INTERIM REPORT Q1 2007

JANUARY 1 – MARCH 31, 2007

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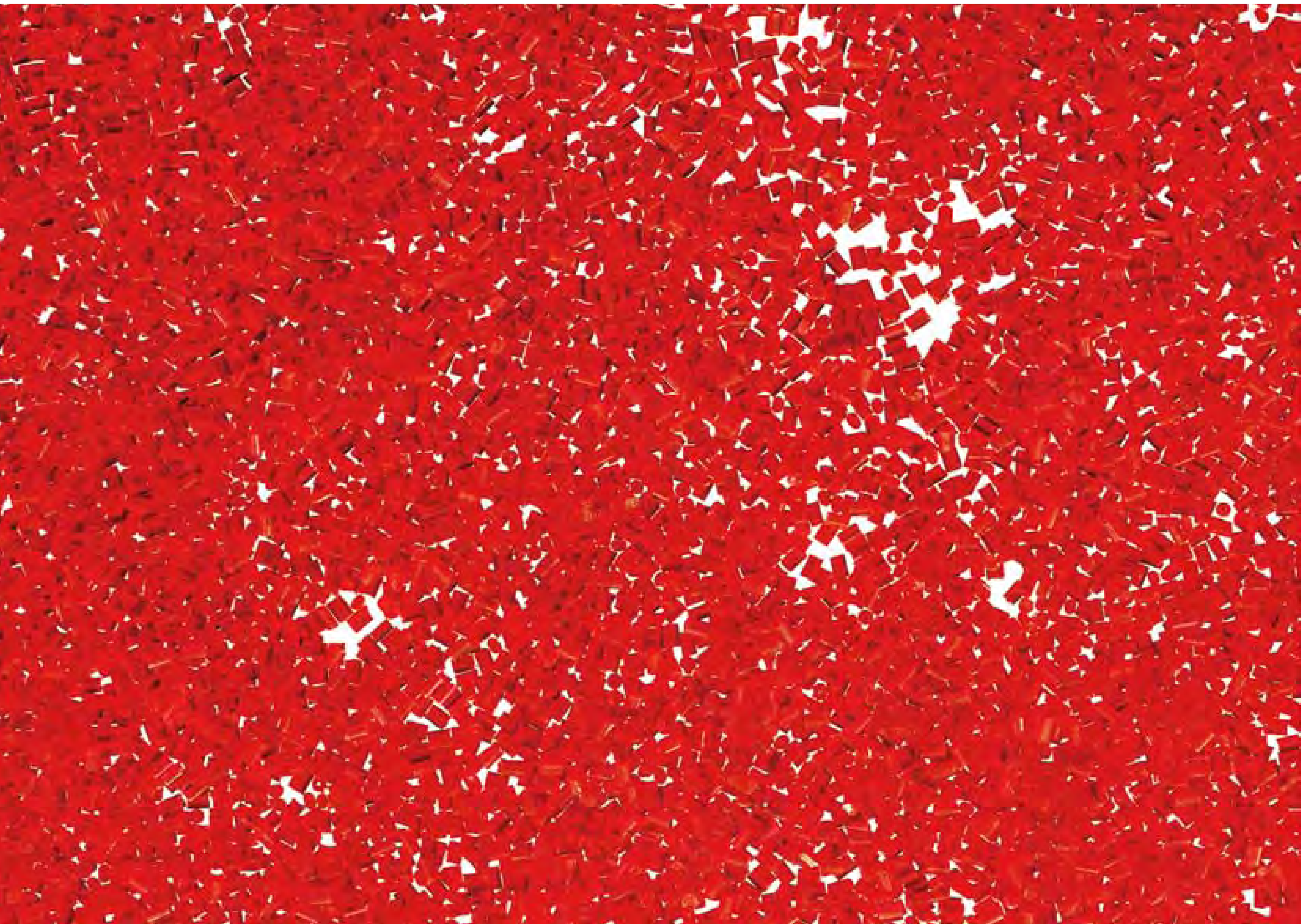
LANXESS

Energizing Chemistry

Key Data	Q1 2006	Q1 2007	Change
€ million			%
Sales	1,836	1,711	(6.8)
EBITDA pre exceptionals	205	219	6.8
EBITDA margin pre exceptionals	11.2%	12.8%	
EBITDA	187	212	13.4
EBIT pre exceptionals	143	158	10.5
EBIT	125	150	20.0
EBIT margin	6.8%	8.8%	
Net income	82	91	11.0
Earnings per share (€)	0.97	1.08	11.3
Cash flow from operating activities	36	77	> 100
Depreciation and amortization	62	62	0.0
Capital expenditures	37	47	27.0
Total assets	4,205 [1]	4,287	2.0
Equity (including minority interest)	1,428 [1]	1,526	6.9
Equity ratio	34.0% [1]	35.6%	
Pension provisions	520 [1]	504	(3.1)
Net financial liabilities	511 [1]	448	(12.3)
Employees (as of March 31)	16,481 [1]	16,486	0.0

[1] as of December 31, 2006



Q1 Overview

- Sales show 3.1% year-on-year gain when adjusted for portfolio and currency effects
- EBITDA pre exceptionals increases by 6.8%
- EBITDA margin rises to 12.8% from 11.2% in prior-year quarter
- Successful portfolio management and restructuring provide solid foundation for growth
- First acquisition in LANXESS's history successfully completed
- Guidance for 2007: EBITDA pre exceptionals to advance by medium to high single-digit percentage

LANXESS
Energizing Chemistry

++ 1st Quarter 2007 +++ 1st Quarter 2007

January 25

+++ LANXESS expands polyamide facility in Krefeld-Uerdingen +++

The Semi-Crystalline Products (SCP) business unit has created additional production capacity for its base material polyamide 6 by expanding an existing production line at the important Krefeld-Uerdingen site to include additional compounding steps. Enlarging the production facility has paved the way for making the Uerdingen site competitive and ensuring that the high-tech plastic Durethan® continues to be manufactured to strict quality standards in the future.

February 1

+++ First acquisition successfully completed +++

LANXESS has completed the acquisition of the chrome chemicals business of the Dow Chemical group in South Africa. The transaction became legally and economically effective as of February 1, 2007. This first-ever acquisition by LANXESS further improves the profitability of the Leather business unit's chrome chemicals activities.

February 15

+++ LANXESS steps up expansion in India +++

The Rhein Chemie business unit has brought on stream a new plant for the production of the polymer-bound rubber chemical Rhenogran® in Madurai in response to the rapidly growing demand from Indian tire manufacturers and other rubber processors. At the same time, the construction of a new facility in Moxi for coloring ABS plastics is proceeding on schedule.

March 2

+++ New technology center inaugurated in Pittsburgh +++

The North American laboratories of the Technical Rubber Products, Material Protection Products and Functional Chemicals business units will be combined in this new center, in which US$ 5 million is being invested. It offers a broad spectrum of the latest technical equipment and processes for developing customer-specific applications.

March 5

+++ LANXESS invests in new site in China +++

LANXESS is systematically expanding its presence in China. An example is the new plant for the manufacture of lubricant additives

to be built at Qingdao, China. The production facility, which belongs to LANXESS's Rhein Chemie business unit, is planned go on stream in the fourth quarter of 2008 at the latest and will initially employ 50 people.

March 16

+++ Changes on Supervisory Board and Management Board +++

At its regular meeting, the Supervisory Board of LANXESS AG decided to further reorganize the company's Management

7 +++ 1st Quarter 2007 +++ 1st Quarter ++

Board, appointing Dr. Werner Breuers (49) to the Management Board effective May 14, 2007. Breuers, who holds a doctorate in chemistry, is joining LANXESS from Dutch chemicals group Basell B.V. Dr. Rainier van Roessel (49) has been named the company's new Labor Relations Director and will assume all the responsibilities held by Dr. Martin Wienkenhöver (50), who left LANXESS on March 31. Wienkenhöver remains associated with LANXESS in an advisory capacity.

There is also a change among the employees' representatives on the Supervisory Board of LANXESS AG. Ralf Deitz (45) will relinquish his function as Vice Chairman but remain a member of the Supervisory Board. Ulrich Freese (55) was elected to succeed Deitz as Vice Chairman of the Supervisory Board.

March 20

+++ 2006 a successful year for LANXESS +++

At its Spring Financial News Conference, LANXESS reported on a successful 2006. Earnings (EBITDA pre exceptionals) increased substantially, coming in toward the top end of the company's guidance range for the year. LANXESS also posted positive net income for the first time. In light of the clear improvement in earnings, LANXESS will for the first time ask the Annual Stockholders' Meeting on May 31, 2007 to approve payment of a dividend of EUR 0.25 per share.

+++ LANXESS initiates greenfield project +++

As part of the Group-wide initiative "LANXESS goes Asia," the company plans to break ground this year on a completely new production site for ion exchange resins – thus investing in one of the fastest-growing and most promising sectors of the chemical industry. What's special about this project is that to keep site costs as low as possible right from the start, LANXESS is launching an international bidding process in which sites in China, India and Singapore will participate. This two-digit million euro capital expenditure represents the biggest investment by the Ion Exchange Resins business unit since the late 1990s.

March 28

+++ New human resources concept for Saltigo +++

Saltigo continues to make progress with its realignment: a human resources concept agreed between the management and Central Works Council of LANXESS provides for an increase in weekly working hours, more flexible personnel deployment and extensive training programs. The agreement forms the basis for the first phase of a capital expenditure project aimed at consolidating obsolete production plants that are no longer competitive. The planned second phase will involve the expansion of modern multi-purpose facilities offering high-tech jobs.

LANXESS Stock

LANXESS Stock The performance of LANXESS stock in the first quarter of 2007 was characterized by relatively high volatility. It started the year well, but the price declined at the end of February against the background of a sharp downward trend on the stock markets. After stabilizing toward the end of the quarter, LANXESS again turned in a more positive performance.

The stock markets got off to a good start at the beginning of 2007, displaying a clear overall upward trend in the first two months of the year. The German blue-chip index DAX advanced toward 7000 points for the first time in more than six years, reaching a high for the quarter of 7027 in late February. On February 27 a downward trend set in on the world's stock markets, caused by a slump on Asian exchanges and the release of disappointing data for the U.S. economy. This led to sharp falls in the German indices too. The DAX, for example, lost about 7% in just a week.

The ensuing brief recovery was followed by another downtrend in prices in mid-March, fueled mainly by fears of a collapse of the U.S. real-estate market. Recurrent declines in share prices in the U.S. and Asia also weighed on European markets. This second market downturn of the year was followed by a renewed uptrend on the stock markets that continued beyond the end of the first quarter. The DAX rose by 4.9% on the quarter to 6917, with the MDAX climbing sharply at the end of the period to reach 10201 points, an increase of 8.5% compared to the beginning of the year. The DJ STOXX 600 Chemicals^{SM}* closed on March 30, 2007 at 448.67, up 8.8%.

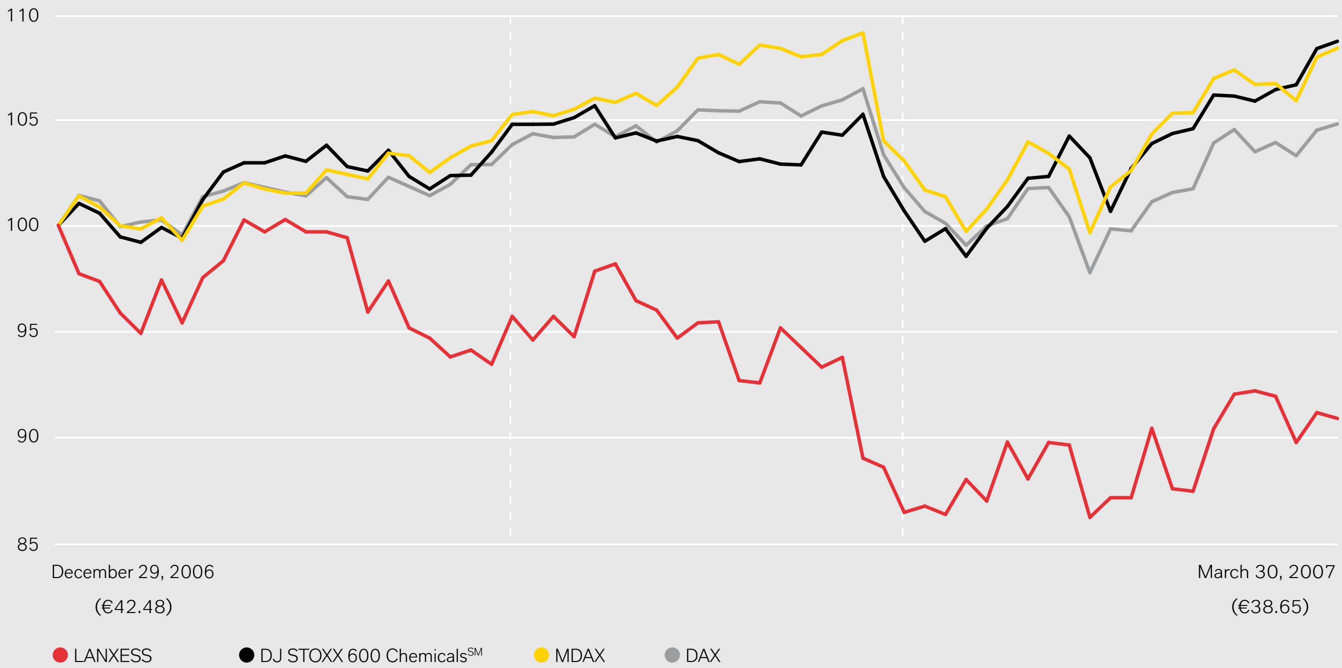
LANXESS stock, too, performed stongly at the start of the year, remaining well above the €40 mark in the first few weeks and reaching €43.55, its high for the first quarter of 2007, on January 17. After trending favorably for some time, LANXESS stock was then tangibly affected by the downturn on the international markets, falling to €34.88 on March 5, its low for the quarter. The days that followed were marked by high volatility. Starting in mid-March the price increasingly stabilized, once again approaching €40.

The announcement of the results for fiscal 2006 on March 20 stabilized the share price and provided positive impetus. LANXESS considerably improved earnings and fully achieved its earnings target for the year, with the upward trend also leading to positive net income for the first time. LANXESS also announced that at the Annual Stockholders' Meeting on May 31, 2007 it will propose that the company's first dividend of €0.25 per share be paid for 2006. At the Spring Financial News Conference, the Management Board also gave information on new corporate initiatives in the important growth market of Asia, including the construction of a new production facility for ion exchange resins and projects in the Inorganic Pigments and Rubber Chemicals business units. An overview of other significant events during the first quarter is given on pages 2-3. Apart from the positive corporate news, increasingly positive sentiment on global stock markets helped to stabilize the price of LANXESS stock later in March. However, by the end of March the price had failed to reach the very high level of the previous quarter, closing the first quarter of 2007 down 9.0% at €38.65.

LANXESS Stock		Q4 2006	Q1 2007
Capital stock/no. of shares [1]	€/no. of shares	84,620,670	84,620,670
Market capitalization [1]	€ billion	3.59	3.27
High/low for the period	€	42.48/33.81	43.55/34.88
Closing price [1]	€	42.48	38.65
Trading volume	million shares	30.662	51.516
Earnings per share	€	0.02	1.08

[1] as of March 31, 2007 and December 31, 2006 respectively

Stock Performance in %



Based on XETRA closing prices

* The Dow Jones STOXX 600 Chemicals[SM] represents the chemicals-sector companies that are included in a larger index covering the 600 largest European enterprises in 18 different industries.

Business Development in the First Quarter of 2007

Business Trends

- Sales show 3.1% year-on-year gain when adjusted for portfolio and currency effects
- EBITDA pre exceptionals increases by 6.8%
- EBITDA margin rises to 12.8% from 11.2% in prior-year quarter
- Successful portfolio management and restructuring provide solid foundation for growth
- First acquisition in LANXESS's history successfully completed
- Guidance for 2007: EBITDA pre exceptionals to advance by medium to high single-digit percentage

Economic environment In the first quarter of 2007, the global economy remained on a path of steady expansion. While the Asia-Pacific region maintained a very strong momentum, growth in North America was only moderate. The upswing in Germany continued unabated, with domestic demand up and exports still strong. This environment had a positive effect on the chemical economy. In the first two months of 2007, chemical production rose by 4.6% over the prior year. Raw material prices remained volatile at a high level. In March 2007, political tension in the Gulf region led to a further jump in the price of petrochemical derivatives.

Sales In the first quarter of 2007, the LANXESS Group generated €1,711 million in sales. The 6.8% decline from the figure of €1,836 million for the prior-year quarter was entirely due to portfolio changes and negative currency effects. Adjusted for the divestment of the Fibers, Paper and Textile Processing Chemicals business units and adverse shifts in exchange rates, particularly for the U.S. dollar, LANXESS Group sales grew by 3.1%. With volumes almost unchanged, LANXESS succeeded in raising selling prices.

Effects on Sales	Q1 2007
Approximate data	%
Price	3.1
Volume	0.0
Currency	(3.9)
Portfolio	(6.0)
	(6.8)

With demand remaining stable from the Group's perspective, the trend in raw material costs in the first quarter prompted further price increases in all segments. Sales of the Performance Rubber and Chemical Intermediates segments advanced. Those of the Engineering Plastics and Performance Chemicals segments declined due to portfolio and currency changes, but remained at the level of the prior-year quarter when adjusted for these effects.

Sales by Segment	Q1 2006	Q1 2007	Change	Proportion of Group sales
€ million			%	%
Performance Rubber	438	451	3.0	26.4
Engineering Plastics	456	428	(6.1)	25.0
Chemical Intermediates	395	408	3.3	23.8
Performance Chemicals	517	400	(22.6)	23.4
Other/Consolidation	30	24	(20.0)	1.4
	1,836	**1,711**	**(6.8)**	**100.0**

Although LANXESS saw sales recede in all regions, this was solely due to portfolio and currency shifts. On an adjusted basis sales moved ahead, particularly in the Asia-Pacific region, thanks to strong demand for our products. Sales were positive in Germany as well against the background of the country's economic climate. Sales in the EMEA region (excluding Germany) rose slightly on a comparable basis thanks to the encouraging development of central and eastern European markets. Adjusted for portfolio and currency effects, business in the Americas was above the previous year.

Gross profit The cost of sales was down by 6.0% from the prior-year quarter to €1,315 million, the positive effects of restructuring and portfolio management being partly offset by higher raw material costs. The divestment of the Paper and Textile Processing Chemicals business units, in particular, adversely affected gross profit, which fell by 9.4% to €396 million. At 23.1%, the gross profit margin was close to the previous year's level of 23.8%. Raw material price increases, particularly for petrochemical derivatives, were passed on to the market. The efficiency-enhancing measures implemented are producing results and creating a solid foundation for continued positive earnings growth. The systematic consolidation of production sites since 2005 and improved production workflows have helped stabilize earnings performance.

EBITDA Pre Exceptionals	Q1 2006	Q1 2007	Change
€ million			%
Performance Rubber	71	70	(1.4)
Engineering Plastics	22	41	86.4
Chemical Intermediates	71	79	11.3
Performance Chemicals	69	60	(13.0)
Other/Consolidation	(28)	(31)	(10.7)
	205	**219**	**6.8**

EBITDA and EBIT LANXESS increased its operating result before depreciation and amortization (EBITDA) pre exceptionals by 6.8% over the prior-year quarter, to €219 million. The EBITDA margin pre exceptionals increased by 1.6 percentage points to 12.8% in the first quarter, which is typically the strongest quarter, with the gross profit margin virtually unchanged. The upward trend in EBITDA margin indicates that the portfolio adjustments and restructuring measures completed or initiated are proving effective and that the LANXESS Group is on the right track.

All segments contributed to this encouraging performance. Earnings in the Performance Rubber segment matched the high level of the prior-year quarter, while the Engineering Plastics segment nearly doubled EBITDA pre exceptionals. The Chemical Intermediates segment significantly exceeded the above-average earnings level of the first quarter of 2006. The decline in EBITDA pre exceptionals in the Performance Chemicals segment was mainly due to the divestment in fiscal 2006 of the Paper and Textile Processing Chemicals business units, which had generated slightly positive earnings. The Performance Chemicals segment nevertheless increased its EBITDA margin by 1.7 percentage points to 15.0%.

As the result of portfolio changes and on-schedule implementation of efficiency improvement programs, selling and administration expenses dropped sharply. The improvement in the balance of other operating income and expenses was partly due to lower exceptional charges and the positive contribution to earnings made by the currency hedging instruments used in the LANXESS Group. This largely smoothed out the adverse effects of the decline in the U.S. dollar on the gross profit margin.

The €8 million in exceptional items affecting the operating result (EBIT) in the first quarter of 2007 comprised expenses for restructuring and portfolio changes. Details are provided in the commentary on the Other/Consolidation segment. EBIT for the prior-year quarter was diminished by restructuring and portfolio-related charges of €16 million, along with a total of €2 million in expenses for antitrust settlements in the Performance Rubber and Performance Chemicals segments.

Financial result The financial result amounted to minus €18 million, compared with minus €10 million in the prior-year period. Although the net interest position showed a slight improvement and the balance of exchange gains and losses was unchanged, the prorated share of the first-quarter loss of the associate Bayer Industry Services GmbH & Co. OHG caused the financial result to deteriorate. The loss was due to personnel adjustments at this company, which had reported positive earnings in the prior-year quarter.

Income before income taxes Income before income taxes improved significantly by 14.8% from €115 million in the prior-year quarter to €132 million in the first quarter of 2007. Tax expense rose by €8 million to €40 million due to the increase in income. The tax rate was in line with expectations at 30.3%, up from 27.8% in the same quarter of the previous year.

Net income and earnings per share Net income improved from €82 million in the prior-year period to €91 million in the first quarter of 2007. As in the same period of last year, income of €1 million was attributable to minority interests. With the number of shares unchanged at 84,620,670, earnings per share in the first quarter of 2007 came in at €1.08 (Q1 2006: €0.97).

Business Trends by Region

Sales by Market	Q1 2006		Q1 2007		Change
	€ million	% of sales	€ million	% of sales	%
EMEA (excluding Germany)	619	33.7	590	34.5	(4.7)
Germany	417	22.7	411	24.0	(1.4)
Americas	497	27.1	410	24.0	(17.5)
Asia-Pacific	303	16.5	300	17.5	(1.0)
	1,836	**100.0**	**1,711**	**100.0**	**(6.8)**

In the EMEA region (Europe [excluding Germany], Middle East, Africa), the LANXESS Group's sales fell by 4.7% to €590 million. Adjusted for portfolio changes and currency effects, sales in this region edged up by 1.8%. The Performance Rubber and Chemical Intermediates segments saw sales grow by double-digit percentages, while sales in the Engineering Plastics segment were below the previous year, partly as a result of site consolidations. Eastern European and Middle Eastern markets displayed upward trends, but LANXESS's sales in some western European countries did not match last year's levels. The EMEA region accounted for 34.5% of total sales, up from 33.7%.

LANXESS's sales in Germany slipped by 1.4% to €411 million in the first quarter of 2007, the decrease being entirely due to portfolio changes. Adjusted for this effect, sales rose by 1.5%. The Performance Rubber, Engineering Plastics and Performance Chemicals segments reported above-average growth. Germany's share of total sales increased from 22.7% to 24.0%.

In the Americas region, LANXESS recorded a 17.5% drop in sales to €410 million. After adjusting for portfolio and currency effects, sales rose by 3.2% compared with the first quarter of 2006. Business in the prior-year quarter was held back by delivery problems experienced by a raw material supplier. Both North and South America contributed to the adjusted sales growth. Whereas sales of the Performance Rubber and Chemical Intermediates segments improved, business in the Engineering Plastics and Performance Chemicals segments was below the same period of last year. The Americas region accounted for 24.0% of total sales, down from 27.1%.

Sales in Asia-Pacific totaled €300 million in the first quarter of 2007, down slightly from the prior-year quarter. Adjusted for currency effects and the activities divested in the previous year, business expanded by a substantial 7.9%. Sales in the Engineering Plastics and Chemical Intermediates segments rose by double-digit percentages, while those of the Performance Rubber and Performance Chemicals segments also exceeded the previous year's level. This region's share of total sales rose from 16.5% in the prior-year period to 17.5%.

Segment Information

Performance Rubber	Q1 2006		Q1 2007		Change
	€ million	% of sales	€ million	% of sales	%
Sales	438		451		3.0
EBITDA pre exceptionals	71	16.2	70	15.5	(1.4)
EBITDA	70	16.0	70	15.5	0.0
Operating result (EBIT) pre exceptionals	55	12.6	53	11.8	(3.6)
Operating result (EBIT)	54	12.3	53	11.8	(1.9)
Capital expenditures*	10		13		30.0
Depreciation and amortization	16		17		6.3

* intangible assets and property, plant and equipment

Sales in the **Performance Rubber** segment in the first quarter of 2007 grew by 3.0% to €451 million. Further increases in petrochemical feedstock costs were passed along to the market through higher prices, giving a 4.8% positive effect on segment sales. Volumes were up by 4.1%, while shifts in exchange rates had a 5.9% negative effect. Volumes in the Butyl Rubber business unit rose considerably following the success of efficiency-enhancing and capacity-expanding measures to meet heightened demand for our butyl products. In addition, higher prices for feedstocks, particularly isobutylene, were passed on to the market. The Polybutadiene Rubber business unit achieved slight price and volume increases, with sales growth recorded in Asia-Pacific. By contrast, the weakness in the North American automotive economy that has persisted since mid-2006 hampered business in the Americas region. In the Technical Rubber Products business unit, price increases were implemented but sales were diminished by adherence to our price-before-volume strategy and currency effects were negative.

EBITDA pre exceptionals for the Performance Rubber segment came in at €70 million, level with the prior year. The Butyl Rubber business unit lifted profitability thanks to efficiency improvements. In the Polybutadiene Rubber business unit, it was not possible to pass on the full impact of raw material cost increases to the market. Cost-cutting measures implemented in the past had a positive effect on earnings in the Technical Rubber Products business unit, which matched the prior-year quarter. The segment's 15.5% EBITDA margin was at the very pleasing level of the first quarter of 2006.

Engineering Plastics	Q1 2006		Q1 2007		Change
	€ million	% of sales	€ million	% of sales	%
Sales	456		428		(6.1)
EBITDA pre exceptionals	22	4.8	41	9.6	86.4
EBITDA	22	4.8	41	9.6	86.4
Operating result (EBIT) pre exceptionals	14	3.1	33	7.7	> 100
Operating result (EBIT)	14	3.1	33	7.7	> 100
Capital expenditures*	5		12		> 100
Depreciation and amortization	8		8		0.0

* intangible assets and property, plant and equipment

Sales in the **Engineering Plastics** segment fell 6.1% to €428 million in the first quarter of 2007 due to portfolio changes and currency effects. After adjusting for currency effects and the sales of the Fibers business unit, which was divested in the first quarter of 2006, the segment's sales remained at the previous year's level. Positive price effects of 6.4% almost completely offset negative volume effects of 6.6%.

The drop in volume in the Lustran Polymers business unit was a consequence of site consolidation, the divestment of the SAN plastics business in the prior year and the strategy of deliberately forgoing unprofitable business. Weaker demand in the Americas was not fully offset by the ongoing expansion of the ABS plastics business in the Asia-Pacific region. Price increases were implemented in Europe and Asia, driven by the rise in raw material costs. Selling prices in the Semi-Crystalline Products business unit were raised on account of higher raw material prices, leading to an increase in revenues. Sales in Asia were boosted by the full commissioning of our new facility in Wuxi, China.

EBITDA pre exceptionals of the Engineering Plastics segment improved substantially from €22 million to €41 million. Restructuring measures in the Lustran Polymers business unit contributed positively to earnings. Margins and earnings in the Semi-Crystalline Products business unit moved sharply higher due to our success in passing on higher raw material prices, improved cost structures at the production units in Krefeld-Uerdingen, Germany, and Antwerp, Belgium, and improved capacity utilization. A further factor, however, was that customers brought forward certain purchases in view of temporary shutdowns for maintenance and plant expansions that this business unit has scheduled for the second quarter. The divestment of the loss-making Fibers business in the first quarter of 2006 led to a tangible improvement in segment earnings, with the EBITDA margin pre exceptionals doubling from 4.8% to 9.6%.

Chemical Intermediates	Q1 2006		Q1 2007		Change
	€ million	% of sales	€ million	% of sales	%
Sales	395		408		3.3
EBITDA pre exceptionals	71	18.0	79	19.4	11.3
EBITDA	71	18.0	79	19.4	11.3
Operating result (EBIT) pre exceptionals	55	13.9	64	15.7	16.4
Operating result (EBIT)	55	13.9	64	15.7	16.4
Capital expenditures*	9		12		33.3
Depreciation and amortization	16		15		(6.3)

* intangible assets and property, plant and equipment

In the first quarter of 2007, the **Chemical Intermediates** segment posted 3.3% growth in sales, to €408 million. Positive price and volume effects of 1.0% and 4.8%, respectively, more than compensated for the negative currency effects of 2.5%. Following strong sales in the prior year, the Basic Chemicals business unit again raised prices and, in particular, achieved higher volumes despite a difficult market environment. The Saltigo business unit benefited from an improvement in the agricultural and specialties businesses. The favorable climate in the European construction industry enabled the Inorganic Pigments business unit to pass on higher raw material costs in its selling prices while at the same time increasing volumes. This more than offset the slight decrease in demand in the Americas.

EBITDA pre exceptionals of the Chemical Intermediates segment rose by 11.3% to €79 million. The Basic Chemicals business unit benefited from improved cost structures and price increases, while in the Saltigo business unit the restructuring measures implemented so far proved successful. The Inorganic Pigments business unit again made an extremely gratifying contribution to earnings thanks to price increases, strong demand and the resulting high level of capacity utilization. The segment's EBITDA margin pre exceptionals improved by 1.4 percentage points to a very pleasing 19.4%.

Performance Chemicals	Q1 2006		Q1 2007		Change
	€ million	% of sales	€ million	% of sales	%
Sales	517		400		(22.6)
EBITDA pre exceptionals	69	13.3	60	15.0	(13.0)
EBITDA	68	13.2	60	15.0	(11.8)
Operating result (EBIT) pre exceptionals	52	10.1	44	11.0	(15.4)
Operating result (EBIT)	51	9.9	44	11.0	(13.7)
Capital expenditures*	12		7		(41.7)
Depreciation and amortization	17		16		(5.9)

* intangible assets and property, plant and equipment

Due to portfolio changes and currency effects, first-quarter sales of the **Performance Chemicals** segment came in 22.6% lower year-on-year, at €400 million. Adjusted for currency effects and the divestment of the Paper and Textile Processing Chemicals business units, sales were at the previous year's level, edging up just 0.2%. Positive price effects amounting to 0.4% offset the 0.2% negative volume effects.

The RheinChemie business unit implemented price increases, while the Leather business unit boosted volumes of chrome ore and chromic acids. The acquisition by this business unit of the remaining 50% interest in Chrome International South Africa Ltd. (CISA) from the former joint venture partner Dow Chemical took legal and economic effect on February 1, 2007. This transaction gives LANXESS sole ownership of the sodium dichromate production facility in Newcastle, South Africa. With leather chemicals production operations now fully integrated, the performance of the Leather business unit is set to improve. The Functional Chemicals and Ion Exchange Resins business units also registered volume growth. The heightened competition in core markets of the Rubber Chemicals business unit persisted in the first quarter of 2007. Prices and volumes declined as a result.

The Performance Chemicals segment's EBITDA pre exceptionals shrank by 13.0% to €60 million. The EBITDA margin nonetheless improved by 1.7 percentage points to 15.0%. This development reflects the effects of the completed portfolio changes, which are contributing to sustained value creation. The low-margin Paper and Textile Processing Chemicals business units are no longer part of the LANXESS Group. Earnings of the Rubber Chemicals business unit decreased due to the difficult market environment, following an exceptionally robust prior-year quarter. The positive business trend in the Material Protection Products and Leather business units could not offset this effect. Since February 2007, segment earnings have been held back by the consequences of an operational incident at the Functional Chemicals business unit's hydrazine hydrate production plant in Weifang, China, which had to be shut down. Since a key part of this facility must be rebuilt, the shutdown is expected to last several months. As a result, we have declared force majeure to affected customers in the Asia-Pacific region. We estimate the total impact of the shutdown on EBITDA pre exceptionals at a medium single-digit million euro figure.

Other/ Consolidation	Q1 2006		Q1 2007		Change
	€ million	% of sales	€ million	% of sales	%
Sales	30		24		(20.0)
EBITDA pre exceptionals	(28)		(31)		(10.7)
EBITDA	(44)		(38)		13.6
Operating result (EBIT) pre exceptionals	(33)		(36)		(9.1)
Operating result (EBIT)	(49)		(44)		10.2
Capital expenditures*	1		3		> 100
Depreciation and amortization	5		6		20.0

* intangible assets and property, plant and equipment

The €8 million in exceptional charges taken in this segment in the first quarter of 2007 related to extensive restructuring activities and portfolio adjustments as in the previous year. These charges mainly included personnel adjustment costs, expenses for closures or partial closures of facilities, and costs for the preparation and execution of corporate transactions. Of the total exceptional charges, €1 million was attributable to asset write-downs. The transformation process initiated by the Management Board involves a Group-wide, cross-segment program of asset consolidations, process improvements and portfolio adjustments. Since it is therefore not possible to allocate the related expenses accurately among the operating segments, they are reflected here as in the previous two fiscal years.

Financial Condition

Balance sheet structure As of March 31, 2007, the LANXESS Group had total assets of €4,287 million, up slightly from €4,205 million on December 31, 2006. Non-current assets remained nearly unchanged from the end of last year, at €1,725 million. Capital expenditures for property, plant and equipment and the additions to non-current assets resulting from the acquisition of the remaining 50% of the shares of South Africa-based Chrome International South Africa (Pty.) Ltd. compensated for depreciation and amortization amounting to €62 million in the first quarter. The equity carrying value of the interest in Bayer Industry Services GmbH & Co. OHG increased due to the equalization payment for the 2006 fiscal year, while the first-time full consolidation of the South African subsidiary led to a decrease in loans to affiliated companies. The ratio of non-current assets to total assets thus remained virtually unchanged at 40.2%.

As of March 31, 2007, current assets stood at €2,562 million, up 3.5% from December 31, 2006. Inventories and trade receivables increased by 2.8% and 8.3%, respectively, due to seasonal effects. Other current assets declined, mainly due to receipt of the purchase price related to the divestment of the Textile Processing Chemicals business unit at the end of 2006. Liquid assets totaled €213 million at the end of the quarter, up 24.6% compared with December 31, 2006. As of March 31, 2007, current assets made up 59.8% of total assets.

Equity, including minority interests, rose by 6.9% from December 31, 2006 to €1,526 million thanks to the positive net earnings. As of March 31, 2007, the equity ratio was 35.6% as against 34.0% at the end of 2006.

Non-current liabilities decreased by 1.1% to €1,537 million. The ratio of non-current liabilities to total assets, at 35.9%, was down by 1.1 percentage points from December 31, 2006. Current liabilities remained steady at €1,224 million. A reduction in current financial liabilities was offset by an earnings-related increase in current tax liabilities. The ratio of current liabilities to total assets was 28.6% at the end of the quarter, close to the figure of 29.1% recorded as of December 31, 2006.

Liquidity and capital resources Bolstered by the €17 million increase in pre-tax income, operating cash flow was up by €41 million from the prior-year period to €77 million in the first three months of 2007. The typical seasonal increase in working capital in the first quarter of 2007 was €32 million less than in the same period of 2006 due to higher repayments of trade payables in the prior-year quarter.

With respect to investing activities, there was a cash outflow of €28 million, against an outflow of €2 million in the first three months of 2006. The €13 cash outflow for financial assets consisted of an equalization payment related to the prior-year loss of Bayer Industry Services GmbH & Co. OHG. In the previous year, the corresponding disbursement was made in the second quarter. A total of €23 million was spent to acquire subsidiaries. The €45 million cash inflow in the first quarter of 2007 was mainly attributable to the divestment of the Textile Processing Chemicals business unit. Cash outflows for property, plant and equipment and intangible assets came to €47 million, exceeding the figure for the first three months of 2006 by €10 million. This reflects the increase in capital expenditures planned for fiscal 2007 as announced along with the figures for 2006 at the Spring Financial News Conference in March 2007. Capital expenditures were below the €62 million in depreciation and amortization, which was unchanged from the previous year. Capital expenditure volume was highest in the Performance Rubber, Engineering Plastics and Chemical Intermediates segments. In the Performance Rubber segment, the Butyl Rubber business unit again invested in capacity extensions at the Sarnia site in Canada. In the Engineering Plastics segment, the Semi-Crystalline Products business unit continued to invest in expanding capacity for polyamide 6 at the production facility in Krefeld-Uerdingen, Germany. In the Chemical Intermediates segment, the Saltigo business unit continued its investment to expand an existing cGMP (current Good Manufacturing Practice) plant complex in which it manufactures intermediates for pharmaceutical industry customers.

Net cash used in financing activities amounted to €7 million, compared with €82 million in the prior-year period. These disbursements were made mainly to further reduce net borrowings, while interest paid and other financial disbursements totaled €2 million.

Cash and cash equivalents, at €213 million, exceeded the year-end 2006 level by €42 million. The net financial debt of €448 million as of March 31, 2007 was down by 12.3% compared with December 31, 2006 (€511 million).

Outlook In 2007, we anticipate that the economic environment will remain conducive to the development of our business. This expectation is underscored by the generally favorable economic outlook in Germany and elsewhere in Europe, as well as in Asia. In the United States, however, we anticipate a slight slowing of economic growth that will impact our business.

The growing strength of the euro could also affect our business performance in the medium term. There is no significant short-term impact from exchange rate fluctuations in light of our currency hedging. However, if the euro were to remain above US$1.35, this could adversely affect LANXESS's earnings by a low single-digit million euro figure in the fourth quarter of 2007.

Raw material and energy prices are expected to remain volatile at a high level. After the recent price hikes, relief is not anticipated until the third quarter at the earliest.

Irrespective of these factors, the LANXESS Group will systematically continue its transformation process. The further earnings improvement in the first quarter of 2007 over the already healthy prior-year quarter is gratifying and provides a good basis for meeting our targets. Against this background, we expect EBITDA pre exceptionals to increase by a medium to high single-digit percentage from the 2006 figure of €675 million. In anticipation of moderate growth in sales from continuing operations, this means we will continue to narrow the gap to our competitors in terms of the EBITDA margin pre exceptionals.

Capital expenditures in the current fiscal year, at or just above €300 million, will significantly exceed the prior-year level of €267 million as a result of our systematic investment and growth strategy.

LANXESS Group

Income Statement

€ million	Q1 2006	Q1 2007
Sales	**1,836**	**1,711**
Cost of sales	(1,399)	(1,315)
Gross profit	**437**	**396**
Selling expenses	(201)	(163)
Research and development expenses	(22)	(22)
General administration expenses	(64)	(58)
Other operating income	50	66
Other operating expenses	(75)	(69)
Operating result (EBIT)	**125**	**150**
Loss from investment in associate	9	(3)
Interest income	2	3
Interest expense	(9)	(8)
Other financial income and expense	(12)	(10)
Financial result	**(10)**	**(18)**
Income before income taxes	**115**	**132**
Income taxes	(32)	(40)
Income after taxes	**83**	**92**
of which attributable to minority stockholders	1	1
of which attributable to LANXESS AG stockholders (net income)	82	91
Earnings per share (€)	**0.97**	**1.08**

LANXESS Group

Balance Sheet

€ million	Dec. 31, 2006	March 31, 2007
ASSETS		
Intangible assets	41	41
Property, plant and equipment	1,465	1,468
Investment in associate	5	19
Investments in other affiliated companies	4	4
Non-current financial assets	37	19
Deferred taxes	84	81
Other non-current assets	94	93
Non-current assets	**1,730**	**1,725**
Inventories	1,047	1,076
Trade receivables	924	1,001
Current financial assets	113	107
Other current assets	220	165
Liquid assets	171	213
Current assets	**2,475**	**2,562**
Total assets	**4,205**	**4,287**
EQUITY AND LIABILITIES		
Capital stock	85	85
Capital reserves	804	804
Other reserves	685	882
Net income	197	91
Accumulated other comprehensive loss	(368)	(362)
Equity attributable to minority interest	25	26
Equity	**1,428**	**1,526**
Provisions for pensions and other post-employment benefits	520	504
Other non-current provisions	271	280
Non-current financial liabilities	632	623
Non-current tax liabilities	38	38
Other non-current liabilities	36	33
Deferred taxes	57	59
Non-current liabilities	**1,554**	**1,537**
Other current provisions	354	350
Current financial liabilities	50	38
Trade payables	602	611
Current tax liabilities	36	63
Other current liabilities	181	162
Current liabilities	**1,223**	**1,224**
Total equity and liabilities	**4,205**	**4,287**

LANXESS Group

Statement of Changes in Equity

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Accumulated other comprehensive loss		Equity attributable to LANXESS AG stock-holders	Equity attributable to minority interest	Total
					Currency translation adjustment	Derivative financial instruments			
Dec. 31, 2005	**85**	**804**	**748**	**(63)**	**(334)**	**(1)**	**1,239**	**17**	**1,256**
Dividend payments							0		0
Allocation to retained earnings			(63)	63			0		0
Exchange differences					(6)		(6)		(6)
Other changes in equity						4	4		4
Net income				82			82	1	83
March 31, 2006	**85**	**804**	**685**	**82**	**(340)**	**3**	**1,319**	**18**	**1,337**
Dec. 31, 2006	**85**	**804**	**685**	**197**	**(367)**	**(1)**	**1,403**	**25**	**1,428**
Dividend payments							0		0
Allocation to retained earnings			197	(197)			0		0
Exchange differences					(3)		(3)		(3)
Other changes in equity						9	9		9
Net income				91			91	1	92
March 31, 2007	**85**	**804**	**882**	**91**	**(370)**	**8**	**1,500**	**26**	**1,526**

LANXESS Group

Cash Flow Statement

	Q1 2006	Q1 2007
€ million		
Income before income taxes	**115**	**132**
Depreciation and amortization	62	62
(Income) loss from investment in associate	(9)	3
Financial (income) losses	7	(2)
Income taxes paid	(9)	(13)
Change in inventories	(24)	(28)
Changes in trade receivables	(37)	(77)
Changes in trade payables	(68)	8
Changes in other assets and liabilities	(1)	(8)
Net cash provided by operating activities	**36**	**77**
Cash outflows for additions to intangible assets, property, plant and equipment	(37)	(47)
Cash outflows for financial assets	0	(13)
Cash outflows for acquisitions	0	(23)
Cash inflows from sales of intangible assets, property, plant and equipment	1	0
Cash inflows from divestments of subsidiaries and other businesses	32	45
Interest and dividends received	2	10
Net cash used in investing activities	**(2)**	**(28)**
Proceeds from borrowings	49	11
Repayments of borrowings	(129)	(16)
Interest paid and other financial disbursements	(2)	(2)
Net cash used in financing activities	**(82)**	**(7)**
Change in cash and cash equivalents from business activities	**(48)**	**42**
Cash and cash equivalents as of January 1	**136**	**171**
Cash and cash equivalents as of March 31	**88**	**213**

Segment and Region data

Key Data by Segment	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007
€ million	Performance Rubber		Engineering Plastics		Chemical Intermediates	
Sales	438	451	456	428	395	408
EBITDA pre exceptionals	71	70	22	41	71	79
EBITDA margin pre exceptionals (%)	16.2	15.5	4.8	9.6	18.0	19.4
EBITDA	70	70	22	41	71	79
Segment result/EBIT pre exceptionals	55	53	14	33	55	64
Segment result/EBIT	54	53	14	33	55	64
Capital expenditures	10	13	5	12	9	12
Depreciation and amortization	16	17	8	8	16	15
Employees (as of March 31)	2,967 [1]	2,893	2,814 [1]	2,985	3,658 [1]	3,640

Key Data by Region	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007
€ million	EMEA (excluding Germany)		Germany		Americas	
Sales by market	619	590	417	411	497	410
Proportion of Group sales	33.7	34.5	22.7	24.0	27.1	24.0
Employees (as of March 31)	3,083 [1]	3,180	8,263 [1]	8,159	3,094 [1]	3,059

[1] December 31, 2006

	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007
	Performance Chemicals		Other/Consolidation		LANXESS	
	517	400	30	24	1,836	1,711
	69	60	(28)	(31)	205	219
	13.3	15.0	–	–	11.2	12.8
	68	60	(44)	(38)	187	212
	52	44	(33)	(36)	143	158
	51	44	(49)	(44)	125	150
	12	7	1	3	37	47
	17	16	5	6	62	62
	3,891 [1]	4,064	3,151 [1]	2,904	16,481 [1]	16,486

	Q1 2006	Q1 2007	Q1 2006	Q1 2007
	Asia-Pacific		LANXESS	
	303	300	1,836	1,711
	16.5	17.5		
	2,041 [1]	2,088	16,481 [1]	16,486

Notes to the Consolidated Interim Financial Statements as of March 31, 2007

Recognition and Valuation Principles Like the consolidated financial statements as of December 31, 2006, the unaudited consolidated interim financial statements as of March 31, 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS), which are endorsed by the European Union. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2006. The interim financial statements have been prepared using the standards and interpretations in effect as of January 1, 2007. IAS 34 (Interim Financial Reporting) has been applied in addition.

Scope of Consolidation The consolidated financial statements of the LANXESS Group include the parent company LANXESS AG and all material domestic and foreign subsidiaries.

LANXESS Buna LLC, Orange, Texas, United States, has been consolidated for the first time. The object of this newly formed U.S. company is the marketing of technical rubber products and related services.

In February 2007, LANXESS acquired the Dow Chemical Group's 50% interest in Chrome International South Africa (Pty.) Ltd., Newcastle, South Africa, thus completing the takeover of the chrome chemical activities initiated in December 2006. This company, formerly a joint venture, is now fully consolidated. Pursuant to IAS 31, it was included in the consolidated financial statements by proportionate consolidation until the acquisition date in line with the 50% interest held. No material effects on the financial condition or results of operations of the LANXESS Group resulted from this acquisition.

Fifty-eight companies are fully consolidated in the financial statements of the LANXESS Group as of March 31, 2007. Bayer Industry Services GmbH & Co. OHG is included at equity, as in the financial statements as of December 31, 2006.

LANXESS is currently exploring possible options for the Lustran Polymers business unit. The restructuring carried out over the past two years has been successful in improving the unit's competitiveness, and on this basis the company plans to continue developing the business, possibly with a partner. It is intended to reach a decision on this within the next few months.

Changes in Risk Profile There have been no material changes in the LANXESS Group's risk profile since December 31, 2006. For more information please refer to the relevant section of the 2006 Annual Report.

Employees The LANXESS Group had 16,486 employees as of March 31, 2007, compared with 16,481 as of December 31, 2006. The continued elimination of positions in the course of global restructuring, particularly in Germany and the Americas region, was offset by the first-time inclusion of the employees of Chrome International South Africa (Pty.) Ltd. and LANXESS Korea Ltd. In addition, the number of employees in China was increased according to plan.

Earnings per Share Earnings per share for the first quarters of fiscal 2006 and 2007 were calculated by dividing Group net income by the 84,620,670 shares currently admitted to trading on the Frankfurt Stock Exchange.

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