

LANXESS: On track

Q2 2019 results

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Agenda

1 Executive summary and business details Q2 2019

2 Financial details Q2 2019

3 Back-up

Q2 2019: Solid performance despite macroeconomic headwinds



Highlights

- Strategic transformation is paying off
- Leading positions in attractive niche markets balance declining auto sector
- Three out of four segments weather increasingly challenging environment
- Group financials on strong prior year's level
- Share buy-back program completed



Challenges

- Lower volumes due to:
 - persistent weakness in automotive and agro sector
 - termination of low-margin contracts and site closures (Specialty Additives)
- Generally hesitant order behavior of customers

LXS Group: Resilient performance

EBITDA and margin on PY level despite macroeconomic headwinds

[€m]	Q2 2018	Q2 2019	Δ	YTD 2018	YTD 2019	Δ
Sales	1,829	1,810	-1%	3,645	3,632	0%
EBITDA pre	290	286	-1%	560	561	0%
Margin	15.9%	15.8%		15.4%	15.4%	
CAPEX	83	112	35%	143	184	29%

Price **0%** Volume **-3%** FX **+3%** Portfolio **0%**

Total **-1%**

Q2 Sales vs. PY

- Slightly lower sales: volume decline mainly impacted by auto demand and termination of margin-dilutive tolling agreements mitigated by strong AI segment and positive FX effect
- EBITDA pre and margin supported by favorable FX
- Higher capex resulting from further investments in de-bottleneckings



Advanced Intermediates: Holding up nicely

Weathering troubled waters

[€m]	Q2 2018	Q2 2019	Δ	YTD 2018	YTD 2019	Δ
Sales	546	561	3%	1,111	1,147	3%
EBITDA pre	97	107	10%	199	221	11%
Margin	17.8%	19.1%		17.9%	19.3%	
CAPEX	30	33	10%	53	58	9%

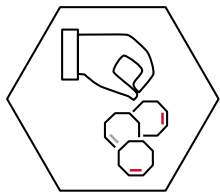
Price Volume FX Portfolio

-2% **+3%** **+2%** **0%**

Total **+3%**

Q2 Sales vs. PY

- 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 All and ongoing recovery in BU SGO



Specialty Additives: Stable development

**Bromine and
flame retardants
support
performance**

[€m]	Q2 2018	Q2 2019	Δ	YTD 2018	YTD 2019	Δ
Sales	508	506	0%	1,008	991	-2%
EBITDA pre	91	89	-2%	172	172	0%
Margin	17.9%	17.6%		17.1%	17.4%	
CAPEX	28	30	7%	44	44	0%

Price Volume FX Portfolio

+1% **-6%** **+4%** **0%**

Total **0%**

Q2 Sales vs. PY

- 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



Performance Chemicals: Improving

**Regulated
chemistry with
strong
performance**

[€m]	Q2 2018	Q2 2019	Δ	YTD 2018	YTD 2019	Δ
Sales	356	356	0%	692	703	2%
EBITDA pre	58	60	3%	110	114	4%
Margin	16.3%	16.9%		15.9%	16.2%	
CAPEX	15	17	13%	27	30	11%

Price	Volume	FX	Portfolio
+1%	-3%	+3%	0%

Total 0%

Q2 Sales vs. PY

- 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) mitigated 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



Engineering Materials: Lower volumes due to weak auto demand

Tough market environment

[€m]	Q2 2018	Q2 2019	Δ	YTD 2018	YTD 2019	Δ
Sales	399	365	-9%	791	747	-6%
EBITDA pre	81	65	-20%	154	130	-16%
Margin	20.3%	17.8%		19.5%	17.4%	
CAPEX	9	20	>100%	15	31	>100%

Price Volume FX Portfolio

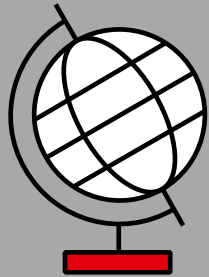
0% **-11%** **+2%** **0%**

Total -9%

Q2 Sales vs. PY

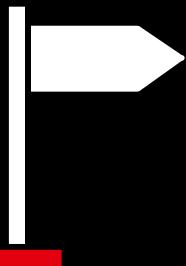
- Sales impacted by lower volumes compared to a strong Q2 2018
- Prices stable in both BUs
- Volumes drop mainly in BU HPM due to weaker auto demand, impacting EBITDA pre and margin
- Margin retained on good level despite end market weakness

Guidance for FY 2019 reiterated – LANXESS' transformation is paying off



Current view on economy

- Macro risks increasing
- Auto: no recovery ahead
- Demand situation remains uncertain – triggering hesitant customer order pattern



LANXESS FY 2019

FY 2019 EBITDA pre still expected between €1,000 m and €1,050 m,
Q3 slightly weaker,
Q4 slightly better than in 2018

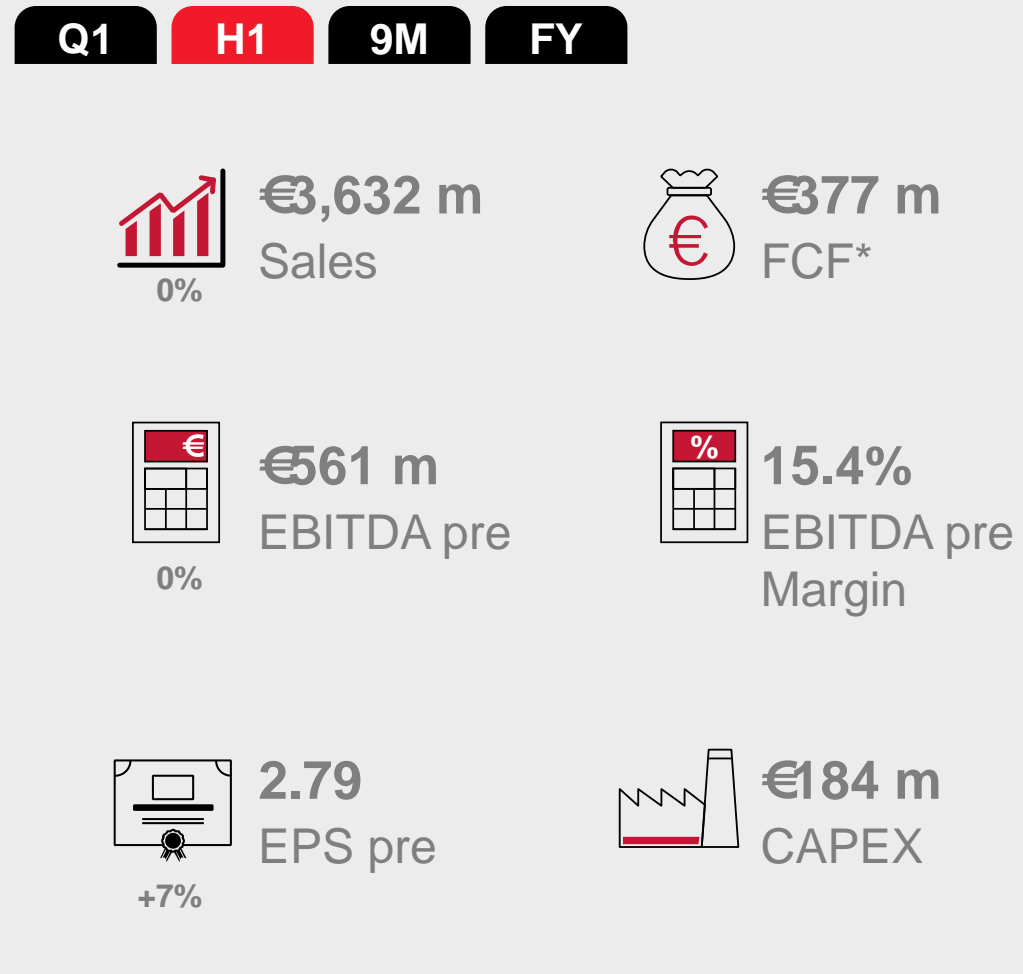
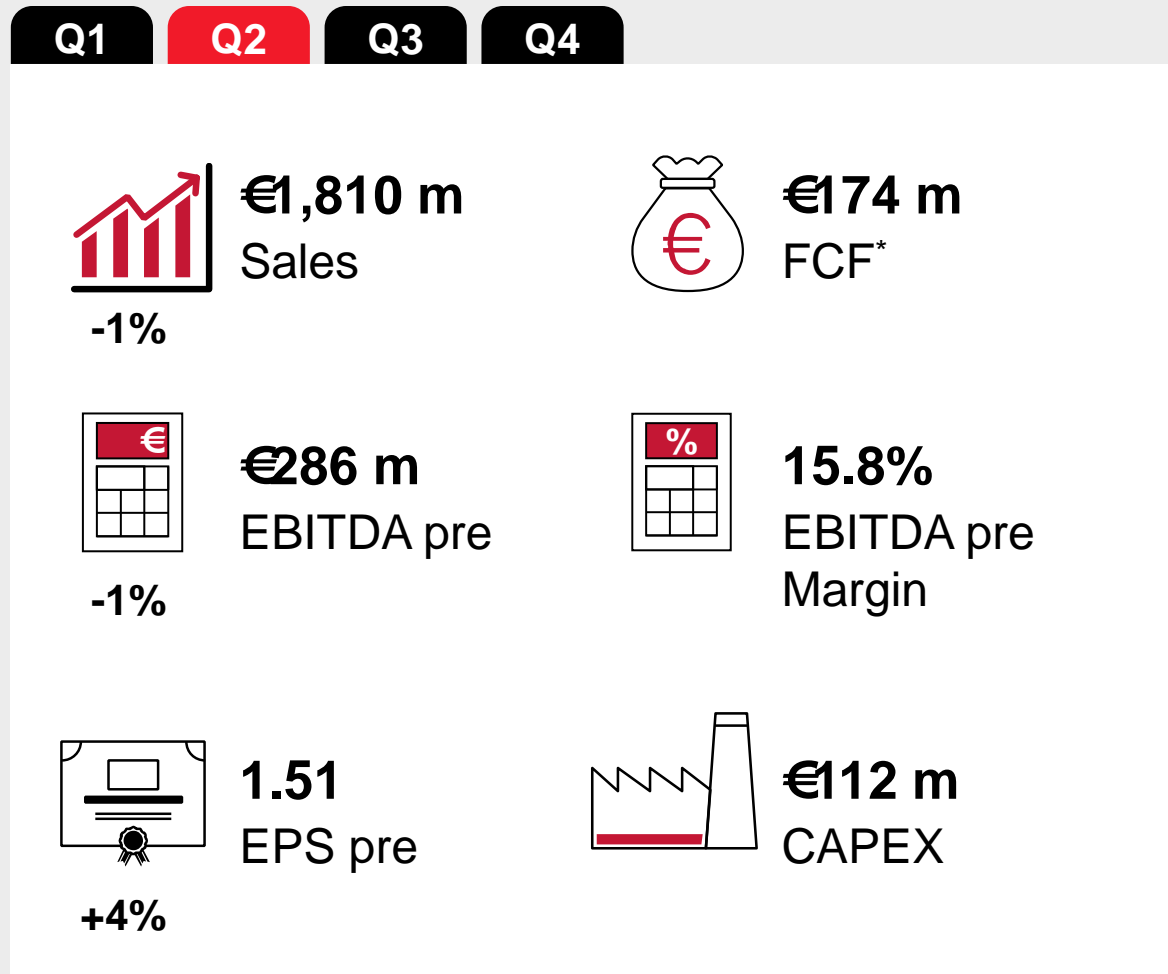
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Key Figures: Q2 2019 on track as guided



* FCF defined as EBITDA pre - CAPEX

Q2 2019: Stable on strong previous year level

[€m]	Q2 2018*		Q2 2019		yoy in %
Sales	1,829	(100%)	1,810	(100%)	-1%
Cost of sales	-1,332	(-73%)	-1,315	(-73%)	1%
Selling	-212	(-12%)	-228	(-13%)	-8%
G&A	-69	(-4%)	-69	(-4%)	0%
R&D	-28	(-2%)	-31	(-2%)	-11%
EBIT	159	(9%)	143	(8%)	-10%
Net Income	97	(5%)	100	(6%)	3%
EPS pre**	1.45		1.51		4%
EBITDA	263	(14%)	264	(15%)	0%
thereof except.	-27	(-1%)	-22	(-1%)	-19%
EBITDA pre except.	290	(15.9%)	286	(15.8%)	-1%

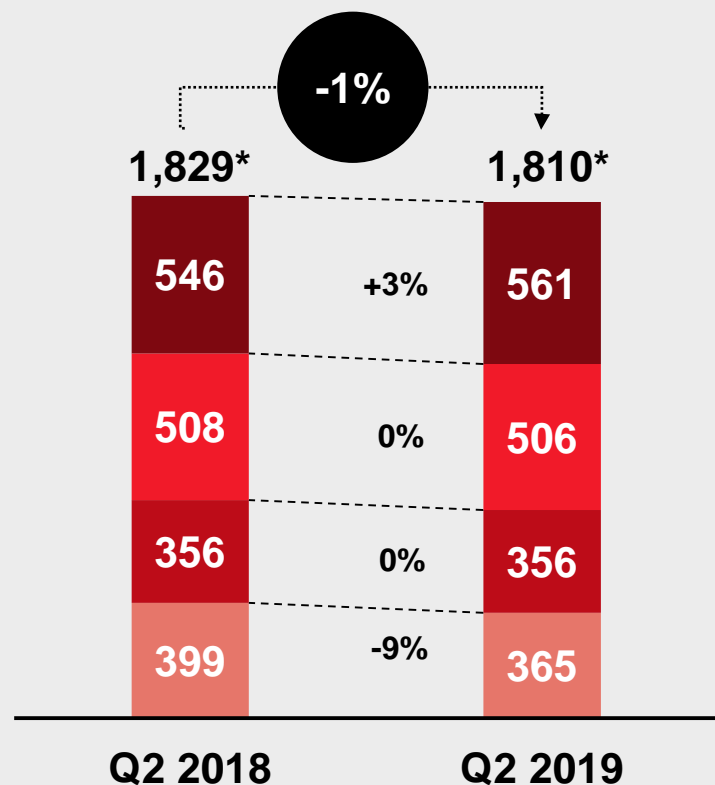
- Higher selling expenses driven by rising freight costs and FX
- Improved net income resulting from a better financial result, mainly driven by higher Currenta dividend
- EPS pre increase supported by share buyback
- Decrease in exceptionals due to lower restructuring and project costs

* 2018 applies to continuing operations

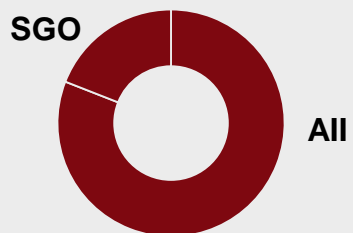
** Net of exceptionals and amortization of intangible assets as well as attributable tax effects

Q2 2019: Balanced portfolio compensates for lower demand from auto industry

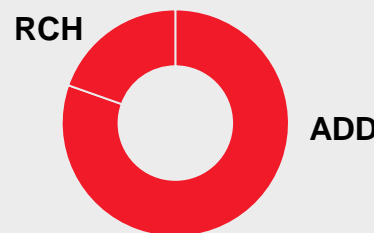
[€m] Sales



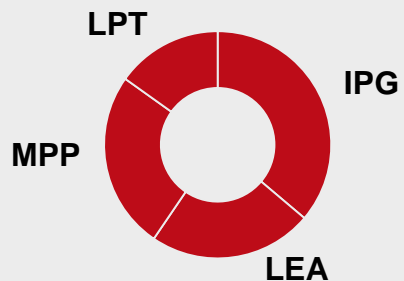
Advanced Intermediates



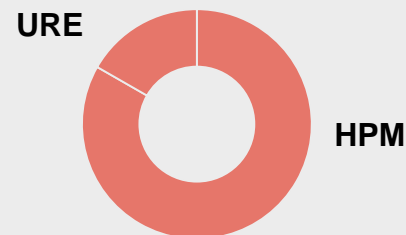
Specialty Additives



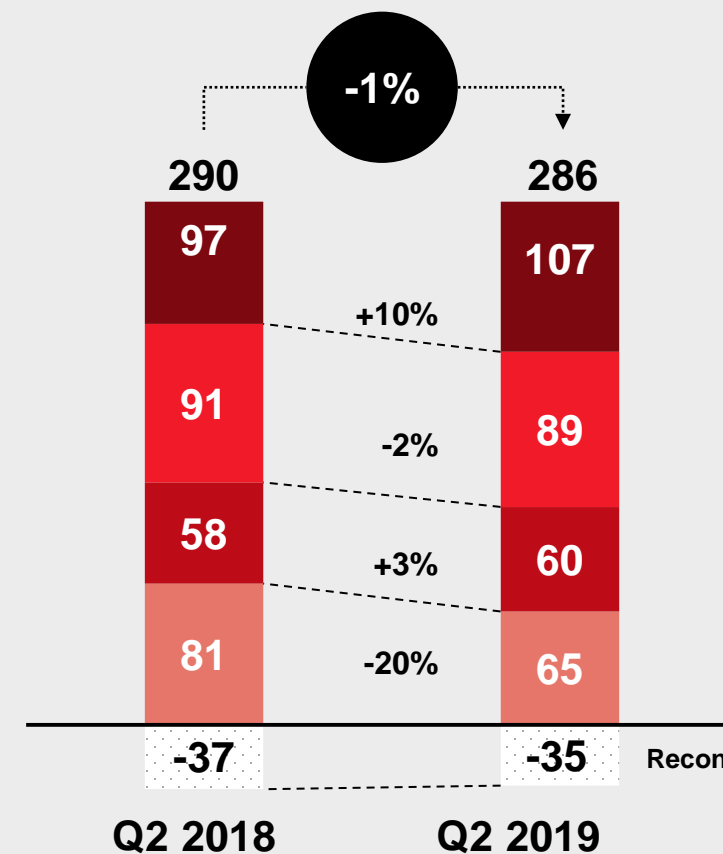
Performance Chemicals



Engineering Materials



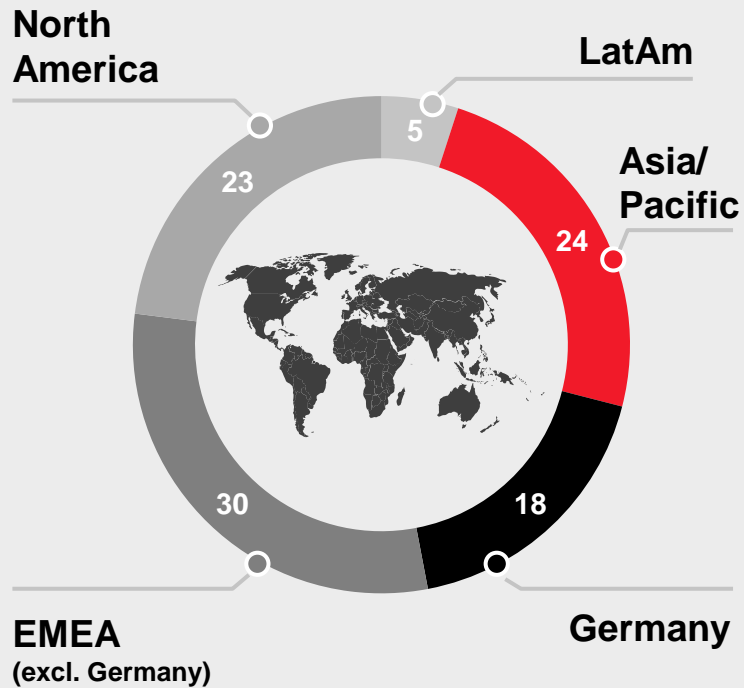
[€m] EBITDA pre



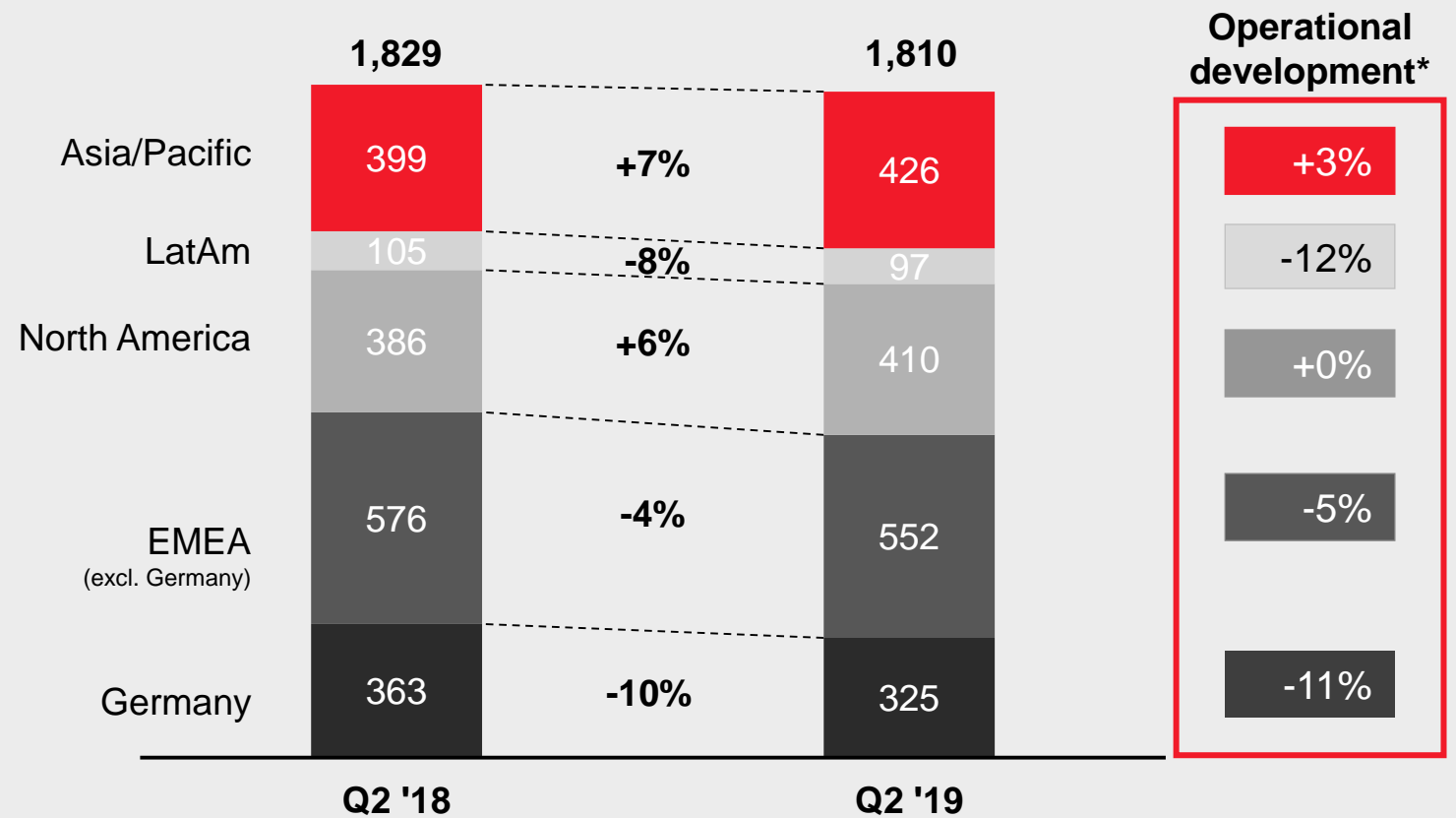
* Total group sales including reconciliation

Q2 2019: Asia and North America grow supported by FX tailwind, other regions decline

Q2 2019 sales by region [%]



Regional development of sales [€m]



* Currency and portfolio adjusted

Cash flow Q2 2019: Higher operating cash flow due to improved working capital

[€m]	Q2 2018*	Q2 2019	Δ
Operating cash flow	37	82	45
Changes in working capital	-67	13	80
Investing cash flow	-81	-74	7
thereof capex	-83	-112	-29

- Increase in operating cash flow driven by:
 - Improvement in changes in working capital, reflecting lower increase in inventories
- Capex increase driven by debottlenecking investments

* 2018 applies to continuing operations

Balance sheet: Solid!

[€m]	31.12.2018	30.06.2019
Total assets	8,687	8,584
Equity	2,773	2,648
Equity ratio	32%	31%
Net financial debt¹	1,381	1,902
Near cash, cash & cash equivalents	797	229
Pension provisions	1,083	1,170
Net working capital	1,455	1,611
DSI (in days) ²	69	69
DSO (in days) ³	46	46

- Net debt and cash position mainly impacted by:
 - Share buy-back (€200 m),
 - IFRS 16 effect (~€130 m)
 - Dividend payment (€79 m)
 - Payment of variable compensation
- Higher pension provisions due to declining underlying interest rate in Germany
- Working capital following normal seasonal pattern with stable DSI and DSO

¹ Including cash, cash equivalents and near cash assets and after deduction of time deposits and securities available for sale

² Days sales of inventory calculated from quarterly sales

³ Days of sales outstanding calculated from quarterly sales

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Housekeeping items

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

H1 2019: Stable on strong previous year level

[€m]	H1 2018*		H1 2019		yoy in %
Sales	3,645	(100%)	3,632	(100%)	0%
Cost of sales	-2,674	(-73%)	-2,666	(-73%)	0%
Selling	-411	(-11%)	-444	(-12%)	-8%
G&A	-146	(-4%)	-135	(-4%)	8%
R&D	-58	(-2%)	-59	(-2%)	-2%
EBIT	313	(9%)	282	(8%)	-10%
Net Income	178	(5%)	184	(5%)	3%
EPS pre**	2.61		2.79		7%
EBITDA	518	(14%)	517	(14%)	0%
thereof except.	-42	(-1%)	-44	(-1%)	5%
EBITDA pre except.	560	(15.4%)	561	(15.4%)	0%

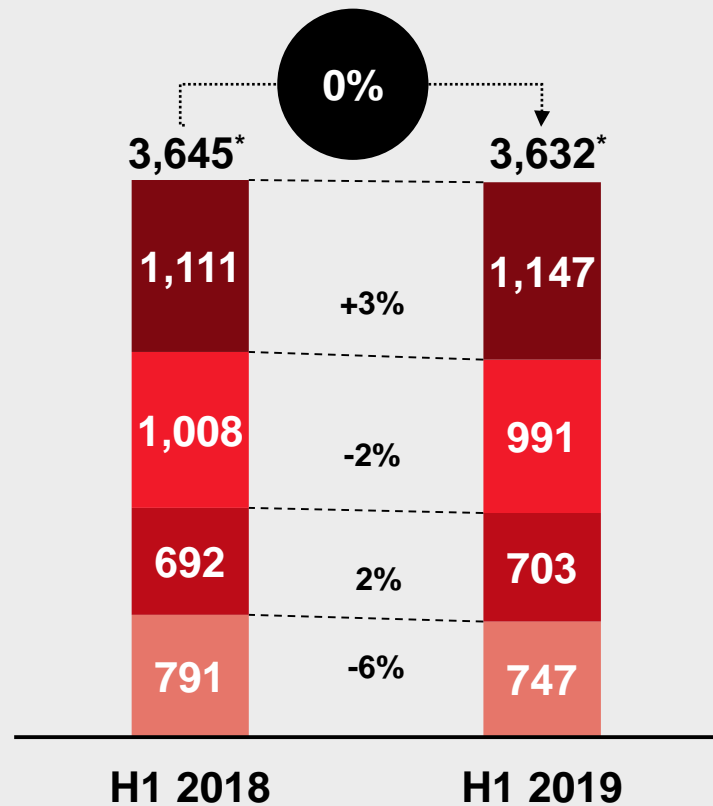
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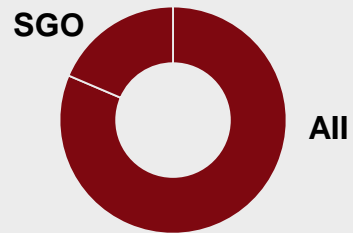
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H1 2019: Balanced portfolio compensates for lower demand from auto industry

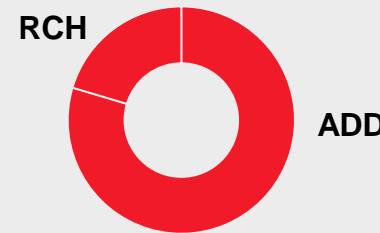
[€m] Sales



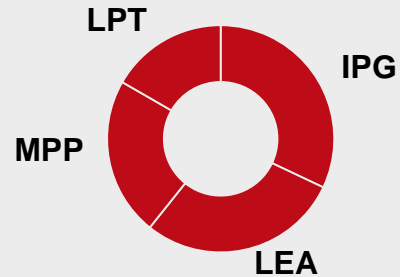
Advanced Intermediates



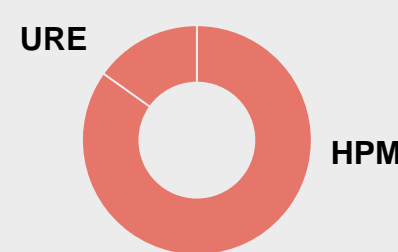
Specialty Additives



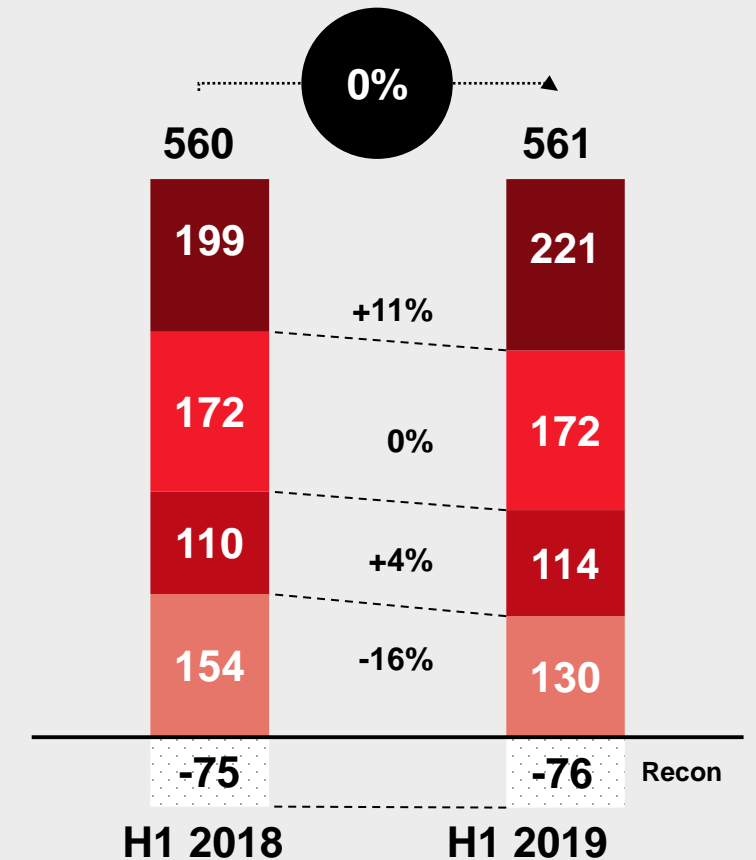
Performance Chemicals



Engineering Materials



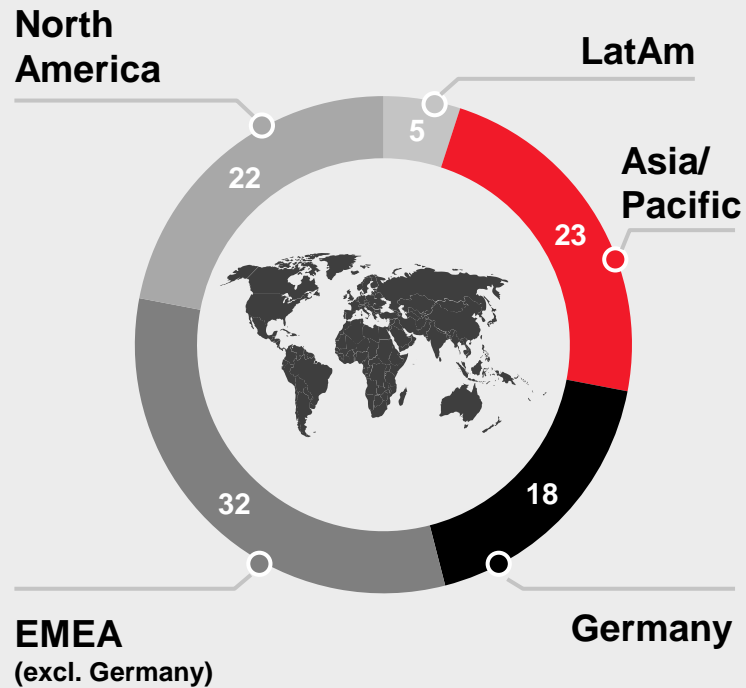
[€m] EBITDA pre



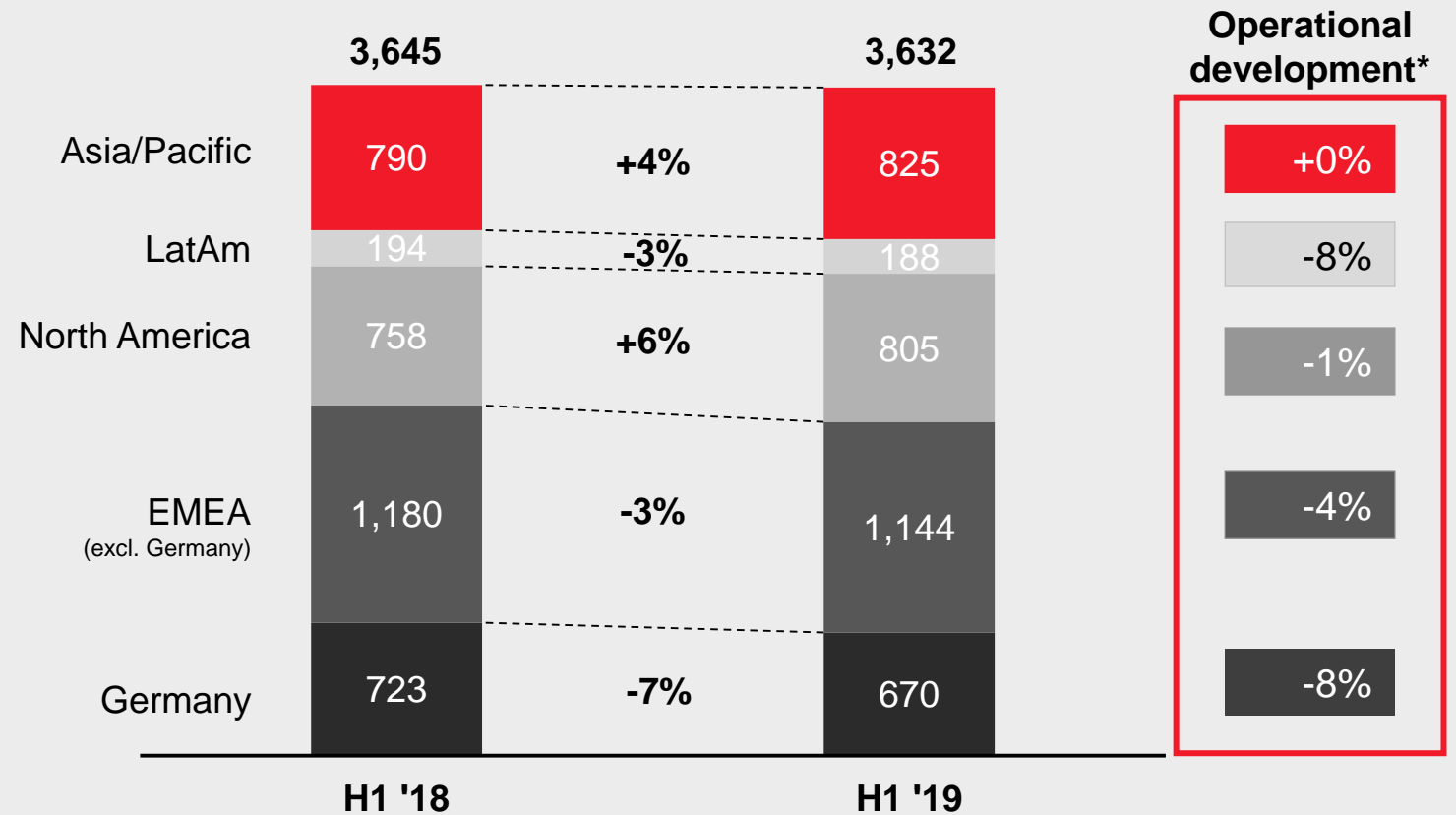
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H1 2019: Asia and North America grow supported by FX tailwind, other regions decline

H1 2019 sales by region [%]



Regional development of sales [€m]



* Currency and portfolio adjusted

Cash flow H1 2019: Higher operating cash flow due to improved working capital

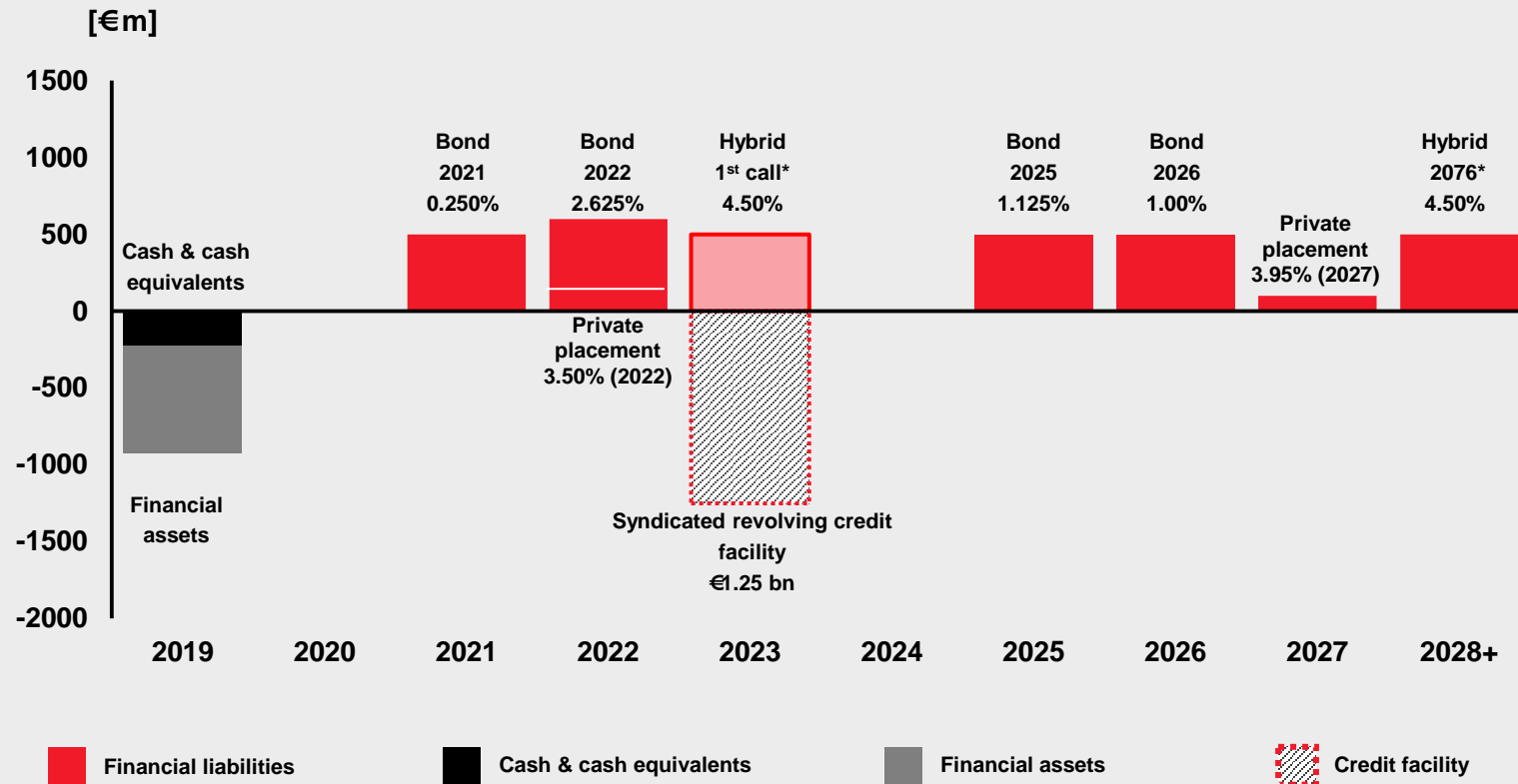
[€m]	H1 2018*	H1 2019	Δ
Operating cash flow	65	114	49
Changes in working capital	-273	-149	124
Investing cash flow	-194	-313	-119
thereof capex	-143	-184	-41

- Increase in operating cash flow driven by:
 - Improvement in changes in working capital, reflecting lower increase in inventories
- Capex increase driven by debottlenecking investments

* 2018 applies to continuing operations

Maturity profile actively managed and well balanced

Liquidity and maturity profile as per June 2019


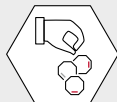




Long-term financing secured

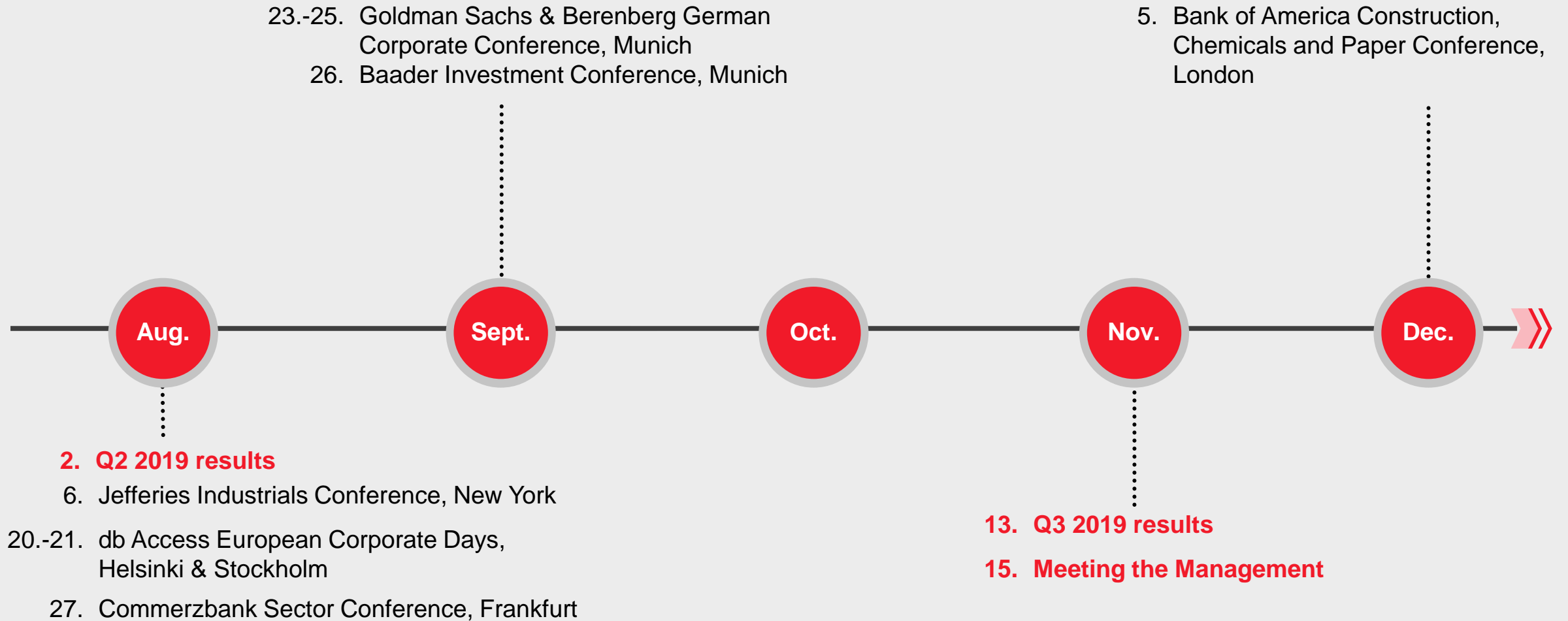
- Diversified financing sources
 - Bonds & private placements
 - Syndicated credit facility
- Average interest rate of financial liabilities ~2%
- Next bond maturity in 2021
- All group financing executed without financial covenants

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

Decrease in exceptional items (on EBIT) due to lower restructuring and project costs

[€m]	Q2 2018		Q2 2019		YTD 2018		YTD 2019	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
 Advanced Intermediates	0	0	0	0	0	0	0	0
 Specialty Additives	2	0	5	2	2	0	6	2
 Performance Chemicals	0	0	1	0	1	0	5	0
 Engineering Materials	1	1	0	0	1	1	0	0
Reconciliation	25	0	19	1	39	0	36	1
Total	28	1	25	3	43	1	47	3

Upcoming events 2019 - Proactive capital market communication



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Abbreviations



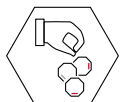
Advanced Intermediates

AI	Advanced Industrial Intermediates
SGO	Saltigo



Performance Chemicals

IPG	Inorganic Pigments
LEA	Leather
MPP	Material Protection Products
LPT	Liquid Purification Technologies



Specialty Additives

LAB	Lubricant Additives Business
PLA	Polymer Additives
RCH	Rhein Chemie



Engineering Materials

HPM	High Performance Materials
URE	Urethane Systems

LANXESS

Energizing Chemistry