



Interim Report H1 2011
January 1 to June 30, 2011
Half-Year Financial Report

Key Data

€ million	Q2 2010	Q2 2011	Change %	H1 2010	H1 2011	Change %
Sales	1,828	2,243	22.7	3,441	4,316	25.4
EBITDA pre exceptionals	269	339	26.0	502	661	31.7
EBITDA margin pre exceptionals	14.7%	15.1%		14.6%	15.3%	
EBITDA	265	334	26.0	495	651	31.5
Operating result (EBIT) pre exceptionals	200	260	30.0	367	511	39.2
Operating result (EBIT)	196	255	30.1	360	501	39.2
EBIT margin	10.7%	11.4%		10.5%	11.6%	
Net income	131	181	38.2	235	347	47.7
Earnings per share (€)	1.57	2.17	38.2	2.82	4.17	47.9
Cash flow from operating activities	68	212	>100	60	248	>100
Depreciation and amortization	69	79	14.5	135	150	11.1
Cash outflows for capital expenditures	60	109	81.7	99	177	78.8
Total assets				5,666 ¹⁾	6,588	16.3
Equity (including non-controlling interests)				1,761 ¹⁾	2,034	15.5
Equity ratio				31.1% ¹⁾	30.9%	
Net financial liabilities				913	1,364	49.4
Employees (as of June 30)				14,648 ¹⁾	15,820	8.0

1) Previous year as of December 31, 2010

Highlights

Q2 2011

New high-performance rubber facility in Singapore



The new Nd-PBR plant will be built on Jurong Island close to the LANXESS butyl rubber facility that is already under construction.

LANXESS has chosen Singapore as the site for its new production facility for high-performance neodymium butadiene rubber (Nd-PBR) and plans to invest some €200 million in its construction. The facility, with an annual capacity of 140,000 tons, will be the largest of its kind in the world and is due on stream in the first half of 2015. LANXESS had conducted a feasibility study to evaluate potential sites for the plant in Asia. Key reasons for choosing Singapore were the excellent infrastructure, a highly skilled workforce, large-scale port facilities and its proximity to emerging markets.

Further successful bond placement

The issuance of another Euro Benchmark Bond, which was nine times oversubscribed and has a volume of €500 million, further improves the maturity profile of LANXESS' financial debt and secures the company's long-term financing. LANXESS also benefited from the attractive level of market interest rates. The bond has a seven-year term and a 4.125% per year coupon.

LANXESS to relocate to Cologne

LANXESS will transfer its Group headquarters from Leverkusen to the former Luft-hansa headquarters building in Cologne in the second half of 2013. The new head office will bring together nearly all management functions under one roof. More than 1,000 employees will move to their new offices in 2013. The building is currently receiving a complete makeover and will then be among the most energy-efficient in Germany.



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LANXESS raises sustainability profile



WE SUPPORT

Having joined the world's biggest and most rapidly growing initiative for corporate social responsibility (CSR), the United Nations Global Compact, LANXESS is now among the more than 8,000 members from over 135 nations that promote the sustainability of the global economy through their entrepreneurial responsibility.

The company has already set itself clear targets: LANXESS aims to achieve a 10% reduction in specific CO₂ emissions and specific energy consumption in each business segment by 2015. In addition, emissions of volatile organic compounds are to be cut by 30% worldwide by 2015. Against the background of these and other initiatives, LANXESS has been listed since March 2011 in the prestigious FTSE4Good index of companies that perform particularly well in the areas of environmental protection, human rights and social standards.

Expanding global presence

To better exploit the strategic potential of the Middle East region, LANXESS has established its own company, LANXESS Middle East GmbH, in Dubai. The markets of the Middle East offer LANXESS interesting prospects, both in terms of raw material supplies and in light of growing local demand for high-quality products. The company has also opened its own office in Brussels to intensify its political and social dialogue on the European level.

Expansion of capacities for high-tech rubbers

LANXESS is investing €17 million to increase its production capacities for Baypren® polychloroprene rubber at the Dormagen site. The expansion, scheduled for completion by the end of 2012, will raise production capacity by 10% to 63,000 tons per year. At the same time a new production technology will be installed that will boost energy efficiency and help to conserve resources.

In response to a significant increase in global demand for the high-performance synthetic rubber Therban®, LANXESS is also investing a low single-digit amount (in millions of euros) to expand its production capacities in Leverkusen, Germany, and Orange, United States, by 40%. The project is already underway, with the expansion due for completion by April 2012 in Leverkusen and December 2012 in Orange.



Uses for Therban® include heavy-duty timing and V-belts.

Significant EBITDA growth expected in 2011

Against the background of the very good business performance so far, LANXESS expects to significantly increase EBITDA pre exceptionals in 2011 and exceed the €1 billion threshold for the first time. The company is currently benefiting particularly from rising global demand for environmentally friendly tires. LANXESS is the world's leading supplier of synthetic rubber for these "green" tires – the fastest-expanding segment of the tire industry with an annual growth rate of around 9%.

LANXESS Stock

After considerable gains in the first weeks of the second quarter, leading to a new post-listing high at the beginning of May, the price of LANXESS stock was influenced by growing anxiety on the global equity markets for the remainder of the period. Following a volatile performance from the middle of the quarter, LANXESS shares closed the first half at €56.60.

The German stock indices performed particularly well in the first weeks of the second quarter, reaching new highs. The DAX surpassed the 7,500-point mark in late April, its highest level since early 2008. The MDAX approached 11,000 points again. The positive trend was fueled mainly by good corporate earnings reports as the economy improved. Investors rewarded the encouraging data, which set the tone on the stock markets through mid-May. Once the reporting season ended, the global economic situation increasingly recaptured the spotlight. The escalation and broadening of the European debt crisis weighed on equity markets around the world and caused growing anxiety. The debate over the U.S. debt problem also gained significance. Stock indices suffered steep losses worldwide as a result. The DAX fell to an intraday low of nearly 7,000 in June, the MDAX retreated to around 10,300 and the Dow Jones STOXX 600 ChemicalsSM dropped below 600 once more.

With the prospect of additional aid packages to address the European debt crisis, especially in Greece, hope for relief regained traction on the stock markets by the end of the reporting period. The DAX closed on June 30 at 7,376 points for a gain of around 5% on the period, the MDAX was up 6.0% and the Dow Jones STOXX 600 ChemicalsSM, which closed at 595.80 points, rose 5.8%.

LANXESS's market performance was also spurred by the positive mood on the equity markets in the early weeks of the second quarter. The stock reached €64.08 on May 4, its highest level since the initial listing, and maintained a price of around €60 until the middle of May. News of LANXESS's strong business performance, the publication of good results for the first quarter of 2011 and the forecast of another substantial increase in EBITDA pre exceptionals for the full year 2011 provided additional positive stimulus during this time. The renewed turmoil in the market then drove down the share price, but, unlike in the first quarter, LANXESS stock outperformed its benchmark indices – the MDAX and the Dow Jones STOXX 600 ChemicalsSM – as well as Germany's lead index, the DAX. LANXESS shares ended the second quarter at €56.60 for a gain of 7.24% on the closing price at the end of the first quarter.

Important items of company news captured the capital market's attention in the second quarter, including reports about LANXESS's sustained growth and particularly its successful completion of the purchase of DSM's elastomers business. On top of that, LANXESS reported in mid-May on the successful placement of a new €500 million bond and the associated extension of its debt maturity profile until 2018. The announcement of the second largest investment project in LANXESS's history also set a positive tone. LANXESS plans to build a new production facility for high-performance neodymium polybutadiene rubber (Nd-PBR) in Singapore, enabling it to supply another key product to Asia's emerging markets from this location in addition to the butyl rubber to be produced there. Another major news item related to the company's sustainability profile. Following its inclusion in the FTSE4Good Index, LANXESS recently became a signatory to the United Nations Global Compact initiative with its established principles in the areas of human rights, labor standards, anti-corruption and environmental protection.

Stock Performance vs. Indices



LANXESS Stock

		Q4 2010	Q1 2011	Q2 2011
Capital stock/no. of shares ¹⁾	€/no. of shares	83,202,670	83,202,670	83,202,670
Market capitalization ¹⁾	€ billion	4.91	4.39	4.71
High/low for the period	€	59.49/40.65	59.90/47.33	64.08/53.13
Closing price ¹⁾	€	59.10	52.78	56.60
Trading volume	million shares	37.654	35.983	33.361
Earnings per share	€	0.31	2.00	2.17

1) End of quarter: Q4: December 31, 2010, Q1: March 31, 2011, Q2: June 30, 2011.

Reported Holdings of 3% or Above by Institutional Investors (as of July 30, 2011)

Dodge & Cox, San Francisco (U.S.A.)	9.93%
BlackRock, Inc., New York (U.S.A.)	5.10%
TIAA CREF Funds, New York (U.S.A.)	3.24%
Teachers Advisors, Inc., New York (U.S.A.)	3.24%
Fidelity	3.18% ¹⁾

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

Interim Group Management Report

as of June 30, 2011

- Strong sales growth of 23%
- Significant sales gains in all regions
- EBITDA pre exceptionals increases from €269 million to €339 million
- EBITDA margin up from 14.7% to 15.1%
- Net income and earnings per share well above prior-year quarter at €181 million and €2.17, respectively
- Net financial liabilities increase to €1,364 million due to increased business activity and acquisitions
- Integration of the DSM elastomers business on schedule
- Guidance raised for 2011: EBITDA pre exceptionals to grow by roughly 20%

Business Trends and Economic Situation

Economic environment The global economy continued to grow in the second quarter of 2011, though with reduced momentum and marked regional variations. Growth continued to be driven mainly by the emerging economies of Asia and Latin America, while the established economies expanded at a more moderate pace.

Automotive production presented a mixed picture across the regions, with India – up 19% – again posting substantial growth. Eastern Europe and Latin America also provided positive growth impetus, while production in China was flat with the second quarter a year ago. Japan registered a decline in its automobile sector due to the dramatic events in March. Global tire production continued to develop positively despite a distinct loss of momentum compared to the first quarter. This was due to the drop in demand for original equipment tires from Japanese automakers and weaker production growth in China. Tire output in India rose significantly in parallel with the positive trend in automobile production. Global chemical production continued to expand as in the first quarter, with China again leading the way but growth in Germany also well into double digits. Brisk demand for agricultural products resulted in higher demand for agrochemicals.

Sales The second quarter of 2011 was marked by strong demand in the end markets that are important to LANXESS. Sales came to €2,243 million, up a substantial €415 million, or 22.7%, from the prior-year period. After adjustment for currency and portfolio effects of minus 1.9% net, operational sales grew 24.6%. Selling prices rose by an average of 18.7% year on year across the Group as higher raw material prices, particularly in the Performance Polymers segment, were quickly passed along to the market. This reflects the success of the LANXESS Group's intact price-before-volume strategy. Volumes rose 5.9% on account of the positive demand situation. The portfolio effect of 5.1% arose mainly from the first-time inclusion of the elastomers business acquired from Dutch company Royal DSM N.V. in May 2011. Currency effects were negative at minus 7.0% and stemmed mainly from the decline in the U.S. dollar.

Sales for the first six months of 2011 rose by 25.4% to €4,316 million. After adjustment for currency and portfolio effects, the LANXESS Group posted operational sales growth of 25.6% for the first half. Here, too, the key growth driver was higher selling prices, which rose by 16.8% as a direct result of the increase in raw material costs. Volumes rose by 8.8% due to the favorable demand situation. The acquisitions made in 2011 resulted in a portfolio effect of 2.9% for the first half. The currency effect was minus 3.1%, mainly due to the weakness of the U.S. dollar.

Effects on Sales

in %	Q2 2011	H1 2011
Price	18.7	16.8
Volume	5.9	8.8
Currency	(7.0)	(3.1)
Portfolio	5.1	2.9
	22.7	25.4

All operating segments benefited from the sustained upturn in demand and posted volume growth against the first half of the previous year. Selling prices were also above the prior-year level due to higher raw material prices.

Sales in the synthetic rubber and plastics businesses posted double-digit growth for both the quarter and the half, driven by raw material costs and the positive demand situation. The first-time inclusion of the DSM elastomers business, acquired in May, also increased revenues. The Performance Polymers segment thus achieved the strongest sales growth among the LANXESS reporting segments, at 37.0% for the quarter and 35.8% for the half.

Sales by Segment

€ million	Q2 2010	Q2 2011	Change %	Proportion of Group sales %	H1 2010	H1 2011	Change %	Proportion of Group sales %
Performance Polymers	935	1,281	37.0	57.1	1,741	2,365	35.8	54.8
Advanced Intermediates	347	395	13.8	17.6	689	811	17.7	18.8
Performance Chemicals	537	561	4.5	25.0	992	1,117	12.6	25.9
Reconciliation	9	6	(33.3)	0.3	19	23	21.1	0.5
	1,828	2,243	22.7	100.0	3,441	4,316	25.4	100.0

Selling prices for intermediates moved ahead increasingly during the half-year period. The strong demand, especially for agrochemicals, had a similarly positive effect on volumes. As a result, sales of the Advanced Intermediates segment rose by 13.8% for the quarter and 17.7% for the half. The Performance Chemicals segment – comprising the Group's application-focused process and functional chemicals – also increased sales by adjusting its prices. Selling prices exceeded those of the previous year for both the quarter and the half. Volumes in the segment neared their year-earlier level for the quarter and surpassed it for the half. The first-time inclusion of acquired businesses yielded a positive portfolio effect, with the Performance Chemicals segment posting 4.5% higher sales for the quarter and 12.6% for the half.

Sales growth at LANXESS was well into double digits in all regions, with especially positive impetus from Germany and Latin America. The Performance Polymers segment was the largest factor by far in this success. The increase in sales in all markets reflects the sustained rebound in demand in the key customer industries.

Gross profit The cost of sales in the second quarter rose proportionately more than sales, up by 25.8% to €1,704 million. Higher production costs factored heavily into this increase, whereas the extensive package of cost-saving measures had a positive effect in the prior-year period. Effects of the remeasurement of inventories from the purchase price allocation for the acquisition of the DSM elastomers business also had an adverse impact. Gross profit came in at €539 million, or 13.7% above the prior-year quarter. The gross profit margin was somewhat lower, at 24.0% versus 25.9% due to the effects mentioned. Prices for strategic raw materials such as

butadiene and isobutylene, as well as other key raw materials, rose considerably in some cases but were passed along to the market in all segments. In addition, strong demand and the accompanying volume growth in the Performance Polymers and Advanced Intermediates segments had a favorable effect. The company adhered firmly to its price-before-volume strategy. Capacity utilization was higher than in the prior-year quarter.

In the half-year, too, the cost of sales rose a little more steeply than sales, increasing by 26.5% to €3,255 million. Gross profit came in at €1,061 million, or €193 million above the first half of 2010. The reasons for the increase were largely the same as in the second quarter. The gross profit margin for the first six months was 0.6 percentage points below the previous year's figure at 24.6%.

EBITDA and EBIT The operating result before depreciation and amortization (EBITDA) pre exceptionals advanced in the second quarter of 2011 by €70 million to €339 million. This significant increase was driven mainly by positive price and volume effects. Although exchange rate movements, especially for the U.S. dollar, diminished earnings, the inclusion of the earnings of the newly acquired businesses in the Performance Polymers and Performance Chemicals segments largely offset these negative effects. Selling expenses rose by 15.4% to €187 million, mainly due to volume- and price-related increases in freight charges. Research expenditures came to €34 million, versus €31 million a year ago, due to the planned expansion of research activities as part of the LANXESS Technology Initiative. The Group EBITDA margin pre exceptionals rose from 14.7% to 15.1%.

EBITDA Pre Exceptionals by Segment

€ million	Q2 2010	Q2 2011	Change %	H1 2010	H1 2011	Change %
Performance Polymers	164	229	39.6	295	428	45.1
Advanced Intermediates	67	65	(3.0)	124	140	12.9
Performance Chemicals	84	95	13.1	162	185	14.2
Reconciliation	(46)	(50)	(8.7)	(79)	(92)	(16.5)
	269	339	26.0	502	661	31.7

The Performance Polymers segment raised its second-quarter EBITDA pre exceptionals by a substantial €65 million to €229 million. The persistently high inflation in raw material costs was offset by timely price increases. Earnings also benefited from the volume growth that resulted from continued strong demand. Despite scheduled expansion and maintenance shutdowns, capacity utilization for the segment surpassed the level of the prior-year quarter. Negative currency effects, particularly relating to the U.S. dollar, were almost fully compensated by the portfolio effect from the acquisition of the DSM elastomers business. EBITDA pre exceptionals for the Advanced Intermediates segment, at €65 million, was nearly level with the prior year's €67 million. Price and volume effects were positive, while currency effects were negative. EBITDA pre exceptionals in the Performance Chemicals segment came in €11 million ahead of the prior-year period, at €95 million, mainly as a result of positive selling price effects. Here, too, the segment's higher raw material costs were passed along in full to the market. Negative currency effects were partially offset by positive portfolio effects, including earnings contributions from the acquired Darmex group and from the material protection business purchased from Syngenta AG.

EBITDA pre exceptionals for the half-year climbed by €159 million to €661 million. Selling expenses also increased, rising by 17.4% to €357 million due to the price- and volume-driven increase in freight charges. The Group's EBITDA margin improved significantly year on year from 14.6% to 15.3%. The Performance Polymers segment achieved a substantial improvement in earnings due to price increases as well as volume growth and the very good capacity utilization it entailed. EBITDA pre exceptionals increased from €295 million to €428 million. Earnings of the Advanced Intermediates segment increased to €140 million after €124 million in the prior-year period due to positive price and volume effects. For these same reasons, Performance Chemicals also increased its earnings against the first half of 2010 from €162 million to €185 million. Negative currency effects were partially offset by the inclusion of the earnings from the two acquisitions in this segment.

The operating result (EBIT) came to €255 million in the second quarter of 2011, compared with €196 million in the prior-year period. The exceptional charges included in other operating expenses totaled €5 million, the full amount of which impacted EBITDA. They related mainly to expenses for corporate transactions. Exceptional charges in the prior-year quarter amounted to €4 million.

For the half, LANXESS posted a much improved operating result (EBIT) of €501 million, compared with €360 million for the same period of the previous year. The exceptional charges included in other operating expenses for the first half amounted to €10 million, with the full amount impacting EBITDA. As with the €7 million in exceptional charges taken in the previous year, they related predominantly to efficiency improvement measures and expenses for corporate transactions.

Financial result The financial result amounted to minus €23 million in the second quarter of 2011, against minus €24 million in the same period last year. Interest expense rose slightly due to the increase in net financial liabilities resulting from the acquisitions made during the period and the growth in working capital arising from business expansion. This contrasted with an improved net exchange position compared to the previous year. The pro-rated earnings of Currenta GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, amounted to €7 million, compared with €8 million in the previous year.

The financial result for the first half declined to minus €50 million, against minus €44 million a year earlier. Interest expense rose due to the higher net financial liabilities, while the net exchange position was unchanged. The pro-rated earnings of Currenta GmbH & Co. OHG, which is accounted for in the consolidated financial statements using the equity method, partially offset this effect.

Income before income taxes Income before income taxes rose significantly in the second quarter, from €172 million to €232 million, in line with the improved operating result. The effective tax rate was 22.0%, against 23.8% for the prior-year quarter.

Income before income taxes also rose for the first half because of the clear improvement in the operating result, advancing from €316 million to €451 million. The effective tax rate was 22.8%, against 25.3% the year before.

Net income and earnings per share Less than €1 million of income was attributable to non-controlling interests in the quarter under review, as in the prior-year quarter. For the half, non-controlling interests accounted for €1 million of income in both 2011 and 2010. Net income for the second quarter of 2010 amounted to €181 million, compared with €131 million in the prior-year period. Half-year net income rose sharply by €112 million to €347 million. Earnings per share increased from €1.57 to €2.17 for the second quarter and from €2.82 to €4.17 for the first half.

Business Trends by Region

Sales by Market

	Q2 2010		Q2 2011		Change	H1 2010		H1 2011		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	531	29.0	665	29.7	25.2	1,015	29.5	1,307	30.3	28.8
Germany	325	17.8	411	18.3	26.5	633	18.4	809	18.7	27.8
North America	313	17.1	368	16.4	17.6	563	16.4	696	16.1	23.6
Latin America	245	13.4	307	13.7	25.3	440	12.8	551	12.8	25.2
Asia-Pacific	414	22.7	492	21.9	18.8	790	22.9	953	22.1	20.6
	1,828	100.0	2,243	100.0	22.7	3,441	100.0	4,316	100.0	25.4

In the **EMEA** region (excluding Germany), LANXESS Group sales increased in the second quarter of 2011 by a substantial 25.2% to €665 million. Adjusted for currency and portfolio effects, sales rose 20.4% year on year. This increase was mainly attributable to the Performance Polymers segment, which recorded sales growth in the mid-double digits. The growth rates in the Advanced Intermediates and Performance Chemicals segments were lower by comparison, at around 10%. The principal drivers of growth in the region were Russia, France and Italy.

First-half sales in the EMEA region (excluding Germany) climbed by 28.8% to €1,307 million. Adjusted for currency and portfolio effects, business expanded by 26.0%, with the positive market development felt in all segments. The sales increase was driven by the Performance Polymers and Advanced Intermediates segments, where growth rates were well into double digits. Performance Chemicals registered a somewhat lower double-digit increase.

EMEA (excluding Germany) remains the largest of the LANXESS regions in terms of sales, accounting for 29.7% of Group sales in the second quarter and 30.3% in the first half.

In **Germany**, second-quarter sales for the Group advanced by 26.5% to €411 million. Adjusted for portfolio effects, growth came to 24.3%. The Performance Polymers segment made the largest contribution to this increase, with sales gaining in excess of 50%. Growth in the Performance Chemicals segment was lower, but also in double digits. Sales growth in Advanced Intermediates was slower than in the other two segments, but still reached the mid-single digits.

In the first half of 2011, LANXESS grew sales in Germany by 27.8% to €809 million. Adjusted for portfolio effects, the growth rate was 26.7%. The high double-digit growth rate in the Performance Polymers segment was the principal reason for this increase. Business was also robust in Advanced Intermediates and Performance Chemicals, which recorded low double-digit growth rates.

Germany's share of total sales was 18.3% for the second quarter and 18.7% for the first half.

In **North America**, sales climbed 17.6% to €368 million in the second quarter of 2011. Adjusted for currency and portfolio changes, sales expanded by a significant 27.0%. Performance Polymers powered this increase, with a high double-digit growth rate. Advanced Intermediates followed at some distance, but exhibited the same trend, with growth in the low double digits. The Performance Chemicals segment also topped the prior-year quarter, with growth in the mid-single digits.

In the first half of 2011, sales in North America increased by 23.6% to €696 million. On a currency and portfolio-adjusted basis, sales growth came to 28.0%. As in the second quarter, Performance Polymers drove this performance with growth in the high double digits, followed by Advanced Intermediates and Performance Chemicals with growth rates in the mid- and low double digits, respectively.

The region accounted for 16.4% of Group sales in the second quarter and 16.1% in the first half.

In **Latin America**, LANXESS posted second-quarter sales growth of 25.3% to €307 million. Adjusted for currency and portfolio effects, the increase came to 32.0%, with the very positive development of the Performance Polymers segment the major driver of this success. Business in the Advanced Intermediates segment was virtually level with the prior-year quarter. Sales in the Performance Chemicals segment receded slightly compared with the previous year's high figure. Brazil remained the key country for the region's development in both absolute and relative terms.

In the first half-year, LANXESS increased sales in Latin America by 25.2% to €551 million. Adjusted for portfolio and currency effects, business expanded by 27.5%. As in the second quarter, Performance Polymers was the growth engine.

The region's share of Group sales amounted to 13.7% for the second quarter and 12.8% for the first half of 2011.

The second-quarter growth rate in the **Asia-Pacific** region came to 18.8%, on a par with the high figure for the first quarter of 2011. Sales rose to €492 million, from €414 million in the prior-year quarter. After adjustment for currency and portfolio effects, business expanded by 24.2%. Performance Polymers drove this favorable development, with growth in the high double digits. Sales in

Advanced Intermediates expanded by a lower double-digit percentage. Performance Chemicals also made a positive contribution to the region's performance, with growth in the single digits. India, South Korea and China were the main drivers of growth in this region.

In the first half of 2011, sales in this region advanced by 20.6% to €953 million. Adjusted for currency and portfolio effects, the increase came to 22.0%. Business was up in all segments. Performance Polymers and Advanced Intermediates powered this development, with growth rates in the mid-double digits. Performance Chemicals reported a high single-digit percentage increase.

Asia-Pacific's share of Group sales came to 21.9% for the second quarter and 22.1% for the first half.

Segment Information

Performance Polymers

	Q2 2010		Q2 2011		Change %	H1 2010		H1 2011		Change %
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	935		1,281		37.0	1,741		2,365		35.8
EBITDA pre exceptionals	164	17.5	229	17.9	39.6	295	16.9	428	18.1	45.1
EBITDA	163	17.4	229	17.9	40.5	293	16.8	428	18.1	46.1
Operating result (EBIT) pre exceptionals	127	13.6	191	14.9	50.4	224	12.9	356	15.1	58.9
Operating result (EBIT)	126	13.5	191	14.9	51.6	222	12.8	356	15.1	60.4
Cash outflows for capital expenditures ¹⁾	32		72		>100	51		112		>100
Depreciation and amortization	37		38		2.7	71		72		1.4
Employees as of June 30 (previous year: as of Dec. 31)	4,281		4,811		12.4	4,281		4,811		12.4

1) Intangible assets and property, plant and equipment

Business remained brisk in the **Performance Polymers** segment in the second quarter of 2011. Sales, at €1,281 million, were up 37.0% from the prior-year quarter. Continued high inflation in the cost of raw materials, particularly butadiene and isobutylene, was offset by timely price increases, giving a positive price effect of 28.6%. Continuing strong demand led to an 8.8% increase in volumes. Currency effects totaling minus 9.2% were nearly offset by an 8.8% positive portfolio effect from the inclusion of the elastomers business acquired from DSM in May 2011. This business was assigned to the Technical Rubber Products business unit.

All of the segment's business units benefited from the continuing strong demand in the principal customer industries. The Butyl Rubber and Performance Butadiene Rubbers business units, which have close ties to the tire industry and therefore to the replacement tire and original equipment manufacturer markets, raised volumes compared to the prior-year quarter. The Technical Rubber Products and Semi-Crystalline Products business units increased their sales thanks to continuing firm demand from automobile manufacturers. Segment growth was driven by the EMEA region (excluding Germany), which

posted the largest sales increase in absolute terms. Solid growth in the mid-double-digit percentage range was also achieved in the remaining regions.

EBITDA pre exceptionals in the Performance Polymers segment advanced by a significant €65 million to €229 million, thanks to the persistently strong demand for LANXESS products. Raw material costs continued to rise in the second quarter, but were passed along to the market through price increases in all business units. Volume growth resulting from the continued brisk demand also boosted earnings. The Performance Butadiene Rubbers business unit benefited once more from product mix effects in the synthetic rubber business. The segment's capacity utilization surpassed the year-earlier level, despite scheduled expansion and maintenance shutdowns in the Performance Butadiene Rubbers and Semi-Crystalline Products business units. In the Semi-Crystalline Products business unit, work to increase capacity for caprolactam, the precursor for polyamide, at the Antwerp site in Belgium was successfully completed. Fluctuations in exchange rates adversely affected earnings. First-time inclusion of the elastomers business acquired from DSM was already accretive to earnings. The EBITDA margin for the second quarter came in at 17.9%, against 17.5% a year ago.

Segment sales in the first half rose by a strong 35.8% to €2,365 million. All business units contributed to this growth thanks to brisk demand from all the major customer industries. Volumes rose by 9.9%. The 25.6% increase in selling prices resulted from the continuing increase in raw material prices, which was passed along to the market in the form of price adjustments. There was a negative currency effect of minus 4.4%, against a positive portfolio effect of 4.7% from the first-time inclusion of the elastomers business acquired from DSM.

The segment generated EBITDA pre exceptionals of €428 million in the first half, versus €295 million in the prior-year period. Its first-half EBITDA margin improved from 16.9% to 18.1%.

The €2 million in exceptional charges that impacted the segment's EBITDA in the prior year related to efficiency-improvement measures at several of the Group's sites.

Advanced Intermediates

	Q2 2010		Q2 2011		Change	H1 2010		H1 2011		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	347		395		13.8	689		811		17.7
EBITDA pre exceptionals	67	19.3	65	16.5	(3.0)	124	18.0	140	17.3	12.9
EBITDA	67	19.3	65	16.5	(3.0)	124	18.0	140	17.3	12.9
Operating result (EBIT) pre exceptionals	53	15.3	47	11.9	(11.3)	96	13.9	106	13.1	10.4
Operating result (EBIT)	53	15.3	47	11.9	(11.3)	96	13.9	106	13.1	10.4
Cash outflows for capital expenditures ¹⁾	7		20		>100	12		33		>100
Depreciation and amortization	14		18		28.6	28		34		21.4
Employees as of June 30 (previous year: as of Dec. 31)	2,903		2,882		(0.7)	2,903		2,882		(0.7)

1) Intangible assets and property, plant and equipment

Sales in the **Advanced Intermediates** segment advanced by 13.8% in the second quarter of 2011, to €395 million. Volumes rose by 9.5% due to the improvement in demand. Price adjustments to compensate for higher raw material prices led to an 8.6% price effect. In contrast to the positive trend in prices and volumes, there was a negative currency effect of 4.3%.

The strong demand for agrochemicals continued in the second quarter of 2011. Both of the segment's business units benefited from this development, with Saltigo posting higher volumes of fungicide intermediates, in particular. Slight volume growth was also recorded for pharmaceutical intermediates. The Advanced Industrial Intermediates business unit (formerly Basic Chemicals) achieved notable year-on-year volume growth in its business with the dyes and coatings and automotive-related industries. It also benefited from capacity expansions at the Leverkusen site. Higher prices for raw materials, especially toluene, were offset by adjustments to selling prices. In this segment, too, growth was driven mainly by the EMEA region (excluding Germany), which reported the largest increase in business.

EBITDA pre exceptionals in the Advanced Intermediates segment came to €65 million, which was nearly level with the €67 million figure for the prior-year period. With price and volume effects positive, the EBITDA margin receded by 2.8 percentage points to 16.5%. The decrease was the result of timing differences between raw material cost and selling price increases in the prior-year quarter, the expiration of cost-saving measures, and negative currency effects in the second quarter of 2011.

The Advanced Intermediates segment achieved sales of €811 million in the first six months of 2011, up 17.7% from the prior-year period. Volume growth, at 10.9%, was once more the crucial factor, with brisk demand for agrochemicals driving the improvement. Selling prices were raised by 8.6% due to the higher prices for raw materials. Shifts in exchange rates produced an effect of minus 1.8%.

The segment generated EBITDA pre exceptionals of €140 million in the first half of 2011, against €124 million in the prior-year period. Its EBITDA margin came to 17.3% for the first half, after 18.0% in the first half of 2010, partly due to the same factors described for the second quarter.

Performance Chemicals

	Q2 2010		Q2 2011		Change %	H1 2010		H1 2011		Change %
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	537		561		4.5	992		1,117		12.6
EBITDA pre exceptionals	84	15.6	95	16.9	13.1	162	16.3	185	16.6	14.2
EBITDA	84	15.6	95	16.9	13.1	162	16.3	185	16.6	14.2
Operating result (EBIT) pre exceptionals	67	12.5	76	13.5	13.4	129	13.0	148	13.2	14.7
Operating result (EBIT)	67	12.5	76	13.5	13.4	129	13.0	148	13.2	14.7
Cash outflows for capital expenditures ¹⁾	18		14		(22.2)	32		28		(12.5)
Depreciation and amortization	17		19		11.8	33		37		12.1
Employees as of June 30 (previous year: as of Dec. 31)	4,907		5,515		12.4	4,907		5,515		12.4

1) Intangible assets and property, plant and equipment

Sales of the **Performance Chemicals** segment in the second quarter of 2011 rose by 4.5% to €561 million. This was chiefly attributable to the 8.2% increase in selling prices, while volumes were roughly level with the prior-year quarter, declining by just 0.9%. The price development underscores LANXESS's consistent implementation of its price-before-volume strategy. Negative currency effects of 5.0% were partially offset by positive portfolio effects of 2.2%. The latter effects came from the activities of the Darmex group, acquired in January and assigned to the Rhein Chemie business unit, and the first-time inclusion of the material protection business of Syngenta AG, which was acquired in April and assigned to the Material Protection Products business unit.

Volumes in the segment approximated to the high levels of the prior-year quarter. The Rubber Chemicals and Rhein Chemie business units, which have close business relationships with automotive-related industries, posted considerable volume growth. The Leather business unit benefited from higher selling prices for chrome ore, but this effect was offset by a decrease in volumes due to a strike. The Inorganic Pigments business unit succeeded in raising selling prices due to an increase in the cost of ferrous raw materials. From a regional viewpoint, EMEA (excluding Germany) was the key growth engine for this segment, too, posting the largest increase in business.

EBITDA pre exceptionals came in €11 million ahead of the prior-year period, at €95 million. This earnings growth was largely attributable to positive selling price effects, with raw material cost increases in the segment being passed along to the market in full. Negative currency effects were partially offset by positive earnings contributions from the acquired Darmex group and the material protection business of Syngenta AG. The EBITDA margin improved from 15.6% to 16.9%.

The Performance Chemicals segment posted sales of €1,117 million in the first six months of 2011, up 12.6% from the same period a year ago. This development was driven mainly by a 7.4% positive price effect and a 5.4% increase in volumes. The Rubber Chemicals, Rhein Chemie and Inorganic Pigments business units were the main contributors to the improvement. The portfolio effects described almost completely offset the adverse effects from currency changes.

The segment generated EBITDA pre exceptionals of €185 million in the first half of 2011, against €162 million in the prior-year period. The EBITDA margin showed a slight improvement, rising from 16.3% to 16.6%.

Reconciliation

	Q2 2010	Q2 2011	Change %	H1 2010	H1 2011	Change %
	€ million	€ million		€ million	€ million	
Sales	9	6	(33.3)	19	23	21.1
EBITDA pre exceptionals	(46)	(50)	(8.7)	(79)	(92)	(16.5)
EBITDA	(49)	(55)	(12.2)	(84)	(102)	(21.4)
Operating result (EBIT) pre exceptionals	(47)	(54)	(14.9)	(82)	(99)	(20.7)
Operating result (EBIT)	(50)	(59)	(18.0)	(87)	(109)	(25.3)
Cash outflows for capital expenditures ¹⁾	3	3	0.0	4	4	0.0
Depreciation and amortization	1	4	>100	3	7	>100
Employees as of June 30 (previous year: as of Dec. 31)	2,557	2,612	2.2	2,557	2,612	2.2

1) Intangible assets and property, plant and equipment

In the **reconciliation**, the EBITDA pre exceptionals of minus €50 million (against minus €46 million in the prior-year quarter) was partly due to a planned expansion of central research activities. The exceptional charges reported in the reconciliation, amounting to €5 million for the second quarter and €10 million for the first half, related primarily to expenses for portfolio changes. Such expenses mainly included costs for the execution of corporate transactions, to the extent they could not be allocated to specific segments or business units. Expenses for the design and implementation of IT projects are also reported here.

Financial Condition

Structure of the statement of financial position As of June 30, 2011, the LANXESS Group had total assets of €6,588 million, up €922 million, or 16.3%, from €5,666 million on December 31, 2010. The principal reasons for the increase were the acquisitions of the elastomers business of DSM, the material protection business of Syngenta AG, and the Darmex group, along with the increase in working capital. This was attributable to the continued improvement in demand, higher raw material prices and preparations for scheduled maintenance shutdowns.

Non-current assets rose by €318 million to €3,056 million. Intangible assets and property, plant and equipment were up €284 million to €2,641 million, largely due to capital expenditures and additions from acquisitions. Cash outflows for purchases of property, plant, equipment and intangible assets, at €177 million, were well above the prior-year figure of €99 million, due to the planned expansion of investment projects. Depreciation and amortization totaled €150 million in the first half of the year, compared with €135 million in the prior-year period. 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 2011. LANXESS raised its holding in the U.S. company Gevo Inc. when it went public. Gevo is reported under investments in other affiliated companies. The ratio of non-current assets to total assets was 46.4%, down slightly from 48.3% as of December 31, 2010.

Current assets amounted to €3,532 million, up €604 million, or 20.6%, from December 31, 2010. Inventories rose by a significant €270 million, chiefly as a result of higher raw material prices and the inventories acquired in connection with the acquisition of the elastomers business of DSM. Trade receivables were a substantial €285 million higher than at year end 2010, mainly because of the considerable business growth and the receivables added by the acquisitions. The total of cash and cash equivalents and near-cash assets increased by €71 million to €595 million. The ratio of current assets to total assets was 53.6%, against 51.7% as of December 31, 2010.

Equity rose by €273 million from December 31, 2010 to €2,034 million, predominantly due to the net income of €347 million for the first half of the year. Negative net currency effects in other equity components and the €58 million dividend payment made by LANXESS AG in May 2010 had an offsetting effect. The ratio of equity to the Group's total assets was 30.9% as of June 30, 2011, against 31.1% as of December 31, 2010.

Non-current liabilities grew by €77 million to €2,531 million as of June 30, 2011. The main reason for the increase was the €91 million growth in other non-current financial liabilities to €1,393 million resulting from the issuance of a €500 million Euro Benchmark Bond. The Euro Benchmark Bond issued in 2005 and maturing in 2012 was reclassified to other current financial liabilities. The ratio of non-current liabilities to total assets was 38.4%, against 43.3% as of December 31, 2010.

Current liabilities rose by €572 million to €2,023 million. This change was chiefly due to the increase in other current financial liabilities, which, as described above, resulted from the reclassification of the Euro Benchmark Bond issued in 2005 and maturing in the coming year. Trade payables grew by €100 million to €764 million as a result of portfolio effects, higher raw material prices and increases in purchasing volumes linked to business growth. The ratio of current liabilities to total assets was 30.7% as of June 30, 2011, against 25.6% as of year end 2010.

Liquidity and capital expenditures In the first half of fiscal 2011, there was an operating cash flow of €248 million from operating activities, compared with an inflow of €60 million in the prior-year period. With income before income taxes amounting to €451 million, the increase in working capital compared with December 31, 2010 resulted in a cash outflow of €366 million. The corresponding outflow in the prior-year period was €350 million. The development of operating cash flow thus far in 2011 is mainly attributable to higher prices for raw materials, growth in demand and the associated replenishment of inventories and increase in receivables.

There was a €351 million cash outflow for investing activities in the first half of 2011, compared with an inflow of €101 in the same period a year ago. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €177 million, which was €78 million more than in the prior-year period. Depreciation and amortization came to €150 million. The cash outflow for the acquisition of subsidiaries and other businesses, less acquired cash, amounted to €247 million and related to the purchase of the elastomers business of DSM, the material protection business of Syngenta AG and the Darmex group. Cash inflows from financial assets came to €66 million and mainly comprised the proceeds from the sale of near-cash financial assets, which offset the cash outflows for the purchase of additional shares of Gevo Inc. in the United States and the capital increase at LANXESS-TSRC (Nantong) Chemical Industrial Co. Ltd., China, which is accounted for in the consolidated financial statements using the equity method.

Significant capital expenditures in the Performance Polymers segment related to the construction of the new butyl rubber facility in Singapore for the Butyl Rubber business unit. This is the largest investment project in the company's history. The new facility is scheduled to start production in the first quarter of 2013. In the Performance Butadiene Rubbers business unit, the enlarged production facilities for neodymium polybutadiene rubber (Nd-PBR) were successfully commissioned as part of a two-phase expansion program at the site in Orange, United States. This raises production capacity for this high-performance rubber by 15,000 metric tons per year. The second phase of the expansion program is already underway and will increase production capacities for solution styrene butadiene (SSBR) and neodymium polybutadiene (Nd-PBR) rubbers at the Orange site by a total of 20,000 tons per year in the future. Completion is scheduled for the third quarter of 2012. The business unit has also announced plans to build the world's largest production facility for the high-tech rubber Nd-PBR in Singapore, which will have an annual capacity of 140,000 tons. The facility, which represents the second largest investment in the company's history, is due on stream in the first half of 2015.

The Technical Rubber Products business unit is expanding production capacities for hydrogenated nitrile butadiene rubber (HNBR) at the facilities in Leverkusen, Germany, and Orange, United States, by 40%. The expansions are scheduled for completion by April 2012 in Leverkusen and by December 2012 in Orange. The business unit is also investing to expand production capacities for its Baypren polychloroprene rubber at the site in Dormagen. The expansion is scheduled for completion by the end of 2012 and should increase production by 10% to 63,000 metric tons per year.

The Semi-Crystalline Products business unit is strengthening its activities in India with the construction of a new plastics facility. The production facility for compounding technical plastics is due on stream at the beginning of 2012. In addition, the business unit and U.S. chemical company DuPont are doubling the capacity of their joint compounding facility for polybutylene terephthalate (PBT) in Hamm-Uentrop, Germany. The new capacity should be available to the market starting in 2012. The capacity expansion at the caprolactam facility in Antwerp, Belgium, was completed in the second quarter of this year.

In the Advanced Intermediates segment's Advanced Industrial Intermediates business unit, capital expenditures were made to increase the production capacity for formalin at the Krefeld-Uerdingen site. The business unit will also expand menthol production at this site. These projects are due to be completed in the first half of 2012.

In the Performance Chemicals segment, capital expenditures in the Ion Exchange Resins business unit related to the construction of a facility for membrane filtration technology at the Bitterfeld site and of facilities at the site in Jhagadia, India, for the manufacture of ion exchange resins used in water treatment and for the production of ultra-pure water. The principal disbursements in the Rhein Chemie business unit related to construction of the production sites in Russia. A rubber chemicals plant is currently under construction in the city of Dzerzhinsk in the Nizhny Novgorod district. In addition, work began at the site acquired by the business unit in Argentina in the first quarter of 2011 to enlarge capacity for the manufacture of vulcanization bladders used in tire production. The additional capacity is due on stream in the second half of 2011.

Cash provided by financing activities came to €234 million, compared with €247 million used in financing activities in the first half of 2010. The cash inflow was primarily attributable to the placement of a €500 million Euro Benchmark Bond that matures in 2018. Cash outflows for repayments of borrowings, interest payments and the €58 million dividend payment to the stockholders of LANXESS AG for 2010 had an offsetting effect. The outflow in the prior-year period was mainly attributable to repayments of promissory notes and to the dividend payment for 2009.

Net Financial Liabilities

€ million	Dec. 31, 2010	June 30, 2011
Non-current financial liabilities	1,302	1,393
Current financial liabilities	176	587
less		
Liabilities for accrued interest	(41)	(21)
Cash and cash equivalents	(160)	(285)
Near-cash assets	(364)	(310)
	913	1,364

Cash and cash equivalents increased by €125 million compared with the end of 2010, to €285 million. The €310 million of instant-access investments in money market funds, down from €364 million at the end of 2010, was reported under near-cash assets. Net financial liabilities totaled €1,364 million as of June 30, 2011, compared with €913 million as of December 31, 2010.

Significant Opportunities and Risks

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2010. For more information, readers are therefore referred to the information included in the management report for the 2010 fiscal year.

Outlook

LANXESS generally believes that the economic growth trend will continue in its relevant end markets. However, the turbulence in various parts of the world, currency fluctuations and the E.U. debt crisis are causing growing uncertainty, and regional variations in economic performance will persist. LANXESS expects the positive development to continue in China, India and Brazil, with growth in China probably somewhat slower than before because of selective government intervention. The western economies, by contrast, are likely to develop positively for the remainder of the year. Good growth is expected in Europe, driven by Germany's dynamic performance, while the U.S. economy is likely to show below-average development. All in all, the government debt problems in some established economies, in particular, and macroeconomic intervention to curb economic expansion in the People's Republic of China could hamper the steady development of the world economy.

Against this background, LANXESS anticipates that demand in its sales markets will go on expanding. The company will therefore continue to capitalize on the megatrends of mobility, agriculture, urbanization and water. Automobile and tire production are expected to increase, based on capacity expansions announced by the Group's customers. Demand for agrochemicals also looks set to improve during the year given the increased demand for food, the limits on the expansion of arable land and the need to make agricultural production more efficient. The chemical industry will experience slower growth than in the previous quarters while continuing to develop positively overall.

LANXESS expects energy and raw material prices, especially for butadiene and isobutylene, to climb further this year. To successfully adhere to its price-before-volume strategy, the company intends to continue passing rising costs through to the market by raising selling prices.

LANXESS will continue to implement its selective growth strategy in the current year. In this context, the cash outflows for the capital expenditures for the new butyl rubber facility in Singapore, in particular, will increase in the coming quarters as planned.

In light of the strong first half and the underlying assumptions, LANXESS predicts further year-on-year earnings growth in 2011, with EBITDA pre exceptionals for fiscal 2011 now expected to come in roughly 20% above the €918 million figure posted in 2010. LANXESS expects earnings to show the same seasonality as prior to the global economic crisis.

LANXESS is watching current developments on the financial markets and the growing anxiety among investors. The situation is also causing increased uncertainty regarding future macroeconomic developments. In past years the company has demonstrated its ability to respond quickly and efficiently thanks to its excellent strategic positioning and its dedicated workforce.

Events After the Reporting Period

No events of special significance took place after June 30, 2011 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, 2011

LANXESS Group Statement of Financial Position

€ million	Dec. 31, 2010	June 30, 2011
ASSETS		
Intangible assets	226	355
Property, plant and equipment	2,131	2,286
Investments accounted for using the equity method	13	28
Investments in other affiliated companies	8	36
Non-current derivative assets	3	14
Other non-current financial assets	74	74
Deferred taxes	170	140
Other non-current assets	113	123
Non-current assets	2,738	3,056
Inventories	1,094	1,364
Trade receivables	942	1,227
Cash and cash equivalents	160	285
Near-cash assets	364	310
Current derivative assets	19	47
Other current financial assets	58	30
Current income tax receivables	69	33
Other current assets	222	236
Current assets	2,928	3,532
Total assets	5,666	6,588
EQUITY AND LIABILITIES		
Capital stock and capital reserves	889	889
Other reserves	699	1,028
Net income	379	347
Other equity components	(221)	(246)
Equity attributable to non-controlling interests	15	16
Equity	1,761	2,034
Provisions for pensions and other post-employment benefits	605	610
Other non-current provisions	351	321
Non-current derivative liabilities	11	2
Other non-current financial liabilities	1,302	1,393
Non-current income tax liabilities	50	51
Other non-current liabilities	95	88
Deferred taxes	40	66
Non-current liabilities	2,454	2,531
Other current provisions	422	448
Trade payables	664	764
Current derivative liabilities	23	8
Other current financial liabilities	176	587
Current income tax liabilities	34	87
Other current liabilities	132	129
Current liabilities	1,451	2,023
Total equity and liabilities	5,666	6,588

LANXESS Group Income Statement

€ million	Q2 2010	Q2 2011	H1 2010	H1 2011
Sales	1,828	2,243	3,441	4,316
Cost of sales	(1,354)	(1,704)	(2,573)	(3,255)
Gross profit	474	539	868	1,061
Selling expenses	(162)	(187)	(304)	(357)
Research and development expenses	(31)	(34)	(55)	(65)
General administration expenses	(67)	(74)	(127)	(144)
Other operating income	54	58	92	101
Other operating expenses	(72)	(47)	(114)	(95)
Operating result (EBIT)	196	255	360	501
Income from investments accounted for using the equity method	8	7	12	12
Interest income	3	3	6	5
Interest expense	(22)	(25)	(46)	(47)
Other financial income and expense	(13)	(8)	(16)	(20)
Financial result	(24)	(23)	(44)	(50)
Income before income taxes	172	232	316	451
Income taxes	(41)	(51)	(80)	(103)
Income after income taxes	131	181	236	348
of which attributable to non-controlling interests	0	0	1	1
of which attributable to LANXESS AG stockholders (net income)	131	181	235	347
Earnings per share in € (undiluted/diluted)	1.57	2.17	2.82	4.17

LANXESS Group **Statement of Comprehensive Income**

€ million	Q2 2010	Q2 2011	H1 2010	H1 2011
Income after income taxes	131	181	236	348
Actuarial gains/losses and effects of the asset ceiling relating to defined-benefit plans	(52)	(5)	(94)	8
Exchange differences on translation of operations outside the eurozone	80	1	145	(64)
Financial instruments	(78)	(5)	(119)	56
Income taxes on other comprehensive income	31	3	53	(17)
Other comprehensive income, net of income tax	(19)	(6)	(15)	(17)
Total comprehensive income	112	175	221	331
of which attributable to non-controlling interests	0	0	1	1
of which attributable to LANXESS AG stockholders	112	175	220	330

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, 2009	83	806	818	40	(340)	25	1,432	13	1,445
Allocations to retained earnings			40	(40)			0		0
Share-based compensation		(2)					(2)		(2)
Dividend payments			(42)				(42)		(42)
Total comprehensive income			(70)	235	145	(90)	220	1	221
Income after income taxes				235			235	1	236
Other comprehensive income, net of income tax			(70)		145	(90)	(15)	0	(15)
June 30, 2010	83	804	746	235	(195)	(65)	1,608	14	1,622
Dec. 31, 2010	83	806	699	379	(215)	(6)	1,746	15	1,761
Allocations to retained earnings			379	(379)			0		0
Dividend payments			(58)				(58)		(58)
Total comprehensive income			8	347	(64)	39	330	1	331
Income after income taxes				347			347	1	348
Other comprehensive income, net of income tax			8		(64)	39	(17)	0	(17)
June 30, 2011	83	806	1,028	347	(279)	33	2,018	16	2,034

LANXESS Group Statement of Cash Flows

€ million	H1 2010	H1 2011
Income before income taxes	316	451
Depreciation and amortization	135	150
Gains on disposals of intangible assets and property, plant and equipment	0	(2)
Income from investments accounted for using the equity method	(12)	(12)
Financial losses	40	43
Income taxes paid	(28)	(6)
Changes in inventories	(192)	(192)
Changes in trade receivables	(244)	(258)
Changes in trade payables	86	84
Changes in other assets and liabilities	(41)	(10)
Net cash provided by operating activities	60	248
Cash outflows for purchases of intangible assets, property, plant and equipment	(99)	(177)
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	0	(247)
Cash inflows from sales of intangible assets, property, plant and equipment	2	4
Cash outflows for/cash inflows from financial assets	185	66
Interest and dividends received	13	3
Net cash provided by (used in) investing activities	101	(351)
Proceeds from borrowings	6	545
Repayments of borrowings	(139)	(185)
Interest paid and other financial disbursements	(72)	(68)
Dividend payments	(42)	(58)
Net cash provided by (used in) financing activities	(247)	234
Change in cash and cash equivalents from business activities	(86)	131
Cash and cash equivalents as of January 1	313	160
Other changes in cash and cash equivalents	5	(6)
Cash and cash equivalents as of June 30	232	285

Segment and Region Data

Key Data by Segment

€ million	Performance Polymers		Advanced Intermediates		Performance Chemicals		Reconciliation		LANXESS	
	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011
	External sales	935	1,281	347	395	537	561	9	6	1,828
Inter-segment sales	1	0	11	14	2	3	(14)	(17)	0	0
Segment/Group sales	936	1,281	358	409	539	564	(5)	(11)	1,828	2,243
Segment result/EBITDA pre exceptionals	164	229	67	65	84	95	(46)	(50)	269	339
EBITDA margin pre exceptionals (%)	17.5	17.9	19.3	16.5	15.6	16.9			14.7	15.1
EBITDA	163	229	67	65	84	95	(49)	(55)	265	334
Operating result (EBIT) pre exceptionals	127	191	53	47	67	76	(47)	(54)	200	260
Operating result (EBIT)	126	191	53	47	67	76	(50)	(59)	196	255
Segment capital expenditures	32	75	21	22	18	14	3	3	74	114
Depreciation and amortization	37	38	14	18	17	19	1	4	69	79

First Half

€ million	Performance Polymers		Advanced Intermediates		Performance Chemicals		Reconciliation		LANXESS	
	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011
External sales	1,741	2,365	689	811	992	1,117	19	23	3,441	4,316
Inter-segment sales	2	0	21	29	4	5	(27)	(34)	0	0
Segment/Group sales	1,743	2,365	710	840	996	1,122	(8)	(11)	3,441	4,316
Segment result/EBITDA pre exceptionals	295	428	124	140	162	185	(79)	(92)	502	661
EBITDA margin pre exceptionals (%)	16.9	18.1	18.0	17.3	16.3	16.6			14.6	15.3
EBITDA	293	428	124	140	162	185	(84)	(102)	495	651
Operating result (EBIT) pre exceptionals	224	356	96	106	129	148	(82)	(99)	367	511
Operating result (EBIT)	222	356	96	106	129	148	(87)	(109)	360	501
Segment capital expenditures	51	117	39	35	32	28	4	4	126	184
Depreciation and amortization	71	72	28	34	33	37	3	7	135	150
Employees as of June 30 (previous year: as of Dec. 31)	4,281	4,811	2,903	2,882	4,907	5,515	2,557	2,612	14,648	15,820

Key Data by Region

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011
Sales by market	531	665	325	411	313	368	245	307	414	492	1,828	2,243
Proportion of Group sales (%)	29.0	29.7	17.8	18.3	17.1	16.4	13.4	13.7	22.7	21.9	100.0	100.0

First Half

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011
Sales by market	1,015	1,307	633	809	563	696	440	551	790	953	3,441	4,316
Proportion of Group sales (%)	29.5	30.3	18.4	18.7	16.4	16.1	12.8	12.8	22.9	22.1	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	2,638	3,262	7,590	7,671	1,309	1,355	1,215	1,544	1,896	1,988	14,648	15,820

Notes to the Condensed Consolidated Interim Financial Statements

as of June 30, 2011

Recognition and Valuation Principles

The unaudited, condensed consolidated interim financial statements as of June 30, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Accounting Standards Board (IASB) applicable to interim financial reporting, required to be applied in the European Union. The standards and interpretations already mandatory as of January 1, 2011 were observed in preparing the interim financial statements.

In compliance with IAS 34, the company opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2010, particularly with respect to the recognition and valuation principles applied.

Scope of Consolidation

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

	EMEA (excl. Germany)	Germany	North America	Latin America	Asia-Pacific	Total
Fully consolidated companies (incl. parent company)						
Jan. 1, 2011	19	13	6	5	16	59
Additions	2		1	4	1	8
June 30, 2011	21	13	7	9	17	67
Companies accounted for using the equity method						
Jan. 1, 2011		1			2	3
Additions						0
June 30, 2011	0	1	0	0	2	3
Non-consolidated companies						
Jan. 1, 2011	2	2	1	2	1	8
Additions	4					4
June 30, 2011	6	2	1	2	1	12
Total						
Jan. 1, 2011	21	16	7	7	19	70
Additions	6	0	1	4	1	12
June 30, 2011	27	16	8	11	20	82

On May 2, 2011, LANXESS completed the acquisition of the elastomers business of Royal DSM N.V., Netherlands. The business was consolidated from that date. The acquisition was funded from existing liquidity of the LANXESS Group. The elastomers business acquired from DSM produces ethylene-propylene-diene monomer (EPDM) rubber under the brand name Keltan at sites in the Netherlands and Brazil. This business will supplement the EPDM activities of the Technical Rubber Products business unit in the Performance Polymers segment.

Since the date of acquisition, the acquired business contributed €82 million to LANXESS Group sales but was not materially accretive to earnings due to the recognition of remeasurement effects from the purchase price allocation. If the business had been acquired with effect from January 1, 2011, it would have contributed roughly €150 million more to Group sales and some €20 million more to net income compared with consolidation as of the actual date of acquisition.

The acquisition was treated as a business combination pursuant to IFRS 3. Thus, in allocating the purchase price, the acquiree's identifiable assets, liabilities and contingent liabilities were included at fair value. The remaining difference of €13 million represents the goodwill acquired on the acquisition. The following table shows a breakdown of the purchase price allocation and its impact on the statement of financial position of the LANXESS Group.

Additions from Acquisition of DSM Elastomers Business

€ million	IFRS carrying amounts prior to first-time consolidation	Purchase price allocation	Carrying amounts upon first-time consolidation
Intangible assets	4	58	62
Property, plant and equipment	121	45	166
Other assets	194	16	210
Total assets	319	119	438
Non-current liabilities	1	24	25
Current liabilities	207	0	207
Total liabilities	208	24	232
Net acquired assets (excluding goodwill)	111	95	206
Acquisition costs			219
Acquired goodwill (provisional valuation)			13

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

The goodwill resulting from the acquisition of the elastomers business reflects, in particular, marketing and cost synergies arising from the improved capacity utilization, especially at the production site in Brazil, the expansion of the LANXESS product mix in the EPDM business and additional sales opportunities to existing and new customers, particularly in South America. The acquisition represents a further step in LANXESS's long-term growth strategy in the area of ethylene propylene rubbers.

Effective January 11, 2011, LANXESS acquired the Darmex group comprising all of the shares in Darmex S.A., Buenos Aires, Argentina, and Werlind Chile S.A., Santiago, Chile, and their subsidiaries. The Darmex group was assigned to the Rhein Chemie business unit in the Performance Chemicals segment. On April 13, 2011, LANXESS acquired the material protection business of Syngenta AG, Basel, Switzerland. This transaction mainly involved selected intangible assets. The acquired business supplements the activities of the Material Protection Products business unit in the Performance Chemicals segment. These activities were consolidated from the respective acquisition dates.

The following table shows effects from the two last-mentioned acquisitions, neither of which, either individually or on aggregate, materially impacted the Group's financial position.

Additions from Other Acquisitions

€ million	IFRS carrying amounts prior to first-time consolidation	Purchase price allocation	Carrying amounts upon first-time consolidation
Intangible assets	0	42	42
Property, plant and equipment	3	6	9
Other assets	16	2	18
Total assets	19	50	69
Non-current liabilities	0	7	7
Current liabilities	9	0	9
Total liabilities	9	7	16
Net acquired assets (excluding goodwill)	10	43	53
Acquisition costs			76
Acquired goodwill (provisional valuation)			23

The acquired activities did not materially impact Group sales or earnings, nor would they have done so if the businesses had been consolidated from January 1, 2011.

Earnings per Share

Computation of earnings per share for the second quarters and first halves of 2010 and 2011 was based on the weighted average number of shares outstanding as of the respective closing dates and

solely on continuing operations. There were no accounting change effects to be considered. 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, 2010.

Earnings per Share

	Q2 2010	Q2 2011	Change %	H1 2010	H1 2011	Change %
Net income (€ million)	131	181	38.2	235	347	47.7
No. of outstanding shares (weighted)	83,195,416 ¹⁾	83,202,670	0.0	83,199,043 ¹⁾	83,202,670	0.0
Earnings per share in € (undiluted/diluted)	1.57	2.17	38.2	2.82	4.17	47.9

1) The difference between this figure and the capital stock of €83,202,670 in 2010 results from the weighted inclusion of a temporary holding of the company's own shares.

Dividend for Fiscal 2010

Pursuant to the resolution of the Annual Stockholders' Meeting on May 18, 2011, the sum of €58 million out of the distributable profit of €104 million reported in the annual financial statements of LANXESS AG as of December 31, 2010 was paid out to the stockholders on May 19, 2011. The dividend per eligible no-par share was €0.70. The remaining amount of €46 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 2010	Q2 2011	H1 2010	H1 2011
Total of segment results	315	389	581	753
Depreciation and amortization	(69)	(79)	(135)	(150)
Other/consolidation	(46)	(50)	(79)	(92)
Exceptional items in EBITDA	(4)	(5)	(7)	(10)
Net interest expense	(19)	(22)	(40)	(42)
Income from investments accounted for using the equity method	8	7	12	12
Other financial income/expense – net	(13)	(8)	(16)	(20)
Income before income taxes	172	232	316	451

Segment changes made after preparation of the consolidated financial statements for 2010 involved the transfer of the adipic acid activities from the Semi-Crystalline Products business unit in the Performance Polymers segment to the Advanced Industrial Intermediates business unit in the Advanced Intermediates segment. The previous year's figures have been restated accordingly.

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 2011 with associated companies accounted for in the consolidated financial statements using the equity method, or subsidiaries of such companies, mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €113 million (Q2 2010: €90 million) and €224 million (H1 2010: €184 million), respectively. Trade payables of €44 million and trade receivables of €2 million existed as of June 30, 2011 (December 31, 2010: €26 million and €3 million, respectively) 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 2011.

Changes in the Composition of the Board of Management

The Supervisory Board appointed Dr. Bernhard Düttmann to serve as a member of the Board of Management and Chief Financial Officer of LANXESS AG effective April 1, 2011. He succeeds Matthias Zachert, who left the Board of Management of LANXESS AG on March 31, 2011 at his own request.

Changes in the Composition of the Supervisory Board

In a decision dated June 1, 2011, pursuant to Section 104 of the German Stock Corporation Act, the Cologne Local Court appointed Thomas Meiers, Cologne, to the company's Supervisory Board as an employee representative to succeed Wolfgang Blossey, who left the Supervisory Board on May 31, 2011.

Employees

The LANXESS Group had 15,820 employees as of June 30, 2011, which was 1,172 more than on December 31, 2010 (14,648). The increase is largely attributable to consolidation of the Darmex group, Argentina, which was acquired in January 2011, and the acquisition of the elastomers business of DSM, Netherlands, at the beginning of May 2011.

The number of employees in the EMEA region (excluding Germany) rose by 624 to 3,262, chiefly due to the first-time inclusion of the employees of the elastomers business acquired from DSM in the Netherlands and to new hires at one of our sites in South Africa. In Germany, headcount increased by 81 to 7,671. The number of employees in North America was up from 1,309 as of December 31, 2010, to 1,355. In Latin America, the workforce expanded by 329 to 1,544, mainly because of the inclusion of the Darmex group's employees in Argentina and Uruguay and the employees at the DSM Elastomers site in Brazil. The number of employees in the Asia-Pacific region advanced by 92, from 1,896 to 1,988, due largely to increases in India and Singapore as result of the investment activity in those countries.

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, 2011

LANXESS Aktiengesellschaft, Leverkusen
The Board of Management

Dr. Axel C. Heitmann

Dr. Werner Breuers

Dr. Bernhard Düttmann

Dr. Rainier van Roessel

Review Report

To LANXESS Aktiengesellschaft, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, 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, 2011, 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, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bernd Boritzki
German Public Auditor

Carsten Manthei
German Public Auditor

Financial Calendar 2011

September 22

Analyst Roundtables

November 10

Interim Report Q3 2011

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Masthead

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