

LANXESS

Q1 2005 Results

Safe Harbour Statement

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Agenda



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

Q1 2005 Highlights

Independence

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

Restructuring

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

Portfolio

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

Housekeeping

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

Summary:

Good First Quarter - A Further Step Towards Our Targets

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Sales	1,610		
EBITDA pre except. Margin	165 10.2%		
EBIT	70		
Net Income	26		
Net Financial Debt	1,135¹		
Capex	50		
Employees	19,659²		

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

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The Year Started Reasonably Well

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

n.m.: not meaningful

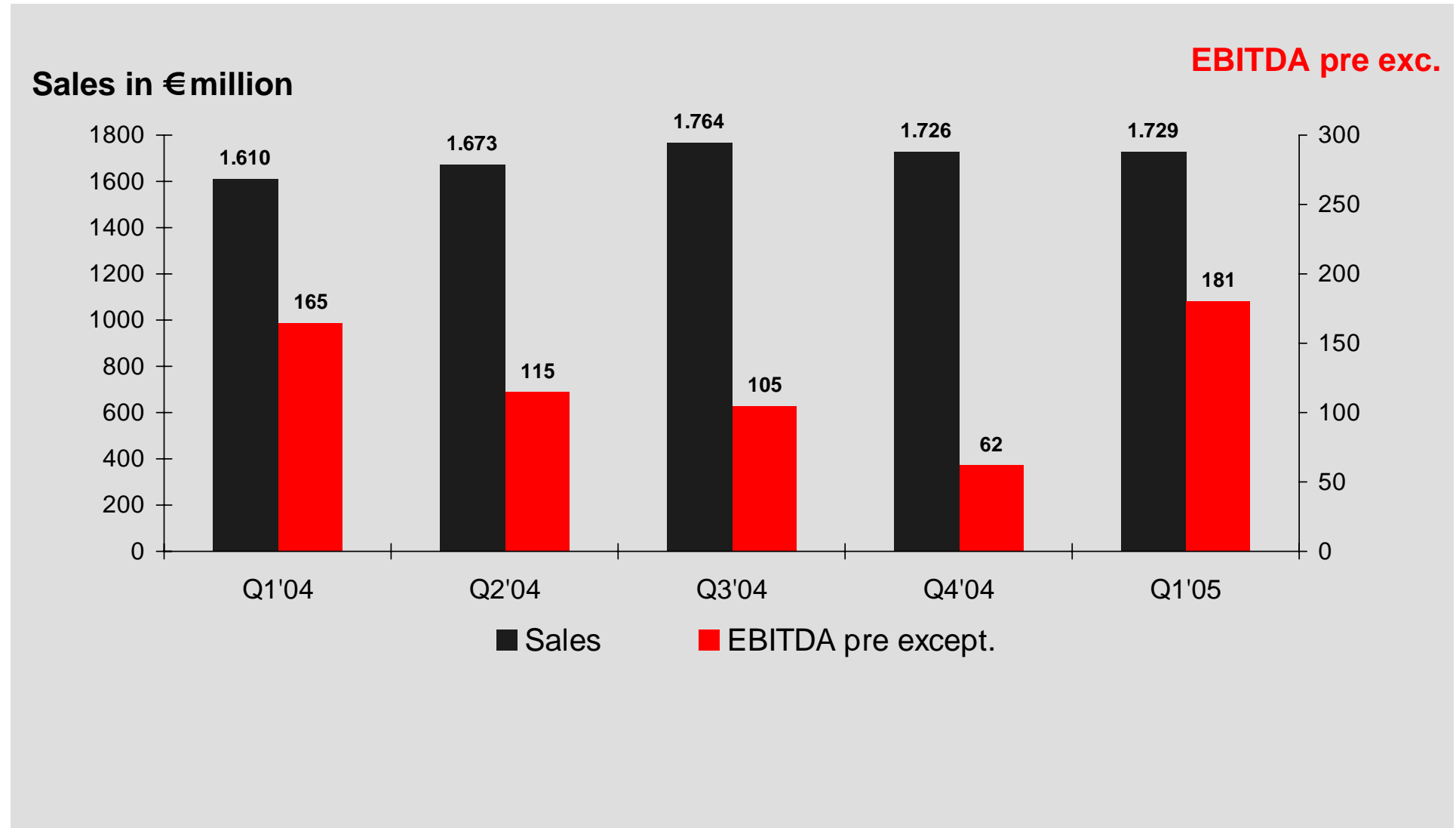
Q1 2005 Sales Variance by Segment (approximate numbers)

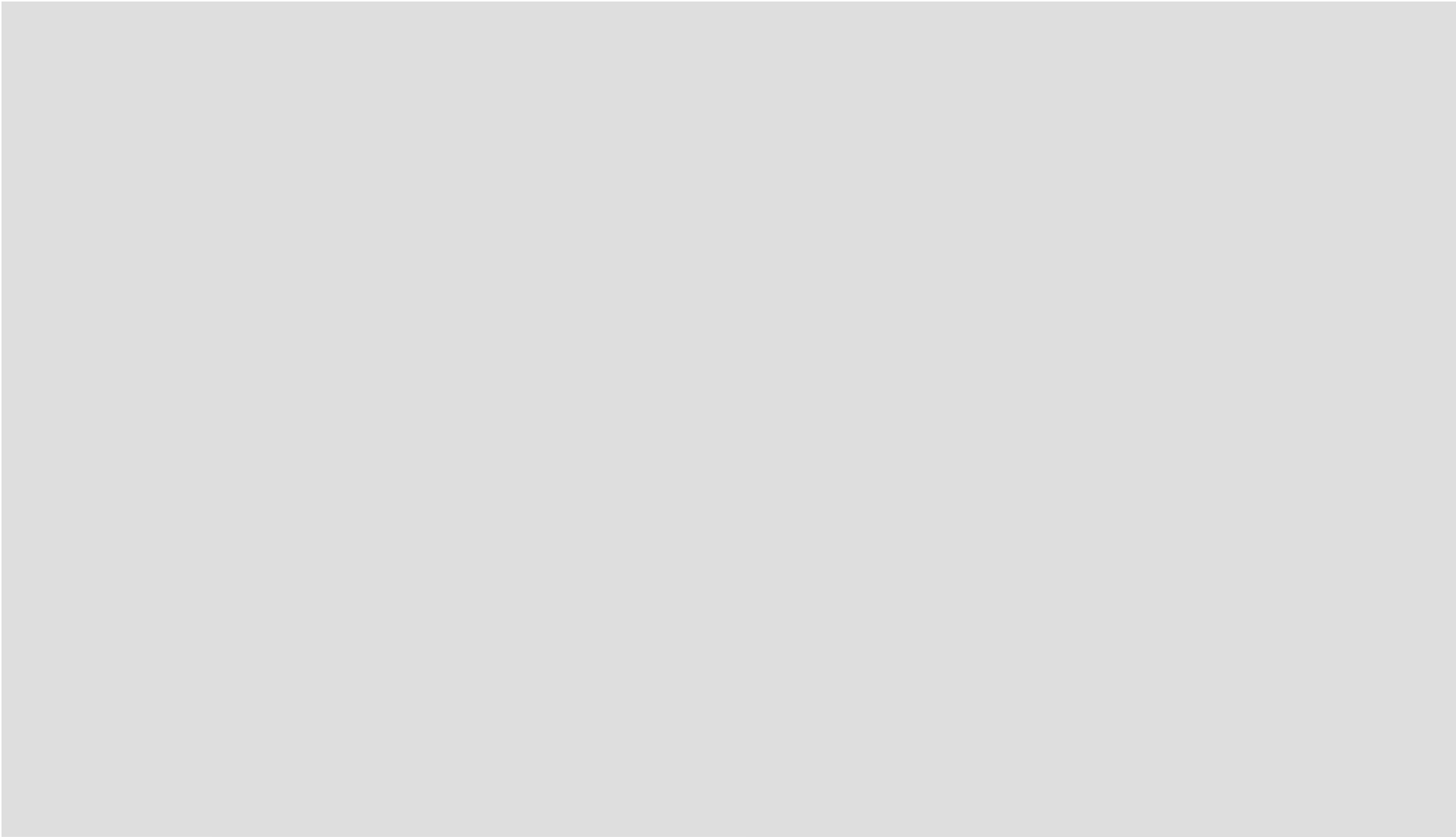
(€m)	Q1 2004	Price	Volume	Currency	Q1 2005
Performance Rubber	326	~ +15%	~ +6%	~ -1%	392
Engineering Plastics	407	~ +15%	~ -12%	~ -1%	414
Chem. Intermediates	366	~ +6%	~ +1%	~ -1%	389
Perf. Chemicals	478	~ +2%	~ -1%	~ -1%	478
LANXESS	1,610	~ +9%	~ -1%	~ -1%	1,729

Independence

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

Annual Earnings Seasonality





Sales

EBIT

Depr. / Amort.

EBITDA

EBITDA pre except.

Margin

Capex

- Only slightly higher sales as clear focus remains on performance improvement

Sales by BU:

Sales

EBIT

Depr. / Amort.

EBITDA

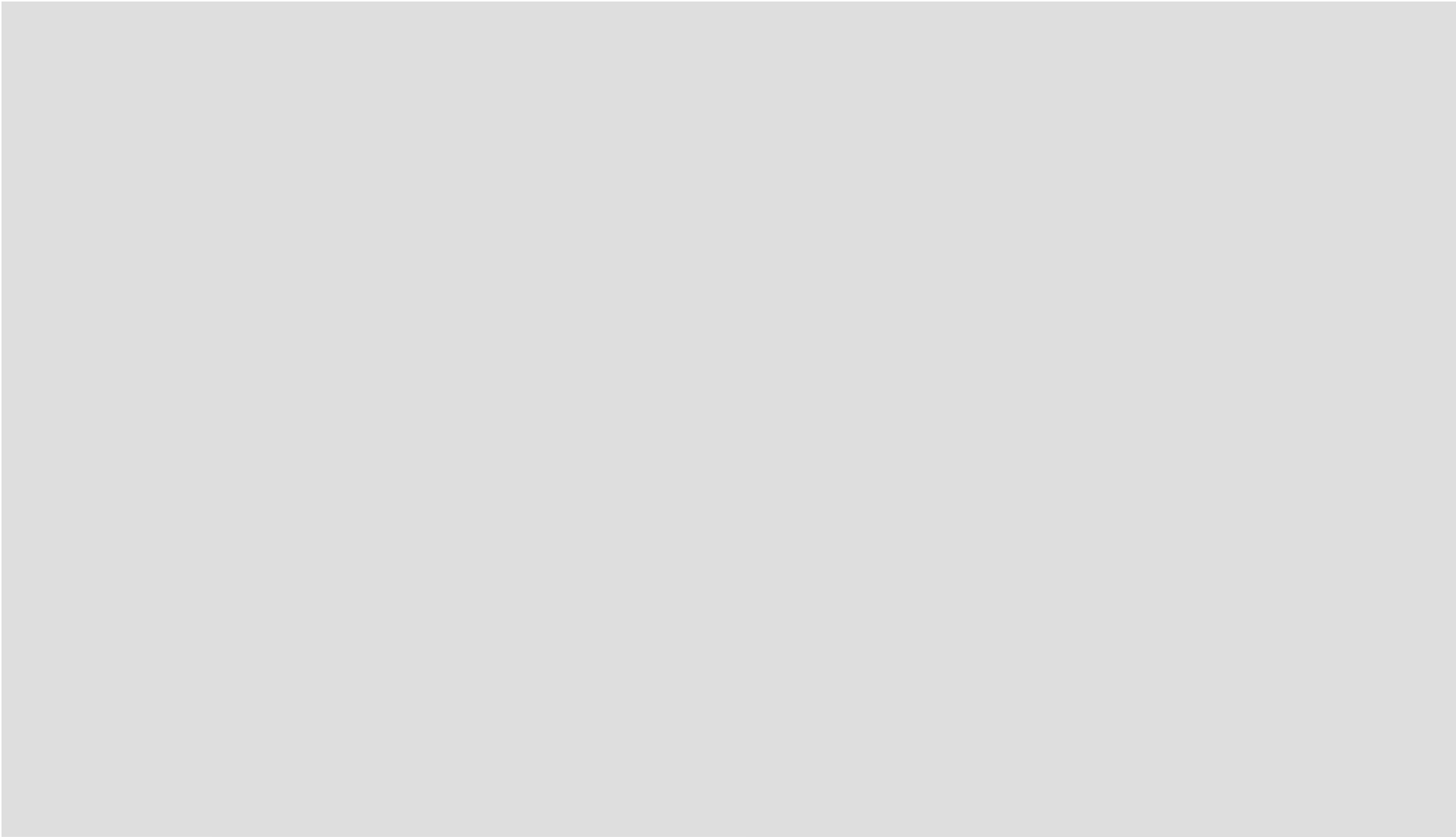
EBITDA pre except.

Margin

Capex

- Sales growth driven by higher prices and volumes in BAC which continued to perform very well

- Total sales remained flat with price increases mainly in RUC and FCC, partly offset by weaker pricing primarily in ION and TPC
- Volume increases mainly in ION and PAP were likewise more than offset by lower volumes in FCC and TPC
- EBITDA pre exceptionals improved due to better RUC



EBIT	70	116
Taxes Paid	-17	-24
Depreciation & Amortization	95	65
Change in Pension Accrual	7	0

Working Capital* Increase Due to First Quarter Effects

- Inventory: Increase vs. year end on the back of risen raw material costs

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

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

** Including €130 million in payment term adjustment with Bayer

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Outlook and Guidance

Underlying assumptions

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

2005 Guidance based on above assumptions

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



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