

Q4 2018 / FY 2018

A successful year: promise and delivery Q4 proves resilience

Financial Summary for Investors and Analysts

Q4 2018 Overview of LANXESS Group

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Page 1 of 9

	Price: +4%		Volume: +3%		FX: +1%		Portfolio: +1%	
	Δ		Q4 2018	Q4 2017	Comments			
Sales	+8%	↑	€1,766 m	€1,635 m	Sales increase due to higher prices and volumes			
EBITDA pre	0%	→	€179 m	€179 m	Flat EBITDA pre due to price pass-through of increased raw material prices; higher volumes offset by risen energy and freight costs			
margin	-0.8 pp.	↓	10.1%	10.9%				
Net Income	>100%	↑	€99 m	-€49 m	EPS boosted by book gain from ARLANXEO divestment, reduced exceptionals and in 2017 negative U.S. tax effect			
EPS (group)	>100%	↑	€1.08	-€0.54				
Net financial debt	-38.7%	↓	Dec 2018 €1,381 m	Dec 2017 €2,252 m	Substantially reduced net financial debt resulting from ARLANXEO divestment			

Overview Financials

Q4: Positive price and volume growth offset by higher operating costs

FY: Delivered as promised - strong earnings despite FX and macro economic burden

- Sales: €7,197 m +10% (FY 2017: €6,530 m)
Price +4%, Volume +1, Currency -2%, Portfolio +7%
(approximate numbers)
- EBITDA pre: €1,016 m +10% (FY 2017: €925 m)
- EBITDA pre margin: 14,1% (FY 2017: 14,2%)
- Net Income: €431 m >100% (FY 2017: €87 m)
- EPS (group): €4.71 >100% (FY 2017: €0.95)
- ROCE: 11,4% (FY 2017: 9,3%)

Q4 / FY 2018 Business Overview

Advanced Intermediates

Margin and results improvement

- Sales deviation yoy: +20%
Price +8%, Volume +11%, Currency +1%, Portfolio 0%
(approximate numbers)
- Price increase mainly driven by successful raw material price pass-through in BU All
- Solid volume growth in BU All; new contracts in BU SGO, overemphasized volumes by IFRS 15 effect
- Improved EBITDA pre and margin despite higher energy and freight cost in BU All; BU SGO with improved utilization
- EBITDA pre of €73 m (Q4 2017: €60 m)
- EBITDA pre margin of 13.0% (Q4 2017: 12.8%)

FY:

- EBITDA pre of €359 m (FY 2017: €335 m)
- EBITDA pre margin of 16.3% (FY 2017: 17.0%)

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Page 2 of 9

Specialty Additives

Improved results and margin

- Sales deviation yoy: +4%
Price +3%, Volume -2%, Currency +0%, Portfolio+4%
(approximate numbers)
- All businesses with positive price development driven by successful raw material price pass-through
- Volume decline in BU RCH due to lower auto demand
- Portfolio reflects acquisition of Solvay's U.S. phosphorus additives business
- EBITDA pre and margin also improved due to synergies
- EBITDA pre of €78 m (Q4 2017: €71 m)
- EBITDA pre margin of 16.6% (Q4 2017: 15.7%)

FY:

- EBITDA pre of €343 m (FY 2017: €267 m)
- EBITDA pre margin of 17.3% (FY 2017: 16.6%)

Performance Chemicals

Still weak

- Sales deviation yoy: -5%
- Price -1%, Volume -4%, Currency +1%, Portfolio -1%
(approximate numbers)
- BU MPP and BU LPT with price and volume increases driven by good demand
- Price and volume decline in BU IPG and BU LEA reflect site closure, lower chrome prices (both LEA) and softer construction market (IPG)
- Consequently, EBITDA pre and margin drop
- EBITDA pre of €24 m (Q4 2017: €48 m)
- EBITDA pre margin of 7.4% (Q4 2017: 14.2%)

FY:

- EBITDA pre of €187 m (FY 2017: €252 m)
- EBITDA pre margin of 13.9% (FY 2017: 17.5%)

Engineering Materials

Continuously strong on high level

- Sales deviation yoy: +15%
Price +5%, Volume +9%, Currency +1%, Portfolio 0%
(approximate numbers)
- Strong price increase mainly driven by successful raw material price pass-through in BU HPM
- Volumes increase in BU HPM, however somewhat inflated by a trade business deal
- Solid EBITDA pre and margin reflect good operational performance
- EBITDA pre of €43 m (Q4 2017: €35 m)
- EBITDA pre margin of 11.0% (Q4 2017: 10.3%)

FY:

- EBITDA pre of €267 m (FY 2017: €219 m)
- EBITDA pre margin of 16.9% (FY 2017: 16.0%)

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Outlook 2019:

Market update

- General economic development is uncertain
- Moderate softening in auto premium segment in China assumed
- China growth expected on lower level

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- **FY 2019:** EBITDA pre expected around previous year's level (including IFRS 16 effect*):
 - **Advanced Intermediates:** in 2019 to be slightly above the previous year's level overall. The segment continues to benefit from the diversification of the end markets. For our agrochemicals business, we see a slight improvement in customer demand over the course of 2019.
 - **Specialty Additives:** is expected to be on a par with or to slightly exceed the previous year's level. The ongoing realization of the announced synergies from the integration of the businesses acquired from the U.S. company Chemtura in April 2017 will contribute to this development.
 - **Performance Chemicals:** we likewise expect to be on par with the previous year
 - **Engineering Materials:** expected to perform slightly weaker than high level in 2018 due to the expectation that demand will drop, at least temporarily, in the automotive industry in particular.
- **Q1 2019:** Stable YoY development (including IFRS 16 effect) despite weakening of some markets

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Page 4 of 9

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: lower end of 30-35%
- 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

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Page 5 of 9

Financial Overview Q4 2018

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	Q4/2017	Q4/2018	Chg. in %	Q4/2017	Q4/2018	Chg. in %	Q4/2017	Q4/2018	Chg. in %	Q4/2017	Q4/2018	Chg. in %	Q4/2017	Q4/2018	Chg. in %	Q4/2017	Q4/2018	Chg. in %
Sales	1,635	1,766	8%	470	562	20%	451	470	4%	339	323	-5%	340	391	15%	35	20	-43%
Price*			3.7%			7.7%			2.7%			-1.2%			5.0%			0.0%
Volume*			2.8%			11.3%			-2.4%			-3.5%			8.8%			-42.9%
Currency*			0.7%			0.6%			0.4%			0.9%			1.2%			0.0%
Portfolio*			0.8%			0.0%			3.5%			-0.9%			0.0%			0.0%
EBIT	40	45	13%	26	41	58%	26	48	85%	31	-6	n.m.	19	26	37%	-62	-64	-3%
Deprec. & amortizat.	107	121	13%	30	32	7%	38	37	-3%	19	28	47%	16	16	0%	4	8	100%
EBITDA	147	166	13%	56	73	30%	64	85	33%	50	22	-56%	35	42	20%	-58	-56	3%
exceptionals in EBITDA	32	13	-59%	4	0	-100%	7	-7	n.m.	-2	2	n.m.	0	1	>100%	23	17	-26%
EBITDA pre excep.	179	179	0%	60	73	22%	71	78	10%	48	24	-50%	35	43	23%	-35	-39	-11%
normalized D&A	107	111	4%	30	32	7%	37	36	-3%	19	18	-5%	16	17	6%	5	8	60%
EBIT pre excep.	72	68	-6%	30	41	37%	34	42	24%	29	6	-79%	19	26	37%	-40	-47	-18%
exceptionals in EBIT	32	23	-28%	4	0	-100%	8	-6	n.m.	-2	12	n.m.	0	0	0%	22	17	-23%
Capex	194	240	24%	62	63	2%	40	65	63%	33	32	-3%	42	46	10%	17	34	100%
Net financial debt	2,252	1,381	-39%															

* approximate numbers

Financial Overview FY 2018

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Performance Chem.			Engineering Materials			Others/ Cons.		
	12M/2017	12M/2018	Chg. in %	12M/2017	12M/2018	Chg. in %	12M/2017	12M/2018	Chg. in %	12M/2017	12M/2018	Chg. in %	12M/2017	12M/2018	Chg. in %	12M/2017	12M/2018	Chg. in %
Sales	6,530	7,197	10%	1,975	2,207	12%	1,611	1,980	23%	1,439	1,349	-6%	1,366	1,576	15%	139	85	-39%
Price*			4.2%			7.8%			2.5%			0.1%			5.9%			0.0%
Volume*			0.9%			3.6%			-0.7%			-1.7%			5.3%			-38.8%
Currency*			-2.0%			-1.9%			-2.1%			-2.8%			-1.4%			0.0%
Portfolio*			7.1%			2.2%			23.2%			-1.9%			5.6%			0.0%
EBIT	299	504	69%	211	232	10%	56	204	>100%	108	99	-8%	151	205	36%	-227	-236	-4%
Deprec. & amortizat.	410	431	5%	117	127	9%	136	136	0%	82	85	4%	56	61	9%	19	22	16%
EBITDA	709	935	32%	328	359	9%	192	340	77%	190	184	-3%	207	266	29%	-208	-214	-3%
exceptionals in EBITDA	216	81	-62%	7	0	-100%	75	3	-96%	62	3	-95%	12	1	-92%	60	74	23%
EBITDA pre excep.	925	1,016	10%	335	359	7%	267	343	28%	252	187	-26%	219	267	22%	-148	-140	5%
normalized D&A	367	421	15%	117	127	9%	100	136	36%	76	75	-1%	55	61	11%	19	22	16%
EBIT pre excep.	558	595	7%	218	232	6%	167	207	24%	176	112	-36%	164	206	26%	-167	-162	3%
exceptionals in EBIT	259	91	-65%	7	0	-100%	111	3	-97%	68	13	-81%	13	1	-92%	60	74	23%
Capex	397	497	25%	146	155	6%	83	141	70%	74	76	3%	68	76	12%	26	49	88%
Net financial debt	2,252	1,381	-39%															

* approximate numbers

Income Statement Q4 / FY 2018

in € million	Q4/2017	Q4/2018	Chg. in %	2017	2018	Chg. in %
Sales	1,635	1,766	8%	6,530	7,197	10%
Cost of sales	-1,240	-1,381	-11%	-4,796	-5,363	-12%
Gross profit	395	385	-3%	1,734	1,834	6%
Selling expenses	-207	-213	-3%	-761	-826	-9%
Research and development expenses	-22	-30	-36%	-103	-118	-15%
General administration expenses	-104	-89	14%	-326	-307	6%
Other operating income	48	48	0%	164	122	-26%
Other operating expenses	-70	-56	20%	-409	-201	51%
Operating result (EBIT)	40	45	13%	299	504	69%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	2	2	0%	9	6	-33%
Interest expense	-21	-21	0%	-89	-75	16%
Other financial income and expense	-11	-12	-9%	0	-45	<i>n.m.</i>
Financial result	-30	-31	-3%	-80	-114	-43%
Income before income taxes	10	14	40%	219	390	78%
Income taxes	-58	1	<i>n.m.</i>	-159	-118	26%
Income after income tax from continuing operations	-48	15	<i>n.m.</i>	60	272	>100%
Income after income tax from discontinued operations	-1	111	<i>n.m.</i>	64	251	>100%
Income after income taxes	-49	126	<i>n.m.</i>	124	523	>100%
of which attributable to non-controlling interests	0	27	>100%	37	92	>100%
Net income (attributable to LANXESS AG stockholders)	-49	99	<i>n.m.</i>	87	431	>100%
EPS (in €)	-0.54	1.08	<i>n.m.</i>	0.95	4.71	>100%
Earnings per share of continued operations adjusted for exceptional items and amortization of intangible assets (in €)	0.43	0.61	42%	3.84	4.45	16%

Cash Flow Statement Q4 / FY 2018

€ million	Q4 2017	Q4 2018	FY 2017	FY 2018
Income before income taxes	10	14	219	390
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	107	121	410	431
Gains/losses on disposals of intangible assets and property, plant and equipment	1	0	1	-1
Income from investments accounted for using the equity method	0	0	0	0
Financial losses	19	23	35	63
Income taxes paid	-18	-63	-139	-156
Changes in inventories	-7	8	-6	-143
Changes in trade receivables	30	46	-90	-74
Changes in trade payables	101	63	30	52
Changes in other assets and liabilities	32	-27	108	-90
Net cash provided by operating activities – continuing operations	275	185	568	472
Net cash (used in) provided by operating activities – discontinued operations	58	131	300	114
Net cash provided by operating activities – total	333	316	868	586
Cash outflows for purchases of intangible assets and property, plant and equipment	-194	-240	-397	-497
Cash inflows from sales of intangible assets and property, plant and equipment	1	0	2	3
Cash outflows for financial assets	0	-493	-110	-494
Cash inflows from financial assets	-50	0	2226	0
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	-21	0	-1803	-66
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	9	1304	9	1304
Interest and dividends received	0	2	51	15
Cash outflows for external funding of pension obligations (CTAs)	0	-200	0	-200
Net cash used in (provided by) investing activities – continuing operations	-255	373	-22	65
Net cash used in investing activities – discontinued operations	-67	-80	-145	-169
Net cash used in (provided by) investing activities – total	-322	293	-167	-104
Proceeds from borrowings	14	26	119	653
Repayments of borrowings	-14	-16	-523	-662
Interest paid and other financial disbursements	-19	-21	-77	-77
Dividend payments				
Net cash used in financing activities – continuing operations	-19	-11	-545	-160
Net cash provided by (used in) financing activities – discontinued operations	12	-8	37	-57
Net cash used in financing activities – total	-7	-19	-508	-217
Change in cash and cash equivalents from continuing operations	1	547	1	377
Change in cash and cash equivalents from discontinued operations	3	43	192	-112
Change in cash and cash equivalents – total	4	590	193	265
Cash and cash equivalents as of January 1	536	205	355	538
Exchange differences and other changes in cash and cash equivalents	-2	2	-10	-6
Cash and cash equivalents as of December 31	538	797	538	797
of which continuing operations	266	797	266	797
of which discontinued operations	272	0	272	0

Abbreviations:

Advanced Intermediates:

AI 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