HALF-YEAR FINANCIAL REPORT

January 1 to June 30, 2019

LANXESS

Energizing Chemistry

CONTENTS

LANXESS Group Key Data

in Mio. €	Q2 2018	Q2 2019	Change %	H1 2018	H1 2019	Change %
Sales	1,829	1,810	(1.0)	3,645	3,632	(0.4)
Gross profit	497	495	(0.4)	971	966	(0.5)
Gross profit margin	27.2%	27.3%		26.6%	26.6%	
EBITDA pre exceptionals[1]	290	286	(1.4)	560	561	0.2
EBITDA margin pre exceptionals[1]	15.9%	15.8%		15.4%	15.4%	
EBITDA[1]	263	264	0.4	518	517	(0.2)
Operating result (EBIT) pre exceptionals[1]	187	168	(10.2)	356	329	(7.6)
EBIT[1]	159	143	(10.1)	313	282	(9.9)
EBIT margin[1]	8.7%	7.9%		8.6%	7.8%	
Net income[2]	97	100	3.1	178	184	3.4
Earnings per share (€)[2]	1.05	1.14	8.6	1.94	2.06	6.2
Earnings per share adjusted for exceptional items and amortization of intangible assets (€)[2, 3]	1.45	1.51	4.1	2.61	2.79	6.9
Cash flow from operating activities[2]	37	82	> 100	65	114	75.4
Depreciation and amortization	104	121	16.3	205[6]	235	14.6
Cash outflows for capital expenditures	83	112	34.9	143	184	28.7
Total assets				8,687[7]	8,584	(1.2)
Equity (including non-controlling interests)				2,773[7]	2,648	(4.5)
Equity ratio[4]				31.9%[7]	30.8%	
Net financial liabilities[5]				1,923[7]	2,602	35.3
Net financial liabilities after deduction of time desposits[5]				1,381[7]	1,902	37.7
Employees (as of June 30)				15,441[7]	15,403	(0.2)

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
See "Notes on EBIT and EBITDA (pre exceptionals)" for details.
2) Prior-year figures from continuing operations.
3) Earnings per share adjusted for exceptional items and amortization of intangible assets: earnings per share disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects
See "Net income/earnings per share/earnings per share adjusted for exceptional items and amortization of intangible assets" for details.
4) Equity ratio: equity in relation to total assets
5) Net financial liabilities: total 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.
6) Net reversals of write-downs of €1 million.
7) As of December 31, 2018.

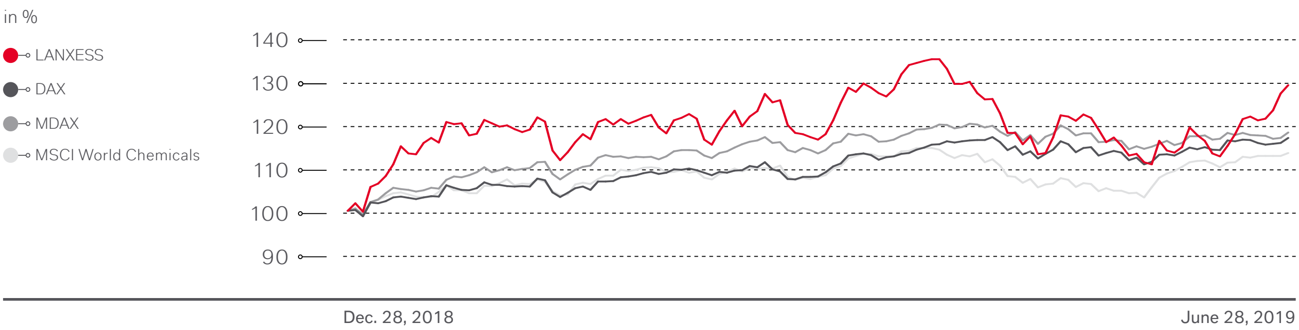
LANXESS ON THE CAPITAL MARKET

In the first months of 2019, the LANXESS share recovered significantly compared to the fourth quarter of 2018, visibly outperforming the benchmark indices in the first half of the year. As of the reporting date on June 30, the share had grown in value by around 30% compared to the end of 2018. Over the course of the first half of the year, the share's performance exceeded that of the MDAX by around 11% and the DAX by 13%.

The Board of Management of LANXESS AG resolved on January 10, 2019, to exercise the authorization granted by the Annual Stockholders' Meeting on May 20, 2016, and to buy own shares at a total purchase price of up to €200 million (not including incidental expenses) on the stock exchange. The share repurchase was begun on January 14, 2019, and completed on June 12, 2019. In total, LANXESS AG bought back 4,075,084 shares at an average price of around €49.08. This equates to 4.453% of the company's capital stock. The total price, not including incidental expenses, of the repurchased shares amounted to €199,999,958.47. The repurchased shares were cancelled on July 9, 2019.

At this year's Annual Stockholders' Meeting on May 23, 2019, the stockholders agreed to the dividend proposal by the Board of Management and Supervisory Board for fiscal year 2018 of €0.90 per share.

Stock Performance vs. Indices



LANXESS Stock

		Q4 2018	Q1 2019	Q2 2019
Capital stock/no. of shares[1]	€/no. of shares	91,522,936	91,522,936	**91,522,936**
Weighted average number of shares outstanding	no. of shares	91,522,936	90,472,198	**88,013,640**
Market capitalization[1]	€ billion	3.68	4.35	**4.78**
High/low (intraday) for the period	€	64.14/40.59	51.12/40.99	**55.20/44.88**
Closing price[1]	€	40.20	47.54	**52.26**
Earnings per share adjusted for exceptional items and amortization of intangible assets[2]	€	0.61[3]	1.28	**1.51**

1) End of quarter: Q4: December 31, 2018, Q1: March 31, 2019, Q2: June 30, 2019.
2) Earnings per share pre exceptional items and amortization of intangible assets: earnings per share disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects. Earnings per share were calculated on the basis of the weighted average number of shares outstanding during the period.
3) Prior-year figure from continuing operations.

INTERIM GROUP MANAGEMENT REPORT

as of June 30, 2019

- Sales at €1,810 million in the second quarter after €1,829 million in the same quarter of the previous year
- Positive currency effects largely compensate for decline in sales and earnings
- EBITDA pre exceptionals at €286 million after strong prior-year quarter of €290 million
- EBITDA margin pre exceptionals stable at 15.8% after 15.9% in the prior-year quarter
- Earnings per share adjusted for exceptional items and amortization of the Group's intangible assets increased in the second quarter from €1.45 to €1.51
- Guidance for fiscal year 2019 confirmed: EBITDA pre exceptionals of between €1,000 million and €1,050 million

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 elsewhere.

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 60 of the Annual Report 2018 and in the "Changes in the scope of consolidation" section of the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2019.

Management and business organization

The Supervisory Board of LANXESS AG has appointed Dr. Anno Borkowsky as a new member of the Board of Management. Effective June 1, 2019, the Board of Management was thus expanded to five members. Dr. Borkowsky, formerly Head of the Additives business unit, is taking over the management of the Specialty Additives segment as part of his Board of Management role. At the same time, the Additives business unit assigned to this segment has been split into the two business units Polymer Additives and Lubricant Additives Business. The Specialty Additives segment, which also includes the Rhein Chemie business unit, has therefore comprised three business units since June 1, 2019.

We completed the sale of our 50% interest in ARLANXEO to the Saudi Aramco subsidiary Aramco Overseas Holdings Coöperatief U.A., The Hague, Netherlands, on December 31, 2018. We received a payment of approximately €1.4 billion from Saudi Aramco for our share. Pension assets were increased by €200 million from these funds as of the end of the previous year and debt was reduced as a result. In the first half of the year, own shares were purchased on the stock exchange for another €200 million (not including incidental expenses), which were withdrawn in July.

ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

Business conditions

General economic situation

In the second quarter, the global economy grew by 2.8% overall compared with the prior-year quarter. The EMEA region performed almost as expected with growth of 1.4%, as did the Americas at 2.2%. Despite declining growth, Asia-Pacific remained a fast-growing region with 4.6%.

Evolution of major industries

The global chemical industry increased its sales volumes in the second quarter, however fell slightly short of expectations. Global automotive production in the reporting period was significantly down on the prior-year period. In the second quarter, the overall agrochemicals market developed largely as expected, while the construction industry fell slightly short of expectations.

Sales

Sales of the LANXESS Group in the second quarter of 2019 amounted to €1,810 million, down €19 million or 1.0% against the same period a year ago. Lower volumes reduced sales by 3.3%. By contrast, exchange rate effects saw sales rise by 2.5%. The change in selling prices did not have any significant impact on the Group's sales performance.

Sales in the first six months of fiscal year 2019 amounted to €3,632 million, roughly at the previous year's level. In the previous year, the half-year sales amounted to €3,645 million. In the first half of the year, the effect of lower sales volumes was nearly offset by the beneficial development in exchange rates, higher selling prices and the contribution from the U.S. phosphorus additives business acquired from the Belgian chemicals group Solvay in February 2018. Adjusted for currency and portfolio effects, the LANXESS Group recorded a 3.3% decrease in operational sales in the first half of the year.

Effects on Sales

in %	Q2 2019	H1 2019
Price	(0.2)	0.2
Volume	(3.3)	(3.5)
Currency	2.5	2.8
Portfolio	0.0	0.1
	(1.0)	**(0.4)**

In our Advanced Intermediates and Performance Chemicals segments, higher sales than in the previous year or sales on a par with the previous year were achieved in the quarter as well as in the first six months. Sales in the other two 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 data" for details.

Sales by Segment

€ million	Q2 2018	Q2 2019	Change %	Proportion of Group sales %	H1 2018	H1 2019	Change %	Proportion of Group sales %
Advanced Intermediates	546	561	2.7	30.9	1,111	1,147	3.2	31.5
Specialty Additives	508	506	(0.4)	28.0	1,008	991	(1.7)	27.3
Performance Chemicals	356	356	0.0	19.7	692	703	1.6	19.4
Engineering Materials	399	365	(8.5)	20.2	791	747	(5.6)	20.6
Reconciliation	20	22	10.0	1.2	43	44	2.3	1.2
	1,829	**1,810**	**(1.0)**	**100.0**	**3,645**	**3,632**	**(0.4)**	**100.0**

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 1.3% compared with the prior-year quarter to €1,315 million. The decline resulted primarily from lower sales volumes. By contrast, adverse exchange rate effects led to higher costs. Capacity utilization was below the previous year's level. While gross profit was €495 million, down slightly by €2 million or 0.4% against the prior-year quarter, the gross margin remained level with the previous year at 27.3%.

The cost of sales amounted to €2,666 million in the first half of the year, roughly on a par with the previous year's level. In the prior-year period, the cost of sales amounted to €2,674 million. Gross profit fell slightly year on year by €5 million, or 0.5%, to €966 million. The positive effect from the change in exchange rates and higher selling prices was offset by lower sales volumes, lower capacity utilization and associated idle costs. As in the previous year, the gross margin was 26.6%.

EBITDA Pre Exceptionals by Segment

€ million	Q2 2018	Q2 2019	Change %	H1 2018	H1 2019	Change %
Advanced Intermediates	97	107	10.3	199	221	11.1
Specialty Additives	91	89	(2.2)	172	172	0.0
Performance Chemicals	58	60	3.4	110	114	3.6
Engineering Materials	81	65	(19.8)	154	130	(15.6)
Reconciliation	(37)	(35)	5.4	(75)	(76)	(1.3)
	290	**286**	**(1.4)**	**560**	**561**	**0.2**

EBITDA pre exceptionals and operating result (EBIT)

In a challenging economic environment and compared with a strong prior-year quarter, EBITDA pre exceptionals fell only slightly in the second quarter of 2019 by €4 million, or 1.4%, to €286 million. Earnings were brought down in particular by lower sales volumes in the Specialty Additives and Engineering Materials segments, due primarily to weak demand from the automotive industry, and weak chrome ore business and lower sales volumes due to strikes in South Africa in the Performance Chemicals segment. At Group level, this development was largely compensated for due to the stability of the portfolio and the advantageous change in exchange rates, especially of the U.S. dollar. The development of both selling prices and procurement prices for raw materials varied significantly between the individual segments and resulted in a slight earnings decline overall. Please see the table above and "Segment data" for details on the individual segments. Owing especially to exchange rate effects and higher freight costs, selling expenses rose by 7.5% to €228 million. Research and development expenses amounted to €31 million after €28 million in the prior-year period, and general administration expenses were on a par with the previous year at €69 million. The Group EBITDA margin pre exceptionals came in at 15.8%, against 15.9% in the prior-year quarter.

Group EBITDA pre exceptionals amounted to €561 million in the first half of the year, €1 million higher than the previous year's figure of €560 million. Earnings were brought down by lower sales volumes in the Specialty Additives and Engineering Materials segments as well as weak chrome ore business and lower sales volumes due to strikes in South Africa in the Performance Chemicals segment. This effect was more than compensated for by the significant change in exchange rates, particularly of the U.S. dollar, and slightly higher selling prices. The higher energy costs had a negative impact on earnings, which was not compensated for by the partially decreased procurement prices for raw materials. Owing primarily to exchange rate effects and higher freight costs, selling expenses also rose by €33 million to €444 million in the first half of the year. Research and development costs amounted to €59 million, compared to €58 million in the prior-year period, while general administration expenses decreased by €11 million to €135 million due partly to lower expenses for variable compensation and lower costs of the former Chemtura businesses than in the previous year.

The Group operating result (EBIT) amounted to €143 million in the second quarter. In the previous year, Group EBIT amounted to €159 million. Depreciation, amortization and write-downs came to €121 million, and were €17 million, or 16.3%, above the figure for the prior-year quarter, which was primarily due to the changed lease accounting. Of the depreciation, amortization and write-downs, €3 million was attributable to write-downs and recognized as an exceptional item. Net negative exceptional items of €25 million included in other operating income and expenses for the reporting quarter resulted from negative exceptional items of €26 million and positive exceptional items of €1 million. The exceptional items, €22 million of which impacted EBITDA, resulted primarily from expenses in connection with the strategic realignment of the LANXESS Group, digitalization projects and M&A activities. In the prior-year quarter, net negative exceptional items of €28 million were incurred, €27 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 €282 million, compared with €313 million a year earlier. Depreciation, amortization and write-downs rose by €30 million from €205 million to €235 million primarily due to the changed lease accounting. In the previous year, the depreciation, amortization and write-downs were offset by reversals of impairment charges of €1 million. Net negative exceptional items of €47 million included in other operating income and expenses for the first half of the year resulted from negative exceptional items of €49 million and positive exceptional items of €2 million. The exceptional items, €44 million of which impacted EBITDA, were also primarily attributable to expenses in connection with the strategic realignment of the LANXESS Group, digitalization projects and M&A activities. In the prior-year period, net negative exceptional items of €43 million were incurred, €42 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 2018	Q2 2019	Change %	H1 2018	H1 2019	Change %
EBITDA pre exceptionals	**290**	**286**	**(1.4)**	**560**	**561**	**0.2**
Depreciation and amortization/reversals of impairment charges	(104)	(121)	(16.3)	(205)	(235)	(14.6)
Exceptional items in EBITDA	(27)	(22)	18.5	(42)	(44)	(4.8)
Operating result (EBIT)	**159**	**143**	**(10.1)**	**313**	**282**	**(9.9)**

Financial result

The financial result improved in the second quarter of 2019 by €18 million to minus €3 million. The net interest result improved year on year by €2 million to minus €15 million due to the refinancing of a bond that matured in May 2018 on more favorable terms. As in the prior-year period, companies accounted for using the equity method did not generate an earnings contribution. The other financial result was plus €12 million, compared with minus €4 million in the prior-year period. The increase in earnings primarily resulted from the payment of a higher dividend by Currenta GmbH & Co. OHG, Leverkusen, Germany. This amounted to €21 million in the reporting year after €9 million in the previous year. In addition, the adjustment of the internal financing of subsidiaries and the associated currency hedging had a positive impact on the financial result.

The financial result for the first half of 2019 was minus €24 million, against minus €55 million a year earlier. Primarily due to the refinancing of a bond that matured in the previous year on more favorable terms, the net interest result improved by €6 million year on year to minus €29 million. The other financial result was €5 million in the reporting period, compared with minus €20 million in the prior-year period. As in the second quarter, the earnings increase resulted primarily from the above-mentioned profit distribution and the currency hedging.

Income before income taxes

Income before income taxes improved by €2 million to €140 million in the second quarter. The effective tax rate was 30.0%, compared with 29.7% for the prior-year quarter.

Income before income taxes amounted to €258 million in the first half of the year, equal to the previous year's figure. The effective tax rate was 29.8%, against 31.4% a year earlier.

Net income/earnings per share/earnings per share pre exceptional items and amortization of intangible assets

Net income came to €100 million in the second quarter. In the prior-year quarter, net income from continuing operations amounted to €97 million. At €184 million in the first half of the year, net income was €6 million higher than the net income from continuing operations of €178 million of the previous year. Earnings attributable to non-controlling interests amounted to minus €2 million in the second quarter of 2019, compared with plus €30 million for the prior-year period. In the first half of 2019, they amounted to minus €3 million, against plus €43 million a year earlier. In the previous year, the earnings attributable to non-controlling interests in the second quarter and first half of the year resulted almost exclusively from Saudi Aramco's interest in ARLANXEO.

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 €1.14 in the second quarter, which was higher than the prior-year quarter's figure from continuing operations of €1.05 due to better net income and a lower average number of shares outstanding. In the first half of the year, they were €2.06 compared with €1.94 in the prior-year period. A total of 4,075,084 own shares were 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 the first half of 2019, this resulted in a weighted average number of shares outstanding of 88,013,640 and 89,236,127 respectively after 91,522,936 in the respective periods of the previous year.

We also calculate earnings per share pre exceptionals and amortization of intangible assets, which is not defined by International Financial Reporting Standards. This value was calculated from net income adjusted for exceptional items, amortization of intangible assets and attributable tax effects.

Earnings per share pre exceptionals and adjusted for amortization of intangible assets came in at €1.51 in the second quarter and €2.79 in the first half of 2019. In the second quarter and first half of the previous year, earnings per share from continuing operations pre exceptionals and amortization of intangible assets amounted to €1.45 and €2.61 respectively.

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

€ million	Q2 2018	Q2 2019	H1 2018	H1 2019
Net income[1]	**97**	**100**	**178**	**184**
Exceptional items[2]	28	25	43	47
Amortization of intangible assets/reversals of impairment charges[2]	21	21	41	42
Attributable tax effects[2]	(13)	(13)	(23)	(24)
Net income adjusted for exceptional items and amortization of intangible assets[1]	**133**	**133**	**239**	**249**
Weighted average number of shares outstanding	91,522,936	88,013,640	91,522,936	89,236,127
Earnings per share adjusted for exceptional items and amortization of intangible assets (€)[1]	**1.45**	**1.51**	**2.61**	**2.79**

1) Prior-year figures from continuing operations.
2) Excluding items attributable to non-controlling interests.

BUSINESS DEVELOPMENT BY REGION

Sales by Market

	Q2 2018		Q2 2019		Change	H1 2018		H1 2019		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	577	31.6	553	30.5	(4.2)	1,180	32.4	1,144	31.5	(3.1)
Germany	363	19.8	325	18.0	(10.5)	723	19.8	670	18.4	(7.3)
North America	385	21.1	409	22.6	6.2	758	20.8	805	22.2	6.2
Latin America	105	5.7	97	5.4	(7.6)	194	5.3	188	5.2	(3.1)
Asia-Pacific	399	21.8	426	23.5	6.8	790	21.7	825	22.7	4.4
	1,829	**100.0**	**1,810**	**100.0**	**(1.0)**	**3,645**	**100.0**	**3,632**	**100.0**	**(0.4)**

Sales in the **EMEA** region (excluding Germany) fell by €24 million, or 4.2%, to €553 million in the second quarter of 2019. Adjusted for positive currency effects, sales were down 4.6% compared with the prior-year quarter. This development was primarily attributable to the Engineering Materials segment, which saw a reduction in sales by a low-double-digit percentage. Business in the Performance Chemicals segment likewise declined, while the other segments developed positively.

Sales in the first half of 2019 in the EMEA (excluding Germany) region decreased by €36 million, or 3.1%, to €1,144 million. Adjusted for positive currency effects, sales fell by 3.6%. The Engineering Materials segment accounted for a predominant share of this development, recording a decline by a low-double-digit percentage. The Specialty Additives and Performance Chemicals segments likewise posted declining sales, while the Advanced Intermediates segment achieved a slight increase.

Sales in **Germany** in the second quarter were down €38 million, or 10.5%, year on year, at €325 million. After adjustment for slightly positive currency effects, sales fell by 10.9%. While sales in the Specialty Additives segment fell by a low-single-digit percentage, the other segments recorded more significant business losses.

In the first half of 2019, sales in Germany fell by 7.3%, or €53 million, to €670 million. Adjusted for slightly positive currency effects, the decline was 7.7%. All segments posted sales that were down on the previous year's figure by a low single- to double-digit percentage.

Sales in the **North America** region increased by €24 million, or 6.2%, to €409 million in the second quarter of 2019. After adjustment for positive currency effects, resulting primarily from the development of the U.S. dollar, sales were up by 0.4%. Alongside the strong business performance of the Advanced Intermediates segment with growth by a low-double-digit percentage, the development was also shaped by growth in the Engineering Materials and Performance Chemicals segments. However, it was largely offset by the declining business performance of the Specialty Additives segment.

In the first half of 2019, sales in North America advanced by 6.2%, or €47 million, to €805 million. After adjustment for positive exchange rate changes and minor portfolio effects, sales declined by 1.1%. The positive development of the Advanced Intermediates segment and to a lesser extent the Performance Chemicals segment was more than offset by the business decline in the Specialty Additives segment.

Sales in the **Latin America** region in the second quarter of 2019, at €97 million, were €8 million, or 7.6%, down on the figure for the prior-year period of €105 million. Adjusted for positive currency effects, sales fell by 12.3%. All segments saw business declines by a mid-single- to low-double-digit percentage.

In the first half of 2019, sales in the Latin America region fell by €6 million, or 3.1%, to €188 million. Adjusted for positive currency effects, there was a decline of 8.3%. All segments reported sales declines by a mid-single- to low-double-digit percentage.

Second-quarter sales in the **Asia-Pacific** region increased by €27 million, or 6.8%, to €426 million. Adjusted for positive currency effects, sales rose by 2.7%. This business performance was driven by the Specialty Additives and Advanced Intermediates segments, with sales increases of mid-single-digit percentages.

In the first half of 2019, sales in this region advanced by €35 million, or 4.4%, to €825 million. After adjustment for positive currency effects, sales increased by 0.1%. While the Advanced Intermediates segment's sales increased by a mid-single-digit percentage and the Performance Chemicals segment maintained the previous year's level, the business declines of the Engineering Materials and Specialty Additives segments offset this positive development almost entirely.

SEGMENT INFORMATION

Advanced Intermediates

	Q2 2018		Q2 2019		Change	H1 2018		H1 2019		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	546		561		2.7	1,111		1,147		3.2
EBITDA pre exceptionals	97	17.8	107	19.1	10.3	199	17.9	221	19.3	11.1
EBITDA	97	17.8	107	19.1	10.3	199	17.9	221	19.3	11.1
Operating result (EBIT) pre exceptionals	65	11.9	68	12.1	4.6	136	12.2	148	12.9	8.8
Operating result (EBIT)	65	11.9	68	12.1	4.6	136	12.2	148	12.9	8.8
Cash outflows for capital expenditures	30		33		10.0	53		58		9.4
Depreciation and amortization	32		39		21.9	63		73		15.9
Employees as of June 30 (previous year: as of Dec. 31)	3,687		3,702		0.4	3,687		3,702		0.4

Our **Advanced Intermediates** segment posted sales of €561 million in the second quarter of 2019, 2.7% or €15 million higher than in the prior-year quarter. Higher sales volumes added 3.5% to the rise in sales, with contributions from both business units of the segment. Selling prices were below the previous year's level in both the Advanced Industrial Intermediates business unit and the Saltigo business unit. Overall, this resulted in a sales decline of 2.6% at segment level. Shifts in exchange rates had a positive effect of 1.8%. With the exception of Germany and Latin America, the segment reported higher sales than in the prior-year quarter across all regions.

EBITDA pre exceptionals in the Advanced Intermediates segment amounted to €107 million, up by a considerable 10.3% from €97 million in the previous year. Ongoing positive business performance in the Advanced Industrial Intermediates business unit and good project business in the Saltigo business unit had a positive effect on earnings. In both business units, the higher sales volumes and beneficial development in exchange rates were partially offset by lower selling prices. The segment's EBITDA margin pre exceptionals rose to 19.1% after 17.8% in the prior-year period.

The Advanced Intermediates segment generated half-year sales in 2019 of €1,147 million, a year-on-year increase of 3.2%. This sales development was attributable in particular to higher sales volumes in both business units. At segment level, this resulted in sales growth of 2.3%. Shifts in exchange rates also had a positive effect on sales of 2.0%. Selling prices in both business units were below the previous year's level and reduced sales by 1.1%.

The segment achieved EBITDA pre exceptionals of €221 million in the first half of 2019, compared with €199 million in the prior-year period. The EBITDA margin pre exceptionals came in at 19.3%, against 17.9% in the previous year.

Specialty Additives

	Q2 2018		Q2 2019		Change	H1 2018		H1 2019		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	508		506		(0.4)	1,008		991		(1.7)
EBITDA pre exceptionals	91	17.9	89	17.6	(2.2)	172	17.1	172	17.4	0.0
EBITDA	89	17.5	86	17.0	(3.4)	170	16.9	168	17.0	(1.2)
Operating result (EBIT) pre exceptionals	57	11.2	51	10.1	(10.5)	107	10.6	97	9.8	(9.3)
Operating result (EBIT)	55	10.8	46	9.1	(16.4)	105	10.4	91	9.2	(13.3)
Cash outflows for capital expenditures	28		30		7.1	44		44		0.0
Depreciation and amortization	34		40		17.6	65[1]		77		18.5
Employees as of June 30 (previous year: as of Dec. 31)	2,953		2,978		0.8	2,953		2,978		0.8

1) Net of reversals of write-downs of €1 million.

Our **Specialty Additives** segment posted sales of €506 million in the second quarter of 2019, similar to the prior-year level. The volume decline, which reduced sales in the segment by 5.5%, was nearly offset by the positive development of exchange rates and higher selling prices. While sales volumes in the Polymer Additives business unit exceeded the previous year's level, volumes declined in the Lubricant Additives business unit due among other things to the termination of unfavorable customer contracts. In addition, sales were reduced in the Lubricant Additives Business and Rhein Chemie business units by the weak demand from the automotive industry. In all of the segment's business units, the development of exchange rates and higher selling prices increased sales by 3.7% and 1.4% respectively. While higher sales were achieved in the Asia-Pacific and EMEA (excluding Germany) regions, the segment posted lower sales in the other regions.

EBITDA pre exceptionals in the Specialty Additives segment decreased by €2 million, or 2.2%, to €89 million. Lower sales volumes in the Rhein Chemie and Lubricant Additives business units, partly due to weak demand from the automotive industry, had a negative impact on earnings. In contrast, earnings were improved by advantageous exchange rate effects, especially a stronger U.S. dollar. The increased procurement prices for raw materials and energy were passed on to the customers by adjusting selling prices. The EBITDA margin pre exceptionals of 17.6% was roughly on a par with the prior-year figure of 17.9%.

In the first half of 2019, the Specialty Additives segment generated sales of €991 million, a year-on-year decline of 1.7%. Lower volumes led to a decline in sales by 7.5%. In contrast, the change in exchange rates and higher selling prices increased sales by 4.2% and 1.1% respectively. In addition, the U.S. phosphorus additives business acquired from the Belgian chemicals group Solvay in the first quarter of 2018 had a slightly positive effect on sales.

As in the previous year, the segment achieved EBITDA pre exceptionals of €172 million in the first half of 2019. The EBITDA margin pre exceptionals came in at 17.4%, against 17.1% in the previous year.

In the second quarter, negative exceptional items in the segment totaled €5 million, €3 million of which impacted EBITDA. In the first half of the year, net negative exceptional items amounted to €6 million, resulting from negative exceptional items of €7 million and positive exceptional items of €1 million. A total of €4 million of the exceptional items of the first half of the year impacted EBITDA. 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. The segment registered negative exceptional items of €2 million in both the second quarter and the first half of the previous year. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Performance Chemicals

	Q2 2018		Q2 2019		Change	H1 2018		H1 2019		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	356		356		0.0	692		703		1.6
EBITDA pre exceptionals	58	16.3	60	16.9	3.4	110	15.9	114	16.2	3.6
EBITDA	58	16.3	59	16.6	1.7	109	15.8	109	15.5	0.0
Operating result (EBIT) pre exceptionals	39	11.0	39	11.0	0.0	72	10.4	72	10.2	0.0
Operating result (EBIT)	39	11.0	38	10.7	(2.6)	71	10.3	67	9.5	(5.6)
Cash outflows for capital expenditures	15		17		13.3	27		30		11.1
Depreciation and amortization	19		21		10.5	38		42		10.5
Employees as of June 30 (previous year: as of Dec. 31)	3,786		3,615		(4.5)	3,786		3,615		(4.5)

Sales in our **Performance Chemicals** segment in the reporting quarter of 2019 matched the previous year's figure at €356 million. The Leather business unit posted a sales decline due to persistently weak demand from the automotive industry and lower sales volumes due to strikes in South Africa. In contrast, the other business units of the segment mostly posted higher sales volumes. Overall, sales decreased by 3.1% at segment level as a result of lower volumes. Shifts in exchange rates had a positive influence on sales in all business units of the segment. Overall, there was a positive effect of 2.5% at segment level. Compared with the prior-year quarter, selling prices were slightly higher in the Liquid Purification Technologies and Material Protection Products business units and slightly lower in the other business units. Overall, this had a slightly positive effect on sales at segment level. Segment sales were increased in the Asia-Pacific and North America regions. In the other regions, the segment recorded stable or declining sales.

EBITDA pre exceptionals in the Performance Chemicals segment increased by €2 million, or 3.4%, to €60 million, compared with the previous year's figure of €58 million. In particular, the change in exchange rates had a positive effect on earnings. The improvement in earnings in the Material Protection Products and Liquid Purification Technologies business units was nearly offset by the chiefly strike-related sales decline in the Leather business unit. The Inorganic Pigments business unit stabilized at previous year's level due to increased sales volumes. At segment level, the changes in raw material and energy prices and in selling prices nearly balanced each other out. The EBITDA margin pre exceptionals of 16.9% was above the prior-year figure of 16.3%.

The Performance Chemicals segment posted sales of €703 million in the first half of 2019, up 1.6% from the same period a year ago. Positive currency effects increased sales by 3.0%. In addition, increased sales volumes had a positive effect on sales in nearly all business units, but this was more than offset by the negative effect of declining sales volumes in the chrome ore business and production downtime due to strikes in the Leather business unit. In total, sales declined by 1.7% as a result of lower volumes. Overall, selling prices were slightly higher than the prior-year level.

The segment generated EBITDA pre exceptionals of €114 million in the first six months of 2019, against €110 million in the prior-year period. The EBITDA margin pre exceptionals came in at 16.2%, against 15.9% a year ago.

Negative exceptional items, which fully impacted EBITDA, amounted to €1 million in the second quarter and €5 million in the first half of 2019, and related to the adjustment of the LANXESS Group's production network. In the first half of the previous year, negative exceptional items of €1 million, which fully impacted EBITDA, were attributable to the segment. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Engineering Materials

	Q2 2018		Q2 2019		Change	H1 2018		H1 2019		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	399		365		(8.5)	791		747		(5.6)
EBITDA pre exceptionals	81	20.3	65	17.8	(19.8)	154	19.5	130	17.4	(15.6)
EBITDA	81	20.3	65	17.8	(19.8)	154	19.5	130	17.4	(15.6)
Operating result (EBIT) pre exceptionals	67	16.8	49	13.4	(26.9)	125	15.8	98	13.1	(21.6)
Operating result (EBIT)	66	16.5	49	13.4	(25.8)	124	15.7	98	13.1	(21.0)
Cash outflows for capital expenditures	9		20		> 100	15		31		> 100
Depreciation and amortization	15		16		6.7	30		32		6.7
Employees as of June 30 (previous year: as of Dec. 31)	2,105		2,155		2.4	2,105		2,155		2.4

Sales in our **Engineering Materials** segment fell by 8.5% year on year in the second quarter of 2019 to €365 million. Lower sales volumes contributed 10.8% to the decline in sales, with this development being particularly attributable to the High Performance Materials business unit with weak demand from the automotive industry. In contrast, the change in exchange rates had a positive influence in both business units and increased sales by 2.0% overall. Compared with the prior-year quarter, selling prices were slightly higher in the High Performance Materials business unit and on the same level in the Urethane Systems business unit. While sales were higher in the North America region and level with the prior-year quarter in the Asia-Pacific region, they fell in all other regions.

EBITDA pre exceptionals in the Engineering Materials segment fell by €16 million, or 19.8%, to €65 million. In particular, the weak demand from the automotive industry led to a decline in earnings driven by volumes. In contrast, earnings were improved by advantageous exchange rate effects, chiefly a strong U.S. dollar, and by slightly increased selling prices in the High Performance Materials business unit. In the Urethane Systems business unit, the positive effect of lower procurement prices for raw materials was countered by slightly lower selling prices. The EBITDA margin pre exceptionals of 17.8% was below the high figure of 20.3% posted in the prior-year quarter.

In the first half of 2019, the Engineering Materials segment posted sales of €747 million, 5.6%, or €44 million, lower than the prior-year level. As in the quarterly comparison, the sales development was particularly attributable to the lower sales volumes due to weaker demand from the automotive industry in the High Performance Materials business unit. Overall, there was a negative effect on sales of 8.6% at segment level. In contrast, advantageous exchange rate effects increased sales by 2.3%. Increased selling prices in both business units improved earnings slightly.

The segment achieved EBITDA pre exceptionals of €130 million in the first half of 2019, compared with €154 million in the prior-year period. The EBITDA margin pre exceptionals came in at 17.4%, against 19.5% in the previous year.

The segment incurred no exceptional items in either the second quarter or the first half of the year. In the second quarter and the first half of the previous year, the segment registered negative exceptional items of €1 million, which did not impact EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Reconciliation

€ million	Q2 2018	Q2 2019	Change %	H1 2018	H1 2019	Change %
Sales	20	22	10.0	43	44	2.3
EBITDA pre exceptionals	(37)	(35)	5.4	(75)	(76)	(1.3)
EBITDA	(62)	(53)	14.5	(114)	(111)	2.6
Operating result (EBIT) pre exceptionals	(41)	(39)	4.9	(84)	(86)	(2.4)
Operating result (EBIT)	(66)	(58)	12.1	(123)	(122)	0.8
Cash outflows for capital expenditures	1	12	> 100	4	21	> 100
Depreciation and amortization	4	5	25.0	9	11	22.2
Employees as of June 30 (previous year: as of Dec. 31)	2,910	2,953	1.5	2,910	2,953	1.5

EBITDA pre exceptionals for the **reconciliation** came to minus €35 million and minus €76 million in the second quarter and first half of the year respectively, compared with minus €37 million and minus €75 million in the corresponding prior-year periods. The net negative exceptional items of €19 million in the second quarter, reported in the reconciliation, resulted from negative exceptional items of €20 million and positive exceptional items of €1 million, which impacted EBITDA. €18 million of the exceptional items impacted EBITDA. In the first six months of the reporting year, net negative exceptional items amounted to €36 million. The exceptional items resulted from negative exceptional items of €37 million and positive exceptional items of €1 million. €35 million of the exceptional items 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 €25 million in the quarter and €39 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.

Reconciliation to EBIT/EBITDA

€ million	EBIT Q2 2018	EBIT Q2 2019	EBITDA Q2 2018	EBITDA Q2 2019	EBIT H1 2018	EBIT H1 2019	EBITDA H1 2018	EBITDA H1 2019
EBIT/EBITDA pre exceptionals	**187**	**168**	**290**	**286**	**356**	**329**	**560**	**561**
Advanced Intermediates	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Specialty Additives	**(2)**	**(5)**	**(2)**	**(3)**	**(2)**	**(6)**	**(2)**	**(4)**
Strategic realignment	(2)	(5)	(2)	(3)	(3)	(7)	(2)	(5)
Adjustment of the production network	0	0	0	0	1	1	0	1
Performance Chemicals	**0**	**(1)**	**0**	**(1)**	**(1)**	**(5)**	**(1)**	**(5)**
Adjustment of the production network	0	(1)	0	(1)	(1)	(5)	(1)	(5)
Engineering Materials	**(1)**	**0**	**0**	**0**	**(1)**	**0**	**0**	**0**
Strategic realignment	(1)	0	0	0	(1)	0	0	0
Reconciliation	**(25)**	**(19)**	**(25)**	**(18)**	**(39)**	**(36)**	**(39)**	**(35)**
Strategic realignment	(8)	0	(8	0	(14)	(1)	(14)	(1)
Digitalization, M&A expenses and other	(17)	(19)	(17)	(18)	(25)	(35)	(25)	(34)
Total exceptional items	**(28)**	**(25)**	**(27)**	**(22)**	**(43)**	**(47)**	**(42)**	**(44)**
EBIT/EBITDA	**159**	**143**	**263**	**264**	**313**	**282**	**518**	**517**

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 IT expenses, 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.

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, 2019, the LANXESS Group's total assets stood at €8,584 million, down €103 million, or 1.2%, from €8,687 million on December 31, 2018. The equity ratio at the end of the second quarter was 30.8%, after 31.9% in the previous year.

Non-current assets increased by €153 million to €4,939 million as of June 30, 2019. Property, plant and equipment increased from €2,577 million to €2,716 million. This rise resulted mainly from the introduction of IFRS 16, the new standard for lease accounting, and the right-of-use assets recognized in this context. Cash outflows for purchases of intangible assets and property, plant and equipment totaled €184 million in the first half of 2019, compared with €143 million in the prior-year period. Depreciation and amortization in the first six months amounted to €235 million, which was above the figure of €205 million for the prior-year period. Deferred tax assets were €20 million higher than the figure of €287 million as of December 31, 2018. The ratio of non-current assets to total assets was 57.5%, up from 55.1% on December 31, 2018.

Current assets decreased by €256 million, or 6.6%, compared with December 31, 2018, to €3,645 million. Inventories and trade receivables increased by €48 million to €1,395 million and by €21 million to €924 million respectively. Cash and cash equivalents fell by €568 million to €229 million, in particular due to the acquisition of own shares of €200 million, investment in time deposits and securities available for sale, and the dividend payment of €79 million in May. Other current financial assets increased by €177 million to €775 million, partly due to investment in time deposits and securities available for sale. The ratio of current assets to total assets was 42.5%, compared with 44.9% on December 31, 2018.

Equity amounted to €2,648 million against €2,773 million on December 31, 2018.

Non-current liabilities rose by €199 million to €4,594 million as of June 30, 2019. Provisions for pensions and other post-employment benefits increased by €87 million to €1,170 million, primarily due to interest rates, and other non-current provisions rose by €14 million to €351 million. Non-current derivative liabilities totaled €2 million, after €3 million on December 31, 2018. In addition, other non-current financial liabilities rose by €98 million to €2,784 million, primarily due to the introduction of the new standard for lease accounting and the associated recognition of lease liabilities. The ratio of non-current liabilities to total assets was 53.5%, against 50.6% as of December 31, 2018.

Current liabilities came to €1,342 million, down by €177 million, or 11.7%, compared with December 31, 2018. This was due to the decline in other current provisions from €465 million to €380 million, and the decline in trade payables by €87 million to €708 million. The ratio of current liabilities to total assets was 15.6% as of June 30, 2019, against 17.5% at the end of 2018.

Financial condition and capital expenditures

Changes in the statement of cash flows

In the first six months of 2019 there was a net cash inflow of €114 million from operating activities, against €65 million in the prior-year period. Income before income taxes amounted to €258 million, equal to the previous year's figure. Depreciation, amortization and write-downs rose from €205 million to €235 million. This effect was countered by the increase in net working capital, which rose by €149 million after €273 million in the previous year. At €114 million, income taxes paid were higher than the prior-year figure of €61 million.

There was a €313 million net cash outflow from investing activities in the first six months of 2019, compared with €194 million in the same period a year ago. The net cash outflow in the reporting period resulted in particular from cash outflows for financial assets in connection with the investment of the financial resources received at the end of the previous year from the sale of the 50% interest in ARLANXEO. In addition, cash outflows for purchases of intangible assets and property, plant and equipment increased as planned from €143 million to €184 million in the first six months of 2019. Cash inflows from financial assets due to the maturity of time deposits had an opposing effect.

Net cash used in financing activities came to €370 million compared to €36 million in the prior-year period. The cash outflow in the reporting period was primarily due to payments for stock repurchases of €200 million, the repayment of borrowings, and the dividend payment of €79 million to LANXESS shareholders.

Financing and liquidity

The principles and objectives of financial management discussed on pages 81 and 82 of the Annual Report 2018 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 decreased by €568 million compared with the end of 2018 to €229 million. The Group's liquidity position remains sound overall.

Net financial liabilities totaled €2,602 million as of June 30, 2019, compared with €1,923 million as of December 31, 2018. After the deduction of time deposits and securities available for sale, net financial liabilities as of June 30, 2019, amounted to €1,902 million, compared with €1,381 million as of December 31, 2018.

€200 million of the increase in net financial liabilities as of June 30, 2019, resulted from the repurchase of own shares. In addition, the amount of net financial liabilities was affected by the investment in time deposits and securities available for sale and by the dividend payment to LANXESS shareholders in the amount of €79 million in the first half of 2019. In addition, financial liabilities increased due to the introduction of IFRS 16, the new standard for lease accounting.

Net Financial Liabilities

€ million	Dec. 31, 2018	June 30, 2019
Non-current financial liabilities	2,686	2,784
Current financial liabilities	59	64
Less:		
Liabilities for accrued interest	(25)	(17)
Cash and cash equivalents	(797)	(229)
Net financial liabilities	**1,923**	**2,602**
Less time deposits and securities available for sale	(542)	(700)
Net financial liabilities after deduction of time deposits and securities available for sale	**1,381**	**1,902**

Financing instruments off the statement of financial position

As of June 30, 2019, we had no material financing items that were not reported in the statement of financial position, such as factoring, asset-backed structures or sale-and-lease-back transactions.

Significant capital expenditure projects

LANXESS continues to drive its organic growth and is investing in the optimization and expansion of facilities at various sites around the world. At the German site in Leverkusen, the capacity expansion for specialty amine production in the Advanced Industrial Intermediates business unit was completed in the first half of the year. 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.

Furthermore, LANXESS is investing a mid-double-digit amount of millions of euros, likewise at the German Krefeld-Uerdingen location, in a new production facility for the High Performance Materials business unit for the production of high-performance plastics of the Durethan and Pocan brands. These are used in particular in the IT and electrical/electronics industries and in the field of electric mobility. In addition, Durethan is used as a base resin in the production of continuous-fiber-reinforced thermoplastic composites of the LANXESS brand Tepex. In addition, the High Performance Materials business unit is investing around €10 million in additional capacity increases for the production of these composite materials in Brilon, Germany.

At the site in Changzhou, China, LANXESS has completed the construction of a new plant for high-performance plastics of the Durethan and Pocan brands on schedule. The High Performance Materials business unit's new compounding facility has a capacity of up to 25,000 metric tons.

FUTURE PROSPECTS, OPPORTUNITIES AND RISKS

Outlook

The political and economic risks have not changed substantially compared with our original full-year forecast published in the Annual Report 2018. Expectations for the development of the global economy as well as the Americas, EMEA (including Germany) and Asia-Pacific regions likewise remain in line with the original assessment.

We have lowered our expectations for the development of the global automotive industry in comparison to the outlook in the Annual Report 2018. Growth in the global chemical industry is also anticipated to be weaker than originally expected.

Against the backdrop of a challenging macroeconomic environment, LANXESS's position is stable thanks to its diversified product portfolio. We expect our segments to develop as follows:

For our Advanced Intermediates segment, we expect business in 2019 to be slightly above the previous year's level overall. The segment continues to benefit from wide diversification in end markets.

For the Specialty Additives segment, we anticipate performance at or slightly above the prior-year level as a result of the acquired Chemtura businesses and the expected synergies.

For our Performance Chemicals segment, we expect business performance to be on a par with the previous year.

In our Engineering Materials segment, we expect a weaker performance in the current year compared to the previous year due to the further weakening in demand, especially in the automotive industry.

Against the background of the expected performance of our segments, we expect that EBITDA pre exceptionals for the full year 2019 will be between €1,000 million and €1,050 million and therefore that earnings will be stable. EBITDA pre exceptionals amounted to €1,016 million in fiscal year 2018.

Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group for fiscal year 2018 on pages 96 and 97 of the Annual Report 2018.

Significant opportunities and risks

There have been no significant changes in the opportunities or risks for the LANXESS Group compared with December 31, 2018. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group for fiscal year 2018 on pages 98 to 108 of the Annual Report 2018. 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, 2019

STATEMENT OF FINANCIAL POSITION
LANXESS GROUP

€ million	Dec. 31, 2018	June 30, 2019
ASSETS		
Intangible assets	1,764	1,755
Property, plant and equipment	2,577	2,716
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	2	2
Non-current derivative assets	0	1
Other non-current financial assets	25	25
Non-current income tax receivables	14	14
Deferred taxes	287	307
Other non-current assets	117	119
Non-current assets	**4,786**	**4,939**
Inventories	1,347	1,395
Trade receivables	903	924
Cash and cash equivalents	797	229
Current derivative assets	4	4
Other current financial assets	598	775
Current income tax receivables	55	104
Other current assets	197	214
Current assets	**3,901**	**3,645**
Total assets	**8,687**	**8,584**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves[1)]	1,391	1,483
Net income	431	184
Other equity components	(359)	(326)
Equity attributable to non-controlling interests	(7)	(10)
Equity	**2,773**	**2,648**
Provisions for pensions and other post-employment benefits	1,083	1,170
Other non-current provisions	337	351
Non-current derivative liabilities	3	2
Other non-current financial liabilities	2,686	2,784
Non-current income tax liabilities	117	121
Other non-current liabilities	80	73
Deferred taxes	89	93
Non-current liabilities	**4,395**	**4,594**
Other current provisions	465	380
Trade payables	795	708
Current derivative liabilities	25	19
Other current financial liabilities	59	64
Current income tax liabilities	44	42
Other current liabilities	131	129
Current liabilities	**1,519**	**1,342**
Total equity and liabilities	**8,687**	**8,584**

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

INCOME STATEMENT
LANXESS GROUP

€ million	Q2 2018	Q2 2019	H1 2018	H1 2019
Sales	**1,829**	**1,810**	**3,645**	**3,632**
Cost of sales	(1,332)	(1,315)	(2,674)	(2,666)
Gross profit	**497**	**495**	**971**	**966**
Selling expenses	(212)	(228)	(411)	(444)
Research and development expenses	(28)	(31)	(58)	(59)
General administration expenses	(69)	(69)	(146)	(135)
Other operating income	22	27	53	50
Other operating expenses	(51)	(51)	(96)	(96)
Operating result (EBIT)	**159**	**143**	**313**	**282**
Income from investments accounted for using the equity method	0	0	0	0
Interest income	1	1	3	3
Interest expense	(18)	(16)	(38)	(32)
Other financial income and expense	(4)	12	(20)	5
Financial result	**(21)**	**(3)**	**(55)**	**(24)**
Income before income taxes	**138**	**140**	**258**	**258**
Income taxes	(41)	(42)	(81)	(77)
Income after income taxes from continuing operations	**97**	**98**	**177**	**181**
Income after income taxes from discontinued operations	**59**	**0**	**88**	**0**
Income after income taxes	**156**	**98**	**265**	**181**
of which attributable to non-controlling interests	30	(2)	43	(3)
of which attributable to LANXESS AG stockholders [net income]	126	100	222	184
Earnings per share (undiluted/diluted) (€)				
from continuing operations	1.05	1.14	1.94	2.06
from discontinued operations	0.33	0.00	0.49	0.00
from continuing and discontinued operations	**1.38**	**1.14**	**2.43**	**2.06**

STATEMENT OF COMPREHENSIVE INCOME
LANXESS GROUP

€ million	Q2 2018	Q2 2019	H1 2018	H1 2019
Income after income taxes	**156**	**98**	**265**	**181**
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(60)	(65)	(87)	(90)
Income taxes	19	21	28	30
	(41)	**(44)**	**(59)**	**(60)**
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	64	(57)	(7)	28
Financial instruments fair value measurement	(37)	10	(34)	(3)
Financial instruments cost of hedging	(49)	0	(43)	11
Income taxes	24	(4)	22	(3)
	2	**(51)**	**(62)**	**33**
Other comprehensive income, net of income tax	**(39)**	**(95)**	**(121)**	**(27)**
Total comprehensive income	**117**	**3**	**144**	**154**
of which attributable to non-controlling interests	19	(2)	15	(3)
of which attributable to LANXESS AG stockholders	98	5	129	157

STATEMENT OF CHANGES IN EQUITY
LANXESS GROUP

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components: Currency translation adjustment	Other equity components: Financial instruments: Fair value measurement	Other equity components: Financial instruments: Cost of hedging	Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
Dec. 31, 2017	**91**	**1,226**	**1,381**	**87**	**(509)**	**16**	**(5)**	**2,287**	**1,126**	**3,413**
Allocations to retained earnings			87	(87)				0		0
Change in accounting policies			(11)			1		(10)	(7)	(17)
Jan. 1, 2018	**91**	**1,226**	**1,457**	**0**	**(509)**	**17**	**(5)**	**2,277**	**1,119**	**3,396**
Dividend payments			(73)					(73)	(40)	(113)
Total comprehensive income			(62)	222	6	(19)	(18)	129	15	144
Income after income taxes				*222*				*222*	*43*	*265*
Other comprehensive income, net of income tax			*(62)*		*6*	*(19)*	*(18)*	*(93)*	*(28)*	*(121)*
June 30, 2018	**91**	**1,226**	**1,322**	**222**	**(503)**	**(2)**	**(23)**	**2,333**	**1,094**	**3,427**
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**

STATEMENT OF CASH FLOWS
LANXESS GROUP

€ million	Q2 2018	Q2 2019	H1 2018	H1 2019
Income before income taxes	**138**	**140**	**258**	**258**
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	104	121	205	235
Gains/losses on disposals of intangible assets and property, plant and equipment	–	(1)	0	(1)
Financial losses (gains)	8	(7)	25	8
Income taxes paid	(30)	(75)	(61)	(114)
Changes in inventories	(58)	(18)	(84)	(42)
Changes in trade receivables	6	44	(143)	(18)
Changes in trade payables	(15)	(13)	(46)	(89)
Changes in other assets and liabilities	(116)	(109)	(89)	(123)
Net cash provided by operating activities – continuing operations	**37**	**82**	**65**	**114**
Net cash used in operating activities – discontinued operations	**(25)**	**–**	**(30)**	**–**
Net cash provided by operating activities – total	**12**	**82**	**35**	**114**
Cash outflows for purchases of intangible assets and property, plant and equipment	(83)	(112)	(143)	(184)
Cash inflows from sales of intangible assets and property, plant and equipment	0	3	1	4
Cash outflows for financial assets	–	(49)	–	(218)
Cash inflows from financial assets	1	62	1	62
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(10)	–	(65)	–
Interest and dividends received	11	22	12	23
Net cash used in investing activities – continuing operations	**(81)**	**(74)**	**(194)**	**(313)**
Net cash used in investing activities – discontinued operations	**(34)**	**–**	**(54)**	**–**
Net cash used in investing activities – total	**(115)**	**(74)**	**(248)**	**(313)**
Proceeds from borrowings	611	4	626	4
Repayments of borrowings	(532)	(12)	(534)	(55)
Interest paid and other financial disbursements	(52)	(37)	(54)	(40)
Dividend payments	(74)	(79)	(74)	(79)
Cash outflows for the acquisition of own shares	–	(89)	–	(200)
Net cash used in financing activities – continuing operations	**(47)**	**(213)**	**(36)**	**(370)**
Net cash used in financing activities – discontinued operations	**(40)**	**–**	**(38)**	**–**
Net cash used in financing activities – total	**(87)**	**(213)**	**(74)**	**(370)**
Change in cash and cash equivalents from continuing operations	**(91)**	**(205)**	**(165)**	**(569)**
Change in cash and cash equivalents from discontinued operations	**(99)**	**–**	**(122)**	**–**
Change in cash and cash equivalents – total	**(190)**	**(205)**	**(287)**	**(569)**
Cash and cash equivalents at beginning of period – total	438	434	538	797
Exchange differences and other changes in cash and cash equivalents – total	(3)	0	(6)	1
Cash and cash equivalents at end of period – total	**245**	**229**	**245**	**229**
of which continuing operations	130	229	130	229
of which discontinued operations	115	–	115	–

SEGMENT AND REGION DATA

Key Data by Segment/Second Quarter

€ million	Advanced Intermediates Q2 2018	Advanced Intermediates Q2 2019	Specialty Additives Q2 2018	Specialty Additives Q2 2019	Performance Chemicals Q2 2018	Performance Chemicals Q2 2019	Engineering Materials Q2 2018	Engineering Materials Q2 2019	Reconciliation Q2 2018	Reconciliation Q2 2019	LANXESS Q2 2018	LANXESS Q2 2019
External sales	546	561	508	506	356	356	399	365	20	22	1,829	1,810
Inter-segment sales	14	15	3	5	1	0	0	0	(18)	(20)	0	0
Segment/Group sales	560	576	511	511	357	356	399	365	2	2	1,829	1,810
Segment result/ EBITDA pre exceptionals	97	107	91	89	58	60	81	65	(37)	(35)	290	286
EBITDA margin pre exceptionals (%)	17.8	19.1	17.9	17.6	16.3	16.9	20.3	17.8			15.9	15.8
EBITDA	97	107	89	86	58	59	81	65	(62)	(53)	263	264
EBIT pre exceptionals	65	68	57	51	39	39	67	49	(41)	(39)	187	168
EBIT	65	68	55	46	39	38	66	49	(66)	(58)	159	143
Segment capital expenditures	31	47	28	31	17	17	10	23	1	12	87	130
Depreciation and amortization	32	39	34	40	19	21	15	16	4	5	104	121

Key Data by Segment/First Half

€ million	Advanced Intermediates H1 2018	Advanced Intermediates H1 2019	Specialty Additives H1 2018	Specialty Additives H1 2019	Performance Chemicals H1 2018	Performance Chemicals H1 2019	Engineering Materials H1 2018	Engineering Materials H1 2019	Reconciliation H1 2018	Reconciliation H1 2019	LANXESS H1 2018	LANXESS H1 2019
External sales	1,111	1,147	1,008	991	692	703	791	747	43	44	3,645	3,632
Inter-segment sales	29	30	6	8	1	0	0	0	(36)	(38)	0	0
Segment/Group sales	1,140	1,177	1,014	999	693	703	791	747	7	6	3,645	3,632
Segment result/ EBITDA pre exceptionals	199	221	172	172	110	114	154	130	(75)	(76)	560	561
EBITDA margin pre exceptionals (%)	17.9	19.3	17.1	17.4	15.9	16.2	19.5	17.4			15.4	15.4
EBITDA	199	221	170	168	109	109	154	130	(114)	(111)	518	517
EBIT pre exceptionals	136	148	107	97	72	72	125	98	(84)	(86)	356	329
EBIT	136	148	105	91	71	67	124	98	(123)	(122)	313	282
Segment capital expenditures	57	75	45	46	29	31	16	34	4	24	151	210
Depreciation and amortization/reversals of impairment charges	63	73	65	77	38	42	30	32	9	11	205	235
Employees as of June 30 (previous year: as of Dec. 31)	3,687	3,702	2,953	2,978	3,786	3,615	2,105	2,155	2,910	2,953	15,441	15,403

Key Data by Region/Second Quarter

€ million	EMEA (excl. Germany) Q2 2018	Q2 2019	Germany Q2 2018	Q2 2019	North America Q2 2018	Q2 2019	Latin America Q2 2018	Q2 2019	Asia-Pacific Q2 2018	Q2 2019	LANXESS Q2 2018	Q2 2019
Sales by market	577	553	363	325	385	409	105	97	399	426	1,829	1,810
Proportion of Group sales (%)	31.6	30.5	19.8	18.0	21.1	22.6	5.7	5.4	21.8	23.5	100.0	100.0

Key Data by Region/First Half

€ million	EMEA (excl. Germany) H1 2018	H1 2019	Germany H1 2018	H1 2019	North America H1 2018	H1 2019	Latin America H1 2018	H1 2019	Asia-Pacific H1 2018	H1 2019	LANXESS H1 2018	H1 2019
Sales by market	1,180	1,144	723	670	758	805	194	188	790	825	3,645	3,632
Proportion of Group sales (%)	32.4	31.5	19.8	18.4	20.8	22.2	5.3	5.2	21.7	22.7	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	2,521	2,511	7,532	7,620	2,050	2,054	766	781	2,572	2,437	15,441	15,403

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2019

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, 2018, 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, 2019, 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, 2019, were considered in preparing the interim financial statements. The effects of the first-time application of IFRS 16 are indicated below.

Leases On January 13, 2016, the IASB published the new standard IFRS 16, which supersedes IAS 17. The standard was endorsed by the E.U. in October 2017 and is to be applied for annual periods beginning on or after January 1, 2019. The transition was made according to the modified retrospective method. Therefore, the comparative figures of the fiscal year 2018 have not been restated.

Under IFRS 16, lessees recognize all leases as a right-of-use asset and a lease liability in the statement of financial position on the basis of the present value of the lease payments. For lessees, the distinction between operating and finance leases is abolished. The lease liability is remeasured on the occurrence of specified events (e.g. change in the term of the lease or change in future lease payments resulting from a change in an index). In general, remeasurements of lease liabilities result in an adjustment of the right-of-use asset. Depreciation on the capitalized right-of-use asset and interest expense for compounding the lease liabilities are recognized in the income statement. The application of IFRS 16 results in a shift in the cash flows in the statement of cash flows. Instead of the lease payments previously shown in cash flow from operating activities, the principal and interest portions of the lease payments are now recognized in cash flow from financing activities. IFRS 16 results in no material changes for lessors.

LANXESS applies the options for lessees provided by the new standard for the treatment of short-term leases and leases of low value. As these options are applied, the costs of these leases are expensed immediately and the payments are recognized in cash flow from operating activities. The new requirements were not applied to leases whose term ends within twelve months of the date of first-time application. These leases are accounted for as short-term leases.

As of the transition date of January 1, 2019, present values of €133 million for lease liabilities, €2 million for asset retirement obligations and conversely right-of-use assets of €135 million were recognized in the statement of financial position. This reduces the equity ratio by around 0.5 percentage points compared with December 31, 2018. Net financial liabilities are increased by the value of the additional lease liabilities.

Starting with the operating lease obligations as of December 31, 2018, the reconciliation with the opening balance of the lease liabilities as of January 1, 2019, was as follows:

Reconciliation of Lease Liabilities IFRS 16

€ million	Jan. 1, 2019
Operating lease obligations as of December 31, 2018	**176**
Nominal value of liabilities from finance leases as of December 31, 2018	20
Application of options for lessees and others	(12)
Nominal value of lease liabilities as of January 1, 2019	**184**
Discounting	(34)
Present value of lease liabilities as of January 1, 2019	**150**
Present value of liabilities from finance leases as of December 31, 2018	(17)
Additional liabilities due to initial application of IFRS 16	**133**

The right-of-use assets and lease liabilities were discounted using the incremental borrowing rate as of January 1, 2019. The incremental borrowing rate is calculated by using yields with matching maturities on government bonds for the country in question in the respective currency and adding credit risk premiums. The weighted average rate at the time of initial application was 2.7%. As of June 30, 2019, there were lease liabilities of €150 million and right-of-use assets of €152 million.

The past expense for operating leases is no longer reported in the income statement and will be replaced by the depreciation expense of the recognized right-of-use assets and interest expenses on the lease liability in the future. For the first half of 2019, depreciation on right-of-use assets of €24 million was recognized in the income statement and interest expenses of €2 million in the financial result.

The mandatory first-time application of the following financial reporting standards and interpretations in fiscal year 2019 currently has no impact, or no material impact, on the LANXESS Group yet:

- IFRIC 23 – Uncertainty over Income Tax Treatments
- IAS 28 – Investments in Associates and Joint Ventures – Amendments to IAS 28 – Impairment of Long-term Interests
- IFRS 9 – Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Various IAS and IFRS – Annual Improvements to the International Financial Reporting Standards, 2015-2017 Cycle
- IAS 19 – Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

With regard to accounting standards and interpretations which have been published but are not yet applicable in fiscal year 2019, the statements given in the consolidated financial statements for 2018 generally continue to apply.

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 broadly consistent with those applied in the consolidated financial statements for 2018. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

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 Intermediates segment 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 in the Advanced Intermediates and Performance Chemicals segments are also seasonal in that sales are higher in the summer than in the winter months, when construction activity is lower.

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, 2019	31	9	9	6	26	81
Retirements	(1)	–	–	–	–	(1)
Changes in scope of consolidation	–	1	–	–	–	1
June 30, 2019	**30**	**10**	**9**	**6**	**26**	**81**
Consolidated associates and jointly controlled entities						
Jan. 1, 2019	–	2	1	–	–	3
Changes	–	–	–	–	–	0
June 30, 2019	**0**	**2**	**1**	**0**	**0**	**3**
Non-consolidated companies						
Jan. 1, 2019	2	3	1	3	2	11
Retirements	–	–	(1)	–	–	(1)
Changes in scope of consolidation	–	(1)	–	–	–	(1)
June 30, 2019	**2**	**2**	**0**	**3**	**2**	**9**
Total						
Jan. 1, 2019	33	14	11	9	28	95
Retirements	(1)	–	(1)	–	–	(2)
Changes in scope of consolidation	–	–	–	–	–	0
June 30, 2019	**32**	**14**	**10**	**9**	**28**	**93**

In the reporting period, the companies LANXESS Services Switzerland GmbH, Frauenfeld, Switzerland, and LANXESS Energy LLC, Wilmington, New Castle, U.S., were liquidated. In addition, the scope of consolidation was expanded by the first-time inclusion of CheMondis GmbH, Cologne, Germany.

Additions from Acquisitions in the Previous Year

On February 7, 2018, LANXESS acquired the U.S. phosphorus additives business from the Belgian chemicals group Solvay including its U.S. production site in Charleston. The site manufactures phosphorus additives and numerous derived products such as flame retardant additives and intermediates for agrochemicals. The production facility augments the global production network for phosphorus- and bromine-based flame retardants, especially on the U.S. market. The business was integrated into the former Additives business unit in the Specialty Additives segment and has been part of the new Polymer Additives business unit since June 1, 2019. The purchase price of €54 million was paid out of 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 customer relationships. The purchase price allocation was completed within the measurement period and finalized as of December 31, 2018. In the first half of the previous year, the acquired business contributed €23 million to sales after the acquisition date and did not have any material effect on earnings of the LANXESS Group. The previous year's Group earnings were impacted by charges as a result of the purchase price allocation. If the business had been already acquired as of January 1, 2018, the contribution to LANXESS Group sales and to net income would have changed only slightly.

The goodwill of €12 million resulting from the acquisition primarily reflects synergy effects and alternative production capacity. Some customers and the chemical properties of the products and the transport routes associated therewith require geographical proximity. 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 assets:

Additions from Acquisition

€ million	**Fair values at first-time consolidation**
Intangible assets	13
Property, plant and equipment	24
Inventories	6
Total assets	**43**
Non-current liabilities	0
Current liabilities	1
Total liabilities (excl. equity)	**1**
Net acquired assets (excl. goodwill)	**42**
Cost of acquisition	**54**
Goodwill	**12**

Repurchase of Own Shares

The Board of Management of LANXESS AG resolved on January 10, 2019, to exercise the authorization granted by the Annual Stockholders' Meeting on May 20, 2016, and to buy own shares at a purchase price of up to €200 million (not including incidental expenses) on the stock exchange. The share repurchase was begun on January 14, 2019, and completed on June 12, 2019. In total, LANXESS AG bought back 4,075,084 own shares. The total price not including incidental expenses of the repurchased shares amounted to just under €200 million and was recognized in other reserves as a reserve for own shares, reducing equity, as of June 30, 2019. The shares were withdrawn on July 9, 2019, in a simplified capital reduction.

EARNINGS PER SHARE

Earnings per share for the second quarter and first half of 2018 and 2019 were calculated on the basis of the weighted average number of shares outstanding during each reporting period. They resulted from continuing and discontinued operations for the 2018 reporting year and only from continuing operations for the 2019 reporting year. 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, 2018.

Earnings per Share

	Q2 2018	Q2 2019	Change %	H1 2018	H1 2019	Change %
Net income (€ million)	126	100	(20.6)	222	184	(17.1)
from continuing operations	97	100	3.1	178	184	3.4
from discontinued operations	29	–	(100.0)	44	–	(100.0)
Weighted average number of shares outstanding (no. of shares)	91,522,936	88,013,640	(3.8)	91,522,936	89,236,127	(2.5)
Earnings per share in € (undiluted/diluted)	**1.38**	**1.14**	**(17.4)**	**2.43**	**2.06**	**(15.2)**
from continuing operations	1.05	1.14	8.6	1.94	2.06	6.2
from discontinued operations	0.33	–	(100.0)	0.49	–	(100.0)

PAYMENT OF THE DIVIDEND FOR FISCAL YEAR 2018

Pursuant to the resolution of the Annual Stockholders' Meeting on May 23, 2019, the sum of €79 million out of the distributable profit of €127 million reported in the annual financial statements of LANXESS AG as of December 31, 2018, was distributed to the stockholders on May 28, 2019. The dividend per eligible no-par share was €0.90. The remaining amount of €48 million was carried forward to new account.

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.

Assets and Liabilities Measured at Fair Value

	Dec. 31, 2018			June 30, 2019		
€ 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	–	0	–	–	1	–
Other non-current financial assets	–	1	6	–	1	6
Current assets						
Financial assets	49	–	–	0	–	–
Current derivative assets	–	4	–	–	4	–
Other current financial assets	–	–	–	–	–	–
Non-current liabilities						
Non-current derivative liabilities	–	3	0	–	2	0
Current liabilities						
Current derivative liabilities	–	25	–	–	19	–

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).

Other equity investments of €0 million (December 31, 2018: €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.

To avoid value fluctuations in profit or loss, the long-term investment in BioAmber Inc., Minneapolis, U.S., is measured at fair value through other comprehensive income. The fair value of the investment as of June 30, 2019, was €0 million (December 31, 2018: €0 million).

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 amounted to €6 million as of June 30, 2019 (December 31, 2018: €6 million).

The securities recognized as financial assets as of December 31, 2018, were sold as of March 29, 2019.

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 positions.

The non-current derivative liability allocated to Level 3 relates to a derivative not designated as a hedging instrument from a right of use contract, which due to its economic characteristics is not closely related to the host contract. It is measured by way of an option pricing model, the principal parameters of which are the development of the underlying commodity price, the exchange rate and their correlation. A liability of less than €1 million was therefore recognized as of June 30, 2019 (December 31, 2018: less than €1 million). Relative changes of 5% in relevant exchange rates, commodity prices and forecast volumes result in total fluctuations of less than €1 million.

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 €2,671 million, amounted to €2,877 million as of June 30, 2019. The carrying amount of the bonds as of December 31, 2018, was €2,669 million and their fair value €2,750 million. Fair value measurement of the bonds is allocated to Level 1 of the hierarchy although, as of June 30, 2019, two bonds with a fair value of €244 million were allocated to Level 2 as there was no liquid market for them. As of December 31, 2018, two bonds with a fair value of €229 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 €1 million are reported in other operating expenses in relation to trade receivables and contract assets. The expected losses on other financial assets to be taken into account in the financial result amount to €1 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, 2018.

SEGMENT REPORTING

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. The business model of manufacturing customer-specific products on the basis of long-term supply agreements with a contractually defined minimum purchase requirement is only to be found in the Advanced Intermediates segment. For this business model, revenue is recognized over the period in which the products are manufactured. Revenue from the contracts affected by this amounted to €129 million in the first half of 2019 (previous year: €123 million).

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

Reconciliation of Segment Results

€ million	Q2 2018	Q2 2019	H1 2018	H1 2019
Total segment results	**327**	**321**	**635**	**637**
Depreciation and amortization/reversals of impairment charges	(104)	(121)	(205)	(235)
Other/Consolidation	(37)	(35)	(75)	(76)
Exceptional items affecting EBITDA	(27)	(22)	(42)	(44)
Net interest expense	(17)	(15)	(35)	(29)
Income from investments accounted for using the equity method	0	0	0	0
Other financial income and expense	(4)	12	(20)	5
Income before income taxes	**138**	**140**	**258**	**258**

Additional information is provided in "Notes on EBIT and EBITDA (Pre Exceptionals)" in the Interim Group Management Report as of June 30, 2019.

CHANGES IN THE BOARD OF MANAGEMENT

Effective June 1, 2019, the Supervisory Board appointed the former Head of the Additives business unit, Dr. Anno Borkowsky, to the Board of Management of LANXESS AG. In this role, Dr. Borkowsky took responsibility for the Specialty Additives segment, which previously lay with the Chairman of the Board of Management Matthias Zachert.

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 is accounted for in the consolidated financial statements using the equity method, and its subsidiaries mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics. These services amounted to €104 million in the second quarter and €216 million in the first half of 2019, compared with €114 million and €233 million in the respective prior-year periods. As of June 30, 2019, these business relationships resulted in receivables of €4 million (December 31, 2018: €4 million) and liabilities of €118 million (December 31, 2018: €118 million). There were also lease liabilities to Currenta GmbH & Co. OHG, Leverkusen, Germany, and its subsidiaries amounting to €6 million (December 31, 2018: €7 million) and obligations of €14 million (December 31, 2018: €9 million) under purchase agreements as at June 30, 2019. In addition, the other financial result includes the payment of a profit distribution by Currenta GmbH & Co. OHG, Leverkusen, Germany. This amounted to €21 million for fiscal year 2018 after €9 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 2019.

EMPLOYEES

The LANXESS Group had 15,403 employees worldwide as of June 30, 2019, which was 38 fewer than on December 31, 2018 (15,441).

The number of employees in the EMEA (excluding Germany) region fell by 10 to 2,511. Headcount in Germany came to 7,620, against 7,532 as of December 31, 2018. The workforce in North America increased from 2,050 to 2,054. In Latin America, headcount increased from 766 as of December 31, 2018, to 781. The number of LANXESS employees in the Asia-Pacific region decreased from 2,572 to 2,437.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No events of special significance took place after June 30, 2019, 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, July 24, 2019

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert	Dr. Anno Borkowsky
Dr. Hubert Fink	Michael Pontzen
Dr. Rainier van Roessel	

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, 2019, 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, July 29, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Disclaimer

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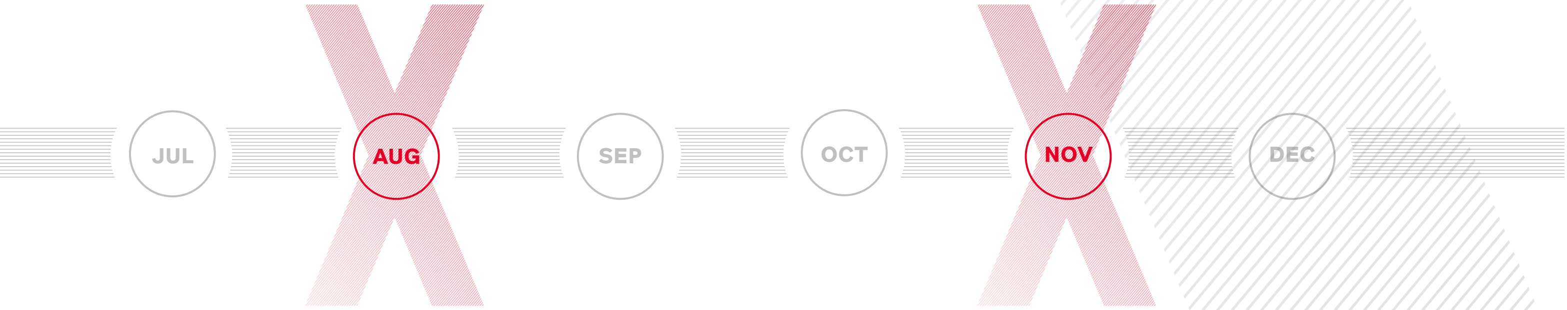
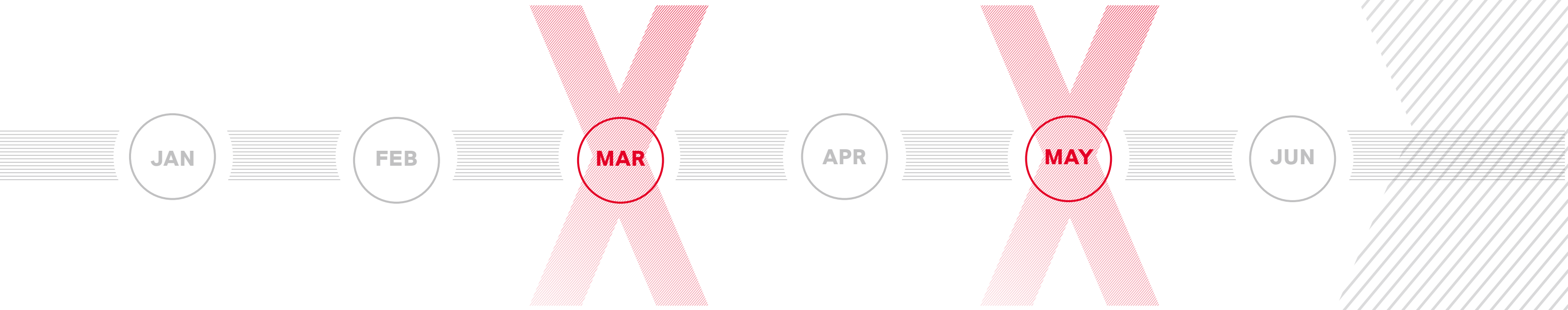
AUGUST 2
Half-Year Financial Report
H1 2019
Conference Call

NOVEMBER 13
Quarterly Statement
Q3 2019
Conference Call



MARCH 11
Announcement
Operating results 2019

MAY 6
Quarterly Statement
Q1 2020
Conference Call



MAY 13
Annual Stockholders' Meeting,
Cologne

MASTHEAD

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