Chemistry moves decision makers. LANXESS moves chemistry.

Success is a matter of efficient partners. The chemistry must be right: www.lanxess.com

LANXESS
Energizing Chemistry

LANXESS – FY 2006 Results Call

Execution is key – implementation is our strength

Dr. Axel C. Heitmann, CEO **Matthias Zachert, CFO**

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Agenda

1. Strategic review of another successful year
2. Financial review of FY 2006 and Q4 2006
3. Business environment and outlook

2006 – review of another successful year

2006

EBITDA pre exceptionals increased by 16%

Balance sheet structure and financial strength further improved

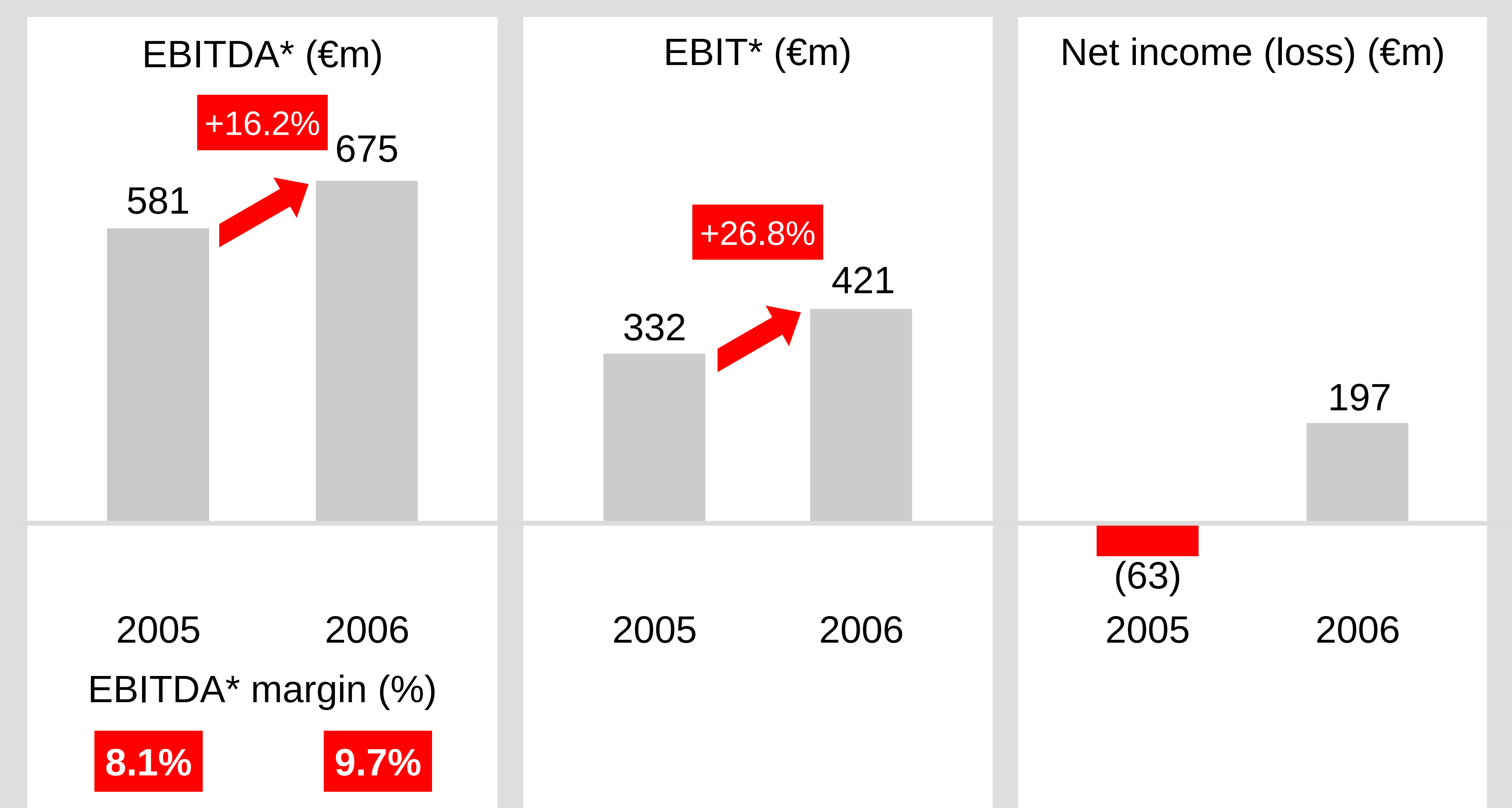
Successful implementation of restructuring continues

Additional successful portfolio alignment

First acquisition completed

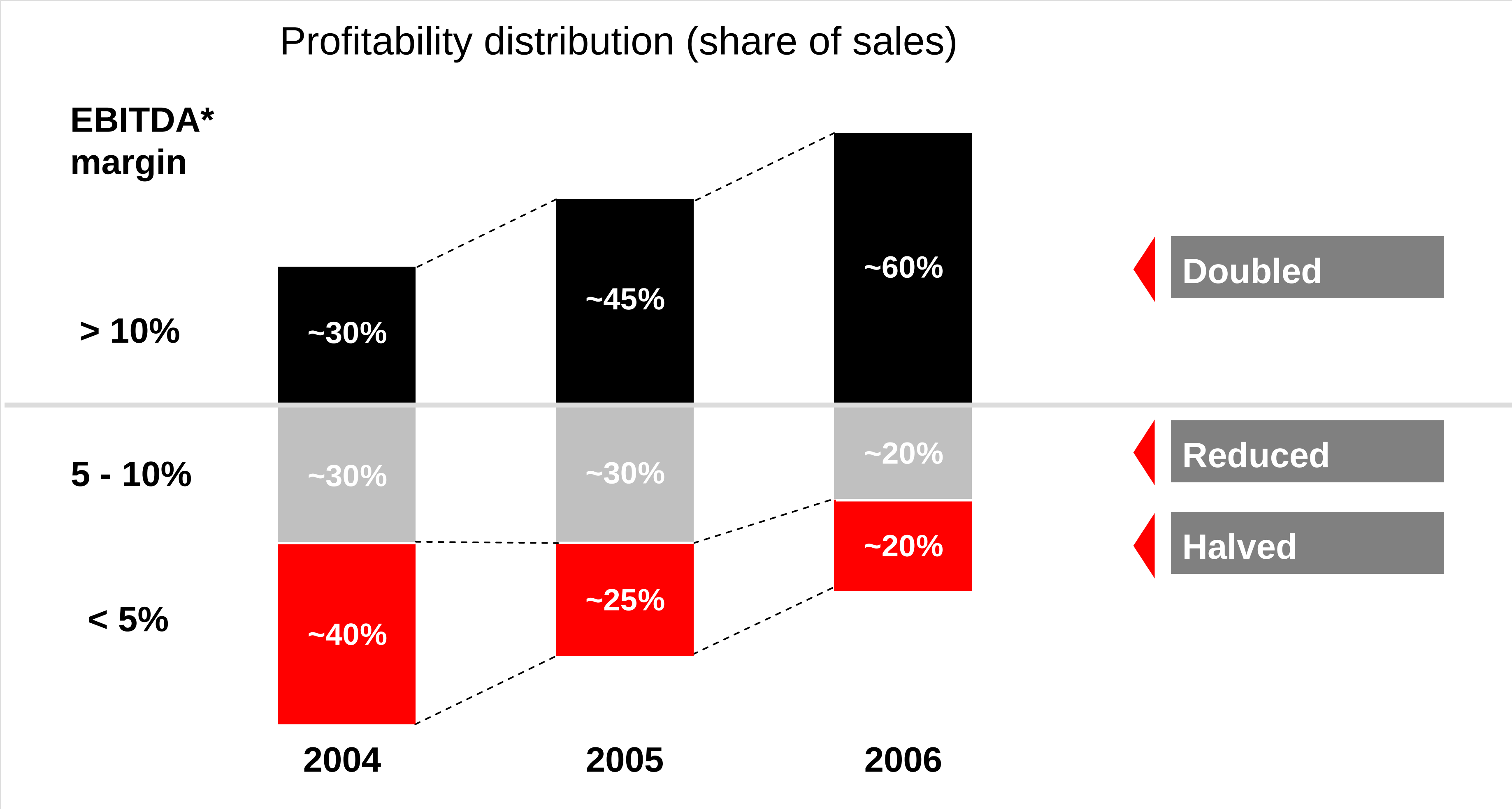
First dividend (for 2006) of €0.25 per share

Earnings significantly improved



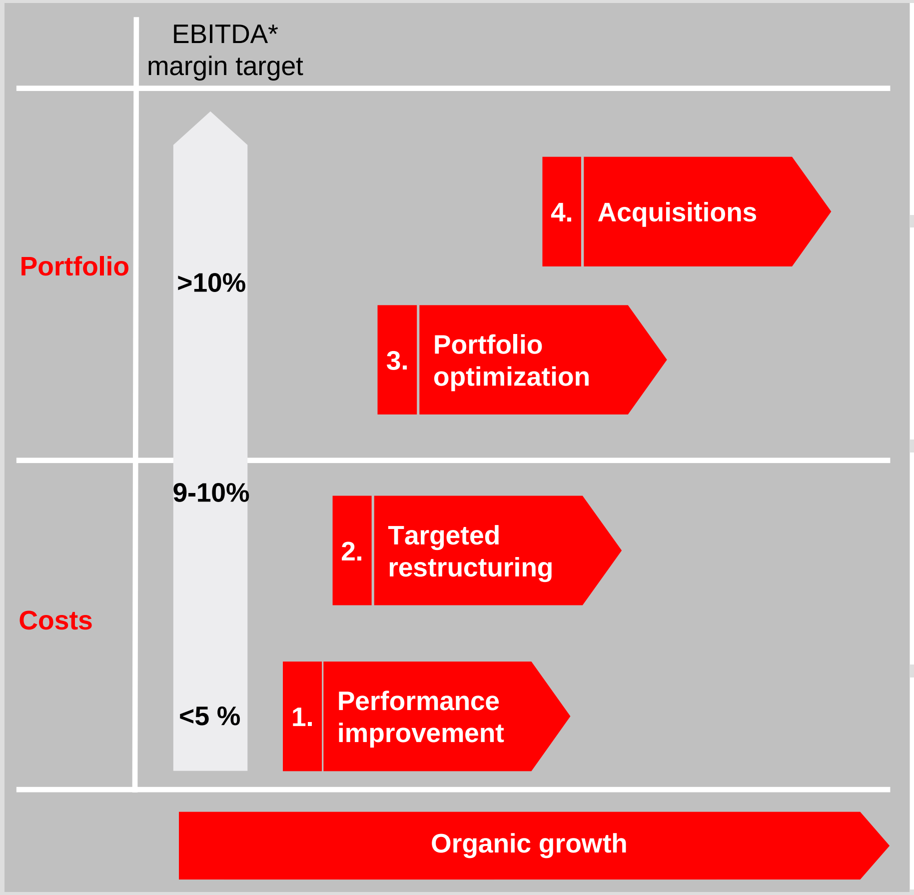
* pre exceptionals

Proportion of profitable businesses further increased



* pre exceptionals

Consistent improvement as four-phase strategy is implemented



Acquisition
- Purchase of chrome chemicals activities of Dow Chemical in South Africa to strengthen the Business Unit Leather

Portfolio optimization
- Individual businesses given new perspectives through divestment to investors

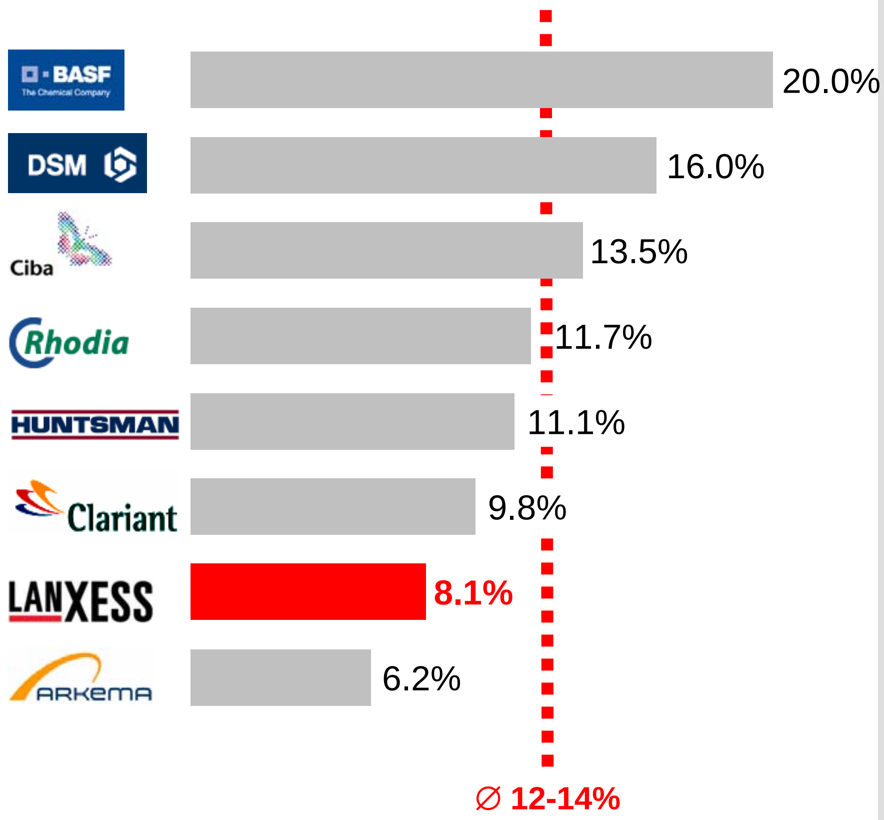
Targeted restructuring
- Four restructuring packages successfully implemented
- Cost savings of approx. €55m achieved in 2006 (€250m annually from 2009**)

Performance improvement
- “Price-before-volume“ strategy implemented
- Working capital management improved

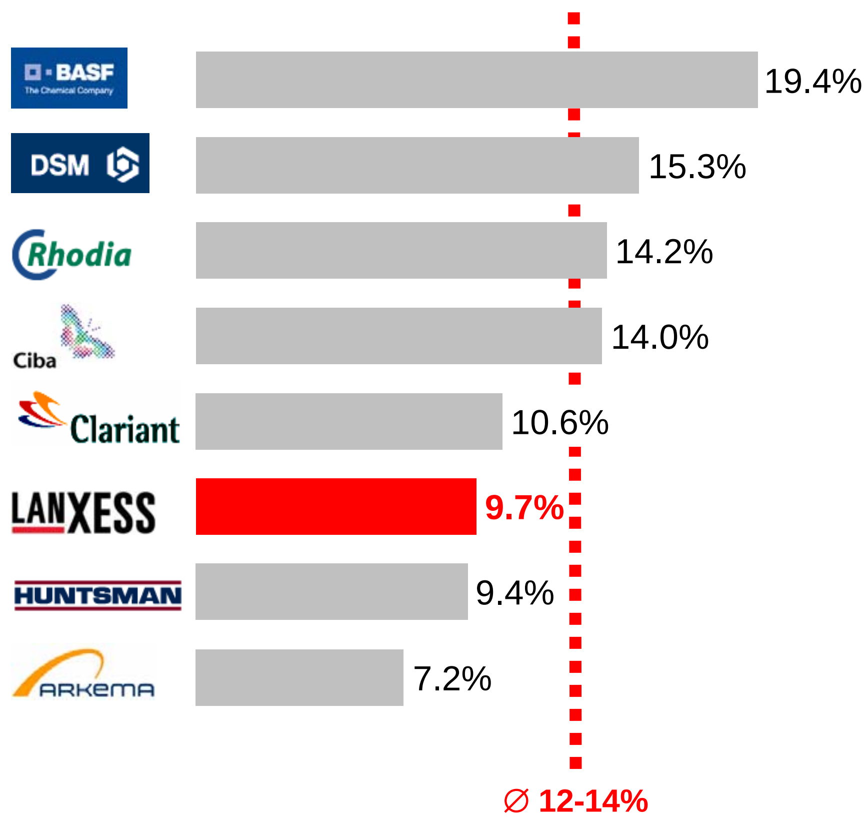
* pre exceptionals ** portfolio-adjusted

LANXESS about to close gap to peer-group

EBITDA* margin 2005



EBITDA* margin 2006

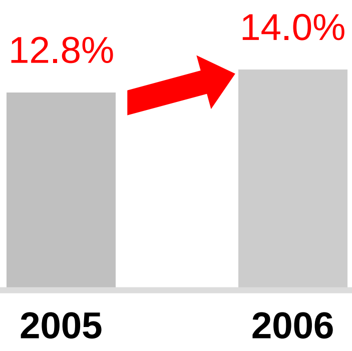


* pre exceptionals

EBITDA* margin raised in all segments

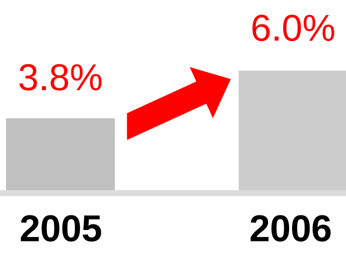
Performance Rubber

EBITDA* margin (%)



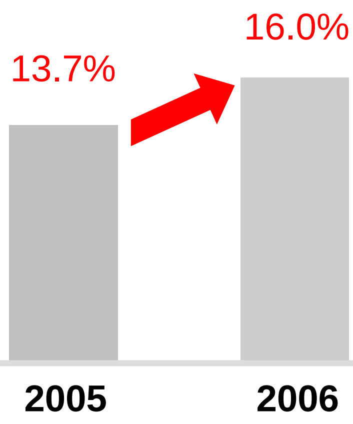
Engineering Plastics

EBITDA* margin (%)



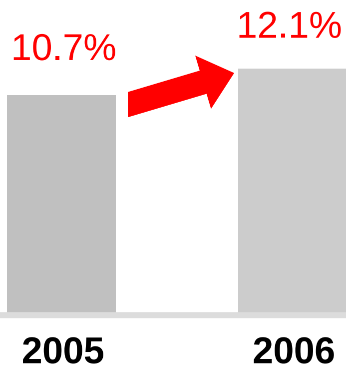
Chemical Intermediates

EBITDA* margin (%)



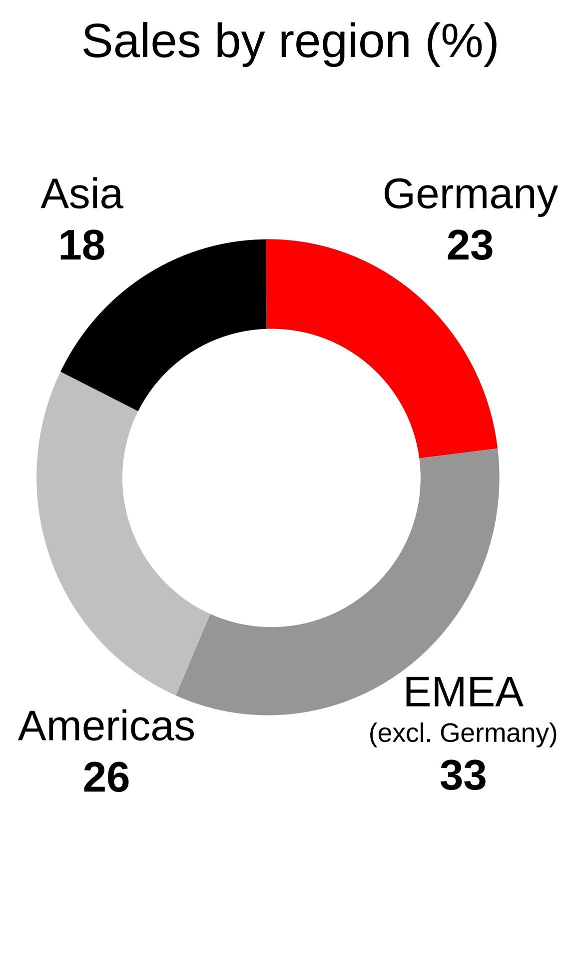
Performance Chemicals

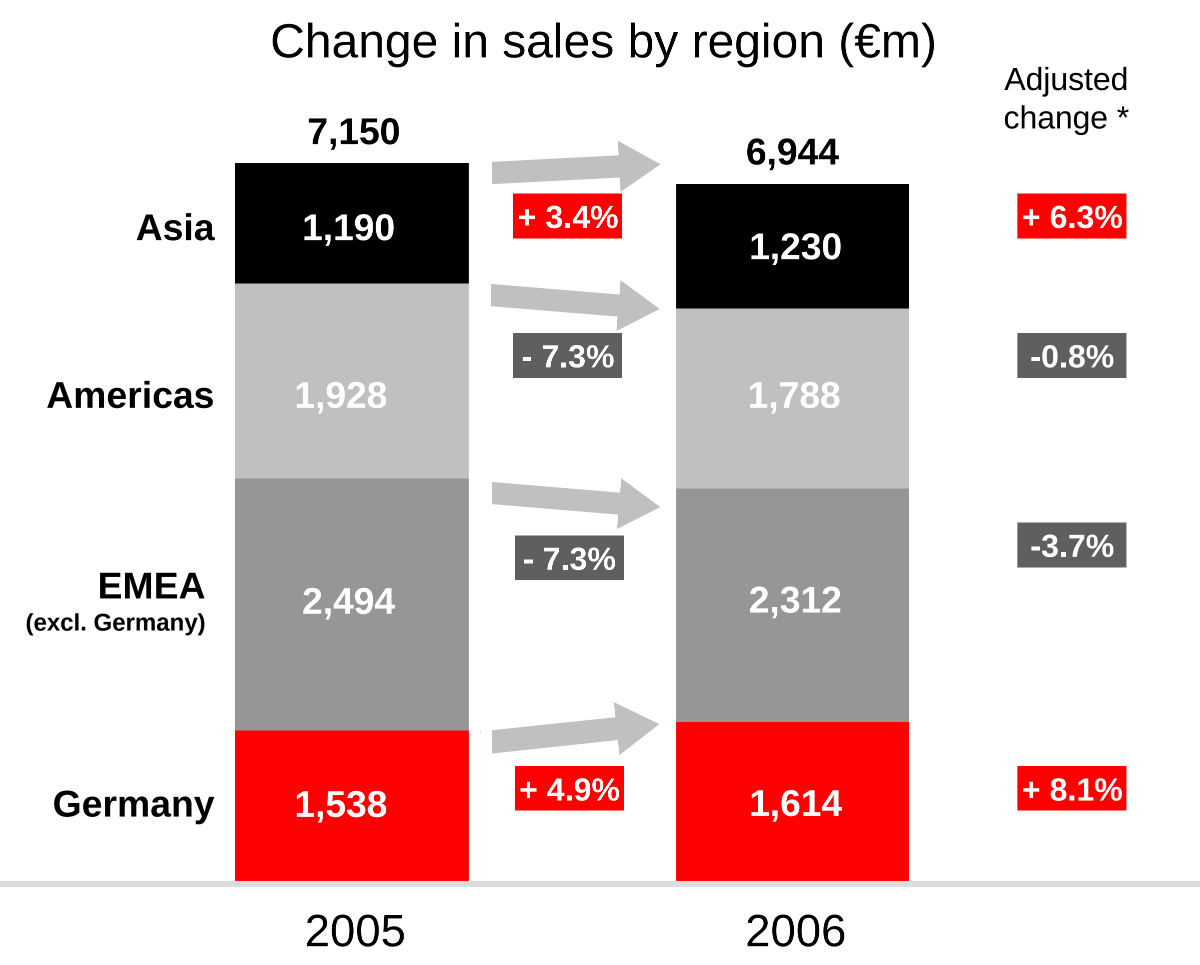
EBITDA* margin (%)



* pre exceptionals

Sales gains achieved in Asia and Germany





* portfolio- and currency-adjusted

External growth for sustained value creation

Strengthen portfolio
Small to mid-size activities to strengthen our leading businesses/business units

Complement portfolio
Attractive mid-size businesses to expand our portfolio

Another turn-around opportunity
Company or part of a conglomerate to leverage unrealized potential

Create sustained value through external growth

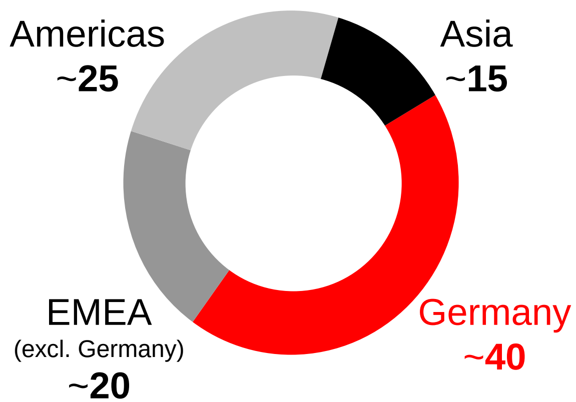
Higher CapEx and R&D spending to safeguard growth

- **Research and development**
  - 15% budget increase
  - Projects for future growth markets
- **Capital expenditures**
  - Increasing demand for butyl rubber
  - Growth potentials for Engineering Plastics in Asia
  - Expanding market for synthetic active ingredients
  - High growth rates in prospect for Performance Chemicals
  - Above-average increase in investment in APAC

Exploit market trends, continue to expand technology platform

CapEx (€m)

Regional investment distribution 2007 (%)



Organic growth:
continue expanding in dynamic markets

LANXESS goes Asia

- China: primary Asian growth market for LANXESS
- India: further expand production activities to better serve the rapidly growing local market for chemical products

LANXESS goes East

- Increasing focus on attractive growth markets of eastern Europe and Russia

Increasingly exploit growth options in attractive markets

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FY 2006 financial overview: transformation continues

(€ m)	FY 2005	FY 2006	∆ in %
Sales	**7,150**	**6,944**	**-2.9%**
EBITDA pre except.	**581**	**675**	**16.2%**
Margin	8.1%	9.7%	
Net Income	**-63**	**197**	**n.m.**
Net Financial Debt	**680**	**511**	**-24.9%**
Working Capital	**1,439**	**1,369**	**-4.9%**
Capex	**251**	**267**	**6.4%**
Employees	**18,282**	**16,481**	**-9.9%**

– Sales decrease mainly due to portfolio changes partly offset by strong pricing

– Selling price increases in all segments based on risen raw material and energy costs

– Reduction of net financial debt to €511 m despite extraordinary cash outs

– Headcount reduction of ~16% (~3.100 employees) since year-end 2004 - thereof ~1,200 already due to restructuring implementation

Operational performance improvements lead to first positive Net Income

Profitability improved despite headwind from higher raw material and energy costs

(€ m)	FY 2005	FY 2006	Δ in %
Sales	**7,150**	**6,944**	**-3%**
Cost of sales	-5,537	-5,404	-2%
SG&A	-1,148	-1,020	-11%
R&D	-101	-87	-14%
Other op. income/ expense	-336	-57	-83%
thereof exceptionals	-304	-45	-85%
EBIT	**28**	**376**	**>100%**
Net Income	**-63**	**197**	**n.m.**
EBITDA	341	638	87%
thereof exceptionals	-240	-37	-85%
EBITDA pre exceptionals	**581**	**675**	**16%**

– Price increases (+4.0%) offset slightly lower volumes (-2.8%) and unfavourable currency impact (-0.4%). Portfolio changes (-3.7%) account for reduced sales basis

– Raw material price increases were broadly passed on - operational costs improved but were partly offset by higher energy costs

– Exceptionals mainly relate to restructuring phases

Profitability target achieved despite unfavourable raw material development

Q4: typical seasonal quarter, however improved on pricing and leaner cost structure

(€ m)	Q4 2005	Q4 2006	Δ in %
Sales	**1,786**	**1,666**	**-7%**
Cost of sales	-1,431	-1,356	-5%
SG&A	-300	-249	-17%
R&D	-23	-20	-13%
Other op. income/ expense	-143	-2	>100%
thereof exceptionals	-134	1	n.m.
EBIT	**-111**	**39**	**n.m.**
Net Income	**-100**	**2**	**n.m.**
EBITDA	-15	113	n.m.
thereof exceptionals	-104	8	n.m.
EBITDA pre exceptionals	**89**	**105**	**18%**

– Sales decrease is attributable to portfolio changes (-4.7%), lower volumes (-3.1%) and unfavourable currency impact (-3.5%), partly counteracted by price increases (+4.6%)

– Exceptional income due to release of provision for restructuring after re-evaluation, and divestment of TPC

– Improved cost structures and continuous implementation of pricing strategy help increase profitability

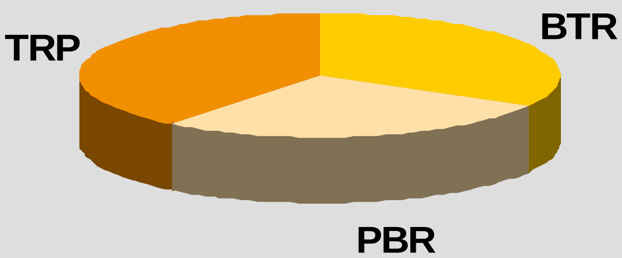
Q4 with even stronger improvement than full year 2006 vs. 2005

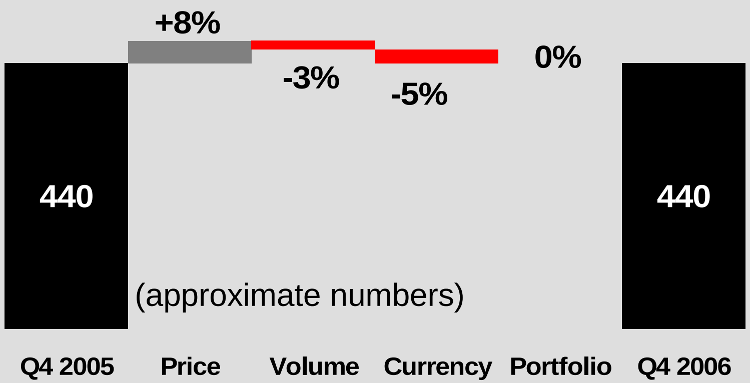
Performance Rubber: sound performance despite challenging market environment in Q4

(€ m)	Q4 2005	Q4 2006
Sales	**440**	**440**
EBIT	-3	43
Depr. / Amort.	15	18
EBITDA	12	61
EBITDA pre except.	**49**	**62**
Margin	11.1%	14.1%
Capex	**36**	**42**

- Sales remained flat as price increases offset lower volumes and unfavourable currency effects
- Continuously strong BTR with lower volumes due to a strike at a customer, offset by increased selling prices on the basis of higher raw material costs and good business momentum in Europe
- PBR managed to remain on improved level despite tough U.S. market
- TRP strengthens contribution further with price increases and higher volumes
- **Business outlook:** Q1 started well, U.S. rubber market improves vs. Q4 2006

Sales by BU:





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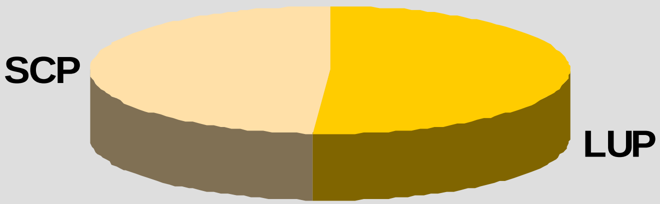
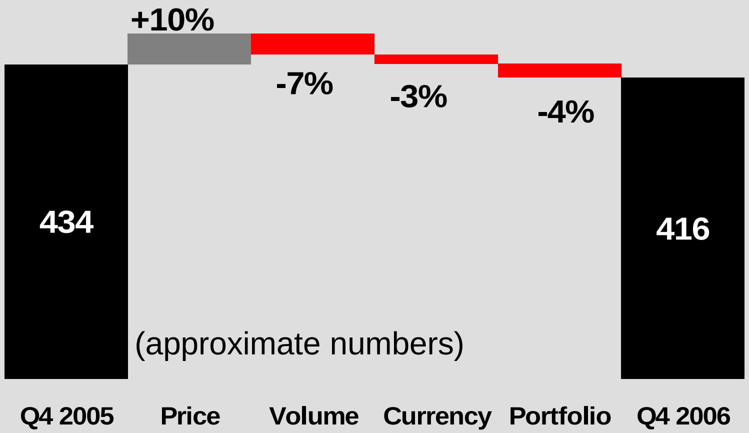
Engineering Plastics: operationally sound ending of a year with structural changes

(€ m)	Q4 2005	Q4 2006
Sales	**434**	**416**
EBIT	-11	13
Depr. / Amort.	14	9
EBITDA	3	22
EBITDA pre except.	**3**	**22**
Margin	0.7%	5.3%
Capex	**24**	**32**

- Sales decline mainly due to divestiture of FIB and lower volumes in LUP due to “price-before- volume” strategy and the continued production shift from Dormagen to Tarragona
- LUP had to go for strong price increases to at least mitigate the negative effect of higher raw material and energy costs
- SCP benefits from raw-material-based price increases, new capacity in Wuxi, China, and generally good capacity utilization
- **Business outlook:** Good. Decision on strategic options for LUP to be taken in next few months

Sales by BU:



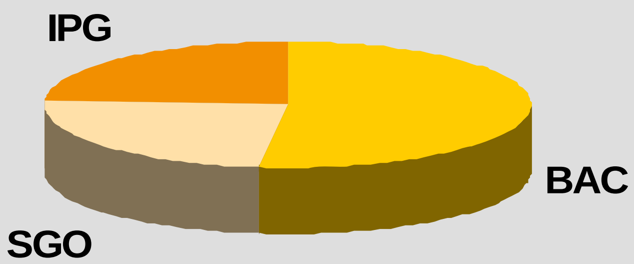


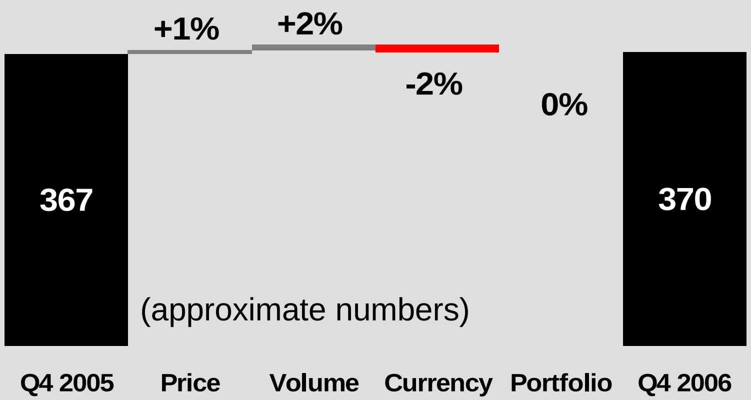
Chemical Intermediates: overall good Q4 despite challenging agro market for Saltigo

(€ m)	Q4 2005	Q4 2006
Sales	**367**	**370**
EBIT	9	19
Depr. / Amort.	23	16
EBITDA	32	35
EBITDA pre except.	**32**	**35**
Margin	8.7%	9.5%
Capex	**22**	**17**

- Sales slightly higher due to price and volume increases in BAC and IPG, overcompensating unfavourable currency effects
- BAC with strong performance on comparable level to previous year
- Despite continuously soft agro end market, SGO managed to compensate volume shortfall by cost savings
- IPG continues to benefit from strong demand mainly in the construction sector
- **Business outlook:** Solid start into 2007; comparable to last year's high level

Sales by BU:





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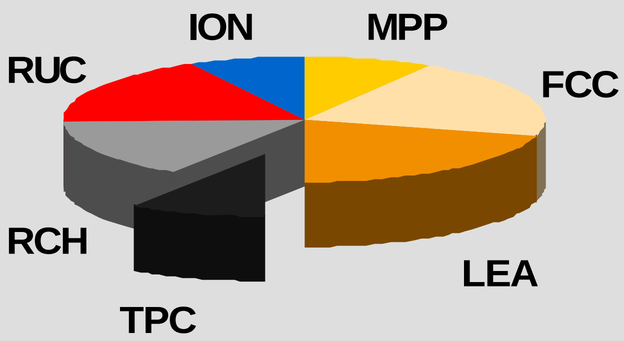
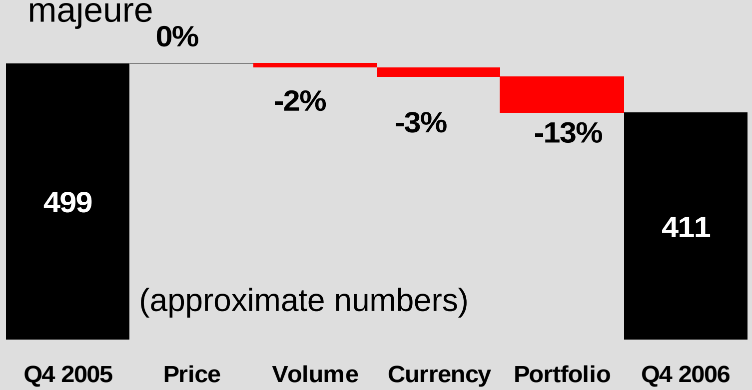
Performance Chemicals: margin improved, portfolio and energy weigh on absolute result

(€ m)	Q4 2005	Q4 2006
Sales	**499**	**411**
EBIT	-4	14
Depr. / Amort.	17	19
EBITDA	13	33
EBITDA pre except.	**39**	**33**
Margin	7.8%	8.0%
Capex	**16**	**21**

- Sales decrease after divestment of PAP. Pricing on comparable level with slightly lower volumes
- EBITDA below previous year as improved RCH and ION could not offset lower contributions from other businesses and portfolio effects
- Overall EBITDA margin slightly increased as the setup of the BU portfolio improved
- RUC suffered from a strike at a customer's plant and continued competitive pressure
- RCH had to cope with weak U.S. market
- **Business outlook:** RUC and FCC will weigh on H1 profitability: market environment / force majeure

Sales by BU:





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Balance Sheet: strong base and headroom

(€ m)	Dec 31, 2005	Dec 31, 2006
Non-current Assets	**1,835**	**1,730**
Intangible assets	53	41
Property, plant & equipment	1,526	1,465
Equity investments	22	5
Other investments	4	4
Financial assets	48	37
Deferred taxes	103	84
Other non-current assets	79	94
Current Assets	**2,506**	**2,475**
Inventories	1,068	1,047
Trade accounts receivable	1,065	924
Financial assets	$\boxed{37}$	$\boxed{113}$
Other current assets	200	220
Liquid assets	136	171
Total Assets	**4,341**	**4,205**

(€ m)	Dec 31, 2005	Dec 31, 2006
Stockholders' Equity	$\boxed{\textbf{1,256}}$	$\boxed{\textbf{1,428}}$
thereof minority interest	17	25
Non-current Liabilities	**1,576**	**1,554**
Pension & post empl. provisions	497	520
Other provisions	302	271
Financial liabilities	644	632
Tax liabilities	26	38
Other liabilities	32	36
Deferred taxes	75	57
Current Liabilities	**1,509**	**1,223**
Other provisions	401	354
Financial liabilities	$\boxed{172}$	$\boxed{50}$
Trade accounts payable	694	602
Tax liabilities	27	36
Other liabilities	215	181
Total Equity & Liabilities	**4,341**	**4,205**

Further reduction of net financial debt despite restructuring and rubber litigation payments

Balance sheet capable to digest several 2007 cash outs

Expected restructuring cash out: ~€140 m

Capex planned around €300 m+ which is slightly above 4% of sales (organic growth mainly in BTR and SCP)

Payment of purchase price for first acquisition, Chrome International South Africa (CISA)

Higher tax cash-outs

Potential acquisition financing

Dividend to be proposed: ~€20 m

2007: Maintaining a strong balance sheet

Cash Flow: strong underlying operating cash flow

(€ m)	FY 2005	FY 2006
Profit before Tax	**-117**	**287**
Depreciation & amortization	313	262
Loss from investment in associate	35	16
Gain from sale of assets	-1	-2
Financial losses	72	21
Cash tax payments	-25	-68
Changes in other assets and liabilities	241	11
Operating Cash Flow before changes in WC	**518**	**527**
Changes in working capital	106	-118
Operating Cash Flow	**624**	**409**
Investing Cash Flow	**-246**	**-207**
thereof capex	-251	-267
Financing Cash Flow	**-319**	**-164**

– Strong profit before tax

– Change in working capital mirrors increase after exceptionally low year-end 2005 (related to supplier downtime and other one-times)

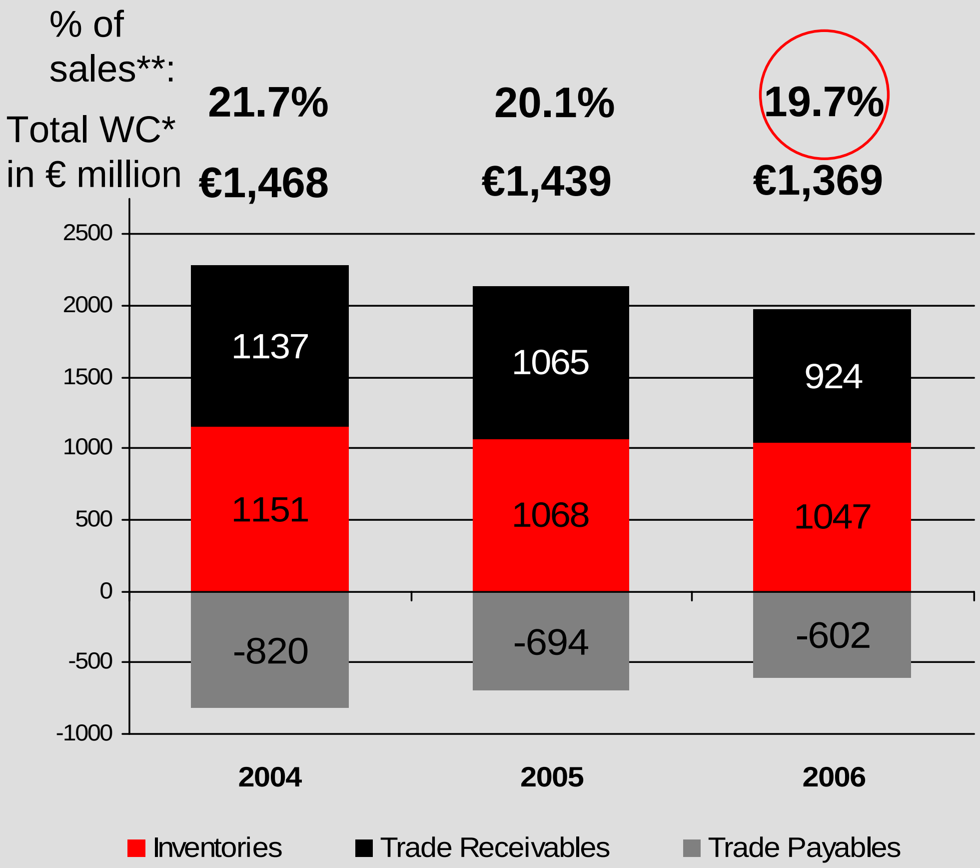
– Cash flow 2006 distorted by extraordinary pay-outs:
  – ~€90 m restructuring
  – ~€30 m higher bonus

– Changes in other assets and liabilities in 2005 contains contribution to provisions for restructuring and anti-trust

– Investing Cash Flow incl. €104 m from divestitures

2007 will again be burdened by restructuring cash outs

Working capital kept on low levels



Effects to consider when comparing working capital 2006 vs. 2005:

- **Portfolio:** Reduction due to divestment of businesses: FIB, PAP, TPC
- **Fx-effect:** Reduction due to U.S. dollar weakness
- **Operational:** Increase in 2006 due to:
  - Higher raw material prices in 2006
  - Operationally higher sales in 2006
  - 2005 low U.S. inventory due to impact from hurricane “Rita”
  - Supplier downtime specifically in BTR, Canada, with corresponding use-up of own inventories in Q4 2005

2007 Update on total financial impact due to restructuring

Phase I+II+III+IV (€ m)	2005	2006	2007e	2008e	2009e
P&L Expenses	-166	-31*	-55	-50	-20
Cash outs	-10	-89*	-140	-85	-20
Headcount reduction	~540	~650	~380*	~40	0
Cost reduction vs. prior year	**10**	**55**	**65***	**70**	**50**
Cost reduction cumulative	10	65	130	200	250*
EBITDA improvement vs. prior year	**10**	**50**	**50***	**50**	**30**
EBITDA improvement cumulative	10	60	110	160	190*

* Including adjustments for portfolio change (TPC) and new estimate of all individual restructuring projects:

– ~€25 m lower P&L expense and cash outs

– ~ 50 fewer employees due to the divestment of TPC

– ~€10 m lower cost reduction, ~€5 m lower EBITDA improvement due to the divestment of TPC

Restructuring implementation continues according to plan

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Lanxess is confident of 2007

Environment

– We are confident for the businesses in 2007 and expect the usual seasonal development

– Crude oil prices have eased but this is currently only slightly mirrored in our petrochemical derivative raw materials

– We expect raw materials to remain highly priced but starting to gradually decrease in Q2 / Q3 2007

First glance at 2007

– Excluding portfolio changes, we expect moderate sales growth in FY 2007

– EBITDA pre exceptionals is expected to be above the level of FY 2006

– First guidance will be provided with publication of Q1 results

We started reasonably well into 2007

LANXESS with ambitious targets

EBITDA* margin:
Peer-group profitability in 2009

No business with < 5 % EBITDA* margin in 2009

Investment-grade rating

* pre exceptionals, excluding acquisitions

Continue the success story by systematically implementing the strategy

4. Acquisitions

3. Portfolio optimization

2. Targeted restructuring

1. Performance improvement

Organic growth

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Energizing Chemistry

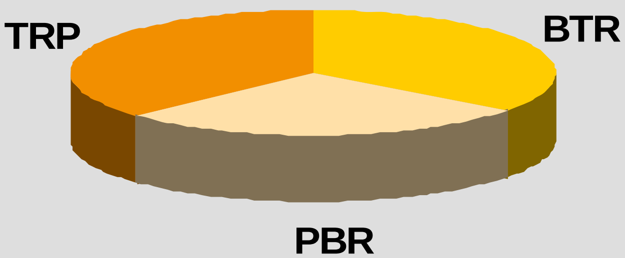
Appendix

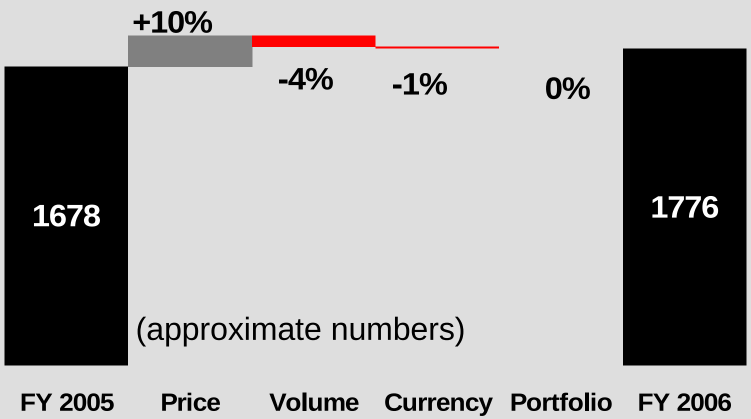
Performance Rubber: another proof of market leadership and capability to improve

(€ m)	FY 2005	FY 2006
Sales	**1,678**	**1,776**
EBIT	108	178
Depr. / Amort.	63	68
EBITDA	171	246
EBITDA pre except.	**214**	**248**
Margin	12.8%	14.0%
Capex	**75**	**89**

- Sales stronger on improved pricing in all BUs, offsetting volume reduction
- BTR with continued high level of profitability, based on price increases. Slightly lower volumes due to a strike at a customer
- Sales-effect of increased prices in PBR is overcompensated by volume reduction due to sluggish U.S. demand which also led to a performance somewhat below previous year
- TRP improved further with higher prices and stable volumes, benefiting from cost savings
- **Business outlook:** Q1 started well, U.S. rubber market improves vs. Q4 2006

Sales by BU:



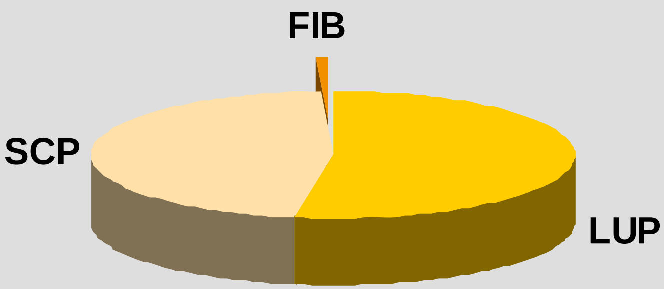


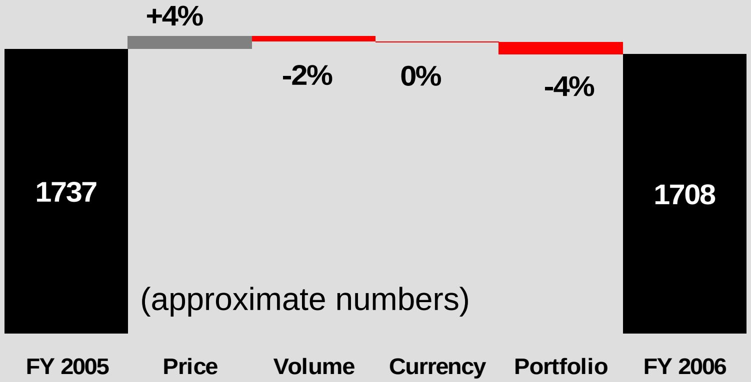
Engineering Plastics: improvements across the board lead to substantially higher margin

(€ m)	FY 2005	FY 2006
Sales	**1,737**	**1,708**
EBIT	10	70
Depr. / Amort.	56	33
EBITDA	66	103
EBITDA pre except.	**66**	**103**
Margin	3.8%	6.0%
Capex	**45**	**63**

- Sales down mainly due to portfolio effect (FIB)
- LUP continues to see results from restructuring and strategy changes – while market remains tough
- SCP with strong contribution by simultaneous price and volume increases on the basis of further raw material hikes
- Capex increased on LUP restructuring and SCP Asian expansion
- **Business outlook:** Good. Decision on strategic options for LUP to be taken in next few months

Sales by BU:





Chemical Intermediates: improving what is an already delighting level of profitability

(€ m)	FY 2005	FY 2006
Sales	**1,535**	**1,533**
EBIT	129	181
Depr. / Amort.	82	64
EBITDA	211	245
EBITDA pre except.	**211**	**245**
Margin	13.7%	16.0%
Capex	**59**	**45**

– Sales remained flat as slight increases in BAC and IPG were offset by a decrease of SGO sales (weak agro market throughout the year)

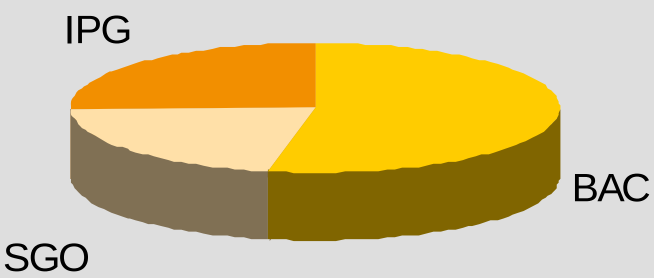
– EBITDA higher due to clearly better SGO and IPG, with BAC remaining stable on high level

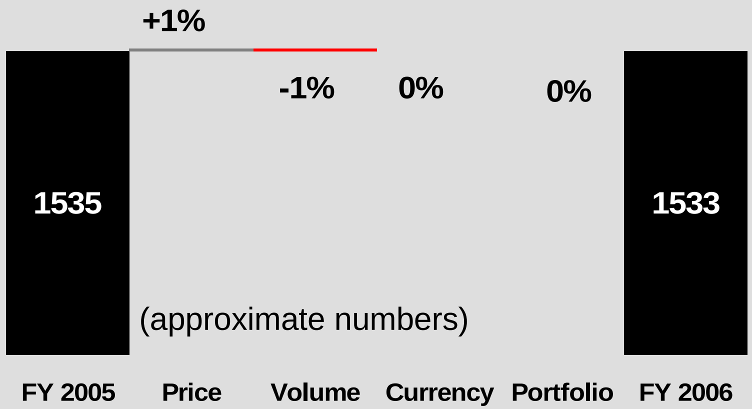
– SGO stronger on leaner cost structures and stronger pharma, offsetting weak agro business.

– IPG benefited from extraordinary demand in construction industry, color- and plastic-applications

– **Business outlook:** Solid start into 2007, comparable to last year's high level

Sales by BU:





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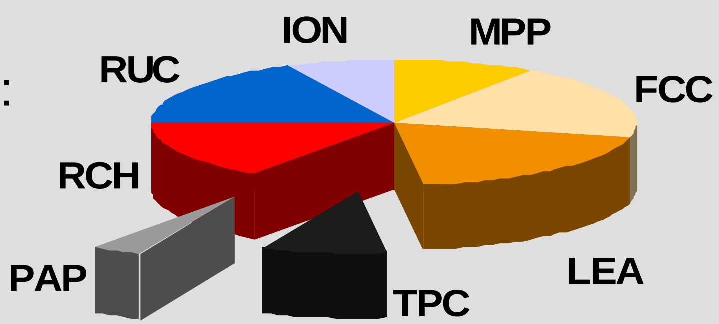
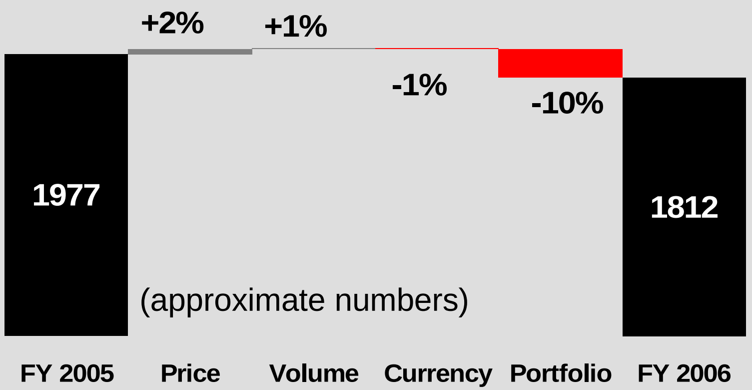
Performance Chemicals: absence of PAP and healthy MPP, LEA and ION drive performance

(€ m)	FY 2005	FY 2006
Sales	**1,977**	**1,812**
EBIT	118	155
Depr. / Amort.	66	64
EBITDA	184	219
EBITDA pre except.	**212**	**220**
Margin	10.7%	12.1%
Capex	**61**	**55**

- Overall increased prices and volumes, offset only by some unfavourable currency- and portfolio effects (PAP, iSL), therefore reduced sales
- Expansion of absolute EBITDA and margin as mainly MPP, LEA and ION improved results and an underperforming business left the portfolio
- RUC continued to suffer from competition and higher raw materials costs
- **Business outlook:** RUC and FCC will weigh on H1 profitability: market environment / force majeure

Sales by BU:





Exceptional items incurred in Q4 2005 and 2006

(€ m)	Q4 2005		Q4 2006		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Rubber	37	0	1	0	“Rubber” Litigation (TRP)
Engin. Plastics	6	6	0	0	Capex write-off (LUP)
Chemical Intermediates	3	3	0	0	Capex write-off (SGO)
Performance Chemicals	26	0	0	0	“Rubber” Litigation (RUC)
Reconciliation	62	21	-2*	7	Restructuring, M&A, other exceptional
Total	**134**	**30**	**-1***	**7**	

* Negative figure indicates exceptional income due to a release of provisions (mainly due to TPC) slightly overcompensating exceptional expenses

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Exceptional items incurred in 2005 and 2006

(€ m)	FY 2005		FY 2006		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Rubber	43	0	2	0	“Rubber” Litigation (TRP)
Engin. Plastics	23	23	0	0	Capex write-off (LUP) and Impairment (FIB)
Chemical Intermediates	14	14	0	0	Capex write-off (SGO)
Performance Chemicals	28	0	1	0	“Rubber” Litigation (RUC)
Reconciliation	196	27	42	8	Restructuring, M&A, other exceptionals
Total	**304**	**64**	**45**	**8**	

Financial Calendar 2007

Financial Calender

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	Rhein Chemie
RUC	Rubber Chemicals
ION	Ion Exchange Resins

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