2021

HALF-YEAR-
FINANCIAL REPORT

January 1 to June 30, 2021

LANXESS
Energizing Chemistry

CONTENTS

LANXESS GROUP KEY DATA

€ million	Q2 2020	Q2 2021	Change %	H1 2020	H1 2021	Change %
Sales	1,436	1,831	27.5	3,140	3,524	12.2
Gross profit	394	475	20.6	829	902	8.8
Gross profit margin	27.4%	25.9%		26.4%	25.6%	
EBITDA pre exceptionals[1)]	224	277	23.7	469	519	10.7
EBITDA margin pre exceptionals[1)]	15.6%	15.1%		14.9%	14.7%	
EBITDA[1)]	198	247	24.7	417	462	10.8
EBIT pre exceptionals[1)]	106	157	48.1	236	282	19.5
EBIT[1)]	61	125	> 100	165	223	35.2
EBIT margin[1)]	4.2%	6.8%		5.3%	6.3%	
Net income	798	100	(87.5)	862	164	(81.0)
from continuing operations	803	77	(90.4)	866	140	(83.8)
from discontinued operations	(5)	23	> 100	(4)	24	> 100
Weighted average number of shares outstanding	86,347,813	86,346,303	(0.0)	86,832,027	86,346,303	(0.6)
Earnings per share (€)	9.24	1.16	(87.4)	9.93	1.90	(80.9)
from continuing operations	9.30	0.89	(90.4)	9.97	1.62	(83.8)
from discontinued operations	(0.06)	0.27	> 100	(0.04)	0.28	> 100
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)[2)]	0.86	1.38	60.5	2.03	2.55	25.6
Cash flow from operating activities – continuing operations	52	(10)	< (100)	165	23	(86.1)
Depreciation and amortization	137	122	(10.9)	252	239	(5.2)
Cash outflows for capital expenditures	88	92	4.5	162	162	–
Total assets				8,880[5)]	9,149	3.0
Equity (including non-controlling interests)				2,999[5)]	3,352	11.8
Equity ratio[3)]				33.8%[5)]	36.6%	
Provisions for pensions and other post-employment benefits				1,205[5)]	990	(17.8)
Net financial liabilities[4)]				1,012[5)]	1,309	29.3
Employees (as of June 30)				14,756[5)6)]	14,305[6)]	(3.1)

1) EBIT: earnings before interest and taxes.
EBIT pre exceptionals: EBIT disregarding exceptional charges and income.
EBIT margin: EBIT in relation to sales.
EBITDA: EBIT before depreciation of property, plant and equipment and amortization of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets.
EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income.
EBITDA margin pre exceptionals: EBITDA pre exceptionals in relation to sales.
Please see “Notes on EBIT and EBITDA (Pre Exceptionals)” for details.
2) Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets: earnings per share from continuing operations disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects as well as non-recurring earnings effects in the second quarter of 2020 relating to the sale of the 40% interest in Currenta GmbH & Co. OHG. See “Net income/earnings per share/earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets” for details.
3) Equity ratio: equity in relation to total assets.
4) Net financial liabilities: sum of current and non-current financial liabilities (adjusted for liabilities for accrued interest) less cash, cash equivalents and near-cash assets. See “Statement of Financial Position and Financial Condition” for details.
5) As of December 31, 2020.
6) There were 14,304 employees in continuing operations as of the reporting date after 14,309 as of December 31, 2020.

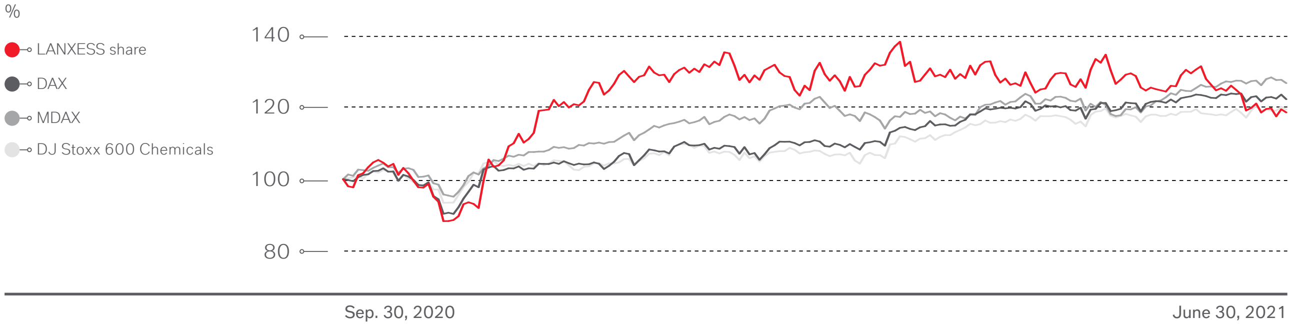
LANXESS ON THE CAPITAL MARKET

Like in 2020, the first half of 2021 was still heavily influenced by the effects of the coronavirus pandemic. In the first half of 2021, the share prices of other companies in our industry enjoyed an above-average recovery from the earnings slump in the previous year. At LANXESS, this correction already took place at the end of the previous year. As of the reporting date on June 30, our share price had fallen around 7.9% compared to the end of 2020. The increase over the first half of the year was approximately 11% for the MDAX and 13% for the DAX. In comparison, the LANXESS share gained 18% in the nine months from September 30, 2020, which is comparable with the performance of the Dow Jones STOXX 600 Chemicals^{SM} index, which climbed by 19% (DAX 22%, MDAX 26%).

On March 10, 2020, the Board of Management of LANXESS AG decided to repurchase own shares in two tranches of €250 million each (excluding incidental expenses) via the stock exchange within 24 months. The stock repurchase program commenced on March 12, 2020, but was suspended until further notice on April 6, 2020, as a result of the coronavirus crisis. 1,101,549 shares worth €37 million had been repurchased by this date. The first tranche of the stock repurchase program formally ended on March 10, 2021. The repurchased shares have not yet been canceled. The part of the first tranche that was not implemented was carried over to the second tranche, increasing the second tranche to €463 million. In light of the current strategic realignment of the LANXESS Group, a decision on a resumption and potential extension of the stock repurchase program is to be made at a later date. The same applies to a decision on the cancellation of the repurchased shares.

Because the coronavirus is still widespread in Germany, this year's Annual Stockholders' Meeting on May 19, 2021, was again held virtually. The stockholders approved the Board of Management and Supervisory Board's dividend proposal of €1.00 per share for fiscal year 2020, up 5% on the previous year.

Stock Performance vs. Indices



LANXESS Stock

		Q4 2020	Q1 2021	Q2 2021
Capital stock/no. of shares[1]	€/no. of shares	87,447,852	87,447,852	87,447,852
Weighted average number of shares outstanding	No. of shares	86,346,303	86,346,303	86,346,303
Market capitalization[1]	€ billion	5.49	5.50	5.06
High/low (intraday) for the period	€	64.86/42.34	67.38/59.58	65.76/56.76
Closing price[1]	€	62.76	62.86	57.82
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets[2]	€	0.82	1.17	1.38

1) End of quarter: Q4: December 31, 2020, Q1: March 31, 2021, Q2: June 30, 2021.
2) Earnings per share from continuing operations disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects as well as non-recurring earnings effects in the second quarter of 2020 relating to the sale of the 40% interest in Currenta GmbH & Co. OHG. Earnings per share from continuing operations were calculated on the basis of the weighted average number of shares outstanding during the period.

INTERIM GROUP MANAGEMENT REPORT AS OF JUNE 30, 2021

- Targeted portfolio expansion through the acquisition of Emerald Kalama Chemical and two bolt-on acquisitions in the Consumer Protection segment
- Revenue and earnings in the second quarter significantly exceed previous year
- EBITDA pre exceptionals increased by 24% to €277 million in the second quarter
- Strong business performance in the Engineering Materials and Specialty Additives segments
- Net income and earnings per share considerably below the comparatively high prior-year figures, which were significantly influenced by the sale of the Currenta shares
- Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets of €1.38 in the second quarter against €0.86 in the previous year
- Guidance for fiscal year 2021 raised: EBITDA pre exceptionals between €1,000 million and €1,050 million. The guidance takes the expected earnings contributions after the completion of the acquisition of Emerald Kalama Chemical into account.

GROUP STRUCTURE AND BUSINESS ACTIVITY

Legal structure

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

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 81 of the Annual Report 2020 and in the "Changes in the scope of consolidation" section of the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2021.

Reporting focus and material transactions

As of January 1, 2021, the business with antioxidants and reaction accelerators was organizationally reassigned from the Advanced Intermediates segment's Advanced Industrial Intermediates business unit to the Specialty Additives segment's Rhein Chemie business unit. The previous year's figures have been restated accordingly. At the same time, the business with colorants and colorant additives was organizationally transferred within the Specialty Additives segment from the Rhein Chemie business unit to the Polymer Additives business unit.

We decided in 2019 to divest all operations of the Leather business unit, comprising chrome chemicals, the chrome ore mine and organic leather chemicals. In connection with this, LANXESS sold its chrome chemicals business on January 10, 2020. The organic leather chemicals business was sold on June 1 of the current fiscal year. The sale of the chrome ore mine was agreed on November 15, 2019, but is not yet complete. The Leather business unit has been recognized as discontinued operations since December 2019.

As of January 1, 2021, LANXESS completed the sale of the reverse osmosis membranes business from the Liquid Purification Technologies business unit to SUEZ S.A., Paris, France. LANXESS is thus repositioning its water treatment technology business in order to focus on the ion exchange resins business in the future.

On March 1, 2021, LANXESS completed the acquisition of the French company INTACE SAS, Paris, France. This manufacturer of special fungicides for the packaging and paper industry will enhance LANXESS's position as one of the world's leading producers of biocides and antimicrobial active ingredients. The business was integrated into the Material Protection Products business unit of the Consumer Protection segment. The company generated sales in the mid-single-digit millions in euros in the previous year.

On April 1, 2021, LANXESS completed the acquisition of the French Theseo Group, a leading manufacturer of disinfection and hygiene solutions in Europe and Latin America headquartered in Laval, France. With this acquisition, LANXESS has expanded its portfolio with products for pest control, animal nutrition and animal health and now offers and extensive range of disinfection and hygiene solutions. The business with over 100 employees at its sites in Laval, France; Wietmarschen, Germany; Hull, Great Britain; and Descalvado, Brazil, was integrated into the Material Protection Products business unit of the Consumer Protection segment. In 2020, the acquired group generated sales in the lower double-digit millions in euros.

On February 14, 2021, LANXESS concluded an agreement with the U.S. private equity firm American Securities LLC regarding the acquisition of 100% of the shares in Emerald Kalama Chemical. The transaction will be completed at the beginning of August of the current fiscal year. The U.S. company is one of the world's leading manufacturers of specialty chemicals, primarily for the consumer goods sector. These include preservatives for use in food, household products and cosmetics, flavors and fragrances as well as preservative products for animal nutrition and animal health. In addition, the product portfolio is expanded by specialty chemicals for industrial applications, such as for the plastics and adhesives industries. The acquisition is a targeted enhancement of LANXESS's position in the global business with antimicrobial active ingredients and preservatives, especially for consumer protection products and animal health. The enterprise value of Emerald Kalama Chemicals is US$1.075 billion. LANXESS will finance the purchase price with existing liquidity.

Emerald Kalama Chemical has around 500 employees worldwide and operates production sites in Kalama, U.S.; Rotterdam, Netherlands; and Widnes, Great Britain. In 2020, the company generated sales of around US$425 million and EBITDA pre exceptionals of roughly US$90 million.

On March 10, 2020, the Board of Management of LANXESS AG decided to repurchase own shares in two tranches of €250 million each (excluding incidental expenses) via the stock exchange within 24 months. The stock repurchase program commenced on March 12, 2020, but was suspended until further notice on April 6, 2020, as a result of the coronavirus pandemic. 1,101,549 shares worth €37 million had been repurchased by this date. The first tranche of the stock repurchase program formally ended on March 10, 2021. The repurchased shares have not yet been canceled. The part of the first tranche that was not implemented was carried over to the second tranche, increasing the second tranche to €463 million. In light of the current strategic realignment of the LANXESS Group, a decision on a resumption and potential extension of the stock repurchase program is to be made at a later date. The same applies to a decision on the cancellation of the repurchased shares.

ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

Business conditions

General economic situation

In the second quarter, the global economy grew by 10.8% compared with the prior-year quarter. The growth was particularly strong in the Americas at 13.7% and EMEA at 12.4%. The Asia-Pacific region grew by 7.1%. However, it had also shown itself to be much more stable than other regions in the prior-year quarter dominated by the coronavirus pandemic.

Evolution of major industries

Global automotive production in the reporting period was up on the prior-year quarter by a double-digit percentage in all regions, and even a triple-digit percentage in the Americas, and was thus by far the fastest-growing industry. However, the construction industry and the global chemical industry also recovered significantly in all regions in the second quarter. Only the overall agrochemicals market fell short of expectations, especially due to the decline in EMEA.

Sales

Sales of the LANXESS Group in the second quarter of 2021 amounted to €1,831 million, up €395 million or 27.5% against the previous year's figure. The sales development was influenced in particular by the considerable increase in demand and higher selling prices driven by raw material prices. Overall, higher volumes pushed up sales by 22.3% and higher selling prices increased sales by 9.5%. Shifts in exchange rates decreased sales by 4.7%. In total, the contributions from the French company INTACE SAS acquired at the beginning of March 2021 and the French Theseo Group acquired on April 1 had a positive effect. In contrast, the sale of the reverse osmosis membranes business from the Liquid Purification Technologies business unit had a slightly negative effect. Overall, the portfolio effect had a slightly positive influence on sales at Group level.

Due to a considerable revival in demand, sales in the first six months of fiscal year 2021 increased by €384 million, or 12.2%, to €3,524 million. In the previous year, the half-year sales amounted to only €3,140 million as a result of the weaker demand due to the coronavirus pandemic. The considerable increase in demand had a particularly positive effect on sales in the first half of the year. Higher selling prices driven by raw material prices also had a positive influence on sales. By contrast, exchange rate effects led to a decline in sales. In total, the contributions from the Brazilian biocide manufacturer IPEL-Itibanyl Produtos Especiais Ltda. acquired in February 2020 and from the two French companies, INTACE SAS and Theseo, which were acquired at the beginning of March 2021 and on April 1, 2021, respectively, had a slightly positive effect. In contrast, the sale of the reverse osmosis membranes business from the Liquid Purification Technologies business unit had a slightly negative influence. Overall, the portfolio effect was slightly positive at Group level. Adjusted for currency and portfolio effects, the LANXESS Group recorded a 16.3% increase in operational sales in the first half of the year.

Effects on Sales

%	Q2 2021	H1 2021
Price	9.5	3.4
Volume	22.3	12.9
Currency	(4.7)	(4.3)
Portfolio	0.4	0.2
	27.5	**12.2**

In an economic environment clearly recovering from the effects of the coronavirus pandemic, all segments achieved higher sales than in the previous year in both the second quarter and the first six months. Please see the following table and “Segment Information” for details.

Sales by Segment

€ million	Q2 2020	Q2 2021	Change %	Proportion of Group sales %	H1 2020	H1 2021	Change %	Proportion of Group sales %
Advanced Intermediates	430	505	17.4	27.6	913	994	8.9	28.2
Specialty Additives	442	568	28.5	31.0	1,016	1,085	6.8	30.8
Consumer Protection	301	314	4.3	17.1	580	604	4.1	17.2
Engineering Materials	244	424	73.8	23.2	591	801	35.5	22.7
Reconciliation	19	20	5.3	1.1	40	40	0.0	1.1
	1,436	**1,831**	**27.5**	**100.0**	**3,140**	**3,524**	**12.2**	**100.0**

Prior-year figures restated

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 increased at a slightly faster rate than sales, rising by 30.1% compared with the prior-year quarter to €1,356 million. The increase resulted primarily from significantly higher procurement prices for raw materials and energy as well as higher sales volumes. In contrast, shifts in exchange rates had a positive impact on our manufacturing costs. Capacity utilization was above the previous year's level. While gross profit was €475 million, up by €81 million, or 20.6%, against the prior-year quarter, the gross margin was slightly below the previous year's figure of 27.4% at 25.9%. In particular, higher volumes and increased selling prices had a positive influence on earnings development. In addition, the portfolio effect resulted in a slightly positive earnings contribution. The higher procurement prices for raw materials and energy had a negative effect.

The cost of sales also increased by 13.5% year on year in the first half of the year, amounting to €2,622 million. In the prior-year period, the cost of sales amounted to €2,311 million. Gross profit rose year on year by €73 million, or 8.8%, to €902 million. The earnings increase resulted partly from higher volumes and increased selling prices. In addition, the portfolio effect resulted in a slightly positive earnings contribution. By contrast, increased procurement prices for raw materials and energy had a negative impact on earnings. The change in exchange rates likewise had a negative effect. The gross margin of 25.6% was slightly below the previous year's figure of 26.4%.

EBITDA pre exceptionals and operating result (EBIT)

In an economic environment that continues to recover, the operating result before depreciation, amortization, write-downs and reversals (EBITDA) pre exceptionals increased by €53 million, or 23.7%, to €277 million in the second quarter of 2021. In the previous year, EBITDA pre exceptionals amounted to €224 million. The positive effect of increasingly good demand from the automotive industry particularly benefited our Engineering Materials segment. All segments saw a generally sharp increase in raw material prices, which was largely passed on to the market via the successful increase of selling prices. Our Consumer Protection segment, compared with a strong prior-year quarter, posted a quarterly result that was slightly below the previous year's level. The change in exchange rates in all segments and especially the significant rise in energy costs in Germany also had a negative impact. Both the sale of the reverse osmosis membranes business from the Liquid Purification Technologies business unit and the contributions from the French company INTACE SAS acquired at the beginning of March 2021 and the French Theseo Group acquired on April 1, 2021, resulted in a slightly positive effect. Please see the table below and "Segment Information" for details on the individual segments. Primarily due to volume effects and higher freight costs, selling expenses rose by 16.0% to €225 million. Research and development costs amounted to €29 million, compared to €28 million in the prior-year period, while general administration expenses amounted to €70 million, compared to €64 million in the previous year, due among other things to higher expenses for variable compensation. The Group EBITDA margin pre exceptionals came in at 15.1%, against 15.6% in the prior-year quarter.

Group EBITDA pre exceptionals amounted to €519 million in the first half of the year, €50 million higher than the previous year's figure of €469 million. Strong demand from the automotive industry, especially in the Engineering Materials segment, also improved earnings in the first half of the year compared with the weaker first half of the previous year due to the effects of the coronavirus pandemic. This positive effect was weakened by weather-related production downtime in the U.S. in the Advanced Intermediates, Specialty Additives and Consumer Protection segments. With the exception of Consumer Protection, raw material and selling prices increased sharply in the other segments. The change in exchange rates in all segments and especially the significant rise in energy costs in Germany had a negative impact. Owing primarily to volume effects and higher freight costs, selling expenses also rose by €37 million to €433 million in the first half of the year. Research and development costs amounted to

€56 million, compared to €54 million in the prior-year period, while general administration expenses increased by €5 million to €143 million, due among other things to higher expenses for variable compensation.

EBITDA Pre Exceptionals by Segment

€ million	Q2 2020	Q2 2021	Change %	H1 2020	H1 2021	Change %
Advanced Intermediates	103	96	(6.8)	185	173	(6.5)
Specialty Additives	60	89	48.3	151	163	7.9
Consumer Protection	68	65	(4.4)	135	134	(0.7)
Engineering Materials	28	68	> 100	77	127	64.9
Reconciliation	(35)	(41)	(17.1)	(79)	(78)	1.3
	224	**277**	**23.7**	**469**	**519**	**10.7**

Prior-year figures restated

The Group operating result (EBIT) amounted to €125 million in the second quarter. In the previous year, Group EBIT amounted to €61 million. Depreciation, amortization and write-downs came to €122 million, and were €15 million, or 11.0%, below the figure for the previous year. Write-downs of €20 million were recognized in the prior-year quarter, of which €19 million were exceptional items and primarily related to the sale of the reverse osmosis membranes business to the French group SUEZ. Net negative exceptional items of €32 million included in other operating income and expenses for the reporting quarter, a total of €30 million of which impacted EBITDA, resulted primarily from expenses in connection with the strategic realignment of the LANXESS Group, M&A expenses, and digitalization projects. In the prior-year quarter, negative exceptional items of €45 million were incurred, €26 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 €223 million, compared with €165 million a year earlier. Depreciation, amortization and write-downs decreased by €13 million from €252 million to €239 million primarily due to the above-mentioned effects from the previous year in connection with the sale of the reverse osmosis membranes business. Negative exceptional items of €59 million were included in other operating income and expenses for the first half of the year, a total of €57 million of which impacted EBITDA, and in the first half of the year were also primarily attributable expenses in connection with the strategic realignment of the LANXESS Group, M&A expenses, and digitalization projects. In the prior-year period, net negative exceptional items of €71 million were incurred, €52 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 2020	Q2 2021	Change %	H1 2020	H1 2021	Change %
EBITDA pre exceptionals	**224**	**277**	**23.7**	**469**	**519**	**10.7**
Depreciation and amortization	(137)	(122)	10.9	(252)	(239)	5.2
Exceptional items in EBITDA	(26)	(30)	(15.4)	(52)	(57)	(9.6)
Operating result (EBIT)	**61**	**125**	**> 100**	**165**	**223**	**35.2**

Financial result

The financial result amounted to minus €17 million in the second quarter of 2021. In the prior-year quarter, the financial result amounted to €867 million, primarily as a result of the sale of the 40% interest in the chemical park operator Currenta GmbH & Co. OHG, Leverkusen, Germany, to Macquarie Infrastructure and Real Assets (MIRA), on April 30, 2020. The net interest result was minus €13 million, compared with minus €16 million in the prior-year quarter. The other financial result was minus €4 million. In the previous year, the other financial result of €883 million resulted primarily from the income in connection with the sale of Currenta GmbH & Co. OHG.

The financial result for the first half of 2021 was minus €30 million, against €851 million a year earlier. In the half-year period too, the comparatively high prior-year figure resulted primarily from the sale of Currenta GmbH & Co. OHG. In total, the net interest result of minus €28 million was better than in the previous year by €2 million. The other financial result was minus €2 million in the reporting period, compared with €881 million in the prior-year period. As in the second quarter, the result in the previous year resulted primarily from the sale of Currenta GmbH & Co. OHG.

Income before income taxes

In the second quarter, income before income taxes came to €108 million. In the prior-year quarter, income before income taxes was primarily influenced by the sale of Currenta GmbH & Co. OHG and amounted to €928 million. The effective tax rate was 28.7%, compared with 13.5%. The previous year's income in connection with the sale was subject only to corporation tax at the level of LANXESS. Income before income taxes also decreased from €1,016 million to €193 million in the half-year period as a result of the extraordinary gain on the disposal of Currenta GmbH & Co. OHG generated in the previous year. The effective tax rate was 27.5%, compared with 14.8% for the previous year.

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

Net income in the second quarter came to €100 million, of which €77 million was attributable to continuing operations. In the prior-year quarter, €803 million of the net income of €798 million was allocable to continuing operations. At €164 million in the first half of the year, net income was €698 million lower than the net income of €862 million of the previous year. Net income of €140 million was attributable to continuing operations; in the previous year, this figure was €866 million. Due in particular to the extraordinary proceeds from the sale of Currenta GmbH & Co. OHG recognized in the previous year, net income was considerably lower than the previous year's figure in both the second quarter of 2021 and the first half of 2021. Net income of €23 million and €24 million was attributable to discontinued operations in the second quarter and in the first half of the year, respectively. The earnings include the gain on the sale of the organic leather chemicals business as of June 1, 2021. In the previous year, net income of minus €4 million and minus €5 million was attributable to discontinued operations in the second quarter and in the first half of the year, respectively. In both the second quarter of 2021 and the first half of 2021, no earnings were attributable to non-controlling interests. In the previous year, earnings attributable to non-controlling interests amounted to minus €2 million in the second quarter and minus €4 million in the first half of the year. These earnings were almost exclusively attributable to discontinued operations.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares outstanding during the reporting period. Earnings per share amounted to €1.16, which was lower than the figure of €9.24 for the prior-year quarter. Earnings per share from continuing operations were €0.89 against €9.30 in the prior-year quarter. Due in particular to the omission of the extraordinary gain on the disposal of Currenta GmbH & Co. OHG recognized in the previous year, both the earnings per share and the earnings per share from continuing operations fell short of the prior-year figure. In the first half of the year, earnings per share were €1.90 compared with €9.93 in the previous year. Earnings per share from continuing operations were €1.62 against €9.97 in the prior-year period.

To date, 1,101,549 own shares worth €37 million have been repurchased as part of the stock repurchase program. The program was suspended until further notice on April 6, 2020, as a result of the coronavirus pandemic. The stock repurchase was taken into account pro rata temporis in the calculation of the average number of shares outstanding.

Earnings per Share

	Q2 2020	Q2 2021	H1 2020	H1 2021
Net income (€ million)	**798**	**100**	**862**	**164**
from continuing operations (€ million)	803	77	866	140
from discontinued operations (€ million)	(5)	23	(4)	24
Weighted average number of shares outstanding	86,347,813	86,346,303	86,832,027	86,346,303
Earnings per share (€)	**9.24**	**1.16**	**9.93**	**1.90**
from continuing operations (€)	9.30	0.89	9.97	1.62
from discontinued operations (€)	(0.06)	0.27	(0.04)	0.28

We also calculate earnings per share from continuing operations pre exceptionals and amortization of intangible assets, which are not defined by International Financial Reporting Standards. This value was calculated from the earnings per share from continuing operations adjusted for exceptional items, amortization of intangible assets and attributable tax effects. The non-recurring earnings effects in connection with the sale of Currenta GmbH & Co. OHG were also deducted in the previous year. Earnings per share from continuing operations pre exceptionals and amortization of intangible assets came in at €1.38 in the second quarter and €2.55 in the first half of 2021. In the second quarter and in the first half of the previous year, earnings per share from continuing operations pre exceptionals and amortization of intangible assets amounted to €0.86 and €2.03 respectively.

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

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Net income from continuing operations	**803**	**77**	**866**	**140**
Exceptional items[1]	45	32	71	59
Amortization of intangible assets/reversals of impairment charges[1]	23	25	45	50
Income in connection with the sale of Currenta GmbH & Co. OHG[1]	(890)	0	(890)	0
Income taxes[1]	93	(15)	84	(29)
Net income from continuing operations adjusted for exceptional items and amortization of intangible assets	**74**	**119**	**176**	**220**
Weighted average number of shares outstanding	86,347,813	86,346,303	86,832,027	86,346,303
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	**0.86**	**1.38**	**2.03**	**2.55**

1) Excluding items attributable to non-controlling interests

BUSINESS DEVELOPMENT BY REGION

Sales by Market

	Q2 2020		Q2 2021		Change	H1 2020		H1 2021		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	435	30.3	594	32.4	36.6	971	30.9	1,129	32.0	16.3
Germany	267	18.6	344	18.8	28.8	584	18.6	664	18.8	13.7
North America	329	22.9	406	22.2	23.4	738	23.5	769	21.8	4.2
Latin America	63	4.4	96	5.2	52.4	146	4.7	185	5.3	26.7
Asia-Pacific	342	23.8	391	21.4	14.3	701	22.3	777	22.1	10.8
	1,436	**100.0**	**1,831**	**100.0**	**27.5**	**3,140**	**100.0**	**3,524**	**100.0**	**12.2**

Sales in the **EMEA** region (excluding Germany) increased by €159 million, or 36.6%, to €594 million in the second quarter of 2021. Minor portfolio and currency effects had no notable impact on this development. While the Engineering Materials segment nearly doubled its sales, the Advanced Intermediates and Specialty Additives posted sales increases of low to mid-double-digit percentages. Sales in the Consumer Protection segment grew by a mid-single-digit percentage.

Sales in the first half of 2021 in the EMEA region (excluding Germany) increased by €158 million, or 16.3%, to €1,129 million. Adjusted for small negative currency effects and minor portfolio effects, sales rose by 16.7%. The Engineering Materials segment increased its sales by a mid-double-digit percentage in the first half of the year, followed by the Advanced Intermediates and Specialty Additives segments with low double-digit growth rates. The Consumer Protection segment expanded its business by a mid-single-digit percentage.

Sales in **Germany** in the second quarter were up €77 million, or 28.8%, year on year at €344 million. After adjustment for minor currency and portfolio effects, the growth amounted to 29.3%. While sales in the Engineering Materials segment more than doubled, the Specialty Additives and Advanced Intermediates segments achieved low double-digit growth rates. In contrast, the Consumer Protection segment's business declined by a high single-digit percentage.

In the first half of 2021, sales in Germany increased by €80 million, or 13.7%, to €664 million. After adjustment for minor currency and portfolio effects, the increase was 14.0%. While the Engineering Materials segment increased its sales by more than half, the Specialty Additives and Advanced Intermediates segments achieved high single- to low double-digit growth rates. In contrast, the Consumer Protection segment's business declined by a high single-digit percentage.

Sales in the **North America** region increased by €77 million, or 23.4%, to €406 million in the second quarter of 2021. Primarily after adjustment for negative currency effects, sales increased by 34.0%. While the Engineering Materials segment increased its sales by more than half, the Advanced Intermediates and Specialty Additives segments achieved low to mid-double-digit growth rates. The Consumer Protection segment's business grew by a high single-digit percentage.

In the first half of 2021, sales in North America rose by €31 million, or 4.2%, to €769 million. Primarily after adjustment for negative currency effects, sales increased by 13.1%. The Engineering Materials and Advanced Intermediates segments achieved business growth of low double-digit percentages, while the Consumer Protection and Specialty Additives segments increased their sales by high single-digit percentages.

Sales in the **Latin America** region in the second quarter of 2021, at €96 million, were €33 million, or 52.4%, up on the previous year's figure of €63 million. Primarily after adjustment for low, negative currency effects, sales grew by 57.9%. While sales in the Engineering Materials segment more than doubled, the Specialty Additives segment achieved high double-digit growth rates. The Advanced Intermediates segment posted sales growth of a mid-single-digit percentage, whereas the Consumer Protection segment reported a business decline by a low double-digit percentage.

In the first half of 2021, sales in the Latin America region increased by €39 million, or 26.7%, to €185 million. Adjusted for negative currency effects and low portfolio effects, the increase was 36.2%. The Specialty Additives and Engineering Materials segments reported sales growth of a mid- and high double-digit percentage, respectively. The other segments' sales were only slightly higher than in the previous year.

Second-quarter sales in the **Asia-Pacific** region increased by €49 million, or 14.3%, to €391 million. Primarily after adjustment for negative currency effects, sales grew by 20.9%. The Specialty Additives and Engineering Materials segments achieved business growth of low to mid-double-digit percentages, while the Advanced Intermediates and Consumer Protection segments increased their sales by high single-digit percentages.

In the first half of 2021, sales in this region rose by €76 million, or 10.8%, to €777 million. Primarily after adjustment for negative currency effects, sales increased by 17.3%. While the Advanced Intermediates segment reported sales growth of a mid-single-digit percentage, the other segments posted sales growth of low double-digit percentages.

SEGMENT INFORMATION

Advanced Intermediates

	Q2 2020		Q2 2021		Change	H1 2020		H1 2021		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	430		505		17.4	913		994		8.9
EBITDA pre exceptionals	103	24.0	96	19.0	(6.8)	185	20.3	173	17.4	(6.5)
EBITDA	103	24.0	96	19.0	(6.8)	183	20.0	173	17.4	(5.5)
Operating result (EBIT) pre exceptionals	75	17.4	64	12.7	(14.7)	128	14.0	112	11.3	(12.5)
Operating result (EBIT)	75	17.4	64	12.7	(14.7)	126	13.8	112	11.3	(11.1)
Cash outflows for capital expenditures	28		31		10.7	51		52		2.0
Depreciation and amortization	28		32		14.3	57		61		7.0
Employees as of June 30 (previous year: as of Dec. 31)	3,340		3,344		0.1	3,340		3,344		0.1

Prior-year figures restated

Our **Advanced Intermediates** segment recorded sales of €505 million in the second quarter of 2021, up 17.4%, or €75 million, on the figure for the prior-year period. The sales development was driven by the good demand in both of the segment's business units. At segment level, higher volumes resulted in sales growth of 10.7%. Selling prices in both business units were also above the previous year's level because much higher raw material prices were passed on. Overall, there was a positive price effect on sales of 10.2% at segment level. Shifts in exchange rates had a negative effect on sales in both business units and reduced the segment's sales by 3.5% in total. With the exception of Latin America, the segment reported higher sales than in the prior-year quarter across all regions.

EBITDA pre exceptionals in the Advanced Intermediates segment decreased by 6.8% to €96 million, compared with the previous year's figure of €103 million. In the prior-year quarter, the segment achieved significant earnings growth thanks to a sharp decline in raw material prices, which only resulted in lower selling prices in the third quarter of 2020 following a delay on the basis of contractual agreements. Shifts in exchange rates also reduced earnings in both business units. Earnings were additionally burdened by higher energy and freight costs. In contrast, both of the segment's business units benefited from higher volumes, which largely offset the reductions in earnings. The ongoing good situation in the construction industry in particular resulted in a positive earnings contribution in the Inorganic Pigments business unit. The segment's EBITDA margin pre exceptionals declined to 19.0% after 24.0% in the prior-year period.

The Advanced Intermediates segment generated half-year sales in 2021 of €994 million, a year-on-year increase of 8.9%. Sales development in both business units was also shaped by good demand in the first half of the year. At segment level, higher volumes resulted in sales growth of 9.5%. In addition, selling prices in both business units were above the previous year's level and improved sales by 2.8%. Currency developments had a negative effect on sales of 3.4%.

The segment achieved EBITDA pre exceptionals of €173 million in the first half of 2021, compared with €185 million in the prior-year period. The EBITDA margin pre exceptionals came in at 17.4%, against 20.3% in the previous year.

The segment recorded no exceptional items that impacted EBITDA in the second quarter or first half of the year. In the first half of the previous year, negative exceptional items of €2 million were incurred in the operating result. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Specialty Additives

	Q2 2020		Q2 2021		Change	H1 2020		H1 2021		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	442		568		28.5	1,016		1,085		6.8
EBITDA pre exceptionals	60	13.6	89	15.7	48.3	151	14.9	163	15.0	7.9
EBITDA	57	12.9	86	15.1	50.9	144	14.2	158	14.6	9.7
Operating result (EBIT) pre exceptionals	13	2.9	48	8.5	> 100	63	6.2	81	7.5	28.6
Operating result (EBIT)	10	2.3	44	7.7	> 100	56	5.5	75	6.9	33.9
Cash outflows for capital expenditures	20		24		20.0	40		40		0.0
Depreciation and amortization	47		42		(10.6)	88		83		(5.7)
Employees as of June 30 (previous year: as of Dec. 31)	3,083		3,047		(1.2)	3,083		3,047		(1.2)

Prior-year figures restated

Sales in our **Specialty Additives** segment rose by 28.5% in the second quarter of 2021 to €568 million. Good demand overall led to higher sales volumes in all the segment's business units. At segment level, the increased sales volumes raised sales by 30.3%. In addition, higher selling prices due to passing on the sharp rise in raw material prices led to sales growth totaling 5.9% at segment level. By contrast, exchange rate effects resulted in a sales decline of 7.7%. Sales in all regions were above the level of the prior-year quarter.

EBITDA pre exceptionals in the Specialty Additives segment increased by €29 million, or 48.3%, to €89 million. The strong earnings development resulted primarily from good demand and the associated rise in sales volumes in all business units of the segment. The Rhein Chemie and Polymer Additives business units fully passed the continued, sharp rise in raw material prices on to the market. Higher energy and freight costs and the adverse development of exchange rates had a negative effect on earnings. The EBITDA margin pre exceptionals increased to 15.7%, against 13.6% a year ago.

In the first half of 2021, the Specialty Additives segment generated sales of €1,085 million, a year-on-year rise of 6.8%. As in the quarterly comparison, sales increased by 10.7% due to higher sales volumes as a result of good demand. Selling prices likewise exceeded the previous year's level and increased sales by 2.4% overall. By contrast, the change in exchange rates decreased sales by 6.3%.

The segment's EBITDA pre exceptionals increased by 8.0% to €163 million in the first half of 2021. The EBITDA margin pre exceptionals came in at 15.0%, against 14.9% in the previous year.

In the second quarter, negative exceptional items in the segment totaled €4 million, €3 million of which impacted EBITDA. In the first half of the year, negative exceptional items totaling €6 million were incurred, €5 million of which 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. In the previous year, there were negative exceptional items of €3 million in the second quarter and €7 million in the first half of the year, which impacted EBITDA. Please see “Notes on EBIT and EBITDA (Pre Exceptionals)” for details.

Consumer Protection

	Q2 2020		Q2 2021		Change	H1 2020		H1 2021		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	301		314		4.3	580		604		4.1
EBITDA pre exceptionals	68	22.6	65	20.7	(4.4)	135	23.3	134	22.2	(0.7)
EBITDA	65	21.6	65	20.7	0.0	132	22.8	134	22.2	1.5
Operating result (EBIT) pre exceptionals	48	15.9	45	14.3	(6.3)	94	16.2	96	15.9	2.1
Operating result (EBIT)	27	9.0	45	14.3	66.7	73	12.6	96	15.9	31.5
Cash outflows for capital expenditures	12		13		8.3	22		26		18.2
Depreciation and amortization	38		20		(47.4)	59		38		(35.6)
Employees as of June 30 (previous year: as of Dec. 31)	2,439		2,497		2.4	2,439		2,497		2.4

In our **Consumer Protection** segment, sales amounted to €314 million in the reporting quarter of 2021, 4.3% higher than the previous year’s figure. This was primarily attributable to higher sales volumes in the Material Protection Products business unit, especially as a result of ongoing demand for disinfectants. In the Saltigo business unit, sales volumes were up on the previous year, due in particular to the positive development of the agrochemicals business. By contrast, the Liquid Purification Technologies business unit saw lower sales volumes, which was largely attributable to generally low transport capacity. At segment level, higher volumes resulted in sales growth of 5.3%. The Material Protection Products business unit posted higher sales due to the integration of the French company INTACE SAS acquired at the beginning of March 2021 and the French Theseo Group acquired on April 1, 2021, whereas the Liquid Purification Technologies business unit saw a decline in sales as a result of the sale of the reverse osmosis membranes business. Overall, there was a positive portfolio effect of 2.0% at segment level. Shifts in exchange rates, especially for the U.S. dollar, had a negative effect on all business units and decreased the segment’s sales by 1.7% in total. Higher sales volumes were secured in the Saltigo business unit thanks to the conclusion of a generally more advantageous customer contract. This was associated with lower selling prices compared with the previous year. This primarily resulted in a price-driven sales decline of 1.3% at segment level. With the exception of Germany, the segment reported higher sales than in the prior-year quarter across all regions.

EBITDA pre exceptionals in the Consumer Protection segment decreased by €3 million, or 4.4%, to €65 million, compared with the very high previous year’s figure of €68 million. The shift in exchange rates, increased energy costs, price effects, and logistics problems had a negative impact on earnings development. The higher volumes in the Saltigo business unit and the development of the Material Protection Products business unit’s disinfectant business had a positive effect on earnings. In addition, the sale of the reverse osmosis membranes business from the Liquid Purification Technologies business unit, the integration of the French company INTACE SAS acquired at the beginning of March 2021 and the contribution from the French Theseo Group acquired on April 1, 2021, made a positive earnings contribution. The EBITDA margin pre exceptionals was 20.7%, against 22.6% in the prior-year quarter.

The Consumer Protection segment posted sales of €604 million in the first half of 2021, up 4.1% from the same period a year ago. As in the quarterly comparison, this was especially due to the positive development of the Material Protection Products and Saltigo business units’ disinfectant and agrochemicals businesses. Higher volumes raised sales in the segment by 7.6%.

Only the Liquid Purification Technologies business unit saw lower sales volumes than in the previous year. Currency developments, especially of the U.S. dollar, had a negative effect on sales in all business units. Overall, there was a negative impact of 2.3% at segment level. In addition, lower selling prices reduced sales by 2.1% at segment level. The sales decline in the Liquid Purification Technologies business unit due to the sale of the reverse osmosis membranes business was offset by higher sales in the Material Protection Products business unit from the integration of the Brazilian biocide manufacturer acquired in February 2020, the French company INTACE SAS acquired at the beginning of March 2021, and the French Theseo Group acquired on April 1, 2021.

The segment achieved EBITDA pre exceptionals of €134 million in the first half of 2021, compared with €135 million in the prior-year period. The EBITDA margin pre exceptionals was 22.2%, against 23.3% in the prior-year period.

The segment recorded no exceptional items that impacted EBITDA in the second quarter or first half of the year. In the second quarter and the first half of the previous year, negative exceptional items in the segment totaled €21 million, of which €3 million impacted EBITDA. The exceptional items related to the sale of the reverse osmosis membranes business to the French group SUEZ. Please see “Notes on EBIT and EBITDA (Pre Exceptionals)” for details.

Engineering Materials

	Q2 2020		Q2 2021		Change	H1 2020		H1 2021		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	244		424		73.8	591		801		35.5
EBITDA pre exceptionals	28	11.5	68	16.0	> 100	77	13.0	127	15.9	64.9
EBITDA	28	11.5	67	15.8	> 100	77	13.0	126	15.7	63.6
Operating result (EBIT) pre exceptionals	12	4.9	50	11.8	> 100	44	7.4	92	11.5	> 100
Operating result (EBIT)	12	4.9	49	11.6	> 100	44	7.4	91	11.4	> 100
Cash outflows for capital expenditures	12		12		0.0	20		22		10.0
Depreciation and amortization	16		18		12.5	33		35		6.1
Employees as of June 30 (previous year: as of Dec. 31)	2,191		2,227		1.6	2,191		2,227		1.6

In the second quarter of 2021, sales in our **Engineering Materials** segment rose by 73.8% against the previous year’s figure, which was heavily influenced by the effects of the coronavirus pandemic, to €424 million. Both sales volumes and selling prices of the two business units exceeded the previous year. 50.4% of the significant sales increase resulted from higher volumes and 28.7% from increased prices. Particularly in the High Performance Materials business unit, this was driven by good demand from the automotive industry. The development of exchange rates had a negative influence on both business units, which totaled 5.3% in the segment. Sales in all regions were above the level of the prior-year quarter.

EBITDA pre exceptionals in the Engineering Materials segment increased by €40 million, or 142.9%, to €68 million. The earnings development resulted primarily from the good demand from the automotive industry and the associated rise in sales volumes in the High Performance Materials business unit. Sharply increased procurement prices for raw materials were largely passed on to the market. Higher energy and freight costs and the adverse development of exchange rates had a negative effect on earnings. The EBITDA margin pre exceptionals increased to 16.0%, against 11.5% in the prior-year quarter.

In the first half of 2021, the Engineering Materials segment posted sales of €801 million, 35.5%, or €210 million, higher than the prior-year level. As in the quarterly comparison, the sales development was particularly attributable to good demand from the automotive industry in the High Performance Materials business unit. The Urethane Systems business unit also achieved higher sales volumes. Altogether, this had a positive effect of 28.1% on sales at segment level. Selling prices in both business units likewise exceeded the previous year’s level and increased sales by 11.8% in total. By contrast, the change in exchange rates decreased sales by 4.4%.

The segment achieved EBITDA pre exceptionals of €127 million in the first half of 2021, compared with €77 million in the prior-year period. The EBITDA margin pre exceptionals increased to 15.9%, against 13.0% a year ago.

The segment recorded negative exceptional items of €1 million in the second quarter and the first half of the year, which impacted EBITDA. The segment recorded no exceptional items that impacted EBITDA in the second quarter or first half of the previous year.

Reconciliation

€ million	Q2 2020	Q2 2021	Change %	H1 2020	H1 2021	Change %
Sales	19	20	5.3	40	40	0.0
EBITDA pre exceptionals	(35)	(41)	(17.1)	(79)	(78)	1.3
EBITDA	(55)	(67)	(21.8)	(119)	(129)	(8.4)
Operating result (EBIT) pre exceptionals	(42)	(50)	(19.0)	(93)	(99)	(6.5)
Operating result (EBIT)	(63)	(77)	(22.2)	(134)	(151)	(12.7)
Cash outflows for capital expenditures	16	12	(25.0)	29	22	(24.1)
Depreciation and amortization	8	10	25.0	15	22	46.7
Employees as of June 30 (previous year: as of Dec. 31)	3,256	3,189	(2.1)	3,256	3,189	(2.1)

EBITDA pre exceptionals for the **reconciliation** came to minus €41 million and minus €78 million in the second quarter and first half of the year respectively, compared with minus €35 million and minus €79 million in the corresponding prior-year periods. In the second quarter, negative exceptional items of €27 million were incurred, €26 million of which impacted EBITDA. In the first six months of the fiscal year, net negative exceptional items of €52 million were incurred, €51 million of which 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 €21 million in the quarter and €41 million in the first half. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

NOTES ON EBIT AND EBITDA (PRE EXCEPTIONALS)

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

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

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

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 (target) 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.

Reconciliation to EBIT/EBITDA

€ million	EBIT Q2 2020	EBIT Q2 2021	EBITDA Q2 2020	EBITDA Q2 2021	EBIT H1 2020	EBIT H1 2021	EBITDA H1 2020	EBITDA H1 2021
EBIT/EBITDA pre exceptionals	**106**	**157**	**224**	**277**	**236**	**282**	**469**	**519**
Advanced Intermediates	**0**	**0**	**0**	**0**	**(2)**	**0**	**(2)**	**0**
Strategic realignment	–	–	–	–	(2)	–	(2)	–
Specialty Additives	**(3)**	**(4)**	**(3)**	**(3)**	**(7)**	**(6)**	**(7)**	**(5)**
Strategic realignment	(3)	(4)	(3)	(3)	(7)	(6)	(7)	(5)
Consumer Protection	**(21)**	**0**	**(3)**	**0**	**(21)**	**0**	**(3)**	**0**
Strategic realignment	(20)	–	(2)	–	(20)	–	(2)	–
Other	(1)	–	(1)	–	(1)	–	(1)	–
Engineering Materials	**0**	**(1)**	**0**	**(1)**	**0**	**(1)**	**0**	**(1)**
Strategic realignment	–	(1)	–	(1)	–	(1)	–	(1)
Reconciliation	**(21)**	**(27)**	**(20)**	**(26)**	**(41)**	**(52)**	**(40)**	**(51)**
Strategic realignment	(2)	–	(2)	–	(2)	–	(2)	–
Adjustment of the production network	–	–	–	–	(10)	–	(10)	–
Strategic IT projects (SAP S/4HANA and other IT applications)	(7)	(6)	(7)	(5)	(13)	(13)	(12)	(12)
Digitalization, M&A expenses and other	(12)	(21)	(11)	(21)	(16)	(39)	(16)	(39)
Total exceptional items	**(45)**	**(32)**	**(26)**	**(30)**	**(71)**	**(59)**	**(52)**	**(57)**
EBIT/EBITDA	**61**	**125**	**198**	**247**	**165**	**223**	**417**	**462**

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Structure of the statement of financial position

As of June 30, 2021, the LANXESS Group's total assets stood at €9,149 million, up €269 million, or 3.0%, from €8,880 million on December 31, 2020. The equity ratio at the end of the second quarter was 36.6%, after 33.8% as of December 31, 2020.

Non-current assets increased by €75 million to €4,898 million as of June 30, 2021. At €2,687 million, property, plant and equipment exceeded the prior-year figure of €2,674 million. In the first half of 2021, cash outflows for purchases of intangible assets and property, plant and equipment were level with the previous year at €162 million. Depreciation, amortization and write-downs in the first six months amounted to €239 million, which was below the figure of €252 million for the prior-year period. Deferred tax assets declined by €62 million from €326 million to €264 million as of June 30, 2021, while other equity investments, primarily due to the conversion into equity of a loan provided to Standard Lithium, increased from €2 million to €24 million. The ratio of non-current assets to total assets was 53.5%, down from 54.3% on December 31, 2020.

Current assets increased by €194 million, or 4.8%, compared with December 31, 2020, to €4,251 million. Inventories increased by €237 million from €1,070 million to €1,307 million as of June 30, 2021, due to higher raw material prices and volume effects. Trade receivables rose by €216 million from €745 million, to €961 million as a result of higher sales. Cash and cash equivalents increased by €576 million from €271 million to €847 million, due primarily to the disposal of shares of money market funds that can be sold at any time. Because of this sale, near-cash assets declined from €1,523 million to €655 million as of June 30, 2021. In the first six months of the year, other current financial assets increased by €71 million to €136 million, other current assets by €65 million to €210 million. The ratio of current assets to total assets was 46.5%, compared with 45.7% as of December 31, 2020.

Equity increased to €3,352 million against €2,999 million on December 31, 2020, primarily due to the positive total comprehensive income.

Non-current liabilities decreased by €185 million to €3,874 million as of June 30, 2021. Provisions for pensions and other post-employment benefits decreased by €215 million to €990 million. This decrease was chiefly due to an increase in the interest rates used to discount provisions for pensions and other post-employment benefits. At €358 million, other non-current provisions were up from €349 million as of December 31, 2020. Other non-current financial liabilities decreased by €3 million to €2,262 million. The ratio of non-current liabilities to total assets was 42.4%, against 45.7% as of December 31, 2020.

Current liabilities came to €1,923 million, up by €101 million, or 5.5%, compared with December 31, 2020. Trade payables grew by €125 million to €806 million as a result of the increased demand and higher raw material prices. Other current provisions rose from €332 million to €345 million as of June 30, 2021. The ratio of current liabilities to total assets was 21.0% as of June 30, 2021, against 20.5% at the end of 2020.

Financial condition and capital expenditures

Changes in the statement of cash flows

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

In the first six months of 2021 there was a net cash inflow of €23 million from operating activities, against €165 million in the prior-year period. Income before income taxes declined from €1,016 million to €193 million. This was adjusted for the financial result, which in the previous year primarily resulted from the sale of the 40% interest in Currenta GmbH Co. OHG, Leverkusen, Germany. Depreciation, amortization and write-downs decreased from €252 million to €239 million. The change in net working capital also made an impact with a cash outflow of €311 million after €125 million in the previous year. At €48 million, income taxes paid were lower than the prior-year figure of €104 million.

There was a €712 million net cash inflow from investing activities in the first six months of 2021, compared with a €13 million net cash inflow in the same period a year ago. The net cash inflow in the first half of 2021 resulted primarily from the cash inflows from financial assets due to the maturity of short-term money market investments. This was countered in this period mainly by cash outflows for purchases of intangible assets and property, plant and equipment.

Net cash used in financing activities came to €146 million compared to €109 million in the prior-year period. The cash outflow in the reporting period was due in particular to dividend payments of €86 million to LANXESS shareholders as well as interest paid and other financial disbursements. In the previous year, there were cash outflows for the acquisition of own shares, while the dividend was not paid until the third quarter.

Financing and liquidity

The principles and objectives of financial management discussed on pages 108 and 109 of the Annual Report 2020 remained valid during the first half of the year. They are centered on a conservative financial policy built on long-term, secured financing.

Due to the cash inflow from the disposal of shares of money market funds that can be sold at any time, cash and cash equivalents increased by €576 million compared with the end of 2020 to €847 million. Near-cash assets declined from €1,523 million to €655 million as a result of this sale. The Group's liquidity position remains sound overall.

Net financial liabilities are the total of current and non-current financial liabilities less liabilities for accrued interest, cash, cash equivalents and near-cash assets and amounted to €1,309 million as of June 30, 2021, compared with €1,012 million as of December 31, 2020.

The increase in net financial liabilities as of June 30, 2021, resulted among other things from the dividend payment to LANXESS shareholders of €86 million.

Net Financial Liabilities

€ million	Dec. 31, 2020	June 30, 2021
Non-current financial liabilities	2,265	2,262
Current financial liabilities	566	566
Less:		
Liabilities for accrued interest	(25)	(17)
Cash and cash equivalents	(271)	(847)
Near-cash assets	(1,523)	(655)
Net financial liabilities	**1,012**	**1,309**

As of June 30, 2021, we had a small amount of financing items that were not reported in the statement of financial position in the form of short-term leases and leases of low value.

Capital expenditures

On February 10, 2021, LANXESS opened a facility for the reduction of nitrous oxide at its site in Antwerp, Belgium. The facility in the High Performance Materials business unit breaks down and thus reduces around 500 metric tons of nitrous oxide per year, which is equivalent to the climate impact of 150,000 metric tons of CO_2. The total investment for the construction of the facility came to a sum in the low double-digit millions in euros. A second plant is to enter service in 2023 and is expected to eliminate another 300,000 metric tons of CO_2 equivalents (CO_2e) every year.

FUTURE PROSPECTS, OPPORTUNITIES AND RISKS

Outlook

Despite the still uncertain conditions caused in particular by the effects of the coronavirus pandemic, we expect the economic environment to keep recovering in the second half of the current fiscal year. Depending on the rate of mutation and vaccination, the further course of the pandemic represents an uncertainty factor for global economic development and for our business.

Our expectations for the development of the global economy are currently growing. Expectations for the chemicals, construction, and agro-industry and especially for the automotive industry are still at a high level and in some cases have even increased compared to the expectations in the Annual Report 2020. We expect our segments to develop as follows:

For the Advanced Intermediates segment, we expect business in 2021 to be slightly above the previous year's level. At the same time, we expect increasing demand in the broadly diversified end markets, especially from the construction industry. Rising energy prices will have a negative effect.

For our Specialty Additives segment, we continue to expect earnings to significantly exceed the previous year's level. In addition to positive effects from the new allocation of the business with antioxidants and reaction accelerators, we expect an increase in demand from the construction industry in particular.

In 2021, our Consumer Protection segment is expected to significantly outperform the previous year, which was already very strong, thanks to the portfolio effect of the Emerald Kalama Chemical acquisition. We continue to anticipate strong demand in the relevant end markets for the underlying business.

For the Engineering Materials segment, we expect earnings to significantly exceed the previous year's low level in the current year, due mainly to the strong recovery of the automotive industry.

Given the expected performance and including the earnings contribution from Emerald Kalama Chemical, we are increasing our expectations for EBITDA pre exceptionals for the full year 2021 to between €1,000 million and €1,050 million.

Significant opportunities and risks

Compared with December 31, 2020, the LANXESS Group's risk situation remains strained due to the effects of the ongoing coronavirus pandemic. Extensive measures were taken to safeguard supply chains and production and to protect the health of all employees. Countermeasures include, for example, the provision of self-tests for employees, mandatory rules of conduct for employees and service providers at LANXESS sites, preventive and emergency scenarios in the production shift systems, remote working, technical solutions and tools for the reduction of infection and quarantine risks, and close coordination with authorities, site service providers and other business-critical parties in the pandemic context. Since June 8, 2021, all employees at German LANXESS sites have also been offered a vaccination.

The economic and potentially political effects of the coronavirus pandemic also remain an uncertainty factor for our businesses. In close cooperation with the Board of Management, the crisis management is coordinated by a central crisis team. Via continuous reassessment of the relevant pandemic situation, the potential scenarios for future development and the implementation of specific countermeasures, we can react quickly to any changing situations and requirements.

Otherwise, there have been no significant changes compared with the account of the LANXESS Group's opportunities and risks in the Annual Report 2020. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group for fiscal year 2020 on pages 132 to 146 of the Annual Report 2020. 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, 2021

STATEMENT OF FINANCIAL POSITION
LANXESS GROUP

€ million	Dec. 31, 2020	June 30, 2021
ASSETS		
Intangible assets	1,647	1,742
Property, plant and equipment	2,674	2,687
Investments in other affiliated companies	2	24
Non-current derivative assets	4	10
Other non-current financial assets	41	43
Non-current income tax receivables	81	81
Deferred taxes	326	264
Other non-current assets	48	47
Non-current assets	**4,823**	**4,898**
Inventories	1,070	1,307
Trade receivables	745	961
Cash and cash equivalents	271	847
Near-cash assets	1,523	655
Current derivative assets	19	30
Other current financial assets	65	136
Current income tax receivables	101	102
Other current assets	145	210
Assets held for sale and discontinued operations	118	3
Current assets	**4,057**	**4,251**
Total assets	**8,880**	**9,149**

€ million	Dec. 31, 2020	June 30, 2021
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves[1]	1,359	2,316
Net income	885	164
Other equity components	(560)	(443)
Equity attributable to non-controlling interests	(2)	(2)
Equity	**2,999**	**3,352**
Provisions for pensions and other post-employment benefits	1,205	990
Other non-current provisions	349	358
Non-current derivative liabilities	1	5
Other non-current financial liabilities	2,265	2,262
Non-current income tax liabilities	75	77
Other non-current liabilities	51	47
Deferred taxes	113	135
Non-current liabilities	**4,059**	**3,874**
Other current provisions	332	345
Trade payables	681	806
Current derivative liabilities	15	7
Other current financial liabilities	566	566
Current income tax liabilities	24	23
Other current liabilities	129	166
Liabilities directly related to assets held for sale and discontinued operations	75	10
Current liabilities	**1,822**	**1,923**
Total equity and liabilities	**8,880**	**9,149**

1) Also includes the reserve for own shares

INCOME STATEMENT
LANXESS GROUP

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Sales	**1,436**	**1,831**	**3,140**	**3,524**
Cost of sales	(1,042)	(1,356)	(2,311)	(2,622)
Gross profit	**394**	**475**	**829**	**902**
Selling expenses	(194)	(225)	(396)	(433)
Research and development expenses	(28)	(29)	(54)	(56)
General administration expenses	(64)	(70)	(138)	(143)
Other operating income	22	18	43	32
Other operating expenses	(69)	(44)	(119)	(79)
Operating result (EBIT)	**61**	**125**	**165**	**223**
Interest income	2	3	5	4
Interest expense	(18)	(16)	(35)	(32)
Other financial income and expense	883	(4)	881	(2)
Financial result	**867**	**(17)**	**851**	**(30)**
Income before income taxes	**928**	**108**	**1,016**	**193**
Income taxes	(125)	(31)	(150)	(53)
Income after income taxes from continuing operations	**803**	**77**	**866**	**140**
Income after income taxes from discontinued operations	**(7)**	**23**	**(8)**	**24**
Income after income taxes	**796**	**100**	**858**	**164**
of which attributable to non-controlling interests	(2)	0	(4)	0
of which attributable to LANXESS AG stockholders (net income)	798	100	862	164
Earnings per share (basic/diluted) (€)				
from continuing operations	9.30	0.89	9.97	1.62
from discontinued operations	(0.06)	0.27	(0.04)	0.28
from continuing and discontinued operations	**9.24**	**1.16**	**9.93**	**1.90**

STATEMENT OF COMPREHENSIVE INCOME
LANXESS GROUP

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Income after income taxes	**796**	**100**	**858**	**164**
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(52)	29	(42)	222
Financial instruments fair value measurement	–	5	–	5
Income taxes	16	(9)	5	(65)
	(36)	**25**	**(37)**	**162**
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	(82)	(19)	(43)	123
Financial instruments fair value measurement	11	6	(14)	(12)
Financial instruments cost of hedging	1	(2)	0	(1)
Income taxes	(3)	(2)	5	3
	(73)	**(17)**	**(52)**	**113**
Other comprehensive income, net of income tax	**(109)**	**8**	**(89)**	**275**
Total comprehensive income	**687**	**108**	**769**	**439**
of which attributable to non-controlling interests	(3)	0	1	0
of which attributable to LANXESS AG stockholders	690	108	768	439
Total comprehensive income attributable to LANXESS AG stockholders	**690**	**108**	**768**	**439**
from continuing operations	696	82	755	411
from discontinued operations	(6)	26	13	28

STATEMENT OF CHANGES IN EQUITY
LANXESS GROUP

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components			Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments				
						Fair value measurement	Cost of hedging			
Dec. 31, 2019	**87**	**1,230**	**1,429**	**205**	**(274)**	**(9)**	**1**	**2,669**	**(22)**	**2,647**
Allocations to retained earnings			205	(205)				0		0
Acquisition of own shares			(37)					(37)		(37)
Total comprehensive income			(37)	862	(48)	(9)	0	768	1	769
Income after income taxes				*862*				*862*	*(4)*	*858*
Other comprehensive income, net of income tax			*(37)*		*(48)*	*(9)*	*0*	*(94)*	*5*	*(89)*
Other changes			(2)			2		0		0
June 30, 2020	**87**	**1,230**	**1,558**	**862**	**(322)**	**(16)**	**1**	**3,400**	**(21)**	**3,379**
Dec. 31, 2020	**87**	**1,230**	**1,359**	**885**	**(569)**	**9**	**0**	**3,001**	**(2)**	**2,999**
Allocations to retained earnings			885	(885)				0		0
Dividend payments			(86)					(86)		(86)
Total comprehensive income			158	164	123	(5)	(1)	439	0	439
Income after income taxes				*164*				*164*	*0*	*164*
Other comprehensive income, net of income tax			*158*		*123*	*(5)*	*(1)*	*275*	*0*	*275*
June 30, 2021	**87**	**1,230**	**2,316**	**164**	**(446)**	**4**	**(1)**	**3,354**	**(2)**	**3,352**

STATEMENT OF CASH FLOWS
LANXESS GROUP

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Income before income taxes	**928**	**108**	**1,016**	**193**
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	137	122	252	239
Gains on disposals of intangible assets and property, plant and equipment	(1)	0	(1)	0
Financial losses (gains)	(873)	11	(859)	21
Income taxes paid	(108)	(17)	(104)	(48)
Changes in inventories	(66)	(179)	(84)	(214)
Changes in trade receivables	208	(65)	59	(196)
Changes in trade payables	(86)	79	(100)	99
Changes in other assets and liabilities	(87)	(69)	(14)	(71)
Net cash provided by (used in) operating activities – continuing operations	**52**	**(10)**	**165**	**23**
Net cash used in operating activities – discontinued operations	**(6)**	**(15)**	**(17)**	**(16)**
Net cash provided by (used in) operating activities – total	**46**	**(25)**	**148**	**7**
Cash outflows for purchases of intangible assets and property, plant and equipment	(88)	(92)	(162)	(162)
Cash inflows from sales of intangible assets and property, plant and equipment	1	0	4	0
Cash outflows for financial and other assets held for investment purposes	(1,261)	(1)	(1,341)	(153)
Cash inflows from financial and other assets held for investment purposes	551	261	572	1,017
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	(68)	(25)	(76)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	734	80	812	80

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Interest and dividends received	151	2	153	6
Net cash provided by investing activities – continuing operations	**88**	**182**	**13**	**712**
Net cash used in investing activities – discontinued operations	**0**	**(1)**	**(1)**	**(1)**
Net cash provided by investing activities – total	**88**	**181**	**12**	**711**
Proceeds from borrowings	–	5	1,000	5
Repayments of borrowings	(1,014)	(14)	(1,027)	(25)
Interest paid and other financial disbursements	(44)	(38)	(45)	(40)
Dividend payments	–	(86)	–	(86)
Cash outflows for the acquisition of own shares	(5)	–	(37)	–
Net cash used in financing activities – continuing operations	**(1,063)**	**(133)**	**(109)**	**(146)**
Net cash used in financing activities – discontinued operations	**0**	**0**	**0**	**0**
Net cash used in financing activities – total	**(1,063)**	**(133)**	**(109)**	**(146)**
Change in cash and cash equivalents – continuing operations	**(923)**	**39**	**69**	**589**
Change in cash and cash equivalents – discontinued operations	**(6)**	**(16)**	**(18)**	**(17)**
Change in cash and cash equivalents – total	**(929)**	**23**	**51**	**572**
Cash and cash equivalents at beginning of period – total	1,271	824	296	271
Exchange differences and other changes in cash and cash equivalents – total	(2)	0	(7)	4
Cash and cash equivalents at end of period – total	**340**	**847**	**340**	**847**
of which continuing operations	340	847	340	847
of which discontinued operations	0	0	0	0

SEGMENT AND REGION DATA

Key Data by Segment Second Quarter

	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
€ million	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021
External sales	430	505	442	568	301	314	244	424	19	20	1,436	1,831
Inter-segment sales	10	9	3	2	13	16	0	0	(26)	(27)	0	0
Segment/Group sales	440	514	445	570	314	330	244	424	(7)	(7)	1,436	1,831
Segment result/EBITDA pre exceptionals	103	96	60	89	68	65	28	68	(35)	(41)	224	277
EBITDA margin pre exceptionals (%)	24.0	19.0	13.6	15.7	22.6	20.7	11.5	16.0			15.6	15.1
EBITDA	103	96	57	86	65	65	28	67	(55)	(67)	198	247
EBIT pre exceptionals	75	64	13	48	48	45	12	50	(42)	(50)	106	157
EBIT	75	64	10	44	27	45	12	49	(63)	(77)	61	125
Segment capital expenditures	30	34	27	25	14	16	13	12	23	13	107	100
Depreciation and amortization/ reversals of impairment charges	28	32	47	42	38	20	16	18	8	10	137	122

Prior-year figures restated

Key Data by Segment First Half

	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
€ million	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
External sales	913	994	1,016	1,085	580	604	591	801	40	40	3,140	3,524
Inter-segment sales	20	18	6	4	27	29	0	0	(53)	(51)	0	0
Segment/Group sales	933	1,012	1,022	1,089	607	633	591	801	(13)	(11)	3,140	3,524
Segment result/EBITDA pre exceptionals	185	173	151	163	135	134	77	127	(79)	(78)	469	519
EBITDA margin pre exceptionals (%)	20.3	17.4	14.9	15.0	23.3	22.2	13.0	15.9			14.9	14.7
EBITDA	183	173	144	158	132	134	77	126	(119)	(129)	417	462
EBIT pre exceptionals	128	112	63	81	94	96	44	92	(93)	(99)	236	282
EBIT	126	112	56	75	73	96	44	91	(134)	(151)	165	223
Segment capital expenditures	56	58	49	44	25	30	22	24	37	29	189	185
Depreciation and amortization/ reversals of impairment charges	57	61	88	83	59	38	33	35	15	22	252	239
Employees as of June 30 (previous year: as of Dec. 31)	3,340	3,344	3,083	3,047	2,439	2,497	2,191	2,227	3,256	3,189	14,309	14,304

Prior-year figures restated

Key Data by Region Second Quarter

€ million	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021
External sales by market	435	594	267	344	329	406	63	96	342	391	1,436	1,831
Proportion of Group sales %	30.3	32.4	18.6	18.8	22.9	22.2	4.4	5.2	23.8	21.4	100.0	100.0

Key Data by Region First Half

€ million	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
External sales by market	971	1,129	584	664	738	769	146	185	701	777	3,140	3,524
Proportion of Group sales %	30.9	32.0	18.6	18.8	23.5	21.8	4.7	5.3	22.3	22.1	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	1,787	1,833	7,627	7,600	1,979	1,979	797	809	2,119	2,083	14,309	14,304

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

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, 2020, 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, 2021, 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, 2021, were considered in preparing the interim financial statements.

The mandatory first-time application of the following financial reporting standards and interpretations in fiscal year 2021 currently has no impact, or no material impact, on the LANXESS Group yet:

- IFRS 16 – Amendments to IFRS 16 – Covid-19-Related Rent Concessions
- IFRS 4 – Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9
- IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

In fiscal year 2021, the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee issued financial reporting standards, whose application is not yet mandatory for that year and which the LANXESS Group thus did not yet apply. The application of these standards and interpretations is still contingent upon their endorsement by the E.U. and they currently have no material impact on the LANXESS Group:

- IFRS 17 – Insurance Contracts
- IAS 1 – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current
- IAS 1 – Amendments to IAS 1 – Disclosure of Accounting Policies
- IFRS 3 – Amendments to IFRS 3 – Reference to the Conceptual Framework
- IAS 16 – Amendments to IAS 16 – Proceeds before Intended Use
- IAS 37 – Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Various IAS and IFRS – Annual Improvements to the International Financial Reporting Standards (2018–2020 Cycle)
- IAS 8 – Amendments to IAS 8 – Definition of Accounting Estimates
- IFRS 16 – Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021
- IAS 12 – Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Preparation of the consolidated interim financial statements requires that assumptions and estimates are made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods consistent with those applied in the consolidated financial statements for 2020. Assumptions and estimates that could alter these estimates are reviewed continually. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

The ongoing updates where assumptions and estimates are used (see “Estimation Uncertainties and the Exercise of Discretion” in the consolidated financial statements as of December 31, 2020) had no material influence on the consolidated interim financial statements.

Government aid programs have been launched around the world to stabilize the economy in the coronavirus pandemic. These primarily involve tax measures such as cutting tax rates, postponing due dates or deferring tax payments, increasing tax exemptions, or changing options for loss carryforwards or carry-backs. In addition, some countries have granted compensation for short-time work and exemption from or deferral of social security contributions. Overall, the government aid programs have no material influence on the consolidated interim financial statements as of June 30, 2021.

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

CHANGES IN THE SCOPE OF CONSOLIDATION

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

	EMEA (excl. Germany)	Germany	North America	Latin America	Asia-Pacific	Total
Fully consolidated companies (incl. parent company)						
Jan. 1, 2021	28	11	4	7	23	73
Additions	3	1	–	1	–	5
Retirements	–	–	–	–	(1)	(1)
Mergers	–	–	–	(1)	–	(1)
June 30, 2021	**31**	**12**	**4**	**7**	**22**	**76**
Associates and joint operations						
Jan. 1, 2021	0	1	1	0	0	2
Changes	–	–	–	–	–	0
June 30, 2021	**0**	**1**	**1**	**0**	**0**	**2**
Non-consolidated companies						
Jan. 1, 2021	2	3	0	2	3	10
Changes	–	–	–	–	–	0
June 30, 2021	**2**	**3**	**0**	**2**	**3**	**10**
Total						
Jan. 1, 2021	30	15	5	9	26	85
Additions	3	1	–	1	–	5
Retirements	–	–	–	–	(1)	(1)
Mergers	–	–	–	(1)	–	(1)
June 30, 2021	**33**	**16**	**5**	**9**	**25**	**88**

INTACE SAS, Paris, France; Theseo Deutschland GmbH, Wietmarschen, Germany; Theseo France SAS, Laval, France; Biolink Ltd., Hull, UK; and Theseo Saúde Animal Ltda., Descalvado, Brazil, were acquired in the reporting period.

In the reporting period, LANXESS Indústria de Poliuretanos e Lubrificantes Ltda., Rio Claro, Brazil, was merged into LANXESS Indústria de Produtos Quimicos e Plásticos Ltda., São Paulo, Brazil.

In addition, SR (Changzhou) Specialty Materials Co., Ltd., Changzhou, China, was disposed of in connection with the sale of the organic leather chemicals business.

DIVESTMENTS

On January 1, 2021, in conjunction with the strategic reorientation of the Liquid Purification Technologies business unit to focus on ion exchanger business, LANXESS completed the sale of its reverse osmosis membranes business to SUEZ WTS Germany GmbH, Düsseldorf, Germany, a subsidiary of the corporation SUEZ S.A., Paris, France. The final purchase price was €0 million. In the statement of financial position as of December 31, 2020, the assets and liabilities to be disposed of were recognized as held for sale with a net asset value of €0 million. In total, impaired property, plant and equipment and intangible assets of €0 million, inventories of €6 million, and provisions and other liabilities of €6 million were disposed of on January 1, 2021. The proceeds from the sale amounted to €0 million.

The assets and liabilities to be disposed of were recognized as held for sale in the statement of financial position as of June 30, 2020. Before reclassification, write-downs on intangible assets and property, plant and equipment of €18 million and impairment charges on inventories of €2 million were recognized. These were recognized as exceptional items in other operating expenses. The expected selling price was considered to be the fair value. The assets and liabilities held for sale as of June 30, 2020, comprised impaired property, plant and equipment and intangible assets of €0 million, impaired inventories of €7 million, and provisions and other liabilities of €3 million.

Divestments in the previous year

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

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

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

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

On November 15, 2019, a contract for the sale of the **chrome ore** unit was concluded with the company Chrome Production Holdings Proprietary Limited, Johannesburg, South Africa, a subsidiary of Clover Alloys, South Africa. The contract covers the sale of the 74% interest in the subsidiary LANXESS Chrome Mining (Pty) Ltd., Modderfontein, South Africa. The business is accounted for as a discontinued operation and reported accordingly from December 31, 2019. The transaction is still subject to the approval of the responsible authorities. The transaction is expected to be completed in the second half of 2021.

On August 12, 2020, an agreement was entered into with TFL Ledertechnik GmbH, Rheinfelden, Germany, a portfolio company of the U.S. investment company Black Diamond Capital, L.L.C., for the sale of the **organic leather chemicals** business unit. Because of the global coronavirus pandemic in fiscal year 2020, the offer and sale process for the **organic leather chemicals** business was delayed. The sale was completed on June 1, 2021.

The purchase price comprises a fixed component of €80 million. Due to the purchase price mechanism agreed with the buyer, LANXESS will receive an additional approximately €24 million in the third quarter of this year. The purchase price also includes a performance-based component, which could result in cash inflows totaling up to €115 million in the coming years. At the date of the sale and as of June 30, 2021, this performance-based component was estimated to amount to €20 million and is disclosed under other financial assets.

The carrying amounts of the assets and liabilities of the organic leather chemicals business disposed of are shown in the following table:

Carrying Amounts of Assets Disposed Of

€ million	June 30, 2021
Property, plant and equipment and intangible assets	48
Inventories and trade receivables	77
Other assets	2
Total assets	**127**
Provisions	20
Trade payables	7
Other liabilities	4
Total liabilities	**31**

As part of the transaction, the shares in the subsidiary SR (Changzhou) Specialty Materials Co., Ltd., Changzhou, China, were also sold.

The gain on the disposal of the organic leather chemicals business amounted to €23 million and is reported in the LANXESS Group income statement under "Income after income taxes from discontinued operations."

Gain on the Disposal

€ million	June 30, 2021
Total consideration received	124
Net assets sold	(96)
Cumulative currency gains and losses from the net assets sold	(1)
Gain on the disposal before income taxes	**27**
Income taxes	(4)
Gain on the disposal	**23**

The gain on the disposal before income taxes is included in the income statement from discontinued operations under other functional costs.

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

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

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

€ million	Dec. 31, 2020	June 30, 2021
Property, plant and equipment and intangible assets	44	1
Inventories and trade receivables	65	1
Other assets	3	1
Total assets	**112**	**3**
Provisions	36	8
Trade payables	23	0
Other liabilities	10	2
Total liabilities	**69**	**10**

In detail, earnings from discontinued operations are as follows:

Income Statement from Discontinued Operations (Leather Business Unit)

€ million	H1 2020	H1 2021
Sales	**109**	**85**
Cost of sales	(87)	(56)
Gross profit	**22**	**29**
Other functional costs	(30)	1
Operating result (EBIT)	**(8)**	**30**
Financial result	**0**	**(1)**
Income before income taxes	**(8)**	**29**
Income taxes	0	(5)
Income after income taxes	**(8)**	**24**

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

The gains from currency translation differences allocable to discontinued operations recognized in other equity components as of June 30, 2021, amount to €15 million (December 31, 2020: €16 million), and the amounts recognized cumulatively in other reserves for the remeasurement of the net defined benefit liability amount to €0 million (December 31, 2020: losses of €14 million).

The discontinued operations of the Leather business unit generated EBITDA pre exceptionals of €3 million (previous year: minus €13 million). This includes exceptional items within EBITDA of €27 million (previous year: €5 million). Capital expenditures amounted to €1 million (previous year: €1 million). No depreciation or amortization was recognized. The number of employees allocable to discontinued operations was one as of June 30, 2021 (December 31, 2020: 447 employees).

ADDITIONS FROM ACQUISITIONS

On March 1, 2021, LANXESS completed the acquisition of all shares in the French company INTACE SAS, Paris, France. This manufacturer of special fungicides for the packaging and paper industry will enhance LANXESS's position as one of the world's leading producers of biocides and antimicrobial active ingredients. The business was integrated into the Material Protection Products business unit of the Consumer Protection segment. The company generated sales in the mid-single-digit millions in euros in the previous year.

On April 1, 2021, LANXESS completed the acquisition of all shares in the French Theseo Group, a leading manufacturer of disinfection and hygiene solutions. With this acquisition, LANXESS has significantly expanded its product portfolio for the growing livestock farming market and now offers an extensive range of disinfection and hygiene solutions. In addition, LANXESS has expanded its portfolio with products for pest control, animal nutrition and animal health. The business with over 100 employees at sites in Laval, France; Wietmarschen, Germany; Hull, Great Britain; and Descalvado, Brazil, generated sales in the lower double-digit millions in euros in 2020 and was likewise integrated into the Material Protection Products business unit of the Consumer Protection segment.

Both acquisitions were financed with existing liquidity and accounted for as business combinations in accordance with IFRS 3. For the purchase price allocations, the identifiable assets, liabilities and contingent liabilities of the business acquired were recognized at fair value. The intangible assets are mainly customer relationships, technologies, and brands. IFRS 3 permits adjustment of the purchase price allocations within one year of the date of acquisition to reflect new information and findings. Changes can generally arise in all items of the statement of financial position.

The acquired businesses have contributed around €9 million to sales since the acquisition and did not have any material effect on the earnings of the LANXESS Group. Net income was impacted by charges as a result of the purchase price allocations. If the businesses had already been acquired as of January 1, 2021, the contribution to LANXESS Group sales and to net income would have changed only slightly.

In connection with these acquisitions, transaction costs totaling around €2 million were recognized in other operating expenses.

The goodwill totaling around €39 million resulting from the acquisitions mainly reflects additional sales opportunities arising with new customers with regard to the existing business. The goodwill is primarily non-tax-deductible.

The following table shows the overall effects of the acquisitions. By itself, neither acquisition has a material effect on the Group's financial position:

Additions from Acquisitions

€ million	Fair values at first-time consolidation
Intangible assets	32
Property, plant and equipment	8
Other assets	16
Total assets	**56**
Other non-current liabilities	10
Other current liabilities	8
Total liabilities (excl. equity)	**18**
Net acquired assets (excl. goodwill)	**38**
Cost of acquisition	**77**
Goodwill	**39**

The other assets include cash and cash equivalents of around €3 million.

EARNINGS PER SHARE

Earnings per share for the second quarter and first half of 2021 and 2020 were calculated on the basis of the weighted average number of shares outstanding during each reporting period. They resulted from continuing operations and discontinued operations. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2020.

Earnings per Share

	Q2 2020	Q2 2021	Change %	H1 2020	H1 2021	Change %
Net income (€ million)	798	100	(87.5)	862	164	(81.0)
from continuing operations	803	77	(90.4)	866	140	(83.8)
from discontinued operations	(5)	23	> 100	(4)	24	> 100
Weighted average number of shares outstanding	86,347,813	86,346,303	(0.0)	86,832,027	86,346,303	(0.6)
Earnings per share (basic/diluted) (€)	**9.24**	**1.16**	**(87.4)**	**9.93**	**1.90**	**(80.9)**
from continuing operations	9.30	0.89	(90.4)	9.97	1.62	(83.8)
from discontinued operations	(0.06)	0.27	> 100	(0.04)	0.28	> 100

DIVIDEND DISTRIBUTION FOR FISCAL YEAR 2020

Pursuant to the resolution of the Annual Stockholders' Meeting on May 19, 2021, the amount of €86 million out of the distributable profit of €130 million reported in the annual financial statements of LANXESS AG as of December 31, 2020, was distributed to the stockholders on May 24, 2021. The dividend per eligible no-par share was €1.00. The remaining amount of €44 million was carried forward to new account.

REPURCHASE OF OWN SHARES IN THE PREVIOUS YEAR

The Board of Management of LANXESS AG resolved on March 10, 2020, to exercise the authorization granted by the Annual Stockholders' Meeting on May 23, 2019, and to buy own shares at a total volume of up to €500 million (excluding incidental expenses) and divided into two tranches of €250 million each on the stock exchange. The stock repurchase began on March 12, 2020. In light of the coronavirus pandemic, the Board of Management decided on April 6, 2020, to suspend the stock repurchase program until further notice with immediate effect. Until the program was suspended, LANXESS AG had repurchased 1,101,549 shares. This equated to 1.26% of LANXESS AG's capital stock. On average, €33.32 was paid for each repurchased share. The repurchase value totaled €37 million and was recognized in other reserves as a reserve for own shares, reducing equity. The first tranche of the stock repurchase program formally ended on March 10, 2021. The repurchased shares have not yet been canceled. The part of the first tranche that was not implemented was carried over to the second tranche, increasing the second tranche to €463 million. In light of the current strategic realignment of the LANXESS Group, a decision on a resumption and potential extension of the stock repurchase program is to be made at a later date. The same applies to the decision on the cancellation of the repurchased shares.

FINANCIAL INSTRUMENTS

Fair value measurement

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

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

Assets and Liabilities Measured at Fair Value

	Dec. 31, 2020			June 30, 2021		
€ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current assets						
Investments in other affiliated companies	–	–	0	22	–	0
Non-current derivative assets	–	4	–	–	10	–
Other non-current financial assets	–	15	5	–	1	10
Current assets						
Financial assets	–	–	–	0	–	–
Current derivative assets	–	19	–	–	30	–
Other current financial assets	–	–	–	–	–	15
Near-cash assets	1,523	–	–	655	–	–
Non-current liabilities						
Non-current derivative liabilities	–	1	–	–	5	–
Current liabilities						
Current derivative liabilities	–	15	–	–	7	–

As of June 30, 2021, €655 million (December 31, 2020: €1,523 million) of near-cash assets were assigned to Level 1 of the measurement hierarchy. These relate to shares of money market funds that can be sold at any time.

Listed shares assigned to Level 1 of the fair value hierarchy of €22 million (December 31, 2020: €0 million) are disclosed as equity instruments under investments in other affiliated companies. To this end, a loan issued in 2019 was converted according to the contractual conditions in the second quarter of the current fiscal year. In addition to the shares mentioned, further share options were received in connection with the loan conversion, which were disclosed in the non-current derivative assets on Level 2 of the fair value hierarchy in the amount of €9 million (December 31, 2020: €0 million) as of June 30, 2021. The fair value of the options was calculated on the basis of an option pricing model. As of December 31, 2020, a hybrid financial instrument in connection with a loan receivable was still a component of the other financial assets on Level 2 of the measurement hierarchy. The fair value was €14 million and was likewise calculated on the basis of an option pricing model.

Investments in other affiliated companies of €0 million (December 31, 2020: €0 million), which are assigned to Level 3 of the measurement hierarchy, include unlisted equity instruments for which the amount of the equity interests held is used as the most reliable estimate of fair value. There are currently no plans to dispose of these investments.

Other financial assets assigned to Level 3 include outstanding conditional purchase price payments in connection with the sale of the organic leather chemicals business of €20 million (December 31, 2020: €0 million). €15 million of this relates to current and €5 million to non-current other financial assets. These conditional purchase price payments are based on the achievement of performance indicators by 2023 and a potential profit participation if the acquirer sells on the business disposed of. The determination of fair value was based on planned performance indicators, and their achievement was weighted by probability. The amount of the fair value can vary over time depending on the estimation and development of the performance indicators. Higher performance indicators would result in an increase, lower performance indicators in a decrease in fair value. These changes would be recognized in income from discontinued operations.

Other non-current financial assets assigned to Level 3 also include investments in High-Tech-Gründerfonds, which are measured based on the amount of the equity interests held. The fair values amount to €5 million (December 31, 2020: €5 million).

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

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 €2,679 million, amounted to €2,827 million as of June 30, 2021. The carrying amount of the bonds as of December 31, 2020, was €2,677 million and their fair value €2,854 million. Fair value measurement of the bonds is allocated to Level 1 of the hierarchy although, as of June 30, 2021, two bonds with a fair value of €225 million were allocated to Level 2 as there was no liquid market for them. As of December 31, 2020, two bonds with a fair value of €233 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 loss allowances amount to €11 million (December 31, 2020: €10 million).

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

Additional information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as of December 31, 2020.

SEGMENT REPORTING

As of January 1, 2021, the business with antioxidants and reaction accelerators was organizationally reassigned from the Advanced Intermediates segment's Advanced Industrial Intermediates business unit to the Specialty Additives segment's Rhein Chemie business unit. The previous year's figures have been restated accordingly. At the same time, the business with colorants and colorant additives was organizationally transferred within the Specialty Additives segment from the Rhein Chemie business unit to the Polymer Additives business unit.

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

The Specialty Additives segment comprises operational business units that manufacture additives in chemical production processes. The product portfolio includes additives for the rubber, plastic and paint industries, construction and electrical industry, such as lubricants, flame retardants, plasticizers and bromine derivatives for a variety of applications.

Reported sales are predominantly achieved through the sale of products. Other types of sales only make an immaterial contribution to total sales. In the LANXESS Group, revenue is recognized in principle at the time at which control of the products passes physically to the customer. Sales are recognized over time in the business model of manufacturing customer-specific products on the basis of long-term sales contracts with contractually defined minimum purchase requirements in the Consumer Protection segment and for services. Segment sales include sales recognized over time of €269 million (previous year: €230 million), €22 million (previous year: €21 million) of which relate to the Advanced Intermediates segment, €2 million (previous year: €1 million) to the Specialty Additives segment, €226 million (previous year: €188 million) to the Consumer Protection segment, €9 million (previous year: €8 million) to the Engineering Materials segment, and €10 million (previous year: €12 million) to reconciliation.

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

Reconciliation of Segment Results

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Total segment results	**259**	**318**	**548**	**597**
Depreciation and amortization/reversals of impairment charges	(137)	(122)	(252)	(239)
Other	(35)	(41)	(79)	(78)
Exceptional items affecting EBITDA	(26)	(30)	(52)	(57)
Net interest expense	(16)	(13)	(30)	(28)
Other financial income and expense	883	(4)	881	(2)
Income before income taxes	**928**	**108**	**1,016**	**193**

Additional information is provided in “Notes on EBIT and EBITDA (Pre Exceptionals)” in the Interim Group Management Report as of June 30, 2021.

As a result of the described segment adjustments, the segment assets and liabilities for the Advanced Intermediates and Specialty Additives segments have changed. Segment assets amount to €1,377 million (December 31, 2020: €1,275 million) for the Advanced Intermediates segment and €2,784 million (December 31, 2020: €2,618 million) for the Specialty Additives segment.

Segment liabilities amount to €731 million (December 31, 2020: €647 million) for the Advanced Intermediates segment and €628 million (December 31, 2020: €623 million) for the Specialty Additives segment.

RELATED PARTIES

In the course of its operations, the LANXESS Group sources materials, inventories and services from a large number of business partners around the world. These include companies in which LANXESS AG has a direct or indirect interest. Transactions with these companies are carried out on an arm’s length basis.

Transactions with Currenta GmbH & Co. OHG, Leverkusen, Germany, which was recognized under assets held for sale until it was sold on April 30, 2020, and its subsidiaries predominantly comprised the purchase of site services in the fields of utilities, infrastructure and logistics. In the first four months of 2020, the services amounted to €136 million. The LANXESS Group generated sales of €10 million from transactions with Currenta GmbH & Co. OHG and its affiliated companies by April 30, 2020. The other financial result of the previous year also included a profit participation in Currenta GmbH & Co. OHG of €150 million.

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 2021.

EMPLOYEES

As of June 30, 2021, the number of employees in the LANXESS Group's continuing operations around the world was 14,304 (December 31, 2020: 14,309).

Due to the acquisitions of the French Theseo Group and the French company INTACE SAS, the number of employees in the EMEA region (excluding Germany) increased by 46 to 1,833. Headcount in Germany came to 7,600, against 7,627 as of the end of 2020. Headcount in North America is unchanged at 1,979. The workforce in Latin America increased by 797 to 809. The number of employees in the Asia-Pacific region decreased from 2,119 to 2,083.

In addition, one employee (December 31, 2020: 447) was employed in discontinued operations as of June 30, 2021.

EVENTS AFTER THE REPORTING PERIOD

On July 7, 2021, the €500 million bond borrowed in October 2016 was repaid ahead of time. In the consolidated interim financial statements as of June 30, 2021, this bond is recognized under other current financial liabilities.

No other events of special significance took place after June 30, 2021, that are expected to materially affect the financial position or results of operations of the LANXESS Group.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in line with generally accepted accounting standards, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.

Cologne, August 2, 2021

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert   Dr. Anno Borkowsky

Dr. Stephanie Coßmann   Dr. Hubert Fink

Michael Pontzen

REVIEW REPORT TO LANXESS AKTIENGESELLSCHAFT, COLOGNE

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes – and the interim group management report of LANXESS Aktiengesellschaft, Cologne, for the period from January 1 to June 30, 2021, which are part of the half-year financial report pursuant to Section 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material-respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Cologne, August 3, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Financial Calendar 2021

AUG

AUGUST 11

Half-Year Financial Report
H1 2021
Conference Call

NOV

NOVEMBER 4

Quarterly Statement
Q3 2021
Conference Call

JAN FEB MAR APR MAY JUN JUL SEP OCT DEC

Contacts & Masthead

MASTHEAD

LANXESS AG
Kennedyplatz 1
50569 Cologne, Germany
Tel. +49 (0) 221 8885 0
www.lanxess.com

Agency:
Kirchhoff Consult AG, Hamburg, Germany

English edition:
EVS Translation GmbH,
Offenbach, Germany

CONTACTS

Corporate Communications
Christiane Minderjahn
Tel. +49 (0) 221 8885 2674
mediarelations@lanxess.com

Investor Relations
André Simon
Tel. +49 (0) 221 8885 3494
ir@lanxess.com

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PUBLISHER

LANXESS AG
50569 Cologne
Germany
www.lanxess.com