



**Fact Book 2006**

## Safe Harbour Statement

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**LANXESS Group**

Performance Rubber  
Engineering Plastics  
Chemical Intermediates  
Performance Chemicals

**Overview**

Strategy  
Financials FY 2005

## 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.



Decision made on the strategic reorganization of the Bayer Group

2003-07-11

2004-03-18

Presentation of brand strategy and "Energizing Chemistry" claim

2004-03-27

2004-07-01

Approval by Bayer AG's Supervisory Board of the decision to spin-off LANXESS

2004-07-16

2004-11-17

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

Internal launch of LANXESS with its new structure

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

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

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



Announcement of 1<sup>st</sup> phase of restructuring

2005-01-31

2005-06-03

2005-06-06

2005-06-16

2005-06-20

2005-06-21

2006-01-01

2006-03/04-01

2006-04-04

2006-5-31 ...

1<sup>st</sup> Annual Stockholders' Meeting

Issuance of €500 m Euro bond

Sale of PAP and FIB concluded

FY 2005 results – corporate strategic plan delivers results in all Segments

Initial quotation at the Frankfurt Stock Exchange



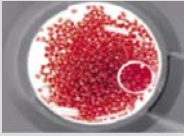


Buyback of Mandatory Convertible

Admission into MDAX

Carve-out of the BU FCH to form Saltigo

2<sup>nd</sup> Annual Stockholders' Meeting

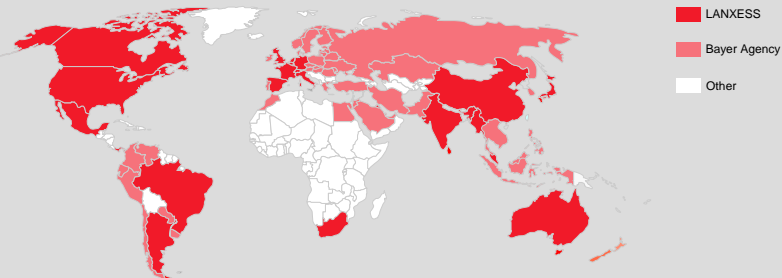
## A Chemical Company with 4 Segments

				Sales: €7,150 m EBITDA pre exc.: €581 m Employees: 18,282	based on 2005 figures
<b>Performance Rubber</b> 	<b>Engineering Plastics</b> 	<b>Chemical Intermediates</b> 	<b>Performance Chemicals</b> 		
Sales: €1,678 m EBITDA pre exc.: €214 m Employees: 3,119	Sales: €1,737 m EBITDA pre exc.: €66 m Employees: 3,479	Sales: €1,535 m EBITDA pre exc.: €211 m Employees: 3,353	Sales: €1,977 m EBITDA pre exc.: €12 m Employees: 4,743		
Global technology leaders in synthetic rubber production, offering a broad and innovative portfolio of products, that hold leading positions on the international market.	One of the world's leading players in the field of polymers. Principal applications for these materials are in household goods, automotive and electrical engineering, electronics and medical equipment.	LANXESS's Chemical Intermediates is among the world's leading suppliers of basic chemicals, fine chemicals and inorganic pigments.	This segment combines all the group's application-orientated activities in the field of specialty chemicals. With strong brands LANXESS rank among the world's leading producer.		
Reconciliation/Corporate Segment: Sales: €223 m EBITDA pre exc.: €122 m Employees: 3,588					

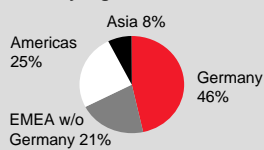


## LANXESS - a Global Player in the Chemical Industry

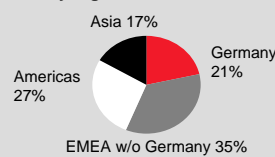
### Global presence



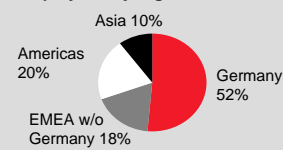
### Assets by region



### Sales by region



### Employees by regions



based on 2005 figures



## Broad Supplier Base

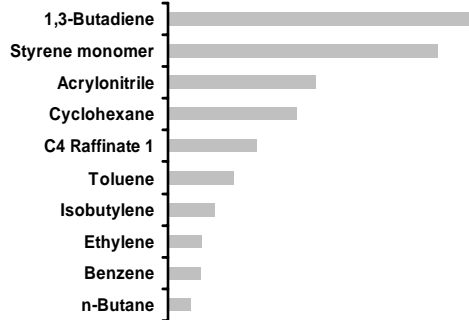
### Suppliers

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 2005 included BP, Chevron Phillips, Dow, Exxon Mobil, Huntsman, Ineos, Innovene, Lyondell, Shell Chemicals and Total. Other important suppliers of basic inorganic and organic chemicals are BASF, Bayer, Degussa and Rhodia.

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

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



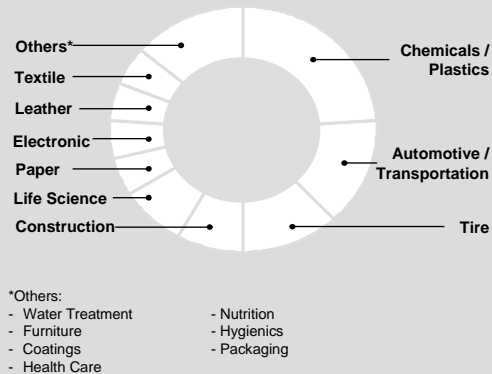
## Diversified Customer Base and Industry Portfolio

### Customers

The LANXESS Group's top five customers accounted for about 14% of all sales in fiscal 2005. 18 customers account for sales of between €20 million and €50 million. About 15,000 LANXESS customers contribute sales of up to €100,000. The number of customers varies widely by segment.

The Performance Rubber segment has some 2,000 customers, Engineering Plastics has about 4,000, Chemical Intermediates has more than 7,000, and Performance Chemicals has about 14,000. However, one customer may do business with more than one segment. Each segment includes all customer groups and sales volumes.

#### End User Industries 2005



## Long Term Incentive Program: Stock Performance Plan (SPP) and Economic Value Plan (EVP)

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

- **Stock Performance Plan (SPP)**

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

- **Economic Value Plan (EVP)**

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

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

## Summary of Key Financials

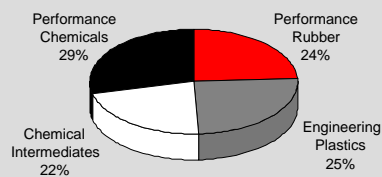
### LANXESS

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

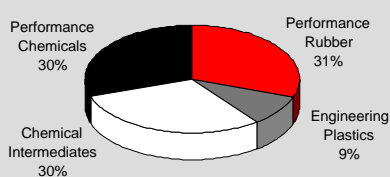
\*as per 31.12

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

### Sales by Segment 2005



### EBITDA by Segment 2005



**LANXESS Group**

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

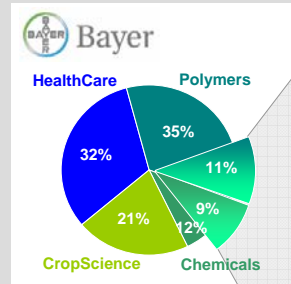
Overview

**Strategy**

Financials FY 2005

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

**Bayer 2003**



**Spin-off: A new company**

**LANXESS**

**Performance Rubber**

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

**Chemical Intermediates**

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

**Engineering Plastics**

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

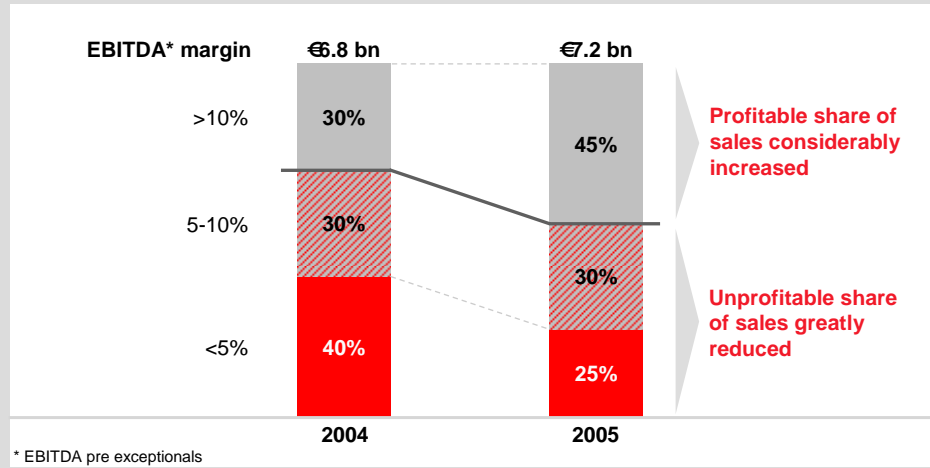
**Performance Chemicals**

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

**Independence. Restructuring. Portfolio Management.**

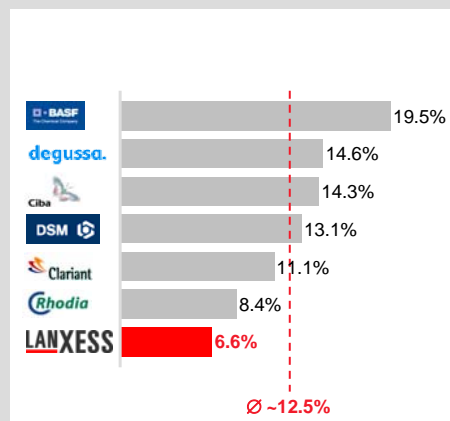
## Proportion of Profitable Sales Risen to 45% - Margins on 55% of Business Still Inadequate

### Profitability split 2004 vs. 2005



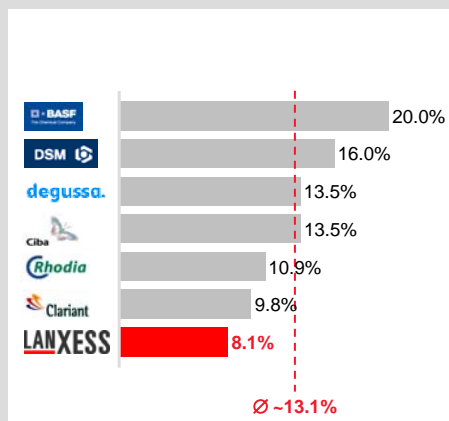
## Overall Performance Still Below Average

### EBITDA\* margin 2004



Source: Annual Reports  
\* EBITDA pre exceptionals

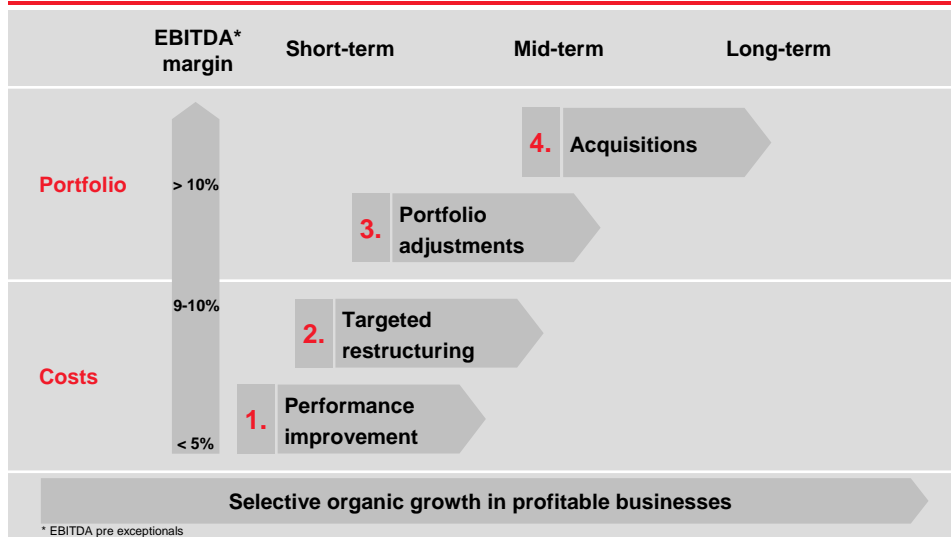
### EBITDA\* margin 2005



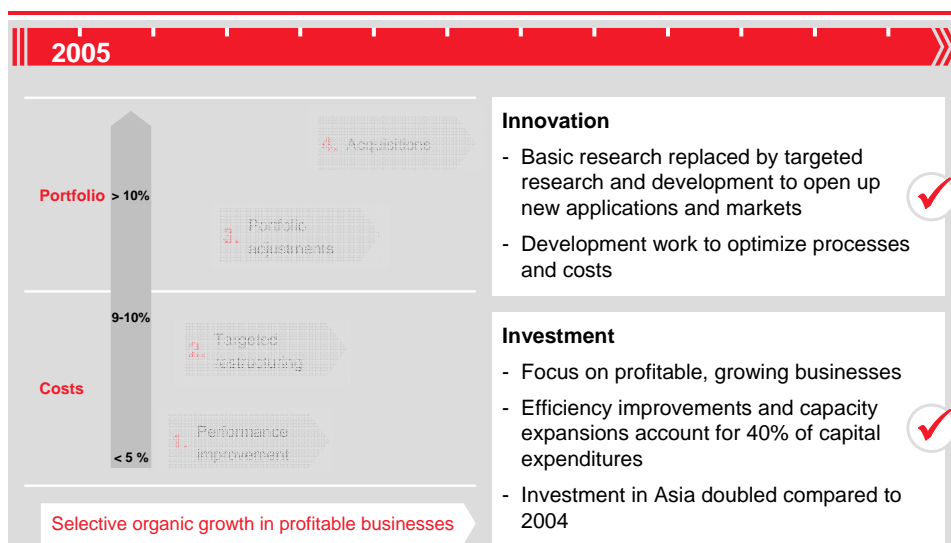
Source: Annual Reports



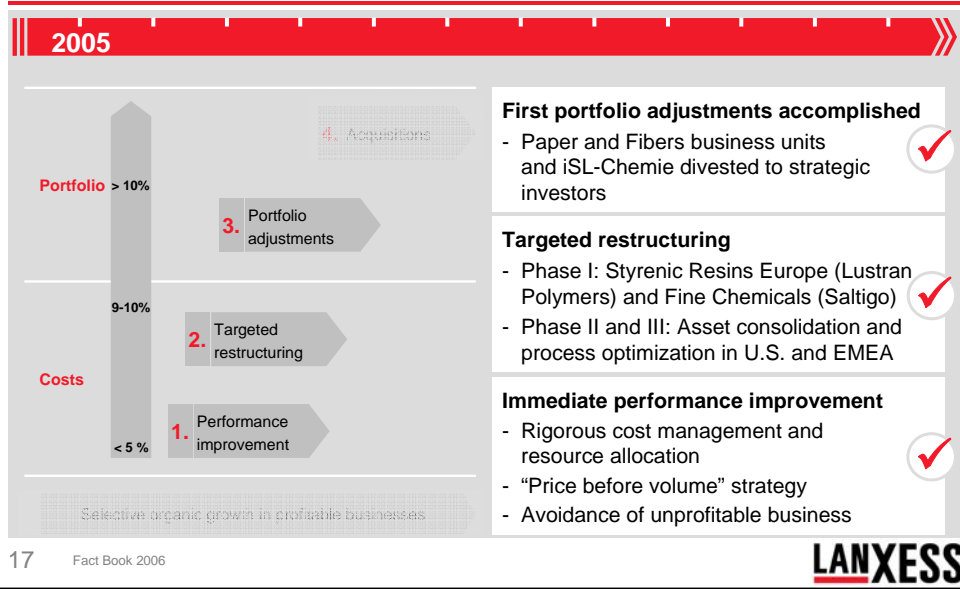
## Step-by-Step Approach to Creating Value



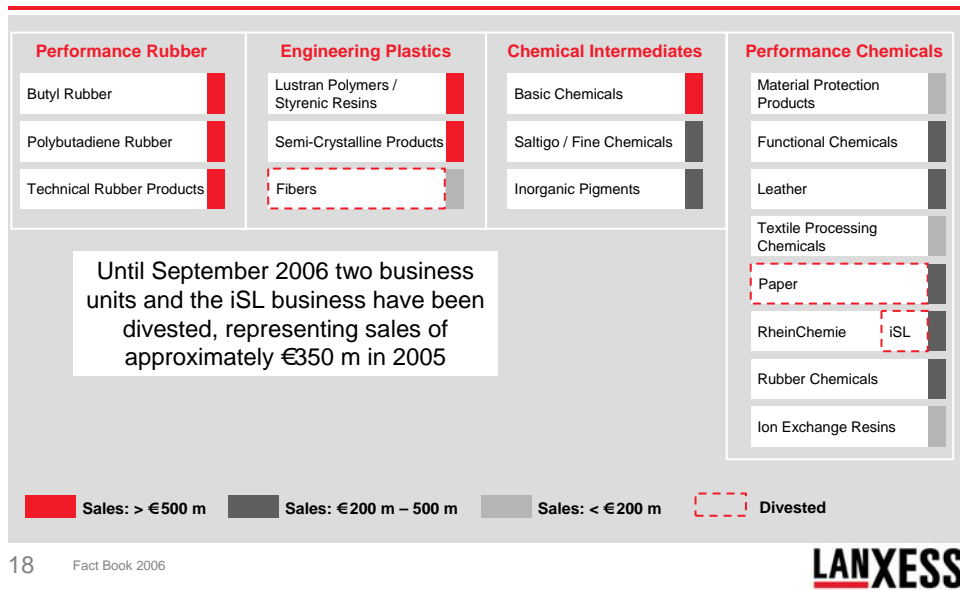
## Growth through Investment and Innovation



## Consistent Strategy Implementation



## Portfolio Adjustments as Part of Transformation



**LANXESS Group**

Performance Rubber  
Engineering Plastics  
Chemical Intermediates  
Performance Chemicals

Overview

Strategy

**Financials FY 2005**

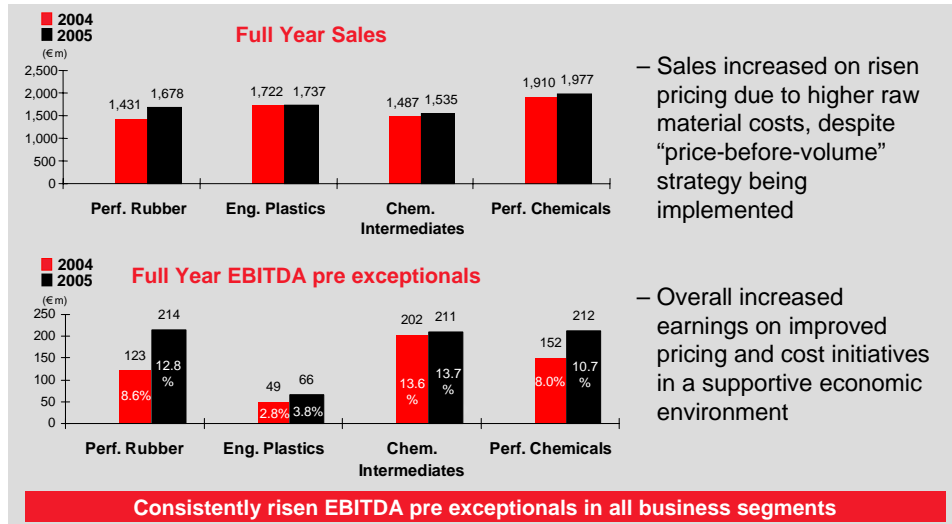
Lanxess Group – Financials FY 2005

## Independence and Restructuring Contribute to Better Performance Amid Supportive Demand

(€m)	FY 2004	FY 2005	Δ in %	
<b>Sales</b>	<b>6,773</b>	<b>7,150</b>	<b>6%</b>	
Cost of goods sold	-5,349	-5,537	4%	– Price increases (+8%) and marginally stronger U.S. Dollar offset slightly lower volumes (-3%)
SG&A	-1,144	-1,148	0%	
R&D	-123	-101	-18%	
Other op. result	-98	-336	>100%	– Other operating result includes exceptionals such as charges for restructuring (€166 m), portfolio changes (€27 m) and anti-trust (€71 m)
thereof exceptionals	-99	-304	>100%	
<b>EBIT</b>	<b>59</b>	<b>28</b>	<b>-53%</b>	
<b>Net Income</b>	<b>-12</b>	<b>-63</b>	<b>&gt;100%</b>	
EBITDA	387	341	-12%	– Majority of restructuring charges booked in 2005
thereof exceptionals	-60	-240	>100%	
<b>EBITDA pre exceptionals</b>	<b>447</b>	<b>581</b>	<b>30%</b>	

**Significant improvement in underlying profitability**

## First Year of Independence: We Delivered on Promises

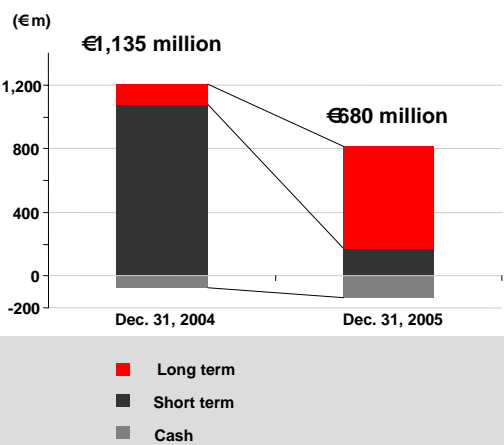


– Sales increased on risen pricing due to higher raw material costs, despite “price-before-volume” strategy being implemented

– Overall increased earnings on improved pricing and cost initiatives in a supportive economic environment

## Financing Structure Significantly Improved while Transforming the Company

### Net financial debt overview:



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

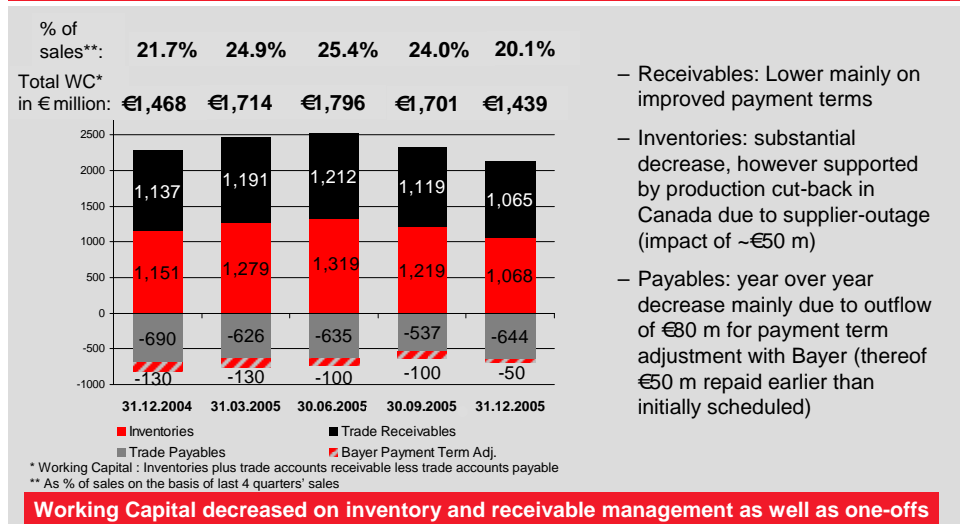
## Balance Sheet Reflects Solid Structure

(€m)	Dec 31, 2004	Dec 31, 2005	(€m)	Dec 31, 2004	Dec 31, 2005
<b>Non-current Assets</b>	<b>1,988</b>	<b>1,835</b>	<b>Stockholders' equity</b>	<b>1,365</b>	<b>1,256</b>
Intangible assets	65	53	thereof Minority interest	14	17
Property, plant & equipment	1,521	1,526	<b>Non-current Liabilities</b>	<b>878</b>	<b>1,576</b>
Equity Investments	44	22	Pension & post empl. provisions	418	497
Other Investments	4	4	Other provisions	230	302
Financial assets	53	48	Financial liabilities	131	644
Deferred taxes	172	103	Tax liabilities	8	26
Other non-current assets	129	79	Other liabilities	36	32
			Deferred taxes	55	75
<b>Current Assets</b>	<b>2,589</b>	<b>2,506</b>	<b>Current Liabilities</b>	<b>2,334</b>	<b>1,509</b>
Inventories	1,151	1,068	Other provisions	225	401
Trade accounts receivable	1,137	1,065	Financial liabilities	1,076	172
Financial assets	24	37	Trade accounts payable	820	694
Other current assets	205	200	Tax liabilities	18	27
Liquid assets	72	136	Other liabilities	195	215
<b>Total assets</b>	<b>4,577</b>	<b>4,341</b>	<b>Total Liabilities &amp; Equity</b>	<b>4,577</b>	<b>4,341</b>

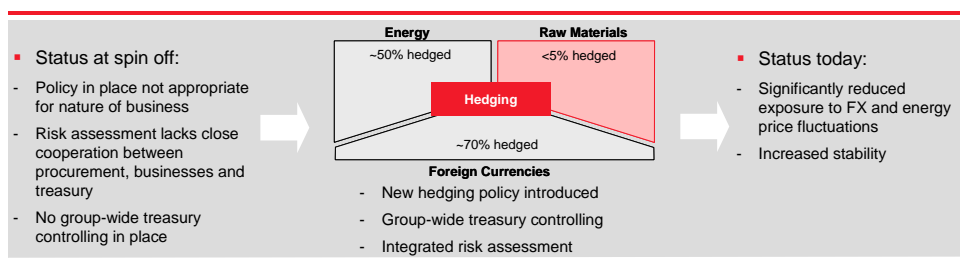
## Stronger Cash Flow due to Operating Results and Improved Working Capital Management

(€m)	FY 2004	FY 2005	
<b>Profit before Tax</b>	<b>-20</b>	<b>-117</b>	<ul style="list-style-type: none"> <li>– Focus on working capital and better operating result lead to substantial improvement in operating cash flow</li> <li>– despite ~€80 million payback to Bayer for payment term adjustment</li> <li>– despite ~€10 million cash out for restructuring</li> <li>– despite ~€50 million allocated charges from pre spin-off anti-trust cases</li> <li>– Reduction of working capital was supported by production cut-back due to supplier-outage (impact of ~€50 m)</li> <li>– Restructuring provision is included in "Change in Other Net current Assets"</li> </ul>
Depreciation & Amortization	328	313	
Investments at equity	4	35	
Gain / Loss from Sale of Assets	2	-1	
Financial Losses	44	72	
Cash tax payments	-45	-56	
Change in Working Capital*	-35	106	
Change in Other Net Current Assets	33	272	
<b>Cash provided by Operating Act.</b>	<b>311</b>	<b>624</b>	
Capex	-279	-251	
* Working Capital : Inventories plus trade accounts receivable less trade accounts payable			
<b>Excess cash has been used to reduce net financial debt</b>			

## Focus on Working Capital Management Started to Pay Off in H2 2005



## New Hedging Policy - Increased Stability Achieved



### Example: Hedging of Foreign Currencies

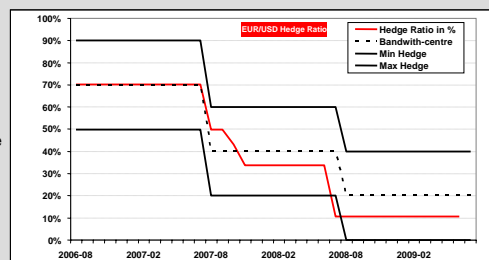
Lanxess has exposure to four main foreign currencies:

- US\$, Can\$, Yen, SA Rand
- Total US\$ exposure ~€700 m

Conservative, rolling hedging approach:

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

For 2006, ~70% of the net exposure are hedged, for 2007, ~35% are already locked in.



## Credit Ratings - Increasing Trust and Stability

### Investment grade rating improved



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



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



Initiated in October 2004: **BBB-** (stable outlook),  
confirmed in May 2006, **outlook raised to positive**

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

## Overview

### Performance Rubber

### Engineering Plastics

### Chemical Intermediates

### Performance Chemicals

### Financials

#### Performance Rubber

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

The segment comprises three business units:

**Butyl Rubber (BTR)**

**Polybutadiene Rubber (PBR)**

**Technical Rubber Products (TRP)**

## A Leading Rubber Producer with Strong Market Positions in the Automotive Tyre Industry



**Butyl Rubber**  
Manufactures butyl rubber, which is a general purpose rubber impermeable to air with wide applications both in tyre and other industries, such as pharmaceutical closures and chewing gum.



**Polybutadiene Rubber**  
One of the world's leading manufacturers of general purpose rubbers polybutadiene- and solution-styrene-polybutadiene-rubber used principally in tyre compounds



**Technical Rubber Products**  
Provides a broad range of specialty elastomers for the rubber processing industry with wide applications e.g. automotive, engineering, construction, electronics, oil exploration, aviation

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

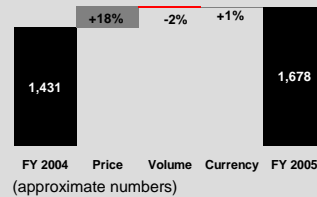
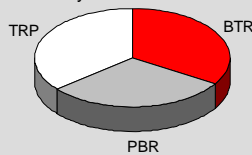
## Summary of Key Financials

### Performance Rubber

	2003	2004	2005
<b>Sales</b>	1,375	1,431	1,678
<b>EBITDA pre exc.</b>	36	123	214
<i>EBITDA pre exc. / Sales</i>	2,6%	8,6%	12,8%
<b>EBITDA</b>	4	111	171
<b>Depr. &amp; Amort.</b>	250	61	63
<b>EBIT</b>	-246	50	108
<b>Capex</b>	78	76	75
<b>Number of Employees*</b>	2,999	3,163	3,119

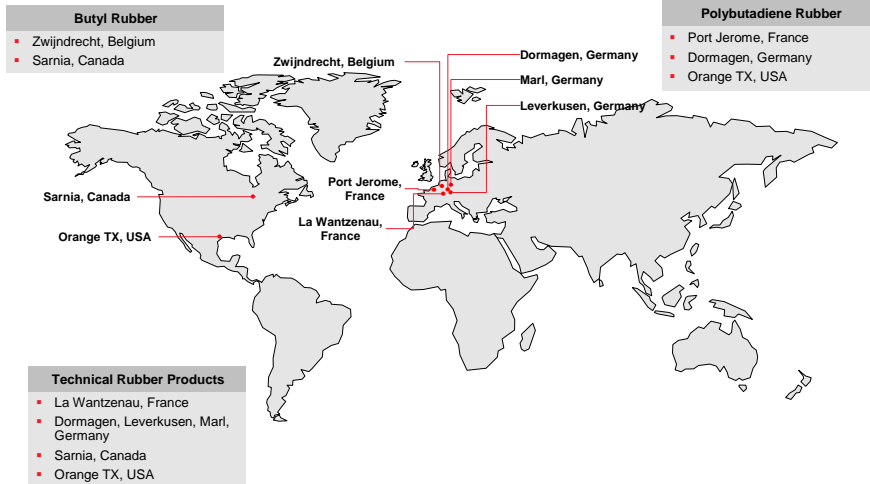
\*as of Dec 31  
2003-2004 figures are based on Spin-off Combined Financial Statements

Sales by Business Unit 2005





## World-Class European and North American Manufacturing Base



## Turning Strong Market Position Into Value

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

Overview

**Performance Rubber**

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Financials

**Butyl Rubber (BTR)**

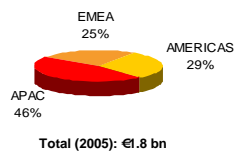
Polybutadiene Rubber (PBR)

Technical Rubber Products (TRP)

Performance Rubber – Butyl Rubber

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

### Global Demand



Source: LXS estimates

### Market Development

- Based on currently installed capacities, constraints or even shortages likely mid-term
- The overall CAGR (05-10) is assumed to be 2.9 %
  - North America ~1,2%
  - Europe ~2,1%
  - Asia ~4,4%

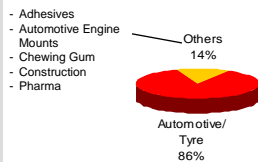
Source: LXS estimates

### Competition

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

LXS estimates, based on volume terms

### End Uses



based on BU sales 2005

### Cost/Technology Position

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

### Products

- Regular Butyl Rubber
- Halobutyl Rubber

## Tyres are the Main Applications for Butyl Rubber

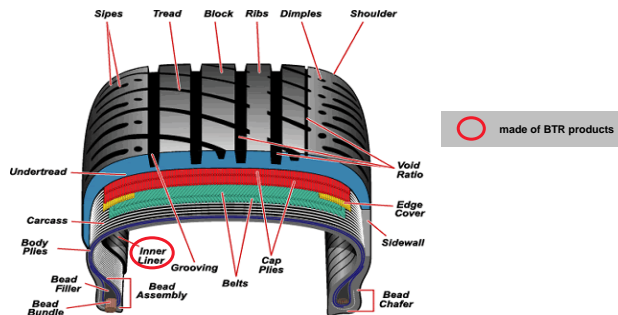
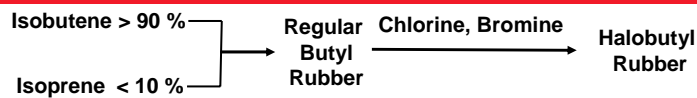
### Products

- **Halobutyl Rubber:**
  - CHLOROBUTYL®
  - BROMOBUTYL®
- **Regular Butyl Rubber**
  - BUTYL®

### Main Applications

- Tyre inner-liners
- Pharmaceutical stoppers
- Inner-tubes for tyres
- Tyre curing bladders / envelopes
- Chewing gum

## 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 tyre manufacturers to meet specific customer needs
- Strong infrastructure in APAC

### Challenges

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

### Overview

**Performance Rubber**

Engineering Plastics

Chemical Intermediates

Performance Chemicals

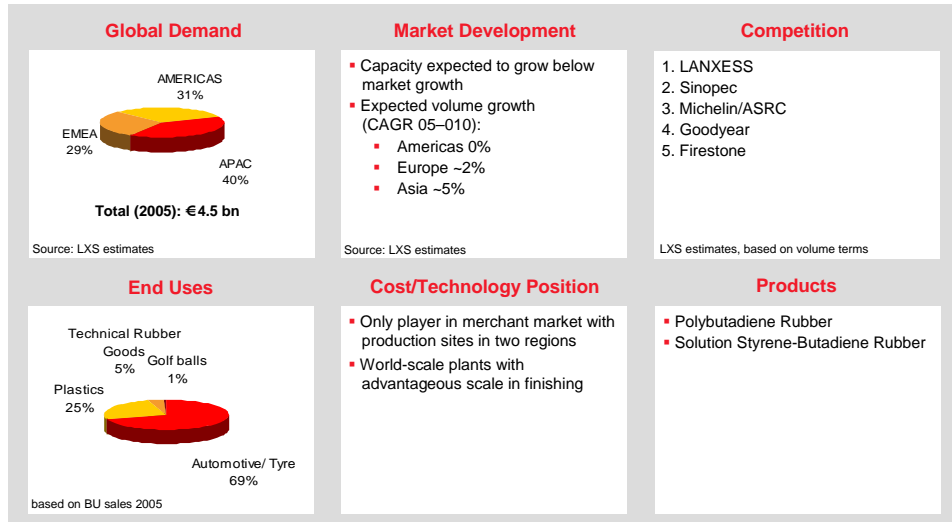
Financials

Butyl Rubber (BTR)

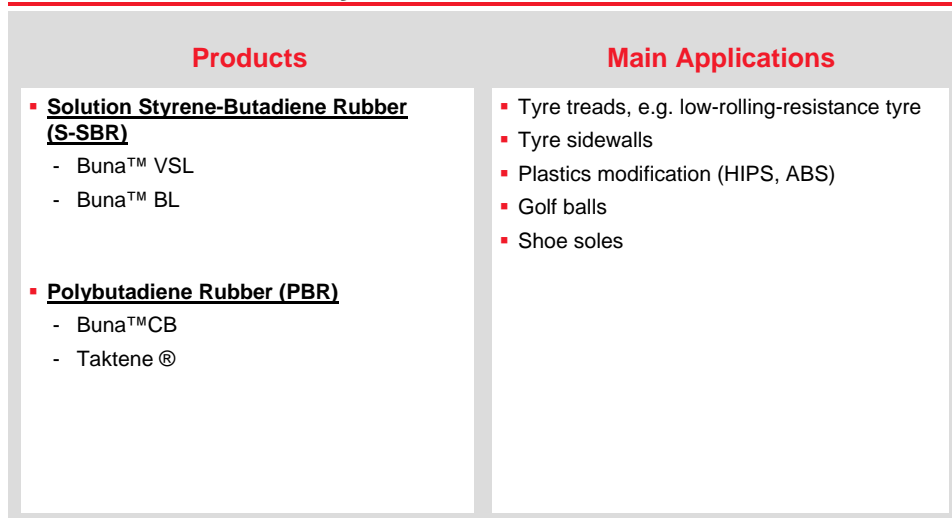
**Polybutadiene Rubber (PBR)**

Technical Rubber Products (TRP)

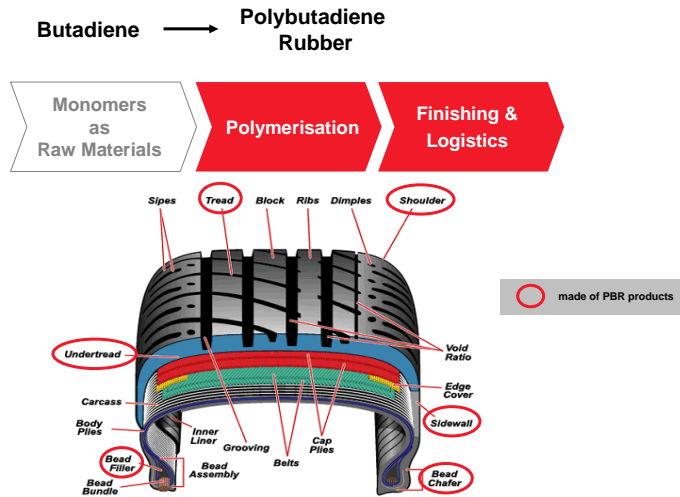
## Leading Market Positions and World-Scale Plants in Important Markets



## Automotive and Tyre Industries are the Main Customers of Polybutadiene



## One of the World's Major Suppliers



## Broad and Innovative Product Portfolio Combined with Excellent Reputation

### Competitive Advantages

- Broad and innovative product portfolio offered to both tyre manufacturers and plastic producers
- Strategic focus on high performance products
- Only player in the merchant market covering 2 regions with modern, cost efficient world scale production sites located close to customers
- Scale advantages
- Strategic raw material (butadiene) is secured structurally
- Reputation with customers for reliable performance and delivery
- Consolidation of polybutadiene rubber from four to three lines in Orange, Texas due to increase in productivity and flexibility

### Challenges

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

Overview

**Performance Rubber**

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Financials

Butyl Rubber (BTR)

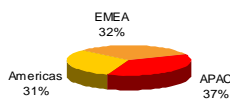
Polybutadiene Rubber (PBR)

**Technical Rubber Products (TRP)**

Performance Rubber – Technical Rubber Products

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

**Global Demand**



Total (2005): €2.95 bn

Source: Lanxess estimates

**Market Development**

- For EPDM and NBR price pressure expected to slow down as supply and demand narrowing
- Expected volume growth (CAGR 05–10): ~3%
  - CR: ~1%
  - EPDM: ~3.8%
  - NBR: ~2%
  - HNBR: ~3%
  - EVM: ~3%

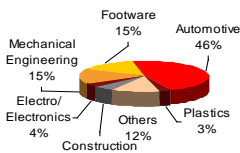
Source: LXS estimates

**Competition**

- LANXESS
- Nippon Zeon
- Polimeri Europa
- DSM
- JSR

LXS estimates, based on volume terms

**End Uses**

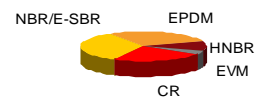


based on BU sales 2005

**Cost/Technology Position**

- State-of-the-art process technology
- Attractive cost position due to world-scale plants
- High innovation potential in HNBR (e.g. Therban AT) and EVM

**Products**



## Focus on Non-Tyre Applications

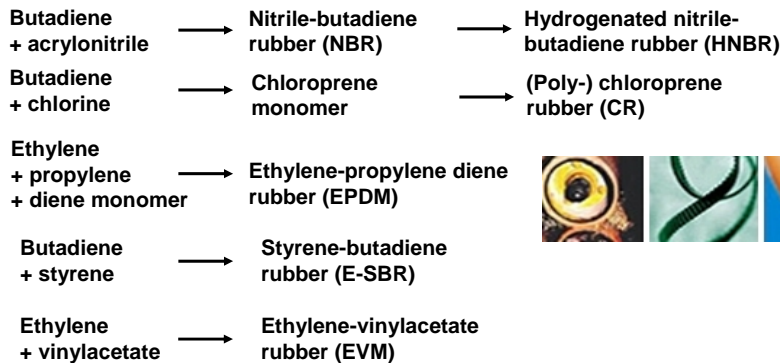
### Products

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

### Main Applications

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

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





## Strong Innovation Capabilities Combined with World-Scale Plants to Enable Future Growth

### Competitive Advantages

- Broad and deep product portfolio with strong brand marketing
- World-scale plants with state-of-the-art production facilities and processes
- Significant improvements in manufacturing performance
- Broad customer basis
- Strong position in premium EVM and HNBR segments
- Strong innovation capability and promising new product pipeline

### Challenges

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

Overview

Performance Rubber

**Engineering Plastics**

Chemical Intermediates

Performance Chemicals

Financials

### Engineering Plastics

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

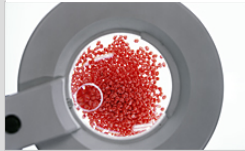
After the divestment of the BU Fibers in Q1 2006 the segment now comprises two business units:

**Lustran Polymers (LUP)**

**Semi-Crystalline Products (SCP)**

## Engineering Plastics is a Leading Provider of Thermoplastic Resins

### Lustran Polymers



Provides a range of thermoplastics resins for household, automotive, electronics and medical applications

Acknowledged supplier of ABS, SAN and ABS-PA resins with 50 years of experience in serving the engineering plastics market

ABS Acrylonitrile Butadiene Styrene Copolymer  
SAN Styrene Acrylonitrile Copolymer

### Semi-Crystalline Products



Provides a range of PA and PBT resins and compounds and blends principally to the automotive and electrical industries

Committed to the development of products and new applications

PA Polyamide  
PBT Polybutyleneterephthalate

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

## Summary of Key Financials

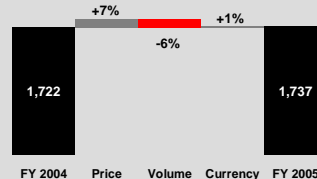
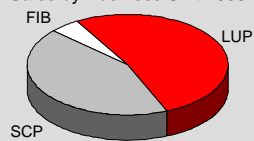
### Engineering Plastics

	2003	2004	2005
<b>Sales</b>	1,401	1,722	1,737
<b>EBITDA pre exc.</b>	22	49	66
<i>EBITDA pre exc. / Sales</i>	1,6%	2,8%	3,8%
<b>EBITDA</b>	-14	49	66
<b>Depr. &amp; Amort.</b>	474	37	56
<b>EBIT</b>	-488	12	10
<b>Capex</b>	85	45	45
<b>Number of Employees*</b>	3,658	3,652	3,479

\*as of Dec 31

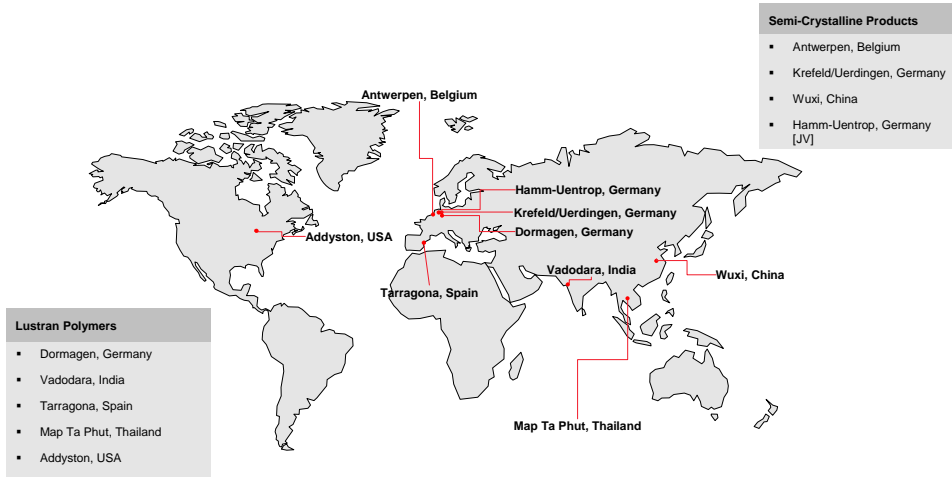
2003-2004 figures are based on Spin-off Combined Financial Statements

Sales by Business Unit 2005



(approximate numbers)

## Engineering Plastics has Manufacturing Facilities in all Important Regions



## Focus on Enhancing Profitability and Customer Value-Added

- Defend leading positions in Europe, Americas and India
- Participate in Asian growth
- Capture growth opportunities in promising sub-segments
- Shift to differentiated and customer-specific products
- Strengthen profitability through continuation of cost and efficiency programs
- Leverage of production chain capabilities

Overview

Performance Rubber

**Engineering Plastics**

Chemical Intermediates

Performance Chemicals

Financials

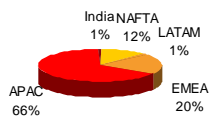
**Lustran Polymers (LUP)**

Semi-Crystalline  
Products (SCP)

Engineering Plastics – Lustran Polymers

**Strong Market Position in Europe, Americas and India**

**Global Demand**



Source: LXS estimates

**Market Development**

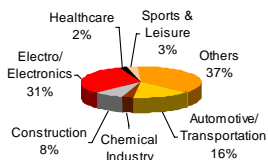
- Expected global market growth ~5,5 % (CAGR 05-10) driven mostly by China and India
- Global capacity increase averages 5% p.a., mainly taking place in China
- Specialty growth rates higher than commodities

**Competition**

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

Source: LXS estimates

**End Uses**

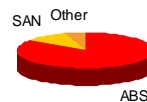


based on global sales 2005

**Cost/Technology Position**

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

**Products**



## Key Products Lustran® and Novodur® have Applications in Various Industries

### Products

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

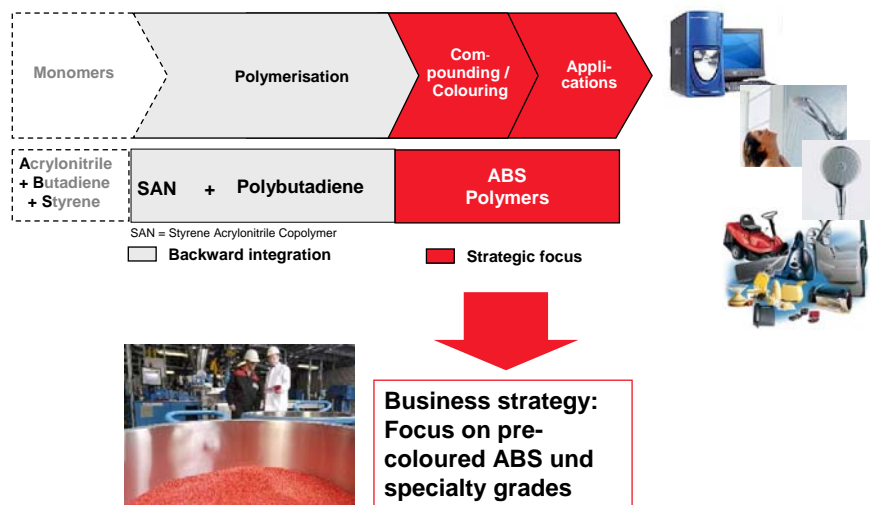
ABS Acrylonitrile Butadiene Styrene Copolymer  
ASA Acrylonitrile Styrene Acrylate Copolymer

### Main Applications

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

SAN Styrene Acrylonitrile Copolymer  
AES Acrylonitrile Ethylene/Propylene Styrene Copolymer

## Styrenic Resins is Forming a Colourful Difference



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

### Competitive Advantages

- Regional organisation and manufacturing facilities are covering individual market requirements
- Backward integration into polymerisation enables STY to produce the necessary building blocks for differentiated grades and specialties
- Strong expertise in differentiated and pre-coloured grades supported by technical development in all regions ensuring close proximity to customers

### Challenges

- High complexity in “small lot” business
- General business driven by raw material costs and scale of manufacturing
- Processes and technologies differ across sites
- Migration of injection moulding business to low labour-cost countries (i.e. China)

Overview

Performance Rubber

**Engineering Plastics**

Chemical Intermediates

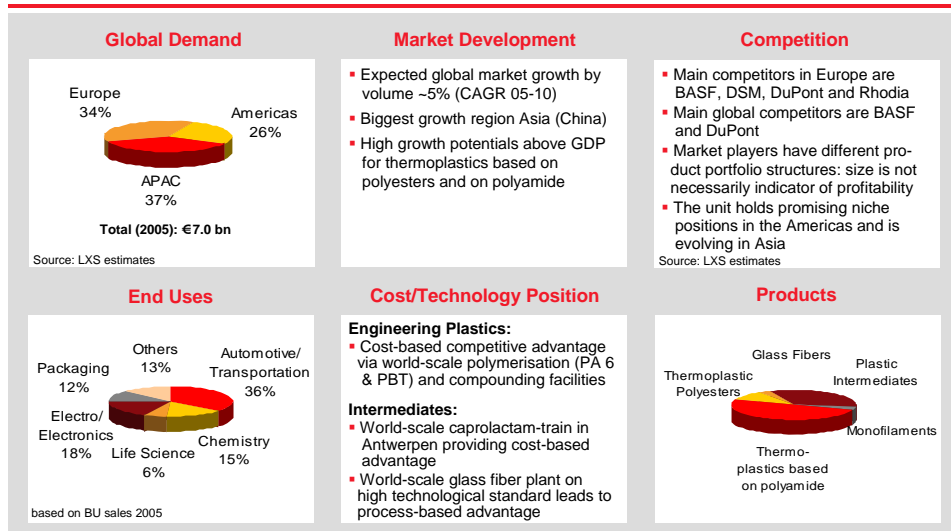
Performance Chemicals

Financials

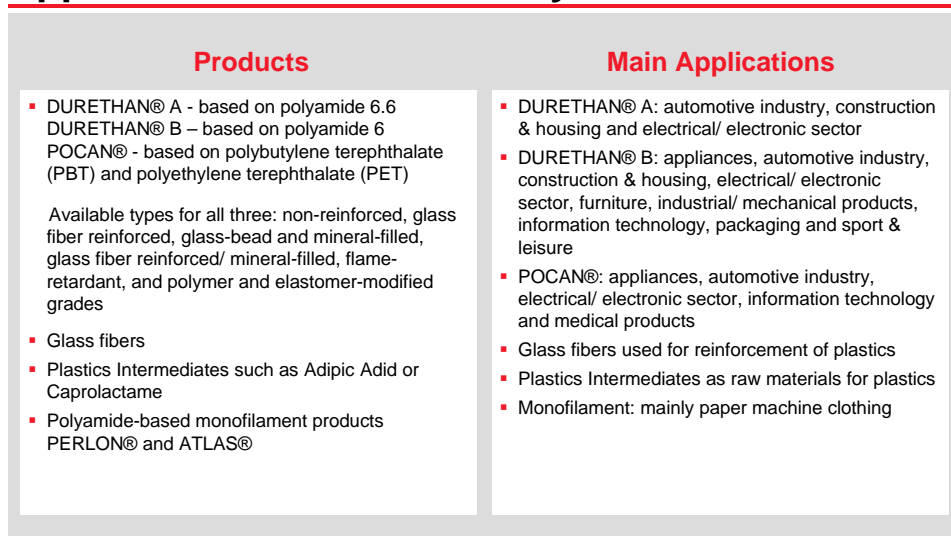
Lustran Polymers (LUP)

**Semi-Crystalline  
Products (SCP)**

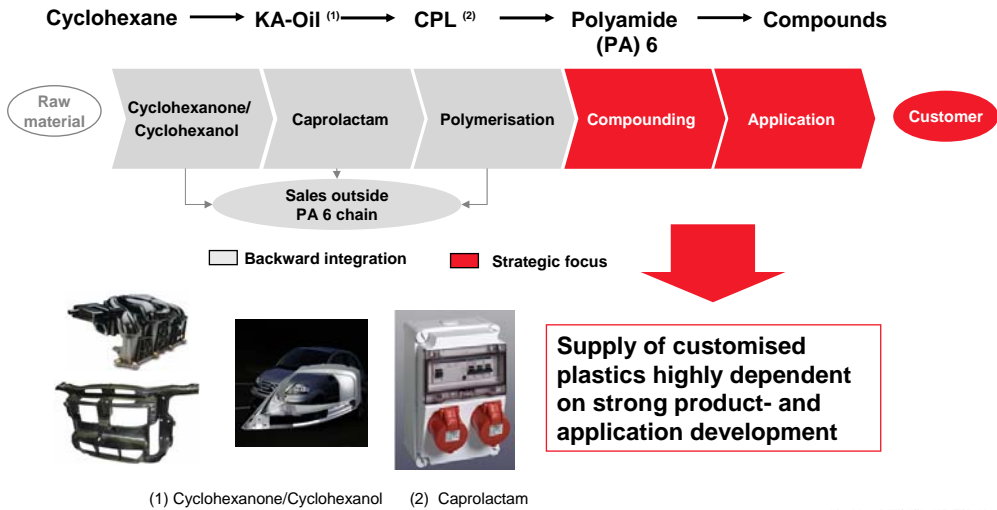
## Leverage Strong Product Expertise Globally



## DURETHAN® and POCAN® have Numerous Applications Across a Variety of Industries



## SCP is Increasingly Focussed on Value-added Parts of the Manufacturing Chain



## Taking Advantage of European Market and Technology Position to Address Asian Opportunities

### Competitive Advantages

- Expertise and track record in application engineering and development support long-term customer relationships
- Backward integration into polymerisation and monomers
- Favourable long term contracts for intermediate products reduce exposure to cyclical and overcapacity
- World-scale plants in polyamide and glass fibers
- Focus on differentiated grades allows SCP to maximise the benefits of its development, application and compounding know-how
- Established and strong brands
- Image of quality supplier

### Challenges

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

#### Engineering Plastics:

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



Overview

Performance Rubber

Engineering Plastics

**Chemical Intermediates**

Performance Chemicals

Financials

**Chemical Intermediates**

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

The segment comprises three business units:

**Basic Chemicals (BAC)**

**Saltigo (SGO)**

**Inorganic Pigments (IPG)**

Chemical Intermediates – Structure

**Multi-Customer Commodities and Custom Manufactured Fine Chemicals**

**Basic Chemicals**



Supplier of :

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

**Saltigo**



A leading company in custom manufacturing focussed on:

- Agrochemicals
- Pharmaceuticals
- Specialties

**Inorganic Pigments**



A leading global supplier of inorganic pigments with a broad, innovative product range

## Summary of Key Financials

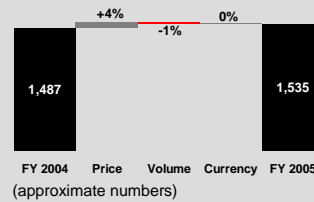
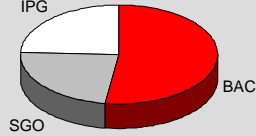
### Chemical Intermediates

	2003	2004	2005
Sales	1,411	1,487	1,535
EBITDA pre exc.	153	202	211
EBITDA pre exc. / Sales	10,8%	13,6%	13,7%
EBITDA	119	202	211
Depr. & Amort.	463	113	82
EBIT	-344	89	129
Capex	79	89	59
Number of Employees*	4,059	3,819	3,353

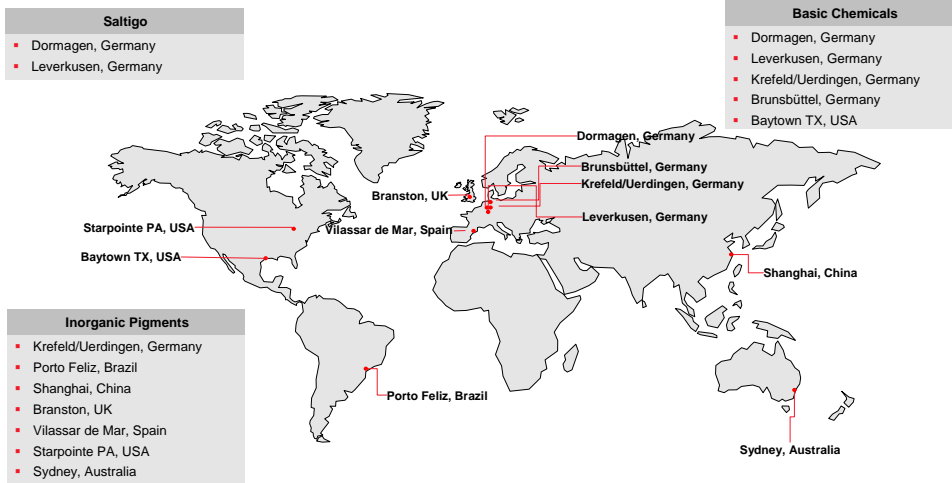
\*as of Dec 31

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

Sales by Business Unit 2005



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



## Chemical Intermediates Actively Manage Industry Consolidation

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

Overview

Performance Rubber

Engineering Plastics

**Chemical Intermediates**

Performance Chemicals

Financials

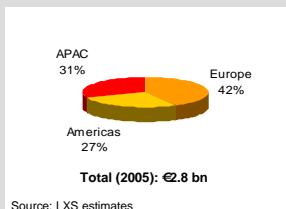
**Basic Chemicals (BAC)**

Saltigo (SGO)

Inorganic Pigments (IPG)

## Leading Positions in Industry with Asian Competition and Consolidation trends

### Global Demand



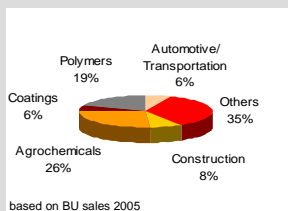
### Market Development

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

### Competition

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

### End Uses



### Cost/Technology Position

- For most segments world-scale capacities and competitive processes result in cost-based advantage
- However, competition from Asia is becoming stronger due to lower personnel and environmental cost
- Strengthening by further low cost capacity increases and productivity improvement

### 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

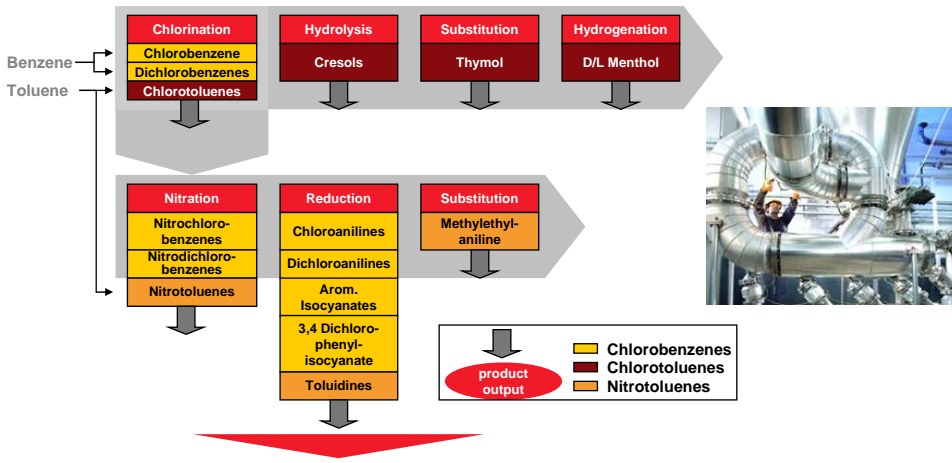
### Products

- 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 commodity chemicals used in the following industries and sectors:
  - Agrochemicals
  - Polymers
  - Coatings
  - Automotive and transportation industry
  - Construction

## Unique, Integrated Manufacturing Process Provides Clear Competitive Advantage



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

71

Fact Book 2006

**LANXESS**

## BAC Leverages Strong European Base to Further Succeed Globally

### Competitive Advantages

- Competitive technologies, world-scale production facilities and high utilization rates provide cost advantage
- The unique "Aromatenverbund" system enables BAC to optimize its capacity utilization, cost of production and product mix ensuring a solid market position
- BAC has been able to successfully leverage its competitive strength to grow its business, increase its market position and improve profitability

### Challenges

- Focus shifts to Asia as an important driver of growth
- Migration of downstream industries to Asia (textiles, dyestuffs, fluoro chemicals, pigments, etc.)
- REACH, TA-Luft as well as ongoing ecotoxicological discussions may generate expenditures for European producers

72

Fact Book 2006

**LANXESS**

Overview

Performance Rubber

Engineering Plastics

**Chemical Intermediates**

Performance Chemicals

Financials

Basic Chemicals (BAC)

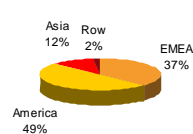
**Saltigo (SGO)**

Inorganic Pigments (IPG)

Chemical Intermediates – Saltigo

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

### Global Demand



Total (2005): €12.3 bn

Source: LXS estimates

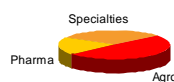
### Market Development

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

### Competition

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

### End Uses



based on BU sales 2005

### Cost/Technology Position

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

### Products

- Custom manufactured active ingredients and intermediates for life-science and other industries
- Multi-customer fine chemicals
- Process development services (route selection, lab scale development, pilotation, analytical services)
- Mainly concentrated on patent protected customer products

## 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

## Focussed on Custom Manufacturing of Fine Chemicals



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

### Competitive Advantages

- New 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

Overview

Performance Rubber

Engineering Plastics

**Chemical Intermediates**

Performance Chemicals

Financials

Basic Chemicals (BAC)

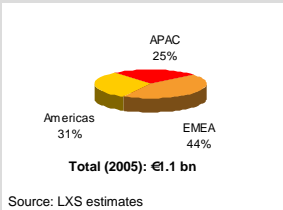
Saltigo (SGO)

**Inorganic Pigments (IPG)**



## Quality Products for Construction, Coatings, Plastics and Other Industries

### Global Demand



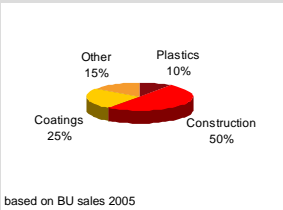
### Market Development

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

### Competition

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

### End Uses



### Cost/Technology Position

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

### Products

- Iron Oxides
- Chromium Oxides

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

### Products

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

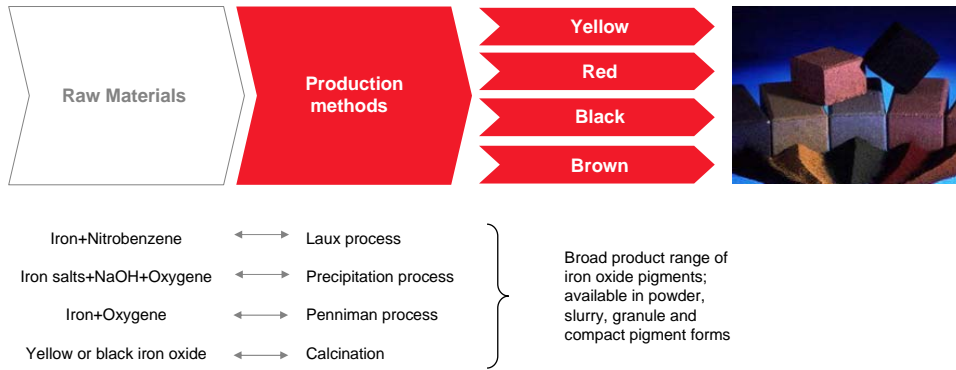


### Main Applications

- Colouring of construction materials (asphalt, concrete for floors, roofs and walls)
- Paints and coatings (architectural paints as well as industrial coatings)
- Other applications include products used for colouring of plastics and paper and manufacture of refractory, ceramics, brake linings, mulch, glazes and airbags
- IPG also supplies oxides with tailored magnetic, chemical and morphological properties for the production of toners used in photocopiers and laser printers

## Various Technologies are Applied to Produce a Full Range of Colours

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



## IPG is Meeting the Challenges by Using its Worldwide Market Access

### Competitive Advantages

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

### Challenges

- Chinese producers with lower cost structure, fast capacity build-up and improvements in quality
- Increasing raw material and energy costs

Overview

Performance Rubber

Engineering Plastics

Chemical 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 divestment of the BU Paper the segment now comprises seven business units:

**Material Protection Products (MPP)**

**Functional Chemicals (FCC)**

**Leather (LEA)**

**Textile Processing Chemicals (TPC)**

**Rhein Chemie (RCH)**

**Rubber Chemicals (RUC)**

**Ion Exchange Resins (ION)**

**BU's Produce Service- and Application-Driven Products for a Wide Range of Industries**

**Material Protection Products**



Comprehensive range of biocides and specialties for:

- Beverage stabilization
- Wood preservatives/antifouling products
- Industrial preservation and Disinfection

**Functional Chemicals**



Manufactures products such as:

- Plastic additives
- Flame retardants
- Water chemicals
- Specialty dyes
- Colorants

**Leather**



Broad range of specialty products for the leather industry including:

- Tanning agents
- Preservatives
- Finishing auxiliaries
- Dye products

- Mainly service- and application-driven
- Serving a wide range of industries
- Covering either the whole value chain of a specific industry or providing a specific functionality

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

### Textile Processing Chemicals



Product solutions for the processes of

- Pretreatment
- Dyeing Auxiliaries
- Finishing
- Textile printing

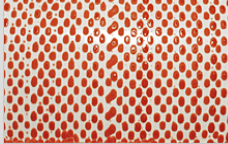
### Rhein Chemie



Providing technical services and additives for the

- Rubber
- Polyurethane
- Plastics
- Lubricant oil industries

### Rubber Chemicals



Full portfolio of rubber chemicals for the tire and technical rubber industry including:

- Antidegradants
- Accelerators
- Specialties

### Ion Exchange Resins



Providing Ion Exchange Resins and complete solutions for the treatment of liquids in the following industries:

- Water
- Foodstuff
- Chemicals

- Mainly service- and application-driven
- Serving a wide range of industries
- Covering either the whole value chain of a specific industry or providing a specific functionality

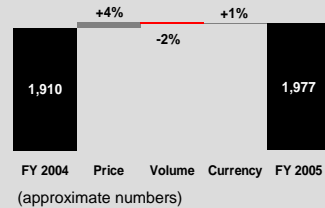
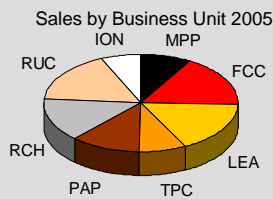
## Summary of Key Financials

### Performance Chemicals

	2003	2004	2005
<b>Sales</b>	1,925	1,910	1,977
<b>EBITDA pre exc.</b>	125	152	212
<i>EBITDA pre exc. / Sales</i>	6,5%	8,0%	10,7%
<b>EBITDA</b>	96	104	184
<b>Depr. &amp; Amort.</b>	272	95	66
<b>EBIT</b>	-176	9	118
<b>Capex</b>	63	57	61
<b>Number of Employees*</b>	4,881	5,140	4,743

\*as of Dec 31

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



## Performance Chemicals has a World-wide Manufacturing base



## Build on Strengths to Grow in Profitable Niches and Expand Businesses Regionally

- Strengthen regional activities by expansion of local technical service and increase geographic diversification
- Develop profitable niches through innovation and intensify innovation partnerships with customers
- Broaden product portfolio to increase coverage of customers' value chain
- Widen industrial application focus

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

**Performance Chemicals**

**Material Protection Products (MPP)**

Functional Chemicals (FCC)

Leather (LEA)

Textile Processing Chemicals (TPC)

Rhein Chemie (RCH)

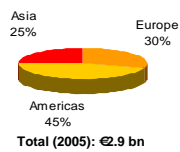
Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

Performance Chemicals – Material Protection Products

**MPP has a Broad and Innovative Product Portfolio**

**Global Demand**



Source: LXS estimates

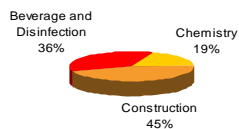
**Market Development**

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

**Competition**

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

**End Uses**



based on BU sales 2005

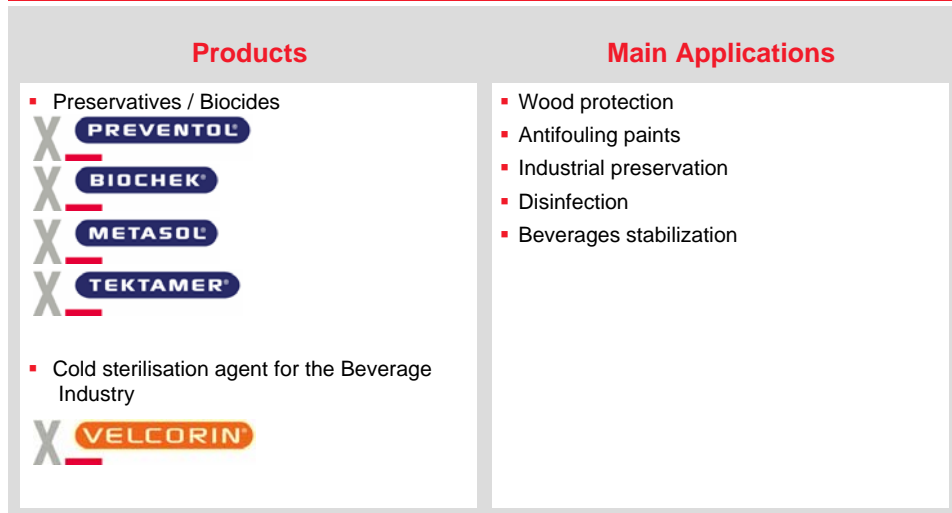
**Cost/Technology Position**

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

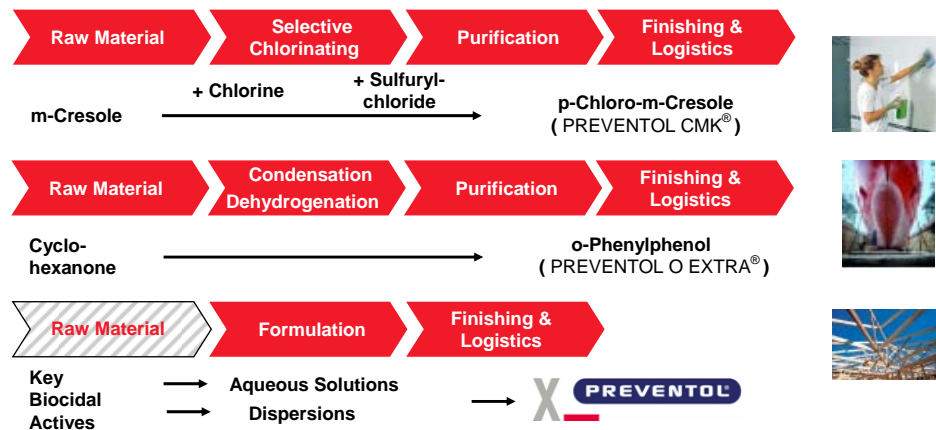
**Products**

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

## Products and Problem Solutions for a Wide Area of Applications



## A Leading Producer of Biocides and Biocidal Formulations



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

### Competitive Advantages

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

### Challenges

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

### Overview

Performance Rubber

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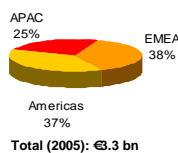
Rubber Chemicals (RUC)

Ion Exchange Resins (ION)



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

### Global Demand



Source: LXS estimates

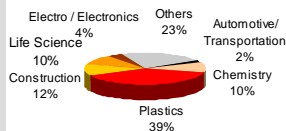
### Market Development

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

### Competition

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

### End Uses



based on BU sales 2005

### Cost/Technology Position

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

### Products

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

## Numerous Applications Provided to a Variety of Industries

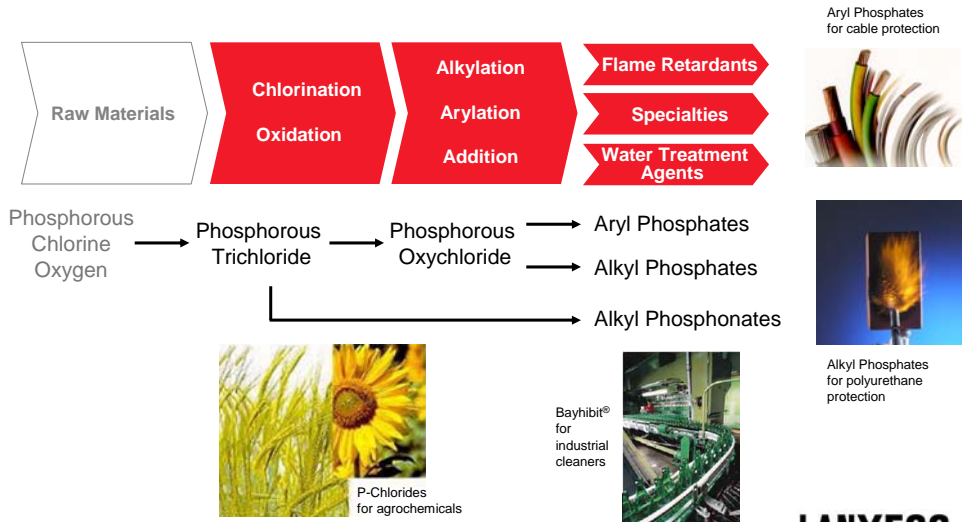
### Products

- 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

## One of the Largest Integrated Production for Phosphorous Chemicals



97

Fact Book 2006

**LANXESS**

## Strong Market and Technology Positions in Niches with Excellent Customer Relationships

### Competitive Advantages

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

### Challenges

- Sustainability of market positions
- Change in the competitive environment due to further consolidation
- High volatility of raw material prices
- Increasing price pressure in commodity segments
- Continuous market shift to Far East

98

Fact Book 2006

**LANXESS**

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

**Performance Chemicals**

Material Protection Products (MPP)

Functional Chemicals (FCC)

**Leather (LEA)**

Textile Processing Chemicals (TPC)

Rhein Chemie (RCH)

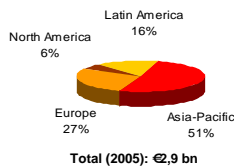
Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

Performance Chemicals – Leather

**Leather has a Broad Product Portfolio and Leading Market Positions**

**Global Demand**



Source: LXS estimates

**Market Development**

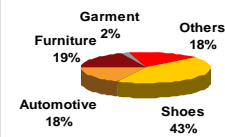
Expected market growth (CAGR 05–10): ~1.7%

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

**Competition**

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

**End Uses**

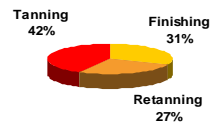


based on BU sales 2005

**Cost/Technology Position**

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

**Products**



## Provider of Full Product Portfolio for Leather Industry

### Products

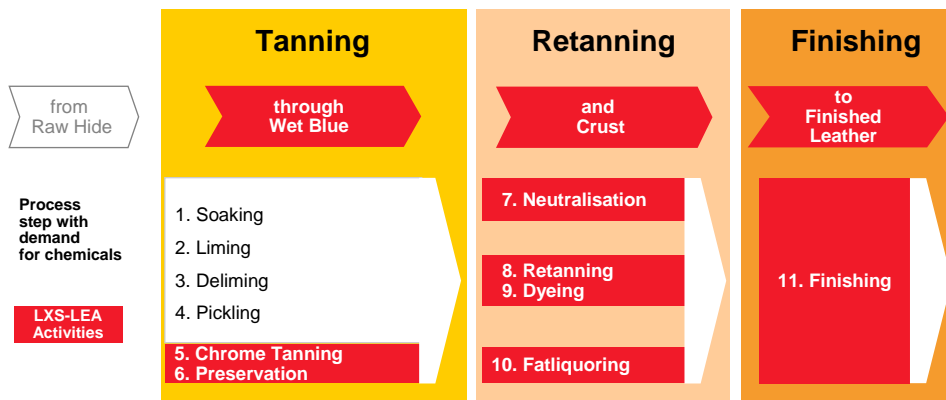
- BAYMOL®, BAYKANOL®, CISMOLLAN®, PREVENTOL®
- BAYCHROM®, CHROMOSAL®, BLANCOROL®
- SETA™\*\*, EUREKA®\*\*, ATLASOL®\*\*
- BAYKANOL®, LEUKOTAN®\*\*, LEVOTAN®, LUBRITAN™\*\*\*, RETINGAN®, TANIGAN®
- ACIDERM®, BAYCOLOR™, BAYGENAL®, BAYDERM®, EUDERM®, EUKANOL®, LEVADERM®
- AQUADERM®, BAYDERM®, EUDERM®, HYDRHOLACT™\*\*\*,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

## A Backward Integrated Leading Producer of Leather Chemicals in all Three Process Steps



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

## Good Customer Relationships due to Strong Application Know-How and Technical Service

### Competitive Advantages

- Strong network of technical service personnel supporting customer needs
- Local production and compounding facilities providing cost and service advantages
- Application know-how providing flexibility to respond to changing market demands
- Partnership in the field of Acrylics with Rohm & Haas
- Partnership in the field of fatliquors with ATLAS Refinery, Inc.
- Partnership in the field of PUR-dispersions with BMS
- Backward-integration into chrome mining
- Strong and established customer relationships
- Broad product portfolio offering complete solutions to the customer

### Challenges

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

### Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

**Performance Chemicals**

Material Protection Products (MPP)

Functional Chemicals (FCC)

Leather (LEA)

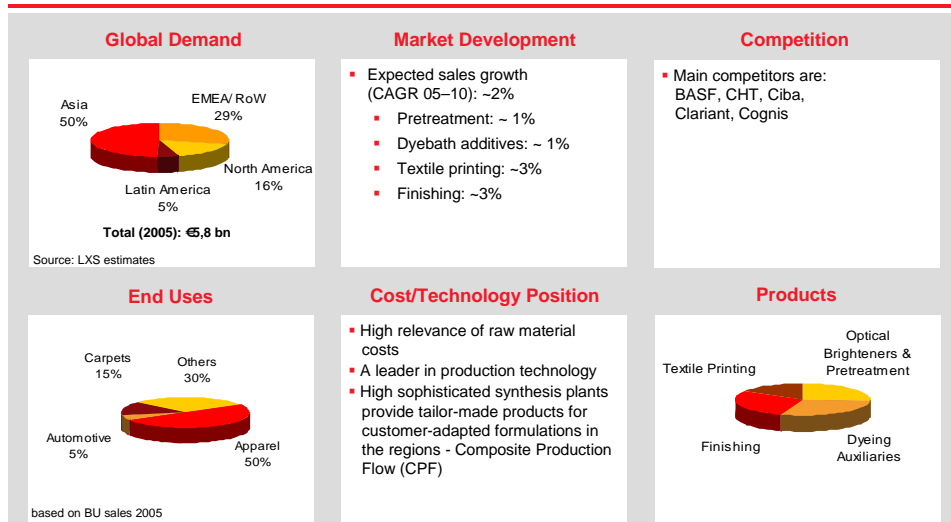
**Textile Processing Chemicals (TPC)**

Rhein Chemie (RCH)

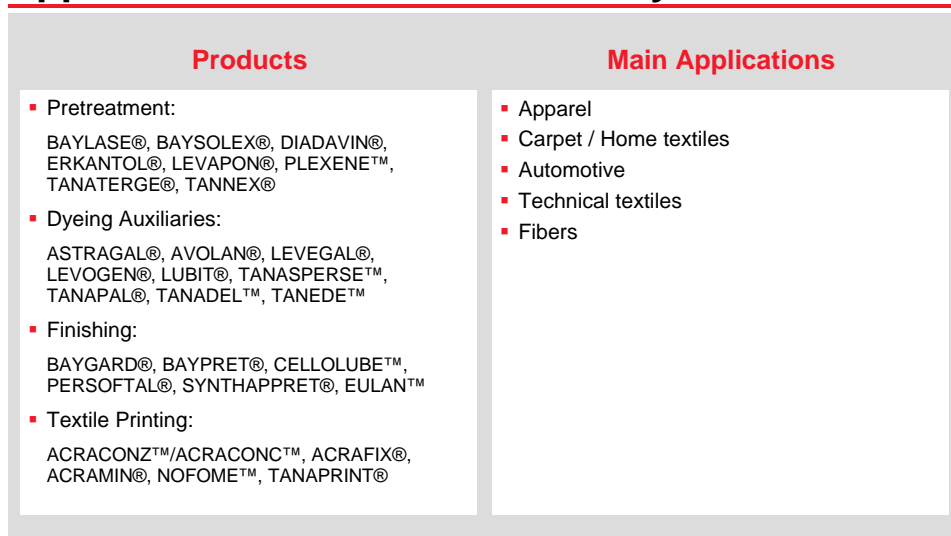
Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

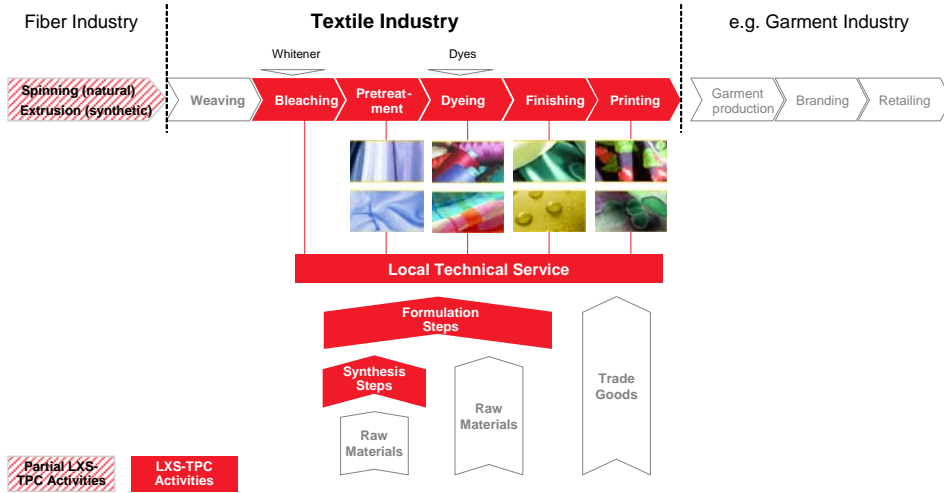
## Global Producer of Textile Auxiliaries



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



## Textile Processing Chemicals Offers a Broad Product Portfolio for the Textile Industry



## Strong Technology and Manufacturing Expertise for High Product Quality

### Competitive Advantages

- High product quality and reliability of delivery
- A market leader in chromojet applications
- High degree of expertise in manufacturing/technology leadership
- Strong product stewardship
- New environmentally required products for pretreatment and dyebath additives

### Challenges

- Customers further moving into low-cost countries
- Acceleration of fashion lifecycles requiring need for innovation/ active portfolio management
- Increasing price pressure

Overview

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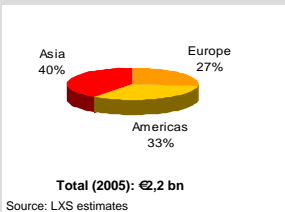
Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

Performance Chemicals – Rhein Chemie

**Rhein Chemie has Strong Service and Application Expertise**

**Global Demand**



**Market Development**

Expected market growth (CAGR 05–10): ~2%

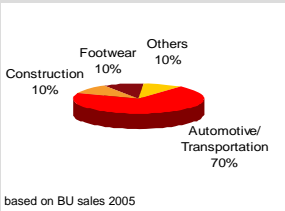
- LOA: ~1%
- Rubber: ~3%
- PU: ~5%

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

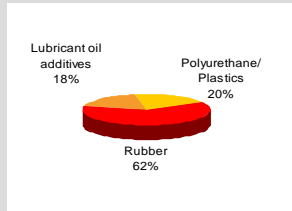
**End Uses**



**Cost/Technology Position**

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

**Products**





## Strong Supplier of Diverse Product Portfolio, Mainly to the Automotive Industry

### Products

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

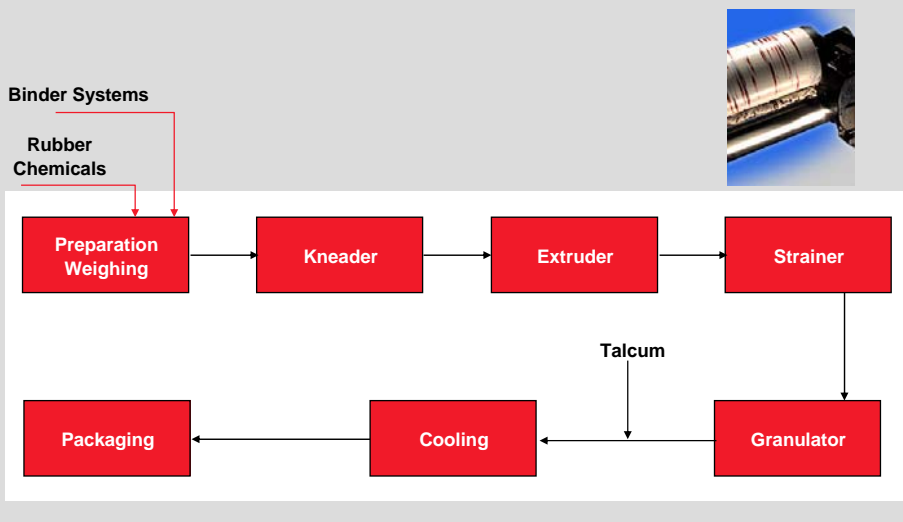
### Main Applications

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

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

### Binder Systems

#### Rubber Chemicals



## 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

### Overview

Performance Rubber

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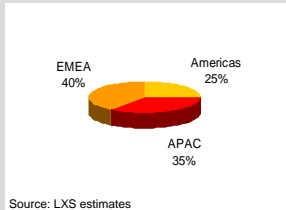
Rhein Chemie (RCH)

**Rubber Chemicals (RUC)**

Ion Exchange Resins (ION)

## RUC has Leading Market and Technology Positions in a Challenging Environment

### Global Demand



### Market Development

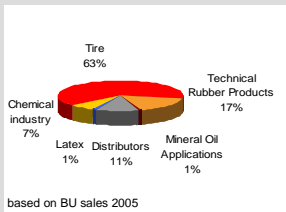
- Overcapacities have led to strong price and margin pressure and caused market consolidation
- After a short balanced period (2004/2005) Asian suppliers started to increase capacities significantly
- Expected volume growth (CAGR 05–10): EMEA, AMERICAS ~ 1%, APAC >5%

### Competition

- Flexsys
- LANXESS
- Chemtura

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

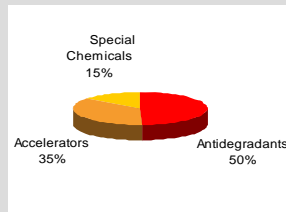
### End Uses



### Cost/Technology Position

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

### Products



## Broad Product Portfolio to Enhance Rubber Properties

### Products

#### Accelerators

- Thiazoles
- Sulphenamides

#### Antidegradants

- Phenylendiamines
- Quinolines

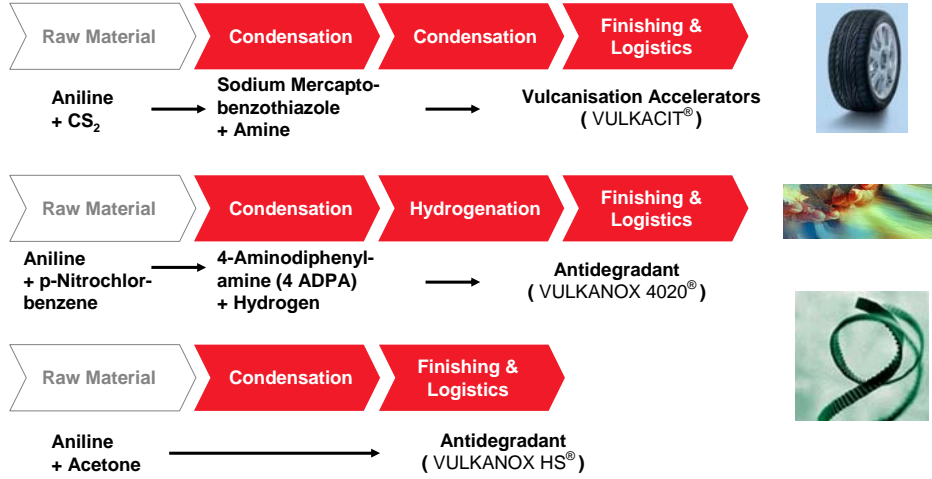
#### Specialities used as

- Bonding agents
- Cross linkers
- Curing agents
- Emulsifiers
- Fillers
- Latex chemicals
- Peptizing agents
- Retarders
- Stabilisers
- Synthetic plasticisers
- Heat sensitizers
- Vulcanization activators

### Main Applications

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

## A Leading Producer of Rubber Chemicals for Tyre Industry and Technical Rubber Products



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

### Competitive Advantages

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

### Challenges

- Market further moving to Asia
- Increasing competition from low-cost countries especially China
- A high number of Rubber Chemicals producers is already present in China; capacities are growing further
- Increasing pressure on margins and substitution of volumes of traditional suppliers is likely

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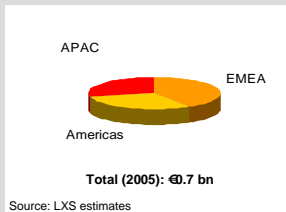
Rubber Chemicals (RUC)

**Ion Exchange Resins (ION)**

Performance Chemicals – Ion Exchange Resins

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

**Global Demand**



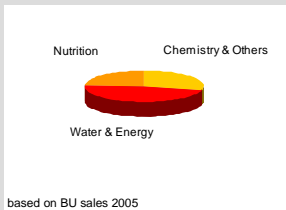
**Market Development**

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

**Competition**

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

**End Uses**



**Cost/Technology Position**

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

**Products**

- Ion exchange resins produced by LANXESS are tailored for various applications
- Approximately 250 different products, especially developed for use in more than 500 different applications

## Product Portfolio for Water, Foodstuff and Chemical Applications

### Products

Ion Exchange Resins branded as:



### Main Applications

▪ 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

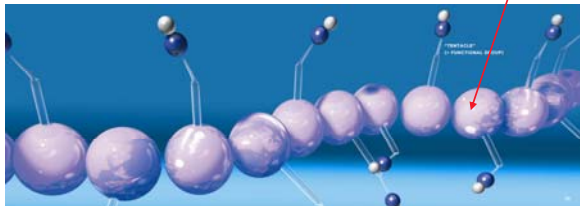
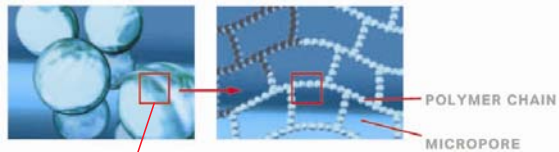
- Ion exchange resins are functionalized polymer beads produced by combining styrene & DVB\*  
\* Divinylbenzene



- 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 Underpins 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 are base for competitive advantage
- Leadership in monodisperse Ion Exchange technology
- Megatrends fueling future demand

### **Challenges**

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