



Fact Book

Leverkusen, 2004-11-26

Update February 2005

LANXESS
Energizing Chemistry

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List of abbreviations - I

1H	First Half (of a year)
ABS	Acrylonitrile Butadiene Styrene
AC	Anorganische Chemie (Inorganic Chemicals)
act.	activities
ADPA	Aminodiphenylamine
AG	Aktiengesellschaft
AI	Anorganische Industrieprodukte
Amort.	Amortisation
APAC	Asia Pacific
ASA	Acrylonitrile Styrene Acrylate
ASA	Alkenyl Succenic Anhydride
ASRC	American Synthetic Rubber Company
BAC	Basic Chemicals
BASF	Badische Anilin und Soda Fabrik
BBS	Bayer Business Services
BIS	Bayer Industry Services
bn	billion
BTR	Butyl Rubber
BTS	Bayer Technology Services
BU	Business Unit

List of abbreviations - II

ca.	circa
CAGR	Compound Annual Growth Rate
Capex	Capital expenditure
CEH	Chemical Economics Handbook
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFS	Combined Financial Statements
Chg.	Change
cGMP	Current Good Manufacturing Practice
CHT	CHT R. Beitlich GmbH
CIBA	(Gesellschaft für) Chemische Industrie Basel
CPF	Composite Production Flow
CPL	Caprolactam
CR	Chloroprene Rubber
CXO	Cyclohexanone/Cyclohexanol
Degussa	Deutsche Gold- & Silber-Scheide-Anstalt
Depr.	Depreciation
DIN	Deutsche Industrienorm
DSM	De Nederlandse Staatsmijnen

List of abbreviations - III

€	Euro
EBIT	Earnings before interest and tax
EBITDA	Earnings before interests, tax, depreciation and amortisation
e.g.	exempli gratia (Latin: for example)
EKA	Elektrokemiska Aktiebolaget
EMEA	Europe, Middle East and Africa
EPA	Environmental Protection Agency
EPDM	Ethylene Propylene-diene Rubber
EPS	Earnings per share
E-SBR	Emulsion Styrene Butadiene Rubber
EU	European Union
EVM	Ethylene Vinyl Acetate Rubber
FCC	Functional Chemicals
FCH	Fine Chemicals
FDA	Food and Drug Administration
FIB	Fibers
FMC	Food Machinery Corporation
FRNC	Flame Retardant Non-Corrosive (cable)
FWA	Fluorescent Whitening Agent
FX	Foreign Exchange

List of abbreviations - IV

GDP	Gross domestic product
GmbH	Gesellschaft mit beschränkter Haftung
GVW	Garnveredlungswerke (Goch)
HMR	Hoechst Marion Roussel
HNBR	Hydrogenated Acrylonitrile Butadiene Rubber
ICI	Imperial Chemical Industries
i.e.	id est (Latin: that is)
ION	Ion Exchange Resins
IISRP	International Institute of Synthetic Rubber Producers
IP	Intellectual Property
IPG	Inorganic Pigments
IPO	Initial Public Offering
iSL	Industrie Spezial Lacke
ISO	International Organization for Standardization
IT	Information Technology
JSR	Japan Synthetic Rubber
JV	Joint Venture
KA-Oil	Ketone-alcohol oil (mixture of cyclohexanone and cyclohexanol)
kt	kilotons (1,000 metric tons)

List of abbreviations – V

LATAM	Latin America
LEA	Leather
LG	Lucky Goldstar Corporation
LOA	Lubricant Oil Additives
LS	Lackrohstoffe (Coatings and Colorants)
LXS	LANXESS
m	million
M	month
MDI	Methylene Diphenylene Diisocyanate
MPP	Material Protection Products
M&A	Mergers and Acquisitions
NAFTA	North American Free Trade Area
Nalco	National Aluminate Corporation
NBR	Nitrile Butadiene Rubber
NJ	New Jersey
NKNK	Nizhnekamskneftekhim
n.m.	not meaningful
No.	number
OBA	Optical Brightening Agent
OH	Ohio

List of abbreviations - VI

p.a.	per annum
PA	Pennsylvania
PA	Polyamide
PAP	Paper
PBR	Polybutadiene Rubber
PBT	Polybutylene Terephthalate
PC	personal care
PPD	Paraphenylene Diamine
PET	Polyethylene Terephthalate
PK	former Bayer business unit (Pigments and Ceramics)
plc	Public Limited Company
PU	Polyurethane
PVC	Polyvinyl Chloride
Q1	First quarter (of a year)
R&D	Research and development
REACH	Registration, Evaluation and Authorization of Chemicals
RCH	RheinChemie
R/O	reverse osmosis
RoW	Rest of World
RUC	Rubber Chemicals

List of abbreviations - VII

S/A	Sociedade Anónima
SAN	Styrene Acrylonitrile
SC	South Carolina
SCP	Semi-Crystalline Products
SCUP	Specialty Chemicals Update Program
SETA	Sociedade Extractiva Tanino da Acácia Ltda
SG&A	Sales, General and Administration
SINOPEC	China Petrochemical Corporation
SRI	Stanford Research Institute
S-SBR	Solution Styrene Butadiene Rubber
STY	Styrenic Resins
TA-Luft	Technische Anleitung zur Reinhaltung der Luft
TFL	Together for Leather
TMQ	Trimethyl Quinoline
TPC	Textile Processing Chemicals
TRP	Technical Rubber Products
TX	Texas
UK	United Kingdom
U.S.	United States
USA	United States of America
w/o	without
WTO	World Trade Organisation
WV	West Virginia



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals



Dr. Axel Claus Heitmann (CEO)



Axel C. Heitmann was born on October 2, 1959 in Hamburg, Germany. He studied chemistry at Hamburg University and the University of Southampton (United Kingdom), obtaining a science doctorate in 1988. He joined Bayer in 1989 where he entered the post-graduate trainee program. Between 1989 and 1991 he held various positions in the Central Research Division, and in the Applications Development and Manufacturing sections of the Rubber Business Group.

Following two years as a plant manager, he transferred to Bayer plc in the United Kingdom as Manager of the Rubber Business Group's Bromsgrove site. In 1996 Heitmann was appointed Head of Manufacturing and Technology at PolymerLatex, the then newly formed joint venture between Bayer and Degussa. From March 1999 to January 31, 2002, Mr Heitmann was Head of the Wolff Walsrode Business Group. He was then appointed General Manager of the Rubber Business Group at Bayer AG. In July 2002, he became a member of the Executive Committee of Bayer MaterialScience.

On September 16, 2004, Axel C. Heitmann has been named as the CEO of LANXESS AG.

Mr Heitmann is married and has two children.

Dr. Ulrich Koemm



Ulrich Koemm was born on October 20, 1950. He studied at the Technical University of Munich and completed his doctorate there. He first worked on the scientific staff at the University of Kaiserslautern before joining Bayer in 1980 as a laboratory manager in the Research Department of the Inorganic Chemicals (AC) Business Group. Between 1983 and 1986, he was a research team leader in this department before moving to AC Manufacturing where he managed the chrome plant and headed the fluorine department.

In 1988, Koemm was transferred to Bayer do Brazil where he was the local general manager of the AC, LS and Pigments and Ceramics (PK) Business Groups. When he returned to Leverkusen in 1992, he became head of manufacturing in the PK Business Group. In 1994, he was made head of manufacturing in the Inorganics (AI) Business Group and in 1997 he took over the responsibility for the Business Unit Inorganic Pigments. In 1998 he became head of the Business Group Inorganics. In April 1999 he took over the position as General Manager of the Coatings and Colorants (LS) Business Group at Bayer AG.

On September 16, 2004, Ulrich Koemm has been named as member of the Board of Management of LANXESS AG.

Mr Koemm is married and has four children.

Dr. Martin Wienkenhöver



Martin Wienkenhöver was born on August 1, 1956 and attended high school in Lengerich, Germany. He studied chemistry at the Westfälische Wilhelms University in Münster.

Having obtained his doctorate, he joined Bayer AG in 1985 as head of a development and formulating laboratory in the former Dyes and Pigments Business Group. A year later he became a laboratory manager in dyes and pigments research. In 1988 Mr Wienkenhöver moved to Bayer's U.S. subsidiary Mobay Corporation (now part of Bayer Corporation), initially as Group Leader R&D in the Dyes and Pigments Division and from 1992 as Head of R&D in the Organic Products Division. He returned to Bayer's headquarters in Leverkusen in 1993 where he was in charge first of dyes and pigments development and later of key account management in dyes and pigments marketing. He subsequently worked for DyStar Textilfarben GmbH, at that time a 50:50 joint venture of Bayer and Hoechst, where he was in charge of the Reactive Dyes Business Unit.

In April 1999 he was appointed General Manager of the Basic and Fine Chemicals Business Group at Bayer AG. On September 16, 2004, Martin Wienkenhöver has been named as member of the Board of Management of LANXESS AG.

Mr Wienkenhöver is married and has four children.

Matthias Zachert (CFO)

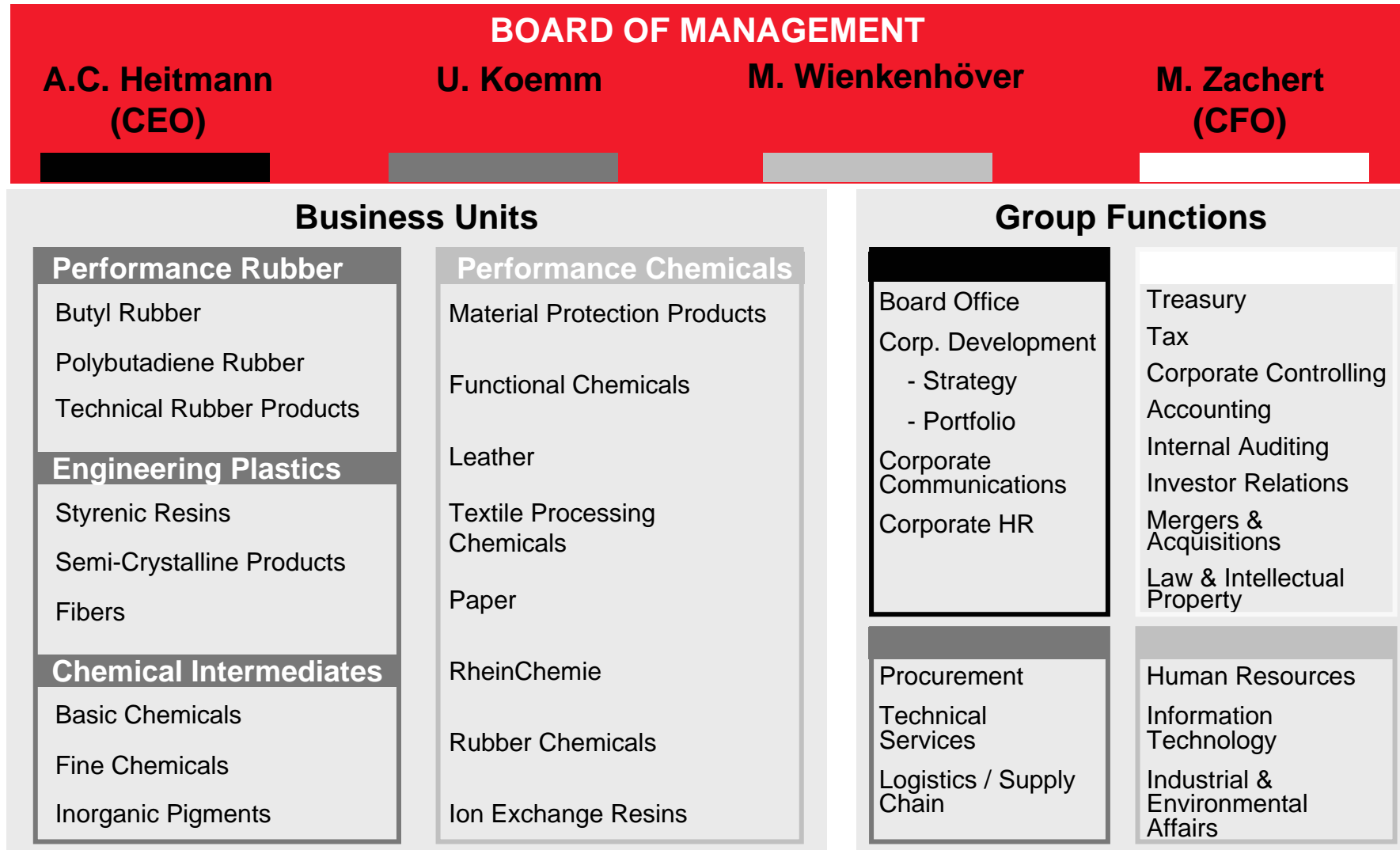


Matthias Zachert was born in Bonn, Germany on November 8, 1967. After graduating from high school, he trained as a commercial assistant at the then Mercedes Benz AG in Stuttgart. From 1990 to 1995, he studied business administration, specialising in finance. During that time, he also spent periods in the United States and France.

He subsequently joined the International Management Program of what was then Hoechst AG, and, in 1996, became head of a special IPO project to establish the Hoechst Marion Roussel (HMR) pharmaceutical business as a separate legal entity world-wide. After holding a number of other management positions at HMR, he assumed responsibility in 1999 for the integration of the finance organisations of the two pharmaceutical companies HMR and Rhône-Poulenc Rorer, which subsequently became Aventis Pharma as part of the merger between Hoechst and Rhône-Poulenc. In January 2000, Matthias Zachert was appointed Chief Financial Officer of the Region International of this company, headquartered in Paris.

In summer 2002, he moved to Düsseldorf to become Chief Financial Officer of Kamps AG, where he was involved in the realignment of the company. On September 16, 2004, Matthias Zachert has been named as the CFO of LANXESS AG.

Lean organisation, operating globally



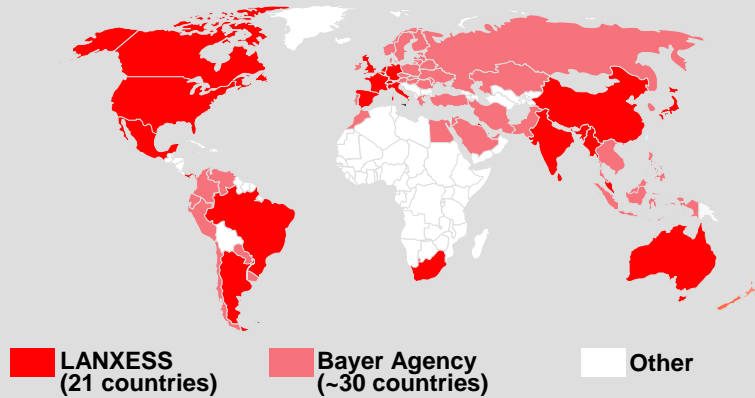
Businesses grouped in four segments

LANXESS				Sales ¹ : €6.315 bn
				EBITDA ² : €180 m
				Employees ³ : 20,423
Butyl Rubber	Styrenic Resins	Basic Chemicals	Material Protection Products	
Polybutadiene Rubber	Semi-Crystalline Products	Fine Chemicals	Functional Chemicals	
Technical Rubber Products	Fibers	Inorganic Pigments	Leather	
			Textile Processing Chemicals	
			Paper	
			RheinChemie	
			Rubber Chemicals	
			Ion Exchange Resins	
Performance Rubber	Engineering Plastics	Chemical Intermediates	Performance Chemicals	
Sales: €1.375 bn	Sales: €1.401 bn	Sales: €1.411 bn	Sales: €1.925 bn	
EBITDA: €4 m	EBITDA: €14 m	EBITDA: €119 m	EBITDA: €96 m	
Employees: 2,999	Employees: 3,658	Employees: 4,059	Employees: 4,881	

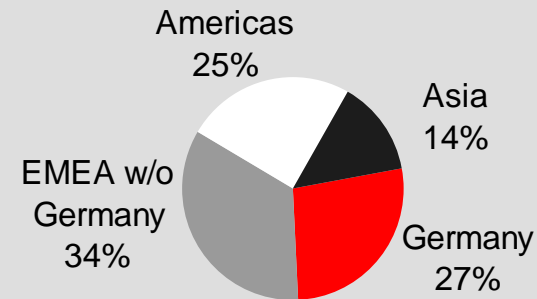
*2003 combined financials; ¹ €203 m reconciliation; ² €-25 m reconciliation; ³ 4,826 reconciliation

Global presence

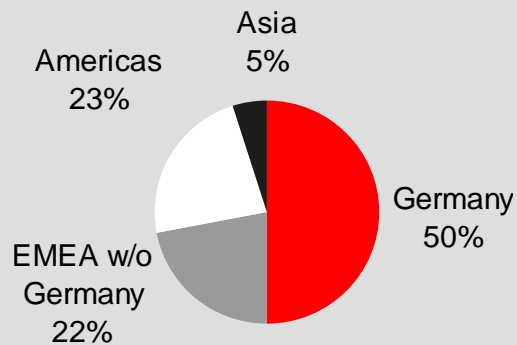
World Coverage



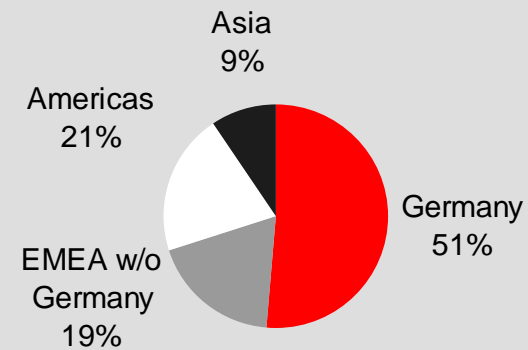
Sales by Region



Assets by Region



Employees by Region



Summary of key financials

Key financials (€ m)	2002	2003	9M 2003	9M 2004
Sales	6,763	6,315	4,828	5,047
Exceptional items	-80	-131	-25	-60
EBITDA excl. exceptionals	587	311	325	385
<i>EBITDA excl. except. /Sales</i>	8.7%	4.9%	6.7%	7.6%
EBITDA	507	180	300	325
<i>EBITDA/Sales</i>	7.5%	2.9%	6.2%	6.4%
Depr. & Amort.	-626	-1,477	-377	-249
EBIT	-119	-1,297	-77	76
<i>EBIT/Sales</i>	-1.8%	-20.5%	-1.6%	1.5%
Capex	393	312	193	158
Number of Employees	21,460	20,423	—	—

Diversified customer and supplier base

Customers

Top 10 customers*: below 20% of sales
(thereof Bayer <10%)

Suppliers

Top 10 suppliers*: 70% of raw material spend
(thereof Bayer 14%)

Raw Materials

Top 10 raw materials:** 1,3-Butadiene, Styrene, Acrylonitrile, Cyclohexane, C4 Raffinate 1, Toluene, Ammonia, Caustic Soda, Chlorine, Isobutylene

Manageable impact on operating profit due to

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

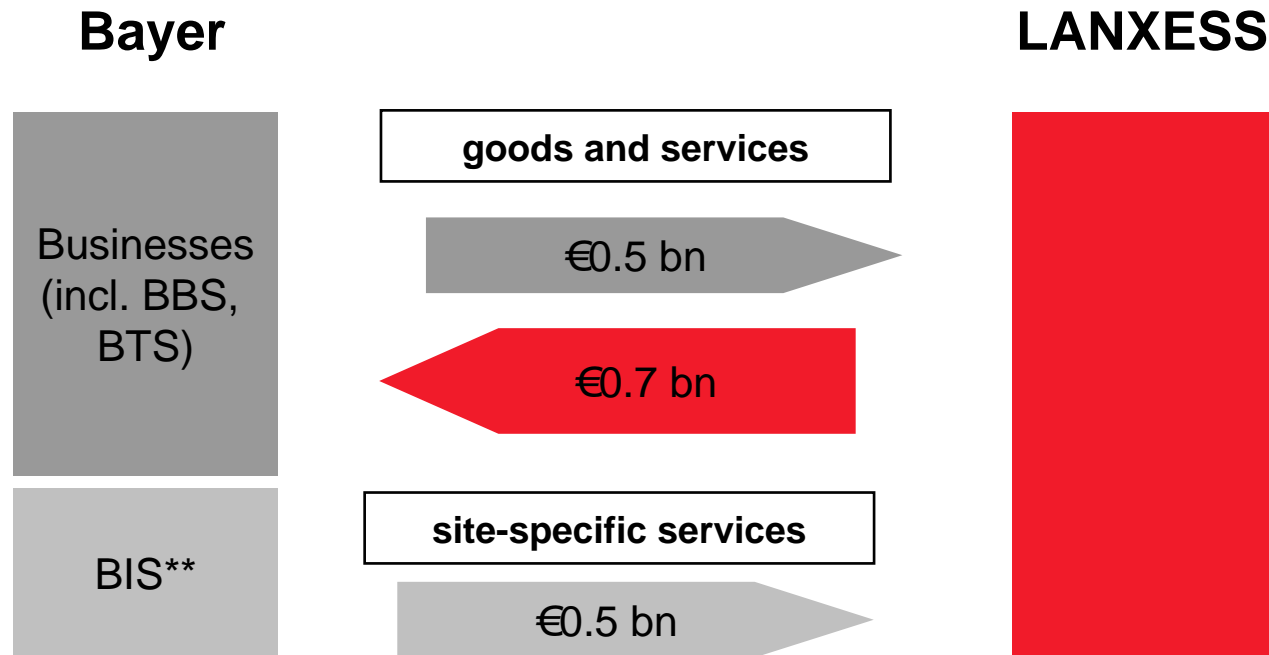
*estimates, based on 2003 sales

**based on 2003 figures

Culture of strict adherence to all environmental, health and safety standards

- **Numerous sites have a formalised Environmental Management System according to DIN ISO 14001**
- **Accruals of best estimate of liability for investigation and clean-up costs in place**
- **Environmental liabilities:**
 - Bayer and LANXESS performed a level 1 environmental audit for 55 sites in 2004
 - As of Dec 31, 2003, LANXESS had reserved €42 m for environmental matters globally
- **Environmental cap:**
 - LANXESS liability arising from environmental contamination of real state that was caused or arose prior to the spin-off economic effective date (July 1, 2004) is capped as between LANXESS and Bayer
 - Bayer generally must reimburse LANXESS for all such remedial action in excess of €350 m ordered, carried out or agreed upon before the end of 2009

Contractual relationship with Bayer*



*expected for 2005

**40% share held by LANXESS

LANXESS continues service relationships

	Services	Relationship	LANXESS stake	
BBS	<ul style="list-style-type: none"> - Technical consultancy - Accounting - Procurement - Human resources - Logistics 	<ul style="list-style-type: none"> - IT operations - Scientific services - Pensions 	<ul style="list-style-type: none"> - Contractual relationship like with other third parties ('at arms' length) 	none
BTS	<ul style="list-style-type: none"> - Engineering - Construction - Process optimisation 		<ul style="list-style-type: none"> - Contractual relationship like with other third parties ('at arms' length) 	none
BIS	<ul style="list-style-type: none"> - Technical services - Environmental protection and safety 	<ul style="list-style-type: none"> - Waste management, - Utilities procurement - Infrastructure services 	<ul style="list-style-type: none"> - LANXESS expected to pay ca. €0.5 bn to BIS in 2005 - LANXESS is a partner with equal rights for key strategic decisions at BIS 	40%

Benefits to LANXESS due to outsourcing of non-core activities and through securing synergies at premises



Overview

Performance Rubber

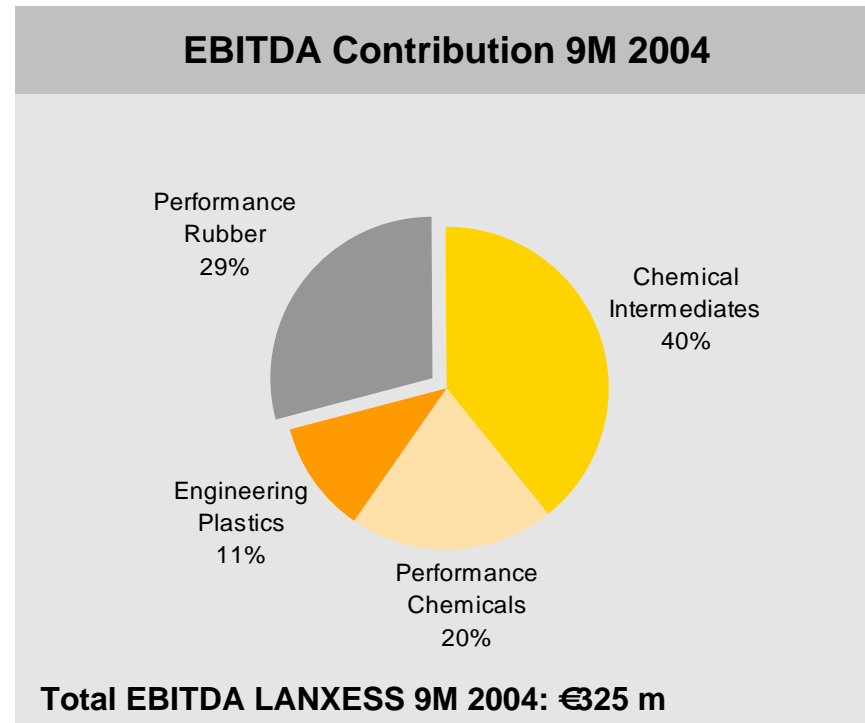
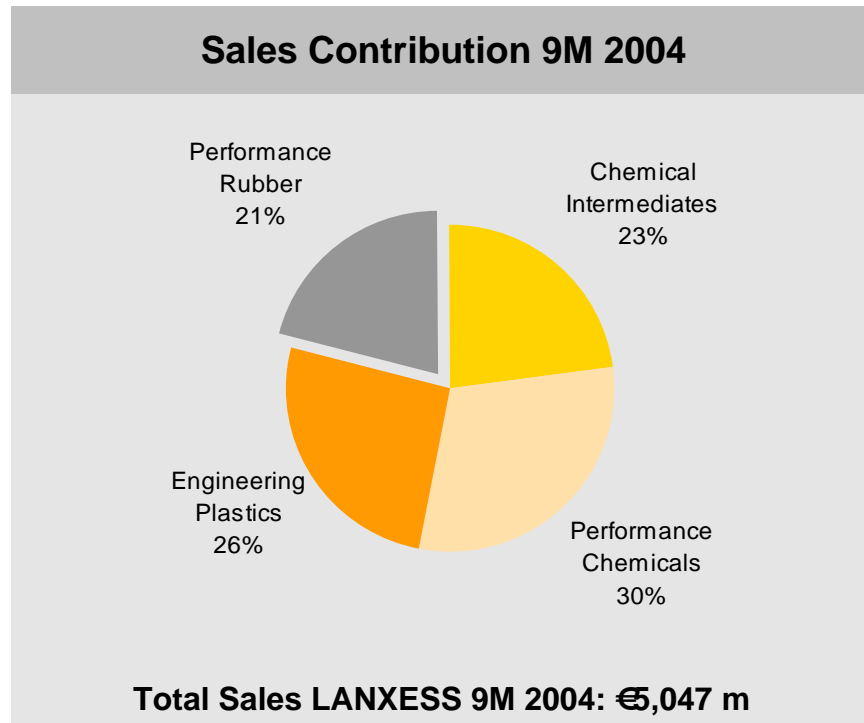
Engineering Plastics

Chemical Intermediates

Performance Chemicals



Performance Rubber



A leading* rubber producer with strong market positions in the automotive tyre industry

Butyl Rubber

- Manufactures butyl rubber, which is a general purpose rubber impermeable to air with wide applications both in tyre and other industries, such as pharmaceutical closures and chewing gum.



Polybutadiene Rubber

- One of the world's leading manufacturers of general purpose rubbers polybutadiene- and solution-styrene- polybutadiene-rubber used principally in tyre compounds



Technical Rubber Products

- Provides a broad range of specialty elastomers for the rubber processing industry with wide applications e.g. automotive, engineering, construction, electronics, oil exploration, aviation



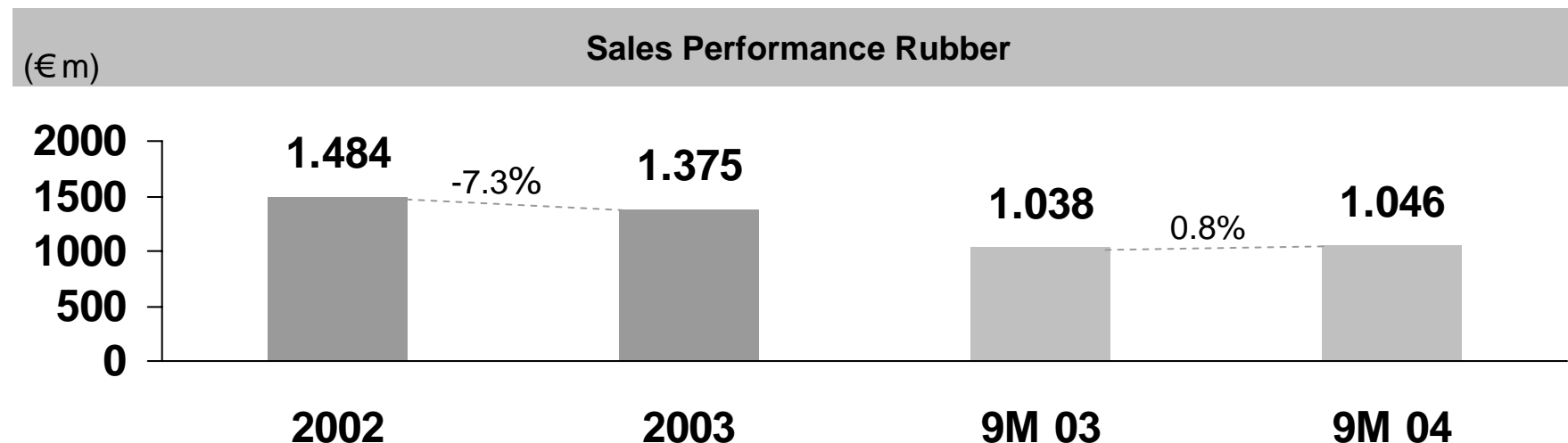
- Automotive and tyre industries as the major end-users
- Mainly price-, cost- and technology-driven
- Based on butadiene, isobutene, ethylene, propylene, isoprene, acrylonitrile

*based on volume, source: IISRP World-wide Rubber Statistics 2003

Summary of key financials

Key financials (€m)	2002	2003	9M 2003	9M 2004
Sales	1,484	1,375	1,038	1,046
EBITDA	161	4	37	97
<i>EBITDA/Sales</i>	10.8%	0.3%	3.6%	9.3%
Depr. & Amort.	-163	-250	-88	-55
EBIT	-2	-246	-51	42
<i>EBIT/Sales</i>	-0.1%	-17.9%	-4.9%	4.0%
Capex	78	78	48	43
Number of Employees	3,151	2,999	–	–

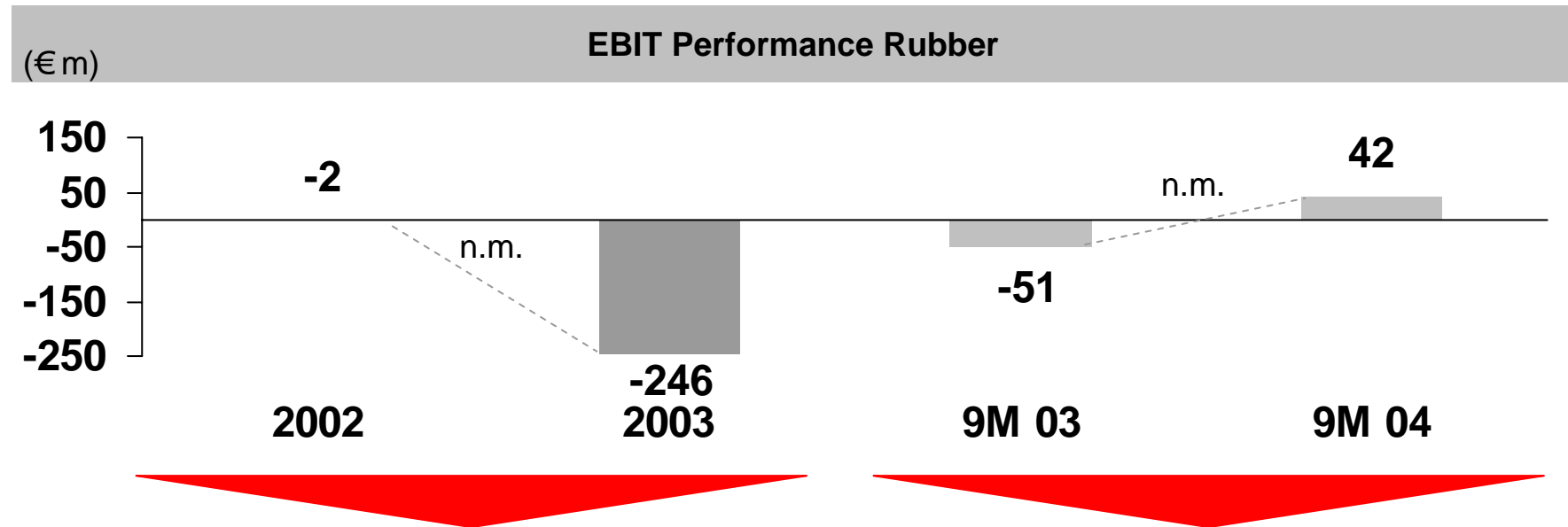
Slight increase in sales due to strong overall price and volume development



- Decline in sales mainly due to lower sales of special rubber products in TRP and synthetic rubbers for the tire industry in BTR

- Unfavourable currency effects on sales were offset by price and volume increases
- Rise in TRP volume overcompensated decreased volume in PBR

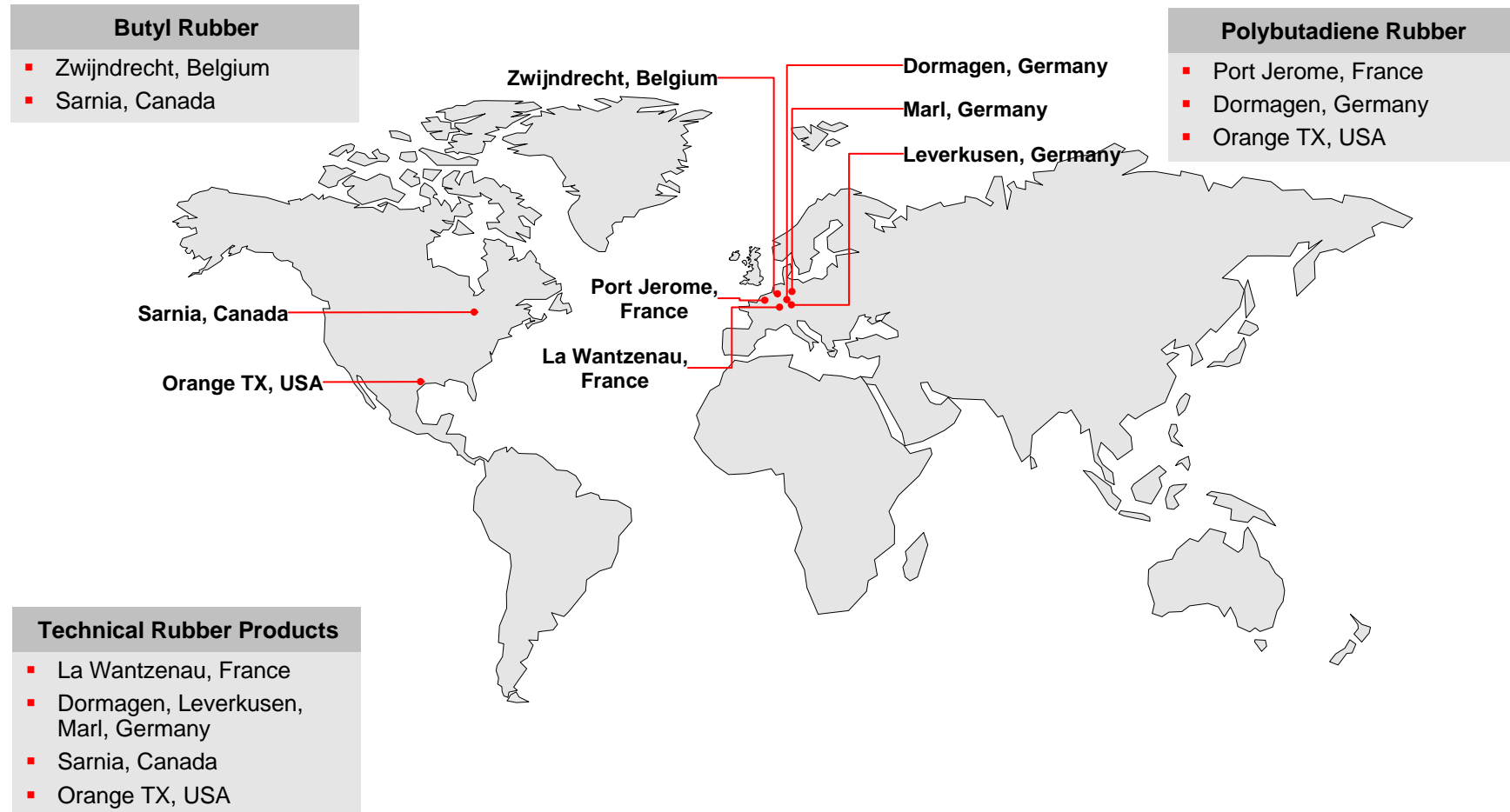
Lower depreciation base and price increases lead to a turnaround for the first 9 months 2004



- Key factors for development were impairment changes of €133 m, one-time software write-offs of €24 m and restructuring charges of €25 m

- EBIT positively influenced by price and volume increases as well as reduced depreciation after impairments in 2003
- Provisions in connection with settlement of antitrust investigations in TRP negatively affected 9M 2004 EBIT and EBITDA

World-class European and North American manufacturing base



Turning market leadership into value

- Butyl rubber, polybutadiene rubber and technical rubber products managed independently in order to achieve full flexibility and accountability
- Behave as market leaders in rubber
- Stronger participation in Asian growth
- Realize significant cost advantages through concentration on world-scale plants
- Selective expansion for promising sub-segments
- Development of non automotive markets and rubber specialty segments

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

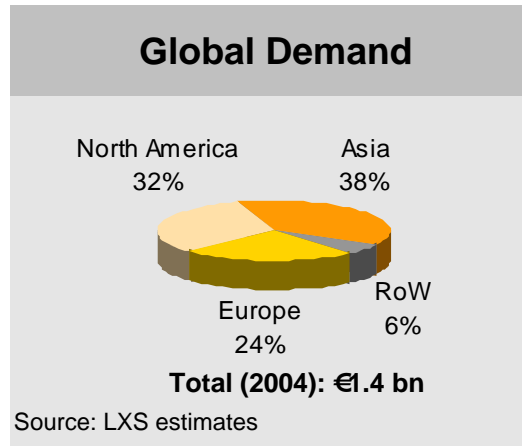
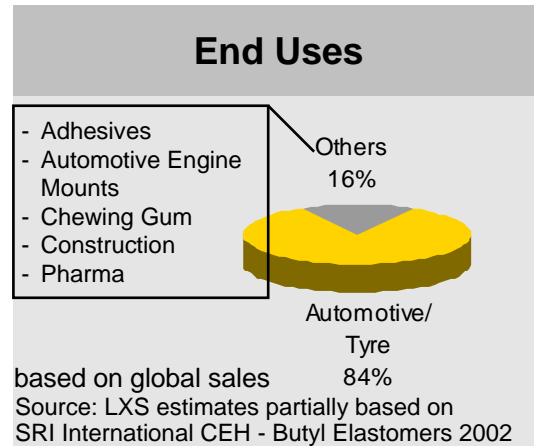
Butyl Rubber

Polybutadiene Rubber

Technical Rubber
Products



Strong market & technology position as basis to participate in attractive growth areas



- ### Products
- Regular Butyl Rubber
 - Halobutyl Rubber

- ### Competition
1. ExxonMobil
 2. LANXESS
 3. Russian Producers (NKNK, Togliatti)
 4. Yan Hua
- based on volume terms
Source: IISRP World-wide Rubber Statistics 2003

- ### Market Development
- Based on currently installed capacities, constraints or even shortages in capacity likely mid-term
 - Expected volume growth (CAGR 02–08):
 - North America ~1%
 - Europe ~2%
 - Asia ~6%
- Source: LXS estimates

- ### Cost/Technology Position
- Together with ExxonMobil only major producer of halobutyl rubber
 - World-scale plants allow cost efficiencies

Tyres are the main applications for Butyl Rubber

Products

- Halobutyl Rubber

X Chlorobutyl

X Βρωμοβουτυλι

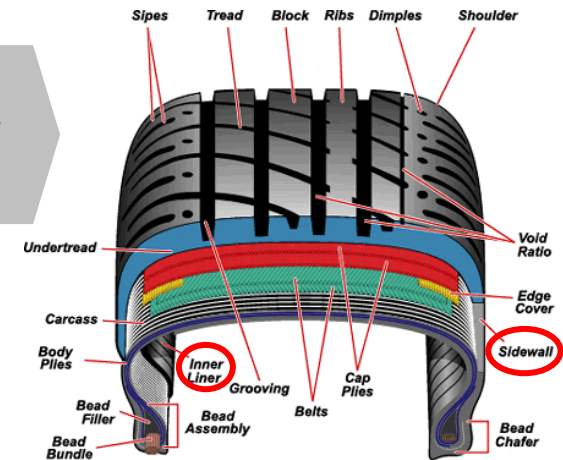
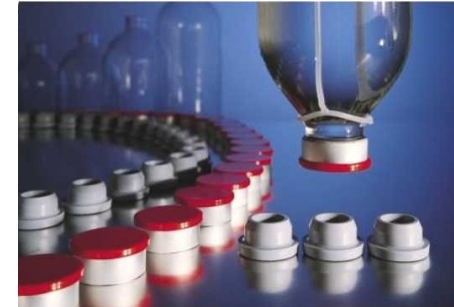
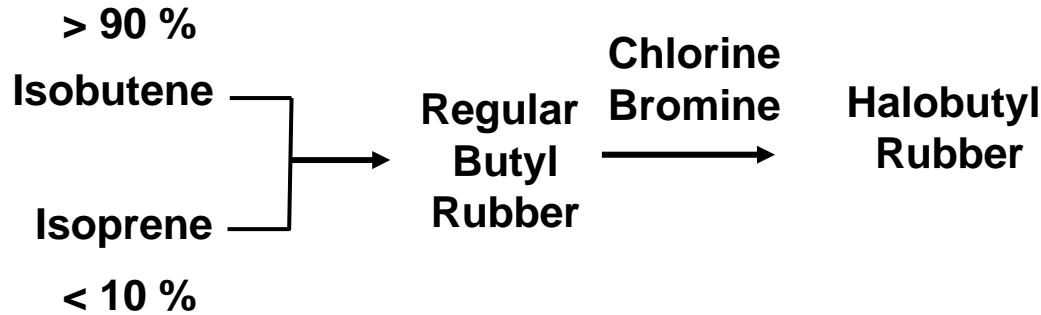
- Regular Butyl Rubber

X Βουτυλι

Main Applications

- Tyre inner-liners
- Inner-tubes for tyres
- Tyre curing bladders / envelopes
- Chewing gum
- Tyre sidewalls

A leading producer of Butyl Rubber



○ made of BTR products



A leading market and technology position as well as strong customer relationships

Competitive Advantages

- A leading* market position in overall market for Butyl Rubber
- Low cost, high efficiency world scale plants for manufacturing in Belgium and Canada allow flexible production of butyl and halobutyl rubber
- Leading technology
- Strong customer relationships based on collaborations with tyre manufacturers to meet specific customer needs

Challenges

- Capacity expansion of Chinese competition
- Change of Air-Retention-Technology as competitor and customer tendency

*based on volume, source: IISRP World-wide Rubber Statistics 2003

Overview

Performance Rubber

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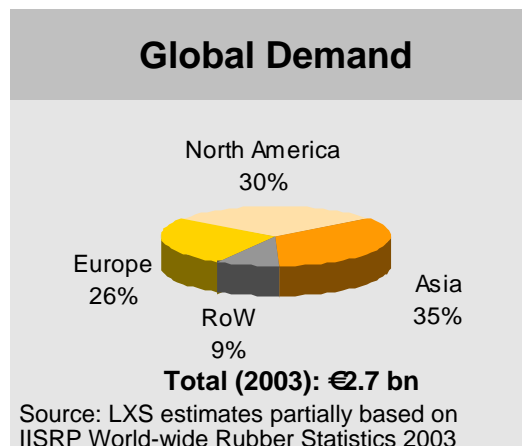
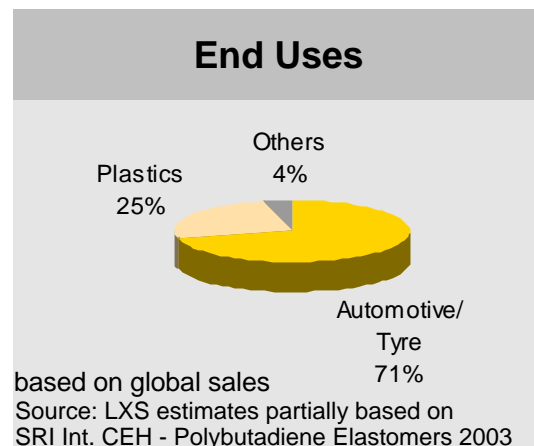
Butyl Rubber

Polybutadiene Rubber

Technical Rubber
Products



Leading market positions and world-scale plants in important markets



- ### Products
- Polybutadiene Rubber
 - Solution Styrene-Butadiene Rubber

- ### Competition
1. LANXESS
 2. Goodyear
 3. Sinopec
 4. Firestone
 5. Michelin / ASRC
- Based on volume terms
Source: IISRP World-wide Rubber Statistics 2003

- ### Market Development
- Capacity expected to grow below market growth, with no major investments expected apart from efficiency gains or debottlenecking
 - Expected volume growth (CAGR 03–07):
 - Americas ~3%
 - Europe ~3%
 - Asia ~5%

Source: LXS estimates partially based on SRI Int. CEH - Polybutadiene Elastomers 2003

- ### Cost/Technology Position
- Dewatering and reaction considered to be leading edge
 - Only player in merchant market with production sites in two regions
 - World-scale plants with advantageous scale in finishing

Automotive and tyre industries are the main customers of Polybutadiene

Products

- Solution Styrene-Butadiene Rubber (S-SBR)
- Polybutadiene Rubber (PBR)

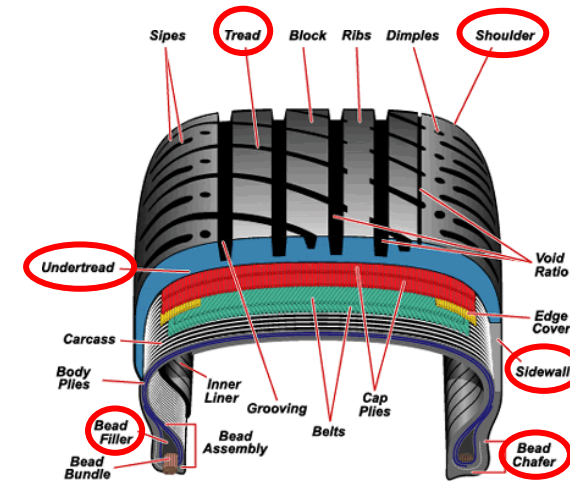
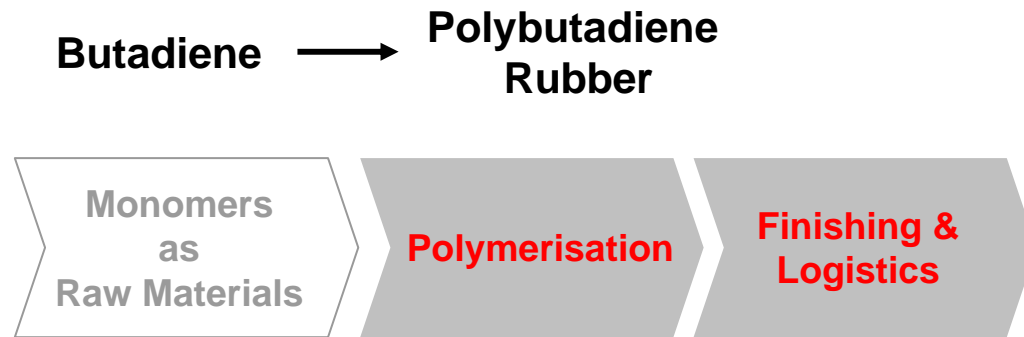


(*) not registered in the USA

Main Applications

- Tyre treads, e.g. low-rolling-resistance tyre
- Tyre sidewalls

One of the world's major suppliers



 made of PBR products

Broad and innovative product portfolio combined with good reputation

Competitive Advantages

- Broad and innovative product portfolio offered to both tyre manufacturers and plastic producers
- Only player in the merchant market covering 2 regions with modern, cost efficient world scale production sites located close to customers
- Scale advantages
- Strategic raw material (butadiene) is secured structurally
- Closure of plants at Sarnia and Marl improved cost structure and utilisation
- Reputation with customers for reliable performance and delivery

Challenges

- Purchasing power of concentrated and backward integrated customers
- Natural rubber price decline
- Customer expansion into Asia leading to:
 - Tyre capacity inflation
 - Price pressure in tyre market likely to occur



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

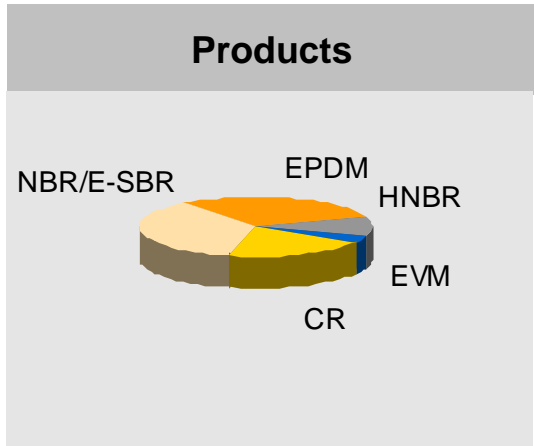
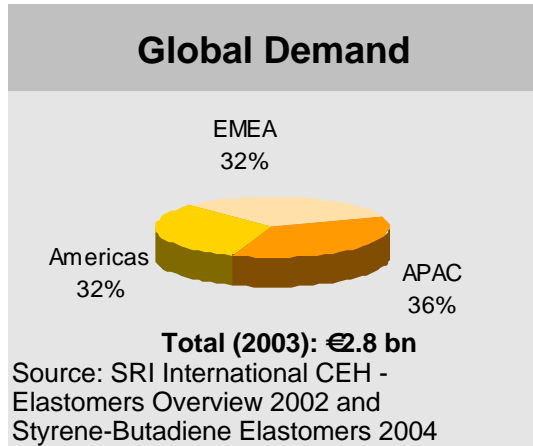
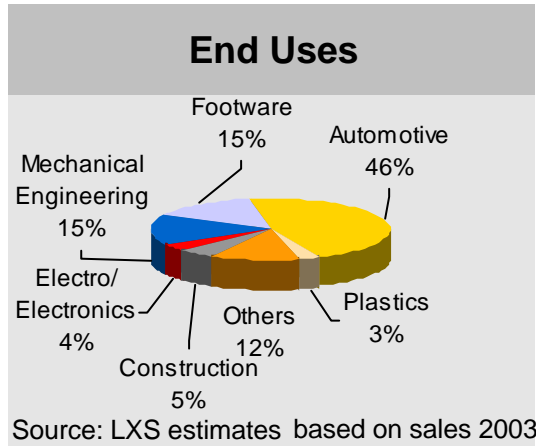
Butyl Rubber

Polybutadiene Rubber

**Technical Rubber
Products**



Leading market positions, state-of-the-art technology and world-scale plants



- ### Competition
1. LANXESS
 2. Dupont Dow Elastomers
 3. Nippon Zeon
 4. Polimeri Europa
 5. DSM
 6. JSR
- Based on volume terms
 Source: IISRP World-wide Rubber Statistics 2003

- ### Market Development
- For EPDM and NBR price pressure expected to slow down as supply and demand narrowing
 - Expected volume growth (CAGR 03–06): ~3%
 - CR: ~1%
 - EPDM: ~3%
 - NBR: ~3%
 - HNBR: ~6%
 - EVM: ~9%
- Source: LXS estimates

- ### Cost/Technology Position
- State-of-the-art process technology
 - Attractive cost position due to world-scale plants
 - High innovation potential in HNBR (e.g. Therban AT), EVM and E-SBR

Focus on non-tyre applications

Products

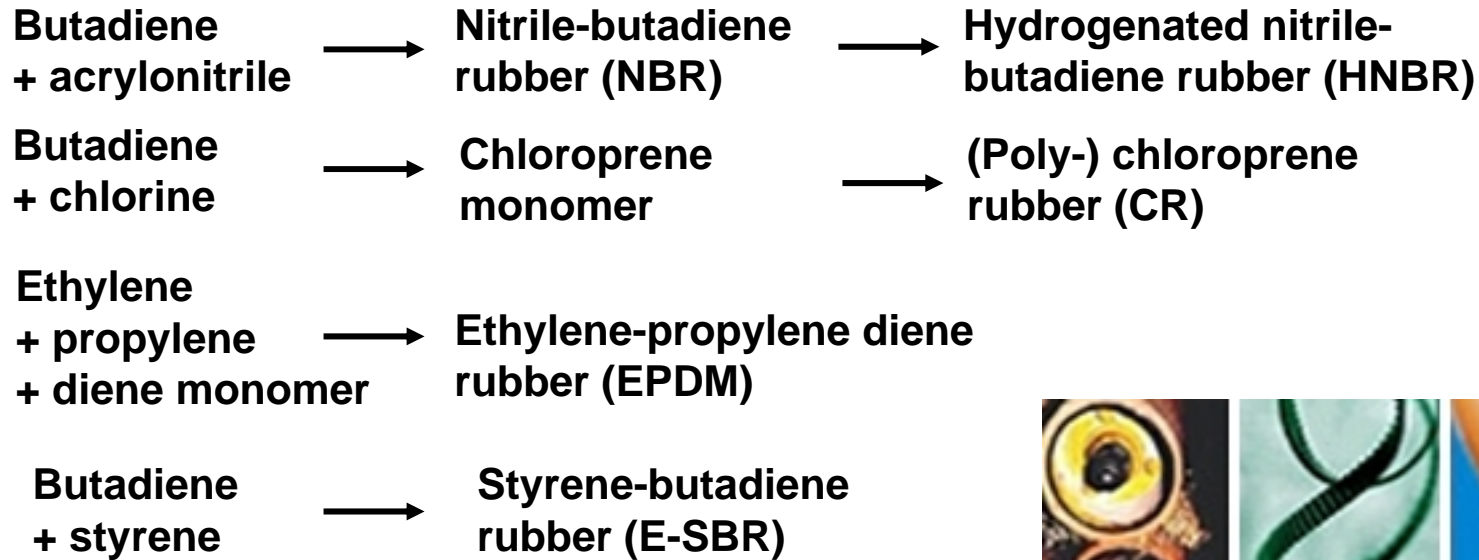
- Chloroprene rubber (CR) 
- Nitrile-butadiene rubber (NBR)  
- Emulsion styrene-butadiene rubber (E-SBR)
- Ethylene-propylene diene rubber (EPDM) 
- Hydrogenated nitrile-butadiene rubber (HNBR) 
- Ethylene-vinyl acetate rubber (EVM)  

(*) not registered in the USA

Main Applications

- Functional, safety & performance parts for automotive (belts, hoses, wiper blades, weather strips, seals)
- Mechanical engineering (hoses, tubes, cables, gaskets, membranes, roll covers)
- Leisure industry (sponges, shoe soles)
- Building materials (membranes, seals, FRNC cables)

A leading supplier of specialty elastomers for the rubber industry



Strong innovation capabilities combined with world-scale plants to enable future growth

Competitive Advantages

- Broad and deep product portfolio with strong brand marketing
- World-scale plants with state-of-the-art production facilities and processes
- Significant improvements in manufacturing performance
- Strong position in premium EVM and HNBR segments
- Strong innovation capability and promising new product pipeline
- Broad customer basis
- Customer approvals especially in HNBR

Challenges

- Raw material cost development vs. market price
- Customer migration to Asia
- Market consolidation on customer side
- Overcapacities/ lower capacity utilisation
- Substitution of TRP products by alternative rubber materials



Overview

Performance Rubber

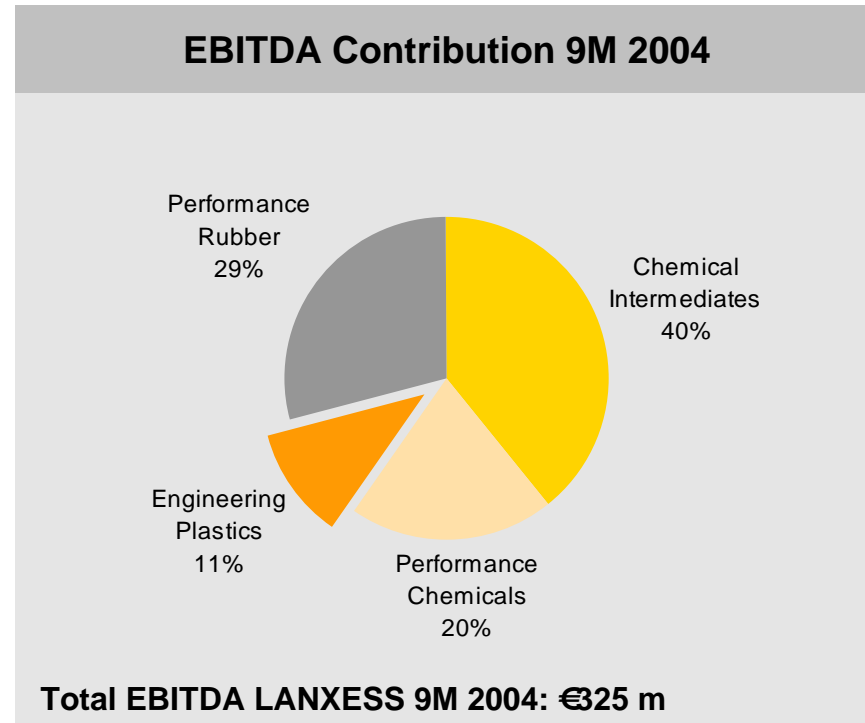
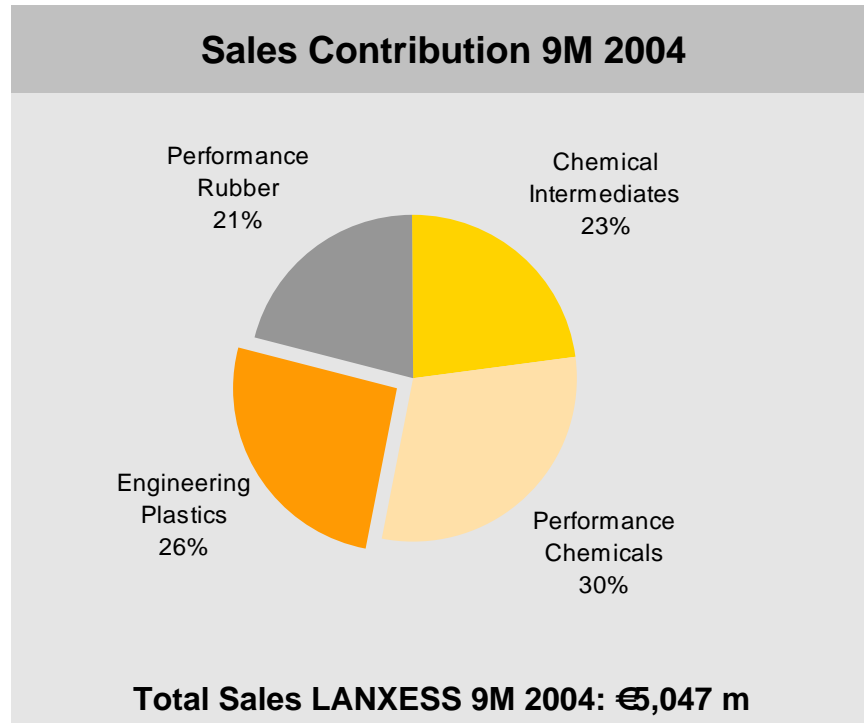
Engineering Plastics

Chemical Intermediates

Performance Chemicals



Engineering Plastics



Engineering Plastics is a leading* provider of thermoplastic resins and fibers

Styrenic Resins

- Provides a range of thermoplastics resins for household, automotive, electronics and medical applications
- Acknowledged supplier of ABS, SAN and ABS-PA resins with 50 years of experience in serving the engineering plastics market



Semi-Crystalline Products

- Provides a range of PA and PBT resins and compounds and blends principally to the automotive and electrical industries



Fibers

- Develops and produces high quality synthetic elastic fibers for nearly all fields of textile production and polyamide-based monofilaments for technical applications

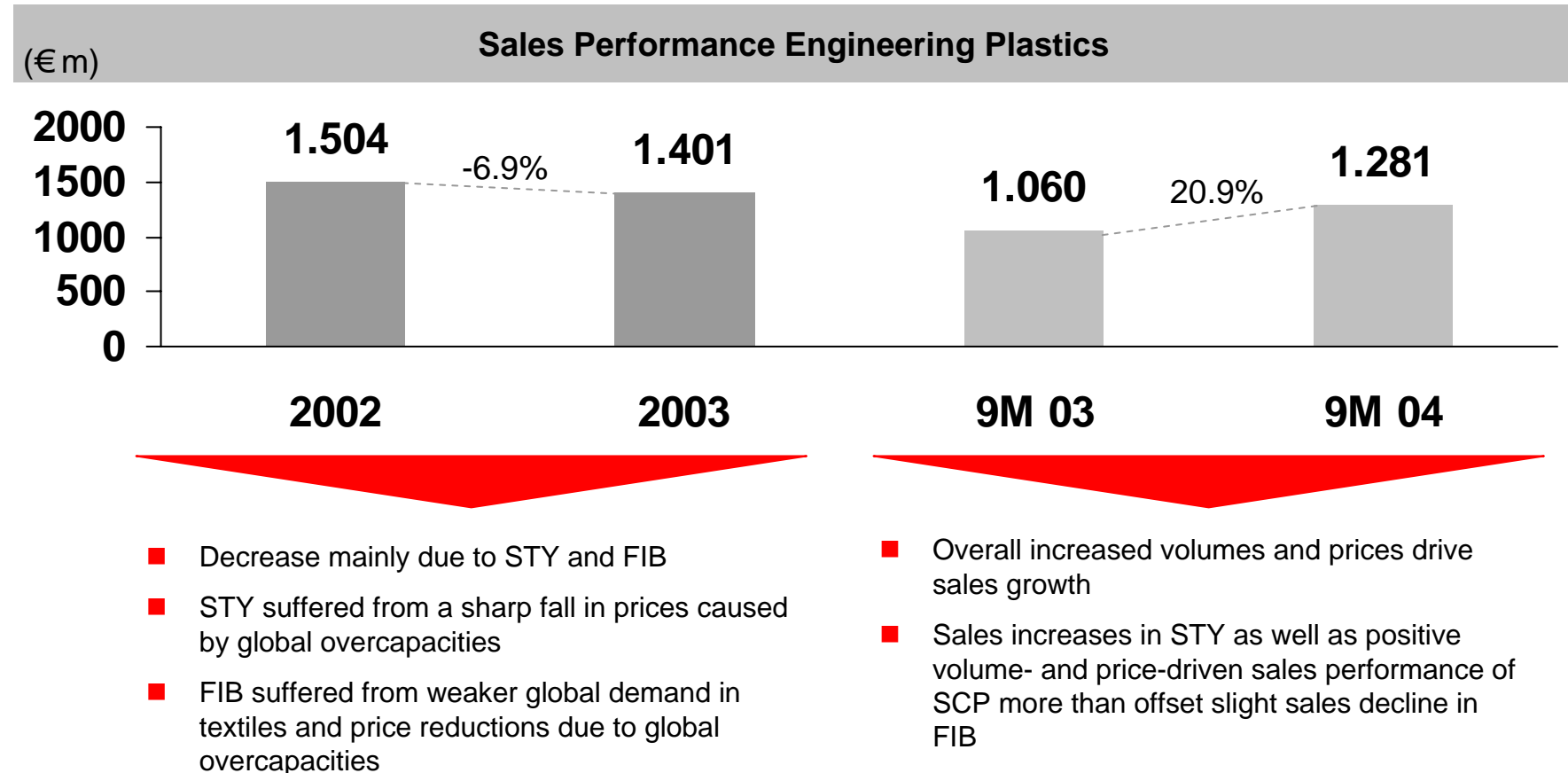


- Broad range of product and system solutions
- The segment's products often rank among the leaders in their core application areas and are known for their durability and dimensional stability

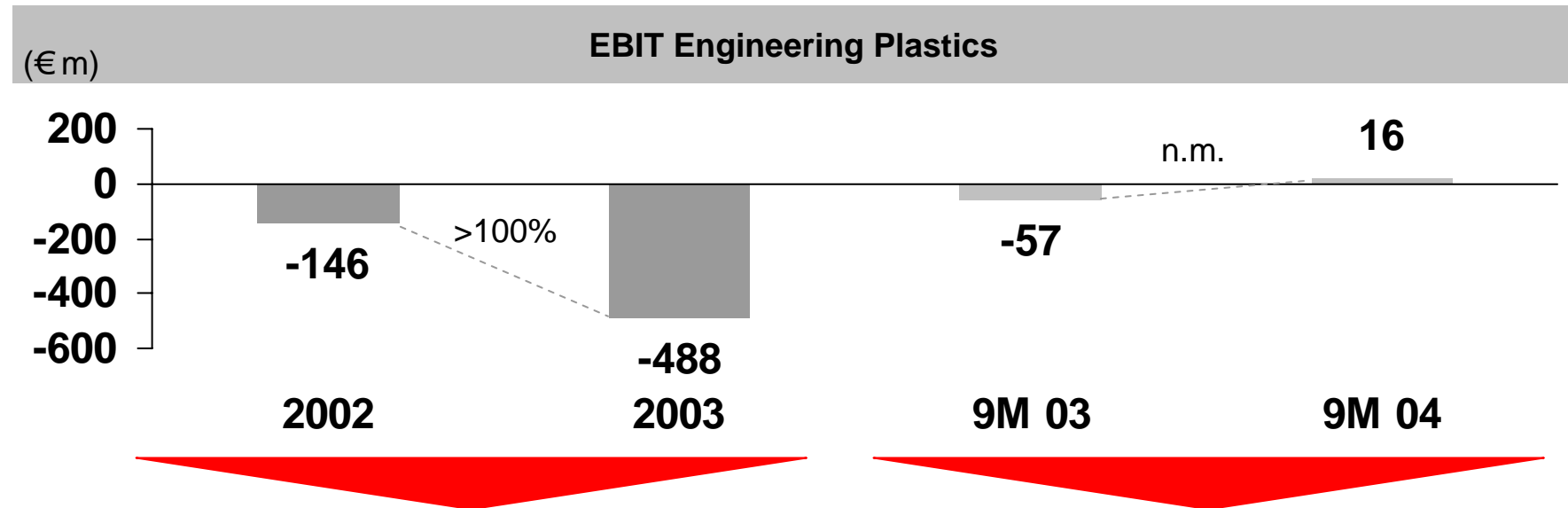
Summary of key financials

Key financials (€m)	2002	2003	9M 2003	9M 2004
Sales	1,504	1,401	1,060	1,281
EBITDA	25	-14	32	38
<i>EBITDA/Sales</i>	<i>1.7%</i>	<i>-1.0%</i>	<i>3.0%</i>	<i>3.0%</i>
Depr. & Amort.	-171	-474	-89	-22
EBIT	-146	-488	-57	16
<i>EBIT/Sales</i>	<i>-9.7%</i>	<i>-34.8%</i>	<i>-5.4%</i>	<i>1.2%</i>
Capex	72	85	53	26
Number of Employees	3,844	3,658	—	—

Strong volume growth in STY and SCP triggered significant sales improvement



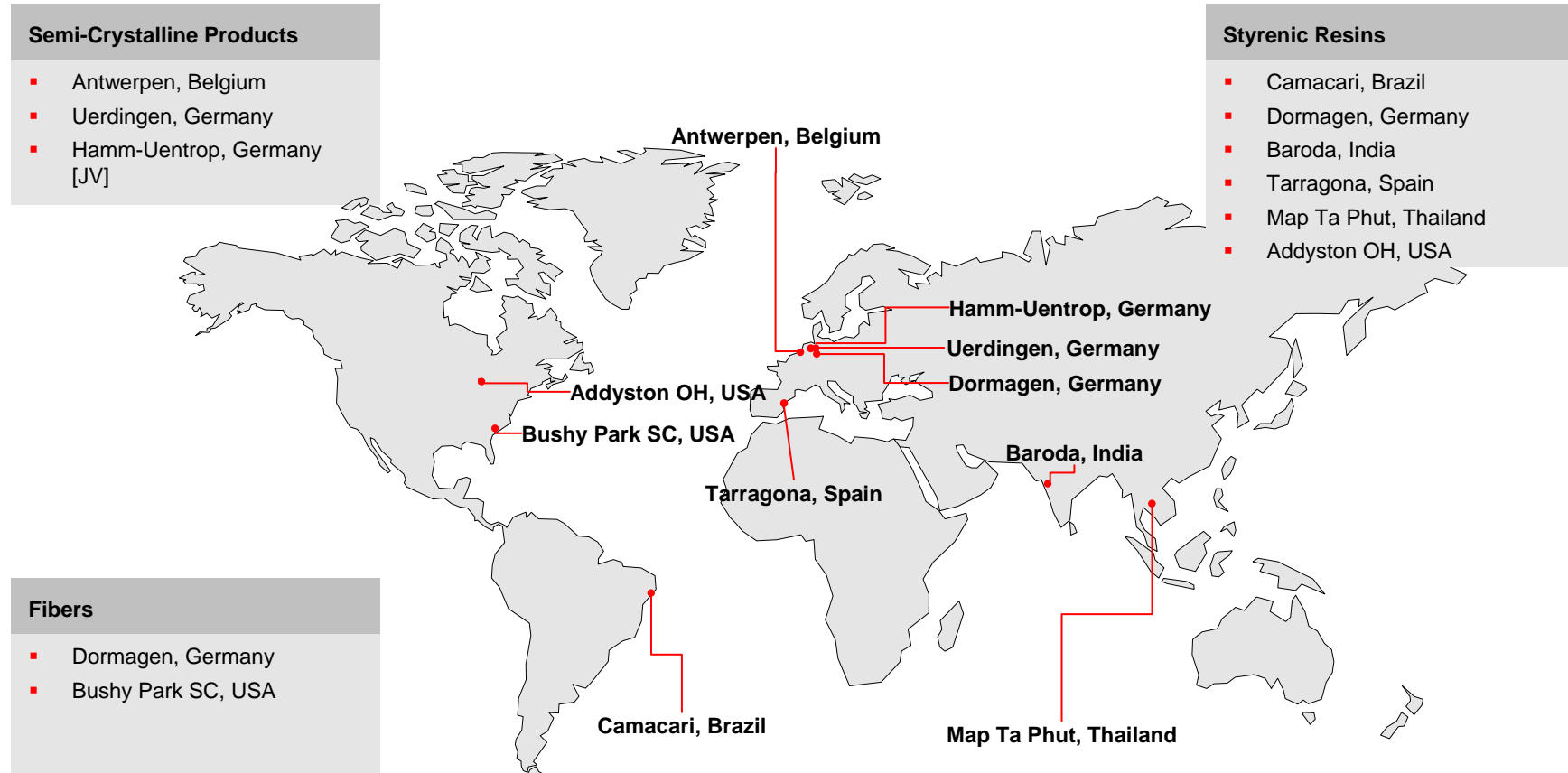
EBIT improvement, however operationally still unsatisfactory



- Impairment charges of €356 m, restructuring charges for FIB of €18 m and general restructuring expenses as well as depreciation of software in the amount of €34 m led to a strong decline of the 2003 EBIT compared to the previous year
- Adjusted for these charges, the 2003 EBIT was €-80 m compared to €-62 m in 2002

- Despite higher raw material prices, EBIT increased on
 - higher volumes
 - €13 m asset write-backs in STY
 - lower depreciation

Engineering Plastics has a strong manufacturing base in Europe and NAFTA



Focus on enhancing profitability and customer value-added

- Defend leading* positions in Europe, Americas and India
- Participate in Asian growth
- Capture growth opportunities in promising sub-segments
- Shift to differentiated and customer-specific products
- Strengthen profitability through continuation of cost and efficiency programs

*based on LXS estimates



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

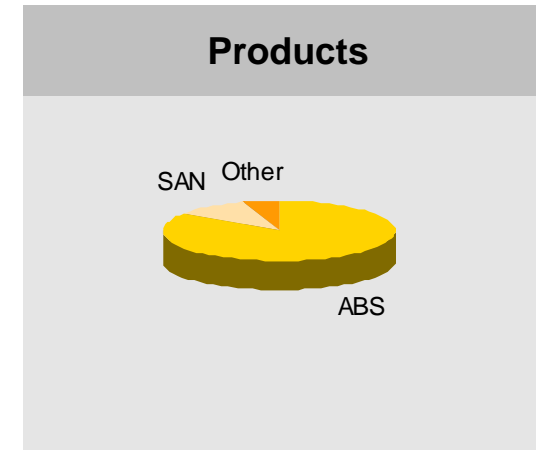
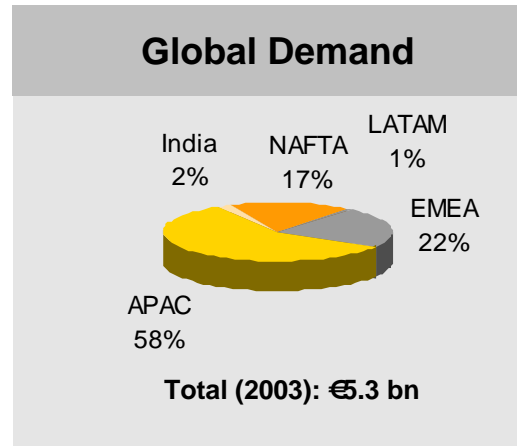
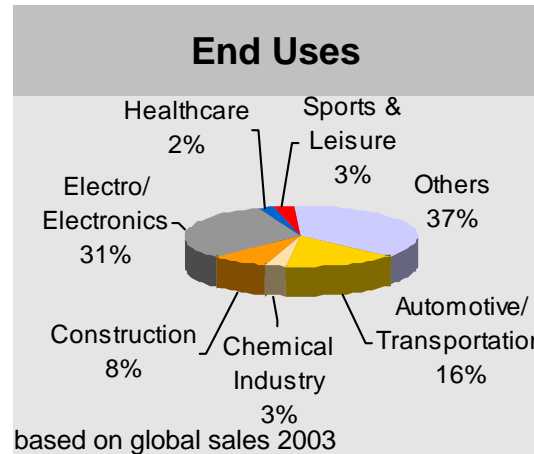
Styrenic Resins

Semi-Crystalline
Products

Fibers



Strong market positions in Europe, Americas and India



Competition

- A leading position in Europe, Americas and India
- Global No. 3 position in volume terms behind ChiMei and LG

Market Development

- Expected global market increase by ~6% (annual 04-05) driven by double digit growth in China and India
- Global capacity increase averages 5% p.a., mainly driven by China with growth forecasted at about 14% p.a. (annual 03-04)
- Strong trend to transfer injection moulding business to China
- Fast-growing segments are mainly using specialty grades

Cost/Technology Position

- Sufficient capacities in all relevant regions with exception of China
- In EMEA special technology for low volatiles ABS
- Innovative TRIAX® and CENTREX® technology allows for future value driven portfolio improvements

Source: LXS estimates

Key products NOVODUR® and LUSTRAN® have applications in various industries

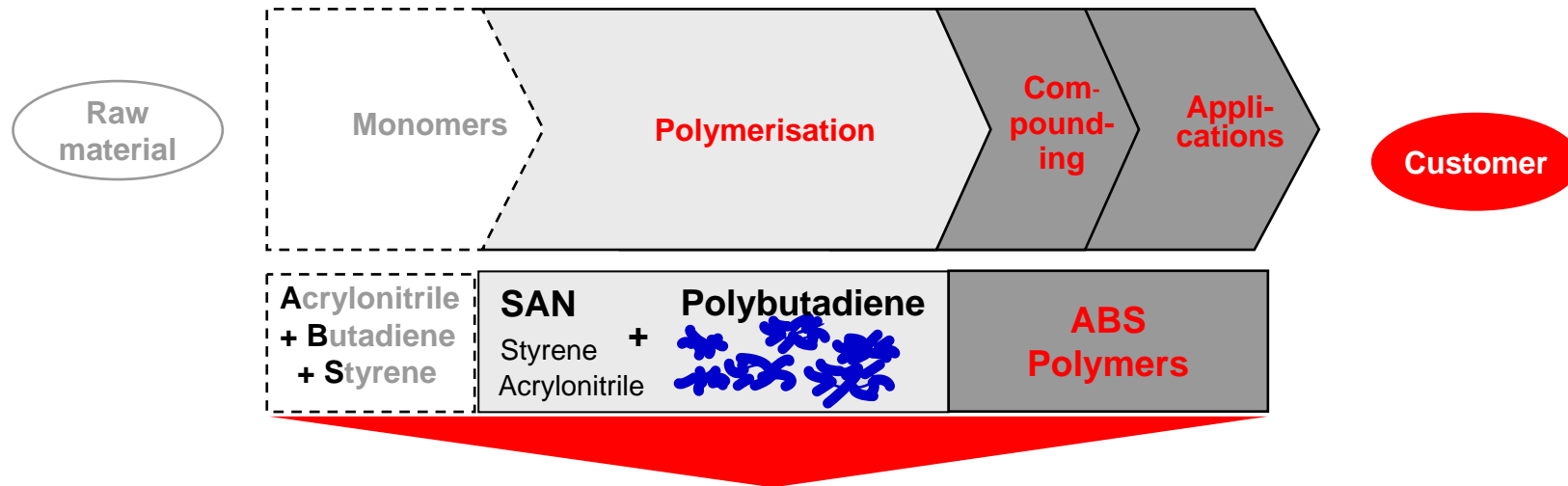
Products

- ABS types: NOVODUR®, LUSTRAN® and ABSOLAC™. The range of grades includes general-purpose injection moulding grades, grades with an improved heat resistance and products for extrusion, chemical electroplating and special glass fiber-reinforced grades
- SAN types: LUSTRAN® and ABSOLAN™
- PA-ABS blends: TRIAX®
- ASA and AES polymers: CENTREX®

Main Applications

- ABS types: appliances, automotive industry, construction & housing, electrical/ electronic products, furniture, information technology and medical applications
- SAN types: appliances, electrical/ electronic products, information technology, medical applications and packaging
- PA-ABS blends: automotive industry (interior and exterior car parts)

Styrenic Resins is forming a colourful difference



Business strategy: Focus on differentiated and coloured grades



Partial backward integration

Strategic focus

Global manufacturer with regionally focussed product portfolio

Competitive Advantages

- Regional organisation and manufacturing facilities are focussing on individual market requirements
- Backward integration into polymerisation enables STY to produce the necessary building blocks for differentiated grades and specialties
- Strong expertise in differentiated and coloured grades supported by development laboratories in all regions ensuring close proximity to customers

Challenges

- High complexity in “small lot“ business
- General business driven by raw material costs and scale of manufacturing
- Processes and technologies differ across sites
- Migration of injection moulding business to low labour-cost countries (i.e. China)



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

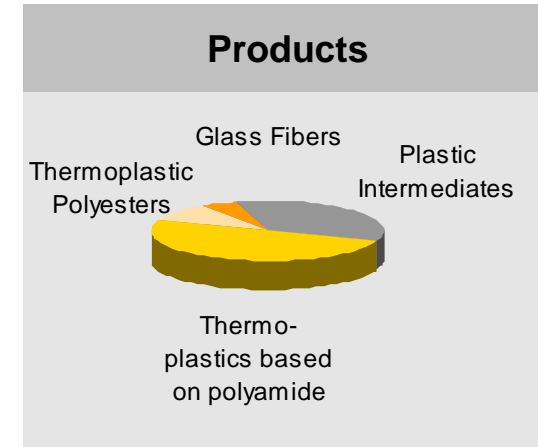
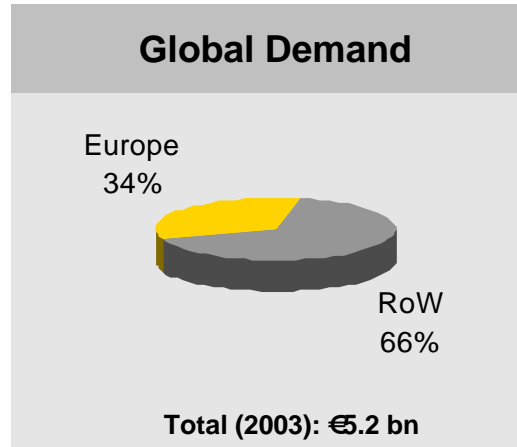
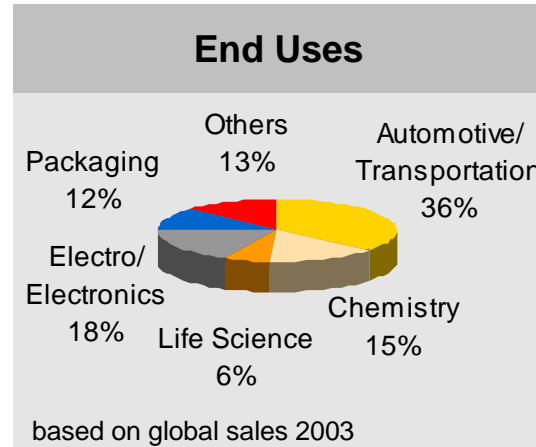
Styrenic Resins

**Semi-Crystalline
Products**

Fibers



SCP is able to leverage its strong market positions globally



- ### Competition
- Main competitors in Europe are BASF, DSM, DuPont and Rhodia
 - Main global competitors are BASF, DuPont and General Electric
 - Market players have different product portfolio structures: size is not necessarily indicator of profitability
 - The unit holds promising niche positions in the Americas and in Asia

- ### Market Development
- Expected global market growth by volume ~6% (CAGR 03-06)
 - Biggest growth region Asia (China)
 - Above market growth in Greater Europe
 - High growth potentials above GDP for thermoplastic polyesters and thermoplastics based on polyamide

- ### Cost/ Technology Position
- Plastics:**
- Cost-based competitive advantage via world-scale polymerisation (PA 6 and PBT) and compounding facilities in Uerdingen
- Intermediates:**
- World-scale caprolactam-train in Antwerpen providing cost-based advantage
 - World-scale glass fiber plant on high technological standard (direct chop) leads to process-based advantage

Source: LXS estimates

DURETHAN® and POCAN® have numerous applications across a variety of industries

Products

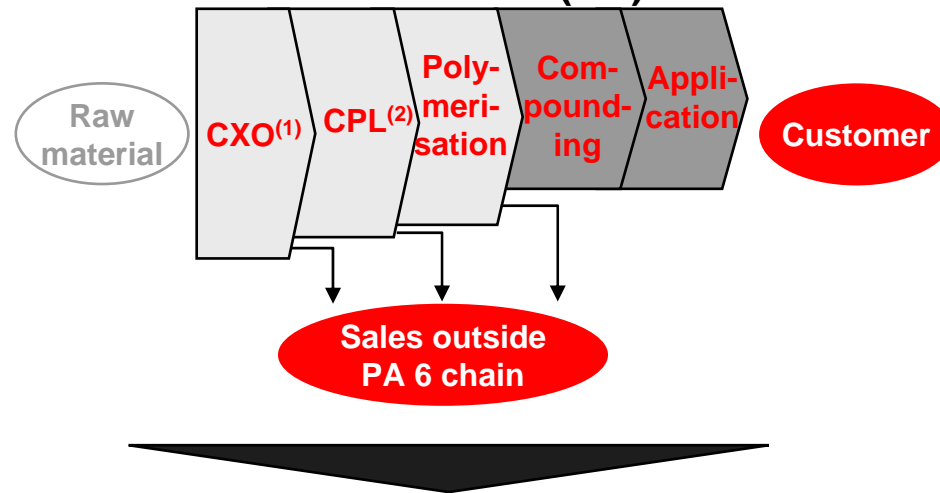
- DURETHAN® A - based on polyamide 6.6
POCAN® - based on polybutylene terephthalate (PBT) and polyethylene terephthalate (PET)
Available types for both: non-reinforced, glass fiber reinforced, glass-bead and mineral-filled, glass fiber reinforced/ mineral-filled, flame-retardant, and polymer and elastomer-modified grades
- DURETHAN® B - based on polyamide 6
Available types: non-reinforced, glass fiber reinforced, glass-bead and mineral-filled, glass fiber reinforced/ mineral-filled, flame-retardant, and polymer and elastomer-modified grades. Transparent grades are available as specialty products
- Glass fibers
- Plastics Intermediates such as Adipic Acid or Caprolactame

Main Applications

- DURETHAN® A: automotive industry, construction & housing and electrical/ electronic sector
- DURETHAN® B: appliances, automotive industry, construction & housing, electrical/ electronic sector, furniture, industrial/ mechanical products, information technology, packaging and sport & leisure
- POCAN®: appliances, automotive industry, electrical/ electronic sector, information technology and medical products
- Glass fibers used for reinforcement of plastics
- Plastics Intermediates as raw materials for plastics

SCP is increasingly focussed on value-added parts of the manufacturing chain

Cyclohexane → KA-Oil ⁽¹⁾ → CPL ⁽²⁾ → Polyamide (PA) 6



Supply of customised plastics highly dependent on strong product- and application-development



■ Strategic focus □ Backward integration

Leverage strong product expertise and market positions to address Asian opportunities

Competitive Advantages

- Expertise and track record in application engineering and development support long-term customer relationships
- Backward integration into polymerisation and monomers
- Favourable long term contracts for intermediate products reduce exposure to cyclicalities and overcapacity
- World-scale plants in polyamide and glass fibers
- Focus on differentiated grades allows SCP to maximise the benefits of its development, application and compounding know-how

Challenges

- Increase in raw material prices, especially cyclohexane (benzene) and ammonia
- Increase in Asian imports to EU due to favourable exchange rates (weak dollar)

Plastics:

- Development out of niche positions in Asia-Pacific and Americas into market player
- Lack of local compounding unit in Asia-Pacific



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

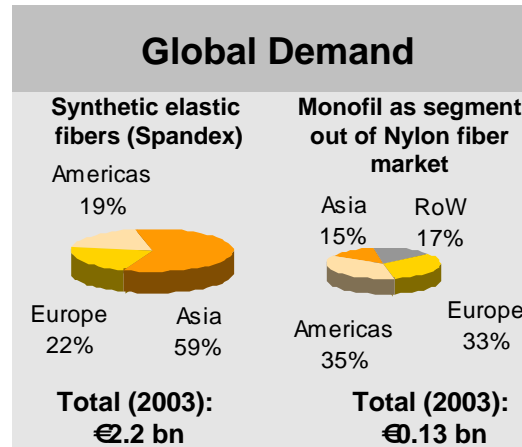
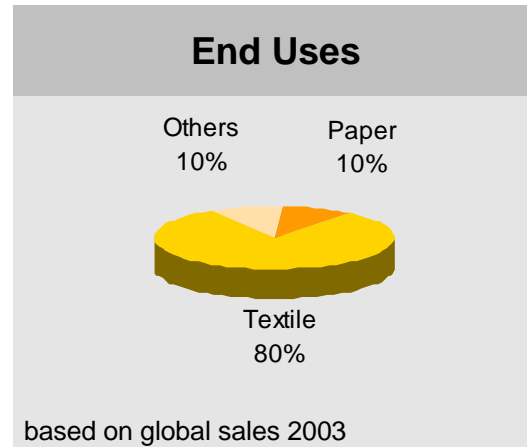
Styrenic Resins

Semi-Crystalline
Products

Fibers



Fibers is active in a structurally challenging market increasingly shifting to Asia



- ### Products
- Synthetic elastic fibers DORLASTAN®
 - Polyamide-based monofilaments PERLON®, ATLAS® and BAYCO®

- ### Competition
- Invista (recently sold from DuPont to Koch) as No. 1 with production sites in Americas, Europe and Asia
 - Hyosung has rapidly moved into second position world-wide as a result of a significant capacity expansion program
 - Capacity increases only happening in Asia, with many new companies coming to the market
 - LXS holds No. 2 position in Greater Europe and North America behind Invista
 - Monofil: significant market position across most segments
- based on global sales

- ### Market Development
- Spandex market has recovered from 2003 (Iraq, world-wide recession) and demand is increasing at historical levels of 6-8%. Current demand growth is driven by enormous increase in China
 - Greater Europe will remain an import market. Turkey is the fastest growing market in this region and is expected to overtake Italy as the most significant market in Europe
 - Americas demand stable with decrease in North America compensated by increasing in South America
- Monofil:**
- Market volume growth forecasted at ~3-5% (CAGR 03-08 for all segments)

- ### Cost/Technology Position
- DORLASTAN® :**
- Well established plants in North America and Europe. Cost position improved by ongoing restructuring activities
 - Lack of production site in Asia compensated by excellent global logistical, technical and commercial service
 - Exit of covering business (GVW Goch) in 2004
- Monofil:**
- Competitive process
 - Good quality, especially for high end applications

Source: LXS estimates

Brand names well established in serviced industries

Products

- Provider of high quality synthetic elastic fibers for all sorts of textile applications and polyamide-based monofilaments for technical applications
- Products include synthetic elastic fiber DORLASTAN® and polyamide-based monofilaments products PERLON®, ATLAS® and BAYCO®

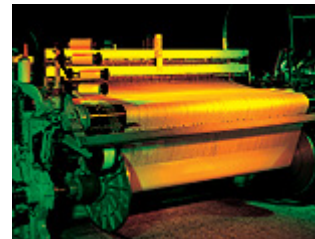
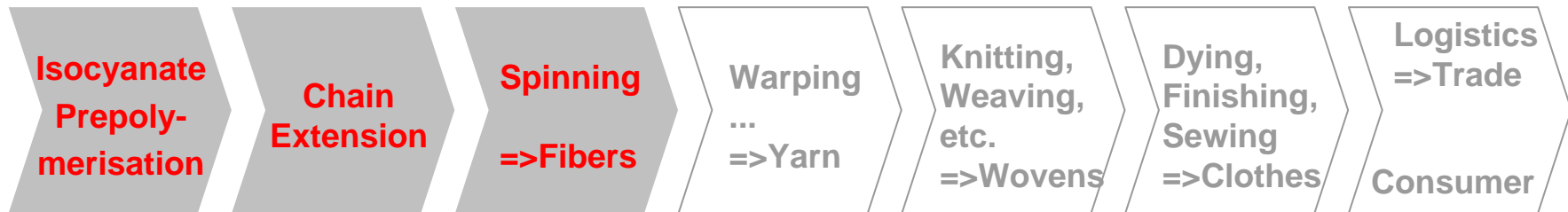


Main Applications

- DORLASTAN®: hosiery (tights, socks, support stockings), underwear (laces, bras, slips), sports and casual wear (shirts, swimwear, sportswear), outerwear (suits, business shirts, slacks, jeans), non-wovens (diapers, medical applications)
- Monofil: paper (paper machine clothing, filtration, screening), fishing (fishing lines, long lines), rope making, agriculture (pre-tensioned ropes, water deposit coverings, fences and oyster cultures), sports (tennis and badminton rackets) as well as textile products (zippers, hook and loop fasteners)

Fibers is focussed on early steps of the manufacturing process

MDI
(Isocyanate)
+ Diol
(Polyester,
Polyether)
+ Diamine



Established business challenged by unfavourable exchange rates and Asian overcapacities

Competitive Advantages

DORLASTAN®:

- LANXESS recognised as high quality supplier to global textile industry with premium technical service
- Strong relationship with global key-accounts
- Broad product portfolio
- Global organisation

Monofil:

- Technical marketing know-how and market access in all segments
- Established and strong brands
- Image of quality supplier

Challenges

DORLASTAN®:

- Unfavourable cost structures in Europe compared to Asian competitors
- Price pressure driven by Asian overcapacities
- Exchange rate €/€\$ remaining unfavourable
- WTO 2005 supports Asian exports into Europe and Americas

Monofil:

- In some applications dependence on limited number of customers
- Market consolidation and changes in competitive environment
- Continuation of unfavourable €/€\$ exchange rate increasing price pressure in NAFTA region



Overview

Performance Rubber

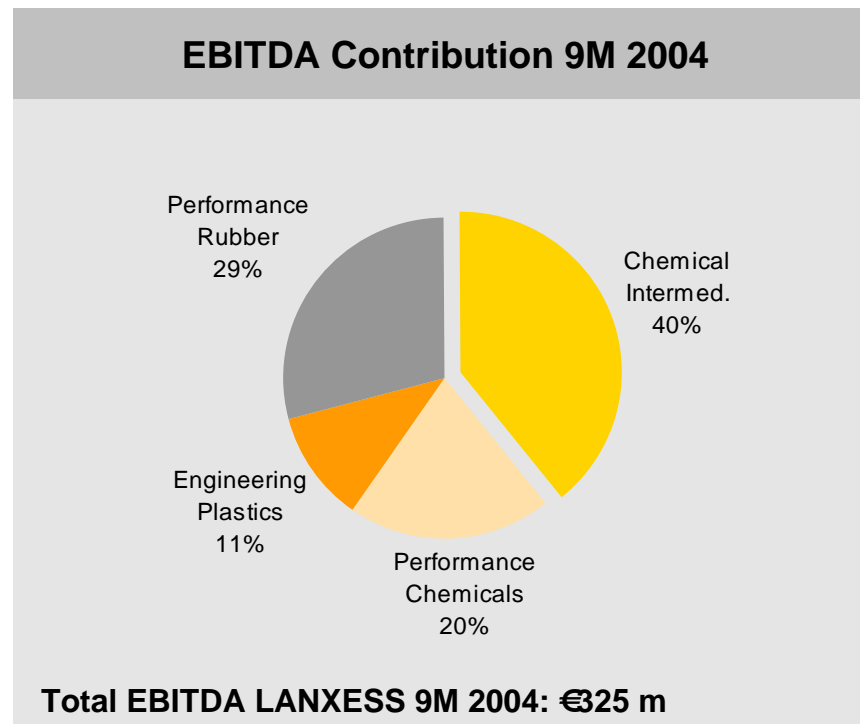
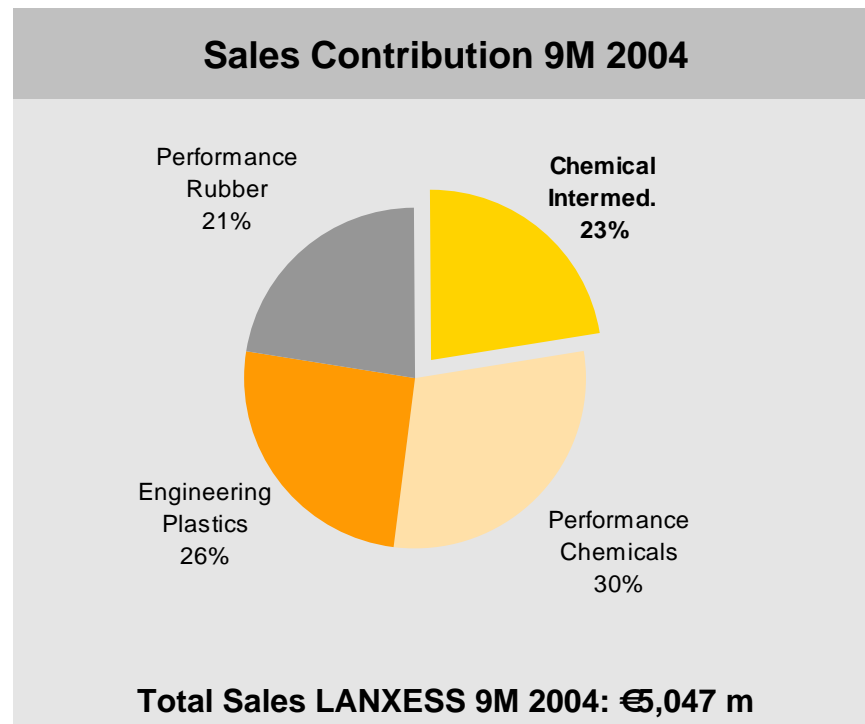
Engineering Plastics

Chemical Intermediates

Performance Chemicals



Chemical Intermediates



Commodities and fine chemicals for numerous end-user industries

Basic Chemicals

- Supplier of aromatic compounds such as e.g. chlorobenzenes, chlorotoluenes and nitrotoluenes as well as amines, polyols, monoisocyanates, thio products, inorganic acids



Fine Chemicals

- Important player in fine chemicals focussed on:
 - Agrochemicals custom manufacturing
 - Pharmaceutical custom manufacturing
 - Specialty Fine Chemicals



Inorganic Pigments

- A leading* global supplier of inorganic pigments with a broad, innovative product range

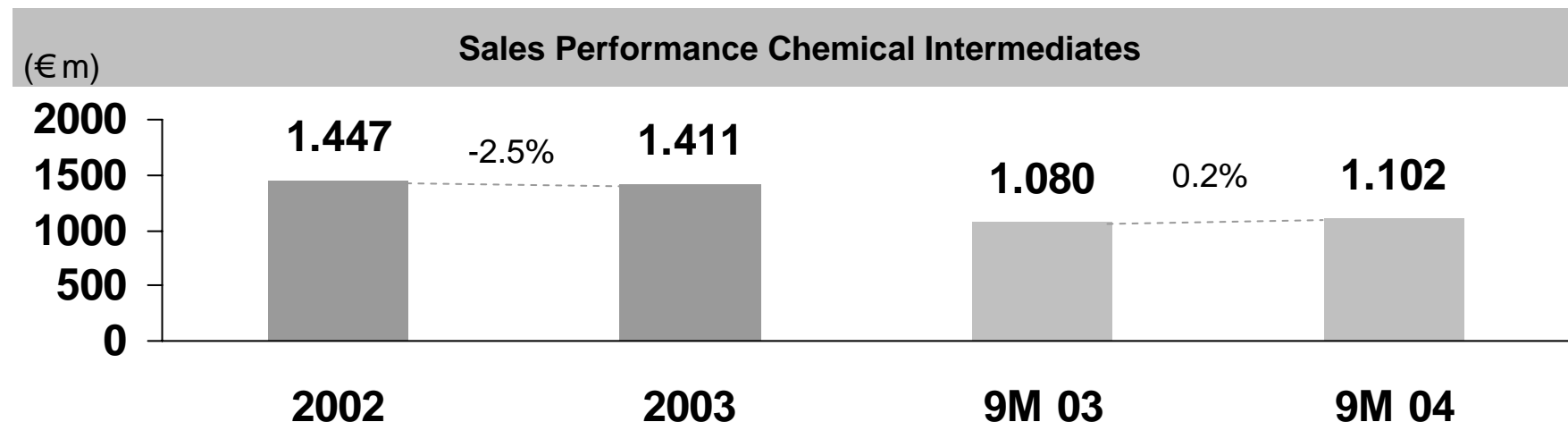


* Source: SRI International CEH - Pigments
Nov. 2004

Summary of key financials

Key financials (€m)	2002	2003	9M 2003	9M 2004
Sales	1,447	1,411	1,080	1,102
EBITDA	154	119	139	132
<i>EBITDA/Sales</i>	<i>10.6%</i>	<i>8.4%</i>	<i>12.9%</i>	<i>12.0%</i>
Depr. & Amort.	-149	-463	-106	-86
EBIT	5	-344	33	46
<i>EBIT/Sales</i>	<i>0.4%</i>	<i>-24.4%</i>	<i>3.1%</i>	<i>4.2%</i>
Capex	141	79	49	53
Number of Employees	4,265	4,059	–	–

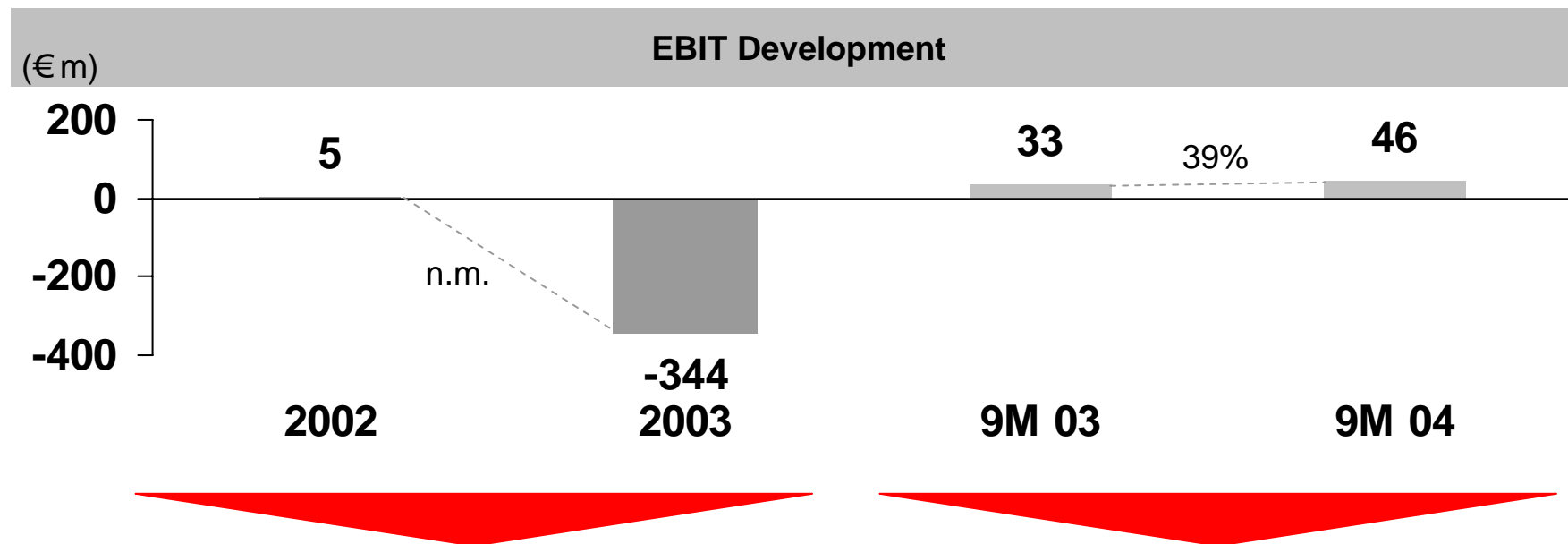
Stable sales due to rising market demand in Basic Chemicals



- Decrease mainly due to IPG and FCH
- The decline at IPG can be mainly attributed to currency translation effects
- Weaker sales performance for FCH resulted from strong competition in the Asian market (especially for agrochemicals)

- Strong sales in BAC offset decrease in sales in other business units – especially FCH which had to cope with ongoing difficult market conditions

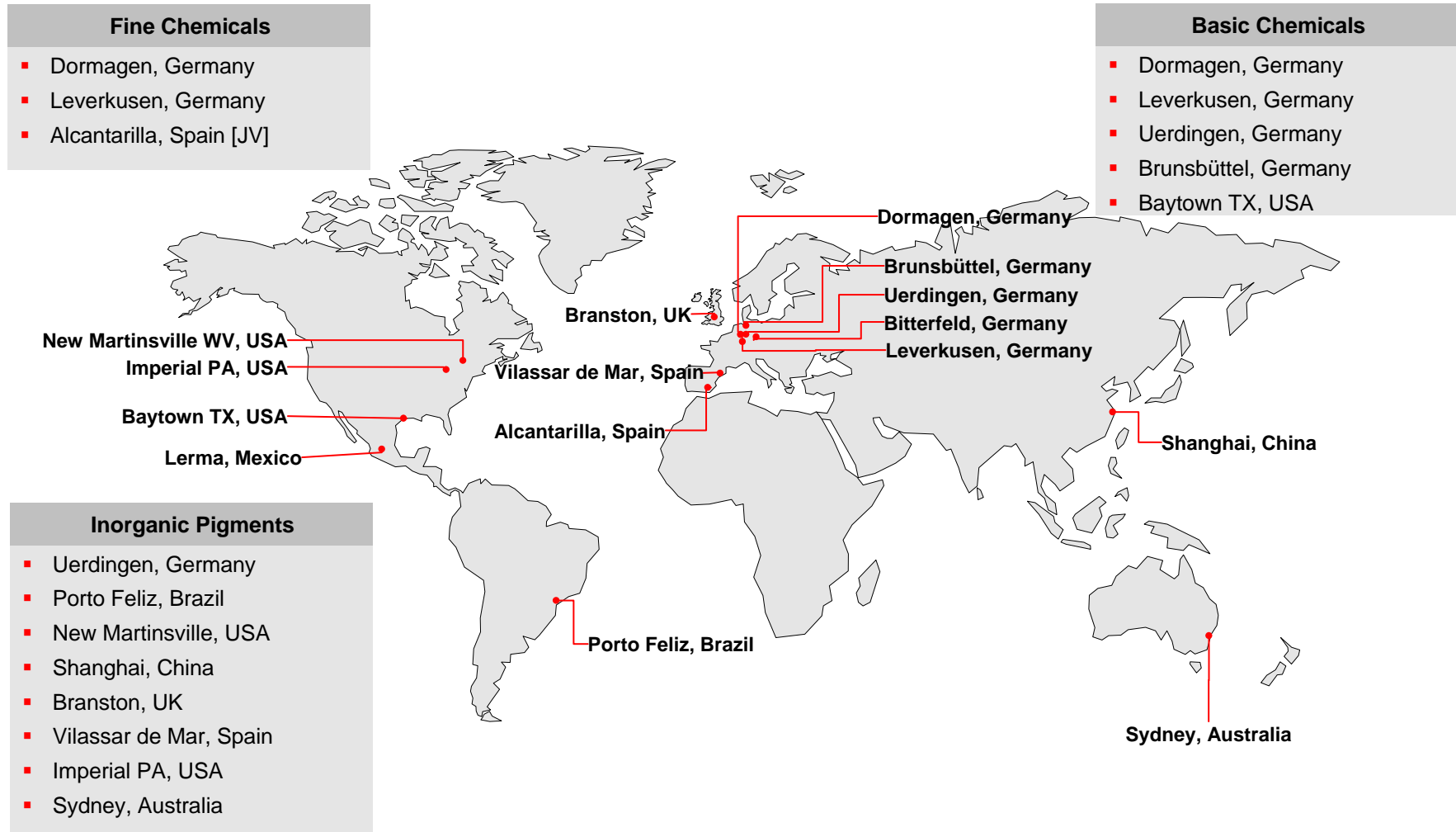
EBIT improvement driven by higher market demand



- Significant impairment charges in 2003 led to a negative operating result of €-344 m after a positive result in 2002
- Adjusted for these impairment charges, the EBIT for 2003 was €-12 m

- Impairment charges of €13 m relating to FCH
- Lower depreciation base in the segment following the impairment charges incurred at the end of 2003

Chemical Intermediates relies on a broad manufacturing base in Europe and NAFTA



Leverage strong asset base and market position to sustain margins

- Maintain current market position and sustain / improve margins
- Develop non-European markets
- Leverage organic growth opportunities from market consolidation
- Continue product portfolio optimisation
- Shift product-mix towards more valuable applications and products
- Strengthen profitability through continuation of cost and efficiency programs



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

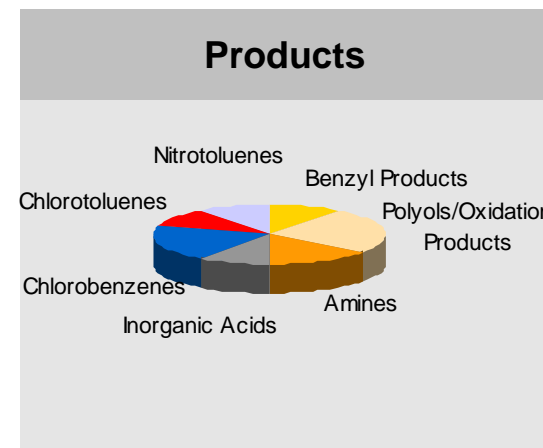
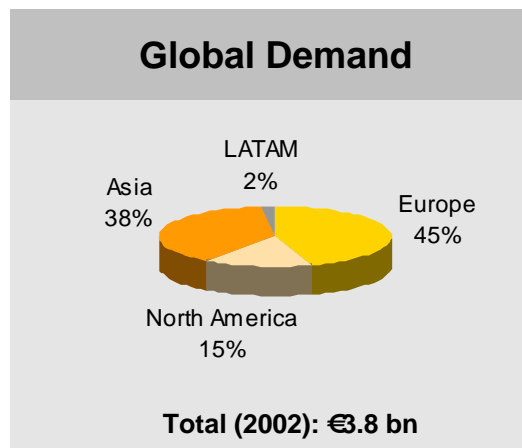
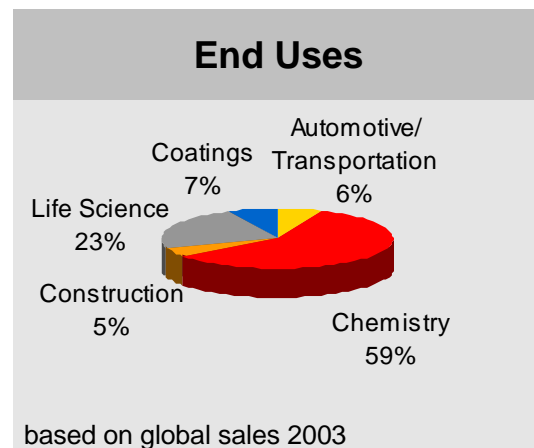
Basic Chemicals

Fine Chemicals

Inorganic Pigments



Leading positions in industry with Asian competition and consolidation trends



Competition

- The business unit maintains strong positions in all its product lines
- Main competitors are BASF, Dow Chemical, Jiangsu Yangnong, Kureha, Merisol, and Tessenderlo

based on global sales

Market Development

- Expected demand growth according to GDP (CAGR 02-07).
- Strong growth in Asia, stagnation in Europe due to demand shifting to Asia
- Consolidation expected for Benzyl Products
- Strong competition from Eastern European players regarding Chlorotoluenes/ Cresols products in 2003
- Strong pressure for industry consolidation in the segments Chlorotoluenes, Chlorobenzenes and Nitrotoluenes

Cost/Technology Position

- For most segments world-scale capacities and competitive processes result in cost-based advantage
- However, competition from Asia is becoming stronger due to lower personnel and environmental cost

Source: LXS estimates partially based on

- SRI International CEH - Neopentyl Polyhydric Alcohols, Dec. 2002,
- SRI International CEH - Maleic Anhydride Aug. 2002, - SRI International CEH - Benzylchloride Sep. 2004
- Srour Report Aromatic Intermediates 1997-2004

BAC offers broad product range for use in numerous end-user industries

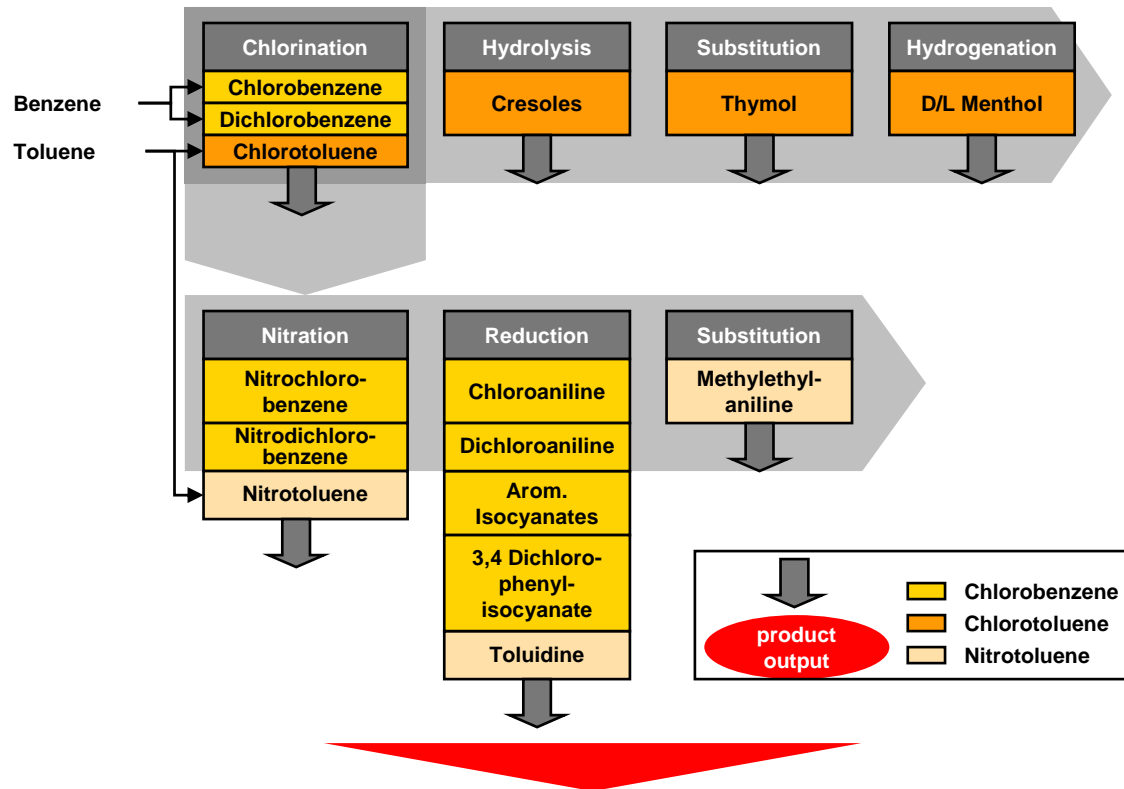
Products

- Chlorobenzenes and derivatives
- Aliphatic and aromatic monoisocyanates
- Chlorotoluenes and cresols, butylhydroxytoluene
- Nitrotoluenes and derivatives
- Polyols (trimethylolpropane, hexanediol)
- Oxidation products (maleic anhydride, phthalic anhydride)
- Cyclohexylamine, dicyclohexylamine
- Benzyl alcohol, benzyl chloride, benzo trichloride, benzoyl chloride
- Benzylamine, Monoisopropanolamine, Diisopropanolamine
- Hydrofluoric acid, anhydrite
- Sulphur products (sulphuric acid/ oleum, sodium bisulfite, thionyl chloride, sulfuryl chloride, sulphuric chloride)

Main Applications

- The unit sells commodity chemicals used in the following industries and sectors:
 - Automotive and transportation industry
 - Chemicals
 - Housing & construction
 - Life science

Unique, integrated manufacturing process provides clear competitive advantage



Output of individual products can be modified according to market needs in order to optimise overall revenue

BAC intends to leverage unique “Aromatenverbund” to succeed in Asia

Competitive Advantages

- Competitive technologies, world-scale production facilities and high utilisation rates provide cost advantage
- The unique “Aromatenverbund” system enables BAC to optimise its capacity utilisation, cost of production and product mix ensuring a solid market position
- BAC has been able to successfully leverage its competitive strength to grow its business, increase its market position and improve profitability

Challenges

- Focus shifts to Asia as an important driver of growth
- Migration of downstream industries to Asia (textiles, dyestuffs, fluoro chemicals, pigments, etc.)
- REACH, TA-Luft as well as ongoing ecotoxicological discussions may generate expenditures for European producers
- Substitution of older agro active ingredients and loss of business for some product segments



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

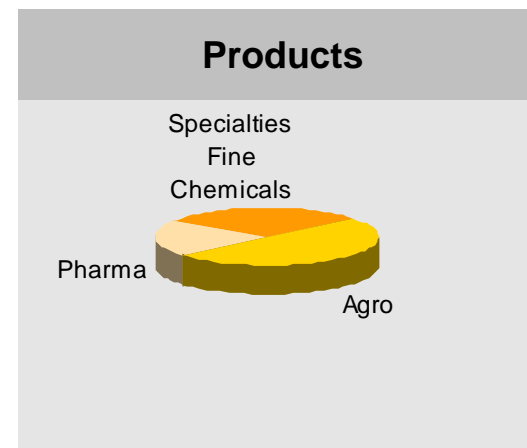
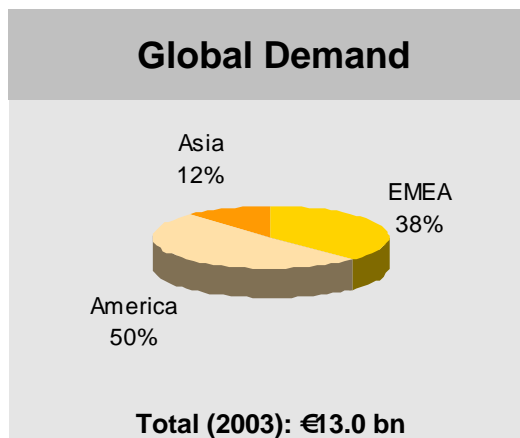
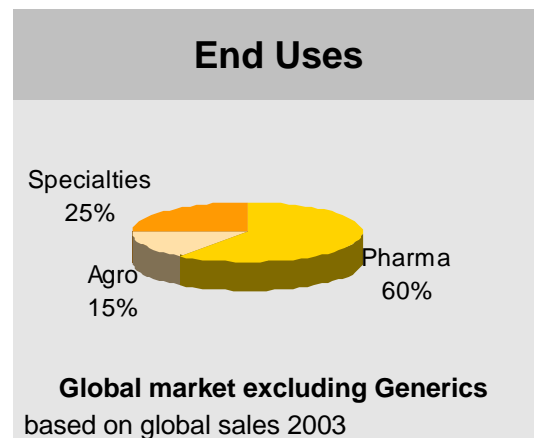
Basic Chemicals

Fine Chemicals

Inorganic Pigments



The industry is currently characterised by overcapacity and ongoing consolidation



Competition

- FCH unit holds good market positions in agrochemicals
- No. 1 in agrochemicals custom manufacturing
- Main competitors are Degussa, DSM, Lonza and Rhodia

based on global sales

Market Development

- Pharmaceutical market suffering from cGMP overcapacity
- Asian manufacturers establishing themselves as reliable suppliers of raw materials and intermediates
- Price erosion observed for established products in all segments
- Continuing consolidation in fine chemicals market
- Fine chemicals “shakeout” process expected to continue over the next 2-5 years

Cost/Technology Position

- Established track record as a technology leader for complex synthesis via non-biological methods
- FCH intends to improve its cost structure to increase competitiveness, especially in the most price-sensitive market segments

83 Source: LXS estimates partially based on
 - SRI International SCUP - Antioxidants Sep. 2003
 - SRI International SCUP - Active Pharmaceuticals Ingredients July 2001
 - J.Ramarkers Fine Chemical Bench Marking 2004

Intermediates and active ingredients for pharma, agrochemical and other industries

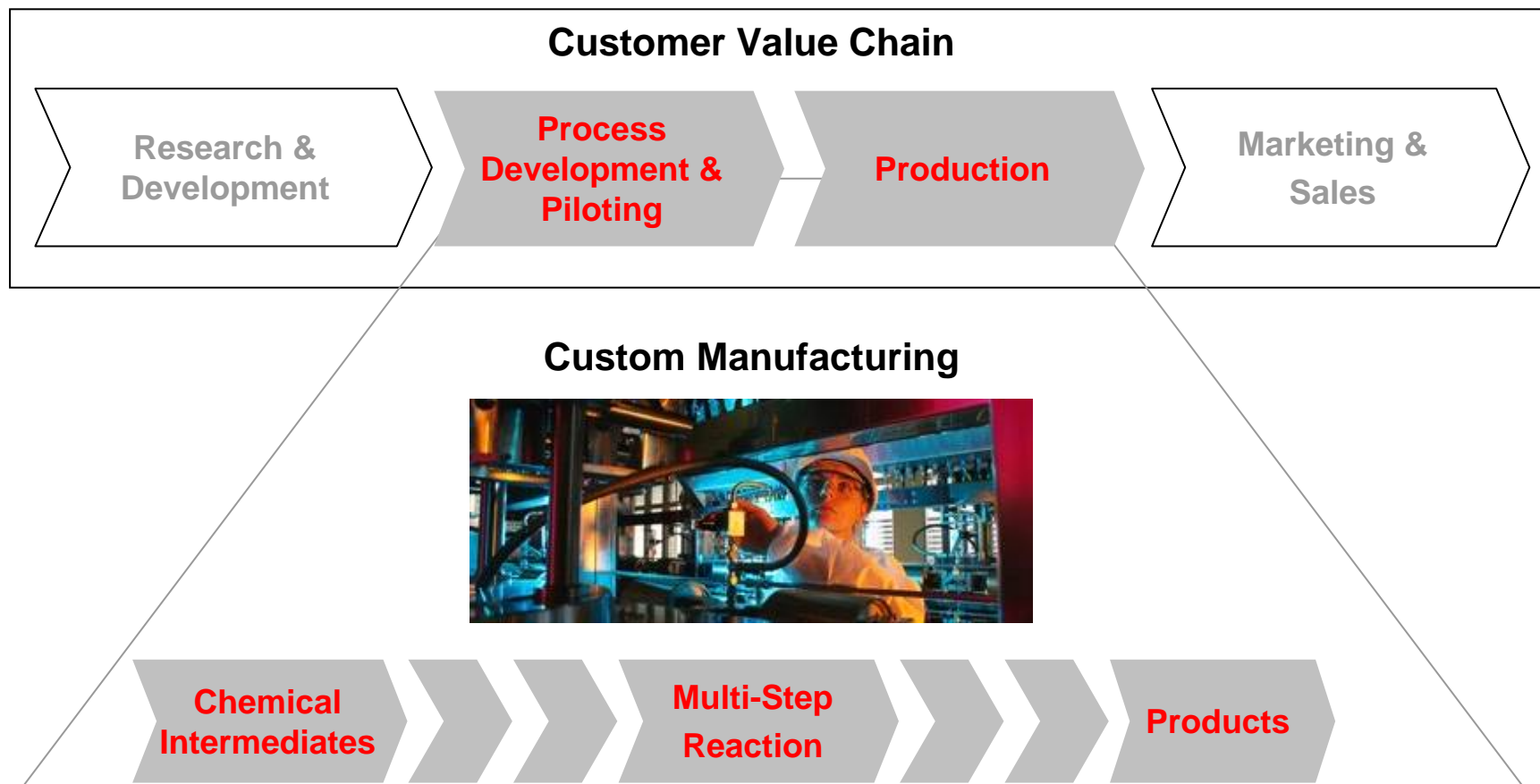
Products

- Unit primarily offers custom manufacturing services
- Provider of intermediates and active ingredients for agrochemical, pharmaceutical and other high-grade fine chemical products
- End-markets include cosmetics, electronic, photo products and polymer additives

Main Applications

- Agrochemicals: intermediates and active components
- Pharmaceuticals: intermediates and active ingredients
- Fine chemicals: chemical components for the cosmetics, photo-chemicals and electronic chemicals devices

Focussed on the custom manufacturing of fine chemicals



FCH must leverage technology and customer position to weather challenging environment

Competitive Advantages

- Strong customer relationships based on established track record
- Technology leadership in high-end chemistry
- Expertise in the field of complex chemistry and fast “ramp-up” capabilities, particularly in the agrochemicals segment

Challenges

- Asian competition
- High overcapacities in fine chemical markets
- Weak market position in pharma fine chemicals
- Cost bases to be improved



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

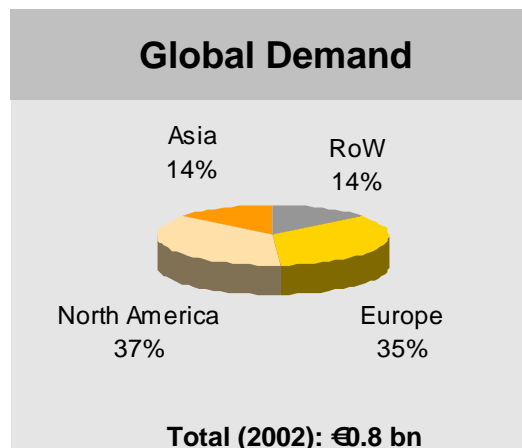
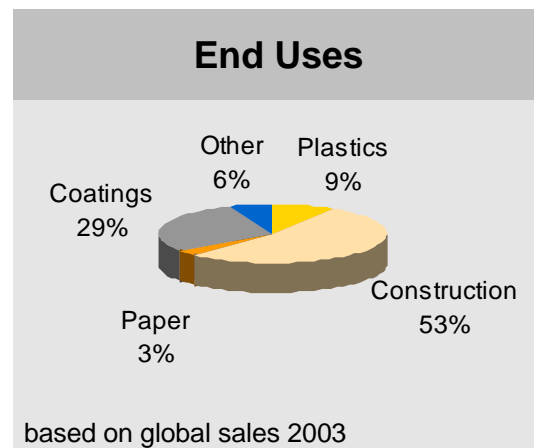
Basic Chemicals

Fine Chemicals

Inorganic Pigments



IPG has excellent market and technology positions in a mature industry



- ### Products
- Iron Oxide
 - Chromium Oxide

- ### Competition
- Market leader in iron oxide (BAYFERROX®) and strong No. 2 in chromium oxide
 - Main competitors are Elementis, Rockwood and Chinese companies (e.g. Hunan Three-Rings, Deqing Huayuan)
- based on global sales

- ### Market Development
- Iron Oxides:**
- Expected average sales growth rate 1% minimum (CAGR 03-06)
 - Shift from powder to dust-free flow delivery forms and from blends to component colours in construction industry
 - Change from powder to pastes/ concentrates in paint industry
- Chromium Oxides:**
- Low average sales growth rates (about 1%)
 - IPG regained market position in late 2003 and maintained it during 1H 2004

- ### Cost/Technology Position
- Technically sophisticated production units in Western Europe, USA, Brazil (synthesis)
 - Laux process unique to LANXESS with additional profit from aniline
 - LANXESS with world-scale plant and resulting cost-based advantage

IPG products are mainly used in the construction and coatings industries

Products

- Provider of colour pigments to various industries, in particular construction
- Leading producer of synthetic iron oxide pigments offering a broad product range
- Important products include iron oxide pigments BAYFERROX®, BAYOXIDE®, BAYSCAPE®, COLORTHERM® and chromium oxide products



Main Applications

- Colouring of construction materials (concrete for floors, roofs and walls; asphalt)
- Paints and coatings (architectural paints as well as industrial coatings)
- Other applications include products used for colouring of plastics and paper and manufacture of refractory ceramics, brake linings, mulch, glazes and airbags
- IPG also supplies oxides with tailored magnetic, chemical and morphological properties for the production of toners used in photocopiers and laser printers

Global manufacturer of inorganic pigments

Producing iron oxides at its sites in Western Europe, USA and Brazil, LANXESS can offer a broad and innovative product range using different production methods



Iron+Nitrobenzene	↔	Laux process	} Broad product range of iron oxide pigments; available in powder, slurry, granule and compact pigment forms
Iron salts+NaOH+Oxygene	↔	Precipitation process	
Iron+Oxygene	↔	Penniman process	
Yellow or black iron oxide	↔	Calcination	

Leveraging superior manufacturing process, cost and market positions

Competitive Advantages

- Cost-based competitive advantage due to economies of scale with iron oxide (FeO) plant significantly larger than peers
- State-of-the-art production capacities and superior product quality
- Strong established brands such as BAYFERROX®

Challenges

- Complexity in product portfolio
- Competitors try to attack IPG's leadership in quality
- Increased exports and price pressure from low-cost Chinese competitors
- Increases in raw material prices driven by supply situation



Overview

Performance Rubber

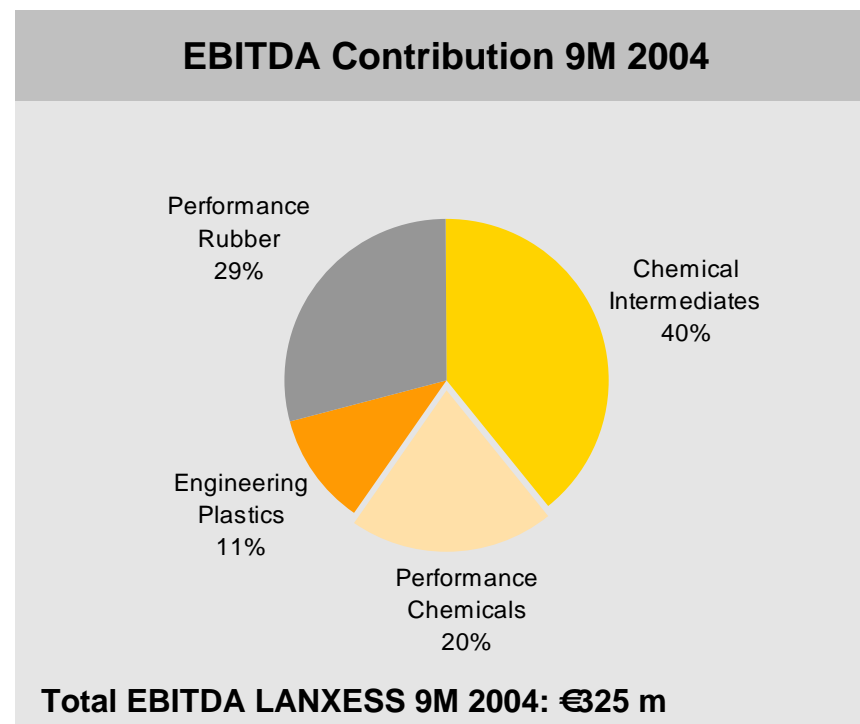
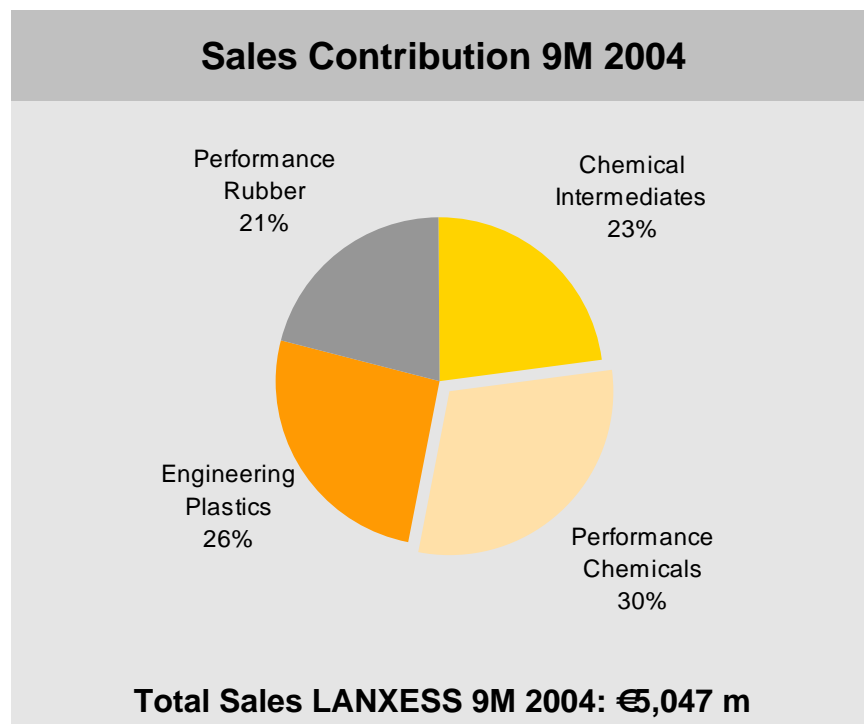
Engineering Plastics

Chemical Intermediates

Performance Chemicals



Performance Chemicals



BUs produce service- and application-driven products for a wide range of industries

Material Protection Products

- Comprehensive range of biocidal active ingredients and specialties for:
 - Beverage sterilisation
 - Disinfectants/ personal care products
 - Wood preservatives/ antifouling products
 - Industrial preservation



Functional Chemicals

- Manufactures products such as:
 - Plastic additives
 - Flame retardants
 - Water chemicals
 - Specialty dyes
 - Colorants



RheinChemie

- Providing technical services and additives for the rubber, polyurethane, plastics and lubricant oil industries; as well as colour pastes for the polyurethane industry



Leather

- Broad range of specialty products for the leather industry including:
 - Tanning agents
 - Preservatives
 - Finishing auxiliaries
 - Dye products



- Mainly service- and application-driven
- Serving a wide range of industries
- Covering either the whole value chain of a specific industry or providing a specific functionality

BUs produce service- and application-driven products for a wide range of industries (continued)

Ion Exchange Resins

- Ion exchange resin manufacturer for the processing of:
 - Water
 - Foodstuff
 - Chemicals



Textile Processing Chemicals

- Product solutions for the processes of
 - Pretreatment
 - Dyeing Auxiliaries
 - Finishing
 - Textile printing



Paper

- Papermaking chemicals e.g.:
 - Paper colorants
 - Fluorescent whitening agents
 - Sizing and strength chemicals
 - Other papermaking chemicals



Rubber Chemicals

- Full portfolio of rubber chemicals for the tire and technical rubber industry including:
 - Antioxidants
 - Accelerators
 - Specialties

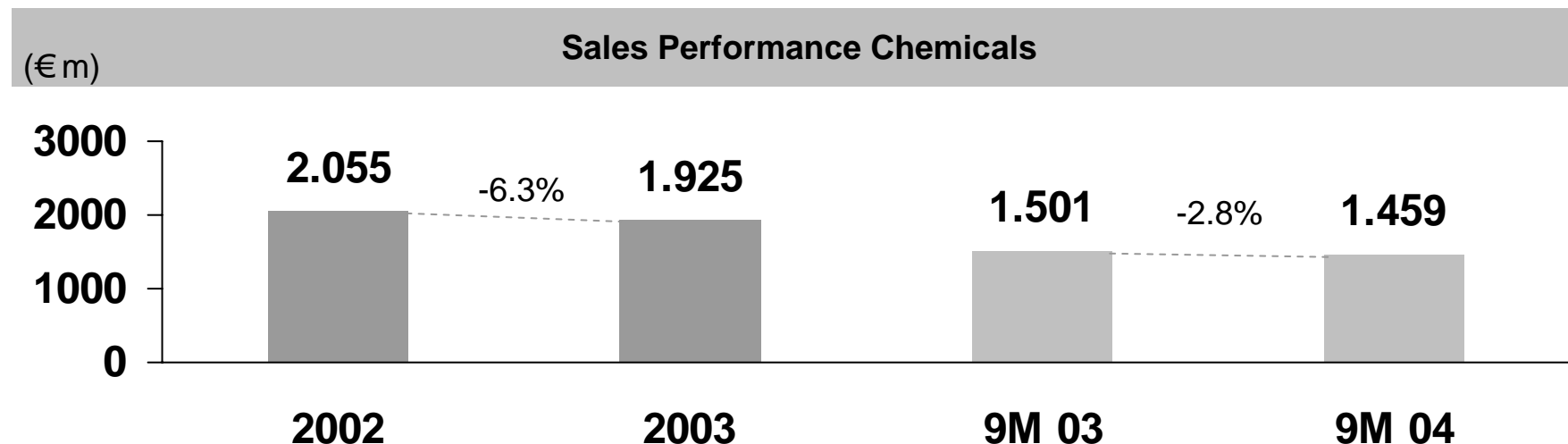


- Mainly service- and application-driven
- Serving a wide range of industries
- Covering either the whole value chain of a specific industry or providing a specific functionality

Summary of key financials

Key financials (€m)	2002	2003	9M 2003	9M 2004
Sales	2,055	1,925	1,501	1,459
EBITDA	196	96	131	68
<i>EBITDA/Sales</i>	9.5%	5.0%	8.7%	4.7%
Depr. & Amort.	-129	-272	-80	-76
EBIT	67	-176	51	-8
<i>EBIT/Sales</i>	3.3%	-9.1%	3.4%	-0.5%
Capex	102	63	39	33
Number of Employees	5,129	4,881	—	—

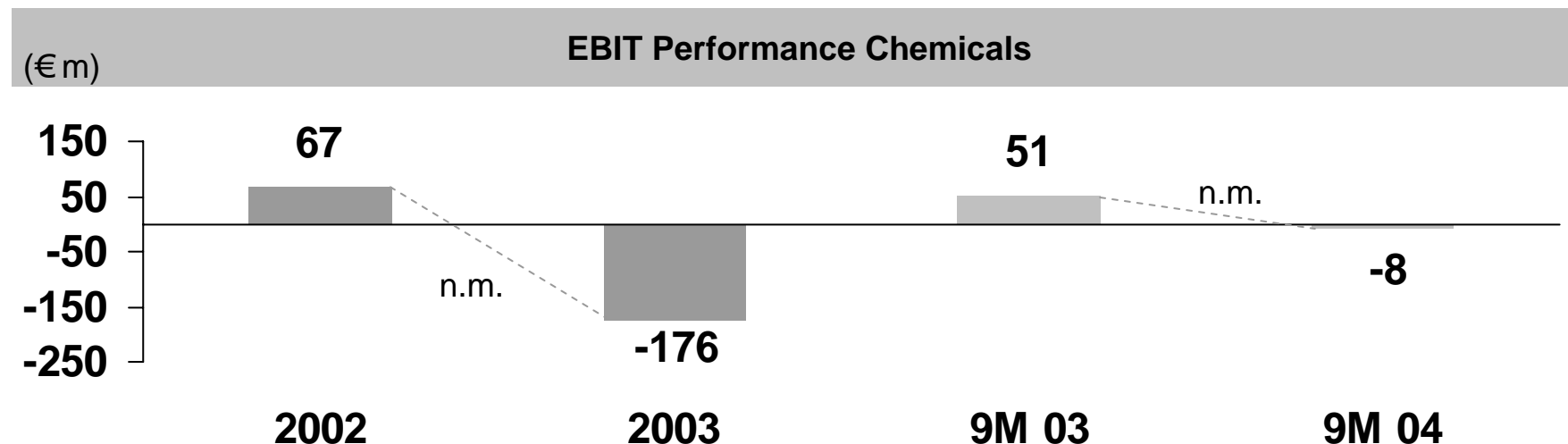
Sales declined by €42 m to €1,459 m



- Net sales in Functional Chemicals and Material Protection Products increased
- Increases could not offset declining sales in all other business units, in particular Textile Processing Chemicals

- Sales decrease mainly on unfavourable currency effects in all business units

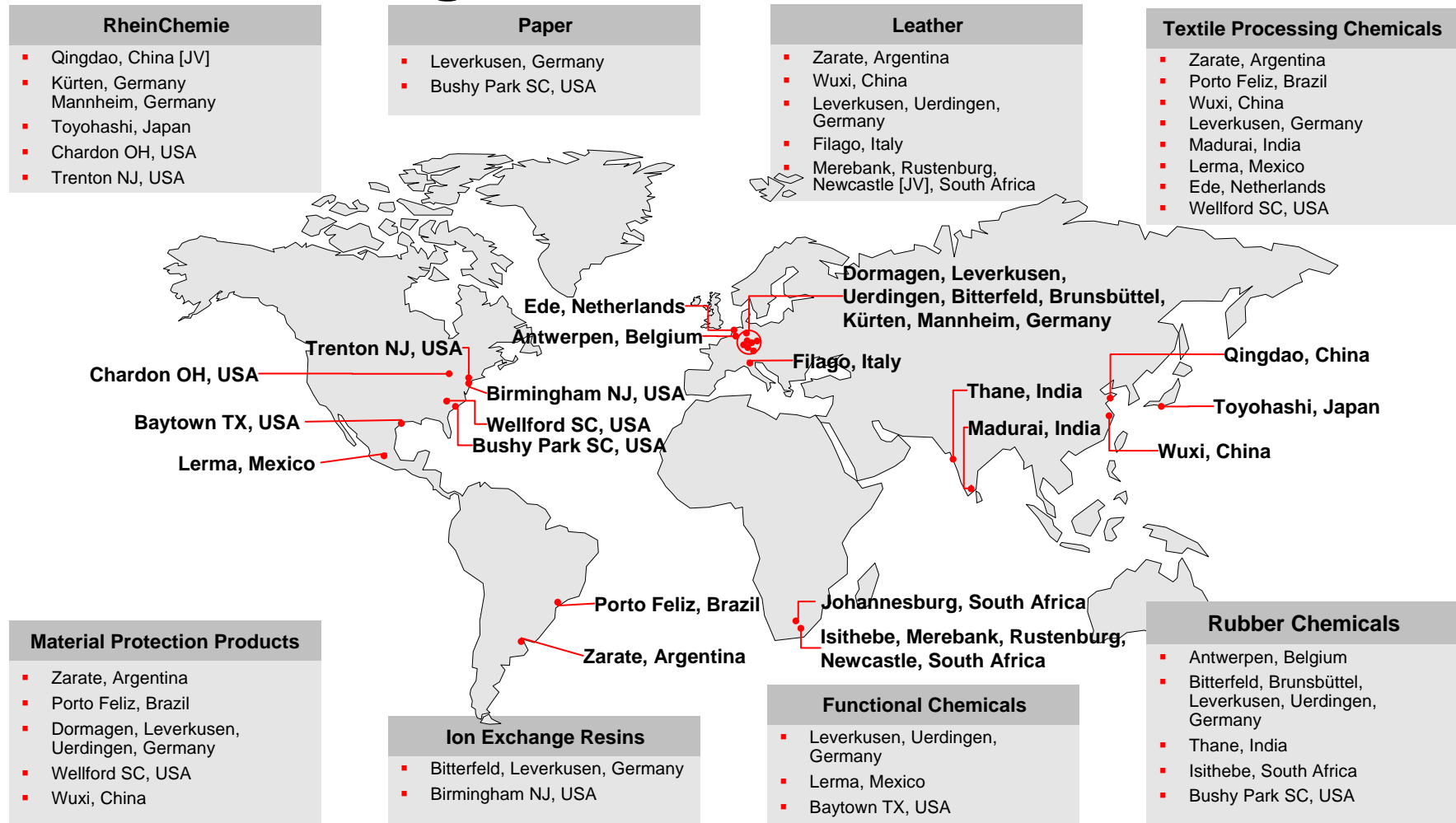
EBIT burdened by one time effects



- Decline primarily due to impairment charges of €168 m
- Charges relate mainly to the Textile Processing Chemicals and Paper business units

- EBIT hit by exceptionals of €68 m:
 - goodwill impairment of €20 m incurred in RCH
 - an increase of provisions of €8 m relating to the settlement of antitrust investigations at RUC
 - a €40 m increase in provisions for environmental matters

Performance Chemicals has a world-wide manufacturing base



Build on strengths to grow in profitable niches and expand business regionally

- Strengthen regional activities by expansion of local technical service and increase geographic diversification
- Develop profitable niches through innovation and intensify innovation partnerships with customers
- Broaden product portfolio to increase coverage of customers' value chain
- Widen industrial application focus
- Set up tolling agreements with producers in low-cost countries

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

**Material Protection
Products**

Functional Chemicals

Leather

Textile Processing
Chemicals

Paper

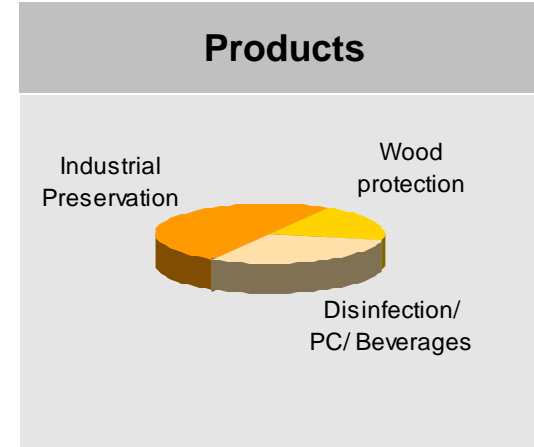
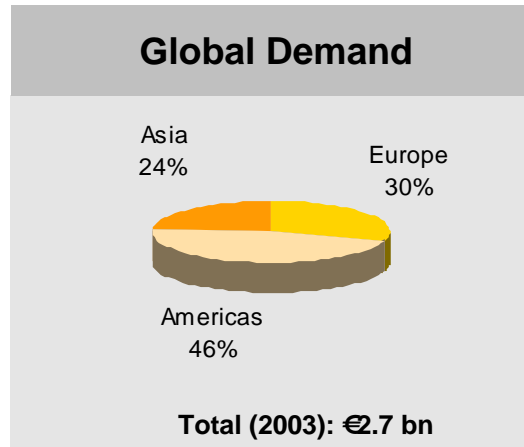
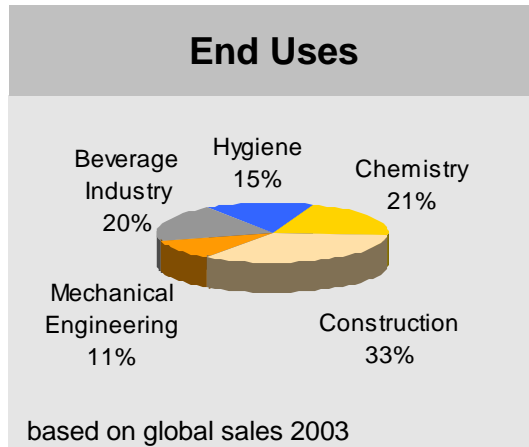
RheinChemie

Rubber Chemicals

Ion Exchange Resins



Broad product portfolio and leading market positions in an attractive market



Competition

- Main competitors are: Arch Chemicals, Dow Chemical, Lonza, Rohm & Haas and Thor

Market Development

- Expected sales growth (CAGR 03–07): ~4%
 - Disinfection / PC: ~2%
 - Industrial Preservation: ~2%
 - Beverage Industry: ~3%
 - Wood Protection/ Antifouling: ~7%

Cost/Technology Position

- Competitive cost positions
- Leading technology positions
- High innovation potential

Source: LXS estimates

Product solutions for a wide area of applications

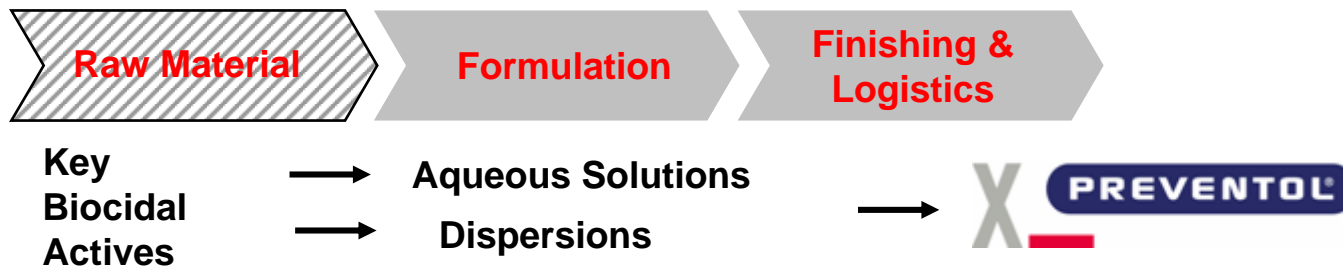
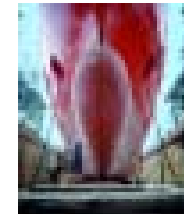
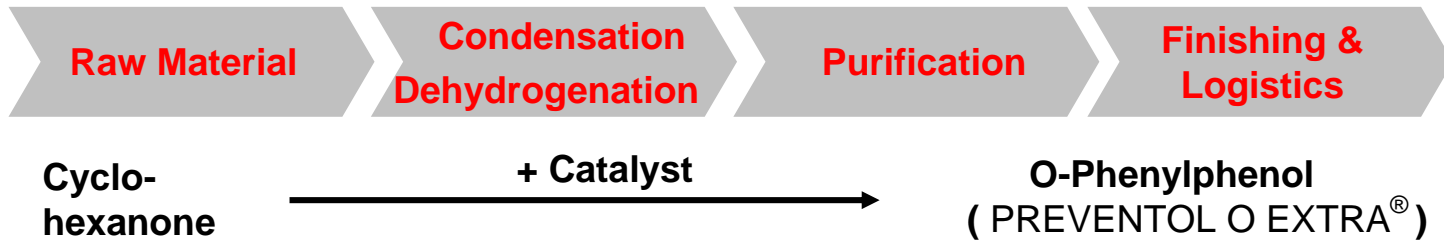
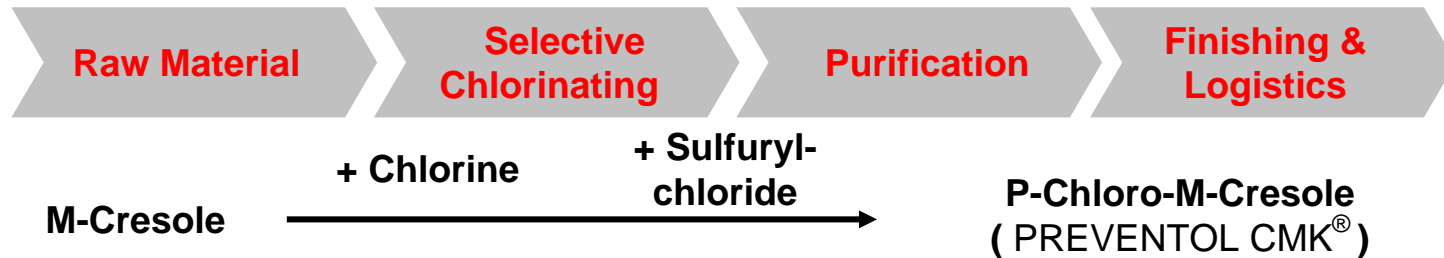
Products

- Preservatives / Biocides
 - X **BIOCHEK®**
 - X **METASOL®**
 - X **PREVENTOL®**
 - X **SOLBROL™**
 - X **TEKTAMER®**
- Cold sterilisation agent for the Beverage Industry
 - X **VELCORIN®**

Main Applications

- Wood protection / Antifouling
- Disinfection & home care products
- Health & personal care
- Food & beverages
- Industrial applications

A leading* producer of biocides and formulations



*based on LXS estimates

Global sales and service network with leading positions in Europe

Competitive Advantages

- Strong R&D position (incl. cooperation with Bayer CropScience)
- Global sales and service network
- Broad portfolio with unique chemical agents in various areas
- Leading competence in regulatory work like Biocides Products Directive or EPA (USA) etc.

Challenges

- Regulatory changes
- Chinese / Indian competition with rather cheap production costs
- Need for full product portfolio offering

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection
Products

Functional Chemicals

Leather

Textile Processing
Chemicals

Paper

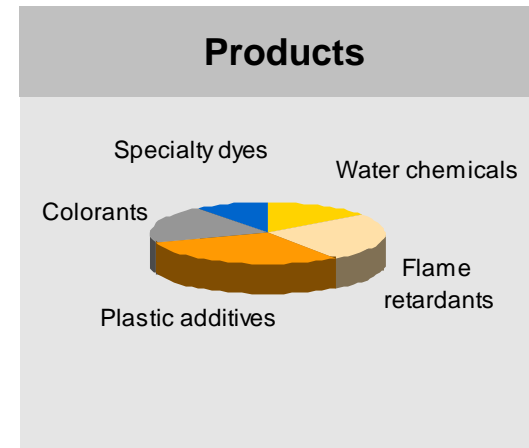
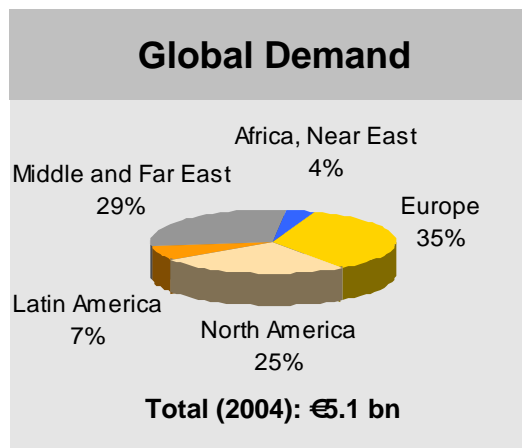
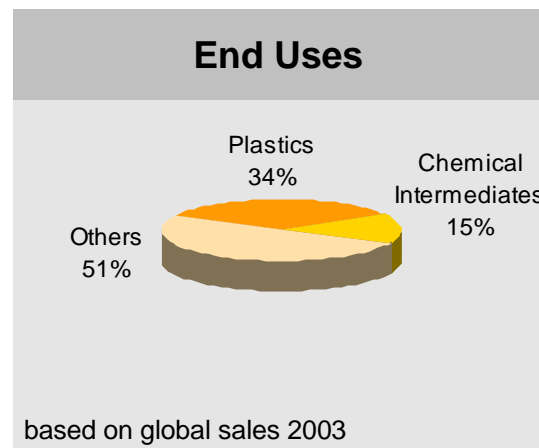
RheinChemie

Rubber Chemicals

Ion Exchange Resins



Broad product portfolio and with one of the largest “Verbund” in phosphorus chemicals



Competition

- Main competitors: Akzo, Albemarle, BASF, Ciba, Clariant, Ferro, FMC, Lonza, Sun Chemicals

Market Development

- Expected sales growth (CAGR 04–06): ~3%
 - Colorants: ~2%
 - Water chemicals: ~2%
 - Plastic additives: ~2-3%
 - Specialty dyes: ~5%
 - Flame retardants: ~5%

Cost/Technology Position

- Operating biggest Verbund system for phosphorus
- Cost advantages due to economies of scale and backward-integration

Source: LXS estimates

Numerous applications provided to a variety of industries

Products

- Organic colorants: SOLFORT™, LEVANYL™

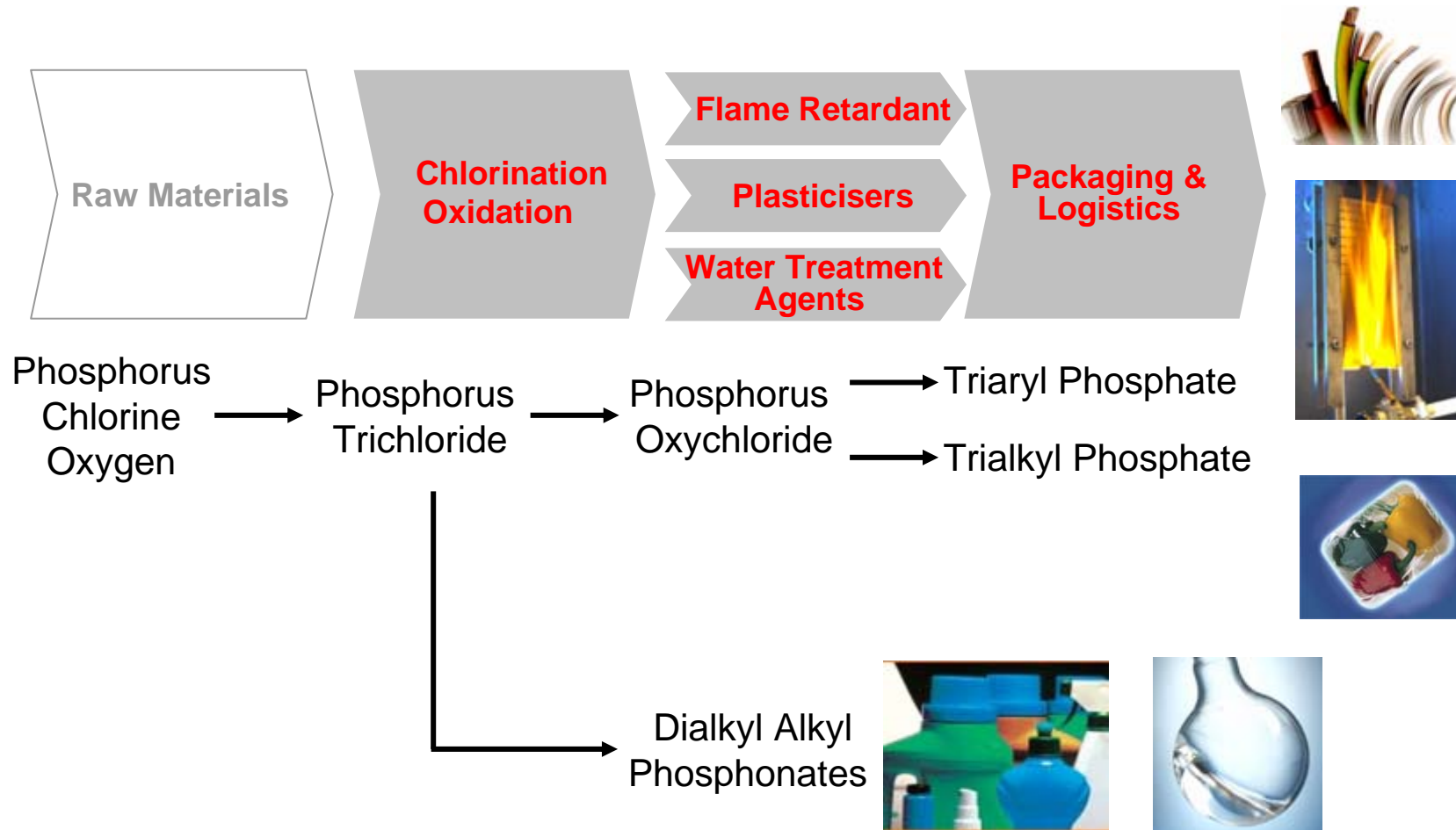


- Water chemicals: BAYPURE®
- Flame retardants: DISFLAMOLL®, BAYFOMOX®, LEVAGARD™
- Synthesis chemicals: Bayer Hydrazine, LEVOXIN™, Phosphites
- Corrosion inhibitors: BAYHIBIT®
- Plasticisers: MESAMOLL®, ADIMOLL®, ULTRAMOLL®, UNIMOLL®, Triacetin

Main Applications

- Thermoplastics PVC, polyurethane and rubber
- Engineering plastics
- Paints and coatings
- Water treatment
- Laundry & Cleaning
- Printing inks
- Laminate printing
- Detergents
- Paper treatment
- Cosmetics

One of the largest production networks (“Verbund”) for phosphorus chemicals



Strong market and technology position in niches with strong customer relationships

Competitive Advantages

- Economies of scale including one of the largest “Verbund” systems globally for phosphorus chemicals
- Long-term patent protection for product technologies
- High expertise and know-how in flame retardants
- Strong existing customer relationships in niche markets
- Leading market positions* in niche markets with MACROLEX®, PY150, bonding agents, specialty plasticisers, phosphor flame retardants
- Low exposure to raw material volatilities and cycle effects

*based on LXS estimates

Challenges

- Sustainability of niche positions
- Change in the competitive environment due to further consolidation
- Increasing price pressure in commodity segments

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection
Products

Functional Chemicals

Leather

Textile Processing
Chemicals

Paper

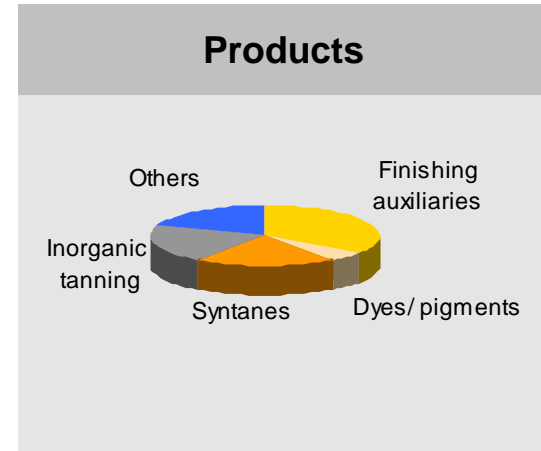
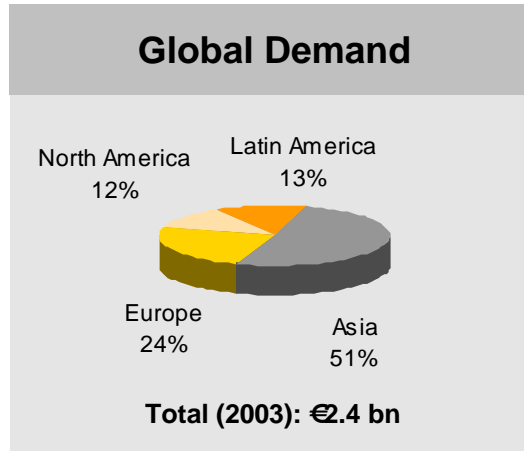
RheinChemie

Rubber Chemicals

Ion Exchange Resins



Leather has a broad product portfolio and leading market positions



Competition

- Main competitors are: BASF, Clariant, Stahl and TFL

Market Development

- Expected sales growth (CAGR 03–07): ~1%
 - Finishing: ~1%
 - Dyes/ pigments: ~1%
 - Syntanes: ~1%

Cost/Technology Position

- Backward-integration into ore mines, resulting in strong position in chrome
- Syntan plants with favourable economies of scale leading to cost-based advantages
- Decentralised custom manufacturing plants in main markets

Source: LXS estimates

Provider of full product portfolio for leather industry

Products

- BAYMOL[®], BAYKANOL[®], CISMOLLAN[™], PREVENTOL[®], XERODERM[®]
- BAYCHROM[®], CHROMOSAL[®], BLANCOROL[™]
- SETA^{™*}
- BAYKANOL[®], LEUKOTAN^{®**}, LEVOTAN[®], LUBRITAN^{™**}, RETINGAN[®], TANIGAN[®]
- ACIDERM[®], BAYCOLOR[™], BAYGENAL[®], BAYDERM[®], EUDERM[®], EUKANOL[™], LEVADERM[®]
- AQUADERM[™], BAYDERM[®], EUDERM[®], HYDRHOLAC[™], PRIMAL^{®**}
- ACRY SOL^{™**}, AQUADERM[™], BAYSIN[™], EUDERM[®], EUKANOL[™], EUSIN[®], ISODERM[®], PERSIDERM[™], PRIMAL^{®**}, XERODERM[®]
- BAYDERM[®], EUSIN[®], ISODERM[®]
- BAYGEN[™], LEVACAST[™]

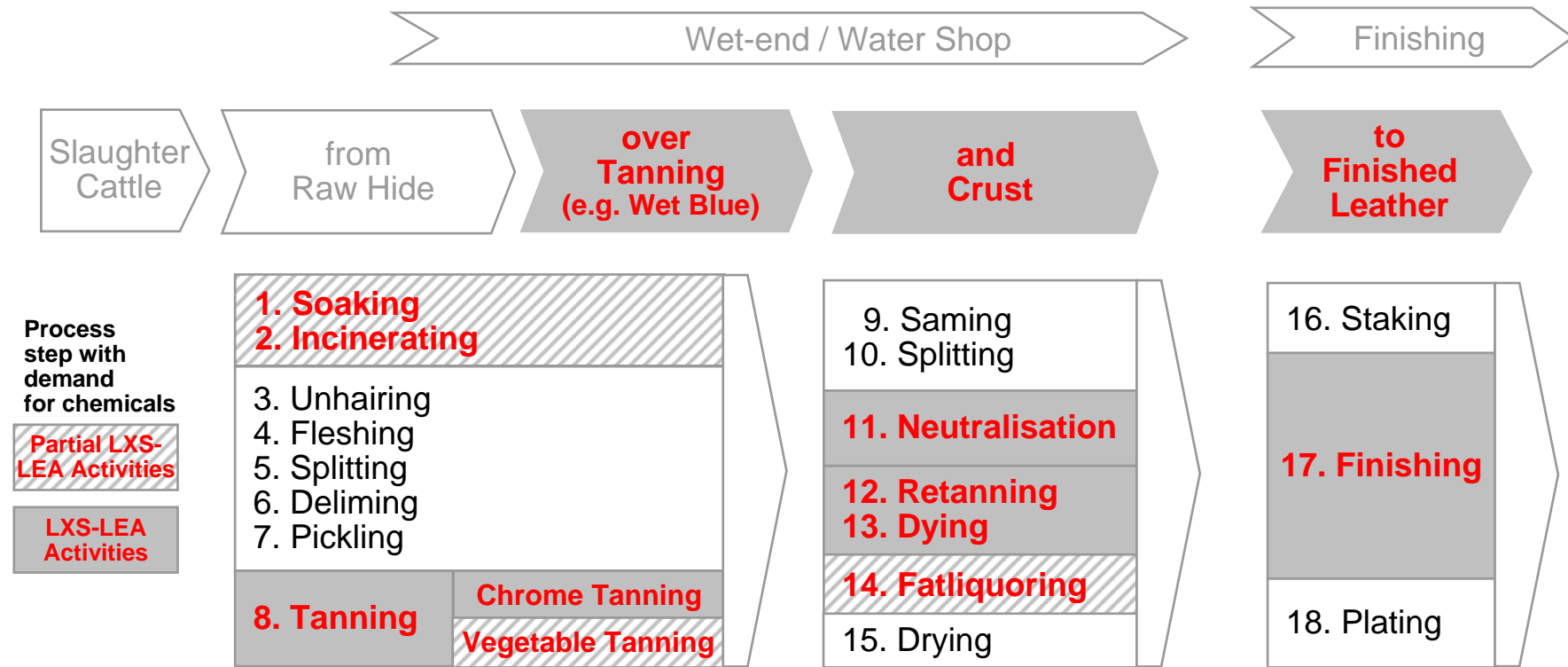
*trademark of SETA S/A

**trademark of Rohm & Haas

Main Applications

- Wet-end auxiliaries
- Mineral tanning and retanning materials
- Vegetable tanning and retanning materials
- Synthetic organic tanning materials and dyeing auxiliaries
- Colorants
- Finishing resins, polymer dispersions
- Finishing auxiliaries
- Solvent-containing top coats
- Special processes (for patent leather and upgrading splits)

A backward integrated leading producer of leather chemicals in all three process steps



LANXESS operates a chrome mine and processes the ore to chromic acid, sodium dichromate and chrome tanning salts for tanning purposes

Good customer relationships due to strong application know-how and technical service

Competitive Advantages

- Strong network of technical service personnel supporting customer needs
- Local production and compounding facilities providing cost and service advantages
- Application know-how providing flexibility to respond to changing market demands
- Partnership in the field of Acrylics with Rohm & Haas
- Partnership in the field of vegetable tanning materials with Seta S/A
- Backward-integration into chrome mining
- Strong and established customer relationships
- Broad product portfolio offering complete solutions to the customer

Challenges

- Increasing competitive pressure
- Strategic re-orientation of competitors
- Country risk due to production in politically volatile countries
- Dependence on globally operating customers
- Continuous need for innovation and product development in automotive segment

Overview

Performance Rubber

Engineering Plastics

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Material Protection
Products

Functional Chemicals

Leather

**Textile Processing
Chemicals**

Paper

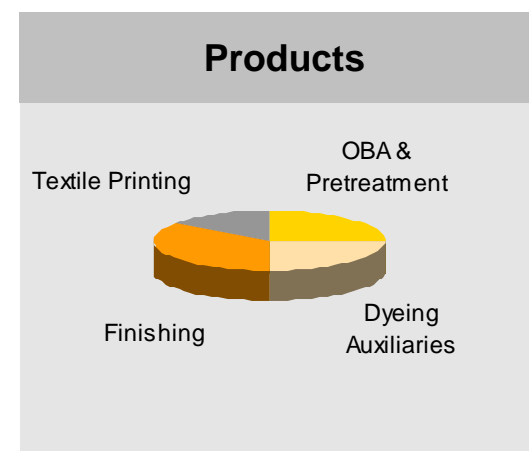
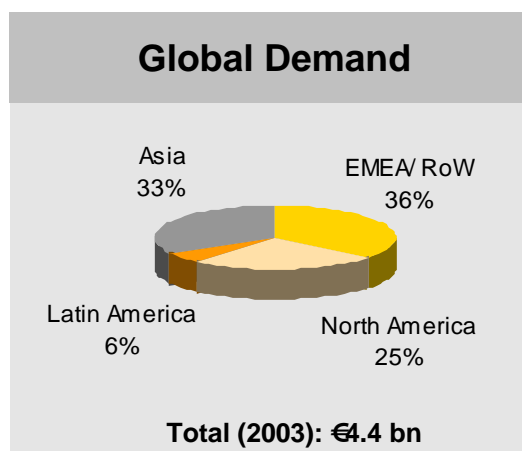
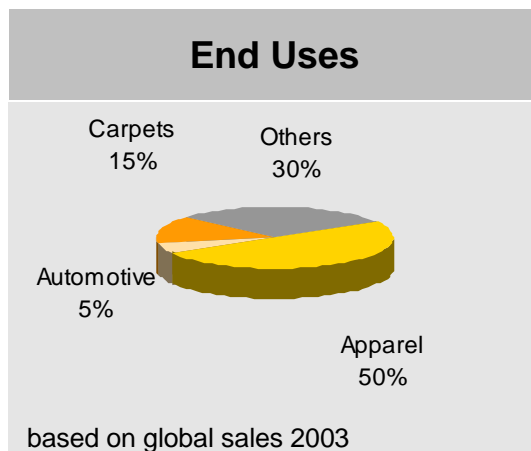
RheinChemie

Rubber Chemicals

Ion Exchange Resins



Textile Processing Chemicals offers a broad product portfolio for the textile industry



Competition

- Main competitors are: BASF, CHT, CIBA, Clariant, Cognis

Market Development

- Expected sales growth (CAGR 03–09): ~1%
 - Pretreatment: ~ -1%
 - Dyebath additives: ~ -1%
 - Textile printing: ~1%
 - Finishing: ~2%

Cost/Technology Position

- High relevance of raw material costs
- Leading in production technology
- High sophisticated synthesis plant provides tailor-made products for customer - adapted formulations in the regions - Composite Production Flow (CPF)

Source: LXS estimates partially based on SRI International - SCUP - Textile Chemicals, December 2001

BAYGARD® and BAYPROTECT® offer a variety of applications in the textile industry

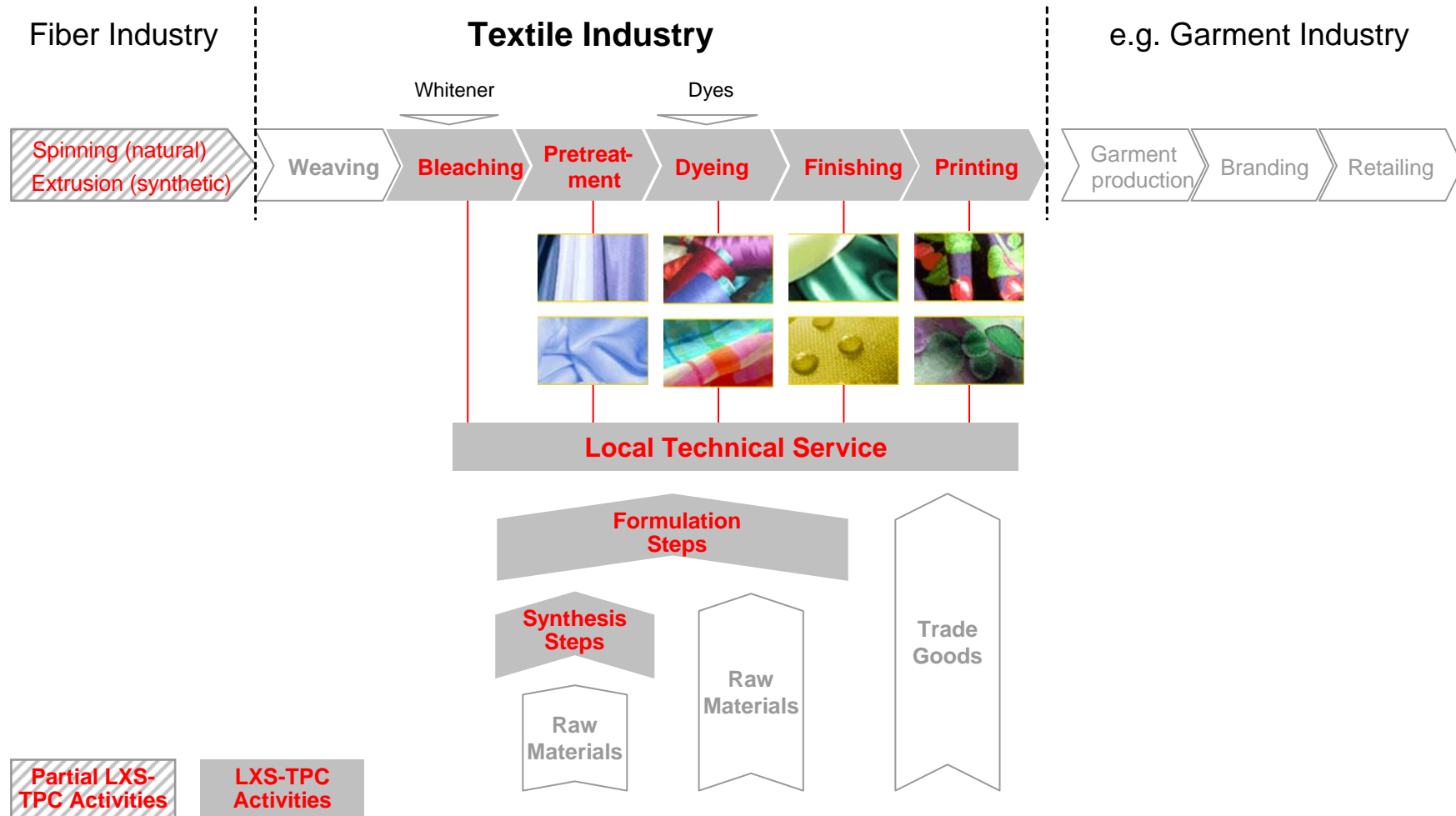
Products

- Pretreatment:
BAYLASE®, BAYSOLEX®, DIADAVIN®,
ERKANTOL®, LEVAPON®, PLEXENE™,
TANATERGE®, TANNEX®
- Dyeing Auxiliaries:
ASTRAGAL®, AVOLAN®, LEVEGAL®,
LEVOGEN®, LUBIT®, TANASPERSE™,
TANAPAL®, TANADEL™, TANEDE™
- Finishing:
BAYGARD®, BAYPRET®, CELLOLUBE™,
PERSOFTAL®, SYNTHAPPRET®, EULAN™
- Textile Printing:
ACRACONZ™/ACRACONC™, ACRAFIX®,
ACRAMIN®, NOFOME™, TANAPRINT®

Main Applications

- Apparel
- Carpet / Home textiles
- Automotive
- Technical textiles
- Fibers

Global producer of textile auxiliaries



Strong technology and manufacturing expertise for high product quality

Competitive Advantages

- High product quality and reliability of delivery
- A market leader* in chromojet applications
- High degree of expertise in manufacturing/ technology leadership
- Strong product stewardship
- New environmentally required products for pretreatment and dyebath additives

Challenges

- Customers further moving into low-cost countries
- Acceleration of fashion lifecycles requiring need for innovation/ active portfolio management
- Increasing price pressure

*based on LXS estimates

Overview

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Chemicals

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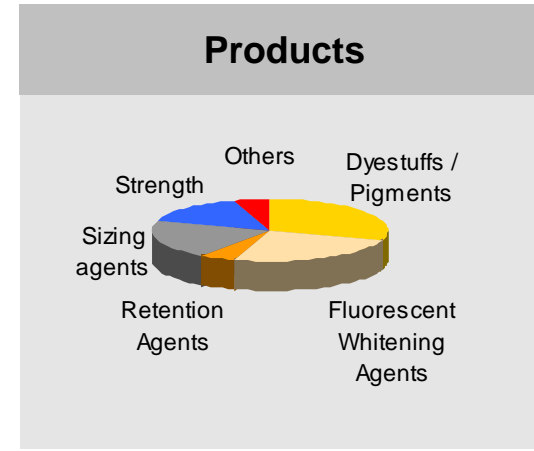
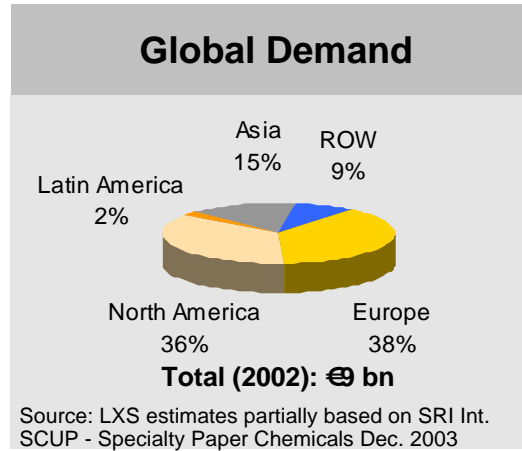
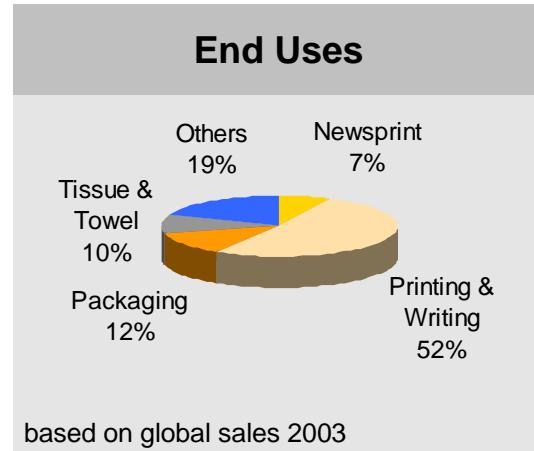
RheinChemie

Rubber Chemicals

Ion Exchange Resins



Broad product portfolio with leading technology position



Competition

- Main competitors are: BASF, Ciba, Clariant, EKA, Hercules, Kemira, Nalco

Market Development

- Expected sales growth (CAGR 01–07): ~3%
 - Dyes/ Pigments: ~2%
 - Strength: ~4%
 - Sizing: ~4%

Cost/Technology Position

- Leading technology position

Source: LXS estimates

Provider of full product portfolio for the paper industry

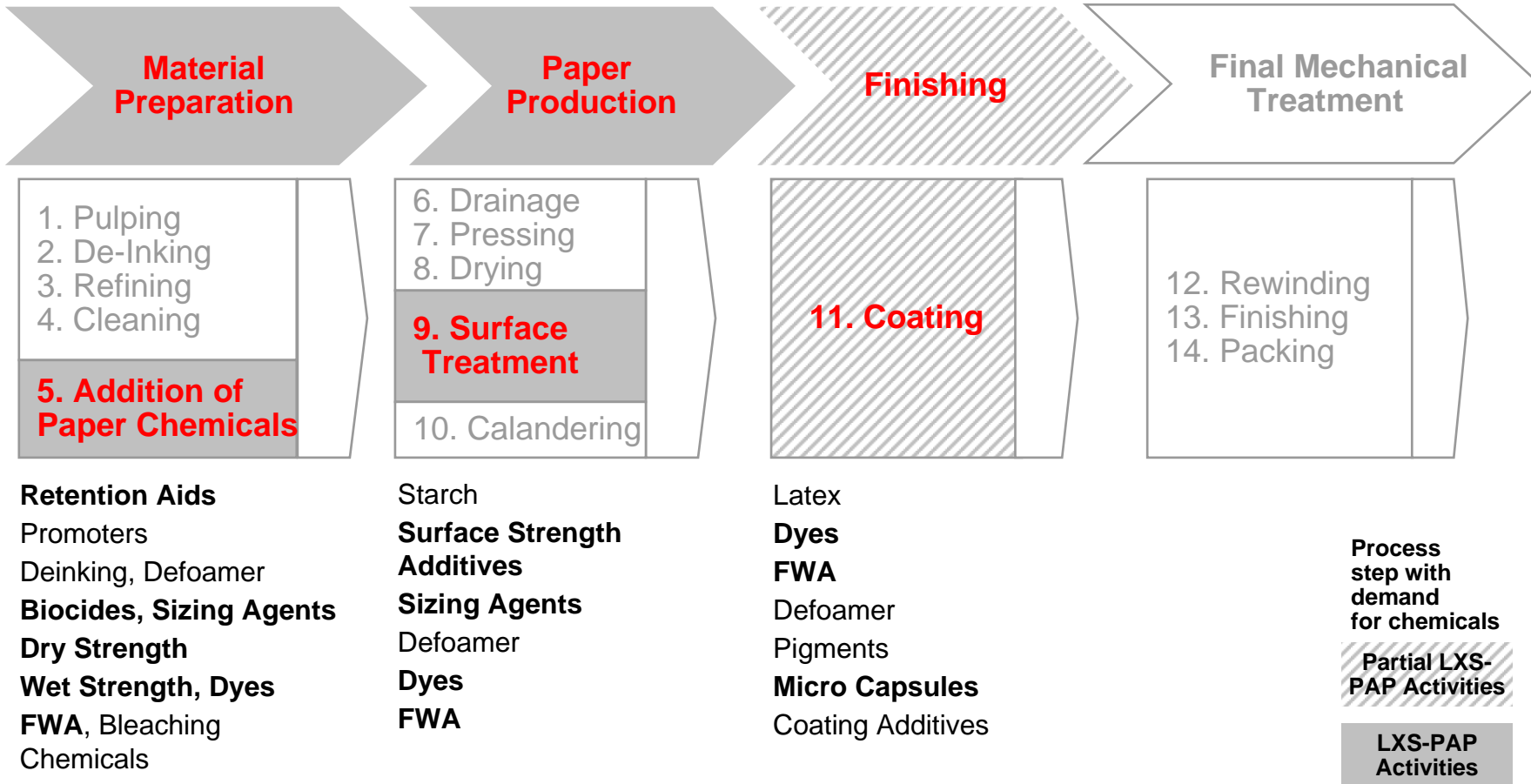
Products

- Fluorescent Whitening Agents: BLANKOPHOR®
- Dyestuffs: LEVACELL®, PONTAMINE® ASTRA™, VERONA™ Basic
- Pigments: PONOLITH®, HALOPONT™
- Internal Sizing: BAYSIZE® I
- Surface Sizing: BAYSIZE® S
- Strength Additives: BAYSTRENGTH™, NADAVIN™, PAREZ®
- Retention: RETAMINOL®

Main Applications

- Newsprint
- Packaging & Board
- Printing & Writing
- Specialties
- Tissue & Towel

Global producer of paper chemicals largely in two process steps



Paper has leading technology and process expertise in major paper chemicals

Competitive Advantages

- World-scale FWA facility providing cost advantages
- Process expertise results in competitive cost positions
- Technology leadership leading to product innovation
- Broad product portfolio
- Strong position in Dyes and FWAs and in ASA-sizing in North America
- Regional service centres in proximity to customers
- Established global organisation

Challenges

- Continuing price pressure
- Intensifying competition in technical service
- Overcapacities
- Third-party suppliers bypassing role as distributor
- Market consolidation
- Dependence on limited number of suppliers



Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection
Products

Functional Chemicals

Leather

Textile Processing
Chemicals

Paper

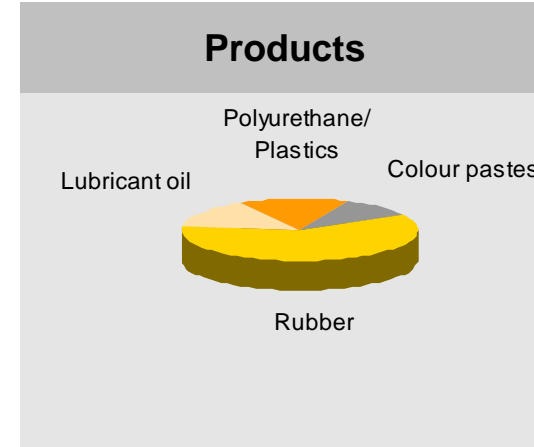
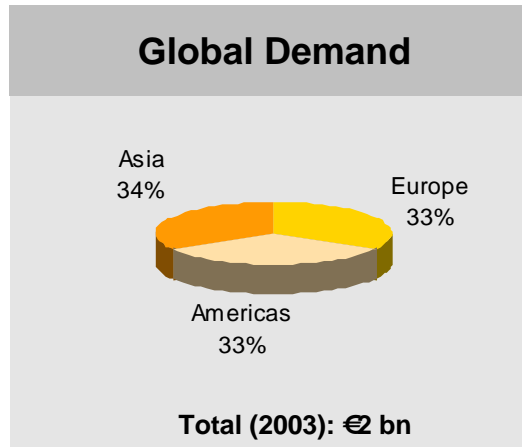
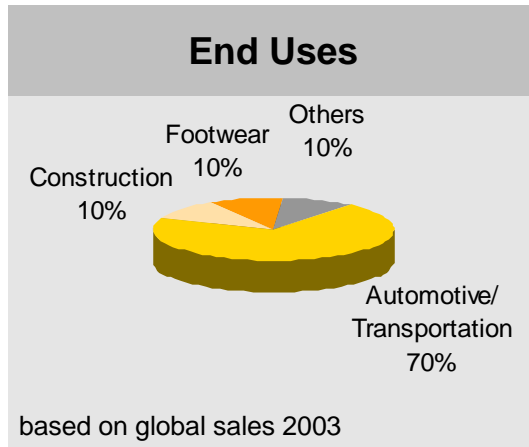
RheinChemie

Rubber Chemicals

Ion Exchange Resins



RheinChemie has strong service and application expertise



Competition

- One of the leading global suppliers of technical services and additives, especially of polymer dispersion chemicals for rubber industries and anti-hydrolysis agents for plastics and polyurethane

Market Development

- Expected sales growth (CAGR 02–05): ~2%
 - LOA: ~1%
 - Rubber: ~2%
 - PU: ~4%
 - iSL: ~5%

Cost/Technology Position

- Regional production in rubber has competitive advantage
- Innovation leader regarding products and services in served market segments

Source: LXS estimates

Strong supplier of diverse product portfolio to the automotive industry

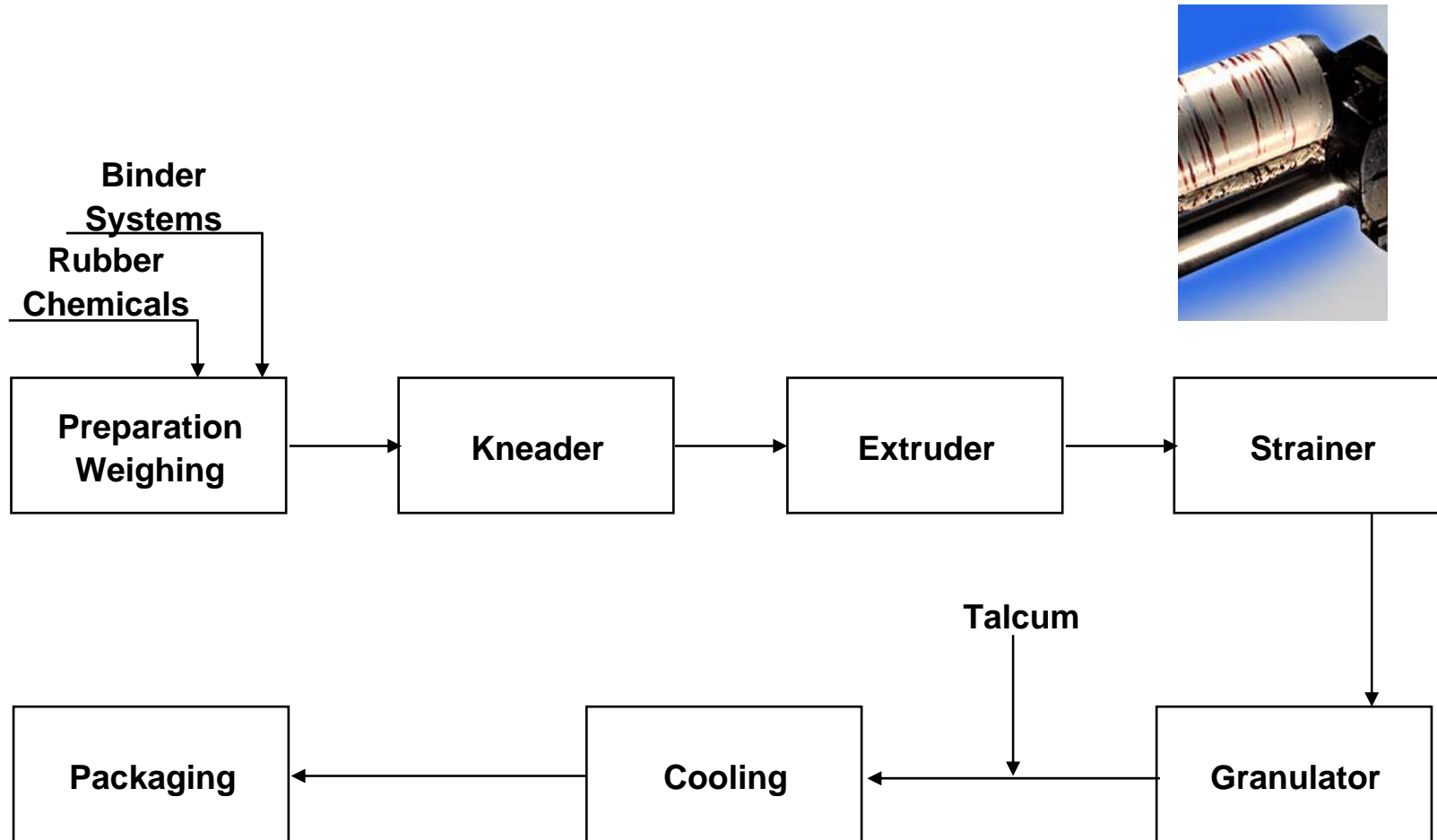
Products

- Polymer-bound chemicals: RHENOGRAN®, Polydispersion
- Processing promoters: AKTIPLAST®, AFLUX®
- Specialty polymers and additives: STABAXOL®, UREPAN™, RHENOBLEND®
- Corrosion inhibitors: ADDITIN™
- Antiozonants: ANTILUX®
- Vulcanisation activators: RHENOFIT®
- Colour pastes & lacquers: ISOPUR™/BAYFLEX™, MOLTOPREN™, ISOTHAN™
- Sulphur carrier and anti-wear agents: ADDITIN™

Main Applications

- Technical rubber goods (e.g. profile, hoses)
- Tyres
- Metalworking fluids
- Hydraulic oils
- Industrial gear oils
- Anti-corrosion inhibitors
- Greases
- Technical plastic additives
- Polyurethane industry
- Polyurethane colour pastes

Polymer-bound chemicals for tailor-made products



Strong technical and R&D know-how with global service network

Competitive Advantages

- Close proximity to customers
- Broad product portfolio in product group Rubber
- Strong global sales and service network
- Positive company image with strong brand
- Strong technical know-how and customer specific product solutions
- Leading capabilities in new product development

Challenges

- Product substitution (replacement of rubber by thermoplastic elastomers)



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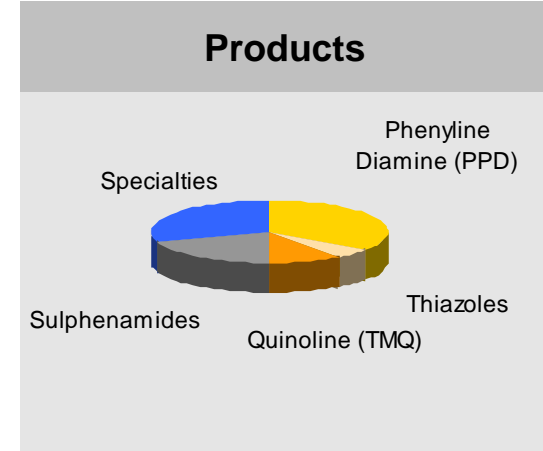
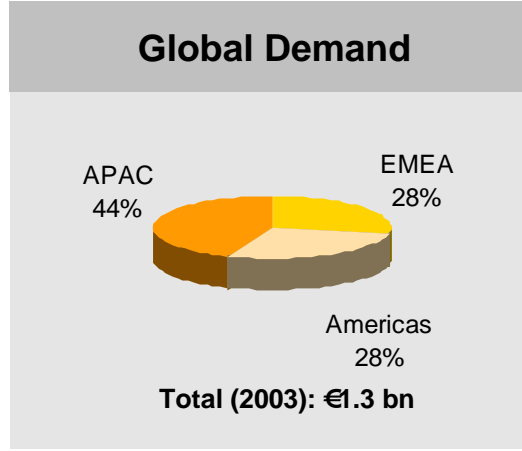
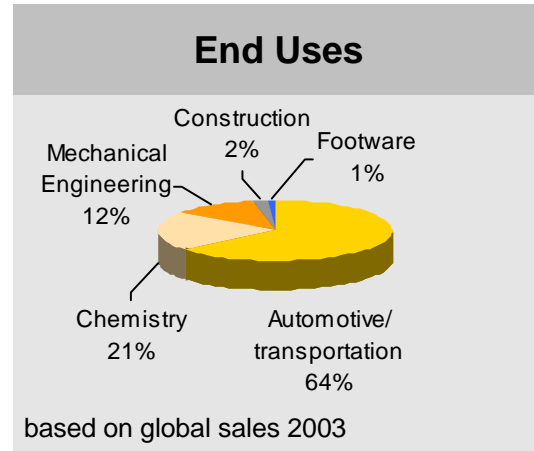
RheinChemie

Rubber Chemicals

Ion Exchange Resins



Rubber chemicals has leading market and technology positions in a challenging market



Competition

1. Flexsys
2. LANXESS
3. Crompton

based on global sales

Source: Freedonia Group, World Rubber Processing Chemicals, September 2002

Market Development

- Overcapacities have led to strong price pressure and caused a significant loss of sales in the industry
- Total or partial exit of competitors already started
- Expected volume growth (CAGR 03–06):
 - ~1% in Europe and North America,
 - ~4% in Asia

Cost/Technology Position

- World-scale plant for accelerators
- Leading technology position

Source: LXS estimates

Broad product portfolio to enhance rubber properties

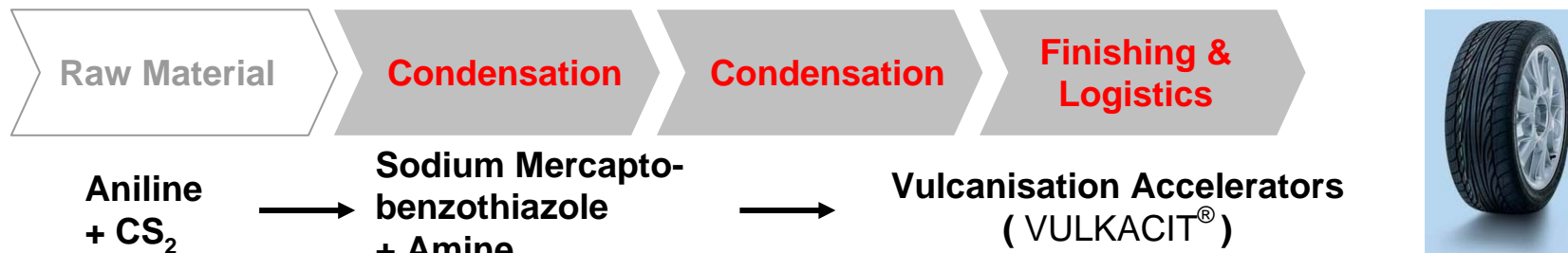
Products

- Accelerators: VULKACIT[®], Zinc Oxide Transparent, ZINKOXYD AKTIV[™]
- Antidegradants: VULKANOX[®]
- Antioxidants: VULKANOX[®]
- Bonding agents: COHEDUR[®]
- Cross Linkers: VULCUREN[®], ZINKOXYD AKTIV[™]
- Curing Agent: Colloidal Sulphur 95
- Emulsifiers: EMULVIN[®]W
- Fillers: VULKASIL[®], ZINKOXYD AKTIV[™], Zinc Oxide Transparent
- Latex Chemicals: Coagulant WS, EMULVIN[®]W
- NaMBT
- Non-Staining Antiozonants: VULKAZON[®]
- Peptising Agents: RENACIT[®]
- Retarders: VULKALENT[®]
- Stabilisers: EMULVIN[®]W
- Synthetic Plasticisers: VULKANOL[™]

Main Applications

- Enhance the mixing and/ or processability of elastomers, blends or their rubber compounds
- Achieve certain properties in the elastomer or the finished rubber article/ latex product, e.g. by means of cross-linking (vulcanisation)
- Protect an end product against effects on its properties or from degradation (e.g. oxidation) under in-service conditions

A leading* producer of rubber chemicals for tyre industry and technical rubber products



Established market positions for broad product portfolio in all relevant global markets

Competitive Advantages

- World-scale plant for accelerators and competitive process lead to cost-based advantage
- Broad product portfolio
- Coverage of all relevant global markets
- Well established market position
- Reputation as provider of high quality products
- Modern production for antidegradants in Europe

Challenges

- Increasing competition from low-cost countries
- Market further moving to Asia



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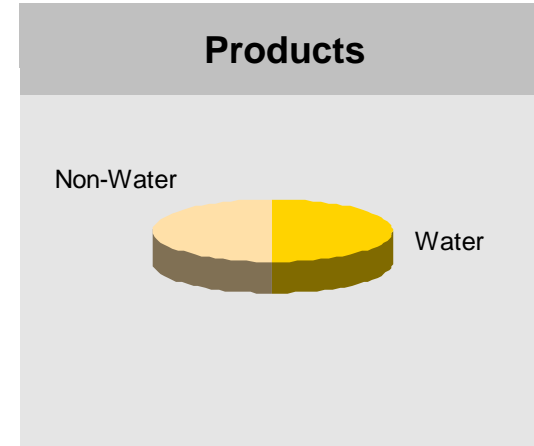
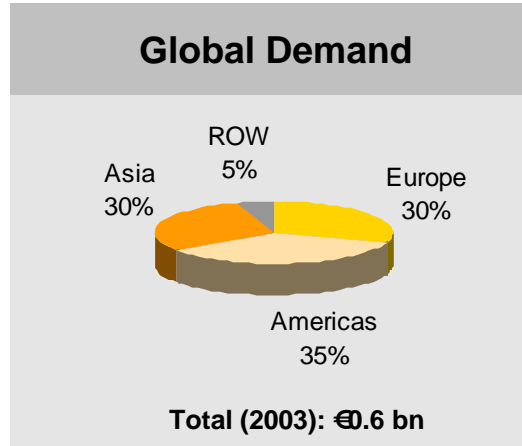
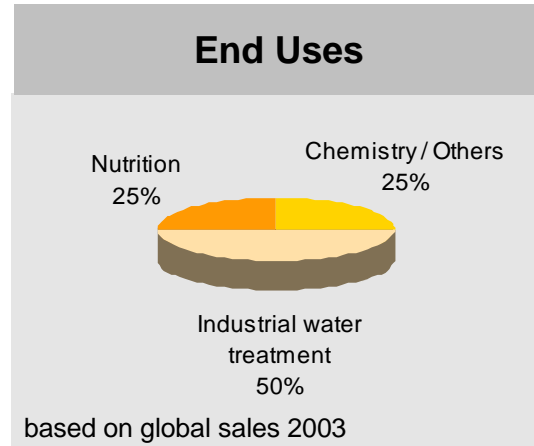
RheinChemie

Rubber Chemicals

Ion Exchange Resins



Ion Exchange Resins has strong market positions



Competition

- Main competitors are: Dow Chemical, Purolite, Mitsubishi Chemical and Rohm & Haas

Market Development

- Expected sales growth (CAGR 03–06): ~2-3%
 - Water: ~1-2%
 - Non-Water: ~4%

Cost/Technology Position

- Competitive cost positions
- Good technological positions in all product groups
- Good international market coverage and customer presence

Source: LXS estimates

Product portfolio serving water, foodstuff and catalysis and chemical processing industry

Products

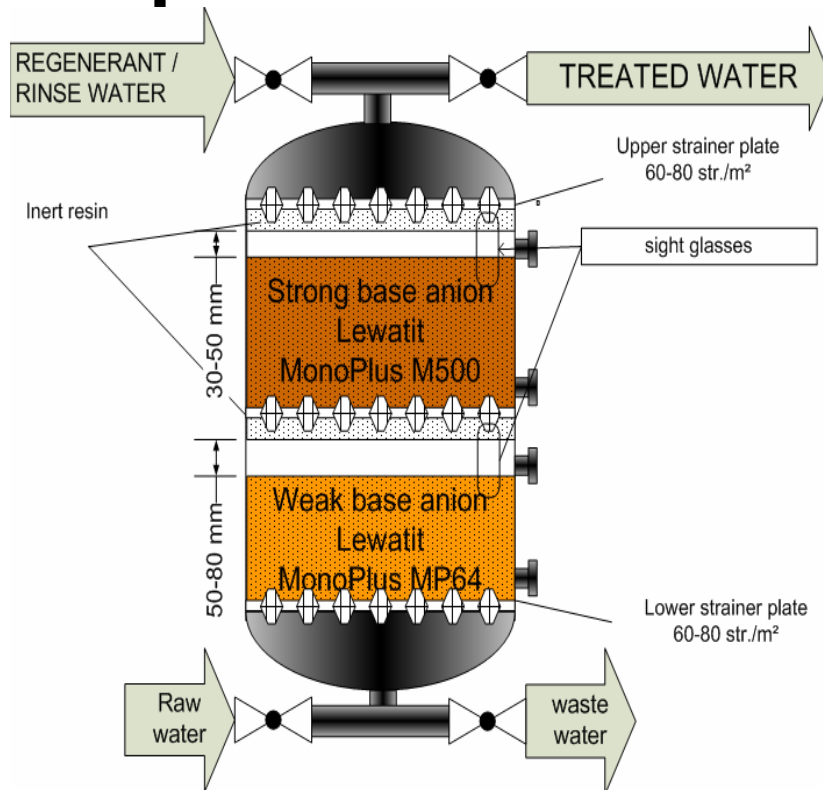
- LEWATIT® as ion exchange resin
- IONAC® as ion exchange resin



Main Applications

- Water:
 - industrial water treatment, potable water, ultrapure water
- Foodstuffs:
 - treatment of solutions for the food production
- Catalysis and chemicals processing:
 - treatment of waste water and process streams in the chemical industry

Setting milestones in industrial water treatment processes



The highly efficient fluidized bed system (as one example) originates from a LANXESS development and is nowadays considered as the standard in modern industrial water demineralisation. The introduction of monodisperse resins of the LEWATIT® MonoPlus kind has allowed to increase the efficiency of such processes even further.

Strong technical and process expertise underpins reputation as a premium quality supplier

Competitive Advantages

- Established market presence and perceived as premium quality supplier
- Process know-how i.e. technology leadership in monodisperse ion exchange resins results in process-based competitive advantage
- Global market presence
- High technical marketing know-how and service expertise

Challenges

- Continuing price pressure for standard products
- Substitution by reverse osmosis (R/O) in water treatment applications
- Shift in competitive landscape due to further consolidation
- Environmental legislation