LANXESS – Q2 2009 Results Conference Call

Earnings rebound, performance proven in downturn

Matthias Zachert, CFO
August 2009
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Agenda

- Highlights Q2 2009
- Business and financial review Q2 2009
- Outlook/Guidance
Challenge09 fully on track and now expanded into 2012

**Strategy**
- Challenge09 expanded – prolongation into 2012 with Challenge12
- Deferment of Singapore project, implementation of new technology
- Successful asset acquisitions of Gwalior Chemicals and Jiangsu Polyols in Q2

**Business**
- Trough volume quarters behind us – substantial volume increase versus Q1, notably in Asia while all other regions improve only marginally versus Q1 depressed levels
- Product prices in line with raw material price deflation of ~ €200 m, contribution margin remains stable

**Financials**
- EBITDA* improves vs. Q1 2009 in spite of very low volumes / destocking to €112 m
- 9% EBITDA* margin in a tough business environment
- Q2 with positive net income
- Focus on cash flow generation yielding strong result: reduced net debt

* Pre exceptionals

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**Agenda**

- Highlights Q2 2009
- Business and financial review Q2 2009
- Outlook/Guidance
Q2 2009 financial overview: Profitable in a recession

Sales
EBITDA pre except. margin
Net Income
Capex*

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Q2 2009</th>
<th>Q1 2009</th>
<th>Q2 2009</th>
<th>yoy in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,765</td>
<td>1,054</td>
<td>1,238</td>
<td>-29.9%</td>
</tr>
<tr>
<td>EBITDA pre except. margin</td>
<td>223</td>
<td>66</td>
<td>112</td>
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<td>Net Income</td>
<td>55</td>
<td>-14</td>
<td>17</td>
<td>-69.1%</td>
</tr>
<tr>
<td>Capex*</td>
<td>66</td>
<td>52</td>
<td>57</td>
<td>-13.6%</td>
</tr>
</tbody>
</table>

Net Financial Debt
Net Working Capital
Employees

Financial metrics robust in current recessionary environment

*Net of projects financed by customers and finance lease

Sales – led by Asian momentum – increased 17% versus Q1, but remain 30% below previous year
Sequential EBITDA pre improved substantially, leading to solid 9% margin in trough scenario
Net income positive despite low level of underlying demand

Strong cash-flow results in further cut-back of net debt
Additional headcount reduction of ~280 employees compared to Q1 2009

Product prices in line with raw material price deflation

<table>
<thead>
<tr>
<th>Q2 yoy sales variances</th>
<th>Price</th>
<th>Volume</th>
<th>Currency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Polymers</td>
<td>-19%</td>
<td>-24%</td>
<td>5%</td>
<td>-38%</td>
</tr>
<tr>
<td>Advanced Intermediates</td>
<td>-8%</td>
<td>-7%</td>
<td>3%</td>
<td>-11%</td>
</tr>
<tr>
<td>Performance Chemicals</td>
<td>0%</td>
<td>-30%</td>
<td>4%</td>
<td>-26%</td>
</tr>
<tr>
<td>LANXESS</td>
<td>-11%</td>
<td>-23%</td>
<td>4%</td>
<td>-30%</td>
</tr>
</tbody>
</table>

Declining demand combined with prices in line with raw materials resulting in reduced sales of 30%
Strong volume rebound versus Q1, however 23% decrease versus previous year
Positive currency effect in Q2

Savings yielded by the Challenge09 package of measures mitigate EBITDA* effect of lower volumes
Product prices in line with raw material price deflation of ~ €200 m
27% volume rebound quarter-on-quarter

**Q2 qoq sales variances**

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
<th>Volume</th>
<th>Currency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Polymers</td>
<td>-13%</td>
<td>39%</td>
<td>-2%</td>
<td>25%</td>
</tr>
<tr>
<td>Advanced Intermediates</td>
<td>-5%</td>
<td>15%</td>
<td>-1%</td>
<td>10%</td>
</tr>
<tr>
<td>Performance Chemicals</td>
<td>-4%</td>
<td>19%</td>
<td>-1%</td>
<td>14%</td>
</tr>
<tr>
<td>LANXESS</td>
<td>-8%</td>
<td>27%</td>
<td>-1%</td>
<td>17%</td>
</tr>
</tbody>
</table>

- Sales increased 17% versus Q1 due to a strong volume rebound especially in Performance Polymers
- Lower pricing with lag-effect, driven by raw material price decline
- Sequentially improved volumes show we have passed the trough

**Sales performance bridge [€ m]**

- Q1 2009: 1,054
- Q2 2009: 1,238

*Pre exceptionals (approximate numbers)*

**Performance Polymers: Improvement fueled by strong demand pick-up in Asia and absence of negative Q1 effects**

- Sales remain depressed yoy but improved sequentially: All BUs with better momentum versus Q1
- Selling prices declined on the basis of raw material indexed sales contracts and stronger Asian exposure (mainly in PBR)
- Selling price decline in balance with lower input costs
- SCP stable in intermediates but compounds still sluggish
- EBITDA pre and margin significantly improved mainly as negative Q1 effects level off and cost cutting is effective

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

<table>
<thead>
<tr>
<th></th>
<th>Q2 2008</th>
<th>Q1 2009</th>
<th>Q2 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>448</td>
<td>908</td>
<td>559</td>
</tr>
<tr>
<td>EBIT</td>
<td>46</td>
<td>-24</td>
<td>18</td>
</tr>
<tr>
<td>Depr. / Amort.</td>
<td>32</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>EBITDA</td>
<td>78</td>
<td>8</td>
<td>51</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>127</td>
<td>8</td>
<td>52</td>
</tr>
<tr>
<td>Margin</td>
<td>14.0%</td>
<td>1.8%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Capex*</td>
<td>32</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>

*Net of finance lease*
### Advanced Intermediates: Solid business, but Q2 affected by seasonality and ongoing weak auto and construction

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<th>€m</th>
<th>Q2 2008</th>
<th>Q1 2009</th>
<th>Q2 2009</th>
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<tr>
<td>Sales</td>
<td>320</td>
<td>258</td>
<td>285</td>
</tr>
<tr>
<td>EBIT</td>
<td>39</td>
<td>35</td>
<td>27</td>
</tr>
<tr>
<td>Depr. / Amort.</td>
<td>10</td>
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<td>15</td>
<td>9</td>
<td>8</td>
</tr>
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</table>

- Sales decline improved sequentially, however volumes remain lower than in 2008
- Declining raw material prices were supportive to the segment’s performance even after expected selling price adjustments
- Underlying agro momentum remains strong esp. for SGO, however seasonally somewhat weaker (especially for herbicides in BAC)
- Volume losses in other BAC markets (automobile, construction) were less significant than in Q1 and mitigated by favorable SGO volumes

#### Sales performance bridge quarter on quarter [€m]

<table>
<thead>
<tr>
<th></th>
<th>Q1 2009</th>
<th>Price</th>
<th>Volume Currency Portfolio Q2 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>258</td>
<td>-5%</td>
<td>+15%</td>
</tr>
<tr>
<td>EBIT</td>
<td>285</td>
<td>+11%</td>
<td>-1%</td>
</tr>
<tr>
<td>Capex</td>
<td>15</td>
<td>+0%</td>
<td></td>
</tr>
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</table>

Net of projects financed by customers

#### Sales performance bridge year on year [€m]

<table>
<thead>
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### Performance Chemicals: Better volume momentum despite overall muted demand – Challenge09 mitigates

<table>
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<th>Q1 2009</th>
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<tr>
<td>Sales</td>
<td>523</td>
<td>338</td>
<td>385</td>
</tr>
<tr>
<td>EBIT</td>
<td>57</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>Depr. / Amort.</td>
<td>20</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>EBITDA</td>
<td>77</td>
<td>38</td>
<td>45</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>78</td>
<td>39</td>
<td>44</td>
</tr>
<tr>
<td>Margin</td>
<td>14.9%</td>
<td>11.5%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Capex</td>
<td>17</td>
<td>13</td>
<td>19</td>
</tr>
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- Sales of all BUs increased sequentially and prices remained stable year on year
- MPP, IPG and LEA are strongest contributors to sequential EBITDA improvement
- RUC and RCH continue to be burdened by weak auto industry
- IPG performed well in an ongoing difficult construction market
- Good pricing in Q2. Price decline expected in Q3, in line with raw-materials
- Only ~€5 m inventory devaluation (mainly phosphor and cast iron borings)

#### Sales performance bridge quarter on quarter [€m]

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</table>
### Strong financial platform in a global economic crisis

---|---|---|---
**Non-current Assets** | | | 
Intangible assets | 145 | 159 |  |  
Property, plant & equipment | 1,646 | 1,714 |  |  
Equity investments | 42 | 23 |  |  
Other investments | 2 | 1 |  |  
Other financial assets | 72 | 39 |  |  
Deferred taxes | 154 | 160 |  |  
Other non-current assets | 108 | 123 |  |  
**Current Assets** | 2,423 | 2,766 |  |  
Inventories | 1,048 | 821 |  |  
Trade accounts receivable | 725 | 679 |  |  
Other financial assets | 155 | 145 |  |  
Other current assets | 246 | 167 |  |  
Liquid assets | 249 | 954 |  |  
**Total Assets** | 4,592 | 4,985 |  |  

#### Stockholders’ Equity
- thereof minority interest 16 16

#### Non-current Liabilities
- Pension & post empl. provis. 498 544
- Other provisions 261 279
- Other financial liabilities 986 1,634
- Tax liabilities 91 91
- Other liabilities 76 54
- Deferred taxes 41 44

#### Current Liabilities
- Other provisions 395 310
- Other financial liabilities 168 71
- Trade accounts payable 484 391
- Tax liabilities 12 8
- Other liabilities 241 184

#### Total Equity & Liabilities
- 4,592 4,985

**Strengthened liquidity position to be conservatively managed in H2/09**
- Cash position to be invested in highly rated & liquid bank deposits, money market funds and / or government bonds (including ETFs)
- Increased investments in maturities > 90 days, leading to increasing financial asset position
- Possibility to use cash to selectively early repay bank debt

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### Strong operating cash flow

#### [€ m] Q2 2008  |  Q2 2009
---|---
Profit before Tax | 82 | 22
Depreciation & amortization | 64 | 65
Gain from sale of assets | -8 | -11
Result from equity investments | -8 | -3
Financial (gains) losses | 44 | 18
Cash tax payments / refunds | -26 | 22
Changes in other assets and liabilities | -20 | -42
**Operating Cash Flow before changes in WC** | 128 | 71
Changes in Working Capital | -46 | 86
**Operating Cash Flow** | 82 | 157
Investing Cash Flow | -192 | -27
thereof Capex | -66 | -57
Financing Cash Flow | -17 | 534

**Strict working capital management delivers strong operating cash flow**

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 Augustine 12 2009 | Q2 2009 Results Conference Call | Chart-No. 12

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 Augustine 12 2009 | Q2 2009 Results Conference Call | Chart-No. 13

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 Augustine 12 2009 | Q2 2009 Results Conference Call | Chart-No. 13
Agenda

- Highlights Q2 2009
- Business and financial review Q2 2009
- Outlook/Guidance

Macro view: The downturn appears to be bottoming out - risk of setbacks exists

View on LANXESS group level

- World-wide underlying demand has bottomed out, volume trough now also reached in LatAm, North America and Europe
- Asia maintaining its good momentum, other regions are expected to recover only slowly
- Destocking completed – restocking not yet visible
- Mitigating fast rising raw material prices (notably butadiene) will be a challenge in Q3
- Usual seasonal earnings pattern with sequentially weaker H2 (Advanced Intermediates & Performance Chemicals)

Risk of setback for the economy remains
Challenge09 expanded and Challenge12 initiated

Farsighted action to mitigate longer lasting crisis

<table>
<thead>
<tr>
<th>Year</th>
<th>Challenge09</th>
<th>Challenge09 expansion</th>
<th>Challenge12</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>~140</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>~170</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td>50</td>
</tr>
</tbody>
</table>

“Challenge09-12” programs add up to €360 m savings by 2012

Challenge09 extended
- Additional €10 m one time savings due to release of provision for personnel benefits

Challenge12 initiated to
- Support “price before volume” strategy
- Prolong cost reduction to mitigate idle costs and inflationary input cost development (raw materials, energy, salaries)

Challenge12 (2years) comprises
- Reduction of contractual working hours
- Reduction of fixed and variable compensation worldwide
- Postponement of salary increases worldwide

Additional savings to mitigate impact of ongoing crisis

Prolonged Challenge programs mitigate ongoing crisis

- Financial self help of Challenge09-12
  - Assumption in Dec. 2008: €250 m
  - NEW assumption in Aug. 2009: €360 m

- EBITDA Impact of crisis [€ m]

Challenge09 and 12
- Additional Challenge programs mitigate longer lasting adverse effects of crisis
- No additional P&L expenses
Q3 EBITDA is traditionally below Q2 due to seasonality

Traditional earnings pattern shows: On average, Q3 earnings are ~15% below Q2

- Demand should continue to pick up
- Challenge09 measures support earnings
- Fast rising raw material prices will be a challenge
- Time lag of selling price increases cannot be ruled out

Q3 guidance underpins that economic trough has been reached but environment will remain tough and volatile

Guidance for Q3 2009

Based on previously mentioned assumptions, LANXESS expects Q3 EBITDA pre to be around Q2 level, thus offsetting the traditional earnings pattern

Additional financial expectations for 2009

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

* Without projects financed by customers
Appendix
Portfolio management allows for regrouping of LANXESS businesses along chemical segmentation

**Performance Polymers**
- Butyl Rubber
- Performance Butadiene Rubbers
- Technical Rubber Products
- Semi-Crystalline Products

**Advanced Intermediates**
- Basic Chemicals
- Saltigo

**Performance Chemicals**
- Material Protection Products
- Inorganic Pigments
- Functional Chemicals
- Leather
- RheinChemie
- Rubber Chemicals
- Ion Exchange Resins

LANXESS has a broad customer portfolio with varying demand patterns

**LANXESS sales distribution by industry, 2008**

- Tyre
- Consumer Goods
- Chemicals
- Automotive
- Construction
- Agro
- Others
Second quarter volume improvement substantially driven by Asia, while all other regions are still heavily impacted

Sales by Region (in %)

- Asia: 25%
- Germany: 21%
- North America: 15%
- EMEA (excl. Germany): 31%
- LatAm: 8%

Regional development of sales [€ m]

<table>
<thead>
<tr>
<th>Region</th>
<th>Q2 2008</th>
<th>Q2 2009</th>
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<tbody>
<tr>
<td>Asia</td>
<td>1,765</td>
<td>1,238</td>
<td>-30%</td>
</tr>
<tr>
<td>LatAm</td>
<td>323</td>
<td>277</td>
<td>-16%</td>
</tr>
<tr>
<td>North America</td>
<td>193</td>
<td>134</td>
<td>-33%</td>
</tr>
<tr>
<td>EMEA</td>
<td>591</td>
<td>389</td>
<td>-34%</td>
</tr>
<tr>
<td>Germany</td>
<td>381</td>
<td>257</td>
<td>-33%</td>
</tr>
</tbody>
</table>

* Currency adjusted

Well managed businesses deliver a positive net income

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<td>1,054</td>
<td>1,238</td>
<td>-30%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-1,343</td>
<td>-857</td>
<td>-977</td>
<td>-27%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>-242</td>
<td>-174</td>
<td>-191</td>
<td>-21%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>-27</td>
<td>-24</td>
<td>-25</td>
<td>-7%</td>
</tr>
<tr>
<td>Other op. income/expense</td>
<td>-37</td>
<td>0</td>
<td>-2</td>
<td>-95%</td>
</tr>
<tr>
<td>thereof exceptionals</td>
<td>-43</td>
<td>-4</td>
<td>-7</td>
<td>-84%</td>
</tr>
<tr>
<td>EBIT</td>
<td>116</td>
<td>-1</td>
<td>43</td>
<td>-63%</td>
</tr>
<tr>
<td>Net Income</td>
<td>55</td>
<td>-14</td>
<td>17</td>
<td>-69%</td>
</tr>
<tr>
<td>EPS</td>
<td>0.66</td>
<td>-0.17</td>
<td>0.20</td>
<td>-70%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>180</td>
<td>62</td>
<td>108</td>
<td>-40%</td>
</tr>
<tr>
<td>thereof exceptionals</td>
<td>-43</td>
<td>-4</td>
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<td>66</td>
<td>112</td>
<td>-50%</td>
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* Pre exceptionals

Substantial sequential improvement

- Sales decline is based on lower prices (-11%) due to easing raw materials (~ €200 m); currency effects (+4%) slightly alleviate severe volume impact (-23%)
- Cost of sales contain ~ €5 m inventory devaluation
- Deviations in expense line items reflect lower business activity and cost saving efforts
- Sequential EBITDA* improvement as well as positive net income support the view that the trough has been reached
H1 2009 financial overview: Profitable in trough environment but still heavily impacted compared to previous year

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<td>443</td>
<td>178</td>
<td>-59.8%</td>
</tr>
<tr>
<td></td>
<td>13.4%</td>
<td>7.8%</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>159</td>
<td>3</td>
<td>-98.1%</td>
</tr>
<tr>
<td>Capex¹</td>
<td>100</td>
<td>109</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

- Sales decreased 31%, with positive currency effects only slightly mitigating negative impact from lower volumes and raw material driven selling price decline
- EBITDA* well below previous year level but margin proves resilience in trough scenario
- Net income positive despite very low level of underlying demand
- Net debt further reduced due to strong cash flow
- Further headcount reduction of ~460 employees

Facing strong headwinds but profitable

P&L reflects strict cost management in tough environment

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>H1 2008</th>
<th>H1 2009</th>
<th>∆ in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3,300</td>
<td>2,292</td>
<td>-31%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-2,501</td>
<td>-1,834</td>
<td>-27%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>-455</td>
<td>-365</td>
<td>-20%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>-50</td>
<td>-49</td>
<td>-2%</td>
</tr>
<tr>
<td>Other op. income / expense</td>
<td>-33</td>
<td>-2</td>
<td>-94%</td>
</tr>
<tr>
<td>thereof exceptional</td>
<td>-57</td>
<td>-11</td>
<td>-81%</td>
</tr>
<tr>
<td>EBIT</td>
<td>261</td>
<td>42</td>
<td>-84%</td>
</tr>
<tr>
<td>Net Income</td>
<td>159</td>
<td>3</td>
<td>-98%</td>
</tr>
<tr>
<td>EPS</td>
<td>1.91</td>
<td>0.04</td>
<td>-98%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>389</td>
<td>170</td>
<td>-56%</td>
</tr>
<tr>
<td>thereof exceptional</td>
<td>-54</td>
<td>-8</td>
<td>-85%</td>
</tr>
<tr>
<td>EBITDA pre exceptions</td>
<td>443</td>
<td>178</td>
<td>-60%</td>
</tr>
</tbody>
</table>

- Prices declined 7% due to easing from raw materials; effects from currencies (+4%) as well as portfolio (+2%) slightly alleviate severe volume impact (-29%)
- Costs of sales contain ~€45 m inventory devaluation
- Deviations in expense line items reflect lower business activity and cost saving efforts
- EBITDA* substantially lower than previous year due to a very low level of underlying demand, inventory devaluation and destocking effects

P&L tightly managed
Strong 2009 cash flow compares very favorably to 2008

- Strong operating cash flow despite lower profit before tax
- Cash inflow supported by tight working capital management
- Changes in other assets and liabilities with higher 2009 cash out for personnel-related programs as well as 2008 increase in restructuring provisions
- 2008 investing cash flow reflects acquisition of Petroflex, 2009 contains dividend from Currenta
- 2009 financing CF includes new €500 m bond maturing in 2014

### Disciplined working capital management

#### Exceptional items incurred in Q2 2008 and Q2 2009

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>Q2 2008</th>
<th>Q2 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exceptional</td>
<td>thereof D&amp;A</td>
</tr>
<tr>
<td>Performance Polymers</td>
<td>49</td>
<td>0</td>
</tr>
<tr>
<td>Advanced Intermediates</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Performance Chemicals</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Reconciliation</td>
<td>-8</td>
<td>-1</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>0</td>
</tr>
</tbody>
</table>
**Exceptional items incurred in H1 2008 and H1 2009**

<table>
<thead>
<tr>
<th>[€ m]</th>
<th>H1 2008</th>
<th>H1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional thereof D&amp;A</td>
<td>54</td>
<td>1</td>
</tr>
<tr>
<td>Performance Polymers</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Advanced Intermediates</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Performance Chemicals</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Reconciliation</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>11</td>
</tr>
</tbody>
</table>

**Performance Polymers: Low level of underlying demand, inventory devaluations and destocking impact performance**

- Sales remain depressed yoy with positive currency and portfolio effects only mitigating price and volume declines
- Selling prices declined on the basis of raw material indexed sales contracts and stronger Asian exposure (mainly in PBR)
- Selling price decline in balance with lower input costs
- SCP stable in intermediates but compounds still sluggish
- EBITDA pre and margin well below previous year, also impacted by H1 inventory devaluation of ~ €35 m
Advanced Intermediates: Solid business, but Q2 affected by seasonality and ongoing weak auto and construction

- Positive currency effect only mitigates price and volume decline
- Declining raw material prices were supportive to the segment’s performance even after expected selling price adjustments
- Underlying agro momentum remains strong esp. for SGO, however seasonally somewhat weaker (especially for herbicides in BAC)
- Volume losses in other BAC markets (automobile, construction) mitigated by favorable SGO volumes

*Net of projects financed by customers

Sales by BU

BAC
SGO

Performance Chemicals: Better volume momentum despite overall muted demand – Challenge09 mitigates

- Sales were lower as positive price and currency effects could only mitigate strong volume decline
- MPP, IPG and LEA are strongest contributors to sequential EBITDA improvement
- RUC and RCH continue to be burdened by weak auto industry
- IPG performed well in an ongoing difficult construction market
- Good pricing in Q2. Price decline expected in Q3, in line with raw-materials
- €10 m inventory devaluation in H1 2009

*Pre exceptionals
FY 2009: Volume improvement and effective self-help measures give us confidence but uncertain economic conditions remain

**Performance Polymers**
- Upside for BTR in Asia, PBR with some impetus from U.S. retreading business, potential replacement pickup could help
- SCP stable in intermediates but compounds still sluggish due to automotive exposure
- No significant re-stocking expected in Q3

**Advanced Intermediates**
- Agrochemicals expected seasonally weaker in Q3 but overall with good contribution
- Normal seasonality of therefore sequentially weaker Q4 expected

**Performance Chemicals**
- Positive end market development for LEA and IPG in Q3
- IPG with further sequential improvement expected in Q3
- RUC and RCH to benefit slightly from improved volumes
- No re-stocking effects expected
- Normal seasonal nature apparent (Q4 weaker: construction, automobile)

Cash is king: Tight working capital management strengthens cash flow, reduces net debt

- Cash inflow from strong working capital management reduces net debt
- New €500 m bond as well as €130 m Schuld schein increase both liquid assets and financial liabilities

Net financial debt continuously managed

*Adjusted for liabilities for accrued interest, 2009 after deduction of €27 m in Q1 and €17 m in Q2 in specific exchange hedging of financial liabilities

*english: promissory note
Maturity profile extended and strengthened by additional bond and Schuldschein³

Strong cash position managed

- Cash position to be invested in highly rated & liquid bank deposits, money market funds and / or government bonds (including ETFs)
- Increased investments in maturities > 90 days, leading to increasing financial asset position
- Possibility to use cash to selectively early repay bank debt
- Counterparty risks minimized by strict rating and concentration criterias

- €130 m additional financing by Schuldschein³ maturing in 2012

In times of crisis, access to unconditioned liquidity is a valuable asset in its own right

Liquidity and maturity profile

- In € m
- Drawn
- Undrawn
- 2009 2010 2011 2012 2013 2014
- Short-term Facilities
- Bond² & Schuldschein³
- Term Loan³
- Bond²

Rating-agencies confirm LANXESS’ achievements

- Liquidity is strong
- Will manage investments and balance sheet in light of the currently difficult economic environment
- Has successfully restructured business activities

- Lanxess Baa2 rating continues to reflect the issuer's adequate debt and cash flow metrics for the current rating category
- The group's strong liquidity profile remains highly supportive of the stable outlook

- Improved business risk, cost position and capital structure
- Product portfolio has moved up the value scale over the past four years
- Fitch takes comfort in Lanxess’s strong liquidity

Source: Rating-Agencies
LANXESS Break-Even* now at around 10% points lower capacity utilization

**Fixed and variable cost management lower Break-Even**

**Variable cost aspects**
- Renegotiation of raw material contracts
- Seek new sources for variable energy
- Renegotiate service contracts, insourcing of services

**Fixed cost - structural aspects**
- TRP closure in Sarnia, Canada
- ION closing Birmingham, USA
- BTR restructuring Sarnia, Canada and Zwijndrecht
- Petroflex restructuring

**Fixed costs - temporary aspects**
- Introduction of fixed salary cut
- Introduction of short time work, "Kurzarbeit"
- Renegotiation of service contracts

---

Reduced headcount by ~280 employees vs. Q1 2009

**Headcount development since 2003**

- Including ~800 HC from Petroflex
As raw materials are expected to rise, typical lag-effect for price pass-through cannot be excluded

- In Q1 2009, raw materials decreased, lag-effect helped keeping selling prices stable
- In Q2 2009, raw materials stabilized at very low level as selling prices came down, following raw materials price decline in Q1
- In Q3 2009, rise in raw material prices probable, stable level in selling prices cannot be excluded due to time lag in price pass-through

Challenge09: specific measures in response to the crisis

1. Adherence to price-before-volume strategy
2. Temporary targeted cost reductions in specific areas based on
   - reduction of energy, infrastructure services and logistics
   - adjustment of plant management and processes
   - reduction of service level throughout the group
   - global reduction of remuneration (+ flexible workforce deployment)
   - More than 100 specific projects initiated
3. Major projects postponed (investments)

**Flexible asset management (plant, site and global)**

**Savings volume:**
€ 250 million in 2 years

**Cash postponement:**
€ 100 million in 2009
Challenge09: substantial savings effective already 2009

<table>
<thead>
<tr>
<th>In € m</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Σ 2009 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mitigating volume decline</td>
<td>45</td>
<td>130</td>
<td>120</td>
<td>250</td>
</tr>
<tr>
<td>P&amp;L Expenses/one time costs*</td>
<td>-139</td>
<td>-40</td>
<td>-10</td>
<td>-50</td>
</tr>
<tr>
<td>Estimated cash out</td>
<td>-80</td>
<td>-80</td>
<td>-20</td>
<td>-100</td>
</tr>
</tbody>
</table>

Break down of cost savings 2009
- Reduction of remuneration ~€65 m
- Reduction of G&A costs ~€20 m
- Additional projects ~€45 m
- Restructuring BUs BTR, TRP
- Realignment of BU FCC
- Streamlining of Petroflex
- Consolidation of U.S. and Canadian admin organizations

Serving global markets with world-wide rubber manufacturing network

**Butyl Rubber**
- Zweijndrecht, Belgium
- Sarnia, Canada
- Singapore (planned)

**Performance Butadiene Rubbers**
- Port Jerome, France
- Dormagen, Germany
- Orange TX, USA

**Technical Rubber Products**
- La Wantzenau, France
- Dormagen, Leverkusen and Marl, Germany
- Orange TX, USA

**Petroflex**
- Cabo, Brazil
- Duque de Caxias, Brazil
- Triunfo, Brazil
Is LANXESS a swing producer?

Tyre manufacturers produce insufficient synthetic rubber for their captive use

<table>
<thead>
<tr>
<th>Importance in LANXESS portfolio</th>
<th>Michelin</th>
<th>Goodyear</th>
<th>Bridgestone</th>
<th>Continental</th>
<th>Pirelli</th>
<th>Hankook</th>
</tr>
</thead>
<tbody>
<tr>
<td>major</td>
<td>BTR</td>
<td>none</td>
<td>none</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>major</td>
<td>PBR¹</td>
<td>little²</td>
<td>capable</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>minor</td>
<td>S-SBR</td>
<td>capable</td>
<td>capable</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>major</td>
<td>E-SBR</td>
<td>little</td>
<td>capable</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>major</td>
<td>NBR</td>
<td>none</td>
<td>none</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
</tbody>
</table>

¹ Nd-PBR / Know how present, licensing to others

LANXESS is not a swing producer

August 12 2009    Q2 2009 Results Conference Call    Chart-No. 44

Does natural rubber cannibalize synthetic rubber?

Risk of substitution

<table>
<thead>
<tr>
<th></th>
<th>Low substitution risk</th>
<th>High substitution risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBR¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S-SBR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-SBR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NBR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPDM</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Nd-PBR

Overall, very limited substitution possibility

August 12 2009    Q2 2009 Results Conference Call    Chart-No. 45
### Abbreviations

<table>
<thead>
<tr>
<th>Performance Polymers</th>
<th>Advanced Intermediates</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTR</td>
<td>BAC</td>
</tr>
<tr>
<td>Butyl Rubber</td>
<td>Basic Chemicals</td>
</tr>
<tr>
<td>PBR</td>
<td>SGO</td>
</tr>
<tr>
<td>Performance Butadiene Rubbers</td>
<td>Saltigo</td>
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<tr>
<td>TRP</td>
<td></td>
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<tr>
<td>Technical Rubber Products</td>
<td></td>
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<tr>
<td>SCP</td>
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<tr>
<td>Semi-Crystalline Products</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Chemicals</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MPP</td>
<td>Material Protection Products</td>
</tr>
<tr>
<td>IPG</td>
<td>Inorganic Pigments</td>
</tr>
<tr>
<td>FCC</td>
<td>Functional Chemicals</td>
</tr>
<tr>
<td>LEA</td>
<td>Leather</td>
</tr>
<tr>
<td>RCH</td>
<td>Rhein Chemie</td>
</tr>
<tr>
<td>RUC</td>
<td>Rubber Chemicals</td>
</tr>
<tr>
<td>ION</td>
<td>Ion Exchange Resins</td>
</tr>
</tbody>
</table>

### Contact detail Investor Relations

**Oliver Stratmann**  
Head of Investor Relations  
Tel. : +49-214 30 49611  
Fax. : +49-214 30 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 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