LANXESS
Q2 2005 Results

August 25, 2005

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Agenda

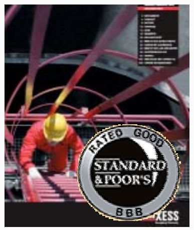
1. Highlights Q2 2005
2. Restructuring
3. Q2 Financials and Business Issues
4. Outlook and Summary

Continuous High Speed in Q2

April — **July**

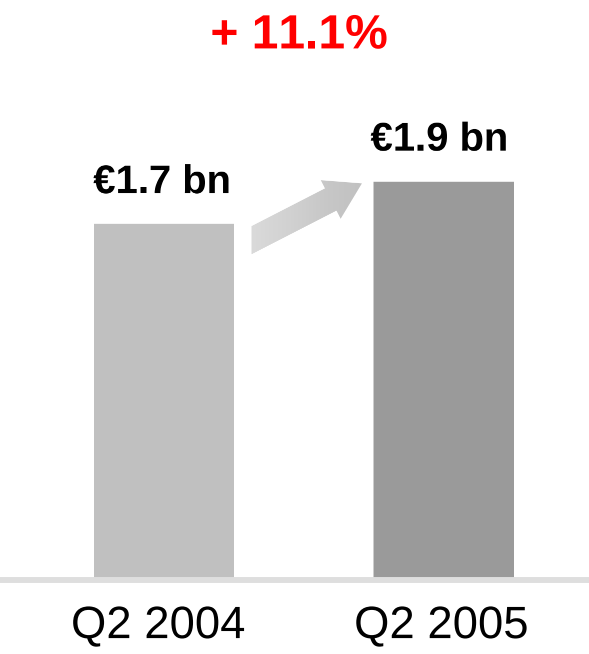
- Constitution of Supervisory Board
- Announcement Restructuring 1st Phase
- 2nd investment grade rating by Moody's: Baa3
- Buyback of €200 m Mandatory Convertible Bond and placement of underlying shares
- Issuance of € 500m Benchmark Bond
- Annual General Meeting
- Share based incentive program initiated
- Signing of agreement with works council / unions (Germany)
- Fast-entry to German M-Dax



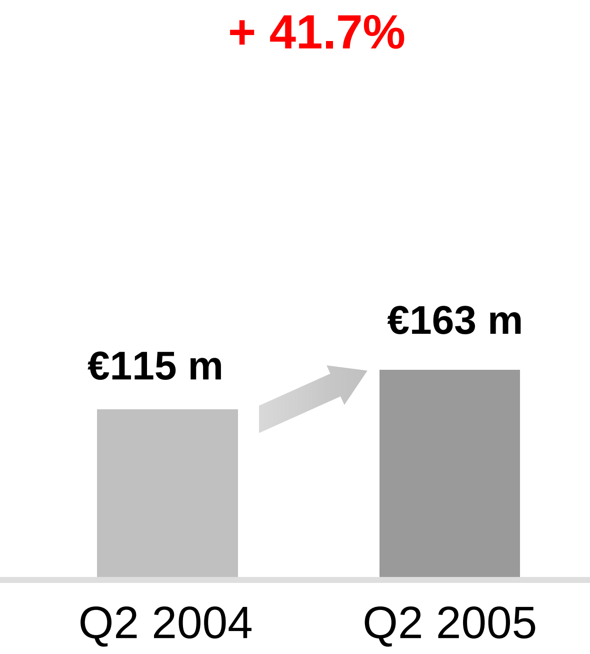



Improvements Q2 2005 vs. Q2 2004

Sales



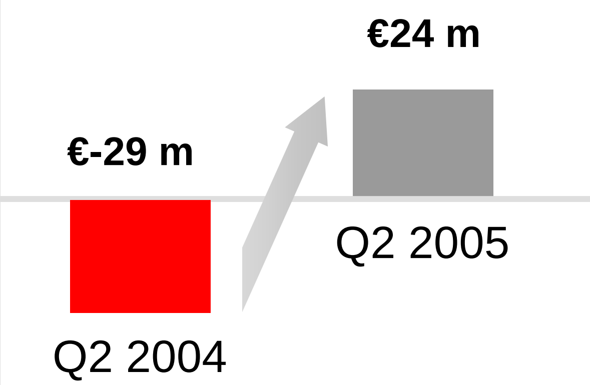
EBITDA*



EBITDA* margin:

6.9%	8.8%

Net income



* EBITDA pre exceptionals

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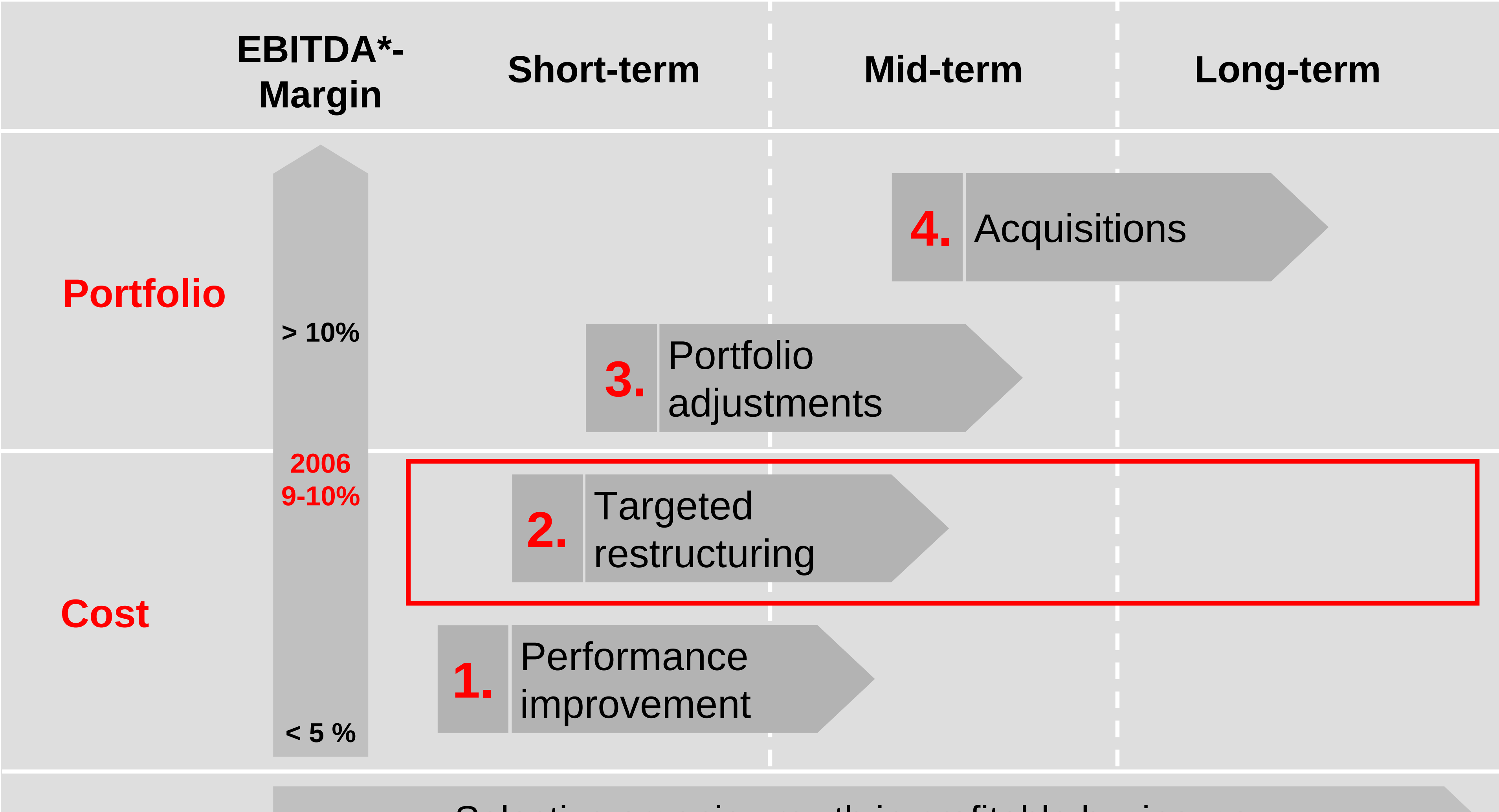
Step-by-Step Approach to Creating Value

	EBITDA*-Margin	Short-term	Mid-term	Long-term
Portfolio	> 10%			4. Acquisitions
			3. Portfolio adjustments	
Cost	9-10%	2. Targeted restructuring		
	< 5 %	1. Performance improvement		

Selective organic growth in profitable businesses

* EBITDA pre exceptionals

Focus on Targeted Restructuring



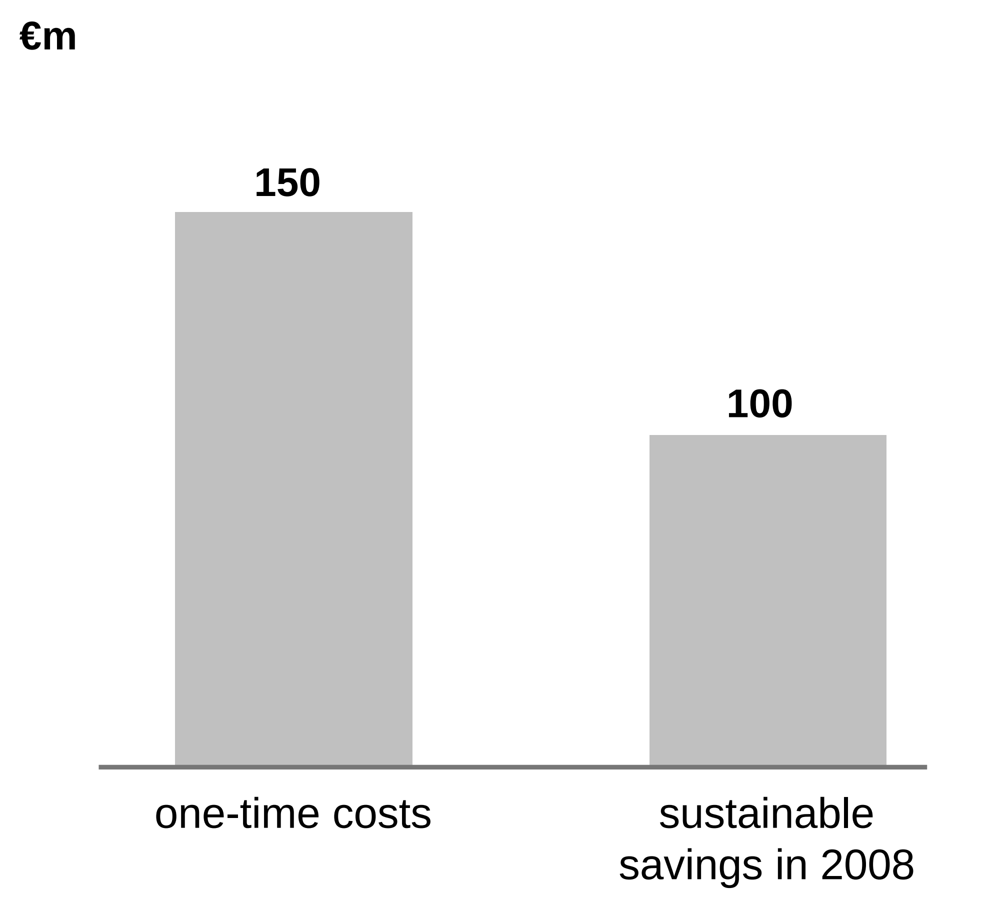
* EBITDA pre exceptionals

Restructuring 1st Phase

1st Phase: €100 m Savings with €150 m One-Time Costs

1st Phase: Characteristics

- Restructuring with focus on Germany and Spain
- Headcount reduction of 960
- FCH: Implementation of new business model and asset consolidation
- STY: Realignment of Dormagen and Tarragona sites
- Solidarity agreement supports implementation of measures



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Immediate Action Taken for FCH and STY

- **Agreement with works representatives / unions settled**
- **Implementation started**

Fine Chemicals

- Independent legal entity
- Closure of two unprofitable plants already finalized
- Consolidation of several plants
- Investments to achieve competitiveness

Styrenic Resins

- Realignment of Dormagen and Tarragona sites
- Capacity adjustments in Tarragona and focus on profitable specialties
- Capacity reduction in Dormagen and focus on exclusive production for BayerMaterialScience
- New regional management in place

Restructuring 2nd Phase

2^{nd} Phase: Aggressive Restructuring to be Continued

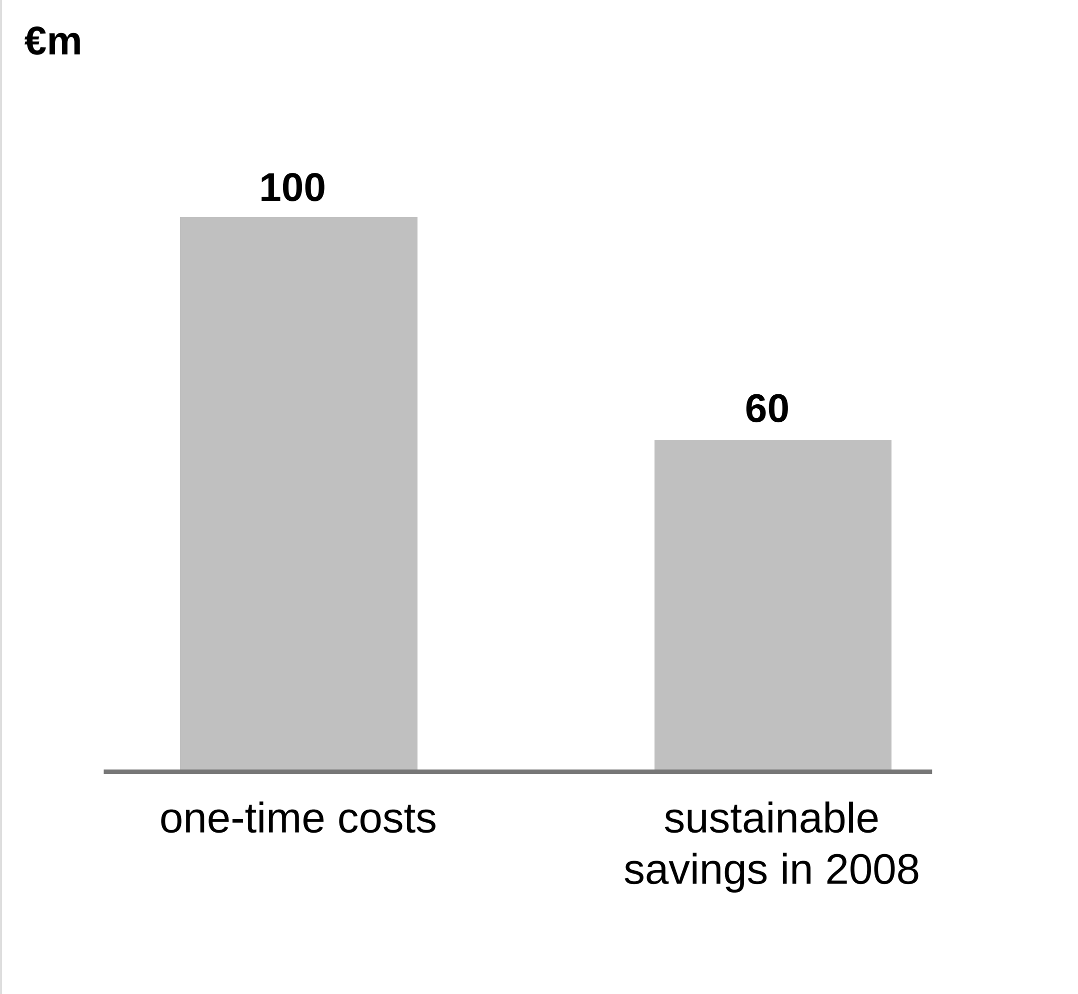
Asset Consolidation	- Site consolidation or closure - Plant consolidation or closure - Facility consolidation or closure
Process Optimization	- Rationalization - In-Sourcing / Out-Sourcing - Efficiency gains
Adjustment Product Portfolio	- Eliminate unprofitable products - Concentration on core businesses

2nd Phase: €60 m Savings with €100 m One-time Costs

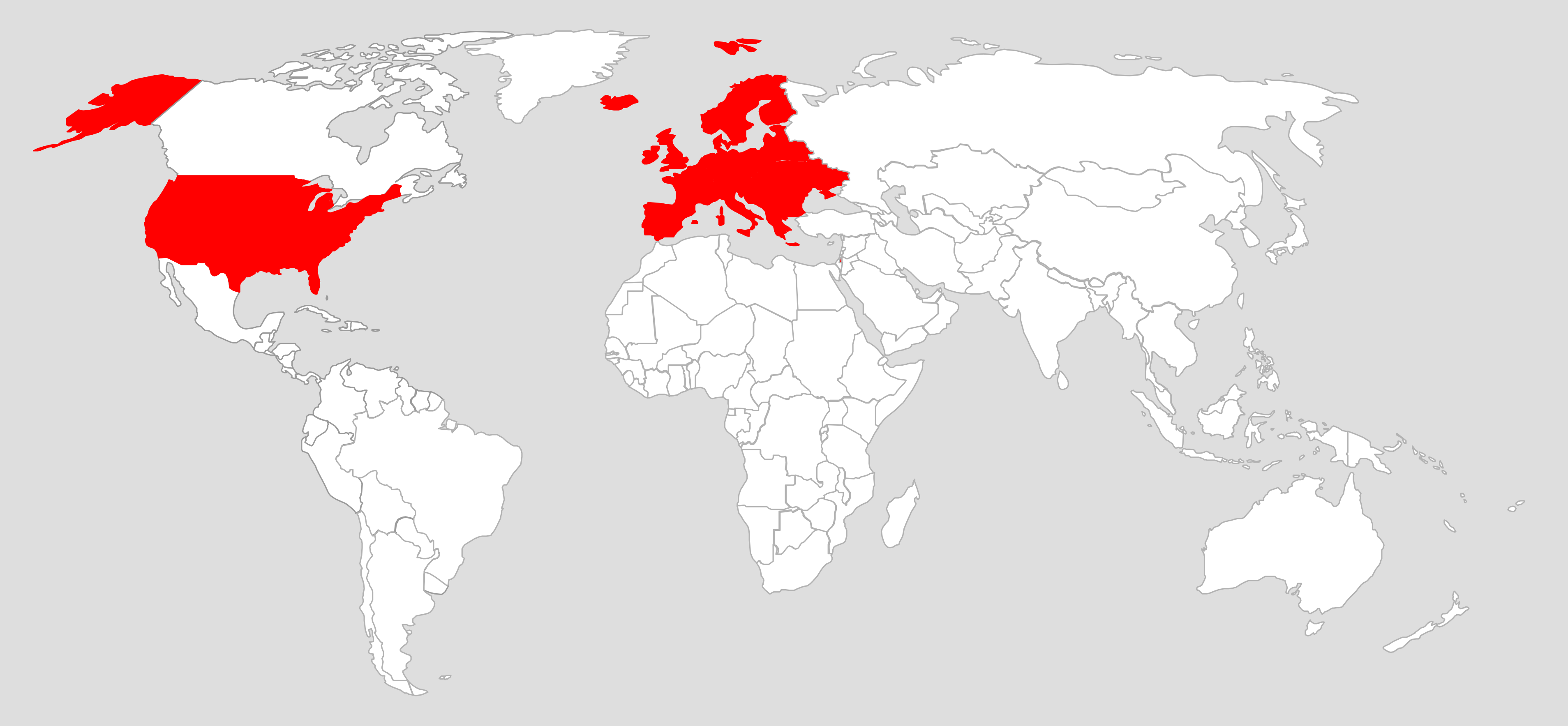
2nd Phase: Characteristics

- Program consists of:
  - Five BUs are effected:

    RCH, IPG, TPC, TRP, LEA
- Headcount reduction of approx. 450
- Negotiation with works representatives started



2nd Phase Restructuring in U.S. and Europe



USA

Focus on Asset Consolidation

Europe

Focus on Process Optimization

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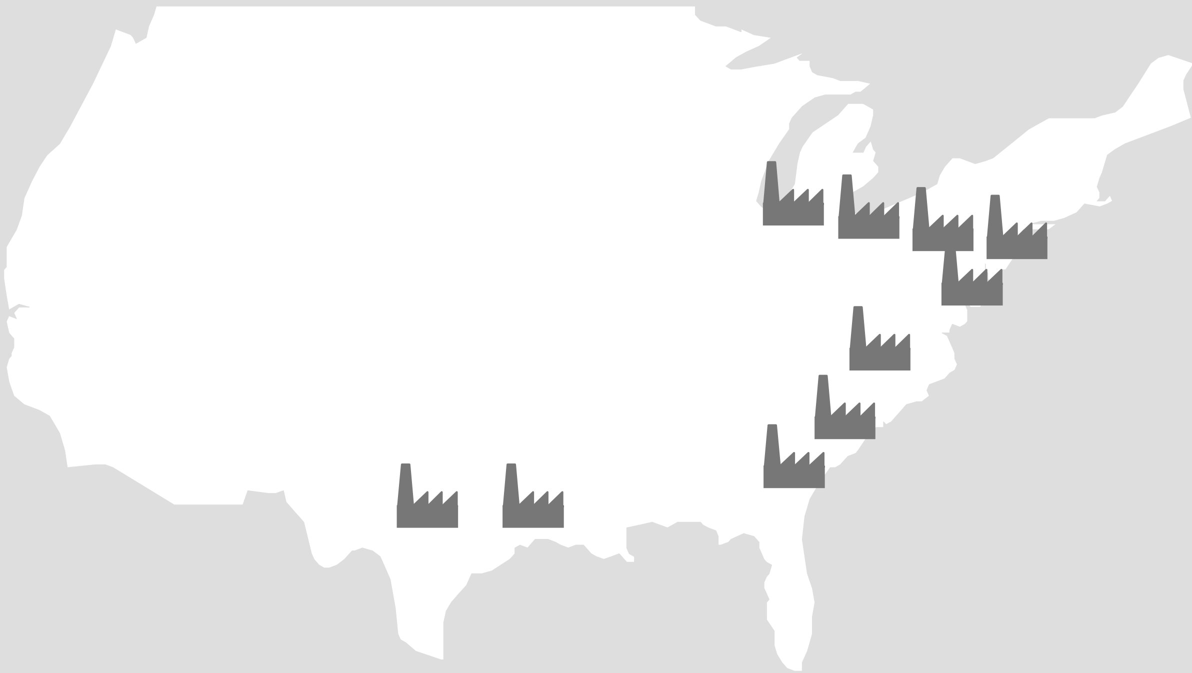
Small U.S. Production Sites to be Closed

Asset Consolidation

– Approx. 20% of LANXESS sales are in the U.S. market

– Some production sites of under-critical size with unfavourable cost structure

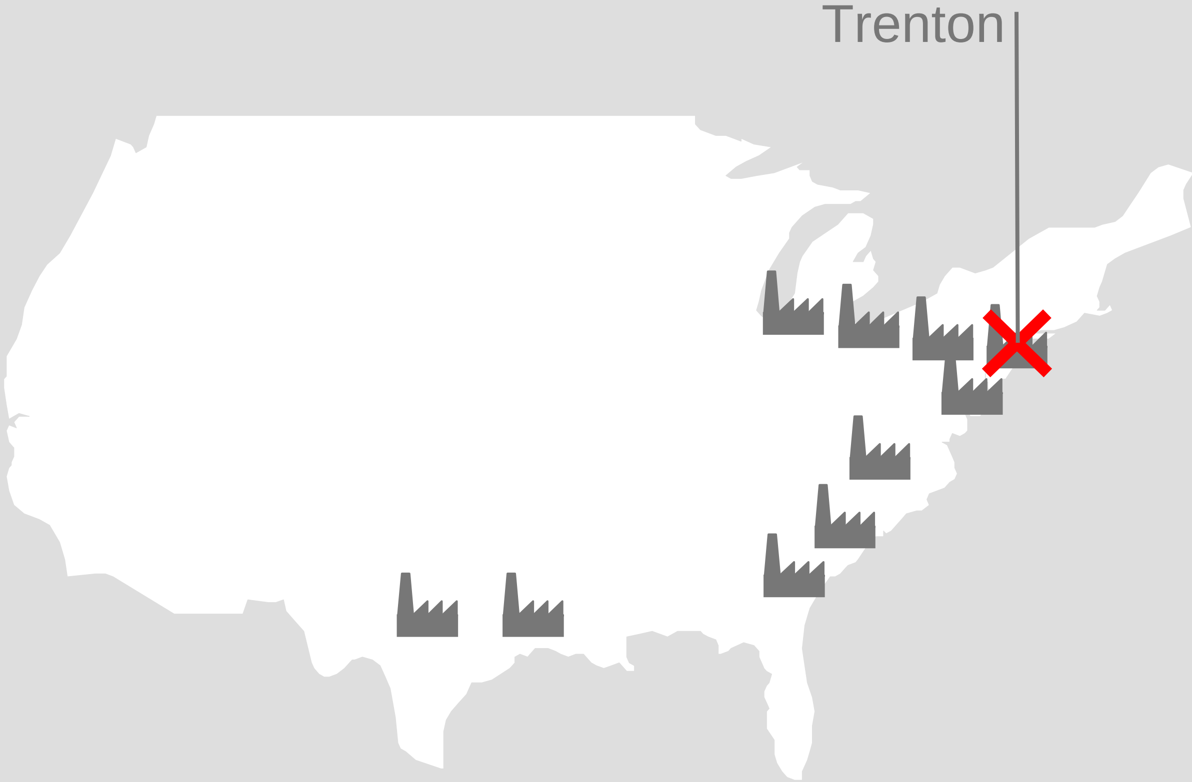
– Closure of three out of ten production sites



RheinChemie: Closure of Trenton to Regain Profitability in U.S.

Trenton; RCH

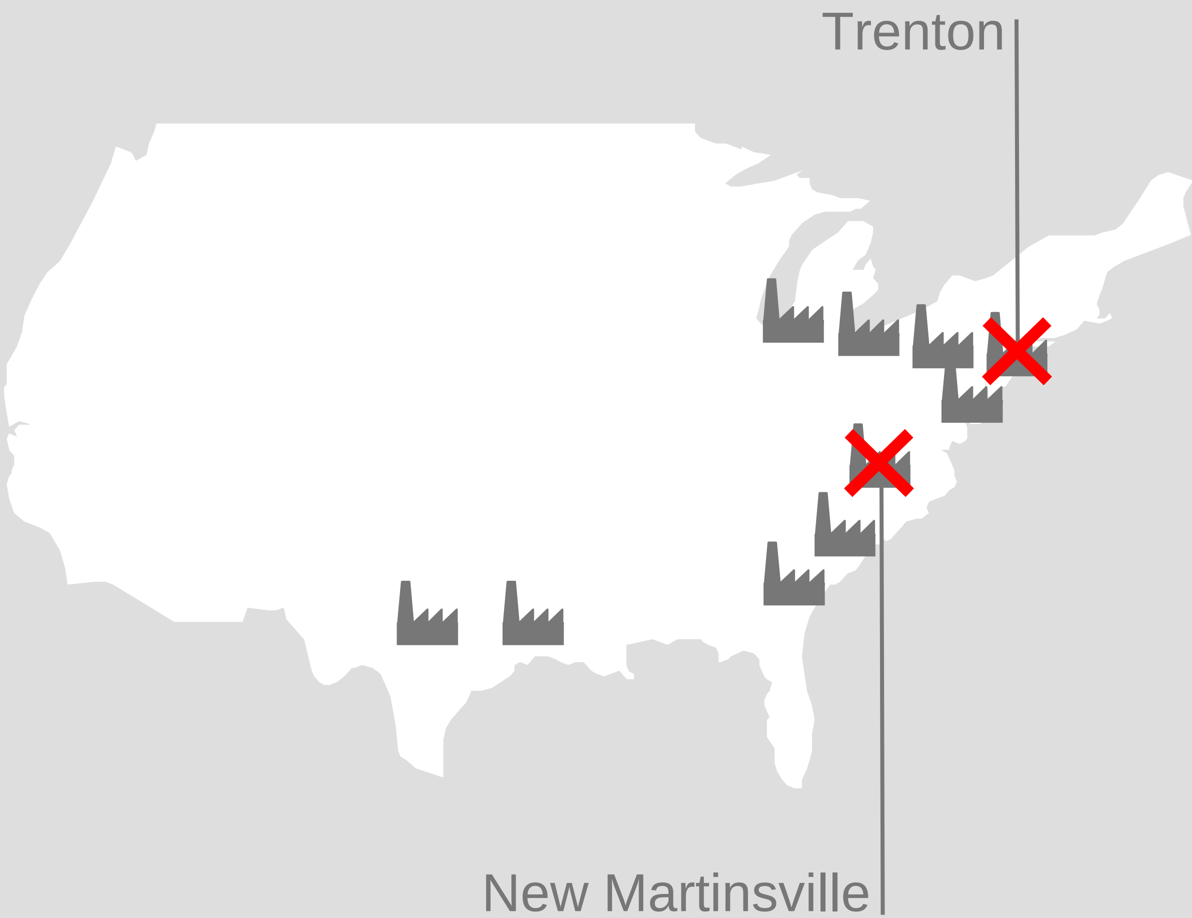
- Two U.S. production sites; Trenton and Chardon
- Trenton of under-critical size with unfavourable cost structure
- Closure of Trenton after years of unprofitable U.S. business



Inorganic Pigments: Closure of New Martinsville Site forced by Material Structural Problems

New Martinsville; IPG

- Small plant size leads to lack of economies of scale
- Cost structure not competitive
- Losses for years
- Transfer of products to our world-scale facilities



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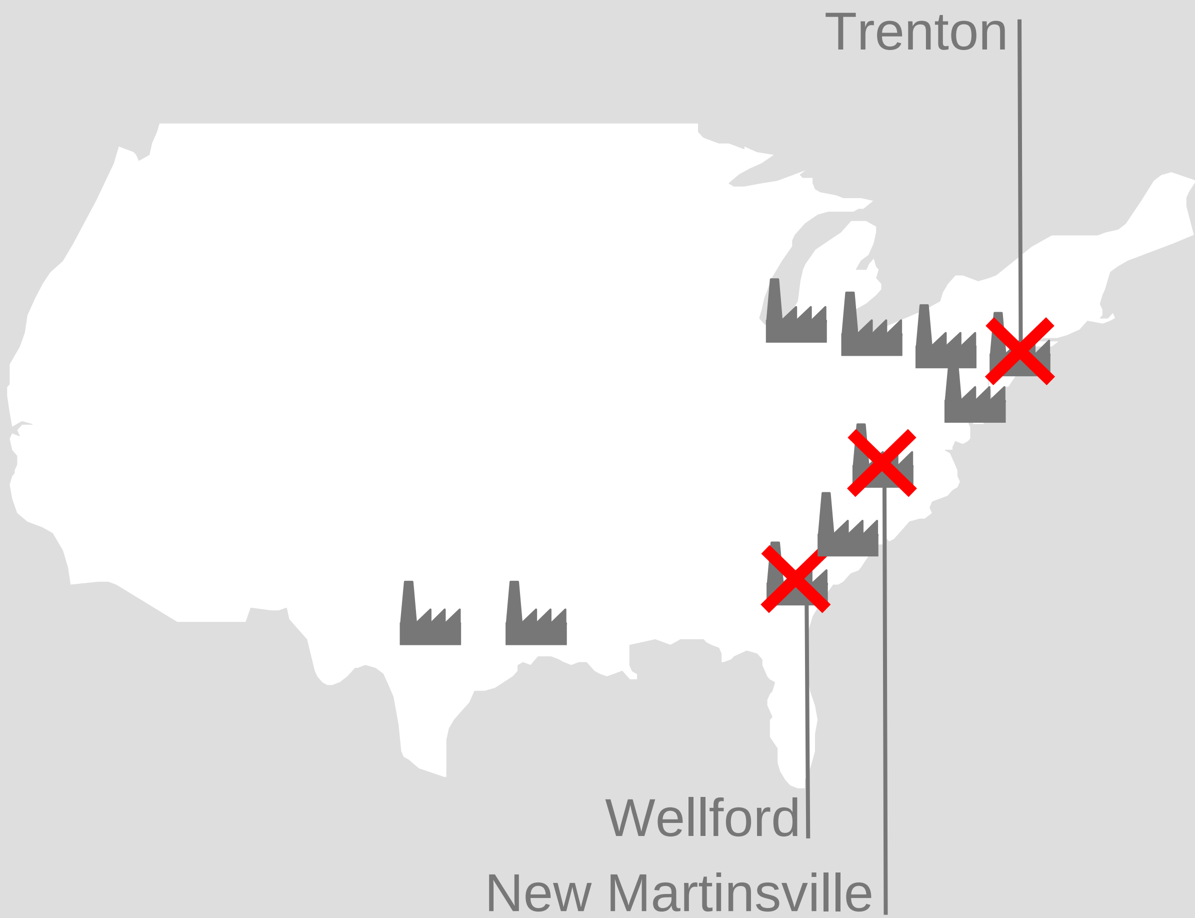
Textile Processing Chemicals: Closure of Wellford Site Following Declining of U.S. Market

Wellford; TPC

- Declining market in U.S. - shift to low cost regions such as Asia and Latin America
- Capacities underutilized
- Losses for years
- Business under pressure due to "WTO effect"



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Technical Rubber Products: Process Optimization and Aggressive Cost-Cutting

La Wantzenau; TRP

- NBR-business has been unprofitable for 10 years
- Despite investments of €150 m, losses of €200 m were incurred
- Double-digit million euro saving is necessary to ensure sustainable profitability

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Leather: Closure of Outdated Plant and Shift of Production to Other Facilities

Uerdingen; LEA

– Eroding European market

– Outdated plant design

– Capacities underutilized

– Plant closure and shift to other facilities improves profitability

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For More than Half of all BUs Significant Restructuring and Portfolio Initiatives Underway

Board

Performance Rubber	Engineering Plastics	Chemical Intermediates	Performance Chemicals
Butyl Rubber	**Styrenic Resins**	Basic Chemicals	Material Protection Products
Polybutadiene Rubber	Semi-Crystalline Products	**Fine Chemicals**	Functional Chemicals
Technical Rubber Products	**Fibers**	**Inorganic Pigments**	**Leather**
			Textile Processing Chemicals
			Paper
			RheinChemie
			Rubber Chemicals
			Ion Exchange Resins

Restructuring   Portfolio / Partnering

Restructuring Financials

Restructuring Financials - Updated Guidance Phase I

Phase I (€ m)	**2005**	**2006**	**2007**	**2008**
P&L Expenses	-100	-10	-10	-5
Cash outs	-25	-50	-50	-25
Cost reduction		**20**	**50**	**100**
EBITDA improvement		**20**	**50**	**70**
Headcount reduction	~200	~380	~380	

– €125 m total P&L expense

– €150 m total cash costs (remains unchanged)

– €100 m annual savings as of 2008 with EBITDA improvement of ~€70 m remain unchanged

– Cash out contains ~€25 m capex, mainly for Tarragona expansion (not included in capex guidance of "€250-€270")

– Headcount reduction: ~960 in total

➡ **"Solidarity agreement" on top of above numbers leads to positive "one-time" effects of €60 m (€15 m, €20+ m and €20+ m in 2005 to 2007)**

Phase I: Agreed, signed and being implemented

Restructuring Financials - Guidance for Phase II

The following financial savings and restructuring potential has been identified:

Phase II (€ m)	**2005**	**2006**	**2007**	**2008**
P&L Expenses	-45	-25	-20	-10
Cash outs	-15	-45	-25	-15
Cost reduction		**20**	**40**	**60**
EBITDA improvement		**20**	**35**	**50**
Headcount reduction	~140	~290	~20	

Key Take-Aways:

– €100 m total P&L expenses

– €100 m total cash costs

– €60 m annual savings as of 2008 with EBITDA improvement of ~€50 m

– Headcount reduction: ~450 in total

Phase II: Announced; Negotiations to be finalized

Major Restructuring initiated - despite given constraints

Phase I+II (€ m)	**2005**	**2006**	**2007**	**2008**
P&L Expenses	-145	-35	-30	-15
Cash outs	-40	-95	-75	-40
Cost reduction		**40**	**90**	**160**
EBITDA improvement		**40**	**85**	**120**
Headcount reduction	~340	~670	~400	

Key Take-Aways:

– €225 m total P&L expense

– €250 m total cash costs

– €160 m annual savings as of 2008 with EBITDA improvement of ~€120 m

– Majority of expense already in 2005

– Total Headcount reduction: ~1,400

"Solidarity agreement" on top of above numbers give positive "one-time" effect of €60 m (€15 m, €20+ m and €20+ m in 2005 to 2007)

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Financial Highlights: Necessary Performance Improvement Achieved

(€ m)	Q2 2004	Q2 2005	Δ in %
Sales	1,673	1,859	11.1%
EBITDA pre except.	115	163	41.7%
Margin	6.9%	8.8%	
EBIT	10	77	>100%
Net Income	-29	24	n.m.
Net Financial Debt	1,135[1]	1,250	10.1%
Capex	54	48	-11.1%
Employees	19,659[2]	18,725[3]	-4.8%

- Sales growth on the basis of strong pricing (+8%) and risen volumes (+4%)
- Strategy changes and improving cost structures yielding results
- Margin expansion despite high raw material costs
- Net financial debt increased mainly on higher business volume and risen working capital, however on stable level versus Q1 2005

[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

Q2 constitutes important building block for targeted full year performance

On Track to Start Closing the Gap

(€ m)	Q2 2004	Q2 2005	∆ absolut	∆ in %
Sales	**1,673**	**1,859**	**186**	11%
Cost of goods sold	-1,301	-1,419	118	9%
SG&A	-290	-292	2	1%
R&D	-31	-28	-3	-10%
Other op. expense	-41	-43	2	5%
EBIT	**10**	**77**	**67**	**>100**%
thereof exceptionals	-31	-23	-8	26%
Net Income	**-29**	**24**	**53**	**n.m.**
EBITDA	97	160	63	65%
thereof exceptionals	-18	-3	-15	83%
EBITDA pre exceptionals	**115**	**163**	**48**	42%

- Sales increase mainly due to higher selling prices and strong volumes
- COGS increase under-proportional to rising sales
- Over-proportional EBITDA increase versus sales growth

•n.m.: not meaningful
•Exceptionals in Q2 2004 include: €21m RHC goodwill impairment, €18 m anti-trust litigation, €14 m Net reversal of STY impairment, €2 m Capex write-off and €4 m impairment in FCH
•Q2 2004 based on Combined Financial Steements

Performance Rubber: Continuous Strong Results in BTR and PBR - TRP Lagging Behind

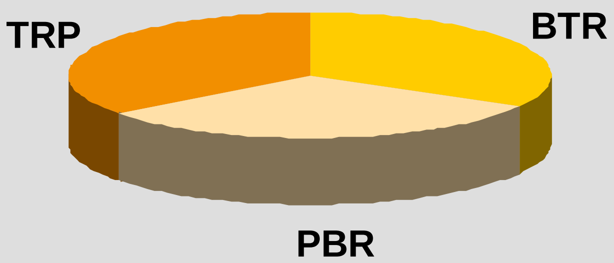
(€ m)	Q2 2004	Q2 2005
Sales	**368**	**432**
EBIT	14	52
Depr. / Amort.	24	16
EBITDA	38	68
EBITDA pre except.	**49**	**70**
Margin	13.3%	16.2%
Capex	**18**	**15**

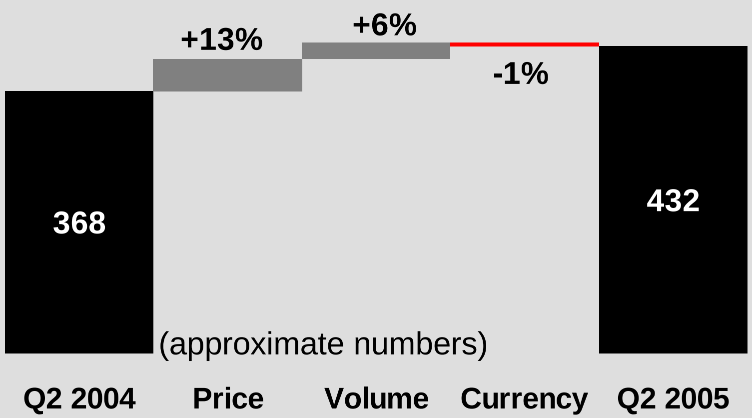
– Higher sales in all BUs - increased selling prices in PBR and BTR as well as higher volumes in TRP, overall offsetting increased raw material costs

– BTR remains on high profitability level, change in PBR business model continues to yield results: strong pricing with marginal loss of volume, supported by improved cost structures

– Some volume improvement in TRP, still showing need for restructuring to achieve satisfying profitability levels.

Sales by BU:





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Engineering Plastics: Slight Improvement Versus Prior Year, Overall Performance Still Unsatisfactory

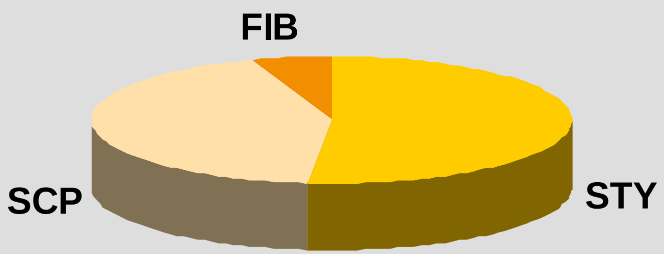
(€ m)	Q2 2004	Q2 2005
Sales	**431**	**448**
EBIT	17	-6
Depr. / Amort.	-9*	20**
EBITDA	8	14
EBITDA pre except.	**8**	**14**
Margin	1.9%	3.1%
Capex	**8**	**9**

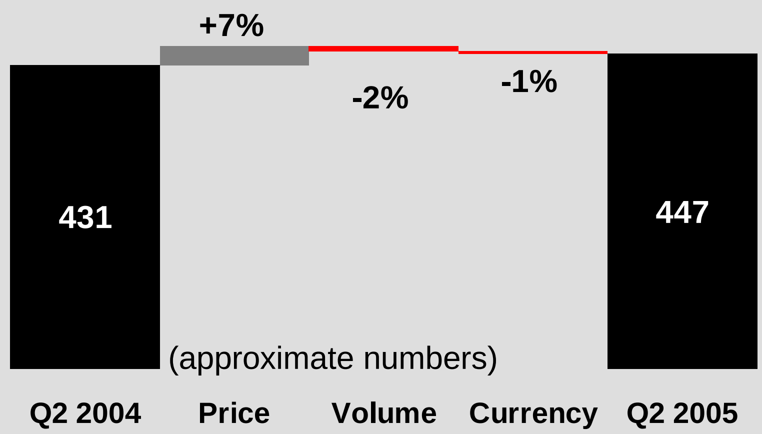
– Sales increased on strong SCP volumes and higher selling prices, offsetting weaker STY and FIB sales

– Contract prices for major raw materials (styrene, cyclohexane) were on comparable level to Q1 or higher, with butadiene being substantially above Q1 level

– Net of impairment reversal in 2004, STY on comparable profitability level to last year

Sales by BU:





*Q2 2004: represents balance of reversal of €14 m impairment in STY and usual depreciation
**Q2 2005: includes FIB impairment of €9 m and capex write-off in STY of €3 m

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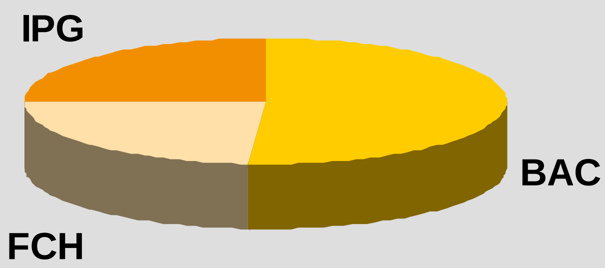
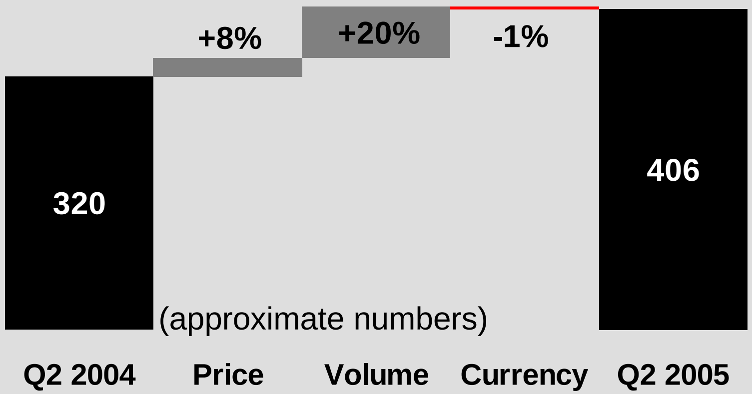
Chemical Intermediates: BAC With Continued Strong Results, Supported by Slight FCH Improvement

(€ m)	Q2 2004	Q2 2005
Sales	**320**	**406**
EBIT	2	34
Depr. / Amort.	29	25
EBITDA	31	59
EBITDA pre except.	**31**	**59**
Margin	9.7%	14.5%
Capex	**18**	**18**

- Overall higher volumes and improved pricing due to raw material cost increases in BAC and IPG contributed to sales growth
- EBITDA increased on strong overall performance in BAC and improvement in FCH
- FCH higher volumes in agro chemicals and stronger pharma sales
- Slightly increased prices and volumes in IPG, not offsetting higher raw material costs.
- Exceptionals due to €2 m capex write-off and €4 m impairment in FCH

Sales by BU:





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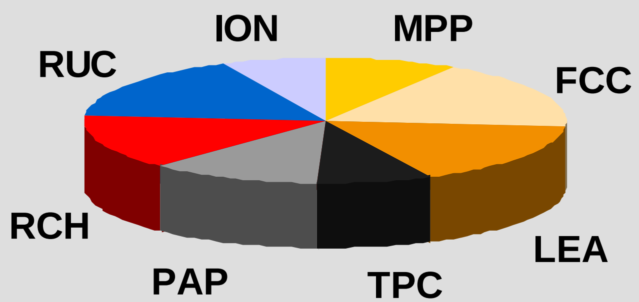
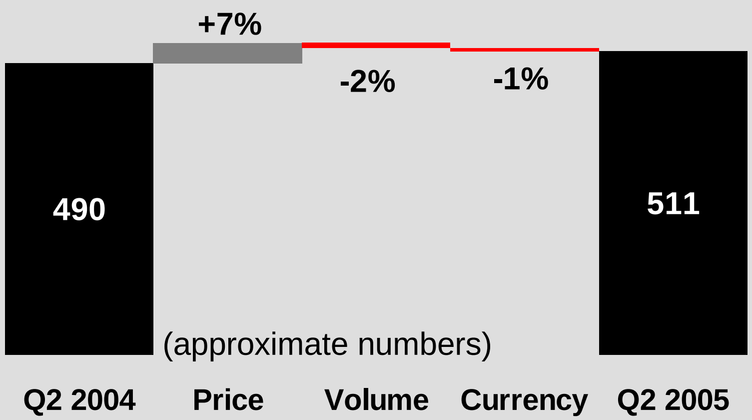
Performance Chemicals: Profit Improvement Fuelled Mainly by RUC and RCH

(€ m)	Q2 2004	Q2 2005
Sales	**490**	**511**
EBIT	-3	41
Depr. / Amort.	39	16
EBITDA	36	57
EBITDA pre except.	**43**	**58**
Margin	8.8%	11.4%
Capex	**10**	**14**

- Slight increase in Sales mainly on stronger pricing for RUC and higher volumes and prices for LEA, as well as higher ION prices
- RUC, RCH, FCC and LEA contribute to improved EBITDA, counteracting risen raw material costs mainly for LEA and ION
- EBIT distorted by absence of €21 m RCH impairment in Q2 2004
- Exceptionals in EBITDA include RUC anti-trust charges of €7 m in Q2 2004 and €1 m in Q2 2005

Sales by BU:





Operational Items to Consider on a Quarterly Basis

Planned maintenance turnarounds have several impacts on financial statements

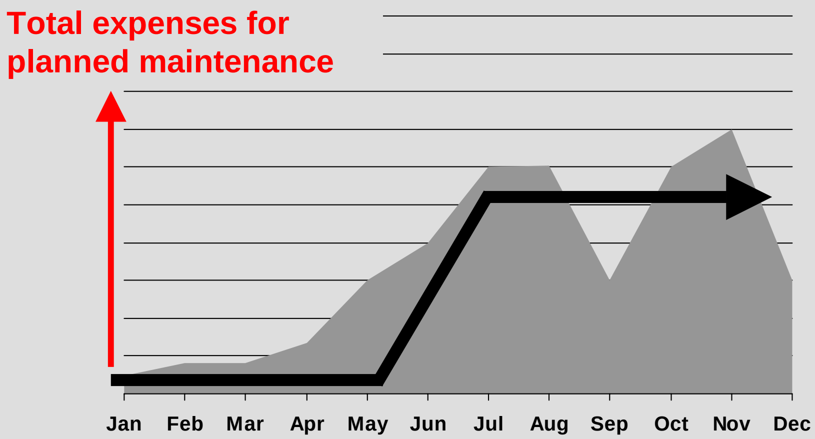
- "direct costs": related to material and services used during maintenance
- idle time costs: related to fixed unit costs that are not capitalized due to inactive production
- inventory build prior to standstill: related to continuous sales

additional expenses each H2

Majority of Maintenance work (and related effects) are in second half of any year -

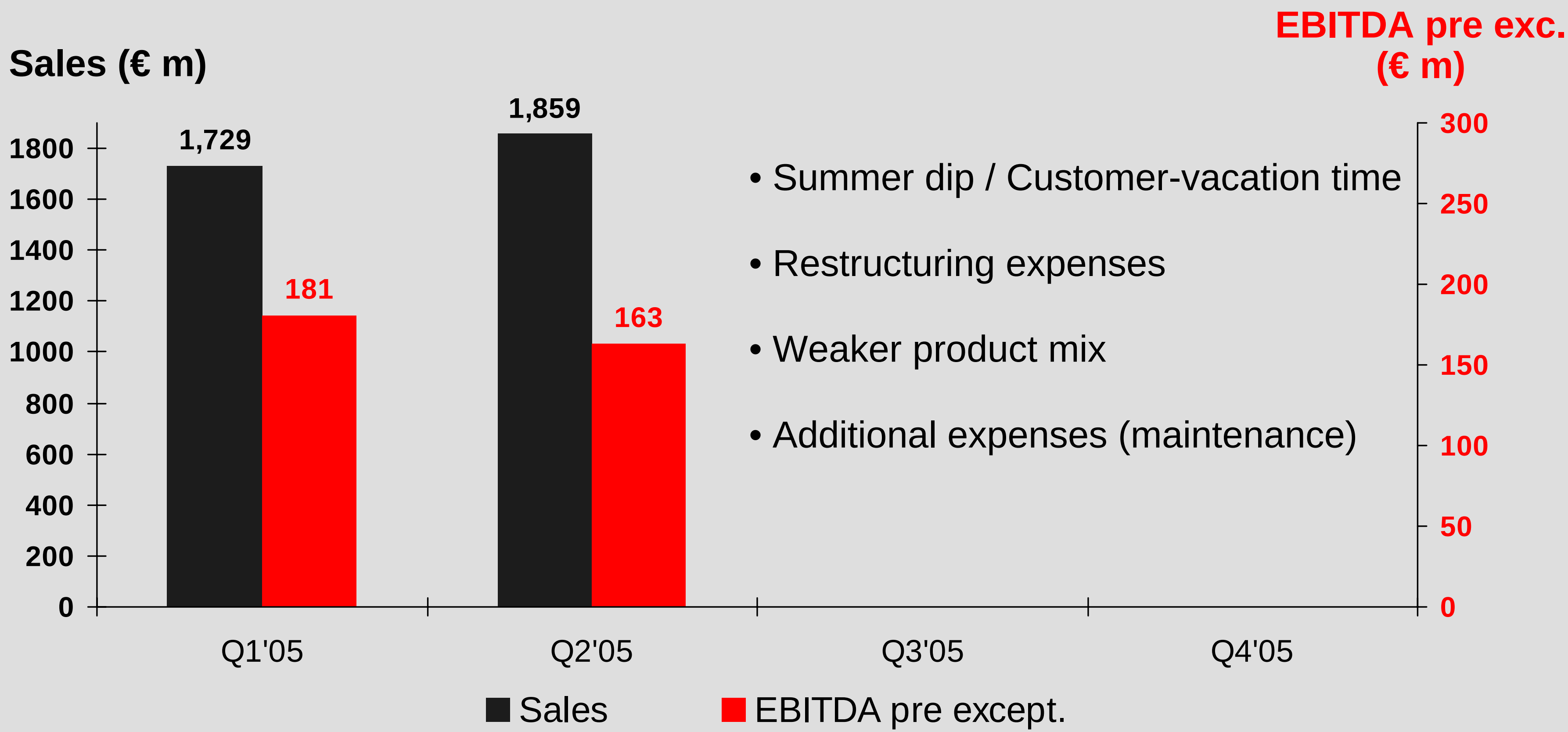
– to make use of customer summer-shutdowns

– usual planned maintenance/ revision (e.g. RUC, TRP, SCP, others)



Majority of Maintenance Shutdowns usually takes place in H2 of any year

Earnings Fluctuation - Items to Bear in Mind



- Summer dip / Customer-vacation time
- Restructuring expenses
- Weaker product mix
- Additional expenses (maintenance)

Certain earnings fluctuation with relatively constant sales

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Condensed Consolidated Balance Sheet

(€ m)	Dec 31, 2004	Mar 31, 2005	June 30, 2005
Non-current Assets			
Intangible assets	65	62	60
Property, plant & equipment	1,521	1,518	1,517
Investments	85	87	90
Current Assets			
Inventories	1,151	1,279	1,319
Trade receivables	1,137	1,191	1,212
Other receivables & assets	363	404	395
Liquid assets	72	130	178
Deferred taxes	172	34	18
Deferred charges	11	12	18
Total assets	4,577	4,717	4,807

(€ m)	Dec 31, 2004	Mar 31, 2005	June 30, 2005
Stockholders' equity	1,365	1,185	1,225
thereof Minority interest	14	14	15
Provisions			
Pension & post empl. provisions	418	431	449
Other provisions	481	548	583
Liabilities			
Financial obligations	1,207	1,364	1,428
thereof Mandatory Convertible	200	200	211
Trade accounts payable	820	756	735
Other liabilities	190	210	189
Deferred taxes	55	174	152
Deferred income	41	49	46
Total Liabilities & Equity	4,577	4,717	4,807

Additional Comments on Selected Balance Sheet Items

Assets

– Increase in inventories versus year end 2004 triggered mainly by stronger USD and preparation for maintenance turnarounds in the latter months of the year

– Higher amount of trade receivables due to grown business volume and stronger USD

– Decrease in deferred tax assets due to usage

Liabilities

– Shareholders' equity decreased due mainly to deferred tax adjustment (see Q1), then increased on basis of risen profitability (Q1/Q2)

– Other provisions were higher due to increases in a number of items such as accruals for outstanding invoices, personnel, tax and others

– Mandatory convertible remains on balance sheet in Q2 at fair value (under financial obligations) and will be converted into equity as of Q3

– €500 m eurobond used to pay down bank debt

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

(€ m)	H1 2004	H1 2005
EBIT	**80**	**193**
Income Taxes	-37	-39
Depreciation & Amortization	182	148
Change in Pension Provision	-16	6
Gain/ Loss from Sale of Assets	4	-1
Change in Working Capital*	-189	-263
Change in Other Net Current Assets	-19	76
Cash provided by Operating Act.	**5**	**120**
Capex	**-104**	**-99**
Cash Flow used in Investing Activities**	-112	-91
Cash Flow used in Financing Activities	162	72
Cash at End of Period	69	178

– Cash flow improved mainly on higher operating result

– Strong improvement of operating Cash flow

– Capex on comparable level

– Working Capital increase due to planned maintenance shutdowns

– ~€30 m cash out expected in Q3 for earlier payment term adjustment with Bayer

Restructuring expected to impact cash flow from Q3 onwards

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

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Outlook

Underlying assumptions

– Exchange rate €1.0 = ~USD1.25

– Continuous supportive economic environment

– Q3 somewhat weaker versus Q2 due to summer vacation in customer industries („summer dip“)

– Restructuring expenses expected predominantly in Q3 2005

2005 Guidance based on above assumptions

– Moderate sales growth in H2 2005 vs. previous year

– FY 2005 EBITDA pre exceptionals expected €550 - €560 m

– Capex at lower end of €250 - 270 m range

– Depreciation and Amortization ~€250 m

– P&L tax rate for full year 2005 expected below 30%

LANXESS - Promise and Delivery

Status and Way Forward

Independence	- Clear roles and responsibilities and committed management - Price-before-Volume Strategy with positive results - Strengthened finance structure
Restructuring	- 1st Phase: Immediate action taken for largest loss makers - 2nd Phase: Continued Restructuring in U.S. and Europe - EBITDA improvement of €120 m by 2008 p.a.
Portfolio	- BU Paper: Structured process underway - BU Fibers: Negotiations ongoing


INDEPENDENCE.
RESTRUCTURING.
PORTFOLIO.

Appendix

Built on Polymers and Chemicals

LANXESS
Energizing Chemistry

Performance
Rubber

Engineering
Plastics

Chemical
Intermediates

Performance
Chemicals

Independence. Cost Reduction. Portfolio Management.

Entrepreneurial and Experienced Board Directly Connected to BUs

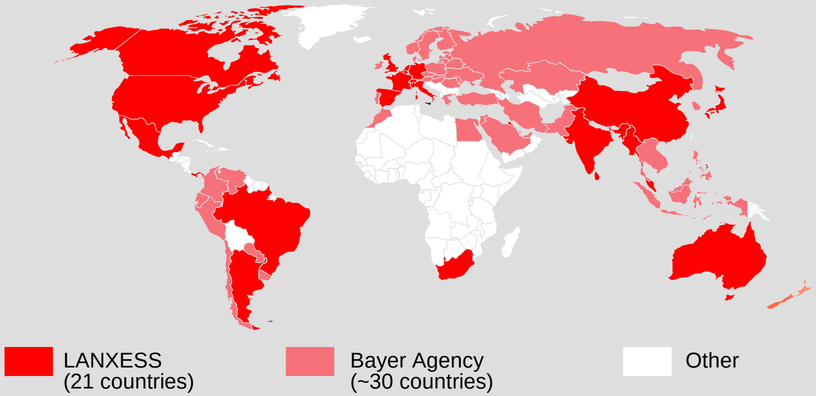
Board of Management

Performance Rubber	Engineering Plastics	Chemical Intermediates	Performance Chemicals
Butyl Rubber	Styrenic Resins	Basic Chemicals	Material Protection Products
Polybutadiene Rubber	Semi-Crystalline Products	Fine Chemicals	Functional Chemicals
Technical Rubber Products	Fibers	Inorganic Pigments	Leather
			Textile Processing Chemicals
			Paper
			RheinChemie
			Rubber Chemicals
			Ion Exchange Resins

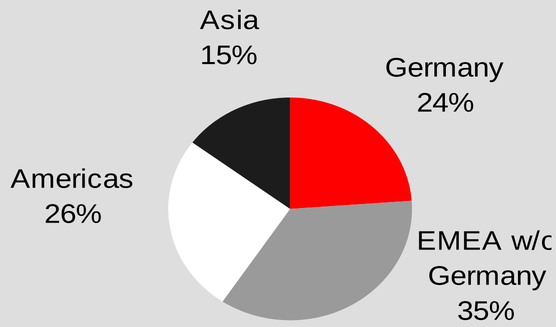
Sales: > € 500 m   Sales: € 200 m – 500 m   Sales: < € 200 m

Global Presence

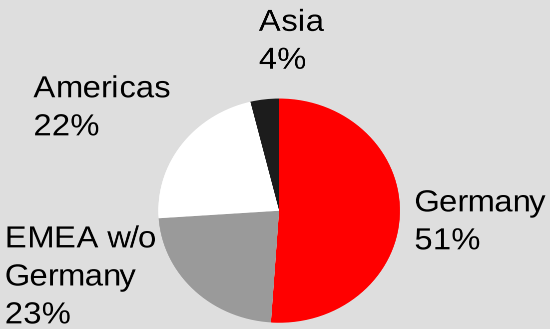
World Coverage



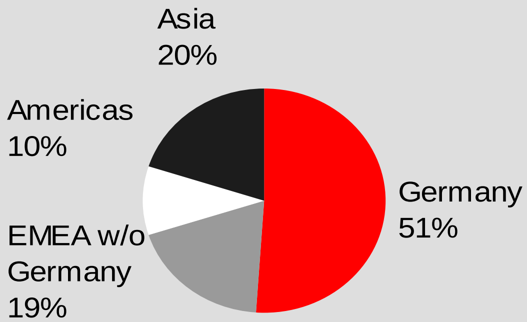
Sales by Region



Assets by Region



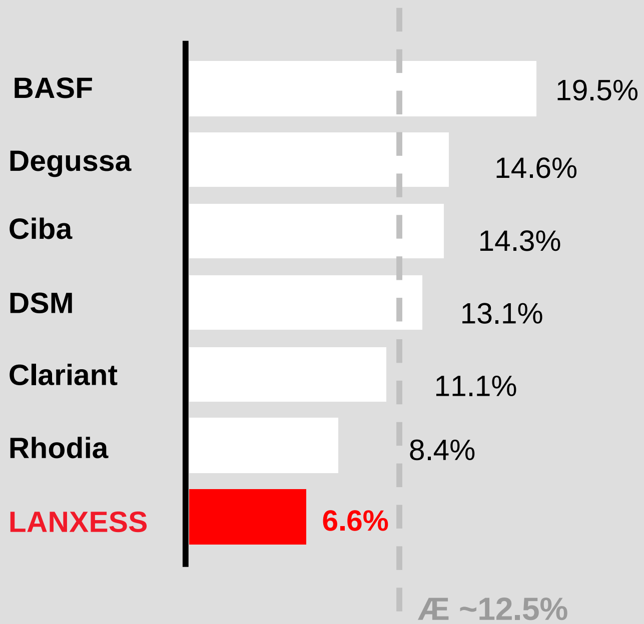
Employees by Region



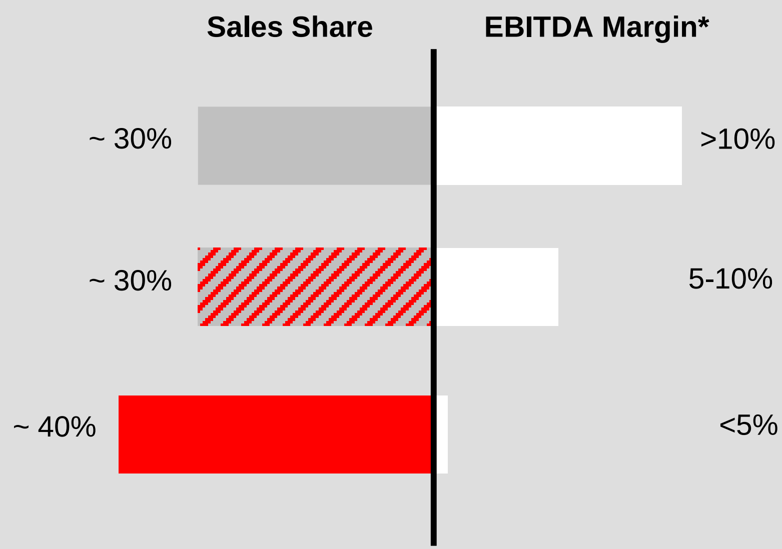
All figures based on combined financial statements 2004

Strong Foundation, but Unsatisfactory Profitability in 2004

EBITDA Margin* 2004



Profitability Distribution LANXESS



*EBITDA pre exceptionals in % of sales
Source: annual reports

LANXESS

Well Established Brands for Diversified Industry Portfolio

Brands

LEWATIT

BAYFERROX

Buna CB (*)

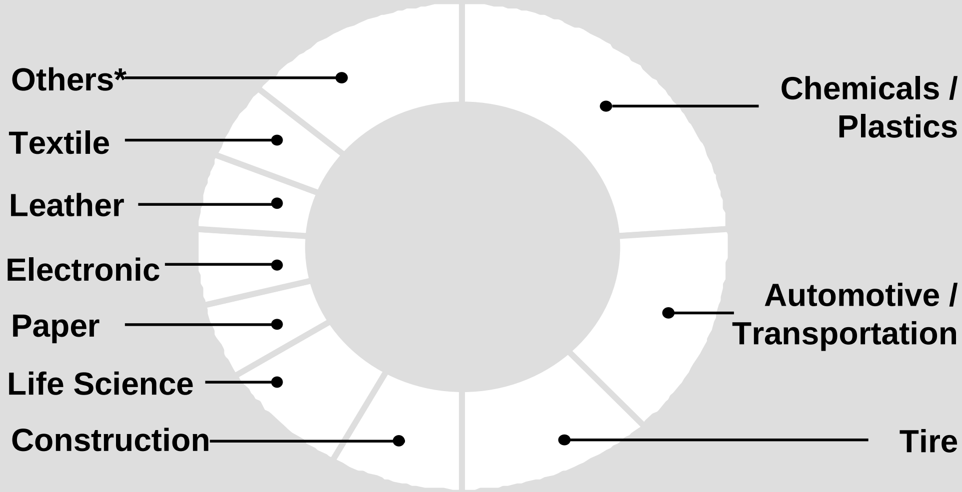
MACROLEX®

Therban

PREVENTOL

* not registered in U.S.A.

End User Industries



* – Water Treatment
– Nutrition
– Furniture
– Hygienics
– Coatings
– Packaging
– Health Care

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Q2 2005 D&A and Exceptionals by Segment

(€ m)	EBITDA pre excep.	EBITDA	EBIT	EBIT pre excep.	Explanation of exceptionals*
Performance Rubber	70	68	52	54	€2 m anti-trust litigation TRP
Engineering Plastics	14	14	-6	6	€9 m impairment FIB €3 m depreciation of capex in STY
Chemical Intermediates	59	59	34	40	€2 m depreciation of capex in FCH €4 m impairment FCH
Performance Chemicals	58	57	41	42	€1 m anti-trust litigation RUC
Reconciliation	-38	-38	-44	-42	€2 m depreciation of fixed asset
LANXESS	**163**	**160**	**77**	**100**	**€23 m total except.**

*Red: Impact on EBIT and EBITDA

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

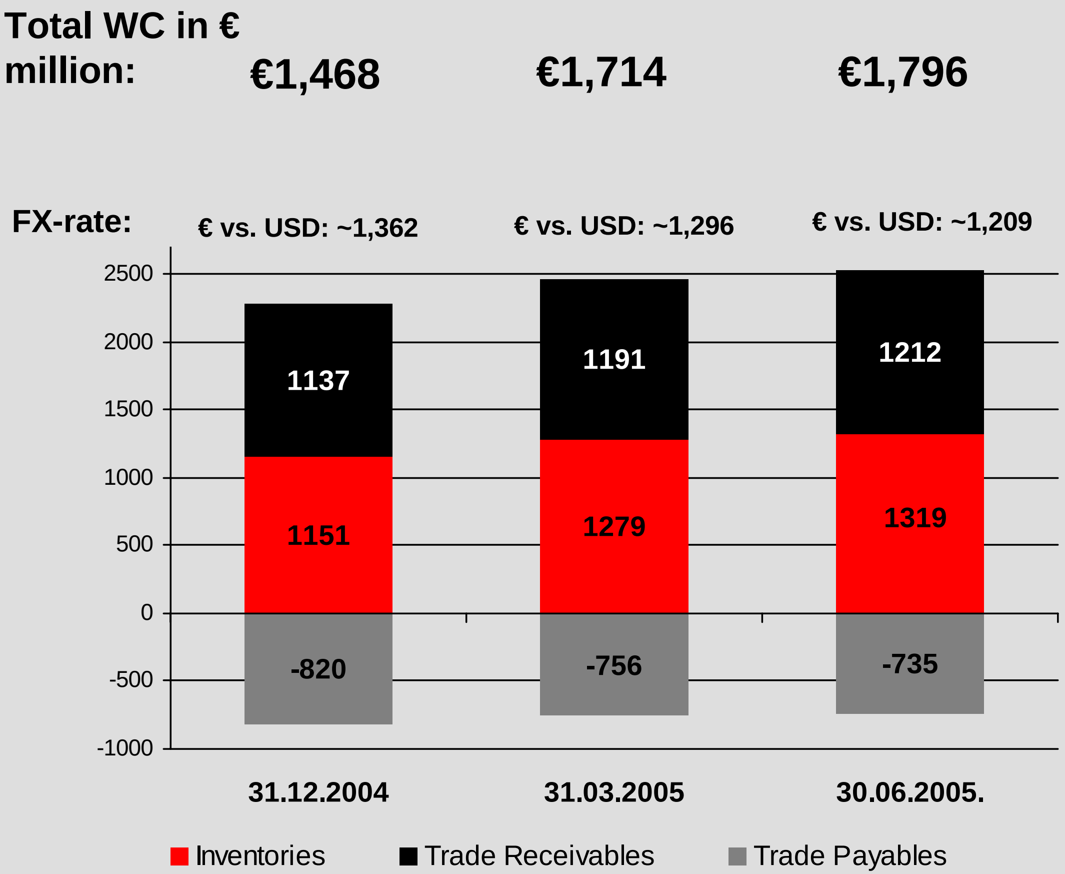
(€ m)	Q2 2004	Q2 2005
EBIT	**10**	**77**
Income Taxes	-20	-15
Depreciation & Amortization	87	83
Change in Pension Provisions	-23	6
Gain/ Loss from Sale of Assets	-1	0
Change in Working Capital*	36	-27
Change in Other Net Current Assets	-18	6
Cash provided by Operating Act.	**72**	**130**
Capex	**-54**	**-48**
Cash Flow used in Investing Activities**	-60	-43
Cash Flow used in Financing Activities	36	-44
Cash at End of Period	69	178

- Cashflow improved mainly on higher operating result
- Strong improvement in operating cash flow
- ~€30 million cash out expected in Q3 for earlier payment term adjustment with Bayer

Restructuring expected to impact cash flow from Q3 onwards

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

Working Capital* Increase in Past Quarter Due to FX Effects, Higher Raw Material Costs and for Business Reasons



– Inventory: 70% of sequential increase attributable to FX-rate changes, remainder due to operational reasons (incl. preparation for planned maintenance turnarounds)

– Receivables: Slightly higher due to higher sales (price and volume driven)

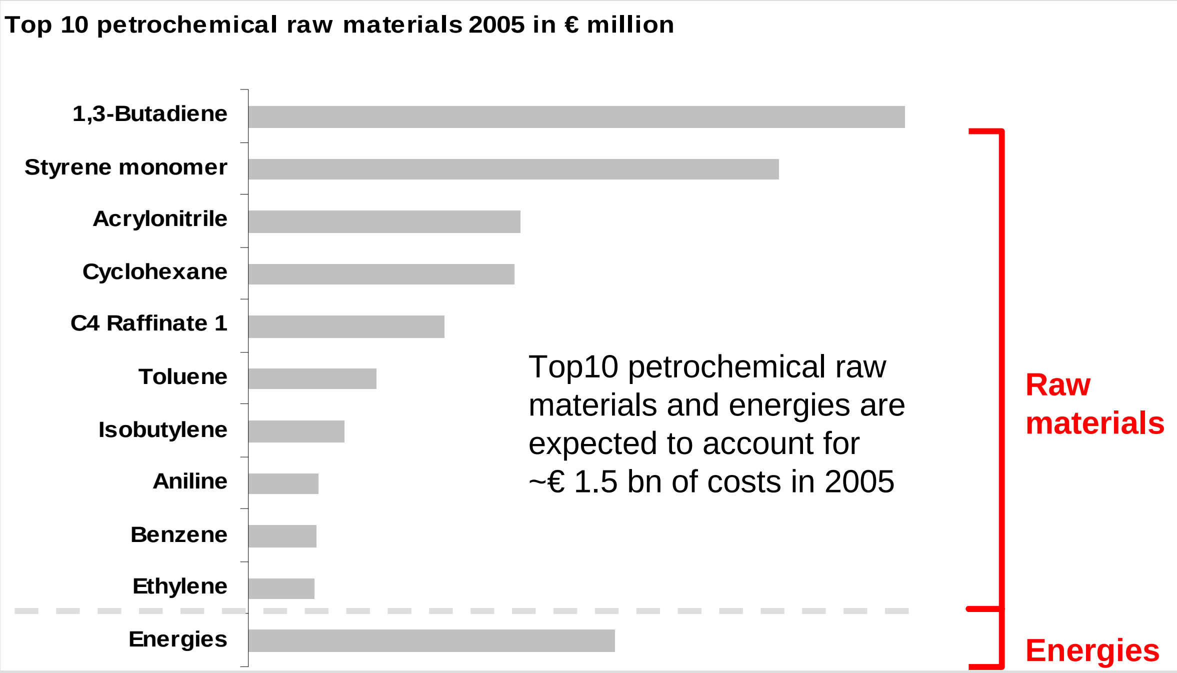
– Payables: containing €130 million of payment term adjustment with Bayer as of 31.12.2004

Working Capital expected to decrease in second half versus first half of 2005

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

Raw Materials and Currency Exposure are Managed

Raw materials



- **Energy exposure of major production sites is being financially hedged**
- **Currently no financial hedges for raw materials since there is no liquid financial market yet, but manageable impact on operating profit due to**
  - **contractual clauses**
  - **ability to partially pass through higher raw material prices**

Currency exposure

Our operating business is performed in the following major foreign currencies: US-Dollar, Yen, Pound, Canadian and Hongkong Dollar

Strategy: we hedge a reasonable portion of our foreign currency exposure defined as anticipated cash exposure and booked receivables and payables

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Reminder: LANXESS’ Long Term Incentive and Employee Participation Programmes

- Long Term Incentive Programme consisted of:

- Stock Performance Plan (SPP)
- and Economic Value Plan (EVP)

- Condition to participation: personal investment (40%* of one annual fixed salary in three tranches)

  - Individual Investments are being done via an intermediary
  - Average purchase price to date is at around €22-23

- Very satisfying, high turnout of employees in LTIP
  - more than 90% of the top 55 managers

* percentage applicable on Board level - lower percentage for first level below Board of Management

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