2024

Half-Year Financial Report

January 1 to June 30, 2024

LANXESS
Energizing Chemistry

CONTENTS

LANXESS Group Key Data

€ million	Q2 2023	Q2 2024	Change %	H1 2023	H1 2024	Change %
Sales	1,778	1,678	(5.6)	3,677	3,285	(10.7)
Gross profit	311	364	17.0	747	644	(13.8)
Gross profit margin	17.5%	21.7%		20.3%	19.6%	
EBITDA pre exceptionals[1]	107	181	69.2	296	282	(4.7)
EBITDA margin pre exceptionals[1]	6.0%	10.8%		8.1%	8.6%	
EBITDA[1]	81	169	> 100	252	252	–
EBIT pre exceptionals[1]	(29)	42	> 100	24	4	(83.3)
EBIT[1]	(56)	28	> 100	(22)	(29)	(31.8)
EBIT margin[1]	(3.1)%	1.7%		(0.6)%	(0.9)%	
Net income (loss)[2]	1,208	(16)	< (100)	1,164	(114)	< (100)
from continuing operations	(145)	(16)	89.0	(135)	(114)	15.6
from discontinued operations[2]	1,353	–	(100.0)	1,299	–	(100.0)
Weighted average number of shares outstanding	86,346,303	86,346,303	–	86,346,303	86,346,303	–
Earnings per share (€)[2]	13.99	(0.19)	< (100)	13.48	(1.32)	< (100)
from continuing operations	(1.68)	(0.19)	88.7	(1.56)	(1.32)	15.4
from discontinued operations[2]	15.67	–	(100.0)	15.04	–	(100.0)
Adjusted earnings per share from continuing operations (€)[3]	(0.19)	0.60	> 100	0.44	0.51	15.9
Cash flow from operating activities – continuing operations	67	145	> 100	238	97	(59.2)
Depreciation and amortization	137	141	2.9	274	281	2.6
Cash outflows for capital expenditures	67	62	(7.5)	126	101	(19.8)
Total assets				9,665[6]	9,689	0.2
Equity (including non-controlling interests)				4,507[6]	4,563	1.2
Equity ratio[4]				46.6%[6]	47.1%	
Provisions for pensions and other post-employment benefits				498[6]	433	(13.1)
Net financial liabilities[5]				2,498[6]	2,547	2.0
Employees (as of June 30)				12,849[6]	12,453	(3.1)

1) EBIT: earnings before interest and taxes.
EBIT pre exceptionals: EBIT disregarding exceptional charges and income.
EBIT margin: EBIT in relation to sales.
EBITDA: EBIT before depreciation of property, plant and equipment and amortization of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets.
EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income.
EBITDA margin pre exceptionals: EBITDA pre exceptionals in relation to sales.
Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.
2) Prior-year figures restated.
3) Adjusted earnings per share from continuing operations: earnings per share from continuing operations disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects and income from investments accounted for using the equity method. See "Net income/earnings per share/adjusted earnings per share from continuing operations" for details.
4) Equity ratio: equity in relation to total assets.
5) Net financial liabilities: sum of current and non-current financial liabilities (adjusted for liabilities for accrued interest) less cash, cash equivalents and near-cash assets. See "Statement of Financial Position and Financial Condition" for details.
6) As of December 31, 2023.

LANXESS ON THE CAPITAL MARKET

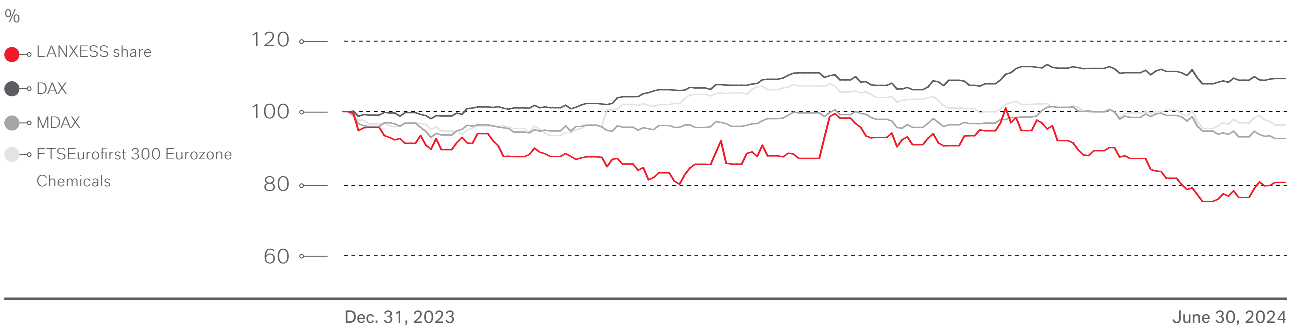
The first half of 2024 was a challenging time for LANXESS's shares. While the downturn in demand is past the worst, the anticipated recovery is expected to be merely moderate, in line with other European and, above all, German chemical companies. Also, an inventory reduction process by customers in the agrochemicals sector, which began in the final quarter of 2023 and is still ongoing, weighed on expectations for the first half of 2024.

LANXESS announced its results for fiscal year 2023 in March. As anticipated, its figures were significantly below the level of the previous year, though debt was reduced considerably, by 35%. Above all, this was thanks to the successful reduction of net working capital and the associated generation of a strong free cash flow. As a result, the share price recovered after the reporting was released, but proved unable to maintain this trend.

In May, LANXESS communicated its figures for the first quarter of 2024, also taking the opportunity to refine its guidance for 2024 EBITDA pre exceptionals to an increase of between 10% and 20% on the €512 million reported for fiscal year 2023. Nevertheless, the shares lost their previous gains and the share price trended downwards until the end of the first half of the year. This trend was also seen, albeit to a lesser extent, in the FTSEurofirst 300 Eurozone Chemicals benchmark index and the MDAX.

LANXESS's shares ended the first half of the year at a price of €22.98, a drop of 19% as against the end of the previous year. The FTSEurofirst 300 Chemicals benchmark index likewise performed negatively and was down by 4% in the first half of the year. The DAX ended the period up by 9%, thereby performing significantly better than the MDAX, which put up a loss of 7%.

Stock Performance vs. Indices



On July 17, 2024, LANXESS published an ad-hoc disclosure on the anticipated EBITDA pre exceptionals for the second quarter of 2024, which came to €181 million and was thus considerably higher than the market expectations at that time. Earnings were influenced by higher capacity utilization rates after the significant intentional reduction of inventories in the previous year. In addition, structural measures as part of the FORWARD! action plan resulted in another positive contribution to earnings. The share price rose significantly after this disclosure, posting an increase of around 20%.

This year's Annual Stockholders' Meeting was held in virtual form on May 24, 2024. The stockholders approved the Board of Management and Supervisory Board's dividend proposal of €0.10 per share for fiscal year 2023. In view of the weak business performance in 2023, the reduction of the dividend had previously been proposed with the publication of the figures for the third quarter of 2023.

LANXESS Stock

		Q4 2023	Q1 2024	Q2 2024
Capital stock/no. of shares[1]	€/no. of shares	86,346,303	86,346,303	86,346,303
Market capitalization[1]	€ billion	2.45	2.14	1.98
High/low (closing price) for the period	€	28.81/20.56	28.25/22.84	28.64/21.53
Closing price[1]	€	28.37	24.81	22.98
Adjusted earnings per share from continuing operations[2]	€	(0.30)	(0.09)	0.60

1) End of quarter.
2) Adjusted earnings per share from continuing operations: earnings per share from continuing operations disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects and income from investments accounted for using the equity method.

INTERIM GROUP MANAGEMENT REPORT
AS OF JUNE 30, 2024

- Sustainable savings through structural measures of the FORWARD! action plan realized
- Higher sales volumes in almost all businesses, though sales were lower in all segments year on year in second quarter due to prices
- EBITDA pre exceptionals up significantly year on year, at €181 million
- EBITDA margin pre exceptionals rises to 10.8%
- Positive free cash flow of €83 million in second quarter
- Debt further reduced compared to previous quarter
- Adjusted earnings per share from continuing operations of €0.60 in second quarter after minus €0.19 in previous year
- Guidance for fiscal year 2024: EBITDA pre exceptionals to increase by 10–20% compared to €512 million in previous year

GROUP STRUCTURE AND BUSINESS ACTIVITY

Legal structure

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

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 97 of the Annual Report 2023 and in the "Companies consolidated" section of the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2024.

Material changes in the business organization and the Group portfolio

LANXESS is counteracting the weak global economy in the chemical industry and the continuing tense economic situation with its FORWARD! action plan initiated in the previous year. Specific structural measures were initiated to reduce costs permanently by €150 million by 2025. In addition to reducing the workforce by around 870 jobs worldwide and sharpening the business models, the plan is to improve market access. This is intended to strengthen LANXESS's businesses in the long term in order to increase the earnings level and permanently improve the earnings margin.

On April 1, 2023, LANXESS and Advent International ("Advent") had established Envalior, a company for high-performance engineering polymers. Envalior combines the Engineering Materials business of the Dutch group Royal DSM with LANXESS's former High Performance Materials business unit. LANXESS currently holds 40.94% of the new company. Since the second quarter of 2023, the minority interest in Envalior GmbH, Cologne, Germany, has been included in the LANXESS consolidated financial statements. The value of the investment accounted for using the equity method came to €691 million as of June 30, 2024. Prior to being incorporated in Envalior in the previous year, the High Performance Materials business unit was reported as a discontinued operation in accordance with IFRS 5.

ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

Business conditions

General economic situation

In the second quarter, the global economy grew by 2.6% compared to the prior-year quarter. The Asia-Pacific region saw particularly strong growth of 4.0%, while the growth rates in EMEA and the Americas were below the global average at 1.1% and 2.5%, respectively.

Evolution of major industries

Despite a slight recovery, the global chemical industry fell short of expectations in the second quarter with low growth of 2.2%. Global automotive production was down 3.1% year on year in the reporting period. The construction industry posted a moderate increase of 1.5% compared to the same quarter of the previous year. The overall agrochemicals market fell short of expectations. The food, electrical, and consumer staples industries grew in line with our expectations.

Sales

Sales of the LANXESS Group in the second quarter of 2024 amounted to €1,678 million, down €100 million or 5.6% from the previous year's figure. In the same quarter of the previous year, sales amounted to €1,778 million. Overall, lower selling prices led to a decline in sales of 5.7%, mostly on account of lower costs for raw materials and energy. Sales volumes were virtually stable, with a change of 0.1%, while eight out of our ten business units reported an increase in volume. However, weak demand from agrochemicals almost entirely overshadowed the positive stimulus from other industries. Demand has recovered slightly on some markets since the end of the first quarter. Changes in exchange rates had no appreciable impact on sales performance at Group level.

In the first six months of fiscal year 2024, sales decreased by €392 million, or 10.7%, to €3,285 million. In the previous year, half-year sales amounted to €3,677 million. The reduction in sales prices, which was partly driven by raw material and energy prices, had a negative impact on sales in the first half of this year as well. Also, reduced volumes due to lower demand led to a decline in sales. However, demand picked up in the first half of the year compared to the end of the previous year. Exchange rate developments reduced sales only slightly. Adjusted for currency effects, the LANXESS Group reported a decline of 10.3% in operational sales in the first half of the year.

Effects on Sales

%	Q2 2024	H1 2024
Price	(5.7)	(7.5)
Volume	0.1	(2.8)
Currency	0.0	(0.4)
	(5.6)	**(10.7)**

In a persistently weak global economic environment, the Consumer Protection and Specialty Additives segments reported lower sales than in the previous year, in both the second quarter and in the first six months, due to price and volume effects. The Advanced Intermediates segment increased its sales volumes in both the first quarter and the first six months. However, this failed to offset the effect of lower selling prices driven by raw material prices, meaning that sales declined overall. The sales reported in "All other segments," which essentially relate to the business of the Urethane Systems business unit, were higher than the figures for the previous year. Please see the following table and "Segment Information" for details.

Sales by Segment

€ million	Q2 2023	Q2 2024	Change %	Proportion of Group sales %	H1 2023	H1 2024	Change %	Proportion of Group sales %
Consumer Protection	604	561	(7.1)	33.4	1,251	1,070	(14.5)	32.6
Specialty Additives	620	568	(8.4)	33.8	1,284	1,134	(11.7)	34.5
Advanced Intermediates	484	478	(1.2)	28.5	1,000	943	(5.7)	28.7
All other segments	70	71	1.4	4.2	142	138	(2.8)	4.2
	1,778	**1,678**	**(5.6)**	**100.0**	**3,677**	**3,285**	**(10.7)**	**100.0**

Order book status

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

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

Gross profit

The cost of sales decreased by 10.4% quarter on quarter, to €1,314 million. In the prior-year quarter, it amounted to €1,467 million. The decline essentially resulted from lower purchase prices for raw materials and energy and an improved cost situation, partly as a result of better capacity utilization and higher costs in the previous year on account of the massive reduction in our inventory levels. The savings under the FORWARD! action plan also resulted in lower production costs. Changes in exchange rates had a slightly positive effect. Gross profit was €364 million, up €53 million or 17.0% from the prior-year quarter. In particular, our improved cost position, also as a result of active inventory management in the previous year, higher capacity utilization and savings under the FORWARD! action plan, had a positive effect on earnings performance. Lower selling prices, due to lower purchase prices for raw materials and energy, resulted in a negative earnings contribution. The change in exchange rates had a negligible impact on gross profit. The gross margin of 21.7% was significantly higher than the previous year's figure of 17.5%.

In the first half of the year, the cost of sales was down by 9.9%, from €2,930 million in the previous year, at €2,641 million. Gross profit declined year on year by €103 million, or 13.8%, to €644 million. The decline in earnings resulted in particular from lower selling prices and volumes on account of lower prices for raw materials and energy. The gross margin of 19.6% was below the previous year's figure of 20.3%.

EBITDA Pre Exceptionals and Operating Result (EBIT)

At €181 million, the operating result before depreciation, amortization, write-downs and reversals (EBITDA), pre exceptionals in the second quarter of 2024 was €74 million higher than the prior-year quarter's figure of €107 million. Our Advanced Intermediates and Specialty Additives segments enjoyed a very positive business performance and benefited, for instance, from an improved cost situation compared to the previous year, which was negatively influenced by active inventory management in the previous year. In addition, earnings were positively affected by higher capacity utilization due to an improvement in demand. The Consumer Protection segment reported a slight decrease in earnings, in particular as a result of weak demand and therefore lower volumes triggered by an inventory reduction process along the agrochemical value chains. At segment level, however, this effect was almost compensated by a recovery in demand on other markets. The savings under the FORWARD! action plan had a positive effect on earnings performance in all segments. All segments reported lower procurement prices for raw materials and energy, which resulted in lower selling prices. Please see the table below and "Segment Information" for details on the individual segments.

Cost savings under the FORWARD! action plan had a positive impact on virtually all functional cost areas. In addition, selling and distribution expenses decreased by 4.2% compared to the value in the same quarter of the previous year, in particular due to lower freight rates, and amounted to €230 million. Research and development costs amounted to €27 million compared to €25 million in the prior-year period, while general administrative expenses declined to €63 million after €71 million in the prior-year period as a result of savings under the FORWARD! action plan. The Group EBITDA margin pre exceptionals climbed to 10.8%, against 6.0% in the prior-year quarter.

Group EBITDA pre exceptionals amounted to €282 million in the first half of the year, €14 million lower than the previous year's figure of €296 million. In the first half of the year, all segments reported lower purchase prices for raw materials and energy, which resulted in lower selling prices. Earnings were down in the Consumer Protection and Specialty Additives segments. In particular, lower sales volumes due to weak economic demand in agrochemicals were a contributing factor within this development. Our Advanced Intermediates segment reported a positive earnings performance as a result of the improved demand and cost situation. Savings under the FORWARD! action plan also had a positive effect in all segments. Changes in exchange rates likewise had a slightly positive effect at Group level. Essentially as a result of lower freight rates, selling expenses declined by €63 million year on year to €453 million. Research and development costs amounted to €55 million compared to €52 million in the prior-year period, while general administrative expenses declined by €11 million to €131 million as a result of savings under the FORWARD! action plan.

The Group operating result (EBIT) amounted to €28 million in the second quarter. In the same quarter of the previous year, Group EBIT amounted to €56 million. Compared to the same quarter of the previous year, depreciation, amortization and write-downs of intangible assets and property, plant and equipment increased by €4 million or 2.9% to €141 million. The depreciation, amortization and write-downs include write-downs of €2 million. Write-downs of €1 million were recognized in the prior-year quarter. The negative exceptionals of €14 million included in the other operating result for the reporting quarter had a total impact on EBITDA of €12 million and related to expenses as part of the FORWARD! action plan as well as expenses in connection with strategic IT projects, digitalization projects and M&A activities. In the prior-year quarter, negative exceptional items of €27 million were incurred, €26 million of which impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

In the first half of the year, LANXESS generated EBIT of minus €29 million, compared to minus €22 million a year earlier. Depreciation on property, plant and equipment and amortization on intangible assets rose by €7 million, from €274 million to €281 million. The depreciation, amortization and write-downs of the first half of this year and of the previous year include write-downs of €3 million in both cases. Net negative exceptional items of €33 million included in other operating income and expenses for the first half of the year affected EBITDA by a total of €30 million and, here too, essentially related to expenses under the FORWARD! action plan and in connection with strategic IT projects, digitalization projects and M&A activities. In the prior-year period, net negative exceptional items of €46 million were incurred, €44 million of which impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

EBITDA Pre Exceptionals by Segment

€ million	Q2 2023	Q2 2024	Change %	H1 2023	H1 2024	Change %
Consumer Protection	82	80	(2.4)	176	129	(26.7)
Specialty Additives	37	70	89.2	135	118	(12.6)
Advanced Intermediates	23	58	> 100	67	95	41.8
All other segments	(35)	(27)	22.9	(82)	(60)	26.8
	107	**181**	**69.2**	**296**	**282**	**(4.7)**

Reconciliation of EBITDA Pre Exceptionals to EBIT

€ million	Q2 2023	Q2 2024	Change %	H1 2023	H1 2024	Change %
EBITDA pre exceptionals	**107**	**181**	**69.2**	**296**	**282**	**(4.7)**
Depreciation and amortization	(137)	(141)	(2.9)	(274)	(281)	(2.6)
Exceptional items in EBITDA	(26)	(12)	53.8	(44)	(30)	31.8
Operating result (EBIT)	**(56)**	**28**	**> 100**	**(22)**	**(29)**	**(31.8)**

Financial result

The financial result amounted to minus €40 million in the second quarter of 2024. In the prior-year quarter, the financial result was minus €101 million. Income from the investment accounted for using the equity method in Envalior GmbH, Cologne, Germany, and in Viance LLC, Wilmington, U.S., amounted to minus €27 million in total after minus €78 million in the previous year. The net interest result was minus €11 million, compared to minus €14 million in the prior-year quarter. The other financial result was minus €2 million, compared to minus €9 million in the prior-year quarter.

The financial result for the first half of 2024 was minus €102 million, against minus €122 million a year earlier. Income from the investments accounted for using the equity method in Envalior GmbH and Viance LLC amounted to minus €73 million in total after minus €77 million in the first half of the previous year, although in that period income from the investment in Envalior had been included only from April 1, 2023. LANXESS's net interest result was minus €20 million compared to minus €40 million in the previous year. The previous year's result was influenced by the interest expenses on a hybrid bond and the realization of a discount in connection with its early repayment. The other financial result was minus €9 million in the reporting period, compared to minus €5 million in the prior-year period.

Income before income taxes

Earnings before income taxes improved as a result of operating earnings in particular and amounted to minus €12 million in the second quarter after minus €157 million in the same quarter of the previous year. At minus 33.3%, the tax rate was significantly lower than in the same quarter of the previous year (7.6%) and was essentially influenced by income from investments accounted for using the equity method.

In a half-year comparison, income before income taxes was minus €131 million after minus €144 million in the previous year. The tax rate was 13.0% in the first half of the year after 6.3% in the previous year.

Net income/earnings per share/adjusted earnings per share from continuing operations

Net income amounted to minus €16 million in the second quarter and minus €114 million in the first half of the year; it related wholly to continuing operations in both cases. In the previous year, net income and the net income from discontinued operations for both the second quarter and the first half of the year were significantly higher than the results for the current year, in particular on account of the gain on the deconsolidation of the High Performance Materials business unit in connection with the formation of Envalior. In the prior-year quarter, minus €145 million of the net income of €1,208 million was attributable to continuing operations, and €1,353 million was attributable to the discontinued operations of the High Performance Materials business unit. Net income had amounted to €1,164 million in the first half of the previous year. Continuing operations accounted for net income of minus €135 million while a figure of €1,299 million related to discontinued operations. Due to the retrospective adjustments to Envalior's opening statement of financial position as of April 1, 2023 in the consolidated financial statements as of December 31, 2023, which were made in the one-year measurement period applying IFRS 3 analogously, there was a change in the gain on the deconsolidation of the High Performance Materials business unit as compared to the 2023 half-year financial report. Net income from discontinued operations for the second quarter and the first six months of the previous year was adjusted accordingly with retroactive effect.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares outstanding during the reporting period. Earnings per share amounted to minus €0.19, which was lower than the figure of €13.99 for the prior-year quarter. While all of this is attributable to continuing operations in the current year, minus €1.68 was attributable to continuing operations in the prior-year quarter. Earnings per share amounted to minus €1.32 in the first half of the year and related entirely to continuing operations. In the same period of the previous year, earnings per share had amounted to €13.48 and earnings per share from continuing operations to minus €1.56.

Earnings per Share

	Q2 2023	Q2 2024	H1 2023	H1 2024
Net income (€ million)[1]	**1,208**	**(16)**	**1,164**	**(114)**
from continuing operations (€ million)	(145)	(16)	(135)	(114)
from discontinued operations (€ million)[1]	1,353	–	1,299	–
Weighted average number of shares outstanding	86,346,303	86,346,303	86,346,303	86,346,303
Earnings per share (€)[1]	**13.99**	**(0.19)**	**13.48**	**(1.32)**
from continuing operations (€)	(1.68)	(0.19)	(1.56)	(1.32)
from discontinued operations (€)[1]	15.67	–	15.04	–

1) Prior-year figures restated.

We also calculate adjusted earnings per share from continuing operations, which are not defined by International Financial Reporting Standards. This value was calculated from the net income from continuing operations adjusted for exceptional items, amortization of intangible assets and attributable tax effects. As we do not have a controlling influence on the operating business of equity-accounted investments due to our minority shareholdings, we also adjust net income from continuing operations for the earnings from equity-accounted investments.

Adjusted earnings per share from continuing operations amounted to €0.60 in the second quarter and €0.51 in the first half of 2024. In the second quarter and in the first half of the previous year, they had amounted to minus €0.19 and €0.44, respectively.

Reconciliation to Adjusted Earnings per Share from Continuing Operations

€ million	Q2 2023	Q2 2024	H1 2023	H1 2024
Net income from continuing operations	**(145)**	**(16)**	**(135)**	**(114)**
Exceptionals[1]	27	14	46	33
Amortization of intangible assets[1]	41	40	82	81
Income taxes[1]	(17)	(13)	(32)	(29)
Income from investments accounted for using the equity method	78	27	77	73
Adjusted net income from continuing operations	**(16)**	**52**	**38**	**44**
Weighted average number of shares outstanding	86,346,303	86,346,303	86,346,303	86,346,303
Adjusted earnings per share from continuing operations (€)	**(0.19)**	**0.60**	**0.44**	**0.51**

1) Excluding items attributable to non-controlling interests.

BUSINESS DEVELOPMENT BY REGION

Sales by Market

	Q2 2023		Q2 2024		Change	H1 2023		H1 2024		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	537	30.2	512	30.5	(4.7)	1,120	30.5	1,007	30.6	(10.1)
Germany	299	16.8	257	15.3	(14.0)	627	17.1	548	16.7	(12.6)
Americas	607	34.2	591	35.2	(2.6)	1,237	33.6	1,123	34.2	(9.2)
Asia-Pacific	335	18.8	318	19.0	(5.1)	693	18.8	607	18.5	(12.4)
	1,778	**100.0**	**1,678**	**100.0**	**(5.6)**	**3,677**	**100.0**	**3,285**	**100.0**	**(10.7)**

Sales in the **EMEA** region (excluding Germany) decreased by €25 million, or 4.7%, to €512 million in the second quarter of 2024. Adjusted for marginal positive currency effects, sales decreased by 4.8%. While business in the Advanced Intermediates segment expanded slightly against the same quarter of the previous year, the Consumer Protection and Specialty Additives segments reported a contraction in the high and mid-single-digit percentages.

Sales in the first half of 2024 in the EMEA region (excluding Germany) with no notable currency effects decreased by €113 million, or 10.1%, to €1,007 million. The Advanced Intermediates segment matched the previous year's sales level. Meanwhile, the Consumer Protection and Specialty Additives segments reported sales declines in the low-double-digit percentage ranges.

Sales in **Germany** in the second quarter, unaffected by currency changes, were down €42 million, or 14.0% year on year, at €257 million. The Consumer Protection segment accounted for the largest share of this trend, with a sales decline in the low-double-digit percentage range, while sales in the Advanced Intermediates and Specialty Additives segments decreased by high and mid-single-digit percentage ranges.

In the first half of 2024, sales in Germany, unaffected by currency changes, decreased by €79 million, or 12.6%, to €548 million. The Consumer Protection and Advanced Intermediates segments accounted for a material share of this development, with business declining in the low-double-digit range. Meanwhile, sales in the Specialty Additives segment were lower than in the previous year by just a high single-digit percentage.

Sales in the **Americas** region decreased by €16 million, or 2.6%, to €591 million in the second quarter of 2024. After adjustment for marginal positive currency effects, sales decreased by 3.0%. While the Consumer Protection segment increased its sales slightly year on year, business in the Specialty Additives and Advanced Intermediates segments was in decline in the mid- to high-single-digit percentage range.

In the first half of 2024, sales in the Americas decreased by €114 million, or 9.2%, to €1,123 million. There were no material currency effects. This development was essentially due to the Consumer Protection segment, where business contracted by a low-double-digit percentage. The Specialty Additives and Advanced Intermediates segments also reported reductions in the mid-single-digit and low-double-digit percentage ranges.

Second-quarter sales in the **Asia-Pacific** region declined by €17 million, or 5.1%, to €318 million. Adjusted for marginal negative currency effects, sales decreased by 4.7%. While the Advanced Intermediates segment expanded its business by a low double-digit percentage year on year, sales in the Specialty Additives segment decreased at a similar rate. By contrast, sales in the Consumer Protection segment were only slightly below the level of the same quarter of the previous year.

In the first half of 2024, sales in this region declined by €86 million, or 12.4%, to €607 million. Adjusted for negative currency effects, sales decreased by 10.6%. In particular, the Specialty Additives segment reported a business contraction in the low-double-digit percentage range, while the Consumer Protection segment reported a relative sales reduction in only the mid-single-digit range. Sales in the Advanced Intermediates segment were only marginally lower than in the previous year.

SEGMENT INFORMATION

Consumer Protection

	Q2 2023		Q2 2024		Change	H1 2023		H1 2024		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	604		561		(7.1)	1,251		1,070		(14.5)
EBITDA pre exceptionals	82	13.6	80	14.3	(2.4)	176	14.1	129	12.1	(26.7)
EBITDA	81	13.4	80	14.3	(1.2)	174	13.9	129	12.1	(25.9)
Operating result (EBIT) pre exceptionals	36	6.0	33	5.9	(8.3)	84	6.7	36	3.4	(57.1)
Operating result (EBIT)	35	5.8	33	5.9	(5.7)	82	6.6	36	3.4	(56.1)
Cash outflows for capital expenditures	19		17		(10.5)	36		29		(19.4)
Depreciation and amortization	46		47		2.2	92		93		1.1
Employees as of June 30 (previous year: as of Dec. 31)	3,555		3,476		(2.2)	3,555		3,476		(2.2)

In our **Consumer Protection** segment, sales amounted to €561 million in the second quarter of 2024, 7.1% below the previous year's figure. In particular, this was due to lower sales volumes in the Saltigo business unit, essentially as a result of persistently weaker demand from our agrochemicals customers. All other business units achieved higher sales volumes than in the same quarter of the previous year, though plant availability in the Flavors & Fragrances business unit was still impacted by the limited supply of steam on account of production difficulties experienced by a supplier. At segment level, lower sales volumes led to a drop in sales of 5.5% overall. Lower sales prices reduced sales by 1.5% at segment level. Furthermore, changes in exchange rates had a slightly negative effect at segment level. Sales in the Americas region were above, in all other regions below the level of the prior-year quarter.

EBITDA pre exceptionals in the Consumer Protection segment decreased only slightly by €2 million, or 2.4%, to €80 million, compared to the figure of €82 million for the same quarter of the previous year. Lower sales volumes due to weak demand from agrochemicals weighed on earnings performance and the margin, but were partially compensated by higher sales volumes in the other business units. Lower procurement prices for raw materials and energy were reflected in lower selling prices. Earnings benefited from lower freight costs and savings under the FORWARD! action plan. Changes in exchange rates had a slightly negative effect. The EBITDA margin pre exceptionals was 14.3%, against 13.6% in the prior-year quarter.

The Consumer Protection segment posted sales of €1,070 million in the first half of 2024, down 14.5% from the same period a year ago. As in the quarter-on-quarter comparison, this was due in particular to weaker agrochemicals demand in the Saltigo business unit. The Flavors & Fragrances business unit achieved higher sales volumes despite the limited availability of steam. At segment level, sales decreased by 10.9% due to lower volumes. Lower sales prices reduced sales by 3.2% at segment level.

The segment's EBITDA pre exceptionals decreased by 26.7%, to €129 million, in the first half of 2024. The EBITDA margin pre exceptionals was 12.1%, against 14.1% in the prior-year period.

No exceptionals were attributable to the segment in the second quarter or the first half of the current year. In the previous year, net negative exceptional items amounted to €1 million in the quarter and €2 million in the first half. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Specialty Additives

	Q2 2023		Q2 2024		Change	H1 2023		H1 2024		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	620		568		(8.4)	1,284		1,134		(11.7)
EBITDA pre exceptionals	37	6.0	70	12.3	89.2	135	10.5	118	10.4	(12.6)
EBITDA	37	6.0	70	12.3	89.2	135	10.5	118	10.4	(12.6)
Operating result (EBIT) pre exceptionals	(8)	(1.3)	22	3.9	> 100	45	3.5	23	2.0	(48.9)
Operating result (EBIT)	(8)	(1.3)	22	3.9	> 100	45	3.5	23	2.0	(48.9)
Cash outflows for capital expenditures	25		24		(4.0)	48		38		(20.8)
Depreciation and amortization	45		48		6.7	90		95		5.6
Employees as of June 30 (previous year: as of Dec. 31)	2,945		3,006		2.1	2,945		3,006		2.1

Our **Specialty Additives** segment reported sales of €568 million in the second quarter of 2024, down by 8.4% on the prior-year figure. Lower selling prices in all business units led to an overall decline in sales of 8.2% at segment level. Due to demand remaining at a low level, particularly in the construction industry, sales volumes in the Polymer Additives business unit were down on the same quarter of the previous year, while sales volumes in the Lubricant Additives Business and Rheinchemie business units were up on the previous year. Demand stabilized overall, resulting in a negative volume effect of only 0.5% at segment level. Shifts in exchange rates had a positive effect on all business units and increased the segment's sales slightly, by 0.3%. Sales in all regions were below the level of the prior-year quarter.

EBITDA pre exceptionals in the Specialty Additives segment rose by €33 million, or 89.2%, to €70 million in the second quarter of 2024. In particular, our improved cost position, also as a result of active inventory management in the previous year, higher capacity utilization, lower freight costs and savings under the FORWARD! action plan had a positive effect on earnings performance. Changes in exchange rates had no material effect on earnings. All business units reported lower selling prices in the second quarter of the current year on account of passing on decreasing prices for raw materials and energy. Nevertheless, the EBITDA margin pre exceptionals amounted to 12.3%, against 6.0% in the previous year.

In the first half of 2024, the Specialty Additives segment generated sales of €1,134 million, a year-on-year drop of 11.7%. As in the quarter-on-quarter comparison, the drop in sales was in particular a result of lower selling prices in all business units. This reduced sales by 9.0% in the first half of the year. The Lubricant Additives Business and Rheinchemie business units reported higher sales volumes than in the first half of the previous year, though this was more than compensated by lower volumes in the Polymer Additives business unit. At segment level, there was a volume-driven sales decline of 2.3%.

The segment's EBITDA pre exceptionals decreased by 12.6%, to €118 million, in the first half of 2024. The EBITDA margin pre exceptionals amounted to 10.4%, against 10.5% in the previous year.

Advanced Intermediates

	Q2 2023		Q2 2024		Change	H1 2023		H1 2024		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	484		478		(1.2)	1,000		943		(5.7)
EBITDA pre exceptionals	23	4.8	58	12.1	> 100	67	6.7	95	10.1	41.8
EBITDA	21	4.3	59	12.3	> 100	65	6.5	96	10.2	47.7
Operating result (EBIT) pre exceptionals	(4)	(0.8)	30	6.3	> 100	14	1.4	39	4.1	> 100
Operating result (EBIT)	(6)	(1.2)	30	6.3	> 100	12	1.2	39	4.1	> 100
Cash outflows for capital expenditures	17		18		5.9	33		29		(12.1)
Depreciation and amortization	27		29		7.4	53		57		7.5
Employees as of June 30 (previous year: as of Dec. 31)	2,941		2,848		(3.2)	2,941		2,848		(3.2)

Our Advanced Intermediates segment reported sales of €478 million in the second quarter of 2024, down 1.2%, or €6 million, compared to the prior-year period. In particular, the lower purchase prices for raw materials and energy resulted in lower sales prices for both business units in the segment, which had a negative effect on sales of 7.2% at segment level. Both of the segment's business units achieved higher sales volumes. Overall, there was a positive volume effect of 6.0% at segment level. Sales were above the level of the prior-year quarter in the Asia-Pacific and EMEA (excluding Germany) regions and below it in the other regions.

EBITDA pre exceptionals in the Advanced Intermediates segment amounted to €58 million, 152.2% higher than the figure for the prior-year quarter of €23 million. In particular, this positive business performance was due to an improved manufacturing cost situation compared to the previous quarter, which was negatively influenced by active inventory management in the previous year. Also, both earnings and the margin benefited from higher capacity utilization as a result of higher sales volumes, lower freight costs and savings under the FORWARD! action plan. Reduced purchase prices for raw materials and energy resulted in a decrease in selling prices. The segment's EBITDA margin pre exceptionals climbed to 12.1% after 4.8% in the prior-year period.

The Advanced Intermediates segment generated half-year sales in 2024 of €943 million, a year-on-year decrease of 5.7%. Year on year, the sales performance of the two business units was characterized in particular by lower selling prices due to reduced purchase prices for raw materials and energy. Lower selling prices had a negative sales effect of 10.8% at segment level. Both business units reported a positive development in sales volumes compared to the same half of the previous year. Overall, there was a slight recovery in demand that led to a positive sales effect of 5.3% at segment level.

The segment's EBITDA pre exceptionals rose by 41.8%, to €95 million, in the first half of 2024. The EBITDA margin pre exceptionals amounted to 10.1%, against 6.7% in the previous year.

In the second quarter and the first half of the current year, the segment reported positive EBITDA exceptionals of €1 million and negative EBITDA exceptionals of €1 million in the form of write-downs. In the prior-year quarter and the first half of the year, the segment reported negative exceptionals of €2 million, which impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

All Other Segments

€ million	Q2 2023	Q2 2024	Change %	H1 2023	H1 2024	Change %
Sales	70	71	1.4	142	138	(2.8)
EBITDA pre exceptionals	(35)	(27)	22.9	(82)	(60)	26.8
EBITDA	(58)	(40)	31.0	(122)	(91)	25.4
Operating result (EBIT) pre exceptionals	(53)	(43)	18.9	(119)	(94)	21.0
Operating result (EBIT)	(77)	(57)	26.0	(161)	(127)	21.1
Cash outflows for capital expenditures	6	3	(50.0)	9	5	(44.4)
Depreciation and amortization	19	17	(10.5)	39	36	(7.7)
Employees as of June 30 (previous year: as of Dec. 31)	3,408	3,123	(8.4)	3,408	3,123	(8.4)

The sales reported in **"All other segments"** for the second quarter and first half of the fiscal year and the prior-year periods mainly relate to the business of the Urethane Systems business unit. EBITDA pre exceptionals amounted to minus €27 million in the second quarter after minus €35 million in the same quarter of the previous year and to minus €60 million after minus €82 million in the first half of the year, and essentially resulted from expenses for the business activities of the corporate functions. In particular, savings under the FORWARD! action plan reduced expenses in the second quarter and the first half of the current year. In addition, expenses were down year on year in the first half of the year as the expenses for currency hedges in the first quarter of the previous year were no longer incurred. The Urethane Systems business unit also generated higher earnings than in the previous year. In the second quarter, negative exceptional items of €14 million were incurred, €13 million of which impacted EBITDA. In the first six months of the fiscal year, net negative exceptional items of €33 million were incurred, €31 million of which impacted EBITDA. The exceptionals were primarily attributable to expenses in connection with FORWARD! action plan as well as expenses in connection with strategic IT projects, digitalization projects and M&A activities. In the previous year, net negative exceptional items amounted to €24 million in the quarter and €42 million in the first half. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

NOTES ON EBIT AND EBITDA (PRE EXCEPTIONALS)

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

EBITDA is calculated from the operating result (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.

Reconciliation to EBIT/EBITDA

€ million	EBIT Q2 2023	EBIT Q2 2024	EBITDA Q2 2023	EBITDA Q2 2024	EBIT H1 2023	EBIT H1 2024	EBITDA H1 2023	EBITDA H1 2024
EBIT/EBITDA pre exceptionals	**(29)**	**42**	**107**	**181**	**24**	**4**	**296**	**282**
Consumer Protection	**(1)**	**0**	**(1)**	**0**	**(2)**	**0**	**(2)**	**0**
Strategic realignment	(1)	0	(1)	0	(2)	0	(2)	0
Specialty Additives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Advanced Intermediates	**(2)**	**0**	**(2)**	**1**	**(2)**	**0**	**(2)**	**1**
FORWARD!	–	(1)	–	0	–	(1)	–	0
Strategic realignment	–	1	–	1	–	1	–	1
Adjustment of the production network	(2)	0	(2)	0	(2)	–	(2)	–
All other segments	**(24)**	**(14)**	**(23)**	**(13)**	**(42)**	**(33)**	**(40)**	**(31)**
FORWARD!	–	0	–	0	–	(5)	–	(5)
Strategic IT projects (SAP S/4HANA and other IT applications)	(10)	(6)	(10)	(6)	(16)	(11)	(16)	(11)
Digitalization, M&A expenses and other	(14)	(8)	(13)	(7)	(26)	(17)	(24)	(15)
Total exceptional items	**(27)**	**(14)**	**(26)**	**(12)**	**(46)**	**(33)**	**(44)**	**(30)**
EBIT/EBITDA	**(56)**	**28**	**81**	**169**	**(22)**	**(29)**	**252**	**252**

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

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

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 a relative indicator to compare earnings power at Group level and for the individual segments.

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Structure of the statement of financial position

The total assets of the LANXESS Group amounted to €9,689 million as of June 30, 2024. This was up €24 million or 0.2% on the figure of €9,665 million as of December 31, 2023. The equity ratio at the end of the second quarter was 47.1%, after 46.6% as of December 31, 2023.

Non-current assets fell by €133 million as against the end of the year to €6,623 million as of June 30, 2024. The carrying amount of intangible assets increased by €11 million to €2,732 million as of June 30, 2024, while the carrying amount of property, plant and equipment came to €2,557 million and was thus €63 million lower than the figure as of December 31, 2023 of €2,620 million. In the first half of 2024, additions to non-current assets through purchases of intangible assets and property, plant and equipment amounted to €123 million, compared to €154 million in the prior-year period. Depreciation, amortization and write-downs amounted to €281 million in the first six months, higher than the prior-year figure of €274 million. Deferred tax assets amounted to €173 million, after €165 million as of December 31, 2023. The carrying amount of investments included in the consolidated financial statements using the equity method was €767 million as of June 30, 2024 after €845 million as of December 31, 2023, and essentially related to the non-controlling interest in Envalior GmbH, Cologne, Germany. Other investments declined from €14 million as of December 31, 2023, to €9 million as of June 30, 2024, particularly due to the share price development of Standard Lithium Ltd., Vancouver, Canada. Other non-current financial assets amounted to €264 million, compared to €262 million as of December 31, 2023. The ratio of non-current assets to total assets was 68.4%, down from 69.9% on December 31, 2023.

Current assets increased by €157 million, or 5.4%, compared to December 31, 2023, to €3,066 million. This increase mainly resulted from higher trade receivables, which rose by €164 million to €777 million as of June 30, 2024 due to increased sales. In addition, there was a slight increase in inventories by €37 million to €1,397 million due to preparations for forthcoming maintenance downtime. As against December 31, 2023, cash and cash equivalents dropped by €15 million to €131 million as of June 30, 2024, and near-cash assets from €350 million to €309 million. In the first six months of the year, other current financial assets rose by €11 million to €226 million, and other current assets by €22 million to €193 million. The ratio of current assets to total assets was 31.6%, compared to 30.1% as of December 31, 2023.

Equity rose by €56 million to €4,563 million as of June 30, 2024.

Non-current liabilities declined by €585 million to €3,399 million as of June 30, 2024, mainly due to the reclassification of a Eurobond with a nominal volume of €500 million maturing in May 2025 to current financial liabilities. Provisions for pensions and other post-employment benefits fell by €65 million to €433 million. At €301 million, other non-current provisions were level with the figure of €299 million as of December 31, 2023. The ratio of non-current liabilities to total assets was 35.1%, against 41.2% as of December 31, 2023.

At €1,727 million, current liabilities were up €553 million compared to December 31, 2023, mainly due to the reclassification of a Eurobond maturing in May 2025 from non-current financial liabilities. Trade payables climbed by a total of €66 million to €650 million, mainly as a result of the demand-driven rise in the procurement of raw materials. At €335 million, other short-term provisions were roughly level with the figure of €338 million as of December 31, 2023. The ratio of current liabilities to total assets was 17.8% as of June 30, 2024, against 12.1% at the end of 2023.

Financial condition and capital expenditures

Changes in the statement of cash flows

In the first six months of 2024, there was total net cash inflow of €97 million from operating activities, against net cash inflow of €238 million from continuing operations in the prior-year period. Income before income taxes rose from minus €144 million to minus €131 million. In the first half of 2024, this was adjusted for non-cash income from investments accounted for using the equity method of minus €73 million after minus €77 million in the same period of the previous year. Furthermore, non-cash depreciation and amortization rose from €274 million to €281 million. The change in net working capital also made an impact with a cash outflow of €122 million after a cash inflow of €123 million in the previous year. In particular, the cash outflow was as a result of higher trade receivables due to changed demand. In the second quarter of 2024, however, working capital contributed €44 million to operating cash flow. The payment of income taxes resulted in a cash outflow of €17 million after a cash outflow of €32 million in the same period of the previous year.

Investing activities resulted in a cash outflow of €51 million in the first six months of 2024 as compared to a cash inflow from continuing operations of €808 million in the same period of the previous year. In particular, the cash outflow in the first half of 2024 resulted from purchases of intangible assets and property, plant and equipment of €101 million after €126 million in the same period of the previous year. The net cash inflow in the previous year had resulted in particular from payments of €1,267 million received in connection with the formation of Envalior. The direct reinvestment in shares of money market funds that can be sold at any time and a shareholder loan granted to Envalior GmbH, Cologne, Germany, had resulted in cash outflows for financial and other assets held for investment purposes. Cash inflows from financial and other assets held for investment purposes had the opposite effect due to the sale of units of money market funds that can be sold at any time.

Net cash used for financing activities amounted to €64 million, after and outflow of €1,215 million in continuing operations in the prior-year period. The cash outflow in the first half of 2024 was essentially a result of the repayment of lease liabilities, interest payments and other financial payments as well as the dividend distribution of €9 million to LANXESS's shareholders. The net cash used in the previous year was particularly due to the repayment of various bilateral money market loans and the repayment of the hybrid bond of €500 million utilizing the first redemption option on June 6, 2023.

Free cash flow – the difference between the cash inflows from operating activities and the cash used for capital expenditures for property, plant and equipment and intangible assets – amounted to minus €4 million in the first half of the year after a positive figure of €112 million in the same period of the previous year. This improved to €83 million in the second quarter of the current fiscal year.

Financing and liquidity

The principles and objectives of financial management discussed on page 124 of the Annual Report 2023 remained valid during the first half of the year. They are centered on a conservative financial policy built on long-term, secured financing.

Compared to the consolidated financial statements for 2023, cash and cash equivalents dropped by €15 million, to €131 million as of June 30, 2024, while near-cash assets declined from €350 million to €309 million. The Group's liquidity position remains sound overall.

Net financial liabilities are the total of current and non-current financial liabilities less liabilities for accrued interest, cash, cash equivalents and near-cash assets and amounted to €2,547 million as of June 30, 2024 after €2,498 million as of December 31, 2023. Net debt was reduced by €62 million compared to the end of the first quarter.

The increase in net financial liabilities as of June 30, 2024 as against the end of the previous year resulted in part from purchases of intangible assets and property, plant and equipment, interest payments, other financial payments and the dividend distribution to LANXESS's shareholders.

Net Financial Liabilities

€ million	Dec. 31, 2023	June 30, 2024
Non-current financial liabilities	2,938	2,433
Current financial liabilities	72	564
Less		
Liabilities for accrued interest	(16)	(10)
Cash and cash equivalents	(146)	(131)
Near-cash assets	(350)	(309)
Net financial liabilities	**2,498**	**2,547**

As of June 30, 2024, we had a small amount of financing items that were not reported in the statement of financial position in the form of short-term leases and leases of low value. LANXESS is also a contractual partner to a factoring agreement for the revolving sale of trade receivables with an agreed maximum volume of €150 million.

Capital expenditures

In light of the tense economic situation and existing production capacity, our capital expenditure continues to focus mainly on the maintenance of existing plants at various locations, strategic plant optimization and expansion as well as projects to raise plant security, to improve quality and to comply with environmental protection regulations.

FUTURE PROSPECTS, OPPORTUNITIES AND RISKS

Outlook

The economic situation in our customer industries is not yet demonstrating a consistent and continuous recovery in the first half of 2024. While volume demand is slightly higher on individual markets, as compared to the previous year's distinct efforts to reduce inventory levels, the situation is still unsatisfactory in the agrochemical and construction sectors in particular. There is still an atmosphere of uncertainty, which is being exacerbated by the ongoing conflict in Ukraine and tension in the Middle East. Future developments are difficult to predict on account of the consistently volatile geopolitical situation, persistent populist and protectionist trends and the ongoing trade conflict between the U.S. and China, and continue to be a central factor driving uncertainty in the global economy.

Although demand has recovered slightly overall compared to the end of 2023, it remains volatile in Europe above all, and is developing at a significantly lower level than in previous years in China in particular.

Nevertheless, a slight recovery in demand in the chemical industry is anticipated for 2024 as a whole.

Thanks to the savings activities initiated in conjunction with our FORWARD! action plan and improved capacity utilization, we anticipate that earnings will rise by 10% to 20% compared to adjusted EBITDA pre exceptionals for 2023, which amounted to €512 million.

In the Consumer Protection segment, we assume that performance will at best match the previous year's level. The Consumer Protection segment had reported a lower earnings decline in the previous year compared to our other segments. The effect of the positive development in volumes on our consumer markets is being overshadowed by the delayed inventory reduction process by agrochemicals customers, which is having a lasting impact on the recovery in demand in this area. We expect that this weak demand in the agrochemicals sector will continue in the second half of the year. The negative impact on production at our Rotterdam/Botlek location in the Netherlands due to production difficulties at a supplier is expected to continue until the end of the year.

For our Specialty Additives segment, we still expect business development in 2024 to be slightly to moderately higher than the previous year's level. We expect that the positive development in other customer industries will more than offset the still-muted demand in the construction industry. The expected improvement in capacity utilization this year, compared to very low capacity utilization due to the massive reduction of our own inventories in the previous year, and the savings under our FORWARD! action plan will support the positive development.

For our Advanced Intermediates segment, we expect earnings to be significantly higher than the previous year's level in the reporting year. Above all, the fact that our customers are not continuing to reduce their inventories in 2024, a process that had proved a considerable obstacle in the previous year, should aid its performance and could lead to a significant increase in earnings. In this segment as well, we anticipated a significantly better cost basis as a result of higher capacity utilization and savings implemented in conjunction with our FORWARD! action plan. We continue to assume that Advanced Intermediates will enjoy the most visible recovery of all our segments.

In "All other segments," we still expect earnings to match the previous year's level.

Significant opportunities and risks

As was the case as of December 31, 2023, the risk situation of the LANXESS Group remains tense on account of the effects of geopolitical conflict. The development of the global economy is still highly uncertain. The price and demand risks reported for fiscal year 2024 have occurred in part and have been taken into account in results and the current projections. There is also persistently high uncertainty in terms of volume and price trends.

Otherwise, there have been no significant changes compared to the account of the LANXESS Group's opportunities and risks in the Annual Report 2023. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group for fiscal year 2023 on pages 138 to 152 of the Annual Report 2023. 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, 2024

STATEMENT OF FINANCIAL POSITION
LANXESS GROUP

€ million	Dec. 31, 2023	June 30, 2024
ASSETS		
Intangible assets	2,721	2,732
Property, plant and equipment	2,620	2,557
Investments accounted for using the equity method	845	767
Investments in other affiliated companies	14	9
Non-current derivative assets	10	3
Other non-current financial assets	262	264
Non-current income tax receivables	60	58
Deferred taxes	165	173
Other non-current assets	59	60
Non-current assets	**6,756**	**6,623**
Inventories	1,360	1,397
Trade receivables	613	777
Cash and cash equivalents	146	131
Near-cash assets	350	309
Current derivative assets	13	6
Other current financial assets	215	226
Current income tax receivables	41	27
Other current assets	171	193
Current assets	**2,909**	**3,066**
Total assets	**9,665**	**9,689**

€ million	Dec. 31, 2023	June 30, 2024
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves	3,027	3,522
Net income (loss)	443	(114)
Other equity components	(286)	(168)
Equity attributable to non-controlling interests	6	6
Equity	**4,507**	**4,563**
Provisions for pensions and other post-employment benefits	498	433
Other non-current provisions	299	301
Non-current derivative liabilities	0	1
Other non-current financial liabilities	2,938	2,433
Non-current income tax liabilities	17	17
Other non-current liabilities	38	35
Deferred taxes	194	179
Non-current liabilities	**3,984**	**3,399**
Other current provisions	338	335
Trade payables	584	650
Current derivative liabilities	17	6
Other current financial liabilities	72	564
Current income tax liabilities	42	42
Other current liabilities	121	130
Current liabilities	**1,174**	**1,727**
Total equity and liabilities	**9,665**	**9,689**

INCOME STATEMENT
LANXESS GROUP

€ million	Q2 2023	Q2 2024	H1 2023	H1 2024
Sales	**1,778**	**1,678**	**3,677**	**3,285**
Cost of sales	(1,467)	(1,314)	(2,930)	(2,641)
Gross profit	**311**	**364**	**747**	**644**
Selling expenses	(240)	(230)	(516)	(453)
Research and development expenses	(25)	(27)	(52)	(55)
General administration expenses	(71)	(63)	(142)	(131)
Other operating income	19	17	31	38
Other operating expenses	(50)	(33)	(90)	(72)
Operating result (EBIT)	**(56)**	**28**	**(22)**	**(29)**
Income from investments accounted for using the equity method	(78)	(27)	(77)	(73)
Interest income	2	1	6	3
Interest expense	(16)	(12)	(46)	(23)
Other financial income and expense	(9)	(2)	(5)	(9)
Financial result	**(101)**	**(40)**	**(122)**	**(102)**
Income before income taxes	**(157)**	**(12)**	**(144)**	**(131)**
Income taxes	12	(4)	9	17
Income after income taxes from continuing operations	**(145)**	**(16)**	**(135)**	**(114)**
Income after income taxes from discontinued operations[1)]	**1,353**	**–**	**1,299**	**–**
Income after income taxes[1)]	**1,208**	**(16)**	**1,164**	**(114)**
of which attributable to non-controlling interests	0	0	0	0
of which attributable to LANXESS AG stockholders (net income)[1)]	1,208	(16)	1,164	(114)
Earnings per share (basic/diluted) (€)				
from continuing operations	(1.68)	(0.19)	(1.56)	(1.32)
from discontinued operations[1)]	15.67	–	15.04	–
from continuing and discontinued operations[1)]	**13.99**	**(0.19)**	**13.48**	**(1.32)**

1) Prior-year figures restated.

STATEMENT OF COMPREHENSIVE INCOME
LANXESS GROUP

€ million	Q2 2023	Q2 2024	H1 2023	H1 2024
Income after income taxes[1)]	**1,208**	**(16)**	**1,164**	**(114)**
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	26	37	(7)	85
Financial instruments fair value measurement	4	–	8	(5)
Other comprehensive income (net of income tax) attributable to investments accounted for using the equity method	–	0	–	0
Income taxes	(9)	(10)	(1)	(23)
	21	**27**	**0**	**57**
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	34	26	(50)	132
Financial instruments fair value measurement	(2)	(2)	5	(11)
Financial instruments cost of hedging	1	0	1	(1)
Other comprehensive income (net of income tax) attributable to investments accounted for using the equity method	(5)	(2)	(5)	(7)
Income taxes	1	0	(1)	3
	29	**22**	**(50)**	**116**
Other comprehensive income, net of income tax	**50**	**49**	**(50)**	**173**
Total comprehensive income[1)]	**1,258**	**33**	**1,114**	**59**
of which attributable to non-controlling interests	0	0	0	0
of which attributable to LANXESS AG stockholders[1)]	1,258	33	1,114	59
Total comprehensive income attributable to LANXESS AG stockholders[1)]	**1,258**	**33**	**1,114**	**59**
from continuing operations	(95)	33	(192)	59
from discontinued operations[1)]	1,353	–	1,306	–

1) Prior-year figures restated.

STATEMENT OF CHANGES IN EQUITY
LANXESS GROUP

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components			Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments				
						Fair value measurement	Cost of hedging			
Dec. 31, 2022	**86**	**1,231**	**2,955**	**250**	**(103)**	**3**	**(1)**	**4,421**	**6**	**4,427**
Allocations to retained earnings			250	(250)				0		0
Dividend payments			(91)					(91)	0	(91)
Total comprehensive income[1]			(6)	1,164	(55)	10	1	1,114	0	1,114
Income after income taxes[1]				*1,164*				*1,164*	*0*	*1,164*
Other comprehensive income, net of income tax			*(6)*		*(55)*	*10*	*1*	*(50)*	*0*	*(50)*
June 30, 2023	**86**	**1,231**	**3,108**	**1,164**	**(158)**	**13**	**0**	**5,444**	**6**	**5,450**
Dec. 31, 2023	**86**	**1,231**	**3,027**	**443**	**(287)**	**1**	**0**	**4,501**	**6**	**4,507**
Allocations to retained earnings			443	(443)				0		0
Dividend payments			(9)					(9)	0	(9)
Total comprehensive income			61	(114)	125	(12)	(1)	59	0	59
Income after income taxes				*(114)*				*(114)*	*0*	*(114)*
Other comprehensive income, net of income tax			*61*		*125*	*(12)*	*(1)*	*173*	*0*	*173*
Other changes			0		1	5		6		6
June 30, 2024	**86**	**1,231**	**3,522**	**(114)**	**(161)**	**(6)**	**(1)**	**4,557**	**6**	**4,563**

1) Prior-year figures restated.

STATEMENT OF CASH FLOWS
LANXESS GROUP

€ million	Q2 2023	Q2 2024	H1 2023	H1 2024
Income before income taxes	**(157)**	**(12)**	**(144)**	**(131)**
Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	137	141	274	281
Gains on disposals of intangible assets and property, plant and equipment	(1)	(1)	(1)	(1)
Income from investments accounted for using the equity method	78	27	77	73
Financial losses	15	5	39	16
Income taxes paid	(22)	(16)	(32)	(17)
Changes in inventories	167	(42)	156	(25)
Changes in trade receivables	46	45	63	(158)
Changes in trade payables	(98)	41	(96)	61
Changes in other assets and liabilities	(98)	(43)	(98)	(2)
Net cash provided by operating activities – continuing operations	**67**	**145**	**238**	**97**
Net cash used in operating activities – discontinued operations	**(1)**	**–**	**(11)**	**–**
Net cash provided by operating activities – total	**66**	**145**	**227**	**97**
Cash outflows for purchases of intangible assets and property, plant and equipment	(67)	(62)	(126)	(101)
Cash inflows from sales of intangible assets and property, plant and equipment	2	1	2	1
Cash outflows for financial and other assets held for investment purposes	(201)	(105)	(1,595)	(125)
Cash inflows from financial and other assets held for investment purposes	1,328	31	1,328	171
Cash inflows from the sale of subsidiaries and other businesses, less divested cash and cash equivalents	(73)	–	1,194	–
Interest and dividends received	1	1	5	3
Net cash provided by (used in) investing activities – continuing operations	**990**	**(134)**	**808**	**(51)**
Net cash used in investing activities – discontinued operations	**–**	**–**	**(6)**	**–**
Net cash provided by (used in) investing activities – total	**990**	**(134)**	**802**	**(51)**
Proceeds from borrowings	100	1	367	2
Repayments of borrowings	(1,210)	(14)	(1,437)	(30)
Interest paid and other financial disbursements	(37)	(14)	(54)	(27)
Dividend payments	(91)	(9)	(91)	(9)
Net cash used in financing activities – continuing operations	**(1,238)**	**(36)**	**(1,215)**	**(64)**
Net cash used in financing activities – discontinued operations	**–**	**–**	**(1)**	**–**
Net cash used in financing activities – total	**(1,238)**	**(36)**	**(1,216)**	**(64)**
Change in cash and cash equivalents – continuing operations	**(181)**	**(25)**	**(169)**	**(18)**
Change in cash and cash equivalents – discontinued operations	**(1)**	**–**	**(18)**	**–**
Change in cash and cash equivalents – total	**(182)**	**(25)**	**(187)**	**(18)**
Cash and cash equivalents at beginning of period – total	351	155	360	146
Exchange differences and other changes in cash and cash equivalents – total	0	1	(4)	3
Cash and cash equivalents at end of period – total	**169**	**131**	**169**	**131**

SEGMENT AND REGION DATA

Key Data by Segment Second Quarter

	Consumer Protection		Specialty Additives		Advanced Intermediates		All other segments		LANXESS	
€ million	**Q2 2023**	**Q2 2024**	**Q2 2023**	**Q2 2024**	**Q2 2023**	**Q2 2024**	**Q2 2023**	**Q2 2024**	**Q2 2023**	**Q2 2024**
External sales	604	561	620	568	484	478	70	71	1,778	1,678
Inter-segment sales	18	21	4	2	11	8	(33)	(31)	0	0
Segment/Group sales	622	582	624	570	495	486	37	40	1,778	1,678
Segment result/EBITDA pre exceptionals	82	80	37	70	23	58	(35)	(27)	107	181
EBITDA margin pre exceptionals (%)	13.6	14.3	6.0	12.3	4.8	12.1			6.0	10.8
EBITDA	81	80	37	70	21	59	(58)	(40)	81	169
EBIT pre exceptionals	36	33	(8)	22	(4)	30	(53)	(43)	(29)	42
EBIT	35	33	(8)	22	(6)	30	(77)	(57)	(56)	28
Segment capital expenditures	21	18	27	26	19	20	13	3	80	67
Depreciation and amortization	46	47	45	48	27	29	19	17	137	141
Employees as of June 30 (previous year: as of Dec. 31)	3,555	3,476	2,945	3,006	2,941	2,848	3,408	3,123	12,849	12,453

Key Data by Segment First Half

	Consumer Protection		Specialty Additives		Advanced Intermediates		All other segments		LANXESS	
€ million	**H1 2023**	**H1 2024**	**H1 2023**	**H1 2024**	**H1 2023**	**H1 2024**	**H1 2023**	**H1 2024**	**H1 2023**	**H1 2024**
External sales	1,251	1,070	1,284	1,134	1,000	943	142	138	3,677	3,285
Inter-segment sales	45	37	9	4	23	17	(77)	(58)	0	0
Segment/Group sales	1,296	1,107	1,293	1,138	1,023	960	65	80	3,677	3,285
Segment result/EBITDA pre exceptionals	176	129	135	118	67	95	(82)	(60)	296	282
EBITDA margin pre exceptionals (%)	14.1	12.1	10.5	10.4	6.7	10.1			8.1	8.6
EBITDA	174	129	135	118	65	96	(122)	(91)	252	252
EBIT pre exceptionals	84	36	45	23	14	39	(119)	(94)	24	4
EBIT	82	36	45	23	12	39	(161)	(127)	(22)	(29)
Segment capital expenditures	42	40	51	42	38	35	23	6	154	123
Depreciation and amortization	92	93	90	95	53	57	39	36	274	281
Employees as of June 30 (previous year: as of Dec. 31)	3,555	3,476	2,945	3,006	2,941	2,848	3,408	3,123	12,849	12,453

Key Data by Region Second Quarter

€ million	EMEA (excluding Germany)		Germany		Americas		Asia-Pacific		LANXESS	
	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024
External sales by market	537	512	299	257	607	591	335	318	1,778	1,678
Proportion of Group sales %	30.2	30.5	16.8	15.3	34.2	35.2	18.8	19.0	100.0	100.0

Key Data by Region First Half

€ million	EMEA (excluding Germany)		Germany		Americas		Asia-Pacific		LANXESS	
	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024
External sales by market	1,120	1,007	627	548	1,237	1,123	693	607	3,677	3,285
Proportion of Group sales %	30.5	30.6	17.1	16.7	33.6	34.2	18.8	18.5	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	1,242	1,189	7,069	6,834	2,862	2,806	1,676	1,624	12,849	12,453

The segment and region data forms part of the notes to the condensed consolidated interim financial statements. For details, please see the “Segment reporting” section in the notes to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2024

In compliance with IAS 34, the company opted for a condensed scope of reporting in the interim financial statements compared to 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, 2023, particularly with respect to the recognition and valuation principles. Changes in this respect are explained in the following section.

RECOGNITION AND VALUATION PRINCIPLES

The condensed consolidated interim financial statements as of June 30, 2024, 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, 2024, were considered in preparing the interim financial statements.

The mandatory first-time application of the following financial reporting standards and interpretations in fiscal year 2024 currently has no impact, or no material impact, on the LANXESS Group yet:

- IAS 1 – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current
- IFRS 16 – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
- IAS 7, IFRS 7 – Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

In fiscal year 2024, the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee issued financial reporting standards whose application is not yet mandatory for that year and which the LANXESS Group thus did not yet apply. The application of these standards and interpretations is partly still contingent upon their endorsement by the E.U. With the exception of the introduction of IFRS 18, the impact of which is still being determined, they are not currently expected to be material to the LANXESS Group:

- IAS 21 – Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates
- IFRS 9, IFRS 7 – Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments
- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures

Preparation of the consolidated interim financial statements in accordance with IFRS requires that assumptions and estimates are made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods consistent with those applied in the consolidated financial statements for 2023. Assumptions and estimates that could alter these estimates are reviewed continually. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

The first half of fiscal year 2024 has also been dominated by the strained geopolitical situation and the current international crises, such as the war in Ukraine and the conflict in the Middle East. As such geopolitical conflicts are difficult to assess, their ongoing social and economic repercussions necessarily entail a high level of uncertainty. The challenging macroeconomic environment represents another source of uncertainty in the business world. Global climate change and the transition to a low-carbon economy can also entail potential uncertainties for LANXESS. These developments may make it difficult to plan certain revenue and cost components in financial planning and thus may affect the determination of the various values stated in the financial statements. As a result, it cannot be ruled out that the assumptions and estimates made in the interim financial statements may have to be adjusted in the future and that these adjustments may have an impact on the financial position or results of operations.

The assumptions and estimates used are updated and reviewed on an ongoing basis (see “Estimation Uncertainties and the Exercise of Discretion” in the consolidated financial statements as of December 31, 2023).

The carrying amount of the investment in Envalior GmbH, Cologne, Germany, accounted for using the equity method, and the effects on earnings for the income statement and the other comprehensive income net of income tax resulting from its subsequent measurement are based on preliminary assumptions, among other things. For example, the carrying amount of the investment is subject to the final valuation of the business contributed by LANXESS and the determination of the final purchase price. As was the case on first-time recognition, possible future purchase price adjustments are reported under “Income from discontinued operations.” There is therefore uncertainty regarding the carrying amounts recognized and intra-year adjustments. As a result, it cannot be ruled out that the assumptions and estimates made in the consolidated interim financial statements may have to be adjusted in the future and especially until the purchase price is finalized, and that these adjustments may have an impact on the financial position or results of operations.

Within financial instruments, there are estimation uncertainties regarding the accounting valuation of LANXESS’s possibility to sell its shares in Envalior GmbH, Cologne (Germany) to Advent for the first time three years after Envalior’s formation under certain conditions. The main factor affecting the valuation is the further business performance of the associate in the coming years. There are therefore uncertainties resulting in particular from the assumptions made as of the reporting date and the management’s expectations regarding the medium and long-term financial performance of Envalior. However, the final selling price will depend on Envalior’s EBITDA of the last twelve months when LANXESS utilizes its possibility to offer its shares in Envalior for Advent to purchase after three years. Therefore, neither the accounting measurement of the investment accounted for using the equity method nor that of LANXESS’s possibility to offer the shares for sale is decisive for the amount of the selling price actually achievable.

The shareholder loan issued in connection with the formation of Envalior is measured at fair value. Associated uncertainties result among other things from the management’s assumptions regarding the amount and timing of the underlying cash flows and the determination of the discount rate by selecting and accounting for observed market interest rates.

The business of the LANXESS Group as a whole is not typically subject to pronounced seasonality. Because of their business activity, individual business units regularly see a seasonal effect in sales and earnings. In the past reporting period, however, this was significantly influenced by the currently challenging macroeconomic situation around the chemical industry and the persistent fears of recession. Additional information on the current economic situation is provided under “Economic Environment and Business Development” in the Interim Group Management Report as of June 30, 2024.

COMPANIES CONSOLIDATED

The consolidated financial statements of the LANXESS Group include the parent company LANXESS AG and all domestic and foreign affiliates.

	EMEA (excluding Germany)	Germany	Americas	Asia-Pacific	Total
Fully consolidated companies (incl. parent company)					
Jan. 1, 2024	40	10	16	28	94
Additions	–	1	3	–	4
Retirements	–	–	–	(3)	(3)
Mergers	(2)	–	–	(1)	(3)
June 30, 2024	**38**	**11**	**19**	**24**	**92**
Associates and joint operations					
Jan. 1, 2024	0	1	2	0	3
Additions	–	–	–	–	0
Retirements	–	–	–	–	0
Mergers	–	–	–	–	0
June 30, 2024	**0**	**1**	**2**	**0**	**3**
Non-consolidated companies					
Jan. 1, 2024	3	2	3	3	11
Additions	–	–	–	–	0
Retirements	(1)	–	(1)	–	(2)
Mergers	–	–	–	–	0
June 30, 2024	**2**	**2**	**2**	**3**	**9**
Total					
Jan. 1, 2024	43	13	21	31	108
Additions	–	1	3	–	4
Retirements	(1)	–	(1)	(3)	(5)
Mergers	(2)	–	–	(1)	(3)
June 30, 2024	**40**	**14**	**23**	**27**	**104**

DIVESTMENTS IN PREVIOUS YEAR

In the second quarter of 2023, LANXESS terminated its activities in Russia with the sale of the companies OOO Lanxess, Moscow, Russia, and OOO LANXESS Lipetsk, Lipetsk, Russia, to Nortex LLC, Moscow, Russia. The impaired assets and liabilities to be disposed of had a net asset value of €1.9 million. After offsetting against a loan receivable due from LANXESS, the final purchase price amounted to €1.6 million. The loss on the disposal of the business in Russia amounted to €0.3 million.

DISCONTINUED OPERATION AND TRANSITION TO INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD IN PREVIOUS YEAR

On May 31, 2022, LANXESS and Advent International agreed on a strategic alliance. In addition to signing an agreement to acquire the engineering materials business of the Dutch group Royal DSM, LANXESS also agreed with Advent to contribute its High Performance Materials business unit from the Engineering Materials segment to the strategic alliance with Advent.

From June 1, 2022, the High Performance Materials business unit was reported as a discontinued operation in accordance with IFRS 5. Under IFRS 5, intangible assets and property, plant and equipment of the High Performance Materials business unit were not subject to further depreciation or amortization and were recognized at the lower of carrying amount as of June 1, 2022, and fair value less costs to sell. Intra-Group receivables and liabilities between LANXESS companies and the discontinued operation were eliminated.

In its presentation, the LANXESS Group's income statement for fiscal year 2023 focuses on the determination of the result from continuing operations. The result of the discontinued operation is only shown in a single line, which is explained in more detail in this section. The earnings contributions for 2023 was been restated accordingly in the income statement.

As a result of the deconsolidation of the High Performance Materials business unit as of April 1, 2023, the sales recognized in the income statement from discontinued operations for the first half of 2023 relate exclusively to the first quarter of fiscal year 2023. The gain on the deconsolidation is included under "Other income and expenses."

The cash flows of continuing operations are shown separately from the cash flows of the High Performance Materials business unit. The cash flows of the High Performance Materials business unit are shown combined in one line per business unit.

The carrying amounts of the assets and liabilities of the High Performance Materials business unit disposed of are shown in the following table:

Carrying Amounts of Assets and Liabilities Disposed Of

€ million	Apr. 1, 2023
Property, plant and equipment and intangible assets	556
Inventories and trade receivables	610
Other assets	159
Total assets	**1,325**
Provisions	98
Trade payables	173
Other liabilities	128
Total liabilities	**399**

In detail, earnings from discontinued operations are as follows:

Income Statement from Discontinued Operations

€ million	H1 2023
Sales	**396**
Other income and expenses	987
Income before income taxes	1,383
Income taxes	(89)
Income after income taxes	**1,294**

As part of the transaction, LANXESS received a payment of €1,267 million on March 31, 2023. The cash and cash equivalents disposed of in this context amounted to €74 million. The expense of income taxes to be considered at the time of the transition to an investment accounted for using the equity method amounted to €7 million. In total, an income tax expense of €98 million was incurred in connection with the transaction. Further information on the shareholder loan issued in connection with the formation of Envalior and the possibility to sell the LANXESS shares in Envalior to Advent can be found in the "Financial Instruments" section.

Gain on the Disposal

€ million	H1 2023
Total consideration received	1,267
Net assets sold	(926)
Other effects	32
Fair value of the minority interest in Envalior[1]	999
Gain on the disposal before income taxes	**1,372**
Income taxes	(7)
Gain on disposal	**1,365**

1) The fair value of the minority interest in Envalior was adjusted as of December 31, 2023, with retroactive effect from April 1, 2023.

The transaction resulted in a gain of €1,365 million. It is reported in the LANXESS Group income statement under "Income after income taxes from discontinued operations." The gain on the disposal is recognized in income from discontinued operations.

As of June 30, 2024, LANXESS holds a minority interest of 40.94% in Envalior GmbH, Cologne (Germany). The investment is included in the LANXESS consolidated financial statements using the equity method.

EARNINGS PER SHARE

Earnings per share for the second quarter and first half of 2024 and 2023 were calculated on the basis of the weighted average number of shares outstanding during each reporting period. They resulted from continuing operations and discontinued operations in the previous year. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2023.

Earnings per Share

	Q2 2023	Q2 2024	H1 2023	H1 2024
Net income (€ million)[1]	1,208	(16)	1,164	(114)
from continuing operations	(145)	(16)	(135)	(114)
from discontinued operations[1]	1,353	–	1,299	–
Weighted average number of shares outstanding	86,346,303	86,346,303	86,346,303	86,346,303
Earnings per share (basic/diluted) (€)[1]	**13.99**	**(0.19)**	**13.48**	**(1.32)**
from continuing operations	(1.68)	(0.19)	(1.56)	(1.32)
from discontinued operations[1]	15.67	–	15.04	–

1) Prior-year figures restated.

DIVIDEND DISTRIBUTION FOR FISCAL YEAR 2023

Pursuant to the resolution of the Annual Stockholders' Meeting on May 24, 2024, the amount of €9 million out of the distributable profit of €442 million reported in the annual financial statements of LANXESS AG as of December 31, 2023, was distributed to the stockholders on May 29, 2024. The dividend per eligible no-par share was €0.10. The remaining amount of €433 million was carried forward to new account.

FINANCIAL INSTRUMENTS

Fair value measurement

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

Assets and Liabilities Measured at Fair Value

	Dec. 31, 2023			June 30, 2024		
€ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current assets						
Investments in other affiliated companies	11	–	–	7	–	–
Non-current derivative assets	–	5	5	–	1	2
Other non-current financial assets	–	208	4	–	214	3
Current assets						
Current derivative assets	–	13	–	–	6	–
Trade receivables	–	–	20	–	–	170
Near-cash assets	350	–	–	309	–	–
Non-current liabilities						
Non-current derivative liabilities	–	0	–	–	1	–
Current liabilities						
Current derivative liabilities	–	17	–	–	6	–

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

As of June 30, 2024, €309 million (December 31, 2023: €350 million) of near-cash assets were assigned to Level 1 of the measurement hierarchy. These relate to shares of money market funds that can be sold at any time.

Investments in other affiliated companies of €7 million (December 31, 2023: €11 million), which are assigned to Level 1 of the measurement hierarchy, relate to shares in the listed company Standard Lithium Ltd., Vancouver, Canada. These shares were received in fiscal year 2021 as a result of the conversion of a loan originally provided to Standard Lithium Ltd. In accordance with the exercise of the option, the shares are recognized at fair value through other comprehensive income. The corresponding measurements reduced other comprehensive income in the current fiscal year by €4 million (previous year: increased by €9 million). In addition to the shares mentioned, stock warrants were received in connection with the loan conversion that were derecognized in profit and loss in fiscal year 2024. As of December 31, 2023, the stock warrants were measured at €3 million as a component of current derivative assets at Level 2 of the measurement hierarchy. The fair value of the warrants was calculated on the basis of a warrant pricing model.

Other non-current financial assets at Level 2 of the measurement hierarchy include €213 million (December 31, 2023: €207 million) for a shareholder loan granted to Envalior GmbH, Cologne, Germany, in connection with the formation of Envalior. The nominal amount of the loan is €200 million. The fair value is calculated using discounted cash flows, taking observed market interest rates into account. Subsequent measurement resulted in income of €6 million (previous year: expenses of €6 million), which are part of the other financial result.

In addition to the purchase price payment, LANXESS also received a minority interest of 40.94% in Envalior GmbH, Cologne, Germany, in connection with the formation of the joint company Envalior. LANXESS has the possibility to sell the minority interest to Advent for the first time three years after the formation of Envalior under certain conditions. The right to offer, which is recognized in non-current derivative assets, is measured at fair value and assigned to Level 3 of the fair value hierarchy.

A value can be attributed to the right to offer if LANXESS is better off under the contractual agreement than it would be in a comparable arm's length transaction at customary conditions based on fair value. The main factor affecting the valuation is the further business performance of Envalior in the coming years. The fair value of the right to offer is determined with a measurement model using a Monte Carlo simulation. The result of the valuation is materially determined by basic parameters underlying the model, such as business plan, capital costs, volatility, and composition of the peer group. Envalior's enterprise value is calculated using the discounted cash flow (DCF) method and is based on estimated future cash flows, which are discounted using the weighted average cost of capital (WACC). The fair value determined as of June 30, 2024 amounts to €2 million (December 31, 2023: €5 million). The change of €3 million relates exclusively to valuation adjustments and is reported under “Other financial result.”

A sensitivity analysis for the fair value of the right to offer simulated a change in EBITDA, the relevant factor for the future cash flows, by 10% per year. A 10% increase in Envalior's annual EBITDA figures would have resulted in a fair value of €1 million as of June 30, 2024. A corresponding decrease would have resulted in a fair value of €8 million.

A further sensitivity analysis for the fair value of the right to offer simulated a 10% change in the annual growth rate of the EBITDA figures. A 10% increase in the annual EBITDA growth rate would have resulted in a fair value of €1 million as of June 30, 2024. A corresponding decrease would have resulted in a fair value of €8 million.

The trade receivables of €170 million (December 31, 2023: €20 million) at Level 3 of the measurement hierarchy are receivables potentially available for sale on the basis of a factoring agreement.

Other non-current financial assets assigned to Level 3 also include investments in High-Tech Gründerfonds, which are measured at fair value through profit or loss based on the amount of the equity interests held. Their fair value is €3 million (December 31, 2023: €4 million).

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

In the case of financial instruments accounted for using valuation principles other than fair value measurement, the fair value – when reliably determined – is normally the carrying amount. The fair value of the bonds, which have a carrying amount of €2,796 million, amounted to €2,572 million as of June 30, 2024. The carrying amount of the bonds as of December 31, 2023, was €2,799 million and their fair value €2,553 million. Fair value measurement of the bonds is allocated to Level 1 of the hierarchy although, as of June 30, 2024, one bond with a fair value of €107 million was allocated to Level 2 as there was no liquid market for it (December 31, 2023: €108 million). The fair value of liabilities allocated to Level 2 is calculated using discounted cash flows, taking observed market interest rates into account.

Expected credit losses of financial instruments

Expected credit losses, taking reversals into account, of €1 million (previous year: €0 million) are reported in other operating expenses in relation to trade receivables and contract assets. The loss allowances amount to €15 million (December 31, 2023: €13 million).

As at the end of the previous year, the expected losses on other financial assets to be taken into account in the financial result amounted to €0 million as of June 30, 2024.

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, 2023.

SEGMENT REPORTING

Reported sales are predominantly achieved through the sale of products. Other types of sales only make an immaterial contribution to total sales. In the LANXESS Group, revenue is recognized in principle at the time at which control of the products passes physically to the customer. Sales are recognized over time in the business model of manufacturing customer-specific products on the basis of long-term sales contracts with contractually defined minimum purchase requirements in the Consumer Protection segment and for services. Revenue for finished goods and work in progress, and for advance consideration paid by the customer, is recognized over the manufacturing period, or over the performance period in the case of services. Segment sales include €211 million (previous year: €331 million) of sales recognized over time. Of these, €171 million (previous year: €279 million) relate to the Consumer Protection segment, €5 million (previous year: €2 million) to the Specialty Additives segment, €27 million (previous year: €38 million) to the Advanced Intermediates segment and €8 million (previous year: €12 million) to "All other segments."

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

Reconciliation of Segment Results

€ million	Q2 2023	Q2 2024	H1 2023	H1 2024
Total reportable segment results	**142**	**208**	**378**	**342**
Depreciation and amortization	(137)	(141)	(274)	(281)
Exceptional items affecting EBITDA	(26)	(12)	(44)	(30)
Net interest expense	(14)	(11)	(40)	(20)
Income from investments accounted for using the equity method	(78)	(27)	(77)	(73)
Other financial income and expense	(9)	(2)	(5)	(9)
Income from "All other segments"	(35)	(27)	(82)	(60)
Income before income taxes	**(157)**	**(12)**	**(144)**	**(131)**

Additional information is provided in "Notes on EBIT and EBITDA (Pre Exceptionals)" in the Interim Group Management Report as of June 30, 2024.

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.

In the first half of 2024, the LANXESS Group generated sales of €42 million (previous year: €6 million) and other operating income €18 million (previous year: €0 million) from business with affiliated companies. These amounts include sales of €29 million (previous year: €6 million) and other operating income of €18 million (previous year: €0 million) from business activities with Envalior GmbH and its affiliated companies. Services purchased by LANXESS of €4 million in the first half of 2024 (previous year: €4 million) are based on transactions for goods and services with Envalior GmbH and its affiliated companies.

As of June 30, 2024, these trade relationships as well as leasing, financing and other transactions result in receivables of €232 million (December 31, 2023: €235 million) and liabilities of €3 million (December 31, 2023: €4 million). These include receivables of €227 million (December 31, 2023: €224 million) and liabilities of €3 million (December 31, 2023: €4 million) from transactions and financing agreements with Envalior GmbH and its affiliated companies.

Since Envalior was founded as of April 1, 2023, Envalior GmbH, Cologne, Germany, has been included in the consolidated financial statements using the equity method. In connection with the formation of Envalior, Envalior GmbH received a shareholder loan at a nominal amount of €200 million from LANXESS.

Also, LANXESS has the possibility to sell its shares in Envalior GmbH to Advent for the first time three years after its formation under certain conditions. Please see “Financial instruments” (section entitled “Fair value measurement”) for further information.

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 2024.

EMPLOYEES

As of June 30, 2024, the number of employees in the LANXESS Group around the world was 12,453 (December 31, 2023: 12,849).

In the EMEA region (excluding Germany), the number of employees decreased by 53 to 1,189. In Germany, the number of employees fell from 7,069 to 6,834. The number of employees in the Americas region amounted to 2,806, against 2,862 as of the end of 2023. The number of employees in the Asia-Pacific region decreased from 1,676 to 1,624.

EVENTS AFTER THE REPORTING PERIOD

No events of special significance took place after June 30, 2024, 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 half-year financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in line with generally accepted accounting standards, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Cologne, July 30, 2024

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert	Frederique van Baarle
Dr. Hubert Fink	Oliver Stratmann

REVIEW REPORT TO LANXESS AKTIENGESELLSCHAFT, COLOGNE

We have reviewed the condensed interim consolidated 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 – together with the interim group management report of the LANXESS Aktiengesellschaft, Cologne, for the period from 1 January to 30 June, 2024 that are part of the semi annual (or quarterly financial report) according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments 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 issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Cologne, August 1, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hain	Coir
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial Calendar 2024

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
							AUGUST 9 **Half-Year Financial Report** H1 2024 Conference Call			**NOVEMBER 7** **Quarterly Statement** Q3 2024 Conference Call	

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