LANXESS Pte Ltd

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The Chemical Daily’s International Conference to Commemorate Singapore Bureau's 10th Anniversary

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(Please check against delivery)
Good afternoon, ladies and gentlemen.

On behalf of LANXESS, I offer our congratulations to Mr. Osamu Odajima, President of The Chemical Daily and Mr. Kenichi Numasawa, Bureau Chief of Singapore, on the bureau’s 10th anniversary in Singapore.

LANXESS is pleased to join in this celebration, and I thank you for the invitation to share our company’s strategy and approach to sustainable growth.
Like The Chemical Daily, LANXESS is proud to be a part of Singapore and we are deepening our roots here.

Just in the first half of 2010, we reached several milestones in Singapore. These include:

- The move to a new and bigger office at the International Business Park in Jurong East;
- The groundbreaking for a new butyl rubber plant on Jurong Island;
- Setting up the global headquarters for the butyl rubber business unit in Singapore; and
- The creation of the LANXESS SNYO Classic, a three-year mentorship and cultural program in collaboration with the Singapore National Youth Orchestra or SNYO.

These commitments are clear indications that Singapore is of great strategic importance to LANXESS: Singapore is not only a...
major hub for us in Asia; it has become a cornerstone of LANXESS’ global strategy for sustainable growth.

At the same time, LANXESS makes every effort to be a very good neighbor wherever we operate.

This is why from the outset LANXESS has planned to implement a breakthrough technology in our new butyl rubber plant on Jurong Island. This technology will enable us to reduce greenhouse gas emissions, cut wastewater in half and use less energy than conventional plants.

In the same vein, our mentorship and cultural exchange program with the SNYO is designed to help aspiring young musicians reach their full potential.
We are very proud to have developed the LANXESS SNYO Classic with the SNYO. This program will enable young classical musicians to learn from a variety of world class artists skilled in different instruments.

Each year, a prominent artist will travel to Singapore to work closely with the orchestra through lecture demonstrations, master classes and rehearsals; then they will perform together in a public concert.

First in the line-up is Stewart Rose, a French horn artist, who will be in Singapore in November this year. This is followed by the internationally celebrated violinist Lara St. John in April next year, and the renowned flutist Andrea Griminelli in 2012.
In addition, three members of the SNYO will be selected each year for a musical residency in Europe or North America to receive special instruction from world famous classical musicians.

LANXESS is committed to developing young people as part of our corporate social responsibility program. The LANXESS SNYO Classic provides an excellent platform in this respect, while enabling us to contribute to the cultural life of Singapore.

Our business approach and social involvement in Singapore reflects the corporate values of the LANXESS Group. After LANXESS became independent, we defined a new direction for the company based on the motto, “Energizing Chemistry”.

This motto underpins LANXESS’ vision to play a prominent role in influencing and shaping the development of the global chemical
industry. It also embodies a commitment to sustainability that we take very seriously.

The title of my presentation is: “Good for business, good for society”. This tagline sums up LANXESS’ sustainability principle, where we consider our business goals to be of equal importance to our responsibility to protect or enhance the well-being of the environment and society.

We also believe strongly that both objectives are symbiotic and can be achieved in tandem.

For example, in Singapore, we are working with a global electronics company based in Singapore and headquartered in Europe to carry out a trial run of our new ECO plastics product. This product contains between 20 to 30 percent recycled material.
While this innovative product helps to strengthen LANXESS’ market position, it also helps our customer to market their goods as “green products” and demonstrate environmentally responsible practices. This example thus illustrates a win-win-win situation for LANXESS, our customer and the environment.

I will now explain the first pillar of our sustainability principle, which is economic sustainability. When LANXESS was formed, two thirds of our businesses were unprofitable. The crisis then strengthened our resolve not only to turn the company around, but also set it on a path of sustainable, profitable growth.

This chart shows that we are on the right track. Today, LANXESS is firmly established among the leaders in the global specialty chemicals industry and we are the largest specialty chemicals company in Germany. We have a premium product portfolio that focuses on technology-driven, high-quality products and
processes, and they hold leading market positions across a range of industries.

Importantly, we are well-positioned for the future. Despite the global economic crisis, LANXESS has reinforced our position in key growth markets and sustained positive net income in 2009.

In the next few slides, I will explain four important factors contributing to our economic sustainability:

- An entrepreneurial corporate culture
- A culture of innovation
- A strategy to focus on growth opportunities in emerging markets, and
- Effective crisis management.

The first success factor is our employees. LANXESS has a unique entrepreneurial corporate culture which is based on Formula X.
This means that we have an organizational structure that defines responsibilities clearly, which, in turn, creates a framework conducive for employees to take personal responsibility and try new things.

LANXESS is today in a sound and financially stable position, and this is thanks largely to our employees who

- have demonstrated tremendous flexibility and courage when dealing with crises, and
- have acted decisively to seize opportunities both for growth and innovation.

The second success factor is our culture of innovation. At LANXESS, research and development is carried out in close collaboration with the business units and customers. Cost-efficiency is the decisive factor in all our R&D activities.
Operating under this strategy, LANXESS has in our R&D pipeline 80 percent of projects which are ready for market launch within two years. We have also quadrupled the number of new patents registered between 2006 and 2008.

We believe that such a pragmatic approach brings about fast return on investment for LANXESS and so it is economically viable. Additionally, we are able to supply our customers more quickly with solutions to address pressing demands such as saving energy, protecting the environment, providing better drinking water and expanding food production.

I will now present two product innovations from LANXESS which address the concerns of sustainability.

Nanoprene® is making an important contribution to green tires. With Nanoprene® from LANXESS, the tire industry can, for the
first time, meet the requirements of the automotive industry for lower fuel consumption (through lower rolling resistance), reliability on wet and dry roads and a long-lasting tire – all at once.

Incidentally, this innovative technology is a key ingredient in Toyo Tire’s winter tire, GARIT G5 studless tire, which was launched in August 2009.

The second example is Baynox®, which is making an important contribution to the viability of biodiesel as an alternative fuel. The Baynox ® product is able to stop the process of decomposition in biodiesel, and thus increases the biodiesel’s shelf life. It also burns residue-free, and prevents damage to the engine.

In Singapore, we are currently working with a German automotive company to use Baynox ® Plus as a stabilizer in jatropha biodiesel for a road test.
Thirdly, our focus and commitment in the fast-growing economies of the BRIC countries is paying dividends. Despite the economic crisis, sales in these markets held steady in 2009, while their contributions to Group sales grew considerably.

We are continuing to expand our presence in the BRIC countries, reinforcing it with local production and local technical support services. Besides equipping these sites with cutting-edge technology and operational excellence, we have also placed great emphasis on employee welfare and communications as well as environmentally friendly practices.

I would like to name a few awards we received in the BRIC countries in 2009:

- One of the “100 best companies to work for” in Brazil
- “Water Resource Management” Award in India

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**LANXESS’ recent growth activities and awards in BRICs**

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<tr>
<th>Country</th>
<th>Activities and Awards</th>
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| **BRAZIL** | Acquisition of synthetic rubber producer Petroflex in 2008  
- Named one of the “100 best companies to work for” in Brazil |
| **RUSSIA** | Construction of a new rubber chemicals plant in Nizhny Novgorod  
- Cooperative scientific research agreement with Russian Academy of Science |
| **INDIA** | Acquisition of Gwalior Chemicals Industries Ltd  
- Start-up of plants for rubber additives and ion exchange resins in Jhagadia  
- Construction of new compounding facility for high-tech plastics in Jhagadia  
- Received “Water Resource Management” award from Indian Chemical Council |
| **CHINA** | Acquisition of Jiangsu Polyols Chemical Co. Ltd  
- Joint venture for the production of nitric acid in Nantong  
- Construction of new compounding facility for high-tech plastics in Wuxi  
- Received “One of China’s Top Employers 2009 (East China Region)” award  
- Received “Safe Producing and Integrity Enterprise in Jiangsu Province” and “Outstanding Wuxi Company in Implementing Social Responsibility” awards |

*Sales in BRIC* countries [€ million]  

<table>
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<tr>
<th>2008</th>
<th>2009</th>
<th><strong>BRIC ratio</strong></th>
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<tr>
<td>1.061</td>
<td>1.018</td>
<td>16.1%</td>
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“One of China’s Top Employers” in the East China Region
“Outstanding Wuxi Company in Implementing Social Responsibility”

We are proud to receive these local awards as they are a testament that LANXESS is recognized as a valuable industrial partner and a good neighbor in these countries.

LANXESS is experiencing strong growth especially in the Asia Pacific region. This region now accounts for nearly a quarter of LANXESS’ total Group sales, and is the second largest sales region.

Underlying this growth is our success in attracting new customers. For example in 2009, our three rubber-producing business units gained over 70 new customers for their rubber products in the
Asia-Pacific region – including three leading tire producers in China, India and Vietnam.

We believe the Asia Pacific region will continue to provide the greatest stimulus for growth in the future, and we are continuing to reinforce our position through ongoing product development, investments and capacity expansion.

The fourth element underlying our economic sustainability is our skills in crisis management.

As mentioned earlier, LANXESS had encountered its own crisis at formation which we overcame successfully. The experience thus gave us the crisis expertise and enabled us to build a solid business platform, which have served us well during the recent global downturn.
In the years since our founding, we were able to implement an autonomous corporate structure, which has become one of our core strengths. Our 13 business units operate independently and are able steer their respective business activities individually. This has translated into fast reaction to market changes and flexibility in dealing with changing circumstances.

When put to the test during the recent crisis period, LANXESS did very well. We were able to manage our global capacities flexibly, thereby avoiding surplus production as well as unnecessary inventories. And behind the success of our crisis management program is the solidarity demonstrated by our employees, which extended to their support for the various personnel measures to reduce and contain costs.

Effective crisis management has not only helped to stabilize the company at critical times, but also provided us the financial flexibility to invest in growth opportunities which strengthened our competitiveness.

For navigating through the crisis while achieving our business targets, LANXESS was honored with the prestigious “Company of the Year” award by ICIS Chemical Business magazine.
From our first quarter results, you can see that LANXESS has benefited from a very good start to 2010, and we remain optimistic about our performance for the rest year.

As we chart our course for the future, we are focusing our strategy on enabling the sustainable development of three megatrends:

- Mobility
- Urbanization, and
- Water treatment.
We are already actively participating in these trends with our “green chemistry” products and initiatives.

In the field of mobility, tire-labeling will become mandatory in Europe by November 2012 and new tires sold will have to be labeled for fuel efficiency, wet grip and external rolling noise. The aim of this legislation is to promote green tires without compromising safety. In addition, the labels will enable consumers to make more informed purchases. In Japan, a voluntary tire labeling system has already been introduced since January 2010. The US is also evaluating similar labeling regulations.

LANXESS has been working with tire manufacturers to develop more eco-friendly tires even before the discussions on such regulations started. For example, our Neodymium Butadiene rubber or Nd-BR reduces energy consumption more efficiently than many other tire rubbers and reduces tire abrasion. This means that the Nd-BR rubber from LANXESS makes cars safer as well as more ecological and economical.

Water treatment is another central topic for LANXESS. Access to clean water is now a global issue. Clean water is not only needed for drinking, but is also essential for industrial usage, such as in
power plants, the food industry and semiconductor and pharmaceutical production facilities.

LANXESS is well positioned to address these needs with more than 70 years of experience in the water treatment business. We have also declared 2010 as the “LANXESS Water Year”, signaling a greater sense of urgency to commit our expertise and resources in helping to solve the water issue. I will elaborate on this topic shortly.

So far, my presentation has covered the business aspects. This is because for LANXESS, staying profitable is a fundamental responsibility to our employees and shareholders and we are fully committed to getting the basics right.

But equally important to us as a global company is the duty to conduct our business responsibly as well as help promote and
advance the interests of the local communities. Therefore, corporate responsibility is a key corporate objective that is deeply rooted in our business strategy and management system. We have chosen three areas to focus our expertise and resources: climate protection, water and education.

On climate protection, LANXESS has been able to cut its direct greenhouse gas emissions by more than 50 percent throughout the world from 2007 to 2009.

To enable sustainable energy generation, several cogen plants have been planned at LANXESS’ production sites around the world.

One example is the cogeneration plant for the production of electricity and steam which started operations at our site in Porto Feliz in Brazil in March this year. Costing around EUR 8 million,
this cogen plant runs on sugar cane waste and has enabled LANXESS to cut its CO2 emissions at the site to nearly zero. It also delivers a long-term, reliable and cost-effective power supply to the site, and enables the site to be virtually independent of the public electricity grid. Furthermore, the ash produced during the process can be used as fertilizer.

Our cogen project shows that what makes economic sense also makes ecological sense.

Cutting greenhouse emissions is only one area in our climate protection agenda. Our objective is look into a variety of opportunities across the entire value chain.

For example, LANXESS is working with U.S. biofuel & biochemical company Gevo, Inc. to produce isobutene, a key raw material needed in the manufacturing of butyl rubber, from
renewable resources. Currently isobutene is conventionally produced in steam crackers, which use petroleum derivatives as a feedstock.

We are also making a difference with our products, especially in defining the technologies for sustainable mobility. For example, the hybrid plastic/metal technology, a patented process by LANXESS, enables car manufacturers to reduce the amount of metal used, which reduces car weight, resulting in lower fuel consumption. In March this year, LANXESS realized another breakthrough: Now, for the first time, an organic plastic sheet has been used alongside aluminum sheet in a hybrid front end of the new Audi A8. This means further weight reduction compared to conventional hybrid parts and the opportunity to reduce fuel consumption even more.

Additionally, LANXESS believes in spreading the message of climate protection, by sharing best practices with industry players and promoting environmental awareness among children and our employees.
Another area where LANXESS is demonstrating environmental stewardship is water conservation.

For example, at our production site in Wuxi, China, water consumption has been reduced by more than 80 percent, while wastewater per metric ton of product has been lowered by 55 percent. Significantly, this site was the first to be honored as a “National Environmentally Friendly Enterprise” by China’s environmental authorities in 2004. And to date, the site has received at least 14 awards for its exemplary environmental standards.

The statistics on this slide more than represent our achievements. It is also a statement of our commitment to demonstrate and set the highest standards in accountability and responsibility wherever we operate. This includes emerging markets where regulations tend to lag behind those in western countries.
As I have shared, water is a key resource in our plant operations. At the same time, we have a deep understanding of the topic because it is a strategic part of our business.

Our products are used worldwide to address a range of concerns. For example, our ion exchange resins and arsenic adsorbers, under the product names Lewatit® and Bayoxide®, are used to treat water for potable use. Lewatit® is also used to provide ultra-pure water which is critical in sugar and biodiesel production as well as across many high-tech industries, including solar panel and mining.

In addition, special LANXESS rubber materials, which are heat- and soap-resistant, are used to ensure that the pipeline is watertight, thereby preventing water loss.
Currently, LANXESS is building two new plants for water treatment that are scheduled to come on stream later this year and in 2011.

LANXESS is therefore positioning for greater growth in the global market for water treatment, which is estimated at between EUR 315 and 330 billion and which is forecasted to grow by 10 percent annually.

At the plant in Bitterfeld, Germany, we will develop and produce membrane filtration technology. The volume of the global membrane market alone is currently estimated at around EUR 1 billion, and this figure is set to rise further.

At our largest production site in India, Jhagadia, we will build a new ion exchange resins plant which will be the most modern of its type in Asia.
These new plants in Bitterfeld and Jhagadia represent LANXESS biggest-ever investment program in the water market.

Additionally, LANXESS is also involved in several social projects related to water, one of which is our partnership with the African Medical and Research Foundation or AMREF.

In 2008, we launched a joint project with the aim of cutting the high disease and mortality rate in Tanzania resulting from unclean water and inadequate hygiene. Through financial assistance and expertise sharing from LANXESS, AMREF installed water treatment systems and sanitary facilities which benefited 25 schools and nearly 10,000 students. The collaboration also involved instilling good personal hygiene, such as the right way to wash one’s hands as an important measure for preventing diseases.
The third focus area of our corporate responsibility program is education. For LANXESS, sustaining our market-leading positions in the chemical industry will require highly qualified employees with excellent technical and interpersonal skills.

Our education initiatives aim to encourage young people to take an interest in chemistry.

For example in Germany, LANXESS conducts the week-long Practice & Vision workshop for schoolchildren on an annual basis. In 2009, the topic was on rubber. In the lab module, the students learnt the molecular differences between the various rubber grades, how they are manufactured and where they are used. Based on the example of fruit gum, which – like synthetic rubber – is also made out of polymer compounds, the students had the opportunity to make their own gummy bears. Since the bears
were produced in a chemical laboratory, the children were, of course, not allowed to eat them.

The workshop also encouraged the children to think about the economic and business considerations. Along this line, the students produce project films on their ideas and visions on new manufacturing processes and applications for synthetic rubber.

LANXESS also actively supports and promotes education in the sciences in other parts of the world.

In China, LANXESS has partnered with the Qingdao University of Science and Technology to launch an education initiative and the LANXESS Rubber Student Award. The study program involved students working through some of the most complex technical and scientific problems in polymer physics and rubber chemistry, under the mentorship of the university faculty staff and LANXESS’
technical experts. At the end of program, a final examination is held to select the winner of the LANXESS Rubber Student Award. This year, there are two winners, and they have been invited to attend a training program at LANXESS’ R&D center in Leverkusen, Germany.

Recently in Korea, LANXESS set up a water experiment at the “Fun Chemistry World” event hosted by the Korea Responsible Care Council. 460 students from 89 elementary schools in Busan took part in the experiment and used ion exchange resins to produce soft water from hard water.

Besides education in the sciences, LANXESS is keen to play a role in helping young people discover and nurture their talent. This includes our initiative in India where we are sponsoring underprivileged children to receive basic education. Another example is our sponsorship of talented young musicians from the SNYO in Singapore, as mentioned at the start of my presentation.
In summary, sustainability at LANXESS is a commitment to meet environmental, social and economic goals. This principle of “good for business, good for society” underlines our determination to continue on a path of profitable growth, while using our expertise and resources to advance the interests of our society.

And our objective wherever we are, including Singapore, is to operate to the highest level of business and operational excellence, be an employer of choice and a very good neighbor.

Thank you very much.