2020

HALF-YEAR-FINANCIAL REPORT

January 1 to June 30, 2020

LANXESS
Energizing Chemistry

CONTENTS

LANXESS Group Key Data

€ million	Q2 2019	Q2 2020	Change %	H1 2019	H1 2020	Change %
Sales	1,724	1,436	(16.7)	3,462	3,140	(9.3)
Gross profit	472	394	(16.5)	924	829	(10.3)
Gross profit margin	27.4%	27.4%		26.7%	26.4%	
EBITDA pre exceptionals[1]	281	224	(20.3)	553	469	(15.2)
EBITDA margin pre exceptionals[1]	16.3%	15.6%		16.0%	14.9%	
EBITDA[1]	260	198	(23.8)	510	417	(18.2)
EBIT pre exceptionals[1]	167	106	(36.5)	329	236	(28.3)
EBIT[1]	143	61	(57.3)	283	165	(41.7)
EBIT margin[1]	8.3%	4.2%		8.2%	5.3%	
Net income	100	798	> 100	184	862	> 100
from continuing operations	96	803	> 100	183	866	> 100
from discontinued operations	4	(5)	< (100)	1	(4)	< (100)
Weighted average number of shares outstanding	88,013,640	86,347,813	(1.9)	89,236,127	86,832,027	(2.7)
Earnings per share (€)	1.14	9.24	> 100	2.06	9.93	> 100
from continuing operations	1.09	9.30	> 100	2.05	9.97	> 100
from discontinued operations	0.05	(0.06)	< (100)	0.01	(0.04)	< (100)
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)[2]	1.45	0.86	(40.7)	2.77	2.03	(26.7)
Cash flow from operating activities – continuing operations	91	52	(42.9)	113	165	46.0
Depreciation and amortization	117	137	17.1	227	252	11.0
Cash outflows for capital expenditures	109	88	(19.3)	178	162	(9.0)
Total assets				8,695[5]	9,195	5.8
Equity (including non-controlling interests)				2,647[5]	3,379	27.7
Equity ratio[3]				30.4%[5]	36.7%	
Net financial liabilities[4]				2,522[5]	1,216	(51.8)
Net financial liabilities after deduction of short-term money market investments and securities[4]				1,742[5]	929	(46.7)
Employees (as of June 30)				15,479[5)6]	15,113[6]	(2.4)

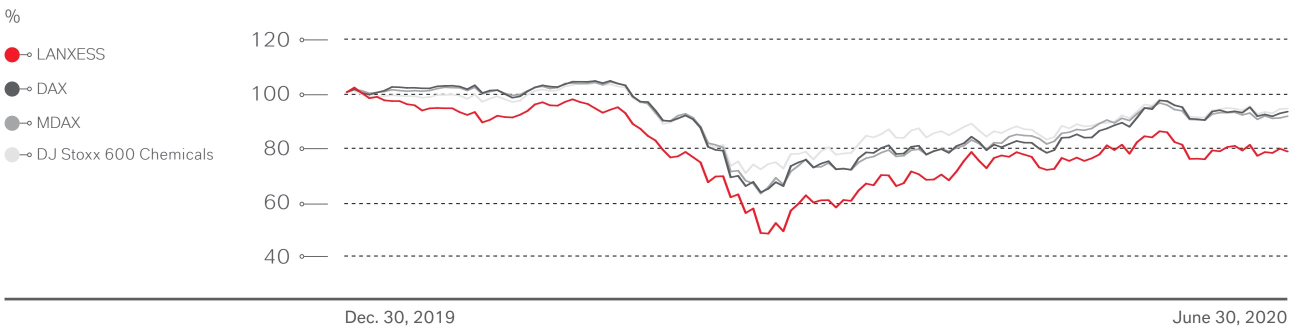
Prior-year figures restated
1) EBIT: earnings before interest and taxes
EBIT pre exceptionals: EBIT disregarding exceptional charges and income.
EBIT margin: EBIT in relation to sales.
EBITDA: EBIT before depreciation of property, plant and equipment and amortization of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets.
EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income.
EBITDA margin pre exceptionals: EBITDA pre exceptionals in relation to sales.
Please see “Notes on EBIT and EBITDA (Pre Exceptionals)” for details.
2) Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets: earnings per share from continuing operations disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects as well as non-recurring earnings effects in connection with the sale of the 40% interest in Currenta GmbH & Co. OHG. See “Net income/earnings per share/earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets” for details.
3) Equity ratio: equity in relation to total assets.
4) Net financial liabilities: sum of current and non-current financial liabilities (adjusted for liabilities for accrued interest) less cash, cash equivalents and near-cash assets. See “Statement of Financial Position and Financial Condition” for details.
5) As of December 31, 2019.
6) There were 14,348 employees in continuing operations as of the reporting date after 14,304 as of December 31, 2019.

LANXESS ON THE CAPITAL MARKET

In the first half of 2020, the stock markets and thus the performance of the LANXESS share were shaped by the coronavirus crisis. After good performance in 2019, the LANXESS share, like the shares of other companies in the chemical industry, lost value in the wake of the crisis. As of the reporting date on June 30, 2020, it had lost around 21% of its value compared with the end of 2019. The loss over the first half of the year was approximately 9% in the MDAX and 7% in the DAX.

The Board of Management of LANXESS AG resolved on March 10, 2020 to exercise the authorization granted by the Annual Stockholders' Meeting on May 23, 2019, and to buy own shares at a total volume of up to €500 million (excluding incidental expenses), divided into two tranches of €250 million each, on the stock exchange. The first tranche of the stock repurchase began on March 12, 2020. In light of the coronavirus crisis, the Board of Management decided on April 6, 2020 to suspend the stock repurchase program until further notice with immediate effect. LANXESS AG had repurchased 1,101,549 own shares by this date. This equates to 1.26% of the company's outstanding capital stock. Until the program was suspended, the total repurchase volume amounted to €36,698,254.49, equating to an average price of around €33.32 per repurchased share. The Board of Management of LANXESS AG will assess the situation continuously and decide on a resumption of the stock repurchase program at the appropriate time. The repurchased shares have not yet been canceled.

Stock Performance vs. Indices



Due to the rapid spread of coronavirus in Germany, LANXESS was unable to hold its Annual Stockholders' Meeting at the LANXESS arena in Cologne on May 13, 2020, as originally planned. The Annual Stockholders' Meeting will now take place in virtual form on August 27, 2020. The Board of Management and Supervisory Board are adhering to their original dividend proposal for fiscal year 2019 of €0.95 per share. This will be voted upon by the stockholders.

LANXESS Stock

		Q4 2019	Q1 2020	Q2 2020
Capital stock/no. of shares[1]	€/no. of shares	87,447,852	87,447,852	87,447,852
Weighted average number of shares outstanding	No. of shares	87,447,852	87,316,242	86,347,813
Market capitalization[1]	€ billion	5.23	3.18	4.11
High/low (intraday) for the period	€	64.58/39.47	61.18/25.68	55.46/34.41
Closing price[1]	€	59.82	36.42	46.96
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets[2]	€	4.73	1.17	0.86

1) End of quarter: Q4: December 31, 2019, Q1: March 31, 2020, Q2: June 30, 2020.
2) Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets:
Earnings per share from continuing operations disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects as well as non-recurring earnings effects in connection with the sale of the 40% interest in Currenta GmbH & Co. OHG. Earnings per share from continuing operations were calculated on the basis of the weighted average number of shares outstanding during the period.

INTERIM GROUP MANAGEMENT REPORT
AS OF JUNE 30, 2020

- Significant effects of the coronavirus pandemic on sales and earnings in the second quarter
- Strong business performance of the new Consumer Protection segment
- Sales down significantly at €1,436 million in the second quarter after €1,724 million in the previous year
- EBITDA pre exceptionals of €224 million, down on the previous year's figure of €281 million
- EBITDA margin pre exceptionals at 15.6% after 16.3% in the prior-year quarter
- Net income and earnings per share positively influenced by gain from the sale of the 40% interest in the chemical park operator Currenta and the profit participation received
- Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets of €0.86 in the second quarter against €1.45 in the previous year
- Guidance for fiscal year 2020: EBITDA pre exceptionals of between €800 million and €900 million

The coronavirus pandemic had a significant influence on our business performance, and we expect the negative effects to persist in the coming months. Nevertheless, we are benefiting from our much more balanced product portfolio compared with previous years and, due to the proceeds from the sale of our 40% interest in the chemical park operator Currenta GmbH & Co. OHG, Leverkusen, Germany, described in the following section, we still have a very good liquidity and financing position as well as a syndicated credit facility of €1 billion, which was unused as of June 30, 2020.

GROUP STRUCTURE AND BUSINESS ACTIVITY

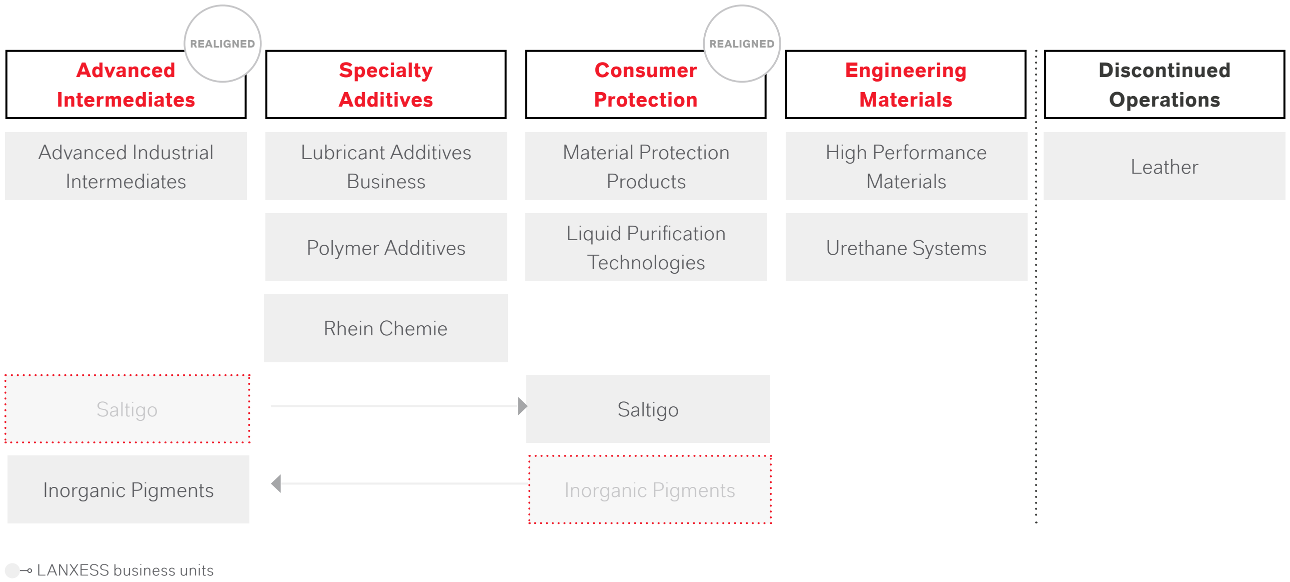
Legal structure
LANXESS AG is the parent company of the LANXESS Group and functions largely as a management holding company. LANXESS Deutschland GmbH is a wholly owned subsidiary of LANXESS AG and in turn controls the other subsidiaries and affiliates in Germany and abroad.

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 73 of the Annual Report 2019 and in the "Changes in the scope of consolidation" section of the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2020.

Reporting focus and material transactions
In the future, LANXESS intends to focus more sharply on consumer protection products and therefore adjusted its reporting structure in the first quarter. The Saltigo, Material Protection Products and Liquid Purification Technologies business units make up the new Consumer Protection segment. This segment's portfolio includes, for example, active ingredients for the agricultural and pharmaceutical industries, for insect repellents and disinfectants, and technologies for water purification. The Consumer Protection segment is replacing the former Performance Chemicals segment. At the same time, the Inorganic Pigments business unit has been part of the Advanced Intermediates segment since the start of the current fiscal year. The previous year's figures have been restated accordingly.

In addition, we decided in the previous year to divest all operations of the Leather business unit, comprising chrome chemicals, the chrome ore mine and organic leather chemicals. In connection with this, LANXESS sold its chrome chemicals business to Brother Enterprises, a Chinese manufacturer of leather chemicals, on January 10, 2020. This has been recognized as discontinued operations since the end of 2019. The previous year's figures have been restated accordingly here, too.

New Segment Structure



On February 3, 2020, LANXESS completed the acquisition of the Brazilian biocide manufacturer Itibanyl Produtos Especiais Ltda., Jarinu, Brazil. This acquisition enhances LANXESS's position as one of the world's leading manufacturers of biocidal active ingredients and formulations. The business with around 100 employees, production plants and laboratory facilities was integrated into the Material Protection Products business unit of the new Consumer Protection segment. In fiscal year 2019, the acquired company generated sales of a lower eight-figure sum in euros.

On March 10, 2020, the Board of Management of LANXESS AG decided to repurchase own shares in two tranches €250 million each (excluding incidental expenses) via the stock exchange within 24 months. The stock repurchase program began on March 12, 2020, but was suspended until further notice on April 6, 2020, as a result of the coronavirus crisis. 1,101,549 shares worth €37 million had been repurchased by this date. The repurchased shares have not yet been canceled.

On March 27, 2020, LANXESS fully utilized its syndicated credit facility of €1 billion. The syndicated credit facility was repaid in full in the second quarter. Securing additional liquidity was solely a precaution.

At the end of April, LANXESS sold its 40% interest in the chemical park operator Currenta GmbH & Co. OHG, Leverkusen, Germany, to Macquarie Infrastructure and Real Assets (MIRA). The transaction resulted in a gain on disposal of €740 million, which was recognized almost entirely in cash in the second quarter. Furthermore, LANXESS received a profit participation of €150 million for fiscal year 2019. In the previous year, the profit participation for fiscal year 2018 amounted to €21 million. We have also agreed service and supply contracts for the three chemical parks in question in Leverkusen, Dormagen and Krefeld-Uerdingen (all Germany), initially for ten years, and have thus secured reliable infrastructure at competitive conditions into the future.

As of July 15, 2020, LANXESS agreed the sale of the reverse osmosis membranes business from the Liquid Purification Technologies business unit to SUEZ S.A., Paris, France. LANXESS is thus repositioning its water treatment technology business in order to focus on the ion exchange resins business in the future. In the statement of financial position as of June 30, 2020, the assets to be disposed of were recognized as held for sale. Before reclassification, write-downs on intangible assets and property, plant and equipment of €18 million and on inventories of €2 million were recognized.

ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

Business conditions

General economic situation

In the second quarter, the global economy declined by 9.3% compared with the prior-year quarter. The EMEA region was particularly affected at 14.1%, as were the Americas at 12.6%. Asia-Pacific proved the most stable region with a decline of 3.1%.

Evolution of major industries

All customer industries fell well short of expectations in the second quarter. Global automotive production in the reporting period was down on the prior-year quarter by a double-digit percentage in all regions and was thus the most affected industry. However, the construction industry, the overall agrochemicals market and the global chemical industry also saw significant declines in all regions in the second quarter.

Sales

Sales of the LANXESS Group in the second quarter of 2020, which was hit by the effects of the coronavirus pandemic, amounted to €1,436 million, down €288 million, or 16.7%, against the same period a year ago. The sales development was mainly influenced by weak demand as a result of the coronavirus pandemic and a reduction of selling prices driven by raw material prices. Overall, lower volumes weighed on sales by 13.2% and lower selling prices reduced sales by 3.9%. Shifts in exchange rates increased sales by 0.2%. The contribution from the Brazilian biocide manufacturer Itibanyl Produtos Especiais Ltda., acquired in February 2020, also had a slightly positive effect.

Due to the effects of the coronavirus pandemic, sales in the first six months of fiscal year 2020 decreased by €322 million, or 9.3%, to €3,140 million. In the previous year, the half-year sales amounted to €3,462 million. Sales were also reduced in the first half of the year by weaker demand as a result of the coronavirus pandemic and a reduction of selling prices driven by raw material prices. By contrast, exchange rate effects led to growth in sales. The contribution from the Brazilian biocide manufacturer Itibanyl Produtos Especiais Ltda., acquired in February 2020, had a slightly positive effect on sales development. Adjusted for currency and portfolio effects, the LANXESS Group recorded a 10.1% decrease in operational sales in the first half of the year.

Effects on Sales

%	Q2 2020	H1 2020
Price	(3.9)	(3.1)
Volume	(13.2)	(7.0)
Currency	0.2	0.6
Portfolio	0.2	0.2
	(16.7)	**(9.3)**

In an environment shaped by the coronavirus pandemic, our Consumer Protection segment achieved higher sales than in the previous year in both the second quarter and the first six months. Sales in the other three segments were below the level of the previous year in both the second quarter and the first half of the year. Please see the following table and "Segment Information" for details.

Sales by Segment

€ million	Q2 2019	Q2 2020	Change %	Proportion of Group sales %	H1 2019	H1 2020	Change %	Proportion of Group sales %
Advanced Intermediates	585	469	(19.8)	32.6	1,169	1,027	(12.1)	32.7
Specialty Additives	506	403	(20.4)	28.1	991	902	(9.0)	28.7
Consumer Protection	247	301	21.9	21.0	511	580	13.5	18.5
Engineering Materials	365	244	(33.2)	17.0	747	591	(20.9)	18.8
Reconciliation	21	19	(9.5)	1.3	44	40	(9.1)	1.3
	1,724	**1,436**	**(16.7)**	**100.0**	**3,462**	**3,140**	**(9.3)**	**100.0**

Prior-year figures restated and in line with the changed segment structure

Order book status
Most of our business is not subject to long-term agreements on fixed volumes or prices. Instead, our business is characterized by long-standing relationships with customers and revolving master agreements. Our activities are focused on demand-driven orders with relatively short lead times which do not provide a basis for long-term forward-looking statements about our capacity utilization or volumes. Our business is managed primarily on the basis of regular Group-wide forecasts with respect to the Group's operating target.

Any disclosure of the Group's order book status at a given reporting date therefore would not be indicative of the Group's short- or medium-term earning power. For this reason, no such disclosure is made in this report.

Gross profit
The cost of sales decreased at a slightly faster rate than sales, falling by 16.8% compared with the prior-year quarter to €1,042 million. The decline resulted primarily from reduced procurement prices for raw materials and energy as well as lower sales volumes. Shifts in exchange rates had a slightly negative impact on our manufacturing costs. Capacity utilization was below the previous year's level. While gross profit was €394 million, down by €78 million, or 16.5%, against the prior-year quarter, the gross margin was kept level with the previous year at 27.4%. In particular, lower sales volumes, lower capacity utilization and associated idle costs, and lower selling prices had a negative impact on earnings performance. The reduced procurement prices for raw materials and energy and the change in exchange rates had a positive effect.

The cost of sales also decreased by 8.9% year on year in the first half of the year, amounting to €2,311 million. In the prior-year period, the cost of sales amounted to €2,538 million. Gross profit fell year on year by €95 million, or 10.3%, to €829 million. The earnings decline resulted partly from lower sales volumes, lower capacity utilization and associated idle costs, and lower selling prices. By contrast, reduced procurement prices for raw materials had a positive impact on earnings. The change in exchange rates likewise had a positive effect. The gross margin was level with the previous year at 26.4%.

EBITDA pre exceptionals and operating result (EBIT)
In an economic environment weakened by the coronavirus pandemic, the operating result before depreciation, amortization, write-downs and reversals (EBITDA) pre exceptionals decreased by €57 million, or 20.3%, to €224 million in the second quarter of 2020. The positive earnings performance in our new Consumer Protection segment did not compensate for weak demand from the automotive industry, especially in the Engineering Materials segment. The lower sales volumes in the Advanced Intermediates and Specialty Additives segments as a result of the crisis also led to an earnings decline. The lower procurement prices for raw materials in all segments resulted in a predominant reduction in selling prices. The change in exchange rates had a slightly positive effect overall. Please see the table below and "Segment Information" for details on the individual segments. Owing especially to volume effects and lower travel costs, selling expenses fell by 7.6% to €194 million. Research and development expenses were on a par with the prior-year period at €28 million, and general administration expenses amounted to €64 million after €65 million in the previous year. The Group EBITDA margin pre exceptionals came in at 15.6%, against 16.3% in the prior-year quarter.

Group EBITDA pre exceptionals amounted to €469 million in the first half of the year, €84 million lower than the previous year's figure of €553 million. Weak demand from the automotive industry, especially in the Engineering Materials segment, and the weaker demand due to the coronavirus pandemic in the Advanced Intermediates and Specialty Additives segments also reduced earnings in the first half of the year. Lower procurement prices for raw materials and energy in all segments stood against lower selling prices overall. Advantageous currency effects had a slightly positive effect overall. Owing primarily to volume effects and lower travel costs, selling expenses also fell by €15 million to €396 million in the first half of the year. Research and development costs amounted to €54 million, compared to €55 million in the prior-year period, while general administration expenses increased by €10 million to €138 million, due among other things to remnant costs in connection with the strategic realignment.

EBITDA Pre Exceptionals by Segment

€ million	Q2 2019	Q2 2020	Change %	H1 2019	H1 2020	Change %
Advanced Intermediates	114	100	(12.3)	219	188	(14.2)
Specialty Additives	89	63	(29.2)	172	148	(14.0)
Consumer Protection	48	68	41.7	108	135	25.0
Engineering Materials	65	28	(56.9)	130	77	(40.8)
Reconciliation	(35)	(35)	0.0	(76)	(79)	(3.9)
	281	**224**	**(20.3)**	**553**	**469**	**(15.2)**

Prior-year figures restated and in line with the changed segment structure.

The Group operating result (EBIT) amounted to €61 million in the second quarter. In the previous year, Group EBIT amounted to €143 million. Depreciation, amortization and write-downs rose by €20 million, or 17.1%, to €137 million (previous year: €117 million) due to write-downs of €20 million, of which €19 million constituted exceptional items. The write-downs primarily related to the sale of the reverse osmosis membranes business to the French group SUEZ on July 15, 2020. Net negative exceptional items of €45 million included in other operating income and expenses for the reporting quarter, a total of €26 million of which impacted EBITDA, resulted primarily from expenses in connection with the strategic realignment of the LANXESS Group and digitalization projects. In the prior-year quarter, net negative exceptional items of €24 million were incurred, €21 million of which impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

In the first half of the year, LANXESS posted EBIT of €165 million, compared with €283 million a year earlier. Depreciation, amortization and write-downs rose by €25 million from €227 million to €252 million primarily due to the above-mentioned effects in connection with the sale of the reverse osmosis membranes business. Net negative exceptional items of €71 million included in other operating income and expenses for the first half of the year resulted from negative exceptional items of €78 million and positive exceptional items of €7 million. The exceptional items, €52 million of which impacted EBITDA, were also primarily attributable to expenses in connection with the strategic realignment of the LANXESS Group and digitalization projects. The exceptional items of €19 million, which did not impact EBITDA, related to the write-down in connection with the sale of the reverse osmosis membranes business to the French group SUEZ. In the prior-year period, net negative exceptional items of €46 million were incurred, €43 million of which impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q2 2019	Q2 2020	Change %	H1 2019	H1 2020	Change %
EBITDA pre exceptionals	**281**	**224**	**(20.3)**	**553**	**469**	**(15.2)**
Depreciation and amortization	(117)	(137)	(17.1)	(227)	(252)	(11.0)
Exceptional items in EBITDA	(21)	(26)	(23.8)	(43)	(52)	(20.9)
Operating result (EBIT)	**143**	**61**	**(57.3)**	**283**	**165**	**(41.7)**

Prior-year figures restated

Financial result

The financial result improved in the second quarter of 2020 by €870 million to €867 million. The earnings increase resulted primarily from the sale of the 40% interest in the chemical park operator Currenta GmbH & Co. OHG, Leverkusen, Germany, to Macquarie Infrastructure and Real Assets (MIRA), on April 30, 2020. The transaction resulted in a gain on disposal of €740 million, which was recognized almost entirely in cash in the second quarter. Furthermore, LANXESS received a profit participation of €150 million for fiscal year 2019. In the previous year, the profit participation for fiscal year 2018 amounted to €21 million. The net interest result was minus €16 million, compared with minus €15 million in the prior-year quarter. The other financial result increased to €883 million as a result of the income in connection with the sale, compared with €12 million in the prior-year period.

The financial result for the first half of 2020 was €851 million, against minus €22 million a year earlier. In the half-year period too, the increase resulted primarily from the sale of Currenta GmbH & Co. OHG. In total, the net interest result of minus €30 million was worse than in the previous year by €1 million. The other financial result was €881 million in the reporting period, compared with €7 million in the prior-year period. As in the second quarter, the earnings increase resulted primarily from the sale of Currenta GmbH & Co. OHG.

Income before income taxes

Income before income taxes was primarily influenced by the sale of Currenta GmbH & Co. OHG and improved by €788 million to €928 million in the second quarter. As the income in connection with the sale was subject only to corporation tax at the level of LANXESS, the tax rate decreased from 31.4% to 13.5%.

Income before income taxes also improved in the half-year period as a result of the sale of Currenta GmbH & Co. OHG, increasing from €261 million to €1,016 million. The effective tax rate was 14.8%, compared with 29.5%.

Net income/earnings per share/earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets

Net income in the second quarter came to €798 million, of which €803 million was attributable to continuing operations. In the prior-year quarter, €96 million of the net income of €100 million was allocable to continuing operations. At €862 million in the first half of the year, net income was €678 million higher than the net income of €184 million of the previous year. Net income of €866 million was attributable to continuing operations; in the previous year, this figure was €183 million. Due in particular to the proceeds from the sale of Currenta GmbH & Co. OHG, net income was considerably higher than the previous year's figure in both the second quarter of 2020 and the first half of 2020. In the second quarter of 2020, as in the prior-year quarter, earnings attributable to non-controlling interests amounted to minus €2 million. In the first half of 2020, they amounted to minus €4 million, against minus €3 million a year earlier. These earnings were almost exclusively attributable to discontinued operations.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares outstanding during the reporting period. Earnings per share amounted to €9.24, which was significantly higher than the figure of €1.14 for the prior-year quarter. Earnings per share from continuing operations were €9.30 against €1.09 in the prior-year quarter. Due in particular to much better net income and a lower average number of shares outstanding, both the earnings per share and the earnings per share from continuing operations exceeded the prior-year figure. In the first half of the year, earnings per share were €9.93 compared with €2.06 in the previous year. Earnings per share from continuing operations were €9.97 against €2.05 in the prior-year period.

To date, 1,101,549 own shares have been acquired as part of the stock repurchase. The stock repurchase was taken into account pro rata temporis in the calculation of the average number of shares outstanding. In the second quarter and in the first half of 2020, this resulted in a weighted average number of shares outstanding of 86,347,813 and 86,832,027 respectively after 88,013,640 and 89,236,127 respectively in the previous year.

Earnings per Share

	Q2 2019	Q2 2020	H1 2019	H1 2020
Net income (€ million)	**100**	**798**	**184**	**862**
from continuing operations (€ million)	96	803	183	866
from discontinued operations (€ million)	4	(5)	1	(4)
Weighted average number of shares outstanding	88,013,640	86,347,813	89,236,127	86,832,027
Earnings per share (€)	**1.14**	**9.24**	**2.06**	**9.93**
from continuing operations (€)	1.09	9.30	2.05	9.97
from discontinued operations (€)	0.05	(0.06)	0.01	(0.04)

Prior-year figures restated

We also calculate earnings per share from continuing operations pre exceptionals and amortization of intangible assets, which are not defined by International Financial Reporting Standards. This value was calculated from the earnings per share from continuing operations adjusted for exceptional items, amortization of intangible assets and attributable tax effects. The non-recurring earnings effects in connection with the sale of Currenta GmbH & Co. OHG were also deducted. Earnings per share from continuing operations pre exceptionals and amortization of intangible assets came in at €0.86 in the second quarter and €2.03 in the first half of 2020. In the second quarter and in the first half of the previous year, earnings per share from continuing operations pre exceptionals and amortization of intangible assets amounted to €1.45 and €2.77 respectively.

Reconciliation to Earnings per Share from Continuing Operations Adjusted for Exceptional Items and Amortization of Intangible Assets

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Net income from continuing operations	**96**	**803**	**183**	**866**
Exceptional items[1]	24	45	46	71
Amortization of intangible assets/reversals of impairment charges[1]	21	23	42	45
Income in connection with the sale of Currenta GmbH & Co. OHG[1]	0	(890)	0	(890)
Income taxes[1]	(13)	93	(24)	84
Net income from continuing operations adjusted for exceptional items and amortization of intangible assets	**128**	**74**	**247**	**176**
Weighted average number of shares outstanding	88,013,640	86,347,813	89,236,127	86,832,027
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	**1.45**	**0.86**	**2.77**	**2.03**

Prior-year figures restated
1) Excluding items attributable to non-controlling interests.

BUSINESS DEVELOPMENT BY REGION

Sales by Market

	Q2 2019		Q2 2020		Change	H1 2019		H1 2020		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	533	30.9	435	30.3	(18.4)	1,104	31.9	971	30.9	(12.0)
Germany	320	18.6	267	18.6	(16.6)	661	19.1	584	18.6	(11.6)
North America	404	23.4	329	22.9	(18.6)	793	22.9	738	23.5	(6.9)
Latin America	85	4.9	63	4.4	(25.9)	165	4.8	146	4.7	(11.5)
Asia-Pacific	382	22.2	342	23.8	(10.5)	739	21.3	701	22.3	(5.1)
	1,724	**100.0**	**1,436**	**100.0**	**(16.7)**	**3,462**	**100.0**	**3,140**	**100.0**	**(9.3)**

Sales in the **EMEA** region (excluding Germany) fell by €98 million, or 18.4%, to €435 million in the second quarter of 2020. Adjusted for minor portfolio effects and positive currency effects, sales were down 18.4% compared with the prior-year quarter. While business in the Consumer Protection segment grew by a low double-digit percentage, the other segments recorded a decline by a low double-digit percentage.

Sales in the first half of 2020 in the EMEA region (excluding Germany) decreased by €133 million, or 12.0%, to €971 million. Adjusted for minor positive currency effects and portfolio effects, sales fell by 12.2%. While the Consumer Protection segment increased its sales by a low double-digit percentage in the first half of the year, the other segments saw a decline by a low double-digit percentage.

Sales in **Germany** in the second quarter were down €53 million, or 16.6%, year on year, at €267 million. After adjustment for slightly positive currency effects, sales fell by 16.9%. While sales in the Consumer Protection segment developed positively, the other segments recorded a decline.

In the first half of 2020, sales in Germany fell by 11.6%, or €77 million, to €584 million. Adjusted for slightly positive currency effects, the decline was 11.9%. With the exception of the Consumer Protection segment, all segments posted sales declines of low single-digit to double-digit percentages.

Sales in the **North America** region decreased by €75 million, or 18.6%, to €329 million in the second quarter of 2020. After adjustment for positive currency effects, resulting primarily from the development of the U.S. dollar, sales were down by 19.9%. Business declined by a low double-digit percentage in all segments apart from the Consumer Protection segment.

In the first half of 2020, sales in North America fell by 6.9%, or €55 million, to €738 million. After adjustment for positive exchange rate changes, sales declined by 9.0%. The positive development of the Consumer Protection segment was unable to compensate for the decline in sales in the other segments. The segments' sales each declined by a low double-digit percentage.

Sales in the **Latin America** region in the second quarter of 2020, at €63 million, were €22 million, or 25.9%, down on the figure for the prior-year period of €85 million. Adjusted for negative currency effects and portfolio effects, sales fell by 26.1%. While the Consumer Protection segment posted significant growth, the other segments saw business declines of low to mid-double-digit percentages.

In the first half of 2020, sales in the Latin America region fell by €19 million, or 11.5%, to €146 million. Adjusted for negative currency effects and portfolio effects, there was a decline of 14.0%. The Consumer Protection segment reported sales growth of a low double-digit percentage. The other segments reported sales declines by a mid-single-digit to low double-digit percentage.

Second-quarter sales in the **Asia-Pacific** region decreased by €40 million, or 10.5%, to €342 million. Adjusted for positive currency effects, sales fell by 10.8%. With the exception of the Consumer Protection segment, which reported growth of a high single-digit percentage, all segments posted sales declines of low single-digit to double-digit percentages.

In the first half of 2020, sales in this region fell by €38 million, or 5.1%, to €701 million. After adjustment for positive currency effects, sales decreased by 6.1%. While the Consumer Protection segment reported sales growth of a low double-digit percentage, the other segments posted sales declines of single-digit to low double-digit percentages.

SEGMENT INFORMATION

Advanced Intermediates

	Q2 2019		Q2 2020		Change	H1 2019		H1 2020		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	585		469		(19.8)	1,169		1,027		(12.1)
EBITDA pre exceptionals	114	19.5	100	21.3	(12.3)	219	18.7	188	18.3	(14.2)
EBITDA	114	19.5	100	21.3	(12.3)	215	18.4	186	18.1	(13.5)
Operating result (EBIT) pre exceptionals	79	13.5	68	14.5	(13.9)	154	13.2	124	12.1	(19.5)
Operating result (EBIT)	79	13.5	68	14.5	(13.9)	150	12.8	122	11.9	(18.7)
Cash outflows for capital expenditures	34		32		(5.9)	60		60		0.0
Depreciation and amortization	35		32		(8.6)	65		64		(1.5)
Employees as of June 30 (previous year: as of Dec. 31)	3,831		3,781		(1.3)	3,831		3,781		(1.3)

Prior-year figures restated in line with the changed segment structure

Our **Advanced Intermediates** segment, which alongside the Advanced Industrial Intermediates business unit has comprised the Inorganic Pigments business unit instead of the Saltigo business unit since the first quarter of 2020, recorded sales of €469 million in the second quarter of 2020, down 19.8%, or €116 million, on the figure for the prior-year period. Lower sales volumes in both of the segment's business units led to a sales decline of 14.4%, with the Advanced Industrial Intermediates business unit in particular recording lower sales volumes as a result of the coronavirus pandemic. Selling prices in both business units were below the previous year's level because lower raw material prices were passed on. Overall, there was a negative price effect on sales of 5.6% at segment level. Shifts in exchange rates had no significant influence on either business unit. Sales in all regions were below the level of the prior-year quarter.

Primarily as a result of the coronavirus pandemic, EBITDA pre exceptionals in the Advanced Intermediates segment amounted to €100 million, down by 12.3% from €114 million in the previous year. Overall, the coronavirus pandemic resulted in weaker demand. This reduced earnings in both business units. Lower raw material prices led to the adjustment of selling prices. Earnings for both business units were improved by advantageous currency effects. The segment's EBITDA margin pre exceptionals rose to 21.3% after 19.5% in the prior-year period.

The Advanced Intermediates segment generated half-year sales in 2020 of €1,027 million, a year-on-year decline of 12.1%. Sales development in both business units was also shaped by the coronavirus pandemic in the first half of the year. At the same time, lower volumes in particular reduced sales by 7.8%

at segment level. In addition, selling prices in both business units were below the previous year's level and reduced sales by 4.8%. Currency developments had a positive effect on sales of 0.5%.

The segment achieved EBITDA pre exceptionals of €188 million in the first half of 2020, compared with €219 million in the prior-year period. The EBITDA margin pre exceptionals came in at 18.3%, against 18.7% in the previous year.

The segment recorded negative exceptional items of €2 million in the first half of the year, which impacted EBITDA. In the previous year, negative exceptional items of €4 million were incurred in the operating result. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Sales in our **Specialty Additives** segment fell by 20.4% in the second quarter of 2020 to €403 million. In all the segment's business units, the coronavirus pandemic led to a decline in demand. Overall, the lower volumes diminished sales by 20.4% at segment level. In addition, slightly lower selling prices in all business units led to a slight sales decline of 0.8% overall. By contrast, exchange rate effects resulted in slight sales growth of 0.8%. Sales in all regions were below the level of the prior-year quarter.

EBITDA pre exceptionals in the Specialty Additives segment decreased by €26 million, or 29.2%, to €63 million. In a difficult market environment with continued weak demand as a result of the coronavirus pandemic, all the segment's business units recorded lower sales volumes. Lower procurement prices for raw materials and energy stood against lower selling prices. Earnings were improved by advantageous currency effects. The EBITDA margin pre exceptionals decreased to 15.6%, against 17.6% a year ago.

In the first half of 2020, the Specialty Additives segment generated sales of €902 million, a year-on-year decline of 9.0%. As in the quarterly comparison, sales declined by 9.9% due to lower sales volumes as a result the coronavirus pandemic. Selling prices were slightly lower than the prior-year level. By contrast, the change in exchange rates increased sales by 1.4%.

The segment's EBITDA pre exceptionals fell by 14.0% to €148 million in the first half of 2020. The EBITDA margin pre exceptionals came in at 16.4%, against 17.4% in the previous year.

In the second quarter, negative exceptional items that impacted EBITDA in the segment amounted to €3 million. In the first half of the year, negative exceptional items that impacted EBITDA totaled €7 million. Both the exceptional items of the second quarter and of the first half of the year primarily related to the strategic realignment of the LANXESS Group. In the second quarter of the previous year, negative exceptional items of €5 million were incurred in the operating result, €3 million of which impacted EBITDA. The net exceptional items in the first half of the previous year of €6 million resulted from negative exceptional items of €7 million and positive exceptional items of €1 million. €4 million of the exceptional items impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Specialty Additives

	Q2 2019		Q2 2020		Change	H1 2019		H1 2020		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	506		403		(20.4)	991		902		(9.0)
EBITDA pre exceptionals	89	17.6	63	15.6	(29.2)	172	17.4	148	16.4	(14.0)
EBITDA	86	17.0	60	14.9	(30.2)	168	17.0	141	15.6	(16.1)
Operating result (EBIT) pre exceptionals	51	10.1	20	5.0	(60.8)	97	9.8	67	7.4	(30.9)
Operating result (EBIT)	46	9.1	17	4.2	(63.0)	91	9.2	60	6.7	(34.1)
Cash outflows for capital expenditures	30		16		(46.7)	44		31		(29.5)
Depreciation and amortization	40		43		7.5	77		81		5.2
Employees as of June 30 (previous year: as of Dec. 31)	2,942		2,719		(7.6)	2,942		2,719		(7.6)

Consumer Protection

	Q2 2019		Q2 2020		Change	H1 2019		H1 2020		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	247		301		21.9	511		580		13.5
EBITDA pre exceptionals	48	19.4	68	22.6	41.7	108	21.1	135	23.3	25.0
EBITDA	48	19.4	65	21.6	35.4	108	21.1	132	22.8	22.2
Operating result (EBIT) pre exceptionals	28	11.3	48	15.9	71.4	67	13.1	94	16.2	40.3
Operating result (EBIT)	28	11.3	27	9.0	(3.6)	67	13.1	73	12.6	9.0
Cash outflows for capital expenditures	13		12		(7.7)	22		22		0.0
Depreciation and amortization	20		38		90.0	41		59		43.9
Employees as of June 30 (previous year: as of Dec. 31)	2,286		2,409		5.4	2,286		2,409		5.4

Prior-year figures restated in line with the changed segment structure

In our new **Consumer Protection** segment, sales amounted to €301 million in the reporting quarter of 2020, 21.9% higher than the prior-year figure. This was especially due to the positive development of the Saltigo business unit's agrochemicals business. Sales volumes and selling prices were also higher than in the previous year in the Material Protection Products business unit, due in particular to the ongoing demand for disinfectants. At segment level, higher volumes resulted in sales growth of 18.7%. In addition, all business units posted higher selling prices, which increased the segment's sales by 2.0% in total. Further, the integration of the Brazilian biocide manufacturer Itibanyl Produtos Especiais Ltda. acquired in February 2020 into the Material Protection Products business unit had a positive effect on sales of 1.2%. Shifts in exchange rates had virtually no impact on sales. The segment reported higher sales than in the prior-year quarter across all regions.

EBITDA pre exceptionals in the Consumer Protection segment increased by €20 million, or 41.7%, to €68 million, compared with the previous year's figure of €48 million. The positive earnings performance was driven in particular by the higher volumes in the Saltigo business unit and the positive development of the Material Protection Products business unit's disinfectant business. The effect of the change in selling prices also made a positive impact. The improvement in earnings was also due to the contribution from the biocide manufacturer Itibanyl Produtos Especiais Ltda. The change in exchange rates had a slightly negative effect on earnings. The EBITDA margin pre exceptionals increased from 19.4% in the prior-year quarter to 22.6%.

The Consumer Protection segment posted sales of €580 million in the first half of 2020, up 13.5% from the same period a year ago. As in the quarterly comparison, this was especially due to the positive development of the Saltigo and Material Protection Products business units' agrochemicals and disinfectant businesses. Higher volumes and selling prices increased sales by 10.0% and 2.0%, respectively. In addition, the integration of the biocide manufacturer Itibanyl Produtos Especiais Ltda. had a positive effect of 1.3%. Shifts in exchange rates had virtually no impact on sales.

The segment generated EBITDA pre exceptionals of €135 million in the first six months of 2020, against €108 million in the prior-year period. The EBITDA margin pre exceptionals of 23.3% was above the figure of 21.1% posted in the previous year.

In the second quarter and the first half of the year, negative exceptional items in the segment totaled €21 million, €3 million of which impacted EBITDA. The exceptional items related to the sale of the reverse osmosis membranes business to the French group SUEZ on July 15, 2020. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Engineering Materials

	Q2 2019		Q2 2020		Change	H1 2019		H1 2020		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	365		244		(33.2)	747		591		(20.9)
EBITDA pre exceptionals	65	17.8	28	11.5	(56.9)	130	17.4	77	13.0	(40.8)
EBITDA	65	17.8	28	11.5	(56.9)	130	17.4	77	13.0	(40.8)
Operating result (EBIT) pre exceptionals	49	13.4	12	4.9	(75.5)	98	13.1	44	7.4	(55.1)
Operating result (EBIT)	49	13.4	12	4.9	(75.5)	98	13.1	44	7.4	(55.1)
Cash outflows for capital expenditures	19		12		(36.8)	30		20		(33.3)
Depreciation and amortization	16		16		0.0	32		33		3.1
Employees as of June 30 (previous year: as of Dec. 31)	2,203		2,211		0.4	2,203		2,211		0.4

Sales in our Engineering Materials segment fell by 33.2% year on year in the second quarter of 2020 to €244 million. The effects of the coronavirus pandemic and the associated continued weak demand from the automotive industry led to a significant decline in sales, especially in the High Performance Materials business unit. Both volumes and selling prices of the two business units fell short of the previous year. Reduced volumes diminished sales by 23.6%. In addition, there was a negative price effect on sales of 9.3% at segment level. Shifts in exchange rates had virtually no impact on sales. Sales in all regions were below the level of the prior-year quarter.

EBITDA pre exceptionals in the Engineering Materials segment fell by €37 million, or 56.9%, to €28 million. In particular, the continued weak demand from the automotive industry as a result of the coronavirus pandemic led to a decline in earnings driven by volumes and prices. Lower raw material prices were passed on to the market by adjusting selling prices. Shifts in exchange rates had virtually no impact on earnings. The EBITDA margin pre exceptionals of 11.5% was below the figure of 17.8% posted in the prior-year quarter.

In the first half of 2020, the Engineering Materials segment posted sales of €591 million, 20.9%, or €156 million, lower than the prior-year level. As in the quarterly comparison, the sales development was particularly attributable to lower sales volumes due to weaker demand from the automotive industry in the High Performance Materials business unit. This had a negative effect on sales of 13.5% at segment level. Lower selling prices diminished sales by 7.6%. Shifts in exchange rates had virtually no impact on sales.

The segment achieved EBITDA pre exceptionals of €77 million in the first half of 2020, compared with €130 million in the prior-year period. The EBITDA margin pre exceptionals came in at 13.0%, against 17.4% in the previous yearr.

Reconciliation

€ million	Q2 2019	Q2 2020	Change %	H1 2019	H1 2020	Change %
Sales	21	19	(9.5)	44	40	(9.1)
EBITDA pre exceptionals	(35)	(35)	0.0	(76)	(79)	(3.9)
EBITDA	(53)	(55)	(3.8)	(111)	(119)	(7.2)
Operating result (EBIT) pre exceptionals	(40)	(42)	(5.0)	(87)	(93)	(6.9)
Operating result (EBIT)	(59)	(63)	(6.8)	(123)	(134)	(8.9)
Cash outflows for capital expenditures	13	16	23.1	22	29	31.8
Depreciation and amortization	6	8	33.3	12	15	25.0
Employees as of June 30 (previous year: as of Dec. 31)	3,042	3,228	6.1	3,042	3,228	6.1

EBITDA pre exceptionals for the **reconciliation** came to minus €35 million and minus €79 million in the second quarter and first half of the year respectively, compared with minus €35 million and minus €76 million in the corresponding prior-year periods. In the second quarter, negative exceptional items of €21 million were incurred, €20 million of which impacted EBITDA. In the first six months of the fiscal year, net negative exceptional items of €41 million were incurred, €40 million of which impacted EBITDA. The exceptional items resulted from negative exceptional items of €48 million and positive exceptional items of €7 million, which fully impacted EBITDA. The exceptional items in the second quarter and the first six months of the reporting year resulted primarily from expenses in connection with the strategic realignment of the LANXESS Group, digitalization projects and M&A activities. In the previous year, net negative exceptional items came to €19 million in the quarter and €36 million in the first half. Please see “Notes on EBIT and EBITDA (Pre Exceptionals)” for details.

NOTES ON EBIT AND EBITDA (PRE EXCEPTIONALS)

In order to better assess our operational business and to steer earning power at Group level and for the individual segments, we additionally calculate the earnings indicators EBITDA, and EBITDA and EBIT pre exceptionals, none of which are defined by International Financial Reporting Standards. These indicators are viewed as supplementary to the data prepared according to IFRS; they are not a substitute.

EBITDA is calculated from earnings (EBIT) by adding back depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets and subtracting reversals of impairment charges on property, plant, equipment and intangible assets.

EBIT pre exceptionals and **EBITDA pre exceptionals** are EBIT and EBITDA before exceptional items. The latter are effects that, by nature or extent, have a significant impact on the earnings position, but for which inclusion in the evaluation of business performance over several reporting periods does not seem to be appropriate. Exceptional items may include write-downs, reversals of impairment charges or the proceeds from the disposal of assets, certain expenses for strategic projects in the fields of IT and digitalization, restructuring expenses and income from the reversal of provisions established in this connection, and reductions in earnings resulting from portfolio adjustments or purchase price allocations. Grants and subsidies from third parties for the acquisition and construction of property, plant and equipment are accounted for as deferred income using the gross method. In this respect, no adjustments other than for gross depreciation and amortization are made when calculating EBITDA pre exceptionals.

Reconciliation to EBIT/EBITDA

€ million	EBIT Q2 2019	EBIT Q2 2020	EBITDA Q2 2019	EBITDA Q2 2020	EBIT H1 2019	EBIT H1 2020	EBITDA H1 2019	EBITDA H1 2020
EBIT/EBITDA pre exceptionals	**167**	**106**	**281**	**224**	**329**	**236**	**553**	**469**
Advanced Intermediates	**0**	**0**	**0**	**0**	**(4)**	**(2)**	**(4)**	**(2)**
Strategic realignment	0	0	0	0	0	(2)	0	(2)
Adjustment of the production network	0	0	0	0	(4)	0	(4)	0
Specialty Additives	**(5)**	**(3)**	**(3)**	**(3)**	**(6)**	**(7)**	**(4)**	**(7)**
Strategic realignment	(5)	(3)	(3)	(3)	(7)	(7)	(5)	(7)
Adjustment of the production network	0	0	0	0	1	0	1	0
Consumer Protection	**0**	**(21)**	**0**	**(3)**	**0**	**(21)**	**0**	**(3)**
Strategic realignment	0	(20)	0	(2)	0	(20)	0	(2)
Other	0	(1)	0	(1)	0	(1)	0	(1)
Engineering Materials	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reconciliation	**(19)**	**(21)**	**(18)**	**(20)**	**(36)**	**(41)**	**(35)**	**(40)**
Strategic realignment	0	(2)	0	(2)	(1)	(4)	(1)	(4)
Digitalization, M&A expenses and other	(19)	(19)	(18)	(18)	(35)	(37)	(34)	(36)
Total exceptional items	**(24)**	**(45)**	**(21)**	**(26)**	**(46)**	**(71)**	**(43)**	**(52)**
EBIT/EBITDA	**143**	**61**	**260**	**198**	**283**	**165**	**510**	**417**

Prior-year figures restated and in line with the changed segment structure

Every operational decision or achievement is judged in the short and long term by its sustainable impact on EBITDA pre exceptionals. As part of the annual budget and planning process, targets are set for this benchmark of our company's success, which are then taken into account in determining employees' variable income components.

The **earnings margins** are calculated from the ratios of the respective earnings indicators to sales. For example, the EBITDA margin (pre exceptionals) is calculated as the ratio of EBITDA (pre exceptionals) to sales and serves as an indicator of relative earning power at Group level and for the individual segments.

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Structure of the statement of financial position

As of June 30, 2020, the LANXESS Group's total assets stood at €9,195 million, up €500 million, or 5.8%, from €8,695 million on December 31, 2019. The equity ratio at the end of the second quarter was 36.7%, after 30.4% in the previous year. The increase in the equity ratio was due to the sale of shares in the chemical park operator Currenta and the resulting positive contribution to earnings.

Non-current assets decreased by €201 million to €4,864 million as of June 30, 2020. Property, plant and equipment came in at €2,649 million after €2,724 million. Cash outflows for purchases of intangible assets and property, plant and equipment totaled €162 million in the first half of 2020, compared with €178 million in the prior-year period. Depreciation, amortization and write-downs in the first six months amounted to €252 million, which was above the figure of €227 million for the prior-year period, due primarily to the write-downs in connection with the sale of the reverse osmosis membranes business. Deferred tax assets declined by €37 million from €324 million to €287 million as of June 30, 2020, and other non-current assets fell from €132 million to €42 million. The decrease in other non-current assets resulted chiefly from a transfer of pension plan assets in Great Britain to an insurance company. The ratio of non-current assets to total assets was 52.9%, down from 58.3% on December 31, 2019.

Current assets increased by €701 million, or 19.3%, compared with December 31, 2019, to €4,331 million. Inventories increased by €62 million from €1,195 million to €1,257 million, while trade receivables decreased by €67 million to €702 million. Cash and cash equivalents increased by €44 million from €296 million to €340 million. Near-cash assets rose from €0 million to €1,260 million as a result of the investment in units in money market funds that can be sold at any time. Other current financial assets declined by €503 million to €361 million due to the maturity of short-term money market investments. The ratio of current assets to total assets was 47.1%, compared with 41.7% as of December 31, 2019.

Equity amounted to €3,379 million against €2,647 million on December 31, 2019. The increase resulted from the positive contribution to earnings from the sale of shares in the chemical park operator Currenta.

Non-current liabilities decreased by €62 million to €4,504 million as of June 30, 2020. Provisions for pensions and other post-employment benefits decreased by €43 million to €1,135 million, primarily due to interest rates. Other non-current provisions were on a par with the previous year at €339 million. Non-current derivative liabilities totaled €6 million after €2 million as of December 31, 2019, while other non-current financial liabilities declined by €10 million to €2,767 million. The ratio of non-current liabilities to total assets was 49.0%, against 52.5% as of December 31, 2019.

Current liabilities came to €1,312 million, down by €170 million, or 11.5%, compared with December 31, 2019. Trade payables declined by a total of €104 million to €552 million as a result of the declining demand in the coronavirus pandemic and lower raw material prices. Other current provisions fell from €409 million to €364 million. The ratio of current liabilities to total assets was 14.3% as of June 30, 2020, against 17.1% at the end of 2019.

Financial condition and capital expenditures

Changes in the statement of cash flows

The following comments on the statement of cash flows relate to LANXESS's continuing operations.

In the first six months of 2020 there was a net cash inflow of €165 million from operating activities, against €113 million in the prior-year period. Income before income taxes improved from €261 million to €1,016 million. This was adjusted for the financial result of €859 million, which primarily resulted from the sale of the 40% interest in Currenta GmbH Co. OHG, Leverkusen, Germany. Depreciation, amortization and write-downs rose from €227 million to €252 million. This effect was countered by the change in net working capital, with a cash outflow of €125 million after €145 million in the previous year. At €104 million, income taxes paid were slightly lower than the prior-year figure of €112 million.

There was a €13 million net cash inflow from investing activities in the first six months of 2020, compared with a €309 million net cash outflow in the same period a year ago. A material effect resulted from the financial resources received from the sale of the 40% interest in Currenta GmbH & Co. OHG, Leverkusen, Germany. In addition, there was a cash inflow from the profit participation in Currenta GmbH & Co. OHG, Leverkusen, Germany, for fiscal year 2019 of €150 million and cash inflows from financial assets due to the maturity of short-term money market investments. This was countered in the first six months of 2020 by cash outflows for investments in money market funds and cash outflows for purchases of intangible assets and property, plant and equipment, which decreased from €178 million in the prior-year period to €162 million.

Net cash used in financing activities came to €109 million compared to €368 million in the prior-year period. The cash outflow in the reporting period was due in particular to payments for stock repurchases of €37 million as well as interest paid and other financial disbursements. In the prior-year period, dividend payments of €79 million to LANXESS stockholders were also included. In addition, the proceeds from borrowings and the repayments of borrowings reflected the temporary drawdown on and subsequent full repayment of the syndicated credit facility of €1 billion.

Financing and liquidity

The principles and objectives of financial management discussed on page 99 of the Annual Report 2019 remained valid during the first half of the year. They are centered on a conservative financial policy built on long-term, secured financing.

Cash and cash equivalents increased by €44 million compared with the end of 2019 to €340 million. Near-cash assets rose from €0 million to €1,260 million as a result of the investment in units in money market funds that can be sold at any time. The Group's liquidity position remains sound overall.

Net financial liabilities are the total of current and non-current financial liabilities less liabilities for accrued interest, cash, cash equivalents and near-cash assets and amounted to €1,216 million as of June 30, 2020, compared with €2,522 million as of December 31, 2019. After the further deduction of short-term money market investments and securities, net financial liabilities as of June 30, 2020, amounted to €929 million, compared with €1,742 million as of December 31, 2019.

The reduction in net financial liabilities as of June 30, 2020, resulted primarily from the purchase price payment received for the sale of the 40% interest in the chemical park operator Currenta GmbH & Co. OHG. This transaction resulted in cash inflow of around €884 million in the second quarter.

Net Financial Liabilities

€ million	**Dec. 31, 2019**	**June 30, 2020**
Non-current financial liabilities	2,777	2,767
Current financial liabilities	66	65
Less:		
Liabilities for accrued interest	(25)	(16)
Cash and cash equivalents	(296)	(340)
Near-cash assets	–	(1,260)
Net financial liabilities	**2,522**	**1,216**
after deduction of short-term money market investments and securities	(780)	(287)
Net financial liabilities after deduction of short-term money market investments and securities	**1,742**	**929**

As of June 30, 2020, we had a small amount of financing items that were not reported in the statement of financial position in the form of short-term leases and leases of low value.

Capital expenditures

In light of the coronavirus pandemic, we have reviewed our planned investment projects again. We currently assume that the cash outflows for capital expenditures of around €500 million stated in the guidance in the Annual Report 2019 will not be achieved. Our capital expenditures will be primarily directed toward the maintenance of existing facilities at various locations as well as the targeted optimization and expansion of facilities. For example, production capacity for hexanediol and menthol for the Advanced Industrial Intermediates business unit is being expanded at the German site in Krefeld-Uerdingen due to increasing demand on global markets. The expansion measures in Krefeld-Uerdingen have an investment volume totaling €60 million.

FUTURE PROSPECTS, OPPORTUNITIES AND RISKS

Outlook

The coronavirus pandemic caused a dramatic collapse in the global economy. After the sharp downturns first in Asia and then in Europe and the Americas, we do not expect the performance of the global economy or of any region to quickly return to the previous year's level.

In contrast to the outlook presented in the Annual Report 2019, we expect significant negative development in the automotive industry in 2020. We assume that the construction industry, the agro-industry and the chemical industry will all decline.

Despite its diversified product portfolio, LANXESS is noticing the drop in demand in numerous customer industries. We now expect our segments to develop as follows:

For our Advanced Intermediates segment, we expect business in 2020 to be only slightly weaker than in the previous year overall. The fundamentally stable segment cannot avoid the downturn in all end markets.

For the Specialty Additives segment, we anticipate performance significantly below the prior-year level as a result of considerable declines in demand in the automotive, aviation, and oil and gas industries.

For our Consumer Protection segment, we expect business to significantly exceed the previous year's level on account of the high demand for disinfectants and the positive development of our agrochemicals business.

For our Engineering Materials segment, we expect performance this year to be significantly weaker than in the previous year due to the massive collapse in demand in the automotive industry.

Against the background of the expected performance of our segments, we expect that EBITDA pre exceptionals for the full year 2020 will be between €800 million and €900 million, as stated in the reporting for the first quarter.

Significant opportunities and risks

Compared with December 31, 2019, the LANXESS Group's risk situation has been increased by the effects of the ongoing coronavirus pandemic. Especially during the "lockdown" phases in the first and increasingly the second quarter, there were negative effects on procurement markets, logistics, production, and sales markets. Extensive measures were taken to safeguard supply chains and production and to protect the health of all employees. In addition to far-reaching hygiene and health and safety measures, for example, the shift model was amended to reduce personal contact at the plants, and extensive options for mobile working were implemented. The economic and potentially political effects of the coronavirus pandemic also remain an uncertainty factor for our businesses. Our global and regional crisis teams are continuously monitoring the development of the coronavirus pandemic in order to respond quickly to changing situations and requirements when necessary.

Otherwise, there have been no significant changes compared with the account of the LANXESS Group's opportunities and risks in the Annual Report 2019. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group for fiscal year 2019 on pages 120 to 133 of the Annual Report 2019. Based on an overall evaluation of risk management information, the Board of Management at the present time cannot identify any sufficiently likely risks or risk combinations that would jeopardize the continued existence of LANXESS.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2020

STATEMENT OF FINANCIAL POSITION
LANXESS GROUP

€ million	Dec. 31, 2019	June 30, 2020
ASSETS		
Intangible assets	1,765	1,764
Property, plant and equipment	2,724	2,649
Investments in other affiliated companies	1	2
Non-current derivative assets	1	1
Other non-current financial assets	29	31
Non-current income tax receivables	89	88
Deferred taxes	324	287
Other non-current assets	132	42
Non-current assets	**5,065**	**4,864**
Inventories	1,195	1,257
Trade receivables	769	702
Cash and cash equivalents	296	340
Near-cash assets	–	1,260
Current derivative assets	5	7
Other current financial assets	864	361
Current income tax receivables	110	105
Other current assets	186	175
Assets held for sale and discontinued operations	205	124
Current assets	**3,630**	**4,331**
Total assets	**8,695**	**9,195**

€ million	Dec. 31, 2019	June 30, 2020
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves[1]	1,429	1,558
Net income	205	862
Other equity components	(282)	(337)
Equity attributable to non-controlling interests	(22)	(21)
Equity	**2,647**	**3,379**
Provisions for pensions and other post-employment benefits	1,178	1,135
Other non-current provisions	338	339
Non-current derivative liabilities	2	6
Other non-current financial liabilities	2,777	2,767
Non-current income tax liabilities	95	100
Other non-current liabilities	67	65
Deferred taxes	109	92
Non-current liabilities	**4,566**	**4,504**
Other current provisions	409	364
Trade payables	656	552
Current derivative liabilities	17	24
Other current financial liabilities	66	65
Current income tax liabilities	122	130
Other current liabilities	111	109
Liabilities directly related to assets held for sale and discontinued operations	101	68
Current liabilities	**1,482**	**1,312**
Total equity and liabilities	**8,695**	**9,195**

1) Includes in the reporting period also the reserve for own shares

INCOME STATEMENT
LANXESS GROUP

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Sales	**1,724**	**1,436**	**3,462**	**3,140**
Cost of sales	(1,252)	(1,042)	(2,538)	(2,311)
Gross profit	**472**	**394**	**924**	**829**
Selling expenses	(210)	(194)	(411)	(396)
Research and development expenses	(28)	(28)	(55)	(54)
General administration expenses	(65)	(64)	(128)	(138)
Other operating income	26	22	49	43
Other operating expenses	(52)	(69)	(96)	(119)
Operating result (EBIT)	**143**	**61**	**283**	**165**
Income from investments accounted for using the equity method	0	–	0	–
Interest income	1	2	3	5
Interest expense	(16)	(18)	(32)	(35)
Other financial income and expense	12	883	7	881
Financial result	**(3)**	**867**	**(22)**	**851**
Income before income taxes	**140**	**928**	**261**	**1,016**
Income taxes	(44)	(125)	(77)	(150)
Income after income taxes from continuing operations	**96**	**803**	**184**	**866**
Income after income taxes from discontinued operations	**2**	**(7)**	**(3)**	**(8)**
Income after income taxes	**98**	**796**	**181**	**858**
of which attributable to non-controlling interests	(2)	(2)	(3)	(4)
of which attributable to LANXESS AG stockholders (net income)	100	798	184	862
Earnings per share (basic/diluted) (€)				
from continuing operations	1.09	9.30	2.05	9.97
from discontinued operations	0.05	(0.06)	0.01	(0.04)
from continuing and discontinued operations	**1.14**	**9.24**	**2.06**	**9.93**

Prior-year figures restated

STATEMENT OF COMPREHENSIVE INCOME
LANXESS GROUP

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Income after income taxes	**98**	**796**	**181**	**858**
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(65)	(52)	(90)	(42)
Income taxes	21	16	30	5
	(44)	**(36)**	**(60)**	**(37)**
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	(57)	(82)	28	(43)
Financial instruments fair value measurement	10	11	(3)	(14)
Financial instruments cost of hedging	0	1	11	0
Income taxes	(4)	(3)	(3)	5
	(51)	**(73)**	**33**	**(52)**
Other comprehensive income, net of income tax	**(95)**	**(109)**	**(27)**	**(89)**
Total comprehensive income	**3**	**687**	**154**	**769**
of which attributable to non-controlling interests	(2)	(3)	(3)	1
of which attributable to LANXESS AG stockholders	5	690	157	768
from continuing operations	1	696	157	755
from discontinued operations	4	(6)	0	13

STATEMENT OF CHANGES IN EQUITY
LANXESS GROUP

€ 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				
						Fair value measurement	Cost of hedging			
Dec. 31, 2018	**91**	**1,226**	**1,391**	**431**	**(345)**	**(8)**	**(6)**	**2,780**	**(7)**	**2,773**
Allocations to retained earnings			431	(431)				0		0
Acquisition of own shares			(200)					(200)		(200)
Dividend payments			(79)					(79)		(79)
Total comprehensive income			(60)	184	28	(2)	7	157	(3)	154
Income after income taxes				184				184	(3)	181
Other comprehensive income, net of income tax			(60)		28	(2)	7	(27)		(27)
June 30, 2019	**91**	**1,226**	**1,483**	**184**	**(317)**	**(10)**	**1**	**2,658**	**(10)**	**2,648**
Dec. 31, 2019	**87**	**1,230**	**1,429**	**205**	**(274)**	**(9)**	**1**	**2,669**	**(22)**	**2,647**
Allocations to retained earnings			205	(205)				0		0
Acquisition of own shares			(37)					(37)		(37)
Total comprehensive income			(37)	862	(48)	(9)	0	768	1	769
Income after income taxes				862				862	(4)	858
Other comprehensive income, net of income tax			(37)		(48)	(9)	0	(94)	5	(89)
Other changes			(2)			2		0		0
June 30, 2020	**87**	**1,230**	**1,558**	**862**	**(322)**	**(16)**	**1**	**3,400**	**(21)**	**3,379**

STATEMENT OF CASH FLOWS
LANXESS GROUP

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Income before income taxes	**140**	**928**	**261**	**1,016**
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	117	137	227	252
Gains on disposals of intangible assets and property, plant and equipment	(1)	(1)	(1)	(1)
Financial losses (gains)	(7)	(873)	8	(859)
Income taxes paid	(72)	(108)	(112)	(104)
Changes in inventories	(11)	(66)	(36)	(84)
Changes in trade receivables	45	208	(18)	59
Changes in trade payables	(11)	(86)	(91)	(100)
Changes in other assets and liabilities	(109)	(87)	(125)	(14)
Net cash provided by operating activities – continuing operations	**91**	**52**	**113**	**165**
Net cash (used in) provided by operating activities – discontinued operations	**(9)**	**(6)**	**1**	**(17)**
Net cash provided by operating activities – total	**82**	**46**	**114**	**148**
Cash outflows for purchases of intangible assets and property, plant and equipment	(109)	(88)	(178)	(162)
Cash inflows from sales of intangible assets and property, plant and equipment	1	1	2	4
Cash outflows for financial assets	(49)	(1,261)	(218)	(1,341)
Cash inflows from financial assets	62	551	62	572
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	–	–	(25)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	734	–	812
Interest and dividends received	22	151	23	153
Net cash (used in) provided by investing activities – continuing operations	**(73)**	**88**	**(309)**	**13**
Net cash used in investing activities – discontinued operations	**(1)**	**0**	**(4)**	**(1)**
Net cash (used in) provided by investing activities – total	**(74)**	**88**	**(313)**	**12**
Proceeds from borrowings	4	–	4	1,000
Repayments of borrowings	(12)	(1,014)	(53)	(1,027)
Interest paid and other financial disbursements	(37)	(44)	(40)	(45)
Dividend payments	(79)	–	(79)	–
Cash outflows for the acquisition of own shares	(89)	(5)	(200)	(37)
Net cash used in financing activities – continuing operations	**(213)**	**(1,063)**	**(368)**	**(109)**
Net cash used in financing activities – discontinued operations	**0**	**0**	**(2)**	**0**
Net cash used in financing activities – total	**(213)**	**(1,063)**	**(370)**	**(109)**
Change in cash and cash equivalents – continuing operations	**(195)**	**(923)**	**(564)**	**69**
Change in cash and cash equivalents – discontinued operations	**(10)**	**(6)**	**(5)**	**(18)**
Change in cash and cash equivalents – total	**(205)**	**(929)**	**(569)**	**51**
Cash and cash equivalents at beginning of period – total	434	1,271	797	296
Exchange differences and other changes in cash and cash equivalents – total	0	(2)	1	(7)
Cash and cash equivalents at end of period – total	**229**	**340**	**229**	**340**
of which continuing operations	229	340	229	340
of which discontinued operations	0	0	0	0

Prior-year figures restated

SEGMENT AND REGION DATA

Key Data by Segment Second Quarter

	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
€ million	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020
External sales	585	469	506	403	247	301	365	244	21	19	1,724	1,436
Inter-segment sales	9	9	5	3	16	13	0	0	(30)	(25)	0	0
Segment/Group sales	594	478	511	406	263	314	365	244	(9)	(6)	1,724	1,436
Segment result/EBITDA pre exceptionals	114	100	89	63	48	68	65	28	(35)	(35)	281	224
EBITDA margin pre exceptionals (%)	19.5	21.3	17.6	15.6	19.4	22.6	17.8	11.5			16.3	15.6
EBITDA	114	100	86	60	48	65	65	28	(53)	(55)	260	198
EBIT pre exceptionals	79	68	51	20	28	48	49	12	(40)	(42)	167	106
EBIT	79	68	46	17	28	27	49	12	(59)	(63)	143	61
Segment capital expenditures	47	36	31	21	14	14	23	13	12	23	127	107
Depreciation and amortization	35	32	40	43	20	38	16	16	6	8	117	137

Prior-year figures restated and in line with the changed segment structure

Key Data by Segment First Half

	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
€ million	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
External sales	1,169	1,027	991	902	511	580	747	591	44	40	3,462	3,140
Inter-segment sales	20	20	7	6	33	27	0	0	(60)	(53)	0	0
Segment/Group sales	1,189	1,047	998	908	544	607	747	591	(16)	(13)	3,462	3,140
Segment result/EBITDA pre exceptionals	219	188	172	148	108	135	130	77	(76)	(79)	553	469
EBITDA margin pre exceptionals (%)	18.7	18.3	17.4	16.4	21.1	23.3	17.4	13.0			16.0	14.9
EBITDA	215	186	168	141	108	132	130	77	(111)	(119)	510	417
EBIT pre exceptionals	154	124	97	67	67	94	98	44	(87)	(93)	329	236
EBIT	150	122	91	60	67	73	98	44	(123)	(134)	283	165
Segment capital expenditures	76	67	46	38	24	25	34	22	24	37	204	189
Depreciation and amortization/ reversals of impairment charges	65	64	77	81	41	59	32	33	12	15	227	252
Employees as of June 30 (previous year: as of Dec. 31)	3,831	3,781	2,942	2,719	2,286	2,409	2,203	2,211	3,042	3,228	14,304	14,348

Prior-year figures restated and in line with the changed segment structure

Key Data by Region Second Quarter

	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
€ million	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020
External sales by market	533	435	320	267	404	329	85	63	382	342	1,724	1,436
Proportion of Group sales %	30.9	30.3	18.6	18.6	23.4	22.9	4.9	4.4	22.2	23.8	100.0	100.0

Key Data by Region First Half

	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
€ million	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
External sales by market	1,104	971	661	584	793	738	165	146	739	701	3,462	3,140
Proportion of Group sales %	31.9	30.9	19.1	18.6	22.9	23.5	4.8	4.7	21.3	22.3	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	1,806	1,777	7,558	7,658	2,031	1,994	716	796	2,193	2,123	14,304	14,348

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2020

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 in principle and as appropriate to the notes to the consolidated financial statements as of December 31, 2019, particularly with respect to the recognition and valuation principles. Changes in this respect are explained in the following section.

RECOGNITION AND VALUATION PRINCIPLES

The condensed consolidated interim financial statements as of June 30, 2020, 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, 2020, were considered in preparing the interim financial statements.

The mandatory first-time application of the following financial reporting standards and interpretations in fiscal year 2020 currently has no impact, or no material impact, on the LANXESS Group yet:

- Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards
- IAS 1/IAS 8 – Amendment to IAS 1 and IAS 8 – Definition of Material
- IFRS 9/IAS 39/IFRS 7 – Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- IFRS 3 – Amendments to IFRS 3 – Definition of a Business

In fiscal year 2020, the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee issued financial reporting standards and interpretations, whose application is not yet mandatory for that year and which the LANXESS Group thus did not yet apply. The application of these standards and interpretations is still contingent upon their endorsement by the E.U. and they currently have no material impact on the LANXESS Group:

- IFRS 17 – Insurance Contracts
- IAS 1 – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current
- IAS 16 – Amendments to IAS 16 – Proceeds before Intended Use
- IAS 37 – Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- IFRS 3 – Amendments to IFRS 3 – Reference to the Conceptual Framework
- Various IAS and IFRS – Annual Improvements to the International Financial Reporting Standards (2018-2020 Cycle)
- IFRS 16 – Amendments to IFRS 16 – Covid-19-Related Rent Concessions
- IFRS 4 – Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9

Preparation of the consolidated interim financial statements requires that assumptions and estimates are made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods consistent with those applied in the consolidated financial statements for 2019. Assumptions and estimates that could alter these estimates are reviewed continually. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date. Assumptions and estimates have been adjusted for the following areas in particular:

In response to the coronavirus pandemic, goodwill and non-financial assets were tested for impairment, and impairment tests were carried out for the cash-generating units. This primarily involved updating EBITDA planning. The calculations were based on a discount rate of 6.2% (September 30, 2019: 6.1%). The impairment test did not indicate any need for recognition of impairment charges. Neither a one-percentage-point increase in the discount rate nor an additional 10% reduction in expected future net cash flows would have led to the recognition of an impairment charge on goodwill items. Deviations from the current assumptions and estimates could arise depending on future business performance and the further progression of the coronavirus pandemic.

Deferred tax assets, which exceed the reversal of taxable temporary differences, are regularly tested for impairment. In the first half of the year, no impairment was recognized on deferred tax assets. LANXESS continues to assume that it will generate sufficient taxable income in the future to realize these deferred tax assets. Because the coronavirus pandemic has made it more difficult to forecast business performance, however, the tax planning calculations contain estimation uncertainties. Deviations from the current estimates could arise for individual tax jurisdictions depending on the future development of taxable income and any further tax relief legislation.

With regard to the measurement of provisions for defined benefit pension obligations, the discount rate assumptions and the fair values of the plan assets were updated for the significant countries with pension obligations. This relates in particular to Germany, Great Britain and the U.S. The discount rate in Germany has increased from 1.3% to 1.5% compared with December 31, 2019. In Great Britain and the U.S., the discount rates have fallen from 1.9% to 1.5% and from 3.2% to 2.6% respectively. In total, pension obligations decreased from €1,178 million (December 31, 2019) to €1,135 million. Furthermore, plan assets in Great Britain were transferred to an insurance company. As a result, the receivables relating to pension obligations decreased by €76 million.

The ongoing updates in other areas where assumptions and estimates are used (see “Estimation Uncertainties and the Exercise of Discretion” in the consolidated financial statements as of December 31, 2019) had no material influence on the consolidated interim financial statements.

In addition, government aid programs have been launched around the world to stabilize the economy in the coronavirus pandemic. These primarily involve tax measures such as cutting tax rates, postponing due dates or deferring tax payments, increasing tax exemptions, or changing options for loss carryforwards or carrybacks. Moreover, some countries have granted compensation for short-time work and exemption from or deferral of social security contributions. Overall, the government aid programs have no material influence on the consolidated interim financial statements as of June 30, 2020. Depending on the future development or conclusion of legislative processes in the individual countries, changes could arise in the future regarding the entitlement to and use of government aid programs.

The business of the LANXESS Group as a whole is not subject to pronounced seasonality. However, in light of the business activities of the individual segments, sales and earnings tend to be stronger in the first half of the year. For example, volumes of agrochemical products in the Advanced Industrial Intermediates and Saltigo business units tend to be higher in the first six months of the year because of the growing seasons. The businesses with products for the construction industry are also seasonal in that sales are higher in the summer than in the winter months, when construction activity is lower. This relates in particular to the Inorganic Pigments and Material Protection Products business units.

CHANGES IN THE 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, 2020	30	11	7	6	25	79
Additions	–	1	–	1	–	2
Retirements	(1)	(1)	–	–	(3)	(5)
Mergers	(1)	–	–	–	–	(1)
June 30, 2020	**28**	**11**	**7**	**7**	**22**	**75**
Associates and joint operations						
Jan. 1, 2020	–	2	1	–	–	3
Retirements	–	(1)	–	–	–	(1)
June 30, 2020	**0**	**1**	**1**	**0**	**0**	**2**
Non-consolidated companies						
Jan. 1, 2020	2	3	–	3	2	10
Additions	–	1	–	–	–	1
Retirements	–	(1)	–	–	–	(1)
June 30, 2020	**2**	**3**	**0**	**3**	**2**	**10**
Total						
Jan. 1, 2020	32	16	8	9	27	92
Additions	–	2	–	1	–	3
Retirements	(1)	(3)	–	–	(3)	(7)
Mergers	(1)	–	–	–	–	(1)
June 30, 2020	**30**	**15**	**8**	**10**	**24**	**87**

Itibanyl Produtos Especiais Ltda., Jarinu, Brazil, was acquired and fully consolidated in the reporting period. In addition, LANXESS Trademark Management GmbH, Leverkusen, Germany, and LANXESS Trademark GmbH & Co. KG, Leverkusen, Germany, were established and fully consolidated. LANXESS Holding Switzerland AG, Frauenfeld, Switzerland, was merged with LANXESS Switzerland GmbH, Frauenfeld, Switzerland.

In addition, LANXESS Beteiligungsgesellschaft mbH & Co. OHG, Leverkusen, Germany, LANXESS CISA (Pty) Ltd., Newcastle, South Africa, and LANXESS Electronic Materials L.L.C., Pyeongtaek, Republic of Korea, were sold. LANXESS Shanghai Pigments Co., Ltd., Shanghai, China, and LANXESS Additives Hong Kong Ltd., Hongkong, Hong Kong, were liquidated.

The 40% interest in the associate Currenta GmbH & Co. OHG, Leverkusen, Germany, and the non-consolidated company Siebte LXS GmbH, Leverkusen, Germany, were sold.

Divestments

Sale of the 40% interest in the chemical park operator Currenta By agreement dated August 6, 2019, it was resolved to sell the 40% interest in the chemical park operator Currenta GmbH & Co. OHG, Leverkusen, Germany, to Macquarie Infrastructure and Real Assets (MIRA). As of December 31, 2019, a carrying amount of € 0 million was recognized as held for sale. The sale of the interest was completed on April 30, 2020. The final purchase price amounted to €787 million. After deduction of the trade tax paid by Currenta, the proceeds from the sale amounted to €740 million. Of this amount, €6 million was still outstanding and recognized in other receivables on June 30, 2020. The relevant payment was made in July 2020. Furthermore, LANXESS received a profit participation of €150 million for fiscal year 2019. The income generated was recognized in the financial result. The chemical park business was allocated to the reconciliation segment.

Sale of the business with gallium-based organometallics By agreement dated November 28, 2019, LANXESS agreed to sell its business with gallium-based organometallics in the Advanced Intermediates segment to First Rare Materials Co. Ltd., Heyun Town, China, a subsidiary of Vital Materials, China. The object of the transaction was the sale of all shares in the subsidiary LANXESS Electronic Materials L.L.C., Pyeongtaek, Republic of Korea. As of December 31, 2019, the net asset value of minus €1 million was recognized as held for sale. In the transaction completed on January 31, 2020, the acquirer was paid €1 million for taking on the negative net assets. Including the net assets sold and the currency translation adjustment, there was a loss of €1 million, which is recognized in other operating expenses.

Assets Held for Sale

By agreement dated July 15, 2020, LANXESS agreed to sell its reverse osmosis membranes business from the Liquid Purification Technologies business unit in the Consumer Protection segment to SUEZ WTS Germany GmbH, Düsseldorf, Germany, a subsidiary of the French group SUEZ S.A., Paris, France. The object of the transaction was the sale of the membrane facilities and the research facilities at the Bitterfeld site. This transaction is expected to be completed by the end of 2020.

In the statement of financial position as of June 30, 2020, the assets to be disposed of were recognized as held for sale. Before reclassification, write-downs on intangible assets and property, plant and equipment of €18 million and impairment charges on inventories of €2 million were recognized. These were recognized as exceptional items in other operating expenses. The expected selling price was considered to be the fair value.

The assets held for sale comprise impaired property, plant and equipment and intangible assets of €0 million, impaired inventories of €7 million, and provisions and other liabilities of €3 million.

Discontinued Operations

Leather business unit In the context of further realignment, LANXESS initiated the sale of the Leather business unit in the former Performance Chemicals segment in fiscal year 2019. The individual chrome chemicals, chrome ore and organic leather chemicals businesses are integrated in this business unit. As no market participants or potential buyers have integrated their businesses in the same way, projects were actively initiated to sell the businesses separately. They were recognized as discontinued operations for the first time at the end of 2019. Individual assets and liabilities remain in the LANXESS Group and are recognized in continuing operations.

On January 10, 2020, the sale of the **chrome chemicals** business unit to the company K2019342391 (South Africa) Proprietary Limited, South Africa, a subsidiary of Brother Enterprises, China, was completed. The transaction comprised the shares in the subsidiary LANXESS CISA (Pty) Ltd., Newcastle, South Africa. The proceeds from the transaction amounted to €83 million. In total, net assets of €61 million were sold. These comprise intangible assets and property, plant and equipment of €47 million, inventories, trade receivables and other assets of €24 million, and cash of €5 million. The liabilities disposed comprise provisions and trade payables of €11 million as well as deferred taxes of €4 million. Currency translation differences relating to the net assets were also disposed in the amount of €16 million. A total profit of €6 million was generated, which was recognized in income from discontinued operations.

On November 15, 2019, a contract for the sale of the **chrome ore** business was concluded with the company Chrome Production Holdings Proprietary Limited, Johannesburg, South Africa, a subsidiary of Clover Alloys, South Africa. The contract covers the sale of the 74% interest in the subsidiary LANXESS Chrome Mining (Pty) Ltd., Modderfontein, South Africa. The transaction is still subject to the approval of the responsible authorities. The planned transaction is still expected to be completed by the end of fiscal year 2020.

Because of the continuing, global coronavirus pandemic, the offer and sale process for the **organic leather chemicals** business is still ongoing. The LANXESS management now expects the sale to be completed within the next 12 months.

With the exception of the special provisions of IFRS 5, the discontinued operations are recognized and measured according to the same financial reporting standards and interpretations as continuing operations.

The carrying amounts of the assets and liabilities relating to discontinued operations are shown in the following table:

Carrying Amounts of Reclassified Assets and Liabilities (Leather Business Unit)

€ million	Dec. 31, 2019	June 30, 2020
Property, plant and equipment and intangible assets	88	42
Inventories and trade receivables	111	72
Other assets	4	3
Total assets	**203**	**117**
Provisions	47	37
Trade payables	36	19
Other liabilities	15	9
Total liabilities	**98**	**65**

In detail, earnings from discontinued operations are as follows:

Income Statement from Discontinued Operations (Leather Business Unit)

€ million	H1 2019	H1 2020
Sales	**170**	**109**
Cost of sales	(128)	(87)
Gross profit	**42**	**22**
Other functional costs	(43)	(30)
Operating result (EBIT)	**(1)**	**(8)**
Financial result	**(2)**	**0**
Income before income taxes	**(3)**	**(8)**
Income taxes	0	0
Income after income taxes	**(3)**	**(8)**

The cash flows of continuing operations are shown separately from the cash flows of discontinued operations in the cash flow statement. The cash flows of discontinued operations are shown combined in one line per area.

The currency translation adjustment recognized in other equity components allocable to discontinued operations as of June 30, 2020, includes gains of €6 million (December 31, 2019: losses of €15 million), and the amounts recognized cumulatively in other reserves for the remeasurement of the net defined benefit liability include losses of €10 million (December 31, 2019: €11 million).

The discontinued operations of the Leather business unit generated EBITDA pre exceptionals of minus €13 million (previous year: €8 million), due primarily to downtime in South Africa as a result of strikes and coronavirus. This includes exceptional items of €5 million that impacted EBITDA (previous year: minus €1 million). Capital expenditures amounted to €1 million (previous year: €6 million). The number of employees allocable to discontinued operations was 765 as of June 30, 2020 (December 31, 2019: 1,175).

ADDITION FROM ACQUISITION

On February 3, 2020, LANXESS acquired all shares in the Brazilian biocide manufacturer Itibanyl Produtos Especiais Ltda., Jarinu, Brazil. Biocides and specialty chemicals for the paint and varnish industry are manufactured at the site. The product portfolio also includes preservatives and fungicides for process control in water treatment as well as active ingredients for disinfection and cleaning agents. This acquisition enhances LANXESS's position as one of the world's leading manufacturers of biocidal active ingredients and formulations. The business with around 100 employees, production plants and laboratory facilities was integrated into the Material Protection Products business unit of the new Consumer Protection segment. The purchase price of €26 million was financed with existing liquidity.

The acquisition was accounted for as a business combination in accordance with IFRS 3. For the purchase price allocation, the identifiable assets, liabilities and contingent liabilities of the business acquired were recognized at fair value. The intangible assets identified as part of the purchase price allocation are mainly the brand and customer relationships. IFRS 3 permits adjustment of the purchase price allocation within one year of the date of acquisition to reflect new information and findings. Changes can arise in all items of the statement of financial position.

The acquired business contributed €7 million to sales after the acquisition date and did not have any material effect on earnings of the LANXESS Group. Net income was impacted by charges as a result of the purchase price allocation. If the business had been already acquired as of January 1, 2020, the contribution to LANXESS Group sales and to net income would have changed only slightly.

In connection with this acquisition, transaction costs totaling less than €1 million were recognized in other operating expenses.

The goodwill of €13 million resulting from the acquisition mainly reflects additional sales opportunities arising with new customers primarily in the South American market. The acquisition expands LANXESS's global production capacities and enables South American customers to be served from local facilities. The local advantage of the production site is reflected in goodwill. The goodwill is tax-deductible.

The following table shows the effects of the acquisition on the Group's financial position:

Addition from Acquisition

€ million	Fair values at first-time consolidation
Intangible assets	7
Property, plant and equipment	3
Other assets	6
Total assets	**16**
Other non-current liabilities	1
Other current liabilities	2
Total liabilities (excl. equity)	**3**
Net acquired assets (excl. goodwill)	**13**
Cost of acquisition	**26**
Goodwill	**13**

REPURCHASE OF OWN SHARES

The Board of Management of LANXESS AG resolved on March 10, 2020, to exercise the authorization granted by the Annual Stockholders' Meeting on May 23, 2019, and to buy own shares at a total volume of up to €500 million (excluding incidental expenses) and divided into two tranches of €250 million each on the stock exchange. The stock repurchase began on March 12, 2020. In light of the coronavirus pandemic, the Board of Management decided on April 6, 2020, to suspend the stock repurchase program until further notice with immediate effect. Until the program was suspended, LANXESS AG had repurchased 1,101,549 shares. This equates to 1.26% of LANXESS AG's capital stock. On average, €33.32 was paid for each repurchased share. The repurchase value totaled €37 million and was recognized in other reserves as a reserve for own shares, reducing equity. The Board of Management of LANXESS AG will assess the situation continuously and decide on a resumption of the stock repurchase program at the appropriate time. The repurchased shares have not yet been canceled.

EARNINGS PER SHARE

Earnings per share for the second quarter and first half of 2019 and 2020 were calculated on the basis of the weighted average number of shares outstanding during each reporting period. They resulted from continuing operations and discontinued operations. 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, 2019.

Earnings per Share

	Q2 2019	Q2 2020	Change %	H1 2019	H1 2020	Change %
Net income (€ million)	100	798	> 100	184	862	> 100
from continuing operations	96	803	> 100	183	866	> 100
from discontinued operations	4	(5)	< (100)	1	(4)	< (100)
Weighted average number of shares outstanding	88,013,640	86,347,813	(1.9)	89,236,127	86,832,027	(2.7)
Earnings per share (basic/diluted) (€)	**1.14**	**9.24**	**> 100**	**2.06**	**9.93**	**> 100**
from continuing operations	1.09	9.30	> 100	2.05	9.97	> 100
from discontinued operations	0.05	(0.06)	< (100)	0.01	(0.04)	< (100)

Prior-year figures restated

ANNUAL STOCKHOLDERS' MEETING AND DIVIDEND PROPOSAL FOR FISCAL YEAR 2019

Due to the coronavirus pandemic, LANXESS was unable to hold its Annual Stockholders' Meeting on May 13, 2020, as originally planned. The Annual Stockholders' Meeting will now take place in virtual form on August 27, 2020. The Board of Management and Supervisory Board are adhering to their original dividend proposal for fiscal year 2019 of €0.95 per share. This will be voted upon by the stockholders at the Annual Stockholders' Meeting.

FINANCIAL INSTRUMENTS

Fair value measurement

The following table shows the volumes of assets and liabilities that were measured at fair value on a recurring basis as of the end of the reporting period and the levels of the fair value hierarchy into which the inputs used in valuation techniques were categorized.

According to the fair value hierarchy, quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date are given the highest priority (Level 1). Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, are assigned to Level 2. Unobservable inputs for the asset or liability are given the lowest priority (Level 3).

Assets and Liabilities Measured at Fair Value

	Dec. 31, 2019			June 30, 2020		
€ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current assets						
Investments in other affiliated companies	–	–	0	–	–	0
Non-current derivative assets	–	1	–	–	1	–
Other non-current financial assets	–	1	5	–	1	5
Current assets						
Financial assets	0	–	–	0	–	–
Current derivative assets	–	5	–	–	7	–
Other current financial assets	–	–	–	–	–	–
Near-cash assets	–	–	–	1,260	–	–
Non-current liabilities						
Non-current derivative liabilities	–	2	–	–	6	–
Current liabilities						
Current derivative liabilities	–	17	–	–	24	–

As of June 30, 2020, €1,260 million (December 31, 2019: €0 million) of near-cash assets were assigned to Level 1 of the measurement hierarchy. These relate to units in money market funds that can be sold at any time.

Other equity investments of €0 million (December 31, 2019: €0 million), which are assigned to Level 3 of the measurement hierarchy, include unlisted equity instruments for which the amount of the equity interests held is used as the most reliable estimate of fair value. There are currently no plans to dispose of these investments.

Other non-current assets assigned to Level 3 include investments in High-Tech-Gründerfonds, which are measured based on the amount of the equity interests held. The fair values amount to €5 million (December 31, 2019: €5 million).

The derivative financial instruments used by LANXESS are primarily traded in an active, liquid market. The fair values as of the end of the reporting period pertain mainly to forward exchange contracts and are derived from their trading or listed prices using the "forward method" or "spot method". Where no market price is available, values are determined using recognized capital market pricing methods based on observable market data. In determining the fair values, adjustments for LANXESS's own credit risk and counterparty credit risk are made on the basis of the respective net position.

In the case of financial instruments accounted for using valuation principles other than fair value measurement, the fair value – when reliably determined – is normally the carrying amount. The fair value of the bonds, which have a carrying amount of €2,675 million, amounted to €2,804 million as of June 30, 2020. The carrying amount of the bonds as of December 31, 2019, was €2,673 million and their fair value €2,864 million. Fair value measurement of the bonds is allocated to Level 1 of the hierarchy although, as of June 30, 2020, two bonds with a fair value of €227 million were allocated to Level 2 as there was no liquid market for them. As of December 31, 2019, two bonds with a fair value of €236 million were allocated to Level 2 of the hierarchy. The fair value of liabilities allocated to Level 2 is calculated using discounted cash flows, taking observed market interest rates into account.

Expected credit losses of financial instruments

Expected credit losses, taking reversals into account, of €0 million are reported in other operating expenses in relation to trade receivables and contract assets. The loss allowances amount to €10 million (December 31, 2019: €12 million).

The expected losses on other financial assets to be taken into account in the financial result amount to €0 million.

Additional information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as of December 31, 2019.

Drawdown and repayment of credit facilities

On March 27, 2020, a drawdown was made on the syndicated credit facility of €1 billion, which had been extended in December 2019. This was repaid in full in the second quarter of 2020.

SEGMENT REPORTING

As of January 1, 2020, the internal management of the operating business and thus the internal reporting structure were adjusted. LANXESS now pools its consumer protection products in a new Consumer Protection segment. The structure of the segment reporting has changed accordingly. The new segment replaces the former Performance Chemicals segment and comprises the Material Protection Products, Liquid Purification Technologies and Saltigo business units. The Inorganic Pigments business unit was allocated to the Advanced Intermediates segment.

The Advanced Intermediates segment comprises operational business units that chiefly manufacture standardized and high-volume products in capital-intensive and primarily continuous production processes. The products manufactured mainly comprise basic and fine chemicals, organometallics, rubber materials, and inorganic pigments for the coloring of construction material as well as paints and coatings.

The Consumer Protection segment comprises operating units that focus on consumer protection products. The products are subject to strict regulatory requirements and are highly variable with options for configuration or are manufactured especially for individual customers in campaigns, batches, or specific chemical production processes. The products manufactured primarily comprise disinfectant, hygiene and preservative solutions, technologies for the treatment of water and other liquids, and precursors and intermediates for the agrochemicals, pharmaceuticals and specialty chemicals industries.

Reported sales are predominantly achieved through the sale of products. Other types of sales only make an immaterial contribution to total sales. In the LANXESS Group, revenue is recognized in principle at the time at which control of the products passes physically to the customer. Sales are recognized over time in the business model of manufacturing customer-specific products on the basis of long-term sales contracts with contractually defined minimum purchase requirements in the Consumer Protection segment and for services. The segment sales include sales recognized over time of €232 million (previous year: €202 million), of which €22 million (previous year: €21 million) relate to the Advanced Intermediates segment, €0 million (previous year: €0 million) to the Specialty Additives segment, €191 million (previous year: €159 million) to the Consumer Protection segment, €8 million (previous year: €9 million) to the Engineering Materials segment, and €12 million (previous year: €13 million) to the reconciliation.

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

Reconciliation of Segment Results

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Total segment results	**316**	**259**	**629**	**548**
Depreciation and amortization/reversals of impairment charges	(117)	(137)	(227)	(252)
Other	(35)	(35)	(76)	(79)
Exceptional items affecting EBITDA	(21)	(26)	(43)	(52)
Net interest expense	(15)	(16)	(29)	(30)
Income from investments accounted for using the equity method	0	–	0	–
Other financial income and expense	12	883	7	881
Income before income taxes	**140**	**928**	**261**	**1,016**

Additional information is provided in “Notes on EBIT and EBITDA (Pre Exceptionals)” in the Interim Group Management Report as of June 30, 2020.

As a result of the described segment adjustments, the segment assets and liabilities for the Advanced Intermediates and Consumer Protection segments have changed. Segment assets amount to €1,517 million (December 31, 2019: €1,537 million) for the Advanced Intermediates segment and €1,030 million (December 31, 2019: €986 million) for the Consumer Protection segment.

Segment liabilities amount to €619 million (December 31, 2019: €701 million) for the Advanced Intermediates segment and €383 million (December 31, 2019: €396 million) for the Consumer Protection segment.

RELATED PARTIES

In the course of its operations, the LANXESS Group sources materials, inventories and services from a large number of business partners around the world. 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 with Currenta GmbH & Co. OHG, Leverkusen, Germany, which was accounted for in the consolidated financial statements using the equity method until it was sold on April 30, 2020, and its subsidiaries mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics. In the first four months of 2020, the services amounted to €136 million, compared with €147 million in the prior-year period. The LANXESS Group generated sales of €10 million from transactions with Currenta GmbH & Co. OHG and its affiliated companies, compared with €10 million in the prior-year period. In addition, the other financial result includes the payment of a profit distribution by Currenta GmbH & Co. OHG, Leverkusen, Germany. This amounted to €150 million for fiscal year 2019 after €21 million in the previous year.

No material business transactions were undertaken with other related parties. 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 2020.

EMPLOYEES

The LANXESS Group had 14,348 employees in continuing operations worldwide as of June 30, 2020, which was 44 more than on December 31, 2019 (14,304).

The number of employees in the EMEA region (excluding Germany) fell by 29 to 1,777. Headcount in Germany came to 7,658, against 7,558 as of December 31, 2019. The workforce in North America decreased from 2,031 to 1,994. Due to the acquisition of the Brazilian company Itibanyl Produtos Especiais Ltda., the number of employees in Latin America increased to 796 after 716 as of December 31, 2019. The number of LANXESS employees in the Asia-Pacific region decreased from 2,193 to 2,123.

In addition, 765 employees (December 31, 2019: 1,175) were employed in discontinued operations as of June 30, 2020.

EVENTS AFTER THE REPORTING PERIOD

As part of the strategic realignment of the Liquid Purification Technologies business unit with a focus on the ion exchange resins business, LANXESS signed an agreement on July 15, 2020, with the French group SUEZ. In the statement of financial position as of June 30, 2020, the assets to be disposed of were recognized as held for sale. Before reclassification, write-downs on intangible assets and property, plant and equipment of €18 million and impairment charges on inventories of €2 million were recognized. Further information can be found under “Assets held for sale.”

No other events of special significance took place after June 30, 2020, that are expected to materially affect the financial position or results of operations of the LANXESS Group.

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 in line with generally accepted accounting standards, 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 fiscal year.

Cologne, August 3, 2020
LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert Dr. Anno Borkowsky

Dr. Stephanie Coßmann Dr. Hubert Fink

Michael Pontzen

REVIEW REPORT TO LANXESS AKTIENGESELLSCHAFT, COLOGNE

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, Cologne, for the period from January 1 to June 30, 2020, which are part of the half-year financial report pursuant to Section 115 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 E.U. 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 Management. 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 E.U. 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 E.U. 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, August 4, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jörg Sechser	ppa. Martin Krug
German Public Auditor	German Public Auditor

Financial Calendar 2020

AUG

AUGUST 13

Half-Year Financial Report
H1 2020
Conference Call

AUGUST 27

Annual Stockholders' Meeting
(virtual)

NOV

NOVEMBER 5

Quarterly Statement
Q3 2020
Conference Call

JAN FEB MAR APR MAY JUN JUL SEP OCT DEC

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