



Roadshow Presentation

January 2005

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Content



- 1. A Performance Driven Setup**
2. Built on Strong Foundation
3. Roadmap for Value Creation
4. Portfolio Overview
5. Financials and Targets

Built on Polymers and Chemicals



Performance
Rubber



Engineering
Plastics



Chemical
Intermediates

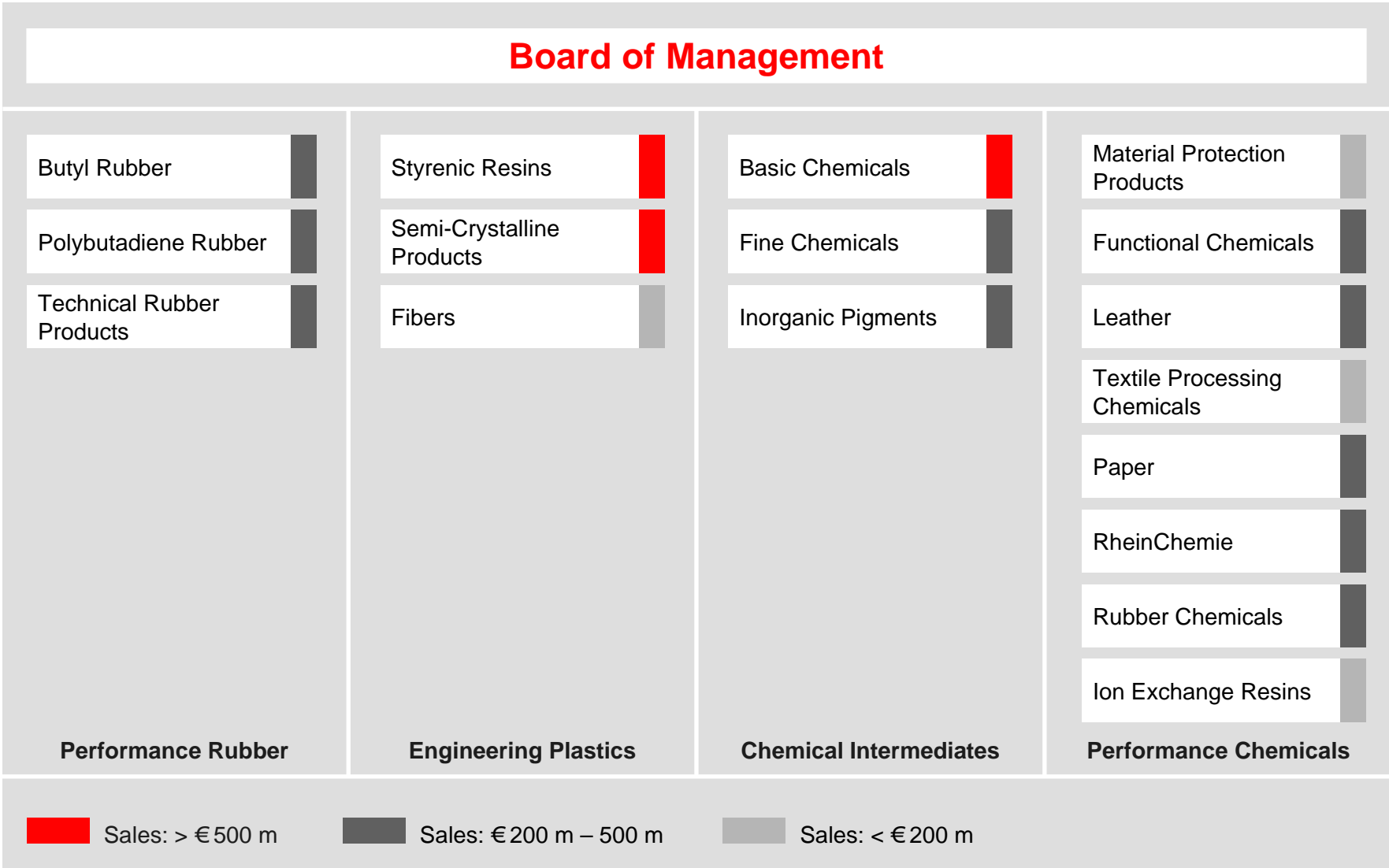


Performance
Chemicals



Independence. Cost Reduction. Portfolio Management.

Entrepreneurial and Experienced Board Directly Connected to BUs



BU Architecture for Maximum Performance and Portfolio Flexibility

Clear-cut BU Design

- Technology, products
- Size
- Competitors' structures
- High transparency, no overlap
- Better partnering options

Result Driven BU Management

- Ownership
- Fully accountable, entrepreneurial managers
- Focus on BU profitability
- Global responsibility
- Internal competition for resources and rewards

LANXESS Impact

Portfolio flexibility



Maximum performance

Content

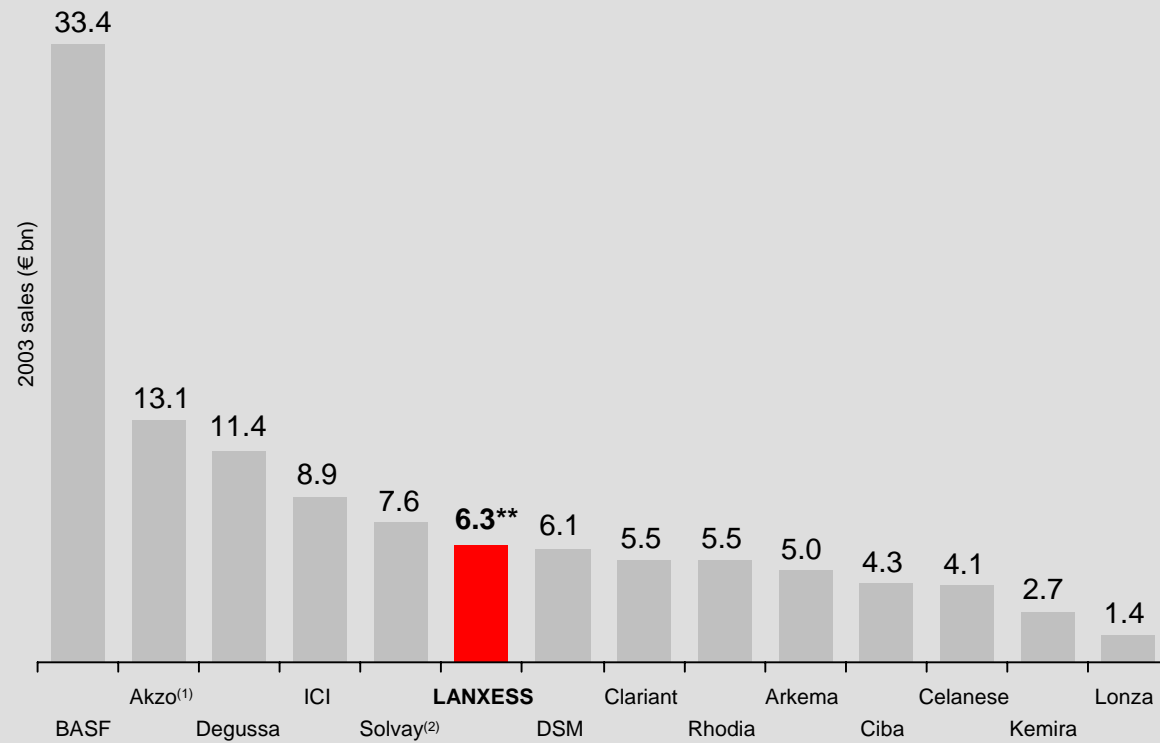


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LANXESS, a Significant Player*

Size Benefits

- Strategic flexibility
- Attraction and retention of excellent people
- Sales network
- Purchasing power



(1) Sales including € 3.6 bn Pharma

(2) Sales including € 1.8 bn Pharma

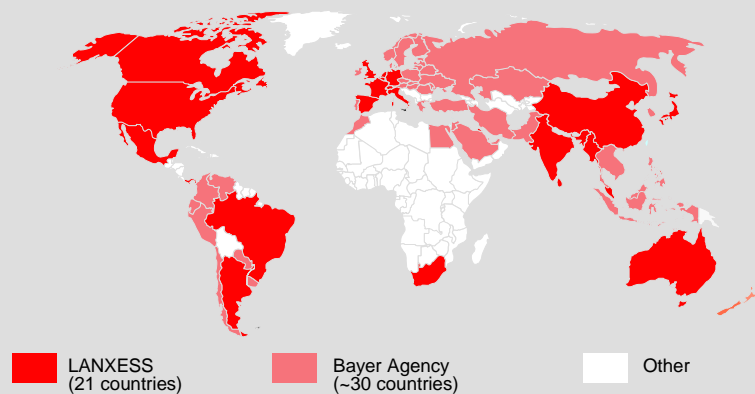
Source: Deutsche Bank

* Among European listed companies

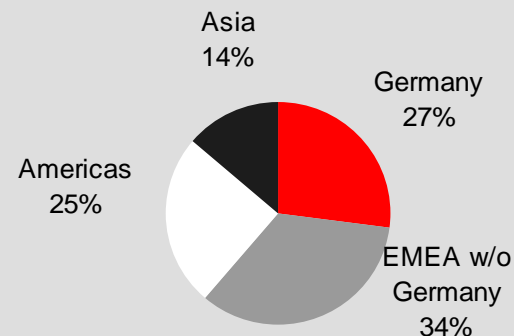
** Sales based on 2003 combined financial statements

Global Presence

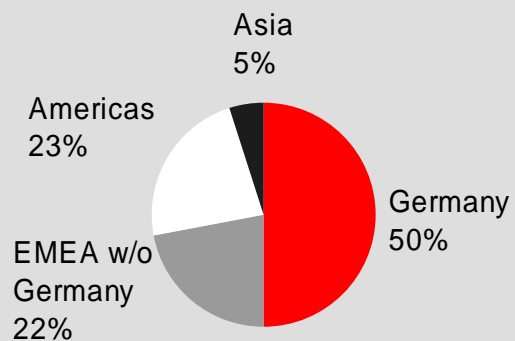
World Coverage



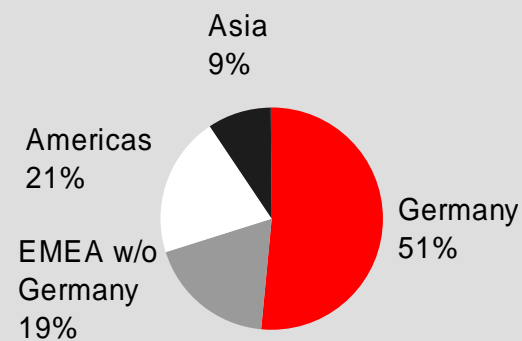
Sales by Region



Assets by Region







Employees by Region



All figures based on combined financial statements 2003 (2003-12-31)

In all Segments Solid Size and Top Positions

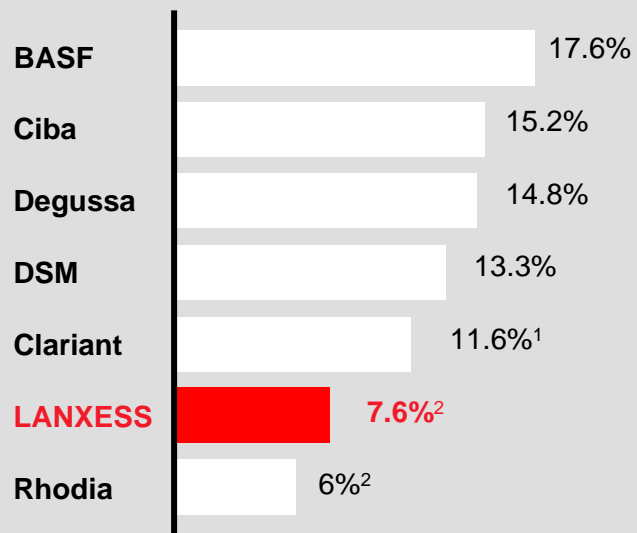
	Performance Rubber	Engineering Plastics	Chemical Intermediates	Performance Chemicals
Substantial Sales*	€ 1.4 bn	€ 1.4 bn	€ 1.4 bn	€ 1.9 bn
Excellent Market Position**	Top 1-3	Top 3	Top 1-2	Top 1-4
				

* Sales based on 2003 combined financial statements

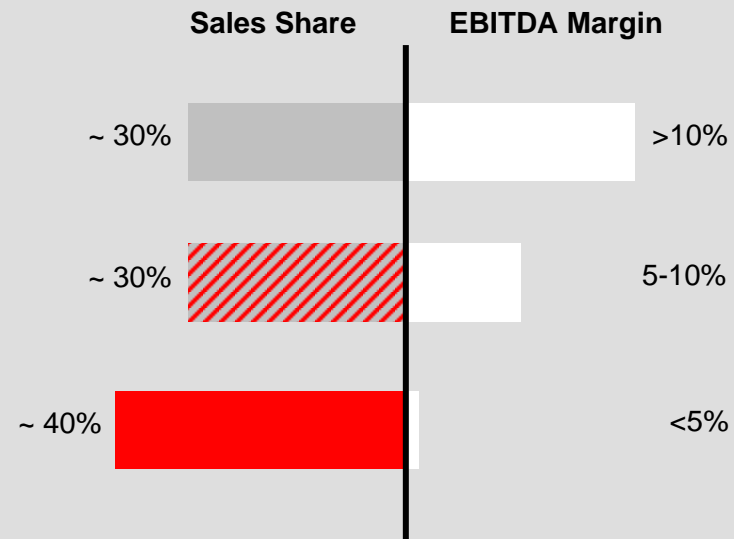
** In 70% of sales

Strong Foundation, but Unsatisfactory Profitability

Profit Margin 1-9 2004*



Profitability Distribution LANXESS**



*EBITDA in % of sales 1-9 2004; Source: Quarterly reports

¹ before restructuring costs

² excluding exceptionals

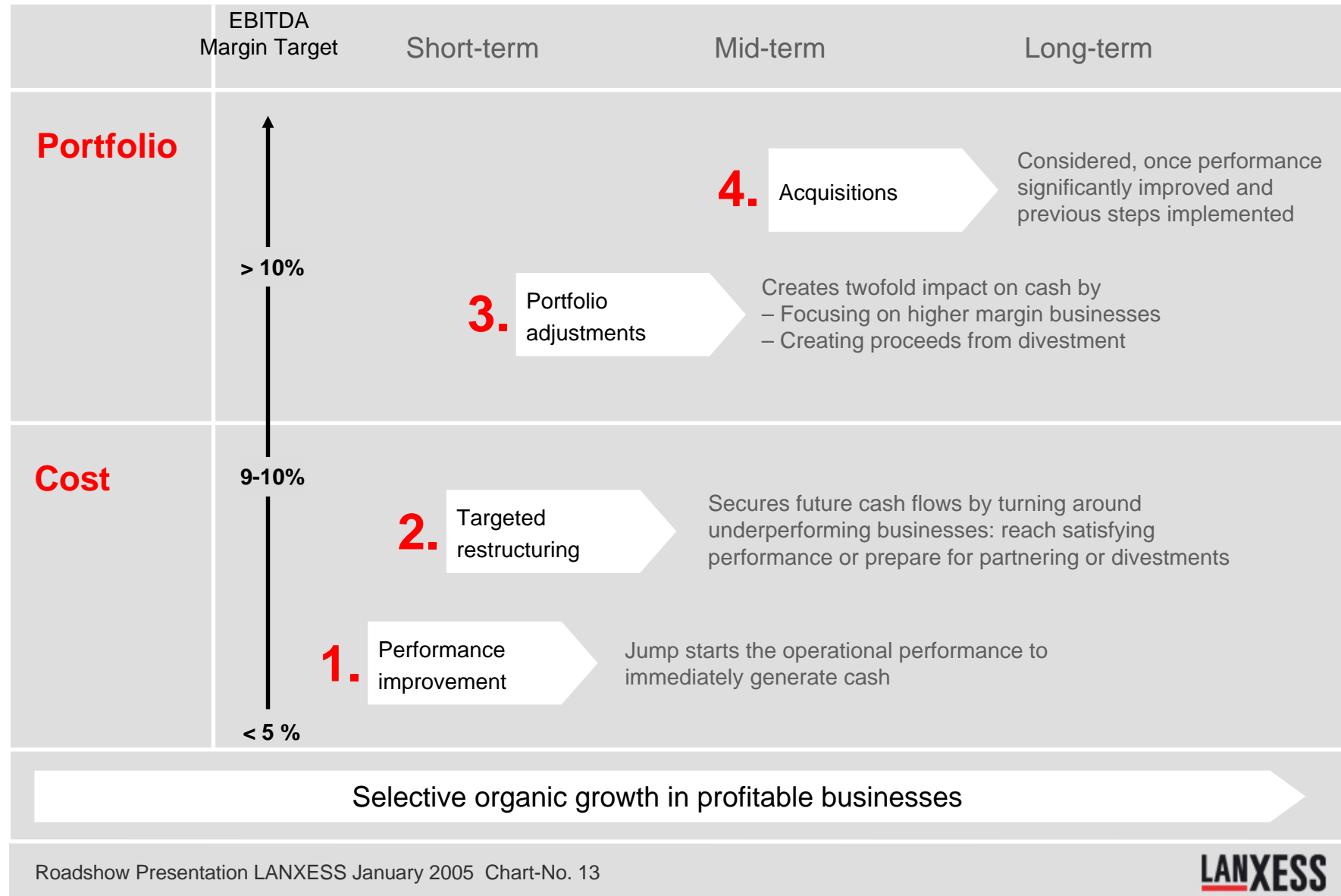
** Approximate figures based on 1-9 2004 combined financial statements

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Step-by-Step Approach to Creating Value



Step 1. Performance Improvement Programs Under Way

<p>Continuous cost cutting</p> <ul style="list-style-type: none">• Restructuring (e.g. Antwerpen)*• Headcount reduction (e.g. early retirement)*	<p>Streamlining processes</p> <ul style="list-style-type: none">• New LANXESS culture• Less hierachy• Organisational setup
<p>Organic growth in profitable businesses</p> <ul style="list-style-type: none">• Debottlenecking Butyl rubber*• Expansion of isocyanate intermediate production (BAC)*• Capacity expansion for biocide products*	<p>Product mix optimisation</p> <ul style="list-style-type: none">• Reduction of number of grades in STY*• Optimisation of product portfolio in TPC*
<p>New price / volume strategy</p> <ul style="list-style-type: none">• “Value vs. Volume” strategy PBR* <p>*examples</p>	<p>Customer mix optimisation</p> <ul style="list-style-type: none">• Company wide

Step 2. Selective Restructuring Started in 2004



Step 2. Our Situation Demands Targeted Restructuring

Constraints

Cash flow flexibility low
Debt situation
“General Works Agreement to Safeguard Sites and Employment III” (Standortsicherungsvereinbarung III) limits headcount reductions

Criteria for Restructuring

Minimum cash out
Short payback time
Achievable
Fast to implement

Targeted Restructuring

Step 2. Targeted Restructuring Continued in 2005/06

Measures

Asset consolidation

- Site closure
- Plant closure
- Plant transfer

Streamline processes

- Production
- Maintenance
- Services

Personnel cost reduction

- Head count
- Remuneration and benefits
- Working hours

Results

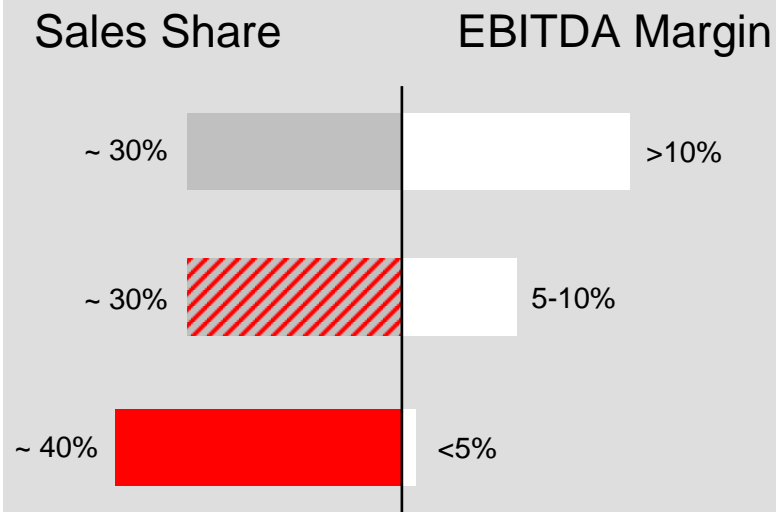
**Increased
profitability**



**More strategic
options for
underperforming
businesses**

Step 3. Portfolio Adjustment to Further Increase Profitability

Profitability Distribution LANXESS*



Portfolio Strategy

- Focus on highly profitable chemical businesses
- Unprofitable businesses will either meet performance criteria in given time frame or be subject to partnering or divestment

* Approximate figures based on 1-9 2004 combined financial statements

Step 4. Acquisitions in Due Course

Acquisitions postponed, until ...

... Significant performance improvements achieved

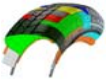


... Portfolio adjustments carried out

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Turn Leadership into Value

<p>Performance Rubber</p>	<p>Position LANXESS World wide number one in Synthetic Rubber</p>	<p>Action LANXESS Turn leadership into value</p>
<p>Butyl Rubber</p> <p>X Bromobutyl </p> <p>Integral part of tubeless tyre technology</p>	<p>Provides butyl rubber, which is a speciality rubber impermeable to air. Has wide applications both in tyre and other industries such as protective clothing</p>	<ul style="list-style-type: none"> – Debottlenecking of existing plants to capture market growth short term – Capture growth opportunities in Asia – Continue improvement in process technology
<p>Polybutadiene Rubber</p> <p>X Buna CB™ </p> <p>Tyre body and tread</p>	<p>One of the world's leading manufacturers of speciality rubbers polybutadiene- and solution-styrene-polybutadiene-rubber used principally in tyre compounds</p>	<ul style="list-style-type: none"> – Maintain position without major investments – Improve customer portfolio – Further adjust pricing strategy – Strengthen cost advantages in world scale plants
<p>Technical Rubber Products</p> <p>X Therban </p> <p>High temperature resistant engine compounds</p>	<p>Provides a broad range of speciality elastomers for the rubber processing industry with wide applications e.g. automotive, engineering, construction, electronics, oil exploration, aviation</p>	<ul style="list-style-type: none"> – Further improve quality of products and processes – Strengthen position as innovation-driven supplier for the rubber industry – Develop non-automotive markets





Turn Restructuring Into Value

<h2>Engineering Plastics</h2>	<p>Position LANXESS Track record of excellent application engineering</p>	<p>Action LANXESS Improve profitability substantially, reduce complexity. Capture growth opportunities, improve product mix</p>	
<h2>Styrenic Resins</h2>	<p>X Lustran®  Transparency, dimensional accuracy, brilliant appearance</p>	<p>Acknowledged supplier of ABS, SAN and ABS-PA resins with 50 years of experience in serving the engineering plastics market for household, automotive, electronics</p>	<ul style="list-style-type: none"> – Focus on differentiated & colored grades at reduced complexity – Continuation of restructuring programs – Regional organisations are focussing on individual market requirements
<h2>Semi-Crystalline Products</h2>	<p>X Durethan®  Thermoplastics for modern hybrid technology in cars</p>	<p>Provides a range of PA and PBT resins and compounds and blends principally to the automotive and electrical industries</p>	<ul style="list-style-type: none"> – Grow business in Asia and Americas – Build compounding unit in China – Concentrate on high value added customer-specific compounds
<h2>Fibers</h2>	<p>Dorlastan®  High quality synthetic elastic fibers for fashions</p>	<p>Develops and produces high quality synthetic elastic fibers for nearly all fields of textile production and polyamide-based monofilaments for technical applications</p>	<ul style="list-style-type: none"> – Intensify cost- and efficiency programs – Adjust legal structure for monofilament fibers – Evaluate strategic partnerships









Turn Strong Asset Base Into Value

<h2>Chemical Intermediates</h2>	<p>Position LANXESS</p> <ul style="list-style-type: none"> – World scale plants – Competitive “Verbund”-structures 	<p>Action LANXESS</p> <p>Keep competitiveness against upcoming Asian players</p>		
<h2>Basic Chemicals</h2>	<p>2-Methyl-6-Ethyl-Aniline</p>		<p>Supplier of aromatic compounds such as e.g. chlorobenzenes, chlorotoluenes and nitrotoluenes as well as amines, polyols, monoisocyanates, thio products, inorganic acids</p>	<ul style="list-style-type: none"> – Sustain significant cost advantages in world scale production network, “Aromatenverbund” – Optimise capacity utilisation with balanced isomer ratios – Continue product portfolio optimisation
<h2>Fine Chemicals</h2>	<p>X Bayrepe!®</p>		<p>Important player in fine chemicals focussed on:</p> <ul style="list-style-type: none"> Agrochemicals custom manufacturing Pharmaceutical custom manufacturing Specialty Fine Chemicals 	<ul style="list-style-type: none"> – Continue restructuring program – Improve product portfolio and concentrate on high-value fine chemicals – Improve profitability or prepare for partnerships
<h2>Inorganic Pigments</h2>	<p>X BAYFERROX®</p>		<p>A leading* global supplier of inorganic pigments with a broad, innovative product range</p>	<ul style="list-style-type: none"> – Shift product-mix towards more valuable applications and products – Use world-wide distribution network to strengthen service quality – Defend market share and sustain margins
<p>High quality iron oxide pigments for construction materials</p>			<p>* Source: SRI International CEH - Pigments Nov. 2004</p>	

Turn Application Engineering Into Value

<p>Performance Chemicals</p>	<p>Position LANXESS Top positions in application driven niches</p>	<p>Action LANXESS Grow in profitable niches, expand regionally</p>
<p>Material Protection Products</p> <p>X VELCORIN® Stabilisation of soft drinks </p>	<p>Comprehensive range of biocidal active ingredients and specialties for: Beverage sterilisation, Disinfectants/ personal care products, Wood preservatives/ antifouling products</p>	<ul style="list-style-type: none"> – Expand positioning in profitable niches by launch of new products and in new application areas – Strengthen regional market positions by expansion of local technical service
<p>Functional Chemicals</p> <p>X MACROLEX® Coloration of polymers </p>	<p>Manufactures products such as:</p> <ul style="list-style-type: none"> – Plastic additives – Flame retardants – Water chemicals – Specialty dyes & Colorants 	<ul style="list-style-type: none"> – Develop positions in profitable niches – Intensify co-operation with external partners – Strengthen regional activities and increase geographic diversification
<p>Leather</p> <p>AQUADERM™ Finishing of Leather </p>	<p>Broad range of specialty products for the leather industry including: Tanning agents, Preservatives, Finishing auxiliaries, Dye products</p>	<ul style="list-style-type: none"> – Participate in growth of leather chemicals in China & Brazil – Strengthen regional technical service – Continue marketing focus to fashion trends
<p>Textile Processing Chemicals</p> <p>BAYGARD® Water proofing of Textiles </p>	<p>Product solutions for the processes of</p> <ul style="list-style-type: none"> – Pretreatment – Dyeing Auxiliaries – Finishing – Textile printing 	<ul style="list-style-type: none"> – Strong regional organisation established to address different strategic focuses in different countries. – Intensify cost- and efficiency programs – Focus on high-value-added products

Turn Application Engineering Into Value

Performance Chemicals	Position LANXESS Top positions in application driven niches	Action LANXESS Grow in profitable niches, expand regionally
Paper   Whitening of Paper	Papermaking chemicals e.g.: <ul style="list-style-type: none"> – Paper colorants – Fluorescent whitening agents – Sizing and strength chemicals – Other papermaking chemicals 	<ul style="list-style-type: none"> – Monitor market consolidation – Realign business to market trends – Intensify cost- and efficiency programs
RheinChemie   Polymer-bound Rubber Additive	Providing technical services and additives for the rubber, polyurethane, plastics and lubricant oil industries; as well as colour pastes for the polyurethane industry	<ul style="list-style-type: none"> – Expand position as solution provider in profitable niches – Strengthen local production in Asia – Intensify innovation partnerships with customers
Rubber Chemicals   Accelerator	Full portfolio of rubber chemicals for the tire and technical rubber industry including: Antioxidants, Accelerators Specialties	<ul style="list-style-type: none"> – Establish value driven marketing approach – Capture selective growth opportunities in niches for specialties – Continue cost- and efficiency programs
Ion Exchange Resins   Purification of drinking water	Ion exchange resin manufacturer for the processing of: <ul style="list-style-type: none"> – Water – Foodstuff – Chemicals 	<ul style="list-style-type: none"> – Strengthen international market position – Continue efficiency programs in manufacturing – Continue development of high-end applications, e.g. ultra-pure water, catalysis

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Nature of “Combined Financial Statements” (CFS)

- CFS reflect LANXESS’ historical financial performance as if spin-off had occurred on January 1, 2002 whereas discontinuing operations (“DO”) figures present LANXESS as integral part of the Bayer Group
- CFS also differ from “pro forma financials”, as historical CFS figures **do not reflect** the business as if LANXESS had been independent in the past (e.g. no adjustment for historical transfer prices)
- **Major assumptions*** have been made regarding
 - Net debt and interest expense
 - Purchase of real estate
 - LANXESS’ 40% stake in Bayer Industry Services GmbH&Co OHG
 - Income taxes / Deferred taxes
 - LANXESS Corporate Center

The absence of historical unity and independence of LANXESS limits the informative value of the CFS.
9M 2004 financials are reviewed but not audited.

*actual figures may differ from assumptions

Differences between “DO” (Bayer reporting) and “CFS” (LANXESS reporting) will remain for full year 2004

9 Months Already Show an Improvement (CFS)

(€m)	9M 2003	9M 2004	Abs. chg.	Chg. in %
Sales	4,828	5,047	219	~5%
Cost of goods sold	-3,919	-3,937	-18	0%
SG&A	-845	-834	11	-1%
R&D	-118	-95	23	-19%
Other op. Result	-23	-105	-82	>100%
EBIT	-77	76	153	n.m.
Net Income	-113	-8	105	93%
EBITDA*	300	325	25	8%
Exceptional Items**	-25	-60	-35	>100%
EBITDA excl. exceptionals	325	385	60	18%

n.m.: not meaningful

* EBITDA equals EBIT plus depreciation and amortisation

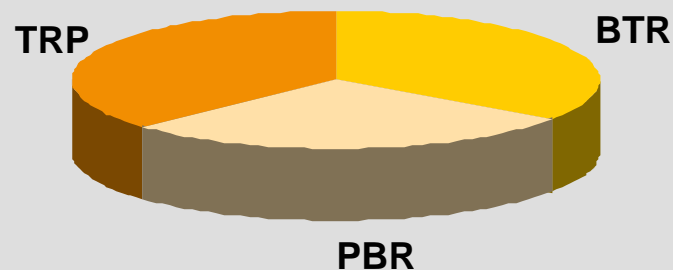
** excluding exceptional depreciation and amortisation of €17 million in 9M 2003 and €21 million in 9M 2004.

Performance Rubber: EBIT Improvement Despite Exceptionals

(€m)	9M 2003	9M 2004
Sales	1,038	1,046
EBIT	-51	42
EBIT Margin	-4.9%	4.0%
Depr. / Amort.	88	55
EBITDA	37	97
EBITDA Margin	3.6%	9.3%
Capex	48	43

- Unfavourable currency effects on sales were offset by price and volume increases. Rise in TRP volume over-compensated decreased volume in PBR
- EBIT positively influenced by above mentioned price and volume increases as well as reduced depreciation after impairments in 2003
- Provisions in connection with settlement of antitrust investigations of €12 m mainly in TRP negatively affected 9M 2004 EBIT and EBITDA

Sales by BU:

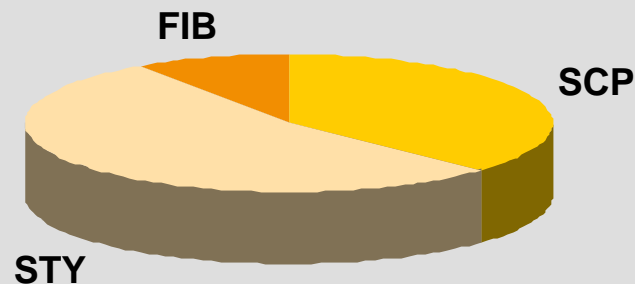


Engineering Plastics: Volume Growth and EBIT Improvement - However Operationally Still Unsatisfactory

(€m)	9M 2003	9M 2004
Sales	1,060	1,281
EBIT	-57	16
EBIT Margin	-5.4%	1.2%
Depr. / Amort.	89	22
EBITDA	32	38
EBITDA Margin	3.0%	3.0%
Capex	53	26

- Overall increased volumes and prices drive sales growth
- Sales increases in STY as well as positive volume- and price-driven sales performance of SCP more than offset slight sales decline in FIB
- Despite higher raw material prices, EBIT increased on
 - higher volumes
 - €13 million asset write-backs in STY
 - lower depreciation

Sales by BU:

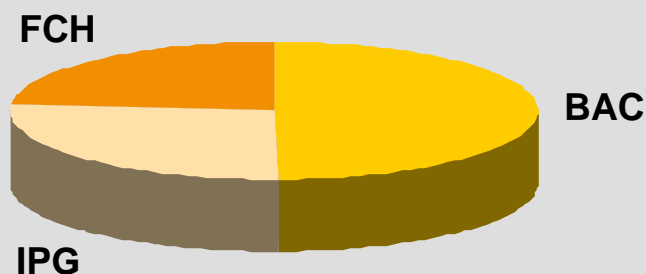


Chemical Intermediates: EBIT Improvement Driven by Higher Market Demand

(€m)	9M 2003	9M 2004
Sales	1,080	1,102
EBIT	33	46
EBIT Margin	3.1%	4.2%
Depr. / Amort.	106	86
EBITDA	139	132
EBITDA Margin	12.9%	12.0%
Capex	49	53

- Strong sales in BAC offset decrease in sales in other business units – especially FCH which had to cope with ongoing difficult market conditions
- Impairment charges of €13 million were incurred relating to FCH
- Lower depreciation base in the segment following the impairment charges incurred at the end of 2003

Sales by BU:

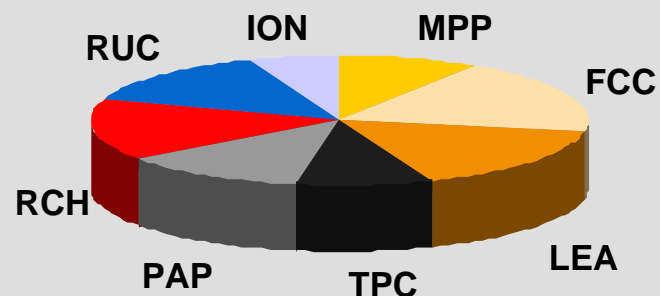


Performance Chemicals: Strong Performance by Majority of BUs Offset by Exceptionals and RUC

(€m)	9M 2003	9M 2004
Sales	1,501	1,459
EBIT	51	-8
EBIT Margin	3.4%	-0.5%
Depr. / Amort.	80	76
EBITDA	131	68
EBITDA Margin	8.7%	4.7%
Capex	39	33

- Sales decrease mainly on unfavourable currency effects in all business units
- EBIT hit by exceptionals of €68 million:
 - goodwill impairment of €20 million incurred in RCH
 - an increase of provisions of €8 million relating to the settlement of antitrust investigations at RUC
 - a €40 million increase in provisions for environmental matters

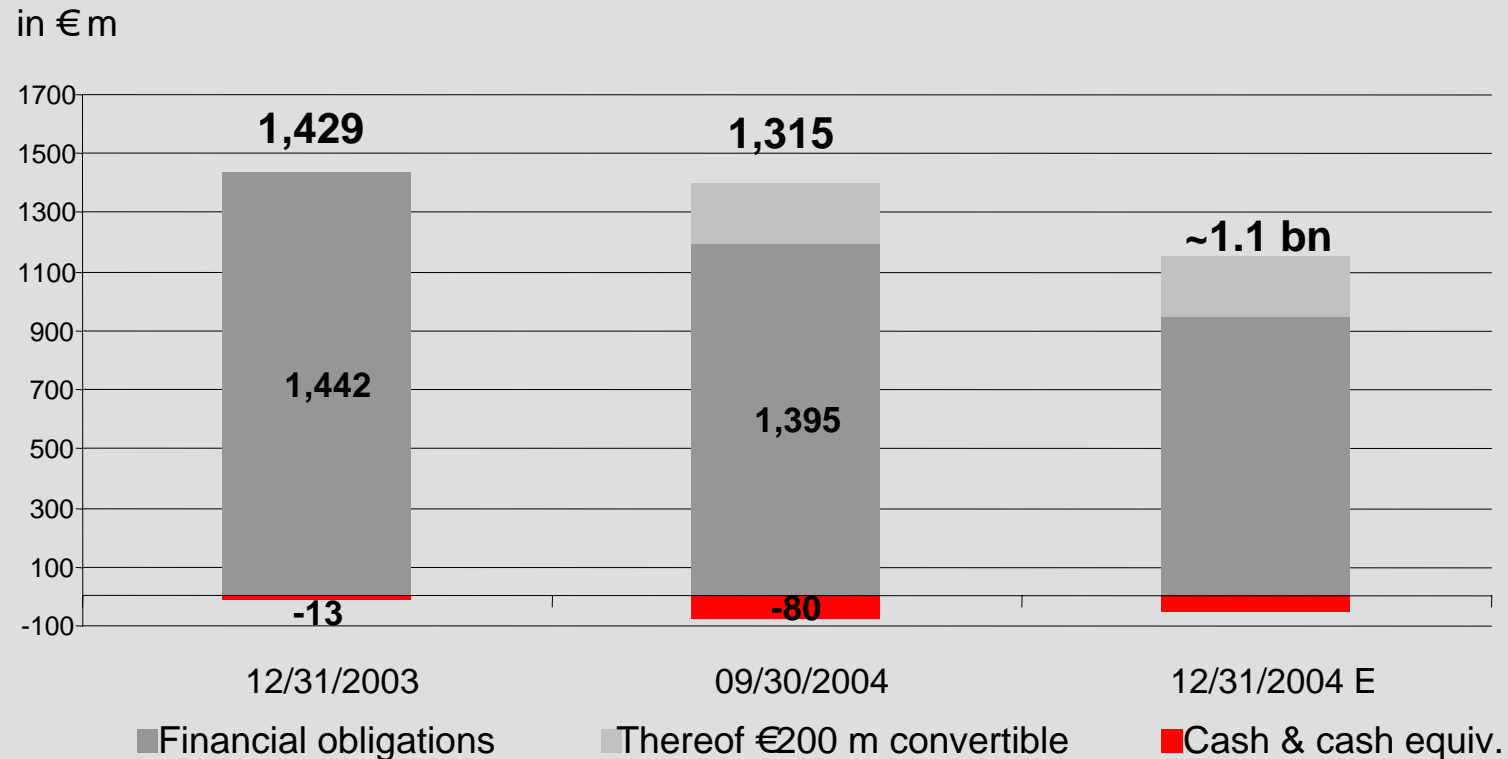
Sales by BU:



Condensed Consolidated Balance Sheet

(€m)	Dec 31, 2003	Sep 30, 2004	(€m)	Dec 31, 2003	Sep 30, 2004
Non-current Assets			Shareholders' equity	1,358	1,366
Intangible assets	99	69	Minority stockholders' interest	43	34
Property, plant & equ.	1,551	1,510	Provisions		
Investments	40	96	Pension & post empl. provisions	408	412
			Other provisions	405	512
Current Assets			Liabilities		
Inventories	1,096	1,204	Financial obligations	1,442	1,395
Trade receivables	990	1,217	thereof Mandatory Convertible	-	200
Loan to Bayer	256	0	Trade accounts payable	574	652
Other receivables & assets	298	351	Misc. liabilities	187	240
Cash & cash equivalents	13	80	Deferred taxes	57	28
			Deferred income	56	44
Deferred taxes	170	143	Total Liabilities & Equity	4,531	4,683
Deferred charges	18	13			
Total assets	4,531	4,683			

Target for Year-end 2004: Net Financial Debt* of €1.1 bn



Improved payment terms negotiated with Bayer in order to counter temporary increase of Working Capital

* Net financial debt excluding pensions: financial obligations (including convertible) less cash & cash equivalents

Capital Structure

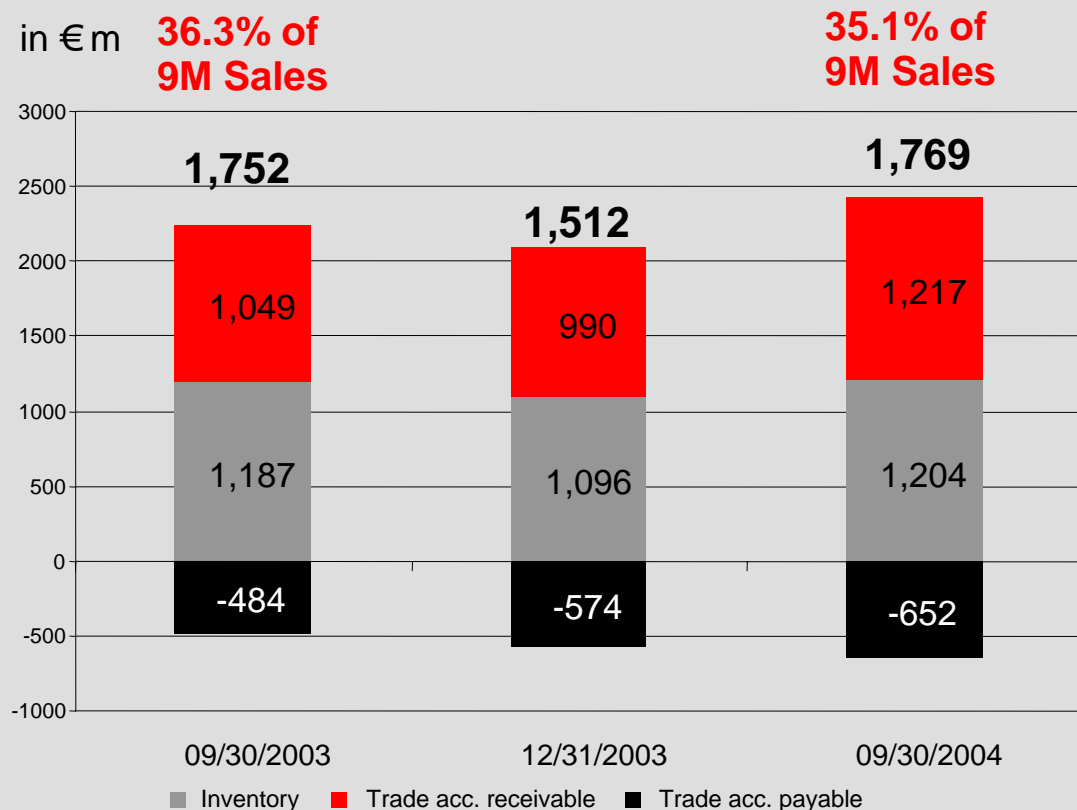
Improved payment terms negotiated with Bayer lead to €130 million Net Working Capital Reduction per 31.12.2004

Inventories and receivables per 31.12.2004 are expected to end above prior year level mainly due to:

- **Increased Sales**
- **Higher raw material prices**
- **Higher inventory due to scheduled plant maintenance**
- **System migration (e.g. SAP in USA)**

Such temporary increase has been countered by a payment term prolongation negotiated with our largest supplier- Bayer. This prolongation will be phased-out until the third quarter 2006 (€30 million in Q3 2005, €50 million in Q2 2006, €50 million in Q3 2006) when we expect to be back to a normalised level of inventories and receivables.

Working Capital* Status is Unsatisfactory



- Inventory: Planned maintenance shutdowns in 9M 2004 and price increases as well as system migration in the US impact inventory
- Receivables: Higher sales especially in Q3 2004 result in increased trade receivables
- Payables: Increased raw material prices and higher volumes impact payables

Working Capital reduction is a target, but major changes will take time

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

Essential for Future: Strong Cash Flow Generation

(€m)	9M 2003	9M 2004
EBIT	-77	76
Taxes Paid	5	-52
Depreciation & Amortization	377	249
Change in Pension Accrual	9	-27
Gain/ Loss from Sale of Assets	2	6
Change in Working Capital*	-126	-300
Net cash provided by operating act.	205	40
Capex	-193	-158
Cash Flow used in investing activities**	-148	85
Cash Flow used in financing activities	-56	-59
Cash at End of Period	14	80

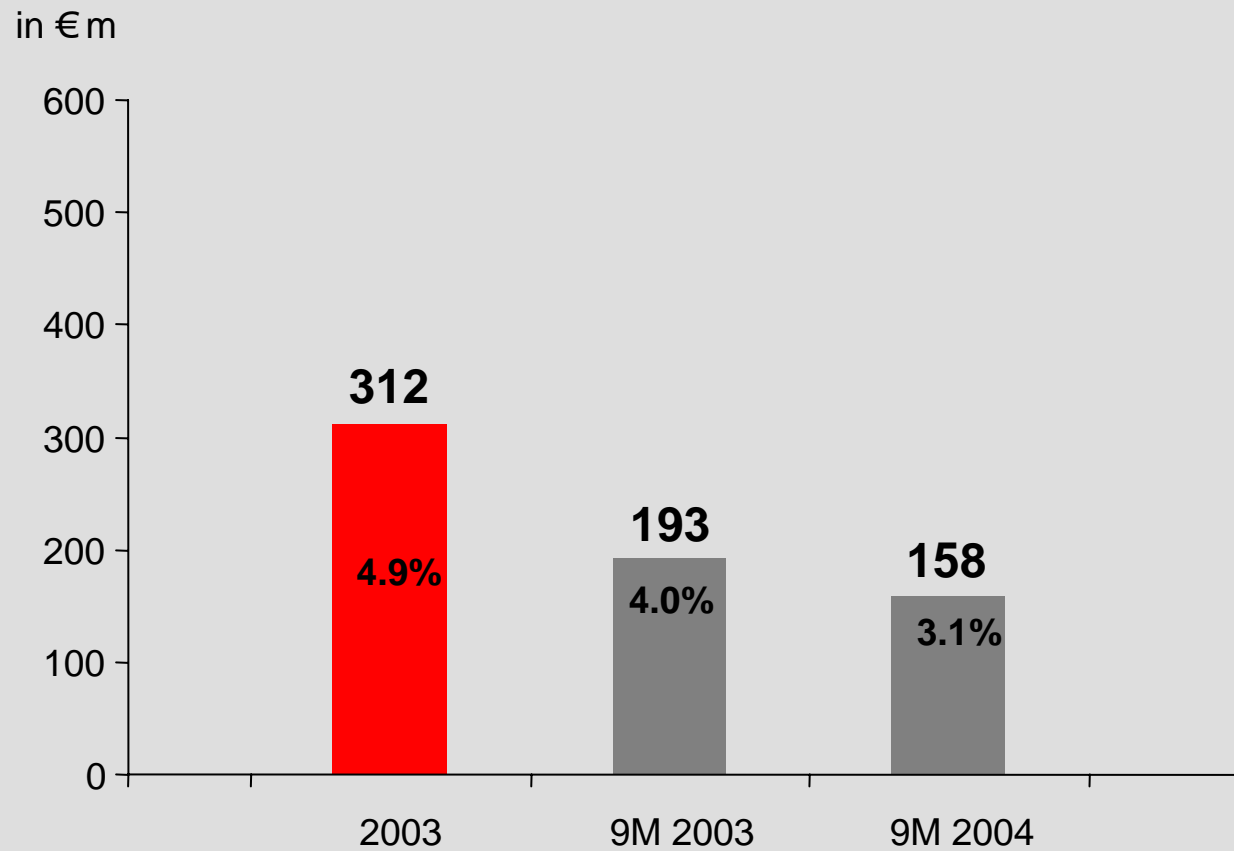
- Higher taxation due to higher taxable income and certain amounts of non-deductible tax items
- Working Capital increases due to increased sales, risen raw material costs and planned maintenance shut-downs

Restructuring expected to impact cash flow in 2005/2006

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

** including repayment of loan to Bayer in 9M 2004

Disciplined Approach for Capital Expenditures



Target: Reduce annual Capex to ~4% of sales

Percentages: Capex in % of sales

Contingent Liabilities: Arrangement between Bayer and LANXESS

Environmental Liabilities

- LANXESS is liable for real estate listed in annex of the master agreement
- Liability up to €350 million for liabilities caused prior to spin-off date
- Generally, the liability cap relates to remedial action ordered, agreed upon or actually carried out before the end of 2009
- Current provisions are €85 million as of 09/30/2004

Product Liabilities

- LANXESS is liable for all products that have been put in circulation by LANXESS
- In addition, LANXESS is liable for certain other specified products

Antitrust Matters

- General rule: LANXESS is liable for anti-trust violations committed by LANXESS
- With regard to certain antitrust matters of Bayer's former Rubber segment, LANXESS will bear 30% of liability. Bayer will bear 70%. LANXESS' cap for these antitrust liabilities is €100 million, with an annual cap of €50 million
- The Company considers it possible that the €100 million cap will be fully used up

We Start with Realistic Targets

	2003		2004 Target***		2006 Target***
EBITDA* Margin	< 5%	▶	~ 7%	▶	9 – 10%
Capex/Sales	~ 5%	▶	4 – 5%	▶	~ 4%
Net Financial Debt**/EBITDA*	~ 4.5	▶	< 3	▶	< 2.5

* Excluding exceptionals

** Net financial debt excluding pensions: financial obligations (including convertible) less cash & cash equivalents

*** The financial targets do not include any impact of potential divestments

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