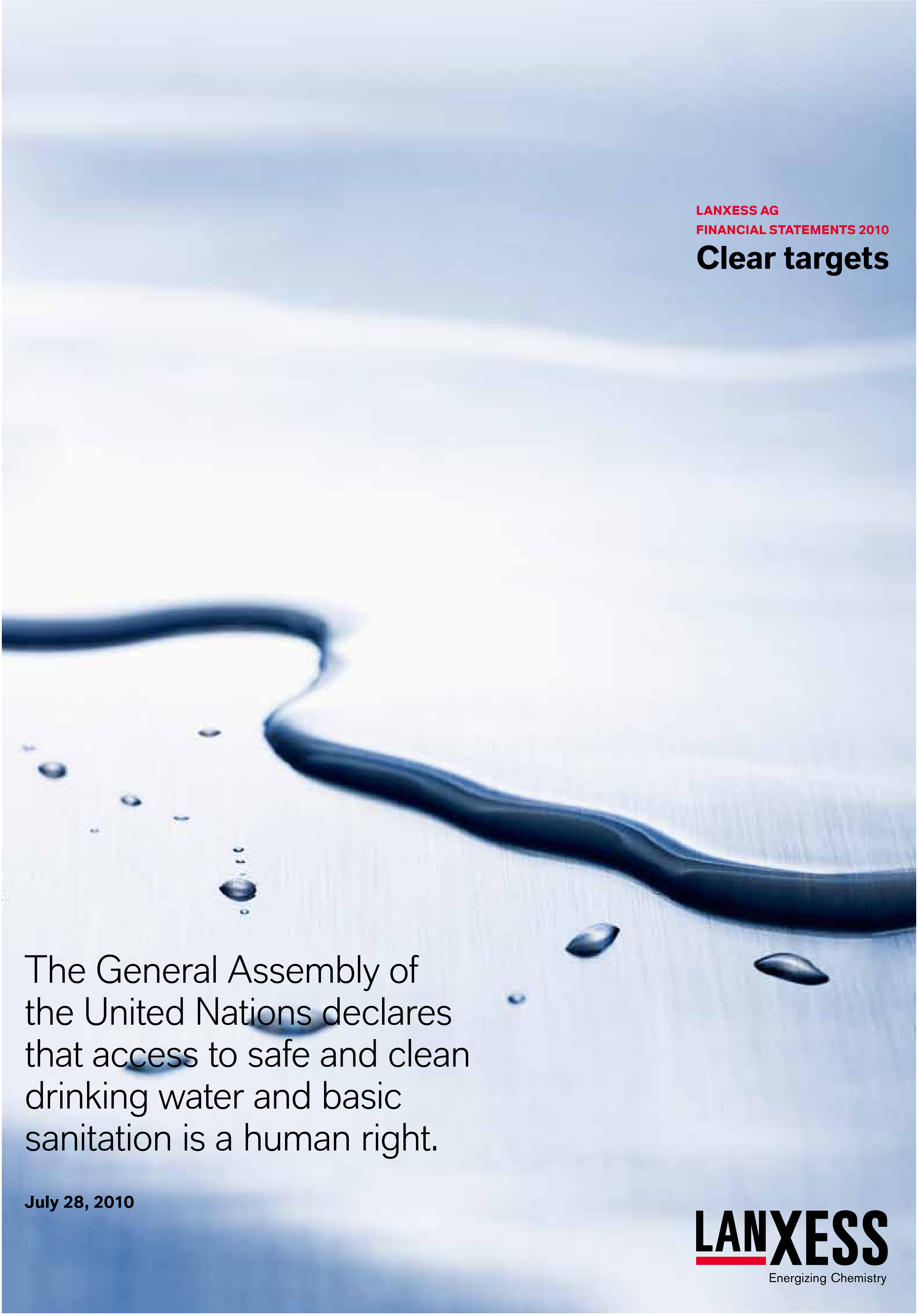

LANXESS AG

FINANCIAL STATEMENTS 2010

Clear targets

The General Assembly of the United Nations declares that access to safe and clean drinking water and basic sanitation is a human right.

July 28, 2010

LANXESS

Energizing Chemistry

LANXESS AG, LEVERKUSEN

INCOME STATEMENT
LANXESS AG

€ thousand	Note	2009	2010
Sales	(1)	**2,539**	**4,027**
Cost of sales	(2)	(2,539)	(4,027)
Gross profit		**0**	**0**
General administration expenses		(30,949)	(50,309)
Other operating income		440	7
Other operating expenses		(1,755)	(1,748)
Operating result		**(32,264)**	**(52,050)**
Income from investments in affiliated companies		117,535	190,528
Expenses for loss transfer from affiliated companies		(25)	(49)
Income from other securities and loans included in financial assets		178	129
Net interest expense	(3)	(37,363)	(29,636)
Write-downs of financial assets and marketable securities		(2,221)	(715)
Other financial income and expenses – net	(4)	(23,991)	(22,412)
Financial result		**54,113**	**137,845**
Income before income taxes		**21,849**	**85,795**
Extraordinary income		0	694
Income taxes	(5)	28,972	(8,119)
Net income		**50,821**	**78,370**
Carryforward to new account	(14)	55,330	64,550
Allocation to retained earnings	(14)	0	(39,185)
Distributable profit		**106,151**	**103,735**

STATEMENT OF FINANCIAL POSITION
LANXESS AG

€ thousand	Note	Dec. 31, 2009	Dec. 31, 2010
ASSETS			
Non-current assets	(9)		
Intangible assets			
Acquired concessions, industrial property rights, similar rights and assets, and licenses thereunder		4	9
Property, plant and equipment			
Furniture, fixtures and other equipment		86	83
Financial assets			
Investments in affiliated companies	(10)	738,864	738,864
Other loans	(11)	17,678	17,804
		756,632	**756,760**
Current assets			
Receivables and other assets			
Receivables from affiliated companies	(12)	970,104	1,161,543
Other assets	(13)	50,250	89,936
		1,020,354	**1,251,479**
Securities		**322,827**	**107,031**
Liquid assets		**187,677**	**46,646**
		1,530,858	**1,405,156**
Prepaid expenses		**1,008**	**17,820**
Total assets		**2,288,498**	**2,179,736**
EQUITY AND LIABILITIES			
Equity	(14)		
Capital stock (conditional capital €42,310 thousand)		83,203	83,203
Capital reserves		806,195	806,195
Other retained earnings		141,420	180,605
Distributable profit		106,151	103,735
		1,136,969	**1,173,738**
Provisions			
Provisions for pensions and other post-employment benefits	(15)	27,554	28,852
Tax provisions		2,008	2,008
Other provisions	(16)	34,689	56,581
		64,251	**87,441**
Liabilities			
Liabilities to banks	(17)	235,884	100,676
Trade payables	(18)	1,914	1,509
Payables to affiliated companies	(19)	834,465	806,450
Other liabilities	(20)	15,015	9,922
		1,087,278	**918,557**
Total equity and liabilities		**2,288,498**	**2,179,736**
Contingent liabilities from guarantees	(22)	1,172,006	1,233,060

NOTES TO THE FINANCIAL STATEMENTS OF LANXESS AKTIENGESELLSCHAFT, LEVERKUSEN

FOR FISCAL 2010

GENERAL

The Board of Management and Supervisory Board have issued a Declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code. This declaration has been made available to the stockholders and the English version is permanently posted at www.lanxess.com, Investor Relations, Corporate Governance.

PRESENTATION

The financial statements of LANXESS AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act that are applicable to large stock corporations.

Where the German Accounting Law Modernization Act (BilMoG), which came into force on May 29, 2009, has resulted in changes in the presentation and/or valuation of items in the statement of financial position, the prior-year figures have not been restated. The prior-year figures for some income statement items have been restated as mentioned in the notes to the respective items. First-time application of the German Accounting Law Modernization Act and the relevant transitional provisions did not result in any amounts that had to be recognized outside profit or loss by transferring them to or offsetting them against other retained earnings. The effects of the introduction of the German Accounting Law Modernization Act are reflected in the extraordinary result.

To enhance clarity, certain items in the income statement and the statement of financial position are combined and are explained in the Notes.

The income statement is drawn up using the cost-of-sales method.

Financial income and expenses whose disclosure is not covered by a mandatory item are reflected in other financial income or expenses.

As the primary parent company of the LANXESS Group, LANXESS AG has prepared consolidated financial statements as of December 31, 2010 in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Intangible assets that have been acquired are recognized at cost and amortized on a straight-line basis over their estimated useful lives. Self-created intangible assets are not capitalized.

Property, plant and equipment is carried at the cost of acquisition. Assets subject to depletion are depreciated. Write-downs are made for any declines in value that go beyond the depletion reflected in depreciation and are expected to be permanent. Additions made in the reporting year are depreciated using the straight-line method. Low-value assets costing up to €150.00 are recognized as expense in the year of acquisition. Low-value assets costing between €150.00 and €1,000.00 are combined in a collective item and depreciated over five years using the straight-line method.

Useful Lives of Intangible Assets, Property, Plant and Equipment

Software licenses	3 to 4 years
Computer equipment	3 to 4 years
Furniture and fixtures	4 to 10 years

Investments in affiliated companies are recognized at cost of acquisition.

Cash has been deposited in a fiduciary account to meet the obligations relating to the “demographic change fund” for employees defined in the collective bargaining agreement for the German chemical industry. This cash deposit is administered on behalf of LANXESS AG by the fiduciary agent Deutsche Treuinvest Stiftung and is ringfenced against other creditors’ claims. It is recognized at fair value and offset against the corresponding obligations.

Loans receivable that are interest-free or bear low rates of interest are carried at present value; other loans receivable are carried at nominal value.

Receivables and other assets are stated at nominal value, less any necessary write-downs. The amounts of such write-downs reflect the probability of default.

Deferred taxes are calculated for temporary differences between commercial accounts and tax accounts as regards the valuations of assets, liabilities and deferred items. As the primary company of the LANXESS Group's fiscal entity in Germany, LANXESS AG therefore has to recognize temporary differences relating both to its own financial statements and to those of companies with which it forms a fiscal entity. In addition to temporary differences, tax loss carryforwards are also accounted for. Deferred taxes are based on the aggregate income tax rate for all companies in the LANXESS fiscal entity, which is currently 31.2%. The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge. Any resulting tax liability would be recognized as a deferred tax liability in the statement of financial position. The option of capitalizing tax refunds is not utilized. In 2010 there was a net surplus of deferred tax assets, which is not recognized.

Provisions for pensions and other post-employment benefits are computed actuarially by the projected unit credit method on the basis of biometric probability using the Heubeck 2005 G mortality tables. Expected future salary and pension increases are taken into account. The current assumption is for annual salary increases of 2.625% (2009: 2.625%) and annual pension increases of 1.25% (2009: 1.25%). The discount rate used is 5.15% (2009: 5.00%) for pensions, 4.36% (2009: 4.25%) for early retirement benefits, 4.07% (2009: 4.25%) for phased early retirement programs, and 5.15% (2009: 4.75%) for miscellaneous post-employment benefits. The interest rates used to discount pension and other post-employment benefit obligations to December 31, 2010 are the average market interest rate for the past seven years for an assumed residual maturity as calculated and published by the German Bundesbank. The assumed residual maturity is 15 years for pensions and other post-employment benefits, five years for early retirement benefits and three years for phased early retirement programs. In the previous year, the discount rates were based on the expected return on fixed-income securities with the same maturities.

The other provisions are established to cover all foreseeable risks and uncertain liabilities, based on reasonable estimates of the future settlement amount of such commitments. Future price and cost increases are taken into account if there are sufficient objective indications that they will occur. Provisions due in more than one year are discounted over their remaining terms using the average market interest rate for the past seven fiscal years.

Liabilities are reflected at their settlement amounts.

Contingent liabilities arising from sureties and guarantees in respect of third-party liabilities are shown at the amounts equivalent to the loans or commitments actually outstanding to the beneficiary on the closing date.

Income and expenses are accrued in the fiscal year.

Foreign currency receivables and payables, forward currency contracts and other currency derivatives are valued using the limited mark-to-market method. Foreign currency receivables and payables are valued at spot rates, while currency derivatives contracts concluded to hedge them are valued at the forward market rates on the closing date. Valuation gains and losses are offset against one another. Provisions for impending losses are established with respect to any excess of losses over gains. Gains are only recognized if they relate to receivables and payables due within one year. Foreign currency cash and cash equivalents and balances with banks are translated at the average exchange rates prevailing on the closing date.

NOTES TO THE INCOME STATEMENT

1 Sales Sales revenues totaled €4,027 thousand (2009: €2,539 thousand) and related entirely to services provided to LANXESS Deutschland GmbH in Germany on the basis of a service agreement (as of July 1, 2006).

2 Cost of sales The cost of sales totaling €4,027 thousand (2009: €2,539 thousand) comprised expenses relating to the services provided. These were mainly personnel and general administration expenses.

3 Net interest expense For the first time, this item contained expenses for the interest portion of pensions and other long-term personnel-related provisions. In the previous year, expenses for the interest portion of pension provisions and other long-term personnel-related provisions were recorded under other financial expenses. This expense now has to be stated separately in interest expense to comply with the changes implemented by the German Accounting Law Modernization Act (Section 277 Paragraph 5 Sentence 1 of the German Commercial Code). This results in a restatement of the previous year's interest income/expense and of other financial income and expenses (see Note 4).

€ thousand	2009	2010
Other interest and similar income		
from third parties	9,133	3,756
from affiliated companies	6,275	18,998
	15,408	**22,754**
Interest and similar expenses		
to third parties	21,335	10,732
for the interest portion of provisions for pensions and other non-current personnel-related provisions	1,359	1,456
to affiliated companies	30,077	40,202
	52,771	**52,390**
Net interest expense	**(37,363)**	**(29,636)**

4 Other financial income (expenses) – net

€ thousand	2009	2010
Other financial expenses		
Expenses for forward commodity contracts	28,991	12,157
Exchange losses	285,436	741,318
Miscellaneous financial expenses	36,088	19,885
	350,515	**773,360**
Other financial income		
Income from forward commodity contracts	28,991	12,157
Exchange gains	295,970	736,360
Miscellaneous financial income	1,563	2,431
	326,524	**750,948**
	(23,991)	**(22,412)**

The miscellaneous financial expenses mainly related to early repayments of loans and to guarantees provided by affiliated companies. Miscellaneous financial income consisted mainly of guarantee commission payments received from affiliated companies.

5 Income taxes The tax expense of €8,119 thousand in 2010 (2009: income of €28,972 thousand) is the aggregate of the tax expense of €12,347 thousand for 2010 and tax income of €4,228 thousand in respect of previous years.

Tax expense does not include deferred taxes. As of December 31, 2010, LANXESS AG expected to receive a future tax benefit of €27,499 thousand resulting from temporary accounting differences, both in its own financial statements and those of companies with which it forms a fiscal entity for tax purposes. This amount was calculated on the basis of a combined income tax rate of 31.2% (LANXESS AG and companies with which it has profit and loss transfer agreements).

Deferred tax liabilities mainly relate to differences in valuations of property, plant and equipment and equity interests in stock corporations. A deferred tax asset is recognized as a result of the higher pension obligations recognized in the commercial than in the tax accounts. Other deferred tax assets relate to provisions that are not tax-deductible, for example, provisions for impending losses and pre-retirement leave, and valuation differences, for example, between provisions for phased early retirement and for other operating expenses.

6 Personnel expenses

€ thousand	2009	2010
Wages and salaries	18,088	35,233
Social expenses and expenses for pensions and other benefits	2,583	1,114
of which for pensions	[1,970]	[492]
	20,671	**36,347**

The interest portion of personnel-related provisions, especially provisions for pensions, is recognized not in personnel expenses but in interest expense.

7 Number of employees

	Dec. 31, 2009	Average 2010	Dec. 31, 2010
General administration	125	126	127

8 Audit fees All fees for the services of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft are published in the notes to the consolidated financial statements of the LANXESS Group.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

9 Non-current assets A breakdown of non-current assets and the changes in them during the year is shown in the statement of changes in non-current assets.

10 Shareholdings pursuant to Section 285 Paragraph 11 of the German Commercial Code A list of shareholdings is included as an annex to these notes.

11 Other loans The other loans almost entirely comprised the pro-rata trust assets of LANXESS Pension Trust e.V. (LXS Trust). LANXESS AG transferred cash amounting to €17,802 thousand to LXS Trust in several tranches in previous years under a contractual trust arrangement (CTA) to secure pension obligations.

The current income and expenses of LXS Trust are retained. A result of €126 thousand (2010: negative result of €536 thousand) was recorded on these assets in 2010. The fair value of the assets of LXS Trust exceeded their carrying amount at year end.

On December 20, 2010, a cash payment of €24 thousand was deposited with Deutsche Treuinvest Stiftung to meet the obligations relating to the "demographic change fund" for employees established by the collective bargaining agreement for the German chemical industry. The payment corresponded to its fair value as of December 31, 2010 and to the fair value of the obligations under the "demographic change fund" amounting to €24 thousand. The carrying amounts of the fiduciary assets and the obligations recognized under other provisions have been netted. No income or expenses resulted for the year.

12 Receivables from affiliated companies Receivables from affiliated companies totaling €1,161,543 thousand (2009: €970,104 thousand) relate to short-term loans receivable, including accrued interest, receivables from financial transactions and receivables under profit and loss transfer agreements. Trade receivables of €1,686 thousand related to the service agreement outlined in Note 1.

All receivables are due within one year.

13 Other assets Other assets comprised the following:

€ thousand	2009	2010
Tax receivables		
from sales taxes	15,970	21,307
from claims for tax refunds	22,947	62,167
Option premiums paid	11,264	5,894
Miscellaneous assets	69	568
	50,250	**89,936**

The other assets are all due in 2011.

A legal claim to tax refunds only arises when the tax declaration is submitted. Claims with respect to previous years resulting from tax audits arise when the revised tax declarations for the respective years are submitted.

14 Equity Changes in equity in 2010 were as follows:

€ thousand	Dec. 31, 2009	Withdrawal from	Allocation to	Dividend	Net income	Dec. 31, 2010
Capital stock	83,203	0	0	0	0	83,203
Capital reserves	806,195	0	0	0	0	806,195
Other retained earnings	141,420	0	39,185	0	0	180,605
Distributable profit	106,151	(39,185)	0	(41,601)	78,370	103,735
	1,136,969	**(39,185)**	**39,185**	**(41,601)**	**78,370**	**1,173,738**

The capital stock is divided into 83,202,670 no-par bearer shares.

The Annual Stockholders' Meeting on May 28, 2010, resolved to utilize the distributable profit for 2009, amounting to €106,151 thousand, as follows:

- to pay a dividend totaling €41,601 thousand (€0.50 per no-par share entitled to the dividend)
- to carry forward €64,550 thousand to new account.

Conditional Capital I and II

On May 31, 2007, the Annual Stockholders' Meeting of LANXESS AG twice authorized the Board of Management to issue, on one or more occasions through May 31, 2012, convertible bonds and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments), made out to the bearer or registered, with or without limited maturity, up to a total par value of €500,000,000 in either case, and to grant the bearers or creditors of such bonds conversion or option rights to no-par bearer shares of the company up to a total value of €21,155,167 of the capital stock. As stated in Section 4 Paragraphs 4 and 5 of the articles of association of LANXESS AG, the capital stock of LANXESS AG has been increased conditionally up to the sum of €21,155,167 in each case in connection with these authorizations (Conditional Capital I and II). Each conditional capital increase serves the purpose of granting no-par bearer shares to the holders or creditors of convertible and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments). The only difference between the two authorizations to issue convertible and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments) in connection with the creation of conditional capital is the amount of the conversion or option price. Otherwise they are identical in content. The Board of Management will utilize just one of the two authorizations. When issuing the convertible and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments), the Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of stockholders in the following cases:

- for residual amounts resulting from the subscription ratio;
- with issues against cash contributions, if the issue price is not significantly lower than the theoretical market value of the convertible and/or warrant bonds or mandatory convertible bonds, as determined using accepted pricing models. If bonds are issued by application of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act, the issued shares may not exceed 10% of the capital stock either at the time this authorization takes effect or at the time it is utilized;
- if the profit-participation rights or income bonds are vested with bond-like characteristics;
- if bonds are issued against contributions in kind for the purpose of acquiring companies, parts of companies, or equity interests in companies and the value of the contribution in kind adequately reflects the value of the bond; and
- to the extent necessary to grant no-par bearer shares of the company to the holders of conversion or subscription rights or to grant subscription rights to the creditors of mandatory convertible bonds in the quantities to which such parties would be entitled upon the exercise of the conversion or subscription rights or the conversion of the mandatory bond.

Authorized Capital I and II

Pursuant to Section 4 Paragraph 2 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 7, 2009 resolved to authorize the Board of Management, with the approval of the Supervisory Board, to increase the company's capital stock on one or more occasions through May 6, 2014 by issuing new no-par shares against cash or contributions in kind up to a total amount of €16,640,534 (Authorized Capital I). Stockholders are generally entitled to subscription rights when Authorized Capital is utilized. With the approval of the Supervisory Board, subscription rights can be excluded for residual amounts and in order to grant holders of warrants or convertible bonds issued by the company and its affiliates subscription rights to the number of new shares for which such parties would be entitled to subscribe upon exercise of their conversion or option rights. Moreover, subscription rights can be excluded with the approval of the Supervisory Board when the company's capital stock is increased against contributions in kind, particularly for the acquisition of companies. Subscription rights can also be excluded with the approval of the Supervisory Board in order to grant holders of convertible and/or warrant bonds issued by the company or its affiliates new shares upon exercise of their rights. Finally, subscription rights can also be excluded with the approval of the Supervisory Board if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is fixed and the issued shares do not exceed 10% of the company's capital stock. Additional details are provided in Section 4 Paragraph 2 of the articles of association.

In addition, pursuant to Section 4 Paragraph 3 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 28, 2010 resolved to authorize the Board of Management, with the approval of the Supervisory Board, to increase the company's capital stock on one or more occasions through May 27, 2015 by issuing new no-par shares against cash or contributions in kind up to a total amount of €16,640,534 (Authorized Capital II). Stockholders are generally entitled to subscription rights when Authorized Capital is utilized. With the approval of the Supervisory Board, subscription rights can be excluded for residual amounts and in order to grant holders of warrants or convertible bonds issued by the company and its affiliates subscription rights to the number of new shares for which such parties would be entitled to subscribe upon exercise of their conversion or option rights. Moreover, subscription rights can be excluded with the approval of the Supervisory Board when the company's capital stock is increased against contributions in kind, particularly for the acquisition of companies. Subscription rights can also be excluded with the approval of the Supervisory Board in order to grant holders of convertible and/or warrant bonds issued by the company or its affiliates new shares upon exercise of their rights. Finally, subscription rights can also be excluded with the approval of the Supervisory Board if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is fixed and the issued shares do not exceed 10% of the company's capital stock. Additional details are provided in Section 4 Paragraph 3 of the articles of association.

15 Provisions for pensions and other post-employment benefits Pension provisions relate to pension obligations for present and former employees and commitments under early retirement programs.

16 Other provisions The other provisions are established for vacation and overtime credits, the phased early retirement program, long-service anniversaries, bonuses, performance-related remuneration plans (LTIP, LTPB) for employees and other uncertain liabilities. Other uncertain liabilities mainly comprised the expected cost of the Annual Stockholders' Meeting for fiscal 2010 and both the performance-related and fixed components of the remuneration of the Supervisory Board.

The long-term, performance-based components of the compensation system are the Long Term Incentive Program (LTIP) and the Long Term Performance Bonus (LTPB).

The LTIP comprises three annual tranches for the years 2005 through 2007 and 2008 through 2010, and four annual tranches for the years 2010 to 2013.

The LTIP for the years 2005 to 2007 comprised the Stock Performance Plan (SP) and the Economic Value Plan (EVP). Payments have been made under the 2005 through 2007 tranches of the LTIP since 2008.

The SP is linked to the performance of LANXESS stock against a reference index, the Dow Jones STOXX 600 Chemicals[SM], and provides for a cash payment. The fair value of the commitments under this plan was calculated using a Monte Carlo simulation. This simulates the future returns on the stock and the reference index and determines the value of the rights on the basis of the expected payment. A two-dimensional normal distribution of returns is assumed. The expected volatility is based on the historical volatility of LANXESS stock and the Dow Jones STOXX 600 Chemicals[SM] index.

The EVP is an incentive oriented toward an increase in the economic value of LANXESS. The reference base for the remaining tranche is the business plan for 2005 through 2007.

The requirement for participation in the LTIP in 2005 through 2007 was a prior personal investment in LANXESS AG shares, which were subject to a lock-up period ending on January 31, 2010.

The LTIP for the years 2008 through 2010 comprises a virtual Stock Performance Plan only. Participation in the LTIP is contingent upon a personal investment in LANXESS AG shares, which must be held until January 31, 2013. Each tranche runs for a total of six years, comprising a three-year lock-up period and a three-year exercise period.

The LTIP for the years 2010 through 2013 is also comprised exclusively of a virtual Stock Performance Plan. Participation in the LTIP is contingent upon a personal investment in LANXESS AG shares, which must be held until January 31, 2017. Each tranche runs for a total of seven years, comprising a four-year lock-up period and a three-year exercise period.

The LTPB rewards the financial development of the Group based on business performance in two consecutive years. The bonus payment is a percentage of base salary. The first payments could be made in spring 2012 based on the company's performance in fiscal 2010 and 2011.

17 Liabilities to banks Of the liabilities to banks totaling €100,676 thousand (2009: €235,884 thousand), €20,676 thousand are due within one year. Liabilities of €30,000 have maturities of more than five years.

18 Trade payables All trade payables are to third parties and are due within one year.

19 Payables to affiliated companies Payables to affiliated companies amounting to €806,450 thousand (2009: €834,465 thousand) mainly comprise loans, including accrued interest, and liabilities relating to financial transactions.

Of these payables, an amount of €311,170 thousand is due within one year.

20 Other liabilities

€ thousand	2009	2010
Option premiums received	11,264	5,894
Tax liabilities	398	476
Liabilities for social expenses	310	891
Miscellaneous liabilities	3,043	2,661
	15,015	**9,922**
Amount due within one year	15,015	9,922

21 Further information on liabilities The residual maturities of liabilities are as follows:

Liabilities by Maturity

€ thousand	Dec. 31, 2009			Dec. 31, 2010		
	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Up to 1 year	More than 1 and up to 5 years	More than 5 years
Liabilities to banks	5,884	180,000	50,000	20,676	50,000	30,000
Trade payables	1,914	0	0	1,509	0	0
Payables to affiliated companies	339,185	495,280	0	311,170	495,280	0
Other liabilities	15,015	0	0	9,922	0	0
	361,998	**675,280**	**50,000**	**343,277**	**545,280**	**30,000**

22 Contingent liabilities Under the master agreement that was concluded between Bayer AG and LANXESS AG together with the Spin-Off and Takeover Agreement, Bayer AG and LANXESS AG agreed, among other things, on commitments regarding mutual indemnification for liabilities in line with the respective asset allocation and on special arrangements allocating responsibility to deal with claims in the areas of product liability, environmental contamination and antitrust violations. The master agreement also contains arrangements for the allocation of tax effects relating to the spin-off and to the preceding measures to create the subgroup that was subsequently spun off.

The statutory joint and several liability of LANXESS for residual liabilities of the Bayer Group was limited to five years and ended in 2009.

LANXESS AG has given the following guarantees on behalf of subsidiaries:

€ thousand	2009	2010
to banks	55,394	116,240
to suppliers	15,007	15,215
to holders of the bonds issued by LANXESS Finance B.V.	1,101,605	1,101,605
	1,172,006	**1,233,060**

Based on the information available to us, the companies concerned should be able to fulfill the underlying obligations in all cases, and the guarantees are not expected to be utilized.

OTHER MANDATORY DISCLOSURES

23 Notification of interests held in the company (Section 160 Paragraph 1 No. 8 of the German Stock Corporation Act) Notifications of interests held in LANXESS AG pursuant to Section 160 Paragraph 1 No. 8 of the German Stock Corporation Act (AktG) are set out in an annex to these notes.

24 Derivative financial instruments In the course of their business, LANXESS AG and companies in the LANXESS Group are exposed to risks of changes in exchange rates and market prices. Derivative financial instruments are used in some cases to hedge against these risks. These comprise over-the-counter (OTC) instruments that are not traded on an exchange. They include, in particular, forward exchange contracts, currency options and forward commodity contracts.

The use of such instruments is governed by uniform guidelines and is subject to stringent internal controls. It is confined to hedging of the Group’s operating business and the related investments and financing transactions. In the commodities area, LANXESS AG concludes derivatives contracts with external counterparties to hedge the market prices of raw materials and energy required by Group companies for their operating business.

The purpose of using derivative financial instruments is to reduce fluctuations in earnings and cash flows caused by changes in exchange rates and market prices.

There is a risk that the value of financial derivatives may change as a result of fluctuations in underlying parameters such as exchange rates. Where derivatives are used for hedging purposes, the possibility of a loss of value due to a drop in prices is offset by corresponding increases in the values of the hedged contracts.

In the case of derivatives with a positive fair value, a credit or default risk arises if counterparties cannot meet their settlement obligations. To minimize this risk, credit limits are assigned to individual banks, and framework agreements are used that allow offsetting of the fair value of open derivative positions in the event of insolvency of a counterparty.

The notional value of financial derivative contracts concluded with external counterparties was €1,720 million as of December 31, 2010 (2009: €1,512 million). Back-to-back derivative contracts with a notional value of €1,672 million (2009: €1.461 million) were concluded with Group companies. The total notional amount of derivatives was €3,392 million (2009: €2,973 million). This figure also includes valuation units.

The derivative instruments comprised the following:

€ thousand	Notional value		Fair value		Carrying amount	
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010
Forward exchange contracts						
positive fair values	1,120,810	1,529,339	46,060	34,635	0	0
negative fair values	1,170,326	1,517,864	47,748	34,576	0	0
	2,291,136	**3,047,203**	**(1,688)**	**59**	**0**	**0**
Currency options						
positive fair values	294,029	152,817	14,586	10,980	11,264	5,894
negative fair values	294,029	152,817	14,586	10,980	11,264	5,894
	588,058	**305,634**	**0**	**0**	**0**	**0**
Forward commodity contracts						
positive fair values	46,735	19,371	11,062	4,066	0	0
negative fair values	46,735	19,371	11,062	4,066	0	0
	93,470	**38,742**	**0**	**0**	**0**	**0**
	2,972,664	**3,391,579**	**(1,688)**	**59**	**0**	**0**

Financial derivatives used to hedge currency risks
LANXESS AG used forward exchange contracts and currency options to hedge exchange rate risks.

Hedging is undertaken for highly probable forecast transactions by Group companies in foreign currencies.

Forward exchange contracts and currency options with a notional value of €865.0 million (2009: €686.5 million) and a negative fair value of €14.3 million (2009: positive fair value of €25.1 million) were concluded with external counterparties to hedge highly probable forecast transactions by Group companies in foreign currencies. These were matched by transactions with Group companies with a notional value of €865.0 million (2009: €686.5 million) and a positive fair value of €14.3 million (2009: negative fair value of €25.1 million). Changes in the value of the corresponding external and internal transactions move in opposite directions and will offset each other by 2013. These transactions were grouped in valuation portfolios and not recognized in the statement of financial position.

To hedge currency risks relating to receivables and payables of LANXESS AG and Group companies (exposure in the statement of financial position), LANXESS AG concluded forward exchange contracts with external counterparties with a notional value of €835.5 million (2009: €778.9 million); these had a negative fair value of €4.2 million (2009: negative fair value of €14.7 million). Some of these transactions were passed through to Group companies. The notional value of contracts with these internal counterparties was €787.3 million (2009: €727.3 million), and their fair value was €4.2 million (2009: €13.0 million). Where forward exchange contracts concluded to hedge foreign currency receivables and payables of Group companies were passed through to the companies concerned by way of internal contracts, they were grouped in valuation portfolios together with the opposing transactions. At the closing date, valuation portfolios comprising external and internal transactions had net negative and positive fair values, respectively, of €4.2 million. The majority of them mature in 2011 and the remainder in 2015 at the latest. These transactions were not reflected in the statement of financial position.

The fair value of forward exchange contracts that were used to hedge foreign currency exposure in the statements of financial position of Group companies and were not matched by internal transactions was +€0.1 million (2009: +€0.1 million). This positive fair value is not recognized.

Further valuation units (micro hedges) comprised foreign currency loans from Group companies to LANXESS AG or vice versa for which forward exchange contracts had been concluded on a back-to-back basis. The hedged loans granted to Group companies had a total carrying amount of €14.0 million at year end, while the carrying amount of loans to LANXESS AG was €32.0 million. There was no net currency risk. The external forward exchange contracts did not have a net fair value, are all due in 2011 and were not recognized in the statement of financial position.

Financial derivatives used to hedge price risks
Forward commodity contracts concluded with external counterparties and having maturities of one to two years were passed through to Group companies on a back-to-back basis. The results of the transactions closed out by year end were in balance. Valuation portfolios were established for open transactions, giving a net zero result.

Valuation methods
The fair values of financial derivatives are determined using customary valuation methods, taking into account the market data (market value) on the closing date. The following principles were used:
- the fair values of forward exchange contracts were derived from their trading or listed prices using the "forward method." Currency options were valued using an asset pricing model based on the Black & Scholes model.
- the fair values of forward commodity contracts were also derived from their trading or listed prices by the "forward method".

To measure the effectiveness of hedge relationships, either the dollar-offset method or regression analysis is used, depending on the type of hedge.

25 Total compensation of the Board of Management and Supervisory Board (pursuant to Section 285 No. 9 a of the German Commercial Code) In fiscal 2010, annual compensation totaling €6,588 thousand (2009: €3,592 thousand) was expensed for the members of the Board of Management of LANXESS AG. This comprised fixed salaries of €2,578 thousand (2009: €2,250 thousand) and variable compensation of €4,010 thousand (2009: €1,342 thousand). Actual payments in 2011 may differ from this amount, which was calculated in advance. In addition to the expense of €1,342 thousand reported in the annual financial statements for 2009, further compensation of €164 thousand was disbursed in 2010 for 2009.

Further, the members of the Board of Management received payments under the multi-year compensation arrangements provided by the Long Term Incentive Program (LTIP). 3,999,000 share-based compensation rights were granted in 2010 (2009: 2,203,750). The fair value of these rights at the grant date was €3,210 thousand (2009: €1,147 thousand). They also received compensation of €619 thousand (2009: €372 thousand) under the non-share-based Economic Value Plan. Entitlements of €784 thousand were earned in 2010 under the Long Term Performance Bonus, a further element of the multi-year compensation program.

In addition, expenses of €91 thousand (2009: €1,792 thousand) were incurred to provide retirement pensions for the Board of Management. The present value of the benefit obligation as of December 31, 2010 was €11,392 thousand (2009: €11,301 thousand).

Details of the compensation system for members of the Board of Management and an individual breakdown of the amounts paid are given in the Compensation Report section of the Management Report for fiscal 2010.

Remuneration of the Supervisory Board

€ thousand	2009	2010
Fixed compensation	740	647
Remuneration for committee membership	170	141
Attendance allowance	181	192
Long-term compensation	0	2,400
	1,091	**3,380**

In addition to the short-term compensation payable for fiscal 2010 (fixed compensation, remuneration for committee membership, attendance allowance), claims to long-term compensation exist as follows:

The 2006 Annual Stockholders' Meeting amended Section 12 of the articles of association to introduce a long-term incentive based on the standard term of an individual's membership of the Supervisory Board (five years). Unlike the fixed compensation component, this variable compensation component is not paid every year, but only once at the end of the standard five-year term of office. If a Supervisory Board member serves a shorter term, the amount is prorated.

Whether the variable compensation is paid or not depends on how LANXESS's stock price performs compared with the Dow Jones STOXX 600 Chemicals[SM] benchmark index during a member's five-year term. The average price of LANXESS stock and the average level of the index during the 90 trading days prior to the Annual Stockholders' Meeting at which the Supervisory Board members were elected are each compared with the respective average for the 90 trading days prior to the Annual Stockholders' Meeting at the conclusion of which the members' terms end. The variable compensation is only payable if the stock has outperformed the benchmark index. The exact amount of the variable compensation depends on the extent to which the stock price outperformed the benchmark index in the preceding five years. If LANXESS stock has outperformed by up to 10 percentage points, the variable compensation amounts to €50 thousand, if it has outperformed the index by between 10 and 20 percentage points, €100 thousand is paid, and if the degree of outperformance is greater than this, the variable compensation is €150 thousand.

This variable compensation is paid at the end of the regular term of the respective Supervisory Board member. The first term of office of members of the Supervisory Board ended in May 2010. The individual members of the Supervisory Board received remuneration of €150 thousand each, resulting in payments totaling €2,400 thousand.

The total expected claims to variable compensation for the new term of office from May 2010 until May 2015 was valued at €1,500 thousand as of December 31, 2010 (2009: €1,549 thousand) and recognized as a provision.

Details of the remuneration system for members of the Supervisory Board and an individual breakdown of the amounts paid are contained in the corporate governance report in the section headed Compensation System of the Supervisory Board.

26 Total remuneration of former members the Board of Management and Supervisory Board (pursuant to Section 285 No. 9 b HGB) Payments of €441 thousand (2009: €276 thousand) were made to former members of the Board of Management in 2010. In addition €147 thousand (2009: €95 thousand) was recognized as current pension expense.

Provisions of €6,977 thousand were recognized as of December 31, 2010 (2009: €6,830 thousand) for ongoing pensions and pension entitlements of former members of the Board of Management.

27 Loans and advances granted to members of the Board of Management and Supervisory Board (pursuant to Section 285 No. 9 c HGB) There were no loans or advances to members of the Board of Management or the Supervisory Board as of December 31, 2010, nor had any other financial commitments been entered into for these individuals.

28 Corporate Officers

Supervisory Board

Members of the Supervisory Board hold or held offices as members of the supervisory board or a comparable supervising body of the corporations listed in addition to the offices held on supervisory or similar boards of subsidiaries of companies in which they hold corporate office (as of December 31, 2010 or the date on which they ceased to be members of the Supervisory Board of LANXESS AG).

The following representatives of the company's stockholders are members of the Supervisory Board:

Dr. Rolf Stomberg (Chairman)

- Former Chief Executive of the Shipping, Refining and Marketing Division of The British Petroleum Co. p.l.c., London, U.K.
- Former member of the Board of Directors of The British Petroleum Co. p.l.c., London, U.K.

Further offices:
- Chairman of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Member of the Supervisory Board of Biesterfeld AG, Hamburg*
- Member of the Board of Directors of Smith & Nephew plc, London, U.K.
- Member of the Board of Directors of JSC Severstal, Russia
- Vice Chairman of the Advisory Board of HOYER GmbH, Hamburg
- Member of the Advisory Board of KEMNA Bau Andreae GmbH + Co. KG, Pinneberg

Dr. Friedrich Janssen

Former member of the Board of Management of E.ON Ruhrgas AG, Essen

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Member of the Supervisory Board of National-Bank AG, Essen*
- Member of the Supervisory Board of E.ON Avacon AG, Helmstedt*
- Member of the Supervisory Board of E.ON Energy Trading SE, Düsseldorf*
- Member of the Supervisory Board of E.ON Hanse AG, Quickborn*
- Member of the Supervisory Board of E.ON Ruhrgas AG, Essen*
- Member of the Supervisory Board of Stadtwerke Göttingen AG, Göttingen*
- Member of the Advisory Board of HDI-Gerling Sach Serviceholding AG, Hanover
- Member of the Supervisory Board of Thüga Assekuranz Services München Versicherungsmakler GmbH, Munich

Dr. Jürgen F. Kammer (until May 28, 2010)

- Former Chairman of the Managing Board of Süd-Chemie AG, Munich
- Former Chairman of the Supervisory Board of Süd-Chemie AG, Munich

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen* (until May 28, 2010)
- Member of the Supervisory Board of Villeroy & Boch AG, Mettlach*
- Member of the Administrative Board of Wittelsbacher Ausgleichsfonds, Munich

Robert J. Koehler

Chairman of the Board of Management of SGL Carbon SE, Wiesbaden

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Chairman of the Supervisory Board of Benteler International AG, Paderborn*
- Member of the Supervisory Board of Klöckner & Co. SE, Duisburg*
- Member of the Supervisory Board of Heidelberger Druckmaschinen AG, Heidelberg*
- Member of the Supervisory Board of Demag Cranes AG, Wetter/Ruhr*
- Further offices in companies affiliated with SGL Carbon SE, Wiesbaden

Rainer Laufs

- Self-employed consultant
- Former Chairman of the Management Board of Deutsche Shell AG, Hamburg

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Chairman of the Supervisory Board of WCM Beteiligungs- und Grundbesitz AG, Frankfurt am Main*
- Chairman of the Supervisory Board of Petrotec AG, Düsseldorf*
- Member of the Supervisory Board of AVANCOS TECHNICAS SERVICES GmbH, Hamburg
- Chairman of the Supervisory Board of BorsodChem Zrt, Kazincbarcika, Hungary

Lutz Lingnau (until May 28, 2010)

- Self-employed consultant
- Former member of the Board of Management of Schering AG, Berlin

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen* (until May 28, 2010)
- Member of the Board of Directors of Nektar Therapeutics, San Carlos, United States

Dr. Ulrich Middelmann

Former Vice Chairman of the Executive Board of ThyssenKrupp AG, Duisburg/Essen

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Member of the Supervisory Board of Deutsche Telekom AG, Bonn*
- Member of the Supervisory Board of Commerzbank AG, Frankfurt am Main*
- Member of the Supervisory Board of ThyssenKrupp Steel Europe AG, Duisburg*
- Member of the Supervisory Board of ThyssenKrupp Materials International GmbH, Essen*
- Chairman of the Advisory Board of Hoberg & Driesch GmbH, Düsseldorf

* Statutory supervisory boards

Dr. Sieghardt Rometsch (until May 28, 2010)

- Chairman of the Supervisory Board of HSBC Trinkaus & Burkhardt AG, Düsseldorf
- Former spokesman for the general partners of HSBC Trinkaus & Burkhardt KGaA, Düsseldorf

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen* (until May 28, 2010)
- Chairman of the Supervisory Board of HSBC Trinkaus & Burkhardt AG, Düsseldorf*
- Member of the Board of HSBC Private Banking Holdings (Suisse) SA, Geneva, Switzerland
- Chairman of the Supervisory Board of the Düsseldorf University Hospital
- Chairman of the Advisory Board of Management Partner GmbH, business consultants, Stuttgart

Theo H. Walthie (effective May 28, 2010)

Self-employed consultant

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*

The following representatives of the company's employees are members of the Supervisory Board:

Ulrich Freese (Vice Chairman)

Vice Chairman of the German Mine, Chemical and Power Workers' Union, Hanover

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Vice Chairman of the Supervisory Board of Vattenfall Europe Mining AG, Cottbus*
- Vice Chairman of the Supervisory Board of Vattenfall Europe Generation AG, Cottbus*
- Vice Chairman of the Supervisory Board of 50Hertz Transmission GmbH, Berlin*
- Member of the Supervisory Board of Vattenfall Europa AG, Berlin*
- Vice Chairman of the Supervisory Board of DMT GmbH, Essen*
- Vice Chairman of the Advisory Board of Evonik Wohnen GmbH, Essen
- Vice Chairman of the Advisory Board of Evonik Immobilien GmbH, Essen
- Vice Chairman of the Supervisory Board of GSB – Gesellschaft zur Sicherung von Bergmannswohnungen mbH, Essen
- Vice Chairman of the Supervisory Board of GSG Wohnungsbau Braunkohle GmbH, Cologne

Gisela Seidel

Chairwoman of the LANXESS Works Council in Dormagen

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*

Wolfgang Blossey

District Secretary of the German Mine, Chemical and Power Workers' Union, Hanover

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Member of the Supervisory Board of INEOS Deutschland GmbH, Cologne*
- Member of the Supervisory Board of INEOS Köln GmbH, Cologne*

Axel Berndt (effective May 28, 2010)

Member of the LANXESS Works Council in Leverkusen

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*
- Member of the Supervisory Board of Aliseca GmbH, Leverkusen*

Werner Czaplik (until May 28, 2010)

- Chairman of the LANXESS Central Works Council
- Vice Chairman of the LANXESS Group Works Council and Vice Chairman of the LANXESS Works Council in Leverkusen
- Chairman of the LANXESS European Forum

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen* (until May 28, 2010)

Ralf Deitz (until May 28, 2010)

Member of the LANXESS Works Council in Leverkusen

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen* (until May 28, 2010)
- Member of the Supervisory Board of Saltigo GmbH, Langenfeld*

Dr. Rudolf Fauss

- Head of Central Functions in the Human Resources Group Function
- Chairman of the LANXESS AG Group Managerial Employees' Committee
- Chairman of the LANXESS Managerial Employees' Committee

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*

Rainer Hippler (until May 28, 2010)

- Chairman of the LANXESS Group Works Council
- Chairman of the Works Council of Rhein Chemie Rheinau GmbH

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen* (until May 28, 2010)
- Member of the Supervisory Board of Rhein Chemie Rheinau GmbH, Mannheim*

Hans-Jürgen Schicker

Chairman of the LANXESS Works Council in Uerdingen

Further offices:
- Member of the Supervisory Board of LANXESS Deutschland GmbH, Leverkusen*

* Statutory supervisory boards

Board of Management

The members of the company's Board of Management are listed below:

Member of the Board of Management	External offices	Offices within the LANXESS Group
Dr. Axel C. Heitmann Chairman of the Board of Management	• Member of the Presidium of the German Chemical Industry Association (VCI) • Member of the Asia-Pacific Committee of German Business (APA) • Member of the Board of Trustees of Konvent für Deutschland e.V. • Member of the Board of Trustees of the North Rhine-Westphalia chapter of Stifterverband für die Deutsche Wissenschaft • Member of the Advisory Board of Goethe-Institut e.V. • Member of the Association of Friends of Philharmonie KölnMusik e.V.	• Chairman of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Board of Directors of LANXESS Chemical (Shanghai) Co. Ltd.
Dr. Werner Breuers Board of Management member	• Member of the Supervisory Board of Currenta Geschäftsführungs-GmbH • Member of the Board of Trustees of the VCI's Chemical Industry Fund • Member of the Board of Trustees of the DWI of RWTH Aachen University • Member of the German Committee on Eastern European Economic Relations • Member of the Advisory Board of the Association for Chemistry & Economics (VCW)	• Member of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Supervisory Board of Saltigo GmbH • Chairman of the Supervisory Board of Aliseca GmbH • Chairman of the Board of Directors of LANXESS K.K. • Chairman of the Board of Directors of LANXESS International S.A. • Chairman of the Board of Directors of LANXESS Butyl Pte. Ltd.
Dr. Rainier van Roessel Board of Management member, Industrial Relations Director	• Member of the Board of the VCI Regional Association in North Rhine-Westphalia • Member of the VCI Trade Policy Committee • Member of the 1 b Experience-Exchange Group of the German Association for Personnel Management (DGFP)	• Member of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Board of Directors of LANXESS S.A. de C.V. • Executive member of the Board of Administration of LANXESS N.V. • Chairman of the Supervisory Board of Rhein Chemie Rheinau GmbH • Chairman of the Board of Directors of LANXESS Hong Kong Ltd. • Chairman of the Board of Directors of Holding Hispania S.L. • Chairman of the Board of Directors of LANXESS Chemicals S.L. • Chairman of the Board of Directors of LANXESS Corp. • Chairman of the Board of Directors of LANXESS Pte. Ltd. • Chairman of the Governing Board of LANXESS Srl. • Member of the Board of Directors of LANXESS Chemical (Shanghai) Co. Ltd. • Chairman of the Board of Directors of LANXESS India Private Ltd.
Matthias Zachert Board of Management member, Chief Financial Officer	• Member of the Board of Directors of Deutsches Aktieninstitut (DAI) • Member of the Advisory Board of Institut für Unternehmensplanung (IUP) • Member of Gesellschaft für Finanzwirtschaft in der Unternehmensführung e.V. (GEFIU)	• Member of the Executive Board of LANXESS Deutschland GmbH • Member of the Board of Directors of LANXESS Corp.

CHANGES IN NON-CURRENT ASSETS
LANXESS AG

€ thousand	Gross carrying amounts				Amortization/depreciation and write-downs		Carrying amounts	
	Jan. 1, 2010	Additions	Disposals	Dec. 31, 2010	Accumulated Dec. 31, 2010	2010	Dec. 31, 2010	Dec. 31, 2009
Intangible assets								
Software licenses	42	8	0	50	41	3	9	4
	42	**8**	**0**	**50**	**41**	**3**	**9**	**4**
Property, plant and equipment								
Furniture, fixtures and other equipment	132	16	0	148	65	19	83	86
	132	**16**	**0**	**148**	**65**	**19**	**83**	**86**
Financial assets								
Investments in affiliated companies	738,864	0	0	738,864	0	0	738,864	738,864
Other loans	18,387	127	1	18,513	709	0	17,804	17,678
	757,251	**127**	**1**	**757,377**	**709**	**0**	**756,668**	**756,542**
Total non-current assets	**757,425**	**151**	**1**	**757,575**	**815**	**22**	**756,760**	**756,632**

DISCLOSURES PURSUANT TO SECTION 160 PARAGRAPH 1 NO. 8 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

Notified by	Date of change	Threshold	Voting rights		Attributable voting rights
		%	%	absolute	
J.P. Morgan companies					
J.P. Morgan Asset Management (U.K.) Limited, London, U.K. 1)	Nov. 8, 2010	5.00	4.88	4,061,612	J.P. Morgan Asset Management (U.K.) Limited, London, U.K. (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Paragraph 2 German Securities Trading Act, WpHG)
J.P. Morgan Investment Management Inc, New York, U.S.A. 1)	Nov. 8, 2010	5.00	4.88	4,061,612	J.P. Morgan Investment Management Inc, New York, U.S.A. (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Paragraph 2 German Securities Trading Act, WpHG)
J.P. Morgan Asset Management (Taiwan) Limited, Taipei, Taiwan 1)	Nov. 8, 2010	5.00	4.88	4,061,612	J.P. Morgan Asset Management (Taiwan) Limited, Taipei, Taiwan (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Paragraph 2 German Securities Trading Act, WpHG)
J.P. Morgan Chase Bank, National Association, Columbus, U.S.A. 1)	Nov. 8, 2010	5.00	4.88	4,061,612	J.P. Morgan Chase Bank, National Association, Columbus, U.S.A. (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Paragraph 2 German Securities Trading Act, WpHG)
Dodge & Cox					
Dodge & Cox, San Francisco, U.S.A. 1)	Aug. 17, 2010	10.00	9.93	8,258,284	Dodge & Cox, San Francisco, U.S.A. (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 German Securities Trading Act, WpHG)
Dodge & Cox, San Francisco International Stock Fund, California, U.S.A. 1)	Aug. 17, 2010	10.00	9.76	8,119,784	Dodge & Cox, San Francisco International Stock Fund, California, U.S.A. (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 German Securities Trading Act, WpHG)
Teachers Advisors, Inc.					
TIAA-CREF Funds, New York, U.S.A.	March 1, 2010	3.00	3.19	2,651,195	TIAA-CREF Funds, New York, U.S.A. (pursuant to Section 22 Paragraph 1 German Securities Trading Act, WpHG)
TIAA-CREF Investment Management					
TIAA-CREF Investment Management, LLC, New York, U.S.A. 1)	June 14, 2010	3.00	3.26	2,715,772	TIAA-CREF Investment Management, LLC, New York, U.S.A. (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 German Securities Trading Act, WpHG)
College Retirement Equities Fund 1)	June 14, 2010	3.00	3.26	2,715,772	TIAA-CREF Investment Management, LLC, New York, U.S.A. (pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 German Securities Trading Act, WpHG)

1) The voting rights reported are not additive.

LIST OF SHAREHOLDINGS

LANXESS AG, either directly or indirectly, holds at least 20% of the shares in the following companies (information pursuant to Section 285 No. 11 HGB). The figures stated for equity and net income/loss are derived from the annual financial statements prepared in accordance with local law.

Company Name and Headquarters	Interest held (%)	Equity (€ million)	Result (€ million)
Fully consolidated companies			
Germany			
Aliseca GmbH, Leverkusen	100	0	0 [1]
DuBay Polymer GmbH, Hamm	50	20	2
IAB Ionenaustauscher GmbH Bitterfeld, Greppin	100	67	0 [1]
LANXESS Accounting GmbH, Leverkusen	100	0	0 [1]
LANXESS Buna GmbH, Marl	100	8	0 [1]
LANXESS Deutschland GmbH, Leverkusen	100	1,499	0 [1]
LANXESS Distribution GmbH, Langenfeld	100	4	0 [1]
LANXESS International Holding GmbH, Leverkusen	100	0	0 [1]
LXS Dormagen Verwaltungs-GmbH, Dormagen	100	32	0 [1]
Perlon-Monofil GmbH, Dormagen	100	2	0 [1]
Rhein Chemie Rheinau GmbH, Mannheim	100	45	0 [1]
Saltigo GmbH, Langenfeld	100	28	0 [1]
EMEA (excluding Germany)			
Europigments, S.L., Barcelona, Spain	52	6	1
LANXESS (Pty.) Ltd., Modderfontein, South Africa	100	97	21
LANXESS Central Eastern Europe s.r.o., Bratislava, Slovakia	100	3	1
LANXESS Chemicals, S.L., Barcelona, Spain	100	3	0
LANXESS CISA (Pty.) Ltd., Newcastle, South Africa	100	62	9
LANXESS Elastomères, Lillebonne, France	100	73	11
LANXESS Emulsion Rubber S.A.S., La Wantzenau, France	100	36	0
LANXESS Finance B.V., Ede, Netherlands	100	9	1
LANXESS Holding Hispania, S.L., Barcelona, Spain	100	620	109
LANXESS International SA, Granges-Paccot, Switzerland	100	155	77
LANXESS Limited, Newbury, U.K.	100	16	1
LANXESS Mining (Proprietary) Ltd., Modderfontein, South Africa	100	9	1
LANXESS N.V., Antwerp, Belgium	100	286	27
LANXESS Rubber N.V., Zwijndrecht, Belgium	100	150	6
LANXESS S.A.S., Courbevoie, France	100	61	0
LANXESS S.r.l., Milan, Italy	100	11	2
OOO LANXESS, Dzerzhinsk, Russia	100	4	2
Sybron Chemical Industries Nederland B.V., Ede, Netherlands	100	97	0
Sybron Chemicals International Holdings Ltd., Newbury, U.K.	100	0	0

Company Name and Headquarters	Interest held (%)	Equity (€ million)	Result (€ million)
Fully consolidated companies			
North America			
LANXESS Buna LLC, Wilmington, U.S.A.	100	(12)	(4)
LANXESS Corporation, Pittsburgh, U.S.A.	100	89	14
LANXESS Inc., Sarnia, Canada	100	326	(11)
LANXESS Sybron Chemicals Inc., Birmingham, U.S.A.	100	21	(1)
Rhein Chemie Corporation, Chardon, U.S.A.	100	(13)	1
Sybron Chemical Holdings Inc., Wilmington, U.S.A.	100	21	(1)
Latin America			
LANXESS Elastômeros do Brasil S.A., Rio de Janeiro, Brazil	100	295	9
LANXESS Industria de Produtos Quimicos e Plasticos Ltda., São Paulo, Brazil	100	(2)	(17)
LANXESS S.A. de C.V., Mexico City, Mexico	100	1	1
LANXESS S.A., Buenos Aires, Argentina	100	30	3
Petroflex Trading S.A., Montevideo, Uruguay	100	(1)	0
Asia-Pacific			
LANXESS (Liyang) Polyols Co., Ltd., Liyang, China	100	8	(3)
LANXESS Butyl Pte. Ltd., Singapore, Singapore	100	93	78
LANXESS Chemical (China) Co., Ltd., Shanghai, China	100	9	0
LANXESS Chemical (Shanghai) Co., Ltd., Shanghai, China	100	0	0
LANXESS Hong Kong Limited, Hong Kong, China	100	71	10
LANXESS India Private Ltd., Thane, India	100	126	1 [2]
LANXESS K.K., Tokyo, Japan	100	34	2
LANXESS Korea Limited, Seoul, South Korea	100	4	1
LANXESS Pte. Ltd., Singapore, Singapore	100	51	5
LANXESS PTY Ltd., Homebush Bay, Australia	100	8	0
LANXESS Shanghai Pigments Co., Ltd., Shanghai, China	100	17	3
LANXESS Specialty Chemicals Co., Ltd., Shanghai, China	100	2	(2)
LANXESS Wuxi Chemical Co., Ltd., Wuxi, China	100	45	4
Rhein Chemie (Qingdao) Co., Ltd., Qingdao, China	90	21	4
Rhein Chemie Japan Ltd., Tokyo, Japan	100	13	1
Rhein Chemie LOA (Qingdao) Limited, Qingdao, China	100	0	(1)

1) Result after profit transfer agreement
2) Financial statements as of March 31, 2010

Company Name and Headquarters	Interest held (%)	Equity (€ million)	Result (€ million)
Associates accounted for using the equity method			
Germany			
Currenta GmbH & Co. OHG, Leverkusen	40	92	1
Asia-Pacific			
LANXESS-TSRC (Nantong) Chemical Industrial Co. Ltd., Nantong, China	50	11	0
Joint ventures accounted for using the equity method			
Asia-Pacific			
Anhui Tongfeng Shengda Chemical Co. Ltd., Tongling, China	25	1	(1)
Non-consolidated immaterial subsidiaries			
Germany			
LANXESS Middle East GmbH, Leverkusen	100	0	0 [1)]
Vierte LXS GmbH, Leverkusen	100	0	0 [1)]
EMEA (excluding Germany)			
Rustenburg Chrome Mine Holdings (Pty.) Ltd., Modderfontein, South Africa	74	0	0
W. Hawley & Son. Ltd., Newbury, U.K.	100	0	0
North America			
LANXESS Energy LLC, Wilmington, U.S.A.	100	0	0
Latin America			
Comercial Andinas Ltda., Santiago, Chile	100	0	0
Asia-Pacific			
LANXESS (Changzhou) Co. Ltd., Changzhou, China	100	0	0
Other non-consolidated immaterial companies			
Latin America			
Hidrax Ltda., Taboão da Serra, Brazil	39	2	2

1) Result after profit transfer agreement

MANAGEMENT REPORT OF LANXESS AG

FOR FISCAL 2010

GENERAL

LANXESS AG serves primarily as the management holding company for the LANXESS Group. Subordinated to LANXESS AG are LANXESS Deutschland GmbH and LANXESS International Holding GmbH, both of which are wholly owned subsidiaries with which it has profit and loss transfer agreements. LANXESS Deutschland GmbH owns all subsidiaries in Germany and several in other countries, while LANXESS International Holding GmbH administers some of the foreign activities acquired or established by the LANXESS Group since 2007. The economic performance of LANXESS AG thus depends essentially on that of the operating companies in the LANXESS Group and on the development of the chemical industry.

SALES AND EARNINGS PERFORMANCE

The earnings of LANXESS AG are determined largely by profit or loss transfers from LANXESS Deutschland GmbH and LANXESS International Holding GmbH, which hold the shares of direct and indirect subsidiaries and thus bundle all operational business activities.

The sales revenues of €4,027 thousand (2009: €2,539 thousand) reported in the income statement relate to services provided for LANXESS Deutschland GmbH. After deducting the cost of sales, which mainly comprises personnel and general administration expenses, the gross profit was zero.

The remaining general administration expenses of €50,309 thousand (2009: €30,949 thousand) principally comprised personnel and other business expenses not directly related to the services provided to Group companies. The main reasons for the increase were the higher personnel expenses resulting from an increase in performance-related compensation components, and the suspension of the Challenge09-12 measures. After other operating income of €7 thousand (2009: €440 thousand) and other operating expenses of €1,748 thousand (2009: €1,755 thousand), the company reported an operating loss of €52,050 thousand (2009: €32,264 thousand).

The financial result, which comprises the balance of income and losses from investments in affiliated companies, the net interest position, income from loans classified as financial assets, write-downs of financial assets and marketable securities, and other financial income and expense, was positive at €137,845 thousand (2009: €54,113 thousand). This positive result was essentially due to the profit transfer of €190,528 thousand (2009: €117,535 thousand) from LANXESS Deutschland GmbH, while the other items diminished the financial result. The improvement in earnings at LANXESS Deutschland GmbH was principally due to the favorable business development resulting from the substantial recovery in the global economy. Income from loans classified as financial assets amounted to €129 thousand (2009: €178 thousand), while write-downs of €715 thousand (2009: €2,221 thousand) were made on financial assets and marketable securities. The company recorded net interest expense of €29,636 thousand (2009: €37,363 thousand) and the balance of other financial income and expense was negative at –€22,412 thousand (2009: –€23,991 thousand). The improvement in the negative interest position at the end of 2010 was largely attributable to higher interest income from subsidiaries. The other financial income and expense reflects costs for early repayments of loans.

LANXESS AG reported income before income taxes of €85,795 thousand (2009: €21,849 thousand). The effects of changes in currency valuations following the adoption of the German Accounting Law Modernization Act (BilMoG) effective January 1, 2010 are recorded as extraordinary income. The tax expense of €8,119 thousand (2009: income of €28,972 thousand) resulted from tax income of €4,228 thousand in respect of previous years less tax expense of €12,347 thousand for 2010. Net income was €78,370 thousand (2009: €50,821 thousand). 50% of this amount (€39,185 thousand) has already been allocated to retained earnings.

Including the income of €64,550 thousand carried forward, the distributable profit amounted to €103,745 thousand.

ASSET AND CAPITAL STRUCTURE

In the light of its function as a strategic holding company and "liquidity pool," the statement of financial position for LANXESS AG is dominated by financial assets, Group liquidity and the resulting receivables from, and payables to, subsidiaries.

Total assets of LANXESS AG as of December 31, 2010 were €2,179,736 thousand (2009: €2,288,498 thousand). This was €108,762 thousand or 4.8% less than at year end 2009.

Non-current assets amounted to €756,760 thousand (2009: €756,632 thousand), which was 34.7% of total assets. As in the previous year, financial assets include the interest in LANXESS Deutschland GmbH amounting to €738,839 thousand.

Current assets accounted for €1,405,156 thousand (2009: €1,530,858 thousand), which was 64.5% of total assets. Receivables from subsidiaries accounted for 53.3% of total assets and related principally to financial transactions and short-term loans. Securities accounted for 4.9% and liquid assets for 2.1% of total assets. LANXESS AG also has credit lines totaling €1.4 billion arranged with an international consortium of banks as a multi-currency syndicated revolving credit facility as well as a further €100 million credit facility with a financial institution.

Equity was €1,173,738 thousand (2009: €1,136,969 thousand), with equity coverage of total assets thus rising to 53.8% due to the decrease in total assets. The change in the equity of LANXESS AG was mainly due to the dividend payment of €41,601 thousand for 2009 and the net income of €78,370 thousand for 2010 (2009: €50,821 thousand). Equity coverage of non-current assets was 155.1%.

On December 31, 2010 liabilities amounted to €1,005,998 thousand (2009: €1,151,529 thousand), which was 46.2% of total equity and liabilities.

The provisions of €87,441 thousand (2009: €64,251 thousand), amounting to 4.0% of total equity and liabilities, were mainly for commitments to employees, statutory obligations and expenses relating to fiscal 2010.

The liabilities totaling €981,557 thousand (2009: €1,087,278 thousand) accounted for 42.1% of total equity and liabilities. Significant sources of financing were payables to subsidiaries amounting to €806,450 thousand (2009: €834,465 thousand), which was 37.0% of total equity and liabilities, and liabilities to banks amounting to €100,676 thousand (2009: €235,884 thousand), which was 4.6% of total equity and liabilities. The decline in liabilities to banks was due to early repayments of loans.

EMPLOYEES

The number of employees at year end rose slightly to 127 (2009: 125). The average headcount in 2010 was 126 (2009: 125).

COMPENSATION REPORT

The structure of the compensation system and the level of compensation for the members of the Board of Management are determined by the Supervisory Board. The appropriateness of compensation is regularly reviewed. The criteria for determining the appropriateness of compensation for an individual Board of Management member include, in particular, his duties, his personal performance, and the LANXESS Group's position and future prospects. The compensation structure is also designed to be competitive in the international market for highly qualified executives and provide the motivation to successfully work toward sustainable corporate development.

In the course of the reappointment of Dr. Werner Breuers and Dr. Rainier van Roessel as members of the Board of Management, the Supervisory Board established a new contractual basis for the work of all four members of the Board of Management, which became effective on January 1, 2010. This takes into account and implements the provisions of the German Law on the Appropriateness of Management Board Compensation and the German Corporate Governance Code and ensures that the contractual conditions for all members of the LANXESS Board of Management will remain broadly uniform in the future.

In 2010, in addition to the annual base salary, the compensation of the members of the Board of Management included three variable components linked to LANXESS's annual performance and, particularly, its multi-year performance.

The fixed compensation comprises the annual base salary and remuneration in kind, the latter consisting mainly of the tax value of perquisites such as the use of a company car. The aggregate amount of these components came to €2,578 thousand in fiscal 2010.

The annual performance-based component, known as the Annual Performance Payment (APP), is based on the Group's attainment of defined EBITDA targets and remains equivalent to 115% of the annual base salary in the event of 100% target attainment. The APP is capped at 150% of the amount of the compensation component thus calculated. Compensation from the performance-based APP in 2010 totaled €4,010 thousand. Actual payments in 2011 may differ from this amount, which was calculated in advance. For the previous year Dr. Heitmann received €60 thousand, Mr. Zachert €40 thousand, and Dr. Breuers and Dr. van Roessel €32 thousand each.

The following table shows details of the annual compensation paid to individual members of the Board of Management of LANXESS AG:

Annual Compensation of the Board of Management

€ thousand	Fixed compensation	Variable compensation[1]	**Total**
Dr. Axel C. Heitmann	932	1,423	2,355
Dr. Werner Breuers	525	819	1,344
Dr. Rainier van Roessel	518	819	1,337
Matthias Zachert	603	949	1,552
	2,578	**4,010**	**6,588**

1) Payment in 2011

As an element of multi-year compensation, the Long Term Incentive Plan (LTIP) is divided into three three-year tranches. For 2005 to 2007 it comprises the Stock Performance Plan (SP) and the Economic Value Plan (EVP), while for 2008 to 2010 it consists only of the Stock Performance Plan.

The SP is linked to the performance of LANXESS stock against a reference index, the Dow Jones STOXX 600 Chemicals℠. The EVP is an incentive oriented toward an increase in the economic value of LANXESS's net assets. The reference for all three tranches of the EVP is the business plan for 2005 through 2007.

The requirement for participation in the LTIP is a prior personal investment in LANXESS shares amounting to 13% of the annual base salary per year. Under each plan, these shares are subject to a five-year lock-up period. The first award from the LTIP is made after three years, provided defined conditions are satisfied. In the event of 100% target attainment by the SP and EVP for 2005 to 2007, the payment per tranche will be 43.3% of the individual's target income, which is the fixed annual base salary plus the APP assuming 100% target attainment. For 2008 to 2010, 100% target attainment by the SP brings a payment per tranche of 50% of the individual's target income.

Because the Long Term Incentive Plan expired in 2010, the Supervisory Board approved a new plan for the years 2010 through 2013. This Long-Term Stock Performance Plan (LTSP) is divided into four four-year tranches and continues to be based on the development of LANXESS stock against a reference index, the Dow Jones STOXX 600 Chemicals℠. Compared to the existing LTIP, the possible payment per tranche under the new plan has been reduced from 50% to 30% of the individual's target income, assuming 100% target attainment. The condition for participation in the LTSP is a prior personal investment in LANXESS shares to the value 5% of the annual base salary per year. The shares are subject to an average five-year lock-up period.

The following table provides additional information about the long-term compensation paid:

Long-Term Compensation of the Board of Management

	SP rights granted in 2010 (exercisable from 2013 and 2014, respectively)		EVP rights (exercisable from 2011)
	Number of rights[1]	Fair values in € thousand	in € thousand
Dr. Axel C. Heitmann	1,419,000	1,139	200
Dr. Werner Breuers	817,000	656	143
Dr. Rainier van Roessel	817,000	656	143
Matthias Zachert	946,000	759	133
	3,999,000	**3,210**	**619**

1) Comprises SP rights from LTIP and LTSP

Since the value of the SP entitlements outstanding as of December 31, 2010 exceeds the value of those outstanding as of December 31, 2009, personnel expenses were incurred in the fiscal year. This is mainly the result of the strong performance of LANXESS stock. The personnel expenses incurred in fiscal 2010 for the SP entitlements granted amount to €3,266 thousand for Dr. Heitmann, €1,446 thousand for Dr. Breuers, €1,438 thousand for Dr. van Roessel and €1,875 thousand for Mr. Zachert. These personnel expenses are theoretical amounts and are not to be equated with the actual gains realized when the entitlements are exercised in the future.

In the interests of sustainable corporate performance, the third variable compensation: component to be paid in the future is a Long-Term Performance Bonus (LTPB), which rewards target attainment only after two consecutive fiscal years. The LTPB is based on the APP target attainment for each of the respective years, the exact amount of the LTPB resulting from the average APAP target attainment in the two years concerned. Assuming average APP attainment of 100%, the LTPB amounts to 45% of the annual base salary. The first payments could be made in spring 2012 based on fiscal 2010 and 2011. LTPB rights worth €784 thousand were earned in fiscal 2010. Of this amount, €278 thousand was attributable to Dr. Heitmann, €160 thousand each to Dr. Breuers and Dr. van Roessel, and €186 thousand to Mr. Zachert.

On termination of their service contracts, the members of the Board of Management receive benefits under the company pension plan. These benefits are paid when the beneficiary reaches age 60 or if the beneficiary is permanently unable to work. They are paid to surviving dependents in the event of the beneficiary's death.

The new pension plan set up in 2006 for the members of the Board of Management is a defined contribution plan stipulating a basic contribution of 25% of their respective annual base salary. Moreover, Board of Management members must set aside 12.5% of their APP award as deferred compensation. This amount is matched by LANXESS. From the date of entitlement, 70% to 75% of the accumulated capital – including interest thereon – is paid out in a lump sum. The remaining 25% to 30% is converted to a pension benefit. Claims arising from provisions in place before the new pension plan was established are granted as vested rights. If the service contract ends before the beneficiary reaches the age of 60, the company pays certain additional benefits up to a defined ceiling.

LANXESS has set up provisions for the future claims of Board of Management members. The total service cost recognized in the 2010 annual financial statements for this purpose was €91 thousand. The present value of the benefit obligation as of December 31, 2010 was €11,392 thousand.

The present value of the acquired rights as of December 31, 2010 amounted to €6,182 thousand for Dr. Heitmann, €906 thousand for Dr. Breuers, €2,279 thousand for Dr. van Roessel and €2,025 thousand for Mr. Zachert.

Obligations to former members of the Board of Management totaled €6,977 thousand as of December 31, 2010.

Payments of €441 thousand were made to former members of the Board of Management.

In fiscal 2010, the members of the Board of Management were entitled to indemnification should their service contracts terminate for defined reasons at the instigation of the company or in the event of a material change of control over the company. The terms depended on the respective circumstances and included severance payments amounting to up to two times the annual base salary plus the APP and LTPB assuming 100% target achievement. In the event of a termination due to a change of control, the severance payments would amount to three times the annual base salary plus the APP and LTPB.

No additional benefits have been pledged to any Board of Management member in the event of termination of their service. In 2010, no member of the Board of Management received benefits or assurances of benefits from third parties in respect of their duties as Board of Management members.

No loans were granted to members of the Board of Management in fiscal 2010.

REPORT PURSUANT TO SECTION 289 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE

Pursuant to Section 289 Paragraph 4 Nos. 1 to 9 of the German Commercial Code, we hereby make the following declarations:

1. The capital stock of LANXESS AG amounted to €83,202,670 as of December 31, 2010 and is composed of 83,202,670 no-par bearer shares. All shares carry the same rights and obligations. One vote is granted per share, and profit is distributed per share. The rights and obligations arising from the shares are governed by the German Stock Corporation Act.

2. We are not aware of any restrictions affecting voting rights or the transfer of shares. However, shares allocated under employee stock plans are subject to a lock-up period before they may be sold.

3. We received no reports of direct or indirect equity investments in the capital of LANXESS AG exceeding 10% of total voting rights.

4. No shares carry special rights granting control authority.

5. Employees hold a direct interest in the capital of LANXESS AG through employee stock programs. There are no restrictions on directly exercising the control rights arising from these shares.

6. Sections 84 and 85 of the German Stock Corporation Act and Section 31 of the German Codetermination Act apply to the appointment and dismissal of Board of Management members. Under the provisions of these sections, Board of Management members are appointed by the Supervisory Board for a term not exceeding five years. Such appointment may be renewed or the term of office may be extended, provided that the term of each such renewal or extension shall not exceed five years. Appointments require a majority of at least two-thirds of the Supervisory Board members' votes. Section 6 Paragraph 1 of the articles of association states that the Board of Management must consist of at least two members. Over and above this, the number of members of the Board of Management is determined by the Supervisory Board. The Supervisory Board may appoint a chairman of the Board of Management and a vice chairman of the Board of Management. Alternative members of the Board of Management may be appointed. The Supervisory Board may revoke the appointment of a member of the Board of Management or the appointment of a member as Chairman of the Board of Management for cause (Section 84 Paragraph 3 of the German Stock Corporation Act).

Section 179 of the German Stock Corporation Act provides that a resolution of the Stockholders' Meeting is required for any amendment to the articles of association. Pursuant to Section 17 Paragraph 2 of the articles of association, resolutions of the Stockholders' Meeting require a simple majority of the votes cast and, if a capital majority is required, a simple majority of the capital stock, unless otherwise required by law or provided by the articles of association. The articles of association contain no further provisions in this regard. Section 10 Paragraph 9 of the articles of association of LANXESS AG authorizes the Supervisory Board to resolve on amendments relating solely to the form of the articles of association.

7. Repurchase of own shares

On May 28, 2010, the Annual Stockholders' Meeting of LANXESS AG issued an authorization, valid through November 25, 2011, to the Board of Management to purchase shares of the company up to a total of 10% of the company's capital stock for any legally permissible purpose. The company's affiliates as well as any third parties acting on the company's or its affiliates' behalf may also exercise this authority. At the discretion of the Board of Management, such shares may be acquired on the stock exchange or via a public purchase offer. The Board of Management is authorized to use them for any purpose permitted by law. In particular, it can retire the shares, sell them other than via the stock exchange or an offer to the stockholders, or transfer them against consideration in kind for the purpose of acquiring companies, parts of companies or equity interests in companies or in order to conclude mergers. It is also authorized to use them to satisfy conversion rights from convertible or warrant bonds and/or profit-participation rights or income bonds (or any combination of these instruments) issued by the company and to grant holders of convertible or warrant bonds and/or profit-participation rights or income bonds (or any combination of these instruments) issued by the company or its direct and indirect affiliates that grant a conversion or option right or stipulate a conversion or warrant obligation the number of shares for which such parties would be entitled to subscribe upon exercise of their conversion or option rights or fulfillment of the conversion or warrant obligation. Except when shares are retired, the subscription right of stockholders shall be excluded in the aforementioned cases.

Conditional Capital I and II

On May 31, 2007, the Annual Stockholders' Meeting of LANXESS AG twice authorized the Board of Management to issue, on one or more occasions through May 31, 2012, convertible bonds and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments), made out to the bearer or registered, with or without limited maturity, up to a total par value of €500,000,000 in either case, and to grant the bearers or creditors of such bonds conversion or option rights to no-par bearer shares of the company up to a total value of €21,155,167 of the capital stock. As stated in Section 4 Paragraphs 4 and 5 of the articles of association of LANXESS AG, the capital stock of LANXESS AG has been increased conditionally up to the sum of €21,155,167 in each case in connection with these authorizations (Conditional Capital I and II). Each conditional capital increase serves the purpose of granting no-par bearer shares to the holders or creditors of convertible and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments). The only difference between the two authorizations to issue convertible and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments) in connection with the creation of conditional capital is the amount of the conversion or option price. Otherwise they are identical in content. The Board of Management will utilize just one of the two authorizations. When issuing the convertible and/or warrant bonds, profit-participation rights, and/or income bonds (or any combination of these instruments), the Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of stockholders in the following cases:

- for residual amounts resulting from the subscription ratio;
- with issues against cash contributions, if the issue price is not significantly lower than the theoretical market value of the convertible and/or warrant bonds or mandatory convertible bonds, as determined using accepted pricing models. If bonds are issued by application of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act, the issued shares may not exceed 10% of the capital stock either at the time this authorization takes effect or at the time it is utilized;
- if the profit-participation rights or income bonds are vested with bond-like characteristics;
- if bonds are issued against contributions in kind for the purpose of acquiring companies, parts of companies, or equity interests in companies and the value of the contribution in kind adequately reflects the value of the bond; and
- to the extent necessary to grant no-par bearer shares of the company to the holders of conversion or subscription rights or to grant subscription rights to the creditors of mandatory convertible bonds in the quantities to which such parties would be entitled upon the exercise of the conversion or subscription rights or the conversion of the mandatory bond.

Authorized Capital I and II

Pursuant to Section 4 Paragraph 2 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 7, 2009 resolved to authorize the Board of Management, with the approval of the Supervisory Board, to increase the company's capital stock on one or more occasions through May 6, 2014 by issuing new no-par shares against cash or contributions in kind up to a total amount of €16,640,534 (Authorized Capital I). Stockholders are generally entitled to subscription rights when Authorized Capital is utilized. With the approval of the Supervisory Board, subscription rights can be excluded for residual amounts and in order to grant holders of warrants or convertible bonds issued by the company and its affiliates subscription rights to the number of new shares for which such parties would be entitled to subscribe upon exercise of their conversion or option rights. Moreover, subscription rights can be excluded with the approval of the Supervisory Board when the company's capital stock is increased against contributions in kind, particularly for the acquisition of companies. Subscription rights can also be excluded with the approval of the Supervisory Board in order to grant holders of convertible and/or warrant bonds issued by the company or its affiliates new shares upon exercise of their rights. Finally, subscription rights can also be excluded with the approval of the Supervisory Board if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is fixed and the issued shares do not exceed 10% of the company's capital stock. Additional details are provided in Section 4 Paragraph 2 of the articles of association.

In addition, pursuant to Section 4 Paragraph 3 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 28, 2010 resolved to authorize the Board of Managemenmt, with the approval of the Supervisory Board, to increase the company's capital stock on one or more occasions through May 27, 2015 by issuing new no-par shares against cash or contributions in kind up to a total amount of €16,640,534 (Authorized Capital II). Stockholders are generally entitled to subscription rights when Authorized Capital is utilized. With the approval of the Supervisory Board, subscription rights can be excluded for residual amounts and in order to grant holders of warrants or convertible bonds issued by the company and its affiliates subscription rights to the number of new shares for which such parties would be entitled to subscribe upon exercise of their conversion or option rights. Moreover, subscription rights can be excluded with the approval of the Supervisory Board when the company's capital stock is increased against contributions in kind, particularly for the acquisition of companies. Subscription rights can also be excluded with the approval of the Supervisory Board in order to grant holders of convertible and/or warrant bonds issued by the company or its affiliates new shares upon exercise of their rights. Finally, subscription rights can also be excluded with the approval of the Supervisory Board if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is fixed and the issued shares do not exceed 10% of the company's capital stock. Additional details are provided in Section 4 Paragraph 3 of the articles of association.

8. The service contracts between the company and the members of the Board of Management of LANXESS AG contain provisions regarding the potential departure of the members of the Board of Management in the context of a change of control. These are outlined in the Compensation Report in this Management Report. Such agreements, albeit with different terms, also exist between the company and members of the first and second levels of upper management. In addition, the terms of the €500 million Euro Benchmark Bond issued by LANXESS Finance B.V. in 2005 contain a change-of-control clause which gives bondholders the right to redeem the bond should certain events occur that affect its rating. The bond was guaranteed by LANXESS AG. The same applies to the terms of the €500 million and €200 million Euro Benchmark Bonds issued by LANXESS Finance B.V. in the 2009 fiscal year, which are also guaranteed by LANXESS AG. The company has signed agreements with two major banks for loans of €100 million and €93 million respectively. These agreements may be terminated without notice or repayment of the outstanding loans may be required if another company or person gains control of more than 50% of LANXESS AG. The company also entered into an agreement with a syndicate of banks concerning a credit facility that is currently at €1,408 million. This agreement can also be terminated without notice if another company or person takes control over more than 50% of LANXESS AG. Furthermore, according to agreements between the company and LANXESS Pension Trust e.V., the company is obligated to make considerable payments to LANXESS Pension Trust e.V. in the event of a change of control.

9. The service contracts between the company and the members of the Board of Management of LANXESS AG as well as between the company and members of the first and second levels of upper management of LANXESS AG contain compensation agreements applicable in the event of a change of control, as such change is more particularly described in the respective contracts.

REPORT PURSUANT TO SECTION 289 A OF THE GERMAN COMMERCIAL CODE

The Board of Management and Supervisory Board have issued the Declaration on Corporate Governance pursuant to Section 289 a of the German Commercial Code (HGB). This declaration has been made available to the stockholders and the English version is permanently posted at www.lanxess.com, Investor Relations, Corporate Governance.

REPORT ON RISKS AND OPPORTUNITIES

Risk report

Risk management The LANXESS Group's success is significantly dependent on identifying both the opportunities and the risks arising from business activities and actively managing them. Effective risk management is therefore a core element in safeguarding the company's existence for the long term and ensuring its successful future development. LANXESS's risk management activities are based both on internal organizational workflows, which are managed by way of control and monitoring mechanisms, and on early warning systems that are used to closely observe changes in external conditions and systematically implement the appropriate measures. Like all methods for dealing with business risk, this system does not offer absolute protection. However, it does serve to prevent business risks from having a material impact on the company with a sufficient degree of certainty.

LANXESS's opportunity and risk management approach is based on clearly defined business processes, the precise assignment of responsibilities throughout the Group, and reporting systems that ensure the timely provision of the information required for decision-making to the Board of Management or other management levels. The company's risk management system is based on an integration concept, i.e. the early identification of risks is an integral part of the management system and not the object of a separate organizational structure. The risk management system comprises many different elements that are embedded in the overall structural and process organization. Risk management is viewed as a primary duty of the heads of all business units, as well as of those people in Group companies who hold process and project responsibility. Risk management is incorporated into business processes primarily through the company's organizational structure, its planning, reporting and communication systems, and a body of detailed management regulations and technical standards. Various committees and other bodies discuss and monitor opportunities and risks.

At LANXESS, the business units each conduct their own operations, for which they have global profit responsibility. Group functions and service companies support the business units by providing financial, legal, technical and other centralized services. Complementing this global alignment of the business units and group functions, the country organizations ensure the required proximity to markets and the necessary organizational infrastructure. In line with this division of duties, LANXESS has assigned responsibility, i.e. defined the risk owners, for the following:

- risk identification and analysis,
- risk prevention (measures taken to avoid, minimize or diversify risk),
- risk monitoring (e.g. on the basis of performance indicators and, perhaps also, early warning indicators),
- risk mitigation (measures to minimize damage upon occurrence of a risk event) and
- communication of the key risks to the management committees of the business units and group functions.

Transactions particularly for the transfer of financial but also operating risks (hedging transactions or insurance) are entered into and managed centrally at LANXESS via the Treasury Group Function.

Due to the highly integrated nature of our general business processes, we have specialized committees composed of representatives of the business units and group functions who deal with issues concerning the Group's risks and opportunities. This enables LANXESS to react quickly and flexibly to changing situations and their influence on the company.

The Corporate Controlling Group Function collects and aggregates key information across the Group. Opportunities and risks are identified three times per year during the intrayear forecasting process and additionally one time per year as part of the budget and planning process for the subsequent year and the medium-term forecast horizon. The reported opportunities and risks are collected in a central risk database and regularly analyzed for the Board of Management and Supervisory Board. This ensures that when new risks and opportunities arise that could have a material effect on LANXESS or when existing ones change substantially, the necessary information can be communicated in a timely manner all the way to the Board of Management and therefore also specifically integrated into the general management of the company.

The reporting threshold for opportunities and risks is an effect of €1 million on the Group's net income or EBITDA, taking into account a minimum probability of occurrence. This low reporting threshold guarantees that the information gathered about opportunities and risks is comprehensive and, even in the data collection phase, that this information is not just limited to material risks or risks that could jeopardize the future of the company as an ongoing concern. Instead, the Corporate Controlling Group Function centrally determines the top opportunities and risks later in the process. The threshold for material risks has been defined at €10 million for the Group.

Apart from regular, centralized collection and documentation of business risks, corporate planning is another core element of opportunity and risk management at LANXESS. Opportunities and risks with a likelihood of occurrence greater than the specified minimum probability flow directly into the planning process. Forecasts are prepared and those risks and opportunities considered relatively likely to materialize are presented as worst-case/best-case scenarios. The processes for corporate planning and intrayear forecasting as well as the corresponding analyses and suggestions for action are steered by the Corporate Controlling Group Function, which works closely in this regard with the business units. Certain Board of Management meetings are dedicated to discussing and adopting corporate planning, including the associated opportunities and risks. Each fiscal year, the annual plan is adjusted and monitored by regularly recording current expectations. Significant and strategic opportunities and risks are systematically analyzed and evaluated by the Corporate Development Group Function with the goal of ensuring that the Group is pursuing the correct long-term strategy.

There is also provision for immediate internal reporting on specific risk issues such as significant corporate compliance violations. In 2009, there was no cause for immediate reporting of this kind on significant risks at LANXESS.

LANXESS's risk management principles are laid down in a Group directive. Risk management also includes preventing illegal conduct by our employees. To this end, we obtain extensive legal advice concerning business transactions and obligate employees by means of our compliance code to observe the law and to act responsibly. A Compliance Committee promotes and monitors adherence to these compliance guidelines. Its work is supported by compliance officers who have been appointed for each country in which LANXESS has a subsidiary. The Compliance Committee is chaired by a compliance officer, who reports directly and regularly to the Board of Management.

LANXESS has acknowledged that managing the company necessarily involves managing risk. Steps have been taken to ensure that potential risks or opportunities relevant to the attainment of corporate goals are fully identified and quantified at an early stage. Preventive measures and safeguards minimize the probability that risks will materialize and limit their potentially adverse effects. The management of opportunities and risks is one of LANXESS's goals and therefore constitutes an integral part of decision-making processes.

Accounting aspects of the internal control and risk management system The aspects of the internal control and risk management system relating to the accounting process include the principles, procedures and measures required to ensure the effectiveness, efficiency and propriety of the company's accounting, and compliance with applicable legal regulations. To this end, LANXESS has implemented clear organizational, control and monitoring structures. The distinctive features of the chemical industry and the risk management tools used regularly by LANXESS in this regard are taken into account. In addition to the accounting process in its narrower sense, this also includes the aforementioned structured budget and forecasting process, and extensive contract management. However, the effectiveness and reliability of the internal control and risk management system can be restricted by discretionary decisions, criminal acts, faulty controls or other circumstances. Thus, even if the system components used are applied, complete security in terms of the correct and timely recording of accounting issues cannot be guaranteed.

The Accounting Group Function, which reports to the CFO, is responsible for the accounting process and therefore for preparing the financial statements for LANXESS AG. The financial statements of LANXESS AG are subject to a full audit by the auditor.

The control and monitoring of LANXESS's accounting processes ensure that generally accepted accounting practices in line with the applicable laws and standards, particularly the German Commercial Code (HGB), are applied at LANXESS and guarantee the reliability of the company's financial reporting. The accounting-related internal control system used by LANXESS is based on generally accepted standards (COSO model). There were no material changes to this system during the period under review. Uniform accounting in compliance with the German Commercial Code is based on a structured process with appropriate organizational structures and workflows, including the related working instructions. The principle of the separation of functions as expressed in structured authorization and approval procedures and the dual-control principle as well as continual plausibility testing are applied throughout the process. On the IT side, the accounting process is supplemented by an integrated IT system that is based largely on off-the-shelf software and is protected by security measures against unauthorized access. The correctness of the automatically generated postings and the master data required for them is regularly reviewed. Manual postings are based on a systematic voucher system, documented to the necessary extent and verified downstream.

Regular coordination with other financial group functions, particularly the Treasury, Tax and Controlling group functions, assists the financial reporting process, e.g. inventory valuations and the mapping of derivatives transactions. A continual exchange of information with the operating business units and other group functions makes it possible to identify and deal with issues arising outside of accounting processes. These include litigation risks, projections for impairment testing and special contractual agreements with suppliers or customers. In addition, third-party service providers are consulted on special issues, particularly relating to the valuation of pensions and other post-employment benefits.

The full Board of Management prepares the financial statements which are then forwarded to the Supervisory Board's Audit Committee without delay. Upon recommendation by the Audit Committee, the financial statements are approved by the Supervisory Board at its financial statements meeting. The Supervisory Board, and especially its Audit Committee, deals with major questions relating to LANXESS's accounting and risk management, the audit mandate and the areas of focus for the auditor's audit of the annual financial statements.

Monitoring of risk management and internal control system Monitoring of risk management and of LANXESS's internal control system (ICS) by means of process-independent testing is part of the risk management system. The Internal Auditing Group Function is tasked with overseeing both the functionality of the internal control and monitoring system and compliance with organizational safeguards. Planning of audits (selection of audit subjects) and audit methods applied by this group function are correspondingly aligned with risks. An annual self-assessment is also carried out to judge the effectiveness of the ICS. In addition, the early warning system is evaluated by the auditor as part of the audit of the annual financial statements. The Supervisory Board also exercises control functions, including regular monitoring of the efficiency of the risk management system by the full Supervisory Board and by its Audit Committee. The Audit Committee reviews reports about the nature and results of the Compliance Committee's work and the work performed by the Internal Auditing Group Function.

Risks of future development

Market risks LANXESS is inherently exposed to the general economic and political opportunities and risks of the countries and regions in which the LANXESS Group operates. As a chemicals enterprise, LANXESS is subject to economic risks and the risks typical of this industry sector. The volatility and cyclicality of the global chemical and polymer markets and their dependence on developments in customer industries harbor opportunities and risks with respect to LANXESS's business volume.

In addition to being subject to economic and cyclical market risks, LANXESS's risk profile is influenced by structural changes in markets, such as the entry of new suppliers, the migration of customers to countries with lower costs, and product substitution or market consolidation trends in some sectors. LANXESS counters such trends with comprehensive measures designed first and foremost to achieve a sharper focus and arrive at a product portfolio with which it can operate successfully for the long term. At the same time, LANXESS systematically manages costs. On the procurement side, the principal risk lies in the volatility of raw material and energy prices. If the price of the materials we use increases, our production costs increase. If the price of the materials we use decreases, write-downs may have to be recognized on inventories. LANXESS mitigates this type of procurement risk by following a sensible inventory and procurement policy. Most of the company's raw material needs are met by long-term supply contracts that have price escalation clauses, and many agreements with customers also contain price escalation clauses. LANXESS also hedges this risk in some cases via derivatives transactions if liquid futures markets are available for hedging raw material and energy price risks. Detailed information is contained in Note 24 (Derivative Financial instruments) to the Financial Statements. To guard against possible supply bottlenecks due to factors such as the failure of a supplier or of an upstream operation at a networked site, LANXESS pursues an appropriate inventory strategy and lines up alternative sources of supply.

Corporate strategy risks LANXESS is consistently pursuing the strategic optimization of the enterprise. Its efforts include ongoing efficiency enhancement, strengthening of core businesses, active portfolio management, and proactive participation in industry consolidation through partnerships, divestments and acquisitions.

The success of the decisions associated with these efforts is naturally subject to forecasting risk in respect of predicting future (market) developments and making assumptions about the feasibility of planned measures. For example, the entry into or exit from a business segment could be based on profitability or growth expectations that prove to be unrealistic over time. LANXESS mitigates this risk by carefully and systematically processing decision-making information. During this process, the business units affected and the Board of Management receive support from departments with the requisite expertise and, if necessary, from external consultants. When gathering information about potential M&A candidates, it is possible that certain facts required to assess a candidate's future performance or to determine the purchase price are not available or are not correctly interpreted. LANXESS reduces this risk by conducting well-structured due diligence analyses and, where possible, by concluding appropriate agreements with the sellers. Insufficient integration of acquired companies or businesses can result in expected developments not materializing. For this reason, LANXESS has structured processes with which full integration of business units acquired is assured.

The preparatory work for investments that exceed a specified significance threshold is the responsibility of the relevant business units. After review by an Investment Committee set up for this purpose, this information is presented to the Board of Management for a decision. This procedure ensures that investments are in line with our corporate strategy and satisfy our profitability and security requirements. Overall, we believe that our investments and portfolio adjustments actively contribute to the further development of LANXESS because of the care exercised when weighing the associated opportunities and risks.

Financial risks Financial risks are centrally managed by the Treasury Group Function. The chief financial risks that are analyzed, measured and steered are liquidity risks, interest rate risks, exchange rate risks, energy and raw material price risks, default risks with banks, customer risks and investment risks associated with pension assets. Detailed information about our financial risks and how we manage them is contained in Note 24 (Derivative Financial instruments) to the Financial Statements.

Legal risks Companies in the LANXESS Group are parties to various litigations. The outcome of individual proceedings cannot be predicted with assurance due to the uncertainties always associated with legal disputes. To the extent necessary in light of the known circumstances in each case, LANXESS has set up risk provisions for the event of an unfavorable outcome of such proceedings. Taking into account existing provisions and insurance, as well as agreements reached with third parties in respect of liability risks arising from legal disputes, it is currently estimated that none of these proceedings will materially affect LANXESS's future earnings.

In our reporting in previous years, we referred to heightened risks relating to certain antitrust proceedings brought by regulatory authorities or civil courts in the United States, Canada and Europe concerning certain products of the former Rubber Business Group, which was transferred to the LANXESS Group in the course of the spin-off from Bayer AG. LANXESS AG and Bayer AG agreed on specific rules governing their respective share of the liabilities in connection with these proceedings. The rules provide that LANXESS will bear 30% and Bayer AG 70% of such liabilities. LANXESS's total liability was limited to an amount that has now been exhausted by the payments which have since been made. In addition to this maximum amount, it is liable for the reimbursement of income tax payable as a result of limited tax deductibility and the proportionate costs of external legal counsel, which are also split between LANXESS and Bayer at a ratio of 30 : 70.

Production and environmental risks Although LANXESS applies high technical and safety standards to the construction, operation and maintenance of production facilities, interruptions in operations, including those due to external factors, such as natural disasters or terrorism, cannot be ruled out. These can lead to explosions, the release of materials hazardous to health, or accidents in which people, property or the environment are harmed. In addition to systematically monitoring compliance with quality standards aimed at avoiding such stoppages or accidents, LANXESS is also insured against the resulting damage to the extent usual in the industry. Risks that can arise due to a lack of plant availability and disruptions of plant and process safety are countered with a comprehensive set of measures. These include regular compliance checks, systematic training of employees to improve standards and safety, and the preparation of risk assessments.

Possible tightening of safety, quality and environmental regulations or standards can lead to additional costs and liability risks that are beyond the control of LANXESS. Particularly noteworthy in this regard is the implementation of the E.U. Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). In addition to direct costs that could arise due to additional measures necessary to comply with these standards, market structures could change to LANXESS's disadvantage as a result of a shift by suppliers and customers to regions outside Europe.

LANXESS is and was responsible for numerous sites at which chemicals have been produced for periods that in some cases exceed 140 years. This responsibility also covers waste disposal facilities. The possibility cannot be ruled out that pollution occurred during this time that has not been discovered to date. LANXESS is committed to the Responsible Care initiative and actively pursues environmental management. This includes constant monitoring and testing of the soil, groundwater and air. Sufficient provisions have been set up within the scope permitted by law for necessary containment or remediation measures in areas with identified contamination.

LANXESS's product portfolio includes substances that are classified as hazardous to health. In order to prevent possible harm to health, LANXESS systematically tests the properties of its products and draws its customers' attention to the risks associated with their use. We also carry product liability insurance that is customary in our industry.

Other risks Tax matters are subject to a degree of uncertainty in terms of their assessment by the tax authorities in Germany and other countries. Even if LANXESS believes that all circumstances have been reported correctly and in compliance with the law, the possibility cannot be ruled out that the tax authorities may come to a different conclusion in individual cases.

The provision of correct information at the correct time to the correct addressee is one of LANXESS's success factors. LANXESS is dependent on its integrated IT systems to manage this information. In order to ensure constant availability of its data, LANXESS operates data back-up systems, mirrored databases, anti-virus and access restriction systems, along with other state-of-the-art security and monitoring tools.

LANXESS's activities depend on its employees. With regard to human resources risks, industrial actions in some countries resulting from disputes about the implementation of restructuring measures or in connection with negotiations concerning future collective pay agreements cannot be ruled out. We counter this risk by fostering open communication with our employees and their representatives. Another human resources risk we face is the anticipated increase in our personnel expenses because of future wage increases. If the rate of increase is particularly high, we may not be able to raise productivity enough to compensate for the higher costs.

LANXESS has prepared an extensive range of preventive measures to mitigate the demographic risk and ensure continued access to an adequate pool of highly skilled employees. Interdisciplinary workgroups at LANXESS are developing innovative concepts to preempt and actively address shifts resulting from demographic change – from trainee recruitment programs to measures allowing older employees to enjoy a longer working life. We have also created the long-term account, a tool that will give our employees in Germany greater flexibility in shaping their retirement in the future.

Summary of LANXESS's overall risk exposure LANXESS's risk exposure decreased in the reporting year due to the recovery of the economic environment compared to the previous year. Nonetheless, all planning is subject to a certain degree of forecasting risk, necessitating flexible adjustments to rapidly changing business conditions. This is particularly true in view of the fact that planning and forecasts in general have become somewhat less reliable due to the drastic changes in our global procurement and customer markets observed recently.

The world's major rating agencies, Standard & Poor's, Moody's Investors Service and Fitch Ratings, have all assessed LANXESS's default risk at "BBB" or "Baa2" with stable outlook, which are solid investment-grade ratings. These ratings were again confirmed during the year under review.

Because of our improved financial structures and the management flexibility LANXESS has already demonstrated in prior years, we are confident that we can successfully master the risks that are materializing.

Based on an overall evaluation of risk management information, the Board of Management at the present time cannot identify any sufficiently likely risks or risk combinations that would jeopardize the continued existence of LANXESS.

Opportunity Report

The opportunities for LANXESS AG are determined by the opportunities of the manufacturing companies in the LANXESS Group, which are outlined briefly below.

The LANXESS Group's strategic alignment has proven successful in the highly volatile economic environment of recent years. The LANXESS Group will continue to position itself as a flexible, market-facing premium supplier at the core of the chemical industry that is applying its great innovative capability to generate measurable added value for customers.

The overriding corporate objective of the LANXESS Group is to increase its controlling parameter, EBITDA pre exceptionals, to around €1.4 billion in 2015. The investment projects already under way are expected to make a sustained contribution of around €300 million to EBITDA pre exceptionals. It is planned to generate the remaining amount from organic growth as well as from targeted acquisitions, with the focus on organic growth.

The composition of the product portfolio, regional focus, strategic acquisitions, targeted research and development, and a variety of strategic initiatives will be instrumental in achieving this objective.

Here the LANXESS Group is aligning itself to the four global megatrends: mobility, agriculture, urbanization and water. The BRIC countries are regarded as the main growth regions.

OUTLOOK

In recent years, the LANXESS Group has successfully positioned its product portfolio in key customer industries and established itself in the world's growth regions.

The LANXESS Group has set a clear medium-term earnings target for future performance. It is planned to raise the Group's key controlling parameter, EBITDA pre exceptionals, to approximately €1.4 billion in fiscal 2015. In order to achieve this objective, the LANXESS Group has defined clear growth opportunities arising from the four megatrends of mobility, agriculture, urbanization and water, and adapted its strategic alignment accordingly.

The investments in future organic growth that the LANXESS Group has initiated, and in some cases already completed, will contribute substantially to the earnings target we have defined. In the coming years, the LANXESS Group expects these to make a sustained contribution of around €300 million per year to EBITDA pre exceptionals. Moreover, recent acquisitions, the successful price-before-volume strategy, the focus on premium products, and product and process innovations will provide additional opportunities for future growth.

There are certain factors that can influence LANXESS's future business performance. The principal company-specific factors include the development of raw material and energy costs. The LANXESS Group expects these to rise in 2011 and is preparing for the possibility that this trend may continue thereafter.

Overall, the LANXESS Group has started 2011 optimistically and envisages continued healthy business performance in its three segments this year. The key customer industries for the LANXESS Group will also continue to develop positively, though with regional variations. The LANXESS Group is extremely well-positioned to benefit from this growth again in all segments worldwide this year.

Against this backdrop, the LANXESS Group is looking to the future with confidence and anticipates that sales and earnings in fiscal 2011 and 2012 will be higher than in 2010.

LANXESS AG expects the personnel expenses incurred for performing its tasks as a management holding company to rise slightly in 2011 and 2012, resulting in higher administration expenses. Apart from this, the earnings position of LANXESS AG will be dominated by the financial result (net interest position, the balance of income and losses from investments in affiliated companies, and other financial income and expense). In 2011 and 2012 we expect the net interest position to be negative, while the balance of income and losses from investments in affiliated companies should improve and other financial expenses should be lower. The earnings situation at the Group's manufacturing companies will significantly affect their ability to pay dividends and thus the net income of LANXESS AG.

EVENTS AFTER THE END OF THE FISCAL YEAR

No events of material significance have occurred since the end of the 2010 fiscal year.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of LANXESS AG, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with its expected development.

Leverkusen, March 2, 2011

LANXESS Aktiengesellschaft, Leverkusen

The Board of Management

Dr. Axel C. Heitmann Dr. Werner Breuers

Dr. Rainier van Roessel Matthias Zachert

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the LANXESS Aktiengesellschaft, Leverkusen, for the business year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Cologne, March 3, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Peter Albrecht	Jörg Sechser
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR 2011

MAY 11
Interim Report Q1 2011

MAY 18
Annual Stockholders' Meeting

AUGUST 11
Interim Report H1 2011

NOVEMBER 10
Interim Report Q3 2011

PLEASE DO NOT HESITATE TO CONTACT US IF YOU HAVE ANY QUESTIONS OR COMMENTS.

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