



# **LANXESS – German Investment Seminar**

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

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Chart 2

**LANXESS**

## Agenda

- Strategy review
- Update on Market-trends and relevant regulations
- Business and financial review Q3 2009
- Outlook/Guidance

Chart 3

**LANXESS**

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

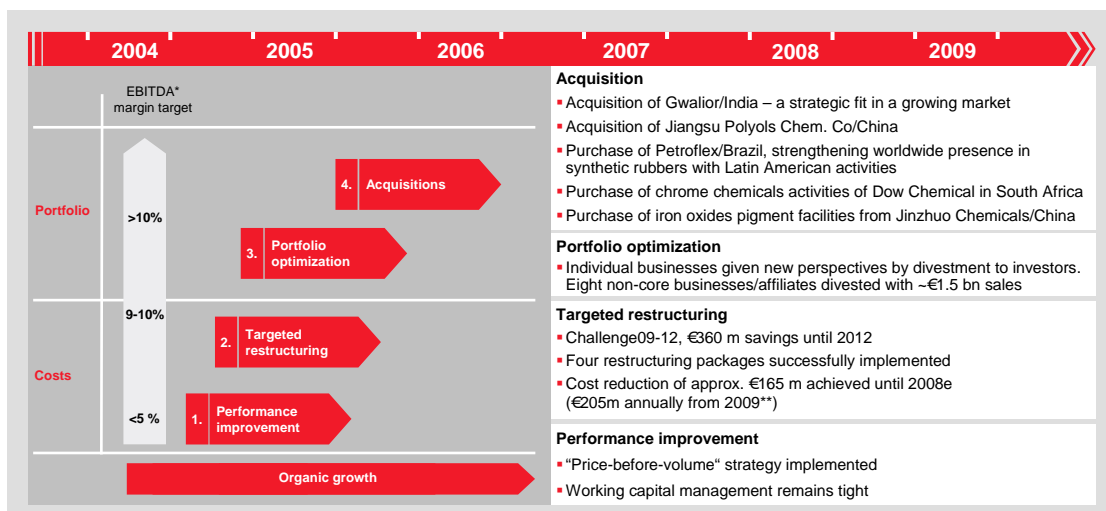


\* pre exceptionals

Chart 4

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# Consistent delivery as four-phase strategy is implemented



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

Chart 5

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## Including acquisitions, reduced headcount by ~200 employees versus FY 2008

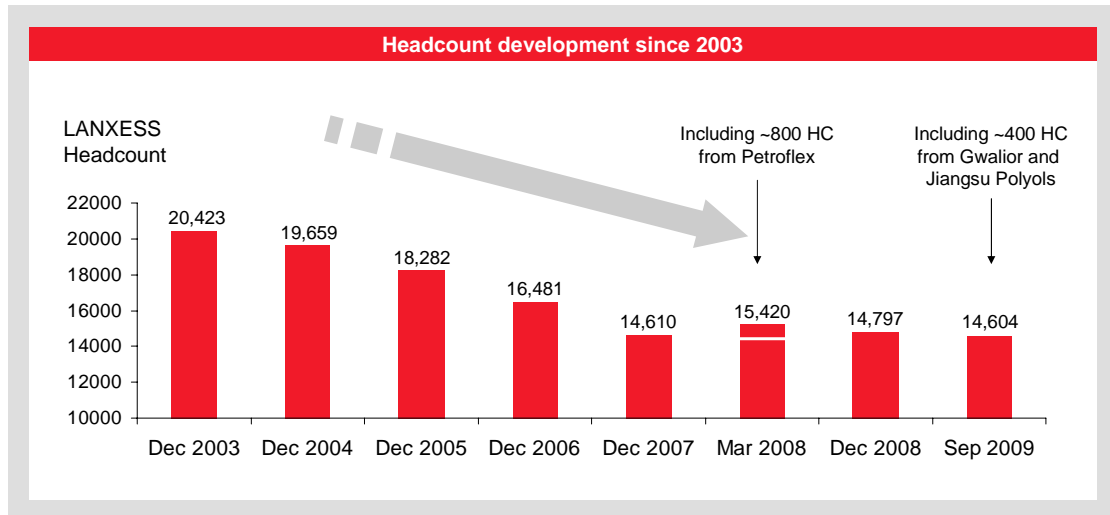


Chart 6

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

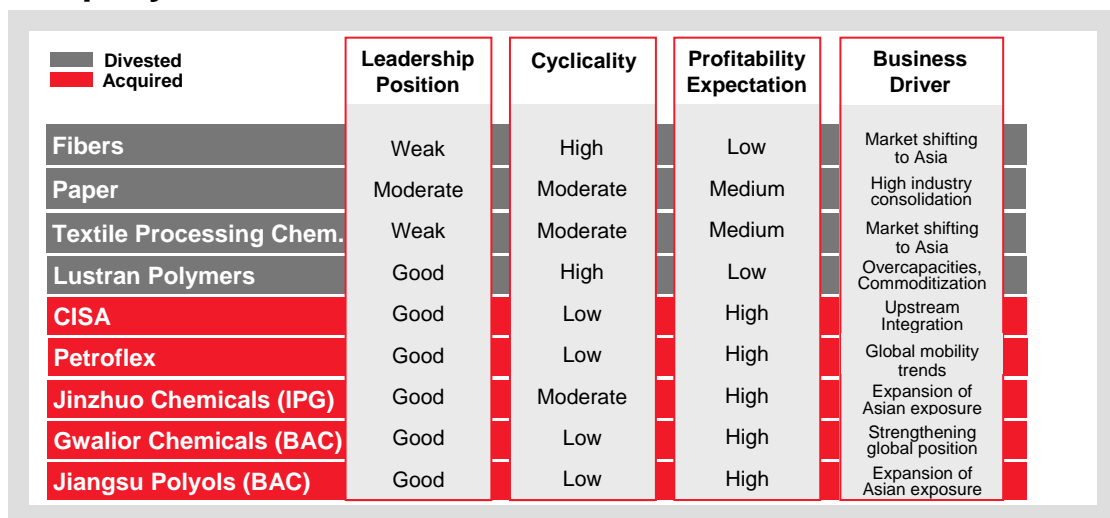


Chart 7

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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

Chart 8

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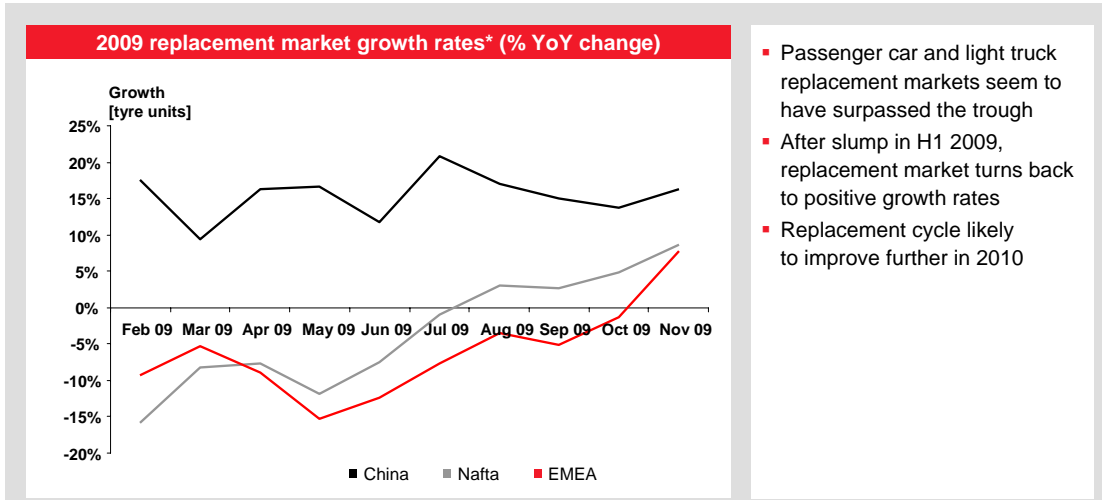
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Chart 9

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## Replacement markets improved steadily in recent months



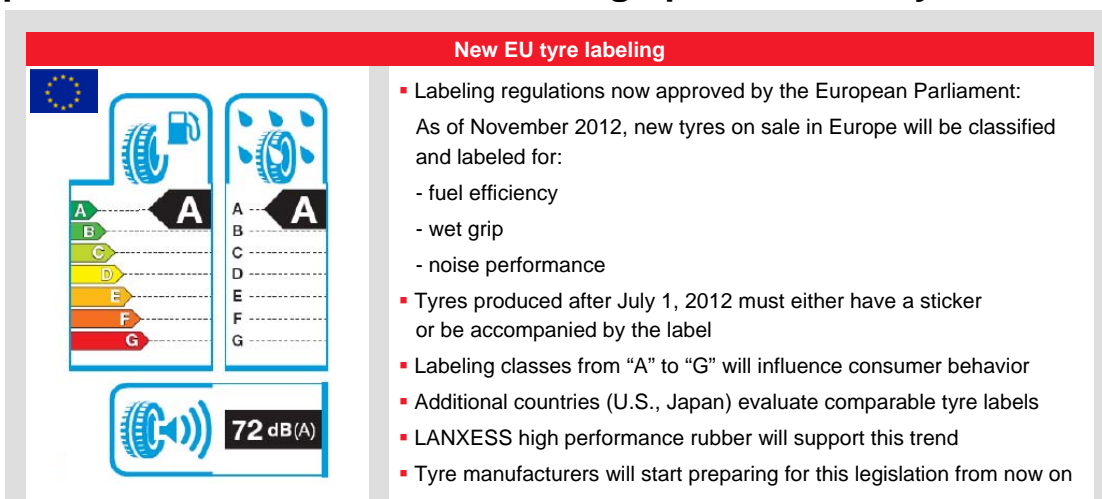
- Passenger car and light truck replacement markets seem to have surpassed the trough
- After slump in H1 2009, replacement market turns back to positive growth rates
- Replacement cycle likely to improve further in 2010

Source: Michelin company website data, 2010 Q1; \* moving average volume trend

Chart 10

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



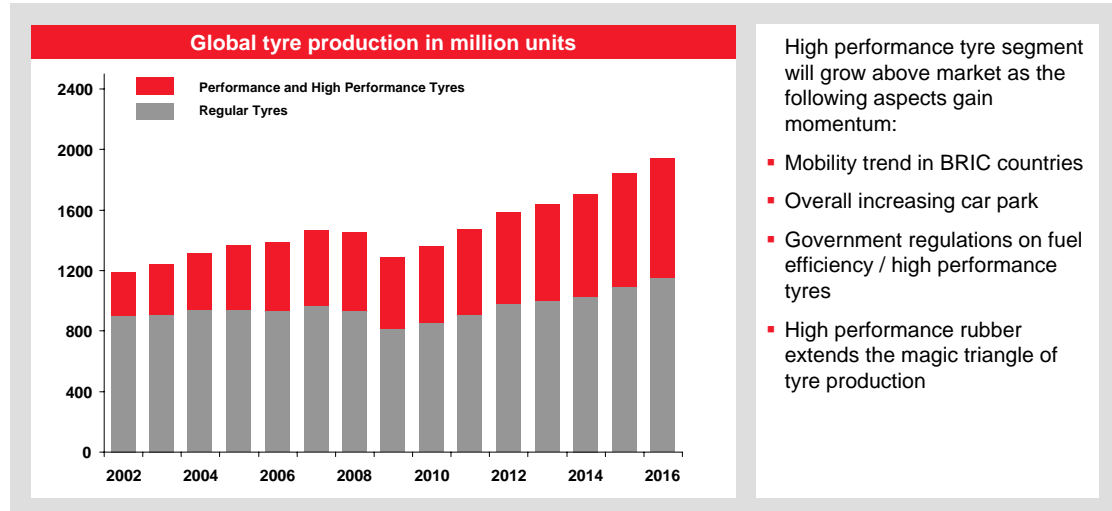
- Labeling regulations now approved by the European Parliament: As of November 2012, new tyres on sale in Europe will be classified and labeled for:
  - fuel efficiency
  - wet grip
  - noise performance
- Tyres produced after July 1, 2012 must either have a sticker or be accompanied by the label
- Labeling classes from "A" to "G" will influence consumer behavior
- Additional countries (U.S., Japan) evaluate comparable tyre labels
- LANXESS high performance rubber will support this trend
- Tyre manufacturers will start preparing for this legislation from now on

Source: Press release European Parliament

Chart 11

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## Demand for high performance rubber is expected to consistently grow over the next years



Source: LMC 2009 Q3; LANXESS estimates

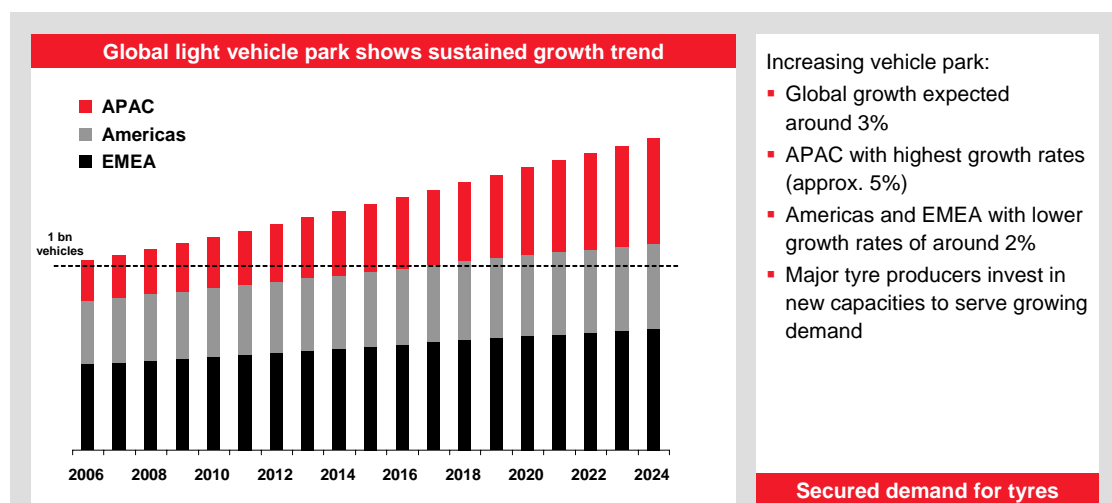
Chart 12

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High performance tyre segment will grow above market as the following aspects gain momentum:

- Mobility trend in BRIC countries
- Overall increasing car park
- Government regulations on fuel efficiency / high performance tyres
- High performance rubber extends the magic triangle of tyre production

## Global vehicle park continues to grow – mobility trend remains in tact



Source: J.D. Power 2009 Q3

Chart 13

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Increasing vehicle park:

- Global growth expected around 3%
- APAC with highest growth rates (approx. 5%)
- Americas and EMEA with lower growth rates of around 2%
- Major tyre producers invest in new capacities to serve growing demand

**Secured demand for tyres**

## Agenda

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Chart 14

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## Resilience shown in recession scenario

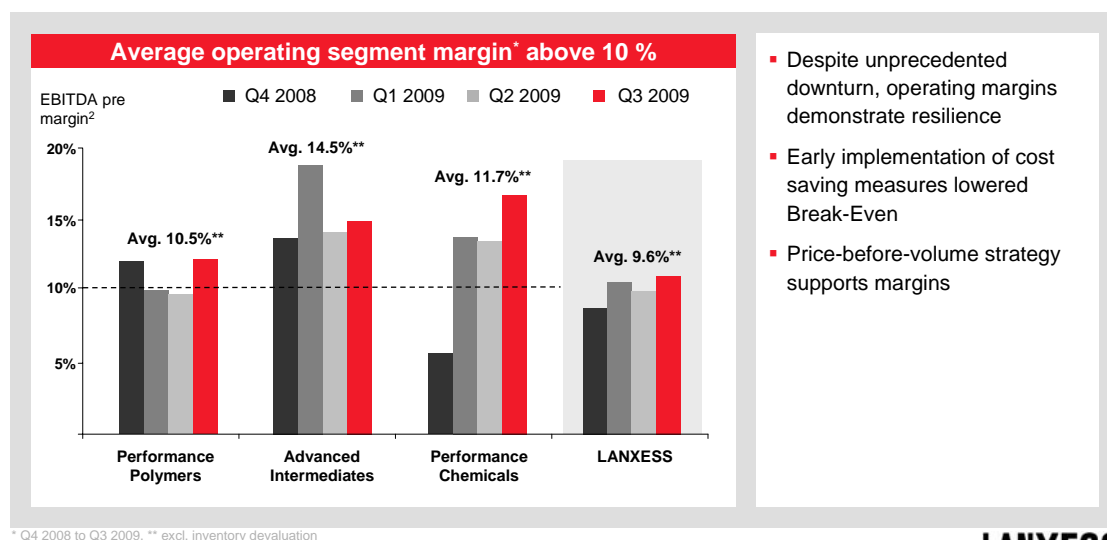


Chart 15

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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**

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

Chart 16

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- 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

## 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>

**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 17

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- 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 near cash assets
- Financing cash flow 2009 reflects €500 m 2014 bond

## 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
Cash and cash equivalents	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>

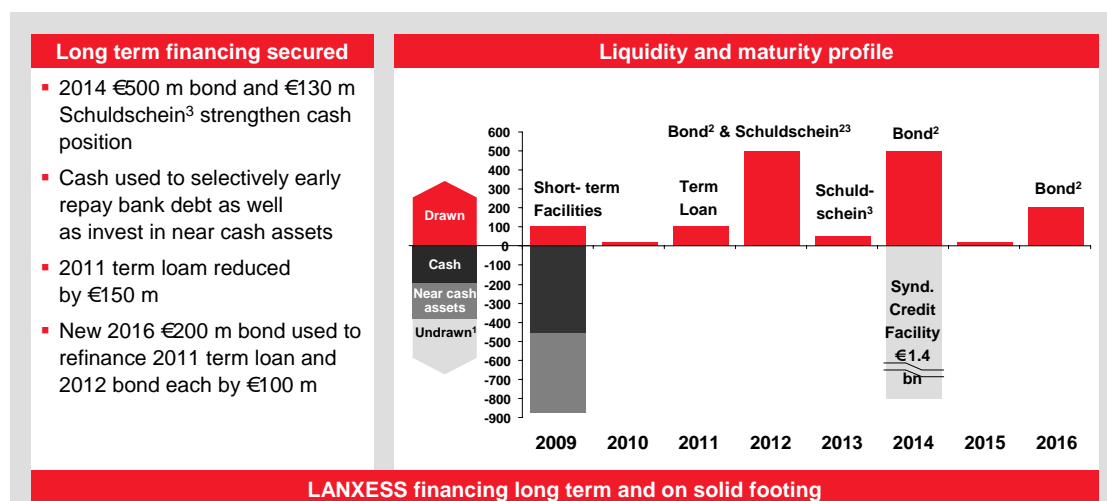
**Cash position invested in highly rated and liquid money market funds**

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

Chart 18

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## New bond further improved maturity profile



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

Chart 19

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## Agenda

- Strategy review
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Chart 20

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

### View on LANXESS group level

- Global markets have stabilized, growth momentum mainly in Asia (especially China)
- Other regions are expected to continue slow recovery over a longer period of time
- Customers will manage inventories tightly in Q4
- Some pre-buying in Q3 potentially burdening Q4
- Seasonal earnings pattern affects Q4
- Flexible asset and cost management effective to mitigate lower utilization

**Risk of setback remains**



Chart 21

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

### Guidance for FY 2009

Based on previously mentioned assumptions, LANXESS expects FY EBITDApre of €400 m - €420 m

### Additional financial expectations for 2009

- Capex\*: ~€300 m
- D&A: ~€270 – €280 m
- Tax rate: sustainable at ~25%
- Working Capital: moderate cash inflow for FY 2009
- Exceptionals: ~€40 m for FY 2009
- FX: FY avg. U.S. dollar at 1.35-1.40 USD / EUR
- Hedging: ~50% at 1.30-1.40 USD / EUR



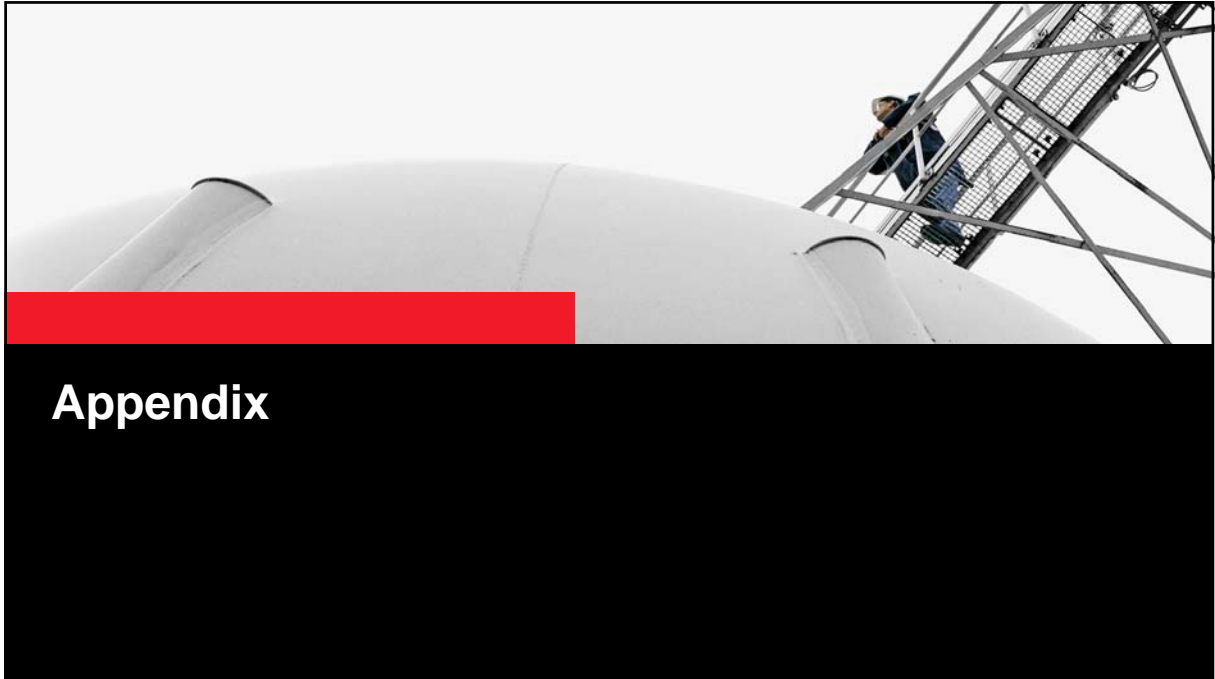
\* Without projects financed by customers

Chart 22

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# LANXESS

Energizing Chemistry



# Appendix

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

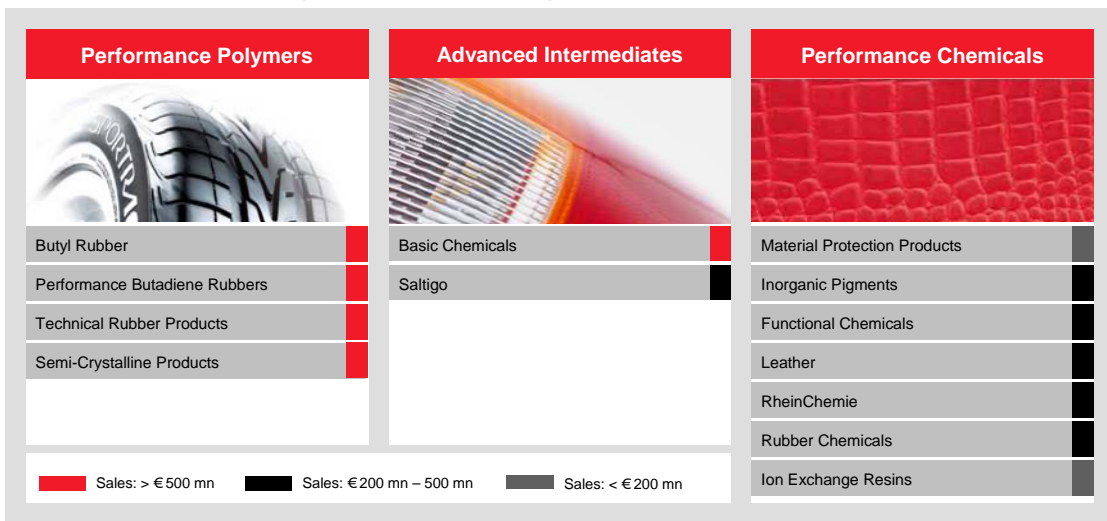


Chart 25

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

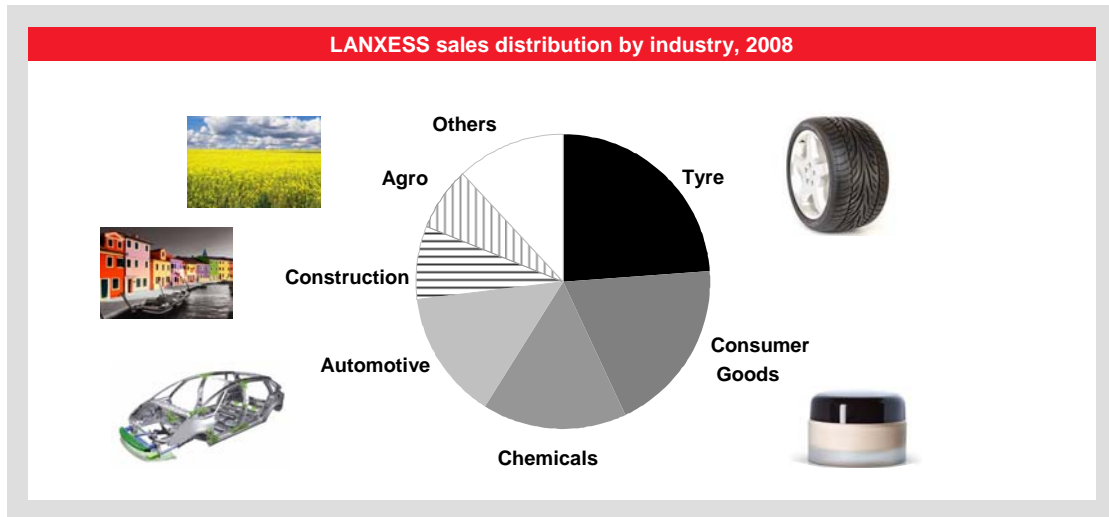


Chart 26

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

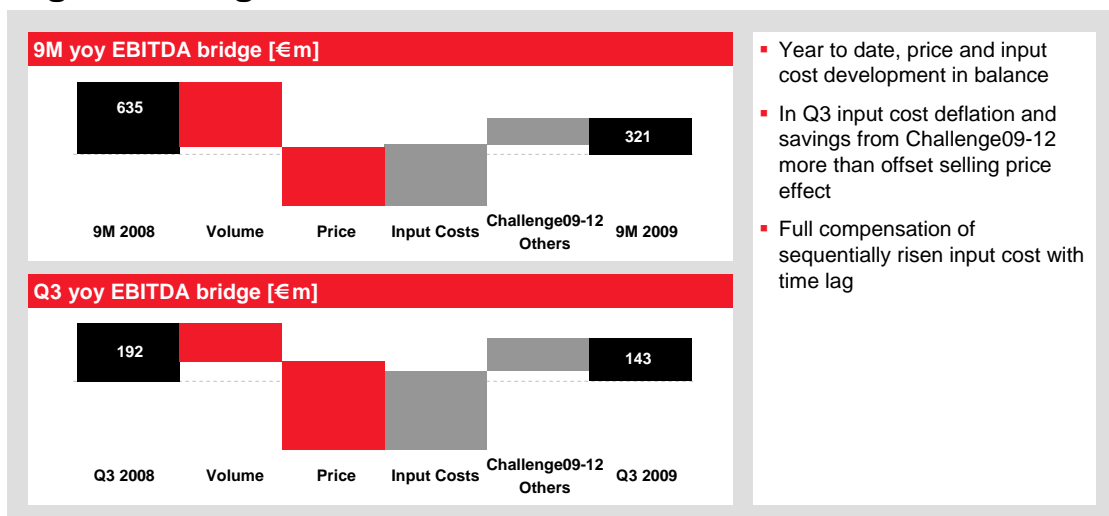


Chart 27

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## Asian business substantially expanding in 2009

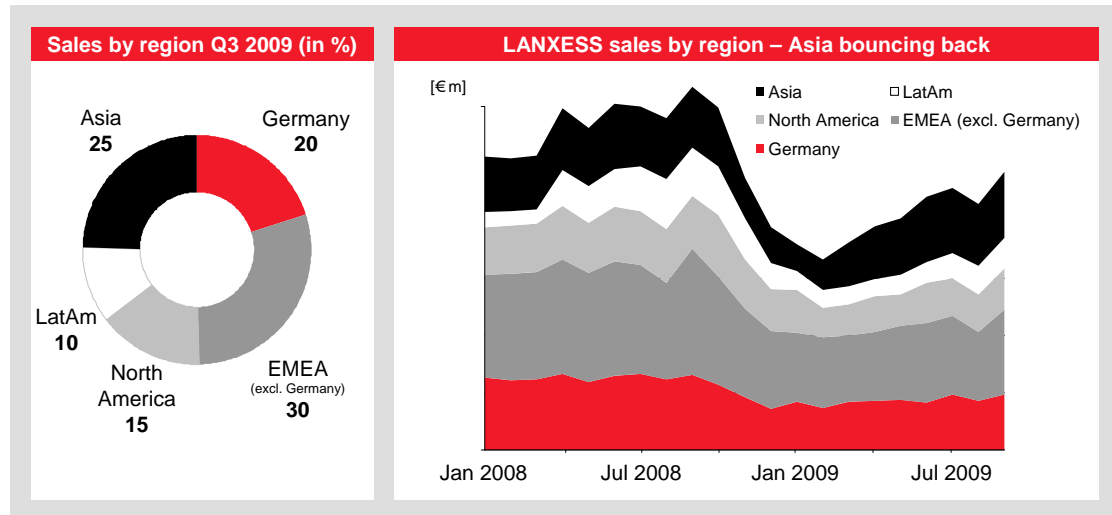


Chart 28

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

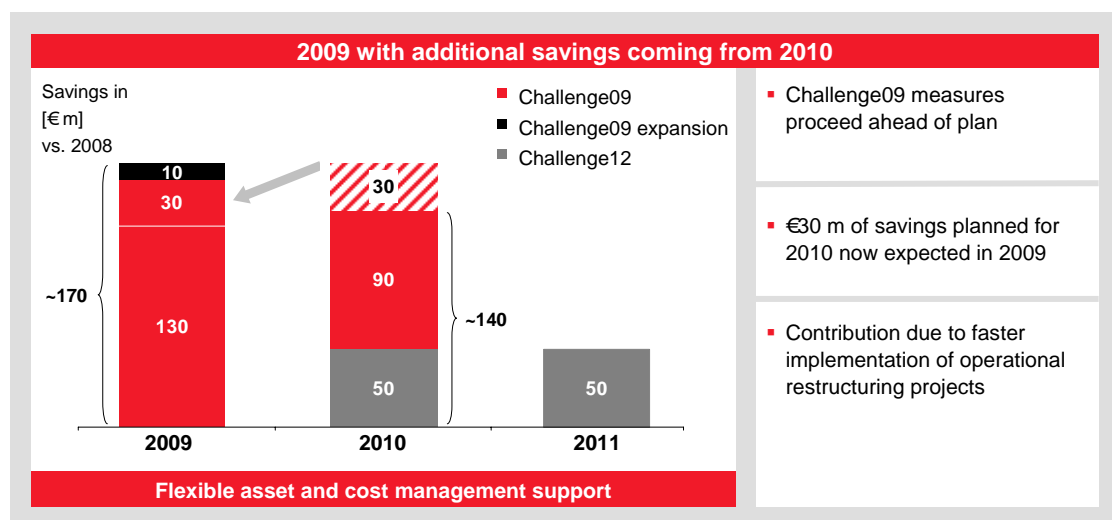
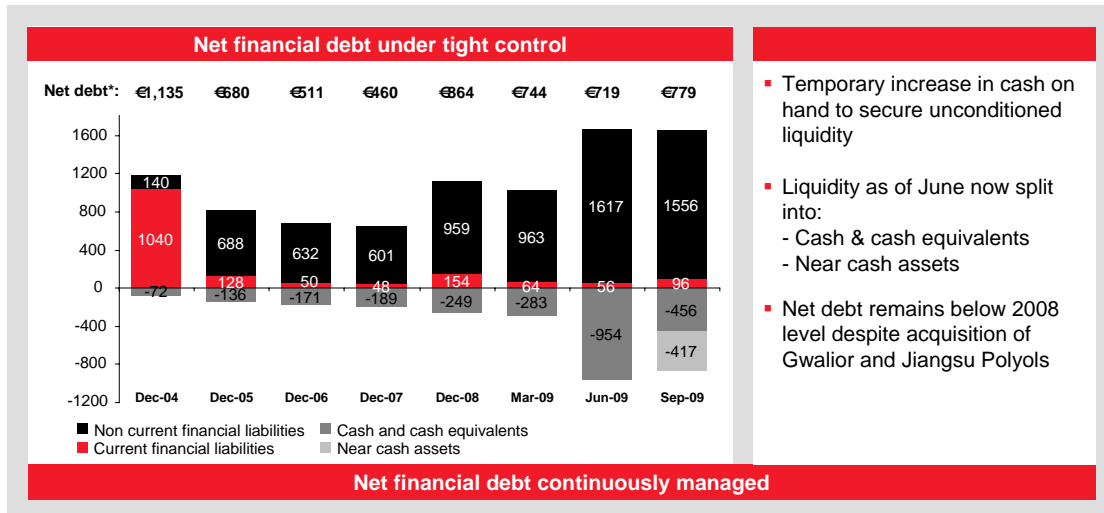


Chart 29

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## Net financial debt increased due to financing of acquisitions



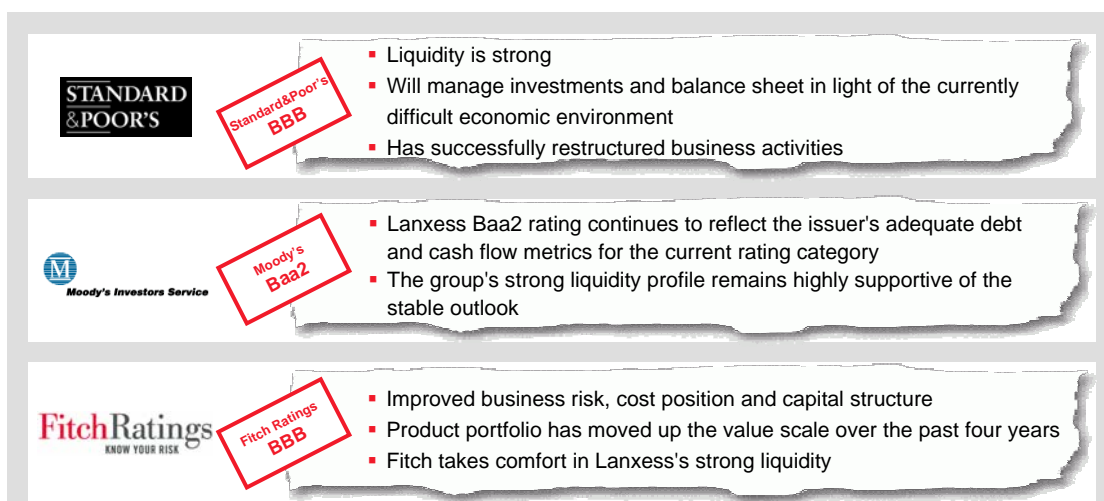
\* Adjusted for liabilities for accrued interest and specific exchange hedging of financial liabilities; in Sep-2009, non current financial liabilities adjusted by €11 m and current financial liabilities adjusted by €32 m

Chart 30

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- Temporary increase in cash on hand to secure unconditioned liquidity
- Liquidity as of June now split into:
  - Cash & cash equivalents
  - Near cash assets
- Net debt remains below 2008 level despite acquisition of Gwalior and Jiangsu Polyols

## Rating-agencies confirm LANXESS' achievements



Source: Rating-Agencies

Chart 31

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

Q3 qoq sales variances	Price	Volume	Currency	Portf.	Total
Performance Polymers	8%	12%	-2%	0%	18%
Advanced Intermediates	1%	-2%	0%	1%	0%
Performance Chemicals	-2%	13%	-1%	0%	10%
<b>LANXESS</b>	<b>4%</b>	<b>9%</b>	<b>-2%</b>	<b>0%</b>	<b>11%</b>

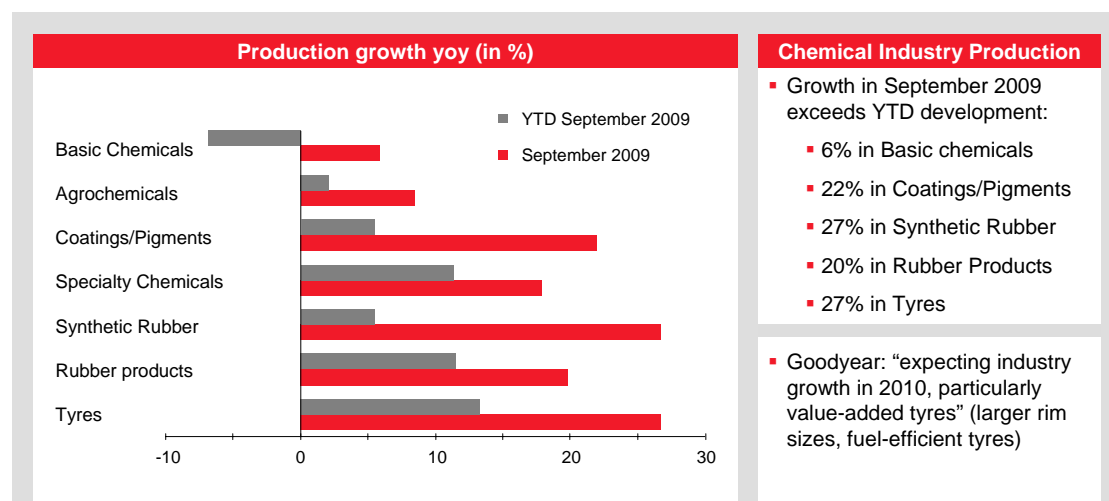
Q3 yoy sales variances	Price	Volume	Currency	Portf.	Total
Performance Polymers	-26%	-7%	3%	0%	-30%
Advanced Intermediates	-7%	-12%	1%	1%	-17%
Performance Chemicals	-3%	-17%	2%	0%	-18%
<b>LANXESS</b>	<b>-16%</b>	<b>-11%</b>	<b>3%</b>	<b>0%</b>	<b>-24%</b>

- Sequentially, strong volume increase and good pricing momentum are only slightly mitigated by negative currency effects, year on year prices and volumes remain lower
- As raw material prices rise, pricing is adjusted upwards in Q3 vs. Q2 after raw material deflation in Q1
- Performance Polymers proves premium character of businesses: simultaneous improvement in prices and volumes

Chart 32

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## Chinese markets are on a recovery path



### Chemical Industry Production

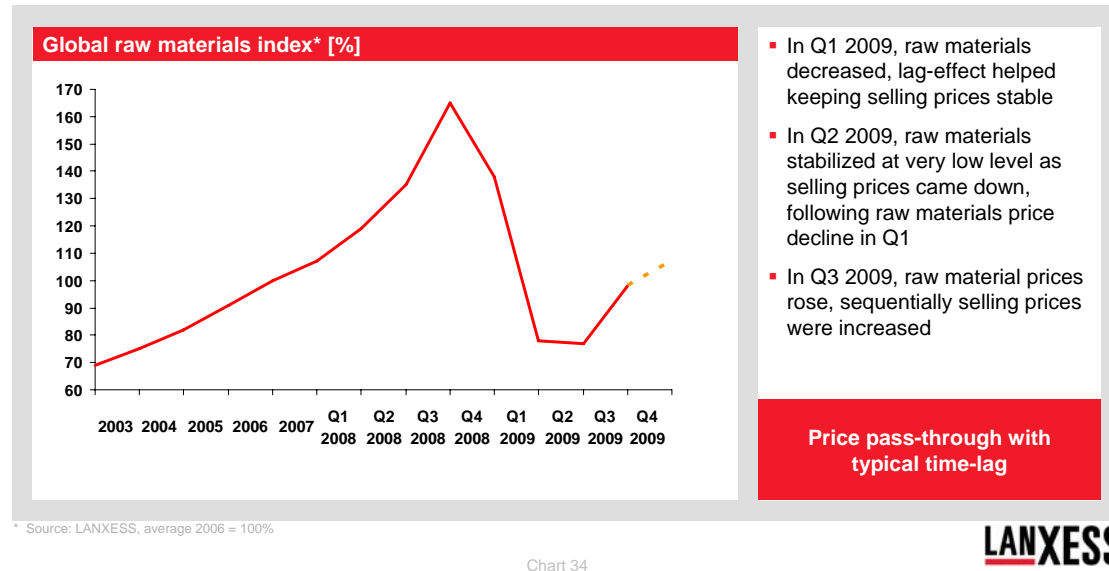
- Growth in September 2009 exceeds YTD development:
  - 6% in Basic chemicals
  - 22% in Coatings/Pigments
  - 27% in Synthetic Rubber
  - 20% in Rubber Products
  - 27% in Tyres
- Goodyear: "expecting industry growth in 2010, particularly value-added tyres" (larger rim sizes, fuel-efficient tyres)

Source: CPCIA

Chart 33

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



## 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%
<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%
<b>[€m]</b>	<b>31.12.2008</b>	<b>30.06.2009</b>	<b>30.09.2009</b>	<b>% vs. FY</b>
<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%

- Sales increased 11% vs. Q2 driven by Asian momentum (China), but remain 24% below previous year
- EBITDA sequentially improved, flexible asset and cost management deliver margin around 2008 level
- Capex under strict control
- Net debt slightly up due to acquisitions
- Working capital stable

**Continuous tight management of businesses delivers improved metrics**

\* Net of projects financed by customers and finance lease

Chart 35

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## 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%
<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 36

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- Currency and portfolio effects mitigate negative impact from lower volumes and raw material driven selling price declines, leading to sales decrease of 28%
- Solid EBITDA and margin prove resilience of businesses and tight cost management
- Net income positive despite very low level of underlying demand
- Net debt still below level of FY 2008 despite acquisitions
- Incl. acquisitions, headcount reduced by ~200 versus FY 08

## Cost base tightly managed

[€ m]	9M 2008	9M 2009	yoy in %
<b>Sales</b>	5,114	3,665	-28%
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>	369	106	-71%
<b>Net Income</b>	215	26	-88%
<b>EPS</b>	2.58	0.31	-88%
<b>EBITDA</b>	572	300	-48%
thereof exceptionals	-63	-21	-67%
<b>EBITDA pre exceptionals</b>	635	321	-49%

**Resilient through the recession**

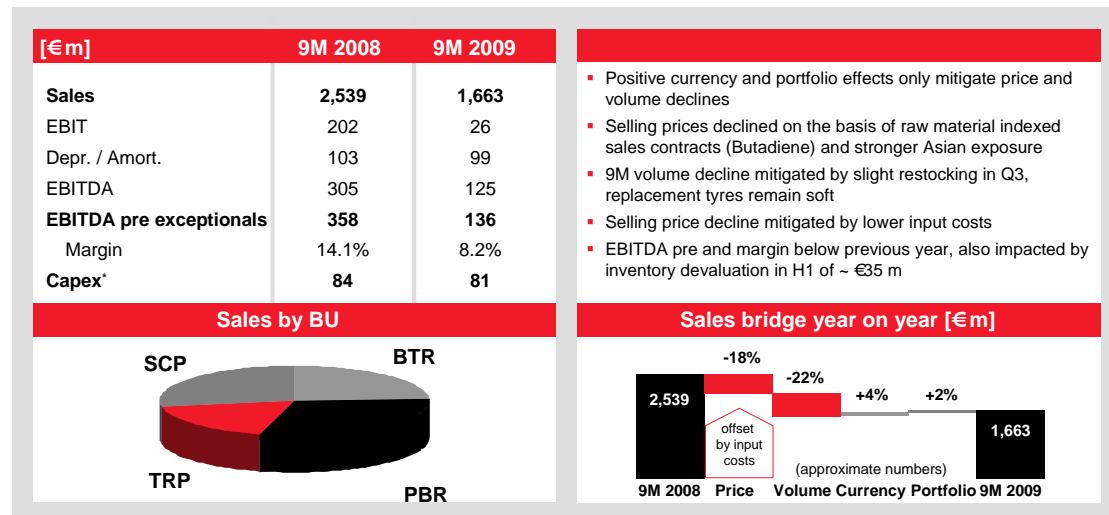
2008 data adjusted for change in pension accounting

Chart 37

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- Positive currency (+3%) and portfolio (+1%) effects only mitigate severe decline in price (-10%) and volume (-22%)
- Costs of sales contain ~ €45 m inventory devaluation
- R&D kept at high PY level, deviations in other expense line items reflect cost saving efforts and lower business activity
- EBITDA lower than in 2008, but resilient in light of world-wide recession, inventory devaluation and destocking effects

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

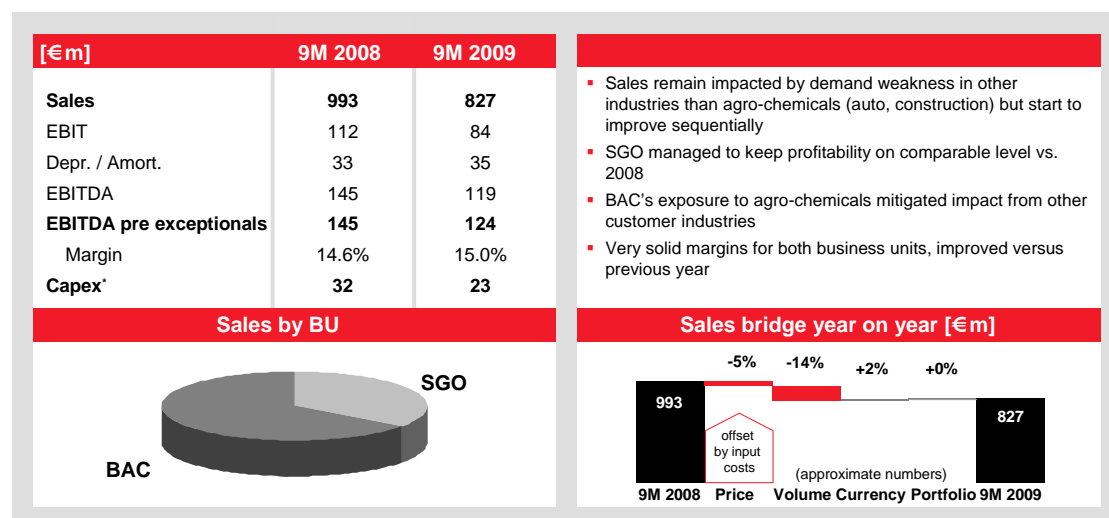


\* Net of finance lease

Chart 38

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



\* Net of projects financed by customers

Chart 39

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

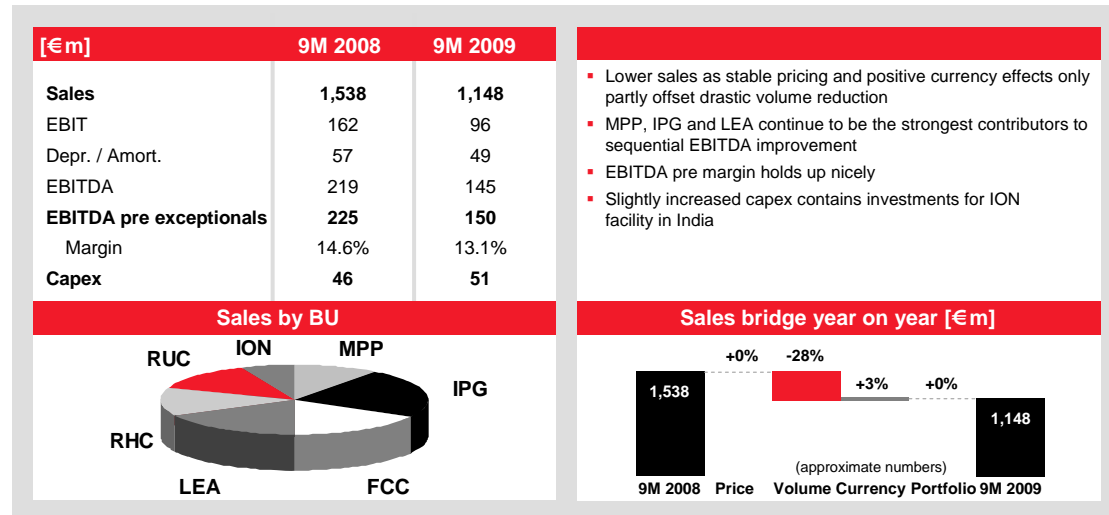


Chart 40

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

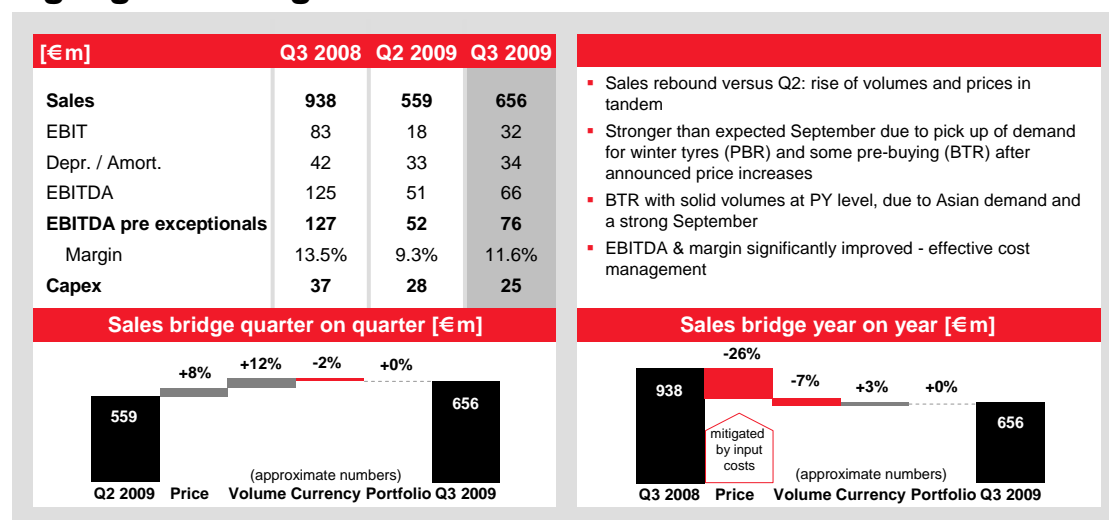
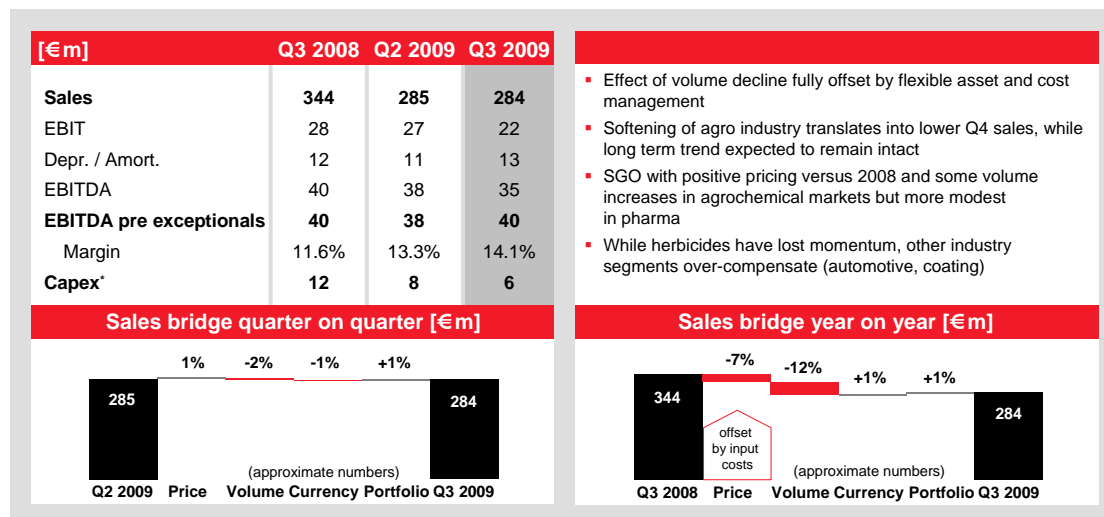


Chart 41

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## Advanced Intermediates: stable performance



\* Net of projects financed by customers

Chart 42

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## Performance Chemicals: earnings above previous year

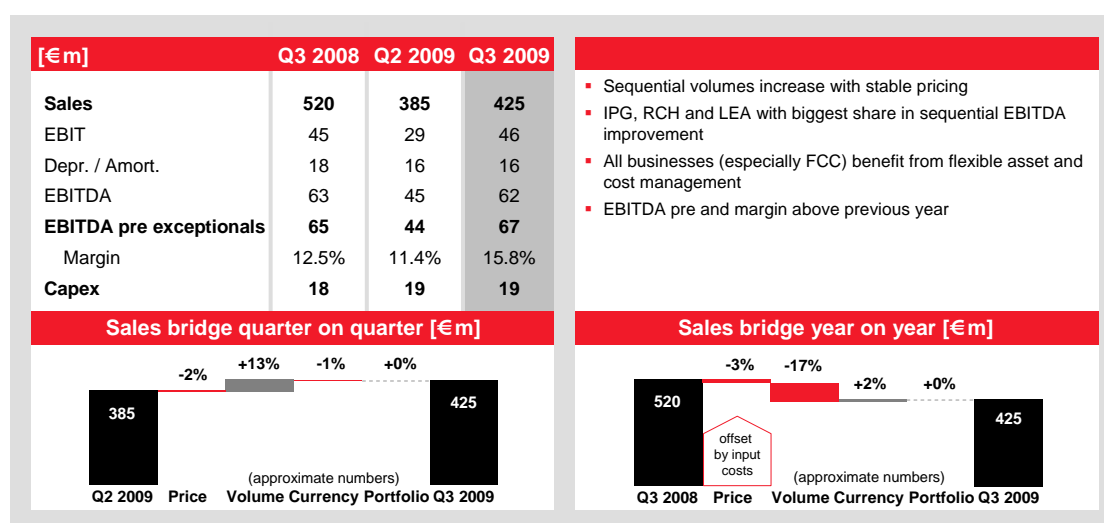


Chart 43

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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>	
Changes in Working Capital	-59	-12	
<b>Operating Cash Flow</b>	<b>182</b>	<b>153</b>	
<b>Investing Cash Flow</b>	<b>-103</b>	<b>-629</b>	
thereof Capex	-69	-52	
<b>Financing Cash Flow</b>	<b>-18</b>	<b>-23</b>	

- Operating cash flow only slightly below previous year despite lower profit before tax
- Changes in other assets and liabilities due to higher restructuring expenses in 2008
- Inflationary raw material prices lead to slight cash outflow from working capital
- Increase in financial losses due to financing of new bonds
- `09 investing cash flow contains investment in near cash assets

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

Chart 44

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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 45

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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 46

**LANXESS**

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

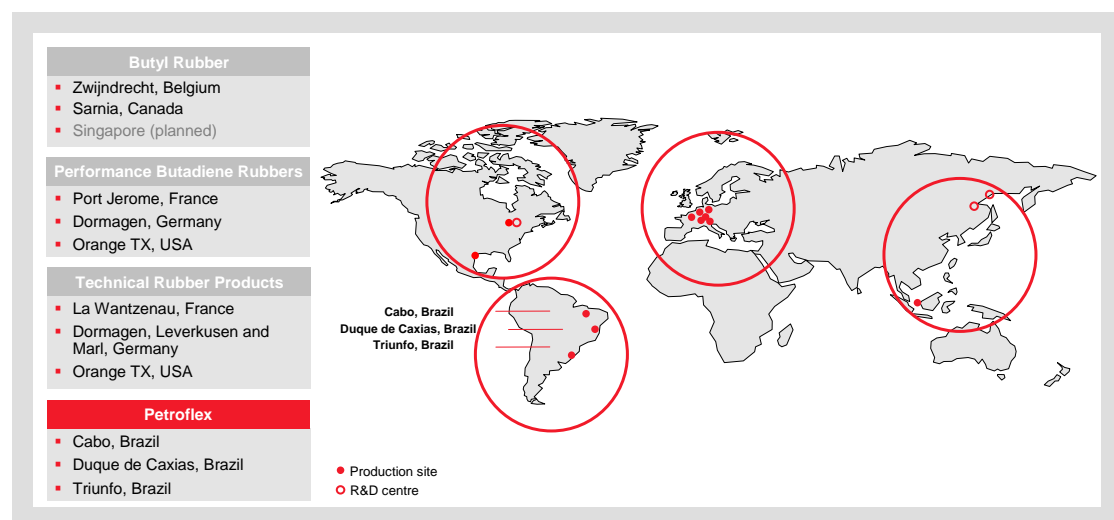
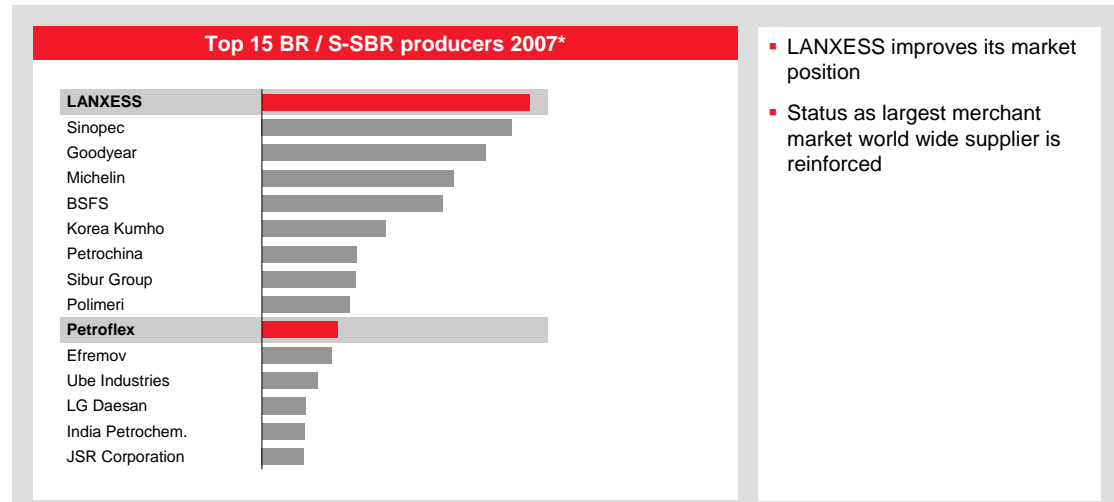


Chart 47

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



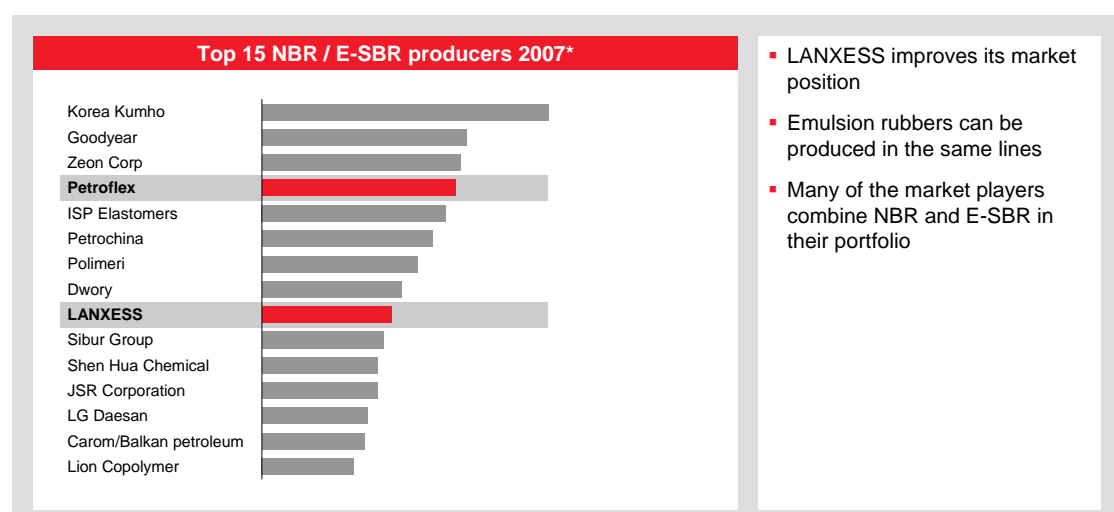
- LANXESS improves its market position
- Status as largest merchant market world wide supplier is reinforced

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

Chart 48



## LANXESS benefits from Petroflex additional emulsion rubber assets



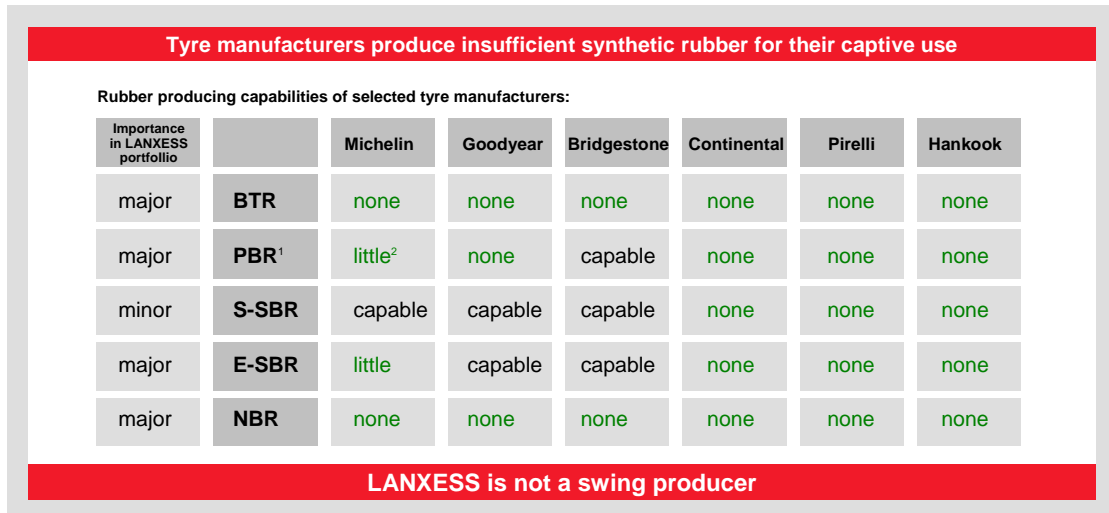
- LANXESS improves its market position
- Emulsion rubbers can be produced in the same lines
- Many of the market players combine NBR and E-SBR in their portfolio

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

Chart 49



## Is LANXESS a swing producer?

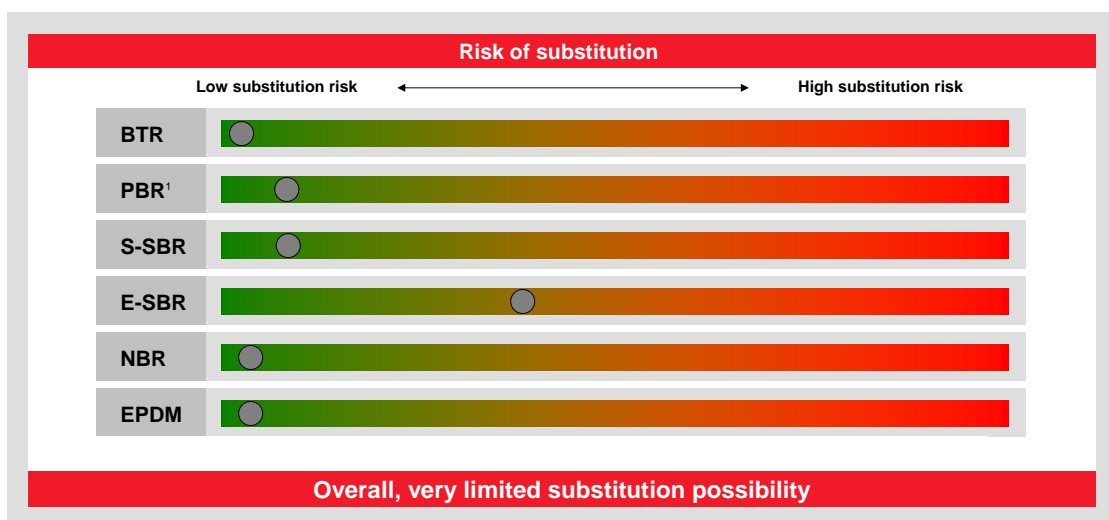


<sup>1</sup> Nd-PBR <sup>2</sup> Know how present, licensing to others

Chart 50

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## Does natural rubber cannibalize synthetic rubber?



<sup>1</sup> Nd-PBR

Chart 51

**LANXESS**

## Similar tyre labelings are being proposed in several countries

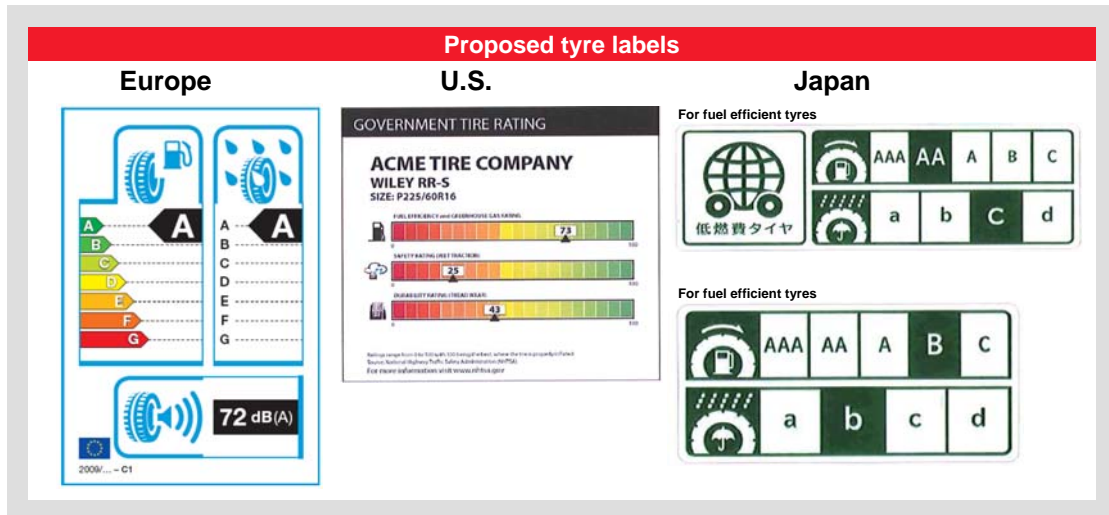


Chart 52

## 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 53

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