Quarterly Statement as of

September 30, 2017

QUALITY WORKS.

2017

LANXESS

Energizing Chemistry

LANXESS Group Key Data

€ million	Q3 2016	Q3 2017	Change %	9M 2016	9M 2017	Change %
Sales	1,921	2,404	25.1	5,784	7,327	26.7
Gross profit	446	551	23.5	1,384	1,663	20.2
Gross profit margin	23.2%	22.9%		23.9%	22.7%	
EBITDA pre exceptionals[1]	257	347	35.0	812	1,042	28.3
EBITDA margin pre exceptionals[1]	13.4%	14.4%		14.0%	14.2%	
EBITDA[1]	241	315	30.7	783	858	9.6
Operating result (EBIT) pre exceptionals[1]	138	192	39.1	458	611	33.4
EBIT[1]	122	131	7.4	429	385	(10.3)
EBIT margin[1]	6.4%	5.4%		7.4%	5.3%	
Net income	62	55	(11.3)	190	136	(28.4)
Earnings per share (€)	0.68	0.60	(11.3)	2.08	1.49	(28.4)
Earnings per share pre exceptional items and amortization of intangible assets (€)[2]	0.84	1.15	36.9	2.45	3.70	51.0
Cash flow from operating activities	304	369	21.4	532	535	0.6
Depreciation and amortization	119	184	54.6	354	473[6]	33.6
Cash outflows for capital expenditures	106	125	17.9	228	287	25.9
Total assets				9,877[5]	10,365	4.9
Equity (including non-controlling interests)				3,728[5]	3,496	(6.2)
Equity ratio[3]				37.7%[5]	33.7%	
Net financial liabilities[4]				2,394[5]	2,277	(4.9)
Employees (as of September 30)				16,721[5]	19,159	14.6

1) EBIT: earnings before interest and taxes.
EBIT pre exceptionals: EBIT disregarding exceptional charges and income.
EBIT margin: EBIT in relation to sales.
EBITDA: EBIT before depreciation of property, plant and equipment and amortization of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets.
EBITDA pre exceptionals: EBITDA disregarding exceptional charges and income.
EBITDA margin pre exceptionals: EBITDA pre exceptionals in relation to sales.
See "Notes on EBIT and EBITDA (pre exceptionals)" for details.
2) Earnings per share pre exceptional items and amortization of intangible assets: earnings per share disregarding exceptional charges and income, amortization of intangible assets and attributable tax effects.
See "Net income/earnings per share/earnings per share pre exceptional items and amortization of intangible assets" for details.
3) Equity ratio: equity in relation to total assets.
4) Net financial liabilities: total 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) Previous year as of December 31, 2016.
6) Net of reversals of impairment charges of €1 million.

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KEY ISSUES IN THE REPORTING PERIOD

LANXESS accelerates profitable growth

LANXESS plans to further improve its stability and profitability over the next few years and has set new medium-term financial targets in line with this objective: From 2021, the average operating margin – measured by EBITDA pre exceptionals – is expected to be within a range of 14% to 18% over a business cycle. In fiscal 2016, the margin was at 12.9%. At the same time, the Group is to be put on a more solid footing. For example, we anticipate lower fluctuation in EBITDA margin pre exceptionals, which we see moving in a corridor of two to three percentage points, so that the range of fluctuation is substantially reduced. In terms of volume, LANXESS intends to steadily grow faster than global economic output.

In order to achieve these new targets, LANXESS will continue to develop its portfolio based on clear criteria. Going forward, the Group will only include business operations in its portfolio that can achieve leading market positions and sustainably generate attractive margins. Organic investments – around €400 million between 2016 and 2020 – involve projects that generate an average return on capital employed (ROCE) of 20%. In comparison, Group ROCE was 6.9% for fiscal 2016. In addition, LANXESS is pursuing even greater regional and sector-based diversification to further reduce the effects of market fluctuations. This should increase the share of sales in growth markets such as Asia and North America and expand our presence in attractive customer industries such as electrical/electronics or energy with innovative product applications.

Group-wide digitalization initiative launched

LANXESS has launched a Group-wide digitalization initiative and established a department with an initial 30 experts in this area. Digitalization will bring sustainable change to processes and business models both in the chemical industry and in customer industries. Key areas of the initiative include the digitalization of the value chain, the use of big data, the development of digital business models and embedding digital expertise among employees.

LANXESS included in the Dow Jones Sustainability Europe and World Indices

LANXESS has been listed in two Dow Jones Sustainability Indices since September 2017: The Group has been included in the Dow Jones Sustainability Europe Index again and was also listed in the Dow Jones Sustainability World Index for the seventh time in a row. The composition of these sustainability indices, which are recognized throughout the world, is determined once a year on the basis of financially relevant environmental, social and governance factors. Among the achievements at LANXESS highlighted this year was the improvement in emissions and water consumption and in HR development. LANXESS thus belongs to the top 10% of chemical companies.

Global production of lubricant precursors consolidated

LANXESS is planning to cease production at the Ankerweg site in Amsterdam, the Netherlands, where the Group manufactures base oils for industrial lubricants and – in contract manufacturing – active substances for an agrochemistry customer, by November 2018 at the latest. LANXESS took over the production site and its roughly 100 employees when it acquired the U.S. chemicals group Chemtura. A close analysis showed that the location can no longer be operated competitively. LANXESS can produce the volume of base oils it needs to cover its own production of high-performance lubricants and additional market demand at its Elmira site in Canada.

Standard & Poor's raises outlook from negative to stable

In July, the rating agency Standard & Poor's (S&P) raised its outlook for the LANXESS rating from negative to stable. At the same time, the agency confirmed its long-term rating at the investment grade level of BBB–. S&P substantiated this by pointing out that LANXESS had delivered better debt data than expected for 2016 and had had a robust first quarter. The rating agency also acknowledged the earnings forecast for the year as a whole, which indicates LANXESS is on course for record-breaking EBITDA. Debt reduction is therefore likely to proceed faster than expected.

QUARTERLY STATEMENT
as of September 30, 2017

- Acquired Chemtura businesses have significant positive impact on sales and earnings
- Sales in all segments considerably up on prior-year quarter, rising by 25.1% overall to €2,404 million
- EBITDA pre exceptionals increased by 35.0% to €347 million in the third quarter
- EBITDA margin pre exceptionals at 14.4%, after 13.4% in the prior-year quarter
- Net income and earnings per share held back by exceptional charges
- Earnings per share pre exceptional items and amortization of intangible assets increase from €0.84 to €1.15
- Guidance for 2017 narrowed: EBITDA pre exceptionals between €1,250 million and €1,300 million

STRATEGIC ALIGNMENT AND BUSINESS ORGANIZATION

By acquiring the U.S. company Chemtura on April 21, 2017, LANXESS took another major step in the realignment of the Group. LANXESS has significantly expanded its additives business and is now one of the world's leading players in this growing market. In addition to additives, Chemtura's operations in urethanes and organometallics were also taken over.

As a result of the Chemtura acquisition, Group structures have been reorganized. LANXESS now reports on five segments: Advanced Intermediates, Specialty Additives, Performance Chemicals, Engineering Materials and ARLANXEO. These segments comprise a total of twelve business units, each of which conducts its own operations and has global profit responsibility.

Please see the Half-Year Financial Report as of June 30, 2017, for further details.

BUSINESS PERFORMANCE

Sales

Sales of the LANXESS Group in the third quarter of 2017 amounted to €2,404 million, which was a considerable €483 million, or 25.1%, higher than in the prior-year period. This performance was mainly influenced by the sales contributed from the Chemtura businesses. The integration of the Chemtura businesses and the contribution made by the Clean and Disinfect specialties business acquired from Chemours in 2016 in the Material Protection Products business unit led to an increase in sales of 19.6%.

Effects on Sales

%	Q3 2017	9M 2017
Price	5.6	9.1
Volume	3.0	4.9
Currency	(3.1)	0.2
Portfolio	19.6	12.5
	25.1	**26.7**

EBITDA and operating result (EBIT)

EBITDA Pre Exceptionals by Segment

€ million	Q3 2016	Q3 2017	Change %	9M 2016	9M 2017	Change %
Advanced Intermediates	83	87	4.8	260	275	5.8
Specialty Additives	35	77	> 100	122	196	60.7
Performance Chemicals	56	65	16.1	181	204	12.7
Engineering Materials	42	64	52.4	125	184	47.2
ARLANXEO	91	76	(16.5)	299	312	4.3
Reconciliation	(50)	(22)	56.0	(175)	(129)	26.3
	257	**347**	**35.0**	**812**	**1,042**	**28.3**

2016 figures restated in line with the changed segment structure

Positive overall earnings performance at Group level in the third quarter of 2017 was predominantly the result of the contribution from the newly acquired Chemtura business, the portfolio contribution from the Clean and Disinfect specialties business acquired in 2016 as well as the strong operating performance of the other LANXESS business units. The increase in procurement prices for raw materials and energy was successfully passed on to the market by adjusting selling prices. Higher volumes also improved earnings. In contrast, exchange rate shifts had a negative impact on earnings. Selling expenses rose by 25.5% to €241 million, due especially to portfolio effects, a volume-driven increase in freight costs and higher freight rates. Research and development costs amounted to €40 million, compared with €34 million in the prior-year period, while general administration expenses rose by €25 million to €92 million. The increase in the specific functional cost areas was largely attributable to the integration of the Chemtura businesses. The EBITDA margin pre exceptionals increased from 13.4% to 14.4%.

Depreciation and amortization came to €184 million, which was €65 million, or 54.6%, above the figure for the prior-year quarter. The increase reflects the depreciation and amortization from our new Chemtura businesses as well as depreciation and amortization arising from the consolidation of the production of lubricant precursors and the planned discontinuation of production at the Ankerweg site in Amsterdam, the Netherlands, in the fourth quarter of 2018. Of this total, write-downs accounted for €29 million. The negative exceptional items totaling €61 million reported in other operating expenses, €32 million of which affected EBITDA and €29 million of which did not, were primarily attributable to expenses in connection with the consolidation of the production of lubricant precursors and the planned discontinuation of production at the Ankerweg site in Amsterdam, the Netherlands. In the prior-year quarter, negative exceptional items amounted to €16 million, which fully impacted EBITDA.

Reconciliation of EBITDA Pre Exceptionals to EBIT

€ million	Q3 2016	Q3 2017	Change %	9M 2016	9M 2017	Change %
EBITDA pre exceptionals	**257**	**347**	**35.0**	**812**	**1,042**	**28.3**
Depreciation and amortization/reversals of impairment charges	(119)	(184)	(54.6)	(354)	(473)	(33.6)
Exceptional items in EBITDA	(16)	(32)	(100.0)	(29)	(184)	< (100)
Operating result (EBIT)	**122**	**131**	**7.4**	**429**	**385**	**(10.3)**

Financial result

The financial result for the third quarter of 2017 was minus €40 million, compared with minus €22 million for the prior-year period. Due to the increased financial liabilities in connection with the acquisition of Chemtura, interest expense increased and resulted in a net interest position of minus €20 million, compared with minus €16 million in the prior-year quarter. As in the prior-year period, companies accounted for using the equity method did not generate an earnings contribution. The balance of other financial income and expense items was minus €20 million, compared with minus €6 million in the prior-year quarter. The decline in earnings resulted primarily from an exchange loss and the proceeds from the sale of our financial interest in Elemica Inc., Exton, United States, received in the prior-year quarter.

Income before income taxes

In the third-quarter of 2017, income before income taxes came to €91 million, against €100 million for the prior-year period. The effective tax rate was 38.5%, compared with 40.0% for the prior-year quarter.

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

Net income for the reporting period came to €55 million, compared with €62 million a year earlier. In the third quarter of 2017, earnings attributable to non-controlling interests amounted to €1 million and resulted almost exclusively from Saudi Aramco's interest in ARLANXEO.

As a result of the described exceptional charges, earnings per share in the third quarter, at €0.60, were below the figure of €0.68 for the prior-year quarter.

We also calculate earnings per share pre exceptional items and amortization of intangible assets, which is not defined by International Financial Reporting Standards. This value was calculated from the earnings per share adjusted for exceptional items, amortization of intangible assets and attributable tax effects.

Earnings per share pre exceptional items and amortization of intangible assets were €1.15 in the third quarter of 2017, compared with €0.84 for the prior-year period.

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

€ million	Q3 2016	Q3 2017	9M 2016	9M 2017
Net income	**62**	**55**	**190**	**136**
Exceptional items[1]	15	60	28	224
Amortization of intangible assets/reversals of impairment charges[1]	7	24	22	51
Attributable tax effects[1]	(7)	(33)	(16)	(72)
Net income adjusted for exceptional items and amortization of intangible assets	**77**	**106**	**224**	**339**
Number of shares outstanding	91,522,936	91,522,936	91,522,936	91,522,936
Earnings per share pre exceptional items and amortization of intangible assets	**0.84**	**1.15**	**2.45**	**3.70**

1) Excluding items attributable to non-controlling interests

BUSINESS DEVELOPMENT BY REGION

Group sales amounted to €2,404 million in the third quarter of 2017, €483 million, or 25.1%, higher than the prior-year figure of €1,921 million. The increase is attributable in particular to portfolio effects of €377 million that related to all regions, but especially North America.

Sales by Market

	Q3 2016		Q3 2017		Change	9M 2016		9M 2017		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	547	28.5	667	27.7	21.9	1,740	30.1	2,064	28.2	18.6
Germany	317	16.5	381	15.9	20.2	997	17.2	1,146	15.6	14.9
North America	341	17.7	473	19.7	38.7	1,006	17.4	1,420	19.4	41.2
Latin America	201	10.5	212	8.8	5.5	587	10.2	693	9.4	18.1
Asia-Pacific	515	26.8	671	27.9	30.3	1,454	25.1	2,004	27.4	37.8
	1,921	**100.0**	**2,404**	**100.0**	**25.1**	**5,784**	**100.0**	**7,327**	**100.0**	**26.7**

SEGMENT INFORMATION

Advanced Intermediates

	Q3 2016		Q3 2017		Change	9M 2016		9M 2017		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	435		479		10.1	1,341		1,502		12.0
EBITDA pre exceptionals	83	19.1	87	18.2	4.8	260	19.4	275	18.3	5.8
EBITDA	83	19.1	87	18.2	4.8	260	19.4	272	18.1	4.6
Operating result (EBIT) pre exceptionals	57	13.1	56	11.7	(1.8)	184	13.7	189	12.6	2.7
Operating result (EBIT)	57	13.1	56	11.7	(1.8)	184	13.7	186	12.4	1.1
Cash outflows for capital expenditures	30		35		16.7	61		84		37.7
Depreciation and amortization	26		31		19.2	76		86 [1]		13.2
Employees as of September 30 (previous year: as of Dec. 31)	3,335		3,665		9.9	3,335		3,665		9.9

1) Net of reversals of impairment charges of €1 million

Our **Advanced Intermediates** segment recorded sales of €479 million in the third quarter of 2017, 10.1%, or €44 million, higher than the prior-year level. The integration of Chemtura's organometallics operations into the Advanced Industrial Intermediates business unit had a positive effect of 8.5% on sales. Higher selling prices resulting from a rise in procurement prices for raw materials increased sales by 4.8%. This was especially due to developments in the Advanced Industrial Intermediates business unit. Selling prices in the Saltigo business unit were level with the prior-year quarter. Shifts in exchange rates had a negative effect of 1.8%. While sales volumes in the Advanced Industrial Intermediates business unit were slightly higher than in the prior-year quarter, sales volumes in the Saltigo business unit fell as a result of continued weak demand from the agricultural industry, resulting in a sales decline of 1.4% overall. Sales in all regions were above the prior-year level.

EBITDA pre exceptionals in the Advanced Intermediates segment was €87 million, €4 million, or 4.8%, above the prior-year level. Higher procurement prices for raw materials and energy were passed on to customers by adjusting selling prices. The acquired organometallics business made a small contribution to earnings. Negative currency effects and lower volumes diminished earnings. The EBITDA margin pre exceptionals fell from 19.1% to 18.2%.

Specialty Additives

	Q3 2016		Q3 2017		Change	9M 2016		9M 2017		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	213		478		> 100	647		1,157		78.8
EBITDA pre exceptionals	35	16.4	77	16.1	> 100	122	18.9	196	16.9	60.7
EBITDA	35	16.4	60	12.6	71.4	122	18.9	128	11.1	4.9
Operating result (EBIT) pre exceptionals	29	13.6	47	9.8	62.1	101	15.6	133	11.5	31.7
Operating result (EBIT)	29	13.6	1	0.2	(96.6)	101	15.6	30	2.6	(70.3)
Cash outflows for capital expenditures	12		20		66.7	25		43		72.0
Depreciation and amortization	6		59		> 100	21		98		> 100
Employees as of September 30 (previous year: as of Dec. 31)	1,507		2,931		94.5	1,507		2,931		94.5

2016 figures restated in line with the changed segment structure

Our **Specialty Additives** segment posted sales of €478 million in the third quarter of 2017, 124.4%, or €265 million, higher than in the prior-year quarter. This more than doubling of sales is mainly attributable to the integration of Chemtura's additives business into the new Additives business unit. Higher selling prices in our existing additives business also added 1.9% to the rise in sales, with the Additives business unit being the main contributor. Selling prices of the Rhein Chemie business unit were level with the prior-year quarter. While the Rhein Chemie business unit realized higher sales volumes, volumes in the Additives business unit were on a level with the prior-year quarter. At segment level, higher volumes added 1.4% to the rise in sales. Shifts in exchange rates diminished sales for both of the segment's business units by 2.4%. Sales in all regions were above the prior-year level.

EBITDA pre exceptionals for the Specialty Additives segment was €77 million, €42 million, or 120.0%, above the prior-year level. This strong earnings performance was the result of the integration of the Chemtura additives business. Higher volumes also had a positive impact on earnings. Higher procurement prices for raw materials and energy stood against higher selling prices. The development of exchange rates had a negative impact on earnings. The EBITDA margin pre exceptionals was 16.1%, below the 16.4% recorded in the prior-year quarter.

In the third quarter, negative exceptional items in the segment totaled €46 million, of which €17 million fully impacted EBITDA and €29 million did not. These related primarily to expenses in connection with the consolidation of the production of lubricant precursors and the planned discontinuation of production at the Ankerweg site in Amsterdam, the Netherlands, in the fourth quarter of 2018. There were no negative items reported in the prior-year quarter. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

Performance Chemicals

	Q3 2016		Q3 2017		Change	9M 2016		9M 2017		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	328		364		11.0	970		1,099		13.3
EBITDA pre exceptionals	56	17.1	65	17.9	16.1	181	18.7	204	18.6	12.7
EBITDA	56	17.1	65	17.9	16.1	181	18.7	140	12.7	(22.7)
Operating result (EBIT) pre exceptionals	39	11.9	46	12.6	17.9	134	13.8	147	13.4	9.7
Operating result (EBIT)	39	11.9	46	12.6	17.9	134	13.8	77	7.0	(42.5)
Cash outflows for capital expenditures	20		15		(25.0)	45		41		(8.9)
Depreciation and amortization	17		19		11.8	47		63		34.0
Employees as of September 30 (previous year: as of Dec. 31)	4,074		4,041		(0.8)	4,074		4,041		(0.8)

2016 figures restated in line with the changed segment structure

Sales in our **Performance Chemicals** segment rose by 11.0% in the third quarter to €364 million. The integration of the Clean and Disinfect specialties business acquired in 2016 into the Material Protection Products business unit had a positive effect of 5.5% on sales. Volumes, which increased sales by 5.5% overall, were above the prior-year figures in all business units. Price increases, especially in the Inorganic Pigments and Leather business units, resulted in a sales increase of 4.0% in the segment. Shifts in exchange rates had a negative effect on all business units and diminished the segment's sales by 4.0% in total. With the exception of Latin America, the segment reported higher sales across all regions.

EBITDA pre exceptionals in the Performance Chemicals segment advanced by €9 million, or 16.1%, to €65 million, compared with the prior-year level of €56 million. Higher volumes, in particular, had a positive impact on sales. Higher procurement prices for raw materials stood against higher selling prices. In addition, the contribution from the Clean and Disinfect specialties business acquired in 2016 improved earnings. The impact of negative exchange rate effects held back earnings. The EBITDA margin pre exceptionals increased from 17.1% to 17.9%.

Engineering Materials

	Q3 2016		Q3 2017		Change	9M 2016		9M 2017		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	257		351		36.6	805		1,027		27.6
EBITDA pre exceptionals	42	16.3	64	18.2	52.4	125	15.5	184	17.9	47.2
EBITDA	42	16.3	64	18.2	52.4	125	15.5	172	16.7	37.6
Operating result (EBIT) pre exceptionals	31	12.1	50	14.2	61.3	92	11.4	145	14.1	57.6
Operating result (EBIT)	31	12.1	50	14.2	61.3	92	11.4	132	12.9	43.5
Cash outflows for capital expenditures	6		11		83.3	15		26		73.3
Depreciation and amortization	11		14		27.3	33		40		21.2
Employees as of September 30 (previous year: as of Dec. 31)	1,583		1,969		24.4	1,583		1,969		24.4

2016 figures restated in line with the changed segment structure

Sales in our **Engineering Materials** segment increased by 36.6% year on year in the third quarter of 2017, to €351 million. The increase in sales was partly the result of the contribution from the newly acquired urethanes business, which added 23.0% to sales. There was also a positive price effect of 8.9% on sales for the High Performance Materials business unit. In addition, higher sales volumes in this business unit increased sales by 6.6%. Exchange rates had a negative impact on earnings of 1.9%. With the exception of Latin America, the segment reported higher sales across all regions.

EBITDA pre exceptionals in the Engineering Materials segment rose by a significant €22 million, or 52.4%, to €64 million. Earnings were buoyed by the contribution from the urethanes business. In the High Performance Materials business unit, higher procurement prices for raw materials were passed on to customers by adjusting selling prices. In addition, an optimized portfolio of products sold and increased sales volumes lifted earnings. However, the change in exchange rates had a negative impact on earnings. The EBITDA margin pre exceptionals of 18.2% was above the figure of 16.3% posted in the prior-year quarter.

ARLANXEO

	Q3 2016		Q3 2017		Change	9M 2016		9M 2017		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	675		717		6.2	1,985		2,500		25.9
EBITDA pre exceptionals	91	13.5	76	10.6	(16.5)	299	15.1	312	12.5	4.3
EBITDA	91	13.5	76	10.6	(16.5)	299	15.1	313	12.5	4.7
Operating result (EBIT) pre exceptionals	36	5.3	21	2.9	(41.7)	134	6.8	143	5.7	6.7
Operating result (EBIT)	36	5.3	21	2.9	(41.7)	134	6.8	144	5.8	7.5
Cash outflows for capital expenditures	32		39		21.9	72		84		16.7
Depreciation and amortization	55		55		0.0	165		169		2.4
Employees as of September 30 (previous year: as of Dec. 31)	3,463		3,435		(0.8)	3,463		3,435		(0.8)

Sales in our **ARLANXEO** segment increased by 6.2% year on year in the third quarter, to €717 million. This growth resulted from the increase in selling prices in response to higher raw material prices in both the High Performance Elastomers and Tire & Specialty Rubbers business units, which, in total, resulted in a positive price effect of 7.0%. In addition, the increase in sales volumes in both business units had a positive effect on segment sales of 3.4%. In contrast, the exchange rate development of both business units had a negative impact on sales of 4.2%. With the exception of North America, the segment reported higher sales across all regions.

EBITDA pre exceptionals in the ARLANXEO segment declined from €91 million in the prior-year quarter to €76 million. Higher procurement prices for raw materials and energy were passed on to customers by adjusting selling prices. Higher volumes also had a positive impact on earnings. Earnings were diminished by the considerable volatility of raw material prices and a negative currency effect. The EBITDA margin pre exceptionals came in at 10.6% for the third quarter, against 13.5% a year ago.

Reconciliation

€ million	Q3 2016	Q3 2017	Change %	9M 2016	9M 2017	Change %
Sales	13	15	15.4	36	42	16.7
EBITDA pre exceptionals	(50)	(22)	56.0	(175)	(129)	26.3
EBITDA	(66)	(37)	43.9	(204)	(167)	18.1
Operating result (EBIT) pre exceptionals	(54)	(28)	48.1	(187)	(146)	21.9
Operating result (EBIT)	(70)	(43)	38.6	(216)	(184)	14.8
Cash outflows for capital expenditures	6	5	(16.7)	10	9	(10.0)
Depreciation and amortization	4	6	50.0	12	17	41.7
Employees as of September 30 (previous year: as of Dec. 31)	2,759	3,118	13.0	2,759	3,118	13.0

EBITDA pre exceptionals for the **Reconciliation** came to minus €22 million, compared with minus €50 million in the prior-year quarter. This change is mainly due to an improved result from hedging currency risks. The €15 million in negative exceptional items reported in the Reconciliation resulted primarily from expenses in connection with the strategic realignment of the LANXESS Group, and fully impacted EBITDA. Negative exceptional items in the prior-year period amounted to €16 million and fully impacted EBITDA. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

NOTES ON EBIT AND EBITDA (PRE EXCEPTIONALS)

In order to better assess our operational business and to steer earning power at Group level and for the individual segments, we additionally calculate the earnings indicators EBITDA, and EBITDA and EBIT pre exceptionals, none of which are defined by International Financial Reporting Standards. These indicators are viewed as supplementary to the data prepared according to IFRS; they are not a substitute.

Reconciliation to EBIT/EBITDA

€ million	EBIT Q3 2016	EBIT Q3 2017	EBITDA Q3 2016	EBITDA Q3 2017	EBIT 9M 2016	EBIT 9M 2017	EBITDA 9M 2016	EBITDA 9M 2017
EBIT/EBITDA pre exceptionals	**138**	**192**	**257**	**347**	**458**	**611**	**812**	**1,042**
Advanced Intermediates	**0**	**0**	**0**	**0**	**0**	**(3)**	**0**	**(3)**
Strategic realignment/ "Let's LANXESS again"[1)]	0	0	0	0	0	(3)	0	(3)
Specialty Additives	**0**	**(46)**	**0**	**(17)**	**0**	**(103)**	**0**	**(68)**
Strategic realignment/ "Let's LANXESS again"[1)]	0	(46)	0	(17)	0	(103)	0	(68)
Performance Chemicals	**0**	**0**	**0**	**0**	**0**	**(70)**	**0**	**(64)**
Strategic realignment/ "Let's LANXESS again"	0	0	0	0	0	(70)	0	(64)
Engineering Materials	**0**	**0**	**0**	**0**	**0**	**(13)**	**0**	**(12)**
Strategic realignment/ "Let's LANXESS again"[1)]	0	0	0	0	0	(13)	0	(12)
ARLANXEO	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**
Strategic realignment	0	0	0	0	0	1	0	1
Reconciliation	**(16)**	**(15)**	**(16)**	**(15)**	**(29)**	**(38)**	**(29)**	**(38)**
Strategic realignment/ "Let's LANXESS again"[2)]	(13)	(10)	(13)	(10)	(24)	(27)	(24)	(27)
Other	(3)	(5)	(3)	(5)	(5)	(11)	(5)	(11)
Total exceptional items	**(16)**	**(61)**	**(16)**	**(32)**	**(29)**	**(226)**	**(29)**	**(184)**
EBIT/EBITDA	**122**	**131**	**241**	**315**	**429**	**385**	**783**	**858**

1) The exceptional items of the third quarter of 2017 related primarily to the consolidation of the production of lubricant precursors and the planned discontinuation of production at the Ankerweg site in Amsterdam, the Netherlands. The exceptional items of the first nine months of fiscal 2017 also include expenses in connection with the purchase price allocation and integration of Chemtura.
2) Of the exceptional items in the third quarter and first nine months of 2017, €4 million and €7 million, respectively, were associated with the integration of Chemtura.

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

EBIT pre exceptionals and **EBITDA pre exceptionals** are EBIT and EBITDA before exceptional items. The latter are effects which, by nature or extent, have a significant impact on the earnings position, but for which inclusion in the assessment 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 sale of assets, certain IT costs, restructuring expenses and income from the reversal of provisions established in this connection, and reductions in earnings resulting from portfolio adjustments or purchase price allocations. Grants and subsidies from third parties for the acquisition and construction of property, plant and equipment are accounted for as deferred income using the gross method. In this respect, no adjustments other than for gross depreciation and amortization are made when calculating EBITDA pre exceptionals.

Every operational decision or achievement is judged in the short and long term by its sustainable impact on EBITDA pre exceptionals. As part of the annual budget and planning process, targets are set for this benchmark of our company's success, which are then taken into account in determining employees' variable income components.

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

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Structure of the statement of financial position

As of September 30, 2017, the LANXESS Group had total assets of €10,365 million, up €488 million, or 4.9%, from €9,877 million on December 31, 2016. This growth is attributable in particular to the acquisition of Chemtura. The equity ratio fell in the third quarter to 33.7%, after 37.7% on December 31, 2016.

Financial condition

Changes in the statement of cash flows

In the first nine months of 2017, there was a net cash inflow of €535 million from operating activities, against €532 million in the prior-year period. Based on income before income taxes of €314 million, after €341 million in the previous year, non-cash amortization, depreciation, write-downs and reversals of impairment charges amounted to €473 million, €119 million higher than in the prior-year period. The increase was mainly due to higher depreciation and amortization following the Chemtura acquisition and to write-downs relating to the planned discontinuation of production at the Ankerweg site in Amsterdam, the Netherlands. The income taxes paid increased to €152 million in the reporting period after €98 million in the prior-year period. The increase in net working capital resulted in a net cash outflow of €236 million vis-à-vis December 31, 2016, compared with €203 million in the prior-year period.

There was a €155 million net cash inflow from investing activities in the first nine months of 2017, compared with a €1,095 million net cash outflow in the same period a year ago. The net cash inflow in the reporting period resulted in particular from cash flows upon maturity of time deposits and from the sale of securities. Conversely, there was a cash outflow of €1,782 million for the acquisition of Chemtura (net of acquired cash and cash equivalents) and payments of €287 million for intangible assets and property, plant and equipment, compared with €228 million in the prior-year period.

Net cash used in financing activities came to €501 million in the reporting period, compared with net cash of €714 million provided by financing activities in the first nine months of 2016. In the reporting period, the repayment of financial liabilities led to a cash outflow of €493 million, after €415 million in the prior-year period. The cash outflow of the reporting period resulted mainly from the repayment of a bond acquired as part of the Chemtura acquisition, while the cash inflow of the prior-year period resulted in particular from Saudi Aramco's interest in ARLANXEO.

Financing and liquidity

Net financial liabilities totaled €2,277 million as of September 30, 2017, compared with €2,394 million as of December 31, 2016.

As of December 31, 2016, moreover, time deposits and securities available for sale totaling €2,125 million were deducted. Net financial liabilities after deduction of time deposits and securities available for sale amounted to €269 million at the end of 2016. There were no corresponding financial assets to deduct as of September 30, 2017.

Net Financial Liabilities

€ million	Dec. 31, 2016	Sep. 30, 2017
Non-current financial liabilities	2,734	2,231
Current financial liabilities	78	618
Less:		
Liabilities for accrued interest	(23)	(36)
Cash and cash equivalents	(355)	(536)
Near-cash assets	(40)	–
Net financial liabilities	**2,394**	**2,277**
Time deposits and securities available for sale	(2,125)	–
Net financial liabilities after deduction of time deposits and securities available for sale	**269**	**2,277**

Provisions for pensions and other post-employment benefits totaled €1,506 million as of September 30, 2017, compared with €1,249 million as of December 31, 2016. The increase resulted primarily from the acquisition of Chemtura.

FUTURE PERSPECTIVES

The political and economic risks have not changed substantially compared with our original forecast published in the Annual Report 2016 or our assessment in the Half-Year Financial Report as of June 30, 2017. Expectations for the development of the global economy likewise remain in line with the most recent assessment.

Our expectations for trends in the global chemical industry and the individual user industries are almost unchanged against our last assessment.

We are narrowing our guidance for EBITDA pre exceptionals for the current financial year to between €1,250 million and €1,300 million.

FINANCIAL DATA

as of September 30, 2017

STATEMENT OF FINANCIAL POSITION
LANXESS GROUP

€ million	Dec. 31, 2016	Sep. 30, 2017
ASSETS		
Intangible assets	494	1,760
Property, plant and equipment	3,519	4,001
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	12	8
Non-current derivative assets	1	7
Other non-current financial assets	19	19
Non-current income tax receivables	7	39
Deferred taxes	442	457
Other non-current assets	25	107
Non-current assets	**4,519**	**6,398**
Inventories	1,429	1,692
Trade receivables	1,088	1,345
Cash and cash equivalents	355	536
Near-cash assets	40	–
Current derivative assets	65	29
Other current financial assets	2,130	3
Current income tax receivables	67	85
Other current assets	184	277
Current assets	**5,358**	**3,967**
Total assets	**9,877**	**10,365**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves	1,257	1,366
Net income	192	136
Other equity components	(214)	(468)
Equity attributable to non-controlling interests	1,176	1,145
Equity	**3,728**	**3,496**
Provisions for pensions and other post-employment benefits	1,249	1,506
Other non-current provisions	319	494
Non-current derivative liabilities	7	1
Other non-current financial liabilities	2,734	2,231
Non-current income tax liabilities	31	102
Other non-current liabilities	93	97
Deferred taxes	83	128
Non-current liabilities	**4,516**	**4,559**
Other current provisions	406	514
Trade payables	889	901
Current derivative liabilities	42	11
Other current financial liabilities	78	618
Current income tax liabilities	44	70
Other current liabilities	174	196
Current liabilities	**1,633**	**2,310**
Total equity and liabilities	**9,877**	**10,365**

INCOME STATEMENT
LANXESS GROUP

€ million	Q3 2016	Q3 2017	9M 2016	9M 2017
Sales	**1,921**	**2,404**	**5,784**	**7,327**
Cost of sales	(1,475)	(1,853)	(4,400)	(5,664)
Gross profit	**446**	**551**	**1,384**	**1,663**
Selling expenses	(192)	(241)	(577)	(697)
Research and development expenses	(34)	(40)	(96)	(112)
General administration expenses	(67)	(92)	(212)	(259)
Other operating income	25	43	105	130
Other operating expenses	(56)	(90)	(175)	(340)
Operating result (EBIT)	**122**	**131**	**429**	**385**
Income from investments accounted for using the equity method	0	0	0	0
Interest income	2	2	5	6
Interest expense	(18)	(22)	(54)	(70)
Other financial income and expense	(6)	(20)	(39)	(7)
Financial result	**(22)**	**(40)**	**(88)**	**(71)**
Income before income taxes	**100**	**91**	**341**	**314**
Income taxes	(40)	(35)	(145)	(141)
Income after income taxes	**60**	**56**	**196**	**173**
of which attributable to non-controlling interests	(2)	1	6	37
of which attributable to LANXESS AG stockholders [net income]	62	55	190	136
Earnings per share (undiluted/diluted) (€)	**0.68**	**0.60**	**2.08**	**1.49**

STATEMENT OF COMPREHENSIVE INCOME
LANXESS GROUP

€ million	Q3 2016	Q3 2017	9M 2016	9M 2017
Income after income taxes	**60**	**56**	**196**	**173**
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	(57)	(97)	(451)	(69)
Income taxes	20	32	145	23
	(37)	**(65)**	**(306)**	**(46)**
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	(4)	(89)	43	(341)
Financial instruments	3	11	81	43
Income taxes	(3)	(3)	(24)	(12)
	(4)	**(81)**	**100**	**(310)**
Other comprehensive income, net of income tax	**(41)**	**(146)**	**(206)**	**(356)**
Total comprehensive income	**19**	**(90)**	**(10)**	**(183)**
of which attributable to non-controlling interests	8	(19)	37	(42)
of which attributable to LANXESS AG stockholders	11	(71)	(47)	(141)

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, 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)					(1)		(1)
Sep. 30, 2016	**91**	**1,225**	**1,123**	**190**	**(293)**	**(7)**	**2,329**	**1,124**	**3,453**
Dec. 31, 2016	**91**	**1,226**	**1,257**	**192**	**(199)**	**(15)**	**2,552**	**1,176**	**3,728**
Allocations to retained earnings			192	(192)			0		0
Transactions with owners			4				4	14	18
Dividend payments			(64)				(64)	(3)	(67)
Total comprehensive income			(23)	136	(280)	26	(141)	(42)	(183)
Income after income taxes				*136*			*136*	*37*	*173*
Other comprehensive income, net of income tax			*(23)*		*(280)*	*26*	*(277)*	*(79)*	*(356)*
Other change							–		–
Sep. 30, 2017	**91**	**1,226**	**1,366**	**136**	**(479)**	**11**	**2,351**	**1,145**	**3,496**

STATEMENT OF CASH FLOWS
LANXESS GROUP

€ million	Q3 2016	Q3 2017	9M 2016	9M 2017
Income before income taxes	**100**	**91**	**341**	**314**
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	119	184	354	473
Financial losses (gains)	9	20	42	18
Income taxes paid	(37)	(59)	(98)	(152)
Changes in inventories	(58)	12	(39)	(9)
Changes in trade receivables	35	23	(113)	(113)
Changes in trade payables	45	(20)	(51)	(114)
Changes in other assets and liabilities	91	118	96	118
Net cash provided by operating activities	**304**	**369**	**532**	**535**
Cash outflows for purchases of intangible assets and property, plant and equipment	(106)	(125)	(228)	(287)
Cash inflows from sales of intangible assets and property, plant and equipment	2	–	7	1
Cash outflows for financial assets	–	–	(711)	(110)
Cash inflows from financial assets	130	–	230	2,276
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(198)	–	(198)	(1,782)
Interest and dividends received	2	6	5	57
Cash outflows for external funding of pension obligations (CTAs)	–	–	(200)	–
Net cash (used in) provided by investing activities	**(170)**	**(119)**	**(1,095)**	**155**
Cash inflows from non-controlling interests	–	–	1,194	18
Proceeds from borrowings	3	14	44	105
Repayments of borrowings	(252)	(482)	(415)	(493)
Interest paid and other financial disbursements	(15)	(16)	(54)	(64)
Dividend payments	–	–	(55)	(67)
Net cash (used in) provided by financing activities	**(264)**	**(484)**	**714**	**(501)**
Change in cash and cash equivalents from business activities	**(130)**	**(234)**	**151**	**189**
Cash and cash equivalents at beginning of period	650	759	366	355
Exchange differences and other changes in cash and cash equivalents	1	11	4	(8)
Cash and cash equivalents at end of period	**521**	**536**	**521**	**536**

BUSINESS UNIT
KEY DATA

Key Data by Segment/Third Quarter

	Advanced Intermediates		Specialty Additives		Performance Chemicals		Engineering Materials		ARLANXEO		Reconciliation		LANXESS	
€ million	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**
External sales	435	479	213	478	328	364	257	351	675	717	13	15	1,921	2,404
Inter-segment sales	17	15	2	3	0	0	0	0	0	0	(19)	(18)	0	0
Segment/Group sales	452	494	215	481	328	364	257	351	675	717	(6)	(3)	1,921	2,404
Segment result/ EBITDA pre exceptionals	83	87	35	77	56	65	42	64	91	76	(50)	(22)	257	347
EBITDA margin pre exceptionals (%)	19.1	18.2	16.4	16.1	17.1	17.9	16.3	18.2	13.5	10.6			13.4	14.4
EBITDA	83	87	35	60	56	65	42	64	91	76	(66)	(37)	241	315
EBIT pre exceptionals	57	56	29	47	39	46	31	50	36	21	(54)	(28)	138	192
EBIT	57	56	29	1	39	46	31	50	36	21	(70)	(43)	122	131
Segment capital expenditures	32	36	12	20	20	15	6	11	32	39	6	5	108	126
Depreciation and amortization	26	31	6	59	17	19	11	14	55	55	4	6	119	184

2016 figures restated in line with the changed segment structure

FINANCIAL CALENDAR

March 15
Publication of results for fiscal 2017

May 9
Quarterly Statement as of March 31, 2018

May 15
Annual Stockholders' Meeting, Cologne

August 1
Half-Year Financial Report as of June 30, 2018

November 8
Quarterly Statement as of September 30, 2018

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