LANXESS
Q1 2005 Results

May 2005

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Agenda

LANXESS
Energizing Chemistry

1. Q1 2005 Highlights
2. Financial Update
3. Outlook & Guidance

Q1 2005 Highlights

Independence

– Strategy change in PBR -from pure volume to profitability strategy- yields results
– Strategy change in STY - regional centers produce and deliver for regional markets
– Selling prices increased for many products amid supportive market environment

Restructuring

– Additional restructuring plans for STY and FCH announced
– Negotiation with employee representatives for restructuring initiated
– Hydrazinhydrat plant in the process of being disassembled and shipped to China
– Porofor plant sold to Chinese partner

Portfolio

– Paper update: Preparations finalized by Q2 (data room, businessplan, etc.), interested parties will be contacted from Q3 onward
– Target: to finalize PAP transaction by year-end if the value is appropriate

Housekeeping

– Listing of “LXS” on the German Stock Exchange
– Q1 2005 being the first quarter with “real” actual figures - Q1 2004 was still Combined Financial Statements

Summary:
Good First Quarter - A Further Step Towards Our Targets

(€ m)	Q1 2004	Q1 2005	Δ in %
Sales	**1,610**	**1,729**	**7.4%**
EBITDA pre except. Margin	**165** 10.2%	**181** 10.5%	**9.7%**
EBIT	**70**	**116**	**65.7%**
Net Income	**26**	**70**	**>100%**
Net Financial Debt	**1,135**[1]	**1,234**	**8.7%**
Capex	**50**	**51**	**2.0%**
Employees	**19,659**[2]	**18,799**[3]	**-1.4%**

- Q1 2005 expected to remain strongest quarter
- Sales growth on the basis of strong pricing
- Price increases supported by economic environment
- Reduced D&A after impairments in Q4 2003 (still high D&A in Q1 2004)
- Working Capital increase mainly due to seasonal Q1 effects and stronger sales
- Continuing prudent capex management

[1] per 12/31/2004
[2] per 12/31/2004; including 600 agency employees
[3] excluding 600 agency employees who were not transferred to Lanxess

Good Q1 - temporary relief from raw material cost increase and higher selling prices

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The Year Started Reasonably Well

(€ m)	Q1 2004	Q1 2005	Δ absolut	Δ in %
Sales	**1,610**	**1,729**	**119**	7%
Cost of goods sold	-1,241	-1,287	46	4%
SG&A	-265	-282	17	6%
R&D	-35	-26	-9	-26%
Other op. income/ expense	1	-18	-19	n.m.
EBIT	**70**	**116**	**46**	**66%**
thereof exceptionals	**0**	**-5**	**-5**	**n.m.**
Net Income	**26**	**70**	**44**	**>100%**
EBITDA	165	181	16	10%
thereof exceptionals	0	0	0	0%
EBITDA pre exceptionals	**165**	**181**	**16**	10%

- Sales increase mainly due to higher selling prices
- Improved profitability due to price-passthrough in a quarter that should usually be the strongest quarter
- Capex write-offs in FCH and STY of €5 million

n.m.: not meaningful

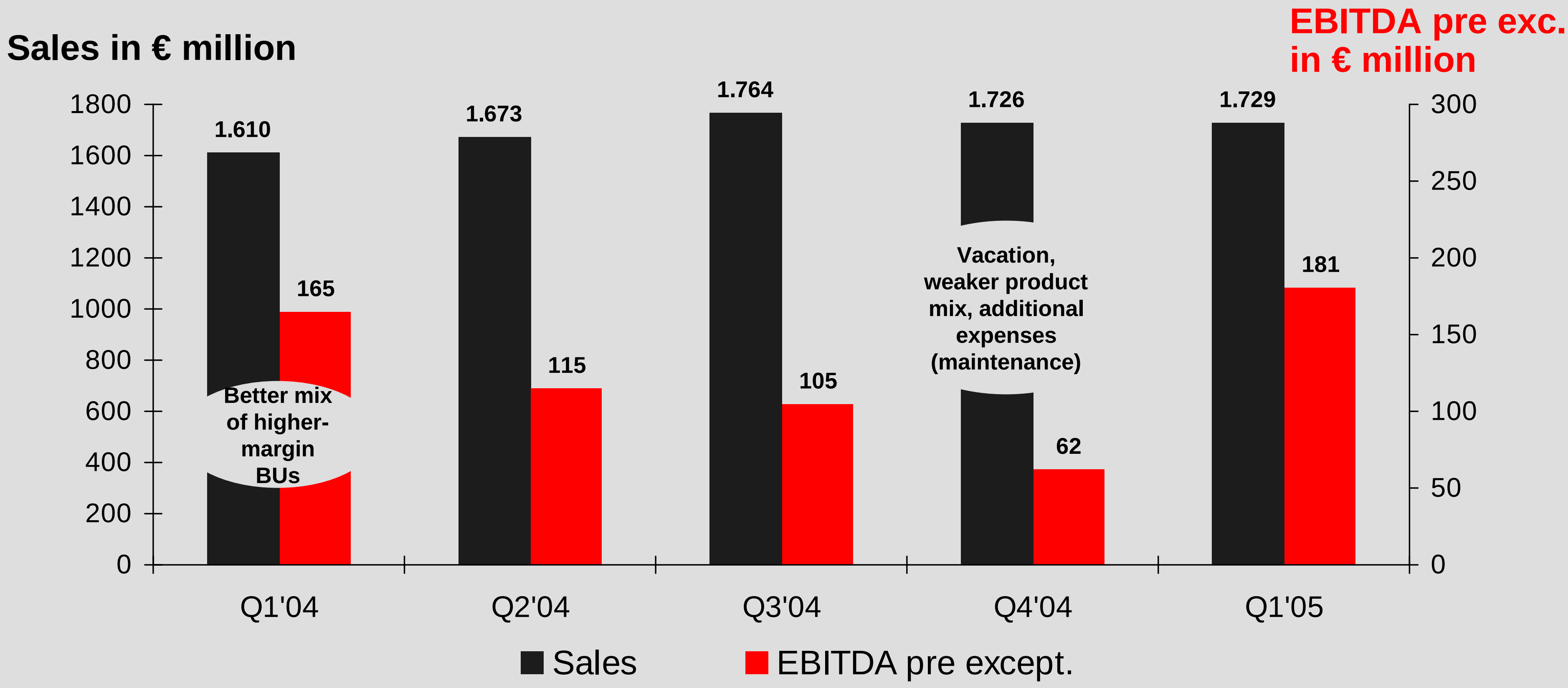
Q1 2005 Sales Variance by Segment (approximate numbers)

(€ m)	Q1 2004	Price	Volume	Currency	Q1 2005
Performance Rubber	**326**	~ $\boxed{+15\%}$	~ +6%	~ -1%	**392**
Engineering Plastics	**407**	~ $\boxed{+15\%}$	~ $\boxed{-12\%}$	~ -1%	**414**
Chem. Intermediates	**366**	~ +6%	~ +1%	~ -1%	**389**
Perf. Chemicals	**478**	~ +2%	~ -1%	~ -1%	**478**
LANXESS	**1,610**	~ +9%	~ -1%	~ -1%	**1,729**

Independence

- supports re-positioning of businesses on the market
- enables implementation of new pricing strategies
  - improve margin to acceptable level
  - don't go for every volume at any price

Annual Earnings Seasonality



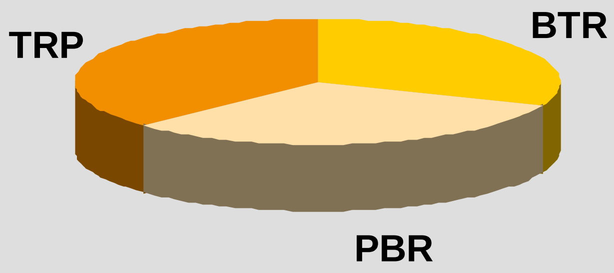
Certain seasonality with relatively constant sales

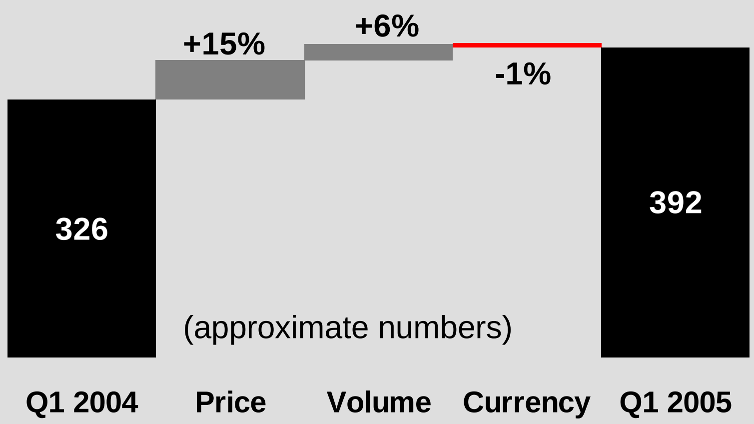
Performance Rubber: Improved Results Due To New Strategy and Supportive Environment

(€ m)	Q1 2004	Q1 2005
Sales	**326**	**392**
EBIT	12	41
Depr. / Amort.	20	15
EBITDA	32	56
EBITDA pre except.	**32**	**56**
Margin	9.8%	14.3%
Capex	**11**	**9**

- Increased selling prices mainly in PBR and BTR as well as higher volumes in TRP and PBR lead to higher sales and further performance improvement
- Turnaround achieved in PBR due to a new business approach and a more favorable product mix
- TRP with still moderate Q1 performance compared to BTR and PBR

Sales by BU:





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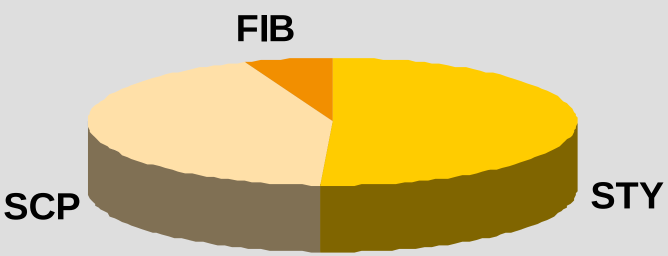
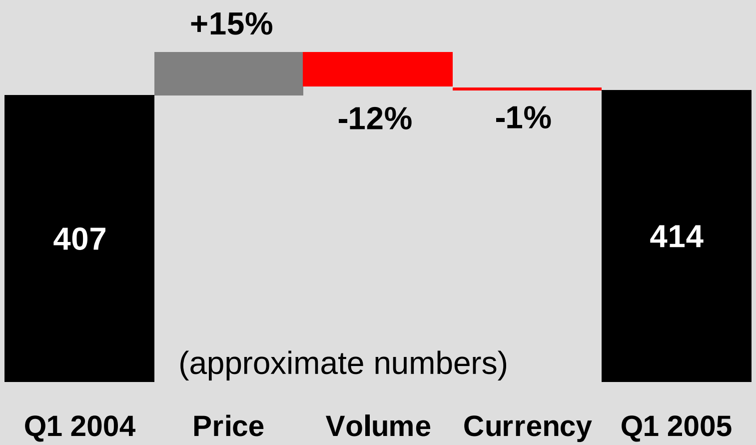
Engineering Plastics: Still Dark but First Light Visible at the End of the Tunnel

(€ m)	Q1 2004	Q1 2005
Sales	**407**	**414**
EBIT	3	24
Depr. / Amort.	18	11
EBITDA	21	35
EBITDA pre except.	**21**	**35**
Margin	5.2%	8.4%
Capex	**9**	**5**

- Only slightly higher sales as clear focus remains on performance improvement
- Voluntary loss of unprofitable sales volume mainly in STY; relatively weak business in FIB
- Strong first quarter in SCP primarily due to selling price improvement and easing raw material prices (basically cyclohexane)
- Exceptionals of €2 million due to Capex write-offs in STY

Sales by BU:





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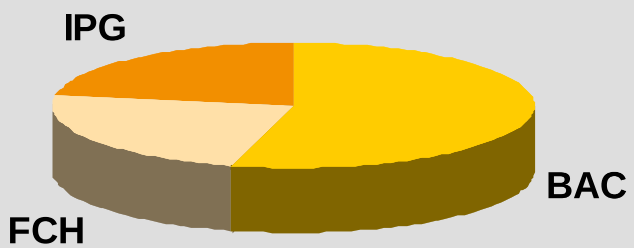
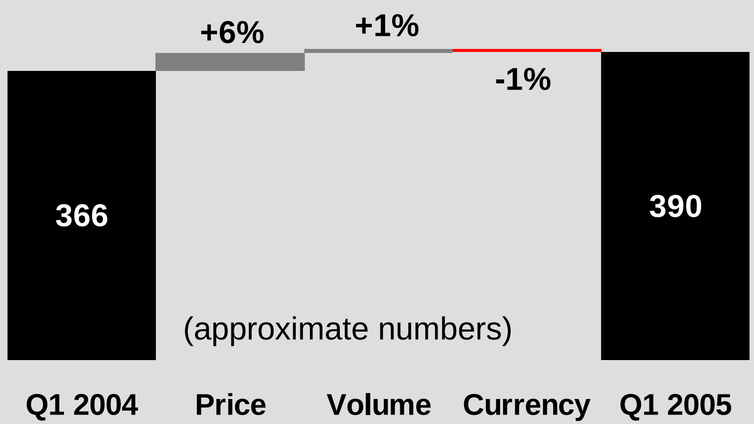
Chemical Intermediates: Overall Good Results with Highly Differential BU Performance

(€ m)	Q1 2004	Q1 2005
Sales	**366**	**389**
EBIT	48	47
Depr. / Amort.	33	18
EBITDA	81	65
EBITDA pre except.	**81**	**65**
Margin	22.1%	16.7%
Capex	**10**	**9**

- Sales growth driven by higher prices and volumes in BAC which continued to perform very well
- Slight volume decrease in IPG mainly due to a strong winter impacting demand in construction industry
- Weighted down mainly by the downward trend in FCH, EBITDA pre exceptionals showed a year-on-year decline
- Q1 2004 contained positive single digit one-offs (reversal of accrual)
- Exceptionals of €3 million due to Capex write-offs in FCH

Sales by BU:





Performance Chemicals: Improvement on the Basis of Cost Reduction and Price Increases

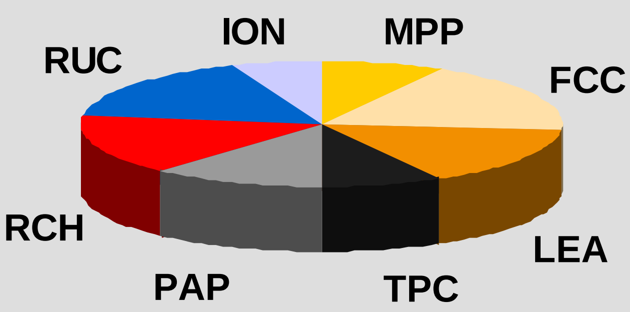
(€ m)	Q1 2004	Q1 2005
Sales	**478**	**478**
EBIT	33	43
Depr. / Amort.	22	15
EBITDA	55	58
EBITDA pre except.	**55**	**58**
Margin	11.5%	12.1%
Capex	**11**	**12**

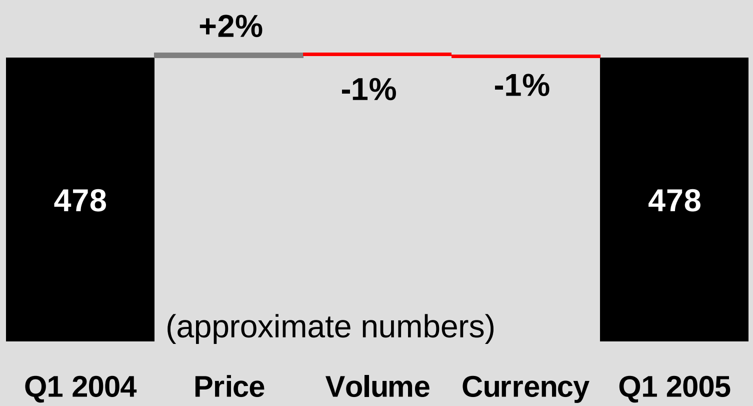
– Total sales remained flat with price increases mainly in RUC and FCC, partly offset by weaker pricing primarily in ION and TPC

– Volume increases mainly in ION and PAP were likewise more than offset by lower volumes in FCC and TPC

– EBITDA pre exceptionals improved due to better RUC results and to some extend reduced costs in virtually all operating cost accounts

Sales by BU:





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Reconciliation Column: Operational Focus

(€ m) EBITDA pre exceptionals	Q1 2004	Q1 2005	Δ in%
Performance Rubber	32	56	75.0%
Engineering Plastics	21	35	66.7%
Chemical Intermediates	81	65	-19.8%
Performance Chemicals	55	58	5.5%
Reconciliation	-24	-33	37.5%
Total LANXESS	165	181	9.7%

- Reconciliation reflects items not allocable to operating segments such as:
  - Corporate Center expenses
  - Service Companies
  - Sideline operations

- Historically, parts of these expenses have been allotted pro rata to the operating businesses. In 2004 this amounted to ~€16 million per quarter (Rubber: €5.9m, Plastics: €7.3m, Intermediates: €1.3m, Performance Chemicals: €1.5m)
- As announced in November 2004, we have now changed the allocation methodology to foster BU accountability

➔ With the accounting for Q1 2005 also Q1 2004 has been restated in order to obtain a like-for-like basis going forward

This approach supports our focus on accountability of the individual operational manager

Condensed Consolidated Balance Sheet

(€ m)	Dec 31, 2004	Mar 31, 2005
Non-current Assets		
Intangible assets	65	62
Property, plant & equipment	1,521	1,518
Investments	85	87
Current Assets		
Inventories	1,151	1,279
Trade receivables	1,137	1,191
Other receivables & assets	363	404
Cash & cash equivalents	72	130
Deferred taxes	172	34
Deferred charges	11	12
Total assets	4,577	4,717

(€ m)	Dec 31, 2004	Mar 31, 2005
Shareholders' equity	1,351	1,171
Minority stockholders' interest	14	14
Provisions		
Pension & post empl. provisions	418	431
Other provisions	481	548
Liabilities		
Financial obligations	1,207	1,364
thereof Mandatory Convertible	200	200
Trade accounts payable	820	756
Misc. liabilities	190	210
Deferred taxes	55	174
Deferred income	41	49
Total Liabilities & Equity	4,577	4,717

Improved Operating Cash Flow Remains Weak - Predominantly due to Working Capital

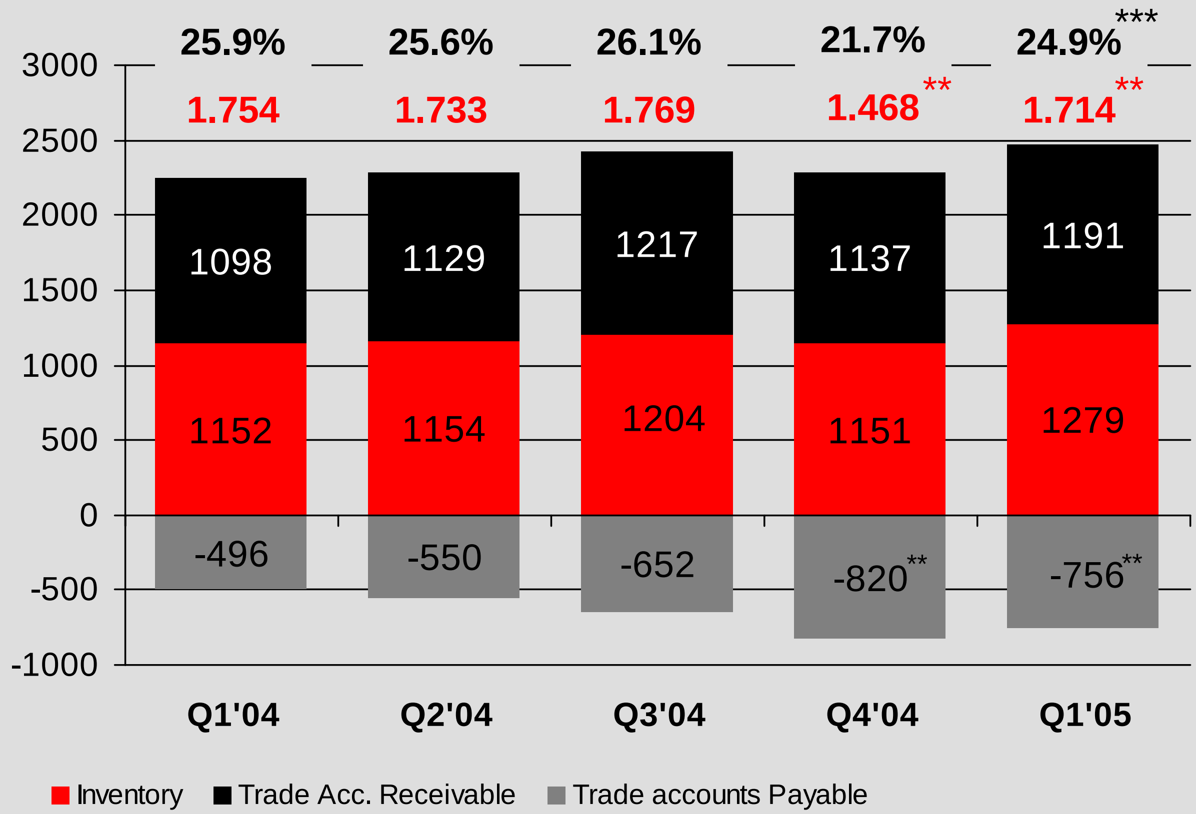
(€ m)	Q1 2004	Q1 2005
EBIT	**70**	**116**
Taxes Paid	-17	-24
Depreciation & Amortization	95	65
Change in Pension Accrual	7	0
Gain/ Loss from Sale of Assets	4	-1
Change in Working Capital*	-225	-236
Change in other net current assets	-1	70
Cash provided by operating act.	**-67**	**-10**
Capex	**-50**	**-51**
Cash Flow used in investing activities**	-52	-48
Cash Flow used in financing activities	126	116
Cash at End of Period	20	130

- Cash effect from higher EBIT did not offset increase in working capital
- D&A in 2005 lower due to absence of goodwill amortization and technical effect in 2004
- Working Capital increases due to higher business volume and higher raw material prices
- €20 million cash out in Q1 for rubber anti-trust
- Capex again below level of depreciation

Restructuring expected to impact cash flow in 2005/2006

* Working Capital : Inventory plus trade accounts receivable less trade accounts payable
** including Capex

Working Capital* Increase Due to First Quarter Effects



– Inventory: Increase vs. year end on the back of risen raw material costs and some operational stock up

– Receivables: Slightly higher compared to year end mainly due to higher prices

– Payables: Increased over time - containing €130 million of payment term adjustment with Bayer as of Q4 2004

Target until 2006: Counterbalance €130 m increase from expiry of payment term adjustment

* Working Capital : Inventory plus trade accounts receivable less trade accounts payable   *** As % of sales on the basis of last 4 quarters' sales
** Including €130 million in payment term adjustment with Bayer

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Outlook and Guidance

Underlying assumptions

- Exchange rate €1.0 = ~USD1.30
- Economic environment satisfactory, moderate growth in H2 2005
- LANXESS tends to have a better mix of higher-margin BUs in first half of any year

2005 Guidance based on above assumptions

- Some sales growth year over year with H2 2005 only moderate (if at all) due to comparison to strong H2 2004
- FY 2005 EBITDA pre exceptionals expected to be >10% above FY 2004
- Q2 2005 EBITDA pre exceptionals is expected to be again a good quarter vs. previous year's Q2 - normally the second strongest quarter on a full year basis
- Capex ~€250-270 million
- Depreciation and Amortization ~€250 million


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