LANXESS – Q3 2006 Results

Executing on Strategy and Operations

November 15, 2006

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Agenda

1. Business Highlights
2. Financials Q3 2006
3. Outlook and Guidance

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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

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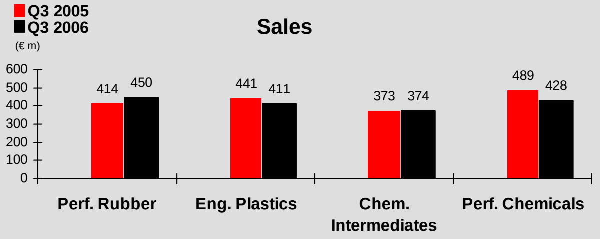
Q3 performance mirrors efficiency improvements and pricing power

(€ m)	Q3 2005	Q3 2006	Δ 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%**

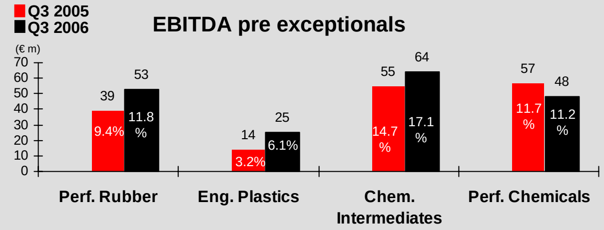
- Sales decrease is attributable to portfolio changes (-4.6%), slightly lower volumes (-2.7%) and unfavourable currency impact (-2.3%), partly counteracted by price increases (+4.8%)
- Improved cost structures and continuous implementation of pricing strategy help increase profitability
- Q3 exceptionals 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**

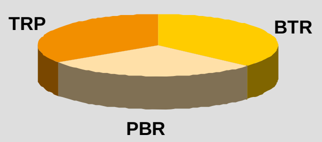
– Sales growth driven by price increases in all BUs in an effort to offset higher raw material costs. Stable volumes compared to Q3 2005

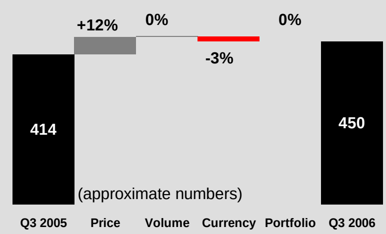
– BTR counteracted risen raw material costs with improved cost structures and higher selling prices

– 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:



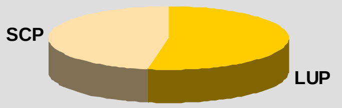


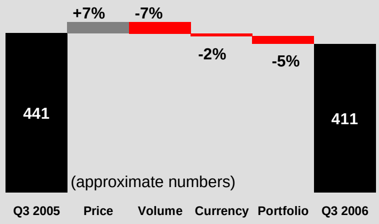
Engineering Plastics: a pleasant quarter in underlying operations in both businesses

(€ 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:



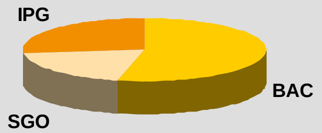


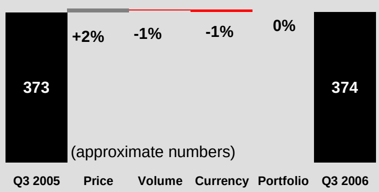
Chemical Intermediates: steadily strong BAC, exceptional IPG and SGO picking up

(€ 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:



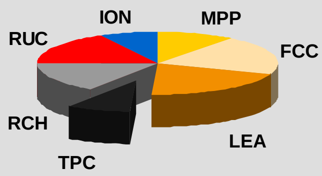


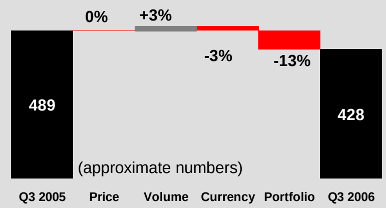
Performance Chemicals: mixed performance - strong MPP and LEA, lagging RUC and ION

(€ 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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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

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Energizing Chemistry

Appendix

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)

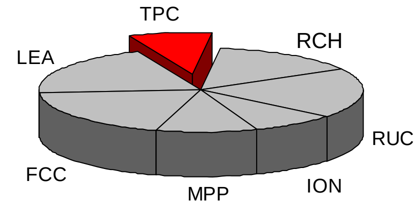
Restructuring is going to transform profitability substantially from 2006 onwards

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**	

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

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	RheinChemie
RUC	Rubber Chemicals
ION	Ion Exchange Resins

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