LANXESS – Q2 2007 Results Call

Operationally solid – stragically important step taken

Matthias Zachert, CFO

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Agenda

1. Business highlights Q2 2007
2. Financial review Q2 2007
3. Business environment and guidance 2007

Highlights Q2 2007

Q2 2007

Announcement of JV for BU LUSTRAN POLYMERS The Colorful Difference with INEOS

Operationally firm quarter despite hiccups (strike, outage)

EBITDA pre exceptionals raised by 5.0% to €211 m

EBIT pre exceptionals raised by 9.4% to €151 m

Net debt remains low at €461 m despite Q2 as strongest cash-out quarter

Jump of raw material prices (esp. butadiene, benzene) is a challenge

Rating upgrades by Moody‘s (to Baa2) and S&P (to BBB)

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Q2 2007 financial overview: strong EBITDA performance in mostly benign business environment

(€ m)	Q2 2006	Q2 2007	Δ in %
Sales	**1,751**	**1,727**	**-1.4%**
EBITDA pre except. margin	**201** 11.5%	**211** 12.2%	**5.0%**
Net Income	**77**	**-59**	**n.m.**
Net Financial Debt	**511***	**461**	**-9.8%**
Working Capital	**1,523**	**1,470**	**-3.5%**
Capex	**44**	**64**	**45.5%**
Employees	**16,481***	**16,400**	**-0.5%**

* as per Dec. 31, 2006

- Organic sales increase offset by portfolio change (TPC) and unfavourable currency effects
- Net income is distorted by exceptional write-offs in LUP and restructuring expenses
- Scheduled capex increase for investments mainly in additional capacities in BTR, SCP and SGO
- Headcount reduction continues ahead of plan due to restructuring, slightly offset by hirings mainly in Asia

Operationally firm quarter backing a strong 2007

Operationally sound quarter affected by several special items

(€ m)	Q2 2006	Q2 2007	Δ in %
Sales	**1,751**	**1,727**	**-1%**
Cost of sales	-1,320	-1,332	1%
SG&A	-266	-231	-13%
R&D	-22	-23	5%
Other op. income / expense	-16	-185	>100%
thereof exceptionals	-11	-195	>100%
EBIT	**127**	**-44**	**n.m.**
Net Income	**77**	**-59**	**n.m.**
EBITDA	190	60	-68%
thereof exceptionals	-11	-151	>100%
EBITDA pre exceptionals	**201**	**211**	**5%**

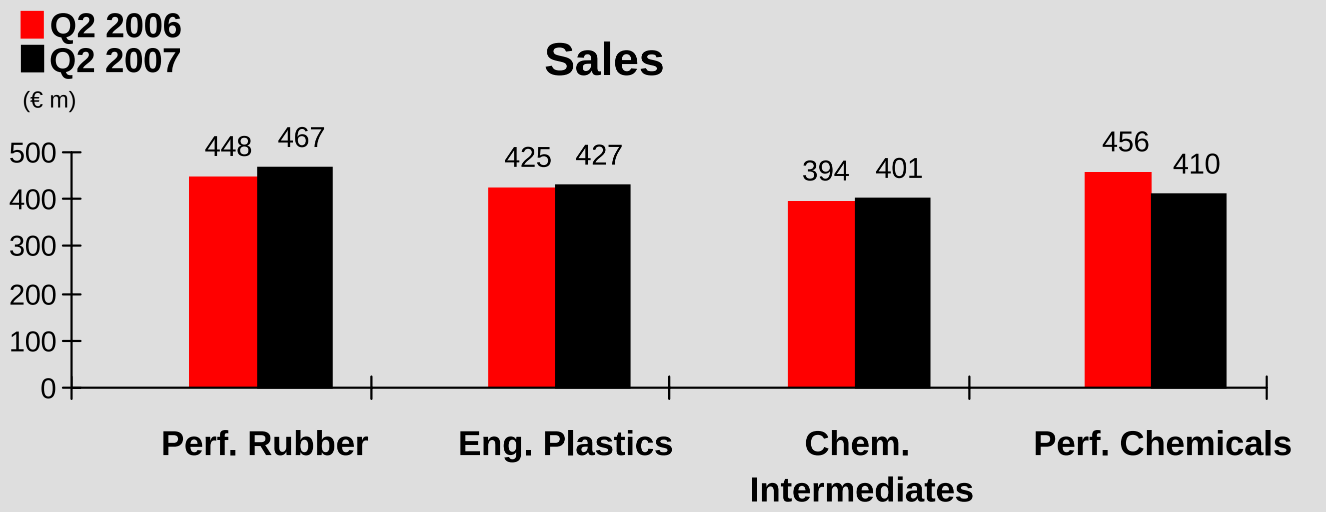
– Price increases of 1.8% and higher volumes of 1.9% were more than offset by unfavourable currency impact (-2.8%) and portfolio changes (-2.3%)

– Other operating expenses include restructuring and M&A expenses, as well as "write-offs" for LUP

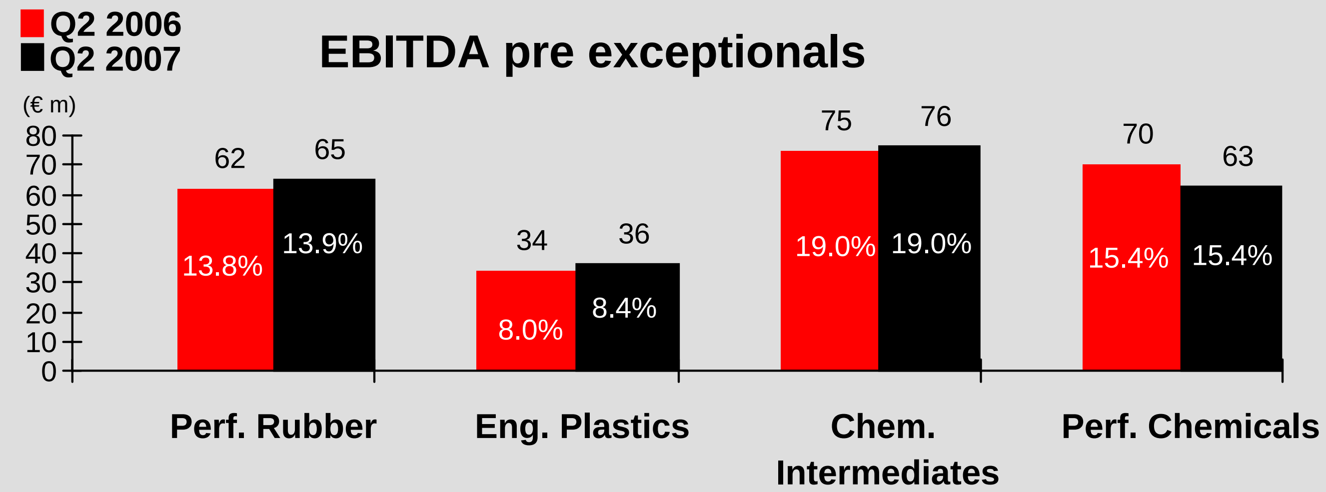
– EBIT and net income are distorted by write-offs in relation to the announced LUP Joint Venture with INEOS

Strong Q2 results despite sharp rise of petrochemical raw material prices

Good margins maintained or improved



- All segments’ sales increase except for Performance Chemicals, where sales were mainly reduced due to the absence of TPC
- Overall strong pricing and volumes



* pre exceptionals

- EBITDA* overall increases despite unfavourable raw material impact
- LANXESS managed to retain margins or even slightly expand them in Performance Rubber and Engineering Plastics
- Margins in Performance Chemicals remain stable in spite of force majeure in FCC and sluggish U.S. demand

Performance Rubber: continuous operational strength despite jump in raw materials

(€ m)	Q2 2006	Q2 2007
Sales	**448**	**467**
EBIT	45	47
Depr. / Amort.	17	18
EBITDA	62	65
EBITDA pre except.	**62**	**65**
Margin	13.8%	13.9%
Capex	**15**	**17**

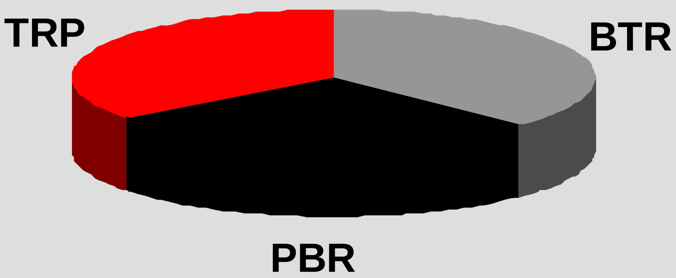
– Sales increase as volumes and prices rise in all BUs, which more than compensates the strike in BTR and adverse currency effects

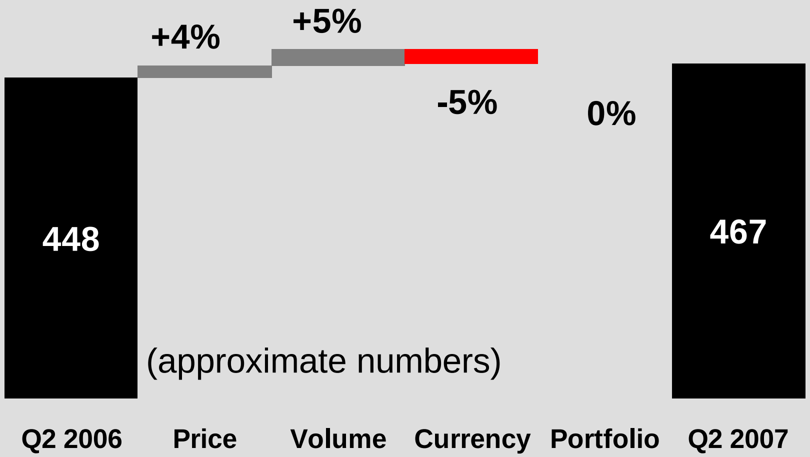
– Additional volumes from BTR expansion in Canada are well absorbed by the market

– 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

Sales by BU:





Engineering Plastics: strong SCP is almost offset by poor LUP performance

(€ m)	Q2 2006	Q2 2007
Sales	**425**	**427**
EBIT	26	-157
Depr. / Amort.	8	51
EBITDA	34	-106
EBITDA pre except.	**34**	**36**
Margin	8.0%	8.4%
Capex	**10**	**21**

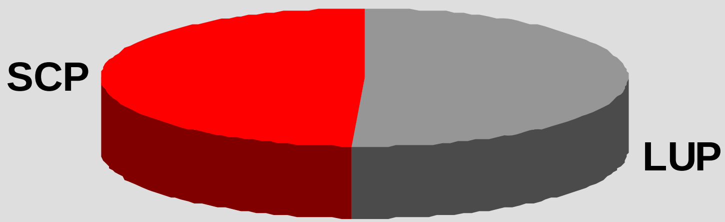
– Sales remained almost unchanged as positive pricing was offset by unfavourable volumes and currency effects

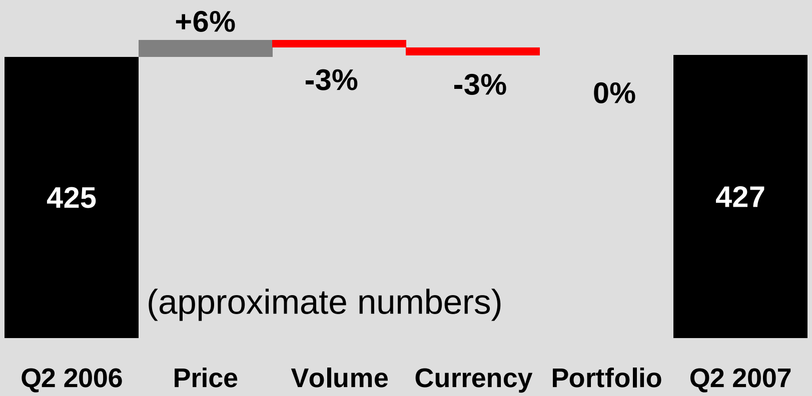
– LUP with lower sales due to weak volumes. EBITDA remains below Q2 2006 as risen raw material costs could not be passed on

– 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

Sales by BU:





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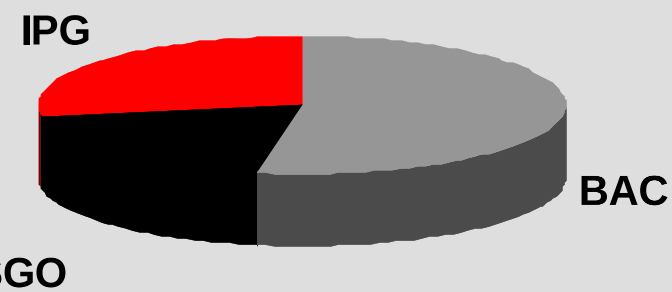
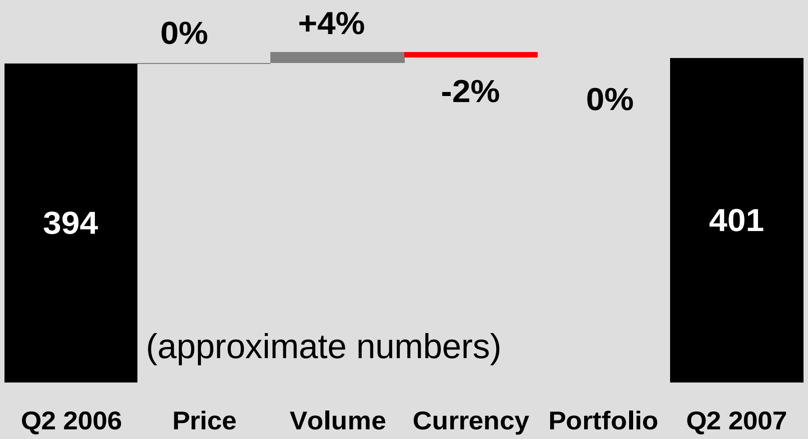
Chemical Intermediates: another excellent quarter

(€ m)	Q2 2006	Q2 2007
Sales	**394**	**401**
EBIT	59	61
Depr. / Amort.	16	15
EBITDA	75	76
EBITDA pre except.	**75**	**76**
Margin	19.0%	19.0%
Capex	**8**	**13**

- 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 construction industry overcompensating weaker U.S. volumes

Sales by BU:



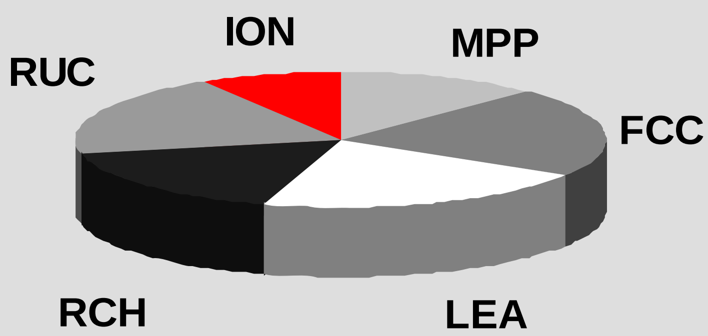


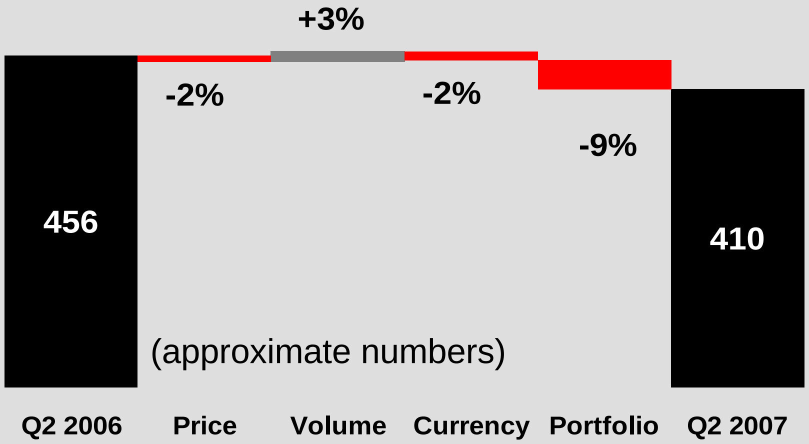
Performance Chemicals: good margins while EBITDA is limited by divestitures and RUC / FCC

(€ m)	Q2 2006	Q2 2007
Sales	**456**	**410**
EBIT	56	48
Depr. / Amort.	14	15
EBITDA	70	63
EBITDA pre except.	**70**	**63**
Margin	15.4%	15.4%
Capex	**11**	**10**

- Reduced sales mainly due to the absence of TPC and unfavourable currency effects
- Price erosion effect on sales mainly in RUC and FCC was offset by stronger volumes in MPP and RUC
- Broadly stable performance of MPP, LEA, RCH and ION despite raw material pressures did not offset absence of contribution after divestment of TPC (€3-4 m) and weakness in FCC and RUC
- RUC's weakness vs. 2006 is expected to change to positive momentum as of Q3

Sales by BU:





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Balance Sheet: remains strong

(€ m)	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007
Non-current Assets	**1,730**	**1,725**	**1,747**
Intangible assets	41	41	40
Property, plant & equipment	1,465	1,468	1,439
Equity investments	5	19	33
Other investments	4	4	4
Financial assets	37	19	19
Deferred taxes	84	81	111
Other non-current assets	94	93	101
Current Assets	**2,475**	**2,562**	**2,603**
Inventories	1,047	1,076	1,112
Trade accounts receivable	924	1,001	983
Financial assets	113	107	133
Other current assets	220	165	175
Liquid assets	171	213	200
Total Assets	**4,205**	**4,287**	**4,350**

(€ m)	Dec 31, 2006	Mar 31, 2007	June 30, 2007
Stockholders' Equity	**1,428**	**1,526**	**1,464**
thereof minority interest	25	26	26
Non-current Liabilities	**1,554**	**1,537**	**1,520**
Pension & post empl. provisions	520	504	518
Other provisions	271	280	277
Financial liabilities	632	623	595
Tax liabilities	38	38	38
Other liabilities	36	33	31
Deferred taxes	57	59	61
Current Liabilities	**1,223**	**1,224**	**1,366**
Other provisions	354	350	439
Financial liabilities	50	38	66
Trade accounts payable	602	611	625
Tax liabilities	36	63	80
Other liabilities	181	162	156
Total Equity & Liabilities	**4,205**	**4,287**	**4,350**

"…LANXESS' strongly improved key credit ratios since the company separated…"*

* Source: Fitch Ratings' report

Cash Flow: cash generation again improved

(€ m)	H1 2006	H1 2007
Profit before Tax	**233**	**90**
Depreciation & amortization	125	166
Result from investment in associate	-10	-11
Financial result	12	2
Cash tax payments	-26	-40
Changes in other assets and liabilities	-31	86
Operating Cash Flow before changes in WC	**303**	**293**
Changes in Working Capital	-206	-104
Operating Cash Flow	**97**	**189**
Investing Cash Flow	**11**	**-110**
thereof Capex	-81	-111
Financing Cash Flow	**-114**	**-51**

- Profit before tax burdened by impairments of €44 m and provisions for expected write-offs of €142 m in advance of the JV between BU LUP and INEOS
- Operating cash flow 2007 contains ~€35 m restructuring cash out
- 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

Cash generation from a healthy business continues

Delta-View: carve out of future Lustran Polymers savings

Phase* I+II+III+IV (€ m)	2005	2006	2007e	2008e	2009e
P&L Expenses	0	0	-15	-15	-10
Cash outs	0	0	-20	-20	-10
Headcount reduction	0	0	-100	0	0
Cost reduction vs. prior year	**0**	**0**	**-15**	**-20**	**-10**
Cost reduction cumulative	0	0	-15	-35	$\boxed{-45}$
EBITDA improvement vs. prior year	**0**	**0**	**-15**	**-15**	**-5**
EBITDA improvement cumulative	0	0	-15	-30	$\boxed{-35}$

Restructuring implementation continues according to plan

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Restructuring savings to be adjusted

Phase I+II+III+IV (€ m)	2005	2006	2007e	2008e	2009e
P&L Expenses	-166	-31	-40	-30	-10
Cash outs	-10	-89	-120	-65	-10
Headcount reduction	~540	~650	~280	~40	0
Cost reduction vs. prior year	**10**	**55**	**50**	**50**	**40**
Cost reduction cumulative	10	65	115	165	205
EBITDA improvement vs. prior year	**10**	**50**	**35**	**35**	**25**
EBITDA improvement cumulative	10	60	95	130	155

All future figures are adjusted for the exit of Lustran Polymers. The main respective cumulative effects are:

– Reduction of expected cost reduction :~€45m by 2009

– Reduction of expected EBITDA improvement:~€35m by 2009

– Lower expected cash outs: ~€50 m by 2009

Restructuring implementation continues according to plan

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LANXESS continues to expect a robust business environment in the second half 2007

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

Guidance update for 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)

Successful transformation continues

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Energizing Chemistry

Appendix

Exceptional items incurred in Q2 2006 and 2007

(€ m)	Q2 2006		Q2 2007		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Rubber	0	0	0	0	
Engineering Plastics	0	0	186	44	Write-off BU LUP
Chemical Intermediates	0	0	0	0	
Performance Chemicals	0	0	0	0	
Reconciliation	11	0	9	0	Restructuring / M&A
Total	**11**	**0**	**195**	**44**	

H1 2007 financial overview: strong EBITDA performance in mostly benign business environment

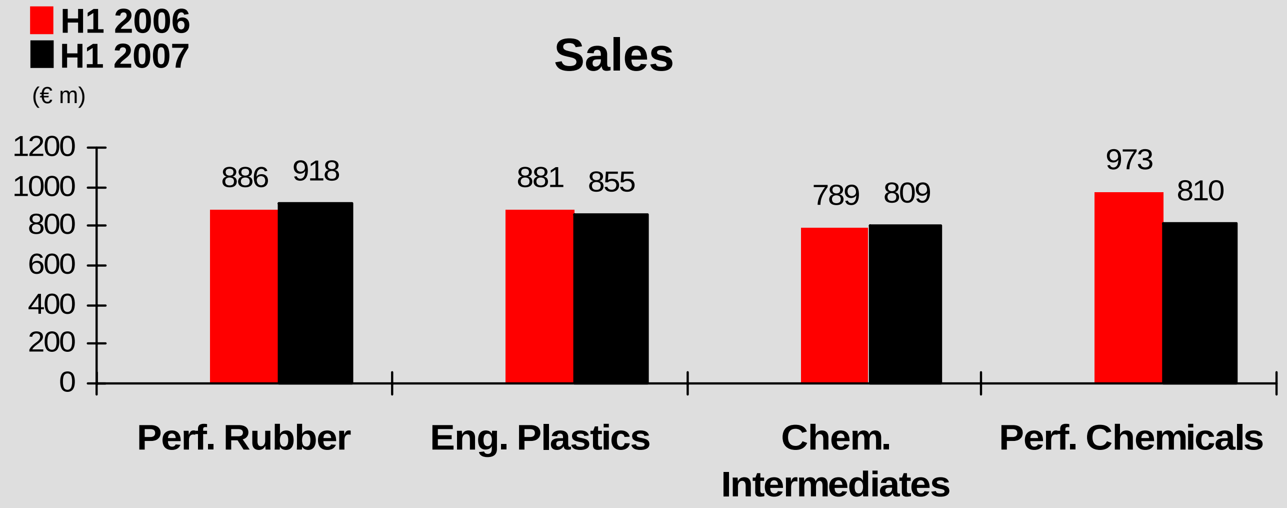
(€ m)	H1 2006	H1 2007	Δ in %
Sales	**3,587**	**3,438**	**-4.2%**
EBITDA pre except. margin	**406** 11.3%	**430** 12.5%	**5.9%**
Net Income	**159**	**32**	**-79.9%**
Net Financial Debt	**511***	**461**	**-9.8%**
Working Capital	**1,523**	**1,470**	**-3.5%**
Capex	**81**	**111**	**37.0%**
Employees	**16,481***	**16,400**	**-0.5%**

- Sales decrease due to portfolio changes and unfavourable currency effects
- Net income is distorted by exceptional write-offs in LUP and restructuring expenses
- 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 for Asia

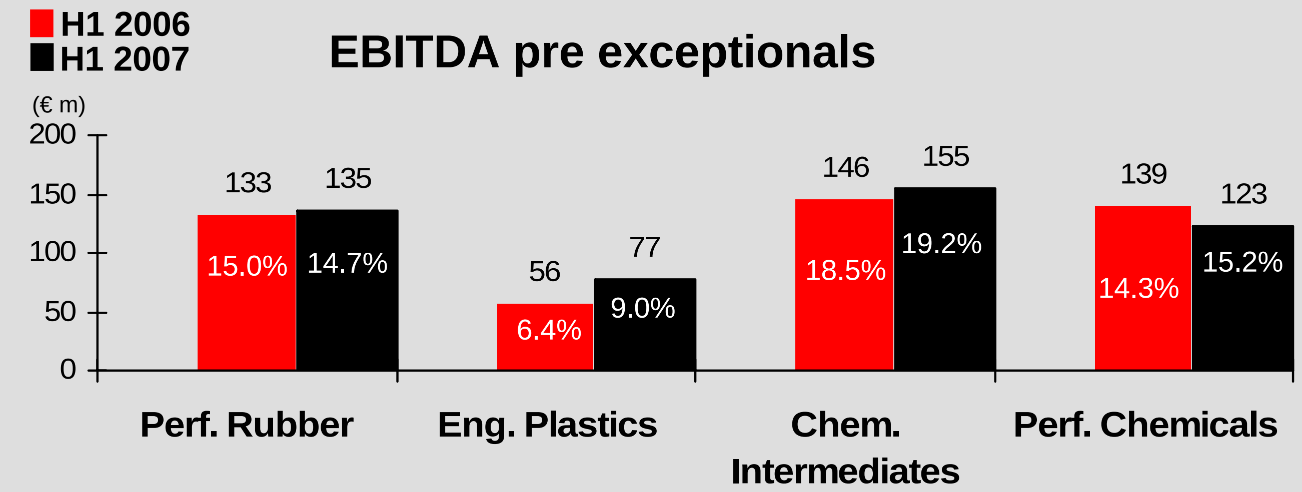
* as per Dec. 31, 2006

Strategically very successful quarter, operationally firm

Good margins maintained or improved



– Sales in Engineering Plastics and Performance Chemicals were reduced mainly due to the absence of BUs FIB, PAP and TPC



– EBITDA increases in all Segments except for Performance Chemicals, where absolute EBITDA is reduced due to the absence of TPC. EBITDA margin however increases.

Lustran Polymers transaction – impact on financial statements

Profit and Loss statement

- LUP is consolidated until first closing in Sept. 2007
- As of Q4 2007, LUP will have no impact on the operational result anymore. JV will be treated as financial asset, i.e. mirrored in the financial results
- Exceptional charges of €186 m in Q2 2007 at EBIT level, to mirror expected book losses. This includes €44 m impairment of fixed assets
- Impact on net income is ~€150 m
- No remnant costs in 2007, ~€10 m in 2008
- Restructuring financials have been re-evaluated and updated accordingly (~€50 m lower cash-outs, ~€35 lower EBITDA improvement)
- Tax rate in 2007 will be distorted (~40%-50%)

Balance Sheet / Cash Flow

- Joint venture will be treated as investment in other affiliates (“at cost”) after first closing in September 2007
- €142 m increase of provisions for expected write-offs. Those provisions will be utilized in connection with the deconsolidation of LUP
- Cash inflow for “First Payment” of €35 m in Q4 2007 expected. “Second Payment” two years after first closing, amount depending on economic success during JV period (EBITDA x5)
- Tax credit due to write-offs will lead to lower tax cash outs in 2007 – 2010 (~€30-35m), with the majority in 2007

Successful transformation of LANXESS by active portfolio management

Performance Rubber
- Butyl Rubber
- Polybutadiene Rubber
- Technical Rubber Products

Engineering Plastics
- Lustran Polymers — Divested – via temporary JV
- Semi-Crystalline Products
- Fibers — Divested

Chemical Intermediates
- Basic Chemicals
- Saltigo / Fine Chemicals
- Inorganic Pigments

Performance Chemicals
- Material Protection Products
- Functional Chemicals
- Leather — CISA — Acquired
- Textile Processing Chemicals — Divested
- Paper — Divested
- RheinChemie — iSL — Divested
- Rubber Chemicals
- Ion Exchange Resins

Businesses with approximately 1,400 million of earnings-dilutive sales have been divested.

Sales: > € 500 m | Sales: € 200 m – 500 m | Sales: < € 200 m | Divested | Acquired

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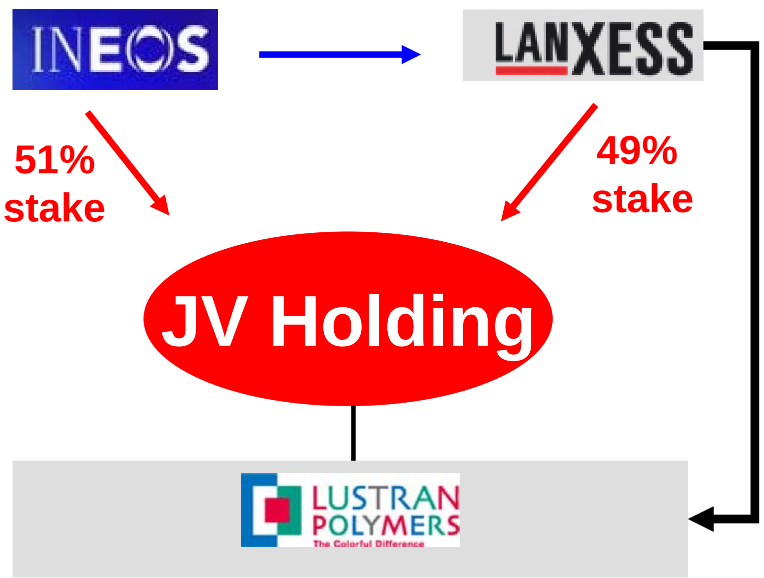
Lustran Polymers transaction – minority stake in JV with clearly defined exit after 2 years

Expected timeline of the transaction

1. Closing September 2007



- INEOS will take over 51% of LANXESS' BU LUP to form a temporary 51:49 JV
- "First payment" after first closing of €35 m. Pension obligations in the amount of approx. 30 m will be transferred to the JV

2. Closing September 2009 EXIT

- After 2 years INEOS will take over the remaining 49% from LANXESS
- Determination of „second payment" based on economic success (EBITDA) during JV period

Challenging mission accomplished: Solid future for a difficult asset

Rationale of the Lustran Polymers transaction

Bundling of strength: INEOS and LANXESS

- INEOS is well backward integrated in crucial petrochemical derivatives (acrylonitrile, butadiene, styrene) – therefore the joint venture will have secured raw material access
- "Raw material powerhouse" INEOS combined with leading and acknowledged ABS producer LANXESS

Attractive exit opportunity for LANXESS

- After two years of restructuring and realigning LUP, we exit a business which was thought to be "non sellable"
- Through JV approach with predefined exit after two years we:

  a) harvest the results of our initiated restructuring

  b) benefit from the expected performance improvements of the new joint venture

  c) reduce potential downside risk

Building a new and stronger player in a challenged ABS market

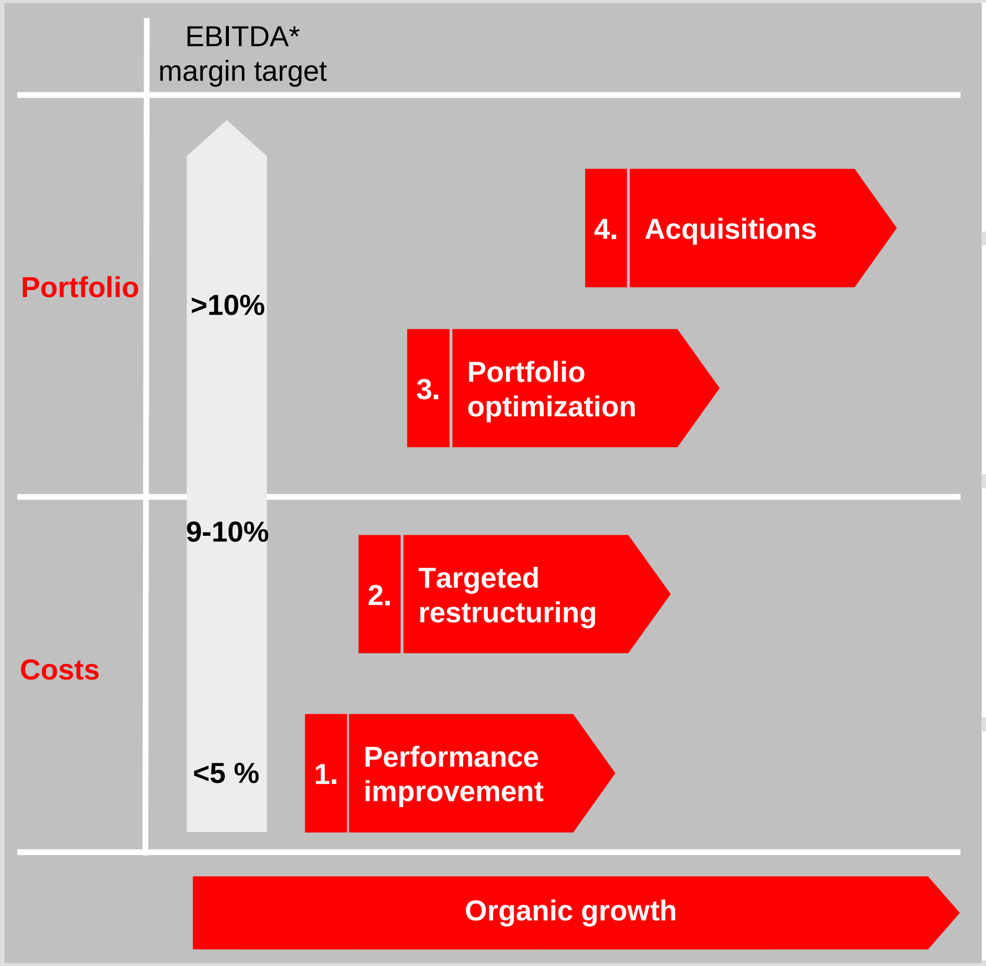
LANXESS after LUP exit - stronger than ever

Continuously improving the structure of the company

- A high risk factor has been removed; LUP was a loss making business in a cyclical trough
- Degree of dependency of petrochemical raw materials will be reduced significantly by approx. 1/3
- Business portfolio becomes considerably less cyclical and more focused on specialties
- After recent portfolio adjustments (LUP, PAP, TPC, FIB) the remaining businesses represent a much stronger portfolio
- Exit of a capital intensive low margin business ➔ Margins and ROCE will improve

Creating value for all stakeholders

Consistent improvement as four-phase strategy is being 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 reduction of approx. €65m achieved by 2006 (€205m annually from 2009**)

Performance improvement

- “Price-before-volume“ strategy implemented
- Working capital management remains tight

* pre exceptionals ** adjusted for impact of Lustran Polymers exit

Hedging policy: Protecting EBITDA from foreign currency fluctuations

(€ m)	Q2 2007
Sales	**1,727**
Cost of sales	-1,332
Gross profit	395
Other op. income / expense	-185
EBITDA pre exceptionals	**211**

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

Financial Calendar 2007

Financial Calender

Capital Market Day	**September 17 / 18**
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
FIB	Fibers

Performance Chemicals

MPP	Material Protection Products
FCC	Functional Chemicals
LEA	Leather
TPC	Textile Processing Chemicals
PAP	Paper
RCH	Rhein Chemie
RUC	Rubber Chemicals
ION	Ion Exchange Resins

Contact details

Michael Pontzen (Head of IR)
Tel.: +49-214 30 43804
Fax.: +49-214 30 959 43804
Mobile: +49-175 30 43804
Email: Michael.Pontzen@lanxess.com

Oliver Stratmann
+49-214 30 49611
+49-214 30 959 49611
+49-175 30 49611
Oliver.Stratmann@lanxess.com

Tanja Satzer
Tel.: +49-214 30 43801
Fax.: +49-214 30 959 43801
Mobile: +49-175 30 43801
Email: Tanja.Satzer@lanxess.com

Dr. Gerd Zelesny
+49-214 30 71416
+49-214 30 959 71416
+49-175 30 71416
Gerd.Zelesny@lanxess.com

Please visit our website at: www.lanxess.com