



**LANXESS AG**

**German & Austrian Corporate Conference**  
**Deutsche Bank**

**Matthias Zachert, CFO**

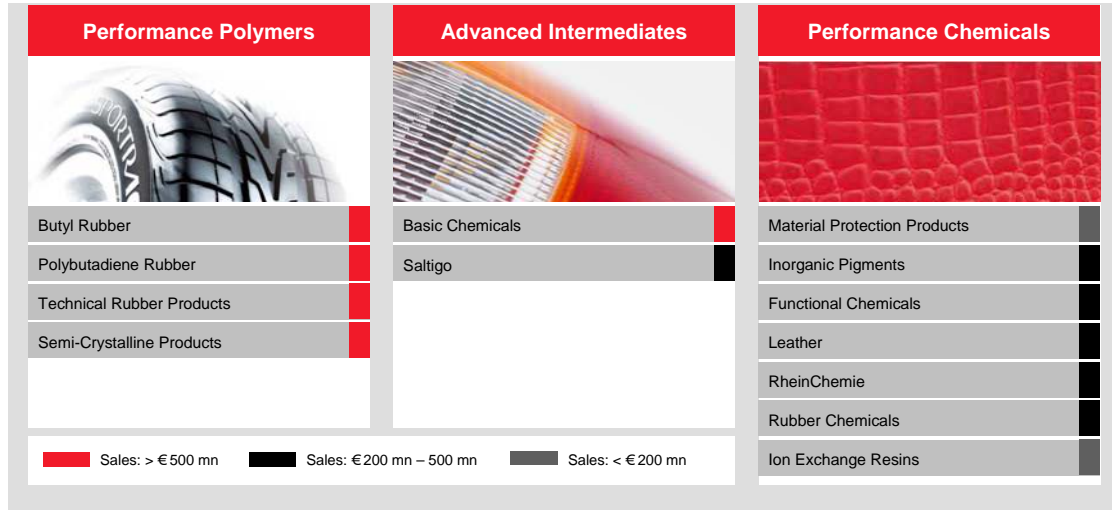
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## Agenda

- 1. Strategy update**
- 2. Business update**
- 3. Financial review**
- 4. Outlook and guidance 2008**

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



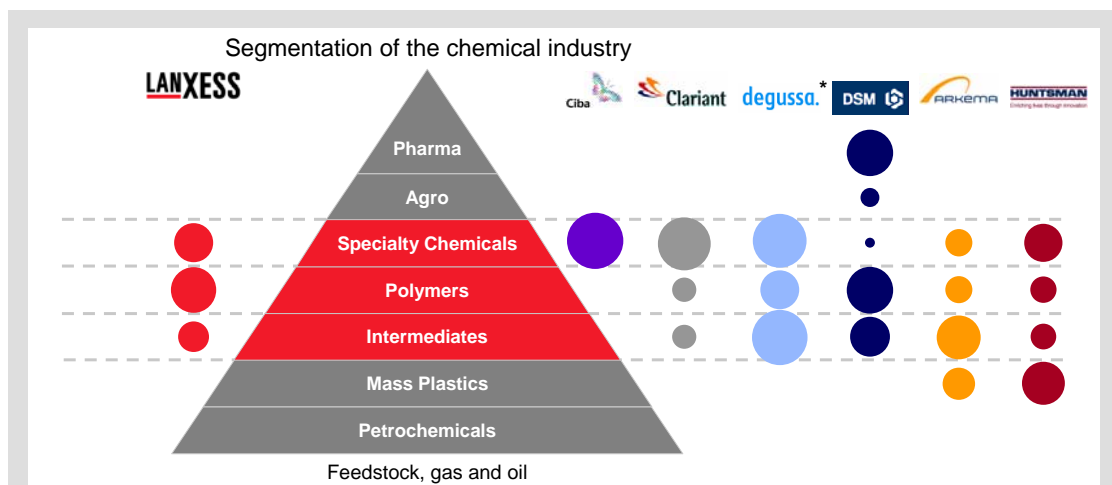
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## LANXESS ranks among the leading companies at the core of the chemical industry



\* Since 2007-09-12 a division of Evonik Industries

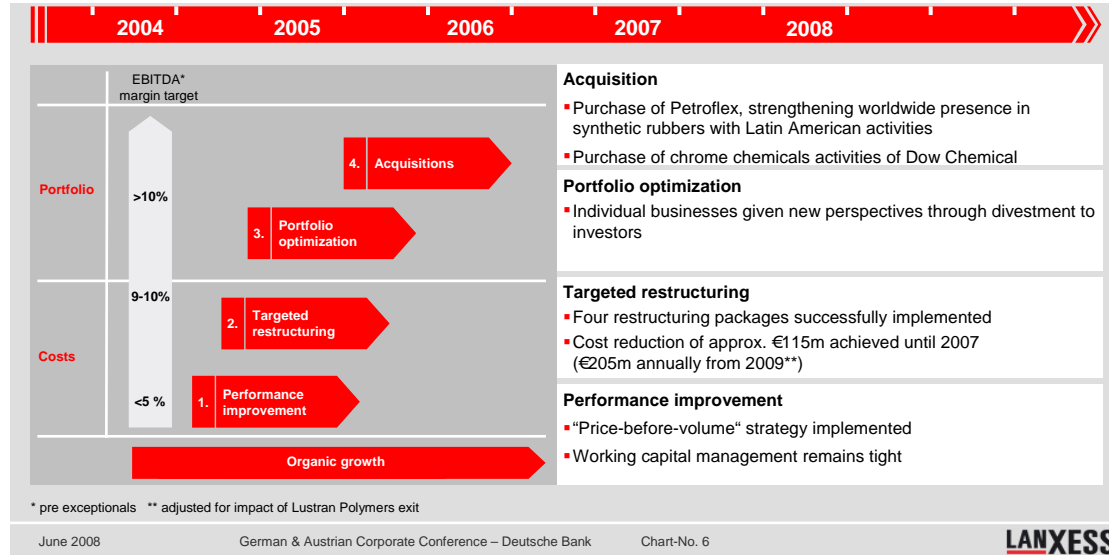
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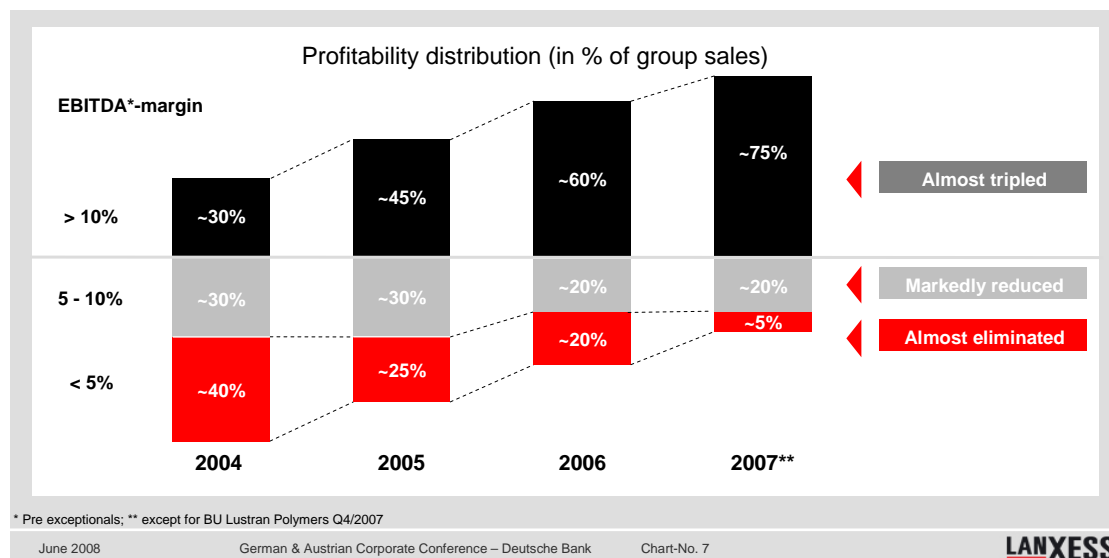
Chart-No. 5

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## Consistent delivery as four-phase strategy is implemented



## Share of profitable businesses further increased





## Portfolio management has continuously strengthened the company

	Sales	EBITDA* margin	Cyclicality	Business Driver
<b>Fibers</b>	~€100 m	<5%	High	Market shifting to Asia
<b>Paper</b>	~€240 m	<5%	Moderate	High industry consolidation
<b>Textile Processing Chem.</b>	~€150 m	5-10%	Moderate	Market shifting to Asia
<b>Lustran Polymers</b>	~€900 m	<5%	High	Overcapacity, Commoditization
<b>CISA</b>	~€20 m	n.a.	Low	Upstream Integration
<b>Petroflex</b>	~€500 m	>10%	Low	Global mobility trends

\* Pre exceptionals

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## Sustainable improvement trend of financials, based on strong operations

In € m	2004	2005	2006	2007	
EBITDA*	447	581	675	719	 <b>Strength</b>
EBITDA* margin	6.6%	8.1%	9.7%	10.9%	
Net financial debt	1,135	680	511	460	
Underlying EPS**	0.65	1.19	2.69	3.36	
 <b>Financial metrics continuously improved</b>					

\* Pre exceptionals; \*\*EPS pre exceptionals, based on actual tax rate

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## Outlook for our largest segment Performance Polymers is positive



**Performance  
Polymers**



- We are well positioned to participate in the growth from mobility and high-performance tire trends which will be serviced by our additional butyl capacities.
- LANXESS has indicative volume commitments from customers up to the full available capacity of BTR
- 2008 started well, European and Asian rubber markets hold up strong against the U.S.
- We are confident regarding the short- to midterm development of this segment

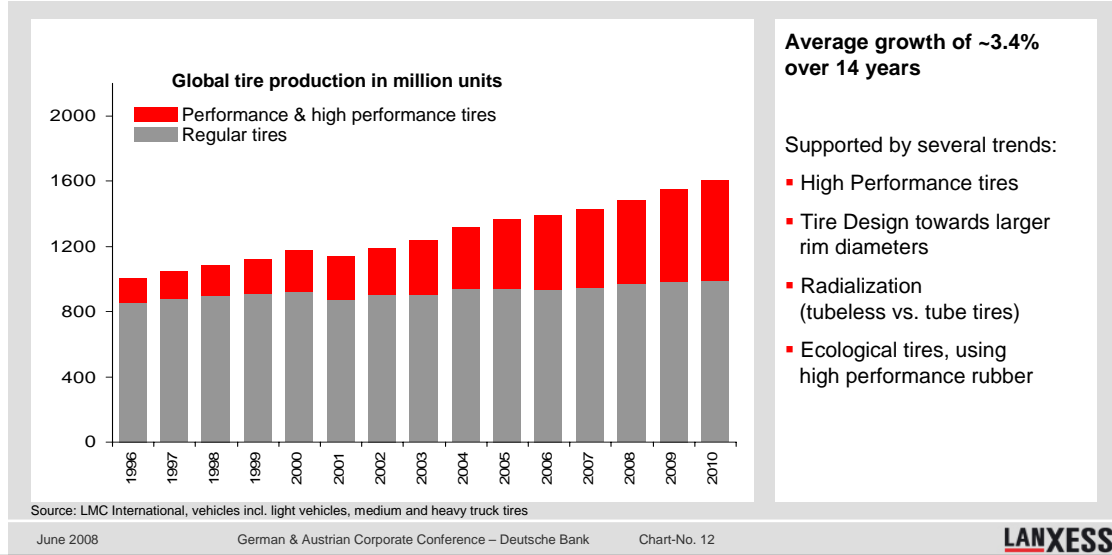
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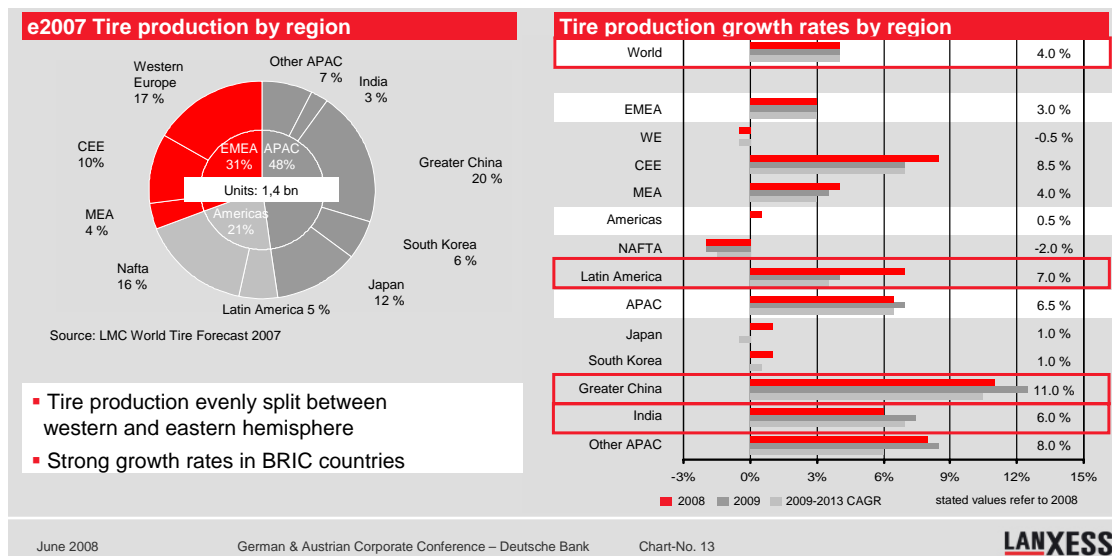
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## Tire production with stable growth dynamics



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



- Tire production evenly split between western and eastern hemisphere
- Strong growth rates in BRIC countries

## Petroflex acquisition: a compelling strategic rationale

### Overview of acquisition target

- Petroflex is a major player in synthetic rubber in Latin America
- 2007 sales of ~€535 million with 1,300 employees (incl. contractors)
- Solution (PBR, SSBR) and emulsion (NBR, ESBR) rubber
- Three manufacturing sites in Brazil with total capacity of ~400 kt

### Strategic rationale

- Strengthens LANXESS' position in the synthetic rubber market globally
- Reflects the strongly growing Latin American market for synthetic rubber
- Potential for synergies after integration

### Shareholder value creation

- EPS accretive in first year after closing
- Investment in profitable growth markets, where the products are expected to grow above GDP

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## Petroflex: good start of integration process

- Integration process of business into BU PBR started in April 2008
- Technology upgrade of Brazilian sites initiated
- Utilization of syndicated credit facility in Q1 to prepare financing – payment in Q2
- Mandatory offer / de-listing process expected to start in H2 2008



**Further strengthening our global footprint in synthetic rubber**

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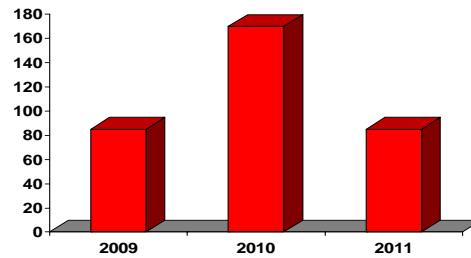
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## Strengthening our global butyl rubber business by adding a world scale production facility in Asia

### Summary

- Location: Singapore, chemical park on Jurong Island
- Most competitive BTR site
- Capacity: up to 100 kt/a
- Start of production: mid 2011
- Capex: up to € 400 million
- Plant is located close to the major Asian markets and close to raw material supply
- New butyl capacities are needed to serve the growing demand
- Assures LANXESS position as a leading butyl rubber producer

### Distribution of cash outflows



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

### Butyl Rubber

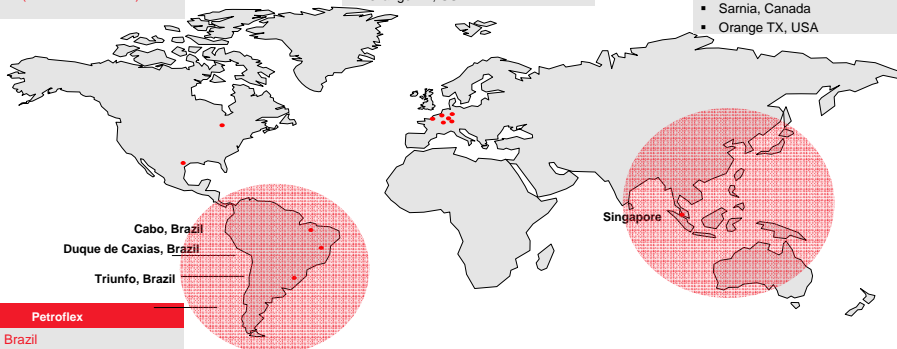
- Zwijndrecht, Belgium
- Samia, Canada
- Singapore (under construction)

### Polybutadiene Rubber

- Port Jerome, France
- Dormagen, Germany
- Orange TX, USA

### Technical Rubber Products

- La Wantzenau, France
- Dormagen, Leverkusen, Marl, Germany
- Samia, Canada
- Orange TX, USA



### Petroflex

- Cabo, Brazil
- Duque de Caxias, Brazil
- Triunfo, Brazil

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## Highlights Q1 2008

**Q1 2008**

**LANXESS started very well into 2008, despite mixed economic environment**

**Strong organic growth at 8.1%**

**EBITDA\* at €220 m – margin increased to 14.3%**

**Negative FX and portfolio effects as well as raw material price hikes were offset**

**Pricing power: substantial raw material price increases were fully passed on**

**Q2 indications support confidence for FY 2008**

\* Pre exceptionals

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## Sound P&L based on structurally healthy businesses

(€m)	Q1 2007	Q1 2008	Δ in %	
<b>Sales</b>	1,711	1,535	-10%	<ul style="list-style-type: none"> <li>Price increases (+3.8%) and higher volumes (+4.3%) more than offset unfavorable currency (-5.0%). Even portfolio changes (-13.4%) were partly compensated</li> <li>Cost structure shows positive implications of portfolio changes</li> <li>Other operating income comprises hedging gains, mitigating unfavorable effect in business segments</li> <li>EBITDA* performance above Q1 2007 despite absence of €10 m contribution from former BU LUP</li> </ul>
Cost of sales	-1,315	-1,158	-12%	
SG&A	-221	-213	-4%	
R&D	-22	-23	5%	
Other op. income / expense	-3	4	n.m.	
thereof exceptionals	-8	-14	75%	
<b>EBIT</b>	<b>150</b>	<b>145</b>	<b>-3%</b>	
<b>Net Income</b>	<b>91</b>	<b>103</b>	<b>13%</b>	
<b>EPS</b>	<b>1.08</b>	<b>1.23</b>	<b>14%</b>	
EBITDA	212	209	-1%	
thereof exceptionals	-7	-11	57%	
<b>EBITDA pre exceptionals</b>	<b>219</b>	<b>220</b>	<b>1%</b>	

\* Pre exceptionals

**EPS increased by 14%**

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## Strong price and volume performance across the board

Sales variances (€ m)	Price	Volume	Currency	Portfolio	
Performance Polymers	+7%	+5%	-7%	0%	<ul style="list-style-type: none"> <li>Strongest operational sales growth since spin-off</li> <li>Successful aggressive price increases and volume growth completely offset multiple unfavorable effects on EBITDA*:               <ul style="list-style-type: none"> <li>Absence of €10 m EBITDA* contribution (Q1 2007) from BU LUP</li> <li>Currency effects from weak U.S.-Dollar</li> <li>Raw material price hikes (€50 - 60 m)</li> </ul> </li> </ul>
Advanced Intermediates	+2%	+9%	-4%	0%	
Performance Chemicals	+2%	+2%	-5%	0%	
Others / Recon.	0%	1%	0%	-94%	
<b>LANXESS</b>	<b>+4%</b>	<b>+4%</b>	<b>-5%</b>	<b>-13%</b>	

EBITDA* performance bridge (€m)	
Q1 2007	219
BU LUP	
FX	
Raw Mat.	
Operational performance	
Q1 2008	220

\* Pre exceptionals

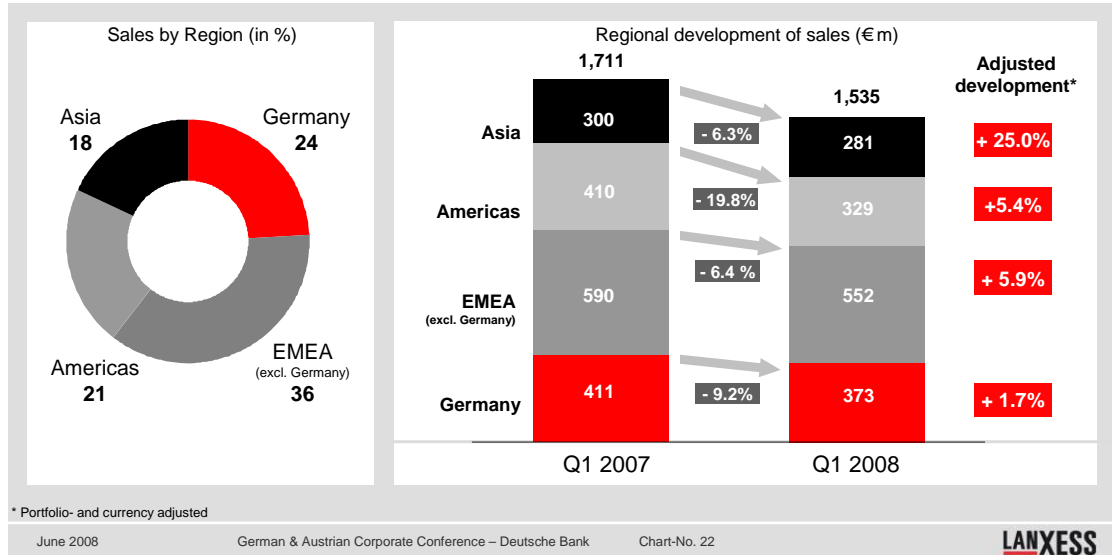
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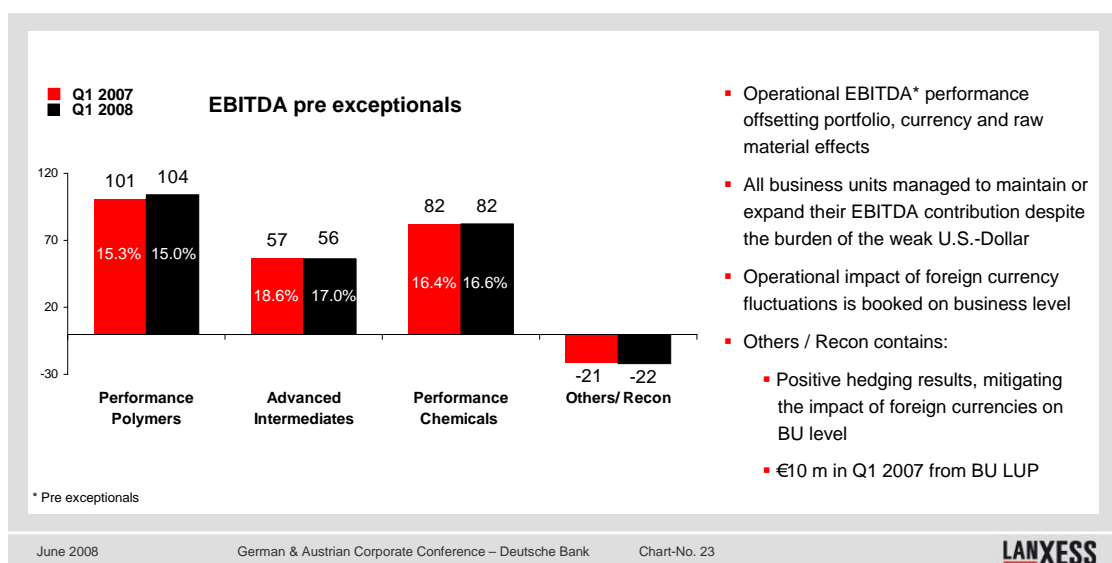
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## LANXESS participates in strong Asian growth



## Solid performance in all three segments



## Balance Sheet: continued strength

(€m)	Dec 31, 2007	Mar 31, 2008	(€m)	Dec 31, 2007	Mar 31, 2008
<b>Non-current Assets</b>	<b>1,806</b>	<b>1,732</b>	<b>Stockholders' Equity</b>	<b>1,525</b>	<b>1,571</b>
Intangible assets	33	32	thereof minority interest	17	18
Property, plant & equipment	1,459	1,387	<b>Non-current Liabilities</b>	<b>1,456</b>	<b>1,498</b>
Equity investments	33	38	Pension & post empl. provisions	470	469
Other investments	1	1	Other provisions	242	249
Financial assets	85	89	Financial liabilities	601	596
Deferred taxes	93	92	Tax liabilities	36	41
Other non-current assets	102	93	Other liabilities	47	87
			Deferred taxes	60	56
<b>Current Assets</b>	<b>2,243</b>	<b>2,558</b>	<b>Current Liabilities</b>	<b>1,068</b>	<b>1,221</b>
Inventories	895	932	Other provisions	371	350
Trade accounts receivable	809	914	Financial liabilities	65	198
Financial assets	200	258	Trade accounts payable	487	525
Other current assets	150	147	Tax liabilities	16	33
Liquid assets	189	307	Other liabilities	129	115
<b>Total Assets</b>	<b>4,049</b>	<b>4,290</b>	<b>Total Equity &amp; Liabilities</b>	<b>4,049</b>	<b>4,290</b>

Preparation for Q2 2008

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## Cash flow mirrors expanding business and seasonal effects

(€m)	Q1 2007	Q1 2008
<b>Profit before Tax</b>	<b>132</b>	<b>141</b>
Depreciation & amortization	62	64
Gain from sale of assets	0	-4
Result from investment in associate	3	-6
Financial (gain) losses	-2	4
Cash tax payments	-13	-20
Changes in other assets and liabilities	22	2
<b>Operating Cash Flow before changes in WC</b>	<b>204</b>	<b>181</b>
Changes in Working Capital	-97	-131
<b>Operating Cash Flow</b>	<b>107</b>	<b>50</b>
<b>Investing Cash Flow</b>	<b>-58</b>	<b>-55</b>
thereof Capex	-47	-39
<b>Financing Cash Flow</b>	<b>-7</b>	<b>126</b>

- Improved profit before tax on the basis of sound operations
- Operating cash flow Q1 2008 contains
  - €10 m restructuring cash out
  - Initial cash out of long-term incentive payment (-€10 m for EVP component)
  - Higher cash tax payments
- Higher outflow for working capital due to more pronounced seasonal development, based on expanded business volume and risen raw material costs in inventory
- Financing cash flow mirrors preparation for acquisition payment for Petroflex in Q2 2008

Underlying cash flow stability remains

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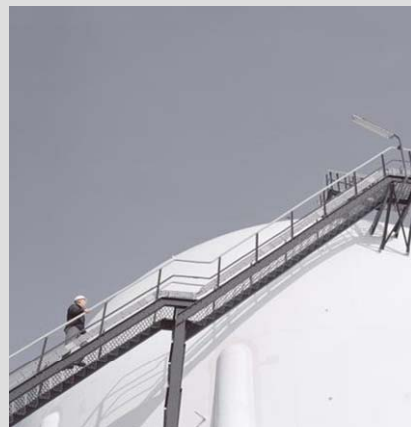
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## LANXESS remains confident for 2008 despite mixed macro-economic landscape

### Stable performance based on a diversified portfolio of premium products

- Operationally good start into 2008
- Further weakening of the U.S. economy expected in 2008, especially in the automotive and construction industry while most LANXESS businesses (e.g. tire and agro) remain strong
- Dynamic developments in others regions such as BRIC countries, Asia compensate for slowing NAFTA demand
- Crude oil and derivatives assumed to remain volatile and on high level
- Energy- and personnel cost to rise as of Q2 2008
- Strengthening of the USD earliest in H2 2008. FY 2008 average rate of ~1,50 USD/€ expected. (LANXESS' hedging: ~1,45 USD/€)



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## LANXESS with ambitious guidance for FY 2008

**Despite challenges ahead, LANXESS expects another solid FY performance**

**EBITDA\* FY 2008 is expected to be above €700 m**

**Further financial information:**

- ~€35-40 m of EBITDA\* from Petroflex for 9 months in '08
- Exceptional P&L expense in Q2 expected around €50-70 m
- Tax rate ~30% for FY 2008
- Capex '08: €330-350 m
- Q2 will see the majority of the announced cash outs:
  - Restructuring / efficiency programs
  - Petroflex acquisition
  - Dividend payout
  - Annual interest payment for €500 m bond



\* Pre exceptionals

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## LANXESS reiterates targets in a more demanding economic environment

**EBITDA\* targeted above €700 m**

**2008**

**EBITDA\* margin:  
Peer group profitability**

**2008**

**No business < 5% EBITDA\*  
margin**

**2008**

**Investment grade rating**



\* EBITDA figures pre exceptionals

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Chart-No. 29

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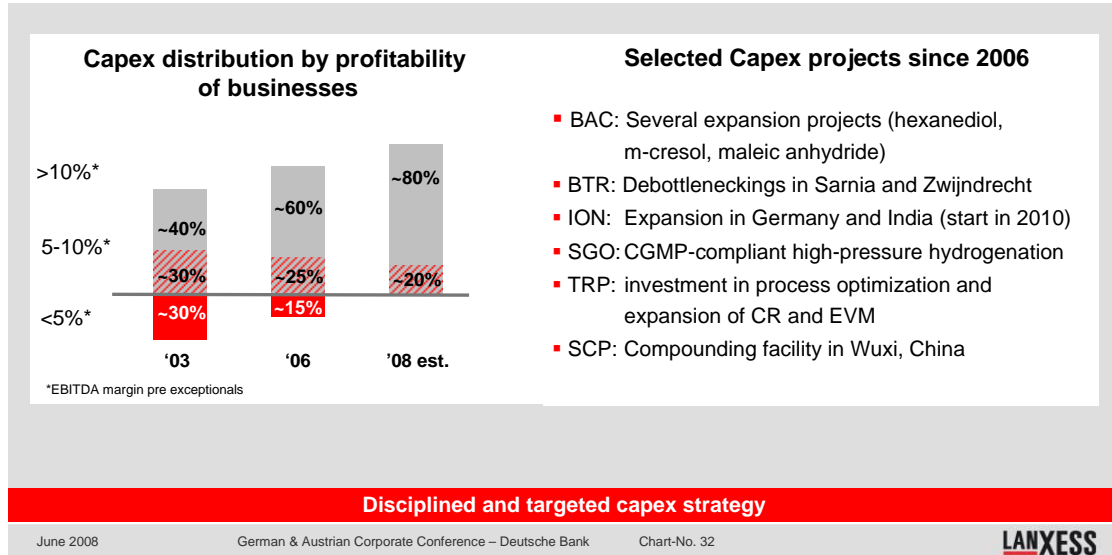
# LANXESS

Energizing Chemistry

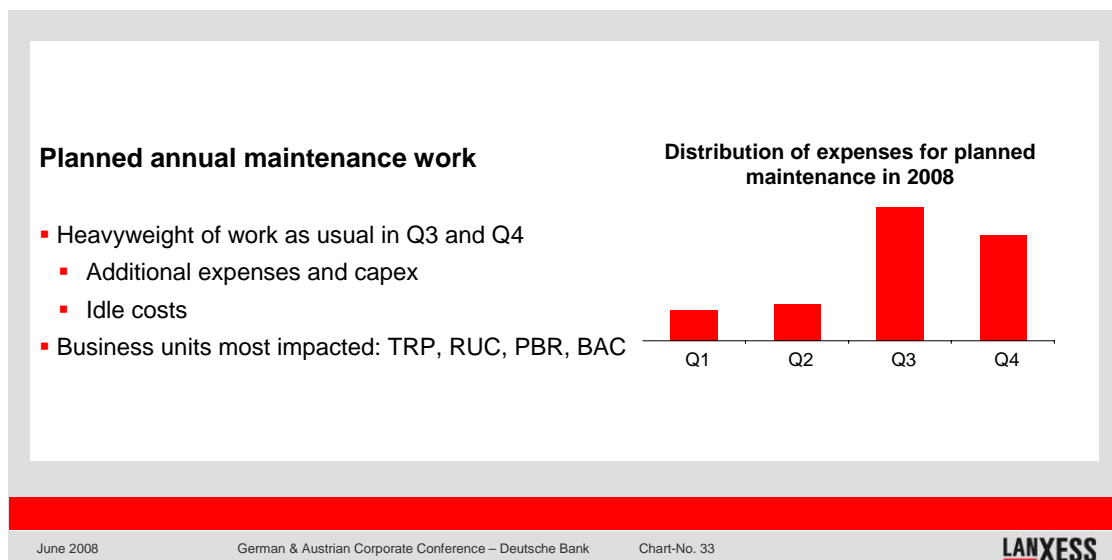


## Appendix

## Focused investment strategy strengthens profitability



## Reminder: seasonal expense allocation for maintenance



## LANXESS manages its currency exposure

### Items to bear in mind with regard to foreign currency fluctuations

- 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 2008 hedging position



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Chart-No. 34

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## Q1 2008 financial overview: EBITDA increase despite raw materials, currency and portfolio effect

(€m)	Q1 2007	Q1 2008	Δ in %
<b>Sales</b>	1,711	1,535	-10.3%
<b>EBITDA pre except. margin</b>	219 12.8%	220 14.3%	0.5%
<b>Net Income</b>	91	103	13.2%
<b>Net Financial Debt</b>	460*	468	1.7%
<b>Net Working Capital</b>	1,217*	1,321	8.5%
<b>Capex</b>	47	39	-17.0%
<b>Employees</b>	14,610*	14,620	0.1%

\* As per Dec 31 2007

- Lower sales due to portfolio effect (mainly BU LUP). Underlying sales however increased as higher prices and volumes offset currency effects

- Adjusted for portfolio changes, EBITDA pre exceptionals increased by 5% to €220 m from €209 m despite raw material pressure and unfavorable currency effects

- EBITDA margin improved on the basis of an improved business portfolio

- Working capital increased on seasonal trend, expanded business volume and higher raw material costs

**Good start into 2008**

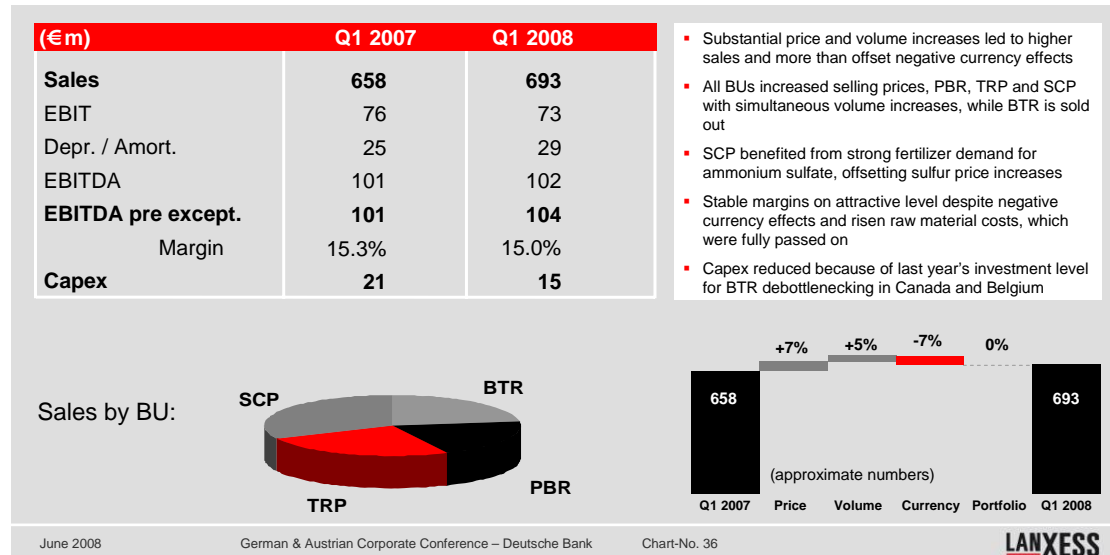
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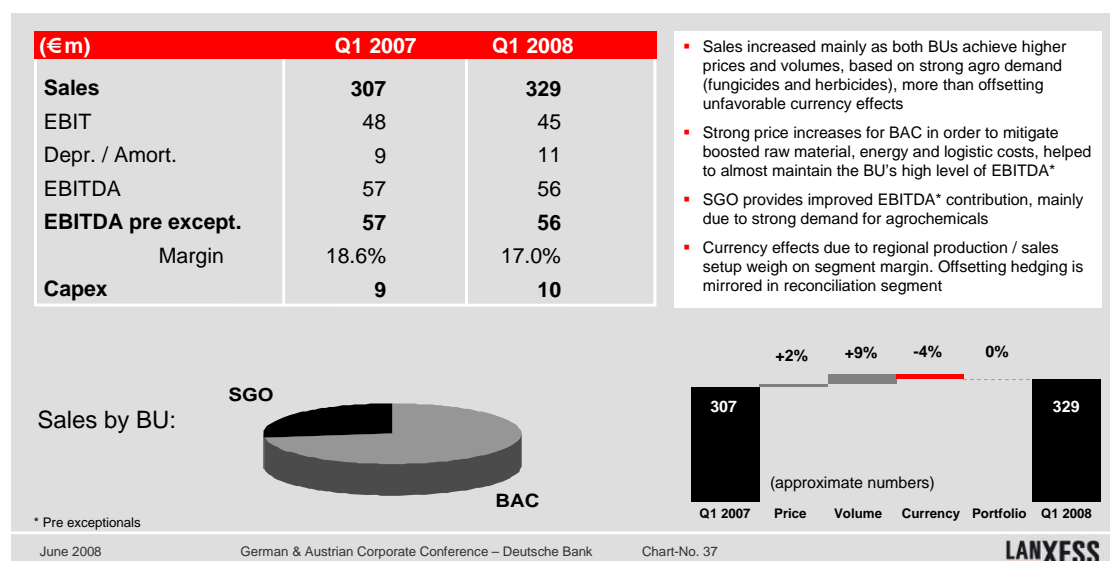
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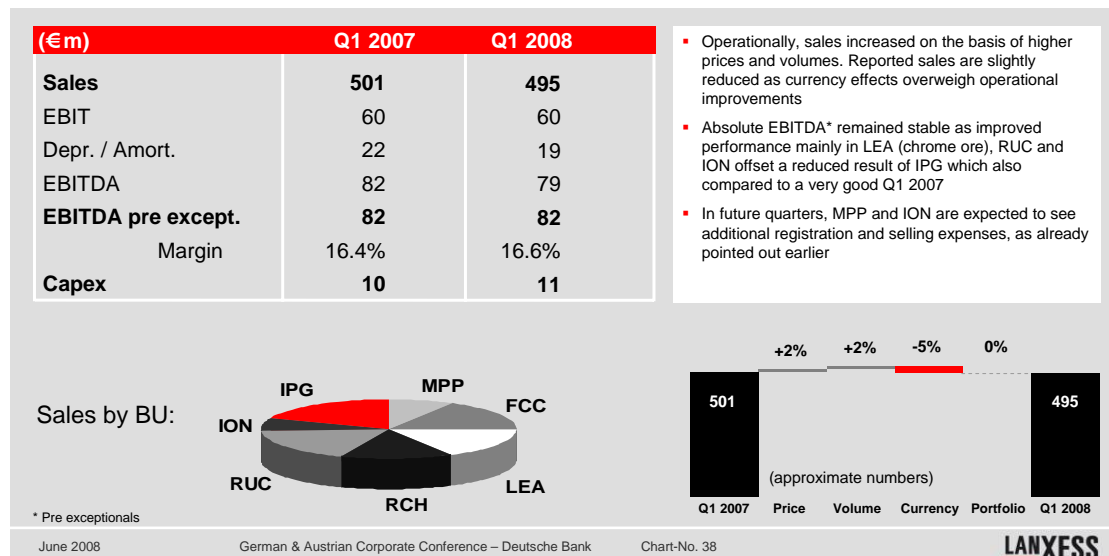
## Performance Polymers: price and volume increases more than offset currency impact



## Advanced Intermediates: strong underlying business while margin is affected by unfavorable currency effects



## Performance Chemicals: good performance on decent level



## Exceptional items incurred in Q1 2007 and Q1 2008

(€m)	Q1 2007		Q1 2008	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	0	0	5	3
Advanced Intermediates	0	0	0	0
Performance Chemicals	0	0	3	0
Reconciliation	8	1	6	0
<b>Total</b>	<b>8</b>	<b>1</b>	<b>14</b>	<b>3</b>

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## Updated restructuring savings

Phase I+II+III+IV (€ m)	2005	2006	2007	2008e	2009e
P&L Expenses	-166	-31	-41	-35	-5
Cash outs	-10	-89	-70	-120	-5
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

**Restructuring implementation continues according to plan**

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## Portfolio optimization systematically continued

**Realignment milestones 2007**

- Volatile ABS plastics business of Lustran Polymers placed into newly formed company INEOS ABS
- Subsidiary Borchers sold to the OM Group
- Technical Services group function carved out and realigned as independent subsidiary ALISECA

**Specialty chemicals group at the core of the chemical industry**

Segmentation of the chemical industry

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Pharma  
Agro  
Specialty Chemicals  
Polymers  
Intermediates  
Mass Plastics  
Petrochemicals  
Feedstock, gas and oil

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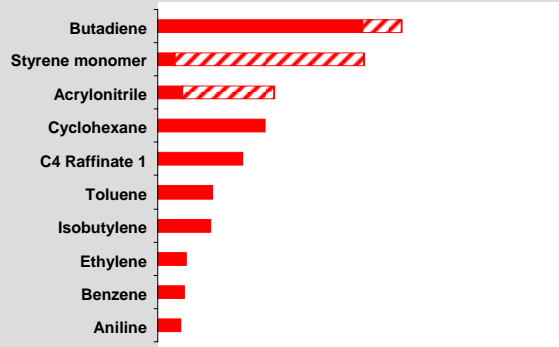
## Broad supplier base

### Suppliers

LANXESS uses a centrally managed global procurement organization to ensure a reliable supply of materials and services. About 30% of all items ordered are now handled through e-procurement.

Procuring petrochemical raw materials is a top priority at LANXESS. The biggest suppliers here in 2006 included BP, Chevron Phillips, Exxon Mobil, Ineos, Nova Chemicals, Repsol, SABIC, Shell Chemicals, Solutia, Texas Petrochemicals and Total. Other important suppliers of basic inorganic and organic chemicals are BASF, Bayer, Degussa, European Oxo, Ineos and Polimeri.

- Total raw material expenses in 2007 were approx. €3 bn
- Petrochemical raw materials accounted for a purchasing volume of approx. €1.6 bn of costs in 2007



**~30% lower exposure to petrochemical raw materials after divestment of BU LUP**

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Chart-No. 42

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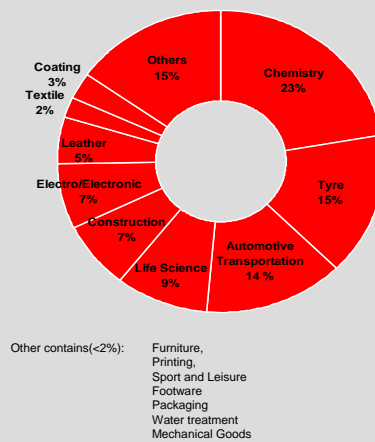
## Diversified customer base and industry portfolio

### Customers

LANXESS' top ten customers accounted for about 23% of total sales in fiscal 2007. 37 customers accounted for annual sales in excess of €20 million.

The number of customers in each segment varied widely. The Performance Polymers segment had some 4,000 customers in 2007, while Advanced Intermediates and Performance Chemicals had about 3,500 and 18,000, respectively.

Taking into account the new segment structure, no segment demonstrated any major change in the number of customers compared with 2006. Each segment includes all customer groups and sales volumes. However, one customer may do business with more than one segment.



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Chart-No. 43

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## Update: upstream integration into chrome ore mine in South Africa

### Situation update:

- Chrome ore mine in South Africa/ Rustenburg operated by LANXESS
- Additional chrome ore reserves of ~80 million tons were discovered summer 2007
- Due to global resource constraints, chrome ore prices have increased substantially
- Ongoing action steps for the next 12-18 months:
  - geological evaluation and detailed studies for economic exploitation of this hidden reserve
  - Implementation of black economic empowerment (BEE)



### Beneficial upstream integration

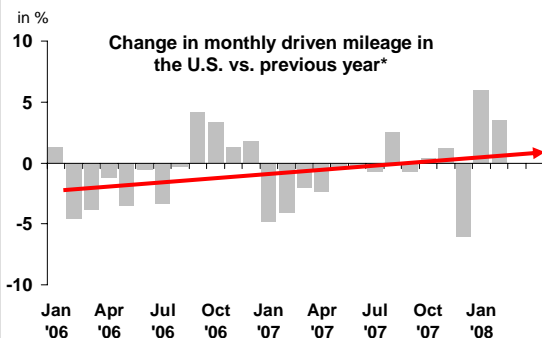
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Chart-No. 44

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## Positive trend of driven car mileage in the U.S. provides comfort



- Mileage driven in the U.S. fluctuates only a few percent on a monthly basis
- Positive mileage trend irrespective of
  - increasing gas prices
  - weakening U.S.- demand for passenger cars
- LANXESS has indicative volume commitments from customers up to the full available capacity of BTR in 2008

\* Trend in mileage driven in the U.S., based on turnpike traffic in Kansas, Ohio, N.Y. and Oklahoma; Source: Turnpike authorities, source: KeyBanc Equity Research

### Trend of driven mileage supports demand for LANXESS synthetic rubber

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Chart-No. 45

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## Independent U.S. tire dealer survey relays additional confidence

### Summary of tire dealer survey, comparing business trends in March 2008 vs. March 2007

- Selling price increases vs. February 2008 for major brand tires
- Inventories: passenger and truck tire inventories indicated just about right. Sequential monthly increasing portion felt inventories being too low
- Replacement passenger tire sales were flat vs. March 2007
- General outlook: In March, 73% of passenger tire dealers felt that business would improve in the coming 6 months



Source: KeyBanc Capital Markets Inc., completed in conjunction with Modern Tire Dealer Magazine

**Outlook for rubber remains bright**

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Chart-No. 46

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## Abbreviations

### Performance Polymers

BTR	Butyl Rubber
PBR	Polybutadiene Rubber
TRP	Technical Rubber Products
SCP	Semi-Crystalline Products

### Performance Chemicals

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

### Advanced Intermediates

BAC	Basic Chemicals
SGO	Saltigo

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## Financial Calendar 2008

### Financial Calendar

<b>Q2 Results 2008</b>	<b>August 13, 2008</b>
<b>Capital Market Day</b>	<b>September 18, 2008</b>
<b>Q3 Results 2008</b>	<b>November 13, 2008</b>

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## 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)

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