

LANXESS – Q3 2018 Conference Presentation

Delivering despite challenging environment

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Agenda

- 1 Executive summary Q3 2018**
- 2 Business and financial details Q3 2018
- 3 Back-up



Q3 2018: Divestment of ARLANXEO increases strategic flexibility, strong performance in Specialty Additives

Business highlights

Agreed divestment of remaining 50% in ARLANXEO



Strong operational performance and self-help drive Specialty Additives result

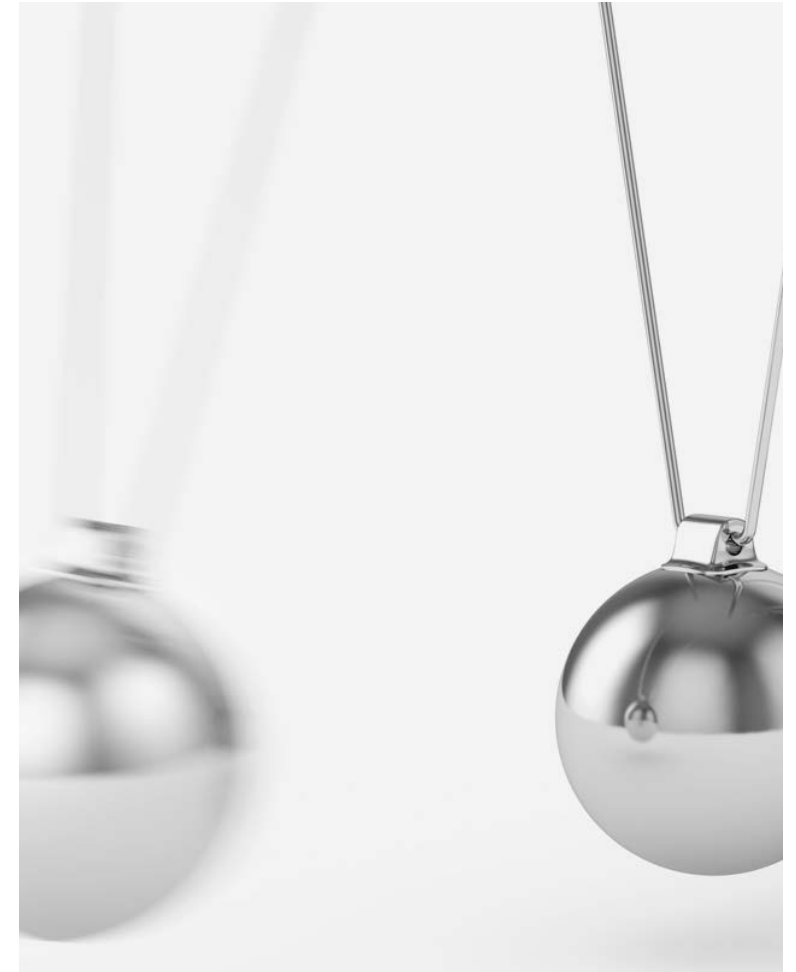


Several innovations announced:

- PA6 grades replacing PA66 (tensile strength at higher temp)
- Broad range of halogen-free flame-retardants for EV



LANXESS included in Dow Jones Sustainability Indices again



Q3 2018: Solid earnings despite challenging environment

Financial highlights

- Sales growth of 4.4% to €1,786 m
- EBITDA pre improved to €277 m
- Nice EPS pre development by 7% to €1.23
- Sequentially lower net financial debt
- Successful management of higher raw material costs



LANXESS and Canadian Standard Lithium start cooperation

Parties agreed first stages for potential JV

Content

- Feasibility study for extraction of battery grade lithium from tail brine generated in LXS' US bromine production site
- Terms of JV subject to completion of due diligence and result of feasibility study

Status

- Parties signed term sheet
- Start-up level – evaluation of proof of concept just triggered

Technical feasibility and economic viability to be confirmed



Solid performance due to balanced and more resilient portfolio opposing weakness in Performance Chems/agro

Despite various market challenges ...

Advanced Intermediates

- Stable performance and organic growth despite ongoing agro weakness
- Balanced market exposures and market position safeguard the business

Specialty Additives

- Despite market concerns, higher raw material costs and some end market weakness, the business has performed strongly

Engineering Materials

- Better balance in the entire value chain and positive light weight and EV trend have improved the business model of BU HPM substantially

Group

- Limited auto exposure to ~20% after ARLANXEO divestment & implementation of self-help measures
- Ongoing market challenges for the leather business and softer demand in construction

... LANXESS is on track!

Q3 2018: Overview on improved financials

[€m]	Q3 2017	Q3 2018	yoy in %
Sales	1,710	1,786	4%
EBITDA pre margin	273 16.0%	277 15.5%	1%
EPS pre* (group)**	1.15	1.59	38%
EPS pre* (continuing)	1.15	1.23	7%
Capex	86	114	33%

[€m]	31.12.2017***	30.06.2018	30.09.2018	Δ seq%
Net financial debt	2,252	2,633	2,514	-5%
Net working capital	1,948	1,535	1,535	0%

- Sales increase driven by strong pricing and slightly higher volumes
- EBITDA pre up due to management of higher raw material prices, synergies and acquired phosphorus business
- EPS improvement on better operating performance and financial result
- Investments in debottleneckings lead to higher capex
- Sequentially reduced net financial debt in Q3 due to solid operating performance and better financial result

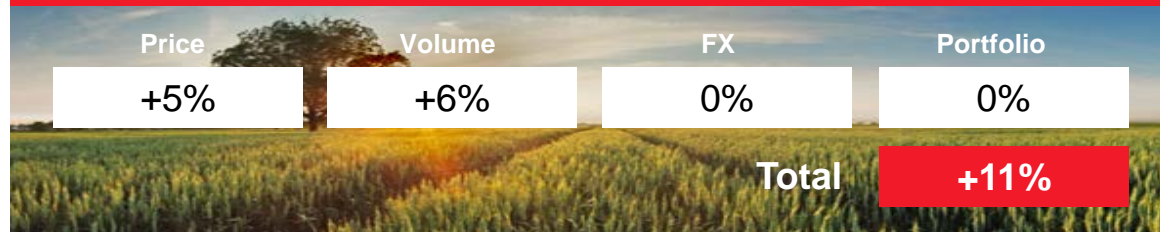
* Net of exceptionals and amortization of intangible assets as well as attributable tax effects

** Including 50% of ARLANXEO

*** Balance sheet items at 31.12.2017 include 100% ARLANXEO

Q3 2018: Specialty Additives shaped into strongest segment

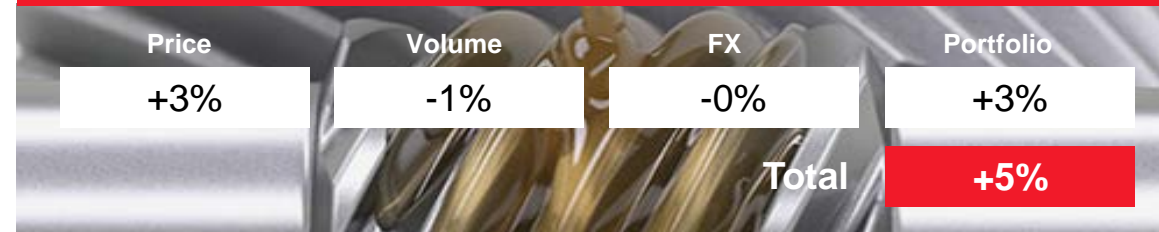
Advanced Intermediates



- Strong price increase mainly driven by successful raw material price pass-through in BU All
- Sound volume growth in BU All; BU SGO flat on low level due to ongoing weak agro market
- Strong BU All performance compensating for ongoing shortfall of BU SGO

[€m]	Q3'17	Q3'18
Sales	481	534
EBITDA pre	87	87
Margin	18.1%	16.3%

Specialty Additives

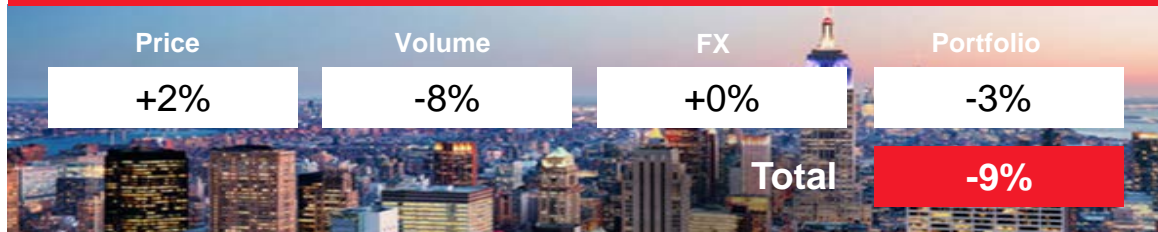


- Increased sales due to successful raw material price pass-through in both BUs, partly offset by slight volume decrease (esp. driven by plant closures)
- Portfolio reflects acquisition of Solvay's U.S. phosphorus additives business
- Improved EBITDA pre and margin, reflecting synergies and portfolio effect

[€m]	Q3'17	Q3'18
Sales	480	502
EBITDA pre	77	93
Margin	16.0%	18.5%

Q3 2018: Engineering Materials strong on high level, Performance Chemicals remains weak

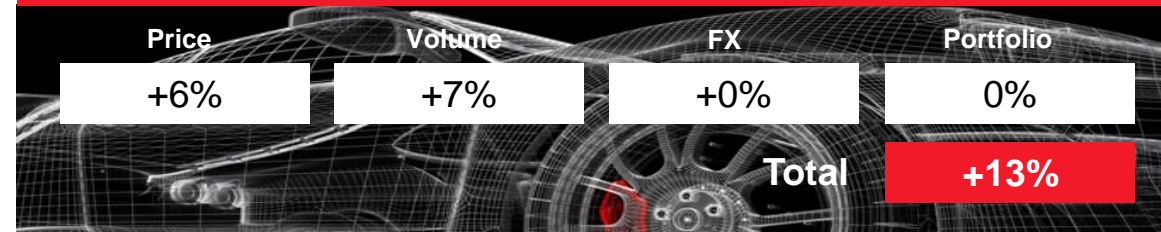
Performance Chemicals



- Price increases in almost all BUs
- Volume decline compares to strong PY, mainly driven by site closure, strike in South Africa (both LEA) and softer construction market (IPG)
- Disposal of chlorine dioxide business shown in portfolio
- EBITDA pre and margin burdened by lower volumes, partly offset by positive FX effects in emerging markets

[€m]	Q3'17	Q3'18
Sales	365	334
EBITDA pre	65	53
Margin	17.8%	15.9%

Engineering Materials



- Strong price increase in both BUs offsetting higher raw material prices
- Volumes increase in BU HPM, slightly reduced by BU URE (raw material shortage of monomeric MDI in the U.S.)
- EBITDA pre driven by strong operational performance
- Margin dilutive growth due to pass-through of higher raw material prices

[€m]	Q3'17	Q3'18
Sales	350	394
EBITDA pre	64	70
Margin	18.3%	17.8%

LANXESS confirms FY 2018 guidance despite rising economic challenges

Market update

- Industry trends generally intact, but rising geopolitical risks begin to weigh on demand on high level
 - Increasingly visible tougher environment in automotive
 - Slightly more moderate construction demand
- Record low water level of the Rhine river tightly monitored

LANXESS FY 2018

- **FY 2018 EBITDA pre at upper end of 5 - 10% yoy (FY 2017: ~€925 m)**



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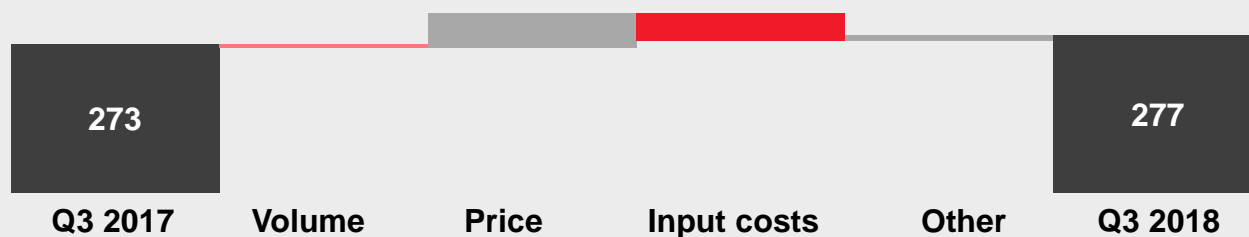


Q3 2018: Topline driven by good operational development

Q3 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	+5%	+6%	0%	0%	+11%
Specialty Additives	+3%	-1%	-0%	+3%	+5%
Performance Chemicals	+2%	-8%	+0%	-3%	-9%
Engineering Materials	+6%	+7%	+0%	0%	+13%
New LANXESS	+4%	+1%	+0%	+0%	+4%

- Solid sales growth due to successful raw material price pass-through (esp. BUs All, ADD and HPM)
- Overall slightly increased volumes
- Effect from Solvay's phosphorus additives acquisition compensated by divestiture of chlorine dioxide business

Q3 yoy New LANXESS EBITDA pre bridge [€m]



- EBITDA pre increase driven by successful price pass-through and synergies
- “Other” includes higher freight and stock-keeping costs over compensated by positive portfolio and FX effects

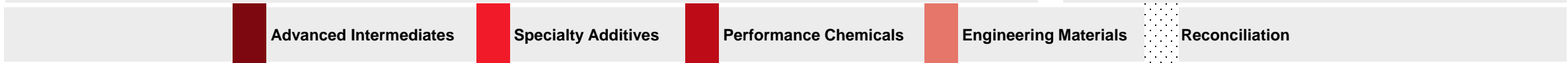
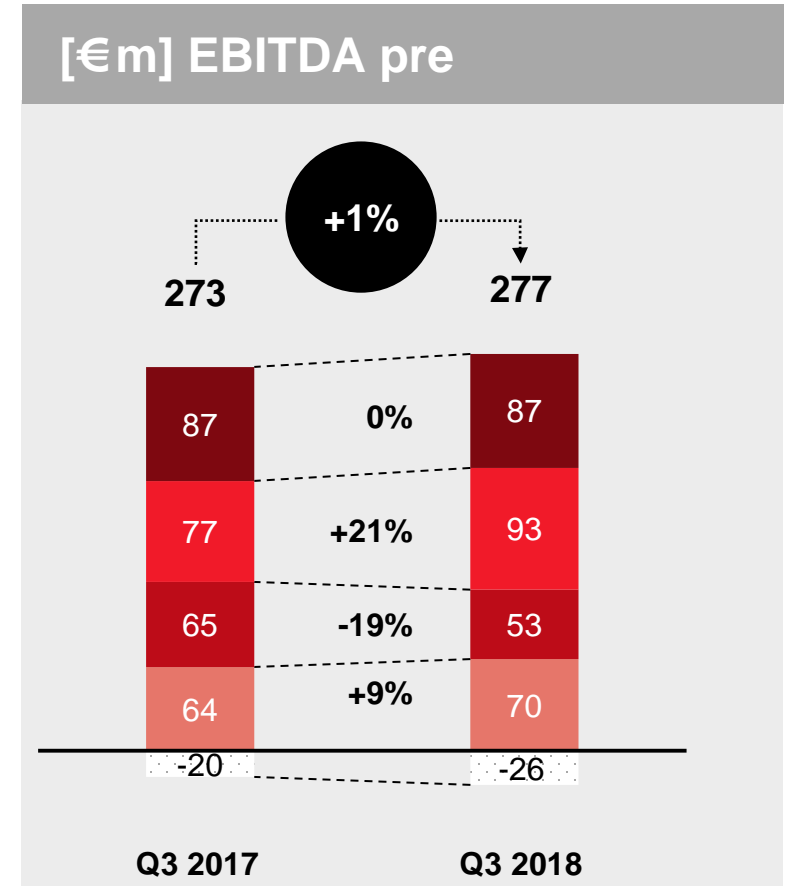
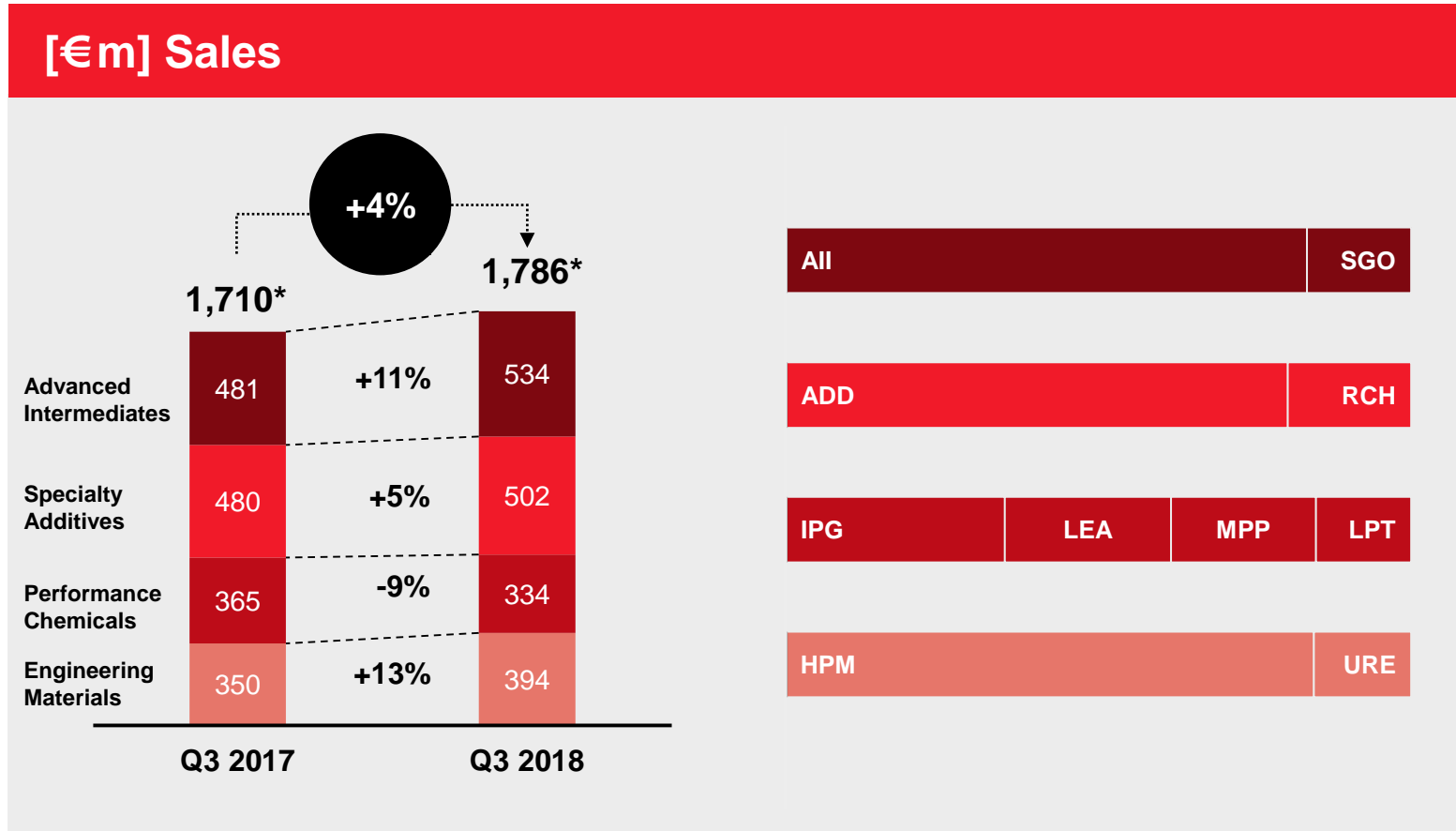
Q3 2018: Good quarter on solid level

[€ m]	Q3 2017		Q3 2018		yoy in %
Sales	1,710	(100%)	1,786	(100%)	4%
Cost of sales	-1,239	(-72%)	-1,308	(-73%)	-6%
Selling	-194	(-11%)	-202	(-11%)	-4%
G&A	-81	(-5%)	-72	(-4%)	11%
R&D	-29	(-2%)	-30	(-2%)	-3%
EBIT	113	(7%)	146	(8%)	29%
Profit from continuing operations	53	(3%)	80	(4%)	51%
Profit from discontinued operations	3	(0%)	52	(3%)	>100%
Minorities	1	(0%)	22	(1%)	>100%
Net Income	55	(3%)	110	(6%)	100%
EPS pre* (continuing)	1.15		1.23		7%
EBITDA	241	(14%)	251	(14%)	4%
thereof exceptionals	-32	(-2%)	-26	(-1%)	-19%
EBITDA pre exceptionals	273	(16%)	277	(15.5%)	1%

- Sales increase due to improved prices and slightly higher volumes
- Improved G&A costs reflect reclassification effect from discontinued operations
- EBITDA pre slightly ahead of previous year on strong performance level
- Rising EPS pre due to operational performance and better financial result

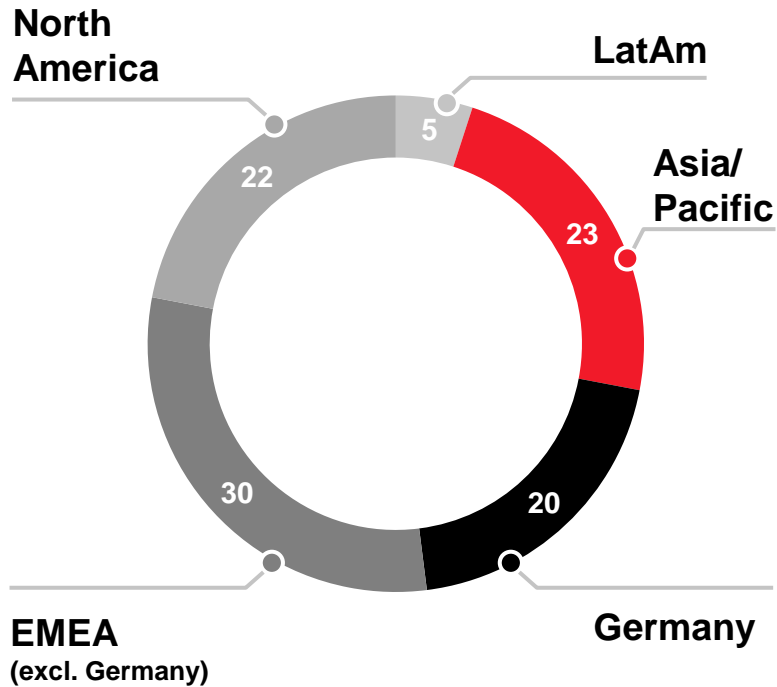
Stable margins on attractive level

Q3 2018: Most segments with strong sales and EBITDA pre growth

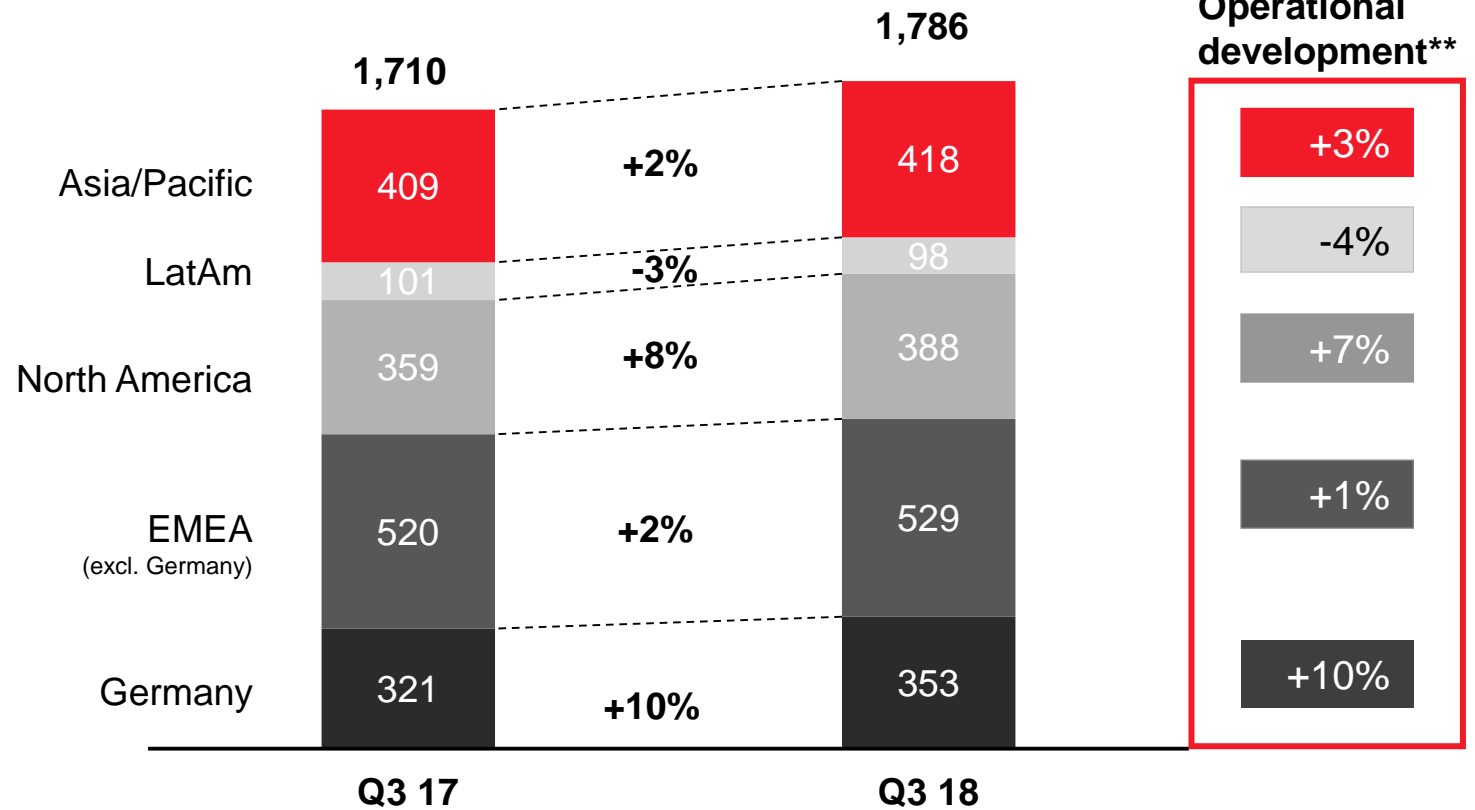


Q3 2018: Sales increase in most regions - softer demand in Latin America

Q3 2018 sales by region* [%]



Regional development of sales* [€m]



Cash flow in Q3 2018 driven by solid operational performance

[€ m]	Q3 2017	Q3 2018
Profit before tax	80	118
Depreciation & amortization	128	105
Financial (gain) losses	19	15
Income taxes paid	-51	-32
Changes in other assets and liabilities	86	26
Operating cash flow before changes in WC	262	231
Changes in working capital	-35	-9
Operating cash flow (continuing operations)	227	222
Investing cash flow (continuing operations)	-83	-114
Thereof capex	-86	-114
Financing cash flow (continuing operations)	-491	-113

- Operating cash flow on previous year level
- Changes in other assets and liabilities driven by fewer exceptional items
- Capex increase driven by debottlenecking investments
- Significantly improved financing cash flow reflecting early redemption of Chemtura's \$ 450 m bond in previous year quarter

Balance Sheet Q3: Sequentially only minor changes

[€m]	31.12.2017*	30.06.2018	30.09.2018
Total assets*	10,411	10,540	10,545
Equity (incl. non-controlling interest)*	3,413	3,429	3,626
Equity ratio*	33%	33%	34%
Net financial debt (after deduction of current financial assets)	2,252	2,633	2,514
Near cash, cash & cash equivalents	588	180	181
Pension provisions	1,490	1,329	1,247
Net working capital	1,948	1,535	1,535
DSI (in days)**	65	63	68
DSO (in days)***	51	47	46

- Stable total assets as ARLANXEO remains consolidated
- Sequentially reduced net financial debt in Q3 due to solid operating performance and better financial result
- Lower pension provisions due to increased German discount rate (from 1.75% to 2.00%)
- Sequentially stable net working capital

Line items reflect effects from reporting ARLANXEO as discontinued operations

[€ m]	Dec 2017	Sep 2018		Dec 2017	Sep 2018
Non-current assets	6,454	4,651	Stockholders' equity	3,413	3,626
Intangible assets	1,784	1,737	attrib. to non-contr. interests	1,126	1,120
Property, plant & equipment	4,059	2,448	Non-current liabilities	4,540	4,601
Equity investments	0	0	Pension & post empl. provis.	1,490	1,247
Other investments	9	1	Other provisions	460	367
Other financial assets	20	25	Other financial liabilities	2,242	2,684
Tax receivables	20	14	Tax liabilities	134	102
Other non-current assets	562	426	Other liabilities	101	87
Current assets	3,957	5,894	Deferred taxes	113	114
Inventories	1,680	1,348	Current liabilities	2,458	2,318
Trade account receivables	1,316	920	Other provisions	525	421
Other current financial assets	7	50	Other financial liabilities	633	42
Other current assets	366	237	Trade accounts payable	1,048	733
Near cash assets	50	50	Tax liabilities	61	51
Cash and cash equivalents	538	131	Other liabilities	191	168
Assets from disc. operations	0	3,158	Liabilities from disc. operations	0	903
Total assets	10,411	10,545	Total equity & liabilities	10,411	10,545

ARLANXEO's assets & liabilities grouped in discontinued operations

Agenda

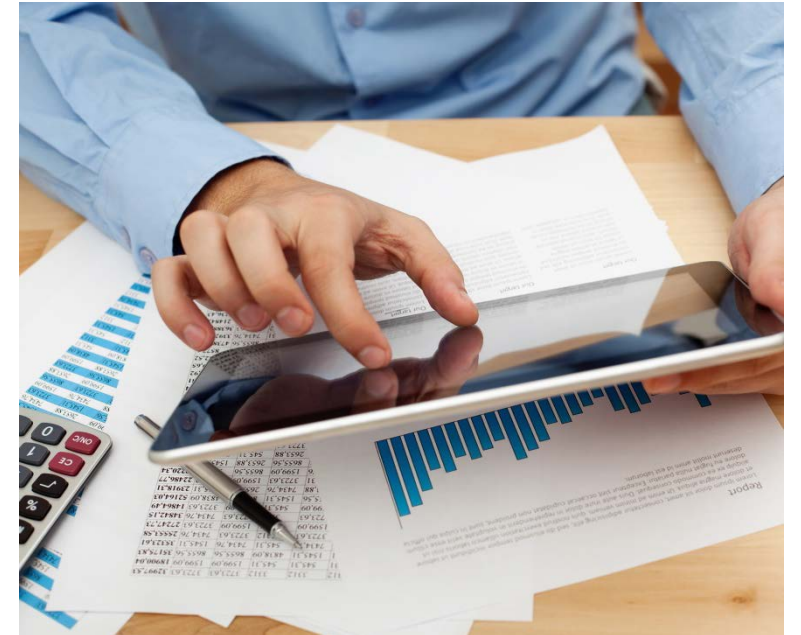
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Housekeeping items – New LANXESS

New LANXESS financial expectations

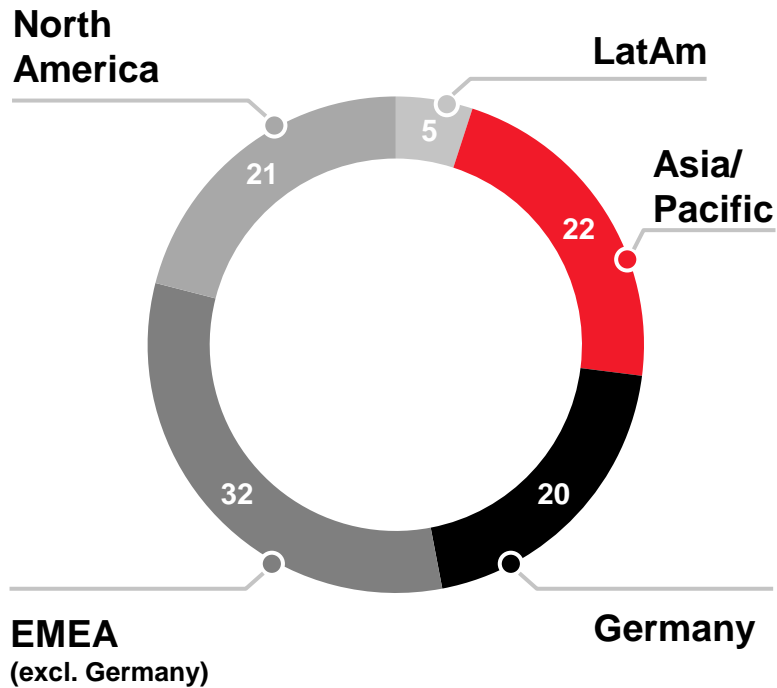
- **Capex 2018:** €450 m-€500 m
- **Operational D&A 2018:** ~€400 m
- **Reconciliation 2018:** around previous year's level (~€150 m)
- **Tax rate:** lower end of 30-35%
- **Exceptionals Q4 2018:** ~ €50 m
- **FX sensitivity:** one cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging



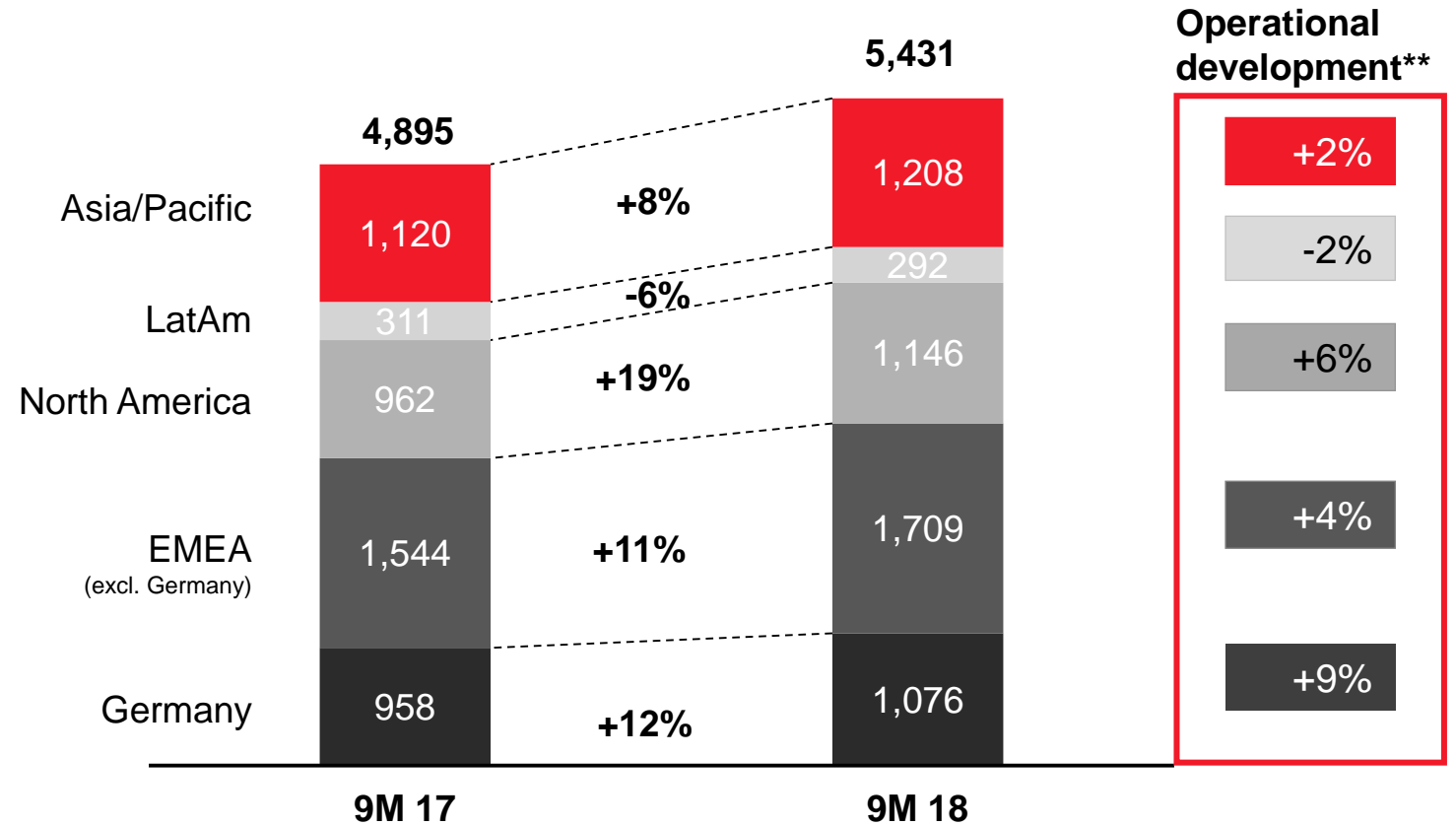
- Net capital gain from ARLANXEO divestment expected to be €80 m - €100 m (including tax payment), reported in discontinued operations

9M 2018: Solid underlying sales development

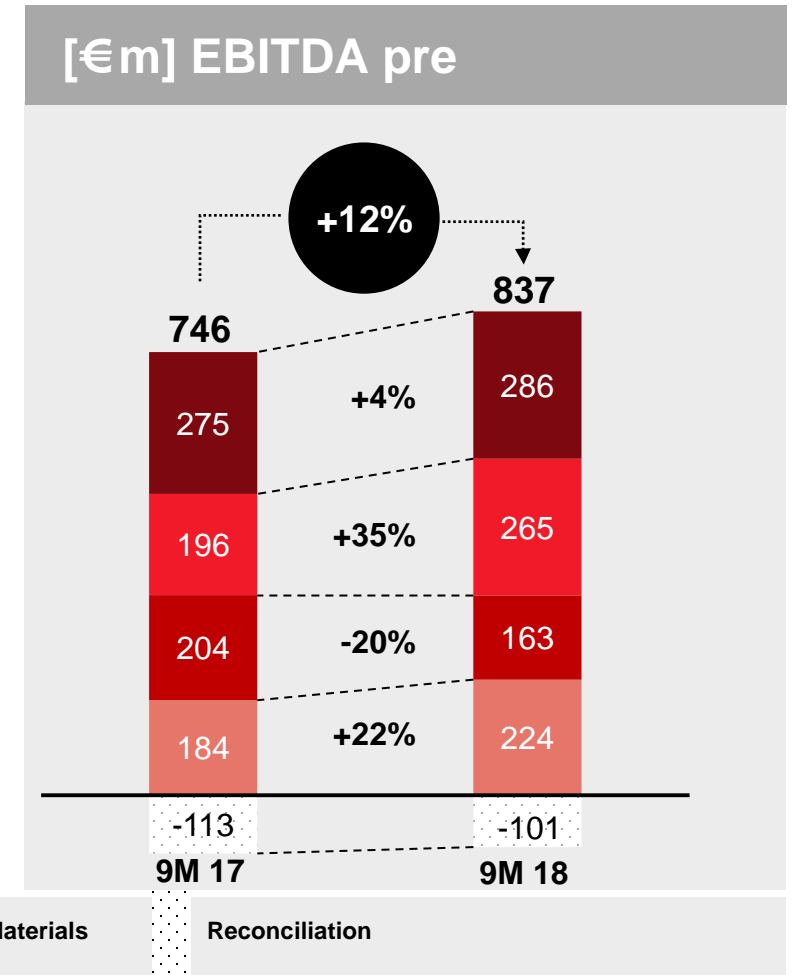
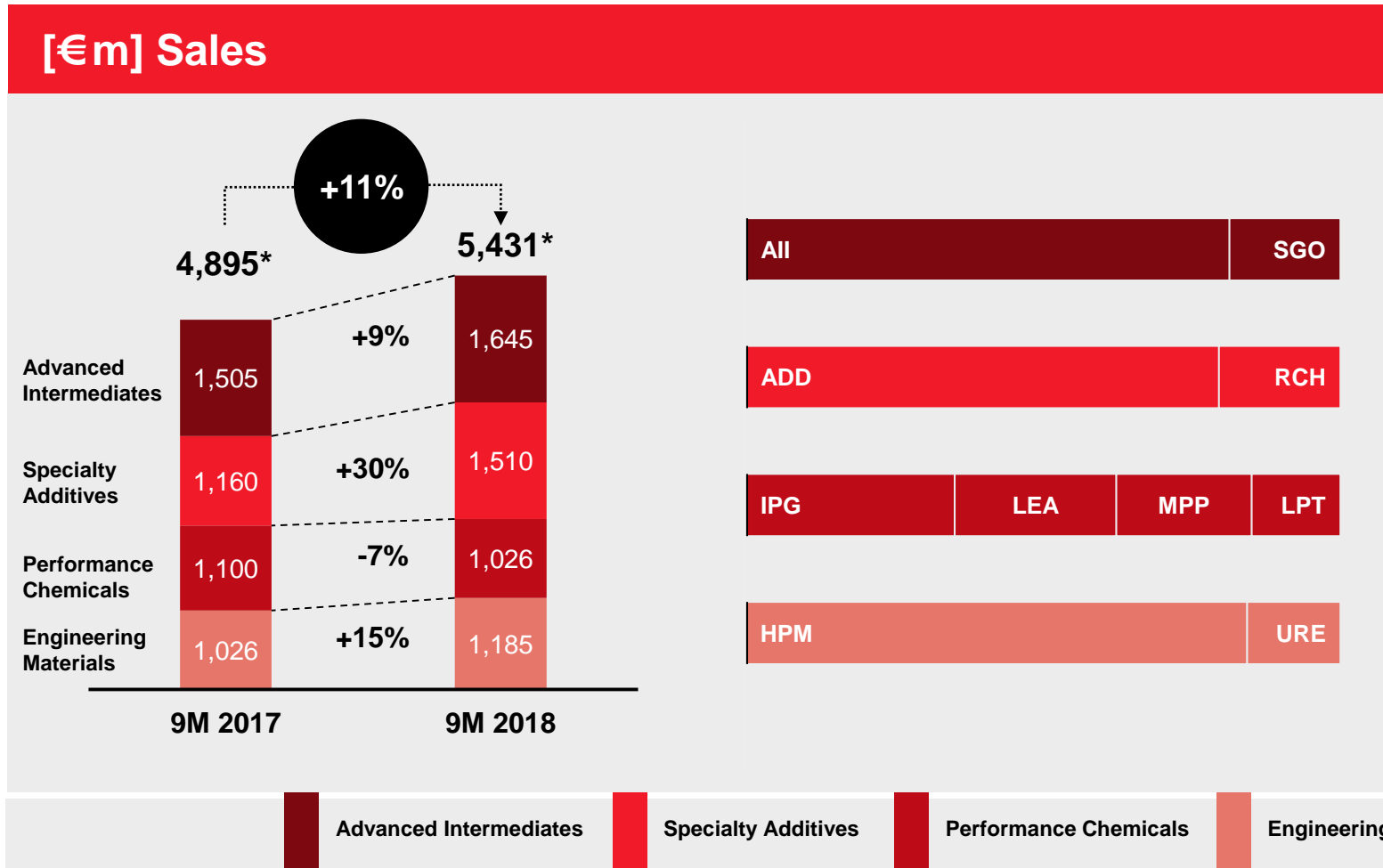
9M 2018 sales by region* [%]



Regional development of sales* [€m]



9M 2018: Most segments with strong sales and EBITDA pre growth

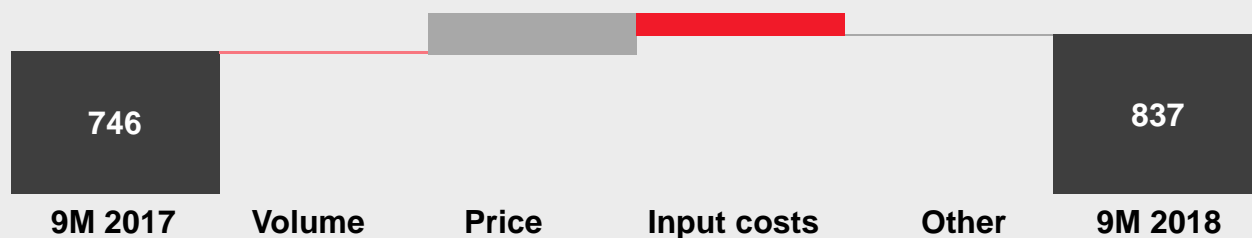


9M 2018: Strong operating development and portfolio effect drive financials

9M yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	+8%	+1%	-3%	+3%	+9%
Specialty Additives	+2%	+0%	-3%	+31%	+30%
Performance Chemicals	+1%	-1%	-4%	-2%	-7%
Engineering Materials	+6%	+4%	-2%	+8%	+16%
LANXESS	+4%	+0%	-3%	+9%	+11%

- Strong sales growth due to successful raw material price pass-through (esp. BUs AII, ADD and HPM) and portfolio effect
- Overall stable volumes
- Negative FX effect results from H1

9M yoy New LANXESS EBITDA pre bridge [€m]*



- EBITDA pre increase driven by successful price pass-through and portfolio
- “Other” includes freight costs and negative FX effect, over compensated by the positive portfolio effect

9M 2018: Strong operational performance and portfolio effect drive financials

[€m]	9M 2017		9M 2018		yoy in %
Sales	4,895	(100%)	5,431	(100%)	11%
Cost of sales	-3,556	(-73%)	-3,982	(-73%)	-12%
Selling	-554	(-11%)	-613	(-11%)	-11%
G&A	-222	(-5%)	-218	(-4%)	2%
R&D	-81	(-2%)	-88	(-2%)	-9%
EBIT	259	(5%)	459	(8%)	77%
Profit from continuing operations	108	(2%)	257	(5%)	>100%
Profit from discontinued operations	65	(1%)	140	(3%)	>100%
Non-controlling interests	37	(1%)	65	(1%)	76%
Net Income	136	(3%)	332	(6%)	>100%
EPS pre* (continuing)	3.41		3.84		13%
EBITDA	562	(11%)	769	(14%)	37%
thereof exceptionals	-184	(-4%)	-68	(-1%)	-63%
EBITDA pre exceptionals	746	(15.2%)	837	(15.4%)	12%

- Sales driven by price increase and acquired businesses, FX burdens
- Improved G&A costs reflect reclassification effect from discontinued operations
- Significant EBIT boost due to good performance and lower exceptionals
- Increase in EPS pre due to operational performance and better financial result

On track to record LANXESS results

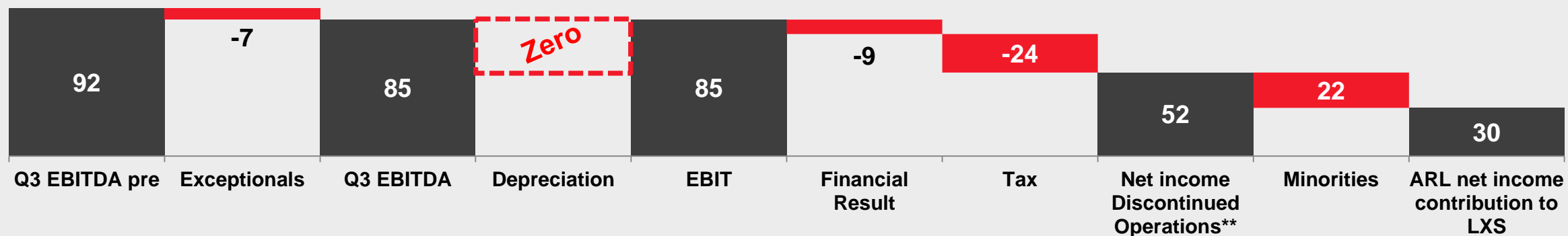
9M 2018: Solid operating cash flow

[€ m]	9M 2017	9M 2018
Profit before tax	209	376
Depreciation & amortization	303	310
Financial (gain) losses	16	40
Cash tax payments/refunds	-121	-93
Changes in other assets and liabilities	76	-63
Operating cash flow before changes in WC	483	569
Changes in working capital	-190	-282
Operating cash flow (continuing operations)	293	287
Investing cash flow (continuing operations)	233	-308
Thereof capex	-203	-257
Thereof M&A	-1,782	-66
Thereof cash inflows from/cash outflows for fin. assets	2,276	0
Financing cash flow (continuing operations)	-526	-149

- Operating cash flow on previous year level
- Changes in other assets and liabilities driven by fewer exceptional items and variable compensation
- Investing cash flow:
 - 2017 reflects effects from Chemtura acquisition
 - Capex increases due to growth capex in debottlenecking
 - Mainly acquisition costs for Solvay's phosphorus additive business

ARLANXEO delivers a solid result while IFRS accounting (D&A) additionally boosts LANXESS' EPS

Q3 ARLANXEO EBITDA pre to net income bridge* [€m]



[€m]	Q3 2017	Q3 2018*	change yoy
Sales	693	851	23%
EBITDA pre margin	73 10.5%	92 10.8%	26%
Depreciation	55	0	
EBIT	17	85	
Net debt incl pensions		~250	
Capex	39	36	-8%



All figures are indicative only

* According to discontinued operations reporting, no ordinary depreciation of ARLANXEO.

** Contains net income only attributable to LANXESS, leading to lower minorities.

Our journey: Shaping LANXESS



A lot has happened since last year! (1/2)

Organic growth

- **BU All:** - DCB* capacity increase, Leverkusen
- MEA* capacity increase, Brunsbüttel
- Menthol capacity increase, Uerdingen
- **BU HPM:** - Compounding facility, Changzhou
- Compounding facility, Uerdingen
- **BU RCH:** - Production line zinc oxide, Uerdingen
- **BU ADD:** - New line lubricant additives, Mannheim



Portfolio management

- **2017**
 - Divestiture of chlorine dioxide business (BU MPP)
 - Acquisition of biotech startup IMD Natural Solutions GmbH (BU MPP)
- **2018**
 - Acquisition of Solvay's U.S. phosphorous additives
 - Announcement to divest remaining 50% in ARLANXEO



A lot has happened since last year! (2/2)

Restructuring

- Site Closures
 - Zárate / Argentina (BU LEA)
 - Rio Claro / Brazil (BU URE)
 - Ankerweg / Netherlands (BU ADD)
 - Reynosa / Mexico (BU ADD)



Synergies

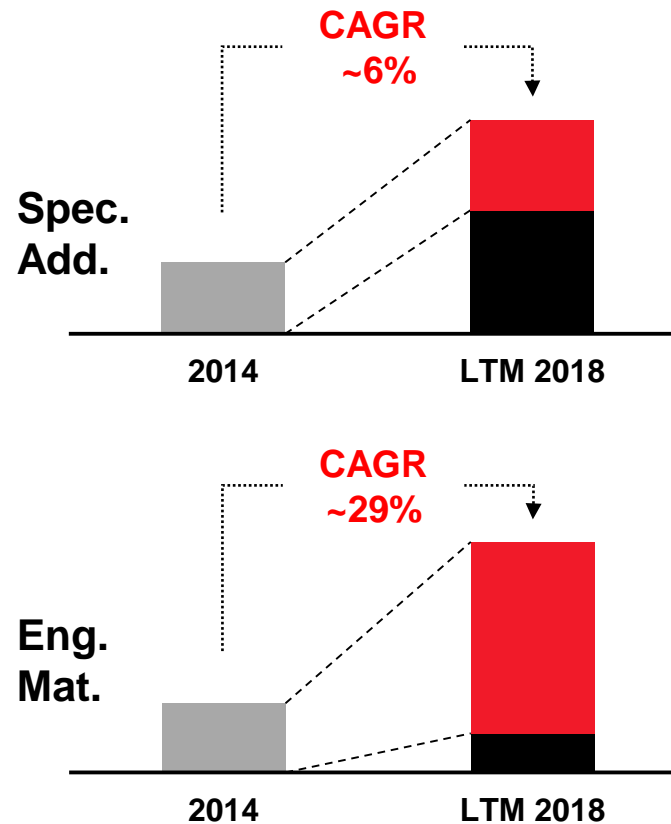
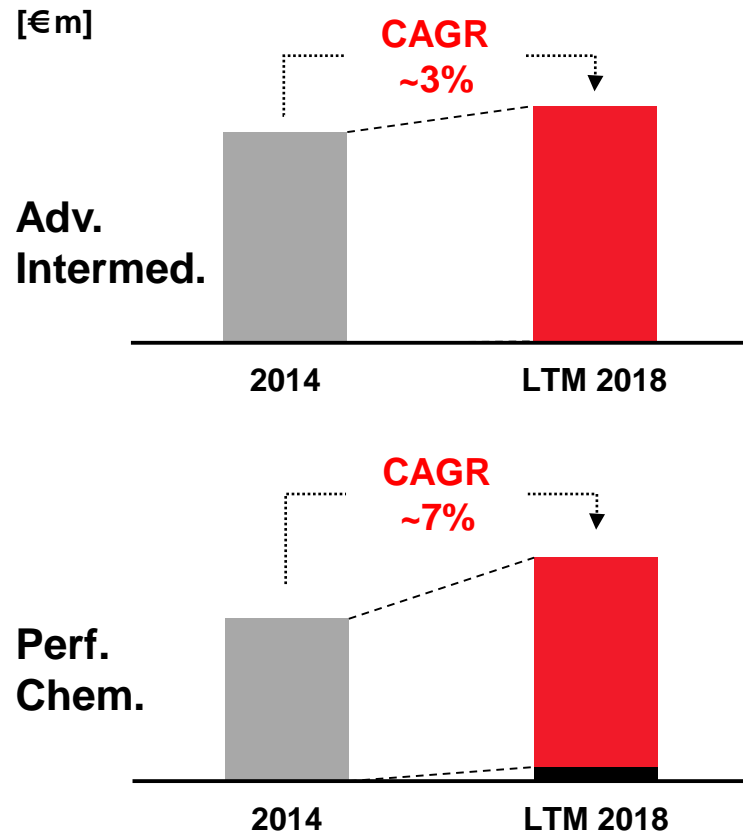
- Realization of Chemtura synergies ahead of plan
 - In 2017: ~€30 m mostly administrative synergies
 - Outlook for 2018: ~€30 m with operational impact



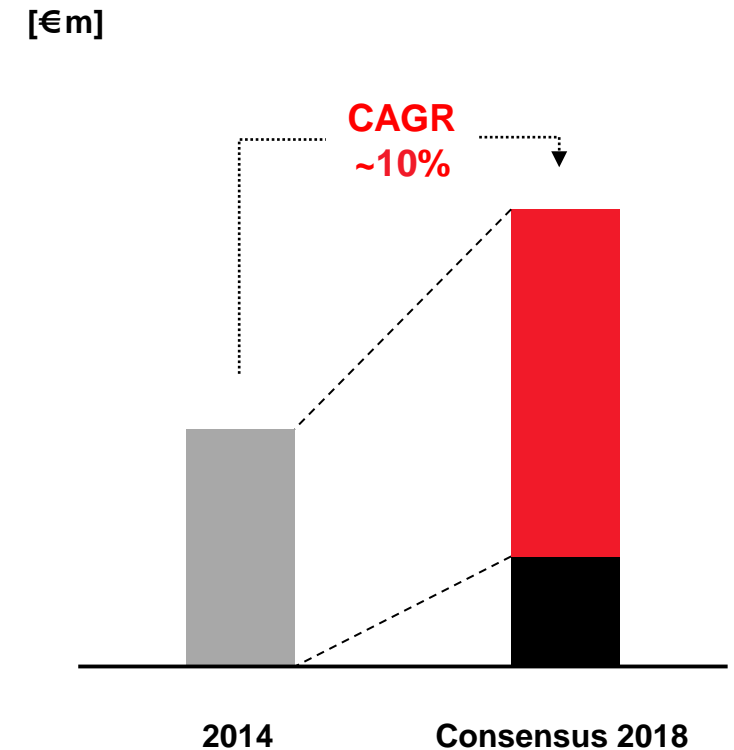
Solid foundation for the LANXESS platform

New LANXESS with track record of organic growth

Visible organic EBITDA pre growth in all segments



New LANXESS EBITDA pre



■ Organic growth ■ Portfolio effect

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

Capital allocation after receipt of cash

Attractive growth

- M&A following our communicated financial matrix
- Investments into announced and new brownfield & debottlenecking projects (until ~2021)

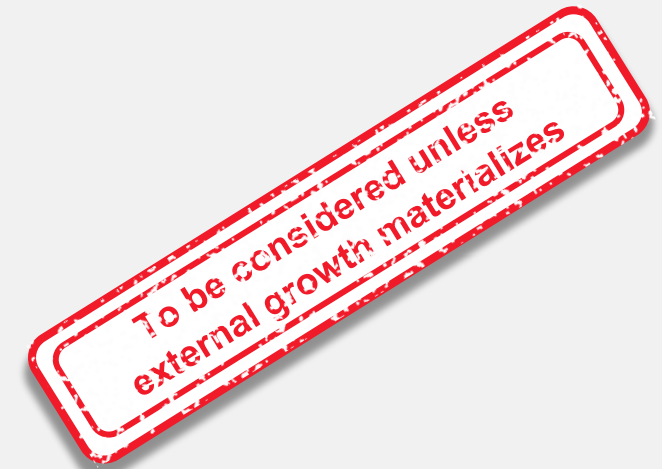
€400 – €X m

Deleveraging

- Funding of pension liabilities
- Gross debt reduction

~€400 – €500 m

Share buy-back



Use of proceeds in line with investment grade commitment

Chapter 3: More balanced and stronger platform along three key dimensions

Chapter 1

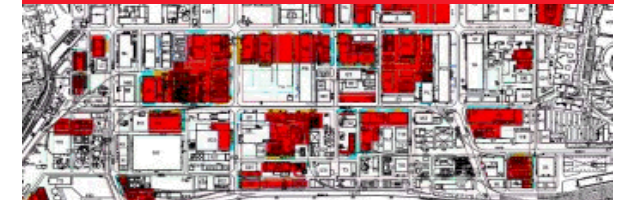
Regional platform



Industrial platform



Market positions



Balancing the ground for further growth

Chapter 2
Improve

- Regionally balanced platform with no pronounced dependencies
- Diversified industrial platform mitigates impact from any individual industry's volatility
- Market positions in every business at least among leading players to keep or improve profitability level



Chapter 3

Solid growth

Chapter 3 will establish an even stronger platform

LANXESS' target 2021: Leading, balanced and strongly cash generative

Strategic and financial goals

- Stable specialty chemical company with sound cash generation and balanced portfolio
- Increased footprint in growing regions (North America and Asia)
- Leading positions in core and attractive mid-sized markets
- Low dependency on individual markets, thus less cyclical
- Solid investment grade rating and significantly reduced net financial debt

EBITDA pre margin
(group, Ø through the cycle)

14-18%

Cash conversion

>60%

EBITDA margin volatility



Underlying growth: Sustainable >GDP growth targeted

The journey continues - exciting times ahead

Solid platform

- Business units leading in growing markets
- Robust regional set-up



Targeted growth

- Leveraging our efficient value chains with focus on higher value-add products
- Strong organic growth pipeline balanced over all segments - capital allocation with high reward but low risk



Energizing Chemistry

- Team with proven race experience
- Keen on execution
- Building a more profitable and resilient LANXESS engine

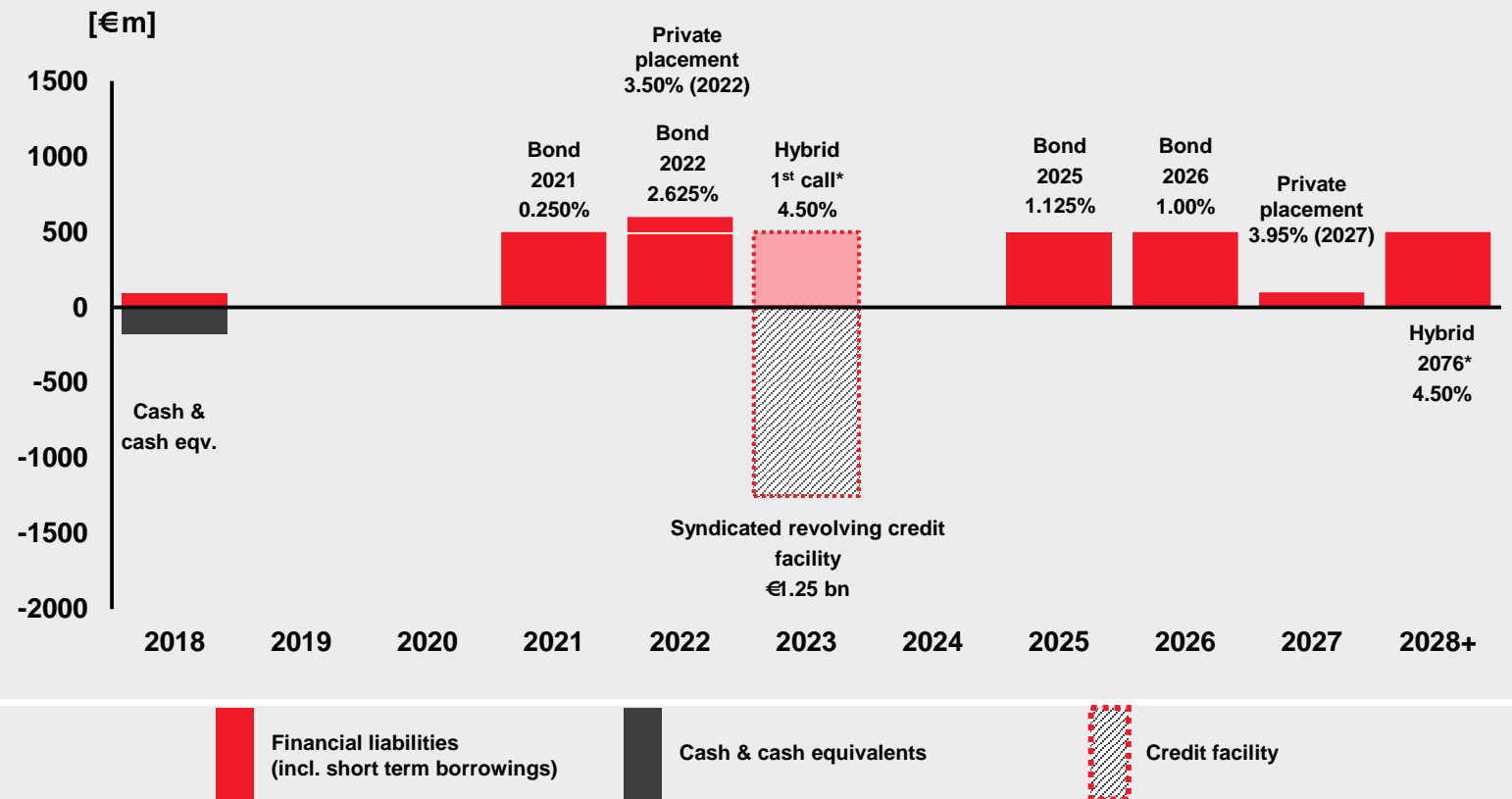


Maturity profile actively managed and well balanced

Long-term financing secured

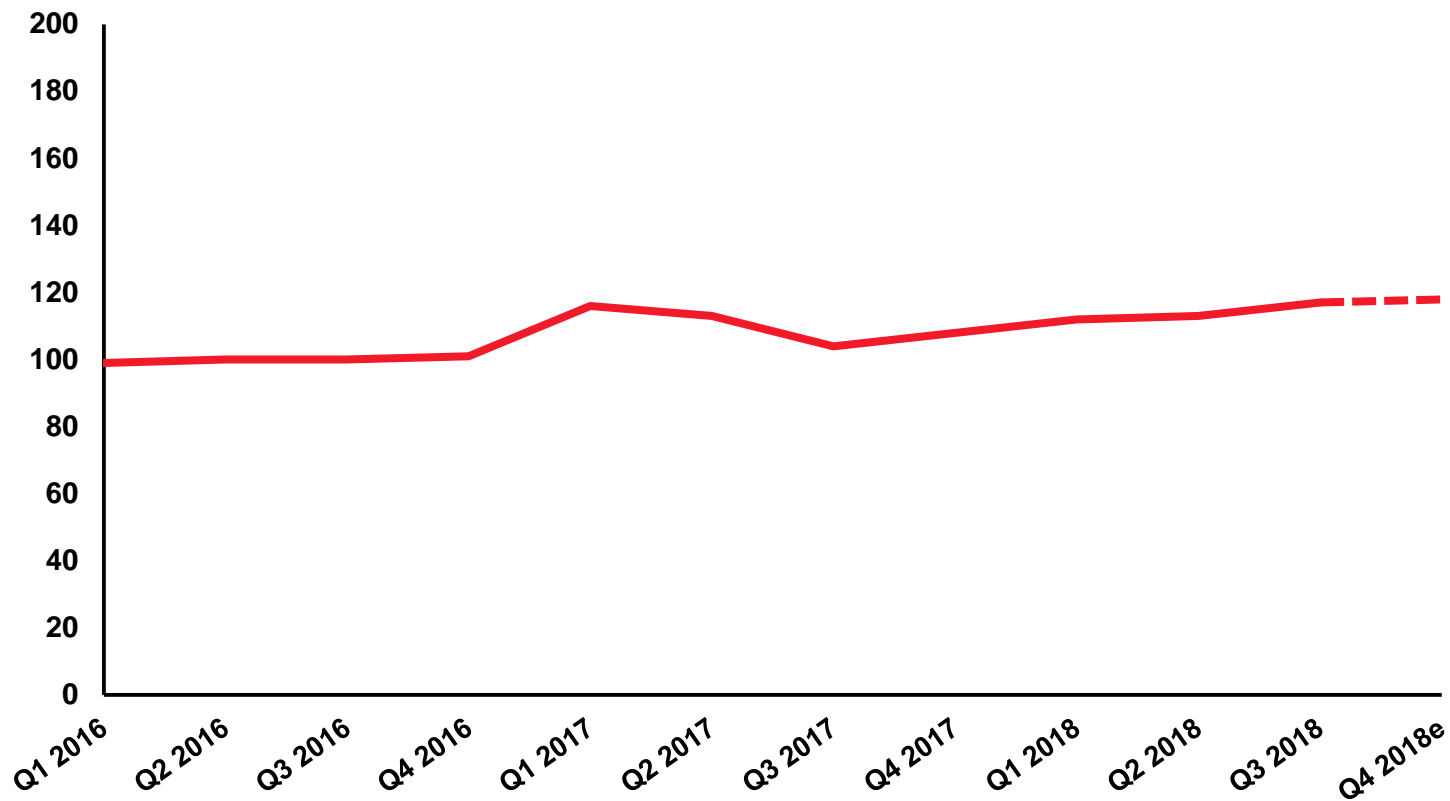
- Diversified financing sources
 - Bonds & private placements
 - Syndicated credit facility
- Average interest rate of financial liabilities <3%
- Maturing €500 m bond refinanced in May 2018 with new bond maturing in 2025
 - €15 m saving p.a. in interest result
- All group financing executed without financial covenants

Liquidity and maturity profile as per September 2018



Raw material prices still slightly increasing, but substantially lower volatility

LANXESS global raw materials index*



New LXS raw material input

Cyclohexane, Toluene, Ammonia, Chlorine, Cyclohexanon, Benzene, 4-Aminodiphenylamin

- Gradual increase in raw material costs since Q3 2017
- We expect the slight upward trend to continue during Q4 2018

Significantly reduced exceptional items (on EBIT) in 2018

[€m]	Q3 2017		Q3 2018		9M 2017		9M 2018	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	0	0	0	0	3	0	0	0
Specialty Additives	46	29	7	-1	103	35	9	-1
Performance Chemicals	0	0	0	0	70	6	1	0
Engineering Materials	0	0	0	0	13	1	1	1
Reconciliation	15	0	18	0	38	1	57	0
Total	61	29	25	-1	227	43	68	0

Upcoming events 2018 / 2019

Proactive capital market communication

2018

▪ Q3 2018 results	November 12	
▪ Deutsches Eigenkapitalforum 2018	November 26	Frankfurt
▪ Berenberg European Conference 2018	December 3	London
▪ Credit Suisse Specialty Chemicals Year End Conference	December 4	London

2019

▪ Oddo BHF Forum 2019	January 10/11	Lyon
▪ Commerzbank German Investment Seminar 2019	January 14-16	New York
▪ KeplerCheuvreux German Corporate Conference 2019	January 21/22	Frankfurt
▪ HSBC 14 th ESG Conference	February 6	Frankfurt
▪ FY 2018 results	March 14	

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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