex ²	-177	-229	
Financing cash flow	234	-225	

- Larger asset base drives D&A
- Change in other assets and liabilities contains among others cash outs related to hedging
- Working capital increases in preparation for planned maintenance turnarounds in H2 and due raw material inflation
- Investing cash flow mirrors inflow from financial assets
- Financing cash flow reflects repayment of maturing bond and issuance of new bonds³

¹ CTA (Contractual Trust Arrangement) funding formerly shown in investing cash flow

² Net of capitalized borrowing cost and finance lease

³ Including CNH bond of ~€60 m and private placements of €200m

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- Executive overview Q2 2012
- Business and financial review Q2 2012
- **Outlook / Guidance**

LANXESS reiterates guidance in more challenging times

Current macro view

- Demand differs regionally:
 - BRICS with ongoing solid growth rates – Brazil softening
 - US with ongoing growth, while positive signals for macro development may weaken
 - Europe with slowing to negative growth rates
- Ongoing uncertainties: high national deficits, volatile FX, raw material price volatility and cautiousness among European customers

LANXESS well positioned for a more challenging environment

- H2 2012 EBITDA pre expected similar to the level of H2 2011
- Strict adherence to “price-before-volume” strategy key for the future
- We reiterate our guidance of 5-10% EBITDA pre growth in FY 2012



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Energizing Chemistry



Appendix

2012 financial expectations

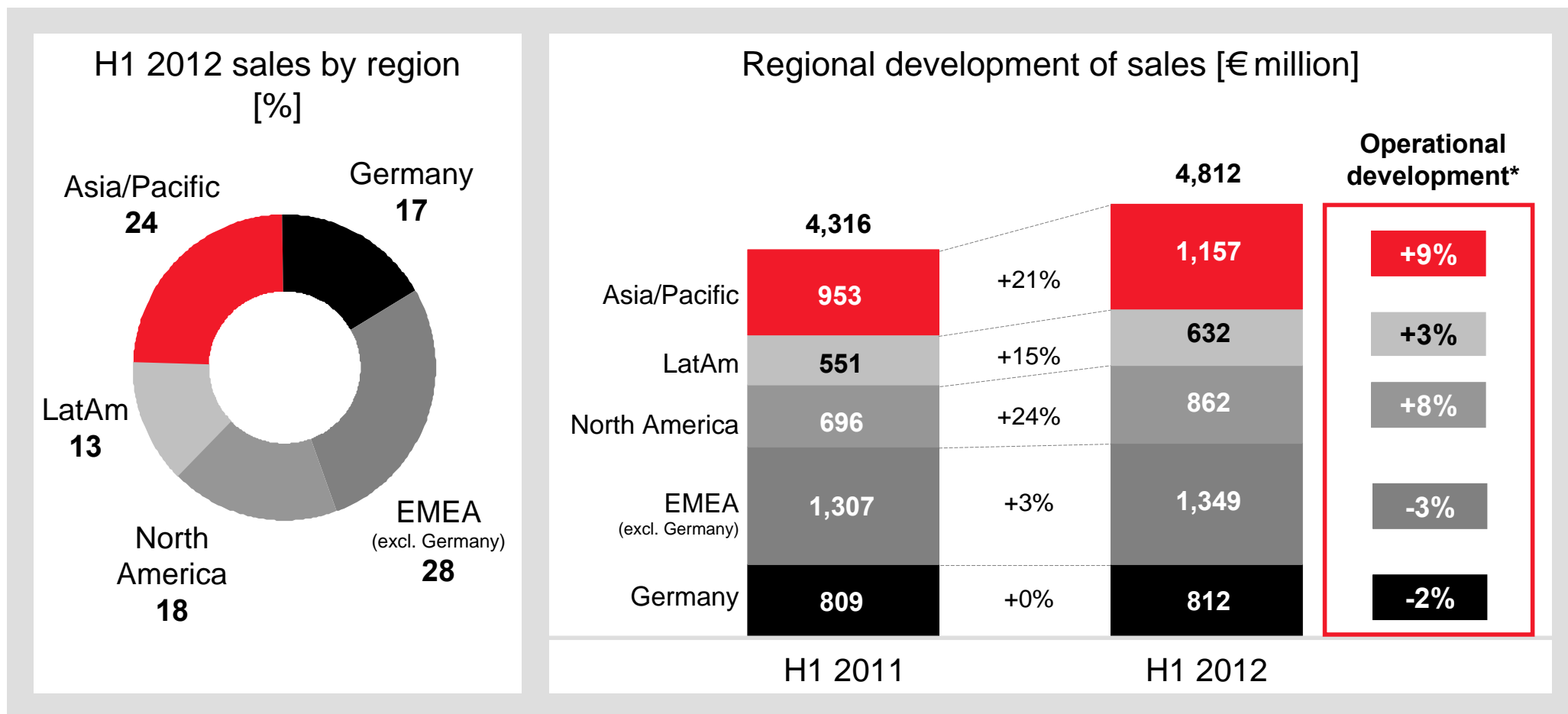
Additional financial expectations for 2012

- Capex: ~€650 - €700 m
- D&A: ~€350 - €370 m
- Tax rate: ~22%
- Hedging 2012: ~50% at 1.25 -1.35 USD / EUR
Hedging 2013: ~30% at 1.25 -1.35 USD / EUR
- Preparation costs Singapore* ~€30 m mainly in Q4 2012






* Included in FY EBITDA pre guidance

H1 2012: Strong growth from Asia/Pacific and North America



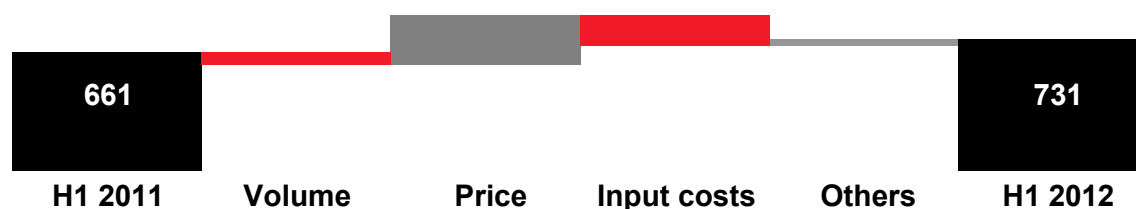
* Currency and portfolio adjusted

A strong performance amid some weakening in demand

H1 yoy sales variances		Price	Volume	Currency	Portf.	Total
	Perf. Polymers	10%	-4%	6%	7%	19%
	Adv. Intermediates	3%	-3%	2%	0%	2%
	Perf. Chemicals	2%	-6%	3%	3%	2%
LANXESS		6%	-4%	4%	5%	11%

- Sales operationally up on pricing mitigated by lower volumes
- Positive portfolio and currency effects add to sales increase

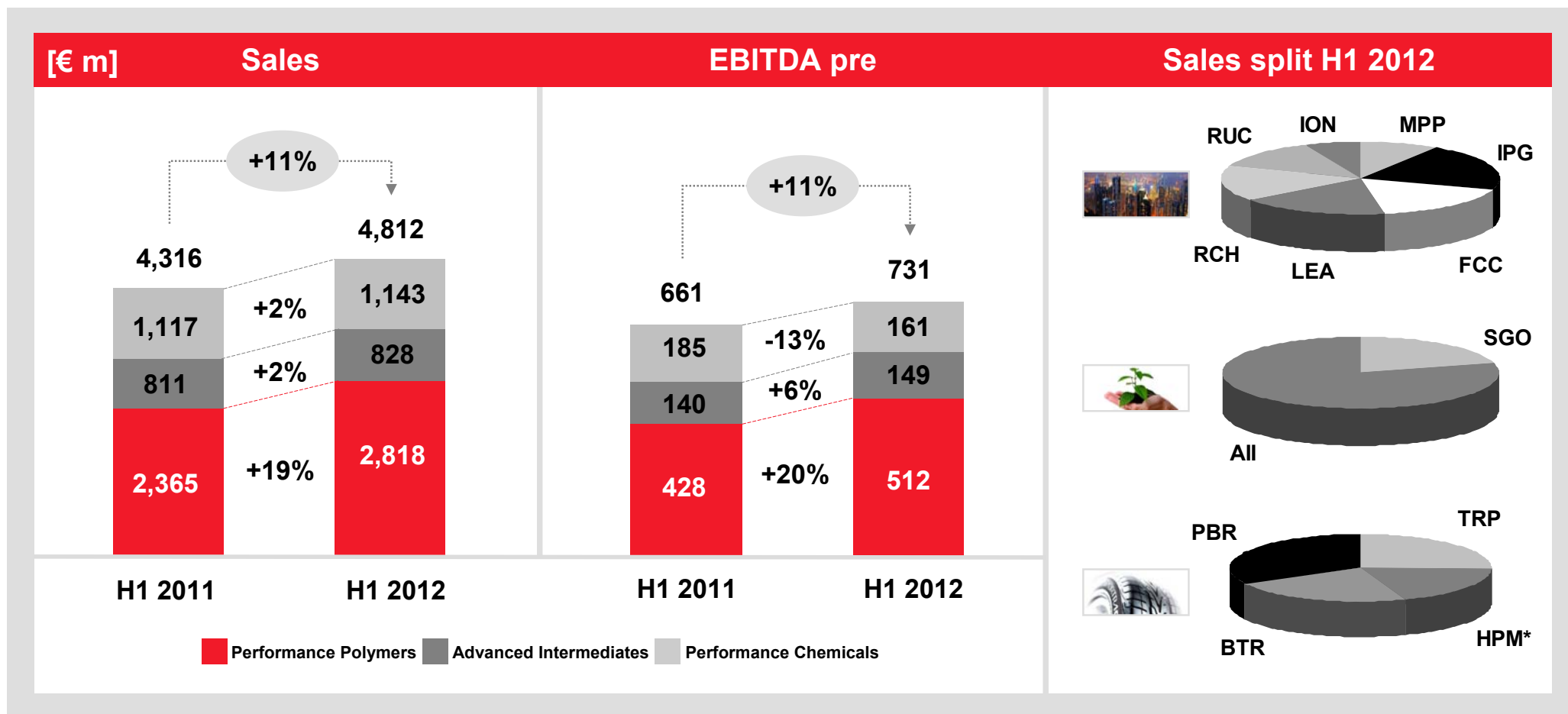
H1 yoy EBITDA pre bridge [€ m]



- “Price-before-volume” strategy carries on; raw material inflation offset
- Others contains portfolio and currency effects mitigated by volume-related idle costs

Chart 22

H1 2012 with strong contribution from Polymers



* HPM (High Performance Materials) formerly named SCP (Semi-Crystalline Products)
 Total group sales and EBITDA pre figures include reconciliation

H1 2012: A solid basis in another growth year

[€ m]	H1 2011	H1 2012	yoy in %	
Sales	4,316 (100%)	4,812 (100%)	11%	<ul style="list-style-type: none"> ▪ Sales up on pricing (+6%) and portfolio (+5%), while lower volumes (-4%) and favourable currency (+4%) level off ▪ Inventory devaluation of ~€15 m digested (raw material driven) ▪ R&D increases with focus on technology initiatives and premium products ▪ Strong results, despite burden of ~€20 m exceptionals mainly in BU RUC, based on competency for price setting
Cost of sales	-3,255 (75%)	-3,629 (75%)	11%	
Selling	-357 (8%)	-381 (8%)	7%	
G&A	-144 (3%)	-156 (3%)	8%	
R&D	-65 (2%)	-98 (2%)	51%	
EBIT	501 (12%)	528 (11%)	5%	
Net Income	347 (8%)	369 (8%)	6%	
EPS	4.17	4.43	6%	
EBITDA	651 (15%)	709 (15%)	9%	
thereof exceptionals	-10 (0%)	-22 (0%)	>100%	
EBITDA pre exceptionals	661 (15.3%)	731 (15.2%)	11%	

All financial metrics improved

Increase in working capital weighs on operating cash flow

	Q2 2011	Q2 2012	
Profit before tax	232	228	<ul style="list-style-type: none"> ▪ Profit before tax mainly down on exceptionals and higher D&A ▪ Change in other assets and liabilities contains among others cash outs related to hedging ▪ Working capital increases in preparation of planned maintenance turnarounds in H2 and due to raw material inflation ▪ Investing cash flow mirrors inflow from financial assets ▪ Financing cash flow comprises repayment of maturing bond and issuance of new bonds³
Depreciation & amortization	79	93	
Gain from sale of assets	-2	-1	
Result from equity investments	-7	-3	
Financial (gains) losses	23	24	
Cash tax payments / refunds	-10	-46	
Changes in other assets and liabilities	-38	-154	
Operating cash flow before changes in WC & CTA	277	141	
Changes in working capital	-65	-190	
CTA funding ¹	0	0	
Operating cash flow	212	-49	
Investing cash flow	-332	193	
thereof capex ²	-109	-137	
Financing cash flow	241	-242	

¹ CTA (Contractual Trust Arrangement) funding formerly shown in investing cash flow

² Net of capitalized borrowing cost and finance lease

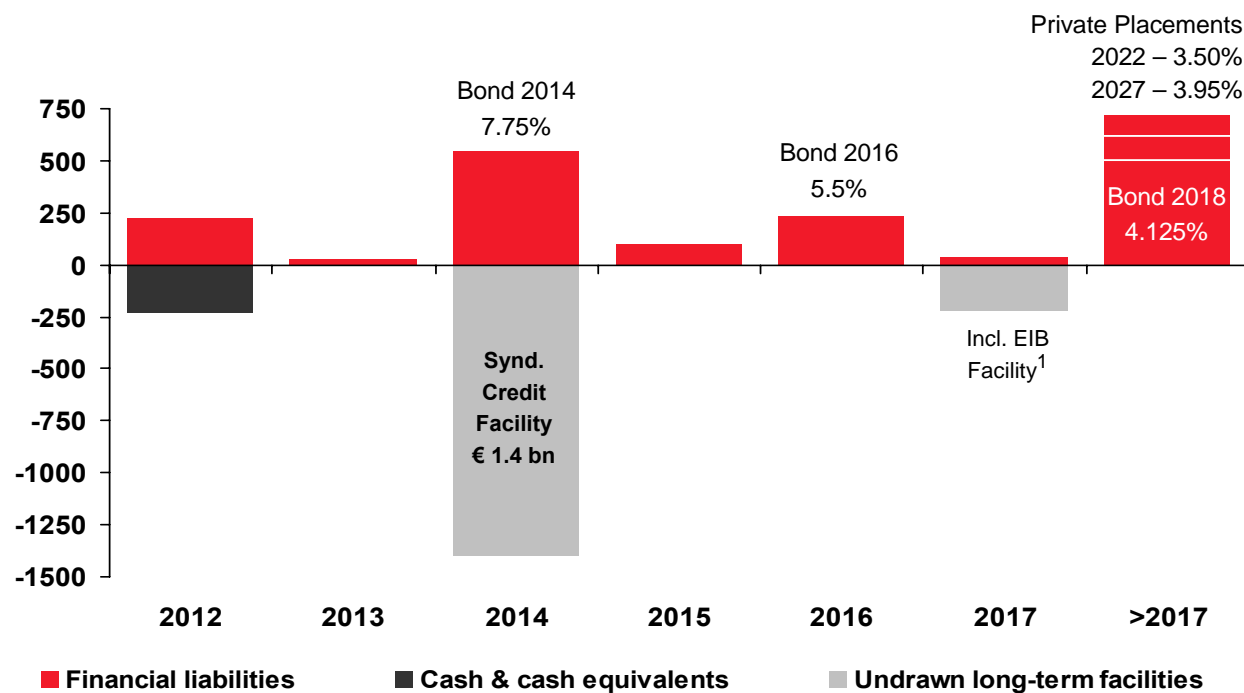
³ Private placements of €200m in April 2012

A well managed and conservative maturity profile

Long term financing secured

- Well balanced maturity profile
- Diversified financing sources
 - Bonds
 - Private placements
 - Syndicated credit facility
 - Development banks
 - Bilateral bank facilities
- €402 m bond (2005/12) repaid in June 2012
- €1.4 bn RCF and €200 m credit facility with EIB¹ undrawn

Liquidity and maturity profile as per June 2012



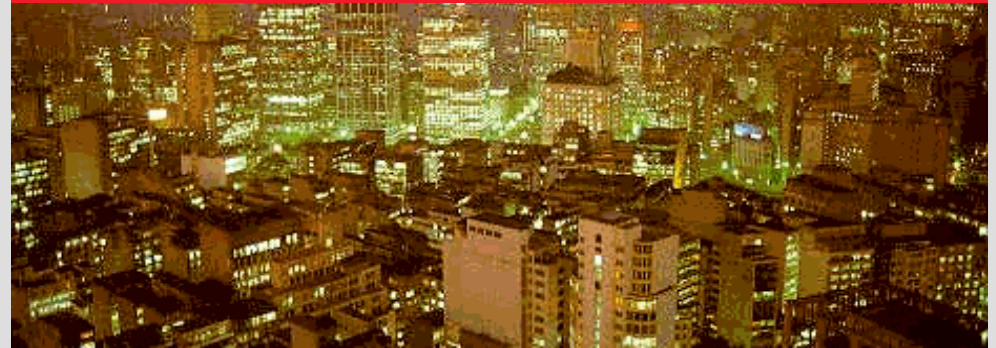
¹ European Investment Bank; final maturity of EIB financing in case of utilization in 2017 or later; EIB facility currently undrawn

Premium products and technologies for global megatrends

Mobility



Urbanization



Agriculture

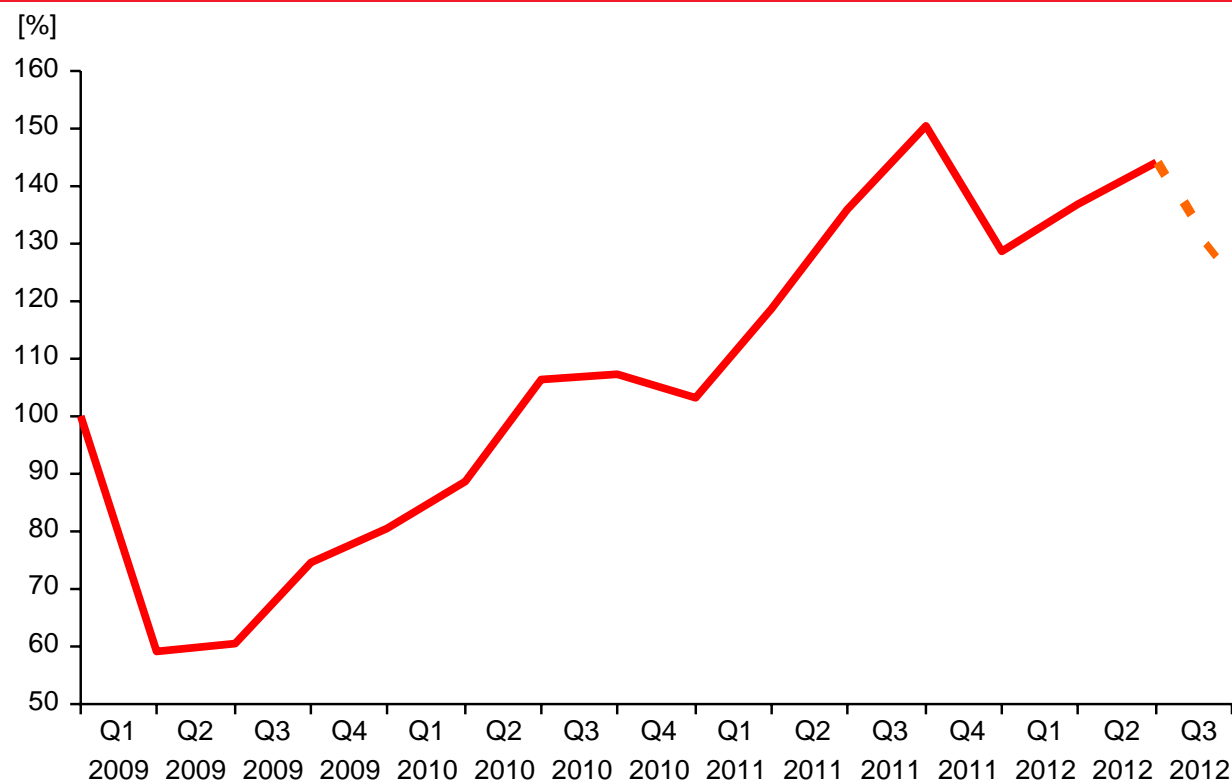


Water



High volatility among raw materials

Global raw materials index*



- Raw material prices have increased since start of 2009
- Feedstock prices (mainly Butadiene and Cyclohexane) rose in 2011 despite a sharp decline in H2 2011
- Since the start of 2012, raw material prices (mainly butadiene) increased again
- Expected downward trend for almost all raw materials in Q3 2012

**LANXESS committed to
“price-before-volume”
strategy**

* Source: LANXESS, average 2008 = 100%

Chart 28

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Overview exceptional items Q2 2011 and Q2 2012

[€ m]	Q2 2011		Q2 2012	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	0	0	1	0
Advanced Intermediates	0	0	0	0
Performance Chemicals	0	0	17	2
Reconciliation	5	0	2	0
Total	5	0	20	2

Chart 29

Abbreviations

Performance Polymers

- BTR Butyl Rubber
- PBR Performance Butadiene Rubbers
- TRP Technical Rubber Products
- HPM* High Performance Materials

Performance Chemicals

- MPP Material Protection Products
- IPG Inorganic Pigments
- FCC Functional Chemicals
- LEA Leather
- RCH Rhein Chemie
- RUC Rubber Chemicals
- ION Ion Exchange Resins

Advanced Intermediates

- All Advanced Industrial Intermediates
- SGO Saltigo

* Formerly SCP (Semi-Crystalline Products)

Upcoming events 2012

Upcoming events 2012

▪ Deutsche Bank Conference	August 27/28	Tokyo
▪ Commerzbank Conference	August 28	Frankfurt
▪ Capital Markets Day	September 19/20	New York
▪ Goldman Sachs/Berenberg Conference	September 26	Munich
▪ Baader Investment Conference	September 27	Munich
▪ JPMorgan Corporate Forum	October 1	London
▪ Berenberg Chemicals Conference	October 1	London
▪ Q3 results 2012	November 6	
▪ Morgan Stanley Asia Pacific Conference	November 8	Singapore
▪ DZ Bank Equity Conference	November 12	Frankfurt
▪ UBS European Conference	November 13	London
▪ UBS Paris Senior Investor Day	November 22	Paris
▪ BofA Merrill Lynch European Chemicals	November 27/28	London
▪ HSBC Zürich-Konferenz	November 27	Zurich

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