



LANXESS

HVB German Investment Conference, September 2006

Consistently Delivering on Promises

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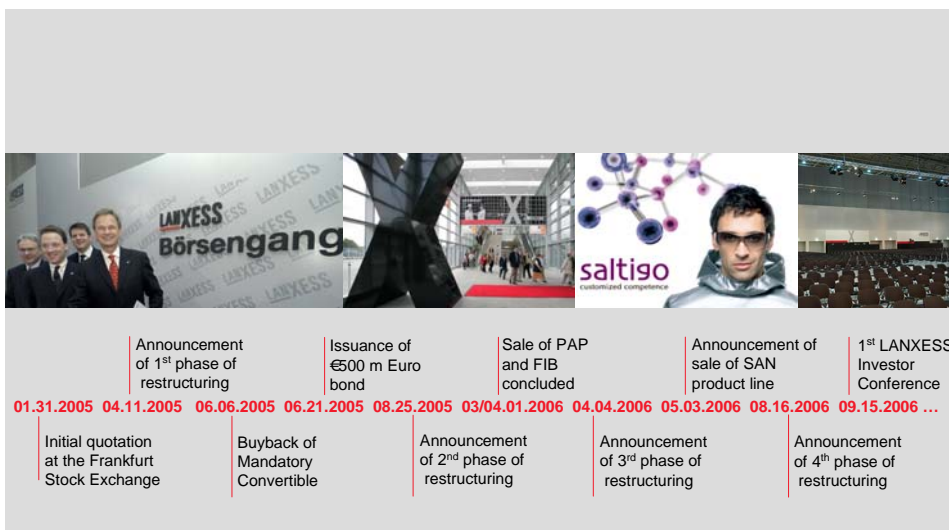
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Chart-No. 2

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We have achieved a lot so far and keep going with high speed



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Chart-No. 3

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From “Firefighting“ to “Financial Scope“ – financial metrics underpin the evolution

In €m	2004	2005	2006e	
EBITDA*	447	581	660-680	Profitability
EBITDA* margin	6.6%	8.1%	9-10%	
Equity ratio	24.5%**	28.9%	33.1%***	Stability
Net financial debt	1,135	680	590***	Strength
Net financial debt / EBITDA	2.5x	1.2x	<1	



* pre exceptionals; ** 2004 comparable to 2005, i.e. incl. deferred tax adjustment; ***as of June 30, 2006

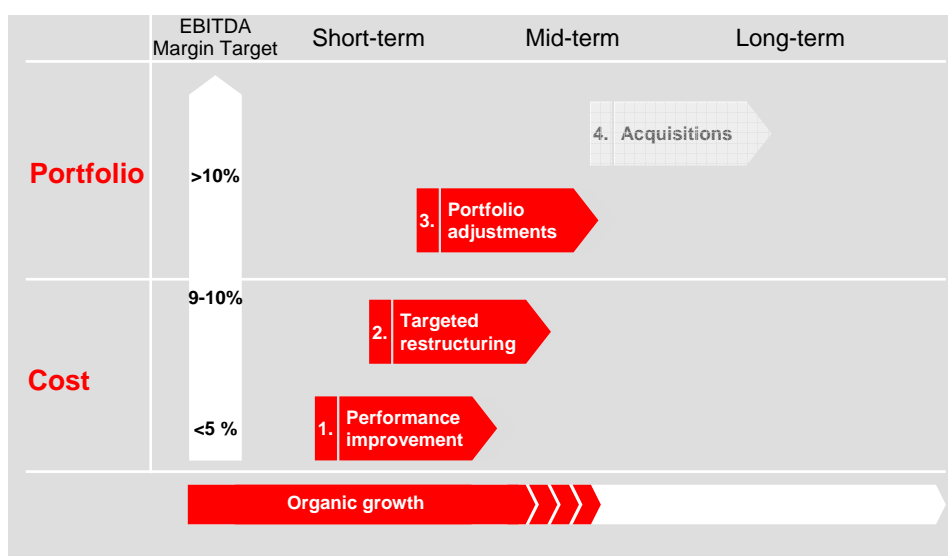
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Chart-No. 4

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Strategy implementation well under way



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Chart-No. 5

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Agenda

1. Performance Improvement
2. Update on Restructuring and Portfolio
3. Strategy Update
4. New Financial Targets and Outlook

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Chart-No. 6

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H1 2006 financial highlights: profitability improved - balance sheet remains strong

(€m)	H1 2005	H1 2006	Δ in %	
Sales	3,588	3,587	0.0%	– Sales decrease almost entirely due to portfolio changes
EBITDA pre except. Margin	344 9.6%	406 11.3%	18.0%	
Net Income	94	159	69.1%	– Selling price increases amid robust demand in most end markets, again risen raw material and energy costs
Net Financial Debt	680*	590	-13.2%	– Reduction of net financial debt to €590 m
Working Capital	1,439*	1,523	5.8%	– Headcount reduction ahead of plan
Capex	99	81	-18.2%	
Employees	18,282*	17,036	-6.8%	

*As per 31.12.

Restructuring success supports improvement in profitability

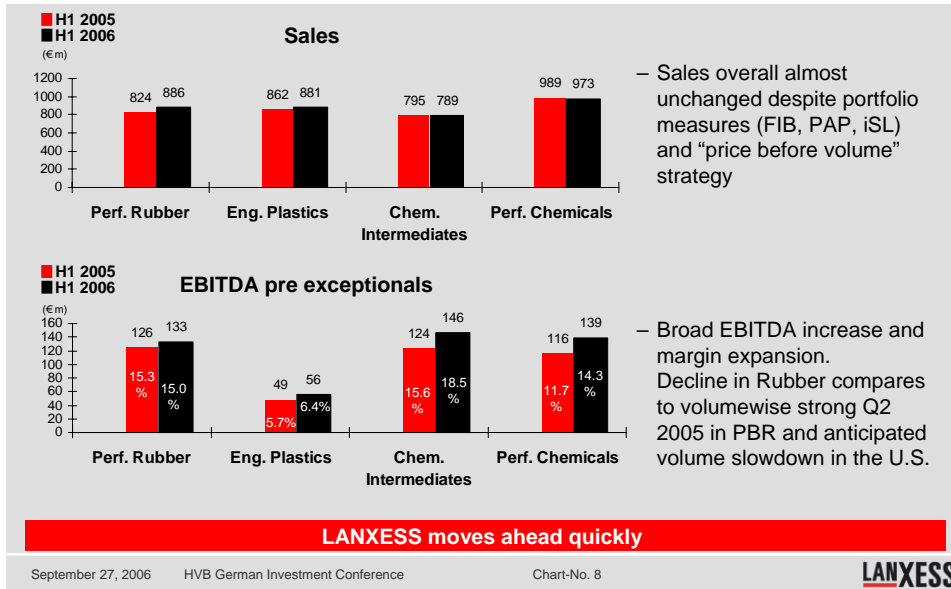
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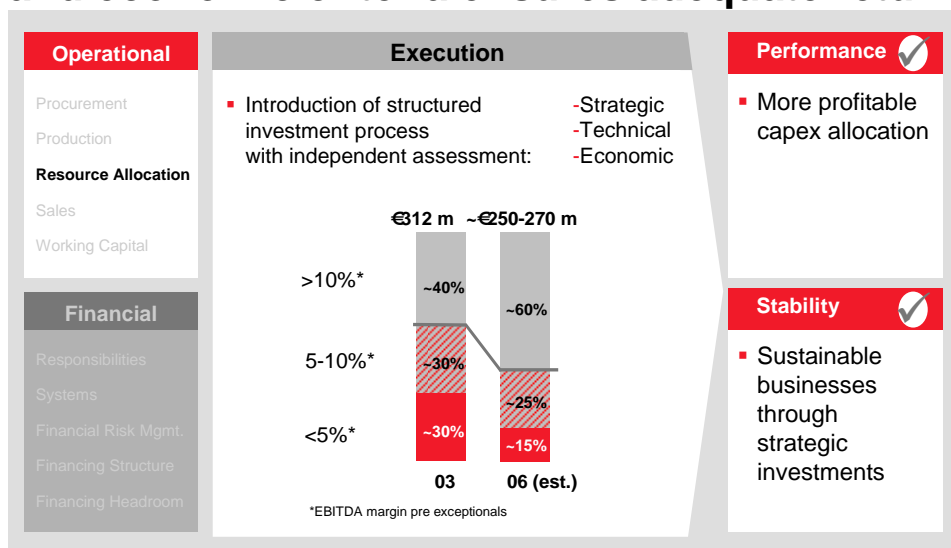
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Profitability increases on restructuring



Resource allocation along strategic, technical and economic criteria ensures adequate returns



Working capital: evolving from marginal to systematic management

Operational	Execution	Performance ✓														
<ul style="list-style-type: none"> Procurement Production Resource Allocation Sales Working Capital 	<ul style="list-style-type: none"> ▪ Company-wide projects to reduce working capital with incentives linked to success ▪ DSO, DSI analysis and “earning / burning” comparison on BU level, monthly discussion with businesses ▪ Management of working capital, e.g.: <ul style="list-style-type: none"> - Reduction but still in accordance with nature of business - Preparation for maintenance 	<ul style="list-style-type: none"> ▪ Improved cash flow 														
Financial	<table border="1"> <caption>Working capital as % of sales</caption> <thead> <tr> <th>Quarter</th> <th>Working capital as % of sales</th> </tr> </thead> <tbody> <tr> <td>Q1 05</td> <td>24.9</td> </tr> <tr> <td>Q2 05</td> <td>25.4</td> </tr> <tr> <td>Q3 05</td> <td>24.0</td> </tr> <tr> <td>Q4 05</td> <td>20.1</td> </tr> <tr> <td>Q1 06</td> <td>20.2</td> </tr> <tr> <td>Q2 06</td> <td>21.3</td> </tr> </tbody> </table>	Quarter	Working capital as % of sales	Q1 05	24.9	Q2 05	25.4	Q3 05	24.0	Q4 05	20.1	Q1 06	20.2	Q2 06	21.3	Stability ✓
Quarter	Working capital as % of sales															
Q1 05	24.9															
Q2 05	25.4															
Q3 05	24.0															
Q4 05	20.1															
Q1 06	20.2															
Q2 06	21.3															
<ul style="list-style-type: none"> Responsibilities Systems Financial Risk Mgmt. Financing Structure Financing Headroom 		<ul style="list-style-type: none"> ▪ Early spotting of deviations – lower likelihood for surprises 														

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Chart-No. 10



Financial risk management: increased stability achieved

Operational	Execution	Performance ✓
<ul style="list-style-type: none"> Procurement Production Resource Allocation Sales Working Capital 	<ul style="list-style-type: none"> ▪ Introduction of appropriate policy for nature of business ▪ Risk assessment with close cooperation between procurement, businesses and treasury ▪ Group-wide treasury controlling put in place 	<ul style="list-style-type: none"> ▪ Significantly reduced exposure to FX and energy price fluctuations
Financial		Stability ✓
<ul style="list-style-type: none"> Responsibilities Systems Financial Risk Mgmt. Financing Structure Financing Headroom 		<ul style="list-style-type: none"> ▪ Long term: decreased volatility impact

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Chart-No. 11



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1. Performance Improvement
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4. New Financial Targets and Outlook

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Chart-No. 12

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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

– €10-20 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

➔ **Phase 4: €40 m EBITDA improvement by 2009 - not yet included in above numbers**

Restructuring is going to transform profitability substantially from 2007 onwards

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Chart-No. 13

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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



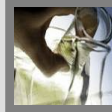
Fibers

- Strategic investor with growth concept



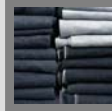
Paper Chemicals

- 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

- Process on track



Agenda

1. Performance Improvement
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Close the profitability gap with competitors

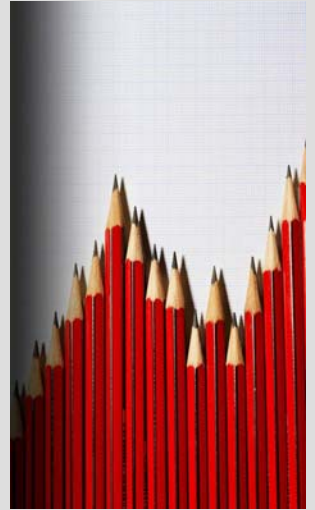
Increasing Competition

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



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Chart-No. 16

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Share of profitable sales almost doubled

Profitability distribution (sales share)

EBITDA*-margin

> 10%

~30%

~45%

~55%

5 - 10%

~30%

~30%

~25%

< 5%

~40%

~25%

~20%

2004

2005

2006 (est.)

* EBITDA pre exceptionals

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Chart-No. 17

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Drive sustainable and profitable organic growth

Increasing Competition

Align businesses along market and industry trends

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

Global Markets Change

Industry Fragmentation and Consolidation



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Chart-No. 18

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Build and strengthen portfolio of leadership businesses

Increasing Competition

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

Global Markets Change

Industry Fragmentation and Consolidation



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Chart-No. 19

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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 additional value, strength and a long-term perspective for LANXESS



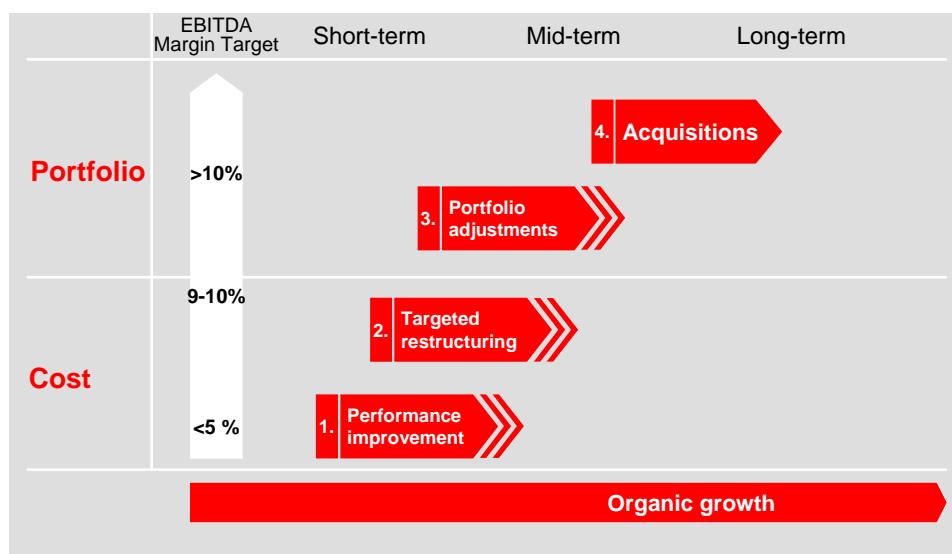
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Chart-No. 20

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Strong foundations are in place – the future starts now



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Chart-No. 21

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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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Chart-No. 22

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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

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Chart-No. 23

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Agenda

1. Performance Improvement
2. Update on Restructuring and Portfolio
3. Strategy Update
4. **New Financial Targets and Outlook**

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Chart-No. 24

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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

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* EBITDA pre exceptionals

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Chart-No. 25

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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

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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

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Chart-No. 27

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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

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Chart-No. 28

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Energizing Chemistry

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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Balance sheet with strengthened ratios

(€m)	Dec 31, 2005	Mar 31, 2006	June 30, 2006	(€m)	Dec 31, 2005	Mar 31, 2006	June 30, 2006
Non-current Assets	1,835	1,783	1,730	Stockholders' Equity	1,256	1,337	1,411
Intangible assets	53	50	45	thereof minority interest	17	18	17
Property, plant & equipment	1,526	1,478	1,444	Non-current Liabilities	1,576	1,548	1,531
Equity investments	22	31	45	Pension & post empl. provisions	497	499	505
Other investments	4	4	4	Other provisions	302	283	289
Financial assets	48	45	38	Financial liabilities	644	639	618
Deferred taxes	103	96	71	Tax liabilities	26	26	26
Other non-current assets	79	79	83	Other liabilities	32	30	28
				Deferred taxes	75	71	65
Current Assets	2,506	2,486	2,529	Current Liabilities	1,509	1,384	1,317
Inventories	1,068	1,040	1,098	Other provisions	401	443	370
Trade accounts receivable	1,065	1,042	1,029	Financial liabilities	172	96	107
Financial assets	37	26	44	Trade accounts payable	694	618	604
Other current assets	200	290	223	Tax liabilities	27	41	52
Liquid assets	136	88	135	Other liabilities	215	186	184
				Total Equity & Liabilities	4,341	4,269	4,259
Total Assets	4,341	4,269	4,259				

Further Reduction of Net Financial Debt

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Chart-No. 32

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Cash Flow: Underlying Operating Cash Flow with Strong Improvement

(€m)	H1 2005	H1 2006	
Profit before Tax	123	233	– Improved operating result builds basis for strong operating cash flow
Depreciation & Amortization	148	125	
Income from investment in associate	-8	-10	– Improved Working Capital management vs. H1' 05
Gain/ Loss from Sale of Assets	-1	0	
Financial Losses	58	12	– Operating Cash Flow H1'06 distorted by extraordinary pay-outs of:
Cash tax payments	-17	-26	
Changes in Working Capital	-263	-206	
Changes in Other Assets and Liabilities	80	-31	
Operating Cash Flow	120	97	– –€40 m Restructuring
Investing Cash Flow	-91	11	– –€30 m Rubber litigation
thereof Capex	-99	-81	– –€30 m Higher bonus payments vs. H1' 05
Free Cash Flow	29	108	– Investing Cash Flow includes €103 m from sale of iSL, PAP and FIB
Financing Cash Flow	72	-114	

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

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Chart-No. 33

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