



LANXESS AG

Executing on Strategy and Operations

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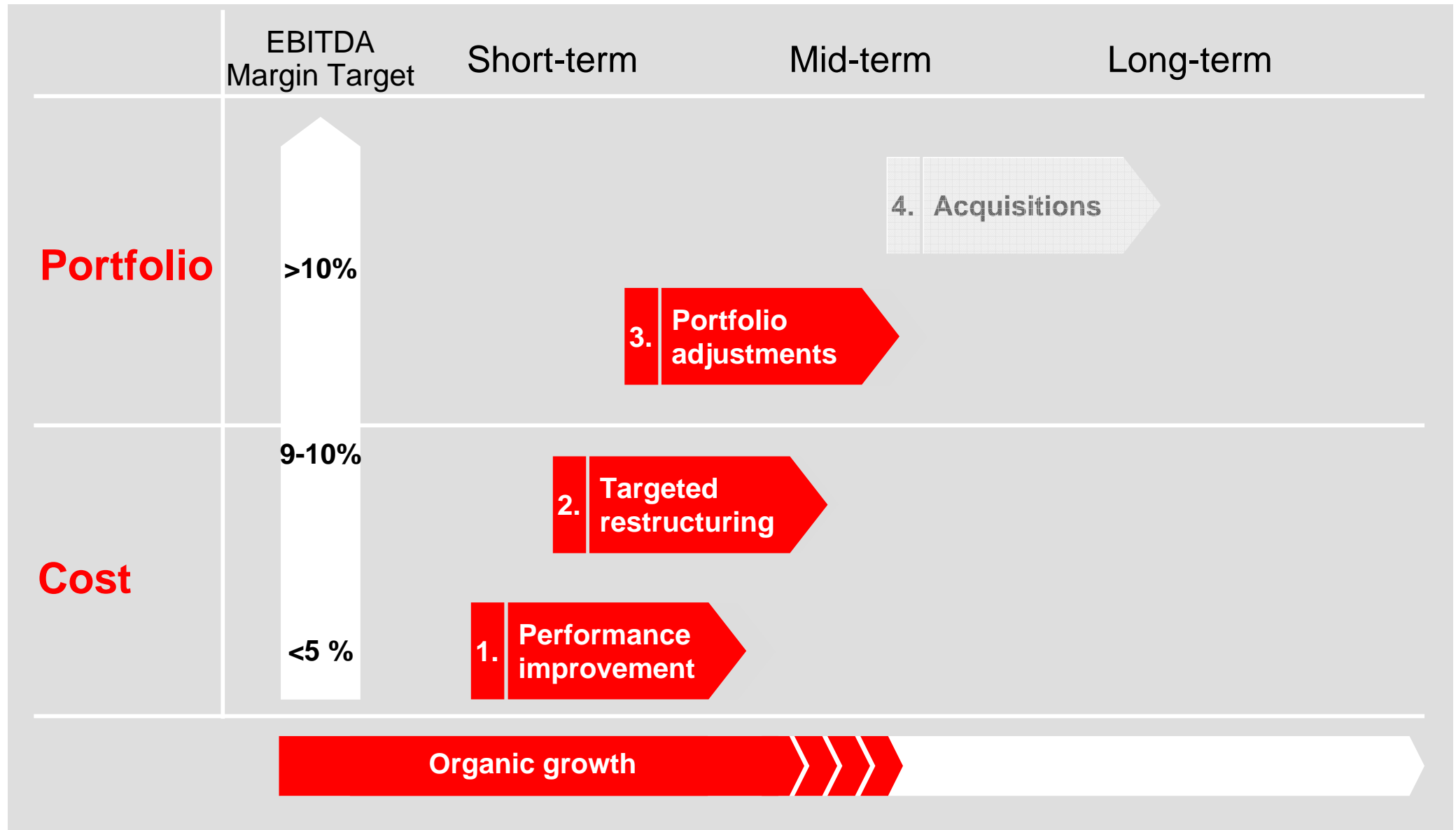
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Agenda

- 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



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%	33.9%***	Stability
Net financial debt	1,135	680	503***	Strength
Net financial debt / EBITDA	2.5x	1.2x	<1	

„Firefighting“

„Fireprotection“

„Financial Scope“

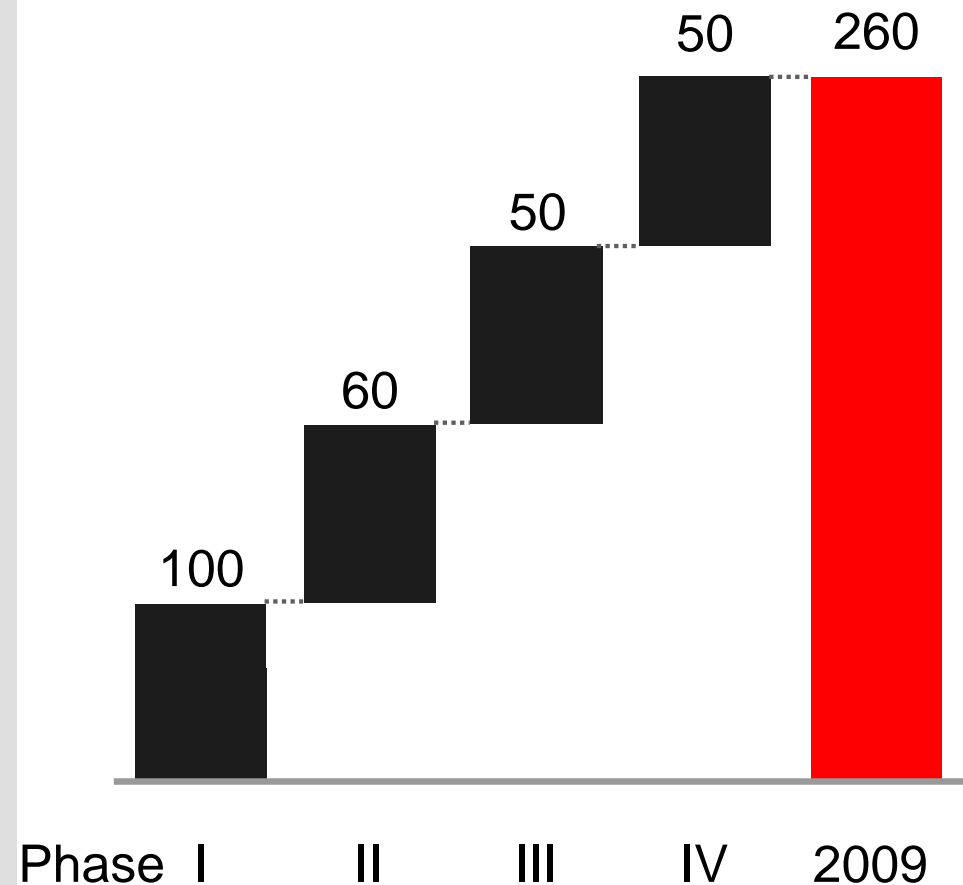
* pre exceptionals; ** 2004 comparable to 2005, i.e. incl. deferred tax adjustment; ***as of September 30, 2006

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

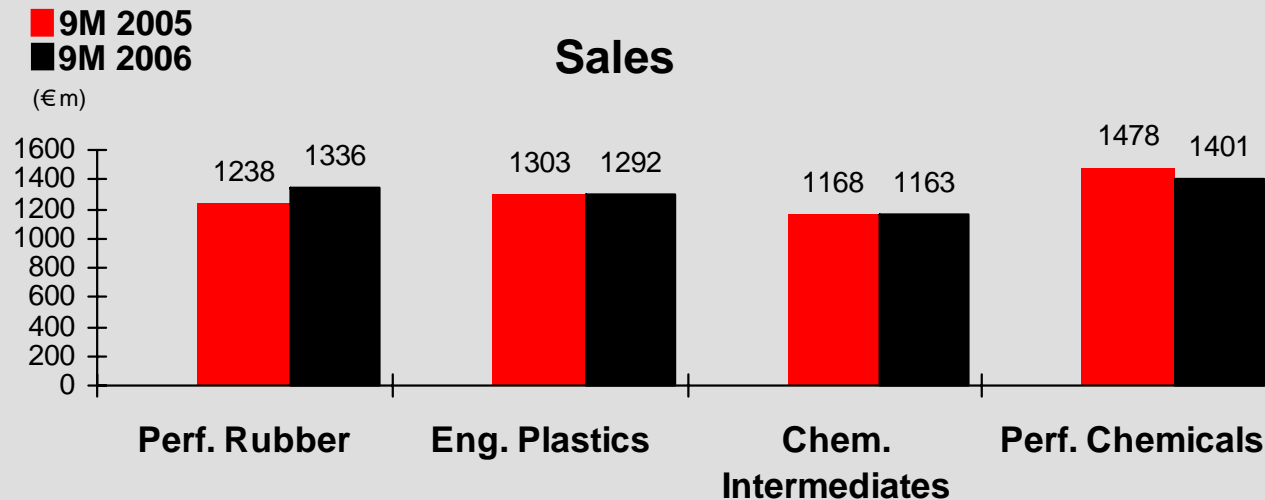
9M 2006 financial overview: on track to achieve full year targets

(€ m)	9M 2005	9M 2006	Δ in %	
Sales	5,364	5,278	-1.6%	<ul style="list-style-type: none"> – Sales decrease is attributable to portfolio changes (-3.4%) and slightly lower volumes (-2.6%), partly counteracted by favourable currency impact (+0.6%) and price increases (+3.8%) – Reduction of net financial debt to €503 m – Improved cost structures and continuous implementation of pricing strategy help increase profitability
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%	

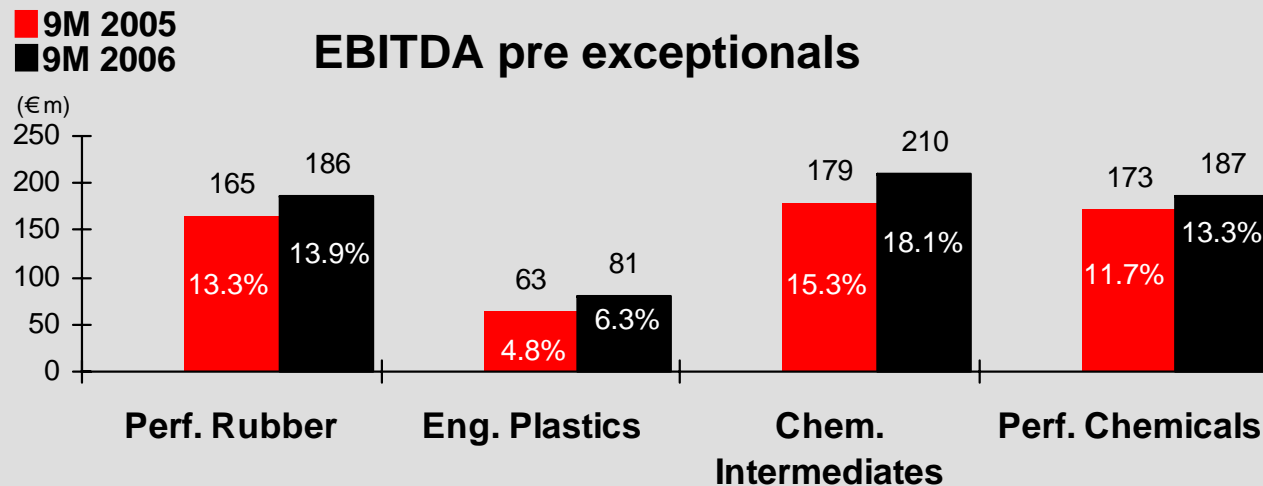
*As per 31.12.

Restructuring success supports improvement in profitability

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



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

All businesses continue to perform according to plan

Powerful Balance Sheet: tidy and stable

(€m)	Dec 31, 2005	June 30, 2006	Sept 30, 2006	(€m)	Dec 31, 2005	June 30, 2006	Sept 30, 2006
Non-current Assets	1,835	1,730	1,712	Stockholders' Equity	1,256	1,411	1,433
Intangible assets	53	45	47	thereof minority interest	17	17	19
Property, plant & equipment	1,526	1,444	1,444	Non-current Liabilities	1,576	1,531	1,550
Equity investments	22	45	37	Pension & post empl. provisions	497	505	513
Other investments	4	4	6	Other provisions	302	289	295
Financial assets	48	38	20	Financial liabilities	644	618	620
Deferred taxes	103	71	73	Tax liabilities	26	26	36
Other non-current assets	79	83	85	Other liabilities	32	28	26
Current Assets	2,506	2,529	2,512	Deferred taxes	75	65	60
Inventories	1,068	1,098	1,099	Current Liabilities	1,509	1,317	1,241
Trade accounts receivable	1,065	1,029	984	Other provisions	401	370	363
Financial assets	37	44	44	Financial liabilities	172	107	65
Other current assets	200	223	203	Trade accounts payable	694	604	552
Liquid assets	136	135	182	Tax liabilities	27	52	56
				Other liabilities	215	184	205
Total Assets	4,341	4,259	4,224	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

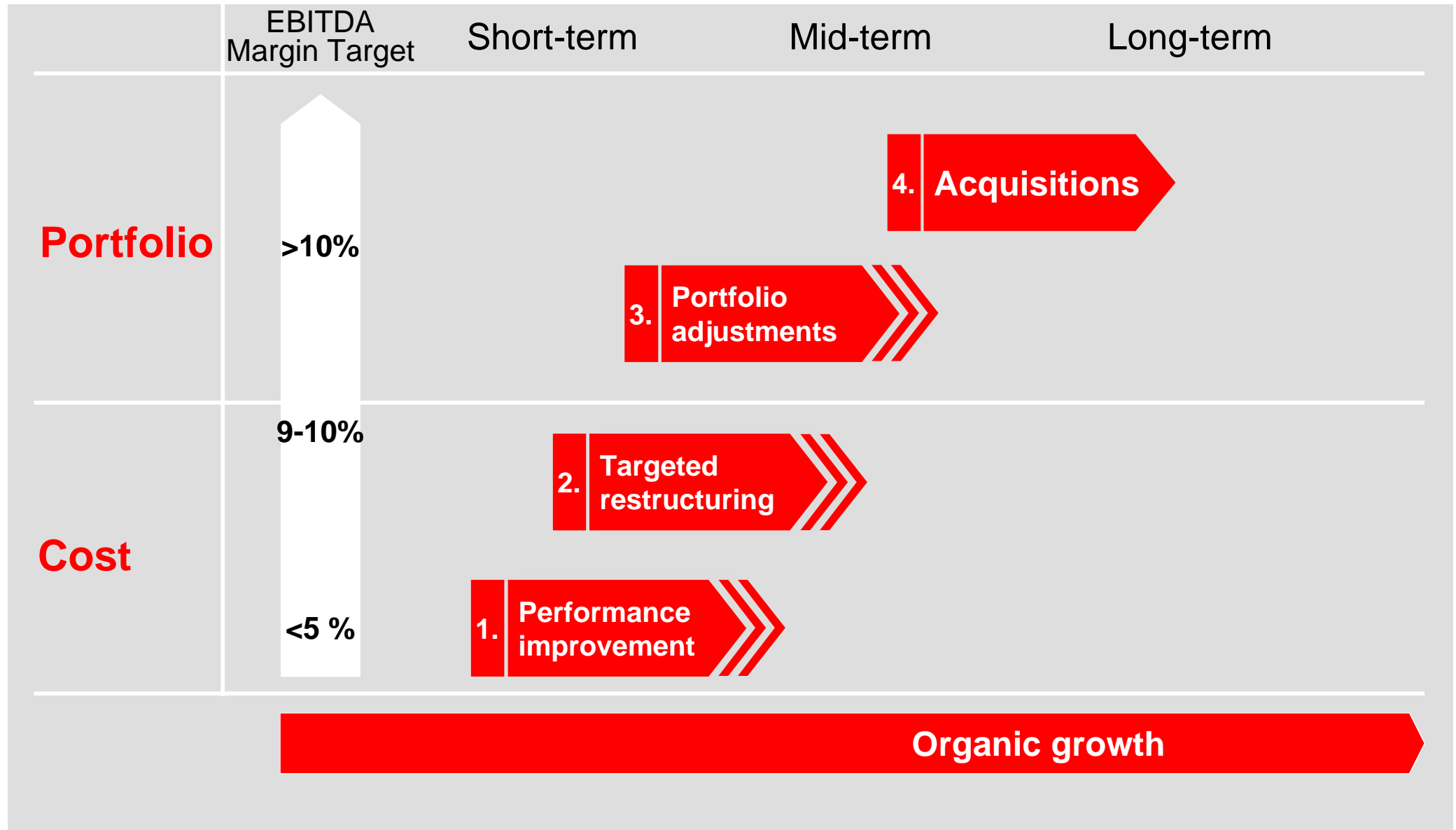
- Strong operating result
- Working Capital increase 9M 2006 more normal. Previous year contained effect from first working capital initiatives
- Operating cash flow 2006 contains extraordinary pay-outs:
 - ~€60 m restructuring (+€10 m capex)
 - ~€30 m higher bonus vs. 9M' 05
 - ~€50 m rubber litigation
- 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

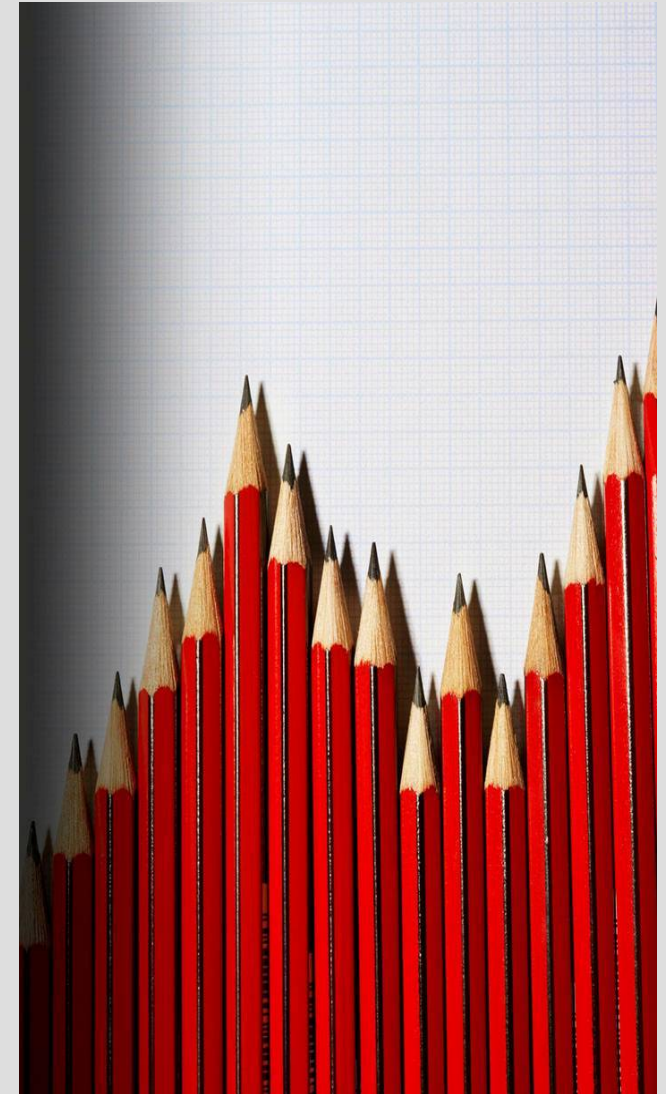
**Increasing
Competition**

Continue aggressive efficiency improvement

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

Global
Markets
Change

Industry
Fragmentation
and
Consolidation



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

Drive sustainable and profitable organic growth

Increasing
Competition

Global
Markets
Change

Industry
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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

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



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**



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