# Q2 2019 Overview of LANXESS Group

**LANXESS: On track**

Solid performance despite macroeconomic headwinds

**Financial Summary for Investors and Analysts**

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

Cologne, August 2nd, 2019

Forward-Looking Statements
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## Financial Overview Q2 2019

<table>
<thead>
<tr>
<th>LXS</th>
<th>AI</th>
<th>SAD</th>
<th>PC</th>
<th>EM</th>
<th>DIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>in € million</td>
<td>Q2/2018</td>
<td>Q2/2019</td>
<td>Chg. in %</td>
<td>Q2/2018</td>
<td>Q2/2019</td>
</tr>
<tr>
<td>Sales</td>
<td>1,829</td>
<td>1,810</td>
<td>-1%</td>
<td>540</td>
<td>561</td>
</tr>
<tr>
<td>Price*</td>
<td>-0.2%</td>
<td>-0.6%</td>
<td>1.4%</td>
<td>Volume*</td>
<td>-3.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>159</td>
<td>143</td>
<td>-10%</td>
<td>65</td>
<td>68</td>
</tr>
<tr>
<td>Depr. &amp; amortizat.</td>
<td>104</td>
<td>121</td>
<td>16%</td>
<td>32</td>
<td>39</td>
</tr>
<tr>
<td>EBITDA</td>
<td>263</td>
<td>264</td>
<td>0%</td>
<td>97</td>
<td>107</td>
</tr>
<tr>
<td>exceptional in EBITDA</td>
<td>27</td>
<td>22</td>
<td>-19%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>EBITDA pre excep.</td>
<td>290</td>
<td>286</td>
<td>-1%</td>
<td>97</td>
<td>107</td>
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<tr>
<td>normalized O&amp;A</td>
<td>103</td>
<td>118</td>
<td>15%</td>
<td>32</td>
<td>39</td>
</tr>
<tr>
<td>EBIT pre excep.</td>
<td>187</td>
<td>168</td>
<td>-10%</td>
<td>65</td>
<td>68</td>
</tr>
<tr>
<td>exceptional in EBIT</td>
<td>28</td>
<td>25</td>
<td>-11%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capex</td>
<td>83</td>
<td>112</td>
<td>35%</td>
<td>30</td>
<td>32</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>1,381</td>
<td>1,902</td>
<td>38%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* approximate numbers

## Financial Overview H1 2019

<table>
<thead>
<tr>
<th>LXS</th>
<th>AI</th>
<th>SAD</th>
<th>PC</th>
<th>EM</th>
<th>DIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>in € million</td>
<td>H1/2018</td>
<td>H1/2019</td>
<td>Chg. in %</td>
<td>H1/2018</td>
<td>H1/2019</td>
</tr>
<tr>
<td>Sales</td>
<td>3,645</td>
<td>3,632</td>
<td>0%</td>
<td>1,111</td>
<td>1,147</td>
</tr>
<tr>
<td>Price*</td>
<td>0.2%</td>
<td>-1.1%</td>
<td>1.1%</td>
<td>Volume*</td>
<td>-3.5%</td>
</tr>
<tr>
<td>EBIT</td>
<td>313</td>
<td>282</td>
<td>-10%</td>
<td>136</td>
<td>148</td>
</tr>
<tr>
<td>Depr. &amp; amortizat.</td>
<td>205</td>
<td>215</td>
<td>15%</td>
<td>63</td>
<td>73</td>
</tr>
<tr>
<td>EBITDA</td>
<td>518</td>
<td>517</td>
<td>0%</td>
<td>199</td>
<td>221</td>
</tr>
<tr>
<td>exceptional in EBITDA</td>
<td>42</td>
<td>44</td>
<td>5%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>EBITDA pre excep.</td>
<td>560</td>
<td>561</td>
<td>0%</td>
<td>199</td>
<td>221</td>
</tr>
<tr>
<td>normalized O&amp;A</td>
<td>204</td>
<td>232</td>
<td>14%</td>
<td>63</td>
<td>73</td>
</tr>
<tr>
<td>EBIT pre excep.</td>
<td>356</td>
<td>329</td>
<td>-8%</td>
<td>136</td>
<td>148</td>
</tr>
<tr>
<td>exceptional in EBIT</td>
<td>43</td>
<td>47</td>
<td>9%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capex</td>
<td>143</td>
<td>184</td>
<td>29%</td>
<td>53</td>
<td>58</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>1,381</td>
<td>1,902</td>
<td>38%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* approximate numbers
## Income Statement Q2 / H1 2019

### in € million

<table>
<thead>
<tr>
<th></th>
<th>Q2/2018</th>
<th>Q2/2019</th>
<th>Chg. in %</th>
<th>HJ/2018</th>
<th>HJ/2019</th>
<th>Chg. in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,829</td>
<td>1,810</td>
<td>-1%</td>
<td>3,645</td>
<td>3,632</td>
<td>0%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-1,332</td>
<td>-1,315</td>
<td>1%</td>
<td>-2,674</td>
<td>-2,666</td>
<td>0%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>497</td>
<td>495</td>
<td>0%</td>
<td>971</td>
<td>966</td>
<td>-1%</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>-212</td>
<td>-228</td>
<td>-8%</td>
<td>-411</td>
<td>-444</td>
<td>-8%</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>-28</td>
<td>-31</td>
<td>-11%</td>
<td>-58</td>
<td>-59</td>
<td>-2%</td>
</tr>
<tr>
<td>General administration expenses</td>
<td>-69</td>
<td>-69</td>
<td>0%</td>
<td>-146</td>
<td>-135</td>
<td>8%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>22</td>
<td>27</td>
<td>23%</td>
<td>53</td>
<td>50</td>
<td>-6%</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>-51</td>
<td>-51</td>
<td>0%</td>
<td>-96</td>
<td>-96</td>
<td>0%</td>
</tr>
<tr>
<td>Operating result (EBIT)</td>
<td>159</td>
<td>143</td>
<td>-10%</td>
<td>313</td>
<td>282</td>
<td>-10%</td>
</tr>
<tr>
<td>Income from investments accounted for using the equity method</td>
<td>0</td>
<td>0</td>
<td>n.m.</td>
<td>0</td>
<td>0</td>
<td>n.m.</td>
</tr>
<tr>
<td>Interest income</td>
<td>1</td>
<td>1</td>
<td>0%</td>
<td>3</td>
<td>3</td>
<td>0%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-18</td>
<td>-16</td>
<td>11%</td>
<td>-38</td>
<td>-32</td>
<td>16%</td>
</tr>
<tr>
<td>Other financial income and expense</td>
<td>-4</td>
<td>12</td>
<td>n.m.</td>
<td>-20</td>
<td>5</td>
<td>n.m.</td>
</tr>
<tr>
<td>Financial result</td>
<td>-21</td>
<td>-3</td>
<td>86%</td>
<td>-55</td>
<td>-24</td>
<td>56%</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>138</td>
<td>140</td>
<td>1%</td>
<td>258</td>
<td>258</td>
<td>0%</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-41</td>
<td>-42</td>
<td>-2%</td>
<td>-81</td>
<td>-77</td>
<td>5%</td>
</tr>
<tr>
<td>Income after income tax from continuing operations</td>
<td>97</td>
<td>98</td>
<td>1%</td>
<td>177</td>
<td>181</td>
<td>2%</td>
</tr>
<tr>
<td>Income after income tax from discontinued operations</td>
<td>59</td>
<td>0</td>
<td>-100%</td>
<td>88</td>
<td>0</td>
<td>-100%</td>
</tr>
<tr>
<td>Income after income taxes</td>
<td>156</td>
<td>98</td>
<td>-37%</td>
<td>265</td>
<td>181</td>
<td>-32%</td>
</tr>
<tr>
<td>of which attributable to non-controlling interests</td>
<td>30</td>
<td>-2</td>
<td>n.m.</td>
<td>43</td>
<td>-3</td>
<td>n.m.</td>
</tr>
<tr>
<td>Net income (attributable to LANXESS AG stockholders)</td>
<td>126</td>
<td>100</td>
<td>-21%</td>
<td>222</td>
<td>184</td>
<td>-17%</td>
</tr>
<tr>
<td>EPS (in €)*</td>
<td>1.05</td>
<td>1.14</td>
<td>9%</td>
<td>1,94</td>
<td>2,06</td>
<td>6%</td>
</tr>
<tr>
<td>Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)</td>
<td>1.45</td>
<td>1.51</td>
<td>4%</td>
<td>2.61</td>
<td>2.79</td>
<td>7%</td>
</tr>
</tbody>
</table>

* continuing operations only
### Cash Flow Statement Q2 / H1 2019

<table>
<thead>
<tr>
<th></th>
<th>Q2 2018</th>
<th>Q2 2019</th>
<th>H1 2018</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>138</td>
<td>140</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment</td>
<td>104</td>
<td>121</td>
<td>205</td>
<td>235</td>
</tr>
<tr>
<td>Gains/losses on disposals of intangible assets and property, plant and equipment</td>
<td>–</td>
<td>-1</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>Financial losses (gains)</td>
<td>8</td>
<td>-7</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>-30</td>
<td>-75</td>
<td>-61</td>
<td>-114</td>
</tr>
<tr>
<td>Changes in inventories</td>
<td>-58</td>
<td>-18</td>
<td>-84</td>
<td>-42</td>
</tr>
<tr>
<td>Changes in trade receivables</td>
<td>6</td>
<td>44</td>
<td>-143</td>
<td>-18</td>
</tr>
<tr>
<td>Changes in trade payables</td>
<td>-15</td>
<td>-13</td>
<td>-46</td>
<td>-89</td>
</tr>
<tr>
<td>Changes in other assets and liabilities</td>
<td>-116</td>
<td>-100</td>
<td>-89</td>
<td>-123</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities – continuing operations</strong></td>
<td>37</td>
<td>82</td>
<td>65</td>
<td>114</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities – discontinued operations</strong></td>
<td>-25</td>
<td>–</td>
<td>-30</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities – total</strong></td>
<td>12</td>
<td>82</td>
<td>35</td>
<td>114</td>
</tr>
<tr>
<td>Cash outflows for purchases of intangible assets and property, plant and equipment</td>
<td>-83</td>
<td>-112</td>
<td>-143</td>
<td>-184</td>
</tr>
<tr>
<td>Cash inflows from sales of intangible assets and property, plant and equipment</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Cash outflows for financial assets</td>
<td>–</td>
<td>-49</td>
<td>–</td>
<td>-218</td>
</tr>
<tr>
<td>Cash inflows from financial assets</td>
<td>1</td>
<td>62</td>
<td>1</td>
<td>62</td>
</tr>
<tr>
<td>Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents</td>
<td>-10</td>
<td>–</td>
<td>-65</td>
<td>–</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>11</td>
<td>22</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities – continuing operations</strong></td>
<td>-81</td>
<td>-74</td>
<td>-194</td>
<td>-313</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities – discontinued operations</strong></td>
<td>-34</td>
<td>–</td>
<td>-54</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities – total</strong></td>
<td>-115</td>
<td>-74</td>
<td>-248</td>
<td>-313</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>611</td>
<td>4</td>
<td>626</td>
<td>4</td>
</tr>
<tr>
<td>Repayments of borrowings</td>
<td>-532</td>
<td>-12</td>
<td>-594</td>
<td>-55</td>
</tr>
<tr>
<td>Interest paid and other financial disbursements</td>
<td>-52</td>
<td>-37</td>
<td>-54</td>
<td>-40</td>
</tr>
<tr>
<td>Dividend payments</td>
<td>-74</td>
<td>-79</td>
<td>-74</td>
<td>-79</td>
</tr>
<tr>
<td>Cash outflows for the acquisition of own shares</td>
<td>–</td>
<td>-89</td>
<td>–</td>
<td>-200</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities – continuing operations</strong></td>
<td>-47</td>
<td>-213</td>
<td>-36</td>
<td>-370</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities – discontinued operations</strong></td>
<td>-40</td>
<td>–</td>
<td>-38</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities – total</strong></td>
<td>-87</td>
<td>-213</td>
<td>-74</td>
<td>-370</td>
</tr>
<tr>
<td>Change in cash and cash equivalents from continuing operations</td>
<td>-91</td>
<td>-205</td>
<td>-165</td>
<td>-569</td>
</tr>
<tr>
<td>Change in cash and cash equivalents from discontinued operations</td>
<td>-99</td>
<td>–</td>
<td>-122</td>
<td>–</td>
</tr>
<tr>
<td>Change in cash and cash equivalents – total</td>
<td>-190</td>
<td>-205</td>
<td>-287</td>
<td>-569</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period – total</td>
<td>438</td>
<td>434</td>
<td>538</td>
<td>797</td>
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<tr>
<td>Exchange differences and other changes in cash and cash equivalents – total</td>
<td>-3</td>
<td>0</td>
<td>-6</td>
<td>1</td>
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<tr>
<td><strong>Cash and cash equivalents at end of period – total</strong></td>
<td>245</td>
<td>229</td>
<td>245</td>
<td>229</td>
</tr>
<tr>
<td>of which continuing operations</td>
<td>130</td>
<td>229</td>
<td>130</td>
<td>229</td>
</tr>
<tr>
<td>of which discontinued operations</td>
<td>115</td>
<td>–</td>
<td>115</td>
<td>–</td>
</tr>
</tbody>
</table>
Abbreviations:

**Advanced Intermediates:**

- AII 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