LANXESS AG

Energizing Chemistry

10th German Corporate Conference, Frankfurt am Main

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Agenda

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

LANXESS driven by entrepreneurial structure and performance culture

Entrepreneurial structure

Clear cut BU design
- High transparency, no overlap
- Clear roles and responsibilities
- Global accountability

Dedicated ownership

Internal competition for resources and rewards

Portfolio Flexibility

+

Performance culture

Fully accountable, entrepreneurial managers

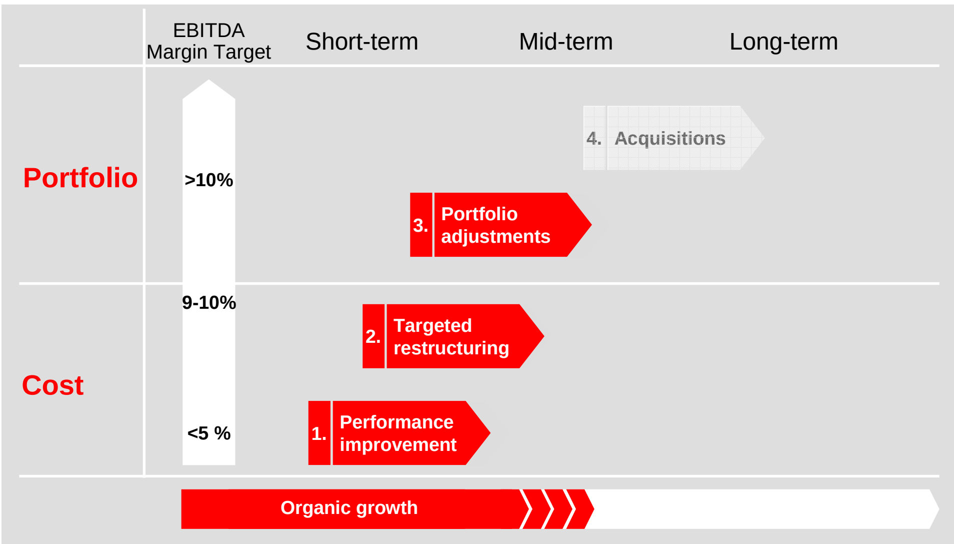
Focus on BU profitability

Three KPIs: EBITDA, Working Capital, CAPEX

Aligned with short-term incentive program

Maximum Performance

Step-by-Step approach to creating value

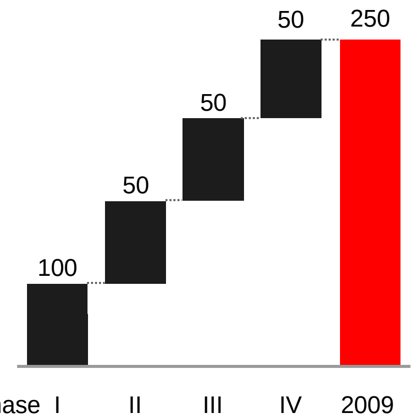


Targeted restructuring results in €250 m cost savings

- Closure of several sites worldwide
- Closure and consolidation of plants
- Reduction of workforce
- Optimization of sites, plants and processes
- Optimization of internal services
- New business models for Saltigo and Lustran Polymers

Rigorous cost management

Restructuring phases: savings (€ m)



Successful portfolio adjustments

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

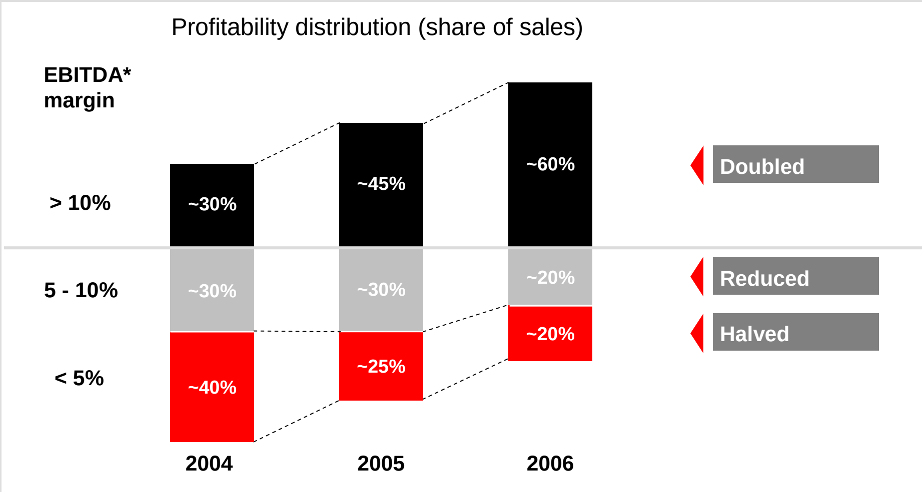
Engineering Plastics
- Lustran Polymers
- Semi-Crystalline Products
- Fibers — SOLD

Chemical Intermediates
- Basic Chemicals
- Saltigo
- Inorganic Pigments

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

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

Proportion of profitable businesses further increased



* pre exceptionals

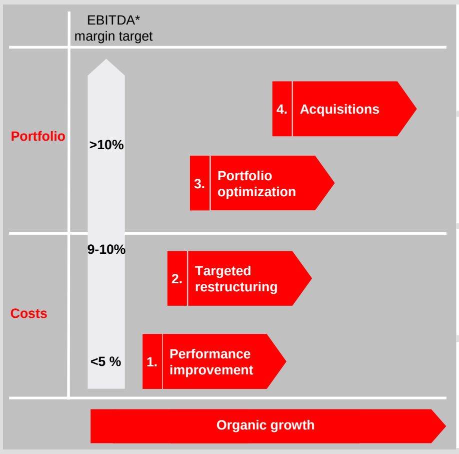
From “Firefighting“ to “Financial Scope“ – financial metrics underpin the evolution

In € m	2004	2005	2006	
EBITDA*	447	581	675	Profitability
EBITDA* margin	6.6%	8.1%	9.7%	
Equity ratio	24.5%**	28.9%	34.0%	Stability
Net financial debt	1,135	680	511	Strength
Net financial debt / EBITDA	2.5x	1.2x	0.76x	

„Firefighting“ → „Fireprotection“ → „Financial Scope“

* pre exceptionals; ** 2004 comparable to 2005, i.e. incl. deferred tax adjustment

Consistent improvement as four-phase strategy is 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. €55m achieved in 2006 (€250m annually from 2009**)

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

* pre exceptionals ** portfolio-adjusted

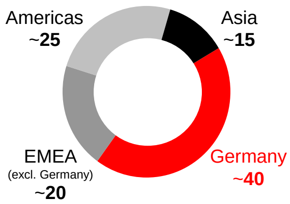
Higher CapEx and R&D spending to safeguard growth

- **Research and development**
  - 15% budget increase
  - Projects for future growth markets
- **Capital expenditures**
  - Increasing demand for butyl rubber
  - Growth potentials for Engineering Plastics in Asia
  - Expanding market for synthetic active ingredients
  - High growth rates in prospect for Performance Chemicals
  - Above-average increase in investment in APAC

Exploit market trends, continue to expand technology platform

CapEx (€m)

Regional investment distribution 2007 (%)



External growth for sustained value creation

Strengthen portfolio
Small to mid-size activities to strengthen our leading businesses/business units

Complement portfolio
Attractive mid-size businesses to expand our portfolio

Another turn-around opportunity
Company or part of a conglomerate to leverage unrealized potential

Create sustained value through external growth

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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**

Q1 2007 financial overview: firm foundation established for 2007

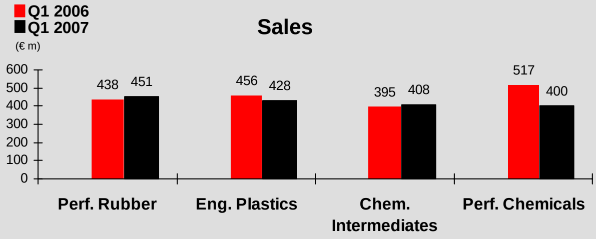
(€ m)	Q1 2006	Q1 2007	Δ in %
Sales	**1,836**	**1,711**	**-6.8%**
EBITDA pre except.	**205**	**219**	**6.8%**
margin	11.2%	12.8%	
Net Income	**82**	**91**	**11.0%**
Net Financial Debt	**511***	**448**	**-12.3%**
Working Capital	**1,464**	**1,466**	**0.1%**
Capex	**37**	**47**	**27.0%**
Employees	**16,481***	**16,486**	**0.0%**

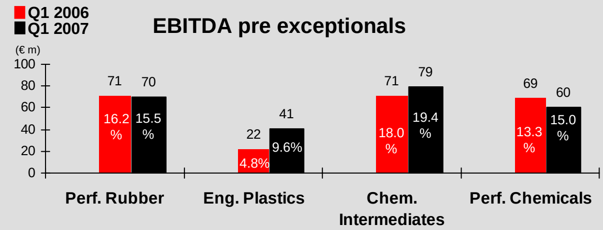
- Sales decrease due to portfolio changes and unfavourable currency effects
- Working capital remains flat with normal seasonal increase compared to year-end
- Capex rises as LANXESS fosters organic growth
- Headcount increased due to acquisition of CISA and organic growth (200 FTE) mainly in Asia almost offset by restructuring (~200 FTE)

* as per Dec. 31, 2006

Presenting a strong first quarter with structurally improved business portfolio

Continued operational improvements





- 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

Balance Sheet: mirror of operational strength

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

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

Trend to strengthen the Balance Sheet continues

Cash Flow: strong underlying operating cash flow

(€ m)	Q1 2006	Q1 2007
Profit before Tax	**115**	**132**
Depreciation & amortization	62	62
Result from investment in associate	-9	3
Financial result	7	-2
Cash tax payments	-9	-13
Changes in other assets and liabilities	-1	-8
Operating Cash Flow before changes in WC	**165**	**174**
Changes in Working Capital	-129	-97
Operating Cash Flow	**36**	**77**
Investing Cash Flow	**-2**	**-28**
thereof Capex	-37	-47
Financing Cash Flow	**-82**	**-7**

- Profit before tax above strong result in comparable period of previous year
- Lower seasonal increase in working capital compared to Q1 2006
- Operating cash flow contains ~€15 m restructuring cash out
- Investing cash flow comprises
  - Payout for first acquisition
  - Cash-in for sale of BU TPC
  - Cash infusion to BIS for previous year's loss

Also from a cash pespective a very successful quarter

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LANXESS is confident of 2007

Environment

– We remain confident for the global business environment in 2007 with regional variation

– We expect raw materials to remain volatile on a high level. The earlier projected gradual decrease is now expected the earliest in Q3 2007 as price increases still prevailed in April

First guidance for 2007

– FY 2007 EBITDA pre exceptionals is expected to increase by mid to high single digit %

– Capex is expected to be above €300 m

– P&L tax rate seen around 30%

– D&A will be around €250 - €260 m

Strong Q1 provides platform for 2007

We develop our businesses into leadership businesses

Increasing Competition	**Continue aggressive efficiency improvement**
Global Market Change	**Align businesses along market and industry trends**
Industry Fragmentation and Consolidation	**Play active role in ongoing industry consolidation**

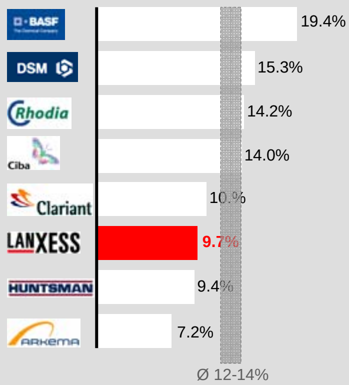
LANXESS with ambitious targets for 2009

EBITDA* margin:
Peer-group profitability in 2009

No business with < 5 % EBITDA* margin in 2009

Investment-grade rating

EBITDA FY 2006
(pre exceptionals)



* pre exceptionals, excluding acquisitions

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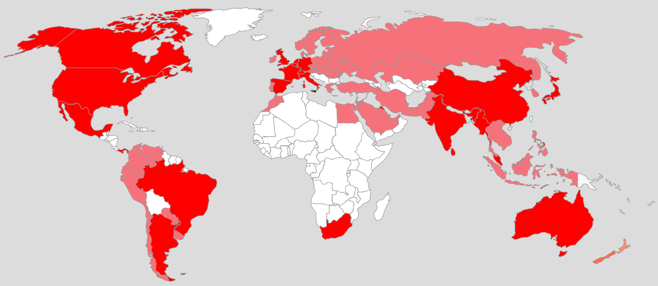
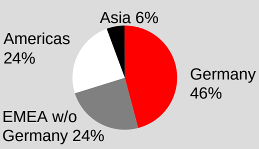
Appendix

LANXESS - a global player in the chemical industry

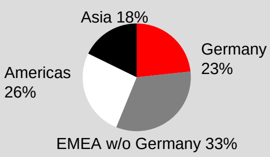
Global presence



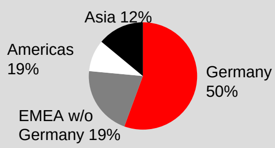
Assets by region



Sales by region



Employees by regions



based on 2006 figures

LANXESS

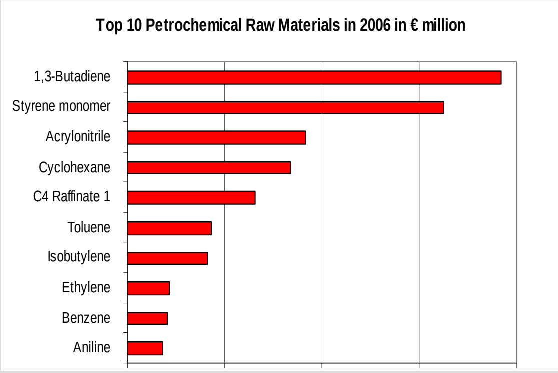
Broad supplier base

Suppliers

- Total raw material expenses in 2006 were approx. €3.2 bn
- Petrochemical raw materials accounted for a purchasing volume of approx. € 1.6 bn of costs in 2006

LANXESS uses a centrally managed global procurement organization to ensure a reliable supply of materials and services. About 30% of all items ordered are now handled through e-procurement.

Procuring petrochemical raw materials is a top priority at LANXESS. The biggest suppliers here in 2006 included BP, Chevron Phillips, Dow, Exxon Mobil, Huntsman, Ineos, Lyondell, Nova Chemicals, Repsol, Siam Styrene, Shell Chemicals and Total. Other important suppliers of basic inorganic and organic chemicals are BASF, Bayer, Degussa, European Oxo, Ineos and Polimeri.



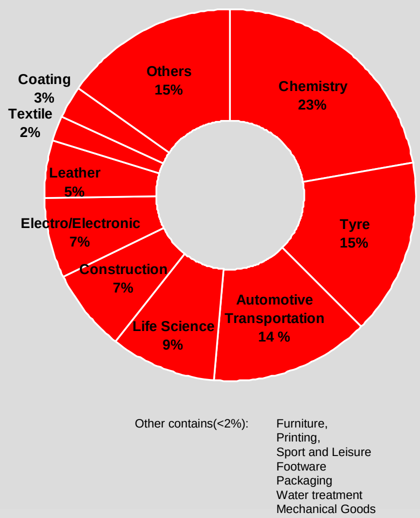
LANXESS

Diversified customer base and industry portfolio

Customers

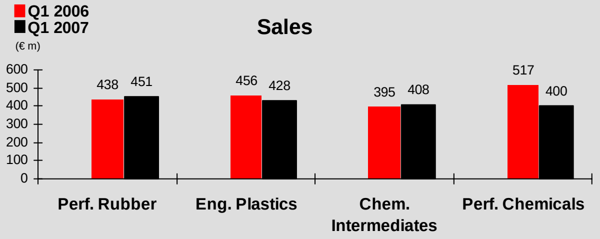
The LANXESS Group's top five customers accounted for about 11% of all sales in fiscal 2006. 14 customers account for sales of between €20 million and €50 million. About 24,000 LANXESS customers contribute sales of up to €100,000. The number of customers varies widely by segment.

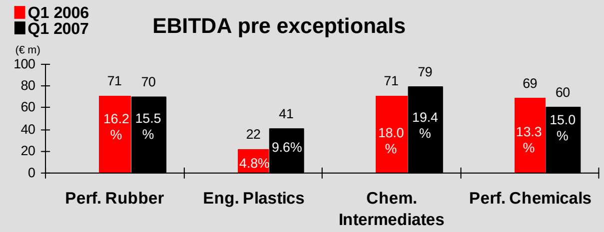
The Performance Rubber segment has some 2,000 customers, Engineering Plastics has about 4,000, Chemical Intermediates has around 8,000, and Performance Chemicals has about 17,000. However, one customer may do business with more than one segment. Each segment includes all customer groups and sales volumes.



LANXESS

Continued operational improvements





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- Overall strong pricing and volumes
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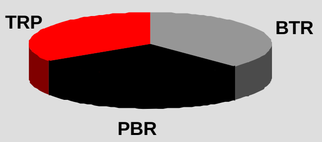
- Portfolio transformation leads to improved margin in Performance Chemicals

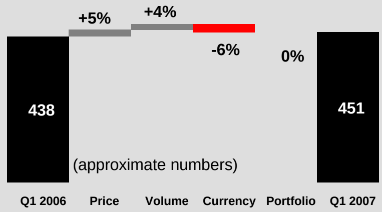
Performance Rubber: performance on the high level of Q1 2006

(€ m)	Q1 2006	Q1 2007
Sales	**438**	**451**
EBIT	54	53
Depr. / Amort.	16	17
EBITDA	70	70
EBITDA pre except.	**71**	**70**
Margin	16.2%	15.5%
Capex	**10**	**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 U.S. demand which was strong in Q1 2006. Raw material cost increases could not fully be passed on to customers
- TRP benefits from restructuring. Strong price increases alongside with deliberate volume reductions

Sales by BU:



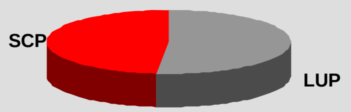


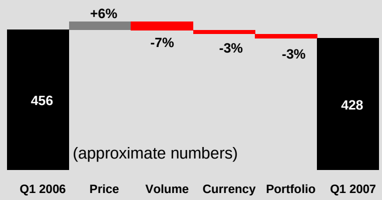
Engineering Plastics: SCP drives substantial improvement, supported by FIB divestiture

(€ m)	Q1 2006	Q1 2007
Sales	**456**	**428**
EBIT	14	33
Depr. / Amort.	8	8
EBITDA	22	41
EBITDA pre except.	**22**	**41**
Margin	4.8%	9.6%
Capex	**5**	**12**

- Portfolio effect (FIB) and unfavourable currency weigh on sales
- Volumes decrease mainly on site consolidation and "price-before-volume" strategy in LUP with accretive effect on profitability
- SCP with the major contribution to profitability increase by strong pricing and improved cost structures
- Partially some unusually strong customer activity in SCP in Q1 as maintenance and de-bottlenecking are planned in Q2
- Absence of FIB once more supports margin improvement

Sales by BU:



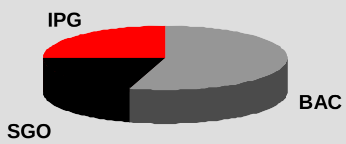


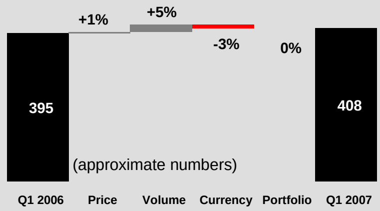
Chemical Intermediates: outstanding performance fuelled by exceptional IPG result

(€ m)	Q1 2006	Q1 2007
Sales	**395**	**408**
EBIT	55	64
Depr. / Amort.	16	15
EBITDA	71	79
EBITDA pre except.	**71**	**79**
Margin	18.0%	19.4%
Capex	**9**	**12**

- 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
- IPG remains on extraordinary contribution level with price and volume increases offsetting slightly weaker U.S. demand

Sales by BU:



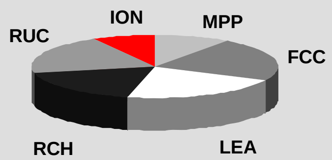


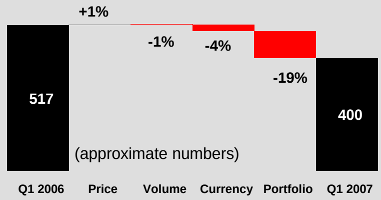
Performance Chemicals: portfolio streamlining drives margin

(€ m)	Q1 2006	Q1 2007
Sales	**517**	**400**
EBIT	51	44
Depr. / Amort.	17	16
EBITDA	68	60
EBITDA pre except.	**69**	**60**
Margin	13.3%	15.0%
Capex	**12**	**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:





Enhanced profitability by restructuring and portfolio realignment

(€ m)	Q1 2006	Q1 2007	Δ 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%**

- Price increases of +3.1% were implemented while volumes remained almost unchanged. However, sales were lower on unfavourable currency impact (-3.9%) and portfolio changes (-6.0%)
- Raw material price increases were passed on to the market
- Other operating expense includes restructuring and M&A expenses

Sound foundation in place despite comparably higher raw material prices

2007 Update on total financial impact due to restructuring

Phase I+II+III+IV (€ m)	2005	2006	2007e	2008e	2009e
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*

* Including adjustments for portfolio change (TPC) and new estimate of all individual restructuring projects:
– ~€25 m lower P&L expense and cash outs
– ~ 50 fewer employees due to the divestment of TPC
– ~€10 m lower cost reduction, ~€5 m lower EBITDA improvement due to the divestment of TPC

Restructuring implementation continues according to plan

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**	

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

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

BU LEA

BU IPG

Ore → chromium ore → CISA → Sodium dichromate → Chrome tanning salts

Ore → merchant market

Ore → Zarate / ARG

CISA → IPG/ UER

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

Financial Calendar 2007

Financial Calender

Annual Stockholders' Meeting	**May 31, 2007**
Q2 Results 2007	**August 16, 2007**
Capital Markets Day	**September 17 / 18, 2007**
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

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