



# LANXESS Q2 2007 Financial Summary for Investors and Analysts

**EBITDA pre exceptionals rises by 5.0%**

**EBITDA margin pre exceptionals at 12.2% compared to 11.5%**

**EBIT pre exceptionals increases by 9.4%**

**Sales increased, adjusted for portfolio and currency effects**

**Reduction of net financial debt to €461 m versus year end**

**Guidance for FY 2007: EBITDA pre exceptionals expected to increase to €700 – €720 m, incl. ~€30 m for 9 months of Lustran**

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## Overview Financials

### LANXESS Group Q2 2007

- Announcement of JV for BU Lustran Polymers with INEOS
- Operationally firm quarter despite hiccups (strike, outage)
- Jump of raw material prices (esp. butadiene, benzene) is a challenge
- Rating upgrades by Moody's (to Baa2) and S&P (to BBB)

### Q2 2007 Profit and Loss Statement

- Sales Deviation: Price: +2%, Volume +2%, Currency -3%, Portfolio -2% (approx. numbers)
- Organic sales increase offset by portfolio change (TPC) and unfavourable currency effects
- Other operating expenses include restructuring and M&A expenses, as well as "write-offs" for LUP
- Effect on EBIT of €195 m, on net income level of ~€150 m by "write-offs" in relation to the announced LUP Joint Venture with INEOS
- Capex rises on investments mainly for additional capacities in BTR, SCP and SGO
- Headcount reduction **continues on track due to** restructuring, slightly offset by hirings mainly in Asia

### H1 2007 Cash flow Statement

- Profit before tax burdened by impairments of €44 m and provisions for expected write-offs of €142 m in advance of JV between BU LUP and INEOS
- Operating cash flow contains ~€35 m restructuring cash out (~€15 m Q1, ~€20 m Q2)
- Lower seasonal increase of working capital
- Investing cash flow comprises:
  - Payout for first acquisition
  - Cash-in for sale of BU TPC in 2007
  - Cash-in for sale of BU FIB, PAP and in 2006
  - Cash infusion to BIS for previous year's loss



## Q2 Business Overview

### Performance Rubber

- Sales Deviation: Price: +4%, Volume +5%, Currency -5% (approximate numbers)
- Sales increase as volumes and prices rise in all BUs, which more than compensates the strike in BTR and adverse currency effects
- Additional volumes from BTR expansion in Canada are well absorbed by the market
- Despite overall good price increases, especially PBR did not succeed to fully pass on substantially risen raw material costs (butadiene mainly) in Q2 yet.
- Some improvement in TRP on stronger prices and good demand

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### Engineering Plastics

- Sales Deviation: Price: +6%, Volume -3%, Currency -3% (approximate numbers)
- Sales remained almost unchanged as positive pricing was offset by unfavourable volumes and currency effects
- LUP with lower sales due to weak volumes. EBITDA remains below Q2 2006 as risen raw material costs could not be passed on
- SCP with raw material based price increases for end-compounds and caprolactam combined with slight volume increases – profitability exceeds last year's level
- Capex increased on debottlenecking for SCP (PA 6) and investment in DuBay JV

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### Chemical Intermediates

- Sales Deviation: Price: 0%, Volume +4%, Currency -2% (approximate numbers)
- Sales slightly increased as higher volumes in all BUs are partly offset by adverse currency effects
- BAC again achieves simultaneous price and volume increases amid healthy demand and in combination with improved cost structures offsets higher raw material prices
- SGO further improved from previous year's level, mainly driven by improved cost structure
- IPG continues to benefit mainly from strong volumes in the European



## 2007 Business environment and Outlook

### Business environment

- We continue to expect an environment with robust demand and supportive capacity utilization for the second half of 2007
- Raw materials are anticipated to be volatile on a high level. A slight sequential reduction of overall raw material prices is expected as of Q4, however still above previous year
- If the Euro were to remain above US\$ 1.35, this could adversely affect LANXESS' earnings by a single-digit million Euro figure as of Q4 2007

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### Guidance update 2007

- FY 2007 EBITDA pre exceptionals is expected to increase to €700 - €720 m. This includes ~€30 m for the first 9 months of LUP
- Capex expectation: €300 m +
- Underlying P&L tax rate seen around 30%, excluding effects from LUP JV. Reported tax rate will however be distorted due to LUP-divestment
- D&A around €300 - €310 m (increase vs. 2006, mainly due to exceptional write-off in LUP)

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Leverkusen, August 16, 2007

### Forward-Looking Statements

This news release contains forward-looking statements based on current assumptions and forecasts made by LANXESS AG management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.





**Abbreviations:**

**BTR** Butyl Rubber  
**PBR** Polybutadiene Rubber  
**TRP** Technical Rubber Products  
**LUP** Lustran Polymers  
**SCP** Semi-Crystalline Products  
**FIB** Fibers  
**BAC** Basic Chemicals  
**SGO** Saltigo  
**IPG** Inorganic Pigments  
**MPP** Material Protection Products  
**FCC** Functional Chemicals  
**LEA** Leather  
**TPC** Textile Processing Chemicals  
**RCH** RheinChemie  
**RUC** Rubber Chemicals  
**ION** Ion Exchange Resins  
**PAP** Paper Chemicals  
**BIS** Bayer Industry Services

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