LANXESS
2004 Full Year Results Roadshow

April, 2005

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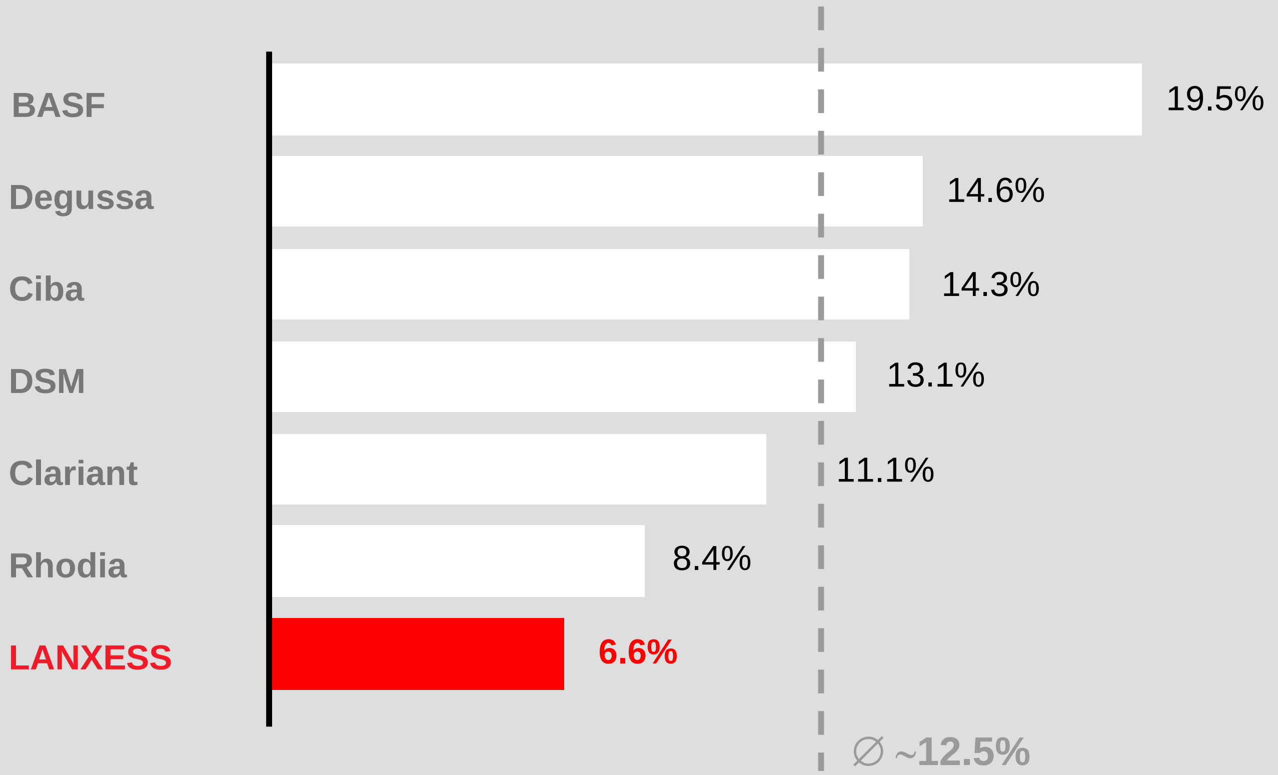
Agenda

1. Review of 2004
2. FY 2004 Financials
3. Strategy and Restructuring
4. Outlook

Margins Continue to Lag Behind Competitors Despite All Positive Developments

EBITDA Margins 2004*

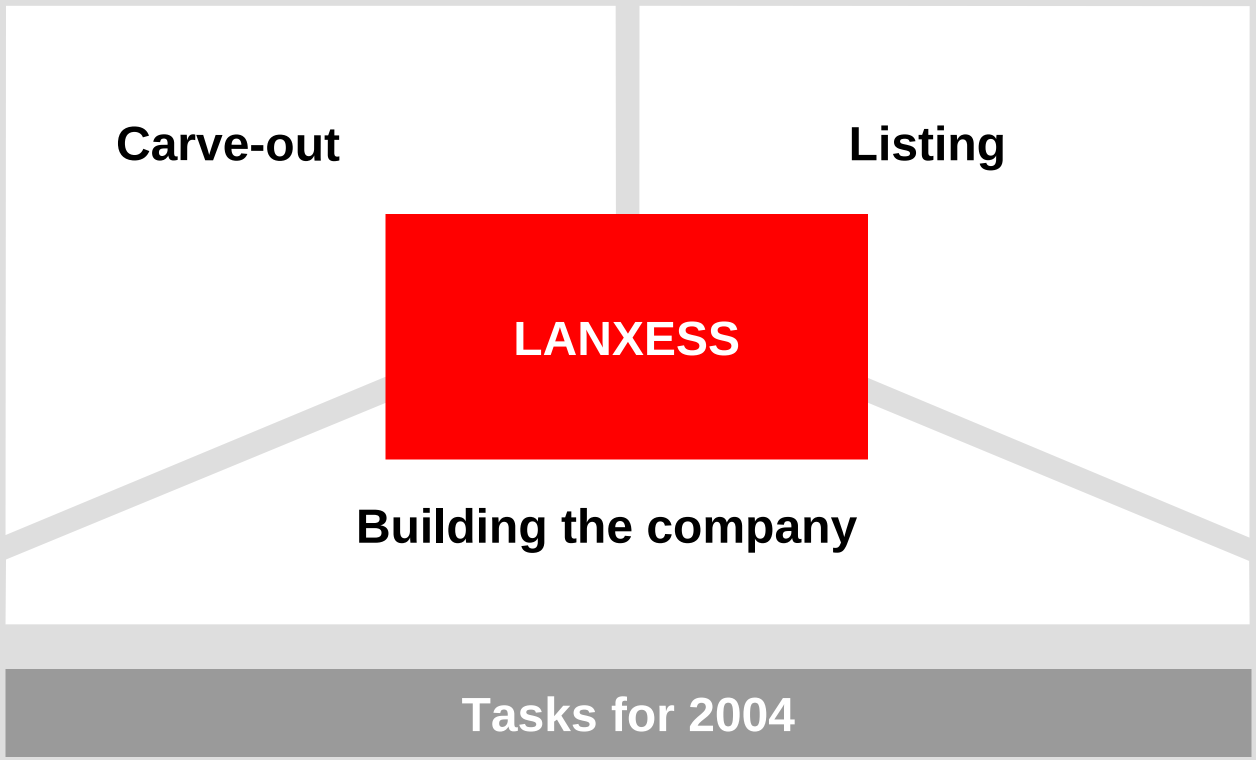


* EBITDA pre exceptionals in % of sales FY 2004;
Source: annual reports

Major Challenges Overcome in 2004

LANXESS established as a unit

- Several major areas addressed in parallel within one year
  - Spin-off
  - Structure
  - Listing
- Each of them a challenge in itself
- Essential to maintain at least the previous level of business



LANXESS Inherits a Difficult Legacy

Mainly mature, low-margin businesses

Little Cash-Flow flexibility

Starting Point LANXESS

Heavy debt burden

Employment Pact III

Major Tasks Determined by Starting Position

Improve performance

Reduce costs

Focus on profitable businesses

Action Taken Immediately

Highlights 2004

Improve performance

- Transparent organization
- Responsibilities clearly defined
- New price/volume strategy

Reduce costs

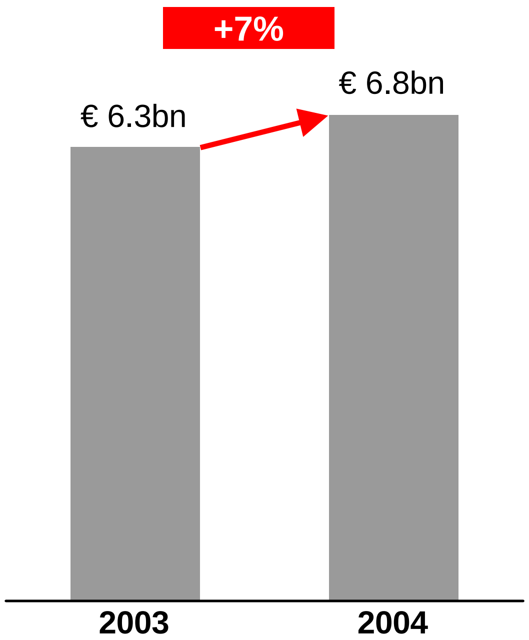
- Restructuring
- Reduction in personnel costs
  (pay components above collectively agreed rates)

Focus on profitable businesses

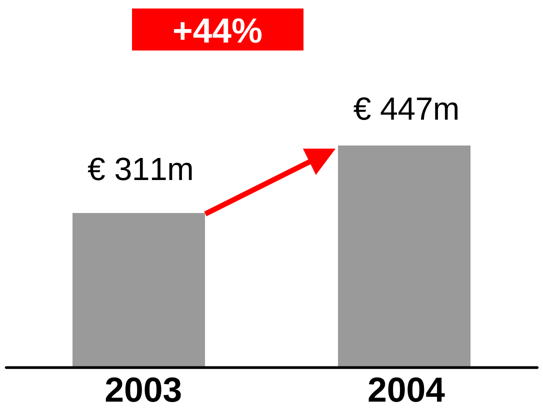
- Lean asset strategy in Asia
- Creative partnership solutions
- Debottlenecking in Butyl Rubber

Improvements in 2004 over 2003

Sales



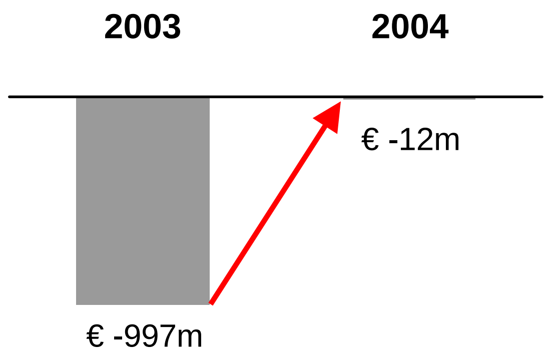
EBITDA*



EBITDA* margin:

4.9% 6.6%

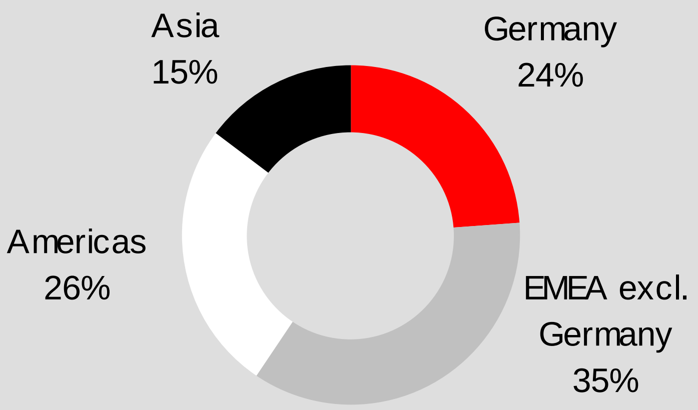
Net earnings



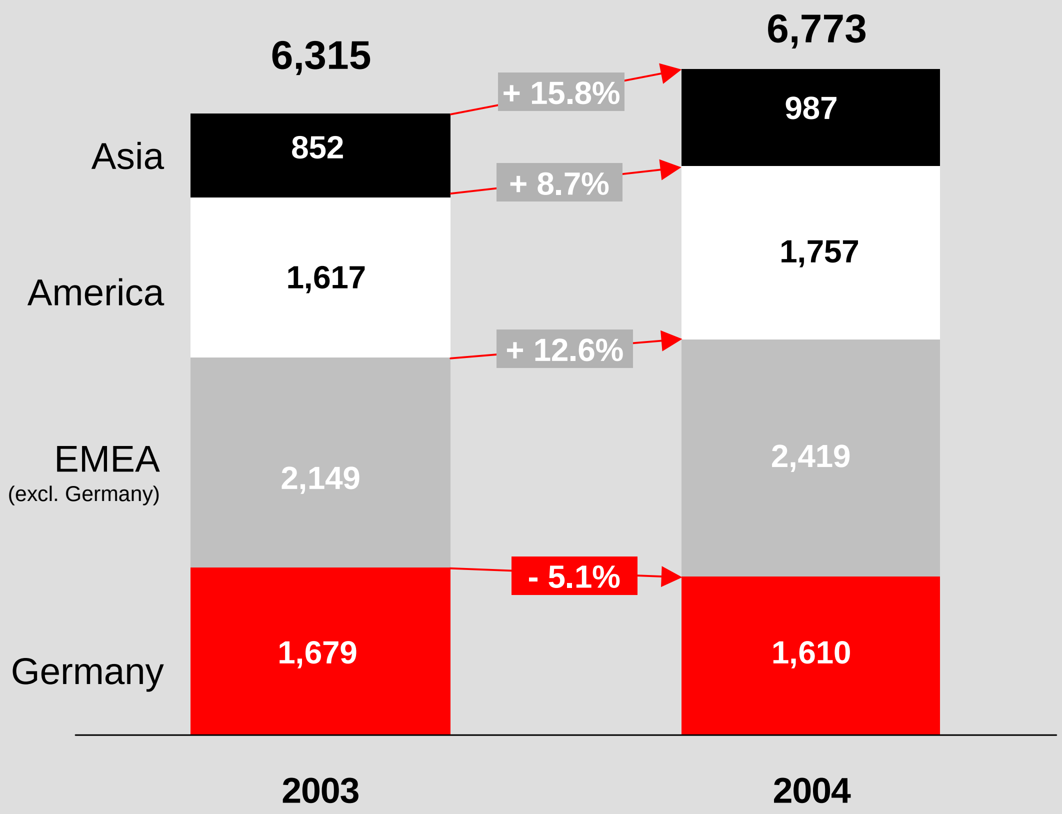
* pre exceptionals

Significantly Higher Sales in EMEA and Asia

Sales by regions 2004
(in %)



Sales trend by region
(€ million)



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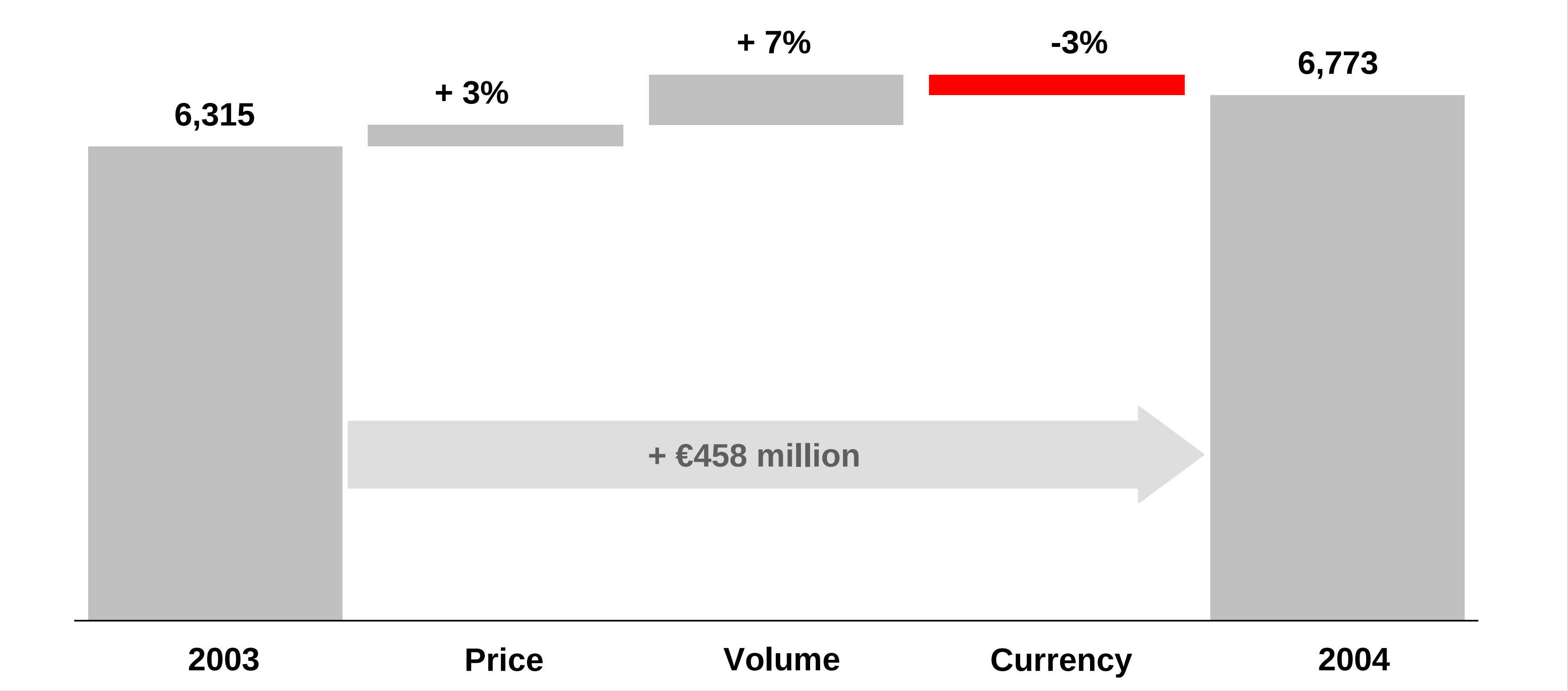
Price- and Volume Increases Offset Unfavorable Currency Effects

(€ million)
percentages rounded



Performance Rubber: Capitalizing on Market Leadership

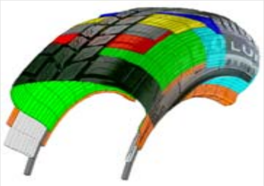
Example: PBR

- PBR and BTR organized in two separate business units for clearer business focus

- Results:
  - Asset consolidation bearing fruit
  - New price/volume strategy successfully implemented
  - Utilizing our technology leadership to develop markets

Turn Leadership Into Value

- Exploit growth potential
- Substantially increase profitability



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Engineering Plastics: Focus on Restructuring

Example: SCP

- Increase profitability by expanding capacities for intermediates
  - Higher volumes
  - Broadly similar cost structure
- Exploit growth potential in Asia
- Focus on customized compounding

Turn Restructuring Into Value

- Utilize growth opportunities
- Reduce complexity
- Substantially increase profitability

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Chemical Intermediates: Utilizing our Asset Base

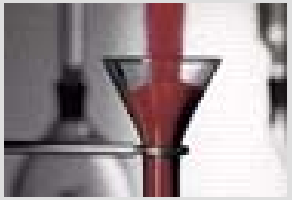
Example: BAC

– Utilize our competitive, integrated production facilities to maintain our position in a consolidation scenario

– Maintain high capacity utilization to benefit from the economic upswing

Turn Strong Asset Base Into Value

– Remain competitive against emerging Asian suppliers



Performance Chemicals: Regional Expansion

Examples: RCH, TPC, LEA

- Markets migrating to Asia
- Application engineering shifting to customers
  - RCH: Expansion of capacities in Qingdao
  - LEA: Technical service center and technology center opened in Wuxi
  - TPC: Expansion of technical expertise in Asia

Turn Application Engineering Into Value

- Growth in profitable niche markets
- Regional expansion

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Energizing Chemistry

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2. FY 2004 Financials

2.1. Profit and Loss Statement:
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2.4. Housekeeping

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

  – Income taxes / Deferred taxes / Tax loss carry forwards

  – LANXESS Corporate Center

The absence of historical unity and independence of LANXESS limits the informative value of the CFS.

*actual figures may differ from assumptions

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

Improvement in Full Year Results (CFS)

(€ m)	FY 2003	FY 2004	Abs. chg.	Chg. in %
Sales	**6,315**	**6,773**	**458**	7%
Cost of goods sold	5,211	5,349	138	3%
SG&A	1,192	1,144	-48	-4%
R&D	168	123	-45	-27%
Other op. Result	-1,041	-98	943	91%
EBIT	**-1,297**	**59**	**1,356**	**n.m.**
thereof exceptionals	**-1,178**	**-99**	**-1,079**	-92%
Net Income	**-997**	**-12**	**985**	**99**%
EBITDA*	180	387	207	>100%
thereof exceptionals	-131	-60	-71	-54%
EBITDA pre exceptionals	**311**	**447**	**136**	44%

n.m.: not meaningful
* EBITDA equals EBIT plus depreciation and amortisation

2004 Sales Variance by Segment (approximate numbers)

(€ m)	FY 2003	Price	Volume	Currency	FY 2004
Performance Rubber	1,375	~ +4%	~ +3%	~ -3%	1,431
Engineering Plastics	1,401	~ +4%	~ +22%	~ -3%	1,722
Chem. Intermediates	1,411	~ +2%	~ +6%	~ -2%	1,487
Perf. Chemicals	1,925	~ -1%	~ +3%	~ -3%	1,910

(€ m)	9M 2003	Price	Volume	Currency	9M 2004
Performance Rubber	1,038	~ +2%	~ +2%	~ -3%	1,046
Engineering Plastics	1,060	~ +0%	~ +24%	~ -3%	1,281
Chem. Intermediates	1,080	~ +0%	~ +4%	~ -2%	1,102
Perf. Chemicals	1,501	~ +1%	~ -1%	~ -3%	1,459

Increased Raw Material Costs Were Mainly Passed Through

(in € million)	Full year 2004	Price increase vs. 2003
Net Sales	6,773	160
COGS	5,349	190

Full Year 2004

~80% of Raw Material price increase passed-through to customers in 2004

- **Cost pass-through lags behind raw material price increases by ~3 months on average**

Q1/ Q2 2005

Q1 2005: some relief in raw material cost pressure + selling price increases (announced in Q4 2004)

Q2 2005: rising raw material costs + time lag of ~ 3 months to increase selling prices

Raw Material Prices are expected to remain on high levels during 2005

2004 D&A and Exceptionals by Segment

(€ m)	D&A 2004	thereof excep. D&A	total exceptionals
Performance Rubber	-61	0	-12
Engineering Plastics	-37	3	3
Chemical intermediates	-113	-22	-22
Performance Chemicals	-95	-20	-68
Reconciliation	-22	0	0
LANXESS Total	**-328**	**-39**	**-99**

Anti-Trust litigation TRP

€24 m amendment to Impairment in STY
-€21m Depreciation of capex in STY

€5 m Adjustment of '03 impairment in FCH
-€27 m Depreciation of capex in FCH

-€20 m Goowill amortization RheinChemie

-€8 m anti-trust litigation RUC
-€40 m environmental provision Merebank

For 2003 D&A and Exceptionals by Segment, please see Back-up slides

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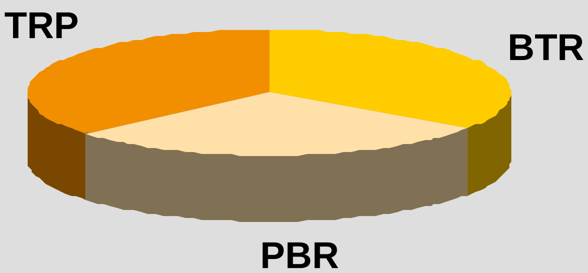
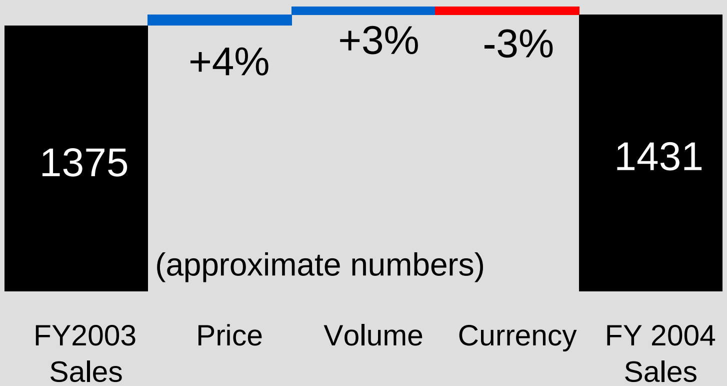
Performance Rubber:
Improved Performance Despite Weak Q4 2004

(€ m)	FY 2003	FY 2004
Sales	**1,375**	**1,431**
EBIT	-246	44
Depr. / Amort.	250	61
EBITDA	4	105
EBITDA pre except.	**36**	**117**
Margin	2.6%	8.2%
Capex	**78**	**76**

- Higher selling prices after increased raw material and energy costs as well as higher volumes in all BUs, especially in TRP more than offset negative currency effects
- Q4 impacted by costs for planned maintenance shutdowns
- Provisions in connection with settlement of antitrust investigations of €12 m mainly in TRP negatively affected EBIT and EBITDA

Sales by BU:





Engineering Plastics: Reasonable Improvement vs. Prior Year But Still the Lagging Segment

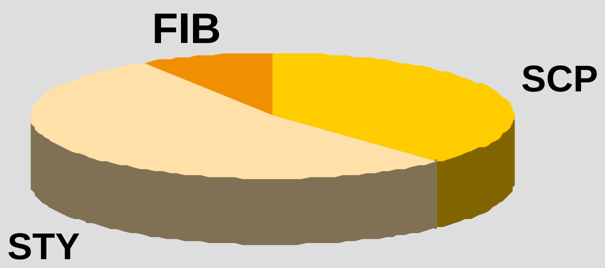
(€ m)	FY 2003	FY 2004
Sales	**1,401**	**1,722**
EBIT	-488	7
Depr. / Amort.	474	37
EBITDA	-14	44
EBITDA pre except.	**22**	**44**
Margin	1.6%	2.6%
Capex	**85**	**45**

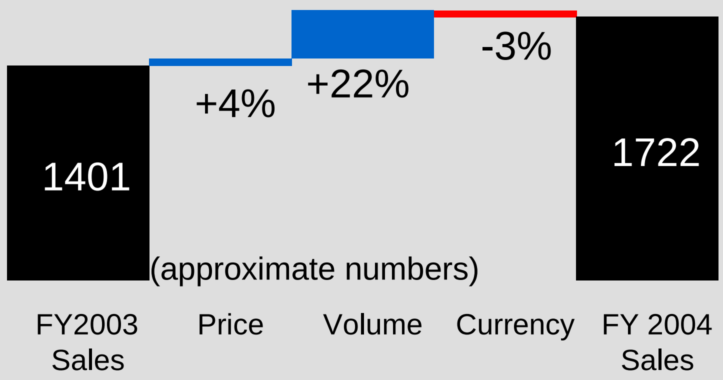
– Sales increased on higher volumes and to some extend prices in SCP and partly STY. Sales in FIB were lower due to continuing overcapacities and corresponding price pressure

– EBITDA improved on higher sales and a partial pass-through of higher raw material prices

– Continued prudent Capex approach

Sales by BU:





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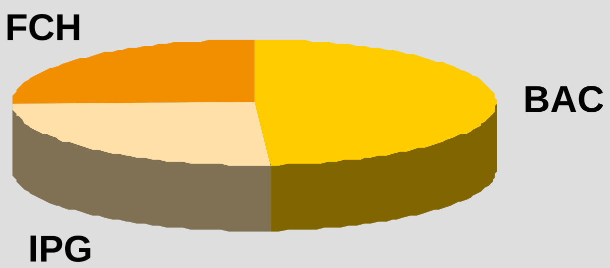
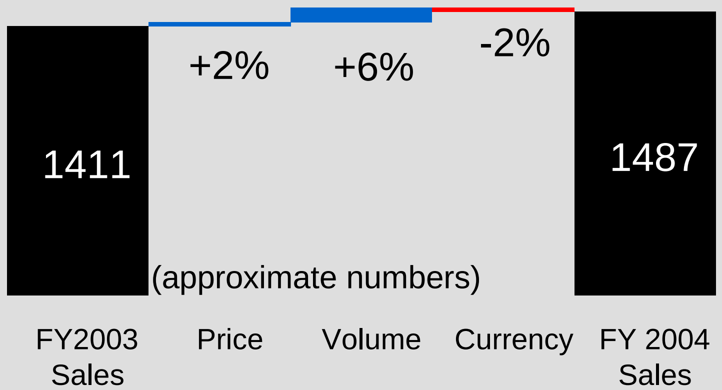
Chemical Intermediates:
BAC and IPG Overcompensate Weak FCH Performance

(€ m)	FY 2003	FY 2004
Sales	**1,411**	**1,487**
EBIT	-344	65
Depr. / Amort.	463	113
EBITDA	119	178
EBITDA pre except.	**153**	**178**
Margin	10.8%	12.0%
Capex	**79**	**89**

- Sales growth in BAC and IPG due to higher volumes and increased prices after risen raw material costs
- FCH sales were lower since improved sales in agrochemicals did not offset effects from continued difficult market conditions especially in photo chemicals
- Net impairments of €22 million consisting of €27 million impairment and €5million write-back weighed on EBIT

Sales by BU:





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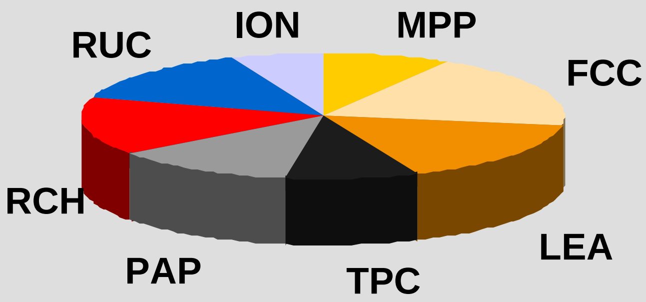
Performance Chemicals: No Performance Improvement due to Selling Price Pressure and Difficult Businesses

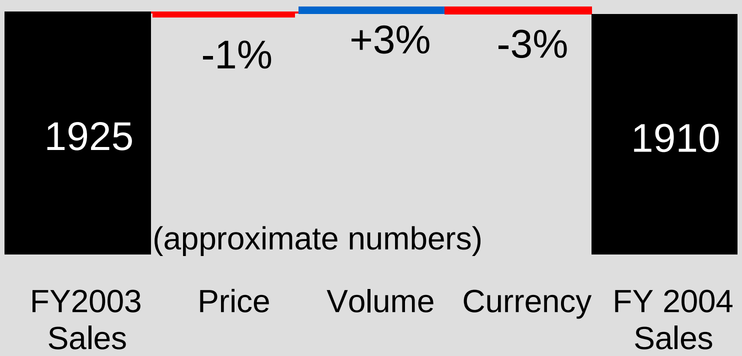
(€ m)	FY 2003	FY 2004
Sales	**1,925**	**1,910**
EBIT	-176	-20
Depr. / Amort.	272	95
EBITDA	96	75
EBITDA pre except.	**125**	**123**
Margin	6.5%	6.4%
Capex	**63**	**57**

– Total sales were slightly lower - increases in RCH, LEA, ION and MPP almost offset decreases in the remaining BUs, mainly FCC and TPC

– Positive volume effects offset unfavorable currency impacts - sales however slightly decreased due to pricing pressure

Sales by BU:





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Condensed Consolidated Balance Sheet

(€ m)	Dec 31, 2003	Dec 31, 2004
Non-current Assets		
Intangible assets	99	65
Property, plant & equipment	1,551	1,521
Investments	40	85
Current Assets		
Inventories	1,096	1,151
Trade receivables	990	1,137
Loan to Bayer	256	0
Other receivables & assets	298	363
Cash & cash equivalents	13	72
Deferred taxes	170	172
Deferred charges	18	11
Total assets	4,531	4,577

(€ m)	Dec 31, 2003	Dec 31, 2004
Shareholders' equity	1,358	1,331
Minority stockholders' interest	43	34
Provisions		
Pension & post empl. provisions	408	418
Other provisions	405	481
Liabilities		
Financial obligations	1,442	1,207
thereof Mandatory Convertible	-	200
Trade accounts payable	574	820
Misc. liabilities	187	189
Deferred taxes	57	55
Deferred income	56	41
Total Liabilities & Equity	4,531	4,577

Differences Between Assumptions in CFS and Reality Lead to Effects in LXS Deferred Tax Assets and Therefore in LXS Shareholder Equity

Background

- Bayer‘s assumptions in the CFS: ~€540 million tax loss carry forwards (~€216* million deferred tax asset) related primarily to impairments in 2003 were allocated to LANXESS as per December 31st, 2004 for Germany
- Following German tax law eventually finally only ~6.3% of Bayer AG‘s total tax loss carry forward (~€33 million deferred tax asset) are transferred to LANXESS AG in the course of the spin-off. The respective deferred tax asset must be adjusted by approximately -€185 million (FY 2004 vs. Q1 2005)
- Additional differences lead to further reduction of the respective deferred tax asset. The total delta amounts to appr. -€250 million. (FY 2004 vs. Q1 2005)

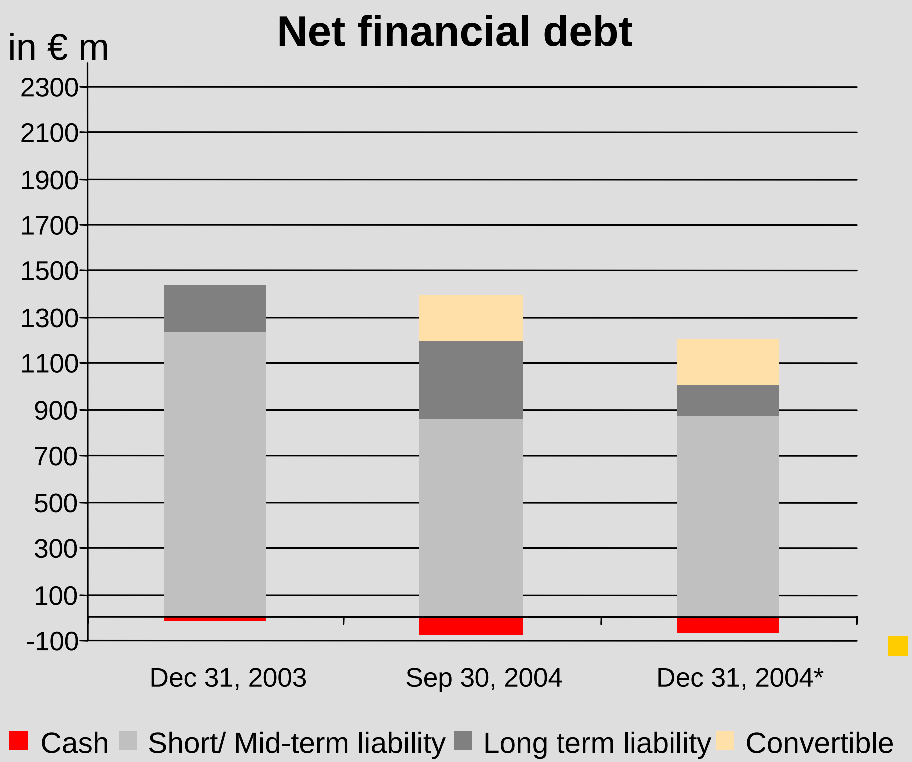
Effects

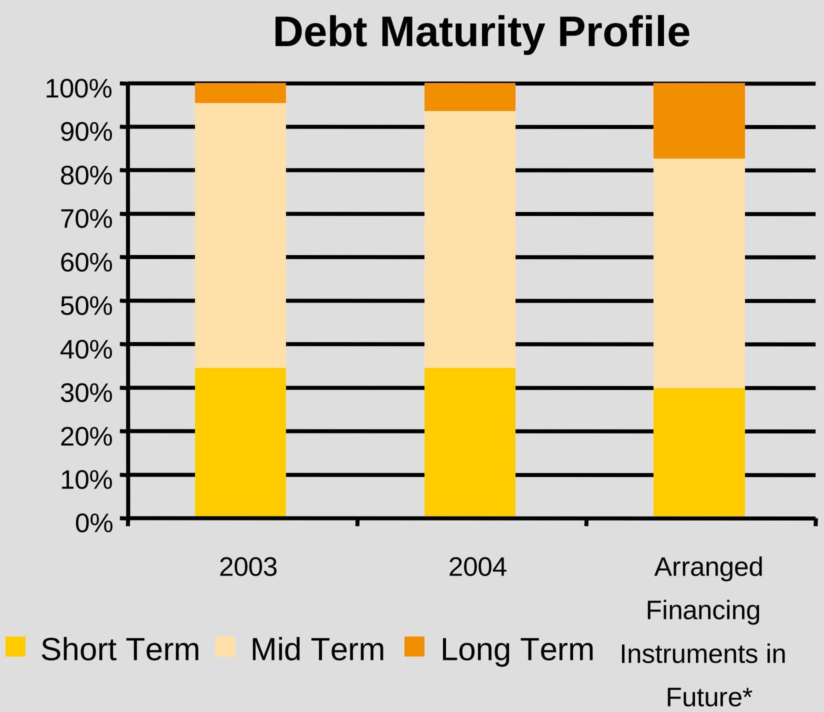
- Technical reduction of the balance sheet
- Equity will be reduced by appr. €250 million as of January 1st, 2005
- P&L will not be impacted
- Cash flow will not be impacted

Standard and Poor’s: “No effect on investment grade rating”

*The balance sheet shows €172m which is an amount net of certain deferred tax liabilities

Net Financial Debt Reduced and Maturity Profile to Become More Balanced

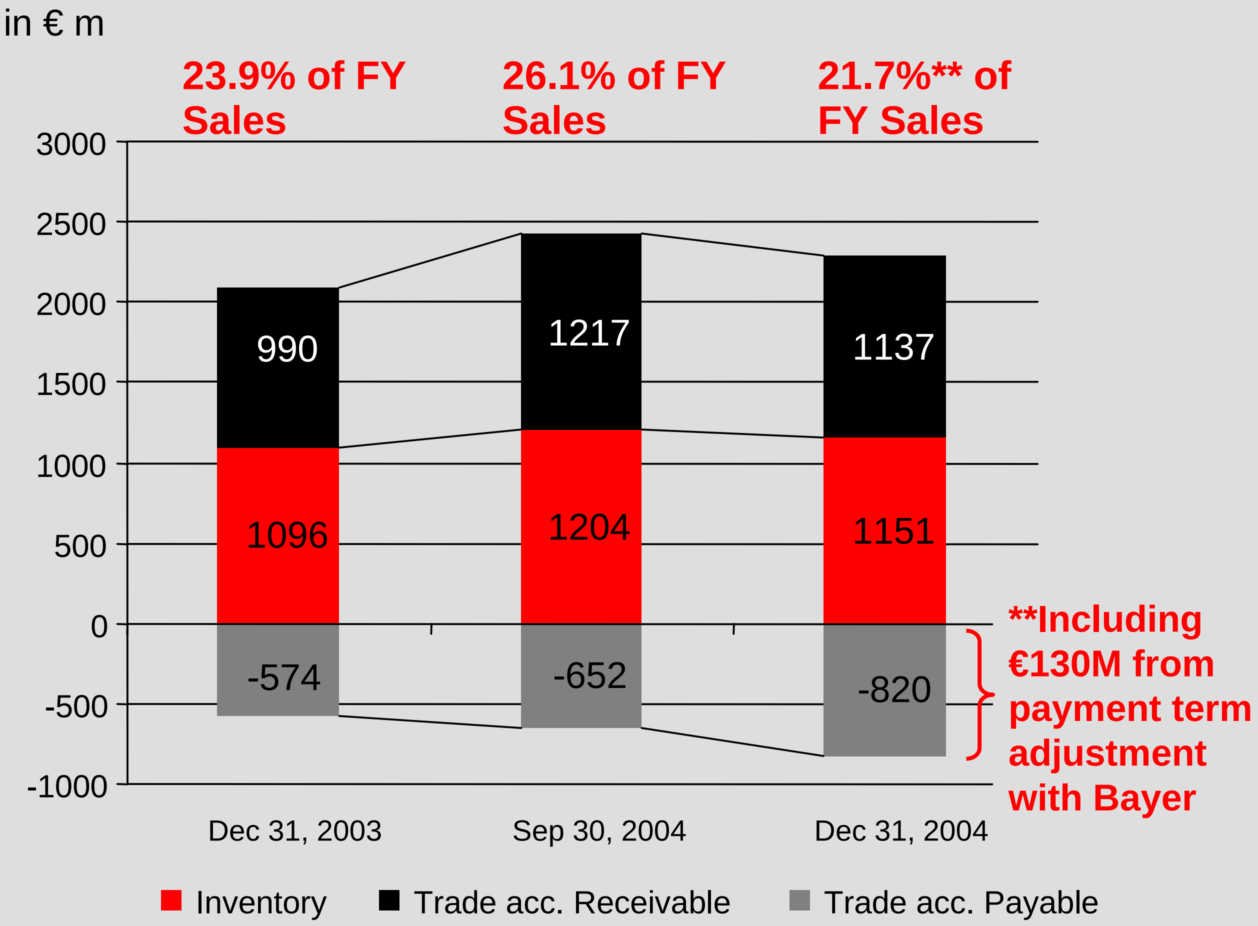




- **Additional financing headroom of ~€1bn established**
- **Net financial debt includes effect from €130 million payment term adjustment with Bayer**
- **Planned Euro bond will improve debt maturity structure in the future**

Net financial debt excluding pensions: financial obligations (including convertible) less cash & cash equivalents
* Maturity profile of actually drawn financing instruments will likely have an even larger long-term portion

Working Capital* Reduced by Year End Mainly due to Payment-Term Negotiation with Bayer



YoY - Change:

- Inventory: Planned maintenance shutdowns and price increases as well as system migration in the US impacted inventory
- Receivables: Higher sales especially in Q3 2004 and Q4 result in increased trade receivables
- Payables: Increased raw material prices and higher volumes impact payables
- Working Capital is expected to remain above 20% of sales

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

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

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Essential for Future: Strong Cash Flow Generation

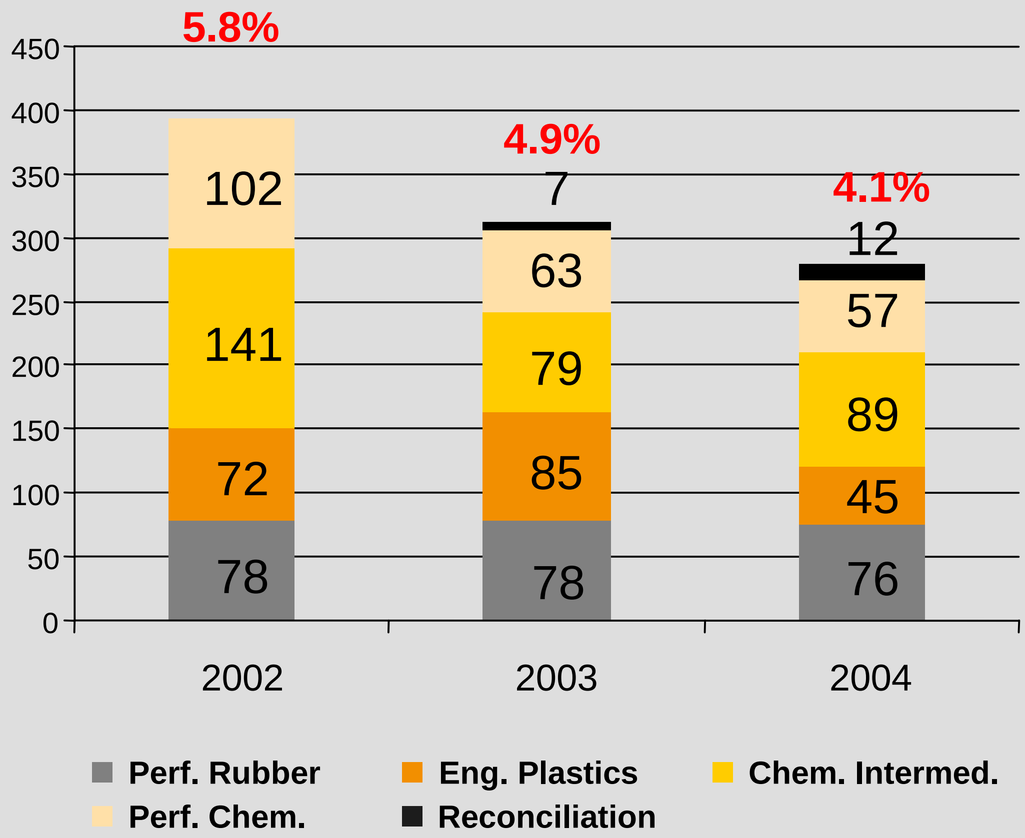
(€ m)	FY 2003	FY 2004
EBIT	**-1,297**	**59**
Taxes Paid	12	-45
Depreciation & Amortization	1477	328
Change in Pension Accrual	25	-31
Gain/ Loss from Sale of Assets	6	2
Change in Working Capital*	16	-35
Change in other current assets	107	33
Net cash provided by operating act.	**346**	**311**
Capex	**-312**	**-279**
Cash Flow used in investing activities**	-300	-39
Cash Flow used in financing activities	-46	-214
Cash at End of Period	13	72

- 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

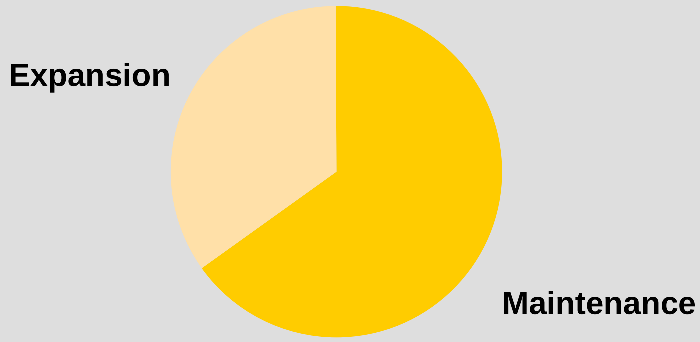
Restructuring expected to impact cash flow in 2005/2006

* Working Capital : Inventory plus trade accounts receivable less trade accounts payable
** including repayment of loan to Bayer in 2004

Disciplined Approach for Capital Expenditures



LANXESS rule of thumb for Capex split:



Annual Capex for next 2 years expected ~4% of sales

Percentages: Capex in % of sales

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LANXESS LTIP's on Board Level: Stock Performance Plan (SPP) and Economic Value Plan (EVP)

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

- **Stock Performance Plan (SPP)**
  - Benchmark: Outperformance of the DJ global STOXX 600 Chemicals index (index+10%:100% targeted payout, index+20%: cap and maximum payout)
  - Targeted payout*: 90% of one total annual salary (fixed and variable)
  - Vesting period: 3 years, following 2 years of excercise period for each tranche
  - Blackout periods: surrounding earnings releases and AGM
  - Grant price: volume weighted average of first ten trading days (€ 15.01)

- **Economic Value Plan (EVP)**
  - Benchmark: Increase of Economic Value over three years ('04-'07, '05-'08, '06-'09) according to business plan
    Economic Value = EBITDA * Multiplier, less net nebt
  - Targeted payout*: 40% of one total annual salary
  - Vesting period: 3 years, automatic exercise after 3 years

- **Accounting treatment:** Value calculated by option pricing model (Black-Scholes) will be expensed over three years for each tranche.

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

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We Start with Realistic Targets

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

Guidances given prior to listing were achieved

* 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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Energizing Chemistry

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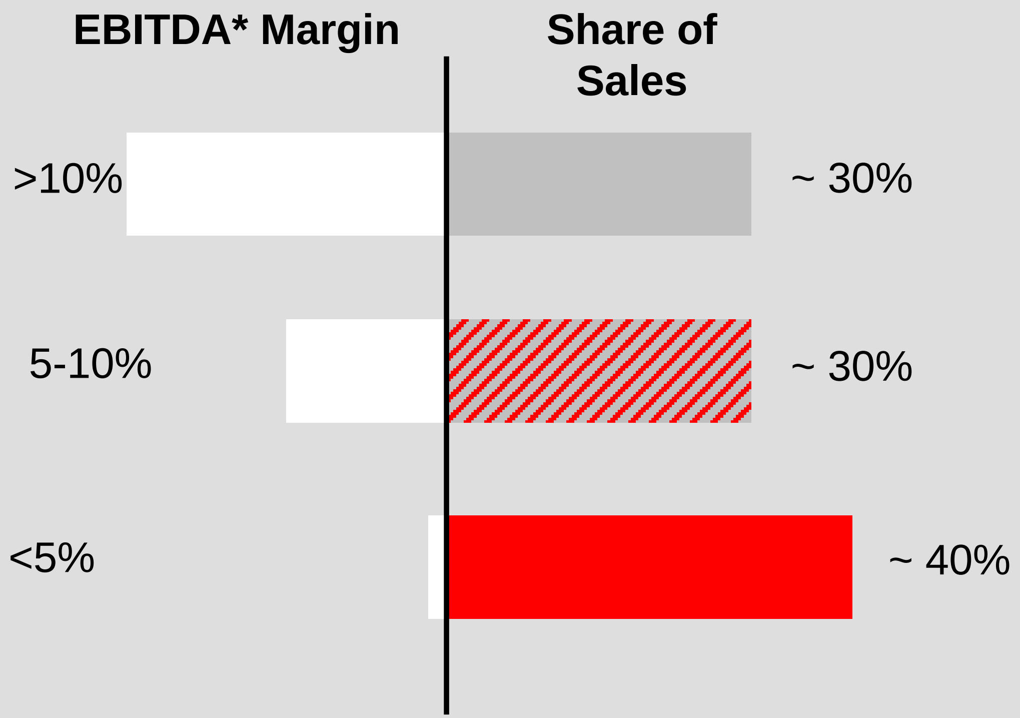
Step-by-Step Approach to Creating Value

	EBITDA Margin	Short-term	Medium-term	Long-term
Portfolio	> 10%		**4.** Acquisitions	Considered, once performance significantly improved and previous steps implemented
		3. Portfolio adjustments	Creates twofold impact on cash by – Focusing on higher margin businesses – Creating proceeds from divestment	
Cost	9-10%	**2.** Targeted restructuring	Secures future cash flows by turning around underperforming businesses: reach satisfying performance or prepare for partnering or divestments	
	< 5 %	**1.** Performance improvement	Jump starts the operational performance to immediately generate cash	

Selective organic growth in profitable businesses

2. Targeted Restructuring in Problem Areas

Profitability distribution
LANXESS



Action programs

– Volume/price strategy
– Cost containment, efficiency improvement
– Large-scale restructuring
– Portfolio options

* pre exceptionals

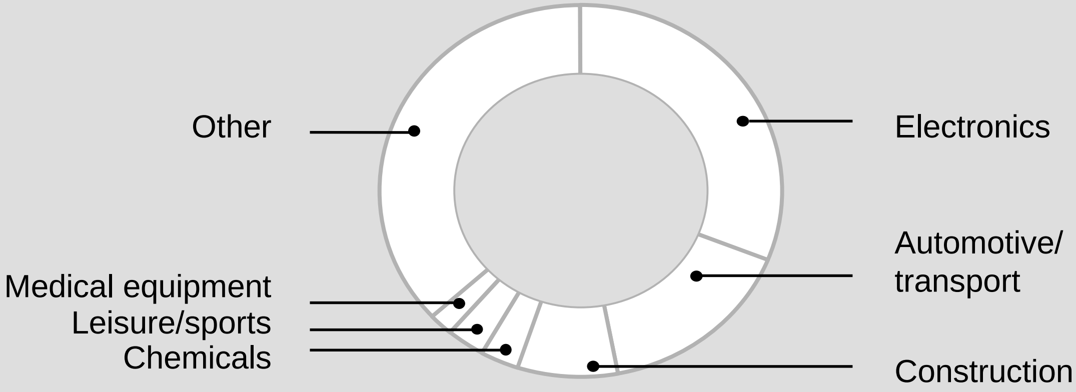
Engineering Plastics – Styrenic Resins

New Capacities and Customers in Asia

Market trend STY

- Global market growth around 6%, double-digit increases in China and India
- Global capacity increasing by about 5% a year (China approx. 14%)
- Customer industries shifting to China
- Some segments showing rapid growth, particularly specialties

Customer industries



Product examples

Novodur®

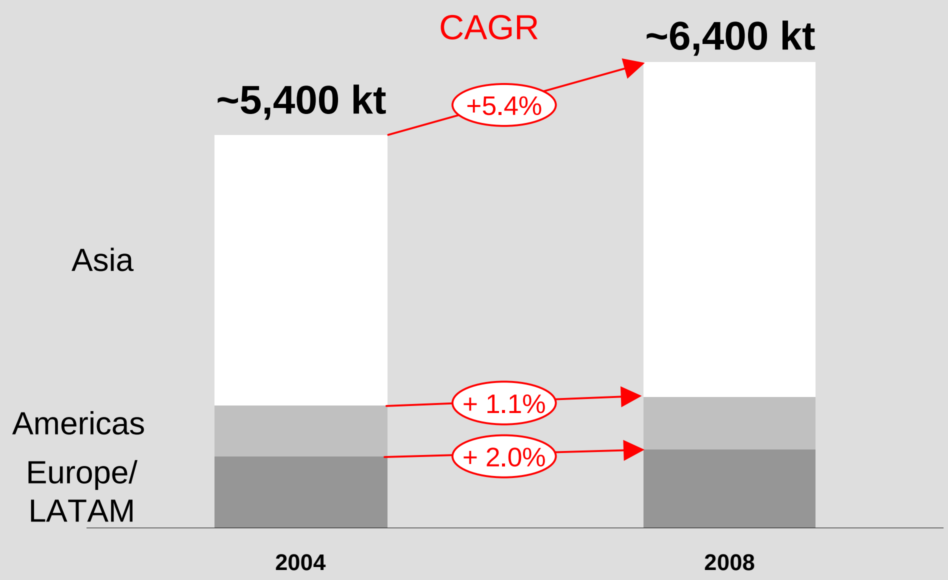
Lustran®

Growth Strategy in Europe Offers No Prospect of Success

Earnings trend in Europe

- Heavy losses in Europe for years
- Earnings still negative despite recovery in 2004
- Intense competitive pressure from Asia for standard grades

Growth rates (p.a.)



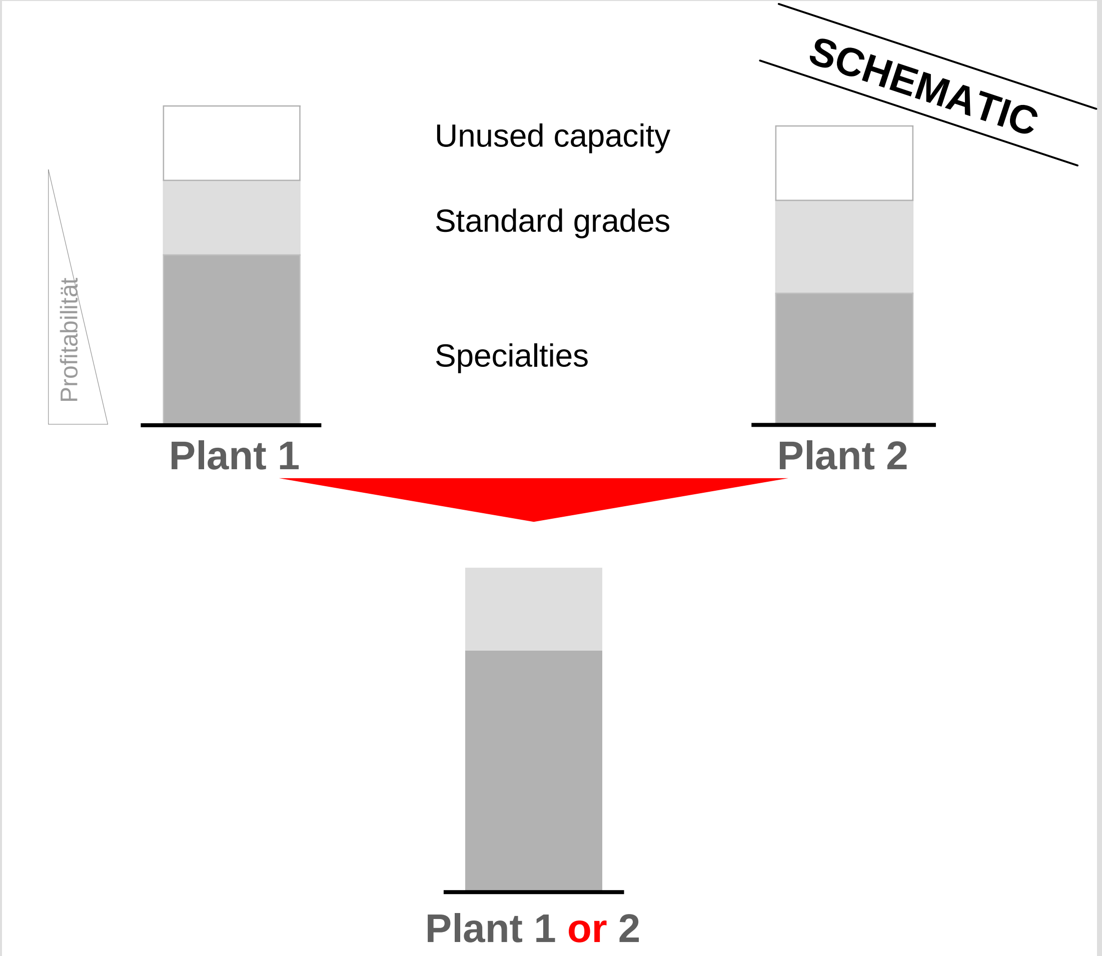
Volume-Growth-Strategy not viable in Europe

Only One European Facility Can Survive

Need for action in Europe

- LXS not competitive in standard grades
- Specialties are core business
- Marketing of unprofitable products to be discontinued
- Asset consolidation results in only one fully loaded plant
- Most competitive site - either Dormagen or Tarragona - will survive

Asset consolidation



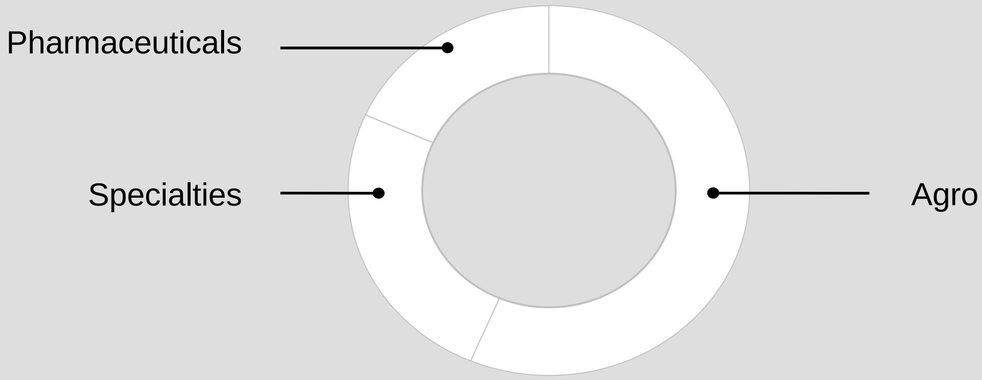
Chemical Intermediates – FCH

Overcapacities and Asian Competition Are Driving Consolidation

Market trend FCH

– Pharma market suffering from overcapacities
– Increasing Asian competition
– Price erosion in all segments
– Continuing consolidation

FCH Customer industries



Product spectrum

– BU offers custom manufacturing services
– Manufactures customized intermediates and active ingredients for agrochemical, pharmaceutical and other industries

Continuing Loss of Sales to Bayer-Businesses

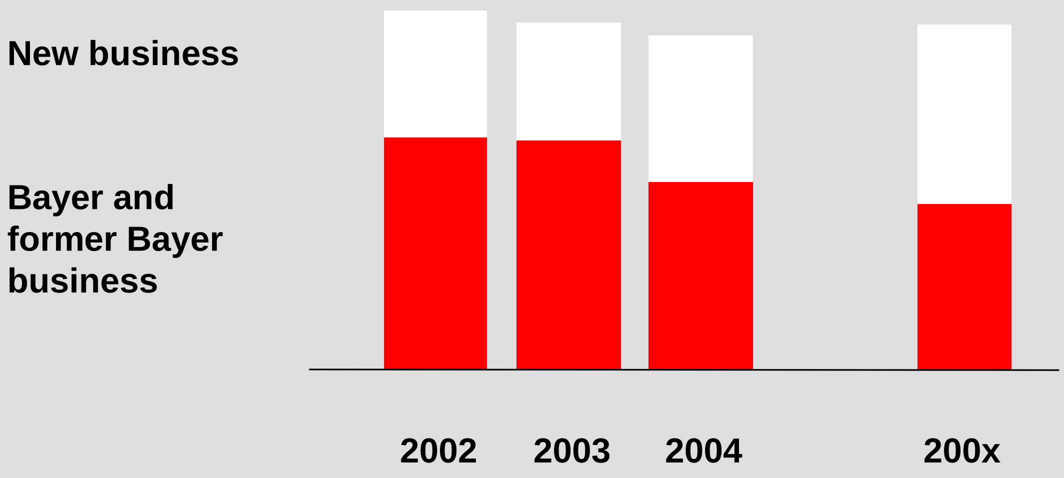
Situation in FCH

- Steady losses for five years
- Declining sales
- LANXESS is subsidizing FCH

Problem areas in FCH

- Market overcapacities
- Continuing drop in sales to (former) Bayer problem businesses
- Capacities underutilized
- Inefficient processes

Sales



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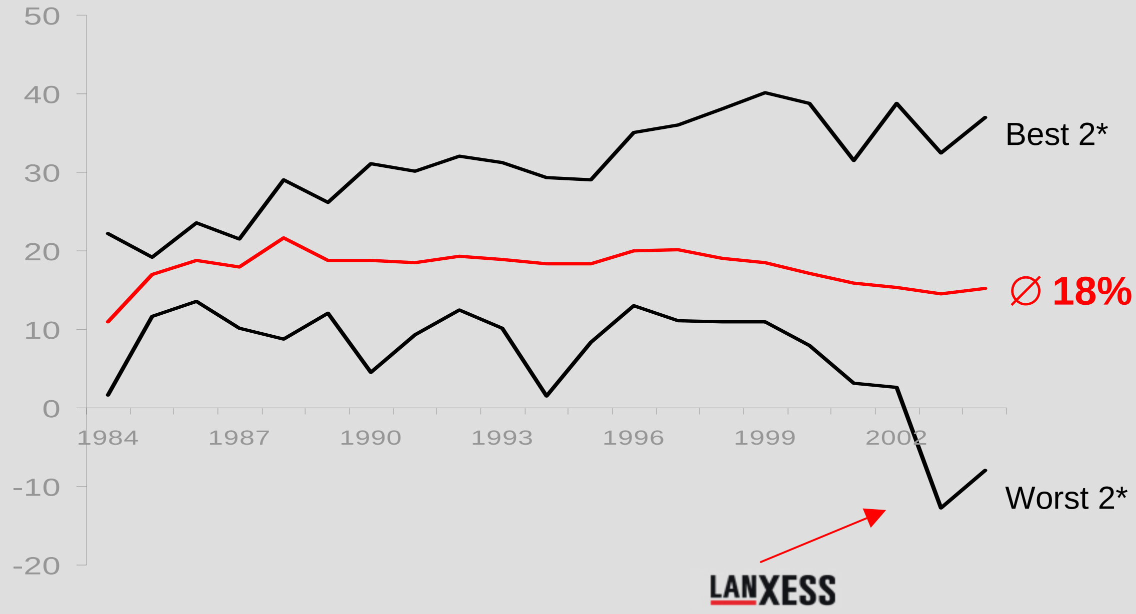
Markets for FCH are Basically Attractive

Situation in FCH markets

- Market has offered high margins for some years
- Market still showing slight growth
- Success in this business depends on having the right structures
- Competitors are benchmark companies that demand high margins
- FCH is one of the "worst 2"

EBITDA in % of Sales



Source: Round Robin Study, ADL May 2004
* for the respective year

Concentration on competitive facilities

FCH model

Concentrate on profitable projects

– Expand sales force
– Reduce production base / process development
– Concentrate on competitive facilities

Survival

Restructuring Styrenics and Fine Chemicals to become competitive

Focus on more competitive structure and jobs in Europe

Streamline current setup - up to 1,200 jobs at risk

Despite unfavorable labor agreements talks with workers' councils already started

3. Portfolio Adjustment

3. Portfolio-adjustment

- Portfolio adjustments form the third stage of the program for sustainable competitiveness
- LANXESS open to discussions
- Search for a partner for PAP has begun

Agenda

LANXESS
Energizing Chemistry

1. Review of 2004

2. Financial Content

3. Strategy and Restructuring

4. Outlook

Outlook for 2005

Economy

- Continuing moderate growth worldwide
- Still on the upside of the chemicals cycle

Market conditions

- Strong Euro
- High raw material costs
- Fierce competition in many areas

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- Necessary restructuring a major challenge
- Positive effect of
  - Operational improvements
  - Portfolio management

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Energizing Chemistry


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PERFORMANCE DRIVEN SET-UP.
SIGNIFICANT GLOBAL PLAYER.
CLEAR STRATEGY FOR VALUE GENERATION.
DISCIPLINED CASH MANAGEMENT.