

Half-Year Financial Report as of  
**June 30, 2017**



**QUALITY WORKS.**

**2017**

## LANXESS Group Key Data

€ million	Q2 2016	Q2 2017	Change %	H1 2016	H1 2017	Change %
Sales	1,943	2,522	29.8	3,863	4,923	27.4
Gross profit	477	566	18.7	938	1,112	18.6
Gross profit margin	24.5%	22.4%		24.3%	22.6%	
EBITDA pre exceptionals <sup>1)</sup>	293	367	25.3	555	695	25.2
EBITDA margin pre exceptionals <sup>1)</sup>	15.1%	14.6%		14.4%	14.1%	
EBITDA <sup>1)</sup>	291	227	(22.0)	542	543	0.2
Operating result (EBIT) pre exceptionals <sup>1)</sup>	178	215	20.8	320	419	30.9
EBIT <sup>1)</sup>	176	62	(64.8)	307	254	(17.3)
EBIT margin <sup>1)</sup>	9.1%	2.5%		7.9%	5.2%	
Net income	75	3	(96.0)	128	81	(36.7)
Earnings per share (€)	0.82	0.04	(96.0)	1.40	0.89	(36.7)
Earnings per share adjusted for exceptional items and amortization of intangible assets (€) <sup>2)</sup>	0.88	1.54	75.0	1.61	2.55	58.4
Cash flow from operating activities	180	156	(13.3)	228	166	(27.2)
Depreciation and amortization	115	165	43.5	235	289 <sup>6)</sup>	23.0
Cash outflows for capital expenditures	73	105	43.8	122	162	32.8
Total assets				9,877 <sup>5)</sup>	10,912	10.5
Equity (including non-controlling interests)				3,728 <sup>5)</sup>	3,579	(4.0)
Equity ratio <sup>3)</sup>				37.7% <sup>5)</sup>	32.8%	
Net financial liabilities <sup>4)</sup>				2,394 <sup>5)</sup>	2,537	6.0
Employees (as of June 30)				16,721 <sup>5)</sup>	19,158	14.6

1) EBIT: earnings before interest and taxes

EBIT pre exceptionals: EBIT disregarding exceptional charges and income

EBIT margin: EBIT in relation to sales

EBITDA: EBIT before depreciation of property, plant and equipment and amortization of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets

EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income

EBITDA margin pre exceptionals: EBITDA pre exceptionals in relation to sales

See "Notes on EBIT and EBITDA (pre exceptionals)" for details.

2) Earnings per share adjusted for exceptional items and amortization of intangible assets: earnings per share disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects

See "Net income/earnings per share/earnings per share adjusted for exceptional items and amortization of intangible assets" for details.

3) Equity ratio: equity in relation to total assets

4) Net financial liabilities: total of current and non-current financial liabilities (adjusted for liabilities for accrued interest), less cash, cash equivalents and near-cash assets; see "Statement of financial position and financial condition" for details.

5) Previous year as of December 31, 2016

6) Figure includes reversals of impairment charges of €1 million.

## CONTENTS

<b>LANXESS Group Key Data</b>	<b>20 Condensed Consolidated Interim Financial Statements as of June 30, 2017</b>
<b>1 Key Issues</b>	20 LANXESS Group Statement of Financial Position
<b>2 LANXESS Stock</b>	21 LANXESS Group Income Statement
<b>3 Interim Group Management Report as of June 30, 2017</b>	22 LANXESS Group Statement of Comprehensive Income
3 Group structure	22 LANXESS Group Statement of Changes in Equity
4 Economic environment and business development	23 LANXESS Group Statement of Cash Flows
9 Business development by region	24 Segment and Region Data
11 Segment information	<b>26 Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2017</b>
16 Notes on EBIT and EBITDA (pre exceptionals)	<b>34 Responsibility Statement</b>
17 Statement of financial position and financial condition	<b>35 Review Report</b>
18 Future perspectives, opportunities and risks	<b>36 Financial Calendar/Contacts/Masthead</b>

## KEY ISSUES IN THE REPORTING PERIOD

### New Board of Management member appointed

On June 1, 2017, Stephen C. Forsyth (61) was appointed as Chief Integration Officer, with responsibility for integrating the businesses acquired from Chemtura into the LANXESS Group. The newly created position is limited to one year. Forsyth, a British citizen with more than 35 years of management experience in the chemical industry, had served as Executive Vice President and Chief Financial Officer of Chemtura since 2007.



### Group expects record earnings in 2017

LANXESS projects the highest full-year results in company history, following a very strong first quarter of 2017 and the successfully completed acquisition of the U.S. company Chemtura. Taking account of the earnings contribution from the newly acquired Chemtura business, EBITDA pre exceptional is expected to come in at between €1.225 billion and €1.3 billion. LANXESS achieved its highest operating result to date in 2012, when it posted a figure of around EUR 1.2 billion.

### LANXESS to streamline the chrome value chain of its leather business

As one of the world's leading suppliers of leather chemicals and chrome specialties, LANXESS is to further strengthen the competitiveness of its leather chemicals business. The core element is a shift from the international chrome value chain to centralization in South Africa. In line with this, the company will discontinue production at its Zárate site in Argentina in the fourth quarter of 2017. LANXESS currently operates production sites for sodium dichromate and chrome tanning salts in both countries: at the Zárate site in Argentina and the Newcastle and Merebank sites in South Africa. The Group expects the measure to result in a positive EBITDA effect of approximately €10 million, to be achieved by the end of 2018. This will stand against one-time costs of around €60 million in 2017. The closure of the Zárate site will affect 170 employees, and the company intends to find responsible solutions for said workers by engaging in dialog with employee representatives in Argentina.

### LANXESS increases dividend after successful fiscal year

At this year's Annual Stockholders' Meeting, on May 26, the company was able to look back at a year of strong figures and groundbreaking changes. Of the company's voting capital of €91,522,936.00, which is divided into 91,522,936 shares, 56,062,171 shares were represented by the same number of votes at the meeting. This is equivalent to 61.25% of the voting capital. In majority votes, the stockholders approved all agenda items – including the payment of a dividend of €0.70 per share, which represents a 17% increase compared with the previous year. This corresponds to a total dividend payout of around €64 million. LANXESS thus achieved its goal of paying an increasing but at least stable dividend.



### LANXESS invests in High-Tech Gründerfonds again

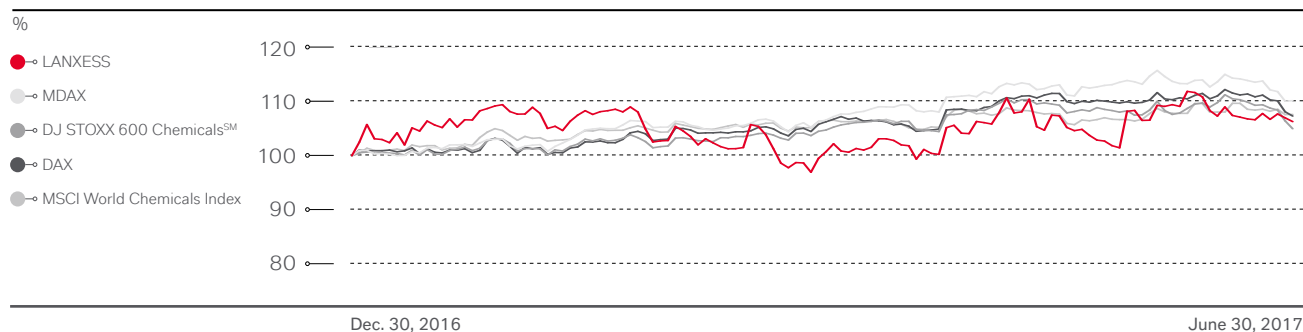
The High-Tech Gründerfonds III was launched on May 31, 2017, with a fund volume of €245 million. The goal of this seed stage investor is to support promising technology start-ups and to bring new products to the market. The fund has been set up to provide support in a wide range of areas: robotics, Internet of Things, energy, medicine and biotechnology as well as chemistry and software. LANXESS has invested a single-digit million euro amount in the fund. By investing once again, the company will gain a better insight into the high-tech start-up scene in Germany. With its contribution, LANXESS hopes to gain access to new technologies and find cooperation partners.

## LANXESS STOCK

The value of our stock continued to develop positively and grew by around 7% in the first half of 2017. This meant that LANXESS stock moved in lockstep with the German lead index, the DAX, while the MDAX recorded a greater increase in value at around 10%. At the beginning of June, our stock exceeded the €70 mark for the first time and, at €70.67, reached its all-time high on the same trading day. Since then the stock has followed the trend of its benchmark indices overall.

Further company news from the second quarter of 2017 is provided on page 1 of this report.

### Stock Performance vs. Indices



### LANXESS Stock

		Q4 2016	Q1 2017	Q2 2017
Capital stock/no. of shares <sup>1)</sup>	€/no. of shares	91,522,936	91,522,936	<b>91,522,936</b>
Market capitalization <sup>1)</sup>	€ billion	5.71	5.76	<b>6.07</b>
High/low for the period	€	63.53/53.64	68.84/59.89	<b>70.67/61.90</b>
Closing price <sup>1)</sup>	€	62.35	62.89	<b>66.29</b>
Trading volume <sup>2)</sup>	million shares	20.420	24.081	<b>24.757</b>
Earnings per share	€	0.02	0.85	<b>0.04</b>
Earnings per share adjusted for exceptional items and amortization of intangible assets	€	0.24	1.01	<b>1.54</b>

1) End of quarter: Q4: December 31, 2016, Q1: March 31, 2017, Q2: June 30, 2017

2) Source: Deutsche Börse (Xetra/Frankfurt floor)

# INTERIM GROUP MANAGEMENT REPORT

as of June 30, 2017

- › LANXESS successfully closes the acquisition of U.S. company Chemtura
- › Chemtura acquisition has significant positive impact on sales and earnings
- › New reporting segment: from now on, LANXESS will report on its global additives business as a separate segment
- › Sales in all segments substantially up on prior-year quarter, rising by 29.8% overall to €2,522 million
- › EBITDA pre exceptionals increased by 25.3% to €367 million in the second quarter
- › EBITDA margin pre exceptionals at 14.6% after 15.1% in the prior-year quarter
- › Net income and earnings per share held back in second quarter by exceptional charges
- › Earnings per share adjusted for exceptional items and amortization of intangible assets increase significantly in the second quarter from €0.88 to €1.54
- › Confirmation of guidance for 2017 as published in the last quarterly statement: EBITDA pre exceptionals between €1,225 million and €1,300 million; guidance takes account of earnings contribution from the acquired Chemtura business

## GROUP STRUCTURE

### 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 holds interests in the other subsidiaries and affiliates both in Germany and elsewhere.

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 108 of the Annual Report 2016 and in the "Changes in the scope of consolidation" section of the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2017.

### Strategic alignment and business organization

On April 21, 2017, LANXESS successfully closed the acquisition of U.S. company Chemtura. The acquisition, which is the largest in LANXESS's history, is a further step in the Group's realignment program. LANXESS is significantly expanding its own additives business and becoming one of the world's leading players

in this growing market. In addition to additives, Chemtura's businesses with urethanes and organometallics will also be integrated into the company. LANXESS is taking over some 2,500 employees at 20 sites in 11 countries. According to the figures published by Chemtura, the company achieved sales of approximately €1.5 billion in 2016, with North America accounting for 43% of the total. Chemtura reported EBITDA pre exceptionals of about €255 million. The enterprise value (including net financial liabilities and pension obligations) was around €2.4 billion. LANXESS paid the purchase price of around €2.0 billion in April 2017 using corporate bonds it had successfully placed in 2016 as well as existing liquidity.

In order to successfully complete the integration of Chemtura into the LANXESS Group, LANXESS has temporarily increased the size of its Board of Management. Effective June 1, 2017, the Supervisory Board appointed Stephen C. Forsyth, the former Chief Financial Officer of Chemtura, to the Board of Management for one year, where he will serve as Chief Integration Officer.

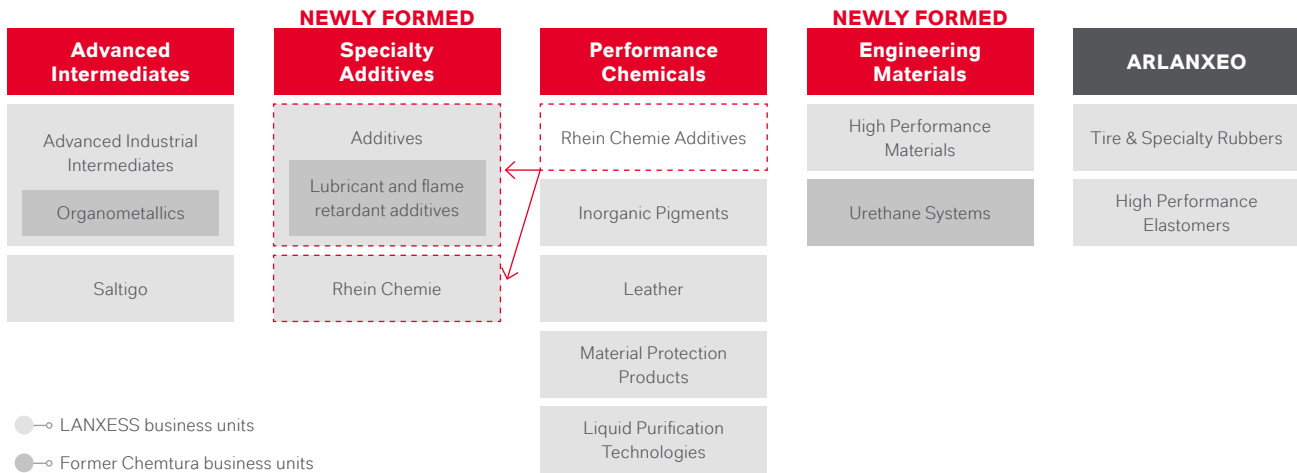
In connection with the acquisition of Chemtura, LANXESS acquired all shares in Chemtura Corporation, Middlebury, United States, as well as its domestic and foreign subsidiaries and affiliates. As part of the integration of Chemtura into the LANXESS Group, companies acquired have been renamed and merged. Details about the scope of consolidation are provided in the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2017.

As a result of the transactions described above, Group structures have been reorganized. From now on LANXESS will report as five segments, comprising a total of twelve business units, each of which conducts its own operations and has global profit responsibility: Advanced Intermediates, Specialty Additives, Performance Chemicals, Engineering Materials and ARLANXEO. With the exception of the ARLANXEO segment, changes have been made in all segments. Prior-year figures have been adjusted accordingly if necessary.

The organometallics business of Chemtura is being integrated into the LANXESS Advanced Industrial Intermediates business unit in the Advanced Intermediates segment, which lies within the area of responsibility of Board of Management member Hubert Fink.

Chemtura's flame retardant and lubricant additives business is being combined with the LANXESS Plastic Additives and Lubricant Additives operations in the new Additives business unit. The new unit falls under the responsibility of Board of Management member Matthias Zachert. The Rhein Chemie business unit, from which Plastic Additives and Lubricant Additives have been separated out, will now encompass only the LANXESS Rubber Additives and Colorant Additives operations. Board of

### Reporting Structure after Chemtura Acquisition



Management member Rainier van Roessel has responsibility for the Rhein Chemie business unit. The two business units Additives and Rhein Chemie make up the new Specialty Additives segment. The prior-year figures for this segment have been adjusted accordingly and derive from the previous business unit Rhein Chemie Additives, which has been separated out from the Performance Chemicals segment.

Chemtura's urethanes business will now form the Urethane Systems business unit, which, together with the High Performance Materials business unit, constitutes the Engineering Materials segment. The new Urethane Systems business unit falls within the area of responsibility of Board of Management member Hubert Fink. The prior-year figures for the Engineering Materials segment correspond to those of the former High Performance Materials segment.

## ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

### Business conditions

#### General economic situation

In the second quarter of 2017, the global economy grew by 2.8% overall compared with the prior-year quarter. Growth in the EMEA region was better than expected at 1.6%, while the Americas posted development which was below expectations at 2.2%. Asia-Pacific remained the fastest-growing region with 4.5%.

#### Chemical industry

The chemical industry increased its production by 3.0% globally in the second quarter of 2017. Performance varied across the different customer markets. EMEA recorded robust expansion overall, while the Americas posted only slight growth and were below expectations. Given the strong growth in the first quarter, the Asia-Pacific region reported a more moderate development.

#### Evolution of major user industries

Global **automotive** production in the reporting period was slightly up on the prior-year period at 0.3%. The Asia-Pacific region posted significant growth, while production in the Americas was slightly below that in the prior-year period and EMEA experienced a significant contraction.

**Agrochemicals** recorded growth of 1.0% globally, with the Americas showing solid growth, while the EMEA and Asia-Pacific regions expanded only slightly.

The **construction industry** recorded growth of 3.3% worldwide. The main driver was the Asia-Pacific region. The EMEA region posted robust growth, while the expansion in the Americas was weaker than expected.

Global **tire production** in the second quarter was on the prior-year level. Asia-Pacific remained the most dynamic region. EMEA and the Americas recorded weaker development on account of low demand for new tires and weaker demand for replacement tires.

## Sales

Sales at the LANXESS Group in the second quarter of 2017 amounted to €2,522 million, up €579 million or 29.8% against the same period a year ago. The growth in sales derived principally from the sales contributed by the Chemtura business areas and from an adjustment in selling prices to reflect higher raw material prices. The integration of the Chemtura businesses and the contribution made by the Clean and Disinfect specialties business acquired from Chemours in 2016 in the Material Protection Products business unit led to an increase in sales of 16.4%, while increased selling prices added 10.8% to sales. In addition, larger volumes and the movement in exchange rates each boosted sales by 1.3%.

Sales in the first six months of 2017 rose by €1,060 million, or 27.4%, to €4,923 million. In the half-year period this growth was attributable in particular to an adjustment in selling prices to reflect higher raw material prices. The contribution brought about by portfolio changes and the increase in volumes supported the growth in sales. The movement in exchange rates also had a positive effect on sales. After adjustment for currency and portfolio effects, the LANXESS Group recorded a 16.7% increase in operational sales in the first half of 2017.

### Effects on Sales

%	Q2 2017	H1 2017
Price	10.8	10.8
Volume	1.3	5.9
Currency	1.3	1.7
Portfolio	16.4	9.0
	<b>29.8</b>	<b>27.4</b>

Our **Advanced Intermediates** segment posted a rise in sales of 14.0% in the second quarter and 12.9% in the first half compared with the respective prior-year periods. The newly integrated Chemtura organometallics operation in particular had a positive effect on sales compared with the prior-year quarter. In addition, selling prices were up in line with higher raw material prices, while volumes also grew in the second quarter and the first half compared with the respective prior-year periods. Shifts in exchange rates had a favorable effect.

In our **Specialty Additives** segment we registered sales growth of 106.6% and 56.5% in the second quarter and first half respectively compared with the prior-year periods. In both the quarterly and the half-year period, the expansion in sales was driven by the additional sales contribution from Chemtura's additives business. The rise in volumes and positive exchange rate movements, as well as slightly higher selling prices, added to the positive effect.

In our **Performance Chemicals** segment, we registered sales increases of 11.2% and 14.5% in the second quarter and first half respectively compared with the prior-year periods. In particular, the integration of the Clean and Disinfect specialties business acquired in 2016 into the Material Protection Products business unit had a positive effect on sales. In addition, higher selling prices and a positive exchange rate effect played their part in boosting sales. A slight fall in volumes had a countervailing effect in the second quarter.

Sales in our **Engineering Materials** segment rose by 31.3% and 23.4% in the second quarter and first half respectively compared with the prior-year periods. Sales were characterized in the second quarter in particular by the additional business from the newly acquired Chemtura urethanes business. Expanded volumes and a positive price effect also acted to increase sales. Shifts in exchange rates had almost no impact.

**ARLANXEO** posted a rise in sales of 24.6% in the second quarter and 36.1% in the first half of 2017. This growth was influenced particularly by the increase in selling prices, reflecting higher raw material prices, which led to a positive price effect on sales. Volumes were higher in the first half than in the prior-year period and on a level with the prior-year period in the second quarter. Shifts in exchange rates added to the positive effect on sales.

## Sales by Segment

€ million	Q2 2016	Q2 2017	Change %	Proportion of Group sales %	H1 2016	H1 2017	Change %	Proportion of Group sales %
Advanced Intermediates	443	505	14.0	20.0	906	1,023	12.9	20.8
Specialty Additives	213	440	> 100	17.4	434	679	56.5	13.8
Performance Chemicals	330	367	11.2	14.6	642	735	14.5	14.9
Engineering Materials	275	361	31.3	14.3	548	676	23.4	13.7
ARLANXEO	670	835	24.6	33.1	1,310	1,783	36.1	36.2
Reconciliation	12	14	16.7	0.6	23	27	17.4	0.6
	<b>1,943</b>	<b>2,522</b>	<b>29.8</b>	<b>100.0</b>	<b>3,863</b>	<b>4,923</b>	<b>27.4</b>	<b>100.0</b>

LANXESS recorded sales growth in all sales regions both in the second quarter and in the first half.

## 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 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 by 33.4% to €1,956 million year on year. The integration of the Chemtura business areas and of the Chemours Clean and Disinfect specialties business acquired in 2016 meant an absolute increase in the cost of sales. In addition, higher procurement prices for raw materials and energy as well as a scheduled shutdown in Zwijndrecht, Belgium, led to higher

costs. The change in exchange rates and higher volumes affected costs in equal measure. Capacity utilization was on a level with the prior-year period.

Gross profit was €566 million, up by €89 million or 18.7% against the prior-year quarter. The acquisition of the Chemtura business areas and the Clean and Disinfect specialties business acquired in 2016, as well as an advantageous exchange rate effect, had a positive impact on this result. Higher cost charges because of the shutdown in Zwijndrecht, Belgium, had a countervailing effect. Higher procurement prices for raw material and energy resulted in an equal adjustment to selling prices. The gross profit margin was diluted by the adjustment to selling prices necessitated by the higher raw material costs, and declined from 24.5% to 22.4%.

In the half-year period, too, the cost of sales was disproportionately higher than the increase in sales, advancing by 30.3% to €3,811 million. Gross profit rose year on year by €174 million, or 18.6%, to €1,112 million. This increase was the result in particular of larger volumes and of the acquisition of the new businesses from Chemtura and of the Clean and Disinfect specialties business bought in 2016. Shifts in exchange rates added to this growth. A countervailing effect came from higher procurement prices for raw materials and energy that were largely passed on to the market, and from the cost charges relating to the shutdown in Zwijndrecht, Belgium. The gross profit margin fell accordingly, from 24.3% to 22.6%.

## EBITDA Pre Exceptionals by Segment

€ million	Q2 2016	Q2 2017	Change %	H1 2016	H1 2017	Change %
Advanced Intermediates	88	97	10.2	177	188	6.2
Specialty Additives	45	75	66.7	87	119	36.8
Performance Chemicals	69	80	15.9	125	139	11.2
Engineering Materials	45	72	60.0	83	120	44.6
ARLANXEO	95	92	(3.2)	208	236	13.5
Reconciliation	(49)	(49)	0.0	(125)	(107)	14.4
	<b>293</b>	<b>367</b>	<b>25.3</b>	<b>555</b>	<b>695</b>	<b>25.2</b>



### **EBITDA pre exceptionals and operating result (EBIT)**

EBITDA pre exceptionals rose in the second quarter of 2017 by €74 million, or 25.3%, to €367 million. A positive overall earnings performance at Group level was chiefly the result of the contribution from the newly acquired Chemtura business, and received additional support from the portfolio contribution from the Clean and Disinfect specialties business acquired in 2016. The increase in procurement prices for raw materials and energy was passed on to the market by adjusting selling prices. Higher volumes overall also improved earnings. The change in exchange rates had a slightly negative impact. Selling expenses rose by 24.6% to €238 million, owing especially to portfolio effects and higher freight rates. Research and development costs amounted to €38 million, compared with €32 million in the prior-year period, while general administration expenses rose by €22 million to €95 million. The increase in the specific functional cost areas was largely attributable to the integration of the Chemtura businesses. The Group EBITDA margin pre exceptionals came in at 14.6% for the second quarter, against 15.1% in the prior-year quarter.

EBITDA pre exceptionals in our Advanced Intermediates segment amounted to €97 million compared with €88 million in the prior-year period. The adjustment in selling prices – the result of passing on higher procurement prices for raw materials and energy from the first quarter, with a time lag in some cases – had a positive overall effect on earnings. Additional support for earnings came from advantageous exchange rate effects, the contribution of the Chemtura organometallics business and higher volumes.

Our Specialty Additives segment generated EBITDA pre exceptionals of €75 million, up €30 million on the prior-year period. Earnings were lifted in particular by the portfolio effect from the new additives business from Chemtura. Higher volumes also impacted positively on earnings. Procurement prices for raw materials and energy were higher, but so were selling prices. The change in exchange rates had no impact on earnings overall.

The Performance Chemicals segment generated EBITDA pre exceptionals of €80 million, up €11 million on the prior-year period. Earnings were improved by lower production costs resulting from the bundling of production operations in the Inorganic Pigments business unit at the Ningbo site, China; by the adjustment in selling prices, mainly to reflect higher raw material and energy prices; and by the contribution from the Clean and Disinfect specialties business acquired in 2016. Disadvantageous exchange rate effects and lower volumes had a countervailing effect.

EBITDA pre exceptionals in our Engineering Materials segment advanced by €27 million in the second quarter to €72 million. The main driver of the increase in earnings was the new urethanes business from Chemtura. Earnings were also lifted in the High

Performance Materials business unit by a good level of capacity utilization, higher volumes and positive exchange rate effects. Procurement prices for raw materials and energy were higher, but selling prices were also adjusted.

ARLANXEO posted EBITDA pre exceptionals of €92 million, compared with €95 million in the prior-year period. Earnings were held back by the contraction in volumes and planned maintenance at the Zwijndrecht site in Belgium. On the other hand, the increase in procurement prices for raw materials and energy was fully passed on to the market. Shifts in exchange rates had almost no impact.

Group EBITDA pre exceptionals for the first six months improved year on year by €140 million to €695 million. The increase in the first half was chiefly the result of higher volumes, of the contribution from the newly acquired Chemtura businesses, and of the portfolio effect from the Clean and Disinfect specialties business acquired in 2016. This was countered by the scheduled shutdown in Belgium as well as the net effect of higher procurement prices for raw materials and the adjustment in selling prices. Exchange rate effects had almost no influence on earnings. Selling expenses amounted to €456 million compared with €385 million in the prior-year period and rose mainly as a consequence of portfolio effects and higher freight rates. Research and development costs increased by €10 million to €72 million, while general administration expenses were up from €145 million to €167 million. The increase in the specific functional cost areas was largely attributable to the integration of the Chemtura businesses.

The Group operating result (EBIT) decreased significantly in the second quarter from €176 million to €62 million. This decline is mainly attributable to the exceptional items detailed in the following paragraph. Depreciation and amortization totaled €165 million and also reflected depreciation and amortization from both our new Chemtura businesses and the purchase price allocation for Chemtura. Total depreciation and amortization was €50 million, or 43.5%, above the figure for the prior-year quarter. Of this total, write downs accounted for €15 million.

Net negative exceptional items of €153 million included in other operating income and expenses for the reporting quarter resulted from negative exceptional items of €156 million and positive exceptional items of €3 million, which fully impacted EBITDA. The negative exceptional items, of which €143 million impacted EBITDA and €13 million did not, were mainly connected with the acquisition of Chemtura, the bundling of the Group's international chromium value chain in South Africa, and the related planned closure of the Zárate production site in Argentina in the fourth quarter of 2017. In the prior-year quarter, negative exceptional items of €2 million were recorded, which fully impacted EBITDA. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

In the first half of 2017, LANXESS posted EBIT of €254 million, compared with €307 million a year earlier. The decline, which is the result of the exceptional items detailed in the following paragraph, was partially offset by the earnings increase in the first quarter. Depreciation and amortization in the reporting period totaled €289 million, compared with €235 in the prior-year period, and also reflected depreciation and amortization from both our new Chemtura business areas and the purchase price allocation for Chemtura. Of this total, write-downs accounted for €16 million. On the other hand, reversals of impairment charges totaling €1 million were recognized.

Net negative exceptional items of €165 million included in other operating income and expenses for the half-year resulted from negative exceptional items of €168 million and positive exceptional items of €3 million. As in the second quarter, the negative exceptional items, of which €155 million impacted EBITDA and €13 million did not, were associated particularly with the acquisition of Chemtura, the bundling of the Group's international chromium value chain in South Africa, and the related planned closure of the Zárate production site in Argentina in the fourth quarter of 2017. In the prior-year period, negative exceptional items amounted to €13 million, which fully impacted EBITDA.

#### Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q2 2016	Q2 2017	Change %	H1 2016	H1 2017	Change %
<b>EBITDA pre exceptionals</b>	<b>293</b>	<b>367</b>	<b>25.3</b>	<b>555</b>	<b>695</b>	<b>25.2</b>
Depreciation and amortization/reversals of impairment charges	(115)	(165)	(43.5)	(235)	(289)	(23.0)
Exceptional items in EBITDA	(2)	(140)	< (100)	(13)	(152)	< (100)
<b>Operating result (EBIT)</b>	<b>176</b>	<b>62</b>	<b>(64.8)</b>	<b>307</b>	<b>254</b>	<b>(17.3)</b>

#### Financial result

The financial result for the second quarter of 2017 was minus €1 million, compared with minus €29 million for the prior-year period. Net interest income, at minus €24 million, fell by €8 million compared with the prior-year quarter. This decline was driven by higher interest expense owing to an increase in financial liabilities in connection with the Chemtura acquisition. As in the prior-year period, companies accounted for using the equity method did not generate an earnings contribution. The balance of other financial income and expenses was €23 million, compared with minus €13 million in the prior-year period, and was essentially the result of the payout of a dividend by Currenta GmbH & Co. OHG, Leverkusen, Germany, for fiscal 2016.

The financial result for the first half of 2017 was minus €31 million, against minus €66 million a year earlier. Net interest income fell from minus €33 million to minus €44 million. The balance of other financial income and expenses was €13 million, compared with minus €33 million in the prior-year period, and was essentially the result of the dividend paid by Currenta GmbH & Co. OHG, Leverkusen, Germany, for fiscal 2016.

#### Income before income taxes

Second-quarter income before income taxes came to €61 million, against €147 million for the reference period. The effective tax rate was 77.0%, compared with 43.5% for the prior-year quarter.

Income before income taxes for the first half decreased from €241 million to €223 million. The effective tax rate was 47.5%, against 43.6% a year earlier.

#### Net income/Earnings per share/Earnings per share adjusted for exceptional items, depreciation and amortization

Net income in the second quarter was €3 million compared with net income in the prior-year period of €75 million and was influenced in particular by one-off effects resulting from the acquisition of Chemtura, the bundling of the Group's international chromium value chain in South Africa, and the related planned closure of the Zárate production site in Argentina in the fourth quarter of 2017. First-half net income fell from €128 million to €81 million. Non-controlling interests accounted for earnings of €11 million in the second quarter of 2017, compared with €8 million for the prior-year period. In the first half of 2017, they accounted for earnings of €36 million, against €8 million a year earlier. The earnings accounted for by non-controlling interests in the second quarter and first half of 2017 resulted almost exclusively from Saudi Aramco's interest in ARLANXEO.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares in circulation during the reporting period. Earnings per share were €0.04 in the second quarter, below the figure of €0.82 for the prior-year period. In the first half they were €0.89 compared with €1.40 in the first half of 2016.

We also calculate earnings per share adjusted for exceptional items and amortization of intangible assets, which is not defined by International Financial Reporting Standards. This value was calculated from the earnings per share adjusted for exceptional items, amortization of intangible assets and attributable tax effects. Against the backdrop of the acquisition of Chemtura and of the Chemours specialties business, a core earnings per share figure adjusted accordingly is better suited to assessing and comparing our performance over time.

Earnings per share pre exceptionals and adjusted for amortization of intangible assets came in at €1.54 and €2.55 in the second quarter and first half of 2017 respectively, compared with €0.88 and €1.61 in the corresponding prior-year periods.

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

€ million	Q2 2016	Q2 2017	H1 2016	H1 2017
<b>Net income</b>	<b>75</b>	<b>3</b>	<b>128</b>	<b>81</b>
Exceptional items <sup>1)</sup>	2	153	13	164
Amortization of intangible assets/reversals of impairment charges <sup>1)</sup>	7	18	15	27
Attributable tax effects <sup>1)</sup>	(4)	(33)	(9)	(39)
<b>Net income adjusted for exceptional items and amortization of intangible assets</b>	<b>80</b>	<b>141</b>	<b>147</b>	<b>233</b>
Number of shares outstanding	91,522,936	91,522,936	91,522,936	91,522,936
<b>Earnings per share adjusted for exceptional items and amortization of intangible assets</b>	<b>0.88</b>	<b>1.54</b>	<b>1.61</b>	<b>2.55</b>

1) Excluding items attributable to non-controlling interests

## BUSINESS DEVELOPMENT BY REGION

#### Sales by Market

	Q2 2016		Q2 2017		Change	H1 2016		H1 2017		Change
	€ million	%	€ million	%		%	€ million	%	€ million	
EMEA (excluding Germany)	590	30.3	720	28.5	22.0	1,193	30.9	1,397	28.4	17.1
Germany	332	17.1	380	15.1	14.5	680	17.6	765	15.5	12.5
North America	324	16.7	523	20.8	61.4	665	17.2	947	19.2	42.4
Latin America	206	10.6	250	9.9	21.4	386	10.0	481	9.8	24.6
Asia-Pacific	491	25.3	649	25.7	32.2	939	24.3	1,333	27.1	42.0
	<b>1,943</b>	<b>100.0</b>	<b>2,522</b>	<b>100.0</b>	<b>29.8</b>	<b>3,863</b>	<b>100.0</b>	<b>4,923</b>	<b>100.0</b>	<b>27.4</b>

The acquisition of Chemtura in April 2017 and, to a limited extent, the purchase of the Chemours Clean and Disinfect specialties business in August 2016 resulted in what were in part substantial portfolio effects in the reporting periods.

Sales in the **EMEA** region (excluding Germany) rose by €130 million, or 22.0%, to €720 million in the second quarter of 2017. Of this increase, €63 million was attributable to portfolio effects. Adjusted for these effects and for minor currency effects, sales were up 11.4% compared with the prior-year quarter. This performance was mainly attributable to the ARLANXEO segment, which saw sales rise by a clear double-digit percentage. The Advanced Intermediates, Engineering Materials and Specialty Additives segments recorded increases in the mid- to high-single-

digit-percentage range. The Performance Chemicals segment registered a slight drop in sales. Demand in the region rose in Italy, France, the United Kingdom and Belgium in particular.

Sales in the first half of 2017 in the EMEA (excluding Germany) region increased by 17.1% to €1,397 million. In this period, portfolio effects amounted to €67 million. After adjustment for these effects and for minor currency effects, sales were up by 11.4%. The ARLANXEO segment accounted for a predominant share of this sales growth, recording an increase well in the double-digit-percentage range. The Advanced Intermediates, Engineering Materials and Specialty Additives segments achieved sales increases in the mid- to high-single-digit-percentage range.

Sales in the Performance Chemicals segment declined slightly. Positive figures were recorded in Italy, France, the Netherlands and Switzerland in particular.

With a 28.5% share of total sales for the second quarter and a 28.4% share for the first half, EMEA (excluding Germany) remained the largest of the LANXESS Group's regions in terms of sales.

Our sales in **Germany** in the second quarter were up €48 million, or 14.5%, year on year, at €380 million. After adjustment for minor currency effects and appreciable portfolio effects of €22 million, sales rose by 8.2%. The ARLANXEO and Engineering Materials segments accounted for a large part of this increase, with sales growing by a low-double-digit percentage in both cases. The other segments recorded rises in the low-single-digit-percentage range.

In the first half of 2017, sales in Germany advanced by 12.5%, or €85 million, to €765 million. Portfolio effects contributed €22 million. The Advanced Intermediates, Engineering Materials and ARLANXEO segments posted sales growth in the low-double-digit-percentage range, while the growth in the Specialty Additives segment was in the low-single-digit-percentage range. Business in the Performance Chemicals segment was down slightly.

Sales in the **North America** region increased by €199 million, or 61.4%, to €523 million in the second quarter of 2017. Portfolio changes contributed €156 million to this. After adjustment for these and for currency effects, sales were up by 10.9%. This performance was driven mainly by the ARLANXEO segment, which posted a low-double-digit-percentage increase in sales. Business in the Advanced Intermediates and Engineering Materials segments was also within this range. The drop in sales in the Performance Chemicals and Specialty Additives segments was in the low-single-digit-percentage range.

In the first half of 2017, sales in North America advanced by 42.4%, or €282 million, to €947 million. Portfolio changes contributed €169 million to this. After adjustment for these and for currency effects, sales were up by 13.7%. This performance was the result in particular of significant sales growth in the ARLANXEO segment, and, to a lesser extent, in the Engineering Materials segment. While both these segments registered an expansion in the low-double-digit-percentage range, the increase in sales in the Advanced Intermediates segment was in the low-single-digit-percentage range. The Specialty Additives segment recorded sales on a level with the prior-year period, while sales of the Performance Chemicals segment declined slightly.

Sales in the **Latin America** region in the second quarter of 2017 increased by €44 million year on year, or 21.4%, from €206 million to €250 million. Portfolio changes contributed €8 million to this. After adjustment for these and for currency effects, sales were up by 14.3%. This performance was the result in particular of significant sales growth in the ARLANXEO segment, and, to a lesser extent, in the Engineering Materials segment. The Specialty Additives segment achieved an increase in sales in the low-double-digit-percentage range, while the Advanced Intermediates segment grew its sales by a mid-single-digit percentage. By contrast, the Performance Chemicals segment posted a decrease in sales in the low-double-digit-percentage range.

In the first half of 2017, sales in the Latin America region advanced by €95 million, or 24.6%, to €481 million. Portfolio changes contributed €9 million to this. Adjusted for portfolio and currency effects, sales rose by 17.9%. This was the result in particular of significant sales growth in the ARLANXEO segment, and, to a lesser extent, in the Engineering Materials segment. The Advanced Intermediates and Specialty Additives segments recorded increases in the low-double-digit-percentage range and almost in the double-digit-percentage range respectively, while sales in the Performance Chemicals segment declined by a high-single-digit percentage.

Second-quarter sales in the **Asia-Pacific** region increased by €158 million, or 32.2%, to €649 million. Portfolio changes accounted for €72 million. After adjustment for these and for currency effects, sales were up by 15.4%. Apart from the Specialty Additives segment, where sales were only marginally up on the prior-year period, all segments, and in particular ARLANXEO, recorded significant increases in the low-double-digit-percentage range. This operational performance was mainly driven by China, Singapore and Japan. Falling sales were recorded primarily in India.

In the first half of 2017, sales in this region advanced by €394 million, or 42.0%, to €1,333 million. Portfolio changes contributed €79 million to this. After adjustment for these and for currency effects, sales were up by 30.6%. The ARLANXEO segment recorded a sales increase in the mid-double-digit-percentage range. With the exception of the Specialty Additives segment, with a mid-single-digit-percentage rise, all segments expanded their business by a low-double-digit percentage. This operational performance was mainly driven by China, Singapore, South Korea and Japan.

## SEGMENT INFORMATION

As part of the integration of the Chemtura specialty additives, urethanes and organometallics operations, Group structures have been adjusted. Please see "Group structure" for details.

### Advanced Intermediates

	Q2 2016		Q2 2017		Change	H1 2016		H1 2017		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	443		505		14.0	906		1,023		12.9
EBITDA pre exceptionals	88	19.9	97	19.2	10.2	177	19.5	188	18.4	6.2
EBITDA	88	19.9	94	18.6	6.8	177	19.5	185	18.1	4.5
Operating result (EBIT) pre exceptionals	63	14.2	68	13.5	7.9	127	14.0	133	13.0	4.7
Operating result (EBIT)	63	14.2	65	12.9	3.2	127	14.0	130	12.7	2.4
Cash outflows for capital expenditures	22		33		50.0	31		49		58.1
Depreciation and amortization	25		29		16.0	50		55 <sup>1)</sup>		10.0
Employees as of June 30 (previous year: as of Dec. 31)	3,335		3,677		10.3	3,335		3,677		10.3

1) Figure includes reversals of impairment charges of €1 million

Our **Advanced Intermediates** segment posted sales of €505 million in the second quarter of 2017, 14.0% or €62 million higher than in the prior-year quarter. The integration of Chemtura's organometallics operations into the Advanced Industrial Intermediates business unit had a positive effect of 6.8% on sales. Higher selling prices in line with an increase in procurement prices for raw materials and larger volumes raised sales by 5.2% and 1.1%, respectively. Exchange rate movements had a slightly positive impact on sales at 0.9%.

While selling prices in the Saltigo business unit were slightly lower than in the prior-year quarter, the Advanced Industrial Intermediates business unit was able to achieve higher selling prices. With demand in the agricultural industry continuing to be weak, volumes in the Saltigo business unit were on a level with the prior-year quarter. Shifts in exchange rates had a slightly positive effect for both of the segment's business units. Sales in all regions were above the prior-year level.

EBITDA pre exceptionals for the Advanced Intermediates segment was €97 million, €9 million or 10.2% above the prior-year level. The adjustment in selling prices – the result of passing on higher procurement prices for raw materials and energy from the first quarter, with a time lag in some cases – had a positive overall effect on earnings. Earnings were also lifted slightly by exchange rate movements, the contribution from Chemtura's organometallics business and higher volumes. The EBITDA margin pre exceptionals came in at 19.2% for the second quarter, against 19.9% in the prior-year quarter.

The Advanced Intermediates segment generated half-year sales of €1,023 million, a year-on-year increase of 12.9%. Higher volumes raised sales by 5.1%. A positive price effect of 3.4% was attributable to higher procurement prices for raw materials being passed on to customers. In addition, the integration of Chemtura's organometallics business into the Advanced Industrial Intermediates business unit added 3.3% to sales. Currency effects likewise had a positive effect on sales at 1.1%.

The segment achieved EBITDA pre exceptionals of €188 million in the first half of 2017, compared with €177 million in the prior-year period. The EBITDA margin pre exceptionals came in at 18.4%, against 19.5% a year earlier.

In the second quarter and the first half, negative exceptional items in the segment amounted to €3 million. These exceptional items fully impacted EBITDA and were connected to the acquisition of Chemtura. The segment registered no exceptional items in either the second quarter or the first half of 2016. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

### Specialty Additives

	Q2 2016		Q2 2017		Change	H1 2016		H1 2017		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	213		440		> 100	434		679		56.5
EBITDA pre exceptionals	45	21.1	75	17.0	66.7	87	20.0	119	17.5	36.8
EBITDA	45	21.1	24	5.5	(46.7)	87	20.0	68	10.0	(21.8)
Operating result (EBIT) pre exceptionals	37	17.4	49	11.1	32.4	72	16.6	86	12.7	19.4
Operating result (EBIT)	37	17.4	(8)	(1.8)	< (100)	72	16.6	29	4.3	(59.7)
Cash outflows for capital expenditures	8		16		100.0	13		23		76.9
Depreciation and amortization	8		32		> 100	15		39		> 100
Employees as of June 30 (previous year: as of Dec. 31)	1,507		2,925		94.1	1,507		2,925		94.1

2016 figures restated in line with the new segment structure

Our **Specialty Additives** segment posted sales of €440 million in the second quarter of 2017, 106.6% or €227 million higher than in the prior-year quarter. This doubling in sales was mainly attributable to the integration of Chemtura's additives business into the new Additives business unit. Higher volumes in our previous additives business also added 3.8% to the rise in sales, with the Rhein Chemie business unit being the main contributor. Shifts in exchange rates had a positive effect on sales for both of the segment's business units, at 0.9%. Both the Additives and the Rhein Chemie business units raised their selling prices slightly. Sales in all regions were above the prior-year level.

EBITDA pre exceptionals for the Specialty Additives segment was €75 million, €30 million or 66.7% above the prior-year level. This strong earnings performance was the result of the integration of the Chemtura additives business. Higher volumes also had a positive impact on earnings. Procurement prices for raw materials and energy were higher, but so were selling prices. Exchange rate effects had no impact on earnings overall. The EBITDA margin pre exceptionals was 17.0%, below the 21.1% recorded in the prior-year quarter.

The Specialty Additives segment generated half-year sales of €679 million, a year-on-year increase of 56.5%. As in the second quarter, the expansion in sales was mainly driven by the additional contribution of 49.8% from the integration of the Chemtura additives business. A positive volume effect added 5.5% to sales. Currency effects also had a 1.2% favorable impact on sales. Changes in selling prices had almost no effect on sales.

The segment achieved EBITDA pre exceptionals of €119 million in the first half of 2017, compared with €87 million in the prior-year period. The EBITDA margin pre exceptionals came in at 17.5%, against 20.0% a year earlier.

In the second quarter and in the first half, negative exceptional items in the segment totaled €57 million, of which €51 million impacted EBITDA and €6 million did not. The negative exceptional items were mainly the result of reductions in earnings from the purchase price allocation for Chemtura. The segment registered no exceptional items in either the second quarter or the first half of 2016. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

### Performance Chemicals

	Q2 2016		Q2 2017		Change	H1 2016		H1 2017		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	330		367		11.2	642		735		14.5
EBITDA pre exceptionals	69	20.9	80	21.8	15.9	125	19.5	139	18.9	11.2
EBITDA	69	20.9	16	4.4	(76.8)	125	19.5	75	10.2	(40.0)
Operating result (EBIT) pre exceptionals	54	16.4	61	16.6	13.0	95	14.8	101	13.7	6.3
Operating result (EBIT)	54	16.4	(9)	(2.5)	< (100)	95	14.8	31	4.2	(67.4)
Cash outflows for capital expenditures	14		15		7.1	25		26		4.0
Depreciation and amortization	15		25		66.7	30		44		46.7
Employees as of June 30 (previous year: as of Dec. 31)	4,074		4,047		(0.7)	4,074		4,047		(0.7)

2016 figures restated in line with the new segment structure

Sales in our **Performance Chemicals** segment advanced by 11.2% in the second quarter of 2017, to €367 million. Integration of the Clean and Disinfect specialties business acquired in 2016 into the Material Protection Products business unit had a positive effect of 7.3% on sales. Selling prices were above their level in the prior-year quarter and added 3.6% to sales. Positive currency effects also contributed 1.5%. Lower volumes reduced sales by 1.2%.

Selling prices rose in both the Leather and Inorganic Pigments business units. With the exception of Inorganic Pigments, all business units recorded increased volumes. Shifts in exchange rates lifted sales in all the segment's business units. In the Latin America region, the segment's sales were below the prior-year level. In all other regions, the segment posted positive business development.

EBITDA pre exceptionals in the Performance Chemicals segment advanced by €11 million, or 15.9%, to €80 million, compared with the prior-year level of €69 million. Purchase prices for raw materials were higher, but selling prices were also adjusted, with a positive net effect. The contribution from the Clean and Disinfect specialties business acquired in 2016 acted to improve earnings. Disadvantageous currency effects and lower volumes had a negative effect on earnings. The EBITDA margin pre exceptionals increased from 20.9% to 21.8%.

The Performance Chemicals segment posted sales of €735 million in the first half of 2017, up 14.5% from the same period a year ago. Sales were boosted by a significant 8.0% by the integration of the Clean and Disinfect specialties business acquired in 2016 into the Material Protection Products business unit. Higher raw material prices were passed on to customers. The price effect on sales was 3.4%. In addition, positive currency effects and higher volumes added 1.7% and 1.4% to sales, respectively.

The segment generated EBITDA pre exceptionals of €139 million in the first six months of 2017, against €125 million in the prior-year period. The EBITDA margin pre exceptionals came in at 18.9%, against 19.5% a year ago.

In the second quarter and in the first half, negative exceptional items in the segment totaled €70 million, of which €64 million impacted EBITDA and €6 million did not. The negative exceptional items were connected to the bundling of the Group's international chromium value chain in South Africa and the planned closure of the Zárate site in Argentina in the fourth quarter of 2017. The segment registered no exceptional items in either the second quarter or the first half of 2016. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

## Engineering Materials

	Q2 2016		Q2 2017		Change	H1 2016		H1 2017		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	275		361		31.3	548		676		23.4
EBITDA pre exceptionals	45	16.4	72	19.9	60.0	83	15.1	120	17.8	44.6
EBITDA	45	16.4	60	16.6	33.3	83	15.1	108	16.0	30.1
Operating result (EBIT) pre exceptionals	34	12.4	58	16.1	70.6	61	11.1	95	14.1	55.7
Operating result (EBIT)	34	12.4	45	12.5	32.4	61	11.1	82	12.1	34.4
Cash outflows for capital expenditures	4		11		> 100	9		15		66.7
Depreciation and amortization	11		15		36.4	22		26		18.2
Employees as of June 30 (previous year: as of Dec. 31)	1,583		1,945		22.9	1,583		1,945		22.9

2016 figures restated in line with the new segment structure

Sales in our **Engineering Materials** segment increased by 31.3% year on year in the second quarter of 2017, to €361 million. The increase in sales was partly the result of the contribution from the newly acquired urethanes business, which added 17.8% to sales. Higher volumes in the High Performance Materials business unit also improved sales by 5.5%. In addition, the adjustment to selling prices in this business unit to reflect higher raw material costs caused a positive price effect on sales at 8.0%. Exchange

rates had almost no impact. Sales in all regions were above the prior-year level.

EBITDA pre exceptionals in the Engineering Materials segment rose by a significant €27 million, or 60.0%, to €72 million. The newly acquired urethanes business from Chemtura made a particular contribution to improved earnings. In the High Performance Materials business unit, higher volumes, very good capacity utilization and positive currency effects had a positive impact on

earnings. Procurement prices for raw materials and energy were higher, but selling prices were adjusted accordingly. The EBITDA margin pre exceptionals of 19.9% was well above the figure of 16.4% posted in the prior-year quarter.

First-half sales in the Engineering Materials segment advanced by 23.4% to €676 million. Higher volumes in the High Performance Materials business unit added 7.3% to sales overall compared with the prior-year period. The integration of the newly acquired Chemtura urethanes business had a positive effect on sales at 8.9%. Selling prices in the High Performance Materials business unit were above the prior-year level and had a positive impact of 6.6%. The shift in exchange rates had almost no impact.

The segment achieved EBITDA pre exceptionals of €120 million in the first half of 2017, compared with €83 million in the same period a year ago. The EBITDA margin pre exceptionals came in at 17.8%, against 15.1% a year earlier.

In the second quarter and in the first half, negative exceptional items in the segment totaled €13 million, of which €12 million impacted EBITDA and €1 million did not. The negative exceptional items were mainly the result of reductions in earnings from the purchase price allocation for Chemtura. The segment registered no exceptional items in either the second quarter or the first half of 2016. Please see “Notes on EBIT and EBITDA (pre exceptionals)” for details.

## ARLANXEO

	Q2 2016		Q2 2017		Change	H1 2016		H1 2017		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	670		835		24.6	1,310		1,783		36.1
EBITDA pre exceptionals	95	14.2	92	11.0	(3.2)	208	15.9	236	13.2	13.5
EBITDA	95	14.2	95	11.4	0.0	208	15.9	237	13.3	13.9
Operating result (EBIT) pre exceptionals	41	6.1	35	4.2	(14.6)	98	7.5	122	6.8	24.5
Operating result (EBIT)	41	6.1	38	4.6	(7.3)	98	7.5	123	6.9	25.5
Cash outflows for capital expenditures	24		28		16.7	40		45		12.5
Depreciation and amortization	54		57		5.6	110		114		3.6
Employees as of June 30 (previous year: as of Dec. 31)	3,463		3,439		(0.7)	3,463		3,439		(0.7)

Sales in our **ARLANXEO** segment advanced by 24.6% year on year in the second quarter of 2017, to €835 million. This growth was brought about in particular by the increase in selling prices in response to higher raw material prices in both business units, which in total resulted in a positive price effect of 22.5%. In addition, a positive currency effect in both business units advanced sales by 2.2%. Volumes were almost on a level with the prior year, with the High Performance Elastomers business unit increasing its volumes. The Tire & Specialty Rubbers business unit recorded a shutdown-related drop in volumes. Sales in all regions were above prior-year levels.

EBITDA pre exceptionals in the ARLANXEO segment declined from €95 million in the prior-year quarter to €92 million. Owing to the maintenance shutdown in Belgium, we recorded lower volumes and an altered portfolio of products sold. Both effects acted to reduce earnings. The increase in procurement prices for raw materials and energy was largely passed on to the market. Shifts in exchange rates had almost no impact. The EBITDA margin pre exceptionals came in at 11.0% for the second quarter, against 14.2% a year ago.

Segment sales in the first half of 2017 increased against the low level in the prior-year period, rising by €473 million to €1,783 million. This increase was primarily the consequence of the increase in selling prices in the Tire & Specialty Rubbers business unit to reflect raw material prices, which resulted in a positive price effect for the segment of 25.2%. The change in volumes added 8.0% to sales. A positive currency effect of 2.9% also contributed to sales growth.



The segment generated EBITDA pre exceptionals of €236 million in the first six months of 2017, against €208 million in the prior-year period. The EBITDA margin pre exceptionals came in at 13.2% for the half-year, against 15.9% a year ago.

In the second quarter, positive exceptional items in the segment totaled €3 million, all of which impacted EBITDA. In the first half, net positive exceptional items amounted to €1 million, resulting from positive exceptional items of €3 million and negative exceptional items of €2 million. These exceptional items fully impacted EBITDA and were mainly connected with the realignment of ARLANXEO. The segment registered no exceptional items in either the second quarter or the first half of 2016. Please see “Notes on EBIT and EBITDA (pre exceptionals)” for details.

### Reconciliation

€ million	Q2 2016	Q2 2017	Change %	H1 2016	H1 2017	Change %
Sales	12	14	16.7	23	27	17.4
EBITDA pre exceptionals	(49)	(49)	0.0	(125)	(107)	14.4
EBITDA	(51)	(62)	(21.6)	(138)	(130)	5.8
Operating result (EBIT) pre exceptionals	(51)	(56)	(9.8)	(133)	(118)	11.3
Operating result (EBIT)	(53)	(69)	(30.2)	(146)	(141)	3.4
Cash outflows for capital expenditures	1	2	100.0	4	4	0.0
Depreciation and amortization	2	7	> 100	8	11	37.5
Employees as of June 30 (previous year: as of Dec. 31)	2,759	3,125	13.3	2,759	3,125	13.3

Second-quarter EBITDA pre exceptionals for the **reconciliation** came to minus €49 million, as in the prior-year period. Group EBITDA pre exceptionals for the half-year improved from minus €125 million to minus €107 million. This change was mainly due to lower currency hedging losses. The €13 million in negative exceptional items reported in the reconciliation for the second quarter and the €23 million for the first six months of the year resulted primarily from expenditures in connection

with the strategic realignment of the LANXESS Group and from expenditures in connection with the acquisition and integration of Chemtura, and fully impacted EBITDA. In the prior year, negative exceptional items were €2 million in the second quarter and €13 million in the first half, resulting primarily from expenditures in connection with the strategic realignment of the LANXESS Group and fully impacted EBITDA. Please see “Notes on EBIT and EBITDA (pre exceptionals)” for details.

## NOTES ON EBIT AND EBITDA (PRE EXCEPTIONALS)

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

### Reconciliation to EBIT/EBITDA

€ million	EBIT Q2 2016	EBIT Q2 2017	EBITDA Q2 2016	EBITDA Q2 2017	EBIT H1 2016	EBIT H1 2017	EBITDA H1 2016	EBITDA H1 2017
<b>EBIT/EBITDA pre exceptionals</b>	<b>178</b>	<b>215</b>	<b>293</b>	<b>367</b>	<b>320</b>	<b>419</b>	<b>555</b>	<b>695</b>
<b>Advanced Intermediates</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(3)</b>
Strategic realignment/ "Let's LANXESS again" <sup>1)</sup>	0	(3)	0	(3)	0	(3)	0	(3)
<b>Specialty Additives</b>	<b>0</b>	<b>(57)</b>	<b>0</b>	<b>(51)</b>	<b>0</b>	<b>(57)</b>	<b>0</b>	<b>(51)</b>
Strategic realignment/ "Let's LANXESS again" <sup>1)</sup>	0	(57)	0	(51)	0	(57)	0	(51)
<b>Performance Chemicals</b>	<b>0</b>	<b>(70)</b>	<b>0</b>	<b>(64)</b>	<b>0</b>	<b>(70)</b>	<b>0</b>	<b>(64)</b>
Strategic realignment/ "Let's LANXESS again"	0	(70)	0	(64)	0	(70)	0	(64)
<b>Engineering Materials</b>	<b>0</b>	<b>(13)</b>	<b>0</b>	<b>(12)</b>	<b>0</b>	<b>(13)</b>	<b>0</b>	<b>(12)</b>
Strategic realignment/ "Let's LANXESS again" <sup>1)</sup>	0	(13)	0	(12)	0	(13)	0	(12)
<b>ARLANXEO</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
Strategic realignment	0	3	0	3	0	1	0	1
<b>Reconciliation</b>	<b>(2)</b>	<b>(13)</b>	<b>(2)</b>	<b>(13)</b>	<b>(13)</b>	<b>(23)</b>	<b>(13)</b>	<b>(23)</b>
Strategic realignment/ "Let's LANXESS again" <sup>2)</sup>	(1)	(9)	(1)	(9)	(11)	(17)	(11)	(17)
Other	(1)	(4)	(1)	(4)	(2)	(6)	(2)	(6)
<b>Total exceptional items</b>	<b>(2)</b>	<b>(153)</b>	<b>(2)</b>	<b>(140)</b>	<b>(13)</b>	<b>(165)</b>	<b>(13)</b>	<b>(152)</b>
<b>EBIT/EBITDA</b>	<b>176</b>	<b>62</b>	<b>291</b>	<b>227</b>	<b>307</b>	<b>254</b>	<b>542</b>	<b>543</b>

1) The exceptional items were associated with the purchase price allocation and integration of Chemtura.

2) Of the exceptional items in the second quarter and first half of 2017, €3 million in each case were associated with the purchase price allocation and integration of Chemtura.

**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 which, because of their nature or scope, may have a particular impact on earnings but which it would seem inappropriate to include in the assessment of business performance over several reporting periods. Exceptional items may include write-downs, reversals of impairment charges or the proceeds from the sale of assets, certain IT costs, restructuring expenses and income from the reversal of provisions established in this connection, and reductions in earnings resulting from portfolio adjustments or purchase price allocations. Grants and subsidies from third

parties for the acquisition and construction of property, plant and equipment are accounted for as deferred income using the gross method. In this respect, no adjustments other than for gross depreciation and amortization are made when calculating EBITDA pre exceptionals.

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

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

## STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

### Structure of the statement of financial position

As of June 30, 2017, the LANXESS Group had total assets of €10,912 million, up €1,035 million, or 10.5%, from €9,877 million on December 31, 2016. This growth was attributable in particular to the acquisition of Chemtura. The equity ratio at the end of the second quarter was 32.8%, after 37.7% in the prior year.

Non-current assets increased by €2,039 million to €6,558 million as of June 30, 2017. Intangible assets rose by €1,319 million to €1,813 million, owing in particular to goodwill resulting from the acquisition and amounting to €679 million. In addition, property, plant and equipment increased from €3,519 million to €4,100 million as of June 30, 2017. Deferred taxes were €3 million lower than at December 31, 2016, amounting to €442 million. Cash outflows for purchases of intangible assets and property, plant and equipment totaled €162 million, compared with €122 million in the prior-year period. Depreciation and amortization in the first six months amounted to €289 million, which was above the figure of €235 million for the prior-year period. The ratio of non-current assets to total assets was 60.1%, up from 45.8% on December 31, 2016.

Current assets decreased by €1,004 million, or 18.7%, compared with December 31, 2016, to €4,354 million. Inventories and trade receivables were up, mainly because of the Chemtura acquisition, rising by €304 million to €1,733 million and by €301 million to €1,389 million, respectively. Cash and cash equivalents increased by €404 million to €759 million. In addition, other current financial assets fell by €2,126 million to €4 million as of June 30, 2017. This drop was chiefly the result of maturing time deposits and the sale of securities to finance the Chemtura purchase price. The ratio of current assets to total assets was 39.9%, against 54.2% as of December 31, 2016.

The LANXESS Group has significant internally generated intangible assets that are not reflected in the statement of financial position in light of accounting rules. These include the brand equity of LANXESS and the value of other brands of the Group.

Our established relationships with customers and suppliers also constitute a significant intangible asset. These long-standing, trust-based partnerships with customers and suppliers, underpinned by consistent service quality, have made it possible for us to compete successfully, even in a more challenging business environment. Our competence in technology and innovation, also a valuable asset, is rooted in our specific knowledge in the areas of research and development and custom manufacturing. It enables us to generate significant added value for our customers.

The know-how and experience of our employees are crucial factors for our corporate success. In addition, we have sophisticated production and business processes that create competitive advantages for us in the relevant markets.

Equity amounted to €3,579 million against €3,728 million on December 31, 2016.

Non-current liabilities rose by €504 million to €5,020 million as of June 30, 2017. The main factor in the rise was the development in provisions for pensions and other post-employment benefits, which were up by €167 million at €1,416 million. In addition, other non-current provisions rose by €198 million to €517 million. Both pensions and other post-employment benefits and other non-current provisions increased mainly because of the acquisition of Chemtura. Non-current derivative liabilities totaled €5 million, after €7 million on December 31, 2016. Other non-current financial liabilities were level with the end of 2016, at €2,734 million. The ratio of non-current liabilities to total assets was 46.0%, against 45.7% as of December 31, 2016.

Current liabilities came to €2,313 million, up by €680 million, or 41.6%, compared with December 31, 2016. The largest factor in this was the bond taken on with the acquisition of Chemtura, which was recognized under other current financial liabilities. The ratio of current liabilities to total assets was 21.2% as of June 30, 2017, against 16.6% at the end of 2016.

### Financial condition and capital expenditures

#### *Changes in the statement of cash flows*

In the first six months of 2017 there was a net cash inflow of €166 million from operating activities, against €228 million in the prior-year period. The reduction resulted from, among other things, a decrease in income before income taxes from €241 million to €223 million. There was also an increase in income taxes paid, from €61 million to €93 million, and an increase of €251 million in net working capital, compared with a prior-year increase of €225 million. An increase in depreciation and amortization, from €235 million to €289 million, had a countervailing effect.

There was a €274 million net cash inflow from investing activities in the first six months of 2017, compared with a €925 million net cash outflow in the same period a year ago. The net cash inflow in the reporting period resulted in particular from cash inflows upon maturity of time deposits and from the sale of securities. In a countervailing effect, there was a cash outflow of €1,782 million for the acquisition of Chemtura (net of acquired cash and cash equivalents) and payments of €162 million for intangible assets and property, plant and equipment, compared with €122 million in the prior-year period.

Net cash used in financing activities came to €17 million, compared with net cash of €978 million provided by financing activities in the first six months of 2016. The net outflow in the reporting period resulted mainly from dividend payments, interest payments and other financial disbursements. The proceeds from borrowings had an opposing effect. The cash inflow in the prior year was the result in particular of Saudi Aramco's interest in ARLANXEO.

### Financing and liquidity

The principles and objectives of financial management discussed on page 134 of the Annual Report 2016 remained valid during the first half of 2017. They are centered on a conservative financial policy built on long-term, secured financing.

Cash and cash equivalents increased by €404 million compared with the end of 2016, to €759 million. The Group's liquidity position remains sound overall.

Net financial liabilities totaled €2,537 million as of June 30, 2017, compared with €2,394 million as of December 31, 2016.

#### Net Financial Liabilities

€ million	Dec. 31, 2016	June 30, 2017
Non-current financial liabilities	2,734	2,734
Current financial liabilities	78	592
Less:		
Liabilities for accrued interest	(23)	(30)
Cash and cash equivalents	(355)	(759)
Near-cash assets	(40)	–
<b>Net financial liabilities</b>	<b>2,394</b>	<b>2,537</b>

As of December 31, 2016, moreover, time deposits and securities available for sale totaling €2,125 million were still being deducted. Net financial liabilities after deduction of time deposits and securities available for sale amounted to €269 million at the end of 2016. There were no corresponding financial assets to deduct as of June 30, 2017.

### Financing instruments off the statement of financial position

As of June 30, 2017, we had no material financing items that were not reported in the statement of financial position, such as factoring, asset-backed structures or sale-and-lease-back transactions.

### Significant capital expenditure projects

The Saltigo business unit in the Advanced Intermediates segment is expanding its production network at the site in Leverkusen, Germany. As part of its realignment project, LANXESS is investing about €60 million at its largest agrochemicals site. Synthesis capacities for custom manufacturing are being expanded by the addition of two multipurpose production lines, several reactor modules and a new container storage area. Work on this expansion began in June 2016. Production is due to start at the end of 2017. Furthermore, the Advanced Industrial Intermediates business unit, which is also part of the Advanced Intermediates segment, intends to significantly expand its production capacity at the site in Brunsbüttel, Germany, and to invest up to €15 million in the course of this year.

## FUTURE PERSPECTIVES, OPPORTUNITIES AND RISKS

### Future perspectives

The general political and economic risks continue to apply and have not changed materially since our original outlook for the year in the Annual Report 2016 or our assessment in the Quarterly Statement as of March 31, 2017. Expectations for the global economy also remain in line with the most recent assessment.

Our expectations for trends in the global chemical industry and the individual user industries are almost unchanged against our assessment in the last Quarterly Statement. The chemical industry will grow in line with our original expectations. We continue to expect the tire industry to perform slightly better, and agrochemicals slightly worse, compared with our forecast at the beginning of the year. Growth expectations for the automotive and construction industries are unchanged against our original outlook for the year.

The following outlook for fiscal 2017 refers to the new segment structure that has resulted from the integration of Chemtura.

In our **Advanced Intermediates** segment, we anticipate a performance in 2017 approximately in line with the prior year, with a small contribution of earnings from the Chemtura organometallics business acquired. The segment will continue to benefit from wide diversification in end markets. However, we expect demand from the agricultural industry to remain weak.

The new **Specialty Additives** segment, comprised of the Additives and Rhein Chemie business units, should perform very much above the prior-year level as a result of the acquired Chemtura businesses, which have been assigned to the Additives business unit, and cost savings to be achieved.

In our **Performance Chemicals** segment we anticipate a slightly better business performance than in the prior year. Development will be buoyed by the Clean and Disinfect specialties business acquired from Chemours in August 2016. The performance of the Rhein Chemie business unit will be reported as part of the Specialty Additives segment under the new reporting structure.

In our **Engineering Materials** segment, which comprises the High Performance Materials business unit – formerly a segment in its own right – and the new Urethane Systems business unit from Chemtura, we expect a performance in 2017 well above the prior-year level. Growth will be driven not just by the positive effect of the additional business from Chemtura's urethanes division, but also by solid demand for products for lightweight construction in the automotive industry.

The rubber business in the **ARLANXEO** segment continues to be affected by overcapacity and ongoing price pressure. Following a strong first half we anticipate a weakening in growth in the second half of the year. Overall, and taking account of the strong first half, we expect slight growth for the segment compared with last year, despite the challenging market environment.

In view of the business performance expected in the individual segments as outlined above and the underlying expectations for the macroeconomic environment, we continue to anticipate EBITDA pre exceptionals of between €1,225 million and €1,300 million for the LANXESS Group in fiscal 2017. This takes account of a contribution to earnings from the Chemtura business areas since the acquisition date.

Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group on page 153 of the Annual Report 2016.

### **Significant opportunities and risks**

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2016. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group on pages 155 to 165 of the Annual Report 2016. 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, 2017

## STATEMENT OF FINANCIAL POSITION LANXESS GROUP

€ million	Dec. 31, 2016	June 30, 2017
<b>ASSETS</b>		
Intangible assets	494	1,813
Property, plant and equipment	3,519	4,100
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	12	13
Non-current derivative assets	1	9
Other non-current financial assets	19	20
Non-current income tax receivables	7	42
Deferred taxes	442	439
Other non-current assets	25	122
<b>Non-current assets</b>	<b>4,519</b>	<b>6,558</b>
Inventories	1,429	1,733
Trade receivables	1,088	1,389
Cash and cash equivalents	355	759
Near-cash assets	40	–
Current derivative assets	65	55
Other current financial assets	2,130	4
Current income tax receivables	67	84
Other current assets	184	330
<b>Current assets</b>	<b>5,358</b>	<b>4,354</b>
<b>Total assets</b>	<b>9,877</b>	<b>10,912</b>
<b>EQUITY AND LIABILITIES</b>		
Capital stock and capital reserves	1,317	1,317
Other reserves	1,257	1,416
Net income	192	81
Other equity components	(214)	(396)
Equity attributable to non-controlling interests	1,176	1,161
<b>Equity</b>	<b>3,728</b>	<b>3,579</b>
Provisions for pensions and other post-employment benefits	1,249	1,416
Other non-current provisions	319	517
Non-current derivative liabilities	7	5
Other non-current financial liabilities	2,734	2,734
Non-current income tax liabilities	31	107
Other non-current liabilities	93	116
Deferred taxes	83	125
<b>Non-current liabilities</b>	<b>4,516</b>	<b>5,020</b>
Other current provisions	406	474
Trade payables	889	933
Current derivative liabilities	42	11
Other current financial liabilities	78	592
Current income tax liabilities	44	73
Other current liabilities	174	230
<b>Current liabilities</b>	<b>1,633</b>	<b>2,313</b>
<b>Total equity and liabilities</b>	<b>9,877</b>	<b>10,912</b>

## INCOME STATEMENT LANXESS GROUP

€ million	Q2 2016	Q2 2017	H1 2016	H1 2017
<b>Sales</b>	<b>1,943</b>	<b>2,522</b>	<b>3,863</b>	<b>4,923</b>
Cost of sales	(1,466)	(1,956)	(2,925)	(3,811)
<b>Gross profit</b>	<b>477</b>	<b>566</b>	<b>938</b>	<b>1,112</b>
Selling expenses	(191)	(238)	(385)	(456)
Research and development expenses	(32)	(38)	(62)	(72)
General administration expenses	(73)	(95)	(145)	(167)
Other operating income	36	58	80	87
Other operating expenses	(41)	(191)	(119)	(250)
<b>Operating result (EBIT)</b>	<b>176</b>	<b>62</b>	<b>307</b>	<b>254</b>
Income from investments accounted for using the equity method	0	0	0	0
Interest income	2	3	3	4
Interest expense	(18)	(27)	(36)	(48)
Other financial income and expense	(13)	23	(33)	13
<b>Financial result</b>	<b>(29)</b>	<b>(1)</b>	<b>(66)</b>	<b>(31)</b>
<b>Income before income taxes</b>	<b>147</b>	<b>61</b>	<b>241</b>	<b>223</b>
Income taxes	(64)	(47)	(105)	(106)
<b>Income after income taxes</b>	<b>83</b>	<b>14</b>	<b>136</b>	<b>117</b>
of which attributable to non-controlling interests	8	11	8	36
of which attributable to LANXESS AG stockholders [net income]	75	3	128	81
<b>Earnings per share (undiluted/diluted) (€)</b>	<b>0.82</b>	<b>0.04</b>	<b>1.40</b>	<b>0.89</b>

## STATEMENT OF COMPREHENSIVE INCOME

### LANXESS GROUP

€ million	Q2 2016	Q2 2017	H1 2016	H1 2017
<b>Income after income taxes</b>	<b>83</b>	<b>14</b>	<b>136</b>	<b>117</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(241)	80	(394)	28
Income taxes	76	(26)	125	(9)
	<b>(165)</b>	<b>54</b>	<b>(269)</b>	<b>19</b>
<b>Items that may be reclassified subsequently to profit or loss if specific conditions are met</b>				
Exchange differences on translation of operations outside the eurozone	76	(251)	47	(252)
Financial instruments	6	28	78	32
Income taxes	0	(8)	(21)	(9)
	<b>82</b>	<b>(231)</b>	<b>104</b>	<b>(229)</b>
<b>Other comprehensive income, net of income tax</b>	<b>(83)</b>	<b>(177)</b>	<b>(165)</b>	<b>(210)</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>(163)</b>	<b>(29)</b>	<b>(93)</b>
of which attributable to non-controlling interests	30	(32)	29	(23)
of which attributable to LANXESS AG stockholders	(30)	(131)	(58)	(70)

## 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			
<b>Dec. 31, 2015</b>	<b>91</b>	<b>1,226</b>	<b>1,313</b>	<b>165</b>	<b>(422)</b>	<b>(63)</b>	<b>2,310</b>	<b>13</b>	<b>2,323</b>
Allocations to retained earnings			165	(165)			0		0
Transactions with owners			8		112	2	122	1,074	1,196
Dividend payments			(55)				(55)	0	(55)
Total comprehensive income			(259)	128	19	54	(58)	29	(29)
Income after income taxes				128			128	8	136
Other comprehensive income, net of income tax			(259)		19	54	(186)	21	(165)
<b>June 30, 2016</b>	<b>91</b>	<b>1,226</b>	<b>1,172</b>	<b>128</b>	<b>(291)</b>	<b>(7)</b>	<b>2,319</b>	<b>1,116</b>	<b>3,435</b>
<b>Dec. 31, 2016</b>	<b>91</b>	<b>1,226</b>	<b>1,257</b>	<b>192</b>	<b>(199)</b>	<b>(15)</b>	<b>2,552</b>	<b>1,176</b>	<b>3,728</b>
Allocations to retained earnings			192	(192)			0		0
Transactions with owners							–	11	11
Dividend payments			(64)				(64)	(3)	(67)
Total comprehensive income			31	81	(202)	20	(70)	(23)	(93)
Income after income taxes				81			81	36	117
Other comprehensive income, net of income tax			31		(202)	20	(151)	(59)	(210)
<b>June 30, 2017</b>	<b>91</b>	<b>1,226</b>	<b>1,416</b>	<b>81</b>	<b>(401)</b>	<b>5</b>	<b>2,418</b>	<b>1,161</b>	<b>3,579</b>



## STATEMENT OF CASH FLOWS

### LANXESS GROUP

€ million	Q2 2016	Q2 2017	H1 2016	H1 2017
<b>Income before income taxes</b>	<b>147</b>	<b>61</b>	<b>241</b>	<b>223</b>
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	115	165	235	289
Gains on disposals of intangible assets and property, plant and equipment	–	0	–	0
Income from investments accounted for using the equity method	0	0	0	0
Financial losses (gains)	16	(22)	33	(2)
Income taxes paid	(19)	(28)	(61)	(93)
Changes in inventories	29	43	19	(21)
Changes in trade receivables	(10)	112	(148)	(136)
Changes in trade payables	(26)	(133)	(96)	(94)
Changes in other assets and liabilities	(72)	(42)	5	0
<b>Net cash provided by operating activities</b>	<b>180</b>	<b>156</b>	<b>228</b>	<b>166</b>
Cash outflows for purchases of intangible assets and property, plant and equipment	(73)	(105)	(122)	(162)
Cash outflows for financial assets	(711)	–	(711)	(110)
Cash inflows from financial assets	–	2,126	100	2,276
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	–	(1,782)	–	(1,782)
Cash inflows from sales of intangible assets and property, plant and equipment	1	1	5	1
Interest and dividends received	2	49	3	51
Cash outflows for external funding of pension obligations (CTAs)	(200)	–	(200)	–
<b>Net cash (used in) provided by investing activities</b>	<b>(981)</b>	<b>289</b>	<b>(925)</b>	<b>274</b>
Cash inflows from non-controlling interests	1,194	–	1,194	18
Proceeds from borrowings	21	47	41	91
Repayments of borrowings	(12)	(5)	(163)	(11)
Interest paid and other financial disbursements	(33)	(44)	(39)	(48)
Dividend payments	(55)	(67)	(55)	(67)
<b>Net cash provided by (used in) financing activities</b>	<b>1,115</b>	<b>(69)</b>	<b>978</b>	<b>(17)</b>
<b>Change in cash and cash equivalents from business activities</b>	<b>314</b>	<b>376</b>	<b>281</b>	<b>423</b>
Cash and cash equivalents at beginning of period	333	404	366	355
Exchange differences and other changes in cash and cash equivalents	3	(21)	3	(19)
<b>Cash and cash equivalents at end of period</b>	<b>650</b>	<b>759</b>	<b>650</b>	<b>759</b>

## SEGMENT AND REGION DATA

## Key Data by Segment/Second Quarter

€ million	Advanced Intermediates		Specialty Additives		Performance Chemicals		Engineering Materials		ARLANXEO		Reconciliation		LANXESS	
	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017
External sales	443	505	213	440	330	367	275	361	670	835	12	14	1,943	2,522
Inter-segment sales	14	13	3	2	0	0	0	0	0	0	(17)	(15)	0	0
Segment/Group sales	457	518	216	442	330	367	275	361	670	835	(5)	(1)	1,943	2,522
Segment result/ EBITDA pre exceptionals	88	97	45	75	69	80	45	72	95	92	(49)	(49)	293	367
EBITDA margin pre exceptionals (%)	19.9	19.2	21.1	17.0	20.9	21.8	16.4	19.9	14.2	11.0			15.1	14.6
EBITDA	88	94	45	24	69	16	45	60	95	95	(51)	(62)	291	227
EBIT pre exceptionals	63	68	37	49	54	61	34	58	41	35	(51)	(56)	178	215
EBIT	63	65	37	(8)	54	(9)	34	45	41	38	(53)	(69)	176	62
Segment capital expenditures	23	35	8	16	15	16	5	10	25	28	1	3	77	108
Depreciation and amortization	25	29	8	32	15	25	11	15	54	57	2	7	115	165

2016 figures restated in line with the new segment structure

## Key Data by Segment/First Half

€ million	Advanced Intermediates		Specialty Additives		Performance Chemicals		Engineering Materials		ARLANXEO		Reconciliation		LANXESS	
	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
External sales	906	1,023	434	679	642	735	548	676	1,310	1,783	23	27	3,863	4,923
Inter-segment sales	28	26	6	5	0	0	1	0	0	0	(35)	(31)	0	0
Segment/Group sales	934	1,049	440	684	642	735	549	676	1,310	1,783	(12)	(4)	3,863	4,923
Segment result/ EBITDA pre exceptionals	177	188	87	119	125	139	83	120	208	236	(125)	(107)	555	695
EBITDA margin pre exceptionals (%)	19.5	18.4	20.0	17.5	19.5	18.9	15.1	17.8	15.9	13.2			14.4	14.1
EBITDA	177	185	87	68	125	75	83	108	208	237	(138)	(130)	542	543
EBIT pre exceptionals	127	133	72	86	95	101	61	95	98	122	(133)	(118)	320	419
EBIT	127	130	72	29	95	31	61	82	98	123	(146)	(141)	307	254
Segment assets as of June 30 <sup>1)</sup>	1,149	1,379	523	2,713	1,229	1,221	710	1,172	3,016	2,867	124	148	6,751	9,500
Segment liabilities as of June 30 <sup>1)</sup>	741	640	280	574	547	639	274	354	712	790	576	689	3,130	3,686
Segment capital expenditures	41	56	13	23	26	27	10	15	41	45	4	5	135	171
Depreciation and amortization/reversals of impairment charges	50	55	15	39	30	44	22	26	110	114	8	11	235	289
Employees as of June 30 <sup>1)</sup>	3,335	3,677	1,507	2,925	4,074	4,047	1,583	1,945	3,463	3,439	2,759	3,125	16,721	19,158

2016 figures restated in line with the new segment structure

1) Previous year as of December 31, 2016

**Key Data by Region/Second Quarter**

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017
Sales by market	590	720	332	380	324	523	206	250	491	649	1,943	2,522
Proportion of Group sales (%)	30.3	28.5	17.1	15.1	16.7	20.8	10.6	9.9	25.3	25.7	100.0	100.0

**Key Data by Region/First Half**

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Sales by market	1,193	1,397	680	765	665	947	386	481	939	1,333	3,863	4,923
Proportion of Group sales (%)	30.9	28.4	17.6	15.5	17.2	19.2	10.0	9.8	24.3	27.1	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	3,251	3,746	7,600	7,950	1,418	2,682	1,435	1,551	3,017	3,229	16,721	19,158

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2017

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, 2016, particularly with respect to the recognition and valuation principles which are generally applied.

## RECOGNITION AND VALUATION PRINCIPLES

The unaudited, condensed consolidated interim financial statements as of June 30, 2017, 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, 2017, were observed in preparing the interim financial statements. The following pronouncements were to have been applied for the first time as of January 1, 2017:

- › IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
- › IAS 7 – Statement of Cash Flows – Disclosure Initiative
- › IFRS 12 – Disclosure of Interests in Other Entities – Clarification that the disclosure requirements also apply to entities held for sale

These pronouncements were not applied because they have not yet been endorsed by the European Union. Their application would have no effect or no material effect on the presentation of the earnings, asset and financial position of the LANXESS Group.

With regard to accounting standards and interpretations which have been published but are not yet applicable in fiscal 2017, the statements given in the consolidated financial statements for 2016 generally continue to apply. The continuation of the projects related to the introduction of IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leasing) has not resulted in any additional information about new material effects on future accounting measures compared with the statements given in the consolidated financial statements for 2016. It still is not possible to reliably quantify these effects until the technical concepts have been implemented at the system level.

Preparation of the consolidated interim financial statements requires that assumptions and estimates be made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods broadly consistent with those applied in the consolidated financial statements for 2016. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

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

## CHANGES IN THE SCOPE OF CONSOLIDATION

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

	EMEA (excl. Germany)	Germany	North America	Latin America	Asia-Pacific	Total
<b>Fully consolidated companies (incl. parent company)</b>						
Jan. 1, 2017	24	9	7	5	18	63
Additions	16	6	7	3	13	45
Retirements						0
Mergers		(2)				(2)
Changes						0
<b>June 30, 2017</b>	<b>40</b>	<b>13</b>	<b>14</b>	<b>8</b>	<b>31</b>	<b>106</b>
<b>Consolidated associates and jointly controlled entities</b>						
Jan. 1, 2017		2				2
Additions			1			1
Retirements						0
Mergers						0
Changes						0
<b>June 30, 2017</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Non-consolidated companies</b>						
Jan. 1, 2017	1	2	2	3	2	10
Additions	1			1		2
Retirements						0
Mergers			(1)			(1)
Changes						0
<b>June 30, 2017</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>11</b>
<b>Total</b>						
Jan. 1, 2017	25	13	9	8	20	75
Additions	17	6	8	4	13	48
Retirements						0
Mergers		(2)	(1)			(3)
Changes						0
<b>June 30, 2017</b>	<b>42</b>	<b>17</b>	<b>16</b>	<b>12</b>	<b>33</b>	<b>120</b>

In connection with the acquisition of Chemtura, all shares of Chemtura Corporation, Middlebury, Connecticut, United States, and its domestic and foreign subsidiaries were acquired during the reporting period. Various name changes subsequently took place.

In addition, ARLANXEO Branch Offices B.V., Maastricht, the Netherlands, was newly established and fully consolidated.

Furthermore, the companies Crompton Specialties GmbH, Bergkamen, Germany, and Great Lakes Chemical Konstanz GmbH, Konstanz, Germany, were placed into LANXESS OMS Holding GmbH, Bergkamen, Germany.

Among the non-consolidated companies, LANXESS Additives Inc., Wilmington, Delaware, United States, became LANXESS Solutions US Inc., Wilmington, Delaware, United States, and was placed into the fully consolidated company Chemtura Corporation, Wilmington, Delaware, United States. The name of that company was changed to LANXESS Solutions US Inc., Wilmington, Delaware, United States.

## Acquisitions

LANXESS successfully closed the acquisition of the U.S. company Chemtura on April 21, 2017. First-time inclusion in the consolidated financial statements was effected from that date. The purchase price of around €2.0 billion was paid using funds from corporate bonds successfully placed in 2016 as well as existing liquidity. LANXESS is significantly expanding its own additives portfolio and becoming one of the world's major actors in this growing market. Chemtura's flame retardant and lubricant additives business is being combined with the LANXESS Plastic Additives and Lubricant Additives operations in the new Additives business unit. The former Chemtura businesses with urethanes and organometallics were also integrated. Chemtura's organometallics business was integrated into the Advanced Industrial Intermediates business unit in the Advanced Intermediates segment of LANXESS. Chemtura's urethanes business will now form the Urethane Systems business unit, which, together with the High Performance Materials business unit, constitutes the Engineering Materials segment.

The acquisition was accounted for as a business combination pursuant to IFRS 3. Thus, in allocating the purchase price, the acquiree's identifiable assets, liabilities and contingent liabilities were included at fair value. The purchase price allocation was carried out in light of the information available at and immediately

after the date of acquisition. According to IFRS, it can be adjusted within one year after the date of acquisition to reflect new information and findings. This can basically impact all items taken into consideration in the purchase price allocation.

The acquired business contributed €295 million to sales between the acquisition date and the end of the first half and diminished earnings of the LANXESS Group by €49 million. Group earnings were impacted by effects resulting from the purchase price allocation. If the business had been acquired already on January 1, 2017, the contribution to LANXESS Group sales would have increased by an additional amount of approximately €455 million, while the contribution to net income changed only slightly. Earnings effects resulting from the revaluation of assets and liabilities were included retroactively from January 1, 2017. Intra-group results between Chemtura and LANXESS were eliminated.

Intangible assets of €760 million were established in the context of the purchase price allocation, comprising €536 million for customer relationships, €105 million for trademarks and €119 million in other intangible assets.

The goodwill of €679 million resulting from the acquisition mainly reflects additional sales opportunities arising with new customers primarily in the European and North American markets. The goodwill also reflects an improvement in the cost structure and the procurement of raw materials, as well as higher capacity utilization in production. The goodwill is distributed among the business units as follows: €508 million at Additives, €162 million at Urethane Systems and €9 million at Advanced Industrial Intermediates.

The goodwill is non-tax-deductible.

The gross amount of due trade receivables is €221 million, of which €4 million is expected to be irrecoverable. Other non-current liabilities total €314 million and include contingent liabilities of a low-single-digit million euro amount.

In connection with this acquisition, transaction costs of approximately €1 million were recognized in other operating expenses during the reporting period. The major share of the transaction costs, classified as exceptional items, was incurred in the previous year. For more information, please see "Notes on EBIT and EBITDA (pre exceptionals)" in the Management Report.

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

#### Additions from Acquisition

€ million	Fair values at first-time consolidation
Intangible assets	760
Property, plant and equipment	855
Inventories	345
Trade receivables	217
Cash and cash equivalents	217
Other assets	203
<b>Total assets</b>	<b>2,597</b>
Provisions for pensions and other post-employment benefits	213
Other non-current liabilities	314
Trade payables	169
Other current financial liabilities	466
Other current liabilities	100
<b>Total liabilities</b>	<b>1,262</b>
<b>Net acquired assets (excl. goodwill)</b>	<b>1,335</b>
<b>Cost of acquisition</b>	<b>2,014</b>
<b>Goodwill</b>	<b>679</b>

## PENSIONS

To fund pension obligations in Germany, €200 million was transferred to LANXESS Pension Trust e.V., Leverkusen, Germany, in the previous year effective May 6, 2016.

## EARNINGS PER SHARE

Earnings per share for the second quarter and first half of 2016 and 2017 were calculated on the basis of the number of shares in circulation during each reporting period. They are derived solely from continuing 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, 2016.

#### Earnings per Share

	Q2 2016	Q2 2017	Change %	H1 2016	H1 2017	Change %
Net income (€ million)	75	3	(96.0)	128	81	(36.7)
Number of shares outstanding	91,522,936	91,522,936	–	91,522,936	91,522,936	–
<b>Earnings per share in € (undiluted/diluted)</b>	<b>0.82</b>	<b>0.04</b>	(96.0)	<b>1.40</b>	<b>0.89</b>	(36.7)

## PAYMENT OF THE DIVIDEND FOR FISCAL 2016

Pursuant to the resolution of the Annual Stockholders' Meeting on May 26, 2017, the sum of €64 million out of the distributable profit of €332 million reported in the annual financial statements of LANXESS AG as of December 31, 2016, was paid out to the stockholders on May 31, 2017. The dividend per eligible no-par share was €0.70. Of the remaining amount, €268 million, €175 million was allocated to other retained earnings and €93 million was carried forward to new account.

## FAIR VALUE MEASUREMENT

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

### Assets and Liabilities Measured at Fair Value

€ million	Dec. 31, 2016		
	Level 1	Level 2	Level 3
Non-current assets			
Investments in other affiliated companies	2	–	–
Non-current derivative assets	–	1	–
Other non-current financial assets	–	1	–
Current assets			
Near-cash assets	40	–	–
Current derivative assets	–	65	–
Other current financial assets	176	–	–
Non-current liabilities			
Non-current derivative liabilities	–	7	–
Current liabilities			
Current derivative liabilities	–	42	–

### Assets and Liabilities Measured at Fair Value

€ million	June 30, 2017		
	Level 1	Level 2	Level 3
Non-current assets			
Investments in other affiliated companies	1	–	–
Non-current derivative assets	–	9	–
Other non-current financial assets	–	1	–
Current assets			
Near-cash assets	–	–	–
Current derivative assets	–	55	–
Other current financial assets	0	–	–
Non-current liabilities			
Non-current derivative liabilities	–	5	–
Current liabilities			
Current derivative liabilities	–	11	–

According to the fair value measurement 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).

The investments in other affiliated companies measured at fair value pertain to shares in the listed company BioAmber Inc., Minneapolis, United States. The item "Investments in other affiliated companies" in the statement of financial position also includes €12 million (December 31, 2016: €10 million) in non-listed equity instruments, the fair values of which at the end of the reporting period could not be reliably measured and which are therefore recognized at cost. The increase resulted mainly from the €3 million equity investment in High-Tech Gründerfonds III GmbH & Co. KG, Bonn, Germany. An opposing effect came from the impairment of €1 million on the equity investment in evoxx technologies GmbH (formerly: evocatal GmbH), Monheim am Rhein, Germany, due to that company's pending sale in the third quarter of 2017. There are currently no further plans to dispose of investments.

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." 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 addition, forward swaps were concluded as hedging instruments for the future refinancing of pending maturities of financial liabilities.

The near-cash assets comprise units of money market funds that can be sold at any time and are expected to be realized within twelve months after the end of the reporting period. The units of the money market funds were sold in the second quarter of 2017.

The cash equivalents include an amount of €417 million deposited with a trustee for the buyback of the bond purchased in connection with the Chemtura acquisition. The bond has a nominal value of US\$450 million and is measured at amortized cost of €407 million as of June 30, 2017. The bond was redeemed on July 17, 2017.

In the case of financial instruments accounted for using valuation principles other than fair value measurement, the fair value – where this can be reliably determined – is normally the carrying amount. The carrying amount of the bonds, at €3,080 million, differed significantly from their fair value, which was €3,246 million as of June 30, 2017. The carrying amount of the bonds as of December 31, 2016, was €2,671 million and their fair value €2,827 million. Fair value measurement of the bonds is allocated to Level 1 of the hierarchy although, as of June 30, 2017, two bonds with a fair value of €237 million were allocated to Level 2 as there was no liquid market for them. As of December 31, 2016, two bonds with a fair value of €244 million were allocated to Level 2 of the hierarchy. The fair value of liabilities allocated to Level 2 is calculated using discounted cash flows and taking account of observed market interest rates.

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, 2016.

## SEGMENT REPORTING

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

### Reconciliation of Segment Results

€ million	Q2 2016	Q2 2017	H1 2016	H1 2017
<b>Total segment results</b>	<b>342</b>	<b>416</b>	<b>680</b>	<b>802</b>
Depreciation and amortization/reversals of impairment charges	(115)	(165)	(235)	(289)
Other/Consolidation	(49)	(49)	(125)	(107)
Exceptional items affecting EBITDA	(2)	(140)	(13)	(152)
Net interest expense	(16)	(24)	(33)	(44)
Income from investments accounted for using the equity method	0	0	0	0
Other financial income and expense	(13)	23	(33)	13
<b>Income before income taxes</b>	<b>147</b>	<b>61</b>	<b>241</b>	<b>223</b>

The exceptional items of the reporting period were principally associated with the acquisition and integration of Chemtura, as well as the centralization of the Group's international chrome value chain in South Africa and the related planned closure of the Zárata site in Argentina in the fourth quarter of 2017. Additional information is provided in "Notes on EBIT and EBITDA (pre exceptionals)" in the Interim Group Management Report as of June 30, 2017.

As part of the integration of the Chemtura specialty additives, urethanes and organometallics operations, Group structures have been adjusted. Chemtura's organometallics business has been integrated into the LANXESS Advanced Industrial Intermediates business unit in the Advanced Intermediates segment. As well as containing the LANXESS Plastic Additives and Lubricant Additives operations, the new LANXESS Additives business unit is comprised to a large extent of the Chemtura flame retardant and lubricant additives business. The new LANXESS Rhein Chemie business unit brings together LANXESS's Rubber Additives and Colorant Additives businesses. These two business units together form the new Specialty Additives segment. The urethanes division of Chemtura is a separate business unit that forms the Engineering Materials segment together with the High Performance Materials business unit. LANXESS now reports as five segments, comprising a total of twelve business units, each of which conducts its own operations and has global profit responsibility: Advanced Intermediates, Specialty Additives, Performance Chemicals, Engineering Materials and ARLANXEO. Prior-year figures have been adjusted accordingly if necessary.

As a result of the Chemtura acquisition, the segment assets and liabilities have changed compared with the consolidated financial statements for 2016. A large proportion of the material assets and liabilities arising from the acquisition is attributable to the flame retardant and lubricant additives business and reported under the Specialty Additives segment. The assets and liabilities from the organometallics and the urethanes businesses are reported under the Advanced Intermediates and Engineering Materials segments, respectively.

#### Reconciliation of Segment Assets

€ million	Dec. 31, 2016	June 30, 2017
<b>Total segment assets</b>	<b>6,627</b>	<b>9,352</b>
Cash and cash equivalents	355	759
Deferred tax assets	442	439
Near-cash assets	40	–
Income tax receivables	74	126
Derivative assets	66	64
Other financial assets	2,149	24
Other/Consolidation	124	148
<b>Group assets</b>	<b>9,877</b>	<b>10,912</b>

The segment assets mainly comprise intangible assets, property, plant and equipment, inventories and trade receivables. They do not include items such as cash and cash equivalents, deferred taxes and other financial assets.

#### Reconciliation of Segment Liabilities

€ million	Dec. 31, 2016	June 30, 2017
<b>Total segment liabilities</b>	<b>2,554</b>	<b>2,997</b>
Other financial liabilities	2,812	3,326
Derivative liabilities	49	16
Income tax liabilities	75	180
Deferred tax liabilities	83	125
Other/Consolidation	576	689
<b>Group liabilities</b>	<b>6,149</b>	<b>7,333</b>

The segment liabilities mainly comprise provisions, trade payables and other liabilities. They do not include income tax liabilities in particular, as well as derivative and other financial liabilities.

## RELATED PARTIES

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

Transactions with Currenta GmbH & Co. OHG, Leverkusen, Germany, which is accounted for in the consolidated financial statements using the equity method, and its subsidiaries mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics. These services amounted to €126 million in the second quarter and €232 million in the first half of 2017, compared with €100 million and €205 million in the respective prior-year periods. As of June 30, 2017, these business relationships resulted in receivables of €5 million (December 31, 2016: €3 million) and liabilities of €134 million (December 31, 2016: €131 million). There were also payment obligations to Currenta GmbH & Co. OHG and its subsidiaries amounting to €8 million (December 31, 2016: €8 million) under operating leases and obligations of €9 million (December 31, 2016: €6 million) under purchase agreements. Other financial income for the first half of 2017 also includes the payment by Currenta GmbH & Co. OHG of a dividend amounting to €45 million for fiscal 2016.

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 2017.

## EMPLOYEES

The LANXESS Group had 19,158 employees worldwide as of June 30, 2017, which was 2,437 more than on December 31, 2016 (16,721). The increase was mainly attributable to the acquisition of Chemtura in April 2017.

The number of employees in the EMEA (excluding Germany) region rose by 495 to 3,746. Headcount in Germany came to 7,950, against 7,600 as of December 31, 2016. The workforce in North America increased by 1,264 to 2,682. In Latin America, headcount increased by 116 employees compared with December 31, 2016, from 1,435 to 1,551. The number of employees in the Asia-Pacific region increased by 212 from 3,017 to 3,229.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

No events of special significance took place after June 30, 2017, 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 financial year.

Cologne, July 31, 2017

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert

Dr. Hubert Fink

Stephen C. Forsyth

Michael Pontzen

Dr. Rainier van Roessel

## REVIEW REPORT TO LANXESS AKTIENGESELLSCHAFT, COLOGNE

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes – and the interim group management report of LANXESS Aktiengesellschaft, Cologne, for the period from January 1 to June 30, 2017, which are part of the half-year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the 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 2, 2017

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Jörg Sechser  
German Public Auditor

Bernd Boritzki  
German Public Auditor



**FINANCIAL  
CALENDAR**

**November 15**  
Quarterly Statement  
as of September 30, 2017



**CONTACTS**

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

Investor Relations  
Ulrike Rockel  
Tel. +49 (0) 221 8885 9834  
ir@lanxess.com

Date of publication:  
August 10, 2017

**Disclaimer**

This publication contains certain forward-looking statements, including assumptions, opinions and views of the company or cited from third-party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of the company to differ materially from the estimations expressed or implied herein. The company does not guarantee that the assumptions underlying such forward-looking statements are free from errors nor does it accept any responsibility for the future accuracy of the opinions expressed herein or the actual occurrence of the forecasted developments. No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, neither the company nor any of its parent or subsidiary undertakings nor any officers, directors or employees of such entities accepts any liability whatsoever arising directly or indirectly from the use of this document.




**MASTHEAD**

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

Agency:  
Kirchhoff Consult AG, Hamburg, Germany

English edition:  
Bayer Business Services GmbH  
Translation Services



**PUBLISHER**

**LANXESS AG**

50569 Cologne

Germany

[www.lanxess.com](http://www.lanxess.com)