

Q2 2018

Continued execution

Financial Summary for Investors and Analysts

Q2 2018 Overview of LANXESS Group

	Price: +5%		Volume: +1%		FX: -4%		Portfolio: +6%	
	Δ		Q2 2018	Q2 2017	Comments			
Sales	+7%	↑	€1,829 m	€1,712 m	Due to strong pricing and synergies, mitigated by FX			
EBITDA pre margin	+4%	↑	€290 m	€280 m	Successful price pass-through and synergies			
	-0.5 pp.	→	15.9%	16.4%				
Net Income	>100%	↑	€126 m	€3 m	EPS includes 50% contribution of ARLANXEO w/o depreciation			
EPS pre	+15%	↑	€1.77	€1.54				
Net financial debt	+17%	↑	Jun 2018 €2,633 m	Dec 2017 €2,252 m	Due to working capital, dividend and bonus payments Successful refinancing of €500 m bond, €15 m interest relief p.a.			

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Overview Financials

Q2 2018 Financial overview New LANXESS Group

Strong pricing and portfolio drive topline while FX headwind continues

Sales deviation yoy: Total +7%

Price +5%, Volume +1%, Currency -4%, Portfolio +6%
(approximate numbers)

- Exceptionals of €27 m (Q2 2017: €143 m) consisting mainly of integration and other project related costs

Q2 2018 Business Overview

Advanced Intermediates

Stable on high level

- Sales deviation yoy: Total +8%
Price +9%, Volume 0%, Currency -3%, Portfolio +2%
(approximate numbers)
- Strong price development in both BUs
- BU All with successful raw material price pass-through
- Still declining volumes in BU Saltigo
- Segment stable on high level, despite agro weakness and ongoing FX headwind
- EBITDA pre of €97 m (Q2 2017: €97 m)
- EBITDA pre margin of 17.8% (Q2 2017: 19.2%)

Specialty Additives

Synergies start to materialize

- Sales deviation yoy: Total +15%
Price +2%, Volume 0%, Currency -5%, Portfolio +18%
(approximate numbers)
- Price increases due to successful raw material price pass-through
- Volumes on previous year's high level
- EBITDA pre increased to €91 m driven by pricing, portfolio effect and synergies, mitigated by FX development (Q2 2017: €75 m)
- EBITDA pre margin of 17.9% (Q2 2017: 17.0%)

Performance Chemicals

Good performance at BUs MPP and LPT, LEA weaker than expected

- Sales deviation yoy: Total -3%
- Price +1%, Volume +3%, Currency -4%, Portfolio -3%
(approximate numbers)
- Stable prices in all BUs not fully reflecting raw material price developments
- Higher volumes in BU LPT and BU MPP while volumes in BU LEA declines due to Zárate closure
- Portfolio reflects disposal of chlorine dioxide business
- EBITDA and EBITDA margins below exceptionally high Q2 2017 due to ongoing low chrome price, raw material price pressure and FX effects
- EBITDA pre down to €58 m (Q2 2017: €80 m)
- EBITDA pre margin of 16.3% (Q2 2017: 21.8%)

Engineering Materials

Strong price increase, but currency burdens

- Sales deviation yoy: Total +10%
Price +5%, Volume +4%, Currency -3%, Portfolio +4%
(approximate numbers)
- Strong price increase in both BUs offsetting raw material price changes
- Higher volumes due to ongoing strong lightweight compound demand
- EBITDA and margin improvement driven by strong operational performance, good utilization and better mix
- FX and tight raw materials (TDI, MDI) burden BU URE. Whilst tightness worsens in Q3, relief expected in Q4
- EBITDA pre of €81 m (Q2 2017: €72 m)
- EBITDA pre margin increased to 20.3% (Q2 2017: 19.9%)

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Outlook 2018:

Macro Economic Trends 2018

- Ongoing growth expected in all regions, but growth rate might soften
- Agro recovery expected in 2019
- Increasing political risks (trade disputes) might impact global growth

New LANXESS FY 2018

- **FY 2018 EBITDA pre expected to increase 5 - 10% yoy (FY 2017: ~€925 m)**
- Based on Q2, upper end of guidance expected

Housekeeping items for consideration

Additional financial information

- Capex 2018: ~€450-500 m
- Operational D&A 2018: ~€400 m
- Reconciliation segment 2018: Around previous year level (~€150 m)
- Tax rate: Lower end of 30-35%
- FX sensitivity: 1 cent change of USD/EUR ~€7 m EBITDA pre impact before hedging

Please note:

- As of Q2 2019: ARLANXEO accounted for “at equity”
- IFRS 15 has been applied since January 1st 2018, no material impact on result

Cologne, August 2nd, 2018

Forward-Looking Statements

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Financial Overview Q2 2018

in € million	LXS			AI			SAD			PC			EM			DIF		
	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	Q2/2017	Q2/2018	Chg. in %	Q2/2017	Q2/2018	Chg. in %	Q2/2017	Q2/2018	Chg. in %	Q2/2017	Q2/2018	Chg. in %	Q2/2017	Q2/2018	Chg. in %	Q2/2017	Q2/2018	Chg. in %
Sales	1.712	1.829	7%	505	546	8%	441	508	15%	367	356	-3%	361	399	11%	38	20	-47%
Price*			4,5%			9,5%			2,3%			0,5%			4,7%			0,0%
Volume*			0,5%			0,0%			-0,2%			3,3%			4,2%			-47,4%
Currency*			-3,7%			-3,4%			-4,6%			-4,3%			-2,5%			0,0%
Portfolio*			5,5%			2,0%			17,7%			-2,5%			4,1%			0,0%
EBIT	29	159	>100%	65	65	0%	-7	55	n.m.	-9	39	n.m.	45	66	47%	-65	-66	-2%
Deprec. & amortizat.	108	104	-4%	29	32	10%	31	34	10%	25	19	-24%	15	15	0%	8	4	-50%
EBITDA	137	263	92%	94	97	3%	24	89	>100%	16	58	>100%	60	81	35%	-57	-62	-9%
exceptionals in EBITDA	143	27	-81%	3	0	-100%	51	2	-96%	64	0	-100%	12	0	-100%	13	25	92%
EBITDA pre excep.	280	290	4%	97	97	0%	75	91	21%	80	58	-28%	72	81	13%	-44	-37	16%
normalized D&A	94	103	10%	29	32	10%	25	34	36%	19	19	0%	14	14	0%	7	4	-43%
EBIT pre excep.	186	187	1%	68	65	-4%	50	57	14%	61	39	-36%	58	67	16%	-51	-41	20%
exceptionals in EBIT	157	28	-82%	3	0	-100%	57	2	-96%	70	0	-100%	13	1	-92%	14	25	79%
Capex	77	83	8%	33	30	-9%	16	28	75%	15	16	7%	10	9	-10%	3	0	-100%
Net financial debt	2.252	2.633	17%															

* approximate numbers

Financial Overview H1 2018

in € million

	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	HJ/2017	HJ/2018	Chg. in %	HJ/2017	HJ/2018	Chg. in %	HJ/2017	HJ/2018	Chg. in %	HJ/2017	HJ/2018	Chg. in %	HJ/2017	HJ/2018	Chg. in %	HJ/2017	HJ/2018	Chg. in %
Sales	3.185	3.645	14%	1.024	1.111	8%	680	1.008	48%	735	692	-6%	676	791	17%	70	43	-39%
Price*			4,8%			9,3%			2,2%			0,0%			6,4%			0,0%
Volume*			0,0%			-1,1%			0,5%			2,3%			2,8%			-38,6%
Currency*			-4,5%			-4,0%			-4,9%			-6,0%			-3,6%			0,0%
Portfolio*			14,1%			4,3%			50,4%			-2,2%			11,4%			0,0%
EBIT	146	313	>100%	130	136	5%	30	105	>100%	31	71	>100%	82	124	51%	-127	-123	3%
Deprec. & amortizat.	175	205	17%	55	63	15%	38	65	71%	44	38	-14%	26	30	15%	12	9	-25%
EBITDA	321	518	61%	185	199	8%	68	170	>100%	75	109	45%	108	154	43%	-115	-114	1%
exceptionals in EBITDA	152	42	-72%	3	0	-100%	51	2	-96%	64	1	-98%	12	0	-100%	22	39	77%
EBITDA pre excep.	473	560	18%	188	199	6%	119	172	45%	139	110	-21%	120	154	28%	-93	-75	19%
normalized D&A	161	204	27%	55	63	15%	32	65	>100%	38	38	0%	25	29	16%	11	9	-18%
EBIT pre excep.	312	356	14%	133	136	2%	87	107	23%	101	72	-29%	95	125	32%	-104	-84	19%
exceptionals in EBIT	166	43	-74%	3	0	-100%	57	2	-96%	70	1	-99%	13	1	-92%	23	39	70%
Capex	117	143	22%	49	53	8%	23	44	91%	26	27	4%	15	15	0%	4	4	0%
Net financial debt	2.252	2.633	17%															

* approximate numbers

Income Statement Q2 / H1 2018

€ million	Q2 2017	Q2 2018	Chg. in %	H1 2017	H1 2018	Chg. in %
Sales	1.712	1.829	7%	3.185	3.645	14%
Cost of sales	-1.233	-1.332	-8%	-2.317	-2.674	-15%
Gross profit	479	497	4%	868	971	12%
Selling expenses	-196	-212	-8%	-360	-411	-14%
Research and development expenses	-29	-28	3%	-52	-58	-12%
General administration expenses	-83	-69	17%	-141	-146	-4%
Other operating income	50	22	-56%	81	53	-35%
Other operating expenses	-192	-51	73%	-250	-96	62%
Operating result (EBIT)	29	159	>100%	146	313	>100%
Income from investments accounted for using the equity method	0	0	n.m.	0	0	n.m.
Interest income	3	1	-67%	5	3	-40%
Interest expense	-26	-18	31%	-47	-38	19%
Other financial income and expense	30	-4	n.m.	25	-20	n.m.
Financial result	7	-21	n.m.	-17	-55	<-100%
Income before income taxes	36	138	>100%	129	258	100%
Income taxes	-33	-41	-24%	-74	-81	-9%
Income after income taxes from continuing operations	3	97	>100%	55	177	>100%
Income after income taxes from discontinued operations	11	59	>100%	62	88	42%
Income after income taxes	14	156	>100%	117	265	>100%
of which attributable to non-controlling interests	11	30	>100%	36	43	19%
of which attributable to LANXESS AG stockholders (net income)	3	126	>100%	81	222	>100%
Earnings per share (undiluted/deluted) (€)						
from continuing operations	0,02	1,05	>100%	0,59	1,94	>100%
from discontinued operations	0,02	0,33	>100%	0,30	0,49	63%
from continuing and discontinued operations	0,04	1,38	>100%	0,89	2,43	>100%

Cash Flow Statement Q2 / H1 2018

€ million	Q2 2017	Q2 2018	H1 2017	H1 2018
Income before income taxes	36	138	129	258
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	108	104	175	205
Financial losses (gains)	(22)	8	(3)	25
Income taxes paid	(23)	(30)	(70)	(61)
Changes in inventories	22	(58)	21	(84)
Changes in trade receivables	33	6	(113)	(143)
Changes in trade payables	(50)	(15)	(63)	(46)
Changes in other assets and liabilities	(28)	(116)	(10)	(89)
Net cash provided by operating activities – continuing operations	76	37	66	65
Net cash (used in) provided by operating activities – discontinued operations	80	(25)	100	(30)
Net cash provided by operating activities – total	156	12	166	35
Cash outflows for purchases of intangible assets and property, plant and equipment	(77)	(83)	(117)	(143)
Cash inflows from sales of intangible assets and property, plant and equipment	1	0	1	1
Cash outflows for financial assets	–	–	(110)	–
Cash inflows from financial assets	2.126	1	2.276	1
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	(1.782)	(10)	(1.782)	(65)
Interest and dividends received	47	11	48	12
Net cash (used in) provided by investing activities – continuing operations	315	(81)	316	(194)
Net cash used in investing activities – discontinued operations	(26)	(34)	(42)	(54)
Net cash (used in) provided by investing activities – total	289	(115)	274	(248)
Proceeds from borrowings	63	611	84	626
Repayments of borrowings	–	(532)	(10)	(534)
Interest paid and other financial disbursements	(42)	(52)	(45)	(54)
Dividend payments	(64)	(74)	(64)	(74)
Net cash used in financing activities – continuing operations	(43)	(47)	(35)	(36)
Net cash provided by (used in) financing activities – discontinued operations	(26)	(40)	18	(38)
Net cash used in financing activities – total	(69)	(87)	(17)	(74)
Change in cash and cash equivalents from continuing operations	348	(91)	347	(165)
Change in cash and cash equivalents from discontinued operations	28	(99)	76	(122)
Change in cash and cash equivalents – total	376	(190)	423	(287)
Cash and cash equivalents at beginning of period – total	404	438	355	538
Exchange differences and other changes in cash and cash equivalents – total	(21)	(3)	(19)	(6)
Cash and cash equivalents at end of period – total	759	245	759	245
of which continuing operations	609	130	609	130
of which discontinued operations	150	115	150	115

Abbreviations:

Advanced Intermediates:

AI Advanced Industrial Intermediates

SGO Saltigo

Specialty Additives

ADD 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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