

Q3 2022 Results

LANXESS Group

LANXESS

Energizing Chemistry

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Improved EBITDA pre due to portfolio effect despite lower volumes

	Q3 2021	Q3 2022	Δ	Comments
Sales	€1,581 m	€2,185 m	+38%	↑ Significant sales increase in all segments price-driven, supported by portfolio and FX; lower volumes mainly due to softer demand
EBITDA pre	€229 m	€240 m	+5%	↑ Higher EBITDA pre resulting from strong contribution of Specialty Additives and Consumer Protection
Margin	14.5%	11.0%	-3.5 pp.	↓ Full pass through of inflated raw material and energy costs; lower volumes impact margins
EPS pre	€1.09	€0.97	-11%	↓
Operating cash flow	€111 m	€38 m	-€73 m	↓ Operating cash flow impacted by inflationary and seasonal increase in inventories
Net financial debt*	Dec 2021 €2,245 m	Sep 2022 €3,746 m	+67%	↑ Higher financial debt driven by payment of purchase price of IFF MC
Capex	€98 m	€98 m	0%	

All figures apply to continuing operations (excluding BU HPM) | * Including cash, cash equivalents, near cash assets, short-term money market investments

Sales + 38% Price + 26% Volume -6% Currency +8% Portfolio + 10%

Advanced Intermediates



Earnings held back by high German energy prices – Lower volumes due to softer demand

- Sales increase on pass-through of higher raw material prices, partly compensating also for energy costs in both BUs, positive FX effect
- Volumes held back by softer demand, especially for BU IPG from the construction industry
- EBITDA pre and margin impacted by high German energy prices and higher freight costs

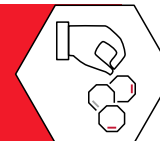
Sales **+30%**

Price	Volume	Currency	Portfolio
+30%	-6%	+6%	0%

Q3 2021 Q3 2022

EBITDA pre	€80 m	€65 m
margin	16.3%	10.1%

Specialty Additives



Strong EBITDA growth despite weaker volumes – Earnings supported by strong US footprint

- Higher sales in all BUs, driven by strong pricing and FX, as well as portfolio effect
- Volumes declined, as demand slowed compared to good levels in the prior year quarter in Rhein Chemie and Polymer Additives, mitigated by improved volumes for Lubricants
- EBITDA pre supported by further price recovery and positive FX

Sales **+31%**

Price	Volume	Currency	Portfolio
+23%	-7%	+12%	+3%

Q3 2021 Q3 2022

EBITDA pre	€102 m	€121 m
margin	16.9%	15.3%

Consumer Protection



Price and portfolio effect drive earnings – First contribution from IFF MC

- Sales increase significantly driven by portfolio and successful pricing
- Volumes held back by longer than planned maintenance turnaround in BU F&F, improved volumes in Saltigo and BU LPT
- Strong EBITDA pre increase and slightly higher margin resulting from pricing and contribution from acquired businesses

Sales **+61%**

Price	Volume	Currency	Portfolio
+25%	-3%	+5%	+34%

Q3 2021 Q3 2022

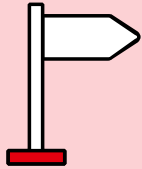
EBITDA pre	€66 m	€110 m
margin	16.0%	16.6%

FY 2022: Guidance corridor narrowed



Current view on economy

- Volatile and uncertain energy and raw material costs development
- Increasing pressure from general inflation on global demand, price pass-through becomes more challenging
- Additional burden on demand due to anticipated customer destocking



LANXESS outlook

- **FY guidance: EBITDA pre expected in €900 – 950 m corridor**

Housekeeping items 2022

Capex 2022: ~€450 m (incl. IFF MC and excl. HPM D/O)

Operational D&A ~€500 m (including step up of IFF MC)

All other segments 2022: ~€180 m - reflecting contribution from BU URE offset by hedging and inflated costs due to higher USD

Underlying tax rate: ~28%

Exceptionals 2022: ~€100 m based on current initiatives

FX sensitivity: One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging

Goodwill IFF MC business ~€500 m

Q3 2022: Specialty businesses perform while inflationary energy prices continuously challenge

Strategic and financial highlights

- First quarter with contribution from IFF's microbial control business
- HPM / Advent JV set up on track:
 - Management team and business structure announced
 - Large number of merger clearances already received (e.g. US, Chinese and Brazilian authorities)
- Sales increase of 38% driven by pass through of inflated input costs
- EBITDA pre improved to €240 m (vs €229 m in PY)
- Exceptional financial gain (~€83 m) from settled interest rate hedges* overcompensates operational exceptionals (€35 m) on EPS level
- Operating cash flow impacted by inflationary and seasonal increase in inventories

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* Settled interest rate pre hedges as issuance of new €500 m bond in Nov 2022 is no longer planned

Financial Overview Q3 2022

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Consumer Protection			All other segments		
	Q3/2021	Q3/2022	Chg. in %	Q3/2021	Q3/2022	Chg. in %	Q3/2021	Q3/2022	Chg. in %	Q3/2021	Q3/2022	Chg. in %	Q3/2021	Q3/2022	Chg. in %
Sales	1,581	2,185	38%	492	642	30%	605	792	31%	412	662	61%	72	89	24%
Price*			25.6%			30.7%			23.1%			24.5%			18.1%
Volume*			-5.6%			-6.1%			-6.6%			-3.1%			-6.9%
Currency*			8.3%			5.9%			11.8%			5.1%			12.4%
Portfolio*			9.9%			0.0%			2.6%			34.2%			0.0%
EBIT	69	66	-4%	51	37	-27%	54	73	35%	30	50	67%	-66	-94	-42%
Deprec. & amortizat.	119	140	18%	29	28	-3%	44	47	7%	30	48	60%	16	17	6%
EBITDA	188	206	10%	80	65	-19%	98	120	22%	60	98	63%	-50	-77	-54%
exceptionals in EBITDA	41	34	-17%	0	0	-100%	4	1	-75%	6	12	100%	31	21	-32%
EBITDA pre excep.	229	240	5%	80	65	-19%	102	121	19%	66	110	67%	-19	-56	>-100%
normalized D&A	118	139	18%	29	28	-3%	44	47	7%	30	48	60%	15	16	7%
EBIT pre excep.	111	101	-9%	51	37	-27%	58	74	28%	36	62	72%	-34	-72	>-100%
exceptionals in EBIT	42	35	-17%	0	0	-100%	4	1	-75%	6	12	100%	32	22	-31%
Capex	98	98	0%	30	23	-23%	30	34	13%	23	27	17%	15	14	-7%
Net financial debt	2,245	3,746	67%												

* approximate numbers

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Consumer Protection			All other segments		
	9M/2021	9M/2022	Chg. in %	9M/2021	9M/2022	Chg. in %	9M/2021	9M/2022	Chg. in %	9M/2021	9M/2022	Chg. in %	9M/2021	9M/2022	Chg. in %
Sales	4,422	6,115	38%	1,410	1,842	31%	1,690	2,286	35%	1,119	1,726	54%	203	261	29%
Price*			25.8%			31.8%			23.8%			21.7%			23.2%
Volume*			-3.5%			-6.0%			-0.9%			-3.8%			-4.9%
Currency*			6.5%			4.8%			9.2%			3.9%			10.3%
Portfolio*			9.5%			0.0%			3.2%			32.4%			0.0%
EBIT	215	276	28%	157	140	-11%	129	250	94%	134	152	13%	-205	-266	-30%
Deprec. & amortizat.	330	397	20%	84	86	2%	127	140	10%	73	121	66%	46	50	9%
EBITDA	545	673	23%	241	226	-6%	256	390	52%	207	273	32%	-159	-216	-36%
exceptionals in EBITDA	98	82	-16%	0	0	n.m.	9	1	-89%	6	13	>100%	83	68	-18%
EBITDA pre excep.	643	755	17%	241	226	-6%	265	391	48%	213	286	34%	-76	-148	-95%
normalized D&A	327	394	20%	84	86	2%	126	140	11%	73	121	66%	44	47	7%
EBIT pre excep.	316	361	14%	157	140	-11%	139	251	81%	140	165	18%	-120	-195	-63%
exceptionals in EBIT	101	85	-16%	0	0	n.m.	10	1	-90%	6	13	>100%	85	71	-16%
Capex	241	249	3%	78	60	-23%	70	71	1%	53	86	62%	40	32	-20%
Net financial debt	2,245	3,746	67%												

* approximate numbers

Cash Flow Statement Q3 2022

€ million	Q3 2021	Q3 2022	9M 2021	9M 2022
Income before income taxes	59	120	175	278
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	119	140	330	397
Gains/losses on disposals of intangible assets and property, plant and equipment	0	4	0	3
Income from investments accounted for using the equity method	–	0	–	0
Financial losses (gains)	4	(66)	25	(17)
Income taxes refunded/paid	18	(28)	(14)	37
Changes in inventories	(70)	(166)	(209)	(534)
Changes in trade receivables	(39)	12	(175)	(80)
Changes in trade payables	(47)	30	16	17
Changes in other assets and liabilities	67	(8)	(3)	(6)
Net cash provided by operating activities – continuing operations	111	38	145	95
Net cash used in operating activities – discontinued operations	(16)	(19)	(43)	(104)
Net cash provided by (used in) operating activities – total	95	19	102	(9)
Cash outflows for purchases of intangible assets and property, plant and equipment	(98)	(98)	(241)	(249)
Cash inflows from sales of intangible assets and property, plant and equipment	0	0	0	4
Cash outflows for financial and other assets held for investment purposes	(100)	(16)	(253)	(909)
Cash inflows from financial and other assets held for investment purposes	430	1,044	1,447	1,279
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	(911)	(1,140)	(987)	(1,143)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	33	–	113	–
Interest and dividends received	1	3	7	8

€ million	Q3 2021	Q3 2022	9M 2021	9M 2022
Net cash used in (provided by) investing activities – continuing operations	(645)	(207)	86	(1,010)
Net cash used in investing activities – discontinued operations	(11)	(9)	(31)	(19)
Net cash used in (provided by) investing activities – total	(656)	(216)	55	(1,029)
Proceeds from borrowings	505	0	510	932
Repayments of borrowings	(515)	(27)	(538)	(170)
Interest paid and other financial disbursements	(2)	(2)	(42)	(40)
Proceeds from interest rate hedges	–	83	–	83
Dividend payments	0	0	(86)	(91)
Net cash used in (provided by) financing activities – continuing operations	(12)	54	(156)	714
Net cash used in financing activities – discontinued operations	(1)	(2)	(3)	(3)
Net cash used in (provided by) financing activities – total	(13)	52	(159)	711
Change in cash and cash equivalents – continuing operations	(546)	(115)	75	(201)
Change in cash and cash equivalents – discontinued operations	(28)	(30)	(77)	(126)
Change in cash and cash equivalents – total	(574)	(145)	(2)	(327)
Cash and cash equivalents at beginning of period – total	847	465	271	643
Exchange differences and other changes in cash and cash equivalents – total	1	5	5	9
Cash and cash equivalents at end of period – total	274	325	274	325
of which continuing operations	263	315	263	315
of which discontinued operations	11	10	11	10

Income Statement Q3 2022

in € million	Q3/2021	Q3/2022	Chg. in %	9M/2021	9M/2022	Chg. in %
Sales	1,581	2,185	38%	4,422	6,115	38%
Cost of sales	-1,178	-1,658	-41%	-3,282	-4,632	-41%
Gross profit	403	527	31%	1,140	1,483	30%
Selling expenses	-209	-296	-42%	-576	-773	-34%
Research and development expenses	-25	-26	-4%	-71	-76	-7%
General administration expenses	-64	-78	-22%	-193	-219	-13%
Other operating income	12	6	-50%	41	20	-51%
Other operating expenses	-48	-67	-40%	-126	-159	-26%
Operating result (EBIT)	69	66	-4%	215	276	28%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	2	1	-50%	5	5	0%
Interest expense	-16	-20	-25%	-48	-55	-15%
Other financial income and expense	4	73	>100%	3	52	>100%
Financial result	-10	54	<i>n.m.</i>	-40	2	<i>n.m.</i>
Income before income taxes	59	120	>100%	175	278	59%
Income taxes	-19	-35	-84%	-52	-79	-52%
Income after income tax from continuing operations	40	85	>100%	123	199	62%
Income after income tax from discontinued operations	34	-4	<i>n.m.</i>	115	73	-37%
Income after income taxes	74	81	9%	238	272	14%
of which attributable to non-controlling interests	0	1	>100%	0	1	>100%
Net income (attributable to LANXESS AG stockholders)	74	80	8%	238	271	14%
EPS (in €)*	0.46	0.97	>100%	1.42	2.29	61%
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	1.09	0.97	-11%	2.96	3.28	11%

* continuing operations only

Abbreviations:

Advanced Intermediates:

All Advanced Industrial Intermediates

IPG Inorganic Pigments

Specialty Additives

LAB Lubricant Additives Business

PLA Polymer Additives

RCH Rhein Chemie

Consumer Protection

F&F Flavors & Fragrances

LPT Liquid Purification Technologies

MPP Material Protection Products

SGO Saltigo