

LANXESS – Q4 2018 proves resilience

A successful year: promise and delivery

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Agenda

- 1 Executive summary FY 2018 and Q4 2018**
- 2 Business and financial details Q4 2018
- 3 Back-up



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FY 2018: Strategic milestones achieved

Strategic highlights

Successful divestment of rubber JV (ARLANXEO)



Acquisition of Solvay's U.S. phosphorus additives business



Cooperation with Standard Lithium in El Dorado (USA)



~€150 m brownfield and debottlenecking investments



Optimization of production network (Zárate, Ankerweg, Reynosa)



Chemtura integration fully on track, delivering on promised synergies



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FY 2018: Delivered as promised - strong earnings despite FX and macro economic burden

Financial highlights

Despite weakening economy, delivery on upper end of guidance (EBITDA pre €1,016 m)

Price pass-through and volume momentum even in Q4

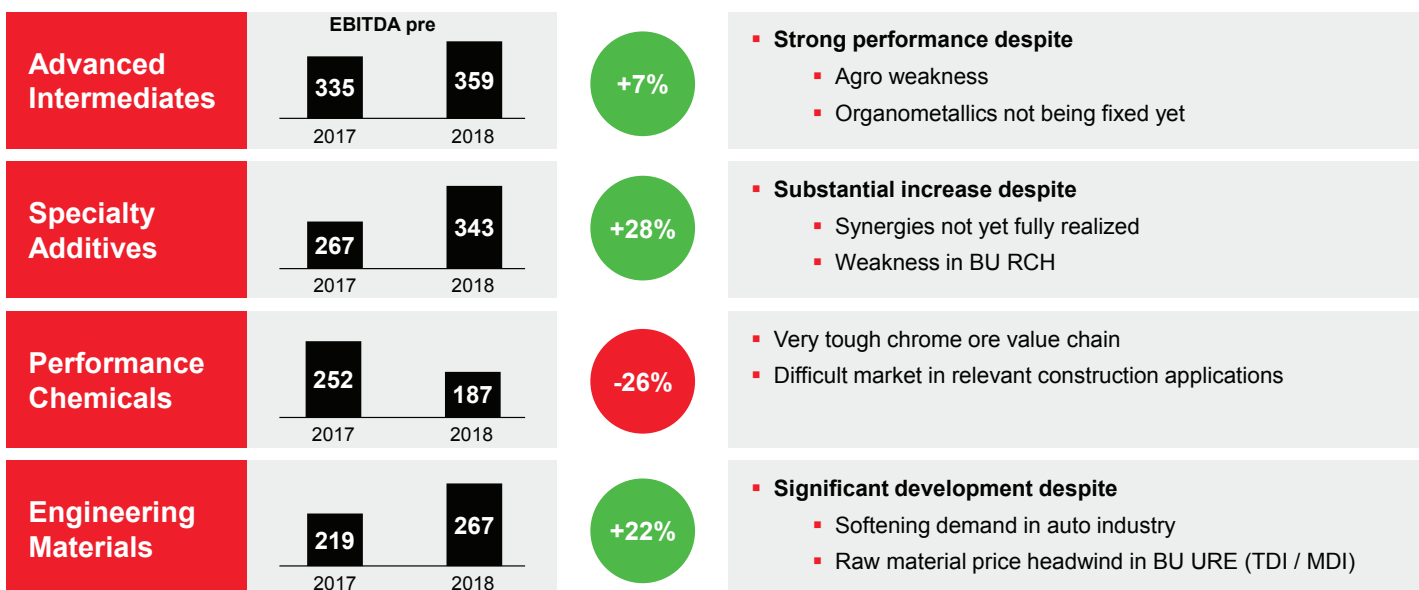
Stronger portfolio clearly shows resilience and enables the offsetting of weak Saltigo, Leather and Inorganic Pigments businesses

Strengthened balance sheet as platform for further growth



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FY 2018: Improved results in three segments drive performance in tougher environment



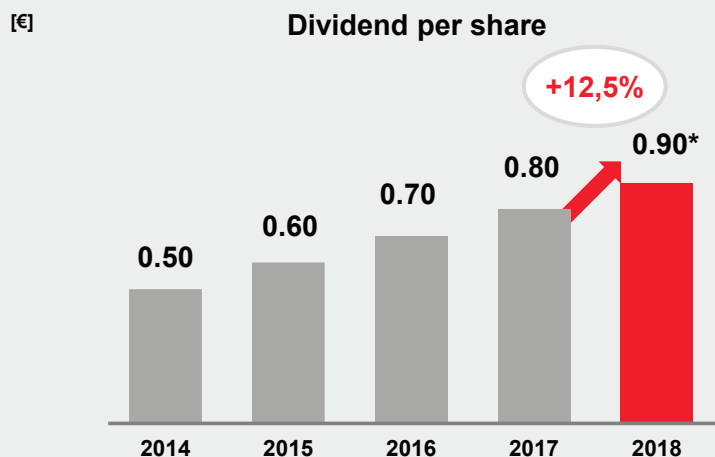
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Shareholders benefit from rising dividend and share buy-back

A reliable income stream for investors

Dividend policy

LANXESS aims for a rising or at least stable dividend

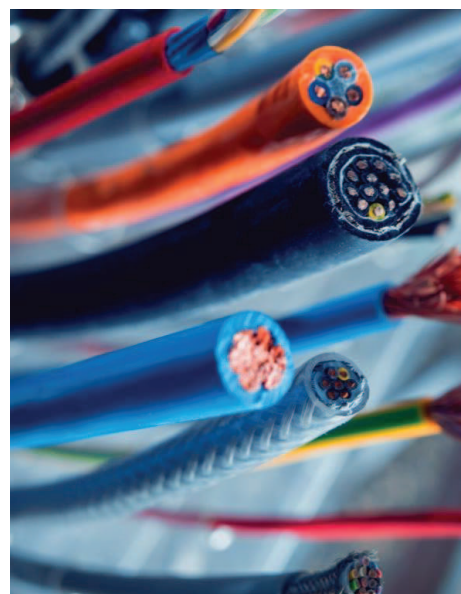


7 * To be proposed to the Annual General Meeting on May 23, 2019

Q4 2018: Proof of more resilient portfolio

Business highlights / lowlights

- + 8% sales growth driven by volume and price increases
- + EBITDA pre flat despite higher energy and freight costs
- + First indication of recovery in BU Saltigo
- Softening in automotive and construction markets
- BU Leather with potential to improve



Q4 2018: Solid financials

[€ m]	Q4 2017	Q4 2018	yoy in %
Sales	1,635	1,766	8%
EBITDA pre	179	179	0%
margin	10.9%	10.1%	
EPS (group)	-0.54	1.08	>100%
EPS pre (continuing) ¹	0.43	0.61	42%
Capex	194	240	24%

- Higher sales driven by strong pricing and volume increases
- Flat EBITDA pre due to price pass-through of increased raw material prices; higher volumes offset by rise in energy and freight costs
- Margin dilution reflects price pass-through
- EPS boosted by book gain from ARLANXEO divestment, reduced exceptionals and in 2017 negative U.S. tax effect
- Higher capex resulting from investments in debottleneckings
- Reduced net debt due to proceeds from ARLANXEO divestment

[€ m]	31.12.2017 ²	30.09.2018	31.12.2018	Δ seq%
Net financial debt ³	2,252	2,514	1,381	-45%
Net working capital	1,948	1,535	1,455	-5%

1) Net of exceptionals and amortization of intangible assets as well as attributable tax effects

2) Balance sheet items at 31.12.2017 include 100% ARLANXEO

3) After deduction of time deposits and securities available for sale

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Q4 2018: Both segments with improved results and margins

Advanced Intermediates

Price	Volume	FX	Portfolio	Total
+8%	+11%	+1%	0%	+20%

- Price increase mainly driven by successful raw material price pass-through in BU All
- Solid volume growth in BU All; new contracts in BU SGO, over emphasized volumes by IFRS 15 effect
- Improved EBITDA pre and margin despite higher energy and freight cost in BU All; BU SGO with improved utilization

[€ m]	Q4'17	Q4'18
Sales	470	562
EBITDA pre	60	73
Margin	12.8%	13.0%

Specialty Additives

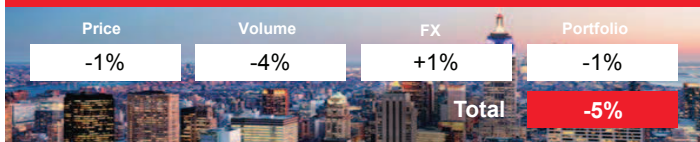
Price	Volume	FX	Portfolio	Total
+3%	-2%	+0%	+4%	+4%

- All businesses with positive price development driven by successful raw material price pass-through
- Volume decline in BU RCH due to lower auto demand
- Portfolio reflects acquisition of Solvay's U.S. phosphorus additives business
- EBITDA pre and margin also improved due to synergies

[€ m]	Q4'17	Q4'18
Sales	451	470
EBITDA pre	71	78
Margin	15.7%	16.6%

Q4 2018: Engineering Materials continuously strong on high level, Performance Chemicals still weak

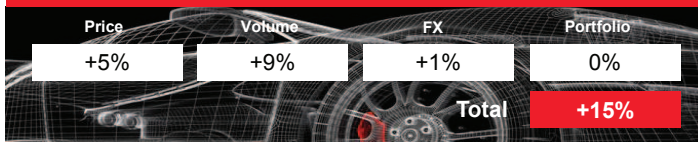
Performance Chemicals



- BU MPP and BU LPT with price and volume increases driven by good demand
- Price and volume decline in BU IPG and BU LEA reflect site closure, lower chrome prices (both LEA) and softer construction market (IPG)
- Consequently, EBITDA pre and margin drop

[€ m]	Q4'17	Q4'18
Sales	339	323
EBITDA pre	48	24
Margin	14.2%	7.4%

Engineering Materials



- Strong price increase mainly driven by successful raw material price pass-through in BU HPM
- Volume increase in BU HPM, however somewhat inflated by a trade business deal
- Solid EBITDA pre and margin reflect good operational performance

[€ m]	Q4'17	Q4'18
Sales	340	391
EBITDA pre	35	43
Margin	10.3%	11.0%

Ongoing political risks lead to increased uncertainty about economic development

Relevant economic trends 2019	<ul style="list-style-type: none"> ▪ General economic development is uncertain ▪ Moderate softening in auto premium segment in China assumed ▪ China growth expected on lower level
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LANXESS FY 2019	<ul style="list-style-type: none"> ▪ EBITDA pre expected around previous year's level (including IFRS 16 effect)*
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LANXESS Q1 2019	<ul style="list-style-type: none"> ▪ Stable YoY development (including IFRS 16 effect) despite weakening of some markets
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Self-help measures in place to achieve goals and become more resilient

Self-help measures

- Debottlenecking and brownfield growth capex (ROCE of ~20%)
- Implementation of remaining €30 m synergies from Chemtura until 2020
- Saltigo improvement
- Take Organometallics' margin to industry level (~15%)
- Further portfolio alignment

On track to reach financial goals for 2021

EBITDA pre margin
(group, Ø through the cycle)

14-18%

Cash conversion*

>60%

EBITDA pre margin volatility

2-3%pts



13 * Cash conversion: (EBITDA pre – capex) / EBITDA pre

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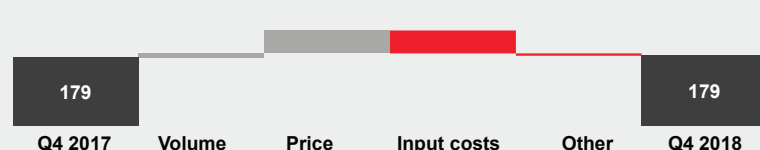


Q4 2018: Positive price and volume growth offset by higher operating costs

Q4 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	+8%	+11%	1%	0%	+20%
Specialty Additives	+3%	-2%	+0%	+4%	+4%
Performance Chemicals	-1%	-4%	+1%	-1%	-5%
Engineering Materials	+5%	+9%	+1%	0%	+15%
LANXESS	+4%	+3%	+1%	+1%	+8%

- Sales growth driven by successful raw material price pass-through (esp. BUs All, ADD and HPM) and increased volumes in segment Advanced Intern. and BU HPM
- Effect from acquisition of Solvay's phosphorus additives mitigated by divestment of chlorine dioxide business

Q4 yoy LANXESS EBITDA pre bridge [€ m]



- Flat EBITDA pre: higher volumes offset by higher operating costs (e.g. energy, freight)
- "Other" cost items mitigated by positive FX effects

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Q4 2018: Good operational performance and ARLANXEO divestment drive net income

[€ m]	Q4 2017		Q4 2018		yoy in %
Sales	1,635	(100%)	1,766	(100%)	8%
Cost of sales	-1,240	(-76%)	-1,381	(-78%)	-11%
Selling	-207	(-13%)	-213	(-12%)	-3%
G&A	-104	(-6%)	-89	(-5%)	14%
R&D	-22	(-1%)	-30	(-2%)	-36%
EBIT	40	(2%)	45	(3%)	13%
Profit from continuing operations	-48	(-3%)	15	(1%)	>100%
Profit from discontinued operations	-1	(0%)	111	(6%)	>100%
Minorities	0	(0%)	27	(2%)	>100%
Net Income	-49	(-3%)	99	(6%)	>100%
EPS pre* (continuing)	0.43		0.61		42%
EBITDA	147	(9%)	166	(9%)	13%
thereof exceptionals	-32	(-2%)	-13	(-1%)	-59%
EBITDA pre exceptionals	179	(10.9%)	179	(10.1%)	0%

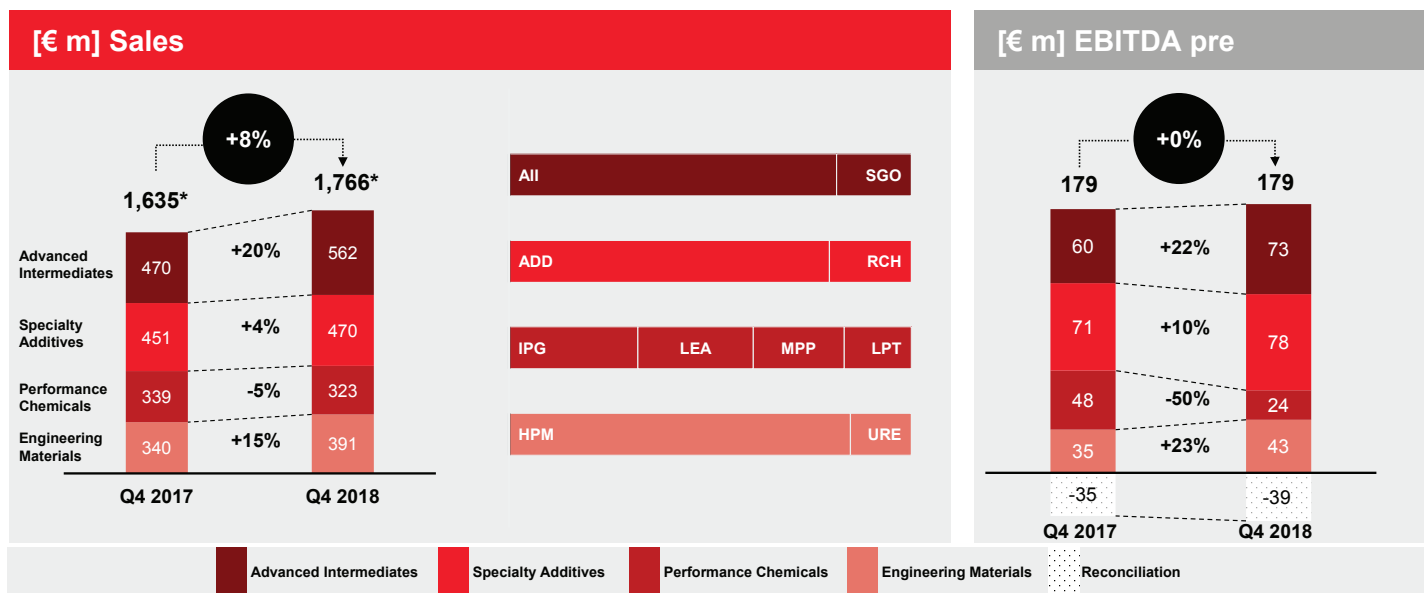
- Sales increase due to higher prices and volumes
- Increase in selling expenses driven by higher freight costs
- Improved G&A costs mainly reflect synergies and variable compensation
- Higher R&D costs due to product registrations and new strategic projects
- Net income boosted by book gain from ARLANXEO divestment (€90 m); PY impacted by one-time effect from U.S. tax reform

Solid result in challenging environment

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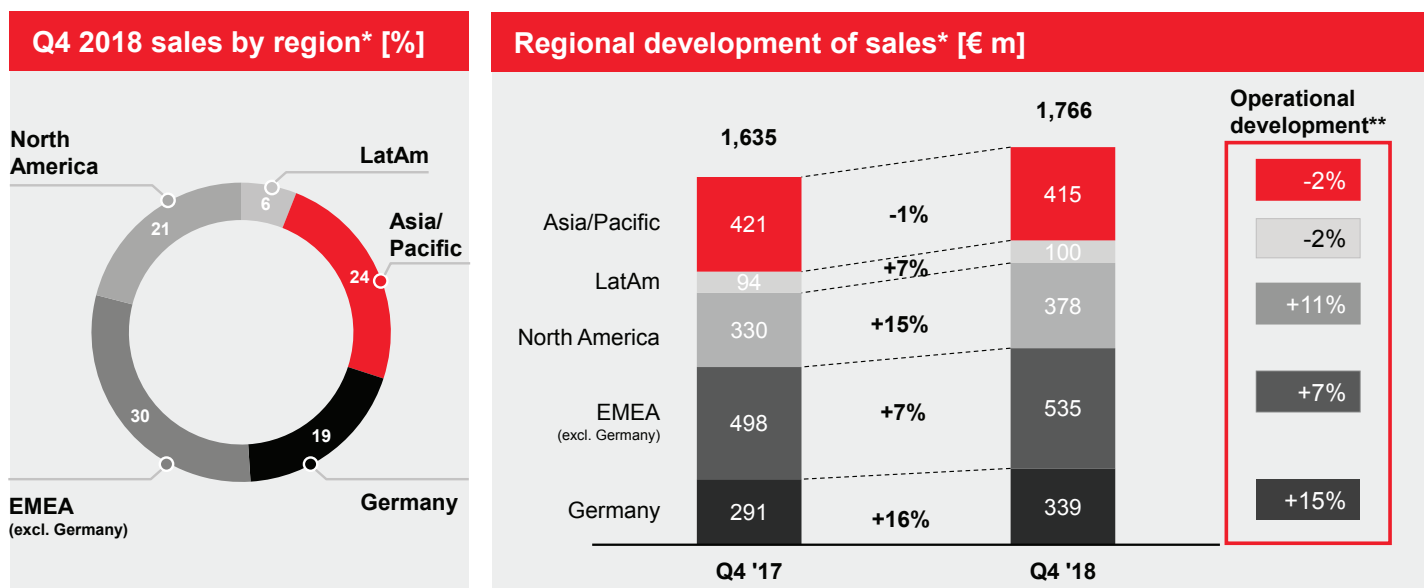
* Net of exceptionals and amortization of intangible assets as well as attributable tax effects and non-recurring effects of the U.S. tax reform (2017)

Q4 2018: Sales and double-digit EBITDA growth in three segments, Performance Chemicals weak



17 * Total group sales including reconciliation

Q4 2018: Sales increase in most regions – slightly softer demand in Asia



18 * All figures are indicative only
 ** Currency and portfolio adjusted

Cash flow Q4 2018: Timing of some items impacts operating cash flow

[€ m]	Q4 2017	Q4 2018
Profit before tax	10	14
Depreciation & amortization	107	121
Financial (gain) losses	19	23
Income taxes paid	-18	-63
Changes in other assets and liabilities	32	-27
Operating cash flow before changes in WC	151	68
Changes in working capital	124	117
Operating cash flow (continuing operations)	275	185
Investing cash flow (continuing operations)	-255	373
Thereof capex	-194	-240
Financing cash flow (continuing operations)	-19	-11

- Incomparable timing of tax payments
- Changes in other assets and liabilities driven by lower provisions for variable compensation and utilization of provisions, e.g. restructuring
- Changes in working capital comparable to previous year's level
- Investing cash flow significantly improved due to proceeds from ARLANXEO divestment, reduced by pension funding and investment of remaining amount
- Capex increase driven by debottlenecking investment program

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Balance Sheet: Solid!

[€ m]	31.12.2017 ¹	30.09.2018	31.12.2018
Total assets	10,411	10,545¹	8,687
Equity (incl. non-controlling interest)	3,413	3,626 ¹	2,773
Equity ratio	33%	34%¹	32%
Net financial debt (incl. Treasury Financial Assets)	2,252	2,514	1,381
Near cash, cash & cash equivalents	588	181	797
Pension provisions	1,490	1,247	1,083
ROCE²	9.3%	-	11.4%
Net working capital	1,948	1,535	1,455
DSI (in days) ³	65	68	69
DSO (in days) ⁴	51	46	46

- Reduced total assets due to deconsolidation of ARLANXEO
- Substantially reduced net financial debt resulting from ARLANXEO divestment
- Cash proceeds partly included in treasury financial assets
- Significantly lower pension provisions due to €200 m funding
- Improved ROCE reflects higher return of New LANXESS
- Seasonal improvement in net working capital

Reduced total assets and liabilities due to deconsolidation of ARLANXEO

[€ m]	Dec 2017	Sep 2018	Dec 2018		Dec 2017	Sep 2018	Dec 2018
Non-current assets	6.454	4.651	4.786	Stockholders' equity	3.413	3.626	2.773
Intangible assets	1.784	1.737	1.764	attrib. to non-contr. interests	1.126	1.120	-7
Property, plant & equipment	4.059	2.448	2.577	Non-current liabilities	4.540	4.601	4.395
Equity investments	0	0	0	Pension & post empl. provis.	1.490	1.247	1.083
Other investments	9	1	2	Other provisions	460	367	337
Other financial assets	20	25	25	Other financial liabilities	2.242	2.684	2.686
Tax receivables	20	14	14	Tax liabilities	134	102	117
Other non-current assets	562	426	404	Other liabilities	101	87	83
Current assets	3.957	5.894	3.901	Deferred taxes	113	114	89
Inventories	1.680	1.348	1.347	Current liabilities	2.458	2.318	1.519
Trade account receivables	1.316	920	903	Other provisions	525	421	465
Other current financial assets	7	50	598	Other financial liabilities	633	42	59
Other current assets	366	237	256	Trade accounts payable	1.048	733	795
Near cash assets	50	50	0	Tax liabilities	61	51	44
Cash and cash equivalents	538	131	797	Other liabilities	191	168	156
Assets from disc. operations	0	3.158	0	Liabilities from disc. operations	0	903	0
Total assets	10.411	10.545	8.687	Total equity & liabilities	10.411	10.545	8.687

Balance sheet as of 31st Dec 2018 no longer includes ARLANXEO

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Housekeeping items

LANXESS financial expectations

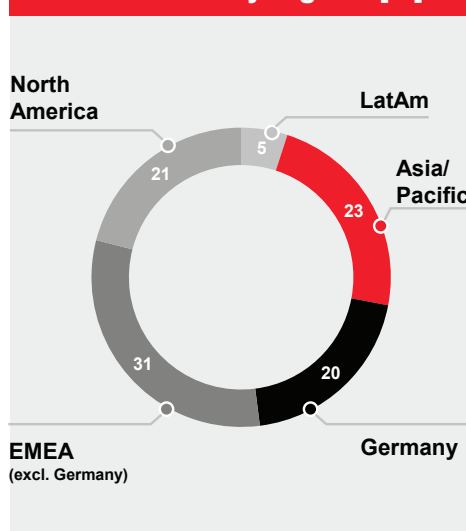
- **Capex 2019:** ~€500 m
- **Operational D&A 2019:** ~€450 m
- **Reconciliation 2019:** ~€150 m - €160 m including remnant costs
- **Tax rate:** lower end of 30-35%
- **Exceptionals 2019:** €30 m - €60 m based on current initiatives
- **FX sensitivity:** one cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging



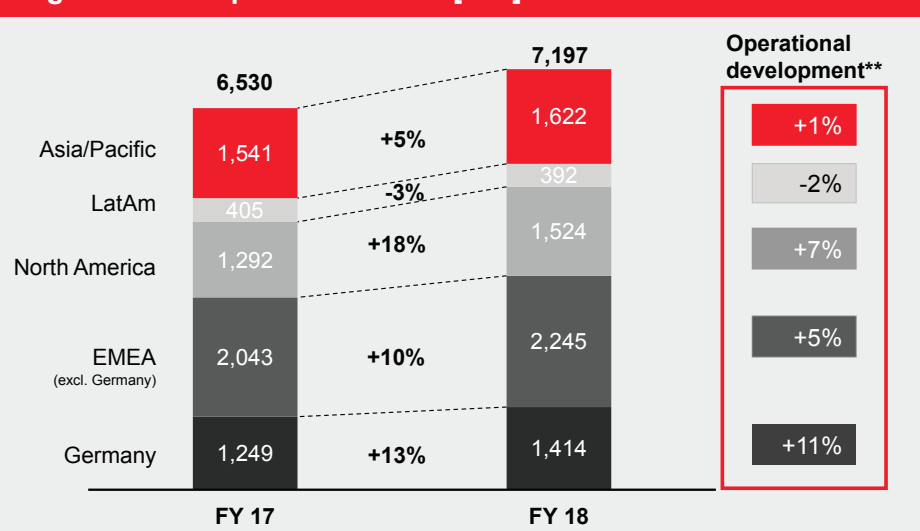
- **IFRS 16 effects:**
 - Reclassification of ~€35 m from operating result to depreciation and interest expense (low single-digit millions) leading to EBITDA pre improvement
 - Rise in fair value of leasing liabilities by ~€130 m burdening net debt

FY 2018: Strong sales growth in all regions except Latin America

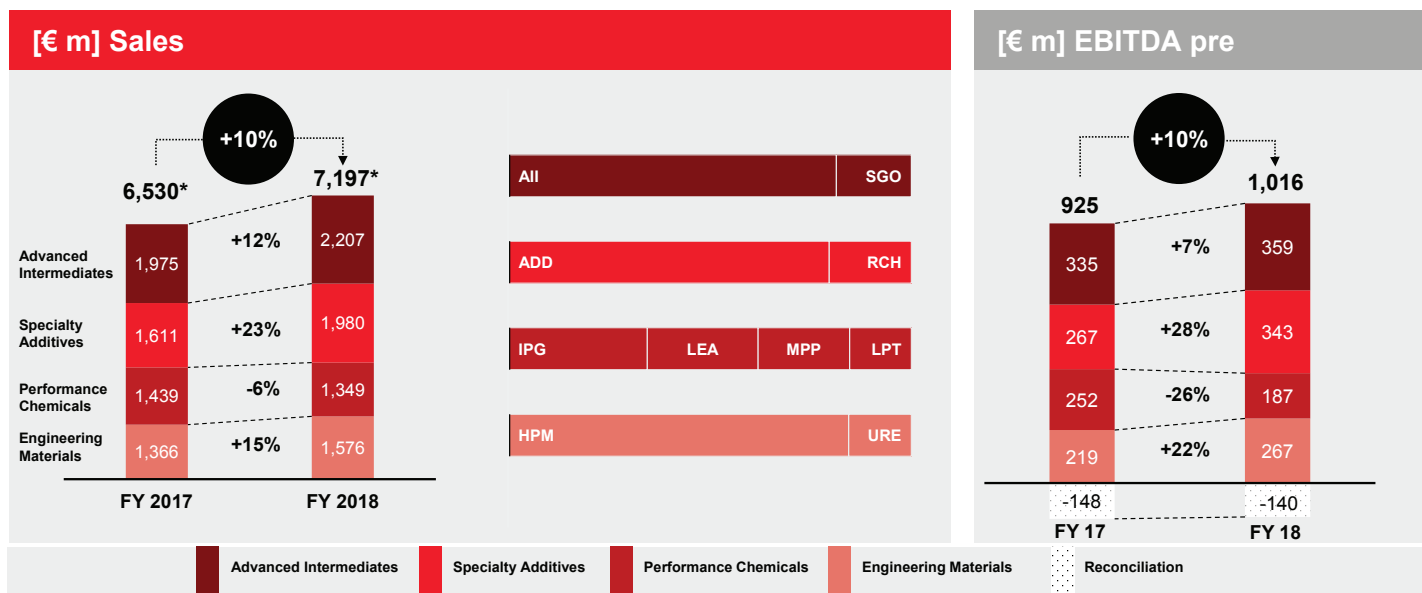
FY 2018 sales by region* [%]



Regional development of sales* [€ m]



FY 2018: Most segments with strong sales and EBITDA pre growth

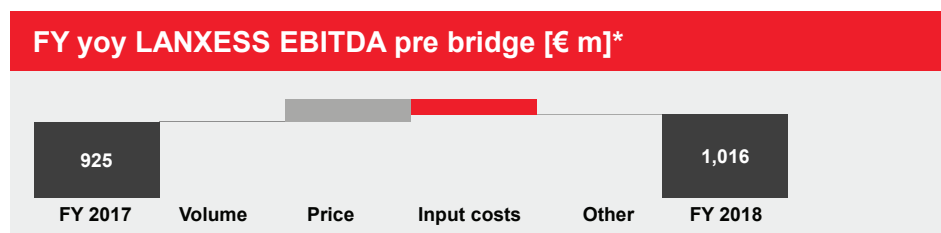


25 * Total sales including reconciliation

FY 2018: Strong operating development and portfolio effect drive financials

FY18 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	+8%	+4%	-2%	+2%	+12%
Specialty Additives	+3%	-1%	-2%	+23%	+23%
Performance Chemicals	+0%	-2%	-3%	-2%	-6%
Engineering Materials	+6%	+5%	-1%	+6%	+15%
LANXESS	+4%	+1%	-2%	+7%	+10%

- Strong sales growth due to successful raw material price pass-through (esp. BUs All, ADD and HPM) and portfolio effect
- Strong volume growth in BUs All and HPM mitigated by decline in BU LEA and plant closures in BU ADD
- FX headwind especially in first half of 2018



- EBITDA pre increase driven by successful price pass-through and portfolio
- "Other" includes inflated other operating costs and negative FX impact, over compensated by positive portfolio effect

26 * Indicative / unaudited

FY 2018: Financials driven by good operating performance and acquisitions

[€ m]	FY 2017		FY 2018		yoy in %
Sales	6,530	(100%)	7,197	(100%)	10%
Cost of sales	-4,796	(-73%)	-5,363	(-75%)	-12%
Selling	-761	(-12%)	-826	(-11%)	-9%
G&A	-326	(-5%)	-307	(-4%)	6%
R&D	-103	(-2%)	-118	(-2%)	-15%
EBIT	299	(5%)	504	(7%)	69%
Profit from continuing operations	60	(1%)	272	(4%)	>100%
Profit from discontinued operations	64	(1%)	251	(3%)	>100%
Non-controlling interests	37	(1%)	92	(1%)	>100%
Net Income	87	(1%)	431	(6%)	>100%
EPS pre* (continuing)	3.84		4.45		16%
EBITDA	709	(11%)	935	(13%)	32%
thereof exceptionals	-216	(-3%)	-81	(-1%)	-62%
EBITDA pre exceptionals	925	(14.2%)	1,016	(14.1%)	10%

- Sales driven by price pass-through and acquired businesses (Chemtura, Solvay), FX burdens
- Disproportionate rise in cost of sales due to increased operational costs (e.g. energy, environmental)
- Improved G&A costs reflect reclassification effect from discontinued operations
- Significant EBIT boost due to good performance and lower exceptionals
- Book gain from rubber divestment included in profit from disc. ops.

LANXESS achieves very good results in new setup

27 * Net of exceptionals and amortization of intangible assets as well as attributable tax effects and non-recurring effects of the U.S. tax reform (2017)

FY 2018: Cash flow reflects good operational performance mitigated by higher working capital


[€ m]	FY 2017	FY 2018
Profit before tax	219	390
Depreciation & amortization	410	431
Financial (gain) losses	35	63
Cash tax payments/refunds	-139	-156
Changes in other assets and liabilities	108	-90
Operating cash flow before changes in WC	634	637
Changes in working capital	-66	-165
Operating cash flow (continuing operations)	568	472
Investing cash flow (continuing operations)	-22	65
Thereof capex	-397	-497
Thereof M&A / ARLANXEO divestment	-1,794	1,238
Thereof CTA* funding	0	-200
Financing cash flow (continuing operations)	-545	-160

- Changes in other assets and liabilities driven by higher cash outs for variable compensation and restructuring
- Changes in working capital in line with increase of sales, working capital in % of sales stable
- Investing cash flow contains:
 - Capex increases due to growth capex in debottlenecking
 - €1.4 bn proceeds from ARLANXEO divestment
 - €200 m pension funding (CTA)
 - Deposit of ~€500 m in fin. assets
- Financing cash flow includes Chemtura bond redemption in 2017

28 * Contractual Trust Agreement

Capital allocation priorities after ARL exit: Focus on deleveraging and building a superior growth platform

Capital allocation after receipt of cash

Attractive growth	Deleveraging	Share buy-back
<ul style="list-style-type: none"> M&A following our communicated financial matrix Investments into new and already announced brownfield & debottlenecking projects (until ~2021) 	<ul style="list-style-type: none"> Funding of German pension liabilities New funding ratio improved to ~57%* 	<ul style="list-style-type: none"> Share buy-back to be executed between January and year end 2019
€400 – €X m	€200 m  of ~ €400 m - €500 m	up to €200 m

Use of proceeds in line with investment grade commitment

29 * based on pensions at 31st of December 2018

LANXESS delivers on organic growth – upcoming capacity expansions

Organic investment program well on track

Capex

BU All:	Capacity increase for DCB* initiated, Leverkusen (Germany), finalized beginning 2019	not discl.
	Expansion of hexandiol production, Krefeld-Uerdingen	not discl.
BU RCH:	Capacity expansion for Macrolex brand dyes, in Q2 2019	~€5 m
BU LPT:	Ion exchange resins production, Leverkusen (Germany), completion in H1 2019	single-digit €m
BU IPG:	Planned capacity increase for iron oxides pigments, Germany and Brazil, through 2019	not discl.
BU HPM:	New compounding facility in Changzhou (China), available Q2 2019, further expansion of engineering plastics capacity	~€20 m
	New compounding facility, Krefeld-Uerdingen (Germany), available in the second half of 2019	mid double-digit €m
BU URE:	Additional prepolymers capacity, Porto Feliz (Brazil), available mid 2019	<€10 m



30 * DCB = Dichlorobenzene

Chemtura synergies realized ahead of plan

Implementation of synergies faster than predicted

[\u20ac m]	2017	2018	2019	2020	Total
Synergies	~30	~40	~20	~10	~100
Expense (one-time costs)*	~80	~30	~20	~10	~140
Cash out	~40	~50	~40	~10	~140
Capex	~20	~20	~10		~50

Key Messages

- Synergies confirmed
 - \u20ac100 m of "hard" costs
 - Earlier realization
 - Topline synergies not included
- OTCs and cash-outs confirmed
- Capex confirmed, mainly related to Manufacturing Excellence

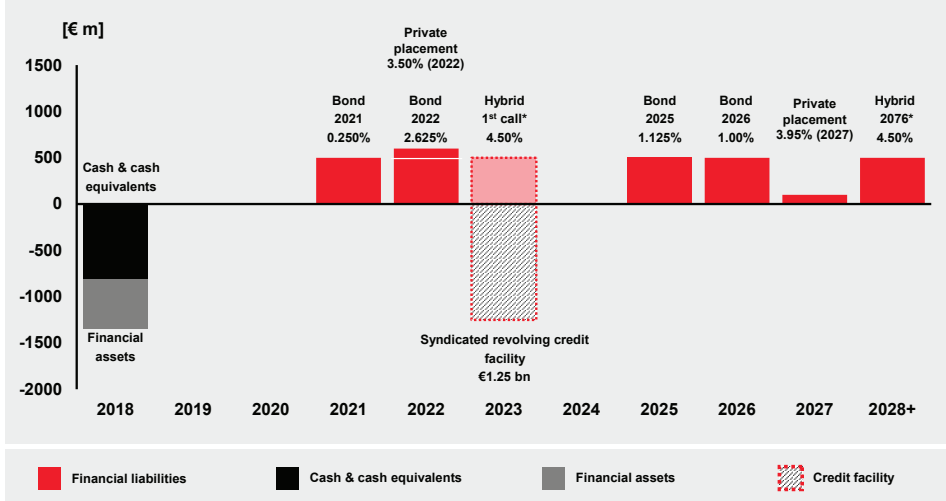
31 * Does not include ~\u20ac65 m PPA charges from inventory step-up in opening balance sheet. Transaction related charges were recognized in opening balance sheet

Maturity profile actively managed and well balanced

Long-term financing secured

- Diversified financing sources
 - Bonds & private placements
 - Syndicated credit facility
- Average interest rate of financial liabilities 2%
- Closing of ARLANXEO transaction per end of December 2018. Cash proceeds of around \u20ac1.4 bn
- Next bond maturity in 2021
- All group financing executed without financial covenants

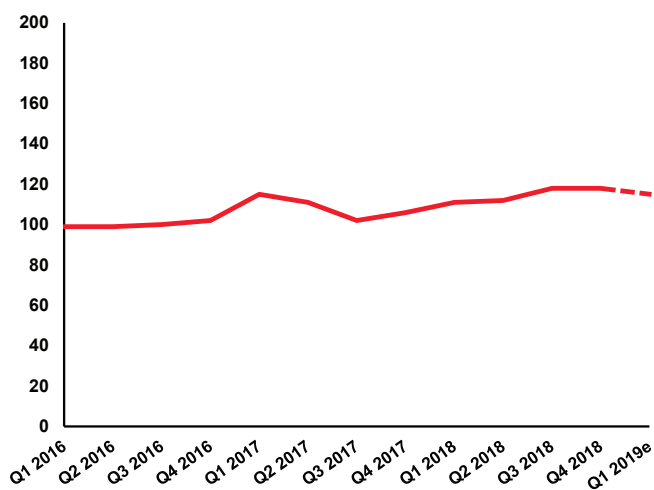
Liquidity and maturity profile as per December 2018



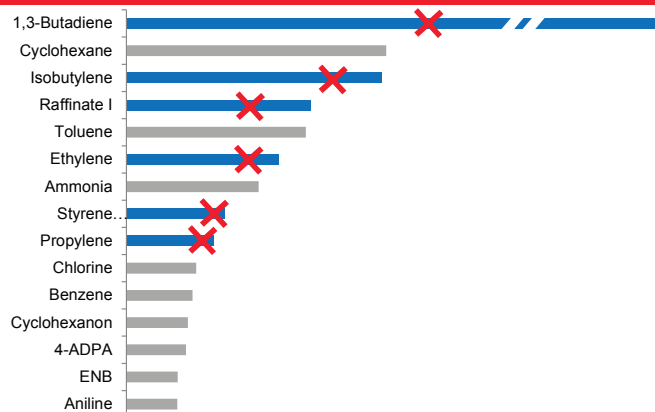
32 * Hybrid bond with contractual maturity date in 2076 has a first optional call date in 2023.

Substantially reduced dependency on volatile raw materials

LANXESS global raw materials index*



Total raw material expenses (2017)



LANXESS no longer dependent on few raw materials

33 * average 2013 = 100%

Significantly reduced exceptional items (on EBIT) in 2018

[€ m]	Q4 2017		Q4 2018		FY 2017		FY 2018	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	4	0	0	0	7	0	0	0
Specialty Additives	8	1	-6	1	111	36	3	0
Performance Chemicals	-2	0	12	10	68	6	13	10
Engineering Materials	0	0	0	-1	13	1	1	0
Reconciliation	22	-1	17	0	60	0	74	0
Total	32	0	23	10	259	43	91	10

Upcoming events 2019

Proactive capital market communication

▪ FY 2018 results	March 14	
▪ Goldman Sachs 8 th Annual European Chemicals Conference	March 15	London
▪ MainFirst Corporate Conference	March 28	Copenhagen
▪ Q1 2019 results	May 14	
▪ Annual Stockholders' Meeting	May 23	Cologne
▪ mBank Chemicals Day	June 3/4	Warsaw
▪ dbAccess Berlin Conference	June 5/6	Berlin
▪ Exane BNP Paribas 21 st CEO Conference	June 11/12	Paris
▪ J.P. Morgan Cazenove European Materials Conference	June 12	London
▪ Morgan Stanley Cannon Ball Run	June 25	Cologne
▪ Q2 2019 results	August 2	
▪ Q3 2019 results	November 13	
▪ Meeting the Management	November 15	Cologne

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Abbreviations

Advanced Intermediates

- **AI** Advanced Industrial Intermediates
- **SGO** Saltigo

Performance Chemicals

- **IPG** Inorganic Pigments
- **LEA** Leather
- **MPP** Material Protection Products
- **LPT** Liquid Purification Technologies

Specialty Additives

- **ADD** Additives
- **RCH** Rhein Chemie

Engineering Materials

- **HPM** High Performance Materials
- **URE** Urethane Systems