

## Interim Report H1 2013

January 1 to June 30, 2013

Half-Year Financial Report



## Key Data

€ million	Q2 2012	Q2 2013	Change %	H1 2012	H1 2013	Change %
Sales	2,424	2,141	(11.7)	4,812	4,236	(12.0)
EBITDA pre exceptionals	361	198	(45.2)	730	372	(49.0)
EBITDA margin pre exceptionals	14.9%	9.2%		15.2%	8.8%	
EBITDA	343	166	(51.6)	708	335	(52.7)
EBIT pre exceptionals	270	88	(67.4)	551	160	(71.0)
EBIT	250	50	(80.0)	527	117	(77.8)
EBIT margin	10.3%	2.3%		11.0%	2.8%	
Net income	174	9	(94.8)	366	34	(90.7)
Earnings per share (€)	2.09	0.11	(94.8)	4.40	0.41	(90.7)
Cash flow from operating activities	(49)	93	> 100	80	(67)	< (100)
Depreciation and amortization	93	116	24.7	181	218	20.4
Cash outflows for capital expenditures	137	159	16.1	229	252	10.0
Total assets				7,519 <sup>1)</sup>	7,268	(3.3)
Equity (including non-controlling interests)				2,330 <sup>1)</sup>	2,198	(5.7)
Equity ratio				31.0% <sup>1)</sup>	30.2%	
Net financial liabilities				1,483 <sup>1)</sup>	2,018	36.1
Employees (as of June 30)				17,177 <sup>1)</sup>	17,494	1.8

2012 figures restated

1) previous year as of December 31, 2012

# Highlights

## Q2 2013

### Asia's most modern butyl rubber plant opened in Singapore

At an official ceremony, LANXESS inaugurated its new butyl rubber plant on Jurong Island in Singapore. The company has invested around €400 million in the plant, which will have a capacity of 100,000 tons – making it the biggest capital expenditure in the company's history to date. The facility is the most modern of its kind in Asia and will produce premium halobutyl rubber, as well as regular butyl rubber. LANXESS is thus the first butyl rubber manufacturer to have its own global production network. The butyl rubber facility in Singapore went into operation in the first quarter of 2013 and is being ramped up gradually. Commercial production will start in the third quarter of this year. The facility is expected to achieve full capacity utilization in 2015.



### New leather chemicals plant inaugurated in China

LANXESS has started up on schedule a new leather chemicals plant in Changzhou. The company has invested €30 million in the facility, which will have an annual capacity of up to 50,000 tons and will strengthen LANXESS's position as a leading supplier of sustainable leather chemicals in the Chinese market. The plant in Changzhou also sets new benchmarks for sustainability – not just through more efficient production methods, but also with regard to recycling and reduced emissions.

### LANXESS acquires Asian biocide specialist PCTS

Through the acquisition of Singapore-based PCTS Specialty Chemicals Pte. Ltd., LANXESS has become one of the leading suppliers of biocides for paints and coatings in the rapidly growing Asia-Pacific region. The company will gain access to new biocide applications and will benefit from PCTS' product expertise and know-how in paints and coatings. PCTS specializes in the production of biocides for environmentally friendly, water-based paints that meet stringent health, safety and environmental standards. PCTS will be integrated into the Material Protection Products (MPP) business unit. Furthermore, the PCTS facility will become the new Asia-Pacific headquarters of MPP.

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## New headquarters for specialty rubber opened in the Netherlands

LANXESS has inaugurated the new headquarters of its Keltan Elastomers business unit in Sittard-Geleen in the Netherlands. With the new site the company is bringing together major portions of the management, administration, production, and research and development functions for its global business with ethylene-propylene-diene monomer high-performance rubber (EPDM rubber), marketed under the Keltan brand.



## LANXESS streamlines portfolio and production network for rubber chemicals

As part of the announced measures to boost competitiveness at the Performance Chemicals segment's international sites, production processes are being consolidated within the Rubber Chemicals business unit. The North American Bushy Park site is taking over production of the vulcanization accelerator Vulkacit CZ from the Belgian plant in Kallo. In return, production of Vulkacit DZ and Vulkacit NZ will be shifted from Bushy Park to Kallo. These changes will be implemented over the course of 2014. The business unit is also streamlining its product range and will therefore next year discontinue production of Vulkacit MOZ at the Kallo site. Manufacture of the antidegradants Vulkanox 3100 and Vulkanox DPPD will also be discontinued and the production site at Isithebe in South Africa closed.

## LANXESS opens first production facility for high-performance bladders in Brazil



The Rhein Chemie business unit has opened a new facility for high-performance bladders (curing bladders) in Porto Feliz, Brazil. These bladders are used in tire production to give tires their final shape. The plant has an annual capacity of about 170,000 bladders made of butyl rubber, which LANXESS markets under the Rhenoshape brand. They have a much longer service life than conventional bladders and thus can be used to produce up to three times as many tires.

## LANXESS Stock

The price of our stock continued to decline in the second quarter. It came under increasing pressure especially toward the end of the reporting period, dropping below €50 in June and closing the quarter at €46.28.

Germany's lead index DAX started the second quarter with losses. In April, it fell below 7,500 points to its lowest level for the year so far. A sustained recovery in the DAX set in at the end of April, pushing the index back up over 8,000 points. In late May, it exceeded 8,500 points for the first time since its inception. Through June, the DAX was forced to give back some of its gains and closed on June 28 at 7,959 points. Although below the 8,000-point mark, this still represents an increase of 2.1% for the quarter. After reaching a high of more than 700 points, LANXESS's benchmark index, the Dow Jones STOXX 600 Chemicals<sup>SM</sup>, gave back its gains in late June and ended the quarter at 670 points, a decrease of 1.9%.

The considerable losses on the German stock markets at the start of the quarter were due especially to the skeptical outlook for economic performance in the eurozone. From late April, however, positive effects again predominated. The DAX rallied on the European Central Bank's rate cut, which reduced the key lending rate to an all-time low, as well as on the hope for an end to the government crisis in Italy. In June, statements by U.S. Federal Reserve Chairman

Ben Bernanke were interpreted as a premature tightening of U.S. monetary policy, which caused renewed uncertainty in the markets and exerted pressure on the world's stock indices. The indices only rebounded in the final trading days of the quarter, when Bernanke confirmed the Fed's adherence to its low interest rate policy and favorable U.S. economic data were released. However, the news came too late to push Germany's blue-chip DAX, for example, back above 8,000 points.

The price of LANXESS stock was affected by the general sentiment on the equity markets in the early part of the second quarter. Then, starting in May, our own corporate newsflow had an increasing impact on the development of the share price. Against the backdrop of weak demand from the tire and automotive industries, LANXESS reported lower sales and earnings for the first quarter of 2013 compared to the prior year and also projected a restrained performance going forward. In addition, it forecast a difficult year overall in fiscal 2013 with expected earnings below €1 billion and predicted second-quarter EBITDA pre exceptionals in the range of €174 million to €220 million.

Once it was confirmed that the difficult market environment would continue to affect business, the stock price suffered significantly and fell below the €50 mark in June. The general market uncertainty described above also had an effect. On June 27, our share price reached its low for the period of €44.91 in the course of trading, before closing the quarter on the next day at €46.28. Our share was thus down 16.3% for the period and recorded a weaker performance than the DAX and DJ STOXX 600 Chemicals<sup>SM</sup> in the second quarter.

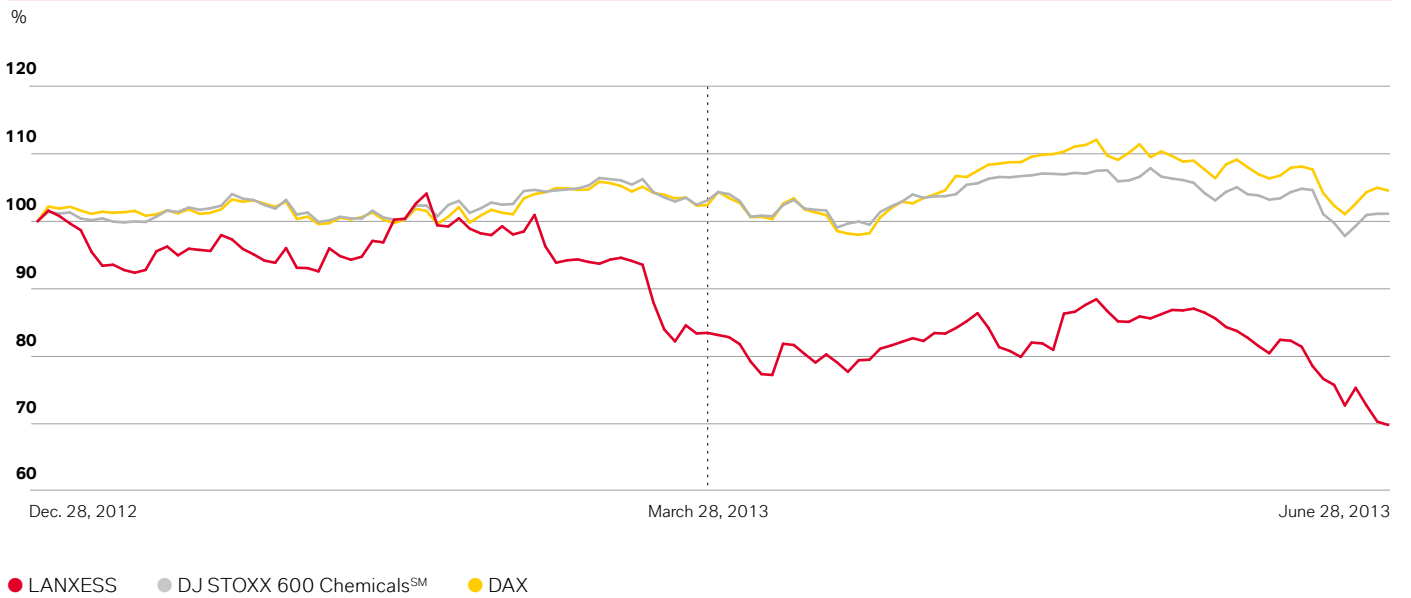
A summary of other developments at LANXESS during the second quarter is provided in the "Highlights" section on the previous pages.

### LANXESS Stock

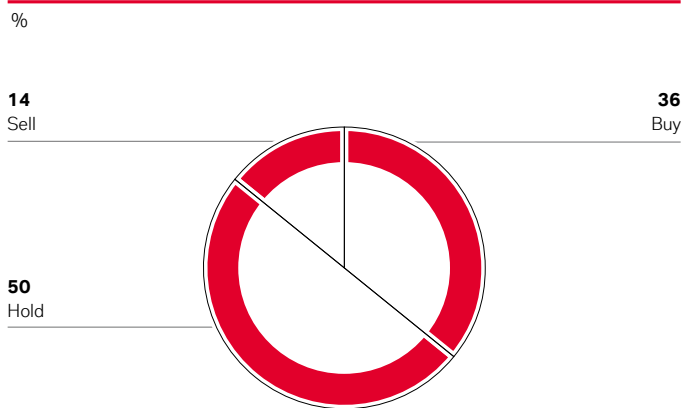
		Q4 2012	Q1 2013	Q2 2013
Capital stock/no. of shares <sup>1)</sup>	€/no. of shares	83,202,670	83,202,670	83,202,670
Market capitalization <sup>1)</sup>	€ billion	5.51	4.60	3.85
High/low for the period	€	68.83/59.33	68.59/54.19	59.15/44.91
Closing price <sup>1)</sup>	€	66.27	55.32	46.28
Trading volume	million shares	33.257	50.561	61.358
Earnings per share	€	0.62	0.30	0.11

<sup>1)</sup> End of quarter: Q4: December 31, 2012; Q1: March 31, 2013; Q2: June 30, 2013

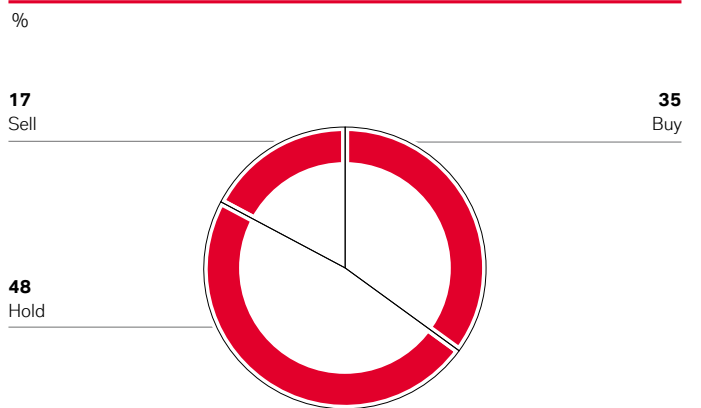
**Stock Performance vs. Indices**



**Analyst Recommendations as of April 30, 2013**



**Analyst Recommendations as of July 20, 2013**



# Interim Group Management Report

as of June 30, 2013

- Persistently difficult market environment
- Group sales down by 11.7%
- Selling price adjustments due to falling raw material costs
- Sales volumes below prior year
- Agrochemicals business remains good
- EBITDA pre exceptionals down from €361 million to €198 million
- EBITDA margin 9.2% vs. 14.9% for same period of last year
- Net income and earnings per share down sharply to €9 million and €0.11, respectively
- Net financial liabilities higher at €2,018 million
- Efficiency improvement measures initiated at some sites internationally
- Outlook 2013: no improvement in demand in the second half-year; EBITDA pre exceptionals expected to come in below €1 billion, between €700 million and €800 million
- Planned capital expenditures for 2013 still at revised €600 million

## Group structure

### Legal structure

LANXESS AG is the parent company of the LANXESS Group and functions largely as a management holding company. LANXESS Deutschland GmbH and LANXESS International Holding GmbH are wholly owned subsidiaries of LANXESS AG and control the other subsidiaries and affiliates both in Germany and elsewhere.

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 79 of the Annual Report 2012.

### Additions to the Group portfolio

During the first half of 2013 we made a targeted acquisition in Singapore to strengthen the Group portfolio. Details are given in the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2013.

### Business and strategy

The LANXESS Group is structured in three segments with, as of January 1, 2013, 14 business units, each of which conducts its own operations and has global profit responsibility. In response to the growing significance of the global EPDM rubber business, we divided the Technical Rubber Products business unit within the Performance Polymers segment into two units, effective as of the beginning of the year. The newly formed Keltan Elastomers business unit focuses exclusively on synthetic ethylene-propylene-diene rubber (EPDM). The remaining Technical Rubber Products portfolio has been renamed the High Performance Elastomers business unit. Additionally, the Ion Exchange Resins business unit was renamed Liquid Purification Technologies as a reflection of the expansion of the product portfolio with membrane filtration technology for reverse osmosis. No other changes have been made to the Group's organizational structure or strategy so far this year. The business units are supported by centralized services and by local organizations in the countries. Further details are given on pages 80–82 of the Annual Report 2012.

There were no material changes to the production base, product portfolio or principal sales markets in the reporting period.

## Business trends and economic environment

### Business conditions

**General economic situation** The global economy was again characterized by slow momentum in the second quarter of 2013. The debt crisis continued to hurt demand in key areas of Western and Southern Europe, where some economies remained in recession. By contrast, growth in the United States was slightly more robust than had been anticipated following that country's budget cuts. In Brazil, impetus was slightly positive compared to a weak prior-year period. The situation in China was affected by uncertainty in the banking sector due to the revised monetary policy objectives of China's central bank.

For the most part, the prices of individual raw materials trended slightly lower.

**Chemical industry** Given the prevailing global conditions, the international chemical industry continued to expand in the second quarter of 2013, achieving growth of 3%. Significant impetus came from China and the U.S., with increases of 7% and 4%, respectively. By contrast, the tangible decline in European output seen in the first quarter persisted, with production down by around 3%.

**Evolution of major user industries** Global automobile production grew by about 4% in the second quarter and was therefore more robust than in the first quarter. However, development varied from one region to another. China and Brazil posted high growth rates, while production in Japan and Western Europe dropped sharply. In the U.S., the number of vehicles manufactured rose significantly.

While tire sales overall showed a slight recovery, particularly in Brazil and China, demand for replacement tires remained below expectations for the quarter.

Weighed down by the investment-hampering debt levels of private households and the public sector, Europe's construction sector again receded by 5%. By contrast, the U.S. construction industry expanded considerably, driven by demand for new housing. Construction business was also up noticeably in China.

The demand for agrochemicals remained solid in the second quarter, which had a positive impact on production levels and resulted in growth of 2%.

## Sales

Group sales in the second quarter of 2013 came to €2,141 million, down €283 million or 11.7% from the particularly strong prior-year period. This was mainly attributable to the 9.1% negative effect of lower selling prices. Moreover, there was a slight decline in volumes caused by lower demand. The portfolio effects from the acquisitions made in the second quarter and in the previous year could not compensate for adverse exchange rate developments. Adjusted for the 0.9% negative balance of these currency and portfolio effects, sales showed a 10.8% decline based on prices and volumes.

Sales in the first six months of 2013 receded by 12.0% to €4,236 million. After adjustment for currency and portfolio effects that were slightly negative overall, the LANXESS Group posted a decrease in operational sales of 11.3% for the half-year. This development was also due to lower selling prices and declining volumes. The acquisitions made in the second quarter and in the previous year gave a slightly positive portfolio effect of 0.3%, which could not compensate for the negative currency effect attributable, in particular, to the performance of the U.S. dollar.

### Effects on Sales

%	Q2 2013	H1 2013
Price	(9.1)	(7.3)
Volume	(1.7)	(4.0)
Currency	(1.2)	(1.0)
Portfolio	0.3	0.3
	<b>(11.7)</b>	<b>(12.0)</b>

Our Performance Polymers segment recorded a significant decline in sales, with decreases of 17.4% for the quarter and 18.0% for the half. This was mainly due to lower selling prices, most of which were attributable to lower prices for raw materials and ongoing pressure on the selling prices for butadiene-based products. In addition, compared to a strong prior-year quarter in which volumes were already down, volumes declined slightly as the result of lower demand, particularly from the European automotive industry. The positive portfolio effect from the acquisition of Bond-Laminates GmbH in the previous year could not offset the slightly negative exchange rate effects.

Our Advanced Intermediates segment, by contrast, achieved sales that were nearly level with the prior year. For the quarter, they were down by 1.5% and for the half by 0.2%. The higher costs of some raw materials, including benzene, were passed on to the market through selling price adjustments. Volumes were slightly below the prior-year level overall and had the opposite effect. While the agrochemical markets developed favorably, the demand for products for the automotive industry was weak. Exchange rates also had a slightly negative effect.



**Sales by Segment**

€ million	Q2 2012	Q2 2013	Change %	Proportion of Group sales %	H1 2012	H1 2013	Change %	Proportion of Group sales %
Performance Polymers	1,427	1,178	(17.4)	55.0	2,818	2,312	(18.0)	54.6
Advanced Intermediates	399	393	(1.5)	18.4	828	826	(0.2)	19.5
Performance Chemicals	585	561	(4.1)	26.2	1,143	1,081	(5.4)	25.5
Reconciliation	13	9	(30.8)	0.4	23	17	(26.1)	0.4
	<b>2,424</b>	<b>2,141</b>	<b>(11.7)</b>	<b>100.0</b>	<b>4,812</b>	<b>4,236</b>	<b>(12.0)</b>	<b>100.0</b>

Sales in our Performance Chemicals segment in both the quarter and the half-year were impacted by lower volumes, which were partly the result of supply bottlenecks for a production facility in South Africa as well as the weak development of the European construction industry. Selling prices were at the prior-year level, but exchange rates had negative effects that were offset in part by slight portfolio effects from the acquisition of PCTS Specialty Chemicals Pte. Ltd., Singapore. Overall, the segment's business volume decreased by 4.1% for the quarter and 5.4% for the half.

LANXESS sales decreased, in some cases by double-digit percentages, as the result of lower prices and volumes in all regions. The key factor in this development was the absolute and relative sales performance of the Performance Polymers segment.

**Order book status**

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

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 fell at a slower rate than sales, decreasing by 5.3% to €1,736 million for the quarter. Lower prices for strategic raw materials and declining volumes had a particularly favorable impact. By

contrast, production costs rose, in part because of higher levels of depreciation. On top of this came write-downs of inventories necessitated by decreases in the price of the key raw material butadiene.

Gross profit came in at €405 million, for a significant €185 million or 31.4% decrease on the prior-year quarter. The gross profit margin dropped from 24.3% to 18.9%. With volumes only slightly below the prior-year level, this was mainly attributable to negative price effects. Shifts in exchange rates had a slightly negative effect on gross profit. The persistently difficult demand situation meant that capacity utilization was well below the previous year, which resulted in higher idle capacity costs.

In the first half as well, the cost of sales did not fall as much as sales, decreasing by 5.3% to €3,436 million. Gross profit came in at €800 million, a decline of €382 million or 32.3% on the first half of the previous year. The reasons for this were largely the same as for the second quarter. The gross profit margin fell accordingly, from 24.6% to 18.9%.

**EBITDA and EBIT**

The operating result before depreciation and amortization (EBITDA) pre exceptionals decreased by €163 million or 45.2% in the second quarter of 2013 to €198 million. This was mainly the result of price effects, exacerbated by negative volume effects. Rising production costs and higher energy prices were additional factors. Exchange rate developments and acquisitions had no material impact on earnings. Selling expenses rose by 2.6% to €200 million because of higher storage costs. The expenses for regional and central research activities came to €43 million, against €53 million in the prior-year period. The Performance Polymers segment accounted for the largest share of this spending. The Group's EBITDA margin pre exceptionals came in at 9.2%, well below the 14.9% achieved in the corresponding period of last year.



**EBITDA Pre Exceptionals by Segment**

€ million	Q2 2012	Q2 2013	Change %	H1 2012	H1 2013	Change %
Performance Polymers	257	94	(63.4)	512	206	(59.8)
Advanced Intermediates	79	74	(6.3)	149	145	(2.7)
Performance Chemicals	78	67	(14.1)	161	118	(26.7)
Reconciliation	(53)	(37)	30.2	(92)	(97)	(5.4)
	<b>361</b>	<b>198</b>	<b>(45.2)</b>	<b>730</b>	<b>372</b>	<b>(49.0)</b>

2012 figures restated

The Performance Polymers segment generated EBITDA pre exceptionals of €94 million in the second quarter, which was substantially below the prior-period figure of €257 million. This was mainly due to lower selling prices, the effects of which could not be fully compensated by lower raw material costs. Additional factors were inventory write-downs and rising production costs, in part because the butyl rubber plant in Singapore is not yet in full utilization. Volumes, by contrast, were level with the prior-year quarter. The impact of exchange rate and portfolio effects was insignificant, both individually and on aggregate.

Our Advanced Intermediates segment generated EBITDA pre exceptionals of €74 million, which was €5 million less than the prior-period figure of €79 million. Reasons included rising production costs and declining volumes due particularly to weak demand from the automotive industry. By contrast, changes in selling prices and raw material costs had a positive effect overall.

EBITDA pre exceptionals of the Performance Chemicals segment receded from €78 million a year ago to €67 million. Rising production costs and declining volumes impacted earnings. A slightly negative effect from exchange rate developments was largely offset by a positive portfolio effect from the acquisition of Singapore-based PCTS Specialty Chemicals Pte. Ltd.

The Group's EBITDA pre exceptionals for the half-year decreased by a significant €358 million to €372 million. As in the second quarter, this development was driven particularly by negative price and volume effects as well as higher production costs. Selling expenses increased by €8 million or 2.1% to €389 million, while research expenditures were €7 million below the prior-year period at €91 million. The Group's EBITDA margin came in at 8.8%, against 15.2% the previous year.

Earnings of the Performance Polymers segment were depressed above all because the decrease in selling prices exceeded the decrease in raw material prices. Higher production costs exacerbated this development. EBITDA pre exceptionals for the half-year declined from €512 million to €206 million. Earnings in the Advanced

Intermediates segment for the half-year were €145 million, following €149 million in the prior-year period. The impact of lower volumes was more than offset by the overall positive effect of prices. Earnings in the Performance Chemicals segment also declined, from €161 million a year ago to €118 million, due in particular to lower volumes and higher production costs.

The Group operating result (EBIT) came to €50 million in the second quarter of 2013, down from €250 million in the year-earlier quarter. Due to the extensive acquisition and investment activities in recent years, depreciation and amortization was €23 million or 24.7% above the prior-year quarter, at €116 million. The exceptional charges included in other operating expenses totaled €38 million, of which €32 million impacted EBITDA. They related mainly to measures aimed at increasing the competitiveness of our Performance Chemicals segment. Exceptional charges in the prior-year quarter came to €20 million, of which €18 million impacted EBITDA.

For the half-year, LANXESS achieved an EBIT of €117 million, compared with €527 million the year before. Depreciation and amortization came to €218 million, which was €37 million or 20.4% above the prior-year period. The exceptional charges included in other operating expenses amounted to €43 million, of which €37 million impacted EBITDA. They related mostly to the measures described for the second quarter. The exceptional charges of €24 million in the prior-year period, of which €22 million impacted EBITDA, related mainly to facility consolidation measures in our Performance Chemicals segment as well as expenses for the design and implementation of IT projects.

## Financial result

The financial result came to minus €39 million in the second quarter of 2013, compared with minus €24 million in the prior-year period. Interest expense was up slightly year on year. The amount of capitalized construction-period borrowing costs was lower than in the previous year due to the start-up of the butyl rubber facility in Singapore. The earnings contribution from companies accounted for in the consolidated financial statements using the equity method came to €0 million in the reporting period, against €3 million in the previous year.

The financial result for the first half was minus €75 million, against minus €54 million a year ago. This was partly attributable to the decrease in the net interest position and a lower earnings contribution from companies accounted for in the consolidated financial statements using the equity method.

## Income before income taxes

Income before income taxes for the second quarter of 2012 came to €11 million, compared with €226 million for the prior-year period. The effective tax rate was 27.3%, compared with 22.6% for the prior-year quarter.

Income before income taxes for the first half decreased from €473 million to €42 million, in line with the lower operating result. The effective tax rate was 23.8%, against 22.4% a year ago.

## Net income and earnings per share

Non-controlling interests accounted for a negative income of minus €1 million in the second quarter of 2013, against an income of plus €1 million a year ago. For the half, non-controlling interests accounted for minus €2 million of income in 2013, following plus €1 million in 2012. Net income for the second quarter came to €9 million, compared with €174 million in the prior-year period. Net income for the first half fell from €366 million to €34 million. With the number of LANXESS shares in circulation unchanged, earnings per share dropped sharply from €2.09 to €0.11 for the second quarter and from €4.40 to €0.41 for the half.

## Business trends by region

Sales in the EMEA region (excluding Germany) decreased by 4.0% to €624 million in the first quarter of 2013. Adjusted for exchange rate effects, the decrease was 3.8%. The Performance Polymers segment was particularly hard hit, with a near-double-digit percentage decline, while Performance Chemicals recorded a slight decrease in the low-single-digit percentage range. The Advanced Intermediates segment, by contrast, held its own with percentage sales growth in the high single digits. The negative sales development in the region mainly affected the U.K., Hungary, the Netherlands, France and Belgium. Switzerland and Italy, by contrast, registered slight growth.

First-half sales in the region fell by 7.6% to €1,247 million. The change was largely identical when adjusted for exchange rates, at minus 7.4%. The Performance Polymers segment registered a sales decline in the low-double-digit percentage range. The situation was similar in Performance Chemicals, where sales were down by a significant single-digit percentage. Against this trend, the sales figures in the Advanced Intermediates segment developed positively, registering growth in the mid-single-digit percentage range. The deteriorating business climate mainly affected the U.K., France, the Netherlands and Hungary. Positive impetus came from Turkey and Switzerland.

With a 29.1% share of total sales for the quarter and a 29.4% share for the first half-year, EMEA (excluding Germany) remains the largest of the LANXESS Group's regions in terms of sales.

In Germany, our second-quarter sales shrank by 8.6% to €362 million. The Performance Chemicals and Performance Polymers segments were the most affected, with percentage declines in the high single digits. The Advanced Intermediates segment also registered a decrease in sales, but the contraction was lower than in the other two operating segments.

In the first half of 2013, our business volume in Germany decreased by 9.9% to €732 million. This was attributable to sales declines in the low-double-digit percentage range in the Performance Polymers and Performance Chemicals segments. The Advanced Intermediates segment performed counter to this trend with a slight increase in sales over the prior-year period.

Germany's share of Group sales came to 16.9% for the second quarter and 17.3% for the first half, both figures slightly ahead of the prior-year period.

## Sales by Market

	Q2 2012		Q2 2013		Change	H1 2012		H1 2013		Change
	€ million	%	€ million	%		€ million	%	€ million	%	
EMEA (excluding Germany)	650	26.8	624	29.1	(4.0)	1,349	28.0	1,247	29.4	(7.6)
Germany	396	16.3	362	16.9	(8.6)	812	16.9	732	17.3	(9.9)
North America	439	18.1	357	16.7	(18.7)	862	17.9	684	16.2	(20.6)
Latin America	331	13.7	276	12.9	(16.6)	632	13.2	521	12.3	(17.6)
Asia-Pacific	608	25.1	522	24.4	(14.1)	1,157	24.0	1,052	24.8	(9.1)
	<b>2,424</b>	<b>100.0</b>	<b>2,141</b>	<b>100.0</b>	<b>(11.7)</b>	<b>4,812</b>	<b>100.0</b>	<b>4,236</b>	<b>100.0</b>	<b>(12.0)</b>

Sales in *North America* receded by 18.7% to €357 million in the second quarter of 2013. Adjusted for exchange rate effects, the decline was 17.2%. The significant decrease in sales in this region resulted in part from a base effect caused by still strong sales growth in the prior-year period. Sales of the Performance Polymers segment were down by a mid-double-digit percentage. By contrast, Advanced Intermediates raised sales slightly and Performance Chemicals sustained the year-earlier level with a small increase in sales. Business in the United States determined the region's performance.

In the first half of 2013, sales in *North America* decreased by 20.6% to €684 million. Adjusted for exchange rate effects, the decline was 19.7%. This decrease was largely accounted for by the Performance Polymers segment, where sales were down by a mid-double-digit percentage. The Performance Chemicals segment also posted a slight decline in sales. By contrast, sales of the Advanced Intermediates segment rose by a mid-single-digit percentage.

The LANXESS Group generated 16.7% of its second-quarter sales and 16.2% of its first-half sales in this region. These were slightly lower proportions than the year before.

Sales in *Latin America* receded by 16.6% to €276 million in the second quarter of 2013. Adjusted for currency changes, sales fell by 14.5%. In this region too, sales development was significantly impacted by a base effect caused by strong sales growth in the prior-year period. The Performance Polymers segment in particular registered a considerable contraction of business. Advanced Intermediates also posted percentage sales declines in the double digits. With a small increase, Performance Chemicals was the only segment with sales close to the prior-year level. Brazil was the key country in the region in terms of absolute sales performance.

In the first half-year, sales in the *Latin America* region decreased by 17.6% to €521 million. On a currency-adjusted basis, sales fell by 15.5%. The decrease was attributable to the downturn in business by the Performance Polymers segment, which manifested itself in high absolute and relative sales declines. Sales were also down in Advanced Intermediates, which posted a percentage decline well into double digits. Performance Chemicals, by contrast, raised sales by a low-single-digit percentage.

The region's share of Group sales came to 12.9% for the quarter and 12.3% for the half, which were below the prior year's levels.

Second-quarter sales in the *Asia-Pacific* region dropped by 14.1% to €522 million. Adjusted for currency changes and minor portfolio effects, sales decreased by 13.0%. As in *North America* and *Latin America*, a base effect caused by still strong sales growth in the previous year was the reason for the decline in the reporting period. The Performance Polymers segment drove this development in the second quarter of 2013 in both absolute and relative terms, with sales declining by a significant double-digit percentage. Sales fell in the Advanced Intermediates and Performance Chemicals segments, as well, by a high- and low-single-digit percentage, respectively. China, Hong Kong and Taiwan played crucial roles in the region's performance. Slightly positive momentum came from Singapore.

In the first half of 2013, sales in this region receded by 9.1% to €1,052 million. Adjusted for currency and portfolio effects, the decrease came to 8.0%. The shares of the segments were broadly the same as for the second quarter, with Performance Polymers the dominant segment.

*Asia-Pacific's* share of Group sales came to 24.4% for the quarter and 24.8% for the half.

## Segment information

## Performance Polymers

	Q2 2012		Q2 2013		Change	H1 2012		H1 2013		Change
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	1,427		1,178		(17.4)	2,818		2,312		(18.0)
EBITDA pre exceptionals	257	18.0	94	8.0	(63.4)	512	18.2	206	8.9	(59.8)
EBITDA	256	17.9	94	8.0	(63.3)	510	18.1	206	8.9	(59.6)
Operating result (EBIT) pre exceptionals	207	14.5	29	2.5	(86.0)	414	14.7	81	3.5	(80.4)
Operating result (EBIT)	206	14.4	29	2.5	(85.9)	412	14.6	81	3.5	(80.3)
Cash outflows for capital expenditures <sup>1)</sup>	85		85		0.0	148		143		(3.4)
Depreciation and amortization	50		65		30.0	98		125		27.6
Employees as of June 30 (previous year: as of Dec. 31)	5,348		5,474		2.4	5,348		5,474		2.4

1) intangible assets and property, plant and equipment

Business development in our Performance Polymers segment in the second quarter remained well below the high level of the prior-year period. Sales decreased by 17.4% year on year, to €1,178 million. The continued decline in raw material prices and selling price adjustments diminished sales by 15.9%. Volumes decreased by a slight 0.9% against an already weaker prior-year level. A positive portfolio effect of 0.4% from Bond-Laminates GmbH, which was acquired in 2012, could not fully offset the adverse currency shifts of 1.0%.

The demand trends in this segment's individual business units varied in the second quarter of 2013. Volumes in the Butyl Rubber and Performance Butadiene Rubbers business units, which have close ties to tire production and thus to the replacement tire and original equipment manufacturer markets, receded against the prior-year quarter. This was due to persistently weak demand from the automobile and tire industries, especially in Europe. Negative price effects also had an impact. By contrast, the High Performance Materials business unit, which generates a substantial share of its sales with customers from the automotive and electrical/electronics industries, recorded higher volumes. Lower raw material prices led to selling price adjustments in the Keltan Elastomers business unit, and a slight decrease in volumes additionally depressed sales. The High Performance Elastomers business unit also registered a negative price effect. Business as a whole receded in all regions.

EBITDA pre exceptionals in the Performance Polymers segment fell by a substantial €163 million to €94 million. The lower selling prices in all business units could not be fully offset by the lower raw material costs. Capacity utilization was below the level of the prior-year quarter, due especially to the decline in demand and to scheduled production shutdowns. In addition, the new butyl rubber plant in Singapore is not yet in full utilization which reduced earnings in the form of idle capacity costs. The EBITDA margin came in at 8.0% for the second quarter, against 18.0% a year ago.

Segment sales in the first half fell back by a substantial 18.0% to €2,312 million. Price adjustments made in response to lower raw material costs resulted in a sales decline of 13.3%. Volumes were down 4.2% on the prior-year period. A slightly positive portfolio effect of 0.3% was more than offset by an adverse exchange rate effect of 0.8%.

The segment achieved EBITDA pre exceptionals of €206 million in the first half of 2013, compared with €512 million in the same period a year ago. Its EBITDA margin came in at 8.9% for the half-year, against 18.2% a year ago.

**Advanced Intermediates**

	Q2 2012		Q2 2013		Change %	H1 2012		H1 2013		Change %
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	399		393		(1.5)	828		826		(0.2)
EBITDA pre exceptionals	79	19.8	74	18.8	(6.3)	149	18.0	145	17.6	(2.7)
EBITDA	79	19.8	78	19.8	(1.3)	149	18.0	149	18.0	0.0
Operating result (EBIT) pre exceptionals	62	15.5	55	14.0	(11.3)	116	14.0	109	13.2	(6.0)
Operating result (EBIT)	62	15.5	59	15.0	(4.8)	116	14.0	113	13.7	(2.6)
Cash outflows for capital expenditures <sup>1)</sup>	17		23		35.3	32		42		31.3
Depreciation and amortization	17		19		11.8	33		36		9.1
Employees as of June 30 (previous year: as of Dec. 31)	2,841		2,861		0.7	2,841		2,861		0.7

1) intangible assets and property, plant and equipment

Sales in our *Advanced Intermediates* segment decreased slightly by 1.5% to €393 million in the second quarter of 2013. While selling price adjustments compensated for higher raw material prices, generating a positive price effect of 1.8%, volumes decreased by 2.3% from the prior-year quarter. Shifts in exchange rates gave a negative effect of 1.0%, which also depressed sales.

In the *Advanced Industrial Intermediates* business unit, higher prices for raw materials, especially benzene, were passed along to the market in the form of selling price adjustments. There was pleasing development in demand from the agrochemical industry and from the flavors and fragrances industry for products from the integrated aromatics production network. This could not fully offset weaker demand for products used in the automotive industry and the exit from less profitable businesses. Selling prices in the *Saltigo* business unit were above the level of the prior-year quarter. Weaker demand for pharmaceutical precursors generated an offsetting volume effect. Overall, the business volume matched the good prior-year level. While North America and EMEA (excluding Germany) recorded an increase in sales, the business volume receded in the other regions.

EBITDA pre exceptionals for the *Advanced Intermediates* segment was €5 million below the prior-year level, at €74 million. A positive net effect from the development of raw material costs and selling prices was outweighed, in particular, by higher production costs and

lower volumes attributable to the weak demand from the automotive industry. There was also a negative currency effect. The EBITDA margin decreased from 19.8% to 18.8%.

The *Advanced Intermediates* segment generated half-year sales of €826 million, which was at the level of the previous year with a slight drop of 0.2%. This was largely due to a 3.1% increase in selling prices. Volumes were down by 2.6%, and there were adverse currency effects of 0.7%.

The segment achieved EBITDA pre exceptionals of €145 million in the first half of 2013, compared with €149 million in the same period a year ago. The EBITDA margin came in at 17.6%, against 18.0% in the first half of 2012.

The segment's €4 million in exceptional income for both the second quarter and first half of 2013 stemmed from the reversal of provisions established for the realignment of the *Saltigo* business unit.

## Performance Chemicals

	Q2 2012		Q2 2013		Change %	H1 2012		H1 2013		Change %
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	585		561		(4.1)	1,143		1,081		(5.4)
EBITDA pre exceptionals	78	13.3	67	11.9	(14.1)	161	14.1	118	10.9	(26.7)
EBITDA	63	10.8	34	6.1	(46.0)	146	12.8	84	7.8	(42.5)
Operating result (EBIT) pre exceptionals	57	9.7	45	8.0	(21.1)	119	10.4	75	6.9	(37.0)
Operating result (EBIT)	40	6.8	6	1.1	(85.0)	102	8.9	35	3.2	(65.7)
Cash outflows for capital expenditures <sup>1)</sup>	21		34		61.9	32		53		65.6
Depreciation and amortization	23		28		21.7	44		49		11.4
Employees as of June 30 (previous year: as of Dec. 31)	6,031		5,962		(1.1)	6,031		5,962		(1.1)

1) intangible assets and property, plant and equipment

Sales in the Performance Chemicals segment decreased by 4.1% to €561 million in the second quarter. With selling prices at the level of the prior-year quarter, this development was attributable to a 2.5% decrease in volumes and 1.9% negative effect from shifts in exchange rates. A minor portfolio effect of 0.3% was generated by the acquisition of PCTS Specialty Chemicals Pte. Ltd. in the second quarter of 2013.

Overall, volumes in this segment were down on the prior-year quarter. However, development varied across the business units. The Liquid Purification Technologies business unit increased volumes in nearly every region and was also able to raise selling prices compared to the prior-year period. The Inorganic Pigments business unit likewise achieved volume growth as well as higher selling prices. However, this positive effect was partially offset by an adverse shift in exchange rates. The segment's other business units registered a decline in business volume. The Leather business unit suffered in particular from supply bottlenecks for a production facility as well as from stoppages at its chrome mine in South Africa. While selling prices remained close to the prior-year level in the Rhein Chemie and Rubber Chemicals business units, declines were registered in the Functional Chemicals and Leather business units. In the Material Protection Products business unit, lower selling prices were partly offset by a positive portfolio effect from the acquisition in Singapore. Exchange rate developments had a negative impact on all of the segment's business units. Business volumes receded in nearly all regions.

EBITDA pre exceptionals amounted to €67 million, which was €11 million below the year-earlier figure of €78 million. Earnings were negatively impacted in particular by declining volumes and lower capacity utilization compared to the prior-year period. Shifts in exchange rates and the acquisition in Singapore had no material impact on earnings. The segment's EBITDA margin decreased from 13.3% to 11.9%.

The Performance Chemicals segment posted sales of €1,081 million in the first half of 2013, down 5.4% from the same period a year ago. While selling prices remained at the prior-year level, volumes receded by 4.2%. A portfolio effect of 0.4% was more than offset by adverse exchange rate movements of 1.5%.

The segment generated EBITDA pre exceptionals of €118 million in the first six months of 2013, against €161 million in the prior-year period. The EBITDA margin decreased from 14.1% to 10.9%.

The segment's exceptional items of €39 million for the second quarter and €40 million for the first half of 2013, of which €33 million and €34 million impacted EBITDA, respectively, related mostly to efficiency improvement and facility consolidation measures at the Belgian and South African sites of the Rubber Chemicals business unit.

## Reconciliation

	Q2 2012	Q2 2013	Change	H1 2012	H1 2013	Change
	€ million	€ million	%	€ million	€ million	%
Sales	13	9	(30.8)	23	17	(26.1)
EBITDA pre exceptionals	(53)	(37)	30.2	(92)	(97)	(5.4)
EBITDA	(55)	(40)	27.3	(97)	(104)	(7.2)
Operating result (EBIT) pre exceptionals	(56)	(41)	26.8	(98)	(105)	(7.1)
Operating result (EBIT)	(58)	(44)	24.1	(103)	(112)	(8.7)
Cash outflows for capital expenditures <sup>1)</sup>	14	17	21.4	17	14	(17.6)
Depreciation and amortization	3	4	33.3	6	8	33.3
Employees as of June 30 (previous year: as of Dec. 31)	2,957	3,197	8.1	2,957	3,197	8.1

2012 figures restated

1) intangible assets and property, plant and equipment

EBITDA pre exceptionals for the reconciliation improved to minus €37 million, compared with minus €53 million in the prior-year quarter. For the first half, EBITDA pre exceptionals was minus €97 million, against minus €92 million in the prior-year period. Earnings in both periods were affected by the planned expansion of our central research activities and various Group projects, among other factors.

The €3 million in exceptional charges reported in the reconciliation for the second quarter and the €7 million for the first six months related primarily to expenses for the design and implementation of IT projects.

## Statement of financial position and financial condition

### Structure of the statement of financial position

As of June 30, 2013, the LANXESS Group had total assets of €7,268 million, down €251 million, or 3.3%, from €7,519 million on December 31, 2012. The main reasons for this decrease were the lower levels of cash and cash equivalents and near-cash assets. These were partly offset by increases in property, plant and equipment and trade receivables.

Non-current assets rose during the first half-year by €73 million to €3,820 million. Intangible assets and property, plant and equipment increased by €85 million to €3,469 million. Cash outflows for purchases of property, plant, equipment and intangible assets, at €252 million in the first half of 2013, were slightly ahead of the prior-year period's €229 million. Depreciation and amortization in the first half totaled €218 million, compared with €181 million in the prior-year period. The first-time full consolidation of LANXESS-TSRC (Nantong) Chemical Industrial Co., Ltd., Nantong, China, previously accounted for using the equity method, and the first-time consolidation of PCTS Specialty Chemicals Pte. Ltd., Singapore, which was acquired in April, led to additions in the mid-double-digit million range. The carrying amount of investments accounted for using the equity method decreased accordingly by €8 million. The ratio of non-current assets to total assets was 52.6%, up from 49.8% on December 31, 2012.

Current assets amounted to €3,448 million, down by €324 million or 8.6% from December 31, 2012. Inventories remained level with year-end 2012, at €1,527 million. Trade receivables rose by €95 million, or 8.5%, to €1,212 million. The total of cash and cash equivalents and near-cash assets decreased by €426 million to €371 million, mainly due to the sale of money market funds. The ratio of current assets to total assets was 47.4%, against 50.2% as of December 31, 2012.



The LANXESS Group has significant internally generated intangible assets that are not reflected in the statement of financial position because of accounting rules. These include the brand equity of LANXESS and the value of the Group's other brands. A variety of measures were deployed in the reporting period to continually enhance these assets. These measures contributed to our continued success in positioning the business units in the market.

Our established relationships with customers and suppliers also constitute a significant intangible asset, which cannot, however, be reflected in the statement of financial position. The long-standing, trust-based partnerships with customers and suppliers, underpinned by consistent service and product quality, enable us to set ourselves apart from our competitors. Our competence in technology and innovation, also a valuable asset, is rooted in our specific knowledge in the areas of research and development and custom manufacturing. It enables us to generate significant added value for our customers.

Our commercial success is also founded on the knowledge and experience of our employees. In addition, we have sophisticated production and business processes that create competitive advantages for us in the relevant markets.

Equity decreased by €132 million, or 5.7%, compared with December 31, 2012, to €2,198 million, predominantly due to the dividend payment and the net negative effect of currency translation differences. The ratio of equity to the Group's total assets was nearly unchanged at 30.2% as of June 30, 2013, against 31.0% as of December 31, 2012.

Non-current liabilities fell by €462 million to €3,097 million as of June 30, 2013. This was mainly attributable to other non-current financial liabilities, which at €1,681 million were €486 million lower than at December 31, 2012. The decrease was largely the result of the reclassification into current financial liabilities of a Eurobond maturing in April 2014. Provisions for pensions and other post-employment benefits increased by €28 million compared to the end of 2012, to €921 million. This increase was mainly due to additional vested rights in the reporting period and interest effects. The ratio of non-current liabilities to total assets was 42.6%, down from 47.3% as of December 31, 2012.

Current liabilities came to €1,973 million, up by €343 million or 21.0% from December 31, 2012. This increase was predominantly the result of the reclassification into current financial liabilities of the Eurobond maturing in April 2014. It was partly offset by the drop of €138 million in trade payables to €657 million and the decrease of €74 million in other current provisions to €366 million. The ratio of current liabilities to total assets was 27.1% as of June 30, 2013, against 21.7% at the end of 2012.

## Financial condition and capital expenditures

**Changes in the statement of cash flows** In the first six months of 2013 there was a net cash outflow of €67 million from operating activities, against a net inflow of €80 million in the prior-year period. With income before income taxes amounting to €42 million, the increase in net working capital compared to December 31, 2012 resulted in a cash outflow of €230 million. The corresponding cash outflow in the prior-year period was €434 million. The development in the reporting period was mainly attributable to higher receivables and lower payables. Changes in other assets and liabilities in the prior-year period related in part to payments that had to be made to counterparties under roll-over hedges for intra-Group foreign currency loans due to the decrease in the value of the euro at that time. These payments did not affect earnings.

There was a €51 million net cash inflow from investing activities in the first six months of 2013, compared with a net cash inflow of €202 million in the same period a year ago. Cash inflows comprised receipts of €315 million from financial assets, which were mainly attributable to the sale of near-cash assets. Cash outflows for purchases of intangible assets, property, plant and equipment totaled €252 million, which was €23 million more than in the prior-year period. Depreciation and amortization amounted to €218 million. Cash outflows for the acquisition of subsidiaries, less acquired cash and cash equivalents, amounted to €15 million. The company acquired was PCTS Specialty Chemicals Pte. Ltd., Singapore.

Net cash used in financing activities came to €99 million, compared with €225 million in the first half of 2012. Cash outflows in the reporting period related mainly to interest payments and the dividend payment to LANXESS AG stockholders for fiscal 2012. In the prior-year period, outflows for the scheduled redemption of the Eurobond issued in 2005 were included.

**Financing and liquidity** The principles and objectives of financial management discussed on page 101 of the Annual Report 2012 remained valid during the first half of 2013. They are centered on a conservative financial policy built on long-term, secured financing.

Cash and cash equivalents decreased by €112 million compared with the end of 2012, to €274 million. The €97 million of instant-access investments in money market funds, down from €411 million at the end of 2012, were reported under near-cash assets. The Group's liquidity position thus remains sound.

Net financial liabilities totaled €2,018 million as of June 30, 2013, compared with €1,483 million as of December 31, 2012.

<b>Net Financial Liabilities</b>		
€ million	<b>Dec. 31, 2012</b>	<b>June 30, 2013</b>
Non-current financial liabilities	2,167	1,681
Current financial liabilities	167	740
less		
Liabilities for accrued interest	(54)	(32)
Cash and cash equivalents	(386)	(274)
Near-cash assets	(411)	(97)
	<b>1,483</b>	<b>2,018</b>

**Financing instruments off the statement of financial position** As of June 30, 2013, we had no material financing items that were not reported in the statement of financial position, such as factoring, asset-backed structures or sale-and-lease-back transactions.

**Significant capital expenditure projects** Capital expenditures in the Performance Polymers segment in the first half-year were related, for example, to the construction of the new butyl rubber facility in Singapore for the Butyl Rubber business unit. As planned, the plant

entered its commissioning phase in the first quarter of 2013 and started production in the second quarter. Also in Singapore, the Performance Butadiene Rubbers business unit is currently building the world's largest production facility for neodymium-based performance butadiene rubber (Nd-PBR) with an annual capacity of 140,000 tons. It is scheduled to start operating in the first half of 2015. In addition, at the site in Triunfo, Brazil, the production of emulsion styrene butadiene rubber (E-SBR) will be converted to solution styrene butadiene rubber (S-SBR). In Changzhou, China, our Keltan Elastomers business unit is erecting the world's largest production plant for EPDM rubber. This plant, which will utilize the innovative Keltan ACE technology, is due to start up in 2015. Fifty percent of production at the site in Geleen, Netherlands, has been converted to the Keltan ACE technology. This work was completed in the first half of 2013. Our High Performance Elastomers business unit is expanding production capacities for chloroprene rubber at the site in Dormagen, Germany. The High Performance Materials business unit is investing in a new world-scale plant for polyamide plastics at the site in Antwerp, Belgium. The facility will have an annual capacity of around 90,000 tons and is scheduled to be completed in 2014. The capacity of our glass fiber production operations, also based in Antwerp, is being expanded. In addition, a new plant for compounding high-tech plastics is being built in Porto Feliz, Brazil, with completion due later this year.

The Advanced Intermediates segment's Advanced Industrial Intermediates business unit is expanding cresol production at the Leverkusen site. The facility is currently in the commissioning phase.

The Performance Chemicals segment's Inorganic Pigments business unit is building a plant in Ningbo, China, that will use state-of-the-art process technology to manufacture iron oxide red pigments. The Leather business unit completed construction of a production plant for leather chemicals with an annual capacity of up to 50,000 tons at the site in Changzhou, China. The facility, featuring the latest technology and eco-friendly processes, came on stream in April 2013. A further investment relates to the construction of a CO<sub>2</sub> concentration unit at the site in Newcastle, South Africa, which is scheduled to start up in the second half of this year. The Rhein Chemie business unit

is building a facility for rubber additives and release agents at the site in Lipetsk, Russia. Production is scheduled to start in the third quarter of 2013. Furthermore, a manufacturing plant for vulcanization bladders started up at Porto Feliz, Brazil. The Liquid Purification Technologies business unit is investing in a new production line for weakly acidic cation exchange resins and a state-of-the-art facility for food-grade filling and packaging at the Leverkusen site.

### Significant opportunities and risks

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2012. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group on pages 124 to 135 of the Annual Report 2012. Based on the 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.

### Outlook

LANXESS expects the economic environment to remain challenging and does not anticipate any improvement in the business situation in the second half of the year. For our business with the automotive and tire industries, in particular, we do not expect any recovery in the weak market environment for the second half-year. In agrochemicals, on the other hand, we believe that the solid demand will persist in the months ahead as well.

In regional terms, the risk components that can adversely affect economic expectations have increased significantly. The economic situation in the emerging economies has deteriorated considerably, and the situation in Europe is likely to remain strained. Growth expectations are lower for China, as well as for Brazil and India. It is expected that demand in Europe will stabilize at its current low level. We see signs of a slight improvement in the U.S. for the second half-year. However, we expect below-trend growth overall.

We believe that automobile production will post only low growth, driven by demand in the U.S. and China. In Europe, production is expected to remain at a low level. There will likely be just a slight improvement in the tire industry as a result of the economic conditions. Only weak improvement is anticipated for replacement tire sales. The U.S. construction industry is expected to perform well because of demand for residential building. The situation in Europe remains varied, with some crisis-struck countries stabilizing. Overall, however, the outlook remains weak.

Looking ahead to the remainder of the year, we do not expect any relief from the absence of one-off charges that affected the first quarter, taking account of seasonality in the second half of the year. Consequently, we still expect EBITDA pre exceptionals for the full year to come in below €1 billion and anticipate a figure of €700 million to €800 million in 2013. As in the past, this forecast does not reflect any further possible write-downs of inventories since these are difficult to predict.

In the first half of 2013, we already applied our flexible asset management and rigorous cost discipline in taking the first steps to mitigate the impact of declining demand. As announced, this also included initial action in our Performance Chemicals segment. In the Rubber Chemicals business unit, for example, we are working to consolidate the production processes for vulcanization accelerators, which are primarily used in the tire industry, at the sites in Belgium and the U.S. The production site for antidegradants in Isithebe, South Africa, will be closed. These measures will be completed in 2014. We are also streamlining the product portfolio in order to further boost the efficiency and competitiveness of the Rubber Chemicals business in this area.

LANXESS is also working on other measures and an update of its strategy. Details will be announced in September.

Given the persistently weak demand this year, we no longer consider achievement of our target EBITDA pre exceptionals for 2014 of €1.4 billion to be realistic, even if demand recovers as expected in the coming fiscal year.

In view of the challenging market environment, we have already reduced our capital expenditures budget to around €600 million.

We will systematically pursue our Group growth strategy. Despite the difficult economic environment, we are maintaining our mid-term target EBITDA pre exceptionals for 2018 of €1.8 billion. However, we consider the achievement of this target to be a greater challenge.

#### Forecasts Unchanged in the Reporting Period

Information in the Annual Report 2012	Page
Future organization and corporate structure	131 ff.
Future corporate objectives and strategy	131 ff.
Future production and products	132 ff.
Future sales markets and competitive position	132 ff.
Future research and development activities	119 ff., 132
Future financing	134 f.
Future dividend policy	135

#### Events after the end of the reporting period

No events of special significance took place after June 30, 2013 that are expected to materially affect the financial position or results of operations of the LANXESS Group.

# Condensed Consolidated Interim Financial Statements

as of June 30, 2013

## LANXESS Group Statement of Financial Position

€ million	Jan. 1, 2012	Dec. 31, 2012	June 30, 2013
<b>ASSETS</b>			
Intangible assets	373	390	388
Property, plant and equipment	2,679	2,994	3,081
Investments accounted for using the equity method	12	8	0
Investments in other affiliated companies	19	18	14
Non-current derivative assets	8	16	16
Other non-current financial assets	82	8	7
Deferred taxes	196	211	213
Other non-current assets	120	102	101
<b>Non-current assets</b>	<b>3,489</b>	<b>3,747</b>	<b>3,820</b>
Inventories	1,386	1,527	1,527
Trade receivables	1,146	1,117	1,212
Cash and cash equivalents	178	386	274
Near-cash assets	350	411	97
Current derivative assets	8	28	23
Other current financial assets	27	6	5
Current income tax receivables	64	41	51
Other current assets	230	256	259
<b>Current assets</b>	<b>3,389</b>	<b>3,772</b>	<b>3,448</b>
<b>Total assets</b>	<b>6,878</b>	<b>7,519</b>	<b>7,268</b>
<b>EQUITY AND LIABILITIES</b>			
Capital stock and capital reserves	889	889	889
Other reserves	1,449 <sup>1)</sup>	1,238	1,657
Net income	0 <sup>1)</sup>	508	34
Other equity components	(280)	(321)	(405)
Equity attributable to non-controlling interests	16	16	23
<b>Equity</b>	<b>2,074</b>	<b>2,330</b>	<b>2,198</b>
Provisions for pensions and other post-employment benefits	679	893	921
Other non-current provisions	331	304	286
Non-current derivative liabilities	13	4	16
Other non-current financial liabilities	1,465	2,167	1,681
Non-current income tax liabilities	63	35	35
Other non-current liabilities	89	74	87
Deferred taxes	75	82	71
<b>Non-current liabilities</b>	<b>2,715</b>	<b>3,559</b>	<b>3,097</b>
Other current provisions	446	440	366
Trade payables	766	795	657
Current derivative liabilities	40	10	35
Other current financial liabilities	633	167	740
Current income tax liabilities	49	45	27
Other current liabilities	155	173	148
<b>Current liabilities</b>	<b>2,089</b>	<b>1,630</b>	<b>1,973</b>
<b>Total equity and liabilities</b>	<b>6,878</b>	<b>7,519</b>	<b>7,268</b>

2012 figures restated

1) after allocation to retained earnings

## LANXESS Group Income Statement

€ million	Q2 2012	Q2 2013	H1 2012	H1 2013
<b>Sales</b>	<b>2,424</b>	<b>2,141</b>	<b>4,812</b>	<b>4,236</b>
Cost of sales	(1,834)	(1,736)	(3,630)	(3,436)
<b>Gross profit</b>	<b>590</b>	<b>405</b>	<b>1,182</b>	<b>800</b>
Selling expenses	(195)	(200)	(381)	(389)
Research and development expenses	(53)	(43)	(98)	(91)
General administration expenses	(84)	(75)	(156)	(154)
Other operating income	50	36	84	66
Other operating expenses	(58)	(73)	(104)	(115)
<b>Operating result (EBIT)</b>	<b>250</b>	<b>50</b>	<b>527</b>	<b>117</b>
Income from investments accounted for using the equity method	3	0	6	0
Interest income	2	0	4	1
Interest expense	(26)	(28)	(51)	(54)
Other financial income and expense	(3)	(11)	(13)	(22)
<b>Financial result</b>	<b>(24)</b>	<b>(39)</b>	<b>(54)</b>	<b>(75)</b>
<b>Income before income taxes</b>	<b>226</b>	<b>11</b>	<b>473</b>	<b>42</b>
Income taxes	(51)	(3)	(106)	(10)
<b>Income after income taxes</b>	<b>175</b>	<b>8</b>	<b>367</b>	<b>32</b>
of which attributable to non-controlling interests	1	(1)	1	(2)
of which attributable to LANXESS AG stockholders (net income)	174	9	366	34
<b>Earnings per share (undiluted/diluted) (€)</b>	<b>2.09</b>	<b>0.11</b>	<b>4.40</b>	<b>0.41</b>

2012 figures restated

LANXESS Group **Statement of Comprehensive Income**

€ million	Q2 2012	Q2 2013	H1 2012	H1 2013
<b>Income after income taxes</b>	<b>175</b>	<b>8</b>	<b>367</b>	<b>32</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Re-evaluation of defined-benefit pension plans	(48)	12	(115)	(8)
Income taxes	15	(4)	36	2
	<b>(33)</b>	<b>8</b>	<b>(79)</b>	<b>(6)</b>
<b>Items that may be reclassified subsequently to profit or loss if specific conditions are met</b>				
Exchange differences on translation of operations outside the eurozone	9	(106)	(15)	(60)
Financial instruments	(64)	(20)	(23)	(32)
Income taxes	19	5	7	8
	<b>(36)</b>	<b>(121)</b>	<b>(31)</b>	<b>(84)</b>
<b>Other comprehensive income, net of income tax</b>	<b>(69)</b>	<b>(113)</b>	<b>(110)</b>	<b>(90)</b>
<b>Total comprehensive income</b>	<b>106</b>	<b>(105)</b>	<b>257</b>	<b>(58)</b>
of which attributable to non-controlling interests	1	(2)	1	(2)
of which attributable to LANXESS AG stockholders	105	(103)	256	(56)

2012 figures restated

LANXESS Group **Statement of Changes in Equity**

€ million	Capital stock	Capital reserves	Other reserves	Net income	Other equity components		Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
<b>Jan. 1, 2012 (after allocations to retained earnings)</b>	<b>83</b>	<b>806</b>	<b>1,449</b>	<b>0</b>	<b>(248)</b>	<b>(32)</b>	<b>2,058</b>	<b>16</b>	<b>2,074</b>
Dividend payments			(71)				(71)	(1)	(72)
Total comprehensive income			(79)	366	(15)	(16)	256	1	257
Income after income taxes				366			366	1	367
Other comprehensive income, net of income tax			(79)		(15)	(16)	(110)	0	(110)
<b>June 30, 2012</b>	<b>83</b>	<b>806</b>	<b>1,299</b>	<b>366</b>	<b>(263)</b>	<b>(48)</b>	<b>2,243</b>	<b>16</b>	<b>2,259</b>
<b>Dec. 31, 2012</b>	<b>83</b>	<b>806</b>	<b>1,238</b>	<b>508</b>	<b>(329)</b>	<b>8</b>	<b>2,314</b>	<b>16</b>	<b>2,330</b>
Allocations to retained earnings			508	(508)			0		0
Changes in scope of consolidation							0	9	9
Dividend payments			(83)				(83)		(83)
Total comprehensive income			(6)	34	(60)	(24)	(56)	(2)	(58)
Income after income taxes				34			34	(2)	32
Other comprehensive income, net of income tax			(6)		(60)	(24)	(90)	0	(90)
<b>June 30, 2013</b>	<b>83</b>	<b>806</b>	<b>1,657</b>	<b>34</b>	<b>(389)</b>	<b>(16)</b>	<b>2,175</b>	<b>23</b>	<b>2,198</b>

2012 figures restated



LANXESS Group **Statement of Cash Flows**

€ million	Q2 2012	Q2 2013	H1 2012	H1 2013
<b>Income before income taxes</b>	<b>226</b>	<b>11</b>	<b>473</b>	<b>42</b>
Depreciation and amortization	93	116	181	218
Gains on disposals of intangible assets and property, plant and equipment	(1)	(1)	(1)	(1)
Income from investments accounted for using the equity method	(3)	0	(6)	0
Financial losses	24	28	48	53
Income taxes paid	(46)	(7)	(49)	(41)
Changes in inventories	(126)	85	(199)	4
Changes in trade receivables	(18)	10	(182)	(99)
Changes in trade payables	(46)	(40)	(53)	(135)
Changes in other assets and liabilities	(152)	(109)	(132)	(108)
<b>Net cash provided by (used in) operating activities</b>	<b>(49)</b>	<b>93</b>	<b>80</b>	<b>(67)</b>
Cash outflows for purchases of intangible assets, property, plant and equipment	(137)	(159)	(229)	(252)
Cash inflows from financial assets	326	80	431	315
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents and net of subsequent purchase price adjustments	0	(15)	(9)	(15)
Cash inflows from sales of intangible assets, property, plant and equipment	2	1	3	2
Interest and dividends received	2	0	6	1
<b>Net cash provided by (used in) investing activities</b>	<b>193</b>	<b>(93)</b>	<b>202</b>	<b>51</b>
Proceeds from borrowings	315	82	391	101
Repayments of borrowings	(402)	(7)	(452)	(37)
Interest paid and other financial disbursements	(84)	(72)	(93)	(80)
Dividend payments	(71)	(83)	(71)	(83)
<b>Net cash used in financing activities</b>	<b>(242)</b>	<b>(80)</b>	<b>(225)</b>	<b>(99)</b>
<b>Change in cash and cash equivalents from business activities</b>	<b>(98)</b>	<b>(80)</b>	<b>57</b>	<b>(115)</b>
Cash and cash equivalents at beginning of period	333	353	178	386
Other changes in cash and cash equivalents	(1)	1	(1)	3
<b>Cash and cash equivalents at end of period</b>	<b>234</b>	<b>274</b>	<b>234</b>	<b>274</b>

2012 figures restated

## Segment and Region Data

### Key Data by Segment Second quarter

€ million	Performance Polymers		Advanced Intermediates		Performance Chemicals		Reconciliation		LANXESS	
	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013
External sales	1,427	1,178	399	393	585	561	13	9	2,424	2,141
Inter-segment sales	0	0	14	14	2	2	(16)	(16)	0	0
Segment/Group sales	1,427	1,178	413	407	587	563	(3)	(7)	2,424	2,141
Segment result/EBITDA pre exceptionals	257	94	79	74	78	67	(53)	(37)	361	198
EBITDA margin pre exceptionals (%)	18.0	8.0	19.8	18.8	13.3	11.9			14.9	9.2
EBITDA	256	94	79	78	63	34	(55)	(40)	343	166
EBIT pre exceptionals	207	29	62	55	57	45	(56)	(41)	270	88
EBIT	206	29	62	59	40	6	(58)	(44)	250	50
Segment capital expenditures	90	87	18	28	22	34	14	18	144	167
Depreciation and amortization	50	65	17	19	23	28	3	4	93	116

2012 figures restated

### Key Data by Segment First half

€ million	Performance Polymers		Advanced Intermediates		Performance Chemicals		Reconciliation		LANXESS	
	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013
External sales	2,818	2,312	828	826	1,143	1,081	23	17	4,812	4,236
Inter-segment sales	0	0	29	26	5	4	(34)	(30)	0	0
Segment/Group sales	2,818	2,312	857	852	1,148	1,085	(11)	(13)	4,812	4,236
Segment result/EBITDA pre exceptionals	512	206	149	145	161	118	(92)	(97)	730	372
EBITDA margin pre exceptionals (%)	18.2	8.9	18.0	17.6	14.1	10.9			15.2	8.8
EBITDA	510	206	149	149	146	84	(97)	(104)	708	335
EBIT pre exceptionals	414	81	116	109	119	75	(98)	(105)	551	160
EBIT	412	81	116	113	102	35	(103)	(112)	527	117
Segment capital expenditures	157	153	34	48	33	58	17	22	241	281
Depreciation and amortization	98	125	33	36	44	49	6	8	181	218
Employees as of June 30 (previous year: as of Dec. 31)	5,348	5,474	2,841	2,861	6,031	5,962	2,957	3,197	17,177	17,494

2012 figures restated

### Key Data by Region Second quarter

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013	Q2 2012	Q2 2013
Sales by market	650	624	396	362	439	357	331	276	608	522	2,424	2,141
Proportion of Group sales (%)	26.8	29.1	16.3	16.9	18.1	16.7	13.7	12.9	25.1	24.4	100.0	100.0

### Key Data by Region First half

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013
Sales by market	1,349	1,247	812	732	862	684	632	521	1,157	1,052	4,812	4,236
Proportion of Group sales (%)	28.0	29.4	16.9	17.3	17.9	16.2	13.2	12.3	24.0	24.8	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	3,442	3,487	8,072	8,120	1,553	1,595	1,626	1,622	2,484	2,670	17,177	17,494

# Notes to the Condensed Consolidated Interim Financial Statements

as of June 30, 2013

## Recognition and valuation principles

The unaudited, condensed consolidated interim financial statements as of June 30, 2013 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, 2013 were observed in preparing the interim financial statements.

Of the standards and interpretations applicable for the first time, the amendments to IAS 19 and the new IFRS 13 (which is applied prospectively), in particular, are relevant to the LANXESS Group. Further details are given under “Accounting for pension and other post-employment benefit obligations” and “Fair value measurement.” In accordance with the amendments to IAS 1, items of other comprehensive income are now segregated according to whether or not they may subsequently become reclassifiable to profit or loss, depending on whether certain conditions are met.

In compliance with IAS 34, the company opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2012, particularly with respect to the recognition and valuation principles applied.

Preparation of the consolidated interim financial statements requires that assumptions and estimates be made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods broadly consistent with those applied in the consolidated financial statements for 2012. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

The present interim financial statements do not contain any items that are considered unusual because of their nature, scope or frequency and have had a significant impact on the assets, liabilities, equity, results for the period or cash flows.

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

## Scope of consolidation

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

	EMEA (excl. Germany)	Germany	North America	Latin America	Asia-Pacific	Total
<b>Fully consolidated companies (incl. parent company)</b>						
Jan. 1, 2013	22	13	5	6	18	64
Additions					2	2
Changes in scope of consolidation	1					1
<b>June 30, 2013</b>	<b>23</b>	<b>13</b>	<b>5</b>	<b>6</b>	<b>20</b>	<b>67</b>
<b>Companies accounted for using the equity method</b>						
Jan. 1, 2013		1			2	3
Subtractions					(1)	(1)
<b>June 30, 2013</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>
<b>Non-consolidated companies</b>						
Jan. 1, 2013	2	2	1	3	1	9
Additions					1	1
Changes in scope of consolidation	(1)					(1)
<b>June 30, 2013</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>9</b>
<b>Total</b>						
Jan. 1, 2013	24	16	6	9	21	76
Additions	0	0	0	0	3	3
Subtractions	0	0	0	0	(1)	(1)
<b>June 30, 2013</b>	<b>24</b>	<b>16</b>	<b>6</b>	<b>9</b>	<b>23</b>	<b>78</b>

In addition, two special purpose entities in the EMEA region (excluding Germany) are included in the consolidated financial statements.

LANXESS acquired all of the shares of Singapore-based PCTS Specialty Chemicals Pte. Ltd. on April 5, 2013. First-time inclusion in the consolidated interim financial statements was effected from that date. The acquisition was funded from existing liquidity of the LANXESS Group. The company was assigned to the Material Protection Products business unit of the Performance Chemicals segment. With the acquisition, LANXESS is strengthening, in particular, its portfolio of biocides for paints and coatings.

The acquisition was accounted for as a business combination in accordance with IFRS 3. Thus, in allocating the purchase price, the acquiree's identifiable assets, liabilities and contingent liabilities were included at fair value. The purchase price allocation was carried out in light of the information available at and immediately after the date of acquisition. According to IFRS, it can be adjusted within one year after date of acquisition to reflect new information and findings.

The goodwill resulting from the acquisition reflects, in particular, additional sales opportunities to existing and new customers, primarily in the Asian market.

The following table shows the effects from the acquisition on the Group's financial position.

<b>Additions from Acquisition of PCTS</b>			
€ million	IFRS carrying amounts prior to first-time consolidation	Purchase price allocation	Carrying amounts upon first-time consolidation
Intangible assets	0	6	6
Property, plant and equipment	0	5	5
Other assets	7	0	7
<b>Total assets</b>	<b>7</b>	<b>11</b>	<b>18</b>
Non-current liabilities	0	1	1
Current liabilities	1	0	1
<b>Total liabilities</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Net acquired assets (excluding goodwill)</b>	<b>6</b>	<b>10</b>	<b>16</b>
<b>Acquisition costs</b>			<b>18</b>
<b>Acquired goodwill (provisional)</b>			<b>2</b>

The acquired activities did not materially impact Group sales or earnings, nor would they have done so if the business had already been consolidated from January 2013.

Tire Curing Bladders, LLC, Little Rock, United States, which was acquired last year, was consolidated for the first time as of March 14, 2012. In the twelve-month period following the acquisition date, there were no new findings or information requiring an adjustment of the provisional purchase price allocation. That allocation is therefore final. Likewise, as of June 30, 2013, it had not proven necessary to adjust the purchase price allocation for Bond-Laminates GmbH, Brilon, Germany, which was acquired on September 12, 2012. Details of these acquisitions and their effects on the LANXESS Group's consolidated statement of financial position are provided in the section entitled "Companies consolidated" in the notes to the consolidated financial statements as of December 31, 2012.

Due to the transfer of control to LANXESS AG, the investment in LANXESS-TSRC (Nantong) Chemical Industrial Co., Ltd., Nantong, China, was no longer accounted for using the equity method as of the first quarter of 2013. Instead, the company was fully consolidated for the first time. The transition to full consolidation had no effect on earnings. Within the context of the first-time full consolidation, the 50% equity attributable to non-controlling interests was included at its pro-rata share of the fair value of the fully consolidated company's net assets.

The company OOO LANXESS Lipetsk, Lipetsk, Russia, was also consolidated for the first time. This had no material impact on the LANXESS Group's financial position or results of operations.

### Accounting for pension and other post-employment benefit obligations

Since January 1, 2013, the LANXESS Group has been applying the revised version of IAS 19 that was published in June 2011. The revisions address the recognition and measurement of expenses for defined-benefit pension plans and termination benefits. In compliance with the respective financial reporting standards, the change in accounting has been applied retrospectively. There are also changes regarding the information required to be disclosed in the notes to the annual financial statements.

Since the option used so far by the LANXESS Group in accounting for actuarial gains and losses already corresponds to the future mandatory method, application of the revised version of IAS 19 does not significantly impact the financial position or results of operations.

The accounting change has the effect of increasing the provisions for pensions and other post-employment benefits and the other reserves as of December 31, 2012, by €1 million and €5 million, respectively, and diminishing net income for 2012 accordingly. It increases other reserves as of June 30, 2013 and June 30, 2012 by €3 million, with corresponding decreases in the respective first-half net incomes. The decline in net income was predominantly due to a higher negative balance of other financial income and expense, taking into account deferred taxes.

## Earnings per share

### Earnings per Share

	Q2 2012	Q2 2013	Change %	H1 2012	H1 2013	Change %
Net income (€ million)	174	9	(94.8)	366	34	(90.7)
Number of outstanding shares	83,202,670	83,202,670	0.0	83,202,670	83,202,670	0.0
<b>Earnings per share in € (undiluted/diluted)</b>	<b>2.09</b>	<b>0.11</b>	<b>(94.8)</b>	<b>4.40</b>	<b>0.41</b>	<b>(90.7)</b>

2012 figures restated

Earnings per share for the second quarter and first half of 2012 and 2013 were calculated on the basis of the number of shares outstanding as of the end of the respective reporting periods. They are derived solely from continuing operations. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2012.

### Payment of the dividend for fiscal 2012

Pursuant to the resolution of the Annual Stockholders' Meeting on May 23, 2013, the sum of €83 million out of the distributable profit of €96 million reported in the annual financial statements of LANXESS AG as of December 31, 2012 was paid out to the stockholders on May 24, 2013. The dividend per eligible no-par share was €1.00. The remaining amount of €13 million was carried forward to new account.

### Fair value measurement

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

#### Assets and Liabilities Measured at Fair Value

€ million	June 30, 2013		
	Level 1	Level 2	Level 3
Non-current assets			
Investments in other affiliated companies	5	–	–
Non-current derivative assets	–	16	–
Other non-current financial assets	–	1	–
Current assets			
Near-cash assets	97	–	–
Current derivative assets	–	23	–
Other current financial assets	1	–	–
Non-current liabilities			
Non-current derivative liabilities	–	(16)	–
Current liabilities			
Current derivative liabilities	–	(35)	–

The fair value hierarchy gives the highest priority (Level 1) to (unadjusted) quoted prices in active markets for identical assets or liabilities, the next highest priority (Level 2) to other directly or indirectly observable inputs, and the lowest priority (Level 3) to unobservable inputs.

The investments in other affiliated companies measured at fair value pertain to shares in the listed companies Gevo Inc., Englewood, United States, and BioAmber Inc., Minneapolis, United States. The item "Investments in other affiliated companies" in the statement of financial position also includes €9 million in non-listed equity instruments whose fair values at the end of the reporting period could not be reliably measured and which are therefore recognized at cost. There are currently no plans to dispose of these investments.

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

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

In the case of financial instruments accounted for using valuation principles other than fair value measurement, the fair value – where this can be reliably determined – is normally the carrying amount. An exception in this respect are the bonds, which have a carrying amount of €1,949 million and a fair value of €2,062 million.

Additional information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as of December 31, 2012.

### Notes to the segment reporting

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

#### Reconciliation of Segment Result

€ million	Q2 2012	Q2 2013	H1 2012	H1 2013
<b>Total of segment results</b>	<b>414</b>	<b>235</b>	<b>822</b>	<b>469</b>
Depreciation and amortization	(93)	(116)	(181)	(218)
Other/consolidation	(53)	(37)	(92)	(97)
Exceptional items in EBITDA	(18)	(32)	(22)	(37)
Net interest expense	(24)	(28)	(47)	(53)
Income from investments accounted for using the equity method	3	0	6	0
Other financial income and expense	(3)	(11)	(13)	(22)
<b>Income before income taxes</b>	<b>226</b>	<b>11</b>	<b>473</b>	<b>42</b>

2012 figures restated

There were no segment changes in the reporting period.



## Related parties

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

Transactions in the second quarter and first half of 2013 with associated companies accounted for in the consolidated financial statements using the equity method, or subsidiaries of such companies, mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €116 million (Q2 2012: €122 million) and €232 million (H1 2012: €241 million), respectively. Receivables of €3 million and liabilities of €129 million existed as of June 30, 2013 as a result of these transactions (December 31, 2012: €4 million and €67 million). Existing payment obligations to these companies under operating leases or under purchase agreements relating to planned or ongoing capital expenditure projects in the area of property, plant and equipment are immaterial.

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 2013.

## Changes to the Supervisory Board

On July 30, 2013, the Local Court of Cologne resolved a change to the LANXESS Supervisory Board in accordance with Section 104 of the German Stock Corporation Act. Claudia Nemat of Düsseldorf, Germany, was appointed as a stockholder representative on the Supervisory Board in place of former member Dr. Ulrich Middelmann.

## Employees

The LANXESS Group had 17,494 employees as of June 30, 2013, which was 317 more than on December 31, 2012 (17,177). The principal reasons for the increase were the Group's growth strategy and the first-time inclusion of the employees of LANXESS-TSRC (Nantong) Chemical Industrial Co., Ltd. in China, which has been fully consolidated since the first quarter of 2013.

The number of employees in the EMEA region (excluding Germany) rose by 45 to 3,487. Headcount in Germany came to 8,120, against 8,072 as of December 31, 2012. The workforce in North America increased by 42 to 1,595. In Latin America, headcount decreased slightly compared to December 31, 2012, from 1,626 to 1,622. The number of employees in the Asia-Pacific region advanced by 186 from 2,484 to 2,670. This was mainly due to the investment activities in those countries and the inclusion of the employees of LANXESS-TSRC.

# Responsibility Statement

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

Cologne, August 2, 2013

LANXESS Aktiengesellschaft, Cologne

The Board of Management

Dr. Axel C. Heitmann

Dr. Bernhard Düttmann

Dr. Werner Breuers

Dr. Rainier van Roessel

# Review Report

## To LANXESS Aktiengesellschaft, Cologne

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes – and the interim group management report of LANXESS Aktiengesellschaft, Cologne, for the period from January 1 to June 30, 2013, which are part of the half-year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can

preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Cologne, August 5, 2013

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Bernd Boritzki  
German Public Auditor

Carsten Manthei  
German Public Auditor

Financial Calendar 2013

**September 19**

LANXESS Analyst Roundtable

**November 12**

Interim Report Q3 2013

Please do not hesitate to contact us  
if you have any questions or comments.

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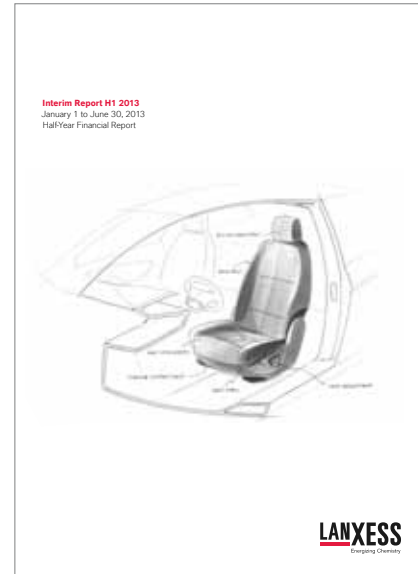
This Interim Report was published on August 6, 2013.

### LANXESS – Specialist for innovative lightweight construction solutions

Lightweight construction is an important trend and, especially in the automotive industry, a decisive aspect of the transformation that the sector must help to shape. Mobility in the future will need to become more sustainable and consume fewer resources than it does today. Lighter materials reduce vehicle weight – and lighter vehicles mean reduced fuel consumption and lower emissions.

Alongside outstanding products in the field of high-tech plastics, LANXESS offers the new X-Lite process for producing high-quality leather that weighs up to 20 percent less than standard materials and satisfies in particular the key demands of automotive and aircraft manufacturers for seat leather.

The numerous advantages of lightweight materials will continue to drive worldwide demand for components like these, opening up further growth opportunities for LANXESS.



### Disclaimer

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