

Quarterly Statement as of
March 31, 2018

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LANXESS Group Key Data

€ million	Q1 2017	Q1 2018	Change %
Sales	2,401	2,565	6.8
Gross profit	546	599	9.7
Gross profit margin	22.7%	23.4%	
EBITDA pre exceptionals ¹⁾	328	375	14.3
EBITDA margin pre exceptionals ¹⁾	13.7%	14.6%	
EBITDA ¹⁾	316	358	13.3
Operating result (EBIT) pre exceptionals ¹⁾	204	221	8.3
EBIT ¹⁾	192	204	6.3
EBIT margin ¹⁾	8.0%	8.0%	
Net income	78	96	23.1
Earnings per share (€)	0.85	1.05	23.1
Earnings per share pre exceptional items and amortization of intangible assets (€) ²⁾	1.01	1.33	31.7
Cash flow from operating activities	10	22	> 100
Depreciation and amortization ³⁾	124	154	24.2
Cash outflows for capital expenditures	57	81	42.1
Total assets	10,396 ⁶⁾	10,420	0.2
Equity (including non-controlling interests)	3,413 ⁶⁾	3,425	0.4
Equity ratio ⁴⁾	32.8% ⁶⁾	32.9%	
Net financial liabilities ⁵⁾	2,252 ⁶⁾	2,375	5.5
Employees (as of March 31)	19,029 ⁶⁾	19,191	0.9

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 pre exceptionals 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 quarterly figures 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.

CONTENTS

LANXESS Group Key Data

1 Quarterly Statement as of March 31, 2018

1 Strategy

1 Business Performance

3 Business Development by Region

3 Segment Information

6 Notes on EBIT and EBITDA (Pre Exceptionals)

6 Statement of Financial Position and Financial Condition

7 Outlook

8 Financial Data as of March 31, 2018

8 LANXESS Group Statement of Financial Position

9 LANXESS Group Income Statement

10 LANXESS Group Statement of Comprehensive Income

10 LANXESS Group Statement of Changes in Equity

11 LANXESS Group Statement of Cash Flows

12 Business Unit Key Data

Financial Calendar/Contacts/Masthead

QUARTERLY STATEMENT

as of March 31, 2018

- › LANXESS acquires phosphorus additives business in the U.S. from Belgian chemicals group Solvay
- › Chemtura businesses acquired in the previous year have significant positive effect on sales and earnings
- › Company's best quarterly result despite negative exchange rate effects
- › EBITDA pre exceptionals increased by 14.3% to €375 million in the first quarter
- › Earnings per share pre exceptionals and amortization of intangible assets increase from €1.01 to €1.33
- › Guidance for fiscal year 2018 raised: earnings increase of 5% to 10% compared to EBITDA pre exceptionals of around €925 million in 2017

STRATEGY

As part of its realignment, on April 1, 2016, LANXESS and Saudi Aramco formed a strategic alliance for the synthetic rubber business named ARLANXEO in which each party holds a 50% interest. The business continues to be included in the consolidated financial statements of the LANXESS Group and will be fully consolidated in the first three years. From the second quarter of 2018, i.e. a year before the end of full consolidation, ARLANXEO will be reported as discontinued operations according to IFRS 5.

On February 7, 2018, LANXESS acquired the phosphorus additives business from Belgian chemicals group Solvay including its U.S. production site in Charleston. The site manufactures phosphorus additives and numerous derived products such as flame retardant additives and intermediates for agrochemicals. The production facility augments the global production network for phosphorus- and bromine-based flame retardants, especially on the U.S. market. The purchase price of around €55 million was paid out of existing liquidity. The business generates annual sales of €65 million and employs around 90 people.

BUSINESS PERFORMANCE

Sales

Sales of the LANXESS Group in the first quarter of 2018 amounted to €2,565 million, which was €164 million, or 6.8%, higher than in the prior-year period. This performance was influenced by the contribution from the Chemtura businesses acquired in the previous year. Overall, there were portfolio effects on sales of 14.7%. By contrast, adverse exchange rate effects saw sales decline by 6.6%. In addition, volumes declined and reduced sales by 1.2%. The change in selling prices had almost no effect on the Group's sales performance.

Effects on Sales

%	Q1 2018
Price	(0.1)
Volume	(1.2)
Currency	(6.6)
Portfolio	14.7
	6.8

EBITDA and operating result (EBIT)

EBITDA Pre Exceptionals by Segment

€ million	Q1 2017	Q1 2018	Veränd. in%
Advanced Intermediates	91	102	12.1
Specialty Additives	44	81	84.1
Performance Chemicals	59	52	(11.9)
Engineering Materials	48	73	52.1
ARLANXEO	144	111	(22.9)
Reconciliation	(58)	(44)	24.1
	328	375	14.3

Prior-year figures in line with the changed segment structure

The positive overall earnings performance at Group level in the first quarter of 2018 resulted in particular from the contribution of the Chemtura businesses acquired in the previous year. The increased procurement prices for raw materials and energy in all segments apart from ARLANXEO were successfully passed on to the market by adjusting selling prices. The significant change in exchange rates had a particularly negative impact on earnings performance. The increase in the specific functional cost areas was predominantly attributable to the integration of the Chemtura businesses. For example, selling expenses rose by €30 million to €248 million, research and development costs by €5 million to €39 million, and general administration expenses by €26 million to €98 million. The EBITDA margin pre exceptionals increased from 13.7% to 14.6%.

Depreciation, amortization and write-downs came to €155 million, which was €30 million, or 24.0%, above the figure for the prior-year quarter. The increase reflects the depreciation and amortization of the former Chemtura businesses. Extraordinary write-downs accounted for €2 million of the total. Net negative exceptional items of €17 million included in other operating income and expenses resulted from negative exceptional items of €18 million and positive exceptional items of €1 million, with the latter not impacting EBITDA. The €17 million in negative exceptional items that impacted EBITDA were largely attributable to expenses in connection with the strategic realignment of the LANXESS Group. In the prior-year quarter, negative exceptional items amounted to €12 million, which fully impacted EBITDA.

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q1 2017	Q1 2018	Change %
EBITDA pre exceptionals	328	375	14.3
Depreciation and amortization/reversals of impairment charges	(124)	(154)	(24.2)
Exceptional items in EBITDA	(12)	(17)	(41.7)
Operating result (EBIT)	192	204	6.3

Financial result

The financial result for the first quarter of 2018 was minus €41 million, compared with minus €30 million for the prior-year period. Our net interest position of minus €19 million was slightly higher than the previous year's level. 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 €22 million, compared with minus €10 million in the prior-year quarter. The decline resulted primarily from a higher exchange loss, which in the previous year was influenced by a gain from financial hedges in connection with the Chemtura acquisition.

Income before income taxes

In the first quarter of 2018, income before income taxes came to €163 million, against €162 million for the prior-year period. The effective tax rate was 33.1%, compared with 36.4% 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 came to €96 million, compared with €78 million a year earlier. In the first quarter of 2018, earnings attributable to non-controlling interests amounted to €13 million and resulted almost exclusively from Saudi Aramco's interest in ARLANXEO.

Earnings per share were €1.05 in the first quarter, which was higher than the prior-year figure of €0.85.

We also calculate earnings per share pre exceptional items 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 adjusted for exceptional items and amortization of intangible assets were €1.33 in the first quarter of 2018, compared with €1.01 for the prior-year period.

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

€ million	Q1 2017	Q1 2018
Net income	78	96
Exceptional items ¹⁾	11	16
Amortization of intangible assets/reversals of impairment charges ¹⁾	9	20
Income taxes ¹⁾	(6)	(10)
Net income adjusted for exceptional items and amortization of intangible assets	92	122
Number of shares outstanding	91,522,936	91,522,936
Earnings per share pre exceptional items and amortization of intangible assets (€)	1.01	1.33

¹⁾ Excluding items attributable to non-controlling interests

BUSINESS DEVELOPMENT BY REGION

Sales of the LANXESS Group in the first quarter of 2018, at €2,565 million, increased by €164 million, or 6.8%, compared with the prior-year level of €2,401 million. The increase was based in particular on portfolio effects of €354 million, which were mostly due to the acquisition of Chemtura and related to all regions, but especially North America. After adjustment for portfolio and exchange rate effects, the Group's sales declined by 1.3% compared to the previous year, largely because of the ARLANXEO segment's business performance in the Asia/Pacific and North and Latin America regions.

Sales by Market

	Q1 2017		Q1 2018		Change
	€ million	%	€ million	%	
EMEA (excluding Germany)	677	28.2	781	30.5	15.4
Germany	385	16.0	430	16.3	11.7
North America	424	17.7	506	19.9	19.3
Latin America	231	9.6	192	7.5	(16.9)
Asia-Pacific	684	28.5	656	25.8	(4.1)
	2,401	100.0	2,565	100.0	6.8

SEGMENT INFORMATION

Advanced Intermediates

	Q1 2017		Q1 2018		Change
	€ million	Margin %	€ million	Margin %	
Sales	518		563		8.7
EBITDA					
pre exceptionals	91	17.6	102	18.1	12.1
EBITDA	91	17.6	102	18.1	12.1
Operating result (EBIT)					
pre exceptionals	65	12.5	71	12.6	9.2
Operating result (EBIT)	65	12.5	71	12.6	9.2
Cash outflows for capital expenditures	16		23		43.8
Depreciation and amortization	26 ¹⁾		31		19.2
Employees as of March 31 (previous year: as of Dec. 31)	3,661		3,693		0.9

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

Our **Advanced Intermediates** segment recorded sales of €563 million in the first quarter of 2018, which was €45 million, or 8.7%, above the level of the prior-year quarter. In both of the segment's business units, higher selling prices were realized than in the prior-year quarter and led to a 7.7% increase in sales overall. In

addition, the integration of the organometallics operations acquired in the previous year into the Advanced Industrial Intermediates business unit had a positive effect of 6.6% on sales. Shifts in exchange rates had a negative effect of 4.1%. While sales volumes in the Advanced Industrial Intermediates business unit were slightly higher than in the prior-year quarter, sales volumes in the Saltigo business unit decreased significantly as a result of continued weak demand from the agricultural industry, resulting in a sales decline of 1.5%. The sales decline also resulted from particularly pronounced project business in the Saltigo business unit in the prior-year quarter. In Germany, the segment's sales were below the prior-year level. In all other regions, the segment posted positive business development.

EBITDA pre exceptionals in the Advanced Intermediates segment was €102 million, €11 million, or 12.1%, above the prior-year level. Higher procurement prices for raw materials and energy were passed on to customers by adjusting selling prices. Moreover, the Advanced Industrial Intermediates business unit's increased procurement prices for raw materials and energy in the previous year's first quarter were only passed on with a delay, therefore resulting in a positive earnings effect quarter on quarter. Lower volumes in the Saltigo business unit and negative currency effects diminished earnings. The organometallics business acquired in the previous year had virtually no effect on earnings. The EBITDA margin pre exceptionals increased from 17.6% to 18.1%.

Specialty Additives

	Q1 2017		Q1 2018		Change
	€ million	Margin %	€ million	Margin %	
Sales	239		496		> 100
EBITDA					
pre exceptionals	44	18.4	81	16.3	84.1
EBITDA	44	18.4	81	16.3	84.1
Operating result (EBIT)					
pre exceptionals	37	15.5	50	10.1	35.1
Operating result (EBIT)	37	15.5	50	10.1	35.1
Cash outflows for capital expenditures	7		16		> 100
Depreciation and amortization	7		31 ¹⁾		> 100
Employees as of March 31 (previous year: as of Dec. 31)	2,936		3,022		2.9

1) Net of reversals of write-downs of €1 million.
Prior-year figures in line with the changed segment structure

Our **Specialty Additives** segment posted sales of €496 million in the first quarter of 2018, 107.5%, or €257 million, higher than in the prior-year quarter. This more than doubling of sales is mainly attributable to the integration of the additives business acquired in the previous year into the Additives business unit. The phosphorus additives business newly acquired from the Belgian chemicals group Solvay also made a positive sales contribution. Higher selling prices in our existing additives business also added

2.1% to the rise in sales, with contributions from both business units. Shifts in exchange rates diminished sales for both of the segment's business units by 5.4%. Volumes in both business units were level with the prior-year quarter. Sales in all regions were above prior-year levels.

EBITDA pre exceptionals for the Specialty Additives segment was €81 million, €37 million, or 84.1%, above the prior-year level. This strong earnings performance was the result of the integration of the additives business acquired in the previous year. Disadvantageous exchange rate developments had a countervailing effect. Higher procurement prices for raw materials and energy stood against higher selling prices. The EBITDA margin pre exceptionals was 16.3%, below the 18.4% recorded in the prior-year quarter.

The segment recorded negative exceptional items of €1 million and positive exceptional items of €1 million in the first quarter, neither of which impacted EBITDA. There were no negative items reported in the prior-year quarter. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Performance Chemicals

	Q1 2017		Q1 2018		Change
	€ million	Margin %	€ million	Margin %	
Sales	368		336		(8.7)
EBITDA pre exceptionals	59	16.0	52	15.5	(11.9)
EBITDA	59	16.0	51	15.2	(13.6)
Operating result (EBIT) pre exceptionals	40	10.9	33	9.8	(17.5)
Operating result (EBIT)	40	10.9	32	9.5	(20.0)
Cash outflows for capital expenditures	11		11		0.0
Depreciation and amortization	19		19		0.0
Employees as of March 31 (previous year: as of Dec. 31)	3,880		3,851		(0.7)

Prior-year figures in line with the changed segment structure

Sales in our **Performance Chemicals** segment decreased by 8.7% in the quarter under review to €336 million. Shifts in exchange rates had a negative effect on all business units and diminished the segment's sales by 7.6% in total. The sale of the subsidiary International Dioxide Inc., North Kingstown, U.S., of

the Material Protection Products business unit in the previous year had a negative effect of 1.9% on sales. The Inorganic Pigments and Material Protection Products business units achieved higher selling prices, while selling prices in the other business units were below the prior-year quarter. Overall, there was a negative effect of 0.5% on sales at Group level. Despite the shutdown of production at the Argentinian location at the end of 2017, sales increased by 1.3% in total as a result of volumes. The Liquid Purification Technologies and Material Protection Products business units recorded higher volumes. Volumes in the other business units fell short of the prior-year level. While higher sales were achieved in EMEA and Germany, the segment posted lower sales in all other regions.

EBITDA pre exceptionals in the Performance Chemicals segment decreased by €7 million, or 11.9%, to €52 million, compared with the prior-year level of €59 million. Earnings were held back in particular by the impact of negative exchange rate effects. Declining chrome ore prices in the Leather business unit and the sale of the subsidiary International Dioxide Inc., North Kingstown, U.S., in the previous year also diminished earnings. Higher volumes had a positive impact on earnings. The EBITDA margin pre exceptionals decreased from 16.0% to 15.5%.

The segment recorded negative exceptional items of €1 million in the first quarter, which fully impacted EBITDA. There were no negative items reported in the prior-year quarter. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Engineering Materials

	Q1 2017		Q1 2018		Change
	€ million	Margin %	€ million	Margin %	
Sales	315		393		24.8
EBITDA pre exceptionals	48	15.2	73	18.6	52.1
EBITDA	48	15.2	73	18.6	52.1
Operating result (EBIT) pre exceptionals	37	11.7	58	14.8	56.8
Operating result (EBIT)	37	11.7	58	14.8	56.8
Cash outflows for capital expenditures	4		6		50.0
Depreciation and amortization	11		15		36.4
Employees as of March 31 (previous year: as of Dec. 31)	1,976		2,015		2.0

Prior-year figures in line with the changed segment structure

Sales in our **Engineering Materials** segment increased by 24.8% year on year in the first quarter of 2018, to €393 million. The increase in sales was, on the one hand, the result of the contribution from the urethanes business acquired in the previous year, which added 19.7% to sales. On the other hand, there was a positive price effect of 8.3% on sales for the High Performance Materials business unit. In addition, higher sales volumes in this business unit increased sales by 1.6%. Exchange rates had a negative impact on sales of 4.8%. Sales in all regions were above prior-year levels.

EBITDA pre exceptionals in the Engineering Materials segment rose by a significant €25 million, or 52.1%, to €73 million. Higher procurement prices for raw materials and energy were passed on to customers by adjusting selling prices. The improvement in earnings was also due to the contribution from the urethanes business acquired in the previous year and higher volumes. However, the change in exchange rates had a negative impact on earnings. The EBITDA margin pre exceptionals of 18.6% was above the figure of 15.2% posted in the prior-year quarter.

ARLANXEO

	Q1 2017		Q1 2018		Change %
	€ million	Margin %	€ million	Margin %	
Sales	948		757		(20.1)
EBITDA pre exceptionals	144	15.2	111	14.7	(22.9)
EBITDA	142	15.0	111	14.7	(21.8)
Operating result (EBIT) pre exceptionals	87	9.2	58	7.7	(33.3)
Operating result (EBIT)	85	9.0	58	7.7	(31.8)
Cash outflows for capital expenditures	17		21		23.5
Depreciation and amortization	57		53		(7.0)
Employees as of March 31 (previous year: as of Dec. 31)	3,447		3,438		(0.3)

Sales in the **ARLANXEO** segment decreased by 20.1% year on year in the first quarter, to €757 million. The exchange rate development of both business units had a negative impact on sales of 8.5%. While the High Performance Elastomers business unit realized higher selling prices, lower selling prices due to raw material prices in parts of the Tire & Specialty Rubbers business unit led to a negative price effect totaling 7.6%. In addition, lower sales volumes in both business units had a negative effect on segment sales of 4.0%, but they must be seen in relation to the very high level of the previous year. With the exception of Germany, the segment reported lower sales across all regions.

EBITDA pre exceptionals in the ARLANXEO segment declined from €144 million in the prior-year quarter to €111 million. Earnings were held back in particular by the impact of negative exchange rate effects. In addition, lower sales volumes and scheduled maintenance of the production lines in Singapore had a negative effect on earnings. In contrast, the considerable volatility of raw material prices partially resulted in lower procurement prices for raw materials and an adjustment in selling prices. The EBITDA margin pre exceptionals was 14.7% for the first quarter, against 15.2% a year ago.

No exceptional items were recorded in the segment in the first quarter. Negative exceptional items in the previous year amounted to €2 million and fully impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Reconciliation

€ million	Q1 2017	Q1 2018	Change%
Sales	13	20	53.8
EBITDA pre exceptionals	(58)	(44)	24.1
EBITDA	(68)	(60)	11.8
Operating result (EBIT) pre exceptionals	(62)	(49)	21.0
Operating result (EBIT)	(72)	(65)	9.7
Cash outflows for capital expenditures	2	4	100.0
Depreciation and amortization	4	5	25.0
Employees as of March 31 (previous year: as of Dec. 31)	3,129	3,172	1.4

EBITDA pre exceptionals for the reconciliation came to minus €44 million, compared with minus €58 million in the prior-year quarter. This change is mainly due to an improved result from hedging currency risks. The €16 million in negative exceptional items reported in the reconciliation fully impacted EBITDA and resulted largely from expenses in connection with the strategic realignment of the LANXESS Group. Negative exceptional items in the prior-year period amounted to €10 million and 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.

€ million	EBIT Q1 2017	EBIT Q1 2018	EBITDA Q1 2017	EBITDA Q1 2018
EBIT/EBITDA pre exceptionals	204	221	328	375
Advanced Intermediates	0	0	0	0
Specialty Additives	0	0	0	0
Strategic realignment	0	(1)	0	0
Optimization of the production network	0	1	0	0
Performance Chemicals	0	(1)	0	(1)
Optimization of the production network	0	(1)	0	(1)
Engineering Materials	0	0	0	0
ARLANXEO	(2)	0	(2)	0
Strategic realignment	(2)	0	(2)	0
Reconciliation	(10)	(16)	(10)	(16)
Strategic realignment	(8)	(7)	(8)	(7)
Other	(2)	(9)	(2)	(9)
Total exceptional items	(12)	(17)	(12)	(17)
EBIT/EBITDA	192	204	316	358

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 March 31, 2018, the LANXESS Group's total assets stood at €10,420 million, up €24 million, or 0.2%, from €10,396 million on December 31, 2017. The equity ratio at the end of the first quarter was close to the previous year's level at 32.9%.

For the introduction of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", the exemption from retrospective application of the standard was utilized, and the carrying amounts were adjusted as of January 1, 2018. The adjustments resulted in the recognition of current and non-current contract assets of €36 million and €20 million, respectively, and of current and non-current contract liabilities of €17 million and €21 million, respectively. Advance payments from customers existing at the transition date of €35 million were reclassified to contract assets and contract liabilities and decreased or increased these items, respectively. The contract assets and liabilities were disclosed under other financial assets and other liabilities, respectively. In addition, the alignment of the timing of revenue recognition to the transfer of control to the customer resulted in a decline in trade receivables by €196 million and an increase in inventories by €124 million. The introduction of the expected loss model under IFRS 9 reduced trade receivables and contract assets in total by €1 million. After taking into account deferred tax assets and liabilities of €10 million and €5 million, respectively, the adjustments on January 1, 2018 resulted in a €15 million reduction in equity with no impact on income and a €7 million decrease in total assets. Please see chapter "Financial Reporting Standards and Interpretations Issued but not yet Mandatory" in the Notes to the Consolidated Financial Statements 2017 for the background to the adjustments made.

Financial position

Changes in the statement of cash flows

In the first three months of 2018, there was a net cash inflow of €22 million from operating activities, against €10 million in the prior-year period. Based on income before income taxes of €163 million, after €162 million in the previous year, non-cash amortization and depreciation net of reversals of impairment charges amounted to €154 million, €30 million higher than in the prior-year period. The increase was mainly due to higher depreciation and amortization following the Chemtura acquisition. The income taxes paid decreased to €37 million in the reporting period after €65 million in the prior-year period.

The increase in net working capital resulted in a net cash outflow of €318 million vis-à-vis December 31, 2017, compared with €273 million in the prior-year period. This was due in particular to changes in trade payables, which led to a cash outflow of €80 million in the reporting period. In the prior-year period, trade payables resulted in cash inflow of €39 million.

There was a €133 million net cash outflow from investing activities in the first three months of 2018, compared with €15 million in the same period a year ago. The cash outflow in the reporting period was primarily due to the acquisition of the phosphorus additives business from Solvay. In addition, there were cash outflows for purchases of intangible assets and property, plant and equipment of €81 million, compared with €57 million in the prior-year period.

Net cash provided by financing activities came to €13 million in the reporting period, compared with €52 million in the first three months of 2017. In the reporting period, like in the prior-year period, the repayment of financial liabilities led to a cash outflow of €6 million.

Financing and liquidity

Net financial liabilities totaled €2,375 million as of March 31, 2018, compared to €2,252 million as of December 31, 2017.

Provisions for pensions and other post-employment benefits totaled €1,502 million as of March 31, 2018, compared with €1,490 million as of December 31, 2017.

OUTLOOK

The political and economic risks have not changed substantially compared with our original full-year forecast for 2018 published in the Annual Report 2017. Expectations for the development of the global economy as well as the Americas, EMEA (including Germany) and Asia/Pacific regions likewise remain in line with the most recent assessment.

Our expectations for trends in the global chemical industry and the individual user industries are almost unchanged against our last assessment. After expectations of a weak first six months in our agrochemicals business, we expect a gradual improvement in the second half of the year.

Like in the Annual Report 2017, our earnings forecast relates to New LANXESS and comprises the Advanced Intermediates, Specialty Additives, Performance Chemicals and Engineering Materials segments. ARLANXEO will be classified as a discontinued operation from April 1, 2018. Accordingly, both the reported and forecast EBITDA pre exceptionals for the LANXESS Group reported in the future reporting periods contain no EBITDA contributions from ARLANXEO.

Compared with the EBITDA pre exceptionals of 2017 of around €925 million, we expect earnings to increase by 5% to 10% for the current fiscal year.

Net Financial Liabilities

€ million	Dec. 31, 2017	March 31, 2018
Non-current financial liabilities	2,242	2,231
Current financial liabilities	633	683
Less:		
Liabilities for accrued interest	(35)	(51)
Cash and cash equivalents	(538)	(438)
Near-cash assets	(50)	(50)
Net financial liabilities	2,252	2,375

FINANCIAL DATA

as of March 31, 2018

STATEMENT OF FINANCIAL POSITION LANXESS GROUP

€ million	Dec. 31, 2017	March 31, 2018
ASSETS		
Intangible assets	1,769	1,761
Property, plant and equipment	4,059	3,977
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	9	9
Non-current derivative assets	7	12
Other non-current financial assets	20	39
Non-current income tax receivables	20	12
Deferred taxes	442	441
Other non-current assets	113	106
Non-current assets	6,439	6,357
Inventories	1,680	1,843
Trade receivables	1,316	1,292
Cash and cash equivalents	538	438
Near-cash assets	50	50
Current derivative assets	45	44
Other current financial assets	7	50
Current income tax receivables	47	41
Other current assets	274	305
Current assets	3,957	4,063
Total assets	10,396	10,420
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves	1,381	1,444
Net income	87	96
Other equity components	(498)	(547)
Equity attributable to non-controlling interests	1,126	1,115
Equity	3,413	3,425
Provisions for pensions and other post-employment benefits	1,490	1,502
Other non-current provisions	460	437
Non-current derivative liabilities	2	1
Other non-current financial liabilities	2,242	2,231
Non-current income tax liabilities	119	125
Other non-current liabilities	99	101
Deferred taxes	113	113
Non-current liabilities	4,525	4,510
Other current provisions	525	587
Trade payables	1,048	958
Current derivative liabilities	12	9
Other current financial liabilities	633	683
Current income tax liabilities	61	62
Other current liabilities	179	186
Current liabilities	2,458	2,485
Total equity and liabilities	10,396	10,420

INCOME STATEMENT LANXESS GROUP

€ million	Q1 2017	Q1 2018
Sales	2,401	2,565
Cost of sales	(1,855)	(1,966)
Gross profit	546	599
Selling expenses	(218)	(248)
Research and development expenses	(34)	(39)
General administration expenses	(72)	(98)
Other operating income	29	21
Other operating expenses	(59)	(31)
Operating result (EBIT)	192	204
Income from investments accounted for using the equity method	0	0
Interest income	1	2
Interest expense	(21)	(21)
Other financial income and expense	(10)	(22)
Financial result	(30)	(41)
Income before income taxes	162	163
Income taxes	(59)	(54)
Income after income taxes	103	109
of which attributable to non-controlling interests	25	13
of which attributable to LANXESS AG stockholders [net income]	78	96
Earnings per share (undiluted/diluted) (€)	0.85	1.05

STATEMENT OF COMPREHENSIVE INCOME

LANXESS GROUP

€ million	Q1 2017	Q1 2018
Income after income taxes	103	109
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of the net defined benefit liability for post-employment benefit plans	(52)	(27)
Income taxes	17	9
	(35)	(18)
Items that may be reclassified subsequently to profit or loss if specific conditions are met		
Exchange differences on translation of operations outside the eurozone	(1)	(71)
Financial instruments	4	9
Income taxes	(1)	(2)
	2	(64)
Other comprehensive income, net of income tax	(33)	(82)
Total comprehensive income	70	27
of which attributable to non-controlling interests	9	(4)
of which attributable to LANXESS AG stockholders	61	31

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							–	18	18
Total comprehensive income			(19)	78	(1)	3	61	9	70
<i>Income after income taxes</i>				78			78	25	103
<i>Other comprehensive income, net of income tax</i>			(19)		(1)	3	(17)	(16)	(33)
March 31, 2017	91	1,226	1,430	78	(200)	(12)	2,613	1,203	3,816
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
Total comprehensive income			(15)	96	(55)	5	31	(4)	27
<i>Income after income taxes</i>				96			96	13	109
<i>Other comprehensive income, net of income tax</i>			(15)		(55)	5	(65)	(17)	(82)
March 31, 2018	91	1,226	1,444	96	(564)	17	2,310	1,115	3,425

STATEMENT OF CASH FLOWS

LANXESS GROUP

€ million	Q1 2017	Q1 2018
Income before income taxes	162	163
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	124	154
Financial losses (gains)	20	19
Income taxes paid	(65)	(37)
Changes in inventories	(64)	(50)
Changes in trade receivables	(248)	(188)
Changes in trade payables	39	(80)
Changes in other assets and liabilities	42	41
Net cash provided by operating activities	10	22
Cash outflows for purchases of intangible assets and property, plant and equipment	(57)	(81)
Cash inflows from sales of intangible assets and property, plant and equipment	–	1
Cash outflows for financial assets	(110)	–
Cash inflows from financial assets	150	–
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	–	(55)
Interest and dividends received	2	2
Net cash used in investing activities	(15)	(133)
Cash inflows from non-controlling interests	18	–
Proceeds from borrowings	44	23
Repayments of borrowings	(6)	(6)
Interest paid and other financial disbursements	(4)	(4)
Net cash provided by financing activities	52	13
Change in cash and cash equivalents from business activities	47	(98)
Cash and cash equivalents at beginning of period	355	538
Exchange differences and other changes in cash and cash equivalents	2	(2)
Cash and cash equivalents at end of period	404	438

BUSINESS UNIT KEY DATA

€ million	Advanced Intermediates		Specialty Additives		Performance Chemicals		Engineering Materials		ARLANXEO		Reconciliation		LANXESS	
	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018
External sales	518	563	239	496	368	336	315	393	948	757	13	20	2,401	2,565
Inter-segment sales	13	15	3	3	0	0	0	0	0	0	(16)	(18)	0	0
Segment/Group sales	531	578	242	499	368	336	315	393	948	757	(3)	2	2,401	2,565
Segment result/ EBITDA pre exceptionals	91	102	44	81	59	52	48	73	144	111	(58)	(44)	328	375
EBITDA margin pre exceptionals (%)	17.6	18.1	18.4	16.3	16.0	15.5	15.2	18.6	15.2	14.7			13.7	14.6
EBITDA	91	102	44	81	59	51	48	73	142	111	(68)	(60)	316	358
EBIT pre exceptionals	65	71	37	50	40	33	37	58	87	58	(62)	(49)	204	221
EBIT	65	71	37	50	40	32	37	58	85	58	(72)	(65)	192	204
Segment capital expenditures	21	26	7	17	11	12	5	5	17	21	2	4	63	85
Depreciation and amortization/reversals of impairment charges	26	31	7	31	19	19	11	15	57	53	4	5	124	154

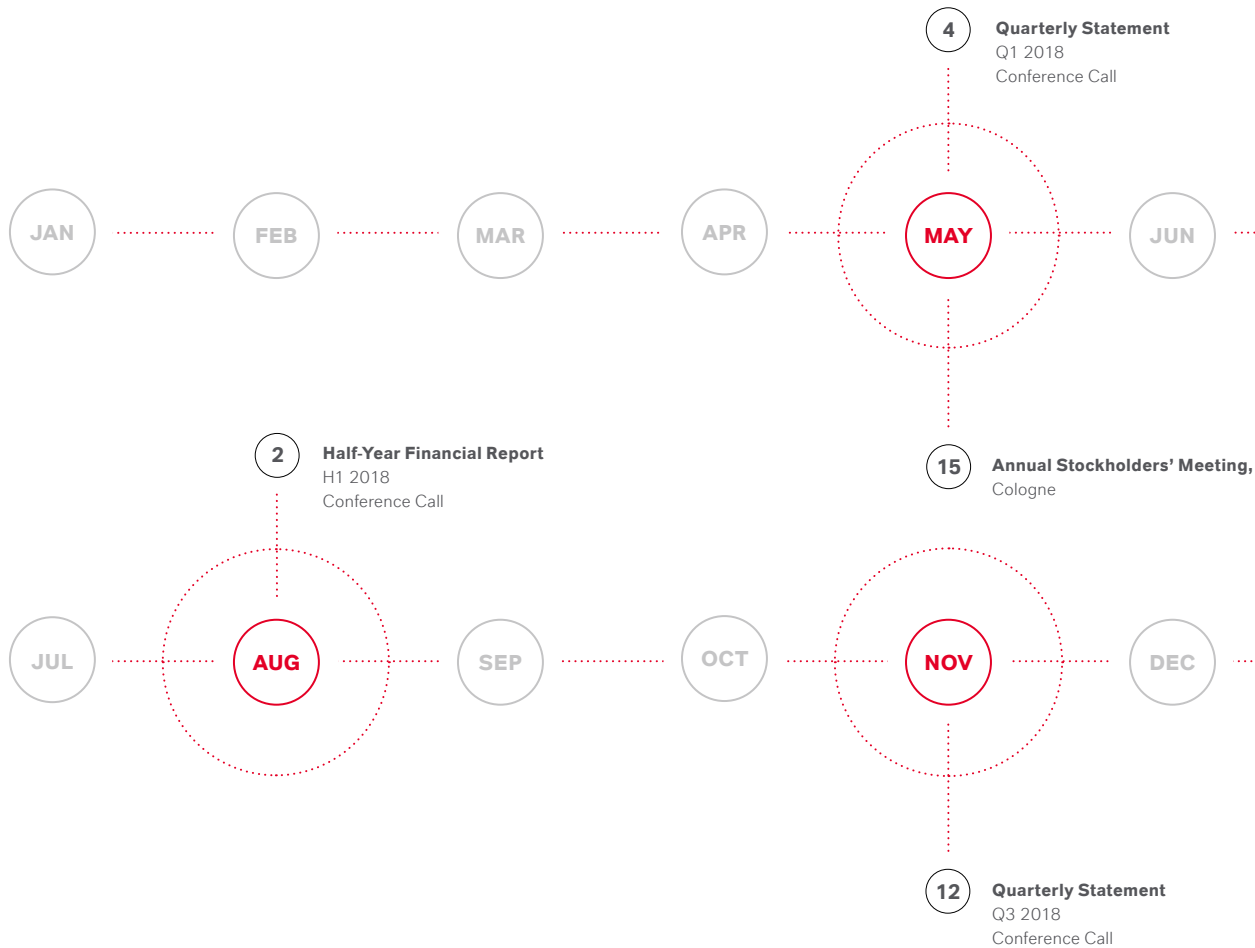
Prior-year figures in line with the changed segment structure

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Business Unit Key Data
Financial Calendar/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 Dörr
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:
May 4, 2018

PUBLISHER

LANXESS AG

50569 Cologne

Germany

www.lanxess.com