

LANXESS robust in first quarter of 2020 despite coronavirus crisis

- **Sales down only slightly year-on-year at EUR 1.704 billion**
- **EBITDA pre exceptionals falls by 9.9 percent to EUR 245 million**
- **EBITDA margin pre exceptionals at 14.4 percent**
- **Strong liquidity position increased to around EUR 3 billion following Currenta sale**
- **Guidance for full year adjusted: EBITDA pre exceptionals of EUR 800 million to EUR 900 million**

Cologne – Specialty chemicals company LANXESS proved robust in the first quarter of the year – despite the weak economic environment due to the coronavirus pandemic. Earnings in the new Consumer Protection segment and in the Specialty Additives segment developed positively, significantly mitigating the impact of the coronavirus crisis. Exchange rate effects, particularly from the U.S. dollar, also had a positive impact. By contrast, a further decline in demand from the automotive industry as a result of the coronavirus crisis had a negative effect on earnings, particularly in the Engineering Materials segment. EBITDA pre exceptionals declined by 9.9 percent from EUR 272 million to EUR 245 million in the first quarter of 2020. The EBITDA margin pre exceptionals amounted to 14.4 percent after 15.7 percent in the prior-year quarter.

“So far, we have been able to keep the economic impact of the coronavirus pandemic within limits – mainly thanks to our balanced portfolio,” said Matthias Zachert, Chairman of the Board of Management of LANXESS AG. “We know that we have not yet reached the peak of the crisis. However, we feel well prepared, as we have a stable positioning and have taken extensive measures for crisis management. The most important thing is that our employees are mostly healthy and our plants are running.”

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Group sales amounted to EUR 1.704 billion in the first quarter of 2020, down only slightly on the previous year's figure of EUR 1.738 billion. Net income from continuing operation declined by 27.6 percent from EUR 87 million to EUR 63 million.

In the second and third quarters, LANXESS expects the impact of the coronavirus pandemic to intensify. Based on the information currently available, the company expects EBITDA pre exceptionals for the second quarter to be between EUR 200 million and EUR 250 million. For 2020 as a whole, LANXESS now anticipates EBITDA pre exceptionals of EUR 800 million to EUR 900 million. The company was previously expecting annual earnings of between EUR 900 million and EUR 1 billion. In the previous year, LANXESS had generated EBITDA pre exceptionals of EUR 1.019 billion.

Extensive package of measures for coronavirus crisis

At the start of the coronavirus crisis, LANXESS already took a wide range of measures to minimize the impact on the company. Employees' health is the top priority. Using protective measures such as strict hygiene regulations, solutions to work from home for the majority of office workers, and changes in the shift model, the infection rate among LANXESS employees has been kept low. So far, 31 employees worldwide have contracted coronavirus – 27 of them have already recovered.

The company's ability to deliver has hardly been restricted to date. The largest production facilities remained in operation continuously. Only plants in China, Italy, India, and Argentina were temporarily shut down, in some cases based on government requirements.

The specialty chemicals company has also taken important steps to further strengthen its already good liquidity situation. In April, LANXESS announced that it would suspend its share buy-back program until further notice. The company will also save between

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EUR 50 million and EUR 100 million by means of cost discipline in fiscal year 2020 and reduce its investment budget by around EUR 50 million by postponing projects. With the sale of its Currenta stake on April 30, 2020, LANXESS realized an equity value of EUR 780 million (after deduction of net debt and pensions) and a profit participation of EUR 150 million (both pre tax).

“In order to meet the challenges of the coronavirus pandemic, high liquidity is a top priority. We have now further increased our already strong liquidity position to around EUR 3 billion through the sale of our Currenta stake,” said Michael Pontzen, Chief Financial Officer of LANXESS AG.

Compensation reduction for Supervisory Board, Board of Management and top management level

In response to the major challenges posed by the corona crisis, the Supervisory Board, the Board of Management and top management of LANXESS have decided to waive parts of their compensation. The members of the Supervisory Board will waive 20 percent of their compensation. For the members of the Board of Management and top management level the reduction relates to their bonus. Members of the Board of Management will receive a maximum payout rate of 50 percent, for the top management level the rate will be reduced by up to 25 percent.

New Consumer Protection segment posts strong earnings

LANXESS intends to focus more sharply on consumer protection products and has therefore adjusted its reporting structure. The Saltigo, Material Protection Products and Liquid Purification Technologies business units make up the new Consumer Protection segment, which replaces the former Performance Chemicals segment. At the same time, the Inorganic Pigments business unit is now part of the Advanced Intermediates segment. The previous year's figures have been restated accordingly.

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The **Advanced Intermediates** segment was negatively impacted by weaker demand in the Advanced Industrial Intermediates business unit, particularly from the Asian region, due to the coronavirus pandemic. Higher sales volumes in the Inorganic Pigments business unit and advantageous exchange rates were not enough to compensate for this. Sales fell by 4.5 percent from EUR 584 million to EUR 558 million. At EUR 88 million, EBITDA pre exceptionals was 16.2 percent down on the prior year's figure of EUR 105 million. The EBITDA margin pre exceptionals was 15.8 percent, against 18.0 percent in the prior-year quarter.

By contrast, sales and earnings in the **Specialty Additives** segment increased despite the challenging environment. Good business with bromine chemicals and positive exchange rate effects in particular more than compensated for the weak demand in the automotive sector as a result of the coronavirus. Sales rose by 2.9 percent from EUR 485 million to EUR 499 million. At EUR 85 million, EBITDA pre exceptionals was 2.4 percent higher than the prior year's figure of EUR 83 million. The EBITDA margin pre exceptionals was nearly stable year-on-year at 17.0 percent.

The new **Consumer Protection** segment also closed the first quarter of 2020 successfully. This was particularly thanks to strong business with disinfectants in the Material Protection Products business unit. It also benefited from advantageous exchange rate effects and a positive portfolio effect from the acquisition of the Brazilian biocide manufacturer IPEL. Sales rose by 5.7 percent from EUR 264 million to EUR 279 million. At EUR 67 million, EBITDA pre exceptionals was 11.7 percent higher than the prior year's figure of EUR 60 million. The EBITDA margin pre exceptionals was at a strong level of 24.0 percent, against 22.7 percent in the previous year.

In the **Engineering Materials** segment, sales and earnings were burdened by weak demand from the automotive industry as a result of the coronavirus pandemic. At EUR 347 million, sales were down 9.2 percent on the prior year's figure of EUR 382 million. EBITDA pre

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exceptionals fell by 24.6 percent from EUR 65 million to EUR 49 million. The EBITDA margin pre exceptionals of 14.1 percent was below the figure of 17.0 percent posted in the prior-year quarter.

EUR million	Q1/2019	Q1/2020	Change %
Sales	1,738	1,704	-2.0
EBITDA pre exceptionals	272	245	-9.9
EBITDA margin pre exceptionals	15.7%	14.4%	
Net income ¹	87	63	-27.6
Earnings per share (€) ¹	0.96	0.72	-25.0
Net financial liabilities ²	1,742	1,705	-2.1
Employees (as of March 31)	14,304	14,327	0.2

¹ From continuing operations

² After deduction of short-term money market investments and securities

³ Reporting date December 31, 2019

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LANXESS is a leading specialty chemicals company with sales of EUR 6.8 billion in 2019. The company currently has about 14,300 employees in 33 countries. The core business of LANXESS is the development, manufacturing and marketing of chemical intermediates, additives, specialty chemicals and plastics. LANXESS is listed in the leading sustainability indices Dow Jones Sustainability Index (DJSI World and Europe) and FTSE4Good.

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Forward-Looking Statements

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News Release

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