LANXESS

Energizing Chemistry

Fact Book 2007

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LANXESS
Energizing Chemistry

A young company with strong roots

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.

2003-07-11 Decision made on the strategic reorganization of the Bayer Group

2004-03-18 Announcement of the name LANXESS created from a combination of the words "lancer" (to launch) and "success"

2004-03-27 Presentation of brand strategy and "Energizing Chemistry" claim

2004-07-01 Internal launch of LANXESS with its new structure

2004-09-22 Signing of the spin-off agreement

2004-11-17 Extraordinary Stockholders' Meeting of Bayer AG - acceptance of spin-off by Bayer's shareholders

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.

2005-01-31 Initial quotation at the Frankfurt Stock Exchange

2005-06-03 Announcement of 1st phase of restructuring

2005-06-06 Buyback of Mandatory Convertible

2005-06-16 1st Annual Stockholders' Meeting

2005-06-20 Admission into MDAX

2005-06-21 Issuance of 500 m Euro bond

2006-01-01 Carve-out of the BU FCH to form Saltigo

2006-03/04-01 Sale of PAP and FIB concluded

2006-04-04 FY 2005 results – corporate strategic plan delivers results in all segments

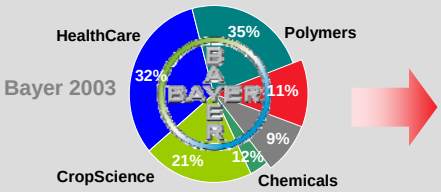
2006-05-31 2nd Annual Stockholders' Meeting

Transformation process continues successfully

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.

2006-08-16	2006-09-15	2006-11-10	2006-12-14	2007-01-01	2007-05-14	2007-05-31	2007-06-29	2007-07-18/31	2007-08-31
Announcement of 4th phase of restructuring	1st Capital Markets Day	Divestment of TPC announced	Acquisition of CISA	Appointment of Dr. van Roessel as new Board Member	Appointment of Dr. Breuers as new Board Member	3rd Annual Stockholders' Meeting	Lustran Polymers JV with INEOS announced	Ratings upgraded by Moody's to Baa2 and S&P to BBB	Sale of Borchers Group

LANXESS at the time of the spin-off – build on polymers and chemicals



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Spin-off on January 31, 2005

Performance Rubber

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

Engineering Plastics

- Styrenic Resins (STY)
- Semi-Cristalline Products (SCP)
- Fibers (FIB)

Chemical Intermediates

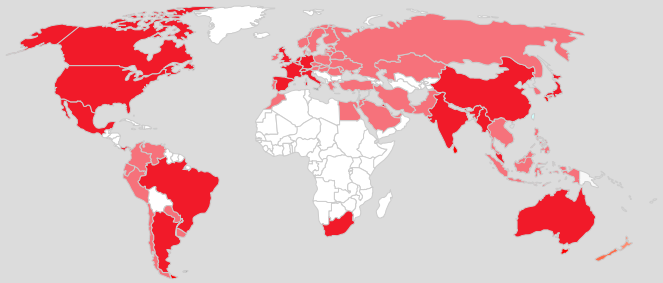
- Basic Chemicals (BAC)
- Fine Chemicals (FCH)
- Inorganic Pigments (IPG)

Performance Chemicals

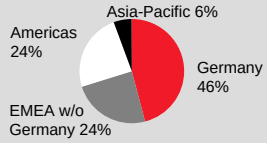
- Material Protection Products (MPP)
- Functional Chemicals (FCC)
- Leather (LEA)
- Textile Processing Chemicals (TPC)
- Paper (PAP)
- RheinChemie (RCH)
- Rubber Chemicals (RUC)
- Ion Exchange Resins (ION)

LANXESS - a global player in the chemical industry

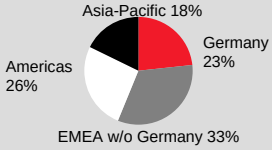
Global presence



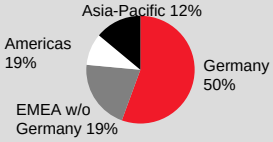
Assets by region



Sales by region



Employees by region



based on 2006 figures

Broad supplier base

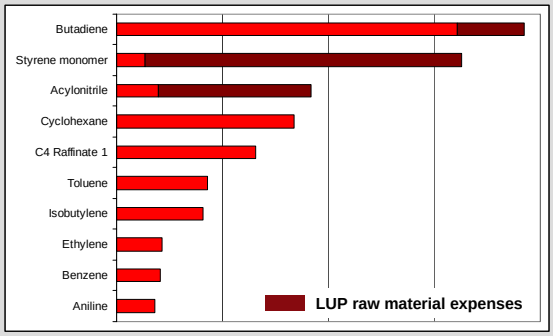
Suppliers

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, Chevron Phillips, Dow, Exxon Mobil, 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

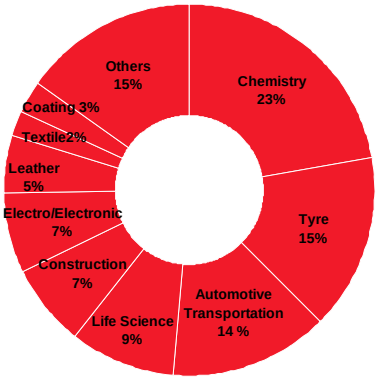


Diversified customer base and industry portfolio

Customers

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.



Other contains(<2%): Furniture; Printing, Sport and Leisure Footwear; Packaging; Water treatment; Mechanical Goods

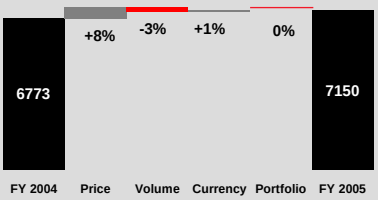
Summary of key financials (reported)

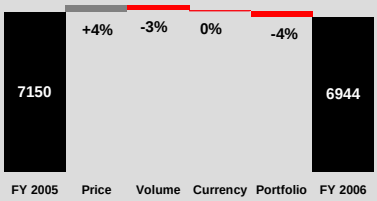
LANXESS

	2003	2004	2005	2006
Sales	6,315	6,773	7,150	6,944
EBITDA pre exc.	311	447	581	675
EBITDA pre exc. / Sales	*4,9%*	*6,6%*	*8,1%*	*9,7%*
Net income	-997	-12	-63	197
Net financial debt*	1,429	1,135	680	511
Working capital*	1,512	1,468	1,439	1,369
Capex	312	279	251	267
Number of Employees*	20,423	19,659	18,282	16,481

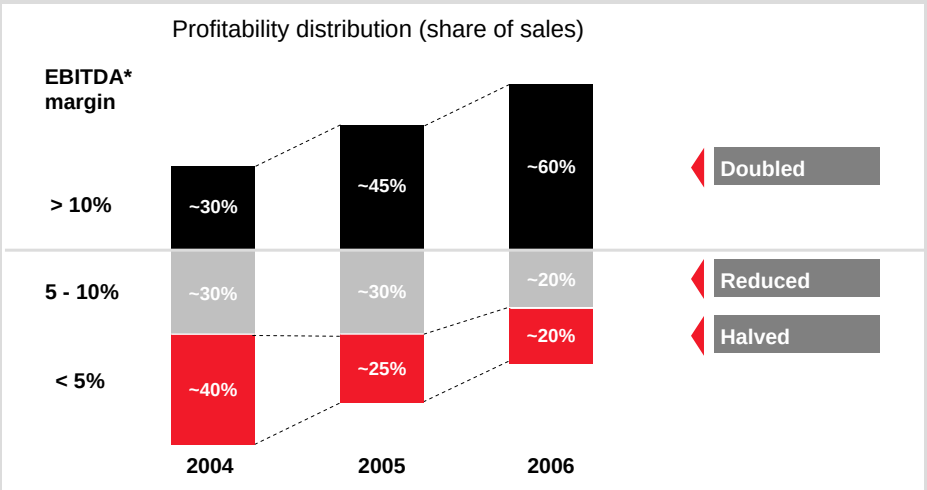
*as per 31.12

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





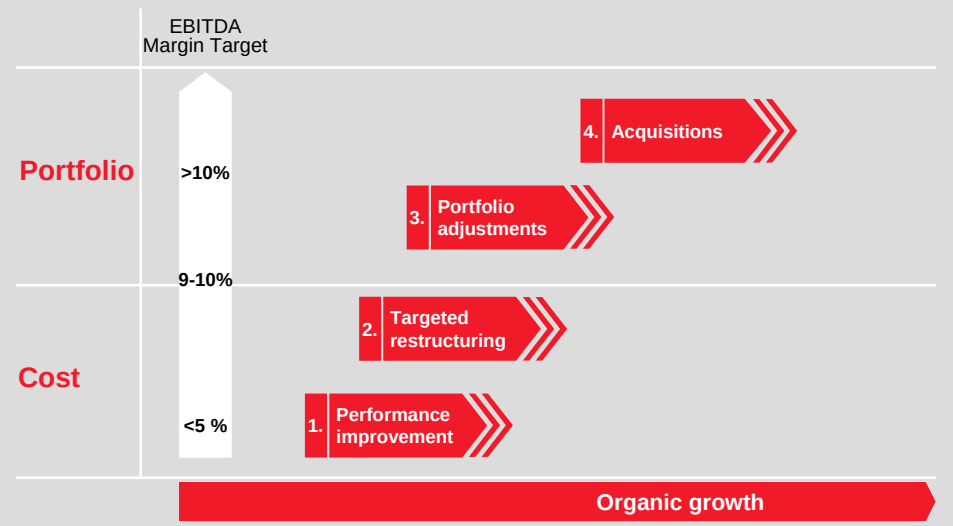
Proportion of profitable businesses further increased



* pre exceptionals

LANXESS Group - Strategy

Consistent improvement as four-phase strategy is implemented



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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

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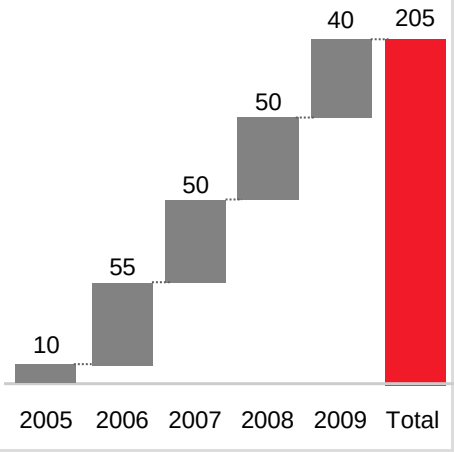
Targeted restructuring results in €205 million cost savings*

- 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

Rigorous cost management

Restructuring savings vs. prior year (€ m)



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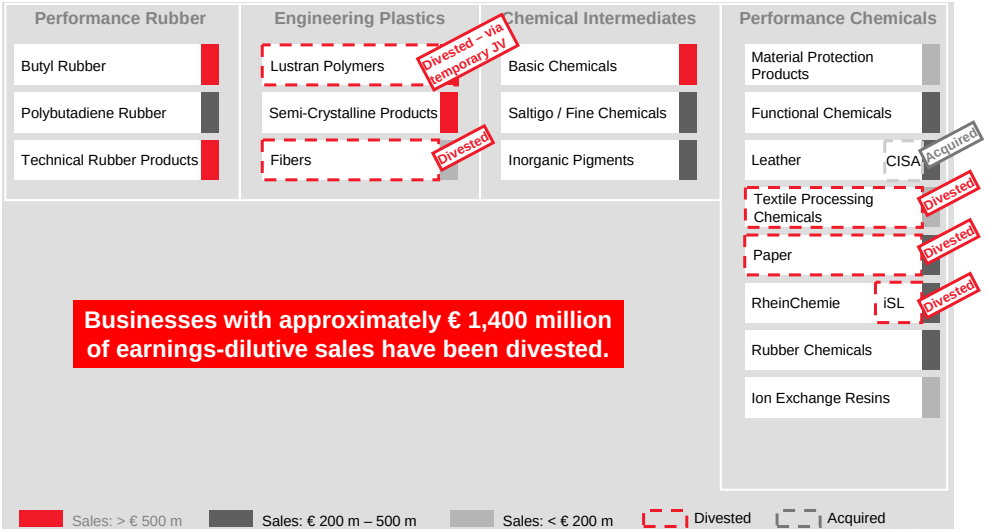
Successful portfolio adjustments by active portfolio management



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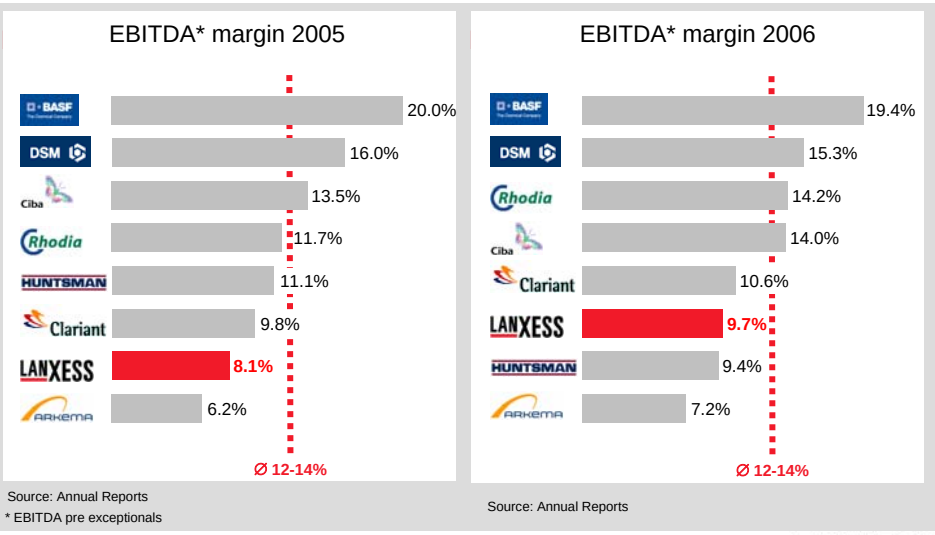
LANXESS about to close gap to peer-group



Source: Annual Reports
* EBITDA pre exceptionals

Source: Annual Reports

Successful evolution of the company while delivering on promises

in € m	2004 reported	Targets 2006 Announced Nov 2004	2006 reported	Targets 2009 Announced Sept 2006
EBITDA*	447	▪ EBITDA* margins of 9-10%	675	▪ Peer group EBITDA* margins
EBITDA* margin	6.6%		9,7%	▪ No business with < 5 % EBITDA* margin
Equity ratio	24.5%	▪ Net financial debt / EBITDA ratio < 2,5	34,0%	▪ Investment-grade rating
Net financial debt	1,135		511	
Net financial debt / EBITDA	2.5x		0.8x	

* pre exceptionals

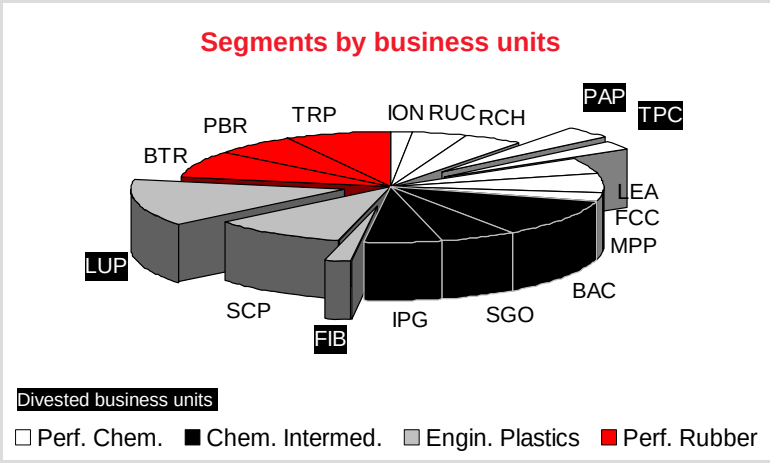
Targets for 2009 will be reached in 2008

Company measures

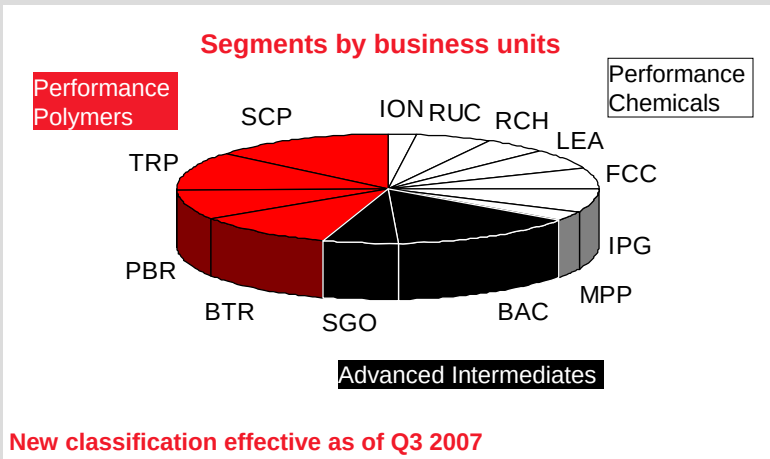
- Portfolio adjustments (PAP, FIB)
- Targeting restructuring phases (I-IV)
- Result driven culture
- „Price-before-volume“ strategy

- Portfolio adjustments (TPC, LUP)
- Implementation and benefit from restructuring programs

Portfolio adjustments led to a new business unit landscape…



… and consequently to a reclassification of the segments

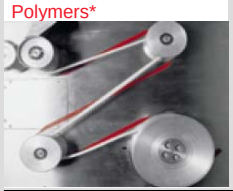


New classification effective as of Q3 2007

LANXESS – market focus reflected in new segment structure

LANXESS Energizing Chemistry

Sales: €6,944 m
EBITDA pre exc.: €675 m
Employees: 16,481
based on FY 2006 numbers

Performance Polymers*	Advanced Intermediates*	Performance Chemicals*
		
Sales: € 2,571m	**Sales: €1,140 m**	**Sales: €2,205 m**
EBITDA pre exc.: €340 m	**EBITDA pre exc.: €174 m**	**EBITDA pre exc.: €291 m**
Employees: 4,194	**Employees: 2,493**	**Employees: 5,056**
▪ 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

* Restated FY 2006 numbers after reclassification of segments
Reconciliation/ Corporate Segment: Sales: €115 m / EBITDA pre exc.: €-141 m / Employees: 3,151
Engineering Plastics (LUP, FIB): Sales: €913 m / EBITDA pre exc.: €11 m / Employees: 1,587

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LANXESS Energizing Chemistry

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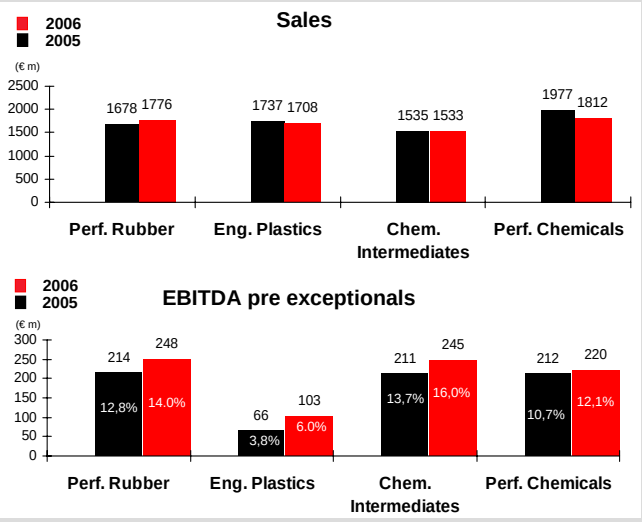
Profitability improved despite headwind from higher raw material and energy costs

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

- 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

Margin improvements across all segments



- 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%

Balance Sheet: strong base and headroom

(€ m)	Dec 31, 2005	Dec 31, 2006
Non-current Assets	**1,835**	**1,730**
Intangible assets	53	41
Property, plant & equipment	1,526	1,465
Equity investments	22	5
Other investments	4	4
Financial assets	48	37
Deferred taxes	103	84
Other non-current assets	79	94
Current Assets	**2,506**	**2,475**
Inventories	1,068	1,047
Trade accounts receivable	1,065	924
Financial assets	37	113
Other current assets	200	220
Liquid assets	136	171
Total Assets	**4,341**	**4,205**

(€ m)	Dec 31, 2005	Dec 31, 2006
Stockholders' Equity	**1,256**	**1,428**
thereof minority interest	17	25
Non-current Liabilities	**1,576**	**1,554**
Pension & post empl. provisions	497	520
Other provisions	302	271
Financial liabilities	644	632
Tax liabilities	26	38
Other liabilities	32	36
Deferred taxes	75	57
Current Liabilities	**1,509**	**1,223**
Other provisions	401	354
Financial liabilities	172	50
Trade accounts payable	694	602
Tax liabilities	27	36
Other liabilities	215	181
Total Equity & Liabilities	**4,341**	**4,205**

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

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Cash Flow: strong underlying operating cash flow

(€ m)	FY 2005	FY 2006
Profit before Tax	**-117**	**287**
Depreciation & amortization	313	262
Loss from investment in associate	35	16
Gain from sale of assets	-1	-2
Financial losses	72	21
Cash tax payments	-25	-68
Changes in other assets and liabilities	241	11
Operating Cash Flow before changes in WC	**518**	**527**
Changes in working capital	106	-118
Operating Cash Flow	**624**	**409**
Investing Cash Flow	**-246**	**-207**
thereof capex	-251	-267
Financing Cash Flow	**-319**	**-164**

- Strong profit before tax
- Change in working capital mirrors increase after exceptionally low year-end 2005 (related to supplier downtime and other one-times)
- Cash flow 2006 distorted by extraordinary pay-outs:
  - ~€90 m restructuring
  - ~€30 m higher bonus
- Changes in other assets and liabilities in 2005 contains contribution to provisions for restructuring and anti-trust
- Investing Cash Flow incl. €104 m from divestitures

2007 will again be burdened by restructuring cash outs

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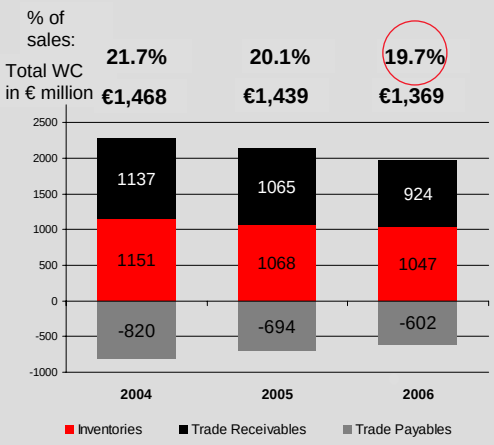
Working capital kept on low levels



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

- **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

Update of restructuring savings after transaction of Lustran Polymers

Phase I+II+III+IV (€ m)	2005	2006	2007e	2008e	2009e
P&L Expenses	-166	-31	-40	-30	-10
Cash outs	-10	-89	-120	-65	-10
Headcount reduction	~540	~650	~280	~40	0
Cost reduction vs. prior year	**10**	**55**	**50**	**50**	**40**
Cost reduction cumulative	10	65	115	165	205
EBITDA improvement vs. prior year	**10**	**50**	**35**	**35**	**25**
EBITDA improvement cumulative	10	60	95	130	155

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

Credit ratings – rating upgrades reflect improved business risk profile

Investment grade rating further improved

STANDARD &POOR'S	Upgraded in July 2007 to BBB (stable outlook)
Moody's Investors Service	Upgraded in July 2007 to Baa2 (stable outlook)
FitchRatings KNOW YOUR RISK	Initiated in May 2006 as unsolicited rating: BBB (stable outlook)

Better ratings enable LANXESS to benefit from favourable financing terms

LANXESS Energizing Chemistry

Financials restatement 2007

in €m	Performance Polymers			Advanced Intermediates			Performance Chemicals		
	Q1	Q2	HJ 2007	Q1	Q2	HJ 2007	Q1	Q2	HJ 2007
Sales	658	671	**1.329**	307	291	**598**	501	520	**1.021**
EBITDA pre exceptionals	101	93	**194**	57	50	**107**	82	89	**171**
EBITDA margin pre exceptionals (%)	*15,3*	*13,9*	***14,6***	*18,6*	*17,2*	***17,9***	*16,4*	*17,1*	***16,7***
EBITDA	101	93	**194**	57	50	**107**	82	89	**171**
EBIT pre exceptionals	76	68	**144**	48	41	**89**	60	68	**128**
EBIT	76	68	**144**	48	41	**89**	60	68	**128**
Capex	21	33	**54**	9	11	**20**	10	12	**22**
Depreciation and amortization	25	25	**50**	9	9	**18**	22	21	**43**
Employees	4.295	4.316	**4.316**	2.485	2.462	**2.462**	5.219	5.251	**5.251**

in €m	LUP			Recon			LANXESS Total		
	Q1	Q2	HJ 2007	Q1	Q2	HJ 2007	Q1	Q2	HJ 2007
Sales	221	223	**444**	24	22	**46**	1.711	1.727	**3.438**
EBITDA pre exceptionals	10	8	**18**	-31	-29	**-60**	219	211	**430**
EBITDA margin pre exceptionals (%)	*4,5*	*3,6*	***4,1***	*n.a.*	*n.a.*	***n.a.***	*12,8*	*12,2*	***12,5***
EBITDA	10	-134	**-124**	-38	-38	**-76**	212	60	**272**
EBIT pre exceptionals	10	8	**18**	-36	-34	**-70**	158	151	**309**
EBIT	10	-178	**-168**	-44	-43	**-87**	150	-44	**106**
Capex	4	5	**9**	3	3	**6**	47	64	**111**
Depreciation and amortization	0	44	**44**	6	5	**11**	62	104	**166**
Employees	1.583	1.556	**1.556**	2.904	2.815	**2.815**	16.486	16.400	**16.400**

Financials restatement 2006

in €m	Performance Polymers					Advanced Intermediates					Performance Chemicals				
	Q1	Q2	Q3	Q4	FY 2006	Q1	Q2	Q3	Q4	FY 2006	Q1	Q2	Q3	Q4	FY 2006
Sales	639	645	644	643	**2.571**	298	288	274	280	**1.140**	614	562	528	501	**2.205**
EBITDA pre exceptionals	91	86	78	85	**340**	57	50	41	26	**174**	83	95	71	42	**291**
EBITDA margin pre exceptionals (%)	*14,2*	*13,3*	*12,1*	*13,2*	***13,2***	*19,1*	*17,4*	*15,0*	*9,3*	***15,3***	*13,5*	*16,9*	*13,4*	*8,4*	***13,2***
EBITDA	90	86	78	84	**338**	57	50	41	26	**174**	82	95	71	42	**290**
EBIT pre exceptionals	67	62	53	58	**240**	47	40	33	16	**136**	60	75	49	17	**201**
EBIT	66	62	53	57	**238**	47	40	33	16	**136**	59	75	49	17	**200**
Capex	13	22	30	61	**126**	8	7	10	13	**38**	13	12	12	25	**62**
Depreciation and amortization	24	24	25	27	**100**	10	10	8	10	**38**	23	20	22	25	**90**
Employees	4.262	4.252	4.222	4.194	**4.194**	2.630	2.557	2.520	2.493	**2.493**	5.487	5.427	5.439	5.056	**5.056**

in €m	LUP / FIB (in Q1)					Recon					LANXESS Total				
	Q1	Q2	Q3	Q4	FY 2006	Q1	Q2	Q3	Q4	FY 2006	Q1	Q2	Q3	Q4	FY 2006
Sales	255	228	217	213	**913**	30	28	28	29	**115**	1.836	1.751	1.691	1.666	**6.944**
EBITDA pre exceptionals	2	10	0	-1	**11**	-28	-40	-26	-47	**-141**	205	201	164	105	**675**
EBITDA margin pre exceptionals (%)	*0,8*	*4,4*	*0,0*	*-0,5*	***1,2***	*n.a.*	*n.a.*	*n.a.*	*n.a.*	***n.a.***	*11,2*	*11,5*	*9,7*	*6,3*	***9,7***
EBITDA	2	10	0	-1	**11**	-44	-51	-42	-38	**-175**	187	190	148	113	**638**
EBIT pre exceptionals	2	9	0	-1	**10**	-33	-48	-33	-52	**-166**	143	138	102	38	**421**
EBIT	2	9	0	-1	**10**	-49	-59	-50	-50	**-208**	125	127	85	39	**376**
Capex	2	3	8	13	**26**	1	0	6	8	**15**	37	44	66	120	**267**
Depreciation and amortization	0	1	0	0	**1**	5	8	8	12	**33**	62	63	63	74	**262**
Employees	1.725	1.643	1.606	1.587	**1.587**	3.076	3.157	3.106	3.151	**3.151**	17.180	17.036	16.893	16.481	**16.481**

Financials restatement 2005

in €m	Performance Polymers					Advanced Intermediates					Performance Chemicals				
	Q1	Q2	Q3	Q4	FY 2005	Q1	Q2	Q3	Q4	FY 2005	Q1	Q2	Q3	Q4	FY 2005
Sales	572	625	604	624	**2.425**	302	303	274	282	**1.161**	565	614	588	584	**2.351**
EBITDA pre exceptionals	84	90	55	58	**287**	51	49	39	26	**165**	72	68	73	45	**258**
EBITDA margin pre exceptionals (%)	*14,7*	*14,4*	*9,1*	*9,3*	***11,8***	*16,9*	*16,2*	*14,2*	*9,2*	***14,2***	*12,7*	*11,1*	*12,4*	*7,7*	***11,0***
EBITDA	84	88	51	21	**244**	51	49	39	26	**165**	72	67	72	19	**230**
EBIT pre exceptionals	62	66	31	36	**195**	42	36	33	13	**124**	51	46	47	21	**165**
EBIT	62	64	27	-1	**152**	39	30	31	10	**110**	51	45	46	-5	**137**
Capex	11	19	19	53	**102**	7	14	9	19	**49**	14	18	20	19	**71**
Depreciation and amortization	22	24	24	22	**92**	12	19	8	16	**55**	21	22	26	24	**93**
Employees	4.058	4.182	4.312	4.315	**4.315**	2.487	2.449	2.411	2.220	**2.220**	5.990	6.058	6.009	5.876	**5.876**

in €m	LUP / FIB					Recon					LANXESS Total				
	Q1	Q2	Q3	Q4	FY 2005	Q1	Q2	Q3	Q4	FY 2005	Q1	Q2	Q3	Q4	FY 2005
Sales	234	255	251	250	**990**	56	62	59	46	**223**	1.729	1.859	1.776	1.786	**7.150**
EBITDA pre exceptionals	7	-6	-2	-6	**-7**	-33	-38	-17	-34	**-122**	181	163	148	89	**581**
EBITDA margin pre exceptionals (%)	*3,0*	*-2,4*	*-0,8*	*-2,4*	***-0,7***	*n.a.*	*n.a.*	*n.a.*	*n.a.*	***n.a.***	*10,5*	*8,8*	*8,3*	*5,0*	***8,1***
EBITDA	7	-6	-2	-6	**-7**	-33	-38	-145	-75	**-291**	181	160	15	-15	**341**
EBIT pre exceptionals	5	-6	-3	-7	**-11**	-39	-42	-20	-40	**-141**	121	100	88	23	**332**
EBIT	3	-18	-6	-13	**-34**	-39	-44	-152	-102	**-337**	116	77	-54	-111	**28**
Capex	3	5	3	7	**18**	16	-8	1	2	**11**	51	48	52	100	**251**
Depreciation and amortization	4	12	4	7	**27**	6	6	7	27	**46**	65	83	69	96	**313**
Employees	2.476	2.364	2.354	2.283	**2.283**	3.788	3.672	3.480	3.588	**3.588**	18.799	18.725	18.566	18.282	**18.282**

Performance Polymers

LANXESS
Energizing Chemistry

LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Performance Polymers
LANXESS has an extensive know-ledge 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)

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Performance Polymers – Structure

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

Butyl Rubber	Polybutadiene Rubber	Technical Rubber Products	Semi-Crystalline Products
			
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	One of the world's leading manufacturers of general purpose rubbers polybutadiene- and solution-styrene-polybutadiene-rubber used principally in tire compounds	Provides a broad range of specialty elastomers for the rubber processing industry with wide applications e.g. automotive, engineering, construction, electronics, oil exploration, aviation	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 PA Polyamide PBT Polybutyleneterephthalate

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

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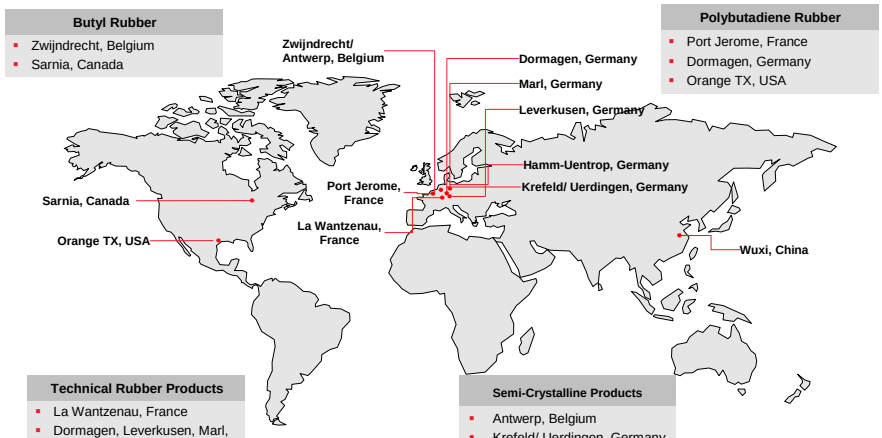
Summary of key financials (restated)

Key Financials (in € m)													
Performance Polymers	**Q1**	**Q2**	**Q3**	**Q4**	**2005**	**Q1**	**Q2**	**Q3**	**Q4**	**2006**	**Q1**	**Q2**	**HJ/2007**
Sales	572	625	604	624	2.425	639	645	644	643	2.571	658	671	1.329
EBITDA pre exceptionals	84	90	55	58	287	91	86	78	85	340	101	93	194
EBITDA margin pre exceptionals (%)	14,7	14,4	9,1	9,3	11,8	14,2	13,3	12,1	13,2	13,2	15,3	13,9	14,6
EBITDA	84	88	51	21	244	90	86	78	84	338	101	93	194
EBIT pre exceptionals	62	66	31	36	195	67	62	53	58	240	76	68	144
EBIT	62	64	27	-1	152	66	62	53	57	238	76	68	144
Capex	11	19	19	53	102	13	22	30	61	126	21	33	54
Depreciation and amortization	22	24	24	22	92	24	24	25	27	100	25	25	50
Employees	4.058	4.182	4.312	4.315	4.315	4.262	4.252	4.222	4.194	4.194	4.295	4.316	4.316

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

Serving global markets with world-class manufacturing base



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

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Energizing Chemistry

LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Butyl Rubber (BTR)

Polybutadiene Rubber (PBR)

Technical Rubber Products (TRP)

Semi-Crystalline Products (SCP)

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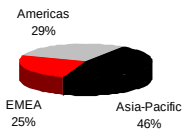
Strong market & technology position as basis to participate in attractive growth areas

Global Demand



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

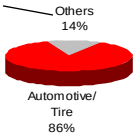
Competition

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

LXS estimates, based on volume terms

End Uses

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



based on BU sales 2006

Cost/Technology Position

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

Products

- Regular butyl rubber
- Halobutyl rubber

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Tires are the main applications for butyl rubber

Products	Main Applications
Halobutyl Rubber:	
CHLOROBUTYL ®	Tire inner-liners
BROMOBUTYL ®	Pharmaceutical stoppers
Regular Butyl Rubber	
- BUTYL ®	Inner-tubes for tires
	Tire curing bladders/ envelopes
	Chewing gum

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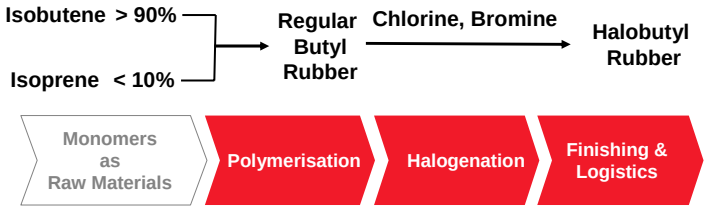
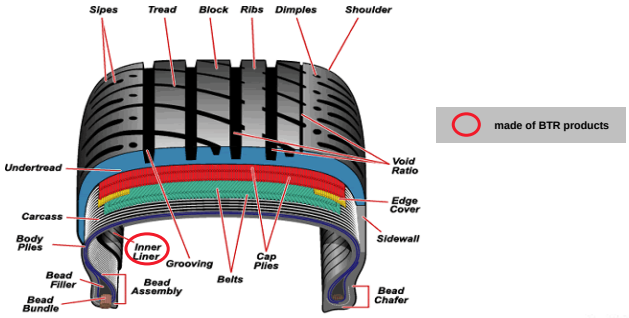
A leading producer of butyl and halobutyl rubber





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 Energizing Chemistry

LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Butyl Rubber (BTR)

Polybutadiene Rubber (PBR)

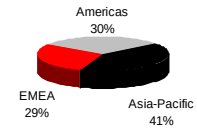
Technical Rubber Products (TRP)

Semi-Crystalline Products (SCP)

Performance Polymers – Polybutadiene Rubber

Leading market positions and world-scale plants in important markets

Global Demand



Total (2006): 3.2 million tons

Source: LXS estimates

Market Development

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

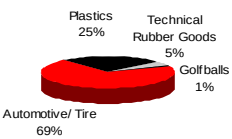
Source: LXS estimates

Competition

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

LXS estimates, based on volume terms

End Uses



based on BU sales 2006

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

Products

- Polybutadiene rubber
- Solution styrene-butadiene rubber

Automotive and tire industries are the main customers of Polybutadiene Rubber

Products	Main Applications

▪ **Solution Styrene-Butadiene Rubber (S-SBR)**
  ▪ Buna™ VSL
  ▪ Buna™ BL
▪ **Polybutadiene Rubber (PBR)**
  ▪ Buna™CB
  ▪ Taktene ®
	▪ Tire treads, e.g. low-rolling-resistance tire
	▪ Tire retreads
	▪ Tire sidewalls
	▪ Plastics modification (HIPS, ABS)
	▪ Golf balls
	▪ Shoe soles

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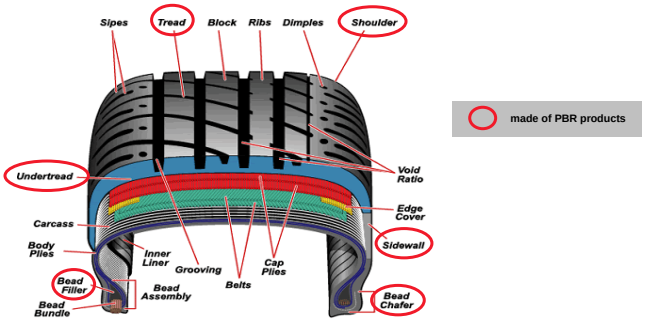
One of the world's major suppliers

Butadiene → **Polybutadiene Rubber**

Monomers as Raw Materials | Polymerisation | Finishing & Logistics



LANXESS

Broad and innovative product portfolio combined with excellent reputation

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

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LANXESS Energizing Chemistry

LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Butyl Rubber (BTR)

Polybutadiene Rubber (PBR)

Technical Rubber Products (TRP)

Semi-Crystalline Products (SCP)

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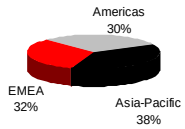
Leading market positions, state-of-the-art technology and world-scale plants

Global Demand



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%

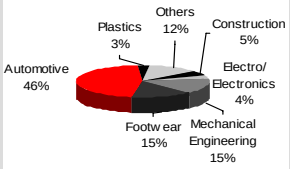
Source: LXS estimates

Competition

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

LXS estimates, based on volume terms

End Uses

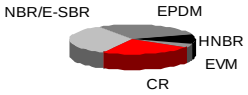


based on BU sales 2006

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



Focus on non-tire applications

Products

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

Main Applications

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

A leading supplier of specialty elastomers for the rubber industry

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

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

LANXESS
Energizing Chemistry

LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Butyl Rubber (BTR)

Polybutadiene Rubber (PBR)

Technical Rubber Products (TRP)

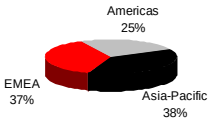
Semi-Crystalline Products (SCP)

Performance Polymers – Semi-Cristalline Products

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

Global Demand *

* Engineering plastics based on PA and PBT



Total (2006): €7.4 bn

Source: LXS estimates

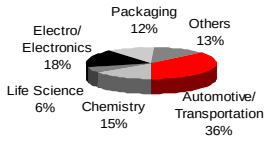
Market Development

- High growth potential above GDP for engineering plastics based on PA and PBT
- EMEA is still the largest market for SCP (PA and PBT compounds), while strongest growth is in Asia
- Consolidation process in molding industry is expected

Competition

- The unit holds strong positions in EMEA and is evolving in Asia
- Main competitors in Europe are BASF, DSM, DuPont and Rhodia
- Market players have different product portfolio structures

End Uses



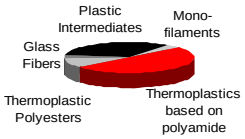
based on BU sales 2006

Cost/Technology Position

Engineering plastics:
- Optimized product portfolio to ensure profitability
- Lean asset investments with regional focus

Intermediates:
- Cost-based advantage within world-scale assets
- High capacity utilization supported by growing captive demand for engineering plastics

Products



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

Products

- DURETHAN® A - based on polyamide 6.6
  DURETHAN® B – based on polyamide 6
  POCAN® - based on polybutylene terephthalate (PBT) and polyethylene terephthalate (PET)

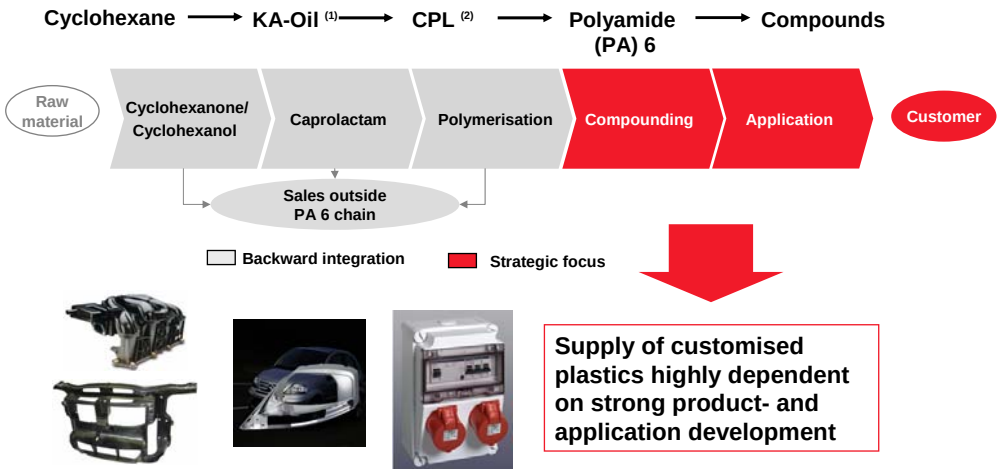
  Available types for all three: non-reinforced, glass fiber reinforced, glass-bead and mineral-filled, glass fiber reinforced/ mineral-filled, flame-retardant, and polymer and elastomer-modified grades
- Glass fibers
- Plastics intermediates such as adipic acid or caprolactame
- Polyamide-based monofilament products PERLON® and ATLAS®

Main Applications

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

LANXESS

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



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

(1) Cyclohexanone/ Cyclohexanol (2) Caprolactam

LANXESS

Back-integration and focused investments enable attractive profitability and growth

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

Advanced Intermediates

LANXESS
Energizing Chemistry

LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Advanced Intermediates
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)

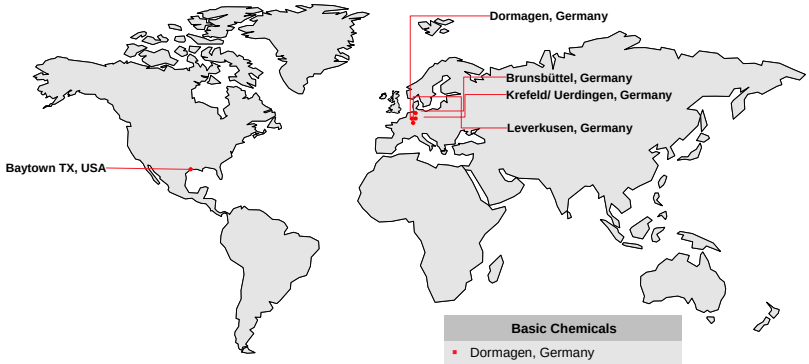
Key Financials (in € m)													
Advanced Intermediates	**Q1**	**Q2**	**Q3**	**Q4**	**2005**	**Q1**	**Q2**	**Q3**	**Q4**	**2006**	**Q1**	**Q2**	**HJ/2007**
Sales	302	303	274	282	1.161	298	288	274	280	1.140	307	291	598
EBITDA pre exceptionals	51	49	39	26	165	57	50	41	26	174	57	50	107
EBITDA margin pre exceptionals (%)	16,9	16,2	14,2	9,2	14,2	19,1	17,4	15,0	9,3	15,3	18,6	17,2	17,9
EBITDA	51	49	39	26	165	57	50	41	26	174	57	50	107
EBIT pre exceptionals	42	36	33	13	124	47	40	33	16	136	48	41	89
EBIT	39	30	31	10	110	47	40	33	16	136	48	41	89
Capex	7	14	9	19	49	8	7	10	13	38	9	11	20
Depreciation and amortization	12	19	8	16	55	10	10	8	10	38	9	9	18
Employees	2.487	2.449	2.411	2.220	2.220	2.630	2.557	2.520	2.493	2.493	2.485	2.462	2.462

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

LANXESS

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

Saltigo
- Dormagen, Germany
- Leverkusen, Germany



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

LANXESS

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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Performance Polymers

Advanced Intermediates

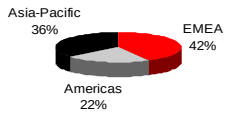
- **Basic Chemicals (BAC)**
- Saltigo (SGO)

Performance Chemicals

LANXESS

Leading positions in industry with Asian competition and consolidation trends

Global Demand



Total (2006): €3.1 bn

Source: LXS estimates

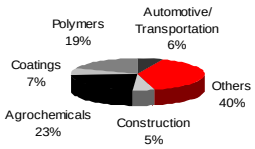
Market Development

- 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



based on BU sales 2006

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

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

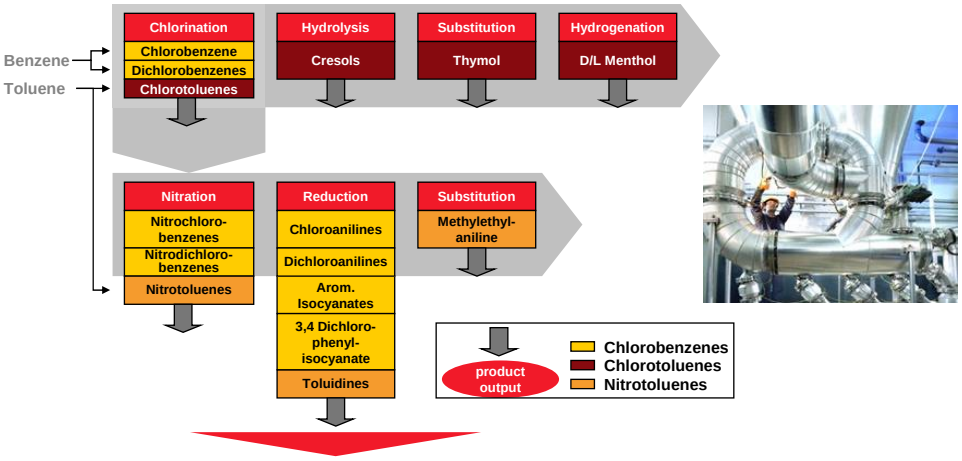
Products

- 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, Diisopropanolamine
- Hydrofluoric acid, anhydrite
- Sulphur products (sulphuric acid/ oleum, sodium bisulfite, thionyl chloride, sulfuryl 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



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

LANXESS

BAC will take advantage of strong European base to further generate value globally

Competitive Advantages

- Competitive technologies, world-scale production facilities and high utilization rates provide cost advantage
- The unique “Aromatenverbund” system enables BAC to optimize its capacity utilization, cost of production and product mix ensuring a solid market position
- BAC 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

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LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Basic Chemicals (BAC)

Saltigo (SGO)

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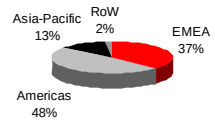
Advanced Intermediates – Saltigo

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

Global Demand



Total (2006): €13.0 bn

Source: LXS estimates

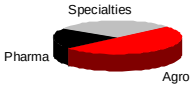
Market Development

- 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

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

End Uses



based on BU sales 2006

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

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

LANXESS

Intermediates and active ingredients for pharma, agrochemical and other industries

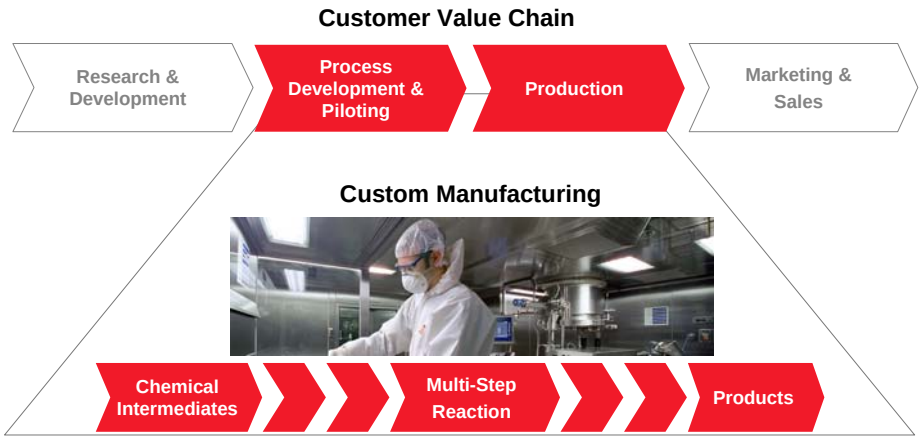
Products

- Saltigo is focused on customized
  - synthesis,
  - process development,
  - manufacturing,
  - services.
- Based on a large experience in fine chemicals production Saltigo also offers a broad portfolio of high quality multi-customer products

Main Applications

- Intermediates and active components for the agrochemical industry
- Intermediates and active ingredients for the pharmaceutical industry
- Specialty fine chemicals for applications like imaging, polymer additives, electronics, consumer care and other innovative products

Focused on custom manufacturing of fine chemicals



Taking advantage of its expertise in complex processes and challenging chemistry

Competitive Advantages

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

Challenges

- Overcapacities in custom manufacturing
- Ongoing market consolidation
- Cost pressure
- Competition from Asia, especially for low-end intermediates

Performance Chemicals

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Performance Polymers
Advanced Intermediates
Performance Chemicals

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)

LANXESS

Performance Chemicals – Structure

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

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

Leather

Broad range of specialty products for the leather industry including:

- Tanning agents
- Preservatives
- Finishing auxiliaries
- Dye products

RheinChemie

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 (restated)

Key Financials (in € m)													
Performance Chemicals	**Q1**	**Q2**	**Q3**	**Q4**	**2005**	**Q1**	**Q2**	**Q3**	**Q4**	**2006**	**Q1**	**Q2**	**HJ/2007**
Sales	565	614	588	584	2.351	614	562	528	501	2.205	501	520	1.021
EBITDA pre exceptionals	72	68	73	45	258	83	95	71	42	291	82	89	171
EBITDA margin pre exceptionals (%)	12,7	11,1	12,4	7,7	11,0	13,5	16,9	13,4	8,4	13,2	16,4	17,1	16,7
EBITDA	72	67	72	19	230	82	95	71	42	290	82	89	171
EBIT pre exceptionals	51	46	47	21	165	60	75	49	17	201	60	68	128
EBIT	51	45	46	-5	137	59	75	49	17	200	60	68	128
Capex	14	18	20	19	71	13	12	12	25	62	10	12	22
Depreciation and amortization	21	22	26	24	93	23	20	22	25	90	22	21	43
Employees	5.990	6.058	6.009	5.876	5.876	5.487	5.427	5.439	5.056	5.056	5.219	5.251	5.251

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 has a world-wide manufacturing base

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

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

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
- Antwerp, Belgium
- Brunsbüttel, Leverkusen, Krefeld/ Uerdingen, Germany
- Thane, India
- Isithebe, South Africa
- Bushy Park SC, USA
- Weifang, China [JV]

LANXESS

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

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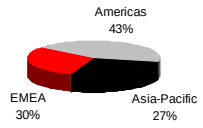
Performance Polymers
Advanced Intermediates
Performance Chemicals

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

Performance Chemicals – Material Protection Products

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

Global Demand



Total (2006): €3.1 bn

Source: LXS estimates

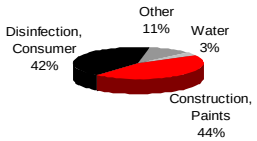
Market Development

- 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

Competition

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

End Uses



based on BU sales 2006

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

Products

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

Products and problem solutions for a wide area of applications

Products	Main Applications
▪ Preservatives / Biocides PREVENTOL BIOCHEK METASOL TEKTAMER ▪ Cold sterilisation agent for the beverage industry VELCORIN	▪ Wood protection ▪ Antifouling paints ▪ Industrial preservation ▪ Disinfection ▪ Beverages stabilization

LANXESS

A leading producer of biocides and biocidal formulations

Raw Material → **Selective Chlorinating** → **Purification** → **Finishing & Logistics**

m-Cresole —(**+ Chlorine**, **+ Sulfuryl-chloride**)→ **p-Chloro-m-Cresole** (PREVENTOL CMK®)

Raw Material → **Condensation Dehydrogenation** → **Purification** → **Finishing & Logistics**

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

Raw Material → **Formulation** → **Finishing & Logistics**

Key Biocidal Actives → **Aqueous Solutions** / **Dispersions** → PREVENTOL

LANXESS

MPP uses broad expertise in biocides to provide customer specific solutions

Competitive Advantages

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

Challenges

- Increasing regulatory requirements
- Low cost Chinese/ Indian competition in commodity-type biocidal actives

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Energizing Chemistry

LANXESS Group

Performance Polymers

Advanced Intermediates

Performance Chemicals

Material Protection Products (MPP)

Inorganic Pigments (IPG)

Functional Chemicals (FCC)

Leather (LEA)

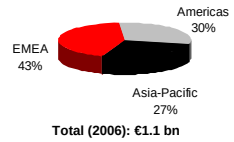
RheinChemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

IPG offers high quality pigments for construction, coatings, plastics and other applications

Global Demand



Total (2006): €1.1 bn

Source: LXS estimates

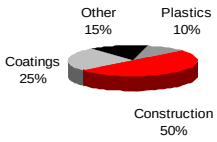
Market Development

- 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)

End Uses



based on BU sales 2006

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®, COLORTHERM® and chromium oxide products

BAYFERROX®

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

Iron+Nitrobenzene	⟷	Laux process
Iron salts+NaOH+Oxygene	⟷	Precipitation process
Iron+Oxygene	⟷	Penniman process
Yellow or black iron oxide	⟷	Calcination

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

World-scale production capacities and global market access key competitive advantages of IPG

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
Energizing Chemistry

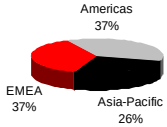
LANXESS Group
Performance Polymers
Advanced Intermediates
Performance Chemicals

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

Performance Chemicals – Functional Chemicals

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

Global Demand



Total (2006): €3.4 bn

Source: LXS estimates

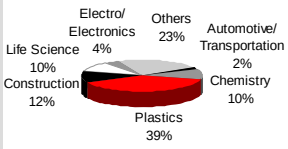
Market Development

- 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



based on BU sales 2006

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

Numerous applications provided to a variety of industries

Products

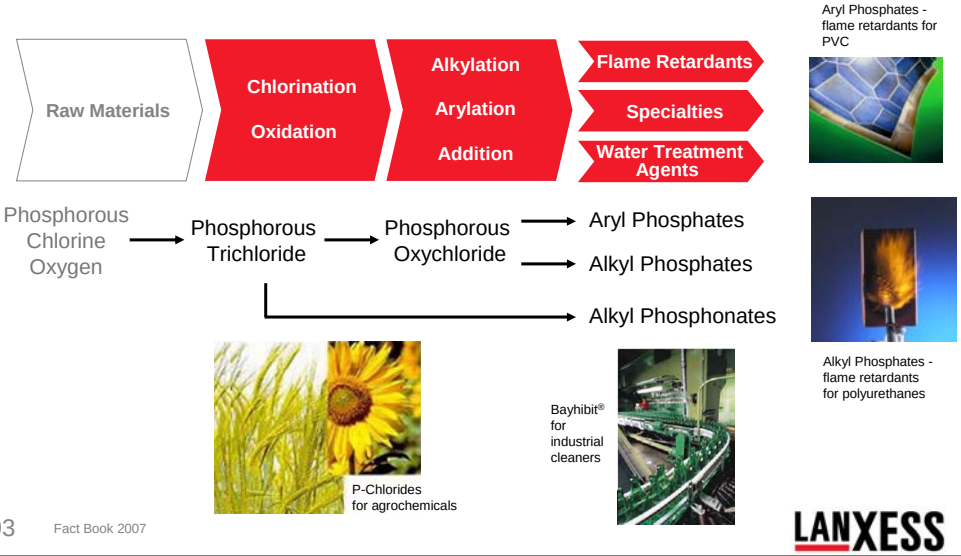
- Flame retardants: DISFLAMOLL®, BAYFOMOX®, LEVAGARD™
- Plasticisers: MESAMOLL®, ADIMOLL®, ULTRAMOLL®, UNIMOLL®, Triacetin
- Blowing agents: POROFOR®, FICEL™, GENITRON™
- Organic colorants: BAYSCRIPT®, MACROLEX®, BAYPLAST®, SOLFORT™, LEVANYL®, LEVANOX®, BAYFAST™
- Synthesis chemicals: Hydrazine Hydrate,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

Main Applications

- Rigid and flexible PVC
- Polyurethane foam
- Engineering plastics
- Paints and coatings
- Water treatment
- Laundry and cleaning
- Printing inks
- Detergents
- Cosmetics

LANXESS

One of the largest integrated production for phosphorous chemicals



Aryl Phosphates - flame retardants for PVC

Alkyl Phosphates - flame retardants for polyurethanes

P-Chlorides for agrochemicals

Bayhibit® for industrial cleaners

LANXESS

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

Energizing Chemistry

LANXESS Group

Performance Polymers

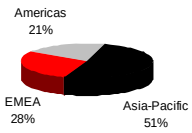
Advanced Intermediates

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



Total (2006): €3.0-3.3 bn

Source: LXS estimates

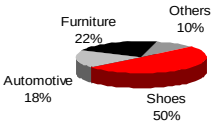
Market Development

- 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



based on BU sales 2006

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

Provider of full product portfolio for leather industry

Products

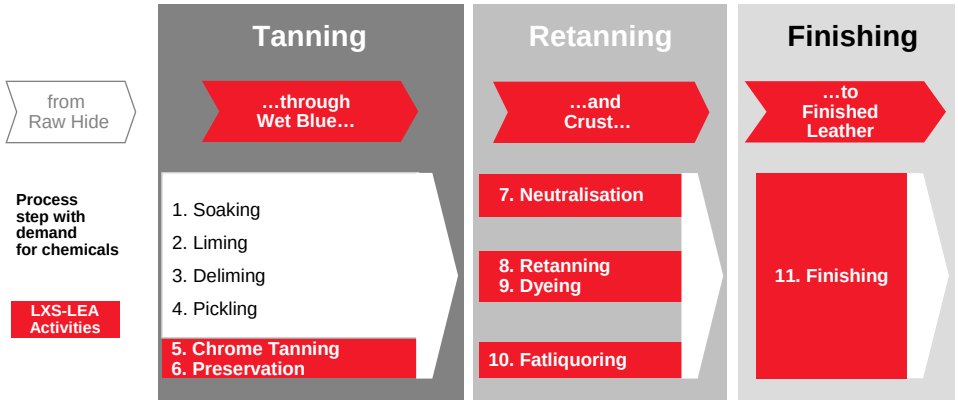
- BAYMOL®, BAYKANOL®, CISMOLLAN ®, PREVENTOL®
- BAYCHROM®, CHROMOSAL®, BLANCOROL®
- SETA™*, EUREKA ®**, ATLASOL ®**
- BAYKANOL®, LEUKOTAN®***, LEVOTAN®, LUBRITAN™***, RETINGAN®, TANIGAN®
- ACIDERM®, BAYCOLOR™, BAYGENAL®, BAYDERM®, EUDERM®, EUKANOL®, LEVADERM®
- AQUADERM ®, BAYDERM®, EUDERM®, HYDRHOLAC™***, PRIMAL®***
- ACRYSOL™***, 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

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

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

LANXESS Energizing Chemistry

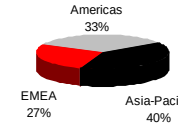
LANXESS Group
Performance Polymers
Advanced Intermediates
Performance Chemicals

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

Performance Chemicals – RheinChemie

RheinChemie has a strong service and application expertise

Global Demand



Total (2006): €2.3 bn

Source: LXS estimates

Market Development

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

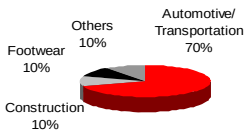
LOA = Lubricant oil additives
PU = Polyurethane

Source: LXS estimates

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

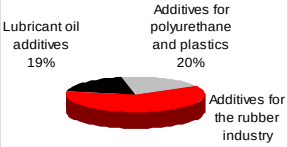


based on BU sales 2006

Cost/Technology Position

- An innovation leader regarding products and services in served market segments

Products



based on BU sales 2006

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

Products

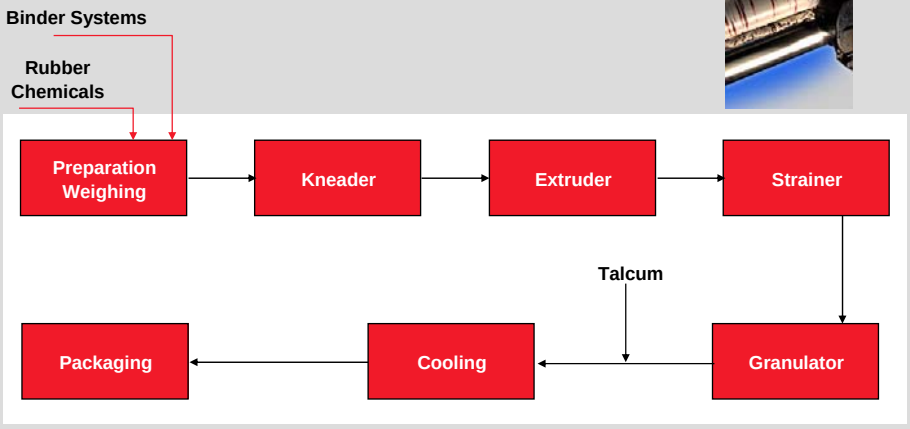
- Rubber
  - Polymer-bound chemicals: RHENOGRAN®, POLYDISPERSION®
  - Polymer-bound additive packages: ONE SLAB®
  - Processing promoters: AKTIPLAST®, AFLUX®
  - Specialty polymers: UREPAN®, RHENOBLEND®
  - Antiozonants: ANTILUX®
  - Release agents: RHENODIV®
  - Vulcanization activators: RHENOFIT®
  - Service Technologies, Multi ingredient preweighs: BATCH-READY®
- Polyurethane/Plastics
  - Hydrolysis protection: STABAXOL®
  - Crosslinkers for various plastic systems: ADDOLINK™
- 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

LANXESS

Polymer-bound chemicals and formulations for tailor-made products



LANXESS

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

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

LANXESS

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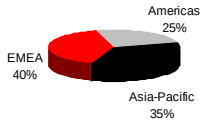
RheinChemie (RCH)
Rubber Chemicals (RUC)
Ion Exchange Resins (ION)

LANXESS

RUC has leading market and technology positions in a challenging environment

Global Demand



Total (2006): €2.4 bn

Source: LXS estimates

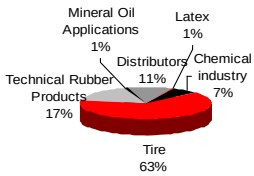
Market Development

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

Competition

- Competitors are:
  - Flexsys
  - Chemtura

End Uses

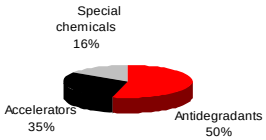


based on BU sales 2006

Cost/Technology Position

- World-scale plants for anti-degradants (AOX) and accelerators (ACC) in Europe
- 6PPD plant in China
- ACC and AOX plant in India
- Leading technology positions
- Leading position in technology and quality of active zinc oxide

Products



LANXESS

Broad product portfolio to enhance rubber properties

Products

Accelerators
- Thiazoles
- Sulphenamides

Antidegradants
- Phenylendiamines
- Quinolines

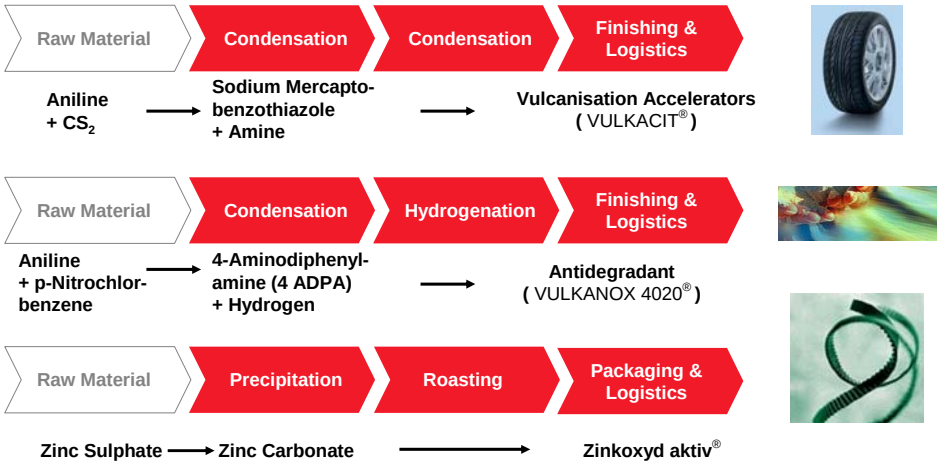
Specialities used as
- Bonding agents
- Cross linkers
- Curing agents
- Emulsifiers
- Fillers
- Latex chemicals
- Peptizing agents
- Retarders
- Synthetic plasticisers
- Vulcanization activators

Main Applications

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

LANXESS

A leading producer of rubber chemicals for the tire industry and technical rubber products



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

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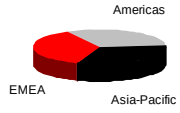
- Material Protection Products (MPP)
- Inorganic Pigments (IPG)
- Functional Chemicals (FCC)
- Leather (LEA)
- RheinChemie (RCH)
- Rubber Chemicals (RUC)
- **Ion Exchange Resins (ION)**

Performance Chemicals – Ion Exchange Resins

ION offers a broad product range for water treatment and other growth applications

Global Demand



Total (2006): €0.7 bn

Source: LXS estimates

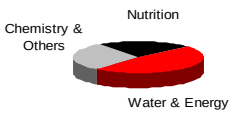
Market Development

- 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

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

End Uses



based on BU sales 2006

Cost/Technology Position

- Competitive cost position from world-scale production facilities
- Leading producer of technologically 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

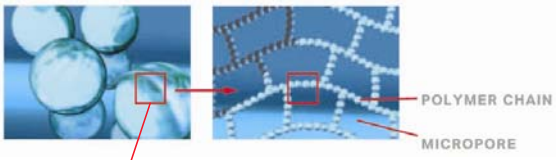
Products	Main Applications
Ion exchange resins branded as: ▪ LEWATIT® ▪ IONAC®	▪ Products supplied into the following industries & applications: ▪ Water & energy ▪ Microelectronics ▪ Food & nutrition ▪ Chemicals processing ▪ Pharmaceuticals (e.g. biofermentation) ▪ Ground- and wastewater ▪ Mining

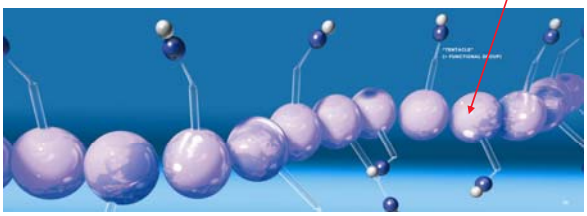
ION - a solution provider, manufacturing custom designed products

- 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

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

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