

LANXESS – Q3 2021 results

Successfully managing cost inflation

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Agenda

1 Executive summary Q3 2021

2 Financial and business details Q3 2021

3 Back-up

Strong EBITDA pre improvement based on successful raw material price pass-through

<p>EBITDA pre growth (YoY)</p>	<p><u>Q1</u> -1%</p>	<p><u>Q2</u> +24%</p>	<p><u>Q3</u> +44%</p>	
<p>Operational sales development (YoY)</p>	<p><u>Q1</u> Price: -2% Volume: +5%</p>	<p><u>Q2</u> +10% +22%</p>	<p><u>Q3</u> +19% +10%</p>	
<p>Various burdens</p>	<ul style="list-style-type: none"> ▪ Logistic constrains and higher freight costs ▪ Reduced waste management capacity (incident at Currenta in Leverkusen) ▪ Further energy costs inflation ▪ Shutdowns in China due to electricity rationing 			

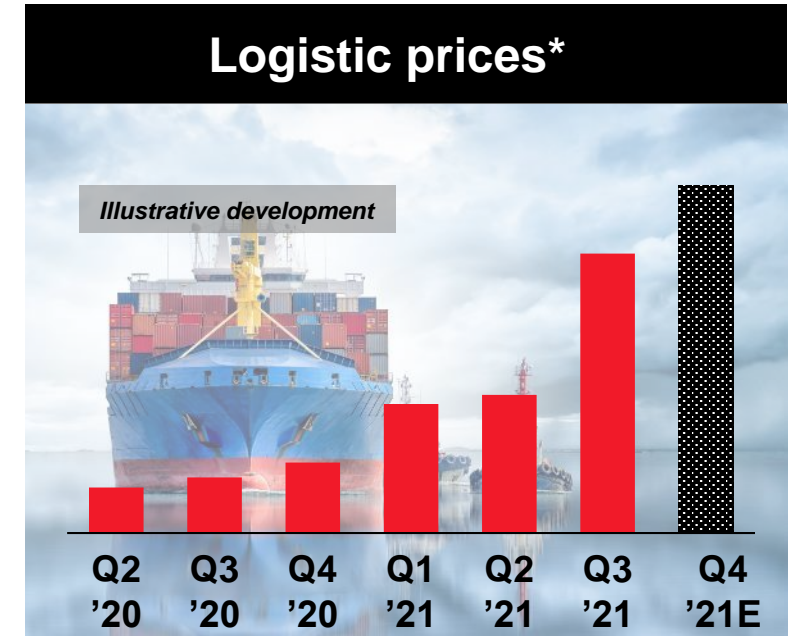
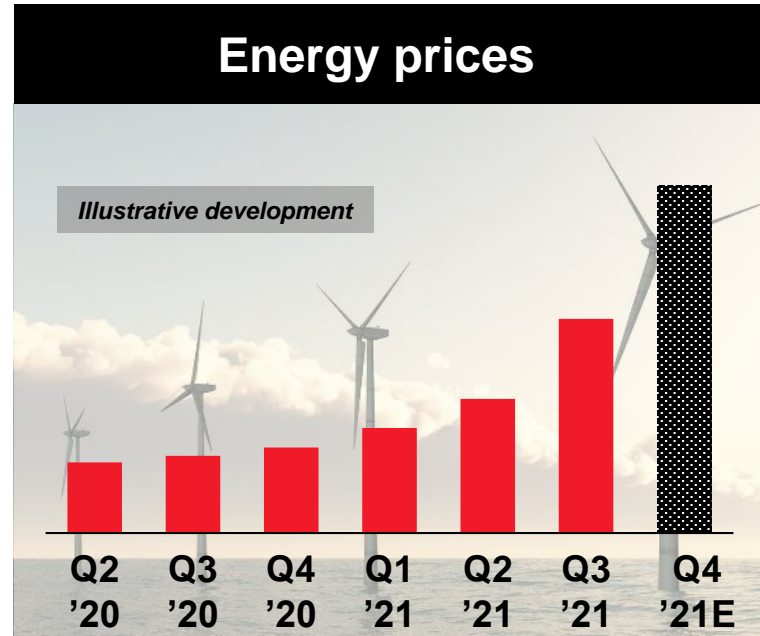
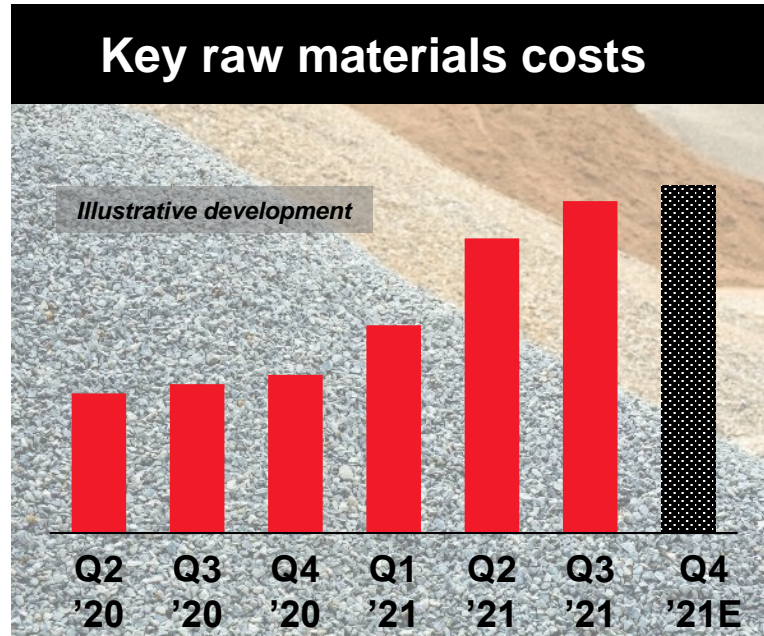
Q3 2021: Increased results in all segments, EKC contribution included for the first time

Highlights

- Portfolio:
 - Acquisition of IFF Microbial Control business announced
 - Emerald Kalama Chemical (EKC) consolidated as of August
- Earnings of all segments above PY, strong increase in Specialty Additives and Engineering Materials
- Operating cash flow impacted by inflated working capital
- Placement of €500 m benchmark bond with a zero coupon



Unprecedented increase in input costs addressed by proactive pricing campaigns



Raw material prices successfully passed on

Further energy / logistic related price increases are ongoing

LANXESS stays on course for a more sustainable environment

Sustainalytics ESG risk rating update

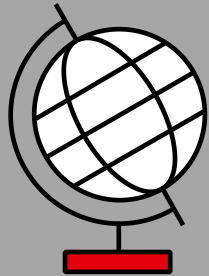
- LANXESS now part of Top 25% in Chemicals industry
- Improvements in particular in area of water management and GHG emission scope and reporting



Green cyclohexane supplied to LANXESS

- bp and LANXESS join forces on renewable raw materials for engineering materials production
- Sustainably produced cyclohexane supplied to LANXESS production site in Antwerp starting in the fourth quarter of 2021
- High-performance materials are the solution for many sustainable products, for example in various e-mobility applications



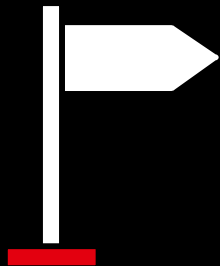


Current view on economy

- Strong demand in most end industries, improvements in aviation and oil & gas expected

LANXESS outlook

- **FY 2021 EBITDA pre expected €1,000 - 1,050 m, however, at lower end of corridor due to**
 - Logistic constrains and higher freight costs
 - Reduced waste management capacity (incident at Currenta in Leverkusen)
 - Further energy costs inflation
 - Shutdowns in China due to electricity rationing



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LANXESS Group:

Strong earnings held back by soaring energy costs

Ongoing strong demand in inflationary environment

[€ m]*	Q3/2020	Q3/2021	Δ	9M 2020	9M 2021	Δ
Sales	1,461	1,951	34%	4,601	5,475	19%
EBITDA pre	193	278	44%	662	797	20%
Margin	13.2%	14.2%		14.4%	14.6%	
CAPEX	102	109	7%	264	271	3%

Price **+19%** Volume **+10%** FX **0%** Portfolio **+5%**

Total **+34%**

Q3 Sales vs. PY

- Significant sales rise due to price increases and higher volumes
- All segments contribute earnings above PY level, particularly Specialty Additives and Engineering Materials
- EBITDA pre significantly above previous year level driven by successful price pass-on and ongoing volume growth
- Soaring energy and logistic costs prevent stronger development

* From continuing operations



Advanced Intermediates: Strong pricing and continuous increase in volumes

Higher raw material prices successfully passed-on

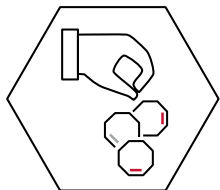
[€ m]*	Q3/2020	Q3/2021	Δ	9M 2020	9M 2021	Δ
Sales	414	533	29%	1,327	1,527	15%
EBITDA pre	71	84	18%	256	257	0%
Margin	17.1%	15.8%		19.3%	16.8%	
CAPEX	28	31	11%	79	83	5%

Price **+23%** Volume **+6%** FX **0%** Portfolio **0%**

Total **+29%**

Q3 Sales vs. PY

- Sales boost driven by significantly higher prices as a consequence of increased raw material costs and improved volumes in both BUs
- AI is most energy-intensive segment at LXS. Therefore, EBITDA pre and especially margin are impacted by soaring energy costs
- EBITDA pre development supported by raw-material price pass-through and higher volumes, while increased logistic costs additionally burden



Specialty Additives: Best quarterly EBITDA in history

**Strong volume and
Price recovery in all
business units**

[€ m]*	Q3/2020	Q3/2021	Δ	9M 2020	9M 2021	Δ
Sales	466	605	30%	1,482	1,690	14%
EBITDA pre	59	102	73%	210	265	26%
Margin	12.7%	16.9%		14.2%	15.7%	
CAPEX	29	30	3%	69	70	1%

Price **+15%** Volume **+13%** FX **-1%** Portfolio **+3%**

Total **+30%**

Q3 Sales vs. PY

- Sales increase driven by improved prices and rising volumes across all BUs
- Demand driven by strong development especially in construction, transportation and industrial end markets, aviation and oil & gas recovering
- Significant EBITDA pre and margin improvement despite increased logistic costs and constraints



Consumer Protection: Contribution from BU F&F partly offset by production issues in BU SGO

**New business unit
F&F consolidated
for the first time**

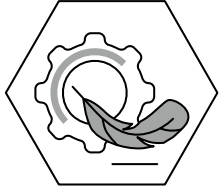
Price **+3%** Volume **+1%** FX **+1%** Portfolio **+22%**

Total **+27%**

Q3 Sales vs. PY

[€ m]	Q3/2020	Q3/2021	Δ	9M 2020	9M 2021	Δ
Sales	278	353	27%	858	957	12%
EBITDA pre	59	60	2%	194	194	0%
Margin	21.2%	17.0%		22.6%	20.3%	
CAPEX	15	22	47%	37	48	30%

- Sales increase mainly driven by BU F&F as expected
- Impact in BU Saltigo by unplanned shutdown and high energy costs nearly offsets EBITDA contribution from new BU F&F; EBITDA margin burdened accordingly
- Continuously good performance in BU MPP and BU LPT



Engineering Materials: Another strong quarter

Successful pricing

[€ m]	Q3/2020	Q3/2021	Δ	9M 2020	9M 2021	Δ
Sales	285	436	53%	876	1,237	41%
EBITDA pre	33	62	88%	110	189	72%
Margin	11.6%	14.2%		12.6%	15.3%	
CAPEX	19	12	-37%	39	34	-13%

Price **+36%** Volume **+17%** FX **0%** Portfolio **0%**

Total **+53%**

Q3 Sales vs. PY

- Sales increase based on continued strong demand from auto industry and raw material price pass-through
- Volumes and prices significantly increased in both BUs
- EBITDA pre and margin rise on improved volumes and higher prices, despite higher energy and logistic costs

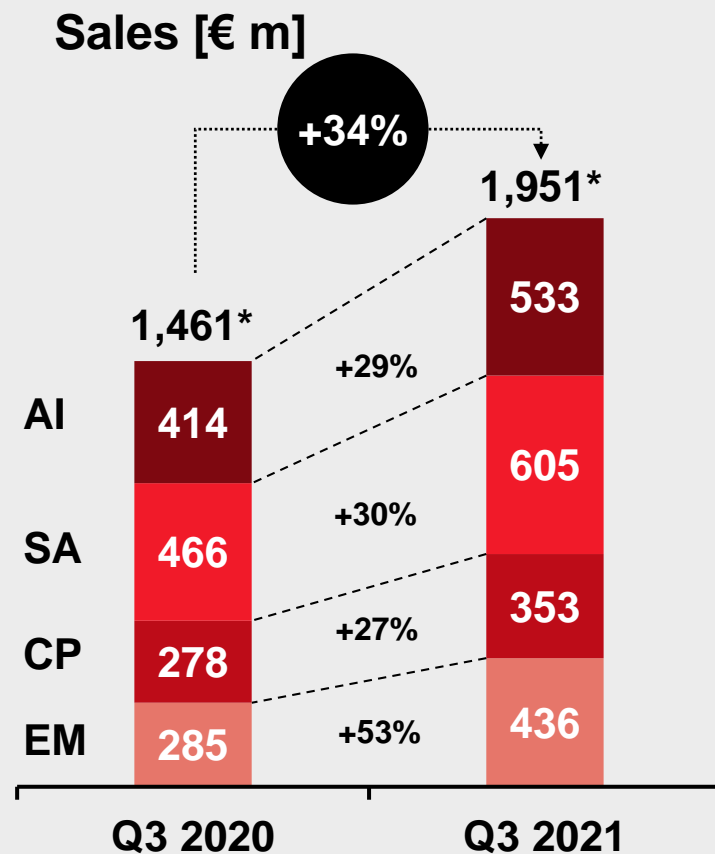
P&L Q3: Visible improvement in earnings quality

[€ m]	Q3/2020		Q3/2021		yoy in %
Sales	1,461	(100%)	1,951	(100%)	34%
Cost of sales	-1,111	(-76%)	-1,469	(-75%)	32%
Selling	-184	(-13%)	-241	(-12%)	31%
G&A	-57	(-4%)	-70	(-4%)	23%
R&D	-26	(-2%)	-31	(-2%)	19%
EBIT	53	(4%)	104	(5%)	96%
Net Income	26	(2%)	74	(4%)	>100%
EPS pre*	0.66		1.41		>100%
EBITDA	170	(12%)	237	(12%)	39%
thereof except.	-23	(-2%)	-41	(-2%)	78%
EBITDA pre except.	193	(13.2%)	278	(14.2%)	44%

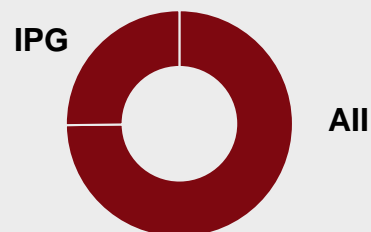
- Successful cost management in inflationary environment
- Higher G&A reflect portfolio effect (acquisitions and leather divestment) and gradual phase- out of Corona measures
- Strong earnings due to high demand but held back by higher energy and logistic costs

* From continuing operations

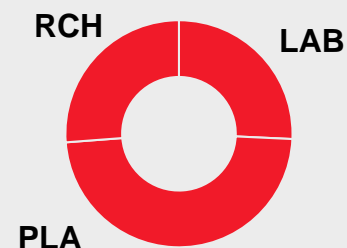
Q3 2021: All segments improved



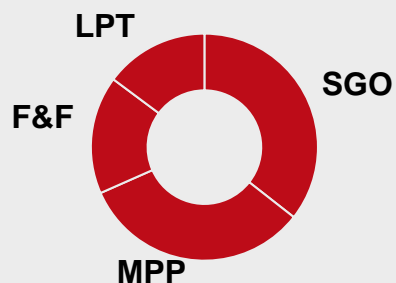
Advanced Intermediates



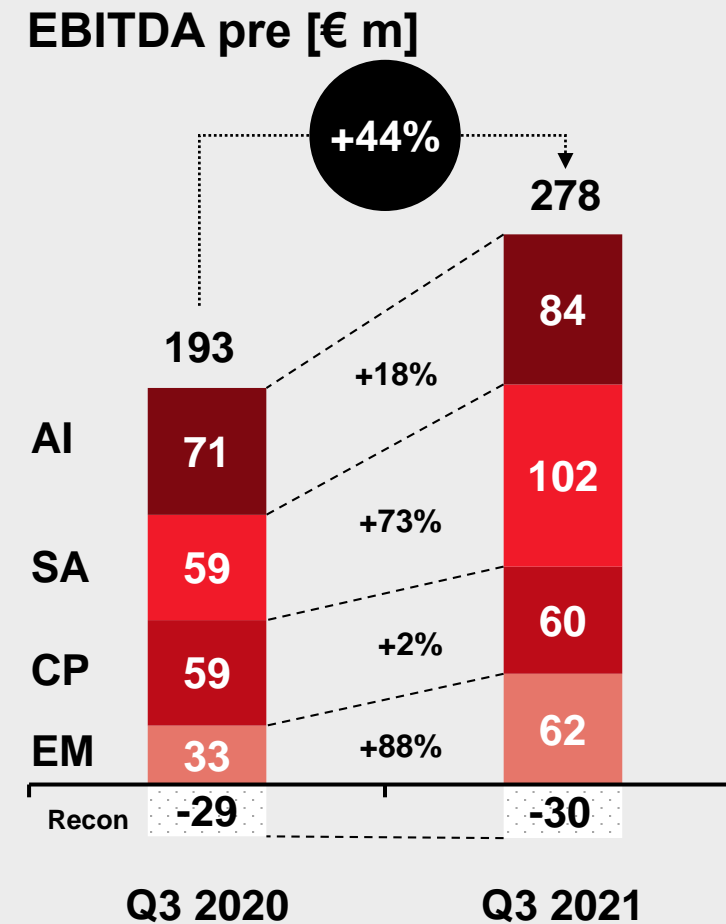
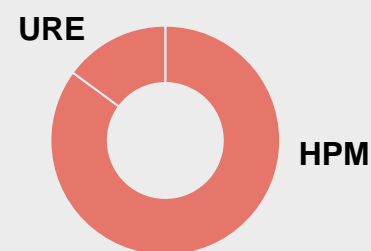
Specialty Additives



Consumer Protection



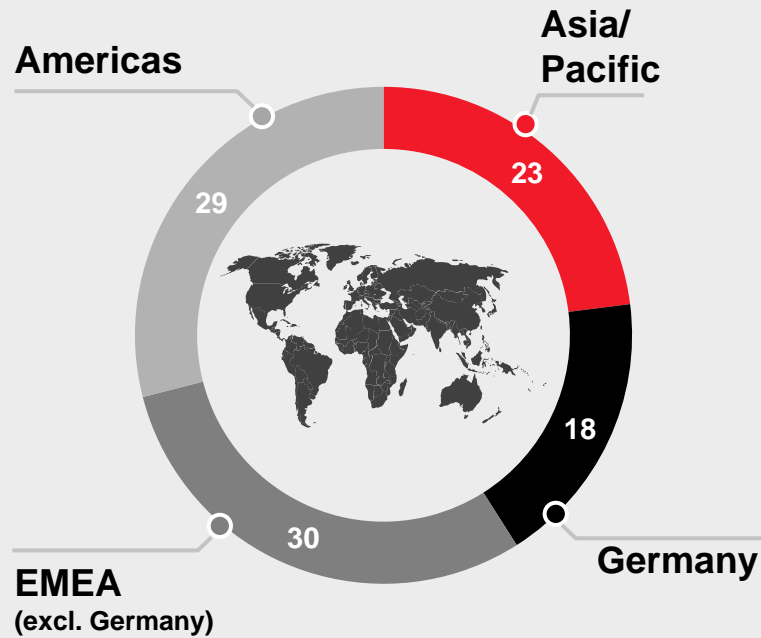
Engineering Materials



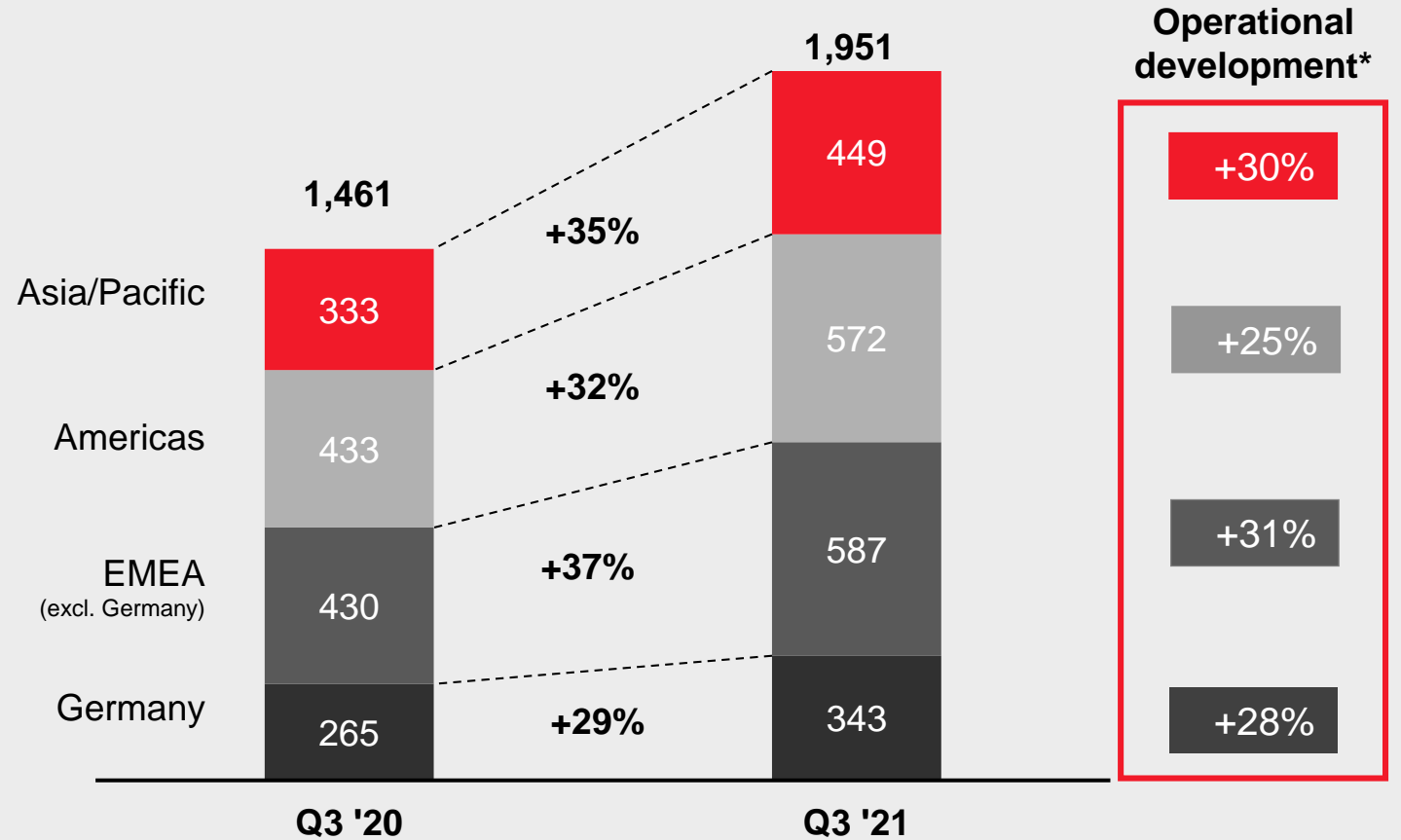
* Total group sales including reconciliation

Q3 2021: Significant operational improvement in all areas

Q3 2021 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Operating cash flow impacted by increased working capital

[€ m]	Q3/2020	Q3/2021	Δ
Operating cash flow*	167	105	-62
thereof changes in working capital	27	-200	-227
Investing cash flow*	-74	-656	-582
thereof capex	-102	-109	-7
thereof payments for acquisitions / proceeds from divestments	6	-878	-884

- Operating cash flow impacted by
 - Significant increase in inventories due to volume rise and inflated raw material prices
 - Higher receivables driven by increased sales
- Investing cash flow:
 - Net amount in 2021 includes purchase price for Emerald Kalama Chemical and divestment proceeds from chrome mine and organic leather business

* Applies to continuing operations

Strong balance sheet

[€ m]	31.12.2020	30.09.2021
Total assets	8,880	9,570
Equity	2,999	3,602
Equity ratio	34%	38%
Net financial debt¹	1,012	2,243
Cash, cash equiv., short term money market inv.	1,794	600
Pension provisions	1,205	903
Net working capital	1,134	1,757
DSI (in days) ²	64	69
DSO (in days) ³	45	50

- Increase in total assets results from increase in working capital and EKC acquisition (closed in Aug)
- Higher equity reflects positive net income and OCI effects (pensions, FX)
- Increase in net financial debt driven by payment of purchase price for EKC
- Lower pension provisions due to interest rate increase and good asset performance
- Strong increase in working capital due to higher inventories driven by inflated raw material prices and portfolio effect (EKC) as well as higher receivables based on improved sales

¹ Including cash, cash equivalents, short-term money market investments

² Days sales of inventory calculated from quarterly sales

³ Days of sales outstanding calculated from quarterly sales

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Housekeeping items 2021

Capex 2021	~€450-500 m (incl. EKC)
Operational D&A 2021	~€470 m (incl. EKC)
Reconciliation 2021	~€150-160 m including remnant costs and re-occurring expenses
Underlying tax rate	~28%
Exceptionals 2021	€120-150 m based on current initiatives (including ~€15m OTCs* Emerald Kalama Chemical)
FX sensitivity	One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging

* OTCs = One Time Costs

Transparency on Emerald Kalama Chemical acquisition accounting treatment

	2021	Annualized ¹
D&A operational	~€8 m	~€20 m
Add. impact on D&A due to purchase price allocation	~€12 m	~€ 30 m
Goodwill	~€400 m	-
Leasing liabilities	~€ 20 m	-
Pensions	~€ <1 m	-



9M 2021: Strong earnings

[€ m]	9M 2020		9M 2021		yoy in %
Sales	4,601	(100%)	5,475	(100%)	19%
Cost of sales	-3,422	(-74%)	-4,091	(-75%)	20%
Selling	-580	(-13%)	-674	(-12%)	16%
G&A	-195	(-4%)	-213	(-4%)	9%
R&D	-80	(-2%)	-87	(-2%)	9%
EBIT	218	(5%)	327	(6%)	50%
Net Income	888	(19%)	238	(4%)	-73%
EPS pre*	2.68		3.96		48%
EBITDA	587	(13%)	699	(13%)	19%
thereof except.	-75	(-2%)	-98	(-2%)	31%
EBITDA pre except.	662	(14.4%)	797	(14.6%)	20%

- Successful cost management in inflationary environment
- Higher G&A reflect portfolio effect (acquisitions and leather divestment) and gradual phase-out of Corona measures
- Strong earnings due to high demand, but held back by higher energy and logistic costs and negative FX effect
- Net income in previous year included proceeds from CURRENTA divestment

* From continuing operations

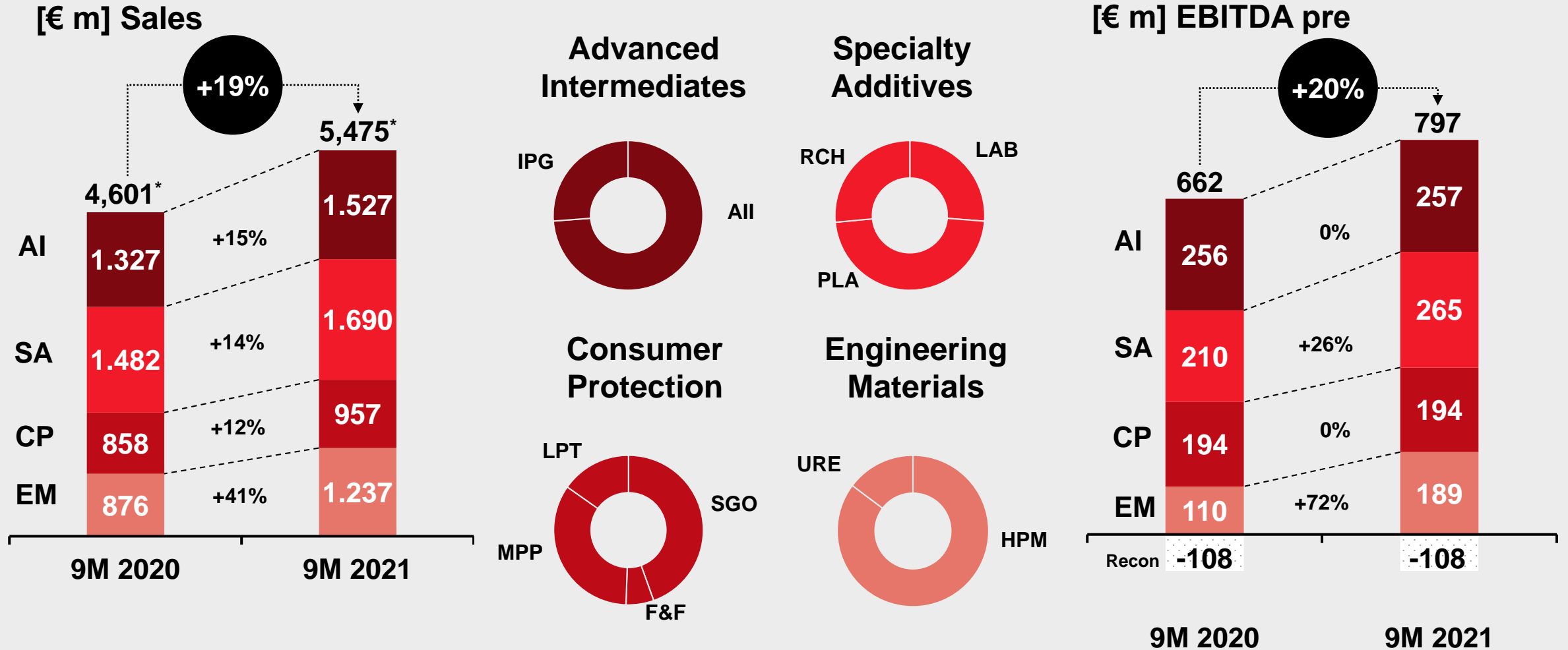
9M 2021: Operating cash flow impacted by increased working capital

[€ m]	9M 2020	9M 2021	Δ
Operating cash flow*	332	128	-204
thereof changes in working capital	-98	-511	-413
Investing cash flow*	-61	56	117
thereof capex	-264	-271	-7
thereof payments for acquisitions / proceeds from divestments	793	-874	-1,667

- Operating cash flow burdened by
 - Significant increase in inventories due to volume rise and inflated raw material prices
 - Higher receivables driven by increased sales
- Investing cash flow:
 - Net amount in 2021 includes purchase price for EKC, Theseo and Intace and divestments of organic leather, membrane business and chrome mine
 - PY year investing cash flow reflected divestment of CURRENTA stake and chrome business

* Applies to continuing operations

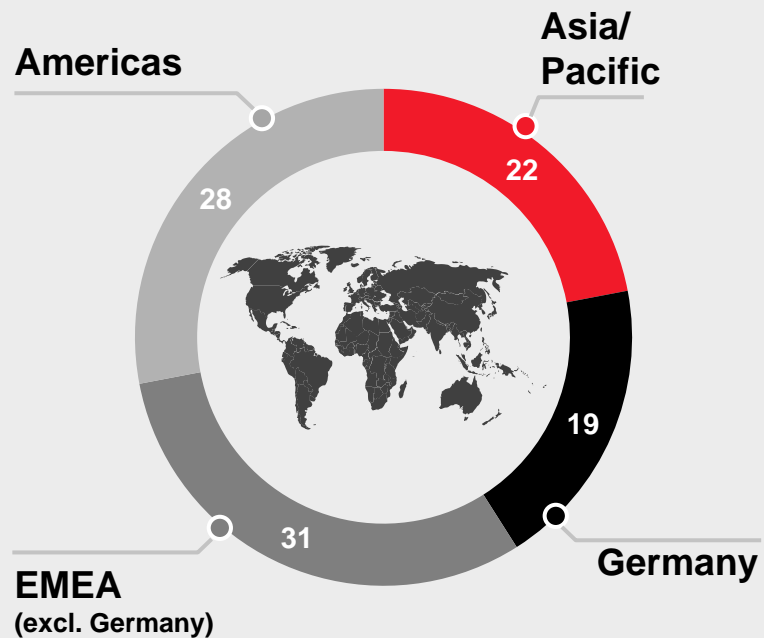
9M 2021: Strong recovery especially in Specialty Additives and Engineering Materials



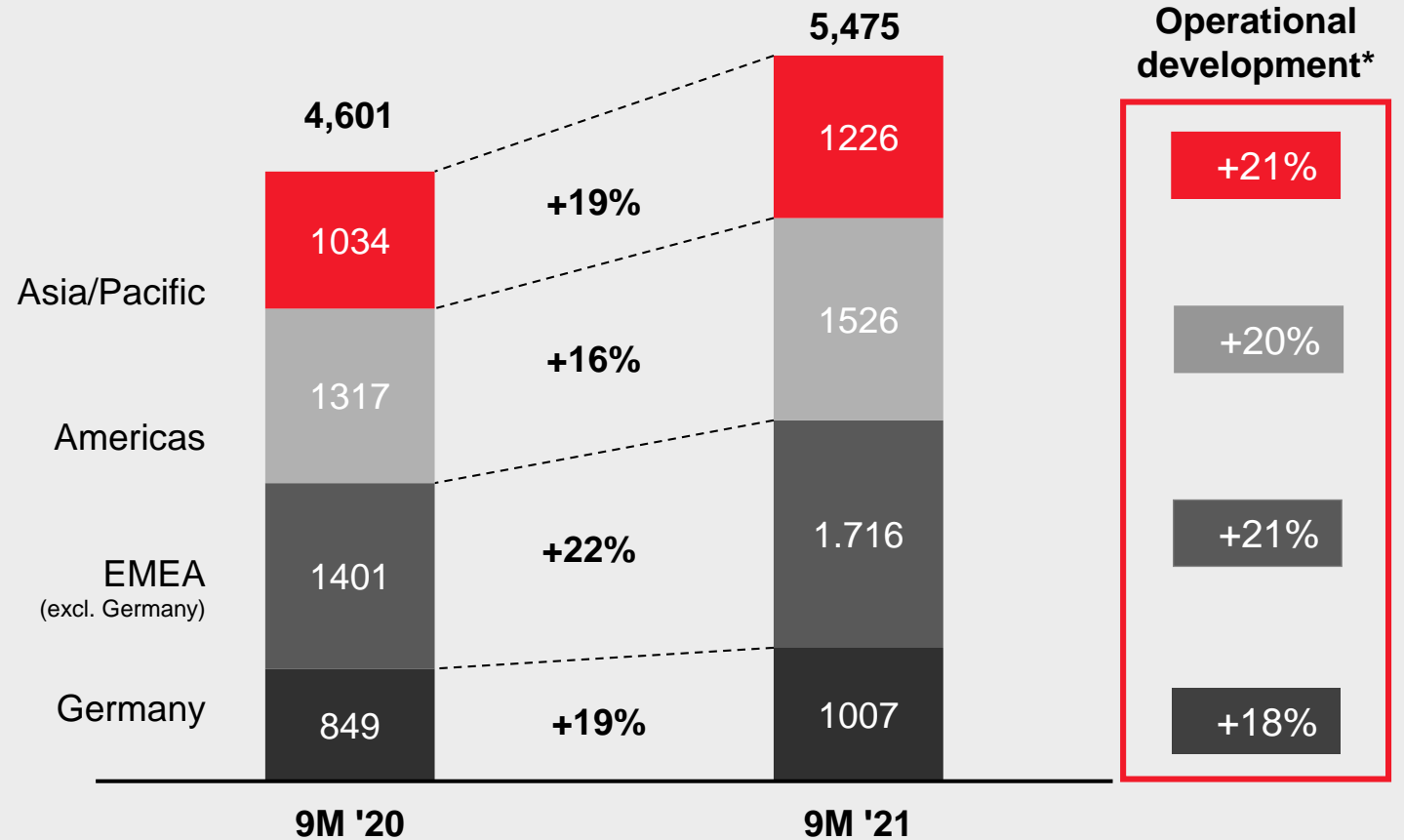
* Total group sales including reconciliation

9M 2021: Strong operational development in all regions

9M 2021 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Exceptional items (on EBIT) above previous year level mainly due to increased M&A costs

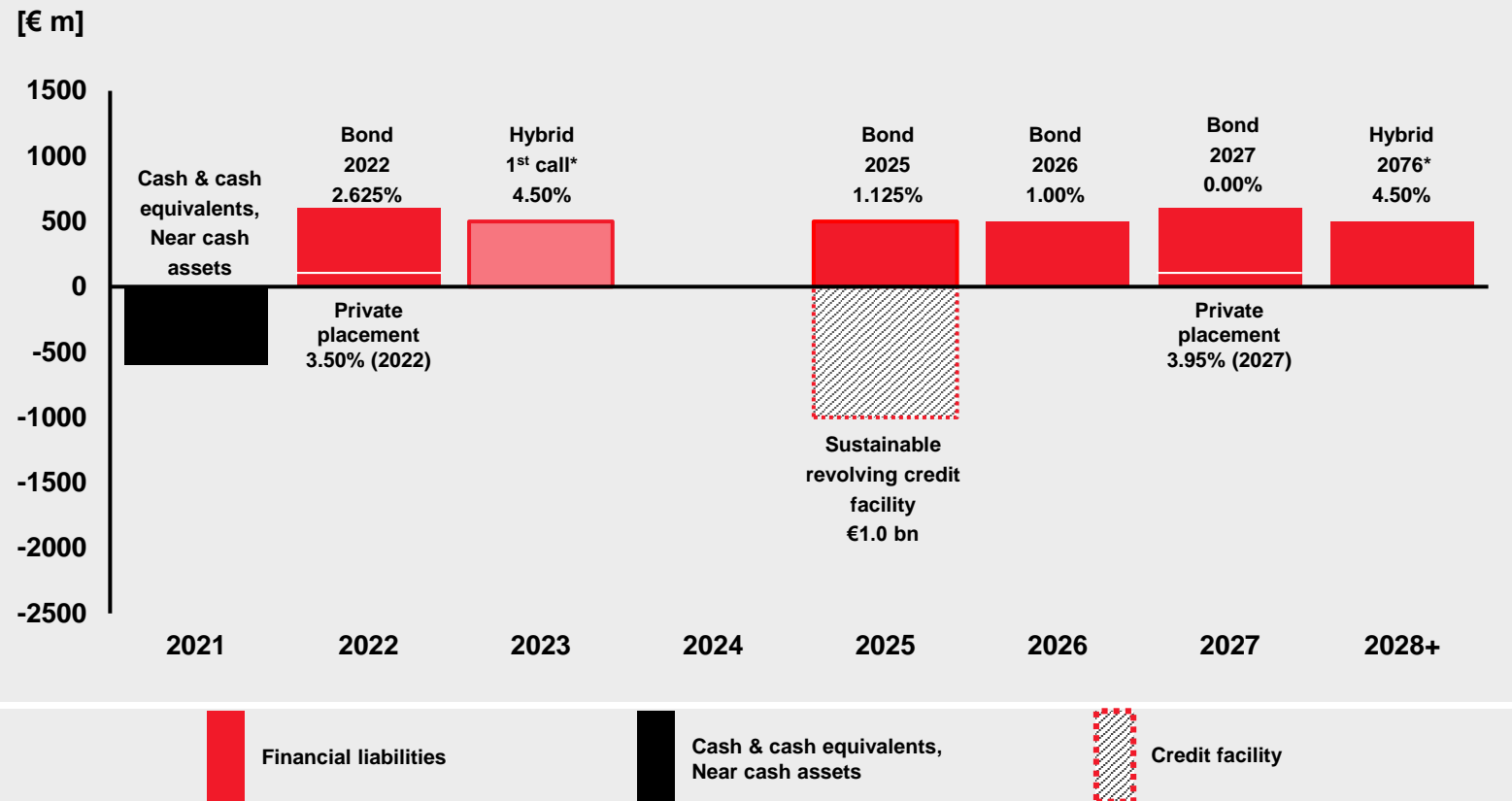
[€ m]	Q3/2020		Q3/2021		9M 2020		9M 2021		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	
Strategic Realignment & Restructuring	8	0	10	0	49	18	17	1	incl. adjustment of production network
M&A, Digitalization (incl. Chemondis) and Others	10	0	27	1	27	1	66	2	incl. CUR, organic leather, membrane, chrome mine divestments, Emerald Kalama, IFF MC, Theseo, Intace acquisitions
Strategic IT projects	5	0	5	0	18	0	18	0	incl. SAP Hana Project
Total	23	0	42	1	94	19	101	3	

LANXESS maturity profile actively managed and well balanced

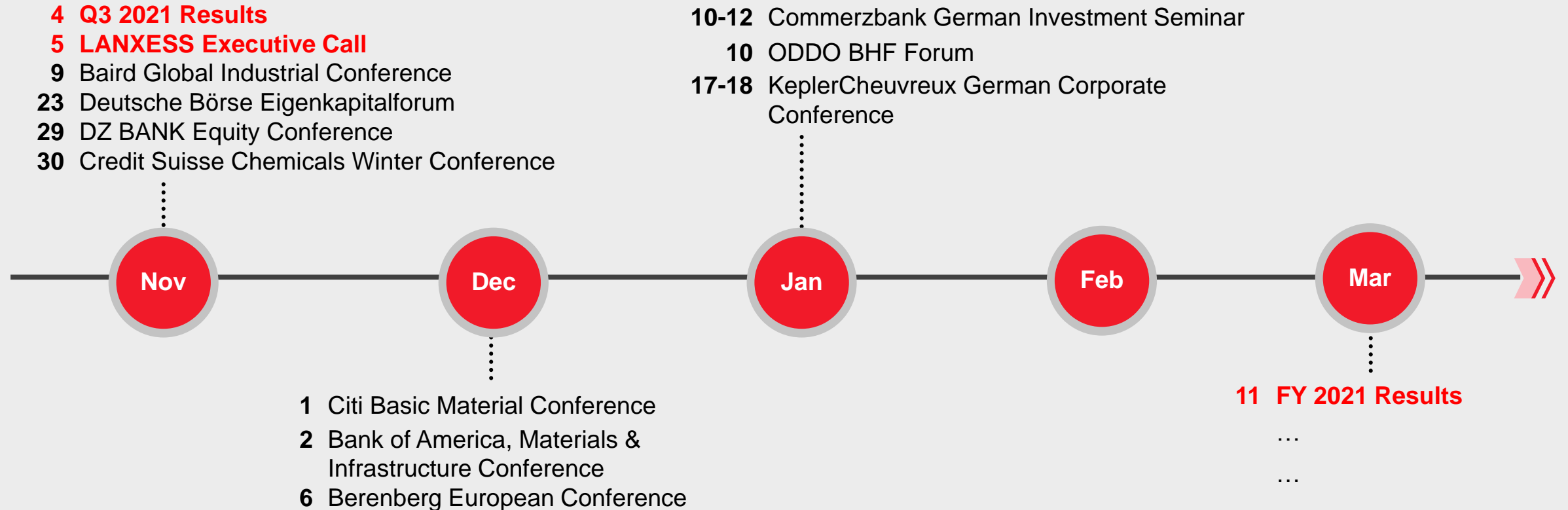
Long-term financing secured

- Diversified financing sources
 - Bonds & private placements
 - Undrawn sustainable revolving credit facility
- Average interest rate of financial liabilities ~2%
- Maturities in 2022:
 - Private placement in April
 - Bond in November
- All group financing executed without financial covenants

Liquidity and maturity profile as per September 2021



Upcoming events 2021/2022 - Proactive capital market communication



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Abbreviations



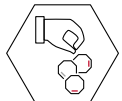
Advanced Intermediates

AII Advanced Industrial Intermediates
IPG Inorganic Pigments



Consumer Protection

F&F Flavors & Fragrances
LPT Liquid Purification Technologies
MPP Material Protection Products
SGO Saltigo



Specialty Additives

LAB Lubricant Additives Business
PLA Polymer Additives
RCH Rhein Chemie



Engineering Materials

HPM High Performance Materials
URE Urethane Systems

LANXESS

Energizing Chemistry