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QUARTERLY STATEMENT
as of September 30, 2019

LANXESS Group Key Data

€ million	Q3 2018	Q3 2019	Change %	9M 2018	9M 2019	Change %
Sales	1,786	1,781	(0.3)	5,431	5,413	(0.3)
Gross profit	478	468	(2.1)	1,449	1,434	(1.0)
Gross profit margin	26.8%	26.3%		26.7%	26.5%	
EBITDA pre exceptionals ¹⁾	277	267	(3.6)	837	828	(1.1)
EBITDA margin pre exceptionals ¹⁾	15.5%	15.0%		15.4%	15.3%	
EBITDA ¹⁾	251	238	(5.2)	769	755	(1.8)
Operating result (EBIT) pre exceptionals ¹⁾	171	146	(14.6)	527	475	(9.9)
EBIT ¹⁾	146	117	(19.9)	459	399	(13.1)
EBIT margin ¹⁾	8.2%	6.6%		8.5%	7.4%	
Net income ²⁾	80	69	(13.8)	258	253	(1.9)
Earnings per share (€) ²⁾	0.88	0.79	(10.2)	2.82	2.85	1.1
Earnings per share adjusted for exceptional items and amortization of intangible assets (€) ^{2), 3)}	1.23	1.21	(1.6)	3.84	4.01	4.4
Cash flow from operating activities ²⁾	222	255	14.9	287	369	28.6
Depreciation and amortization	105	121 ⁶⁾	15.2	310 ⁶⁾	356 ⁶⁾	14.8
Cash outflows for capital expenditures	114	121	6.1	257	305	18.7
Total assets				8,687 ⁷⁾	8,835	1.7
Equity (including non-controlling interests)				2,773 ⁷⁾	2,780	0.3
Equity ratio ⁴⁾				31.9% ⁷⁾	31.5%	
Net financial liabilities ⁵⁾				1,923 ⁷⁾	2,487	29.3
Net financial liabilities after deduction of time deposits ⁵⁾				1,381 ⁷⁾	1,786	29.3
Employees (as of September 30)				15,441 ⁷⁾	15,504	0.4

1) EBIT: earnings before interest and taxes

EBIT pre exceptionals: EBIT disregarding exceptional charges and income

EBIT margin: EBIT in relation to sales

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

EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income

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

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

2) Prior-year figures from continuing operations.

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

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

4) Equity ratio: equity in relation to total assets

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

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

7) As of December 31, 2018,

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QUARTERLY STATEMENT as of September 30, 2019

- › Sales on a par with the previous year at €1,781 million in the third quarter after €1,786 million
- › Positive currency effects largely compensate volume and price decline in sales
- › EBITDA pre exceptionals at €267 million slightly below the prior-year quarter's €277 million
- › EBITDA margin pre exceptionals at 15.0% after 15.5% in the prior-year quarter
- › Earnings per share pre exceptionals and amortization of intangible assets stable at €1.21 after €1.23 in the previous year
- › Guidance for fiscal year 2019 unchanged: EBITDA pre exceptionals of between €1,000 million and €1,050 million

MATERIAL TRANSACTIONS

On August 6, 2019, LANXESS signed an agreement to sell its 40% stake in Currenta GmbH & Co. OHG, Leverkusen, Germany. Currenta operates the chemical parks in Leverkusen, Dormagen and Krefeld-Uerdingen (all Germany). As well as LANXESS, Bayer is also selling its 60% stake in Currenta. The buyers are investment funds managed by Macquarie Infrastructure and Real Assets (MIRA).

The transaction is still subject to the approval of the responsible authorities. We expect the sale of our share to be completed by the end of April 2020.

In connection with the sale, the 40% stake in Currenta held by LANXESS is valued at an equity value (enterprise value less net debt and pension liabilities) of approximately €780 million before income taxes, with an expected tax charge of around 20%. In addition, LANXESS receives a profit share until the completion of the sale.

In the LANXESS consolidated financial statements, the investment in Currenta continues to be recognized using the equity method. As in the previous periods, the carrying amount of the investment in Currenta was accordingly €0 million as of the reporting date.

We have also agreed service and supply contracts with MIRA for the three chemical parks in question, initially for ten years. This long-term contract package secures us reliable infrastructure at competitive conditions into the future, and the sale of the investment gives us additional financial flexibility.

BUSINESS PERFORMANCE

Sales

Sales of the LANXESS Group in the third quarter of 2019 amounted to €1,781 million, which was at the previous year's level. In the previous year, the quarter's sales amounted to €1,786 million. The effect of lower selling prices and sales volumes was almost compensated by the beneficial development in exchange rates.

Effects on Sales

%	Q3 2019	9M 2019
Price	(1.5)	(0.3)
Volume	(1.0)	(2.7)
Currency	2.2	2.6
Portfolio	0.0	0.1
	(0.3)	(0.3)

EBITDA and operating result (EBIT)

EBITDA Pre Exceptionals by Segment

€ million	Q3 2018	Q3 2019	Change %	9M 2018	9M 2019	Change %
Advanced Intermediates	87	89	2.3	286	310	8.4
Specialty Additives	93	97	4.3	265	269	1.5
Performance Chemicals	53	56	5.7	163	170	4.3
Engineering Materials	70	59	(15.7)	224	189	(15.6)
Reconciliation	(26)	(34)	(30.8)	(101)	(110)	(8.9)
	277	267	(3.6)	837	828	(1.1)

In a challenging economic environment, EBITDA pre exceptionals fell by €10 million, or 3.6%, to €267 million in the third quarter of 2019. Earnings were brought down in particular by weak demand from the automotive industry in the Specialty Additives and Engineering Materials segments as well as weak chrome ore business and lower sales volumes in South Africa in the Performance Chemicals segment. At Group level, this effect was partially compensated by the beneficial change in exchange rates, particularly of the U.S. dollar, and by the stability of the portfolio. The generally lower procurement prices for raw materials and energy were passed on to the market by adjusting selling prices. Due to higher freight costs and exchange rate effects, selling expenses rose by 5.9% to €214 million. Research and development expenses amounted to €31 million after €30 million in the prior-year period. General administration expenses decreased by €4 million to €68 million due partly to lower provisions for variable

compensation and lower costs of the former Chemtura businesses than in the previous year. The Group EBITDA margin pre exceptionals came in at 15.0%, against 15.5% in the prior-year quarter.

Depreciation, amortization and write-downs came to €122 million, and were €17 million, or 16.2%, above the figure for the prior-year quarter, which was primarily due to the changed lease accounting. On the other hand, reversals of write-downs totaling €1 million were recognized. Net negative exceptional items of €29 million, which impacted EBITDA and are included in other operating income and expenses, resulted from negative exceptional items of €30 million and positive exceptional items of €1 million. The exceptional items largely resulted from expenses relating to digitalization projects, the strategic realignment of the LANXESS Group and M&A activities. In the prior-year quarter, the operating result included net negative exceptional items totaling €25 million.

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q3 2018	Q3 2019	Change %	9M 2018	9M 2019	Change %
EBITDA pre exceptionals	277	267	(3.6)	837	828	(1.1)
Depreciation and amortization/reversals of impairment charges	(105)	(121)	(15.2)	(310)	(356)	(14.8)
Exceptional items in EBITDA	(26)	(29)	(11.5)	(68)	(73)	(7.4)
Operating result (EBIT)	146	117	(19.9)	459	399	(13.1)

Financial result

The financial result for the third quarter of 2019 was minus €21 million, compared with minus €28 million for the prior-year period. The net interest result was on a par with the previous year at minus €15 million. As in the prior-year period, companies accounted for using the equity method did not generate an earnings contribution. The improvement in the other financial result to minus €6 million, compared with minus €13 million for the prior-year period, resulted largely from an adjustment of the internal financing of subsidiaries and the associated currency hedging.

Income before income taxes

In the third quarter of 2019, income before income taxes amounted to €96 million, against €118 million for the prior-year period. The effective tax rate was 30.2%, compared with 32.2% for the prior-year quarter.

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

Net income for the reporting period came to €69 million. In the previous year, net income from continuing operations amounted to €80 million. Negative earnings of €2 million were attributable to non-controlling interests in the third quarter of 2019. In the prior-year period, earnings from continuing operations of €0 million were attributable to non-controlling interests.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares outstanding during the reporting period. Earnings per share amounted to €0.79, which was lower than the figure from continuing operations of €0.88 for the prior-year quarter. A total of 4,075,084 own shares were acquired as part of the stock repurchase in the first half of the year, which were withdrawn on July 9, 2019. The stock repurchase was taken into account pro rata temporis in the calculation of the average number of shares outstanding. In the reporting period, this results in a weighted average number of shares outstanding of 87,447,852 after 91,522,936 in the previous year.

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

Earnings per share pre exceptionals and amortization of intangible assets were €1.21 in the third quarter of 2019. In the prior-year period, earnings per share from continuing operations pre exceptionals and amortization of intangible assets had amounted to €1.23.

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

€ million	Q3 2018	Q3 2019	9M 2018	9M 2019
Net income¹⁾	80	69	258	253
Exceptional items ²⁾	25	29	68	76
Amortization of intangible assets/reversals of impairment charges ²⁾	20	22	61	64
Attributable tax effects ²⁾	(13)	(14)	(36)	(38)
Net income adjusted for exceptional items and amortization of intangible assets¹⁾	112	106	351	355
Weighted average number of shares outstanding	91,522,936	87,447,852	91,522,936	88,633,485
Earnings per share adjusted for exceptional items and amortization of intangible assets (€)¹⁾	1.23	1.21	3.84	4.01

1) Prior-year figures from continuing operations.

2) Excluding items attributable to non-controlling interests.

BUSINESS DEVELOPMENT BY REGION

Group sales in the third quarter of 2019 were on a par with the previous year at €1,781 million. In the previous year, the sales amounted to €1,786 million. Declines in Germany in particular and to a very small extent in the Latin America region were offset by the positive business performance of the other regions, especially Asia-Pacific.

Sales by Market

	Q3 2018		Q3 2019		Change	9M 2018		9M 2019		Change
	€ million	%	€ million	%		%	€ million	%	€ million	
EMEA (excluding Germany)	529	29.6	533	29.9	0.8	1,709	31.5	1,677	31.0	(1.9)
Germany	353	19.8	307	17.2	(13.0)	1,076	19.8	977	18.0	(9.2)
North America	388	21.7	399	22.4	2.8	1,146	21.1	1,204	22.2	5.1
Latin America	98	5.5	97	5.5	(1.0)	292	5.4	285	5.3	(2.4)
Asia-Pacific	418	23.4	445	25.0	6.5	1,208	22.2	1,270	23.5	5.1
	1,786	100.0	1,781	100.0	(0.3)	5,431	100.0	5,413	100.0	(0.3)

SEGMENT INFORMATION

Advanced Intermediates

	Q3 2018		Q3 2019		Change	9M 2018		9M 2019		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	534		549		2.8	1,645		1,696		3.1
EBITDA pre exceptionals	87	16.3	89	16.2	2.3	286	17.4	310	18.3	8.4
EBITDA	87	16.3	89	16.2	2.3	286	17.4	310	18.3	8.4
Operating result (EBIT) pre exceptionals	55	10.3	53	9.7	(3.6)	191	11.6	201	11.9	5.2
Operating result (EBIT)	55	10.3	53	9.7	(3.6)	191	11.6	201	11.9	5.2
Cash outflows for capital expenditures	39		38		(2.6)	92		96		4.3
Depreciation and amortization	32		36		12.5	95		109		14.7
Employees as of September 30 (previous year: as of Dec. 31)	3,687		3,709		0.6	3,687		3,709		0.6

Our **Advanced Intermediates** segment recorded sales of €549 million in the third quarter of 2019, 2.8%, or €15 million, higher than the prior-year level. Higher volumes drove sales by 4.5%. This was primarily attributable to developments in the Saltigo business unit, which achieved both higher sales volumes and higher selling prices due to particularly well developed project business. Selling prices in the Advanced Industrial Intermediates business unit were below the previous year's level due to lower raw material prices. Overall, there was a negative price effect on sales of 3.2% at segment level. Shifts in exchange rates had a positive effect on both business units and increased the segment's sales by 1.5% in total. While higher sales were achieved in the EMEA (excluding Germany) and North America regions, the segment posted lower sales in the other regions than in the prior-year quarter.

EBITDA pre exceptionals in the Advanced Intermediates segment amounted to €89 million, up by 2.3% from €87 million in the previous year. Good project business and thus higher sales volumes in the Saltigo business unit had a positive effect on earnings. In the Advanced Industrial Intermediates business unit, the positive effect of lower procurement prices for raw materials and energy was countered by lower selling prices. In the Saltigo business unit, higher procurement prices for raw materials and energy were passed on to the market via higher selling prices. At segment level, the changes in raw material, energy and selling prices balanced each other out. Earnings were improved by advantageous currency effects. The EBITDA margin pre exceptionals was stable at 16.2%, against 16.3% in the prior-year quarter.

Specialty Additives

	Q3 2018		Q3 2019		Change	9M 2018		9M 2019		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	502		503		0.2	1,510		1,494		(1.1)
EBITDA pre exceptionals	93	18.5	97	19.3	4.3	265	17.5	269	18.0	1.5
EBITDA	85	16.9	92	18.3	8.2	255	16.9	260	17.4	2.0
Operating result (EBIT) pre exceptionals	58	11.6	57	11.3	(1.7)	165	10.9	154	10.3	(6.7)
Operating result (EBIT)	51	10.2	52	10.3	2.0	156	10.3	143	9.6	(8.3)
Cash outflows for capital expenditures	32		29		(9.4)	76		73		(3.9)
Depreciation and amortization	34		40 ¹⁾		17.6	99 ¹⁾		117 ¹⁾		18.2
Employees as of September 30 (previous year: as of Dec. 31)	2,953		2,947		(0.2)	2,953		2,947		(0.2)

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

Our **Specialty Additives** segment posted sales of €503 million in the third quarter of 2019, similar to the prior-year level. The volume decline, which reduced sales in the segment by 3.0%, was slightly more than compensated by the positive development of exchange rates. While sales volumes in the Polymer Additives business unit exceeded the previous year's level, volumes declined in the Lubricant Additives business unit due among other things to the termination of unfavorable customer contracts. In addition, sales were reduced in the Lubricant Additives Business and Rhein Chemie business units by the persistently weak demand from the automotive industry. Compared with the prior-year quarter, selling prices were slightly higher in the Polymer Additives and Rhein Chemie business units and, because lower procurement prices for raw materials were passed on, slightly lower in the Lubricant Additives business unit. Overall, this resulted in a balanced development of selling prices at segment level. Segment sales were increased in the Asia-Pacific region. In the EMEA (excluding Deutschland) and North and Latin America regions, the segment recorded lower sales than in the prior-year quarter.

EBITDA pre exceptionals for the Specialty Additives segment was €97 million, €4 million, or 4.3%, above the prior-year level. Lower sales volumes in the Lubricant Additives Business and Rhein Chemie business units, partly due to weak demand from the automotive industry, had a negative impact on earnings. In contrast, earnings were increased by advantageous exchange rate effects, especially a stronger U.S. dollar. The improvement in earnings was also due to good development of the Polymer Additives business unit and the realization of cost synergies from the integration of Chemtura. The change in procurement prices for raw materials and energy was offset by an adjustment of selling prices. The EBITDA margin pre exceptionals of 19.3% was above the figure of 18.5% posted in the previous year.

The segment recorded negative exceptional items of €5 million in the third quarter, which impacted EBITDA. In the previous year, net negative exceptional items of €7 million were incurred in the operating result. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Performance Chemicals

	Q3 2018		Q3 2019		Change	9M 2018		9M 2019		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	334		354		6.0	1,026		1,057		3.0
EBITDA pre exceptionals	53	15.9	56	15.8	5.7	163	15.9	170	16.1	4.3
EBITDA	53	15.9	55	15.5	3.8	162	15.8	164	15.5	1.2
Operating result (EBIT) pre exceptionals	34	10.2	34	9.6	0.0	106	10.3	106	10.0	0.0
Operating result (EBIT)	34	10.2	33	9.3	(2.9)	105	10.2	100	9.5	(4.8)
Cash outflows for capital expenditures	17		18		5.9	44		48		9.1
Depreciation and amortization	19		22		15.8	57		64		12.3
Employees as of September 30 (previous year: as of Dec. 31)	3,786		3,640		(3.9)	3,786		3,640		(3.9)

Sales in our **Performance Chemicals** segment amounted to €354 million, 6.0% higher than the prior-year level. Higher sales volumes, especially in the Liquid Purification Technologies and Material Protection Products business units, had a positive effect on sales and resulted in sales growth of 3.0% at segment level. Only the Leather business unit posted a sales decline due to persistently weak demand from the automotive industry and lower sales volumes in South Africa. Currency developments

had a positive effect on sales in all business units. Overall, there was a positive impact of 2.4% at segment level. Compared with the prior-year quarter, selling prices were higher in the Liquid Purification Technologies and Material Protection Products business units and lower in the Leather business unit. Overall, this had a slightly positive effect on sales at segment level. With the exception of Germany, the segment reported higher sales than in the prior-year quarter across all regions.

EBITDA pre exceptionals in the Performance Chemicals segment increased by €3 million, or 5.7%, to €56 million, compared with the prior-year level of €53 million. The improvement in earnings in the Liquid Purification Technologies and Material Protection Products business units was more than offset by the earnings decline in the chrome ore business in the Leather business unit. In addition, the change in exchange rates had a

positive effect on earnings. At segment level, the changes in raw material and energy prices and in selling prices nearly balanced each other out. The EBITDA margin pre exceptionals was stable at 15.8%, against 15.9% in the prior-year period.

The segment recorded negative exceptional items of €1 million in the third quarter, which impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Engineering Materials

	Q3 2018		Q3 2019		Change %	9M 2018		9M 2019		Change %
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	394		353		(10.4)	1,185		1,100		(7.2)
EBITDA pre exceptionals	70	17.8	59	16.7	(15.7)	224	18.9	189	17.2	(15.6)
EBITDA	70	17.8	59	16.7	(15.7)	224	18.9	189	17.2	(15.6)
Operating result (EBIT) pre exceptionals	55	14.0	43	12.2	(21.8)	180	15.2	141	12.8	(21.7)
Operating result (EBIT)	55	14.0	43	12.2	(21.8)	179	15.1	141	12.8	(21.2)
Cash outflows for capital expenditures	15		22		46.7	30		53		76.7
Depreciation and amortization	15		16		6.7	45		48		6.7
Employees as of September 30 (previous year: as of Dec. 31)	2,105		2,212		5.1	2,105		2,212		5.1

Sales in our **Engineering Materials** segment fell by 10.4% year on year in the third quarter of 2019 to €353 million. Lower sales volumes contributed 9.4% to the decline in sales, with this development being particularly attributable to the High Performance Materials business unit with weak demand from the automotive industry. In addition, the selling prices of both of the segment's business units were below the previous year's level due to lower raw material prices. Overall, there was a negative price effect on sales of 2.5% at segment level. In contrast, the change in exchange rates had a positive influence in both business units and increased

the segment's sales by 1.5%. While higher sales were achieved in the Asia-Pacific and Latin America regions, the segment posted lower sales in the other regions.

EBITDA pre exceptionals in the Engineering Materials segment fell by €11 million, or 15.7%, to €59 million. In particular, the weak demand from the automotive industry led to a decline in earnings driven by volumes. Lower raw material and energy prices were largely passed on to the market by adjusting selling prices. The EBITDA margin pre exceptionals of 16.7% was below the figure of 17.8% posted in the prior-year quarter.

Reconciliation

€ million	Q3 2018	Q3 2019	Change %	9M 2018	9M 2019	Change %
Sales	22	22	0.0	65	66	1.5
EBITDA pre exceptionals	(26)	(34)	(30.8)	(101)	(110)	(8.9)
EBITDA	(44)	(57)	(29.5)	(158)	(168)	(6.3)
Operating result (EBIT) pre exceptionals	(31)	(41)	(32.3)	(115)	(127)	(10.4)
Operating result (EBIT)	(49)	(64)	(30.6)	(172)	(186)	(8.1)
Cash outflows for capital expenditures	11	14	27.3	15	35	> 100
Depreciation and amortization	5	7	40.0	14	18	28.6
Employees as of September 30 (previous year: as of Dec. 31)	2,910	2,996	3.0	2,910	2,996	3.0

EBITDA pre exceptionals for the reconciliation came to minus €34 million, compared with minus €26 million in the prior-year quarter. This change was mainly due to results from hedging currency risks. In the third quarter, net negative exceptional items of €23 million were incurred, which fully impacted EBITDA. The exceptional items resulted from negative exceptional items of €24 million and positive exceptional items of €1 million. In the prior-year period, there were net negative exceptional items of €18 million, which fully impacted EBITDA. Please see “Notes on EBIT and EBITDA (Pre Exceptionals)” for details.

NOTES ON EBIT AND EBITDA (PRE EXCEPTIONALS)

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

Reconciliation to EBIT/EBITDA

€ million	EBIT Q3 2018	EBIT Q3 2019	EBITDA Q3 2018	EBITDA Q3 2019	EBIT 9M 2018	EBIT 9M 2019	EBITDA 9M 2018	EBITDA 9M 2019
EBIT/EBITDA pre exceptionals	171	146	277	267	527	475	837	828
Advanced Intermediates	0	0	0	0	0	0	0	0
Specialty Additives	(7)	(5)	(8)	(5)	(9)	(11)	(10)	(9)
Strategic realignment	(3)	(5)	(4)	(5)	(6)	(12)	(6)	(10)
Adjustment of the production network	(4)	0	(4)	0	(3)	1	(4)	1
Performance Chemicals	0	(1)	0	(1)	(1)	(6)	(1)	(6)
Strategic realignment	0	(1)	0	(1)	0	(1)	0	(1)
Adjustment of the production network	0	0	0	0	(1)	(5)	(1)	(5)
Engineering Materials	0	0	0	0	(1)	0	0	0
Strategic realignment	0	0	0	0	(1)	0	0	0
Reconciliation	(18)	(23)	(18)	(23)	(57)	(59)	(57)	(58)
Strategic realignment	(2)	(2)	(2)	(2)	(17)	(3)	(17)	(3)
Digitalization, M&A expenses and other	(16)	(21)	(16)	(21)	(40)	(56)	(40)	(55)
Total exceptional items	(25)	(29)	(26)	(29)	(68)	(76)	(68)	(73)
EBIT/EBITDA	146	117	251	238	459	399	769	755

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

EBIT pre exceptionals and **EBITDA pre exceptionals** are EBIT and EBITDA before exceptional items. The latter are effects that, by nature or extent, have a significant impact on the earnings position, but for which inclusion in the evaluation of business performance over several reporting periods does not seem to be appropriate. Exceptional items may include write-downs, reversals of impairment charges or the proceeds from the disposal of assets, certain IT expenses, restructuring expenses and income from the reversal of provisions established in this connection, and reductions in earnings resulting from portfolio adjustments or purchase price allocations. Grants and subsidies

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

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

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

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Structure of the statement of financial position

As of September 30, 2019, the LANXESS Group's total assets stood at €8,835 million, up €148 million, or 1.7%, from €8,687 million on December 31, 2018. The equity ratio came to 31.5% in the third quarter of 2019, down slightly on the figure of 31.9% on December 31, 2018.

Financial position

Changes in the statement of cash flows

In the first nine months of 2019, there was a net cash inflow of €369 million from operating activities, against €287 million in the prior-year period. Based on income before income taxes of €354 million after €376 million in the previous year, non-cash amortization and depreciation net of reversals of impairment charges amounted to €356 million, which was €46 million higher than the figure of €310 million in the prior-year period due primarily to changed lease accounting. The income taxes paid increased to €154 million in the reporting period after €93 million in the prior-year period. The change in net working capital resulted in a net cash outflow of €154 million, compared with €282 million in the prior-year period.

There was a €435 million net cash outflow from investing activities in the first nine months of 2019, compared with €308 million in the same period a year ago. The net cash outflow in the reporting period resulted in particular from cash outflows for purchases of intangible assets and property, plant and equipment of €305 million, compared with €257 million in the prior-year period, and cash outflows for financial assets in connection with the investment of the financial resources received at the end of the previous year from the sale of the 50% interest in ARLANXEO. In the prior-year period, there had also been a cash outflow of €54 million for the acquisition of the production site in Charleston, U.S., where the U.S. phosphorus additives business of the Belgian chemicals group Solvay had been acquired. Since June 1, 2019, this business has been part of the new Polymer Additives business unit.

Net cash used for financing activities came to €395 million in the reporting period, compared with a cash outflow of €149 million in the first nine months of 2018. The cash outflow in the reporting period was primarily due to payments for stock repurchases, the repayment of borrowings, and the dividend payment to LANXESS shareholders.

Financing and liquidity

Net financial liabilities totaled €2,487 million as of September 30, 2019, compared with €1,923 million as of December 31, 2018. After deducting time deposits and securities

available for sale, net financial liabilities as of September 30, 2019, amounted to €1,786 million, compared with €1,381 million as of December 31, 2018. €200 million of the increase in net financial liabilities as of September 30, 2019, resulted from the buyback of own shares, along with the dividend payment to LANXESS shareholders in the amount of €79 million in the first half of 2019. In addition, financial liabilities increased due to the changed lease accounting.

Net Financial Liabilities

€ million	Dec. 31, 2018	Sep. 30, 2019
Non-current financial liabilities	2,686	2,781
Current financial liabilities	59	74
Less:		
Liabilities for accrued interest	(25)	(30)
Cash and cash equivalents	(797)	(338)
Net financial liabilities	1,923	2,487
Less time deposits and securities available for sale	(542)	(701)
Net financial liabilities after deduction of time deposits and securities available for sale	1,381	1,786

Provisions for pensions and other post-employment benefits totaled €1,242 million as of September 30, 2019, compared with €1,083 million as of December 31, 2018. The increase resulted primarily from a decline in the discount rates, especially in Germany.

Significant capital expenditure projects

The High Performance Materials business unit, which is part of the Engineering Materials segment, officially opened its new plant at the site in Changzhou, China, on September 25, 2019. The compounding facility will produce high-performance plastics of the Durethan and Pocan brands for the automotive sector and the electrical and electronics industry. In September, the High Performance Materials business unit also commissioned two new production lines in Brilon, Germany, for its continuous fiber-reinforced thermoplastic composite with the brand name Tepex.

OUTLOOK

The political and economic environment continued to worsen in the reporting period. However, we do not expect this to have a significant impact on our annual forecast.

For fiscal year 2019, we continue to expect EBITDA pre exceptionals of between €1,000 million and €1,050 million and thus stable earnings.

FINANCIAL DATA

as of September 30, 2019

STATEMENT OF FINANCIAL POSITION LANXESS GROUP

€ million	Dec. 31, 2018	Sep. 30, 2019
ASSETS		
Intangible assets	1,764	1,811
Property, plant and equipment	2,577	2,765
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	2	2
Non-current derivative assets	0	0
Other non-current financial assets	25	26
Non-current income tax receivables	14	14
Deferred taxes	287	324
Other non-current assets	117	125
Non-current assets	4,786	5,067
Inventories	1,347	1,423
Trade receivables	903	905
Cash and cash equivalents	797	338
Current derivative assets	4	11
Other current financial assets	598	771
Current income tax receivables	55	127
Other current assets	197	193
Current assets	3,901	3,768
Total assets	8,687	8,835
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves	1,391	1,440
Net income	431	253
Other equity components	(359)	(218)
Equity attributable to non-controlling interests	(7)	(12)
Equity	2,773	2,780
Provisions for pensions and other post-employment benefits	1,083	1,242
Other non-current provisions	337	338
Non-current derivative liabilities	3	6
Other non-current financial liabilities	2,686	2,781
Non-current income tax liabilities	117	124
Other non-current liabilities	80	73
Deferred taxes	89	97
Non-current liabilities	4,395	4,661
Other current provisions	465	433
Trade payables	795	689
Current derivative liabilities	25	27
Other current financial liabilities	59	74
Current income tax liabilities	44	45
Other current liabilities	131	126
Current liabilities	1,519	1,394
Total equity and liabilities	8,687	8,835

INCOME STATEMENT

LANXESS GROUP

€ million	Q3 2018	Q3 2019	9M 2018	9M 2019
Sales	1,786	1,781	5,431	5,413
Cost of sales	(1,308)	(1,313)	(3,982)	(3,979)
Gross profit	478	468	1,449	1,434
Selling expenses	(202)	(214)	(613)	(658)
Research and development expenses	(30)	(31)	(88)	(90)
General administration expenses	(72)	(68)	(218)	(203)
Other operating income	21	16	74	66
Other operating expenses	(49)	(54)	(145)	(150)
Operating result (EBIT)	146	117	459	399
Income from investments accounted for using the equity method	0	0	0	0
Interest income	1	2	4	5
Interest expense	(16)	(17)	(54)	(49)
Other financial income and expense	(13)	(6)	(33)	(1)
Financial result	(28)	(21)	(83)	(45)
Income before income taxes	118	96	376	354
Income taxes	(38)	(29)	(119)	(106)
Income after income taxes from continuing operations	80	67	257	248
Income after income taxes from discontinued operations	52	0	140	0
Income after income taxes	132	67	397	248
of which attributable to non-controlling interests	22	(2)	65	(5)
of which attributable to LANXESS AG stockholders [net income]	110	69	332	253
Earnings per share (undiluted/diluted) (€)				
from continuing operations	0.88	0.79	2.82	2.85
from discontinued operations	0.32	0.00	0.81	0.00
from continuing and discontinued operations	1.20	0.79	3.63	2.85

STATEMENT OF COMPREHENSIVE INCOME LANXESS GROUP

€ million	Q3 2018	Q3 2019	9M 2018	9M 2019
Income after income taxes	132	67	397	248
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	120	(63)	33	(153)
Income taxes	(36)	20	(8)	50
	84	(43)	25	(103)
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	(18)	120	(25)	148
Financial instruments fair value measurement	(7)	(18)	(41)	(21)
Financial instruments cost of hedging	5	0	(38)	11
Income taxes	2	6	24	3
	(18)	108	(80)	141
Other comprehensive income, net of income tax	66	65	(55)	38
Total comprehensive income	198	132	342	286
of which attributable to non-controlling interests	27	(2)	42	(5)
of which attributable to LANXESS AG stockholders	171	134	300	291

STATEMENT OF CHANGES IN EQUITY LANXESS GROUP

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components			Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments				
						Fair value measurement	Cost of hedging			
Dec. 31, 2017	91	1,226	1,381	87	(509)	16	(5)	2,287	1,126	3,413
Allocations to retained earnings			87	(87)				0		0
Change in accounting policies			(11)			1		(10)	(7)	(17)
Jan. 1, 2018	91	1,226	1,457	0	(509)	17	(5)	2,277	1,119	3,396
Dividend payments			(73)					(73)	(41)	(114)
Total comprehensive income			14	332	(8)	(23)	(15)	300	42	342
Income after income taxes				332				332	65	397
Other comprehensive income, net of income tax			14		(8)	(23)	(15)	(32)	(23)	(55)
Sep. 30, 2018	91	1,226	1,398	332	(517)	(6)	(20)	2,504	1,120	3,624
Dec. 31, 2018	91	1,226	1,391	431	(345)	(8)	(6)	2,780	(7)	2,773
Allocations to retained earnings			431	(431)				0		0
Acquisition of own shares	(4)	4	(200)					(200)		(200)
Dividend payments			(79)					(79)		(79)
Total comprehensive income			(103)	253	148	(14)	7	291	(5)	286
Income after income taxes				253				253	(5)	248
Other comprehensive income, net of income tax			(103)		148	(14)	7	38		38
Sep. 30, 2019	87	1,230	1,440	253	(197)	(22)	1	2,792	(12)	2,780

STATEMENT OF CASH FLOWS

LANXESS GROUP

€ million	Q3 2018	Q3 2019	9M 2018	9M 2019
Income before income taxes	118	96	376	354
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	105	121	310	356
Gains/losses on disposals of intangible assets and property, plant and equipment	(1)	1	(1)	0
Financial losses (gains)	15	16	40	24
Income taxes paid	(32)	(40)	(93)	(154)
Changes in inventories	(67)	(11)	(151)	(53)
Changes in trade receivables	23	32	(120)	14
Changes in trade payables	35	(26)	(11)	(115)
Changes in other assets and liabilities	26	66	(63)	(57)
Net cash provided by operating activities – continuing operations	222	255	287	369
Net cash provided by/used in operating activities – discontinued operations	13	-	(17)	-
Net cash provided by operating activities – total	235	255	270	369
Cash outflows for purchases of intangible assets and property, plant and equipment	(114)	(121)	(257)	(305)
Cash inflows from sales of intangible assets and property, plant and equipment	2	1	3	5
Cash outflows for financial assets	(1)	(23)	(1)	(241)
Cash inflows from financial assets	(1)	20	-	82
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(1)	-	(66)	-
Interest and dividends received	1	1	13	24
Net cash used in investing activities – continuing operations	(114)	(122)	(308)	(435)
Net cash used in investing activities – discontinued operations	(35)	-	(89)	-
Net cash used in investing activities – total	(149)	(122)	(397)	(435)
Proceeds from borrowings	1	-	627	4
Repayments of borrowings	(112)	(22)	(646)	(77)
Interest paid and other financial disbursements	(2)	(3)	(56)	(43)
Dividend payments	-	-	(74)	(79)
Cash outflows for the acquisition of own shares	-	-	-	(200)
Net cash used in financing activities – continuing operations	(113)	(25)	(149)	(395)
Net cash used in financing activities – discontinued operations	(11)	-	(49)	-
Net cash used in financing activities – total	(124)	(25)	(198)	(395)
Change in cash and cash equivalents from continuing operations	(5)	108	(170)	(461)
Change in cash and cash equivalents from discontinued operations	(33)	-	(155)	-
Change in cash and cash equivalents – total	(38)	108	(325)	(461)
Cash and cash equivalents at beginning of period – total	245	229	538	797
Exchange differences and other changes in cash and cash equivalents – total	(2)	1	(8)	2
Cash and cash equivalents at end of period – total	205	338	205	338
of which continuing operations	131	338	131	338
of which discontinued operations	74	-	74	-

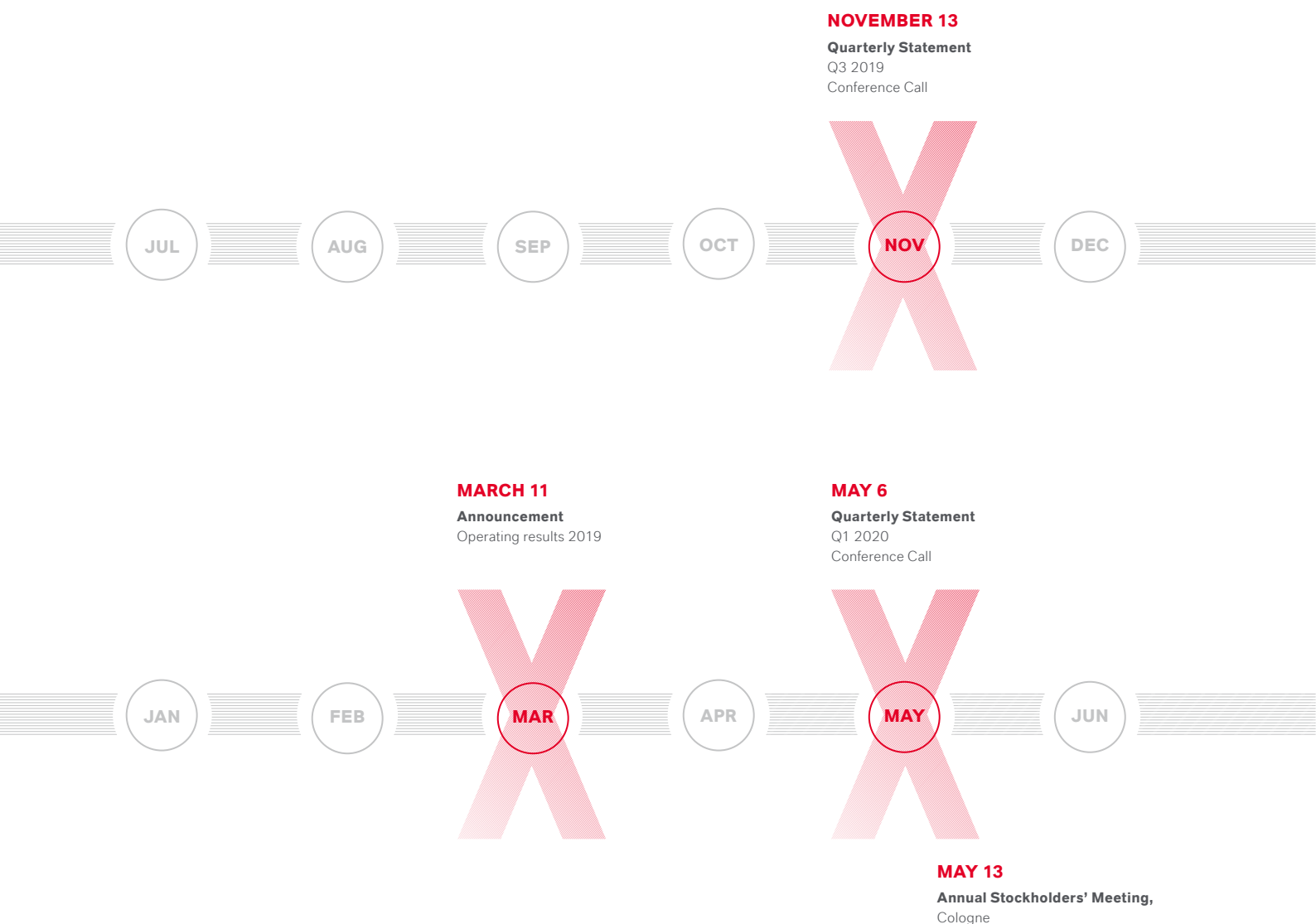
BUSINESS UNIT KEY DATA

€ million	Advanced Intermediates		Specialty Additives		Performance Chemicals		Engineering Materials		Reconciliation		LANXESS	
	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019
External sales	534	549	502	503	334	354	394	353	22	22	1,786	1,781
Inter-segment sales	14	14	2	3	0	0	0	0	(16)	(17)	0	0
Segment/Group sales	548	563	504	506	334	354	394	353	6	5	1,786	1,781
Segment result/ EBITDA pre exceptionals	87	89	93	97	53	56	70	59	(26)	(34)	277	267
EBITDA margin pre exceptionals (%)	16.3	16.2	18.5	19.3	15.9	15.8	17.8	16.7			15.5	15.0
EBITDA	87	89	85	92	53	55	70	59	(44)	(57)	251	238
EBIT pre exceptionals	55	53	58	57	34	34	55	43	(31)	(41)	171	146
EBIT	55	53	51	52	34	33	55	43	(49)	(64)	146	117
Segment capital expenditures	42	41	34	31	16	19	15	25	11	20	118	136
Depreciation and amortization/reversals of impairment charges	32	36	34	40	19	22	15	16	5	7	105	121

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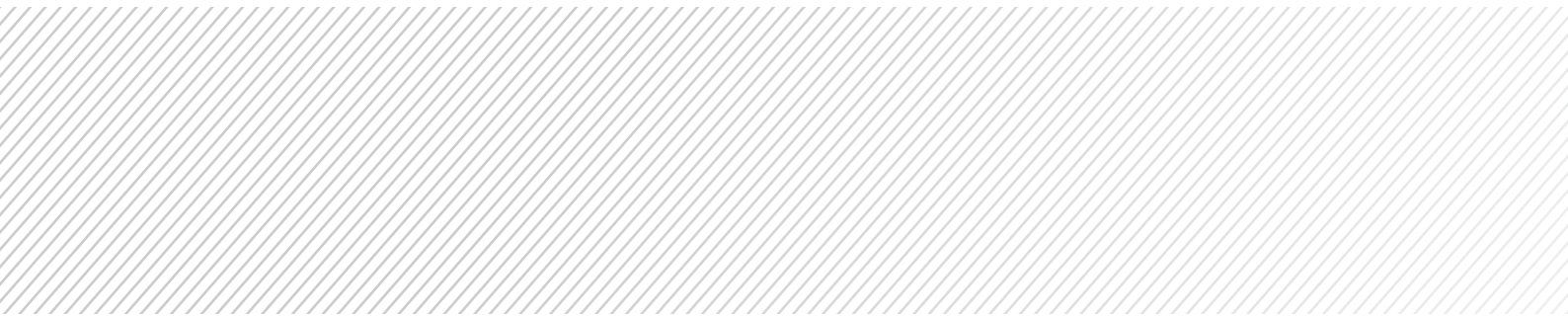
English edition:
 EVS Translation GmbH,
 Offenbach, Germany

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Date of publication:
 November 13, 2019



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