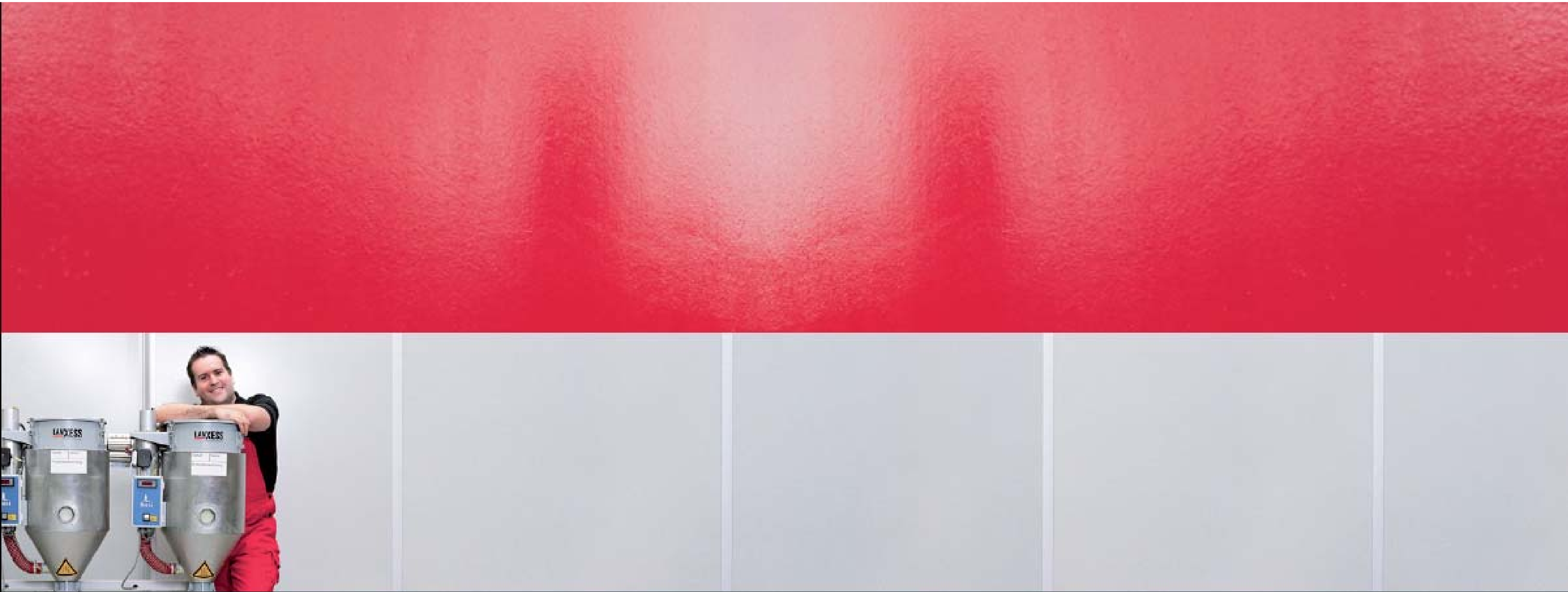

LANXESS – Q2 2006 Results

Consistently Delivering on Promises

August 16, 2006

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Agenda

1. Business Highlights Q2 2006
2. Financials Q2 2006
3. Strategy / Restructuring Update
4. Outlook and Guidance

Business Review Q2 2006

2006

- Economic environment remains supportive in most regions with healthy demand
- Operationally strong second quarter supported by restructuring savings
- Restructuring programmes fully on track, contributing faster than expected
- Continued price push-through in light of increase in raw materials and energy
- Q2 Financials and restructuring increase comfort to further narrow guidance to higher end of FY targets

Transformation of the company continues

Q2 2006 Financial Highlights: Profitability Improved - Balance Sheet Remains Strong

(€ m)	Q2 2005	Q2 2006	∆ in %
Sales	**1,859**	**1,751**	**-5.8%**
EBITDA pre except.	**163**	**201**	**23.3%**
Margin	8.8%	11.5%	
Net Income	**24**	**77**	**>100%**
Net Financial Debt	**680***	**590**	**-13.2%**
Working Capital	**1,439***	**1,523**	**5.8%**
Capex	**48**	**44**	**-8.3%**
Employees	**18,282***	**17,036**	**-6.8%**

*As per 31.12.

- Sales decrease almost entirely due to portfolio changes
- Selling price increases amid robust demand in most end markets, again risen raw material and energy costs
- Reduction of net financial debt to €590 m
- Headcount reduction ahead of plan

Restructuring success supports improvement in profitability

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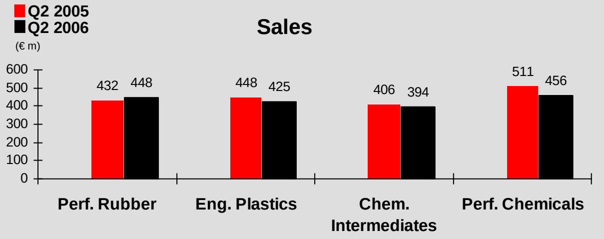
Q2 Performance Improvement Shows Ability to Accomplish High End of FY 2006 Targets

(€ m)	Q2 2005	Q2 2006	∆ in %
Sales	**1,859**	**1,751**	**-6%**
Cost of sales	-1,419	-1,320	-7%
SG&A	-292	-266	-9%
R&D	-28	-22	-21%
Other op. income/ expense	-43	-16	-63%
thereof exceptionals	-23	-11	-52%
EBIT	**77**	**127**	**65%**
Net Income	**24**	**77**	**>100%**
EBITDA	160	190	19%
thereof exceptionals	3	11	>100%
EBITDA pre exceptionals	**163**	**201**	**23%**

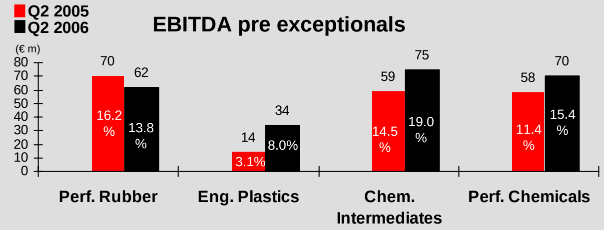
– Sales decrease is attributable to portfolio changes (-5.4%) and slightly lower volumes (-3.1%), partly counteracted by price increases (+2.3%). Currency fluctuations with marginal impact (+0.4%)
– Significant increase in profitability mirrors leaner cost structures due to successful restructuring, faster than planned
– Q2 exceptionals relate to restructuring and portfolio measures

More efficient cost structures with most markets remaining solid

Profitability Increases on Restructuring



– Sales decreased mainly on portfolio measures (FIB, PAP, iSL) and "price before volume" strategy

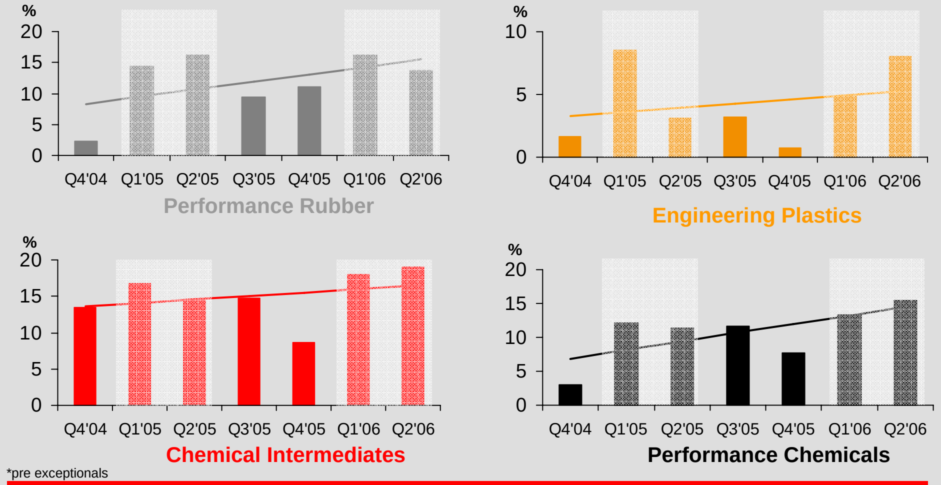


– Broad EBITDA increase and margin expansion.
Decline in Rubber compares to volumewise strong Q2 2005 in PBR and anticipated volume slowdown in the U.S.

LANXESS moves ahead quickly

Building a Track Record of Improvement

EBITDA* Margin Development since first Investor Meeting in November 2004



*pre exceptionals

LANXESS is on track to close the gap

Performance Rubber: Strong BTR and Good TRP - PBR Below Strong Q2 2005 Volumes

(€ m)	Q2 2005	Q2 2006
Sales	**432**	**448**
EBIT	52	45
Depr. / Amort.	16	17
EBITDA	68	62
EBITDA pre except.	**70**	**62**
Margin	16.2%	13.8%
Capex	**15**	**15**

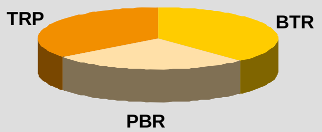
– Sales growth driven by price increases in all BUs to offset higher raw material costs

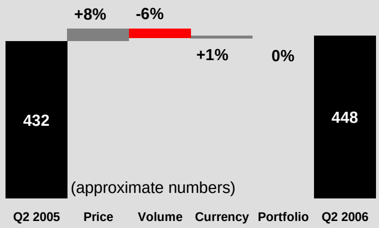
– Higher input costs in BTR were passed on to customers - sales growth in all regions, especially in Asia

– As anticipated, weaker volumes in PBR compare to very strong quarter in prior year. U.S. decrease partly counteracted by increases in Asia

– TRP with good price pass-through in light of higher raw material costs, supported by restructuring savings

Sales by BU:





Engineering Plastics: Substantial Performance Improvement in SCP and STY

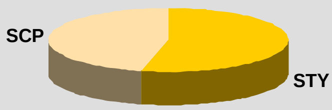
(€ m)	Q2 2005	Q2 2006
Sales	**448**	**425**
EBIT	-6	26
Depr. / Amort.	20	8
EBITDA	14	34
EBITDA pre except.	**14**	**34**
Margin	3.1%	8.0%
Capex	**9**	**10**

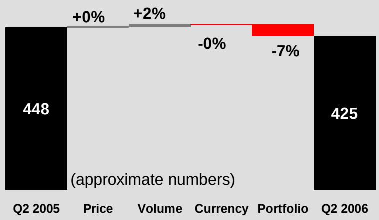
– Sales decline due to divestiture of FIB; partly counteracted by slight price and volume increases

– Functional cost decreases and restructuring savings in STY significantly overcompensated raw material price increases. In addition, price increases were achieved. Lower volumes due to shift to specialty focus

– Strong volumes in SCP due to healthy demand with correspondingly high capacity utilization

Sales by BU:



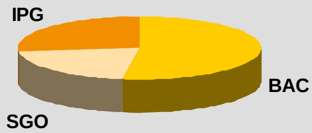


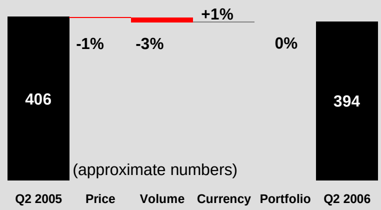
Chemical Intermediates: Restructuring Cost Savings and IPG Fuel Performance

(€ m)	Q2 2005	Q2 2006
Sales	**406**	**394**
EBIT	34	59
Depr. / Amort.	25	16
EBITDA	59	75
EBITDA pre except.	**59**	**75**
Margin	14.5%	19.0%
Capex	**18**	**8**

- Sales decreased on lower prices and volumes in SGO (project business), partly offset by slightly higher prices in BAC and IPG
- SGO saw lower sales in Agro business (driven by whole sector)
- Exceptionally strong performance in IPG due to sales in high price sector, making use of strong market position and healthy construction industry
- Restructuring cost savings in all functional costs led to improved results

Sales by BU:



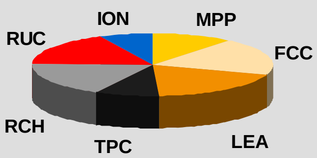


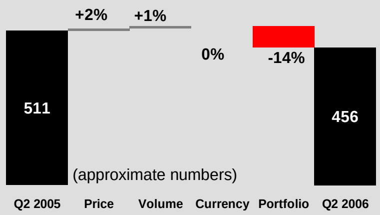
Performance Chemicals: MPP, TPC and LEA Lead Profitability Improvements

(€ m)	Q2 2005	Q2 2006
Sales	**511**	**456**
EBIT	41	56
Depr. / Amort.	16	14
EBITDA	57	70
EBITDA pre except.	**58**	**70**
Margin	11.4%	15.4%
Capex	**14**	**11**

- Lower sales after divestment of PAP and iSL, slightly offset by higher prices and volumes
- Strong EBITDA contribution mainly due to seasonally strong results in MPP, favourable pricing in LEA and improved cost structures in TPC
- RUC faces competitive pressure as indicated in Q1 already, leading to slightly lower performance
- RCH with price and volume increases compensating iSL divestment effect

Sales by BU:





Balance Sheet with Strengthened Ratios

(€ m)	Dec 31, 2005	Mar 31, 2006	June 30, 2006
Non-current Assets	**1,835**	**1,783**	**1,730**
Intangible assets	53	50	45
Property, plant & equipment	1,526	1,478	1,444
Equity investments	22	31	45
Other investments	4	4	4
Financial assets	48	45	38
Deferred taxes	103	96	71
Other non-current assets	79	79	83
Current Assets	**2,506**	**2,486**	**2,529**
Inventories	1,068	1,040	1,098
Trade accounts receivable	1,065	1,042	1,029
Financial assets	37	26	44
Other current assets	200	290	223
Liquid assets	136	88	135
Total Assets	**4,341**	**4,269**	**4,259**

(€ m)	Dec 31, 2005	Mar 31, 2006	June 30, 2006
Stockholders' Equity	**1,256**	**1,337**	**1,411**
thereof minority interest	17	18	17
Non-current Liabilities	**1,576**	**1,548**	**1,531**
Pension & post empl. provisions	497	499	505
Other provisions	302	283	289
Financial liabilities	644	639	618
Tax liabilities	26	26	26
Other liabilities	32	30	28
Deferred taxes	75	71	65
Current Liabilities	**1,509**	**1,384**	**1,317**
Other provisions	401	443	370
Financial liabilities	172	96	107
Trade accounts payable	694	618	604
Tax liabilities	27	41	52
Other liabilities	215	186	184
Total Equity & Liabilities	**4,341**	**4,269**	**4,259**

Further Reduction of Net Financial Debt

Cash Flow: Underlying Operating Cash Flow with Strong Improvement

(€ m)	H1 2005	H1 2006
Profit before Tax	**123**	**233**
Depreciation & Amortization	148	125
Income from investment in associate	-8	-10
Gain/ Loss from Sale of Assets	-1	0
Financial Losses	58	12
Cash tax payments	-17	-26
Changes in Working Capital	-263	-206
Changes in Other Assets and Liabilities	80	-31
Operating Cash Flow	**120**	**97**
Investing Cash Flow	**-91**	**11**
thereof Capex	-99	-81
Free Cash Flow	**29**	**108**
Financing Cash Flow	**72**	**-114**

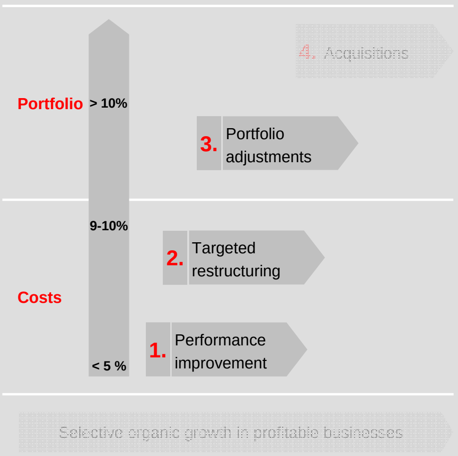
- Improved operating result builds basis for strong operating cash flow
- Improved Working Capital management vs. H1' 05
- Operating Cash Flow H1'06 distorted by extraordinary pay-outs of:
  - ~€40 m Restructuring
  - ~€30 m Rubber litigation
  - ~€30 m Higher bonus payments vs. H1' 05
- Investing Cash Flow includes €103 m from sale of iSL, PAP and FIB

Important to note: Majority of restructuring cash outs to come in H2

Agenda

Restructuring to be Continued: Phase IV

2005 / 2006



Targeted restructuring

- Phase I: Styrenic Resins Europe and Fine Chemicals (Saltigo)
- Phase II and III: Asset consolidation and process optimization in U.S. and EMEA
- Phase IV: Mainly efficiency improvement in Antwerp site and realignment of internal services
- Expected financial impacts as of 2009:
  - P&L Expenses: €65 m
  - Cost Reduction : €50 m
  - EBITDA improvement: €40 m

Update on Total Financial Impact due to Restructuring

Phase I+II+III (€ m)	2005	2006e	2007e	2008e	2009e
P&L Expenses	-166	-55	-35	-25	0
Cash outs	-10	-155	-90	-50	0
Headcount reduction	~540	~610	~470	~40	0
Cost reduction vs. prior year	**10**	**50**	**60**	**80**	**10**
Cost reduction cumulative	10	60	120	200	210
EBITDA improvement vs. prior year	**10**	**50**	**50**	**40**	**5**
EBITDA improvement cumulative	10	60	110	150	155

€10-20m

€10-20m

– €10-20 m savings moved forward from 2007 into 2006 due to faster implementation (built into above table as ~€15 m)

– ~€40 m remaining P&L expenses and ~€115 m remaining cash outs for H2 2006

"Solidarity agreement" on top of above figures give positive one-time" effect of €20+ m in '06 and '07

Restructuring is going to transform profitability substantially from 2007 onwards

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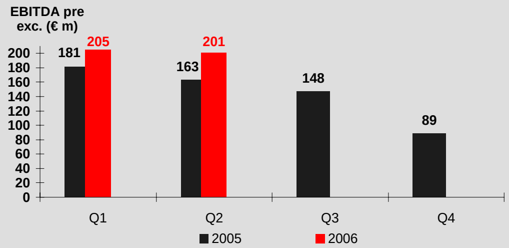
Annual Earnings Pattern in H2 2006 – Food for Thought

Profit and Loss

- Moderate summer business
- Increased volatility of raw material prices in Q3 could lead to time lag in price-pass-through



Cash Flow

- Majority of planned maintenance goes with majority of capex
- ~€20 m for rubber anti-trust
- ~€115 m for restructuring

Financing for additional cash payments in H2 expected to be mirrored in net financial debt

Outlook and Guidance

Underlying assumptions

– We remain confident for the global economic environment in 2006, however with a more differentiated regional development

– Raw materials expected to remain volatile on high level

– Fx-Hedging: ~70% of 2006 overall Fx exposure hedged. For remaining open exposure, exchange rate is planned at €1.0 = ~USD1.27

2006 Guidance based on above assumptions

– FY 2006 EBITDA pre exceptionals further precised at €660 - €680 m, driven by faster implementation of restructuring and despite more challenging market environment (e.g. raw materials, energy)

– Capex at upper end of €250 - €270 m range

– Operational Depreciation and Amortization ~€250 m

– FY P&L tax rate expected around 30%

FY 2006 EBITDA pre exceptionals guidance specified to €660-680 m

Appendix

Exceptional Items Incurred in Q2 2005 and 2006

(€ m)	Q2 2005		Q2 2006		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Rubber	2	0	0	0	"Rubber" Litigation (TRP)
Engin. Plastics	12	12	0	0	Capex write-off (STY) and Impairment (FIB)
Chemical Intermediates	6	6	0	0	Capex write-off (FCH)
Performance Chemicals	1	0	0	0	"Rubber" Litigation (RUC)
Reconciliation	2	2	11	0	2005: ~ €2 m Impairment, M&A 2006: Restructuring, M&A
Total	**23**	**20**	**11**	**0**	

Abbreviations

Performance Rubber

BTR	Butyl Rubber
PBR	Polybutadiene Rubber
TRP	Technical Rubber Products

Chemical Intermediates

BAC	Basic Chemicals
SGO	Saltigo
IPG	Inorganic Pigments

Engineering Plastics

STY	Styrenic Resins
SCP	Semi-Crystalline Products

Performance Chemicals

MPP	Material Protection Products
FCC	Functional Chemicals
LEA	Leather
TPC	Textile Processing Chemicals
RCH	RheinChemie
RUC	Rubber Chemicals
ION	Ion Exchange Resins

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