

2020

**QUARTERLY
STATEMENT**

as of September 30, 2020

LANXESS Group Key Data

€ million	Q3 2019	Q3 2020	Change %	9M 2019	9M 2020	Change %
Sales	1,704	1,461	(14.3)	5,166	4,601	(10.9)
Gross profit	452	350	(22.6)	1,376	1,179	(14.3)
Gross profit margin	26.5%	24.0%		26.6%	25.6%	
EBITDA pre exceptionals ¹⁾	269	193	(28.3)	822	662	(19.5)
EBITDA margin pre exceptionals ¹⁾	15.8%	13.2%		15.9%	14.4%	
EBITDA ¹⁾	240	170	(29.2)	750	587	(21.7)
EBIT pre exceptionals ¹⁾	153	76	(50.3)	482	312	(35.3)
EBIT ¹⁾	124	53	(57.3)	407	218	(46.4)
EBIT margin ¹⁾	7.3%	3.6%		7.9%	4.7%	
Net income	69	26	(62.3)	253	888	> 100
from continuing operations	79	25	(68.4)	262	891	> 100
from discontinued operations	(10)	1	> 100	(9)	(3)	66.7
Weighted average number of shares outstanding	87,447,852	86,346,303	(1.3)	88,633,485	86,668,937	(2.2)
Earnings per share (€)	0.79	0.30	(62.0)	2.85	10.25	> 100
from continuing operations	0.90	0.29	(67.8)	2.96	10.28	> 100
from discontinued operations	(0.11)	0.01	> 100	(0.11)	(0.03)	66.7
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€) ²⁾	1.32	0.66	(50.0)	4.08	2.68	(34.3)
Cash flow from operating activities – continuing operations	254	167	(34.3)	367	332	(9.5)
Depreciation and amortization	116 ⁵⁾	117	0.9	343 ⁵⁾	369	7.6
Cash outflows for capital expenditures	117	102	(12.8)	295	264	(10.5)
Total assets				8,695 ⁶⁾	8,850	1.8
Equity (including non-controlling interests)				2,647 ⁶⁾	3,167	19.6
Equity ratio ³⁾				30.4% ⁶⁾	35.8%	
Net financial liabilities ⁴⁾				2,522 ⁶⁾	1,300	(48.5)
Net financial liabilities after deduction of short-term money market investments and securities ⁴⁾				1,742 ⁶⁾	1,150	(34.0)
Employees (as of Sep. 30)				15,479 ^{6),7)}	15,108 ⁷⁾	(2.4)

Prior-year figures restated

1) EBIT: earnings before interest and taxes.

EBIT pre exceptionals: EBIT disregarding exceptional charges and income.

EBIT margin: EBIT in relation to sales.

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

EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income.

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

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

2) Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets: earnings per share from continuing operations disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects as well as non-recurring earnings effects in the second quarter of 2020 relating to the sale of the 40% interest in Currenta GmbH & Co. OHG. See "Net income/earnings per share/earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets" for details.

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

4) Net financial liabilities: sum of current and non-current financial liabilities (adjusted for liabilities for accrued interest) less cash, cash equivalents and near-cash assets.

See "Statement of Financial Position and Financial Condition" for details.

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

6) As of December 31, 2019.

7) There were 14,351 employees in continuing operations as of the reporting date after 14,304 as of December 31, 2019.

CONTENTS

LANXESS Group Key Data

1 Quarterly Statement as of September 30, 2020

1 Reporting Focus and Material Transactions

2 Business Performance

5 Business Development by Region

6 Segment Information

11 Notes on EBIT and EBITDA (Pre Exceptionals)

12 Statement of Financial Position and Financial Condition

13 Outlook

14 Financial Data as of September 30, 2020

14 Statement of Financial Position LANXESS Group

15 Income Statement LANXESS Group

15 Statement of Comprehensive Income LANXESS Group

16 Statement of Changes in Equity LANXESS Group

17 Statement of Cash Flows LANXESS Group

18 Business Unit Key Data

Financial Calendar/Contacts/Masthead

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2020

- › Significant effects of the coronavirus pandemic on sales and earnings also in the third quarter, with earnings also weighed down by significant, planned maintenance shutdown
- › Consumer Protection segment still with stable sales and good EBITDA development
- › Sales down significantly at €1,461 million in the third quarter after €1,704 million in the previous year
- › EBITDA pre exceptionals of €193 million, down on the previous year's figure of €269 million
- › EBITDA margin pre exceptionals at 13.2% after 15.8% in the prior-year quarter
- › Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets of €0.66 against €1.32 in the previous year
- › Guidance for fiscal year 2020 narrowed: EBITDA pre exceptionals between €820 million and €880 million

The coronavirus pandemic continued to have a significant influence on our business performance, and we expect the negative effects to persist in the coming months. Nevertheless, we are benefiting from our much more balanced product portfolio compared with previous years and we still have a very good liquidity and financial position as well as a syndicated credit facility of €1 billion, which was unused as of September 30, 2020.

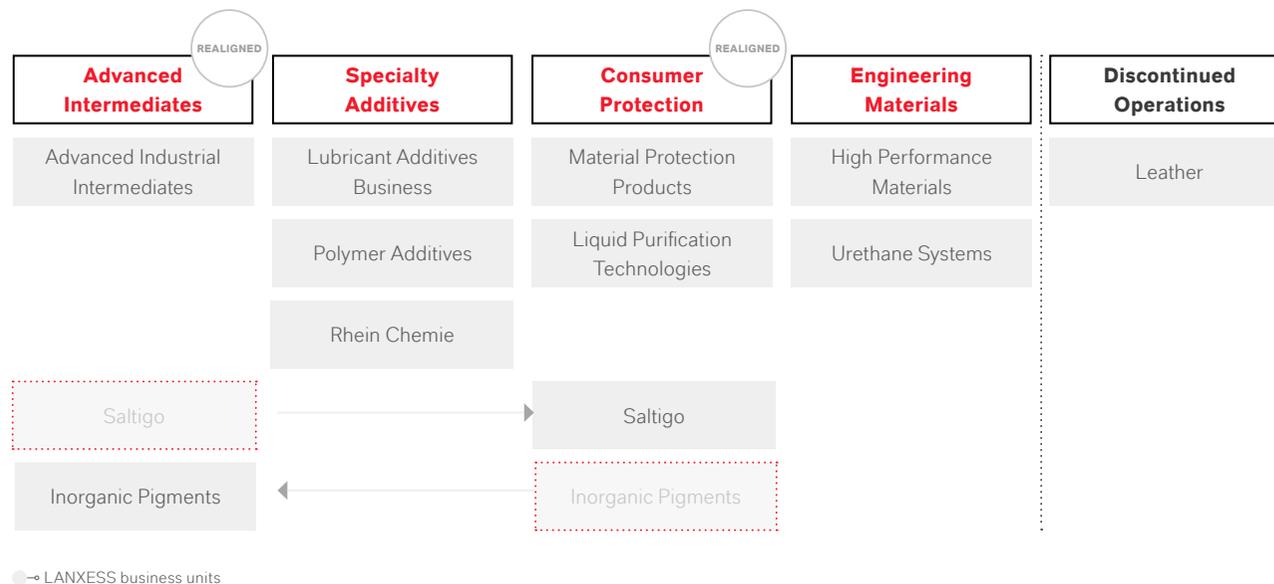
REPORTING FOCUS AND MATERIAL TRANSACTIONS

LANXESS is increasingly focusing on consumer protection products and therefore adjusted its reporting structure accordingly in the first quarter. The Saltigo, Material Protection Products and Liquid Purification Technologies business units make up the new Consumer Protection segment. This segment's portfolio includes, for example, active ingredients for the agricultural and pharmaceutical industries, for insect repellents and disinfectants, and technologies for water purification. The Consumer Protection segment has replaced the former Performance Chemicals segment. At the same time, the Inorganic Pigments business unit has been part of the Advanced Intermediates

segment since the start of the current fiscal year. The previous year's figures have been restated accordingly.

In addition, we decided in the previous year to divest all operations of the Leather business unit, comprising chrome chemicals, the chrome ore mine and organic leather chemicals. In connection with this, LANXESS sold its chrome chemicals business on January 10, 2020. The sales of the chrome ore mine and the organic leather chemicals business were agreed on 15 November 2019 and 12 August 2020, respectively. The two transactions are expected to be completed by the end of the current fiscal year and within the first half of next year, respectively. The Leather business unit has been recognized as discontinued operations since the end of 2019. The previous year's figures have been restated accordingly here, too.

New Segment Structure



On February 3, 2020, LANXESS completed the acquisition of the Brazilian biocide manufacturer Itibanyl Produtos Especiais Ltda., Jarinu, Brazil. This acquisition enhances LANXESS's position as one of the world's leading manufacturers of biocidal active ingredients and formulations. The business with around 100 employees, production plants and laboratory facilities was integrated into the Material Protection Products business unit of the new Consumer Protection segment. In fiscal year 2019, the acquired company generated sales of a lower eight-figure sum in euros.

On March 10, 2020, the Board of Management of LANXESS AG decided to repurchase own shares in two tranches of €250 million each (excluding incidental expenses) via the stock exchange within 24 months. The stock repurchase program began on March 12, 2020, but was suspended until further notice on April 6, 2020, as a result of the coronavirus crisis. 1,101,549 shares worth €37 million had been repurchased by this date. The repurchased shares have not yet been canceled.

At the end of April, LANXESS sold its 40% interest in the chemical park operator Currenta GmbH & Co. OHG, Leverkusen, Germany, to Macquarie Infrastructure and Real Assets (MIRA). The transaction resulted in a gain on disposal of €740 million, which was recognized almost entirely in cash in the second quarter. Furthermore, LANXESS received a profit participation of €150 million for

fiscal year 2019. In the previous year, the profit participation for fiscal year 2018 amounted to €21 million. We have also agreed service and supply contracts for the three chemical parks in question in Leverkusen, Dormagen and Krefeld-Uerdingen (all Germany), initially for ten years, and have thus secured reliable infrastructure at competitive conditions into the future.

As of July 15, 2020, LANXESS agreed the sale of the reverse osmosis membranes business from the Liquid Purification Technologies business unit to SUEZ S.A., Paris, France. LANXESS is thus repositioning its water treatment technology business in order to focus on the ion exchange resins business in the future. In the statement of financial position as of September 30, 2020, the assets to be disposed of were recognized as held for sale. In connection with this, write-downs on intangible assets and property, plant and equipment and impairment charges on inventories totaling €20 million were already recognized in the second quarter.

BUSINESS PERFORMANCE

Sales

Due to the continuing effects of the coronavirus pandemic, sales of the LANXESS Group in the third quarter of 2020 amounted to €1,461 million, down €243 million, or 14.3%, against the same quarter a year ago. In the previous year, the quarter's sales amounted to €1,704 million. The sales development was mainly influenced by weak demand as a result of the coronavirus pandemic and a reduction of selling prices driven by raw material prices. Overall, lower volumes weighed on sales by 6.7% and lower selling prices reduced sales by 5.8%. Shifts in exchange rates, particularly due to a weaker U.S. dollar, also reduced sales by 2.2%. By contrast, the contribution from the Brazilian biocide manufacturer acquired in February 2020 had a slight positive effect.

Effects on Sales

%	Q3 2020	9M 2020
Price	(5.8)	(4.0)
Volume	(6.7)	(6.9)
Currency	(2.2)	(0.3)
Portfolio	0.4	0.3
	(14.3)	(10.9)

EBITDA and operating result (EBIT)

EBITDA Pre Exceptionals by Segment

€ million	Q3 2019	Q3 2020	Change %	9M 2019	9M 2020	Change %
Advanced Intermediates	91	65	(28.6)	310	253	(18.4)
Specialty Additives	97	65	(33.0)	269	213	(20.8)
Consumer Protection	55	59	7.3	163	194	19.0
Engineering Materials	59	33	(44.1)	189	110	(41.8)
Reconciliation	(33)	(29)	12.1	(109)	(108)	0.9
	269	193	(28.3)	822	662	(19.5)

Prior-year figures restated and in line with the changed segment structure

In an economic environment weakened by the coronavirus pandemic, the operating result before depreciation, amortization, write-downs and reversals (EBITDA) pre exceptionals decreased by €76 million to €193 million in the third quarter of 2020. This decline in earnings was attributable to weak demand from the automotive industry, especially in the Engineering Materials segment, a significant, planned maintenance shutdown in Antwerp, Belgium, and lower sales volumes in the Advanced Intermediates and Specialty Additives segments due to the crisis resulting from the coronavirus pandemic. Lower procurement prices for raw materials in these segments also resulted in a reduction in selling prices. By contrast, our Consumer Protection segment also posted a positive earnings performance in the third quarter of 2020. The change in exchange rates had a slightly negative effect overall. Please see the table below and "Segment Information" for details on the individual segments.

All functional cost areas developed positively. This was predominantly due to shifts in exchange rates, lower costs due to volume effects, and cost containment measures. Owing to exchange rate effects, volume effects, and lower travel costs, selling expenses fell by 7.1% to €184 million. Research and development expenses were down by €3 million compared to the prior-year period at €26 million, and general administration expenses amounted to €57 million after €65 million in the previous year. The Group EBITDA margin pre exceptionals came in at 13.2%, against 15.8% in the prior-year quarter.

As in the prior-year quarter, depreciation, amortization and write-downs amounted to €117 million. Negative exceptional items of €23 million, which impacted EBITDA and are included in other operating income and expenses, resulted primarily from expenses in connection with the strategic realignment of the LANXESS Group and digitalization projects. In the prior-year quarter, the operating result included net negative exceptional items totaling €29 million.

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q3 2019	Q3 2020	Change %	9M 2019	9M 2020	Change %
EBITDA pre exceptionals	269	193	(28.3)	822	662	(19.5)
Depreciation and amortization/reversals of impairment charges	(116)	(117)	(0.9)	(343)	(369)	(7.6)
Exceptional items in EBITDA	(29)	(23)	20.7	(72)	(75)	(4.2)
Operating result (EBIT)	124	53	(57.3)	407	218	(46.4)

Prior-year figures restated

Financial result

The financial result for the third quarter of 2020 was minus €19 million, compared with minus €21 million for the prior-year period. The net interest result was minus €11 million, compared with minus €15 million in the prior-year quarter. The other financial result amounted to minus €8 million after minus €6 million in the prior-year quarter.

Income before income taxes

In the third quarter of 2020, income before income taxes came to €34 million, against €103 million for the prior-year period. The effective tax rate was 26.5%, compared with 23.3% for the prior-year quarter.

Net income/earnings per share/earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets

Net income for the reporting period amounted to €26 million, of which €25 million was attributable to continuing operations. In the prior-year quarter, net income had totaled €69 million, and €79 million was allocable to continuing operations. In the third quarter of 2020, negative earnings of €1 million were attributable to non-controlling interests, compared with negative earnings of €2 million in the previous year. These earnings were almost exclusively attributable to discontinued operations.

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 €0.30, which was lower than the figure of €0.79 for the prior-year quarter.

Earnings per share from continuing operations were €0.29 against €0.90 in the prior-year quarter. Due in particular to lower net income, both the earnings per share and the earnings per share from continuing operations fell short of the prior-year figure.

To date, 1,101,549 own shares have been acquired as part of the stock repurchase. The stock repurchase was taken into account pro rata temporis in the calculation of the average number of shares outstanding. In the third quarter of 2020, this results in a weighted average number of shares outstanding of 86,346,303 after 87,447,852 in the previous year.

Earnings per Share

	Q3 2019	Q3 2020	9M 2019	9M 2020
Net income (€ million)	69	26	253	888
from continuing operations (€ million)	79	25	262	891
from discontinued operations (€ million)	(10)	1	(9)	(3)
Weighted average number of shares outstanding	87,447,852	86,346,303	88,633,485	86,668,937
Earnings per share (€)	0.79	0.30	2.85	10.25
from continuing operations (€)	0.90	0.29	2.96	10.28
from discontinued operations (€)	(0.11)	0.01	(0.11)	(0.03)

Prior-year figures restated

We also calculate earnings per share from continuing operations pre exceptionals and amortization of intangible assets, which are not defined by International Financial Reporting Standards. This value was calculated from the earnings per share from continuing operations adjusted for exceptional items, amortization of intangible assets and attributable tax effects. The non-recurring earnings effects in connection with the sale of the 40% interest in Currenta GmbH & Co. OHG were also deducted in the previous

quarter. Earnings per share from continuing operations pre exceptionals and amortization of intangible assets were €0.66 in the third quarter of 2020. In the prior-year period, earnings per share from continuing operations pre exceptionals and amortization of intangible assets had amounted to €1.32.

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

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Net income from continuing operations	79	25	262	891
Exceptional items ¹⁾	29	23	75	94
Amortization of intangible assets/reversals of impairment charges ¹⁾	21	21	63	65
Income in connection with the sale of Currenta GmbH & Co. OHG ¹⁾	0	0	0	(890)
Income taxes¹⁾	(14)	(12)	(38)	72
Net income from continuing operations adjusted for exceptional items and amortization of intangible assets	115	57	362	232
Weighted average number of shares outstanding	87,447,852	86,346,303	88,633,485	86,668,937
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	1.32	0.66	4.08	2.68

Prior-year figures restated

1) Excluding items attributable to non-controlling interests.

BUSINESS DEVELOPMENT BY REGION

Group sales in the third quarter of 2020 amounted to €1,461 million, down 14.3% from the previous year's figure of €1,704 million. All regions recorded a decline in business.

Sales by Market

	Q3 2019		Q3 2020		Change	9M 2019		9M 2020		Change
	€ million	%	€ million	%		%	€ million	%	€ million	
EMEA (excluding Germany)	518	30.4	430	29.4	(17.0)	1,622	31.4	1,401	30.4	(13.6)
Germany	303	17.8	265	18.1	(12.5)	964	18.7	849	18.5	(11.9)
North America	390	22.9	359	24.6	(7.9)	1,183	22.9	1,097	23.8	(7.3)
Latin America	85	5.0	74	5.0	(12.9)	250	4.8	220	4.8	(12.0)
Asia-Pacific	408	23.9	333	22.9	(18.4)	1,147	22.2	1,034	22.5	(9.9)
	1,704	100.0	1,461	100.0	(14.3)	5,166	100.0	4,601	100.0	(10.9)

Prior-year figures restated

SEGMENT INFORMATION

Advanced Intermediates

	Q3 2019		Q3 2020		Change	9M 2019		9M 2020		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	549		470		(14.4)	1,718		1,497		(12.9)
EBITDA pre exceptionals	91	16.6	65	13.8	(28.6)	310	18.0	253	16.9	(18.4)
EBITDA	90	16.4	65	13.8	(27.8)	305	17.8	251	16.8	(17.7)
Operating result (EBIT) pre exceptionals	58	10.6	34	7.2	(41.4)	212	12.3	158	10.6	(25.5)
Operating result (EBIT)	57	10.4	34	7.2	(40.4)	207	12.0	156	10.4	(24.6)
Cash outflows for capital expenditures	39		32		(17.9)	99		92		(7.1)
Depreciation and amortization	33		31		(6.1)	98		95		(3.1)
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,831		3,769		(1.6)	3,831		3,769		(1.6)

Prior-year figures restated in line with the changed segment structure

Our **Advanced Intermediates** segment, which alongside the Advanced Industrial Intermediates business unit has comprised the Inorganic Pigments business unit instead of the Saltigo business unit since the first quarter of 2020, recorded sales of €470 million in the third quarter, down 14.4%, or €79 million, on the figure for the prior-year period. Sales development in the third quarter was also shaped by the coronavirus pandemic. Lower selling prices led to a decline in sales in both business units. Overall, there was a negative price effect on sales of 10.0% at segment level, with selling prices in the Advanced Industrial Intermediates business unit in particular below the previous year's level because lower raw material prices were passed on. Sales volumes

in the Inorganic Pigments business unit were on a par with the previous year, and the Advanced Industrial Intermediates business unit also recorded demand in the third quarter that was close to the previous year's level. At segment level, sales decreased by 2.2% as a result of lower volumes. Shifts in exchange rates had a negative effect on sales in both business units and reduced the segment's sales by 2.2% in total. Sales in all regions were below the level of the prior-year quarter.

Primarily as a result of the coronavirus pandemic, EBITDA pre exceptionals in the Advanced Intermediates segment amounted to €65 million, down by 28.6% from €91 million in the previous

year. Lower raw material prices led to the adjustment of selling prices. Shifts in exchange rates also reduced earnings in both business units. The EBITDA margin pre exceptionals was 13.8%, against 16.6% in the prior-year quarter.

The segment recorded no negative exceptional items that impacted EBITDA in the third quarter. In the previous year, negative exceptional items of €1 million were incurred in the operating result. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Specialty Additives

	Q3 2019		Q3 2020		Change	9M 2019		9M 2020		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	503		410		(18.5)	1,494		1,312		(12.2)
EBITDA pre exceptionals	97	19.3	65	15.9	(33.0)	269	18.0	213	16.2	(20.8)
EBITDA	92	18.3	60	14.6	(34.8)	260	17.4	201	15.3	(22.7)
Operating result (EBIT) pre exceptionals	57	11.3	23	5.6	(59.6)	154	10.3	90	6.9	(41.6)
Operating result (EBIT)	52	10.3	18	4.4	(65.4)	143	9.6	78	5.9	(45.5)
Cash outflows for capital expenditures	29		25		(13.8)	73		56		(23.3)
Depreciation and amortization	40 ¹⁾		42		5.0	117 ¹⁾		123		5.1
Employees as of Sep. 30 (previous year: as of Dec. 31)	2,942		2,712		(7.8)	2,942		2,712		(7.8)

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

Our **Specialty Additives** segment posted sales of €410 million in the third quarter of 2020, 18.5% lower than the prior-year level. In all the segment's business units, the coronavirus pandemic and the associated weak demand in the automotive and aviation industries led to a decline in demand. Lower sales volumes diminished sales by 12.5% at segment level. Shifts in exchange rates, especially for the U.S. dollar, had a negative effect on all business units and decreased the segment's sales by 3.2%. In addition, lower selling prices in all business units led to a sales decline of 2.8% overall. Sales in all regions were below the level of the prior-year quarter.

EBITDA pre exceptionals for the Specialty Additives segment was €65 million, down €32 million, or 33.0%, on the prior-year level. In a difficult market environment with continued weak demand because of the coronavirus pandemic, all the segment's business units recorded lower sales volumes. Lower procurement prices for raw materials and energy stood against lower selling prices. In addition, earnings were reduced by adverse exchange rate effects, especially a weaker U.S. dollar. The EBITDA margin pre exceptionals was 15.9%, against 19.3% in the prior-year period.

As in the same quarter of the previous year, the segment recorded negative exceptional items of €5 million in the third quarter, which impacted EBITDA and primarily related to the strategic realignment of the LANXESS Group. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Consumer Protection

	Q3 2019		Q3 2020		Change	9M 2019		9M 2020		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	277		278		0.4	788		858		8.9
EBITDA pre exceptionals	55	19.9	59	21.2	7.3	163	20.7	194	22.6	19.0
EBITDA	55	19.9	59	21.2	7.3	163	20.7	191	22.3	17.2
Operating result (EBIT) pre exceptionals	35	12.6	40	14.4	14.3	102	12.9	134	15.6	31.4
Operating result (EBIT)	35	12.6	40	14.4	14.3	102	12.9	113	13.2	10.8
Cash outflows for capital expenditures	13		15		15.4	35		37		5.7
Depreciation and amortization	20		19		(5.0)	61		78		27.9
Employees as of Sep. 30 (previous year: as of Dec. 31)	2,286		2,438		6.6	2,286		2,438		6.6

Prior-year figures restated and in line with the changed segment structure

In our Consumer Protection segment, sales were on a par with the previous year at €278 million in the reporting quarter of 2020. The integration of the Brazilian biocide manufacturer acquired in February 2020 into the Material Protection Products business unit had a positive effect on sales of 2.2%. In addition, sales volumes and selling prices in this business unit were higher than in the previous year, particularly due to the ongoing high demand for disinfectants. Although the Saltigo business unit posted lower sales volumes compared with a particularly good previous quarter, it achieved higher sales volumes and selling prices compared with the previous year. Overall, higher selling

prices had a positive effect on sales of 1.1% at segment level. By contrast, the Liquid Purification Technologies business unit saw lower sales volumes in comparison to a strong prior-year quarter, which was particularly attributable to weaker membrane business. At segment level, sales decreased by 1.1% overall due to lower volumes. Shifts in exchange rates, especially for the U.S. dollar, had a negative effect on all business units and decreased the segment's sales by 1.8% in total. With the exception of Asia-Pacific and Germany, the segment reported higher sales than in the prior-year quarter across all regions.

EBITDA pre exceptionals in the Consumer Protection segment increased by €4 million, or 7.3%, to €59 million, compared with the prior-year level of €55 million. In particular, the positive development of the Material Protection Products business unit's disinfectant business and the contribution from the Brazilian biocide manufacturer acquired in the first quarter contributed to the positive earnings performance. The effect of the change in selling prices also made a positive impact. By contrast, the effect of lower sales volumes and the change in exchange rates had a negative impact on earnings. The EBITDA margin pre exceptionals of 21.2% was above the figure of 19.9% posted in the previous year.

Engineering Materials

	Q3 2019		Q3 2020		Change	9M 2019		9M 2020		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	353		285		(19.3)	1,100		876		(20.4)
EBITDA pre exceptionals	59	16.7	33	11.6	(44.1)	189	17.2	110	12.6	(41.8)
EBITDA	59	16.7	32	11.2	(45.8)	189	17.2	109	12.4	(42.3)
Operating result (EBIT) pre exceptionals	43	12.2	16	5.6	(62.8)	141	12.8	60	6.8	(57.4)
Operating result (EBIT)	43	12.2	15	5.3	(65.1)	141	12.8	59	6.7	(58.2)
Cash outflows for capital expenditures	23		19		(17.4)	53		39		(26.4)
Depreciation and amortization	16		17		6.3	48		50		4.2
Employees as of Sep. 30 (previous year: as of Dec. 31)	2,203		2,194		(0.4)	2,203		2,194		(0.4)

Sales in our **Engineering Materials** segment fell by 19.3% year on year in the third quarter of 2020 to €285 million. The effects of the coronavirus pandemic and the associated continued weak demand from the automotive industry, especially in the EMEA region, led to a significant decline in sales in the High Performance Materials business unit. Both sales volumes and selling prices of the two business units fell short of the previous year. Overall, there was a negative price effect on sales of 9.1% at segment level. Reduced volumes diminished sales by 8.8%. In

addition, the change in exchange rates had a negative influence and reduced the segment's sales by 1.4%. Sales in all regions were below the level of the prior-year quarter.

EBITDA pre exceptionals in the Engineering Materials segment fell by €26 million, or 44.1%, to €33 million. In particular, the weak demand from the automotive industry in EMEA as a result of the coronavirus pandemic and a significant, planned maintenance shutdown led to a decline in earnings driven by prices and

volumes. Lower raw material and energy prices were passed on to the market by adjusting selling prices. Shifts in exchange rates had virtually no impact on earnings. The EBITDA margin pre exceptionals of 11.6% was below the figure of 16.7% posted in the prior-year quarter.

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

Reconciliation

€ million	Q3 2019	Q3 2020	Change %	9M 2019	9M 2020	Change %
Sales	22	18	(18.2)	66	58	(12.1)
EBITDA pre exceptionals	(33)	(29)	12.1	(109)	(108)	0.9
EBITDA	(56)	(46)	17.9	(167)	(165)	1.2
Operating result (EBIT) pre exceptionals	(40)	(37)	7.5	(127)	(130)	(2.4)
Operating result (EBIT)	(63)	(54)	14.3	(186)	(188)	(1.1)
Cash outflows for capital expenditures	13	11	(15.4)	35	40	14.3
Depreciation and amortization	7	8	14.3	19	23	21.1
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,042	3,238	6.4	3,042	3,238	6.4

Prior-year figures restated

EBITDA pre exceptionals for the reconciliation improved from minus €33 million to minus €29 million, particularly due to cost savings. In the third quarter, net negative exceptional items of €17 million were incurred, which fully impacted EBITDA. The exceptional items resulted primarily from expenses in connection

with the strategic realignment of the LANXESS Group, digitalization projects and M&A activities. In the prior-year period, there were negative exceptional items of €23 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.

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 expenses for strategic projects in the fields of IT and digitalization, restructuring expenses and income from the reversal of provisions established in this connection, and reductions in earnings resulting from portfolio adjustments or purchase price allocations. Grants and subsidies from third parties for the acquisition and construction of property, plant and equipment are accounted for as deferred income using the gross method. In this respect, no adjustments other than for gross depreciation and amortization are made when calculating EBITDA pre exceptionals.

Every operational decision or achievement is judged in the short and long term by its sustainable impact on EBITDA pre exceptionals. As part of the annual budget 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.

Reconciliation to EBIT/EBITDA

€ million	EBIT Q3 2019	EBIT Q3 2020	EBITDA Q3 2019	EBITDA Q3 2020	EBIT 9M 2019	EBIT 9M 2020	EBITDA 9M 2019	EBITDA 9M 2020
EBIT/EBITDA pre exceptionals	153	76	269	193	482	312	822	662
Advanced Intermediates	(1)	0	(1)	0	(5)	(2)	(5)	(2)
Strategic realignment	0	0	0	0	0	(2)	0	(2)
Adjustment of the production network	(1)	0	(1)	0	(5)	0	(5)	0
Specialty Additives	(5)	(5)	(5)	(5)	(11)	(12)	(9)	(12)
Strategic realignment	(5)	(5)	(5)	(5)	(12)	(12)	(10)	(12)
Adjustment of the production network	0	0	0	0	1	0	1	0
Consumer Protection	0	0	0	0	0	(21)	0	(3)
Strategic realignment	0	0	0	0	0	(20)	0	(2)
Other	0	0	0	0	0	(1)	0	(1)
Engineering Materials	0	(1)	0	(1)	0	(1)	0	(1)
Strategic realignment	0	(1)	0	(1)	0	(1)	0	(1)
Reconciliation	(23)	(17)	(23)	(17)	(59)	(58)	(58)	(57)
Strategic realignment	(2)	(1)	(2)	(1)	(3)	(5)	(3)	(5)
Digitalization, M&A expenses and other	(21)	(16)	(21)	(16)	(56)	(53)	(55)	(52)
Total exceptional items	(29)	(23)	(29)	(23)	(75)	(94)	(72)	(75)
EBIT/EBITDA	124	53	240	170	407	218	750	587

Prior-year figures restated and in line with the changed segment structure

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Structure of the statement of financial position

As of September 30, 2020, the LANXESS Group's total assets stood at €8,850 million, up €155 million, or 1.8%, from €8,695 million on December 31, 2019. The equity ratio was 35.8%, after 30.4% on December 31, 2019. The increase in the equity ratio was due to the sale of shares in the chemical park operator Currenta in the second quarter.

Financial position

Changes in the statement of cash flows

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

In the first nine months of 2020, there was a net cash inflow of €332 million from operating activities, against €367 million in the prior-year period. Income before income taxes improved from €364 million to €1,050 million. This was adjusted for the financial result of €845 million, which primarily resulted from the sale of the 40% interest in Currenta GmbH Co. OHG,

Leverkusen, Germany, in the second quarter. Depreciation, amortization and write-downs rose from €343 million to €369 million. The change in net working capital resulted in a net cash outflow of €98 million, compared with €144 million in the prior-year period.

There was a €61 million net cash outflow from investing activities in the first nine months of 2020, compared with €427 million in the same period a year ago. A material effect resulted from the financial resources received from the sale of the 40% interest in Currenta GmbH & Co. OHG, Leverkusen, Germany, in the second quarter. In addition, there was a cash inflow from the profit participation in Currenta for fiscal year 2019 of €150 million as well as cash inflows from financial and other assets held for investment purposes due to the maturity of short-term money market investments. This was countered in the first nine months of 2020 by cash outflows for financial and other assets held for investment purposes, primarily for investments in money market funds, and cash outflows for purchases of intangible assets and property, plant and equipment, which decreased from €295 million in the prior-year period to €264 million. In addition, a cash outflow of €100 million resulted from the addition to German pension assets.

Net cash used for financing activities came to €206 million in the reporting period, compared with €393 million in the first nine months of 2019. The cash outflow in the reporting period was primarily due to the dividend payment to LANXESS shareholders of €82 million, interest paid and other financial disbursements of €51 million and the payment for stock repurchases of €37 million. Moreover, the proceeds from borrowings and the repayments of borrowings reflected the temporary drawdown on and subsequent full repayment of the syndicated credit facility of €1 billion.

Financing and liquidity

Net financial liabilities totaled €1,300 million as of September 30, 2020, compared with €2,522 million as of December 31, 2019. After the further deduction of short-term money market investments and securities, net financial liabilities as of September 30, 2020, amounted to €1,150 million, compared with €1,742 million as of December 31, 2019. The reduction in net financial liabilities as of September 30, 2020, resulted primarily from the purchase price payment received for the sale of the 40% interest in the chemical park operator Currenta. This transaction resulted in cash inflows totaling €890 million in the second and third quarters of fiscal year 2020 (before payment of the income tax owed by LANXESS). As a result of investment in units in money market funds that can be sold at any time, near-cash assets increased to €1,175 million, while other current assets fell to €150 million due to the maturity of short-term money market investments. In addition, the amount of net financial liabilities was affected by the dividend payment to LANXESS shareholders of €82 million in the third quarter of 2020.

Net Financial Liabilities

€ million	Dec. 31, 2019	Sept. 30, 2020
Non-current financial liabilities	2,777	2,760
Current financial liabilities	66	77
Less:		
Liabilities for accrued interest	(25)	(30)
Cash and cash equivalents	(296)	(332)
Near-cash assets	–	(1,175)
Net financial liabilities	2,522	1,300
after deduction of short-term money market investments and securities	(780)	(150)
Net financial liabilities after deduction of short-term money market investments and securities	1,742	1,150

Provisions for pensions and other post-employment benefits totaled €1,083 million as of September 30, 2020, compared with €1,178 million as of December 31, 2019. This decrease was chiefly due to the €100 million addition to German pension assets.

OUTLOOK

The economic environment has worsened sharply as a result of the ongoing coronavirus pandemic. The further course of the pandemic also represents an uncertainty factor for global economic development and for our business. We expect it to have a significant impact on our EBITDA pre exceptionals.

For fiscal year 2020, we now expect EBITDA pre exceptionals of between €820 million and €880 million.

FINANCIAL DATA

as of September 30, 2020

STATEMENT OF FINANCIAL POSITION LANXESS GROUP

€ million	Dec. 31, 2019	Sept. 31, 2020
ASSETS		
Intangible assets	1,765	1,698
Property, plant and equipment	2,724	2,609
Investments in other affiliated companies	1	2
Non-current derivative assets	1	2
Other non-current financial assets	29	32
Non-current income tax receivables	89	88
Deferred taxes	324	292
Other non-current assets	132	43
Non-current assets	5,065	4,766
Inventories	1,195	1,132
Trade receivables	769	761
Cash and cash equivalents	296	332
Near-cash assets	–	1,175
Current derivative assets	5	11
Other current financial assets	864	212
Current income tax receivables	110	87
Other current assets	186	257
Assets held for sale and discontinued operations	205	117
Current assets	3,630	4,084
Other assets	8,695	8,850

€ million	Dec. 31, 2019	Sept. 31, 2020
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves ¹⁾	1,429	1,438
Net income	205	888
Other equity components	(282)	(454)
Equity attributable to non-controlling interests	(22)	(22)
Equity	2,647	3,167
Provisions for pensions and other post-employment benefits	1,178	1,083
Other non-current provisions	338	325
Non-current derivative liabilities	2	4
Other non-current financial liabilities	2,777	2,760
Non-current income tax liabilities	95	106
Other non-current liabilities	67	58
Deferred taxes	109	91
Non-current liabilities	4,566	4,427
Other current provisions	409	373
Trade payables	656	535
Current derivative liabilities	17	19
Other current financial liabilities	66	77
Current income tax liabilities	122	78
Other current liabilities	111	111
Liabilities directly related to assets held for sale and discontinued operations	101	63
Current liabilities	1,482	1,256
Total equity and liabilities	8,695	8,850

INCOME STATEMENT LANXESS GROUP

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Sales	1,704	1,461	5,166	4,601
Cost of sales	(1,252)	(1,111)	(3,790)	(3,422)
Gross profit	452	350	1,376	1,179
Selling expenses	(198)	(184)	(609)	(580)
Research and development expenses	(29)	(26)	(84)	(80)
General administration expenses	(65)	(57)	(193)	(195)
Other operating income	16	12	65	55
Other operating expenses	(52)	(42)	(148)	(161)
Operating result (EBIT)	124	53	407	218
Income from investments accounted for using the equity method	0	–	0	–
Interest income	2	2	5	7
Interest expense	(17)	(13)	(49)	(48)
Other financial income and expense	(6)	(8)	1	873
Financial result	(21)	(19)	(43)	832
Income before income taxes	103	34	364	1,050
Income taxes	(24)	(9)	(101)	(159)
Income after income taxes from continuing operations	79	25	263	891
Income after income taxes from discontinued operations	(12)	0	(15)	(8)
Income after income taxes	67	25	248	883
of which attributable to non-controlling interests	(2)	(1)	(5)	(5)
of which attributable to LANXESS AG stockholders (net income)	69	26	253	888
Earnings per share (basic/diluted) (€)				
from continuing operations	0.90	0.29	2.96	10.28
from discontinued operations	(0.11)	0.01	(0.11)	(0.03)
from continuing and discontinued operations	0.79	0.30	2.85	10.25

Prior-year figures restated

STATEMENT OF COMPREHENSIVE INCOME LANXESS GROUP

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Income after income taxes	67	25	248	883
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(63)	(54)	(153)	(96)
Income taxes	20	16	50	21
	(43)	(38)	(103)	(75)
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	120	(127)	148	(170)
Financial instruments fair value measurement	(18)	15	(21)	1
Financial instruments cost of hedging	0	0	11	0
Income taxes	6	(5)	3	0
	108	(117)	141	(169)
Other comprehensive income, net of income tax	65	(155)	38	(244)
Total comprehensive income	132	(130)	286	639
of which attributable to non-controlling interests	(2)	(1)	(5)	0
of which attributable to LANXESS AG stockholders	134	(129)	291	639
from continuing operations	145	(130)	302	625
from discontinued operations	(11)	1	(11)	14

STATEMENT OF CHANGES IN EQUITY LANXESS GROUP

	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			
€ million										
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
<i>Income after income taxes</i>				253				253	(5)	248
<i>Other comprehensive income, net of income tax</i>			(103)		148	(14)	7	38		38
Sept. 30, 2019	87	1,230	1,440	253	(197)	(22)	1	2,792	(12)	2,780
Dec. 31, 2019	87	1,230	1,429	205	(274)	(9)	1	2,669	(22)	2,647
Allocations to retained earnings			205	(205)				0		0
Acquisition of own shares			(37)					(37)		(37)
Dividend payments			(82)					(82)	0	(82)
Total comprehensive income			(75)	888	(175)	1	0	639		639
<i>Income after income taxes</i>				888				888	(5)	883
<i>Other comprehensive income, net of income tax</i>			(75)		(175)	1	0	(249)	5	(244)
Other changes			(2)			2		0		0
Sept. 30, 2020	87	1,230	1,438	888	(449)	(6)	1	3,189	(22)	3,167

STATEMENT OF CASH FLOWS LANXESS GROUP

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Income before income taxes	103	34	364	1,050
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	116	117	343	369
Losses/gains on disposals of intangible assets and property, plant and equipment	1	0	0	(1)
Financial losses (gains)	16	14	24	(845)
Income taxes paid	(42)	(31)	(154)	(135)
Changes in inventories	(8)	110	(44)	26
Changes in trade receivables	34	(72)	16	(13)
Changes in trade payables	(25)	(11)	(116)	(111)
Changes in other assets and liabilities	59	6	(66)	(8)
Net cash provided by operating activities – continuing operations	254	167	367	332
Net cash provided by (used in) operating activities – discontinued operations	1	1	2	(16)
Net cash provided by operating activities – total	255	168	369	316
Cash outflows for purchases of intangible assets and property, plant and equipment	(117)	(102)	(295)	(264)
Cash inflows from sales of intangible assets and property, plant and equipment	1	0	3	4
Cash outflows for financial and other assets held for investment purposes	(23)	(102)	(241)	(1,443)
Cash inflows from financial and other assets held for investment purposes	20	222	82	794
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	–	–	(25)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	6	–	818
Interest and dividends received	1	2	24	155

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Cash outflows for external funding of pension obligations (CTAs)	–	(100)	–	(100)
Net cash used in investing activities – continuing operations	(118)	(74)	(427)	(61)
Net cash used in investing activities – discontinued operations	(4)	(1)	(8)	(2)
Net cash used in investing activities – total	(122)	(75)	(435)	(63)
Proceeds from borrowings	–	–	4	1,000
Repayments of borrowings	(22)	(9)	(75)	(1,036)
Interest paid and other financial disbursements	(3)	(6)	(43)	(51)
Dividend payments	–	(82)	(79)	(82)
Cash outflows for the acquisition of own shares	–	–	(200)	(37)
Net cash used in financing activities – continuing operations	(25)	(97)	(393)	(206)
Net cash used in financing activities – discontinued operations	0	(1)	(2)	(1)
Net cash used in financing activities – total	(25)	(98)	(395)	(207)
Change in cash and cash equivalents – continuing operations	111	(4)	(453)	65
Change in cash and cash equivalents – discontinued operations	(3)	(1)	(8)	(19)
Change in cash and cash equivalents – total	108	(5)	(461)	46
Cash and cash equivalents at beginning of period – total	229	340	797	296
Exchange differences and other changes in cash and cash equivalents – total	1	(3)	2	(10)
Cash and cash equivalents at end of period – total	338	332	338	332
of which continuing operations	338	332	338	332
of which discontinued operations	0	0	0	0

Prior-year figures restated

BUSINESS UNIT KEY DATA

Key Data by Segment Third Quarter

€ million	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020
External sales	549	470	503	410	277	278	353	285	22	18	1,704	1,461
Inter-segment sales	10	10	3	2	12	11	0	0	(25)	(23)	0	0
Segment/Group sales	559	480	506	412	289	289	353	285	(3)	(5)	1,704	1,461
Segment result/EBITDA pre exceptionals	91	65	97	65	55	59	59	33	(33)	(29)	269	193
EBITDA margin pre exceptionals (%)	16.6	13.8	19.3	15.9	19.9	21.2	16.7	11.6			15.8	13.2
EBITDA	90	65	92	60	55	59	59	32	(56)	(46)	240	170
EBIT pre exceptionals	58	34	57	23	35	40	43	16	(40)	(37)	153	76
EBIT	57	34	52	18	35	40	43	15	(63)	(54)	124	53
Segment capital expenditures	41	32	31	26	15	16	25	20	19	13	131	107
Depreciation and amortization/reversals of impairment charges	33	31	40	42	20	19	16	17	7	8	116	117

Prior-year figures restated and in line with the changed segment structure

Key Data by Segment First Nine Months

€ million	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020
External sales	1,718	1,497	1,494	1,312	788	858	1,100	876	66	58	5,166	4,601
Inter-segment sales	30	30	10	8	45	38	0	0	(85)	(76)	0	0
Segment/Group sales	1,748	1,527	1,504	1,320	833	896	1,100	876	(19)	(18)	5,166	4,601
Segment result/EBITDA pre exceptionals	310	253	269	213	163	194	189	110	(109)	(108)	822	662
EBITDA margin pre exceptionals (%)	18.0	16.9	18.0	16.2	20.7	22.6	17.2	12.6			15.9	14.4
EBITDA	305	251	260	201	163	191	189	109	(167)	(165)	750	587
EBIT pre exceptionals	212	158	154	90	102	134	141	60	(127)	(130)	482	312
EBIT	207	156	143	78	102	113	141	59	(186)	(188)	407	218
Segment capital expenditures	117	99	77	64	39	41	59	42	43	50	335	296
Depreciation and amortization/reversals of impairment charges	98	95	117	123	61	78	48	50	19	23	343	369
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,831	3,769	2,942	2,712	2,286	2,438	2,203	2,194	3,042	3,238	14,304	14,351

Prior-year figures restated and in line with the changed segment structure

Financial Calendar 2021

MARCH

MARCH 11

Annual Report
Operating results 2020
Conference Call

MAY

MAY 12

Quarterly Statement
Q1 2021
Conference Call

MAY 19

Annual Stockholders' Meeting
(virtual)

AUG

AUGUST 11

Half-Year Financial Report
H1 2021
Conference Call

NOV

NOVEMBER 4

Quarterly Statement
Q3 2021
Conference Call

JAN

FEB

APR

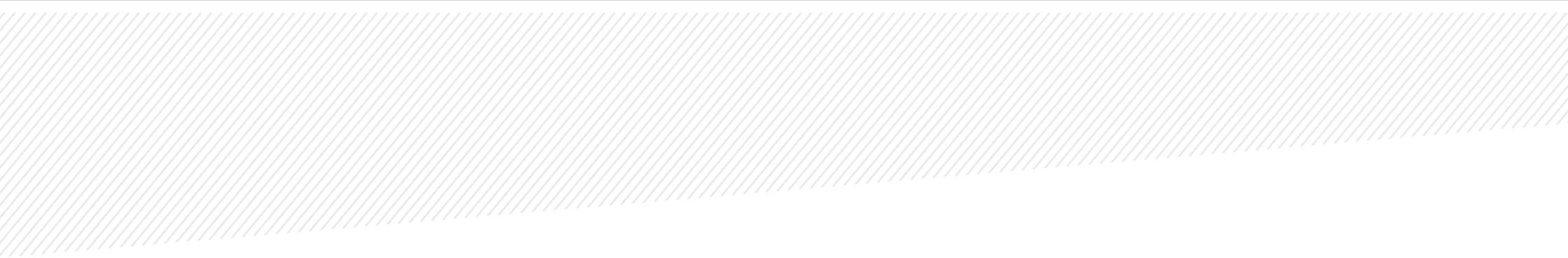
JUN

JUL

SEP

OCT

DEC



Contacts & Masthead

MASTHEAD

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

Agency:
Kirchhoff Consult AG, Hamburg, Germany

English edition:
EVS Translations GmbH, Offenbach, Germany

CONTACTS

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

Investor Relations
André Simon
Tel. +49 (0) 221 8885 3494
ir@lanxess.com

Date of publication:
November 5, 2020

This Annual Report contains forward-looking statements based on current assumptions and forecasts made by LANXESS AG management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual

future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



PUBLISHER

LANXESS AG

50569 Cologne

Germany

www.lanxess.com