

Quarterly Statement as of
September 30, 2018

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LANXESS Group Key Data

€ million	Q3 2017	Q3 2018	Change %	9M 2017	9M 2018	Change %
Sales	1,710	1,786	4.4	4,895	5,431	10.9
Gross profit	471	478	1.5	1,339	1,449	8.2
Gross profit margin	27.5%	26.8%		27.4%	26.7%	
EBITDA pre exceptionals ¹⁾	273	277	1.5	746	837	12.2
EBITDA margin pre exceptionals ¹⁾	16.0%	15.5%		15.2%	15.4%	
EBITDA ¹⁾	241	251	4.1	562	769	36.8
Operating result (EBIT) pre exceptionals ¹⁾	174	171	(1.7)	486	527	8.4
EBIT ¹⁾	113	146	29.2	259	459	77.2
EBIT margin ¹⁾	6.6%	8.2%		5.3%	8.5%	
Net income	55	110	100.0	136	332	> 100
from continuing operations	55	80	45.5	109	258	> 100
from discontinued operations	0	30	> 100	27	74	> 100
Earnings per share (€)	0.60	1.20	100.0	1.49	3.63	> 100
from continuing operations	0.60	0.88	45.5	1.19	2.82	> 100
from discontinued operations	0	0.32	> 100	0.30	0.81	> 100
Earnings per share adjusted for exceptional items and amortization of intangible assets (€) ²⁾	1.15	1.59	38.3	3.70	4.69	26.8
from continuing operations	1.15	1.23	7.0	3.41	3.84	12.6
from discontinued operations	0	0.36	> 100	0.29	0.85	> 100
Cash flow from operating activities	227	222	(2.2)	293	287	(2.0)
Depreciation and amortization ³⁾	128	105	(18.0)	303	310	2.3
Cash outflows for capital expenditures	86	114	32.6	203	257	26.6
Total assets				10,411 ⁶⁾	10,545	1.3
Equity (including non-controlling interests)				3,413 ⁶⁾	3,626	6.2
Equity ratio ⁴⁾				32.8% ⁶⁾	34.4%	
Net financial liabilities ⁵⁾				2,252 ⁶⁾	2,514	11.6
Employees (as of September 30)				19,029 ⁶⁾	19,227 ⁷⁾	1.0

1) EBIT: earnings before interest and taxes.

EBIT pre exceptionals: EBIT disregarding exceptional charges and income.

EBIT margin: EBIT in relation to sales.

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

EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income.

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

See "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

2) Earnings per share adjusted for exceptional items and amortization of intangible assets: earnings per share disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects. See "Net income/earnings per share/earnings per share pre exceptional items and amortization of intangible assets" for details.

3) The figures for the first nine months include reversals of write-downs of €1 million each.

4) Equity ratio: equity in relation to total assets.

5) Sum of current and non-current financial liabilities (adjusted for liabilities for accrued interest) less cash, cash equivalents and near-cash assets. See "Statement of Financial Position and Financial Condition" for details.

6) Previous year as of December 31, 2017.

7) Number of employees from continuing operations amounts to 15,430 as of September 30, 2018.

QUARTERLY STATEMENT

as of September 30, 2018

- › LANXESS agrees to sell its remaining 50% stake in ARLANXEO to Saudi Aramco
- › Sales up on prior-year quarter, rising by 4.4% to €1,786 million
- › Rise in raw material costs successfully passed on; price increase results in a sales increase of 3.6%
- › EBITDA pre exceptionals increased by 1.5% to €277 million in the third quarter
- › EBITDA margin pre exceptionals at 15.5%, after 16.0% in the prior-year quarter
- › Net income and earnings per share increased significantly in the third quarter; prior year with high exceptional charges
- › Earnings per share from continuing operations pre exceptionals and amortization of intangible assets increased from €1.15 to €1.23
- › Guidance for fiscal year 2018 confirmed: Increase in EBITDA pre exceptionals at the upper end of the 5% to 10% range compared to around €925 million in 2017

STRATEGIC ALIGNMENT AND REPORTING FOCUS

On August 8, 2018, LANXESS agreed to sell its 50% stake in ARLANXEO to Saudi Aramco. At the same time, the responsible employee representatives were consulted or informed. The transaction is still subject to the approval of the responsible antitrust authorities. The companies involved assume that the transaction will be closed by the end of 2018. LANXESS plans to use the proceeds from the transaction to strengthen its financial base and reduce its net financial liabilities.

EBITDA and operating result (EBIT)

EBITDA Pre Exceptionals by Segment

€ million	Q3 2017	Q3 2018	Change %	9M 2017	9M 2018	Change %
Advanced Intermediates	87	87	0.0	275	286	4.0
Specialty Additives	77	93	20.8	196	265	35.2
Performance Chemicals	65	53	(18.5)	204	163	(20.1)
Engineering Materials	64	70	9.4	184	224	21.7
Reconciliation	(20)	(26)	(30.0)	(113)	(101)	10.6
	273	277	1.5	746	837	12.2

Since April 1, 2018, ARLANXEO has been reported as discontinued operations in accordance with IFRS 5. We pool continuing operations without ARLANXEO, which is the focus of our reporting, under New LANXESS. While the statement of financial position was not adjusted for reporting dates before April 1, 2018, previous periods were adjusted in the income statement and earnings from discontinued operations shown in one row. As part of the accounting in accordance with IFRS 5, the intangible assets and property, plant and equipment of ARLANXEO are not subject to any further scheduled depreciation and amortization and are accounted for at the lower of their carrying amount as of April 1, 2018, and fair value less the costs of disposal. In the disclosures below, we generally do not state that prior-year figures have been adjusted in this context.

BUSINESS PERFORMANCE

Sales

Sales of the LANXESS Group in the third quarter of 2018 amounted to €1,786 million, up €76 million or 4.4% against the same period a year ago. This performance was mainly influenced by an adjustment of selling prices driven by raw material prices. In addition, higher sales volumes to some extent and the contribution of the U.S. phosphorus additives business acquired from the Belgian chemicals group Solvay in February had a positive effect on sales.

Effects on Sales

%	Q3 2018	9M 2018
Price	3.6	4.4
Volume	0.5	0.2
Currency	0.0	(2.9)
Portfolio	0.3	9.2
	4.4	10.9

EBITDA pre exceptionals rose in the third quarter of 2018 by €4 million, or 1.5%, to €277 million. Higher procurement prices for raw materials and energy were passed on to the market by adjusting selling prices. The positive overall earnings performance at Group level primarily benefited from the operating strength of the Specialty Additives and Engineering Materials segments. The earnings of Specialty Additives were significantly improved by the integration of Chemtura. In contrast, earnings in the Performance Chemicals segment were diminished by the weak chrome ore business and lower sales volumes due to strikes in South Africa. Mainly due to higher freight rates, selling expenses rose by €8 million to €202 million. Research and development costs amounted to €30 million, compared to €29 million in the prior-year period, while general administration expenses decreased by €9 million to €72 million due primarily to the reclassification of proceeds and equally high costs in connection with administrative services for ARLANXEO to other operating income and expenses. The EBITDA margin pre exceptionals decreased from 16.0% to 15.5%.

Depreciation, amortization and write-downs came to €105 million, which was €23 million, or 18.0%, below the figure for the prior-year quarter. The prior-year figure included the write-downs relating to the planned discontinuation of production at the Ankerweg site in Amsterdam, Netherlands. Write-downs recognized in the reporting period accounted for €1 million of the total. Other operating income included negative exceptional items of €26 million, which impacted EBITDA and were attributable among other things to expenses in connection with the strategic realignment of the LANXESS Group. In total, there were net negative exceptional items of €25 million. In the prior-year quarter, negative exceptional items amounted to €61 million, of which €32 million affected EBITDA and €29 million of which did not, and were primarily attributable to expenses in connection with the consolidation of the production of lubricant precursors and the planned discontinuation of production at the Ankerweg site in Amsterdam, Netherlands.

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q3 2017	Q3 2018	Change %	9M 2017	9M 2018	Change %
EBITDA pre exceptionals	273	277	1.5	746	837	12.2
Depreciation and amortization/reversals of impairment charges	(128)	(105)	18.0	(303)	(310)	(2.3)
Exceptional items in EBITDA	(32)	(26)	18.8	(184)	(68)	63.0
Operating result (EBIT)	113	146	29.2	259	459	77.2

Financial result

The financial result for the third quarter of 2018 was minus €28 million, compared with minus €33 million for the prior-year period. Due to the refinancing of a bond that matured in May 2018 on more favorable terms, net interest result improved by €4 million compared with the prior-year quarter to minus €15 million. As in the prior-year period, companies accounted for using the equity method did not generate an earnings contribution. The other financial result was minus €13 million, compared with minus €14 million in the prior-year quarter.

Income before income taxes

In the third quarter of 2018, income before income taxes amounted to €118 million, against €80 million for the prior-year period. The effective tax rate was 32.2%, compared to 33.8% for the prior-year quarter.

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

Net income for the reporting period amounted to €110 million, of which €80 million was attributable to continuing operations. The net income for the prior-year period of €55 million was allocated almost in its entirety to net income from continuing operations. The previous year was particularly influenced by non-recurring items in connection with the planned discontinuation of production at the Ankerweg site in Amsterdam, Netherlands. In the third quarter of 2018, earnings attributable to non-controlling interests amounted to €22 million and resulted almost exclusively from Saudi Aramco's interest in ARLANXEO.

Earnings per share amounted to €1.20, which was higher than the figure for the prior-year quarter of €0.60.

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 €1.59 in the third quarter of 2018, compared with €1.15 for the prior-year period.

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

€ million	Q3 2017	Q3 2018	9M 2017	9M 2018
Net income	55	110	136	332
Exceptional items ¹⁾	60	28	224	73
Amortization of intangible assets/reversals of impairment charges ¹⁾	24	21	51	62
Attributable tax effects ¹⁾	(33)	(14)	(72)	(38)
Net income adjusted for exceptional items and amortization of intangible assets	106	145	339	429
Number of shares outstanding	91,522,936	91,522,936	91,522,936	91,522,936
Earnings per share adjusted for exceptional items and amortization of intangible assets (€)	1.15	1.59	3.70	4.69

1) Excluding items attributable to non-controlling interests.

Earnings per share from continuing operations pre exceptionals and amortization of intangible assets were €1.23 in the third quarter of 2018, compared with €1.15 for the prior-year period.

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

€ million	Q3 2017	Q3 2018	9M 2017	9M 2018
Net income from continuing operations	55	80	109	258
Exceptional items ¹⁾	60	25	226	68
Amortization of intangible assets/reversals of impairment charges ¹⁾	23	20	49	61
Attributable tax effects ¹⁾	(33)	(13)	(72)	(36)
Net income from continuing operations adjusted for exceptional items and amortization of intangible assets	105	112	312	351
Number of shares outstanding	91,522,936	91,522,936	91,522,936	91,522,936
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	1.15	1.23	3.41	3.84

1) Excluding items attributable to non-controlling interests.

BUSINESS DEVELOPMENT BY REGION

Sales of the LANXESS Group in the third quarter of 2018, at €1,786 million, increased by €76 million, or 4.4%, compared with the prior-year level of €1,710 million. The increase was attributable in particular to positive development in Germany and North America.

Sales by Market

	Q3 2017		Q3 2018		Change	9M 2017		9M 2018		Change
	€ million	%	€ million	%		%	€ million	%	€ million	
EMEA (excluding Germany)	520	30.4	529	29.6	1.7	1,544	31.5	1,709	31.5	10.7
Germany	321	18.8	353	19.8	10.0	958	19.6	1,076	19.8	12.3
North America	359	21.0	388	21.7	8.1	962	19.6	1,146	21.1	19.1
Latin America	101	5.9	98	5.5	(3.0)	311	6.4	292	5.4	(6.1)
Asia-Pacific	409	23.9	418	23.4	2.2	1,120	22.9	1,208	22.2	7.9
	1,710	100.0	1,786	100.0	4.4	4,895	100.0	5,431	100.0	10.9

SEGMENT INFORMATION

Advanced Intermediates

	Q3 2017		Q3 2018		Change	9M 2017		9M 2018		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	481		534		11.0	1,505		1,645		9.3
EBITDA pre exceptionals	87	18.1	87	16.3	0.0	275	18.3	286	17.4	4.0
EBITDA	87	18.1	87	16.3	0.0	272	18.1	286	17.4	5.1
Operating result (EBIT) pre exceptionals	55	11.4	55	10.3	0.0	188	12.5	191	11.6	1.6
Operating result (EBIT)	55	11.4	55	10.3	0.0	185	12.3	191	11.6	3.2
Cash outflows for capital expenditures	35		39		11.4	84		92		9.5
Depreciation and amortization	32		32		0.0	87 ¹⁾		95		9.2
Employees as of September 30 (previous year: as of Dec. 31)	3,661		3,724		1.7	3,661		3,724		1.7

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

Our **Advanced Intermediates** segment recorded sales of €534 million in the third quarter of 2018, 11.0%, or €53 million, higher than the prior-year level. Higher volumes raised sales by 6.2%. This was especially due to developments in the Advanced Industrial Intermediates business unit. Sales volumes in the Saltigo business unit were level with the prior-year quarter as a result of continued weak demand from the agricultural industry. In both of the segment's business units, higher selling prices were realized than in the prior-year quarter and led to a 4.8% increase in sales overall. With the exception of EMEA excluding Germany, the segment reported higher sales than in the prior-year quarter across all regions.

EBITDA pre exceptionals in the Advanced Intermediates segment matched the prior-year level at €87 million. Higher sales volumes in the Advanced Industrial Intermediates business unit had a positive effect on earnings. In addition, the business unit passed on increases in procurement prices for raw materials and energy to customers by adjusting selling prices. Continued weak demand from the agricultural industry in the Saltigo business unit had a negative impact on earnings compared to the previous year. Earnings were improved by marginally advantageous currency effects. The EBITDA margin pre exceptionals decreased from 18.1% to 16.3%.

Specialty Additives

	Q3 2017		Q3 2018		Change	9M 2017		9M 2018		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	480		502		4.6	1,160		1,510		30.2
EBITDA pre exceptionals	77	16.0	93	18.5	20.8	196	16.9	265	17.5	35.2
EBITDA	60	12.5	85	16.9	41.7	128	11.0	255	16.9	99.2
Operating result (EBIT) pre exceptionals	46	9.6	58	11.6	26.1	133	11.5	165	10.9	24.1
Operating result (EBIT)	0	0.0	51	10.2	> 100	30	2.6	156	10.3	> 100
Cash outflows for capital expenditures	20		32		60.0	43		76		76.7
Depreciation and amortization	60		34		(43.3)	98		99 ¹⁾		1.0
Employees as of September 30 (previous year: as of Dec. 31)	2,936		2,971		1.2	2,936		2,971		1.2

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

Our **Specialty Additives** segment posted sales of €502 million in the third quarter of 2018, 4.6%, or €22 million, higher than in the prior-year quarter. The positive contribution of the U.S. phosphorus additives business acquired from the Belgian chemicals group Solvay in the first quarter had a 2.9% effect on sales. Higher selling prices also added 2.7% to the rise in sales, with contributions from both business units. Volumes in both business units were below the level of the prior-year quarter and reduced sales by 0.6%. While higher sales were achieved in EMEA and North America, the segment posted lower sales in the other regions.

EBITDA pre exceptionals for the Specialty Additives segment was €93 million, €16 million, or 20.8%, above the prior-year level. Higher procurement prices for raw materials and energy were passed on to customers by adjusting selling prices. The improve-

ment in earnings was also due to the realization of cost synergies from the integration of Chemtura, the earnings contribution from the phosphorus additives business newly acquired from Solvay, and slightly advantageous currency effects. Lower volumes resulted in a decline in earnings. The EBITDA margin pre exceptionals of 18.5% was above the figure of 16.0% posted in the previous year.

The segment recorded negative exceptional items of €8 million in the third quarter, which impacted EBITDA. In total, there were net negative exceptional items of €7 million. In the previous year, negative exceptional items of €46 million were incurred, of which €17 million fully impacted EBITDA and €29 million did not impact EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Performance Chemicals

	Q3 2017		Q3 2018		Change	9M 2017		9M 2018		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	365		334		(8.5)	1,100		1,026		(6.7)
EBITDA pre exceptionals	65	17.8	53	15.9	(18.5)	204	18.5	163	15.9	(20.1)
EBITDA	65	17.8	53	15.9	(18.5)	140	12.7	162	15.8	15.7
Operating result (EBIT) pre exceptionals	46	12.6	34	10.2	(26.1)	147	13.4	106	10.3	(27.9)
Operating result (EBIT)	46	12.6	34	10.2	(26.1)	77	7.0	105	10.2	36.4
Cash outflows for capital expenditures	15		17		13.3	41		44		7.3
Depreciation and amortization	19		19		0.0	63		57		(9.5)
Employees as of September 30 (previous year: as of Dec. 31)	3,880		3,801		(2.0)	3,880		3,801		(2.0)

Sales in our **Performance Chemicals** segment amounted to €334 million, 8.5% below the strong prior-year figure. In particular due to the shutdown of production of the Leather business unit in Argentina at the end of 2017 and strikes in South Africa, sales decreased by 7.9% as a result of volumes. Only the Material Protection Products business unit recorded higher volumes, thus

countering the negative effect on sales of 2.5% from the disposal of the subsidiary International Dioxide Inc., North Kingstown, U.S., in the previous year. Selling prices were higher than in the prior-year quarter in nearly all business units, resulting in a positive effect of 1.6% on sales at segment level. All regions reported lower sales.

EBITDA pre exceptionals in the Performance Chemicals segment decreased by €12 million, or 18.5%, to €53 million, compared with the prior-year level of €65 million. Earnings were diminished by the weak chrome business in the Leather business unit and lower sales volumes in the construction industry supplied by the Inorganic Pigments business unit. The change in exchange rates, particularly

the Argentinian, Brazilian and South African currencies, had a positive impact. In contrast, the sale of the subsidiary International Dioxide Inc., North Kingstown, U.S., in the previous year diminished earnings. The EBITDA margin pre exceptionals decreased from 17.8% to 15.9%.

Engineering Materials

	Q3 2017		Q3 2018		Change	9M 2017		9M 2018		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	350		394		12.6	1,026		1,185		15.5
EBITDA pre exceptionals	64	18.3	70	17.8	9.4	184	17.9	224	18.9	21.7
EBITDA	64	18.3	70	17.8	9.4	172	16.8	224	18.9	30.2
Operating result (EBIT) pre exceptionals	50	14.3	55	14.0	10.0	145	14.1	180	15.2	24.1
Operating result (EBIT)	50	14.3	55	14.0	10.0	132	12.9	179	15.1	35.6
Cash outflows for capital expenditures	11		15		36.4	26		30		15.4
Depreciation and amortization	14		15		7.1	40		45		12.5
Employees as of September 30 (previous year: as of Dec. 31)	1,976		2,066		4.6	1,976		2,066		4.6

Sales in our **Engineering Materials** segment increased by 12.6% year on year in the third quarter of 2018 to €394 million. Increased volumes and higher selling prices added 6.6% and 5.7% respectively to the rise in sales, contributed by the High Performance Materials business unit in particular. Sales in all regions were above prior-year levels.

EBITDA pre exceptionals in the Engineering Materials segment rose by €6 million, or 9.4%, to €70 million. Higher procurement prices for raw materials and energy were passed on to customers by adjusting selling prices. The change in exchange rates had no impact on earnings. The EBITDA margin pre exceptionals of 17.8% was below the figure of 18.3% posted in the prior-year quarter.

Reconciliation

€ million	Q3 2017	Q3 2018	Change %	9M 2017	9M 2018	Change %
Sales	34	22	(35.3)	104	65	(37.5)
EBITDA pre exceptionals	(20)	(26)	(30.0)	(113)	(101)	10.6
EBITDA	(35)	(44)	(25.7)	(150)	(158)	(5.3)
Operating result (EBIT) pre exceptionals	(23)	(31)	(34.8)	(127)	(115)	9.4
Operating result (EBIT)	(38)	(49)	(28.9)	(165)	(172)	(4.2)
Cash outflows for capital expenditures	5	11	> 100	9	15	66.7
Depreciation and amortization	3	5	66.7	15	14	(6.7)
Employees as of September 30 (previous year: as of Dec. 31)	2,830	2,868	1.3	2,830	2,868	1.3

EBITDA pre exceptionals for the reconciliation came to minus €26 million, compared with minus €20 million in the prior-year quarter. This change is mainly due to results from hedging currency risks. In the third quarter, negative exceptional items amounted to €18 million, which fully impacted EBITDA. Negative exceptional items in the prior-year period amounted to €15 million. 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 2017	EBIT Q3 2018	EBITDA Q3 2017	EBITDA Q3 2018	EBIT 9M 2017	EBIT 9M 2018	EBITDA 9M 2017	EBITDA 9M 2018
EBIT/EBITDA pre exceptionals	174	171	273	277	486	527	746	837
Advanced Intermediates	0	0	0	0	(3)	0	(3)	0
Strategic realignment	0	0	0	0	(3)	0	(3)	0
Specialty Additives	(46)	(7)	(17)	(8)	(103)	(9)	(68)	(10)
Strategic realignment ¹⁾	(2)	(3)	(1)	(4)	(59)	(6)	(52)	(6)
Optimization of the production network ²⁾	(44)	(4)	(16)	(4)	(44)	(3)	(16)	(4)
Performance Chemicals	0	0	0	0	(70)	(1)	(64)	(1)
Optimization of the production network	0	0	0	0	(70)	(1)	(64)	(1)
Engineering Materials	0	0	0	0	(13)	(1)	(12)	0
Strategic realignment ¹⁾	0	0	0	0	(13)	(1)	(12)	0
Reconciliation	(15)	(18)	(15)	(18)	(38)	(57)	(37)	(57)
Strategic realignment ³⁾	(10)	(2)	(10)	(2)	(27)	(17)	(27)	(17)
Other	(5)	(16)	(5)	(16)	(11)	(40)	(10)	(40)
Total exceptional items	(61)	(25)	(32)	(26)	(227)	(68)	(184)	(68)
EBIT/EBITDA	113	146	241	251	259	459	562	769

1) The exceptional items in the first nine months of 2017 essentially related to the purchase price allocation and integration of Chemtura.

2) The exceptional items in fiscal year 2017 essentially related to the consolidation of the production of lubricant precursors and the planned discontinuation of production at the Ankerweg site in Amsterdam, Netherlands.

3) The exceptional items resulted with €4 million from the third quarter of 2017 and with €7 million from the first nine months of 2017 from the integration of Chemtura.

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

EBIT pre exceptionals and **EBITDA pre exceptionals** are EBIT and EBITDA before exceptional items. The latter are effects 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, 2018, the LANXESS Group had total assets of €10,545 million, up €134 million, or 1.3%, from €10,411 million on December 31, 2017. The equity ratio rose in the third quarter to 34.4%, after 32.8% on December 31, 2017.

Financial position

Changes in the statement of cash flows

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

In the first nine months of 2018, there was a net cash inflow of €287 million from operating activities, against €293 million in the prior-year period. Based on income before income taxes of €376 million, after €209 million in the previous year, non-cash amortization and depreciation net of reversals of impairment charges amounted to €310 million, €7 million higher than in the prior-year period. The income taxes paid decreased to €93 million in the reporting period after €121 million in the prior-year period. The increase in net working capital resulted in a net cash outflow of €282 million, compared with €190 million in the prior-year period. This increase resulted primarily from increased raw material prices.

There was a €308 million net cash outflow from investing activities in the first nine months of 2018, compared with a €233 million net cash inflow in the same period a year ago. The net cash outflow in the reporting period particularly resulted from cash outflows for purchases of intangible assets and property, plant and equipment of €257 million, compared with €203 million in the prior-year period. In addition, there was a cash outflow of €54 million for the acquisition of the production site in Charleston, U.S., where the Additives business unit had acquired the U.S. phosphorus additives business from the Belgian chemicals group Solvay in the first quarter of 2018.

Net cash used for financing activities came to €149 million in the reporting period, compared with €526 million in the first nine months of 2017. The cash outflow in the reporting period was primarily due to interest and dividend payments and other financial disbursements. Borrowing and the repayment of borrowings resulted in net cash outflows of €19 million, after €404 million in the prior-year period.

Financing and liquidity

Net financial liabilities totaled €2,514 million as of September 30, 2018, compared with €2,252 million as of December 31, 2017. The increase in net financial liabilities as of September 30, 2018, was largely the result of the reclassification of the assets and liabilities attributable to ARLANXEO to the items "Assets from discontinued operations" and "Liabilities directly attributable to assets from discontinued operations." A dividend payment of €73 million was made to LANXESS shareholders in the second quarter.

Net Financial Liabilities

€ million	Dec. 31, 2017	Sep. 30, 2018
Non-current financial liabilities	2,242	2,684
Current financial liabilities	633	42
Less:		
Liabilities for accrued interest	(35)	(31)
Cash and cash equivalents	(538)	(131)
Near-cash assets	(50)	(50)
Net financial liabilities	2,252	2,514

Provisions for pensions and other post-employment benefits totaled €1,247 million as of September 30, 2018, compared with €1,490 million as of December 31, 2017. The decrease resulted primarily from the reclassification of the provisions attributable to ARLANXEO.

OUTLOOK

The political and economic environment deteriorated slightly in the reporting period. However, this has no significant impact on our annual forecast.

As in the Annual Report 2017, our earnings forecast relates to New LANXESS. ARLANXEO has been reported as discontinued operations in accordance with IFRS 5 since April 1, 2018. Accordingly, both the reported and forecast EBITDA pre exceptionals for the LANXESS Group reported in the reporting periods contain no EBITDA contributions from ARLANXEO.

Compared with the EBITDA pre exceptionals of 2017 of around €925 million, we continue to expect an earnings increase at the upper end of a 5% to 10% range for the current fiscal year.

FINANCIAL DATA

as of September 30, 2018

STATEMENT OF FINANCIAL POSITION LANXESS GROUP

€ million	Dec. 31, 2017	Sep. 30, 2018
ASSETS		
Intangible assets	1,784	1,737
Property, plant and equipment	4,059	2,448
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	9	1
Non-current derivative assets	7	3
Other non-current financial assets	20	25
Non-current income tax receivables	20	14
Deferred taxes	442	316
Other non-current assets	113	107
Non-current assets	6,454	4,651
Inventories	1,680	1,348
Trade receivables	1,316	920
Cash and cash equivalents	538	131
Near-cash assets	50	50
Current derivative assets	45	7
Other current financial assets	7	50
Current income tax receivables	47	9
Other current assets	274	221
Assets held under discontinued operations	–	3,158
Current assets	3,957	5,894
Total assets	10,411	10,545
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves	1,381	1,400
Net income	87	332
Other equity components	(498)	(543)
Equity attributable to non-controlling interests	1,126	1,120
Equity	3,413	3,626
Provisions for pensions and other post-employment benefits	1,490	1,247
Other non-current provisions	460	367
Non-current derivative liabilities	2	4
Other non-current financial liabilities	2,242	2,684
Non-current income tax liabilities	134	102
Other non-current liabilities	99	83
Deferred taxes	113	114
Non-current liabilities	4,540	4,601
Other current provisions	525	421
Trade payables	1,048	733
Current derivative liabilities	12	22
Other current financial liabilities	633	42
Current income tax liabilities	61	51
Other current liabilities	179	146
Liabilities directly related to assets from discontinued operations	–	903
Current liabilities	2,458	2,318
Total equity and liabilities	10,411	10,545

INCOME STATEMENT

LANXESS GROUP

€ million	Q3 2017	Q3 2018	9M 2017	9M 2018
Sales	1,710	1,786	4,895	5,431
Cost of sales	(1,239)	(1,308)	(3,556)	(3,982)
Gross profit	471	478	1,339	1,449
Selling expenses	(194)	(202)	(554)	(613)
Research and development expenses	(29)	(30)	(81)	(88)
General administration expenses	(81)	(72)	(222)	(218)
Other operating income	35	21	116	74
Other operating expenses	(89)	(49)	(339)	(145)
Operating result (EBIT)	113	146	259	459
Income from investments accounted for using the equity method	0	0	0	0
Interest income	2	1	7	4
Interest expense	(21)	(16)	(68)	(54)
Other financial income and expense	(14)	(13)	11	(33)
Financial result	(33)	(28)	(50)	(83)
Income before income taxes	80	118	209	376
Income taxes	(27)	(38)	(101)	(119)
Income after income taxes from continuing operations	53	80	108	257
Income after income taxes from discontinued operations	3	52	65	140
Income after income taxes	56	132	173	397
of which attributable to non-controlling interests	1	22	37	65
of which attributable to LANXESS AG stockholders [net income]	55	110	136	332
Earnings per share (undiluted/diluted) (€)				
from continuing operations	0.60	0.88	1.19	2.82
from discontinued operations	0.00	0.32	0.30	0.81
from continuing and discontinued operations	0.60	1.20	1.49	3.63

STATEMENT OF COMPREHENSIVE INCOME LANXESS GROUP

€ million	Q3 2017	Q3 2018	9M 2017	9M 2018
Income after income taxes	56	132	173	397
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(97)	120	(69)	33
Income taxes	32	(36)	23	(8)
	(65)	84	(46)	25
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	(89)	(18)	(341)	(25)
Financial instruments	11	(2)	43	(79)
Income taxes	(3)	2	(12)	24
	(81)	(18)	(310)	(80)
Other comprehensive income, net of income tax	(146)	66	(356)	(55)
Total comprehensive income	(90)	198	(183)	342
of which attributable to non-controlling interests	(19)	27	(42)	42
of which attributable to LANXESS AG stockholders	(71)	171	(141)	300

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			
Dec. 31, 2016	91	1,226	1,257	192	(199)	(15)	2,552	1,176	3,728
Allocations to retained earnings			192	(192)			0		0
Transactions with owners			4				4	14	18
Dividend payments			(64)				(64)	(3)	(67)
Total comprehensive income			(23)	136	(280)	26	(141)	(42)	(183)
Income after income taxes				136			136	37	173
Other comprehensive income, net of income tax			(23)		(280)	26	(277)	(79)	(356)
Sep. 30, 2017	91	1,226	1,366	136	(479)	11	2,351	1,145	3,496
Dec. 31, 2017	91	1,226	1,381	87	(509)	11	2,287	1,126	3,413
Allocations to retained earnings			87	(87)			0		0
Change in accounting policies			(9)			1	(8)	(7)	(15)
Jan. 1, 2018	91	1,226	1,459	0	(509)	12	2,279	1,119	3,398
Dividend payments			(73)				(73)	(41)	(114)
Total comprehensive income			14	332	(8)	(38)	300	42	342
Income after income taxes				332			332	65	397
Other comprehensive income, net of income tax			14		(8)	(38)	(32)	(23)	(55)
Sep. 30, 2018	91	1,226	1,400	332	(517)	(26)	2,506	1,120	3,626

STATEMENT OF CASH FLOWS

LANXESS GROUP

€ million	Q3 2017	Q3 2018	9M 2017	9M 2018
Income before income taxes	80	118	209	376
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	128	105	303	310
Gains/losses on disposals of intangible assets and property, plant and equipment	–	(1)	–	(1)
Income from investments accounted for using the equity method	0	0	0	0
Financial losses (gains)	19	15	16	40
Income taxes paid	(51)	(32)	(121)	(93)
Changes in inventories	(20)	(67)	1	(151)
Changes in trade receivables	(7)	23	(120)	(120)
Changes in trade payables	(8)	35	(71)	(11)
Changes in other assets and liabilities	86	26	76	(63)
Net cash provided by operating activities – continuing operations	227	222	293	287
Net cash (used in) provided by operating activities – discontinued operations	142	13	242	(17)
Net cash provided by operating activities – total	369	235	535	270
Cash outflows for purchases of intangible assets and property, plant and equipment	(86)	(114)	(203)	(257)
Cash inflows from sales of intangible assets and property, plant and equipment	–	2	1	3
Cash outflows for financial assets	–	(1)	(110)	(1)
Cash inflows from financial assets	–	(1)	2,276	–
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	–	(1)	(1,782)	(66)
Interest and dividends received	3	1	51	13
Net cash (used in) provided by investing activities – continuing operations	(83)	(114)	233	(308)
Net cash used in investing activities – discontinued operations	(36)	(35)	(78)	(89)
Net cash (used in) provided by investing activities – total	(119)	(149)	155	(397)
Proceeds from borrowings	21	1	105	627
Repayments of borrowings	(499)	(112)	(509)	(646)
Interest paid and other financial disbursements	(13)	(2)	(58)	(56)
Dividend payments	–	–	(64)	(74)
Net cash used in financing activities – continuing operations	(491)	(113)	(526)	(149)
Net cash provided by (used in) financing activities – discontinued operations	7	(11)	25	(49)
Net cash used in financing activities – total	(484)	(124)	(501)	(198)
Change in cash and cash equivalents from continuing operations	(347)	(5)	0	(170)
Change in cash and cash equivalents from discontinued operations	113	(33)	189	(155)
Change in cash and cash equivalents – total	(234)	(38)	189	(325)
Cash and cash equivalents at beginning of period – total	759	245	355	538
Exchange differences and other changes in cash and cash equivalents – total	11	(2)	(8)	(8)
Cash and cash equivalents at end of period – total	536	205	536	205
of which continuing operations	289	131	289	131
of which discontinued operations	247	74	247	74

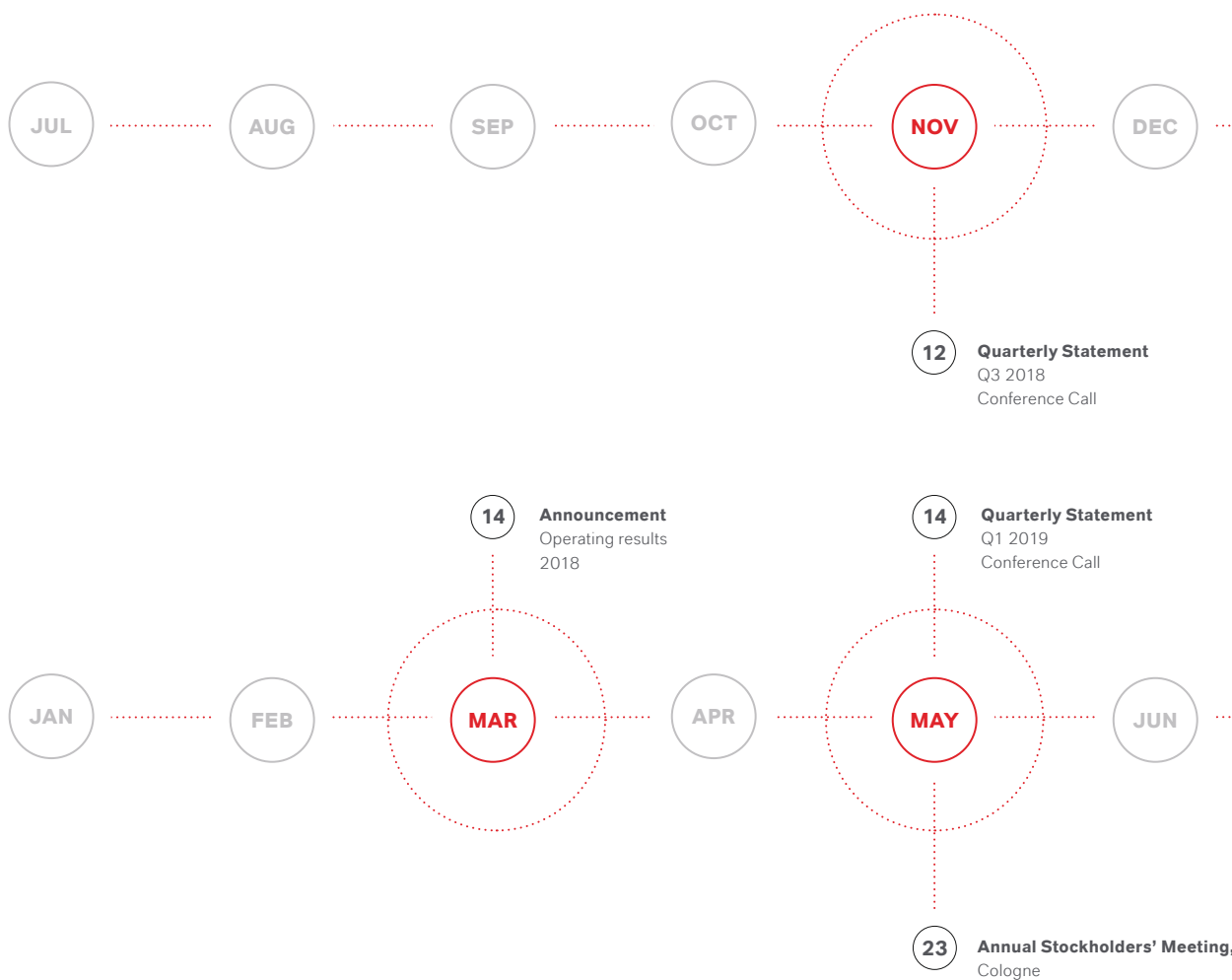
BUSINESS UNIT KEY DATA

€ million	Advanced Intermediates		Specialty Additives		Performance Chemicals		Engineering Materials		Reconciliation		LANXESS	
	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018
External sales	481	534	480	502	365	334	350	394	34	22	1,710	1,786
Inter-segment sales	15	14	3	2	1	0	0	0	(19)	(16)	0	0
Segment/Group sales	496	548	483	504	366	334	350	394	15	6	1,710	1,786
Segment result/ EBITDA pre exceptionals	87	87	77	93	65	53	64	70	(20)	(26)	273	277
EBITDA margin pre exceptionals (%)	18.1	16.3	16.0	18.5	17.8	15.9	18.3	17.8			16.0	15.5
EBITDA	87	87	60	85	65	53	64	70	(35)	(44)	241	251
EBIT pre exceptionals	55	55	46	58	46	34	50	55	(23)	(31)	174	171
EBIT	55	55	0	51	46	34	50	55	(38)	(49)	113	146
Segment capital expenditures	36	42	20	34	15	16	11	15	6	11	88	118
Depreciation and amortization	32	32	60	34	19	19	14	15	3	5	128	105

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