



PO
3

JANUARY 1 TO SEPTEMBER 30, 2009

LANXESS
Energizing Chemistry

Key Data

€ million	Q3 2008	Q3 2009	Change %	9M 2008	9M 2009	Change %
Sales	1,814	1,373	(24.3)	5,114	3,665	(28.3)

HIGHLIGHTS

Q3 2009

KEY DATA
HIGHLIGHTS Q3 2009
LANXESS STOCK

INTERIM GROUP
MANAGEMENT REPORT

Business Trends and
Economic Situation
Business Trends by Region
Segment Information
Financial Condition
Significant Opportunities and Risks
Outlook
Events After the Reporting Period

CONDENSED CONSOLI-
DATED INTERIM FINANCIAL
STATEMENTS

Income Statement

LANXESS STOCK

The global stock market recovery already experienced in the second quarter of 2009 gained new momentum from the end of July. Among the indices posting large gains was Germany's leading index, the DAX, which reached its year-to-date high in the third quarter.

Standing at 5,675 points at the end of the third quarter, the DAX gained 18% in this period alone and some 40% since the beginning of the second quarter. The MDAX jumped 27% in the reporting period to above 7,000 points after starting July at below 6,000 points. The growth in these indices was propelled in particular by more upbeat economic indicators from the United States. The lead-

175

125

100

75

INTERIM GROUP MANAGEMENT REPORT

AS OF SEPTEMBER 30, 2009

- Sales down 24.3% year on year due to the economic crisis;
up 10.9% from Q2
- Prices and volumes again increase from the preceding quarter
- EBITDA pre exceptionals of €143 million
- EBITDA margin 10.4%, close to year-earlier level
- Flexible asset and cost management successful
- Challenge09-12 package effectively implemented
- Positive net income of €23 million

Sales by Segment

€ million	Q3 2008	Q3 2009	Change %	Proportion of Group sales in %				

EBITDA Pre Exceptionals by Segment

€ million	Q3 2008	Q3 2009	Change %	9M 2008	9M 2009	Change %
Performance Polymers	127	76	(40.2)	358	136	(62.0)
Advanced Intermediates	40	40	0.0	145	124	(14.5)
Performance Chemicals	65	67	3.1	225	150	(33.3)
Reconciliation	(40)	(40)	0.0	(93)	(89)	4.3
	192	143	(25.5)	635	321	(49.4)

EBITDA and EBIT The operating result before depreciation and amortization (EBITDA) pre exceptionals for the third quarter of 2009, at €143 million, was 25.5% below the same quarter a year ago. However, it surpassed the figure for the second quarter of 2009 by a substantial 27.7%. As predicted, the normal seasonal fluctuation in LANXESS's business was absent. Instead, the recovery in demand in the Asia-Pacific region and the faster-than-expected implementation of the Challenge09-12 measures boosted earnings against the previous quarter. The drop in EBITDA compared with the year-earlier period can be partly ascribed to the lower volumes. Selling prices receded to more or less the same degree as procurement costs.

BUSINESS TRENDS BY REGION



SEGMENT INFORMATION



Advanced Intermediates

	Q3 2008		Q3 2009		Change	9M 2008		9M 2009		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	344		284		(17.4)	993		827		(16.7)

EBITDA pre exceptionals, at €67 million, was up by €2 million from the prior-year period despite falling prices and volumes. The systematic savings in manufacturing costs and the lower administrative and selling costs achieved through the flexible asset and cost management in conjunction with the Challenge09-12 program proved

FINANCIAL CONDITION

Structure of the statement of financial position As of September 30, 2009, the LANXESS Group had total assets of €5,122 million, up €530 million, or 11.5%, from €4,592 million as of December 31, 2008. The increase was mainly due to the issuance of the €500 million benchmark Eurobond in April 2009 and the acquisitions, effective September 1, 2009, of the businesses and assets of Indian

Significant investments were made in the Performance Butadiene Rubbers business unit in the Performance Polymers segment to restore the production facility at the Orange, Texas, site in the United States that was damaged by Hurricane Ike. In the Advanced Intermediates segment, the Basic Chemicals business unit made capital expenditures to expand the cresol complex at the Leverkusen site. Without interrupting production, the Saltigo business unit expanded its capacities by optimizing processes and plants and speeding up

Performance Chemicals		Reconciliation		LANXESS	
Q3 2008	Q3 2009	Q3 2008	Q3 2009	Q3 2008	Q3 2009
520	425	12	8	1,814	1,373
3	2	(24)	(26)	0	0
523	427	(12)	(18)	1,814	1,373
65	67	(40)	(40)	192	143
12.5	15.8			10.6	10.4
63	62	(45)	(33)	183	130
47	51	(43)	(43)	120	77
45	46	(48)	(36)	108	64
18	19	2	2	75	64
18	16	3	3	75	66

Performance Chemicals		Reconciliation		LANXESS	
9M 2008	9M 2009	9M 2008	9M 2009	9M 2008	9M 2009
1,538	1,148	44	27	5,114	3,665
6	8	(80)	(57)	0	0
	1,156	(36)	(36)	5,114	3,665
	150	(93)	(89)	635	321
14.6	13.1			12.4	8.8
219	145	(97)	(89)	572	300
169	101	(104)	(97)	438	130
162	96	(107)	(100)	369	106
46	51	7	6	180	225
57	49	10	11	203	194
5,021	4,865	2,574	2,363	14,797	14,604

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2009

RECOGNITION AND VALUATION PRINCIPLES

The unaudited, condensed consolidated interim financial statements as of September 30, 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. The standards and interpretations already mandatory as of January 1, 2009 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 annual financial statements. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2008, particularly with respect to the recognition and valuation principles applied. Significant changes for periods beginning on or after January 1, 2009 are explained below.

PRESENTATION OF THE FINANCIAL STATEMENTS

Due to the revised version of IAS 1 that entities are required to

This change in accounting increased the operating result (EBIT), income before income taxes and income tax expense previously reported for the third quarter of 2008 by €1 million each and the respective figures previously reported for the first nine months of 2008 by €1 million, €4 million and €1 million. The operating result (EBIT) and financial result for the full year 2008 improved by €1 million and €16 million, respectively, while the accounting for deferred taxes led to tax expense of €5 million.

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.

On September 1, 2009, the Indian subsidiary LANXESS India Private Ltd., Thane, acquired the chemical businesses and production facilities of the listed Indian company Gwalior Chemical Industries Ltd. (Gwalior), headquartered in Mumbai. Also effective September 1, 2009, the LANXESS Group purchased the businesses and production facilities of Jiangsu Polyols Chemical Co. Ltd., Liyang, China. The acquisitions were financed mainly out of existing liquidity of the LANXESS Group. These activities, which are allocated to the Advanced Intermediates segment, were included in the consolidated financial statements of the LANXESS Group with effect from September 1, 2009.

Since the date of acquisition, the acquired businesses contributed €4 million to LANXESS Group sales and less than €1 million to net income. Had these businesses already been acquired as of January 1, 2009, they would have contributed approximately €42 million to LANXESS Group sales and about €3 million to net income in the first nine months of 2009.

The acquisitions were accounted for as business combinations according to IFRS 3 (2004). The purchase price allocations reflected the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired companies. The remaining difference of €13 million represents the goodwill acquired with the Gwalior business. Details of the purchase price allocation and the effects of the acquisitions on the LANXESS Group's statement of financial position are given below:

Additions from Acquisitions

€ million	IFRS carrying amounts prior to first-time consolidation	Purchase price allocation	Carrying amounts upon first-time consolidation
Intangible assets	2	13	15
Property, plant and equipment	43	3	46
Other assets	15	-	15
Total assets	60	16	76
Non-current liabilities	-	-	-
1111(e)6.d234			

SEGMENT REPORTING

The segment reporting in the interim report as of September 30, 2009 has been prepared according to IFRS 8. The key difference

EMPLOYEES

The LANXESS Group had 14,604 employees worldwide as of September 30, 2009, which was 193 fewer than on December 31, 2008 (14,797). The decrease is predominantly attributable to the continuation of efficiency improvement programs in the United States, Canada, Brazil and Belgium. The first-time inclusion of the employees of the activities of Gwalior in India and Jiangsu Polyols in China, acquired as of September 1, 2009, had a partially off-setting effect.

The number of employees in the EMEA region (excluding Germany) dropped by 38 to 2,665, the increase due to the inclusion of the new LANXESS company in Russia being offset by a decline as a result of the continued restructuring at the sites in Belgium. The number of employees in Germany fell by 128 to 7,644. The number of employees in the North America region dropped to 1,319, from 1,464 as of December 31, 2008, while the number in Latin America fell to 1,257, from 1,412 at the end of last year. The number of LANXESS employees in the Asia-Pacific region rose from 1,446 to 1,719, mainly due to the first-time inclusion of the employees of the newly acquired business in India. On the other hand, nearly 100 employees took early retirement in connection with a site relocation in India. The number of employees in China increased, mainly as a result of the acquisition of the Jiangsu Polyols activities.

FINANCIAL CALENDAR 2010

MARCH 17

Publication of results for fiscal 2009

MAY 11

Interim Report Q1 2010

MAY 28

Annual Stockholders' Meeting 2010

AUGUST 6

Interim Report H1 2010

NOVEMBER 10

Interim Report Q3 2010

Disclaimer

This publication contains certain forward-looking statements, including assumptions, opinions and views of the Company or cited from third party sources. Various known



PUBLISHER
LANXESS AG
51369 LEVERKUSEN
GERMANY
WWW.LANXESS.COM

