



**LANXESS AG**

**7<sup>th</sup> Cheuvreux - German Corporate Conference**

**Matthias Zachert, CFO**

January 2008

## Safe harbour statement

This presentation contains certain forward-looking statements, including assumptions, opinions and views of the company or cited from third party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of the company to differ materially from the estimations expressed or implied herein. The company does not guarantee that the assumptions underlying such forward looking statements are free from errors nor do they accept any responsibility for the future accuracy of the opinions expressed in this presentation or the actual occurrence of the forecasted developments.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of the company or any of its parent or subsidiary undertakings or any of such person's officers, directors or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

Chart-No. 2

## Focus on value generation

### Agenda



- Review of 2007



- Strategy update



- Financial transformation



- Current market topics, outlook and guidance

Chart-No. 3

## Looking back at an operationally very successful year 2007

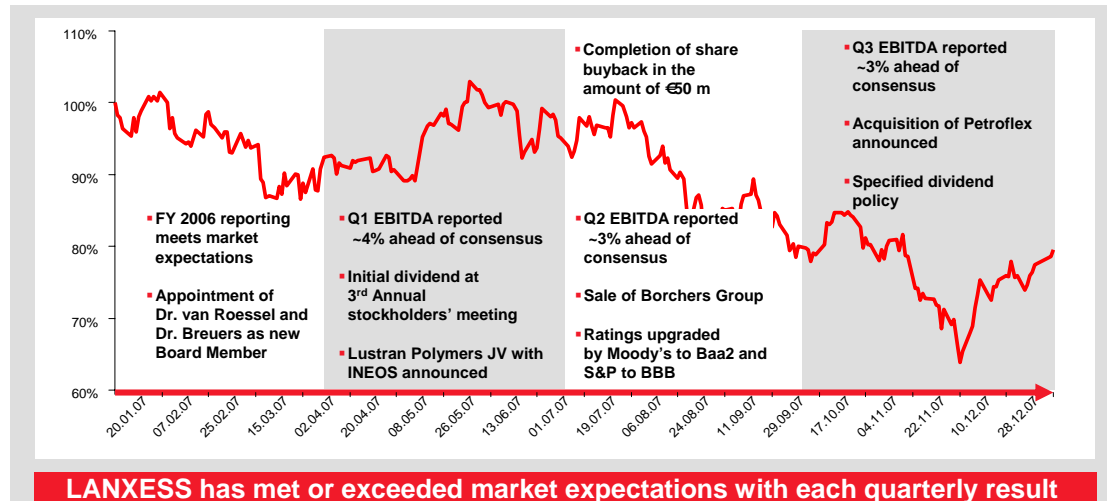


Chart-No. 4

## Focus on value generation

### Agenda



- Review of 2007



- Strategy update



- Financial transformation



- Current market topics, outlook and guidance

Chart-No. 5

## Consistent delivery as four-phase strategy is implemented

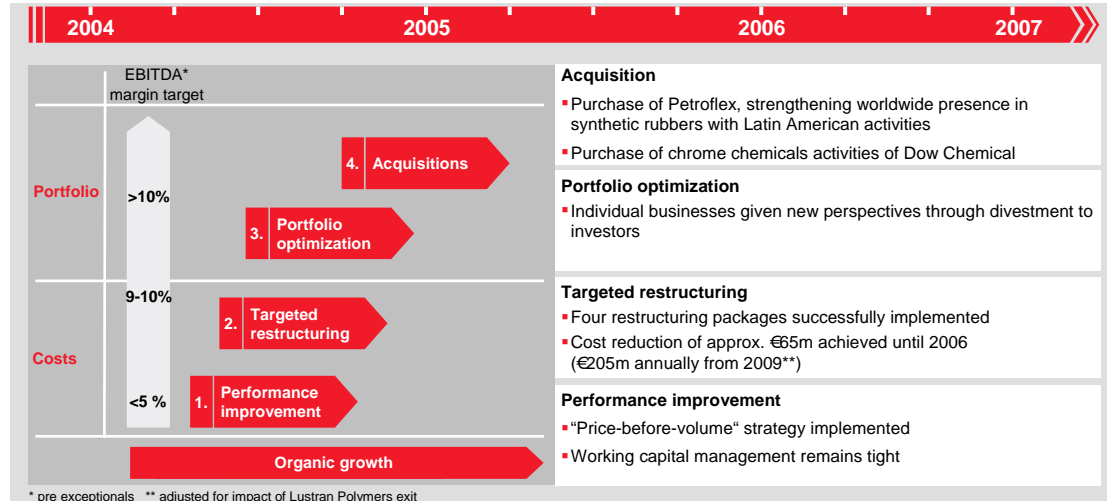


Chart-No. 6

## Targeted restructuring results in €205 million cost savings\*

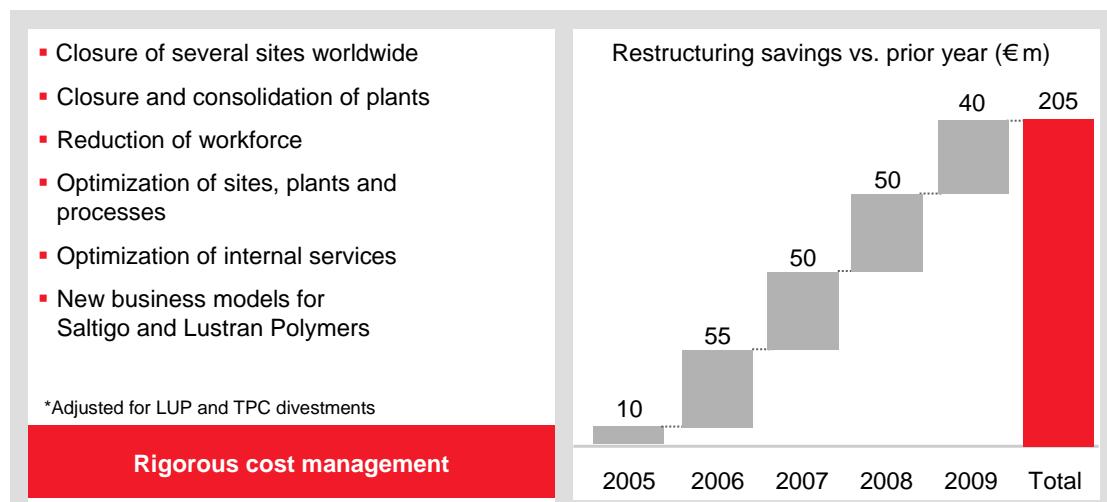


Chart-No. 7

## Portfolio management has continuously strengthened the company

	Leadership Position	Cyclicality	Profitability Expectation	Business Driver
Fibers	Weak	High	Low	Market shifting to Asia
Paper	Moderate	Moderate	Medium	High industry consolidation
Textile Processing Chem.	Weak	Moderate	Medium	Market shifting to Asia
Lustran Polymers	Good	High	Low	Overcapacities, Commoditization
CISA	Good	Low	High	Upstream Integration
Petroflex	Good	Low	High	Global mobility trends

Chart-No. 8

## Acquisition of Petroflex - a compelling strategic rationale

<b>Overview of acquisition target</b>	<ul style="list-style-type: none"> <li>▪ Petroflex is a major player in synthetic rubber in Latin America</li> <li>▪ 2006 sales of ~€500 million with 1,300 employees (incl. contractors)</li> <li>▪ Solution (PBR, SSBR) and emulsion (NBR, ESBR) rubber</li> <li>▪ Three manufacturing sites in Brazil with total capacity of ~400 kt</li> </ul>
<b>Strategic rationale</b>	<ul style="list-style-type: none"> <li>▪ Strengthens LANXESS' position in the synthetic rubber market globally</li> <li>▪ Reflects the strongly growing Latin American market for synthetic rubber</li> <li>▪ Potential for synergies after integration</li> </ul>
<b>Shareholder value creation</b>	<ul style="list-style-type: none"> <li>▪ EPS accretive in first year</li> <li>▪ Investment in profitable growth markets, where the products are expected to grow above GDP</li> </ul>

Chart-No. 9

## Transaction overview

- Petroflex is a publicly listed company on the Brazilian stock exchange
  - Selling shareholder group consists of Braskem, UNIPAR and certain other shareholders
  - Purchase of shares representing 69.68% of the share capital of Petroflex Comércio e Indústria S.A. ("Petroflex")
- Key financial terms (subject to price adjustment mechanism)
  - Purchase price of ~ €198 m\* for ~70%
  - Plus assumed net debt (~ €109 m as per Q3 statements\*)
- Transaction to be financed out of cash and bank loans
- Transaction is subject to approval by antitrust authorities in Brazil, Germany, the U.S. and other countries

\* Exchange rate as of September 30, 2007

Chart-No. 10

## Acquisition of Petroflex strengthens our portfolio in the core of the chemical industry

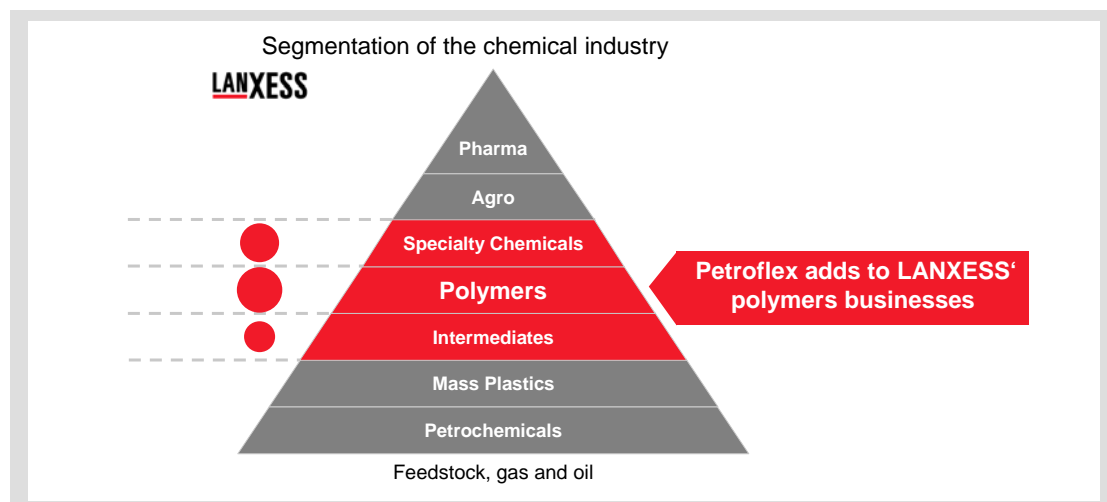


Chart-No. 11

## Tire industry relocation to low cost countries continues, LANXESS to supply customers globally

### Comments

- Tire production evenly split between western and eastern hemisphere
- Strong growth rates in BRIC countries
- Tire industry with 4% growth globally expected in 2008
- Tire industry with 7% growth rate in Latin America expected in 2008
- Major tire producers have announced capacity expansions in Brazil in the amount of US\$ 1 billion
- Gives LANXESS a production base in a low cost BRIC country
- Strengthens the global manufacturing network
- Provides opportunities for cost savings and technology upgrades

\* Source: Global Insight

### Consumption per capita of synthetic rubber

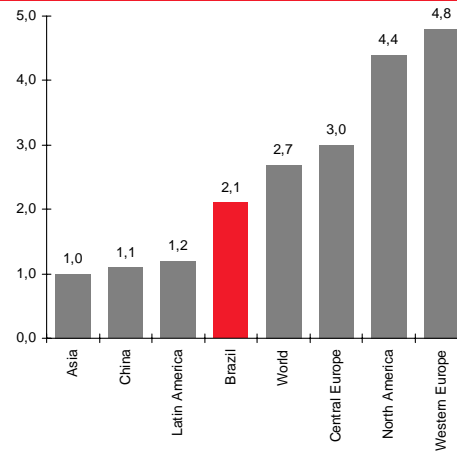


Chart-No. 12

## Financially attractive deal structure

### Financial assessment and background info

- Transaction detail:
  - Purchase price of ~€198 m for the acquired shares (~70% of outstanding shares)
  - Final total purchase price depends on acceptance level for mandatory public offer and is subject to a price adjustment mechanism
- Sales multiple ~ 0.7x; EBITDA multiple on the basis of 2007 estimates ~ 7.5x
- Transaction is expected to be EPS accretive in first year
- Transaction has a positive net present value based on a discount rate of 12.5%
- Mandatory tender offer must be launched upon closing, expected in Q2 2008
- Petroflex will be fully consolidated upon closing

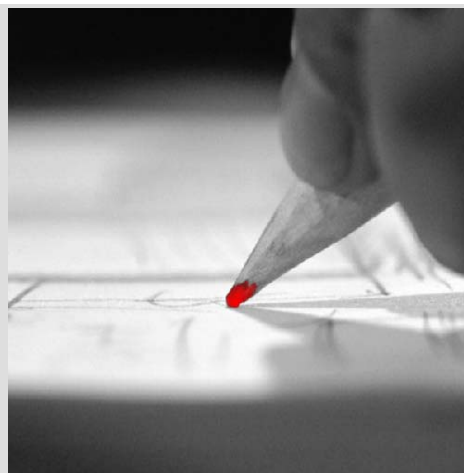


Chart-No. 13

## Summary of the striking acquisition logic



Chart-No. 14

## Focus on value generation

### Agenda



- Review of 2007



- Strategy update



- **Financial transformation**



- Current market topics, outlook and guidance

Chart-No. 15



## Eleven successive quarters of EBITDA improvement

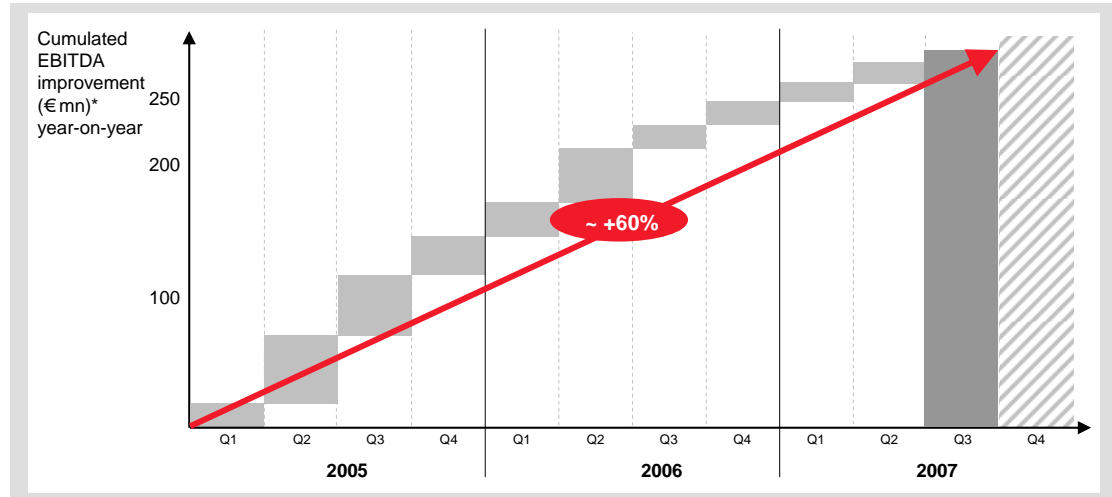


Chart-No. 16

## Q3 continues on the new path of price and volume growth

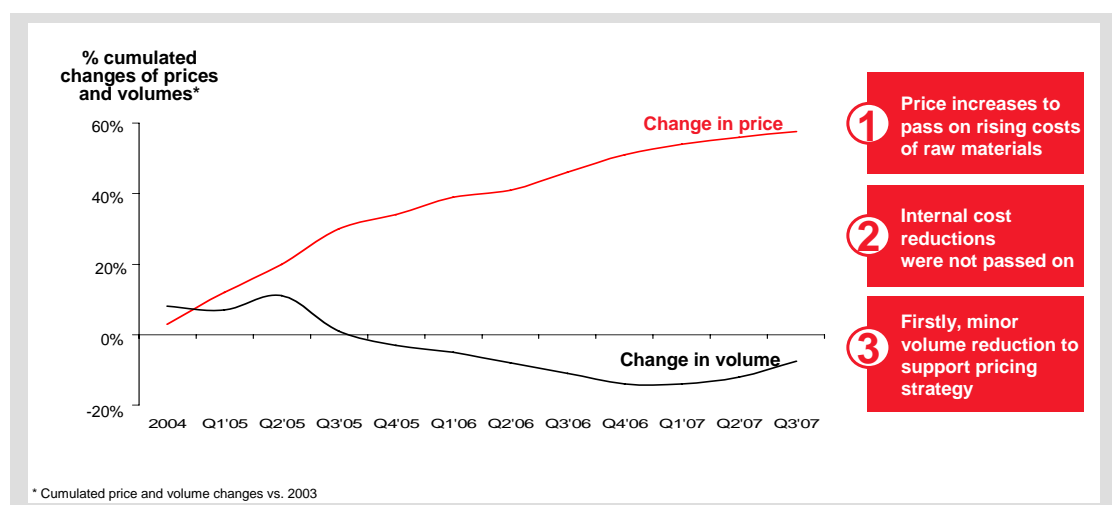


Chart-No. 17

## Effective margin protection through increased flexibility of costs

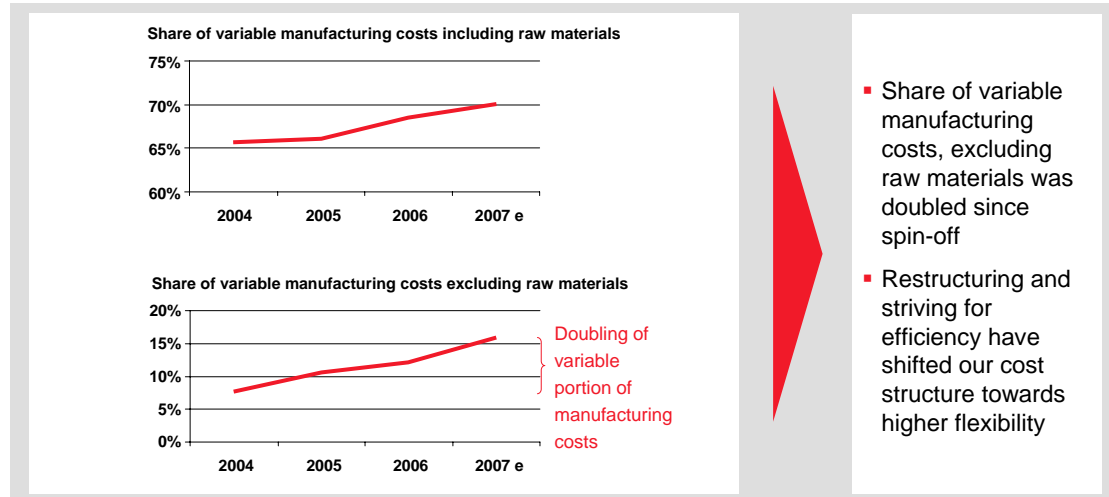


Chart-No. 18

## LANXESS is closing the profitability gap to peers

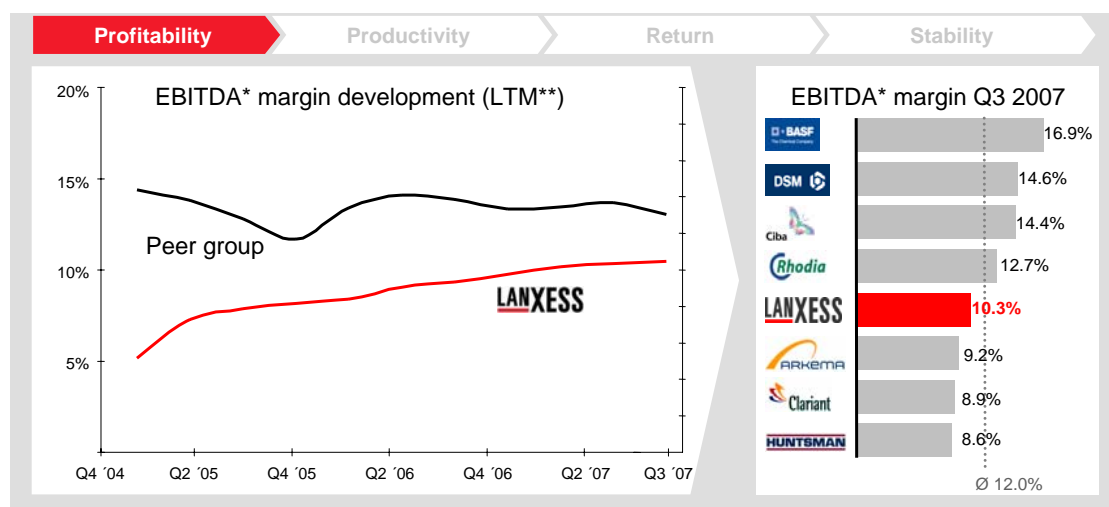
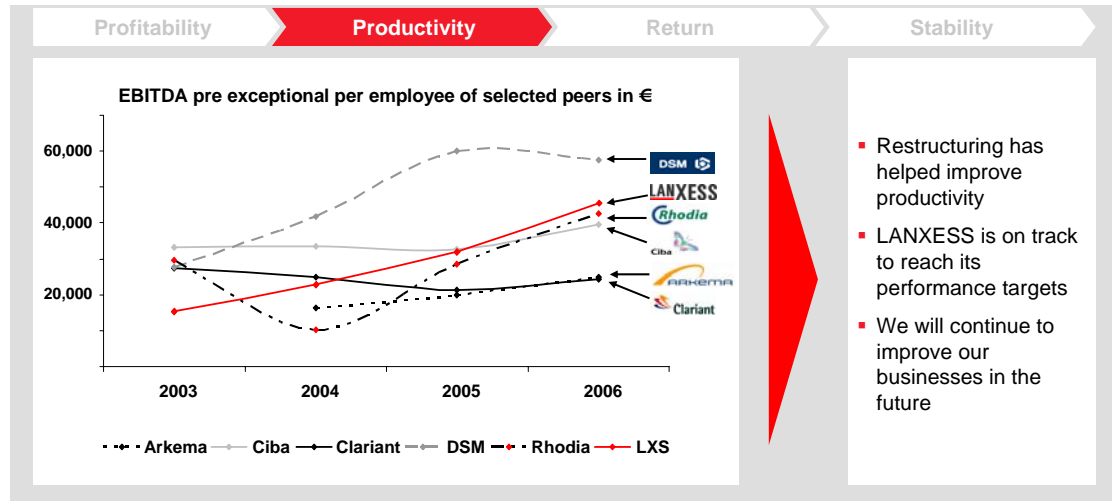


Chart-No. 19

## Productivity increases made visible: EBITDA / employee – even higher without LUP

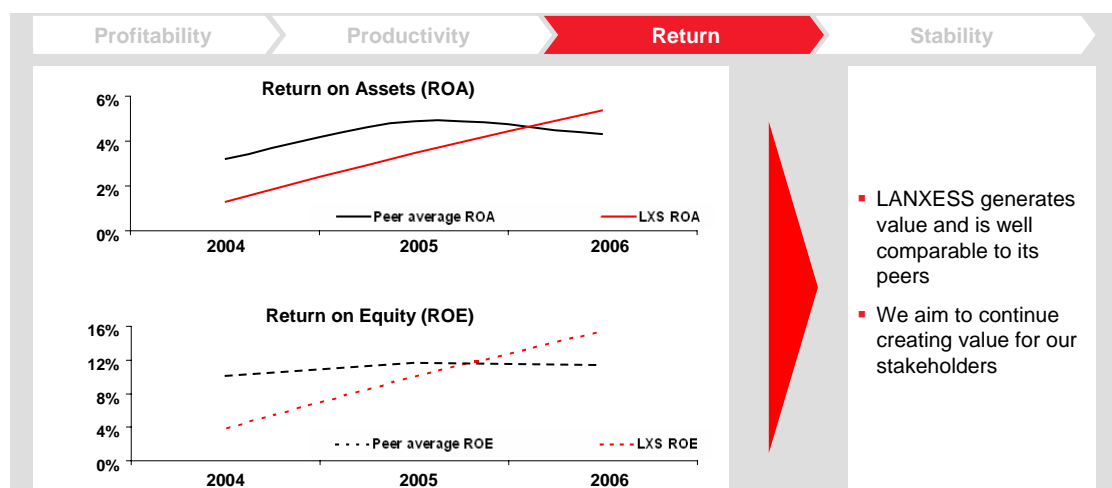


Source: KPMG's disclosures handbook, Annual reports, Companies websites; 2006 LANXESS data adjusted for Lustran

Chart-No. 20

- Restructuring has helped improve productivity
- LANXESS is on track to reach its performance targets
- We will continue to improve our businesses in the future

## Rising returns have already reached the average peer level



Source: KPMG's disclosures handbook, Annual reports, Companies websites; LANXESS peer group except where ROE / ROA is negative, all pre exceptionals

Chart-No. 21

- LANXESS generates value and is well comparable to its peers
- We aim to continue creating value for our stakeholders

## Solid financing foundation in place for future opportunities

	Profitability	Productivity	Return	Stability
In € mn	2004	2005	2006	2007e
Equity	1,120*	1,256	1,428	1,526**
Equity ratio	25.9%*	28.9%	34.0%	36.9%**
Net financial debt	1,135	680	511	stable
Interest result	-46	-41	-23	stable
Gearing***	101.3%*	54.1%	35.8%	32.2%**
Net financial debt / EBITDA	2.5x	1.2x	0.8x	~0.7x

**Strength**

**Financial metrics substantially improved on the basis of sustainable cash generation**

\* 2004 comparable to 2005, i.e. incl. deferred tax adjustment; \*\*as of 30.09.2007; \*\*\* net financial debt / equity

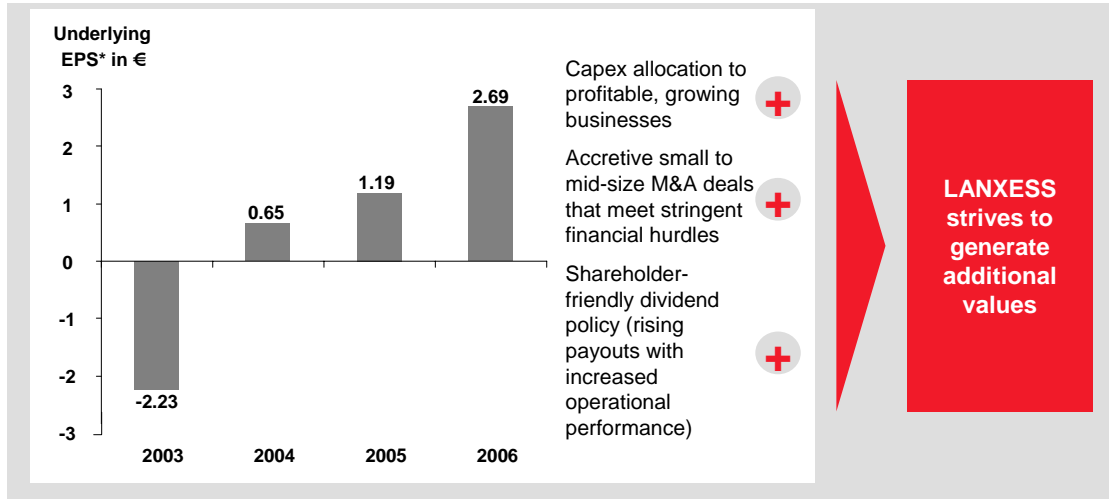
Chart-No. 22

## Acquisition financing re-levers the balance sheet while strength persists

Comments	Net financial debt / EBITDA 2007*	
<ul style="list-style-type: none"> <li>▪ LANXESS will finance the Petroflex acquisition by available liquidity and debt (initial financing through existing facilities)</li> <li>▪ Long-term financing through mix of Group and local debt Together with currency hedging, will moderate investment risk</li> <li>▪ LANXESS will meet all covenant ratios and internal financial targets after the transaction</li> <li>▪ Ratings remain unchanged</li> <li>▪ Balance sheet structure is improved and dividend power preserved</li> </ul>	<p>Actual: 0.7x      Pro forma: 1.2x</p>	
<p>* Excludes underfunded pension liabilities ** Net debt/(Equity+Net debt)</p>	<th style="background-color: red; color: white;">Debt / capital**</th>	Debt / capital**
	<p>Pre acquisition: 25%      Post acquisition: 37%</p>	

Chart-No. 23

## Value generation in every respect



\* EPS pre exceptionals

Chart-No. 24

## Focus on value generation

### Agenda



- Review of 2007



- Strategy update



- Financial transformation



- Current market topics, outlook and guidance

Chart-No. 25

## LANXESS manages its currency exposure

### Economic environment – foreign currencies

- The current weakness of the U.S. Dollar is considered in our FY 2007 guidance
- Generally, a weak U.S. Dollar burdens our results
- Sensitivity: Based on our annual net exposure, a change of 1 cent of the exchange rate of the U.S. Dollar to the Euro affects our EBITDA by €5-6 m
- However, the actual impact may be significantly lower due to our rolling hedging approach



Chart-No. 26

## LANXESS has significantly reduced its volatility

### Peak to trough fluctuation is significantly reduced since spin-off

- Most volatile businesses divested (~€1.4 bn of sales)
- Sales and purchasing contracts renegotiated
- Restructuring has led to a leaner and more efficient organization
- Cost structures have been changed to a higher portion of variable costs

**There is no reason why LANXESS' margins\* should be more volatile compared to its peers**

**The market expects chemical companies' margins\* to fluctuate by 3%-4% peak to trough**

\* EBITDA pre exceptionals



Chart-No. 27

## Dividend policy specified with substantial increase targeted already for 2007

- Successful transformation of the company
- On track to achieve average competitors' profitability in 2008
- Demonstration of trust and confidence in the strength of LANXESS' businesses
- The final dividend proposal to be made on the basis of the confirmed financial statements of LANXESS AG for fiscal 2007 and published together with the Notice of the Annual Stockholders' Meeting, to be held on May 29, 2008

**Significant  
increase of dividend  
already for 2007**

**Sustainable  
increase of future  
dividends**

Chart-No. 28

## LANXESS is well on track to achieve its FY targets

### Guidance update for 2007


- FY 2007 EBITDA\*guidance reiterated:  
€700 - €720 m, despite LUP performance shortfall in Q3 2007 of ~€10 m and an adverse FX effect in Q4
- Capex expectation: ~€300 m
- Underlying P&L tax rate seen around 30%, excluding effects from LUP JV. Reported tax rate will however be distorted due to LUP-divestment
- D&A around €300 - €310 m (increase vs. 2006, mainly due to impairments in LUP of ~€50 m)
- Reminder: majority of restructuring exceptionals expected to have occurred in Q4 2007



\* Pre exceptionals

Chart-No. 29

## LANXESS will meet its ambitious targets faster than planned

EBITDA* margin: Peer group profitability	<del>2008</del> <del>2009</del>	
No business < 5% EBITDA* margin	<del>2008</del> <del>2009</del>	
Investment grade rating	Ongoing	

\* EBITDA figures pre exceptionals; excluding acquisitions

Chart-No. 30

# LANXESS

Energizing Chemistry



## Exceptional items incurred in Q3 2006 and 2007

(€m)	Q3 2006		Q3 2007		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Polymers	0	0	0	0	
Advanced Intermediates	0	0	0	0	
Performance Chemicals	0	0	4	0	Restructuring
Engineering Plastics	0	0	10	7	Write off BU LUP
Reconciliation	17	1	-6	0	Restructuring / M&A
<b>Total</b>	<b>17</b>	<b>1</b>	<b>8</b>	<b>7</b>	

Chart-No. 32

## Exceptional items incurred in 9M 2006 and 2007

(€m)	9M 2006		9M 2007		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Polymers	1	0	0	0	
Advanced Intermediates	0	0	0	0	
Performance Chemicals	1	0	4	0	Restructuring
Engineering Plastics	0	0	196	51	Write off BU LUP
Reconciliation	44	1	11	1	Restructuring / M&A
<b>Total</b>	<b>46</b>	<b>1</b>	<b>211</b>	<b>52</b>	

Chart-No. 33

## Growth at high margin levels

Sales 2006\*

EBITDA 2006\*

<b>Performance Polymers</b>		Position LANXESS World wide top market positions	Growth & Stability participation in major growth trends	margin FY'06: 13.2% EBITDA margin 9M'07: 14.5%
EBITDA Market / Supply / Demand				
<b>Butyl Rubber</b> <b>Bromobutyl</b> Integral part of tubeless tyres	A leading position	International mobilization	Growing and balanced until 2011	
<b>Polybutadiene Rubber</b> <b>Buna<sup>CB</sup></b> Tyre body and tread	A leading position	High performance tires	Growing and balanced until 2011	
<b>Technical Rubber Products</b> <b>Therban</b> Specialty applications	Strong	New applications	Balanced for major products until 2009 / 10	
<b>Semi-Crystalline Products</b> <b>Durethan</b> Thermoplastics for modern applications, e.g. in cars	Strong	Hightech plastics replacing metal	Growing and balanced until 2011	

\* Percentage of sum of operational segments, excluding LUP and reconciliation / others

Chart-No. 34

## Stability in Intermediates

Sales 2006\*

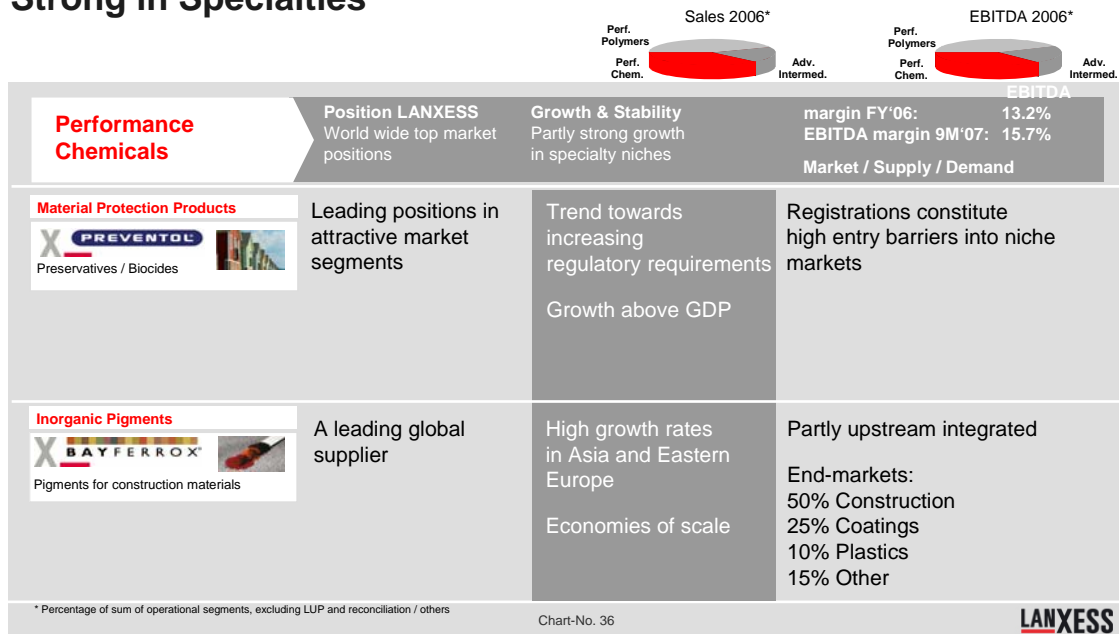
EBITDA 2006\*

<b>Advanced Intermediates</b>		Position LANXESS World wide top market positions	Growth & Stability	margin FY'06: 15.3% EBITDA margin 9M'07: 16.5%
EBITDA Market / Supply / Demand				
<b>Basic Chemicals</b> <b>2-Methyl-6-Ethyl-Aniline</b> Intermediate for agrochemicals	Leading positions in all business lines	Industry shake out process Advantage due to world scale production network	Supplying diversified and attractive niche markets Consolidation in Americas and Europe	
<b>Saltigo</b> <b>Bayrepel<sup>®</sup></b> The user-friendly, effective repellent	Among the top global players in custom manufacturing	Pharma custom manufacturing market is expected to grow of 4% p.a.	Outsourcing trend of chemical production Continuing consolidation in Europe and US	

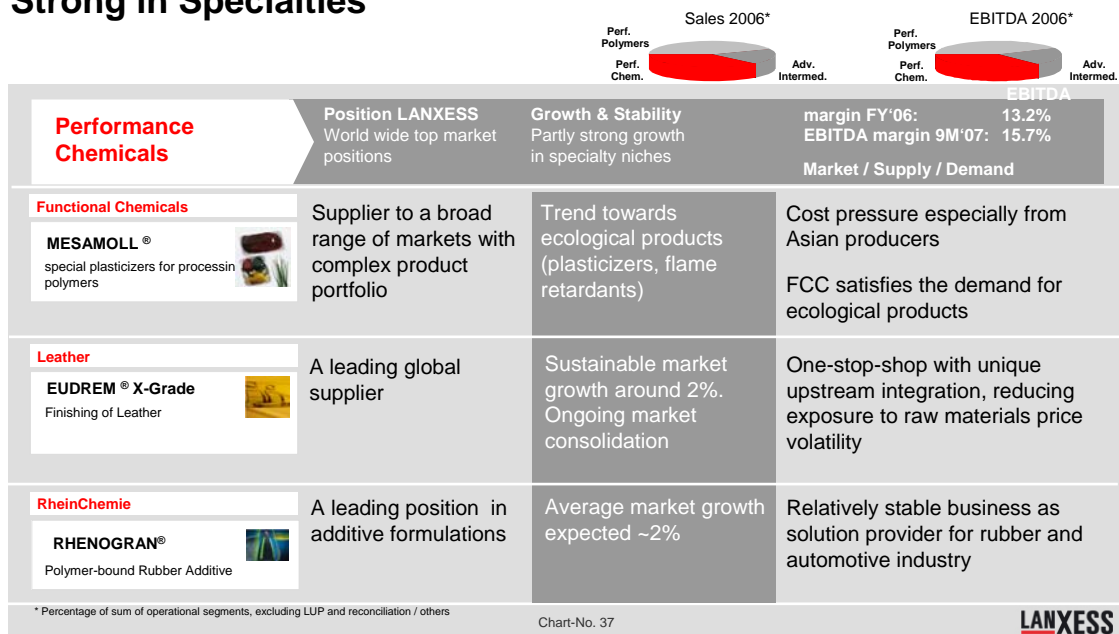
\* Percentage of sum of operational segments, excluding LUP and reconciliation / others

Chart-No. 35

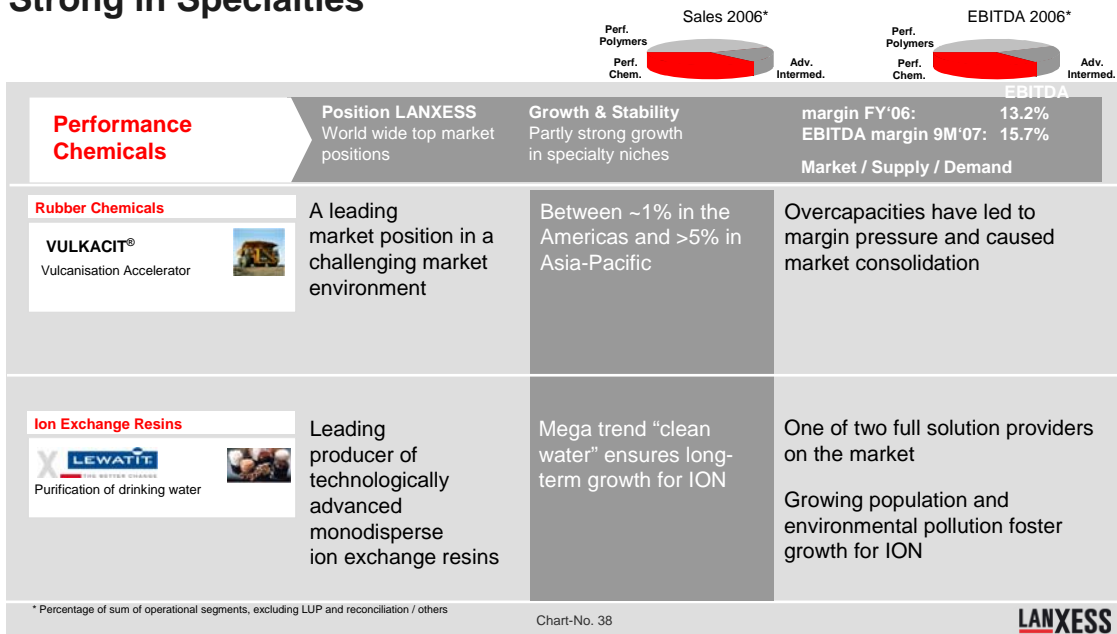
## Strong in Specialties



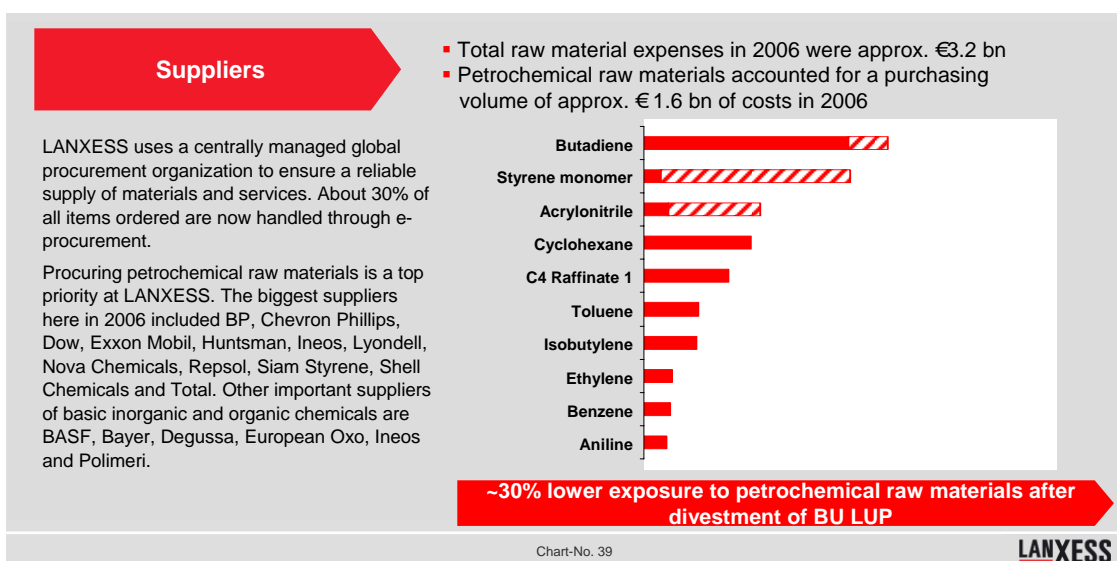
## Strong in Specialties



## Strong in Specialties



## Broad supplier base



## Diversified customer base and industry portfolio

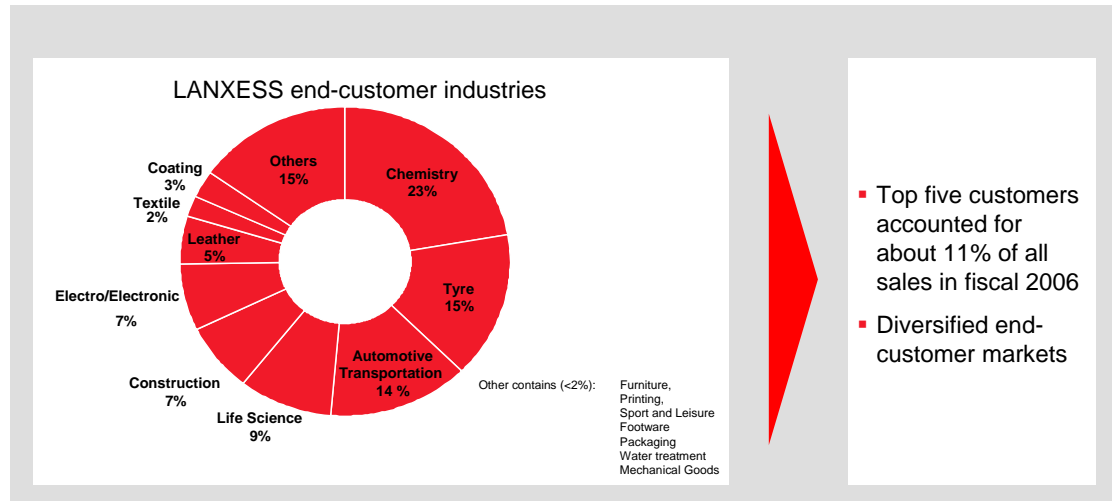


Chart-No. 40

## LANXESS - a global player in the chemical industry

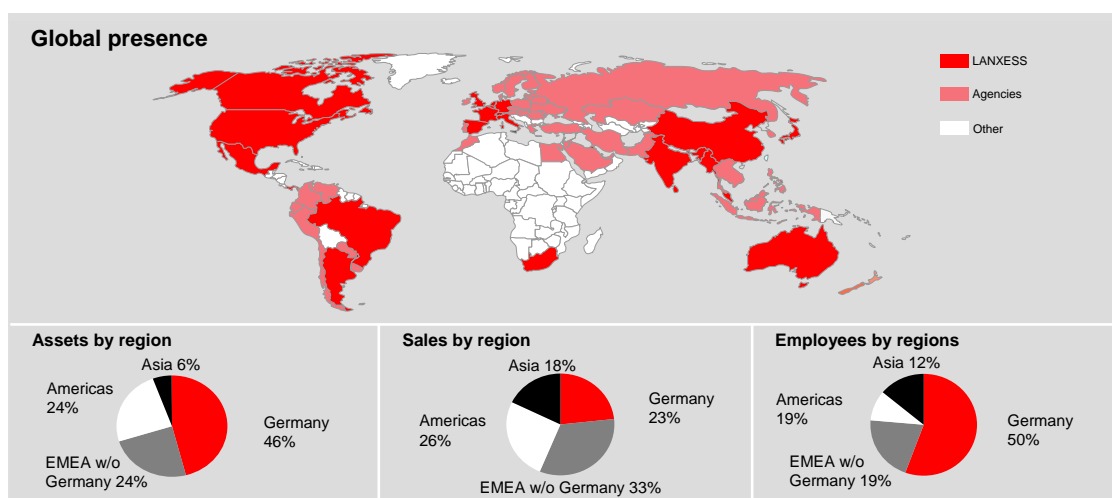


Chart-No. 41



## Update of restructuring savings after transaction of Lustran Polymers

Phase I+II+III+IV (€ m)	2005	2006	2007e	2008e	2009e
P&L Expenses	-166	-31	-40	-30	10
Cash outs	-10	-89	-120	-65	-10
Headcount reduction	~540	~650	~280	~40	0
<b>Cost reduction vs. prior year</b>	<b>10</b>	<b>55</b>	<b>50</b>	<b>50</b>	<b>40</b>
Cost reduction cumulative	10	65	115	165	205
<b>EBITDA improvement vs. prior year</b>	<b>10</b>	<b>50</b>	<b>35</b>	<b>35</b>	<b>25</b>
EBITDA improvement cumulative	10	60	95	130	155

– All future figures are adjusted for the exit of LUP. The main respective cumulative effects are:  
 – Reduction of expected cost reduction :~€45m by 2009  
 – Reduction of expected EBITDA improvement:~€35m by 2009  
 – Lower expected cash outs: ~€50 m by 2009

**Restructuring implementation continues according to plan**

Chart-No. 42

## Abbreviations

Performance Polymers	Advanced Intermediates
<ul style="list-style-type: none"> <li>▪ BTR Butyl Rubber</li> <li>▪ PBR Polybutadiene Rubber</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> <li>▪ IPG Inorganic Pigments</li> </ul>
Performance Chemicals	Engineering Plastics
<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>	<ul style="list-style-type: none"> <li>▪ LUP Lustran Polymers</li> </ul>

Chart-No. 43

## Glossary

### Abbreviations

BR High CIS	Polybutadiene produced with high cis configuration
ESBR	Styrene-butadiene rubber from polymerization in emulsion
HIPS	High-impact polystyrene
Li-PBR	Polybutadiene rubber from lithium-initiated polymerization
NBR	Nitrile rubber
Nd-PBR	Polybutadiene rubber from neodymium catalyzed polymerization
PBLH	Hydroxyl-terminated polybutadiene
PBR	Business Unit Polybutadiene Rubber (PBR+SSBR)
SBS	Styrene-butadiene-styrene block copolymers
SIS	Styrene-isoprene-styrene block copolymers
SSBR	Styrene and butadiene rubber from polymerization in solution
TR	Thermoplastic rubber composed of styrene and butadiene by solution polymerization process
TRP	Business Unit Technical Rubber Products

Chart-No. 44

**LANXESS**

## Financial Calendar 2007 / 2008

### Financial Calendar

● <b>FY Results 2007</b>	<b>March 11, 2008</b>
● <b>Q1 Results 2008</b>	<b>May 14, 2008</b>
● <b>Annual General Meeting</b>	<b>May 29, 2008</b>
● <b>Q2 Results 2008</b>	<b>August 13, 2008</b>
● <b>Q3 Results 2008</b>	<b>November 13, 2008</b>

Chart-No. 45

## Contact details

**Michael Pontzen (Head of IR)**

Tel.: +49-214 30 43804  
Fax.: +49-214 30 959 43804  
Mobile: +49-175 30 43804  
Email: Michael.Pontzen@lanxess.com

**Oliver Stratmann**

+49-214 30 49611  
+49-214 30 959 49611  
+49-175 30 49611  
Oliver.Stratmann@lanxess.com

**Tanja Satzer**

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

**Dr. Gerd Zelesny**

+49-214 30 71416  
+49-214 30 959 71416  
+49-175 30 71416  
Gerd.Zelesny@lanxess.com

Please visit our website at: [www.lanxess.com](http://www.lanxess.com)

Chart-No. 46