Interim Report Q1 2011

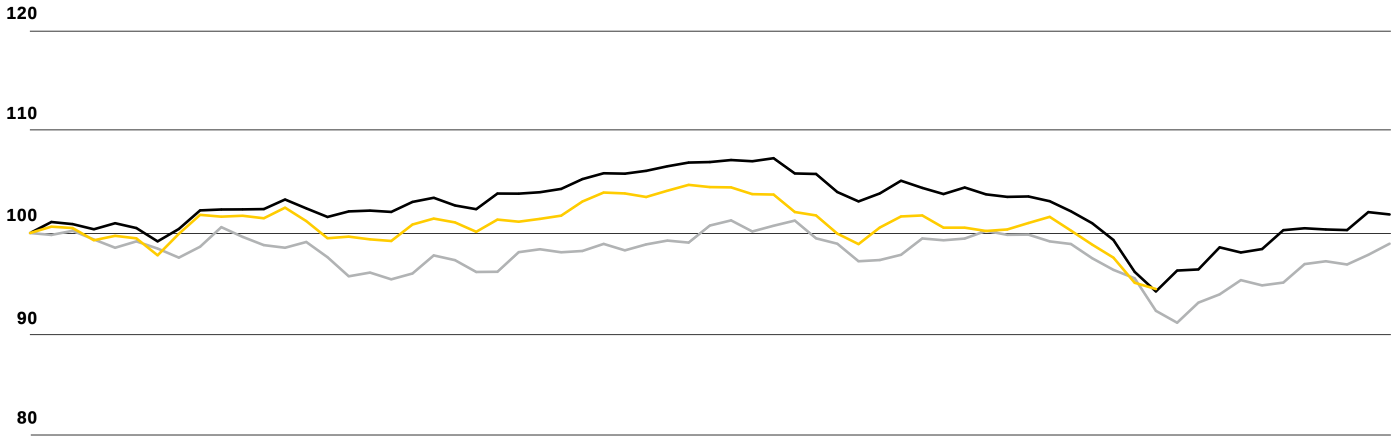
January 1 to March 31, 2011

Contents

Lanxess stock

LANXESS stock had a very volatile start to 2011. The share price shed some 10% on the first quarter against the background of the global crises, but then rebounded strongly in the first weeks of the second quarter to reach a new post-listing high of €62.90 at the end of April.

At the start of the new year, the world's stock markets picked up where they left off at the end of 2010. The DAX, for example, touched a fresh three-year high in February at over 7,400 points. The markets grew more nervous again at the end of February. Political unrest,


120
110
100
90
80

EBITDA pre exceptionals in the Performance Polymers segment advanced by a significant €68 million to €199 million, once again evidencing LANXESS's strong market position. The noticeably higher raw material costs were passed along in full to the market. The volume growth resulting from strong demand led to a substantial increase in earnings, which was aided by an improved product mix in synthetic rubbers. Capacity utilization in the segment continued to climb from the previous year's level, resulting in a corresponding reduction in idle capacity costs. There was no effect on earnings from fluctuations in exchange rates. The EBITDA margin came in at 18.4% for the first

All of the segment's business units increased their sales compared to the prior-year period. Volume growth was particularly strong in

Equity rose by €156 million from December 31, 2010 to €1,917 million, chiefly due to the net income of €166 million in the first three months. Negative net currency effects in other equity components had an offsetting effect. The ratio of equity to the Group's total assets was 32.8% as of March 31, 2011, against 31.1% as of December 31, 2010.

Non-current liabilities as of March 31, 2011 were virtually level with the end of 2010, having risen by just €9 million to €2,445 million. This slight change was mainly due to small increases in pension provisions, other non-current financial liabilities and deferred taxes. The €17 million decrease in other non-current provisions had an offsetting effect. The ratio of non-current liabilities to total assets was 41.9%, down from 43.3% as of December 31, 2010.

Current liabilities rose by €24 million to €1,475 million compared to the preceding quarter, with the increase in other current provisions offsetting the decrease in trade payables. Thus, the change in current liabilities was largely attributable to the increase in income tax liabilities associated with business growth. The ratio of current liabilities to total assets was 25.3% as of March 31, 2011, against 25.6% at the end of 2010.

Liquidity and capital expenditures In the first three months of fiscal 2011, there was a net cash inflow of €36 million from operating activities, compared with a net outflow of €8 million in the prior-year period. With income before income taxes amounting to €219 million, the increase in working capital compared with December 31, 2010 resulted in a cash outflow of €301 million. The corresponding outflow in the prior-year quarter was €215 million. The change in working capital was attributable to higher prices for raw materials, growth in demand and the associated inventory replenishment and increase in receivables.

There was a €19 million net cash outflow for investing activities in the first three months of 2011, against €39 million in the same period a year ago. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €68 million, which was €29 million more than in the prior-year perio €

Cash and cash equivalents increased by a modest €4 million compared with the end of 2010, to €164 million. The €330 million of instant-access investments in money market funds, down from €364 million at the end of 2010, was reported under near-cash assets. Net financial liabilities totaled €937 million as of March 31, 2011, compared with €913 million as of December 31, 2010.

net Financial Liabilities

€ million	Dec. 31, 2010	March 31, 2011
Non-current financial liabilities	1,302	1,309
Current financial liabilities	176	181
less		
Liabilities for accrued interest	(41)	(59)
Cash and cash equivalents	(160)	(164)
Near-cash assets	(364)	(330)
	913	**937**

significant Opportunities and Risks

There have been no significant changes in the opportunities or risks

events a

LANXESS Group **Income statement**

€ million	Q1 2010	Q1 2011
sales	**1,613**	**2,073**
Cost of s		

LANXESS Group **statement of Cash Flows**

€ million	Q1 2010	Q1 2011
Income before income taxes	**144**	**219**
Depreciation and amortization	66	71
Gains on disposals of intangible assets and property, plant and equipment	0	0
Income from investments accounted for using the equity method	(4)	(5)
Financial losses	21	20
Income taxes paid/refunded	(18)	4
Changes in inventories	(76)	(67)
Changes in trade receivables	(154)	(216)
Changes in trade payables	15	(18)
Changes in other assets and liabilities	(2)	28
net cash provided by (used in) operating activities	**(8)**	**36**
Cash outflows for purchases of intangible assets, property, plant and equipment	(39)	(68)
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents		

segment and Region Data

notes to the Condensed Consolidated Interim Financial statements

as of March 31, 2011

Recognition and Valuation Principles

The unaudited, condensed consolidated interim financial statements as of March 31, 2011 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, 2011 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, 2010, particularly with respect to the recognition and valuation principl

additions from acquisitions

€ million	IFRs carrying amounts prior to frst-time consolidation	Purchase price allocation	Carrying amounts upon frst-time consolidation
Intangible assets	0	12	12
Property, plant and equipment	3	6	9
Other assets	15	2	17
Total assets	**18**	**20**	**38**
Non-current liabilities	0	7	7
Current liabilities	9	0	9
Total liabilities	**9**	**7**	**16**
net acquired assets (excluding goodwill)	**2 9**	**N ă 9**	**! =**
9 9			

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 holds 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 2011 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 €111 million (Q1 2010: €90 million). Trade payables of €45 million existed as March 31, 2011 (December 31, 2010: €26 million) as a result of these transactions.
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Financial Calendar 2011

May 18
Annual Stockholders' Meeting

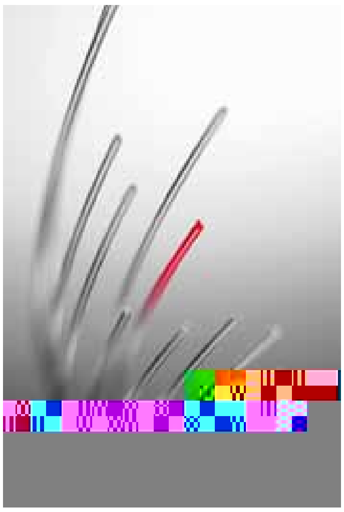
august 11
Interim Report H1 2011

september 22
Analyst Roundtable

november 10
Interim Report Q3 2011

Please do not hesitate to contact us if you have any questions or comments.

Contact Corporate Communications



2011 – Lanxess Year of High-Tech Plastics

LANXESS has been among the world's leading producers of glass fibers for more than three decades and uses them as an essential component in its own high-tech plastics. Modern glass-fiber-reinforced plastics are resistant to aging, weathering and chemicals and are non-fammable – properties that have made them into one of the most important engineering materials in many sectors of industry.

Masthead

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