



Fact Book 2006

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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

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

Presentation of brand strategy and "Energizing Chemistry" claim

2004-03-27

2004-07-01

Internal launch of LANXESS with its new structure

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

2004-07-16

2004-11-17

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 1st phase of restructuring

1st 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

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 ...

Initial quotation at the Frankfurt Stock Exchange

Buyback of Mandatory Convertible

Admission into MDAX

Carve-out of the BU FCH to form Saltigo

2nd 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

Performance Rubber



Sales: €1,678 m
 EBITDA pre exc.: €214 m
 Employees: 3,119

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

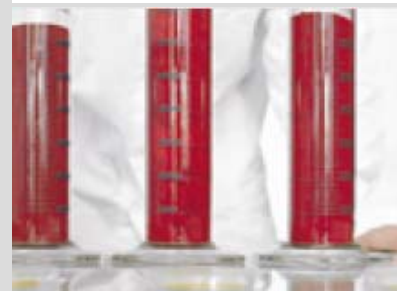
Engineering Plastics



Sales: €1,737 m
 EBITDA pre exc.: €66 m
 Employees: 3,479

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.

Chemical Intermediates



Sales: €1,535 m
 EBITDA pre exc.: €211 m
 Employees: 3,353

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

Performance Chemicals



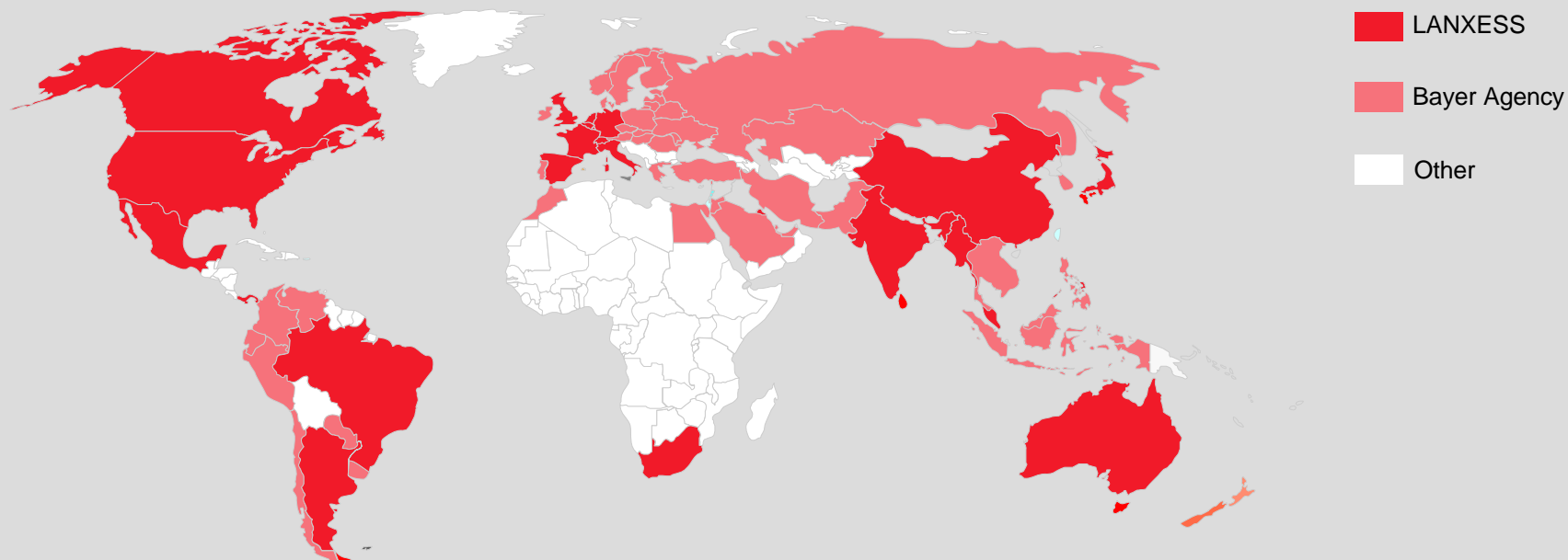
Sales: €1,977 m
 EBITDA pre exc.: €122 m
 Employees: 4,743

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.

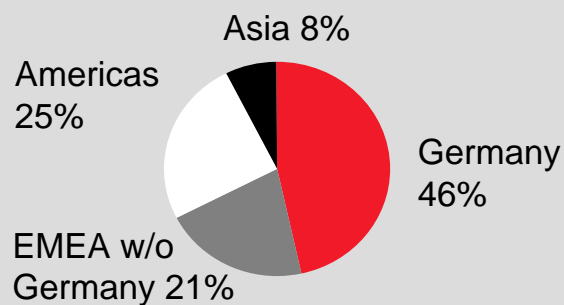
Reconciliation/Corporate Segment: Sales: €223 m EBITDA pre exc.: €122 m Employees: 3,588

LANXESS - a Global Player in the Chemical Industry

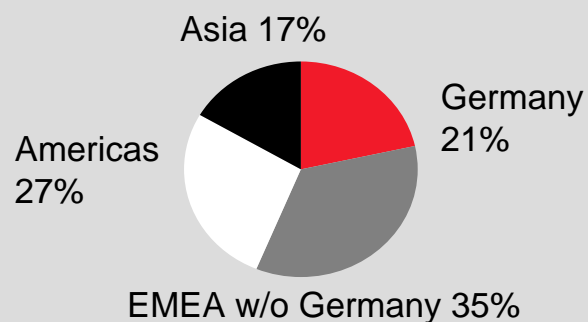
Global presence



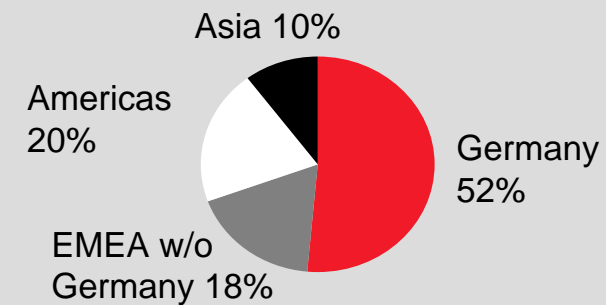
Assets by region



Sales by region



Employees by regions



based on 2005 figures

Broad Supplier Base

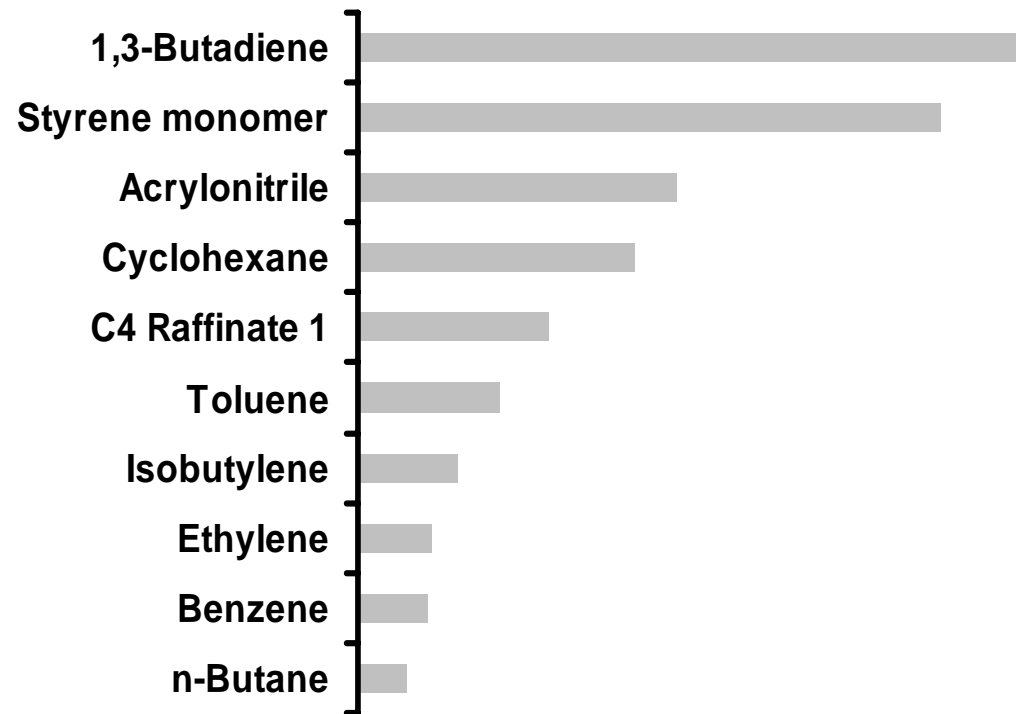
Suppliers

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



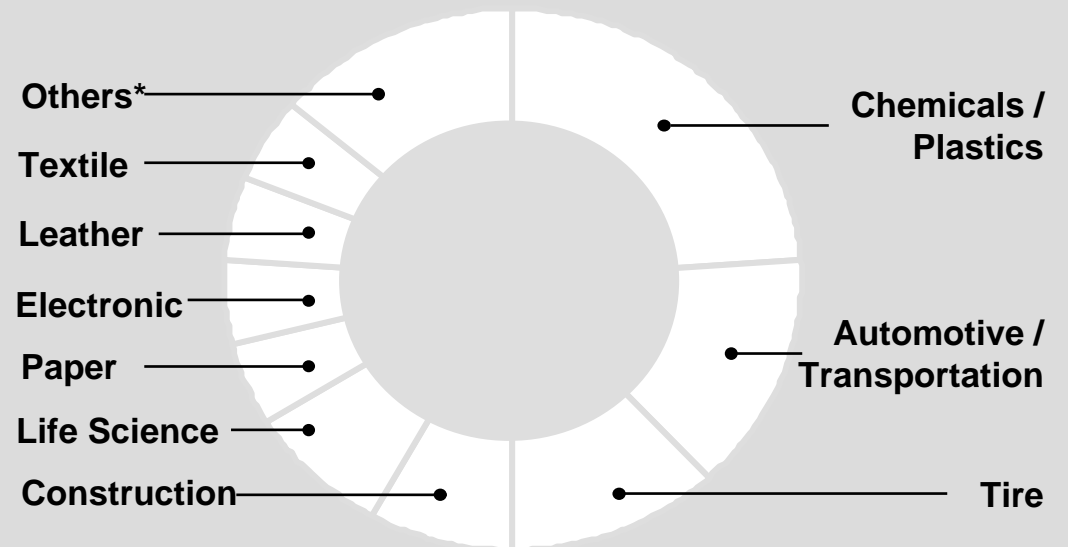
Diversified Customer Base and Industry Portfolio

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



*Others:

- Water Treatment
- Furniture
- Coatings
- Health Care
- Nutrition
- Hygienics
- Packaging

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

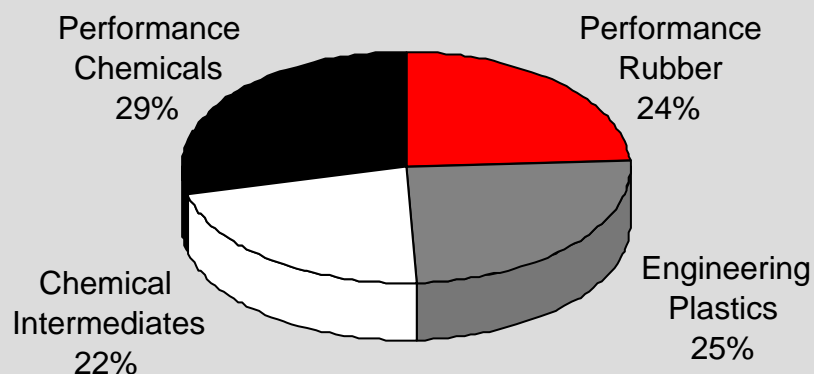
LANXESS

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

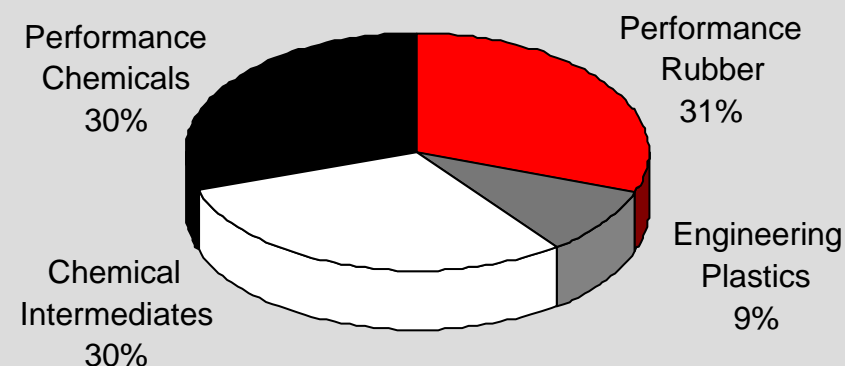
*as per 31.12

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

Sales by Segment 2005



EBITDA by Segment 2005



LANXESS Group

Performance Rubber

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Chemical Intermediates

Performance Chemicals

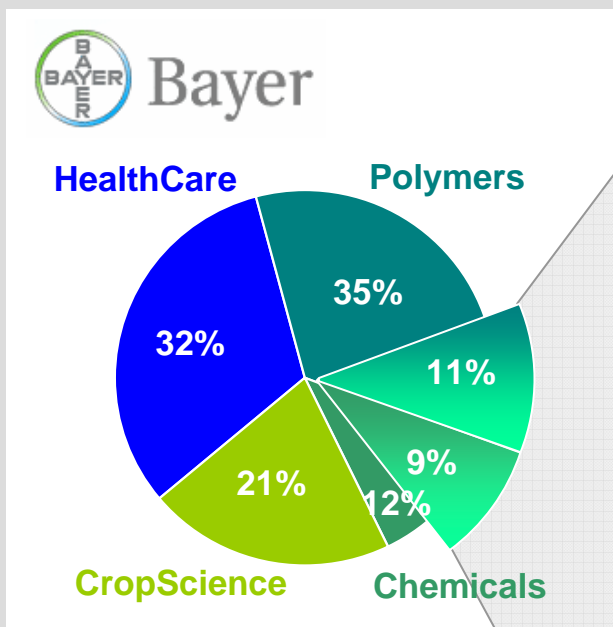
Overview

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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



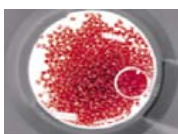
- Butyl Rubber (BTR)
- Polybutadiene Rubber (PBR)
- Technical Rubber Products (TRP)

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

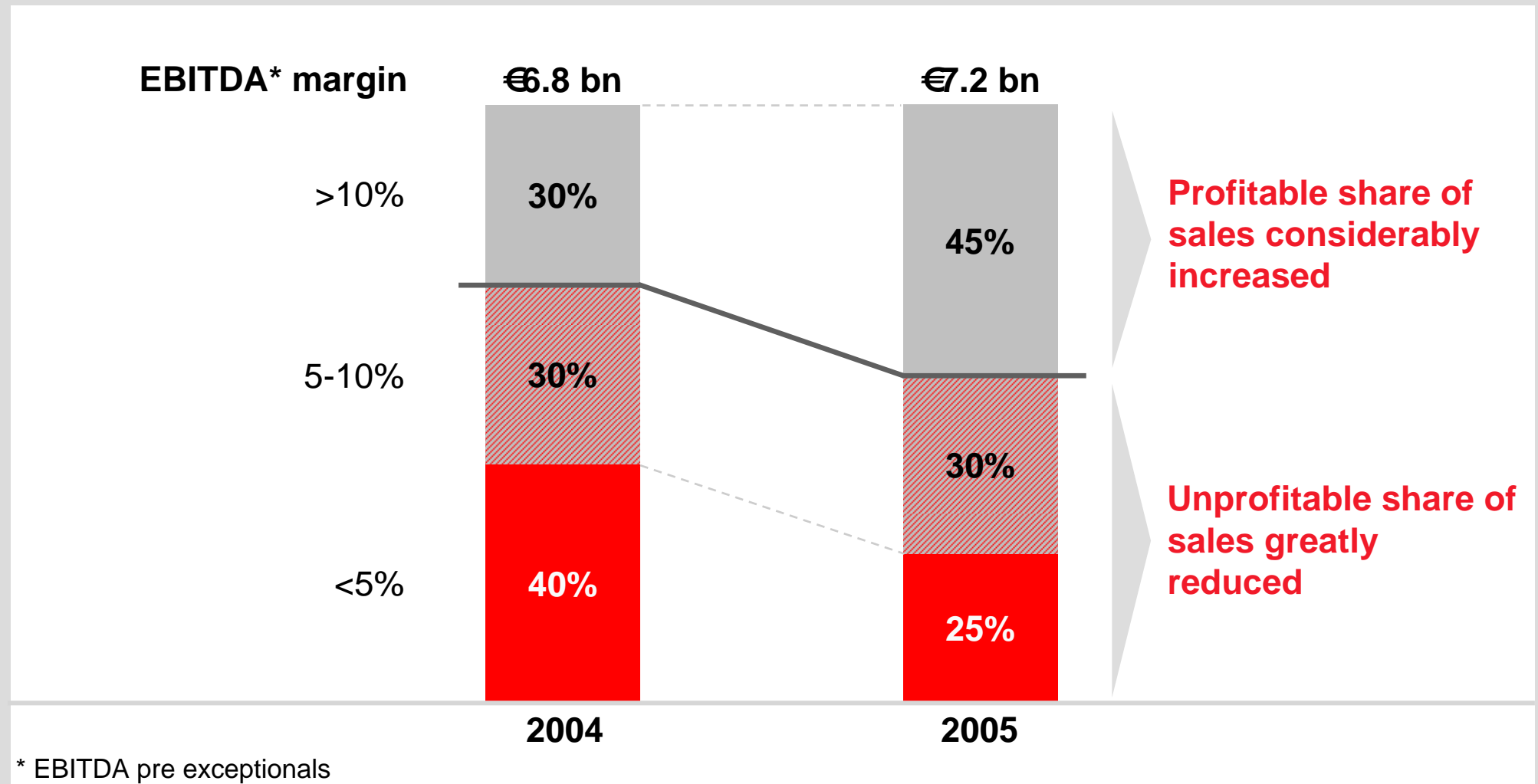


- Material Protection Products (MPP)
- Functional Chemicals (FCC)
- Leather (LEA)
- Textile Processing Chemicals (TPC)
- Paper (PAP)
- RheinChemie (RCH)
- Rubber Chemicals (RUC)
- Ion Exchange Resins (ION)

Independence. Restructuring. Portfolio Management.

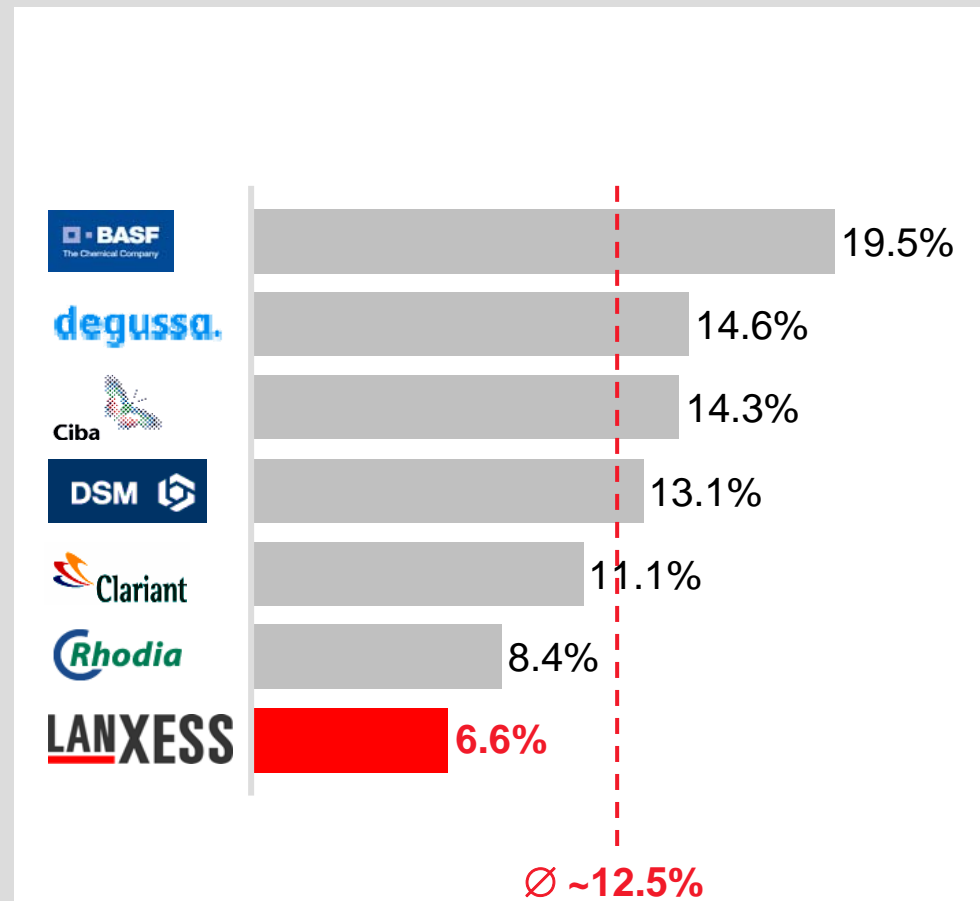
Proportion of Profitable Sales Risen to 45% - Margins on 55% of Business Still Inadequate

Profitability split 2004 vs. 2005

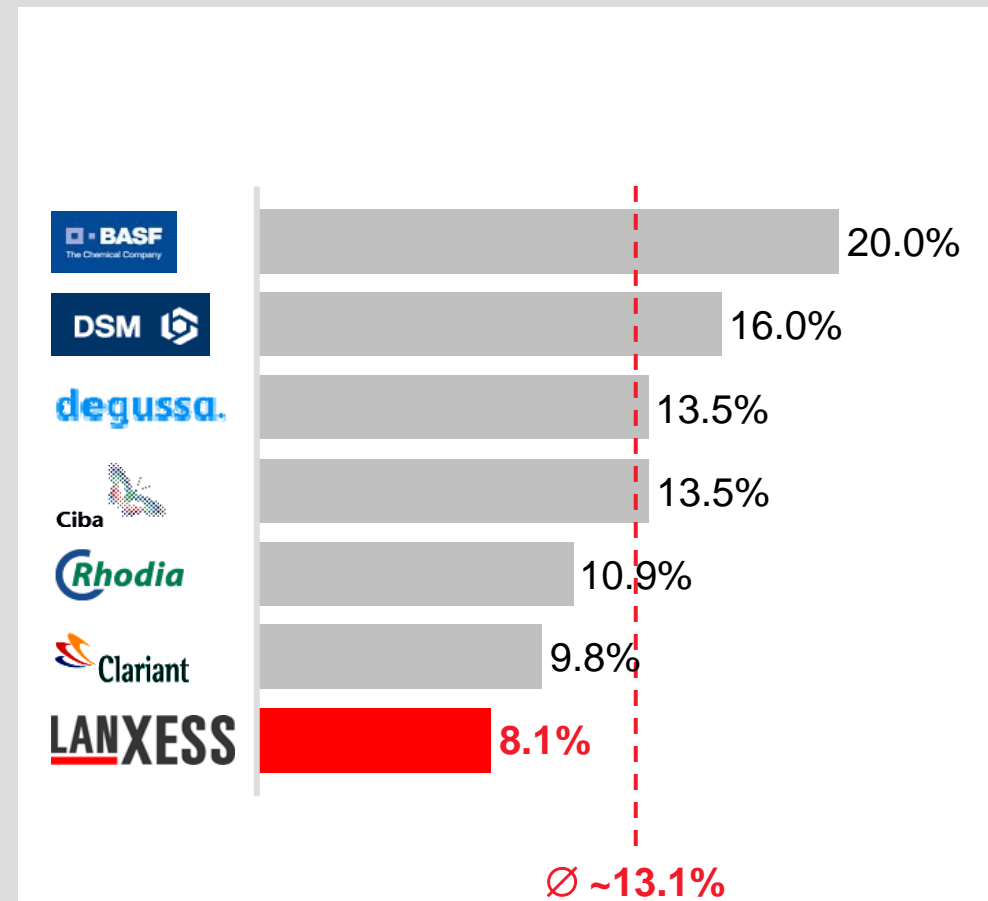


Overall Performance Still Below Average

EBITDA* margin 2004



EBITDA* margin 2005

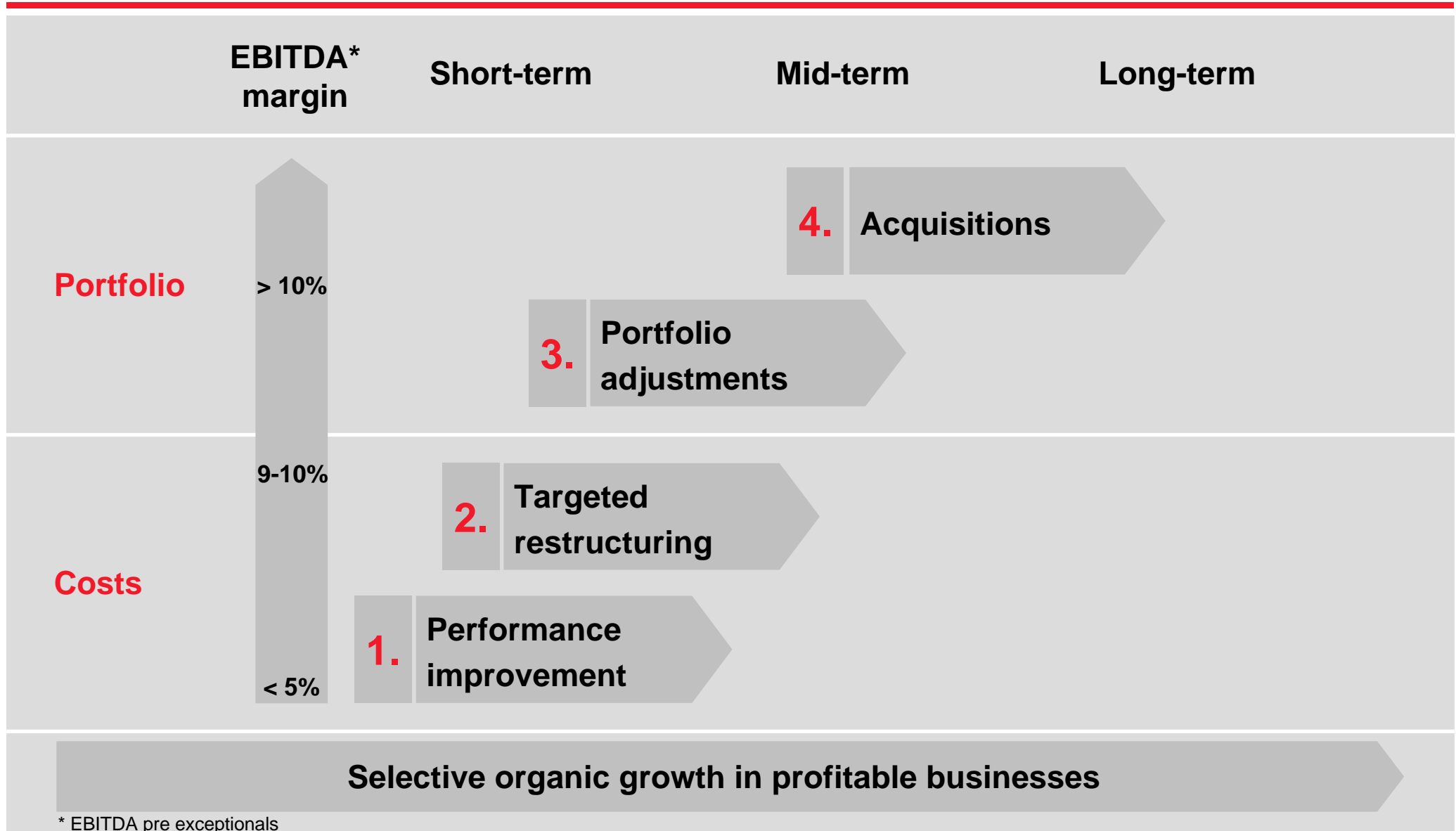


Source: Annual Reports

* EBITDA pre exceptionals

Source: Annual Reports

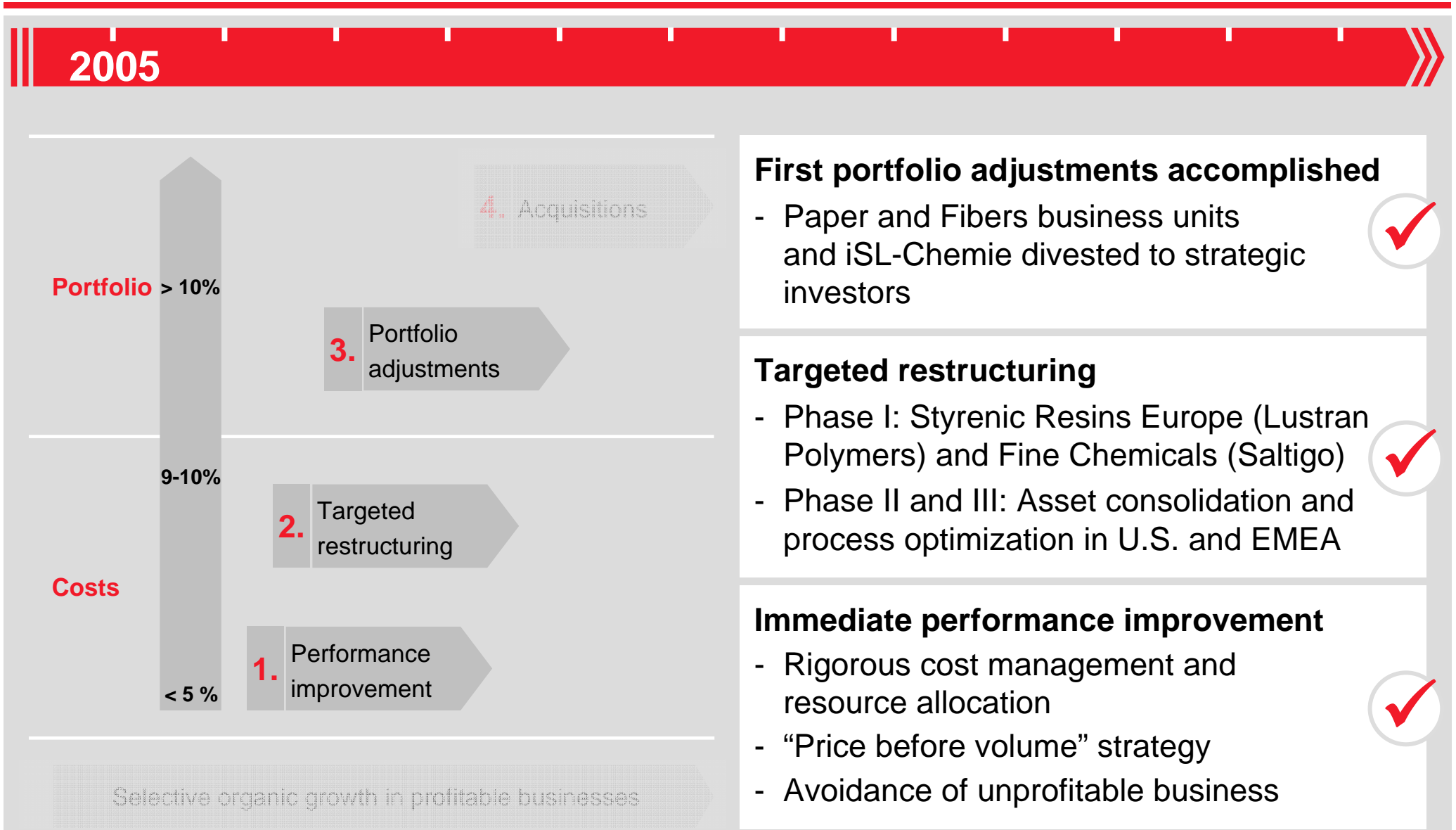
Step-by-Step Approach to Creating Value



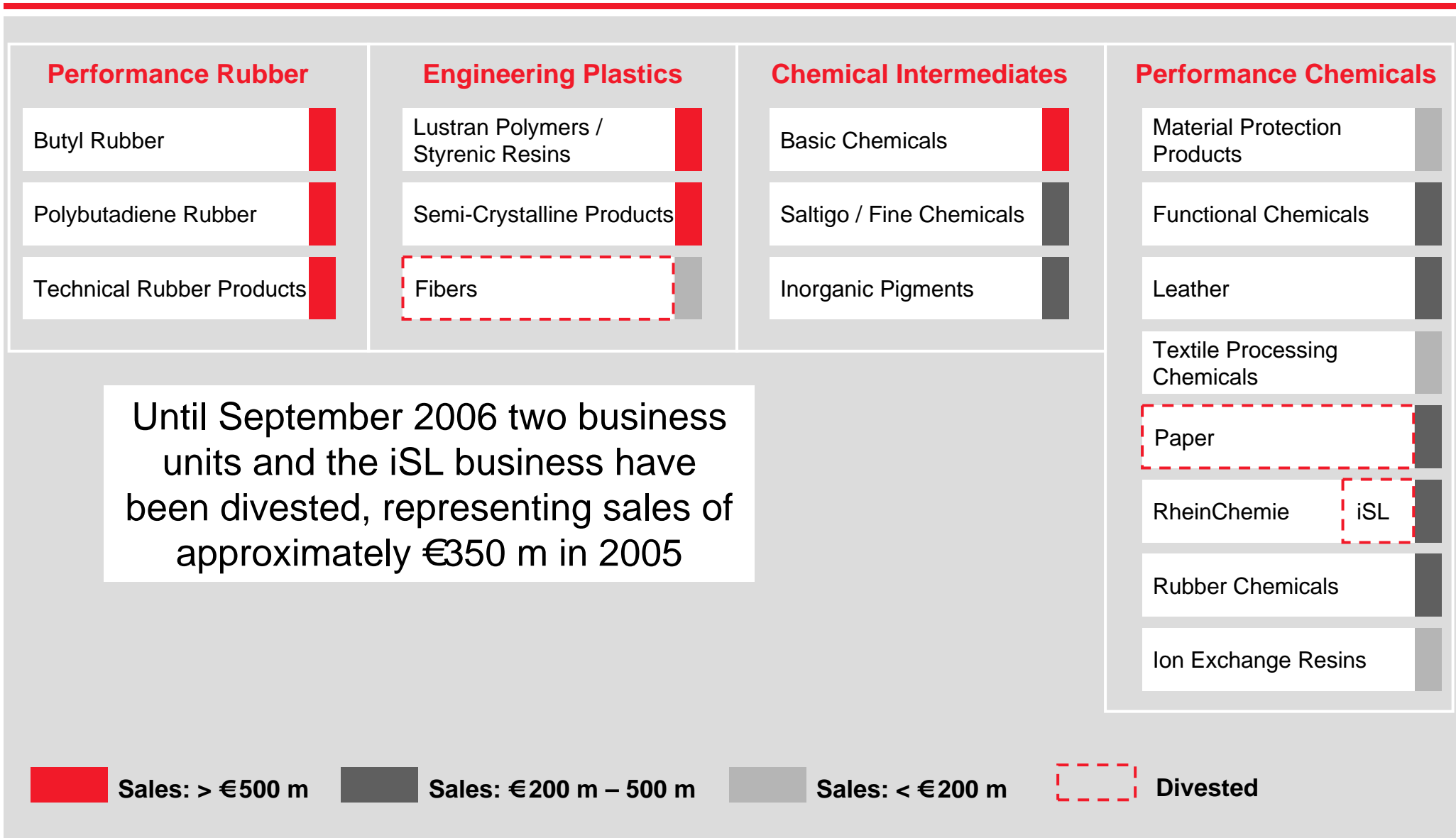
Growth through Investment and Innovation



Consistent Strategy Implementation



Portfolio Adjustments as Part of Transformation



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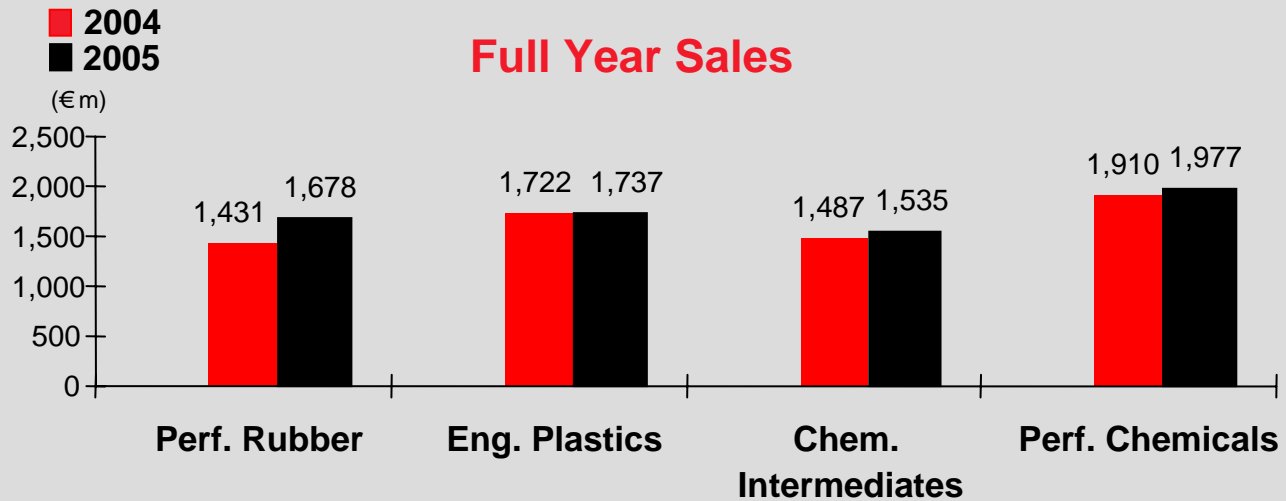
Financials FY 2005

Independence and Restructuring Contribute to Better Performance Amid Supportive Demand

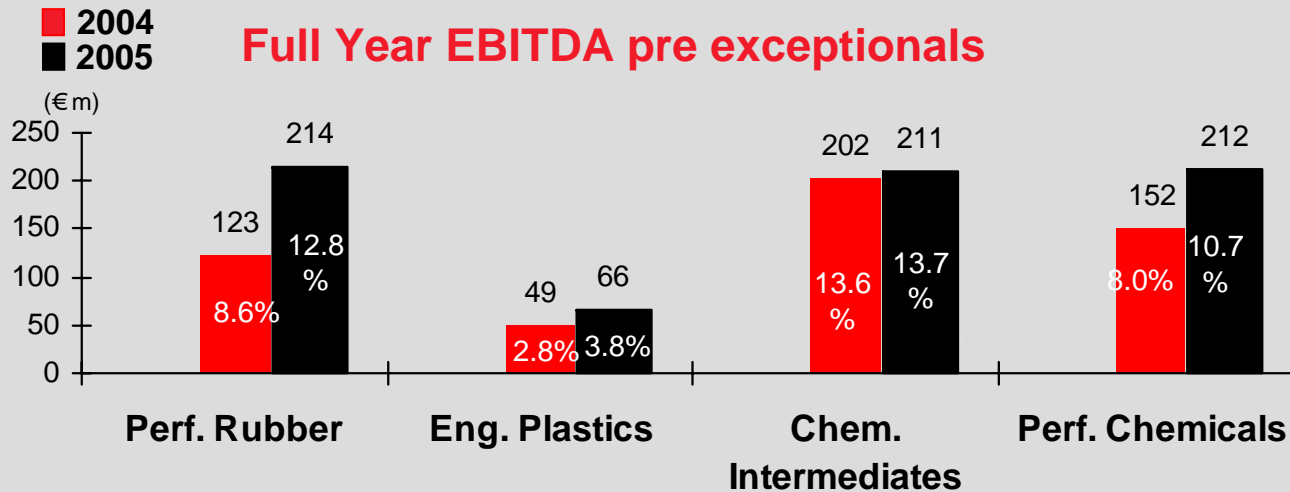
(€ m)	FY 2004	FY 2005	Δ in %	
Sales	6,773	7,150	6%	
Cost of goods sold	-5,349	-5,537	4%	– Price increases (+8%) and marginally stronger U.S. Dollar offset slightly lower volumes (-3%)
SG&A	-1,144	-1,148	0%	
R&D	-123	-101	-18%	
Other op. result	-98	-336	>100%	– Other operating result includes exceptionals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

Significant improvement in underlying profitability

First Year of Independence: We Delivered on Promises



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

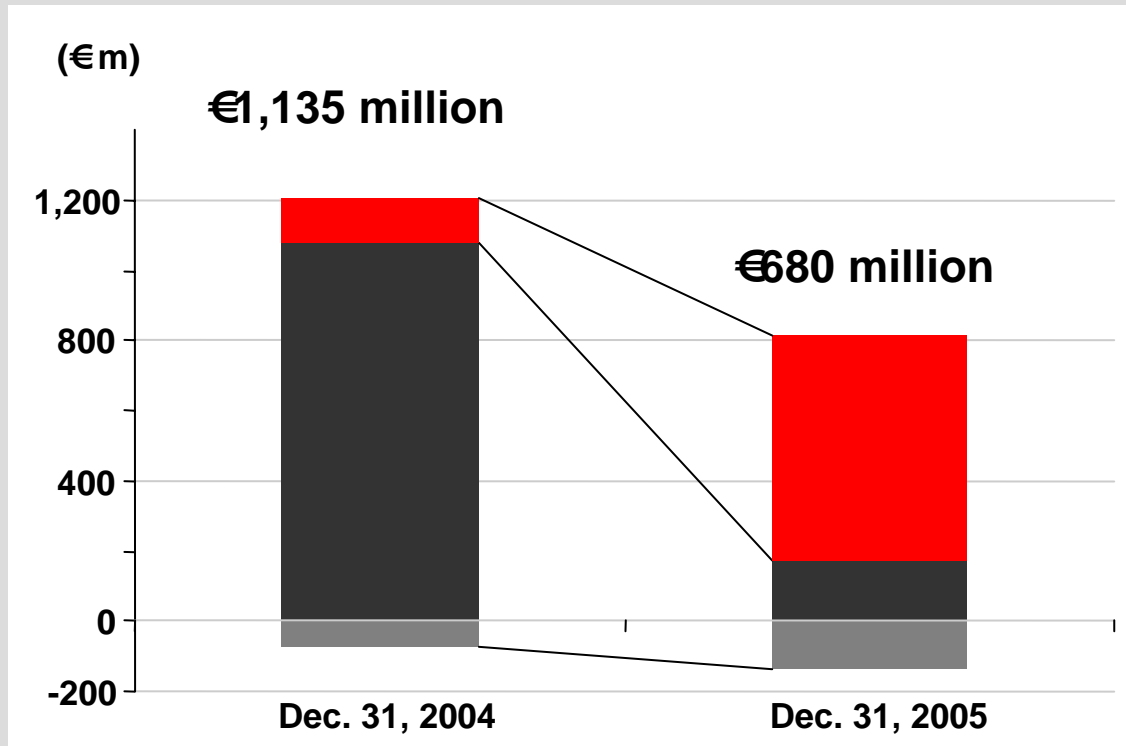


– Overall increased earnings on improved pricing and cost initiatives in a supportive economic environment

Consistently risen EBITDA pre exceptionals in all business segments

Financing Structure Significantly Improved while Transforming the Company

Net financial debt overview:



- Long term
- Short term
- Cash

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

Balance Sheet Reflects Solid Structure

(€ m)	Dec 31, 2004	Dec 31, 2005	(€ m)	Dec 31, 2004	Dec 31, 2005
Non-current Assets	1,988	1,835	Stockholders' equity	1,365	1,256
Intangible assets	65	53	thereof Minority interest	14	17
Property, plant & equipment	1,521	1,526	Non-current Liabilities	878	1,576
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
Current Assets	2,589	2,506	Deferred taxes	55	75
Inventories	1,151	1,068	Current Liabilities	2,334	1,509
Trade accounts receivable	1,137	1,065	Other provisions	225	401
Financial assets	24	37	Financial liabilities	1,076	172
Other current assets	205	200	Trade accounts payable	820	694
Liquid assets	72	136	Tax liabilities	18	27
Total assets	4,577	4,341	Other liabilities	195	215
			Total Liabilities & Equity	4,577	4,341

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

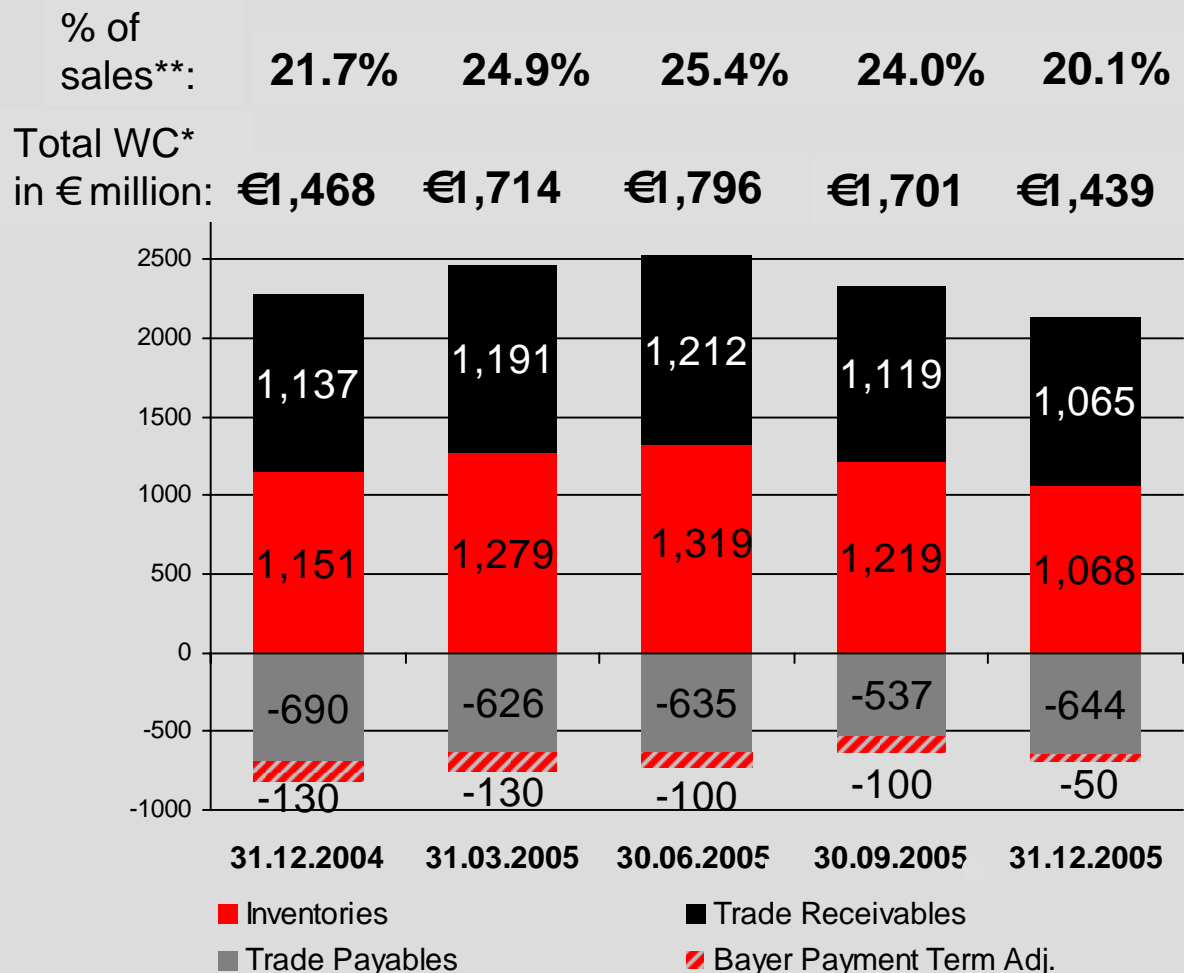
(€m)	FY 2004	FY 2005
Profit before Tax	-20	-117
Depreciation & Amortization	328	313
Investments at equity	4	35
Gain / Loss from Sale of Assets	2	-1
Financial Losses	44	72
Cash tax payments	-45	-56
Change in Working Capital*	-35	106
Change in Other Net Current Assets	33	272
Cash provided by Operating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

* Working Capital : Inventories plus trade accounts receivable less trade accounts payable

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

Excess cash has been used to reduce net financial debt

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



* Working Capital : Inventories plus trade accounts receivable less trade accounts payable

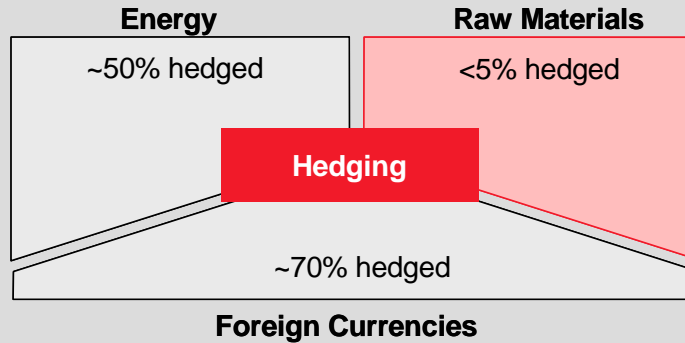
** As % of sales on the basis of last 4 quarters' sales

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

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

New Hedging Policy - Increased Stability Achieved

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



- New hedging policy introduced
- Group-wide treasury controlling
- Integrated risk assessment



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

Example: Hedging of Foreign Currencies

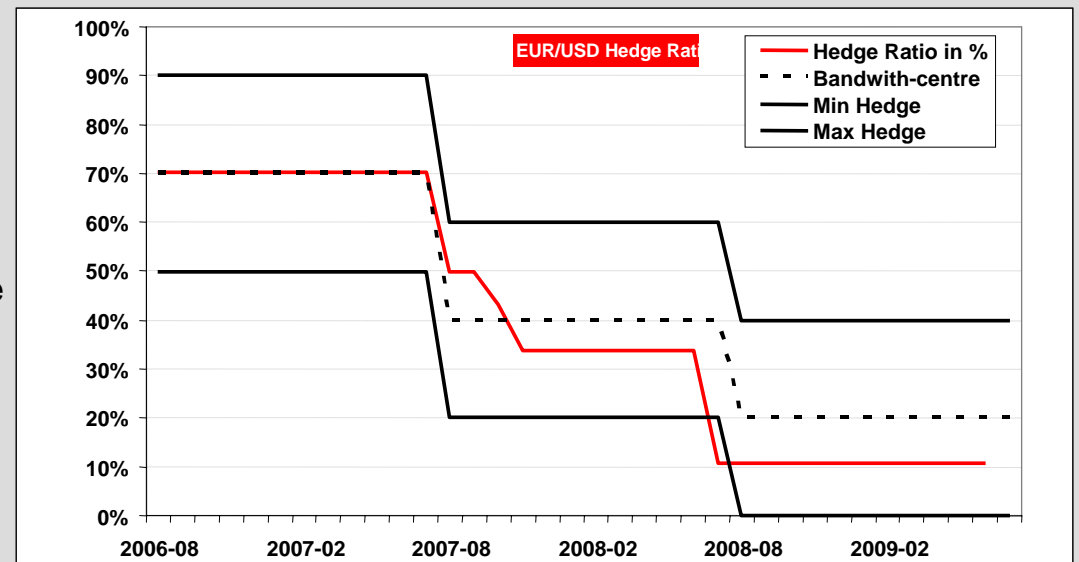
Lanxess has exposure to four main foreign currencies:

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

Conservative, rolling hedging approach:

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

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



Credit Ratings - Increasing Trust and Stability

Investment grade rating improved



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



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



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

First BBB rating with stable outlook underpins transformation success

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

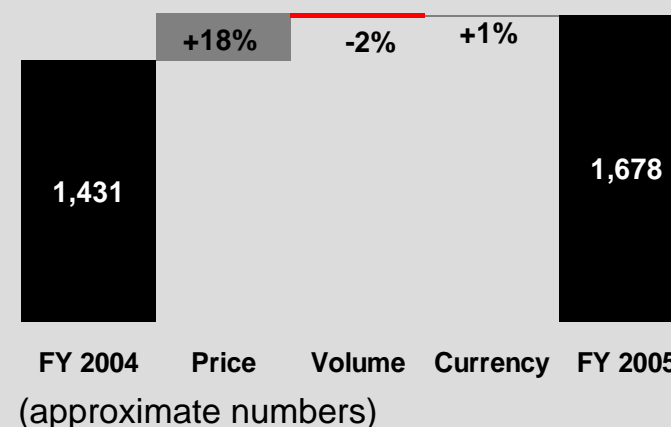
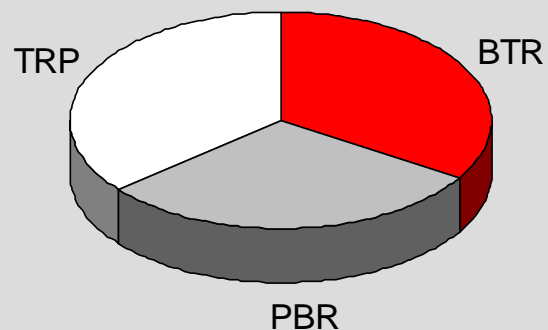
Performance Rubber

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

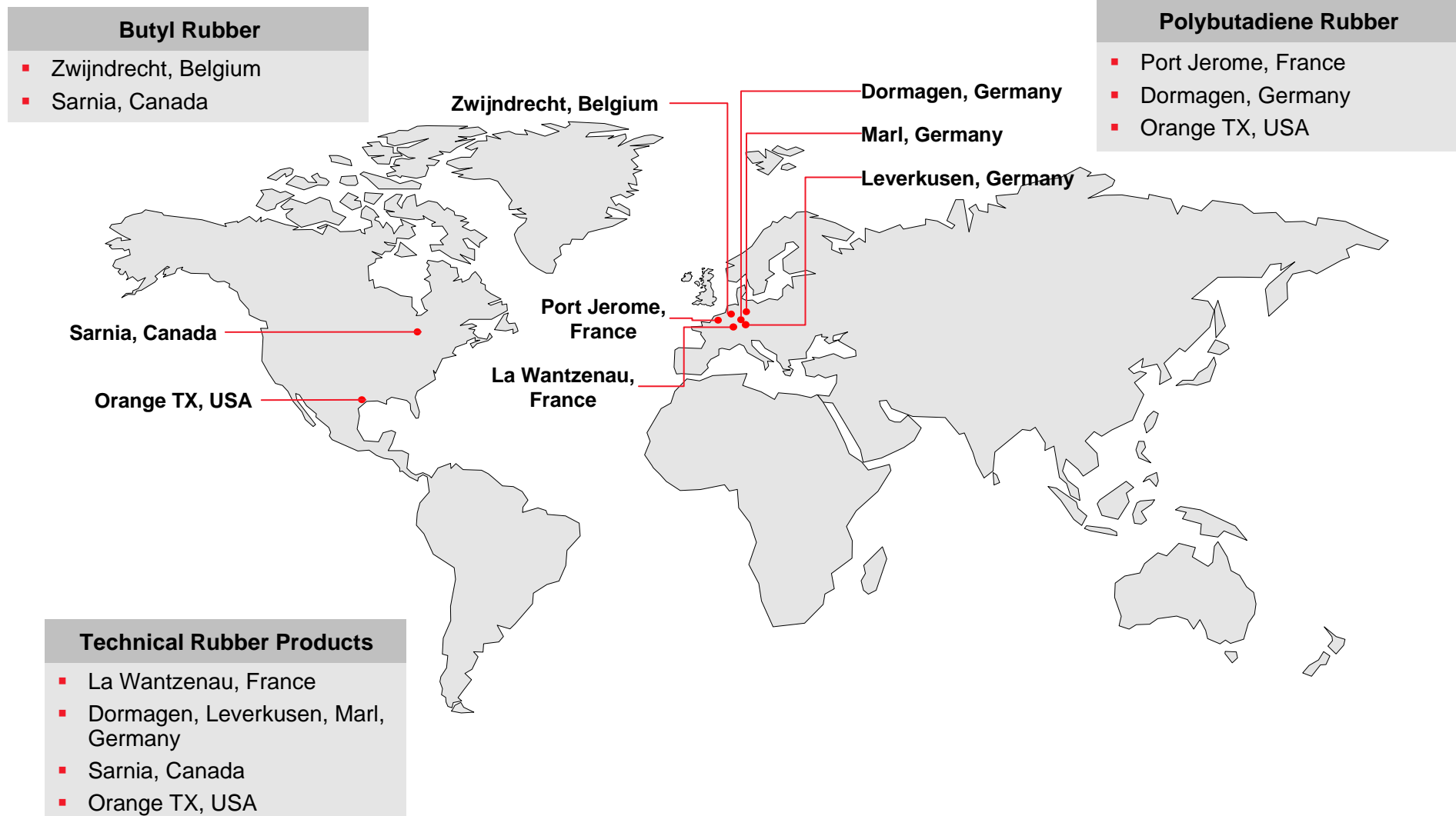
*as of Dec 31

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

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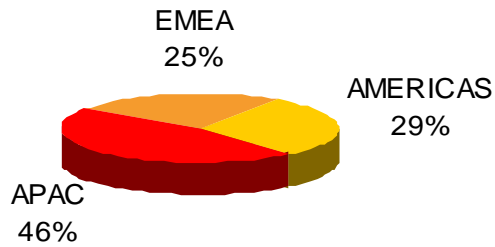
Butyl Rubber (BTR)

Polybutadiene Rubber (PBR)

Technical Rubber
Products (TRP)

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

Global Demand



Total (2005): €1.8 bn

Source: LXS estimates

Market Development

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

Source: LXS estimates

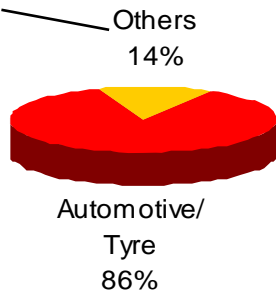
Competition

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

LXS estimates, based on volume terms

End Uses

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



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

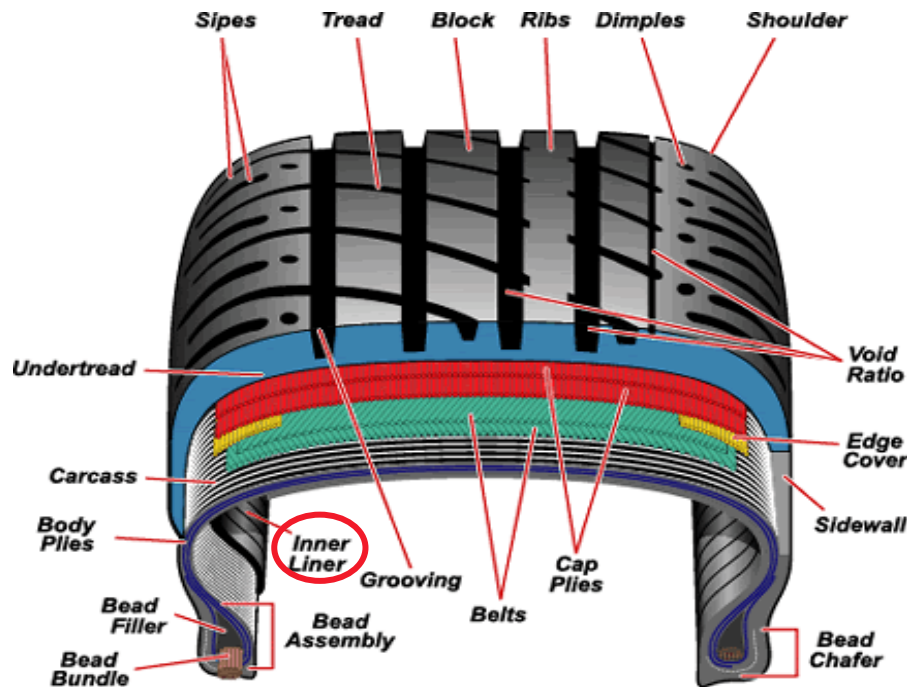
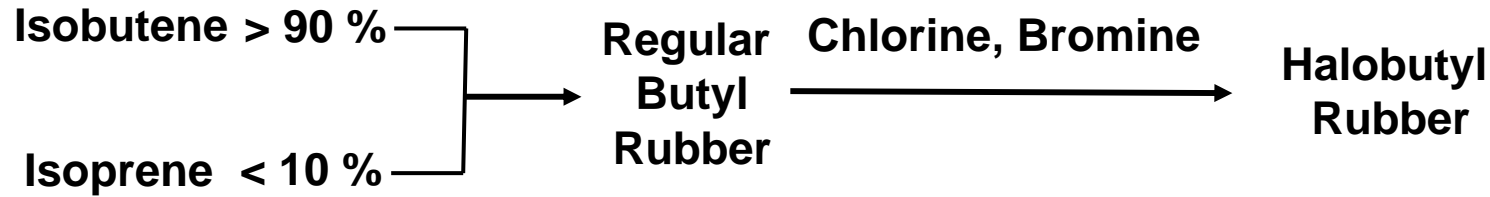
- **Halobutyl Rubber:**
 - CHLOROBUTYL[®]
 - BROMOBUTYL[®]
- **Regular Butyl Rubber**
 - BUTYL[®]

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



 made of BTR products

A Leading Market and Technology Position as well as Strong Customer Relationships

Competitive Advantages

- A leading market position in overall market for Butyl Rubber
- Low cost, high efficiency world scale plants for manufacturing in Belgium and Canada allow flexible production of butyl and halobutyl rubber
- Leading technology
- Strong customer relationships based on collaborations with tyre manufacturers to meet specific customer needs
- Strong infrastructure in APAC

Challenges

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

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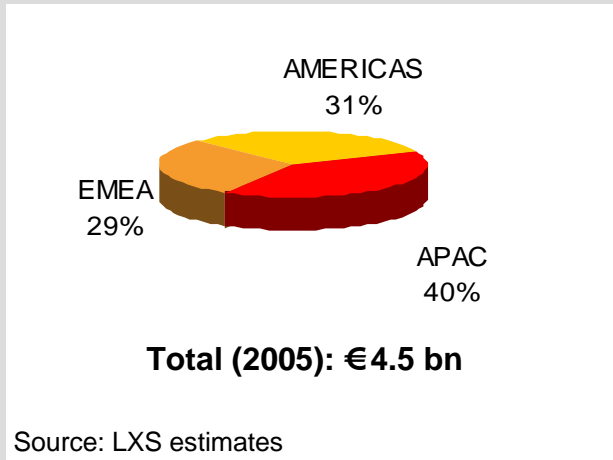
Butyl Rubber (BTR)

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Products (TRP)

Leading Market Positions and World-Scale Plants in Important Markets

Global Demand



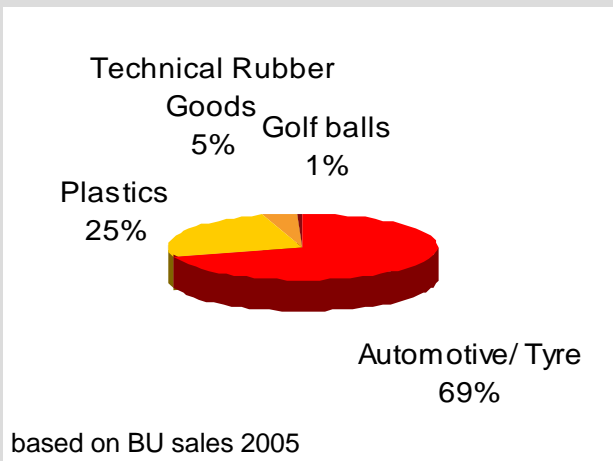
Market Development

- Capacity expected to grow below market growth
 - Expected volume growth (CAGR 05–010):
 - Americas 0%
 - Europe ~2%
 - Asia ~5%
- Source: LXS estimates

Competition

1. LANXESS
 2. Sinopec
 3. Michelin/ASRC
 4. Goodyear
 5. Firestone
- LXS estimates, based on volume terms

End Uses



Cost/Technology Position

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

Products

- Polybutadiene Rubber
- Solution Styrene-Butadiene Rubber

Automotive and Tyre Industries are the Main Customers of Polybutadiene

Products

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

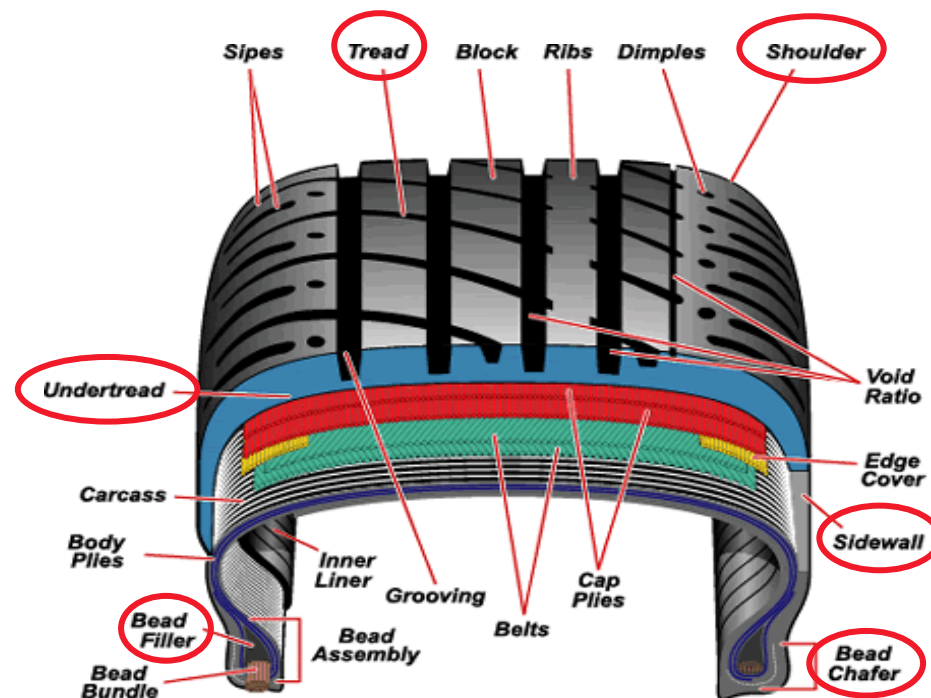
- **Polybutadiene Rubber (PBR)**
 - Buna™CB
 - Taktene ®

Main Applications

- Tyre treads, e.g. low-rolling-resistance tyre
- Tyre sidewalls
- Plastics modification (HIPS, ABS)
- Golf balls
- Shoe soles

One of the World's Major Suppliers

Butadiene → Polybutadiene Rubber



 made of PBR products

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

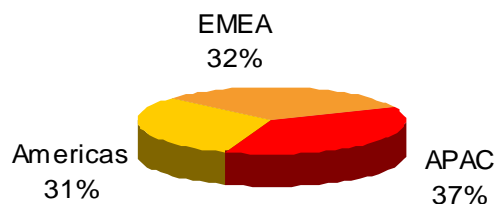
Butyl Rubber (BTR)

Polybutadiene Rubber (PBR)

**Technical Rubber
Products (TRP)**

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%

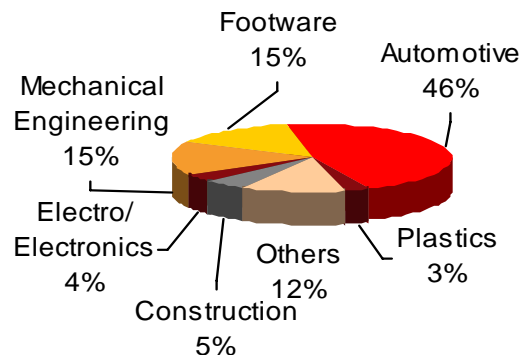
Source: LXS estimates

Competition

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

LXS estimates, based on volume terms

End Uses

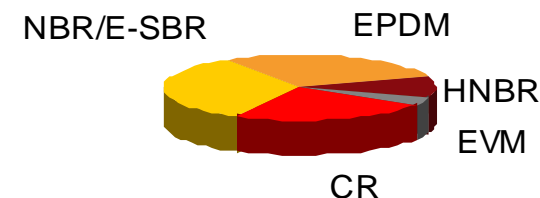


based on BU sales 2005

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

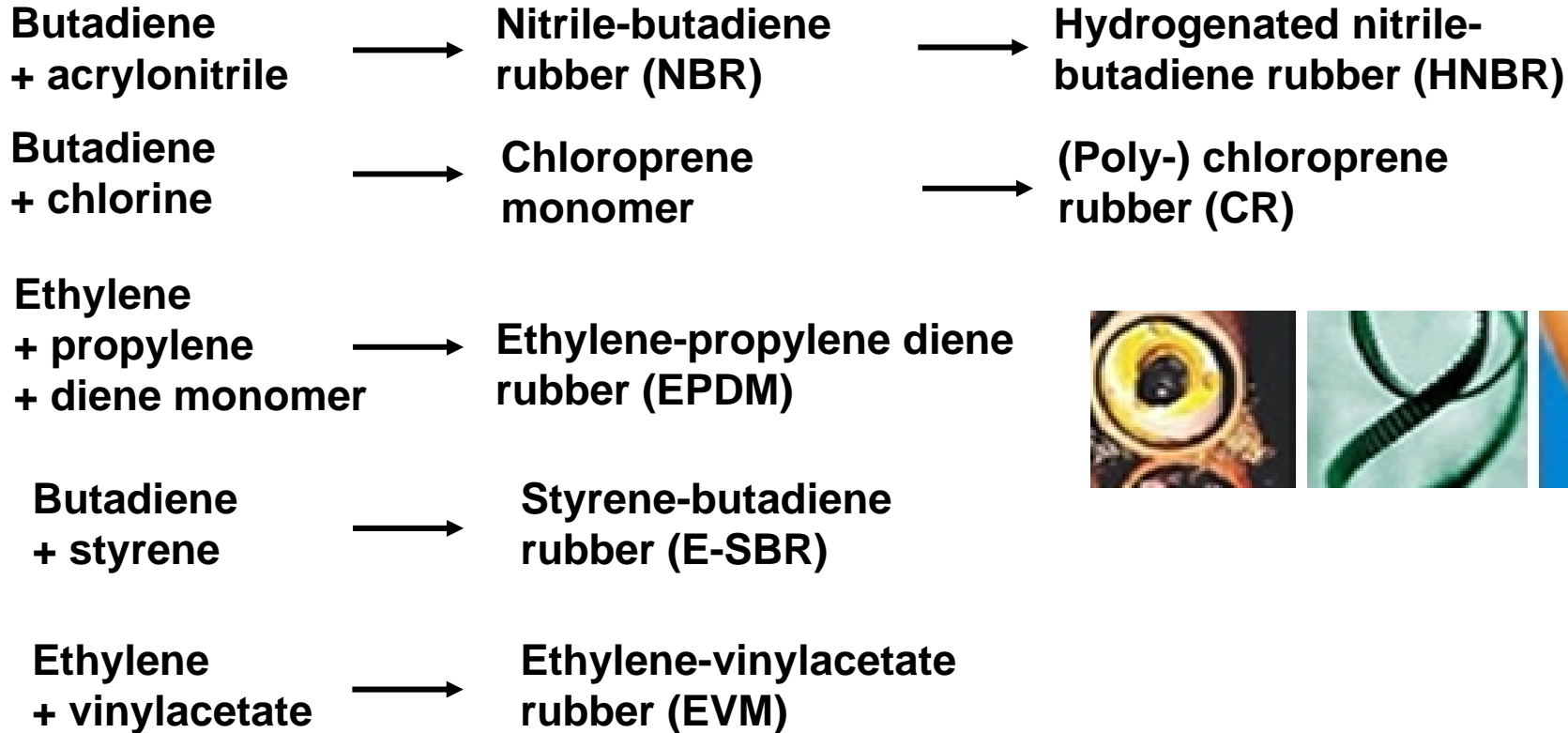
Products

- 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.

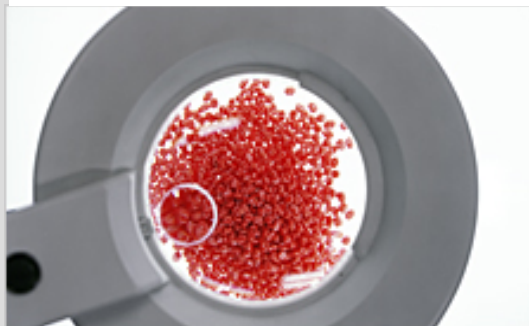
After the divestment of the BU Fibers in Q1 2006 the segment now comprises two business units:

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

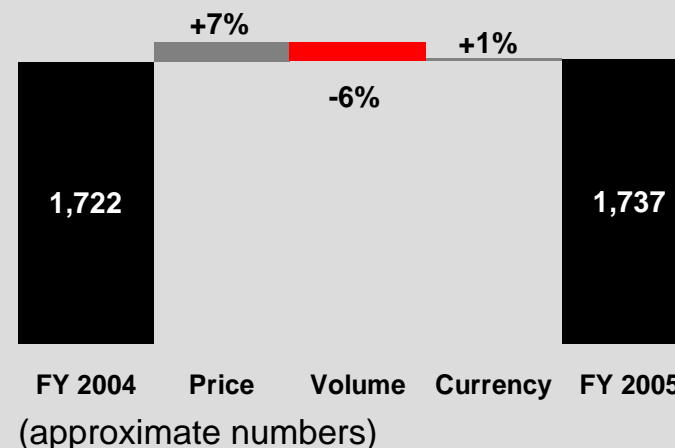
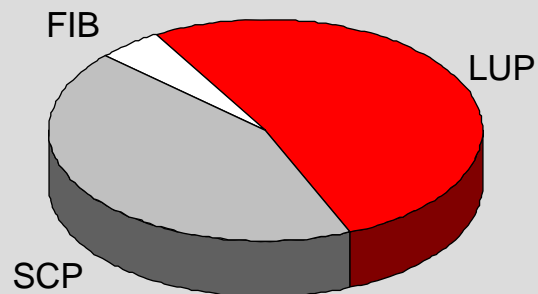
Engineering Plastics

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

*as of Dec 31

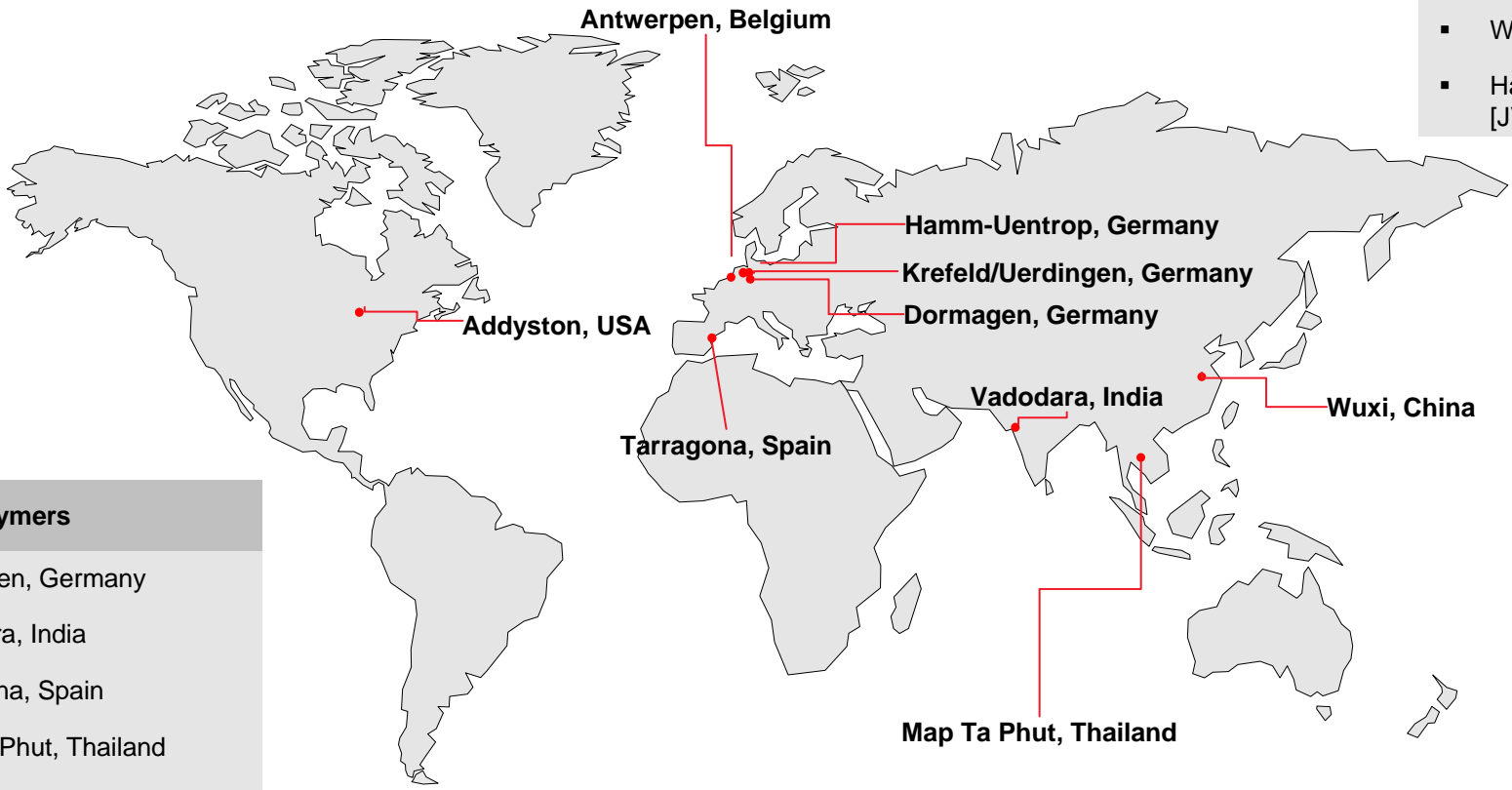
2003-2004 figures are based on Spin-off Combined Financial Statements

Sales by Business Unit 2005



Engineering Plastics has Manufacturing Facilities in all Important Regions

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



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

Focus on Enhancing Profitability and Customer Value-Added

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

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

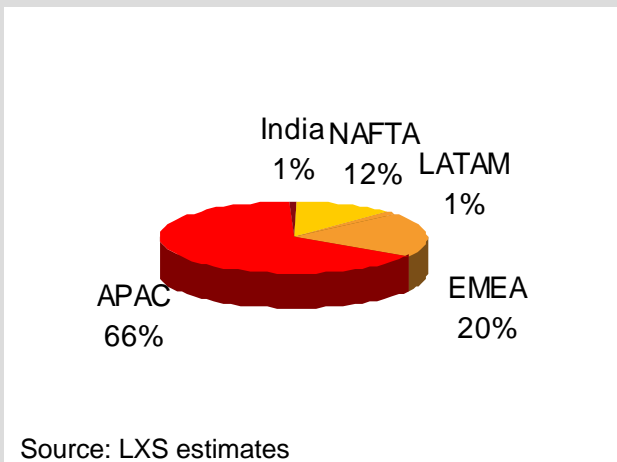
Financials

Lustran Polymers (LUP)

Semi-Crystalline
Products (SCP)

Strong Market Position in Europe, Americas and India

Global Demand



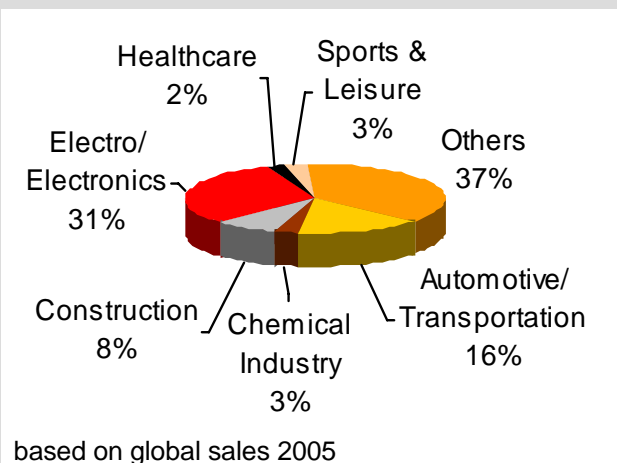
Market Development

- 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

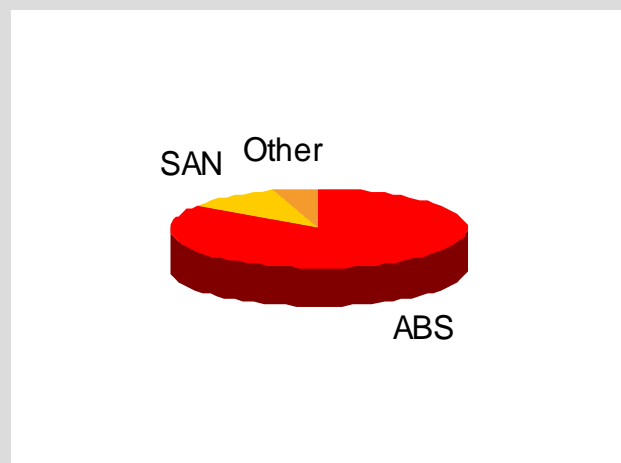
End Uses



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
ASA

Acrylonitrile Butadiene Styrene Copolymer
Acrylonitrile Styrene Acrylate Copolymer

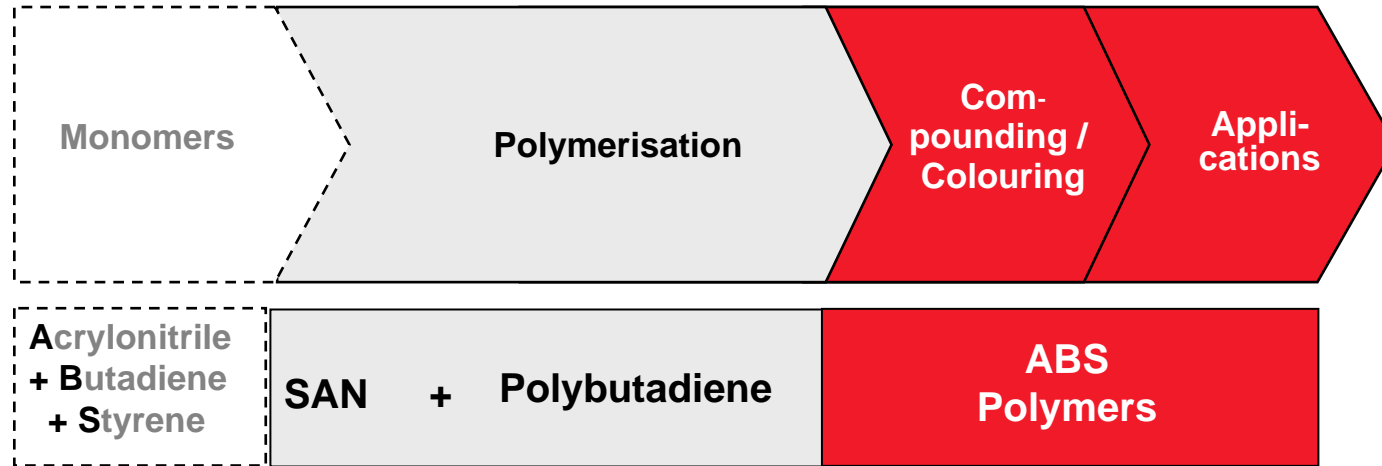
Main Applications

- 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
AES

Styrene Acrylonitrile Copolymer
Acrylonitrile Ethylene/Propylene Styrene Copolymer

Styrenic Resins is Forming a Colourful Difference



SAN = Styrene Acrylonitrile Copolymer

Backward integration

Strategic focus



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

Global Manufacturer with Regional Management in Close Proximity to the Customers

Competitive Advantages

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

Challenges

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

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

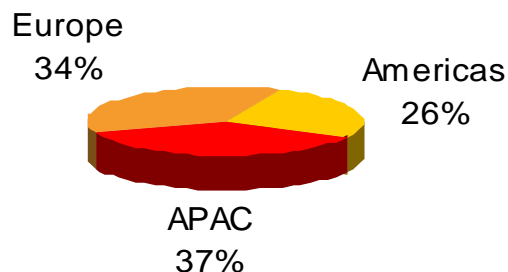
Financials

Lustran Polymers (LUP)

**Semi-Crystalline
Products (SCP)**

Leverage Strong Product Expertise Globally

Global Demand



Total (2005): €7.0 bn

Source: LXS estimates

Market Development

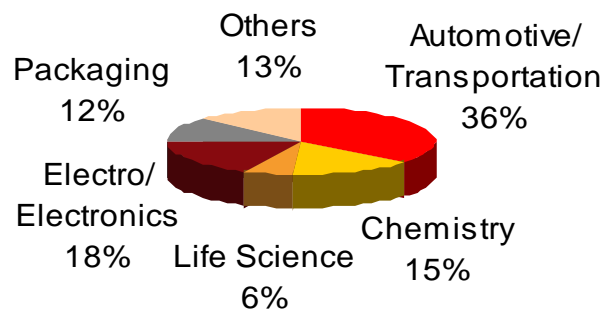
- Expected global market growth by volume ~5% (CAGR 05-10)
- Biggest growth region Asia (China)
- High growth potentials above GDP for thermoplastics based on polyesters and on polyamide

Competition

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

Source: LXS estimates

End Uses



based on BU sales 2005

Cost/Technology Position

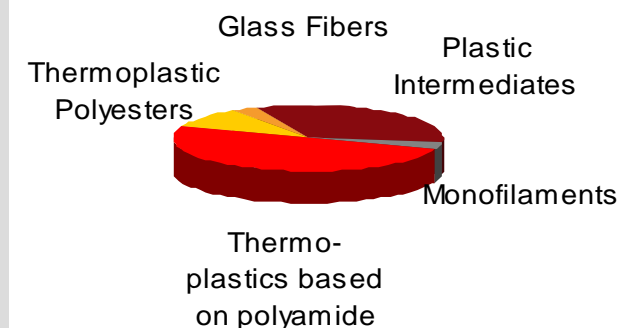
Engineering Plastics:

- Cost-based competitive advantage via world-scale polymerisation (PA 6 & PBT) and compounding facilities

Intermediates:

- World-scale caprolactam-train in Antwerpen providing cost-based advantage
- World-scale glass fiber plant on high technological standard leads to process-based advantage

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

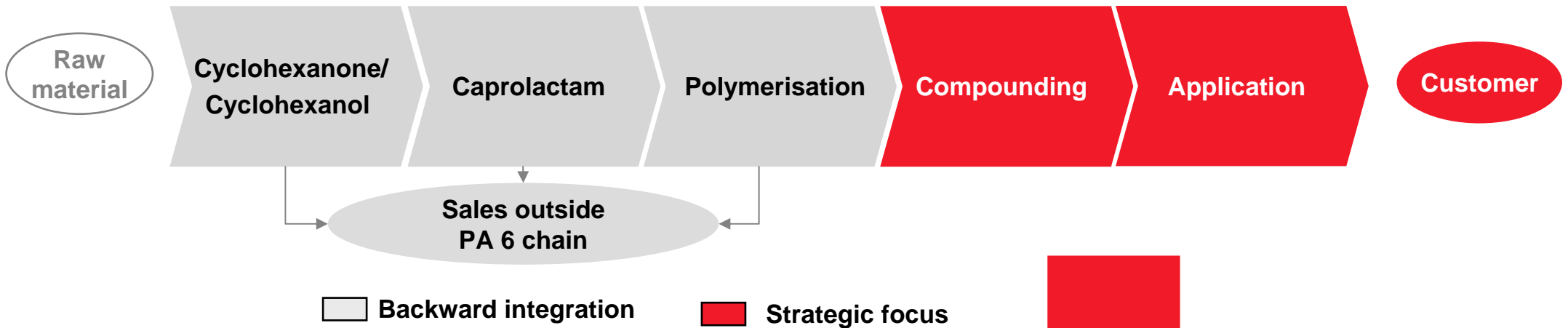
- Glass fibers
- Plastics Intermediates such as Adipic Acid or Caprolactame
- Polyamide-based monofilament products PERLON® and ATLAS®

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

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

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



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

(1) Cyclohexanone/Cyclohexanol (2) Caprolactam

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

Competitive Advantages

- Expertise and track record in application engineering and development support long-term customer relationships
- Backward integration into polymerisation and monomers
- Favourable long term contracts for intermediate products reduce exposure to 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)

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

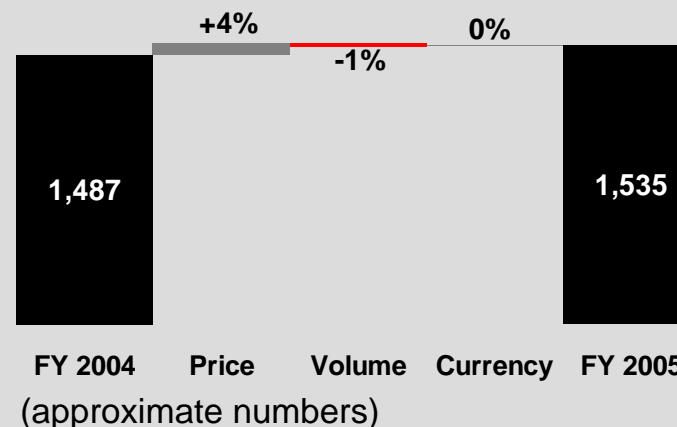
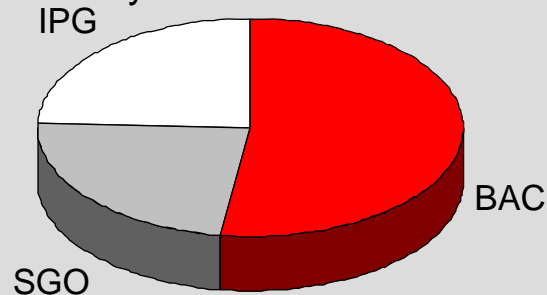
Chemical Intermediates

	2003	2004	2005
Sales	1,411	1,487	1,535
EBITDA pre exc.	153	202	211
<i>EBITDA pre exc. / Sales</i>	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

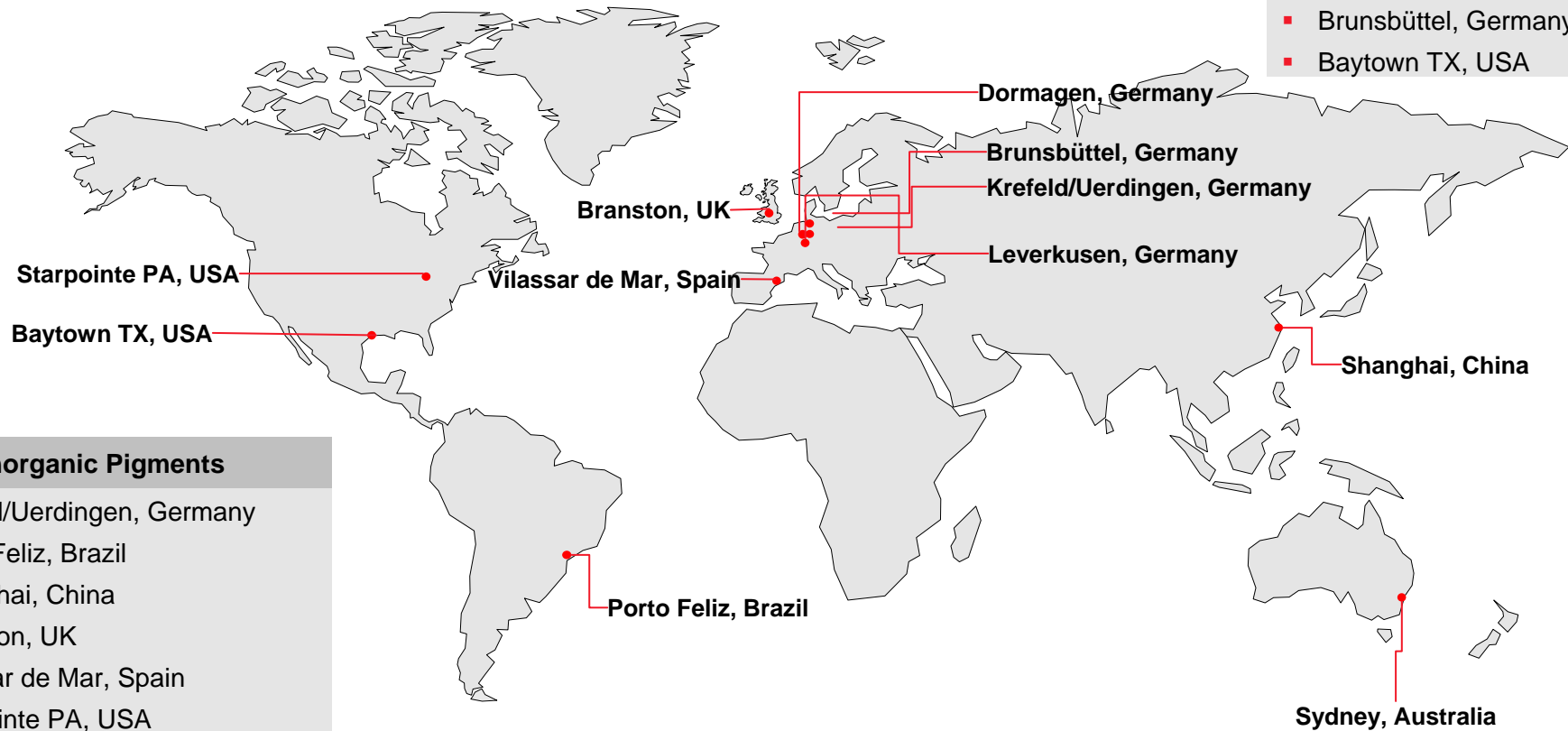
Sales by Business Unit 2005



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

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

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



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

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

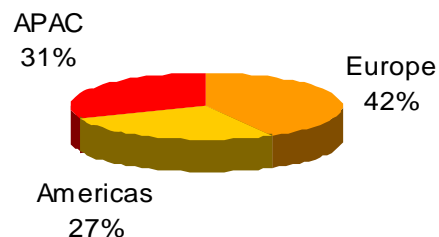
Basic Chemicals (BAC)

Saltigo (SGO)

Inorganic Pigments (IPG)

Leading Positions in Industry with Asian Competition and Consolidation trends

Global Demand



Total (2005): €2.8 bn

Source: LXS estimates

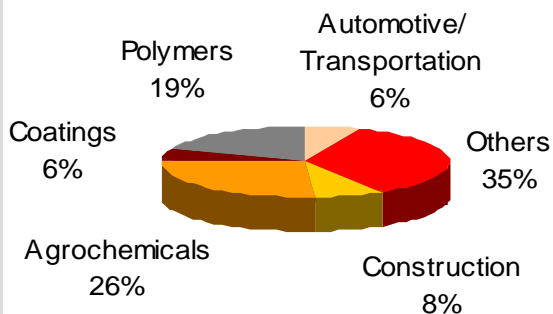
Market Development

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

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



based on BU sales 2005

Cost/Technology Position

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

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

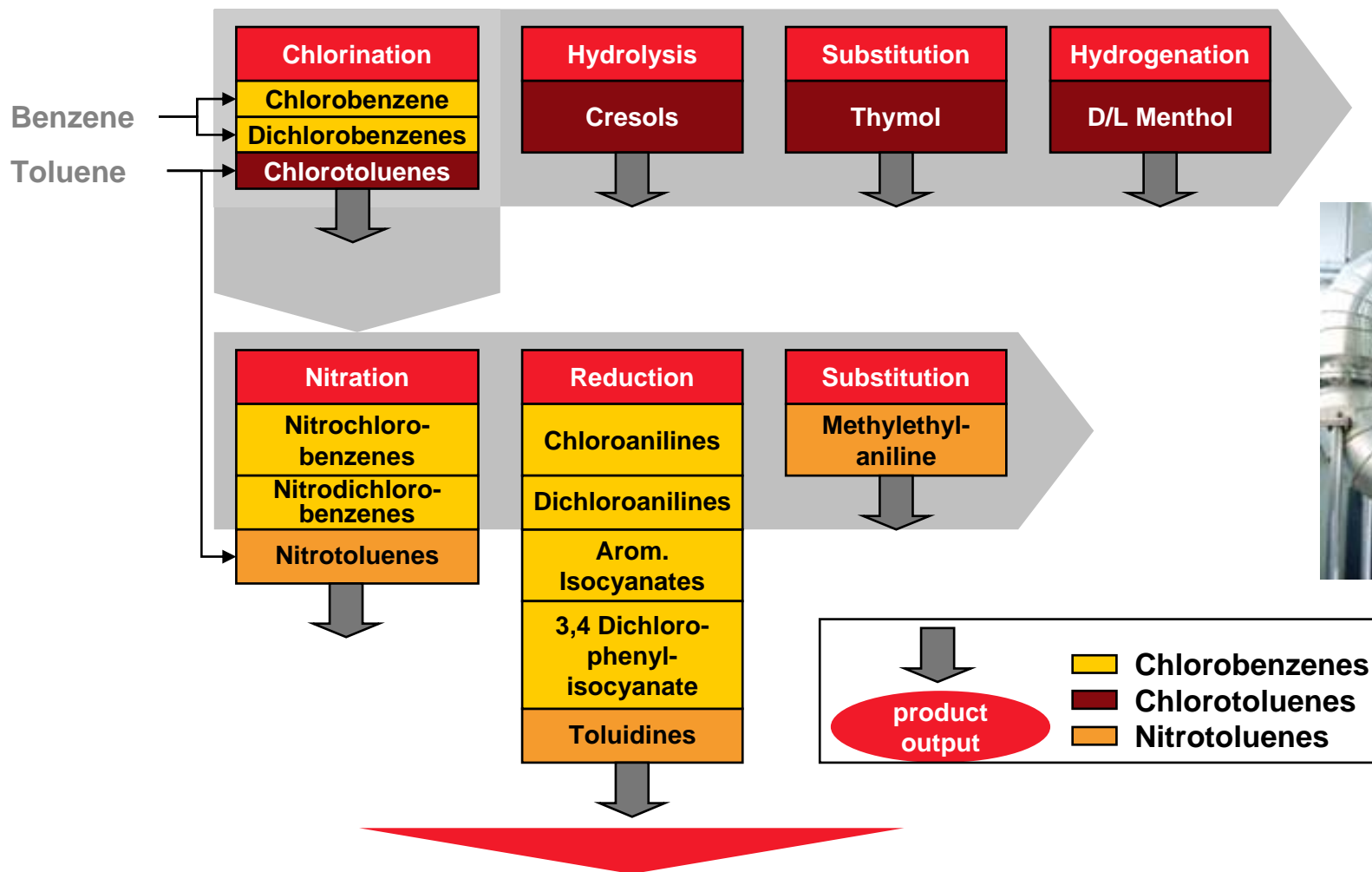
Products

- 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

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

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Financials

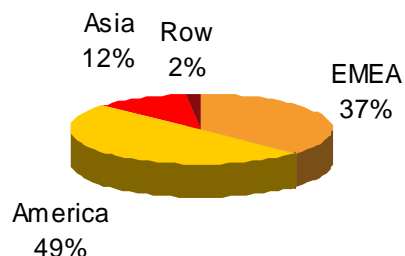
Basic Chemicals (BAC)

Saltigo (SGO)

Inorganic Pigments (IPG)

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

Global Demand



Total (2005): €12.3 bn

Source: LXS estimates

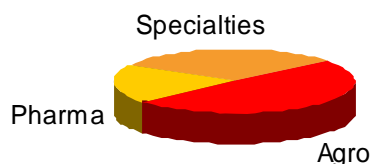
Market Development

- 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

Customer Value Chain



Custom Manufacturing



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

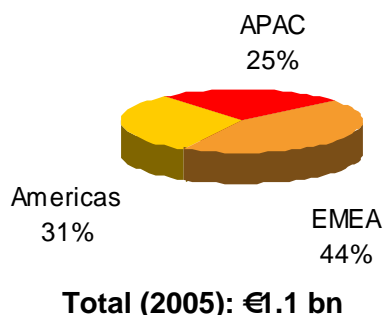
Basic Chemicals (BAC)

Saltigo (SGO)

Inorganic Pigments (IPG)

Quality Products for Construction, Coatings, Plastics and Other Industries

Global Demand



Source: LXS estimates

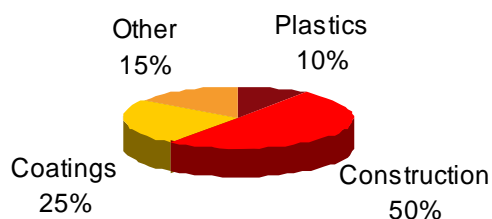
Market Development

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

Competition

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

End Uses



based on BU sales 2005

Cost/Technology Position

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

Products

- Iron Oxides
- Chromium Oxides

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

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



Iron+Nitrobenzene	↔	Laux process	} Broad product range of iron oxide pigments; available in powder, slurry, granule and compact pigment forms
Iron salts+NaOH+Oxygene	↔	Precipitation process	
Iron+Oxygene	↔	Penniman process	
Yellow or black iron oxide	↔	Calcination	

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)

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

Material Protection Products



Comprehensive range of biocides and specialties for:

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

Functional Chemicals



Manufactures products such as:

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

Leather



Broad range of specialty products for the leather industry including:

- Tanning agents
- Preservatives
- Finishing auxiliaries
- Dye products

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

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

Textile Processing Chemicals



Product solutions for the processes of

- Pretreatment
- Dyeing Auxiliaries
- Finishing
- Textile printing

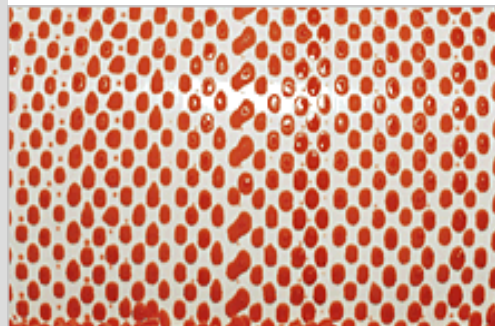
Rhein Chemie



Providing technical services and additives for the

- Rubber
- Polyurethane
- Plastics
- Lubricant oil industries

Rubber Chemicals



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

- Antidegradants
- Accelerators
- Specialties

Ion Exchange Resins



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

- Water
- Foodstuff
- Chemicals

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

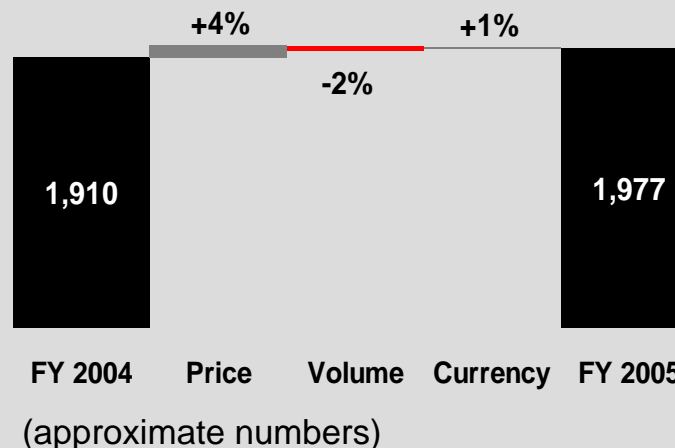
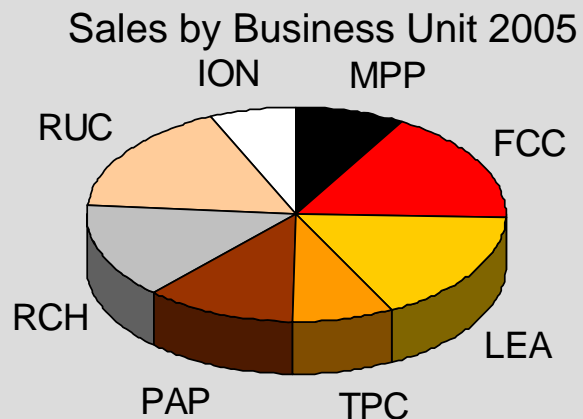
Summary of Key Financials

Performance Chemicals

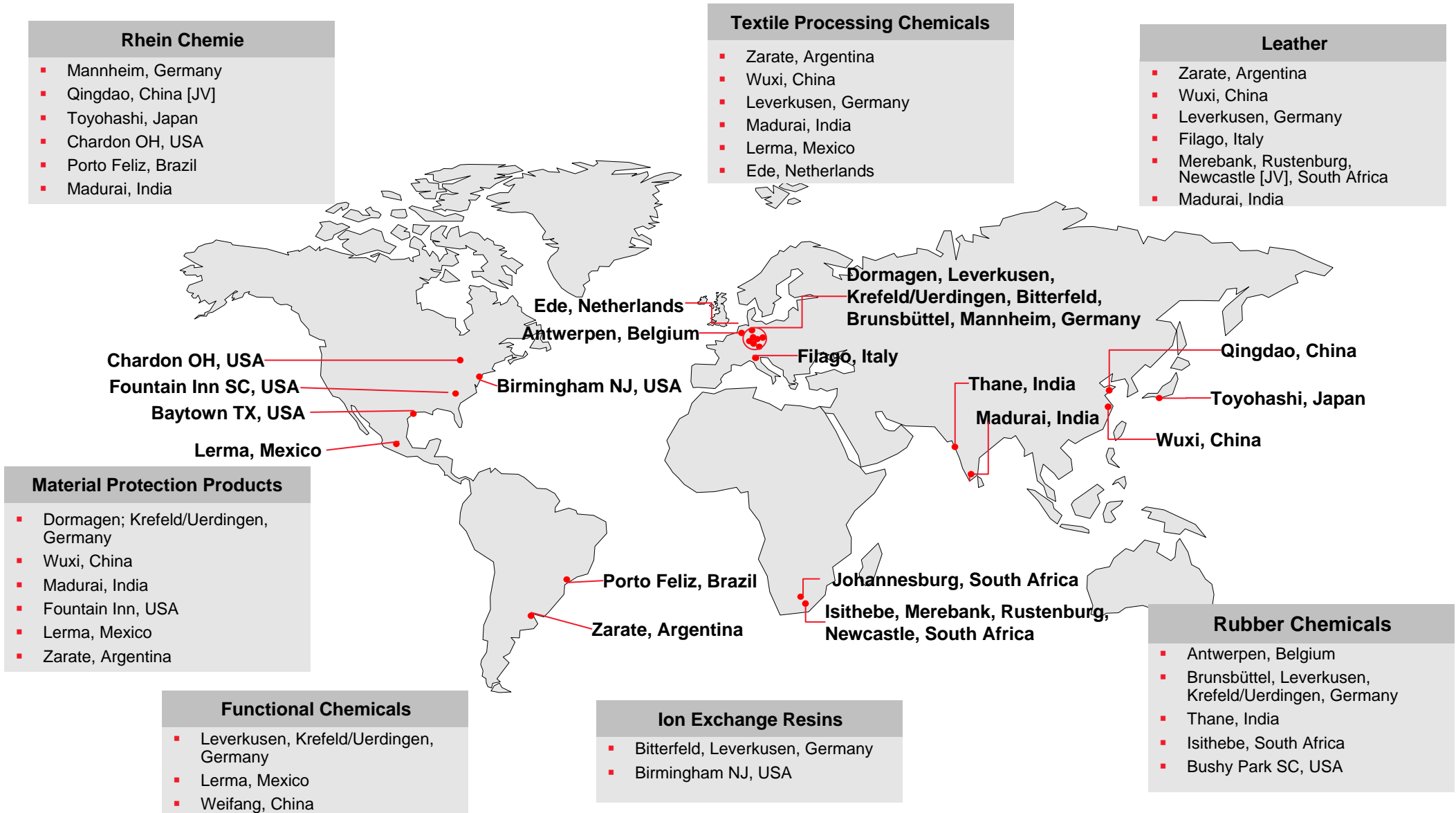
	2003	2004	2005
Sales	1,925	1,910	1,977
EBITDA pre exc.	125	152	212
<i>EBITDA pre exc. / Sales</i>	6,5%	8,0%	10,7%
EBITDA	96	104	184
Depr. & Amort.	272	95	66
EBIT	-176	9	118
Capex	63	57	61
Number of Employees*	4,881	5,140	4,743

*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

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Chemical Intermediates

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Functional Chemicals (FCC)

Leather (LEA)

Textile Processing Chemicals (TPC)

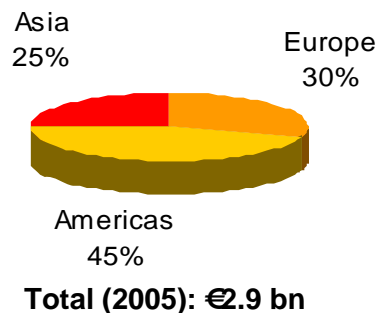
Rhein Chemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

MPP has a Broad and Innovative Product Portfolio

Global Demand



Source: LXS estimates

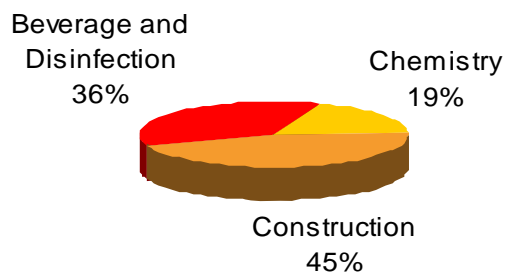
Market Development

- 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

Products

- Preservatives / Biocides

X **PREVENTOL®**

X **BIOCHEK®**

X **METASOL®**

X **TEKTAMER®**

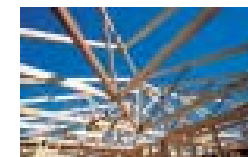
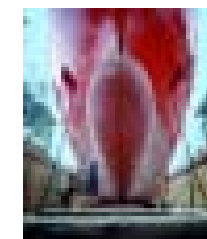
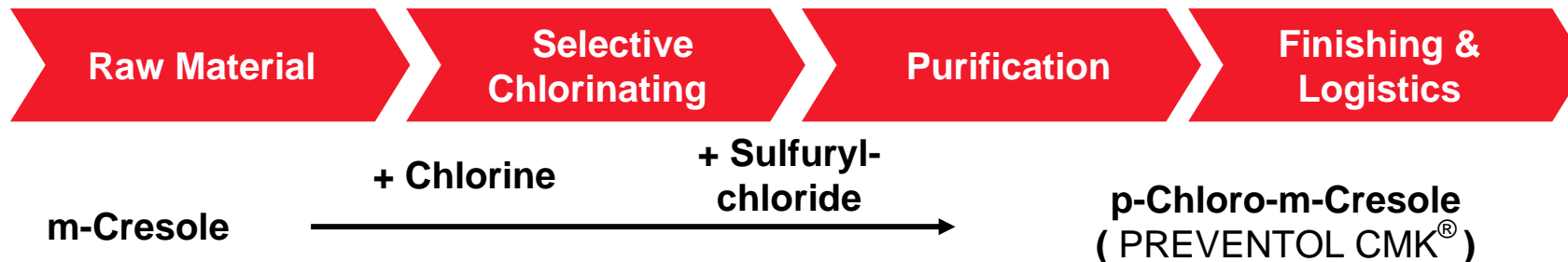
- Cold sterilisation agent for the Beverage Industry

X **VELCORIN®**

Main Applications

- Wood protection
- Antifouling paints
- Industrial preservation
- Disinfection
- Beverages stabilization

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

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection Products (MPP)

Functional Chemicals (FCC)

Leather (LEA)

Textile Processing Chemicals (TPC)

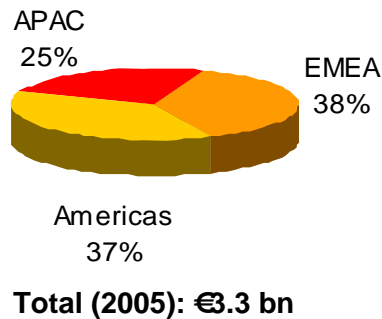
Rhein Chemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

Broad Product Portfolio for Plastics, Chemicals and Other Applications

Global Demand



Source: LXS estimates

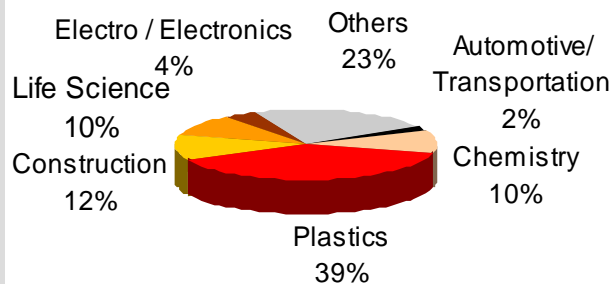
Market Development

- 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[®]

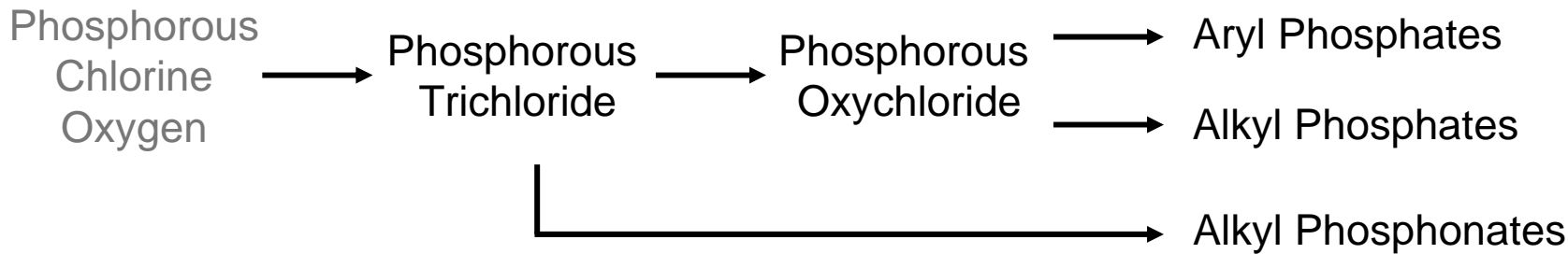
Main Applications

- 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



Aryl Phosphates for cable protection



Alkyl Phosphates for polyurethane protection



P-Chlorides for agrochemicals

Bayhibit® for industrial cleaners



Strong Market and Technology Positions in Niches with Excellent Customer Relationships

Competitive Advantages

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

Challenges

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

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection Products (MPP)

Functional Chemicals (FCC)

Leather (LEA)

Textile Processing Chemicals (TPC)

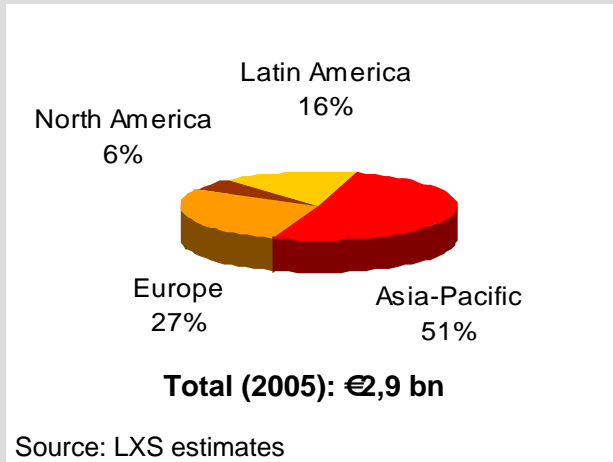
Rhein Chemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

Leather has a Broad Product Portfolio and Leading Market Positions

Global Demand



Market Development

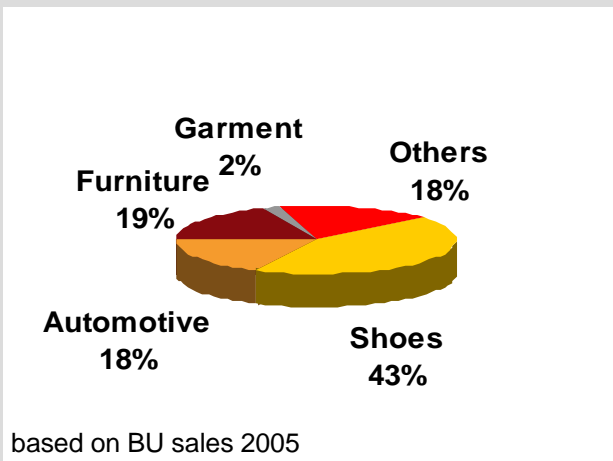
Expected market growth (CAGR 05–10): ~1.7%

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

Competition

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

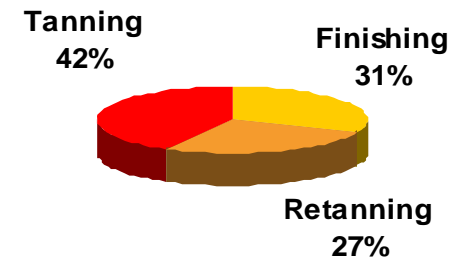
End Uses



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

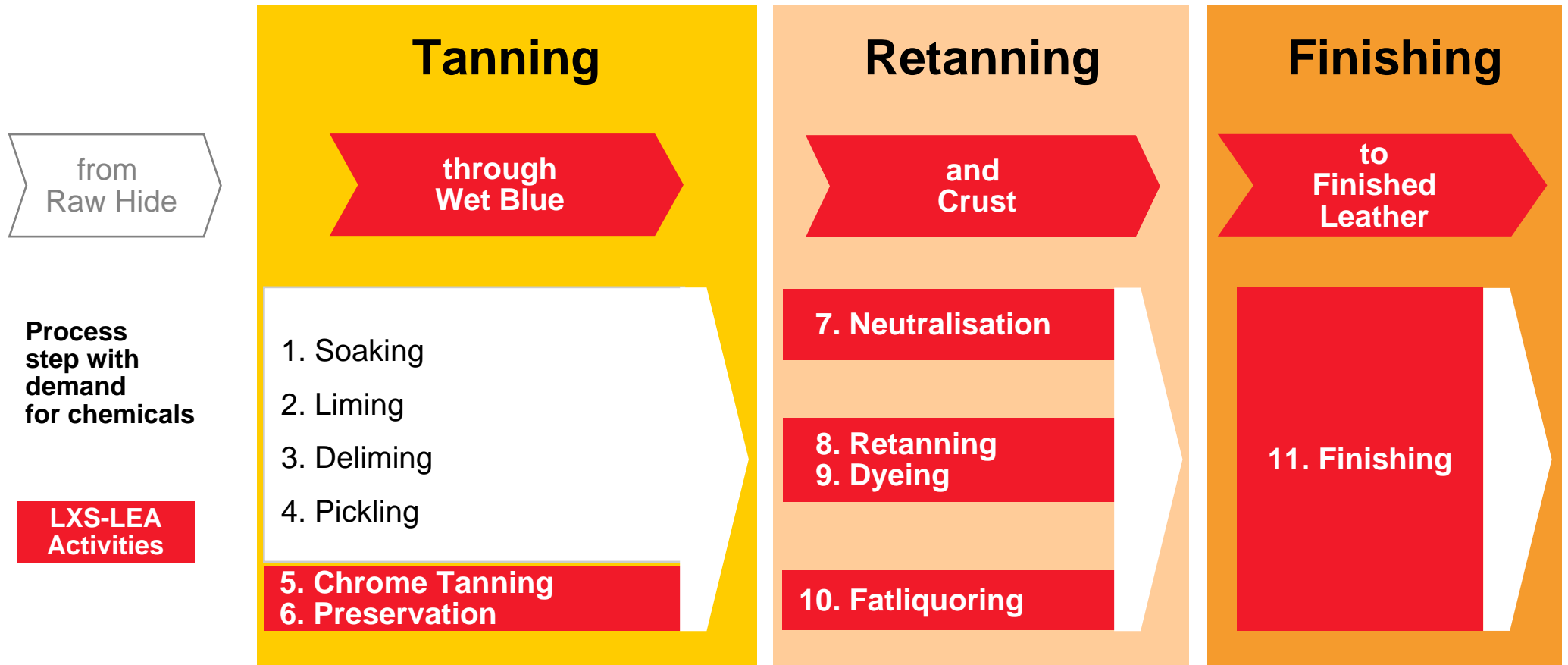
- BAYMOL®, BAYKANOL®, CISMOLLAN®, PREVENTOL®
- BAYCHROM®, CHROMOSAL®, BLANCOROL®
- SETA™*, EUREKA®**, ATLASOL®**
- BAYKANOL®, LEUKOTAN®***, LEVOTAN®, LUBRITAN™***, RETINGAN®, TANIGAN®
- ACIDERM®, BAYCOLOR™, BAYGENAL®, BAYDERM®, EUDERM®, EUKANOL®, LEVADERM®
- AQUADERM®, BAYDERM®, EUDERM®, HYDRHOLACT™***,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

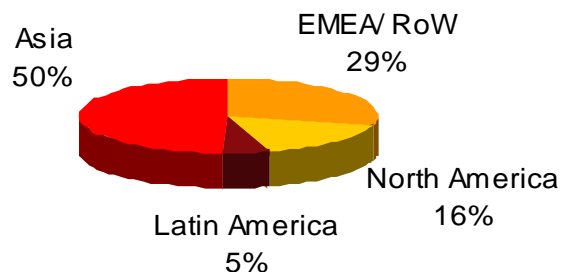
Rhein Chemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

Global Producer of Textile Auxiliaries

Global Demand



Total (2005): €5,8 bn

Source: LXS estimates

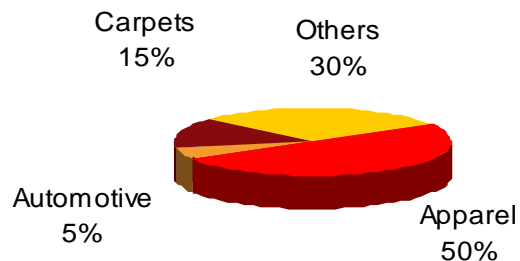
Market Development

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

Competition

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

End Uses

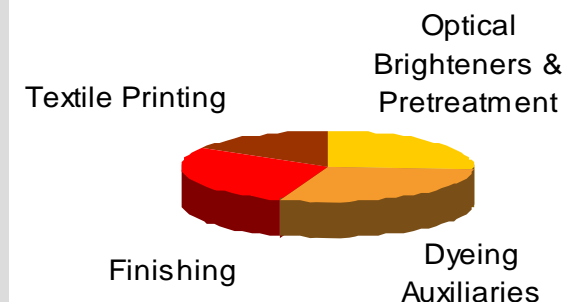


based on BU sales 2005

Cost/Technology Position

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

Products



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

Products

■ Pretreatment:

BAYLASE®, BAYSOLEX®, DIADAVIN®,
ERKANTOL®, LEVAPON®, PLEXENE™,
TANATERGE®, TANNEX®

■ Dyeing Auxiliaries:

ASTRAGAL®, AVOLAN®, LEVEGAL®,
LEVOGEN®, LUBIT®, TANASPERSE™,
TANAPAL®, TANADEL™, TANEDE™

■ Finishing:

BAYGARD®, BAYPRET®, CELLOLUBE™,
PERSOFTAL®, SYNTHAPPRET®, EULAN™

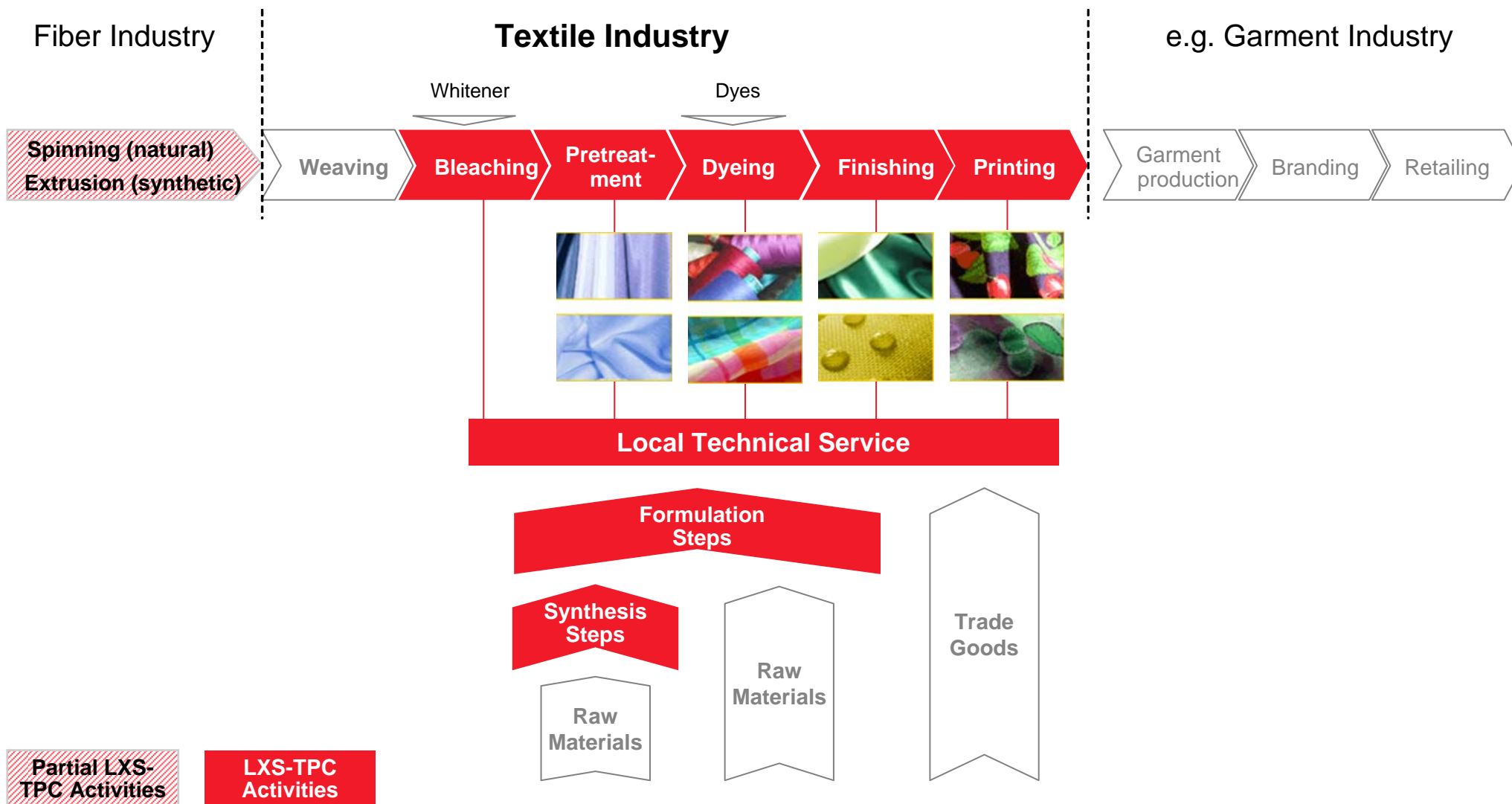
■ Textile Printing:

ACRACONZ™/ACRACONC™, ACRAFIX®,
ACRAMIN®, NOFOME™, TANAPRINT®

Main Applications

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

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

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection Products (MPP)

Functional Chemicals (FCC)

Leather (LEA)

Textile Processing Chemicals (TPC)

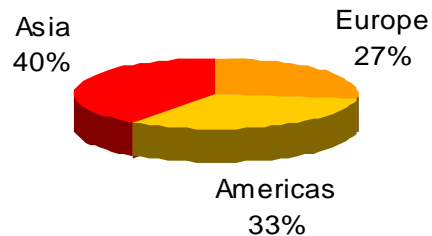
Rhein Chemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

Rhein Chemie has Strong Service and Application Expertise

Global Demand



Total (2005): €2,2 bn

Source: LXS estimates

Market Development

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

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

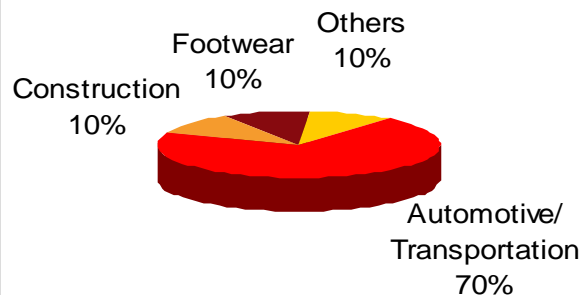
LOA = Lubricant oil additives
PU = Polyurethane

Source: LXS estimates

Competition

- One of the leading global suppliers of technical services and additives, especially of polymer dispersion chemicals for rubber industries and anti-hydrolysis agents for plastics and polyurethane

End Uses

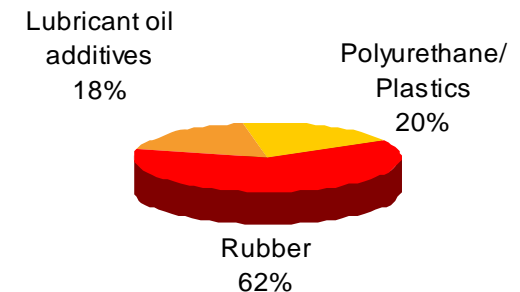


based on BU sales 2005

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[®]

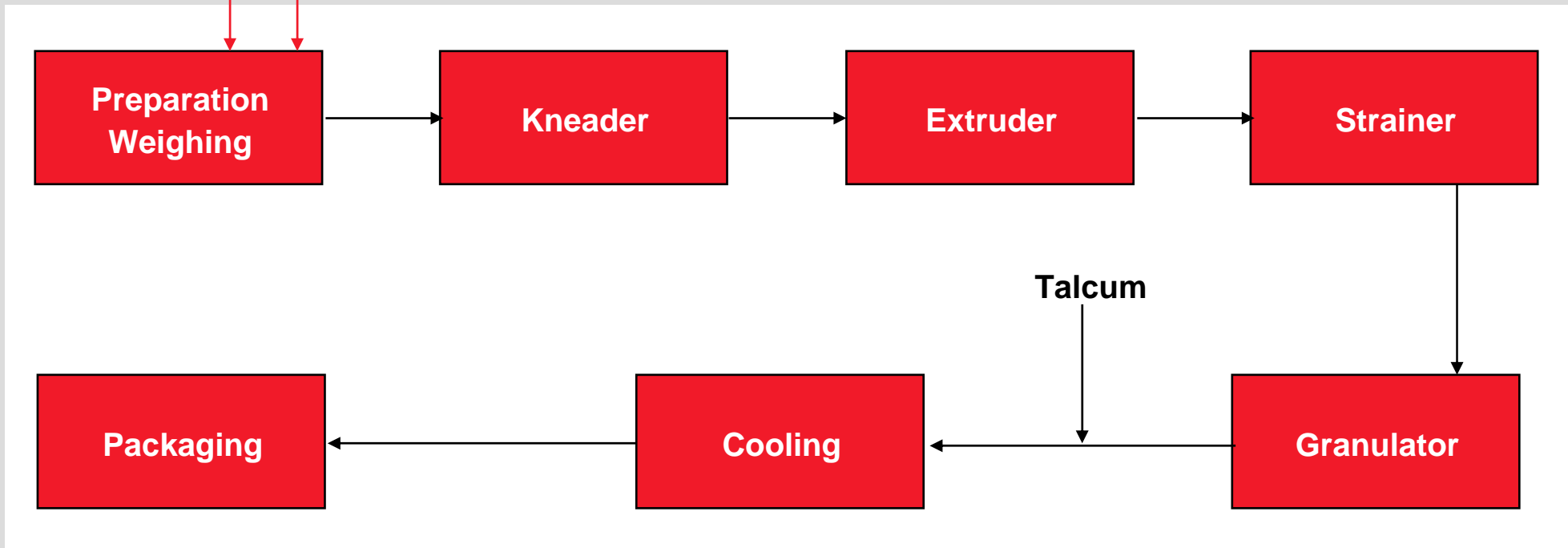
Main Applications

- 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

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection Products (MPP)

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Leather (LEA)

Textile Processing Chemicals (TPC)

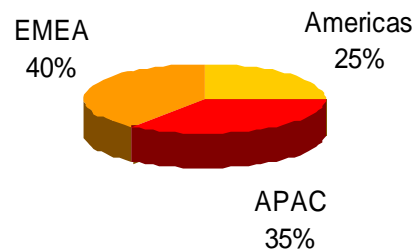
Rhein Chemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

RUC has Leading Market and Technology Positions in a Challenging Environment

Global Demand



Source: LXS estimates

Market Development

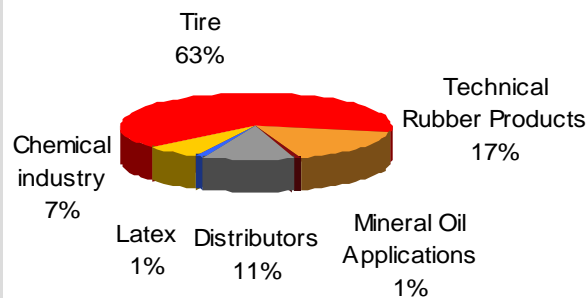
- Overcapacities have led to strong price and margin pressure and caused market consolidation
- After a short balanced period (2004/2005) Asian suppliers started to increase capacities significantly
- Expected volume growth (CAGR 05–10): EMEA, AMERICAS ~ 1%, APAC >5%

Competition

1. Flexsys
2. LANXESS
3. Chemtura

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

End Uses

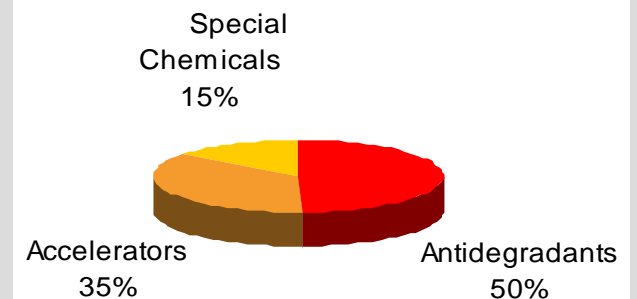


based on BU sales 2005

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

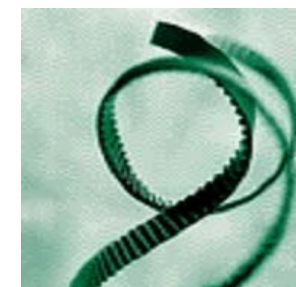
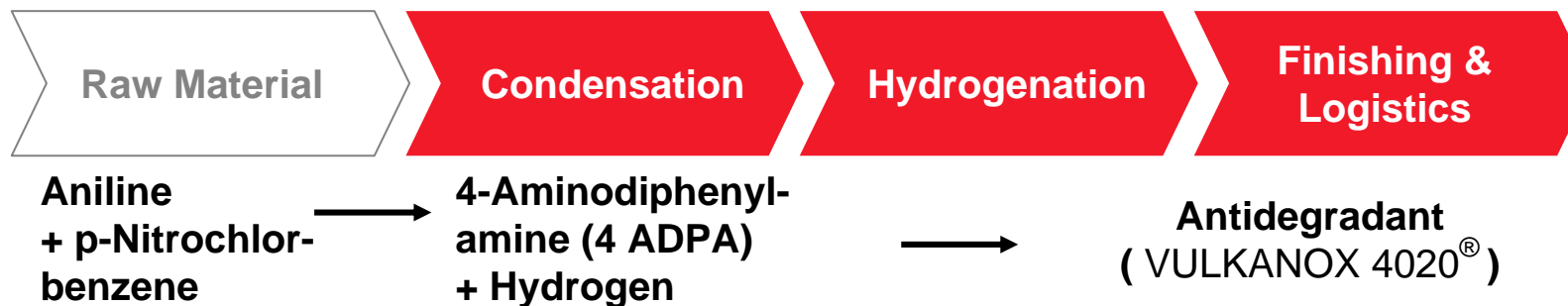
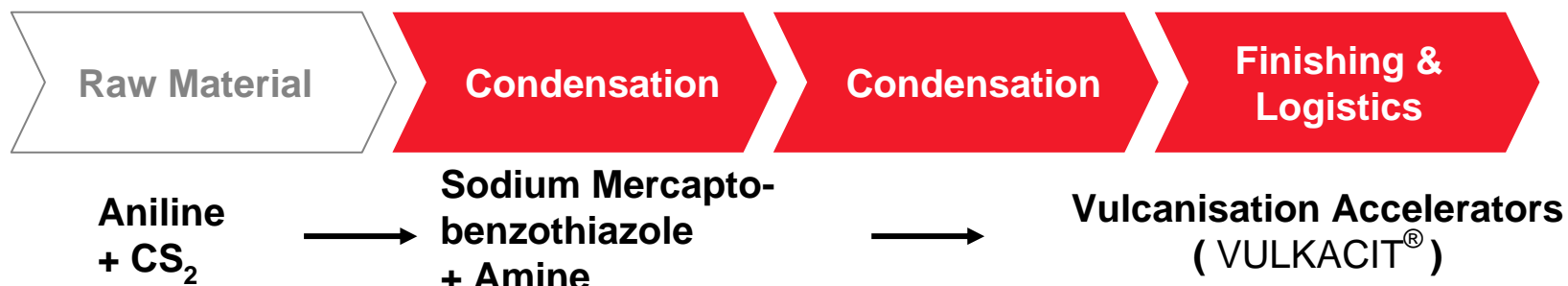
Specialities used as

- 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

Overview

Performance Rubber

Engineering Plastics

Chemical Intermediates

Performance Chemicals

Material Protection Products (MPP)

Functional Chemicals (FCC)

Leather (LEA)

Textile Processing Chemicals (TPC)

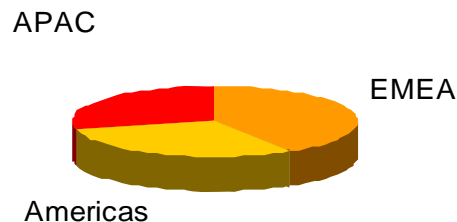
Rhein Chemie (RCH)

Rubber Chemicals (RUC)

Ion Exchange Resins (ION)

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

Global Demand



Total (2005): €0.7 bn

Source: LXS estimates

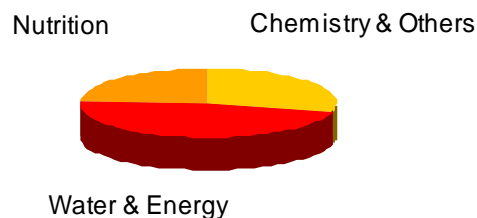
Market Development

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

Competition

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

End Uses



based on BU sales 2005

Cost/Technology Position

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

Products

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

Product Portfolio for Water, Foodstuff and Chemical Applications

Products

Ion Exchange Resins branded as:

▪ LEWATIT®



▪ IONAC®



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*

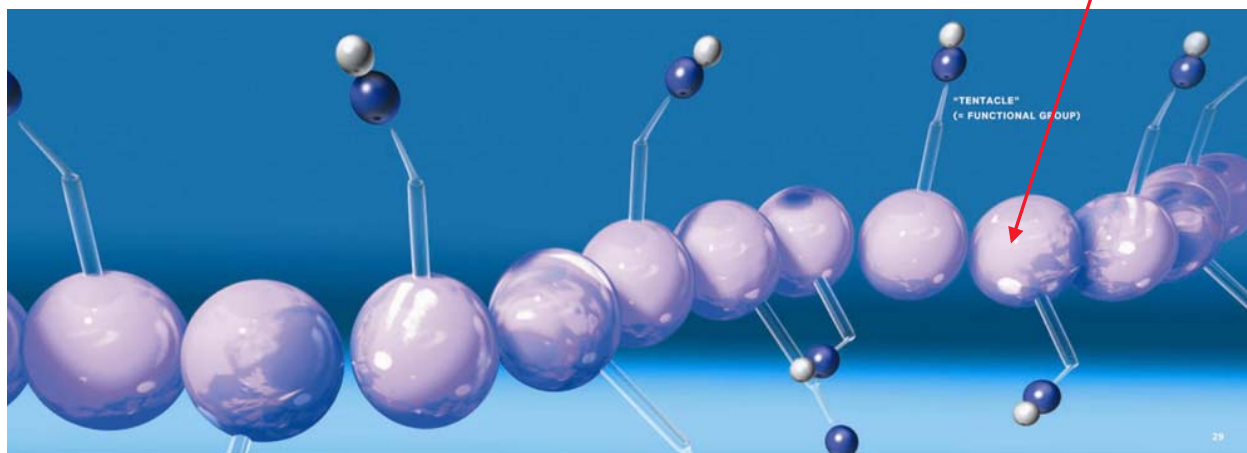
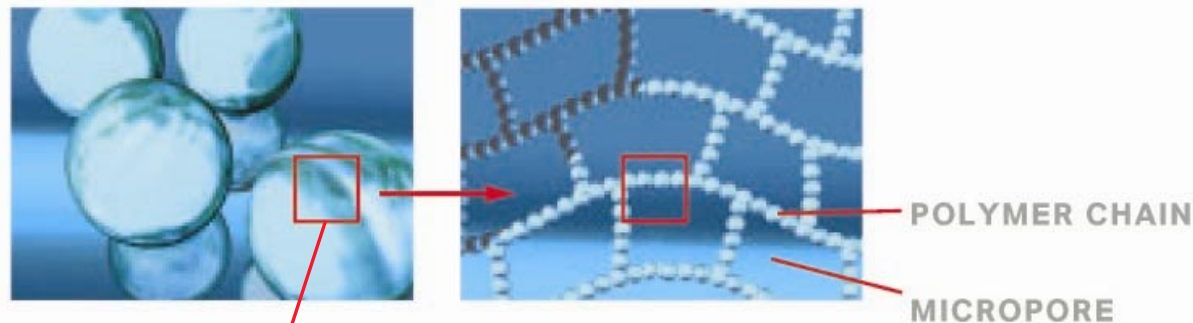
* Divinylbenzene



- 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