

LANXESS – Q2 2021 results

Solid recovery

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Safe harbor statement



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Agenda

1 Executive summary Q2 2021

2 Financial and business details Q2 2021

3 Back-up



Q2 2021: Back on pre-COVID level

Highlights

- Volumes back on pre-Covid level
- Strong recovery especially in Engineering Materials and Specialty Additives
- Significant EBITDA pre increase to €277 m (+24%), margin at 15.1%, despite further raw material and energy price increase and intensive logistic constraints
- Divestment of organic leather business closed
- Strengthening of R&D capacities in APAC: New Application Development Center in Shanghai
- Emerald Kalama acquisition closed (3rd August)



LANXESS closes acquisition of Emerald Kalama Chemical



€375 m
Sales in 2020

Secular growth
in attractive end markets

9.0x EBITDA
incl. ~€25 m synergies**

€0.9 bn
Enterprise value

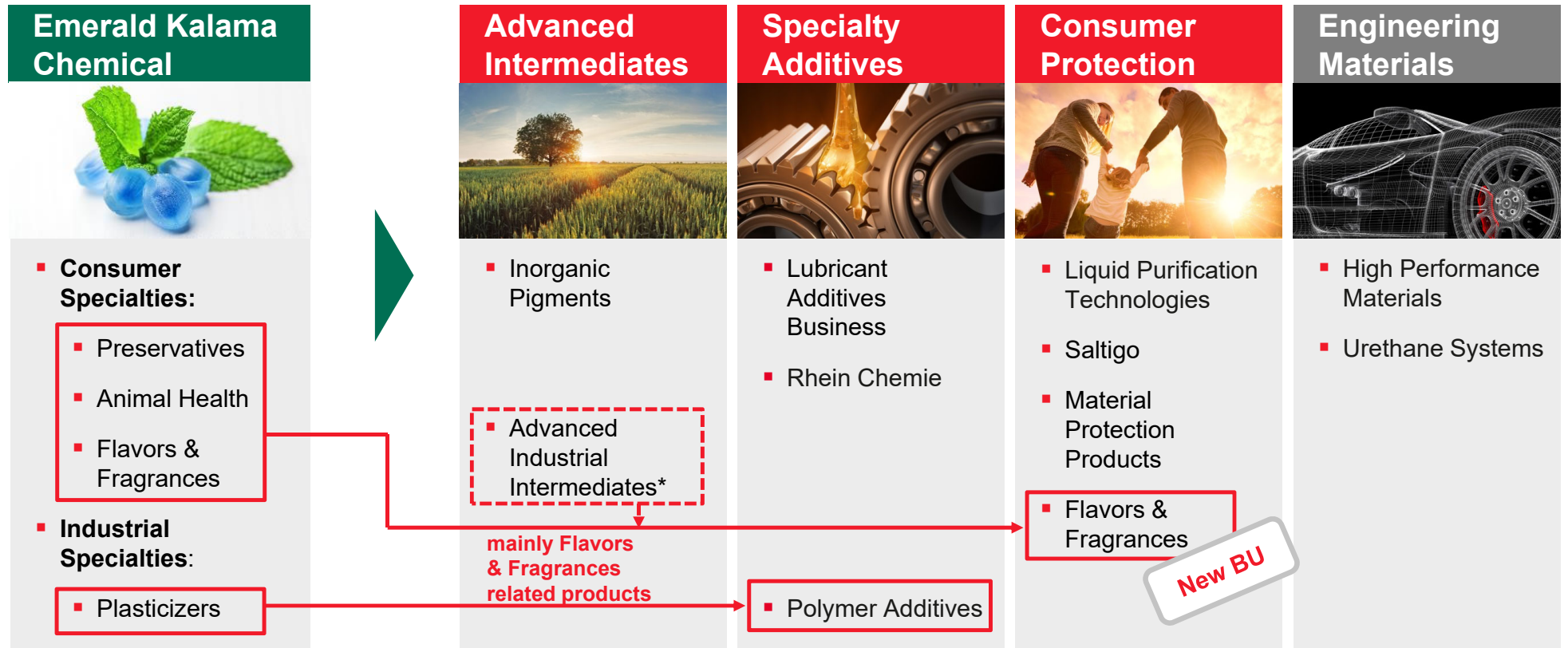
€80 m
EBITDA pre in 2020

~80%
Cash conversion*

100%
True Specialties

22 - 25%
EBITDA pre margin

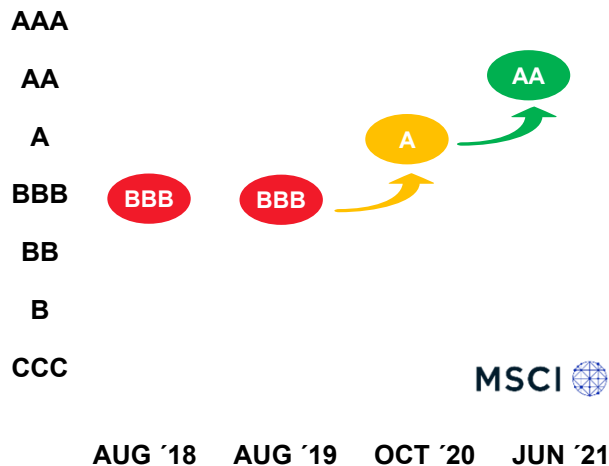
Flavor & Fragrance products combined in new business unit within the Consumer Protection segment



LANXESS has once again improved its sustainability ratings

MSCI ESG rating upgrade to AA

LANXESS ESG Rating History



- LANXESS way above average in Corporate Governance
- Convincing climate strategy and continuous improvement in Chemical Safety
- Upgrade driven by water stress risk assessment

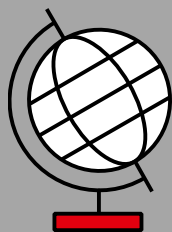
EcoVadis rating upgrade to Platinum



- EcoVadis covering more than 75,000 companies globally with sustainability ratings
- LANXESS perceived as strong performer in labor & human rights
- Upgraded due to improved performance in environmental dimension

Leading ESG rating providers honor our performance

LANXESS guidance raised – Emerald Kalama Chemical contribution included



Current view on economy

- In general, ongoing recovery expected:
 - Growing demand especially in automotive, chemical industry and construction
 - Aviation and oil & gas modestly to gradually improving
- Ongoing strong development for Consumer Protection markets
- Course of pandemic and global logistic constraints remain risk factors

LANXESS outlook

- **FY 2021 EBITDA pre expected €1,000 - 1,050 m**
 - Strong development of underlying business
 - Emerald Kalama Chemical contribution ~€35 m

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LANXESS Group: Business back at pre-COVID level

Strong volume growth, but higher costs and FX burden

[€ m]*	Q2/2020	Q2/2021	Δ	1H 2020	1H 2021	Δ
Sales	1,436	1,831	28%	3,140	3,524	12%
EBITDA pre	224	277	24%	469	519	11%
Margin	15.6%	15.1%		14.9%	14.7%	
CAPEX	88	92	5%	162	162	0%

Price **+10%** Volume **+22%** FX **-5%** Portfolio **+0%**

Total **+28%**

Q2 Sales vs. PY

- Strong sales growth driven by volumes and price increases - mitigated by adverse FX effect
- Significant volume growth across all segments
- EBITDA pre significantly above previous year level due to ongoing volume growth, despite higher energy and logistic costs as well as adverse FX effect



Advanced Intermediates: Benefitting from strong demand

Like-for-like above previous year level

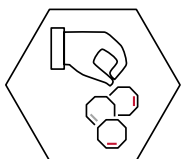
[€ m]*	Q2/2020	Q2/2021	Δ	1H 2020	1H 2021	Δ
Sales	430	505	17%	913	994	9%
EBITDA pre	103	96	-7%	185	173	-6%
Margin	24.0%	19.0%		20.3%	17.4%	
CAPEX	28	31	11%	51	52	2%

Price **+10%** Volume **+11%** FX **-4%** Portfolio **0%**

Total **+17%**

Q2 Sales vs. PY

- Sales increase driven by significantly higher volumes and prices in both BUs, partly offset by negative FX effect
- EBITDA pre and margin impacted by higher energy and freight costs
- Considering €10 m tailwind in Q2 2020, EBITDA pre already now exceeds PY level



Specialty Additives: Strong volume growth

Recovery in several key industries

Price **+6%** Volume **+30%** FX **-8%** Portfolio **0%**

Total **+29%**

Q2 Sales vs. PY

[€ m]*	Q2/2020	Q2/2021	Δ	1H 2020	1H 2021	Δ
Sales	442	568	29%	1,016	1,085	7%
EBITDA pre	60	89	48%	151	163	8%
Margin	13.6%	15.7%		14.9%	15.0%	
CAPEX	20	24	20%	40	40	0%

- Sales increase due to rising volumes and prices across all BUs
- Rising volumes in all BUs, strong demand especially in BU PLA and BU RCH
- EBITDA pre improving but held back by soaring freight costs and adverse FX effect; margin diluted by shift of AXX business (~2% p.p.)

* New reporting structure as of Q1 2021: Business Line "Antioxidants and Accelerators" (AXX) shift from BU All to BU RCH (segment "Specialty Additives"); 2020 figures restated



Consumer Protection: Delivering against high comparable base

Attractive bolt-on acquisitions contribute

Price **-1%** Volume **+5%** FX **-2%** Portfolio **+2%**

Total **+4%**

Q2 Sales vs. PY

[€ m]	Q2/2020	Q2/2021	Δ	1H 2020	1H 2021	Δ
Sales	301	314	4%	580	604	4%
EBITDA pre	68	65	-4%	135	134	-1%
Margin	22.6%	20.7%		23.3%	22.2%	
CAPEX	12	13	8%	22	26	18%

- Sales driven by strong volume increase in BU MPP
- New long-term contract at BU SGO with favorable net price-volume effect
- EBITDA pre on strong previous year's level which was overstated by pre-buying at BU SGO, margin slightly lower due to logistic costs



Engineering Materials: Recovery in automotive drives strong earnings

Earnings more than doubled

Price **+29%** Volume **+50%** FX **-5%** Portfolio **0%**

Total **+74%**

Q2 Sales vs. PY

[€ m]	Q2/2020	Q2/2021	Δ	1H 2020	1H 2021	Δ
Sales	244	424	74%	591	801	36%
EBITDA pre	28	68	143%	77	127	65%
Margin	11.5%	16.0%		13.0%	15.9%	
CAPEX	12	12	0%	20	22	10%

- Sales boost based on strong demand from auto industry, partly offset by negative FX
- Volumes and prices significantly increased in BU HPM; BU URE also with positive development
- EBITDA pre and margin rise on improved volumes and higher prices, despite burden from supplier's force majeure, higher energy and freight costs as well as FX

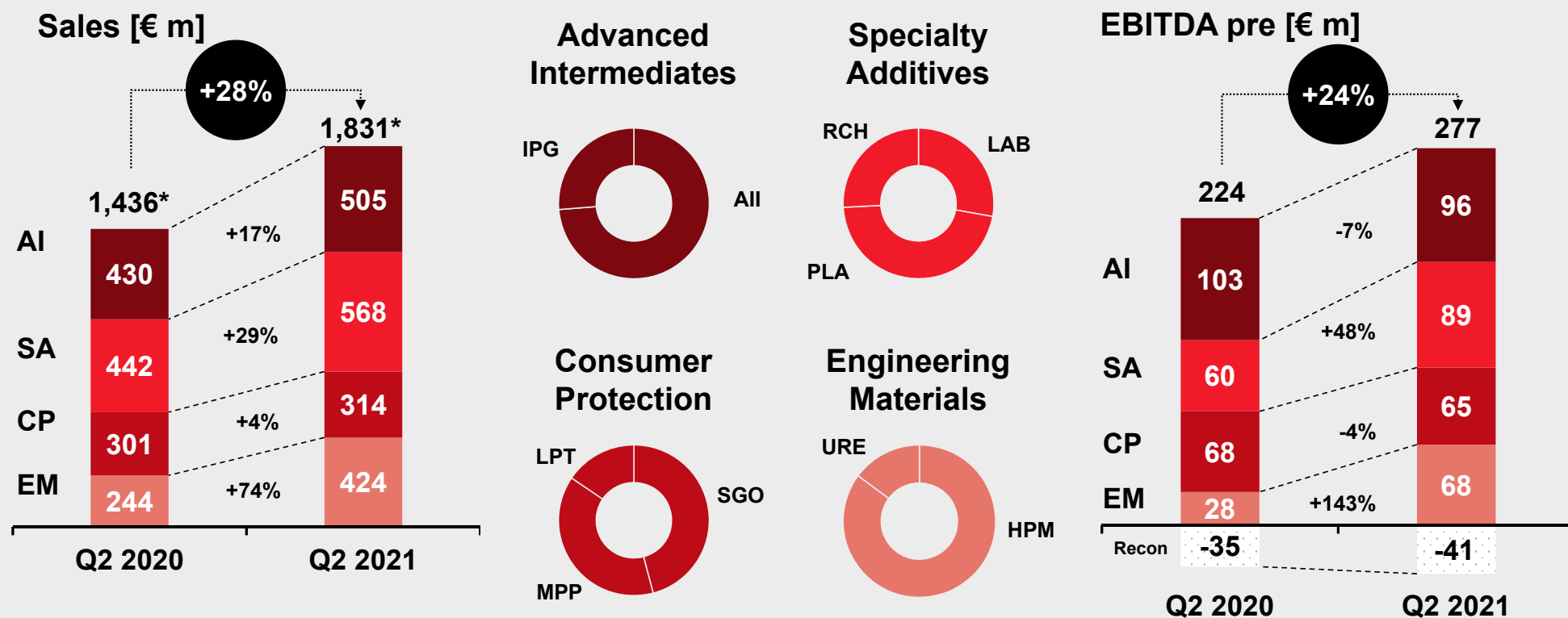
P&L Q2: Recovery kicks in

[€ m]*	Q2/2020		Q2/2021		yoy in %
Sales	1,436	(100%)	1,831	(100%)	28%
Cost of sales	-1,042	(-73%)	-1,356	(-74%)	30%
Selling	-194	(-14%)	-225	(-12%)	16%
G&A	-64	(-4%)	-70	(-4%)	9%
R&D	-28	(-2%)	-29	(-2%)	4%
EBIT	61	(4%)	125	(7%)	>100%
Net Income	798	(56%)	100	(5%)	-87%
EPS pre	0.86		1.38		60%
EBITDA	198	(14%)	247	(13%)	25%
thereof except.	-26	(-2%)	-30	(-2%)	15%
EBITDA pre except.	224	(15.6%)	277	(15.1%)	24%

- Cost of sales inflated by higher raw material and energy costs
- Increase in selling expenses reflects higher logistic and storage costs
- Strong earnings reflect recovering demand despite higher energy and logistic prices as well as negative FX development
- Net income in previous year includes proceeds from CURRENTA divestment

* From continuing operations

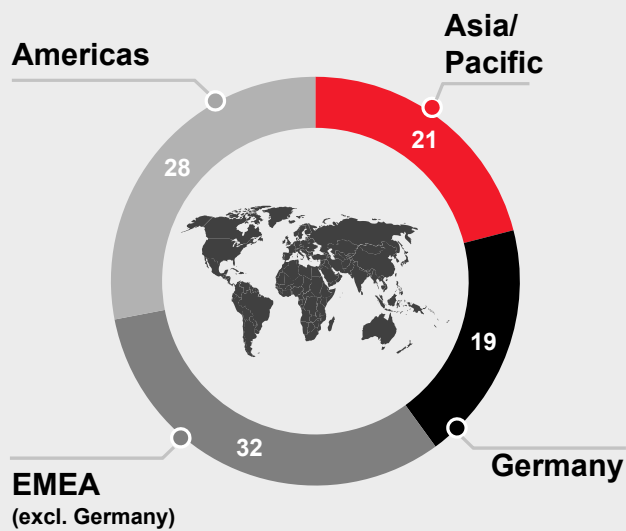
Q2 2021: Strong recovery supported by Specialty Additives and Engineering Materials



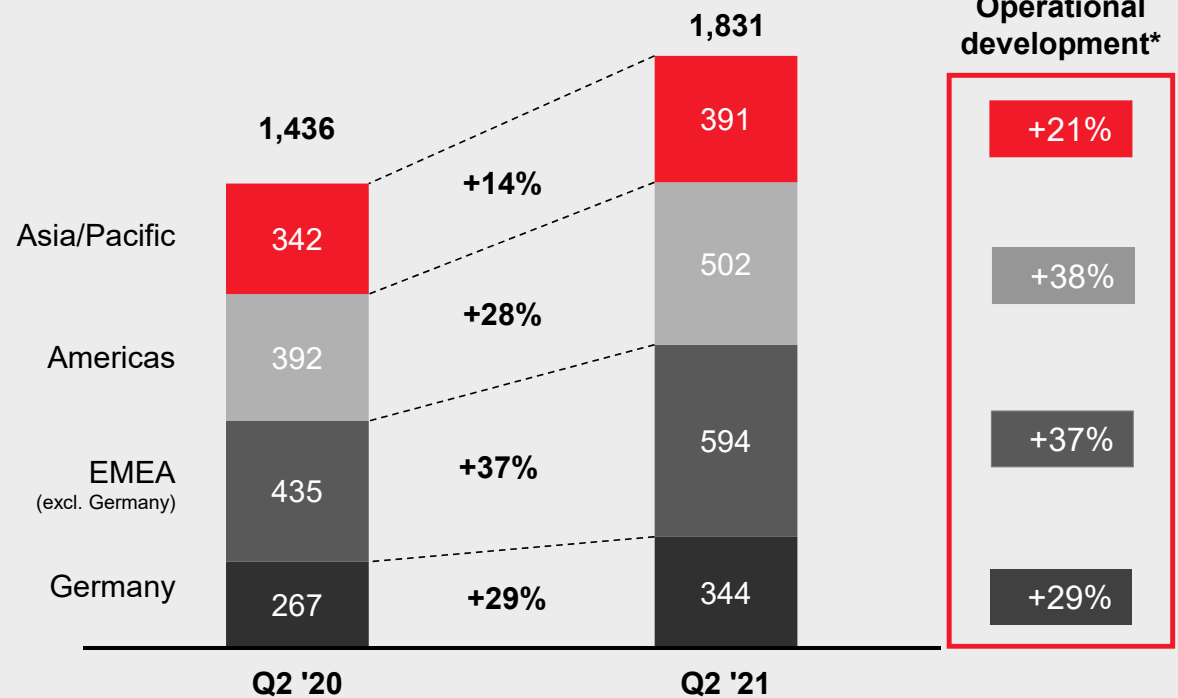
* Total group sales including reconciliation

Q2 2021: Strong operational development in all areas

Q2 2021 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Operating cash flow burdened by working capital increase

[€ m]	Q2/2020	Q2/2021	Δ
Operating cash flow*	52	-10	-62
thereof changes in working capital	56	-165	-221
Investing cash flow*	88	182	94
thereof capex	-88	-92	-4
thereof payments for acquisitions / proceeds from divestments	734	12	-722
thereof net invest in money markets	-710	260	970

- Operating cash flow impacted by
 - Significant increase in inventories due to volume uptick and inflated raw material prices
 - Higher receivables based on increased sales
- Portfolio management:
 - Previous year investing cash flow reflects divestment of CURRENTA
 - Net amount in 2021 includes purchase price for Theseo netted against divestment of organic leather business

* Applies to continuing operations

Strong balance sheet

[€ m]	31.12.2020	30.06.2021
Total assets	8,880	9,149
Equity	2,999	3,352
Equity ratio	34%	37%
Net financial debt¹	1,012	1,309
Cash, cash equiv., short term money market inv.	1,794	1,502
Pension provisions	1,205	990
Net working capital	1,134	1,462
DSI (in days) ²	64	64
DSO (in days) ³	45	47

- Equity reflects positive net income, effects in pension provision and FX
- Ongoing strong liquidity – increase in net financial debt partly driven by dividend payment (€86 m), which was paid in Q3 last year
- Lower pension provisions reflect interest rate increase
- Strong increase in working capital due to higher inventories driven by inflated raw material prices as well as higher receivables based on increased 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	~€450 m (excl. 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
Effects from EKC acquisition	Further details will be provided in Q3 presentation

* OTCs = One Time Costs

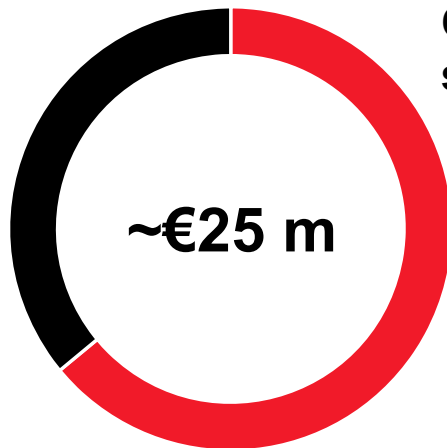
Emerald Kalama Chemical acquisition: Synergies, OTCs and Capex step in earlier than expected

Overview: Synergies structure

Phasing: Synergies, OTCs and CAPEX

Illustrative

Top line synergies



Cost based synergies

update

	2021	2022	2023	2024
Synergies	<€5 m	~€10 m	~€5 m	~€5 m
OTCs	~€15 m	~€10 m	~€5 m	~€5 m
CAPEX*	~€15 m	~€15 m	~€15 m	~€10 m

Key Figures: Back on pre COVID level

Q1

Q2

Q3

Q4



€1,831 m

Sales

+28%



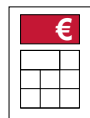
-€10 m

Operating Cash
Flow



€1,502 m

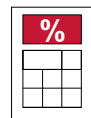
Cash & cash equivalents, short
term money market investments



€277 m

EBITDA pre

+24%



15.1%

EBITDA pre
Margin



€1,309 m

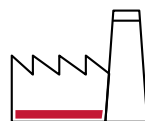
Net financial debt



€1.38

EPS pre

+60%



€92 m

CAPEX

H1 2021: Strong earnings

[€ m]	H1 2020	H1 2021	yoy in %
Sales	3,140 (100%)	3,524 (100%)	12%
Cost of sales	-2,311 (-74%)	-2,622 (-74%)	13%
Selling	-396 (-13%)	-433 (-12%)	9%
G&A	-138 (-4%)	-143 (-4%)	4%
R&D	-54 (-2%)	-56 (-2%)	4%
EBIT	165 (5%)	223 (6%)	35%
Net Income	862 (27%)	164 (5%)	-81%
EPS pre*	2.03	2.55	26%
EBITDA	417 (13%)	462 (13%)	11%
thereof except.	-52 (-2%)	-57 (-2%)	10%
EBITDA pre except.	469 (14.9%)	519 (14.7%)	11%

- Increase in selling expenses reflects higher logistic costs and negative FX effect
- Strong earnings reflect recovering demand despite higher energy and logistic prices as well as negative FX development
- Net income in previous year includes proceeds from CURRENTA divestment

* From continuing operations

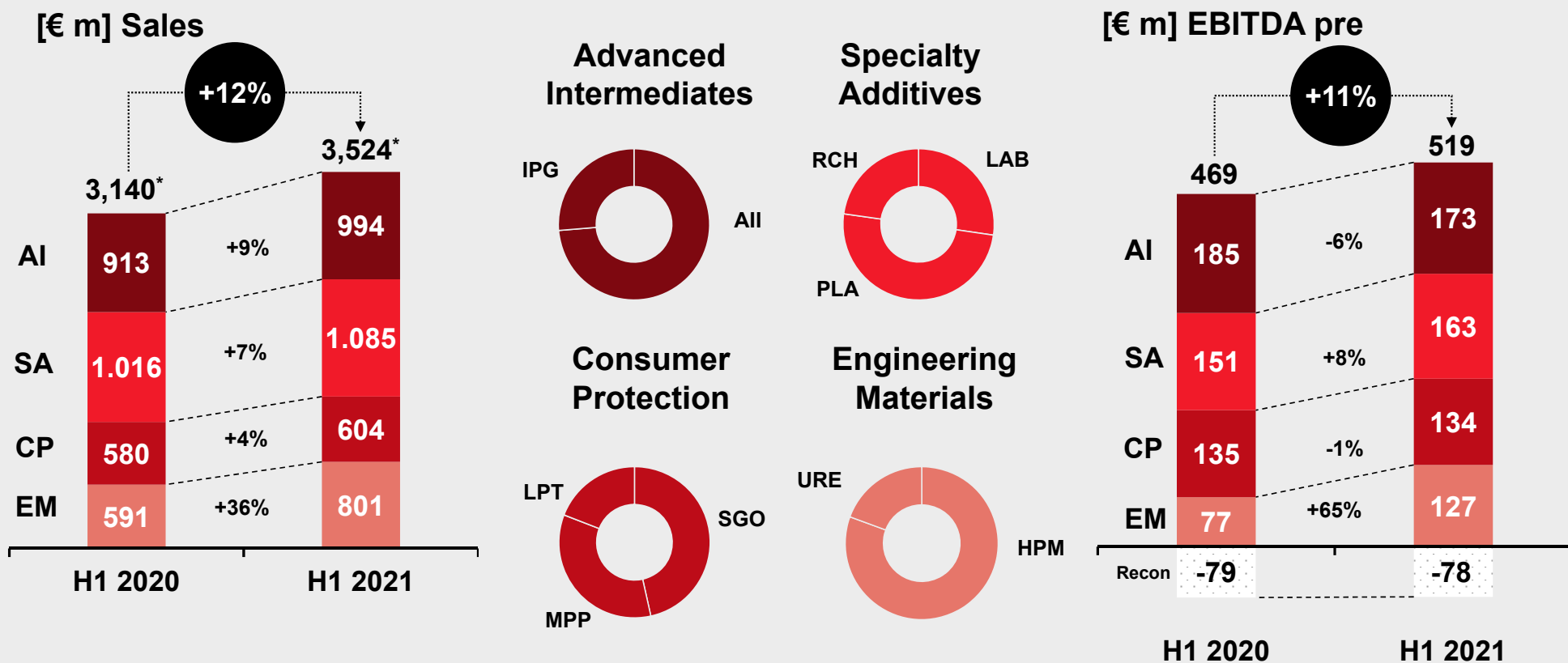
Operating cash flow H1 2021 burdened by working capital increase

[€ m]	H1 2020	H1 2021	Δ
Operating cash flow*	165	23	-142
thereof changes in working capital	-125	-311	-186
Investing cash flow*	13	712	699
thereof capex	-162	-162	0
thereof payments for acquisitions / proceeds from divestments	787	4	-783
thereof net invest in money markets	-769	864	1,633

- Operating cash flow impacted by
 - Significant increase in inventories due to volume uptick and inflated raw material prices
 - Higher receivables based on increased sales
- Portfolio management:
 - Previous year investing cash flow reflects divestment of CURRENTA stake and chrome business
 - Net amount in 2021 includes purchase price for Theseo and Intace netted against divestment of organic leather business

* Applies to continuing operations

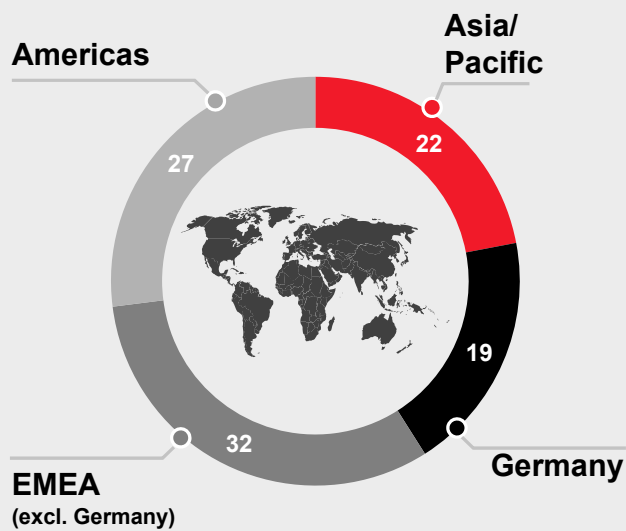
H1 2021: Strong recovery supported by Specialty Additives and Engineering Materials



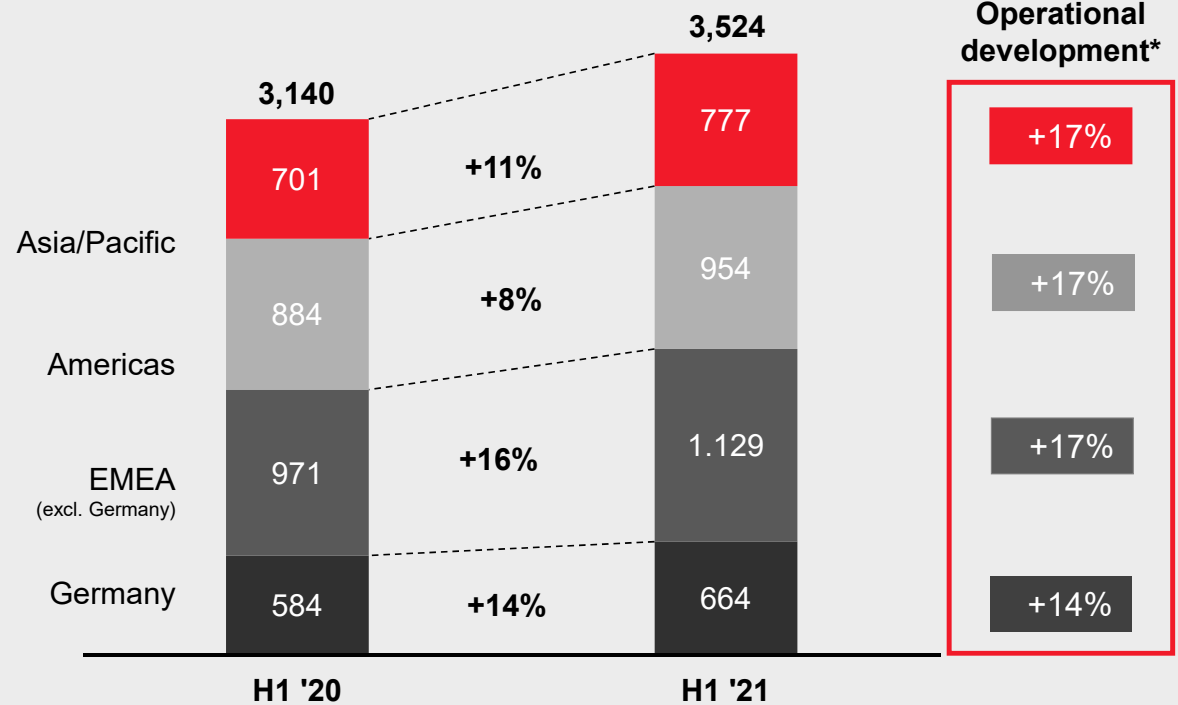
* Total group sales including reconciliation

H1 2021: Strong operational development in all regions

H1 2021 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Exceptional items (on EBIT) below previous year level

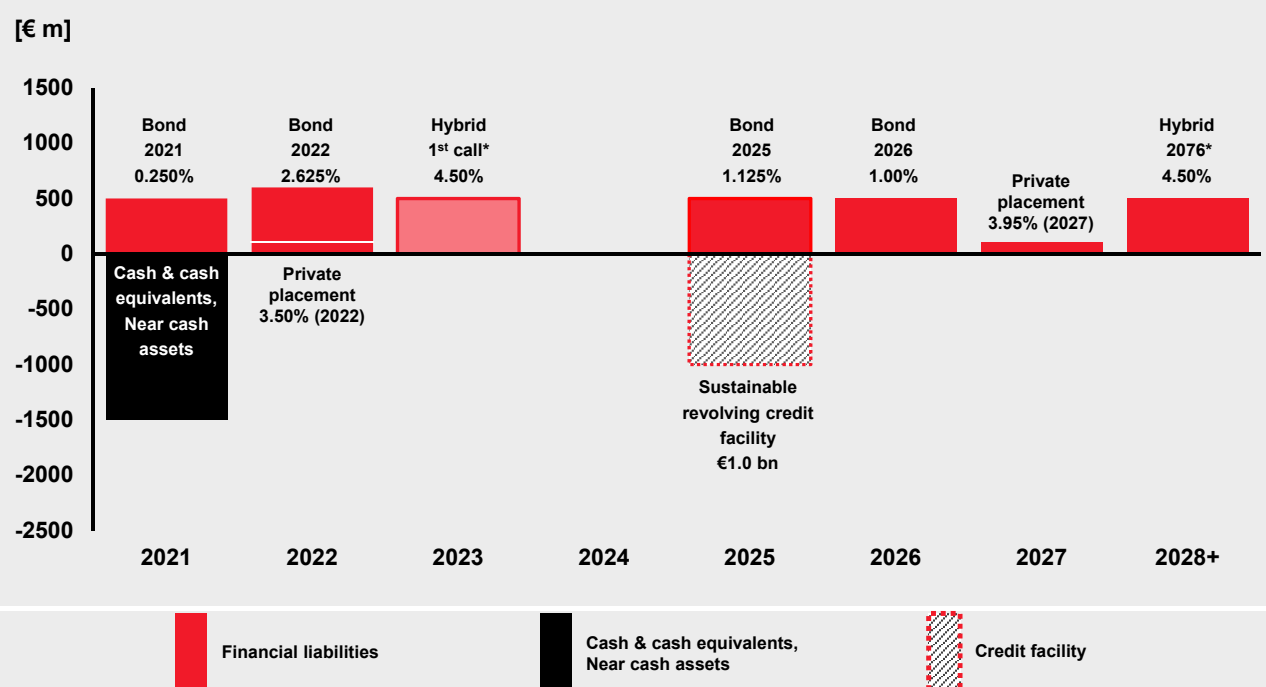
[€ m]	Q2/2020		Q2/2021		H1 2020		H1 2021		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	
Strategic Realignment & Restructuring	25	18	5	1	41	18	7	1	incl. adjustment of production network
M&A, Digitalization (incl. Chemondis) and Others	13	1	21	0	17	0	39	0	incl. CUR, organic leather, membrane divestments, Emerald Kalama, Theseo, Intace acquisitions
Strategic IT projects	7	0	6	1	13	1	13	1	incl. SAP Hana Project
Total	45	19	32	2	71	19	59	2	

Maturity profile actively managed and well balanced

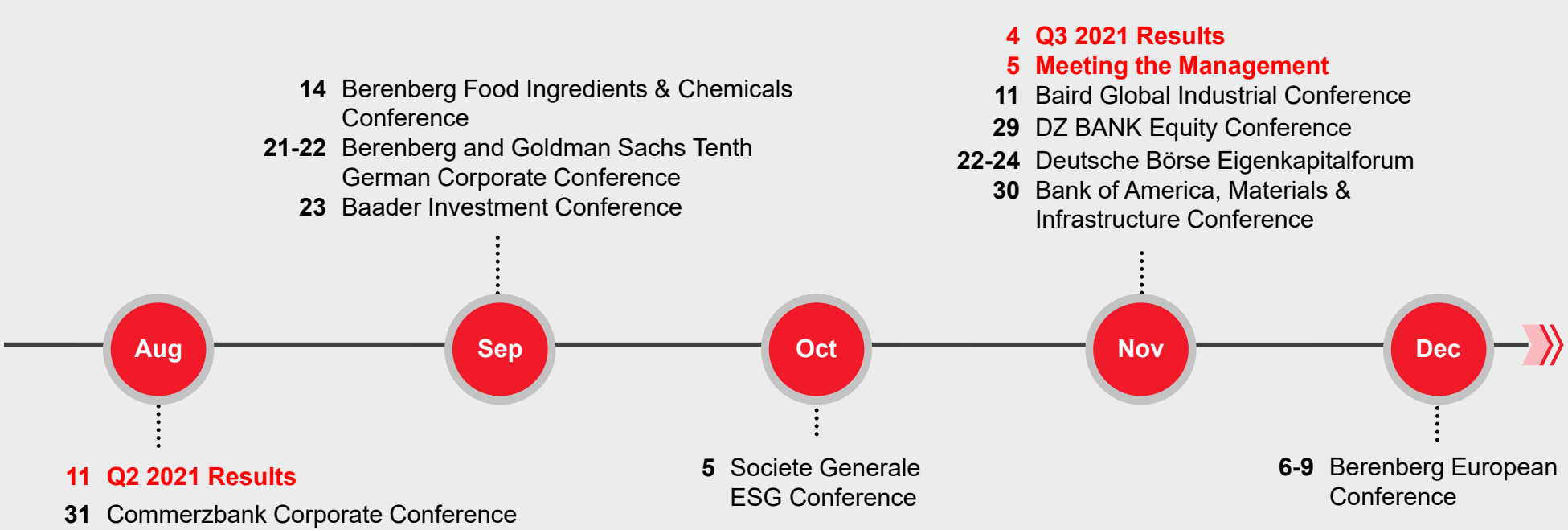
Long-term financing secured

- Diversified financing sources
 - Bonds & private placements
 - Undrawn sustainable revolving credit facility
- Average interest rate of financial liabilities ~2%
- Next bond maturity in July (early redemption of 2021 bond)
- All group financing executed without financial covenants

Liquidity and maturity profile as per June 2021



Upcoming virtual events 2021 - Proactive capital market communication



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Abbreviations



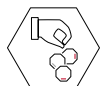
Advanced Intermediates

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