INTERIM REPORT
JANUARY 1 – JUNE 30, 2008

HALF-YEAR FINANCIAL REPORT

LANXESS
Energizing Chemistry

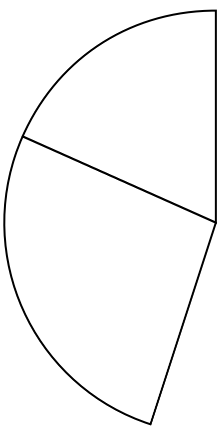
Key Data

€ million	Q2 2007	Q2 2008	Change in %	H1 2007	H1 2008	Change in %
Sales	1,727	1,765	2.2	3,438	3,300	(4.0)
EBITDA pre exceptionals	211	223	5.7	430	443	3.0
EBITDA margin pre exceptionals	12.2%	12.6%		12.5%	13.4%	
EBITD						
EBITDD						

Q2
OVERVIEW >>

GROWTH
IN ASIA

Adjusted sales in the region up 43%



SECOND-QUARTER HIGHLIGHTS

APRIL 2

Acquisition of a majority interest in Petroflex0.853 0 ISL

MAY 28

Realignment of LANXESS Rubber NV in Zwijndrecht, Belgium

LANXESS announces plans to realign the activities of its Belgian subsidiary LANXESS Rubber NV at the Zwijndrecht site. The goal is to improve the site's competitiveness in the globally expanding butyl rubber market by continuing to reduce production costs. The realignment follows on from the efficiency program launched there in 2006. Numerous steps have already been initiated and implemented under this program to increase the site's productivity and lower raw material and energy costs.

MAY 29

2008 Annual Stockholders' Meeting

At the Annual Stockholders' Meeting in Cologne, LANXESS CEO Axel C. Heitmann announces that the stockholders will continue to sh

LANXESS STOCK

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Sales in Asia-Pacific developed very well, fueled by the region's economic growth. All operating segments reported growth well into double digits on both a quarterly and half-year basis. Adjusted for currency effects and portfolio changes, LANXESS also grew sales in the EMEA (excluding Germany) and Americas regions thanks to strong demand. In Germany, sales rose only slightly from the previous year after adjusting for portfolio effects, given the slight slowing of the country's economy.

Gross profit The cost of sales increased by 0.8% to €1,343 million in the second quarter of 2008 due to the growth in business and higher raw material and energy costs, which were partly compensated by currency and portfolio effects. Gross profit improved by 6.8% to €422 million. The absence of earnings contributions from the divested businesses was more than offset by higher earnings in the other business units and the inclusion of the Petroflex group. In light of the persistently brisk demand for LANXESS products, the company succeeded in passing on all of the increases in the prices of its raw materials. Procurement prices for butadiene, n-butane, isobutylene, ammonium, sulfur and ferrous scrap continued to trend upward. The company compensated for higher energy costs by boosting productivity and maximizing capacity usage. While gross profit was impacted by negative currency changes, other operating income included gains from hedging transactions. The gross profit margin, at 23.9%, exceeded the prior-year quarter's 22.9% by 1.0 percentage point. The divestment of the low-earning Lustran Polymers business, in particular, had a positive impact on the gross profit margin.

Comparing the first half of 2008 to the same period of 2007, the cost of sales showed a disproportionate 5.5% decrease to €2,501 million, largely due to portfolio effects. Gross profit came in at €799 million, or 1.0% above the first half of 2007. Over the half year, too, the sharp increases in raw material costs were passed on in selling prices. Volumes also rose, boosting capacity usage. The improved operating performance of the business units and the earnings con-

9.9% portfolio effect for the half. Sales growth in the Polybutadiene Rubber business unit was particularly robust. Here, the additional capacity provided by the production line in Orange, Texas, which was recommissioned in 2007, resulted in above-average volume growth.

EBITDA pre exceptionals for the half, at €231 million, was up 19.1%

Advanced Intermediates

	Q2 2007		Q2 2008		Change	H1 2007		H1 2008		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	291		320		10.0	598		649		8.5
EBITDA pre exceptionals	50	17.2	49	15.3	(2.0)	107	17.9	105	16.2	(1.9)
EBITDA	50	17.2	49	15.3	(2.0)	107	17.9	105	16.2	(1.9)
Operating result (EBIT) pre exceptionals	41	14.1	39	12.2	(4.9)	89	14.9	84	12.9	(5.6)
Operating result (EBIT)	41	14.1	39	12.2	(4.9)	89	14.9	84	12.9	(5.6)
Capital expenditures[1]	11		15		36.4	20		25		25.0
Depreciation and amortization	9		10		11.1	18		21		16.7

1) intangible assets and property, plant and equipment

fell slightly short of the prior-year figure. The segment’s EBITDA margin pre exceptionals dipped 1.9 percentage points to 15.3%, EBITDA pre exceptionals for the half fell 6.4% to €160 million due to adverse movements in exchange rates. The EBITDA margin dropped by 1.0 percentage point to 15.7%. The Leather, Rubber Chemicals and Ion Exchange Resins business units, in particular, value of investments in associates was largely attributable to the positive earnings of CURRENTA GmbH & Co. OHG in the first half of 2008.

Non-current financial assets decreased by €21 million to €64 million, mainly because of the impairment loss recognized on the financial interest in INEOS ABS (Jersey) Limited. The addition of the Petroflex group's non-current financial assets partially offset this effect. The ratio of non-current assets to total assets, at 43.1%, was 1.5 percentage points below the ratio for December 31, 2007.

Current assets, at €2,758 million, were up €515 million from December 31, 2007. Inventories and trade receivables rose €152 million and €271 million, respectively, largely because of the first-time consolidation of the acquired Petroflex companies and the sharp increase in raw material prices. Current financial assets advanced €64 million to €264 million, partly as the result of the first-time consolidation of Petroflex and an increase in the fair value of hedging contracts as of the reporting date. The increase in other current assets, up €31 million to €176 million, was also due primarily to the first-time consolidation of Petroflex. Cash and cash equivalents, at €183 million, were nearly unchanged from the end of 2007. Current assets accounted for 56.9% of total assets, up from 55.4% as of December 31, 2007.

Equity rose by €101 million from December 31, 2007 to €1,626 million. The €160 million in net income for the first half and €55 million in additional minority interest resulting from the first-time consolidation of Petroflex S.A. were partially offset by the €83 million dividend payment by LANXESS AG in May 2008 and €27 million in negative currency effects. The ratio of equity to total assets amounted to 33.5% as of June 30, 2008, compared with 37.7% as of December 31, 2007.

Non-current liabilities were up €402 million to €1,858 million as of June 30, 2008, mainly because of drawings on credit facilities to

In addition, LANXESS reached a decision in 2008 to earmark up to €400 million for an investment in the Performance Polymers segment that will be the largest in the company's history – the construction of a new world-scale facility for the production of synthetic rubber in Singapore. The new LANXESS plant, due on stream in 2011, will be capable of producing up to 100,000 metric tons of butyl rubber annually in the medium term, making it the largest facility of its kind in Asia. Construction is due to begin in the first quarter of 2009 and will be completed by the end of 2010. Some 200 new jobs will initially be created. The new plant will produce synthetic butyl and halobutyl rubbers used in the production of tires.

Another major investment by LANXESS is in a project in India for the Performance Chemicals segment. The company will relocate its production of rubber chemicals for the Rubber Chemicals business unit from Thane in the Indian state of Maharashtra to Jhagadia in the state of Gujarat. Production will begin in two years, at the same time as the new plant of the Ion Exchange Resins business unit, also being built in Jhagadia, goes on stream. From 2010 LANXESS, the only western company with operations of this kind in India, will begin supplying the rapidly growing Indian tire market with rubber chemicals from this modern facility. LANXESS is investing a total of some €50 million at the new site.

Adjusted for the €33 million in acquired cash, LANXESS spent

SIGNIFICANT OPPORTUNITIES AND RISKS

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2007. For more information, readers are therefore referred to the risk report included in the management report for the 2007 fiscal year.

OUTLOOK

LANXESS believes that global economic growth will further weaken

EVENTS AFTER THE BALANCE SHEET DATE

Since June 30, 2008, 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.

INCOME STATEMENT LANXESS GROUP

STATEMENT OF CHANGES IN EQUITY LANXESS GROUP

CASH FLOW STA

SEGMENT AND REGION DATA

QQ2 2007

KEY DATA BY SEGMENT

Second Quarter

€ million	Performance Polymers		Advanced Intermediates	
	Q2 2007	**Q2 2008**	**Q2 2007**	**Q2 2008**
Sales	671	908	291	
				[redacted]

The €187 million acquisition price stated above includes the costs for hedging against exchange rate movements in the period between execution of the purchase agreement and payment of the purchase price, along with fees for outside consulting services constituting ancillary acquisition costs.

The non-current liabilities include provisions of €18 million for contin-

Restatements in the Other/Consolidation Segment

€ million	Q2 2007 Originally reported	Q2 2007 Engineering Plastics	Q2 2007 Restated	H1 2007 Originally reported	H1 2007 Engineering Plastics	H1 2007 Restated
Sales	22	223	245	46	444	490
EBITDA pre exceptionals	(29)	8	(21)	(60)	18	(42)
EBITDA	(38)	(134)	(172)	(76)	(124)	(200)
Segment result/EBIT pre exceptionals	(34)	8	(26)	(70)	18	(52)
Segment result/EBIT	(43)	(178)	(221)	(87)	(168)	(255)
Capital expenditures	3	5	8	6	9	15
Depreciation and amortization	5	44	49	11	44	55

RELATED PARTIES

In the course of its operations, the LANXESS Groups 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 2008 with associated companies included in the consolidated financial statements by the equity method, or subsidiaries of such companies, mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €222 million (H1 2007: €209 million). Trade pay-

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

REVIEW REPORT

To LANXESS Aktiengesellschaft, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, balance sheet, statement of changes in equity, cash flow statement and selected explanatory notes – and the interim group management report of LANXESS Aktiengesellschaft, Leverkusen, for the period from January 1 to June 30, 2008 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 Wirt-

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Contact Corporate Communications

Disclaimer

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