Business Unit
Butyl Rubber

“In BTR, Rubber Rocks”

Ron Commander
1st LANXESS Investor Conference
September 15, 2006
The Business Unit Butyl Rubber is part of the LANXESS Performance Rubber segment

- BTR is one of 3 Business Units in the Performance Rubber segment
- Sales: > €500 million per year
- Two product groups: Halobutyl and Regular Butyl
- Production sites: Antwerp, Belgium and Sarnia, Canada
- Selling into 45 countries

LANXESS is a leading producer of butyl rubber which is used in a wide range of applications

<table>
<thead>
<tr>
<th>Monomers as raw materials</th>
<th>Polymerization</th>
<th>Halogenation</th>
<th>Finishing &amp; logistics</th>
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</thead>
<tbody>
<tr>
<td>Isobutene &gt; 90%</td>
<td>Regular Butyl Rubber</td>
<td>+ halogen</td>
<td>Halobutyl Rubber</td>
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<tr>
<td>Isoprene &lt; 10%</td>
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</tbody>
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- Tread
- Sidewall
- Cap Ply
- Body Ply
- Inner Liner
- Steel Belt
- Bead Bundle/Edge Cover
Tires are the core application of butyl rubber consuming about 86% of the global supply

Global butyl market demand 2005

- Tires 86%
- Passenger car tires 37%
- Inner tubes* 29%
- Truck/Bus tires 20%
- Others (incl. construction) 4%
- Chewing gum 1%
- Automotive 1%
- Adhesives 3%
- Pharmaceutical 5%

Source: LANXESS Butyl Market Research Study, * Thereof, 47% in Truck/Bus Inner Tubes

Hence tire customers dominate market demand for butyl rubber

- Several Asian companies are growing and entered the top 10 list in 2005
- Asian companies now play a more important role in the tire industry and in our business
- Business is based on annual agreed volumes with quarterly pricing

Source: LANXESS Butyl Market Research Study, * incl. Sumitomo
Halobutyl is the predominant butyl type according to market demand and LANXESS sales

- Halobutyl is the strategic product for LANXESS BU BTR
- From 2010 onwards, we expect an accelerated increase in halobutyl supported by a gradual decrease in regular butyl due to increased radialization, especially in China and India

Source: LANXESS Butyl Market Research Study

Global butyl capacities are primarily located in Europe and North America

Source: LANXESS Butyl Market Research Study
The butyl market will grow over the next 15 years and LANXESS expansions will be needed

Key drivers & trends

- Strong tire growth in emerging economies
- Increasing tire sizes (improved tire design)
- Continuous radialization particularly in China and India drives demand for halobutyl rubber

Global market demand

- Greater China: CAGR 5.3%
- India: CAGR 6.0%
- APAC (excl. Gr. China, India): CAGR 1.7%
- EMEA: CAGR 2.2%
- Americas: CAGR 1.6%

Mid-term: Total CAGR: 2.9%

Source: LANXESS Butyl Market Research Study

LANXESS Butyl business moves to Asia

- General Purpose Tire production in the USA fell by 20% from 2000 to 2005*
- A 30% increase in sales to APAC
- APAC is now the most important region for LANXESS Butyl Rubber

Regional distribution of Sales

2004

- Americas
- APAC
- EMEA

2006

- Americas
- APAC
- EMEA

Addressing market needs, LANXESS expands its butyl plants

- Antwerp (Belgium)
  - Capacity increase by 10%
  - Expansion in two phases was fully completed earlier this year

- Sarnia (Canada)
  - Capacity increase by 42%
  - Expansion steps are currently under way and will be completed in 2007

- Total capacity increase of 25% to 265 kt per year by 2007 at a cost of ~€50 M
- Significant positive effect on EBITDA*
- Possibility of further debottlenecking at both plants will allow for a fast reaction to market needs

Source: LANXESS Butyl Market Research Study; * pre exceptionals

Butyl Rubber is well prepared for growth in the market

- **Strong Market Position**: LANXESS is one of the leaders in a growing market, particularly in Asia
- **World-scale Assets**: Strong asset base with two world-scale plants
- **Strategic Product Portfolio**: Halobutyl is the strategic product of LANXESS, new product developments are underway
- **Profitable Growth**: Butyl Rubber is increasing capacities at its existing plants to meet rising demand
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