

LANXESS – Q2 2006 Results

Consistently Delivering on Promises

August 16, 2006

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Business Review Q2 2006

2006

- § Economic environment remains supportive in most regions with healthy demand
- § Operationally strong second quarter supported by restructuring savings
- § Restructuring programmes fully on track, contributing faster than expected
- § Continued price push-through in light of increase in raw materials and energy
- § Q2 Financials and restructuring increase comfort to further narrow guidance to higher end of FY targets

Transformation of the company continues

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Chart-No. 4

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Q2 2006 Financial Highlights: Profitability Improved - Balance Sheet Remains Strong

(€m)	Q2 2005	Q2 2006	Δ in %	
Sales	1,859	1,751	-5.8%	– Sales decrease almost entirely due to portfolio changes
EBITDA pre except. Margin	163 8.8%	201 11.5%	23.3%	
Net Income	24	77	>100%	– 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	48	44	-8.3%	
Employees	18,282*	17,036	-6.8%	

*As per 31.12.

Restructuring success supports improvement in profitability

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Q2 2006 Results

Chart-No. 5

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Agenda

1. Business Highlights Q2 2006
2. Financials Q2 2006
3. Strategy / Restructuring Update
4. Outlook and Guidance

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Q2 Performance Improvement Shows Ability to Accomplish High End of FY 2006 Targets

(€m)	Q2 2005	Q2 2006	Δ in %	
Sales	1,859	1,751	-6%	– Sales decrease is attributable to portfolio changes (-5.4%) and slightly lower volumes (-3.1%), partly counteracted by price increases (+2.3%). Currency fluctuations with marginal impact (+0.4%)
Cost of sales	-1,419	-1,320	-7%	
SG&A	-292	-266	-9%	
R&D	-28	-22	-21%	
Other op. income/ expense	-43	-16	-63%	– Significant increase in profitability mirrors leaner cost structures due to successful restructuring, faster than planned
thereof exceptionals	-23	-11	-52%	
EBIT	77	127	65%	– Q2 exceptionals relate to restructuring and portfolio measures
Net Income	24	77	>100%	
EBITDA	160	190	19%	
thereof exceptionals	3	11	>100%	
EBITDA pre exceptionals	163	201	23%	

More efficient cost structures with most markets remaining solid

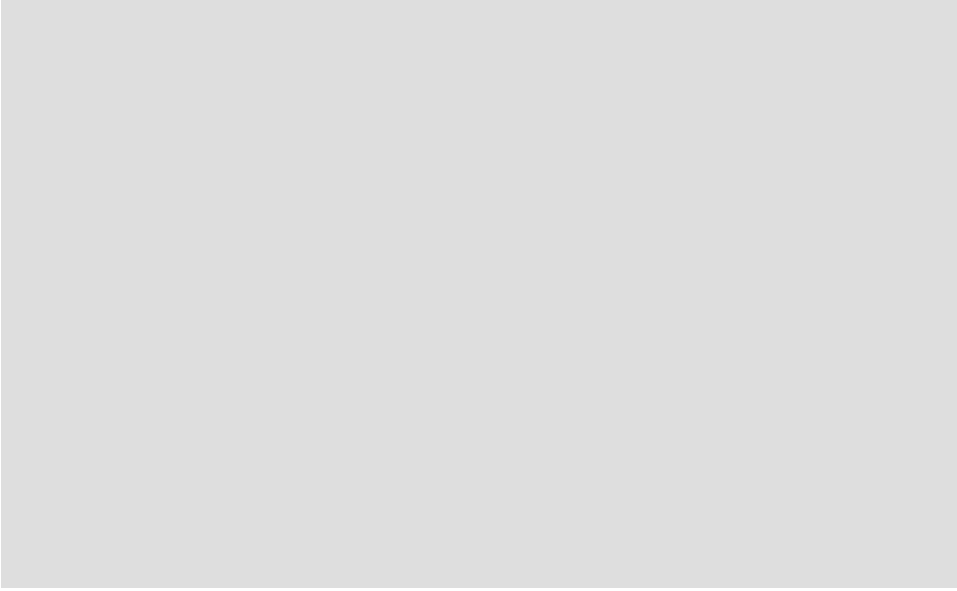
August 16, 2006

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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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Q2 2006 Results

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Cash Flow: Underlying Operating Cash Flow with Strong Improvement

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	
Gain/ Loss from Sale of Assets	-1	0	– Improved Working Capital management vs. H1' 05
Financial Losses	58	12	
Cash tax payments	-17	-26	
Changes in Working Capital	-263	-206	
Changes in Other Assets and Liabilities	80	-31	
Operating Cash Flow	120	97	
Investing Cash Flow	-91	11	
thereof Capex	-99	-81	
Free Cash Flow	29	108	
Financing Cash Flow	72	-114	

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Chart-No. 15

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Agenda

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2. Financials Q2 2006
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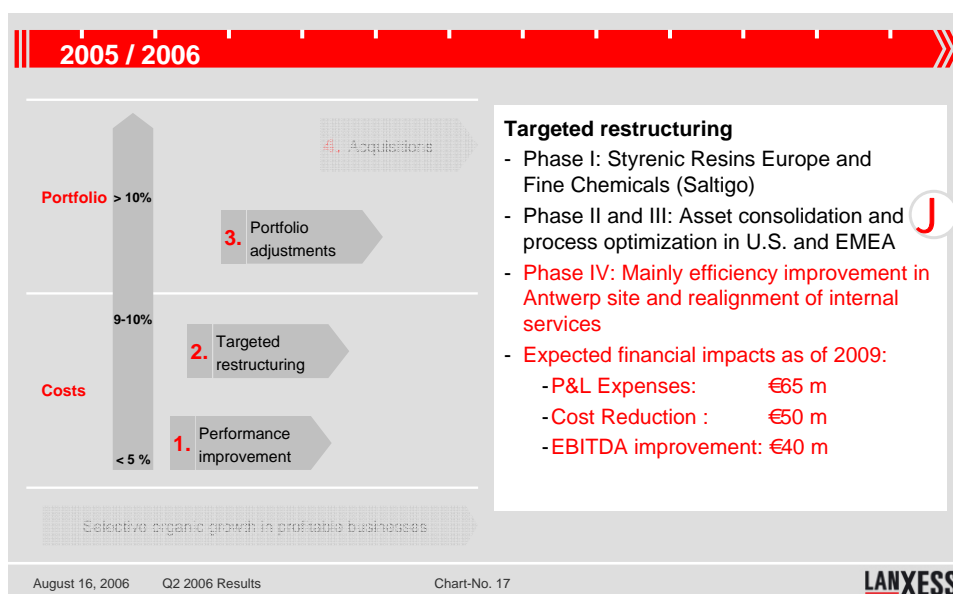
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Restructuring to be Continued: Phase IV



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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
			60	80	10
			120	200	210
		50	50	40	5
		60	110	150	155

2006 due to faster implementation (built into above

m remaining cash outs for H2 2006

the figures give positive one-time" effect of €20+ m in '06 and '07

transform profitability substantially from 2007 onwards

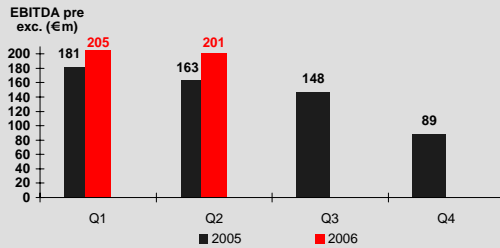
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Annual Earnings Pattern in H2 2006 – Food for Thought

Profit and Loss

- Moderate summer business
- Increased volatility of raw material prices in Q3 could lead to time lag in price-pass-through



Financing for additional cash payments in H2 expected to be mirrored in net financial debt

Cash Flow

- Majority of planned maintenance goes with majority of capex
- ~€20 m for rubber anti-trust
- ~€115 m for restructuring

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Chart-No. 21

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Appendix

	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Rubber	2	0	0	0

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