LANXESS – Q1 2007 Results Call

A firm start of 2007

Matthias Zachert, CFO

Safe harbour statement

This Presentation contains certain forward-looking statements, including assumptions, opinions and views of the Company or cited from third party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of the company to differ materially from the estimations expressed or implied herein. The company does not guarantee that the assumptions underlying such forward looking statements are free from errors nor do they accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of the Company or any of its parent or subsidiary undertakings or any of such person's officers, directors or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

Agenda

1. Business highlights Q1 2007
2. Financial review Q1 2007
3. Business environment and guidance 2007

Highlights Q1 2007

Q1 2007

Overall economic environment remains positive

LANXESS started well

EBITDA raised by 6.8% to €219 million

Net financial debt further reduced by €63 million to €448 million

Pricing power continues

Transformation yields results

Agenda

1. Business highlights Q1 2007
2. Financial review Q1 2007
3. Business environment and guidance 2007

– Sales decrease due to portfolio changes and unfavourable currency effects

– Working capital remains flat with normal seasonal increase compared to year-end

Enhanced profitability by restructuring and portfolio realignment

(€ m)	Q1 2006	Q1 2007	in %
Sales	**1,836**	**1,711**	**-7%**
Cost of sales	-1,399	-1,315	-6%
SG&A	-265	-221	-17%
R&D	-22	-22	0%
Other op. income / expense	-25	-3	n.m.
thereof exceptionals	-18	-8	-56%
EBIT	**125**	**150**	**20%**
Net Income	**82**	**91**	**11%**
EBITDA	187	212	13%
thereof exceptionals	-18	-7	-61%
EBITDA pre exceptionals	**205**	**219**	**7%**

P[illegible]rmanc[illegible]Rubber: performance on the high lev[illegible]2[illegible]

(€ m)	Q1 20[illegible]	Q1 2007
Sales	[illegible]	**[illegible]51**
EBIT	[illegible]	[illegible]
Depr. / Amort.	[illegible]	[illegible]
EBITDA	[illegible]	70
EBITDA pre except[illegible]	[illegible]	**70**
Margin	[illegible]	15.5%
Capex	[illegible]	**13**

- Sales stronger on overall improved pricing and volumes, offsetting negative currency effect
- BTR improved further from high level of profitability based on improved cost structures. Price increases were successful; new capacity absorbed by the market, lifting sales volumes
- PBR growth in Asia did not offset shortfall of [illegible]S. demand which was strong in Q1 2006. [illegible]material cost increases could not fully be [illegible]n to customers
- TR[illegible] from restructuring. Strong price increas[illegible]ide with deliberate volume reductions[illegible]

Sales by BU:

- Portfolio effect (FIB) and unfavourable currency weigh on sales
- Volumes decrease mainly on site consolidation

Sales

EBIT

Depr. / Amort.

EBITDA

EBITDA pre except.

Margin

Capex

Sales by BU:

Sales

EBIT

Depr. / Amort.

EBITDA

EBITDA pre except.

Margin

Capex

– Risen sales as overall price and volume increases more than offset negative currency effects

– BAC continues on high level. Simultaneous price and volume increases in combination with improved cost structures offset higher raw material prices

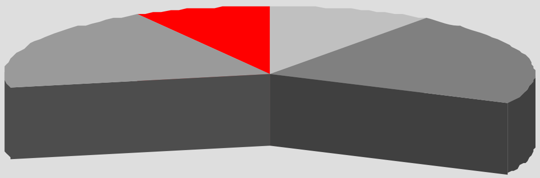
– SGO further improved on somewhat stronger agro and specialities business

Performance Chemicals: portfolio streamlining drives margin

(€ m)	Q1 2006	Q1 2007
Sales		**400**
EBIT		44
Depr. / Amort.		16
EBITDA		60
EBITDA pre except.		**60**
Margin		15.0%
Capex		**7**

- Reduced sales on the back of portfolio streamlining (PAP, TPC) and some unfavourable currency effects
- Margin expansion demonstrates stronger portfolio after re-alignment
- Sound performance of MPP and LEA did not offset shortfall of RUC and FCC (force majeure for Hydrazinehydrate in Asia) in particular
- RUC continues to suffer from Asian competition in accelerator products and compares against very strong Q1 2006

Sales by BU:



(approximate numbers)

Non-current Assets 1,730 1,7250 14.04 reen 594.04922.3408 Dn0.0027 Tc-0.0038 Tw[entngible aAssets

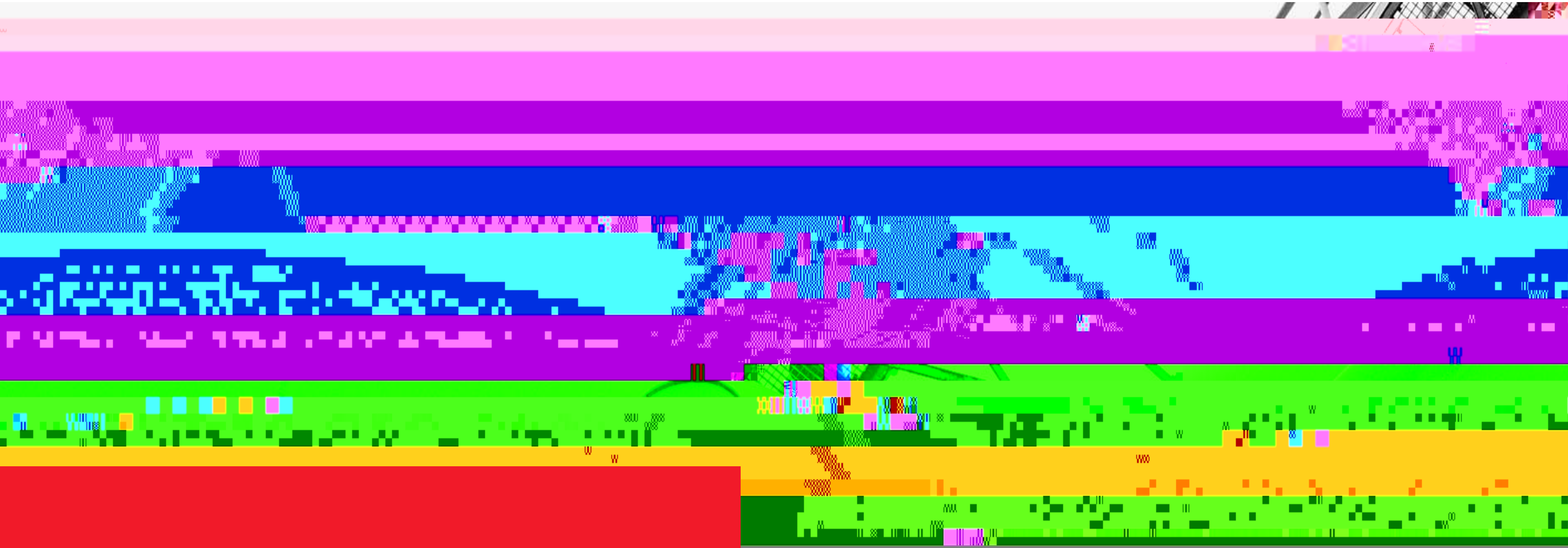
Agenda

1. Business Highlights Q1 2007
2. Financial review Q1 2007
3. Business environment and guidance 2007

LANXESS is confident of 2007

Environment

First guidance for 2007



Appendix

Exceptional items incurred in Q1 2006 and 2007

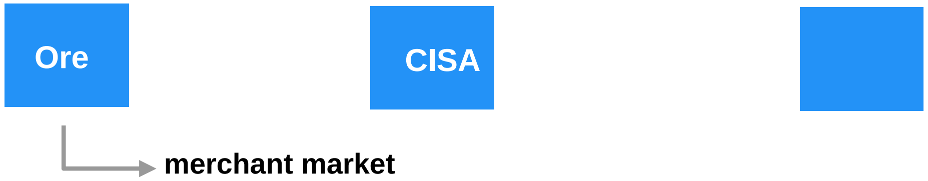
(€ m)	Q1 2006		Q1 2007		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Rubber	1	0	0	0	“Rubber” Litigation (TRP)
Engin. Plastics	0	0	0	0	
Chemical Intermediates	0	0	0	0	
Performance Chemicals	1	0	0	0	“Rubber” Litigation (RUC)
Reconciliation	16	0	8	1	Restructuring, M&A
Total	**18**	**0**	**8**	**1**	

2007 Update on total financial impact due to restructuring

Phase I+II+III+IV					
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*

LANXESS

Chrome ore mine in South Africa provides long lasting raw material reserves



Some background on the recently published finding of additional, easily minable, chrome ore-reserves of 80 m tons:

- Current annual output rate: ~1 Mio tons
  - thereof ~500kt ore in four different grades
  - ~350kt of those ~500kt annually sold to merchant market with attractive EBITDA margin
- In the medium term, LANXESS will further geologically evaluate the reserve and conduct a feasibility study for the economic exploitation

NO asset will be realized on the balance sheet as business model remains

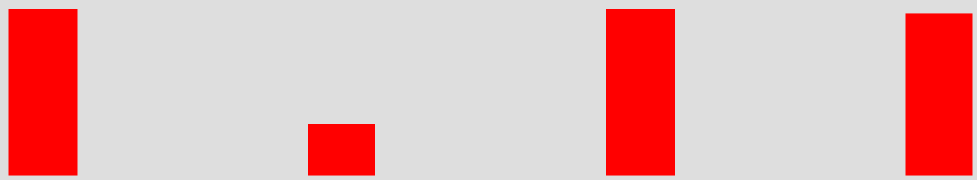
NO need to modify DCF models

Reserve for the future

Continued operational improvements

Sales

EBITDA pre exceptionals



- Sales reduced in Engineering Plastics and Performance Chemicals due to portfolio measures (FIB, PAP, TPC) and "price before volume" strategy
- Overall strong pricing and volumes
- EBITDA increases in Engineering Plastics and Chemical Intermediates with margin expansion in all businesses expect for Performance Rubber which remains on good level
- Portfolio transformation leads to improved margin in Performance Chemicals

LANXESS

Hedging policy: Protecting EBITDA from foreign currency fluctuations

(€ m)	Q1 2007
Sales	**1,711**
Cost of sales	-1,315
Gross profit	396
Other op. income / expense	-3
EBITDA pre exceptionals	**219**

Impact from weakening USD reduces sales and gross margin —

Above effect is basically compensated by realized gains on FX hedges +

Neutral

Short-term: No major effect on profits

Long-term: If USD / Euro persists above 1.35, potentially single digit million effect on result as of Q4 2007

Effect of currency hedges needs to be considered when reading the P&L

Annual Stockholders' Meeting	**May 31, 2007**
Q2 Results 2007	**August 16, 2007**
Q3 Results 2007	**November 14, 2007**

Michael Pontzen (Head of IR)
Tel.: +49-214 30 43804
Fax.: +49-214 30 959 43804

Oliver Stratmann
+49-214 30 49611
+49-214 30 959 49611