

Q2 2021 Results

LANXESS Group

Business back at pre-COVID level – Strong volume growth but higher costs and FX burden

LANXESS

Energizing Chemistry

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	Q2 2020	Q2 2021	Δ	Comments
Sales	€1,436 m	€1,831 m	+28%	↑ Strong sales growth driven by volumes and price increases - mitigated by adverse FX effect
EBITDA pre	€224 m	€277 m	+24%	↑ Significantly above previous year level due to ongoing volume growth, despite higher energy and logistic costs as well as adverse FX effect
Margin	15.6%	15.1%	-0.5 pp.	→ Margin slightly impacted by higher energy and freight costs
EPS pre	€0.86	€1.38	+60%	↑ Strong earnings reflect recovering demand despite higher energy and logistic prices as well as negative FX development
Operating cash flow	€52 m	-€10 m	-€62 m	↓ Operating cash flow impacted by significant increase in inventories due to volume uptick and inflated raw material prices and higher receivables based on increased sales
Net financial debt*	Dec 2020 €1,012 m	Jun 2021 €1,309 m	+29%	↑ Ongoing strong liquidity – increase in net financial debt partly driven by dividend payment (€86 m), which was paid in Q3 last year
Capex	€88 m	€92 m	+5%	Back on pre-pandemic level

Sales **+28%** Price **+10%** Volume **+22%** Currency **-5%** Portfolio **0%**

* Including cash, cash equivalents, short term money market investments

Advanced Intermediates*

Benefitting from strong demand –
Like-for-like above previous year level



- 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

Sales	+17%							
						Q2 2020	Q2 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€103 m	€96 m	
+10%	+11%	-4%	0%		margin	24.0%	19.0%	

Consumer Protection

Delivering against high comparable base –
Attractive bolt-on acquisitions contribute



- 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

Sales	+4%							
						Q2 2020	Q2 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€68 m	€65 m	
-1%	+5%	-2%	+2%		margin	22.6%	20.7%	

Specialty Additives*

Strong volume growth –
Recovery in several key industries



- 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.)

Sales	+29%							
						Q2 2020	Q2 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€60 m	€89 m	
+6%	+30%	-8%	0%		margin	13.6%	15.7%	

Engineering Materials

Recovery in automotive drives strong earnings –
Earnings more than doubled

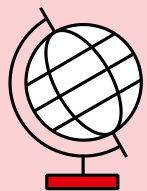


- Sales boost based on strong demand from auto industry, partly offset by negative FX
- Volumes and prices significantly increased in BU HPM; BU URE also with positive development
- EBITDA pre and margin rise on improved volumes and higher prices, despite burden from supplier's force majeure, higher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

Sales	+74%							
						Q2 2020	Q2 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€28 m	€68 m	
+29%	+50%	-5%	0%		margin	11.5%	16.0%	

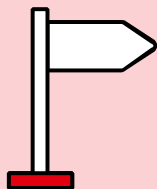
* New reporting structure as of Q1 2021: Business Line "Antioxidants and Accelerators" (AXX) shift from BU All to BU RCH (segment "Specialty Additives"); 2020 figures restated

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 2021

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

Housekeeping items 2021

Capex 2021: ~€450-500 m (incl. EKC)

Operational D&A 2021: ~€450 m (excl. EKC)

Reconciliation 2021: ~€150-160 m incl. 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

LANXESS has once again improved its sustainability ratings

MSCI ESG rating upgrade to AA

- 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

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Financial Overview Q2 2021

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Consumer Protection			Engineering Materials			Others/ Cons.		
	Q2/2020	Q2/2021	Chg. in %	Q2/2020	Q2/2021	Chg. in %	Q2/2020	Q2/2021	Chg. in %	Q2/2020	Q2/2021	Chg. in %	Q2/2020	Q2/2021	Chg. in %	Q2/2020	Q2/2021	Chg. in %
Sales	1,436	1,831	28%	430	505	17%	442	568	29%	301	314	4%	244	424	74%	19	20	5%
Price*			9.5%			10.2%			5.9%			-1.3%			28.7%			0.0%
Volume*			22.3%			10.7%			30.3%			5.3%			50.4%			5.3%
Currency*			-4.7%			-3.5%			-7.7%			-1.7%			-5.3%			0.0%
Portfolio*			0.4%			0.0%			0.0%			2.0%			0.0%			0.0%
EBIT	61	125	>100%	75	64	-15%	10	44	>100%	27	45	67%	12	49	>100%	-63	-77	-22%
Deprec. & amortizat.	137	122	-11%	28	32	14%	47	42	-11%	38	20	-47%	16	18	13%	8	10	25%
EBITDA	198	247	25%	103	96	-7%	57	86	51%	65	65	0%	28	67	>100%	-55	-67	-22%
exceptionals in EBITDA	26	30	15%	0	0	0%	3	3	0%	3	0	-100%	0	1	>100%	20	26	30%
EBITDA pre excep.	224	277	24%	103	96	-7%	60	89	48%	68	65	-4%	28	68	>100%	-35	-41	-17%
normalized D&A	118	120	2%	28	32	14%	47	41	-13%	20	20	0%	16	18	13%	7	9	29%
EBIT pre excep.	106	157	48%	75	64	-15%	13	48	>100%	48	45	-6%	12	50	>100%	-42	-50	-19%
exceptionals in EBIT	45	32	-29%	0	0	0%	3	4	33%	21	0	-100%	0	1	>100%	21	27	29%
Capex	88	92	5%	28	31	11%	20	24	20%	12	13	8%	12	12	0%	16	12	-25%
Net financial debt	1,012	1,309	29%															

* approximate numbers

Cash Flow Statement Q2 2021

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Income before income taxes	928	108	1,016	193
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	137	122	252	239
Gains on disposals of intangible assets and property, plant and equipment	(1)	0	(1)	0
Financial losses (gains)	(873)	11	(859)	21
Income taxes paid	(108)	(17)	(104)	(48)
Changes in inventories	(66)	(179)	(84)	(214)
Changes in trade receivables	208	(65)	59	(196)
Changes in trade payables	(86)	79	(100)	99
Changes in other assets and liabilities	(87)	(69)	(14)	(71)
Net cash provided by (used in) operating activities – continuing operations	52	(10)	165	23
Net cash used in operating activities – discontinued operations	(6)	(15)	(17)	(16)
Net cash provided by (used in) operating activities – total	46	(25)	148	7
Cash outflows for purchases of intangible assets and property, plant and equipment	(88)	(92)	(162)	(162)
Cash inflows from sales of intangible assets and property, plant and equipment	1	0	4	0
Cash outflows for financial and other assets held for investment purposes	(1,261)	(1)	(1,341)	(153)
Cash inflows from financial and other assets held for investment purposes	551	261	572	1,017
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	(68)	(25)	(76)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	734	80	812	80

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Interest and dividends received	151	2	153	6
Net cash provided by investing activities – continuing operations	88	182	13	712
Net cash used in investing activities – discontinued operations	0	(1)	(1)	(1)
Net cash provided by investing activities – total	88	181	12	711
Proceeds from borrowings	–	5	1,000	5
Repayments of borrowings	(1,014)	(14)	(1,027)	(25)
Interest paid and other financial disbursements	(44)	(38)	(45)	(40)
Dividend payments	–	(86)	–	(86)
Cash outflows for the acquisition of own shares	(5)	–	(37)	–
Net cash used in financing activities – continuing operations	(1,063)	(133)	(109)	(146)
Net cash used in financing activities – discontinued operations	0	0	0	0
Net cash used in financing activities – total	(1,063)	(133)	(109)	(146)
Change in cash and cash equivalents – continuing operations	(923)	39	69	589
Change in cash and cash equivalents – discontinued operations	(6)	(16)	(18)	(17)
Change in cash and cash equivalents – total	(929)	23	51	572
Cash and cash equivalents at beginning of period – total	1,271	824	296	271
Exchange differences and other changes in cash and cash equivalents – total	(2)	0	(7)	4
Cash and cash equivalents at end of period – total	340	847	340	847
of which continuing operations	340	847	340	847
of which discontinued operations	0	0	0	0

Income Statement Q2 2021

in € million	Q2 2020	Q2 2021	Chg. in %	H1 2020	H1 2021	Chg. in %
Sales	1,436	1,831	28%	3,140	3,524	12%
Cost of sales	-1,042	-1,356	-30%	-2,311	-2,622	-13%
Gross profit	394	475	21%	829	902	9%
Selling expenses	-194	-225	-16%	-396	-433	-9%
Research and development expenses	-28	-29	-4%	-54	-56	-4%
General administration expenses	-64	-70	-9%	-138	-143	-4%
Other operating income	22	18	-18%	43	32	-26%
Other operating expenses	-69	-44	36%	-119	-79	34%
Operating result (EBIT)	61	125	>100%	165	223	35%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	2	3	50%	5	4	-20%
Interest expense	-18	-16	11%	-35	-32	9%
Other financial income and expense	883	-4	<i>n.m.</i>	881	-2	<i>n.m.</i>
Financial result	867	-17	<i>n.m.</i>	851	-30	<i>n.m.</i>
Income before income taxes	928	108	-88%	1,016	193	-81%
Income taxes	-125	-31	75%	-150	-53	65%
Income after income tax from continuing operations	803	77	-90%	866	140	-84%
Income after income tax from discontinued operations	-7	23	<i>n.m.</i>	-8	24	<i>n.m.</i>
Income after income taxes	796	100	-87%	858	164	-81%
of which attributable to non-controlling interests	-2	0	<i>n.m.</i>	-4	0	<i>n.m.</i>
Net income (attributable to LANXESS AG stockholders)	798	100	-87%	862	164	-81%
EPS (in €)*	9.30	0.89	-90%	9.97	1.62	-84%
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	0.86	1.38	60%	2.03	2.55	26%

* continuing operations only

Abbreviations:

Advanced Intermediates:

AI 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

Engineering Materials

HPM High Performance Materials

URE Urethane Systems