



LANXESS - FY 2005 Results Call

Independence Paying Off

Dr. Axel C. Heitmann, CEO
Matthias Zachert, CFO

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LANXESS

Agenda

- 1. 2005 Business Highlights and Strategy Review**
- 2. FY 2005 and Q4 Financials**
- 3. Strategy Update**
- 4. Outlook**

Impressive Developments in 2005

2005

EBITDA pre exceptionals increased by 30%

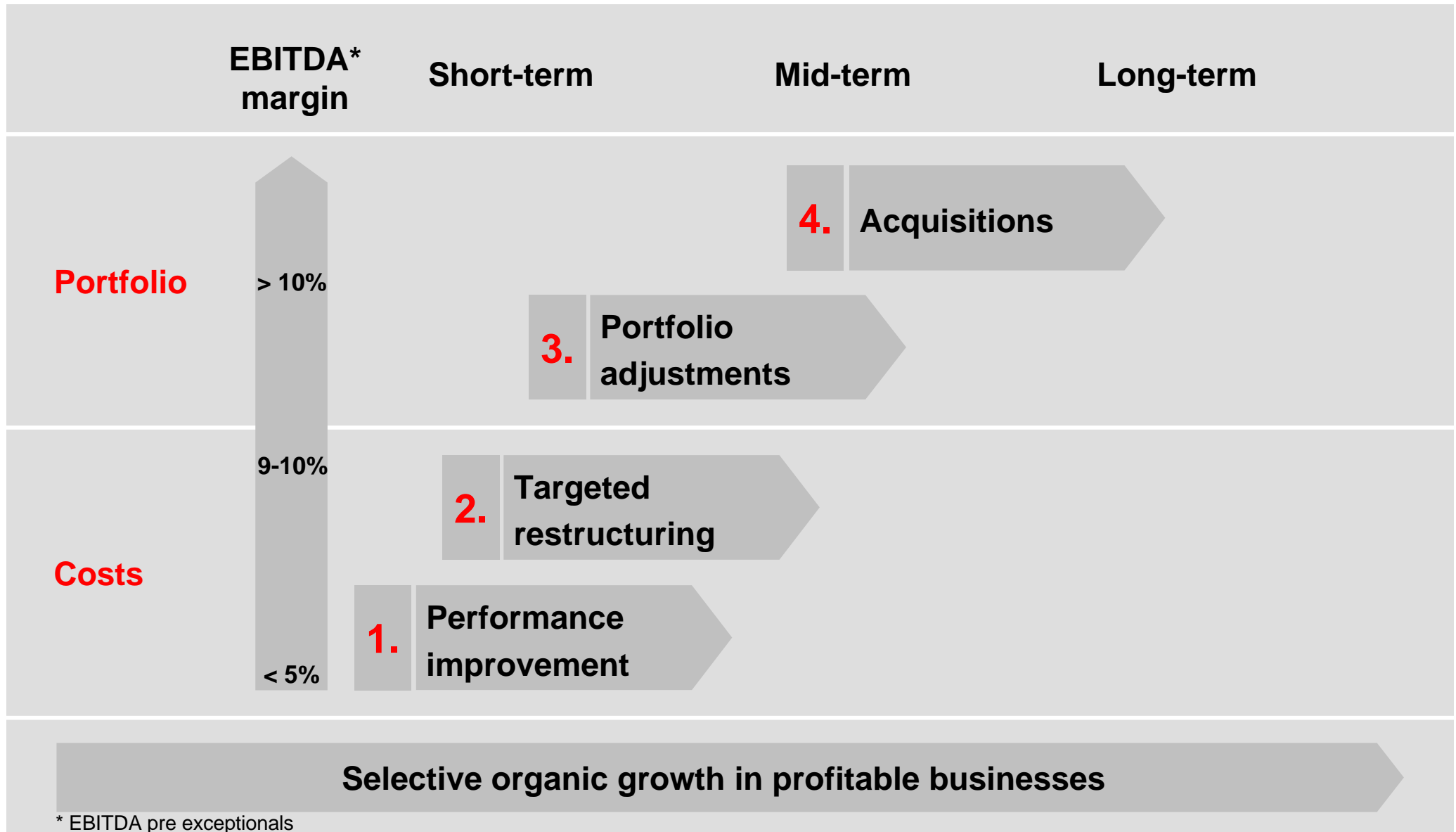
Balance sheet structure and financial strength greatly improved

Announced restructuring successfully initiated

First portfolio adjustments completed

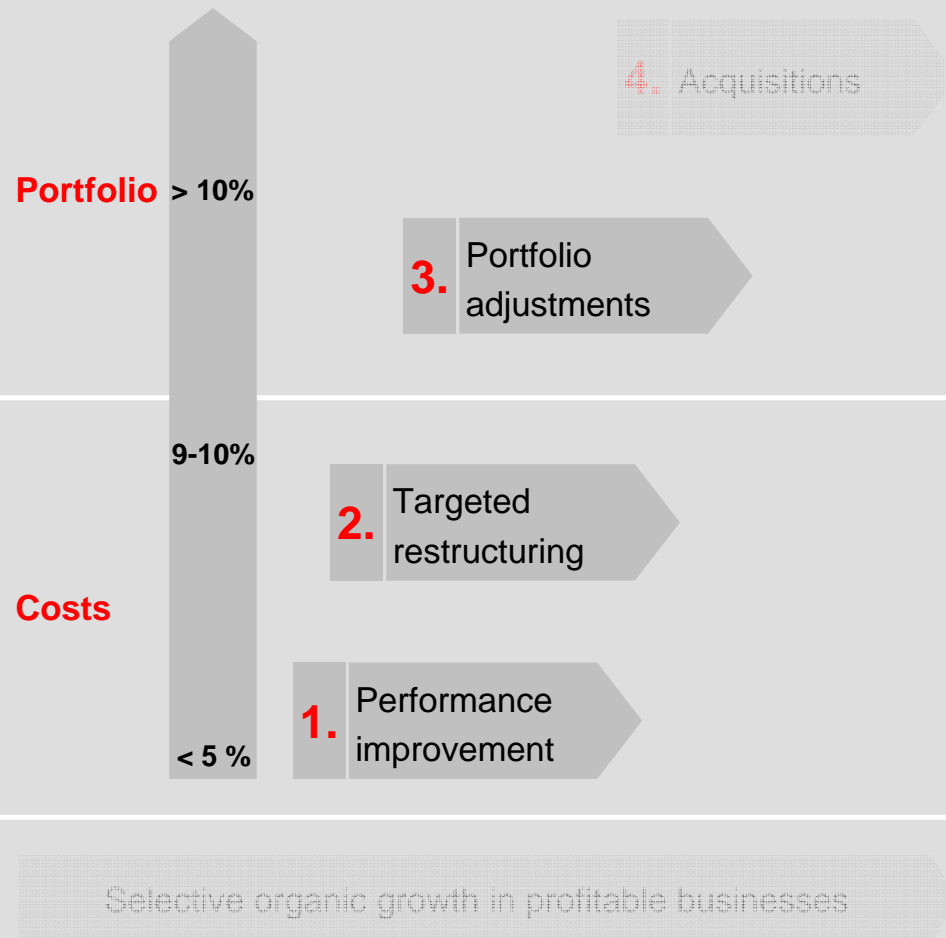
Significant margin improvement with existing portfolio

Step-by-Step Approach to Creating Value



Consistent Strategy Implementation

2005



First portfolio adjustments

- Paper and Fibers business units and iSL-Chemie divested to strategic investors



Targeted restructuring

- Phase I: Styrenic Resins Europe and Fine Chemicals (Saltigo)
- Phase II: Asset consolidation and process optimization in U.S. and EMEA



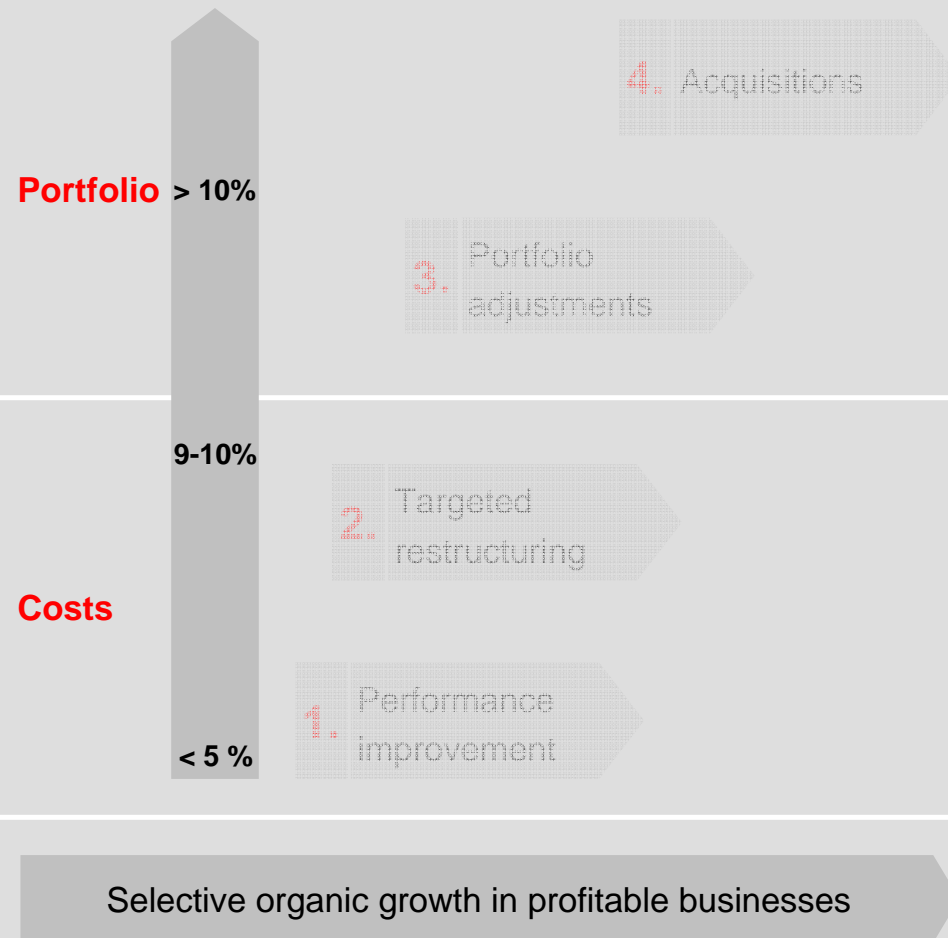
Immediate performance improvement

- Rigorous cost management
- “Price before volume” strategy
- Avoidance of unprofitable business



Growth through Investment and Innovation

2005



Innovation

- Basic research replaced by targeted research and development to open up new applications and markets
- Development work to optimize processes and costs



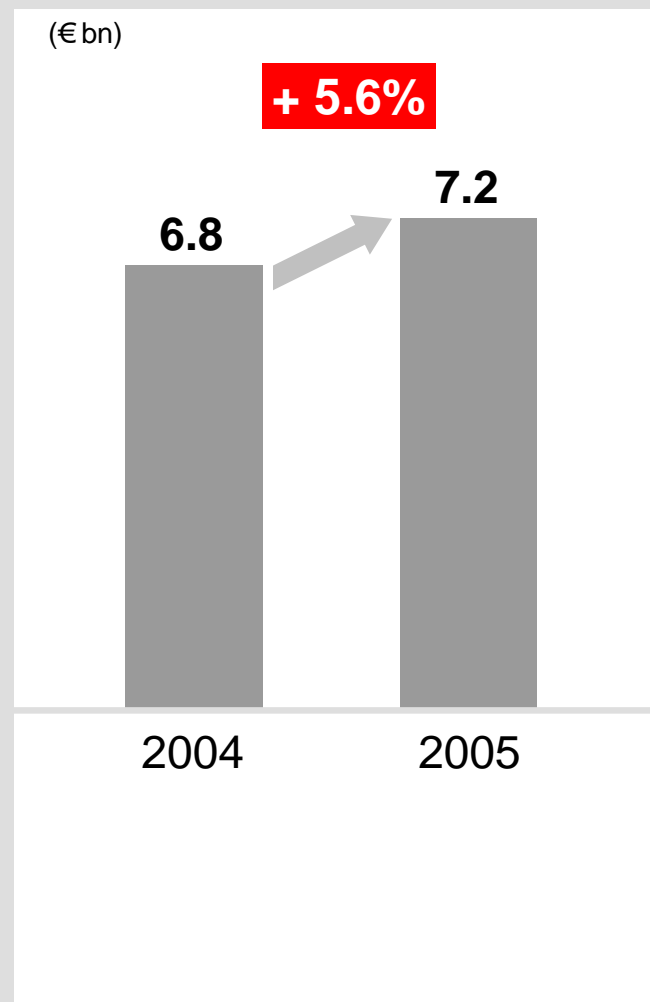
Investment

- Focus on profitable, growing businesses
- Efficiency improvements and capacity expansions account for 40% of capital expenditures
- Investment in Asia doubled compared to 2004

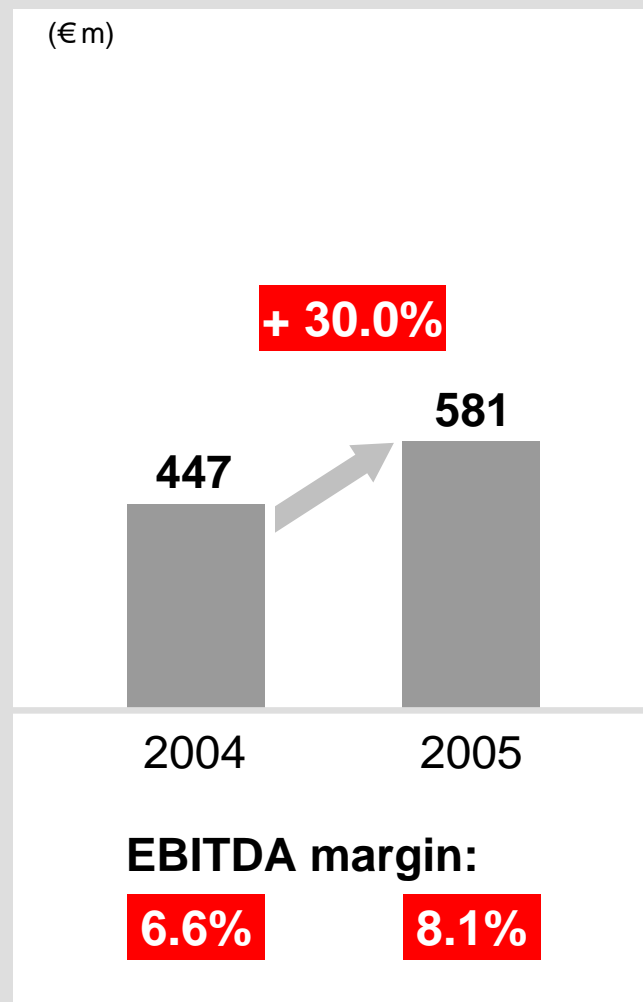


EBITDA up 30% over 2004

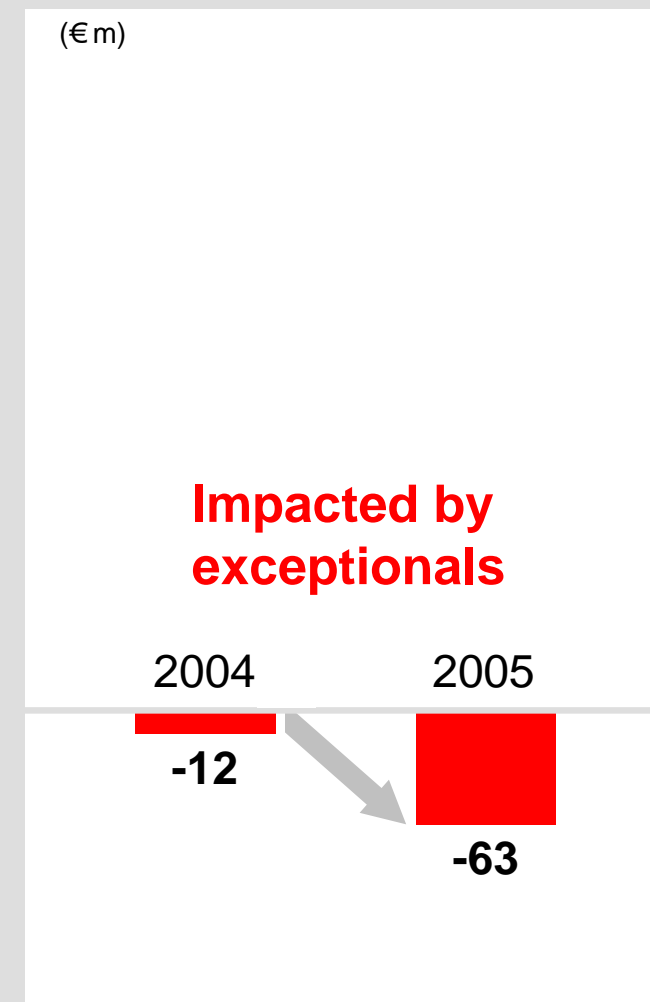
Sales



EBITDA*



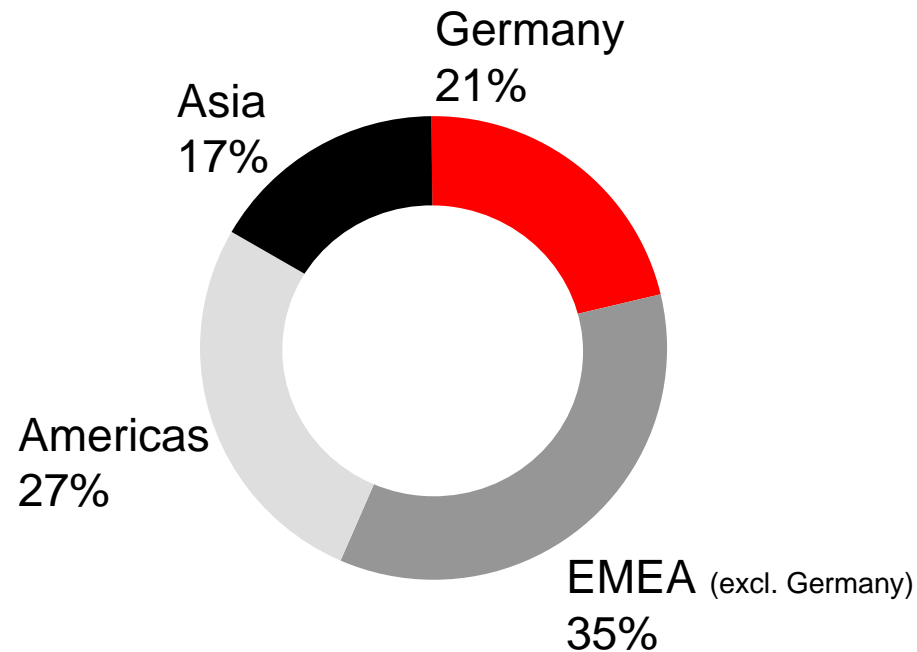
Net income



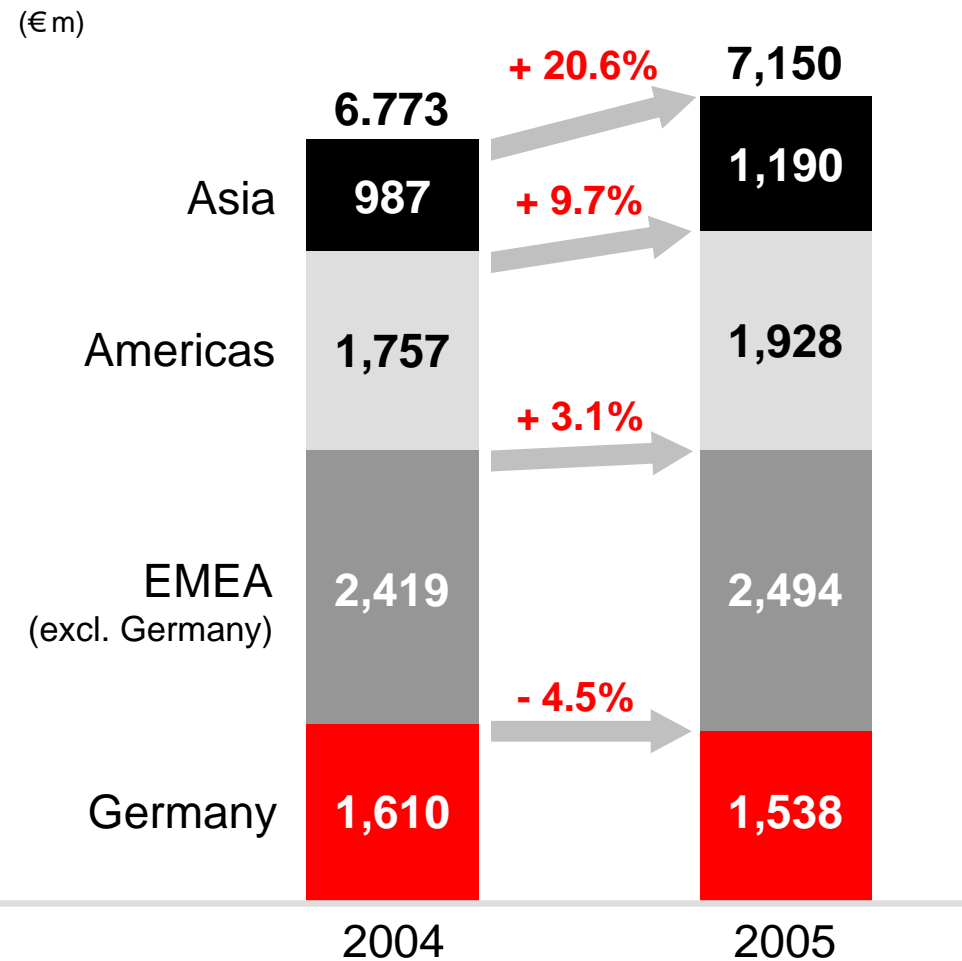
* EBITDA pre exceptionals

Sales Growth mainly in Asia and Americas

Sales breakdown by region 2005



Regional sales development



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3. Strategy Update

4. Outlook

Full Year 2005 Financial Highlights: Improved Performance and Sharply Reduced Net Debt

| (€ m) | FY 2004 | FY 2005 | Δ in % | |
|----------------------------------|--------------------|--------------------|-----------------|--|
| Sales | 6,773 | 7,150 | 5.6% | – Continuous strong demand and faster implementation of restructuring |
| EBITDA pre except. Margin | 447 6.6% | 581 8.1% | 30.0% | |
| Net Income | -12 | -63 | >100% | – Net Income burdened by exceptionals of €304 m |
| Net Financial Debt* | 1,135 | 680 | -40.1% | – Net financial debt sharply reduced due to strong operational cash flow and exercise of convertible |
| Working Capital* | 1,468 | 1,439 | -2.0% | |
| Capex | 279 | 251 | -10.0% | – Capex remains under tight control |
| Employees* | 19,659 | 18,282 | -7.0% | |

*As per 31.12.

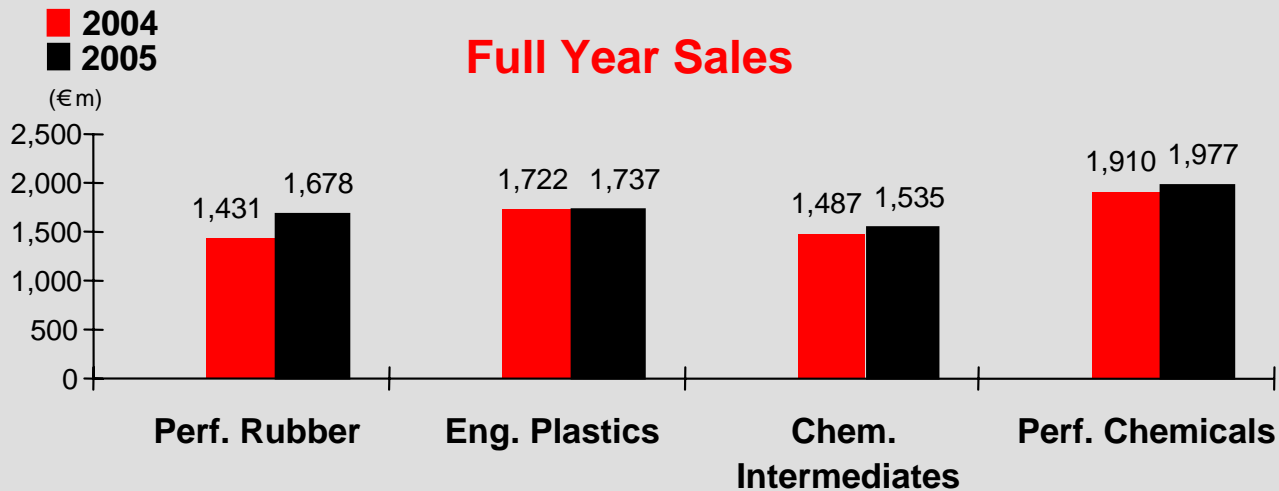
Independence paying off

Independence and Restructuring Contribute to Better Performance amid Supportive Demand

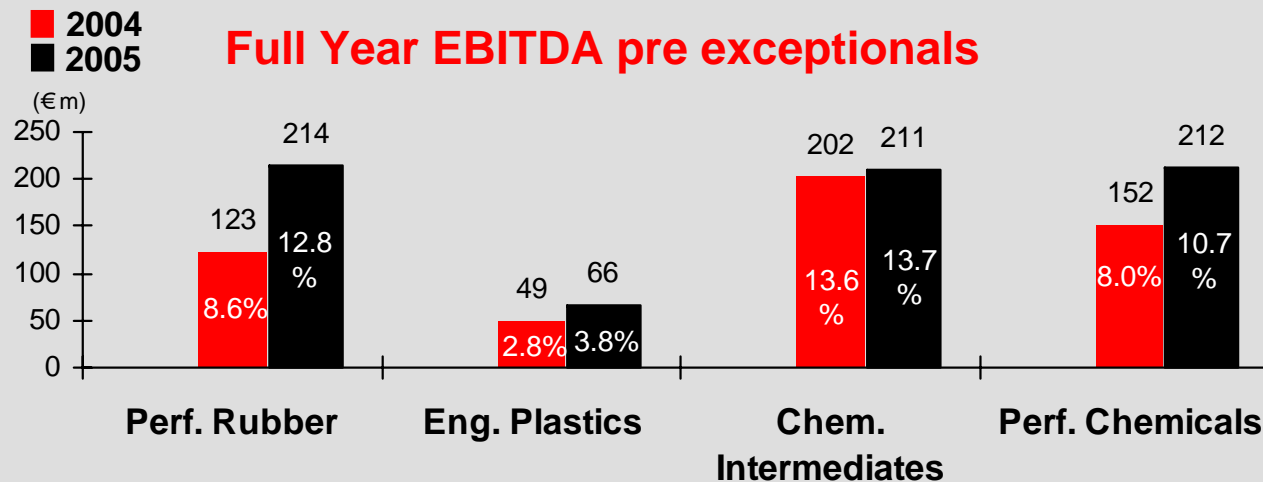
| (€ m) | FY 2004 | FY 2005 | Δ in % | |
|--------------------------------|--------------|--------------|-----------------|---|
| Sales | 6,773 | 7,150 | 6% | |
| Cost of goods sold | -5,349 | -5,537 | 4% | – Price increases (+8%) and marginally stronger U.S. Dollar offset slightly lower volumes (-3%) |
| SG&A | -1,144 | -1,148 | 0% | |
| R&D | -123 | -101 | -18% | |
| Other op. result | -98 | -336 | >100% | – Other operating result includes exceptionals such as charges for |
| thereof exceptionals | -99 | -304 | >100% | |
| EBIT | 59 | 28 | -53% | restructuring (€166 m), portfolio changes (€27 m) and anti-trust (€71 m) |
| Net Income | -12 | -63 | >100% | |
| EBITDA | 387 | 341 | -12% | – Majority of restructuring charges booked in 2005 |
| thereof exceptionals | -60 | -240 | >100% | |
| EBITDA pre exceptionals | 447 | 581 | 30% | |

Significant improvement in underlying profitability

First Year of Independence: We Delivered on Promises



- Sales increased on risen pricing due to higher raw material costs, despite “price-before-volume” strategy being implemented



- Overall increased earnings on improved pricing and cost initiatives in a supportive economic environment

Consistently risen EBITDA pre exceptionals in all business segments

Q4: A Year of Good Improvements Ended with a Fourth Quarter as Announced

| (€m) | Q4 2004 | Q4 2005 | Δ in % | |
|--------------------------------|--------------|--------------|-----------------|---|
| Sales | 1,726 | 1,786 | 4% | <ul style="list-style-type: none"> – Price increases (+4.0%) and stronger U.S. Dollar (+3.2%) offset lower volumes (-3.7%) – Further cost improvements coming through – Additional concentration of R&D spending – Other operating result includes: <ul style="list-style-type: none"> – Restructuring expenses – Rubber-litigation – FIB write-off and D&A – Capex write-offs in FCH (in future SGO) and STY – Positive one-time effects in 2004 |
| Cost of goods sold | -1,412 | -1,431 | 1% | |
| SG&A | -310 | -300 | -3% | |
| R&D | -28 | -23 | -18% | |
| Other op. result | 7 | -143 | n.m. | |
| thereof exceptionals | -18 | -134 | >100% | |
| EBIT | -17 | -111 | >100% | |
| Net Income | -4 | -100 | >100% | |
| EBITDA | 62 | -15 | n.m. | |
| thereof exceptionals | 0 | -104 | n.m. | |
| EBITDA pre exceptionals | 62 | 89 | 44% | |

n.m.: not meaningful

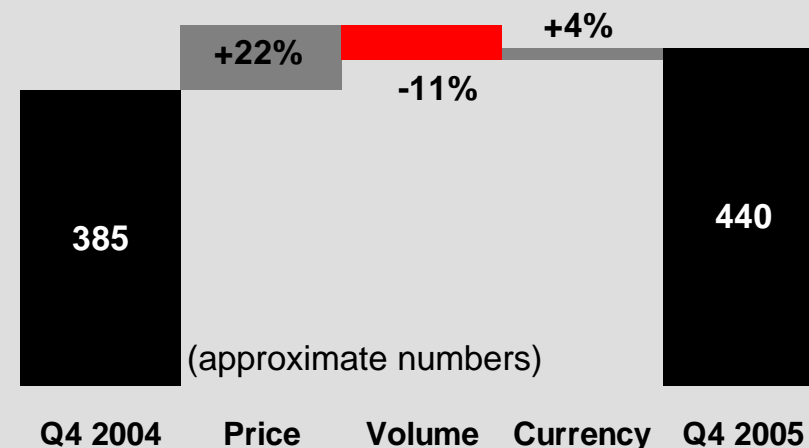
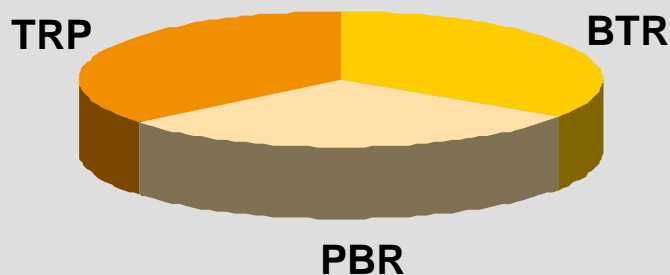
Significant improvement in underlying profitability

Performance Rubber: Finished the Year with a Solid Q4

| (€m) | Q4 2004 | Q4 2005 |
|---------------------------|------------|------------|
| Sales | 385 | 440 |
| EBIT | 3 | -3 |
| Depr. / Amort.* | 6 | 15 |
| EBITDA | 9 | 12 |
| EBITDA pre except. | 9 | 49 |
| Margin | 2.3% | 11.1% |
| Capex | 33 | 36 |

- Higher sales driven by strong selling price increases in all BUs due to significantly risen raw material prices, which more than offset a decline of volume
- Profitability improvements in every BU on the basis of risen selling prices and volumes for BTR and price increases overcompensating reduced volumes in PBR and TRP (Hurricanes and supplier related shut-down)
- **Business Update:** Rubber started the year reasonably well, according to plan

Sales by BU:



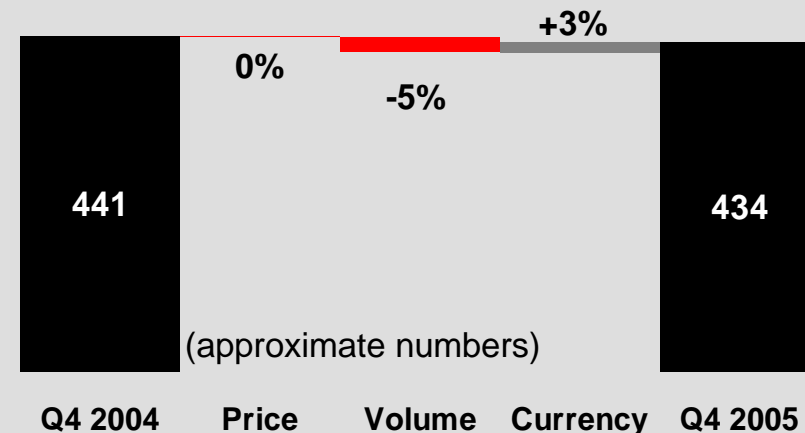
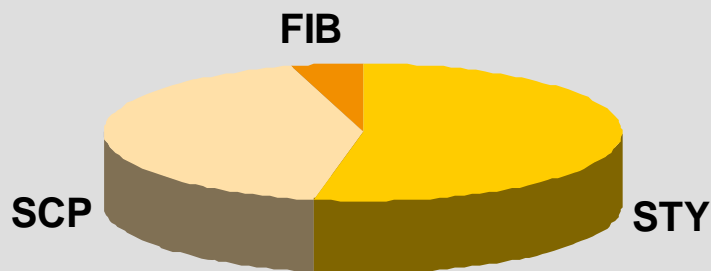
* Swing in D&A is based on D&A which was captured under "Reconciliation" in 2004 and is now captured in the Performance Rubber segment

Engineering Plastics: Very Weak FIB Burdens the Segment...but will Leave within Q1 2006

| (€m) | Q4 2004 | Q4 2005 |
|---------------------------|------------|------------|
| Sales | 441 | 434 |
| EBIT | -8 | -11 |
| Depr. / Amort. | 15 | 14 |
| EBITDA | 7 | 3 |
| EBITDA pre except. | 7 | 3 |
| Margin | 1.6% | 0.7% |
| Capex | 19 | 24 |

- Slightly lower sales due to deliberate loss of volume in STY and deteriorating FIB business - reduced volume also compares to an exceptionally strong Q4 2004 in STY
- Some price decreases due to several contracts being formula-based on raw materials (cyclohexane)
- Increased capex due to spending for Wuxi, China, which will come on stream in Q2 2006.
- **Business Update:** STY well on track and SCP develops as planned. Bear in mind: special Q1 2005 situation with risen prices and lower raw material costs

Sales by BU:

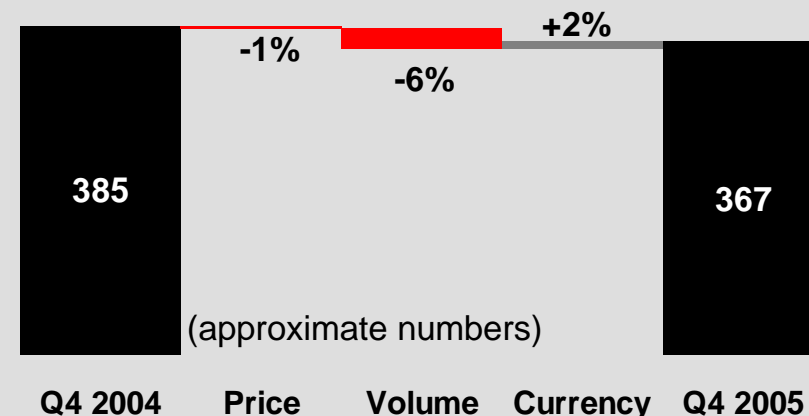
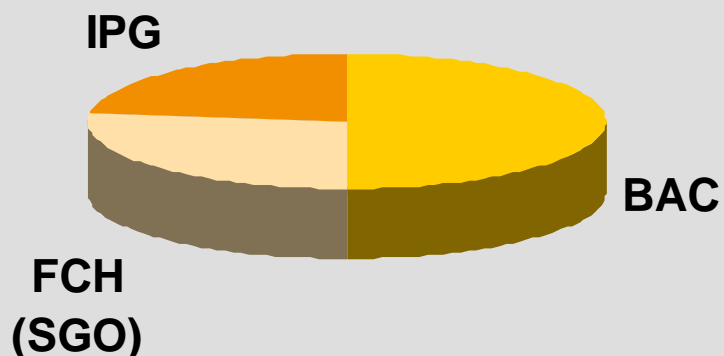


Chemical Intermediates: Strong BAC Offset by Weaker Mix in IPG and 2004 One-offs in FCH

| (€m) | Q4 2004 | Q4 2005 |
|---------------------------|------------|------------|
| Sales | 385 | 367 |
| EBIT | 25 | 9 |
| Depr. / Amort. | 27 | 23 |
| EBITDA | 52 | 32 |
| EBITDA pre except. | 52 | 32 |
| Margin | 13.5% | 8.7% |
| Capex | 36 | 22 |

- Price increases in BAC were counterbalanced by weaker product mix in other businesses
- Lower volume due to high customer inventory levels for certain agro products
- Exceptionally high Q4 2004 EBITDA fuelled by some one-time effects in FCH
- Lower Capex due to more adequate allocation to FCH
- **Business Update:** Business is fully on track

Sales by BU:

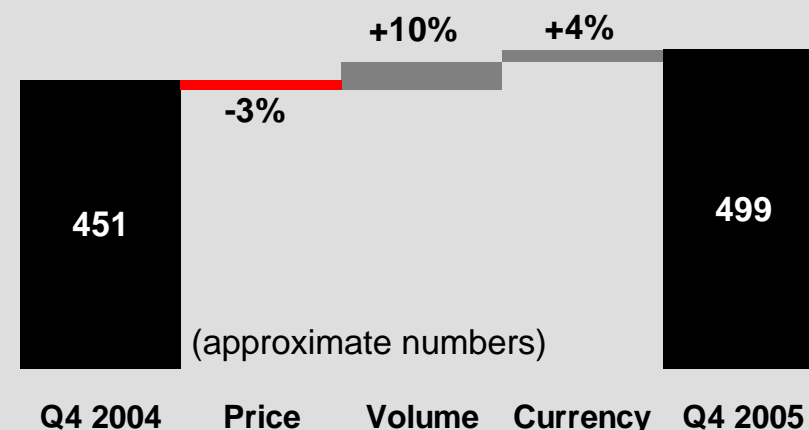
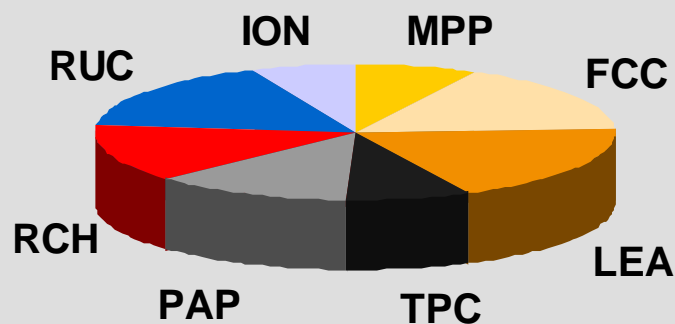


Performance Chemicals: Significantly Stronger Q4 Mainly due to LEA and RUC

| (€m) | Q4 2004 | Q4 2005 |
|---------------------------|------------|------------|
| Sales | 451 | 499 |
| EBIT | -5 | -4 |
| Depr. / Amort. | 19 | 17 |
| EBITDA | 14 | 13 |
| EBITDA pre except. | 14 | 39 |
| Margin | 3.1% | 7.8% |
| Capex | 24 | 16 |

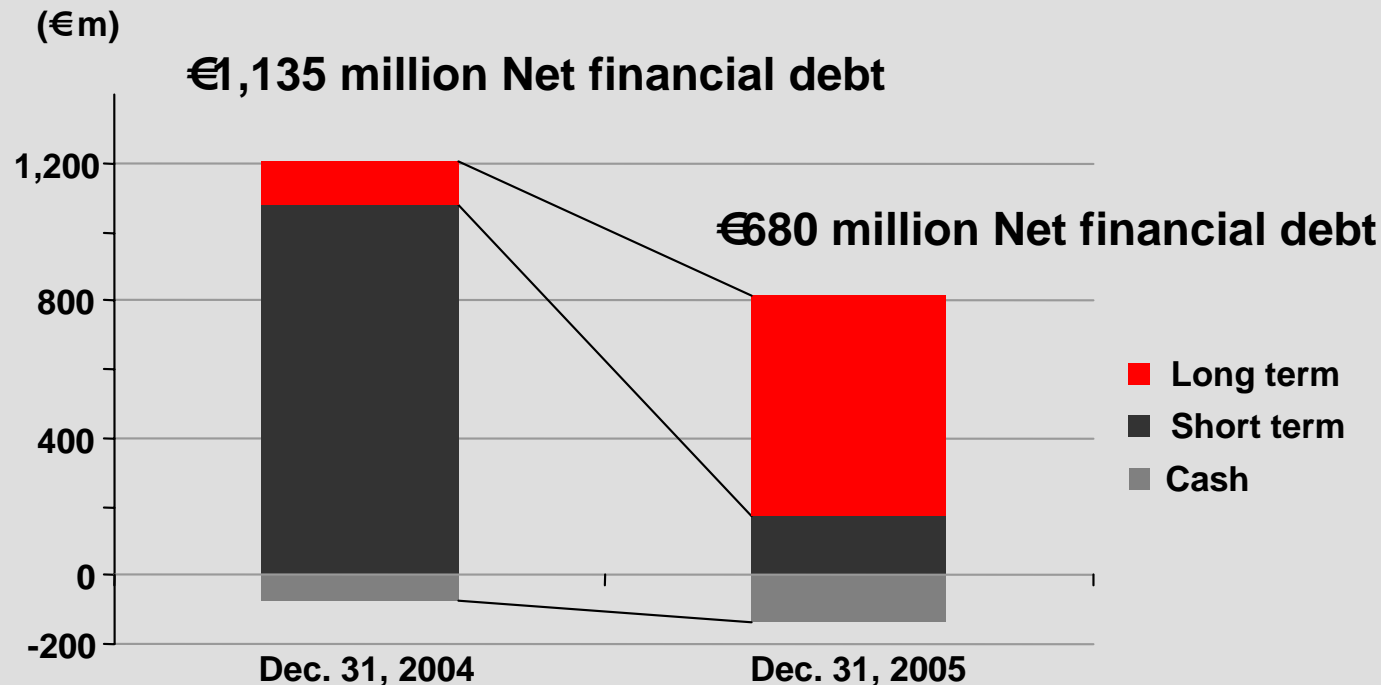
- Slightly weaker pricing and product mix mainly in FCC and PAP almost offset by price increases in other BUs
- Again improved strong contribution by RUC, LEA and MPP. LEA with price increases in tanning products, MPP with better performance in a generally weaker quarter
- Overall cost reductions in practically all functional costs support profit improvement
- **Business Update:** Strong start into the year for most BUs

Sales by BU:



Financing Structure Significantly Improved while Transforming the Company

Net financial debt overview:



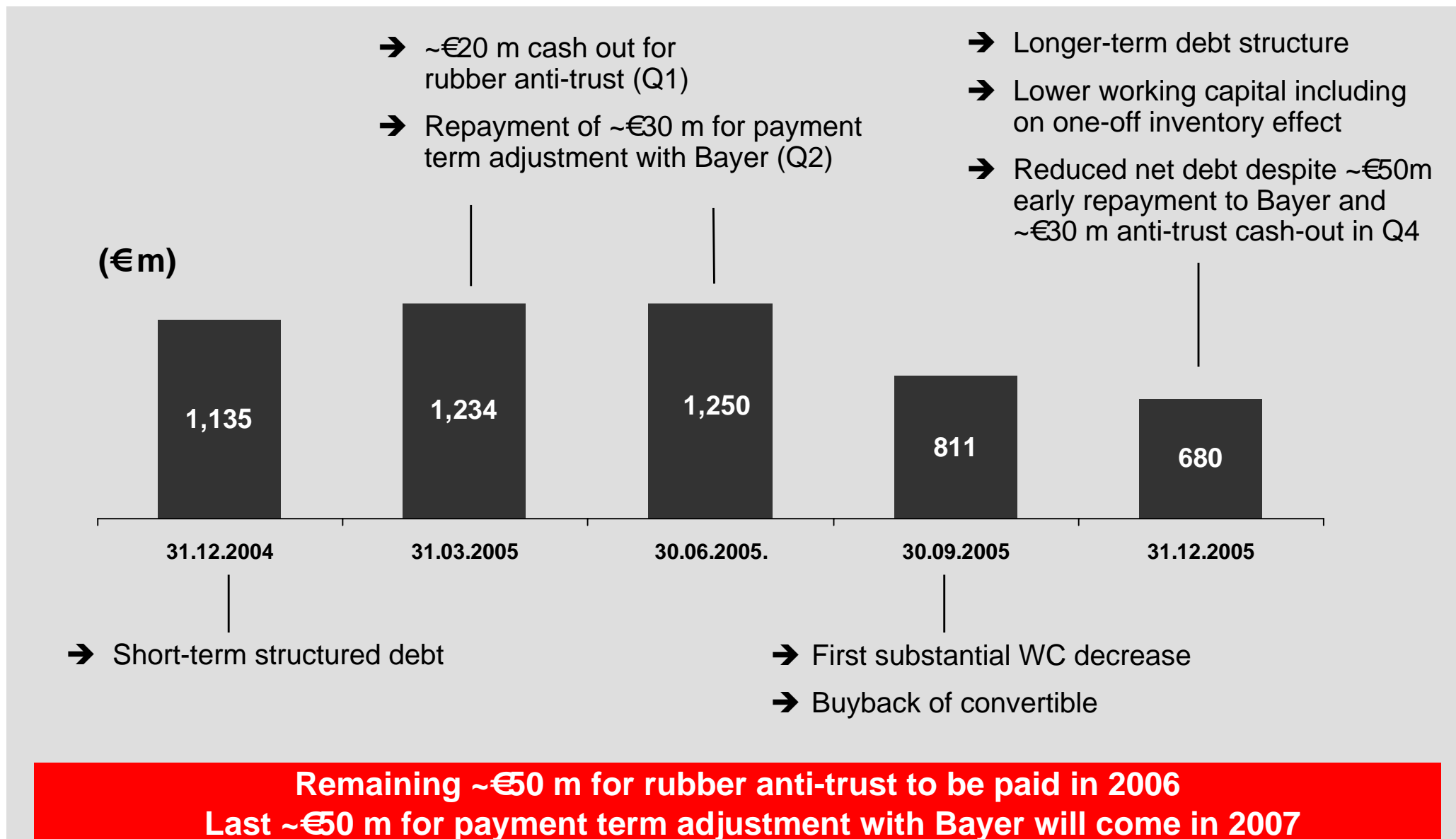
- Financing structure solid and long-term
- Net financial debt reduced from 1,135 million to 680 million
- Net debt to EBITDA pre exceptionals ratio improved from 2.5x to 1.2x
- ...and we pay less interest

We are all set for 2006

Balance Sheet Reflects Solid Structure

| (€m) | Dec 31, 2004 | Sept 30, 2005 | Dec 31, 2005 | (€m) | Dec 31, 2004 | Sept 30, 2005 | Dec 31, 2005 |
|-----------------------------|-----------------|------------------|-----------------|---------------------------------------|-----------------|------------------|-----------------|
| Non-current Assets | 1,988 | 1,876 | 1,835 | Stockholders' equity | 1,365 | 1,422 | 1,256 |
| Intangible assets | 65 | 57 | 53 | thereof Minority interest | 14 | 17 | 17 |
| Property, plant & equipment | 1,521 | 1,514 | 1,526 | Non-current Liabilities | 878 | 1,559 | 1,576 |
| Equity Investments | 44 | 55 | 22 | Pension & post empl. provisions | 418 | 455 | 497 |
| Other Investments | 4 | 3 | 4 | Other provisions | 230 | 317 | 302 |
| Financial assets | 53 | 51 | 48 | Financial liabilities | 131 | 628 | 644 |
| Deferred taxes | 172 | 56 | 103 | Tax liabilities | 8 | 16 | 26 |
| Other non-current assets | 129 | 140 | 79 | Other liabilities | 36 | 31 | 32 |
| Current Assets | 2,589 | 2,685 | 2,506 | Deferred taxes | 55 | 112 | 75 |
| Inventories | 1,151 | 1,219 | 1,068 | Current Liabilities | 2,334 | 1,580 | 1,509 |
| Trade accounts receivable | 1,137 | 1,116 | 1,065 | Other provisions | 225 | 370 | 401 |
| Financial assets | 24 | 52 | 37 | Financial liabilities | 1,076 | 310 | 172 |
| Other current assets | 205 | 171 | 200 | Trade accounts payable | 820 | 637 | 694 |
| Liquid assets | 72 | 127 | 136 | Tax liabilities | 18 | 56 | 27 |
| Total assets | 4,577 | 4,561 | 4,341 | Other liabilities | 195 | 207 | 215 |
| | | | | Total Liabilities & Equity | 4,577 | 4,561 | 4,341 |

Continued Substantial Improvement in Net Debt



Stronger Cash Flow due to Operating Results and Improved Working Capital Management

| (€m) | FY 2004 | FY 2005 |
|--|------------|-------------|
| Profit before Tax | -20 | -117 |
| Depreciation & Amortization | 328 | 313 |
| Investments at equity | 4 | 35 |
| Gain / Loss from Sale of Assets | 2 | -1 |
| Financial Losses | 44 | 72 |
| Cash tax payments | -45 | -56 |
| Change in Working Capital* | -35 | 106 |
| Change in Other Net Current Assets | 33 | 272 |
| Cash provided by Operating Act. | 311 | 624 |
| Capex | -279 | -251 |

- Focus on working capital and better operating result lead to substantial improvement in operating cash flow
 - despite ~€80 million payback to Bayer for payment term adjustment
 - despite ~€10 million cash out for restructuring
 - despite ~€50 million cash out for rubber anti-trust
- Reduction of working capital was supported by production cut-back due to supplier-outage (impact of ~€50 m)
- Restructuring provision is included in “Change in Other Net current Assets”

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

Excess cash has been used to reduce net financial debt

Annual Pension Review Leads to Technical Adjustment

Changes to post-retirement benefits

1. Usual annual parameter review

- Adjustment of discount rates, expected return on plan assets and expectations on pension and income development for defined benefit plans

⇒ **Actuarial changes:** Corresponding increase of DBO and decrease of plan assets

2. Change of accounting treatment of Bayer retirement fund from a defined benefit plan to a defined contribution plan:

- New situation after the spin-off from Bayer: According to IAS 19, LANXESS has switched treatment of Bayer retirement fund (“Bayer Pensionskasse^{*}”) from defined benefit (includes balance sheet provisions / assets) to defined contribution (no balance sheet items anymore)

⇒ **Accounting changes:** Switch from DB to DC plan is reflected on the balance sheet by reduction of prepaid assets, adjustment of deferred tax assets / liabilities and a €58 m reduction of equity

* The Bayer Retirement Fund “Bayer Pensionskasse” is a publicly supervised insurance company with a legally binding, conservative investment policy

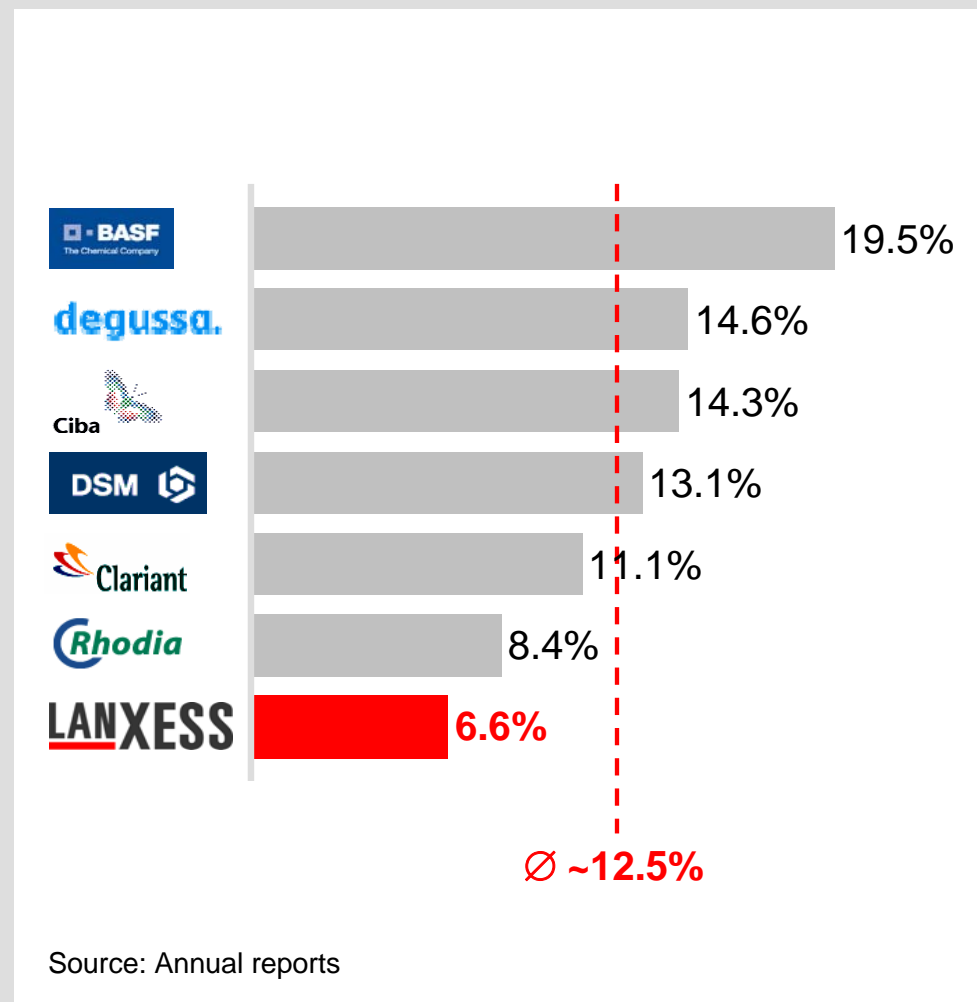
Changes in pension treatment will lead to increase of planning accuracy

Agenda

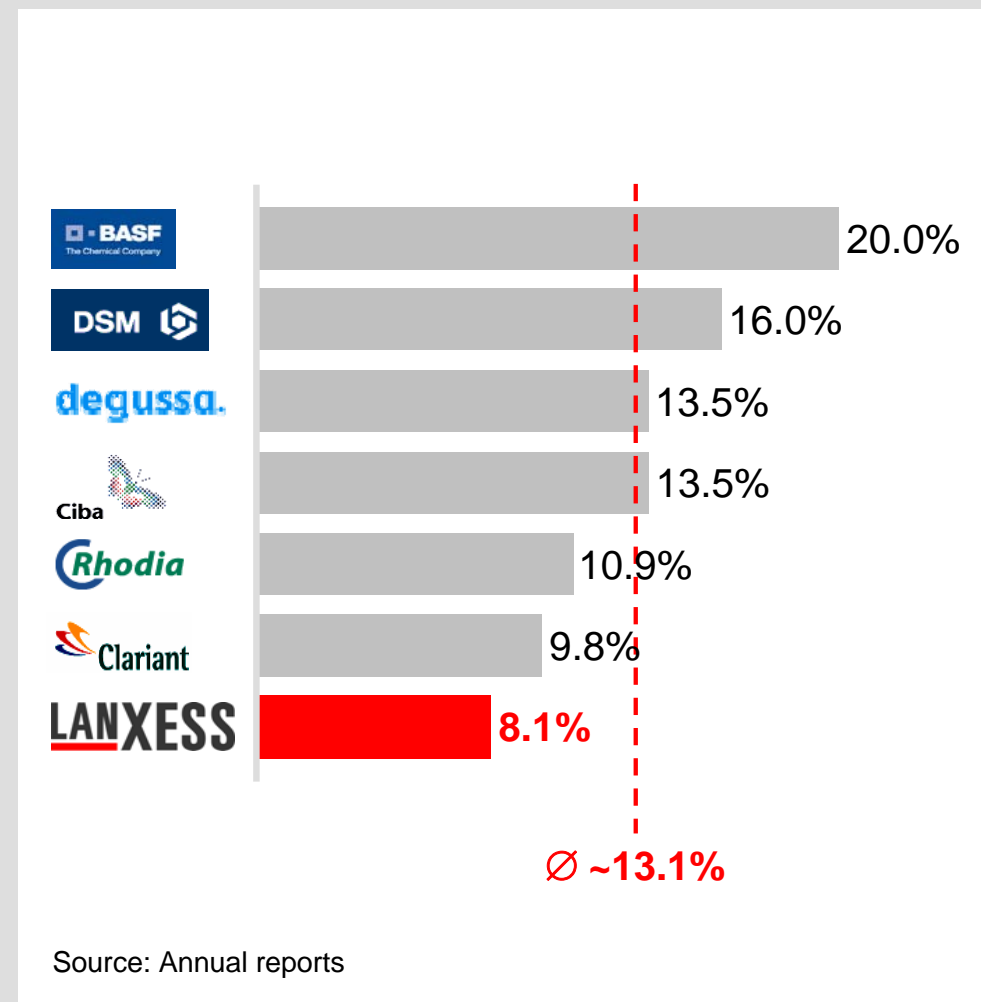
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Overall Performance Still Below Average

EBITDA* margin 2004

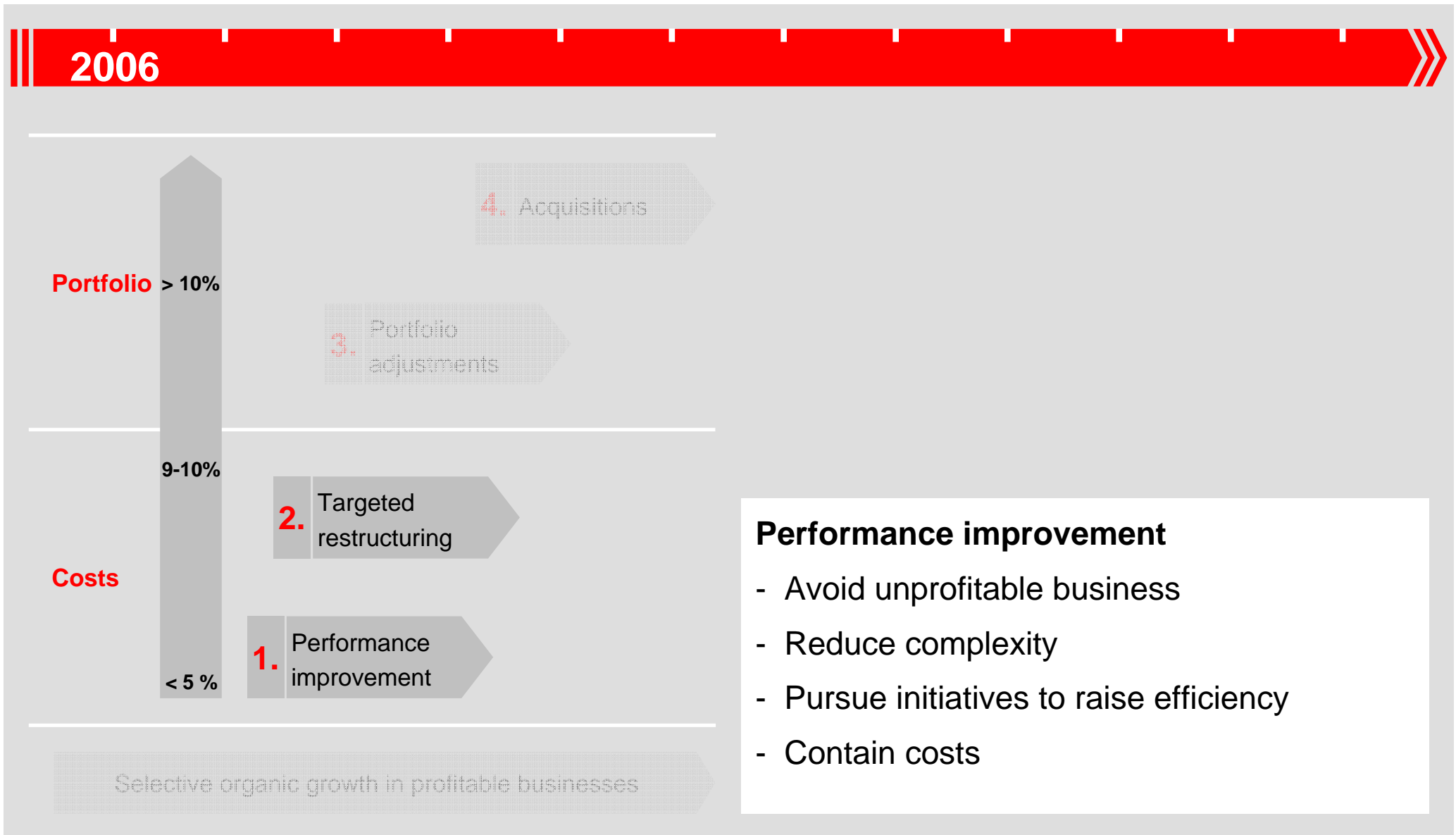


EBITDA* margin 2005



* EBITDA pre exceptionals

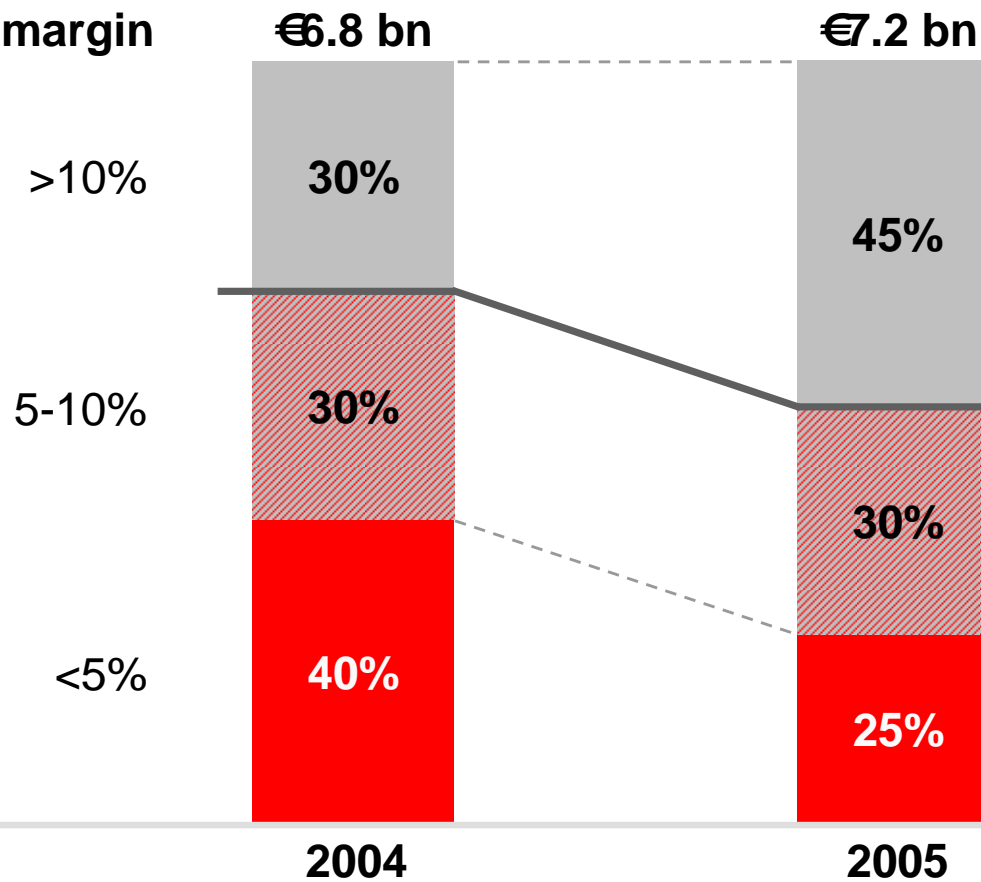
Strategy Systematically Continued in 2006



Proportion of Profitable Sales Risen to 45% - Margins on 55% of Business Still Inadequate

Profitability split 2004 vs. 2005

EBITDA* margin



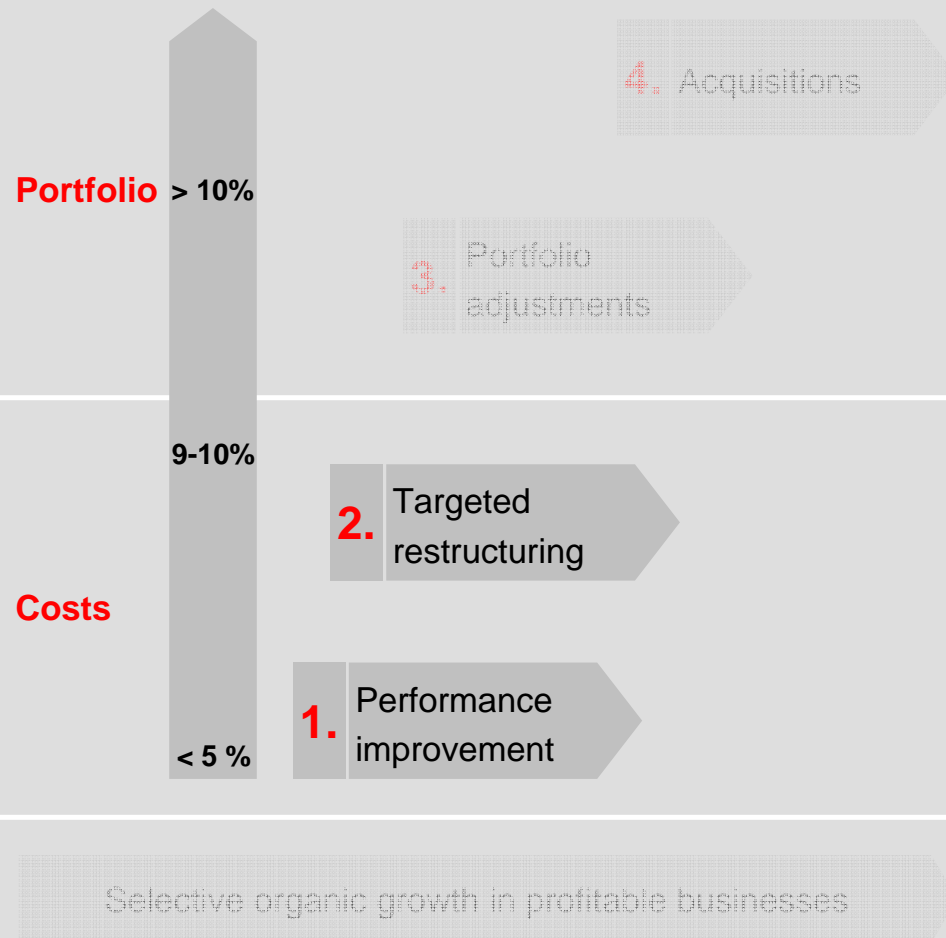
Profitable share of sales considerably increased

Unprofitable share of sales greatly reduced

* EBITDA pre exceptionals

Continuing Focus on Restructuring

2006



Targeted restructuring

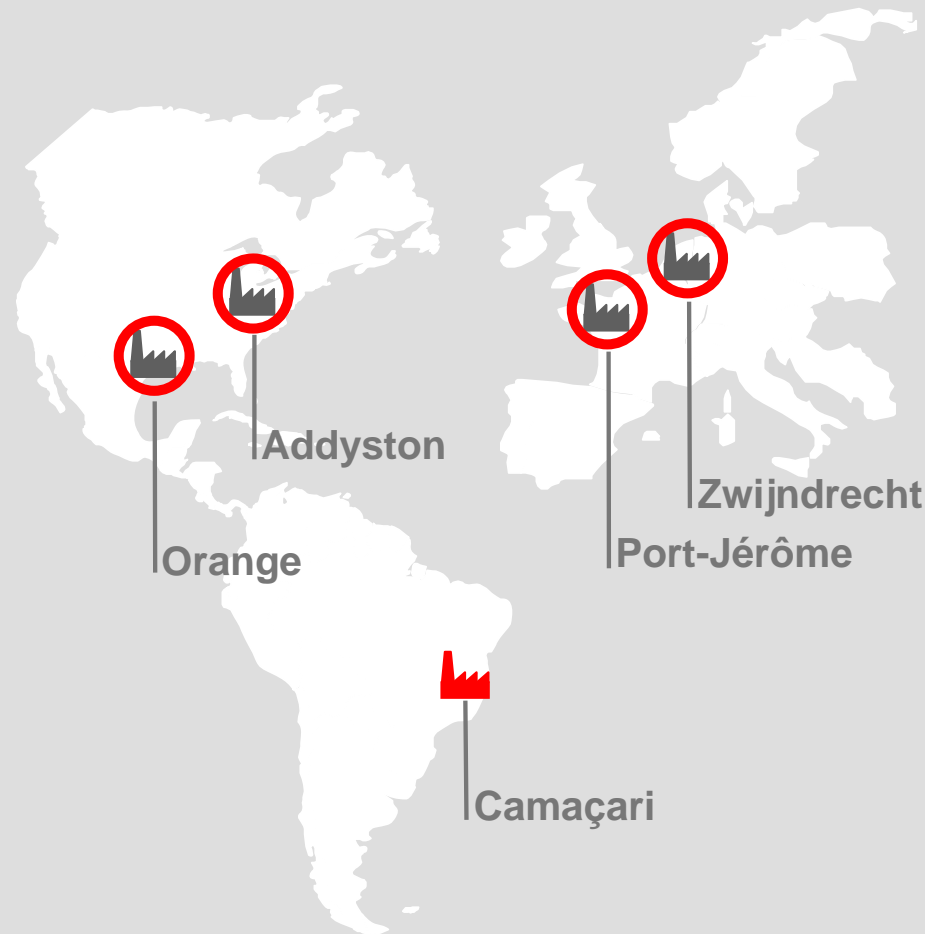
- Start of Phase III
- Savings potential: ~ €50m p.a. (as of 2009)
- One-time costs: ~ €55m
- Reduction of up to 250 jobs

Performance improvement

- Avoid unprofitable business
- Reduce complexity
- Pursue initiatives to raise efficiency
- Contain costs

Phase III: €50m Annual Savings as of 2009

Phase III: Characteristics



Styrenic Resins

- Optimization of production and business processes in NAFTA
- Closure of unprofitable site in Camaçari/Brasil

Polybutadiene Rubber

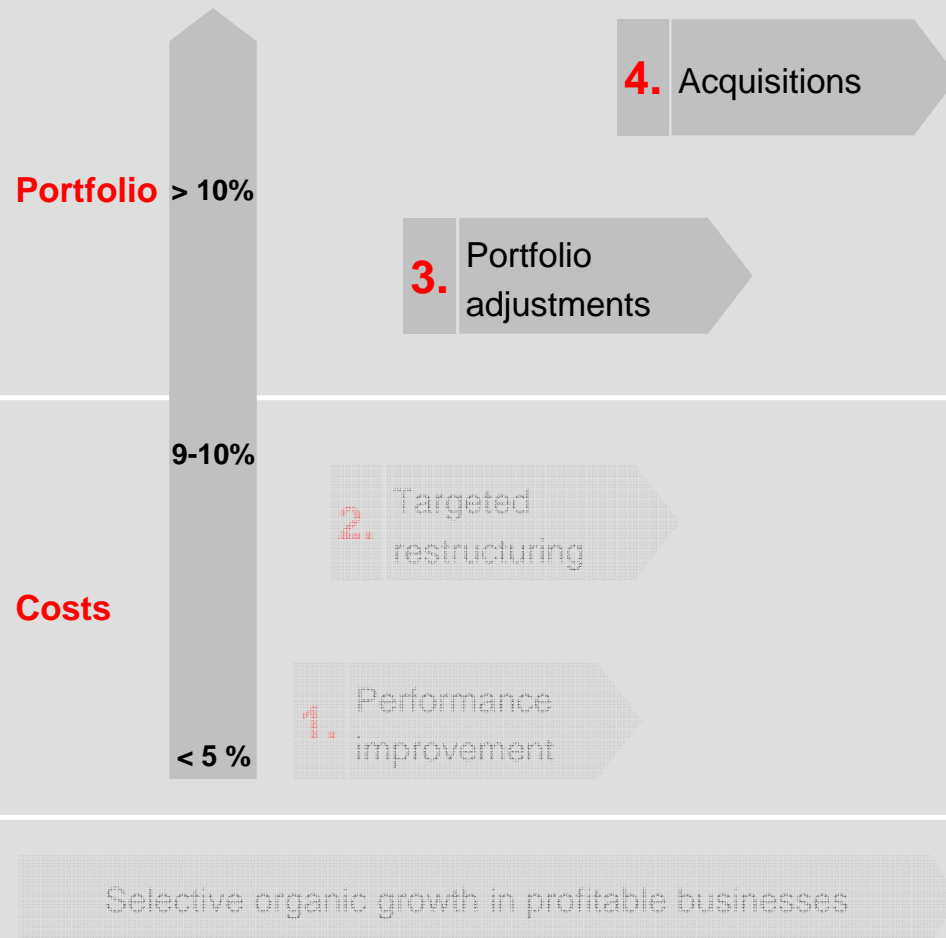
- Streamlining of production processes in Orange/Texas and Port-Jérôme/France

Butyl Rubber

- Process optimization and asset consolidation in Zwijndrecht/Belgium

Ongoing Portfolio Management

2006



Acquisitions

- Not on the agenda yet

Portfolio adjustments

- Continuous portfolio analysis
- Evaluation of all strategic options for Textile Processing Chemicals business unit during 2006

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Phase II: Future Savings Improve Profitability

| Phase III (€ m) | 2006e | 2007e | 2008e | 2009e |
|--|----------|-----------|-----------|-----------|
| P&L Expenses | -30 | -15 | -10 | 0 |
| Cash outs | -30 | -15 | -10 | 0 |
| Headcount reduction | ~140 | ~70 | ~40 | 0 |
| Cost reduction vs. prior year | 5 | 25 | 10 | 10 |
| Cost reduction cumulative | 5 | 30 | 40 | 50 |
| EBITDA improvement vs. prior year | 5 | 20 | 5 | 5 |
| EBITDA improvement cumulative | 5 | 25 | 30 | 35 |

- €55 m total P&L expenses
- €55 m total cash outs
- €50 m annual savings as of 2009
- €35 m EBITDA improvement as of 2009

Phase III: Total annual savings as of 2009 add up to €50 million

Update on Total Financial Impact due to Restructuring

| Phase I+II+III (€ m) | 2005 | 2006e | 2007e | 2008e | 2009e |
|--|-----------|-----------|-----------|-----------|-----------|
| P&L Expenses | -166 | -55 | -35 | -25 | 0 |
| Cash outs | -10 | -155 | -90 | -50 | 0 |
| Headcount reduction | ~540 | ~610 | ~470 | ~40 | 0 |
| Cost reduction vs. prior year | 10 | 35 | 75 | 80 | 10 |
| Cost reduction cumulative | 10 | 45 | 120 | 200 | 210 |
| EBITDA improvement vs. prior year | 10 | 35 | 65 | 40 | 5 |
| EBITDA improvement cumulative | 10 | 45 | 110 | 150 | 155 |

- €115 m total remaining P&L expenses; €295 m remaining total cash costs
- €210 m annual savings as of 2009 with EBITDA improvement of ~€155 m

➔ “Solidarity agreement” on top of above figures give positive one-time” effect of €20+ m in ‘06 and ‘07

Restructuring is going to transform profitability substantially from 2007 onwards

Outlook and Reiteration of 9-10% Margin Target on the Basis of 2004 Sales

Underlying assumptions

- Continuous supportive economic environment in 2006
- Raw materials volatile on high level with potentially some relief on raw material prices in H2 2006
- Exchange rate €1.0 = ~USD1.25

2006 Guidance based on above assumptions

- Q1 provides the foundation for 2006 objectives
- Reiteration of 9%-10% EBITDA pre excep. margin target 2006 (basis: FY 2004 sales)
- Capex at upper end of €250 - 270 m range
- Operational Depreciation and Amortization ~€250 m
- FY P&L tax expected ~30%
- Restructuring: expenses of ~€55 m and cash-outs of ~€155 m expected in 2006, including Phase III

We delivered on guidance in 2005 and expect to do so in 2006 as well

LANXESS is On Track

**Set the
pace**

Profitability increased – debt reduced

**Create
values**

Market capitalization doubled

**Lay
foundations**

Options created for future action

**Build
confidence**

Ambitious targets fully achieved



Appendix

Sound Financing Structure

Main Financing Components

€1,250 m

Revolving Credit Facility
5-year maturity with two one-year extension options
Improved terms and conditions vs. prior €1.5 bn facility
Signed on October 5, 2005

€500 m

Debut Eurobond
Seven-year tenor, maturing on June 21, 2012
4.125% coupon

€200 m

Asset Backed Securities Programme
Revolving sale of trade receivables

Unused as of Dec. 31, 2005

~€2,000 m

Financing Instruments in place

€816 m

Status of Financial Obligations as per Dec. 31, 2005

(€680 m: Status of Net Financial Debt as per Dec. 31, 2005)

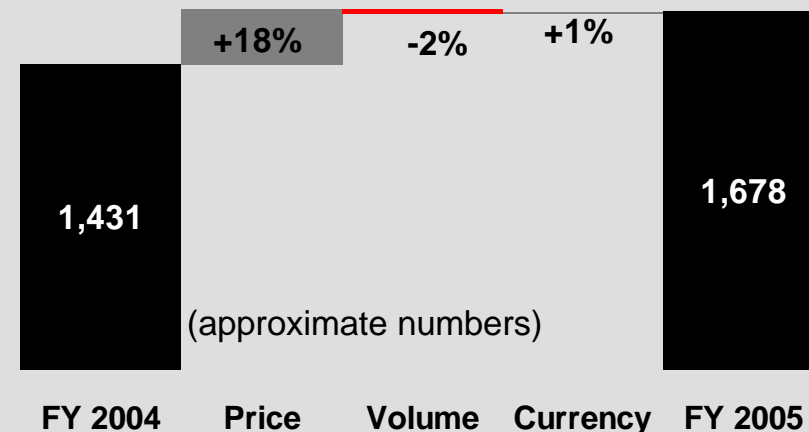
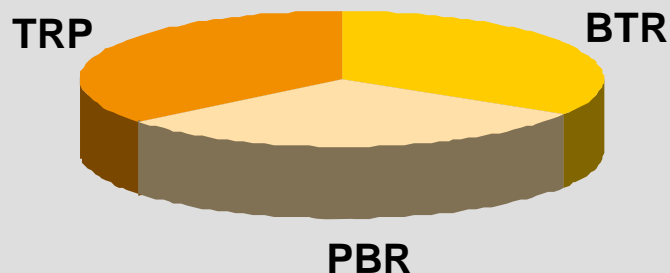
Plenty of headroom: Revolving Credit Facility is mainly intended as a long-term liquidity back-up and will probably only be drawn to a limited degree

Performance Rubber: Leadership Turns into Value

| (€m) | FY 2004 | FY 2005 |
|---------------------------|--------------|--------------|
| Sales | 1,431 | 1,678 |
| EBIT | 50 | 108 |
| Depr. / Amort. | 61 | 63 |
| EBITDA | 111 | 171 |
| EBITDA pre except. | 123 | 214 |
| Margin | 8.6% | 12.8% |
| Capex | 76 | 75 |

- Sales were stronger on continued improved pricing in all BUs, clearly overcompensating the corresponding marginal volume reduction
- BTR maintains high level of profitability, based on leading market position
- High energy and raw material costs were more than offset by improved PBR and TRP on price before volume strategy
- Exceptionals of €43 million due to Bayer anti-trust case in TRP
- **Business Update:** Rubber started the year reasonably well, according to plan

Sales by BU:



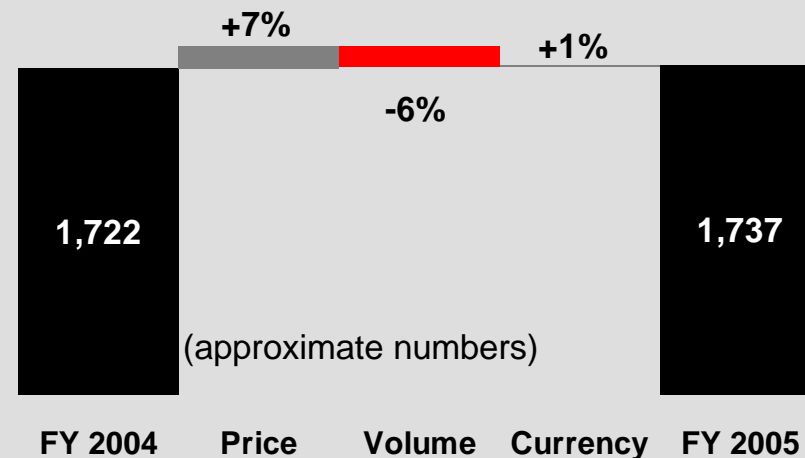
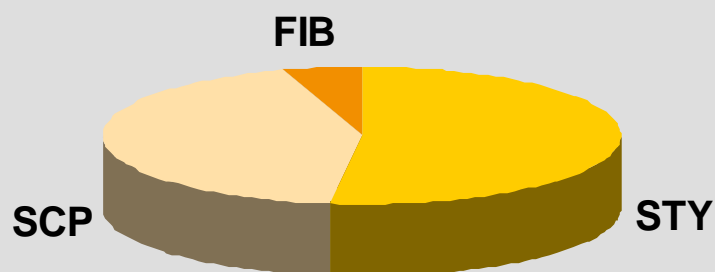
Engineering Plastics: Very Weak FIB Clouds

Improvements in Remaining BUs

| (€m) | FY 2004 | FY 2005 |
|---------------------------|--------------|--------------|
| Sales | 1,722 | 1,737 |
| EBIT | 12 | 10 |
| Depr. / Amort. | 37 | 56 |
| EBITDA | 49 | 66 |
| EBITDA pre except. | 49 | 66 |
| Margin | 2.8% | 3.8% |
| Capex | 45 | 45 |

- Sales remained flat with improved pricing in STY and SCP, offsetting lower volumes
- D&A: positive 2004 adjustment to impairment in STY, impairment FIB and STY Capex in 2005
- STY with positive FY EBITDA contribution (!) despite higher raw material prices
- Improvement in SCP based on stronger pricing, lower average raw material costs (cyclohexane) and high capacity utilization
- **Business Update:** STY well on track, SCP develops as planned. Bear in mind: special Q1 2005 situation with risen prices and lower raw material costs

Sales by BU:

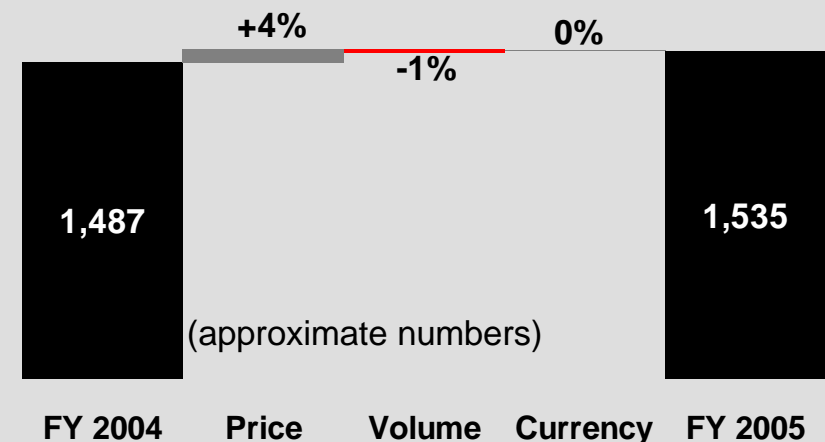
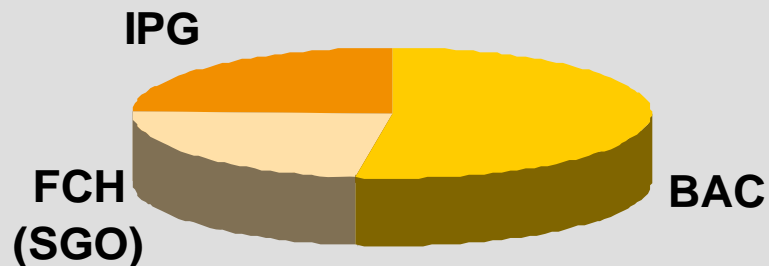


Chemical Intermediates: Maintaining Solid Margin

| (€m) | FY 2004 | FY 2005 |
|---------------------------|--------------|--------------|
| Sales | 1,487 | 1,535 |
| EBIT | 89 | 129 |
| Depr. / Amort. | 113 | 82 |
| EBITDA | 202 | 211 |
| EBITDA pre except. | 202 | 211 |
| Margin | 13.6% | 13.7% |
| Capex | 89 | 59 |

- Sales increase attributable mainly to BAC on the back of risen raw material prices
- EBITDA slightly better due to overall better pricing and improved cost structures
- IPG could not make up for weak Q1 2005 due to strong winter
- Restructuring measures launched to further improve FCH
- Lower Capex mainly due to more adequate spending in FCH
- **Business Update:** Business is fully on track

Sales by BU:

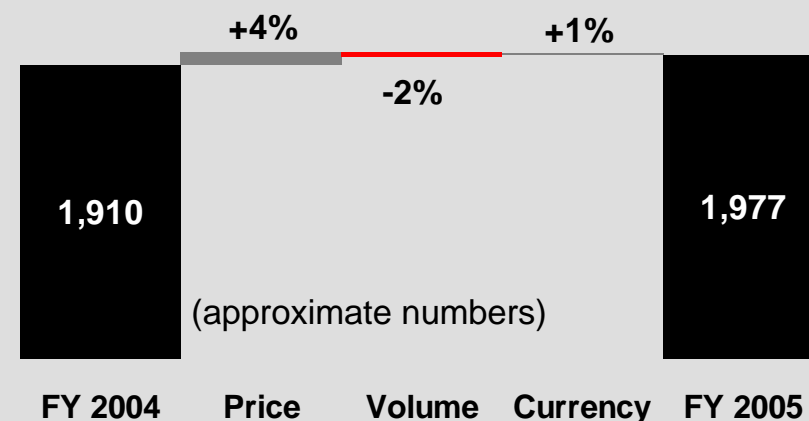
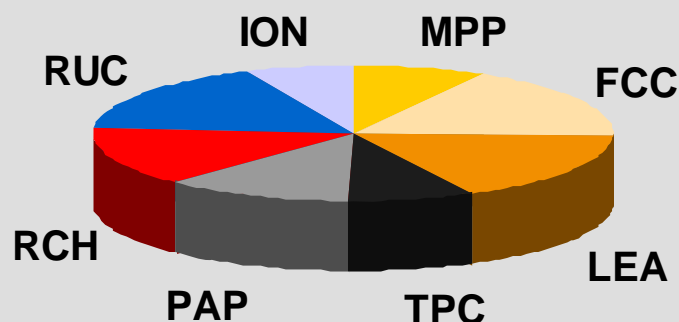


Performance Chemicals: Main Contribution to Margin Improvement by RUC and LEA

| (€m) | FY 2004 | FY 2005 |
|---------------------------|--------------|--------------|
| Sales | 1,910 | 1,977 |
| EBIT | 9 | 118 |
| Depr. / Amort. | 95 | 66 |
| EBITDA | 104 | 184 |
| EBITDA pre except. | 152 | 212 |
| Margin | 8.0% | 10.7% |
| Capex | 57 | 61 |

- Slight sales increase: Price increases in all BUs, except for PAP, offset slight volume declines, mainly in TPC and FCC
- Reduced D&A due to goodwill write off in RCH in 2004
- EBITDA improvement is mainly attributable to RUC, LEA and ION due to improved pricing and cost initiatives
- **Business Update:** Strong start into the year for most BUs

Sales by BU:



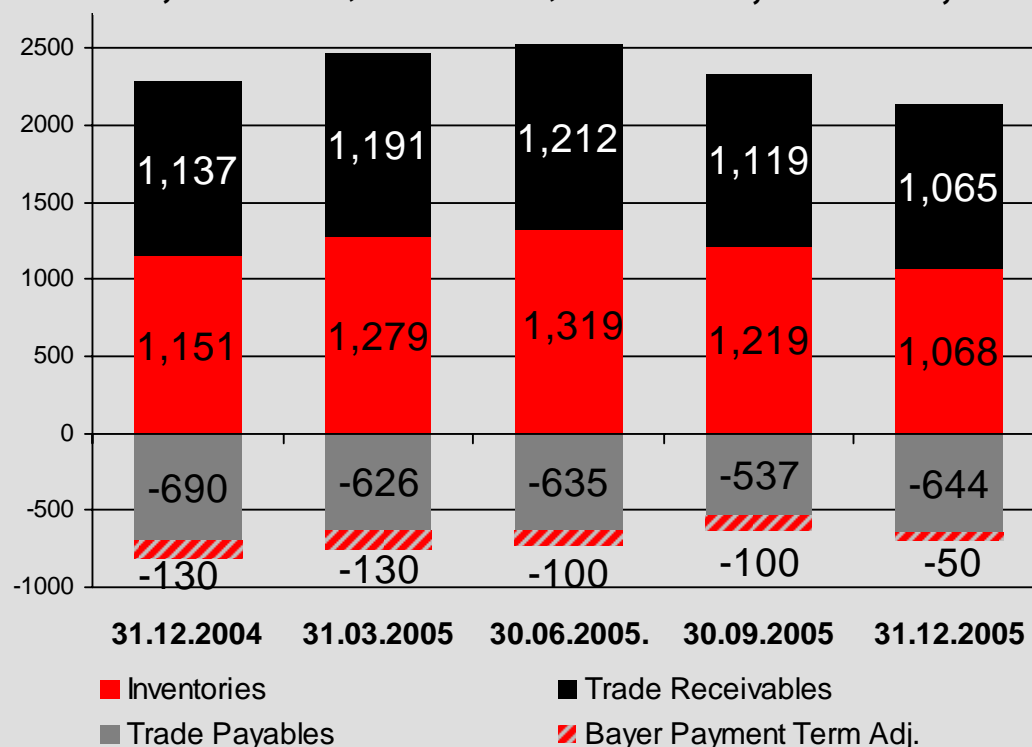
Focus on Working Capital Management Started to Pay Off in H2 2005

% of sales**:

| | | | | |
|-------|-------|-------|-------|-------|
| 21.7% | 24.9% | 25.4% | 24.0% | 20.1% |
|-------|-------|-------|-------|-------|

Total WC* in € million:

| | | | | |
|--------|--------|--------|--------|--------|
| €1,468 | €1,714 | €1,796 | €1,701 | €1,439 |
|--------|--------|--------|--------|--------|



- Receivables: Lower mainly on improved payment terms
- Inventories: substantial decrease, however supported by production cut-back in Canada due to supplier-outage (impact of ~€50 m)
- Payables: year over year decrease mainly due to outflow of €80 m for payment term adjustment with Bayer (thereof €50 m repaid earlier than initially scheduled)

Working Capital decreased on inventory and receivable management as well as one-offs

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

** As % of sales on the basis of last 4 quarters' sales

Detailed Pension Overview

Basic distinction of post-employment benefits (pensions and other post-employment benefits)

Defined Contribution Plans (DC)

- Amount company pays is determined
- All P&L expense is at same time cash out
- P&L expense is completely in functional costs
- No funded status calculated since no Defined Benefit Obligation (DBO) exists, no fair value assets exists
- No provision / no asset on balance sheet

Defined Benefit Plans (DB) (all post employment benefit plans other than Defined Contribution)



- Amount of benefit, the retiree receives, is agreed upon with the company
- Only parts of P&L expense are at same time cash out
- P&L Expenses partly in functional costs, partly in financial result
- Funded status calculated with actuarial methodologies on the basis of certain parameters
- Financing:
 - Funded (financed by external pension funds) or
 - Unfunded (financed by balance sheet provisions)

Pension Review 2005: Adjustment of Parameters for Defined Benefit Plans ①

Parameters for calculation of Defined Benefit Obligation (DBO) and fair value of plan assets are reviewed **annually**:

- Discount rates to calculate present value of DBO
- Expected income and pension development have to be taken into account
- Mortality tables are used by actuaries

31.12.2004 31.12.2005

| | | | |
|---|-------------|-------------|---|
| Discount rates*: | 5.5% | 4.7% |  increases DBO |
| Expected salary increase*: | 3.1% | 2.9% | |
| Expected pension increase*: | 1.3% | 1.2% | |
| Expected return on plan assets*: | 7.3% | 6.9% |  reduces fair value of pension asset |



Due to the 2005 adjustment of underlying parameters, the 2006 pension provision will increase accordingly

* Worldwide average

Pension Review 2005: Shifting “Bayer Retirement Fund”* from DB to DC ②

German “Bayer Pensionskasse” is re-classified as “Multi-employer-plan” which results in:

- Treatment as defined contribution plan as opposed to defined benefit is in accordance with IAS 19
- Costs for defined contribution plans are recognised for services rendered by employees during the period
- Defined contribution plans are not recognized on the company’s balance sheet

Actuarial changes:

- Former Defined Benefit obligation (DBO) and the corresponding pension assets with regard to the “Bayer Pensionskasse” are booked out

Accounting changes to the Balance sheet:

- Prepaid assets related to the German “Bayer Pensionskasse” were booked out from the balance sheet
- Reversal of deferred tax liabilities and increase of deferred tax assets
- Creation of a guaranteed Pension-adaption for the German employees which will have to be shown on Lanxess’ balance sheet as defined benefit plan

➡ Results in net debit to equity of ~€58 m

Rationale of this shift in pension recognition :

- Together with the auditors, we have evaluated the changes after the spin-off from Bayer and have decided that a switch from DB to DC is advisable.
- In a general change from DB to DC, the new treatment of the “Bayer Pensionskasse”, and for new employees the opening of the “Rheinische Pensionskasse” - which is DC - are good steps forward.

* The Bayer Retirement Fund “Bayer Pensionskasse” is a publicly supervised insurance company with a legally binding, conservative investment policy

Pension Financials

| P&L effects (in €m) : | 2004 | 2005 | |
|---|---------------|---------------|---------------------------------------|
| <ul style="list-style-type: none"> • Defined Benefit plans (Pension and other post employment benefits) | 61 | 79 | Only partly immediate cash out |
| <ul style="list-style-type: none"> Thereof as functional costs | ~42 | ~51 | |
| <ul style="list-style-type: none"> • Defined contribution plans* (all expenses in functional costs) | 47 | 81 | Completely immediate cash out |
| Cash effects (in €m) : | 2004 | 2005 | |
| <ul style="list-style-type: none"> • In operating cash flow (for DB and DC plans) | 97 | 133 | |
| Balance sheet effects (in €m) : | Dec. 31, 2004 | Dec. 31, 2005 | |
| <ul style="list-style-type: none"> • Pension provision (for defined benefit plans only) | 418 | 497 | |

* Expenses now include the new treatment of the "Bayer Pensionskasse" as defined contribution plan and changes in social security contribution

Exceptional Items Incurred in Q4 2004 and 2005

| (€m) | Q4 2004 | | Q4 2005 | | |
|------------------------|-------------|-------------|-------------|-------------|---|
| | Exceptional | thereof D&A | Exceptional | thereof D&A | |
| Performance Rubber | 0 | 0 | 37 | 0 | – “Rubber” Litigation (TRP) |
| Engin. Plastics | 9 | 9 | 6 | 6 | – Capex write-off (STY) |
| Chemical Intermediates | 9 | 9 | 3 | 3 | – Capex write-off (FCH) |
| Performance Chemicals | 0 | 0 | 26 | 0 | – “Rubber” litigation (RUC) |
| Reconciliation | 0 | 0 | 62 | 21 | – ~ €34 million restructuring, M&A, other exceptional |
| Total | 18 | 18 | 134 | 30 | |

Exceptional Items Incurred in 2004 and 2005

| (€m) | FY 2004 | | FY 2005 | | |
|------------------------|-------------|-------------|-------------|-------------|--|
| | Exceptional | thereof D&A | Exceptional | thereof D&A | |
| Performance Rubber | 12 | 0 | 43 | 0 | – “Rubber” Litigation (TRP) |
| Engin. Plastics | -3 | -3 | 23 | 23 | – 2004: Capex write-off and amendment to 2003 impairment; 2005: Impairment FIB and STY Capex write-off |
| Chemical Intermediates | 22 | 22 | 14 | 14 | – Capex write-off (FCH) |
| Performance Chemicals | 68 | 20 | 28 | 0 | – 2004 Majority: Environm. provision and RCH goodwill write-off; 2005: “Rubber” litigation, RUC |
| Reconciliation | 0 | 0 | 196 | 27 | – Phase I+II restructuring, M&A, other exceptional |
| Total | 99 | 39 | 304 | 64 | |

Restructuring: We Are Ahead of Our Plan - In 2005 STY and FCH were Back in the Black

Restructuring Achievements

Phase I (initiated June 2005)

STY:

- annual worktime increased
- annual bonus reduced
- savings on various supplies and infrastructure
- realignment of Dormagen and Tarragona sites: Relocation of management has started

FCH:

- two facilities already closed and others realigned
- “Saltigo” presented to the market with new legal structure for FCH and new market approach

– Phase II (initiated August/ September 2005)

- headcount being reduced
- cost savings are progressing
- consolidation of two RCH sites in Chardon, Ohio underway

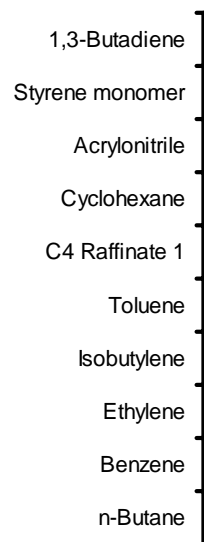
Financial Impacts in 2005

- €166 m P&L restructuring charge
- ~€10 m cash out
- Ahead of plan in terms of cost reduction
- ~€10 m EBITDA improvement already

Raw Materials and Currency Exposure are Managed

Raw materials

Top 10 Petrochemical Raw Materials 2005 in €m



Top10 petrochemical raw materials accounted for ~€1.3 bn of costs in 2005 – approx. 10% more compared to 2004

- Energy exposure of major production sites is being financially hedged
- 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 Dollar

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

LTIP 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 exercise period for each tranche
- Grant price: volume weighted average of first ten trading days (€15.01 for first tranche)

- **Economic Value Plan (EVP)**

- Benchmark: Increase of Economic Value over three years according to business plan
Economic Value = EBITDA * Multiplier, less net debt
- Targeted payout*: 40% of one total annual salary
- Vesting period: 3 years, automatic exercise after 3 years

- **Accounting treatment:** Value of SPP calculated by Monte-Carlo-Simulation, EVP value by comparison of original business plan with latest projection. Total fair value will be expensed over three years for each tranche. Provision as of Dec. 31, 2005: €4 m

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

Quarterly Overview 2004/ 2005

| | | Q1 | | Q2 | | H1 | | Q3 | | 9M | | Q4 | | FY | |
|------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 |
| | Perf Rubber | 326 | 392 | 368 | 432 | 694 | 824 | 352 | 414 | 1046 | 1238 | 385 | 440 | 1431 | 1678 |
| | Eng Plastics | 407 | 414 | 431 | 448 | 838 | 862 | 443 | 441 | 1281 | 1303 | 441 | 434 | 1722 | 1737 |
| | ChemIntermed | 366 | 389 | 320 | 406 | 686 | 795 | 416 | 373 | 1102 | 1168 | 385 | 367 | 1487 | 1535 |
| | Perf Chem | 478 | 478 | 490 | 511 | 968 | 989 | 491 | 489 | 1459 | 1478 | 451 | 499 | 1910 | 1977 |
| | Recon | 33 | 56 | 64 | 62 | 97 | 118 | 62 | 59 | 159 | 177 | 64 | 46 | 223 | 223 |
| | Lanxess | 1610 | 1729 | 1673 | 1859 | 3283 | 3588 | 1764 | 1776 | 5047 | 5364 | 1726 | 1786 | 6773 | 7150 |
| EBITDA pre exc. | | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 |
| | Perf Rubber | 32 | 56 | 49 | 70 | 81 | 126 | 33 | 39 | 114 | 165 | 9 | 49 | 123 | 214 |
| | Eng Plastics | 21 | 35 | 8 | 14 | 29 | 49 | 13 | 14 | 42 | 63 | 7 | 3 | 49 | 66 |
| | ChemIntermed | 81 | 65 | 31 | 59 | 112 | 124 | 38 | 55 | 150 | 179 | 52 | 32 | 202 | 211 |
| | Perf Chem | 55 | 58 | 43 | 58 | 98 | 116 | 40 | 57 | 138 | 173 | 14 | 39 | 152 | 212 |
| | Recon | -24 | -33 | -16 | -38 | -40 | -71 | -19 | -17 | -59 | -88 | -20 | -34 | -79 | -122 |
| | Lanxess | 165 | 181 | 115 | 163 | 280 | 344 | 105 | 148 | 385 | 492 | 62 | 89 | 447 | 581 |
| Margin | | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 |
| | Perf Rubber | 9,8% | 14,3% | 13,3% | 16,2% | 11,7% | 15,3% | 9,4% | 9,4% | 10,9% | 13,3% | 2,3% | 11,1% | 8,6% | 12,8% |
| | Eng Plastics | 5,2% | 8,5% | 1,9% | 3,1% | 3,5% | 5,7% | 2,9% | 3,2% | 3,3% | 4,8% | 1,6% | 0,7% | 2,8% | 3,8% |
| | ChemIntermed | 22,1% | 16,7% | 9,7% | 14,5% | 16,3% | 15,6% | 9,1% | 14,7% | 13,6% | 15,3% | 13,5% | 8,7% | 13,6% | 13,7% |
| | Perf Chem | 11,5% | 12,1% | 8,8% | 11,4% | 10,1% | 11,7% | 8,1% | 11,7% | 9,5% | 11,7% | 3,1% | 7,8% | 8,0% | 10,7% |
| | Recon | -72,7% | -58,9% | -25,0% | -61,3% | -41,2% | -60,2% | -30,6% | -28,8% | -37,1% | -49,7% | -31,3% | -73,9% | -35,4% | -54,7% |
| | Lanxess | 10,2% | 10,5% | 6,9% | 8,8% | 8,5% | 9,6% | 6,0% | 8,3% | 7,6% | 9,2% | 3,6% | 5,0% | 6,6% | 8,1% |

Financial Calendar 2006

Full Year Results 2005

April 4, 2006

Q1 Results 2006

May 18, 2006

Q2 Results 2006

August 16, 2006

Q3 Results 2006

November 15, 2006

Annual Stockholders' Meeting

May 31, 2006

Contact Details

Michael Pontzen (Head of IR)

Tel.: +49-214 30 43804
Fax.: +49-214 30 959 43804
Mobile: +49-175 30 43804
Email: Michael.Pontzen@lanxess.com

Oliver Stratmann

+49-214 30 49611
+49-214 30 959 49611
+49-175 30 49611
Oliver.Stratmann@lanxess.com

Tanja Satzer

Tel.: +49-214 30 43801
Fax.: +49-214 30 959 43801
Mobile: +49-175 30 43801
Email: Tanja.Satzer@lanxess.com

Dr. Gerd Zelesny

+49-214 30 71416
+49-214 30 959 71416
+49-175 30 71416
Gerd.Zelesny@lanxess.com

Please visit our website at: www.lanxess.com