



# LANXESS – Q1 2019 results

Stable performance despite weakening economy

Matthias Zachert, CEO

Michael Pontzen, CFO

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# Agenda

- 1 Executive summary Q1 2019**
- 2 Business and financial details Q1 2019
- 3 Back-up



# Q1 2019: EBITDA pre robust despite economic headwinds

## Highlights

- EBITDA pre (€275 m) 2% above strong previous year
- EBITDA pre margin increase to 15.1%
- €111 m\* of €200 m share buy-back program already executed
- Three out of four segments with improved performance



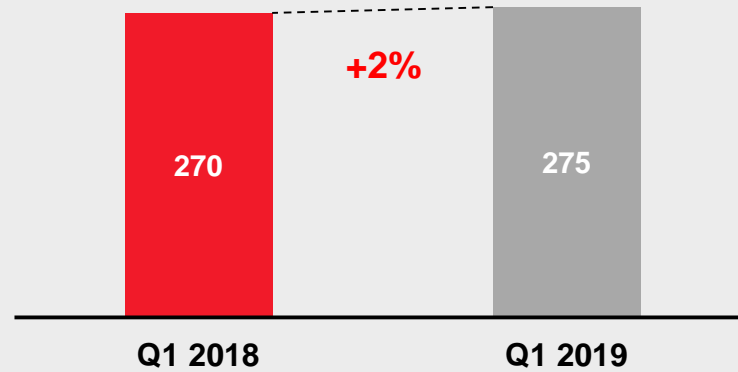
## Challenges

- Volume decline due to softer end markets (e.g. automotive industry) and termination of low margin contracts and site closures (ADD)
- Further increase of freight and energy prices

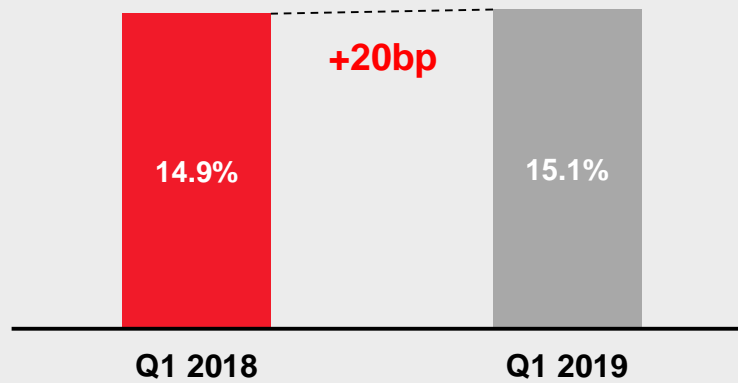


# Q1 2019: Resilience proven again

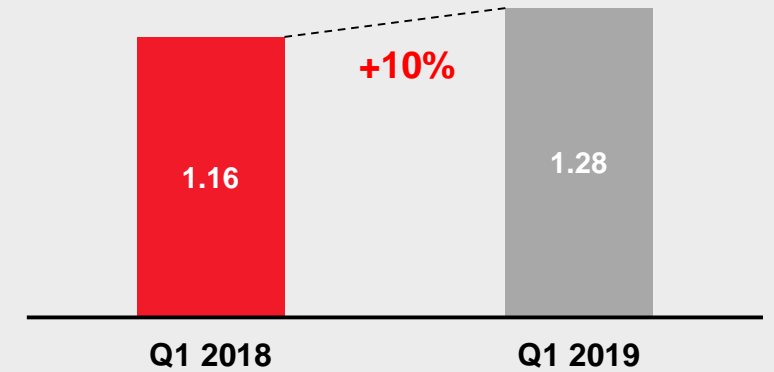
EBITDA pre  
[€m]



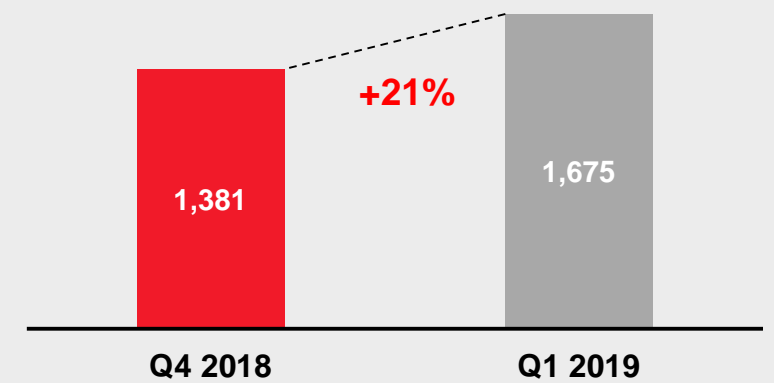
EBITDA pre  
Margin



EPS pre  
[€]



Net financial  
debt  
[€m]



# LANXESS EBITDA pre increases vs. prior year despite challenging environment

## EBITDA pre Q1 2018 vs. Q1 2019 [€m]

**LANXESS**

Peer 1

Peer 2

Peer 3

Peer 4

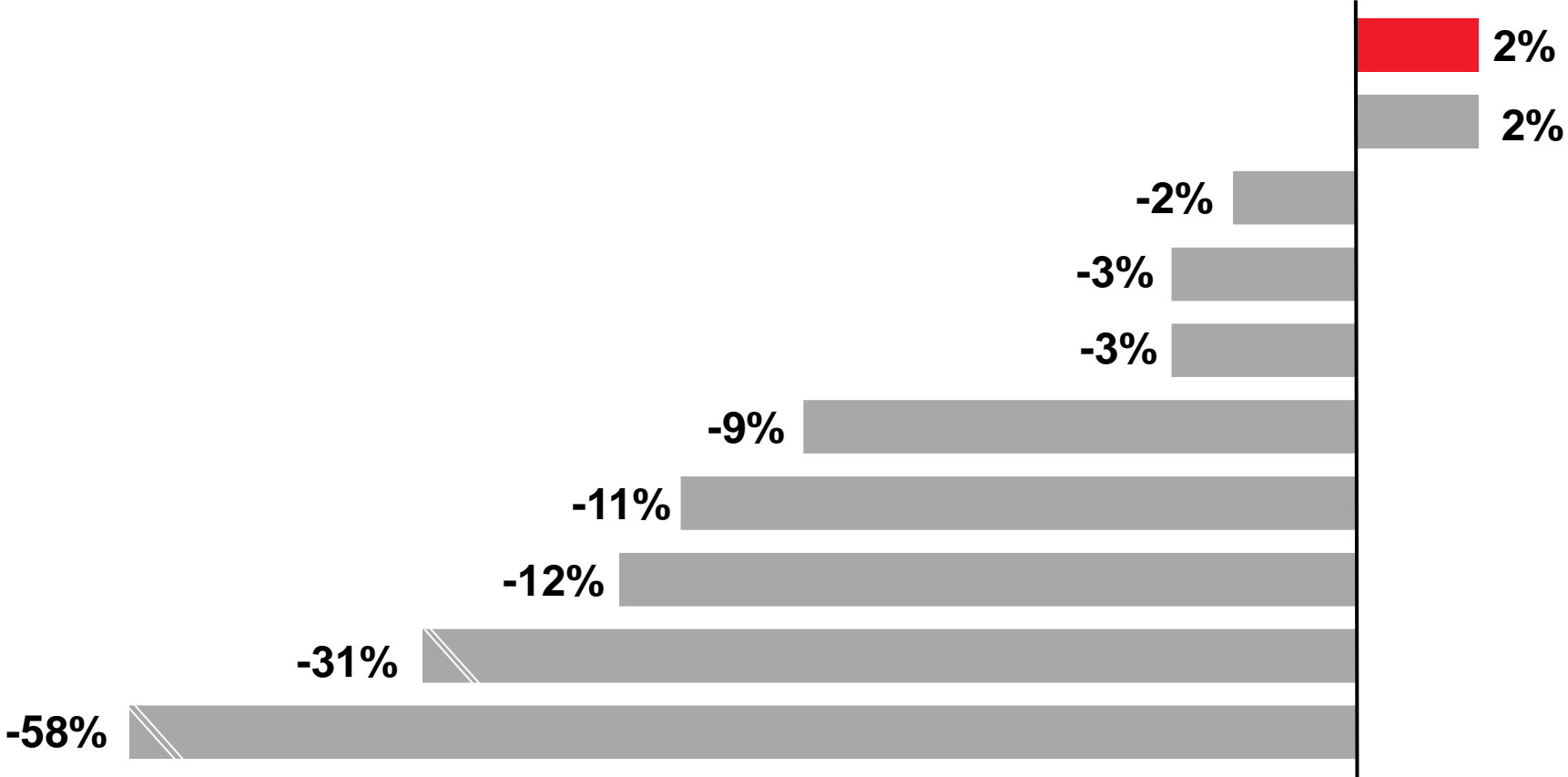
Peer 5

Peer 6

Peer 7

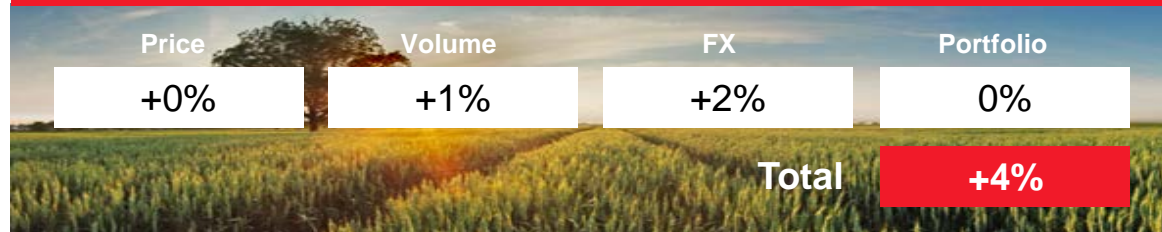
Peer 8

Peer 9



# Q1 2019: Advanced Intermediates very strong; Specialty Additives again with improved margins

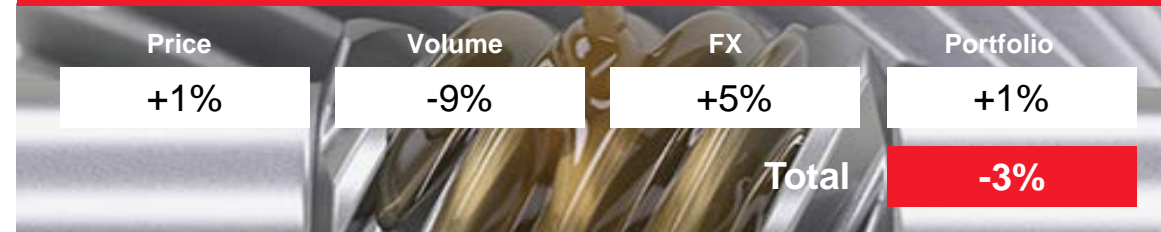
## Advanced Intermediates



- 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

[€m]	Q1'18	Q1'19
Sales	565	586
EBITDA pre	102	114
Margin	18.1%	19.5%

## Specialty Additives

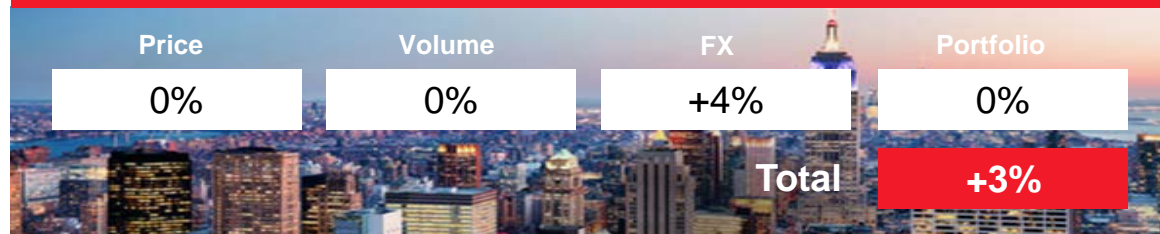


- Sales decline driven by lower volumes
- Volume drop due to termination of margin-dilutive tolling agreements, closure of sites and lower auto demand (especially BU RCH)
- Portfolio reflects Solvay's U.S. phosphorus additives
- Rising EBITDA pre and margin driven by pricing, FX and synergies

[€m]	Q1'18	Q1'19
Sales	500	485
EBITDA pre	81	83
Margin	16.2%	17.1%

# Q1 2019: Performance Chemicals stabilizing, Engineering Materials softer due to lower auto demand

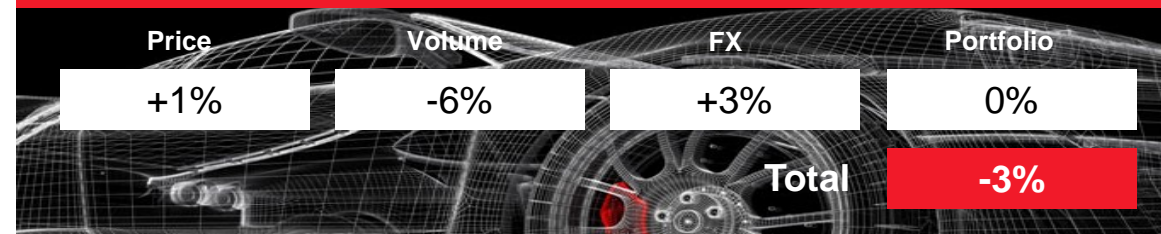
## Performance Chemicals



- 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

[€m]	Q1'18	Q1'19
Sales	336	347
EBITDA pre	52	54
Margin	15.5%	15.6%

## Engineering Materials



- Sales decline resulting from lower volumes, mitigated by USD tailwind and pricing
- Lower volumes mainly in BU HPM due to weaker auto demand
- EBITDA pre burdened by lower volumes
- Margin remains on good level despite end market weakness

[€m]	Q1'18	Q1'19
Sales	392	382
EBITDA pre	73	65
Margin	18.6%	17.0%



# New Board member responsible for additives business

## Anno Borkowsky

- Responsibility for all businesses in the Specialty Additives segment
- New position underpins importance of additives business at LANXESS
- Start on June 1, 2019
- Roughly 30 years of experience in the chemical industry
  - Since 1990: working at Bayer / LANXESS
  - 2004-2017: Head of RheinChemie (additives) business unit
  - 2017-2019 Head of Additives business unit



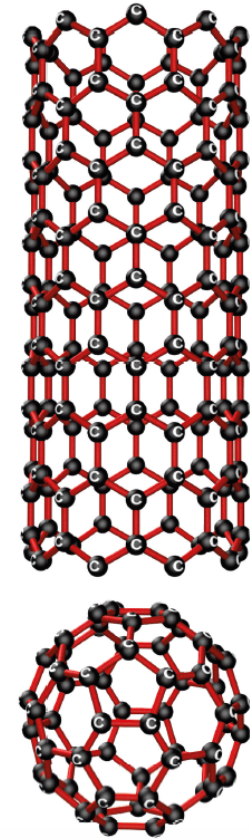
# FY 2019 EBITDA pre guidance between €1,000 m and €1,050 m

## Current view on economy

- 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

## LANXESS FY 2019

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



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# Q1 2019: Again evidence of resilience

[€m]	Q1 2018 <sup>1</sup>	Q1 2019	yoy in %
Sales	1,816	1,822	0%
EBITDA pre margin	270 14.9%	275 15.1%	2%
EPS	0.89	0.93	4%
EPS pre <sup>2</sup>	1.16	1.28	10%
Capex	60	72	20%

[€m]	31.12.2018	31.03.2019	Δ %
Net financial debt <sup>3</sup>	1,381	1,675	21%
Net working capital	1,455	1,636	12%

- Stable sales: positive pricing and FX effect offset by lower volumes
- EBITDA pre and margin reflect successful pricing and favorable FX, partly offset by lower volumes and higher energy and freight costs
- Share buy-back supports EPS increase
- Higher capex resulting from investments in debottleneckings
- Net debt impacted by ongoing share buy-back (~€111 m)<sup>4</sup> and IFRS 16 effect (~€130 m)
- Seasonally higher working capital

1 2018 applies to continuing operations

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

3 After deduction of time deposits and securities available for sale

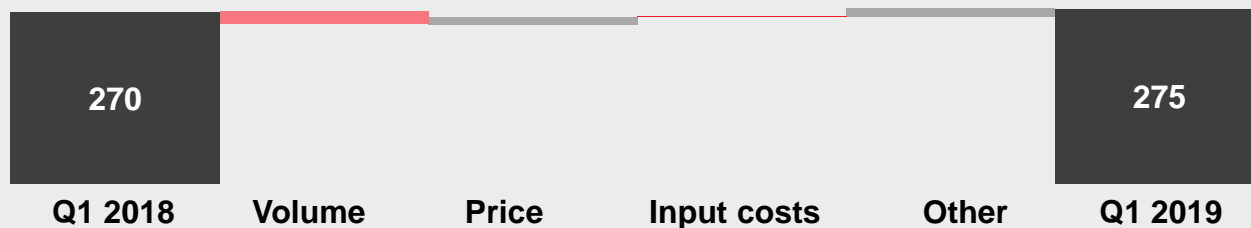
4 Status 31 March 2019

# Q1 2019: Positive price and FX mitigated by lower volumes

Q1 yoy sales variances	Price	Volume	FX	Portfolio	Total
Advanced Intermediates	0%	+1%	+2%	0%	+4%
Specialty Additives	+1%	-9%	+5%	+1%	-3%
Performance Chemicals	0%	0%	+4%	0%	+3%
Engineering Materials	+1%	-6%	+3%	0%	-3%
<b>LANXESS</b>	<b>+1%</b>	<b>-4%</b>	<b>+3%</b>	<b>0%</b>	<b>0%</b>

- Stable sales: Price increase and positive FX effect offset by lower volumes in BUs with auto exposure

## Q1 yoy LANXESS EBITDA pre bridge [€m]



- EBITDA pre increases as lower volumes are offset by positive FX and pricing effects
- “Other“ include IFRS 16 and FX effects

# Q1 2019: Solid performance on high comparable base

[€m]	Q1 2018 <sup>1</sup>		Q1 2019		yoy in %
Sales	1,816	(100%)	1,822	(100%)	0%
Cost of sales	-1,342	(-74%)	-1,351	(-74%)	-1%
Selling	-199	(-11%)	-216	(-12%)	-9%
G&A	-77	(-4%)	-66	(-4%)	14%
R&D	-30	(-2%)	-28	(-2%)	7%
<b>EBIT</b>	<b>154</b>	<b>(8%)</b>	<b>139</b>	<b>(8%)</b>	<b>-10%</b>
<b>Net Income</b>	<b>81</b>	<b>(4%)</b>	<b>84</b>	<b>(5%)</b>	<b>4%</b>
<b>EPS pre<sup>2</sup></b>	<b>1.16</b>		<b>1.28</b>		<b>10%</b>
EBITDA	255	(14%)	253	(14%)	-1%
thereof exceptionals	-15	(-1%)	-22	(-1%)	47%
<b>EBITDA pre exceptionals</b>	<b>270</b>	<b>(14.9%)</b>	<b>275</b>	<b>(15.1%)</b>	<b>2%</b>

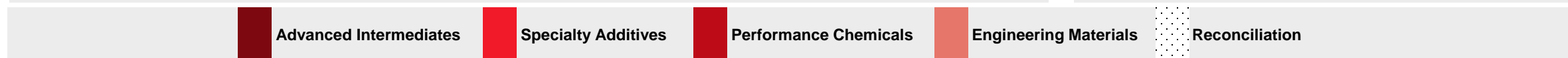
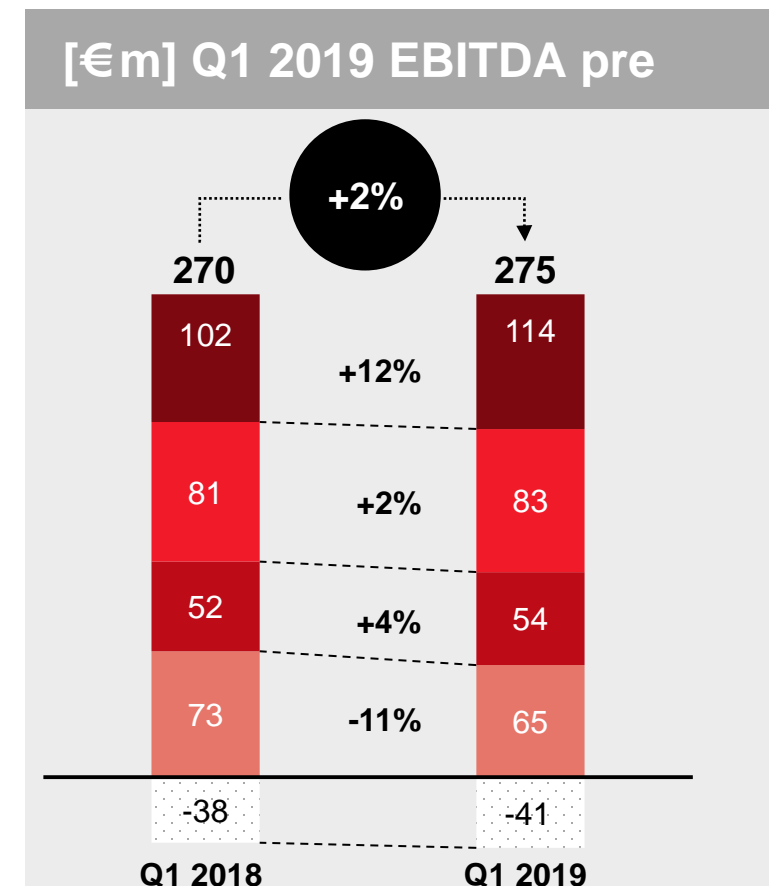
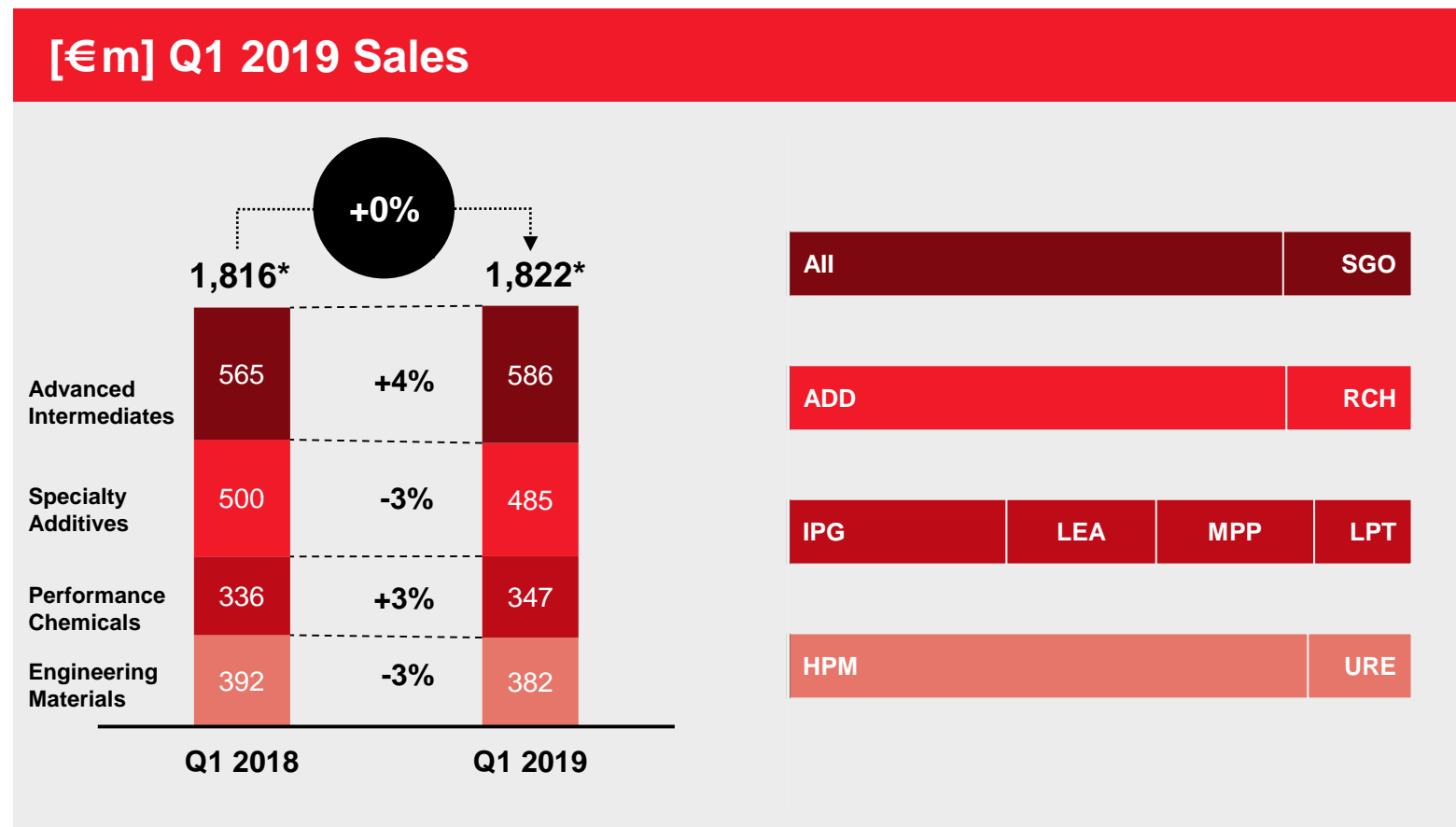
- Increase in selling expenses driven by higher freight costs
- Reduced G&A costs due to lower provisions for var. compensation and lower costs of the former Chemtura businesses
- Improved net income driven by better financial result and tax rate
- Increased EPS pre also reflects share buy-back
- Higher exceptionals due to M&A projects, adjustment of production network and digitalization

**Figures reflect higher resilience**

<sup>1</sup> 2018 applies to continuing operations

<sup>2</sup> Net of exceptionals and amortization of intangible assets as well as attributable tax effects

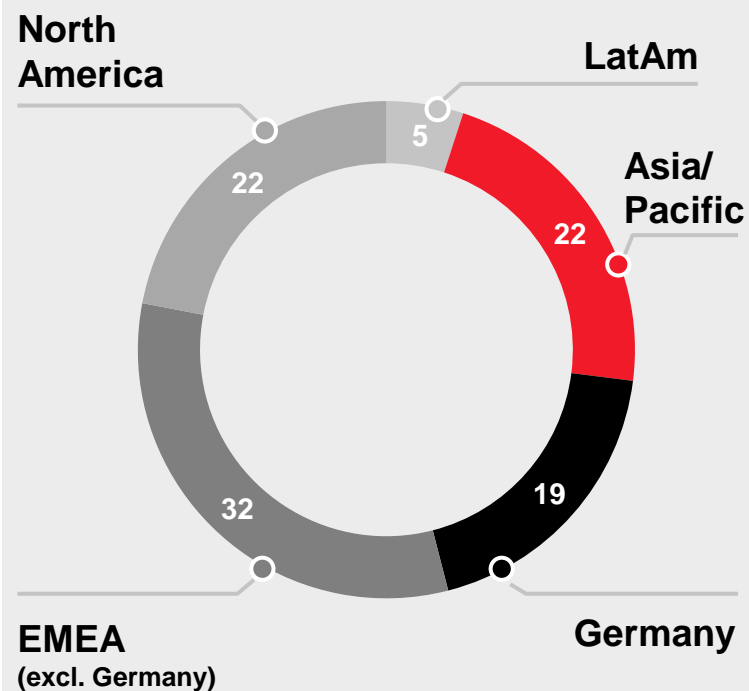
# Proven stability of portfolio – EBITDA pre decline in Engineering Materials offset by other segments



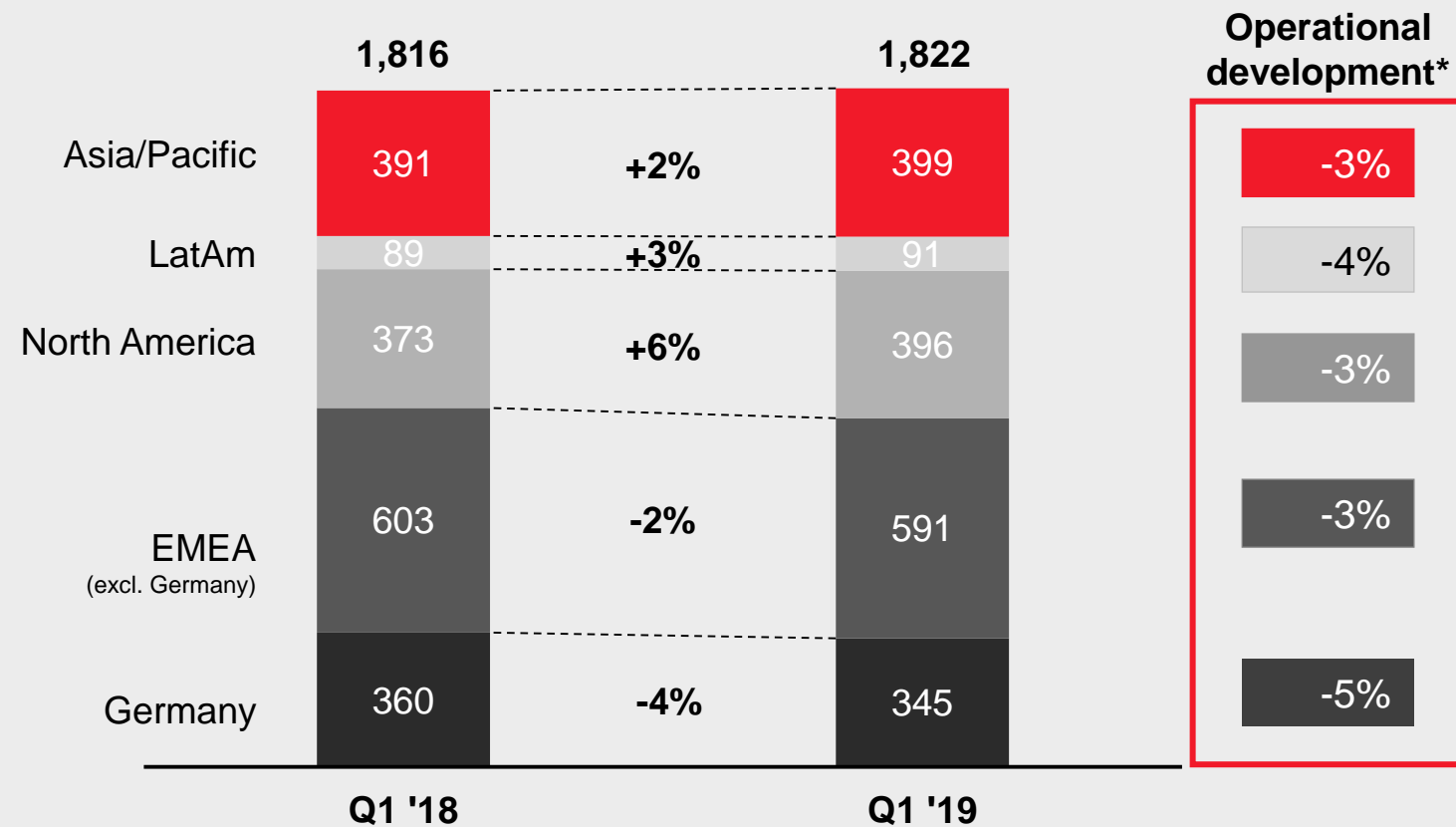
\* Total group sales including reconciliation

# Q1 2019: FX driven sales growth in Americas and Asia offset by decline in EMEA and Germany

Q1 2019 sales by region [%]



Regional development of sales [€ m]



\* Currency and portfolio adjusted



# Cash flow Q1 2019: Stable operating cash flow

[€m]	Q1 2018 <sup>1</sup>	Q1 2019
<b>Profit before tax</b>	<b>120</b>	<b>118</b>
Depreciation & amortization	101	114
Financial (gain) losses	17	15
Income taxes paid	-31	-39
Changes in other assets and liabilities	27	-14
<b>Operating cash flow before changes in WC</b>	<b>234</b>	<b>194</b>
Changes in working capital	-206	-162
<b>Operating cash flow</b>	<b>28</b>	<b>32</b>
<b>Investing cash flow</b>	<b>-113</b>	<b>-239</b>
Thereof capex	-60	-72
<b>Financing cash flow</b>	<b>11</b>	<b>-157</b>

- Higher depreciation due to IFRS 16 effect
- Changes in other assets and liabilities driven by lower provisions for variable compensation and utilization of provisions, e.g. restructuring
- Changes in working capital reflects normal seasonal pattern
- Investing cash flow comprises investment of liquidity after ARLANXEO divestment
- Capex increase driven by debottlenecking investment program
- Share buy-back reflected in financing CF

<sup>1</sup> 2018 applies to continuing operations

# Balance Sheet: Solid!

[€m]	31.12.2018	31.03.2019
<b>Total assets</b>	<b>8,687</b>	<b>8,837</b>
Equity (incl. non-controlling interest)	2,773	2,813
<b>Equity ratio</b>	<b>32%</b>	<b>32%</b>
<b>Net financial debt</b> (including cash and near cash assets)	<b>1,381</b>	<b>1,675</b>
Near cash, cash & cash equivalents	797	434
<b>Pension provisions</b>	<b>1,083</b>	<b>1,110</b>
<b>Net working capital</b>	<b>1,455</b>	<b>1,636</b>
DSI (in days) <sup>1</sup>	69	69
DSO (in days) <sup>2</sup>	46	48

- Stable total assets and equity ratio
- Net debt impacted by ongoing share buy-back (€111 m)<sup>3</sup> and IFRS 16 effect (~€130 m)
- Cash proceeds from sale of 50% share in ARLANXEO partly included in treasury financial assets
- Higher pension provisions due to declining underlying interest rate in Germany
- Seasonal increase in net working capital

1 Days of sales in inventory calculated from quarterly sales

2 Days of sales outstanding calculated from quarterly sales

3 Status 31 March 2019

# Stable and solid balance sheet

[€ m]	Dec 2018	Mar 2019		Dec 2018	Mar 2019
<b>Non-current assets</b>	<b>4,786</b>	<b>4,977</b>	<b>Stockholders' equity</b>	<b>2,773</b>	<b>2,813</b>
Intangible assets	1,764	1,786	attrib. to non-contr. interests	-7	-8
Property, plant & equipment	2,577	2,717	<b>Non-current liabilities</b>	<b>4,395</b>	<b>4,546</b>
Equity investments	0	0	Pension & post empl. provis.	1,083	1,110
Other investments	2	2	Other provisions	337	351
Other financial assets	25	25	Other financial liabilities	2,686	2,783
Tax receivables	14	14	Tax liabilities	117	129
Other non-current assets	404	433	Other liabilities	83	79
<b>Current assets</b>	<b>3,901</b>	<b>3,860</b>	Deferred taxes	89	94
Inventories	1,347	1,386	<b>Current liabilities</b>	<b>1,519</b>	<b>1,478</b>
Trade account receivables	903	975	Other provisions	465	479
Other current financial assets	598	789	Other financial liabilities	59	78
Other current assets	256	276	Trade accounts payable	795	725
Near cash assets	0	0	Tax liabilities	44	48
Cash and cash equivalents	797	434	Other liabilities	156	148
<b>Total assets</b>	<b>8,687</b>	<b>8,837</b>	<b>Total equity &amp; liabilities</b>	<b>8,687</b>	<b>8,837</b>

**IFRS 16 effect of ~€130 m impacts PP&E and other financial liabilities**

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## LANXESS financial expectations

- **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 2019:**
  - 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

# Reorganization of Specialty Additives segment

## Advanced Intermediates



- Advanced Industrial Intermediates
- Saltigo

## Specialty Additives



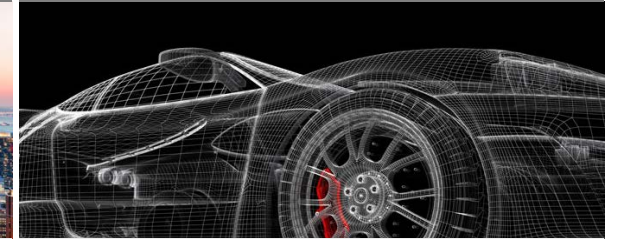
- **Polymer Additives (new)**
  - Flame retardants / other plastics additives
  - Head of BU: Karsten Job
- **Lubricant Additives Business (new)**
  - Lubricants / lubricant additives
  - Head of BU: Martin Saewe
- **Rhein Chemie**
  - Rubber additives / colorants
  - Head of BU: Philipp Junge

## Performance Chemicals



- Material Protection Products
- Inorganic Pigments
- Leather
- Liquid Purification Technologies

## Engineering Materials



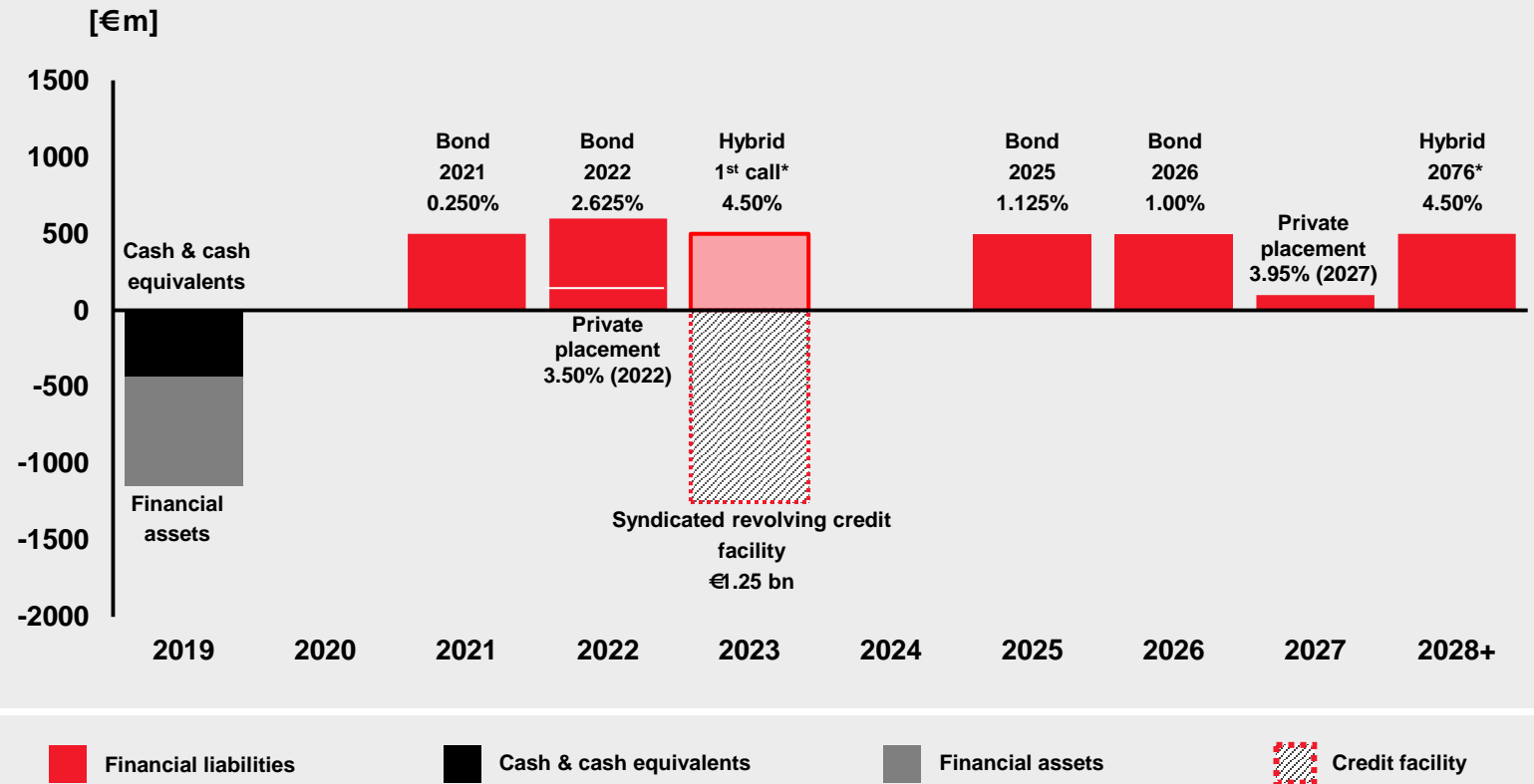
- High Performance Materials
- Urethane Systems

# Maturity profile actively managed and well balanced

## 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

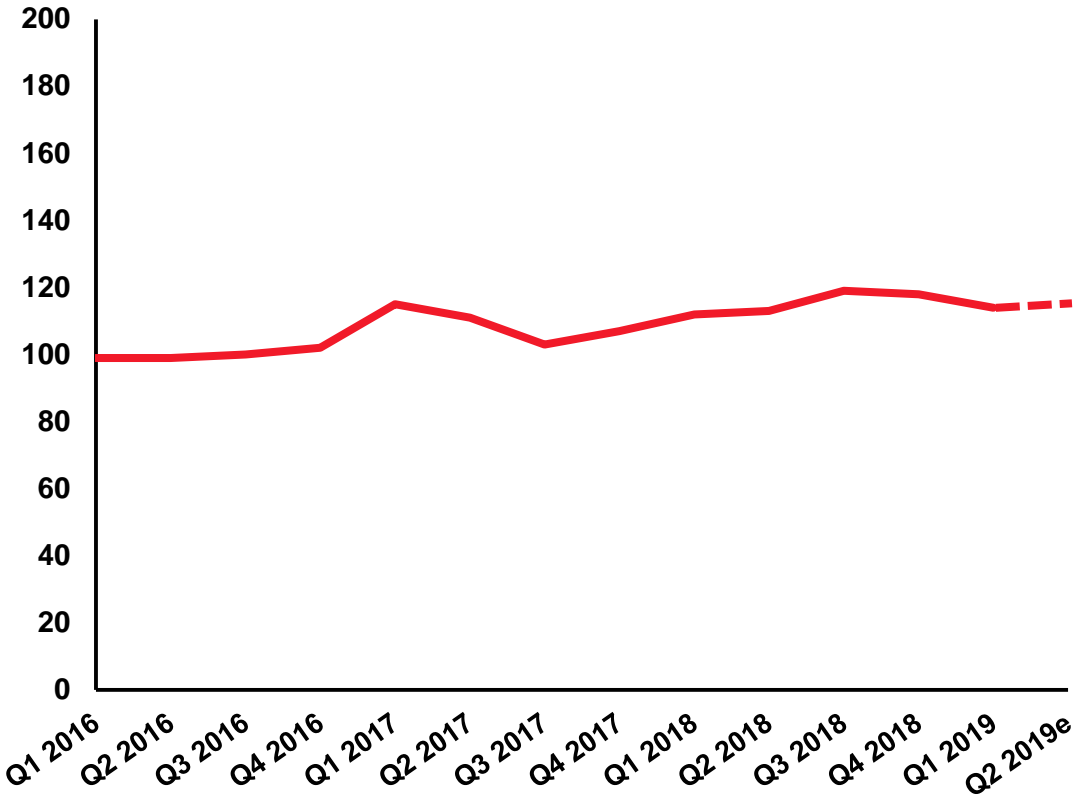
## Liquidity and maturity profile as per March 2019



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

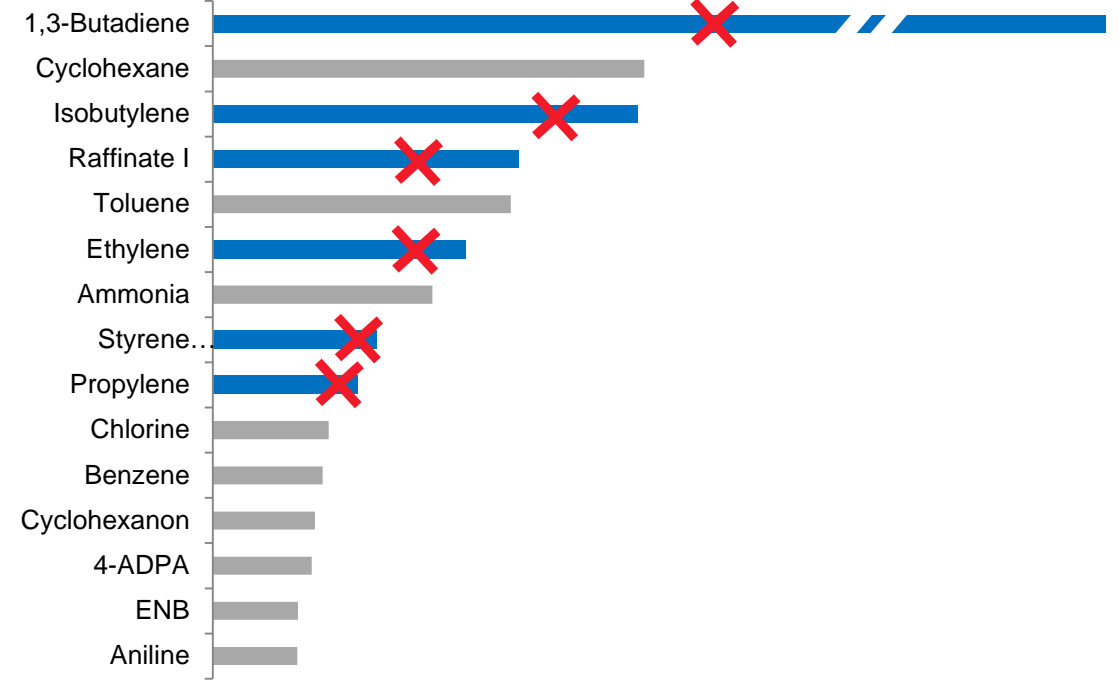
# Substantially reduced dependency on volatile raw materials

## LANXESS global raw materials index\*



\* Average 2013 = 100%

## Total raw material expenses (2017)



## LANXESS no longer dependent on few raw materials



# Slightly higher exceptional items (on EBIT) due to plant closure in Jinshan and projects

[€m]	Q1 2018		Q1 2019	
	Excep.	Thereof D&A	Excep.	Thereof D&A
Advanced Intermediates	0	0	0	0
Specialty Additives	0	0	1	0
Performance Chemicals	1	0	4	0
Engineering Materials	0	0	0	0
Reconciliation	14	0	17	0
<b>Total</b>	<b>15</b>	<b>0</b>	<b>22</b>	<b>0</b>



# Upcoming events 2019

## Proactive capital market communication

▪ <b>Q1 2019 results</b>	<b>May 14</b>	
▪ Citi's Chemicals Conference	May 16	London
▪ <b>Annual Stockholders' Meeting</b>	<b>May 23</b>	Cologne
▪ mBank Chemicals Day	June 4	Warsaw
▪ dbAccess Berlin Conference	June 5/6	Berlin
▪ Exane BNP Paribas 21 <sup>st</sup> CEO Conference	June 11/12	Paris
▪ J.P. Morgan Cazenove European Materials Conference	June 12	London
▪ Morgan Stanley Cannon Ball Run	June 25	Cologne
▪ <b>Q2 2019 results</b>	<b>August 2</b>	
▪ Goldman Sachs & Berenberg German Corporate Conference	September 23-25	Munich
▪ <b>Q3 2019 results</b>	<b>November 13</b>	
▪ <b>Meeting the Management</b>	<b>November 15</b>	Cologne

# Contact details Investor Relations



**Oliver Stratmann**  
Head of Treasury & Investor Relations

Tel.: +49-221 8885 9611  
Fax.: +49-221 8885 5400  
Mobile: +49-175 30 49611  
Email: Oliver.Stratmann@lanxess.com



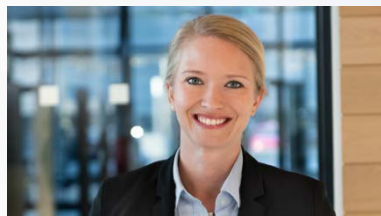
**Katharina Forster**  
Institutional Investors / Analysts / AGM

Tel.: +49-221 8885 1035  
Mobile: +49-151 7461 2789  
Email: Katharina.Forster@lanxess.com



**André Simon**  
Head of Investor Relations

Tel.: +49-221 8885 3494  
Mobile: +49-175 30 23494  
Email: Andre.Simon@lanxess.com



**Eva Frerker**  
Institutional Investors / Analysts

Tel.: +49-221 8885 5249  
Mobile: +49 151 74612789  
Email: Eva.Frerker@lanxess.com



**Laura Stankowski**  
Assistant to André Simon  
Tel.: +49-221 8885 3262  
Fax.: +49-221 8885 4944  
Email: Laura.Stankowski@lanxess.com



**Janna Günther**  
Private Investors / AGM

Tel.: +49-221 8885 1989  
Mobile: +49 151 7461 2615  
Email: Janna.Guenther@lanxess.com



**Jens Ussler**  
Institutional Investors / Analysts

Tel.: +49-221 8885 7344  
Mobile: +49 151 74612913  
Email: Jens.Ussler@lanxess.com



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website



# Abbreviations

## Advanced Intermediates

- **All** Advanced Industrial Intermediates
- **SGO** Saltigo

## Performance Chemicals

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

## Specialty Additives

- **ADD** Additives
- **RCH** Rhein Chemie

## Engineering Materials

- **HPM** High Performance Materials
- **URE** Urethane Systems