

LANXESS – Q2 2018 results

Continued execution

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Agenda

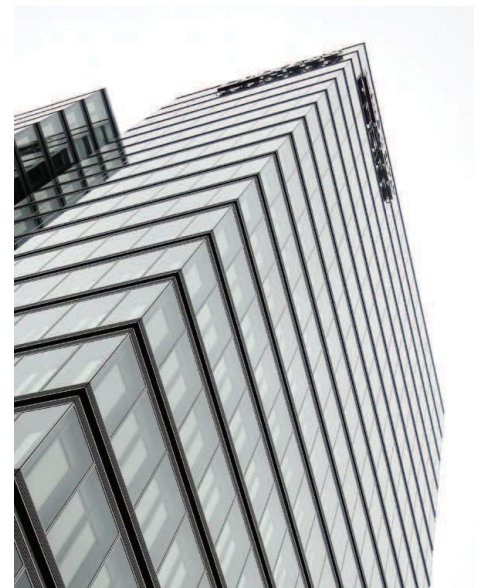
- 1 Executive summary Q2 2018**
- 2 Business and financial details Q2 2018
- 3 Back-up



Q2 2018 operational highlights: Good business performance despite headwind

Operational highlights

	Successful pricing to offset increased raw material prices
	Strongest quarter of Specialty Additives since Chemtura acquisition
	Synergies contribute to strong operational performance
	Persisting weak agro market
	Currency burden continues



Q2 2018 financial highlights: New LANXESS visible with ARLANXEO as discontinued operations

Strong earnings development despite FX burden

- EBITDA pre increase to €290 m
- EBITDA pre margin at a solid level (~16%)
- Net financial debt increases seasonally, due to working capital, dividend and bonus payments
- Successful refinancing of €500 m bond, €15 m interest relief p.a.



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Q2 2018 financial overview: Solid operational performance

[€ m]	Q2 2017	Q2 2018	yoy in %
Sales	1,712	1,829	7%
EBITDA pre margin	280 16.4%	290 15.9%	4%
EPS (group)**	0.04	1.38	>100%
EPS pre* (group)**	1.54	1.77	15%
Capex	77	83	8%

- Sales and EBITDA pre increase due to strong pricing and synergies, mitigated by FX
- EPS includes contribution of ARLANXEO
- Capex increase reflects investments in debottlenecking
- Net working capital reflects absence of ARLANXEO portion
- Seasonally higher net financial debt due to dividend, interest and bonus payments

[€ m]	31.12.2017***	30.06.2018	Δ %
Net financial debt	2,252	2,633	17%
Net working capital	1,948	1,535	-21%

* Net of exceptionals and amortization of intangible assets as well as attributable tax effects
 ** Including 50% ARLANXEO
 *** Balance sheet items at 31.12.2017 include 100% ARLANXEO

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Q2 2018: Advanced Intermediates stable on high level, positive development in Specialty Additives

Advanced Intermediates

Price	Volume	FX	Portfolio	Total
+9%	0%	-3%	+2%	+8%

- 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

[€ m]	Q2'17	Q2'18
Sales	505	546
EBITDA pre	97	97
Margin	19.2%	17.8%

Specialty Additives

Price	Volume	FX	Portfolio	Total
+2%	0%	-5%	+18%	+15%

- Price increases due to successful raw material price pass-through
- Volumes on previous year's high level
- Improved EBITDA and margin due to pricing, portfolio effect and synergies, mitigated by FX development

[€ m]	Q2'17	Q2'18
Sales	441	508
EBITDA pre	75	91
Margin	17.0%	17.9%

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Q2 2018: Strong Engineering Materials performance, Performance Chemicals weaker than expected

Performance Chemicals

Price	Volume	FX	Portfolio	Total
+1%	+3%	-4%	-3%	-3%

- Stable prices in all BUs, not fully reflecting raw material price developments
- Higher volumes in BU LPT and BU MPP, BU LEA (Zárate closure) declines
- Portfolio reflects disposal of chlorine dioxide business
- EBITDA, margins below except. high Q2'17 on ongoing low chrome price, raw material price pressure and FX

[€ m]	Q2'17	Q2'18
Sales	367	356
EBITDA pre	80	58
Margin	21.8%	16.3%

Engineering Materials

Price	Volume	FX	Portfolio	Total
+5%	+4%	-3%	+4%	+10%

- 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, better mix
- FX and tight raw materials (TDI, MDI) burden BU URE. Whilst tightness worsens in Q3, relief expected in Q4

[€ m]	Q2'17	Q2'18
Sales	361	399
EBITDA pre	72	81
Margin	19.9%	20.3%

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Despite rising political risks, 5 - 10% EBITDA pre growth now expected at upper end

Macro economic trends

- 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**



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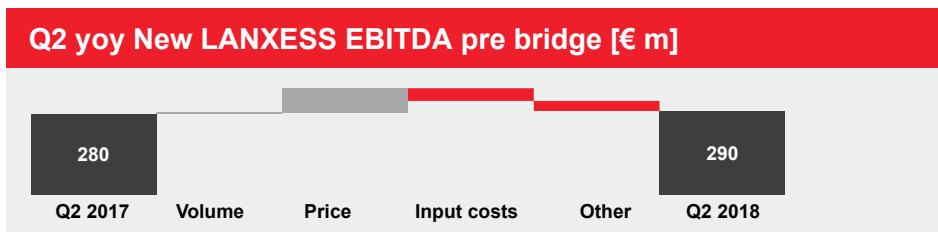


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Q2 2018: Strong pricing and portfolio drive topline while FX headwind continues

Q2 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	+9%	+0%	-3%	+2%	+8%
Specialty Additives	+2%	-0%	-5%	+18%	+15%
Performance Chemicals	+1%	+3%	-4%	-3%	-3%
Engineering Materials	+5%	+4%	-3%	+4%	+10%
New LANXESS	+5%	+1%	-4%	+6%	+7%

- Strong sales growth due to successful raw material price pass-through (esp. BUs All, ADD and HPM) and portfolio effect
- Overall slightly increased volumes



- EBITDA pre increase driven by successful price pass-through and synergies
- “Other” includes the positive portfolio effect, overcompensated by FX

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Q2 2018: Strong earnings growth and declining exceptionals

[€ m]	Q2 2017		Q2 2018		yoy in %
Sales	1,712	(100%)	1,829	(100%)	7%
Cost of sales	-1,233	(-72%)	-1,332	(-73%)	-8%
Selling	-196	(-11%)	-212	(-12%)	-8%
G&A	-83	(-5%)	-69	(-4%)	17%
R&D	-29	(-2%)	-28	(-2%)	3%
EBIT	29	(2%)	159	(9%)	>100%
Profit from continuing operations	3	(0%)	97	(5%)	>100%
Profit from discontinued operations	11	(1%)	59	(3%)	>100%
Minorities	11	(1%)	30	(2%)	>100%
Net Income	3	(0%)	126	(7%)	>100%
EPS pre*	1.54		1.77		15%
EBITDA	137	(8%)	263	(14%)	92%
thereof exceptionals	-143	(-8%)	-27	(-1%)	-81%
EBITDA pre exceptionals	280	(16.4%)	290	(15.9%)	4%

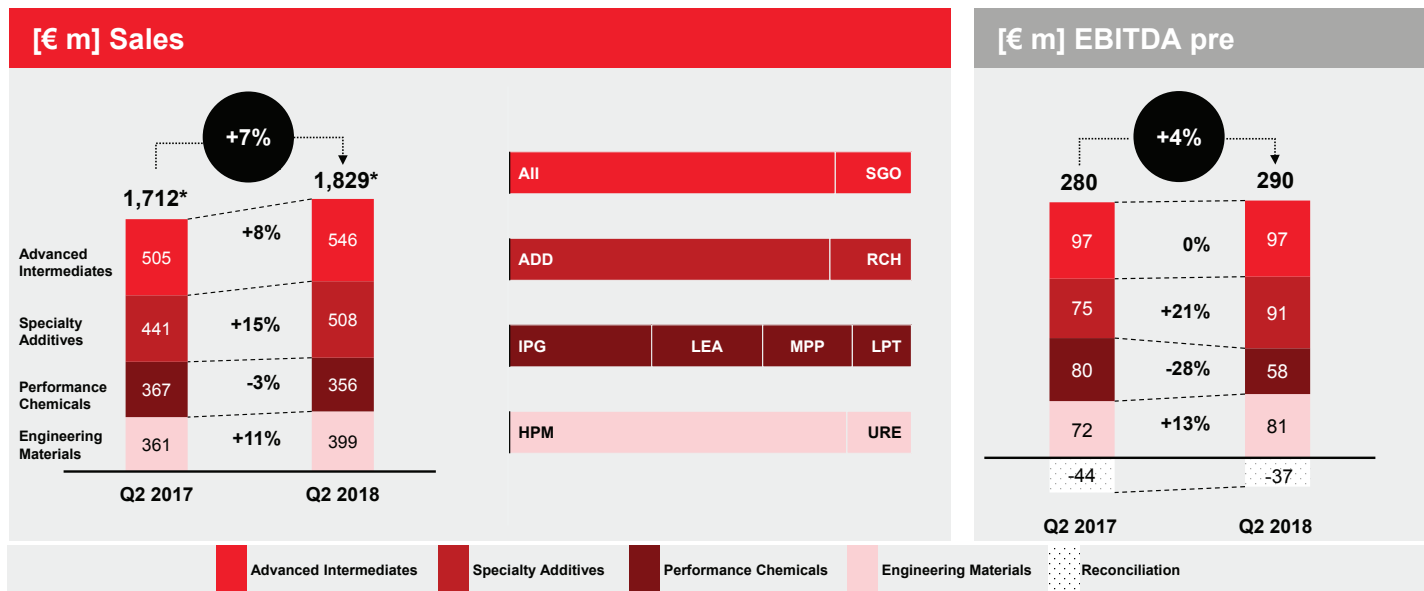
- Sales driven by price increase and acquired businesses, FX burdens
- Selling costs increase due to portfolio effect and higher freight costs
- Improved G&A costs reflect reclassification effect from discontinued operations
- Significant EBIT boost due to good performance and lower exceptionals
- Nice increase in EPS

Q2 result underlines New LANXESS' operational improvement

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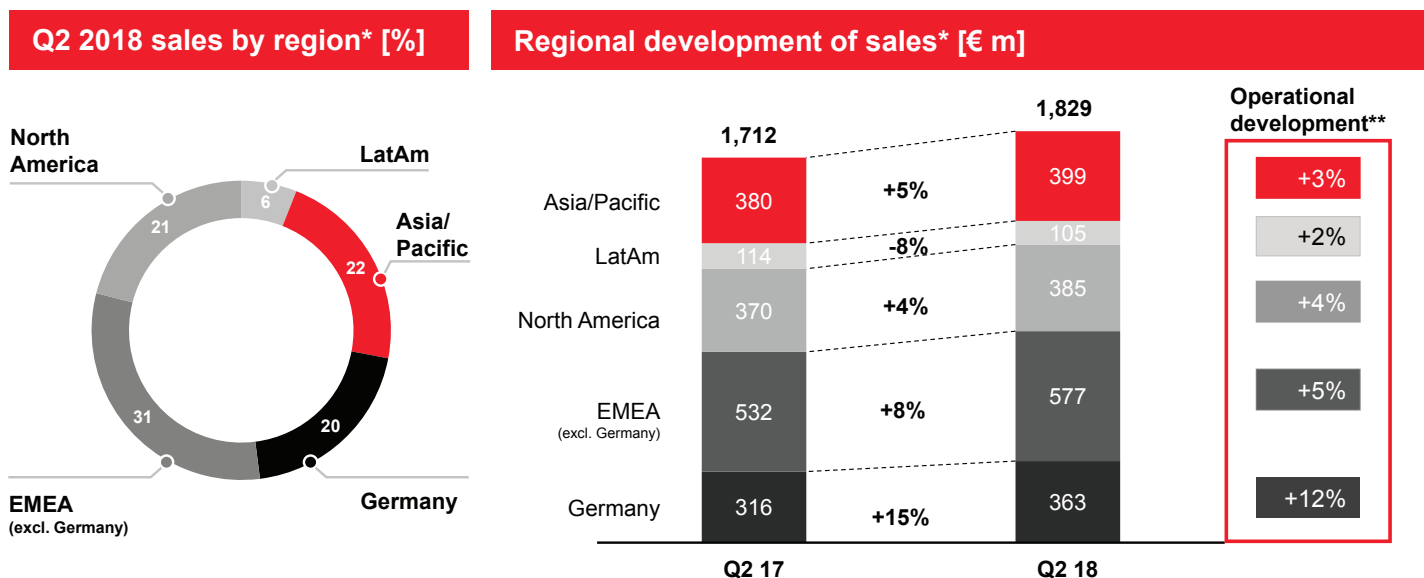
* Net of exceptionals and amortization of intangible assets as well as attributable tax effects, including 50% ARL, according to discontinued operations reporting, no ordinary depreciation of ARLANXEO included

Q2 2018: Strong sales and EBITDA pre growth in most New LANXESS segments



* Total group sales including reconciliation

Q2 2018: Increasing sales in most regions, FX limits growth especially in North and Latin America



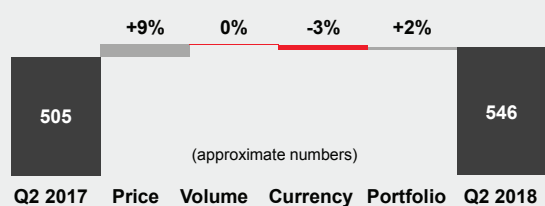
* All figures are indicative only
 ** Currency and portfolio adjusted

Advanced Intermediates: Stable on high level

[€m]	Q2 2017	Q2 2018	Δ	H1 2017	H1 2018	Δ
Sales	505	546	8%	1,024	1,111	8%
EBIT	65	65	0%	130	136	5%
Depr./Amort.	29	32	10%	55	63	15%
EBITDA pre exceptionals	97	97	0%	188	199	6%
Margin	19.2%	17.8%		18.4%	17.9%	
Capex	33	30	-9%	49	53	8%



Q2 sales bridge yoy [€ m]



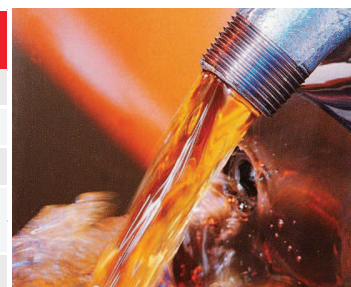
Q2 yoy effects

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- BU All with successful raw material price pass-through
- Still declining volumes in BU Saltigo
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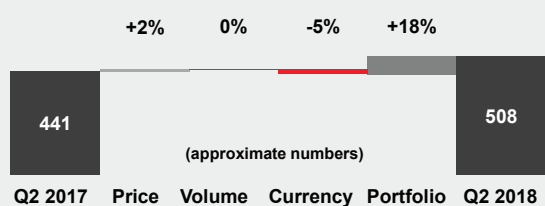
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Specialty Additives: Synergies start to materialize

[€m]	Q2 2017	Q2 2018	Δ	H1 2017	H1 2018	Δ
Sales	441	508	15%	680	1,008	48%
EBIT	-7	55	>100%	30	105	>100%
Depr./Amort.	31	34	10%	38	65	71%
EBITDA pre exceptionals	75	91	21%	119	172	45%
Margin	17.0%	17.9%		17.5%	17.1%	
Capex	16	28	75%	23	44	91%



Q2 sales bridge yoy [€ m]



Q2 yoy effects

- Price increases due to successful raw material price pass-through
- Volumes on previous year's high level
- Improved EBITDA and margin due to pricing, portfolio effect and synergies, mitigated by FX development

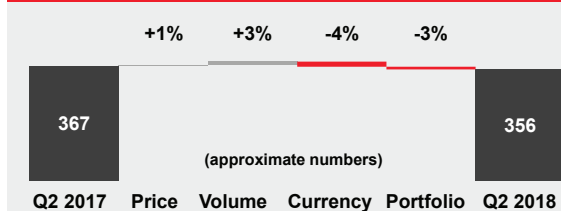
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Performance Chemicals: Good performance at BUS MPP and LPT, LEA weaker than expected

[€m]	Q2 2017	Q2 2018	Δ	H1 2017	H1 2018	Δ
Sales	367	356	-3%	735	692	-6%
EBIT	-9	39	>100%	31	71	>100%
Depr./Amort.	25	19	-24%	44	38	-14%
EBITDA pre exceptionals	80	58	-28%	139	110	-21%
Margin	21.8%	16.3%		18.9%	15.9%	
Capex	15	16	7%	26	27	4%



Q2 sales bridge yoy [€ m]



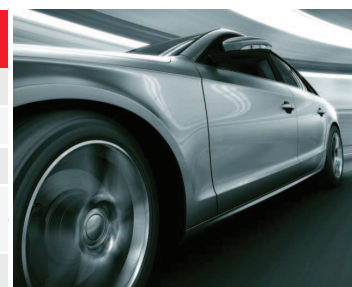
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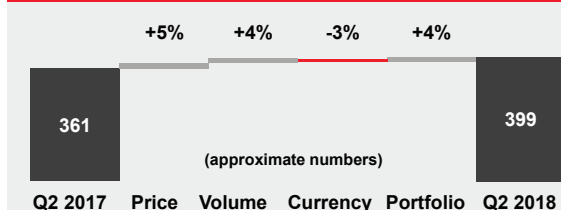
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Engineering Materials: Strong price increase, but currency burdens

[€m]	Q2 2017	Q2 2018	Δ	H1 2017	H1 2018	Δ
Sales	361	399	10%	676	791	17%
EBIT	45	66	47%	82	124	51%
Depr./Amort.	15	15	0%	26	30	15%
EBITDA pre exceptionals	72	81	13%	120	154	28%
Margin	19.9%	20.3%		17.8%	19.5%	
Capex	10	9	-10%	15	15	0%



Q2 sales bridge yoy [€ m]



Q2 yoy effects

- Strong price increase in both BUs offsetting raws price changes
- Higher volumes due to ongoing strong lightweight compound demand
- EBITDA and margin improvement driven by strong operational performance, good utilization, better mix
- FX and tight raw materials (TDI, MDI) burden BU URE. Whilst tightness worsens in Q3, relief expected in Q4

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Cash flow Q2 2018 driven by good operational performance mitigated by higher working capital

[€m]	Q2 2017	Q2 2018
Profit before tax	36	138
Depreciation & amortization	108	104
Financial (gain) losses	-22	8
Income taxes paid	-23	-30
Changes in other assets and liabilities	-28	-116
Operating cash flow before changes in WC	71	104
Changes in working capital	5	-67
Operating cash flow (continuing operations)	76	37
Investing cash flow (continuing operations)	315	-81
Thereof capex	-77	-83
Financing cash flow (continuing operations)	-43	-47

- Operating cash flow driven by good performance, mitigated by seasonally higher working capital
- Changes in other assets and liabilities driven by less 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

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Balance sheet mirrors seasonal effects in Q2

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

- Stable total assets as ARLANXEO remains consolidated
- Net financial debt increases due to seasonally higher working capital, dividends and bonus payments
- Pension provisions decline despite lower German discount rate (from 2.0% to 1.75%) due to discontinued operations of ARLANXEO pensions
- Seasonally and raw material cost induced higher net working capital was compensated by ARLANXEO discontinued operations

Line items reflect effects from accounting ARLANXEO as discontinued operations

[€m]	Dec 2017	Jun 2018		Dec 2017	Jun 2018
Non-current assets	6,454	4,688	Stockholders' equity	3,413	3,429
Intangible assets	1,784	1,737	attrib. to non-contr. interests	1,126	1,094
Property, plant & equipment	4,059	2,436	Non-current liabilities	4,540	4,726
Equity investments	0	0	Pension & post empl. provis.	1,490	1,329
Other investments	9	1	Other provisions	460	366
Other financial assets	20	25	Other financial liabilities	2,242	2,683
Tax receivables	20	11	Tax liabilities	134	105
Other non-current assets	562	478	Other liabilities	101	93
Current assets	3,957	5,852	Deferred taxes	113	150
Inventories	1,680	1,285	Current liabilities	2,458	2,385
Trade account receivables	1,316	948	Other provisions	525	391
Other current financial assets	7	60	Other financial liabilities	633	147
Other current assets	366	252	Trade accounts payable	1,048	698
Near cash assets	50	50	Tax liabilities	61	42
Cash and cash equivalents	538	130	Other liabilities	191	186
Assets from disc. operations	0	3,127	Liabilities from disc. operations	0	921
Total assets	10,411	10,540	Total equity & liabilities	10,411	10,540

ARLANXEO's assets & liabilities grouped in discontinued operations

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Housekeeping items – New LANXESS

New LANXESS financial expectations

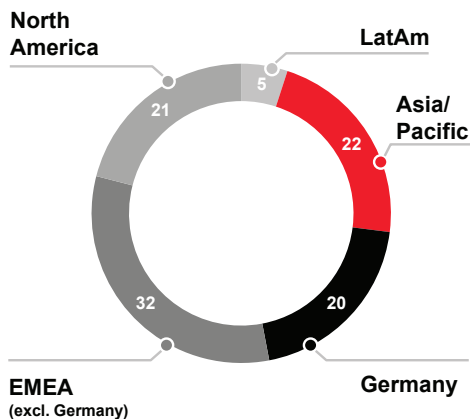
- **Capex 2018:** €450 m-€500 m
- **Operational D&A 2018:** ~€400 m
- **Reconciliation 2018:** around previous year's level (~€150 m)
- **Tax rate:** lower end of 30%-35%
- **FX sensitivity:** one cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging



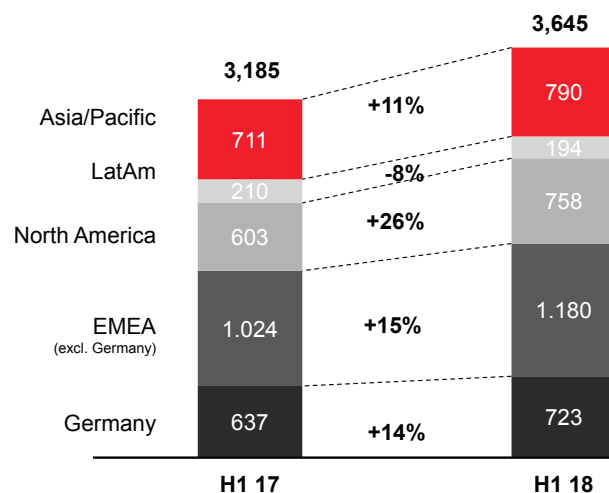
- **As of Q2 2019:** ARLANXEO accounted for “at equity”
- **IFRS 15** has been applied since January 1, 2018; no material impact on result

H1 2018: Increasing sales in most regions driven by portfolio and operational performance

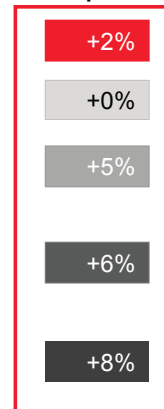
H1 2018 sales by region* [%]



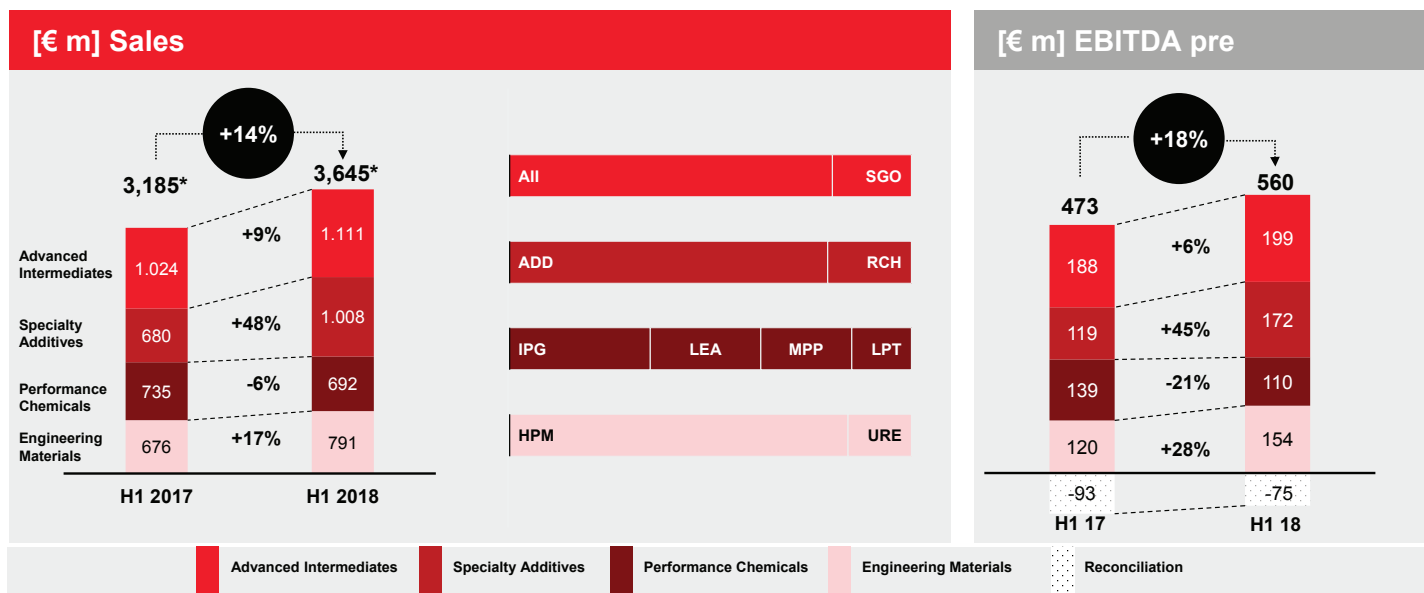
Regional development of sales* [€ m]



Operational development**



H1 2018: Strong sales and EBITDA pre development in most New LANXESS segments

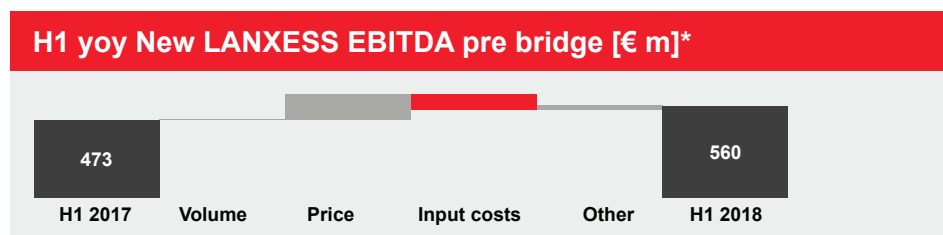


* Total sales including reconciliation

H1 2018: Strong pricing and portfolio effect while volumes are stable versus a strong prior year base

H1 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	+9%	-1%	-4%	+4%	+9%
Specialty Additives	+2%	+1%	-5%	+50%	+48%
Performance Chemicals	+0%	+2%	-6%	-2%	-6%
Engineering Materials	+6%	+3%	-4%	+11%	+17%
LANXESS	+5%	+0%	-5%	+14%	+14%

- Strong sales growth due to successful raw material price pass-through (esp. BUs All, ADD and HPM) and portfolio effect
- Overall stable volumes



- EBITDA pre increase driven by successful price pass-through and portfolio
- “Other” includes the positive portfolio effect, overcompensated by FX

H1 2018: Strong earnings growth and declining exceptionals

【€m】	H1 2017		H1 2018		yoy in %
Sales	3,185	(100%)	3,645	(100%)	14%
Cost of sales	-2,317	(-73%)	-2,674	(-73%)	-15%
Selling	-360	(-11%)	-411	(-11%)	-14%
G&A	-141	(-4%)	-146	(-4%)	-4%
R&D	-52	(-2%)	-58	(-2%)	-12%
EBIT	146	(5%)	313	(9%)	>100%
Profit from continuing operations	55	(2%)	177	(5%)	>100%
Profit from discontinued operations	62	(2%)	88	(2%)	42%
Non-controlling interests	36	(1%)	43	(1%)	19%
Net Income	81	(3%)	222	(6%)	>100%
EPS pre*	2.55		3.10		22%
EBITDA	321	(10%)	518	(14%)	61%
thereof exceptionals	-152	(-5%)	-42	(-1%)	-72%
EBITDA pre exceptionals	473	(14.9%)	560	(15.4%)	18%

- Sales driven by price increase and acquired businesses, FX burdens
- Significant EBIT boost due to good performance and lower exceptionals
- Nice increase in EPS

H1 result reflects New LANXESS' good performance

27 * Net of exceptionals and amortization of intangible assets as well as attributable tax effects; according to discontinued operations reporting, no ordinary depreciation of ARLANXEO included

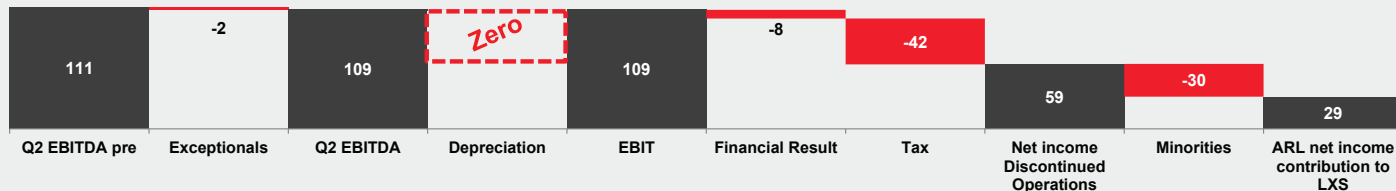
Operating cash flow in H1 2018 improved

【€m】	H1 2017	H1 2018
Profit before tax	129	258
Depreciation & amortization	175	205
Financial (gain) losses	-3	25
Cash tax payments/refunds	-70	-61
Changes in other assets and liabilities	-10	-89
Operating cash flow before changes in WC	221	338
Changes in working capital	-155	-273
Operating cash flow (continuing operations)	66	65
Investing cash flow (continuing operations)	316	-194
Thereof capex	-117	-143
Thereof M&A	-1,782	-65
Thereof cash inflows from/cash outflows for fin. assets	2,276	1
Financing cash flow (continuing operations)	-35	-36

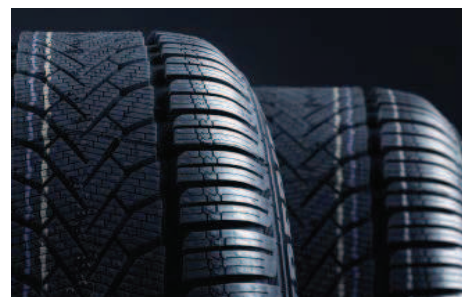
- Operating cash flow driven by good performance, mitigated by seasonally higher working capital
- Changes in other assets and liabilities driven by less exceptional items and variable compensation
- Investing cash flow:
 - 2017 reflects effects from Chemtura acquisition
 - Capex increases due to growth capex in debottlenecking
 - Mainly acquisition costs for Solvay's phosphorus additive business

ARLANXEO delivers a solid result while IFRS accounting additionally boosts LANXESS' EPS

Q2 ARLANXEO EBITDA pre to net income bridge* [€m]



[€ m]	Q2 2018*	Q2 2017	change yoy
Sales	776	811	-4%
EBITDA pre margin	111 14.3%	87 10.7%	28%
Depreciation	0	57	
EBIT	109	33	
Net debt incl pensions	~250		
Capex	33	28	18%



29 All figures are indicative only
 * According to discontinued operations reporting, no ordinary depreciation of ARLANXEO

Details on accounting for discontinued operations of ARLANXEO and for New LANXESS (starting Q2 2018)

Income statement

- A discontinued operation is reported as income separate from continued operations
- EPS from discontinued, continuing & total to be reported
- Restatement of previous years' figures

Balance sheet

- Line items "assets and liabilities held for sale and discontinued operations" will be shown under "current assets" and "current liabilities" respectively
- No restatement of previous years' figures

Cash flow Statement

- Presentation of cash flows from discontinuing operations in one line item
- Restatement of previous years' figures

ROCE

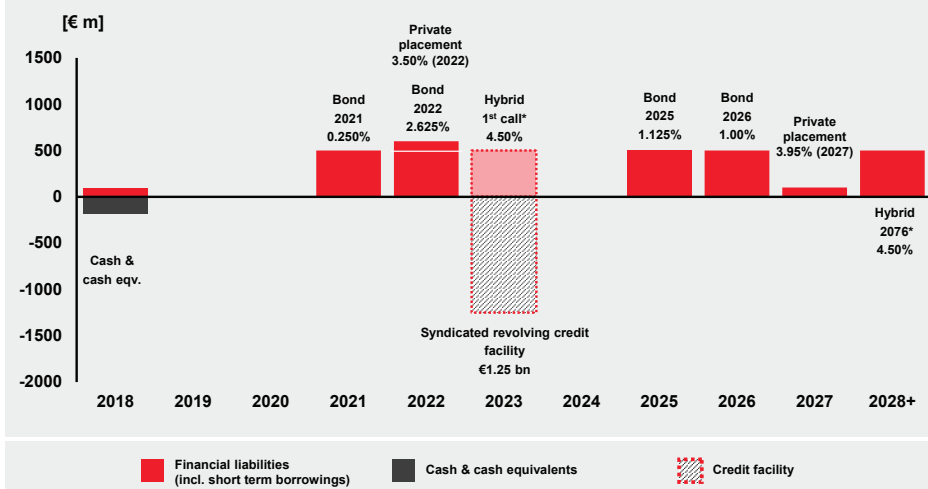
- ROCE definition will be adjusted for "continuing operations"

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

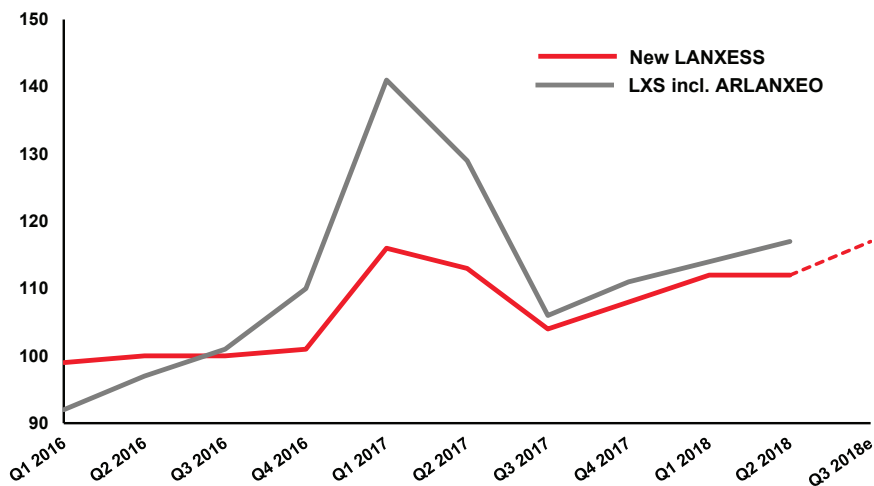
Liquidity and maturity profile as per June 2018



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

Raw material prices trend slightly upwards but substantially lower volatility

LANXESS global raw materials index*



New LXS raw material input

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

- Raw material volatility has been reduced substantially, compared to the past, due to different mix
- New LANXESS with lower sensitivity to raw material development
- Raw material costs have gradually increased since Q3 2017
- We expect the slight upward trend to continue during Q3 2018

32 * LANXESS excluding Chemtura businesses, average 2013 = 100%

Significantly reduced exceptional items in 2018

[€ m]	Q2 2017		Q2 2018		H1 2017		H1 2018	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	3	0	0	0	3	0	0	0
Specialty Additives	57	6	2	0	57	6	2	0
Performance Chemicals	70	6	0	0	70	6	1	0
Engineering Materials	13	1	1	1	13	1	1	1
Reconciliation	14	1	25	0	23	1	39	0
Total	157	14	28	1	166	14	43	1

Upcoming events 2018 / 2019

Proactive capital market communication

▪ Q2 2018 results	August 2	
▪ dbAccess European Corporate Days	August 23	Helsinki
▪ Commerzbank Sector Conference	August 28	Frankfurt
▪ Analyst Roundtable	September 20	
▪ Berenberg / Goldman Sachs 7 th German Corporate Conference	September 24/25	Munich
▪ Baader Investment Conference	September 27	Munich
▪ Q3 2018 results	November 12	
▪ UBS European Conference	November 13	London
▪ Berenberg European Conference	December 3	London
▪ Credit Suisse Specialty Chemicals Year End Conference	December 4	London
▪ FY 2018 results	March 14	
▪ Q1 2019 results	May 14	
▪ Annual Stockholders' Meeting	May 23	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