

LANXESS FY/Q4 2006 Financial Summary for Investors and Analysts

- Full year targets achieved
- Strong growth: EBITDA pre exceptionals up 18% in Q4 vs. Q4
- Reduction of net financial debt to €11 m
- Restructuring continues to be on track
- Strong net income increase – first dividend proposal

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Overview Financials

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LANXESS Group Q4

- Strongly improved fourth quarter:
 - Q4 Sales decrease from €1,786 m to €1,666 m on Portfolio and currency mainly
 - Q4 EBITDA pre exceptionals from €89 m by 18% to €105 m
- Improved cost structures and continuous implementation of pricing strategy help increase profitability

Q4 Profit and Loss Statement:

- Sales Deviation: Price: +5%, Volume -3%, Currency -4%, Portfolio -5% (approx. numbers)
- Typical seasonal quarter, however improved on pricing and leaner cost structure in all functional cost line-items
- Positive Net Income even in seasonally weakest quarter of €2 m versus loss of €100 m in Q4 2005
- Exceptional income in EBIT / EBITDA in Q4 due to release of provision for restructuring after divestment of TPC and re-evaluation offsetting exceptional charges

FY Cash flow Statement:

- Strong profit before tax: €287 m vs. -€117 m in 2005
- Operat. cash flow before chg. in working capital is €527 m vs. €517 m in 2005 and distorted by extraordinary pay-outs / one-times:
 - ~€90 m restructuring
 - ~€30 m higher bonus vs. prior year
- “Outflow” for working capital mirrors increase after exceptionally low year-end 2005 - effects to consider, comparing Working Capital 2006 vs. 2005:
 - Higher raw material prices in 2006
 - Operationally higher sales in 2006
 - 2005 low U.S. inventory due to impact from hurricane “Rita”
 - Supplier downtime specifically in BTR, Canada, with corresponding use-up of own inventories in Q4 2005
- Investing cash flow incl. €104 m from divestitures
- Net financial debt reduced from €680 million to €511 million

Q4 Business Overview

Performance Rubber

- Sales Deviation: Price: +8%, Volume -3%, Currency -5% (approximate numbers)
- Sales remained flat as price increases offset lower volumes and unfavourable currency effects
- Continuously strong BTR with lower volumes due to a strike at a customer, offset by increased selling prices on the basis of higher raw material costs and good business momentum in Europe
- PBR managed to remain on improved level despite tough U.S. market
- TRP strengthens contribution further with price increases and higher volumes
- **Business outlook:** Q1 started well, U.S. rubber market improves vs. Q4 2006

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Engineering Plastics

- Sales Deviation: Price: +10%, Volume -7%, Currency -3%, Portfolio -4% (approximate numbers)
- Sales decline mainly due to divestiture of FIB and lower volumes in LUP due to "price-before-volume" strategy and the continued production shift from Dormagen to Tarragona
- LUP had to go for strong price increases to at least mitigate the negative effect of higher raw material and energy costs
- SCP benefits from raw-material-based price increases, new capacity in Wuxi, China, and generally good capacity utilization
- **Business outlook:** Good. Strategic evaluation for LUP to be concluded during next few months

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Chemical Intermediates

- Sales Deviation: Price: +1%, Volume +2%, Currency -2% (approximate numbers)
- Sales slightly higher due to price and volume increases in BAC and IPG, overcompensating unfavourable currency effects
- BAC with strong performance on comparable level to previous year
- Despite continuously soft agro end market, SGO managed to compensate volume shortfall by cost savings
- IPG continues to benefit from strong demand mainly in the construction sector
- **Business outlook:** Solid start to 2007, comparable to last year's high level

Performance Chemicals

- Sales Deviation: Price: 0%, Volume -2%, Currency -3%, Portfolio -13% (approximate numbers)
- Sales decrease after divestment of PAP. Pricing on comparable level with slightly lower volumes
- EBITDA pre exceptionals below previous year as improved RCH and ION could not offset lower contributions from other businesses and portfolio effects
- Overall EBITDA pre exceptionals margin slightly increased as the setup of the BU portfolio improved
- RUC suffered from a strike at a customer's plants and continued competitive pressure
- RCH had to cope with weak U.S. market
- **Business outlook:** RUC and FCC will weigh on H1 profitability: market environment / force majeure

2007 Business environment and Outlook

Business environment:

- We are confident for the businesses in 2007 and expect the usual seasonal development
- Crude oil prices have eased but this is currently only slightly mirrored in our petrochemical derivative raw materials
- We expect raw materials to remain highly priced but starting to gradually decrease in Q2 / Q3 2007

First glance at 2007 / Items to consider:

- Excluding portfolio changes, we expect moderate sales growth in FY 2007
- EBITDA pre exceptionals is expected to be above the level of FY 2006
- First guidance will be provided with publication of Q1 results

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Anticipated cash burdens in 2007:

- Expected 2007 restructuring cash out: ~€140 m
- Capex planned around €300 m or above which is slightly above 4% of sales (organic growth mainly in BTR and SCP)
- Payment of purchase price for first acquisition, Chrome International South Africa (CISA) in Q1 2007
- Higher tax cash-outs
- Potential acquisition financing
- Dividend to be proposed: ~€20 m

Leverkusen, March 20, 2006

Forward-Looking Statements

This news release contains forward-looking statements based on current assumptions and forecasts made by LANXESS AG management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

- Financial Overview Q4 2006

in € million

	LANXESS			Perf. Rubber			Eng. Plast.			Chem. Intern.			Perf. Chem.			Others/ Cons.		
	Q4 '05	Q4 '06	Chg. in %	Q4 '05	Q4 '06	Chg. in %	Q4 '05	Q4 '06	Chg. in %	Q4 '05	Q4 '06	Chg. in %	Q4 '05	Q4 '06	Chg. in %	Q4 '05	Q4 '06	Chg. in %
Sales	1786	1666	-7%	440	440	0%	434	416	-4%	367	370	1%	499	411	-18%	46	29	-37%
Price*			5%			8%			10%			1%			0%			n.m.
Volume*			-3%			-3%			-7%			2%			-2%			n.m.
Currency*			-4%			-5%			-3%			-3%			-3%			n.m.
Portfolio*			-5%			0%			-4%			0%			-13%			n.m.
EBIT	-111	39	n.m.	-3	43	n.m.	-11	13	n.m.	9	19	>100%	-4	14	n.m.	-102	-50	n.m.
Deprec. & amortizat.	96	74	-23%	15	18	20%	14	9	-36%	23	16	-30%	17	19	12%	27	12	-56%
EBITDA	-15	113	n.m.	12	61	>100%	3	22	>100%	32	35	9%	13	33	>100%	-75	-38	n.m.
exceptionals in EBITDA	104	-8	n.m.	37	1	-97%	0	0	0%	0	0	0%	26	0	n.m.	41	-9	n.m.
EBITDA pre excep.	89	105	18%	49	62	27%	3	22	>100%	32	35	9%	39	33	-15%	-34	-47	n.m.
normalized D&A	66	67	2%	15	18	20%	8	9	13%	20	16	-20%	17	19	12%	6	5	-17%
EBIT pre excep.	23	38	65%	34	44	29%	-5	13	n.m.	12	19	58%	22	14	-36%	-40	-52	n.m.
exceptionals in EBIT	134	-1	n.m.	37	1	-97%	6	0	n.m.	3	0	n.m.	26	0	n.m.	62	-2	n.m.
Capex	100	120	20%	36	42	17%	24	32	33%	22	17	-23%	16	21	31%	2	8	>100%
Net financial debt	680**	511**	-25%															

* approximate numbers

**per Dec. 31



Financial Overview FY 2006

in € million

	LANXESS			Perf. Rubber			Eng. Plast.			Chem. Intern.			Perf. Chem.			Others/ Cons.		
	FY 05	FY 06	Chg. in %	FY 05	FY 06	Chg. in %	FY 05	FY 06	Chg. in %	FY 05	FY 06	Chg. in %	FY 05	FY 06	Chg. in %	FY 05	FY 06	Chg. in %
Sales	7150	6944	-3%	1678	1776	6%	1737	1708	-2%	1535	1533	0%	1977	1812	-8%	223	115	-48%
Price*			4%			10%			4%			1%			2%			n.m.
Volume*			-3%			-4%			-2%			-1%			1%			n.m.
Currency*			0%			-1%			0%			0%			-1%			n.m.
Portfolio*			-4%			0%			-4%			0%			-10%			n.m.
EBIT	28	376	>100%	108	178	65%	10	70	>100%	129	181	40%	118	155	31%	-337	-208	n.m.
Deprec. & amortizat.	313	262	-16%	63	68	8%	56	33	-41%	82	64	-22%	66	64	-3%	46	33	-28%
EBITDA	341	638	87%	171	246	44%	66	103	56%	211	245	16%	184	219	19%	-291	-175	n.m.
exceptionals in EBITDA	240	37	-85%	43	2	-95%	0	0	0%	0	0	0%	28	1	-96%	169	34	-80%
EBITDA pre excep.	581	675	16%	214	248	16%	66	103	56%	211	245	16%	212	220	4%	-122	-141	n.m.
normalized D&A	249	254	2%	63	68	8%	33	33	0%	68	64	-6%	66	64	-3%	19	25	32%
EBIT pre excep.	332	421	27%	151	180	19%	33	70	>100%	143	181	27%	146	156	7%	-141	-166	n.m.
exceptionals in EBIT	304	45	-85%	43	2	-95%	23	0	n.m.	14	0	n.m.	28	1	-96%	196	42	-79%
Capex	251	267	6%	75	89	19%	45	63	40%	59	45	-24%	61	55	-10%	11	15	36%
Net financial debt	680	511	-25%															

* approximate numbers

Abbreviations:

BTR	Butyl Rubber
PBR	Polybutadiene Rubber
TRP	Technical Rubber Products
LUP	Lustran Polymers
SCP	Semi-Crystalline Products
FIB	Fibers
BAC	Basic Chemicals
SGO	Saltigo
IPG	Inorganic Pigments
MPP	Material Protection Products
FCC	Functional Chemicals
LEA	Leather
TPC	Textile Processing Chemicals
RCH	RheinChemie
RUC	Rubber Chemicals
ION	Ion Exchange Resins
PAP	Paper Chemicals

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