

Q3

QUARTERLY STATEMENT

as of September 30, 2016

LANXESS Group Key Data

€ million	Q3 2015	Q3 2016	Change %	9M 2015	9M 2016	Change %
Sales	1,953	1,921	(1.6)	6,096	5,784	(5.1)
Gross profit	455	446	(2.0)	1,383	1,384	0.1
Gross profit margin	23.3%	23.2%		22.7%	23.9%	
EBITDA pre exceptionals ¹⁾	235	257	9.4	734	812	10.6
EBITDA margin pre exceptionals ¹⁾	12.0%	13.4%		12.0%	14.0%	
EBITDA ¹⁾	218	241	10.6	692	783	13.2
Operating result (EBIT) pre exceptionals ¹⁾	121	138	14.0	397	458	15.4
Operating result (EBIT) ¹⁾	104	122	17.3	344	429	24.7
EBIT margin ¹⁾	5.3%	6.4%		5.6%	7.4%	
Net income	41	62	51.2	150	190	26.7
Earnings per share (€)	0.45	0.68	51.2	1.64	2.08	26.7
Earnings per share pre exceptionals (€) ²⁾	0.57	0.78	36.8	1.97	2.28	15.7
Cash flow from operating activities	190	304	60.0	342	532	55.6
Depreciation and amortization	114	119	4.4	348	354	1.7
Cash outflows for capital expenditures	100	106	6.0	229	228	(0.4)
Total assets				7,219 ⁶⁾	8,242	14.2
Equity (including non-controlling interests)				2,323 ⁶⁾	3,453	48.6
Equity ratio ³⁾				32.2% ⁶⁾	41.9%	
Net financial liabilities ⁴⁾				1,211 ⁶⁾	788	(34.9)
Net financial liabilities after deduction of time deposits and securities available for sale ⁵⁾				1,211 ⁶⁾	203	(83.2)
Employees (as of September 30)				16,225 ⁶⁾	16,700	2.9

1) EBIT: earnings before interest and income taxes

EBIT pre exceptionals: EBIT disregarding exceptional items

EBIT margin: ratio of EBIT to sales

EBITDA: EBIT plus depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets

EBITDA pre exceptionals: EBITDA disregarding exceptional items

EBITDA margin pre exceptionals: the ratio of EBITDA pre exceptionals to sales;

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

2) Earnings per share pre exceptionals: earnings per share disregarding exceptional items and the associated tax effects;

please see "Net income/Earnings per share/Earnings per share pre exceptionals" for details.

3) Equity ratio: equity as a percentage of 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; please see "Statement of financial position and financial condition" for details.

5) Please see "Statement of financial position and financial condition" for details of the deducted financial assets.

6) Previous year as of December 31, 2015

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Key Issues



LANXESS plans to acquire Chemtura

LANXESS is planning to acquire U.S. company Chemtura, one of the major global providers of high-quality flame retardant and lubricant additives. With the largest acquisition in its history, LANXESS is building on its own additives portfolio and will become one of the world's major actors in this growing market. In addition to additives, Chemtura's portfolio includes urethanes and organometallics. The products will be integrated into LANXESS's High Performance Materials and Advanced Industrial Intermediates business units.

Both companies have signed an acquisition agreement under the terms of which Chemtura shareholders will receive a cash payment of U.S. \$33.50 per outstanding share. LANXESS will finance the expected purchase price of the transaction – around €1.9 billion – mainly through two corporate bonds and one hybrid bond, as well as from existing liquidity. The transaction is subject to customary closing conditions, including approval by Chemtura's shareholders and the relevant antitrust authorities. Closing is expected in mid-2017.

LANXESS listed in the Dow Jones Sustainability Index World for the sixth time in succession

LANXESS has been included in the Dow Jones Sustainability Index (DJSI) World for the sixth time in succession since September 19, 2016. The composition of this sustainability index, which is recognized throughout the world, is determined once a year on the basis of financially relevant environmental, social and governance factors. The index follows the "best-in-class" principle. The DJSI World lists the top 10% of companies assessed in each sector. This year, special recognition was given to LANXESS's performance in the management of innovation processes and its climate strategy, among other things.

Acquisition of Chemours Clean and Disinfect business closed

On August 31, 2016, LANXESS closed the acquisition of the Clean and Disinfect specialties business of U.S. company Chemours. The new business has been integrated into LANXESS's Material Protection Products business unit, expanding its active ingredient portfolio and extending the veterinary disinfection value chain through to the end market.

Two corporate bonds of €500 million each successfully placed

In October, LANXESS successfully placed two eurobonds on the European capital market for the financing of the planned acquisition of Chemtura. The bonds, each with a volume of €500 million, have terms of five and ten years, respectively, and coupons of 0.25% and 1.0%, respectively. Both eurobonds are listed on the Luxembourg Stock Exchange and will be traded in denominations of €1,000 nominal value.

LANXESS honored by Carbon Disclosure Project

LANXESS is now one of 193 companies worldwide included in the Climate A List of the Carbon Disclosure Project (CDP). An "A" grade is given to companies that particularly distinguish themselves with regard to the transparency and completeness of their reporting and to their actual climate protection activities. LANXESS was not only ranked as a leader in the "Energy & Materials" sector but also as the participating German company which had improved the most compared with the previous year. The company was therefore additionally named "Best Improver Germany."



« LANXESS Management Board member Hubert Fink (center) and project lead Stefanie Holz (2nd from right) accepted the "Best Improver Germany" award.

Quarterly Statement as of September 30, 2016

- Strategic step: LANXESS plans to acquire U.S. company Chemtura
- LANXESS closes acquisition of Chemours Clean and Disinfect specialties business
- Persistently challenging competitive situation in the synthetic rubber business
- Substantial year-on-year increase in volumes across all segments
- Cost-reducing effects from earlier implementation of measures to improve operational competitiveness
- EBITDA pre exceptionals increased from €235 million to €257 million in the third quarter
- Substantial improvement of EBITDA margin pre exceptionals to 13.4% after 12.0% in the prior-year quarter
- Net income and earnings per share pre exceptionals improve to €62 million and €0.78, respectively, against €41 million and €0.57 in prior-year quarter
- Guidance for 2016 raised: EBITDA pre exceptionals between €960 million and €1 billion

Strategy and change to the Group portfolio

With the acquisition of U.S. company Chemtura agreed in September, LANXESS took another significant step en route to the “new” LANXESS. Chemtura is one of the world’s largest suppliers of high-quality additives. The company is headquartered in Philadelphia, United States, and employs around 2,500 people at 20 locations in 11 countries. Based on the data published by Chemtura in its quarterly financial report on June 30, 2016, the company posted sales of around €1.5 billion in the past 12 months, some 45% of which in North America. Adjusted EBITDA thus came to about €245 million. The enterprise value (including net financial liabilities and pension obligations) is around €2.4 billion. Under the terms of the agreement, Chemtura shareholders will receive U.S. \$33.50 per share in cash for each outstanding share of common stock held. This amounts to an expected purchase price of around €1.9 billion, which LANXESS intends to finance largely by way of two eurobonds of €500 million each, both of which were already successfully placed in October, a planned hybrid bond issue and existing liquidity. The transaction, which is expected to close around mid-2017, is subject to approval by Chemtura’s shareholders, required regulatory approvals and certain other customary closing conditions.

Effective August 31, 2016, LANXESS closed the acquisition of the Clean and Disinfect specialties business of U.S.-based chemical company Chemours, representing the first such transaction following LANXESS’s successful realignment. The new business has been integrated into the Material Protection Products business unit, not only expanding its active ingredient portfolio but also extending the veterinary disinfection value chain through to the end market. The acquired business has some 170 employees worldwide and three production sites in Memphis and North Kingstown in the United States and Sudbury in the United Kingdom. In 2015, it achieved sales of around €100 million, roughly half of which in North America. The annual EBITDA contribution is around €20 million. Synergy effects are expected to gradually generate a further €10 million by 2020. LANXESS paid the provisional purchase price of around €200 million from existing liquidity. In this connection, LANXESS acquired all shares in Antec International Ltd., Sudbury, United Kingdom; International Dioxide Inc., North Kingstown, United States; and Chemours Jersey Ltd., St. Helier, Channel Islands.

Please also refer to the Half-Year Financial Report for our description of the ARLANXEO strategic alliance in the synthetic rubber business. In this context, new legal entities were established and existing legal entities were renamed. LANXESS now reports as four segments: Advanced Intermediates, Performance Chemicals, High Performance Materials and ARLANXEO. The prior-year figures are restated accordingly.

Business performance

Sales

Sales of the LANXESS Group in the third quarter of 2016 amounted to €1,921 million, down €32 million, or 1.6%, from the prior-year period. Lower selling prices, which resulted particularly from the pass-through of lower procurement prices for raw materials, diminished sales by 6.8%. This effect was countered by higher volumes (5.1%) and the acquisition of the Chemours Clean and Disinfect business (0.4%). Unfavorable shifts in exchange rates amounted to 0.3%.

Effects on Sales

%	Q3 2016	9M 2016
Price	(6.8)	(7.4)
Volume	5.1	2.5
Currency	(0.3)	(0.3)
Portfolio	0.4	0.1
	(1.6)	(5.1)

EBITDA and operating result (EBIT)

EBITDA Pre Exceptionals by Segment

€ million	Q3 2015	Q3 2016	Change %	9M 2015	9M 2016	Change %
Advanced Intermediates	76	83	9.2	248	260	4.8
Performance Chemicals	86	91	5.8	283	303	7.1
High Performance Materials	32	42	31.3	90	125	38.9
ARLANXEO	94	91	(3.2)	307	299	(2.6)
Reconciliation	(53)	(50)	5.7	(194)	(175)	9.8
	235	257	9.4	734	812	10.6

2015 figures restated in line with the changed segment structure

A positive overall earnings performance at Group level in the third quarter was particularly the result of increased volumes and lower production costs attributable to the implementation of measures to improve operational competitiveness. An opposing influence came from the adjustment in selling prices, which exceeded the effect of reduced raw material costs due to the persistently challenging competitive situation in the synthetic rubber business. Despite higher volumes, selling expenses of €192 million matched the prior-year level due to lower freight charges. Research and development expenses were €34 million, compared with €32 million in the prior-year period. General administration expenses declined from €70 million to €67 million. The Group's EBITDA margin pre exceptionals increased from 12.0% to 13.4%.

Depreciation and amortization came to €119 million, which was €5 million, or 4.4%, above the figure for the prior-year quarter. The negative exceptional items of €16 million reported in other operating income and expenses, which fully impacted EBITDA, mainly related to expenses associated with the strategic realignment of the LANXESS Group. In the prior-year quarter, negative exceptional items amounted to €17 million, which fully impacted EBITDA.

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q3 2015	Q3 2016	Change %	9M 2015	9M 2016	Change %
EBITDA pre exceptionals	235	257	9.4	734	812	10.6
Depreciation and amortization	(114)	(119)	(4.4)	(348)	(354)	(1.7)
Exceptional items in EBITDA	(17)	(16)	5.9	(42)	(29)	31.0
Operating result (EBIT)	104	122	17.3	344	429	24.7

Financial result

The financial result for the third quarter of 2016 was minus €22 million, compared with minus €36 million for the prior-year period. The net interest position of €16 million was level with the same quarter last year. As in the year-earlier period, companies accounted for using the equity method did not generate an earnings contribution. The improvement in other financial income and expense items to minus €6 million, after minus €20 million in the prior-year quarter, resulted mainly from the reduced exchange loss and the proceeds from the sale of our financial interest in Elemica Inc., Exton, United States.

Income before income taxes

Third-quarter income before income taxes came to €100 million, against €68 million for the prior-year period. The effective tax rate was 40.0%, compared with 39.7% for the prior-year quarter.

Net income/Earnings per share/ Earnings per share pre exceptionals

Net income for the reporting period came to €62 million, compared with €41 million a year ago. Non-controlling interests accounted for a loss of €2 million in the third quarter of 2016, compared with €0 million for the prior-year period. The loss accounted for by non-controlling interests in the third quarter of 2016 resulted almost entirely from Saudi Aramco's interest in ARLANXEO.

Earnings per share were €0.68 in the third quarter, substantially above the previous year's level of €0.45.

In order to better assess and compare our performance over time, we also calculate earnings per share pre exceptionals, which is not defined by International Financial Reporting Standards.

Earnings per share pre exceptionals were €0.78 in the third quarter of 2016, compared with €0.57 for the prior-year period. These values were calculated on the basis of net income, taking account of the exceptional items and associated tax effects attributable to the stockholders of LANXESS AG. In the third quarter of 2016, negative exceptional items amounted to €15 million, compared with negative exceptional items of €17 million in the prior-year period.

Reconciliation of Earnings Per Share Pre Exceptionals

€ million	Q3 2015	Q3 2016	9M 2015	9M 2016
Net income	41	62	150	190
Exceptional items ¹⁾	17	15	53	28
Income taxes on exceptional items ¹⁾	(5)	(5)	(23)	(9)
Net income pre exceptionals	53	72	180	209
Number of outstanding shares	91,522,936	91,522,936	91,522,936	91,522,936
Earnings per share pre exceptionals (€)	0.57	0.78	1.97	2.28

1) Disregarding exceptional items attributable to non-controlling interests

Business development by region

Sales by Market

	Q3 2015		Q3 2016		Change	9M 2015		9M 2016		Change
	€ million	%	€ million	%		%	€ million	%	€ million	
EMEA (excluding Germany)	558	28.6	547	28.5	(2.0)	1,794	29.5	1,740	30.1	(3.0)
Germany	339	17.3	317	16.5	(6.5)	1,062	17.4	997	17.2	(6.1)
North America	355	18.2	341	17.7	(3.9)	1,055	17.3	1,006	17.4	(4.6)
Latin America	201	10.3	201	10.5	0.0	635	10.4	587	10.2	(7.6)
Asia-Pacific	500	25.6	515	26.8	3.0	1,550	25.4	1,454	25.1	(6.2)
	1,953	100.0	1,921	100.0	(1.6)	6,096	100.0	5,784	100.0	(5.1)

Sales of the LANXESS Group in the third quarter of 2016 amounted to €1,921 million, down €32 million, or 1.6%, from €1,953 million in the prior-year period. This figure contained a minor portfolio effect from the acquisition of the Clean and Disinfect specialties business of U.S.-based chemical company Chemours effective August 31, 2016, which primarily impacted the North America region.

Global sales performance was characterized by lower selling prices resulting from an overall decline in procurement prices for key raw materials.

Sales in the **EMEA** (excluding Germany) region shrank by €11 million, or 2.0%, to €547 million in the third quarter of 2016. Business expansion by the Advanced Intermediates segment partly offset the decline in the other segments.

Sales in **Germany** in the third quarter of 2016 were down €22 million, or 6.5%, year on year, at €317 million. All segments except Performance Chemicals registered decreasing sales, especially the ARLANXEO segment.

Sales in the **North America** region decreased by €14 million, or 3.9%, to €341 million in the third quarter of 2016. Adjusted for slight currency effects and for the portfolio effect from the acquisition of the Chemours business, the sales decline was 4.7% and impacted all segments.

Sales in the **Latin America** region in the third quarter of 2016 were level with the prior-year period, at €201 million. The positive business performance by the High Performance Materials segment compensated for the decline in sales at ARLANXEO and Performance Chemicals.

Sales in the **Asia-Pacific** region rose by 3.0% in the third quarter of 2016, to €515 million. This development was largely attributable to low-double-digit-percentage sales growth in the Performance Chemicals and High Performance Materials segments.

Segment information

As part of the strategic realignment of LANXESS, Group structures were reorganized. The synthetic rubber business, formerly bundled in the Tire & Specialty Rubbers and High Performance Elastomers business units in the Performance Polymers segment, has been reported as the ARLANXEO segment since the second quarter of 2016, while the High Performance Materials business unit, formerly also assigned to the Performance Polymers segment, is a separate segment. Since that time, LANXESS has been reporting as four segments: Advanced Intermediates, Performance Chemicals, High Performance Materials and ARLANXEO. The prior-year figures are restated accordingly.

Advanced Intermediates

	Q3 2015		Q3 2016		Change	9M 2015		9M 2016		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	440		435		(1.1)	1,386		1,341		(3.2)
EBITDA pre exceptionals	76	17.3	83	19.1	9.2	248	17.9	260	19.4	4.8
EBITDA	76	17.3	83	19.1	9.2	247	17.8	260	19.4	5.3
Operating result (EBIT) pre exceptionals	52	11.8	57	13.1	9.6	174	12.6	184	13.7	5.7
Operating result (EBIT)	52	11.8	57	13.1	9.6	173	12.5	184	13.7	6.4
Cash outflows for capital expenditures	22		30		36.4	50		61		22.0
Depreciation and amortization	24		26		8.3	74		76		2.7
Employees as of September 30 (previous year as of Dec. 31) ¹⁾	3,259		3,351		2.8	3,259		3,351		2.8

1) 2015 figure restated

Our **Advanced Intermediates** segment recorded sales of €435 million in the third quarter of 2016, which was 1.1% or €5 million below the level of the prior-year quarter. Selling price adjustments, due especially to the pass-through of cost relief from lower procurement prices for raw materials, resulted in a negative price effect of 7.5%. In the Advanced Industrial Intermediates business unit particularly, sales volumes increased on account of good demand in almost all end markets. At segment level, sales volumes were 6.6% higher than in the prior-year quarter. It should be borne in mind that performance in the year-earlier period was impacted by an unscheduled shutdown in the United States. The segment posted higher and stable sales, respectively, in the EMEA (excluding Germany) and Latin America regions. In the other regions, the segment's sales declined year on year.

EBITDA pre exceptionals in the Advanced Intermediates segment amounted to €83 million, €7 million, or 9.2%, above the prior-year level. Reduced production costs, higher volumes and improved capacity utilization had a positive impact on earnings. The cost relief from lower raw material prices stood against the effect of reduced selling prices. Currency effects had a slightly positive impact. The EBITDA margin pre exceptionals increased from 17.3% to 19.1%.

Performance Chemicals

	Q3 2015		Q3 2016		Change	9M 2015		9M 2016		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	524		541		3.2	1,610		1,617		0.4
EBITDA pre exceptionals	86	16.4	91	16.8	5.8	283	17.6	303	18.7	7.1
EBITDA	86	16.4	91	16.8	5.8	275	17.1	303	18.7	10.2
Operating result (EBIT) pre exceptionals	63	12.0	68	12.6	7.9	218	13.5	235	14.5	7.8
Operating result (EBIT)	63	12.0	68	12.6	7.9	210	13.0	235	14.5	11.9
Cash outflows for capital expenditures	33		32		(3.0)	74		70		(5.4)
Depreciation and amortization	23		23		0.0	65		68		4.6
Employees as of September 30 (previous year as of Dec. 31) ¹⁾	5,138		5,582		8.6	5,138		5,582		8.6

1) 2015 figure restated

Sales in our **Performance Chemicals** segment rose by 3.2% in the third quarter of 2016, to €541 million. Sales volumes, which increased by 5.0% overall, were above the prior-year level in almost all business units, while selling prices declined by 2.9% and were below the prior-year level in almost all business units. Integration of the Clean and Disinfect specialties business of U.S. chemical company Chemours into the Material Protection Products business unit had a positive effect of 1.5% on sales. While business developed positively in the Germany and Asia-Pacific regions, it contracted in the other regions.

EBITDA pre exceptionals in the Performance Chemicals segment amounted to €91 million, an increase of €5 million, or 5.8%, compared with the prior-year level of €86 million. Earnings were improved by higher volumes and favorable currency effects on our production costs. The positive earnings performance was also supported by lower selling expenses. The cost relief from lower raw material prices stood against the effect of reduced selling prices. The EBITDA margin pre exceptionals increased from 16.4% to 16.8%.

High Performance Materials

	Q3 2015		Q3 2016		Change	9M 2015		9M 2016		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	263		257		(2.3)	847		805		(5.0)
EBITDA pre exceptionals	32	12.2	42	16.3	31.3	90	10.6	125	15.5	38.9
EBITDA	32	12.2	42	16.3	31.3	110	13.0	125	15.5	13.6
Operating result (EBIT) pre exceptionals	21	8.0	31	12.1	47.6	57	6.7	92	11.4	61.4
Operating result (EBIT)	21	8.0	31	12.1	47.6	76	9.0	92	11.4	21.1
Cash outflows for capital expenditures	4		6		50.0	15		15		0.0
Depreciation and amortization	11		11		0.0	34		33		(2.9)
Employees as of September 30 (previous year as of Dec. 31)	1,546		1,574		1.8	1,546		1,574		1.8

2015 figures restated in line with the changed segment structure

Sales in our **High Performance Materials** segment decreased by 2.3% year on year in the third quarter of 2016, to €257 million. Selling price adjustments resulted in a negative price effect of 8.4%. This was attributable to lower procurement prices for raw

materials being passed on to customers. Sales were improved by a 6.5% increase in volumes against the prior-year quarter. In the Latin America and Asia-Pacific regions, sales were positive. However, sales declined in the other regions.

EBITDA pre exceptionals in the High Performance Materials segment rose by a significant €10 million, or 31.3%, to €42 million. Higher volumes in the more profitable product groups and high capacity utilization resulted in positive earnings performance. Lower raw

material prices led to an adjustment in selling prices. The EBITDA margin pre exceptionals of 16.3% was well above the figure of 12.2% posted in the prior-year quarter.

ARLANXEO

	Q3 2015		Q3 2016		Change	9M 2015		9M 2016		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	713		675		(5.3)	2,216		1,985		(10.4)
EBITDA pre exceptionals	94	13.2	91	13.5	(3.2)	307	13.9	299	15.1	(2.6)
EBITDA	92	12.9	91	13.5	(1.1)	293	13.2	299	15.1	2.0
Operating result (EBIT) pre exceptionals	42	5.9	36	5.3	(14.3)	154	6.9	134	6.8	(13.0)
Operating result (EBIT)	40	5.6	36	5.3	(10.0)	130	5.9	134	6.8	3.1
Cash outflows for capital expenditures	38		32		(15.8)	81		72		(11.1)
Depreciation and amortization	52		55		5.8	163		165		1.2
Employees as of September 30 (previous year as of Dec. 31)	3,491		3,473		(0.5)	3,491		3,473		(0.5)

2015 figures restated in line with the changed segment structure

Sales in our **ARLANXEO** segment declined by 5.3% year on year in the third quarter of 2016, to €675 million. This development was largely influenced by selling price adjustments in both business units due to lower raw material procurement prices and the persistently challenging competitive situation in the synthetic rubber business, which resulted in a negative price effect of 9.0%. Due especially to good demand in Asia-Pacific, volumes increased in both business units and added 3.9% to sales. Sales in all regions were below prior-year levels.

EBITDA pre exceptionals in the ARLANXEO segment declined from €94 million in the prior-year quarter to €91 million. The reduction of selling prices in response to ongoing competitive pressure

outweighed the positive impact of cost relief resulting from lower raw material prices. Earnings were improved by higher volumes, an improved portfolio of products sold, reduced production costs and lower idle capacity costs. The EBITDA margin pre exceptionals came in at 13.5% for the third quarter, against 13.2% a year ago.

The segment recorded no exceptional items in the third quarter, compared with negative exceptional items of €2 million in the prior-year period. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

Reconciliation

€ million	Q3 2015	Q3 2016	Change %	9M 2015	9M 2016	Change %
Sales	13	13	0.0	37	36	(2.7)
EBITDA pre exceptionals	(53)	(50)	5.7	(194)	(175)	9.8
EBITDA	(68)	(66)	2.9	(233)	(204)	12.4
Operating result (EBIT) pre exceptionals	(57)	(54)	5.3	(206)	(187)	9.2
Operating result (EBIT)	(72)	(70)	2.8	(245)	(216)	11.8
Cash outflows for capital expenditures	3	6	100.0	9	10	11.1
Depreciation and amortization	4	4	0.0	12	12	0.0
Employees as of September 30 (previous year as of Dec. 31) ¹⁾	2,791	2,720	(2.5)	2,791	2,720	(2.5)

1) 2015 figure restated

EBITDA pre exceptionals for the **Reconciliation** came to minus €50 million, compared with minus €53 million in the prior-year quarter. The negative exceptional items of €16 million reported in the Reconciliation, which fully impacted EBITDA, resulted primarily from expenditures in connection with the strategic realignment of the LANXESS Group. Negative exceptional items in the prior-year period amounted to €15 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 better to assess our operational business and to steer earning power at Group level and for the individual segments, we additionally calculate the earnings indicators EBITDA, EBITDA and EBIT pre exceptionals, and the EBITDA margin pre exceptionals, none of which are defined by International Financial Reporting Standards. These indicators are viewed as supplementary to the data prepared according to IFRS; they are not a substitute.

Reconciliation of EBIT/EBITDA

€ million	EBIT Q3 2015	EBIT Q3 2016	EBITDA Q3 2015	EBITDA Q3 2016	EBIT 9M 2015	EBIT 9M 2016	EBITDA 9M 2015	EBITDA 9M 2016
EBIT/EBITDA pre exceptionals	121	138	235	257	397	458	734	812
Advanced Intermediates	0	0	0	0	(1)	0	(1)	0
Strategic realignment/“Let’s LANXESS again”	0	0	0	0	(3)	0	(3)	0
Other	0	0	0	0	2	0	2	0
Performance Chemicals	0	0	0	0	(8)	0	(8)	0
Strategic realignment/“Let’s LANXESS again”	0	0	0	0	(3)	0	(3)	0
Other	0	0	0	0	(5)	0	(5)	0
High Performance Materials	0	0	0	0	19	0	20	0
Strategic realignment/“Let’s LANXESS again”	0	0	0	0	(1)	0	(1)	0
Sale of assets	0	0	0	0	20	0	21	0
ARLANXEO	(2)	0	(2)	0	(24)	0	(14)	0
Strategic realignment/“Let’s LANXESS again” ¹⁾	(2)	0	(2)	0	(46)	0	(36)	0
Sale of assets	0	0	0	0	22	0	22	0
Reconciliation	(15)	(16)	(15)	(16)	(39)	(29)	(39)	(29)
Strategic realignment/“Let’s LANXESS again”	(13)	(13)	(13)	(13)	(33)	(24)	(33)	(24)
Other	(2)	(3)	(2)	(3)	(6)	(5)	(6)	(5)
Total exceptional items	(17)	(16)	(17)	(16)	(53)	(29)	(42)	(29)
EBIT/EBITDA	104	122	218	241	344	429	692	783

1) The exceptional items mainly comprised expenses associated with the termination of EPDM rubber production at the site in Marl, Germany.

EBITDA is calculated from earnings before interest and income taxes (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 disregarding exceptional items. The latter are effects of an unusual nature or magnitude. They may include write-downs, restructuring expenses, expenses for the design and implementation of IT projects, expenses for portfolio adjustments and reversals of impairment charges. 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. EBITDA pre exceptionals is the central indicator that we use to steer the business operations of the Group and the individual segments. Every operational decision or achievement is judged in the short and long term by its sustainable impact on EBITDA pre exceptionals. We use EBITDA pre exceptionals as our key controlling parameter because it facilitates assessment of the company’s development over several reporting periods.

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

Statement of financial position and financial condition

Structure of the statement of financial position

As of September 30, 2016, the LANXESS Group had total assets of €8,242 million, up €1,023 million, or 14.2%, from €7,219 million on December 31, 2015. The growth in total assets resulted especially from the cash inflow from Saudi Aramco's interest in ARLANXEO and the corresponding increase in equity through a higher share attributable to non-controlling interests. The acquisition of the Chemours Clean and Disinfect specialties business financed with around €200 million from existing liquidity is reflected particularly in an increase in intangible assets. The equity ratio at the end of the third quarter was 41.9%, after 32.2% in the prior year.

Financial condition

Changes in the statement of cash flows

In the first nine months of 2016, there was a net cash inflow of €532 million from operating activities, against €342 million in the prior-year period. Based on income before income taxes of €341 million, the increase in net working capital compared to December 31, 2015, resulted in a cash outflow of €203 million. In the prior-year period, income before income taxes was €246 million and the cash outflow from the increase in net working capital was €161 million.

There was a €1,095 million net cash outflow from investing activities in the first nine months of 2016, against €166 million a year earlier. The cash outflow in the reporting period resulted in particular from payments for financial assets of €585 million associated with investing the purchase price payment received from Saudi Aramco and payments of €228 million for intangible assets and property, plant and equipment, compared with €229 million in the prior-year period. In addition, there was a cash outflow of around €200 million for the addition to German pension fund assets and payments of around €200 million for the acquisition of the Clean and Disinfect specialties business of U.S. company Chemours.

Net cash provided by financing activities came to €714 million, compared with net cash of €232 million used in financing activities in the first nine months of 2015. This was mainly attributable to a cash inflow of €1.2 billion provided by Saudi Aramco's interest in ARLANXEO. Outflows of €415 million for the repayment of financial liabilities had an opposing effect.

Financing and liquidity

Net financial liabilities totaled €788 million as of September 30, 2016, compared with €1,211 million as of December 31, 2015. Of the purchase price paid in cash by Saudi Aramco for its interest in ARLANXEO, €525 million is invested in time deposits and €60 million in securities available for sale. As a result, as of September 30, 2016, net financial liabilities amounted to €203 million after deduction of time deposits and securities available for sale.

Net Financial Liabilities

€ million	Dec. 31, 2015	Sep. 30, 2016
Non-current financial liabilities	1,258	1,256
Current financial liabilities	443	78
Less:		
Liabilities for accrued interest	(24)	(23)
Cash and cash equivalents	(366)	(521)
Near-cash assets	(100)	(2)
Net financial liabilities	1,211	788
Less time deposits and securities available for sale	-	(585)
Net financial liabilities after deduction of time deposits and securities available for sale	1,211	203

Provisions for pensions totaled €1,479 million as of September 30, 2016, compared with €1,215 million as of December 31, 2015. This increase was primarily due to a decline in discount rates, particularly in Germany.

Significant capital expenditure projects

The Saltigo business unit in the Advanced Intermediates segment is expanding its production network at the site in Leverkusen, Germany. As part of its realignment project, LANXESS is investing about €60 million at its largest agrochemicals site. Synthesis capacities for custom manufacturing are being expanded by the addition of two multipurpose production lines, several reactor modules and a new container storage area. Work on this expansion began in June 2016. Production is due to start at the end of 2017.

Outlook

The political and economic risks have not changed substantially compared with our original forecast for 2016 published in the Annual Report 2015. The chemical industry is forecast to develop in line with expectations. A continued downturn in production is anticipated in Latin America. With regard to our customer industries, our expectations remain broadly unchanged compared with the beginning of the year.

Against the backdrop of our good quarterly results, we are raising our full-year guidance for EBITDA pre exceptionals to between €960 million and €1 billion.

Financial Data

as of September 30, 2016

Statement of Financial Position LANXESS Group

€ million	Dec. 31, 2015	Sep. 30, 2016
ASSETS		
Intangible assets	300	481
Property, plant and equipment	3,447	3,339
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	12	11
Non-current derivative assets	1	2
Other non-current financial assets	21	19
Non-current income tax receivables	11	14
Deferred taxes	361	510
Other non-current assets	27	24
Non-current assets	4,180	4,400
Inventories	1,349	1,395
Trade receivables	956	1,084
Cash and cash equivalents	366	521
Near-cash assets	100	2
Current derivative assets	14	17
Other current financial assets	4	589
Current income tax receivables	44	43
Other current assets	206	191
Current assets	3,039	3,842
Total assets	7,219	8,242
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,316
Other reserves	1,313	1,123
Net income	165	190
Other equity components	(485)	(300)
Equity attributable to non-controlling interests	13	1,124
Equity	2,323	3,453
Provisions for pensions and other post-employment benefits	1,215	1,479
Other non-current provisions	271	279
Non-current derivative liabilities	19	6
Other non-current financial liabilities	1,258	1,256
Non-current income tax liabilities	19	16
Other non-current liabilities	108	98
Deferred taxes	46	84
Non-current liabilities	2,936	3,218
Other current provisions	411	467
Trade payables	779	727
Current derivative liabilities	100	25
Other current financial liabilities	443	78
Current income tax liabilities	85	138
Other current liabilities	142	136
Current liabilities	1,960	1,571
Total equity and liabilities	7,219	8,242

Income Statement LANXESS Group

€ million	Q3 2015	Q3 2016	9M 2015	9M 2016
Sales	1,953	1,921	6,096	5,784
Cost of sales	(1,498)	(1,475)	(4,713)	(4,400)
Gross profit	455	446	1,383	1,384
Selling expenses	(190)	(192)	(573)	(577)
Research and development expenses	(32)	(34)	(98)	(96)
General administration expenses	(70)	(67)	(202)	(212)
Other operating income	34	25	128	105
Other operating expenses	(93)	(56)	(294)	(175)
Operating result (EBIT)	104	122	344	429
Income from investments accounted for using the equity method	0	0	0	0
Interest income	2	2	3	5
Interest expense	(18)	(18)	(52)	(54)
Other financial income and expense	(20)	(6)	(49)	(39)
Financial result	(36)	(22)	(98)	(88)
Income before income taxes	68	100	246	341
Income taxes	(27)	(40)	(97)	(145)
Income after income taxes	41	60	149	196
of which attributable to non-controlling interests	0	(2)	(1)	6
of which attributable to LANXESS AG stockholders [net income]	41	62	150	190
Earnings per share (undiluted/diluted) (€)	0.45	0.68	1.64	2.08

Statement of Comprehensive Income LANXESS Group

€ million	Q3 2015	Q3 2016	9M 2015	9M 2016
Income after income taxes	41	60	149	196
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(16)	(57)	(6)	(451)
Income taxes	6	20	4	145
	(10)	(37)	(2)	(306)
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	(122)	(4)	(56)	43
Financial instruments	(13)	3	(39)	81
Income taxes	4	(3)	12	(24)
	(131)	(4)	(83)	100
Other comprehensive income, net of income tax	(141)	(41)	(85)	(206)
Total comprehensive income	(100)	19	64	(10)
of which attributable to non-controlling interests	-	8	(1)	37
of which attributable to LANXESS AG stockholders	(100)	11	65	(47)

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, 2014	91	1,226	1,253	47	(407)	(51)	2,159	2	2,161
Allocations to retained earnings			47	(47)			0		0
Transactions with owners							0	9	9
Dividend payments			(46)				(46)	0	(46)
Total comprehensive income			(2)	150	(56)	(27)	65	(1)	64
Income (loss) after income taxes				150			150	(1)	149
Other comprehensive income, net of income tax			(2)		(56)	(27)	(85)	0	(85)
Sep. 30, 2015	91	1,226	1,252	150	(463)	(78)	2,178	10	2,188
Dec. 31, 2015	91	1,226	1,313	165	(422)	(63)	2,310	13	2,323
Allocations to retained earnings			165	(165)			0		0
Transactions with owners			8		112	2	122	1,074	1,196
Dividend payments			(55)				(55)	0	(55)
Total comprehensive income			(308)	190	17	54	(47)	37	(10)
Income after income taxes				190			190	6	196
Other comprehensive income, net of income tax			(308)		17	54	(237)	31	(206)
Other changes		(1)			17	54	(1)		(1)
Sep. 30, 2016	91	1,225	1,123	190	(293)	(7)	2,329	1,124	3,453

Statement of Cash Flows LANXESS Group

€ million	Q3 2015	Q3 2016	9M 2015	9M 2016
Income before income taxes	68	100	246	341
Depreciation and amortization	114	119	348	354
Gains on disposals of intangible assets and property, plant and equipment	–	0	(42)	0
Income from investments accounted for using the equity method	0	0	0	0
Financial losses	17	9	49	42
Income taxes paid	(47)	(37)	(70)	(98)
Changes in inventories	(34)	(58)	(27)	(39)
Changes in trade receivables	93	35	(52)	(113)
Changes in trade payables	(97)	45	(82)	(51)
Changes in other assets and liabilities	76	91	(28)	96
Net cash provided by operating activities	190	304	342	532
Cash outflows for purchases of intangible assets and property, plant and equipment	(100)	(106)	(229)	(228)
Cash inflows from (cash outflows for) financial assets	142	130	14	(481)
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	–	(198)	–	(198)
Cash inflows from sales of intangible assets and property, plant and equipment	1	2	45	7
Interest and dividends received	3	2	4	5
Cash outflows for external financing of pension obligations (CTA)	–	–	–	(200)
Net cash provided by (used in) investing activities	46	(170)	(166)	(1,095)
Proceeds from borrowings	23	3	76	44
Repayments of borrowings	(82)	(252)	(213)	(415)
Interest paid and other financial disbursements	(16)	(15)	(58)	(54)
Cash inflows from non-controlling interests	–	–	9	1,194
Dividend payments	–	–	(46)	(55)
Net cash provided by (used in) financing activities	(75)	(264)	(232)	714
Change in cash and cash equivalents from business activities	161	(130)	(56)	151
Cash and cash equivalents at beginning of period	204	650	418	366
Exchange differences and other changes in cash and cash equivalents	(15)	1	(12)	4
Cash and cash equivalents at end of period	350	521	350	521

Business Unit Key Data

Key Data Third quarter

€ million	Advanced Intermediates		Performance Chemicals		High Performance Materials		ARLANXEO		Reconciliation		LANXESS	
	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016
External sales	440	435	524	541	263	257	713	675	13	13	1,953	1,921
Inter-segment sales	14	17	3	2	1	0	0	0	(18)	(19)	0	0
Segment/Group sales	454	452	527	543	264	257	713	675	(5)	(6)	1,953	1,921
Segment result/EBITDA pre exceptionals	76	83	86	91	32	42	94	91	(53)	(50)	235	257
EBITDA margin pre exceptionals (%)	17.3	19.1	16.4	16.8	12.2	16.3	13.2	13.5			12.0	13.4
EBITDA	76	83	86	91	32	42	92	91	(68)	(66)	218	241
EBIT pre exceptionals	52	57	63	68	21	31	42	36	(57)	(54)	121	138
EBIT	52	57	63	68	21	31	40	36	(72)	(70)	104	122
Segment capital expenditures	25	32	34	32	5	6	40	32	3	6	107	108
Depreciation and amortization	24	26	23	23	11	11	52	55	4	4	114	119

2015 figures restated in line with the changed segment structure

Key Data Nine months

€ million	Advanced Intermediates		Performance Chemicals		High Performance Materials		ARLANXEO		Reconciliation		LANXESS	
	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016
External sales	1,386	1,341	1,610	1,617	847	805	2,216	1,985	37	36	6,096	5,784
Inter-segment sales	40	45	8	8	2	1	0	0	(50)	(54)	0	0
Segment/Group sales	1,426	1,386	1,618	1,625	849	806	2,216	1,985	(13)	(18)	6,096	5,784
Segment result/EBITDA pre exceptionals	248	260	283	303	90	125	307	299	(194)	(175)	734	812
EBITDA margin pre exceptionals (%)	17.9	19.4	17.6	18.7	10.6	15.5	13.9	15.1			12.0	14.0
EBITDA	247	260	275	303	110	125	293	299	(233)	(204)	692	783
EBIT pre exceptionals	174	184	218	235	57	92	154	134	(206)	(187)	397	458
EBIT	173	184	210	235	76	92	130	134	(245)	(216)	344	429
Segment capital expenditures	56	73	77	71	16	16	87	73	9	10	245	243
Depreciation and amortization	74	76	65	68	34	33	163	165	12	12	348	354
Employees as of September 30 (previous year: as of Dec. 31)	3,259	3,351	5,138	5,582	1,546	1,574	3,491	3,473	2,791	2,720	16,225	16,700

2015 figures restated in line with the changed segment structure

Financial Calendar 2017

March 16

Publication of results for fiscal 2016

May 11

Quarterly Statement as of March 31, 2017

May 26

Annual Stockholders' Meeting, Cologne

August 10

Interim Report H1 2017

November 9

Quarterly Statement
as of September 30, 2017

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