Q3 09

INTERIM REPORT Q3 2009

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)
EBITDA pre exceptionals	192	143	(25.5)	635	321	(49.4)
EBITDA margin pre exceptionals	10.6%	10.4%		12.4%	8.8%	
EBITDA	183	130	(29.0)	572	300	(47.6)
EBIT pre exceptionals	120	77	(35.8)	438	130	(70.3)
EBIT	108	64	(40.7)	369	106	(71.3)
EBIT margin	6.0%	4.7%		7.2%	2.9%	
Net income (loss)[1]	56	23	(58.9)	215	26	(87.9)
Earnings per share (€)[1]	0.67	0.28	(58.2)	2.58	0.31	(88.0)
Cash flow from operating activities	182	153	(15.9)	309	432	39.8
Depreciation and amortization	75	66	(12.0)	203	194	(4.4)
Cash outflows for capital expenditures	69	52	(24.6)	169	161	(4.7)
Total assets[1]				4,592[2]	5,122	11.5
Equity (including non-controlling interests)[1]				1,339[2]	1,424	6.3
Equity ratio[1]				29.2%[2]	27.8%	
Net financial liabilities				864[2]	779	(9.8)
Employees (as of September 30)				14,797[2]	14,604	(1.3)

1) 2008 figures restated
2) As of December 31, 2008

HIGHLIGHTS
Q3 2009

FIRST LANXESS WORLD RUBBER DAY
On September 12, LANXESS celebrated the invention of synthetic rubber by chemist Fritz Hofmann exactly 100 years ago by staging a scientific colloquium with distinguished speakers. Over 400 guests from 18 countries attended the event in Cologne to learn more about the latest innovations, the future possibilities and the market potential of this versatile material.

FURTHER BOND SUCCESSFULLY PLACED
In September LANXESS successfully placed a €200 million bond on the capital market, thereby further improving the maturity profile of its financial liabilities. The seven-year bond with a 5.5% coupon is listed on the Luxembourg stock exchange. It matures in September 2016. LANXESS used about half the issue proceeds for the early repayment of bank loans due in 2011. The remainder was used to repurchase a portion of the €500 million bond maturing in 2012.

ACQUISITIONS IN INDIA AND CHINA COMPLETED ON SCHEDULE
LANXESS successfully completed the acquisitions of the businesses and assets of Indian company Gwalior Chemical Industries Ltd. and Chinese-based Jiangsu Polyols Chemical Co. Ltd. following approval of the transactions by the antitrust authorities and, in the case of the Indian company, the Gwalior shareholders. Both transactions took economic and legal effect on September 1, 2009. LANXESS has already begun integrating the two businesses into the Group.

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PROMISING NEW RESEARCH ALLIANCES

LANXESS and the Russian Academy of Sciences (RAS) – one of the world's most distinguished scientific institutions – recently signed a cooperative research agreement. The two parties aim to actively exchange information on scientific trends and research discoveries and to initiate cooperation projects. At the same time, a new alliance between science and industry was launched in Germany with the goal of developing an innovative technology for energy-efficient and environmentally friendly synthetic rubber production. Partners in the alliance are LANXESS, Bayer Technology Services, Dortmund Technical University, Bonn University and specialty technology equipment supplier Buss-SMS-Canzler GmbH.

STRATEGIC PARTNERSHIP WITH SPECIALTY OILS PRODUCER NYNAS

LANXESS aims to globally forgo the use of DAE oils in the production of synthetic rubbers as of December 1, 2009. DAE oils are suspected of having a negative impact on the environment and human health. For this reason, their use in tires sold in Europe and Japan will be prohibited by law starting in 2010. To safeguard the supply of alternative products, the Performance Butadiene Rubbers business unit will enter into a strategic alliance with Nynas, the Swedish producer of specialty oils. Nynas supplies eco-friendly oils that were developed particularly for the manufacture of tires and are available globally without restriction.

"The ICIS Company of the Year Award goes to LANXESS for its outstanding financial performance in a challenging 2008."

Joseph Chang, Global Editor of ICIS Chemical Business

ICIS HONORS LANXESS'S FINANCIAL PERFORMANCE

ICIS Chemical Business magazine, one of the world's leading information providers for industry, named LANXESS 'Company of the Year.' ICIS selected LANXESS for the award because it increased net income by 53% on nearly flat sales in 2008. The magazine found this all the more remarkable given that the global economic crisis took hold in the fourth quarter of the year. It said LANXESS reacted promptly and effectively to the downturn, even achieving its growth and financial targets for 2009 a year earlier than planned.

In Brazil, LANXESS was rated among the 25 most innovative companies. The honor was bestowed by Época Negócios, one of Brazil's leading business journals, the Forum for Innovation of the Getúlio Vargas Foundation (FGV) and the Great Place to Work® Institute. About 100 companies took part in the survey.

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 leading U.S. stock index, the Dow Jones Industrial Average, also progressively rebounded in light of these positive economic signals, reaching 9,000 points at the end of July for the first time in 2009. By the end of the quarter, this index was close to the 10,000-point mark again for the first time in a year. The Dow Jones STOXX 600 Chemicals℠ also moved ahead in the period under review, improving by 20% to 396 points.

The German indices received further stimulus from Asia, where China's economic recovery was a major factor. Economic sentiment indicators improved in Germany too. In spite of a clear upward trend in the third quarter, stock markets remained volatile. Although confidence in the markets is slowly being restored amid increasing hopes that the crisis is nearing an end, market participants are still skeptical and cautious as to whether this trend can be sustained.

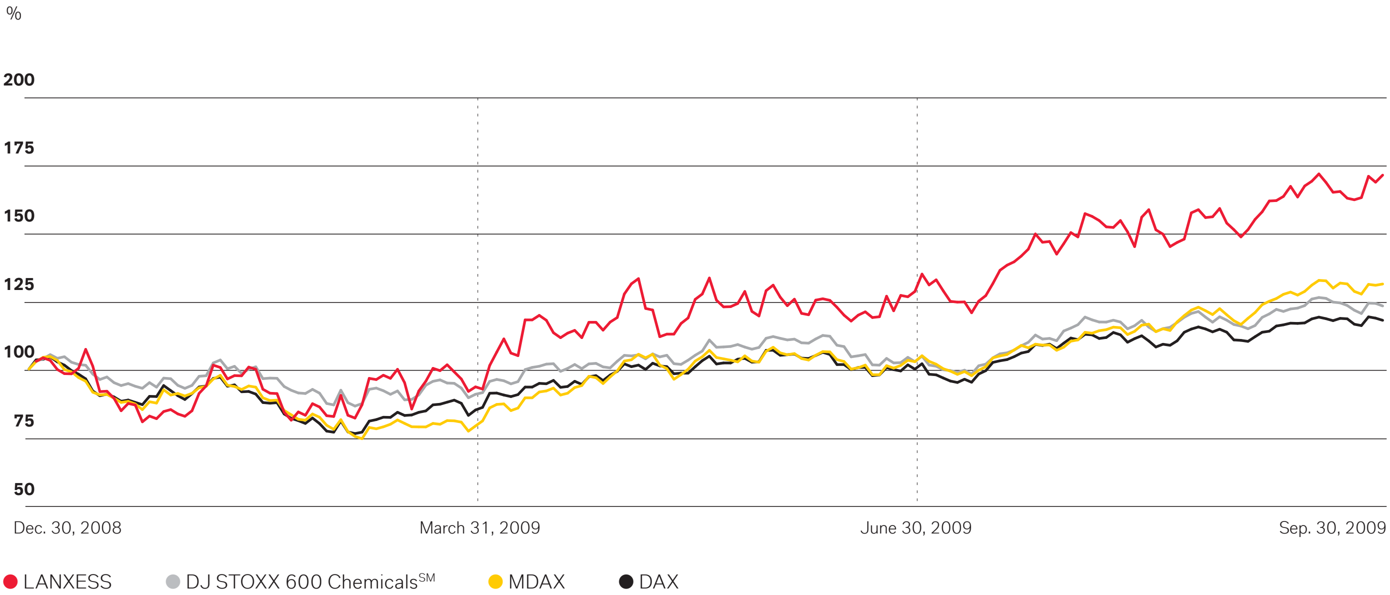
LANXESS stock also rose appreciably in the third quarter of 2009. Having recovered to €20 in late July for the first time since September 2008, the shares stayed above €20 during the third quarter, with a year-to-date high of €24.08, and by September 30 had risen 33% on the quarter. Thanks to this encouraging gain, LANXESS stock once more outperformed the benchmark indices MDAX and Dow Jones STOXX 600 Chemicals℠, this time by 6% and 13%, respectively. It maintained its upside momentum at the start of the fourth quarter, rising above €25.

One of LANXESS's principal capital market news items in the third quarter concerned the successful closing of the Group's acquisitions in the BRIC countries India and China. The legal and economic transfers of the businesses and assets of Indian company Gwalior Chemical Industries Ltd. and Chinese-based Jiangsu Polyols Chemical Co. Ltd. were completed on September 1, 2009. These two companies' activities complement and strengthen the portfolio of LANXESS' Basic Chemicals business unit.

Another highlight of the third quarter was the improvement in LANXESS's financial position. By issuing a new bond in September with a volume of €200 million and a seven-year term, LANXESS succeeded in extending its debt maturity profile through the year 2016. Part of the issue proceeds (approximately €100 million) was used for the early repayment of bank loans that LANXESS arranged to finance the acquisition of Petroflex S.A., Brazil. The remaining €100 million served to repurchase a portion of LANXESS's 2005 bond.

Having already issued a bond in April 2009, LANXESS thus succeeded in placing a further bond in what remained difficult market conditions. The new bond has a 5.5% coupon and is traded on the Luxembourg Stock Exchange under ISIN XS0452802175.

Stock Performance vs. Indices



LANXESS Stock

		Q4 2008	Q1 2009	Q2 2009	Q3 2009
Capital stock/no. of shares[1]	€/no. of shares	83,202,670	83,202,670	83,202,670	83,202,670
Market capitalization[1]	€ billion	1.14	1.07	1.47	1.96
High/low for the period	€	19.80/10.28	14.73/11.06	18.95/12.49	24.08/16.37
Closing price[1]	€	13.73	12.83	17.66	23.55
Trading volume	million shares	57.442	33.004	36.172	36.750
Earnings per share	€	(0.39)[2]	(0.17)	0.20	0.28

1) end of quarter: Q4: Dec. 31, 2008, Q1: March 31, 2009, Q2: June 30, 2009, Q3: Sep. 30, 2009
2) 2008 figures restated

Reported Holdings of 3% or above by Institutional Investors (as of October 10, 2009)

Dodge & Cox, San Francisco (USA)	10.25%
Greenlight Group, New York (USA)	5.01%
Third Avenue Management LLC, New York (USA)	4.94%
J.P. Morgan[1]	3.69%

1) The reported holdings of J.P. Morgan comprise the shares owned by several J.P. Morgan companies that have each submitted voting rights notifications.

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
- Net financial debt of €779 million, maturity profile improved by bond issues
- Acquisitions in Asia successfully completed
- Outlook: EBITDA pre exceptionals of €400–€420 million for 2009

BUSINESS TRENDS AND ECONOMIC SITUATION

Economic environment The global business environment in the third quarter of 2009 continued to be dominated by persistently difficult economic conditions, although the first signs of a recovery were discernible. While overall demand remained subdued, some sectors saw stabilization or slight improvement compared with the preceding quarter. Of LANXESS's customer industries, the auto and tire sectors were particularly challenged by the general situation of the past twelve months. Economic stimulus measures cushioned the slump in these markets in the individual countries with varying degrees of success. In China, the steps taken to boost the economy resulted in a very positive trend. Global chemical industry output remained well below 2008 levels.

In Asia, the upturn in economic development seen in the second quarter continued. By contrast, demand remained very sluggish in North America and Europe. Germany's economic situation remained characterized by relatively low exports. German chemical industry output improved slightly in the third quarter compared with the second but was still down significantly year on year.

Sales Sales of the LANXESS Group came to €1,373 million in the third quarter of 2009, down €441 million, or 24.3%, from €1,814 million in the same period of 2008. Adjusted for positive portfolio and currency effects, especially from the U.S. dollar, of 2.6% in total, operational sales fell by 26.9%. Selling prices retreated by 16.1% from the particularly strong prior-year quarter in light of declining raw material costs. Volumes receded by 10.8%. The sales from the business activities of Gwalior in India and Jiangsu Polyols in China, both acquired on September 1, 2009, led to a small positive portfolio effect of 0.2%. LANXESS posted a mainly volume-driven sales increase of more than 10% compared with the second quarter of 2009, thanks to the recovery in demand in some markets.

Effects on Sales

%	Q3 2009	9M 2009
Price	(16.1)	(10.0)
Volume	(10.8)	(22.6)
Currency	2.4	3.2
Portfolio	0.2	1.1
	(24.3)	**(28.3)**

The fall in demand brought about by the crisis pushed volumes down in all operating segments, in some cases by double-digit percentages. At segment level, selling prices were also below the previous year, the resulting drop in revenues being mitigated by slightly positive currency effects.

The Performance Polymers segment suffered the steepest sales decline of minus 30.1%. These lower revenues were due mainly to the downward pressure exerted on selling prices by a substantial drop in raw material costs. Volumes declined year on year by just a single-digit percentage. Compared with the preceding quarters, however, volumes actually rose thanks to a slight recovery in demand at the start of the reporting period. Sales in the Advanced Intermediates segment moved back by 17.4%, chiefly as a result of lower volumes. This decrease was exacerbated by price reductions mandated by the price adjustment agreements that exist in some cases. Currency changes and the two portfolio additions in India and China had a modest offsetting effect. Sales in the Performance Chemicals segment came in 18.3% below the prior-year period, also because of a drop in volumes. Selling prices moved only slightly lower. The negative effects were somewhat cushioned by positive currency changes.

Sales by Segment

€ million	Q3 2008	Q3 2009	Change %	Proportion of Group sales in %	9M 2008	9M 2009	Change %	Proportion of Group sales in %
Performance Polymers	938	656	(30.1)	47.8	2,539	1,663	(34.5)	45.4
Advanced Intermediates	344	284	(17.4)	20.7	993	827	(16.7)	22.6
Performance Chemicals	520	425	(18.3)	30.9	1,538	1,148	(25.4)	31.3
Reconciliation	12	8	(33.3)	0.6	44	27	(38.6)	0.7
	1,814	**1,373**	**(24.3)**	**100.0**	**5,114**	**3,665**	**(28.3)**	**100.0**

Business receded markedly in most of LANXESS's sales regions, with the exception of Asia-Pacific, where the recovery that set in at the end of the preceding quarter continued, especially in China. Sales in the Asia-Pacific region topped the prior-year figure by as much as 6.6%, an improvement attributable to the Performance Polymers business. In the other reporting regions, all segments saw demand for their products fall, in some cases significantly, and selling prices were eroded by the drop in raw material costs.

Gross profit The cost of sales in the third quarter of 2009 – down 25.5% to €1,050 million – declined faster than revenues. Gross profit fell by 20.2% to €323 million. The gross profit margin, at 23.5%, surpassed the 22.3% for the prior-year period by 1.2 percentage points. Faced with a clear under-utilization of production capacities due to the collapse in demand, the LANXESS Group responded with its global program of flexible asset and cost management. We selectively variabilized costs in under-utilized facilities through a digital operational approach that allows us – depending on the circumstances – either to operate plants or plant units to capacity or to temporarily shut them down. This created the conditions for reducing the costs of under-utilization.

LANXESS had already taken action at the beginning of 2009 as part of its Challenge09 program to reduce these costs by way of numerous technical measures and shorter working hours accompanied by cuts in employee compensation that also apply to all management levels worldwide, including the Board of Management. As in the preceding three months, these measures led to a substantial drop in costs throughout the Group in the third quarter of 2009.

The flexible asset and cost management supported LANXESS' price-before-volume strategy in the third quarter as it did in the second, with capacity management being fine-tuned to match current demand. Thus neither did surplus production have to be sold off in the market nor did unnecessary inventory build-up take place. The digital plant operating models combined with the Challenge09 program make it possible to operate LANXESS' large production facilities profitably even at considerably reduced capacities. The effect of this successful concept is apparent from the way our margins have stabilized. In August 2009 the Challenge09 program was extended through 2012 to create the basis for sustainable stabilization of margins. The successful implementation of the Challenge09-12 measures and the drop in raw material and energy costs offset the fall in selling prices. Pricing was strictly aligned to the movement in procurement prices. Capacity utilization improved slightly compared with the two preceding quarters. The further increase in some raw material prices in the third quarter of 2009 and the customary delay in passing the increases along in selling prices had the expected effects. Pull-forward effects and the related early inventory replenishment by customers following the announcement of price increases for the fourth quarter had a positive impact.

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. Positive effects came from currency changes and, in particular, from flexible asset and cost management in conjunction with the Challenge09-12 program. These measures were implemented to offset the impact of continued capacity underutilization in some production units. Challenge09-12 also proved accretive to earnings in all functional areas. In addition, selling expenses declined by 25.0% to €135 million due to lower freight charges attributable to the drop in volumes. By contrast, research expenses were increased by 4% to €26 million, bearing out LANXESS's claim of developing innovative, customer-specific solutions even in economically challenging times.

The Group's EBITDA for the quarter was held back particularly by the negative development in the business of the Performance Polymers segment, where EBITDA pre exceptionals fell by 40.2%. Earnings in Advanced Intermediates were stable, matching the level of the previous year at €40 million. In the Performance Chemicals segment, EBITDA improved by 3.1% to €67 million although volumes were lower than in the prior-year period.

Despite the difficult business environment, LANXESS posted a Group EBITDA margin pre exceptionals of 10.4%, only just short of the 10.6% achieved in the prior-year period and 1.4 percentage points above the margin of 9.0% for the second quarter of 2009. Flexible asset and cost management in conjunction with the Challenge09-12 program enables us to operate LANXESS' large production facilities profitably even at considerably reduced capacities. The effect of this successful concept is apparent from the way our margins have stabilized.

The operating result (EBIT) amounted to €64 million in the third quarter of 2009, compared with €108 million in the prior-year period. The exceptional charges included in other operating expenses totaled €13 million, all of which impacted EBITDA. They related principally to personnel adjustments in connection with the Challenge09-12 program. The reversal of unutilized provisions for previous restructuring and portfolio adjustments had a partially offsetting effect. Exceptional charges for the same period of the prior year amounted to €12 million, of which €9 million affected EBITDA. These related mainly to restructuring and efficiency enhancement measures at the LANXESS sites in Belgium, Canada, and the United States.

Financial result The financial result for the third quarter of 2009 was minus €32 million, against minus €29 million for the prior-year period. The increase in financial liabilities, attributable largely to the issuance of bonds and promissory notes, increased net interest expense by €12 million. The pro-rated earnings of CURRENTA GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, amounted to €7 million, against €3 million in the prior-year period.

Income before income taxes Due to the lower operating result, third-quarter income before income taxes decreased from €79 million to €32 million. The effective tax rate was 28.1%, against 25.3% for the prior-year quarter.

Net income and earnings per share There was no income attributable to non-controlling interests in the third quarter, compared with €3 million in the prior-year period. The LANXESS Group posted third-quarter net income of €23 million, against €56 million for the same period of 2008. With the number of LANXESS shares in circulation unchanged, third-quarter earnings per share decreased from €0.67 to €0.28 because of the lower after-tax income.

BUSINESS TRENDS BY REGION

Sales by Market

	Q3 2008		Q3 2009		Change	9M 2008		9M 2009		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	579	31.9	407	29.7	(29.7)	1,721	33.7	1,154	31.5	(32.9)
Germany	388	21.4	279	20.3	(28.1)	1,142	22.3	780	21.3	(31.7)
North America	280	15.4	203	14.8	(27.5)	807	15.8	569	15.5	(29.5)
Latin America	250	13.8	146	10.6	(41.6)	523	10.2	344	9.4	(34.2)
Asia-Pacific	317	17.5	338	24.6	6.6	921	18.0	818	22.3	(11.2)
	1,814	**100.0**	**1,373**	**100.0**	**(24.3)**	**5,114**	**100.0**	**3,665**	**100.0**	**(28.3)**

In the **EMEA** region (Europe, Middle East, Africa), excluding Germany, sales fell by 29.7% in the third quarter of 2009 to €407 million. There were no noteworthy effects from currency changes. The decline in operational sales was primarily attributable to the Performance Polymers segment, where revenues shrank by a mid-double-digit percentage as a result of the decrease in selling prices induced by lower raw material costs. Business in the Advanced Intermediates segment edged down by a single-digit percentage due to lower sales of pharmaceutical precursors and products for the automotive sector. The Performance Chemicals segment was unable to escape the market trend and posted a sales decline in the low double digits. The largest sales decreases in the region occurred in Western Europe.

With a share of 29.7% of total sales for the third quarter, EMEA (excluding Germany) remains the largest of the LANXESS Group's regions in terms of sales.

In **Germany**, third-quarter sales of the LANXESS Group fell by 28.1% to €279 million. All operating segments were more or less equally affected by low double-digit shortfalls.

Germany's share of total sales edged down from 21.4% to 20.3%.

Business in the **North America** region shrank by 27.5% in the third quarter of 2009 to €203 million. After adjusting for minor currency changes and portfolio effects, sales receded by 30.8%. The Performance Polymers segment was hardest hit, with segment sales falling by a mid-double-digit percentage as a consequence of lower prices and volumes.

The North American share of Group sales slipped from 15.4% to 14.8%.

LANXESS registered its largest regional sales decrease for the third quarter of 2009 in **Latin America**, where business dropped by 41.6%. In this region the Group had sales of €146 million. Adjusted for currency and portfolio changes, the decline in sales was even greater at 46.2%. All major countries in this region and all segments were affected, the largest decline occurring in the Performance Polymers segment.

Latin America's share of Group sales decreased from 13.8% in the prior-year period to 10.6%.

The **Asia-Pacific** region again proved to be the Group's growth engine in the third quarter, lifting sales by 6.6% against the prior-year period to €338 million. Adjusted for exchange-rate and portfolio effects, sales dipped by just 1.5%. With these figures, Asia-Pacific once more turned out to be very resilient amid persistently difficult market conditions. Business in the Performance Polymers segment especially grew by a high single-digit percentage, while the other segments registered slight sales shortfalls. China in particular provided positive stimulus.

Asia-Pacific's share of Group sales increased accordingly from 17.5% in the third quarter of 2008 to 24.6% in the reporting period, making it once again the Group's second-most important region after EMEA (excluding Germany).

SEGMENT INFORMATION

Performance Polymers

	Q3 2008		Q3 2009		Change	9M 2008		9M 2009		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	938		656		(30.1)	2,539		1,663		(34.5)
EBITDA pre exceptionals	127	13.5	76	11.6	(40.2)	358	14.1	136	8.2	(62.0)
EBITDA	125	13.3	66	10.1	(47.2)	305	12.0	125	7.5	(59.0)
Operating result (EBIT) pre exceptionals	88	9.4	42	6.4	(52.3)	261	10.3	37	–	–
Operating result (EBIT)	83	8.8	32	4.9	(61.4)	202	8.0	26	–	–
Depreciation and amortization	42		34		(19.0)	103		99		(3.9)
Employees as of Sep. 30 (previous year: as of Dec. 31)	4,672		4,458		(4.6)	4,672		4,458		(4.6)

The **Performance Polymers** segment recorded a 30.1% decrease in sales in the third quarter of 2009 compared with the prior-year period, to €656 million. Apart from substantial price reductions averaging 26.4%, a 6.7% drop in volumes also factored into this decline. This segment had reached its highest price level in the third quarter of last year. The drop in operational sales was partially offset by positive exchange rate effects of 3.1%.

All of the segment's business units saw substantial falls in selling prices compared with the previous year, in some cases triggered under existing price adjustment agreements by declines in raw material costs. Business in areas closely connected with the tire industry was the most strongly affected. Compared with the second quarter of 2009, selling prices in most business units rose again. The year-on-year decline in volumes was less severe than the drop in prices because volumes in butadiene-intensive business areas returned more or less to 2008 levels. Volumes of technical rubbers nevertheless continued to decline. From a regional viewpoint, the segment showed by far its best development in Asia-Pacific, notably in China.

EBITDA pre exceptionals of the Performance Polymers segment fell by 40.2% to €76 million due to steep price declines in all four of the segment's business units that were not fully offset by lower raw material costs. The efficiency enhancements resulting from the flexible asset and cost management in conjunction with the Challenge09-12 program cushioned the drop in earnings. Compared with the second quarter, earnings were lifted by factors such as pull-forward effects and the related early inventory replenishment by customers following the announcement of price increases. The EBITDA margin for the third quarter came in at 11.6%, against 13.5% a year ago.

The segment's exceptional items related mainly to costs for personnel adjustments under the Challenge09-12 program and to secondary costs for the efficiency enhancement programs launched at the sites in Sarnia, Canada, and Zwijndrecht, Belgium, in early 2008. The total of €10 million in exceptional charges in the third quarter of 2009 did not include any impairment losses. Expenses of €5 million were incurred for these programs in the prior-year period, including €3 million in impairment losses.

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	40	11.6	40	14.1	0.0	145	14.6	124	15.0	(14.5)
EBITDA	40	11.6	35	12.3	(12.5)	145	14.6	119	14.4	(17.9)
Operating result (EBIT) pre exceptionals	28	8.1	27	9.5	(3.6)	112	11.3	89	10.8	(20.5)
Operating result (EBIT)	28	8.1	22	7.7	(21.4)	112	11.3	84	10.2	(25.0)
Depreciation and amortization	12		13		8.3	33		35		6.1
Employees as of Sep. 30 (previous year: as of Dec. 31)	2,530		2,918		15.3	2,530		2,918		15.3

The **Advanced Intermediates** segment recorded sales of €284 million in the third quarter of 2009, down 17.4% from the prior-year figure of €344 million. The principal reason for the drop in sales was a 12.2% decline in volumes coupled with a 7.6% reduction in selling prices. Positive currency changes of 1.2% had an offsetting effect. The acquisitions of the businesses of Indian company Gwalior Chemical Industries Ltd. and China's Jiangsu Polyols Chemical Co. Ltd. announced in mid-2009 were successfully completed at the beginning of September 2009. Adding the sales of these new specialty chemicals businesses, which were allocated to the Basic Chemicals business unit, gave a portfolio effect of 1.2%.

The agrochemicals sector remained essentially stable in the third quarter in spite of the typical seasonal fluctuations, with slightly divergent trends between the areas of application served by the two business units. Sales of pharmaceutical precursors moved slightly lower, as did business with the automotive and related industries. The further drop in raw material costs necessitated price reductions in the Basic Chemicals business unit under the respective supply agreements.

EBITDA pre exceptionals of the Advanced Intermediates segment remained flat on the previous year at €40 million. The EBITDA margin rose by a substantial 2.5 percentage points to 14.1%. Price reductions at segment level were offset by lower raw material costs and savings attributable to the Challenge09-12 package of measures. Segment earnings were buoyed by shifts in currency parities and a minor portfolio effect from the successful acquisitions in Asia.

The segment's exceptional items of €5 million in the third quarter of 2009 related to costs incurred in connection with the Challenge09-12 program.

Performance Chemicals

	Q3 2008		Q3 2009		Change	9M 2008		9M 2009		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	520		425		(18.3)	1,538		1,148		(25.4)
EBITDA pre exceptionals	65	12.5	67	15.8	3.1	225	14.6	150	13.1	(33.3)
EBITDA	63	12.1	62	14.6	(1.6)	219	14.2	145	12.6	(33.8)
Operating result (EBIT) pre exceptionals	47	9.0	51	12.0	8.5	169	11.0	101	8.8	(40.2)
Operating result (EBIT)	45	8.7	46	10.8	2.2	162	10.5	96	8.4	(40.7)
Depreciation and amortization	18		16		(11.1)	57		49		(14.0)
Employees as of Sep. 30 (previous year: as of Dec. 31)	5,021		4,865		(3.1)	5,021		4,865		(3.1)

The **Performance Chemicals** segment reported third-quarter sales of €425 million, down 18.3% from the same period a year ago. This decline was the result of a 16.9% drop in volumes and a 3.5% decrease in selling prices, with positive currency changes having an offsetting effect of just 2.1%. None of the segment's business units escaped the year-on-year volume shrinkage, the rubber chemicals businesses being hardest hit. Yet compared with the second quarter of 2009, volumes in most areas of the segment recovered substantially. The segment succeeded in keeping prices at the high prior-year level, with only two business units posting fairly large single-digit percentage decreases.

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 a highly effective antidote to the negative price and volume effects. Currency changes also cushioned the drop in earnings to some extent. Segment earnings were supported mainly by the activities of the Leather, Inorganic Pigments, and Rhein Chemie business units. The EBITDA margin improved perceptibly from 12.5% to 15.8%.

The exceptional items of €5 million in the third quarter related primarily to costs for personnel-related adjustments resulting from the Challenge09-12 initiative. This figure compares with exceptional charges of €2 million in the second quarter of 2008 related to the closure of the Birmingham, New Jersey, site in the United States operated by the Ion Exchange Resins business unit.

Reconciliation

	Q3 2008	Q3 2009	Change	9M 2008	9M 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	12	8	(33.3)	44	27	(38.6)
EBITDA pre exceptionals	(40)	(40)	0.0	(93)	(89)	4.3
EBITDA	(45)	(33)	26.7	(97)	(89)	8.2
Operating result (EBIT) pre exceptionals	(43)	(43)	0.0	(104)	(97)	6.7
Operating result (EBIT)	(48)	(36)	25.0	(107)	(100)	6.5
Depreciation and amortization	3	3	0.0	10	11	10.0
Employees as of Sep. 30 (previous year: as of Dec. 31)	2,574	2,363	(8.2)	2,574	2,363	(8.2)

The exceptional gains of €7 million in the third quarter of 2009 reported in the **Reconciliation** segment related to the reversal of unutilized provisions for previous restructuring and portfolio adjustments. The exceptional charges of €5 million in the year-earlier period were incurred in connection with personnel adjustments and other restructuring projects.

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 chemical producer Gwalior Chemical Industries Ltd., and Chinese-based Jiangsu Polyols Chemical Co. Ltd. Working capital, however, declined due to the lower demand and strict cash management.

Non-current assets rose by €188 million to €2,357 million. Intangible assets and property, plant and equipment grew by €164 million to €1,955 million, due particularly to currency and acquisition effects. The first-time consolidations as of September 1, 2009 gave rise to goodwill and other intangible assets totaling €28 million. Additions to property, plant and equipment amounted to €225 million, while depreciation and amortization came to €194 million. The decrease in the carrying amount of investments accounted for using the equity method was mainly attributable to the distribution of the pro-rated earnings of CURRENTA GmbH & Co. OHG for 2008. This company's positive earnings in the first nine months of 2009 partially compensated for this effect. The ratio of non-current assets to total assets was 46.0%, down 1.2 percentage points from December 31, 2008.

Current assets grew by €342 million compared with December 31, 2008, to €2,765 million. Inventories were down by a substantial €229 million. The reasons for this decline lay in the lower raw material prices and the resulting effects on inventory valuation, combined with deliberate inventory reductions prompted by muted demand in the current year. Trade receivables rose by €25 million against the end of 2008, due mainly to the increase in business compared with the preceding quarter and to the acquisitions in India and China. There were no material defaults. The €12 million decrease in other current financial assets to €143 million was attributable primarily to the divestment of the financial interest in INEOS ABS (Jersey) Limited after the two-year joint venture phase ended in the third quarter. Income tax receivables dropped by €51 million to €5 million after an earnings-based reduction in the advance tax payments to be made for 2009 and the resulting tax refunds. The total of cash and cash equivalents and near-cash assets rose significantly to €873 million, exceeding the 2008 year-end figure by €624 million, due in particular to the proceeds from the bond issue in April 2009 and the successful implementation of additional liquidity back-up measures. The ratio of current assets to total assets was 54.0%, against 52.8% as of December 31, 2008.

Equity rose by €85 million from December 31, 2008 to €1,424 million. The net income of €26 million for the first nine months and positive currency effects were partially offset by the €42 million dividend payment made by LANXESS AG in May 2009. The ratio of equity to total assets was 27.8% as of September 30, 2009, down from 29.2% on December 31, 2008.

Non-current liabilities grew by €712 million, reaching €2,665 million as of September 30, 2009, mainly on account of the €500 million bond issue in April 2009. An additional bond of €200 million was issued in September 2009, the proceeds of which were used to repay existing financial liabilities early. These two bonds, which mature in 2014 and 2016, respectively, enabled LANXESS to further improve its debt maturity profile. Pension provisions increased due to the adjustment of the discount rates. The ratio of non-current liabilities to total assets was 52.0%, up from 42.5% as of December 31, 2008.

Current liabilities declined by €267 million to €1,033 million. Trade payables fell by €49 million compared with the end of 2008, but increased compared with June 30, 2009 due to the slight upturn in business activity. In addition, short-term liabilities to banks decreased by €40 million. The ratio of current liabilities to total assets was 20.2% as of September 30, 2009, down from 28.3% at year-end 2008.

Liquidity and capital expenditures Despite lower income before income taxes of €33 million for the first nine months of 2009, against €303 million for the corresponding period of 2008, the net operating cash flow rose by €123 million year on year to €432 million, bolstered by a €187 million decline in working capital compared with December 31, 2008. By contrast, the first nine months of the previous year saw a net cash outflow of €236 million for working capital. The trend in 2009 resulted mainly from the drop in demand, lower raw material costs than at the start of the year, and the avoidance of inventory build-up thanks to LANXESS' pro-active asset management.

There was a €651 million net cash outflow from investing activities in the first nine months of 2009, compared with €345 million in the same period a year ago. The increase was predominantly due to the short-term investment of available liquid assets in money market funds. The acquisitions in India and China as of September 1, 2009 led to disbursements of €87 million. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €161 million, €8 million less than in the prior-year period. Depreciation and amortization amounted to €194 million.

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 enpand 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 process-related analytics. Initial disbursements relating to an additional expansion project for which LANXESS receives investment grants were made in the reporting period. Capital expenditures in the Ion Exchange Resins business unit, which is part of the Performance Chemicals segment, related mainly to the construction of a new facility at the site in Jhagadia, India, for ion exchange resins used in water treatment and the production of ultra-pure water. The Butyl Rubber business unit in the Performance Polymers segment made an investment at the site in Zwijndrecht, Belgium involving a finance lease that did not result in a cash outflow.

Net cash provided by financing activities came to €415 million, mainly as a result of the issuance of two bonds in fiscal 2009 with a total volume of €700 million and of promissory notes. Repayments of short and long-term loans and the early repayment of just under €100 million of the €500 million benchmark Eurobond due in 2012 had an offsetting effect. In addition, a €42 million dividend was paid to the shareholders of LANXESS AG in May 2009.

Net Financial Liabilities

€ million	Dec. 31, 2008	Sep. 30, 2009
Non-current financial liabilities	986	1,567
Current financial liabilities	168	128
less		
Liabilities for accrued interest	(14)	(32)
Specific exchange-rate hedges for financial liabilities	(27)	(11)
Cash and cash equivalents	(249)	(456)
Near-cash assets	0	(417)
	864	**779**

Cash and cash equivalents rose significantly compared with the end of 2008, increasing by €207 million to €456 million. Net financial liabilities as of September 30, 2009 totaled €779 million and were thus below the €864 million reported as of December 31, 2008. They are stated net of the €11 million (December 31, 2008: €27 million) positive fair value of specific exchange-rate hedges for financial liabilities, which is reflected in the statement of financial position under non-current derivative assets. The €417 million invested in money market funds in the third quarter of 2009 was also deducted when calculating net financial liabilities. These funds, which can be drawn upon on demand, are reported in the statement of financial position as near-cash assets.

SIGNIFICANT OPPORTUNITIES AND RISKS

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2008. For more information, readers are therefore referred to the risk report included in the group management report for the 2008 fiscal year and in the interim group management report as of June 30, 2009.

OUTLOOK

The LANXESS Group achieved a significantly better operating performance in the third quarter of 2009 than in the preceding periods. This was the result of the swift, forward-looking implementation of extensive operational measures and the mutually agreed cuts in employee compensation that also apply to all management levels including the Board of Management. In addition, some of the planned savings from the existing restructuring programs and the flexible asset and cost management concept in conjunction with Challenge09-12 were generated earlier than expected and were already accretive to third-quarter earnings. Another major factor was stronger-than-expected demand from customers toward the end of the reporting period, due partly to a variety of pull-forward effects.

The overall economic environment remains characterized by regional variations. While demand in the Asian countries, particularly China, continues to improve, no uniform signals are coming out of North America so far. LANXESS does not anticipate a rapid rebound in this region's economy.

For the final quarter of 2009, LANXESS expects continued growth in Asia, especially China. In the other regions, the recovery process is predicted to be slow and extend over a long period. Against this background, LANXESS expects a further gradual easing of global economic conditions overall during the rest of the year. This will, however, be counteracted by the seasonal weakening of demand in the fourth quarter that is typical of many of LANXESS's customer industries.

Other negative effects are also anticipated for the fourth quarter. For example, customers brought forward purchases to the third quarter in response to a number of price increases previously announced by LANXESS. Also, as some customers already replenished their inventories in the third quarter of 2009, the company does not anticipate significant further benefit from inventory build-up by customers in the current quarter.

Global chemical industry output for 2009 as a whole will remain well below the prior-year level.

The renewed increase in raw material costs is another factor that could significantly affect Group earnings.

The U.S. dollar, the most important foreign currency for LANXESS, remains highly volatile and has further depreciated against the euro in recent weeks. Given the regional distribution of sales, this trend constitutes another adverse factor.

Against this background, LANXESS now expects EBITDA pre exceptionals of between €400 and €420 million for 2009 as a whole. This guidance takes into account the normal seasonality in the fourth quarter and the above-mentioned pull-forward effects in the third quarter, with a continuing recovery of demand in Asia running counter to these factors.

EVENTS AFTER THE REPORTING PERIOD

Since September 30, 2009, no events of particular significance have occurred that are expected to have a material impact on the financial position or results of operations of the LANXESS Group.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2009

LANXESS GROUP **INCOME STATEMENT**

€ million	Q3 2008	Q3 2009	9M 2008	9M 2009
Sales	**1,814**	**1,373**	**5,114**	**3,665**
Cost of sales	(1,409)	(1,050)	(3,910)	(2,884)
Gross profit	**405**	**323**	**1,204**	**781**
Selling expenses	(180)	(135)	(509)	(386)
Research and development expenses	(25)	(26)	(75)	(75)
General administration expenses	(69)	(57)	(195)	(171)
Other operating income	58	56	341	181
Other operating expenses	(81)	(97)	(397)	(224)
Operating result (EBIT)	**108**	**64**	**369**	**106**
Income from investments accounted for using the equity method	3	7	18	12
Interest income	3	4	10	14
Interest expense	(12)	(25)	(32)	(63)
Other financial income and expense	(23)	(18)	(62)	(36)
Financial result	**(29)**	**(32)**	**(66)**	**(73)**
Income before income taxes	**79**	**32**	**303**	**33**
Income taxes	(20)	(9)	(81)	(7)
Income after income taxes	**59**	**23**	**222**	**26**
of which attributable to non-controlling interests	3	0	7	0
of which attributable to LANXESS AG stockholders (net income)	56	23	215	26
Earnings per share (€)	**0.67**	**0.28**	**2.58**	**0.31**

2008 figures restated

LANXESS GROUP **STATEMENT OF FINANCIAL POSITION**

€ million	Dec. 31, 2008	Sep. 30, 2009
ASSETS		
Intangible assets	145	192
Property, plant and equipment	1,646	1,763
Investments accounted for using the equity method	42	29
Investments in other affiliated companies	2	1
Non-current derivative assets	43	33
Other non-current financial assets	72	87
Deferred taxes	154	164
Other non-current assets	65	88
Non-current assets	**2,169**	**2,357**
Inventories	1,048	819
Trade receivables	725	750
Cash and cash equivalents	249	456
Near-cash assets	0	417
Current derivative assets	34	29
Other current financial assets	155	143
Current income tax receivables	56	5
Other current assets	156	146
Current assets	**2,423**	**2,765**
Total assets	**4,592**	**5,122**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	889	889
Other reserves	762	842
Net income	183	26
Other equity components	(511)	(349)
Equity attributable to non-controlling interests	16	16
Equity	**1,339**	**1,424**
Provisions for pensions and other post-employment benefits	498	570
Other non-current provisions	261	328
Non-current derivative liabilities	30	3
Other non-current financial liabilities	986	1,567
Non-current tax liabilities	91	92
Other non-current liabilities	46	62
Deferred taxes	41	43
Non-current liabilities	**1,953**	**2,665**
Other current provisions	395	321
Trade payables	484	435
Current derivative liabilities	79	24
Other current financial liabilities	168	128
Current income tax liabilities	12	23
Other current liabilities	162	102
Current liabilities	**1,300**	**1,033**
Total equity and liabilities	**4,592**	**5,122**

2008 figures restated

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 attribut-able to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
Jan. 1, 2008 (after allocation to retained earnings)	**83**	**806**	**923**	**0**	**(350)**	**46**	**1,508**	**17**	**1,525**
Change in accounting			(110)				(110)		(110)
Jan. 1, 2008 after change in accounting	**83**	**806**	**813**	**0**	**(350)**	**46**	**1,398**	**17**	**1,415**
Dividend payments			(83)				(83)	(1)	(84)
Total comprehensive income			62	215	(27)	(43)	207	7	214
Other changes							0	55	55
Sep. 30, 2008	**83**	**806**	**792**	**215**	**(377)**	**3**	**1,522**	**78**	**1,600**
Dec. 31, 2008	**83**	**806**	**840**	**171**	**(465)**	**(44)**	**1,391**	**16**	**1,407**
Change in accounting			(78)	12	(2)		(68)		(68)
Dec. 31, 2008 after change in accounting	**83**	**806**	**762**	**183**	**(467)**	**(44)**	**1,323**	**16**	**1,339**
Allocation to retained earnings			183	(183)			0		0
Dividend payments			(42)				(42)		(42)
Total comprehensive income			(61)	26	94	68	127		127
Sep. 30, 2009	**83**	**806**	**842**	**26**	**(373)**	**24**	**1,408**	**16**	**1,424**

LANXESS GROUP **STATEMENT OF COMPREHENSIVE INCOME**

€ million	Q3 2008	Q3 2009	9M 2008	9M 2009
Income after income taxes	**59**	**23**	**222**	**26**
Actuarial gains/losses and asset ceiling effects relating to defined-benefit plans	17	(26)	91	(87)
Exchange differences on translation of operations outside the euro zone	3	22	(27)	94
Financial instruments	(53)	32	(56)	94
Income taxes on other comprehensive income	7	(2)	(16)	0
Other comprehensive income, net of income tax	**(26)**	**26**	**(8)**	**101**
Total comprehensive income	**33**	**49**	**214**	**127**
of which attributable to non-controlling interests	3	0	7	0
of which attributable to LANXESS AG stockholders	30	49	207	127

LANXESS GROUP **STATEMENT OF CASH FLOWS**

€ million	9M 2008	9M 2009
Income before income taxes	**303**	**33**
Depreciation and amortization	203	194
Gains on disposals of intangible assets and property, plant and equipment	(13)	(18)
Income from investments accounted for using the equity method	(18)	(12)
Financial losses	56	49
Income taxes paid/refunded	(78)	53
Changes in inventories	(180)	248
Changes in trade receivables	(140)	(2)
Changes in trade payables	84	(59)
Changes in other assets and liabilities	92	(54)
Net cash provided by operating activities	**309**	**432**
Cash outflows for purchases of intangible assets, property, plant and equipment	(169)	(161)
Cash outflows for financial assets	(64)	(462)
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(173)	(87)
Cash inflows from sales of intangible assets, property, plant and equipment	20	24
Cash inflows from divestments of subsidiaries and other businesses, less divested cash and cash equivalents	27	0
Interest and dividends received	14	35
Net cash used in investing activities	**(345)**	**(651)**
Proceeds from borrowings	403	981
Repayments of borrowings	(197)	(481)
Interest paid and other financial disbursements	(31)	(43)
Dividend payments	(84)	(42)
Net cash provided by financing activities	**91**	**415**
Change in cash and cash equivalents from business activities	**55**	**196**
Cash and cash equivalents as of January 1	189	249
Other changes in cash and cash equivalents	0	11
Cash and cash equivalents as of September 30	**244**	**456**

2008 figures restated

SEGMENT AND REGION DATA

KEY DATA BY SEGMENT

Third Quarter

€ million	Performance Polymers		Advanced Intermediates	
	Q3 2008	Q3 2009	Q3 2008	Q3 2009
External sales	938	656	344	284
Inter-segment sales	7	11	14	13
Segment/Group sales	945	667	358	297
Segment result/EBITDA pre exceptionals	127	76	40	40
EBITDA margin pre exceptionals (%)	13.5	11.6	11.6	14.1
EBITDA	125	66	40	35
EBIT pre exceptionals	88	42	28	27
EBIT	83	32	28	22
Additions to intangible assets, property, plant and equipment	37	25	18	18
Depreciation and amortization	42	34	12	13

First Nine Months

€ million	Performance Polymers		Advanced Intermediates	
	9M 2008	9M 2009	9M 2008	9M 2009
External sales	2,539	1,663	993	827
Inter-segment sales	25	26	49	29
Segment/Group sales	2,564	1,689	1,042	856
Segment result/EBITDA pre exceptionals	358	136	145	124
EBITDA margin pre exceptionals (%)	14.1	8.2	14.6	15.0
EBITDA	305	125	145	119
EBIT pre exceptionals	261	37	112	89
EBIT	202	26	112	84
Additions to intangible assets, property, plant and equipment	84	119	43	49
Depreciation and amortization	103	99	33	35
Employees as of Sep. 30 (previous year: as of Dec. 31)	4,672	4,458	2,530	2,918

KEY DATA BY REGION

Third Quarter

€ million	EMEA (excluding Germany)		Germany	
	Q3 2008	Q3 2009	Q3 2008	Q3 2009
Sales by market	579	407	388	279
Proportion of Group sales (%)	31.9	29.7	21.4	20.3

First Nine Months

€ million	EMEA (excluding Germany)		Germany	
	9M 2008	9M 2009	9M 2008	9M 2009
Sales by market	1,721	1,154	1,142	780
Proportion of Group sales (%)	33.7	31.5	22.3	21.3
Employees as of Sep. 30 (previous year: as of Dec. 31)	2,703	2,665	7,772	7,644

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)	(63)	0	0
1,544	1,156	(36)	(36)	5,114	3,665
225	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

North America		Latin America		Asia-Pacific		LANXESS	
Q3 2008	Q3 2009	Q3 2008	Q3 2009	Q3 2008	Q3 2009	Q3 2008	Q3 2009
280	203	250	146	317	338	1,814	1,373
15.4	14.8	13.8	10.6	17.5	24.6	100.0	100.0

North America		Latin America		Asia-Pacific		LANXESS	
9M 2008	9M 2009	9M 2008	9M 2009	9M 2008	9M 2009	9M 2008	9M 2009
807	569	523	344	921	818	5,114	3,665
15.8	15.5	10.2	9.4	18.0	22.3	100.0	100.0
1,464	1,319	1,412	1,257	1,446	1,719	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 apply from 2009 forward, a reconciliation of income after taxes to total comprehensive income showing the components of other comprehensive income (statement of comprehensive income) has been prepared in addition to the income statement. The presentation of the statement of changes in equity has also been modified in this connection.

Near-cash assets are reported on the face of the statement of financial position for the first time to enhance the clarity of the Group financial statements. This item includes units of money market funds that can be sold at any time and are expected to be realized within 12 months after the reporting date.

ACCOUNTING FOR PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

Effective January 1, 2009, a change has been made in the accounting treatment of provisions for pension and other post-employment benefit obligations in order to improve the transparency of financial reporting. Actuarial gains and losses in the LANXESS Group are no longer accounted for under the 10% corridor rule. Instead, they are recognized in full outside profit or loss as a component of other comprehensive income in the period in which they occur in compliance with IAS 19.93A. Also effective January 1, 2009, the LANXESS Group is applying the interpretation IFRIC 14, which concerns the asset ceiling and the minimum funding requirements for defined-benefit pension plans.

In compliance with the respective financial reporting standards, the change in the accounting for pension and other post-employment benefit obligations has been applied retroactively. The impact on the relevant items of the statement of financial position as of January 1, 2008 and December 31, 2008 is as follows:

Impact on Statement of Financial Position as of Jan. 1, 2008

€ million	Jan. 1, 2008 (previous accounting)	Effect from change in accounting	Jan. 1, 2008 (new accounting)
ASSETS			
Investments accounted for using the equity method	33	(8)	25
Deferred taxes	93	21	114
Other non-current assets	102	(78)	24
EQUITY AND LIABILITIES			
Other reserves	923	(110)	813
Provisions for pensions and other post-employment benefits	470	65	535
Deferred taxes	60	(20)	40

Impact on Statement of Financial Position as of Dec. 31, 2008

€ million	Dec. 31, 2008 (previous accounting)	Effect from change in accounting	Dec. 31, 2008 (new accounting)
ASSETS			
Investments accounted for using the equity method	49	(7)	42
Deferred taxes	137	17	154
Other non-current assets	134	(69)	65
EQUITY AND LIABILITIES			
Other reserves	840	(78)	762
Net income	171	12	183
Other equity components	(509)	(2)	(511)
Provisions for pensions and other post-employment benefits	483	15	498
Deferred taxes	47	(6)	41

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	–	–	–
Current liabilities	2	–	2
Total liabilities	**2**	**–**	**2**
Net acquired assets (excluding goodwill)	**58**	**16**	**74**
Acquisition costs			**87**
Acquired goodwill (provisional valuation)			**13**

The purchase price allocation is provisional and was carried out with the aid of reports from external experts and in light of the information available at and immediately after the date of acquisition. According to IFRS the purchase price allocation is subject to adjustment within one year after the acquisition date to reflect new information and findings.

The goodwill remaining after the purchase price allocation is the result of various factors. The goodwill resulting from the acquisition of the Gwalior business reflects advantageous production conditions attaching to the location that cannot be stated as a separate intangible asset, along with synergies arising from the creation of production capacities, product extensions and market potential, especially in the BRIC countries. The acquisition is thus a further step in LANXESS' long-term growth strategy.

The above €87 million cost of acquisition includes external consultancy fees constituting ancillary costs of acquisition.

The new LANXESS company in Russia also was consolidated for the first time in the first nine months of 2009. Through this company LANXESS steers its business in Russia and other countries of the Commonwealth of Independent States (CIS). Neither the first-time consolidation of this company nor two mergers within the Group that took place in the reporting period had a material impact on the LANXESS Group's financial position, results of operations or cash flows. The condensed consolidated interim financial statements of the LANXESS Group as of September 30, 2009 include 61 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.

First-time consolidation of the companies of the Brazilian Petroflex group, now LANXESS Elastômeros do Brasil, S.A., which were acquired in the previous year, was effected as of April 1, 2008. The purchase price allocation undertaken at that time was provisional and was subject to adjustment within one year after the acquisition date to reflect new information and findings. A breakdown of the purchase price allocation and details about the impact of the acquisition on the LANXESS Group's consolidated statement of financial position (at that time referred to as the balance sheet) were provided in the section headed "Companies Consolidated" in the notes to the consolidated financial statements as of December 31, 2008. The figures shown there did not change by March 31, 2009, so the purchase price allocation is final.

DIVIDEND FOR FISCAL 2008

Pursuant to the resolution of the Annual Stockholders' Meeting on May 7, 2009, the sum of €42 million out of the €97 million unappropriated net income reported in the annual financial statements of LANXESS AG as of December 31, 2008 was paid out to the stockholders on May 8, 2009. The dividend amounted to €0.50 per eligible no-par share. The remaining sum of €55 million was carried forward to new account.

EARNINGS PER SHARE

Earnings per share for the third quarters and first-nine-month periods of 2008 and 2009 were calculated on the basis of the number of shares outstanding as of the respective reporting 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, 2008.

The change in the accounting treatment of pension and other post-employment benefit obligations did not lead to any changes in the income after income taxes or net income previously reported for the third quarter of 2008. Thus the earnings per share reported for the same period also remained unchanged. As a result of this change in accounting, the income after income taxes and net income previously reported for the first nine months of 2008 each improved by €3 million, to €222 million and €215 million, respectively. The earnings per share reported for this period rose accordingly by €0.04 to €2.58.

Earnings per Share

	Q3 2008	Q3 2009	Change %	9M 2008	9M 2009	Change %
Net income (€ million)	56	23	(58.9)	215	26	(87.9)
No. of outstanding shares	83,202,670	83,202,670	0.0	83,202,670	83,202,670	0.0
Earnings per share (€)	**0.67**	**0.28**	**(58.2)**	**2.58**	**0.31**	**(88.0)**

NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows for the first nine months of 2009 shows the inflows and outflows of cash and cash equivalents broken down by type of activity. For the sake of clarity, €11 million in receipts constituting investment grants for the construction of facilities for major customers that had been reflected in changes in other assets and liabilities in the first nine months of 2008 was reclassified to investing activities and netted with the cash outflows for purchases of intangible assets, property, plant and equipment.

SEGMENT REPORTING

The segment reporting in the interim report as of September 30, 2009 has been prepared according to IFRS 8. The key difference between IFRS 8 and IAS 14, which was applied for the last time in the consolidated financial statements as of December 31, 2008, is that IFRS 8 follows the so-called management approach. This means that the amount reported for each segment item must be the same as that notified to the company's chief operating decision maker (CODM). Since the earnings figure used for management accounting purposes within the LANXESS Group is the operating result before depreciation and amortization (EBITDA) pre exceptionals, this is the amount now disclosed as the "segment result." A reconciliation of EBITDA pre exceptionals to income before taxes is also provided. Inter-segment sales are now disclosed not only in the consolidated financial statements for the full year but also in the consolidated interim financial statements.

Reconciliation of Segment Result

€ million	Q3 2008	Q3 2009	9M 2008	9M 2009
Total of segment results	**232**	**183**	**728**	**410**
Other/Consolidation	(40)	(40)	(93)	(89)
Exceptional items in EBITDA	(9)	(13)	(63)	(21)
Depreciation and amortization	(75)	(66)	(203)	(194)
Financial result	(29)	(32)	(66)	(73)
Income before income taxes	**79**	**32**	**303**	**33**

RELATED PARTIES

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

Transactions in the first nine months of 2009 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 €264 million (9M 2008: €336 million). Trade payables of €54 million existed as of September 30, 2009 (December 31, 2008: €59 million).

No material business transactions were undertaken with other associated companies or individuals. As in the previous year, no loans were granted to members of the Board of Management or the Supervisory Board in the first nine months of 2009.

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 offsetting 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

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