Safe Harbour Statement

This Presentation contains certain forward-looking statements, including assumptions, opinions and views of the Company or cited from third party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of the company to differ materially from the estimations expressed or implied herein. The company does not guarantee that the assumptions underlying such forward looking statements are free from errors nor do they accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments.

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January 31, 2005 was an historic day for LANXESS. The first day of the company being traded at the Frankfurt Stock Exchange signified the beginning of the company's independence. The foundations for the future success of LANXESS were laid - 142 years after Bayer was established in 1863.

A Young Company with Strong Roots

Decision made on the strategic reorganization of the Bayer Group
Presentation of brand strategy and "Energizing Chemistry" claim
Approval by Bayer AG’s Supervisory Board of the decision to spin-off LANXESS
Extraordinary Stockholders’ Meeting of Bayer AG - acceptance of spin-off by Bayer’s shareholders


LANXESS created from a combination of the words "lancer" (to launch) and "success"
Internal launch of LANXESS with its new structure
Extraordinary Stockholders’ Meeting of Bayer AG - acceptance of spin-off by Bayer’s shareholders

We have Achieved a Lot in 2005 And Keep Going With High Speed

Targeted implementation of corporate strategy enabled LANXESS to distinctly improve its performance as an independent company, even in its first year – future focus areas include acquisitions as well as further increases in profitability.
A Chemical Company with 4 Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales</th>
<th>EBITDA pre exc.:</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Rubber</td>
<td>€1,678 m</td>
<td>€214 m</td>
</tr>
<tr>
<td></td>
<td>Plastic</td>
<td>€1,737 m</td>
<td>€66 m</td>
</tr>
<tr>
<td></td>
<td>Chemical</td>
<td>€1,535 m</td>
<td>€211 m</td>
</tr>
<tr>
<td></td>
<td>Chemical</td>
<td>€1,977 m</td>
<td>€212 m</td>
</tr>
<tr>
<td>Reconciliation/Corporate Segment</td>
<td>Sales: €223 m</td>
<td>EBITDA pre exc.: €-122 m</td>
<td>Employees: 3,588</td>
</tr>
</tbody>
</table>

Global technology leaders in synthetic rubber production, offering a broad and innovative portfolio of products, that hold leading positions on the international market.

One of the world's leading players in the field of polymers. Principal applications for these materials are in household goods, automotive and electrical engineering, electronics and medical equipment.

LANXESS’s Chemical Intermediates is among the world's leading suppliers of basic chemicals, fine chemicals and inorganic pigments.

This segment combines all the group’s application-oriented activities in the field of specialty chemicals. With strong brands LANXESS rank among the world’s leading producers.

LANXESS - a Global Player in the Chemical Industry

Global presence

Assets by region
- Americas: 25%
- EMEA without Germany: 21%
- Asia: 8%
- Germany: 46%

Sales by region
- Americas: 27%
- Europe: 21%
- EMEA without Germany: 35%
- Asia: 17%

Employees by regions
- Americas: 20%
- Europe: 52%
- EMEA without Germany: 18%
- Asia: 10%
LANXESS uses a centrally managed global procurement organization to ensure a reliable supply of materials and services. About 30% of all items ordered are now handled through e-procurement. Procuring petrochemical raw materials is a top priority at LANXESS. The biggest suppliers here in 2005 included BP, Chevron Phillips, Dow, Exxon Mobil, Huntsman, Ineos, Innoven, Lyondell, Shell Chemicals and Total. Other important suppliers of basic inorganic and organic chemicals are BASF, Bayer, Degussa and Rhodia.

**Top 10 Petrochemical Raw Materials 2005 in € million**

- 1,3-Butadiene
- Styrene monomer
- Acrylonitrile
- Cyclohexane
- C4 Raffinate 1
- Toluene
- Isobutylene
- Ethylene
- Benzene
- n-Butane

LANXESS Group – Overview

**Broad Supplier Base**

The LANXESS Group’s top five customers accounted for about 14% of all sales in fiscal 2005. 18 customers account for sales of between €20 million and €50 million. About 15,000 LANXESS customers contribute sales of up to €100,000. The number of customers varies widely by segment. The Performance Rubber segment has some 2,000 customers, Engineering Plastics has about 4,000, Chemical Intermediates has more than 7,000, and Performance Chemicals has about 14,000. However, one customer may do business with more than one segment. Each segment includes all customer groups and sales volumes.
Long Term Incentive Program: Stock Performance Plan (SPP) and Economic Value Plan (EVP)

- **Condition to participation:** Personal investment (40% of one annual fixed salary in three tranches*)

- **Stock Performance Plan (SPP)**
  - Benchmark: Outperformance of the DJ Global STOXX 600 Chemicals Index (index+10%; 100% targeted payout, index+20%; cap at 150%)
  - Targeted payout*: 90% of total annual salary (fixed and variable)
  - Vesting period: 3 years, following 2 years of exercise period for each of three tranches
  - Grant price: €15.01 for 1st tranche; €26.03 for 2nd tranche; 3rd tranche will be determined in February 2007

- **Economic Value Plan (EVP)**
  - Benchmark: Increase of Economic Value over three years versus business plan
  - Economic Value = EBITDA * Multiplier - net nebt
  - (100% vs. budget: 100% targeted payout; cap at 200%)
  - Targeted payout*: 40% of one total annual salary (fixed and variable)
  - Vesting period: automatic exercise after 3 years

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

Summary of Key Financials

<table>
<thead>
<tr>
<th>Lanxess Group – Overview</th>
<th>Summary of Key Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LANXESS</strong></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>6,315</td>
</tr>
<tr>
<td>EBITDA pre exc.</td>
<td>311</td>
</tr>
<tr>
<td>EBITDA pre exc. / Sales</td>
<td>4.9%</td>
</tr>
<tr>
<td>Net income</td>
<td>-967</td>
</tr>
<tr>
<td>Net financial debt*</td>
<td>1,429</td>
</tr>
<tr>
<td>Working capital*</td>
<td>1,512</td>
</tr>
<tr>
<td>Capex</td>
<td>312</td>
</tr>
<tr>
<td>Number of Employees*</td>
<td>20,423</td>
</tr>
</tbody>
</table>

* as per 31.12

2005-2004 figures are based on Spin-off Combined Financial Statements

**Sales by Segment 2005**

- Chemicals: 25%
- Chemical Intermediates: 22%
- Performance Plastics: 25%
- Performance Rubber: 24%
- Engineering Plastics: 9%
- Engineering: 9%

**EBITDA by Segment 2005**

- Chemicals: 30%
- Chemical Intermediates: 30%
- Performance Plastics: 25%
- Performance Rubber: 24%
- Engineering Plastics: 9%
- Engineering: 9%
**LANXESS Group**
- Performance Rubber
- Engineering Plastics
- Chemical Intermediates
- Performance Chemicals

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**Overview**

**Strategy**

**Financials FY 2005**

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**LANXESS at the Time of the Spin-off – Build on Polymers and Chemicals**

**Bayer 2003**

---

**Spin-off: A new company**

**LANXESS**

**Performance Rubber**
- Butyl Rubber (BTR)
- Polybutadiene Rubber (PBR)
- Technical Rubber Products (TRP)

**Chemical Intermediates**
- Basic Chemicals (BAC)
- Fine Chemicals (FCH)
- Inorganic Pigments (IPG)

**Engineering Plastics**
- Styrenic Resins (STY)
- Semi-Crystalline Products (SCP)
- Dorlastan Fibers (FIB)

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

---

**Independence. Restructuring. Portfolio Management.**
Lanxess Group - Strategy

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

**Profitability split 2004 vs. 2005**

<table>
<thead>
<tr>
<th>EBITDA* margin</th>
<th>€6.8 bn</th>
<th>€7.2 bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;10%</td>
<td>30%</td>
<td>45%</td>
</tr>
<tr>
<td>5-10%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>&lt;5%</td>
<td>40%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Profitable share of sales considerably increased
Unprofitable share of sales greatly reduced

* EBITDA pre exceptionals

Overall Performance Still Below Average

**EBITDA* margin 2004**

- **LANXESS**: 6.6%
- **Degussa**: 14.6%
- **DSM**: 13.1%
- **Cabot**: 8.4%

**EBITDA* margin 2005**

- **LANXESS**: 8.1%
- **Degussa**: 16.0%
- **DSM**: 13.5%
- **Cabot**: 9.8%

Source: Annual Reports
* EBITDA pre exceptionals
Step-by-Step Approach to Creating Value

<table>
<thead>
<tr>
<th>EBITDA* margin</th>
<th>Short-term</th>
<th>Mid-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 10%</td>
<td></td>
<td></td>
<td>4. Acquisitions</td>
</tr>
<tr>
<td>9-10%</td>
<td></td>
<td></td>
<td>3. Portfolio adjustments</td>
</tr>
<tr>
<td>&lt; 5%</td>
<td>1. Performance improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Targeted restructuring</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Selective organic growth in profitable businesses

* EBITDA pre exceptionals

Lanxess Group - Strategy

Growth through Investment and Innovation

2005

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

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

Selective organic growth in profitable businesses
Consistent Strategy Implementation

2005

First portfolio adjustments accomplished
- Paper and Fibers business units and iSL-Chemie divested to strategic investors

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

Immediate performance improvement
- Rigorous cost management and resource allocation
- "Price before volume" strategy
- Avoidance of unprofitable business

Selective organic growth in profitable businesses
Costs
- < 5 %
- 5 - 10 %
- > 10 %

Portfolio Adjustments as Part of Transformation

Performance Rubber
- Butyl Rubber
- Polybutadiene Rubber
- Technical Rubber Products

Engineering Plastics
- Lustran Polymers / Styrenic Resins
- Semi-Crystalline Products
- Fibers

Chemical Intermediates
- Basic Chemicals
- Saltigo / Fine Chemicals
- Inorganic Pigments

Performance Chemicals
- Material Protection Products
- Functional Chemicals
- Leather
- Textile Processing Chemicals
- Paper
- RheinChemie
- iSL
- Rubber Chemicals
- Ion Exchange Resins

Sales:
- > € 500 m
- € 200 m – 500 m
- < € 200 m

Until September 2006 two business units and the iSL business have been divested, representing sales of approximately €350 m in 2005
LANXESS Group
Performance Rubber
Engineering Plastics
Chemical Intermediates
Performance Chemicals

Overview
Strategy
Financials FY 2005

Independence and Restructuring Contribute to Better Performance Amid Supportive Demand

<table>
<thead>
<tr>
<th>($m)</th>
<th>FY 2004</th>
<th>FY 2005</th>
<th>Δ in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6,773</td>
<td>7,150</td>
<td>6%</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>-5,349</td>
<td>-5,537</td>
<td>4%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>-1,144</td>
<td>-1,148</td>
<td>0%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>-123</td>
<td>-101</td>
<td>-18%</td>
</tr>
<tr>
<td>Other op. result</td>
<td>-98</td>
<td>-336</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>thereof exceptionals</td>
<td>-99</td>
<td>-304</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>EBIT</td>
<td>59</td>
<td>28</td>
<td>-53%</td>
</tr>
<tr>
<td>Net Income</td>
<td>-12</td>
<td>-63</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>387</td>
<td>341</td>
<td>-12%</td>
</tr>
<tr>
<td>thereof exceptionals</td>
<td>-60</td>
<td>-240</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>447</td>
<td>581</td>
<td>30%</td>
</tr>
</tbody>
</table>

- Price increases (+8%) and marginally stronger U.S. Dollar offset slightly lower volumes (-3%)
- Other operating result includes exceptionals such as charges for restructuring ($166 m), portfolio changes ($27 m) and anti-trust ($71 m)
- Majority of restructuring charges booked in 2005

Significant improvement in underlying profitability
First Year of Independence: We Delivered on Promises

- Sales increased on risen pricing due to higher raw material costs, despite “price-before-volume” strategy being implemented
- Overall increased earnings on improved pricing and cost initiatives in a supportive economic environment

Consistently risen EBITDA pre exceptionals in all business segments

Financing Structure Significantly Improved while Transforming the Company

- Financing structure solid and long-term
- Net financial debt reduced from €1,135 million to €680 million
- Net debt to EBITDA pre exceptionals ratio improved from 2.5x to 1.2x
- …and we pay less interest
## Balance Sheet Reflects Solid Structure

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2004 (€ m)</th>
<th>Dec 31, 2005 (€ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>65</td>
<td>53</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>1,521</td>
<td>1,526</td>
</tr>
<tr>
<td>Equity Investments</td>
<td>44</td>
<td>22</td>
</tr>
<tr>
<td>Other Investments</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Financial assets</td>
<td>53</td>
<td>48</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>172</td>
<td>103</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>129</td>
<td>79</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,988</td>
<td>1,835</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>1,151</td>
<td>1,068</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td>1,137</td>
<td>1,065</td>
</tr>
<tr>
<td>Financial assets</td>
<td>24</td>
<td>37</td>
</tr>
<tr>
<td>Other current assets</td>
<td>205</td>
<td>200</td>
</tr>
<tr>
<td>Liquid assets</td>
<td>72</td>
<td>136</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>2,589</td>
<td>2,506</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>4,577</td>
<td>4,341</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2004 (€ m)</th>
<th>Dec 31, 2005 (€ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stockholders’ equity</strong></td>
<td>1,365</td>
<td>1,256</td>
</tr>
<tr>
<td>thereof Minority interest</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td>878</td>
<td>1,576</td>
</tr>
<tr>
<td>Pension &amp; post empl. provisions</td>
<td>418</td>
<td>497</td>
</tr>
<tr>
<td>Other provisions</td>
<td>230</td>
<td>302</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>131</td>
<td>644</td>
</tr>
<tr>
<td>Tax liabilities</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>55</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>1,888</td>
<td>3,032</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>225</td>
<td>401</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>1,076</td>
<td>172</td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>820</td>
<td>694</td>
</tr>
<tr>
<td>Tax liabilities</td>
<td>18</td>
<td>27</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>195</td>
<td>215</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>2,334</td>
<td>1,509</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Equity</strong></td>
<td>4,577</td>
<td>4,341</td>
</tr>
</tbody>
</table>

---

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

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

* Working Capital = Inventories plus trade accounts receivable less trade accounts payable.

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

Excess cash has been used to reduce net financial debt.
Focus on Working Capital Management

Started to Pay Off in H2 2005

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

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

Lanxess Group – Financials FY 2005

New Hedging Policy - Increased Stability Achieved

- Status at spin off:
  - Policy in place not appropriate for nature of business
  - Risk assessment lacks close cooperation between procurement, businesses and treasury
  - No group-wide treasury controlling in place

- Status today:
  - Significantly reduced exposure to FX and energy price fluctuations
  - Increased stability

Example: Hedging of Foreign Currencies

Lanxess has exposure to four main foreign currencies:
- US$, Can$, Yen, SA Rand
- Total US$ exposure ~€700 m

Conservative, rolling hedging approach:
- Each month, forecasted cash flows of the next 36 months are hedged to a certain extent in a layered approach in order to smooth volatilities
- Instruments used are forwards, and zero cost options

For 2006, ~70% of the net exposure are hedged, for 2007, ~35% are already locked in.
Credit Ratings - Increasing Trust and Stability

**Investment grade rating improved**

- Fitch Ratings
  - Initiated in May 2006 as unsolicited rating: BBB (stable outlook)

- Moody’s Investors Service
  - Initiated in May 2005: Baa3 (stable outlook), confirmed in June 2006, outlook raised to positive

- Standard & Poor’s
  - Initiated in October 2004: BBB- (stable outlook), confirmed in May 2006, outlook raised to positive

**First BBB rating with stable outlook underpins transformation success**

---

**Performance Rubber**

LANXESS has many years of experience with rubber and rubber chemicals. Back in 1909, synthetic rubber was invented and patented by the forerunners of the present-day Performance Rubber segment.

The segment comprises three business units:

- Butyl Rubber (BTR)
- Polybutadiene Rubber (PBR)
- Technical Rubber Products (TRP)
Fact Book 2006

Performance Rubber – Structure

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

Summary of Key Financials

Performance Rubber

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,375</td>
<td>1,431</td>
<td>1,678</td>
</tr>
<tr>
<td>EBITDA pre exc.</td>
<td>36</td>
<td>123</td>
<td>214</td>
</tr>
<tr>
<td>EBITDA pre exc. / Sales</td>
<td>2.6%</td>
<td>8.6%</td>
<td>12.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>4</td>
<td>111</td>
<td>171</td>
</tr>
<tr>
<td>Depr. &amp; Amort.</td>
<td>250</td>
<td>61</td>
<td>63</td>
</tr>
<tr>
<td>EBIT</td>
<td>-246</td>
<td>50</td>
<td>108</td>
</tr>
<tr>
<td>Capex</td>
<td>78</td>
<td>76</td>
<td>75</td>
</tr>
<tr>
<td>Number of Employees*</td>
<td>2,999</td>
<td>3,163</td>
<td>3,119</td>
</tr>
</tbody>
</table>

*as of Dec 31

2003-2004 figures are based on Spin-off Combined Financial Statements

Sales by Business Unit 2005

- TRP: 1,431
- BTR: 1,679
- PBR: 1,679

FY 2004 Price Volume Currency FY 2005 (approximate numbers)
World-Class European and North American Manufacturing Base

- Butyl Rubber
  - Zwijndrecht, Belgium
  - Sarnia, Canada

- Polybutadiene Rubber
  - Port Jerome, France
  - Dormagen, Germany
  - Orange TX, USA

- Technical Rubber Products
  - La Wantzenau, France
  - Dormagen, Leverkusen, Marl, Germany
  - Sarnia, Canada
  - Orange TX, USA

---

Performance Rubber – Strategic Statements

Turning Strong Market Position Into Value

- Behave as a market leader in rubber
- Stronger participation in Asian growth
- Realize significant cost advantages through concentration on world-scale plants
- More cost-efficient set-up after restructuring
- Selective expansion for promising sub-segments
- Development of non automotive / non tyre markets and rubber specialty segments
Overview

**Performance Rubber**
- Butyl Rubber (BTR)
- Polybutadiene Rubber (PBR)
- Technical Rubber Products (TRP)

**Engineering Plastics**
- Chemical Intermediates
- Performance Chemicals

**Financials**

---

**Butyl Rubber (BTR)**
- Polybutadiene Rubber (PBR)
- Technical Rubber Products (TRP)

---

**Performance Rubber – Butyl Rubber**

**Strong Market & Technology Position as Basis to Participate in Attractive Growth Areas**

**Global Demand**
- EMEA 25%
- APAC 46%
- AMERICAS 29%

Total (2005): €1.8 bn

Source: LXS estimates

**Market Development**
- Based on currently installed capacities, constraints or even shortages likely mid-term
- The overall CAGR (05-10) is assumed to be 2.9 %
  - North America ~1.2%
  - Europe ~2.1%
  - Asia ~4.4%

**End Uses**
- Adhesives
- Automotive Engine Mounts
- Chewing Gum
- Construction
- Pharma

Based on BU sales 2005

**Cost/Technology Position**
- Cost efficiency due to world-scale plants
- One of two major producers of halobutyl rubber

**Competition**
- Competitors are:
  - ExxonMobil Chemical
  - Nizhnekamskneftekhkim
  - Togliattkauchuk (Sibur Holding)
  - Sinopec (Beijing Yihua)
- LANXESS ranks second globally

**Products**
- Regular Butyl Rubber
- Halobutyl Rubber

---

Source: LXS estimates, based on volume terms
Tyres are the Main Applications for Butyl Rubber

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Halobutyl Rubber</strong></td>
<td>• Tyre inner-liners</td>
</tr>
<tr>
<td>- CHLOROBUTYL ®</td>
<td>• Pharmaceutical stoppers</td>
</tr>
<tr>
<td>- BROMOBUTYL ®</td>
<td>• Inner-tubes for tyres</td>
</tr>
<tr>
<td><strong>Regular Butyl Rubber</strong></td>
<td>• Tyre curing bladders / envelopes</td>
</tr>
<tr>
<td>- BUTYL ®</td>
<td>• Chewing gum</td>
</tr>
</tbody>
</table>

A Leading Producer of Butyl and Halobutyl Rubber

- Isobutene > 90 %
- Isoprene < 10 %

Polymerisation → Halogenation → Finishing & Logistics

Monomers as Raw Materials

 dentro de 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
- Strong infrastructure in APAC

Challenges
- Increasing Asian and Russian competition
- Change of Air-Retention-Technology is a potential threat

Overview
- Performance Rubber
- Engineering Plastics
- Chemical Intermediates
- Performance Chemicals
- Financials

Butyl Rubber (BTR)
Polybutadiene Rubber (PBR)
Technical Rubber Products (TRP)
Leading Market Positions and World-Scale Plants in Important Markets

Global Demand

- AMERICAS 31%
- EMEA 20%
- APAC 40%

Total (2005): € 4.5 bn

Source: LXS estimates

Market Development

- Capacity expected to grow below market growth
- Expected volume growth (CAGR 05–10):
  - Americas 0%
  - Europe ~2%
  - Asia ~5%

Cost/Technology Position

- Only player in merchant market with production sites in two regions
- World-scale plants with advantageous scale in finishing

End Uses

- Technical Rubber
  - Goods 7%
  - Golf balls 1%
- Plastics 25%
- Automotive/Tyre 69%

Based on BU sales 2005

Source: LXS estimates

Competition

1. LANXESS
2. Sinopec
3. Michelin/ASRC
4. Goodyear
5. Firestone

LXS estimates, based on volume terms

Performance Rubber – Polybutadiene Rubber

Automotive and Tyre Industries are the Main Customers of Polybutadiene

Products

- **Solution Styrene-Butadiene Rubber (S-SBR)**
  - Buna™ VSL
  - Buna™ BL

- **Polybutadiene Rubber (PBR)**
  - Buna™CB
  - Taktene ®

Main Applications

- Tyre treads, e.g. low-rolling-resistance tyre
- Tyre sidewalls
- Plastics modification (HIPS, ABS)
- Golf balls
- Shoe soles
One of the World's Major Suppliers

Butadiene → Polybutadiene Rubber

Monomers as Raw Materials → Polymerisation → Finishing & Logistics

Performance Rubber – Polybutadiene Rubber

Broad and Innovative Product Portfolio Combined with Excellent Reputation

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Broad and innovative product portfolio offered to both tyre manufacturers and plastic producers</td>
<td>▪ Compete with purchasing power of concentrated and backward integrated customers</td>
</tr>
<tr>
<td>▪ Strategic focus on high performance products</td>
<td>▪ React on customer expansion into Asia leading to:</td>
</tr>
<tr>
<td>▪ Only player in the merchant market covering 2 regions with modern, cost efficient world scale production sites located close to customers</td>
<td>▪ Tyre capacity inflation</td>
</tr>
<tr>
<td>▪ Scale advantages</td>
<td>▪ Price pressure in tyre market</td>
</tr>
<tr>
<td>▪ Strategic raw material (butadiene) is secured structurally</td>
<td></td>
</tr>
<tr>
<td>▪ Reputation with customers for reliable performance and delivery</td>
<td></td>
</tr>
<tr>
<td>▪ Consolidation of polybutadiene rubber from four to three lines in Orange, Texas due to increase in productivity and flexibility</td>
<td></td>
</tr>
</tbody>
</table>
Overview

Performance Rubber

Butyl Rubber (BTR)
Polybutadiene Rubber (PBR)

Engineering Plastics

Technical Rubber Products (TRP)

Chemical Intermediates

Performance Chemicals

Financials

Performance Rubber – Technical Rubber Products

Leading Market Positions, State-of-the-Art Technology and World-Scale Plants

Global Demand

Market Development

- For EPDM and NBR price pressure expected to slow down as supply and demand narrowing
- Expected volume growth (CAGR 05–10): ~3%
  - CR: ~1%
  - EPDM: ~3%
  - NBR: ~2%
  - HNBR: ~3%
  - EVM: ~3%
- State-of-the-art process technology
- Attractive cost position due to world-scale plants
- High innovation potential in HNBR (e.g. Therban AT) and EVM

End Uses

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) and EVM

Products

1. LANXESS
2. Nippon Zeon
3. Polimeri Europa
4. DSM
5. JSR

Competition

Source: Lanxess estimates
Source: LXS estimates
Source: LXS estimates, based on volume terms

Americas 31%
APAC 22%
EMEA 32%
Total (2005): €2.95 bn

Footwear 15%
Automotive 46%
Mechanical Engineering 15%
Electrical/Electronics 4%
Construction 5%
Others 12%
Plastics 3%

Based on BU sales 2005

Footwear 15%
Automotive 46%
Mechanical Engineering 15%
Electrical/Electronics 4%
Construction 5%
Others 12%
Plastics 3%

Based on BU sales 2005

Footwear 15%
Automotive 46%
Mechanical Engineering 15%
Electrical/Electronics 4%
Construction 5%
Others 12%
Plastics 3%

Based on BU sales 2005
### Focus on Non-Tyre Applications

#### Products
- Chloroprene rubber (CR): BAYPREN®
- Nitrile-butadiene rubber (NBR): KRYNAC®, PERBUNAN®
- Ethylene-propylene diene rubber (EPDM): BUNA™ EP
- Hydrogenated nitrile-butadiene rubber (HNBR): THERBAN®
- Ethylene-vinyl acetate rubber (EVM): LEVAPREN®, LEVAMELT®
- Emulsion styrene-butadiene rubber (E-SBR): KRYLENE®

#### 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, cables)

---

### A Leading Supplier of Specialty Elastomers for the Rubber Industry

<table>
<thead>
<tr>
<th>Monomers as Raw Materials</th>
<th>Chlorination (in case of CR)</th>
<th>Polymerisation</th>
<th>Hydrogenation (in case of HNBR)</th>
<th>Finishing &amp; Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butadiene + acrylonitrile</td>
<td>Nitrile-butadiene rubber (NBR)</td>
<td>Chloroprene monomer</td>
<td>Hydrogenated nitrile-butadiene rubber (HNBR)</td>
<td>(Poly-) chloroprene rubber (CR)</td>
</tr>
<tr>
<td>Butadiene + chlorine</td>
<td>Ethylene-propylene diene rubber (EPDM)</td>
<td>Styrene-butadiene rubber (E-SBR)</td>
<td>Ethylene-vinylacetate rubber (EVM)</td>
<td></td>
</tr>
</tbody>
</table>
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
- Broad customer basis
- Strong position in premium EVM and HNBR segments
- Strong innovation capability and promising new product pipeline

Challenges

- Pass through of raw material price increases
- Market consolidation and migration to Asia
- Substitution by alternative rubber materials
- Strengthen position as innovation-driven supplier for the rubber industry

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Financials

Engineering Plastics

LANXESS Plastics are noted for their outstanding quality. The portfolio covers numerous products and innovative system solutions all over the world.

After the divestment of the BU Fibers in Q1 2006 the segment now comprises two business units:

Lustran Polymers (LUP)

Semi-Crystalline Products (SCP)
Engineering Plastics is a Leading Provider of Thermoplastic 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
- Committed to the development of products and new applications

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

Engineering Plastics – Structure

Engineering Plastics – Financials

Summary of Key Financials

<table>
<thead>
<tr>
<th>Engineering Plastics</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,401</td>
<td>1,722</td>
<td>1,737</td>
</tr>
<tr>
<td>EBITDA pre exc.</td>
<td>22</td>
<td>49</td>
<td>66</td>
</tr>
<tr>
<td>EBITDA pre exc. / Sales</td>
<td>1.6%</td>
<td>2.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>-14</td>
<td>49</td>
<td>66</td>
</tr>
<tr>
<td>Depr. &amp; Amort.</td>
<td>474</td>
<td>37</td>
<td>56</td>
</tr>
<tr>
<td>EBIT</td>
<td>-468</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Capex</td>
<td>85</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Number of Employees*</td>
<td>3,658</td>
<td>3,652</td>
<td>3,479</td>
</tr>
</tbody>
</table>

*as of Dec 31

Sales by Business Unit 2005

- LUP
- FIB
- SCP

<table>
<thead>
<tr>
<th>FY 2004 Price</th>
<th>Volume</th>
<th>Currency</th>
<th>FY 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,722</td>
<td>-4%</td>
<td>-1%</td>
<td>1,737</td>
</tr>
</tbody>
</table>

(approximate numbers)
Engineering Plastics has Manufacturing Facilities in all Important Regions

- Antwerpen, Belgium
- Krefeld/Uerdingen, Germany
- Wuxi, China
- Hamm-Uentrop, Germany [JV]
- Map Ta Phut, Thailand
- Addyston, USA
- Tarragona, Spain
- Dormagen, Germany
- Vadodara, India
- Dormagen, Germany

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
- Leverage of production chain capabilities
Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Financials

Lustran Polymers (LUP)

Semi-Crystalline Products (SCP)

---

Strong Market Position in Europe, Americas and India

Global Demand

- India: APAC 66%, NAFTA 1%, LATAM 1%, EMEA 20%

Market Development

- Expected global market growth ~5.5% (CAGR 05-10) driven mostly by China and India
- Global capacity increase averages 5% p.a., mainly taking place in China
- Specialty growth rates higher than commodities

End Uses

- Healthcare 2%
- Electronic 31%
- Construction 8%
- Automotive/Transportation 16%
- Others 37%
- Chemical industry 3%
- Sports & Leisure 3%
- Other 31%

Cost/Technology Position

- Assets and technologies are optimised for pre-coloured ABS and specialty grades
- Cost position in Europe and North America is improved through restructuring
- Innovative TRIAX® and CENTREX® technology allows for future value growth

Products

- SAN
- Other
- ABS

Competition

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

Source: LXS estimates

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Fact Book 2006
Key Products Lustran® and Novodur® have Applications in Various Industries

Products
- ABS types: LUSTRAN®, NOVODUR® and ABSOLAC™. The range of grades includes injection moulding grades, extrusion grades and grades that are pre-coloured, heat-resistant, intermediates for PC/ABS, paintable, glass fiber reinforced, improved chemical resistance and medical/food contact compliant.
- SAN types: LUSTRAN® and ABSOLAN™
- PA-ABS blends: TRIAX®
- ASA and AES polymers: CENTREX®

Main Applications
- ABS types: consumer appliances, automotive parts, electrical/electronic products, information technology, construction and medical applications
- SAN types: kitchen and sanitary items, cosmetics packaging, information technology, medical devices and office items.
- PA-ABS blends: automotive industry (interior and exterior car parts) and heavy-duty electrical appliances

Styrenic Resins is Forming a Colourful Difference

Business strategy: Focus on pre-coloured ABS und specialty grades

Strategic focus

Monomers
- Acrylonitrile
- Butadiene
- Styrene

Polymerisation
- SAN + Polybutadiene
- ABS Polymers

Com-pounding / Colouring

Applications

Backward integration

Strategic focus

SAN = Styrene Acrylonitrile Copolymer

SAN = Styrene Acrylonitrile Copolymer
### Engineering Plastics – Lustran Polymers

**Global Manufacturer with Regional Management in Close Proximity to the Customers**

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regional organisation and manufacturing facilities are covering individual market</td>
<td>• High complexity in &quot;small lot&quot; business</td>
</tr>
<tr>
<td>requirements</td>
<td>• General business driven by raw material costs and scale of manufacturing</td>
</tr>
<tr>
<td>• Backward integration into polymerisation enables STY to produce the necessary</td>
<td>• Processes and technologies differ across sites</td>
</tr>
<tr>
<td>building blocks for differentiated grades and specialties</td>
<td>• Migration of injection moulding business to low labour-cost countries (i.e. China)</td>
</tr>
<tr>
<td>• Strong expertise in differentiated and pre - coloured grades supported by technical</td>
<td></td>
</tr>
<tr>
<td>development in all regions ensuring close proximity to customers</td>
<td></td>
</tr>
</tbody>
</table>

---

**Overview**

- Performance Rubber
- **Engineering Plastics**
- Chemical Intermediates
- Performance Chemicals
- Financials

- Lustran Polymers (LUP)
  - Semi-Crystalline Products (SCP)
**Engineering Plastics – Semi-Cristalline Products**

**Leverage Strong Product Expertise Globally**

**Global Demand**
- Europe 34%
- Americas 26%
- APAC 27%
- Total (2005): € 7.0 bn

**Markets Development**
- Expected global market growth by volume ~5% (CAGR 05-10)
- Biggest growth region Asia (China)
- High growth potentials above GDP for thermoplastics based on polyesters and on polyamide

**End Uses**
- Packaging 12%
- Others 13%
- Automotive/Transportation 36%
- Electronics 18%
- Chemistry 6%
- Life Science 6%
- APAC 37%
- Americas 26%
- Europe 34%
- Total (2005): € 7.0 bn

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

**End Uses**
- 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
- Monofilament: mainly paper machine clothing

**Products**
- DURETHAN® A: based on polyamide 6.6
- DURETHAN® B: based on polyamide 6
- POCAN®: based on polyethylene terephthalate (PET) and polyethylene terephthalate (PET)

**Main Applications**
- Glass fibers
- Plastics Intermediates such as Adipic Acid or Caprolactam
- Polyamide-based monofilament products PERLON® and ATLAS®

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

**Source:** LXS estimates based on BU sales 2005
SCP is Increasingly Focussed on Value-added Parts of the Manufacturing Chain

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

Taking Advantage of European Market and Technology Position 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 cyclicality 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
- Established and strong brands
- Image of quality supplier

Challenges
- Increase in raw material prices
- Increase in Asian imports to EU due to favourable exchange rates (weak dollar)

Engineering Plastics:
- Development out of niche positions in Asia-Pacific into market player
Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Financials

Chemical Intermediates

The Chemical Intermediates segment has a comprehensive portfolio of chemical starting materials and intermediate products. Its core competencies lie in research and development and the production and marketing of industrial and fine chemicals. The segment comprises three business units:

- Basic Chemicals (BAC)
- Saltigo (SGO)
- Inorganic Pigments (IPG)

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Financials

Chemical Intermediates – Structure

Multi-Customer Commodities and Custom Manufactured Fine Chemicals

Basic Chemicals

Supplier of:

- Aromatic compounds such as e.g. cresols, chlorobenzenes, chlorotoluenes and nitrotoluenes
- As well as amines, polyols, monoisocyanates, thio products, inorganic acids

Saltigo

A leading company in custom manufacturing focussed on:

- Agrochemicals
- Pharmaceuticals
- Specialties

Inorganic Pigments

A leading global supplier of inorganic pigments with a broad, innovative product range
### Summary of Key Financials

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>1,411</td>
<td>1,487</td>
<td>1,535</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>153</td>
<td>202</td>
<td>211</td>
</tr>
<tr>
<td><strong>EBITDA pre exc.</strong></td>
<td>10.8%</td>
<td>13.6%</td>
<td>13.7%</td>
</tr>
<tr>
<td><strong>EBITDA pre exc. / Sales</strong></td>
<td>10.8%</td>
<td>13.6%</td>
<td>13.7%</td>
</tr>
<tr>
<td><strong>Depr. &amp; Amort.</strong></td>
<td>463</td>
<td>113</td>
<td>82</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>-344</td>
<td>89</td>
<td>129</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>79</td>
<td>89</td>
<td>59</td>
</tr>
<tr>
<td><strong>Number of Employees</strong></td>
<td>4,059</td>
<td>3,819</td>
<td>3,353</td>
</tr>
</tbody>
</table>

*as of Dec 31

2003-2004 figures are based on Spin-off Combined Financial Statements

### Sales by Business Unit 2005

- **IPG**: 1,487 (153%)
- **BAC**: 1,535 (100%)
- **SGO**: 4,059 (100%)

### Chemical Intermediates – Sites

**Chemical Intermediates Relies on a Global Manufacturing Base with Focus in Europe**

- **Inorganic Pigments**
  - Dormagen, Germany
  - Leverkusen, Germany
  - Brunsbüttel, Germany
  - Krefeld/Uerdingen, Germany
  - Porto Feliz, Brazil
  - Starpointe, USA
  - Vilassar de Mar, Spain
  - Shanghai, China
  - Sydney, Australia

- **Basic Chemicals**
  - Dormagen, Germany
  - Leverkusen, Germany
  - Krefeld/Uerdingen, Germany
  - Brunssum, Germany
  - Baytown TX, USA

- **Basic Chemicals**
  - Dormagen, Germany
  - Leverkusen, Germany
  - Krefeld/Uerdingen, Germany
  - Brunssum, Germany
  - Baytown TX, USA

- **Inorganic Pigments**
  - Dormagen, Germany
  - Leverkusen, Germany
  - Brunssum, Germany
  - Krefeld/Uerdingen, Germany
  - Porto Feliz, Brazil
  - Starpointe, USA
  - Vilassar de Mar, Spain
  - Shanghai, China
  - Sydney, Australia
Chemical Intermediates – Strategic Statements

Chemical Intermediates Actively Manage Industry Consolidation

- Further debottlenecking and consolidation of existing asset structures in Western hemisphere
- Leverage organic growth opportunities from market consolidation
- Strengthen profitability through continuation of cost and efficiency programs
- Selectively invest in competitive assets in Asia
- Occupy the fast developing high quality segments in emerging markets
- Actively leverage low cost Asian sources for intermediates

Overview
Performance Rubber
Engineering Plastics
Chemical Intermediates
Performance Chemicals
Financials

Basic Chemicals (BAC)
Saltigo (SGO)
Inorganic Pigments (IPG)
Global Demand

- Expected demand growth according to GDP
- Strong growth in Asia, stagnation in Europe due to demand shifting to Asia
- Consolidation expected for Benzyl Products
- Strong pressure for industry consolidation in the segments Chlorobenzenes, Chlorotoluenes and Nitrotoluenes

End Uses

- 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
- Strengthening by further low cost capacity increases and productivity improvement

Cost/Technology Position

- Products
  - Chlorobenzenes + Derivatives
  - Chlorotoluenes + Derivatives
  - Nitrotoluenes + Derivatives
  - Polyls / Oxidation products
  - Inorganic acids
  - Benzyl products / Amines

Chemical Intermediates – Basic Chemicals

Leading Positions in Industry with Asian Competition and Consolidation trends

BAC Offers Broad Product Range for Use in Numerous End-User Industries

Products

- Chlorobenzenes and derivatives
- Aliphatic and aromatic monoisocyanates
- Chlorotoluenes and cresols, butyldihydroxytoluene
- Nitrotoluenes and derivatives
- Polyls (e.g. trimethylolpropane)
- 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, sulphuryl chloride, disulphur dichloride)

Main Applications

- The unit sells commodity chemicals used in the following industries and sectors:
  - Agrochemicals
  - Polymers
  - Coatings
  - Automotive and transportation industry
  - Construction
Unique, Integrated Manufacturing Process Provides Clear Competitive Advantage

Chemical Intermediates – Basic Chemicals

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

BAC Leverages Strong European Base to Further Succeed Globally

## Competitive Advantages
- Competitive technologies, world-scale production facilities and high utilization rates provide cost advantage
- The unique “Aromatenverbund” system enables BAC to optimize its capacity utilization, 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 eco-toxicological discussions may generate expenditures for European producers
## Chemical Intermediates – Saltigo

**Saltigo is Serving the Market with High-End Custom Manufacturing of Fine Chemicals**

### Global Demand

<table>
<thead>
<tr>
<th>Region</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>12%</td>
</tr>
<tr>
<td>EMEA</td>
<td>37%</td>
</tr>
<tr>
<td>America</td>
<td>46%</td>
</tr>
</tbody>
</table>

Total (2005): €12.3 bn  
Source: LX5 estimates

### Market Development

- Shrinking overcapacity and strong competition
- Industry consolidation is going on
- Asian competitors in intermediates and generics
- Customers are looking for a strong and committed supplier in a fragmented market for custom manufacturing

### Competition

- Saltigo is among the top global players in custom manufacturing
- Leading position in custom manufacturing of agrochemicals
- Established supplier for the pharmaceutical industry
- Producer of selected specialties
- Main competitors are DSM, Lonza, Clariant and Albemarle

### End Uses

- Agro
- Pharma
- Specialties

Based on BU sales 2005

### Cost/Technology Position

- Saltigo is providing state-of-the-art technology and services to the pharmaceuticals, agrochemicals and specialty chemicals industries
- Restructuring and asset consolidation show expected savings
- Saltigo continues improving its cost structure to further increase competitiveness

### Products

- Custom manufactured active ingredients and intermediates for life-science and other industries
- Multi-customer fine chemicals
- Process development services (route selection, lab scale development, pilotation, analytical services)
- Mainly concentrated on patented protected customer products
**Intermediates and Active Ingredients for Pharma, Agrochemical and Other Industries**

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saltigo is focused on customized - synthesis, - process development, - manufacturing, - services. Based on a large experience in fine chemicals production Saltigo also offers a broad portfolio of high quality multi-customer products</td>
<td>Intermediates and active components for the agrochemical industry Intermediates and active ingredients for the pharmaceutical industry Specialty fine chemicals for applications like imaging, polymer additives, electronics, consumer care and other innovative products</td>
</tr>
</tbody>
</table>

**Focussed on Custom Manufacturing of Fine Chemicals**

**Customer Value Chain**

- Research & Development
- Process Development & Piloting
- Production
- Marketing & Sales

**Custom Manufacturing**

- Chemical Intermediates
- Multi-Step Reaction
- Products
### Chemical Intermediates – Saltigo

**Saltigo will Take Advantage of its Strong Technology Position and New Market Approach**

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New and focused market approach</td>
<td>• Overcapacities in custom manufacturing</td>
</tr>
<tr>
<td>• Strong customer relationships based on established track record</td>
<td>• Ongoing market consolidation</td>
</tr>
<tr>
<td>• Technology leadership in high-end chemistry</td>
<td>• Cost pressure</td>
</tr>
<tr>
<td>• Expertise in the field of complex chemistry and fast “ramp-up” capabilities, particularly in the agrochemicals segment</td>
<td></td>
</tr>
</tbody>
</table>

---

**Overview**
- Performance Rubber
- Engineering Plastics
- **Chemical Intermediates**
- Performance Chemicals
- Financials

- Basic Chemicals (BAC)
- Saltigo (SGO)
- Inorganic Pigments (IPG)
Fact Book 2006

Chemical Intermediates – Inorganic Pigments

Quality Products for Construction, Coatings, Plastics and Other Industries

Global Demand

- APAC 31%
- Americas 20%
- EMEA 44%
- Total (2005): €1.1 bn

Source: LXS estimates

Market Development

- Price pressure in lower quality construction segment
- Increasing demand for higher quality products in coatings and plastics
- Ongoing trend to dust-free supply forms in Europe and North America
- High growth rates in booming Asian economies

Competition

- Leading market positions in iron oxide (BAYFERROX®) and chromium oxide pigments
- Main competitors are Elementis, Rockwood and Chinese companies (e.g. Cathay Pigments, Deqing Huayuan Pigment, Hunan Three-Ring Pigments, Yipin Pigments, Yixing Yuxing Pigments)

End Uses

- Construction 50%
- Coatings 25%
- Plastics 10%
- Other 15%

based on BU sales 2005

Cost/Technology Position

- Lanxess can profit from economies of scale but increasing cost pressure from low-cost Chinese producers
- Unique Laux process for production of iron oxide pigments
- Technically sophisticated production units to manufacture quality products

Products

- Iron Oxides
- Chromium Oxides

Chemical Intermediates – Inorganic Pigments

Under its Famous Brands IPG Offers a Broad Product Range for its Customers

Products

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

Main Applications

- Colouring of construction materials (asphalt, concrete for floors, roofs and walls)
- 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
Various Technologies are Applied to Produce a Full Range of Colours

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

Raw Materials → Production methods → Raw Materials

- Iron+Nitrobenzene → Laux process
- Iron salts+NaOH+Oxygen → Precipitation process
- Iron+Oxygen → Penniman process
- Yellow or black iron oxide → Calcination

Broad product range of iron oxide pigments; available in powder, slurry, granule and compact pigment forms.

Chemical Intermediates – Inorganic Pigments

IPG is Meeting the Challenges by Using its Worldwide Market Access

Competitive Advantages
- State-of-the-art production capacities and superior product quality
- Strong established brands such as BAYFERROX®
- Worldwide distribution network

Challenges
- Chinese producers with lower cost structure, fast capacity build-up and improvements in quality
- Increasing raw material and energy costs
Performance Chemicals
The Performance Chemicals segment with its various business units offers a broad spectrum of process and functional chemicals for a variety of industries.

After the divestment of the BU Paper the segment now comprises seven business units:
- Material Protection Products (MPP)
- Functional Chemicals (FCC)
- Leather (LEA)
- Textile Processing Chemicals (TPC)
- Rhein Chemie (RCH)
- Rubber Chemicals (RUC)
- Ion Exchange Resins (ION)

Overview
Performance Rubber
Engineering Plastics
Chemical Intermediates

BUs Produce Service- and Application-Driven Products for a Wide Range of Industries

Material Protection Products
- Comprehensive range of biocides and specialties for:
  - Beverage stabilization
  - Wood preservatives/antifouling products
  - Industrial preservation and Disinfection

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

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
Performance Chemicals – Structure

BUs Produce Service- and Application-Driven Products for a Wide Range of Industries (continued)

<table>
<thead>
<tr>
<th>Textile Processing Chemicals</th>
<th>Rhein Chemie</th>
<th>Rubber Chemicals</th>
<th>Ion Exchange Resins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product solutions for the processes of</td>
<td>Providing technical services and additives for the</td>
<td>Full portfolio of rubber chemicals for the tire and technical rubber industry including:</td>
<td>Providing Ion Exchange Resins and complete solutions for the treatment of liquids in the following industries:</td>
</tr>
<tr>
<td>Pretreatment</td>
<td>Rubber</td>
<td>Antidegradants</td>
<td>Water</td>
</tr>
<tr>
<td>Dyeing Auxiliaries</td>
<td>Polyurethane</td>
<td>Accelerators</td>
<td>Foodstuff</td>
</tr>
<tr>
<td>Finishing</td>
<td>Plastics</td>
<td>Specialties</td>
<td>Chemicals</td>
</tr>
<tr>
<td>Textile printing</td>
<td>Lubricant oil industries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 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

Performance Chemicals – Financials

Summary of Key Financials

<table>
<thead>
<tr>
<th>Performance Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
</tr>
<tr>
<td>2003: 1,925</td>
</tr>
<tr>
<td>2004: 1,910</td>
</tr>
<tr>
<td>2005: 1,977</td>
</tr>
<tr>
<td><strong>EBITDA pre exc.</strong></td>
</tr>
<tr>
<td>2003: 125</td>
</tr>
<tr>
<td>2004: 152</td>
</tr>
<tr>
<td>2005: 212</td>
</tr>
<tr>
<td><strong>EBITDA pre exc. / Sales</strong></td>
</tr>
<tr>
<td>2003: 6.5%</td>
</tr>
<tr>
<td>2004: 8.0%</td>
</tr>
<tr>
<td>2005: 10.7%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
</tr>
<tr>
<td>2003: 96</td>
</tr>
<tr>
<td>2004: 104</td>
</tr>
<tr>
<td>2005: 184</td>
</tr>
<tr>
<td><strong>Depr. &amp; Amort.</strong></td>
</tr>
<tr>
<td>2003: 272</td>
</tr>
<tr>
<td>2004: 95</td>
</tr>
<tr>
<td>2005: 66</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
</tr>
<tr>
<td>2003: -176</td>
</tr>
<tr>
<td>2004: 9</td>
</tr>
<tr>
<td>2005: 118</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
</tr>
<tr>
<td>2003: 63</td>
</tr>
<tr>
<td>2004: 57</td>
</tr>
<tr>
<td>2005: 61</td>
</tr>
<tr>
<td><strong>Number of Employees</strong>*</td>
</tr>
<tr>
<td>2003: 4,881</td>
</tr>
<tr>
<td>2004: 5,140</td>
</tr>
<tr>
<td>2005: 4,743</td>
</tr>
</tbody>
</table>

*as of Dec 31

2003-2004 figures are based on Spin-off Combined Financial Statements

Sales by Business Unit 2005

- RUC
- ION
- MPP
- FCC
- RCH
- PAP
- TPC
- LEA

Sales (approximate numbers): 1,910 -2% 1,917

FY 2004 Price Volume Currency FY 2005

- FY 2004
- Price
- Volume
- Currency
- FY 2005
Performance Chemicals has a World-wide Manufacturing base

- Rhein Chemie
  - Dormagen, Germany
  - Krefeld/Uerdingen, Germany
  - Wuxi, China
  - Madurai, India
  - Lerma, Mexico
  - Zarate, Argentina

- Material Protection Products
  - Dormagen, Krefeld/Uerdingen, Germany
  - Wuxi, China
  - Madurai, India
  - Lerma, Mexico
  - Zarate, Argentina

- Textile Processing Chemicals
  - Zarate, Argentina
  - Wuxi, China
  - Leverkusen, Germany
  - Madurai, India
  - Lerma, Mexico
  - Ede, Netherlands

- Leather
  - Zarate, Argentina
  - Wuxi, China
  - Leverkusen, Krefeld/Uerdingen, Germany
  - Lerma, Mexico
  - Weifang, China
  - Thane, India
  - Madurai, India

- Functional Chemicals
  - Leverkusen, Krefeld/Uerdingen, Germany
  - Lerma, Mexico
  - Zarate, Argentina

- Ion Exchange Resins
  - Billerbeck, Leverkusen, Germany
  - Birkenhead, UK
  - Birmingham, USA

- Rubber Chemicals
  - Antwerp, Belgium
  - Brunsbüttel, Leverkusen, Germany
  - Thane, India
  - Isithebe, South Africa
  - Rustenburg, South Africa

- Build on Strengths to Grow in Profitable Niches and Expand Businesses 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
Overview

Performance Rubber
Engineering Plastics
Chemical Intermediates

Material Protection Products (MPP)
Functional Chemicals (FCC)
Leather (LEA)
Textile Processing Chemicals (TPC)
Rhein Chemie (RCH)
Rubber Chemicals (RUC)
Ion Exchange Resins (ION)

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

Comprehensive range of biocidal active ingredients and formulations for beverage stabilization, wood protection and antifouling, industrial preservation and disinfection

Ongoing demand for customer specific solutions
Higher regulatory requirements
Market growth above GDP level expected
Competitive cost positions
Leading technology positions
High innovation potential
Thorough competence in biocidal registrations

Performance Chemicals – Material Protection Products

MPP has a Broad and Innovative Product Portfolio

Global Demand

<table>
<thead>
<tr>
<th>Region</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>30%</td>
</tr>
<tr>
<td>Americas</td>
<td>45%</td>
</tr>
<tr>
<td>Asia</td>
<td>25%</td>
</tr>
</tbody>
</table>

Total (2005): €2.9 bn

End Uses

<table>
<thead>
<tr>
<th>Industry</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverage</td>
<td>36%</td>
</tr>
<tr>
<td>Chemistry</td>
<td>19%</td>
</tr>
<tr>
<td>Construction</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: LXS estimates

Market Development

- Ongoing demand for customer specific solutions
- Higher regulatory requirements
- Market growth above GDP level expected

Cost/Technology Position

- Competitive cost positions
- Leading technology positions
- High innovation potential
- Thorough competence in biocidal registrations

Competition

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

Products

- Comprehensive range of biocidal active ingredients and formulations for beverage stabilization, wood protection and antifouling, industrial preservation and disinfection
Performance Chemicals – Material Protection Products

Products and Problem Solutions for a Wide Area of Applications

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preservatives / Biocides</td>
<td>Wood protection</td>
</tr>
<tr>
<td>Cold sterilisation agent for the Beverage Industry</td>
<td>Antifouling paints</td>
</tr>
<tr>
<td></td>
<td>Industrial preservation</td>
</tr>
<tr>
<td></td>
<td>Disinfection</td>
</tr>
<tr>
<td></td>
<td>Beverages stabilization</td>
</tr>
</tbody>
</table>

Performance Chemicals – Material Protection Products

A Leading Producer of Biocides and Biocidal Formulations

- **Raw Material**: m-Cresole
  - **Selective Chlorinating**: + Chlorine
  - **Condensation Dehydrogenation**: + Chlorine
  - **Formulation**: Aqueous Solutions Dispensers
  - **Key Biocidal Actives**: PREVENTOL

- **Raw Material**: Cyclo-hexanone
  - **Condensation Dehydrogenation**: + Chlorine
  - **Formulation**: Aqueous Solutions Dispensers
  - **Key Biocidal Actives**: PREVENTOL
### Performance Chemicals – Material Protection Products

**MPP Uses Broad Expertise in Biocides to Provide Customer Specific Solutions**

#### Competitive Advantages
- Broad and innovative portfolio with unique properties
- Strong development capabilities
- Global sales and service network
- High expertise in regulatory matters and broad portfolio of biocidal registrations

#### Challenges
- Increasing regulatory requirements
- Low cost Chinese / Indian competition in biocidal actives

### Overview

- **Performance Rubber**
- **Engineering Plastics**
- **Chemical Intermediates**
- **Performance Chemicals**
- **Material Protection Products (MPP)**
- **Functional Chemicals (FCC)**
- **Leather (LEA)**
- **Textile Processing Chemicals (TPC)**
- **Rhein Chemie (RCH)**
- **Rubber Chemicals (RUC)**
- **Ion Exchange Resins (ION)**
### Performance Chemicals – Functional Chemicals

#### Broad Product Portfolio for Plastics, Chemicals and Other Applications

**Global Demand**
- **Americas**: 37%
- **EMEA**: 38%
- **Asia Pacific**: 25%

**Total (2005): €3.3 bn**

*Source: LXS estimates*

**End Uses**
- **Electro/Electronics**: 12%
- **Construction**: 23%
- **Life Science**: 10%
- **Plastics**: 38%

*Based on BU sales 2005*

**Regional Shares**
- **Americas**: 37%
- **EMEA**: 38%

**Market Development**
- Increasing demand for products satisfying regulatory requirements, e.g. halogen- or phthalate-free additives
- Cost pressure in commodity products, especially from Asian producers

**Cost/Technology Position**
- Backward integrated in phosphorous chemicals
- Cost advantages due to economies of scale
- Quality advantages in selected organic colorants
- Technologically advanced specialty products

**Products**
- Organic phosphorous chemicals
- Polymer additives
- Organic colorants
- Hydrazine hydrate
- Water treatment chemicals

**Main Competitors:**
- Albemarle, BASF, Ciba, Chemtura, Clariant, Ferro, Lonza, Sun Chemicals, Supresta

**Numerous Applications Provided to a Variety of Industries**

**Products**
- **Flame retardants:** DISFLAMOLL®, BAYFOMOX®, LEVAGARD™
- **Plasticisers:** MESAMOLL®, ADIMOLL®, ULTRAMOLL®, UNIMOLL®, Triacetin
- **Blowing agents:** POROFOR®, FICEL™, GENITRON™
- **Organic colorants:** BAYSCRIPT®, MACROLEX®, BAYPLAST™, SOLFORT™, LEVANYL®, LEVANOX®, BAYFAST™
- **Synthesis chemicals:** Hydrazine Hydrate, LEVOXIN™, Phosphites
- **Water treatment chemicals:** BAYHIBIT®, BAYPURE®

**Main Applications**
- **Rigid and flexible PVC**
- **Polyurethane foam**
- **Engineering plastics**
- **Paints and coatings**
- **Water treatment**
- **Laundry and cleaning**
- **Printing inks**
- **Detergents**
- **Cosmetics**
Performance Chemicals – Functional Chemicals

One of the Largest Integrated Production for Phosphorous Chemicals

- Raw Materials
  - Chlorination
  - Oxidation
- Alkylation
- Arylation
- Addition
- Flame Retardants
- Water Treatment Agents
- Specialties

Phosphorous Chlorine Oxygen
- Phosphorous Trichloride
- Phosphorous Oxychloride
- Aryl Phosphates
- Alkyl Phosphates
- Alkyl Phosphonates

- P-Chlorides for agrochemicals
- Bayohit® for industrial cleaners

Performance Chemicals – Functional Chemicals

Strong Market and Technology Positions in Niches with Excellent Customer Relationships

**Competitive Advantages**
- Economies of scale in one of the largest integrated production for phosphorous chemicals
- Long-term patent protection for product technologies
- High expertise and know-how
- Established solution provider
- Strong existing customer relationships in key markets
- A market leader for phosphorous flame retardants, bonding agents, specialty plasticisers, hydrazine hydrate and solvent dyes for plastics

**Challenges**
- Sustainability of market positions
- Change in the competitive environment due to further consolidation
- High volatility of raw material prices
- Increasing price pressure in commodity segments
- Continuous market shift to Far East
Overview
Performance Rubber
Engineering Plastics
Chemical Intermediates

Performance Chemicals

Material Protection Products (MPP)
Functional Chemicals (FCC)
Leather (LEA)
Textile Processing Chemicals (TPC)
Rhein Chemie (RCH)
Rubber Chemicals (RUC)
Ion Exchange Resins (ION)

Main competitors are:
BASF, Clariant, Stahl and TFL

Expected market growth (CAGR 05–10): ~1.7%

- Finishing: ~1.7%
- Retanning: ~1.7%
- Tanning: ~1.8%

Market leadership in chrome tanning salts and backward-integration into chrome ore resulting in strong position in tanning segment
Syntan plants with favorable economies of scale leading to cost-based advantages in retanning
Strong presence of application technology (finishing/retanning) in all major markets

Leather has a Broad Product Portfolio and Leading Market Positions

Global Demand

<table>
<thead>
<tr>
<th>Region</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>16%</td>
</tr>
<tr>
<td>Europe</td>
<td>21%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>51%</td>
</tr>
<tr>
<td>Total (2005): €2.9 bn</td>
<td></td>
</tr>
</tbody>
</table>

Source: LXS estimates

End Uses

<table>
<thead>
<tr>
<th>Industry</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>18%</td>
</tr>
<tr>
<td>Shoes</td>
<td>43%</td>
</tr>
<tr>
<td>Others</td>
<td>18%</td>
</tr>
</tbody>
</table>

Market Development

Expected market growth (CAGR 05–10): ~1.7%

- Finishing: ~1.7%
- Retanning: ~1.7%
- Tanning: ~1.8%

Cost/Technology Position

- Market leadership in chrome tanning salts and backward-integration into chrome ore resulting in strong position in tanning segment
- Syntan plants with favorable economies of scale leading to cost-based advantages in retanning
- Strong presence of application technology (finishing/retanning) in all major markets

Competition

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

Products

<table>
<thead>
<tr>
<th>Process</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanning</td>
<td>48%</td>
</tr>
<tr>
<td>Finishing</td>
<td>31%</td>
</tr>
<tr>
<td>Retanning</td>
<td>21%</td>
</tr>
</tbody>
</table>
Performance Chemicals – Leather

Provider of Full Product Portfolio for Leather Industry

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>- BAYMOL®, BAYKANOL®, CISMOLLAN®, PREVENTOL®</td>
<td>- Wet-end auxiliaries</td>
</tr>
<tr>
<td>- BAYCHROM®, CHROMOSAL®, BLANCOROL®</td>
<td>- Mineral tanning and retanning materials</td>
</tr>
<tr>
<td>- SETA™, EUREKA®, ATLASOL®</td>
<td>- Vegetable tanning and retanning materials</td>
</tr>
<tr>
<td>- BAYKANOL®, LEUKOTAN®, LEVOTAN®, LUBRITAN™, RETINGAN®, TANIGAN®</td>
<td>- Synthetic organic tanning materials and dyeing auxiliaries</td>
</tr>
<tr>
<td>- ACIDERMI®, BAYCOLOR™, BAYGENAL®, BAYDERMI®, EUDERM®, EUKANOL®, LEVADERM®</td>
<td>- Colorants</td>
</tr>
<tr>
<td>- AQUADERM®, BAYDERMI®, EUDERM®, HYDRHOLAC™, PRIMAL®</td>
<td>- Finishing resins, polymer dispersions</td>
</tr>
<tr>
<td>- ACRYSL™, AQUADERM®, BAYSIN™, EUDERM®, EUKANOL®, EUSIN®, ISODERM®, PRIMAL®, XERODERM®</td>
<td>- Finishing auxiliaries</td>
</tr>
<tr>
<td>- BAYDERMI®, EUSIN®, ISODERM®</td>
<td>- Solvent-containing top coats</td>
</tr>
<tr>
<td>- BAYGEN®, LEVACAST®</td>
<td>- Special processes (for patent leather and upgrading splits)</td>
</tr>
</tbody>
</table>

*trademark of SETA S/A ** registered trademark of Atlas Refinery, Inc ***trademark of Rohm & Haas

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

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong network of technical service personnel supporting customer needs</td>
<td>• Increasing competitive pressure due to over-capacities in retanning and finishing chemicals</td>
</tr>
<tr>
<td>• Local production and compounding facilities providing cost and service advantages</td>
<td>• Increasing trend towards partnering with competitors</td>
</tr>
<tr>
<td>• Application know-how providing flexibility to respond to changing market demands</td>
<td>• Country risk due to production in politically volatile countries</td>
</tr>
<tr>
<td>• Partnership in the field of Acrylics with Rohm &amp; Haas</td>
<td>• Continuous need for innovation and product development in all segments</td>
</tr>
<tr>
<td>• Partnership in the field of fatliquors with ATLAS Refinery, Inc.</td>
<td>• Increasing demand for fashion oriented leather articles</td>
</tr>
<tr>
<td>• Partnership in the field of PUR-dispersions with BMS</td>
<td></td>
</tr>
<tr>
<td>• Backward-integration into chrome mining</td>
<td></td>
</tr>
<tr>
<td>• Strong and established customer relationships</td>
<td></td>
</tr>
<tr>
<td>• Broad product portfolio offering complete solutions to the customer</td>
<td></td>
</tr>
</tbody>
</table>

### Overview

- Performance Rubber
- Engineering Plastics
- Chemical Intermediates
- **Performance Chemicals**
  - Material Protection Products (MPP)
  - Functional Chemicals (FCC)
  - Leather (LEA)
  - Textile Processing Chemicals (TPC)
  - Rhein Chemie (RCH)
  - Rubber Chemicals (RUC)
  - Ion Exchange Resins (ION)
Global Producer of Textile Auxiliaries

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

- Expected sales growth (CAGR 05–10): ~2%
- Pretreatment: ~ 1%
- Dye bath additives: ~ 1%
- Textile printing: ~3%
- Finishing: ~3%

- High relevance of raw material costs
- A leader in production technology
- High sophisticated synthesis plants provide tailor-made products for customer-adapted formulations in the regions - Composite Production Flow (CPF)

End Uses

- Carpets: 15%
- Automotive: 5%
- Apparel: 50%
- Others: 30%

Based on BU sales 2005

BAYGARD® and BAYPROTECT® Offer a Variety of Applications in the Textile Industry

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

- 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®
Textile Processing Chemicals Offers a Broad Product Portfolio for the Textile Industry

- Fiber Industry
  - Spinning (natural)
  - Extrusion (synthetic)

- Textile Industry
  - Weaving
  - Bleaching
  - Pretreatment
  - Dyeing
  - Finishing
  - Printing

- e.g. Garment Industry
  - Garment production
  - Branding
  - Retailing

Local Technical Service

Formulation Steps

Synthesis Stage

Raw Materials

Trade Goods

Performance Chemicals – Textile Processing Chemicals

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
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Ion Exchange Resins (ION)

Performance Chemicals – Rhein Chemie

Rhein Chemie has Strong Service and Application Expertise

Global Demand

Market Development
Expected market growth (CAGR 05–10): ~2%
- LOA: ~1%
- Rubber: ~3%
- PU: ~6%

LOA = Lubricant oil additives
PU = Polyurethane

Source: LXS estimates

End Uses

Cost/Technology Position
An innovation leader regarding products and services in served market segments

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

Products

Source: LXS estimates

based on BU sales 2005
**Strong Supplier of Diverse Product Portfolio, Mainly to the Automotive Industry**

### Products
- **Rubber**
  - Polymer-bound chemicals: RHENOGRAN®, POLYDISPERSION®
  - Polymer-bound additive packages: ONE SLAB®
  - Processing promoters: AKTIPLAST®, AFLUX®
  - Specialty polymers: UREPA®, RHENOBLEND®
  - Antioxidants: ANTILUX®
  - Release agents: RHENODIV®
  - Vulcanization activators: RENOFIT®
  - Service Technologies, Multi ingredient preweighs: BATCH-READY®
- **Polyurethane/Plastics**
  - Hydrolysis protection: STABAXOL®
- **Lubricant oil additives**
  - Corrosion inhibitors: ADDITIN®
  - Sulfur carriers and anti-wear agents: ADDITIN®

### Main Applications
- **Rubber**
  - Technical rubber goods (e.g. profiles, hoses)
  - Tires
  - Polyurethane/Plastics
  - Technical plastic additives
  - Lubricant oil
  - Metalworking fluids
  - Hydraulic oils
  - Industrial gear oils
  - Rust preventive oils
  - Greases

---

**Polymer-Bound Chemicals and Formulations for Tailor-Made Products**

![Diagram of polymer-bound chemicals and formulations process]

- **Binder Systems**
  - Rubber Chemicals
  - Preparation Weighing
  - Kneader
  - Extruder
  - Strainer
  - Packaging
  - Cooling
  - Granulator
  - Talcum
### Strong Technical and R&D Know-How with Global Service Network

<table>
<thead>
<tr>
<th><strong>Competitive Advantages</strong></th>
<th><strong>Challenges</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Supplier of customized solutions</td>
<td>- Constantly rising demand for new, innovative products and solutions</td>
</tr>
<tr>
<td>- Strong technical know-how</td>
<td>- Consolidation in rubber and automotive industry</td>
</tr>
<tr>
<td>- Close customer relationships</td>
<td></td>
</tr>
<tr>
<td>- Strong global sales and service network</td>
<td></td>
</tr>
<tr>
<td>- Strong brands</td>
<td></td>
</tr>
<tr>
<td>- Big parts of value chain are covered</td>
<td></td>
</tr>
<tr>
<td>- Leading capabilities in new product development</td>
<td></td>
</tr>
</tbody>
</table>

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  - Textile Processing Chemicals (TPC)
  - Rhein Chemie (RCH)
  - **Rubber Chemicals (RUC)**
  - Ion Exchange Resins (ION)
Fact Book 2006

1. Flexsys
2. LANXESS
3. Chemtura

Overcapacities have led to strong price and margin pressure and caused market consolidation.

After a short balanced period (2004/2005) Asian suppliers started to increase capacities significantly.

Expected volume growth (CAGR 05–10): EMEA, AMERICAS ~1%, APAC >5%.

World-scale plants for anti-degradants and accelerators in Europe.

Leading technology positions.


Broad Product Portfolio to Enhance Rubber Properties

**Products**

- **Accelerators**
  - Thiazoles
  - Sulphenamides

- **Antidegradants**
  - Phenylendiamines
  - Quinolines

- **Specialities used as**
  - Bonding agents
  - Cross linkers
  - Curing agents
  - Emulsifiers
  - Fillers
  - Latex chemicals
  - Peptizing agents
  - Retarders
  - Stabilisers
  - Synthetic plasticisers
  - Heat sensitisers
  - Vulcanization activators

**Main Applications**

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

Performace Chemicals – Rubber Chemicals

Established Market Positions for Broad Product Portfolio in all Relevant Global Markets

Competitive Advantages

- World-scale plant for antidegradants and accelerators in Europe
- Establishment of an Antidegradant production JV in China with two Chinese partners
- Reputation as provider of high quality products
- Broad product portfolio
- Global supply and production network
- Coverage of all relevant global markets through a well established market position

Challenges

- Market further moving to Asia
- Increasing competition from low-cost countries especially China
- A high number of Rubber Chemicals producers is already present in China; capacities are growing further
- Increasing pressure on margins and substitution of volumes of traditional suppliers is likely
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ION Offers a Broad Product Range for Water Treatment and Various Other Applications

<table>
<thead>
<tr>
<th>Global Demand</th>
<th>Market Development</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>High growth rates in specialties and Asian markets</td>
<td>LANXESS ranks second globally</td>
</tr>
<tr>
<td>Americas</td>
<td>Service- and consulting requirements from entry barriers against increasing Asian competition</td>
<td>Main competitors are: Dow, Mitsubishi, Purolite and Rohm &amp; Haas</td>
</tr>
<tr>
<td>Total (2005): €0.7 bn</td>
<td>Price pressure in standard applications</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>End Uses</th>
<th>Cost/Technology Position</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition</td>
<td>Competitive cost positions</td>
<td>Ion exchange resins produced by LANXESS are tailored for various applications</td>
</tr>
<tr>
<td>Water &amp; Energy</td>
<td>Leading producer of technological advanced monodisperse Ion Exchange Resins</td>
<td>Approximately 250 different products, especially developed for use in more than 500 different applications</td>
</tr>
<tr>
<td>Chemistry &amp; Others</td>
<td>Excellent development and service capabilities for customer requirements</td>
<td></td>
</tr>
</tbody>
</table>
### Performance Chemicals – Ion Exchange Resins

#### Product Portfolio for Water, Foodstuff and Chemical Applications

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ion Exchange Resins branded as:</td>
<td>Products supplied into the following industries &amp; applications:</td>
</tr>
<tr>
<td>- LEWATIT®</td>
<td>- Water &amp; energy</td>
</tr>
<tr>
<td>- IONAC®</td>
<td>- Microelectronics</td>
</tr>
<tr>
<td></td>
<td>- Food &amp; nutrition</td>
</tr>
<tr>
<td></td>
<td>- Chemicals processing</td>
</tr>
<tr>
<td></td>
<td>- Pharmaceuticals (e.g. biofermentation)</td>
</tr>
<tr>
<td></td>
<td>- Ground- and wastewater</td>
</tr>
<tr>
<td></td>
<td>- Mining</td>
</tr>
</tbody>
</table>

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#### ION - A Solution Provider, Manufacturing Custom Designed Products

- Ion exchange resins are functionalized polymer beads produced by combining styrene & DVB*.
- Structure like ball of wool (polymer chains).
- Fine network with many cavities (micropores).

Polymer basis specifically manipulated so components can be captured/exchanged from surrounding solutions.

- **Chemical Exchange:**
  - Anion/Cation Exchange
  - Chelating Resins
- **Physical Exchange:**
  - Adsorbers

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*Divinylbenzene*
## Performance Chemicals – Ion Exchange Resins

### Strong Technical and Process Expertise Underpins Reputation as a Premium Quality Supplier

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Global market presence and distribution network</td>
<td>• Price pressure in standard applications</td>
</tr>
<tr>
<td>• Service and quality ranked among the best in industry</td>
<td>• Substitution threat through reverse osmosis (R/O) in selected water treatment applications</td>
</tr>
<tr>
<td>• Unique portfolio of production technologies and corresponding structures are base for competitive advantage</td>
<td>• Continuous raw material price increases</td>
</tr>
<tr>
<td>• Leadership in monodisperse Ion Exchange technology</td>
<td></td>
</tr>
<tr>
<td>• Megatrends fueling future demand</td>
<td></td>
</tr>
</tbody>
</table>

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123  Fact Book 2006