

OVERVIEW

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Key Data	Q1 2005	Q1 2006 ²⁾	Change
€ million			in %
Sales	1,729	1,836	6.2
EBITDA pre exceptionals	181	205	13.3
EBITDA margin pre exceptionals	10.5%	11.2%	
EBITDA	181	187	3.3
Operating result (EBIT) pre exceptionals	121	143	18.2
Operating result (EBIT)	116	125	7.8
EBIT margin	6.7%	6.8%	
Net income	70	82	17.1
Earnings per share (€)	0.96	0.97	
Cash flow from operating activities	(10)	36	*
Depreciation and amortization	65	62	(4.6)
Capital expenditures	51	37	(27.5)
Total assets	4,341 ¹⁾	4,269	(1.7)
Equity (including minority interest)	1,256 ¹⁾	1,337	6.4
Equity ratio	28.9% ¹⁾	31.3%	
Pension provisions	497 ¹⁾	499	0.4
Net financial liabilities	680 ¹⁾	647	(4.9)
Employees (as of March 31)	18,282 ¹⁾	17,180	(6.0)

* change of more than 100%

¹⁾ December 31, 2005

²⁾ The Fibers business unit in the Engineering Plastics segment, and the Paper business unit in the Performance Chemicals segment, were divested effective February 28 and March 31, 2006, respectively. The sales and earnings of these business units up to the respective dates of divestment are reflected in the consolidated interim financial statements. The assets, liabilities and employees attributable to these two business units are no longer included in the reporting as of the closing date, March 31, 2006.

Q1 2006 Events in Brief	
February 15	The new Saltigo business unit (formerly Fine Chemicals) presents its new business model and begins operating.
February 22	LANXESS embarks on the expansion of ABS plastics production in Tarragona as part of the realignment of the Styrenic Resins business unit.
February 22	LANXESS announces that it will reposition its business units in the South American market, streamlining the business in Brazil to improve profitability.
February 22	A plan is unveiled to manage LANXESS's Material Protection Products business unit directly from Leverkusen.
February 28	LANXESS announces the expansion of production capacity for the rubber chemical TMQ at its world-scale facility in Brunsbüttel.
February 28	The sale of LANXESS's Fibers business unit to Asahi Kasei Fibers Corporation of Japan is successfully completed.
March 31	LANXESS successfully closes the sale of the Paper business unit to the Finnish chemicals group Kemira Oyj.

More information on these topics is provided under "Investor Relations" at www.lanxess.com

LANXESS STOCK

LANXESS Stock LANXESS stock rose significantly in the first quarter of 2006 – picking up where the successful 2005 trading year left off. The price climbed above €30.00 for the first time in March and closed at €31.01 on March 31, 2006, some 15% above the closing price on December 31, 2005 (€26.96). LANXESS stock reached its high for the quarter on March 28, 2006, with a price of €32.65.

In the first quarter, the capital market rewarded two successful portfolio adjustments – the divestments of the Fibers and Paper business units – along with the further price increases achieved in various business units that had the effect of passing on higher raw materials costs to the market. Also in the first quarter, LANXESS presented the business model for the new Saltigo business unit (formerly Fine Chemicals) and announced the streamlining of its activities in the South American market. An overview of important LANXESS announcements in the past quarter is given on the opposite page.

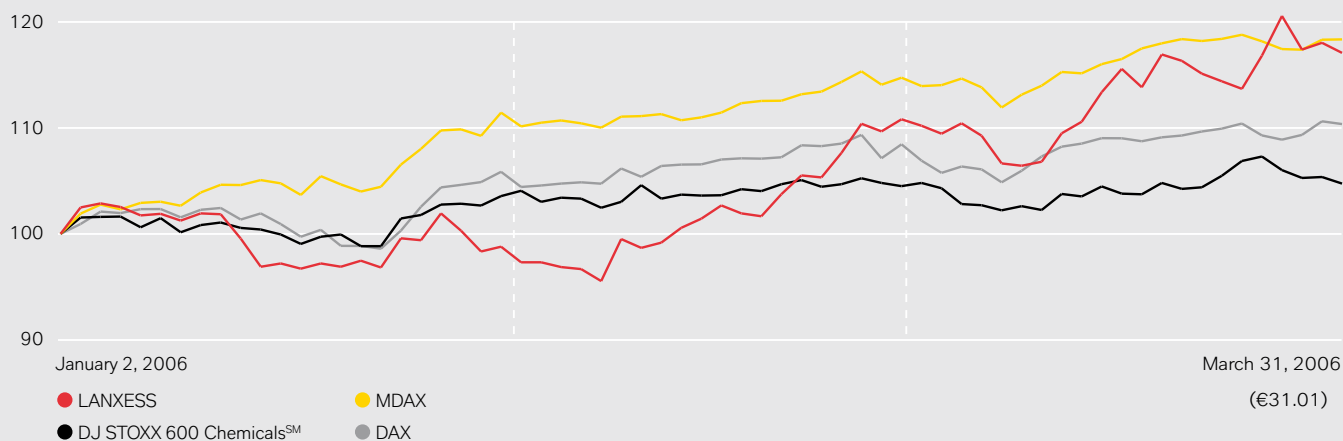
The German stock market indices also reached new highs. At the start of 2006, the leading DAX index rose to its highest level in over four years at just under 5,500 points. The strong upward

trend continued in the first quarter, with the DAX closing at 5,970 at the end of March. The other indexes rose as well. Thus, the MDAX climbed 19% in the reporting period to 8,669 points as of March 31, 2006, while the DJ STOXX 600 ChemicalsSM* ended the first quarter at 353.87 points (December 30, 2005: 338.85 points).

The favorable stock market climate in the first quarter was supported by optimistic data on the German economy. The Ifo Business Climate Index rose significantly for the first time in years and in March 2006 regained its 1991 level at 105.4 points. Forecasts of good economic growth in Germany during the current year, issued by the leading economic research institutes, also provided a positive stimulus. The global economy was also in good condition. Asia, especially China and India, and central and eastern Europe showed particularly strong growth. While the high price of oil continued to add an element of uncertainty, it did not affect the market uptrend in the first quarter.

* The Dow Jones STOXX 600 ChemicalsSM represents the chemicals-sector companies that are included in a larger index covering the 600 largest European enterprises in 18 different industries. There were 19 companies in the chemicals index as of March 31, 2006.

Stock Performance in %



LANXESS Stock		Year 2005	Q1 2006
Capital stock/no. of shares ¹⁾	€/no. of shares	84,620,670	84,620,670
Market capitalization ¹⁾	€ billion	2.28	2.62
High/low for the period	€	27.65/13.63	32.65/24.67
Closing price ¹⁾	€	26.96	31.01
Trading volume	million shares	141.143	33.086
Earnings per share	€	(0.75)	0.97

¹⁾ as of December 31, 2005 and March 31, 2006, respectively

BUSINESS DEVELOPMENT IN THE FIRST QUARTER OF 2006

Business Trends in the LANXESS Group

- Positive start to fiscal 2006 – EBITDA pre exceptionals improved by more than 13% to €205 million
- Transformation process: successful divestment of Fibers and Paper business units and effective restructuring
- Strong sales growth and promising business outlook in Asia-Pacific
- Net financial liabilities further reduced
- Specific earnings guidance: €640 to €680 million EBITDA pre exceptionals for the full year

Economic environment The global economy remained on a positive path in the first quarter of 2006. In Germany, too, the upswing continued. German chemical industry output in the first three months was 3% above the prior-year period. Significant impetus for the continuing growth in the chemical economy came from exports, and this was reflected in business developments at LANXESS.

Sales The LANXESS Group got off to a good start in fiscal 2006. Group sales in the first quarter rose to €1,836 million, up 6.2% from the prior-year quarter. A price-related sales increase of €78 million, or 4.5%, and a positive currency effect of €64 million, or 3.8%, clearly offset a slight drop in volume of €35 million, or 2.1%. Selling prices were raised in major areas of activity due to increases in the costs of raw materials and energy. Volume declined as a result of the consistent implementation of the “price before volume” strategy.

Effects on sales	Q1 2006
Approximate data	in %
Price	4.5
Volume	(2.1)
Currency	3.8
	6.2

All the operating segments lifted sales. Increases were highest in the Performance Rubber and Engineering Plastics segments, while sales in the Chemical Intermediates segment were only slightly above last year's level.

Sales by segment	Q1 2005	Q1 2006	Change	Proportion of Group sales
€ million			in %	in %
Performance Rubber	392	438	11.7	23.9
Engineering Plastics	414	456	10.1	24.8
Chemical Intermediates	389	395	1.5	21.5
Performance Chemicals	478	517	8.2	28.2

From a geographical point of view, sales in the Americas, and especially in Asia-Pacific, advanced substantially against the background of those regions' buoyant economies. In Germany, too, an improved business climate resulted in increased sales.

Gross profit With the cost of sales up by 8.7% from the prior-year quarter, to €1,399 million, gross profit dipped by 1.1% to €437 million. The 23.8% gross profit margin was 1.8 percentage points below the level of the previous year, since the positive effects of efficiency improvements and savings on personnel costs were more than offset by what were in some cases substantial increases in raw material and energy costs. Scope for passing these cost increases along in the market was limited in the first quarter, especially in the Engineering Plastics and Chemical Intermediates segments.

EBITDA pre exceptionals	Q1 2005	Q1 2006	Change
€ million			in %
Performance Rubber	56	71	26.8
Engineering Plastics	35	22	(37.1)
Chemical Intermediates	65	71	9.2
Performance Chemicals	58	69	19.0

EBITDA and EBIT In what is traditionally the strongest quarter of the year, LANXESS increased its operating result before depreciation and amortization (EBITDA) pre exceptionals by 13.3% from the prior-year quarter, to €205 million, despite the slightly lower gross profit margin. The EBITDA margin pre exceptionals thus improved by 0.7 percentage points to 11.2%. This was attributable to the lower selling and administrative expenses that resulted from the cost containment and efficiency improvement measures implemented in sales and administration in fiscal 2005. In addition, research and development costs in the first quarter of 2006 fell from €26 million to €22 million. Of the €18 million in exceptional items affecting the operating result (EBIT) for the first quarter of 2006, €16 million consisted of expenses for restructuring activities and portfolio adjustments. Further details are given in the commentary on the Corporate Center, Services, Non-Core Business, Reconciliation segment. Exceptional charges totaling €2 million were incurred in connection with antitrust investigations in the Performance Rubber and Performance Chemicals segments. EBIT for the prior-year quarter was adversely affected by impairment charges of €5 million on property, plant and equipment in the Engineering Plastics and Chemical Intermediates segments. In light of the restructuring measures initiated for the Styrenic Resins and Saltigo (formerly Fine Chemicals) business units and the associated reorganization processes, no impairment charges were taken in the first quarter of 2006.

Financial result The financial result improved to minus €10 million from minus €22 million in the prior-year quarter, thanks to higher income from the investment in the associate Bayer Industry Services GmbH & Co. OHG as well as to improvements in the net interest position and the balance of exchange gains and losses.

Income before income taxes Income before income taxes improved from €94 million in the prior-year quarter to €115 million in the first quarter of 2006. Tax expense rose by €9 million to €32 million due to the higher income. The effective tax rate was 27.8%, up from 24.5% for the prior-year quarter.

Net income and earnings per share Net income for the first quarter of 2006 was €82 million, compared to €70 million for the same period of 2005. As in the prior-year quarter, the income attributable to minority interests was €1 million. Basic earnings per share were €0.97, against €0.96 in the first quarter of 2005. The 2006 figure should be seen in light of the capital increase carried out in the third quarter of 2005, raising the number of shares by 11,586,478 to 84,620,670.

Business Trends by Region

Sales by market	Q1 2005		Q1 2006		Change in %
	€ million	in % of sales	€ million	in % of sales	
EMEA (excluding Germany)	640	37.0	619	33.7	(3.3)
Germany	390	22.5	417	22.7	6.9
Americas	449	26.0	497	27.1	10.7
Asia-Pacific	250	14.5	303	16.5	21.2
	1,729	100.0	1,836	100.0	6.2

In the EMEA region (Europe [except Germany], Middle East, Africa), LANXESS Group sales fell by just 3.3%, to €619 million, although business in the Performance Rubber and Engineering Plastics segments increased. The region's share of Group sales fell from 37.0% in the prior-year period to 33.7%.

LANXESS registered an encouraging 6.9% sales increase in Germany to €417 million in the first quarter of 2006, with the Performance Rubber and Engineering Plastics segments posting above-average growth rates. Germany's share of Group sales was virtually unchanged at 22.7%.

In the Americas region LANXESS increased sales by 10.7% to €497 million. In local currencies, sales rose by almost 1.0%. The Chemical Intermediates and Performance Chemicals segments posted the strongest increases in revenues. In the United States and Latin America sales also advanced in local currencies. Temporary production cutbacks at the Sarnia, Canada, site due to delivery problems experienced by a raw material supplier in the first quarter of 2006 prevented stronger growth in the region. Sales in the Americas region were 27.1% of Group sales, compared to 26.0% in the prior-year quarter.

In Asia-Pacific, LANXESS recorded a sharp rise in sales in the first quarter of 2006 compared to the same period last year, helped by the continuing dynamic growth in the region. Sales rose by 21.2% to €303 million. Adjusted for currency effects, the increase came to 16.6%. Sales advanced in all segments, but most strongly in Performance Rubber and Engineering Plastics. Business in China showed very pleasing growth, increasing by over 40%. The Asia-Pacific region's share of Group sales rose to 16.5%, from 14.5% in the prior-year quarter.

Segment Information

Performance Rubber	Q1 2005		Q1 2006		Change in %
	€ million	in % of sales	€ million	in % of sales	
Sales	392		438		11.7
EBITDA pre exceptionals	56	14.3	71	16.2	26.8
EBITDA	56	14.3	70	16.0	25.0
Operating result (EBIT) pre exceptionals	41	10.5	55	12.6	34.1
Operating result (EBIT)	41	10.5	54	12.3	31.7
Capital expenditures*	9		10		11.1
Depreciation and amortization	15		16		6.7

* intangible assets and property, plant and equipment

At €438 million, sales in the **Performance Rubber** segment in the first quarter of 2006 were 11.7% above the level of the prior-year quarter (€392 million). The increased cost of energy and raw materials, particularly butadiene and isobutylene, led to price increases in all business units, resulting in price-related sales growth of 12.7%. This was reinforced by a positive currency effect of 5.1%. Volume declined by 6.1%, partly as a result of the "price before volume" strategy and partly because of the streamlining of production processes in the Polybutadiene Rubber business unit. In the Butyl Rubber business unit, LANXESS expects the delivery problems experienced by a North American raw material supplier starting at the end of 2005 to have an adverse impact on business, mainly in the second quarter of 2006.

EBITDA pre exceptionals in the Performance Rubber segment increased by 26.8% to €71 million. Cost-cutting and increased efficiency contributed to the improvement in earnings, particularly in the Technical Rubber Products and Polybutadiene Rubber business units. The restructuring measures initiated in the Technical Rubber Products business unit in fiscal 2005 already bore fruit in the first quarter of 2006. The same was true of the capacity adjustments in the Polybutadiene Rubber business unit. The EBITDA margin for the segment rose by 1.9 percentage points to 16.2%. LANXESS will continue to take changes in procurement prices for raw materials and energy into account in its pricing.

The €1 million in exceptional items in this segment involved subsequent costs related to the settlement of the antitrust investigations in the Technical Rubber Products business unit in 2005.

Engineering Plastics	Q1 2005		Q1 2006		Change
	€ million	in % of sales	€ million	in % of sales	in %
Sales	414		456		10.1
EBITDA pre exceptionals	35	8.5	22	4.8	(37.1)
EBITDA	35	8.5	22	4.8	(37.1)
Operating result (EBIT) pre exceptionals	26	6.3	14	3.1	(46.2)
Operating result (EBIT)	24	5.8	14	3.1	(41.7)
Capital expenditures*	5		5		0.0
Depreciation and amortization	11		8		(27.3)

* intangible assets and property, plant and equipment

Sales in the **Engineering Plastics** segment rose by 10.1% to €456 million in the first quarter of 2006, with the Styrenic Resins and Semi-Crystalline Products business units posting significant volume growth. As part of the transformation process, the Fibers business unit was divested to the Japanese Asahi Kasei Fibers group effective February 28, 2006. Prices and volume in this business unit were lower than in the corresponding period of the prior year due to continuing global overcapacities and the associated pressure on prices. The Engineering Plastics segment as a whole recorded positive volume and currency effects of 6.3% and 3.1%, respectively, whereas prices were 0.7% above the previous year's levels.

EBITDA pre exceptionals fell significantly by 37.1% to €22 million. Earnings in the Semi-Crystalline Products business unit declined in comparison with an unusually strong quarter in the prior year. In the Styrenic Resins business unit, where performance again improved, the prices of several products were raised in order to pass on the increase in the price of acrylonitrile. In the first quarter of 2006, the continuing negative development of the Fibers business unit affected segment earnings for the last time, with the EBITDA margin pre exceptionals declining by 3.7 percentage points to 4.8%. The Engineering Plastics segment continues to generate the smallest contribution to earnings in the LANXESS Group, both in relative and absolute terms.

In the prior-year period, EBIT for the segment was adversely affected by impairment charges of €2 million in the Styrenic Resins business unit. In light of the restructuring measures initiated for this business unit and the associated reorganization process, no impairment charges were taken in the first quarter of 2006.

Chemical Intermediates	Q1 2005		Q1 2006		Change
	€ million	in % of sales	€ million	in % of sales	in %
Sales	389		395		1.5
EBITDA pre exceptionals	65	16.7	71	18.0	9.2
EBITDA	65	16.7	71	18.0	9.2
Operating result (EBIT) pre exceptionals	50	12.9	55	13.9	10.0
Operating result (EBIT)	47	12.1	55	13.9	17.0
Capital expenditures*	9		9		0.0
Depreciation and amortization	18		16		(11.1)

* intangible assets and property, plant and equipment

Sales in the **Chemical Intermediates** segment increased slightly in the first quarter of 2006 to €395 million, up 1.5% from the prior-year period. Positive price effects of 0.8% and positive currency effects of 2.5% compensated for the 1.8% decline in volume. The Basic Chemicals and Inorganic Pigments business units raised prices to pass on higher raw material and energy costs. After the severe winter in the previous year, the Inorganic Pigments business unit also posted higher volume in the first quarter of 2006. The Fine Chemicals business unit, which was transferred to a separate legal entity with effect from the start of 2006 and has since positioned itself in the exclusive customer synthesis market under the name Saltigo, posted a decline in sales to agrochemical producers, while the market for pharmaceutical intermediates developed well.

EBITDA pre exceptionals for the Chemical Intermediates segment in the first quarter, which is normally the strongest quarter of the year, increased by 9.2% from the same period of 2005, to €71 million. Contributing to this increase were improved cost structures achieved through personnel adjustments and especially through closures of unprofitable production plants, particularly in the Saltigo business unit. The EBITDA margin pre exceptionals improved from 16.7% to 18.0%.

In the previous year, impairment charges adversely affected EBIT in the Saltigo business unit by €3 million. In light of the restructuring measures initiated for the Saltigo (formerly Fine Chemicals) business unit and the associated reorganization process, no impairment charges were taken in the first quarter of 2006.

Performance Chemicals	Q1 2005		Q1 2006		Change
	€ million	in % of sales	€ million	in % of sales	in %
Sales	478		517		8.2
EBITDA pre exceptionals	58	12.1	69	13.3	19.0
EBITDA	58	12.1	68	13.2	17.2
Operating result (EBIT) pre exceptionals	43	9.0	52	10.1	20.9
Operating result (EBIT)	43	9.0	51	9.9	18.6
Capital expenditures*	12		12		0.0
Depreciation and amortization	15		17		13.3

* intangible assets and property, plant and equipment

Sales revenues in the **Performance Chemicals** segment rose by 8.2% to €517 million. Adjusted for currency effects, business expanded by 3.8%. Price increases added 4.6% to sales, while volume was down 0.8%. Nearly all business units in the segment raised their prices, with the Rubber Chemicals and Leather business units posting significant increases in volume at the same time despite less favorable market conditions, particularly for Rubber Chemicals. The Textile Processing Chemicals business unit recorded a significant drop in volume, especially in Europe and Japan.

EBITDA pre exceptionals advanced by 19.0% to €69 million, thanks largely to the improved business in the Rubber Chemicals and Leather business units. The Paper business unit was divested to the Kemira Group, Finland, effective March 31, 2006. The EBITDA margin pre exceptionals for the segment rose by 1.2 percentage points to 13.3%.

The €1 million in exceptional items for this segment involved subsequent costs related to the settlement of antitrust investigations in the Rubber Chemicals business unit in 2005.

Corporate Center, Services, Non-Core Business,

Reconciliation The €16 million in exceptional charges taken in this segment in the first quarter of 2006 related to the extensive restructuring activities and portfolio adjustments already initiated in the previous year. These charges mainly comprised personnel adjustment costs, impairment losses, expenses for closures or partial closures of facilities, and costs for the preparation and execution of corporate transactions. The transformation process initiated by the Board of Management 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 fiscal 2005.

Corporate Center, Services, Non-Core Business, Recon- ciliation	Q1 2005		Q1 2006		Change
	€ million	in % of sales	€ million	in % of sales	in %
Sales	56		30		(46.4)
EBITDA pre exceptionals	(33)		(28)		(15.2)
EBITDA	(33)		(44)		33.3
Operating result (EBIT) pre exceptionals	(39)		(33)		(15.4)
Operating result (EBIT)	(39)		(49)		25.6
Capital expenditures*	16		1		(93.8)
Depreciation and amortization	6		5		(16.7)

* intangible assets and property, plant and equipment

Financial Condition

Balance sheet structure As of March 31, 2006, the LANXESS Group had total assets of €4,269 million, which was slightly below the December 31, 2005 level of €4,341 million. Non-current assets declined by 2.8% to €1,783 million. The decrease – mainly in property, plant and equipment – was related to the fact that capital expenditures were below the level of depreciation, and also to the divestment of the Paper business unit. The ratio of non-current assets to total assets was virtually unchanged at 41.8%.

Current assets amounted to €2,486 million, down just 0.8% compared to December 31, 2005. Inventories declined 2.6% and trade receivables were 2.2% lower than on December 31, 2005. Adjusted for currency effects and portfolio changes, these two items would show slight seasonal increases of 2.4% and 3.6%, respectively, which is within expectations. The increase in other current assets was partly due to a receivable related to the divestment of the Paper business unit. There was €88 million in liquid assets, compared to €136 million as of December 31, 2005. As of March 31, 2006, current assets made up 58.2% of total assets.

Equity, including minority interests, rose by 6.4% to €1,337 million compared to December 31, 2005, in light of the positive net earnings. As of March 31, 2006, the equity ratio was 31.3%.

Non-current liabilities decreased by 1.8% to €1,548 million. The ratio of non-current liabilities to total assets was unchanged from December 31, 2005, at 36.3%. Current liabilities fell by 8.3% to €1,384 million. The decline in financial liabilities and trade payables more than offset the increase in current provisions. Trade payables fell, due to seasonal factors and the divestments of the Fibers and Paper business units. The change in current provisions was due to increased allocations to cover outstanding purchase invoices, increases in personnel provisions and the reclassification of amounts for litigation-related expenses from non-current liabilities to current provisions. The ratio of current liabilities to total assets was further reduced to 32.4% as of March 31, 2006, from 34.8% as of December 31, 2005.

Liquidity and capital resources Cash flow from operating activities improved significantly over the prior-year quarter to €36 million, up €46 million. This extremely gratifying development was due to the €115 million pre-tax income for the first quarter of 2006, which was €21 million above the prior-year period. There was also a smaller increase in net current assets than in the first quarter of 2005. This was mainly because inventories – adjusted for currency effects and the divestments of the Fibers and Paper business units – rose only slightly despite increases in raw material prices.

With respect to investing activities, there was a cash outflow of €2 million, against a cash outflow of €48 million in the first three months of 2005. Expenditures of €37 million for property, plant and equipment and intangible assets were 27.5% below the prior-year period and significantly below the €62 million in depreciation and amortization. During the first quarter of 2006 there was a cash inflow of €32 million from the divestments of the Fibers and Paper business units and the subsidiary iSL-Chemie. The largest share of capital expenditures in the first three months of 2006 was made in the Performance Rubber and Performance Chemicals segments, particularly in the Butyl Rubber business unit in Sarnia, Canada, and the Functional Chemicals business unit in Weifang, China. Significant capital spending also took place in the Chemical Intermediates segment at the Leverkusen site.

Regarding financing activities, there was a cash outflow of €82 million to repay loans, and a €2 million outflow for interest expense and other disbursements related to non-operating activities.

Liquid assets fell to €88 million, down €48 million compared to December 31, 2005. The net financial debt of €647 million as of March 31, 2006 was 4.9% below the level of December 31, 2005 (€680 million). This decline in the first quarter of 2006 illustrates the LANXESS Group's strict capital discipline and effective working capital management.

Outlook LANXESS expects the world economy to maintain a good rate of growth in 2006, providing a positive operating environment for the chemical industry. Apart from the improved economic prospects for Germany and the rest of Europe, steady expansion is also expected to continue in the Americas. The highest growth rates are predicted for the Asia-Pacific region. The industry will continue to contend with raw materials and energy prices that are volatile at a high level. LANXESS will take this into account in its pricing as it has done in the past.

On this basis, LANXESS will continue the transformation of the Group that began last year. Implementation of the restructuring program continues at a rapid pace and has already yielded significant results. The gratifying increase in EBITDA pre exceptionals in the first quarter of 2006 is proof that LANXESS is on the right path. Against the background of a positive business trend, LANXESS expects EBITDA pre exceptionals to increase to between €640 and €680 million for fiscal 2006, compared to €581 million for fiscal 2005. This guidance is within the upper half of the 9% to 10% margin range, calculated on 2004 sales, that has been communicated in the past. However, as a result of its consistently applied "price before volume" strategy, the LANXESS Group anticipates only moderate growth in sales from continuing operations.

Capital expenditures in 2006 will be at the upper end of the €250 million to €270 million range and thus slightly above the previous year.

Events After the Balance Sheet Date In April 2006, LANXESS announced a third restructuring package affecting the Polybutadiene Rubber and Butyl Rubber business units in the Performance Rubber segment, the Styrenic Resins business unit in the Engineering Plastics segment, and the Inorganic Pigments business unit in the Chemical Intermediates segment. These measures are planned to save costs of about €50 million a year in addition by 2009. The exceptional charges necessary to implement them will amount to about €55 million. The saving in terms of EBITDA pre exceptionals is predicted to be of the order of €35 million. The countries affected will be the United States, Brazil, France and Belgium. The measures involve the elimination of some 250 positions outside Europe.

On May 15, 2006, LANXESS received a "BBB" rating with stable outlook from the rating agency Fitch. This new rating is one notch higher than the existing "Baa3" and "BBB-" ratings given by Moody's Investor Services and Standard & Poor's, respectively.

LANXESS GROUP INCOME STATEMENT

	Q1 2005		Q1 2006	
	€ million	in % of sales	€ million	in % of sales
Sales	1,729		1,836	
Cost of sales	(1,287)	(74.4)	(1,399)	(76.2)
Gross profit	442	25.6	437	23.8
Selling expenses	(211)	(12.2)	(201)	(10.9)
Research and development expenses	(26)	(1.5)	(22)	(1.2)
General administration expenses	(71)	(4.1)	(64)	(3.5)
Other operating income	30	1.7	50	2.7
Other operating expenses	(48)	(2.8)	(75)	(4.1)
Operating result (EBIT)	116	6.7	125	6.8
Income from investment in associate – net	5	0.3	9	0.5
Other interest and similar income	2	0.1	2	0.1
Interest and similar expenses	(12)	(0.7)	(9)	(0.5)
Other financial income and expenses – net	(17)	(1.0)	(12)	(0.7)
Financial result	(22)	(1.3)	(10)	(0.5)
Income before income taxes	94	5.4	115	6.3
Income taxes	(23)	(1.3)	(32)	(1.7)
Income after taxes	71	4.1	83	4.5
of which attributable to minority stockholders	1	0.1	1	0.1
of which attributable to LANXESS AG stockholders (net income)	70	4.0	82	4.5
Basic earnings per share (€)	0.96		0.97	
Diluted earnings per share (€)	0.84		0.97	

LANXESS GROUP BALANCE SHEET

	December 31, 2005	March 31, 2006
€ million		
ASSETS		
Intangible assets	53	50
Property, plant and equipment	1,526	1,478
Investment in associate	22	31
Investments in other affiliated companies	4	4
Non-current financial assets	48	45
Deferred taxes	103	96
Other non-current assets	79	79
Non-current assets	1,835	1,783
Inventories	1,068	1,040
Trade receivables	1,065	1,042
Current financial assets	37	26
Other current assets	200	290
Liquid assets	136	88
Current assets	2,506	2,486
Total assets	4,341	4,269
EQUITY AND LIABILITIES		
Capital stock and capital reserves	889	889
Other reserves	748	685
Net income (loss)	(63)	82
Accumulated other comprehensive loss	(335)	(337)
Equity attributable to minority interest	17	18
Equity	1,256	1,337
Provisions for pensions and other post-employment benefits	497	499
Other non-current provisions	302	283
Non-current financial liabilities	644	639
Non-current tax liabilities	26	26
Other non-current liabilities	32	30
Deferred taxes	75	71
Non-current liabilities	1,576	1,548
Other current provisions	401	443
Current financial liabilities	172	96
Trade payables	694	618
Current tax liabilities	27	41
Other current liabilities	215	186
Current liabilities	1,509	1,384
Total equity and liabilities	4,341	4,269

LANXESS GROUP STATEMENT OF CHANGES IN EQUITY

€ million	Capital stock and capital reserves	Other reserves	Net income (loss)	Accumulated other comprehensive loss		Equity attributable to LANXESS AG stockholders	Equity attributable to minority interest	Total
				Currency translation adjustment	Derivative financial instruments			
Dec. 31, 2004	836	896	(12)	(375)	6	1,351	14	1,365
Dividend payments						0	(1)	(1)
Allocation to retained earnings		(12)	12			0		0
Exchange differences				6		6		6
Other changes in equity		(253)			(3)	(256)		(256)
Net income			70			70	1	71
March 31, 2005	836	631	70	(369)	3	1,171	14	1,185
Dec. 31, 2005	889	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	889	685	82	(340)	3	1,319	18	1,337

LANXESS GROUP

CASH FLOW STATEMENT

	Q1 2005	Q1 2006
€ million		
Income before income taxes	94	115
Depreciation and amortization	65	62
Income from investment in associate	(5)	(9)
(Gains) losses on retirements of property, plant and equipment	(1)	0
Losses from non-operating activities	9	7
Income taxes	(24)	(9)
Change in inventories	(116)	(24)
Changes in trade receivables	(43)	(37)
Changes in trade payables	(77)	(68)
Changes in other assets and liabilities	88	(1)
Net cash provided by (used in) operating activities	(10)	36
Cash outflow for additions to intangible assets, property, plant and equipment	(51)	(37)
Cash inflow from sales of intangible assets, property, plant and equipment	2	1
Cash inflows from sales of subsidiaries and other businesses	0	32
Interest and dividends received	1	2
Net cash used in investing activities	(48)	(2)
Proceeds from borrowings	774	49
Repayments of borrowings	(647)	(129)
Interest paid and other financial disbursements	(11)	(2)
Net cash provided by (used in) financing activities	116	(82)
Change in cash and cash equivalents from business activities	58	(48)
Cash and cash equivalents as of January 1	72	136
Change in cash and cash equivalents due to changes in scope of consolidation	0	0
Change in cash and cash equivalents due to exchange rate movements	0	0
Cash and cash equivalents as of March 31	130	88

SEGMENT AND REGION DATA

Business segments	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006
€ million	Performance Rubber		Engineering Plastics		Chemical Intermediates	
Sales	392	438	414	456	389	395
EBITDA pre exceptionals	56	71	35	22	65	71
EBITDA margin pre exceptionals	14.3%	16.2%	8.5%	4.8%	16.7%	18.0%
EBITDA	56	70	35	22	65	71
Segment result/EBIT pre exceptionals	41	55	26	14	50	55
Segment result/EBIT	41	54	24	14	47	55
Capital expenditures	9	10	5	5	9	9
Depreciation and amortization	15	16	11	8	18	16
Employees (as of March 31)	3,119 ¹⁾	3,041	3,479 ¹⁾	2,946	3,353 ¹⁾	3,756

¹⁾ December 31, 2005

Geographical regions	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006
€ million	EMEA (excluding Germany)		Germany		Americas	
Sales by market	640	619	390	417	449	497
Proportion of Group sales	37.0%	33.7%	22.5%	22.7%	26.0%	27.1%
Employees (as of March 31)	3,290 ¹⁾	3,192	9,410 ¹⁾	8,732	3,694 ¹⁾	3,332

¹⁾ December 31, 2005

	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006
	Performance Chemicals		Corporate Center, Services, Non-Core Business, Reconciliation		LANXESS	
	478	517	56	30	1,729	1,836
	58	69	(33)	(28)	181	205
	12.1%	13.3%	-	-	10.5%	11.2%
	58	68	(33)	(44)	181	187
	43	52	(39)	(33)	121	143
	43	51	(39)	(49)	116	125
	12	12	16	1	51	37
	15	17	6	5	65	62
	4,743 ¹⁾	4,361	3,588 ¹⁾	3,076	18,282 ¹⁾	17,180

	Q1 2005	Q1 2006	Q1 2005	Q1 2006
	Asia-Pacific		LANXESS	
	250	303	1,729	1,836
	14.5%	16.5%		
	1,888 ¹⁾	1,924	18,282 ¹⁾	17,180

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2006

Recognition and Valuation Principles Like the consolidated financial statements as of December 31, 2005, the unaudited interim consolidated financial statements as of March 31, 2006 were prepared in accordance with the standards of the International Accounting Standards Board (IASB), London, U.K. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2005. 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. In the first quarter of 2006, Dorlastan Fibers LLC, Bushy Park, United States, was divested effective February 28, 2006 and has been excluded from the consolidation. The divestments of the Fibers business unit effective February 28, 2006 and of the Paper business unit effective March 31, 2006 did not lead to any material changes in the assets and liabilities of the LANXESS Group reflected in the consolidated financial statements as of March 31, 2006.

The results of the Fibers and Paper business units up to their respective divestment dates – February 28, 2006 and March 31, 2006 – are reflected in net income of the Group.

Fifty-seven companies were fully consolidated into the financial statements of the LANXESS Group as of March 31, 2006. In addition, unchanged from December 31, 2005, Chrome International South Africa (Pty) Ltd. was included by proportionate consolidation, while Bayer Industry Services GmbH & Co. OHG was included at equity.

Changes in Risk Profile LANXESS bears 30% of the costs of antitrust and civil law actions relating to certain rubber products under an agreement with Bayer in connection with the spin-off. As a result, LANXESS incurred €2 million in expenses for exter-

nal consultants in the first quarter of 2006, which are reported as exceptional items. Attention is drawn to the notes to the consolidated financial statements as of December 31, 2005, which contain further details on the litigation concerning rubber products and the exhaustion of the €100 million limit on LANXESS AG's pro-rata reimbursements of expenses occasioned by the settlements entered into by Bayer AG in fiscal 2005.

Employees The LANXESS Group had 17,180 employees as of March 31, 2006, compared with 18,282 as of December 31, 2005. The reduction of 1,102 includes the employees who left the Group in connection with the sales of the Fibers and Paper business units. Positions were also eliminated in the course of the global restructuring, particularly in Germany and the Americas.

Earnings per Share Earnings per share for the first quarter of 2006 were calculated by dividing Group net income by the 84,620,670 shares admitted to trading on the Frankfurt Stock Exchange. In the prior-year quarter, basic earnings per share were computed on the basis of 73,034,192 shares, while diluted earnings per share also took into account the maximum number of shares that could have been issued if conversion rights under the convertible bond issued on September 15, 2004 had been exercised.

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2006 Financial Calendar	
May 31	Annual Stockholders' Meeting (Düsseldorf Fairground)
August 16	Interim Report Q2 2006
November 15	Interim Report Q3 2006

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