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

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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

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

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 construction industry overcompensating weaker U.S. volumes

Performance Chemicals

- Sales Deviation: Price: -2%, Volume +3%, Currency -2%, Portfolio -9% (approximate numbers)
- 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

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Energizing Chemistry

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

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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Financial Overview Q2 2007

in € million	LANXESS			Perf. Rubber			Eng. Plast.			Chem. Interm.			Perf. Chem.			Others/ Cons.		
	Q2 '06	Q2 '07	Chg. in %	Q2 '06	Q2 '07	Chg. in %	Q2 '06	Q2 '07	Chg. in %	Q2 '06	Q2 '07	Chg. in %	Q2 '06	Q2 '07	Chg. in %	Q2 '06	Q2 '07	Chg. in %
Sales	1751	1727	-1%	448	467	4%	425	427	0%	394	401	2%	456	410	-10%	28	22	-21%
Price*			2%			4%			6%			0%			-2%			n.m.
Volume*			2%			5%			-3%			4%			3%			n.m.
Currency*			-3%			-5%			-3%			-2%			-2%			n.m.
Portfolio*			2%			0%			0%			0%			-9%			n.m.
EBIT	127	-44	n.m.	45	47	4%	26	-157	n.m.	59	61	3%	56	48	-14%	-59	-43	n.m.
Deprec. & amortizat.	63	104	65%	17	18	6%	8	51	>100%	16	15	-6%	14	15	7%	8	5	-38%
EBITDA	190	60	-68%	62	65	5%	34	-106	n.m.	75	76	1%	70	63	-10%	-51	-38	n.m.
exceptionals in EBITDA	11	151	>100%	0	0	0%	0	142	n.m.	0	0	0%	0	0	0%	11	9	-18%
EBITDA pre excep.	201	211	5%	62	65	5%	34	36	6%	75	76	1%	70	63	-10%	-40	-29	n.m.
normalized D&A	63	60	-5%	17	18	6%	8	7	-13%	16	15	-6%	14	15	7%	8	5	-38%
EBIT pre excep.	138	151	9%	45	47	4%	26	29	12%	59	61	3%	56	48	-14%	-48	-34	n.m.
exceptionals in EBIT	11	195	>100%	0	0	0%	0	186	n.m.	0	0	n.m.	0	0	0%	11	9	-18%
Capex	44	64	45%	15	17	13%	10	21	>100%	8	13	63%	11	10	-9%	0	3	n.m.
Net financial debt	511**	461	-10%															

* approximate numbers

**per Dec. 31

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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