



**LANXESS**  
Energizing Chemistry

# LANXESS – Q3 2019 Roadshow

Delivered as promised again

Michael Pontzen, CFO

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# Agenda

**1 Time to prove our strengths**

**2 Business and Financial details Q3 2019**

**3 Back-up**

# The way forward – Providing direction from four perspectives



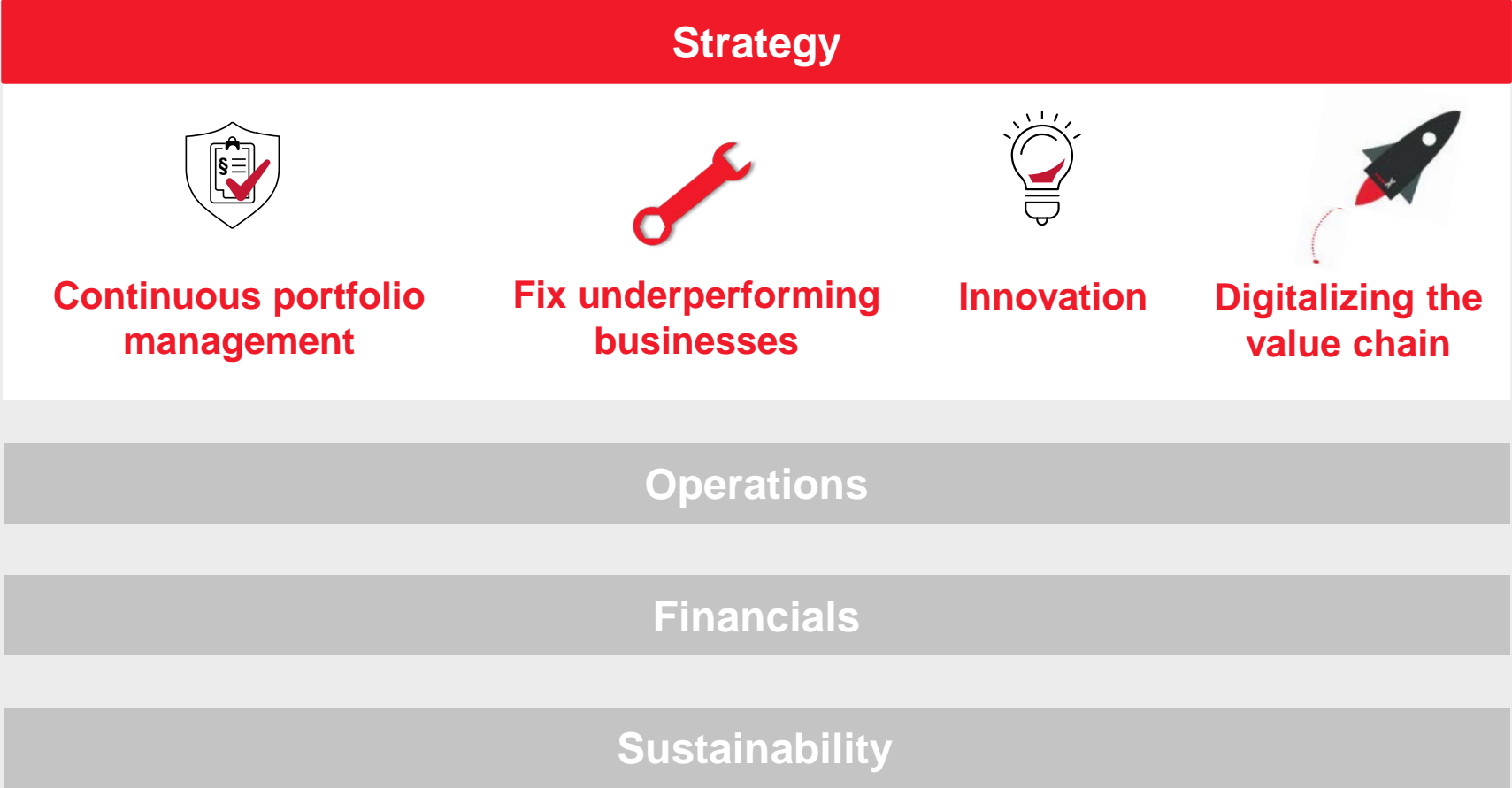
**Strategy**

**Operations**

**Financials**

**Sustainability**

# The way forward – Providing direction from four perspectives



# The way forward – Continuous Portfolio Management



## Strategy



**Why do we like Consumer  
Protection Chemicals?**

# Perfect match: The characteristics of Consumer Protection Chemicals and our competences



## Characteristics:

- **High entry barriers** due to increasing regulation
- Strong **expertise in Regulatory Affairs**
- **Data ownership\*** essential for product registration
- Attractive **secular growth**, independent of industry cycles



## Our competences:

- **Global set-up in Regulatory Affairs**
- **Regulatory competence:** One of the largest global expert teams in the industry
- **Unique portfolio** in Animal Protection Chemicals
- One of the **strongest water purification technologies**



# LANXESS Consumer Protection: Our products follow strong application-driven trends



## Food Safety



**X\_Velcorin<sup>®</sup>**



## Water Purification



**X\_Lewatit<sup>®</sup>**



## Biosecurity



**>Virkon<sup>™</sup>**





# MPP proves its strong “specialty” financial performance

**70 - 80%**  
Cash conversion

**22 - 25%**  
EBITDA pre margin

**CAGR: ~10%**

**Sales**  
**<€500 m**

**6 M&A since 2010**

**0%**  
Automotive

# The way forward – Fix underperforming businesses



## Strategy

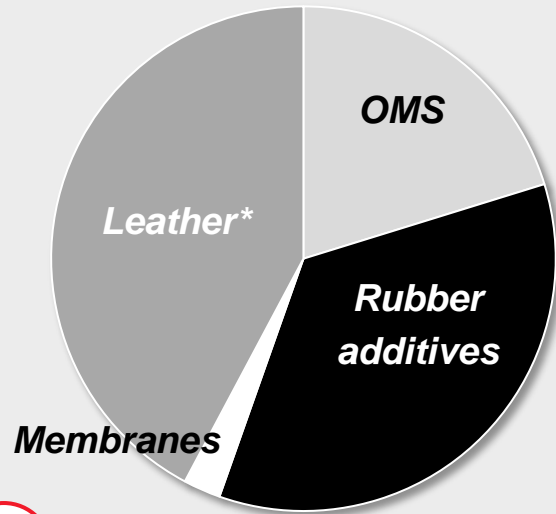


**Which businesses  
are we addressing?**

# Rigorously addressing under-performing businesses across our portfolio



Sales of businesses to be addressed  
~€800 m



%

Margin Level:  
~8%



## Transforming action

- Solving the Chrome problem
- Accelerating OMS performance to peer level
- Turnaround Rubber Additives and Membrane businesses



Target structure  
~€500 m



%

Margin Level:  
>15%



# Next logical step taken: LANXESS sells chrome ore mine in South Africa



## Transaction details

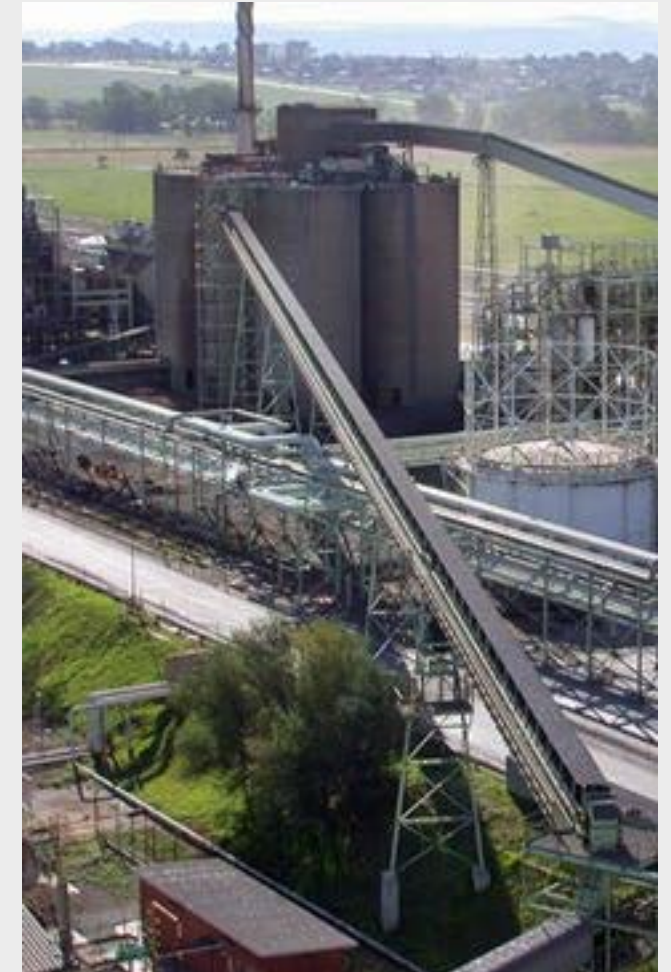
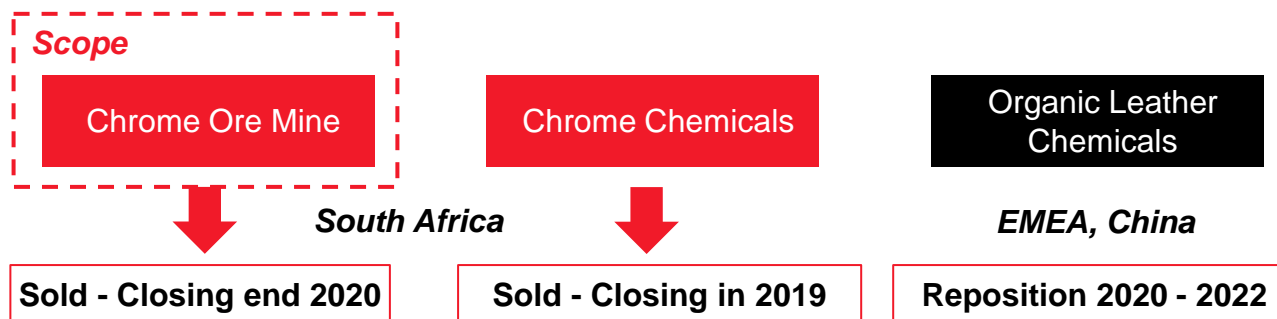
- Disposal of LANXESS' 74% stake in chrome ore mine in Rustenburg (South Africa) to Clover Alloys (SA) Pty. Ltd.
- Sales: ~€60 m
- Internal employees: ~500
- Expected one-time-costs: ~€30 m
- Closing\*: Most likely end of 2020 (due to regulatory steps)

## Strategic rationale

- Chrome business no longer fits to our strategic focus
- Better future development under leadership of Clover Alloys

## Transaction scope

### BU Leather structure

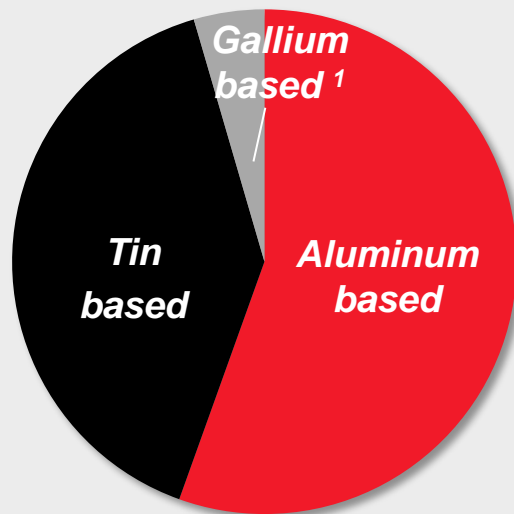


# Improving Organometallics' performance to competitive peer level



## Organometallics Sales

2018:  
~€160 m



%

**Margin Level:**  
**0-5%**



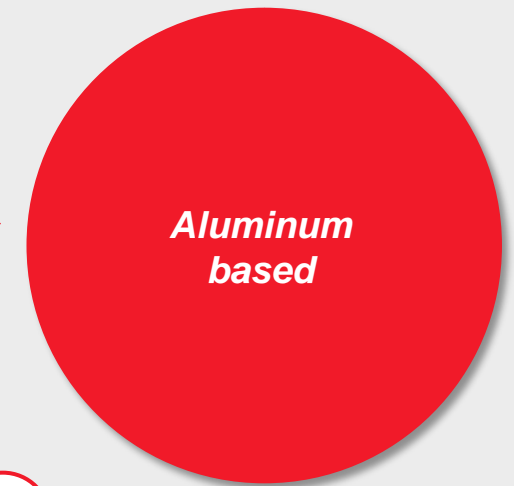
### Transforming action

**Aluminum based Organometallics:**  
Set for organic growth

**Tin based Organometallics:**  
Exit partner found with PMC<sup>2</sup>

**Gallium based Organometallics<sup>1</sup>:**  
Exit partner found with Vital Materials

Target structure  
~€100 m



%

**Margin Level:**  
**15-20%**

# The way forward – Innovation



## Strategy



**What innovations are we  
working on?**

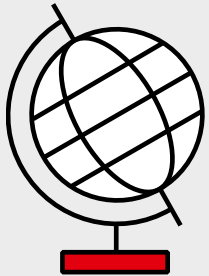


# We focus on product, process and technology innovation



## Our philosophy

- Result-oriented product innovation
- Process innovation with focus on energy & resource efficiency
- Technology innovation that will change chemical business models (esp. digitalization)



## Global innovation platform

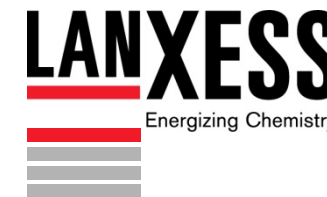
- 33 application centers in 14 countries focusing on product innovation
- Dedicated task force teams continuously optimize production processes worldwide
- Centralized digital team to introduce new technologies and change business models



## Strong alliances

- More than 150 research cooperations with customers, universities and other research institutes worldwide
- Collaboration with leading AI specialists Citrine, Palantir, et al.

# Identifying innovations that fit to our business – A natural preservative derived from an edible fungus



**BU  
MPP**

## Acquisition of IMD Natural Solutions completed in 2017

- 9 FTE with a lab in Dortmund, Germany

## Rationale

- Strong trend to replace chemicals with natural preservatives
- LANXESS has a global sales force and regulatory expertise
- Currently no comparable natural product on the market

## Potential:

- Key market: USA; FDA approval received in 2018, further market approvals in preparation
- First meaningful sales in 2020
- Full potential to be reached 2025-2030



**X Nagardo™**

**Accessible  
initial  
market  
(USA)**

**~ €200-  
250 m**

# We consider E-Mobility as a major opportunity



## E-Mobility: Key driver for battery growth

- Battery demand grew by 30% p.a. (2010-2018) to 180 GWh<sup>1</sup>
- Globally, E-Mobility will account for >85% of total battery demand<sup>2</sup>

## High share of chemicals

- Chemicals account for **>50% of total cost** of battery cells
- Announced cell capacities lead to **€8-9 bn p.a.**<sup>3</sup> chemicals demand

## Growth markets

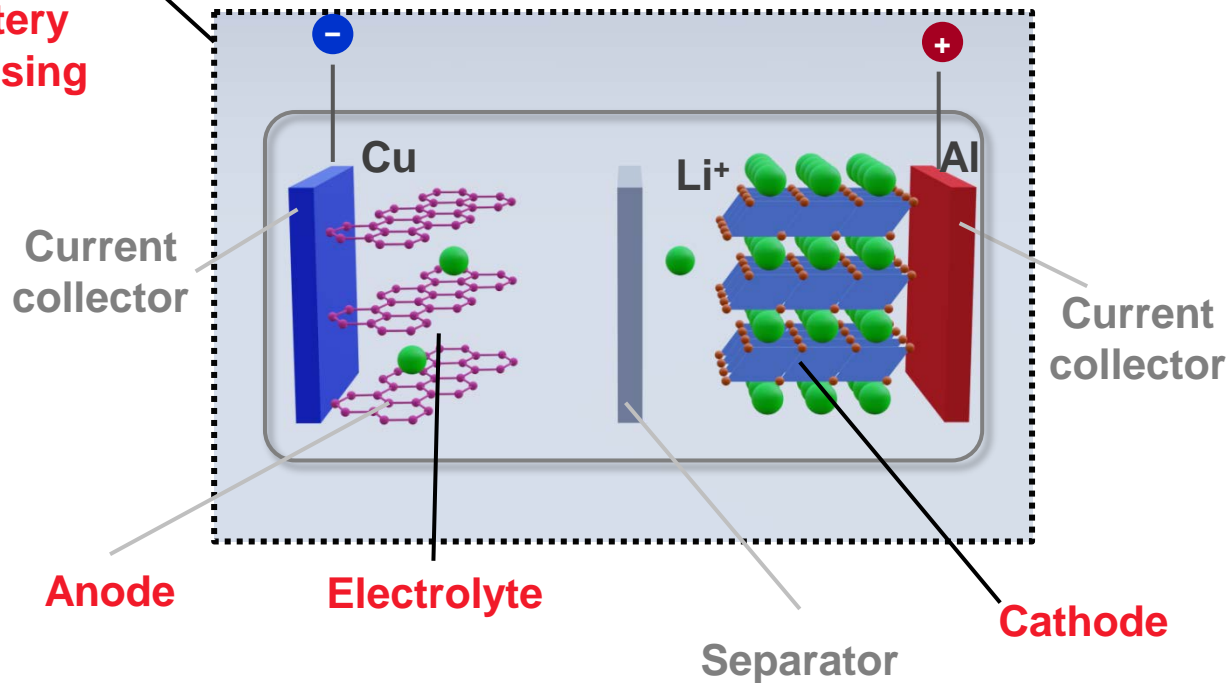
- Changing battery market: An Asia dominated market will turn into a global market with increasing shares for EU & US
- E-Mobility growth drives ramp-up of cell production sites in Europe
- Supportive governmental regulation



# LANXESS offers key products for Li-Ion batteries



**Battery housing**



## Battery housing

- PA/PBT compounds for components of the e-powertrain (BU HPM)

## Electrolyte

- Key materials (Hydrofluoric acid, phosphorus chemicals) for electrolyte salt ( $\text{LiPF}_6$ ) (BU AII/BU PLA)
- Flame retardants (BU PLA)

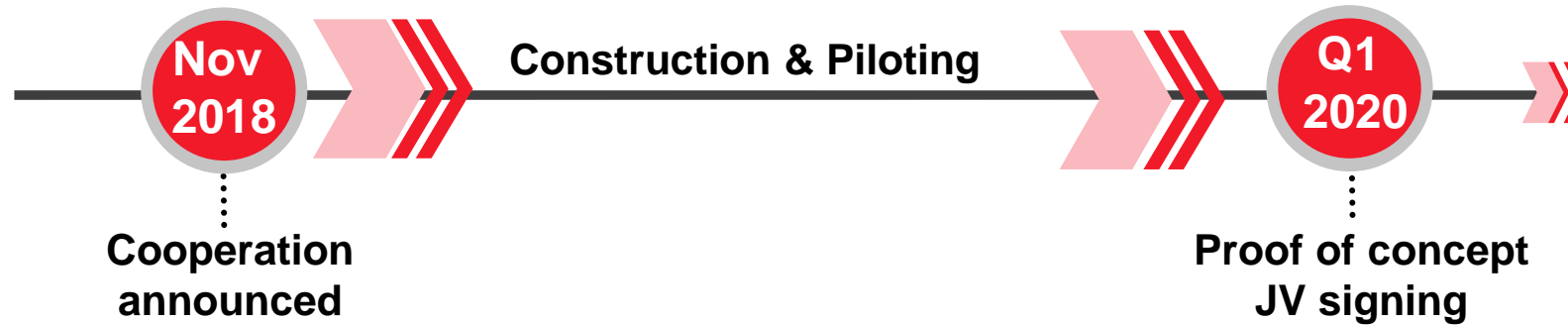
## Cathode & Anode

- Iron oxide as precursor for cathode active materials (BU IPG)
- Ion-exchange resins for refining battery grade cobalt, nickel and lithium (BU LPT)
- Lithium chemicals from tail-brine (BU PLA)\*

# Cooperation with Standard Lithium could deliver upside in a promising market



**BU  
PLA**



## JV characteristics\*

- 60-70% LANXESS ownership
- Exclusive access to technology in Smackover formation
- Absorption of El Dorado infrastructure cost

## Project rationale

- Use existing site infrastructure
- Brines from bromine wells in El Dorado contain Lithium
- Lithium demand growing double digit
- Limited additional cost during piloting
- In case of successful pilot project: €100-400 m capex possible\*\*

# The way forward – Digitalizing the value chain



## Strategy



**What are we  
focusing on?**

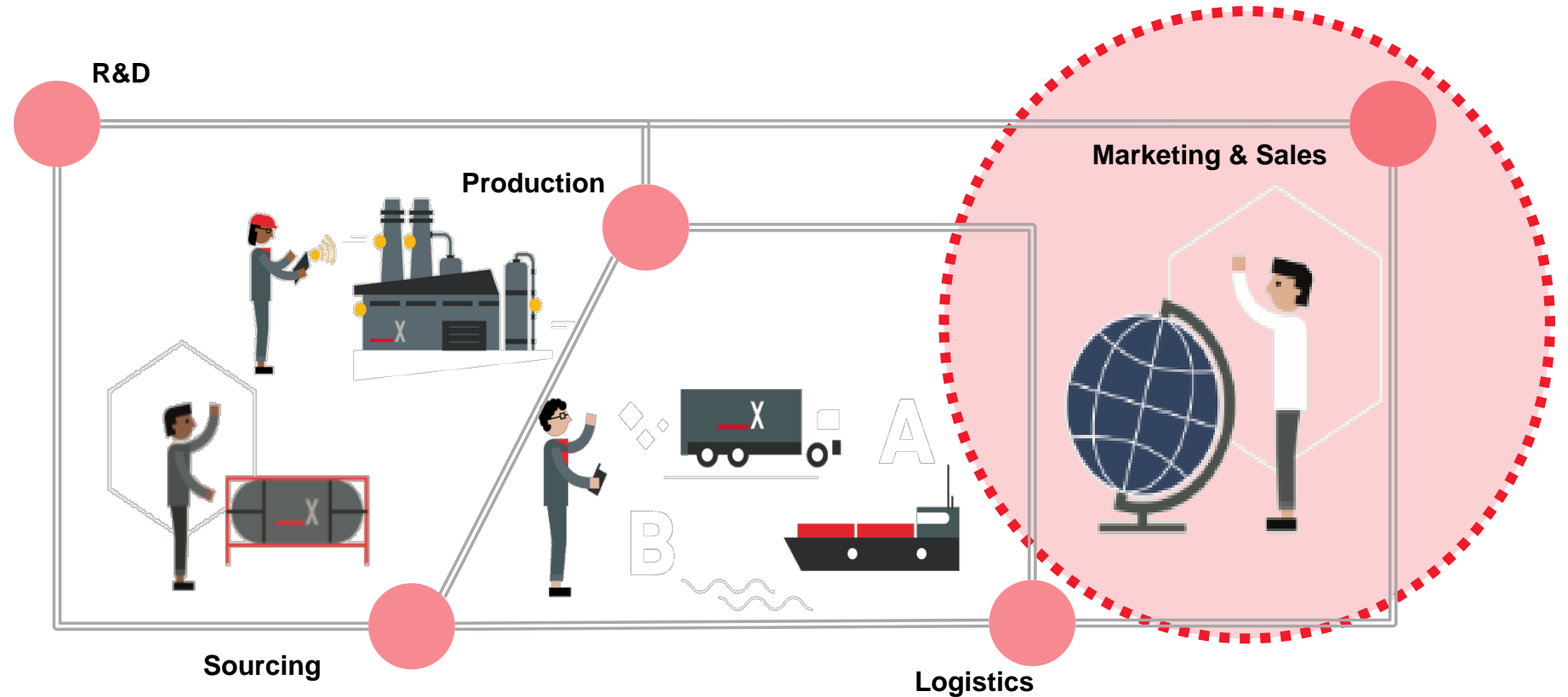
# Digitalizing the value chain

## LANXESS to be digital leader in the chemical industry



From itemized elements ...

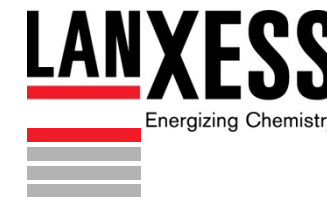
... towards a fully integrated digitalized value chain:





# Digitalizing the value chain: CheMondis

## Paving the way to the future of trading chemicals



## CheMondis

Project start in 2017:  
LANXESS' chemical industry knowledge combined with  
external digital experts

Pioneering into digital trading platform for chemicals to get  
ready for digital future

First minimal viable product (MVP) created in 2018,  
preparation of fully separated industry platform

Largest and fastest growing B2B marketplace for industrial  
chemicals in the western world

Exceptional team of skilled and dedicated experts combining  
chemical, digital and technical know-how

Unique setup, backed by industry know-how and capital

# The way forward – Providing direction from four perspectives



Strategy

Operations

Financials

Sustainability

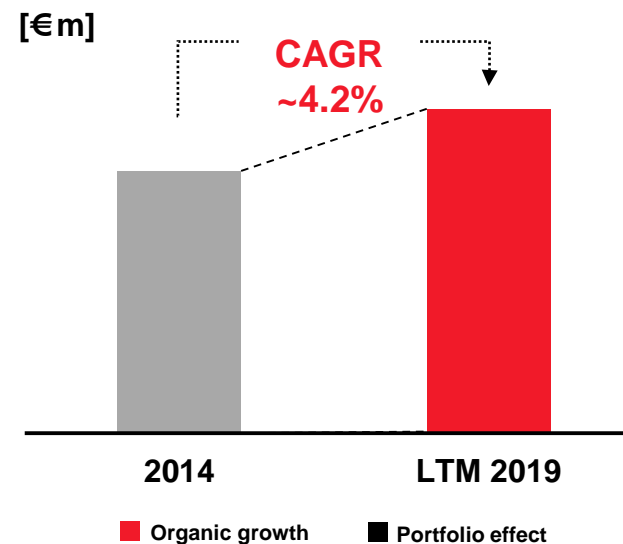
# Advanced Intermediates – Focus on additional organic growth



## Key differentiators

- Cost, technology and process leadership
- Leading market position
- Proven resilience

## EBITDA pre development



## Value drivers



- Debottlenecking

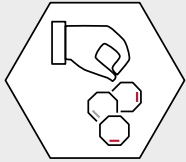


- Fix Organometallics



- Benefit from agro recovery

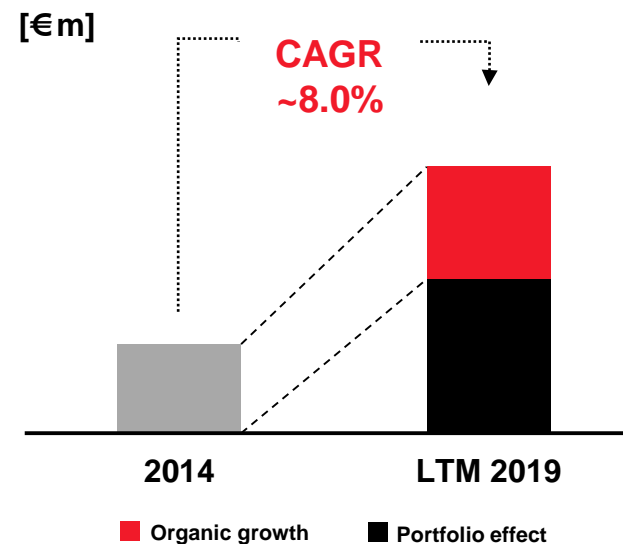
# Specialty Additives – Consolidate, benefit from regulation, exploit growth trends



## Key differentiators

- Small volume, high impact
- Leading market position
- Integrated value chains
- Broad product portfolio
- Small to medium-sized competitors

## EBITDA pre development



## Value drivers



- Synergies & optimization of production footprint



- Innovation: Exploit regulatory trends, e.g. Emerald 3000



- Benefit from market consolidation

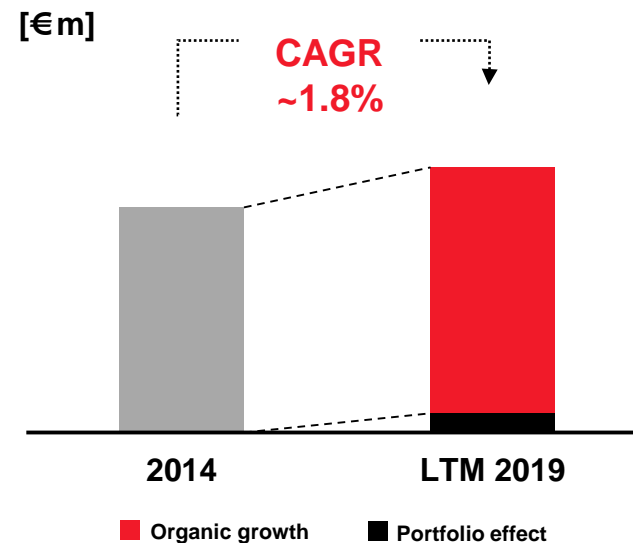
# Performance Chemicals – Segment realignment and focus on Consumer Protection Chemicals



## Key differentiators

- Leading regulatory affairs as strategic competence
- Global reach & scale
- Strong products and brands
- Asset light, capex primarily for data generation

## EBITDA pre development



## Value drivers



- Growth trend Consumer Protection Chemicals
- Benefit from market consolidation
- Fix chrome value chain and membrane business

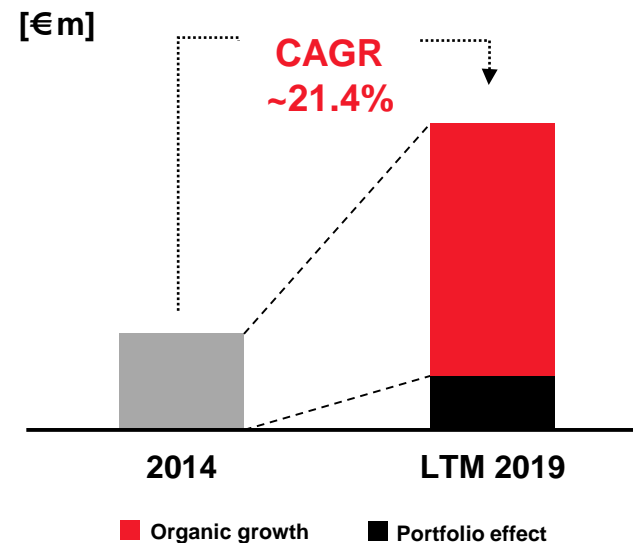
# Engineering Materials – Exploit additional chances from lightweight trend



## Key differentiators

- Cost-advantage due to integrated value chain
- Competitive market position
- High-tech application know-how
- Customer proximity (regionally)

## EBITDA pre development



## Value drivers



- Innovation & new applications

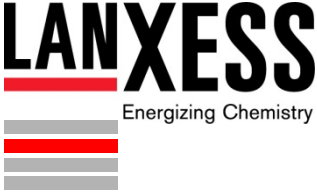





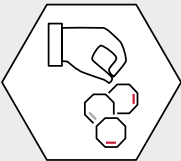





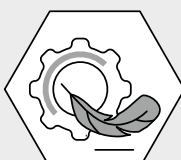


- Strong trends: E-Mobility, light-weight, sustainable production



- Continue to optimize value chain (additional compounding capacity)

# Capital allocation follows clear individual strategies for each business



		Organic growth / Capex	Likelihood for M&A	Turnaround
	<b>Advanced Intermediates</b>			Organometallics
	<b>Specialty Additives</b>			Rubber additives
	<b>Performance Chemicals</b>			Chrome value chain Membranes business
	<b>Engineering Materials</b>			



# The way forward – Providing direction from four perspectives



# In 2019 the world is much more challenging, but we are well on track to achieve our goals

The political uncertainty with full negative impact on global economy

## 2019



Asian economies with visible slowdown, Brasil recovery pending, LATAM uncertain



Serious trade conflicts / BREXIT



Main customer industries weak, auto in crisis mode, capital goods and agro sluggish

**EBITDA pre margin**  
(group, Ø through the cycle)

**EBITDA margin volatility**

**Cash Conversion**

## We stick to our targets (~2021)

**Specialty level** 

**Resilience** 

**Strong cash generation** 

# LANXESS self-help measures are the foundation on our way to achieve our financial targets

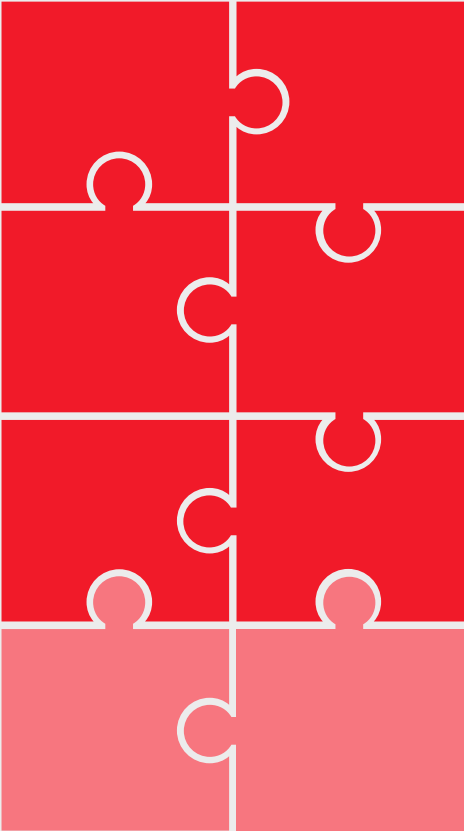


Active portfolio management

Significantly reduced auto exposure

More balanced regional exposure

Profitable organic growth



Leveraging of synergies

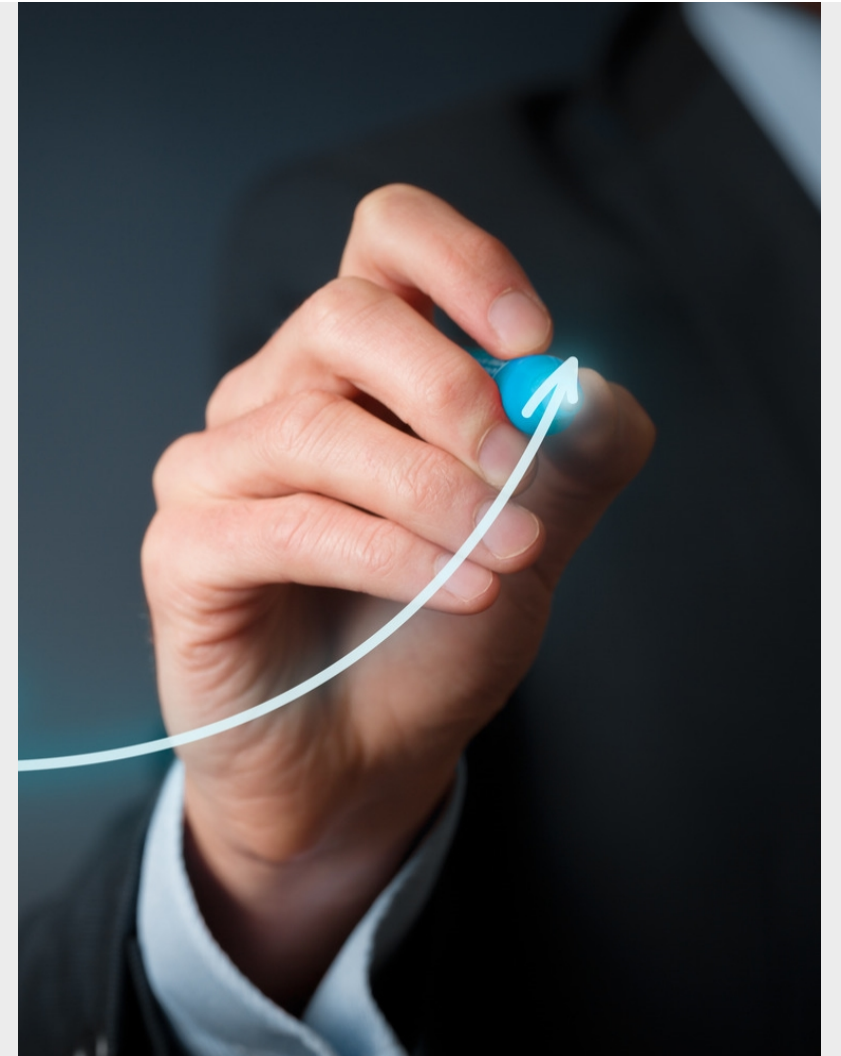
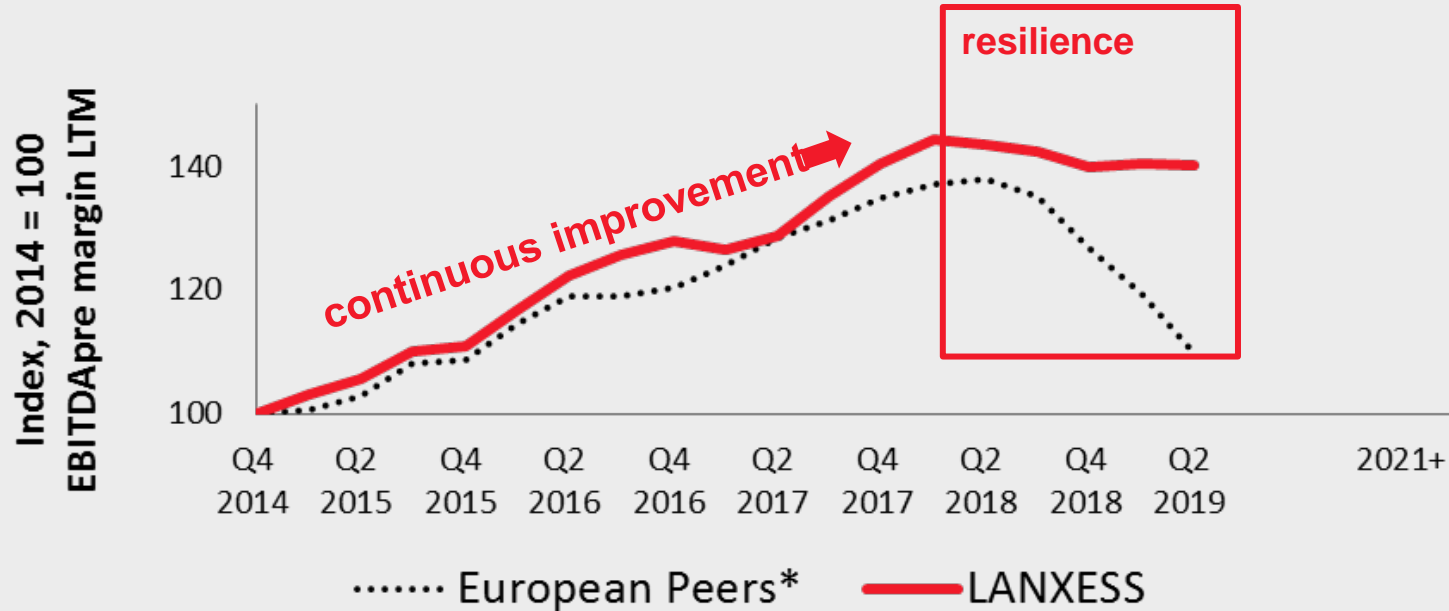
Streamlining asset network

Additional organic growth with ROCE ~20%

Further M&A and restructuring

# LANXESS margin improvement and resilience proven

**Stable margin growth in cyclical environment**  
**Margin resilience proven in recent quarters!**

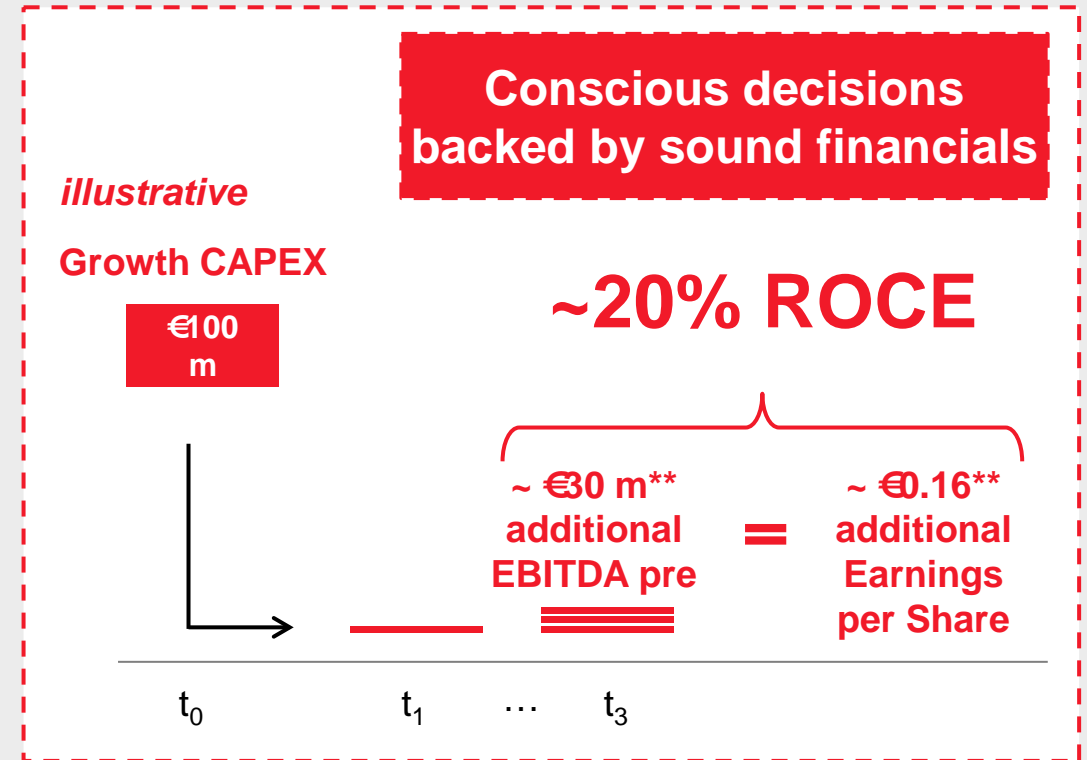
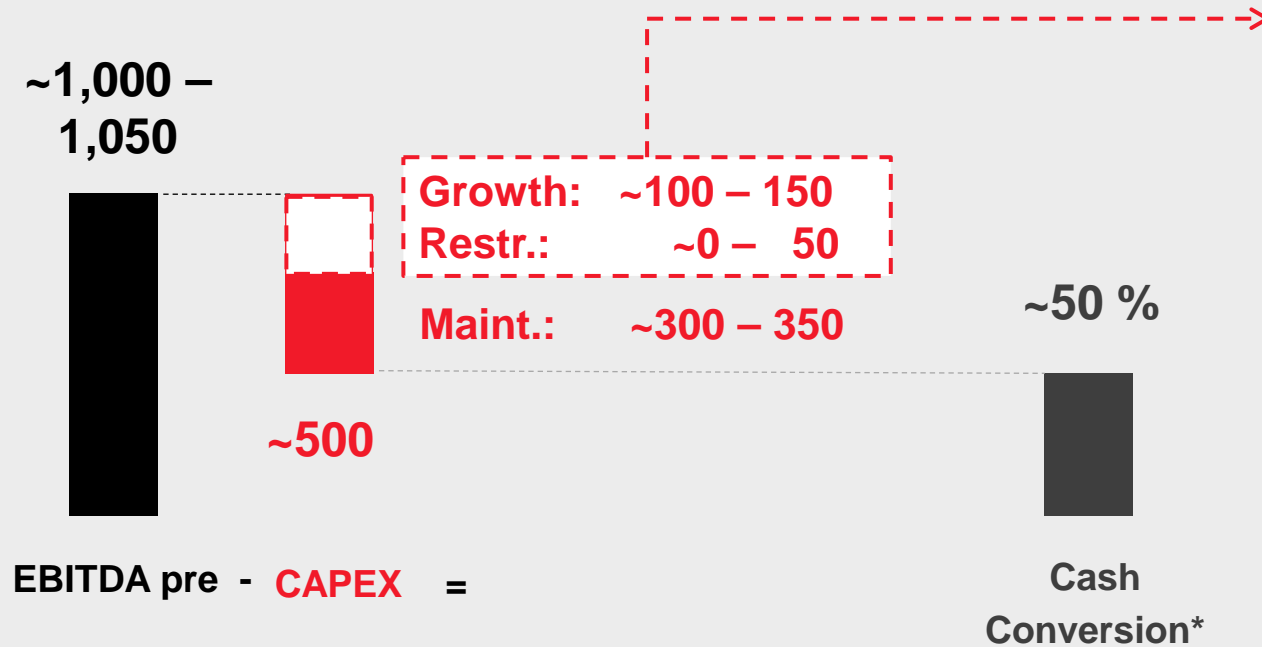


\* European Peers: Arkema, DSM, Covestro, BASF, Clariant, Evonik, Solvay

# Cash Conversion target also on track – but at what price does it come?

We could deliver on our Cash Conversion target already in 2019, but give priority to profitable growth

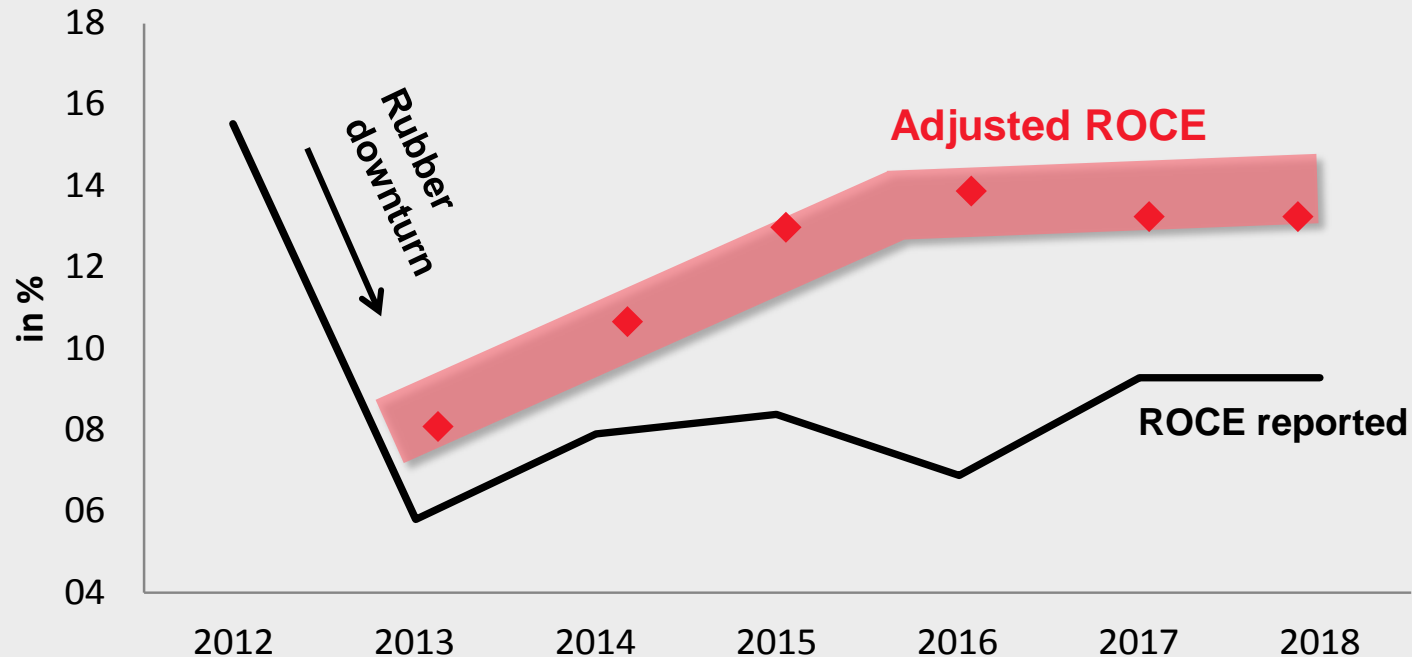
2019 estimate in € m



\* Cash Conversion = EBITDA pre – CAPEX / EBITDA pre; \*\* ROCE: ~ 20%, considering ~€10 m D&A & ~30% tax

# Organic investments fuel improvement of ROCE\*

**Adjusted ROCE\* shows improved operational return profile of LANXESS**



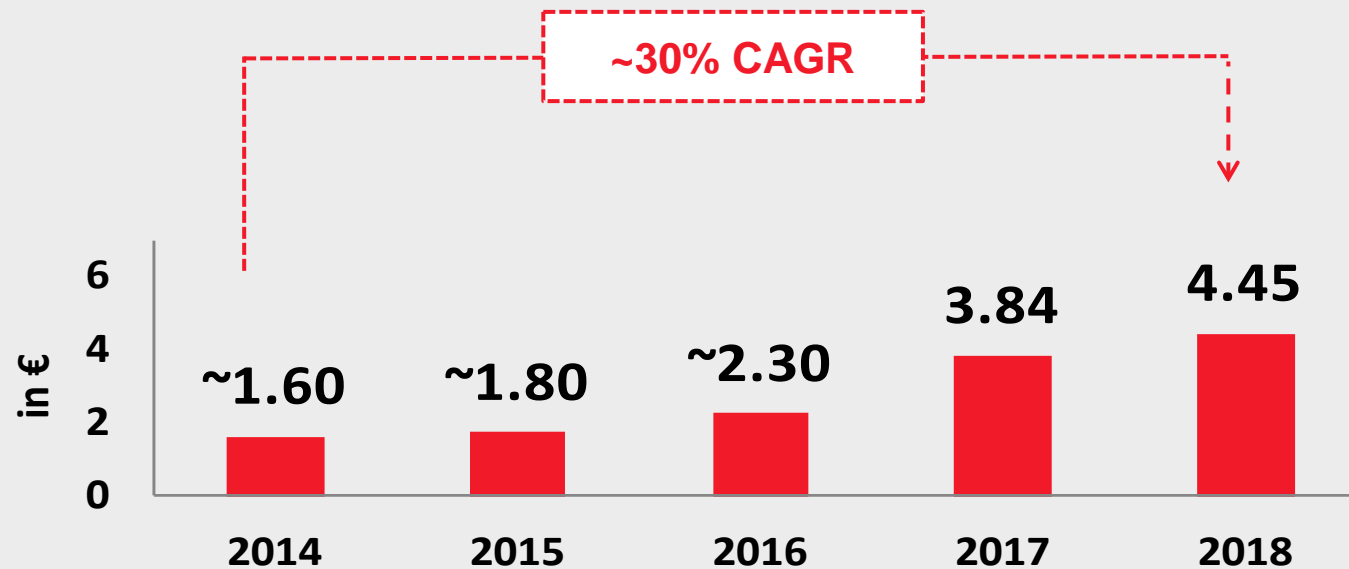
**Transformation pays off:**

- Divestment of ARLANXEO
- Acquisition of Chemtura
- Streamlining asset network
- Organic growth investments

\* Adjusted ROCE = EBIT pre adjusted for amortization of Chemtura PPA related intangibles & assumed ARL ROCE

# Strong management attention also on EPSpre\*

## Strong EPSpre\* growth



## Active EPS management:

- Operational improvement
- Lower interest expenses
- Funding of pension debt
- Tax management (tax rate from ~45% to ~30% in 2019)
- Share buyback in 2019

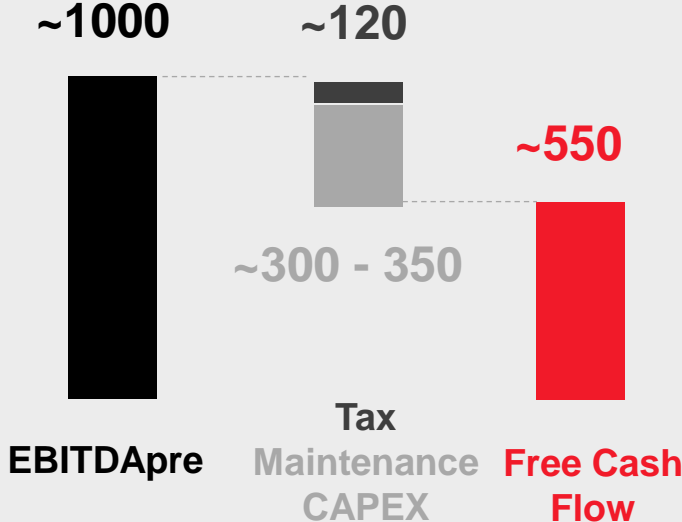
\* Earnings per Share: net of exceptionals and amortization of intangible assets as well as attributable tax effects / figures for 2014 until 2016 exclude ARLANXEO (non audited figures)










# Capital allocation follows shareholder interests

Shareholder return is the driver for capital allocation

*illustrative*  
(€ m)



-  Organic growth
-  Restructuring
-  Mergers & Acquisitions
-  Share buyback
-  Dividend
-  Deleveraging
-  Interest expenses

# LANXESS strengthens its All aromatic „Verbund“ with additional synthetic menthol capacity

Clear long-term investment approach based on synergetic customer relationship



~€40 m

Investment

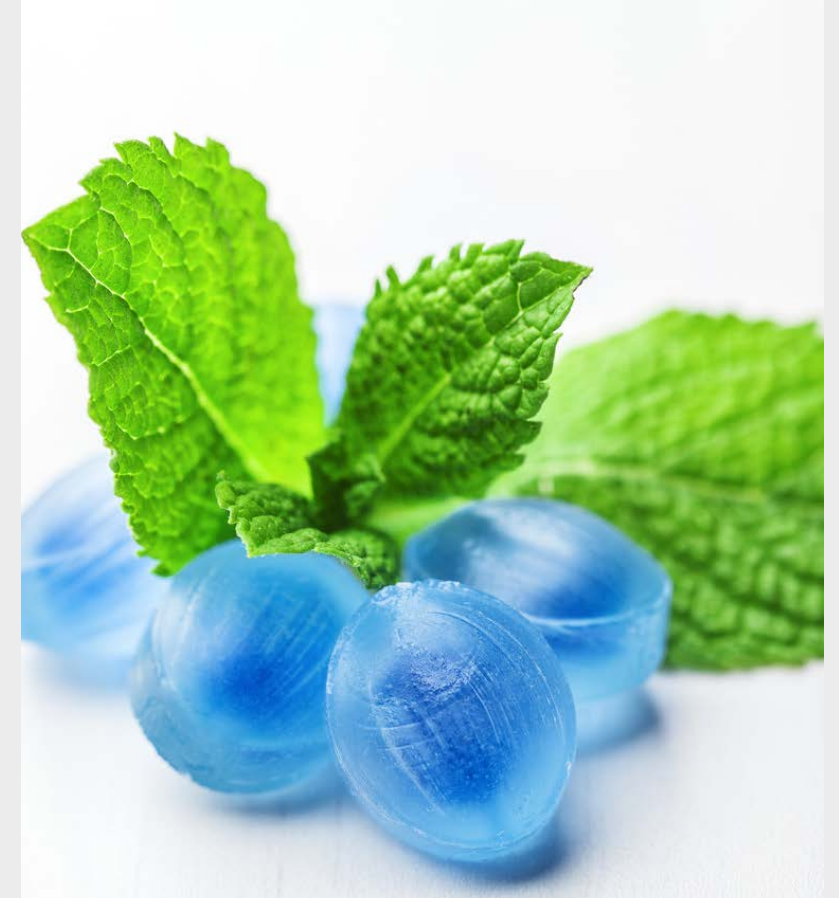


Early 2021

Planned operation start

## Investment rationale:

- Significant increase in demand for synthetic menthol
- Strong customer relation based on long-term contracts
- Downstream development of the aromatic „Verbund“



# Venture investment into Lithium with low risk and potentially high return

Opportunity in cooperation with Standard Lithium



~€100 –  
400 m  
Investments



Early 2021  
Planned start of  
construction

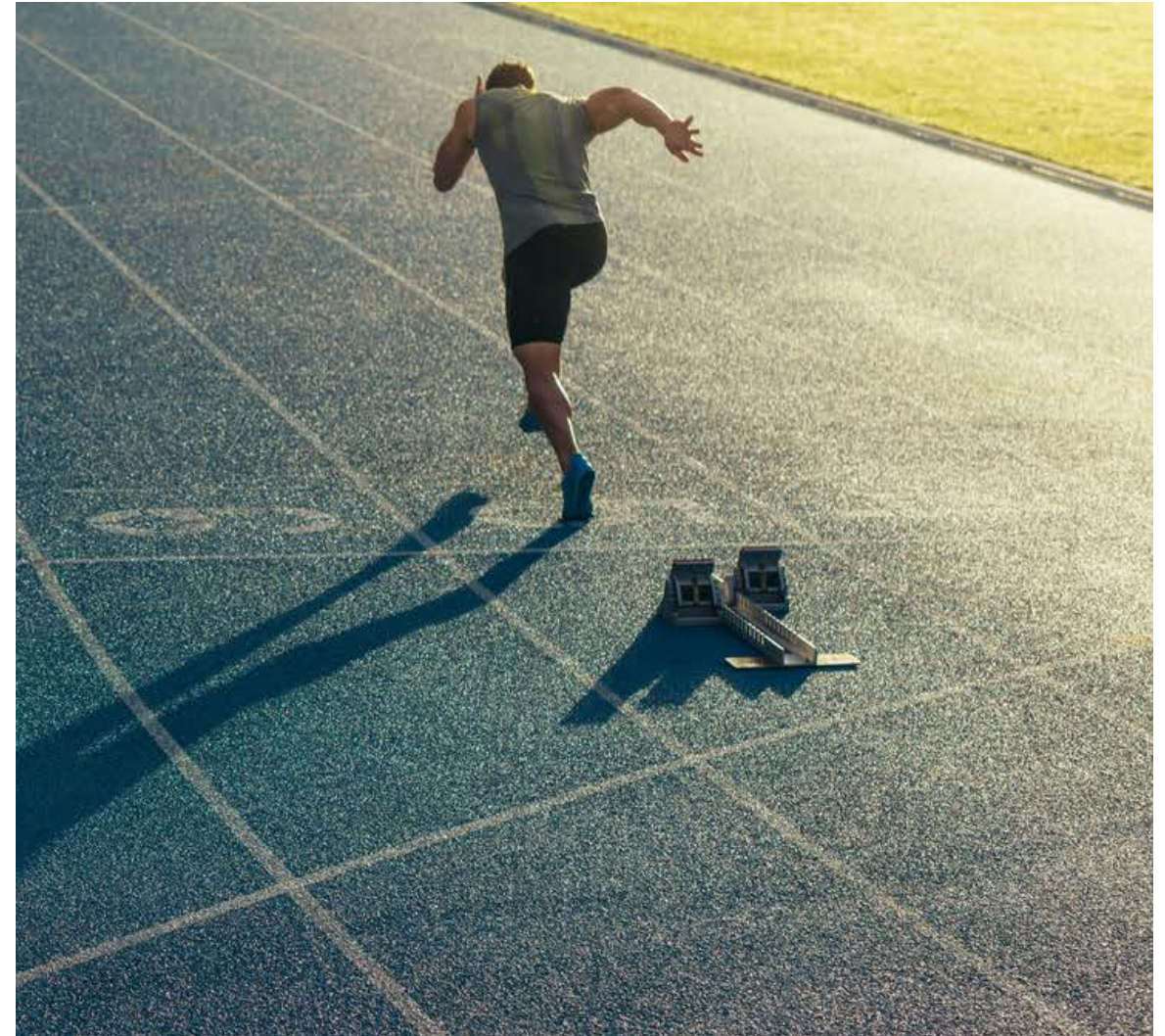
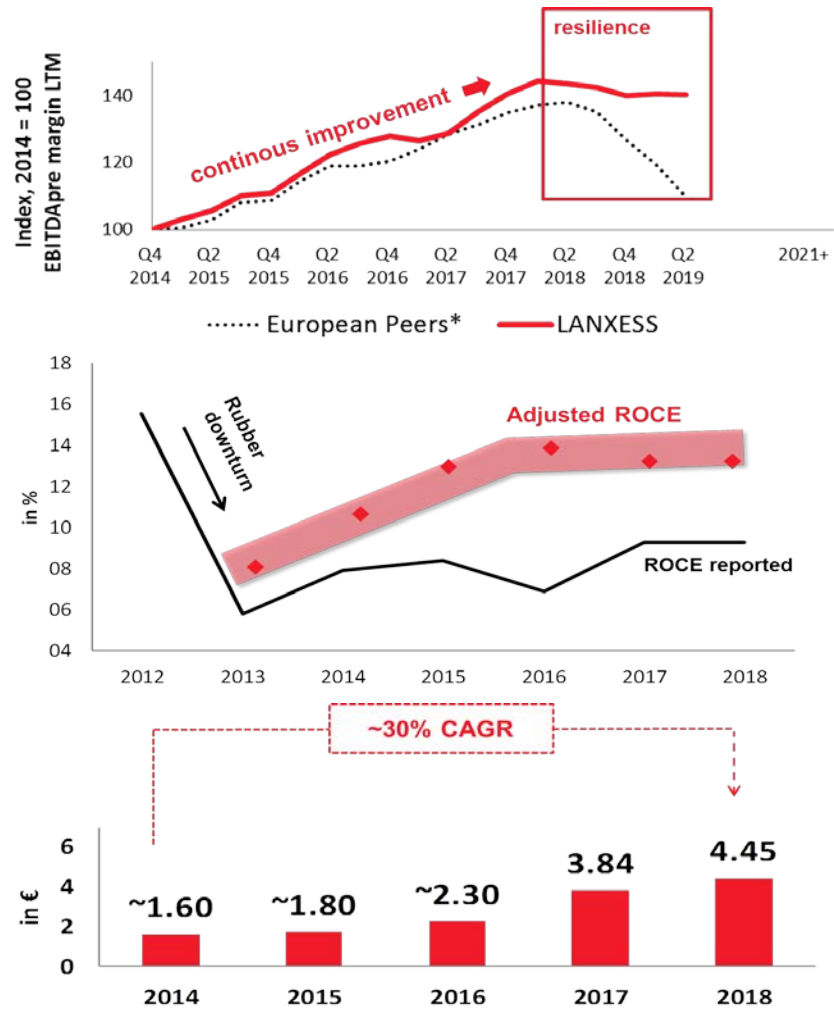
## Investment rationale:

- Potential lucrative yield of battery grade lithium from LANXESS' „waste material“ tail brine
- Strong growth of Lithium use based on rising demand for batteries





# The journey will continue ...



\* European Peers: Arkema, DSM, Covestro (formerly BMS), BASF, Clariant, Evonik, Solvay

# Looking ahead ... energized!

## Profitability

**Moving our way towards even more stable and attractive margin levels**

## Resilience

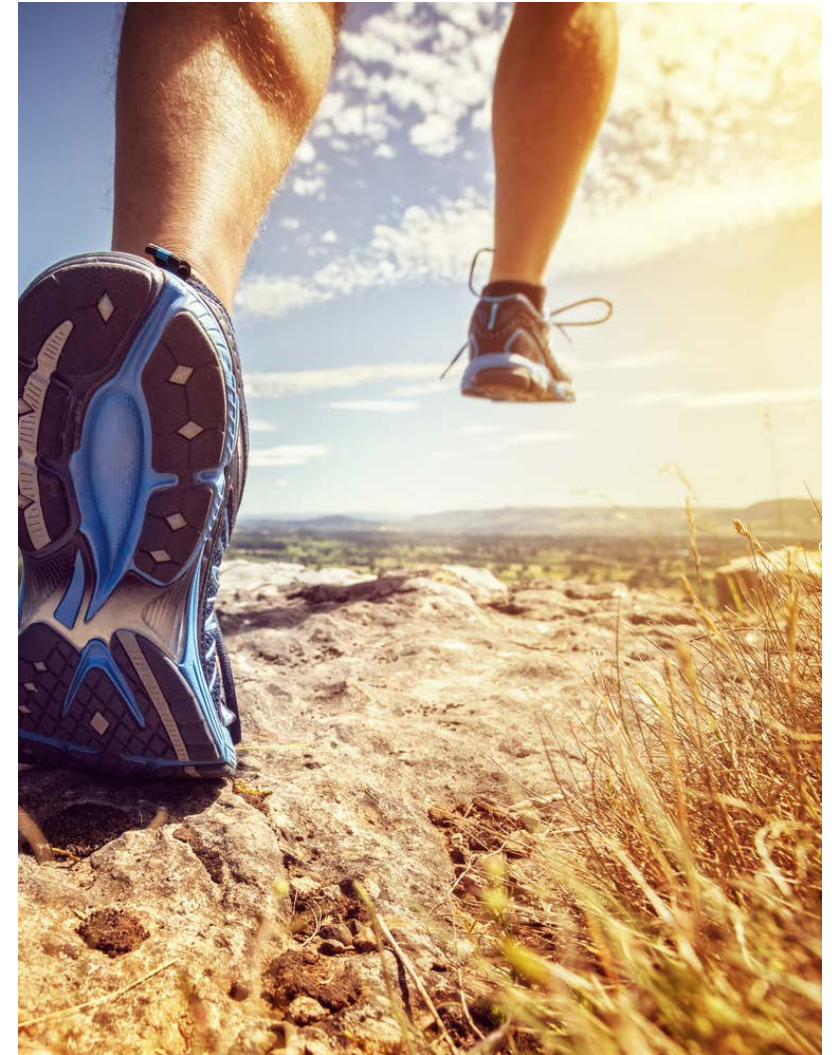
**Further balanced exposure to end markets and regions in the future**

## Financials

**Maintaining strong financials and balanced debt**

## Rating

**Commitment to stay solid investment grade**



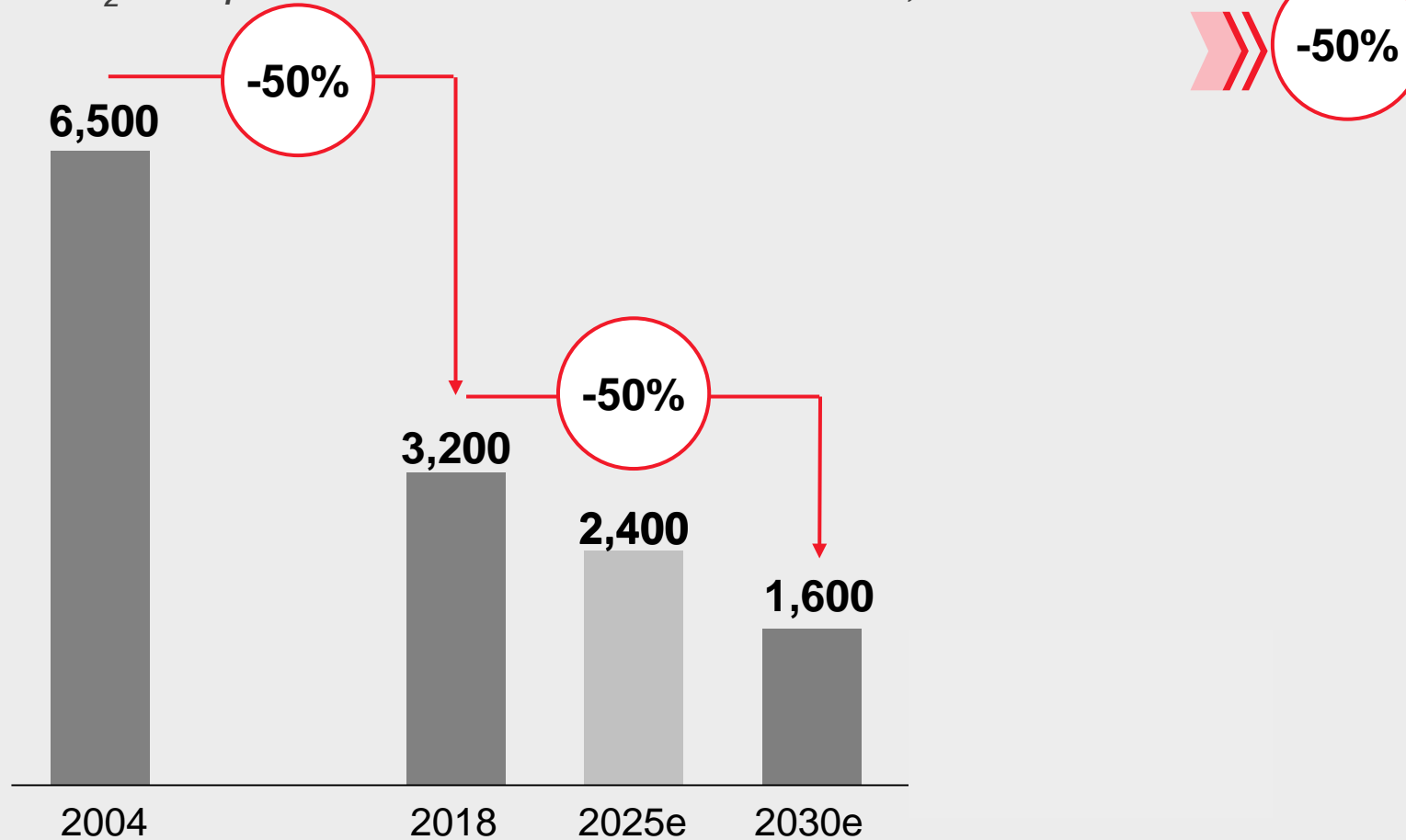


# The way forward – Providing direction from four perspectives



# We delivered strongly on emission reduction and aim high for 2030

CO<sub>2</sub>e scope 1+2 emissions in thousand tons, LXS\*



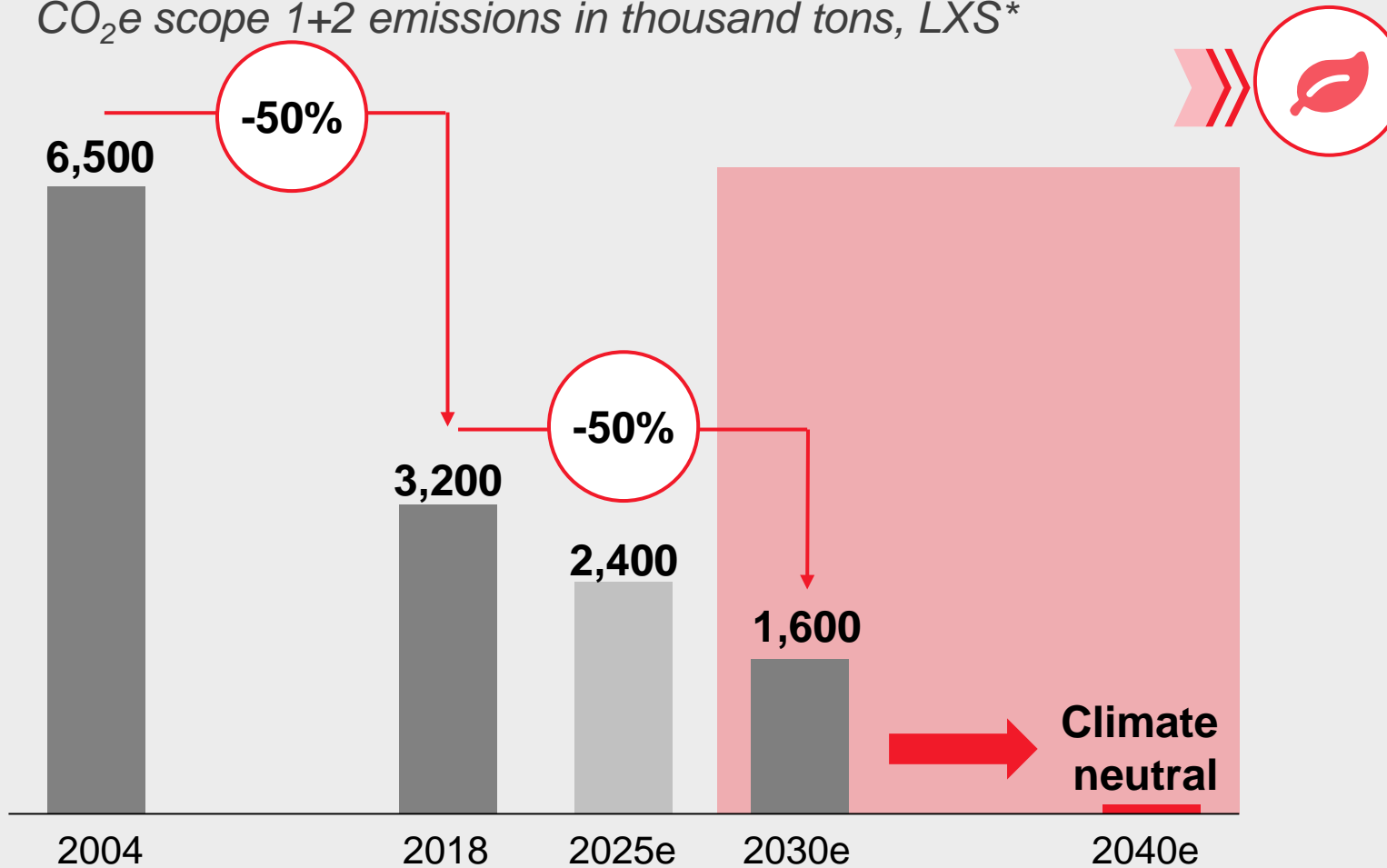
- **Clearly defined measures to reduce today's emissions:**

- Maximize reduction of N<sub>2</sub>O emissions
- Implement process changes in our "Verbund" structures
- Exit coal-based power generation wherever possible

- **Compensate growth effects with efficiency**

# LANXESS goes climate neutral by 2040 – New long-term commitment

CO<sub>2</sub>e scope 1+2 emissions in thousand tons, LXS\*

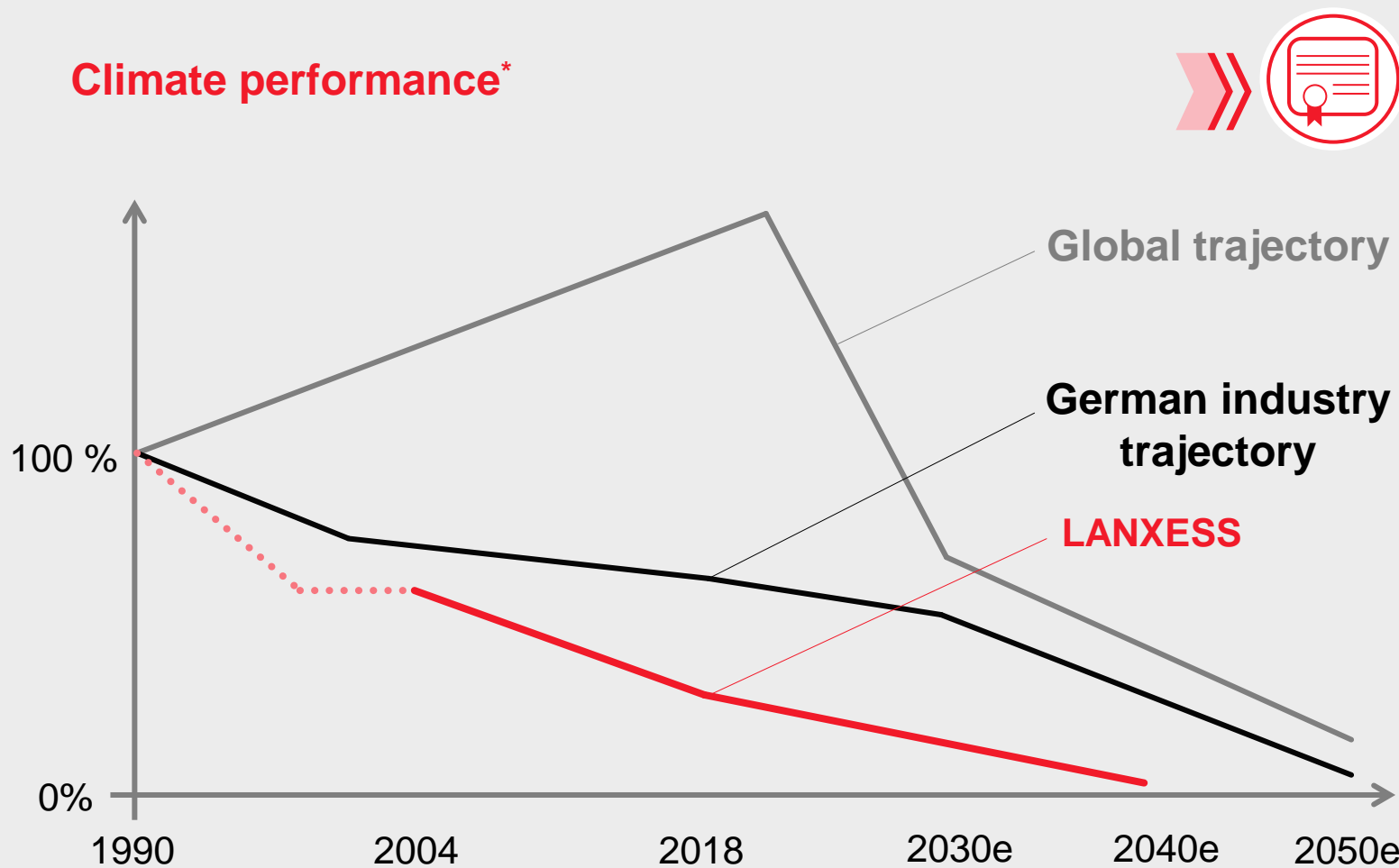


- Strong ambition!
- Majority of projects with reasonable investment costs
- **Good for LANXESS, good for our customers, good for our planet!**



# LANXESS ahead of regulation and far sighted in management of ETS certificates

## Climate performance\*



- LANXESS actively reduced CO<sub>2</sub>e emissions in line with Emission Trading Scheme (ETS) reduction targets
- Cost effect from ETS is currently neutral
- We will continue to reduce CO<sub>2</sub>e emissions and remain ahead of ETS reduction targets

\*Increase of existing specific 2025 Scope 2 and energy efficiency target from -25% to -40%, compared to 2015; existing business parameters, in case of significant M&A timeline to be adjusted; performance calculated versus 2004 level (foundation of LANXESS); performance compared to 1990 level even higher (-65%), but not fully in our responsibility due to pre-spin-off set-up, trajectories based on BDI: „Klimapfade für Deutschland, Existing business parameters, in case of significant M&A timeline to be adjusted



## Sustainability targets...

- ...have been incorporated into our **strategic KPIs**
- ...will be incorporated into **top management remuneration**

# The way forward – Strongest set of opportunities since spin-off



## Strategy

Well defined strategy  
that we will rigorously execute

## Operations

We outlined clear growth paths for each segment  
and continuously optimize operations

## Financials

We are on track and committed to deliver

## Sustainability

Sustainability is a priority to us  
and we will seize this competitive advantage

# Agenda

**1 Time to prove our strengths**

**2 Financial and business details Q3 2019**

**3 Back-up**



# Q3 2019: LANXESS pushes transformation forward



## Highlights

- Successful portfolio management
  - Divestment of Chrome Chemicals business
  - Signing of Currenta exit
  - Realignment of Organometallics initiated
- Improving earnings in three out of four segments
- Leading positions in attractive end markets balance declining auto sector
- Organic investments ongoing
- Ranked #1 in Europe in Dow Jones Sustainability Index



## Challenges

- Lower sales prices and volumes due to:
  - Price decline in many raw materials
  - Persistent auto and agro weakness
  - Termination of low-margin contracts and site closures (Specialty Additives)
- Continued low visibility due to hesitant order behavior

# Delivering as promised, guidance for FY 2019 reiterated

Q1

Q2

Q3

Q4



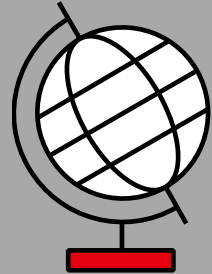
0%

€1,781 m  
Sales



+15%

€255 m  
Operating  
cash flow



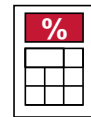
## Current view on economy

- Macro uncertainties linger
- Auto: No recovery ahead

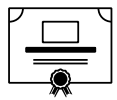


-3.6%

€267 m  
EBITDA pre

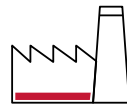


15.0%  
EBITDA pre  
Margin

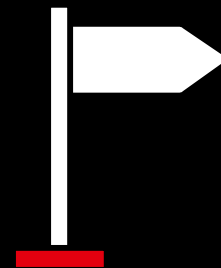


-1.6%

1.21  
EPS pre



€121 m  
CAPEX



## LANXESS FY 2019 guidance reiterated

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

Q4 anticipated to be slightly better than in  
2018

# LANXESS Group: Good performance in tough environment

## Sales and EBITDA margin stable

[€m]	Q3/2018	Q3/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	1,786	1,781	0%	5,431	5,413	0%
EBITDA pre	277	267	-4%	837	828	-1%
Margin	15.5%	15.0%		15.4%	15.3%	
CAPEX	114	121	6%	257	305	19%

Price    Volume    FX    Portfolio

**-1%**    **-1%**    **+2%**    **0%**

Total **0%**

Q3 Sales vs. PY

- Stable sales as favorable FX effect offsets slightly lower prices and volumes (auto and termination of margin-dilutive tolling agreements)
- EBITDA pre and margin slightly lower mainly due to pronounced auto weakness and lower utilization vs. high comparable base
- Higher capex reflects further investments in attractive debottlenecking projects



# Advanced Intermediates: Rock solid

## Resilience & recovery

[€m]	Q3/2018	Q3/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	534	549	3%	1,645	1,696	3%
EBITDA pre	87	89	2%	286	310	8%
Margin	16.3%	16.2%		17.4%	18.3%	
CAPEX	39	38	-3%	92	96	4%

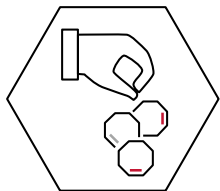
Price **-3%**   Volume **+5%**   FX **+2%**   Portfolio **0%**

Total **+3%**

Q3 Sales vs. PY

- Volume-driven sales increase in both BUs, esp. BU Saltigo
- Slightly lower prices in BU All mainly due to raw material price pass-through
- Positive FX development mitigates price decline in sales
- Volume-driven EBITDA pre improvement and solid margin mainly based on ongoing recovery in BU Saltigo





# Specialty Additives: Most profitable segment

**Polymer Additives  
offset weak auto  
demand**

[€m]	Q3/2018	Q3/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	502	503	0%	1,510	1,494	-1%
EBITDA pre	93	97	4%	265	269	2%
Margin	18.5%	19.3%		17.5%	18.0%	
CAPEX	32	29	-9%	76	73	-4%

Price **0%**   Volume **-3%**   FX **+3%**   Portfolio **0%**

Total **0%**

Q3 Sales vs. PY

- Stable sales: FX effects compensate lower volumes
- Positive price effect in BU PLA and BU RCH balances lower prices in BU LAB (raw material price pass-through)
- Volume decrease due to lower auto demand (mainly BU RCH) and termination of margin-dilutive tolling agreements (BU LAB)
- BU PLA, FX and synergies contribute to improved EBITDA pre and margin



# Performance Chemicals: Making progress

**Strong performance  
in biocides and  
water purification**

[€m]	Q3/2018	Q3/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	334	354	6%	1,026	1,057	3%
EBITDA pre	53	56	6%	163	170	4%
Margin	15.9%	15.8%		15.9%	16.1%	
CAPEX	17	18	6%	44	48	9%

Price    Volume    FX    Portfolio

**+1%**    **+3%**    **+2%**    **0%**

Total **+6%**

Q3 Sales vs. PY

- Strong sales improvement driven by price, volume and FX
- Favorable price and volume development in BU MPP and LPT mitigated by adverse price and volume effects in BU Leather
- Improved EBITDA pre and stable margin driven by BU MPP and LPT, while Chrome business continues to burden



# Engineering Materials: Weak auto demand still impacting results

**No recovery in auto market**

[€m]	Q3/2018	Q3/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	394	353	-10%	1,185	1,100	-7%
EBITDA pre	70	59	-16%	224	189	-16%
Margin	17.8%	16.7%		18.9%	17.2%	
CAPEX	15	22	47%	30	53	77%

Price    Volume    FX    Portfolio

**-3%**    **-9%**    **+2%**    **0%**

Total **-10%**

Q3 Sales vs. PY

- Sales decrease due to lower volumes and prices mitigated by FX
- Price decline in both BUs due to lower raw material prices
- Lower volumes in both BUs reflecting weaker demand from auto industry. Decline looks overstated due to Q3 2018 trade business deal
- EBITDA pre and margin burdened by volume effect

# Q3 2019: Margin on stable level

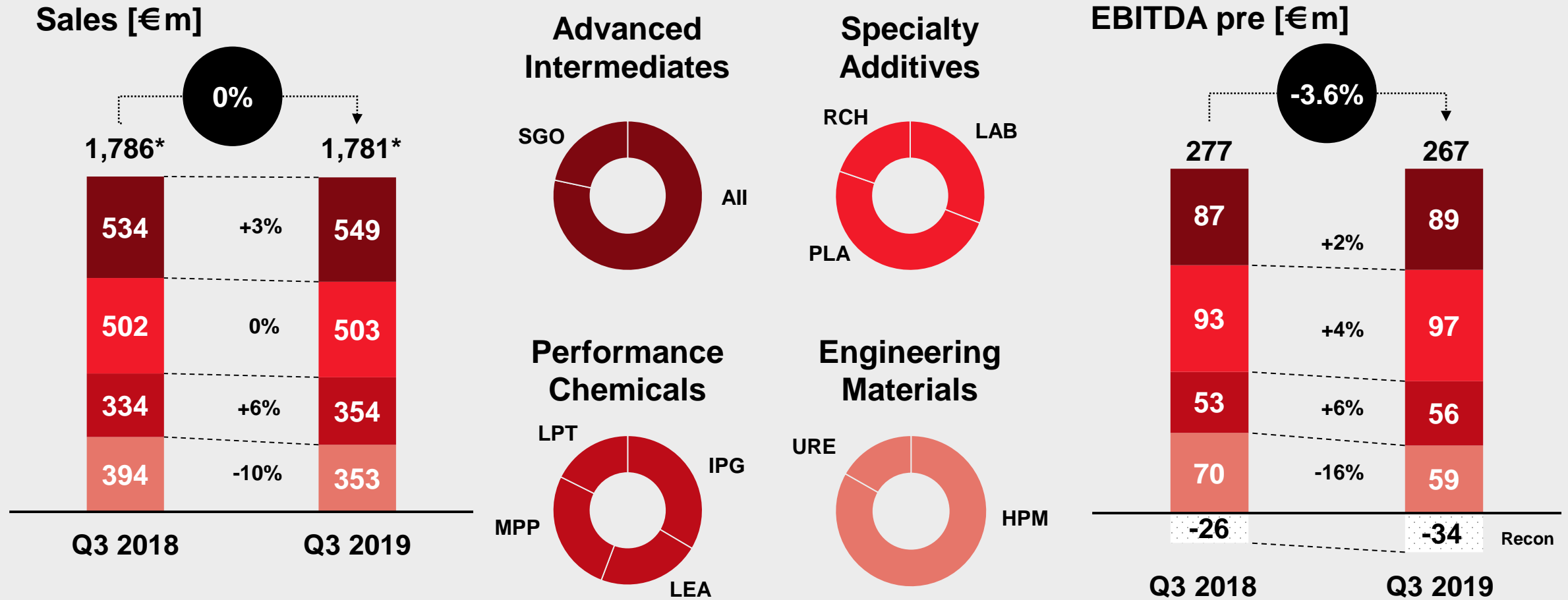
[€m]	Q3 2018*		Q3/2019		yoy in %
Sales	1,786	(100%)	1,781	(100%)	0%
Cost of sales	-1,308	(-73%)	-1,313	(-74%)	0%
Selling	-202	(-11%)	-214	(-12%)	-6%
G&A	-72	(-4%)	-68	(-4%)	6%
R&D	-30	(-2%)	-31	(-2%)	-3%
<b>EBIT</b>	<b>146</b>	<b>(8%)</b>	<b>117</b>	<b>(7%)</b>	<b>-20%</b>
<b>Net Income</b>	<b>80</b>	<b>(4%)</b>	<b>69</b>	<b>(4%)</b>	<b>-14%</b>
<b>EPS pre**</b>	<b>1.23</b>		<b>1.21</b>		<b>-2%</b>
EBITDA	251	(14%)	238	(13%)	-5%
thereof except.	-26	(-1%)	-29	(-2%)	12%
<b>EBITDA pre except.</b>	<b>277</b>	<b>(15.5%)</b>	<b>267</b>	<b>(15%)</b>	<b>-4%</b>

- Increase in selling expenses driven by higher freight costs and FX
- Improved G&A costs reflect synergies and lower provisions for variable compensation
- Results impacted by higher depreciation and lower utilization, mitigated by better financial result
- EPS pre in line with PY level

\* 2018 applies to continuing operations

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

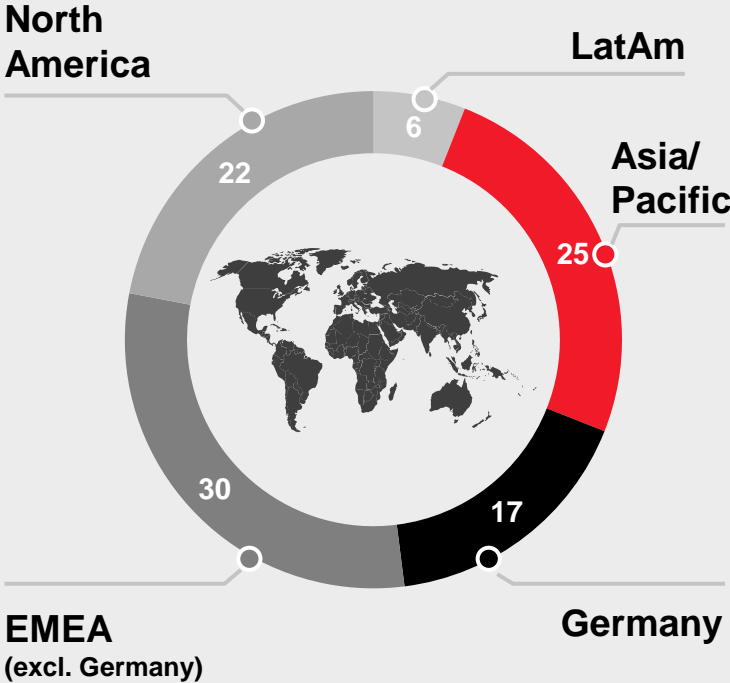
# Q3 2019: Balanced portfolio compensates for lower demand from auto industry



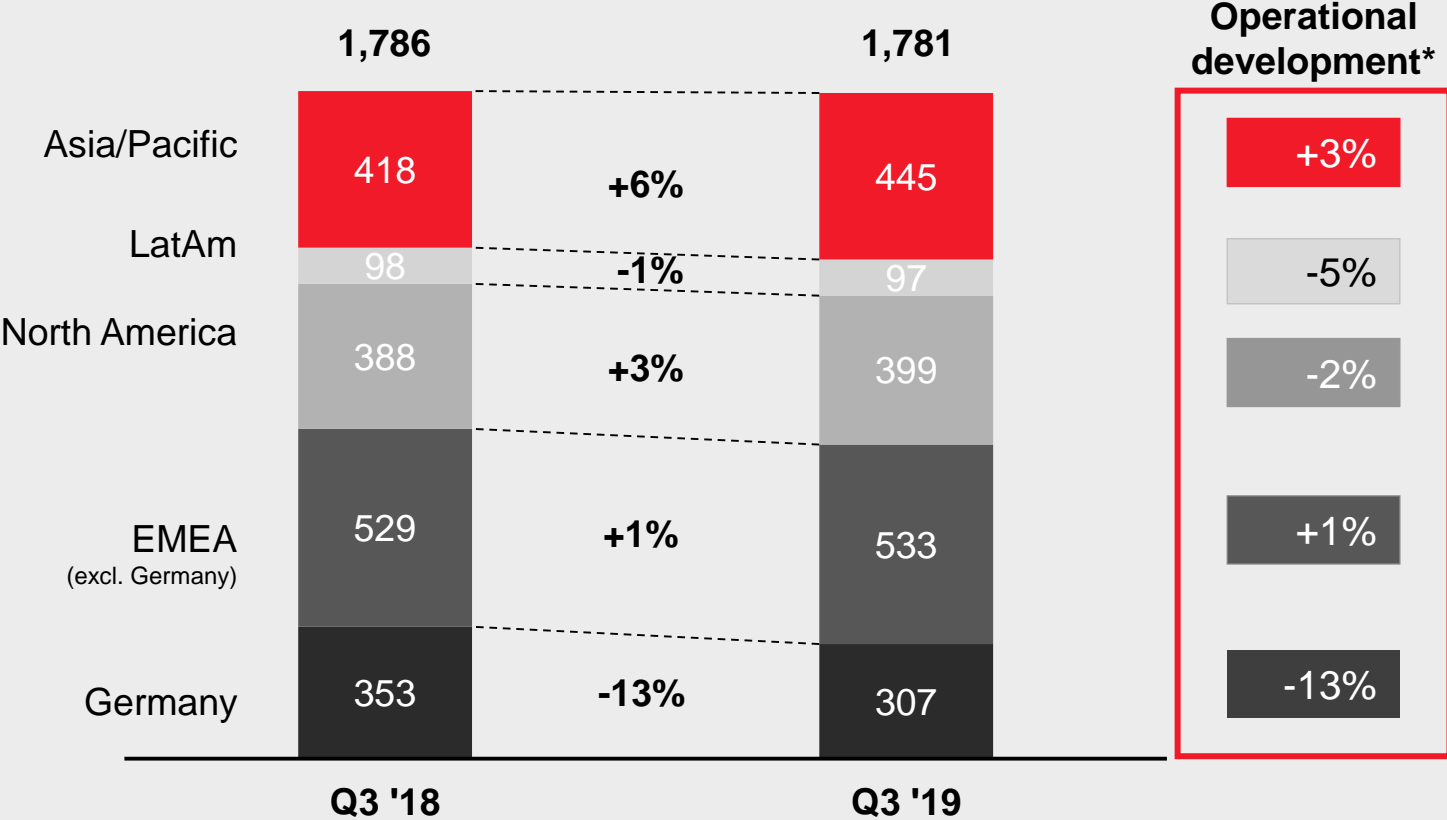
\* Total group sales including reconciliation

# Q3 2019: Operational growth in Asia and EMEA, other regions decline

Q3 2019 sales by region [%]



Regional development of sales [€m]



\* Currency and portfolio adjusted

# Cash flow Q3 2019: Attractive rise in operating cash flow

[€m]	Q3/2018*	Q3/2019	Δ
<b>Operating cash flow</b>	<b>222</b>	<b>255</b>	<b>33</b>
Changes in working capital	-9	-5	4
<b>Investing cash flow</b>	<b>-114</b>	<b>-122</b>	<b>-8</b>
thereof capex	-114	-121	-7

- Increase in operating cash flow mainly due to tighter management
- Capex increase driven by debottlenecking investments

\* 2018 applies to continuing operations

# Balance sheet positions influenced by FX

[€m]	31.12.2018	30.09.2019
<b>Total assets</b>	<b>8,687</b>	<b>8,835</b>
Equity	2,773	2,780
<b>Equity ratio</b>	<b>32%</b>	<b>31%</b>
<b>Net financial debt<sup>1</sup></b>	<b>1,381</b>	<b>1,786</b>
<b>Pension provisions</b>	<b>1,083</b>	<b>1,242</b>
<b>Net working capital</b>	<b>1,455</b>	<b>1,639</b>
DSI (in days) <sup>2</sup>	69	72
DSO (in days) <sup>3</sup>	46	46

- Increase in total assets mainly driven by FX effect
- Equity includes negative effect from share buy-back and positive FX effect
- Net debt impacted by:
  - Share buy-back (€200 m)
  - IFRS 16 effect (~€130 m)
  - Dividend payment (€79 m)
  - Payment of variable compensation
- Higher pension provisions due to declining underlying interest rate in Germany
- Working capital increase mainly due to FX

<sup>1</sup> Including cash, cash equivalents and near cash assets and after deduction of time deposits and securities available for sale

<sup>2</sup> Days sales of inventory calculated from quarterly sales

<sup>3</sup> Days of sales outstanding calculated from quarterly sales



# Agenda

**1 Time to prove our strengths**

**2 Financial and business details Q3 2019**

**3 Back-up**

# Housekeeping items

<b>Capex 2019</b>	<b>~€500 m</b>
<b>Operational D&amp;A 2019</b>	<b>~€450 m</b>
<b>Reconciliation 2019</b>	<b>~€150 m - €160 m</b> including remnant costs
<b>Tax rate</b>	<b>2019: ~30%</b> <b>2020: ~28%</b>
<b>Exceptionals 2019</b>	<b>Up to €100 m</b> including announced portfolio measures
<b>FX sensitivity</b>	One cent change of USD/EUR resulting in <b>~€7 m</b> EBITDA pre impact before hedging
<b>Remnant costs</b>	ARLANXEO: ~€8 m in 2019 ~€10 m in 2020 Organometallics: ~€3 m until 2022

# Key Figures: Delivering as promised

Q1

Q2

Q3

Q4

Q1

H1

9M

FY



**€1,781 m**  
Sales

0%



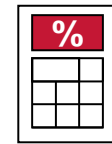
**€255 m**  
Operating Cash  
Flow

+15%



**€267 m**  
EBITDA pre

-3.6%

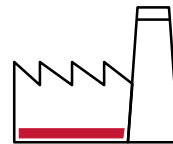


**15.0%**  
EBITDA pre  
Margin



**1.21**  
EPS pre

-1.6%



**€121 m**  
CAPEX



**€5,413 m**  
Sales

0%



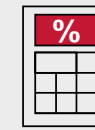
**€369 m**  
Operating Cash  
Flow

+29%



**€828 m**  
EBITDA pre

-1%



**15.3%**  
EBITDA pre  
Margin



**4.01**  
EPS pre

+4%



**€305 m**  
CAPEX

# 9M 2019: Stable on strong previous year level

[€m]	9M 2018*		9M 2019		yoy in %
Sales	5,431	(100%)	5,413	(100%)	0%
Cost of sales	-3,982	(-73%)	-3,979	(-74%)	0%
Selling	-613	(-11%)	-658	(-12%)	-7%
G&A	-218	(-4%)	-203	(-4%)	7%
R&D	-88	(-2%)	-90	(-2%)	-2%
<b>EBIT</b>	<b>459</b>	<b>(8%)</b>	<b>399</b>	<b>(7%)</b>	<b>-13%</b>
<b>Net Income</b>	<b>258</b>	<b>(5%)</b>	<b>253</b>	<b>(5%)</b>	<b>-2%</b>
<b>EPS pre**</b>	<b>3.84</b>		<b>4.01</b>		<b>4%</b>
EBITDA	769	(14%)	755	(14%)	-2%
thereof except.	-68	(-1%)	-73	(-1%)	7%
<b>EBITDA pre except.</b>	<b>837</b>	<b>(15.4%)</b>	<b>828</b>	<b>(15.3%)</b>	<b>-1%</b>

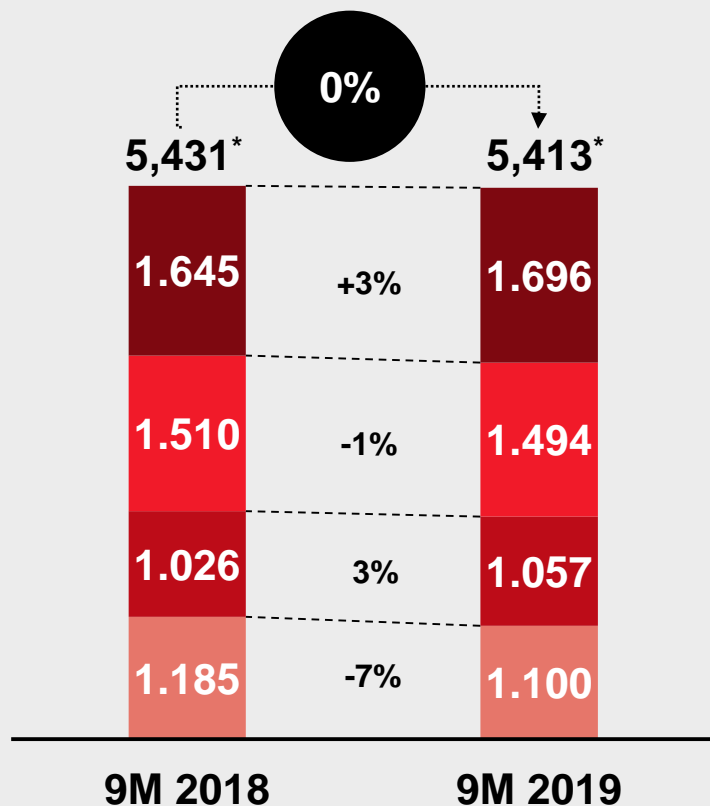
- Increase in selling expenses driven by higher freight costs and FX
- Result declines on lower utilization, mitigated by better financial result
- EPS pre increase supported by share buyback

\* 2018 applies to continuing operations

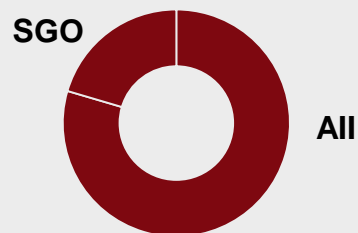
\*\* Net of exceptionals and amortization of intangible assets as well as attributable tax effects

# 9M 2019: Balanced portfolio compensates for lower demand from auto industry

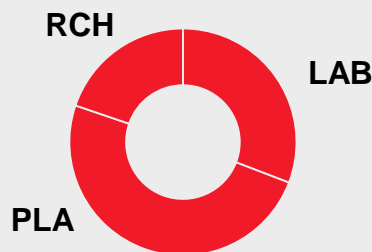
Sales [€m]



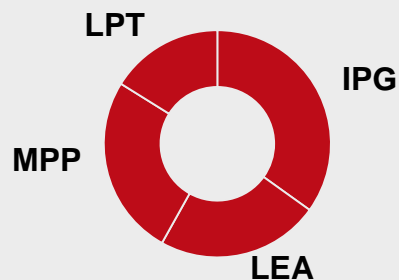
Advanced Intermediates



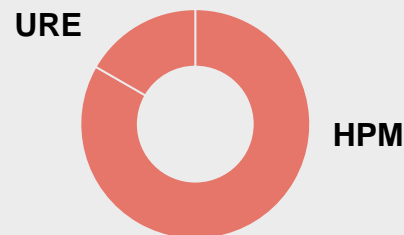
Specialty Additives



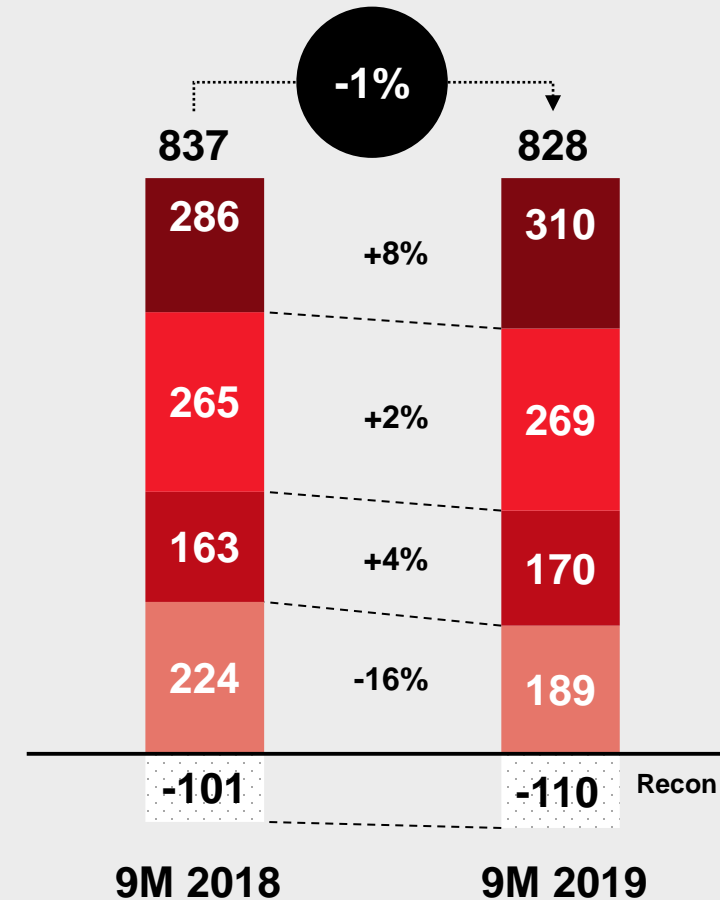
Performance Chemicals



Engineering Materials



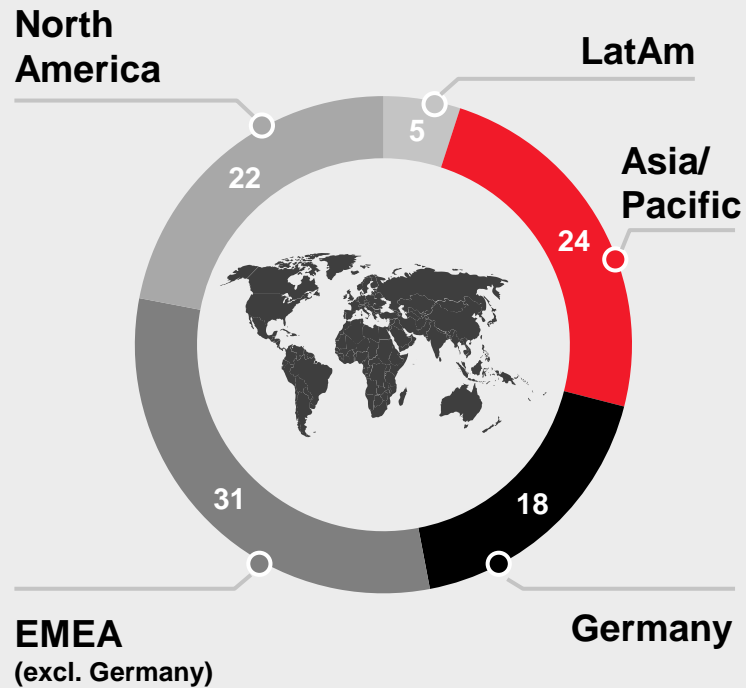
EBITDA pre [€m]



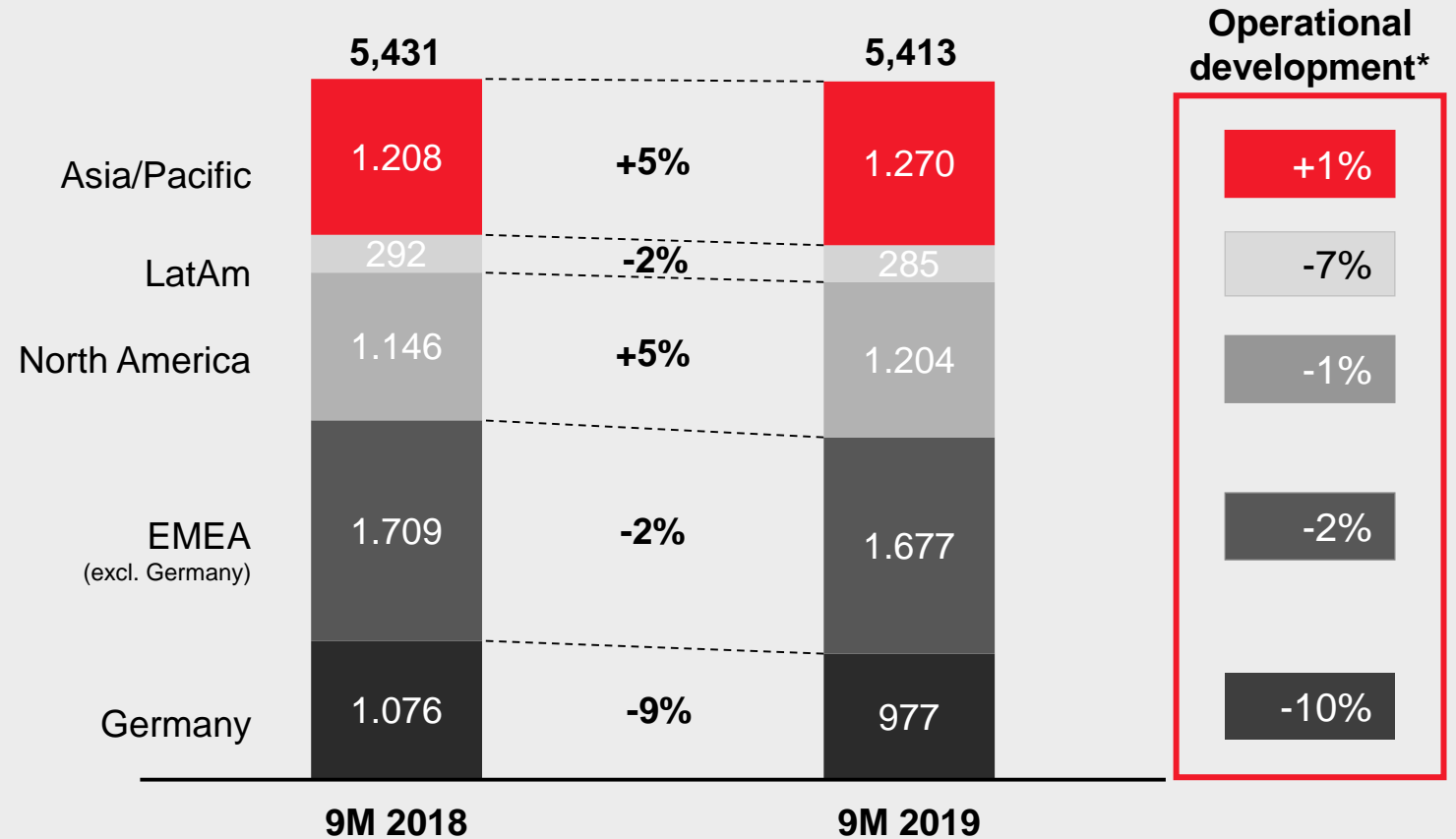
\* Total group sales including reconciliation

# 9M 2019: Solid growth in Asia and North America supported by FX tailwind

9M 2019 sales by region [%]



Regional development of sales [€m]



\* Currency and portfolio adjusted

# Cash flow 9M 2019: Higher operating cash flow due to improved working capital

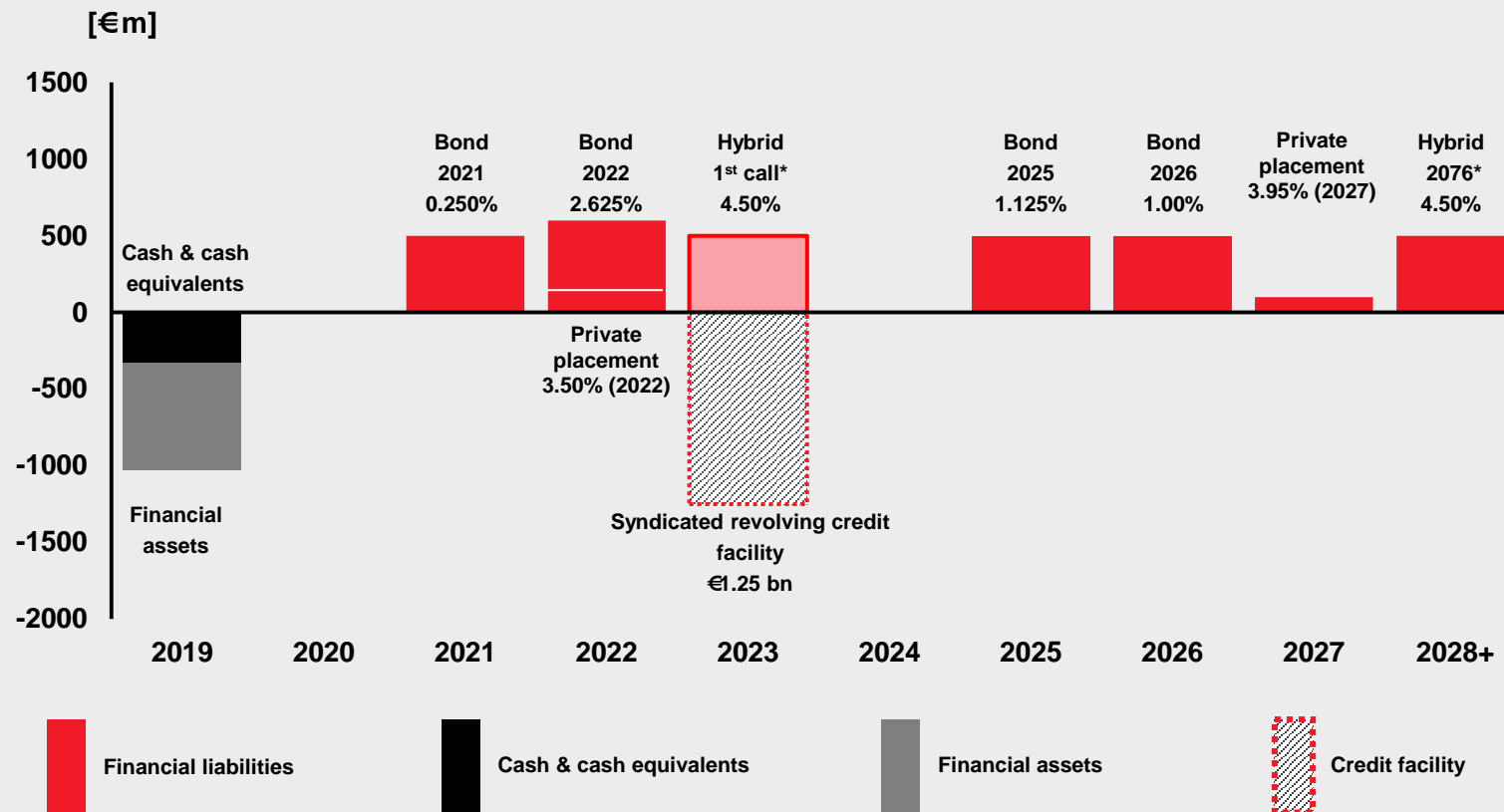
[€m]	9M 2018*	9M 2019	Δ
<b>Operating cash flow</b>	<b>287</b>	<b>369</b>	82
Changes in working capital	-282	-154	128
<b>Investing cash flow</b>	<b>-308</b>	<b>-435</b>	-127
thereof capex	-257	-305	-48

- Increase in operating cash flow driven by:
  - Improvement in changes in working capital, reflecting lower increase in inventories and reduced receivables
- Capex increase driven by attractive debottlenecking investments

\* 2018 applies to continuing operations

# Maturity profile actively managed and well balanced

## Liquidity and maturity profile as per September 2019







## 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

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



# Increase in exceptional items (on EBIT) due to higher project and realignment costs

[€m]	Q3 2018		Q3 2019		9M 2018		9M 2019	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
 Advanced Intermediates	0	0	<b>0</b>	<b>0</b>	0	0	<b>0</b>	<b>0</b>
 Specialty Additives	7	-1	<b>5</b>	<b>0</b>	9	-1	<b>11</b>	<b>2</b>
 Performance Chemicals	0	0	<b>1</b>	<b>0</b>	1	0	<b>6</b>	<b>0</b>
 Engineering Materials	0	0	<b>0</b>	<b>0</b>	1	1	<b>0</b>	<b>0</b>
Reconciliation	18	0	<b>23</b>	<b>0</b>	57	0	<b>59</b>	<b>1</b>
<b>Total</b>	25	-1	<b>29</b>	<b>0</b>	68	0	<b>76</b>	<b>3</b>

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Visit the IR  
website



# Abbreviations



## Advanced Intermediates

<b>AI</b>	Advanced Industrial Intermediates
<b>SGO</b>	Saltigo



## Performance Chemicals

<b>IPG</b>	Inorganic Pigments
<b>LEA</b>	Leather
<b>MPP</b>	Material Protection Products
<b>LPT</b>	Liquid Purification Technologies



## Specialty Additives

<b>LAB</b>	Lubricant Additives Business
<b>PLA</b>	Polymer Additives
<b>RCH</b>	Rhein Chemie



## Engineering Materials

<b>HPM</b>	High Performance Materials
<b>URE</b>	Urethane Systems

**LANXESS**

Energizing Chemistry