Q3 10

INTERIM REPORT Q3 2010

JANUARY 1 TO SEPTEMBER 30, 2010

Key Data

€ million	Q3 2009	Q3 2010	Change %	9M 2009	9M 2010	Change %
Sales	1,373	1,847	34.5	3,665	5,288	44.3
EBITDA pre exceptionals	143	244	70.6	321	746	>100
EBITDA margin pre exceptionals	10.4%	13.2%		8.8%	14.1%	
EBITDA	130	238	83.1	300	733	>100
Operating result (EBIT) pre exceptionals	77	175	>100	130	542	>100
Operating result (EBIT)	64	169	>100	106	529	>100
EBIT margin	4.7%	9.1%		2.9%	10.0%	
Net income	23	118	>100	26	353	>100
Earnings per share (€)	0.28	1.42	> 100	0.31	4.24	>100
Cash flow from operating activities	153	207	35.3	432	267	(38.2)
Depreciation and amortization	66	69	4.5	194	204	5.2
Cash outflows for capital expenditures	52	107	>100	161	206	28.0
Total assets				5,068[1]	5,580	10.1
Equity (including non-controlling interests)				1,445[1]	1,710	18.3
Equity ratio				28.5%[1]	30.6%	
Net financial liabilities				794[1]	865	8.9
Employees (as of September 30)				14,338[1]	14,539	1.4

1) Previous year as of December 31, 2009

HIGHLIGHTS
Q3 2010

LANXESS ANNOUNCES NEW MEDIUM-TERM EARNINGS TARGET

LANXESS plans to considerably increase its leading earnings indicator over the next five years and is targeting EBITDA pre exceptionals of approximately €1.4 billion in 2015. The company intends to achieve its new medium-term earnings target through a dual-track strategy of organic and external growth. Organic growth will play the more dominant role.

All the business units are benefiting from their focus on premium products serving the four megatrends of mobility, agriculture, urbanization and water. The company's focus on the BRIC markets and the expected growth in its leading customer industries will help each of its businesses to generate an EBITDA compound annual growth rate of at least 5% through 2015. The percentage of Group sales achieved in the BRIC countries has more than doubled in the last five years.

Simultaneously, LANXESS will continue to explore external growth opportunities to strengthen the existing business portfolio. The focus will be on small to medium-sized acquisitions similar to the transaction size of past acquisitions. Both organic growth projects and acquisitions must adhere to strict financial criteria.

CEO Axel C. Heitmann at the LANXESS Media and Capital Markets Day held in Düsseldorf on September 15 – 16, 2010

CONTENTS

LANXESS IS NEW MAIN SPONSOR OF TEACH FIRST GERMANY

LANXESS will provide the "Teach First" education program in Germany with initial funding totaling €600,000 through mid-2013. This non-profit organization, which is already established in numerous countries, helps educationally disadvantaged young people by deploying personally suitable and highly qualified university graduates of all disciplines on two-year assignments to schools in socially deprived areas as "fellows." A special focus in the future will be on fellows with mathematical and scientific expertise. Assignments in these fields to schools in the state of North Rhine-Westphalia, for example, will start in 2011.

LANXESS INVESTS AT KREFELD-UERDINGEN SITE

The Inorganic Pigments business unit is equipping the Bayferrox iron oxide color pigment production plant at its Krefeld-Uerdingen site with new pre-filter units. Apart from optimizing the safety of the plant, this will also enhance internal logistics processes, thereby improving the reliability of supply. It will also lower energy consumption by approximately 5%. The capital expenditures will total around €3 million.

SUCCESSFUL MEDIA AND CAPITAL MARKETS DAY 2010

LANXESS held its annual conference for the media and the capital markets on September 15-16, 2010 in Düsseldorf. The Board of Management explained to some 110 journalists and 80 analysts, investors and bank representatives LANXESS' new medium-term earnings target and the steps the company will take to achieve it based on four principal megatrends. LANXESS also provided extensive insight into a number of its business units, with the heads of the respective units outlining their current and future alignments. The presentations given at both events can be found on the LANXESS website.

EMERGENCY AID FOR FLOOD VICTIMS IN PAKISTAN

LANXESS is donating €100,000 to the German children's charity Kindernothilfe e.V. to provide emergency aid for victims of the flood disaster in Pakistan. Employees have also initiated fund-raising campaigns at numerous sites throughout the world. The money collected in Germany will also go to Kindernothilfe e.V. At other LANXESS sites, including those in Belgium and Singapore, employees have established partnerships with national aid organizations to help people in the crisis-hit area. The company has matched the total amount of the employees' donations.

LANXESS STOCK

LANXESS stock continued to perform strongly in the third quarter, gaining 15.4% on the period. Between January 1 and September 30, 2010, the price rose by 52.6%. In the current quarter it already reached €52.88, the highest level since LANXESS' initial listing.

Stock markets remained nervous and volatile at the start of the third quarter. Economic and labor market data from the United States disappointed investors and pushed even the German indices into loss territory. Growing concern about a possible slowing of the global economy also caused the indices to decline. On the other hand, good economic data from Europe and encouraging corporate results in the U.S. and Germany provided positive impetus. Against this background, Germany's blue-chip index DAX displayed marked volatility, ranging from a new year-to-date high of nearly 6,400 points to further lows of under 6,000.

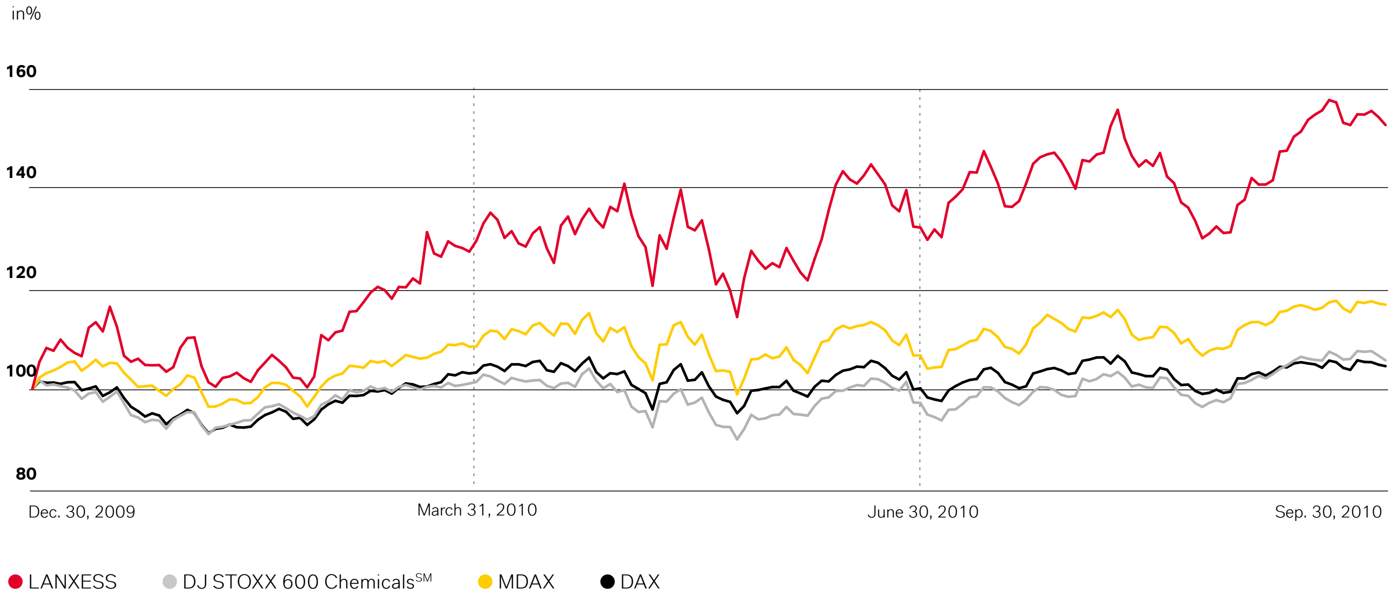
Varying predictions about global economic performance remained a focus of stock market attention throughout the third quarter. Starting in early September, however, the markets responded increasingly to positive news, leading to a steadier uptrend in German indices. The DAX closed above 6,200 points almost without exception in September, finishing the quarter at 6,229 for a gain of 4.4% following its decline in the preceding quarter. The MDAX performed even better, closing out the third quarter up 9.5% at 8,768 points. In addition to the MDAX, the sub-index that includes LANXESS, the reference index Dow Jones STOXX 600 Chemicals℠ was also robust, rising 8.9% from 450 to 490 points.

Thanks to the appreciable rise in the share price, LANXESS stock again outperformed its benchmark indices and the lead index DAX in the third quarter. After starting the period at around €34, LANXESS stock rose above the €40 threshold again in mid-September, achieving its quarterly high of €41.80 in the same month. LANXESS' own corporate news provided an especially positive impetus for the share price in the third quarter.

In August, LANXESS published better-than-expected second-quarter results, using the occasion to raise its guidance for the full year 2010 for the first time. In light of its sustained, positive business performance, LANXESS announced the partial suspension of the Challenge09-12 measures. At the 2010 Media and Capital Markets Day in mid-September, the company also presented its new, medium-term earnings target: LANXESS is aiming for EBITDA pre exceptionals of approximately €1.4 billion in 2015. This target is to be achieved through organic and external growth – with organic growth playing the more dominant role. At these events, LANXESS also explained the current and future strategic positioning of its individual business units. A detailed report on the LANXESS Media and Capital Markets Day 2010 is posted at http://corporate.lanxess.com/en/investor-relations.

More information on LANXESS' activities in the third quarter is summarized in the "Highlights" section at the front of this publication.

Stock Performance vs. Indices



LANXESS Stock

		Q4 2009	Q1 2010	Q2 2010	Q3 2010
Capital stock/no. of shares[1)]	€/no. of shares	83,202,670	83,202,670	83,202,670	83,202,670
Market capitalization[1)]	€ billion	2.19	2.84	2.89	3.34
High/low for the period	€	27.64/20.54	35.23/25.89	38.55/30.26	41.80/33.16
Closing price[1)]	€	26.34	34.12	34.82	40.19
Trading volume	million shares	35.640	45.880	44.880	39.218
Earnings per share	€	0.17	1.25	1.57	1.42

1) End of quarter: Q4: December 31, 2009, Q1: March 31, 2010, Q2: June 30, 2010, Q3: September 30, 2010.

Reported Holdings of 3% or Above by Institutional Investors (as of November 3, 2010)

Dodge & Cox, San Francisco (USA)	9.93%
TIAA CREF Funds, New York (USA)	3.26%
Teachers Advisors, Inc., New York (USA)	3.19%

INTERIM GROUP MANAGEMENT REPORT

AS OF SEPTEMBER 30, 2010

- Strong sales growth of 35% to €1,847 million
- Continued recovery in customer industries
- Clear improvement in EBITDA pre exceptionals to €244 million
- EBITDA margin climbs to 13.2%
- Net income at €118 million against €23 million for the prior-year period
- Earnings per share €4.24 after nine months
- Cash outflows for capital expenditures up significantly at €107 million
- Temporary reduction in net financial liabilities to €865 million
- Guidance for 2010 raised: EBITDA pre exceptionals expected to come in at roughly €900 million

BUSINESS TRENDS AND ECONOMIC SITUATION

Economic environment In the third quarter, the global economy continued the recovery begun in the first half-year, though at a slower pace than in the two preceding quarters. Developments varied from one region to another. Once again, the main drivers of growth were the emerging economies of Asia and Latin America, while the established economic regions showed more moderate expansion.

Automotive production increased significantly in all regions. In China, this industry continued its rapid expansion with a 35% growth rate so far this year. The demand for original equipment tires resulting from strong sales of new cars, combined with the need for replacement tires, led to significantly higher production by tire manufacturers. The driver of this development was again China, the country with the largest tire industry, which raised output by 15%. The European construction sector continued to be marked by divergent trends in the different countries. On the whole, however, it remained just as strong as in the second quarter. The chemical industry also continued to recover in the reporting period, but at a slower pace as well. This was due to the baseline effect and high growth in the first half of the year, which was initially buoyed by a slight increase in inventories in certain customer industries, especially at the beginning of the year. Production was below pre-crisis levels. The agrochemical markets again did not improve substantially in the third quarter.

Sales The third quarter of 2010 featured continued healthy demand in the markets served by the LANXESS Group. Sales advanced by a substantial 34.5% against the prior-year quarter to €1,847 million, exceeding even the second quarter of 2010. The LANXESS Group's sales therefore did not display their usual seasonality. With portfolio changes and exchange rates – mainly for the U.S. dollar – having an 8.3% positive effect in total, operational sales improved by 26.2%. Selling prices moved higher, particularly in Performance Polymers, exceeding the level of the prior-year quarter by 17.0% overall. This was due to higher raw material prices, which were quickly passed along to the market. With demand remaining high, volumes grew by 9.2%. A positive portfolio effect of 0.9% arose from sales generated by the businesses acquired in India and China in 2009.

Effects on Sales

in %	Q3 2010	9M 2010
Price	17.0	14.3
Volume	9.2	25.3
Currency	7.4	3.4
Portfolio	0.9	1.3
	34.5	**44.3**

All operating segments saw volume growth thanks to the good demand. The synthetic rubber and plastics businesses raised selling prices significantly because of the higher raw material prices. In the third quarter, prices for intermediates and in the segment comprising application-focused process and functional chemicals were also above the level of the same period last year.

Sales by Segment

€ million	Q3 2009	Q3 2010	Change %	Proportion of Group sales %	9M 2009	9M 2010	Change %	Proportion of Group sales %
Performance Polymers	656	986	50.3	53.4	1,663	2,772	66.7	52.4
Advanced Intermediates	284	336	18.3	18.2	827	980	18.5	18.5
Performance Chemicals	425	515	21.2	27.9	1,148	1,507	31.3	28.5
Reconciliation	8	10	25.0	0.5	27	29	7.4	0.6
	1,373	**1,847**	**34.5**	**100.0**	**3,665**	**5,288**	**44.3**	**100.0**

The Performance Polymers segment experienced the strongest sales growth, at 50.3%. Higher raw material prices, which the segment quickly passed along in full to the market, gave a positive price effect. Volumes were also noticeably higher compared with the prior-year period. The Advanced Intermediates segment, too, saw a positive price-volume effect during the period under review. In addition, last year's acquisitions in India and China led to a positive portfolio effect. Sales in the Performance Chemicals segment were well ahead of the prior-year period due to price and volume factors, with growth rates somewhat higher than in the Advanced Intermediates segment.

Sales rose significantly in all LANXESS regions, with Latin America, in particular, providing positive impetus as in the second quarter of 2010 due to its market momentum. The Performance Polymers segment was the key growth driver here. The increase in sales in all markets reflected a favorable demand situation in nearly all customer industries.

Gross profit In the third quarter of 2010, the cost of sales did not rise as steeply as sales, increasing by 32.1% to €1,387 million. This improved gross profit by 42.4% to €460 million. The gross profit margin, at 24.9%, was 1.4 percentage points higher than in the prior-year quarter. The prices of strategic raw materials rose significantly compared with the same period a year ago. Prices for butadiene and isobutene, in particular, rose sharply. Raw material price levels were only slightly higher than in the second quarter of 2010. The Group as a whole was able to pass along the rise in raw material prices to the market in full. Also accretive to earnings was the ongoing favorable demand situation in customer industries and the related volume growth in all segments, particularly Performance Polymers. Capacity utilization was significantly higher than in the prior-year quarter and only slightly below the level of the second quarter of 2010 due to the announced maintenance shutdowns. Accordingly, idle capacity costs were substantially down from the previous year. Manufacturing costs benefited from improved cost structures. While gross profit was improved by positive currency changes, other operating expenses included losses from hedging transactions.

EBITDA Pre Exceptionals by Segment

€ million	Q3 2009	Q3 2010	Change %	9M 2009	9M 2010	Change %
Performance Polymers	76	144	89.5	136	459	>100
Advanced Intermediates	40	55	37.5	124	159	28.2
Performance Chemicals	67	83	23.9	150	245	63.3
Reconciliation	(40)	(38)	5.0	(89)	(117)	(31.5)
	143	**244**	**70.6**	**321**	**746**	**>100**

EBITDA and EBIT The operating result before depreciation and amortization (EBITDA) pre exceptionals came in at €244 million in the third quarter of 2010, up by a substantial €101 million from the prior-year quarter. This improvement in earnings was attributable mainly to the increase in volumes, particularly in the industries served by the Performance Polymers and Performance Chemicals segments. There was also a positive price effect. The operational effects were supported by tangible positive shifts in currency parities resulting from the fall in the value of the euro against key currencies compared with the same period of last year. The suspension of certain parts of the global Challenge09-12 package diminished earnings in all functional cost areas. This was offset by rigorous cost management. In addition, a slightly positive portfolio effect resulted from the acquisitions successfully completed in India and China in 2009. Selling expenses rose by 23.0% to €166 million, driven by volume growth and higher freight charges. Research expenses came in at €34 million, against €26 million in the same period the year before, underscoring the expansion of research activities as part of the LANXESS Technology Initiative. The Group's EBITDA margin pre exceptionals improved substantially from 10.4% to 13.2%.

In the Performance Polymers segment, EBITDA pre exceptionals climbed by €68 million to €144 million. The segment quickly passed on higher raw material prices to the market in full. Moreover, volume growth and higher capacity utilization than in the prior-year period helped improve earnings markedly. A further positive effect came from favorable exchange rates. EBITDA pre exceptionals of the Advanced Intermediates segment also rose considerably, advancing by €15 million to €55 million. This trend was driven chiefly by positive price effects resulting from higher purchase prices for raw materials and was supported by favorable shifts in volumes and exchange rates and the portfolio effect from the 2009 acquisitions. In the Performance Chemicals segment, earnings increased to €83 million, up from €67 million in the same quarter of 2009. This increase stemmed largely from significant volume growth combined with higher selling prices and favorable exchange rates.

The operating result (EBIT) for the third quarter of 2010 came in at €169 million, against €64 million for the prior-year period. The exceptional charges included in other operating expenses totaled €6 million and fully impacted EBITDA. They arose mainly for efficiency improvement measures at several sites. In the prior-year quarter there were exceptional charges of €13 million, mainly relating to personnel adjustments in connection with the Challenge09-12 program.

Financial result The financial result amounted to minus €24 million in the third quarter of 2010 compared with minus €32 million in the prior-year period. The pro-rated earnings of CURRENTA GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, amounted to €11 million, compared with €7 million in the previous year. The lower interest on provisions, which resulted mainly from interest rate adjustments, diminished expenses compared with the prior-year quarter. The previous year's financial result was also affected by costs relating to some refinancing measures.

Income before income taxes Income before income taxes rose in the third quarter of 2010 by €113 million to €145 million in line with the clear improvement in the operating result. The effective tax rate was 17.9%, against 28.1% for the prior-year quarter.

Net income and earnings per share Non-controlling interests accounted for €1 million of income in the period under review, whereas in the same period a year earlier there was no income attributable to non-controlling interests. Net income for the third quarter of 2010 amounted to €118 million, compared with €23 million in the prior-year period. Earnings per share rose from €0.28 to €1.42.

BUSINESS TRENDS BY REGION

Sales by Market

	Q3 2009		Q3 2010		Change	9M 2009		9M 2010		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	407	29.7	503	27.2	23.6	1,154	31.5	1,518	28.7	31.5
Germany	279	20.3	340	18.4	21.9	780	21.3	973	18.4	24.7
North America	203	14.8	325	17.6	60.1	569	15.5	887	16.8	55.9
Latin America	146	10.6	271	14.7	85.6	344	9.4	712	13.5	>100
Asia-Pacific	338	24.6	408	22.1	20.7	818	22.3	1,198	22.6	46.5
	1,373	**100.0**	**1,847**	**100.0**	**34.5**	**3,665**	**100.0**	**5,288**	**100.0**	**44.3**

In the **EMEA** region (Europe, Middle East, Africa), excluding Germany, LANXESS Group sales posted a strong 23.6% increase in the third quarter of 2010, to €503 million. Adjusted for currency effects, sales were up 21.6% on the previous year. Growth was driven by the Performance Polymers and Performance Chemicals segments. Sales gains in synthetic rubber and plastics were well into double digits, with rising raw material prices passed along to the market and volumes higher. The positive development in the Performance Chemicals segment was mainly driven by volume expansion in certain business units. By contrast, the Advanced Intermediates segment saw sales decline in this region by a single-digit percentage, this being the result of lower demand in some parts of the agrochemicals market. Business development in the region was led by Italy, France, Belgium and Spain.

With a 27.2% share of total sales against 29.7% in the same quarter a year ago, EMEA (excluding Germany) remains the largest of the LANXESS Group's regions.

In **Germany**, third-quarter sales for the Group rose by 21.9% to €340 million. Performance Polymers and Performance Chemicals shared in this growth, while sales in the Advanced Intermediates segment matched the prior-year period. Again, this was largely the result of the weaker development of the agrochemicals market. This trend was offset by greatly increased demand for basic chemicals in other customer industries.

The percentage of Group sales generated in Germany dropped from 20.3% to 18.4% in light of the stronger relative growth in other regions.

In **North America**, sales jumped by 60.1% in the third quarter of 2010 to €325 million. Adjusted for shifts in exchange rates, sales expanded by 45.4%. This development was principally driven by the Advanced Intermediates segment. Here, growth rates reached the high double digits, with the fine chemicals activities playing a major role. The Performance Polymers and Performance Chemicals segments were some way behind but still experienced a very positive trend.

North America accounted for 17.6% of Group sales, against 14.8% in the prior-year quarter.

LANXESS registered its largest regional sales increase for the third quarter of 2010 in **Latin America**, where business was up 85.6%. Here the Group recorded sales of €271 million. Adjusted for currency effects, sales gained 68.0%, with the Performance Polymers segment playing by far the largest role in this success, especially its Performance Butadiene Rubbers and Semi-Crystalline Products business units. The Advanced Intermediates and Performance Chemicals segments also posted double-digit growth in operational sales. The key country for business development in this region, in both absolute and relative terms, was Brazil.

The region's share of Group sales therefore rose substantially from 10.6% to 14.7% compared with the same period of the previous year.

The pace of expansion in the **Asia-Pacific** region was only slightly slower than in the strong prior-year quarter. The growth rate was still a solid 20.7%, with sales reaching €408 million. Adjusted for currency changes and the portfolio effects from the businesses of Gwalior Chemical Industries Ltd., India, and Jiangsu Polyols Chemical Co. Ltd., China, acquired in the previous year, sales were up by 7.4%. This development was driven by the Advanced Intermediates segment, where growth rates in the basic chemicals business were well into double digits. The Performance Polymers and Performance Chemicals segments also slightly exceeded the high sales levels of the previous year.

Asia-Pacific's share of Group sales came to 22.1%, compared with 24.6% in the prior-year quarter.

SEGMENT INFORMATION

Performance Polymers

	Q3 2009		Q3 2010		Change	9M 2009		9M 2010		Change
	€ million	Margin %	€ million	Margin %	in %	€ million	Margin %	€ million	Margin %	in %
Sales	656		986		50.3	1,663		2,772		66.7
EBITDA pre exceptionals	76	11.6	144	14.6	89.5	136	8.2	459	16.6	>100
EBITDA	66	10.1	143	14.5	>100	125	7.5	456	16.5	>100
Operating result (EBIT) pre exceptionals	42	6.4	108	11.0	>100	37	2.2	351	12.7	>100
Operating result (EBIT)	32	4.9	107	10.9	>100	26	1.6	348	12.6	>100
Cash outflows for capital expenditures[1]	25		54		>100	81		106		30.9
Depreciation and amortization	34		36		5.9	99		108		9.1
Employees as of September 30 (previous year: as of Dec. 31)	4,375		4,357		(0.4)	4,375		4,357		(0.4)

1) Intangible assets and property, plant and equipment

Sales in the **Performance Polymers** segment amounted to €986 million in the third quarter of 2010, a notable 50.3% ahead of the prior-year quarter, when business was weak due to the economic crisis. Volumes rose by 10.7% thanks to the favorable demand situation. A considerable increase in raw material prices, especially for butadiene, was fully offset by timely price increases, giving a 30.2% positive price effect. The very good development of prices and volumes was supported by a 9.4% exchange-rate effect.

Due to the ongoing brisk demand from all principal customer industries, almost every business unit in the segment posted higher volumes. Those with close links to the tire industry benefited from improved demand, especially in the market for replacement and original equipment tires. Volumes in the Performance Butadiene Rubbers business unit rose slightly as a result, but were held back by scheduled maintenance and expansion shutdowns. Announced maintenance shutdowns likewise impacted volumes in the Butyl Rubber business unit, which remained at roughly the high prior-year level. The Technical Rubber Products and Semi-Crystalline Products business units also experienced substantial sales growth, due to higher demand from automobile manufacturers and a number of marketing initiatives. The Latin America region proved a particular growth driver, with strong volume gains. The other regions also showed positive growth.

EBITDA pre exceptionals in the Performance Polymers segment advanced by a substantial €68 million to €144 million, illustrating the strong market position of LANXESS. The increase in raw material costs was passed along in full to the market in this segment. In addition, volume growth contributed to a tangible improvement in earnings. With capacity utilization much higher than in the prior-year period, idle capacity costs were substantially lower. Despite scheduled maintenance shutdowns, the utilization rate nearly matched the level of the first two quarters of 2010. Favorable exchange rates also had a positive impact. In addition, continuing strict cost management and increased sales of high-performance products contributed to the increase in earnings. The EBITDA margin came in at 14.6% for the quarter under review, against 11.6% a year ago.

The segment's exceptional charges, which impacted EBITDA, amounted to €1 million and related to smaller-scale efficiency improvement measures at several of the Group's sites. The exceptional charges in the prior-year period amounted to €10 million and related mostly to costs for personnel adjustments under the Challenge09-12 program and secondary costs for previous efficiency improvement programs at the sites in Belgium and Canada.

Advanced Intermediates

	Q3 2009		Q3 2010		Change	9M 2009		9M 2010		Change
	€ million	Margin %	€ million	Margin %	in %	€ million	Margin %	€ million	Margin %	in %
Sales	284		336		18.3	827		980		18.5
EBITDA pre exceptionals	40	14.1	55	16.4	37.5	124	15.0	159	16.2	28.2
EBITDA	35	12.3	55	16.4	57.1	119	14.4	159	16.2	33.6
Operating result (EBIT) pre exceptionals	27	9.5	41	12.2	51.9	89	10.8	118	12.0	32.6
Operating result (EBIT)	22	7.7	41	12.2	86.4	84	10.2	118	12.0	40.5
Cash outflows for capital expenditures[1)]	6		24		>100	23		35		52.2
Depreciation and amortization	13		14		7.7	35		41		17.1
Employees as of September 30 (previous year: as of Dec. 31)	2,858		2,805		(1.9)	2,858		2,805		(1.9)

1) Intangible assets and property, plant and equipment

Sales in the **Advanced Intermediates** segment in the third quarter of 2010 rose by 18.3% against the prior-year period, to €336 million, mainly due to a 6.3% increase in selling prices caused by higher raw material costs. There was a 3.9% increase in volumes. On top of favorable currency shifts amounting to 3.9%, a portfolio effect of 4.2% from the businesses acquired in India and China in 2009 also had a positive impact on sales. The segment performed distinctly better in North America than in the other regions.

The Basic Chemicals business unit expanded sales to the automotive and related industries. Business with the construction sector and the dyes and coatings industry also grew. Third-quarter demand for agrochemicals was below the previous year's level but showed first signs of recovery. The market for the pharmaceutical precursors produced by the Saltigo business unit showed a slight improvement compared with the prior-year period.

EBITDA pre exceptionals in the Advanced Intermediates segment rose significantly by €15 million to €55 million. The EBITDA margin moved ahead by 2.3 percentage points to 16.4%, largely on account of the positive price effects already described, which were driven by higher raw material prices. The favorable shifts in volumes and exchange rates and the portfolio effect from the acquisitions in India and China in 2009 also contributed to the growth in segment earnings.

The exceptional charges of €5 million in the previous year related to costs incurred in connection with the Challenge09-12 package of measures.

Performance Chemicals

	Q3 2009		Q3 2010		Change	9M 2009		9M 2010		Change
	€ million	Margin %	€ million	Margin %	in %	€ million	Margin %	€ million	Margin %	in %
Sales	425		515		21.2	1,148		1,507		31.3
EBITDA pre exceptionals	67	15.8	83	16.1	23.9	150	13.1	245	16.3	63.3
EBITDA	62	14.6	83	16.1	33.9	145	12.6	245	16.3	69.0
Operating result (EBIT) pre exceptionals	51	12.0	67	13.0	31.4	101	8.8	196	13.0	94.1
Operating result (EBIT)	46	10.8	67	13.0	45.7	96	8.4	196	13.0	>100
Cash outflows for capital expenditures[1)]	19		25		31.6	51		57		11.8
Depreciation and amortization	16		16		0.0	49		49		0.0
Employees as of September 30 (previous year: as of Dec. 31)	4,675		4,832		3.4	4,675		4,832		3.4

1) Intangible assets and property, plant and equipment

The **Performance Chemicals** segment generated sales of €515 million in the third quarter of 2010, up 21.2% from the same period a year ago. Growth was mainly attributable to a 10.4% increase in volumes compared with the prior-year period. Selling prices were raised by 4.2%. Operational sales advanced in each business unit, supported by a 6.6% positive currency effect.

Volumes were up in nearly all of the segment's business units thanks to growth in demand. The Rubber Chemicals and Rhein Chemie business units in particular, which have close ties to the automotive industry, registered considerably higher volumes. The same applied to the Functional Chemicals business unit, although slightly lower prices for the raw material phosphorus had a corresponding effect on selling prices. The Inorganic Pigments business unit posted volume gains despite the modest development of the construction sector in the western industrialized countries. The Leather business unit, which counts the apparel, furniture and automotive sectors among its principal customer industries, achieved higher selling prices, particularly for chrome ore. While North America and Latin America stood out against all the other regions in terms of business development, demand rose in these regions, too.

EBITDA pre exceptionals increased by 23.9% from the same quarter a year ago to €83 million, mainly on account of price and volume effects. Increases in raw material costs were fully passed along to the market in the segment as a whole. Capacity utilization was at a high level, and there was a positive effect from shifts in exchange rates. Activities in the Leather, Rubber Chemicals and Functional Chemicals business units made particularly strong contributions to this improvement. The segment's EBITDA margin rose slightly from 15.8% to 16.1%.

The exceptional charges of €5 million in the previous year related mostly to costs incurred in connection with the Challenge09-12 package of measures.

Reconciliation

	Q3 2009	Q3 2010	Change	9M 2009	9M 2010	Change
	€ million	€ million	in %	€ million	€ million	in %
Sales	8	10	25.0	27	29	7.4
EBITDA pre exceptionals	(40)	(38)	5.0	(89)	(117)	(31.5)
EBITDA	(33)	(43)	(30.3)	(89)	(127)	(42.7)
Operating result (EBIT) pre exceptionals	(43)	(41)	4.7	(97)	(123)	(26.8)
Operating result (EBIT)	(36)	(46)	(27.8)	(100)	(133)	(33.0)
Cash outflows for capital expenditures[1]	2	4	100.0	6	8	33.3
Depreciation and amortization	3	3	0.0	11	6	(45.5)
Employees as of September 30 (previous year: as of Dec. 31)	2,430	2,545	4.7	2,430	2,545	4.7

1) Intangible assets and property, plant and equipment

In the **reconciliation**, the minus €38 million EBITDA pre exceptionals (against minus €40 million in the prior-year quarter) was largely due to a hedging loss and the partial suspension of Challenge09-12 measures. The exceptional charges of €5 million reported in the reconciliation related primarily to efficiency improvement measures and non-capitalizable costs incurred in connection with the introduction of enterprise software. The charges for efficiency improvement measures mainly included costs for personnel adjustments and the execution of corporate transactions, to the extent they could not be specifically allocated to segments or business units.

FINANCIAL CONDITION

Structure of the statement of financial position As of September 30, 2010, the LANXESS Group had total assets of €5,580 million, up €512 million, or 10.1%, from €5,068 million on December 31, 2009. The main reasons for the increase were exchange rate effects and the growth in working capital, which in turn was due to the marked recovery in demand, preparations for scheduled maintenance shutdowns and higher raw material prices.

Non-current assets registered a €164 million increase to €2,546 million. Intangible assets and property, plant and equipment grew by €95 million to €2,100 million. Cash outflows for purchases of property, plant, equipment and intangible assets, at €206 million, were well above the prior-year figure of €161 million. Depreciation and amortization totaled €204 million, against €194 million in the corresponding period of the previous year. The increase in the carrying amount of investments accounted for using the equity method was chiefly attributable to the positive earnings of CURRENTA GmbH & Co. OHG in the first nine months of 2010. LANXESS-TSRC (Nantong) Chemical Industrial Company Ltd., Nantong, China, which was established in the second quarter, was also accounted for using the equity method. The ratio of non-current assets to total assets was 45.6%, slightly below the figure of 47.0% on December 31, 2009.

Current assets amounted to €3,034 million, up €348 million from December 31, 2009. Inventories rose by a considerable €247 million, mainly because of higher raw material prices, business expansion and an increase in inventories of finished goods in preparation for scheduled maintenance shutdowns. Trade receivables were €208 million higher than at year-end 2009, mainly due to the substantial business growth and to currency effects. The total of cash and cash equivalents and near-cash assets, at €582 million, declined by €133 million. Part of this amount was used to repay non-current financial liabilities. The ratio of current assets to total assets was 54.4%, against 53.0% at the end of 2009.

Equity rose by €265 million compared with December 31, 2009, to €1,710 million. The increase reflected the €353 million in net income for the first nine months, a smaller currency translation adjustment and the €42 million dividend payment made by LANXESS AG in May 2010. The ratio of equity to total assets was 30.6% as of September 30, 2010, against 28.5% as of December 31, 2009.

Non-current liabilities increased by €43 million to €2,547 million as of September 30, 2010. Provisions for pensions were higher due to the adjustment of discount rates and to currency effects. By contrast, some non-current financial liabilities were repaid early. The ratio of non-current liabilities to total assets was 45.6%, compared with 49.4% at the end of 2009.

Current liabilities rose by €204 million to €1,323 million. Trade payables grew as a result of higher raw material prices and increases in purchasing volumes linked to business growth. The ratio of current liabilities to total assets was 23.7% as of September 30, 2010, against 22.1% as of December 31, 2009.

Liquidity and capital expenditures In the first nine months of 2010 there was a net cash inflow of €267 million from operating activities, against €432 million in the prior-year period. With income before income taxes totaling €461 million, the lower operating cash flow was mainly attributable to the €352 million increase in working capital compared with December 31, 2009. By contrast, there was a €187 million cash inflow in the first nine months of the previous year due to a decrease in working capital resulting from the considerable shrinkage in business during the economic crisis. The development of operating cash flow in 2010 has resulted mainly from the rise in raw material prices, the significant recovery in demand and the associated increase in inventories and trade receivables.

There was a €119 million net cash outflow from investing activities in the first nine months of 2010, against €651 million in the same period a year ago. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €206 million, which was €45 million more than in the prior-year period. Depreciation and amortization amounted to €204 million. The cash inflows from financial assets stemmed primarily from the sale of short-term money market funds. Available liquidity had been invested in these financial instruments in the prior-year period. LANXESS received an €8 million dividend from CURRENTA GmbH & Co. OHG for 2009.

Significant capital expenditures in the Performance Polymers segment related to the construction of the new butyl rubber plant in Singapore for the Butyl Rubber business unit, which is the company's largest investment to date. The new facility will start production in the first quarter of 2013. It was also decided to expand production capacities at the butyl rubber plant in Zwijndrecht, Belgium. This project is scheduled for completion by the second quarter of 2012. In the Performance Butadiene Rubbers business unit, capacities for the production of high-performance rubbers at the sites in Dormagen, Germany; Cabo de Santo Agostinho, Brazil; and Orange, Texas, United States are being increased. The Semi-Crystalline Products business unit is enlarging its capacities for engineering plastics at the compounding facilities in Wuxi, China. A further compounding facility under construction in Jhagadia, India, is due on stream at the beginning of 2012.

The Basic Chemicals business unit in the Advanced Intermediates segment made capital expenditures to expand the integrated aromatics production network at the Leverkusen site and also announced the construction of a new formalin production facility in Krefeld-Uerdingen. The Saltigo business unit received grants from major customer Syngenta corresponding to the expenditures for the construction of facilities.

In the Performance Chemicals segment, capital expenditures in the Ion Exchange Resins business unit related mainly to the construction of the new facility at the site in Jhagadia, India, for ion exchange resins used in water treatment and the production of ultra-pure water. In Bitterfeld, Germany, this business unit embarked on the construction of a new plant for membrane filtration technology. In the Rhein Chemie business unit, LANXESS broke ground for the construction of its very first production facility in Russia, a rubber chemicals plant in Dzerzhinsk in the Nizhny Novgorod region that is expected to be completed by the start of 2011. This year the Inorganic Pigments business unit is expanding its production facilities at the sites in Krefeld-Uerdingen, Germany; Porto Feliz, Brazil; and Jinshan, China. In the Functional Chemicals business unit, work is underway to expand the Mesamoll production facility in Krefeld-Uerdingen by 40%.

Net cash used in financing activities came to €201 million, compared with net cash of €415 million provided by financing activities in the first nine months of 2009. The net cash outflow was primarily attributable to repayments of promissory notes and the €42 million dividend payment to the stockholders of LANXESS AG. The net cash inflow in the prior-year period resulted mainly from the issuance of two bonds, one in April 2009 and one in September 2009.

Net Financial Liabilities

€ million	Dec. 31, 2009	Sep. 30, 2010
Non-current financial liabilities	1,462	1,327
Current financial liabilities	94	146
less		
Liabilities for accrued interest	(47)	(26)
Cash and cash equivalents	(313)	(264)
Near-cash assets	(402)	(318)
	794	**865**

Cash and cash equivalents decreased by €49 million compared with the end of 2009, to €264 million. The €318 million of instant-access investments in money market funds was reported under the near-cash assets item. The decrease resulted from the sale of portions of these investments. Some of the proceeds were used to repay non-current financial liabilities. Net financial liabilities totaled €865 million as of September 30, 2010, compared with €794 million as of December 31, 2009.

SIGNIFICANT OPPORTUNITIES AND RISKS

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2009. For more information, readers are therefore referred to the risk report included in the management report for the 2009 fiscal year.

OUTLOOK

LANXESS expects the general economic rebound to endure through the final quarter of 2010, with regional variations persisting as regards the recovery in demand. The Asia-Pacific region, especially China and India, and Latin America, particularly Brazil, will continue to experience above-average growth rates. The recovery in North America and Europe will continue at the current, slower pace. Accordingly, LANXESS anticipates that the global economy is embarking on a more sustainable path of growth. Nevertheless, macroeconomic developments, though positive at this time, remain subject to particular uncertainties that could impact a lasting recovery. LANXESS believes that the principal risks in this regard are the expiration of governments' economic stimulus programs worldwide, exchange-rate volatility and the substantial budget deficits in certain countries.

The favorable economic environment will lead to a gratifying level of demand in LANXESS' principal customer markets even in the final quarter of the year, which is typically weaker due to seasonal effects. The tire and automotive industries, in particular, are expected to continue their positive development. LANXESS believes that while the markets for agrochemicals will experience a fundamentally healthy upturn in the long term, the existing weakness is likely to persist until the end of 2010.

LANXESS expects raw material prices to stabilize at their current high levels for the remaining months of 2010. In addition, ongoing high volatility in the euro exchange rate may impact both the earnings trend and the regional distribution of the LANXESS Group's sales. LANXESS anticipates a slight decrease in its working capital in the final quarter.

In addition to the above factors, the suspension of parts of the global Challenge09-12 package of measures will have adverse effects on earnings. In light of the continuing good business performance, LANXESS announced in August that non-managerial employees will again receive the full annual supplementary payment for 2010 and that cuts in the variable compensation of managerial employees and the Board of Management will be partially reversed.

Against the background of a steadily improving economic environment, LANXESS predicts another solid overall business performance in the fourth quarter. LANXESS is therefore raising its earnings guidance and now expects EBITDA pre exceptionals for 2010 to come in at roughly €900 million, well above the earnings levels for 2008 and 2009.

EVENTS AFTER THE REPORTING PERIOD

No events of special significance took place after September 30, 2010 that are expected to materially affect the financial position or results of operations of the LANXESS Group.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2010

LANXESS GROUP **STATEMENT OF FINANCIAL POSITION**

€ million	Dec. 31, 2009	Sep. 30, 2010
ASSETS		
Intangible assets	196	202
Property, plant and equipment	1,809	1,898
Investments accounted for using the equity method	26	45
Investments in other affiliated companies	1	8
Non-current derivative assets	16	7
Other non-current financial assets	79	73
Deferred taxes	163	207
Other non-current assets	92	106
Non-current assets	**2,382**	**2,546**
Inventories	849	1,096
Trade receivables	733	941
Cash and cash equivalents	313	264
Near-cash assets	402	318
Current derivative assets	29	44
Other current financial assets	146	144
Current income tax receivables	31	29
Other current assets	183	198
Current assets	**2,686**	**3,034**
Total assets	**5,068**	**5,580**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	889	889
Other reserves	818	725
Net income	40	353
Other equity components	(315)	(272)
Equity attributable to non-controlling interests	13	15
Equity	**1,445**	**1,710**
Provisions for pensions and other post-employment benefits	569	677
Other non-current provisions	307	353
Non-current derivative liabilities	4	17
Other non-current financial liabilities	1,462	1,327
Non-current income tax liabilities	47	46
Other non-current liabilities	77	89
Deferred taxes	38	38
Non-current liabilities	**2,504**	**2,547**
Other current provisions	352	424
Trade payables	486	552
Current derivative liabilities	26	16
Other current financial liabilities	94	146
Current income tax liabilities	52	71
Other current liabilities	109	114
Current liabilities	**1,119**	**1,323**
Total equity and liabilities	**5,068**	**5,580**

LANXESS GROUP **INCOME STATEMENT**

€ million	Q3 2009	Q3 2010	9M 2009	9M 2010
Sales	**1,373**	**1,847**	**3,665**	**5,288**
Cost of sales	(1,050)	(1,387)	(2,884)	(3,960)
Gross profit	**323**	**460**	**781**	**1,328**
Selling expenses	(135)	(166)	(386)	(470)
Research and development expenses	(26)	(34)	(75)	(89)
General administration expenses	(57)	(70)	(171)	(197)
Other operating income	56	46	181	138
Other operating expenses	(97)	(67)	(224)	(181)
Operating result (EBIT)	**64**	**169**	**106**	**529**
Income from investments accounted for using the equity method	7	11	12	23
Interest income	4	2	14	8
Interest expense	(25)	(27)	(63)	(73)
Other financial income and expense	(18)	(10)	(36)	(26)
Financial result	**(32)**	**(24)**	**(73)**	**(68)**
Income before income taxes	**32**	**145**	**33**	**461**
Income taxes	(9)	(26)	(7)	(106)
Income after income taxes	**23**	**119**	**26**	**355**
of which attributable to non-controlling interests	0	1	0	2
of which attributable to LANXESS AG stockholders (net income)	23	118	26	353
Earnings per share in € (undiluted/diluted)	**0.28**	**1.42**	**0.31**	**4.24**

LANXESS GROUP **STATEMENT OF COMPREHENSIVE INCOME**

€ million	Q3 2009	Q3 2010	9M 2009	9M 2010
Income after income taxes	**23**	**119**	**26**	**355**
Actuarial gains/losses and effects of the asset ceiling relating to defined-benefit plans	(26)	(36)	(87)	(130)
Exchange differences on translation of operations outside the eurozone	22	(74)	94	71
Financial instruments	32	82	94	(37)
Income taxes on other comprehensive income	(2)	(5)	0	48
Other comprehensive income, net of income tax	**26**	**(33)**	**101**	**(48)**
Total comprehensive income	**49**	**86**	**127**	**307**
of which attributable to non-controlling interests	0	1	0	2
of which attributable to LANXESS AG stockholders	49	85	127	305

LANXESS GROUP **STATEMENT OF CHANGES IN EQUITY**

€ million	Capital stock	Capital reserves	Other reserves	Net income	Other equity components		Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
Dec. 31, 2008	**83**	**806**	**762**	**183**	**(467)**	**(44)**	**1,323**	**16**	**1,339**
Allocation to retained earnings			183	(183)			0		0
Dividend payments			(42)				(42)		(42)
Total comprehensive income			(61)	26	94	68	127		127
Sep. 30, 2009	**83**	**806**	**842**	**26**	**(373)**	**24**	**1,408**	**16**	**1,424**
Dec. 31, 2009	**83**	**806**	**818**	**40**	**(340)**	**25**	**1,432**	**13**	**1,445**
Allocation to retained earnings			40	(40)			0		0
Dividend payments			(42)				(42)		(42)
Total comprehensive income			(91)	353	71	(28)	305	2	307
Sep. 30, 2010	**83**	**806**	**725**	**353**	**(269)**	**(3)**	**1,695**	**15**	**1,710**

LANXESS GROUP **STATEMENT OF CASH FLOWS**

€ million	9M 2009	9M 2010
Income before income taxes	**33**	**461**
Depreciation and amortization	194	204
Gains on disposals of intangible assets and property, plant and equipment	(18)	0
Income from investments accounted for using the equity method	(12)	(23)
Financial losses	49	65
Income taxes paid/refunded	53	(76)
Changes in inventories	248	(222)
Changes in trade receivables	(2)	(185)
Changes in trade payables	(59)	55
Changes in other assets and liabilities	(54)	(12)
Net cash provided by operating activities	**432**	**267**
Cash outflows for purchases of intangible assets, property, plant and equipment	(161)	(206)
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(87)	0
Cash inflows from sales of intangible assets, property, plant and equipment	24	3
Cash outflows for/cash inflows from financial assets	(462)	69
Interest and dividends received	35	15
Net cash used in investing activities	**(651)**	**(119)**
Proceeds from borrowings	981	77
Repayments of borrowings	(481)	(147)
Interest paid and other financial disbursements	(43)	(89)
Dividend payments	(42)	(42)
Net cash provided by (used in) financing activities	**415**	**(201)**
Change in cash and cash equivalents from business activities	**196**	**(53)**
Cash and cash equivalents as of January 1	249	313
Other changes in cash and cash equivalents	11	4
Cash and cash equivalents as of September 30	**456**	**264**

SEGMENT AND REGION DATA

KEY DATA BY SEGMENT

Third Quarter

€ million	Performance Polymers		Advanced Intermediates	
	Q3 2009	Q3 2010	Q3 2009	Q3 2010
External sales	656	986	284	336
Inter-segment sales	11	8	13	12
Segment/Group sales	667	994	297	348
Segment result/EBITDA pre exceptionals	76	144	40	55
EBITDA margin pre exceptionals (%)	11.6	14.6	14.1	16.4
EBITDA	66	143	35	55
Operating result (EBIT) pre exceptionals	42	108	27	41
Operating result (EBIT)	32	107	22	41
Additions to intangible assets, property, plant and equipment	25	54	18	25
Depreciation and amortization	34	36	13	14

First Nine Months

€ million	Performance Polymers		Advanced Intermediates	
	9M 2009	9M 2010	9M 2009	9M 2010
External sales	1,663	2,772	827	980
Inter-segment sales	26	26	29	34
Segment/Group sales	1,689	2,798	856	1,014
Segment result/EBITDA pre exceptionals	136	459	124	159
EBITDA margin pre exceptionals (%)	8.2	16.6	15.0	16.2
EBITDA	125	456	119	159
Operating result (EBIT) pre exceptionals	37	351	89	118
Operating result (EBIT)	26	348	84	118
Additions to intangible assets, property, plant and equipment	119	106	49	63
Depreciation and amortization	99	108	35	41
Employees as of September 30 (previous year: as of Dec. 31)	4,375	4,357	2,858	2,805

KEY DATA BY REGION

Third Quarter

€ million	EMEA (excluding Germany)		Germany	
	Q3 2009	Q3 2010	Q3 2009	Q3 2010
Sales by market	407	503	279	340
Proportion of Group sales (%)	29.7	27.2	20.3	18.4

First Nine Months

€ million	EMEA (excluding Germany)		Germany	
	9M 2009	9M 2010	9M 2009	9M 2010
Sales by market	1,154	1,518	780	973
Proportion of Group sales (%)	31.5	28.7	21.3	18.4
Employees as of September 30 (previous year: as of Dec. 31)	2,625	2,615	7,626	7,581

Performance Chemicals		Reconciliation		LANXESS	
Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010
425	515	8	10	1,373	1,847
2	2	(26)	(22)	0	0
427	517	(18)	(12)	1,373	1,847
67	83	(40)	(38)	143	244
15.8	16.1			10.4	13.2
62	83	(33)	(43)	130	238
51	67	(43)	(41)	77	175
46	67	(36)	(46)	64	169
19	25	2	4	64	108
16	16	3	3	66	69

Performance Chemicals		Reconciliation		LANXESS	
9M 2009	9M 2010	9M 2009	9M 2010	9M 2009	9M 2010
1,148	1,507	27	29	3,665	5,288
8	6	(63)	(66)	0	0
1,156	1,513	(36)	(37)	3,665	5,288
150	245	(89)	(117)	321	746
13.1	16.3			8.8	14.1
145	245	(89)	(127)	300	733
101	196	(97)	(123)	130	542
96	196	(100)	(133)	106	529
51	57	6	8	225	234
49	49	11	6	194	204
4,675	4,832	2,430	2,545	14,338	14,539

North America		Latin America		Asia-Pacific		LANXESS	
Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010
203	325	146	271	338	408	1,373	1,847
14.8	17.6	10.6	14.7	24.6	22.1	100.0	100.0

North America		Latin America		Asia-Pacific		LANXESS	
9M 2009	9M 2010	9M 2009	9M 2010	9M 2009	9M 2010	9M 2009	9M 2010
569	887	344	712	818	1,198	3,665	5,288
15.5	16.8	9.4	13.5	22.3	22.6	100.0	100.0
1,261	1,304	1,152	1,176	1,674	1,863	14,338	14,539

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2010

RECOGNITION AND VALUATION PRINCIPLES

The unaudited, condensed consolidated interim financial statements as of September 30, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Accounting Standards Board (IASB) applicable to interim financial reporting, required to be applied in the European Union. The standards and interpretations already mandatory as of January 1, 2010 were observed in preparing the interim financial statements.

In compliance with IAS 34, the company opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2009, particularly with respect to the recognition and valuation principles applied.

SCOPE OF CONSOLIDATION

The consolidated financial statements of the LANXESS Group include the parent company LANXESS AG along with all of its material domestic and foreign subsidiaries.

Last year's acquisitions of the chemical businesses and production facilities of the Indian listed company Gwalior Chemical Industries Ltd. (Gwalior), headquartered in Mumbai, and Jiangsu Polyols Chemical Co. Ltd., Liyang, China, were consolidated for the first time as of September 1, 2009. The purchase price allocations undertaken at that time were provisional and could have been adjusted within one year after the acquisition date to reflect new information or findings. Details of the purchase price allocations and the effects of the acquisitions on the LANXESS Group's consolidated statement of financial position are provided in the section entitled "Companies Consolidated" in the notes to the consolidated financial statements as of December 31, 2009. The purchase price allocations shown there did not change and therefore are now final.

The condensed consolidated interim financial statements of the LANXESS Group as of September 30, 2010 include 59 fully consolidated companies. The 40% stake in CURRENTA GmbH & Co. OHG, Leverkusen, and the 25% stake in Anhui Tongfeng Shengda Chemicals Company Limited, Tongling, China, are accounted for using the equity method. The 50% stake in LANXESS-TSRC (Nantong) Chemical Industrial Company Ltd., Nantong, China, which was established on May 7, 2010, is also accounted for using the equity method.

EARNINGS PER SHARE

Computation of earnings per share for the third quarters and first-nine-months periods of 2009 and 2010 was based on the weighted average numbers of shares outstanding as of the respective closing dates. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2009.

Earnings per Share

	Q3 2009	Q3 2010	Change %	9M 2009	9M 2010	Change %
Net income (€ million)	23	118	>100	26	353	>100
No. of outstanding shares	83,202,670	83,192,940[1)]	0.0	83,202,670	83,197,009[1)]	0.0
Earnings per share in € (undiluted/diluted)	**0.28**	**1.42**	**>100**	**0.31**	**4.24**	**>100**

1) The difference between this figure and the capital stock of €83,202,670 results from the weighted inclusion of a temporary holding of the company's own shares.

DIVIDEND FOR FISCAL 2009

Pursuant to the resolution of the Annual Stockholders' Meeting on May 28, 2010, the sum of €42 million out of the distributable profit of €106 million reported in the annual financial statements of LANXESS AG as of December 31, 2009 was paid out to the stockholders on May 29, 2010. The dividend per eligible no-par share was €0.50. The remaining amount of €64 million was carried forward to new account.

NOTES TO THE SEGMENT REPORTING

The reconciliation of EBITDA pre exceptionals to income before income taxes is presented in the following table:

Reconciliation of Segment Result

€ million	Q3 2009	Q3 2010	9M 2009	9M 2010
Total of segment results	**183**	**282**	**410**	**863**
Other/Consolidation	(40)	(38)	(89)	(117)
Exceptional items in EBITDA	(13)	(6)	(21)	(13)
Depreciation and amortization	(66)	(69)	(194)	(204)
Financial result	(32)	(24)	(73)	(68)
Income before income taxes	**32**	**145**	**33**	**461**

RELATED PARTIES

In the course of its operations, the LANXESS Group sources materials, inventories and services from a large number of business partners worldwide. These include companies in which LANXESS AG has a direct or indirect interest. Transactions with these companies are carried out on an arm's-length basis.

Transactions in the first nine months of 2010 with associated companies accounted for in the consolidated financial statements using the equity method, or subsidiaries of such companies, mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €299 million (9M 2009: €264 million). Trade payables of €85 million existed as of September 30, 2010 (December 31, 2009: €40 million) as a result of these transactions.

No material business transactions were undertaken with other associated companies or individuals. As in the previous year, no loans were granted to members of the Board of Management or the Supervisory Board in the first nine months of 2010.

SUPERVISORY BOARD

The following individuals were elected at the Annual Stockholders' Meeting held on May 28, 2010 to serve as stockholder representatives on the LANXESS Supervisory Board:

- Dr. Rolf Stomberg (Chairman of the Supervisory Board)
- Dr. Friedrich Janssen
- Robert J. Koehler
- Rainer Laufs
- Prof. h.c. (CHN) Dr. Ulrich Middelmann
- Theo H. Walthie

The employee representatives on the LANXESS AG Supervisory Board are:

- Ulrich Freese (Vice Chairman of the Supervisory Board)
- Axel Berndt
- Wolfgang Blossey
- Dr. Rudolf Fauss
- Hans-Jürgen Schicker
- Gisela Seidel

The term of office of the above-named Supervisory Board members runs until the end of the Annual Stockholders' Meeting that resolves on the ratification of their actions with respect to the 2014 fiscal year.

EMPLOYEES

The LANXESS Group had 14,539 employees as of September 30, 2010, which was 201 more than on December 31, 2009 (14,338).

The number of employees in the EMEA region (excluding Germany) declined by 10 to 2,615. In Germany, headcount dropped by 45 to 7,581. The number of employees in North America increased from 1,261 as of December 31, 2009, to 1,304. In Latin America, the LANXESS Group had a total of 1,176 employees as of September 30, 2010, which was 24 more than on December 31, 2009. The number of employees in the Asia-Pacific region increased from 1,674 to 1,863. This was mainly due to the commissioning of the new facility in Jhagadia, India, and the capital expenditure projects in China and Singapore.

FINANCIAL CALENDAR 2011

MARCH 17
Publication of results for fiscal 2010

MAY 11
Interim Report Q1 2011

MAY 18
Annual Stockholders' Meeting 2011

AUGUST 11
Interim Report H1 2011

NOVEMBER 10
Interim Report Q3 2011

FEEDBACK

CONTACT US.

PLEASE DO NOT HESITATE TO CONTACT US
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