H1 10

INTERIM REPORT H1 2010

JANUARY 1 TO JUNE 30, 2010
HALF-YEAR FINANCIAL REPORT

LANXESS
Energizing Chemistry

Key Data

€ million	Q2 2009	Q2 2010	Change in %	H1 2009	H1 2010	Change in %
Sales	1,238	1,828	47.7	2,292	3,441	50.1
EBITDA pre exceptionals	112	269	>100	178	502	>100
EBITDA margin pre exceptionals	9.0%	14.7%		7.8%	14.6%	
EBITDA	108	265	>100	170	495	>100
Operating result (EBIT) pre exceptionals	50	200	>100	53	367	>100
Operating result (EBIT)	43	196	>100	42	360	>100
EBIT margin	3.5%	10.7%		1.8%	10.5%	
Net income	17	131	>100	3	235	>100
Earnings per share (€)	0.20	1.57	>100	0.04	2.82	>100
Cash flow from operating activities	157	68	(56.7)	279	60	(78.5)
Depreciation and amortization	65	69	6.2	128	135	5.5
Cash outflows for capital expenditures	57	60	5.3	109	99	(9.2)
Total assets				5,068 1)	5,549	9.5
Equity (including non-controlling interests)				1,445 1)	1,622	12.2
Equity ratio				28.5% 1)	29.2%	
Net financial liabilities				794 1)	955	20.3
Employees (as of June 30)				14,338 1)	14,419	0.6

1) Previous year as of December 31, 2009

HIGHLIGHTS
Q2 2010

STRENGTHENING THE COMPANY'S PRESENCE IN THE EMERGING MARKETS

LANXESS is expanding its production site in **Jhagadia**, India. There the Semi-Crystalline Products business unit is building a compounding facility for the engineering thermoplastics Durethan® and Pocan® that will have an initial capacity of 20,000 tons per year. Construction of the €10 million-plus project will begin this fall, and the facility is scheduled to go on stream with 60 employees at the beginning of 2012. In **Singapore**, ground was broken in May 2010 for the company's new, ultra-modern butyl rubber facility. The plant, designed for a capacity of 100,000 tons per year, will cost up to €400 million to build. Production is due to start in the first quarter of 2013. Construction has also begun on the first LANXESS production site in Russia: starting in 2011, the Rhein Chemie business unit will produce rubber chemicals in the Nizhny Novgorod region for the Russian and CIS markets.

ANNUAL STOCKHOLDERS' MEETING 2010 – POSITIVE RESULTS

Participation at the LANXESS Annual Stockholder's Meeting set a new record on May 28, 2010, with 61.09% of the voting capital represented. The stockholders' broad approval of all agenda items confirmed their confidence in the company's management and its strategy. LANXESS CEO Axel C. Heitmann expressed his optimism about the company's performance during the remainder of 2010. He explained that LANXESS remains on course and will continue to make the most of its strengths: foresighted crisis management, investment in fast-growing regions and future market trends, and the right business structure with an excellent product portfolio.

LANXESS INVESTS IN "GREEN CHEMISTRY"

LANXESS has acquired a $10 million equity interest in U.S.-based biofuel and biochemical company Gevo, Inc. as part of a proposed collaboration to produce isobutene from renewable resources. Whereas isobutene is conventionally produced in steam crackers using petroleum derivatives as a feedstock, Gevo is now developing a fermentation process that uses corn biomass. The aim is to find an alternative route to source this key raw material needed in the manufacturing of butyl rubber. The investment also underpins the commitment of LANXESS to "Green Chemistry."

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EXPANSION OF GLOBAL NITRILE RUBBER ACTIVITIES

LANXESS and Taiwan-based TSRC Corporation have formed a 50:50 joint venture named LANXESS TSRC (Nantong) Chemical Industrial Company Ltd. The two companies are jointly investing approximately €36 million in a new facility for the production of nitrile rubber (NBR) in Nantong, northwest of Shanghai. The plant will have an initial capacity of 30,000 tons per year and supply the rapidly growing Chinese market with high-performance grades of NBR. Groundbreaking is scheduled for September 2010, and production is expected to start in the first half of 2012. In addition, in May 2010 LANXESS officially inaugurated its new research and development center for synthetic rubber at the site in La Wantzenau, France.

NEW SUPERVISORY BOARD ELECTED

The Annual Stockholders' Meeting of LANXESS AG on May 28, 2010, elected the stockholders' representatives on the new Supervisory Board, which has been reduced in size from 16 to 12 members. Newly elected to the Supervisory Board was Theo H. Walthie. The stockholders confirmed the appointments of Dr. Friedrich Janssen, Robert J. Koehler, Rainer Laufs, Prof. h.c. (CHN) Dr. Ulrich Middelmann and Dr. Rolf Stomberg. No longer serving on the Supervisory Board are Dr. Jürgen F. Kammer, Dr. Sieghardt Rometsch and Lutz Lingnau. The employees' representatives had been chosen by the employees of LANXESS in Germany a short time previously. The new member is Axel Berndt (Leverkusen Works Council). Wolfgang Blossey, Dr. Rudolf Fauss, Ulrich Freese, Hans-Jürgen Schicker and Gisela Seidel were reelected. Werner Czaplik, Ralf Deitz and Rainer Hippler are no longer serving as employee representatives on the Supervisory Board. The term of office of the newly elected Supervisory Board runs until the end of the 2015 Annual Stockholders' Meeting.

LANXESS EXPANDS PRODUCTION CAPACITIES IN GERMANY AND BELGIUM

LANXESS is investing €20 million to expand production capacities at its butyl rubber plant in **Zwijndrecht**, Belgium by 10%, or 14,000 tons per year, by the second quarter of 2012. The company is also increasing capacity for its Mesamoll line of premium products in the Functional Chemicals business unit, investing a mid-single-digit million euro sum to expand the production facilities in **Krefeld-Uerdingen** by 40% by the end of 2010. Saltigo, too, is expanding production at the **Leverkusen** site as part of its collaboration with Syngenta. One of the leading producers of crop protection products and a long-standing customer of Saltigo, Syngenta is investing some €50 million to expand several plants and thus increase synthesis capacities for active ingredients of crop protection products.

LANXESS STOCK

LANXESS stock again outperformed its reference indices in the second quarter. Starting in April, LANXESS shares again rose well above the €35 mark, reaching their quarter high of €38.55 in June.

Global equity markets recorded a gratifying trend, especially in the period through the end of April. The German indices benefited from the publication of the business climate index for German industry, which showed companies to be increasingly optimistic about their business prospects for the coming months. Encouraging economic data from the United States and news of continuing strong development in the Chinese economy supported the upward trend for a while. After topping the 6,100-point mark at the end of the first quarter, the DAX initially continued its positive trajectory, reaching its year-to-date high of 6,332 points at the end of April.

Starting in early May, a new round of price corrections set in. The picture was again dominated by fears that Europe's sovereign debt crisis would spread beyond Greece, with E.U. member states Portugal and Spain also deemed to be at risk. The E.U.'s multi-billion-euro rescue package for Greece calmed the markets only briefly. The swelling European financial crisis triggered a massive sell-off of European stocks, particularly in the U.S., with the German indices sustaining heavy losses as a result. The DAX fell to 5,670 points by the end of May for its lowest close of the second quarter. The MDAX slid to 7,420, after starting the second quarter above 8,300. The German ban on short selling prompted fears of tighter regulation on the country's financial markets, further unsettling stock exchanges around the world.

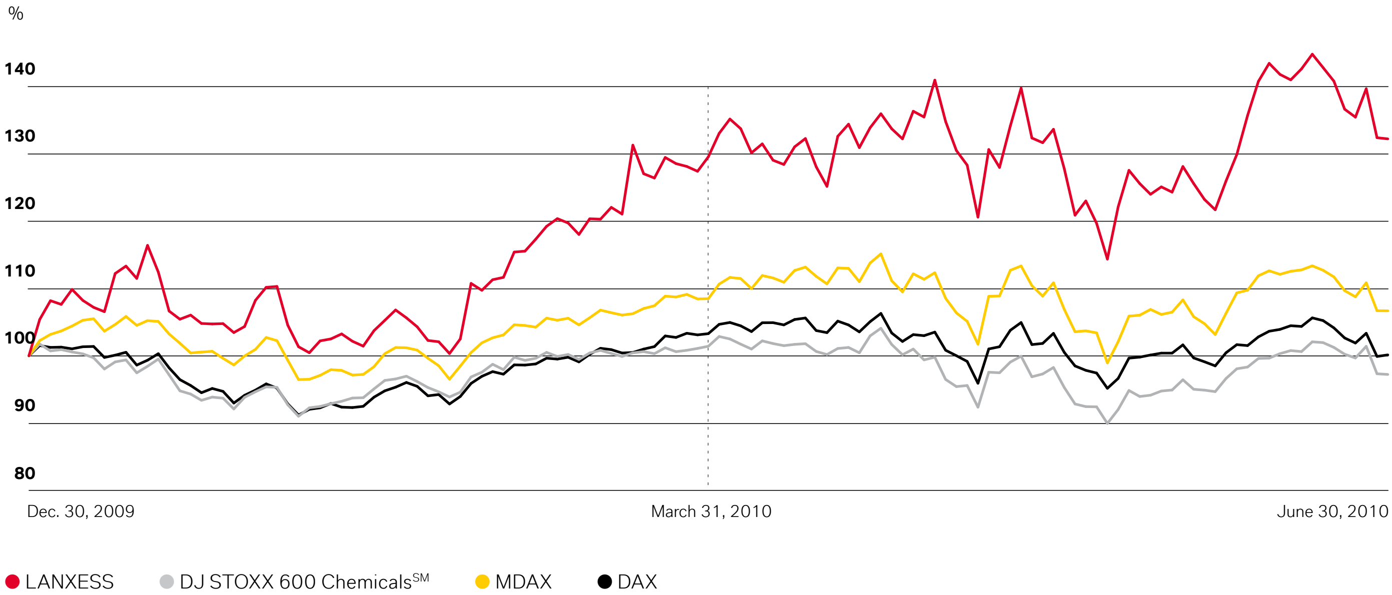
Against this backdrop, stock markets remained very tense and volatile for the remainder of the second quarter. Even the release of further strong economic data by the U.S. and Asia elicited only brief positive responses from the German indices, with Europe's debt crisis and regulation debate continuing to hold center stage through the end of the quarter. The DAX finished on June 30 at 5,966 points, down 3.1% on the quarter. The MDAX was 1.7% lower at 8,009 points, while the Dow Jones STOXX 600 Chemicals^{SM} shed 4.3% on the period to close at 450 points.

With a 2.1% gain in the second quarter, LANXESS stock again outperformed its benchmark indices and the lead index DAX. After ending the first quarter at €34.12, the price of LANXESS shares again greatly improved, reaching its high for the second quarter on June 15. While the overall performance of LANXESS stock reflected the trend on the equity markets, company-specific news provided a positive stimulus.

The capital market responded favorably to the solid first-quarter results, which showed fiscal 2010 had begun well for LANXESS. The company also reported an encouraging start to the second quarter. In May, LANXESS reported on the groundbreaking for its new butyl rubber plant in Singapore. This facility is set to start production in the first quarter of 2013 in order to meet the steadily expanding demand for butyl rubber, especially from the tire industry. In addition, LANXESS intends to increase the production capacity of its butyl rubber plant in Zwijndrecht, Belgium, by 14,000 metric tons per year, with completion scheduled for mid-2012. A further investment in the Performance Polymers segment relates to the Semi-Crystalline Products business unit. Starting in the fall of 2010, LANXESS will build a new compounding facility for engineering plastics at its production site in Jhagadia, India, a project that will strengthen its position in one of the world's fastest-growing markets for these materials.

Information on further developments at LANXESS during the second quarter is provided in the "Highlights" section at the front of this publication.

Stock Performance vs. Indices



LANXESS Stock

		Q4 2009	Q1 2010	Q2 2010
Capital stock/no. of shares[1]	€/no. of shares	83,202,670	83,202,670	83,202,670
Market capitalization[1]	€ billion	2.19	2.84	2.89
High/low for the period	€	27.64/20.54	35.23/25.89	38.55/30.26
Closing price[1]	€	26.34	34.12	34.82
Trading volume	million shares	35.640	45.880	44.880
Earnings per share	€	0.17	1.25	1.57

1) End of quarter: Q4: December 31, 2009, Q1: March 31, 2010, Q2: June 30, 2010

Reported Holdings of 3% or Above by Institutional Investors (up to and including July 20, 2010)

Dodge & Cox, San Francisco (USA)	10.25%
J.P. Morgan	5.06%[1]
Greenlight Group, New York (USA)	5.01%
TIAA CREF Funds, New York (USA)	3.26%
Teachers Advisors, Inc., New York (USA)	3.19%

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

INTERIM GROUP MANAGEMENT REPORT

AS OF JUNE 30, 2010

- Strong sales growth of 48%
- Continuing recovery in customer industries
- Largest sales increase in Latin America
- EBITDA pre exceptionals €269 million, against €112 million in prior-year quarter
- EBITDA margin advances to 14.7%
- Net income and earnings per share above pre-crisis levels at €131 million and €1.57 respectively
- Net financial liabilities of €955 million following upturn in business
- Improved market position in Asia-Pacific and Latin America regions
- Guidance for 2010: EBITDA pre exceptionals expected to come in at roughly €800 million

BUSINESS TRENDS AND ECONOMIC SITUATION

Economic environment The recovery that marked the first quarter of 2010 continued in the period under review, with positive development in the established economies and continuing strong growth in the emerging markets, notably Brazil, China and India.

Automobile production rose sharply in all regions. The established auto markets posted high rates of growth, reflecting both rising demand and the low prior-year base. In China, production showed a strong increase of some 50% in the first half compared with the same period of 2009. Capacity utilization at tire manufacturers rose significantly during the first half of the year, partly due to increased demand for replacement tires and partly because of the higher demand for original equipment tires in light of the growth in automobile production. China, the world's largest tire producer, raised output by around 30%. The construction sector showed a considerable improvement in Europe in the second quarter, while in Asia it remained very robust overall.

The chemical industry continued to rebound in the first half of the year. Growth in China remained high at 35%. Expansion in Germany was driven mainly by exports. Chemical production continued to develop very positively yet remained below the pre-crisis level.

Sales The clear recovery in demand in the markets of the LANXESS Group continued in the second quarter of 2010. Sales rose significantly from the same quarter a year ago, advancing by 47.7% to €1,828 million. With portfolio changes and exchange rates – mainly for the U.S. dollar and the Brazilian real – having a 6.7% positive effect overall, operational sales grew by 41.0%. Selling prices were 18.7% higher than in the prior-year quarter due to increased raw material costs, particularly in the Performance Polymers segment. Volumes rose by 22.3% due to the high demand. A positive portfolio effect of 1.5% arose from sales generated by the businesses acquired in India and China in 2009.

First-half sales climbed by 50.1% year on year, to €3,441 million. After adjustment for positive currency and portfolio effects, the LANXESS Group posted an operational sales increase of 47.5% in the six-month period. The key growth driver was the 34.9% volume growth resulting from sharply higher demand. Selling prices were raised by 12.6% in light of the higher raw material costs. The acquisitions made in 2009 gave a positive portfolio effect of 1.6% for the half-year.

Effects on Sales

%	Q2 2010	H1 2010
Price	18.7	12.6
Volume	22.3	34.9
Currency	5.2	1.0
Portfolio	1.5	1.6
	47.7	**50.1**

All operating segments benefited from the recovery in demand, with first-half volumes substantially above the prior-year levels. The trend in the second quarter was broadly similar, except for a slight decrease in volumes for intermediates due to persistently high inventory levels in customer industries. Selling prices in the synthetic rubber and plastics businesses were sharply higher for both the second quarter and the first half, driven by rising raw material costs. Prices for intermediates also moved ahead increasingly during the half-year. The segment comprising the Group's application-focused process and functional chemicals achieved slightly higher selling prices in the second quarter, while prices in the first half overall were still slightly below their year-earlier level.

Sales by Segment

€ million	Q2 2009	Q2 2010	Change %	Proportion of Group sales %	H1 2009	H1 2010	Change %	Proportion of Group sales %
Performance Polymers	559	958	71.4	52.4	1,007	1,786	77.4	51.9
Advanced Intermediates	285	324	13.7	17.7	543	644	18.6	18.7
Performance Chemicals	385	537	39.5	29.4	723	992	37.2	28.8
Reconciliation	9	9	0.0	0.5	19	19	0.0	0.6
	1,238	**1,828**	**47.7**	**100.0**	**2,292**	**3,441**	**50.1**	**100.0**

The Performance Polymers segment experienced the strongest sales growth, with markedly higher volumes and a substantial rise in selling prices due to increased raw material costs. A similar year-on-year trend was observed in the Advanced Intermediates segment over the half-year, though with a lower rate of growth. Sales in the Performance Chemicals segment also far surpassed their level for the same period a year ago due to higher volumes. Selling prices rose again slightly in the second quarter, while for the first half overall they were flat with the previous year.

LANXESS grew sales significantly in all regions, with business more than doubling in some sub-regions. Latin America provided a particularly positive impetus thanks to its market momentum, with the Performance Polymers segment – and especially the Performance Butadiene Rubbers business unit – by far the largest growth drivers. The sales increases in all markets reflect the substantial rebound in demand from key customer industries.

Gross profit In the second quarter of 2010, the cost of sales did not rise as steeply as sales, increasing by 38.6% to €1,354 million. Gross profit rose sharply as a result, advancing by 81.6% to €474 million. The gross profit margin, at 25.9%, exceeded the prior-year quarter's by 4.8 percentage points. The price of strategic raw materials increased considerably in the quarter under review. Prices for butadiene and cyclohexane, in particular, showed a clear upward trend, as did the cost of other key raw materials such as ammonia, benzene and toluene. All parts of the Group succeeded in passing on the higher raw material costs to the market within the quarter. The recovery in demand in customer industries and the resulting volume growth in the Performance Polymers and Performance Chemicals segments also had a positive effect on earnings. Capacity utilization improved greatly compared with the prior-year quarter and even surpassed the first-quarter level, thus further reducing idle capacity costs. Production costs benefited from improved cost structures.

The cost of sales did not rise as steeply as sales in the half-year comparison either, increasing by 40.3% to €2,573 million. Gross profit came in at €868 million, or €410 million above the first half of 2009. The reasons for this were largely the same as for the second quarter. The gross profit margin for the first six months improved considerably, rising by 5.2 percentage points to 25.2%.

EBITDA and EBIT The operating result before depreciation and amortization (EBITDA) pre exceptionals increased in the second quarter by €157 million to €269 million. This earnings hike was driven by a massive increase in volumes and aided by the fact that the significant raw material cost increases were quickly passed along in selling prices. Earnings growth was also buoyed by favorable currency changes and a positive portfolio effect from the acquisitions successfully completed in India and China in 2009. Selling expenses rose by 18.2% to €162 million due to a volume-driven increase in freight charges. Research expenses came in at €31 million, against €25 million the year before, underscoring the planned expansion of research activities as part of the LANXESS Technology Initiative. The Group EBITDA margin pre exceptionals rose appreciably from 9.0% to 14.7%.

Second-quarter EBITDA pre exceptionals in the Performance Polymers segment recorded a substantial €119 million increase to €171 million. The rise in raw material costs, especially for butadiene and cyclohexane, was passed on to the market in full throughout the segment. Significant volume increases and much higher capacity utilization than in the same period a year ago generated a substantial improvement in earnings. Favorable shifts in exchange rates also had a positive impact. Earnings in Advanced Intermediates also posted a considerable €22 million increase to €60 million, thanks largely to positive price effects. Much of the impact from declining agrochemical volumes was offset by volume growth for other products. Favorable shifts in exchange rates and a positive portfolio effect from

EBITDA Pre Exceptionals by Segment

€ million	Q2 2009	Q2 2010	Change %	H1 2009	H1 2010	Change %
Performance Polymers	52	171	>100	60	315	>100
Advanced Intermediates	38	60	57.9	84	104	23.8
Performance Chemicals	44	84	90.9	83	162	95.2
Reconciliation	(22)	(46)	>100	(49)	(79)	(61.2)
	112	**269**	**>100**	**178**	**502**	**>100**

the acquisitions made in India and China in 2009 were also accretive to segment earnings. In the Performance Chemicals segment, earnings nearly doubled to €84 million, up from €44 million for the same quarter of 2009. This increase was mainly attributable to significantly higher volumes, with additional positive effects coming from selling prices and favorable exchange rates.

EBITDA pre exceptionals climbed sharply on a half-year basis, up by €324 million to €502 million. As in the second quarter, selling expenses for the half-year rose due to the volume-driven increase in freight costs, increasing by 21.1% to €304 million. The first-half EBITDA margin for the Group advanced significantly year on year from 7.8% to 14.6%. Performance Polymers posted significant earnings growth of €255 million to €315 million, due to higher volumes and the resulting increase in capacity utilization. At the same time, selling prices were quickly adjusted following increases in raw material costs. Advanced Intermediates also experienced positive price and volume effects at the segment level. Helped by a positive portfolio effect, earnings rose by 23.8% to €104 million. Earnings in the Performance Chemicals segment almost doubled, coming in at €162 million after €83 million in the first half of 2009, mainly as a result of the substantial volume growth. The selling price effect in this segment was slightly negative for the half-year.

The operating result (EBIT) amounted to €196 million in the second quarter of 2010, compared with €43 million for the prior-year period. The exceptional charges included in other operating expenses totaled €4 million, the whole of this amount impacting EBITDA. They related mainly to efficiency improvement programs at several sites of the Group and to portfolio expenses. In the prior-year quarter there were exceptional charges of €7 million, including €3 million in write-downs of non-current assets. The remaining charges were mainly attributable to cost-saving measures.

For the half-year, LANXESS achieved a very positive operating result (EBIT) of €360 million, the prior-year figure of €42 million having been due to the extremely difficult business environment at that time. The exceptional charges included in other operating expenses for the first half amounted to €7 million, with the full amount impacting EBITDA. As with the €11 million in exceptional charges taken in the previous year, of which €8 million affected EBITDA, they related to restructuring and efficiency improvement measures implemented at various LANXESS sites.

Financial result The financial result amounted to minus €24 million in the second quarter of 2010, compared with minus €21 million in the same period last year. The early repayment of financial liabilities and the redemption of promissory notes caused a slight drop in interest expense, while the net exchange position worsened against the prior-year period. The pro-rated earnings of CURRENTA GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, amounted to €8 million, compared with €3 million in the second quarter of 2009.

The financial result for the first half worsened to minus €44 million, against minus €41 million a year earlier. Despite a reduction in the second quarter, interest expense for the first half was above last year‘s level due to the bonds floated in 2009 and the issuance of promissory notes. This was partially offset by the pro-rated earnings of CURRENTA GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method.

Income before income taxes Income before income taxes rose in the second quarter of 2010 by €150 million to €172 million in line with the clear improvement in the operating result. The effective tax rate was 23.8%, against 22.7% for the prior-year quarter.

Income before income taxes for the half-year also rose because of the significant improvement in the operating result, advancing from €1 million to €316 million. The effective tax rate was 25.3%, while the prior-year period saw tax income of €2 million because of regional variations in the earnings of the LANXESS companies.

Net income and earnings per share There was no income attributable to non-controlling interests in the second quarter of 2010 or 2009. Earnings of €1 million were attributable to non-controlling interests in the first half of 2010. Net income for the second quarter of 2010 amounted to €131 million, compared with €17 million in the prior-year period. Half-year net income rose sharply, from €3 million to €235 million. Earnings per share increased from €0.20 to €1.57 for the second quarter and from €0.04 to €2.82 for the first half.

BUSINESS TRENDS BY REGION

Sales by Market

	Q2 2009		Q2 2010		Change	H1 2009		H1 2010		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	389	31.4	531	29.0	36.5	747	32.6	1,015	29.5	35.9
Germany	257	20.8	325	17.8	26.5	501	21.9	633	18.4	26.3
North America	186	15.0	313	17.1	68.3	367	16.0	563	16.4	53.4
Latin America	102	8.2	245	13.4	>100	198	8.6	440	12.8	>100
Asia-Pacific	304	24.6	414	22.7	36.2	479	20.9	790	22.9	64.9
	1,238	**100.0**	**1,828**	**100.0**	**47.7**	**2,292**	**100.0**	**3,441**	**100.0**	**50.1**

In the **EMEA** region (Europe, Middle East, Africa), excluding Germany, LANXESS Group sales increased in the second quarter of 2010 by a substantial 36.5% to €531 million. Adjusted for currency effects, sales rose by 35.6% year on year. This sharp increase was mainly attributable to the Performance Polymers and Performance Chemicals segments, which both recorded double-digit sales growth as in the first quarter. The Performance Polymers segment stood out clearly from the others, with operational sales up by well over 50% compared with the same period of 2009. This growth in business was driven by rising volumes and the passing-on of increases in raw material prices. The Performance Chemicals segment also developed very positively, with all of the segment's business units contributing to the improvement. Sales in Advanced Intermediates drew level with the previous year, thanks largely to a pleasing performance by Basic Chemicals. Business development in the region was led by Italy, Belgium and Spain.

Adjusted for exchange-rate effects, first-half sales in the EMEA region excluding Germany climbed by 35.4% to €1,015 million, with the positive market development felt in all segments. However, the Performance Polymers segment posted by far the largest growth rate, followed by Performance Chemicals. Business in the Advanced Intermediates segment expanded by a single-digit percentage, with the agrochemicals market losing momentum during the half-year due to high customer inventory levels.

With a 29.0% share of total sales for the second quarter and 29.5% for the first half, EMEA (excluding Germany) remains the largest of the LANXESS Group's regions.

In **Germany**, second-quarter sales for the Group moved forward by 26.5% to €325 million. Performance Polymers and Performance Chemicals shared in this growth, while sales in the Advanced Intermediates segment remained at the prior-year level, again largely because of the weaker development of the agrochemicals market. This trend was slightly overcompensated by the increasing demand for basic chemicals in other customer industries.

The development in the first half of 2010 was broadly similar to the second quarter, with business up by 26.3% to €633 million and improved overall development in the Advanced Intermediates segment.

Germany's share of total sales was 17.8% for the second quarter and 18.4% for the first half.

In **North America,** sales advanced by a significant 68.3% to €313 million, with business in this region gaining momentum compared to the first quarter of 2010. Adjusted for currency changes, sales expanded by 58.1%. The Performance Polymers segment, and in particular its Performance Butadiene Rubbers and Butyl Rubber business units, powered this growth, followed at some distance by the Performance Chemicals segment. Sales in the Advanced Intermediates segment largely kept pace with the previous year, with strong demand for basic chemicals balancing out tendential weakness in the markets for agrochemicals and custom-synthesized products.

Over the half-year period, sales in North America increased by 52.4% to €563 million on a currency-adjusted basis. Here the commentary for the second quarter also applies to the first six months as a whole, with business gaining momentum as the year progressed.

The region's share of Group sales was nearly unchanged for both periods, at 17.1% for the second quarter and 16.4% for the first half.

LANXESS registered its largest regional sales increase for the second quarter of 2010 in **Latin America**, where business expanded by 140.2%. The Group generated sales of €245 million in this region. Adjusted for currency effects, sales growth amounted to 128.2%, with the Performance Polymers segment – and especially its Performance Butadiene Rubbers business unit – clearly the major drivers of this success. The Performance Chemicals and Advanced Intermediates segments also posted double-digit growth rates in operational sales. The key country for this region's development, in both absolute and relative terms, was Brazil.

First-half sales in Latin America rose by a currency-adjusted 119.2% to €440 million, with the second-quarter commentary equally applicable to the first six months.

The region's share of Group sales in both the second quarter and the first half rose substantially, increasing from 8.2% in the prior-year quarter to 13.4% and from 8.6% in the first half of 2009 to 12.8%.

After an extremely robust first quarter, growth momentum in the **Asia-Pacific** region was somewhat weaker in the second quarter of 2010. Nonetheless, sales rose by an impressive 36.2% to €414 million. Adjusted for the currency and portfolio effects from the businesses of Gwalior Chemical Industries Ltd. in India and Jiangsu Polyols Chemical Co. Ltd. in China, which were acquired in the previous year, sales rose by 21.4%. The lower growth rate compared to the first quarter was attributable to the base-figure effect of an already stronger second quarter for this region in the previous year. This applied to all segments, especially Performance Polymers. However, all operating segments continued to report significant sales growth.

For the half-year, in which operational sales rose by 55.8% to €790 million, Performance Polymers remained this region's top-performing segment with growth in excess of 50%, while Performance Chemicals and Advanced Intermediates followed at a distance.

Asia-Pacific's share of Group sales came to 22.7% for the second quarter and 22.9% for the half-year.

SEGMENT INFORMATION

Performance Polymers

	Q2 2009		Q2 2010		Change	H1 2009		H1 2010		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	559		958		71.4	1,007		1,786		77.4
EBITDA pre exceptionals	52	9.3	171	17.8	>100	60	6.0	315	17.6	>100
EBITDA	51	9.1	170	17.7	>100	59	5.9	313	17.5	>100
Operating result (EBIT) pre exceptionals	19	3.4	134	14.0	>100	(5)	–	243	13.6	–
Operating result (EBIT)	18	3.2	133	13.9	>100	(6)	–	241	13.5	–
Cash outflows for capital expenditures[1]	28		33		17.9	56		52		(7.1)
Depreciation and amortization	33		37		12.1	65		72		10.8
Employees as of June 30 (previous year: as of Dec. 31)	4,375		4,403		0.6	4,375		4,403		0.6

1) Intangible assets and property, plant and equipment

Sales in the **Performance Polymers** segment amounted to €958 million in the second quarter of 2010, a notable 71.4% ahead of the prior-year quarter, when business was weak due to the economic crisis. Volumes rose by 27.9% thanks to an upturn in demand. A considerable increase in raw material costs, particularly for butadiene and cyclohexane, was offset by timely price increases, giving a 36.9% positive price effect. The favorable development of prices and volumes was further supported by a positive 6.6% exchange-rate effect.

Each of the business units in the segment experienced sharply higher demand from all principal customer industries. The Butyl Rubber and Performance Butadiene Rubbers business units, with their close ties to the tire industry, benefited from an underlying improvement in demand for both original equipment and replacement tires, particularly the latter. Capacity utilization further improved, exceeding the level of the first quarter of 2010. Increased demand from automobile manufacturers was the main factor behind the sales increases in the Technical Rubber Products and Semi-Crystalline Products business units. Apart from Asia, a major growth driver in this segment was the Latin America region, where sales rose significantly.

Thanks to LANXESS's strong market position, EBITDA pre exceptionals in the Performance Polymers segment advanced by a substantial €119 million to €171 million. The increases in raw material costs were passed along to the market in full throughout the segment. Significant volume growth in all business units produced a tangible improvement in earnings. A much improved capacity utilization rate compared with the prior-year period contributed substantially to the drop in idle capacity costs, which were further reduced compared with the first quarter of 2010. Adjustments to cost structures and an upturn in sales of high-performance products also boosted earnings. Further positive effects resulted from favorable shifts in exchange rates and from inventory revaluations. The EBITDA margin for the second quarter came in at 17.8%, against 9.3% a year ago.

Sales in the first half rose by a strong 77.4% to €1,786 million. All of the segment's business units played a part in growth, experiencing a notable upswing in demand from all the main customer industries. Volumes were 48.6% ahead of the prior-year period. The 28.1% increase in selling prices resulted from considerably higher raw material prices, which were passed on to the market at the segment level in the form of contractually agreed price adjustments. Positive currency changes lifted sales by 0.7%.

The segment generated EBITDA pre exceptionals of €315 million in the first half, against €60 million in the prior-year period. Its first-half EBITDA margin improved from 6.0% to 17.6%.

The segment's exceptional charges of €2 million in the first half of 2010 and €1 million in the prior-year period, which impacted EBITDA in each case, related to small-scale efficiency-improvement measures at several sites.

Advanced Intermediates

	Q2 2009		Q2 2010		Change	H1 2009		H1 2010		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	285		324		13.7	543		644		18.6
EBITDA pre exceptionals	38	13.3	60	18.5	57.9	84	15.5	104	16.1	23.8
EBITDA	38	13.3	60	18.5	57.9	84	15.5	104	16.1	23.8
Operating result (EBIT) pre exceptionals	27	9.5	46	14.2	70.4	62	11.4	77	12.0	24.2
Operating result (EBIT)	27	9.5	46	14.2	70.4	62	11.4	77	12.0	24.2
Cash outflows for capital expenditures[1]	8		6		(25.0)	17		11		(35.3)
Depreciation and amortization	11		14		27.3	22		27		22.7
Employees as of June 30 (previous year: as of Dec. 31)	2,858		2,815		(1.5)	2,858		2,815		(1.5)

1) Intangible assets and property, plant and equipment

Sales in the **Advanced Intermediates** segment rose by 13.7% to €324 million in the second quarter of 2010, mainly due to an 8.1% increase in selling prices caused by higher raw material costs. Volumes edged downward by 3.5%. In addition to positive currency effects of 2.4%, there was a portfolio effect of 6.7% from the sales of the Indian and Chinese activities that were successfully acquired in fiscal 2009. Business performance in the Asia-Pacific region was distinctly better than in other markets, though these also developed positively.

While sales to automotive-related industries, the construction sector and the dyes and coatings industries grew, business with agrochemicals declined due to persistently high inventory levels at major customers. The Basic Chemicals business unit passed along the rise in raw material prices to the market with the expected delay in line with the pricing clauses in supply contracts.

EBITDA pre exceptionals of the Advanced Intermediates segment climbed by €22 million to €60 million. The EBITDA margin rose again by a significant 5.2 percentage points from the solid prior-year figure of 13.3%, to 18.5%, largely because of the aforementioned positive price effects. The favorable shifts in exchange rates and the portfolio effect from the acquisitions in India and China in 2009 also made a positive contribution to segment earnings.

Segment sales for the first six months rose by 18.6% to €644 million, mainly due to price increases of 4.1% attributable to higher raw material costs. Volumes rose by 7.5% compared with the same period of last year. There was a 6.6% positive portfolio effect for the half-year from the acquisitions made in India and China in 2009. Exchange-rate movements improved sales by just 0.4%.

The segment generated EBITDA pre exceptionals of €104 million in the first half of 2010 against €84 million in the prior-year period, while its EBITDA margin rose from 15.5% to 16.1%.

Performance Chemicals

	Q2 2009		Q2 2010		Change	H1 2009		H1 2010		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	385		537		39.5	723		992		37.2
EBITDA pre exceptionals	44	11.4	84	15.6	90.9	83	11.5	162	16.3	95.2
EBITDA	45	11.7	84	15.6	86.7	83	11.5	162	16.3	95.2
Operating result (EBIT) pre exceptionals	28	7.3	67	12.5	>100	50	6.9	129	13.0	>100
Operating result (EBIT)	29	7.5	67	12.5	>100	50	6.9	129	13.0	>100
Cash outflows for capital expenditures[1]	19		18		(5.3)	32		32		0.0
Depreciation and amortization	16		17		6.3	33		33		0.0
Employees as of June 30 (previous year: as of Dec. 31)	4,675		4,757		1.8	4,675		4,757		1.8

1) Intangible assets and property, plant and equipment

The **Performance Chemicals** segment had second-quarter sales of €537 million in 2010. The increase of 39.5% from the same period a year ago was largely attributable to volume growth of 33.8% compared with the second quarter of the previous year, which was marked by a slump in demand. Selling prices were virtually flat as in the same period of 2009, rising by just 0.5%. Shifts in exchange rates had a 5.2% positive effect.

All business units benefited from the revival in demand and recorded volume increases. The Rubber Chemicals and Rhein Chemie business units in particular, with their close ties to the automotive industry, saw considerable growth in volumes. The Leather business unit experienced a strong upturn in demand for leather chemicals from the apparel, furniture and auto industries and also benefited from higher selling prices for chrome ore. While North America and Latin America stood out against all the other regions in terms of business performance, demand rose in these regions, too.

EBITDA pre exceptionals nearly doubled to €84 million, from €44 million in the prior-year period. This earnings growth was largely attributable to the significant increase in volumes. Positive selling price and currency effects were also accretive to earnings. The activities of the Leather, Inorganic Pigments and Rubber Chemicals business units made particularly significant contributions to the increase in segment EBITDA. Cost structures improved while capacity utilization rose, giving a positive effect on margins. The EBITDA margin gained significantly from 11.4% to 15.6%.

In the first six months of 2010, the Performance Chemicals segment posted sales of €992 million, up 37.2% from the prior-year period. Volume growth, at 37.5%, was again the crucial factor. The inorganic pigments activities and the Leather and Rhein Chemie business units contributed the most to this improvement. Prices showed an overall 2.2% decline for the first half of 2010 due to their low levels in the first quarter. Shifts in exchange rates had a 1.9% positive effect on sales.

The segment generated EBITDA pre exceptionals of €162 million in the first half of 2010 after €83 million in the prior-year period. The EBITDA margin showed a marked improvement in the first half, too, rising from 11.5% to 16.3%.

Reconciliation

	Q2 2009	Q2 2010	Change	H1 2009	H1 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	9	9	0.0	19	19	0.0
EBITDA pre exceptionals	(22)	(46)	>100	(49)	(79)	(61.2)
EBITDA	(26)	(49)	(88.5)	(56)	(84)	(50.0)
Operating result (EBIT) pre exceptionals	(24)	(47)	(95.8)	(54)	(82)	(51.9)
Operating result (EBIT)	(31)	(50)	(61.3)	(64)	(87)	(35.9)
Cash outflows for capital expenditures[1)]	2	3	50.0	4	4	0.0
Depreciation and amortization	5	1	(80.0)	8	3	(62.5)
Employees as of June 30 (previous year: as of Dec. 31)	2,430	2,444	0.6	2,430	2,444	0.6

1) Intangible assets and property, plant and equipment

In the **reconciliation**, the minus €46 million EBITDA pre exceptionals (against minus €22 million in the prior-year quarter) was partly due to a hedging loss and to higher performance-related expenses associated with the business recovery. The exceptional charges reported in the reconciliation, amounting to €3 million in the second quarter and €5 million for the first half, related primarily to efficiency-improvement measures and portfolio expenses. Such expenses mainly included costs for personnel adjustment measures and the execution of corporate transactions, to the extent they could not be specifically allocated to segments or business units.

FINANCIAL CONDITION

Structure of the statement of financial position As of June 30, 2010, the LANXESS Group had total assets of €5,549 million, up €481 million, or 9.5%, from €5,068 million on December 31, 2009. The main reasons for the increase were exchange rate effects and the growth in working capital, which in turn was due to the clear recovery in demand, higher raw material prices and preparations for scheduled maintenance shutdowns.

Non-current assets registered a €193 million increase to €2,575 million. Intangible assets and property, plant and equipment grew by €130 million to €2,135 million, due mainly to currency effects. Cash outflows for purchases of intangible assets, property, plant and equipment, at €99 million, were slightly below the prior-year level of €109 million. Depreciation and amortization in the first half totaled €135 million, against €128 million in the corresponding period of the previous year. The increase in the carrying amount of investments accounted for using the equity method was chiefly attributable to the positive earnings of CURRENTA GmbH & Co. OHG in the first half of 2010. LANXESS TSRC (Nantong) Chemical Industrial Company Ltd., Nantong, China, which was established in the second quarter, was also accounted for using the equity method. The ratio of non-current assets to total assets was 46.4%, close to the figure of 47.0% reported for December 31, 2009.

Current assets amounted to €2,974 million, up €288 million from December 31, 2009. Inventories rose by a considerable €250 million, mainly because of higher raw material prices, currency effects and an increase in inventories of finished goods in preparation for maintenance shutdowns. Trade receivables were €291 million higher than at year end 2009, mainly due to the substantial business growth and to currency effects. The total of cash and cash equivalents and near-cash assets declined by €278 million to €437 million following the repayment of certain non-current financial liabilities. The ratio of current assets to total assets was 53.6%, against 53.0% as of December 31, 2009.

Equity rose by €177 million from December 31, 2009 to €1,622 million, due mainly to the €235 million net income for the first half and positive currency translation differences. These were partially offset by valuation adjustments for derivative financial instruments recognized directly in equity and the €42 million dividend payment made by LANXESS AG in May 2010. The ratio of equity to total assets amounted to 29.2% as of June 30, 2010, against 28.5% as of December 31, 2009.

Non-current liabilities grew by €50 million, reaching €2,554 million as of June 30, 2010. Provisions for pensions were higher due to the adjustment of discount rates and to currency effects. By contrast, some non-current financial liabilities were repaid early. The ratio of non-current liabilities to total assets was 46.0%, down from 49.4% as of December 31, 2009.

Current liabilities were up €254 million to €1,373 million. Trade payables grew as a result of higher raw material prices and increases in purchasing volumes linked to business growth. The ratio of current liabilities to total assets was 24.7% as of June 30, 2010, against 22.1% as of year end 2009.

Liquidity and capital expenditures In the first half of fiscal 2010 there was a net cash inflow of €60 million from operating activities, compared with a net inflow of €279 million in the prior-year period. With income before income taxes totaling €316 million, the lower operating cash flow was attributable to the €350 million increase in working capital compared with December 31, 2009. In the first half of the previous year, which was impacted by the economic crisis, there was a cash inflow from the €199 million decline in working capital caused by the much lower business level at that time. The development of net cash flow in the first six months of 2010 resulted mainly from the increase in raw material prices, currency effects, the significant rebound in demand and the associated replenishment of inventories and increase in trade receivables.

There was a €101 million net cash inflow from investing activities in the first half of 2010, compared with a net outflow of €22 in the same period a year ago. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €99 million, which was €10 million less than in the first half of 2009. Depreciation and amortization amounted to €135 million. The cash inflows from financial assets stemmed primarily from the sale of short-term money market funds. LANXESS received an €8 million dividend from CURRENTA GmbH & Co. OHG for 2009.

Significant capital expenditures in the Performance Polymers segment related to the construction of a new butyl rubber plant in Singapore for the Butyl Rubber business unit, which is the company's largest investment to date. The new facility will start production in the first quarter of 2013. It was also decided to expand production capacities at the butyl rubber plant in Zwijndrecht, Belgium. This project is scheduled for completion by the second quarter of 2012. The Semi-Crystalline Products business unit is enlarging its capacities for engineering plastics at the compounding facilities in Wuxi, China. A further compounding facility is under construction in Jhagadia, India, and is due on stream at the beginning of 2012.

The Basic Chemicals business unit in the Advanced Intermediates segment made capital expenditures to expand the integrated aromatics production network at the Leverkusen site and also announced the construction of a new formalin production facility in Krefeld-Uerdingen. The Saltigo business unit received grants from major customer Syngenta corresponding to the expenditures for the construction of facilities.

In the Performance Chemicals segment, capital expenditures in the Ion Exchange Resins business unit related mainly to the construction of the new facility at the site in Jhagadia, India, for ion exchange resins used in water treatment and the production of ultra-pure water. In Bitterfeld, Germany, construction commenced on a new plant for this business unit that will feature membrane filtration technology. The new plant is due to be commissioned for a pilot and development phase at the end of this year. In the Rhein Chemie business unit, LANXESS broke ground for the construction of its very first production facility in Russia, a rubber chemicals plant in Dzerzhinsk in the Nizhny Novgorod region that is expected to be completed by the start of 2011. This year the Inorganic Pigments business unit is expanding its production facilities at the sites in Krefeld-Uerdingen, Germany; Porto Feliz, Brazil; and Jinshan, China.

Net cash used in financing activities came to €247 million, compared with net cash of €438 million provided by financing activities in the first half of 2009. The net cash outflow was primarily attributable to repayments of promissory notes and the €42 million dividend payment to the stockholders of LANXESS AG. The net inflow in the prior-year period resulted mainly from the issuance of a bond and promissory notes.

Net Financial Liabilities

€ million	Dec. 31, 2009	June 30, 2010
Non-current financial liabilities	1,462	1,337
Current financial liabilities	94	74
less		
Liabilities for accrued interest	(47)	(19)
Cash and cash equivalents	(313)	(232)
Near-cash assets	(402)	(205)
	794	**955**

Cash and cash equivalents decreased by €81 million compared with the end of 2009, to €232 million. The €205 million of instant-access investments in money market funds were reported under the near-cash assets item. The decrease resulted from the sale of portions of these investments. Some of the proceeds were used to repay non-current financial liabilities. Net financial liabilities totaled €955 million as of June 30, 2010, compared with €794 million as of December 31, 2009.

SIGNIFICANT OPPORTUNITIES AND RISKS

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

OUTLOOK

LANXESS expects that the recovery of the global economy evident in the first six months will persist during the rest of the year. Regional trends, however, will continue to vary. In Latin America, particularly Brazil, LANXESS foresees ongoing positive, stronger-than-average development. The same applies to the Asia-Pacific region, and especially to China and India. In the emerging economies, the very strong growth trend witnessed in the first half will flatten out slightly, mainly because of the already improved prior-year figures. In North America and Europe, the economic recovery is likely to continue, though at a slower pace in these regions than elsewhere. Some uncertainty remains as to the sustainability of this recovery, since a firm foundation for growth does not yet exist in some cases.

Against the backdrop of a satisfactory first half, LANXESS expects demand to continue increasing in its key markets, albeit with regional variations. Among customer industries, the tire and automotive sectors in particular will continue to develop favorably. Agrochemical markets weakened as expected in the first half and will probably continue to do so in the third quarter. A sustained upward trend is nevertheless predicted for the longer term.

Raw material prices are expected to go on increasing, though probably not by as much as in previous quarters. The euro exchange rate, which has been highly volatile, especially in recent weeks, could affect earnings performance going forward. If the euro continues to regain its strength, this would adversely affect the regional sales distribution of the LANXESS Group. As expected, some customers continued to build inventories during the first half. It is not yet clear to what extent this trend will persist in the second half.

LANXESS expanded inventories in the first six months to bridge the period of maintenance work regularly scheduled for the second half, which this year will go hand-in-hand with capacity expansion projects in some cases. Working capital, which rose as a result, is likely to show a moderate decline in the second half of 2010.

In the first half of 2010, LANXESS proceeded with the implementation of a number of strategic investment projects and also initiated new, promising projects. Capital expenditures of between €450 and €470 million are now planned for 2010 as a whole as part of an investment strategy aimed at strengthening LANXESS's position in key markets.

Assuming that the macroeconomic recovery continues, LANXESS expects significantly higher earnings for fiscal 2010 than in the past year or in pre-crisis 2008 and now expects EBITDA pre exceptionals to come in at roughly €800 million, with the earnings distribution in line with the usual seasonality at LANXESS.

EVENTS AFTER THE REPORTING PERIOD

No events of special significance took place after June 30, 2010 that are expected to materially affect the financial position or results of operations of the LANXESS Group.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2010

LANXESS GROUP **STATEMENT OF FINANCIAL POSITION**

€ million	Dec. 31, 2009	June 30, 2010
ASSETS		
Intangible assets	196	214
Property, plant and equipment	1,809	1,921
Investments accounted for using the equity method	26	31
Investments in other affiliated companies	1	8
Non-current derivative assets	16	2
Other non-current financial assets	79	75
Deferred taxes	163	214
Other non-current assets	92	110
Non-current assets	**2,382**	**2,575**
Inventories	849	1,099
Trade receivables	733	1,024
Cash and cash equivalents	313	232
Near-cash assets	402	205
Current derivative assets	29	8
Other current financial assets	146	146
Current income tax receivables	31	32
Other current assets	183	228
Current assets	**2,686**	**2,974**
Total assets	**5,068**	**5,549**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	889	887
Other reserves	818	746
Net income	40	235
Other equity components	(315)	(260)
Equity attributable to non-controlling interests	13	14
Equity	**1,445**	**1,622**
Provisions for pensions and other post-employment benefits	569	649
Other non-current provisions	307	345
Non-current derivative liabilities	4	47
Other non-current financial liabilities	1,462	1,337
Non-current income tax liabilities	47	47
Other non-current liabilities	77	90
Deferred taxes	38	39
Non-current liabilities	**2,504**	**2,554**
Other current provisions	352	403
Trade payables	486	595
Current derivative liabilities	26	87
Other current financial liabilities	94	74
Current income tax liabilities	52	93
Other current liabilities	109	121
Current liabilities	**1,119**	**1,373**
Total equity and liabilities	**5,068**	**5,549**

LANXESS GROUP **INCOME STATEMENT**

€ million	Q2 2009	Q2 2010	H1 2009	H1 2010
Sales	**1,238**	**1,828**	**2,292**	**3,441**
Cost of sales	(977)	(1,354)	(1,834)	(2,573)
Gross profit	**261**	**474**	**458**	**868**
Selling expenses	(137)	(162)	(251)	(304)
Research and development expenses	(25)	(31)	(49)	(55)
General administration expenses	(54)	(67)	(114)	(127)
Other operating income	58	54	125	92
Other operating expenses	(60)	(72)	(127)	(114)
Operating result (EBIT)	**43**	**196**	**42**	**360**
Income from investments accounted for using the equity method	3	8	5	12
Interest income	6	3	10	6
Interest expense	(24)	(22)	(38)	(46)
Other financial income and expense	(6)	(13)	(18)	(16)
Financial result	**(21)**	**(24)**	**(41)**	**(44)**
Income before income taxes	**22**	**172**	**1**	**316**
Income taxes	(5)	(41)	2	(80)
Income after income taxes	**17**	**131**	**3**	**236**
of which attributable to non-controlling interests	0	0	0	1
of which attributable to LANXESS AG stockholders (net income)	17	131	3	235
Earnings per share in € (undiluted/diluted)	**0.20**	**1.57**	**0.04**	**2.82**

LANXESS GROUP **STATEMENT OF COMPREHENSIVE INCOME**

€ million	Q2 2009	Q2 2010	H1 2009	H1 2010
Income after income taxes	**17**	**131**	**3**	**236**
Actuarial gains/losses and effects of the asset ceiling relating to defined-benefit plans	(38)	(52)	(61)	(94)
Exchange differences on translation of operations outside the eurozone	52	80	72	145
Financial instruments	81	(78)	62	(119)
Income taxes on other comprehensive income	(9)	31	2	53
Other comprehensive income, net of income tax	**86**	**(19)**	**75**	**(15)**
Total comprehensive income	**103**	**112**	**78**	**221**
of which attributable to non-controlling interests	0	0	0	1
of which attributable to LANXESS AG stockholders	103	112	78	220

LANXESS GROUP **STATEMENT OF CHANGES IN EQUITY**

€ million	Capital stock	Capital reserves	Other reserves	Net income	Other equity components		Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
Dec. 31, 2008	**83**	**806**	**762**	**183**	**(467)**	**(44)**	**1,323**	**16**	**1,339**
Allocation to retained earnings			183	(183)			0		0
Dividend payments			(42)				(42)		(42)
Total comprehensive income			(42)	3	72	45	78		78
June 30, 2009	**83**	**806**	**861**	**3**	**(395)**	**1**	**1,359**	**16**	**1,375**
Dec. 31, 2009	**83**	**806**	**818**	**40**	**(340)**	**25**	**1,432**	**13**	**1,445**
Allocation to retained earnings			40	(40)			0		0
Dividend payments			(42)				(42)		(42)
Other changes in equity		(2)					(2)		(2)
Total comprehensive income			(70)	235	145	(90)	220	1	221
June 30, 2010	**83**	**804**	**746**	**235**	**(195)**	**(65)**	**1,608**	**14**	**1,622**

LANXESS GROUP **STATEMENT OF CASH FLOWS**

€ million	H1 2009	H1 2010
Income before income taxes	**1**	**316**
Depreciation and amortization	128	135
Gains on disposals of intangible assets and property, plant and equipment	(18)	0
Income from investments accounted for using the equity method	(5)	(12)
Financial losses	27	40
Income taxes paid/refunded	46	(28)
Changes in inventories	242	(192)
Changes in trade receivables	58	(244)
Changes in trade payables	(101)	86
Changes in other assets and liabilities	(99)	(41)
Net cash provided by operating activities	**279**	**60**
Cash outflows for purchases of intangible assets, property, plant and equipment	(109)	(99)
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(8)	0
Cash inflows from sales of intangible assets, property, plant and equipment	22	2
Cash inflows from financial assets	41	185
Interest and dividends received	32	13
Net cash provided by (used in) investing activities	**(22)**	**101**
Proceeds from borrowings	724	6
Repayments of borrowings	(209)	(139)
Interest paid and other financial disbursements	(35)	(72)
Dividend payments	(42)	(42)
Net cash provided by (used in) financing activities	**438**	**(247)**
Change in cash and cash equivalents from business activities	**695**	**(86)**
Cash and cash equivalents as of January 1	249	313
Other changes in cash and cash equivalents	10	5
Cash and cash equivalents as of June 30	**954**	**232**

SEGMENT AND REGION DATA

KEY DATA BY SEGMENT

Second Quarter

€ million	Performance Polymers		Advanced Intermediates	
	Q2 2009	Q2 2010	Q2 2009	Q2 2010
External sales	559	958	285	324
Inter-segment sales	9	9	6	12
Segment/Group sales	568	967	291	336
Segment result/EBITDA pre exceptionals	52	171	38	60
EBITDA margin pre exceptionals (%)	9.3	17.8	13.3	18.5
EBITDA	51	170	38	60
EBIT pre exceptionals	19	134	27	46
EBIT	18	133	27	46
Additions to intangible assets, property, plant and equipment	66	33	22	20
Depreciation and amortization	33	37	11	14

First Half

€ million	Performance Polymers		Advanced Intermediates	
	H1 2009	H1 2010	H1 2009	H1 2010
External sales	1,007	1,786	543	644
Inter-segment sales	15	18	16	22
Segment/Group sales	1,022	1,804	559	666
Segment result/EBITDA pre exceptionals	60	315	84	104
EBITDA margin pre exceptionals (%)	6.0	17.6	15.5	16.1
EBITDA	59	313	84	104
EBIT pre exceptionals	(5)	243	62	77
EBIT	(6)	241	62	77
Additions to intangible assets, property, plant and equipment	94	52	31	38
Depreciation and amortization	65	72	22	27
Employees as of June 30 (previous year: as of Dec. 31)	4,375	4,403	2,858	2,815

KEY DATA BY REGION

Second Quarter

€ million	EMEA (excluding Germany)		Germany	
	Q2 2009	Q2 2010	Q2 2009	Q2 2010
Sales by market	389	531	257	325
Proportion of Group sales (%)	31.4	29.0	20.8	17.8

First Half

€ million	EMEA (excluding Germany)		Germany	
	H1 2009	H1 2010	H1 2009	H1 2010
Sales by market	747	1,015	501	633
Proportion of Group sales (%)	32.6	29.5	21.9	18.4
Employees as of June 30 (previous year: as of Dec. 31)	2,625	2,609	7,626	7,556

Performance Chemicals		Reconciliation		LANXESS	
Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010
385	537	9	9	1,238	1,828
3	2	(18)	(23)	0	0
388	539	(9)	(14)	1,238	1,828
44	84	(22)	(46)	112	269
11.4	15.6			9.0	14.7
45	84	(26)	(49)	108	265
28	67	(24)	(47)	50	200
29	67	(31)	(50)	43	196
19	18	2	3	109	74
16	17	5	1	65	69

Performance Chemicals		Reconciliation		LANXESS	
H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010
723	992	19	19	2,292	3,441
6	4	(37)	(44)	0	0
729	996	(18)	(25)	2,292	3,441
83	162	(49)	(79)	178	502
11.5	16.3			7.8	14.6
83	162	(56)	(84)	170	495
50	129	(54)	(82)	53	367
50	129	(64)	(87)	42	360
32	32	4	4	161	126
33	33	8	3	128	135
4,675	4,757	2,430	2,444	14,338	14,419

North America		Latin America		Asia-Pacific		LANXESS	
Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010
186	313	102	245	304	414	1,238	1,828
15.0	17.1	8.2	13.4	24.6	22.7	100.0	100.0

North America		Latin America		Asia-Pacific		LANXESS	
H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010
367	563	198	440	479	790	2,292	3,441
16.0	16.4	8.6	12.8	20.9	22.9	100.0	100.0
1,261	1,292	1,152	1,150	1,674	1,812	14,338	14,419

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2010

RECOGNITION AND VALUATION PRINCIPLES

The unaudited, condensed consolidated interim financial statements as of June 30, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Accounting Standards Board (IASB) applicable to interim financial reporting, required to be applied in the European Union. The standards and interpretations already mandatory as of January 1, 2010 were observed in preparing the interim financial statements.

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

SCOPE OF CONSOLIDATION

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

Last year's acquisitions of the chemical businesses and production facilities of the Indian listed company Gwalior Chemical Industries Ltd. (Gwalior), headquartered in Mumbai, and Jiangsu Polyols Chemical Co. Ltd., Liyang, China, were consolidated for the first time as of September 1, 2009. The purchase price allocations undertaken at that time were provisional and subject to adjustment within one year after the acquisition date to reflect new information and findings. Details of the purchase price allocations and the effects of the acquisitions on the LANXESS Group's consolidated statement of financial position are provided in the section entitled "Companies Consolidated" in the notes to the consolidated financial statements as of December 31, 2009. The purchase price allocation shown there had not changed by June 30, 2010.

The condensed consolidated interim financial statements of the LANXESS Group as of June 30, 2010 include 59 fully consolidated companies. The 40% stake in CURRENTA GmbH & Co. OHG, Leverkusen, and the 25% stake in Anhui Tongfeng Shengda Chemicals Company Limited, Tongling, China, are accounted for using the equity method. The 50% stake in LANXESS TSRC (Nantong) Chemical Industrial Company Ltd., Nantong, China, which was established on May 7, 2010, is also accounted for using the equity method.

EARNINGS PER SHARE

Computation of earnings per share for the second quarters and first halves of 2009 and 2010 was based on the weighted average numbers of shares outstanding as of the respective closing dates. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2009.

Earnings per Share

	Q2 2009	Q2 2010	Change in %	H1 2009	H1 2010	Change in %
Net income (€ million)	17	131	>100	3	235	>100
No. of outstanding shares	83,202,670	83,195,416[1)]	0.0	83,202,670	83,199,043[1)]	0.0
Earnings per share in € (undiluted/diluted)	**0.20**	**1.57**	**>100**	**0.04**	**2.82**	**>100**

1) The difference between this figure and the capital stock of €83,202,670 results from the weighted inclusion of a temporary holding of 43,522 of the company's own shares.

DIVIDEND FOR FISCAL 2009

Pursuant to the resolution of the Annual Stockholders' Meeting on May 28, 2010, the sum of €42 million out of the distributable profit of €106 million reported in the annual financial statements of LANXESS AG as of December 31, 2009 was paid out to the stockholders on May 29, 2010. The dividend per eligible no-par share was €0.50. The remaining amount of €64 million was carried forward to new account.

NOTES TO THE SEGMENT REPORTING

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

Reconciliation of Segment Result

€ million	Q2 2009	Q2 2010	H1 2009	H1 2010
Total of segment results	**134**	**315**	**227**	**581**
Other/Consolidation	(22)	(46)	(49)	(79)
Exceptional items in EBITDA	(4)	(4)	(8)	(7)
Depreciation and amortization	(65)	(69)	(128)	(135)
Financial result	(21)	(24)	(41)	(44)
Income before income taxes	**22**	**172**	**1**	**316**

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 second quarter and first half of 2010 with associated companies accounted for in the consolidated financial statements using the equity method, or subsidiaries of such companies, mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €90 million (Q2 2009: €90 million) and €184 million (H1 2009: €179 million), respectively. Trade payables of €82 million existed as of June 30, 2010 (December 31, 2009: €40 million) as a result of these transactions.

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

SUPERVISORY BOARD

The following individuals were elected at the Annual Stockholders' Meeting held on May 28, 2010 to serve as stockholder representatives on the LANXESS AG Supervisory Board:

- Dr. Rolf Stomberg (Chairman of the Supervisory Board)
- Dr. Friedrich Janssen
- Robert J. Koehler
- Rainer Laufs
- Prof. h.c. (CHN) Dr. Ulrich Middelmann
- Theo H. Walthie

The employee representatives on the LANXESS AG Supervisory Board are:

- Ulrich Freese (Vice Chairman of the Supervisory Board)
- Axel Berndt
- Wolfgang Blossey
- Rudolf Fauss
- Hans-Jürgen Schicker
- Gisela Seidel

The term of office of the above-named Supervisory Board members runs until the end of the Annual Stockholders' Meeting that resolves on the ratification of their actions with respect to the 2014 fiscal year.

EMPLOYEES

The LANXESS Group had 14,419 employees as of June 30, 2010, which was 81 more than on December 31, 2009 (14,338).

The number of employees in the EMEA region (excluding Germany) fell slightly by 16 to 2,609. In Germany, headcount dropped by 70 to 7,556. The number of employees in North America increased from 1,261 as of December 31, 2009 to 1,292, and in Latin America was almost unchanged at 1,150 (1,152). The number of employees in the Asia-Pacific region increased from 1,674 to 1,812. This was mainly due to the commissioning of the new facility in Jhagadia, India, and the capital expenditure projects in China and Singapore.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Leverkusen, July 26, 2010

LANXESS Aktiengesellschaft, Leverkusen
The Board of Management

Dr. Axel C. Heitmann	Dr. Werner Breuers
Dr. Rainier van Roessel	Matthias Zachert

REVIEW REPORT

TO LANXESS AKTIENGESELLSCHAFT, LEVERKUSEN

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes – and the interim group management report of LANXESS Aktiengesellschaft, Leverkusen, for the period from January 1 to June 30, 2010 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Cologne, July 27, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Peter Albrecht	Jörg Sechser
German Public Auditor	German Public Auditor

FINANCIAL CALENDAR 2010

SEPTEMBER 14/15
LANXESS Media Day

SEPTEMBER 15/16
LANXESS Capital Markets Day

NOVEMBER 10
Interim Report Q3 2010

FEEDBACK

CONTACT US.

PLEASE DO NOT HESITATE TO CONTACT US
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