



LANXESS AG

Sal. Oppenheim Chemicals Conference

21 June 2006, Zurich

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Chart-No. 2

Agenda

- 1. Business Update**
- 2. Financial Overview**
- 3. Strategy Review**

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Chart-No. 3

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Business Update Q1 2006

2006

- Economic environment remains supportive with healthy demand
- Operationally a solid first quarter
- Continued broad price push-through in light of strong increase in raw materials and energy
- Restructuring continues and yields first results, fully on track
- First portfolio measures completed
- Financials in line with our targets
- Laying the foundation for FY targets

Transformation of the company continues

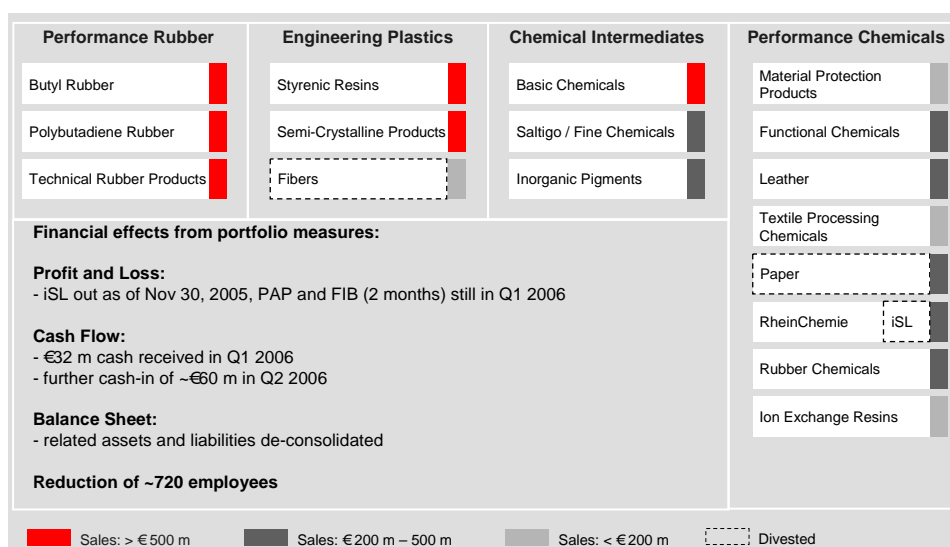
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Portfolio Adjustment as Part of Transformation



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1. Business Update
2. Financial Overview
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Q1 2006 Financial Highlights: Improving Profitability While Balance Sheet Remains Solid

(€m)	Q1 2005	Q1 2006	Δ in %	
Sales	1,729	1,836	6.2%	
EBITDA pre except. Margin	181 10.5%	205 11.2%	13.3%	– Selling price increases amid continuous good demand and risen input costs for raw materials and energy
Net Income	70	82	17.1%	– Further reduction of net financial debt on the basis of good operating results
Net Financial Debt	680*	647	-4.9%	
Working Capital	1,439*	1,464	1.7%	– Majority of FY capex will be spent during the next three quarters, guidance remains unchanged
Capex	51	37	-27.5%	
Employees	18,282*	17,180	-6.0%	

*As per 31.12.

Improving financials while transforming the company

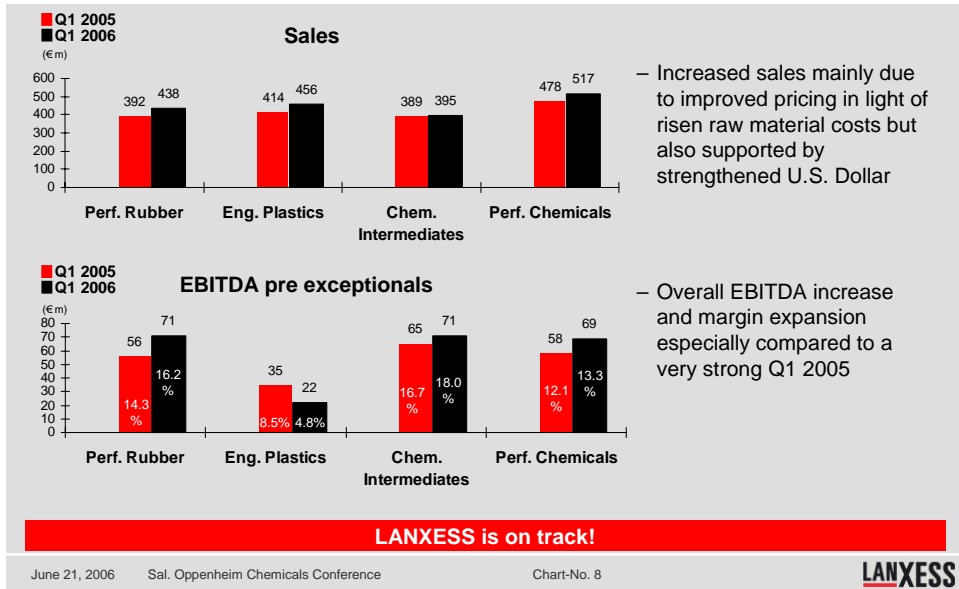
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A Solid Start Into 2006



Balance Sheet Remains Solid

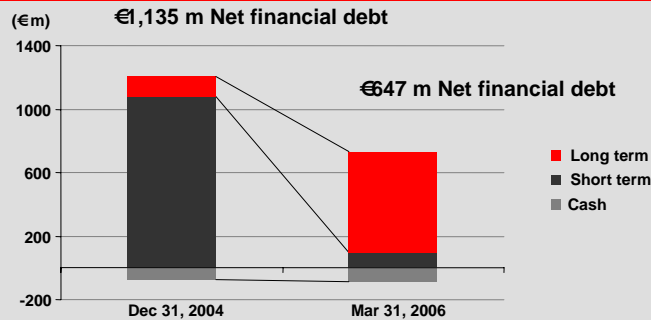
(€m)	Dec 31, 2005	Mar 31, 2006	(€m)	Dec 31, 2005	Mar 31, 2006
Non-current Assets	1,835	1,783	Stockholders' Equity	1,256	1,337
Intangible assets	53	50	thereof minority interest	17	18
Property, plant & equipment	1,526	1,478	Non-current Liabilities	1,576	1,548
Equity investments	22	31	Pension & post empl. provisions	497	499
Other investments	4	4	Other provisions	302	283
Financial assets	48	45	Financial liabilities	644	639
Deferred taxes	103	96	Tax liabilities	26	26
Other non-current assets	79	79	Other liabilities	32	30
Current Assets	2,506	2,486	Deferred taxes	75	71
Inventories	1,068	1,040	Current Liabilities	1,509	1,384
Trade accounts receivable	1,065	1,042	Other provisions	401	443
Financial assets	37	26	Financial liabilities	172	96
Other current assets	200	290	Trade accounts payable	694	618
Liquid assets	136	88	Tax liabilities	27	41
Total Assets	4,341	4,269	Other liabilities	215	186
			Total Equity & Liabilities	4,341	4,269

BU Paper and Fibers de-consolidated

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Financing Structure Significantly Improved while Transforming the Company

Net financial debt overview:



- Financing structure solid and long-term
- Net financial debt reduced from €1,135 m to €647 m
- Net debt to EBITDA pre exceptionals ratio improved from 2.5x to 1.2x in FY 2005
- ...and we pay less interest

We are all set for 2006

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Increasing Trust and Stability

Investment grade rating improved

New rating by Fitch: **BBB (stable outlook)** as unsolicited rating



„The ratings reflect Lanxess' solid capital structure and satisfactory coverage ratios...”

“This is the result of restructuring programmes, price-before-volume strategy and a reorganisation of its financing arrangements...”

“Fitch has also positively taken into account management's continued restructuring efforts, initial success on portfolio adjustments and its commitment to a conservative financial profile.”

– October 2004: **BBB- (positive outlook)** by Standard & Poor's



– May 2005: **Baa3 (positive outlook)** by Moody's



First BBB rating with stable outlook underpins transformation success

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Improved Cash Flow: Stronger Operating Results

(€m)	Q1 2005	Q1 2006	
Profit before Tax	94	115	– Improved operating result led to corresponding increase in operating Cash Flow
Depreciation & Amortization	65	62	
Equity earnings	-5	-9	– Improved Working Capital management compared to Q1 2005
Gain/ Loss from Sale of Assets	-1	0	
Financial Losses	9	7	– Operating Cash Flow includes €24 m of cash out for restructuring
Cash tax payments	-24	-9	
Changes in Working Capital	-236	-129	– Investing Cash Flow includes €32 m from sale of iSL, PAP and FIB
Changes in Other Assets and Liabilities	88	-1	
Operating Cash Flow	-10	36	
Investing Cash Flow	-48	-2	
thereof Capex	-51	-37	
Free Cash Flow	-58	34	
Financing Cash Flow	116	-82	

Majority of extraordinary cash outs (restructuring, anti-trust) to come in forthcoming quarters

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Chart-No. 12

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3. Strategy Review

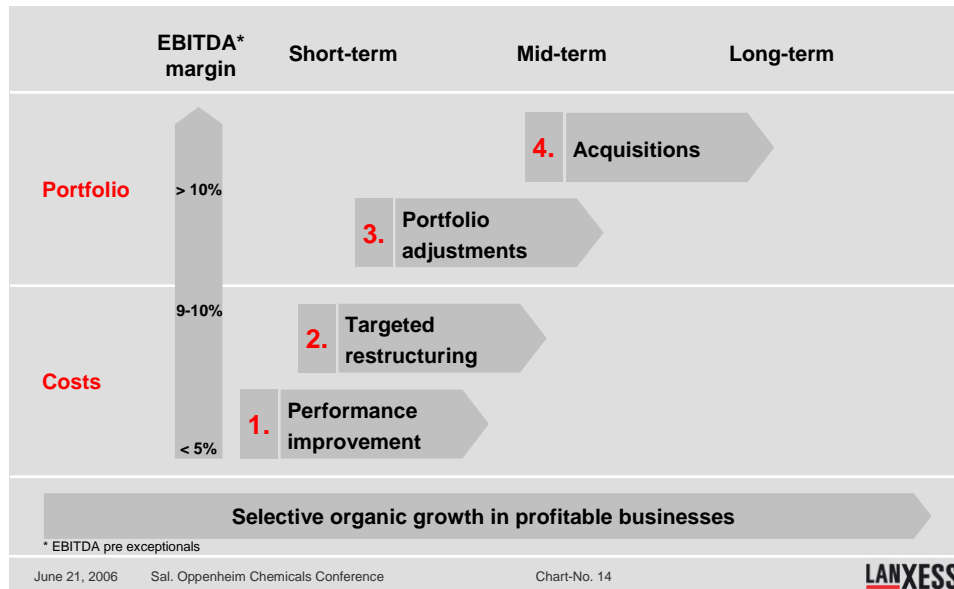
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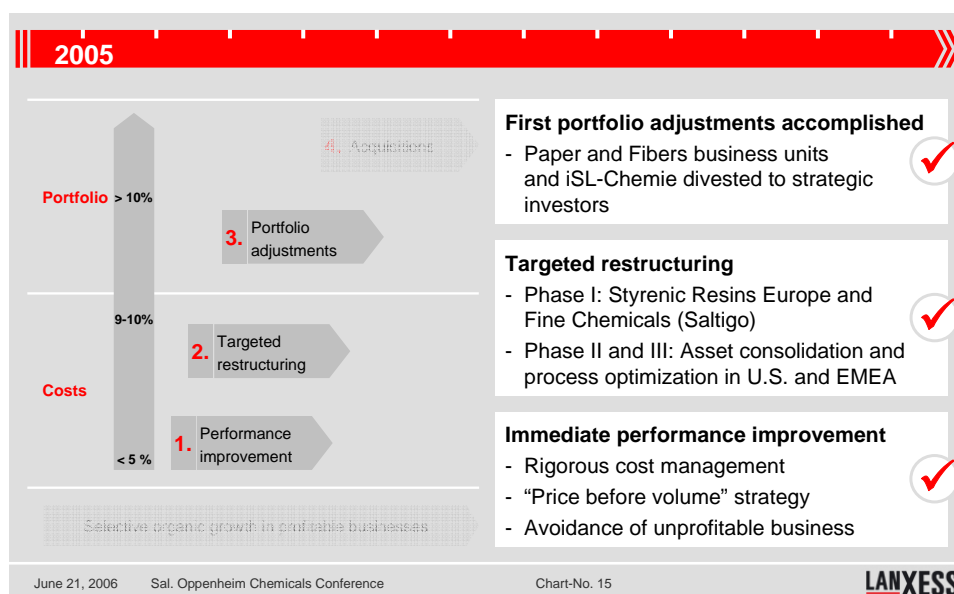
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Step-by-Step Approach to Creating Value

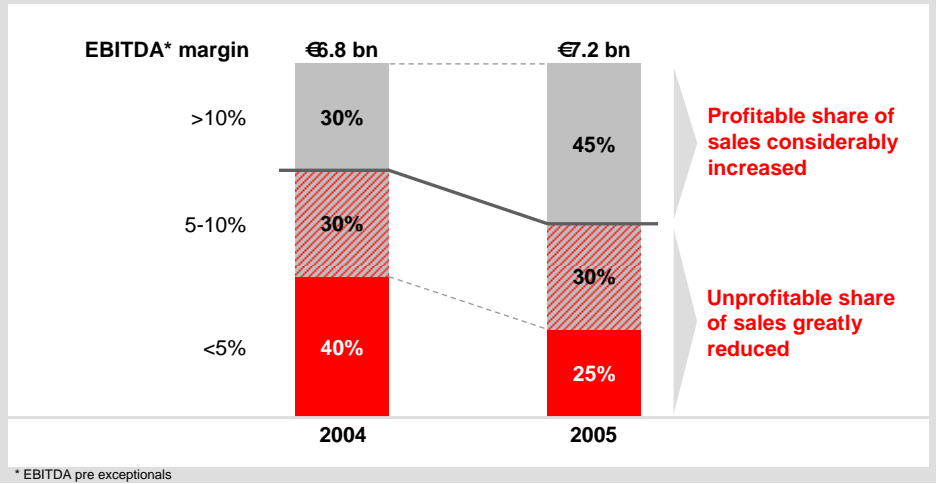


Consistent Strategy Implementation



Proportion of Profitable Sales Risen to 45% - Margins on 55% of Business Still Inadequate

Profitability split 2004 vs. 2005



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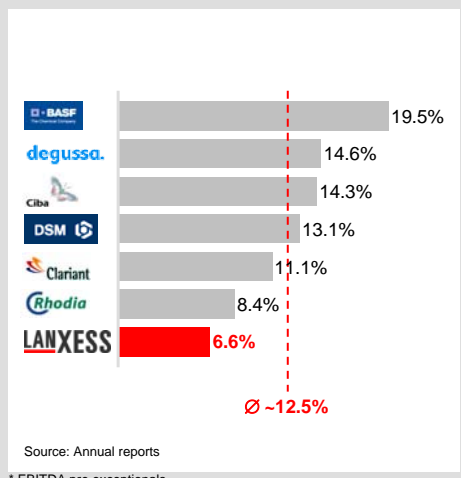
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Chart-No. 16

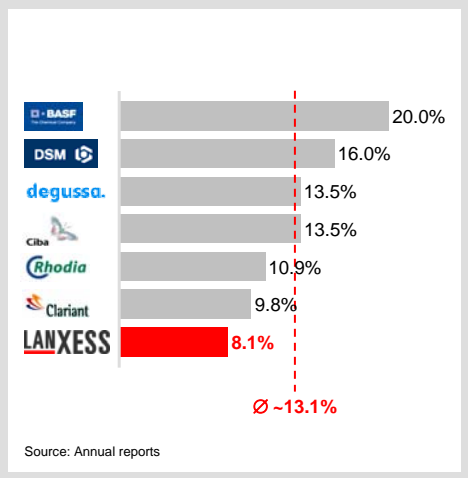


Overall Performance Still Below Average

EBITDA* margin 2004



EBITDA* margin 2005



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Chart-No. 17



Ongoing Portfolio Management



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
Cost reduction vs. prior year	10	35	75	80	10
Cost reduction cumulative	10	45	120	200	210
EBITDA improvement vs. prior year	10	35	65	40	5
EBITDA improvement cumulative	10	45	110	150	155

- €115 m total remaining P&L expenses (thereof €9 m taken in Q1'06 already)

- €295 m remaining total cash costs (thereof €24 m taken in Q1'06 already)

- €210 m annual savings as of 2009 with EBITDA improvement of ~€155 m

➔ **"Solidarity agreement" on top of above figures give positive one-time" effect of €20+ m in '06 and '07**

Restructuring is going to transform profitability substantially from 2007 onwards

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Outlook and Guidance

Underlying assumptions

- We remain confident for the economic environment in 2006
- Raw materials volatile on high level
- Exchange rate €1.0 = ~USD1.25

2006 Guidance based on above assumptions

- FY 2006 EBITDA pre exceptionals expected in a range of €640 - €680 m, which is in the upper half of the former 9-10% margin guidance on the basis of 2004 sales
- Capex at upper end of €250 - €270 m range
- Operational Depreciation and Amortization ~€250 m
- FY P&L tax rate expected around 30%
- Restructuring: expenses of ~€55 m and cash-outs of ~€155 m expected in 2006

We delivered on our guidance in 2005 and expect to do so in 2006 as well

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LANXESS on Track in Another Year of Transformation

Energizing Chemistry

Independence.

Restructuring.

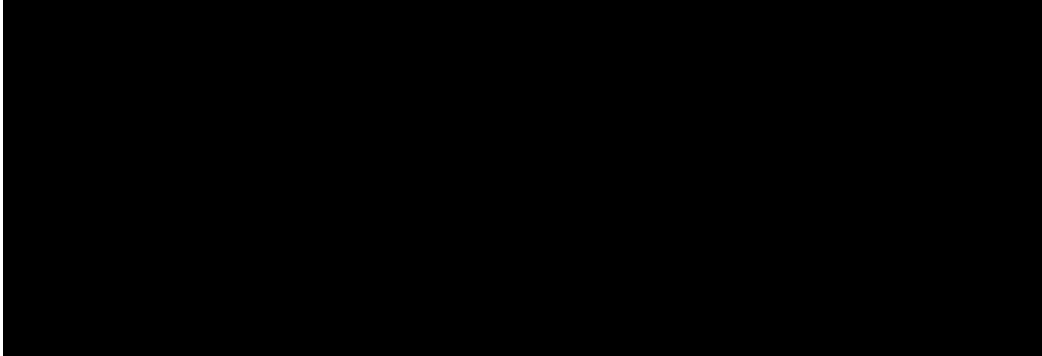
**Portfolio
Management.**

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Well Established Brands for Diversified Industry Portfolio

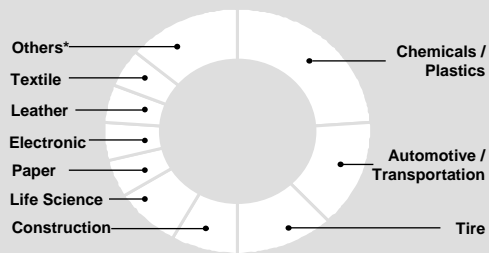
Brands



-
-
-

* not registered in U.S.A.

End User Industries

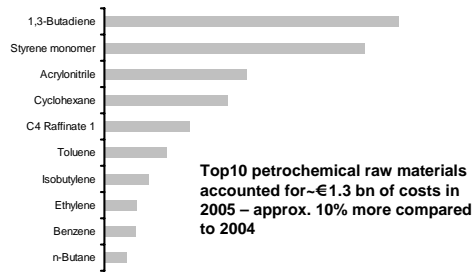


- * – Water Treatment
- Nutrition
- Furniture
- Hygienics
- Coatings
- Packaging
- Health Care

Raw Materials and Currency Exposure are Managed

Raw materials

Top 10 Petrochemical Raw Materials 2005 in €m



- Energy exposure of major production sites is being financially hedged
- No financial hedges for raw materials since there is no liquid financial market yet, but manageable impact on operating profit due to
 - contractual clauses
 - ability to partially pass through higher raw material prices

Currency exposure

Our operating business is performed in the following major foreign currencies: US-Dollar, Yen, Pound, Canadian Dollar

Strategy: we hedge a reasonable portion of our foreign currency exposure defined as anticipated cash exposure and booked receivables and payables

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Chart-No. 24

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