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LANXESS Group
- Performance Polymers
- Advanced Intermediates
- Performance Chemicals

Overview
- Strategy
- Financials FY 2006 (reported)
- Financials restatement 2005-2007
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

Immediate focus on transformation of the company since the spin-off

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.
In 2006 and during the first months of 2007 the transformation process continued with undamped speed. Two further business units - Textile Processing Chemicals (TPC) and Lustran Polymers (LUP) - were sold, the first acquisition (CISA) was made.

In 2006 and during the first months of 2007 the transformation process continued with undamped speed. Two further business units - Textile Processing Chemicals (TPC) and Lustran Polymers (LUP) - were sold, the first acquisition (CISA) was made.
LANXESS - a global player in the chemical industry

Global presence

LANXESS Group - Overview

Broad supplier base

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 2006 included BP, ChevronPhillips, Dow, ExxonMobil, Huntsman, Ineos, Lyondell, Nova Chemicals, Repsol, Siam Styrene, Shell Chemicals and Total. Other important suppliers of basic inorganic and organic chemicals are BASF, Bayer, Degussa, European Oxo, Ineos and Polimeri.

Total raw material expenses in 2006 were approx. €3.2 bn
Petrochemical raw materials accounted for a purchasing volume of approx. €1.6 bn of costs in 2006
Lustran Polymers accounted for approximately 1/3 of total petrochemical raw material expenses

Top ten petrochemical raw materials 2006

- Butadiene
- Styrene monomer
- Acrylonitrile
- Cyclohexane
- C4 Raffinate I
- Toluene
- Isobutylene
- Ethylene
- Benzene
- Aniline

LUP raw material expenses
Diversified customer base and industry portfolio

The LANXESS Group’s top five customers accounted for about 11% of all sales in fiscal 2006. 14 customers account for sales of between €20 million and €50 million. About 24,000 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 around 8,000, and Performance Chemicals has about 17,000. However, one customer may do business with more than one segment. Each segment includes all customer groups and sales volumes.

Summary of key financials (reported)

<table>
<thead>
<tr>
<th>LANXESS</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6,315</td>
<td>6,773</td>
<td>7,150</td>
<td>6,944</td>
</tr>
<tr>
<td>EBITDA pre exc.</td>
<td>311</td>
<td>447</td>
<td>581</td>
<td>675</td>
</tr>
<tr>
<td>EBITDA pre exc. / Sales</td>
<td>4.9%</td>
<td>6.6%</td>
<td>8.1%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Net income</td>
<td>-997</td>
<td>-12</td>
<td>-63</td>
<td>197</td>
</tr>
<tr>
<td>Net financial debt*</td>
<td>1,429</td>
<td>1,135</td>
<td>680</td>
<td>511</td>
</tr>
<tr>
<td>Working capital*</td>
<td>1,512</td>
<td>1,468</td>
<td>1,439</td>
<td>1,369</td>
</tr>
<tr>
<td>Capex</td>
<td>312</td>
<td>279</td>
<td>251</td>
<td>267</td>
</tr>
<tr>
<td>Number of Employees*</td>
<td>20,423</td>
<td>19,659</td>
<td>18,282</td>
<td>16,481</td>
</tr>
</tbody>
</table>

*as per 31.12

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

FY 2005 Price Volume Currency Portfolio FY 2006
6944 -4% -3% 0% -4%
7159 +4% -3% 0% -4%
7159 +4% -3% 0% -4%
6773 +8% -3% +1% 0%
LANXESS Group - Strategy

Proportion of profitable businesses further increased

Profitability distribution (share of sales)

<table>
<thead>
<tr>
<th>EBITDA* margin</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 10%</td>
<td>~30%</td>
<td>~45%</td>
<td>~60%</td>
</tr>
<tr>
<td>5 - 10%</td>
<td>~30%</td>
<td>~30%</td>
<td>~20%</td>
</tr>
<tr>
<td>&lt; 5%</td>
<td>~40%</td>
<td>~25%</td>
<td>~20%</td>
</tr>
</tbody>
</table>

* pre exceptionals

- Doubled
- Reduced
- Halved
LANXESS Group - Strategy

**Consistent improvement as four-phase strategy is implemented**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio</td>
<td>&gt;10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9-10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>&lt;5%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LANXESS Group - Strategy**

**Performance improvement: profit-driven market approach to the chemical business**

- "Price-before-volume" strategy
- Pass on of raw material and energy cost increase
- Rationalization of products and grades
- Reduction of complexity
- Disciplined working capital management
- Implementation of new business models

Focus on profitable sales
Targeted restructuring results in €205 million cost savings*

- Closure of several sites worldwide
- Closure and consolidation of plants
- Reduction of workforce
- Optimization of sites, plants and processes
- Optimization of internal services
- New business models for Saltigo and Lustran Polymers

*Adjusted for LUP and TPC divestments

Restructuring savings vs. prior year (€ m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>2006</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>55</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td>50</td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td>50</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>40</td>
<td>205</td>
</tr>
</tbody>
</table>

Rigorous cost management

LANXESS Group - Strategy

Successful portfolio adjustments by active portfolio management

Businesses with approximately €1,400 million of earnings-dilutive sales have been divested.
**LANXESS about to close gap to peer-group**

<table>
<thead>
<tr>
<th>EBITDA* margin 2005</th>
<th>EBITDA* margin 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source:</strong> Annual Reports</td>
<td><strong>Source:</strong> Annual Reports</td>
</tr>
<tr>
<td>BASF</td>
<td>20.0%</td>
</tr>
<tr>
<td>DSM</td>
<td>16.0%</td>
</tr>
<tr>
<td>Clariant</td>
<td>11.7%</td>
</tr>
<tr>
<td>HUNTELMAN</td>
<td>11.1%</td>
</tr>
<tr>
<td>LANXESS</td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>∅ 12-14%</strong></td>
<td><strong>∅ 12-14%</strong></td>
</tr>
</tbody>
</table>

**LANXESS Group - Strategy**

**Successful evolution of the company while delivering on promises**

<table>
<thead>
<tr>
<th>in € m</th>
<th>2004 reported</th>
<th>Targets 2006</th>
<th>2006 reported</th>
<th>Targets 2009</th>
<th>Targets for 2009 will be reached in 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA*</td>
<td>447</td>
<td>• EBITDA* margins of 9-10%</td>
<td>675</td>
<td>• Peer group EBITDA* margins</td>
<td></td>
</tr>
<tr>
<td>EBITDA* margin</td>
<td>6.6%</td>
<td>• Net financial debt / EBITDA ratio &lt; 2.5</td>
<td>9.7%</td>
<td>• No business with &lt; 5% EBITDA* margin</td>
<td></td>
</tr>
<tr>
<td>Equity ratio</td>
<td>24.5%</td>
<td></td>
<td>34.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net financial debt</td>
<td>1,135</td>
<td></td>
<td>511</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net financial debt / EBITDA</td>
<td>2.5x</td>
<td></td>
<td>0.8x</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Company measures**

- Portfolio adjustments (PAP, FIB)
- Targeting restructuring phases (I-IV)
- Result driven culture
- „Price-before-volume“ strategy
- Portfolio adjustments (TPC, LUP)
- Implementation and benefit from restructuring programs
Portfolio adjustments led to a new business unit landscape…

Segments by business units

Divested business units

- Perf. Chem.
- Chem. Intermed.
- Engin. Plastics
- Perf. Rubber

... and consequently to a reclassification of the segments

Segments by business units

New classification effective as of Q3 2007
LANXESS – market focus reflected in new segment structure

<table>
<thead>
<tr>
<th>Segment Type</th>
<th>Sales (€m)</th>
<th>EBITDA pre exc. (€m)</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Polymers*</td>
<td>€2,571</td>
<td>€340</td>
<td>4,194</td>
</tr>
<tr>
<td>Advanced Intermediates*</td>
<td>€1,140</td>
<td>€174</td>
<td>2,493</td>
</tr>
<tr>
<td>Performance Chemicals*</td>
<td>€2,205</td>
<td>€291</td>
<td>5,056</td>
</tr>
<tr>
<td>Butyl Rubber</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Polybutadiene Rubber</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Rubber Products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semi-Crystalline Products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Chemicals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saltigo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material Protection Products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inorganic Pigments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional Chemicals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RheinChemie</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rubber Chemicals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ion Exchange Resins</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Restated FY 2006 numbers after reclassification of segments.

Reconciliation/Corporate Segment: Sales: €115m / EBITDA pre exc.: €-141m / Employees: 3,151

Butyl Rubber
Polybutadiene Rubber
Technical Rubber Products
Semi-Crystalline Products
Basic Chemicals
Saltigo
Material Protection Products
Inorganic Pigments
Functional Chemicals
Leather
RheinChemie
Rubber Chemicals
Ion Exchange Resins

LANXESS Group

Performance Polymers
Advanced Intermediates
Performance Chemicals

Overview
Strategy
Financials FY 2006 (reported)
Financials restatement 2005-2007
Profitability improved despite headwind from higher raw material and energy costs

<table>
<thead>
<tr>
<th>(€ m)</th>
<th>FY 2005</th>
<th>FY 2006</th>
<th>Δ in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>7,150</td>
<td>6,944</td>
<td>-3%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-5,537</td>
<td>-5,404</td>
<td>-2%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>-1,148</td>
<td>-1,020</td>
<td>-11%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>-101</td>
<td>-87</td>
<td>-14%</td>
</tr>
<tr>
<td>Other op. income/ expense</td>
<td>-336</td>
<td>-57</td>
<td>-83%</td>
</tr>
<tr>
<td>thereof exceptionals</td>
<td>-304</td>
<td>-45</td>
<td>-85%</td>
</tr>
<tr>
<td>EBIT</td>
<td>28</td>
<td>376</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Net Income</td>
<td>-63</td>
<td>197</td>
<td>n.m.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>341</td>
<td>638</td>
<td>87%</td>
</tr>
<tr>
<td>thereof exceptionals</td>
<td>-240</td>
<td>-37</td>
<td>-85%</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>581</td>
<td>675</td>
<td>16%</td>
</tr>
</tbody>
</table>

Profitability target achieved despite unfavourable raw material development

Margin improvements across all segments

- Price increases (+4.0%) offset slightly lower volumes (-2.8%) and unfavourable currency impact (-0.4%). Portfolio changes (-3.7%) account for reduced sales basis.
- Raw material price increases were broadly passed on - operational costs improved but were partly offset by higher energy costs.
- Exceptionals mainly relate to restructuring phases.

Profitability target achieved despite unfavourable raw material development.

- Sales 2006 in Engineering Plastics and Performance Chemicals were reduced mainly due to the absence of BUs FIB and PAP.
- EBITDA increases in all segments, lifting overall margins for the LANXESS group to 9.7%.
## LANXESS Group – Financials FY 2006 (reported)

### Balance Sheet: strong base and headroom

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current Assets</td>
<td>1,835</td>
<td>1,730</td>
<td>Stockholders’ Equity</td>
<td>1,256</td>
<td>1,428</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>53</td>
<td>41</td>
<td>thereof minority interest</td>
<td>17</td>
<td>25</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>1,526</td>
<td>1,465</td>
<td>Non-current Liabilities</td>
<td>1,576</td>
<td>1,554</td>
</tr>
<tr>
<td>Equity investments</td>
<td>22</td>
<td>5</td>
<td>Pension &amp; post empl. provisions</td>
<td>497</td>
<td>520</td>
</tr>
<tr>
<td>Other investments</td>
<td>4</td>
<td>4</td>
<td>Other provisions</td>
<td>302</td>
<td>271</td>
</tr>
<tr>
<td>Financial assets</td>
<td>48</td>
<td>37</td>
<td>Financial liabilities</td>
<td>644</td>
<td>632</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>103</td>
<td>84</td>
<td>Tax liabilities</td>
<td>26</td>
<td>38</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>79</td>
<td>94</td>
<td>Other liabilities</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Current Assets</td>
<td>2,506</td>
<td>2,475</td>
<td>Deferred taxes</td>
<td>75</td>
<td>57</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,068</td>
<td>1,047</td>
<td>Current Liabilities</td>
<td>1,509</td>
<td>1,223</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td>1,065</td>
<td>924</td>
<td>Other provisions</td>
<td>401</td>
<td>354</td>
</tr>
<tr>
<td>Financial assets</td>
<td>37</td>
<td>113</td>
<td>Financial liabilities</td>
<td>172</td>
<td>50</td>
</tr>
<tr>
<td>Other current assets</td>
<td>200</td>
<td>220</td>
<td>Trade accounts payable</td>
<td>694</td>
<td>602</td>
</tr>
<tr>
<td>Liquid assets</td>
<td>136</td>
<td>171</td>
<td>Tax liabilities</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td>Total Assets</td>
<td>4,341</td>
<td>4,205</td>
<td>Other liabilities</td>
<td>215</td>
<td>181</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total Equity &amp; Liabilities</td>
<td>4,341</td>
<td>4,205</td>
</tr>
</tbody>
</table>

Further reduction of net financial debt despite restructuring and rubber litigation payments

### Cash Flow: strong underlying operating cash flow

<table>
<thead>
<tr>
<th>(€ m)</th>
<th>FY 2005</th>
<th>FY 2006</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before Tax</td>
<td>-117</td>
<td>287</td>
<td>Strong profit before tax</td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>313</td>
<td>262</td>
<td>Change in working capital</td>
</tr>
<tr>
<td>Loss from investment in associate</td>
<td>35</td>
<td>16</td>
<td>mirrors increase after</td>
</tr>
<tr>
<td>Gain from sale of assets</td>
<td>-1</td>
<td>-2</td>
<td>exceptionally low year-end</td>
</tr>
<tr>
<td>Financial losses</td>
<td>72</td>
<td>21</td>
<td>(related to supplier</td>
</tr>
<tr>
<td>Cash tax payments</td>
<td>-25</td>
<td>-68</td>
<td>downtime and other one-times)</td>
</tr>
<tr>
<td>Changes in other assets and liabilities</td>
<td>241</td>
<td>11</td>
<td>Cash flow 2006 distorted by</td>
</tr>
<tr>
<td>Operating Cash Flow before changes in WC</td>
<td>518</td>
<td>527</td>
<td>extraordinary pay-outs:</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>106</td>
<td>-118</td>
<td>– ~€90 m restructuring</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>624</td>
<td>409</td>
<td>– ~€30 m higher bonus</td>
</tr>
<tr>
<td>Investing Cash Flow</td>
<td>-246</td>
<td>-207</td>
<td>Changes in other assets</td>
</tr>
<tr>
<td>thereof capex</td>
<td>-251</td>
<td>-267</td>
<td>and liabilities in 2005</td>
</tr>
<tr>
<td>Financing Cash Flow</td>
<td>-319</td>
<td>-164</td>
<td>contains contribution to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>provisions for restructuring</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and anti-trust</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>– Investing Cash Flow incl.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>€104 m from divestitures</td>
</tr>
</tbody>
</table>

2007 will again be burdened by restructuring cash outs
Fact Book 2007

Working capital kept on low levels

- Portfolio: Reduction due to divestment of businesses: FIB, PAP, TPC
- Fx-effect: Reduction due to U.S. dollar weakness
- Operational: Increase in 2006 due to:
  - Higher raw material prices in 2006
  - Operationally higher sales in 2006
  - 2005 low U.S. inventory due to impact from hurricane “Rita”
  - Supplier downtime specifically in BTR, Canada, with corresponding use-up of own inventories in Q4 2005

Effects to consider when comparing working capital 2006 vs. 2005:

\[
\begin{array}{cccc}
\textbf{Total WC in € million} & 2004 & 2005 & 2006 \\
\hline
\text{€1,468} & 1137 & 1151 & -820 \\
\text{€1,439} & 1065 & 1068 & -694 \\
\text{€1,369} & 924 & 1047 & -602 \\
\end{array}
\]

LANXESS Group – Financials FY 2006 (reported)

Update of restructuring savings after transaction of Lustran Polymers

<table>
<thead>
<tr>
<th>Phase I+II+III+IV (€ m)</th>
<th>2005</th>
<th>2006</th>
<th>2007e</th>
<th>2008e</th>
<th>2009e</th>
</tr>
</thead>
<tbody>
<tr>
<td>P&amp;L Expenses</td>
<td>-166</td>
<td>-31</td>
<td>-40</td>
<td>-30</td>
<td>-10</td>
</tr>
<tr>
<td>Cash outs</td>
<td>-10</td>
<td>-89</td>
<td>-120</td>
<td>-65</td>
<td>-10</td>
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<tr>
<td>Headcount reduction</td>
<td>-540</td>
<td>-650</td>
<td>-280</td>
<td>-40</td>
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<tr>
<td>Cost reduction vs. prior year</td>
<td>10</td>
<td>55</td>
<td>50</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>Cost reduction cumulative</td>
<td>10</td>
<td>65</td>
<td>115</td>
<td>165</td>
<td>205</td>
</tr>
<tr>
<td>EBITDA improvement vs. prior year</td>
<td>10</td>
<td>50</td>
<td>35</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>EBITDA improvement cumulative</td>
<td>10</td>
<td>60</td>
<td>95</td>
<td>130</td>
<td>155</td>
</tr>
</tbody>
</table>

All future figures are adjusted for the exit of LUP. The main respective cumulative effects are:
- Reduction of expected cost reduction: ~€45m by 2009
- Reduction of expected EBITDA improvement: ~€35m by 2009
- Lower expected cash outs: ~€50 m by 2009

Restructuring implementation continues according to plan

Fact Book 2007
Credit ratings – rating upgrades reflect improved business risk profile

Investment grade rating further improved

- Upgraded in July 2007 to BBB (stable outlook)

- Upgraded in July 2007 to Baa2 (stable outlook)

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

Better ratings enable LANXESS to benefit from favourable financing terms
## Financials restatement 2007

### LANXESS Group – Financials restatement 2005-2007

<table>
<thead>
<tr>
<th>Performance Polymers</th>
<th>Advanced Intermediates</th>
<th>Performance Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong></td>
<td><strong>Q2</strong></td>
<td><strong>H1 2007</strong></td>
</tr>
<tr>
<td>Sales</td>
<td>658</td>
<td>671</td>
</tr>
<tr>
<td>EBITDA</td>
<td>101</td>
<td>93</td>
</tr>
<tr>
<td>EBITDA margin pre exceptionals (%)</td>
<td>15.3</td>
<td>13.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>101</td>
<td>93</td>
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<tr>
<td>EBIT</td>
<td>76</td>
<td>68</td>
</tr>
<tr>
<td>Capex</td>
<td>21</td>
<td>33</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Employees</td>
<td>4,295</td>
<td>4,316</td>
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### Financials restatement 2006

<table>
<thead>
<tr>
<th>Performance Polymers</th>
<th>Advanced Intermediates</th>
<th>Performance Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong></td>
<td><strong>Q2</strong></td>
<td><strong>H1 2007</strong></td>
</tr>
<tr>
<td>Sales</td>
<td>639</td>
<td>645</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>91</td>
<td>86</td>
</tr>
<tr>
<td>EBITDA margin pre exceptionals (%)</td>
<td>14.2</td>
<td>13.3</td>
</tr>
<tr>
<td>EBITDA</td>
<td>90</td>
<td>86</td>
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<tr>
<td>EBIT</td>
<td>67</td>
<td>62</td>
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<tr>
<td>Capex</td>
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<tr>
<td>Depreciation and amortization</td>
<td>24</td>
<td>24</td>
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<tr>
<td>Employees</td>
<td>4,282</td>
<td>4,232</td>
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</table>

**LANXESS Group – Financials restatement 2005-2007**

**LANXESS Group – Financials restatement 2006**

**LANXESS Group – Financials restatement 2005-2007**
## Financials restatement 2005

### Performance Polymers

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>572</td>
<td>625</td>
<td>604</td>
<td>624</td>
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<tr>
<td>EBITDA pre exceptionals</td>
<td>84</td>
<td>90</td>
<td>55</td>
<td>58</td>
</tr>
<tr>
<td>EBITDA margin pre exceptionals (%)</td>
<td>14.7</td>
<td>14.4</td>
<td>9.1</td>
<td>9.3</td>
</tr>
<tr>
<td>EBITDA</td>
<td>84</td>
<td>88</td>
<td>51</td>
<td>21</td>
</tr>
<tr>
<td>EBIT pre exceptionals</td>
<td>62</td>
<td>66</td>
<td>31</td>
<td>36</td>
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<tr>
<td>EBIT</td>
<td>62</td>
<td>64</td>
<td>27</td>
<td>-1</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>22</td>
<td>24</td>
<td>22</td>
<td>92</td>
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<tr>
<td>Employees</td>
<td>4.058</td>
<td>4.182</td>
<td>4.312</td>
<td>4.315</td>
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</table>

### Advanced Intermediates

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY 2005</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
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<tr>
<td>502</td>
<td>503</td>
<td>274</td>
<td>282</td>
<td></td>
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<td>EBITDA pre exceptionals</td>
<td>51</td>
<td>49</td>
<td>39</td>
<td>26</td>
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<td>EBITDA</td>
<td>51</td>
<td>49</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>EBIT</td>
<td>51</td>
<td>49</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
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<tr>
<td>Employees</td>
<td>51</td>
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<td></td>
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</table>

### Performance Chemicals

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1.161</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>EBITDA pre exceptionals</td>
<td>1.161</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA margin pre exceptionals (%)</td>
<td>11.0</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>EBITDA</td>
<td>1.161</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>1.161</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
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<tr>
<td>Employees</td>
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</table>

### LANXESS Total

<table>
<thead>
<tr>
<th>LUP / FIB</th>
<th>Recon</th>
<th>LANXESS Total</th>
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<tbody>
<tr>
<td>Q1</td>
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<td>Q3</td>
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<td>EBITDA margin pre exceptionals (%)</td>
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<td>Employees</td>
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<td></td>
</tr>
</tbody>
</table>

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17 Fact Book 2007
LANXESS Group

**Performance Polymers**
LANXESS has an extensive knowledge in the field of rubbers and polymers. These activities are regrouped in the Performance Polymers segment.

After the reclassification of SCP, the segment now comprises four business units:
- Butyl Rubber (BTR)
- Polybutadiene Rubber (PBR)
- Technical Rubber Products (TRP)
- Semi-Crystalline Products (SCP)

**Performance Polymers – Structure**

A leading polymer producer with strong market positions in the automotive and tire industries

- **Butyl Rubber**
  Manufactures butyl rubber, which is a general purpose rubber impermeable to air with wide applications both in tire 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 tire 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

- **Semi-Crystalline Products**
  Provides a range of PA/ PBT resins, compounds and blends principally to the automotive and electrical industries. Committed to the development of products and new applications

- Automotive and tire industries as the major end-users
- Mainly price-, cost- and technology-driven
- Based on butadiene, isobutene, ethylene, propylene, isoprene, acrylonitrile, cyclohexane
Performance Polymers – Financials

Summary of key financials (restated)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>572</td>
<td>625</td>
<td>604</td>
<td>624</td>
<td>2,425</td>
<td>6,39</td>
<td>6,45</td>
<td>6,44</td>
<td>6,43</td>
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<tr>
<td>EBITDA</td>
<td>84</td>
<td>90</td>
<td>55</td>
<td>56</td>
<td>287</td>
<td>91</td>
<td>78</td>
<td>85</td>
<td>80</td>
</tr>
<tr>
<td>EBITDA margin pre exceptionals (%)</td>
<td>14.7</td>
<td>14.4</td>
<td>9.1</td>
<td>9.3</td>
<td>11.6</td>
<td>14.2</td>
<td>13.3</td>
<td>12.1</td>
<td>13.2</td>
</tr>
<tr>
<td>EBITDA</td>
<td>84</td>
<td>88</td>
<td>51</td>
<td>57</td>
<td>244</td>
<td>90</td>
<td>76</td>
<td>84</td>
<td>85</td>
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<td>62</td>
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<td>198</td>
<td>67</td>
<td>62</td>
<td>53</td>
<td>56</td>
</tr>
<tr>
<td>EBIT</td>
<td>62</td>
<td>64</td>
<td>27</td>
<td>27</td>
<td>182</td>
<td>68</td>
<td>63</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Capex</td>
<td>11</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>102</td>
<td>13</td>
<td>12</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>22</td>
<td>24</td>
<td>24</td>
<td>22</td>
<td>90</td>
<td>24</td>
<td>24</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>Employees</td>
<td>4,058</td>
<td>4,182</td>
<td>4,312</td>
<td>4,315</td>
<td>4,315</td>
<td>4,262</td>
<td>4,252</td>
<td>4,222</td>
<td>4,194</td>
</tr>
</tbody>
</table>

Restatement of quarterly and FY numbers after reclassification of segments. Performance Polymers numbers include the BUs BTR, PBR, TRP and SCP.

Performance Polymers – Sites

Serving global markets with world-class manufacturing base

Butyl Rubber
- Zwijndrecht, Belgium
- Sarnia, Canada

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

Semi-Crystalline Products
- Antwerp, Belgium
- Krefeld-Uerdingen, Germany
- Wuji, China

Technical Rubber Products
- La Wantzenau, France
- Sarnia, Canada
- Orange TX, USA

Serving global markets with world-class manufacturing base

Dormagen, Germany
- Leverkusen, Germany
- Leverkusen, Germany
- Dormagen, Germany
- Westfalen, Germany
- Halle-Uentrop, Germany
- Wuji, China
Performance Polymers – Strategic Statements

Turning strength into value

- A market leader in synthetic rubber
- Stronger participation in Asian growth
- Realize significant cost advantages through concentration on world-scale plants
- Capacity expansions in promising business segments
- More cost-efficient set-up after restructuring
- Development of non-automotive/ non-tire markets and rubber specialty segments
Performance Polymers – Butyl Rubber

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

Global Demand
- Americas 29%
- EMEA 21%
- Asia-Pacific 40%

Total (2006): €1.9 bn

Source: LXS estimates

Market Development
- Based on currently installed capacities, constraints or even shortages likely mid-term
- The overall CAGR (07-12) is assumed to be 3%
  - North America ~1%
  - EMEA ~2%
  - Asia-Pacific ~4.5%

Source: LXS estimates

Competition
- Competitors are:
  - ExxonMobil Chemical
  - Nizhnekamskneftekhim
  - Togliattikauchuk (Sibur Holding)
  - Sinopec (Beijing Yanshua)

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

Sources: LXS estimates

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

Products
- Regular butyl rubber
- Halobutyl rubber

Performance Polymers – Butyl Rubber

Tires are the main applications for butyl rubber

Products
- Halobutyl Rubber:
  - CHLOROBUTYL ®
  - BROMOBUTYL ®

- Regular Butyl Rubber
  - BUTYL ®

Main Applications
- Tire inner-liners
- Pharmaceutical stoppers
- Inner-tubes for tires
- Tire curing bladders/envelopes
- Chewing gum
Performance Polymers – Butyl Rubber

A leading producer of butyl and halobutyl rubber

- Isobutene > 90%
- Isoprene < 10%

Monomers as Raw Materials

- Polymerisation
- Halogenation
- Finishing & Logistics

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 tire manufacturers to meet specific customer needs
- Strong infrastructure in Asia-Pacific

**Challenges**
- Increasing Asian and Russian competition
- Change of air-retention-technology is a potential threat
LANXESS Group

Performance Polymers
Advanced Intermediates
Performance Chemicals

Butyl Rubber (BTR)
Polybutadiene Rubber (PBR)
Technical Rubber Products (TRP)
Semi-Crystalline Products (SCP)

Global Demand
- Americas 31%
- EMEA 31%
- Asia-Pacific 40%
- Total (2006): 3.2 million tons

Market Development
- Capacity expected to grow below market growth
- Expected volume growth (CAGR 05–10) 3%:
  - Americas 0%
  - EMEA ~2%
  - Asia-Pacific ~5%

End Uses
- Automotive/ Tire 89%
- Technical Rubber Goods 5%
- Plastics 25%
- Soft goods 1%
- Based on BU sales 2005

Cost/Technology Position
- Only player in merchant market with production sites in two regions
- World-scale plants with continuous polymerization and advantageous scale in finishing

Competition
- Competitors are:
  - Sinopec
  - Michelin/ ASRC
  - Goodyear
  - Firestone

Products
- Polybutadiene rubber
- Solution styrene-butadiene rubber

Source: LXS estimates, based on volume terms
### Automotive and tire industries are the main customers of Polybutadiene Rubber

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solution Styrene-Butadiene Rubber (S-SBR)</strong></td>
<td>• Tire treads, e.g. low-rolling-resistance tire</td>
</tr>
<tr>
<td>• Buna™ VSL</td>
<td>• Tire retreads</td>
</tr>
<tr>
<td>• Buna™ BL</td>
<td>• Tire sidewalls</td>
</tr>
<tr>
<td><strong>Polybutadiene Rubber (PBR)</strong></td>
<td>• Plastics modification (HIPS, ABS)</td>
</tr>
<tr>
<td>• Buna™CB</td>
<td>• Golf balls</td>
</tr>
<tr>
<td>• Taktene ®</td>
<td>• Shoe soles</td>
</tr>
</tbody>
</table>

Automotive and tire industries are the main customers of Polybutadiene Rubber. The main applications include tire treads, tire retreads, tire sidewalls, plastics modification, golf balls, and shoe soles.

---

**One of the world’s major suppliers**

Butadiene is converted into Polybutadiene Rubber through polymerisation, which involves the use of raw materials and finishing logistics. The diagram illustrates the various parts of a tire, highlighting areas made of Polybutadiene Rubber.
**Competitive Advantages**

- Broad and innovative product portfolio offered to both tire manufacturers and plastic producers
- Strategic focus on high performance products
- Only player in the merchant market with modern, cost efficient world scale production sites in two regions
- Scale advantages
- Located close to customers
- Strategic raw material (butadiene) is secured structurally
- Reputation with customers for reliable performance and delivery

**Challenges**

- Offset purchasing power of large global and in some cases backward integrated customers
- Cope with customer expansion into Asia and LATAM leading to:
  - Overall tire capacity inflation
  - Price pressure in tire market

---

**LANXESS Group**

- **Performance Polymers**
  - Butyl Rubber (BTR)
  - Polybutadiene Rubber (PBR)
  - Technical Rubber Products (TRP)
  - Semi-Crystalline Products (SCP)

- Advanced Intermediates
- Performance Chemicals
Performance Polymers – Technical Rubber Products

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

Global Demand

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>30%</td>
</tr>
<tr>
<td>EMEA</td>
<td>32%</td>
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<tr>
<td>Asia-Pacific</td>
<td>38%</td>
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</table>

Total (2006): €3.0 bn

Source: LXS 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%
- NBR: ~3%
- HNBR: ~3%
- EVM: ~7%

Source: LXS estimates

Competition

- Competitors are:
  - Nippon Zeon
  - Polimeri Europa
  - DSM
  - JSR

End Uses

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>46%</td>
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<tr>
<td>Footwear</td>
<td>15%</td>
</tr>
<tr>
<td>Mechanical</td>
<td>15%</td>
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<tr>
<td>Construction</td>
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<tr>
<td>Electronics</td>
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<tr>
<td>Automotive</td>
<td>46%</td>
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<td>Mechanical</td>
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<td>Electronics</td>
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<tr>
<td>Construction</td>
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<td>Others</td>
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<tr>
<td>Plastics</td>
<td>3%</td>
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<tr>
<td>Mechanical</td>
<td>15%</td>
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</tbody>
</table>

End Uses: Attractive cost position due to world-scale plants

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

- 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®

Focus on non-tire applications

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

Butadiene + acrylonitrile → Nitrile-butadiene rubber (NBR)
Butadiene + chlorine → Chloroprene monomer → Hydrogenated nitrile-butadiene rubber (HNBR) (Poly-) chloroprene rubber (CR)

Ethylene + propylene + diene monomer → Ethylene-propylene diene rubber (EPDM)
Ethylene + 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

Performance Polymers – Technical Rubber Products

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
Performance Polymers – Semi-Crystalline Products

High-value product portfolio and back-integration in strategic raw materials

<table>
<thead>
<tr>
<th>Global Demand *</th>
<th>Market Development</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Engineering plastics based on PA and PBT&lt;br&gt; Americas 25%&lt;br&gt; EMEA 37%&lt;br&gt; Asia-Pacific 38%&lt;br&gt; Total (2006): €7.4 bn&lt;br&gt; Source: LXS estimates</td>
<td>• High growth potential above GDP for engineering plastics based on PA and PBT&lt;br&gt; • EMEA is still the largest market for SCP (PA and PBT compounds), while strongest growth is in Asia&lt;br&gt; • Consolidation process in molding industry is expected</td>
<td>• The unit holds strong positions in EMEA and is evolving in Asia&lt;br&gt; • Main competitors in Europe are BASF, DSM, DuPont and Rhodia&lt;br&gt; • Market players have different product portfolio structures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>End Uses</th>
<th>Cost/Technology Position</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electro/Electronics 18%&lt;br&gt; Life Science 6%&lt;br&gt; Packaging 12%&lt;br&gt; Others 13%&lt;br&gt; Based on BU sales 2005</td>
<td>Engineering plastics: • Optimized product portfolio to ensure profitability&lt;br&gt; • Lean asset investments with regional focus&lt;br&gt; Intermediates: • Cost-based advantage within worldwide scale assets&lt;br&gt; • High capacity utilization supported by growing captive demand for engineering plastics</td>
<td>Plastic Intermediates&lt;br&gt; Glass Fibers&lt;br&gt; Thermoplastic Polymers&lt;br&gt; Thermoplastics based on polyamide</td>
</tr>
</tbody>
</table>

* Engineering plastics based on PA and PBT
DURETHAN® and POCAN® have numerous applications across a variety of industries

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>• DURETHAN® A - based on polyamide 6.6</td>
<td>• DURETHAN® A: automotive industry, construction &amp; housing and electrical/ electronic sector</td>
</tr>
<tr>
<td>• DURETHAN® B – based on polyamide 6</td>
<td>• DURETHAN® B: appliances, automotive industry, construction &amp; housing, electrical/ electronic sector, furniture, industrial/ mechanical products, information technology, packaging and sport &amp; leisure</td>
</tr>
<tr>
<td>• POCAN® - based on polybutylene terephthalate (PBT) and polyethylene terephthalate (PET)</td>
<td>• POCAN®: appliances, automotive industry, electrical/ electronic sector, information technology and medical products</td>
</tr>
<tr>
<td>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</td>
<td>• Glass fibers</td>
</tr>
<tr>
<td>• Glass fibers</td>
<td>• Plastics intermediates such as adipic acid or caprolactame</td>
</tr>
<tr>
<td>• Plastics intermediates such as adipic acid or caprolactame</td>
<td>• Polyamide-based monofilament products PERLON® and ATLAS®</td>
</tr>
<tr>
<td>• Polyamide-based monofilament products</td>
<td></td>
</tr>
</tbody>
</table>

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

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

- Raw material
- Cyclohexanone/ Cyclohexanol
- Caprolactam
- Polymerisation
- Compounding
- Application
- Customer
- Supply of customised plastics highly dependent on strong product- and application development

- Backward integration
- Strategic focus

(1) Cyclohexanone/ Cyclohexanol
(2) Caprolactam
### Competitive Advantages

- Balanced product portfolio (PA, PBT) and strong brands in compounds
- Expertise and track record in application engineering and development support long-term customer relationships
- Focus on differentiated grades allows SCP to maximise the benefits of its development, application and compounding know-how
- World-scale backward integration into caprolactam, adipic acid and glass fibres

### Challenges

- Increase in raw material prices
- Increase in energy cost
- Increasing bargaining power of customer in molding industry due to consolidation process

---

Performance Polymers – Semi-Crystalline Products

Back-integration and focused investments enable attractive profitability and growth
The Advanced 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 two business units:

- Basic Chemicals (BAC)
- Saltigo (SGO)

### Advanced Intermediates – Structure

**Intermediate products 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
### Summary of key financials (restated)

<table>
<thead>
<tr>
<th>Key Financials (in € m)</th>
<th>Q1 2005</th>
<th>Q2 2005</th>
<th>Q3 2005</th>
<th>Q4 2005</th>
<th>Q1 2006</th>
<th>Q2 2006</th>
<th>Q3 2006</th>
<th>Q4 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>302</td>
<td>303</td>
<td>274</td>
<td>282</td>
<td>1.161</td>
<td>298</td>
<td>288</td>
<td>274</td>
</tr>
<tr>
<td>EBITDA pre exceptions</td>
<td>51</td>
<td>49</td>
<td>38</td>
<td>36</td>
<td>145</td>
<td>57</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>EBITDA margin pre exceptions (%)</td>
<td>16.9</td>
<td>16.2</td>
<td>14.4</td>
<td>14.2</td>
<td>15.1</td>
<td>17.4</td>
<td>15.6</td>
<td>9.3</td>
</tr>
<tr>
<td>EBITA</td>
<td>51</td>
<td>49</td>
<td>38</td>
<td>36</td>
<td>145</td>
<td>57</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>EBIT pre exceptions</td>
<td>42</td>
<td>36</td>
<td>33</td>
<td>13</td>
<td>124</td>
<td>47</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>EBIT</td>
<td>39</td>
<td>30</td>
<td>31</td>
<td>10</td>
<td>110</td>
<td>47</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>Capex</td>
<td>7</td>
<td>14</td>
<td>9</td>
<td>19</td>
<td>49</td>
<td>8</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>12</td>
<td>19</td>
<td>8</td>
<td>15</td>
<td>55</td>
<td>10</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Employees</td>
<td>2,487</td>
<td>2,449</td>
<td>2,411</td>
<td>2,220</td>
<td>2,220</td>
<td>2,557</td>
<td>2,520</td>
<td>2,493</td>
</tr>
</tbody>
</table>

Restatement of quarterly and FY numbers after reclassification of segments. Advanced Intermediates numbers include the BUs BAC and SGO.

### Advanced Intermediates – Sites

Advanced Intermediates relies on a manufacturing base with main focus in Europe.

- **Saltho**
  - Dormagen, Germany
  - Leverkusen, Germany

- **Bayston TX, USA**

- **Basic Chemicals**
  - Dormagen, Germany
  - Leverkusen, Germany
  - Krefeld-Uerdingen, Germany
  - Brunsbüttel, Germany
  - Bayston TX, USA
## Advanced Intermediates – Strategic Statements

### BAC and SGO as strong and reliable partners for advanced intermediates

- 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
- Occupy the fast developing high quality segments in emerging markets
- Actively leverage low cost Asian sources for raw materials and precursors

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**LANXESS Group**

- Performance Polymers
- **Advanced Intermediates**
- Performance Chemicals

**Basic Chemicals (BAC)**

**Saltigo (SGO)**
Leading positions in industry with Asian competition and consolidation trends

**Global Demand**

- Asia-Pacific: 36%
- Americas: 22%
- Total (2006): €3.1 bn

Source: LXS estimates

**Market Development**

- Stable market due to high diversity of end uses
- World demand growth according to GDP
- Strong growth in Asia-Pacific, especially in China and India
- Stable demand in consolidated European and American markets

**Competition**

- The business unit maintains strong positions in all its product lines
- For some products overcapacities exist in Asia with pressure for consolidation
- Main competitors are Jiangsu Yangnong, Aarti, Kureha, Merisol, Perstorp, Tessenderlo and BASF

**End Uses**

- Polymers: 19%
- Automotive/Transportation: 8%
- Agrochemicals: 22%
- Coatings: 7%
- Construction: 5%
- Others: 40%

based on BU sales 2005

**Cost/Technology Position**

- For most segments world-scale capacities and competitive processes result in cost advantages
- Continuous productivity improvements
- High capacity utilization with well balanced isomer management

**Products**

- Chlorobenzenes + derivatives
- Chlorotoluenes + derivatives
- Nitrotoluenes + derivatives
- Polyols/ Oxidation products
- Inorganic acids
- Benzyl products/ Amines

**Advanced Intermediates – Basic Chemicals**

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

**Products**

- Chlorobenzenes and derivatives
- Aliphatic and aromatic monoisocyanates
- Chlorotoluenes and cresols, butylhydroxytoluene
- Nitrotoluenes and derivatives
- Polyols (e.g. trimethylolpropane)
- Oxidation products (maleic anhydride, phthalic anhydride)
- Cyclohexylamine, dicyclohexylamine
- Benzyl alcohol, benzyl chloride, benzo trichloride, benzoyl chloride
- Benzylamine, Monoisopropanolamine, Disopropanolamine
- Hydrofluoric acid, anhydrite
- Sulphur products (sulphuric acid/ oleum, sodium bisulphite, thionyl chloride, sulphonyl chloride, disulphur dichloride)

**Main Applications**

- The unit sells intermediates used in the following industries and sectors:
  - Agrochemicals
  - Polymers
  - Coatings
  - Automotive and transportation industries
  - Construction
Unique, integrated manufacturing process provides clear competitive advantage

- Chlorination
- Hydrolysis
- Substitution
- Hydrogenation
- Chlorobenzenes
- Dichlorobenzenes
- Chlorotoluenes
- Nitrochlorobenzenes
- Nitrodichlorobenzenes
- Chloroanilines
- Arom. Isocyanates
- Nitrobenzene
- Toluene
- Cresols
- Thymol
- D/L Menthol
- Chlorotoluenes
- Nitrotoluenes
- Dichloroanilines
- Toluidines
- 3,4 Dichlorophenylisocyanate

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

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 further strengthened its competitive advantages by enhancing productivity and intelligent isomer management

Challenges

- In some segments newly built facilities in Asia lead to overcapacity and put pressure on world market
- Migration of downstream industries to Asia (textiles, dyestuffs, fluoro chemicals, pigments, etc.)
- REACH and other regulations will lead to cost increases for European producers

BAC will take advantage of strong European base to further generate value globally
Advanced Intermediates – Saltigo

Saltigo is serving the market with high-end custom manufacturing of fine chemicals

Global Demand
- Asia-Pacific: 13%
- Americas: 48%
- EMEA: 27%
- Rest of World: 2%
- Total (2006): €13.0 bn

Source: LXS estimates

Market Development
- 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
- Trend towards complex molecules and long reaction chains

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
- Integrated production facilities combined with competence in challenging chemistries
- Saltigo continues restructuring process to further increase competitiveness

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

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
Advanced 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 synthesis, process development, manufacturing, services.</td>
<td>Intermediates and active components for the agrochemical industry</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>Intermediates and active ingredients for the pharmaceutical industry</td>
</tr>
<tr>
<td></td>
<td>Specialty fine chemicals for applications like imaging, polymer additives, electronics, consumer care and other innovative products</td>
</tr>
</tbody>
</table>

---

**Focused 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
**Advanced Intermediates – Saltigo**

**Taking advantage of its expertise in complex processes and challenging chemistry**

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Successfully established brand 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 &quot;ramp-up&quot; capabilities, particularly in the agrochemicals segment</td>
<td>• Competition from Asia, especially for low-end intermediates</td>
</tr>
</tbody>
</table>
LANXESS Group
Performance Polymers
Advanced Intermediates

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 reclassification of segments, the segment comprises seven business units:
- Material Protection Products (MPP)
- Inorganic Pigments (IPG)
- Functional Chemicals (FCC)
- Leather (LEA)
- RheinChemie (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

- Inorganic Pigments
  - A leading global supplier of inorganic pigments primarily for the
    - Construction
    - Paints and coatings
    - Plastics industries

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

- 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)

- 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 (restated)

<table>
<thead>
<tr>
<th>Key Financials (in € m)</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2005</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2006</th>
<th>Q1</th>
<th>Q2</th>
<th>H1/2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>565</td>
<td>614</td>
<td>584</td>
<td>584</td>
<td>2,351</td>
<td>614</td>
<td>562</td>
<td>528</td>
<td>501</td>
<td>2,205</td>
<td>501</td>
<td>520</td>
<td>1,021</td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>72</td>
<td>68</td>
<td>64</td>
<td>45</td>
<td>258</td>
<td>83</td>
<td>95</td>
<td>71</td>
<td>42</td>
<td>291</td>
<td>82</td>
<td>89</td>
<td>171</td>
</tr>
<tr>
<td>EBITDA margin pre exceptionals (%)</td>
<td>12.7</td>
<td>11.1</td>
<td>12.2</td>
<td>7.7</td>
<td>11.0</td>
<td>13.5</td>
<td>16.9</td>
<td>13.4</td>
<td>8.4</td>
<td>13.2</td>
<td>16.4</td>
<td>17.1</td>
<td>16.7</td>
</tr>
<tr>
<td>EBITDA</td>
<td>72</td>
<td>67</td>
<td>64</td>
<td>45</td>
<td>258</td>
<td>83</td>
<td>95</td>
<td>71</td>
<td>42</td>
<td>291</td>
<td>82</td>
<td>89</td>
<td>171</td>
</tr>
<tr>
<td>EBIT pre exceptionals</td>
<td>51</td>
<td>46</td>
<td>47</td>
<td>21</td>
<td>155</td>
<td>61</td>
<td>75</td>
<td>49</td>
<td>17</td>
<td>201</td>
<td>60</td>
<td>68</td>
<td>128</td>
</tr>
<tr>
<td>EBIT</td>
<td>51</td>
<td>45</td>
<td>46</td>
<td>20</td>
<td>158</td>
<td>61</td>
<td>75</td>
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<td>17</td>
<td>200</td>
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<td>126</td>
</tr>
<tr>
<td>Capex</td>
<td>14</td>
<td>16</td>
<td>21</td>
<td>19</td>
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<td>13</td>
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<td>12</td>
<td>25</td>
<td>62</td>
<td>10</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>21</td>
<td>22</td>
<td>26</td>
<td>24</td>
<td>93</td>
<td>23</td>
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<td>22</td>
<td>25</td>
<td>90</td>
<td>22</td>
<td>21</td>
<td>43</td>
</tr>
<tr>
<td>Employees</td>
<td>5,990</td>
<td>6,058</td>
<td>6,058</td>
<td>5,876</td>
<td>5,876</td>
<td>5,487</td>
<td>5,427</td>
<td>5,439</td>
<td>5,056</td>
<td>5,056</td>
<td>5,219</td>
<td>5,251</td>
<td>5,251</td>
</tr>
</tbody>
</table>

Restatement of quarterly and FY numbers after reclassification of segments.
Performance Chemicals numbers include the Bus MPP, IPG, FCC, LEA, RCH, RUC and ION.
Performance Chemicals – Strategic Statements

Build on strengths to grow in profitable business segments and expand regional coverage

- Strengthen regional activities by expansion of local technical service and increase geographic diversification
- Develop profitable businesses through innovation and intensify innovation partnerships with customers
- Broaden product portfolio to increase coverage of customers' value chain
- Widen industrial application focus
LANXESS Group
Performance Polymers
Advanced Intermediates
Performance Chemicals

Material Protection Products (MPP)
Inorganic Pigments (IPG)
Functional Chemicals (FCC)
Leather (LEA)
RheinChemie (RCH)
Rubber Chemicals (RUC)
Ion Exchange Resins (ION)

Due to its strong technology/IP position MPP benefits from increasing regulatory requirements

Global Demand
- Americas: 43%
- EMEA: 31%
- Asia-Pacific: 27%
- Total (2006): €3.1 bn

Source: LXS estimates

End Uses
- Disinfection,Consumer: 42%
- Water: 3%
- Other: 11%
- Construction,Paints: 44%
based on BU sales 2005

Market Development
- Ongoing demand for customer specific solutions
- Increasing regulatory requirements
- Market growth above GDP level expected to continue, especially in Europe
- Growth potential/back-log demand in Asia and Latin America

Cost/Technology Position
- Broadest portfolio of actives ingredients
- Comprehensive registration and patent-package
- Leading technology positions
- High innovation potential
- Forward integration into formulations and international expansion

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

Products
- Broad range of biocidal active ingredients/formulations
  - beverage stabilization
  - wood protection and anti-fouling
  - industrial preservation
  - disinfection and personal care

Due to its strong technology/IP position MPP benefits from increasing regulatory requirements
## 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</td>
<td>• Antifouling paints</td>
</tr>
<tr>
<td>the beverage industry</td>
<td>• Industrial preservation</td>
</tr>
<tr>
<td></td>
<td>• Disinfection</td>
</tr>
<tr>
<td></td>
<td>• Beverages stabilization</td>
</tr>
</tbody>
</table>

### A leading producer of biocides and biocidal formulations

**Raw Material**
- m-Cresole
- Cyclo-hexanone
- Key Biocidal Actives

**Selecting Chlorinating**
- Chlorine
- Sulfuryl-chloride

**Condensation**
- Dehydrogenation

**Purification**
- p-Chloro-m-Cresole (PREVENTOL CMK®)
- o-Phenylphenol (PREVENTOL O EXTRA®)

**Formulation**
- Aqueous Solutions
- Dispersions

**Finishing & Logistics**

---

**Performance Chemicals – Material Protection Products**

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**Fact Book 2007**
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 commodity-type 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>

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LANXESS Group
Performance Polymers
Advanced Intermediates
**Performance Chemicals**

Material Protection Products (MPP)
Inorganic Pigments (IPG)
Functional Chemicals (FCC)
Leather (LEA)
RheinChemie (RCH)
Rubber Chemicals (RUC)
Ion Exchange Resins (ION)
IPG offers high quality pigments for construction, coatings, plastics and other applications

- **Global Demand**
  - **End Uses**
    - Construction 50%
    - Coatings 25%
    - Plastics 10%
    - Other 15%

- **Market Development**
  - Increasing demand for higher quality products in coatings/plastics
  - Attractive market development in Western Europe
  - Price pressure in lower quality construction segment
  - High growth rates in booming Asian economies as well as in the Middle East and Eastern Europe

- **Competition**
  - Strong market positions in iron oxide (BAYFERROX®) and chromium oxide pigments
  - Main competitors: Rockwood and Chinese Companies (e.g. Cathay Pigments, Deqing Huayuan Pigment, Hunan Three-Ring Pigments, Yipin Pigments, Yixing Yuxing Pigments)

- **Cost/Technology Position**
  - LANXESS benefits from economies of scale and its unique Laux process for the production of iron oxide pigments
  - Global footprint of technically sophisticated production units to manufacture higher quality products

- **Products**
  - Iron oxides
  - Chromium oxides

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 color pigments to various industries, in particular construction
  - Important products include iron oxide pigments BAYFERROX®, BAYOXIDE®, BAYSCAPE®, COLOROTHERM® and chromium oxide products

- **Main Applications**
  - Coloring 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 coloring 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 colors

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

Production methods

- 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.

Competitive Advantages

- State-of-the-art world-scale production capacities and superior product quality
- Broad product portfolio covering all colors/supply forms for all applications with strong established brands such as BAYFERROX®
- Worldwide distribution network and local blending units

Challenges

- Chinese producers with lower cost structure, fast capacity build-up and improvements in quality
- Increasing raw material and energy costs
LANXESS Group
Performance Polymers
Advanced Intermediates
Performance Chemicals

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LANXESS Group
Performance Polymers
Advanced Intermediates
Performance Chemicals

FCC is well positioned to supply products meeting strict environmental & regulatory requirements

Global Demand

- Americas 37%
- EMEA 37%
- Asia-Pacific 26%

Total (2006): €3.4 bn

Source: LANXESS estimates

Market Development

- Increasing demand for more environmentally friendly and ecological products meeting 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, ICL/Supresta

End Uses

- Electr./Electronics 4%
- Life Science 10%
- Construction 12%
- Plastics 39%
- Automotive/Transportation 10%
- Chemistry 10%
- Others 25%

based on BU sales 2005

Cost/Technology Position

- Backward-integrated in phosphorous chemicals
- Cost advantages due to economies of scale
- Strong technology and quality position to drive changes in the market place (substitution potential)

Products

- Organic phosphorus chemicals, incl. flame retardants
- Polymer additives, incl. plasticizers
- Organic colorants
- Hydrazine hydrate
- Water treatment chemicals

Source: LANXESS estimates

End Uses

- Construction 12%
- Plastics 39%
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- Others 25%

based on BU sales 2005

Performance Chemicals – Functional Chemicals

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- Organic colorants
- Hydrazine hydrate
- Water treatment chemicals

Source: LANXESS estimates
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>

Performance Chemicals – Functional Chemicals

One of the largest integrated production for phosphorous chemicals

- **Chlorination**
- **Oxidation**
- **Addition**
- **Flame Retardants**
- **Specialties**
- **Water Treatment Agents**

Raw Materials:
- Phosphorous
- Chlorine
- Oxygen

- **Flame Retardants** for PVC
- **Specialties**
- **Water Treatment Agents**

- **Aryl Phosphates** - flame retardants for PVC
- **Alkyl Phosphates**
- **Alkyl Phosphonates**

- BAYHIBIT® for industrial cleaners
- P-Chlorides for agrochemicals
- Alkyl Phosphates - flame retardants for polyurethanes
**Performance Chemicals – Functional Chemicals**

**Strong market & technology positions with excellent customer relationships**

### Competitive Advantages
- Economies of scale in one of the largest integrated production facilities for phosphorous chemicals
- Established solution provider especially with products meeting new regulatory requirements
- Strong existing customer relationships in key markets
- Strong market position in phosphorous based flame retardants, hydrazine hydrate, bonding agents and ecologically friendly products such as specialty plasticizers and solvent dyes for plastics

### Challenges
- Change in the competitive environment due to further consolidation
- Increasing price pressure in commodity segments especially from Asian competitors
- High volatility of raw material prices
- Continuous market shift to Asia

---

**LANXESS Group**
- Performance Polymers
- Advanced Intermediates
- Performance Chemicals

**Material Protection Products (MPP)**
- Inorganic Pigments (IPG)
- Functional Chemicals (FCC)

**Leather (LEA)**
- RheinChemie (RCH)
- Rubber Chemicals (RUC)
- Ion Exchange Resins (ION)
LEA benefits from a broad product portfolio and backward-integration into chrome ore

Global Demand

- Americas 21%
- EMEA 28%
- Asia-Pacific 31%
- Total (2006): €3.0-3.3 bn

Source: LXS estimates

Market Development

- Stable and sustainable market growth outlook at around 2% p.a.
- Decreasing hide quality increases demand for innovative leather chemicals

Competition

- Main competitors: BASF, Clariant, Stahl and TFL
- Ongoing market consolidation expected

End Uses

- Furniture 22%
- Automotive 18%
- Shoes 50%
- Others 10%

Based on BU sales 2005

Cost/Technology Position

- Strong market position in chrome tanning salts driven by backward-integration into chrome ore
- Syntan plant: favorable raw material basis (by-products from other BUs) leading to cost advantages
- Strong portfolio of application technologies (finishing/retanning) for all major application markets

Products

- Beamhouse chemicals
- Preservatives
- Chrome tanning materials
- Colorants for wet end & finishing
- Fatliquors
- Retanning chemicals
- Binders
- Finishing auxiliaries

Performance Chemicals – Leather

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®
- ACIDERME®, BAYCOLOR™, BAYGENAL®, BAYDERM®, EUDERM®, EUKANOL®, LEVADERME®
- 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

Source: LXS estimates
LEA offers a well balanced portfolio of leather chemicals in an one-stop-shop

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

Performance Chemicals – Leather

Excellent customer relationships due to strong application know-how and technical services

Competitive Advantages

- Broad product portfolio offering full range of leather chemicals to the customer
- Strong and established customer relationships
- Unique backward-integration into chrome ore and chrome chemicals
- 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
- Partnerships in acrylics with Rohm and Haas and in fatliquors with ATLAS Refinery

Challenges

- Increasing competitive pressure due to overcapacities in retanning and finishing chemicals
- Country risk due to production in politically volatile countries
- Continuous need for innovation and product development in all segments
RheinChemie has a strong service and application expertise

**Global Demand**
- Americas: 33%
- EMEA: 27%
- Asia-Pacific: 40%

Total (2006): €2.3 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

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

Based on BU sales 2006

**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**
- Lubricant oil additives: 19%
- Additives for the rubber industry: 61%
- Additives for polyurethane and plastics: 20%

Based on BU sales 2006
**Performance Chemicals – RheinChemie**

**Strong supplier of diverse product portfolio, mainly to the automotive industry**

<table>
<thead>
<tr>
<th>Products</th>
<th>Main Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rubber</strong></td>
<td>Rubber</td>
</tr>
<tr>
<td>Polymer-bound chemicals: RHENOGRAN®, POLYDISPERSION®</td>
<td>Technical rubber goods (e.g. profiles, hoses)</td>
</tr>
<tr>
<td>Polymer-bound additive packages: ONE SLAB®</td>
<td>Tires</td>
</tr>
<tr>
<td>Processing promoters: AKTIPLAST®, AFLUX®</td>
<td>Polyeurethane/Plastics</td>
</tr>
<tr>
<td>Specialty polymers: UREPA®</td>
<td>Technical plastic additives</td>
</tr>
<tr>
<td>Antiozonants: ANTILUX®</td>
<td>Lubricant oil</td>
</tr>
<tr>
<td>Release agents: RHENOOLV®</td>
<td>Metalworking fluids</td>
</tr>
<tr>
<td>Vulcanization activators: RHENOFIT®</td>
<td>Hydraulic oils</td>
</tr>
<tr>
<td>Service Technologies, Multi ingredient preweighs: BATCH-READY®</td>
<td>Industrial gear oils</td>
</tr>
<tr>
<td><strong>Polyurethane/Plastics</strong></td>
<td>Rust preventive oils</td>
</tr>
<tr>
<td>Hydrolysis protection: STABAXOL®</td>
<td>Greases</td>
</tr>
<tr>
<td>Crosslinkers for various plastic systems: ADDOLINK®</td>
<td></td>
</tr>
<tr>
<td><strong>Lubricant oil additives</strong></td>
<td></td>
</tr>
<tr>
<td>Corrosion inhibitors: ADDITIN®</td>
<td></td>
</tr>
<tr>
<td>Sulfur carriers and anti-wear agents: ADDITIN®</td>
<td></td>
</tr>
</tbody>
</table>

**Performance Chemicals – RheinChemie**

**Polymer-bound chemicals and formulations for tailor-made products**

- **Binder Systems**
- **Rubber Chemicals**
  - Preparation Weighing
  - Kneader
  - Extruder
  - Strainer
  - Packaging
  - Cooling
  - Granulator
  - Talcum
### 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
- Raw material prices

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**LANXESS Group**

- Performance Polymers
- Advanced Intermediates
- **Performance Chemicals**

**Material Protection Products (MPP)**

- Inorganic Pigments (IPG)
- Functional Chemicals (FCC)
- Leather (LEA)
- RheinChemie (RCH)
- Rubber Chemicals (RUC)
- Ion Exchange Resins (ION)
Performance Chemicals – Rubber Chemicals

RUC has leading market and technology positions in a challenging environment

**Global Demand**
- Americas: 25%
- EMEA: 40%
- Asia-Pacific: 35%
- Total (2006): €2.4 bn

**Market Development**
- Overcapacities have led to strong price and margin pressure and caused market consolidation
- Expected volume growth (CAGR 07–12):
  - AMERICAS: 1%
  - EMEA: 3%
  - ASA-Pacifc: >5%

**Cost/Technology Position**
- World-scale plants for anti-degradants (AOX) and accelerators (ACC) in Europe
- 8PPD plant in China
- ACC and AOX plant in India
- Leading technology positions
- Leading position in technology and quality of active zinc oxide

**Products**
- Thiazoles
- Sulphenamides
- Phenylendiamines
- Quinolines
- Bonding agents
- Cross linkers
- Curing agents
- Emulsifiers
- Fillers
- Latex chemicals
- Peptizing agents
- Retarders
- Synthetic plasticisers
- Vulcanization activators

**End Uses**
- Tire: 62%
- Technical Rubber: 17%
- Latex: 1%

**Competition**
- Competitors are:
  - Flexsys
  - Chemtura

**Products 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)

Performance Chemicals – Rubber Chemicals

Broad product portfolio to enhance rubber properties
A leading producer of rubber chemicals for the tire industry and technical rubber products

Performance 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 and services
- Broad product portfolio
- Global supply and production network
- Coverage of all relevant global markets through a well established market position
- Leading position for zinc oxide produced by wet process technology

Challenges

- Market further moving to Asia
- Competition from low-cost countries
- A high number of rubber chemicals producers is already present in China; capacities are growing further
- Increasing competitive pressure will result in a market consolidation
- Enhance the product portfolio of specialties with profitable products
### Performance Chemicals – Ion Exchange Resins

**ION offers a broad product range for water treatment and other growth 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>Main competitors are: Dow, Mitsubishi, Purolite and Rohm &amp; Haas</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>Service and consulting requirements form entry barriers against increasing Asian competition</td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>Price pressure in standard applications</td>
<td></td>
</tr>
<tr>
<td>Total (2006): €0.7 bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: LXS estimates based on BU sales 2006

<table>
<thead>
<tr>
<th>End Uses</th>
<th>Cost/Technology Position</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water &amp; Energy</td>
<td>Competitive cost position from world-scale production facilities</td>
<td>Ion exchange resins produced by LANXESS are tailored for various applications</td>
</tr>
<tr>
<td>Nutrition</td>
<td>Leading producer of technologically 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>
## 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>
</tbody>
</table>

- **Water & energy**
- **Microelectronics**
- **Food & nutrition**
- **Chemicals processing**
- **Pharmaceuticals (e.g. biofermentation)**
- **Ground- and wastewater**
- **Mining**

### 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

*Plantar®*
### 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
- Leadership in monodisperse ion exchange technology

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

---

Strong technical and process expertise support ION’s reputation as a premium quality supplier