H1 09

INTERIM REPORT H1 2009

JANUARY 1 TO JUNE 30, 2009
HALF-YEAR FINANCIAL REPORT

LANXESS
Energizing Chemistry

Key Data

€ million	Q2 2008	Q2 2009	Change %	H1 2008	H1 2009	Change %
Sales	1,765	1,238	(29.9)	3,300	2,292	(30.5)
EBITDA pre exceptionals	223	112	(49.8)	443	178	(59.8)
EBITDA margin pre exceptionals	12.6%	9.0%		13.4%	7.8%	
EBITDA	180	108	(40.0)	389	170	(56.3)
EBIT pre exceptionals	159	50	(68.6)	318	53	(83.3)
EBIT	116	43	(62.9)	261	42	(83.9)
EBIT margin	6.6%	3.5%		7.9%	1.8%	
Net income (loss)[1]	55	17	(69.1)	159	3	(98.1)
Earnings per share (€)[1]	0.66	0.20	(69.7)	1.91	0.04	(97.9)
Cash flow from operating activities	82	157	91.5	127	279	> 100
Depreciation and amortization	64	65	1.6	128	128	0.0
Cash outflows for capital expenditures	66	57	(13.6)	100	109	9.0
Total assets[1]				4,592[2]	4,985	8.6
Equity (including non-controlling interests)[1]				1,339[2]	1,375	2.7
Equity ratio[1]				29.2%[2]	27.6%	
Net financial liabilities				864[2]	719	(16.8)
Employees (as of June 30)				14,797[2]	14,335	(3.1)

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

HIGHLIGHTS
Q2 2009

2009 ANNUAL STOCKHOLDERS' MEETING – HIGH ATTENDANCE AND APPROVAL

On May 7, 2009, LANXESS held its Annual Stockholders' Meeting at Cologne's LANXESS arena for the first time. This year 60.94 percent of the voting capital was represented at the meeting, again an increase from the year before. The stockholders' near-unanimous approval of all the motions on the agenda underscored their continued high confidence in the management and its strategy.

At the Annual Stockholders' Meeting, LANXESS also presented its results for the first quarter of 2009. Group sales fell by 31.3 percent year on year, to €1,054 million (Q1 2008: €1,535 million). EBITDA pre exceptionals dropped by 70 percent to €66 million (Q1 2008: €220 million). Despite a decline in demand in all business units, the company reported positive earnings due in large part to the consistent implementation of the "Challenge09" package of measures.

CONSTRUCTION OF NEW BUTYL RUBBER PLANT IN SINGAPORE POSTPONED

In view of the ongoing global economic crisis and the associated decline in demand, the new butyl rubber facility to be built in Singapore is now planned to go on stream in 2014. LANXESS will take advantage of the postponement to ready an innovative butyl rubber production technology for industrial-scale use and will then apply it at the new plant, giving Singapore the world's most modern production facility with a unique process technology. The plant, costing up to €400 million and having a capacity of some 100,000 tons, had previously been scheduled to start production in 2012. LANXESS will further expand its presence in Singapore independent of the project postponement. The company is currently negotiating with the Singapore Economic Development Board to transfer global management of the Butyl Rubber business unit to that country.

SECOND MAJOR SUPPLY CONTRACT SIGNED WITH HANKOOK TIRE

Under a recently signed agreement, LANXESS will supply Hankook Tire with butyl rubber from 2010 to 2014. In 2007 the companies already concluded their first agreement for the bulk supply of styrene butadiene rubber (SBR) and polybutadiene rubber. Hankook Tire is the world's seventh-largest tire manufacturer and one of the fastest-growing suppliers of radial tires for cars and commercial vehicles.

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"We have always stressed that we are on the lookout for small or medium-sized assets that will create value for LANXESS and are a strategic fit for our portfolio. These two transactions follow on from our successful acquisition of Petroflex S.A., one of South America's leading producers of synthetic rubber."

Dr. Axel C. Heitmann

ACQUISITIONS IN ASIA STRENGTHEN BASIC CHEMICALS BUSINESS UNIT

Two acquisitions by LANXESS in India and China mark further milestones in the company's long-term growth strategy for Asia. LANXESS India Private Ltd. is to acquire the chemicals businesses and plants of stock-market-listed Indian company Gwalior Chemical Industries Ltd. for €82.4 million, including the assumption of debt. Closing of the transaction is expected at the end of the third quarter of 2009. Gwalior, headquartered in Mumbai, is one of India's principal producers of benzyl products and among the world's leading suppliers of sulfur chlorides. Gwalior posted sales of €45.7 million in the first nine months of its 2008/2009 fiscal year. In addition, LANXESS will strengthen its market position with the planned commissioning of the new site at Jhagadia, which in 2010 will become the company's largest production site in India.

In China, LANXESS will acquire the businesses and production assets of Jiangsu Polyols Chemical Co. Ltd. Closing of this transaction is expected in the third quarter of 2009. Jiangsu mainly produces trimethylolpropane, a polyol used in the production of lubricants, paints and coatings. Jiangsu Polyols had sales of some €10 million in 2008.

NEW PARTNERSHIP WITH RUSSIAN RUBBER PRODUCER HALOPOLYMER

The Technical Rubber Products business unit has entered into a worldwide distribution partnership to expand its activities in fluororubbers, a market with a global volume exceeding 20,000 tons per year. In the medium term, LANXESS plans to market a significant proportion of its output under the name Levatherm F. Halopolymer will continue to serve the Russian market as in the past.

INNOVATION AS A FACTOR FOR SUCCESS

At the second LANXESS Innovation Day, some 200 experts from different parts of the company presented their current projects, underlining the growing importance of innovation for the company's long-term success. The event concluded with the presentation of the "LANXESS Innovation Awards" to outstanding development teams by Andreas Pinkwart, Research Minister for the State of North Rhine-Westphalia. The LANXESS innovation campaign in 2009 not only comprises a 10 percent increase in the company's R&D budget. In addition, LANXESS created the new Innovation group function at the beginning of the year to serve as an "innovation hub" for the development of improved production processes, new products and new applications.

LANXESS STOCK

The recovery that gradually set in on the world's stock markets as of March continued at the beginning of the second quarter of 2009. In mid-May, Germany's leading index, the DAX, reached the 5,000-point mark for the first time since early January.

Corporate and economic news from the U.S. remained the key drivers of sentiment on the international equity markets. Signs that the U.S. recession was bottoming out, along with positive stimulus from the country's real-estate sector, instilled some optimism in the market for the first time in months. The Dow Jones Industrial Average, the leading U.S. stock index, rebounded to 8,500 points after weeks at lower levels. The German indices also trended upward, encouraged particularly by U.S. market gains. The DAX, Germany's blue-chip benchmark, surpassed 4,500 points in mid-April and subsequently rose above 5,000, reaching its second-quarter high of over 5,100 points at the beginning of June. The DAX stood at 4,809 points as of the June 30 reporting date, up 17.7% from the end of the first quarter. The MDAX fared even better, gaining a substantial 30.0% to end the quarter at 5,754. On June 2 this mid-cap index closed above 6,000 for the first time this year. The Dow Jones STOXX 600 Chemicals℠ also moved ahead, improving by 13.0% to 330.38 points.

LANXESS stock benefited from the more positive mood on the stock markets, showing an upward trend in the second quarter following its fall at the start of the year. It clearly outperformed the benchmark indices MDAX and Dow Jones STOXX 600 Chemicals℠, closing the quarter at €17.66, up 37.6% from three months earlier. Toward the end of the second quarter the company's shares also benefited from the renewed demand for more cyclical equities that are expected to show an early recovery in the market.

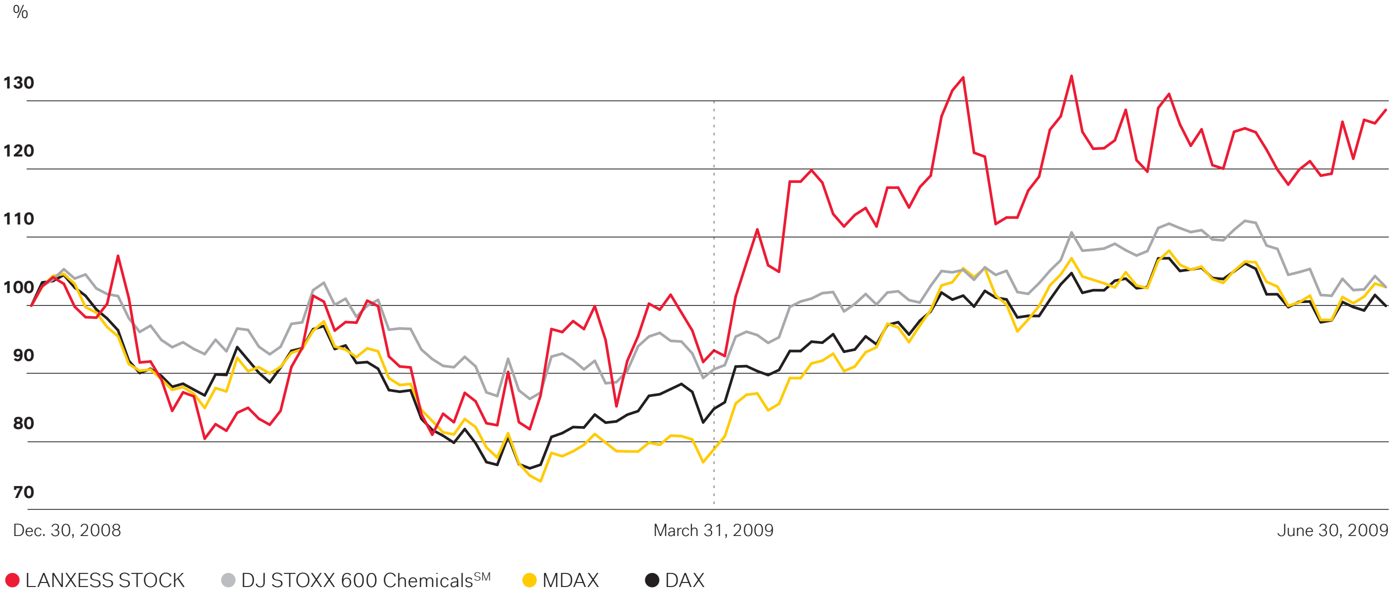
LANXESS stock remained robust at the beginning of the third quarter. The share price continued to climb and in July hit €20 for the first time since late September 2008.

News from LANXESS in the second quarter included the successful placement of a €500 million bond in the debt market at the beginning of April. The company also presented its results for the first quarter of 2009, which reflected the anticipated slump in demand in a difficult economic environment. In addition, we reported on the growing impact of the "Challenge09" package of measures announced at the end of January in response to the crisis. LANXESS also explained these measures along with the first-quarter results to its stockholders at the Annual Stockholders' Meeting, held in Cologne on the day these results were released. The stockholders in attendance, who represented 60.94% of the company's voting capital, demonstrated their confidence in LANXESS by approving all the resolutions on the agenda, providing us with an important foundation for the difficult year 2009.

Due to the continuing economic crisis, the decision was made in the second quarter to postpone construction of the new butyl rubber facility in Singapore. Production is now scheduled to start in 2014, using an improved technology based on a recent breakthrough by LANXESS.

Another highlight of the second quarter was the news of two acquisitions in the BRIC countries that will strengthen LANXESS's Basic Chemical business unit (see previous page). These acquisitions demonstrate LANXESS's commitment to pursue its corporate strategy even in difficult times, especially in the important growth regions of China and India.

Stock Performance vs. Indices



LANXESS Stock

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

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

Reported Holdings of 3% or above by Institutional Investors (as of July 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%
JPMorgan Asset Management (UK) Limited, London (UK)	3.42%
JPMorgan Investment Management Inc., New York (USA)	3.42%
JPMorgan Chase Bank, National Association, Columbus (USA)	3.42%
Black Rock Advisors Holding, New York (USA)	3.03%

INTERIM GROUP MANAGEMENT REPORT

AS OF JUNE 30, 2009

- Sales down 29.9% due to the economic crisis
- Volumes up considerably from Q1 2009
- EBITDA pre exceptionals €112 million, EBITDA margin 9.0%
- More flexible production structures achieved
- Positive net income of €17 million
- Net financial debt reduced to €719 million
- Healthy financial position and financing structure ensure stability
- Wide-ranging Challenge09 package bears fruit
- Outlook: third quarter EBITDA pre exceptionals around Q2 level

BUSINESS TRENDS AND ECONOMIC SITUATION

Economic environment The global economic environment was extremely difficult in the first half of 2009. Apart from demand falling sharply, inventories were being cut along the entire supply chain. This inventory reduction appeared to be over in some of our customer industries by the end of the first half of 2009, but there were virtually no signs of stocks being replenished. Demand remained very subdued overall. This general trend impacted our customer industries to different degrees. Demand for automobiles was mixed and driven by governments' car purchase incentives in the various countries. Economic stimulus packages, however, did little to cushion the steep decline in production in all regions. The tire industry continued to experience plummeting demand, particularly because of the significant drop in original-equipment business. Sales of replacement tires, by contrast, fell less sharply. Global chemical industry output in both the second quarter and first half of 2009 was far below year-earlier levels.

In the Asia-Pacific region, China displayed some positive trends during the first half of 2009, its economy also benefiting increasingly from the governments stimulus program. Economic development in Germany continued to be characterized by a slump in exports. Chemical industry output remained at a low level in the second quarter of 2009. As a result, Germany's economic output in the first half was down significantly year on year.

Sales Business of the LANXESS Group shrank by nearly 30% in the second quarter of 2009 amid persistently difficult market conditions. Sales amounted to €1,238 million, down €527 million from the figure of €1,765 million for the second quarter of 2008. Adjusted for positive currency effects, especially from the U.S. dollar, operational sales fell by 34.1%. Volumes, particularly, receded by 23.0%, and selling prices were down 11.1% in light of declining raw material costs.

Sales in the first half moved back 30.5% year on year, to €2,292 million. After adjusting for a total of 5.3% in positive portfolio and current effects, the LANXESS Group posted a 35.8% drop in operational sales for the six-month period. A sharp 29.1% fall in volumes factored heavily into the decrease. Selling prices retreated by 6.7% due to falling raw material costs. There was a 1.6% positive portfolio effect from the business of Brazil-based Petroflex S.A., which was acquired on April 1, 2008 and subsequently renamed LANXESS Elastômeros do Brasil S.A.

Effects on Sales

in %	Q2 2009	H1 2009
Price	(11.1)	(6.7)
Volume	(23.0)	(29.1)
Currency	4.2	3.7
Portfolio	0.0	1.6
	(29.9)	**(30.5)**

All of the Group's operating segments were impacted by the global recession and saw volumes fall for the quarter and the half-year. Whereas specialty chemicals prices remained stable, those for synthetic rubbers and plastics as well as basic chemicals declined. Some of the decreases were attributable to the price adjustment agreements reached with customers to account for movement in raw material costs. All segments benefited from the slightly positive currency effects.

The Performance Polymers segment suffered the steepest drop in business, with volumes down substantially and prices below the previous year as a result of lower raw material costs. Trends in the Advanced Intermediates segment were similar, though with lower rates of decline. Sales in the Performance Chemicals segment were also more than one-quarter below the corresponding period of last year due to a considerable drop in volumes. The effect of the lower volumes was somewhat mitigated by positive currency changes as well as stable and in some cases slightly higher selling prices.

Sales by Segment

€ million	Q2 2008	Q2 2009	Change %	Proportion of Group sales in %	H1 2008	H1 2009	Change %	Proportion of Group sales in %
Performance Polymers	908	559	(38.4)	45.2	1,601	1,007	(37.1)	43.9
Advanced Intermediates	320	285	(10.9)	23.0	649	543	(16.3)	23.7
Performance Chemicals	523	385	(26.4)	31.1	1,018	723	(29.0)	31.6
Reconciliation	14	9	(35.7)	0.7	32	19	(40.6)	0.8
	1,765	**1,238**	**(29.9)**	**100.0**	**3,300**	**2,292**	**(30.5)**	**100.0**

In view of the global economic crisis, business receded markedly in all regions both in the second quarter and for the first half of 2009, with all segments experiencing much lower demand. However, lack of demand and further destocking by customers impacted the Advanced Intermediates segment to a lesser degree than Performance Polymers or Performance Chemicals. A slight recovery was felt in the Asia-Pacific region, particularly China, in the final months of the first half.

Gross profit The cost of sales in the second quarter of 2009 – down 27.3% to €977 million – did not decline as sharply as revenues because of the markedly lower volumes and related idle capacity costs. Gross profit fell as a result by 38.2% to €261 million. LANXESS responded quickly to the clear under-utilization of production capacities resulting from the collapse in demand by temporarily shutting down certain production units and reducing working hours early in the year as part of its global Challenge09 program. This action was accompanied by further technical measures, careful capacity management and cuts in employee compensation. The measures introduced were fully effective in the second quarter of 2009, generating substantial cost savings in production. Some selling prices had to be reduced in light of lower prices for the respective raw materials. Energy costs were slightly below the year-earlier level. The goal of stabilizing margins by adhering to the price-before-volume strategy was met. The gross profit margin in the second quarter, at 21.1%, was just 2.8 percentage points below the 23.9% achieved in the same period of 2008, whereas the first-quarter margin was down by 5.9 percentage points year on year.

Comparing the first half of 2009 to the same period of 2008, the cost of sales decreased by 26.7% to €1,834 million. Gross profit came in at €458 million, or 42.7% below the first half of 2008. Capacity utilization improved slightly by the end of the six-month period. The first-half results were tangibly buoyed by the global package of measures adopted to combat the effects of the under-utilization of capacity due to the crisis. Pricing strictly followed the movement in raw material costs. Their continuing fall, especially around the turn of the year, necessitated substantial inventory write-downs that hampered earnings accordingly. Market prices declined, especially for butadiene, toluene, benzene, sulfur, cast iron boring and ammonia, in some cases significantly. The gross profit margin fell by 4.2 percentage points to 20.0%, largely because of the adverse business trend in the first quarter of 2009.

EBITDA Pre Exceptionals by Segment

€ million	Q2 2008	Q2 2009	Change %	H1 2008	H1 2009	Change %
Performance Polymers	127	52	(59.1)	231	60	(74.0)
Advanced Intermediates	49	38	(22.4)	105	84	(20.0)
Performance Chemicals	78	44	(43.6)	160	83	(48.1)
Reconciliation	(31)	(22)	29.0	(53)	(49)	7.5
	223	**112**	**(49.8)**	**443**	**178**	**(59.8)**

EBITDA and EBIT At €112 million, the operating result before depreciation and amortization (EBITDA) pre exceptionals for the second quarter of 2009 was almost 50% below the same quarter a year ago; however, it surpassed the EBITDA for the first quarter of 2009 by nearly 70%. The change from the previous year was chiefly attributable to the substantially lower volumes. Selling prices receded to the same degree as raw material costs. Earnings were buoyed by positive currency effects and especially by the cost-cutting measures launched under the Challenge09 program to offset the impact of capacity under-utilization caused by the sharp drop in demand. The savings achieved in sales and administration as part of the program also helped the EBITDA figure, as did lower freight charges in the wake of the drop in business, which reduced selling expenses. The Group's EBITDA for the quarter was held back by the negative course of business in the Performance Polymers segment, where EBITDA pre exceptionals was down by nearly 60%. Earnings in Advanced Intermediates were stable by comparison, although this segment, too, was unable to match the high level of the previous year and posted a drop of over 22%. By contrast, EBITDA in the Performance Chemicals segment fell by more than 43% year on year while coming in 12.8% ahead of the first quarter of 2009.

Despite the worldwide recession, LANXESS achieved a Group EBITDA margin pre exceptionals of 9.0%, which was 3.6 percentage points below the same quarter a year ago. The margin for the first quarter of 2009 was 6.3%.

On a half-year basis, EBITDA pre exceptionals fell by 59.8% to €178 million. The decrease was largely attributable to lower volumes, although inventory write-downs taken in the first quarter also played a significant role. The effects of declining selling prices corresponded to those of the drop in raw material prices. Selling expenses for the half-year also receded, down 23.7% to €251 million, mainly due to lower freight charges. The measures initiated under the Challenge09 program had a positive effect on all functional costs. The degree of volume shrinkage in the Performance Polymers segment was unprecedented, especially in the early months of 2009, causing earnings to fall by 74% despite positive currency effects. The Advanced Intermediates segment posted far smaller volume declines, but also could not escape the downward trend and saw earnings move back by 20.0%. Business in the Performance Chemicals segment fell so markedly that earnings came in 48.1% below the prior-year period due to lower volumes, despite positive price and currency effects. Comparing the first half of 2009 to the same period a year ago, the Group's EBITDA margin dropped sharply, down 5.6 percentage points to 7.8%.

The operating result (EBIT) amounted to €43 million in the second quarter of 2009, compared with €116 million the year before. Exceptional items, which are reflected in other operating income and expenses, totaled €7 million for the second quarter, with €3 million of this attributable to write-downs of non-current assets. The other exceptional items related principally to ongoing cost-cutting measures in Germany and Canada. Exceptional charges for the prior-year quarter amounted to €43 million, all of which impacted EBITDA. They related mainly to restructuring and efficiency programs at the LANXESS sites in Belgium, Canada and the United States.

Supported by the slight stabilization of business in the second quarter of 2009, LANXESS achieved a positive operating result (EBIT) of €42 million in the first half of 2009 amid extremely difficult business conditions. EBIT for the first half of the prior year was €261 million. The exceptional charges included in other operating expenses for the half amounted to €11 million, of which €8 million affected EBITDA. They related mainly to restructuring and efficiency improvement measures at the LANXESS sites in Germany and Belgium. In the first half of 2008, there were exceptional charges to EBIT of €57 million, of which €54 million impacted EBITDA.

Financial result The financial result for the second quarter of 2009 was minus €21 million. This compared with the figure of minus €34 million for the prior-year period, which was influenced by the impairment loss recognized on the financial interest in INEOS ABS (Jersey) Limited. Net interest expense rose by €8 million due to the higher level of financial liabilities attributable largely to the issuance of another €500 million bond in April 2009. The pro-rated earnings of CURRENTA GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, amounted to €3 million, against €8 million in the prior-year period.

Comparing the first half of 2009 to the same period of 2008, the financial result slid from minus €37 million to minus €41 million. Interest expense rose in connection with the financing of the Petroflex acquisition in 2008 and the issuance of the bond and a promissory note in 2009 to secure the Group's long-term liquidity position. The balance of exchange gains and losses deteriorated, and income from the investment in CURRENTA GmbH & Co. OHG was lower. However, the figure for the prior-year period included the impairment loss recognized on the financial interest in INEOS ABS (Jersey) Limited.

Income before income taxes Due to the lower operating result, second-quarter income before income taxes decreased from €82 million to €22 million despite the improvement in the financial result. The effective tax rate was 22.7%, against 29.3% for the prior-year quarter.

Income before income taxes for the first half fell sharply, from €224 million to €1 million. Because of the regional variations in earnings within the LANXESS Group, there was tax income of €2 million for the first six months of 2009, compared with tax expense of €61 million for the same period a year ago.

Net income and earnings per share There was no income attributable to non-controlling interests in the second quarter or the first half, compared with €3 million and €4 million, respectively, in the previous year. The amounts for the previous year consisted primarily of earnings attributable to the former outside stockholders of Petroflex S.A. The LANXESS Group posted second-quarter net income of €17 million, compared with €55 million for the same period of 2008. Half-year net income fell sharply, from €159 million to €3 million.

With the number of LANXESS shares in circulation unchanged, earnings per share decreased from €0.66 to €0.20 for the second quarter and from €1.91 to €0.04 for the first half due to the lower net income.

BUSINESS TRENDS BY REGION

Sales by Market

	Q2 2008		Q2 2009		Change	H1 2008		H1 2009		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	591	33.5	389	31.4	(34.2)	1,143	34.6	747	32.6	(34.6)
Germany	381	21.6	257	20.8	(32.5)	754	22.9	501	21.9	(33.6)
North America	277	15.7	186	15.0	(32.9)	526	15.9	367	16.0	(30.2)
Latin America	193	10.9	102	8.2	(47.2)	273	8.3	198	8.6	(27.5)
Asia-Pacific	323	18.3	304	24.6	(5.9)	604	18.3	479	20.9	(20.7)
	1,765	**100.0**	**1,238**	**100.0**	**(29.9)**	**3,300**	**100.0**	**2,292**	**100.0**	**(30.5)**

In the **EMEA** region (Europe, Middle East, Africa), excluding Germany, sales of the LANXESS Group fell by 34.2% in the second quarter of 2009 to €389 million. Adjusted for portfolio changes and currency effects, business was down 34.1% from the same period last year. The decline was mainly attributable to the Performance Polymers and Performance Chemicals segments, which both registered double-digit declines in sales as in the first quarter. The Advanced Intermediates segment recorded an upward trend, with sales rising by a low single-digit percentage thanks mainly to good business in the agrochemicals sector. The largest sales decreases in the region occurred in the countries of the Middle East and Africa.

Adjusted for portfolio changes, first-half sales in the EMEA region excluding Germany shrank by 35.4%. Although no segment escaped the downward trend, the decline was mainly due to the business situation in the Performance Polymers and Performance Chemicals segments. The relative performance of the countries largely matched that of the second quarter.

With a share of 31.4% in total sales for the quarter and 32.6% for the half, EMEA (excluding Germany) remains the largest of the LANXESS Group's regions in terms of sales.

In **Germany**, second-quarter sales fell by 32.5% to €257 million. While no segment was able to resist this trend, Performance Polymers und Performance Chemicals were by far the worst affected, followed by Advanced Intermediates, which nevertheless registered double-digit sales declines. The business pattern in the first half of 2009 was broadly similar to that in the second quarter.

Germany's share of total sales was 20.8% for the second quarter and 21.9% for the first half.

Business in the **North America** region shrank by 32.9% in the second quarter of 2009 to €186 million. After adjusting for currency changes and portfolio effects, sales receded by 41.3%. Business was down in the Performance Polymers and Performance Chemicals segments. Advanced Intermediates, by contrast, proved robust in this region too, with segment sales increasing by a low single-digit percentage. The agrochemicals business was again the main contributor to this trend.

First-half sales in North America fell by 40.4% when adjusted for portfolio and currency effects. In this period as a whole, unlike the second quarter, all segments suffered a sharp drop in business, with Performance Polymers and Performance Chemicals the most affected.

The region's share of Group sales was nearly unchanged in both periods, at 15.0% for the second quarter and 16.0% for the first half.

LANXESS registered its largest regional sales decrease for the second quarter of 2009 in **Latin America**, where business was down 47.2%. The Group generated sales of €102 million in this region. After adjustment for currency and portfolio changes, the decline in sales came to 57.3%. All major countries in the region and all segments were affected, particularly Performance Polymers.

Adjusted for currency shifts and the portfolio effect in the first quarter of 2009 attributable to the acquisition of the former Petroflex Group, sales in the Latin America region fell by 49.3%. Here again, all segments and all major countries were affected.

The region's share of Group sales was below the prior-year period at 8.2%. For the half-year it increased to 8.6% due to the Petroflex acquisition at the beginning of the second quarter of 2008.

After an extremely weak first quarter of 2009, second-quarter Group sales in the **Asia-Pacific** region dipped by only 5.9% from the prior-year period, to €304 million. Adjusted for exchange-rate and portfolio effects, sales receded by 15.6%. With these numbers, Asia-Pacific has proven to be the most resilient of the LANXESS Group's regions in the current economic crisis. Business in the Performance Polymers segment was off by only a low single-digit percentage, while the other segments registered double-digit sales decreases. A positive stimulus came particularly from South Korea and China.

The performance of the individual segments in the first half was largely the same as in the second quarter, except for a greater decline in sales for Performance Polymers because of the weak first quarter. However, at 29.3% on an adjusted basis, this decrease was the smallest experienced by the Performance Polymers segment in any of the Group's regions.

Asia-Pacific's share of Group sales came to 24.6% for the second quarter and 20.9% for the first half, thus increasing substantially for both periods, particularly the second quarter.

SEGMENT INFORMATION

Performance Polymers

	Q2 2008		Q2 2009		Change	H1 2008		H1 2009		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	908		559		(38.4)	1,601		1,007		(37.1)
EBITDA pre exceptionals	127	14.0	52	9.3	(59.1)	231	14.4	60	6.0	(74.0)
EBITDA	78	8.6	51	9.1	(34.6)	180	11.2	59	5.9	(67.2)
Operating result (EBIT) pre exceptionals	95	10.5	19	3.4	(80.0)	173	10.8	(5)	–	–
Operating result (EBIT)	46	5.1	18	3.2	(60.9)	119	7.4	(6)	–	–
Depreciation and amortization	32		33		3.1	61		65		6.6
Employees as of June 30 (previous year: as of Dec. 31)	4,672		4,467		(4.4)	4,672		4,467		(4.4)

In the second quarter of 2009, the **Performance Polymers** segment saw sales slump by 38.4% against the strong prior-year quarter, to €559 million. Apart from price reductions of 18.9%, a 24.2% drop in volumes factored heavily into this decline. Currencies had a 4.7% positive effect.

None of the segment's business units could avoid a marked downtrend in volumes, though this lost momentum compared with the first quarter of 2009. The areas closely associated with the tire and automobile industries were the worst affected. Whereas business with intermediates in the Semi-Crystalline Products business unit was relatively steady, demand for polyamide compounds remained weak. All of the business units adjusted selling prices to their lower raw material costs, with some changes being made on the basis of existing price adjustment agreements. From a regional viewpoint, the segment posted its best performance in Asia-Pacific.

EBITDA pre exceptionals of the Performance Polymers segment fell by 59.1% to €52 million. As in the first quarter, this was because of lower volumes in all four of the segment's business units, leading to idle capacity costs that weighed heavily on earnings. Continuing inventory reductions also hampered earnings to some extent. Fewer inventory write-downs were necessary than in previous quarters, thanks to lower inventory levels and more stable raw material prices.

Efficiency enhancement measures implemented as part of the Challenge09 program to counter the effects of the economic crisis mitigated the drop in earnings. Selling price adjustments were in line with the lower raw material costs and did not materially impact earnings. Currency changes had a positive effect. The EBITDA margin came in at 9.3% for the second quarter, following 14.0% a year ago.

Looking at the first six months of the year, segment sales fell by 37.1% to €1,007 million, chiefly due to volume declines of 31.0% spread evenly among the business units. The lower volumes were largely attributable to slumping demand in the tire, automobile and automotive supply industries. The price decreases of 13.7% were a function of contractual arrangements to adjust selling prices on the basis of lower raw material costs. Currency changes and the portfolio effect in the first quarter from the acquisition of the Petroflex group in 2008 increased sales by 4.2% and 3.4%, respectively.

EBITDA pre exceptionals of the Performance Polymers segment for the first half shrank by 74.0% to €60 million, principally because of the steep drop in volumes and the related idle capacity costs. The trend in selling prices was largely the result of falling raw material prices. Exchange rates made a positive contribution to earnings as several major currencies – particularly the Japanese yen, the Chinese renminbi and the U.S. dollar – appreciated against the euro, in some cases by as much as a low double-digit percentage. Nevertheless, the most positive effects on half-year earnings came from the cost-saving measures implemented as part of the Challenge09 program to curb the effects of the economic crisis. The segment's EBITDA margin for the first half decreased from 14.4% to 6.0%.

The segment's exceptional items related mainly to secondary costs for the efficiency enhancement programs launched at the sites in Sarnia, Canada, and Zwijndrecht, Belgium, in early 2008. They amounted to €1 million for the second quarter and first half of 2009. The exceptional charges of €49 million for the second quarter and €54 million for the first half of 2008 included €3 million in impairment losses.

Advanced Intermediates

	Q2 2008		Q2 2009		Change	H1 2008		H1 2009		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	320		285		(10.9)	649		543		(16.3)
EBITDA pre exceptionals	49	15.3	38	13.3	(22.4)	105	16.2	84	15.5	(20.0)
EBITDA	49	15.3	38	13.3	(22.4)	105	16.2	84	15.5	(20.0)
Operating result (EBIT) pre exceptionals	39	12.2	27	9.5	(30.8)	84	12.9	62	11.4	(26.2)
Operating result (EBIT)	39	12.2	27	9.5	(30.8)	84	12.9	62	11.4	(26.2)
Depreciation and amortization	10		11		10.0	21		22		4.8
Employees as of June 30 (previous year: as of Dec. 31)	2,530		2,517		(0.5)	2,530		2,517		(0.5)

The **Advanced Intermediates** segment recorded sales of €285 million in the second quarter of 2009, down 10.9% from the prior-year figure of €320 million. The principal reason for the drop in sales was a 7.5% reduction in selling prices coupled with a 6.5% decline in volumes. Positive currency changes of 3.1% had an offsetting effect.

Business with agrochemicals remained robust, albeit with the typical seasonal fluctuations over the course of the year. The weakness in other customer industries was less pronounced than in the first quarter of 2009. The lower raw material prices necessitated price reductions in the Basic Chemicals business unit under the relevant supply agreements. Sales to the automobile and construction sectors also declined compared to the second quarter of 2008.

EBITDA pre exceptionals of the Advanced Intermediates segment shrank by 22.4% to €38 million. The EBITDA margin receded by just 2.0 percentage points to 13.3%. The volume growth in the Saltigo business unit did not fully offset the lower volumes in various markets of the Basic Chemicals business unit. Segment earnings were buoyed by the effects of the Challenge09 package of measures, with shifts in currency parities also making a positive contribution.

LANXESS has underpinned its long-term growth strategy in the BRIC countries with two acquisitions in Asia for the Advanced Intermediates segment that were agreed upon in the second quarter of 2009. LANXESS subsidiary LANXESS India Private Ltd. will acquire the chemical businesses and assets of listed Indian company Gwalior Chemical Industries Ltd. for about €82 million, including debt. Gwalior is one of the largest Indian producers of benzyl products and among the leading global producers of sulfur chlorides for the agrochemical, pharmaceutical and flavor and fragrance industries. LANXESS will also acquire the businesses and production assets of Chinese-based Jiangsu Polyols Chemical Co. Ltd. The parties have agreed not to disclose the purchase price. The Chinese company, which was founded in 2006, is located in Liyang, west of Shanghai. In each case closing of the transaction is expected in the third quarter of 2009. Both businesses will become part of the Basic Chemicals business unit.

Sales of the Advanced Intermediates segment in the first half fell by 16.3% to €543 million. This decline was mainly due to a 15.6% drop in volumes that related mainly to the automotive and construction sectors and was attributable entirely to the Basic Chemicals business unit. The Saltigo business unit, by contrast, succeeded in raising volumes in its agricultural business in particular. A similar situation prevailed regarding prices, which were down by 3.5%. The Basic Chemicals business unit had to reduce prices, mainly as a result of declining raw material costs. A slightly positive effect of 2.8% resulted from shifts in exchange rates.

The segment generated EBITDA pre exceptionals of €84 million in the first half of 2009, down 20% from the prior-year period. The decrease was attributable to lower volume sales, especially to the automobile and construction sectors. Over the half-year period, too, the Basic Chemicals business unit was compelled to make certain price reductions because of lower costs for key raw materials. Despite the necessary selling price adjustments, the trend in raw material prices had a positive effect on the segment's earnings and margin. The EBITDA margin dipped only slightly to 15.5%, compared with 16.2% for the first half of 2008.

Performance Chemicals

	Q2 2008		Q2 2009		Change	H1 2008		H1 2009		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	523		385		(26.4)	1,018		723		(29.0)
EBITDA pre exceptionals	78	14.9	44	11.4	(43.6)	160	15.7	83	11.5	(48.1)
EBITDA	77	14.7	45	11.7	(41.6)	156	15.3	83	11.5	(46.8)
Operating result (EBIT) pre exceptionals	59	11.3	28	7.3	(52.5)	122	12.0	50	6.9	(59.0)
Operating result (EBIT)	57	10.9	29	7.5	(49.1)	117	11.5	50	6.9	(57.3)
Depreciation and amortization	20		16		(20.0)	39		33		(15.4)
Employees as of June 30 (previous year: as of Dec. 31)	5,021		4,865		(3.1)	5,021		4,865		(3.1)

The **Performance Chemicals** segment reported second-quarter sales of €385 million, down 26.4% from the same period a year ago. Adjusted for positive currency effects of 3.8%, there was a 30.2% decrease in operational sales that was entirely attributable to the steep drop in volumes. Volume shrinkage, though less severe than in the first quarter of 2009, occurred in all of the segment's business units, with double-digit declines in some cases. As in the previous quarter, business units with a major sales share to customers in the automotive and related industries were the worst affected. The segment generally kept prices at the prior-year level, with minor increases and decreases in the various business units offsetting one another.

EBITDA pre exceptionals, at €44 million, fell by 43.6% from the prior-year period, again due to lower volumes. Currency changes cushioned the drop in earnings. The Material Protection Products, Inorganic Pigments and Leather business units delivered the highest contributions to earnings in absolute terms. The Inorganic Pigments business unit held up well in a market environment dominated by the difficult situation in the construction industry. Earnings continued to benefit from the ongoing optimization of cost structures, including those of the Functional Chemicals und Ion Exchange Resins business units, and from the active facility management already practiced in the previous quarter. The EBITDA margin declined modestly from 14.9% to 11.4%.

In the first six months of 2009, the Performance Chemicals segment posted sales of €723 million, which was 29.0% below the €1,018 million generated in the prior-year period. Here again, the dominant factor was lower volumes, which drove sales down by 34.2%. Positive currency effects of 3.4% and price increases of 1.8% from the year-earlier period were not sufficient to offset the drop in volumes. The situation regarding volume declines at business unit level in the first half resembled that in the second quarter. The price increases were largely attributable to the improved market positions of the Inorganic Pigments and Leather business units.

The segment generated EBITDA pre exceptionals of €83 million in the first half of 2009, down 48.1% from the year-earlier period. The decrease was again driven by significantly lower volumes across all business units, although volumes fell particularly steeply in the Rubber Chemicals and Rhein Chemie business units, which were severely affected by the slump in demand in the automotive industry. Earnings were supported by steady or slightly higher selling prices in all of the segment's business units and by improved exchange rates. The segment continued to benefit in the first half of 2009 from the price increases implemented in the second half of 2008. In addition, costs were brought down by the ongoing efficiency measures and the savings achieved by active facility management. The first-half EBITDA margin dropped from 15.7% to 11.5%.

Since a €1 million exceptional gain in the second quarter, attributable to the reversal of unutilized provisions for restructuring, was offset by the exceptional charges of the same amount for efficiency improvement measures reported in the first quarter, there was no exceptional item to report for the half-year period. In 2008, exceptional charges of €2 million for the second quarter and €5 million for the half-year pertained to costs associated with the closure of the Birmingham, New Jersey, site in the U.S. operated by the Ion Exchange Resins business unit.

Reconciliation

	Q2 2008	Q2 2009	Change	H1 2008	H1 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	14	9	(35.7)	32	19	(40.6)
EBITDA pre exceptionals	(31)	(22)	29.0	(53)	(49)	7.5
EBITDA	(24)	(26)	(8.3)	(52)	(56)	(7.7)
Operating result (EBIT) pre exceptionals	(34)	(24)	29.4	(61)	(54)	11.5
Operating result (EBIT)	(26)	(31)	(19.2)	(59)	(64)	(8.5)
Depreciation and amortization	2	5	150.0	7	8	14.3
Employees as of June 30 (previous year: as of Dec. 31)	2,574	2,486	(3.4)	2,574	2,486	(3.4)

The exceptional charges of €7 million in the second quarter and €10 million in the first half reported in the **Reconciliation** segment related to expenses from restructuring and portfolio changes. An amount of €3 million was attributable to write-downs. The restructuring expenses for the quarter and the half mainly included personnel adjustment costs, expenses for closures or partial closures of facilities and costs for preparation and execution of corporate transactions, to the extent it is not possible to allocate these expense and income items among the operating segments or business units.

FINANCIAL CONDITION

Structure of the statement of financial position As of June 30, 2009, the LANXESS Group had total assets of €4,985 million, up €393 million, or 8.6%, from €4,592 million as of December 31, 2008. The main reason for the increase was the issuance of the €500 million benchmark eurobond in April 2009, the purpose of which is to effectively secure the Group's long-term liquidity position and further improve the maturity profile of its financial debt. Working capital, by contrast, declined due to the continuing low demand and strict cash management.

Non-current assets rose by €50 million to €2,219 million. Intangible assets and property, plant and equipment grew by €82 million to €1,873 million, due particularly to currency effects. Additions to intangible assets, property, plant and equipment amounted to €161 million, while depreciation and amortization came to €128 million. The decrease in the carrying amount of investments accounted for using the equity method was attributable to the distribution of the pro-rated earnings of CURRENTA GmbH & Co. OHG for 2008. Other non-current financial assets were down by €33 million to €39 million due to the reclassification of securities as current assets. The ratio of non-current assets to total assets was 44.5%, down 2.7 percentage points from December 31, 2008.

Current assets, at €2,766 million, rose by €343 million compared with December 31, 2008. Inventories were down by a substantial €227 million. The reasons for this decline lay in the much lower raw material prices and the resulting effects on inventory valuation, combined with a drop in finished-product inventories following temporary shutdowns of under-utilized production facilities as part of a continuing effort to reduce working capital. Trade receivables decreased by €46 million from the end of 2008 due to very strict receivables management and the drop in business. There were no material defaults. Current income tax receivables dropped by €46 million to €10 million after an earnings-based reduction in the advance tax payments to be made for 2009 and the resulting tax refunds. Cash and cash equivalents rose significantly, up €705 million to €954 million compared with the end of 2008, due to the bond issue and additional liquidity back-up measures. The ratio of current assets to total assets was 55.5%, against 52.8% as of December 31, 2008.

Equity rose by €36 million from December 31, 2008 to €1,375 million. With first-half net income close to break-even point at €3 million, the increase was largely attributable to the recognition of valuation effects from derivative financial instruments outside profit or loss as components of other comprehensive income, as well as to positive currency effects. The resulting changes were partially offset by the €42 million dividend payment made by LANXESS AG in May 2009. The ratio of equity to total assets amounted to 27.6% as of June 30, 2009, against 29.2% as of December 31, 2008.

Non-current liabilities grew by €693 million, reaching €2,646 million as of June 30, 2009, mainly because of the bond and promissory note issues and an increase in pension provisions caused by an adjustment in the discount rates for Canada and Germany. The ratio of non-current liabilities to total assets was 53.1%, up from 42.5% at the end of 2008.

Current liabilities declined by €336 million to €964 million. Due to a business-related drop in purchasing volumes, trade payables declined by €93 million in line with inventories. In addition, short-term liabilities to banks decreased by €90 million. The ratio of current liabilities to total assets was 19.3% as of June 30, 2009, down from 28.3% as of December 31, 2008.

Liquidity and capital expenditures Although income before income taxes was only €1 million for the first half of 2009, against €224 million for the first half of 2008, the net operating cash flow rose by €152 million from the prior-year period to €279 million. A net inflow of €46 million was attributable to tax refunds resulting from a reduction in advance tax payments. The decrease in working capital compared to December 31, 2008 resulted in a net cash inflow of €199 million. By contrast, the first half of the previous year saw a net cash outflow of €177 million for working capital. The trend in 2009 resulted mainly from significantly lower raw material prices, inventory reductions in connection with active facility management, and substantially lower demand.

There was a €22 million net cash outflow from investing activities in the first half of 2009, compared with €242 million in the same period a year ago. The decrease is predominantly attributable to the acquisition of Brazil-based Petroflex S.A. in the previous year, for which a total of €164 million had been paid by June 30, 2008. The redeployment of financial investments provided cash inflows of €41 million, compared with outflows of €22 million in the prior-year period. LANXESS received a €23 million dividend from CURRENTA GmbH & Co. OHG for 2008. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €109 million, up €9 million from the first half of 2008. Depreciation and amortization amounted to €128 million.

The increase in capital expenditures in the reporting period was attributable to all segments. In the Performance Butadiene Rubbers business unit, significant investments were made to restore the production facility at the Orange, Texas, site in the U.S. that was damaged by Hurricane Ike. 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. Without interrupting production, the Saltigo business unit expanded its capacities by optimizing processes and plants and speeding up process-related analytics. Disbursements relating to additional expansion projects for which LANXESS received investment grants from customers are not reflected in the statement of cash flows. Similarly, the capital expenditure by the Butyl Rubber business unit for a heat and power co-generation plant at the site in Zwijndrecht, Belgium, also did not result in a cash outflow upon first-time recognition because it was constructed under a finance lease.

Net cash provided by financing activities came to €438 million, mainly as a result of the issuance of a €500 million benchmark eurobond in April 2009 and of a promissory note. Repayments of short-term loans and the €42 million dividend payment to the stockholders of LANXESS AG had an offsetting effect.

The benchmark eurobond was successfully placed on the European capital market. The issue has a volume of €500 million and a five-year term. The bond has a 7.75% coupon and is traded on the Luxembourg Stock Exchange. The proceeds serve to effectively secure the company's long-term liquidity position and further improve the maturity profile of its financial debt, and may also be used to refinance existing bank loans.

Cash and cash equivalents rose significantly compared with the end of 2008, increasing by €705 million to €954 million. Net financial liabilities as of June 30, 2009 totaled €719 million and were thus below the €864 million reported as of December 31, 2008. They are stated net of the €17 million (December 31, 2008: €27 million) positive fair values of specific exchange rate hedges for financial liabilities, which is reported in the statement of financial position under non-current derivative 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 management report for the 2008 fiscal year.

It was reported in the management report for 2008 that construction of the new world-scale butyl rubber facility in Singapore had been postponed. According to the revised schedule, the plant was due on stream in 2012. Due to the continuing global economic crisis and current lack of demand for new butyl rubber capacity, production at the new facility is now planned to start in 2014. LANXESS will use the time to finish developing an innovative technology for butyl rubber production that will be used at the new facility, thereby ensuring that Singapore has the world's most modern plant with a unique process technology. Development of the technology, which so far has been successfully tested on a pilot scale, will continue over the next 24 months to enable the process to be used in Singapore. The new technology uses far less resources and is considerably more energy-efficient and environmentally friendly. From today´s perspective, the capital expenditures for the new plant will be slightly lower than originally planned.

OUTLOOK

LANXESS has reacted swiftly and farsightedly to the extremely challenging business conditions triggered by the economic crisis. In addition to numerous operational measures, reductions in compensation for all employees and at all management levels were initiated worldwide by mutual agreement and have already been implemented in order to safeguard the company's future.

The overall economic picture is increasingly characterized by regional variations. While there are signs of a slight recovery in demand in the Asian countries, all that can be said for North America is that there is no apparent further deterioration. For the remainder of the year, we expect continued growth in Asia, particularly China. In the other regions we anticipate only a very slow recovery, and therefore expect only a gradual easing of global economic conditions during the rest of the year 2009. Global chemical industry output for 2009 as a whole will be well below the prior-year level.

We do not anticipate any further effects from destocking by our customers in the third and fourth quarters, but nor do we anticipate any significant benefits at present in the majority of our businesses from the inventory replenishment we had previously expected.

We also expect the seasonal weakening of demand that is typical of many of our customer industries to materialize as the year progresses, sparing only the Performance Polymers segment. The renewed increase in the prices of certain key raw materials, which we intend to counter by adjusting the prices of our products, is another major factor that could affect Group earnings. We will endeavor to adjust our selling prices in line with the changes in raw material prices, though this adjustment may be subject to the industry-standard time lag. With raw material costs on the rise once again, we will continue to pursue our goal of stabilizing margins by adhering to our price-before-volume strategy.

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

Against this background, we expect EBITDA pre exceptionals in the third quarter of 2009 to be around the level of the second quarter of 2009, in contrast to the usual quarterly trends in LANXESS's business. This guidance is based on a recovery in demand in Asia running counter to the normal seasonal fluctuation, combined with the positive impact of the extensive package of measures we have implemented in response to the crisis under our Group-wide Challenge09 program.

EVENTS AFTER THE REPORTING PERIOD

Since June 30, 2009, no events of special 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 JUNE 30, 2009

LANXESS GROUP **INCOME STATEMENT**

€ million	Q2 2008	Q2 2009	H1 2008	H1 2009
Sales	**1,765**	**1,238**	**3,300**	**2,292**
Cost of sales	(1,343)	(977)	(2,501)	(1,834)
Gross profit	**422**	**261**	**799**	**458**
Selling expenses	(174)	(137)	(329)	(251)
Research and development expenses	(27)	(25)	(50	(49)
General administration expenses	(68)	(54)	(126)	(114)
Other operating income	132	58	283	125
Other operating expenses	(169)	(60)	(316)	(127)
Operating result (EBIT)	**116**	**43**	**261**	**42**
Income from investments accounted for using the equity method	8	3	15	5
Interest income	3	6	7	10
Interest expense	(13)	(24)	(20)	(38)
Other financial income and expense	(32)	(6)	(39)	(18)
Financial result	**(34)**	**(21)**	**(37)**	**(41)**
Income before income taxes	**82**	**22**	**224**	**1**
Income taxes	(24)	(5)	(61)	2
Income after income taxes	**58**	**17**	**163**	**3**
of which attributable to non-controlling interests	3	0	4	0
of which attributable to LANXESS AG stockholders (net income)	55	17	159	3
Earnings per share (€)	**0.66**	**0.20**	**1.91**	**0.04**

2008 figures restated

LANXESS GROUP **STATEMENT OF FINANCIAL POSITION**

€ million	Dec. 31, 2008	June 30, 2009
ASSETS		
Intangible assets	145	159
Property, plant and equipment	1,646	1,714
Investments accounted for using the equity method	42	23
Investments in other affiliated companies	2	1
Non-current derivative assets	43	43
Other non-current financial assets	72	39
Deferred taxes	154	160
Other non-current assets	65	80
Non-current assets	**2,169**	**2,219**
Inventories	1,048	821
Trade receivables	725	679
Cash and cash equivalents	249	954
Current derivative assets	34	21
Other current financial assets	155	145
Current income tax receivables	56	10
Other current assets	156	136
Current assets	**2,423**	**2,766**
Total assets	**4,592**	**4,985**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	889	889
Other reserves	762	861
Net income	183	3
Other equity components	(511)	(394)
Equity attributable to non-controlling interests	16	16
Equity	**1,339**	**1,375**
Provisions for pensions and other post-employment benefits	498	544
Other non-current provisions	261	279
Non-current derivative liabilities	30	5
Other non-current financial liabilities	986	1,634
Non-current tax liabilities	91	91
Other non-current liabilities	46	49
Deferred taxes	41	44
Non-current liabilities	**1,953**	**2,646**
Other current provisions	395	310
Trade payables	484	391
Current derivative liabilities	79	32
Other current financial liabilities	168	71
Current income tax liabilities	12	8
Other current liabilities	162	152
Current liabilities	**1,300**	**964**
Total equity and liabilities	**4,592**	**4,985**

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 attributable 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			51	159	(30)	(3)	177	4	181
Other changes							0	58	58
June 30, 2008	**83**	**806**	**781**	**159**	**(380)**	**43**	**1,492**	**78**	**1,570**
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			(42)	3	72	45	78		78
June 30, 2009	**83**	**806**	**861**	**3**	**(395)**	**1**	**1,359**	**16**	**1,375**

LANXESS GROUP **STATEMENT OF COMPREHENSIVE INCOME**

€ million	Q2 2008	Q2 2009	H1 2008	H1 2009
Income after income taxes	**58**	**17**	**163**	**3**
Actuarial gains/losses and asset ceiling effects relating to defined-benefit plans	(5)	(38)	74	(61)
Exchange differences on translation of operations outside the euro zone	26	52	(30)	72
Financial instruments	0	81	(3)	62
Income taxes on other comprehensive income	1	(9)	(23)	2
Other comprehensive income, net of income tax	**22**	**86**	**18**	**75**
Total comprehensive income	**80**	**103**	**181**	**78**
of which attributable to non-controlling interests	3	0	4	0
of which attributable to LANXESS AG stockholders	77	103	177	78

LANXESS GROUP **STATEMENT OF CASH FLOWS**

€ million	H1 2008	H1 2009
Income before income taxes	**224**	**1**
Depreciation and amortization	128	128
Gains on disposals of intangible assets and property, plant and equipment	(12)	(18)
Income from investments accounted for using the equity method	(15)	(5)
Financial losses	48	27
Income taxes paid/refunded	(46)	46
Changes in inventories	(113)	242
Changes in trade receivables	(172)	58
Changes in trade payables	108	(101)
Changes in other assets and liabilities	(23)	(99)
Net cash provided by operating activities	**127**	**279**
Cash outflows for purchases of intangible assets, property, plant and equipment	(100)	(109)
Cash outflows for/cash inflows from financial assets	(22)	41
Cash outflows for the acquisition of subsidiaries, less acquired cash and cash equivalents	(164)	(8)
Cash inflows from sales of intangible assets, property, plant and equipment	10	22
Cash inflows from divestments of subsidiaries and other businesses, less divested cash and cash equivalents	27	0
Interest and dividends received	7	32
Net cash used in investing activities	**(242)**	**(22)**
Proceeds from borrowings	314	724
Repayments of borrowings	(96)	(209)
Interest paid and other financial disbursements	(25)	(35)
Dividend payments	(84)	(42)
Net cash provided by financing activities	**109**	**438**
Change in cash and cash equivalents from business activities	**(6)**	**695**
Cash and cash equivalents as of January 1	189	249
Other changes in cash and cash equivalents	0	10
Cash and cash equivalents as of June 30	**183**	**954**

2008 figures restated

SEGMENT AND REGION DATA

KEY DATA BY SEGMENT

Second Quarter

€ million	Performance Polymers		Advanced Intermediates	
	Q2 2008	Q2 2009	Q2 2008	Q2 2009
External sales	908	559	320	285
Inter-segment sales	9	9	18	6
Segment/Group sales	917	568	338	291
Segment result/EBITDA pre exceptionals	127	52	49	38
EBITDA margin pre exceptionals (%)	14.0	9.3	15.3	13.3
EBITDA	78	51	49	38
EBIT pre exceptionals	95	19	39	27
EBIT	46	18	39	27
Additions to intangible assets, property, plant and equipment	32	66	20	22
Depreciation and amortization	32	33	10	11

First Half

€ million	Performance Polymers		Advanced Intermediates	
	H1 2008	H1 2009	H1 2008	H1 2009
External sales	1,601	1,007	649	543
Inter-segment sales	18	15	35	16
Segment/Group sales	1,619	1,022	684	559
Segment result/EBITDA pre exceptionals	231	60	105	84
EBITDA margin pre exceptionals (%)	14.4	6.0	16.2	15.5
EBITDA	180	59	105	84
EBIT pre exceptionals	173	(5)	84	62
EBIT	119	(6)	84	62
Additions to intangible assets, property, plant and equipment	47	94	25	31
Depreciation and amortization	61	65	21	22
Employees as of June 30 (previous year: as of Dec. 31)	4,672	4,467	2,530	2,517

KEY DATA BY REGION

Second Quarter

€ million	EMEA (excluding Germany)		Germany	
	Q2 2008	Q2 2009	Q2 2008	Q2 2009
Sales by market	591	389	381	257
Proportion of Group sales (%)	33.5	31.4	21.6	20.8

First Half

€ million	EMEA (excluding Germany)		Germany	
	H1 2008	H1 2009	H1 2008	H1 2009
Sales by market	1,143	747	754	501
Proportion of Group sales (%)	34.6	32.6	22.9	21.9
Employees as of June 30 (previous year: as of Dec. 31)	2,703	2,698	7,772	7,680

Performance Chemicals		Reconciliation		LANXESS	
Q2 2008	Q2 2009	Q2 2008	Q2 2009	Q2 2008	Q2 2009
523	385	14	9	1,765	1,238
1	3	(28)	(18)	0	0
524	388	(14)	(9)	1,765	1,238
78	44	(31)	(22)	223	112
14.9	11.4			12.6	9.0
77	45	(24)	(26)	180	108
59	28	(34)	(24)	159	50
57	29	(26)	(31)	116	43
17	19	2	2	71	109
20	16	2	5	64	65

Performance Chemicals		Reconciliation		LANXESS	
H1 2008	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009
1,018	723	32	19	3,300	2,292
3	6	(56)	(37)	0	0
1,021	729	(24)	(18)	3,300	2,292
160	83	(53)	(49)	443	178
15.7	11.5			13.4	7.8
156	83	(52)	(56)	389	170
122	50	(61)	(54)	318	53
117	50	(59)	(64)	261	42
28	32	5	4	105	161
39	33	7	8	128	128
5,021	4,865	2,574	2,486	14,797	14,335

North America		Latin America		Asia-Pacific		LANXESS	
Q2 2008	Q2 2009	Q2 2008	Q2 2009	Q2 2008	Q2 2009	Q2 2008	Q2 2009
277	186	193	102	323	304	1,765	1,238
15.7	15.0	10.9	8.2	18.3	24.6	100.0	100.0

North America		Latin America		Asia-Pacific		LANXESS	
H1 2008	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009
526	367	273	198	604	479	3,300	2,292
15.9	16.0	8.3	8.6	18.3	20.9	100.0	100.0
1,464	1,361	1,412	1,266	1,446	1,330	14,797	14,335

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2009

RECOGNITION AND VALUATION PRINCIPLES

The unaudited, condensed consolidated interim financial statements as of June 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 applicable 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.

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 financial result and income before income taxes previously reported for the second quarter of 2008 by €2 million each, and the respective figures previously reported for the first half of 2008 by €3 million each. 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.

The new LANXESS company in Russia was consolidated for the first time in the first half 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 a merger 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 June 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 Petroflex group, 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 second quarters of 2008 and 2009 were calculated on the basis of the number of shares outstanding as of each respective reporting date. 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.

Due to the change in the accounting treatment of pension and other post-employment benefit obligations, the income after income taxes and net income previously reported for the second quarter of 2008 each improved by €2 million, to €58 million and €55 million, respectively. The earnings per share reported for the same period rose accordingly by €0.02 to €0.66. For the same reason, the income after income taxes and net income previously reported for the first half of 2008 each improved by €3 million, to €163 million and €159 million, respectively. The earnings per share reported for this period rose accordingly by €0.04 to €1.91.

Earnings per Share

	Q2 2008	Q2 2009	Change %	H1 2008	H1 2009	Change %
Net income (€ million)	55	17	(69.1)	159	3	(98.1)
No. of outstanding shares	83,202,670	83,202,670	0.0	83,202,670	83,202,670	0.0
Earnings per share (€)	**0.66**	**0.20**	**(69.7)**	**1.91**	**0.04**	**(97.9)**

NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows for the first half of 2009 shows the inflows and outflows of cash and cash equivalents broken down by type of activity. For the sake of clarity, €5 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 half of 2008 was reclassified to investing activities and netted with the cash outflows for purchases of intangible assets, property, plant and equipment.

NOTES TO THE SEGMENT REPORTING

The segment reporting in the interim report as of June 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	Q2 2008	Q2 2009	H1 2008	H1 2009
Total of segment results	**254**	**134**	**496**	**227**
Other/Consolidation	(31)	(22)	(53)	(49)
Exceptional items in EBITDA	(43)	(4)	(54)	(8)
Depreciation and amortization	(64)	(65)	(128)	(128)
Financial result	(34)	(21)	(37)	(41)
Income before income taxes	**82**	**22**	**224**	**1**

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 half 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 €179 million (H1 2008: €222 million). Trade payables of €49 million existed as of June 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 half of 2009.

EMPLOYEES

The LANXESS Group had 14,335 employees worldwide as of June 30, 2009, which was 462 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 India.

The number of employees in the EMEA region (excluding Germany) dropped by just 5 to 2,698, 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 92 to 7,680. The number of employees in the North America region dropped to 1,361, from 1,464 as of December 31, 2008, while the number in Latin America fell to 1,266, from 1,412 at the end of last year. LANXESS companies in the Asia-Pacific region employed 1,330 people, against 1,446 at year end 2008, with 97 employees having taken voluntary retirement in connection with a site relocation in India. Headcount elsewhere in Asia remained largely stable.

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 28, 2009

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 income statement, statement of financial position, statement of changes in equity, statement of comprehensive income, 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, 2009 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 29, 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(P. Albrecht) German Public Auditor

(J. Sechser) German Public Auditor

FINANCIAL CALENDAR

NOVEMBER 12

Interim Report Q3 2009

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