Q1 10

INTERIM REPORT Q1 2010

JANUARY 1 TO MARCH 31, 2010

LANXESS
Energizing Chemistry

Key Data

€ million	Q1 2009	Q1 2010	Change in %
Sales	1,054	1,613	53.0
EBITDA pre exceptionals	66	233	>100
EBITDA margin pre exceptionals	6.3%	14.4%	
EBITDA	62	230	>100
Operating result (EBIT) pre exceptionals	3	167	>100
Operating result (EBIT)	(1)	164	n.a.
EBIT margin	(0.1%)	10.2%	
Net income	(14)	104	n.a.
Earnings per share (€)	(0.17)	1.25	n.a.
Cash flow from operating activities	122	(8)	n.a.
Depreciation and amortization	63	66	4.8
Cash outflows for capital expenditures	52	39	(25.0)
Total assets	5,068[1)]	5,319	5.0
Equity (including non-controlling interests)	1,445[1)]	1,559	7.9
Equity ratio	28.5%[1)]	29.3%	
Net financial liabilities	794[1)]	851	7.2
Employees (as of March 31)	14,338[1)]	14,292	(0.3)

1) Previous year as of December 31, 2009

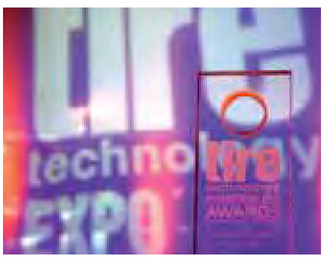
HIGHLIGHTS
Q1 2010

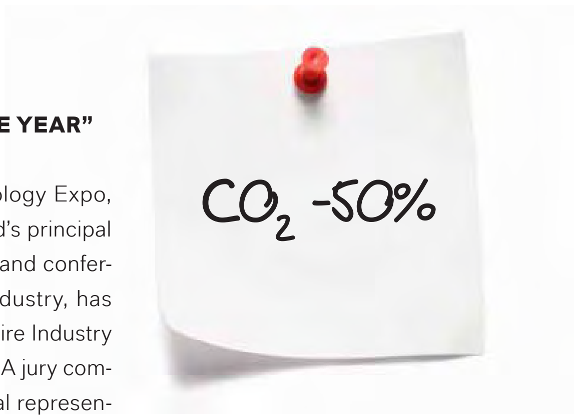
CONFIDENCE FOLLOWING STRONG FINAL QUARTER

The results for 2009 show that LANXESS passed the stress test of the global economic crisis. Group sales fell by 23.1%, while EBITDA pre exceptionals – at €465 million – came in toward the upper end of the adjusted target range announced at the beginning of March 2010. Despite the challenges faced in 2009, the Board of Management and the Supervisory Board will propose to the Annual Stockholders' Meeting on May 28, 2010, that an unchanged dividend of €0.50 per share be paid for 2009. Rising demand in the Asia-Pacific region and savings achieved through the Group-wide package of measures called "Challenge09-12" give LANXESS CEO Axel C. Heitmann grounds for optimism. "We anticipate a significant year-on-year improvement in earnings in 2010, even if there is currently no sign of a self-sustaining upswing," Heitmann said when he presented the 2009 figures. LANXESS expects EBITDA pre exceptionals to rise to between €650 million and €700 million.

LANXESS NAMED "SUPPLIER OF THE YEAR"

The Tire Technology Expo, one of the world's principal specialist trade fairs and conferences for the tire industry, has named LANXESS "Tire Industry Supplier of the Year." A jury composed of international representatives of the tire industry, the automotive sector and the scientific community thus honored the company's achievements in the development of innovative high-performance rubber materials for tires that offer clear advantages in terms of energy consumption, safety and CO_2 emissions and therefore help to protect the environment.





CLIMATE GAS EMISSIONS CUT BY MORE THAN 50%

LANXESS has reduced its direct climate gas emissions by more than 50 percent over the past two years. Between 2007 and 2009, emissions from the company's plants were cut from 3.5 million to 1.5 million tons per year of CO_2 equivalents. The goal set for Germany of an 80% reduction in climate gas emissions by 2012 – based on 2007 levels – has already been achieved by LANXESS, with annual emissions down from around 1.9 million tons of CO_2 equivalents to less than 0.3 million tons.

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LANXESS TO INVEST IN GERMANY

LANXESS is sending a clear signal in favor of Germany as a base for chemical production with two major capital expenditure projects.

The company is entering a new segment of the water treatment business with the construction of a new chemical plant at the Bitterfeld site. This pioneering project of the Ion Exchange Resins business unit has a total capital expenditure volume of some €30 million. In Bitterfeld, LANXESS will develop and produce a membrane filtration technology to remove unwanted substances from water. The plant, which will create 200 new jobs in the long term, is scheduled to start up at the end of this year for a pilot and development phase. Current plans call for the first products from this plant to be introduced to the market in 2011.

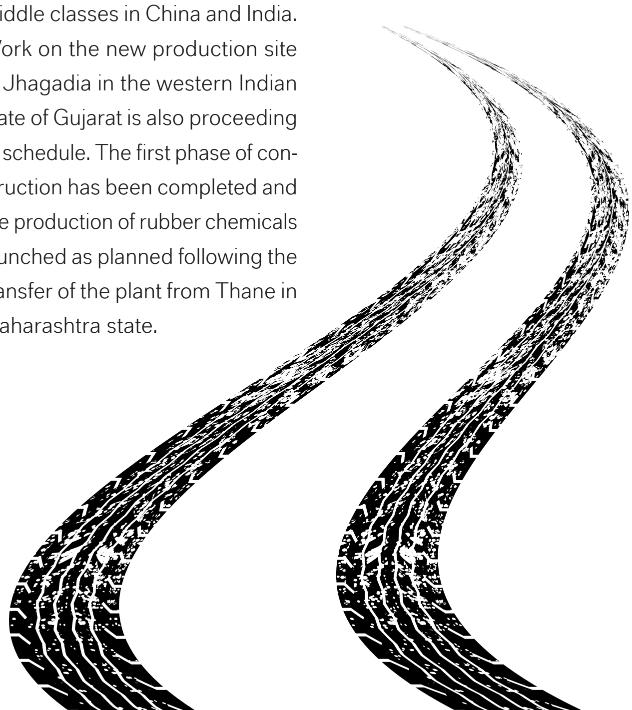
LANXESS plans to build a new production facility at the Krefeld-Uerdingen site that will enable the Basic Chemicals business unit to independently manufacture formalin, a feedstock used in the production of trimethylolpropane (TMP). The investment volume for the new building and process optimization will be total some €18 million. Construction of the new plant is expected to begin in the third quarter of this year, with commissioning earmarked for the end of 2011.

KEY PROJECTS IN ASIA EXPEDITED

LANXESS has brought forward the construction of its new butyl rubber plant and will now break ground in Singapore in May 2010. Production at the facility is scheduled to begin in the first quarter of 2013. The 100,000 tons-per-year plant will cost up to €400 million, making it the largest capital expenditure project in the company's five-year history. The capacity in Singapore will enable LANXESS to satisfy the increasing demand for butyl rubber used in automotive tires, which is being driven by the trend toward mobility particularly among the growing middle classes in China and India. Work on the new production site in Jhagadia in the western Indian state of Gujarat is also proceeding to schedule. The first phase of construction has been completed and the production of rubber chemicals launched as planned following the transfer of the plant from Thane in Maharashtra state.

EXPANDED CAPACITIES FOR HIGH-PERFORMANCE RUBBER

To expand global capacity for its high-performance rubber neodymium polybutadiene (Nd-PBR) by 50,000 tons per year, LANXESS plans to invest some €20 million at its sites in Dormagen, Germany; Orange, Texas, United States; and Cabo, Brazil. The additional capacities will go on stream between the first quarter of 2011 and first quarter of 2012. LANXESS is expanding the production facilities in response to a predicted increase of nearly 10% p.a. in the global demand for Nd-PBR in the coming years.



LANXESS STOCK

In early 2010, stock exchanges worldwide carried forward the positive trend seen at the end of the previous year. In Germany, the lead index DAX reached 6,048 points on the first trading day of the year – its highest close since September 2008.

German indices went on to perform favorably over the quarter as a whole. On March 31, the DAX closed well over the 6,000-point threshold at 6,154 with a gain of 3.3% on the quarter. The MDAX rose 8.5% to 8,143, its highest level since fall 2008. The Dow Jones STOXX 600 Chemicals^{SM} index posted a slight gain of 1.3% to 470 points during the period under review.

After the stock market turbulence of the past two years, investors on the whole displayed renewed confidence in the equity markets in the initial months of 2010. The positive performance of the indices was supported by encouraging economic data and improved consumer confidence in the United States. The mood in German industry also brightened as evidenced by the Ifo Business Climate Index, for example. Listed companies in a wide variety of sectors expressed increasing optimism about their business prospects and reported a positive start to the year.

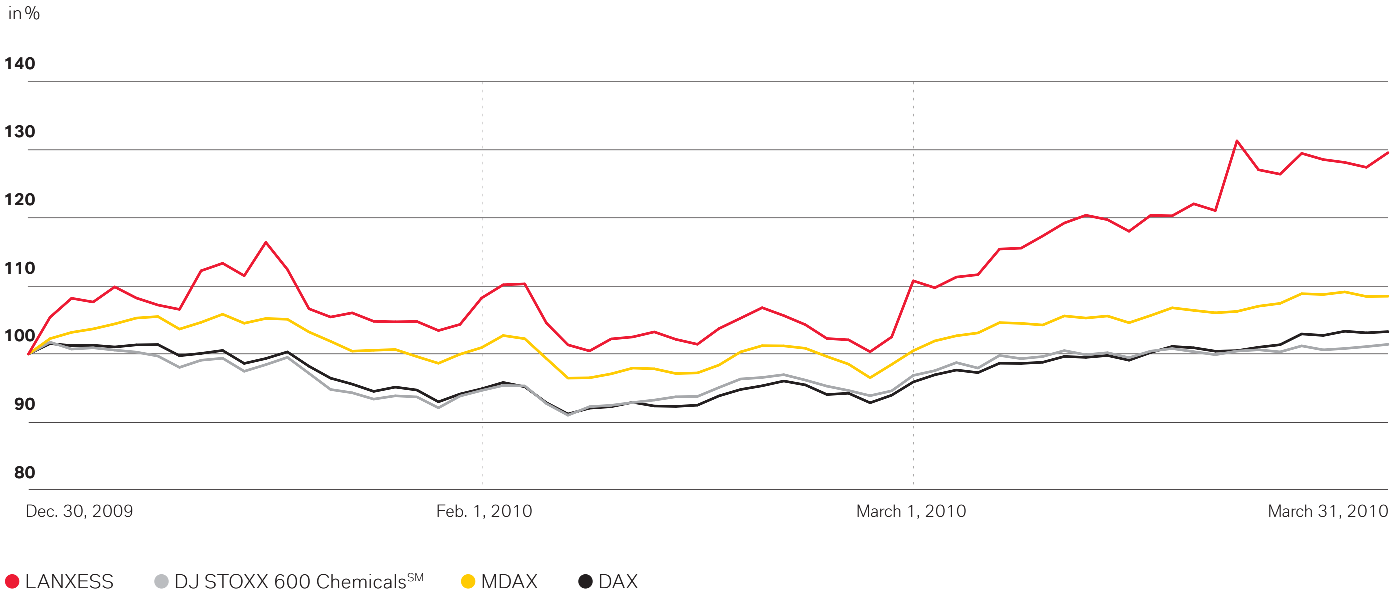
Despite the sustained upward trend during the reporting period, equity markets remained volatile. Nervousness crept into the German markets starting in early February, mainly due to mounting concern about the financial strength of Greece as a eurozone country and the related pressure on the currency. In contrast to previous years, however, the uncertainty did not have a prolonged effect on share prices.

LANXESS stock also developed very well at the start of 2010, continuing the strong performance seen in late 2009. Our share price stayed well above €20 in the first two months of the year, surpassing the €30 mark in early March. On March 31, LANXESS stock closed at €34.12 for a clear gain of 29.5% over December 30, 2009. LANXESS stock thus developed better than its benchmark indices, the MDAX and the DJ STOXX 600 Chemicals^{SM}, by 21.0% and 28.2% respectively in the first months of the new fiscal year, also clearly outperforming the DAX.

In addition to their better overall performance, capital markets took a positive view of the LANXESS Group's stability during the crisis. In early March, against the backdrop of a better-than-expected fourth quarter in 2009, the company lifted its earnings forecast for the full year 2009. Presenting its financial results on March 17, LANXESS announced that it had generated EBITDA pre exceptionals of €465 million in 2009. At the same time the company reported on the successful implementation of its actions to combat the effects of the crisis and expressed optimism for 2010. After a healthy start to the year, LANXESS expects a significant improvement in earnings compared with 2009, with EBITDA pre exceptionals forecast to be in the €650-700 million range.

Other key information of interest to the capital markets related to major capital expenditure projects aimed at further strengthening LANXESS' global market position. These included an announcement that construction of the butyl rubber plant in Singapore will begin in May this year. This approximately €400 million project is LANXESS' largest capital investment to date. Also in the Performance Polymers segment, LANXESS is investing to expand its global capacity for high-performance rubber (Nd-PBR). In the Performance Chemicals segment, the production of rubber chemicals came on stream at the Rubber Chemicals business unit's new site in Jhagadia, India. Work also began on the construction of a plant featuring membrane filtration technology in Bitterfeld. Also in Germany, LANXESS is investing in the expansion of its Basic Chemicals business unit (Advanced Intermediates segment) by erecting a new formalin production facility in Krefeld-Uerdingen. Further details of these investment projects are provided in the "Highlights" section at the front of this publication.

Stock Performance 2010



LANXESS Stock

		Q4 2009	Q1 2010
Capital stock/no. of shares[1]	€/no. of shares	83,202,670	83,202,670
Market capitalization[1]	€ billion	2.19	2.84
High/low for the period	€	27.64/20.54	35.23/25.89
Closing price[1]	€	26.34	34.12
Trading volume	million shares	35.640	45.880
Earnings per share	€	0.17	1.25

1) End of quarter: Q1: March, 31 2010, Q4: December 31, 2009

Reported Holdings of 3% or Above by Institutional Investors (up to and including April 30, 2010)

Dodge & Cox, San Francisco (USA)	10.25%
J.P. Morgan	5.06%[1]
Greenlight Group, New York (USA)	5.01%
Third Avenue Management LLC, New York (USA)	4.94%
TIAA CREF Funds, New York (USA)	3.19%
Teachers Advisors, Inc., New York (USA)	3.11%

1) The reported shareholdings of J.P. Morgan include the interests held by several J.P. Morgan companies, all of which have submitted voting rights notices.

INTERIM GROUP MANAGEMENT REPORT

AS OF MARCH 31, 2010

- Strong, volume-driven sales growth of 53.0%
- Improved capacity utilization in all segments
- EBITDA pre exceptionals of €233 million
- EBITDA margin of 14.4% after 6.3% in prior-year quarter
- Pleasing net income of €104 million
- Business recovery leads to increase in working capital
- Net financial liabilities of €851 million slightly above year-end level
- Integration of Gwalior activities continues according to plan
- Guidance for 2010: substantial growth in EBITDA pre exceptionals to €650-700 million

BUSINESS TRENDS AND ECONOMIC SITUATION

Economic environment The positive economic trend experienced in the fourth quarter of 2009 continued in the first quarter of 2010. However, the picture was not uniform across all regions and industry sectors. Asia, particularly China and India, matched the strong growth of previous quarters, while the more established economies continued their recovery. The automotive sector reported satisfactory growth in all regions, although sales in the industrialized countries did not return to pre-crisis levels. The tire industry benefited from the positive environment in the automotive sector and rising sales of replacement tires. The construction industry remained on the downturn in North America and Europe in the first quarter, but stayed robust in Asia.

The chemical industry carried on the upward trend begun in late 2009. Production volumes improved in Europe and North America and rose sharply again in China. Chemical production in Germany benefited from the stimulus provided by exports, trending positively quarter on quarter but remaining below pre-crisis levels.

Sales The first quarter of 2010 was marked by significant growth in demand in the markets of the LANXESS Group. Sales amounted to €1,613 million, up by a significant €559 million, or 53.0%, from the figure for the prior-year quarter. After adjustment for positive portfolio and negative currency effects, especially from the U.S. dollar, of minus 2.3% net, operational sales grew by 55.3%. Selling prices rose by 5.5% compared with the prior-year quarter due to the increase in raw material costs. In the first quarter of 2009, prices had remained at the high 2008 levels, particularly in the Performance Chemicals segment. Supported by the rebound in demand, volumes jumped 49.8%. A positive portfolio effect of 1.6% stemmed from sales generated by the business activities of Gwalior in India and Jiangsu Polyols in China, acquired on September 1, 2009.

Effects on Sales

%	Q1 2010
Price	5.5
Volume	49.8
Currency	(3.9)
Portfolio	1.6
	53.0

All operating segments benefited from the recovery in demand and saw sharp increases in volumes. In the synthetic rubber and plastics business, selling prices were raised as the result of higher raw material costs, while the price of intermediates remained stable compared with the prior-year period. The segment containing the Group's application-oriented process and functional chemicals reported slightly lower selling prices due to a drop in raw material costs.

The Performance Polymers segment experienced the strongest sales growth, at plus 84.8%. Volumes rose considerably from the very low level of the prior-year quarter. With raw material costs up by a double-digit percentage, prices moved higher. Sales in the Advanced Intermediates segment improved by 24.0%, mainly due to volume growth, with selling prices remaining virtually steady. The acquisitions in India and China yielded a positive portfolio effect. Sales in the Performance Chemicals segment also topped the prior-year quarter by 34.6% in light of strong growth in volumes. Selling prices in this segment were comparable to the high levels of early 2009.

Sales by Segment

€ million	Q1 2009	Q1 2010	Change %	Proportion of Group sales %
Performance Polymers	448	828	84.8	51.3
Advanced Intermediates	258	320	24.0	19.9
Performance Chemicals	338	455	34.6	28.2
Reconciliation	10	10	0.0	0.6
	1,054	**1,613**	**53.0**	**100.0**

Sales were up significantly in all LANXESS regions, with business more than doubling in some sub-regions. Notably, Brazil and China stood out as positive generators of growth due to their market momentum, the Performance Polymers segment being the key growth driver. A double-digit percentage increase in sales of all segments in our other markets, too, reflected the substantial recovery in our customer industries.

Gross profit In the first quarter of 2010, the cost of sales did not rise as steeply as sales, increasing by 42.2% to €1,219 million. Gross profit doubled to €394 million. The gross profit margin, at 24.4%, exceeded the prior-year quarter's by 5.7 percentage points. Compared with the prior-year period, the price of key raw materials increased considerably in the quarter under review. Prices for butadiene and cyclohexane, in particular, showed a clear upward trend. The Performance Polymers segment was able to pass on higher raw material costs to the market in a timely manner. The replenishment of inventories in industries served by the Performance Polymers and Performance Chemicals segments had a positive effect. Capacity utilization improved compared with the last quarter of 2009 and was significantly higher than in the first quarter of 2009. Cost structures were further optimized. In particular, the successful implementation of the global Challenge09-12 program, including numerous technical measures along with reduced working hours and pay cuts across all levels of the company worldwide, had a very positive effect on manufacturing costs. While gross profit was impacted by negative currency changes, other operating income included gains from hedging transactions.

EBITDA Pre Exceptionals by Segment

€ million	Q1 2009	Q1 2010	Change %
Performance Polymers	8	144	>100
Advanced Intermediates	46	44	(4.3)
Performance Chemicals	39	78	100.0
Reconciliation	(27)	(33)	(22.2)
	66	**233**	**>100**

EBITDA and EBIT The operating result before depreciation and amortization (EBITDA) pre exceptionals came in at €233 million in the first quarter of 2010, up €167 million from the prior-year quarter. This significant improvement in earnings resulted mainly from higher volumes. There was also a positive price effect. The acquisitions in India and China also accounted for a slightly positive portfolio effect. Encouraging volume and price trends clearly offset negative currency changes. In addition, the global Challenge09-12 program successfully implemented last year proved accretive to earnings in all functional areas. Selling expenses rose by 24.6% to €142 million as the result of a volume-driven increase in freight charges. Research expenses were unchanged at €24 million. The EBITDA margin pre exceptionals improved sharply from 6.3% to 14.4%.

Performance Polymers realized substantial earnings growth due to high volumes and the very good capacity utilization they entailed. This trend was reinforced by timely price increases as a consequence of increased raw material costs. Taking into account negative currency effects, this segment saw earnings rise to €144 million, up €136 million from the prior-year quarter, which was weak due to the economic crisis. Adjusted for exchange rate and portfolio effects, earnings in the Advanced Intermediates segment matched the same period of last year. The effects of substantial growth in volumes and stable prices were balanced by a change in the product and margin mix. Earnings in the Performance Chemicals segment doubled due to the substantial volume growth. Selling and raw material prices were comparable to the very high levels of the prior-year period.

The operating result (EBIT) amounted to €164 million in the first quarter of 2010 compared with minus €1 million in the same quarter of 2009. The exceptional charges included in other operating expenses totaled €3 million, the whole of this amount impacting EBITDA. They related mainly to efficiency improvement measures. Exceptional charges in the prior-year quarter amounted to €4 million, also fully impacting EBITDA. These items related principally to restructuring and efficiency improvement programs at LANXESS sites in Germany and Belgium.

Financial result The financial result amounted to minus €20 million in the first quarter of 2010, the same as in the prior-year period. Due to the increase in financial liabilities, attributable to the 2009 issuance of bonds and promissory notes, net interest expense rose by €10 million. This was offset by the €2 million increase in the pro-rated earnings of CURRENTA GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, and the €9 million improvement in the balance of other financial income and expense due to the lower interest expense for pension provisions.

Income before income taxes Income before income taxes rose in line with the significantly improved operating result by €165 million to €144 million in the first quarter of 2010. The effective tax rate was 27.1%, against 33.3% for the prior-year quarter.

Net income and earnings per share Non-controlling interests accounted for €1 million of income in the period under review, compared with zero a year earlier. Net income for the first quarter of 2010 amounted to plus €104 million, compared with a net loss of minus €14 million in the prior-year period. With the number of LANXESS shares in circulation unchanged, first quarter earnings per share increased year on year from minus €0.17 to €1.25.

BUSINESS TRENDS BY REGION

Sales by Market

	Q1 2009		Q1 2010		Change
	€ million	%	€ million	%	%
EMEA (excluding Germany)	358	34.0	484	30.0	35.2
Germany	244	23.1	308	19.1	26.2
North America	181	17.2	250	15.5	38.1
Latin America	96	9.1	195	12.1	>100
Asia-Pacific	175	16.6	376	23.3	>100
	1,054	**100.0**	**1,613**	**100.0**	**53.0**

In the **EMEA** region (Europe, Middle East, Africa), excluding Germany, LANXESS Group sales increased by 35.2% in the first quarter of 2010 to €484 million. There were no notable currency effects here. All segments in all sub-regions contributed to the significant increase in business. The trend was positive in Western European markets in particular, with Italy and Belgium posting high double-digit growth rates. The crucial factor in this development was the more than 50% growth in sales of the Performance Polymers segment. The Advanced Intermediates and Performance Chemicals segments also saw significant increases in business.

With a share of 30.0% of total sales for the first quarter, EMEA (excluding Germany) remains the largest of the LANXESS Group's regions in terms of sales.

In **Germany**, the LANXESS Group grew sales by 26.2% to €308 million in the first quarter of 2010, with double-digit growth rates in all operating segments.

The percentage of total sales generated in Germany dropped from 23.1% to 19.1% in light of the stronger relative growth in other regions.

In **North America**, sales in the first quarter of 2010 amounted to €250 million, up 38.1% from the prior-year period. Adjusted for negative currency effects, sales rose by 46.5%. All segments, particularly Performance Polymers, contributed to this substantial increase in business.

The proportion of Group sales generated in North America declined from 17.2% to 15.5%.

Compared with the previous year, sales in **Latin America** jumped more than 100%. Adjusted for currency and minimal portfolio effects, growth amounted to 109.6% and was generated by all segments and countries. Especially in Brazil, sales rose appreciably despite negative exchange rate effects. This applied particularly to the synthetic rubber activities of the Performance Polymers segment.

This region's share of first-quarter Group sales rose from 9.1% to 12.1%.

Growth continued unabated in the **Asia-Pacific** region. Compared with the prior-year quarter, LANXESS more than doubled its sales here too, posting a 114.9% increase. Adjusted for currency changes and for portfolio effects arising from the acquisitions in India and China in the previous year, the increase came to 115.5%. All of the region's segments and sub-regions performed extremely well. Here again, the Performance Polymers segment saw a huge rise in sales. LANXESS generated its highest absolute sales growth in China, India, South Korea and Japan.

The Asia-Pacific region's share of Group sales climbed accordingly from 16.6% in the first quarter of 2009 to 23.3% this year, making it once again the Group's second-most-important region after EMEA (excluding Germany).

SEGMENT INFORMATION

Performance Polymers

	Q1 2009		Q1 2010		Change
	€ million	Margin %	€ million	Margin %	%
Sales	448		828		84.8
EBITDA pre exceptionals	8	1.8	144	17.4	>100
EBITDA	8	1.8	143	17.3	>100
Operating result (EBIT) pre exceptionals	(24)	(5.4)	109	13.2	n.a.
Operating result (EBIT)	(24)	(5.4)	108	13.0	n.a.
Cash outflows for capital expenditures[1]	28		19		(32.1)
Depreciation and amortization	32		35		9.4
Employees as of March 31 (previous year: as of Dec. 31)	4,375		4,321		(1.2)

1) Intangible assets and property, plant and equipment

Sales in the **Performance Polymers** segment amounted to €828 million, a healthy 84.8% more than in the prior-year quarter, which was weak due to the economic crisis. Volumes rose 74.3% thanks to a clear upturn in demand. A considerable increase in raw material costs, particularly for butadiene, was offset by timely price increases, giving a 17.2% positive effect. The pleasing price and volume trend in all business units far overcompensated the 6.7% negative exchange rate effect.

All business units in the segment saw a strong revival of demand from all the main customer industries. Business units with close ties to the tire industry, such as Butyl Rubber and Performance Butadiene Rubbers, benefited from an underlying improvement in demand, particularly for replacement tires, and inventory replenishment by customers. This led to significant improvements in capacity utilization. In the Technical Rubber Products and Semi-Crystalline Products business units, increased demand from automobile manufacturers was the key factor in sales growth. The business performance of the segment in the Asia-Pacific region, particularly China, again proved to be the driving force. Sales in Brazil also increased substantially despite negative currency effects.

EBITDA pre exceptionals of the Performance Polymers segment climbed sharply by €136 million to €144 million. The increase in raw material costs was passed on to the market in full throughout the segment. The very good volume growth in all business units contributed substantially to the jump in earnings. Idle capacity costs were slashed thanks to the higher capacity utilization compared with the prior-year period. Adjustments to cost structures were also accretive to earnings. There was a negative effect from adverse shifts in exchange rates. The EBITDA margin came in at 17.4% for the first quarter, against 1.8% a year ago.

Exceptional charges in the segment, which impacted EBITDA, amounted to €1 million and related to efficiency-improvement measures at several of the Group's sites. The segment took no exceptional charges in the prior-year period.

Advanced Intermediates

	Q1 2009		Q1 2010		Change
	€ million	Margin %	€ million	Margin %	%
Sales	258		320		24.0
EBITDA pre exceptionals	46	17.8	44	13.8	(4.3)
EBITDA	46	17.8	44	13.8	(4.3)
Operating result (EBIT) pre exceptionals	35	13.6	31	9.7	(11.4)
Operating result (EBIT)	35	13.6	31	9.7	(11.4)
Cash outflows for capital expenditures[1]	9		5		(44.4)
Depreciation and amortization	11		13		18.2
Employees as of March 31 (previous year: as of Dec. 31)	2,858		2,830		(1.0)

1) Intangible assets and property, plant and equipment

Sales of the **Advanced Intermediates** segment in the first quarter of 2010 rose by 24.0% to €320 million. This development was mainly due to the 19.7% higher volumes, while selling prices were virtually stable (minus 0.4%). Negative currency effects of 1.9% were eclipsed by the inclusion of the sales generated by the successful acquisitions in India and China in fiscal 2009, which produced a portfolio effect of 6.6%.

In the first quarter of 2010, demand for agrochemicals was more moderate due to customers' inventory status, with developments varying slightly among the different application areas of the two business units. A compensating effect came from sales to automobile-related industries, which rose considerably in the Basic Chemicals business unit. Business with the dyes and coatings industry also grew significantly. The market for the pharmaceutical precursors produced by the Saltigo business unit weakened as expected.

EBITDA pre exceptionals in the Advanced Intermediates segment, at €44 million, was nearly unchanged from a year ago (€46 million). The EBITDA margin dropped 4.0 percentage points to 13.8% due to product mix effects. The negative movement in exchange rates was mitigated by a positive portfolio effect.

Performance Chemicals

	Q1 2009		Q1 2010		Change
	€ million	Margin %	€ million	Margin %	%
Sales	338		455		34.6
EBITDA pre exceptionals	39	11.5	78	17.1	100.0
EBITDA	38	11.2	78	17.1	>100
Operating result (EBIT) pre exceptionals	22	6.5	62	13.6	>100
Operating result (EBIT)	21	6.2	62	13.6	>100
Cash outflows for capital expenditures[1]	13		14		7.7
Depreciation and amortization	17		16		(5.9)
Employees as of March 31 (previous year: as of Dec.31)	4,675		4,684		0.2

1) Intangible assets and property, plant and equipment

Sales and earnings in the **Performance Chemicals** segment reached a very positive level in the first quarter of 2010. Sales advanced by a volume-driven 34.6% to €455 million, the volume effect amounting to 41.7%. Selling prices were down 5.3% from the high level of the previous year. Exchange rate movements had a 1.8% negative effect on sales.

All of the segment's business units lifted sales against the corresponding period of last year. This segment, too, benefited from the replenishment of customer inventories. The Leather business unit experienced a strong upturn in demand for leather chemicals by the apparel, furniture and automotive industries. However, the business unit had to reduce selling prices in the wake of a drop in market prices for the raw material chrome ore. The Rubber Chemicals and Rhein Chemie business units, where automobile-related industries account for a major share of the customer base, also recorded clear increases in demand. The same applied to the Functional Chemicals business unit, although lower prices for the raw material phosphorus had a corresponding effect on selling prices.

Compared with the prior-year quarter, EBITDA pre exceptionals doubled to €78 million on account of the growth in volumes, despite the reduction in prices and negative currency effects. The inorganic pigments activities and the Rubber Chemicals and Rhein Chemie business units contributed decisively to this improvement. Streamlined cost structures and improved capacity utilization also had a positive effect on segment earnings. The EBITDA margin posted a tangible increase from 11.5% to 17.1%.

The exceptional charges for the prior-year quarter amounted to €1 million and related chiefly to the costs for personnel adjustment measures as part of the Challenge09-12 program.

Reconciliation

	Q1 2009	Q1 2010	Change
	€ million	€ million	%
Sales	10	10	0.0
EBITDA pre exceptionals	(27)	(33)	(22.2)
EBITDA	(30)	(35)	(16.7)
Operating result (EBIT) pre exceptionals	(30)	(35)	(16.7)
Operating result (EBIT)	(33)	(37)	(12.1)
Cash outflows for capital expenditures[1]	2	1	(50.0)
Depreciation and amortization	3	2	(33.3)
Employees as of March 31 (previous year: as of Dec.31)	2,430	2,457	1.1

1) Intangible assets and property, plant and equipment

The exceptional charges reported in the **reconciliation** in the first quarter, amounting to €2 million, related principally to efficiency-improvement measures and portfolio expenses. Such expenses mainly included costs for personnel adjustment measures and the execution of corporate transactions, to the extent they could not be specifically allocated to segments or business units.

FINANCIAL CONDITION

Structure of the statement of financial position As of March 31, 2010, the LANXESS Group had total assets of €5,319 million, up €251 million, or 5.0%, from €5,068 million on December 31, 2009. The main reasons for the increase were exchange rate effects and the growth in working capital, which in turn was due to the clear recovery in demand, preparations for scheduled maintenance shutdowns and higher raw material prices.

Non-current assets registered a €54 million increase to €2,436 million. Intangible assets and property, plant and equipment grew by €47 million to €2,052 million, due mainly to currency effects. Cash outflows for purchases of intangible assets, property, plant and equipment declined from €52 million in the prior-year period to €39 million. Depreciation and amortization totaled €66 million (prior-year period: €63 million). The increase in the carrying amount of investments accounted for using the equity method was attributable to the positive earnings of CURRENTA GmbH & Co. OHG in the first quarter of 2010. The ratio of non-current assets to total assets was 45.8%, down 1.2 percentage points from December 31, 2009.

Current assets amounted to €2,883 million, up €197 million from December 31, 2009. Inventories grew by €100 million as the result of higher raw material prices, currency effects and an increase in inventories of finished goods in preparation for maintenance shutdowns, particularly in connection with plant expansions. Trade receivables were €172 million higher than at year end 2009, the principal reasons being the quarter-on-quarter growth in business. The total of cash and cash equivalents and near-cash assets declined by €102 million to €613 million. The ratio of current assets to total assets was 54.2%, against 53.0% as of December 31, 2009.

Equity rose by €114 million from December 31, 2009 to €1,559 million chiefly due to the Group's net income of €104 million for the first three months and positive currency translation differences. The ratio of equity to the Group's total assets amounted to 29.3% as of March 31, 2010 against 28.5% as of December 31, 2009.

Non-current liabilities grew by €22 million to €2,526 million as of March 31, 2010. Provisions for pensions were higher, mainly due to the adjustment in discount rates and to currency effects. By contrast, some financial liabilities were repaid early. The ratio of non-current liabilities to total assets was 47.5%, down from 49.4% as of December 31, 2009.

Current liabilities were up €115 million to €1,234 million. Trade payables grew as a result of higher raw material prices and increases in purchasing volumes linked to business growth. The ratio of current liabilities to total assets was 23.2% as of March 31, 2010, against 22.1% as of December 31, 2009.

Liquidity and capital expenditures In the first three months of fiscal 2010, there was a net cash outflow of €8 million from operating activities, compared with a net inflow of €122 million in the prior-year period. With income before income taxes totaling €144 million, the increase in working capital compared with December 31, 2009 resulted in a cash outflow of €215 million. In the first quarter of the previous year, which was impacted by the economic crisis, working capital declined by €113 million due to the much lower business level at that time. The development of net cash flow in the first quarter of 2010 resulted mainly from the increase in raw material prices, currency effects, the significant rebound in demand and the associated replenishment of inventories and increase in trade receivables.

In the first three months of 2010, net cash used in investing activities amounted to €39 million compared with a net cash inflow of €5 million in the prior-year period. €45 million was added in the prior-year quarter from a short-term investment that matured. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €39 million, €13 million less than in the same quarter of 2009. Depreciation and amortization amounted to €66 million.

Significant capital expenditures in the Performance Polymers segment related to the construction of a new butyl rubber plant in Singapore for the Butyl Rubber business unit, which is the largest investment in the company's history. The new facility is scheduled to start production in the first quarter of 2013. In the Advanced Intermediates segment's Basic Chemicals business unit, capital expenditures were made to expand the integrated aromatics production network at the Leverkusen site. The construction of a new formalin production facility at the Krefeld-Uerdingen site was announced. The Saltigo business unit received grants corresponding to the expenditures for the construction of facilities from the major customer concerned. In the Performance Chemicals segment, capital expenditures in the Ion Exchange Resins business unit related mainly to the construction of the new facility at the site in Jhagadia, India, for ion exchange resins used in water treatment and the production of ultra-pure water. The building of a new plant for this business unit featuring membrane filtration technology also commenced in Bitterfeld, Germany.

Net cash used in financing activities was €57 million, primarily due to partial repayment of a promissory note.

Net Financial Liabilities

€ million	Dec. 31, 2009	March 31, 2010
Non-current financial liabilities	1,462	1,418
Current financial liabilities	94	109
less		
Liabilities for accrued interest	(47)	(63)
Cash and cash equivalents	(313)	(211)
Near-cash assets	(402)	(402)
	794	**851**

Cash and cash equivalents decreased by €102 million compared with the end of 2009, to €211 million. The instant-access investments in money market funds remained unchanged at €402 million and were reported under the near-cash assets item. Net financial liabilities totaled €851 million as of March 31, 2010, compared with €794 million as of December 31, 2009.

SIGNIFICANT OPPORTUNITIES AND RISKS

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

OUTLOOK

LANXESS believes that the macroeconomic recovery will continue in general during the course of fiscal 2010, although it will progress differently from one region to another. The Asia-Pacific region, particularly China and India, will maintain the growth trend seen in the first quarter. Latin America, especially Brazil, will also see further economic growth. LANXESS anticipates that the BRIC countries Brazil, India and China will therefore generate the strongest economic growth in the current fiscal year.

LANXESS also expects the economic recovery to continue in North America and Europe, although there are still a number of risks involved. Doubts therefore persist as to the permanence of this recovery, which will take place considerably more slowly in these regions. The pace of recovery in Europe will also be slowed by new risks arising from the financial crisis in some member countries of the European Union.

In the current environment and based on the pleasing first quarter of 2010, LANXESS expects demand in its key markets to continue to grow, with the greatest impetus coming from the tire and automobile industries. In the market for agrochemicals, we believe the positive trend will continue for the long term, even though a certain initial weakening is likely in the coming quarters.

Further increases in raw material prices are anticipated this year. After the significant rise in prices in the first quarter, we are already seeing an additional increase in our raw material costs during the second quarter. In many of our businesses, we believe that the replenishment of inventories by customers begun in the first quarter could remain ongoing in the second quarter of 2010. We currently do not foresee further replenishment of inventories thereafter.

Particularly in the second and third quarters, LANXESS plans to conduct maintenance work at its facilities, including during the expansion of production capacity for the intermediate caprolactam in the Semi-Crystalline Products business unit. LANXESS built up product inventories during the first quarter of 2010 to prepare for and bridge this maintenance period. Working capital, which rose as a result, is likely to decline in the second half of 2010 and thus to return to its normal seasonality.

LANXESS plans to make capital expenditures of between €400 million and €430 million in 2010 in pursuit of its systematic investment strategy aimed at strengthening the Group's position in key markets.

Against the backdrop of these developments and assumptions, LANXESS believes fiscal 2010 should bring an appreciable improvement in earnings over the previous year and expects EBITDA pre exceptionals to amount to between €650 million and €700 million. Earnings are likely to display their normal seasonality.

EVENTS AFTER THE REPORTING PERIOD

No events of special significance took place after March 31, 2010 that are expected to materially affect the financial position or results of operations of the LANXESS Group.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2010

LANXESS GROUP **STATEMENT OF FINANCIAL POSITION**

€ million	Dec. 31, 2009	March 31, 2010
ASSETS		
Intangible assets	196	202
Property, plant and equipment	1,809	1,850
Investments accounted for using the equity method	26	30
Investments in other affiliated companies	1	1
Non-current derivative assets	16	8
Other non-current financial assets	79	76
Deferred taxes	163	172
Other non-current assets	92	97
Non-current assets	**2,382**	**2,436**
Inventories	849	949
Trade receivables	733	905
Cash and cash equivalents	313	211
Near-cash assets	402	402
Current derivative assets	29	13
Other current financial assets	146	147
Current income tax receivables	31	35
Other current assets	183	221
Current assets	**2,686**	**2,883**
Total assets	**5,068**	**5,319**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	889	894
Other reserves	818	828
Net income	40	104
Other equity components	(315)	(281)
Equity attributable to non-controlling interests	13	14
Equity	**1,445**	**1,559**
Provisions for pensions and other post-employment benefits	569	604
Other non-current provisions	307	317
Non-current derivative liabilities	4	13
Other non-current financial liabilities	1,462	1,418
Non-current income tax liabilities	47	47
Other non-current liabilities	77	87
Deferred taxes	38	40
Non-current liabilities	**2,504**	**2,526**
Other current provisions	352	395
Trade payables	486	511
Current derivative liabilities	26	39
Other current financial liabilities	94	109
Current income tax liabilities	52	62
Other current liabilities	109	118
Current liabilities	**1,119**	**1,234**
Total equity and liabilities	**5,068**	**5,319**

LANXESS GROUP **INCOME STATEMENT**

€ million	Q1 2009	Q1 2010
Sales	**1,054**	**1,613**
Cost of sales	(857)	(1,219)
Gross profit	**197**	**394**
Selling expenses	(114)	(142)
Research and development expenses	(24)	(24)
General administration expenses	(60)	(60)
Other operating income	67	38
Other operating expenses	(67)	(42)
Operating result (EBIT)	**(1)**	**164**
Income from investments accounted for using the equity method	2	4
Interest income	4	3
Interest expense	(14)	(24)
Other financial income and expense	(12)	(3)
Financial result	**(20)**	**(20)**
Income before income taxes	**(21)**	**144**
Income taxes	7	(39)
Income after income taxes	**(14)**	**105**
of which attributable to non-controlling interests	0	1
of which attributable to LANXESS AG stockholders (net income)	(14)	104
Earnings per share in € (undiluted/diluted)	**(0.17)**	**1.25**

LANXESS GROUP **STATEMENT OF COMPREHENSIVE INCOME**

€ million	Q1 2009	Q1 2010
Income after income taxes	**(14)**	**105**
Actuarial gains/losses, effects of the asset ceiling and minimum funding requirements relating to defined-benefit plans	(23)	(42)
Exchange differences on translation of operations outside the eurozone	20	65
Financial instruments	(19)	(41)
Income taxes on other comprehensive income	11	22
Other comprehensive income, net of income tax	**(11)**	**4**
Total comprehensive income	**(25)**	**109**
of which attributable to non-controlling interests	0	1
of which attributable to LANXESS AG stockholders	(25)	108

LANXESS GROUP **STATEMENT OF CHANGES IN EQUITY**

€ million	Capital stock	Capital reserves	Other reserves	Net income	Other equity components		Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
Dec. 31, 2008	**83**	**806**	**762**	**183**	**(467)**	**(44)**	**1,323**	**16**	**1,339**
Allocation to retained earnings			183	(183)			0		0
Total comprehensive income			(15)	(14)	20	(16)	(25)	0	(25)
March 31, 2009	**83**	**806**	**930**	**(14)**	**(447)**	**(60)**	**1,298**	**16**	**1,314**
Dec. 31, 2009	**83**	**806**	**818**	**40**	**(340)**	**25**	**1,432**	**13**	**1,445**
Allocation to retained earnings			40	(40)			0		0
Share-based compensation		5					5		5
Total comprehensive income			(30)	104	65	(31)	108	1	109
March 31, 2010	**83**	**811**	**828**	**104**	**(275)**	**(6)**	**1,545**	**14**	**1,559**

LANXESS GROUP **STATEMENT OF CASH FLOWS**

€ million	Q1 2009	Q1 2010
Income before income taxes	**(21)**	**144**
Depreciation and amortization	63	66
Gains on disposals of intangible assets and property, plant and equipment	(7)	0
Income from investments accounted for using the equity method	(2)	(4)
Financial losses	9	21
Income taxes paid/refunded	24	(18)
Changes in inventories	117	(76)
Changes in trade receivables	120	(154)
Changes in trade payables	(124)	15
Changes in other assets and liabilities	(57)	(2)
Net cash provided by (used in) operating activities	**122**	**(8)**
Cash outflows for purchases of intangible assets, property, plant and equipment	(52)	(39)
Cash outflows for/cash inflows from financial assets	45	(2)
Cash inflows from sales of intangible assets, property, plant and equipment	9	1
Interest and dividends received	3	1
Net cash provided by (used in) investing activities	**5**	**(39)**
Proceeds from borrowings	113	8
Repayments of borrowings	(205)	(60)
Interest paid and other financial disbursements	(4)	(5)
Net cash used in financing activities	**(96)**	**(57)**
Change in cash and cash equivalents from business activities	**31**	**(104)**
Cash and cash equivalents as of January 1	249	313
Other changes in cash and cash equivalents	3	2
Cash and cash equivalents as of March 31	**283**	**211**

SEGMENT AND REGION DATA

Key Data by Segment

€ million	Performance Polymers		Advanced Intermediates	
	Q1 2009	**Q1 2010**	**Q1 2009**	**Q1 2010**
External sales	448	828	258	320
Inter-segment sales	6	9	10	10
Segment/Group sales	454	837	268	330
Segment result/EBITDA pre exceptionals	8	144	46	44
EBITDA margin pre exceptionals (%)	1.8	17.4	17.8	13.8
EBITDA	8	143	46	44
EBIT pre exceptionals	(24)	109	35	31
EBIT	(24)	108	35	31
Additions to intangible assets, property, plant and equipment	28	19	9	18
Depreciation and amortization	32	35	11	13
Employees as of March 31 (previous year: as of Dec. 31)	4,375	4,321	2,858	2,830

Key Data by Region

€ million	EMEA (excluding Germany)		Germany	
	Q1 2009	**Q1 2010**	**Q1 2009**	**Q1 2010**
Sales by market	358	484	244	308
Proportion of Group sales (%)	34.0	30.0	23.1	19.1
Employees as of March 31 (previous year: as of Dec. 31)	2,625	2,611	7,626	7,583

Performance Chemicals		Reconciliation		LANXESS	
Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010
338	455	10	10	1,054	1,613
3	2	(19)	(21)	0	0
341	457	(9)	(11)	1,054	1,613
39	78	(27)	(33)	66	233
11.5	17.1			6.3	14.4
38	78	(30)	(35)	62	230
22	62	(30)	(35)	3	167
21	62	(33)	(37)	(1)	164
13	14	2	1	52	52
17	16	3	2	63	66
4,675	4,684	2,430	2,457	14,338	14,292

North America		Latin America		Asia-Pacific		LANXESS	
Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010
181	250	96	195	175	376	1,054	1,613
17.2	15.5	9.1	12.1	16.6	23.3	100.0	100.0
1,261	1,242	1,152	1,141	1,674	1,715	14,338	14,292

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2010

RECOGNITION AND VALUATION PRINCIPLES

The unaudited, condensed consolidated interim financial statements as of March 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Accounting Standards Board (IASB) applicable to interim financial reporting, required to be applied in the European Union. The standards and interpretations already mandatory as of January 1, 2010 were observed in preparing the interim financial statements.

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

SCOPE OF CONSOLIDATION

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

Last year's acquisitions of the chemical businesses and production facilities of the Indian listed company Gwalior Chemical Industries Ltd. (Gwalior), headquartered in Mumbai, and Jiangsu Polyols Chemical Co. Ltd., Liyang, China, were consolidated for the first time as of September 1, 2009. The purchase price allocations undertaken at that time were provisional and subject to adjustment within one year after the acquisition date to reflect new information and findings. Details of the purchase price allocations and the effects of the acquisitions on the LANXESS Group's consolidated statement of financial position are provided in the section entitled "Companies Consolidated" in the notes to the consolidated financial statements as of December 31, 2009. The purchase price allocation shown there had not changed by March 31, 2010.

The condensed consolidated interim financial statements of the LANXESS Group as of March 31, 2010, include 59 fully consolidated companies. The 40% stake in CURRENTA GmbH & Co. OHG, Leverkusen, and the 25% stake in Anhui Tongfeng Shengda Chemicals Company Limited, Tongling, China, are accounted for using the equity method.

EARNINGS PER SHARE

Earnings per share for the first quarters of 2009 and 2010 were calculated on the basis of the number of shares outstanding as of the respective closing dates. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2009.

Earnings per Share

	Q1 2009	Q1 2010	Change
Net income (€ million)	(14)	104	–
No. of outstanding shares (weighted)	83,202,670	83,202,670	0.0
Earnings per share in € (undiluted/diluted)	**(0.17)**	**1.25**	**–**

EQUITY

The €5 million increase in capital reserves resulted from the issuance of free shares to employees in Germany to commemorate the fifth anniversary of LANXESS AG's admission to the stock exchange. These shares are to be purchased on the stock market at mid-year and subsequently transferred to the employees' securities deposit accounts.

NOTES TO THE SEGMENT REPORTING

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

Reconciliation of Segment Result

€ million	Q1 2009	Q1 2010
Total of segment results	**93**	**266**
Other/Consolidation	(27)	(33)
Exceptional items in EBITDA	(4)	(3)
Depreciation and amortization	(63)	(66)
Financial result	(20)	(20)
Income before income taxes	**(21)**	**144**

RELATED PARTIES

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

Transactions in the first three months of 2010 with associated companies accounted for in the consolidated financial statements using the equity method, or subsidiaries of such companies, mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €90 million, the same amount as in the prior-year period. Trade payables of €38 million existed as of March 31, 2010 (December 31, 2009: €40 million) as a result of these transactions.

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

EMPLOYEES

The LANXESS Group had 14,292 employees as of March 31, 2010, which was 46 fewer than on December 31, 2009 (14,338).

The number of employees in the EMEA region (excluding Germany) fell slightly by 14 to 2,611. In Germany, headcount dropped by 43 to 7,583. The number of employees in North America declined from 1,261 as of December 31, 2009 to 1,242, and in Latin America from 1,152 to 1,141. The number of employees in the Asia-Pacific region increased from 1,674 to 1,715. This was mainly due to the preparations for commissioning of the new facility in Jhagadia, India. Headcount elsewhere in Asia remained largely stable.

FINANCIAL CALENDAR 2010

MAY 28
Annual Stockholders' Meeting

AUGUST 6
Interim Report Q2 2010

SEPTEMBER 14/15
LANXESS Media Day

SEPTEMBER 15/16
LANXESS Capital Markets Day

NOVEMBER 10
Interim Report Q3 2010

FEEDBACK

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PLEASE DO NOT HESITATE TO CONTACT US
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English edition
CURRENTA GmbH & Co. OHG
Language Service

Printed by
Kunst- und Werbedruck,
Bad Oeynhausen, Germany

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Product group from well-managed forests and other controlled sources
Cert no. SCS-COC-001914
www.fsc.org

PUBLISHER
LANXESS AG
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GERMANY
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