LANXESS – Q3 2006 Results Roadshow

Executing on Strategy and Operations

November, 2006

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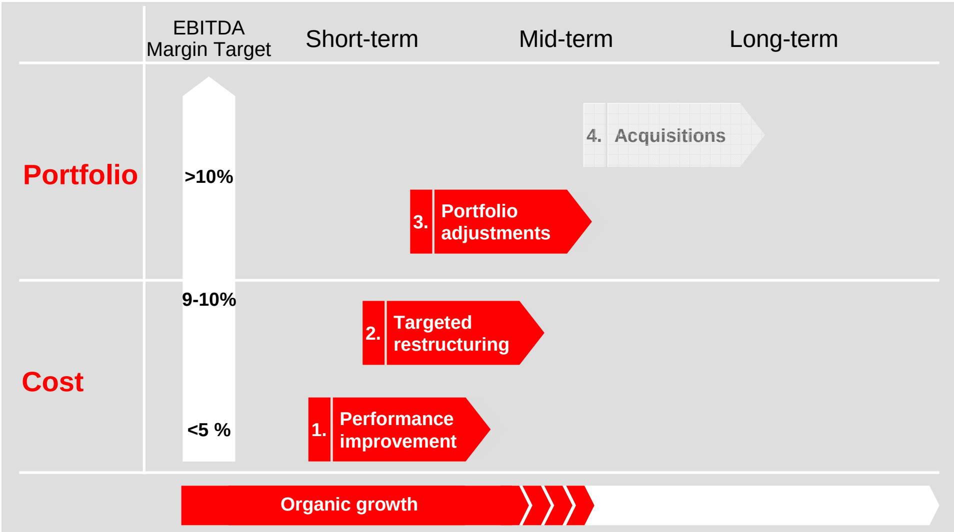
Agenda

1. **Strategy implementation well under way**
2. **Q3 financials on track to achieve FY 2006 targets**
3. **Strategy update – getting ready for the future**
4. **New ambitious mid-term targets and 2006 guidance**

Strategy implementation well under way



Profit-driven market approach to the chemical business

- "Price-before-Volume" strategy
- Pass on of raw material and energy cost increase
- Rationalization of products and grades
- Reduction of complexity
- Disciplined working capital management
- Implementation of new business models

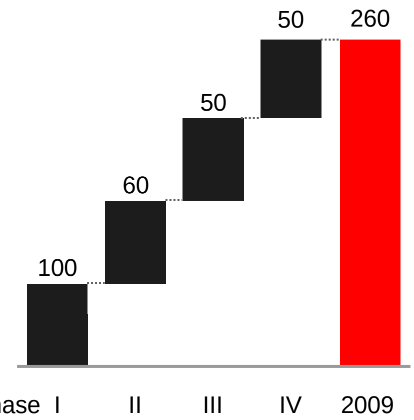
Focus on profitable sales

Targeted restructuring results in €260 m cost savings

- Closure of several sites worldwide
- Closure and consolidation of plants
- Reduction of workforce
- Optimization of sites, plants and processes
- Optimization of internal services
- New business models for Saltigo and Lustran Polymers

Rigorous cost management

Restructuring phases: savings (€ m)

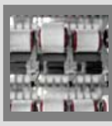


Active portfolio management strengthens businesses

Non-core businesses were divested to strategic investors

Long-term perspective created for the divested businesses

Fair solutions achieved for employees

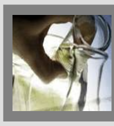


Fibers

- Strategic investor with growth concept ✓

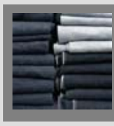
Paper Chemicals

- Globally active strategic investor with full product range ✓



Parts of Business Units

- Strategic investors for iSL, SAN to supplement their product portfolios ✓



Textile Processing Chemicals

- Purchase agreement signed, closing expected by year-end ✓

LANXESS is delivering on past promises …

Good Start in 2004 – Realistic Short-term Targets

Media/Analyst Conference November 2004

	2003	2004 Target***	2006 Target***
EBITDA* Margin	< 5%	~ 7%	9-10%
CapEx / Sales	~ 5%	4 - 5%	~ 4%
Net Financial Debt** / EBITDA*	~ 4.5	< 3	< 2.5

* Excluding exceptionals

** Net financial debt excluding pensions: financial obligations (including convertible) less cash & cash equivalents

*** The financial targets do not include any impact of potential divestments

Analyst Conference LANXESS 2004-11-26 Chart-No. 10 LANXESS

* EBITDA pre exceptionals

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Business highlights

Q3 2006

- Economic environment remains supportive in most regions with sound demand
- Operationally sound third quarter supported by efficiency improvements
- Continued price push-through in light of peaking raw material and energy costs
- Restructuring programs remain fully on track
- Confirmation of FY guidance of €660-680 m EBITDA pre exceptionals
- Rubber litigation payments concluded with last payment of €20 m
- Further portfolio measure implemented - divestment of TPC

Solid performance continues

Q3 2006 financial overview: on track to achieve full year targets

(€ m)	Q3 2005	Q3 2006	∆ in %
Sales	1,776	1,691	-4.8%
EBITDA pre except.	148	164	10.8%
Margin	8.3%	9.7%	
Net Income	-57	36	n.m.
Net Financial Debt	680*	503	-26.0%
Working Capital	1,439*	1,531	6.4%
Capex	52	66	26.9%
Employees	18,282*	16,893	-7.6%

*As per 31.12.

- Sales decrease almost entirely due to portfolio changes
- Broad selling price increases amid robust demand in most end markets, again risen raw material and energy costs
- Further reduction of net financial debt to €503 m
- Seasonally higher working capital compares to exceptionally low level at year-end 2005

Restructuring success supports improvement in profitability

Q3 performance mirrors efficiency improvements and pricing power

(€ m)	Q3 2005	Q3 2006	∆ in %
Sales	**1,776**	**1,691**	**-5%**
Cost of sales	-1,400	-1,329	-5%
SG&A	-274	-240	-12%
R&D	-24	-23	-4%
Other op. income/ expense	-132	-14	-89%
thereof exceptionals	-142	-17	-88%
EBIT	**-54**	**85**	**n.m.**
Net Income	**-57**	**36**	**n.m.**
EBITDA	15	148	>100%
thereof exceptionals	-133	-16	>100%
EBITDA pre exceptionals	**148**	**164**	**11%**

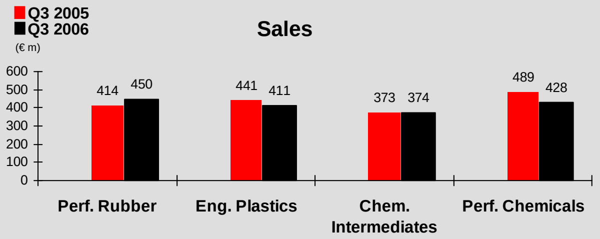
– Sales decrease is attributable to portfolio changes (-4.6%), slightly lower volumes (-2.7%) and unfavourable currency impact (-2.3%), partly counteracted by price increases (+4.8%)

– Improved cost structures and continuous implementation of pricing strategy help increase profitability

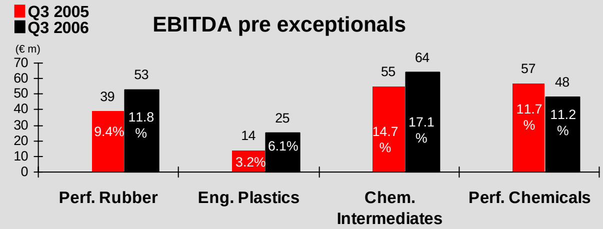
– Q3 exceptionals relate to restructuring and portfolio measures

Sound performance in a generally softer summer quarter

Continued operational improvements



– Sales continue to be lower in Engineering Plastics and Performance Chemicals due to portfolio measures (FIB, PAP, iSL) and “price before volume” strategy



– Broad EBITDA increase and margin expansion.
Slight absolute decrease with almost stable margin in Performance Chemicals is mainly based on timing of projects in ION, tougher competition in RUC and absence of iSL business

All businesses continue to perform according to plan

Performance Rubber: overall simply a sound quarter with robust demand…as stated in Q2

(€ m)	Q3 2005	Q3 2006
Sales	**414**	**450**
EBIT	18	36
Depr. / Amort.	17	17
EBITDA	35	53
EBITDA pre except.	**39**	**53**
Margin	9.4%	11.8%
Capex	**15**	**22**

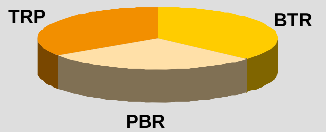
– Sales growth driven by price increases in all BUs in an effort to offset higher raw material costs. Stable volumes compared to Q3 2005

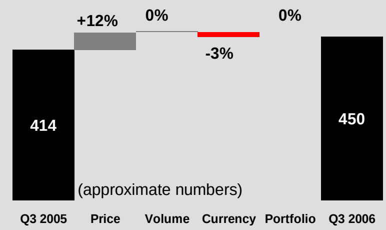
– BTR counteracted risen raw material costs with improved cost structures and higher selling prices

– PBR back on track with higher prices and volumes. Asia helped to offset U.S. softness

– TRP shows restructuring results with efficiency improvements and good pricing

Sales by BU:





Engineering Plastics: a pleasant quarter in underlying operations in both businesses

(€ m)	Q3 2005	Q3 2006
Sales	**441**	**411**
EBIT	3	17
Depr. / Amort.	11	8
EBITDA	14	25
EBITDA pre except.	**14**	**25**
Margin	3.2%	6.1%
Capex	**7**	**16**

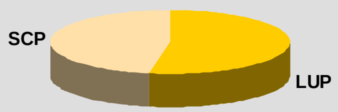
– Sales decline mainly due to divestiture of FIB and lower ABS volumes during the production shift from Dormagen to Tarragona as well as a fire at the Tarragona site

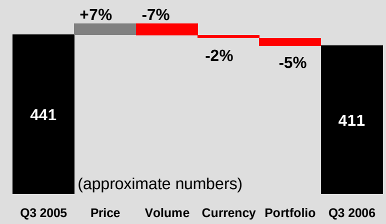
– LUP continues on the road of recovery with price increases to mitigate higher raw material and energy costs

– SCP with strong results based on raw-material-induced price increases supported by improved cost structures

– Absence of FIB-losses backs results as well

Sales by BU:



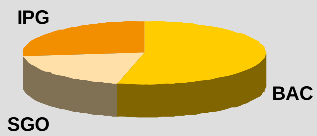


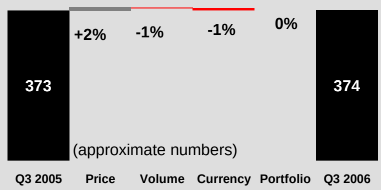
Chemical Intermediates: steadily strong BAC, exceptional IPG and SGO picking up

(€ m)	Q3 2005	Q3 2006
Sales	**373**	**374**
EBIT	39	48
Depr. / Amort.	16	16
EBITDA	55	64
EBITDA pre except.	**55**	**64**
Margin	14.7%	17.1%
Capex	**10**	**11**

- Sales almost unchanged as price increases in all businesses offset lower volumes and unfavourable currency effect
- Softer agro business in BAC and SGO is accountable for somewhat lower volumes – in BAC overcompensated by price increases
- SGO on track in terms of performance improvement – well above last years result; good progress in pharma business
- IPG benefits from continuously strong demand especially in the construction industry and price increases in specialty applications for iron oxides

Sales by BU:



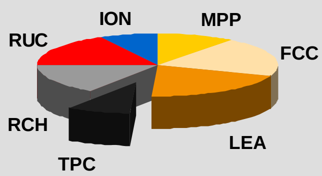


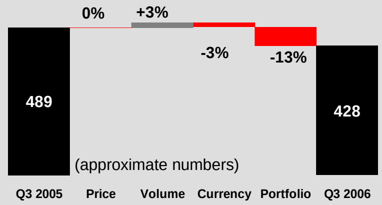
Performance Chemicals: mixed performance - strong MPP and LEA, lagging RUC and ION

(€ m)	Q3 2005	Q3 2006
Sales	**489**	**428**
EBIT	38	34
Depr. / Amort.	18	14
EBITDA	56	48
EBITDA pre except.	**57**	**48**
Margin	11.7%	11.2%
Capex	**19**	**11**

- Sales decrease after divestment of PAP and iSL. Pricing on comparable level with overall higher volumes
- Improved EBITDA contribution mainly due to seasonally strong MPP, favourable pricing in LEA and improved cost structures in TPC
- RUC had to cope with increasing competitive pressure since Q1 and customers' production closures, leading to weaker performance
- Project business in ION compares to stronger Q3 2005. Performance gap only based on timing

Sales by BU:





Powerful Balance Sheet: tidy and stable

(€ m)	Dec 31, 2005	June 30, 2006	Sept 30, 2006
Non-current Assets	**1,835**	**1,730**	**1,712**
Intangible assets	53	45	47
Property, plant & equipment	1,526	1,444	1,444
Equity investments	22	45	37
Other investments	4	4	6
Financial assets	48	38	20
Deferred taxes	103	71	73
Other non-current assets	79	83	85
Current Assets	**2,506**	**2,529**	**2,512**
Inventories	1,068	1,098	1,099
Trade accounts receivable	1,065	1,029	984
Financial assets	37	44	44
Other current assets	200	223	203
Liquid assets	136	135	182
Total Assets	**4,341**	**4,259**	**4,224**

(€ m)	Dec 31, 2005	Jun 30, 2006	Sept 30, 2006
Stockholders' Equity	**1,256**	**1,411**	**1,433**
thereof minority interest	17	17	19
Non-current Liabilities	**1,576**	**1,531**	**1,550**
Pension & post empl. provisions	497	505	513
Other provisions	302	289	295
Financial liabilities	644	618	620
Tax liabilities	26	26	36
Other liabilities	32	28	26
Deferred taxes	75	65	60
Current Liabilities	**1,509**	**1,317**	**1,241**
Other provisions	401	370	363
Financial liabilities	172	107	65
Trade accounts payable	694	604	552
Tax liabilities	27	52	56
Other liabilities	215	184	205
Total Equity & Liabilities	**4,341**	**4,259**	**4,224**

Further reduction of net financial debt despite restructuring and rubber litigation payments

Cash Flow: underlying operating cash flow again stronger

(€ m)	9M 2005	9M 2006
Profit before Tax	**44**	**292**
Depreciation & Amortization	217	188
Income from investment in associate	-3	-7
Gain/ Loss from Sale of Assets	-2	-1
Financial Losses	61	17
Cash tax payments	-25	-34
Changes in Working Capital	-161	-218
Changes in Other Assets and Liabilities	227	9
Operating Cash Flow	**358**	**246**
Investing Cash Flow	**-145**	**-47**
thereof Capex	-151	-147
Free Cash Flow	**213**	**199**
Financing Cash Flow	**-162**	**-150**

- Strong operating result
- Working Capital increase 9M 2006 more normal. Previous year contained effect from first working capital initiatives
- Operating cash flow 2006 contains extraordinary pay-outs:
  - ~€60 m restructuring (+€10 m capex)
  - ~€30 m higher bonus vs. 9M' 05
  - ~€50 m rubber litigation
- Changes in other assets and liabilities contains contribution to 2005 restructuring provisions
- Investing Cash Flow incl. €108 m from sale of iSL, PAP and FIB

Significant share of capex and further restructuring cash outs to come in Q4

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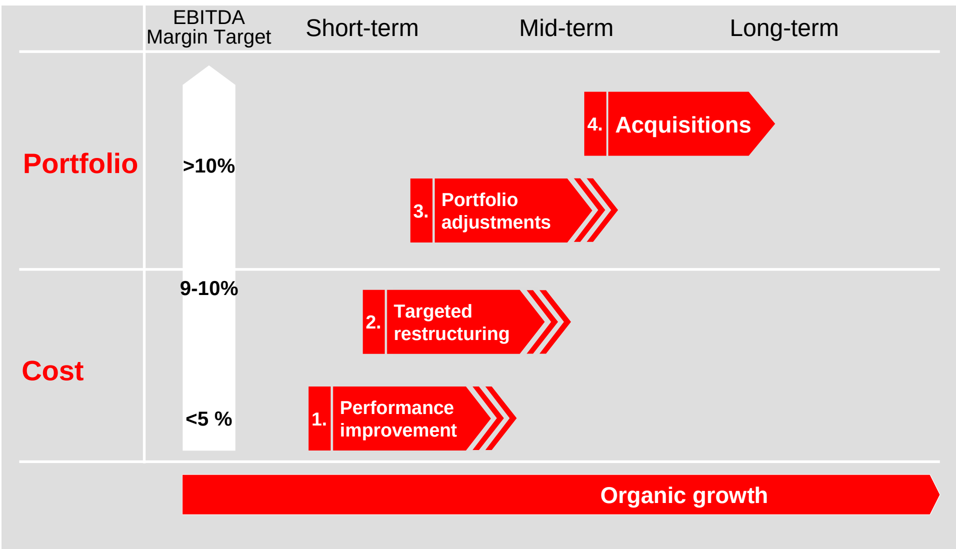
Strong foundations are in place – the future starts now



Close the profitability gap with competitors

Increasing Competition

Global Markets Change

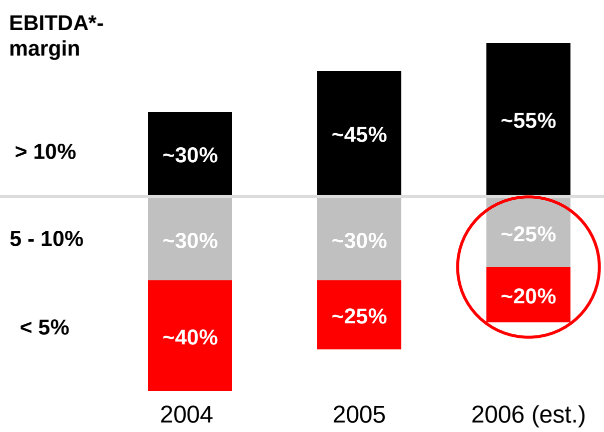
Industry Fragmentation and Consolidation

Continue aggressive efficiency improvement

- Consequent cost management lowers cost year by year
- Margin improvements through pricing excellence
- Return-oriented resource allocation

Share of profitable sales almost doubled

Profitability distribution (sales share)



* EBITDA pre exceptionals

Drive sustainable and profitable organic growth

Increasing Competition

Global Markets Change

Industry Fragmentation and Consolidation

Align businesses along market and industry trends

- Adaptation of business models
- Seizing opportunities in emerging markets
- Leveraging LANXESS' technology platform

Build and strengthen portfolio of leadership businesses

Increasing Competition

Global Markets Change

Industry Fragmentation and Consolidation

Play active role in ongoing industry consolidation

- Continue active portfolio adjustment
- Targeted acquisitions to further strengthen existing businesses
- Targeted acquisitions to enter into new attractive businesses

We develop our businesses into leadership businesses

- We implement sound strategies
- We work along measurable and realistic action plans
- We execute precisely and timely

- We further advance organic growth
- We actively pursue portfolio management

- We utilize our entrepreneurial culture and experience
- We are fast and courageous

LANXESS executes and delivers on promises

We see attractive opportunities ahead to generate more value

There are additional chances beyond our current portfolio

In leveraging
- our competencies
- our experience
- our portfolio platform
- our deep understanding of the chemical industry

\+

In taking advantage of
- fragmentation and consolidation process of the chemical industry
- need for restructuring of chemical businesses

Creating additonal value, strength and a long-term perspective for LANXESS

We are looking for appropriate acquisition opportunities

- **Strengthen portfolio**
  Small to mid-sized individual businesses to strengthen our leadership businesses
- **Complement portfolio**
  Attractive mid-sized businesses to broaden our portfolio
- **Another turn-around opportunity**
  A company or part of a conglomerate to boost under-managed businesses

We know how to energize chemical businesses

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… and LANXESS will deliver on new ambitious targets

LANXESS	**EBITDA* margin:** **Peer group profitability in 2009** **(currently 12-14%)**
Business	**No business < 5 % EBITDA* margin in 2009**
Finance	**Investment grade rating**

* EBITDA figures pre exceptionals; excluding acquisitions

Outlook and guidance

Outlook

– We remain confident for the businesses in Q4 2006, however with the usual seasonal development

– Crude oil prices have eased but this is, as of now, not yet mirrored in our petrochemical derivative raw materials nor the underlying contract prices which still remain at high levels

2006 Guidance

– FY 2006 EBITDA pre exceptionals remains at €660 - €680 m

– 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 remains at €660-680 m

LANXESS is energizing the chemical industry

Strategy

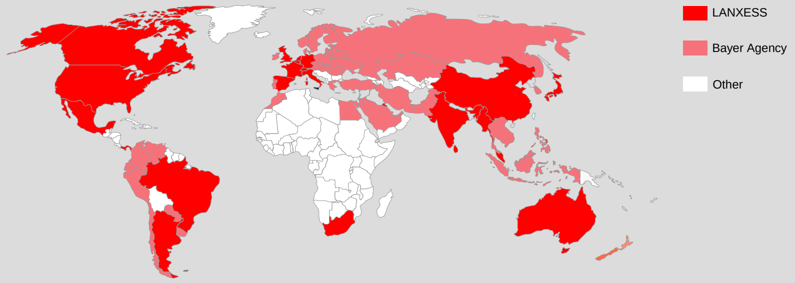
Competitiveness	Restructure and build leadership businesses
Portfolio	Optimize portfolio permanently for performance
Value	Capitalize on industry trends and LANXESS competencies

LANXESS

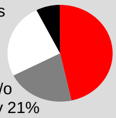
Energizing Chemistry

LANXESS - a global player in the chemical industry

Global presence

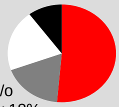


Assets by region



Sales by region

Employees by regions



based on 2005 figures

November 2006 Q3 Results Roadshow Chart-No. 34 LANXESS

Broad supplier base

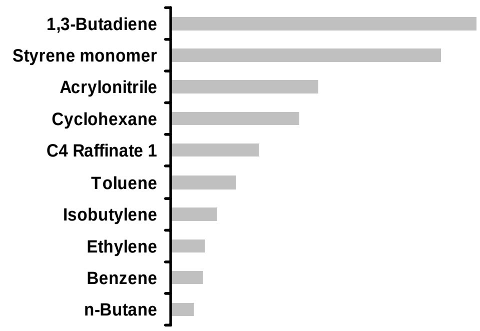
Suppliers

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 2005 included BP, Chevron Phillips, Dow, Exxon Mobil, Huntsman, Ineos, Innovene, Lyondell, Shell Chemicals and Total. Other important suppliers of basic inorganic and organic chemicals are BASF, Bayer, Degussa and Rhodia.

- Total raw material costs in 2005 were approx. €2.6 bn
- Top10 petrochemical raw materials accounted for approx. € 1.3 bn of costs in 2005

Top 10 Petrochemical Raw Materials 2005 in € million



November 2006 Q3 Results Roadshow Chart-No. 35 LANXESS

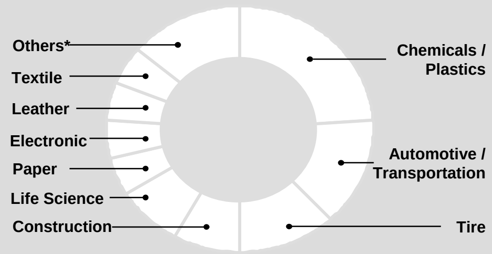
Diversified customer base and industry portfolio

Customers

The LANXESS Group's top five customers accounted for about 14% of all sales in fiscal 2005. 18 customers account for sales of between €20 million and €50 million. About 15,000 LANXESS customers contribute sales of up to €100,000. The number of customers varies widely by segment.

The Performance Rubber segment has some 2,000 customers, Engineering Plastics has about 4,000, Chemical Intermediates has more than 7,000, and Performance Chemicals has about 14,000. However, one customer may do business with more than one segment. Each segment includes all customer groups and sales volumes.

End User Industries 2005



*Others:
- Water Treatment
- Furniture
- Coatings
- Health Care
- Nutrition
- Hygienics
- Packaging

9M 2006 financial overview: on track to achieve full year targets

(€ m)	9M 2005	9M 2006	Δ in %
Sales	**5,364**	**5,278**	**-1.6%**
EBITDA pre except. Margin	**492** 9.2%	**570** 10.8%	**15.9%**
Net Income	**37**	**195**	**>100%**
Net Financial Debt	**680***	**503**	**-26.0%**
Working Capital	**1,439***	**1,531**	**6.4%**
Capex	**151**	**147**	**-2.6%**
Employees	**18,282***	**16,893**	**-7.6%**

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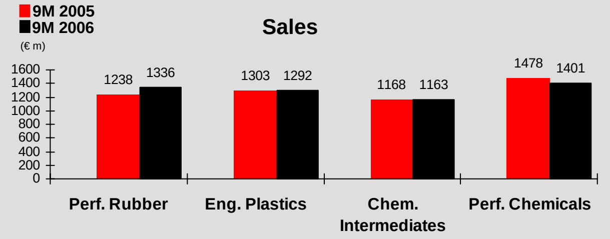
Restructuring success supports improvement in profitability

Continued operational improvements



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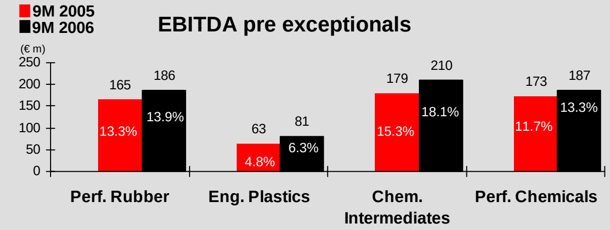


- EBITDA increase and margin expansion across all Segments, based on restructuring and new pricing strategy

All businesses continue to perform according to plan

Exceptional items incurred in Q3 2005 and 2006

(€ m)	Q3 2005		Q3 2006		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Rubber	4	0	0	0	"Rubber" Litigation (TRP)
Engin. Plastics	3	3	0	0	Capex write-off (LUP) and Impairment (FIB)
Chemical Intermediates	2	2	0	0	Capex write-off (SGO)
Performance Chemicals	1	0	0	0	"Rubber" Litigation (RUC)
Reconciliation	132	4	17	1	Restructuring, M&A
Total	**142**	**9**	**17**	**1**	

Update on total financial impact due to restructuring

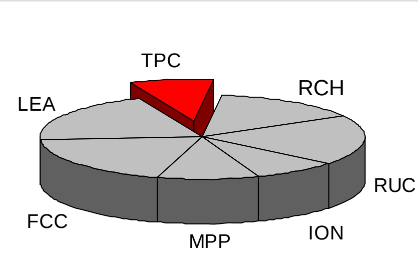
Phase I+II+III+IV (€ m)	2005	2006e	2007e	2008e	2009e
P&L Expenses	-166	-55	-35	-25	-65*
Cash outs	-10	-155	-90	-50	-65*
Headcount reduction	~540	~610	~470	~40	0
Cost reduction vs. prior year	**10**	**50**	**60**	**80**	**60***
Cost reduction cumulative	10	60	120	200	260*
EBITDA improvement vs. prior year	**10**	**50**	**50**	**40**	**45***
EBITDA improvement cumulative	10	60	110	150	195*

* Phase IV not yet broken down by years - included in above table completely in 2009
(~€65 m P&L expenses, ~€50 m cost reduction, ~€40 m EBITDA improvement)

Restructuring is going to transform profitability substantially from 2006 onwards

Sale of the Textile Processing Chemicals business: fourth adjustment to the portfolio

LANXESS textile processing chemicals business to be acquired by Dutch investor EGERIA and business unit management



Performance Chemicals sales by BU

Key Business Items:

- Sales of ~€130 million in 2005, North American assets are not included in the transaction (sales of ~€20 m)
- Positive margin contribution after successful realignment in recent years (e.g. streamlining of sales organization, adjustment of product portfolio)
- Approx. 330 employees are affected, production sites in Leverkusen (GER) and Ede (NL)

Transaction Cornerstones:

- Purchase price of €54 million (Enterprise value)
- Remnant costs of ~€10 million in 2007 and ~€5 million in 2008
- Closing expected by the end of the year

Divestment at value enhancing multiples

The basis for new mid-term financial targets is prepared…

€ m Company	2005	2006e	2007e	2008e	2009e	Resulting Margin*
Fixed cost savings					260	
Phase 1-4 EBITDA improvement cumul	10	60	110	150	195**	Up to ~11%

€ m Portfolio adjustment	Effects	Resulting Margin*
FIB	-100 sales, -10 EBITDA loss	Up to ~12%
PAP	-240 sales, negligible EBITDA	
iSL	-20 sales	
TPC	-150 sales, - high single digit EBITDA	

Resulting EBITDA* margin improvement to ~ 12% builds the basis for new financial targets

* using FY 2005 EBITDA pre exceptionals margin of 8.1% as basis; ** €40 m of phase 4 not yet broken down by years

Prudent financing policy for the future

Policy

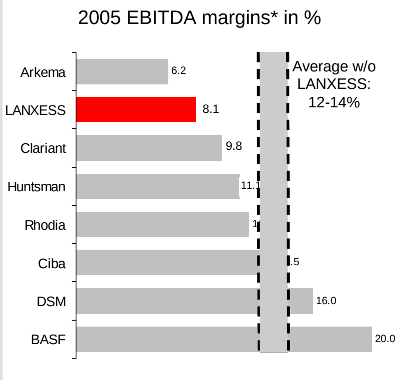
- **Rating policy:**
  Remain investment-grade within longer-term corridor of BBB- and BBB
- **Organic growth:**
  strive not to have rating deterioration for a longer period of time
- **External growth:**
  under certain circumstances, a temporary rating deterioration into non-investment grade “BB+/BB” would seem acceptable with the clear target to re-enter investment grade status after integration of an acquisition

Food for thought

- Current financing structure
- Existing back up facilities
- Current rating ratios offer room to maneuver
- Acquisitions in-line with the new financing policy

…and LANXESS will deliver on new ambitious targets

LANXESS	**EBITDA* margin: Peer group profitability in 2009 (currently 12-14%)**
Business	**No business < 5 % EBITDA* margin in 2009**
Finance	**Investment grade rating**



* EBITDA figures pre exceptionals; excluding acquisitions

Financial Calendar 2006/2007

Financial Calender

FY Results 2006	**March 20, 2007**
Q1 Results 2007	**May 09, 2007**
Annual Stockholders' Meeting	**May 31, 2007**
Q2 Results 2007	**August 16, 2007**
Q3 Results 2007	**November 14, 2007**

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

LUP	Lustran Polymers
SCP	Semi-Crystalline Products

Performance Chemicals

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

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