

Q3 2019 Overview of LANXESS Group

LANXESS: Delivered as promised again

Financial Summary for Investors and Analysts

Price: -1% Volume: -1% FX: +2% Portfolio: 0%

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	Q3 2018	Q3 2019	Δ		Comments
Sales	€1,786 m	€1,781 m	0%	→	Stable as favorable FX effect offsets slightly lower prices and volumes (auto and termination of margin-dilutive tolling agreements)
EBITDA pre	€277 m	€267 m	-4%	↓	Slightly lower mainly due to pronounced auto weakness and lower utilization vs. high comparable base
margin	15.5%	15.0%	-0.5 pp.	↓	
Net Income	€80 m	€69m	-14%	↓	Impacted by higher depreciation and lower utilization, mitigated by better financial result
EPS pre	€1.23	€1.21	-2%	→	In line with PY level
Net financial debt	Dec 2018 €1,381 m	Sep 2019 €1,786 m	+29%	↑	Mainly impacted by: - share buy-back (€200 m) - IFRS 16 effect (~€130 m) - dividend payment (€79 m) - variable compensation
Capex	€114 m	€121 m	+6%	↑	Reflects further investments in attractive debottlenecking projects

Q3 2019 Business Overview

Q3 2019 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	-3%	+5%	+2%	0%	+3%
Specialty Additives	0%	-3%	+3%	0%	0%
Performance Chemicals	+1%	+3%	+2%	0%	+6%
Engineering Materials	-3%	-9%	+2%	0%	-10%
LANXESS	-1%	-1%	+2%	0%	0%

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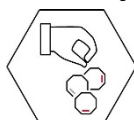
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Advanced Intermediates

Rock solid

- Volume-driven sales increase in both BUs, esp. BU Saltigo
- Slightly lower prices in BU All mainly due to raw material price pass-through
- Positive FX development mitigates price decline in sales
- Volume-driven EBITDA pre improvement and solid margin mainly based on ongoing recovery in BU Saltigo
- EBITDA pre of €89 m (Q3 2018: €87 m)
- EBITDA pre margin of 16.2% (Q3 2018: 16.3%)



Specialty Additives

Most profitable segment

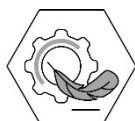
- Stable sales: FX effects compensate lower volumes
- Positive price effect in BU PLA and BU RCH balances lower prices in BU LAB (raw material price pass-through)
- Volume decrease due to lower auto demand (mainly BU RCH) and termination of margin-dilutive tolling agreements (BU LAB)
- BU PLA, FX and synergies contribute to improved EBITDA pre and margin
- EBITDA pre of €97 m (Q3 2018: €93 m)
- EBITDA pre margin of 19.3% (Q3 2018: 18.5%)



Performance Chemicals

Making progress

- Strong sales improvement driven by price, volume and FX
- Favorable price and volume development in BU MPP and LPT mitigated by adverse price and volume effects in BU Leather
- Improved EBITDA pre and stable margin driven by BU MPP and LPT, while Chrome business continues to burden
- EBITDA pre of €56 m (Q3 2018: €53 m)
- EBITDA pre margin of 15.8% (Q3 2018: 15.9%)



Engineering Materials

Weak auto demand still impacting results

- Sales decrease due to lower volumes and prices mitigated by FX
- Price decline in both BUs due to lower raw material prices
- Lower volumes in both BUs reflecting weaker demand from auto industry
Decline looks overstated due to Q3 2018 trade business deal
- EBITDA pre of €59 m (Q3 2018: €70 m) and margin of 16.7% (Q3 2018: 17.8%) burdened by volume effect

Realignment of Organometallics initiated

- Sale of tin based Organometallics business to US chemical company PMC Group
 - Sales: ~€60 m
 - EBITDA: Low single digit amount
 - OTC: ~€20 m (mainly extraordinary write-downs)
- Closing expected until end of 2019
- LANXESS will continue to manufacture on a contract basis for PMC until at least end of 2021

Outlook 2019:

Current view on economy

- Macro uncertainties linger
- Auto: No recovery ahead

LANXESS FY 2019 Guidance reiterated

- **FY 2019: EBITDA pre expected between €1,000 m and €1,050 m**
- **Q4 2019: Anticipated to be 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: Up to €100 m including announced portfolio measures
- 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
- Organometallics: ~€3 m until 2022

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Forward-Looking Statements

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Financial Overview Q3 2019

in € million	LXS			AI			SAD			PC			EM			DIF		
	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	Q3/2018	Q3/2019	Chg. in %	Q3/2018	Q3/2019	Chg. in %	Q3/2018	Q3/2019	Chg. in %	Q3/2018	Q3/2019	Chg. in %	Q3/2018	Q3/2019	Chg. in %	Q3/2018	Q3/2019	Chg. in %
Sales	1,786	1,781	0%	534	549	3%	502	503	0%	334	354	6%	394	353	-10%	22	22	0%
Price*			-1.5%			-3.2%			-0.2%			0.6%			-2.5%			0.0%
Volume*			-1.0%			4.5%			-3.0%			3.0%			-9.4%			0.0%
Currency*			2.2%			1.5%			3.4%			2.4%			1.5%			0.0%
Portfolio*			0.0%			0.0%			0.0%			0.0%			0.0%			0.0%
EBIT	146	117	-20%	55	53	-4%	51	52	2%	34	33	-3%	55	43	-22%	-49	-64	-31%
Deprec. & amortizat.	105	121	15%	32	36	13%	34	40	18%	19	22	16%	15	16	7%	5	7	40%
EBITDA	251	238	-5%	87	89	2%	85	92	8%	53	55	4%	70	59	-16%	-44	-57	-30%
exceptionals in EBITDA	26	29	12%	0	0	0%	8	5	-38%	0	1	>100%	0	0	0%	18	23	28%
EBITDA pre excep.	277	267	-4%	87	89	2%	93	97	4%	53	56	6%	70	59	-16%	-26	-34	-31%
normalized D&A	106	121	14%	32	36	13%	35	40	14%	19	22	16%	15	16	7%	5	7	40%
EBIT pre excep.	171	146	-15%	55	53	-4%	58	57	-2%	34	34	0%	55	43	-22%	-31	-41	-32%
exceptionals in EBIT	25	29	16%	0	0	0%	7	5	-29%	0	1	>100%	0	0	0%	18	23	28%
Capex	114	121	6%	39	38	-3%	32	29	-9%	17	18	6%	15	22	47%	11	14	27%
Net financial debt	1,381	1,786	29%															

* approximate numbers

Financial Overview 9M 2019

in € million	LXS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	9M/2018	9M/2019	Chg. in %	9M/2018	9M/2019	Chg. in %	9M/2018	9M/2019	Chg. in %	9M/2018	9M/2019	Chg. in %	9M/2018	9M/2019	Chg. in %	9M/2018	9M/2019	Chg. in %
Sales	5,431	5,413	0%	1,645	1,696	3%	1,510	1,494	-1%	1,026	1,057	3%	1,185	1,100	-7%	65	66	2%
Price*			-0.3%			-1.7%			0.7%			0.4%			-0.3%			0.0%
Volume*			-2.7%			3.0%			-6.0%			-0.2%			-8.9%			1.5%
Currency*			2.6%			1.8%			3.9%			2.8%			2.0%			0.0%
Portfolio*			0.1%			0.0%			0.3%			0.0%			0.0%			0.0%
EBIT	459	399	-13%	191	201	5%	156	143	-8%	105	100	-5%	179	141	-21%	-172	-186	-8%
Deprec. & amortizat.	310	356	15%	95	109	15%	99	117	18%	57	64	12%	45	48	7%	14	18	29%
EBITDA	769	755	-2%	286	310	8%	255	260	2%	162	164	1%	224	189	-16%	-158	-168	-6%
exceptionals in EBITDA	68	73	7%	0	0	0%	10	9	-10%	1	6	>100%	0	0	0%	57	58	2%
EBITDA pre excep.	837	828	-1%	286	310	8%	265	269	2%	163	170	4%	224	189	-16%	-101	-110	-9%
normalized D&A	310	353	14%	95	109	15%	100	115	15%	57	64	12%	44	48	9%	14	17	21%
EBIT pre excep.	527	475	-10%	191	201	5%	165	154	-7%	106	106	0%	180	141	-22%	-115	-127	-10%
exceptionals in EBIT	68	76	12%	0	0	0%	9	11	22%	1	6	>100%	1	0	-100%	57	59	4%
Capex	257	305	19%	92	96	4%	76	73	-4%	44	48	9%	30	53	77%	15	35	>100%
Net financial debt	1,381	1,786	29%															

* approximate numbers

Income Statement Q3 / 9M 2019

in € million	Q3/2018	Q3/2019	Chg. in %	9M/2018	9M/2019	Chg. in %
Sales	1,786	1,781	0%	5,431	5,413	0%
Cost of sales	-1,308	-1,313	0%	-3,982	-3,979	0%
Gross profit	478	468	-2%	1,449	1,434	-1%
Selling expenses	-202	-214	-6%	-613	-658	-7%
Research and development expenses	-30	-31	-3%	-88	-90	-2%
General administration expenses	-72	-68	6%	-218	-203	7%
Other operating income	21	16	-24%	74	66	-11%
Other operating expenses	-49	-54	-10%	-145	-150	-3%
Operating result (EBIT)	146	117	-20%	459	399	-13%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	1	2	100%	4	5	25%
Interest expense	-16	-17	-6%	-54	-49	9%
Other financial income and expense	-13	-6	54%	-33	-1	97%
Financial result	-28	-21	25%	-83	-45	46%
Income before income taxes	118	96	-19%	376	354	-6%
Income taxes	-38	-29	24%	-119	-106	11%
Income after income tax from continuing operations	80	67	-16%	257	248	-4%
Income after income tax from discontinued operations	52	0	-100%	140	0	-100%
Income after income taxes	132	67	-49%	397	248	-38%
of which attributable to non-controlling interests	22	-2	<i>n.m.</i>	65	-5	<i>n.m.</i>
Net income (attributable to LANXESS AG stockholders)	110	69	-37%	332	253	-24%
EPS (in €)*	0.88	0.79	-10%	2.82	2.85	1%
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	1.23	1.21	-2%	3.84	4.01	4%

* continuing operations only

Cash Flow Statement Q3 / 9M 2019

€ million	Q3 2018	Q3 2019	9M 2018	9M 2019
Income before income taxes	118	96	376	354
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	105	121	310	356
Gains/losses on disposals of intangible assets and property, plant and equipment	-1	1	-1	0
Financial losses (gains)	15	16	40	24
Income taxes paid	-32	-40	-93	-154
Changes in inventories	-67	-11	-151	-53
Changes in trade receivables	23	32	-120	14
Changes in trade payables	35	-26	-11	-115
Changes in other assets and liabilities	26	66	-63	-57
Net cash provided by operating activities – continuing operations	222	255	287	369
Net cash provided by (used in) operating activities – discontinued operations	13	–	-17	–
Net cash provided by operating activities – total	235	255	270	369
Cash outflows for purchases of intangible assets and property, plant and equipment	-114	-121	-257	-305
Cash inflows from sales of intangible assets and property, plant and equipment	2	1	3	5
Cash outflows for financial assets	-1	-23	-1	-241
Cash inflows from financial assets	-1	20	–	82
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	-1	–	-66	–
Interest and dividends received	1	1	13	24
Net cash used in investing activities – continuing operations	-114	-122	-308	-435
Net cash used in investing activities – discontinued operations	-35	–	-89	–
Net cash used in investing activities – total	-149	-122	-397	-435
Proceeds from borrowings	1	–	627	4
Repayments of borrowings	-112	-22	-646	-77
Interest paid and other financial disbursements	-2	-3	-56	-43
Dividend payments	–	–	-74	-79
Cash outflows for the acquisition of own shares	–	–	–	-200
Net cash used in financing activities – continuing operations	-113	-25	-149	-395
Net cash used in financing activities – discontinued operations	-11	–	-49	–
Net cash used in financing activities – total	-124	-25	-198	-395
Change in cash and cash equivalents from continuing operations	-5	108	-170	-461
Change in cash and cash equivalents from discontinued operations	-33	–	-155	–
Change in cash and cash equivalents – total	-38	108	-325	-461
Cash and cash equivalents at beginning of period – total	245	229	538	797
Exchange differences and other changes in cash and cash equivalents – total	-2	1	-8	2
Cash and cash equivalents at end of period – total	205	338	205	338
of which continuing operations	131	338	131	338
of which discontinued operations	74	–	74	–

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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