Q2 2020 Results
LANXESS Group

Tackling the crisis

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	Q2 2019	Q2 2020	Δ		Comments
Sales	€1,724 m	**€1,436 m**	-17%	↓	Sales decline due to weak demand across many industries and pass-through of lower raw material prices
EBITDA pre	€281 m	**€224 m**	-20%	↓	Decrease on the back of the global crisis, Consumer Protection segment and initiated cost containment measures partly compensate
margin	16.3%	**15.6%**	-0.7 pp.	↓	Margin relatively stable
EPS	€ 1.14	**€ 9.24**	>100%	↑	Positive effects from CURRENTA divestment
EPS pre	€ 1.45	**€ 0.86**	-41%	↓	Reflects pandemic impact
Net financial debt*	Dec 2019 €1.742 m	**Jun 2020** **€929 m**	-47%	↓	Proceeds of Currenta divestment improve equity and net financial debt Ongoing strong liquidity secures financial and operating flexibility in uncertain times
Capex	€109 m	**€88 m**	-19%	↓	Capex reduced in response of pandemic

Sales	Price	Volume	Currency	Portfolio
- 17%	- 4%	-13%	0%	0%

* Including cash, cash equivalents, short term money market investments

Advanced Intermediates

Pandemic impact, but relatively stable EBITDA

- Sales drop mainly due to decreased volumes
- Volume drop in both BUs, resulting from global demand set-back. Decline overstated by ~3% points due to Organometallics (Tin) exit and shift to tolling
- EBITDA pre margin on strong performance level

Sales - 20%

Price	Volume	Currency	Portfolio
- 6%	**- 14%**	**+ 0%**	**0%**

	Q2 2019	Q2 2020
EBITDA pre	€114 m	**€100 m**
margin	19.5%	**21.3%**

Specialty Additives

Impact from pandemic related crisis now fully visible

- Strong volume driven sales decline
- Volume decrease across segment due to weakness in automotive, aviation, oil & gas, mainly in the Americas
- BU RheinChemie hit hardest reflecting its auto exposure
- EBITDA and margin decline result from lower demand in key industries

Sales - 20%

Price	Volume	Currency	Portfolio
-1%	**- 20%**	**+ 1%**	**0%**

	Q2 2019	Q2 2020
EBITDA pre	€89 m	**€63 m**
margin	17.6%	**15.6%**

Consumer Protection*

Performance accelerated again

- Rise in sales in all BUs
- Volume growth mainly driven by BU SGO and continued strong demand for disinfectants (BU MPP)
- Volume effect overstated by BU SGO‘s project related pre-buying in Q2 vs Q3
- Positive EBITDA pre and margin development reflect strong underlying demand

Sales + 22%

Price	Volume	Currency	Portfolio
+ 2%	**+ 19%**	**0%**	**+ 1%**

	Q2 2019	Q2 2020
EBITDA pre	€48 m	**€68 m**
margin	19.4%	**22.6%**

Engineering Materials

Plummeting demand as automotive industry suffers

- Drop in sales results from sharp decline in auto demand and production shutdowns of OEMs due to COVID-19 especially in Europe
- Price decline mainly due to lower raw material prices
- Substantial EBITDA pre and margin decline mainly due to burden in BU HPM

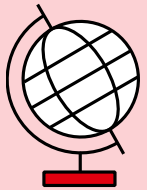
Sales - 33%

Price	Volume	Currency	Portfolio
- 9%	**- 24%**	**0%**	**0%**

	Q2 2019	Q2 2020
EBITDA pre	€65 m	**€28 m**
margin	17.8%	**11.5%**

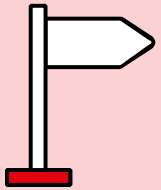
* New reporting structure as of Q1 2020, all numbers excluding BU LEA which is reported as discontinued operations

Outlook 2020: Confirmed



Current view on economy

- Automotive and aviation industries hit hardest by Corona impact, also construction, oil & gas and electronics suffering
- Government stimuli only gradually taking effect



LANXESS outlook includes Corona impact

- Q3: Business momentum to improve compared to Q2. However, EBITDA pre impacted by unwinding Q2 raw material price tailwind (€10 m) and planned BU HPM maintenance turnaround (€10-20 m)
- FY: EBITDA pre still expected in range between €800–900 m

Housekeeping items 2020

Capex:	**~€450 m**
Operational D&A:	**~€450 m**
Reconciliation:	~**€140-150 m** incl. remnant costs
Tax rate:	**~28%**
Exceptionals:	**~€100 m** based on current initiatives
FX sensitivity:	One cent change of USD/EUR resulting in **~€7 m** EBITDA pre impact before hedging
Remnant costs:	**~€10 m** p.a. until 2022 plus **~€10 m** p.a. in 2021 and 2022 (organic leather business)
Maintenance shutdown BU HPM	**~€10-20** m in Q3

Portfolio transformation continues

Divesting membranes (BU LPT) to focus on Ion Exchange Resins

- Membrane business sold to SUEZ with closing expected end of 2020
- Low double-digit €m sales with neg. EBITDA
- Focus on specialized ion exchanges resin products for attractive markets and adding new capacities to foster growth

Full exit from Leather business accomplished

- Sale of global organic leather business to TFL*
- Enterprise Value: ~€105m** plus performance-related component of up to €115m over 3-5 years; closing mid 2021 (relevant authorities approval)
- Purchase price: €80 m plus performance-related component of up to €115 m (to be paid out in next 3-5 years)

* TFL Ledertechnik GmbH is a portfolio company of Black Diamond Capital Management, L.L.C. **Expected as of closing date

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Financial Overview Q2 / H1 2020

	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
€ million	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020
External sales	585	469	506	403	247	301	365	244	21	19	1,724	1,436
Inter-segment sales	9	9	5	3	16	13	0	0	(30)	(25)	0	0
Segment/Group sales	594	478	511	406	263	314	365	244	(9)	(6)	1,724	1,436
Segment result/EBITDA pre exceptionals	114	100	89	63	48	68	65	28	(35)	(35)	281	224
EBITDA margin pre exceptionals (%)	19.5	21.3	17.6	15.6	19.4	22.6	17.8	11.5			16.3	15.6
EBITDA	114	100	86	60	48	65	65	28	(53)	(55)	260	198
EBIT pre exceptionals	79	68	51	20	28	48	49	12	(40)	(42)	167	106
EBIT	79	68	46	17	28	27	49	12	(59)	(63)	143	61
Segment capital expenditures	47	36	31	21	14	14	23	13	12	23	127	107
Depreciation and amortization	35	32	40	43	20	38	16	16	6	8	117	137

Prior-year figures restated and in line with the changed segment structure

	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
€ million	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
External sales	1,169	1,027	991	902	511	580	747	591	44	40	3,462	3,140
Inter-segment sales	20	20	7	6	33	27	0	0	(60)	(53)	0	0
Segment/Group sales	1,189	1,047	998	908	544	607	747	591	(16)	(13)	3,462	3,140
Segment result/EBITDA pre exceptionals	219	188	172	148	108	135	130	77	(76)	(79)	553	469
EBITDA margin pre exceptionals (%)	18.7	18.3	17.4	16.4	21.1	23.3	17.4	13.0			16.0	14.9
EBITDA	215	186	168	141	108	132	130	77	(111)	(119)	510	417
EBIT pre exceptionals	154	124	97	67	67	94	98	44	(87)	(93)	329	236
EBIT	150	122	91	60	67	73	98	44	(123)	(134)	283	165
Segment capital expenditures	76	67	46	38	24	25	34	22	24	37	204	189
Depreciation and amortization/ reversals of impairment charges	65	64	77	81	41	59	32	33	12	15	227	252
Employees as of June 30 (previous year: as of Dec. 31)	3,831	3,781	2,942	2,719	2,286	2,409	2,203	2,211	3,042	3,228	14,304	14,348

Prior-year figures restated and in line with the changed segment structure

Income Statement Q2 / H1 2020

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Sales	**1,724**	**1,436**	**3,462**	**3,140**
Cost of sales	(1,252)	(1,042)	(2,538)	(2,311)
Gross profit	**472**	**394**	**924**	**829**
Selling expenses	(210)	(194)	(411)	(396)
Research and development expenses	(28)	(28)	(55)	(54)
General administration expenses	(65)	(64)	(128)	(138)
Other operating income	26	22	49	43
Other operating expenses	(52)	(69)	(96)	(119)
Operating result (EBIT)	**143**	**61**	**283**	**165**
Income from investments accounted for using the equity method	0	–	0	–
Interest income	1	2	3	5
Interest expense	(16)	(18)	(32)	(35)
Other financial income and expense	12	883	7	881
Financial result	**(3)**	**867**	**(22)**	**851**
Income before income taxes	**140**	**928**	**261**	**1,016**
Income taxes	(44)	(125)	(77)	(150)
Income after income taxes from continuing operations	**96**	**803**	**184**	**866**
Income after income taxes from discontinued operations	**2**	**(7)**	**(3)**	**(8)**
Income after income taxes	**98**	**796**	**181**	**858**
of which attributable to non-controlling interests	(2)	(2)	(3)	(4)
of which attributable to LANXESS AG stockholders (net income)	100	798	184	862
Earnings per share (basic/diluted) (€)				
from continuing operations	1.09	9.30	2.05	9.97
from discontinued operations	0.05	(0.06)	0.01	(0.04)
from continuing and discontinued operations	**1.14**	**9.24**	**2.06**	**9.93**

Prior-year figures restated

Cashflow Statement Q2 2020

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Income before income taxes	**140**	**928**	**261**	**1,016**
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	117	137	227	252
Gains on disposals of intangible assets and property, plant and equipment	(1)	(1)	(1)	(1)
Financial losses (gains)	(7)	(873)	8	(859)
Income taxes paid	(72)	(108)	(112)	(104)
Changes in inventories	(11)	(66)	(36)	(84)
Changes in trade receivables	45	208	(18)	59
Changes in trade payables	(11)	(86)	(91)	(100)
Changes in other assets and liabilities	(109)	(87)	(125)	(14)
Net cash provided by operating activities – continuing operations	**91**	**52**	**113**	**165**
Net cash (used in) provided by operating activities – discontinued operations	**(9)**	**(6)**	**1**	**(17)**
Net cash provided by operating activities – total	**82**	**46**	**114**	**148**
Cash outflows for purchases of intangible assets and property, plant and equipment	(109)	(88)	(178)	(162)
Cash inflows from sales of intangible assets and property, plant and equipment	1	1	2	4
Cash outflows for financial assets	(49)	(1,261)	(218)	(1,341)
Cash inflows from financial assets	62	551	62	572
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	–	–	(25)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	734	–	812

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Interest and dividends received	22	151	23	153
Net cash (used in) provided by investing activities – continuing operations	**(73)**	**88**	**(309)**	**13**
Net cash used in investing activities – discontinued operations	**(1)**	**0**	**(4)**	**(1)**
Net cash (used in) provided by investing activities – total	**(74)**	**88**	**(313)**	**12**
Proceeds from borrowings	4	–	4	1,000
Repayments of borrowings	(12)	(1,014)	(53)	(1,027)
Interest paid and other financial disbursements	(37)	(44)	(40)	(45)
Dividend payments	(79)	–	(79)	–
Cash outflows for the acquisition of own shares	(89)	(5)	(200)	(37)
Net cash used in financing activities – continuing operations	**(213)**	**(1,063)**	**(368)**	**(109)**
Net cash used in financing activities – discontinued operations	**0**	**0**	**(2)**	**0**
Net cash used in financing activities – total	**(213)**	**(1,063)**	**(370)**	**(109)**
Change in cash and cash equivalents – continuing operations	**(195)**	**(923)**	**(564)**	**69**
Change in cash and cash equivalents – discontinued operations	**(10)**	**(6)**	**(5)**	**(18)**
Change in cash and cash equivalents – total	**(205)**	**(929)**	**(569)**	**51**
Cash and cash equivalents at beginning of period – total	434	1,271	797	296
Exchange differences and other changes in cash and cash equivalents – total	0	(2)	1	(7)
Cash and cash equivalents at end of period – total	**229**	**340**	**229**	**340**
of which continuing operations	229	340	229	340
of which discontinued operations	0	0	0	0

Prior-year figures restated

2019 like-for-like figures for new reporting structure reflect shift between segments AI and CP

Sales

[in € m]	Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials	Total incl. Recon
FY	**2,251**	**1,965**	**1,050**	**1,450**	**6,802**
Q1	584	485	264	382	**1,738**
Q2	585	506	247	365	**1,724**
Q3	549	503	277	353	**1,704**
Q4	533	471	262	350	**1,636**

EBITDA pre

[in € m]	Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials	Total incl. Recon
FY	**383**	**353**	**198**	**238**	**1,019**
Q1	105	83	60	65	**272**
Q2	114	89	48	65	**281**
Q3	91	97	55	59	**269**
Q4	73	84	35	49	**197**

Abbreviations:

Advanced Intermediates:
AII Advanced Industrial Intermediates
IPG Inorganic Pigments

Specialty Additives
LAB Lubricant Additives Business
PLA Polymer Additives
RCH Rhein Chemie

Consumer Protection
LPT Liquid Purification Technologies
MPP Material Protection Products
SGO Saltigo

Engineering Materials
HPM High Performance Materials
URE Urethane Systems