



LANXESS – Q3 2008 Results Roadshow

Third successful quarter in a challenging environment

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Agenda

- 1. Executive summary**
- 2. Financial review Q3 2008**
- 3. Outlook and guidance 2008**

In the past four years LANXESS delivered on its strategy

Operations

We focus on the business model:

- Upgrade of product mix to premium level (i.e. high performance rubber)
- Price before volume strategy based on high quality products and pricing excellence
- Shift from annual customer contracts to quarterly / monthly
- Partly long term volume contracts in place
- Shift from annual to quarterly raw material pricing
- Demand driven capacity utilization management

**~€50 m input cost* inflation
offset by price increases since spin-off**

Efficiency improvement and Portfolio

We manage our cost structure:

- Significant headcount reduction (19.659 to 14.983)
- Closure of 8 sites / consolidation of plants
- Reduction and variabilization of fix cost structure
 - ~€165 m cost savings FY 2008
 - Variable part of cost structure increased due to portfolio, contracts, variable income and outsourcing
- Highly cyclical and low margin businesses divested (~ €1.4 bn sales):
 - ABS: ~€900 m sales
 - Paper: ~€240 m sales
 - Textiles: ~€150 m sales
 - Fibers: ~€100 m sales

Improved competitiveness and resilience

* raw materials and energies

In the past four years LANXESS delivered on its strategy

Growth

We build on sustainable trends:

- Global mobility, agrochemicals and water purification
- Therefore acquisition of businesses which improve our global footprint:
 - PBR in Brazil
 - LEA in South Africa
 - IPG in China
- Strong focus on investments in very profitable businesses:
 - BTR in Singapore
 - ION in India
 - BAC in Germany
 - SCP in China

Stronger portfolio / Future opportunities

Financials

We manage our relations to the capital markets:

- Solid banking relations with powerful and diversified banking group
- Strong investment grade ratings
- Proven track record of good financing
- Substantial financial headroom at attractive conditions with long maturities
- Reliable capital market communication

Solid foundation

In the past four years LANXESS delivered on its strategy

		Spin-off 2005	November 12, 2008
Financials	<ul style="list-style-type: none"> EBITDA¹ Profitability² Net fin. debt³ / EBITDA¹ 	market expectation: ~€450 m ~6.6% ~2.5x	€710 m - €730 m for FY2008 11.3% <1.5x
Legacy	<ul style="list-style-type: none"> Portfolio 	still incl. LUP, FIB, PAP, TPC	all divested
Operations	<ul style="list-style-type: none"> Headcount³ Restructuring Cyclicality 	19,659 restructuring questionable high	14,983 Phase 1-4 implemented / ongoing lower
Capital Market	<ul style="list-style-type: none"> EV / EBITDA¹ Multiple Liquidity Dividend policy Rating 	~5x short term no policy S&P: weak BBB-	<3x sound and long term dividend policy in place S&P: BBB, Moody's: Baa2
15 quarters of delivery			
<small>¹ EBITDA pre exceptionals; ² EBITDA pre exceptional margin, for 2008 LTM; ³ value in first column as per Dec 31, 2004</small>			
November 2008	Q3 2008 Results Roadshow	Chart-No. 6	LANXESS

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Q3 2008 financial overview: EBITDA increase based on full input cost pass through and improved business portfolio

(€m)	Q3 2007	Q3 2008	Δ in %	
Sales	1,705	1,814	6.4%	<ul style="list-style-type: none"> ▪ Sales rose as price increases offset negative currency effects. Consolidation of Petroflex mitigates absence of LUP ▪ EBITDA pre exceptionals rose by around 9% mainly due to strong pricing in all segments and Petroflex' contribution ▪ Net income contains sale of affiliate ARG in '07, higher interest and lower equity result (Currenta) ▪ Healthy cash flow generation reduced net debt ▪ Headcount further reduced since consolidation of Petroflex
EBITDA pre except. margin	175 10.3%	191 10.5%	9.1%	
Net Income	75	56	-25.3%	
Capex	59	75	27.1%	
(€m)	30.06.2008	30.09.2008	Δ in %	
Net Financial Debt	887	841	-5.2%	
Net Working Capital	1,511	1,579	4.5%	
Employees	15,072	14,983	-0.6%	

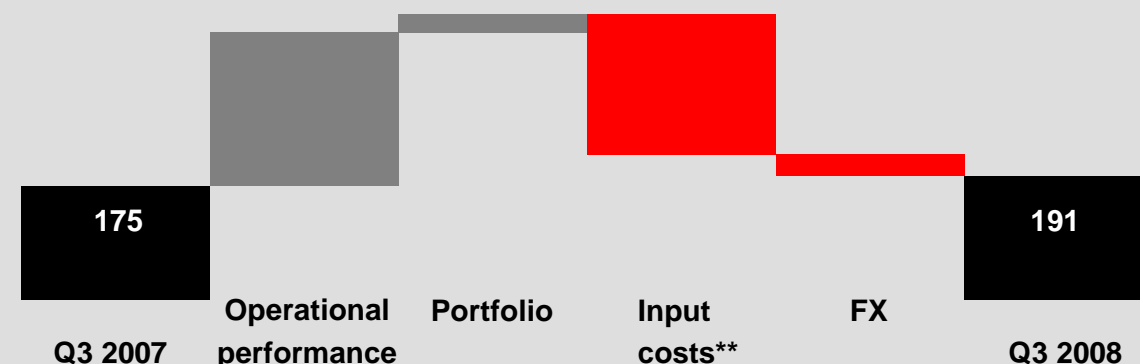
On track despite increasing macroeconomic headwind

Strong results driven by price increases offset negative input costs and currency effects

Sales variances (€ m)	Price	Volume	Currency	Portfolio
Performance Polymers	+24%	-5%	-6%	+27%
Advanced Intermediates	+7%	+11%	-2%	0%
Performance Chemicals	+11%	-1%	-5%	0%
Others / Recon./ LUP	0%	-1%	0%	-94%
LANXESS	+14%	0%	-4%	-3%

- ### Sales
- Price increases in all segments
 - Operational growth of 14% achieved
 - Petroflex almost offset negative LUP effect

EBITDA* performance bridge (€ m)

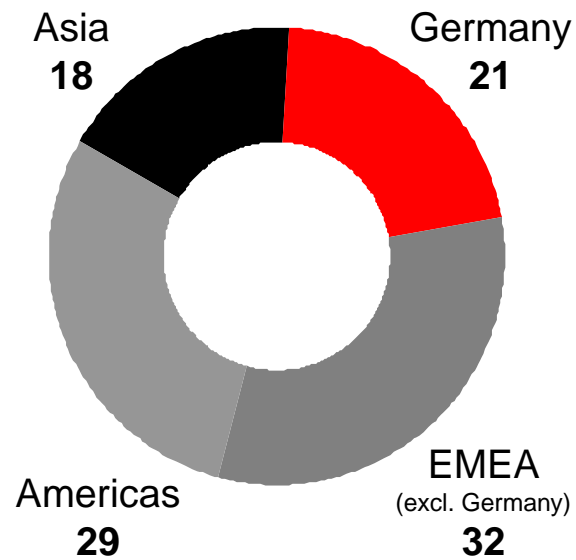


* Pre exceptionals ** Raw materials, energy and others

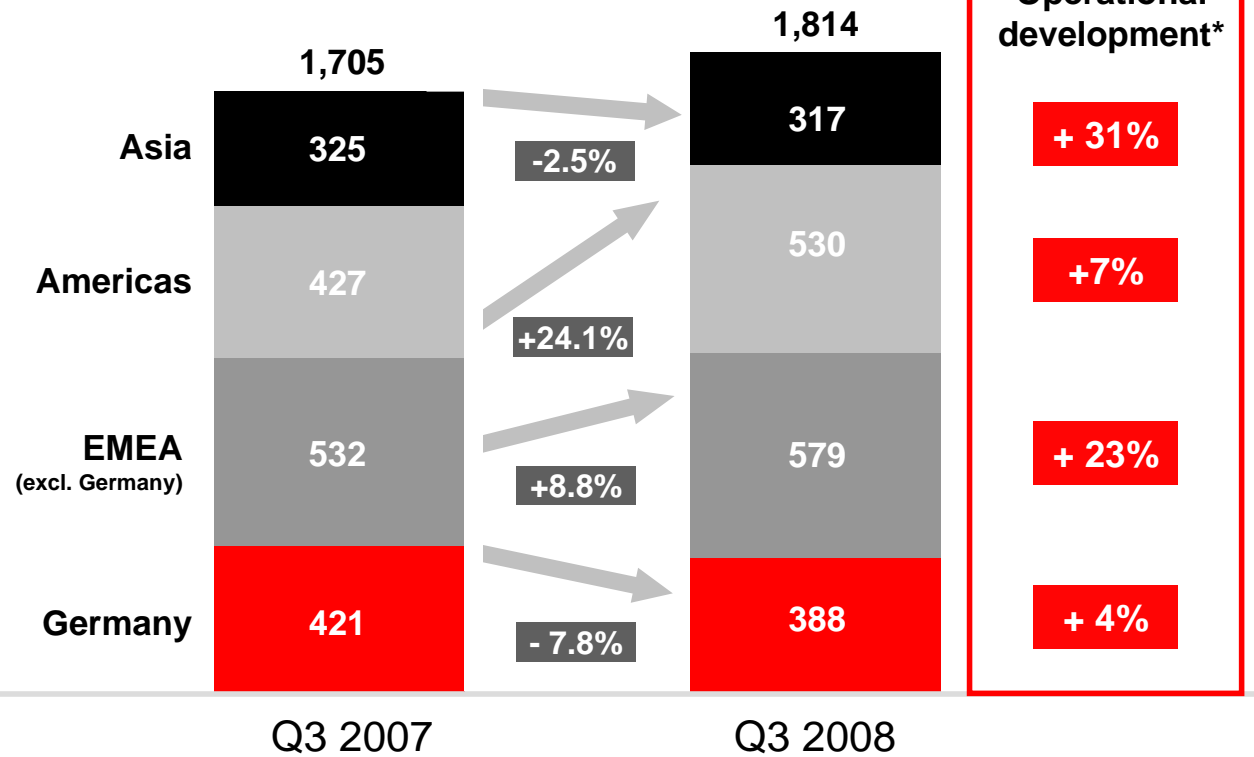
- ### EBITDA*
- Early implementation of price increases overcompensated the record rise in input costs
 - EBITDA* increased by €16 m operational performance in conjunction with improved portfolio

LANXESS again achieves operational growth in all regions

Sales by Region (in %)



Regional development of sales (€ m)



* Portfolio- and currency adjusted

Strong P&L reflecting well managed businesses in a tougher environment

(€m)	Q3 2007	Q3 2008	Δ in %
Sales	1,705	1,814	6.4%
Cost of sales	-1,335	-1,410	5.6%
SG&A	-241	-249	3.3%
R&D	-24	-25	4.2%
Other op. income / expense	-1	-23	>100%
thereof exceptionals	-8	-12	50.0%
EBIT	104	107	2.9%
Net Income	75	56	-25.3%
EPS	0.89	0.67	-24.7%
EBITDA	174	182	4.6%
thereof exceptionals	-1	-9	>100%
EBITDA pre exceptionals	175	191	9.1%

- Necessary price increases (+14%) more than offset unfavourable currency effects (-4%) and portfolio changes (-3%)
- Deviations in functional expense lines mirror mainly consolidation of Petroflex and risen input costs
- Net income contains sale of affiliate ARG in '07, higher interest and lower equity result (Currenta)
- EBITDA*: major price increases and contribution of Petroflex overcompensate raw material and currency effects

* Pre exceptionals

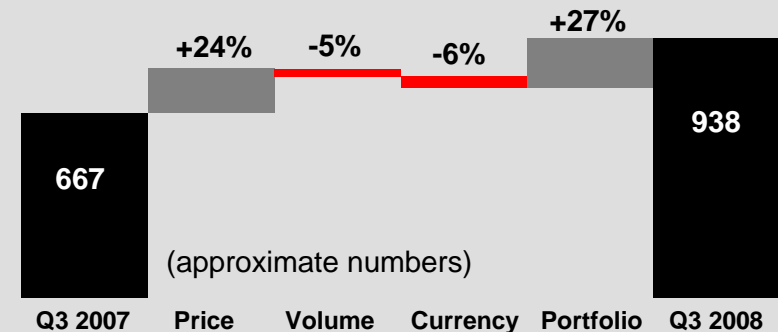
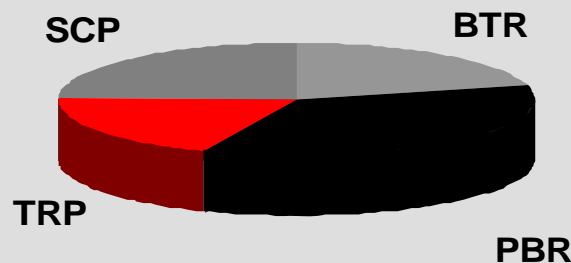
Tough quarter was managed successfully

Performance Polymers: a powerful business

(€m)	Q3 2007	Q3 2008
Sales	667	938
EBIT	69	83
Depr. / Amort.	26	42
EBITDA	95	125
EBITDA pre except.	95	127
Margin	14.2%	13.5%
Capex	24	37

- Sales increase on the back of healthy pricing in all BUs and portfolio effects, offsetting negative volume effects (i.e. hurricane Ike and production constraints in PBR due to butadiene shortage) and unfavourable currencies
- PBR benefits from strong Asian business. US/European volume limited by raw material availability
- TRP with nice pricing overcompensating currency effects and volume softening due to flooding in Orange, TX
- SCP benefits from long term contracts in Caprolactam
- Capex increase on BTR maintenance and shift of NBR from Sarnia to La Wantzenau

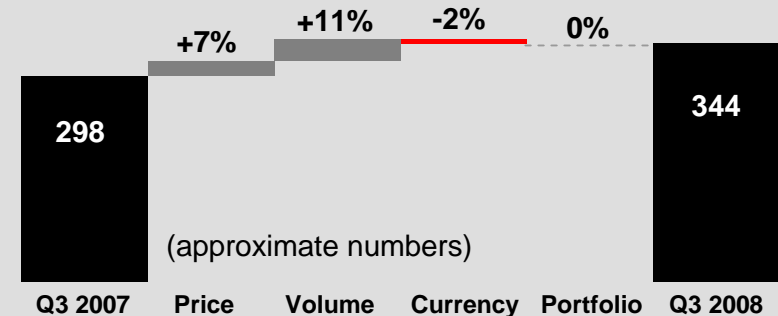
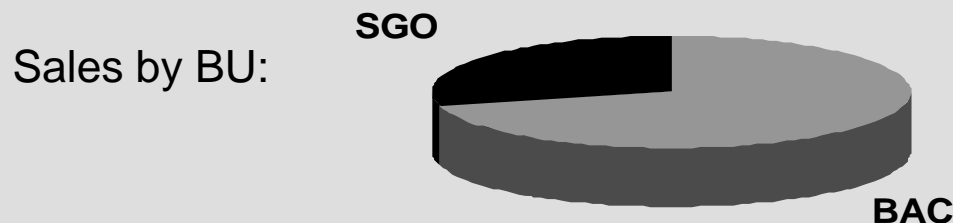
Sales by BU:



Advanced Intermediates: solid price and volume increases compensate currency and raw material effects

(€m)	Q3 2007	Q3 2008
Sales	298	344
EBIT	32	28
Depr. / Amort.	9	12
EBITDA	41	40
EBITDA pre except.	41	40
Margin	13.8%	11.6%
Capex	10	18

- Strong volumes and good pricing in both BUs overcompensate adverse currency effects
- Healthy demand in crop protection and good volumes from Asia as well as price-pass-through clauses in some contracts help to mitigate surging raw material costs in BAC
- SGO with continuously solid demand from agro as well as from precursors for the pharma industry
- With strong pricing and volume, raw material price increases are compensated and absolute EBITDA* protected while margins get diluted



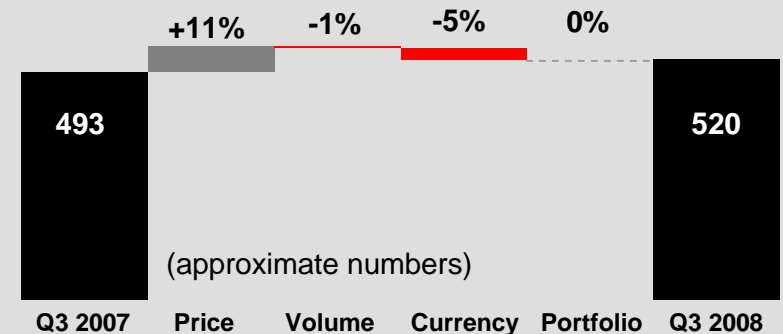
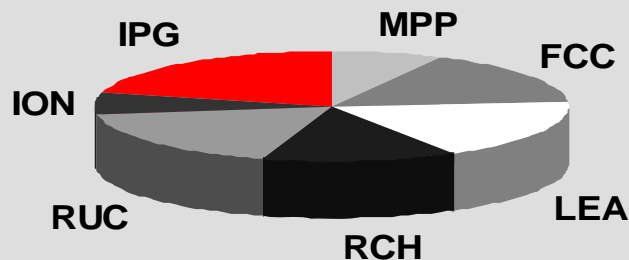
* Pre exceptionals

Performance Chemicals: sound operational performance offsets raw material and currency effects

(€m)	Q3 2007	Q3 2008
Sales	493	520
EBIT	41	45
Depr. / Amort.	22	18
EBITDA	63	63
EBITDA pre except.	67	65
Margin	13.6%	12.5%
Capex	22	18

- Sales increase on the back of healthy pricing, thus offsetting currency effects
- Good pricing, especially in LEA (chrome ore) and RUC
- EBITDA* almost reached previous year's level despite slightly lower returns in IPG (exposure to construction industry) and MPP (wood protection)
- IPG price increases offset raw material price hikes. Strong volumes from construction in BRIC region mitigate market weakness in US and parts of Europe
- Raw Material price increases and the weak USD weigh on segment margin

Sales by BU:



* Pre exceptionals

Lower net debt compared to Q2 2008

(€m)	Jun 30, 2008	Sept 30, 2008	(€m)	Jun 30, 2008	Sept 30, 2008
Non-current Assets	2,092	2,150	Stockholders' Equity	1,626	1,645
Intangible assets	143	130	thereof minority interest	78	78
Property, plant & equipment	1,590	1,605	Non-current Liabilities	1,858	1,801
Equity investments	46	47	Pension & post empl. provisions	477	489
Other investments	2	2	Other provisions	332	317
Financial assets	64	78	Financial liabilities	826	829
Deferred taxes	93	132	Tax liabilities	63	67
Other non-current assets	154	156	Other liabilities	90	44
Current Assets	2,758	2,825	Deferred taxes	70	55
Inventories	1,047	1,129	Current Liabilities	1,366	1,529
Trade accounts receivable	1,080	1,051	Other provisions	340	391
Financial assets	264	232	Financial liabilities	251	313
Other current assets	184	169	Trade accounts payable	616	601
Liquid assets	183	244	Tax liabilities	39	54
			Other liabilities	120	170
Total Assets	4,850	4,975	Total Equity & Liabilities	4,850	4,975

Strong backbone in turbulent markets

Financing and liquidity situation is very comfortable

No need to re-finance in current turbulent markets

Eurobond

- Volume : €500 m
- Maturity : June 2012
- Covenant: No financial covenant; Change of Control clause
- Coupon : 4.125%

Revolving credit facility

- Volume : €1.5 bn*, undrawn
- Maturity : November 2014
- Covenant: Net financial debt** / EBITDApre < 3.5x
Change of Control
- Syndicate: 18 international banks

Other financing and liquidity sources

- Cash position as of September 30, 2008 (€244 m)
- €250m 3-year term loan for Petroflex acquisition, fully drawn as of 13 Nov 2008
- Over €500 m short-term committed bilateral credit facilities

* including €92 m commitment of Lehman Bankhaus AG, which is under moratorium ** Excluding pensions

Cash flow indicates persisting operational stability

(€m)	9M 2007	9M 2008
Profit before Tax	196	299
Depreciation & amortization	236	203
Gain from sale of assets	0	-13
Result from investment in associate	-16	-17
Financial (gains) losses	7	56
Cash tax payments	-78	-78
Changes in other assets and liabilities	153	106
Operating Cash Flow before changes in WC	498	556
Changes in Working Capital	-158	-236
Operating Cash Flow	340	320
Investing Cash Flow	-242	-356
thereof Capex	-170	-180
Financing Cash Flow	-115	91

- Solid business delivers an improved profit before tax
- Operating cash flow for 9M 2008 contains ~€35 m restructuring cash out
- Working capital increase due to higher raw material costs and preparation for maintenance turnarounds
- Investing cash flow contains payment for acquisition of Petroflex

Underlying cash flow strength remains

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Macroeconomic environment has become even more challenging

LANXESS is closely monitoring the changing market environment

- For the remainder of the year, we expect to see a further decline of U.S. and European economies
 - Raw material price declines expected in the future (2009), while energy costs will become more expensive in Q4 2008
-
- LANXESS will also be affected by declining global demand
 - In the context of the expected raw material price decline we assume an inventory devaluation of around €20 m in Q4 2008
 - Foreign currency:
FY 2008 average with LANXESS' hedging: ~1,40 USD/€



Q4 trends for LANXESS: various customer industries under pressure

Performance Polymers

- Butyl sold out for 2008
- Polybutadiene rubbers prepared:
 - Asia steady in high performance grades; weaker in standard grades
 - Benefit from rising Asian customers and long term contracts
 - US / Europe with declining volumes
 - Volume losses due to hurricane Ike and efficiency improvement program at Petroflex, Brazil
- EPDM weak
- NBR lower volumes but stable price
- EVM, HNBR relatively stable
- Caprolactam: stabilized by long term contracts and integrated asset base
- Strong volatility on input costs

Advanced Intermediates

- Solid demand for agrochemicals compensating for other customer industries' softening
- Pharma active ingredients stable
- Overall the segment benefits from a variety of long term contracts

Performance Chemicals

- Pigments stabilizing compared to Q2, despite weaker construction industry
- Softer demand for wood protection
- Rubber additives businesses with clearly weaker momentum in Q4, due to shortfall in the automotive industry
- Trough in leather
- Chrome business strong
- Plastics additives under pressure

Declining demand is factored in our full year guidance

LANXESS lifts its guidance 2008 despite Q4 challenges

Strong market positions of well prepared businesses provide confidence

EBITDA* FY 2008: €10 - 730 m

Further financial information:

- Exceptional P&L expense FY 2008 expected around €70-90 m
- Exceptional cash outs FY 2008 expected around €90-100 m
- Assumed inventory devaluation of around €20 m in Q4 2008
- Tax rate ~30% for FY 2008
- Capex FY 2008: €330-350 m

We continue to tightly manage our businesses



* Pre exceptionals

LANXESS is well prepared to actively manage challenges

LANXESS is continuously monitoring and optimizing each single part of its business

- LANXESS product portfolio is focused on
 - less cyclical customer industries (e.g. tyre, agchem)
 - growth regions (BRIC)
 - technology driven products and processes
- LANXESS has
 - competitive cost and technology base
 - more variabilized cost structures
- LANXESS is proactively preparing for demand volatility by
 - active capacity utilization management
 - continuous efficiency measures



LANXESS

Energizing Chemistry



Appendix

LANXESS actively addresses the challenges it faces

Measures to manage slowing demand are already being implemented

- New combined regional structure for the U.S. and Canadian organizations
- Mothballing of an EPDM (BU TRP) production line in Orange, Texas
- Consolidation of worldwide NBR production at one very competitive site in La Wantzenau, France
 - Shift of the Canadian production from Sarnia
 - Additionally, shift of production from Brazil (Petroflex)
 - Resulting in only one NBR production site worldwide with capacities to produce up to 100kt of NBR in one very competitive plant instead of formerly three plants
- Acceleration of already announced and planned restructuring measures on our site in Sarnia, Canada, resulting in a reduction of workforce by 330 employees (of which 200 are already accomplished)
- Inevitable: Restructuring of our Belgian affiliate LANXESS Rubber NV in Zwijndrecht with a workforce reduction from 500 to around 370

Sense of urgency has always been our strength

LANXESS confirms targets in a more demanding economic environment

**EBITDA* targeted between
€710 m and €730 m**

2008

**EBITDA* margin:
Peer group profitability**

2008

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

2008

Investment grade rating



* EBITDA figures pre exceptionals

LANXESS consists of three powerful segments

LANXESS – Energizing Chemistry

Sales¹ €6.6 bn; EBITDA² €719 bn; ~14.600 employees (2007)

Performance Polymers



Globally either player number one, two or three

- Sales : €2,680 m
- EBITDA² : €376 m
- Employees: 4,334

Advanced Intermediates



In Europe either number one or number two

- Sales : €1,204 m
- EBITDA² : €174 m
- Employees: 2,450

Performance Chemicals



Number one to number four in niche positions

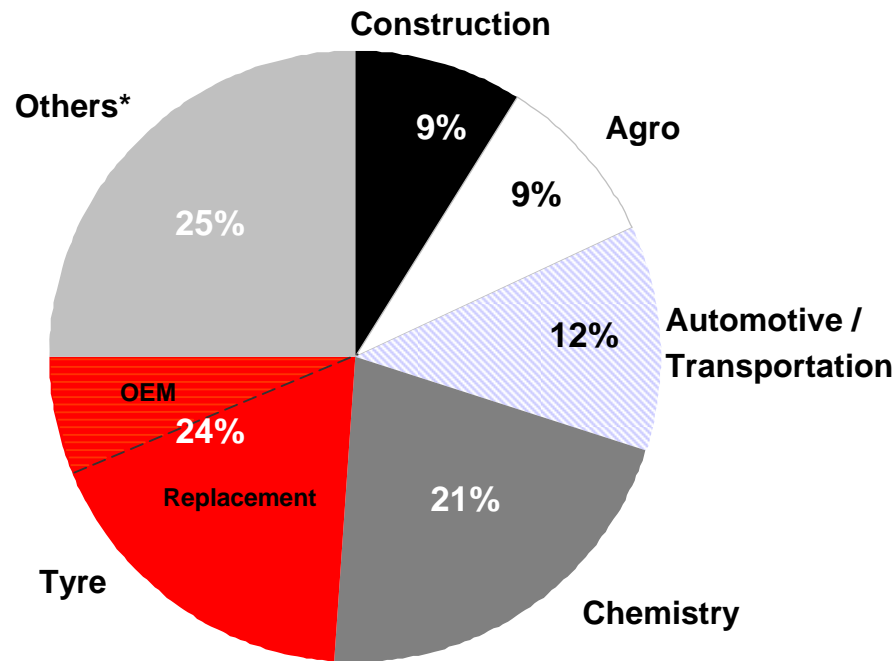
- Sales : €1,970 m
- EBITDA² : €285 m
- Employees: 5,223

Competitiveness across the portfolio

¹Group sales FY07 including Engineering Plastics and reconciliation ²Pre exceptionals

Well diversified portfolio serving different client industries

Client industry split LANXESS 2007



Diverse client industry portfolio

- Number of customers varies widely by segment
- Top 10 customers account for less than 25% of sales
- Performance chemicals with most diverse customer base

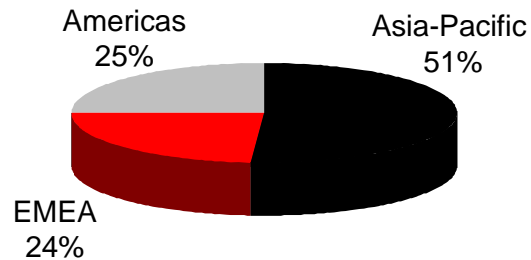
Natural hedge plus growth

* Others contain: electro/electronics, leather, coating, textile, furniture, printing, sport & leisure footwear, packaging, water treatment, medical goods

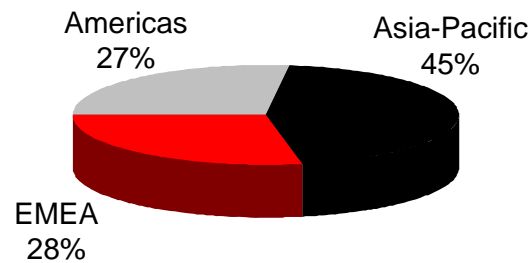
Asian growth dynamics are a major driver for LANXESS

Example: Asian rubber demand

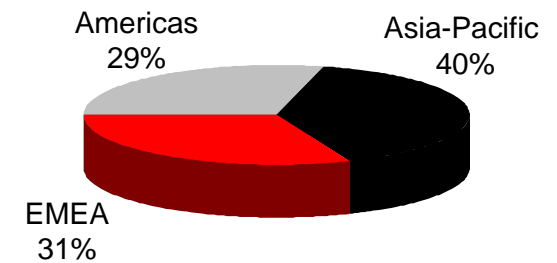
BTR



PBR



TRP



End Uses

- 86% automotive/ tyres
- 14% various other applications, such as window sealants, chewing gum

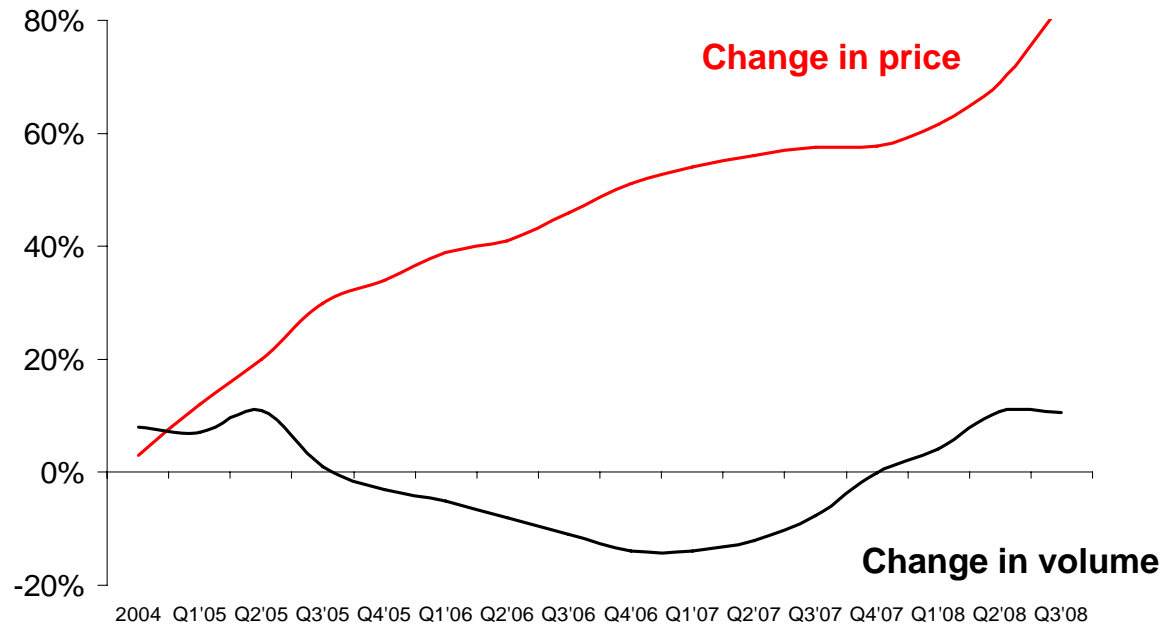
- 69% automotive/ tyres
- 25% plastics
- 6% other applications such as golf balls

- 46% automotive
- 15% footwear
- 15% mechanical engineering
- 24% other uses such as electro/ electronics and construction

Source: IRSG, LMC, SRI, LANXESS estimates

LANXESS' approach delivers success in both price and volume

% cumulative changes of prices and volumes*



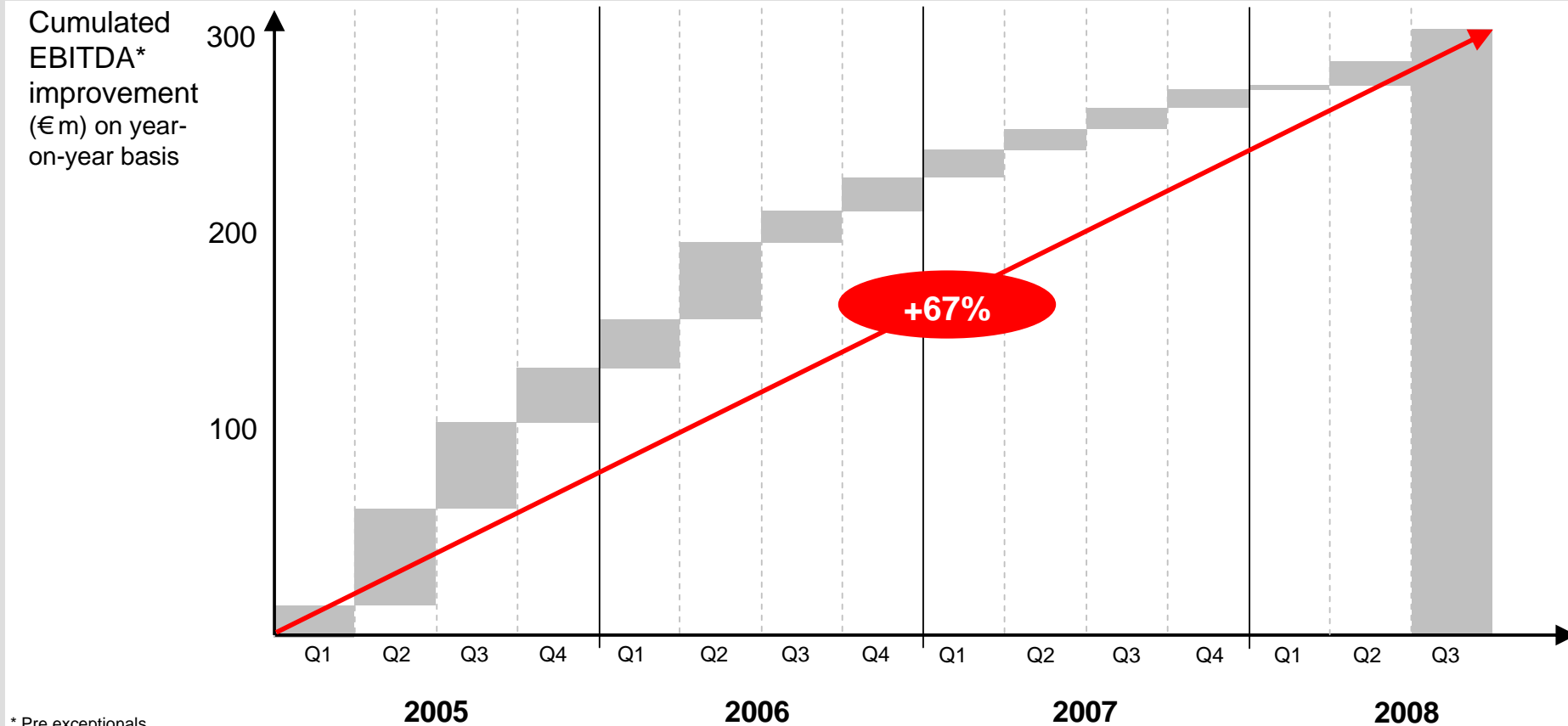
1 Consistent and timely price increases to pass on rising input costs

2 Internal cost reduction and efficiency improvements were retained

3 Initial reduction of volume to support aggressive pricing strategy

* Cumulative price and volume changes vs. 2003; portfolio adjusted

Proof of our strong portfolio with fifteen quarters of EBITDA improvement in a row



We are well prepared to deliver amid macroeconomic concerns

Sustainable improvement trend of financials, based on strong operations

In €m	2004	2005	2006	2007	2008e
EBITDA*	447	581	675	719	710-730
EBITDA* margin	6.6%	8.1%	9.7%	10.9%	peer level
Net financial debt	1,135	680	511	460	841 ^{***}
Net fin. debt / EBITDA*	2.5x	1.2x	0.8x	0.6x	<1.5x
Underlying EPS**	0.65	1.19	2.69	3.36	

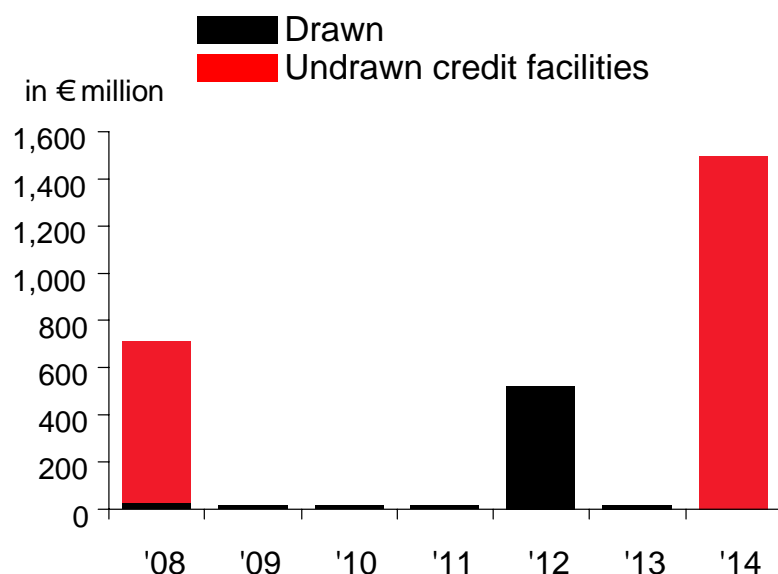
Strength

Financial metrics continuously improved

* Pre exceptionals; **EPS pre exceptionals, based on actual taxrate ***as per Sep 30 2008

Financing secured with very attractive conditions and long maturities

Maturity profile* of financing arrangements



Net financial debt: EUR 841 million as per September 30, 2008

Revolving credit facility

- Early refinanced in 2007, to extend and diversify maturity profile
- Amount increased by EUR 250 million to EUR 1.5 billion**
- Maturity is November 2014
- Despite credit market turbulences, new tenor of 7 years, which reflects strong commitment of bank consortium

Another proof of LANXESS' strong financial backbone

* Major instruments ** including €92 m commitment of Lehman Bankhaus AG, which is under moratorium

9M 2008 financial overview: EBITDA margin expansion despite raw material pressure and unfavourable currency effects

(€m)	9M 2007	9M 2008	Δ in %
Sales	5,143	5,114	-0.6%
EBITDA pre except. margin	605 11.8%	634 12.4%	4.8%
Net Income	107	212	98.1%
Capex	170	180	5.9%

- Sales remained almost stable as price increases offset negative currency effects. Consolidation of Petroflex mitigates sales effect due to absence of LUP

- EBITDA pre exceptionals rose by around 5% mainly due to strong pricing in all segments and Petroflex' contribution

- EBITDA margin, even though burdened by a weak U.S. dollar, improved nicely

- Working capital mirrors acquisition and seasonal movement

(€m)	30.06.2008	30.09.2008	Δ in %
Net Financial Debt	887	841	-5.2%
Net Working Capital	1,511	1,579	4.5%
Employees	15,072	14,983	-0.6%

Operationally successful and resilient first 9M 2008

Sound P&L based on structurally healthy businesses

(€m)	9M 2007	9M 2008	Δ in %
Sales	5,143	5,114	-1%
Cost of sales	-3,982	-3,911	-2%
SG&A	-693	-704	2%
R&D	-69	-75	9%
Other op. income / expense	-189	-56	-70%
thereof exceptionals	211	69	-67%
EBIT	210	368	75%
Net Income	107	212	98%
EPS	1,27	2,54	100%
EBITDA	446	571	28%
thereof exceptionals	-159	-63	-60%
EBITDA pre exceptionals	605	634	5%

- Sales decrease mainly due to portfolio and currency effects
- Deviations in functional expense lines mirror mainly portfolio changes (LUP and Petroflex) as well as risen input costs
- EBITDA*: major price increases and contribution of Petroflex overcompensate raw material and currency effects
- Net Income 2007 burdened by LUP write-offs

* Pre exceptionals

Pricing power provides confidence for Q4 2008

Exceptional items incurred in Q3 2007 and Q3 2008

(€ m)	Q3 2007		Q3 2008	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	0	0	5	3
Advanced Intermediates	0	0	0	0
Performance Chemicals	4	0	2	0
Reconciliation	4	7	5	0
Total	8	7	12	3

Exceptional items incurred in 9M 2007 and 9M 2008

(€ m)	9M 2007		9M 2008	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	0	0	59	6
Advanced Intermediates	0	0	0	0
Performance Chemicals	4	0	7	1
Reconciliation	207	52	3	-1
Total	211	52	69	6

Abbreviations

Performance Polymers

BTR	Butyl Rubber
PBR	Performance Butadiene Rubbers
TRP	Technical Rubber Products
SCP	Semi-Crystalline Products

Advanced Intermediates

BAC	Basic Chemicals
SGO	Saltigo

Performance Chemicals

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

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