

# Success in a challenging environment

**Matthias Zachert**  
Chief Financial Officer

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## Success in a challenging environment

### Agenda



§ On track towards sustainable value management



§ Profitable stability



§ Room for maneuver

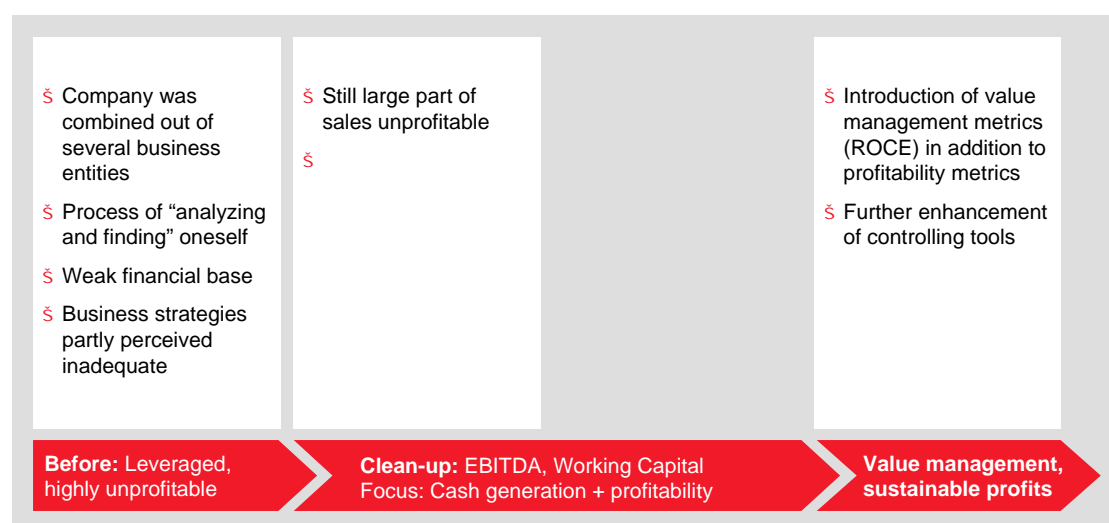


§ Basis for new financial targets



## On track towards sustainable value management

### On track towards sustainable value management



## 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	

„Firefighting“ → „Fireprotection“ → „Financial Scope“

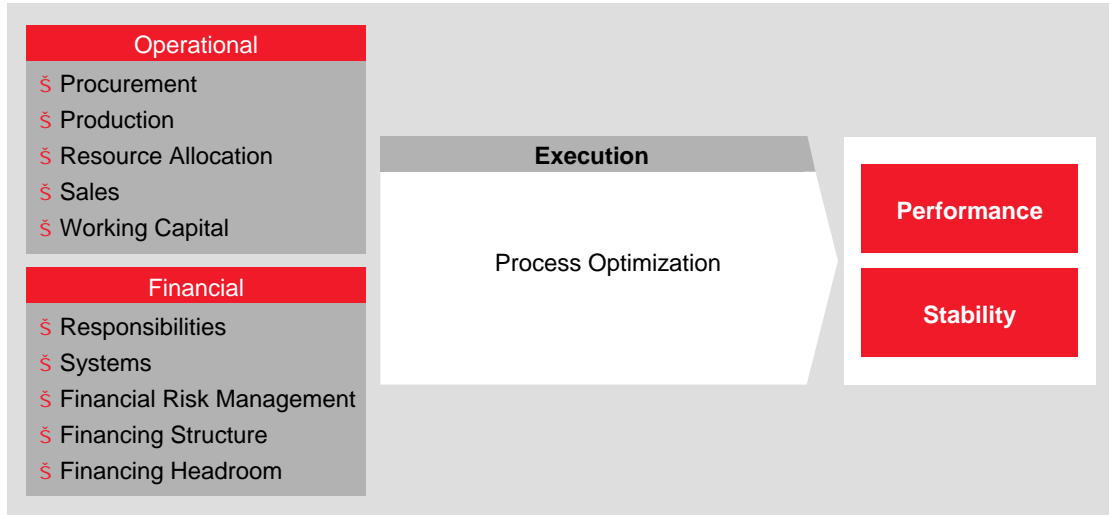
\* pre exceptionals; \*\* 2004 comparable to 2005, i.e. incl. deferred tax adjustment; \*\*\*as of June 30, 2006

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**Profitable stability**

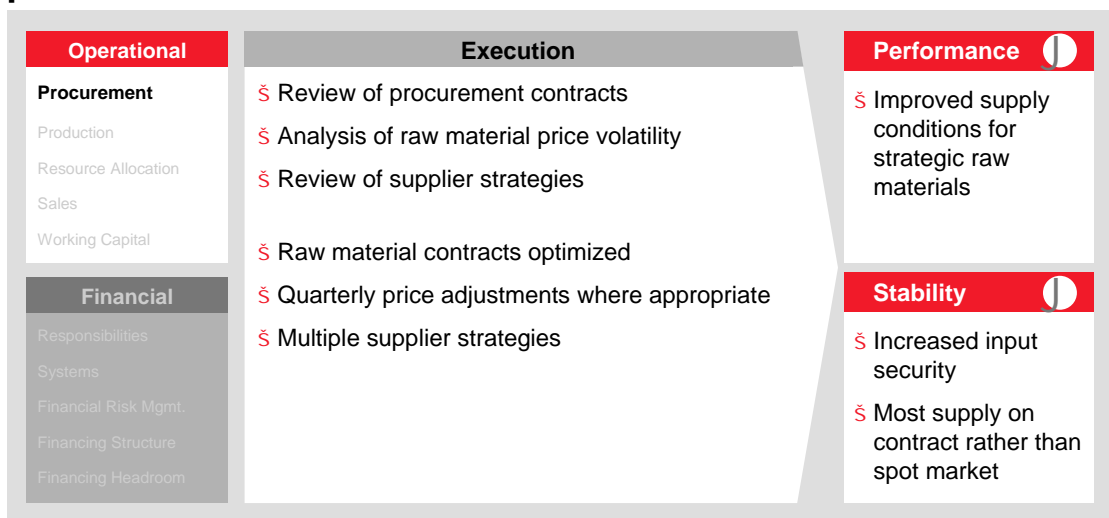
## We use various means to create profitable stability



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## Raw material risk management through improved procurement



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## Production with efficiency increase and more flexible asset structures

- § Review of all production sites for profitability
- § Review of production plants for necessity
- § Analysis of maintenance needs and patterns
- § Continuous implementation of best practices
- § AnosMflexibleBUEuHö 10€

### Financial

Responsibilities

Systems

Financial Risk Mgmt.

Financing Structure

Financing Headroom

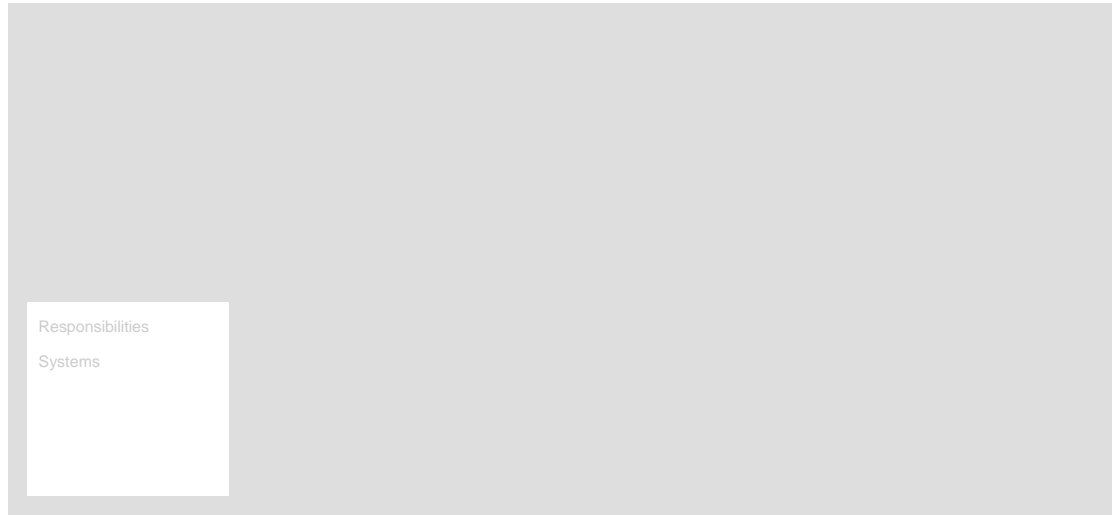
## Sales with enhanced profitability and reduced complexity

Financial	
Responsibilities	§ „Price before volume“
Systems	§ Detailed analysis of customer/product profitability
Financial Risk Mgmt.	§ Customer segmentation and differentiated offerings
Financing Structure	§ Review of major selling contracts
Financing Headroom	§ Reduced number of customers (e.g. PBR by 20%)
	§ Reduced number of products (e.g. TPC by 30%)
	§ Small lots handling given to distributors
	§

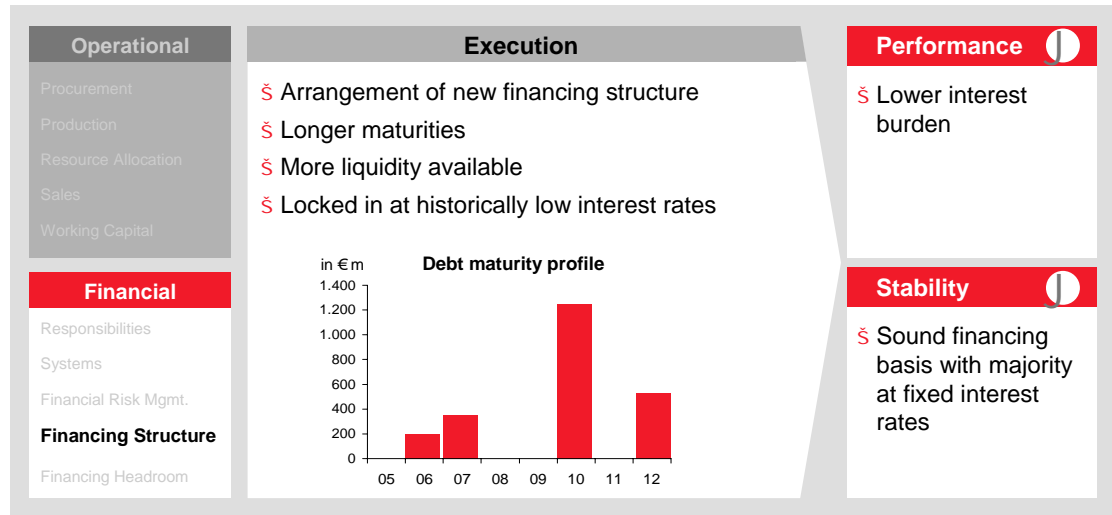




## Financial risk management: increased stability achieved



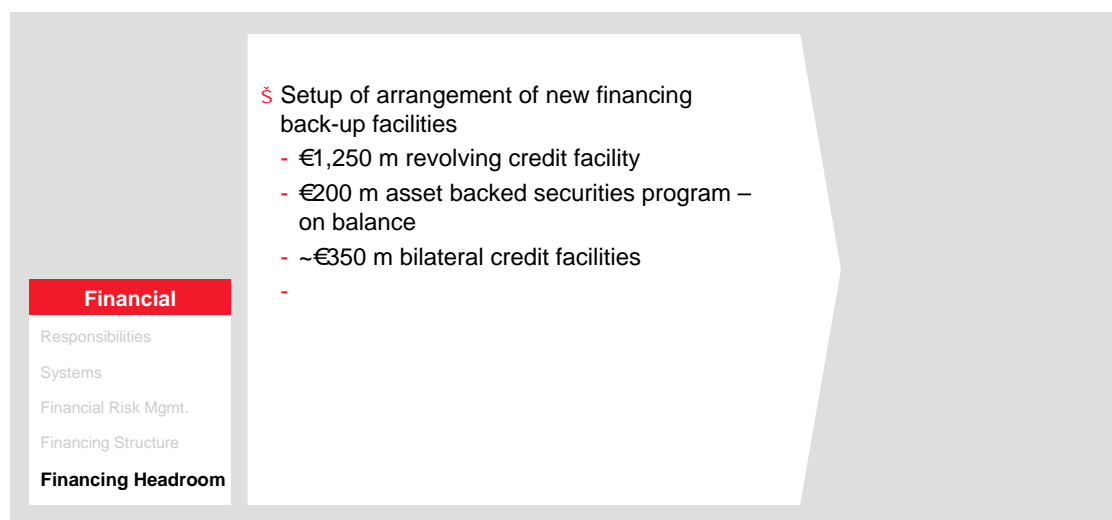
## Financing structure: low financing vulnerability with currently ~80% fixed interest rates



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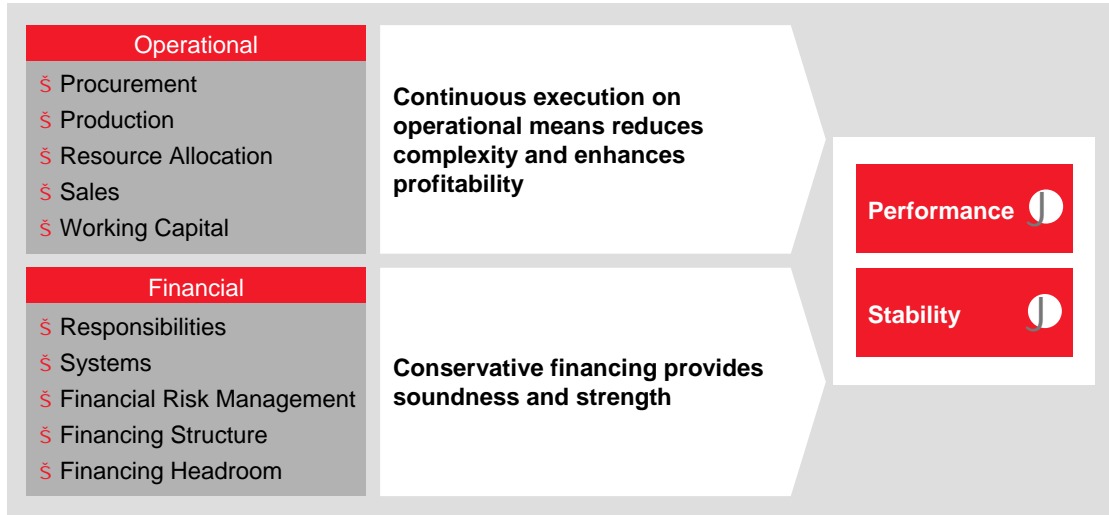
## Financing back-up facilities: sufficient headroom in place



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## Transformation for lower vulnerability and cyclicity impact




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**Room for maneuver**

## LANXESS has achieved substantial financial headroom

	2004	2006 YTD**
Equity ratio	24.5%*	33.1%
Debt, long-term financed***	11%	85%
Net financial debt in € m	1,135	590
Net financial debt / EBITDA	2.5x	<1
		
Additional financial debt:		
- within investment grade	limited	€0.5 – 1.0 bn
- within BB+ / BB		add. €0.5 bn

\*incl. deferred tax adjustment; \*\* as of June 30, 2006; \*\*\*non-current financial liabilities / total financial liabilities

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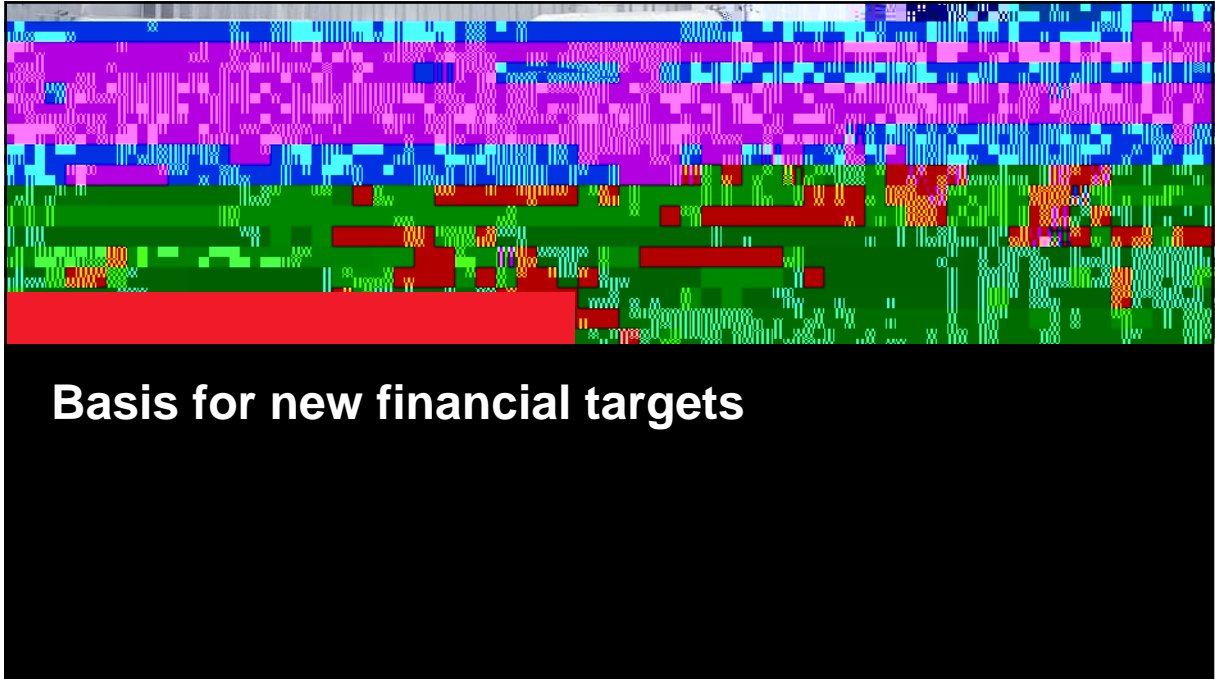
## LANXESS' financial scope can be further increased

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**The basis for new financial targets is prepared**

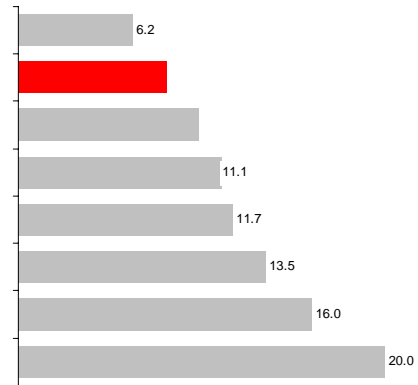


\* using FY 2005 EBITDA pre exceptionals margin of 8.1% as basis; \*\* €40 m of phase 4 not yet broken down by years  
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## We strive to achieve peer average profitability in 2009

- § LANXESS' peer group defined to reflect international competition for capital
- § LANXESS to close performance gap to peer group in 2009
- § LANXESS to achieve peer average EBITDA margin\* in 2009 (currently 12-14%)

2005 EBITDA margins\* in %



\* Pre exceptionals, source: annual reports



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