

## Q2 2019 Overview of LANXESS Group

### LANXESS: On track

#### Solid performance despite macroeconomic headwinds

#### Financial Summary for Investors and Analysts

**LANXESS AG**  
Investor Relations  
Kennedyplatz 1  
50569 Cologne  
Germany

André Simon  
Head of Investor Relations

Phone +49 221-8885-3494  
Fax +49 221-8885-4944  
andre.simon@lanxess.com

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	Price: 0%	Volume: -3%	FX: +3%	Portfolio: 0%	
	Q2 2018	Q2 2019	Δ		Comments
<b>Sales</b>	€1,829 m	<b>€1,810 m</b>	-1%	→	Mainly impacted by auto demand and termination of margin-dilutive tolling agreements mitigated by strong AI segment and positive FX
<b>EBITDA pre margin</b>	€290 m 15.9%	<b>€286 m</b> <b>15.8%</b>	-1% -0.1 pp.	→ →	On PY level despite macroeconomic headwinds
<b>Exceptional items</b>	€27 m	<b>€22 m</b>	-19%	↓	Due to lower restructuring and project costs
<b>Net Income</b>	€97 m	<b>€100m</b>	+3%	↑	Resulting from a better financial result, mainly driven by higher Currenta dividend
<b>EPS (group)</b>	€1.45	<b>€1.51</b>	+4%	↑	Supported by buy-back
<b>Net financial debt</b>	Dec 2018 €1,381 m	<b>Jun 2019</b> <b>€1,902 m</b>	+21%	↑	Mainly impacted by: - share buy-back (€200 m) - IFRS 16 effect (~€130 m) - dividend payment (€79 m) - variable compensation
<b>Capex</b>	€83 m	<b>€112 m</b>	+35%		Further investments in debottleneckings

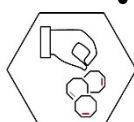
## Q2 2019 Business Overview



### Advanced Intermediates

#### Holding up nicely: Weathering troubled waters

- Sales deviation yoy: +3%
- Price -2%, Volume +3%, Currency +2%, Portfolio 0% (approximate numbers)
- Volume-driven sales increase in both BUs
- Slightly lower prices also due to raw material price pass-through
- Positive FX development compensates price decline in sales
- Volume-driven EBITDA pre and margin improvement based on strong performance in BU All and ongoing recovery in BU SGO
- EBITDA pre of €107 m (Q2 2018: €97 m)
- EBITDA pre margin of 19.1% (Q2 2018: 17.8%)



### Specialty Additives

#### Stable development: Bromine and flame retardants support performance

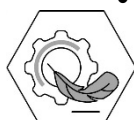
- Sales deviation yoy: 0%
- Price +1%, Volume -6%, Currency +4%, Portfolio 0% (approximate numbers)
- Sales on PY level: Price and FX effects mitigate reduced volumes
- Positive price effect in bromine products
- Volume decrease due to lower auto demand (mainly BU RCH) and termination of margin-dilutive tolling agreements
- Pricing, FX and synergies compensate volume effect on EBITDA pre and margin level
- EBITDA pre of €89 m (Q2 2018: €91 m)
- EBITDA pre margin of 17.6% (Q2 2018: 17.9%)



### Performance Chemicals

#### Improving: Regulated chemistry with strong performance

- Sales deviation yoy: 0%
- Price +1%, Volume -3%, Currency +3%, Portfolio 0% (approximate numbers)
- Stable sales as pricing and FX compensate for lower volumes
- Higher prices in BU MPP and BU LPT, while prices in BU IPG and BU LEA decline slightly
- Strong volumes in BU MPP (African Swine Fever) overcompensated by decline in BU LEA also impacted by illegal strike in South Africa
- BUs MPP, LPT and IPG contribute to improved EBITDA pre and margin
- EBITDA pre of €60 m (Q2 2018: €58 m)
- EBITDA pre margin of 16.9% (Q2 2018: 16.3%)



### Engineering Materials

#### Lower volumes due to weak auto demand: Tough market environment

- Sales deviation yoy: -9%
- Price 0%, Volume -11%, Currency +2%, Portfolio 0% (approximate numbers)
- Sales impacted by lower volumes compared to a strong Q2 2018
- Prices stable in both BUs
- Volumes drop mainly in BU HPM due to weaker auto demand, impacting EBITDA pre and margin
- Margin retained on good level despite end market weakness
- EBITDA pre of €65 m (Q2 2018: €81 m)
- EBITDA pre margin of 17.8% (Q2 2018: 20.3 %)

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## Outlook 2019:

### Current view on economy

- Macro risks increasing
- Auto: no recovery ahead
- Demand situation remains uncertain – triggering hesitant customer order pattern

### LANXESS

- **FY 2019: EBITDA pre expected between €1,000 m and €1,050 m**
- **Q3 2019: Slightly weaker than in 2018**
- **Q4 2019: Slightly better than in 2018**

## Housekeeping items for consideration Additional financial information

- Capex 2019: ~€500 m
- Operational D&A 2019: ~€450 m
- Reconciliation 2019: ~€150 m - €160 m including remnant costs
- Tax rate: ~30%
- 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
- Remnant costs: ARLANXEO: ~€8 m in 2019  
~€10 m in 2020

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Cologne, August 2nd, 2019

### **Forward-Looking Statements**

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## Financial Overview Q2 2019

	LXS			AI			SAD			PC			EM			DIF		
in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	Q2/2018	Q2/2019	Chg. in %	Q2/2018	Q2/2019	Chg. in %	Q2/2018	Q2/2019	Chg. in %	Q2/2018	Q2/2019	Chg. in %	Q2/2018	Q2/2019	Chg. in %	Q2/2018	Q2/2019	Chg. in %
<b>Sales</b>	<b>1.829</b>	<b>1.810</b>	-1%	<b>546</b>	<b>561</b>	3%	<b>508</b>	<b>506</b>	0%	<b>356</b>	<b>356</b>	0%	<b>399</b>	<b>365</b>	-9%	<b>20</b>	<b>22</b>	10%
Price*			-0,2%			-2,6%			1,4%			0,6%			0,3%			0,0%
Volume*			-3,3%			3,5%			-5,5%			-3,1%			-10,8%			10,0%
Currency*			2,5%			1,8%			3,7%			2,5%			2,0%			0,0%
Portfolio*			0,0%			0,0%			0,0%			0,0%			0,0%			0,0%
<b>EBIT</b>	<b>159</b>	<b>143</b>	-10%	<b>65</b>	<b>68</b>	5%	<b>55</b>	<b>46</b>	-16%	<b>39</b>	<b>38</b>	-3%	<b>66</b>	<b>49</b>	-26%	<b>-66</b>	<b>-58</b>	12%
Deprec. & amortizat.	104	121	16%	32	39	22%	34	40	18%	19	21	11%	15	16	7%	4	5	25%
<b>EBITDA</b>	<b>263</b>	<b>264</b>	0%	<b>97</b>	<b>107</b>	10%	<b>89</b>	<b>86</b>	-3%	<b>58</b>	<b>59</b>	2%	<b>81</b>	<b>65</b>	-20%	<b>-62</b>	<b>-53</b>	15%
exceptionals in EBITDA	27	22	-19%	0	0	0%	2	3	50%	0	1	>100%	0	0	0%	25	18	-28%
<b>EBITDA pre excep.</b>	<b>290</b>	<b>286</b>	-1%	<b>97</b>	<b>107</b>	10%	<b>91</b>	<b>89</b>	-2%	<b>58</b>	<b>60</b>	3%	<b>81</b>	<b>65</b>	-20%	<b>-37</b>	<b>-35</b>	5%
normalized D&A	103	118	15%	32	39	22%	34	38	12%	19	21	11%	14	16	14%	4	4	0%
<b>EBIT pre excep.</b>	<b>187</b>	<b>168</b>	-10%	<b>65</b>	<b>68</b>	5%	<b>57</b>	<b>51</b>	-11%	<b>39</b>	<b>39</b>	0%	<b>67</b>	<b>49</b>	-27%	<b>-41</b>	<b>-39</b>	5%
exceptionals in EBIT	28	25	-11%	0	0	0%	2	5	>100%	0	1	>100%	1	0	-100%	25	19	-24%
<b>Capex</b>	<b>83</b>	<b>112</b>	35%	<b>30</b>	<b>33</b>	10%	<b>28</b>	<b>30</b>	7%	<b>15</b>	<b>17</b>	13%	<b>9</b>	<b>20</b>	>100%	<b>1</b>	<b>12</b>	>100%
Net financial debt	1.381	1.902	38%															

\* approximate numbers

## Financial Overview H1 2019

	LXS			AI			SAD			PC			EM			DIF		
in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	HJ/2018	HJ/2019	Chg. in %	HJ/2018	HJ/2019	Chg. in %	HJ/2018	HJ/2019	Chg. in %	HJ/2018	HJ/2019	Chg. in %	HJ/2018	HJ/2019	Chg. in %	HJ/2018	HJ/2019	Chg. in %
<b>Sales</b>	<b>3.645</b>	<b>3.632</b>	0%	<b>1.111</b>	<b>1.147</b>	3%	<b>1.008</b>	<b>991</b>	-2%	<b>692</b>	<b>703</b>	2%	<b>791</b>	<b>747</b>	-6%	<b>43</b>	<b>44</b>	2%
Price*			0,2%			-1,1%			1,1%			0,3%			0,7%			0,0%
Volume*			-3,5%			2,3%			-7,5%			-1,7%			-8,6%			2,3%
Currency*			2,8%			2,0%			4,2%			3,0%			2,3%			0,0%
Portfolio*			0,1%			0,0%			0,5%			0,0%			0,0%			0,0%
<b>EBIT</b>	<b>313</b>	<b>282</b>	-10%	<b>136</b>	<b>148</b>	9%	<b>105</b>	<b>91</b>	-13%	<b>71</b>	<b>67</b>	-6%	<b>124</b>	<b>98</b>	-21%	<b>-123</b>	<b>-122</b>	1%
Deprec. & amortizat.	205	235	15%	63	73	16%	65	77	18%	38	42	11%	30	32	7%	9	11	22%
<b>EBITDA</b>	<b>518</b>	<b>517</b>	0%	<b>199</b>	<b>221</b>	11%	<b>170</b>	<b>168</b>	-1%	<b>109</b>	<b>109</b>	0%	<b>154</b>	<b>130</b>	-16%	<b>-114</b>	<b>-111</b>	3%
exceptionals in EBITDA	42	44	5%	0	0	0%	2	4	100%	1	5	>100%	0	0	0%	39	35	-10%
<b>EBITDA pre excep.</b>	<b>560</b>	<b>561</b>	0%	<b>199</b>	<b>221</b>	11%	<b>172</b>	<b>172</b>	0%	<b>110</b>	<b>114</b>	4%	<b>154</b>	<b>130</b>	-16%	<b>-75</b>	<b>-76</b>	-1%
normalized D&A	204	232	14%	63	73	16%	65	75	15%	38	42	11%	29	32	10%	9	10	11%
<b>EBIT pre excep.</b>	<b>356</b>	<b>329</b>	-8%	<b>136</b>	<b>148</b>	9%	<b>107</b>	<b>97</b>	-9%	<b>72</b>	<b>72</b>	0%	<b>125</b>	<b>98</b>	-22%	<b>-84</b>	<b>-86</b>	-2%
exceptionals in EBIT	43	47	9%	0	0	0%	2	6	>100%	1	5	>100%	1	0	-100%	39	36	-8%
<b>Capex</b>	<b>143</b>	<b>184</b>	29%	<b>53</b>	<b>58</b>	9%	<b>44</b>	<b>44</b>	0%	<b>27</b>	<b>30</b>	11%	<b>15</b>	<b>31</b>	>100%	<b>4</b>	<b>21</b>	>100%
Net financial debt	1.381	1.902	38%															

\* approximate numbers

## Income Statement Q2 / H1 2019

in € million	Q2/2018	Q2/2019	Chg. in %	HJ/2018	HJ/2019	Chg. in %
Sales	1.829	1.810	-1%	3.645	3.632	0%
Cost of sales	-1.332	-1.315	1%	-2.674	-2.666	0%
Gross profit	497	495	0%	971	966	-1%
Selling expenses	-212	-228	-8%	-411	-444	-8%
Research and development expenses	-28	-31	-11%	-58	-59	-2%
General administration expenses	-69	-69	0%	-146	-135	8%
Other operating income	22	27	23%	53	50	-6%
Other operating expenses	-51	-51	0%	-96	-96	0%
<b>Operating result (EBIT)</b>	<b>159</b>	<b>143</b>	<b>-10%</b>	<b>313</b>	<b>282</b>	<b>-10%</b>
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	1	1	0%	3	3	0%
Interest expense	-18	-16	11%	-38	-32	16%
Other financial income and expense	-4	12	<i>n.m.</i>	-20	5	<i>n.m.</i>
<b>Financial result</b>	<b>-21</b>	<b>-3</b>	<b>86%</b>	<b>-55</b>	<b>-24</b>	<b>56%</b>
<b>Income before income taxes</b>	<b>138</b>	<b>140</b>	<b>1%</b>	<b>258</b>	<b>258</b>	<b>0%</b>
Income taxes	-41	-42	-2%	-81	-77	5%
<b>Income after income tax from continuing operations</b>	<b>97</b>	<b>98</b>	<b>1%</b>	<b>177</b>	<b>181</b>	<b>2%</b>
<b>Income after income tax from discontinued operations</b>	<b>59</b>	<b>0</b>	<b>-100%</b>	<b>88</b>	<b>0</b>	<b>-100%</b>
<b>Income after income taxes</b>	<b>156</b>	<b>98</b>	<b>-37%</b>	<b>265</b>	<b>181</b>	<b>-32%</b>
of which attributable to non-controlling interests	30	-2	<i>n.m.</i>	43	-3	<i>n.m.</i>
<b>Net income (attributable to LANXESS AG stockholders)</b>	<b>126</b>	<b>100</b>	<b>-21%</b>	<b>222</b>	<b>184</b>	<b>-17%</b>
<b>EPS (in €)*</b>	<b>1,05</b>	<b>1,14</b>	<b>9%</b>	<b>1,94</b>	<b>2,06</b>	<b>6%</b>
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	1,45	1,51	4%	2,61	2,79	7%

\* continuing operations only

## Cash Flow Statement Q2 / H1 2019

€ million	Q2 2018	Q2 2019	H1 2018	H1 2019
<b>Income before income taxes</b>	<b>138</b>	<b>140</b>	<b>258</b>	<b>258</b>
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	104	121	205	235
Gains/losses on disposals of intangible assets and property, plant and equipment	–	-1	0	-1
Financial losses (gains)	8	-7	25	8
Income taxes paid	-30	-75	-61	-114
Changes in inventories	-58	-18	-84	-42
Changes in trade receivables	6	44	-143	-18
Changes in trade payables	-15	-13	-46	-89
Changes in other assets and liabilities	-116	-109	-89	-123
<b>Net cash provided by operating activities – continuing operations</b>	<b>37</b>	<b>82</b>	<b>65</b>	<b>114</b>
<b>Net cash used in operating activities – discontinued operations</b>	<b>-25</b>	<b>–</b>	<b>-30</b>	<b>–</b>
<b>Net cash provided by operating activities – total</b>	<b>12</b>	<b>82</b>	<b>35</b>	<b>114</b>
Cash outflows for purchases of intangible assets and property, plant and equipment	-83	-112	-143	-184
Cash inflows from sales of intangible assets and property, plant and equipment	0	3	1	4
Cash outflows for financial assets	–	-49	–	-218
Cash inflows from financial assets	1	62	1	62
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	-10	–	-65	–
Interest and dividends received	11	22	12	23
<b>Net cash used in investing activities – continuing operations</b>	<b>-81</b>	<b>-74</b>	<b>-194</b>	<b>-313</b>
<b>Net cash used in investing activities – discontinued operations</b>	<b>-34</b>	<b>–</b>	<b>-54</b>	<b>–</b>
<b>Net cash used in investing activities – total</b>	<b>-115</b>	<b>-74</b>	<b>-248</b>	<b>-313</b>
Proceeds from borrowings	611	4	626	4
Repayments of borrowings	-532	-12	-534	-55
Interest paid and other financial disbursements	-52	-37	-54	-40
Dividend payments	-74	-79	-74	-79
Cash outflows for the acquisition of own shares	–	-89	–	-200
<b>Net cash used in financing activities – continuing operations</b>	<b>-47</b>	<b>-213</b>	<b>-36</b>	<b>-370</b>
<b>Net cash used in financing activities – discontinued operations</b>	<b>-40</b>	<b>–</b>	<b>-38</b>	<b>–</b>
<b>Net cash used in financing activities – total</b>	<b>-87</b>	<b>-213</b>	<b>-74</b>	<b>-370</b>
<b>Change in cash and cash equivalents from continuing operations</b>	<b>-91</b>	<b>-205</b>	<b>-165</b>	<b>-569</b>
<b>Change in cash and cash equivalents from discontinued operations</b>	<b>-99</b>	<b>–</b>	<b>-122</b>	<b>–</b>
<b>Change in cash and cash equivalents – total</b>	<b>-190</b>	<b>-205</b>	<b>-287</b>	<b>-569</b>
Cash and cash equivalents at beginning of period – total	438	434	538	797
Exchange differences and other changes in cash and cash equivalents – total	-3	0	-6	1
<b>Cash and cash equivalents at end of period – total</b>	<b>245</b>	<b>229</b>	<b>245</b>	<b>229</b>
of which continuing operations	130	229	130	229
of which discontinued operations	115	–	115	–

## Abbreviations:

### Advanced Intermediates:

**AI** Advanced Industrial Intermediates

**SGO** Saltigo

### Specialty Additives

**LAB** Lubricant Additives Business

**PLA** Polymer Additives

**RCH** Rhein Chemie

### Performance Chemicals

**IPG** Inorganic Pigments

**LEA** Leather

**LPT** Liquid Purification Technologies

**MPP** Material Protection Products

### Engineering Materials

**HPM** High-Performance Materials

**URE** Urethane Systems

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