



LANXESS – FY 2008 Results Presentation Investor & Analyst Briefing

Dr. Axel C. Heitmann, CEO

Matthias Zachert, CFO

Duesseldorf, March 19, 2009

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Agenda

- **Executive overview**
- Financial review FY and Q4 2008
- Outlook and measures adopted to address the crisis

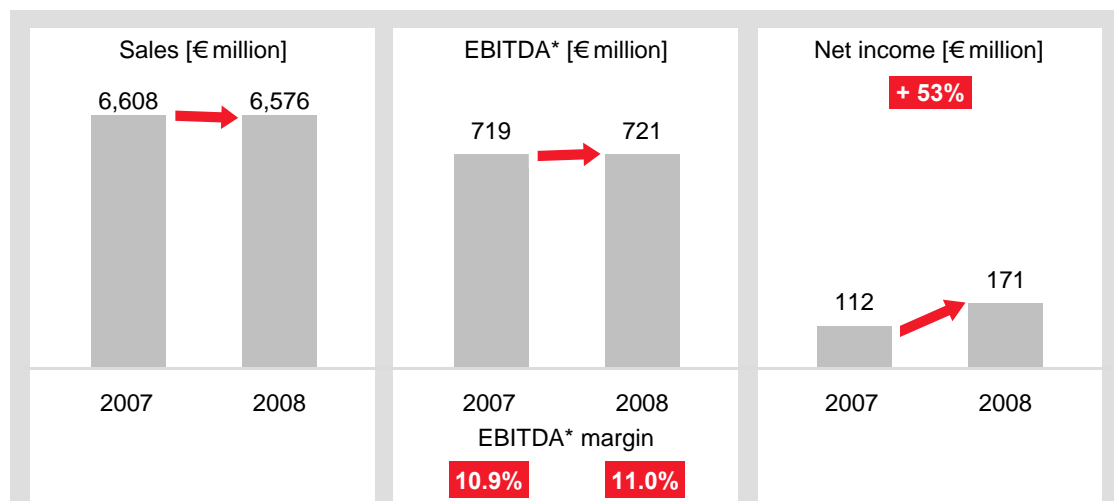
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Chart-No. 3

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2008 – a healthy and profitable year for LANXESS



* pre exceptionals

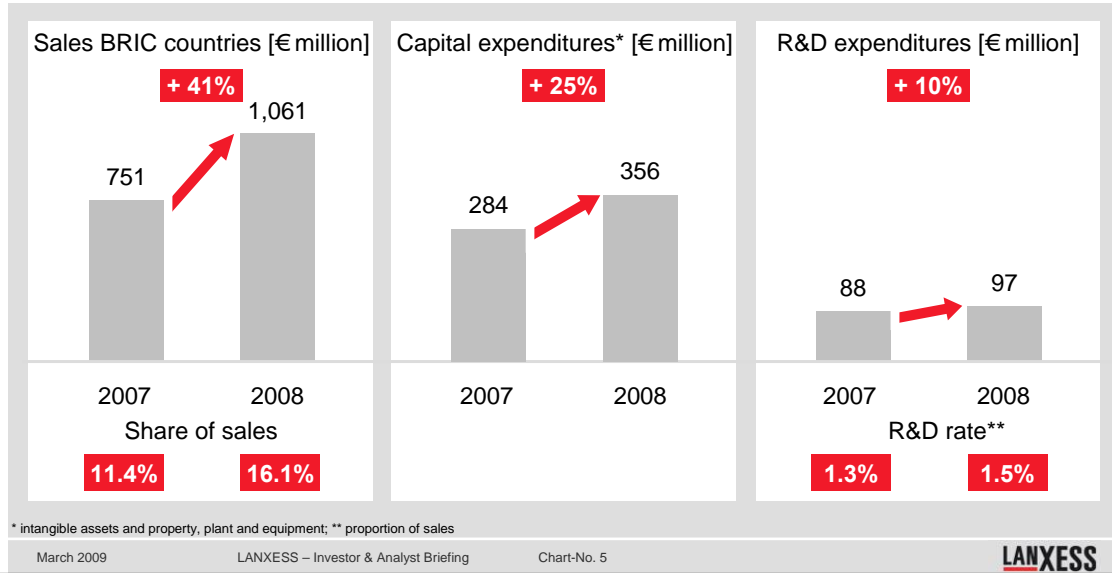
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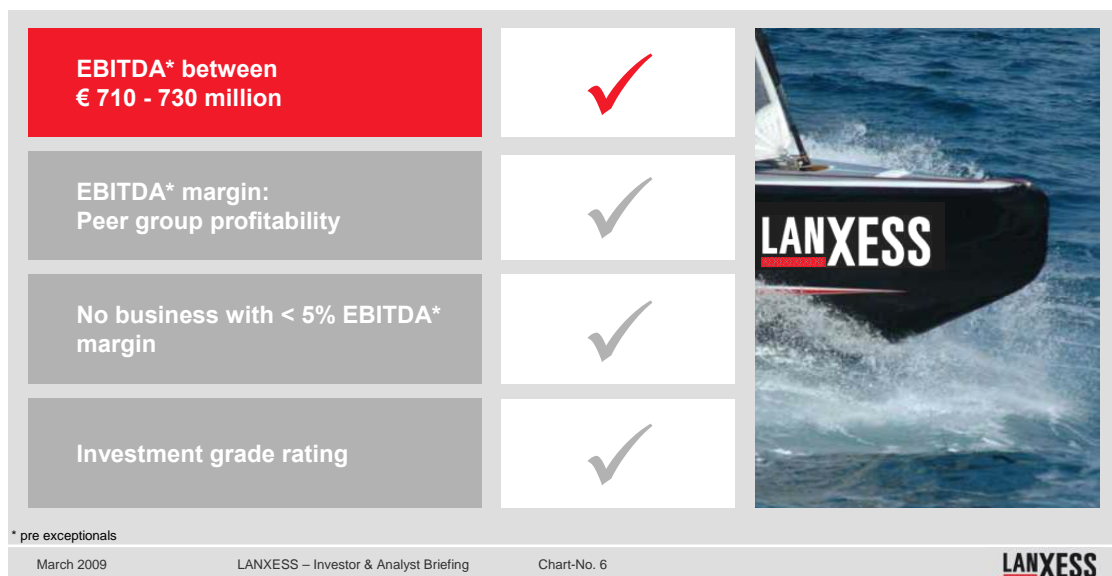
Chart-No. 4

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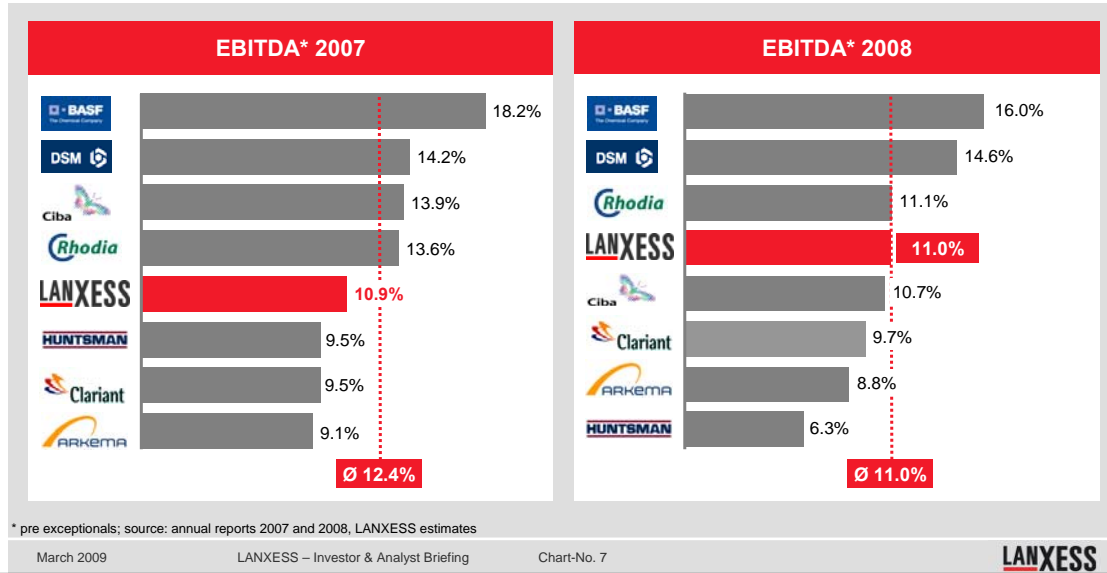
Sustainable investment for future success



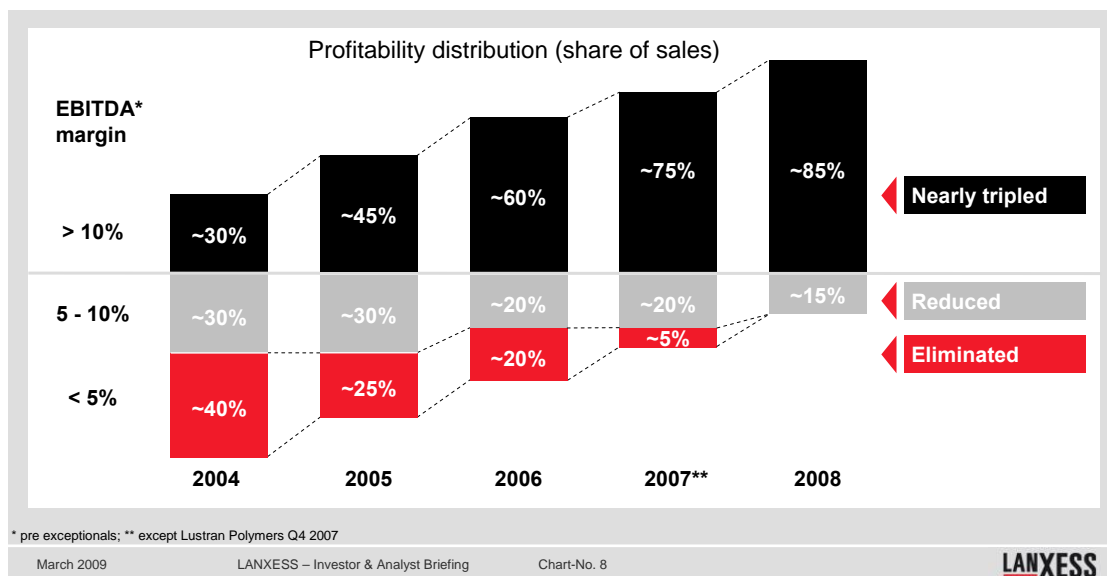
Targets set for 2008 achieved despite difficult Q4



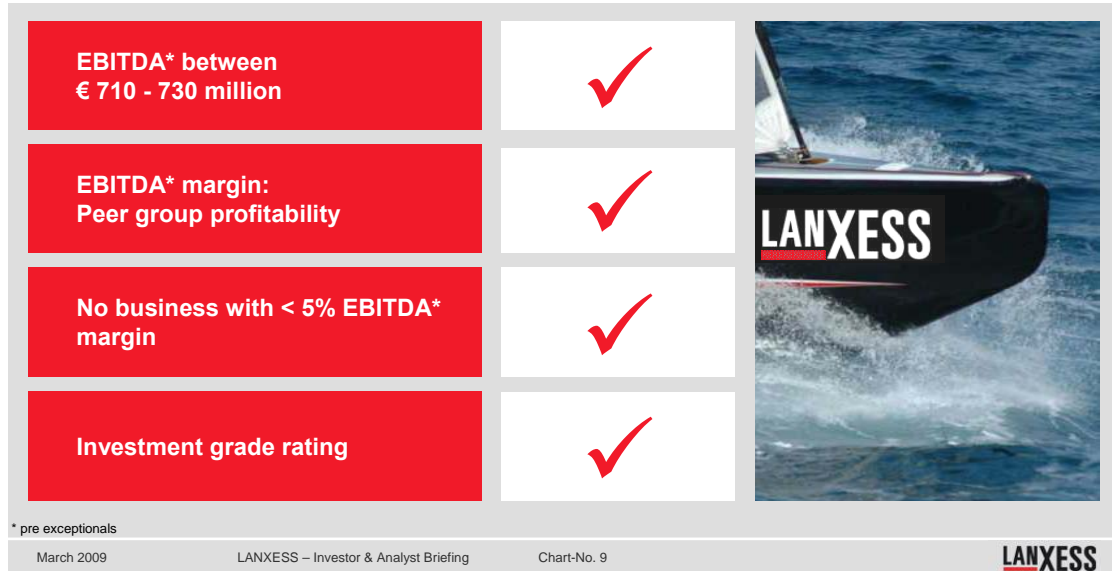
LANXESS levels with peer group



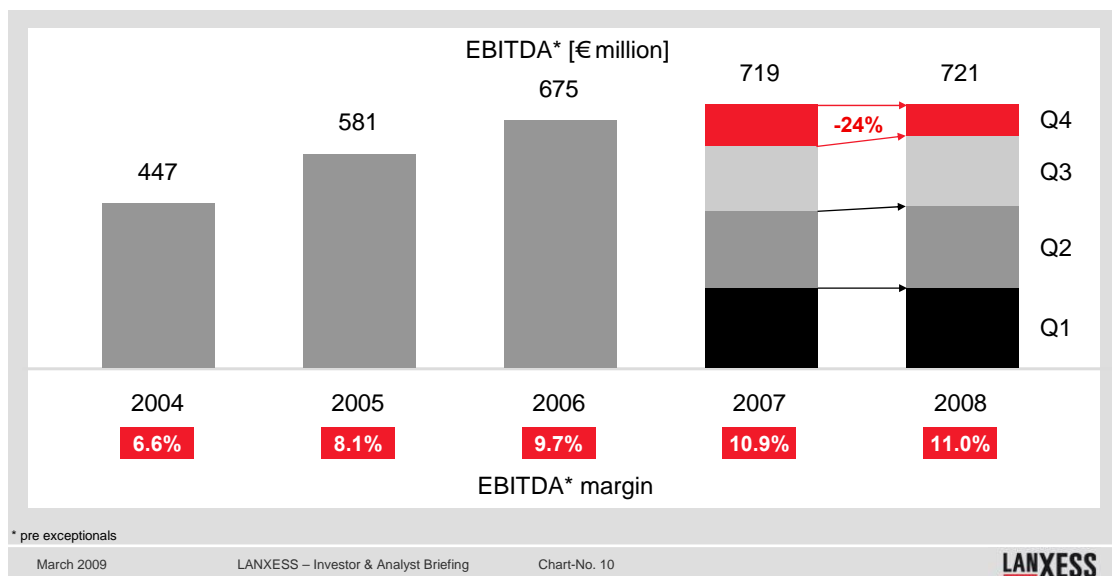
Proportion of profitable businesses rose for 4th straight year



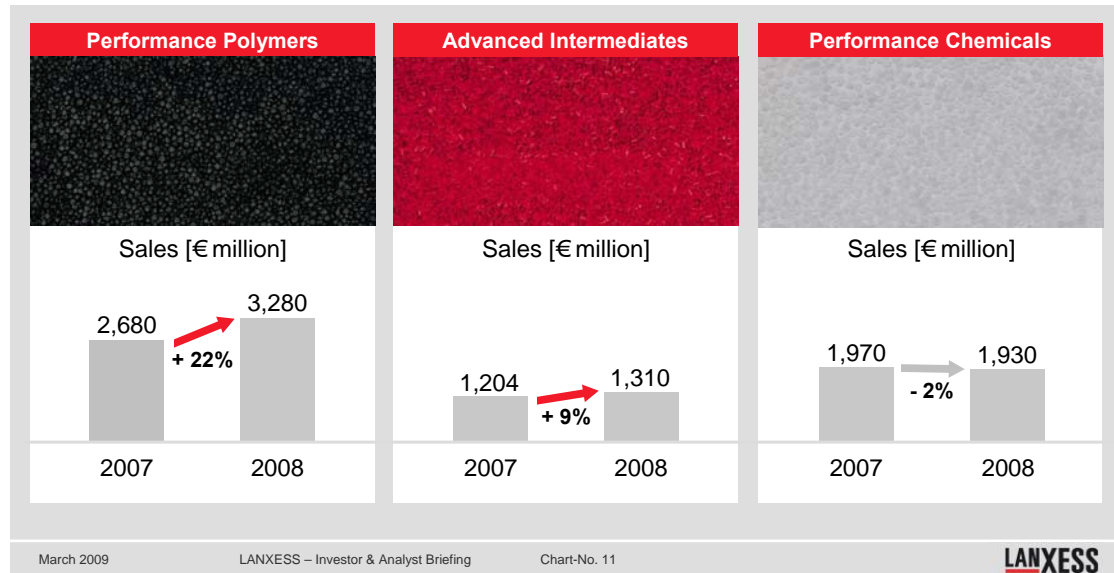
Targets set for 2008 achieved despite difficult Q4



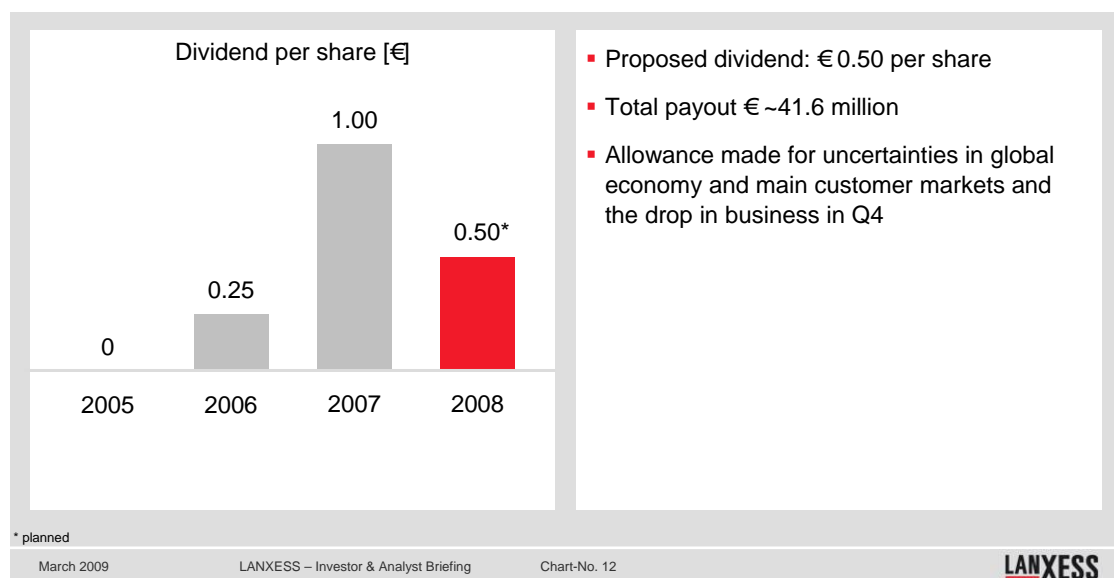
Earnings increased four years in a row – despite difficult Q4 2008



Sales growth especially in Performance Polymers



Dividend adjustment



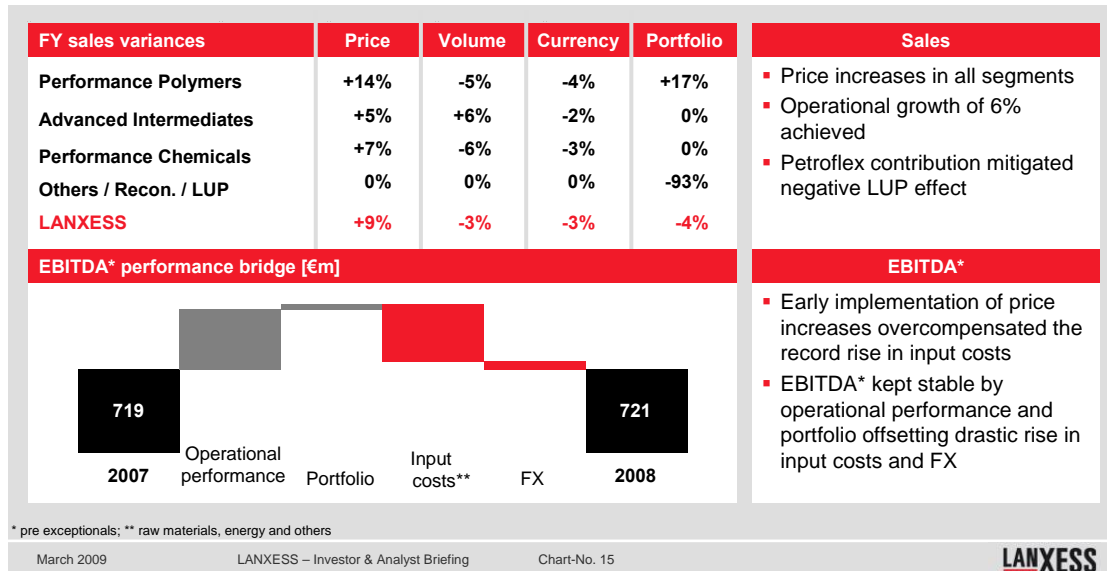
Agenda

- Executive overview
- **Financial review FY and Q4 2008**
- Outlook and measures adopted to address the crisis

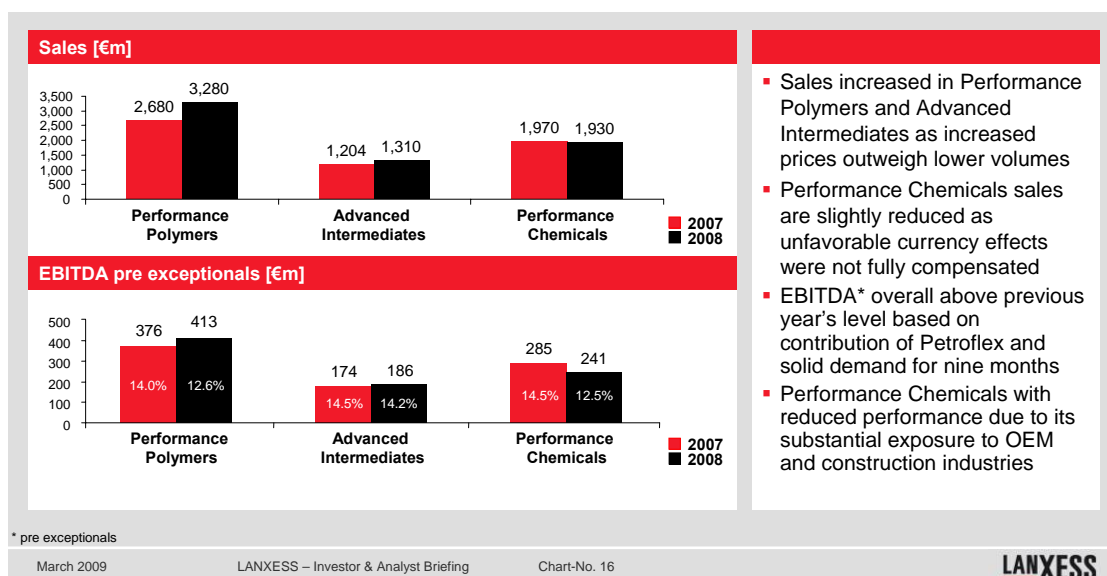
FY 2008 financial overview: operationally successful

[€m]	2007	2008	Change	
Sales	6,608	6,576	-0.5%	<ul style="list-style-type: none"> ▪ Sales on stable level as healthy pricing compensated lower volumes, FX and portfolio effect ▪ Despite soaring raw material costs, inventory devaluation and negative FX effects, EBITDA pre remains almost unchanged mainly due to strong pricing in all segments ▪ Net income 2007 burdened by divestment of BU LUP ▪ Net debt increased due to acquisition of Petroflex ▪ Headcount kept stable even though Petroflex was acquired
EBITDA pre exceptionals	719	721	0.3%	
Margin	10.9%	11.0%		
Net income	112	171	52.7%	
Capex	284	356	25.4%	
[€m]	Dec 31,2007	Dec 31,2008	Change	
Net financial debt	460	864	87.8%	
Net working capital	1,217	1,289	5.9%	
Employees	14,610	14,797	1.3%	
Delivered despite increased macroeconomic headwind				

Solid operational performance offset sharp rise in input costs



FY 2008 successfully performed and delivered



Q4 2008 P&L burdened with several impacts

[€m]	Q4 2007	Q4 2008	Change	
Sales	1,465	1,462	0%	<ul style="list-style-type: none"> Q4 burdened by <ul style="list-style-type: none"> still high raw material costs due to contract prices being above spot market Underutilization due to demand collapse Inventory write offs (~€35 m) impacting operation result Despite consolidation of Petroflex and risen input costs, functional costs almost stable Exceptionals for restructuring: FCC, BTR and other cost cutting initiatives burden EBIT and net income
Cost of goods sold	-1,165	-1,205	3%	
Selling and administration expenses	-222	-224	1%	
Research and development expenses	-20	-22	10%	
Other operating result	-53	-57	-53%	
of which exceptionals	-46	-70	-46%	
Operating result (EBIT)	5	-46		
Net income	5	-41		
EPS	0.05	-0.49		
EBITDA	67	30	-55%	
of which exceptionals	-47	-57	21%	
EBITDA pre exceptionals	114	87	-24%	
Tough quarter managed				

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Chart-No. 17

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Performance Polymers: tough quarter driven by volume decline accelerated by customer destocking

[€m]	Q4 2007	Q4 2008		
Sales	684	741	<ul style="list-style-type: none"> Sales increased as healthy pricing, supportive currency effects in all BUs, as well as portfolio (PFX), offset volume decrease All BUs managed to increase pricing, thus completely compensated a further increase in raw material prices On top of weaker demand, additional burden of customer destocking further decreased volumes Margin under pressure due to drastic volume decline, especially in SCP, TRP ~30 million EUR inventory write off reducing EBITDA pre mainly in PBR and TRP Higher Capex due to hurricane Ike and Petroflex 	
EBIT	60	6		
Depr. / Amort.	27	36		
EBITDA	87	42		
EBITDA pre exceptionals	87	55		
Margin	12.7%	7.4%		
Capex	61	94		
Sales by BU				Sales performance bridge [€m]
				<p>(approximate numbers)</p> <p>Q4 2007 Price Volume Currency Portfolio Q4 2008</p>

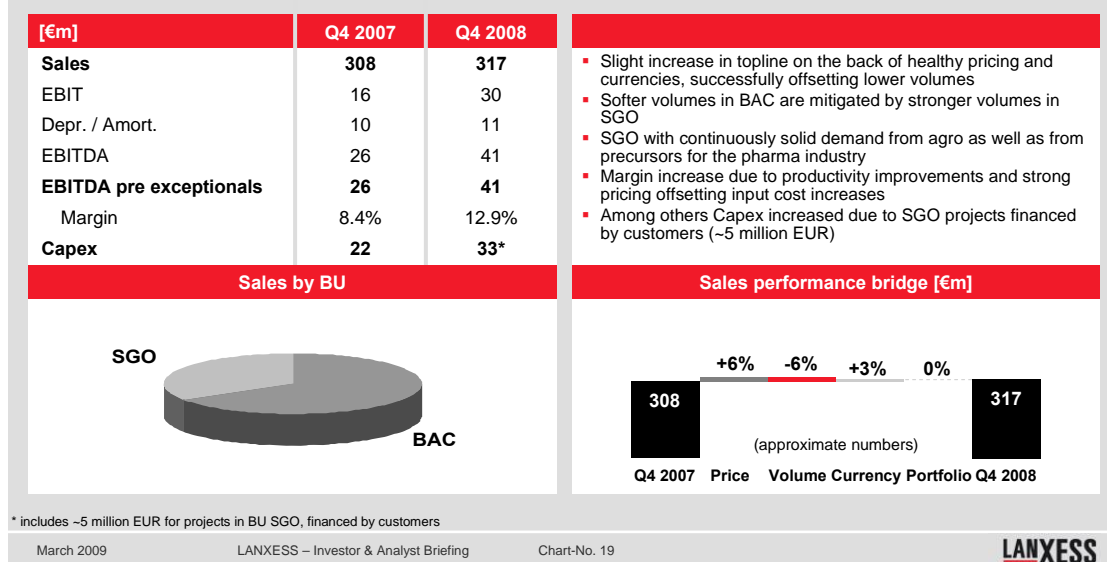
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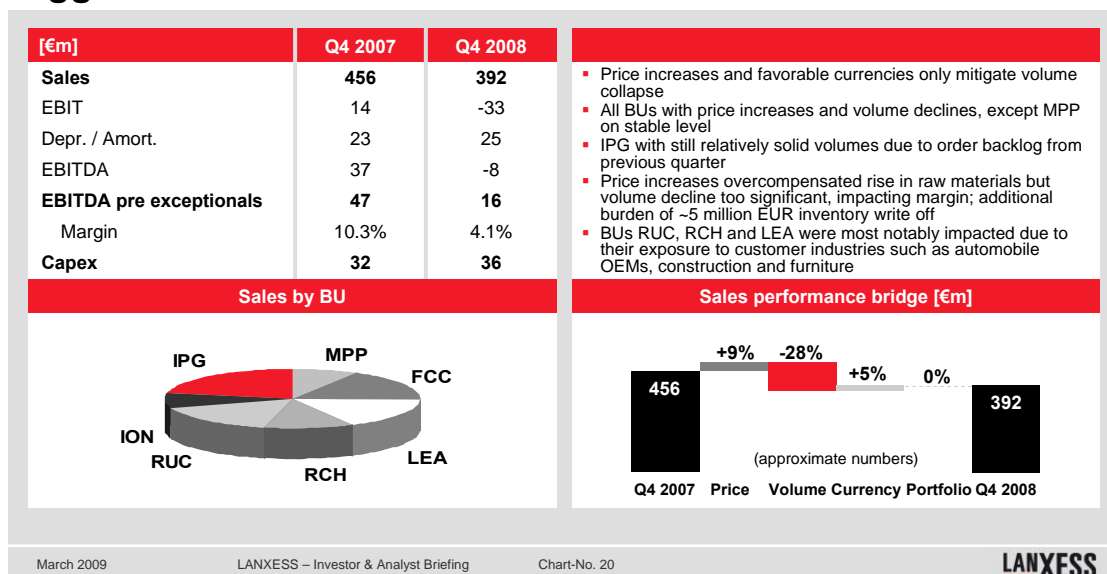
Chart-No. 18

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Advanced Intermediates: strongly benefiting from agro and pharma end markets



Performance Chemicals: customer industry shutdowns trigger weak Q4



Balance Sheet: only slight increase in net working capital, net debt rises due to acquisition

[€m]	Dec 31, 2007	Sep 30, 2008	Dec 31, 2008	Dec 31, 2007	Sep 30, 2008	Dec 31, 2008	
Non-current Assets	1,806	2,150	2,228	Stockholders' Equity	1,525	1,645	1,407
Intangible assets	33	130	145	thereof minority interest	17	78	16
Property, plant & equipment	1,459	1,605	1,646	Non-current Liabilities	1,456	1,801	1,944
Equity investments	33	47	49	Pension & post empl. provis.	470	489	483
Other investments	1	2	2	Other provisions	242	317	261
Other financial assets	85	59	72	Other financial liabilities	601	829	986
Deferred taxes	93	132	137	Tax liabilities	36	67	91
Other non-current assets	102	175	177	Other liabilities	47	44	76
				Deferred taxes	60	55	47
Current Assets	2,243	2,825	2,423	Current Liabilities	1,068	1,529	1,300
Inventories	895	1,129	1,048	Other provisions	371	391	395
Trade accounts receivable	809	1,051	725	Other financial liabilities	59	267	168
Other financial assets	128	200	155	Trade accounts payable	487	601	484
Other current assets	222	201	236	Tax liabilities	16	54	12
Liquid assets	189	244	249	Other liabilities	135	216	241
Total Assets	4,049	4,975	4,651	Total Equity & Liabilities	4,049	4,975	4,651

Strong backbone in turbulent markets

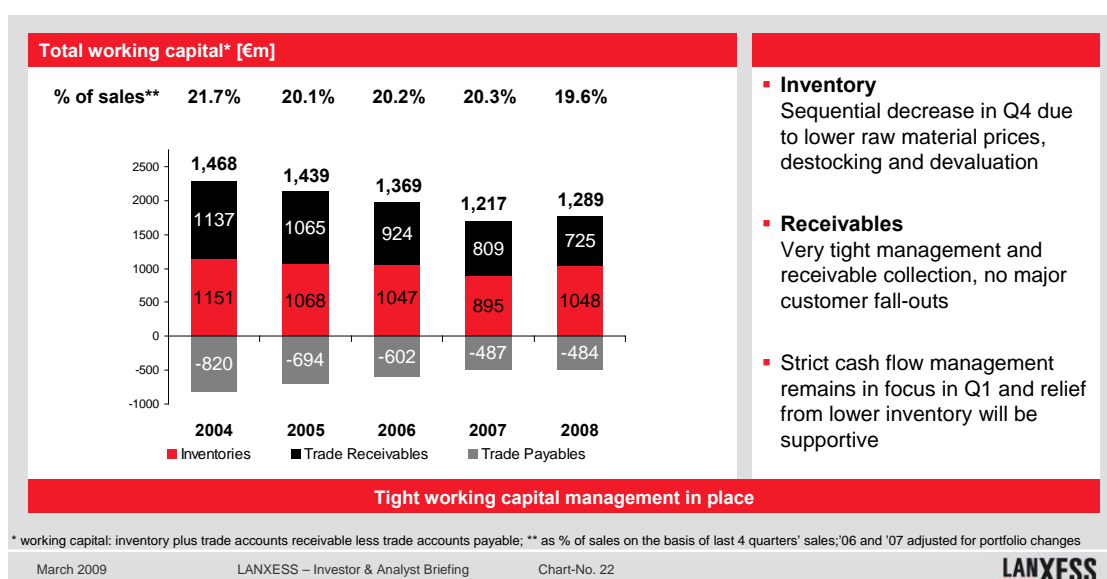
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Chart-No. 21

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Special focus on working capital management



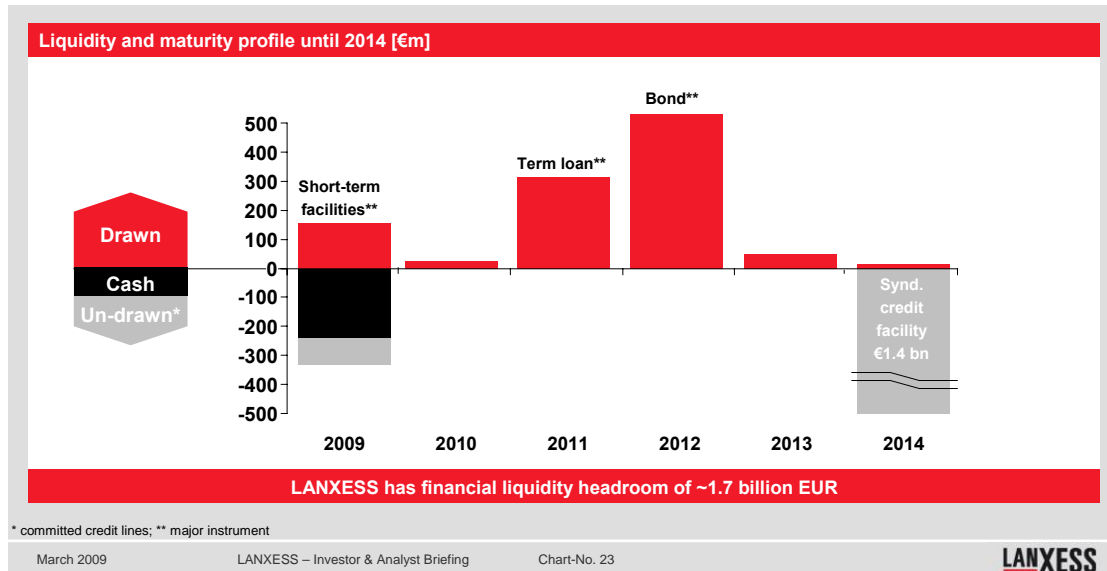
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Chart-No. 22

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Solid financing in place



Cash flow indicates persisting operational stability

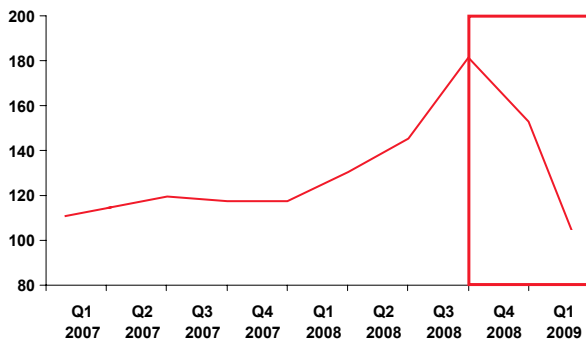
[€m]	2007	2008	
Profit before tax	172	229	<ul style="list-style-type: none"> 2007 profit before tax burdened by expenses in connection with the divestment of BU LUP Operating cash flow for 2008 contains ~80 million EUR restructuring cash out Cash inflow from working capital due to destocking and receivables management Investing cash flow contains payment for acquisition of Petroflex Capex contains cash outs relating to hurricane Ike and SGO projects (financed by customers) of ~15 million EUR
Depreciation & amortization	298	279	
Gain from sale of assets	-3	-15	
Result from investment in associate	1	-20	
Financial (gains) losses	-4	71	
Cash tax payments	-114	-120	
Changes in other assets and liabilities	199	56	
Operating cash flow before changes in WC	549	480	
Changes in working capital	-79	26	
Operating cash flow	470	506	
Investing cash flow	-335	-557	
thereof Capex	-284	-356	
Financing cash flow	-115	115	

Strong working capital management in place

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Substantial further decline of raw material prices in Q1 2009 likely to trigger additional inventory adjustments

Global raw materials index* [%]



- Inventory devaluation in Q4 2008 according to year end prices amounted to ~35 million EUR
- Further decline in prices likely leads to additional adjustment need in Q1 2009
- Main burden on PBR, TRP due to Butadiene exposure

Inventory devaluation in the magnitude of ~50 million EUR for Q1 2009

* average 2005 = 100%

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Chart-No. 25

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Agenda

- Executive summary
- Financial review FY and Q4 2008
- **Outlook and measures adopted to address the crisis**

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Chart-No. 26

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2009: no improvement in Q1



Current business situation

- Business trend remains extremely weak
 - Especially hard hit: Performance Polymers
 - Less hit: Advanced Intermediates

Q1 2009

- Operationally: Q1 2009 not above Q4 2008
- Inventory write-downs due to drop in raw material prices
- Cost reduction measures start to become effective

LANXESS focus on “self-help” measures

Visibility of demand development remains low

Governmental demand stimuli
 Gradual consumer spending recovery
 End of customer destocking



- Timing
- Magnitude of impact

Substantial LANXESS “self-help” measures coming into effect

LANXESS “Challenge09”

Lower raw material costs in P&L

LANXESS Elastômeros restructuring

Q1 2009




Q2 2009

Q3 2009

Q4 2009

2010

Flexible asset management on all levels

Plant level	Site level	Global level
		
<p>Challenge of substantial lower and volatile load level of chemical plants</p> <ul style="list-style-type: none"> ▪ Plant – Site – World net ▪ Chemical batch versus continuous reactions ▪ Co-products ▪ Material flow and energy network 		
<p>Tailor-made solutions for different technologies, assets and sites required</p>		
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Challenge09: specific measures in response to the crisis

Flexible asset management (plant, site and global)		
<ol style="list-style-type: none"> 1 Adherence to price-before-volume strategy 2 Temporary targeted cost reductions in specific areas based on <ul style="list-style-type: none"> ▪ 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) <p>➔ More than 100 specific projects initiated</p> 	<div data-bbox="1015 1447 1339 1771" style="background-color: red; color: white; padding: 10px; text-align: center;"> <p>Savings volume: € 250 million in 2 years</p> </div> <div data-bbox="1015 1771 1339 1872" style="background-color: red; color: white; padding: 10px; text-align: center;"> <p>Cash postponement: € 100 million in 2009</p> </div>	
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BTR is hit by drop of demand and reacts fast

Performance Polymers

Advanced Intermediates

Performance Chemicals

Group Level

BTR situation

- Capacity underutilization due to temporary reduction of mileage driven
- Short order pattern due to inventory management along the supply chain
- Mid- to long-term Asia will generate significant net demand growth

Aggressive cost reduction measures

- Flexible asset management incl. temporary full shut-downs in Sarnia (Canada) and Antwerp (Belgium)
- Cost reduction program for all BTR production sites
 - HR: aggressive restructuring leading to significant headcount reduction of ~270 in Sarnia and ~130 in Antwerp
- Delay of capacity expansion (Singapore)



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Chart-No. 31

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PBR demand decline but strong fundamental trends remain

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Advanced Intermediates

Performance Chemicals

Group Level

PBR situation

- Capacity underutilization due to temporary reduction of mileage driven
- Currently burden due to high tire inventories but customer restocking expected for H2 2009
- Share of high-performance tires continues to increase in all regions
- Underlying demand potential remains as global car park continues to grow

Aggressive cost reduction measures

- Flexible asset management incl. temporary full shut-downs
- Cost reduction program for all PBR production sites
 - HR: headcount reduction in Brazil and Dormagen (Germany)
 - Consolidation of assets and products as part of Petroflex integration



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Chart-No. 32

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SCP demand decline combined with destocking in value chain

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Advanced Intermediates

Performance Chemicals

Group Level

SCP situation

- Automotive as key SCP customer with major decline in demand
- Additional burden due to customer destocking
- Niche markets are stable (food, furniture)
- Orders on very short notice

Aggressive cost reduction measures

- Flexible asset management incl. temporary full shut-downs
- Cost reduction program for all SCP production sites
 - HR: short-time work in Germany and Belgium
- Delay of capacity expansions (Caprolactam + KA-Oil in Antwerp)



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Chart-No. 33

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BAC and SGO with good order books

Performance Polymers

Advanced Intermediates

Performance Chemicals

Group Level

BAC and SGO situation

BAC:

- Solid level of demand of intermediates for agrochemicals, nutrition and feed additives
- Lower demand of intermediates for coatings, plastics and automotive markets

SGO:

- Solid H1 due to full order books with blue-chip agchem customers
- Confident outlook due to technology position and solid customer base

BAC and SGO with still good momentum



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Chart-No. 34

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FCC restructuring agreed and initiated

Performance Polymers

Advanced Intermediates

Performance Chemicals

Group Level

FCC situation

- Significant slow down in demand for Plastic Additives (flame retardants, colorants and plasticizers) with no signs of short-term recovery

Aggressive cost reduction measures

- Redesign of business model and aggressive cost reduction
 - Rationalization and alignment of global sales organization
 - Optimization of R&D / Tech Service in Germany
 - Consolidation of asset base
 - HR: significant headcount reduction (~140 employees)
 - HR: short-time work in almost all areas of operations



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Chart-No. 35

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Various measures help to lighten burden for LEA

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Advanced Intermediates

Performance Chemicals

Group Level

LEA situation

- Leather goods become more attractive as prices of raw hides decline; recovering momentum expected later in 2009
- Slow customer destocking
- Customers lack financial liquidity

Aggressive cost reduction measures

- Flexible asset management incl. selective production shut-downs in South Africa, Germany, China and Argentina
- Cost reduction program for all LEA production sites
 - HR: short-time work in Italy and India
 - Manufacturing cost saving projects in Argentina and China



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Chart-No. 36

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Innovative solutions to tackle market pressures for IPG

Performance Polymers

Advanced Intermediates

Performance Chemicals

Group Level

IPG situation

- IPG benefits from diverse end-user portfolio (construction, paint & coatings, plastics etc.)
- Construction industry remains weak with additional burden of strong winter in Europe
- Customer with high inventories of finished goods

Aggressive cost reduction measures

- Flexible asset management incl. shut-downs in Uerdingen (Germany) and Jinshan (China)
- Cost reduction program for all IPG production sites
 - HR: reduced working hours by 12.5% at Porto Feliz (Brazil)*
 - HR: reduced working hours by 13.5% at Branston (UK)*
- Restructuring of all blending units worldwide



* with respective salary reduction

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Chart-No. 37

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Global personnel measures implemented

Performance Polymers

Advanced Intermediates

Performance Chemicals

Group Level

HR measures

Tariff employees in Germany

- 35-hour week introduced in March 2009* with corresponding pay reduction
- No variable compensation components for 2009

Managerial staff

- Compensation review postponed by at least 6 months
- Significant reduction in variable compensation

Board of Management

- Compensation review postponed
- Significant reduction in variable compensation

Global

- Specific arrangements in each country

Savings of € 65 million in 2009



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Chart-No. 38

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Challenge09: substantial savings effective already 2009

In € m	2008	2009	2010	Σ 2009 2010
Cost savings mitigating volume decline	45	130	120	250
P&L Expenses/ one time costs*	-139	-40	-10	-50
Estimated cash out	-80	-80	-20	-100
Cost savings mitigating volume decline				

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

*Restructuring/M&A

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Chart-No. 39

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Cash discipline to address weak business environment

In € m	2009	2010
Reduction in planned cash outs	~280	~30
Thereof Capex	~100	

Cash protection measures 2009 include

- Delay of investments such as for BTR, SCP and headquarters move
- Cost savings measures
- Reduced spending for maintenance
- HR remuneration measures

Strict cash out avoidance amounts to ~€280 m in 2009



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LANXESS proactively addresses the crisis with Challenge09

**Clear sense
of urgency**

**Challenge09: comprehensive program with
technical and personnel measures already
initiated**

**Fast decision
making**

**Timely and effective crisis measures
ensured by CEO-led crisis team**

**Strict cash
management**

**Program for cash avoidance and cost
savings initiated**



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Chart-No. 41

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Energizing Chemistry

TRP adopts innovative measures to manage the crisis

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Advanced Intermediates

Performance Chemicals

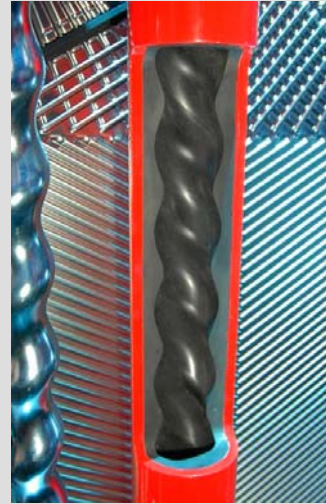
Group Level

TRP situation

- Relief in strategic raw material prices expected
- Asian recovery crucial but currently still with low visibility
- Ongoing low demand from light vehicles and trucks
- Non-automotive specialty elastomer business improving

Aggressive cost reduction and market measures

- Flexible asset management incl. full production shut-downs in U.S. and Germany
- Cost reduction program for all TRP production sites
 - HR: short-time work in all production plants
- Increase in tailor-made technical support for customers
- More focus on established non-automotive specialty rubber business



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Chart-No. 43

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RCH and RUC react on decline of automotive demand

Performance Polymers

Advanced Intermediates

Performance Chemicals

Group Level

RCH and RUC situation

- Exposure to automobile OEM producers triggers substantial decline in demand
- No substantial improvement expected in the near future

Aggressive cost reduction measures

RCH:

- Flexible asset management incl. temporary production shut-downs in Belgium, China, Germany and USA
- Cost reduction program for all RCH production sites
 - HR: headcount reduction of ~40 employees (until 2011)
 - HR: change of shift model in Toyohashi (Japan)

RUC:

- Cost reduction program for all RUC production sites
 - HR: short-time work in three plants in Europe
 - HR: reduction of working time per week by 4 hours in the U.S.



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Chart-No. 44

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