LANXESS – Q3 2007 Results Call

Persisting operational momentum

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Agenda

1. Business highlights Q3 2007
2. Financial review Q3 2007
3. Business environment and guidance 2007

Highlights Q3 2007

Q3 2007

- **Strongest operational growth (+6%) since spin-off**
- **EBITDA pre exceptionals raised by 6.7% to €175 m, margin raised to 10.3%**
- **EBIT pre exceptionals raised by 9.8% to €112 m**
- **BU LUP JV transaction closed on Sept. 30th**
- **Credit facility refinanced and increased to €1.5 bn (maturity now: 2014)**
- **Share buyback of 1.418 million shares completed**
- **Net debt remains low at €491 m despite €50 m share buyback in Q3 2007**

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3. **Business environment and guidance 2007**

Q3 2007 financial overview: A firm quarter with strong volume growth and price increases

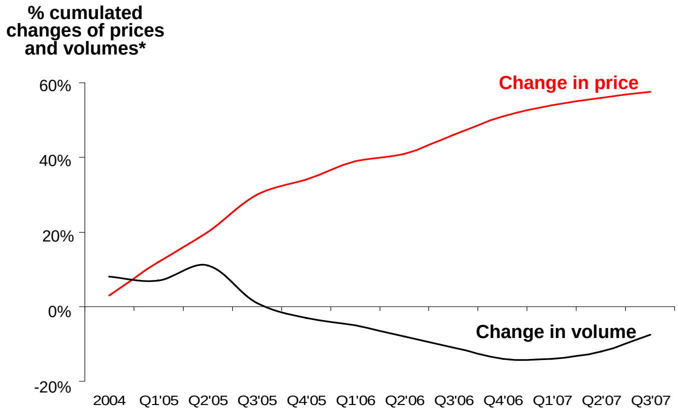
(€ m)	Q3 2006	Q3 2007	Δ in %
Sales	1,691	1,705	0.8%
EBITDA pre except. margin	164 9.7%	175 10.3%	6.7%
Net Income	36	75	>100%
Net Financial Debt	511*	491	-3.9%
Working Capital	1,531	1,282	-16.3%
Capex	66	59	-10.6%
Employees	16,481*	14,659	-11.1%

* as per Dec. 31, 2006

- Organic sales growth based on strong pricing and higher volumes offsets portfolio change (TPC) and unfavourable currency effects
- Rise of Net Income based on sound operations and extraordinary results from BIS and the sale of sideline operations (ARG, Borchers)
- Capex for Q4 expected to rise significantly and reach foreseen FY level
- Headcount reduction due to portfolio adjustment and restructuring

On track to achieve full year EBITDA and margin targets

Q3 continues on the new path of price and volume growth



1. Price increases to pass on rising costs of raw materials
2. Internal cost reductions were not passed on
3. Firstly, minor volume reduction to support pricing strategy

* Cumulated price and volume changes vs. 2003

Performance improvement strengthens bottom-line

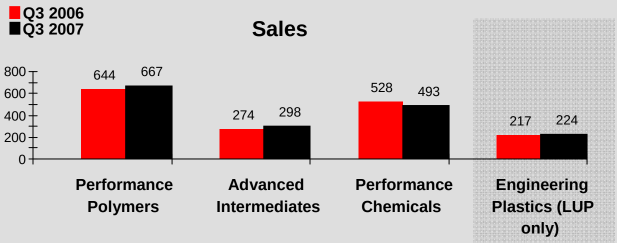
(€ m)	Q3 2006	Q3 2007	∆ in %
Sales	**1,691**	**1,705**	**1%**
Cost of sales	-1,329	-1,335	1%
SG&A	-240	-241	0%
R&D	-23	-24	4%
Other op. income / expense	-14	-1	-93%
thereof exceptionals	-17	-8	-71%
EBIT	**85**	**104**	**22%**
Net Income	**36**	**75**	**>100%**
EBITDA	148	174	18%
thereof exceptionals	-16	-1	-94%
EBITDA pre exceptionals	**164**	**175**	**7%**

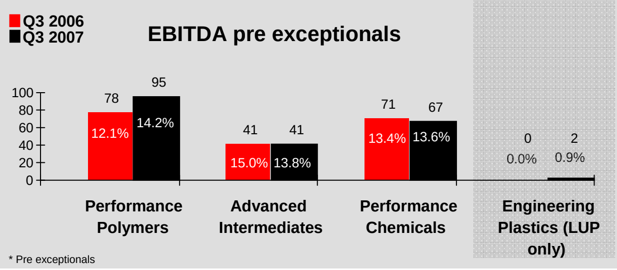
– Price increases of 1.6% and higher volumes of 4.4% more than offset unfavourable currency (-3.0%) and portfolio changes (-2.2%)

– Other operating result includes restructuring and M&A expenses, as well as positive one-offs due to the sale of sideline operations (Borchers) and foreign currency gains

Second successive quarter with volume growth and risen profitability

A quarter of strong operational performance





* Pre exceptionals

– Operationally, sales increased in all segments. Performance Chemicals reports lower sales due to the absence of TPC

– Sales were increased by progress in pricing and volumes simultaneously

– Strong EBITDA* performance on the basis of again improved capacity utilization

– LUP disappoints as market conditions weaken

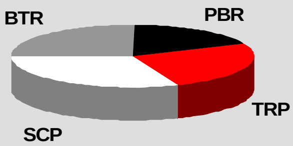
– LUP is transferred from the operational portfolio into an at-cost JV as of September 30th. Therefore the Engineering Plastics segment will not be shown anymore in 2008

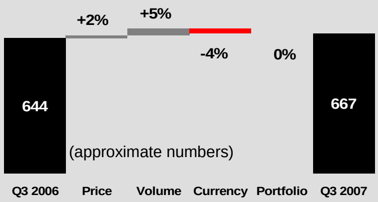
Performance Polymers: strong performance due to product quality and market momentum

(€ m)	Q3 2006	Q3 2007
Sales	**644**	**667**
EBIT	53	69
Depr. / Amort.	25	26
EBITDA	78	95
EBITDA pre except.	**78**	**95**
Margin	12.1%	14.2%
Capex	**30**	**24**

- Sales rise on the basis of increased prices and volumes in almost all BUs, more than offsetting adverse currency effects
- Additional BTR and SCP volumes from capacity expansions were again well absorbed by the market
- PBR with continuing strategic shift of sales to Asia, accepting slightly lower pricing. EBITDA margin improved on higher capacity utilization
- Healthy demand in TRP and SCP. Both units achieved price increases alongside with stronger volumes

Sales by BU:



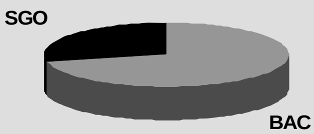


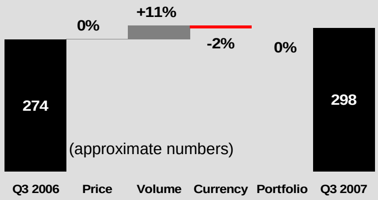
Advanced Intermediates: strong demand in both business units

(€ m)	Q3 2006	Q3 2007
Sales	**274**	**298**
EBIT	33	32
Depr. / Amort.	8	9
EBITDA	41	41
EBITDA pre except.	**41**	**41**
Margin	15.0%	13.8%
Capex	**10**	**10**

- Sales increased mainly on higher volumes in both business units, more than offsetting unfavourable currency effects
- BAC demonstrates stability on a high level, based on a stronger agro market and product differentiation
- SGO with expected change of product mix: stronger sales to the agrochemical and specialty chemical end markets, where margins are comparably lower than in pharma end markets – therefore mix-related reduction of average pricing

Sales by BU:



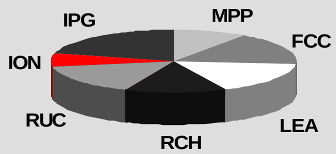


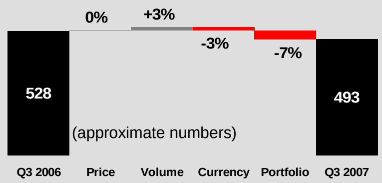
Performance Chemicals: sound performance of specialty businesses

(€ m)	Q3 2006	Q3 2007
Sales	**528**	**493**
EBIT	49	41
Depr. / Amort.	22	22
EBITDA	71	63
EBITDA pre except.	**71**	**67**
Margin	13.4%	13.6%
Capex	**12**	**15**

– Reduced sales mainly due to the absence of TPC. Unfavourable currency effects were offset by increased sales volumes
– IPG managed to almost maintain the high profitability level of previous year as EMEA momentum compensates for sluggish US construction industry
– MPP expects customer de-stocking, expenses from sales force increases and additional registration costs to weigh on results in the forthcoming three quarters
– Specifically LEA, RCH and RUC provided improved contribution mainly by splendid volume increases and partly better pricing

Sales by BU:

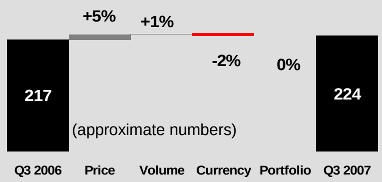




Engineering Plastics: now only consisting of LUP

(€ m)	Q3 2006	Q3 2007
Sales	**217**	**224**
EBIT	0	-8
Depr. / Amort.	0	7
EBITDA	0	-1
EBITDA pre except.	**0**	**2**
Margin	0.0%	0.9%
Capex	**8**	**8**

– Sales slightly higher as increased prices were only partly offset by adverse currency effects
– LUP performance improved from last year's level, however remains significantly below our expectations
– As per Sept. 30th, LUP will be accounted for as financial investment. The reporting for the Segment Engineering Plastics will therefore be ceased by year-end



Balance Sheet: LUP JV now shown as financial asset since closing at the end of September

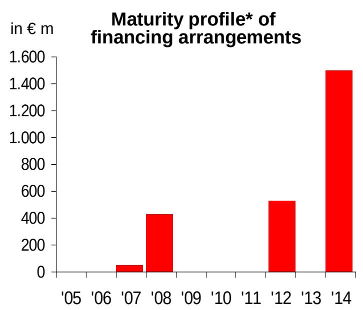
(€ m)	Dec 31, 2006	Sept 30, 2007
Non-current Assets	**1,730**	**1,785**
Intangible assets	41	38
Property, plant & equipment	1,465	1,418
Equity investments	5	43
Other investments	4	2
Financial assets	37	82
Deferred taxes	84	98
Other non-current assets	94	104
Current Assets	**2,475**	**2,345**
Inventories	1,047	964
Trade accounts receivable	924	834
Financial assets	113	198
Other current assets	220	195
Liquid assets	171	154
Total Assets	**4,205**	**4,130**

(€ m)	Dec 31, 2006	Sept 30, 2007
Stockholders' Equity	**1,428**	**1,526**
thereof minority interest	25	18
Non-current Liabilities	**1,554**	**1,516**
Pension & post empl. provisions	520	504
Other provisions	271	269
Financial liabilities	632	609
Tax liabilities	38	43
Other liabilities	36	29
Deferred taxes	57	62
Current Liabilities	**1,223**	**1,088**
Other provisions	354	315
Financial liabilities	50	36
Trade accounts payable	602	516
Tax liabilities	36	72
Other liabilities	181	149
Total Equity & Liabilities	**4,205**	**4,130**

Strong backbone in turbulent financial markets

Debt maturity profile extended to 2014

- Early refinancing of syndicated credit facility, to extend and diversify maturity profile
- Facility increased by €250 m to €1.5 bn
- Maturity now November 2014
- Improved terms & conditions
- Despite credit market turbulences, new tenor of 7 years, which reflects strong commitment of bank consortium



Net financial debt: €491 m as per Sept. 30, 2007

* Major instruments

Another proof of LANXESS' strong bank relationships

Good cash generation

(€ m)	9M 2006	9M 2007
Profit before Tax	**292**	**196**
Depreciation & amortization	188	236
Gain from sale of assets	-1	0
Result from investment in associate	-7	-16
Financial result	17	7
Cash tax payments	-34	-78
Changes in other assets and liabilities	9	123
Operating Cash Flow before changes in WC	**464**	**468**
Changes in Working Capital	-218	-158
Operating Cash Flow	**246**	**310**
Investing Cash Flow	**-47**	**-212**
thereof Capex	-147	-170
Financing Cash Flow	**-150**	**-115**

- Profit before tax burdened mainly by exceptional expenses of €211 m in connection with the LUP JV and for restructuring
- Changes in other assets / liabilities mainly mirror non-cash character of expenses related to the LUP JV
- Lower increase of working capital
- Operating cash flow 2007 contains ~€55 m restructuring cash out
- Investing cash flow comprises
  - In 2006: Cash-in for sale of BU FIB, PAP and iSL in 2006
  - In 2007:
    - Cash-in for sale of BU TPC
    - Payout for CISA
    - Cash infusion to BIS for previous year's loss

Cash generation from a healthy business

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LANXESS manages its currency exposure

Economic Environment – Foreign Currencies

– The current weakness of the U.S. Dollar is considered in our FY 2007 guidance

– Generally, a weak U.S. Dollar burdens our results

– Sensitivity: Based on our annual net exposure, a change of 1 cent of the exchange rate of the U.S. Dollar to the Euro affects our EBITDA by €5-6 m

– However, the actual impact may be significantly lower due to our rolling hedging approach

LANXESS has significantly reduced its volatility

Peak to trough fluctuation is significantly reduced since spin-off

– Most volatile businesses divested

– Sales and purchasing contracts re-negotiated

– Restructuring has led to a leaner and more efficient organization

– Cost structures have been changed to a higher portion of variable costs

There is no reason why LANXESS' margins* should be more volatile compared to its peers

The market expects chemical companies' margins* to fluctuate by 3%-4% peak to trough

* EBITDA pre exceptionals

LANXESS is well on track to achieve its FY targets

Guidance update for 2007

– FY 2007 EBITDA*guidance reiterated:

€700 - €720 m, despite LUP performance shortfall in Q3 of ~€10 m and an expected adverse FX effect in Q4

– 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 impairments in LUP of ~€50 m)

– Reminder: majority of restructuring exceptionals to be booked in Q4 2007

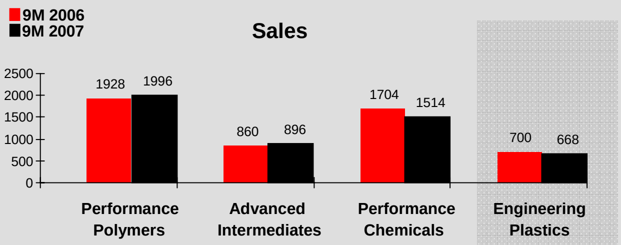
* Pre exceptionals

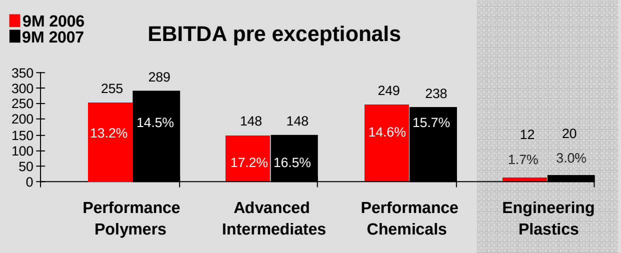
LANXESS

Energizing Chemistry

Appendix

Nine months of firm operational performance





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- Sales were increased by progress in pricing and volumes simultaneously
- Strong EBITDA* performance on the basis of again improved capacity utilization
- LUP disappoints with lousy performance as market conditions further deteriorate
- LUP is transferred from the operational portfolio into an at-cost JV as of September 30th. Therefore the Engineering Plastics segment will not be shown anymore in 2008

Exceptional items incurred in Q3 2006 and 2007

(€ m)	Q3 2006		Q3 2007		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Polymers	0	0	0	0	
Advanced Intermediates	0	0	0	0	
Performance Chemicals	0	0	4	0	Restructuring
Engineering Plastics	0	0	10	7	Write off BU LUP
Reconciliation	17	1	-6	0	Restructuring / M&A
Total	**17**	**1**	**8**	**7**	

Exceptional items incurred in 9M 2006 and 2007

(€ m)	9M 2006		9M 2007		
	Exceptional	thereof D&A	Exceptional	thereof D&A	
Performance Polymers	1	0	0	0	
Advanced Intermediates	0	0	0	0	
Performance Chemicals	1	0	4	0	Restructuring
Engineering Plastics	0	0	196	51	Write off BU LUP
Reconciliation	44	1	11	1	Restructuring / M&A
Total	**46**	**1**	**211**	**52**	

9M 2007 financial overview: operational business fully on track

(€ m)	9M 2006	9M 2007	∆ in %
Sales	5,278	5,143	-2.6%
EBITDA pre except. margin	570 10.8%	605 11.8%	6.1%
Net Income	195	107	-45.1%
Net Financial Debt	511*	491	-3.9%
Working Capital	1,531	1,282	-16.3%
Capex	147	170	+15.6%
Employees	16,481*	14,659	-11.1%

– Organic sales growth based on strong pricing (+2,2%) and higher volumes (+2,1%) does not fully offset portfolio change (-3,6%) and unfavourable currency effects (-3,3%)

– Net income is distorted by exceptional write-offs in LUP and restructuring expenses

– Capex for Q4 expected to rise significantly and reach foreseen level

– Headcount reduction due to portfolio and restructuring

* as per Dec. 31, 2006

Sounds improvements throughout the first nine months

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

Abbreviations

Performance Polymers	
BTR	Butyl Rubber
PBR	Polybutadiene Rubber
TRP	Technical Rubber Products
SCP	Semi-Crystalline Products

Advanced Intermediates	
BAC	Basic Chemicals
SGO	Saltigo
IPG	Inorganic Pigments

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

Engineering Plastics	
LUP	Lustran Polymers

Financial Calendar 2007 / 2008

Financial Calender

FY Results 2007	**March 11, 2008**
Q1 Results 2008	**May 14, 2008**
Annual General Meeting	**May 29, 2008**
Q2 Results 2008	**August 13, 2008**
Q3 Results 2008	**November 13, 2008**

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