

LANXESS achieves full-year target for 2019 despite challenging environment

- **Sales on a par with the prior-year level at EUR 6.802 billion**
- **EBITDA pre exceptionals increases 3.3 percent to EUR 1.019 billion**
- **EBITDA margin pre exceptionals at 15 percent for the first time**
- **Leather business unit reported as a discontinued operation; prior-year figures for sales and EBITDA restated**
- **Dividend proposal for fiscal year 2019: EUR 0.95**
- **2020 guidance: operationally stable; however, effects from coronavirus burden; EBITDA pre exceptionals of EUR 900 million to EUR 1.0 billion**
- **Stronger focus on consumer protection and battery technology in future**

Cologne – Specialty chemicals company LANXESS had a successful fiscal year 2019 in an increasingly challenging economic environment. EBITDA pre exceptionals increased by 3.3 percent to EUR 1.019 billion. As guided, the earnings came in roughly in the middle of the range of EUR 1.00 billion to EUR 1.05 billion. In the previous year, the company generated earnings of EUR 986 million.

The strong results in the Advanced Intermediates, Specialty Additives and Performance Chemicals segments compensated for the decline in the Engineering Materials segment, due in particular to the weak demand from the automotive industry. Earnings were supported by advantageous exchange-rate effects, especially from the U.S. dollar. The EBITDA margin pre exceptionals for the full year reached 15.0 percent for the first time in the company's history, against 14.4 percent a year ago.

"In 2019's difficult economic environment, we withstood the first true test since our realignment. LANXESS is now more profitable and more stable than ever," said Matthias Zachert, Chairman of the Board

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of Management of LANXESS AG. “Even in these challenging times, we increased our margin to a new record high and further strengthened our financial base for new growth projects. In 2020, we will be increasingly devoted to the high-margin consumer protection business and new applications in the field of battery technology.”

As of December 31, 2019, the Leather business unit is recognized as a discontinued operation. Sales and operating earnings – and the corresponding prior-year figures – were restated. As part of the strategic realignment the company intends to sell the business unit. LANXESS already disposed of the chrome chemicals business and its interest in the chrome ore mine in 2019.

At EUR 6.802 billion, LANXESS’ group sales were around the previous year’s level (EUR 6.824 billion). At EUR 240 million, net income from continuing operations was 14.9 percent down on the previous year’s figure of EUR 282 million. It was reduced in particular by exceptional expenses for the realignment of the organometallics business.

Dividend to increase again

Also in fiscal year 2019, the dividend is to be increased again. The Board of Management and Supervisory Board will propose a dividend of EUR 0.95 per share to the Annual Stockholders’ Meeting on May 13, 2020. This would be around 6 percent more than in the previous year.

New segment: Consumer Protection

On its growth course, LANXESS intends to focus more sharply on consumer protection products and is therefore adjusting its segment structure, effective immediately. The Saltigo, Liquid Purification Technologies and Material Protection Products business units make up the new Consumer Protection segment. This segment’s portfolio includes, for example, active ingredients for the agricultural and

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pharmaceutical industries, for insect repellents and disinfectants as well as technologies for processing and cleaning water.

“Our Consumer Protection products are characterized by attractive and stable growth rates. At the same time, our years of expertise in these often heavily regulated markets give us a competitive edge,” said Zachert.

The Consumer Protection segment is replacing the former Performance Chemicals segment. At the same time, the Inorganic Pigments business unit is now part of the Advanced Intermediates segment. Reporting will be adjusted accordingly from the first quarter of 2020.

Lithium project: pilot facility test

The project for the commercial extraction of battery-grade lithium at the U.S. site in El Dorado, Arkansas, which LANXESS started with its partner Standard Lithium, has made further progress. At the site, LANXESS operates three plants manufacturing bromine products. The bromine is obtained from the brine extracted at the site, which also contains lithium. Standard Lithium has developed an innovative method for the extraction of high-purity lithium directly from brine. A pilot facility was set up on the plant premises and commissioned at the beginning of March 2020. LANXESS expects initial findings with regard to technological feasibility by mid-2020.

2020 outlook: operationally stable, but coronavirus burdens

LANXESS expects its operating business to remain stable in fiscal 2020. However, the company expects the effects of the coronavirus epidemic to impact the operating result by between EUR 50 million and EUR 100 million for the year as a whole. Overall, LANXESS therefore expects EBITDA pre exceptionals to be between EUR 900 million and EUR 1.0 billion. For the first quarter of 2020, the specialty

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chemicals company is currently anticipating charges of around EUR 20 million from the coronavirus epidemic.

Details on full-year 2019: three of four segments increase earnings

In 2019 as a whole, the **Advanced Intermediates** segment outperformed the previous year thanks in particular to the Saltigo business unit's strong project business in the agrochemicals sector and positive exchange-rate effects. Despite a negative price effect from lower raw material prices, sales were up 1.9 percent at EUR 2.249 billion as compared to the previous year's figure of EUR 2.207 billion. EBITDA pre exceptionals grew by 8.4 percent from EUR 359 million to EUR 389 million. The EBITDA margin pre exceptionals improved from 16.3 percent to 17.3 percent.

The **Specialty Additives** segment closed fiscal year 2019 successfully despite weaker demand from the automotive industry and the termination of low-profit contract-manufacturing agreements. This was thanks to advantageous exchange-rate effects and strong business in the Polymer Additives business unit. At EUR 1.965 billion, sales were close to the prior-year level (EUR 1.980 billion). EBITDA pre exceptionals improved by 2.9 percent to EUR 353 million, compared with EUR 343 million in the previous year, supported also by cost synergies from the integration of Chemtura. The EBITDA margin pre exceptionals rose to 18.0 percent from 17.3 percent in the previous year.

Especially driven by the operating strength of the business units with water treatment and material protection products and positive exchange-rate effects, the **Performance Chemicals** segment considerably improved its sales and earnings for 2019. Sales amounted to EUR 1.052 billion and were therefore 7.8 percent higher than the previous year's figure of EUR 976 million. EBITDA pre exceptionals increased by a considerable 23.1 percent from

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EUR 156 million to EUR 192 million. The EBITDA margin pre exceptionals rose from 16.0 percent to a very strong 18.3 percent.

As of December 31, 2019, the Leather business unit is recognized as a discontinued operation, and is therefore no longer part of the segment. The previous year's figures have also been restated accordingly.

Developments in the **Engineering Materials** segment continued to be influenced by weaker demand from the automotive industry. This was attenuated only slightly by advantageous exchange rates. Sales were also reduced by lower selling prices due to decreased raw material costs, falling by 8.0 percent from EUR 1.576 billion to EUR 1.45 billion. At EUR 238 million, EBITDA pre exceptionals was 10.9 percent down on the previous year's figure of EUR 267 million. However, the EBITDA margin pre exceptionals of 16.4 percent was only slightly below the prior-year figure of 16.9 percent.

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EUR million	Q4/2018*	Q4/2019	Change %	2018*	2019	Change %
Sales	1,674	1,636	-2.3	6,824	6,802	-0.3
EBITDA pre exceptionals	175	197	12.6	986	1,019	3.3
EBITDA margin pre exceptionals	10.5%	12.0%		14.4%	15.0%	
Net income	99	-48	<-100	431	205	-52.4
from continuing operations	33	-22	<-100	282	240	-14.9
from discontinued operations	66	-26	<-100	149	-35	<-100
Dividend or proposed dividend per share (EUR)				0.90	0.95	5.6
Net financial liabilities**				1,381	1,742	26.1
Employees (as of Dec. 31)***				14,252	14,304	0.4

*Prior-year figures for sales, EBITDA pre exceptionals and margin as well as employees adjusted. Net income shown for continuing and discontinued operations.

**After deduction of short-term money market investments and securities.

***Employed in continuing operations as of the reporting date.

LANXESS is a leading specialty chemicals company with sales of EUR 6.8 billion in 2019. The company currently has about 14,300 employees in 33 countries. The core business of LANXESS is the development, manufacturing and marketing of chemical

News Release

intermediates, additives, specialty chemicals and plastics. LANXESS is listed in the leading sustainability indices Dow Jones Sustainability Index (DJSI World and Europe) and FTSE4Good.

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Forward-Looking Statements

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All LANXESS news releases and their accompanying photos can be found at <http://press.lanxess.com>. Recent photos of the Board of Management and other LANXESS image material are available at <http://photos.lanxess.com>.

You can find further information concerning LANXESS chemistry in our WebMagazine at <http://webmagazine.lanxess.com>.

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