Currency translation

In the financial statements of the individual consolidated companies that form the basis for the consolidated financial statements of the LANXESS Group, all foreign currency receivables and payables are translated at closing rates, irrespective of whether they are hedged. Forward contracts serving as economic hedges against fluctuations in exchange rates are reflected at fair value.

The financial statements of each foreign entity are valued on the basis of the currency of the primary economic environment in which the entity operates (functional currency concept). By far the majority of foreign companies are financially, economically and organizationally autonomous and their functional currencies are therefore the local currencies. The assets and liabilities of these companies are translated at closing rates, while income and expense items are translated at average rates for the year.

Goodwill arising on the acquisition of a foreign entity is recorded in the currency of the acquired entity and translated at the closing rate, irrespective of the date on which it arose.

Equity (excluding income and expenses recognized directly in other comprehensive income) is translated at historical rates while income and expenses are translated at average rates. This results in differences compared with translation at closing rates, which are shown separately in other comprehensive income as exchange differences on translation of operations outside the eurozone.

If a company is deconsolidated, the relevant exchange differences are reversed and recognized in profit or loss.

The main exchange rates used for currency translation in the LANXESS Group were:

Exchange Rates

€ 1		Closing rate, Dec. 31		Average rate	
		2011	2012	2011	2012
Argentina	ARS	5.57	6.49	5.75	5.85
Brazil	BRL	2.43	2.70	2.33	2.51
China	CNY	8.16	8.22	9.00	8.11
United Kingdom	GBP	0.84	0.82	0.87	0.81
India	INR	68.60	72.56	64.86	68.62
Japan	JPY	100.20	113.61	110.99	102.61
Canada	CAD	1.32	1.31	1.38	1.28
Singapore	SGD	1.68	1.61	1.75	1.61
South Africa	ZAR	10.48	11.17	10.10	10.55
United States	USD	1.29	1.32	1.39	1.29

Accounting policies and valuation principles

The accounting policies and valuation principles are the same as those used in the previous fiscal year and have been consistently applied.

Intangible assets

Intangible assets comprise goodwill and other intangible assets such as software, concessions, industrial property rights, similar rights and assets and licenses to such rights and assets. Acquired intangible assets with a definite useful life are recognized at cost and amortized over their respective useful lives using the straight-line method. The amortization period for intangible assets, apart from goodwill, is between 3 and 20 years. Amortization for 2012 has been allocated to the respective functional areas. Any further loss of value is recognized by means of an impairment charge. Impairment losses are reversed in the following year if the reasons for them no longer exist, provided that this does not cause the carrying amounts of the assets to exceed either the amortized cost at which they would have been recognized if the impairment losses had not been recognized or their current recoverable value. The lower of these two amounts is recognized. Intangible assets with indefinite useful lives and goodwill are not amortized. They are tested for impairment annually, or more often if events or a change in circumstances indicate a possible impairment. Any impairment losses are recognized in other operating expenses. Impairment losses on goodwill are not reversed.