LANXESS – Q2 2008 Results Call

Strong performance in a more demanding environment

Matthias Zachert, CFO

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Agenda

1. **Highlights Q2 2008 and Business Update**
2. **Financial review Q2 2008**
3. **Outlook and guidance 2008**

Highlights Q2 2008: strong performance in a more demanding environment

Business Update

- LANXESS continues to deliver in a more demanding market environment
- Strong operational growth in Asia (+43%)
- Ongoing implementation of efficiency improvement programs, e.g. in Sarnia, Zwijndrecht
- First acquisition in Asia: China's largest iron oxide pigment facility
- Raw material price increases fully passed on

Financial Update

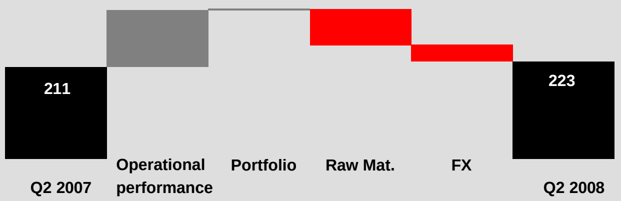
- Strong organic growth at 14.0% in Q2 2008
- EBITDA* at €223 m in Q2 2008
- EBITDA* margin at 12.6%
- Quadrupled dividend paid out in May 2008
- First time consolidation of Petroflex

* Pre exceptionals

Outstanding price and volume increases

Sales variances (€ m)	Price	Volume	Currency	Portfolio
Performance Polymers	+12%	+12%	-8%	+20%
Advanced Intermediates	+5%	+9%	-5%	0%
Performance Chemicals	+6%	+0%	-6%	0%
Others / Recon./ LUP	0%	2%	0%	-96%
LANXESS	+7%	+7%	-6%	-6%

EBITDA* performance bridge (€ m)

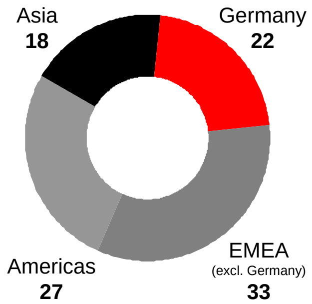


* Pre exceptionals

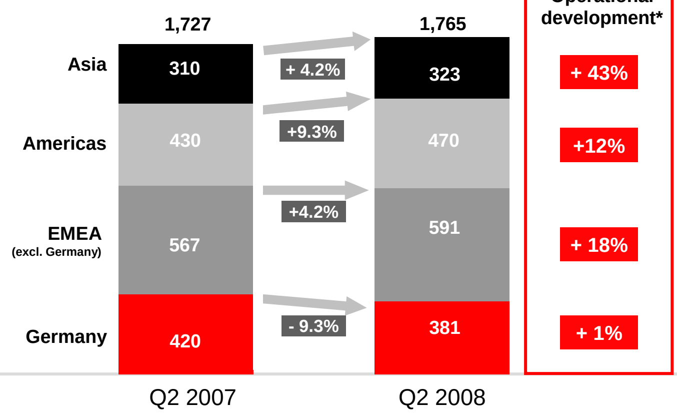
- Ongoing healthy demand supported strong simultaneous volume growth
- 43% operational sales growth in Asia
- Successful aggressive price increases fully offset unfavorable raw material price hikes (~€80 m)
- Currency effects from weak U.S.-Dollar were fully compensated by operational performance

LANXESS achieves operational growth in all regions

Sales by Region (in %)



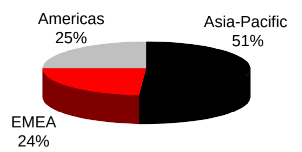
Regional development of sales (€ m)



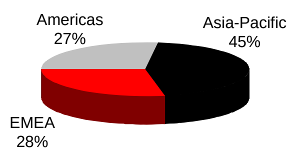
* Portfolio- and currency adjusted

Asian growth dynamics are a major driver for LANXESS
Example: Asian rubber demand

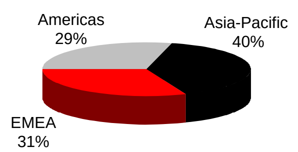
BTR



PBR



TRP



End Uses

BTR:
- 86% automotive/ tyres
- 14% various other applications, such as window sealants, chewing gum

PBR:
- 69% automotive/ tyres
- 25% plastics
- 6% other applications such as golf balls

TRP:
- 46% automotive
- 15% footwear
- 15% mechanical engineering
- 24% other uses such as electro/ electronics and construction

Source: IRSG, LMC, SRI, LANXESS estimates

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Q2 2008 financial overview: EBITDA margin expansion despite raw material pressure and unfavorable currency effects

(€ m)	Q2 2007	Q2 2008	∆ in %
Sales	1,727	1,765	2.2%
EBITDA pre except.	211	223	5.7%
margin	12.2%	12.6%	
Net Income	-59	53	n.m.
Net Financial Debt	460*	887	92.8%
Net Working Capital	1,217*	1,511	24.2%
Capex	64	66	3.1%
Employees	14,610*	15,072	3.2%

* As per Dec 31 2007

- Sales rose as price and volume increases offset negative currency effects. Consolidation of Petroflex mitigates sales effect due to absence of BU LUP
- EBITDA pre exceptionals rose by around 6% mainly due to Performance Polymers' operational result and Petroflex' contribution offsetting significant raw material pressure and currency effects
- EBITDA margin, even though burdened by a weak U.S. dollar, improved nicely
- Working capital mirrors acquisition and seasonal movement

Customer demand in many of LANXESS' markets remains solid, despite some regional weaknesses

Strong P&L based on strong businesses

(€ m)	Q2 2007	Q2 2008	Δ in %
Sales	**1,727**	**1,765**	**2%**
Cost of sales	-1,332	-1,343	1%
SG&A	-231	-242	5%
R&D	-23	-27	17%
Other op. income / expense	-185	-37	-80%
thereof exceptionals	-195	-43	-78%
EBIT	**-44**	**116**	**>100%**
Net Income	**-59**	**53**	**n.m.**
EPS	**-0.70**	**0.64**	**n.m.**
EBITDA	60	180	>100%
thereof exceptionals	-151	-43	-72%
EBITDA pre exceptionals	**211**	**223**	**6%**

- Necessary price increases (+7.3%) and higher volumes (+6.7%) more than offset unfavorable currency effects (-5.8%). Even portfolio changes (-6.0%) were fully offset
- Deviations in expense line items mirror mainly consolidation of Petroflex
- EBITDA* performance exceeds Q1 2008 (€220 m) as the contribution of Petroflex overcompensates the absence of BU LUP
- Net income burdened by further LUP write-down of ~€30 m

* Pre exceptionals

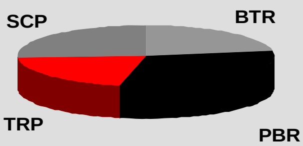
Pricing power provides confidence for H2 2008

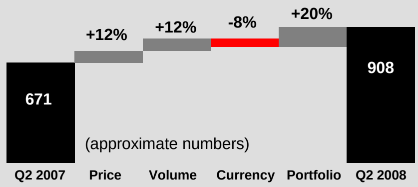
Performance Polymers: outstanding operational performance

(€ m)	Q2 2007	Q2 2008
Sales	**671**	**908**
EBIT	68	46
Depr. / Amort.	25	32
EBITDA	93	78
EBITDA pre except.	**93**	**127**
Margin	13.9%	14.0%
Capex	**33**	**32**

- Sales increased due to significant price and volume increases in all units more than offsetting negative currency effects, as well as the consolidation of Petroflex.
- Strong BTR volumes in comparison to lower volume base in Q2 2007 due to a strike at our Belgian site
- PBR benefits from strong Asian business and long-term customer contracts in the U.S.
- SCP backed by strong fertilizer demand for ammonium sulfate, offsetting rising sulfate and ammonia prices
- Reported EBIT impacted by excep. expenses for earlier announced efficiency measures in Canada and Belgium

Sales by BU:



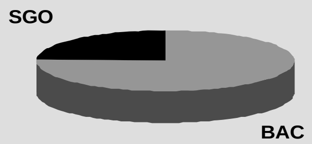


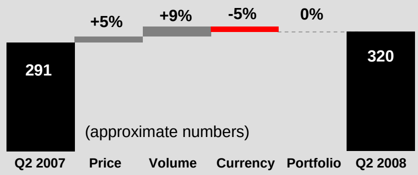
Advanced Intermediates: underlying business remains strong and fully compensates currency and raw material effects

(€ m)	Q2 2007	Q2 2008
Sales	**291**	**320**
EBIT	41	39
Depr. / Amort.	9	10
EBITDA	50	49
EBITDA pre except.	**50**	**49**
Margin	17.2%	15.3%
Capex	**11**	**15**

- Sales increased as both BUs achieve price increases, based on strong demand for agrochemicals, overcompensating negative currency effects
- Price increases in BAC go along with higher volumes. Price-pass-through clauses in some contracts help to offset surging raw material costs. BAC, though being perceived as volatile, holds up strongly
- Stronger agrochemical volumes in SGO cushion seasonal weakness for certain pharma products. EBITDA* performance slightly below previous year's Q2
- Margins are diluted mainly by raw material pass through and currency effects

Sales by BU:





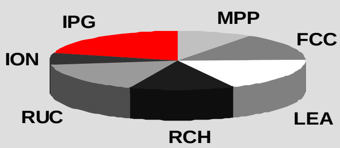
* Pre exceptionals

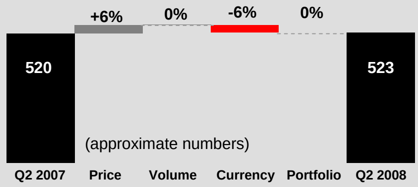
Performance Chemicals: solid operational performance in a more demanding environment

(€ m)	Q2 2007	Q2 2008
Sales	**520**	**523**
EBIT	68	57
Depr. / Amort.	21	20
EBITDA	89	77
EBITDA pre except.	**89**	**78**
Margin	17.1%	14.9%
Capex	**12**	**17**

- Sales remain almost unchanged as increased prices and stable volumes outweigh unfavorable currency
- Price increases in almost all BUs, most pronounced in LEA (chrome ore), RUC (tight market), ION, and IPG (raw material induced)
- IPG price increases could not fully offset raw material price hikes (iron scrap) and softening U.S. demand but EBITDA also compares to very high base of Q2 2007
- Absolute EBITDA* is reduced as mainly LEA and RUC could not balance expected additional expenses in MPP and weakness in some of IPG's markets

Sales by BU:





* Pre exceptionals

Balance Sheet re-levered while strength persists

(€ m)	Dec 31, 2007	June 30, 2008
Non-current Assets	**1,806**	**2.092**
Intangible assets	33	143
Property, plant & equipment	1,459	1,590
Equity investments	33	46
Other investments	1	2
Financial assets	85	64
Deferred taxes	93	93
Other non-current assets	102	154
Current Assets	**2,243**	**2,758**
Inventories	895	1,047
Trade accounts receivable	809	1,080
Financial assets	200	264
Other current assets	150	184
Liquid assets	189	183
Total Assets	**4,049**	**4,850**

(€ m)	Dec 31, 2007	June 30, 2008
Stockholders' Equity	**1,525**	**1,626**
thereof minority interest	17	78
Non-current Liabilities	**1,456**	**1,858**
Pension & post empl. provisions	470	477
Other provisions	242	332
Financial liabilities	601	826
Tax liabilities	36	63
Other liabilities	47	90
Deferred taxes	60	70
Current Liabilities	**1,068**	**1,366**
Other provisions	371	340
Financial liabilities	65	251
Trade accounts payable	487	616
Tax liabilities	16	39
Other liabilities	129	120
Total Equity & Liabilities	**4,049**	**4,850**

Strong backbone in turbulent markets

Cash flow indicates persisting operational stability

(€ m)	Q2 2007	Q2 2008
Profit before Tax	**-42**	**80**
Depreciation & amortization	104	64
Gain from sale of assets	0	-8
Result from investment in associate	-14	-7
Financial (gains) losses	4	44
Cash tax payments	-27	-26
Changes in other assets and liabilities	94	-19
Operating Cash Flow before changes in WC	**119**	**128**
Changes in Working Capital	-7	-46
Operating Cash Flow	**112**	**82**
Investing Cash Flow	**-82**	**-192**
thereof Capex	-64	-66
Financing Cash Flow	**-44**	**-17**

- Healthy operating business delivers improved profit before tax
- Operating cash flow in Q2 2008 contains
  - ~€15 m restructuring cash out
  - LUP write-down (~€30 m non-cash)
- Increased outflow for working capital mirrors risen raw material costs in inventory, seasonal development as well as preparation for maintenance turnarounds and shift of production (RUC)
- Investing cash flow mirrors acquisition payment for Petroflex

Underlying cash flow stability remains

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LANXESS remains confident for H2 2008 despite further weakening macro-economic landscape

LANXESS expects another solid FY 2008 performance in a more challenging environment

- Continuously growing demand for many of LANXESS' products (e.g. rubber and agrochemicals) especially in Asia but also further parts of the BRIC region, however somewhat muted in pace
- We expect a further weakening of the U.S. economy in H2 2008, especially in the automotive and construction industry
- Substantial additional raw material cost increase in H2 2008, which we are already preparing for
- Foreign currency: H2 2008 average rate of ~1,50 USD/€ (FY 2008 with LANXESS' hedging: ~1,45 USD/€)

LANXESS confirms guidance for 2008

A firm H1 2008 provides solid base for a successful 2008

EBITDA* FY 2008 is expected to be above €700 m

Further financial information:
- Exceptional P&L expense FY 2008 expected around €70-90 m
- Exceptional cash outs FY 2008 expected around €110-130 m
- Tax rate ~30% for FY 2008
- Capex FY 2008: €330-350 m

We are confident to again deliver on promises

* Pre exceptionals

LANXESS reiterates targets in a more demanding economic environment

EBITDA* targeted above €700 m	**2008**
EBITDA* margin: Peer group profitability	**2008**
No business < 5% EBITDA* margin	**2008**
Investment grade rating	✓

* EBITDA figures pre exceptionals

LANXESS

Energizing Chemistry

Appendix

H1 2008 financial overview: EBITDA margin expansion despite raw material pressure and unfavorable currency effects

(€ m)	H1 2007	H1 2008	∆ in %
Sales	**3,438**	**3,300**	**-4.0%**
EBITDA pre except.	**430**	**443**	**3.0%**
margin	12.5%	13.4%	
Net Income	**32**	**156**	**>100%**
Net Financial Debt	**460***	**887**	**92.8%**
Working Capital	**1,217***	**1,511**	**24.2%**
Capex	**111**	**105**	**-5.4%**
Employees	**14.610***	**15.072**	**3.2%**

* as per Dec. 31, 2007

- Sales decrease mainly due to portfolio and currency effects
- EBITDA pre exceptionals rose by around 3% mainly due to Performance Polymers operational result and Petroflex' contribution offsetting significant raw material pressure and currency effects
- EBITDA margin, even though burdened by a weak U.S. dollar, improved nicely
- Working capital mirrors acquisition and seasonal movement

Operationally very successful first half year 2008

Sound P&L based on structurally healthy businesses

(€ m)	H1 2007	H1 2008	∆ in %
Sales	**3,438**	**3,300**	$\boxed{\textbf{-4\%}}$
Cost of sales	-2,647	-2,501	-6%
SG&A	-452	-455	1%
R&D	-45	-50	11%
Other op. income / expense	-188	-33	-82%
thereof exceptionals	-203	-57	-72%
EBIT	**106**	**261**	**>100%**
Net Income	**32**	**156**	**>100%**
EPS	**0,38**	**1,87**	**>100%**
EBITDA	272	389	43%
thereof exceptionals	-158	-54	66%
EBITDA pre exceptionals	**430**	**443**	$\boxed{\textbf{3\%}}$

- Necessary price increases (+5.6%) and higher volumes (+5.5%) more than offset unfavorable currency effects (-5.4%). Even portfolio changes (-9.7%) were partly offset
- Deviations in expense line items mirror mainly consolidation of Petroflex
- EBITDA* performance exceeds H1 2007 as the contribution of Petroflex overcompensates the absence of BU LUP

Pricing power provides confidence for H2 2008

Cash flow indicates persisting operational stability

(€ m)	H1 2007	H1 2008
Profit before Tax	**90**	**221**
Depreciation & amortization	166	128
Gain from sale of assets	0	-12
Result from investment in associate	-11	-13
Financial (gains) losses	2	48
Cash tax payments	-40	-46
Changes in other assets and liabilities	116	-17
Operating Cash Flow before changes in WC	**323**	**309**
Changes in Working Capital	-104	-177
Operating Cash Flow	**219**	**132**
Investing Cash Flow	**-140**	**-247**
thereof Capex	-111	-105
Financing Cash Flow	**-51**	**109**

- Healthy operating business delivers improved profit before tax
- Operating cash flow in H1 2008 contains
  - ~€25 m restructuring cash out
  - Initial cash out of long-term incentive payment (~€10 m for EVP component)
  - LUP write-down (~€30 m non-cash)
- Increased outflow for working capital mirrors risen raw material costs in inventory, seasonal development as well as preparation for maintenance turnarounds and shift of production (RUC)
- Investing and financing cash flow mirror acquisition funding and payment for Petroflex

Underlying cash flow stability remains

Exceptional items incurred in Q2 2007 and Q2 2008

(€ m)	Q2 2007		Q2 2008	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	0	0	49	0
Advanced Intermediates	0	0	0	0
Performance Chemicals	0	0	2	1
Reconciliation	195	44	-8	-1
Total	**195**	**44**	**43**	**0**

Exceptional items incurred in H1 2007 and H1 2008

(€ m)	H1 2007		H1 2008	
	Exceptional	thereof D&A	Exceptional	thereof D&A
Performance Polymers	0	0	54	3
Advanced Intermediates	0	0	0	0
Performance Chemicals	0	0	5	1
Reconciliation	203	45	-2	-1
Total	**203**	**45**	**57**	**3**

Abbreviations

Performance Polymers

BTR Butyl Rubber
PBR Performance Butadiene Rubbers
TRP Technical Rubber Products
SCP Semi-Crystalline Products

Performance Chemicals

MPP Material Protection Products
IPG Inorganic Pigments
FCC Functional Chemicals
LEA Leather
RCH Rhein Chemie
RUC Rubber Chemicals
ION Ion Exchange Resins

Advanced Intermediates

BAC Basic Chemicals
SGO Saltigo

Financial Calendar 2008

Financial Calender

Capital Market Day	**September 17/18, 2008**
Q3 Results 2008	**November 13, 2008**

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

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

Oliver Stratmann
Tel.: +49-214 30 49611
Fax.: +49-214 30 959 49611
Mobile:+49-175 30 49611
Email: Oliver.Stratmann@lanxess.com

Constantin Fest
Tel.: +49-214 30 71416
Fax.: +49-214 30 959 71416
Mobile: +49-175 30 71416
Email: Constantin.Fest@lanxess.com

Joachim Kunz
Tel.: +49-214 30 42030
Fax.: +49-214 30 959 42030
Mobile:+49-175 30 42030
Email: Joachim.Kunz@lanxess.com

Please visit our website at: www.lanxess.com