

Q1 2019 Overview of LANXESS Group

Stable performance despite weakening economy

Financial Summary for Investors and Analysts

	Price: +1%	Volume: -4%	FX: +3%	Portfolio: 0%	
	Δ		Q1 2019	Q1 2018	Comments
Sales	+0%	→	€1,822 m	€1,816 m	Price increase and positive FX effect offset by lower volumes
EBITDA pre margin	+2%	↑	€275 m	€270 m	Positive pricing and FX effect offset by lower volumes
	+0.2 pp.	↑	15.1%	14.9%	
Exceptional items	+2%	↑	€22 m	€15 m	Reflect M&A projects, adjustment of production network and digitalization
Net Income	+4%	↑	€84 m	€81 m	Improved net income supported by better financial result and tax rate
EPS (group)	+10%	↑	€1.28	€1.16	Share buy-back supports EPS increase
Net financial debt	+21%	↑	Mar 2019 €1,675 m	Dec 2018 €1,381 m	Seasonal increase, ongoing share buy-back (~€111 m as of 31 Mar 2019) and IFRS 16 effect (~€130 m)
Capex	+20%	↑	€72 m	€60 m	Driven by debottlenecking investment program

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Q1 2019 Business Overview

Advanced Intermediates

Strong performance

- Sales deviation yoy: +4%
- Price +0%, Volume +1%, Currency +2%, Portfolio 0% (approximate numbers)
- Solid volume growth with improved product mix in BU All and in BU SGO despite still weak agro market
- Considerably improved EBITDA pre and margin versus already high previous-year level due to recovering BU SGO and strong performance in BU All
- EBITDA pre of €114 m (Q1 2018: €102 m)
- EBITDA pre margin of 19.5% (Q1 2018: 18.1%)

Specialty Additives

Again with improved margins

- Sales deviation yoy: -3%
- Price +1%, Volume -9%, Currency +5%, Portfolio+1% (approximate numbers)
- Sales decline driven by lower volumes
- Volume drop due to termination of margin-dilutive tolling agreements, closure of sites and lower auto demand (especially BU RCH)
- Portfolio reflects Solvay's U.S. phosphorus additives
- Rising EBITDA pre and margin driven by pricing, FX and synergies
- EBITDA pre of €83 m (Q1 2018: €81 m)
- EBITDA pre margin of 17.1% (Q1 2018: 16.2%)

Performance Chemicals

Stabilizing

- Sales deviation yoy: +3%
- Price 0%, Volume 0%, Currency +4%, Portfolio 0% (approximate numbers)
- Higher sales driven by positive currency effects
- Price increases in BU MPP and BU LPT offset by slightly lower prices in BU IPG and BU LEA
- Improved volumes in all BUs but LEA due to strikes
- EBITDA pre and margin reflect good performance of BUs MPP and LPT and positive FX
- EBITDA pre of €54 m (Q1 2018: €52 m)
- EBITDA pre margin of 15.6% (Q1 2018: 15.5%)

Engineering Materials

Softer due to lower auto demand

- Sales deviation yoy: -3%
- Price +1%, Volume -6%, Currency +3%, Portfolio 0% (approximate numbers)
- Sales and EBITDA pre decline resulting from lower volumes, mitigated by USD tailwind and pricing
- Lower volumes mainly in BU HPM due to weaker auto demand
- Margin remains on good level despite end market weakness
- EBITDA pre of €65 m (Q1 2018: €73 m)
- EBITDA pre margin of 17.0% (Q1 2018: 18.6 %)

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Outlook 2019:

Market update

- General trading environment softer, but not deteriorating
- Auto: Expected to remain weak, especially in Asia
- Agro: Recovery not yet visible
- China: No impulse from governmental stimuli yet

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- **FY 2019: EBITDA pre expected between €1,000 m and €1,050 m**

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: around 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

IFRS 16 effects:

- Reclassification of ~€35 m from operating result to depreciation and interest expense (low single-digit € millions) leading to EBITDA pre improvement
- Rise in fair value of leasing liabilities by ~€130 m burdening net debt

Cologne, May 14th, 2019

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Financial Overview Q1 2019

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	Q1/2018	Q1/2019	Chg. in %	Q1/2018	Q1/2019	Chg. in %	Q1/2018	Q1/2019	Chg. in %	Q1/2018	Q1/2019	Chg. in %	Q1/2018	Q1/2019	Chg. in %	Q1/2018	Q1/2019	Chg. in %
Sales	1,816	1,822	0%	565	586	4%	500	485	-3%	336	347	3%	392	382	-3%	23	22	-4%
Price*			0.6%			0.4%			0.8%			0.0%			1.3%			0.0%
Volume*			-3.6%			1.2%			-9.4%			-0.3%			-6.4%			0.0%
Currency*			3.1%			2.1%			4.6%			3.6%			2.5%			-4.3%
Portfolio*			0.2%			0.0%			1.0%			0.0%			0.0%			0.0%
EBIT	154	139	-10%	71	80	13%	50	45	-10%	32	29	-9%	58	49	-16%	-57	-64	-12%
Deprec. & amortizat.	101	114	13%	31	34	10%	31	37	19%	19	21	11%	15	16	7%	5	6	20%
EBITDA	255	253	-1%	102	114	12%	81	82	1%	51	50	-2%	73	65	-11%	-52	-58	-12%
exceptionals in EBITDA	15	22	47%	0	0	0%	0	1	>100%	1	4	>100%	0	0	0%	14	17	21%
EBITDA pre excep.	270	275	2%	102	114	12%	81	83	2%	52	54	4%	73	65	-11%	-38	-41	-8%
normalized D&A	101	114	13%	31	34	10%	31	37	19%	19	21	11%	15	16	7%	5	6	20%
EBIT pre excep.	169	161	-5%	71	80	13%	50	46	-8%	33	33	0%	58	49	-16%	-43	-47	-9%
exceptionals in EBIT	15	22	47%	0	0	0%	0	1	>100%	1	4	>100%	0	0	0%	14	17	21%
Capex	60	72	20%	23	25	9%	16	14	-13%	12	13	8%	6	11	83%	3	9	>100%
Net financial debt	1,381	1,675	21%															

* approximate numbers

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Income Statement Q1 2019

€ million	Q1 2018	Q1 2019	Chg. in %
Sales	1,816	1,822	0%
Cost of sales	-1,342	-1,351	-1%
Gross profit	474	471	-1%
Selling expenses	-199	-216	-9%
Research and development expenses	-30	-28	7%
General administration expenses	-77	-66	14%
Other operating income	31	23	-26%
Other operating expenses	-45	-45	0%
Operating result (EBIT)	154	139	-10%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>
Interest income	2	2	0%
Interest expense	-20	-16	20%
Other financial income and expense	-16	-7	56%
Financial result	-34	-21	38%
Income before income taxes	120	118	-2%
Income taxes	-40	-35	13%
Income after income taxes from continuing operations	80	83	4%
Income after income taxes from discontinued operations	29	0	-100%
Income after income taxes	109	83	-24%
of which attributable to non-controlling interests	13	-1	<i>n.m.</i>
of which attributable to LANXESS AG stockholders (net income)	96	84	-13%
Earnings per share (undiluted/deluted) (€)			
from continuing operations	0.89	0.93	4%
from discontinued operations	0.16	0.00	-100%
from continuing and discontinued operations	1.05	0.93	-11%

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Cash Flow Statement Q1 2019

€ million	Q1 2018	Q1 2019
Income before income taxes	120	118
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	101	114
Gains/losses on disposals of intangible assets and property, plant and equipment	0	0
Financial losses (gains)	17	15
Income taxes paid	-31	-39
Changes in inventories	-26	-24
Changes in trade receivables	-149	-62
Changes in trade payables	-31	-76
Changes in other assets and liabilities	27	-14
Net cash provided by operating activities – continuing operations	28	32
Net cash used in operating activities – discontinued operations	-5	-
Net cash provided by operating activities – total	23	32
Cash outflows for purchases of intangible assets and property, plant and equipment	-60	-72
Cash inflows from sales of intangible assets and property, plant and equipment	1	1
Cash outflows for financial assets	-	-169
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	-55	-
Interest and dividends received	1	1
Net cash used in investing activities – continuing operations	-113	-239
Net cash used in investing activities – discontinued operations	-20	-
Net cash used in investing activities – total	-133	-239
Proceeds from borrowings	15	0
Repayments of borrowings	-2	-43
Interest paid and other financial disbursements	-2	-3
Cash outflows for the acquisition of own shares	-	-111
Net cash provided by (used in) financing activities – continuing operations	11	-157
Net cash provided by financing activities – discontinued operations	2	-
Net cash provided by (used in) financing activities – total	13	-157
Change in cash and cash equivalents from continuing operations	-74	-364
Change in cash and cash equivalents from discontinued operations	-23	-
Change in cash and cash equivalents – total	-97	-364
Cash and cash equivalents at beginning of period – total	538	797
Exchange differences and other changes in cash and cash equivalents – total	-3	1
Cash and cash equivalents at end of period – total	438	434
of which continuing operations	189	434
of which discontinued operations	249	-

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Abbreviations:

Advanced Intermediates:

All Advanced Industrial Intermediates

SGO Saltigo

Specialty Additives

ADD 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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