

Q3 2018

Delivering despite challenging environment

Financial Summary for Investors and Analysts

Q3 2018 Overview of LANXESS Group

	Price: +4%		Volume: +1%		FX: 0%		Portfolio: +0%	
	Δ		Q3 2018	Q3 2017	Comments			
Sales	+4%	↑	€1,786 m	€1,710 m	Due to improved prices, slightly higher volumes and acquired phosphorus business (U.S.)			
EBITDA pre margin	+1%	↑	€277 m	€273 m	Successful price pass-through and synergies			
	-0.5 pp.	→	15.5%	16.0%				
Net Income	>100%	↑	€110 m	€55 m	EPS improvement on operating performance and better financial result			
EPS pre continued	+7%	↑	€1.23	€1.15				
Net financial debt	-5%	↑	Sept 2018 €2,514 m	Jun 2018 €2,633 m	Sequentially reduced net financial debt in Q3 due to solid operating performance and better financial result			

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Overview Financials

Q3 2018 Financial overview New LANXESS Group

Solid performance due to balanced and more resilient portfolio opposing weakness in Performance Chemicals and agro market

Sales deviation yoy: +4%

Price +4%, Volume +1, Currency 0%, Portfolio +0%
(approximate numbers)

- EBTDA exceptionals of €26 m (Q3 2017: €32 m) consisting mainly expenses in connection with the strategic realignment of LANXESS

Q3 2018 Business Overview

Advanced Intermediates

Stable pillar

- Sales deviation yoy: +11%
Price +5%, Volume +6%, Currency 0%, Portfolio 0%
(approximate numbers)
- Strong price increase mainly driven by successful raw material price pass-through in BU All
- Sound volume growth in BU All
- BU SGO flat on low level due to ongoing weak agro market
- Strong BU All performance compensating for ongoing shortfall of BU SGO
- EBITDA pre of €87 m (Q3 2017: €87 m)
- EBITDA pre margin of 16.3% (Q3 2017: 18.1%)

Specialty Additives

Shaped into strongest segment

- Sales deviation yoy: +5%
Price +3%, Volume -1%, Currency -0%, Portfolio +3%
(approximate numbers)
- Increased sales due to successful raw material price pass-through in both BUs, partly offset by slight volume decrease (esp. driven by plant closures)
- Portfolio reflects acquisition of Solvay's U.S. phosphorus additives business
- Improved earnings and margin both reflecting synergies and portfolio effect
- EBITDA pre of €93 (Q3 2017: €77 m)
- EBITDA pre margin of 18.5% (Q3 2017: 16.0%)

Performance Chemicals

Remains weak

- Sales deviation yoy: -9%
- Price +2%, Volume -8%, Currency +0%, Portfolio -3%
(approximate numbers)
- Price increases in almost all BUs
- Volume decline compares to strong PY, mainly driven by site closure, strike in South Africa (both LEA) and softer construction market (IPG)
- Disposal of chlorine dioxide business shown in portfolio
- Earnings and margin both burdened by lower volumes, partly offset by positive FX effects in emerging markets
- EBITDA pre €53 m (Q3 2017: €65 m)
- EBITDA pre margin 15.9% (Q3 2017: 17.8%)

Engineering Materials

Strong on high level

- Sales deviation yoy: +13%
Price +6%, Volume +7%, Currency +0%, Portfolio 0%
(approximate numbers)
- Strong price increase in both BUs offsetting raw material prices
- Volumes increase in BU HPM, slightly reduced by BU URE (raw material shortage of monomeric MDI in the U.S.)
- EBITDA pre of €70 m (Q3 2017: €64 m) driven by strong operational performance
- EBITDA pre margin of 17.8% (Q3 2017: 18.3%)
- EBITDA pre margin: dilutive growth due to pass-through of higher raw material prices

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Outlook 2018:

Market update

- Industry trends generally intact, but rising geopolitical risks begin to weigh on demand on high level
 - Increasingly visible tougher environment in automotive
 - Slightly more moderate construction demand
- Record low water level of the Rhine river tightly monitored

New LANXESS FY 2018

- **FY 2018 EBITDA pre at upper end of 5 - 10% yoy**
(FY 2017: ~€25 m)

Housekeeping items for consideration Additional financial information

- Capex 2018: ~€450-500 m
- Operational D&A 2018: ~€400 m
- Reconciliation 2018: Around previous year level (~€150 m)
- Tax rate: Lower end of 30-35%
- Exceptionals Q4 2018 ~€50 m
- FX sensitivity: 1 cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging

Please note:

- Net capital gain from ARLANXEO divestment expected to be €80 m - €100 m (including tax payment), reported in discontinued operations

Cologne, November 12th, 2018

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Financial Overview Q3 2018

	LXS			AI			SAD			PC			EM			DIF		
in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	Q3/2017	Q3/2018	Chg. in %	Q3/2017	Q3/2018	Chg. in %	Q3/2017	Q3/2018	Chg. in %	Q3/2017	Q3/2018	Chg. in %	Q3/2017	Q3/2018	Chg. in %	Q3/2017	Q3/2018	Chg. in %
Sales	1,710	1,786	4%	481	534	11%	480	502	5%	365	334	-8%	350	394	13%	34	22	-35%
Price*			3.6%			4.8%			2.7%			1.6%			5.7%			0.0%
Volume*			0.5%			6.2%			-0.6%			-7.9%			6.6%			-35.3%
Currency*			0.0%			0.0%			-0.4%			0.3%			0.3%			0.0%
Portfolio*			0.3%			0.0%			2.9%			-2.5%			0.0%			0.0%
EBIT	113	146	29%	55	55	0%	0	51	>100%	46	34	-26%	50	55	10%	-38	-49	-29%
Deprec. & amortizat.	128	105	-18%	32	32	0%	60	34	-43%	19	19	0%	14	15	7%	3	5	67%
EBITDA	241	251	4%	87	87	0%	60	85	42%	65	53	-18%	64	70	9%	-35	-44	-26%
exceptionals in EBITDA	32	26	-19%	0	0	0%	17	8	-53%	0	0	0%	0	0	0%	15	18	20%
EBITDA pre excep.	273	277	1%	87	87	0%	77	93	21%	65	53	-18%	64	70	9%	-20	-26	-30%
normalized D&A	99	106	7%	32	32	0%	31	35	13%	19	19	0%	14	15	7%	3	5	67%
EBIT pre excep.	174	171	-2%	55	55	0%	46	58	26%	46	34	-26%	50	55	10%	-23	-31	-35%
exceptionals in EBIT	61	25	-59%	0	0	0%	46	7	-85%	0	0	0%	0	0	0%	15	18	20%
Capex	86	114	33%	35	39	11%	20	32	60%	15	17	13%	11	15	36%	5	11	>100%
Net financial debt	2,252	2,514	12%															

* approximate numbers

Financial Overview 9M 2018

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	9M/2017	9M/2018	Chg. in %	9M/2017	9M/2018	Chg. in %	9M/2017	9M/2018	Chg. in %	9M/2017	9M/2018	Chg. in %	9M/2017	9M/2018	Chg. in %	9M/2017	9M/2018	Chg. in %
Sales	4,895	5,431	11%	1,505	1,645	9%	1,160	1,510	30%	1,100	1,026	-7%	1,026	1,185	15%	104	65	-38%
Price*			4.4%			7.8%			2.4%			0.6%			6.1%			0.0%
Volume*			0.2%			1.3%			0.0%			-1.1%			4.1%			-37.5%
Currency*			-2.9%			-2.7%			-3.0%			-3.9%			-2.2%			0.0%
Portfolio*			9.2%			2.9%			30.8%			-2.3%			7.5%			0.0%
EBIT	259	459	77%	185	191	3%	30	156	>100%	77	105	36%	132	179	36%	-165	-172	-4%
Deprec. & amortizat.	303	310	2%	87	95	9%	98	99	1%	63	57	-10%	40	45	13%	15	14	-7%
EBITDA	562	769	37%	272	286	5%	128	255	99%	140	162	16%	172	224	30%	-150	-158	-5%
exceptionals in EBITDA	184	68	-63%	3	0	-100%	68	10	-85%	64	1	-98%	12	0	-100%	37	57	54%
EBITDA pre excep.	746	837	12%	275	286	4%	196	265	35%	204	163	-20%	184	224	22%	-113	-101	11%
normalized D&A	260	310	19%	87	95	9%	63	100	59%	57	57	0%	39	44	13%	14	14	0%
EBIT pre excep.	486	527	8%	188	191	2%	133	165	24%	147	106	-28%	145	180	24%	-127	-115	9%
exceptionals in EBIT	227	68	-70%	3	0	-100%	103	9	-91%	70	1	-99%	13	1	-92%	38	57	50%
Capex	203	257	27%	84	92	10%	43	76	77%	41	44	7%	26	30	15%	9	15	67%
Net financial debt	2,252	2,514	12%															

* approximate numbers

Income Statement Q3 / 9M 2018

in € million	Q3/2017	Q3/2018	Chg. in %	9M/2017	9M/2018	Chg. in %
Sales	1,710	1,786	4%	4,895	5,431	11%
Cost of sales	-1,239	-1,308	-6%	-3,556	-3,982	-12%
Gross profit	471	478	1%	1,339	1,449	8%
Selling expenses	-194	-202	-4%	-554	-613	-11%
Research and development expenses	-29	-30	-3%	-81	-88	-9%
General administration expenses	-81	-72	11%	-222	-218	2%
Other operating income	35	21	-40%	116	74	-36%
Other operating expenses	-89	-49	45%	-339	-145	57%
Operating result (EBIT)	113	146	29%	259	459	77%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	2	1	-50%	7	4	-43%
Interest expense	-21	-16	24%	-68	-54	21%
Other financial income and expense	-14	-13	7%	11	-33	<i>n.m.</i>
Financial result	-33	-28	15%	-50	-83	-66%
Income before income taxes	80	118	48%	209	376	80%
Income taxes	-27	-38	-41%	-101	-119	-18%
Income after income tax from continuing operations	53	80	51%	108	257	>100%
Income after income tax from discontinued operations	3	52	>100%	65	140	>100%
Income after income taxes	56	132	>100%	173	397	>100%
of which attributable to non-controlling interests	1	22	>100%	37	65	76%
Net income (attributable to LANXESS AG stockholders)	55	110	100%	136	332	>100%
EPS (in €)	0.60	1.20	100%	1.49	3.63	>100%
Earnings per share adjusted for exceptional items and amortization of intangible assets (in €)	1.15	1.59	38%	3.70	4.69	27%

Cash Flow Statement Q3 / 9M 2018

€ million	Q3 2017	Q3 2018	9M 2017	9M 2018
Income before income taxes	80	118	209	376
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	128	105	303	310
Gains/losses on disposals of intangible assets and property, plant and equipment	-	(1)	-	(1)
Income from investments accounted for using the equity method	0	0	0	0
Financial losses (gains)	19	15	16	40
Income taxes paid	(51)	(32)	(121)	(93)
Changes in inventories	(20)	(67)	1	(151)
Changes in trade receivables	(7)	23	(120)	(120)
Changes in trade payables	(8)	35	(71)	(11)
Changes in other assets and liabilities	86	26	76	(63)
Net cash provided by operating activities – continuing operations	227	222	293	287
Net cash (used in) provided by operating activities – discontinued operations	142	13	242	(17)
Net cash provided by operating activities – total	369	235	535	270
Cash outflows for purchases of intangible assets and property, plant and equipment	(86)	(114)	(203)	(257)
Cash inflows from sales of intangible assets and property, plant and equipment	-	2	1	3
Cash outflows for financial assets	-	(1)	(110)	(1)
Cash inflows from financial assets	-	(1)	2.276	-
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	-	(1)	(1.782)	(66)
Interest and dividends received	3	1	51	13
Net cash (used in) provided by investing activities – continuing operations	(83)	(114)	233	(308)
Net cash used in investing activities – discontinued operations	(36)	(35)	(78)	(89)
Net cash (used in) provided by investing activities – total	(119)	(149)	155	(397)
Proceeds from borrowings	21	1	105	627
Repayments of borrowings	(499)	(112)	(509)	(646)
Interest paid and other financial disbursements	(13)	(2)	(58)	(56)
Dividend payments	-	-	(64)	(74)
Net cash used in financing activities – continuing operations	(491)	(113)	(526)	(149)
Net cash provided by (used in) financing activities – discontinued operations	7	(11)	25	(49)
Net cash used in financing activities – total	(484)	(124)	(501)	(198)
Change in cash and cash equivalents from continuing operations	(347)	(5)	0	(170)
Change in cash and cash equivalents from discontinued operations	113	(33)	189	(155)
Change in cash and cash equivalents – total	(234)	(38)	189	(325)
Cash and cash equivalents at beginning of period – total	759	245	355	538
Exchange differences and other changes in cash and cash equivalents – total	11	(2)	(8)	(8)
Cash and cash equivalents at end of period – total	536	205	536	205
of which continuing operations	289	131	289	131
of which discontinued operations	247	74	247	74

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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