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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LANXESS Group
Performance Rubber
Engineering Plastics
Chemical Intermediates
Performance Chemicals

Overview
Strategy
Financials FY 2005
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.
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.

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

- Initial quotation at the Frankfurt Stock Exchange
- Buyback of Mandatory Convertible
- Admission into MDAX
- Carve-out of the BU FCH to form Saltigo
- FY 2005 results – corporate strategic plan delivers results in all Segments
- 2005-01-31
- 2006-01-01
- 2005-06-03
- 2006-03/04-01
- 2005-06-06
- 2006-04-04
- 2005-06-16
- 2006-5-31
- 2005-06-20
- 2005-06-21
- 2005-06-20
- 2005-06-21
A Chemical Company with 4 Segments

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-orientated activities in the field of specialty chemicals. With strong brands LANXESS rank among the world’s leading producer.
LANXESS - a Global Player in the Chemical Industry

Global presence

Assets by region
- Americas: 25%
- EMEA w/o Germany: 46%
- Asia: 8%
- Germany: 21%

Sales by region
- Americas: 27%
- EMEA w/o Germany: 35%
- Asia: 17%
- Germany: 21%

Employees by regions
- Americas: 20%
- EMEA w/o Germany: 18%
- Asia: 10%
- Germany: 52%

based on 2005 figures
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, ExxonMobil, Huntsman, Ineos, Innoven, Lyondell, Shell Chemicals and Total. Other important suppliers of basic inorganic and organic chemicals are BASF, Bayer, Degussa and Rhodia.

- Total raw material costs in 2005 were approx. €2.6 bn
- Top10 petrochemical raw materials accounted for approx. €1.3 bn of costs in 2005
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*)

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

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

* percentage applicable on Board level - lower percentage for first level below Board of Management
### Summary of Key Financials

#### LANXESS

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>6,315</td>
<td>6,773</td>
<td>7,150</td>
</tr>
<tr>
<td><strong>EBITDA pre exc.</strong></td>
<td>311</td>
<td>447</td>
<td>581</td>
</tr>
<tr>
<td><strong>EBITDA pre exc. / Sales</strong></td>
<td>4,9%</td>
<td>6,6%</td>
<td>8,1%</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>-997</td>
<td>-12</td>
<td>-63</td>
</tr>
<tr>
<td><strong>Net financial debt</strong></td>
<td>1,429</td>
<td>1,135</td>
<td>680</td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>1,512</td>
<td>1,468</td>
<td>1,439</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>312</td>
<td>279</td>
<td>251</td>
</tr>
<tr>
<td><strong>Number of Employees</strong></td>
<td>20,423</td>
<td>19,659</td>
<td>18,282</td>
</tr>
</tbody>
</table>

*as per 31.12

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

#### Sales by Segment 2005

- Performance Chemicals: 29%
- Performance Rubber: 24%
- Chemical Intermediates: 22%
- Engineering Plastics: 25%

#### EBITDA by Segment 2005

- Performance Chemicals: 30%
- Performance Rubber: 31%
- Chemical Intermediates: 30%
- Engineering Plastics: 9%
LANXESS Group
Performance Rubber
Engineering Plastics
Chemical Intermediates
Performance Chemicals

Overview
Strategy
Financials FY 2005
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)

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>2004</th>
<th>2005</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>

* EBITDA pre exceptionals

Profitable share of sales considerably increased
Unprofitable share of sales greatly reduced
Overall Performance Still Below Average

EBITDA* margin 2004

- BASF: 19.5%
- degussa: 14.6%
- Ciba: 14.3%
- DSM: 13.1%
- Clariant: 11.1%
- Rhodia: 8.4%
- LANXESS: 6.6%

< ~12.5%

Source: Annual Reports
* EBITDA pre exceptionals

EBITDA* margin 2005

- BASF: 20.0%
- degussa: 13.5%
- Ciba: 13.5%
- DSM: 10.9%
- Clariant: 9.8%
- Rhodia: 9.8%
- LANXESS: 8.1%

< ~13.1%

Source: Annual Reports
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>3. Portfolio adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 5%</td>
<td>2. Targeted restructuring</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Performance improvement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Selective organic growth in profitable businesses

* EBITDA pre exceptionals
Growth through Investment and Innovation

**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**

1. **Performance improvement**
   - Rigorous cost management and resource allocation
   - “Price before volume” strategy
   - Avoidance of unprofitable business

2. **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

3. **Portfolio adjustments**
   - Paper and Fibers business units and iSL-Chemie divested to strategic investors

4. **Acquisitions**

**Portfolio**
- > 10%
- 9-10%
- < 5%

**Costs**

Selective organic growth in profitable businesses

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
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

Net financial debt overview:

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

### Net financial debt overview:

<table>
<thead>
<tr>
<th></th>
<th>Dec. 31, 2004</th>
<th>Dec. 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>(€ m)</td>
<td>€1,135 million</td>
<td>€680 million</td>
</tr>
<tr>
<td>Cash</td>
<td>-200</td>
<td>0</td>
</tr>
<tr>
<td>Long term</td>
<td>400</td>
<td>800</td>
</tr>
<tr>
<td>Short term</td>
<td>1,200</td>
<td>400</td>
</tr>
<tr>
<td>Cash</td>
<td>203</td>
<td>290</td>
</tr>
</tbody>
</table>

Lanxess Group – Financials FY 2005
### 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>Current Assets</strong></td>
<td>2,589</td>
<td>2,506</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 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>Current Liabilities</strong></td>
<td>2,334</td>
<td>1,509</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 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>(€ m)</th>
<th>FY 2004</th>
<th>FY 2005</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 anti-trust 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

<table>
<thead>
<tr>
<th>% of sales**:</th>
<th>21.7%</th>
<th>24.9%</th>
<th>25.4%</th>
<th>24.0%</th>
<th>20.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total WC* in € million:</td>
<td>€1,468</td>
<td>€1,714</td>
<td>€1,796</td>
<td>€1,701</td>
<td>€1,439</td>
</tr>
</tbody>
</table>

- 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)

![Graph showing changes in Working Capital components]

* Working Capital: Inventories plus trade accounts receivable less trade accounts payable
** As % of sales on the basis of last 4 quarters’ sales

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

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

Initiated in May 2005: Baa3 (stable outlook), confirmed in June 2006, outlook raised to positive

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)
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**
- **BTR**
- **PBR**

### FY 2004 Price Volume Currency FY 2005

- Price: +18%
- Volume: -2%
- Currency: +1%
- Total: 1,431
- Total: 1,678

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

Global Demand

- APAC: 46%
- AMERICAS: 29%
- EMEA: 25%

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%

Source: LXS estimates

Competition

- Competitors are:
  - ExxonMobil Chemical
  - Nizhnekamskneftekhim
  - Togliattikauchuk (Sibur Holding)
  - Sinopec (Beijing Yanhua)
- LANXESS ranks second globally

LXS estimates, based on volume terms

End Uses

- Adhesives
- Automotive Engine Mounts
- Chewing Gum
- Construction
- Pharma

Automotive/Tyre: 86%
Others: 14%

based on BU sales 2005

Cost/Technology Position

- Cost efficiency due to world-scale plants
- One of two major producers of halobutyl rubber

Products

- Regular Butyl Rubber
- Halobutyl Rubber
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></td>
</tr>
<tr>
<td>- BROMOBUTYL ®</td>
<td>Pharmaceutical stoppers</td>
</tr>
<tr>
<td><strong>Regular Butyl Rubber</strong></td>
<td></td>
</tr>
<tr>
<td>- BUTYL ®</td>
<td>Inner-tubes for tyres</td>
</tr>
<tr>
<td></td>
<td>Tyre curing bladders / envelopes</td>
</tr>
<tr>
<td></td>
<td>Chewing gum</td>
</tr>
</tbody>
</table>

Performance Rubber – Butyl Rubber
A Leading Producer of Butyl and Halobutyl Rubber

Isobutene > 90 %
Isoprene < 10 %

Regular Butyl Rubber
Chlorine, Bromine
Halobutyl Rubber

Monomers as Raw Materials
Polymerisation
Halogenation
Finishing & Logistics

Sipes Tread Block Ribs Dimples Shoulder
Undertread Carcass Body Piles Bead Filler Bead Bundle

made of BTR products
### A Leading Market and Technology Position as well as Strong Customer Relationships

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>A leading market position in overall market for Butyl Rubber</td>
<td>Increasing Asian and Russian competition</td>
</tr>
<tr>
<td>Low cost, high efficiency world scale plants for manufacturing in Belgium and Canada allow flexible production of butyl and halobutyl rubber</td>
<td>Change of Air-Retention-Technology is a potential threat</td>
</tr>
<tr>
<td>Leading technology</td>
<td></td>
</tr>
<tr>
<td>Strong customer relationships based on collaborations with tyre manufacturers to meet specific customer needs</td>
<td></td>
</tr>
<tr>
<td>Strong infrastructure in APAC</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
Leading Market Positions and World-Scale Plants in Important Markets

Global Demand

- AMERICAS 31%
- EMEA 29%
- 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%

Source: LXS estimates

Competition

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

LXS estimates, based on volume terms

End Uses

- Technical Rubber Goods 5%
- Golf balls 1%
- Plastics 25%
- Automotive/Tyre 69%

based on BU sales 2005

Cost/Technology Position

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

Products

- Polybutadiene Rubber
- Solution Styrene-Butadiene 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

Performance Rubber – Polybutadiene Rubber

Butadiene → Polybutadiene Rubber

Monomers as Raw Materials

Polymerisation

Finishing & Logistics

made of PBR products
## Competitive Advantages

- Broad and innovative product portfolio offered to both tyre manufacturers and plastic producers
- Strategic focus on high performance products
- 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
- Reputation with customers for reliable performance and delivery
- Consolidation of polybutadiene rubber from four to three lines in Orange, Texas due to increase in productivity and flexibility

## Challenges

- Compete with purchasing power of concentrated and backward integrated customers
- React on customer expansion into Asia leading to:
  - Tyre capacity inflation
  - Price pressure in tyre market
Overview

Performance Rubber

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

Engineering Plastics
Chemical Intermediates
Performance Chemicals
Financials
**Leading Market Positions, State-of-the-Art Technology and World-Scale Plants**

### Global Demand

- **EMEA**: 32%
- **Americas**: 31%
- **APAC**: 37%

**Total (2005): €2.95 bn**

Source: Lanxess estimates

### 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: ~3.8%
- NBR: ~2%
- HNBR: ~3%
- EVM: ~3%

Source: LXS estimates

### Competition

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

LXS estimates, based on volume terms

### End Uses

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

based on BU sales 2005

### 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

- NBR/E-SBR
- EPDM
- HNBR
- CR
- EVM
### Focus on Non-Tyre Applications

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chloroprene rubber (CR): BAYPREN®</td>
<td>Functional, safety &amp; performance parts for automotive</td>
</tr>
<tr>
<td>Nitrile-butadiene rubber (NBR): KRYNAC®, PERBUNAN®</td>
<td>(belts, hoses, wiper blades, weather strips, seals)</td>
</tr>
<tr>
<td>Ethylene-propylene diene rubber (EPDM): BUNA™ EP</td>
<td>Mechanical engineering (hoses, tubes, cables, gaskets,</td>
</tr>
<tr>
<td>Hydrogenated nitrile-butadiene rubber (HNBR): THERBAN®</td>
<td>membranes, roll covers)</td>
</tr>
<tr>
<td>Ethylene-vinyl acetate rubber (EVM): LEVAPREN®, LEVAMELT®</td>
<td>Leisure industry (sponges, shoe soles)</td>
</tr>
<tr>
<td>Emulsion styrene-butadiene rubber (E-SBR): KRYLENE®</td>
<td>Building materials (membranes, seals, cables)</td>
</tr>
</tbody>
</table>
A Leading Supplier of Specialty Elastomers for the Rubber Industry

- Butadiene + acrylonitrile → Nitrile-butadiene rubber (NBR) → Hydrogenated nitrile-butadiene rubber (HNBR)
- Butadiene + chlorine → Chloroprene monomer → (Poly-) chloroprene rubber (CR)
- Ethylene + propylene + diene monomer → Ethylene-propylene diene rubber (EPDM)
- Butadiene + styrene → Styrene-butadiene rubber (E-SBR)
- Ethylene + vinylacetate → Ethylene-vinylacetate rubber (EVM)

Monomers as Raw Materials → Chlorination (in case of CR) → Polymerisation → Hydrogenation (in case of HNBR) → Finishing & Logistics
## 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

**Lustran Polymers**

- 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
- Committed to the development of products and new applications

- **ABS** Acrylonitrile Butadiene Styrene Copolymer
- **SAN** Styrene Acrylonitrile Copolymer
- **PA** Polyamide
- **PBT** Polybutyleneterephthalate

- **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**
# Summary of Key Financials

## Engineering Plastics

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>1,401</td>
<td>1,722</td>
<td>1,737</td>
</tr>
<tr>
<td><strong>EBITDA pre exc.</strong></td>
<td>22</td>
<td>49</td>
<td>66</td>
</tr>
<tr>
<td><strong>EBITDA pre exc. / Sales</strong></td>
<td>1.6%</td>
<td>2.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>-14</td>
<td>49</td>
<td>66</td>
</tr>
<tr>
<td><strong>Depr. &amp; Amort.</strong></td>
<td>474</td>
<td>37</td>
<td>56</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>-488</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>85</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td><strong>Number of Employees</strong>*</td>
<td>3,658</td>
<td>3,652</td>
<td>3,479</td>
</tr>
</tbody>
</table>

*as of Dec 31

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

### Sales by Business Unit 2005

- **LUP**
- **FIB**
- **SCP**

### Price, Volume, Currency

- **FY 2004**
  - Price: +7%
  - Volume: -6%
  - Currency: +1%

- **FY 2005**
  - 1,722 (approximate numbers)
Engineering Plastics has Manufacturing Facilities in all Important Regions

Semi-Crystalline Products
- Antwerpen, Belgium
- Krefeld/Uerdingen, Germany
- Wuxi, China
- Hamm-Uentrop, Germany [JV]

Lustran Polymers
- Dormagen, Germany
- Vadodara, India
- Tarragona, Spain
- Map Ta Phut, Thailand
- Addyston, USA
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

- APAC: 66%
- NAFTA: 12%
- LATAM: 1%
- EMEA: 20%
- India: 1%

Source: LXS estimates

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

Source: LXS estimates

Competition

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

Source: LXS estimates

End Uses

- Healthcare: 2%
- Electro/Electronics: 31%
- Construction: 8%
- Automotive/Transportation: 16%
- Chemical Industry: 3%
- Sports & Leisure: 3%
- Others: 37%

Based on global sales 2005

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
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

<table>
<thead>
<tr>
<th>ABS</th>
<th>Acrylonitrile Butadiene Styrene Copolymer</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASA</td>
<td>Acrylonitrile Styrene Acrylate Copolymer</td>
</tr>
<tr>
<td>SAN</td>
<td>Styrene Acrylonitrile Copolymer</td>
</tr>
<tr>
<td>AES</td>
<td>Acrylonitrile Ethylene/Propylene Styrene Copolymer</td>
</tr>
</tbody>
</table>
Engineering Plastics – Lustran Polymers

Styrenic Resins is Forming a Colourful Difference

Monomers

Polymerisation

Compounding / Colouring

Applications

Acrylonitrile + Butadiene + Styrene

SAN + Polybutadiene

ABS Polymers

SAN = Styrene Acrylonitrile Copolymer

Backward integration

Strategic focus

Business strategy: Focus on pre-coloured ABS and specialty grades
Global Manufacturer with Regional Management in Close Proximity to the Customers

Competitive Advantages

- Regional organisation and manufacturing facilities are covering 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 pre-coloured grades supported by technical development 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
Financials

Lustran Polymers (LUP)
Semi-Crystalline Products (SCP)
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.

Source: LXS estimates.

- 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

Source: LXS estimates.

- Cost-based competitive advantage via world-scale polymerisation (PA 6 & PBT) and compounding facilities
- World-scale caprolactam-train in Antwerpen providing cost-based advantage
- World-scale glass fiber plant on high technological standard leads to process-based advantage
DURETHAN® and POCAN® have Numerous Applications Across a Variety of Industries

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
</table>
| DURETHAN® A - based on polyamide 6.6  
DURETHAN® B – based on polyamide 6  
POCAN® - based on polybutylene terephthalate (PBT) and polyethylene terephthalate (PET)  
Available types for all three: non-reinforced, glass fiber reinforced, glass-bead and mineral-filled, glass fiber reinforced/ mineral-filled, flame-retardant, and polymer and elastomer-modified grades  
Glass fibers  
Plastics Intermediates such as Adipic Adid or Caprolactame  
Polyamide-based monofilament products PERLON® and ATLAS® | 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 |
SCP is Increasingly Focussed on Value-added Parts of the Manufacturing Chain

Engineering Plastics – Semi-Cristalline Products

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

1. Cyclohexanone/Cyclohexanol
2. Caprolactam
### 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: Semi-Cristalline Products

- Development out of niche positions in Asia-Pacific into market player
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)
Supplier of:

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

A leading company in custom manufacturing focussed on:

- Agrochemicals
- Pharmaceuticals
- Specialties

A leading global supplier of inorganic pigments with a broad, innovative product range
Chemical Intermediates – Financials

Summary of Key Financials

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,411</td>
<td>1,487</td>
<td>1,535</td>
</tr>
<tr>
<td>EBITDA pre exc.</td>
<td>153</td>
<td>202</td>
<td>211</td>
</tr>
<tr>
<td>EBITDA pre exc. / Sales</td>
<td>10.8%</td>
<td>13.6%</td>
<td>13.7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>119</td>
<td>202</td>
<td>211</td>
</tr>
<tr>
<td>Depr. &amp; Amort.</td>
<td>463</td>
<td>113</td>
<td>82</td>
</tr>
<tr>
<td>EBIT</td>
<td>-344</td>
<td>89</td>
<td>129</td>
</tr>
<tr>
<td>Capex</td>
<td>79</td>
<td>89</td>
<td>59</td>
</tr>
<tr>
<td>Number of Employees*</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
Chemical Intermediates Relies on a Global Manufacturing Base with Focus in Europe

**Chemical Intermediates – Sites**

**Saltigo**
- Dormagen, Germany
- Leverkusen, Germany

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

**Inorganic Pigments**
- Krefeld/Uerdingen, Germany
- Porto Feliz, Brazil
- Shanghai, China
- Branstorn, UK
- Vilassar de Mar, Spain
- Starpointe PA, USA
- Sydney, Australia

Map showing locations for different chemical intermediates products.
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)
Leading Positions in Industry with Asian Competition and Consolidation trends

Global Demand

- APAC 31%
- Europe 42%
- Americas 27%

Total (2005): €2.8 bn

Source: LXS estimates

Market Development

- 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 Chlorotoluenes, Chlorobenzenes and Nitrotoluenes

End Uses

- Polymers 19%
- Automotive/Transportation 6%
- Coatings 6%
- Agrochemicals 26%
- Construction 8%
- Others 35%

based on BU sales 2005

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
- Strengthening by further low cost capacity increases and productivity improvement

Competition

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

Products

- Chlorobenzenes + Derivatives
- Chlorotoluenes + Derivatives
- Nitrotoluenes + Derivatives
- Polyols / Oxidation products
- Inorganic acids
- Benzyl products / Amines
BAC Offers Broad Product Range for Use in Numerous End-User Industries

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Chlorobenzenes and derivatives</td>
<td>- The unit sells commodity chemicals used in the following industries and sectors:</td>
</tr>
<tr>
<td>- Aliphatic and aromatic monoisocyanates</td>
<td>- Agrochemicals</td>
</tr>
<tr>
<td>- Chlorotoluenes and cresols, butylhydroxytoluene</td>
<td>- Polymers</td>
</tr>
<tr>
<td>- Nitrotoluenes and derivatives</td>
<td>- Coatings</td>
</tr>
<tr>
<td>- Polyols (e.g. trimethylolpropane)</td>
<td>- Automotive and transportation industry</td>
</tr>
<tr>
<td>- Oxidation products (maleic anhydride, phthalic anhydride)</td>
<td>- Construction</td>
</tr>
<tr>
<td>- Cyclohexylamine, dicyclohexylamine</td>
<td></td>
</tr>
<tr>
<td>- Benzyl alcohol, benzyl chloride, benzo trichloride, benzooyl chloride</td>
<td></td>
</tr>
<tr>
<td>- Benzylamine, Monoisopropanolamine, Diisopropanolamine</td>
<td></td>
</tr>
<tr>
<td>- Hydrofluoric acid, anhydrite</td>
<td></td>
</tr>
<tr>
<td>- Sulphur products (sulphuric acid/ oleum, sodium bisulfite, thionyl</td>
<td></td>
</tr>
<tr>
<td>chloride, sulfuryl chloride, disulphur dichloride)</td>
<td></td>
</tr>
</tbody>
</table>
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 Leverages Strong European Base to Further Succeed Globally

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Competitive technologies, world-scale production facilities and high utilization rates provide cost advantage</td>
<td>- Focus shifts to Asia as an important driver of growth</td>
</tr>
<tr>
<td>- The unique “Aromatenverbund” system enables BAC to optimize its capacity utilization, cost of production and product mix ensuring a solid market position</td>
<td>- Migration of downstream industries to Asia (textiles, dyestuffs, fluoro chemicals, pigments, etc.)</td>
</tr>
<tr>
<td>- BAC has been able to successfully leverage its competitive strength to grow its business, increase its market position and improve profitability</td>
<td>- REACH, TA-Luft as well as ongoing eco-toxicological discussions may generate expenditures for European producers</td>
</tr>
</tbody>
</table>
Overview
Performance Rubber
Engineering Plastics
Chemical Intermediates
Performance Chemicals
Financials

Basic Chemicals (BAC)
Saltigo (SGO)
Inorganic Pigments (IPG)
**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>ROW</td>
<td>2%</td>
</tr>
<tr>
<td>EMEA</td>
<td>37%</td>
</tr>
<tr>
<td>America</td>
<td>49%</td>
</tr>
</tbody>
</table>

**Total (2005): €12.3 bn**

*Source: LXS 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

### 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 patent protected customer products
### Chemical Intermediates – Saltigo

#### 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</td>
<td>Intermediates and active components for the agrochemical industry</td>
</tr>
<tr>
<td>- synthesis,</td>
<td>Intermediates and active ingredients for the pharmaceutical industry</td>
</tr>
<tr>
<td>- process development,</td>
<td>Specialty fine chemicals for applications like imaging, polymer additives, electronics, consumer care and other innovative products</td>
</tr>
<tr>
<td>- manufacturing,</td>
<td></td>
</tr>
<tr>
<td>- services.</td>
<td></td>
</tr>
<tr>
<td>Based on a large experience in fine chemicals production Saltigo also offers a broad portfolio of high quality multi-customer products</td>
<td></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>
Quality Products for Construction, Coatings, Plastics and Other Industries

Global Demand

- APAC: 25%
- Americas: 31%
- 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

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

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

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>- A leading producer of iron oxide pigments offering a broad product range</td>
<td>- Colouring of construction materials (asphalt, concrete for floors, roofs and walls)</td>
</tr>
<tr>
<td>- Provider of colour pigments to various industries, in particular construction</td>
<td>- Paints and coatings (architectural paints as well as industrial coatings)</td>
</tr>
<tr>
<td>- Important products include iron oxide pigments BAYFERROX®, BAYOXIDE®, BAYSCAPE®, COLOERTHERM® and chromium oxide products</td>
<td>- Other applications include products used for colouring of plastics and paper and manufacture of refractory, ceramics, brake linings, mulch, glazes and airbags</td>
</tr>
<tr>
<td></td>
<td>- IPG also supplies oxides with tailored magnetic, chemical and morphological properties for the production of toners used in photocopiers and laser printers</td>
</tr>
</tbody>
</table>
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:

- **Yellow**
  - Iron+Nitrobenzene
  - Laux process

- **Red**
  - Iron salts+NaOH+Oxygene
  - Precipitation process

- **Black**
  - Iron+Oxygene
  - Penniman process

- **Brown**
  - Yellow or black iron oxide
  - Calcination

Broad product range of iron oxide pigments; available in powder, slurry, granule and compact pigment forms.
IPG is Meeting the Challenges by Using its Worldwide Market Access

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ State-of-the-art production capacities and superior product quality</td>
<td>▪ Chinese producers with lower cost structure, fast capacity build-up and improvements in quality</td>
</tr>
<tr>
<td>▪ Strong established brands such as BAYFERROX®</td>
<td>▪ Increasing raw material and energy costs</td>
</tr>
<tr>
<td>▪ Worldwide distribution network</td>
<td></td>
</tr>
</tbody>
</table>

Chemical Intermediates – Inorganic Pigments
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)
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
BUs Produce Service- and Application-Driven Products for a Wide Range of Industries (continued)

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

- **Rhein Chemie**
  - Providing technical services and additives for the
    - Rubber
    - Polyurethane
    - Plastics
    - Lubricant oil industries

- **Rubber Chemicals**
  - Full portfolio of rubber chemicals for the tire and technical rubber industry including:
    - Antidegradants
    - Accelerators
    - Specialties

- **Ion Exchange Resins**
  - Providing Ion Exchange Resins and complete solutions for the treatment of liquids in the following industries:
    - Water
    - Foodstuff
    - Chemicals

- 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

### Performance Chemicals

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

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

FY 2004
- Price: -2%
- Volume: +4%

FY 2005
- Price: +1%
- Volume: +1%

(approximate numbers)
Performance Chemicals has a World-wide Manufacturing base

**Rhein Chemie**
- Mannheim, Germany
- Qingdao, China [JV]
- Toyohashi, Japan
- Chardon OH, USA
- Porto Feliz, Brazil
- Madurai, India

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

**Leather**
- Zarate, Argentina
- Wuxi, China
- Leverkusen, Germany
- Filago, Italy
- Merebank, Rustenburg, Newcastle [JV], South Africa
- Madurai, India

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

**Functional Chemicals**
- Leverkusen, Krefeld/Uerdingen, Germany
- Lerma, Mexico
- Weifang, China

**Ion Exchange Resins**
- Bitterfeld, Leverkusen, Germany
- Birmingham NJ, USA

**Rubber Chemicals**
- Antwerpen, Belgium
- Brunsbüttel, Leverkusen, Krefeld/Uerdingen, Germany
- Thane, India
- Isithebe, South Africa
- Bushy Park SC, USA
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

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)
### MPP has a Broad and Innovative Product Portfolio

#### Global Demand

- **Asia**: 25%
- **Europe**: 30%
- **Americas**: 45%

*Total (2005): €2.9 bn*

*Source: LXS estimates*

#### Market Development

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

#### Competition

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

#### End Uses

- **Beverage and Disinfection**: 36%
- **Chemistry**: 19%
- **Construction**: 45%

*Based on BU sales 2005*

#### Cost/Technology Position

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

#### Products

- Comprehensive range of biocidal active ingredients and formulations for beverage stabilization, wood protection and antifouling, industrial preservation and disinfection
### Products and Problem Solutions for a Wide Area of Applications

#### Products

- Preservatives / Biocides
  - Preventol®
  - Biocheck®
  - MetaSol®
  - Tektamer®
  - Cold sterilisation agent for the Beverage Industry
- Veldcorin®

#### Main Applications

- Wood protection
- Antifouling paints
- Industrial preservation
- Disinfection
- Beverages stabilization
A Leading Producer of Biocides and Biocidal Formulations

- **Raw Material**

- **Select Chlorinating**

- **Purification**

- **Finishing & Logistics**

  - **m-Cresole** + Chlorine → **p-Chloro-m-Cresole** (PREVENTOL CMK®)

  - **Cyclo-hexamone** → **o-Phenylphenol** (PREVENTOL O EXTRA®)

- **Key Biocidal Actives**

  - Aqueous Solutions
  - Dispersions

Performance Chemicals – Material Protection Products
# MPP Uses Broad Expertise in Biocides to Provide Customer Specific Solutions

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Broad and innovative portfolio with unique properties</td>
<td>- Increasing regulatory requirements</td>
</tr>
<tr>
<td>- Strong development capabilities</td>
<td>- Low cost Chinese / Indian competition in biocidal actives</td>
</tr>
<tr>
<td>- Global sales and service network</td>
<td></td>
</tr>
<tr>
<td>- High expertise in regulatory matters and broad portfolio of biocidal registrations</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)
**Broad Product Portfolio for Plastics, Chemicals and Other Applications**

**Global Demand**
- EMEA 38%
- Americas 37%
- APAC 25%
- Total (2005): €3.3 bn

**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

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

**End Uses**
- Electro / Electronics 4%
- Life Science 10%
- Construction 12%
- Plastics 39%
- Automotive/Transportation 2%
- Others 23%
- Chemistry 10%

**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

Source: LXS estimates
### Performance Chemicals – Functional Chemicals

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

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Flame retardants: DISFLAMOLL®, BAYFOMOX®, LEVAGARD™</td>
<td>▪ Rigid and flexible PVC</td>
</tr>
<tr>
<td>▪ Plasticisers: MESAMOLL®, ADIMOLL®, ULTRAMOLL®, UNIMOLL®, Triacetin</td>
<td>▪ Polyurethane foam</td>
</tr>
<tr>
<td>▪ Blowing agents: POROFOR®, FICEL™, GENITRON™</td>
<td>▪ Engineering plastics</td>
</tr>
<tr>
<td>▪ Organic colorants: BAYSCRIPT®, MACROLEX®, BAYPLAST™, SOLFORT™, LEVANYL®, LEVANOX®, BAYFAST™</td>
<td>▪ Paints and coatings</td>
</tr>
<tr>
<td>▪ Synthesis chemicals: Hydrazine Hydrate, LEVOXIN™, Phosphites</td>
<td>▪ Water treatment</td>
</tr>
<tr>
<td>▪ Water treatment chemicals: BAYHIBIT®, BAYPURE®</td>
<td>▪ Laundry and cleaning</td>
</tr>
<tr>
<td></td>
<td>▪ Printing inks</td>
</tr>
<tr>
<td></td>
<td>▪ Detergents</td>
</tr>
<tr>
<td></td>
<td>▪ Cosmetics</td>
</tr>
</tbody>
</table>
One of the Largest Integrated Production for Phosphorous Chemicals

Raw Materials

Chlorination
Oxidation

Alkylation
Arylation
Addition

Flame Retardants
Specialties
Water Treatment Agents

Phosphorous Chlorine Oxygen

Phosphorous Trichloride
Phosphorous Oxychloride

Aryl Phosphates
Alkyl Phosphates

Alkyl Phosphonates

P-Chlorides for agrochemicals
Bayhibit® for industrial cleaners

Aryl Phosphates for cable protection
Alkyl Phosphates for polyurethane protection
## Strong Market and Technology Positions in Niches with Excellent Customer Relationships

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Economies of scale in one of the largest integrated production for phosphorous chemicals</td>
<td>- Sustainability of market positions</td>
</tr>
<tr>
<td>- Long-term patent protection for product technologies</td>
<td>- Change in the competitive environment due to further consolidation</td>
</tr>
<tr>
<td>- High expertise and know-how</td>
<td>- High volatility of raw material prices</td>
</tr>
<tr>
<td>- Established solution provider</td>
<td>- Increasing price pressure in commodity segments</td>
</tr>
<tr>
<td>- Strong existing customer relationships in key markets</td>
<td>- Continuous market shift to Far East</td>
</tr>
<tr>
<td>- A market leader for phosphorous flame retardants, bonding agents, specialty plasticisers, hydrazine hydrate and solvent dyes for plastics</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)
Leather has a Broad Product Portfolio and Leading Market Positions

Global Demand
- Latin America 51%
- Asia-Pacific 27%
- Europe 16%
- North America 6%
Total (2005): €2,9 bn
Source: LXS estimates

Market Development
- Expected market growth (CAGR 05–10): ~1.7%
  - Finishing: ~1.7%
  - Retanning: ~1.7%
  - Tanning: ~1.8%

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

End Uses
- Garment 2%
- Furniture 19%
- Automotive 18%
- Others 18%
- Shoes 43%
Based on BU sales 2005

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

Products
- Tanning 42%
- Finishing 31%
- Retanning 27%
## Provider of Full Product Portfolio for Leather Industry

### Products

- BAYMOL®, BAYKANOL®, CISMOLLAN®, PREVENTOL®
- BAYCHROM®, CHROMOSAL®, BLANCOROL®
- SETA™*, EUREKA ©**, ATLASOL ®**
- BAYKANOL®, LEUKOTAN®***, LEVOTAN®, LUBRITAN™***, RETINGAN®, TANIGAN®
- ACIDERM®, BAYCOLOR™, BAYGENAL®, BAYDERM®, EUDERM®, EUKANOL®, LEVADERM®
- AQUADERM ®, BAYDERM®, EUDERM®, HYDRHOLAC™***, PRIMAL®***
- ACRYSL™***, AQUADERM ®, BAYSIN™, EUDERM®, EUKANOL®, EUSIN®, ISODERM®, PRIMAL®***, XERODERM®
- BAYDERM®, EUSIN®, ISODERM®
- BAYGEN®, LEVACAST®

### 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)

*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

**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 fatliquors with ATLAS Refinery, Inc.
- Partnership in the field of PUR-dispersions with BMS
- Backward-integration into chrome mining
- Strong and established customer relationships
- Broad product portfolio offering complete solutions to the customer

**Challenges**
- Increasing competitive pressure due to over-capacities in retanning and finishing chemicals
- Increasing trend towards partnering with competitors
- Country risk due to production in politically volatile countries
- Continuous need for innovation and product development in all segments
- Increasing demand for fashion oriented leather articles
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 – Textile Processing Chemicals

Global Producer of Textile Auxiliaries

Global Demand

- Asia: 50%
- EMEA/RoW: 29%
- North America: 16%
- Latin America: 5%

Total (2005): €5.8 bn

Source: LXS estimates

Market Development

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

Competition

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

End Uses

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

based on BU sales 2005

Cost/Technology Position

- 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)

Products

- Optical Brighteners & Pretreatment
- Finishing
- Dyeing Auxiliaries
- Textile Printing

Apparel

High sophisticated synthesis plants provide tailor-made products for customer-adapted formulations in the regions - Composite Production Flow (CPF)
BAYGARD® and BAYPROTECT® Offer a Variety of Applications in the Textile Industry

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pretreatment:</td>
<td>Apparel</td>
</tr>
<tr>
<td>BAYLASE®, BAYSOLEX®, DIADAVIN®, ERKANTOL®, LEVAPON®, PLEXENE™, TANATERGE®, TANNEX®</td>
<td>Carpet / Home textiles</td>
</tr>
<tr>
<td>Dyeing Auxiliaries:</td>
<td>Automotive</td>
</tr>
<tr>
<td>ASTRAGAL®, AVOLAN®, LEVEGAL®, LEVOGEN®, LUBIT®, TANASPERSE™, TANAPAL®, TANADEL™, TANEDE™</td>
<td>Technical textiles</td>
</tr>
<tr>
<td>Finishing:</td>
<td>Fibers</td>
</tr>
<tr>
<td>BAYGARD®, BAYPRET®, CELLOLUBE™, PERSOFTAL®, SYNTHAPPRET®, EULAN™</td>
<td></td>
</tr>
<tr>
<td>Textile Printing:</td>
<td></td>
</tr>
<tr>
<td>ACRACONZ™/ACRACONC™, ACRAFIX®, ACRAMIN®, NOFOME™, TANAPRINT®</td>
<td></td>
</tr>
</tbody>
</table>

Performance Chemicals – Textile Processing Chemicals

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
Performance Chemicals – Textile Processing Chemicals

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

Local Technical Service
- Formulation Steps
  - Synthesis Steps
    - Raw Materials
  - Trade Goods

Raw Materials

Activities
- Partial LXS-TPC Activities
- LXS-TPC Activities

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

Performance Chemicals – Textile Processing Chemicals

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Raw Materials

Activities
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- LXS-TPC Activities

e.g. Garment Industry
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- Branding
- Retailing
## 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
Overview
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Rhein Chemie (RCH)
Rubber Chemicals (RUC)
Ion Exchange Resins (ION)
Rhein Chemie has Strong Service and Application Expertise

Global Demand
- Asia 40%
- Europe 27%
- Americas 33%
- Total (2005): €2,2 bn

Source: LXS estimates

Market Development
- Expected market growth (CAGR 05–10): ~2%
  - LOA: ~1%
  - Rubber: ~3%
  - PU: ~5%

LOA = Lubricant oil additives
PU = Polyurethane

Source: LXS estimates

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

End Uses
- Automotive/Transportation 70%
- Construction 10%
- Others 10%
- Footwear 10%

based on BU sales 2005

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

Products
- Lubricant oil additives 18%
- Polyurethane/Plastics 20%
- Rubber 62%
### 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: UREPAN®, RHENOBLEND®
  - Antiozonants: ANTILUX®
  - Release agents: RHENODIV®
  - Vulcanization activators: RHENOFIT®
  - 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

Performance Chemicals – Rhein Chemie

Binder Systems

Rubber Chemicals

Preparation Weighing → Kneader → Extruder → Strainer

Talcum

Packaging → Cooling → Granulator
## Competitive Advantages

- Supplier of customized solutions
- Strong technical know-how
- Close customer relationships
- Strong global sales and service network
- Strong brands
- Big parts of value chain are covered
- Leading capabilities in new product development

## Challenges

- Constantly rising demand for new, innovative products and solutions
- Consolidation in rubber and automotive industry
Overview

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RUC has Leading Market and Technology Positions in a Challenging Environment

Global Demand

- EMEA: 40%
- Americas: 25%
- APAC: 35%

Source: LXS estimates

Market Development

- 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%

Competition

1. Flexsys
2. LANXESS
3. Chemtura

Based on global sales, Source: Rubber Chemicals World Data Book 2004, Notch Consulting

End Uses

- Tire: 63%
- Chemical industry: 7%
- Latex: 1%
- Distributors: 11%
- Mineral Oil Applications: 1%
- Technical Rubber Products: 17%

based on BU sales 2005

Cost/Technology Position

- World-scale plants for anti-degradants and accelerators in Europe
- Leading technology positions

Products

- Special Chemicals: 15%
- Accelerators: 35%
- Antidegradants: 50%

Based on global sales, Source: Rubber Chemicals World Data Book 2004, Notch Consulting
## Broad Product Portfolio to Enhance Rubber Properties

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accelerators</strong></td>
<td>▪ Enhance the mixing and/or processability of elastomers, blends or their rubber compounds</td>
</tr>
<tr>
<td>▪ Thiazoles</td>
<td>▪ Protect an end product against effects on its properties or from degradation (e.g. oxidation) under in-service conditions</td>
</tr>
<tr>
<td>▪ Sulphenamides</td>
<td>▪ Achieve certain properties in the elastomer or the finished rubber article/latex product, e.g. by means of cross-linking (vulcanisation)</td>
</tr>
<tr>
<td><strong>Antidegradants</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Phenylendiamines</td>
<td></td>
</tr>
<tr>
<td>▪ Quinolines</td>
<td></td>
</tr>
<tr>
<td><strong>Specialities used as</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Bonding agents</td>
<td></td>
</tr>
<tr>
<td>▪ Cross linkers</td>
<td></td>
</tr>
<tr>
<td>▪ Curing agents</td>
<td></td>
</tr>
<tr>
<td>▪ Emulsifiers</td>
<td></td>
</tr>
<tr>
<td>▪ Fillers</td>
<td></td>
</tr>
<tr>
<td>▪ Latex chemicals</td>
<td></td>
</tr>
<tr>
<td>▪ Peptizing agents</td>
<td></td>
</tr>
<tr>
<td>▪ Retarders</td>
<td></td>
</tr>
<tr>
<td>▪ Stabilisers</td>
<td></td>
</tr>
<tr>
<td>▪ Synthetic plasticisers</td>
<td></td>
</tr>
<tr>
<td>▪ Heat sensitizers</td>
<td></td>
</tr>
<tr>
<td>▪ Vulcanization activators</td>
<td></td>
</tr>
</tbody>
</table>
A Leading Producer of Rubber Chemicals for Tyre Industry and Technical Rubber Products

- **Raw Material**: Aniline + CS₂
  - **Condensation**: Sodium Mercaptobenzothiazole + Amine
  - **Condensation**: Vulcanisation Accelerators (VULKACIT®)
  - **Finishing & Logistics**

- **Raw Material**: Aniline + p-Nitrochlorobenzene
  - **Condensation**: 4-Aminodiphenylamine (4 ADPA) + Hydrogen
  - **Hydrogenation**: Antidegradant (VULKANOX 4020®)
  - **Finishing & Logistics**

- **Raw Material**: Aniline + Acetone
  - **Condensation**: Antidegradant (VULKANOX HS®)
  - **Finishing & Logistics**
### 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 Exchange Resins (ION)
### Performance Chemicals – Ion Exchange Resins

**ION Offers a Broad Product Range for Water Treatment and Various Other Applications**

**Global Demand**
- **APAC**
- **EMEA**
- **Americas**
- **Total (2005): €0.7 bn**

Source: LXS estimates

**Market Development**
- High growth rates in specialties and Asian markets
- Service- and consulting requirements form entry barriers against increasing Asian competition
- Price pressure in standard applications

**Competition**
- LANXESS ranks second globally
- Main competitors are: Dow, Mitsubishi, Purolite and Rohm & Haas

**End Uses**
- **Nutrition**
- **Chemistry & Others**
- **Water & Energy**

Based on BU sales 2005

**Cost/Technology Position**
- Competitive cost positions
- Leading producer of technological advanced monodisperse Ion Exchange Resins
- Excellent development and service capabilities for customer requirements

**Products**
- Ion exchange resins produced by LANXESS are tailored for various applications
- Approximately 250 different products, especially developed for use in more than 500 different applications
# 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>
ION - A Solution Provider, Manufacturing Custom Designed Products

- Ion exchange resins are functionalized polymer beads produced by combining styrene & DVB*
  * Divinylbenzene

- 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
### Competitive Advantages

- Global market presence and distribution network
- Service and quality ranked among the best in industry
- Unique portfolio of production technologies and corresponding structures are base for competitive advantage
- Leadership in monodisperse Ion Exchange technology
- Megatrends fueling future demand

### Challenges

- Price pressure in standard applications
- Substitution threat through reverse osmosis (R/O) in selected water treatment applications
- Continuous raw material price increases