LANXESS
Energizing Chemistry

Key Financial Information

All figures in this presentation are based on Combined Financial Statements (“CFS”).

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Introduction on Financials

Profit and Loss Statement: Group & Segment Reporting

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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.

For more details please refer to the “Additional Information” chapter.

*actual figures may differ from assumptions

Differences between “DO” (Bayer reporting) and “CFS” (Lanxess reporting) will remain for full year ‘04

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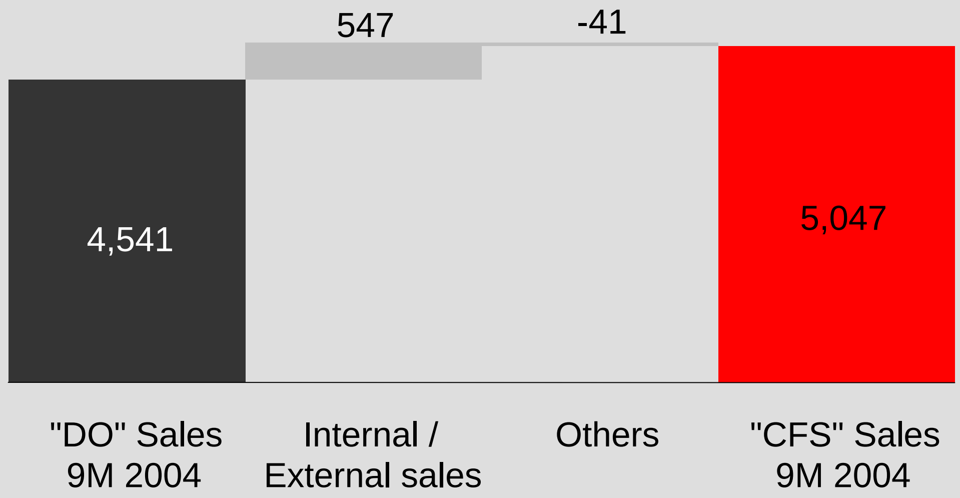
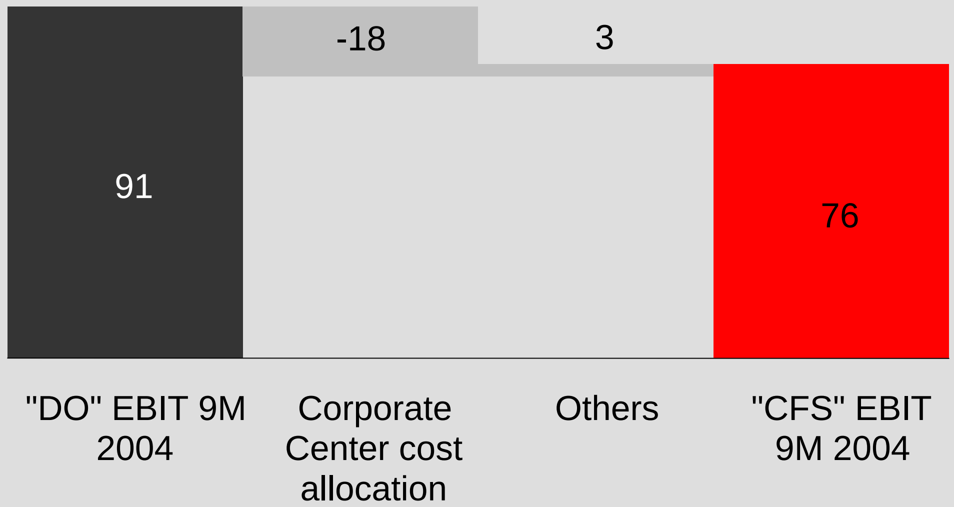
Differences between Discontinued Operations "DO" and Combined Financial Statements "CFS"

Sales „DO" to „CFS"



EBIT „DO" to „CFS"



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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. Exceptionals include impairment charges, restructuring charges and other exceptionals

EBIT Improvement Based on Strong Sales

9M 04 vs. 9M 03	Comment
Sales (~5%)	– Strong volume growth and price increases of combined ~7% slightly offset by unfavourable currency effects of ~3% – Largest contributors to this improvement were the segments Engineering Plastics and Chemical Intermediates – Price increases realised on broad basis did not fully offset raw material price increases
Cost of goods sold (0%)	– Favourable currency effects and lower depreciation (impairment in comparable period) compensated raw material price increases and larger sales volumes
EBIT	– EBIT increased significantly by €153 million due to strong volume growth and price increases and partly cost savings – Total exceptional items negatively impacted EBIT by approx. €81 million (thereof €21 million D&A, €20 million “Rubber” litigation, €40 million environmental provision in Performance Chemicals) – All segments contributed to this EBIT improvement except for Performance Chemicals (burdened by exceptional items)

Impairments and Exceptional Charges Taken

(€ m)	9M 2003		9M 2004	
Depreciat. & Amortisation	**377**		**249**	
Depreciation	**274**		**182**	
thereof exceptional		4		1*
Amortization	**103**		**67**	
thereof exceptional		13		$\boxed{20}$
Other Exceptionals		25		$\boxed{60}$
Total Exceptionals		$\boxed{\textbf{42}}$		**81**

- RCH (Performance Chemicals)
- €40 m environmental provision “Merebank” (Perf. Chemicals), €20 m “Rubber” Litigation
  - thereof €12 m Perf. Rubber
  - €8 m Perf. Chemicals
- 9M 2003: Restructuring Marl, reorganisation program

* includes net write down of €-13.4 million in FCH (Performance Chemicals) and net write up of €12.5 million in STY (Engineering Plastics)

Performance Rubber: EBIT Improvement Despite Exceptionals

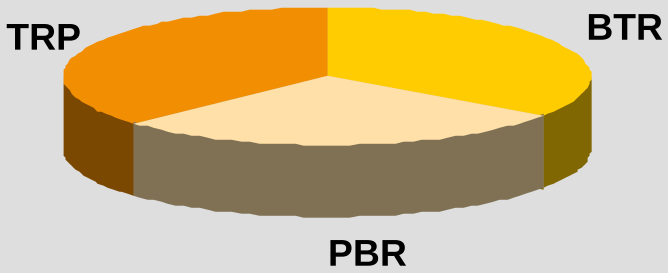
(€ m)	9M 2003	9M 2004
Sales	1,038	1,046
EBIT	-51	42
EBIT Margin	-4.9%	4.0%
Depr. / Amort.	-88	-55
EBITDA	37	97
EBITDA margin	3.6%	9.3%
Capex	48	43

– 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:



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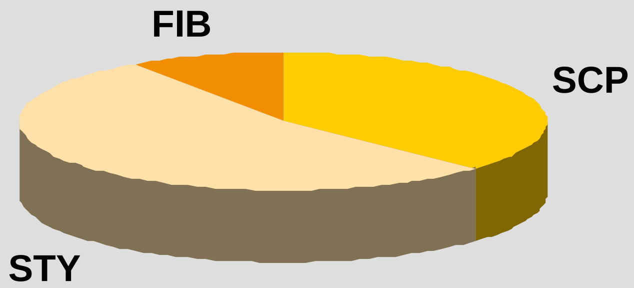
Engineering Plastics: Volume Growth and EBIT Improvement - However Operationally Still Unsatisfactory

(€ 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:



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Chemical Intermediates: EBIT Improvement Driven by Higher Market Demand

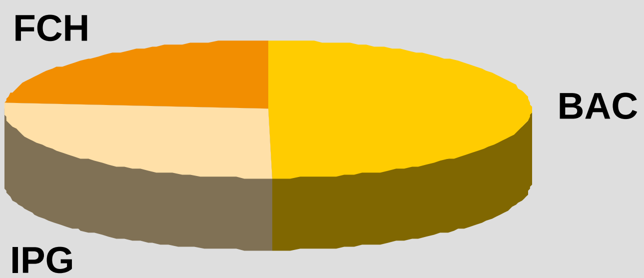
(€ m)	9M 2003	9M 2004
Sales	1,080	1,102
EBIT	33	46
EBIT Margin	3.1%	4.2%
Depr. / Amort.	106	86
EBITDA	139	132
EBITDA margin	12.9%	12.0%
Capex	49	53

– 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:



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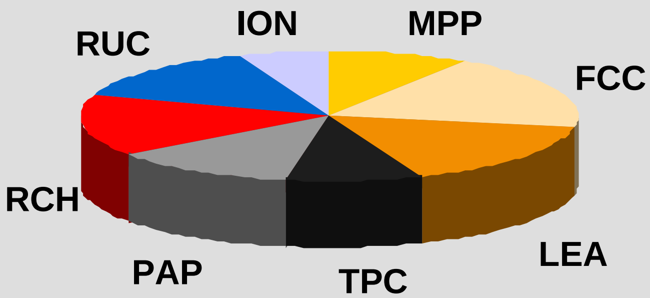
Performance Chemicals: Strong Performance by Majority of BUs Offset by Exceptionals and RUC

(€ 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:



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“Corporate Segment”

(€ m) EBITDA	9M 2003	9M 2004	chg in%
Performance Rubber	37	97	>100
Engineering Plastics	32	38	19%
Chemical Intermediates	139	132	-5%
Performance Chemicals	131	68	-48%
Reconciliation	-39	-10	74%
Total LANXESS	300	325	8%

- Reconciliation reflects items not allocable to operating segments such as:
  - **Parts of Corporate Center**
  - **Service Companies**
  - **Sideline Operations**
- In 9M 2004 more expenses were allocated compared to 9M 2003

From 2005 onwards, allocated costs not controlled by the businesses will be shown in a “Corporate Segment”.

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Condensed Consolidated Balance Sheet

(€ m)	Dec 31, 2003	Sep 30, 2004
Non-current Assets		
Intangible assets	99	69
Property, plant & equ.	1,551	1,510
Investments	40	96
Current Assets		
Inventories	1,096	1,204
Trade receivables	990	1,217
Loan to Bayer	256	0
Other receivables & assets	298	351
Cash & cash equivalents	13	80
Deferred taxes	170	143
Deferred charges	18	13
Total assets	4,531	4,683

(€ m)	Dec 31, 2003	Sep 30, 2004
Shareholders' equity	1,358	1,366
Minority stockholders' interest	43	34
Provisions		
Pension & post empl. provisions	408	412
Other provisions	405	512
Liabilities		
Financial obligations	1,442	1,395
thereof Mandatory Convertible	-	200
Trade accounts payable	574	652
Misc. liabilities	187	240
Deferred taxes	57	28
Deferred income	56	44
Total Liabilities & Equity	4,531	4,683

Basis: Solid Financing Structure

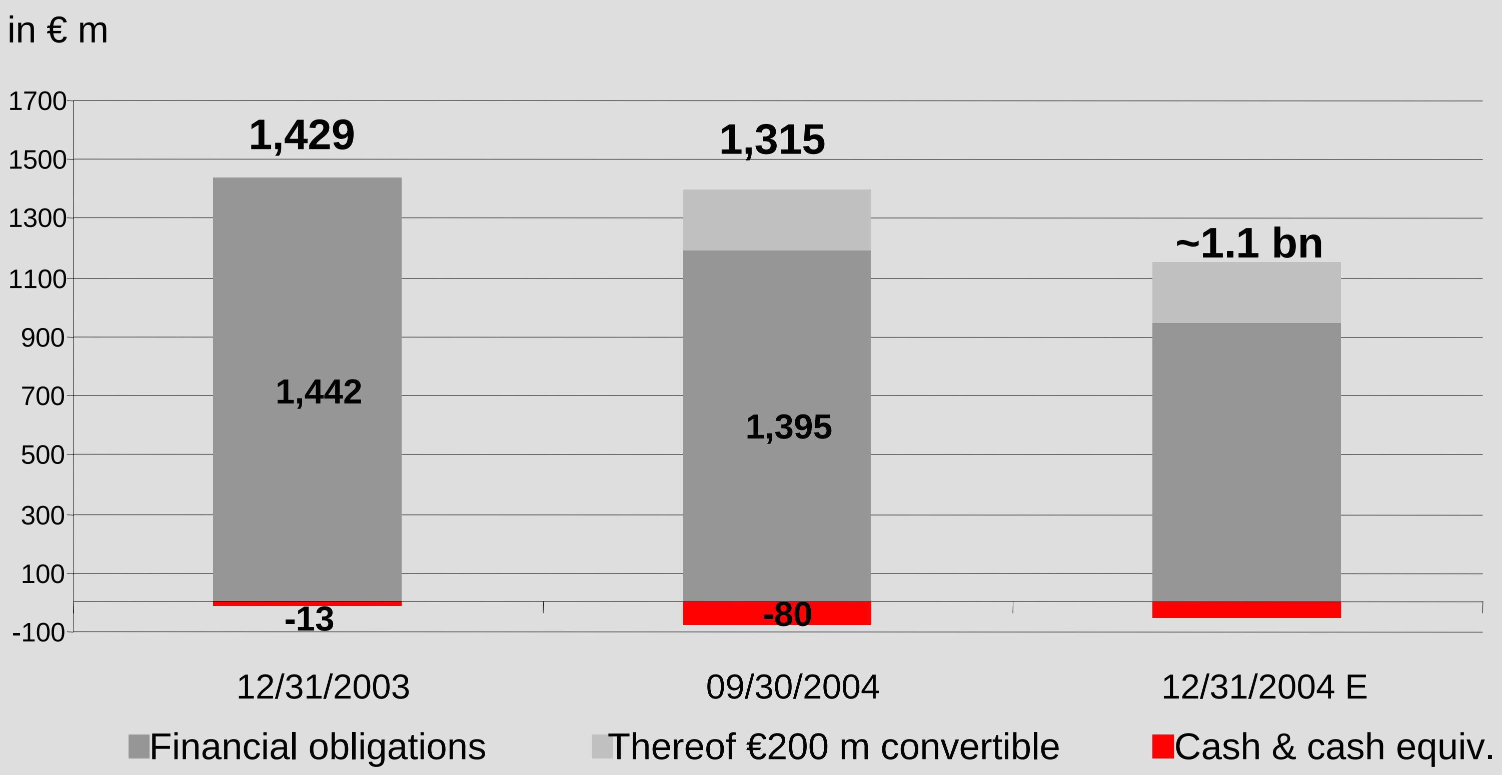
– Standard & Poor’s has rated LANXESS “Investment Grade” BBB- with stable outlook

– Ongoing: Selection of banks to establish long-term financing structure by 2004
  – syndicated bank loan of approx. €1.5 bn
  – up to €200 million asset-backed commercial paper program

– €200 million Mandatory Convertible Bond issued to Bayer and effective as of September 2004

Solid financing structure in place

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



Operational reduction of Working Capital and adjustment of intercompany payment terms

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

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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

* Working Capital : Inventory plus trade accounts receivable less trade accounts payable
** including repayment of loan to Bayer in 9M 2004

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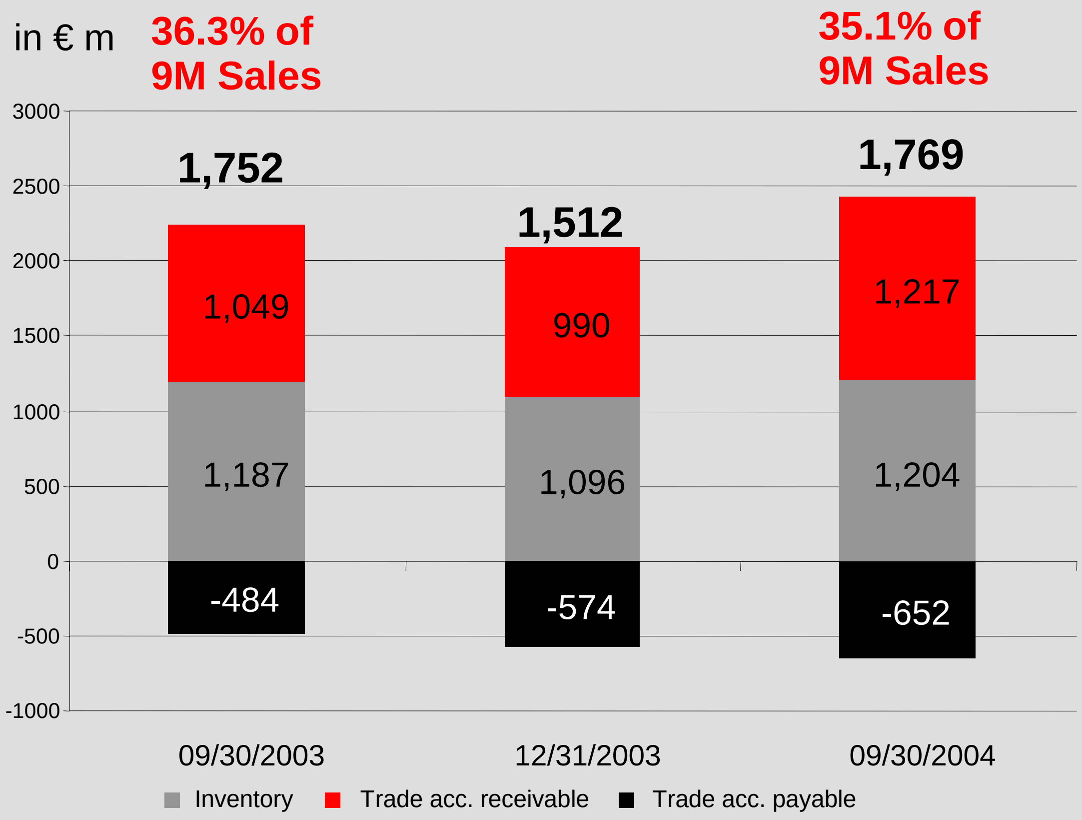
Working Capital* Status is Unsatisfactory

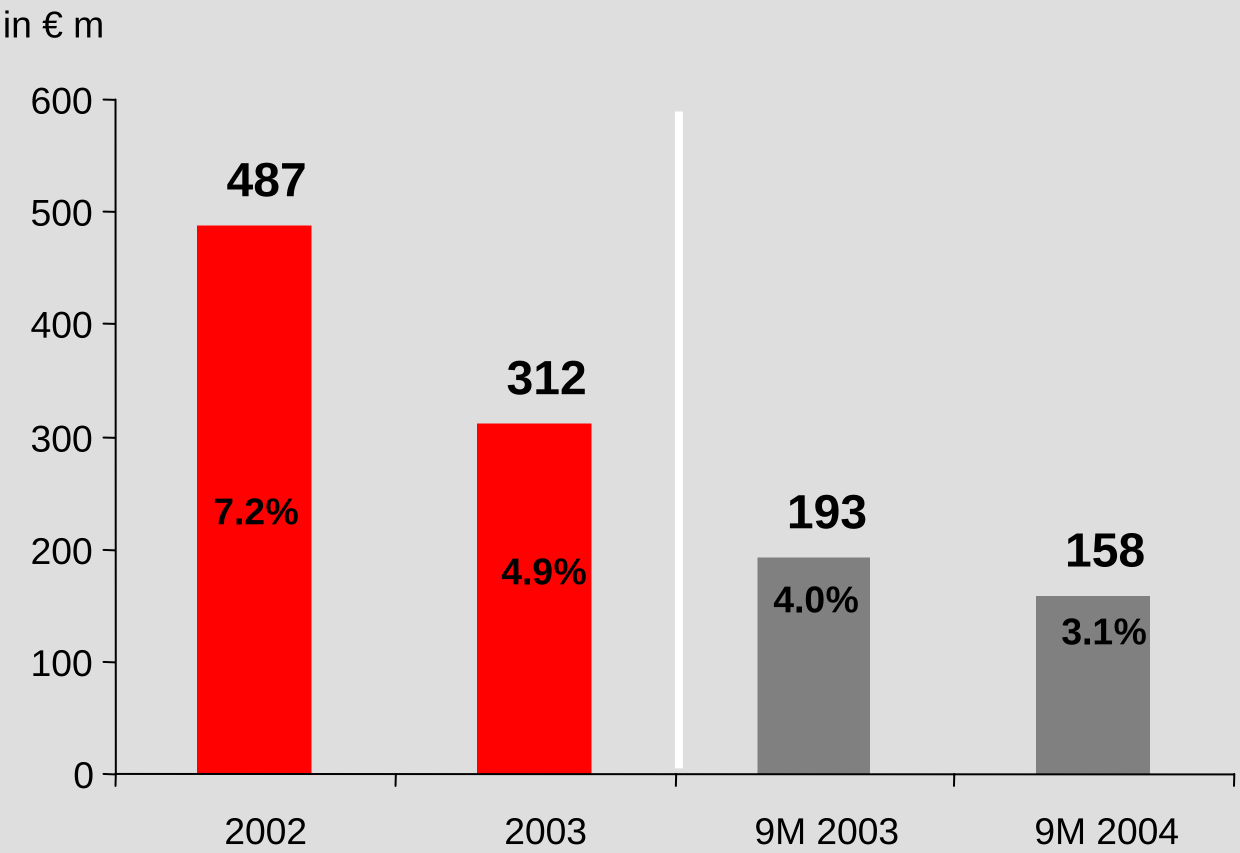


- Inventory: Planned maintenance shutdowns in 9M 2004 and price increases impact inventory
- Receivables: Higher sales especially in Q3 2004 result in increased trade receivables
- Payables: Increased raw material prices and higher volumes impact payables

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

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

Disciplined Approach for Capital Expenditures



Target: Reduce annual Capex to ~4% of sales

Percentages: Capex in % of sales

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We Start with Realistic Targets

Indicator	Target	Time Frame
EBITDA margin*	9%-10%	2006
Working Capital	reduce	ongoing
Debt	pay down	ongoing
Capex	reduce to ~4% of sales	1-2 years
Dividends**	moderate	strived for fiscal year 2006

2004 EBITDA excluding exceptionals expected around €450 million

*excluding exceptionals

**Dividend payments are unlikely for 2004, 2005

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– 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 based on LANXESS’ target capital structure

  – Purchase of real estate for approx. €265 million (already considered in target capital structure)

  – LANXESS’ 40% stake in Bayer Industry Services GmbH&Co OHG (already considered in target capital structure)

  – Income taxes are calculated as if each LANXESS business had filed separate income tax returns and as if German LANXESS companies were not included in Bayer AG’s consolidated tax assessment

  – LANXESS Corporate Center with estimated related expenses incurred in connection with LANXESS activities

– The absence of historical unity and independence of LANXESS limits the informative value of the CFS. The CFS do not enable reliable forecasts concerning the future development of LANXESS

*actual figures may differ from assumptions

Differences between “DO” (Bayer reporting) and “CFS” (Lanxess reporting) will remain for full year ‘04

Tax Items

For the following years a slightly higher adjusted tax rate is expected, as a consequence of diverging valuation of assets for statutory accounting and for tax purposes in the course of the spin-off.

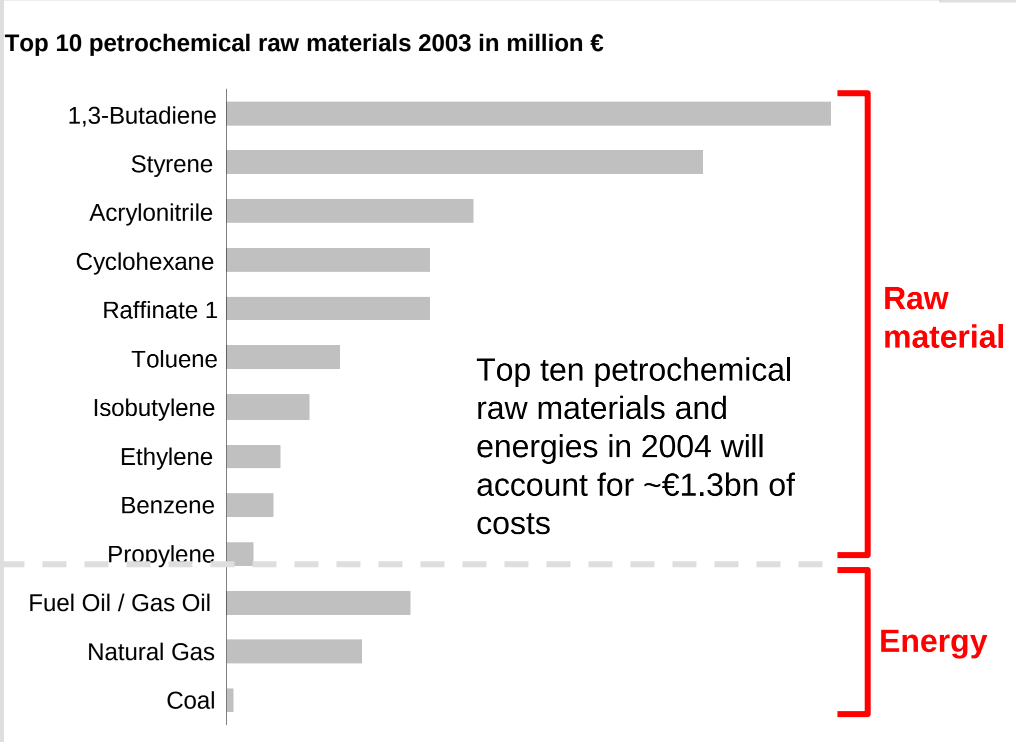
Income taxes arising prior to the economic effective date will be borne by Bayer AG or the relevant transferring company affiliated with it. Transaction taxes - regardless of when they arise - will be borne by LANXESS.

As a consequence of the spin-off a pro-rata portion of the tax loss carry-overs of Bayer AG will be transferred to LANXESS so that LANXESS can utilise them under the conditions defined by the law. The pro-rata portion will be determined once the spin-off has been registered.

Under certain circumstances, tax loss carry-overs may not - or may only to a limited extent - be usable for LANXESS. Additional tax adjustments may result from the spin-off (i.e., asset allocations between LANXESS and Bayer).

Raw Materials and Currency Exposure are Managed

Raw materials



Manageable impact on operating profit due to

- contractual clauses
- ability to partially pass through higher raw material prices
- hedging (strategy currently being further developed)

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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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

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Abbreviations

Performance Rubber

BTR	Butyl Rubber
PBR	Polybutadiene Rubber
TRP	Technical Rubber Products

Chemical Intermediates

BAC	Basic Chemicals
FCH	Fine Chemicals
IPG	Inorganic Pigments

Engineering Plastics

STY	Styrenic Resins
SCP	Semi-Crystalline Products
FIB	Fibers

Performance Chemicals

MPP	Material Protection Products
FCC	Functional Chemicals
LEA	Leather
TPC	Textile Processing Chemicals
PAP	Paper
RCH	RheinChemie
RUC	Rubber Chemicals
ION	Ion Exchange Resins