

2022

QUARTERLY STATEMENT

as of September 30, 2022

LANXESS Group Key Data

€ million	Q3 2021	Q3 2022	Change %	9M 2021	9M 2022	Change %
Sales	1,581	2,185	38.2	4,422	6,115	38.3
Gross profit	403	527	30.8	1,140	1,483	30.1
Gross profit margin	25.5%	24.1%		25.8%	24.3%	
EBITDA pre exceptionals ¹⁾	229	240	4.8	643	755	17.4
EBITDA margin pre exceptionals ¹⁾	14.5%	11.0%		14.5%	12.3%	
EBITDA ¹⁾	188	206	9.6	545	673	23.5
EBIT pre exceptionals ¹⁾	111	101	(9.0)	316	361	14.2
EBIT ¹⁾	69	66	(4.3)	215	276	28.4
EBIT margin ¹⁾	4.4%	3.0%		4.9%	4.5%	
Net income	74	80	8.1	238	271	13.9
from continuing operations	40	84	> 100	123	198	61.1
from discontinued operations	34	(4)	< (100)	115	73	(36.5)
Weighted average number of shares outstanding	86,346,303	86,346,303	–	86,346,303	86,346,303	–
Earnings per share (€)	0.86	0.93	8.1	2.76	3.14	13.8
from continuing operations	0.46	0.97	> 100	1.42	2.29	61.3
from discontinued operations	0.40	(0.04)	< (100)	1.34	0.85	(36.6)
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€) ²⁾	1.09	0.97	(11.0)	2.96	3.28	10.8
Cash flow from operating activities – continuing operations	111	38	(65.8)	145	95	(34.5)
Depreciation and amortization	119	140	17.6	330	397	20.3
Cash outflows for capital expenditures	98	98	–	241	249	3.3
Total assets				10,528 ⁵⁾	12,265	16.5
Equity (including non-controlling interests)				3,762 ⁵⁾	4,866	29.3
Equity ratio ³⁾				35.7% ⁵⁾	39.7%	
Provisions for pensions and other post-employment benefits				877 ⁵⁾	363	(58.6)
Net financial liabilities ⁴⁾				2,345 ⁵⁾	3,746	59.7
Net financial liabilities after deduction of short-term money market investments and securities ⁴⁾				2,245 ⁵⁾	3,746	66.9
Employees (as of Sep. 30)				14,866 ⁵⁾⁶⁾	15,200 ⁵⁾	2.2

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, earnings effects from the settlement of interest rate hedges in the third quarter of 2022 and attributable tax effects. 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) As of December 31, 2021.

6) There were 13,177 employees in continuing operations as of the reporting date after 12,951 as of December 31, 2021.

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QUARTERLY STATEMENT AS OF SEPTEMBER 30, 2022

- › Acquisition of the Microbial Control business from the U.S. corporation International Flavors & Fragrances Inc. (IFF) completed on July 1, 2022
- › Third-quarter sales considerably above the previous year's level in all segments
- › Further increase in raw material and energy costs passed on to customers
- › Positive earnings contribution from acquired businesses
- › EBITDA pre exceptionals increased by 4.8% to €240 million in the third quarter
- › Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets of €0.97 in the third quarter against €1.09 in the previous year
- › Extension of the "sustainable" revolving credit facility until 2026 strengthens available liquidity
- › Guidance for fiscal year 2022 specified: EBITDA pre exceptionals from continuing operations expected to be between €900 million and €950 million and thus significantly higher than the previous year's figure of €815 million after adjustment for comparability

REPORTING FOCUS AND MATERIAL TRANSACTIONS

On July 1, 2022, LANXESS acquired the Microbial Control business from U.S. corporation International Flavors & Fragrances Inc. (IFF). IFF Microbial Control is one of the leading providers of antimicrobial active ingredients and formulations for material protection, preservatives and disinfectants. As part of the acquisition, LANXESS took over two production plants in St. Charles, Louisiana, and Institute, West Virginia, U.S., as well as around 240 employees. The business also has a large network of partners including active ingredient manufacturers and formulators. The business was integrated into the Material Protection Products business unit of the Consumer Protection segment. The purchase price paid by LANXESS for the IFF Microbial Control business on the acquisition date amounted to around US\$1.3 billion.

On May 31, 2022, LANXESS and Advent International ("Advent") signed a contract for the acquisition of the Engineering Materials business of the Dutch group Royal DSM. This business and the LANXESS High Performance Materials business unit are to be merged within a company for high-performance engineering polymers, which represents total annual sales of approximately €3 billion and is to be divided into three global business units. The transaction is still subject to the approval of the responsible authorities. Closing is expected in the first half of 2023.

Advent will hold at least 60% of the new company. LANXESS will receive an initial payment of at least €1.1 billion and a share of up to 40% in the future company. LANXESS will have the possibility to sell its stake in the newly formed company to Advent after three years at the earliest.

After contributing the High Performance Materials business unit, LANXESS will include its minority interest in the new company in the LANXESS consolidated financial statements using the equity method. Since the transaction is expected to be completed within twelve months, the High Performance Materials business unit already had to be reported as a discontinued operation in accordance with IFRS 5 as of June 30, 2022. The earnings contributions for 2021 and 2022 have been removed from income from continuing operations in the income statement and shown in a single line item as income from discontinued operations. The High Performance Materials business unit's intangible assets and property, plant and equipment are not subject to further amortization or depreciation and are recognized at the lower of carrying amount and fair value less costs to sell. No adjustments have been made to the statement of financial position for reporting dates prior to June 30, 2022. In the disclosures below, we have generally omitted any additional indication that prior-year figures have been adjusted relating to this.

As a result of the transaction, the LANXESS Group now comprises three segments. The Engineering Materials segment has been wound up and the Urethane Systems business unit, which was previously included together with the High Performance Materials business unit, is recognized as an other segment.

BUSINESS PERFORMANCE

Sales

Sales of the LANXESS Group amounted to €2,185 million, up by €604 million, or 38.2%, on the previous year's figure. The sales development was influenced in particular by significantly higher selling prices driven by raw material and energy prices. Overall, higher selling prices resulted in sales growth of 25.6%. The portfolio changes had a positive effect on sales at Group level, primarily due to the contribution from the IFF Microbial Control business acquired at the beginning of July 2022 and the contribution from the U.S. company Emerald Kalama Chemical acquired at the beginning of August 2021. Overall, there was a positive portfolio effect of 9.9% at Group level. In addition, the exchange rate effects led to an 8.3% increase in sales. Lower volumes, particularly due to weakening demand, resulted in a 5.6% decline in sales.

Effects on Sales

%	Q3 2022	9M 2022
Price	25.6	25.8
Volume	(5.6)	(3.5)
Currency	8.3	6.5
Portfolio	9.9	9.5
	38.2	38.3

EBITDA and operating result (EBIT)

EBITDA Pre Exceptionals by Segment

€ million	Q3 2021	Q3 2022	Change %	9M 2021	9M 2022	Change %
Advanced Intermediates	80	65	(18.8)	241	226	(6.2)
Specialty Additives	102	121	18.6	265	391	47.5
Consumer Protection	66	110	66.7	213	286	34.3
All other segments	(19)	(56)	< (100)	(76)	(148)	(94.7)
	229	240	4.8	643	755	17.4

Prior-year figures restated.

The operating result before depreciation, amortization, write-downs and reversals (EBITDA) pre exceptionals amounted to €240 million in the third quarter of 2022, higher than the prior-year quarter. In the previous year, EBITDA pre exceptionals amounted to €229 million. All segments continued to record significantly higher raw material and energy prices, which were mainly passed on to the market through a successful increase in selling prices. In the Advanced Intermediates segment, which is particularly affected by high gas prices, the lower volumes due to weaker demand resulted in an earnings decline. The Specialty Additives and Consumer Protection segments saw positive business development, with the Consumer Protection segment benefiting to a large extent from the contribution of the IFF Microbial Control business acquired at the beginning of July 2022. Changes in exchange rates, especially a strong U.S. dollar, had a positive influence on earnings development in all segments. Please see the table below and "Segment Information" for details on the individual segments.

Primarily due to higher freight costs, portfolio effects, and exchange rate effects, selling expenses rose by 41.6% to €296 million. Research and development costs amounted to €26 million, compared to €25 million in the prior-year period, while general administration expenses amounted to €78 million, compared to €64 million in the prior-year period, partly due to portfolio and exchange rate effects. The Group EBITDA margin pre exceptionals came in at 11.0%, against 14.5% in the prior-year quarter.

Depreciation, amortization and write-downs rose by €21 million, or 17.6%, compared with the figure for the prior-year quarter to €140 million, primarily due to the acquisition of the IFF Microbial Control business and exchange rate effects. This includes write-downs of €3 million. In the prior-year quarter, write-downs amounted to €4 million. Net negative exceptional items of €35 million included in other operating income and expenses affected EBITDA by a total of €34 million and resulted primarily from expenses in connection with strategic IT projects, digitalization projects, and M&A and integration activities relating to the recently completed acquisitions. In the prior-year quarter, negative exceptional items totaling €42 million were incurred, €41 million of which impacted EBITDA.

Reconciliation of EBITDA Pre Exceptionals to EBIT

€ million	Q3 2021	Q3 2022	Change %	9M 2021	9M 2022	Change %
EBITDA pre exceptionals	229	240	4.8	643	755	17.4
Depreciation and amortization	(119)	(140)	(17.6)	(330)	(397)	(20.3)
Exceptional items in EBITDA	(41)	(34)	17.1	(98)	(82)	16.3
Operating result (EBIT)	69	66	(4.3)	215	276	28.4

Financial result

The financial result for the third quarter of 2022 was €54 million, compared with minus €10 million for the prior-year period. The net interest result was minus €19 million, compared with minus €14 million in the prior-year quarter. The other financial result was €73 million, compared with €4 million in the prior-year quarter. The improvement in the other financial result resulted primarily from the settlement of interest rate hedges through profit or loss of €83 million. These hedges related to the no longer planned issuance to replace a corporate bond expiring in November. Due to the expected proceeds resulting from the contribution of the High Performance Materials business unit to the planned joint venture with Advent, refinancing in the planned volume is no longer necessary.

Income before income taxes

In the third quarter of 2022, income before income taxes came to €120 million, against €59 million for the prior-year period. The effective tax rate was 29.2%, compared with 32.2% 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 €80 million, of which €84 million was attributable to continuing operations. In the prior-year quarter, €40 million of the net income of €74 million was allocable to continuing operations. Net income of minus €4 million was attributable to discontinued operations in the third quarter. In the previous year, net income of €34 million was attributable

to discontinued operations. The earnings increase in continuing operations resulted among other things from the contribution of the acquired IFF Microbial Control business and the settlement of interest rate hedges through profit or loss. 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 €0.93, which was higher than the prior-year figure of €0.86. Earnings per share from continuing operations were €0.97 against €0.46 in the prior-year quarter.

Net Income/Earnings per Share

	Q3 2021	Q3 2022	9M 2021	9M 2022
Net income (€ million)	74	80	238	271
from continuing operations (€ million)	40	84	123	198
from discontinued operations (€ million)	34	(4)	115	73
Weighted average number of shares outstanding	86,346,303	86,346,303	86,346,303	86,346,303
Earnings per share (€)	0.86	0.93	2.76	3.14
from continuing operations (€)	0.46	0.97	1.42	2.29
from discontinued operations (€)	0.40	(0.04)	1.34	0.85

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, earnings effects from the settlement of interest rate hedges in the third quarter of

2022 and attributable tax effects. Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets were €0.97 in the third quarter of 2022. In the prior-year period, earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets had amounted to €1.09.

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

€ million	Q3 2021	Q3 2022	9M 2021	9M 2022
Net income from continuing operations	40	84	123	198
Exceptional items ¹⁾	42	35	101	85
Amortization of intangible assets/reversals of impairment charges ¹⁾	28	41	77	107
Income from the settlement of interest rate hedges	0	(83)	0	(83)
Income taxes ¹⁾	(16)	7	(45)	(24)
Net income from continuing operations adjusted for exceptional items and amortization of intangible assets	94	84	256	283
Weighted average number of shares outstanding	86,346,303	86,346,303	86,346,303	86,346,303
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	1.09	0.97	2.96	3.28

¹⁾ Excluding items attributable to non-controlling interests.

BUSINESS DEVELOPMENT BY REGION

Group sales in the third quarter of 2022 amounted to €2,185 million, up 38.2% on the previous year's figure of €1,581 million. All regions saw positive business development.

Sales by Market

	Q3 2021		Q3 2022		Change %	9M 2021		9M 2022		Change %
	€ million	%	€ million	%		€ million	%	€ million	%	
EMEA (excluding Germany)	446	28.2	621	28.4	39.2	1,319	29.8	1,801	29.4	36.5
Germany	268	17.0	355	16.3	32.5	775	17.5	1,028	16.8	32.6
North America	416	26.3	628	28.7	51.0	1,123	25.4	1,669	27.3	48.6
Latin America	82	5.2	133	6.1	62.2	199	4.5	329	5.4	65.3
Asia-Pacific	369	23.3	448	20.5	21.4	1,006	22.8	1,288	21.1	28.0
	1,581	100.0	2,185	100.0	38.2	4,422	100.0	6,115	100.0	38.3

SEGMENT INFORMATION

As it was for the first time in the financial reporting as of June 30, 2022, the High Performance Materials business unit is accounted for as a discontinued operation in accordance with IFRS 5. The Engineering Materials segment has been wound up and the Urethane Systems business unit, which was previously included together with the High Performance Materials business unit, is recognized as an other segment. The previous year's figures have been restated accordingly.

Advanced Intermediates

	Q3 2021		Q3 2022		Change	9M 2021		9M 2022		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	492		642		30.5	1,410		1,842		30.6
EBITDA pre exceptionals	80	16.3	65	10.1	(18.8)	241	17.1	226	12.3	(6.2)
EBITDA	80	16.3	65	10.1	(18.8)	241	17.1	226	12.3	(6.2)
Operating result (EBIT) pre exceptionals	51	10.4	37	5.8	(27.5)	157	11.1	140	7.6	(10.8)
Operating result (EBIT)	51	10.4	37	5.8	(27.5)	157	11.1	140	7.6	(10.8)
Cash outflows for capital expenditures	30		23		(23.3)	78		60		(23.1)
Depreciation and amortization	29		28		(3.4)	84		86		2.4
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,021		3,010		(0.4)	3,021		3,010		(0.4)

Prior-year figures restated in accordance with the organizational reassignment of the business with benzyl products from the Advanced Intermediates segment's Advanced Industrial Intermediates business unit to the Consumer Protection segment in 2021.

Our **Advanced Intermediates** segment recorded sales of €642 million in the third quarter of 2022, up 30.5%, or €150 million, on the figure for the prior-year period. The sales development was particularly influenced by the sharp rise in selling prices in both business units, which were above the previous year's level as much higher raw material and energy prices were almost entirely passed on. Overall, there was a positive price effect on sales of 30.7% at segment level. In addition,

shifts in exchange rates had a positive effect on both business units and increased the segment's sales by 5.9% in total. Lower volumes resulted in a sales decline of 6.1%. Compared with strong demand in the prior-year quarter, the Inorganic Pigments business unit in particular saw declining volumes, especially from the construction industry, due to weaker demand. Sales in all regions were above the level of the prior-year quarter.

EBITDA pre exceptionals in the Advanced Intermediates segment decreased by 18.8% to €65 million, compared with the previous year's figure of €80 million, and was particularly affected by the high energy costs. Higher freight costs and lower volumes also had a negative impact on earnings in both business units. The change in exchange rates had a slightly positive influence on earnings development in the segment. The EBITDA margin pre exceptionals was 10.1%, against 16.3% in the prior-year quarter.

Specialty Additives

	Q3 2021		Q3 2022		Change	9M 2021		9M 2022		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	605		792		30.9	1,690		2,286		35.3
EBITDA pre exceptionals	102	16.9	121	15.3	18.6	265	15.7	391	17.1	47.5
EBITDA	98	16.2	120	15.2	22.4	256	15.1	390	17.1	52.3
Operating result (EBIT) pre exceptionals	58	9.6	74	9.3	27.6	139	8.2	251	11.0	80.6
Operating result (EBIT)	54	8.9	73	9.2	35.2	129	7.6	250	10.9	93.8
Cash outflows for capital expenditures	30		34		13.3	70		71		1.4
Depreciation and amortization	44		47		6.8	127		140		10.2
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,030		3,048		0.6	3,030		3,048		0.6

Sales in our **Specialty Additives** segment rose by 30.9% in the third quarter of 2022 to €792 million. At segment level, the overall increase in sales of 23.1% resulted from higher selling prices due to the passing on of sharply higher raw material and energy prices. Shifts in exchange rates, especially for the U.S. dollar, had a positive effect on all business units and increased sales in the segment by 11.8%. In addition, a positive sales contribution of 2.6% was made by the business with specialty chemicals for industrial applications, integrated into the Polymer Additives business unit, of the U.S. company Emerald Kalama Chemical, which was acquired at the beginning of August 2021. The Lubricant Additives business unit slightly increased

its volumes due to an ongoing recovery of the aviation industry, while the segment's other two business units reported lower volumes compared to good demand in the prior-year quarter. At segment level, sales volumes moved down by 6.6%. Sales in all regions were above the level of the prior-year quarter.

EBITDA pre exceptionals in the Specialty Additives segment increased by €19 million, or 18.6%, to €121 million in the third quarter. The strong earnings development resulted primarily from the further price recovery as a result of higher raw material and energy prices. Favorable exchange rate effects also improved earnings. In addition, good demand from the aviation

industry had a positive impact on earnings in the Lubricant Additives business unit. Volumes fell short of the good prior-year quarter due in particular to slightly weaker demand and had a negative impact on earnings. The EBITDA margin pre exceptionals was 15.3%, against 16.9% in the prior-year period.

The segment recorded negative exceptional items of €1 million in the third quarter, which impacted EBITDA and primarily related to the adjustment of the production network in the North America region. In the previous year, negative exceptional items of €4 million were incurred, which impacted EBITDA. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

Consumer Protection

	Q3 2021		Q3 2022		Change	9M 2021		9M 2022		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	412		662		60.7	1,119		1,726		54.2
EBITDA pre exceptionals	66	16.0	110	16.6	66.7	213	19.0	286	16.6	34.3
EBITDA	60	14.6	98	14.8	63.3	207	18.5	273	15.8	31.9
Operating result (EBIT) pre exceptionals	36	8.7	62	9.4	72.2	140	12.5	165	9.6	17.9
Operating result (EBIT)	30	7.3	50	7.6	66.7	134	12.0	152	8.8	13.4
Cash outflows for capital expenditures	23		27		17.4	53		86		62.3
Depreciation and amortization	30		48		60.0	73		121		65.8
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,266		3,563		9.1	3,266		3,563		9.1

Prior-year figures restated in accordance with the organizational reassignment of the business with benzyl products from the Advanced Intermediates segment in 2021 and the transfer of the business of LANXESS Distribution GmbH, Leverkusen, Germany, from the "all other segments" category to the Flavors & Fragrances business unit effective January 1, 2022.

In our **Consumer Protection** segment, sales amounted to €662 million in the reporting quarter of 2022, up 60.7% from the prior-year level. This was particularly attributable to the sales of the Material Protection Products business unit, which includes the newly acquired IFF Microbial Control business. In addition, the Flavors & Fragrances business unit posted higher sales from the integration of the business with specialty chemicals for the consumer goods sector of U.S. company Emerald Kalama Chemical, which was acquired at the beginning of August 2021. Overall, there was a positive portfolio effect of 34.2% at segment level. All business units achieved higher selling prices, which pushed up sales by 24.5%. In addition, shifts in exchange rates, in particular the U.S. dollar, had a positive effect in all business units and overall had a positive influence of 5.1% on sales at segment level. The Saltigo and Liquid Purification Technologies

business units also achieved higher sales volumes. The Flavors & Fragrances business unit in particular posted lower sales volumes, partly due to a planned maintenance shutdown that took longer than expected. At segment level, lower volumes resulted in a sales decline of 3.1%. Sales in all regions were above the level of the prior-year quarter.

EBITDA pre exceptionals in the Consumer Protection segment increased by €44 million, or 66.7%, compared with the prior-year level of €66 million. A positive earnings contribution resulted from the integration of the IFF Microbial Control business acquired at the beginning of July into the Material Protection Products business unit. The contribution from the Emerald Kalama Chemical business acquired in 2021 also had a positive effect on earnings. Higher selling prices and shifts

in exchange rates, particularly of the U.S. dollar, had a positive influence on earnings in almost all business units. The lower sales volumes had a negative impact on earnings. The EBITDA margin pre exceptionals increased to 16.6%, against 16.0% in the prior-year period.

The segment recorded negative exceptional items of €12 million in the third quarter, which impacted EBITDA and primarily related to the strategic realignment of the specialty chemicals business and the associated integration of the newly acquired IFF Microbial Control business. In the prior-year quarter, exceptional items of €6 million were attributable to the segment result and related to the integration of Emerald Kalama Chemical. Please see "Notes on EBIT and EBITDA (Pre Exceptionals)" for details.

All Other Segments

€ million	Q3 2021	Q3 2022	Change %	9M 2021	9M 2022	Change %
Sales	72	89	23.6	203	261	28.6
EBITDA pre exceptionals	(19)	(56)	< (100)	(76)	(148)	(94.7)
EBITDA	(50)	(77)	(54.0)	(159)	(216)	(35.8)
Operating result (EBIT) pre exceptionals	(34)	(72)	< (100)	(120)	(195)	(62.5)
Operating result (EBIT)	(66)	(94)	(42.4)	(205)	(266)	(29.8)
Cash outflows for capital expenditures	15	14	(6.7)	40	32	(20.0)
Depreciation and amortization	16	17	6.3	46	50	8.7
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,634	3,556	(2.1)	3,634	3,556	(2.1)

Prior-year figures restated in accordance with the reassignment of the business of LANXESS Distribution GmbH, Leverkusen (Germany), to the Consumer Protection segment with effect from January 1, 2022, and on the basis of the recognition of the Urethane Systems business unit as an other segment.

The sales reported in **all other segments** for the third quarter of the fiscal year and the prior-year period mainly relate to the business of the Urethane Systems business unit, which was transferred to this category from the discontinued Engineering Materials segment. EBITDA pre exceptionals for the reconciliation came to minus €56 million in the third quarter of 2022, compared with minus €19 million in the corresponding prior-year period, and resulted mainly from expenses for the business activities of the corporate functions. Due to the development of

the U.S. dollar, there were also reductions in earnings resulting from currency hedges in the third quarter. In the third reporting quarter, negative exceptional items of €22 million were incurred, €21 million of which impacted EBITDA. The exceptional items resulted primarily from expenses in connection with strategic IT projects, digitalization projects and M&A activities. In the prior-year period, there were negative exceptional items of €32 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.

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 (target) planning process, targets are set for this benchmark of our company's success, which are then taken into account in determining variable income components for the Board of Management, senior executives and the rest of the workforce.

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 2021	EBIT Q3 2022	EBITDA Q3 2021	EBITDA Q3 2022	EBIT 9M 2021	EBIT 9M 2022	EBITDA 9M 2021	EBITDA 9M 2022
EBIT/EBITDA pre exceptionals	111	101	229	240	316	361	643	755
Advanced Intermediates	0	-	0	-	0	-	0	-
Specialty Additives	(4)	(1)	(4)	(1)	(10)	(1)	(9)	(1)
Strategic realignment	(4)	-	(4)	-	(10)	-	(9)	-
Adjustment of the production network	-	(1)	-	(1)	-	(1)	-	(1)
Consumer Protection	(6)	(12)	(6)	(12)	(6)	(13)	(6)	(13)
Strategic realignment	(6)	(12)	(6)	(12)	(6)	(13)	(6)	(13)
All other segments	(32)	(22)	(31)	(21)	(85)	(71)	(83)	(68)
Strategic realignment	-	-	-	-	(1)	-	(1)	-
Strategic IT projects (SAP S/4HANA and other IT applications)	(5)	(6)	(5)	(6)	(18)	(31)	(18)	(31)
Digitalization, M&A expenses and other	(27)	(16)	(26)	(15)	(66)	(40)	(64)	(37)
Total exceptional items	(42)	(35)	(41)	(34)	(101)	(85)	(98)	(82)
EBIT/EBITDA	69	66	188	206	215	276	545	673

Prior-year figures restated.

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Structure of the statement of financial position

As of September 30, 2022, the LANXESS Group's total assets stood at €12,265 million, up €1,737 million, or 16.5%, from €10,528 million on December 31, 2021. This development was attributable in particular to the acquisition of the IFF Microbial Control business and currency translation effects. Equity increased by €1,104 million compared with December 31, 2021, to €4,866 million. The equity ratio at the end of the third quarter was 39.7%, after 35.7% as of December 31, 2021.

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 2022, there was total net cash inflow of €95 million from operating activities, against net cash inflow of €145 million in the prior-year period. Income before income taxes increased from €175 million to €278 million. In the reporting period, non-cash depreciation, amortization and write-downs amounted to €397 million, against €330 million in the previous year. The increase was primarily the result of higher assets due to the acquisition of Emerald Kalama Chemical in the previous year. For the first time, there was also depreciation and amortization on the assets of the IFF Microbial Control

business acquired in the reporting quarter. The change in net working capital resulted in a net cash outflow of €597 million, compared with €368 million in the prior-year period. The higher net cash outflow resulted in particular from the increase in inventories due to the sharp rise in raw material and energy prices. The sale of receivables under the factoring agreement had an opposite effect of €134 million. There was net cash inflow from the reimbursement of income taxes of €37 million, whereas income taxes paid resulted in a net cash outflow of €14 million in the prior-year period.

There was a €1,010 million net cash outflow from investing activities in the first nine months of 2022, compared with a €86 million net cash inflow in the same period a year ago. The net cash outflow of the reporting period resulted primarily from the acquisition of the IFF Microbial Control business. In addition, cash outflows for financial assets or other assets held for investment purposes, primarily for the acquisition of shares of money market funds that can be sold at any time, resulted in net cash outflow. The net cash inflow from financial assets had the opposite effect due to the maturity of short-term money market investments. Cash outflows for the acquisition of intangible assets and property, plant and equipment resulted in a net cash outflow of €249 million, compared with €241 million in the first nine months of the previous year.

Net cash provided by financing activities came to €714 million in the reporting period, compared with net cash used for financing activities of €156 million in the first nine months of 2021. The

net cash inflow in the reporting period was particularly due to the placement of a six-year Eurobond with a volume of €600 million. Further net cash inflow resulted from the borrowing of a bank loan of €300 million. The dividend payment of €91 million to LANXESS shareholders, the repayment of a private placement of €100 million, and interest paid and other financial disbursements had the opposite effect.

Financing and liquidity

Net financial liabilities totaled €3,746 million as of September 30, 2022, compared with €2,345 million as of December 31, 2021. The increase in net financial liabilities as of September 30, 2022, resulted among other things from the purchase price payment for the acquired IFF Microbial Control business unit and the dividend payment to LANXESS shareholders of €91 million. In the first half of 2023, LANXESS expects a significant reduction in net financial liabilities due to a payment of at least €1.1 billion from Advent for the contribution of the High Performance Materials business unit to the joint venture for high-performance engineering polymers.

LANXESS still has a sound liquidity position overall. This is secured in particular by undrawn credit lines of approximately €2 billion. We have extended the term of our "sustainable" revolving credit facility to 2026.

LANXESS continues to prioritize the retention of the investment grade rating.

Net Financial Liabilities

€ million	Dec. 31, 2021	Sep. 30, 2022
Non-current financial liabilities	2,829	3,424
Current financial liabilities	675	893
Less		
Liabilities for accrued interest	(25)	(37)
Cash and cash equivalents	(643)	(315)
Near-cash assets	(491)	(219)
Net financial liabilities	2,345	3,746
after deduction of short-term money market investments and securities	(100)	–
Net financial liabilities after deduction of short-term money market investments and securities	2,245	3,746

Provisions for pensions and other post-employment benefits totaled €363 million as of September 30, 2022, compared with €877 million as of December 31, 2021. This decrease was mainly due to an increase in the interest rates used for discounting.

OUTLOOK

In an environment still characterized by extreme uncertainty as a result of the war in Ukraine, a potential energy shortage, and the significant inflation of recent months, it is now clear that economic conditions are deteriorating, possibly leading to a recession. The further development of the geopolitical situation and the resulting problems in the supply of raw materials and energy represent an uncertainty factor for global economic development and for our business.

Massively increased raw material and energy costs, declining general demand in response to the drastic increase in inflation, central banks' interest rate hikes to counter this inflation, and continuing disruptions to global logistics and supply chains are tarnishing the outlook for the world economy.

Against this background, we are specifying our forecast for fiscal year 2022 and expect EBITDA pre exceptionals from continuing operations of between €900 million and €950 million. Compared with earnings of €815 million in 2021, we therefore continue to expect EBITDA pre exceptionals to be significantly higher than the earnings of the previous year.

FINANCIAL DATA

AS OF SEPTEMBER 30, 2022

STATEMENT OF FINANCIAL POSITION LANXESS GROUP

€ million	Dec. 31, 2021	Sep. 30, 2022
ASSETS		
Intangible assets ¹⁾	2,526	3,591
Property, plant and equipment ¹⁾	3,163	2,835
Investments accounted for using the equity method	–	79
Investments in other affiliated companies	56	30
Non-current derivative assets	28	12
Other non-current financial assets	62	57
Non-current income tax receivables	56	55
Deferred taxes	192	77
Other non-current assets	56	76
Non-current assets	6,139	6,812
Inventories	1,633	2,090
Trade receivables	1,050	1,056
Cash and cash equivalents	643	315
Near-cash assets	491	219
Current derivative assets	34	10
Other current financial assets	249	165
Current income tax receivables	96	32
Other current assets	193	289
Assets held for sale and discontinued operations	–	1,277
Current assets	4,389	5,453
Total assets	10,528	12,265

€ million	Dec. 31, 2021	Sep. 30, 2022
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves	2,401	2,951
Net income	267	271
Other equity components	(229)	321
Equity attributable to non-controlling interests	6	6
Equity	3,762	4,866
Provisions for pensions and other post-employment benefits	877	363
Other non-current provisions ¹⁾	370	386
Non-current derivative liabilities	1	9
Other non-current financial liabilities	2,829	3,424
Non-current income tax liabilities	37	39
Other non-current liabilities	50	38
Deferred taxes	223	300
Non-current liabilities	4,387	4,559
Other current provisions	492	460
Trade payables	1,008	871
Current derivative liabilities	21	85
Other current financial liabilities	675	893
Current income tax liabilities	25	43
Other current liabilities	157	140
Liabilities directly related to assets held for sale and discontinued operations	1	348
Current liabilities	2,379	2,840
Total equity and liabilities	10,528	12,265

1) Prior-year figure restated.

INCOME STATEMENT LANXESS GROUP

€ million	Q3 2021	Q3 2022	9M 2021	9M 2022
Sales	1,581	2,185	4,422	6,115
Cost of sales	(1,178)	(1,658)	(3,282)	(4,632)
Gross profit	403	527	1,140	1,483
Selling expenses	(209)	(296)	(576)	(773)
Research and development expenses	(25)	(26)	(71)	(76)
General administration expenses	(64)	(78)	(193)	(219)
Other operating income	12	6	41	20
Other operating expenses	(48)	(67)	(126)	(159)
Operating result (EBIT)	69	66	215	276
Interest income	2	1	5	5
Interest expense	(16)	(20)	(48)	(55)
Other financial income and expense	4	73	3	52
Financial result	(10)	54	(40)	2
Income before income taxes	59	120	175	278
Income taxes	(19)	(35)	(52)	(79)
Income after income taxes from continuing operations	40	85	123	199
Income after income taxes from discontinued operations	34	(4)	115	73
Income after income taxes	74	81	238	272
of which attributable to non-controlling interests	0	1	0	1
of which attributable to LANXESS AG stockholders (net income)	74	80	238	271
Earnings per share (basic/diluted) (€)				
from continuing operations	0.46	0.97	1.42	2.29
from discontinued operations	0.40	(0.04)	1.34	0.85
from continuing and discontinued operations	0.86	0.93	2.76	3.14

STATEMENT OF COMPREHENSIVE INCOME LANXESS GROUP

€ million	Q3 2021	Q3 2022	9M 2021	9M 2022
Income after income taxes	74	81	238	272
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	89	120	311	526
Financial instruments fair value measurement	22	1	27	(29)
Income taxes	(29)	(35)	(94)	(145)
	82	86	244	352
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	92	272	215	601
Financial instruments fair value measurement	(10)	(125)	(22)	(43)
Financial instruments cost of hedging	1	(2)	0	1
Income taxes	3	37	6	12
	86	182	199	571
Other comprehensive income, net of income tax	168	268	443	923
Total comprehensive income	242	349	681	1,195
of which attributable to non-controlling interests	0	0	0	0
of which attributable to LANXESS AG stockholders	242	349	681	1,195
Total comprehensive income attributable to LANXESS AG stockholders	242	349	681	1,195
from continuing operations	207	350	566	1,094
from discontinued operations	35	(1)	115	101

STATEMENT OF CHANGES IN EQUITY LANXESS GROUP

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components			Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments				
						Fair value measurement	Cost of hedging			
Dec. 31, 2020	87	1,230	1,359	885	(569)	9	0	3,001	(2)	2,999
Allocations to retained earnings			885	(885)				0		0
Acquisition of own shares	(1)	1	–					–		0
Dividend payments			(86)					(86)		(86)
Total comprehensive income			224	238	215	4	0	681	0	681
Income after income taxes				238				238	0	238
Other comprehensive income, net of income tax			224		215	4	0	443	0	443
Other changes			0					0	8	8
Sep. 30, 2021	86	1,231	2,382	238	(354)	13	0	3,596	6	3,602
Dec. 31, 2021	86	1,231	2,401	267	(257)	28	0	3,756	6	3,762
Allocations to retained earnings			267	(267)				0		0
Dividend payments			(91)					(91)	0	(91)
Total comprehensive income			374	271	602	(53)	1	1,195	–	1,195
Income after income taxes				271				271	1	272
Other comprehensive income, net of income tax			374		602	(53)	1	924	(1)	923
Sep. 30, 2022	86	1,231	2,951	271	345	(25)	1	4,860	6	4,866

STATEMENT OF CASH FLOWS LANXESS GROUP

€ million	Q3 2021	Q3 2022	9M 2021	9M 2022
Income before income taxes	59	120	175	278
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	119	140	330	397
Gains/losses on disposals of intangible assets and property, plant and equipment	0	4	0	3
Income from investments accounted for using the equity method	–	0	–	0
Financial losses (gains)	4	(66)	25	(17)
Income taxes refunded/paid	18	(28)	(14)	37
Changes in inventories	(70)	(166)	(209)	(534)
Changes in trade receivables	(39)	12	(175)	(80)
Changes in trade payables	(47)	30	16	17
Changes in other assets and liabilities	67	(8)	(3)	(6)
Net cash provided by operating activities – continuing operations	111	38	145	95
Net cash used in operating activities – discontinued operations	(16)	(19)	(43)	(104)
Net cash provided by (used in) operating activities – total	95	19	102	(9)
Cash outflows for purchases of intangible assets and property, plant and equipment	(98)	(98)	(241)	(249)
Cash inflows from sales of intangible assets and property, plant and equipment	0	0	0	4
Cash outflows for financial and other assets held for investment purposes	(100)	(16)	(253)	(909)
Cash inflows from financial and other assets held for investment purposes	430	1,044	1,447	1,279
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	(911)	(1,140)	(987)	(1,143)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	33	–	113	–
Interest and dividends received	1	3	7	8

€ million	Q3 2021	Q3 2022	9M 2021	9M 2022
Net cash used in (provided by) investing activities – continuing operations	(645)	(207)	86	(1,010)
Net cash used in investing activities – discontinued operations	(11)	(9)	(31)	(19)
Net cash used in (provided by) investing activities – total	(656)	(216)	55	(1,029)
Proceeds from borrowings	505	0	510	932
Repayments of borrowings	(515)	(27)	(538)	(170)
Interest paid and other financial disbursements	(2)	(2)	(42)	(40)
Proceeds from interest rate hedges	–	83	–	83
Dividend payments	0	0	(86)	(91)
Net cash used in (provided by) financing activities – continuing operations	(12)	54	(156)	714
Net cash used in financing activities – discontinued operations	(1)	(2)	(3)	(3)
Net cash used in (provided by) financing activities – total	(13)	52	(159)	711
Change in cash and cash equivalents – continuing operations	(546)	(115)	75	(201)
Change in cash and cash equivalents – discontinued operations	(28)	(30)	(77)	(126)
Change in cash and cash equivalents – total	(574)	(145)	(2)	(327)
Cash and cash equivalents at beginning of period – total	847	465	271	643
Exchange differences and other changes in cash and cash equivalents – total	1	5	5	9
Cash and cash equivalents at end of period – total	274	325	274	325
of which continuing operations	263	315	263	315
of which discontinued operations	11	10	11	10

BUSINESS UNIT KEY DATA

Key Data by Segment/Third Quarter

€ million	Advanced Intermediates		Specialty Additives		Consumer Protection		All other segments		LANXESS	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
External sales	492	642	605	792	412	662	72	89	1,581	2,185
Inter-segment sales	9	7	2	3	7	17	(18)	(27)	0	0
Segment/Group sales	501	649	607	795	419	679	54	62	1,581	2,185
Segment result/EBITDA pre exceptionals	80	65	102	121	66	110	(19)	(56)	229	240
EBITDA margin pre exceptionals (%)	16.3	10.1	16.9	15.3	16.0	16.6			14.5	11.0
EBITDA	80	65	98	120	60	98	(50)	(77)	188	206
EBIT pre exceptionals	51	37	58	74	36	62	(34)	(72)	111	101
EBIT	51	37	54	73	30	50	(66)	(94)	69	66
Segment capital expenditures	32	24	43	37	24	30	20	15	119	106
Depreciation and amortization/reversals of impairment charges	29	28	44	47	30	48	16	17	119	140
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,021	3,010	3,030	3,048	3,266	3,563	3,634	3,556	12,951	13,177

Prior-year figures restated.

Key Data by Segment/First Nine Months

€ million	Advanced Intermediates		Specialty Additives		Consumer Protection		All other segments		LANXESS	
	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022
External sales	1,410	1,842	1,690	2,286	1,119	1,726	203	261	4,422	6,115
Inter-segment sales	27	24	6	9	36	48	(69)	(81)	0	0
Segment/Group sales	1,437	1,866	1,696	2,295	1,155	1,774	134	180	4,422	6,115
Segment result/EBITDA pre exceptionals	241	226	265	391	213	286	(76)	(148)	643	755
EBITDA margin pre exceptionals (%)	17.1	12.3	15.7	17.1	19.0	16.6			14.5	12.3
EBITDA	241	226	256	390	207	273	(159)	(216)	545	673
EBIT pre exceptionals	157	140	139	251	140	165	(120)	(195)	316	361
EBIT	157	140	129	250	134	152	(205)	(266)	215	276
Segment capital expenditures	86	67	87	79	58	94	52	35	283	275
Depreciation and amortization/reversals of impairment charges	84	86	127	140	73	121	46	50	330	397
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,021	3,010	3,030	3,048	3,266	3,563	3,634	3,556	12,951	13,177

Prior-year figures restated.

Financial Calendar 2022/2023

NOV

NOVEMBER 9, 2022

Quarterly Statement
Q3 2022
Conference Call

DEC

JAN

FEB

MARCH

MARCH 15, 2023

Annual Report
Operating results 2022
Conference Call

APR

MAY

MAY 10, 2023

Quarterly Statement
Q1 2023
Conference Call

MAY 24, 2023

Annual Stockholders' Meeting

JUN

JUL

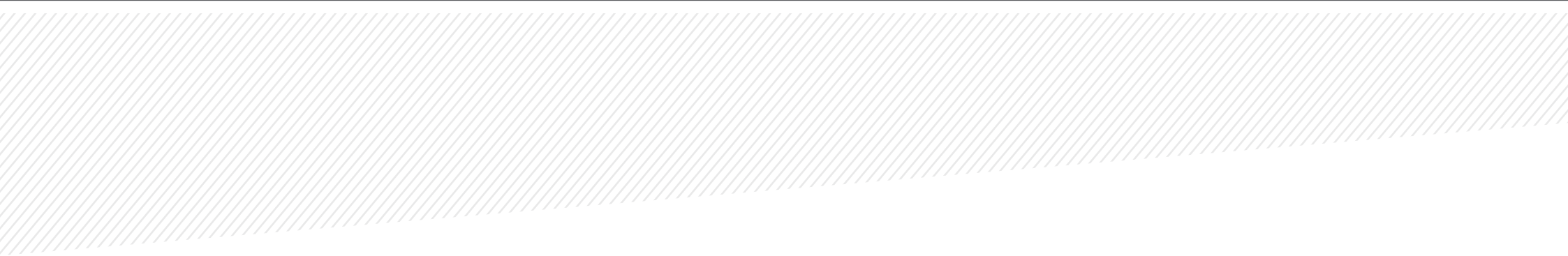
AUG

AUGUST 4, 2023

Half-Year Financial Report
H1 2023
Conference Call

SEP

OCT



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